

Sector Overview

Vietnam Logistics Market 2017

Prepared by StoxPlus for Amcham
Ho Chi Minh City, September 27th, 2017

www.biinform.com





- Date of incorporation: March 11, 2008
- Number of staff: 80 (as of Aug 2015) including Data Analysts, Content Editors, Researchers, Product Developers.

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- Company Report
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Our Differentiators

Combine data-driven analysis with local and practical market insights

COMPREHENSIVE DATABASE	LOCAL INSIGHTS	GLOBAL EXPERIENCE	FULL SPECTRUM OF SERVICES
<ul style="list-style-type: none">• A full database of key sectors and companies• Validation of data to provide most accurate information	<ul style="list-style-type: none">• On-the-ground study and in-depth knowledge of industries covered• Partners from industry players to Government agencies (CIC, NFSC, GSO,...)• Network with top experts in all sectors	<ul style="list-style-type: none">• Seasonal experts and analysts with international experience in the US, UK, and Australia	<ul style="list-style-type: none">• The only one-stop-shop for all your information needs, from basic company reports to premium advisory services to execution

Our Focused Sectors

Our sector expertise and participation of industry experts ensure information comprehensiveness and in-depth analysis



Consumer Finance



Cement



PET Packaging



Healthcare Services



Banking



State-owned Enterprises



Building Materials(Concrete)



Fertilizer



Logistics



Flexible Packaging



Pharmaceuticals



Food & Beverage

Logistics 2017 Report

We have released Vietnam Logistics Market Report 2017 - our second issue on this sector

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VIETNAM LOGISTIC MARKET REPORT 2016

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Vietnam Logistics Market 2016 Report
January 10, 2017 | By Biinform Division

Total Page: 114 Pages
Format: PDF
Topic: Industrial Transportation
Delivery: within 1 day(s)
Rating: ★★★★★ (5/5) - 1 Ratings

VNDmn 55.0
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Vietnam Logistics Market Report 2017

Vietnam Cold Storage Market Report 2017

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Vietnam Cold Storage Market 2016

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Vietnam Cold Storage Market 2016
June 25, 2016 | By Biinform

Total Page: 71 Pages
Format: PDF
Topic: (Industrial Transportation/Support Services/Food Producers)
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Rating: ★★★★★ (5/5) - 7 Ratings

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Client Portfolio

We serve mostly foreign companies who are operating in Vietnam or want to expand their businesses in Vietnam market

FINANCIAL INSTITUTIONS



INDUSTRIALS



OTHERS



THE WORLD BANK



Japan Economic Research Institute Inc.



