Sector Note

CONTAINER PORTS

Ready to set sail for new opportunities

- In 9M24, most port operators enjoyed positive performances compared to last year's low base. Consequently, their market prices have sailed higher than the VN-Index year-to-date.
- We favor GMD due to its GML deep-sea port. This port holds a strategic position within the CM-TV port cluster, offering ample capacity for expansion and longer berths to lead in the handling of large vessels globally.

Stable FDI inflows to Vietnam will drive trade and raise port workloads

In recent years, Vietnam has firmly anchored itself as an open economy that is deeply integrated into the global market. FDI enterprises, known for their high efficiency and large scale, typically account for over 70% of total export value.

Taking into account Donald Trump's recent US presidential election victory, we believe FDI capital is planned for the long haul. Vietnam's robust manufacturing base, skilled workforce, and strategic location will keep it attractive to global investors, beyond any single US presidential term. Hence, we expect positive FDI inflows to Vietnam to remain solid in the upcoming years. Consequently, the high contribution of manufacturing FDI inflows will continue to drive trade and increase port operators' workloads in the coming years.

2024's recovery could face risks in 2025 if US imposes tariffs on Vietnam

Vietnam's Manufacturing PMI stayed above 50 in November, indicating improved conditions for a second month after Typhoon Yagi. However, it dropped to 50.8 from 51.2 in October, reflecting modest manufacturing growth. Andrew Harker from S&P Global noted slower output and new orders are due to weaker international demand and the largest export decline since July 2023. We expect stable exports in 4Q24 to drive throughput, with a slight increase in domestic demand.

Trump's proposed tariffs (60% on Chinese imports, 10-20% on all imports) could lead some businesses to shift from China to Vietnam, similar to the wave of investment seen in 2018-19. However, as a major trading partner with the US, Vietnam could face potential tariffs. This raises the risk of trade investigations and anti-dumping duties. Assuming these tariffs are implemented, Vietnam's export growth is projected to remain at 8% YoY. Despite the tariffs, Vietnam's tax advantage over China (60%) should help maintain its US market share. Our scenario indicates that sea-shipped products (textiles, wood products, iron & steel, and fishery) will be most affected, putting pressure on seaport throughput in the longer term.

Changes in shipping alliances can spur additional services for port operators

From 2Q25, shipping alliances will increase from three to four. OCEAN Alliance will maintain a 32.5% market share, ensuring stability until 2032 and benefiting port operators such as GMD and VSC. MSC is expanding in Asia, especially Vietnam, with investments in HTIT at Lach Huyen and a proposed partnership for the Can Gio Hub Port. This expansion will introduce more services to Asia, supporting the shift toward the Far East.

The CM-TV port cluster has bright long-term prospects

The CM-TV port cluster is a bustling hub of maritime activity in Vietnam, serving 33 international and nine domestic routes. Over the past decade, the number of large container vessels calling at Vung Tau ports has increased six-fold, with the port now able to accommodate ships with deadweight tonnage (DWT) from 80,000 to over 232,000. Additionally, CM-TV ports are highly regarded for their efficient cargo handling, with berth hours below the global average of 22.7 hours, reflecting significant investments and upgrades.

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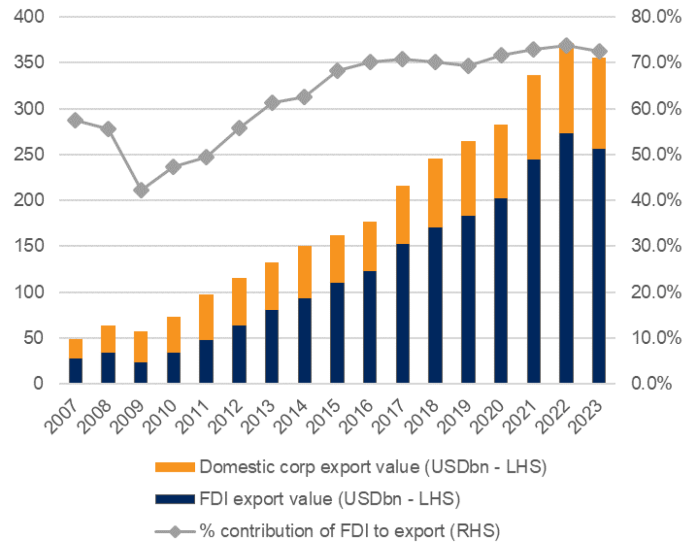
Vietnam's port industry is a rising star

FDI inflows have positioned Vietnam as a highly open economy

In recent years, Vietnam has firmly established itself as an open economy that is deeply integrated into the global market. The transition from a trade deficit to a trade surplus since 2012 marks a significant milestone, underscoring the effectiveness of the country's reform and integration policies.

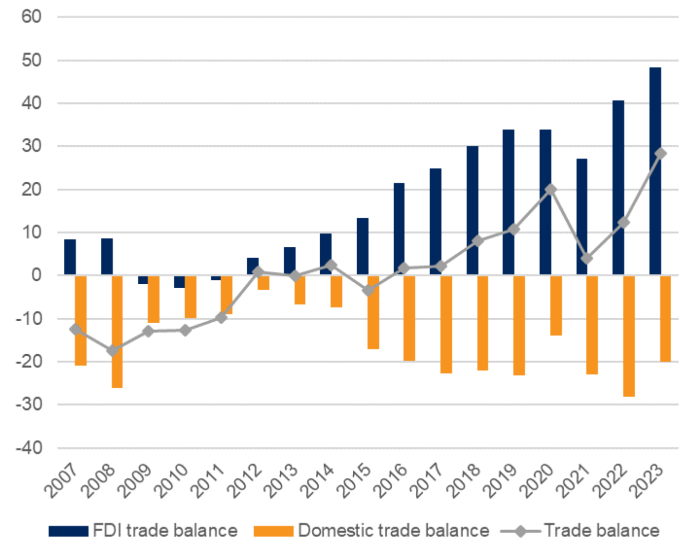
We believe that FDI is pivotal in driving Vietnam's export growth. FDI enterprises, known for their high efficiency and large scale, typically account for over 70% of total export value. The third wave of FDI, spanning from 2015 to 2019, has significantly contributed to the surge in trade.

Figure 1: FDI companies contribute 70% of Vietnam's export value…



Sources: GSO, VNDIRECT RESEARCH

Figure 2: … and contribute significantly to Vietnam's trade balance (Unit: USDbn)

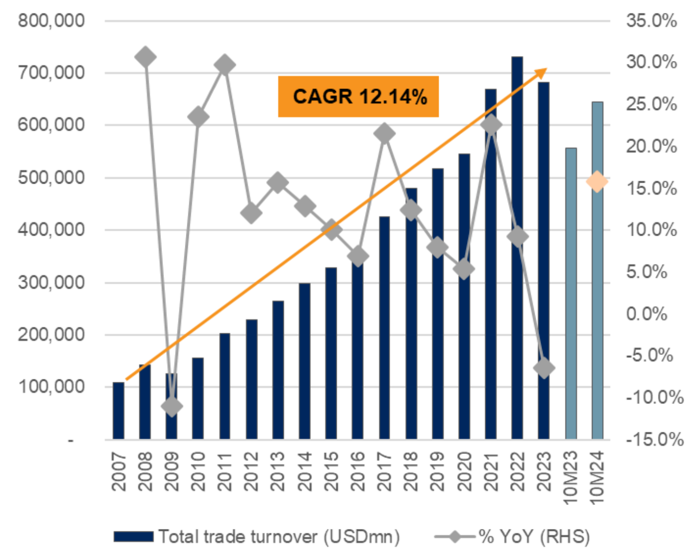


Sources: GSO, VNDIRECT RESEARCH

Figure 3 showcases the impressive growth rate of Vietnam's trade activities from 2007 to 2023, with a CAGR of 12.1%. This robust export growth has significantly boosted demand for cargo transportation through seaports, as reflected by a CAGR of 5.45% in port throughput.

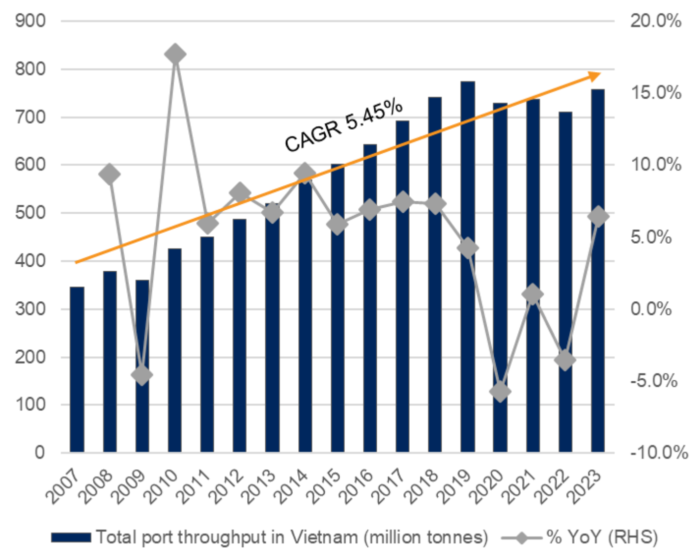
In 2023, trade declined by 6.5% YoY, yet seaport throughput increased by 6.5% YoY. We believe trading activity was mainly dragged down by a decrease in telephones, mobile phones, and parts thereof. However, this product group is not heavily transported by sea, accounting for only 3-4%.

Figure 3: Trading activity of Vietnam in 2007-23



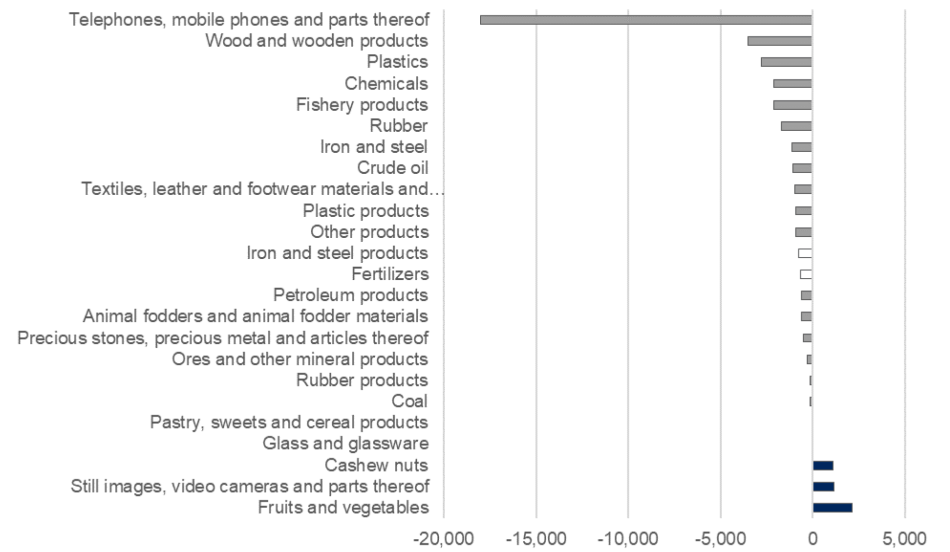
Sources: Vietnam Customs, VNDIRECT RESEARCH

Figure 4: Seaport throughput of Vietnam in 2007-23



Sources: VPA, VNDIRECT RESEARCH

Figure 5: Net change in terms of total trading turnover in 2023 (Unit: USDmn)



