



Company Report: Hai An Transport and Stevedoring Jsc (HAH VN)

Phí Công Linh
 (+84) 24 3573 0073 - ext: 704
 linhpc@gtjas.com.vn

19 Oct 2022

Container transportation industry update

- Container freight rate has reduced dramatically 65% from the top. Charter rates follow the freight rate as demand for container transportation sinks.
- Order – built vessel will be delivered in late 2023 and 2024, estimated about 28% of current capacity (7.1 million teus will be on the water in next 2-3 years vs current capacity of 25 million teus).
- HAH' NPAT will decrease strongly when the chartered vessel renews contract in late 2022 and 2023.
- It is challenging to estimate the bottom of the freight rate and charter rate in high inflation environment and high possibility of FED's rate hike in next few quarters.
- We believe that for recent large investment at high price in vessels team from the last 2 years, the rate of return of HAH will reduce significantly in next few years.

RECOMMENDATION

We recommend **Neutral** for HAH stock.

Recommendation:

Neutral
(Neutral)

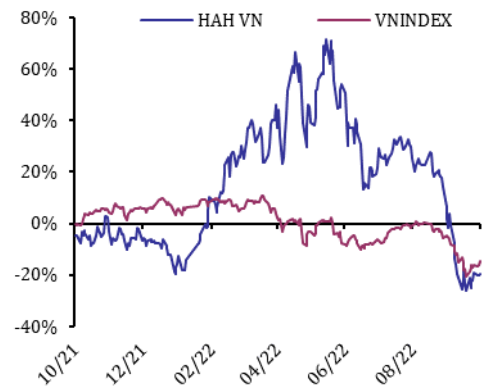
6-18m TP:

VND
(Updated)

Current price:

VND42,600

Price performance



Price change	1 M	3 M	1Y
Abs. %	-21.0%	-36.5%	-15.5%
Relative to VN index	-7.7%	-38.2%	-1.5%
Avg price (VND)	44,443	58,056	60,698

Source: Bloomberg, Guotai Junan (VN)

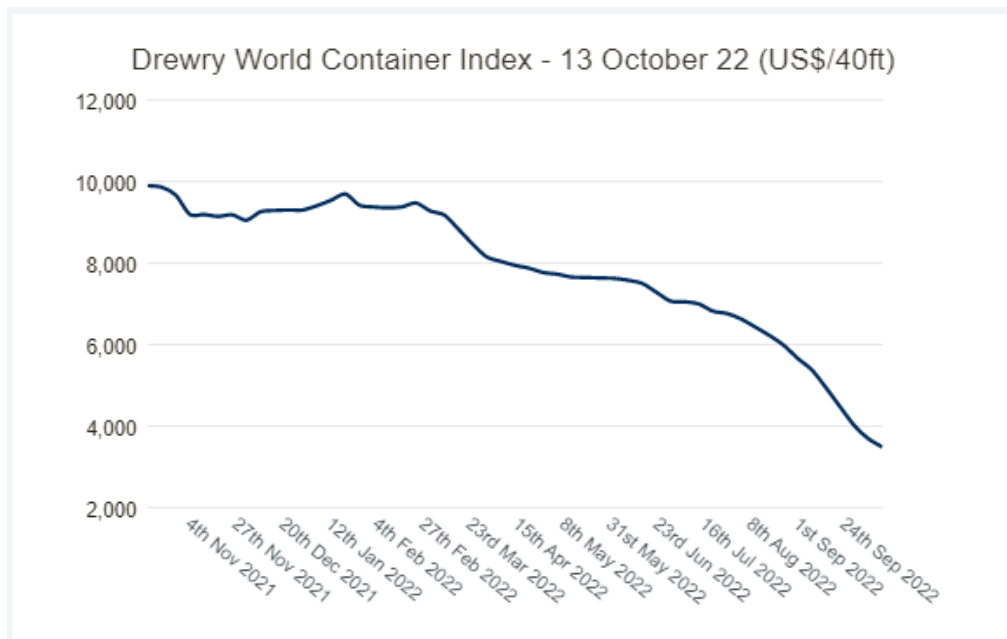
12/31	Rev (VNDb)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	BPS (VND)	DPS (VND)	Yield (%)	PBT (%)	ROA (%)	ROE (%)
2017A	778	153	2,130	15.6%	4.21	19,278	0.9	1000	47%	22.1
2018A	1,054	159	1,729	-18.8%	5.06	19,603	0.7	1,000	58%	14.1
2019A	1,109	133	2,574	48.9%	4.2	20,413	0.5	1500	58%	12.2
2020A	1,192	146	2,912	13.1%	8.5	21,908	1.1	1000	34%	12.9
2021A	1,955	445	9,175	213%	10.3	32,238	2.9	1,000	1%	23.0

Shares in issue (m)	68.295	Major shareholders (%)	Hai Ha Investment & Transport 8.15%
Market cap (VND b)	2,909	Free float (%)	66.0
3- month average vol. ('000)	1,770.0	L/E (%)	49.0
52w high/low (VND)	92,900 / 37,250		

Sources: the Company, Guotai Junan (VN).