RECOF



JBIC

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SECTION 1: SECTOR OVERVIEW

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SECTION 2: MARKET POTENTIAL

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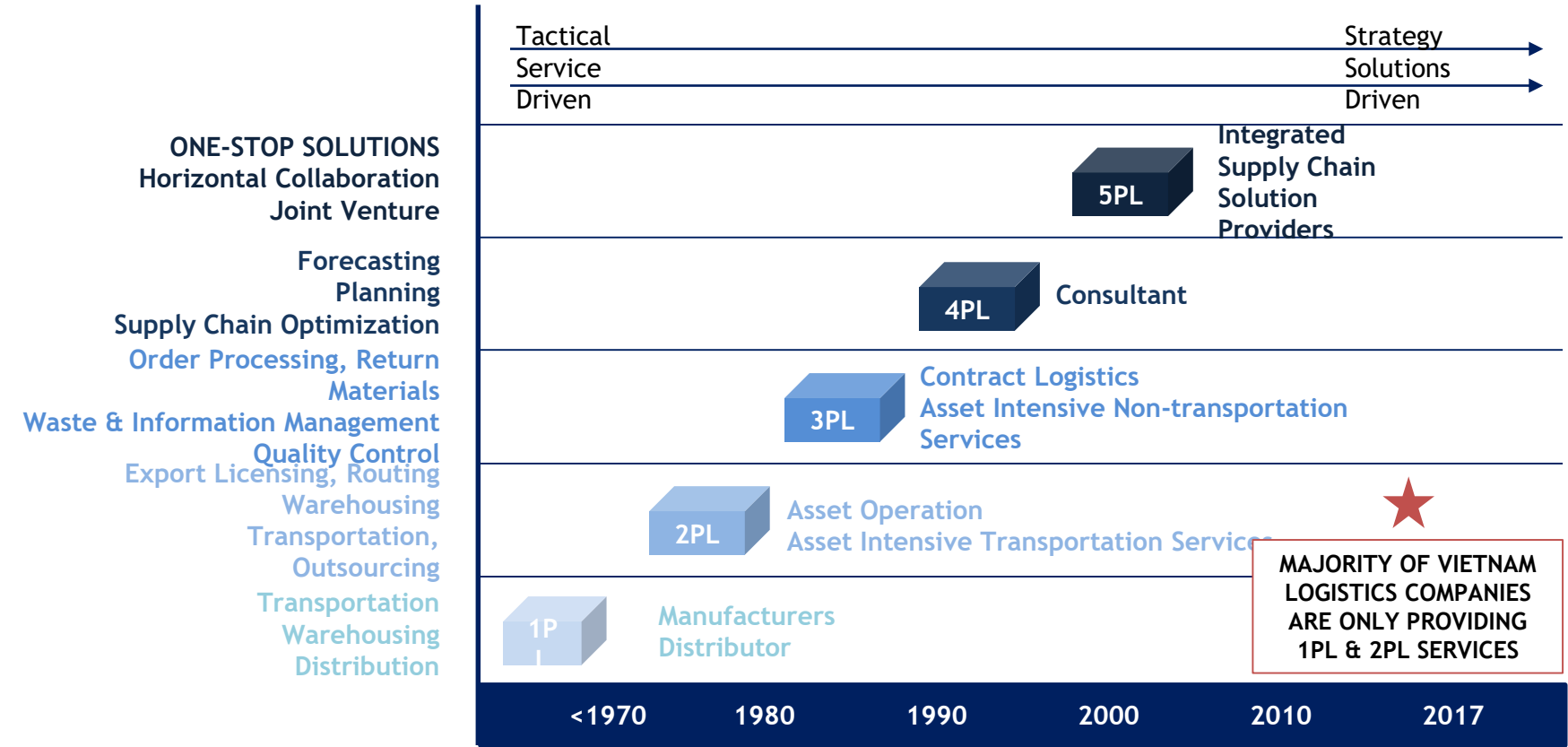
SECTION 3: KEY TRENDS

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SECTION 4: FOREIGN INVESTMENT

Vietnam logistics sector is still in the early development stage, far behind compared to other developed countries