Sources: Vietnam Customs, VNDIRECT RESEARCH

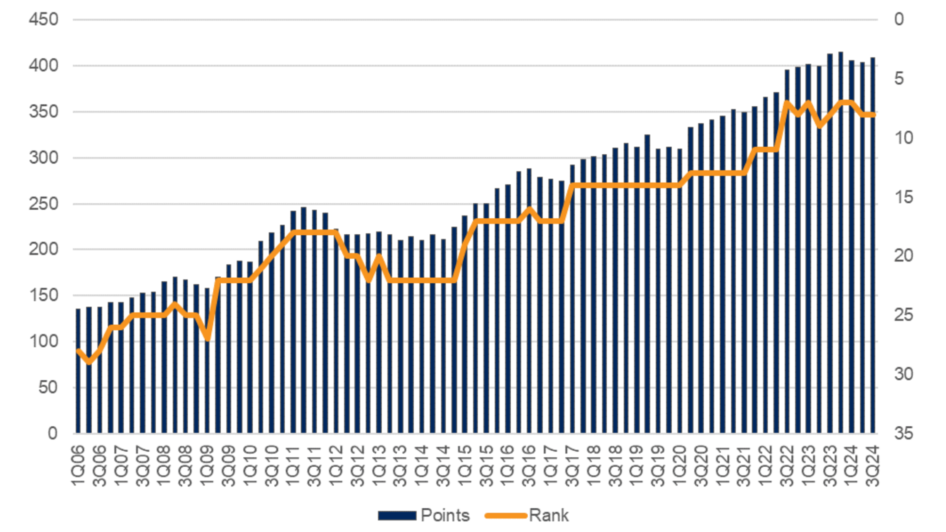
Trading location and high operational efficiency benefit the industry

Rising port connectivity due to trading position

Vietnam's Port Liner Shipping Connectivity Index (LSCI) has been on a steady upward trajectory since 2013, reflecting its increasing integration into the global shipping network. The index, which measures accessibility to global trade via maritime transport, has soared from just over 200 points to 409.1 points in 2Q24. This significant improvement has propelled Vietnam's ranking from 22nd to the top eight, signifying greater access to a robust global shipping network that enables more effective participation in international trade.

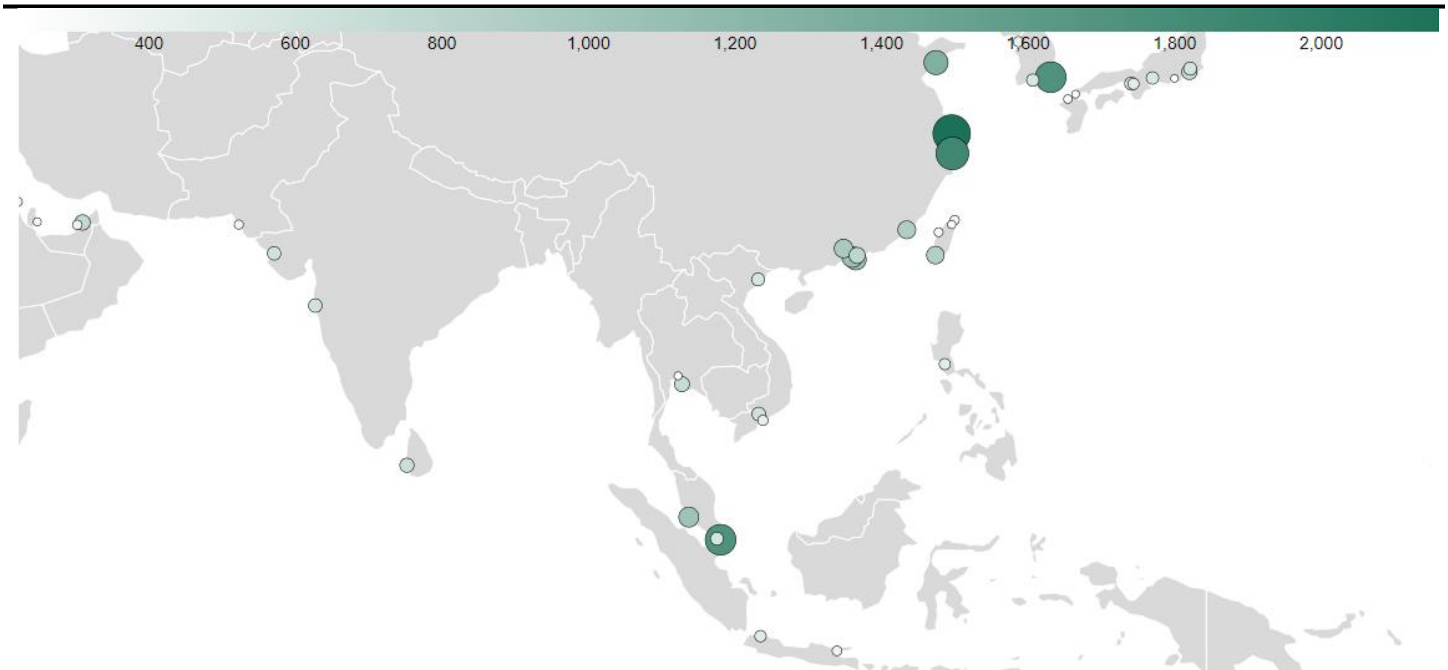
This positive momentum can be attributed to its long coastline, two major port clusters, and substantial potential for developing deep-water ports.

Figure 6: Vietnam's Port Liner Shipping Connectivity Index (LSCI) (average 1Q23 = 100 points)



Sources: MDS Transmodal, VNDIRECT RESEARCH

Figure 7: LSCI ratings in terms of port clusters



Source: MDS Transmodal

The logistics industry received good ratings…

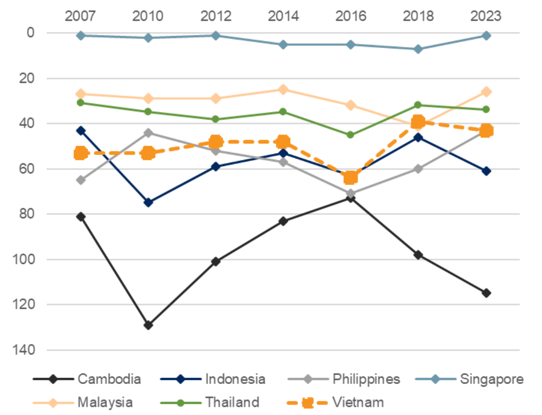
The Logistics Performance Index (LPI) Score, provided by the World Bank to assess the efficiency of trade logistics in a country, indicates that Vietnam's score has improved from 2007 to 2023. Vietnam's ranking has risen from 53rd in 2007 to 43rd in 2023, placing it among the top five ASEAN countries, behind Singapore, Malaysia, and Thailand, and on par with the Philippines. Although the 2023 ranking is slightly lower than the previous survey, Vietnam's logistics sector is generally efficient, with all six criteria scoring above 3.0. Customs scores have increased from 2.95 to 3.1, and infrastructure scores have improved from 3.01 to 3.2.

Figure 8: LPI Score in 2023

Vietnam	2007	2010	2012	2014	2016	2018	2023
LPI Score	**2.89**	**2.96**	**3.00**	**3.15**	**2.98**	**3.27**	**3.30**
LPI Grouped Rank	*53*	*53*	*48*	*48*	*64*	*39*	*43*
Customs Score	2.89	2.68	2.65	2.81	2.75	2.95	3.10
Customs Grouped Rank	*37*	*53*	*63*	*61*	*64*	*41*	*43*
Infrastructure Score	2.50	2.56	2.68	3.11	2.70	3.01	3.20
Infrastructure Grouped Rank	*60*	*66*	*72*	*44*	*70*	*47*	*47*
International Shipments Score	3.00	3.04	3.14	3.22	3.12	3.16	3.30
International Shipments Grouped Rank	*47*	*58*	*39*	*42*	*50*	*49*	*38*
Logistics Competence and Quality Score	2.80	2.89	2.68	3.09	2.88	3.40	3.20
Logistics Competence and Quality Grouped Rank	*56*	*51*	*82*	*49*	*62*	*33*	*53*
Timeliness Score	2.90	3.10	3.16	3.19	2.84	3.45	3.30
Timeliness Grouped Rank	*53*	*55*	*47*	*48*	*75*	*34*	*59*
Tracking and Tracing Score	3.30	3.44	3.64	3.49	3.50	3.67	3.40
Tracking and Tracing Grouped Rank	*17*	*76*	*38*	*56*	*56*	*40*	*41*

Sources: World Bank, VNDIRECT RESEARCH

Figure 9: ASEAN nations' LPI score ranking



Sources: World Bank, VNDIRECT RESEARCH

… mainly thanks to high operational efficiency

The Container Port Performance Index (CPPI), which measures the efficiency of a port in handling container ships, has ranked Vietnam's deep-water ports more favorably in 2023.

First, the 2023 CPPI assessment ranks the Cai Mep - Thi Vai (CM-TV) port cluster seventh overall among 405 global container ports, with an index score of 150.81 in the Large Ports category (handling over 4 million TEUs). This represents an improvement of five positions compared to 2022. Additionally, based on the Administrative Approach, CM-TV has received high ratings across various vessel sizes: intra-regional (ranked sixth), intermediate (ranked fifth), and ultra-large container carriers (ranked 13th out of 117 ports capable of accommodating such vessels).

Second, the Hai Phong port cluster has made significant progress in 2023, ascending 70 positions in the CPPI ranking to achieve an overall position of 70. Despite this advancement, the port cluster remains classified as Medium due to its annual container throughput of less than 4 million TEUs and a maximum vessel size of 13,000 TEUs, which is considered intermediate in size.

Figure 10: LPI overall ranking

Port name	Overall ranking
Cai Mep	7
Hai Phong	70
Cat Lai	111
Da Nang	115
Sai Gon	132
Chu Lai	138
Quy Nhon	188
Nghi Son	232

Sources: World Bank, S&P Global Market Intelligence, VNDIRECT RESEARCH

Figure 11: The CPPI 2023 (the Statistical Approach)

Port name	2023 rank	Index points	2022 rank	Change
Cai Mep	7	74.83	12	+5
Hai Phong	79	25.42	140	+61
Cat Lai	103	16.65	108	+5
Da Nang	108	15.45	117	+9
Sai Gon	123	12.80	119	-4
Chu Lai	133	11.49	153	+20
Quy Nhon	194	4.34	146	-48
Nghi Son	240	-0.12	New	New

Sources: World Bank, S&P Global Market Intelligence, VNDIRECT RESEARCH

Figure 12: The CPPI 2023 (the Administrative Approach)

Port name	Rank	Index points	Total calls	Rank per ship size range <1,500	1,501-5,000	5,001-8,500	8,501-13,500	>13,500	2022	Change
Cai Mep	8	150.81	924	16	6	5	46	13	13	+5
Hai Phong	67	62.31	733	136	148	53	45	NA	138	+71
Cat Lai	112	28.88	1,017	6	14	NA	NA	NA	110	-2
Da Nang	118	27.42	2,122	196	190	121	107	69	328	+210
Sai Gon	144	19.47	234	57	111	NA	NA	NA	121	-23
Chu Lai	147	18.40	92	71	120	NA	NA	NA	163	+16
Quy Nhon	181	9.76	86	162	170	NA	NA	NA	180	-1
Nghi Son	226	2.23	34	NA	211	NA	NA	NA	New	New

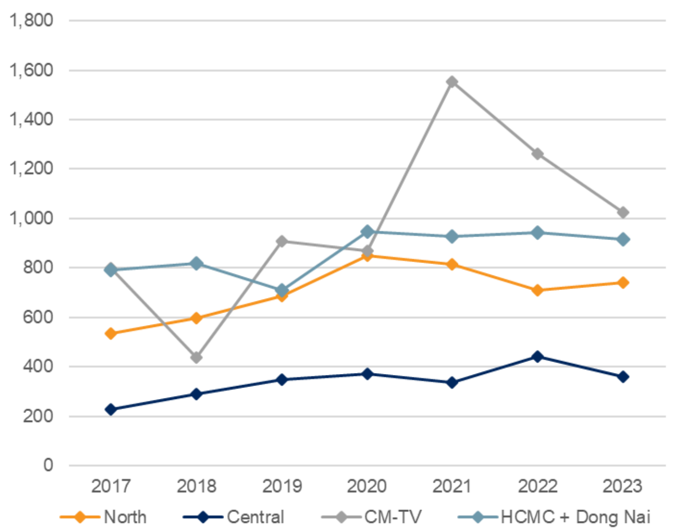
Sources: World Bank, S&P Global Market Intelligence, VNDIRECT RESEARCH

In recent years, the global shipping industry has seen a notable increase in vessel size to boost productivity and cut shipping costs. Statistics from the Vietnam Maritime Administration (VMA) reveal that the number of large vessels entering and exiting Vietnamese ports has risen over the past five years, mirroring global trends. In 2019, there were about 4,538 large vessel calls, which grew to 5,474 by 2023, marking a 20.6% increase.