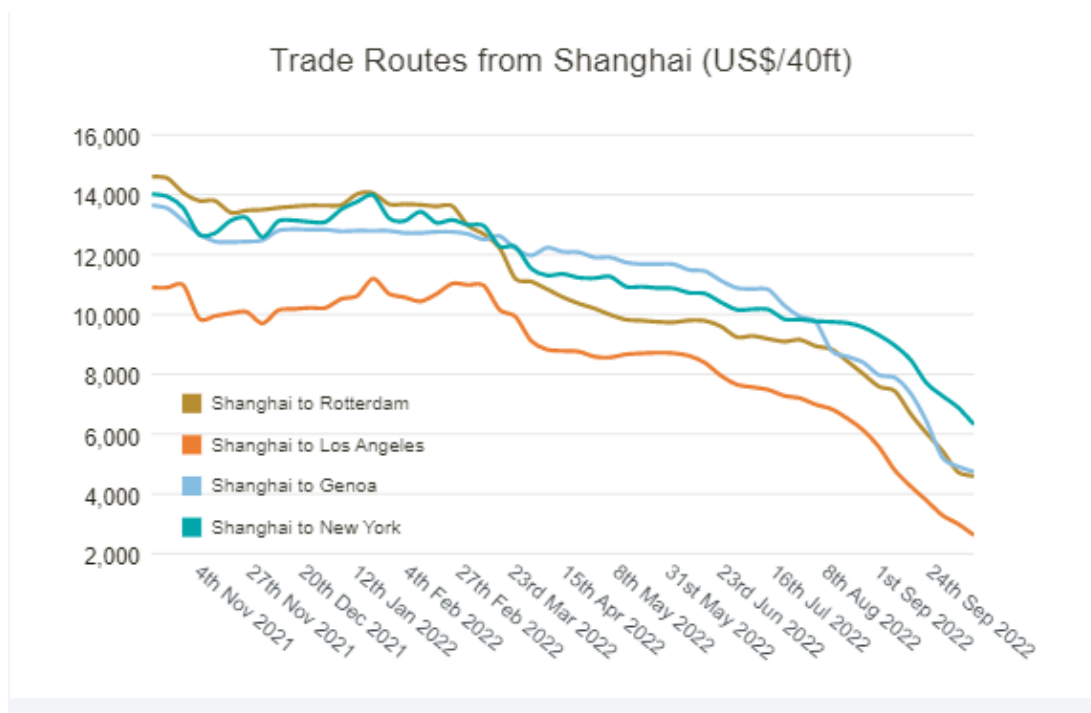
As our forecast in Q1 2022, the world's economy is in recession phase, consumption and investment are weak, interest rate increase, which impact on demand for container transportation, especially after trend of post pandemic inventory accumulation in Q1 2022 ended in Q2 2022. Container freight rate (represent by World container index) sinks 65% from the top established in Q4 2021. Charter rate across all sizes reduced 50% from the top in Q2 2022. In 2024, there are large quantity of new built orders will be on the water, pressure on the tonnage supply meanwhile demand is weak.