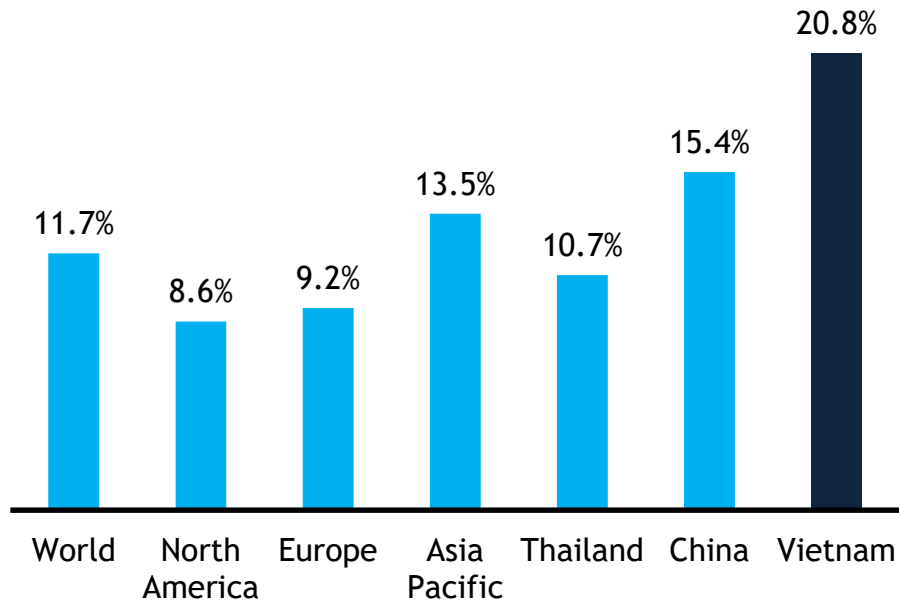
Growth Stage of Global Logistics Sector



Source: StoxPlus

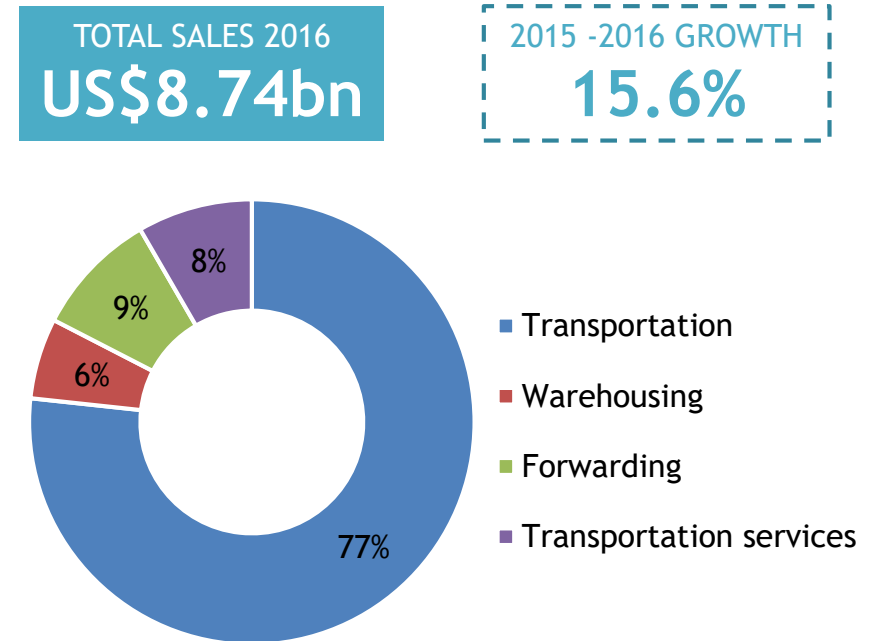
Total logistics costs in Vietnam are estimated at US\$41.26bn in 2016, equivalent to 20.8% of GDP