The CM-TV port cluster stands out for its bustling maritime activities in Vietnam and for its capacity to serve large vessels. It serves 33 international routes (including nine within Asia, three to Europe, 10 to the East Coast of the Americas, nine to the West Coast of the Americas, and two connecting the US and Canada) and nine domestic routes. There has been a significant rise in the number of larger container vessels calling at this port cluster. Over the past decade, the number of large vessel calls at Vung Tau ports has increased six-fold, from over 300 in 2013 to over 2,100 in 2023. The port now accommodates large vessels, mainly container ships with deadweight tonnage (DWT) ranging from over 80,000 DWT to more than 232,000 DWT.

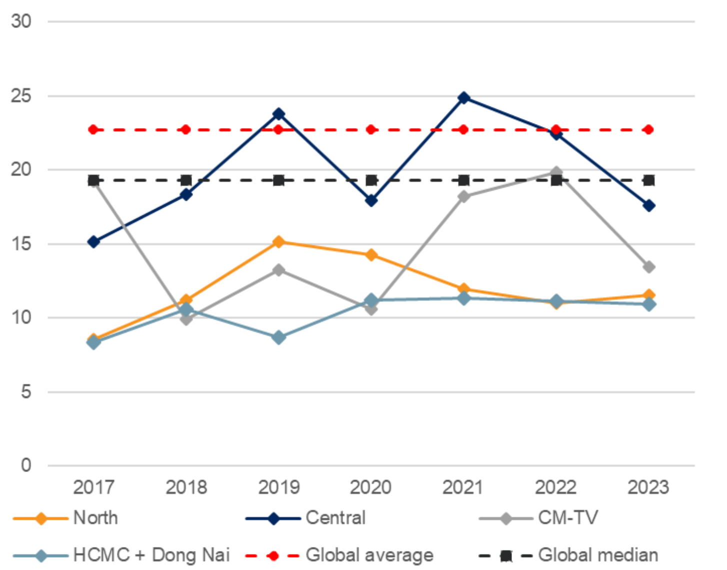
Regarding berth hours, we estimate that Vietnamese ports are typically range between 10-15 hours, which is below the global average of 22.7 hours and the median of 19.3 hours, according to S&P Global Market Intelligence's 2023 data from a sample of 4,864 calls. This reflects the efficiency of cargo handling operations and the quality of port infrastructure, which has seen significant investment and upgrades by Vietnamese port operators.

Figure 13: TEUs per call…



Sources: VPA, VNDIRECT RESEARCH

Figure 14: …and berth hours, according to our estimate (Unit: Hours per call)



Sources: VPA, S&P Global Market Intelligence, VNDIRECT RESEARCH

Key players: Led by two giants

Saigon New Port (SNP) and Vinalines (MVN) are the two leading giants in Vietnam's port industry. Both have been among the top-performing state-owned enterprises from 2020 to 2023.

SNP is Vietnam's leading company in port operations, logistics services, transportation, and maritime industries. SNP has been developing a diverse ecosystem that connects logistics centers, inland container depots (ICDs), gateway ports, and deep-water ports, maintaining strong links with import-export businesses, shipping lines, government agencies, and associations. SNP focuses on sustainable development, digital economy, green economy, and the use of clean energy.

Currently, SNP owns 16 port facilities, with HICT and SICT being the most notable. We estimate that SNP holds ~39.4% of Vietnam's container market share, with a throughput of 9.75 million TEUs in 2023.

MVN, listed on UPCOM, is a core enterprise in Vietnam's maritime industry, specializing in sea transport, port operations, and maritime services. MVN is a leader in opening up cooperation and international integration, providing maritime services globally, and significantly contributing to the development of Vietnam's maritime economy. Since 2020, VIMC has operated as a joint-stock company. Additionally, MVN owns several notable listed companies such as PHP, SGP, VOS, and CDN.

Figure 15: Container port operators' total capacity in 2023 (Unit: million TEUs)

	Hai Phong	Quang Ninh	HCMC	BR -VT	Mekong Delta	Center	Total capacity (million TEUs)
SNP (not listed)	x		**X**	x	x	x	10.46
MVN	**X**	x	x	**X**	x	x	6.5
GMD	x			**X**		x	3.35
VSC	**X**						1.45
MIPEC	X						1

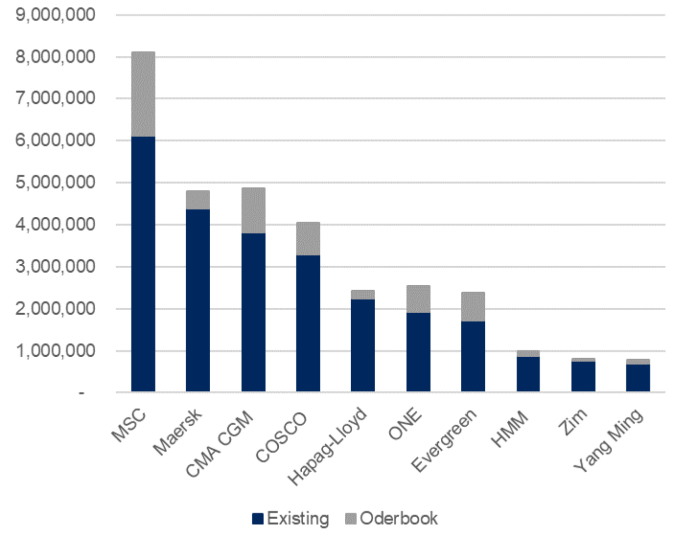
X represents its main operating regions
Source: FiinRatings

Ready to set sail for new opportunities

Shifting to the sea to embrace global shipping trends

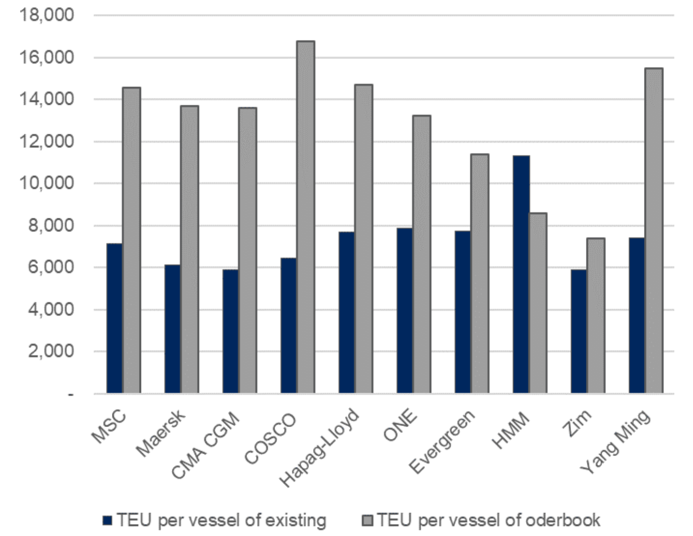
From the perspective of shipping companies, who are the primary customers of port operators, large vessels offer substantial economic benefits. Hence, demand for newbuilds of large vessels has been steadily increasing in recent years. Moreover, order books have surged following a period of high freight rates enjoyed by these shipping companies during the COVID-19 pandemic.

Figure 16: Operated and orderbook capacity of top 10 shipping lines…



Sources: Alphaliner, VNDIRECT RESEARCH

Figure 17: …and their average TEUs per vessel (Unit: TEUs)

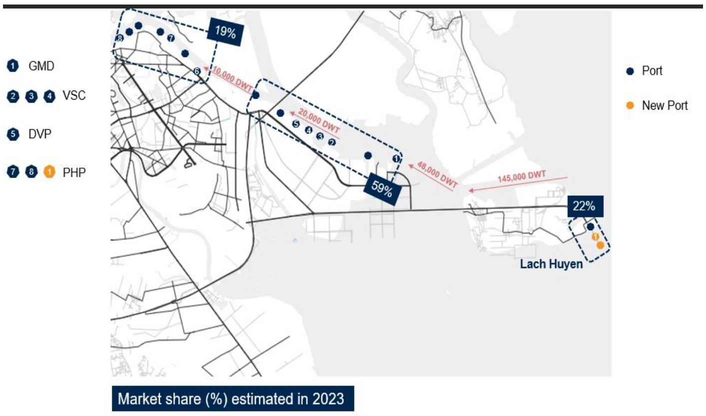


Sources: Alphaliner, VNDIRECT RESEARCH

In response to the growing trend of larger vessels, Vietnam has prioritized the development of international deep-sea ports, including **Lach Huyen,** located in Hai Phong, and **CM-TV**.

- **Lach Huyen**: An additional 2 million TEUs of capacity is expected to be operational by 2025.
  - Berths 3 and 4 (HTIT), a joint venture between Hai Phong Port JSC (PHP) and Terminal Investment Limited (TIL), MSC's subsidiary, are scheduled to commence operations from 1Q25.
  - Berths 5 and 6 (HHIT), a joint venture between HATECO Group and APM Terminals, Maersk's subsidiary, are also under rapid construction. As of September 2024, HATECO announced the completion of 78% of the project and plans to commence operations before 1Q25.

Figure 18: Hai Phong Port Cluster



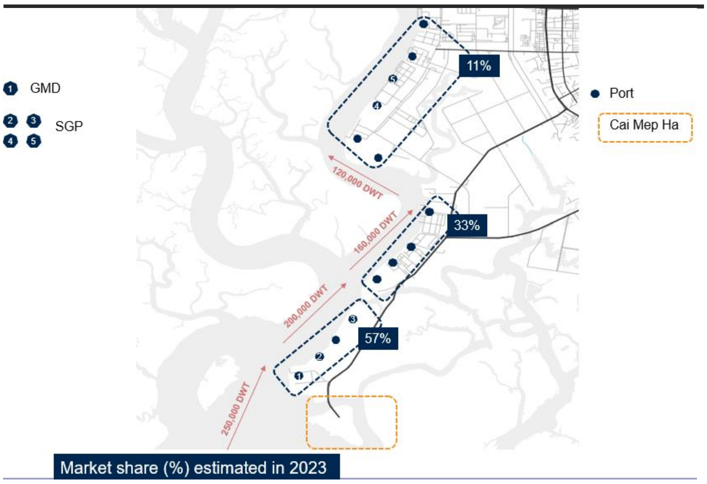
Sources: FiinRatings, VPA, VNDIRECT RESEARCH

Figure 19: Latest update on Lach Huyen (as of 10/1/2024)

Source: HATECO

- **CM-TV**: The Cai Mep Ha project is proposed with a total investment of VND50.8tn (USD2.1bn), spanning 351 hectares. A consortium of the State Capital Investment Corporation (SCIC), Geleximco Group, and International Transport and Trade Corporation (ITC) has recently proposed to invest in the construction of a multi-purpose and container port in Cai Mep Ha. Phase 1 (2024-2030) will invest in two berths with a total length of 0.9 km for vessels with a capacity of up to 250,000 DWT. Currently, BR-VT has seven ports with a planned container handling capacity of 7.66 million TEUs per year. However, the average container volume over the past three years has exceeded 8 million TEUs per year. Given that the container volume has surpassed the designed capacity of the container berths, the priority is to focus on researching and developing the Cai Mep Ha project for investment until 2030. Additionally, in November 2024, Gemalink (GML - GMD's associate) sent a letter to the Prime Minister, requesting approval for this project. GML asserted its financial capability and experience to successfully develop the Cai Mep Ha Port. We believe this will provide GML with the opportunity to expand capacity and extend the berth length at the CM-TV port cluster, enhancing its ability to accommodate larger vessels and attract more global shipping services.