Chart 1- Container freight rate index WCI



Source: World container index

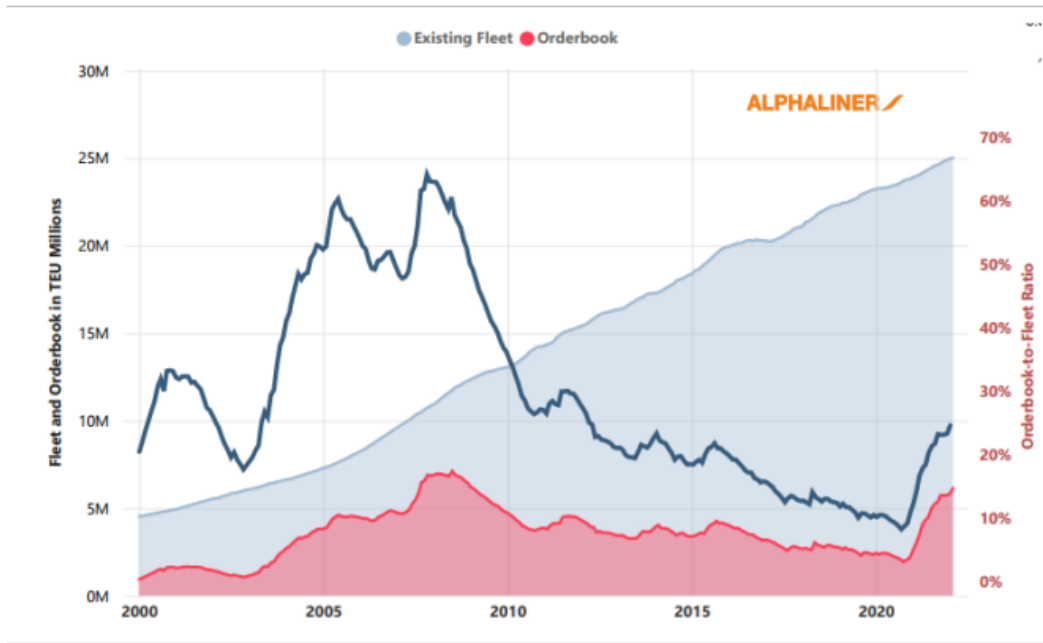
Chart 2- Container freight rate WCI for main service



Sources: World container index

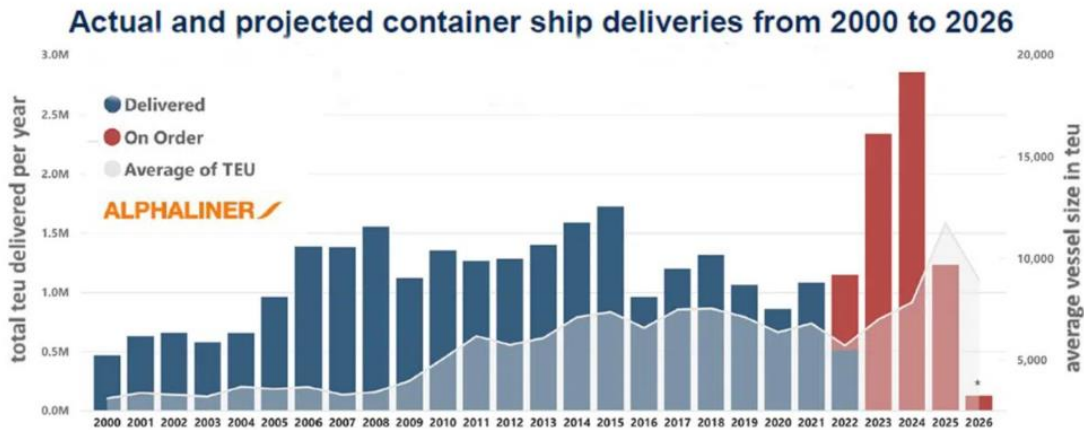


Chart 3- Built order/current fleet (teus)



Source: Alphaliner

Chart 4- Container ship deliveries



Note: Currently orderbook stretches out only to early 2026 (*) Low value for 2026 is not a forecast (Chart: Alphaliner)