Logistics Costs as a Percentage of GDP, 2016



Source: Armstrong & Associates

Revenue of Top 100 Logistics Companies in Vietnam, 2016

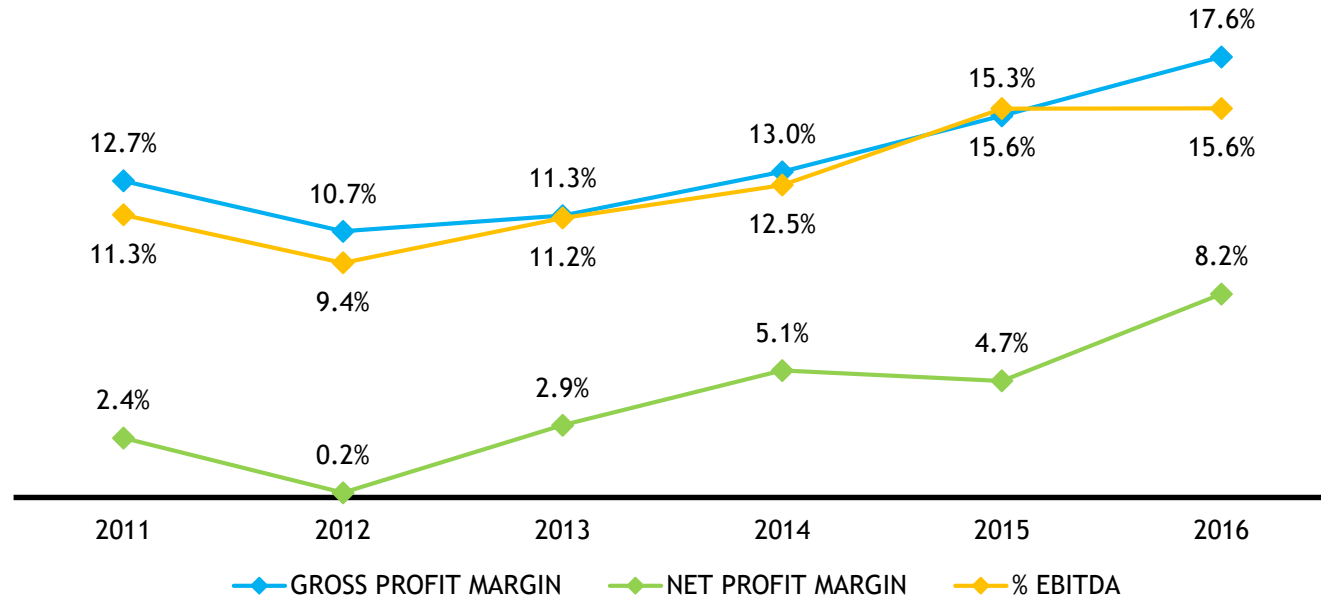


Source: Biinform Database

There are two main reasons that could explain the high proportion of logistics costs over GDP in 2016.

- ✓ Underdeveloped infrastructures (road, seaports) results in traffic jams and low productivity, in turn leading to high logistics cost.
- ✓ Delay of transportation/ delivery due to traffic jam and clearance time in port for inspection

Logistics Companies' Financial Performance - PROFITABILITY, 2016



Source: StoxPlus, Fiinpro

- Logistics companies have posed an improved overall performance, especially with the increasing trend of gross profit margin and EBITDA% over four recent years. The narrowing gap between Gross profit margin and EBITDA margin has indicated the fact that listed logistics companies had better control over their operating costs as well, especially in 2016.

STRENGTH

- Vietnam's strong economic growth rate, coupled with its geography - it stretches for thousands of kilometers on a north-south axis - creates a need for long-distance freight haulage. The Vietnamese economy is expected to remain a regional outperformer throughout the next 10 years which will boost freight sector growth over the next years.
- Robust trade activities in Vietnam with total trade value of US\$350bn in 2016
- FDI investments (disbursed FDI increased by 9% in 2016) with a numbers of MNCs' investments including Samsung, Intel
- Government direction on improving the sectors including infrastructure development, the restructure of the air freight market by 2020 will see the development of the cargo transport market and increase the role of airfreight, particularly in key economic zones and remote areas.

WEAKNESS

- Underdeveloped infrastructure for logistics, overburdening the road network, which increases the risks of delays and accidents.
- Uncompetitive fuel costs increase supply chain costs
- Fragmented with many small companies