Figure 20: CM-TV Port Cluster



Sources: FiinRatings, VPA, VNDIRECT RESEARCH

Figure 21: The Proposed Investment Model for the Cai Mep Ha Project

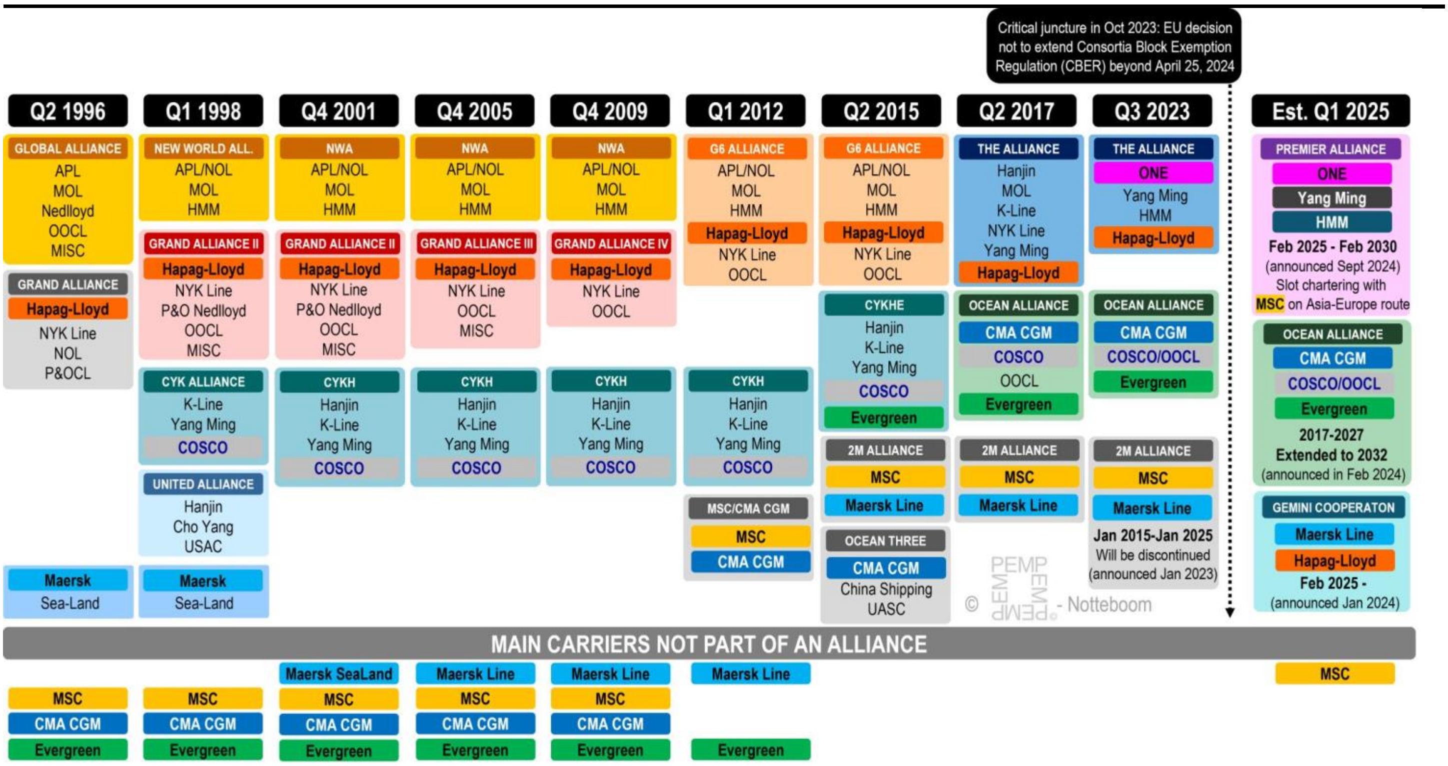
Source: Geleximco

New shipping alliances could facilitate more services

The number of alliances will increase from three to four

In early 2023, three global alliances were operational: 2M, Ocean Alliance, and THE Alliance (THEA). However, starting next February, Mediterranean Shipping Company (MSC) will operate independently as Maersk dissolves the 2M Alliance to partner with Hapag in forming the Gemini Cooperation. The remaining members of THEA, renamed Premier Alliance, - comprising ONE, HMM, and Yang Ming - will have a combined capacity of only 2.5 million TEUs without Hapag and may need to find a new member to stay competitive. Meanwhile, in May 2024, the Ocean Alliance members - CMA CGM, COSCO, and Evergreen - announced they were extending their cooperation to 2032, making it unlikely for any of them to join THEA. With the increase in the number of alliances (from three to four in total), the number of service voyages will also rise, creating excellent opportunities for businesses to attract more shipments. Moreover, the reshuffling will result in four distinct cooperatives competing for volume on the key head-haul trades, which will act as a brake on rate rises.

Figure 22: Changes in shipping alliances since 1Q25



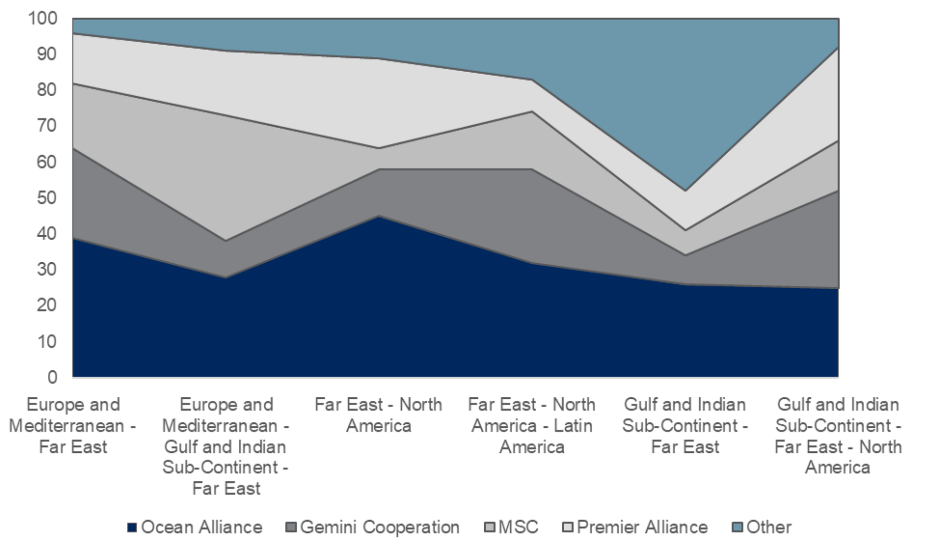
Source: Notteboom

OCEAN Alliance steady, while MSC makes its initial foray into Asian waters

The OCEAN Alliance has maintained stable services with a significant market share across major trading routes, particularly to and from the Far East, averaging 32.5%. With the alliance extended until 2032, we expect long-term stability in their services, benefiting port operators like GMD (partnered with CMA CGM) and VSC (partnered with Evergreen).

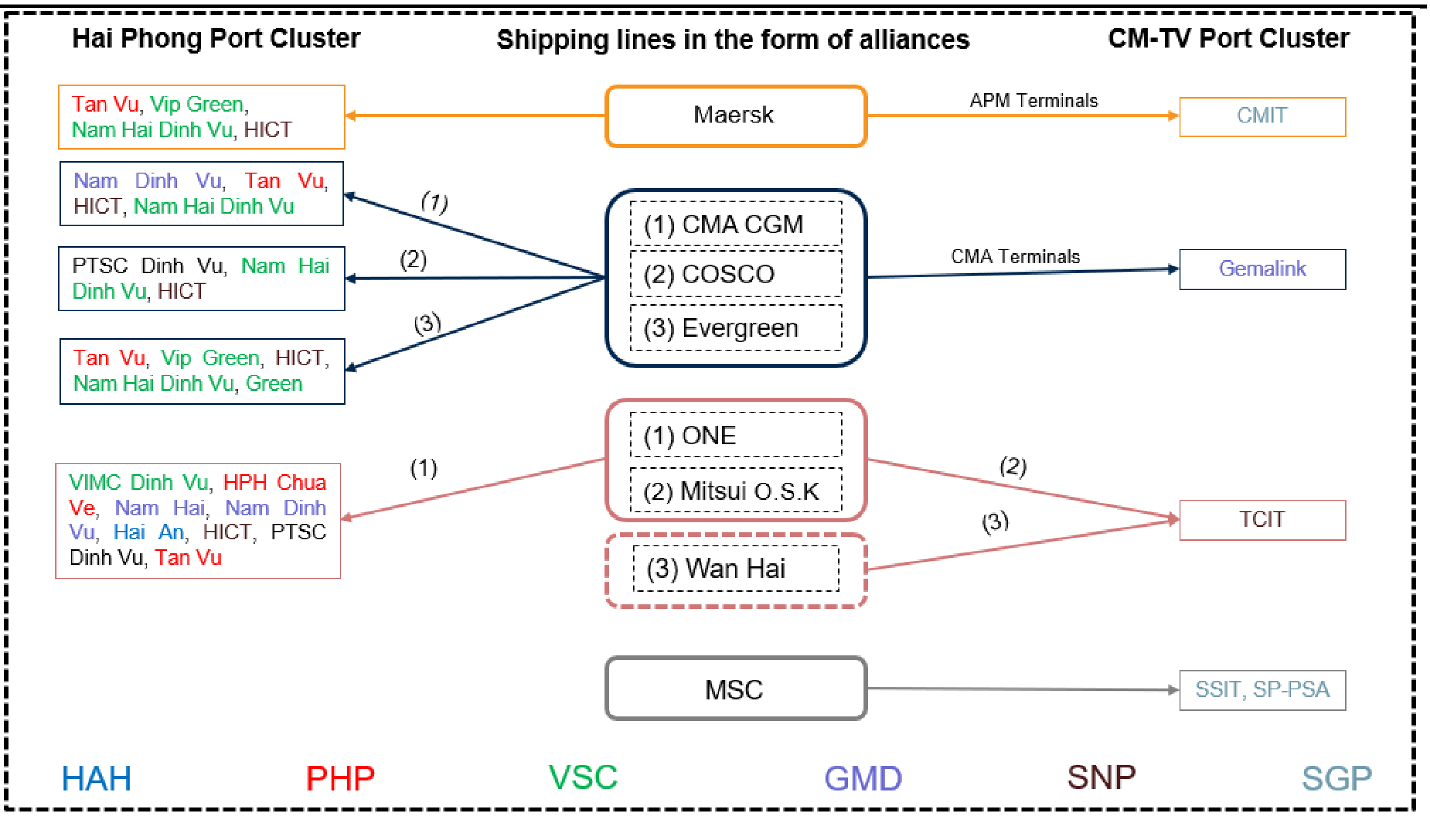
Meanwhile, MSC is making notable moves in Asia, especially in Vietnam. As mentioned, its subsidiary, TIL, is investing in HTIT at Lach Huyen and proposing a partnership for the Can Gio Hub Port with SGP, a subsidiary of MVN. This move was initiated after MSC's standalone plan of seeking a suitable location to shift cargo from Singapore. The expansion of MSC's standalone network is likely to introduce additional services to Asia, supporting the shift toward the Far East.