Source: Alphaliner

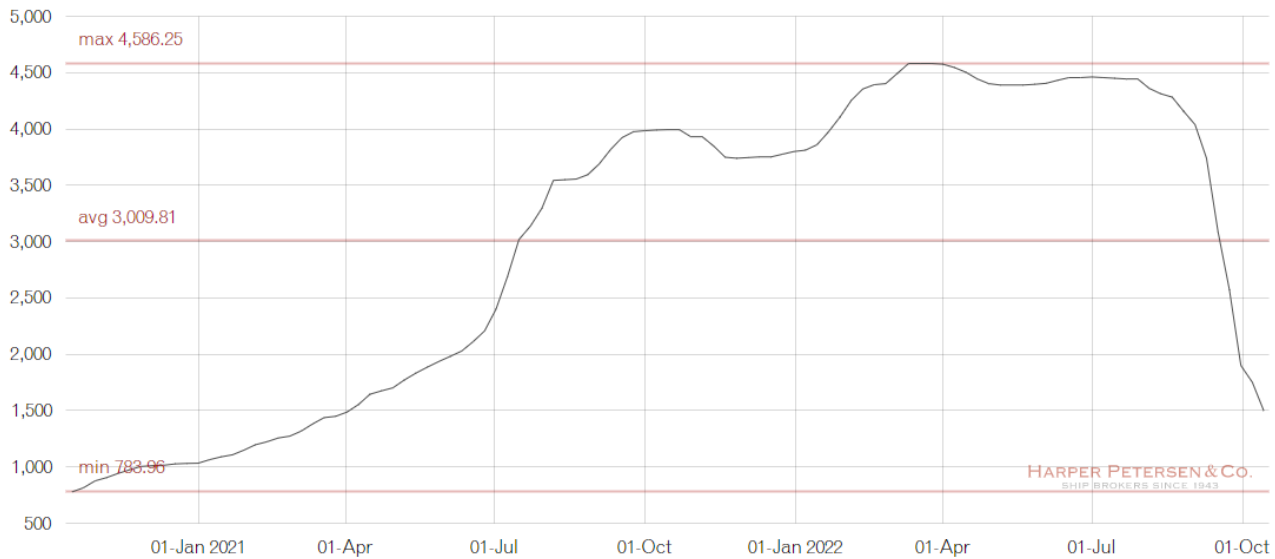
Containership Fleet ,000 Teu	Year End				01-May-22		Orderbook & Delivery Schedule					
	2018	2019	2020	2021	No.	,000teu	No.	,000teu	% Fleet	2022	2023	2024+
100-2,999 teu (Feeder)	4,067.7	4,128.8	4,242.1	4,414.4	3,157	4,463.4	358	670.2	15.0%	193.9	300.4	175.9
3-5,999 teu (Intermediate)	4,846.6	4,790.8	4,733.4	4,754.0	1,071	4,754.0	122	484.0	10.2%	21.8	241.2	220.9
6-7,999 teu (Intermediate)	1,811.7	1,811.7	1,790.9	1,790.9	268	1,790.9	104	733.8	41.0%	0.0	108.2	625.6
8-11,999 teu (Neo-P'max)	5,755.8	5,779.4	5,780.8	5,932.2	639	5,967.0	34	324.7	5.4%	141.1	23.6	160.0
12-16,999 teu (Neo-P'max)	3,435.0	3,788.2	4,019.3	4,415.4	327	4,548.0	221	3,265.5	71.8%	284.4	979.7	2,001.4
17,000 &+ teu (Post-P'max)	2,180.0	2,680.8	3,083.7	3,413.4	169	3,437.3	52	1,230.8	35.8%	143.6	757.2	330.0
TOTAL FLEET	22,096.7	22,979.5	23,650.1	24,720.4	5,631	24,960.7	891	6,709.0	26.9%	784.8	2,410.3	3,513.9
TOTAL M. DWT	266.2	275.0	281.8	293.4		296.1		72.8	24.6%	9.0	26.1	37.7
Avg Speed Index (2008=100)	76.5	74.8	73.9	75.5	YTD:	74.9	2022 avg speed vs 2021 avg: 2.2%					

12-16,999 TEU 'Neo-Panamax' includes some ships which are too large to transit the expanded locks of the Panama Canal based on current official dimension restrictions.

Source: Clarksons



Chart 5- Charter rates



Source: Harperpetersen

Charter rate by size (\$)	700	1,100	1,700	2,500	2,700	3,500	4,250	6,500	8,500
14 Oct, 2022	\$13,500	\$14,000	\$15,000	\$22,000	\$24,000	\$27,500	\$32,000	\$46,000	\$58,000
7 Oct, 2022	\$15,000	\$17,000	\$20,000	\$25,000	\$27,500	\$32,500	\$37,500	\$55,000	\$65,000
30 Sep, 2022	\$16,000	\$19,000	\$22,000	\$27,500	\$30,000	\$35,000	\$40,000	\$60,000	\$70,000
23 Sep, 2022	\$18,000	\$22,000	\$27,000	\$40,000	\$45,000	\$50,000	\$55,000	\$80,000	\$95,000

Source: Harperpetersen

In domestic market, container through put has reduce in recent months. Container through put Vietnam’ seaports increased just 2.2% in August 2022. Being impacted by the Zero Covid policy in China, domestic goods volume are also affected because domestic container transportation services are mostly feeder routes to China. Currently, domestic freight rates have decreased by 10% compared to Q3 2022. In 2023 and 2024, as previously noted, container ships leased on international routes will expire and will be put back into operation in domestic routes. putting intense pressure on supply and negatively affecting freight rates. About 45% of domestic container ships are on charter to international routes

The charter contracts of HAH’s fleet such as Haian East, Haian City and A Kibo will be renewed at the end of the year, there is high possibility that the charter price will drop sharply according to the market price (about 50% to about \$12,000 - \$15,000/day). Other ships such as Haian West, Haian Mind, Anbien Bay will renew at the end of 2023 and early 2024. Since the ships were invested at the time when the ship price peaks (about \$25 million each), the profit margin will drop significantly, leading to a decline in the secondary resale value of ships owned by HAH.