SECTION 1: SECTOR OVERVIEW

SECTION 2: MARKET POTENTIAL

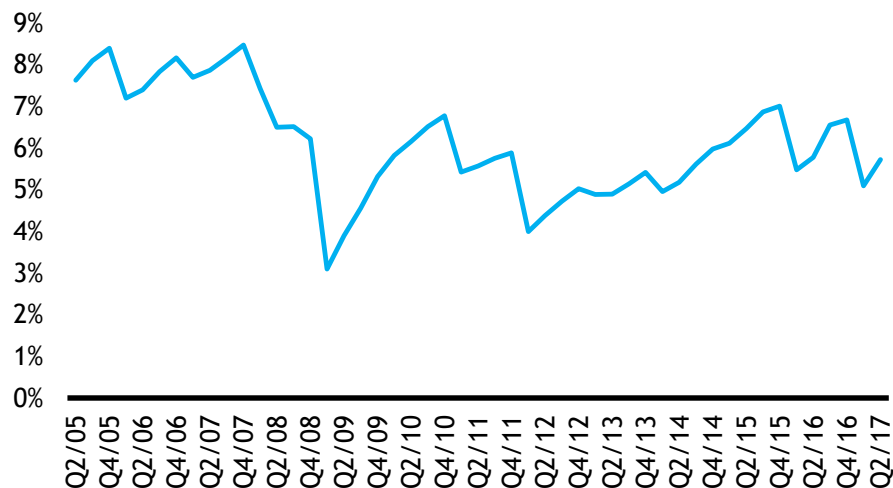
SECTION 3: KEY TRENDS

SECTION 4: FOREIGN INVESTMENT

Robust economic growth and trading activities are accelerating logistics demand in Vietnam

Vietnam GDP Growth (y-o-y) & Trade Value, 2005 - 1H2017

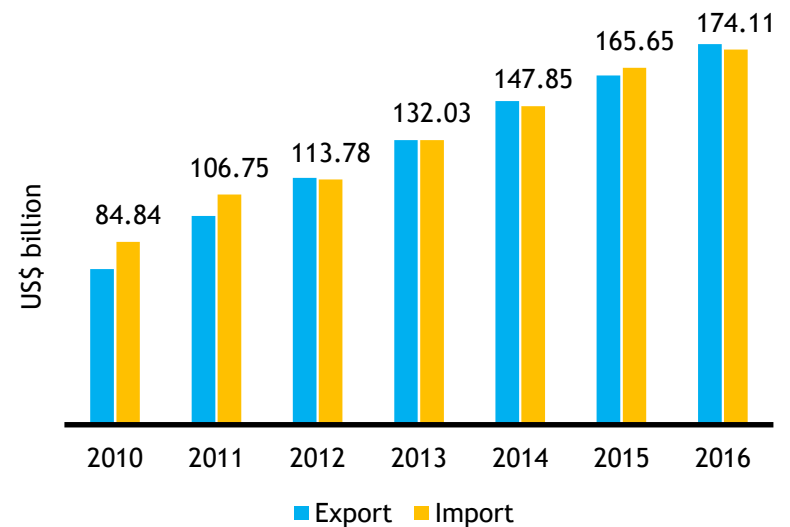
GDP growth of **over 5%** during the last 05 years



Source: StoxPlus

- Vietnam's stable economic growth rate and population size of over 90 million people, coupled with rising income levels, provide an attractive backdrop for development of the retail industry, driving the potential for logistics sector. It is noted that retail (FMCG) industry accounted for 90% 3PL service demand in 2015.
- Logistics demand from import & export activities is expected to boost with several free trade agreements (FTAs) including Vietnam-Korean Free Trade Agreement (VKFTA), ASEAN Economic Community (AEC).

Total **Trade value** reached **US\$350bn** in 2016 posting a **growth** rate of **7%** compared to 2015

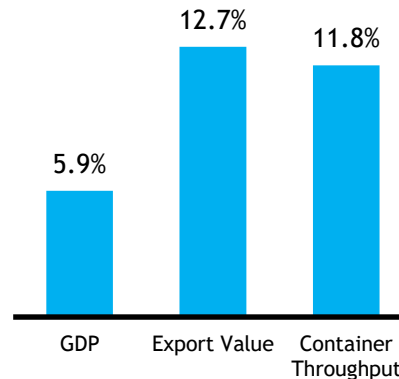


Rapid economic growth have generated increasing levels of transport and logistics demand