Figure 23: The market share of newly formed shipping alliances on major routes



Sources: UNCTAD, VNDIRECT RESEARCH

Figure 24: Services of newly formed alliances to Vietnam's listed port operators



Sources: FiinRatings, VNDIRECT RESEARCH

Sector outlook

2024 laid a solid base for growth prospects

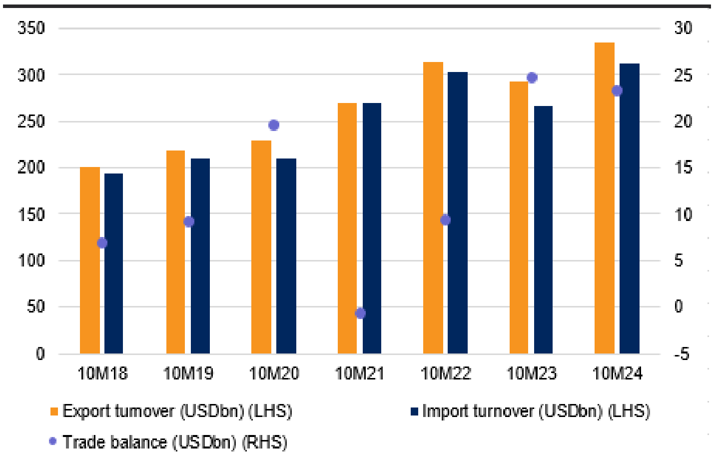
Trading activity boosted seaport throughput

According to Vietnam Customs, export turnover rose 10.2% YoY to USD35.6bn in October, up 4.6% from September despite Typhoon Yagi. For the first ten months of 2024, exports increased 14.9% YoY to USD335.6bn.

Imports in October grew 13.6% YoY to USD33.6bn, a significant improvement from the 6.2% rise in October 2023. On a monthly basis, imports rose 5.8% after a 5.9% decline in September. In 10M24, imports climbed 16.8% YoY to USD312.3bn, driven by recovering demand for intermediate products, capital goods, and raw materials, alongside a 9.6% YoY increase in the manufacturing sector.

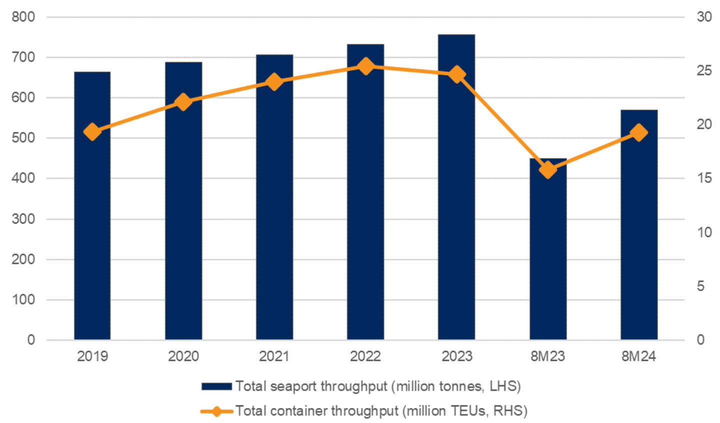
In the first eight months of 2024, Vietnamese seaports saw a 14% YoY rise in cargo throughput, reaching 570.4 million tonnes. Exports grew by 13% to 113.7 million tonnes, and imports jumped 21% to 176.9 million tonnes. Container throughput hit 19.31 million TEUs, up 22% YoY. The Vietnam Maritime Administration (VMA) forecasts that container ports will handle 24.9 million TEUs in 2024, a 0.7% increase YoY.

Figure 25: Trading activity turnover in 10M24…



Sources: Vietnam Customs, VNDIRECT RESEARCH

Figure 26: … and seaport throughput in 8M24 both recovered

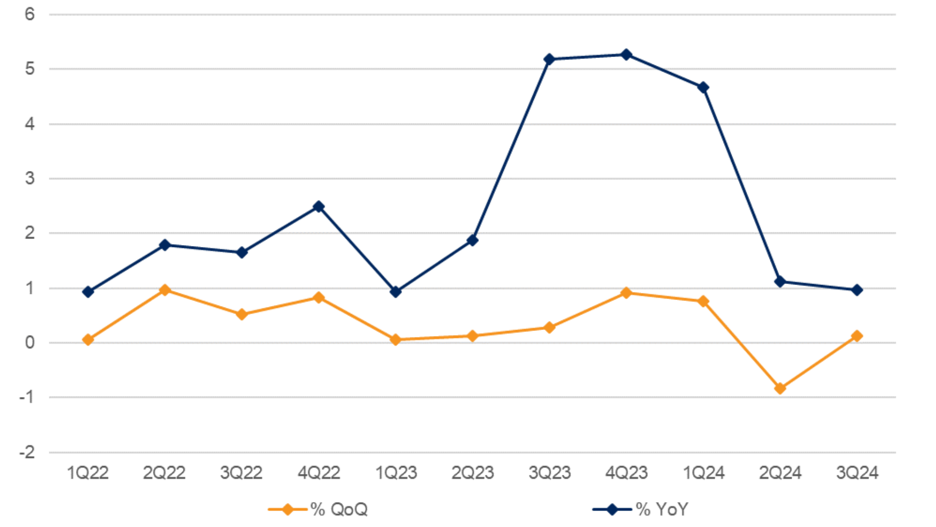


Sources: VMA, VNDIRECT RESEARCH

Prices rose in early 2024 and then stabilized

Handling service prices rose by 3-5% YoY after Circular 39/2024/TT-BGTVT took effect on February 15, 2024, supporting port operators' profit margins. In July, Circular 12 was introduced, providing more flexibility in setting handling charges. Instead of just raising minimum prices, port operators can now adjust charges up to 150% of 2018 rates. Consequently, handling service prices decreased by 0.83% QoQ in 2Q24 and increased by 0.13% QoQ in 3Q24. Overall, handling prices rose by 2.24% in the first nine months of 2024 compared to 2023.

Figure 27: Handling service prices QoQ and YoY (Unit: %)

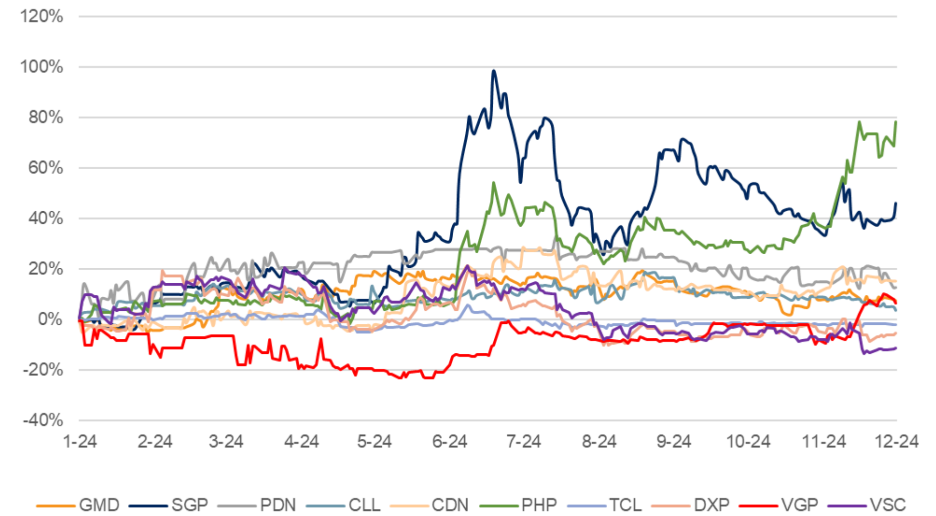


Sources: GSO, VNDIRECT RESEARCH

Hence, listed port operators' share prices and earnings responded

Given the favorable factors mentioned, listed port operators reported positive results and performances in 9M24. Most of their share prices outperformed the VN-Index as many of them recorded double-digit growth in revenue and gross profit.

Figure 28: Listed port operators' share price YTD (data as of 12/3/2024)



Sources: Bloomberg, VNDIRECT RESEARCH

Figure 29: Peer comparison (data as of 12/3/2024)

Company Name	Bloomberg Ticker	Market Cap (USDmn)	9M24 revenue growth (%)	P/E		P/B	ROE (%)		ROA (%)		Dividend yield (%)	D/E (%)	EV/EBITDA
				2023	TTM	TTM	2023	TTM	2023	TTM	TTM	2024	TTM
Domestic ports													
Gemadept Corp	GMD VN	1,043.0	15.4	9.8	18.3	2.6	28.2	14.7	16.9	9.9	3.3	20.2	13.0
Sai Gon Port JSC	SGP VN	212.9	(15.3)	12.6	17.7	1.9	11.3	11.3	5.5	5.5	2.1	3.4	9.4
Danang Port Jsc	CDN VN	118.9	13.2	9.9	10.2	1.7	16.8	17.7	12.9	13.0	2.2	19.4	5.4
Dinh Vu Port Investment & Development	DVP VN	120.3	22.0	8.7	9.3	2.2	24.0	23.3	21.1	20.7	8.8	-	7.1
Dong Nai Port Jsc	PDN VN	151.7	19.0	12.8	12.9	3.6	29.7	30.0	22.7	23.0	NA	13.6	8.5
Cat Lai Port Jsc	CLL VN	48.2	4.2	13.6	13.3	2.2	14.9	16.5	14.0	12.6	7.4	-	8.6
Port Of Hai Phong Jsc	PHP VN	469.8	(8.2)	11.9	20.6	2.3	11.8	11.8	8.3	8.3	2.3	9.4	7.9
Tancang Logistics And Stevedoring	TCL VN	41.4	13.4	10.3	10.6	1.8	20.1	17.4	15.3	12.1	17.9	2.7	5.3
Doan Xa Port Jsc	DXP VN	27.6	579.0	10.9	11.5	0.9	8.0	7.5	7.1	7.1	NA	-	10.2
Vegetexco Port Jsc	VGP VN	10.0	(19.9)	14.0	13.5	1.0	8.0	7.7	0.3	0.3	NA	NA	NA
Viconship JSC	VSC VN	181.8	27.2	34.4	21.3	1.2	4.0	5.9	2.6	3.3	-	47.6	9.9
Vietnam Average		*220.5*	*59.1*	*13.5*	*14.5*	*1.9*	*16.1*	*14.9*	*11.5*	*10.5*	*5.5*	*11.6*	*8.5*
Vietnam Median		*120.3*	*13.4*	*11.9*	*13.3*	*1.9*	*14.9*	*14.7*	*12.9*	*9.9*	*2.8*	*6.4*	*8.6*

Sources: Bloomberg, VNDIRECT RESEARCH

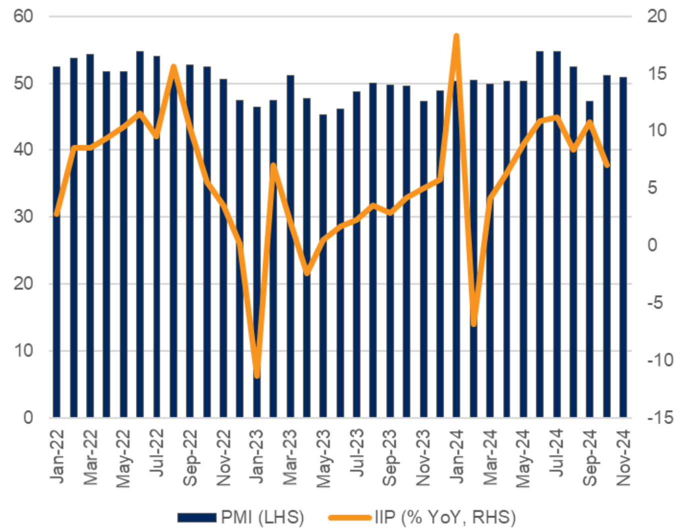
Higher YoY momentum will continue in 4Q24

Expecting stronger demand in the coming months

According to the GSO, the Industrial Production Index (IIP) in October 2024 rose by 4.0% MoM, showing a moderate recovery post-Typhoon Yagi. However, the storm's effects persist. October's 7.0% YoY growth, though modest compared to 8.3% YoY in September, hasn't reached the double-digit levels seen from May to August 2024. For 10M24, the IIP increased by 8.3% YoY, indicating strong industrial growth.