Although revenue and profit in Q2 2022 hit a record of VND929 billion in revenue (+107% YoY) and VND240 billion in NPAT (+191% YoY), we think the business results for the rest of 2022 are still stable, reach a profit after tax of VND 800 billion. However, as ship charter contracts have to be renewed at much lower prices than in current contracts, a decline in profits in the near term is inevitable. We believe that it is difficult to judge the decline in freight rates and charter rate in the context of extremely high inflation and high possibility of the FED ‘s next hawkish hike.



Valuation and recommendation

Risks of economic recession, high inflation and strong interest rate hikes by the Fed greatly affect the demand for container transportation. Rates collapsed from peaks set in Q4 2021 affecting HAH's charter rates. We believe that the huge investment in the fleets in the past year at high price will lead to a decrease in investment performance in the coming time.

We remain **Neutral for HAH stock.**



Financial Statements and Ratios

Income Statement					
Year end Dec (VND bil)	2019A	2020A	2021A	Q1/2022A	Q2/2022A
Revenue	1,109	1,192	1,955	652	929
yoy(%)	5.2%	7.5%	64.1%	-66.6%	N/A
Cost of services	(890)	(952)	(1241)	(312)	(495)
Gross profit	219	239	714	340	434
yoy(%)	0.0%	9.2%	198.4%	-52.4%	N/A
SGA expenses	(67)	(68)	(85)	(24)	(28)
Other (losses) / gains, net	3	0	20	0	(19)
Financial income	15	17	26	4	16
Finance costs	(17)	(25)	(33)	(10)	(15)
Share of profits of associates and JCEs	3	6	19	10	8
Profit before income tax	156	170	662	320	396
yoy(%)	-16.89%	9.00%	289.23%	-51.64%	N/A
Income tax expense	(23)	(24)	(112)	(58)	(72)
Profit after tax	133	147	551	263	324
yoy(%)	-16.5%	10.4%	275.6%	-52.3%	
Minority interest	11	8	105	63	85
Net profit	121	138	446	200	240
yoy(%)	-10.2%	13.9%	222.1%	-55.1%	N/A
EPS(VND)	2,488	2,835	9,133	4,099	3,510
yoy(%)	-10.2%	13.9%	222.1%	-55.1%	N/A

Cash Flow Statement					
Year end Dec (VND bil)	2019A	2020A	2021A	Q1/2022A	Q2/2022A
Profit before income tax	156	170	662	320	396
Adjustments change in WC	120	148	156	59	72
	(92)	(42)	(28)	(104)	(122)
Cash from operations	184	277	790	276	347
Capital expenditure	(198)	(349)	(620)	(537)	(197)
Cash from investing	(220)	(383)	(650)	(626)	(280)
Common stock (purchase) or sale	0	0	99	0	0
Other	7	85	25	272	63
Cash from financing	7	85	124	272	63
Cash & cash equivalents on 1st January	272	243	221	485	406
Net change in cash	(29)	(22)	264	(79)	131
Cash & cash equivalents on 31st December	243	221	485	406	539

Source: the Company, Guotai Junan (VN).

Balance Sheet					
Year end Dec (VND bil)	2019A	2020A	2021A	Q1/2022A	Q2/2022A
Current assets	665	695	1287	1,852	1634
Cash & equivalents	243	221	485	406	539
Short term investment	52	80	87	151	242
Receivable	267	308	633	1212	746
Inventory	53	46	48	60	85
Non-current assets	1163	1400	1945	2019	2702
Property plant & equipment	850	1075	1293	1251	1781
Intangible assets	4	3	4	4	4
Work in progress	12	1	7	8	8
Prepayment and other receivables	252	250	255	249	242
Investment in an associated co.	34	50	148	174	183
Other investment	10	10	20	20	20
Total assets	1828	2095	3232	3870	4336
Current liabilities	286	320	621	725	836
Account payable	1	1	1	10	9
Short-term borrowing	84	111	234	217	269
Non-current liabilities	287	438	710	1058	1119
Long-term borrowings	237	348	559	847	908
Total liabilities	573	759	1330	1783	1955
Minority interest	259	267	350	413	473
Share capital	488	488	488	488	683
Other reserves and retained earnings	508	581	1064	1186	1225
Total equity	1255	1336	1902	2087	2381
yoy (%)	3.0%	6.5%	42.4%	N/A	N/A

Financial Ratio					
	2019A	2020A	2021A	Q1/2022A	Q2/2022A
Gross margin (%)	20	20	37	52	47
Operating margin (%)	14	14	34	49	43
Net margin (%)	10.9	11.6	22.8	30.6	25.8
ROA (%)	6.6	6.6	13.8	5.2	N/A
ROE (%)	10.6	11.0	28.9	12.6	N/A
Net gearing ratio (%)	25.5	34.4	41.7	51.0	49.4
Current ratio(x)	2.3	2.2	2.1	2.6	2.0

COMPANY RATING DEFINITION

 Benchmark: **VN - Index.**

 Time Horizon: **6 to 18 months**

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

 Benchmark: **VN - Index**

 Time Horizon: **6 to 18 months**

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

DISCLAIMER

The views expressed in this report accurately reflect personal views on securities codes or the issuer of the analyst(s) in charge of the preparation of the report. Investors should consider this report as reference and should not consider this report as securities investment consulting content for making decisions on investments and Investors shall be responsible for the investments decisions. Guotai Junan Securities (Vietnam) Corp. may not be responsible for the whole or any damages, or an event(s) considered as damage(s) incurred from or in relation to the act of using all or part of the information or opinions stated in this report.

The analyst(s) responsible for the preparation of this report receive(s) remuneration based upon various factors, including the quality and accuracy of the research, clients' feedbacks, competitive factors and the revenue of the company. Guotai Junan Securities (Vietnam) Corp. and/or its members and/or its General Director and/or its staffs may have positions in any securities mentioned in this report (or in any related investments).

The analyst(s) responsible for the preparation of this report endeavours to prepare the report based on information believed to be reliable at the time of publication. Guotai Junan Securities (Vietnam) Corp. makes no representations, warranties and covenants on the completeness and accuracy of the information. Opinions and estimates expressed in this report represent views of the analyst responsible for the preparation of the report at the date of publication only and shall not be considered as Guotai Junan Securities (Vietnam) Corp.'s views and may be subject to change without notice.

This report is provided, for information providing purposes only, to Investor including institutional investors and individual clients of Guotai Junan Securities (Vietnam) Corp. in Vietnam and overseas in accordance with laws and regulations explicit and related in the country where this report is distributed, and may not constitute an offer or any specified recommendations to buy, sell or holding securities in any jurisdiction. Opinions and recommendations expressed in this report are made without taking differences regarding goals, needs, strategies and specified situations of each and every Investor(s) into consideration. Investors acknowledge that there may be conflicts of interests affecting the objectiveness of this report.

The content of this report, including but not limited to this recommendation shall not be the basis for Investors or any third party to refer to with the aim to requiring Guotai Junan Securities (Vietnam) Corp. and/or the analyst responsible for the preparation of this report to perform any obligations towards Investors or the third party in relation to the investment decisions of Investors and/or the content of this report.

This report may not be copied, reproduced, published or redistributed by any person(s) for any purposes unless upon a written acceptance by a competent representative of Guotai Junan Securities (Vietnam) Corp. Please cite sources when quoting.



GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

Phí Công Linh

Equity Analyst- Real estate sector

linhpc@gtjas.com.vn

(024) 35.730.073 – ext:704

Võ Thế Vinh

Head of Research

vinhvt@gtjas.com.vn - ext:701



CONTACT

Hanoi Head Office

HCMC Branch

Advising:
(024) 35.730.073

Stock ordering:
(024) 35.779.999

Email: info@gtjas.com.vn
Website: www.gtjai.com.vn

R9-10, 1st Floor, Charmvit Tower,
117 Trần Duy Hưng, Hà Nội

Tel:
(024) 35.730.073
Fax: (024) 35.730.088

4th Floor, No. 2 BIS, Công Trường
Quốc Tế, P. 6, Q.3, Tp.HCM

Tel:
(028) 38.239.966
Fax: (028) 38.239.696