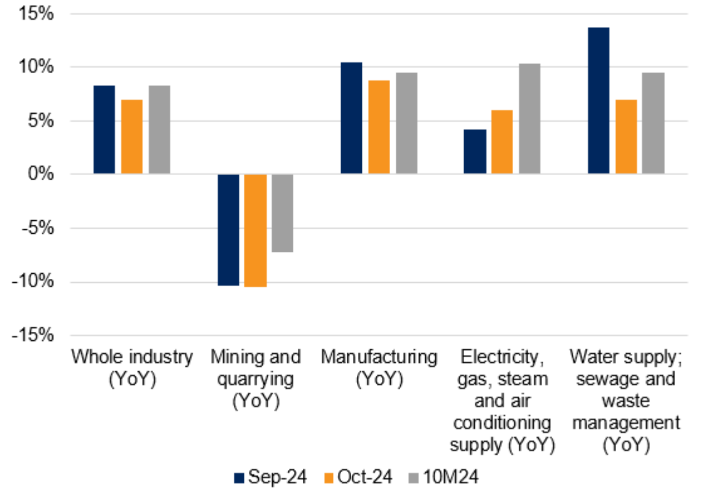
Vietnam's Manufacturing PMI remained above 50 in November, indicating improved business conditions for a second consecutive month after the disruption caused by Typhoon Yagi in September. However, the PMI dropped to 50.8 from 51.2 in October, reflecting only modest manufacturing growth. Andrew Harker from S&P Global Market Intelligence noted that while the sector grew, the pace of output and new orders slowed, reflecting weaker international demand and the largest export decline since July 2023. Companies are focusing on cost control, leading to reduced employment and limited capacity to meet orders on time. Harker hopes that stronger demand in the coming months will boost confidence and capacity.

Figure 30: Vietnam's PMI indicated a recovery in the manufacturing sector before a temporary decline due to Typhoon Yagi (data as of 12/3/2024)



Sources: S&P Global, VNDIRECT RESEARCH

Figure 31: Vietnam's quarterly Index of Industrial Production (IIP) by major sub-sector



Sources: GSO, VNDIRECT RESEARCH

Services prices expected to be little changed in upcoming months

The Ministry of Transport (MoT) announced Circular 31/2024/TT-BGTVT, effective January 15, 2025, which supplements Circular 12/2024/TT-BGTVT. The new pricing framework remains unchanged. The new regulations add several port services to the price declaration list, including maritime pilotage, use of docks, berths, and mooring buoys, container handling, ship towing, handling of dry, bulk, and liquid cargo, mooring and unmooring services, storage services, cargo tallying, stuffing and unstuffing at ports, issuance of transport documents for containers passing through ports, container sealing and unsealing, container cleaning, and environmental services, including waste collection, sorting, and treatment from ship operations at ports.

2025 US tariffs could impact container volume

Trump's proposed 60% tariff on Chinese imports and a 10-20% universal tariff on all imports could significantly impact the global economy, including Vietnam. The US, Vietnam's largest trading partner, accounts for ~29% of Vietnam's export turnover. The trade deficit between the US and Vietnam, along with increasing Chinese FDI into Vietnam, raises the risk of trade investigations and anti-dumping duties on Vietnamese exports.

Assuming a 60% tariff on China and a 10-20% universal tariff, Vietnam's export growth is projected to remain steady at 8% YoY. Despite the tariffs, Vietnam's tax advantage over China (~60%) should help maintain its market share in US imports.

The tariff hike's impact on Vietnam's exports will depend on the tariff rate, implementation timing, and the competitiveness of US substitutes and other exporters. Key export groups affected include electrical products, textiles & footwear, machinery & equipment, wood & wooden products, iron & steel, and fishery, which made up nearly 80% of US imports from Vietnam in 2023. While consumer goods exports may suffer from inflation, exports serving US businesses could benefit from lower corporate taxes and fewer regulations.

As a result, our scenario suggests that products primarily shipped by sea will be most affected. Consequently, we expect an increase in volume due to "front-loading" demand in the short term. This will likely put pressure on seaport throughput as US export orders face the impact of tariffs.

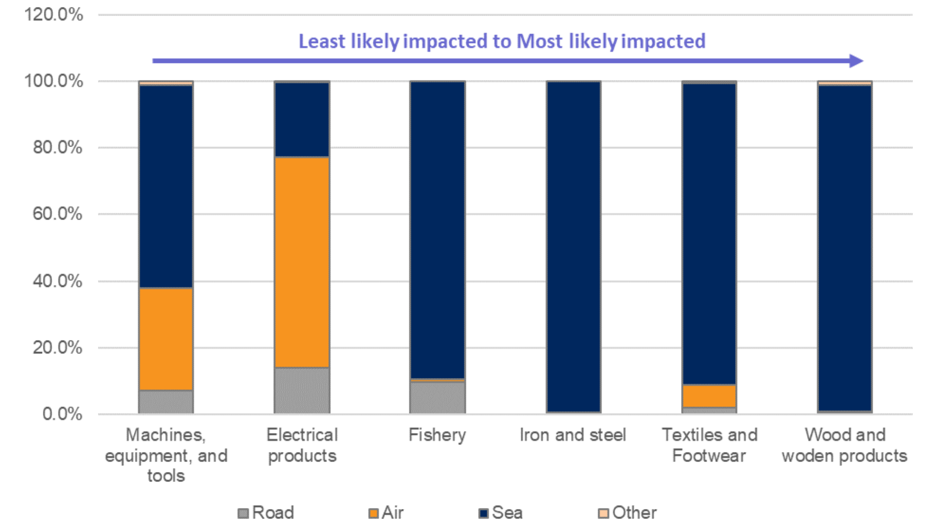
Figure 32: Assessment of the impact of tariff hikes on each of Vietnam's major export product groups to the US under the base scenario and potential negative scenario

Least likely impacted to Most likely impacted

Product groups	Share of US market/total Vietnam's export turnover (2023)	Comments
Wood and wooden products	54.1%	During President Trump's first term, the US conducted several anti-dumping investigations on wood and wooden products from Vietnam, particularly Vietnamese wood exports originating from other countries like China and then exported to the US. Additionally, given the current low tariff rate of ~2% and the significant proportion of exports to the US market (accounting for 54% of Vietnam's total wood and wooden product exports), this sector is susceptible to the negative impact of potential US tax increases.
Textiles and Footwear	40.6%	The sector's high existing tariff rate (~15%) mitigates the impact of potential tariff increases. Moreover, Vietnam's competitive advantage in labor costs, tax differentials, and a skilled workforce positions it to gain market share from China if Chinese textile exports to the US are subjected to high tariffs of up to 60%. According to the World Bank, in 2022, China remained the largest textile exporter to the US (accounting for over 26% of market share), followed by Vietnam (nearly 14% market share), India (nearly 9% market share), and Bangladesh (7% market share). However, in a negative scenario, if Vietnam also faces additional tariffs, it could lead to a loss of advantage and market share to other competitors such as India and Bangladesh.
Iron and steel	10.8%	Given the current high tariff rate (~8%) and the relatively low proportion of exports to the US market, the initial impression is that this sector seems less vulnerable to the potential tariff hike. However, the biggest threat will come from increased competitive pressure from Chinese steel products in other export markets. If the US imposes high tariffs on Chinese steel, it could trigger a wave of cheap Chinese steel flooding other markets, thereby increasing competitive pressure on Vietnam's steel exports. At the same time, the margins of Vietnamese steel exporting companies could be squeezed as competition with Chinese steel in many markets becomes more intense. However, the relatively small share the US has in China's total steel export volume (about 1-2%) will help mitigate the negative impact of this concern.
Fishery	17.4%	Vietnam's seafood exports to the US, including shrimp and pangasius, have continuously faced anti-dumping investigations in the US over the years. This has driven the trend of diversifying export markets, thereby helping to mitigate risks from US protectionist policies. Additionally, the direct competitor of Vietnamese pangasius, Chinese tilapia, may face significantly higher tariffs, allowing Vietnamese pangasius to gain more market share in the US. For shrimp, Vietnam's main competitors, such as Indonesia, Ecuador, and India, also face similar protectionist policies from the US. However, weakened consumer demand still has certain negative impacts on Vietnam's seafood exports to the US.
Electrical products	22.1%	In the context of this being a strategically competitive sector between the US and China, Vietnam can seize the opportunity to integrate more deeply into the supply chain and gradually become a reliable trade partner with the US. Although this sector faces potential risks from tariff increases (from the current low level of less than 1%), the motivation for Trump to protect this sector remains a big question mark, as most technology companies in California have long been supporters of the Democratic Party. Additionally, a significant portion of Vietnam's electronics exports to the US comes from the supply chains of long-time US allies such as South Korea, Japan, and Taiwan.
Machines, equipment, and tools	41.8%	Trump proposed lowering the corporate tax rate to 15% for US manufacturers, which could stimulate a wave of factory investments and production expansion in the US, thereby increasing demand for imported machinery and equipment, including from Vietnam. On the other hand, the high share of the US market in Vietnam's total machinery and equipment export value (above 40%) and the current low tariff rate (around 2%) could raise concerns of increasing vulnerability if the US imposes additional tariffs on them. Nevertheless, we believe demand for machinery, equipment and business services will be boosted by tax cuts and may more than offset the impacts of tariffs.

Source: VNDIRECT RESEARCH

Figure 33: Proportion of exported groups in terms of transport method



Sources: Vietnam Customs, VNDIRECT RESEARCH

Vietnam FDI inflows post Republican takeover

We also believe escalating US-China trade tensions may influence FDI flows to Vietnam. While China remains a significant source of FDI, accounting for 13.3% of newly registered FDI in 10M24, a potential slowdown in Chinese FDI following increasing trade remedies from the US cannot be ruled out. However, this geopolitical shift could present an opportunity for Vietnam to attract increased FDI from other US allies, such as South Korea, Taiwan, and Japan, who still have to import from China. With China being the “culprit” in the eyes of Trump, those US ally countries may further consider shifting production or supply chain segments to Vietnam to mitigate risks associated with the US-China trade war, leading to a fresh wave of diversification of Vietnam's FDI sources in the medium term.

Overall, we believe rather than basing investment decisions on one US presidential term that lasts four years, FDI capital is planned for the long haul, and Vietnam's well-established manufacturing base, skilled workforce, and strategic geographic location will continue to make it an attractive destination for global investors.

Long-term prospect in two major port clusters

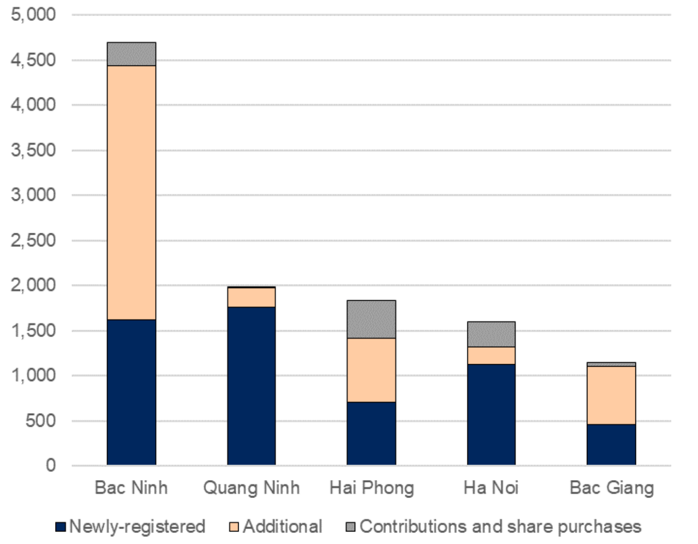
Hai Phong cushioned by existing major projects, yet new ventures cool

In 2024, Hai Phong’s FDI inflows faced competition from other regions, especially Quang Ninh. In the first nine months, Hai Phong attracted only USD1.7bn in FDI. Throughout October, Typhoon Yagi left Hai Phong nearly unchanged with no significant new FDI projects. However, in mid-November, Hai Phong made a breakthrough. At an investment certificate awarding conference, Hai Phong awarded 12 certificates to foreign investors, totaling USD1.8bn in FDI.

The largest project was the expansion of LG Display Vietnam Hai Phong, adding USD1bn in FDI, increasing total investment to USD5.65bn. These projects raised total FDI to USD3.5bn. Hai Phong is expected to attract about USD4bn in FDI in 2024, 1.8x the target. This result likely secures Hai Phong's position among the top three FDI-attracting localities.

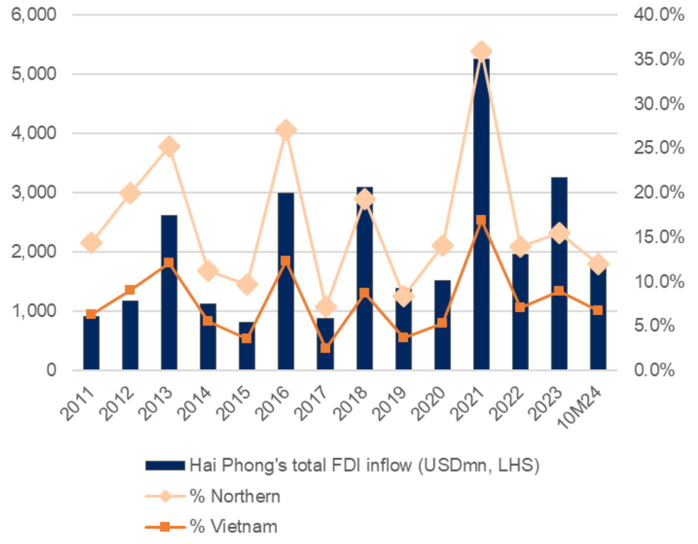
By the end of 2024, Hai Phong will likely record a decrease in newly registered FDI YoY of ~USD719mn, down from 2023. However, this is expected to improve in 2025 with HTIT and HHIT operations boosting Hai Phong's competitive edge and attracting new projects. Consequently, the port cluster should become more vibrant.

Figure 34: Top five Northern region FDI inflows in 10M24 (Unit: USDmn)



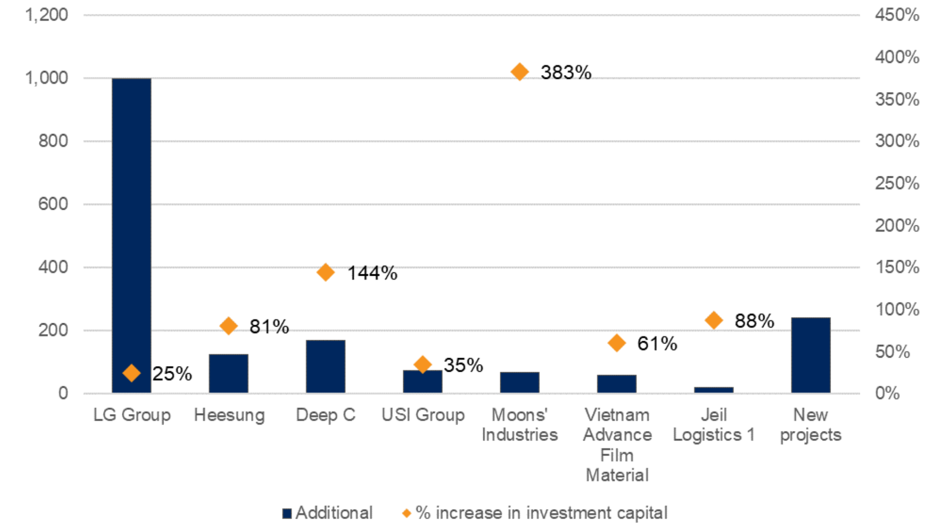
Sources: MPI, VNDIRECT RESEARCH

Figure 35: Hai Phong's contributions of FDI inflow to Northern region and Vietnam



Sources: MPI, VNDIRECT RESEARCH

Figure 36: 12 projects in Hai Phong granted investment certificates in November (Unit: USDmn)



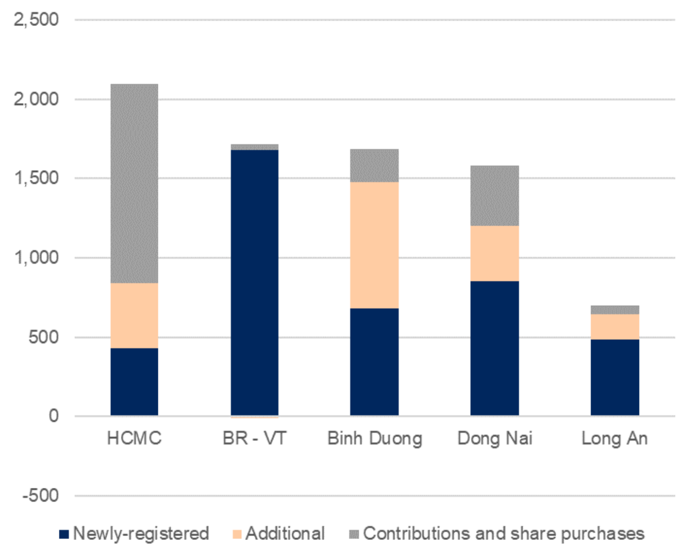
Source: VNIC

The CM-TV port cluster is a star

Based on the Vietnamese Government's port development plan through 2030, we believe that the CM-TV area will continue to be highly regarded as a gateway port and international transshipment hub, creating bright future prospects for operators looking to expand capacity and capitalize on growth opportunities. Furthermore, with high global ratings, CM-TV will maintain its ability to attract additional international container routes.

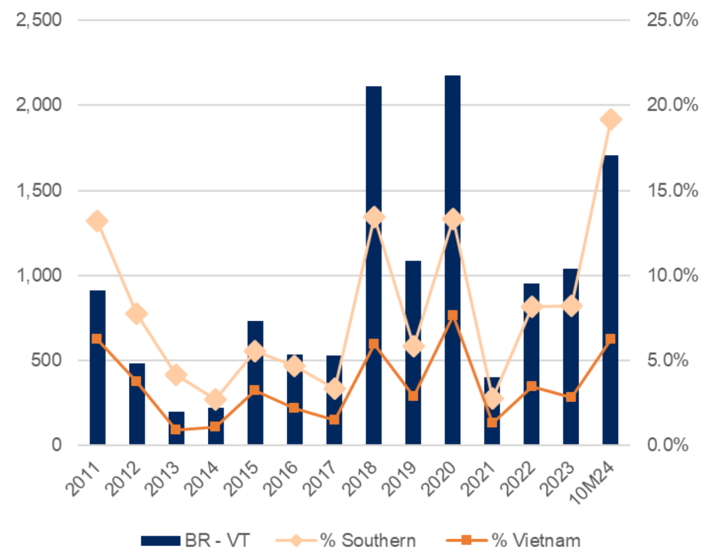
Moreover, BR-VT's robust FDI attraction is driven by two key factors: 1) competitive rental prices compared to other major southern provinces; and 2) increasingly synchronized transportation infrastructure. These favorable conditions are expected to boost export-import cargo volumes in the CM-TV area, making it a hotspot for future growth.

Figure 37: BR-VT takes the lead in terms of newly registered FDI in Southern regions in 10M24 (Unit: USDmn)



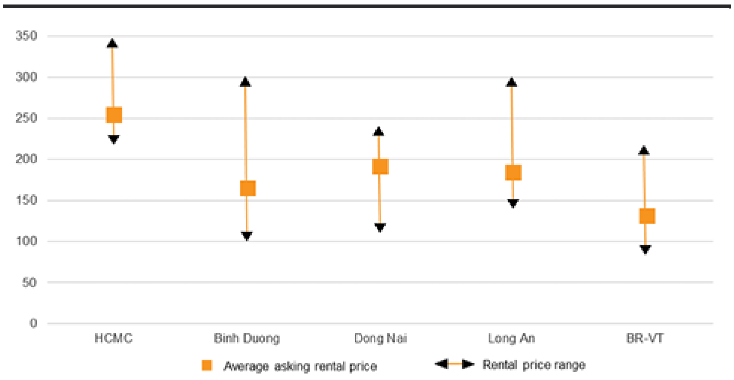
Sources: MPI, VNDIRECT RESEARCH

Figure 38: Positive FDI inflows to BR-VT has been maintained since 2021 (Unit LHS: USDmn)



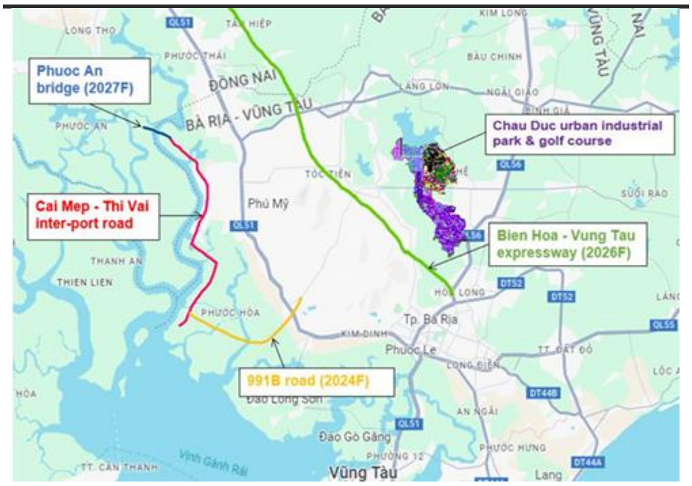
Sources: MPI, VNDIRECT RESEARCH

Figure 39: BR-VT has competitive rental prices compared to other key southern provinces (Unit: USD/sqm/lease term)



Sources: CBRE, VARS, Cushman & Wakefield, VNDIRECT RESEARCH

Figure 40: Infrastructure connection system of BR-VT will increasingly improve



Sources: MPI, VNDIRECT RESEARCH

We choose GMD due to its long-term prospects

Figure 41: We prefer GMD due to its potential in CM-TV port cluster (data as of 12/3/2024)

Stock information:

Price MoM (%)	-0.5%
Price YoY (%)	11.4%
Target Price (VND)	73,700
Upside (%)	13.9%
Dividend Yield (%)	3.4%
Market cap (USDmn)	1,057
3MADTV (USDmn)	2.9
Foreign Room (USDmn)	517.4

Financial summary	FY23A	FY24E	FY25F	FY26F
Revenue growth	(1.3%)	18.8%	7.6%	10.5%
EPS growth	120.2%	(48.8%)	(9.1%)	12.9%
Gross margin	46.2%	45.8%	43.8%	43.5%
Operating profit growth	6.1%	17.2%	0.6%	8.7%
Net profit margin	57.8%	33.7%	28.4%	29.1%
P/E (x)	9.1	17.7	19.5	17.2
Rolling P/B (x)	2.4	2.2	1.9	1.8
ROAE	28.7%	14.6%	10.6%	11.0%
Net debt to equity	20.2%	12.3%	9.3%	7.4%

Investment thesis:

Favorable macro indicators to maintain positive momentum in 4Q24

We revise up our net revenue forecast by 4.7% compared to our latest update report for FY24 to reach VND4.5tn (USD180mn). This revision is mainly driven by higher-than-expected container volume in GMD's port system. In detail, net revenue for 9M24 jumped 22.5% YoY to VND3.45tn (USD136.4mn), reaching 79.1% of our forecast. As a result, we raise our forecast for total container throughput (excluding GML) by 17.5% to reach 2.9 million TEUs in FY24. Vietnam's PMI increased to 51.2 in October 2024, and we believe this will maintain positive momentum in 4Q24.

Nam Dinh Vu 3 (NDV 3) to start contributing in 4Q25

According to GMD, Nam Dinh Vu 3 (NDV 3) began construction in October 2024 and is expected to start operations in 4Q25, increasing GMD's total capacity by 31%. As most of GMD's ports operate at full capacity, we forecast a slight 0.6% YoY rise in operating profit for FY25, marking 2.8x growth from FY20 and a CAGR of 22.8% from 2020 to 2025. We also expect a 10.5% revenue surge, with NDV 3 fulfilling 65% of its capacity in FY26.

Gemalink (GML) secures long-term growth prospects

In 10M24, BR-VT experienced a 98% YoY increase in FDI, leading the Southern provinces. This is expected to boost export-import volumes in CM-TV, making it a growth hotspot. We believe this will support GML's long-term prospects because: 1) its expansion plans will double its capacity, making it the largest port in the CM-TV cluster; and 2) GML's volume remains stable due to a solid operating strategy from its main partner.

GMD deserves a premium P/B as the best listed port operator

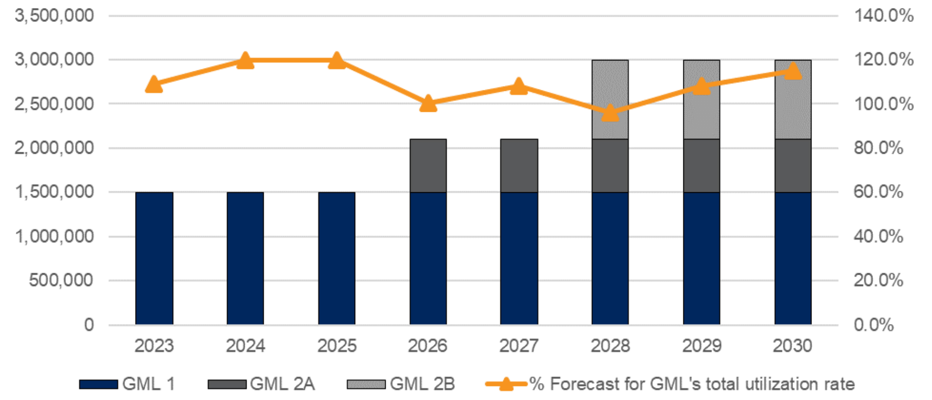
Compared to the book value as of September 30, 2024, the current price reflects a P/B of 2.5x, which is higher than domestic peers (1.9x) and the regional average (2.5x). Our target price implies a P/B of 2.5, which is at the +1 standard deviation level.

According to the BoD, GMD will continue to invest in expanding the GML port with two upcoming phases, GML 2A and GML 2B.

- GML 2A: This phase will increase capacity by 600,000 TEUs, with a total investment estimated at ~VND3.8tn (USD152.3mn). The project is expected to commence in 2Q25 and become operational by 3Q26.
- GML 2B: This phase will add an additional 900,000 TEUs, with total investment projected at VND5.1tn (USD204.4mn). The BoD anticipates that GML 2B will begin once GML 2A reaches 70% capacity. It is estimated that GML 2B will start in 3Q27 and become operational by 3Q28.

These two projects will boost GML's total capacity to 3 million TEUs per year (from 1.5 million TEUs in 2024), making it one of the largest container ports in the CM-TV international gateway port area. In terms of partnerships, GMD is also open to collaborating with other major shipping partners to diversify cargo sources in the region.

Figure 42: Our forecast of GML's capacity and utilization rate in 2023-2030 (Unit: TEU)



Source: VNDIRECT RESEARCH

Appendix: Can Gio Hub Port, a game changer

Can Gio reflects interest of world's largest shippers in Vietnam…

MSC is planning to invest in the Can Gio transshipment port project. This project is proposed by Saigon Port Corporation (SGP) and TIL - MSC's subsidiary. Previously, MSC shared the Tanjung Pelepas transshipment port in Malaysia with Maersk. If the Can Gio project proceeds on schedule and MSC's investment is approved, MSC plans to shift its transshipment volume to Can Gio.

According to MoT document No. 9008/BC-BGTVT dated August 20, 2024, the project has thoroughly assessed the conditions for establishing the Can Gio port area. This includes a reduction of ~30-70% in international transshipment distance compared to shipping to Singapore, proximity to the Vung Tau - Thi Vai shipping route with a depth of about -15.5 meters, enabling it to receive vessels up to 232,494 DWT, and lower handling costs compared to Singapore.

As of October 3, 2024, Deputy Prime Minister Tran Hong Ha has signed document No. 746/TTg-CN on the project to study the construction of the Can Gio International Transshipment Port. The Deputy Prime Minister has included the Can Gio International Transshipment Port in the Vietnam Port System Development Plan for 2021-2030, with a vision extending to 2050.

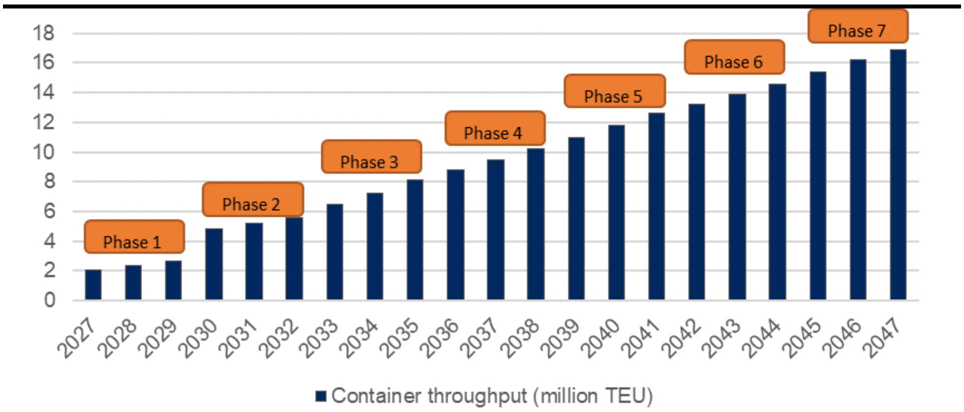
Figure 43: The Can Gio International Transshipment Port Model

Source: Portcoast

On December 2, in Ba Ria – Vung Tau province, Prime Minister Pham Minh Chinh, Chairman of the Southeast Region Coordination Council, chaired the 5th Council Meeting with the theme: "Double-Digit Economic Growth in the Southeast Region by 2025: Challenges, Opportunities, and Solutions." Regarding the Can Gio International Transshipment Port Project, the Prime Minister assigned the Ministry of Transport to coordinate with the Ministry of Planning and Investment to complete procedures by December 2024. Additionally, efforts will focus on finalizing the anti-flood project in Ho Chi Minh City, proposing solutions to remaining challenges in 2024, and implementing them in early 2025.

Construction is slated to begin by the end of May 2025. The Can Gio port aims to become Vietnam's largest port, with projected total investment of USD6bn, ~7.2 km of wharves, and the capacity to accommodate large container vessels of about 24,000 TEUs, with an overall capacity of ~10-15 million TEUs. Specifically, the port is expected to handle 2.1 million TEUs in its first year of operation. After seven investment phases, the port's cargo volume is projected to reach 16.9 million TEUs over the next twenty years.

Figure 44: Seven phases of Can Gio Project



Sources: Portcoast, VNDIRECT RESEARCH

…as this project offers promising prospects

Strategic and favorable position in global trading map

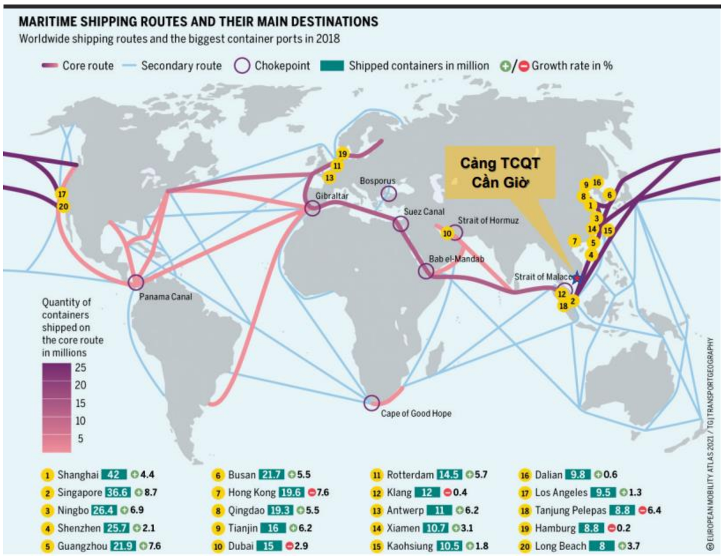
A Portcoast report highlights that the international transshipment port at Can Gio, located opposite the CM-TV port cluster, is ideally positioned for international transshipment. Its proximity to major maritime routes and location within the dynamic Southern Key Economic Region (SKER) offers significant advantages for maritime, shipbuilding, and logistics industries.

The port's strategic position between Singapore and Hong Kong makes it optimal for both domestic and international transshipment. Developing this hub allows Vietnamese exports to North America and Europe to be transshipped directly at Can Gio, enhancing Vietnam's role in global maritime trade.

Figure 45: Can Gio Port's favorable location in the region…

Source: Portcoast

Figure 46:… and global trading activity



Source: Portcoast

Competitive fees can increase the port's attractiveness to shipping lines

With significantly more competitive fees compared to Singapore, Can Gio Port promises to become an attractive destination for shipping companies. The handling costs at Can Gio are only about half of those in Singapore for regular containers and around 56% for empty containers. For transshipment cargo, this figure is even more impressive, at only 40-60% compared to competitors. The cost advantage not only helps significantly reduce transportation costs for maritime businesses but also contributes to attracting investment, boosting production and exports, and driving economic growth.

Figure 47: Comparative costs of transshipping cargo on a 2,500 TEU feeder vessel at Can Gio and Singapore

Port	Fuel fee	Shipping charges	Total	Gap (Can Gio - Singapore)
Can Gio	513,881,500	8,820	513,890,320	(509,261,307)
Singapore	1,023,149,600	2,027	1,023,151,627	

Sources: Portcoast, VNDIRECT RESEARCH

Figure 48: Handling costs in Can Gio compared to Singapore

	Proposed tariff at Can Gio		Singapore		Gap	
Cargo type	20ft	40ft	20ft	40ft	20ft	40ft
Import/Export						
Regular container	60.0	88.0	129.4	185.4	-69.4	-97.4
Empty container	40.0	56.0	69.2	101.6	-29.2	-45.6
Transshipment						
Regular container	60.0	88.0	99.2	150.9	-39.2	-62.9
Empty container	40.0	56.0	99.2	150.9	-59.2	-94.9
LoLo Barge						
Regular container	15.0	23.0	47.4	71.1	-32.4	-48.1
Empty container	15.0	23.0	17.3	25.9	-2.3	-2.9

Sources: Portcoast, VNDIRECT RESEARCH

Overall, we believe that with its favorable geographical location and competitive costs, Can Gio has the potential to become a logistics hub in the region, enhancing Vietnam's position on the global maritime trade map.

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Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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