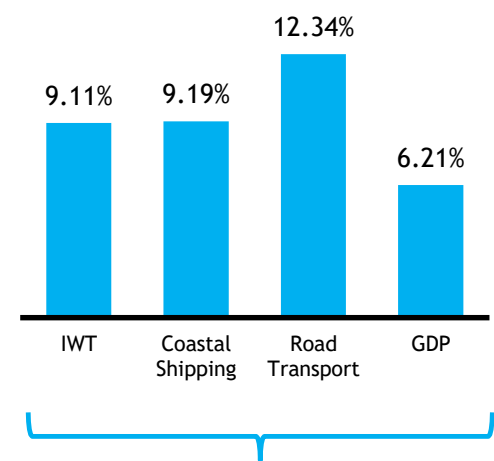
- Vietnam's long history of fast growth has led to rapidly increasing levels of transport demand, which have put a strain on limited resources
- As transport demand has grown, its composition has also shifted towards the need to meet increasingly complex (e.g., time-definite) itineraries
- To date, Vietnam's transport and logistics system has been able to accommodate fast growth despite limited connectivity
- But as complexity rises, its ability to continue to do so will gradually diminish unless service levels increase: this is the most pressing challenge facing Vietnam's logistics system today

Vietnam: Average annual growth in economic activity and transport demand

Long term: 2011 - 2016



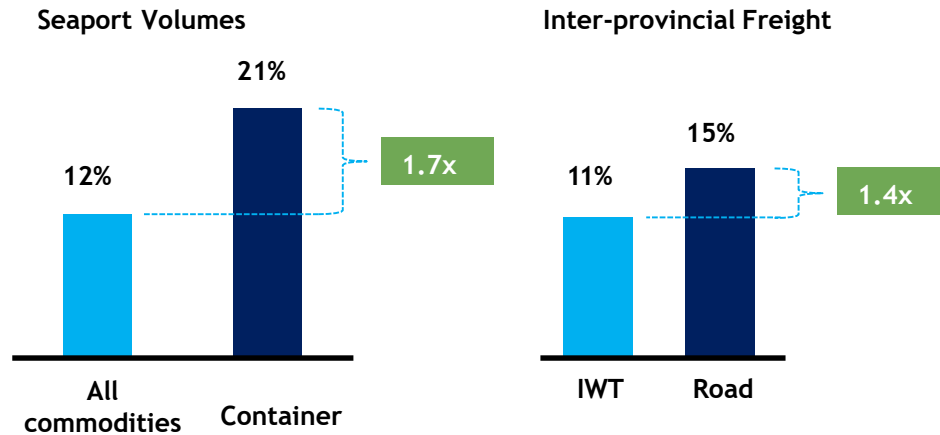
Recent: 2015 - 2016



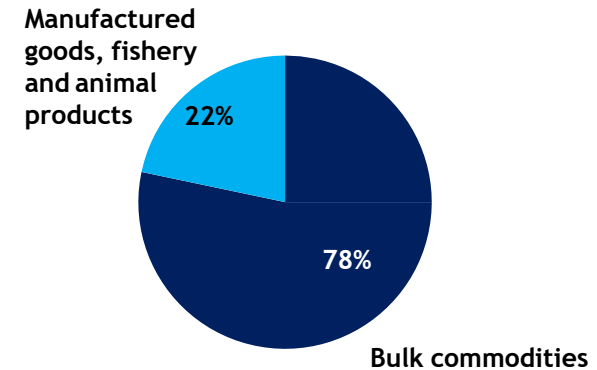
3PL industry¹ believed to have grown at about 20% during this period

78% of Vietnam's freight flows comprise low-value bulk commodities... but this is quickly changing

Vietnam's 2011-2016 Average Annual Growth Rate



Vietnam's Interprovincial Freight Flows, 2016



- The commodity composition of Vietnam's freight flows, heavily concentrated in bulk commodities, has so far allowed the country to maintain high economic growth rates on the back of a transport and logistics sector that competes on price rather than service levels (as bulk commodities are highly sensitive to transport costs)
- This picture is quickly changing as Vietnam becomes more manufacturing-intensive and as it trades in and consumes products with higher value-added content; indeed, containerized trade has been growing faster than bulk trade for several years

SECTION 1: SECTOR OVERVIEW

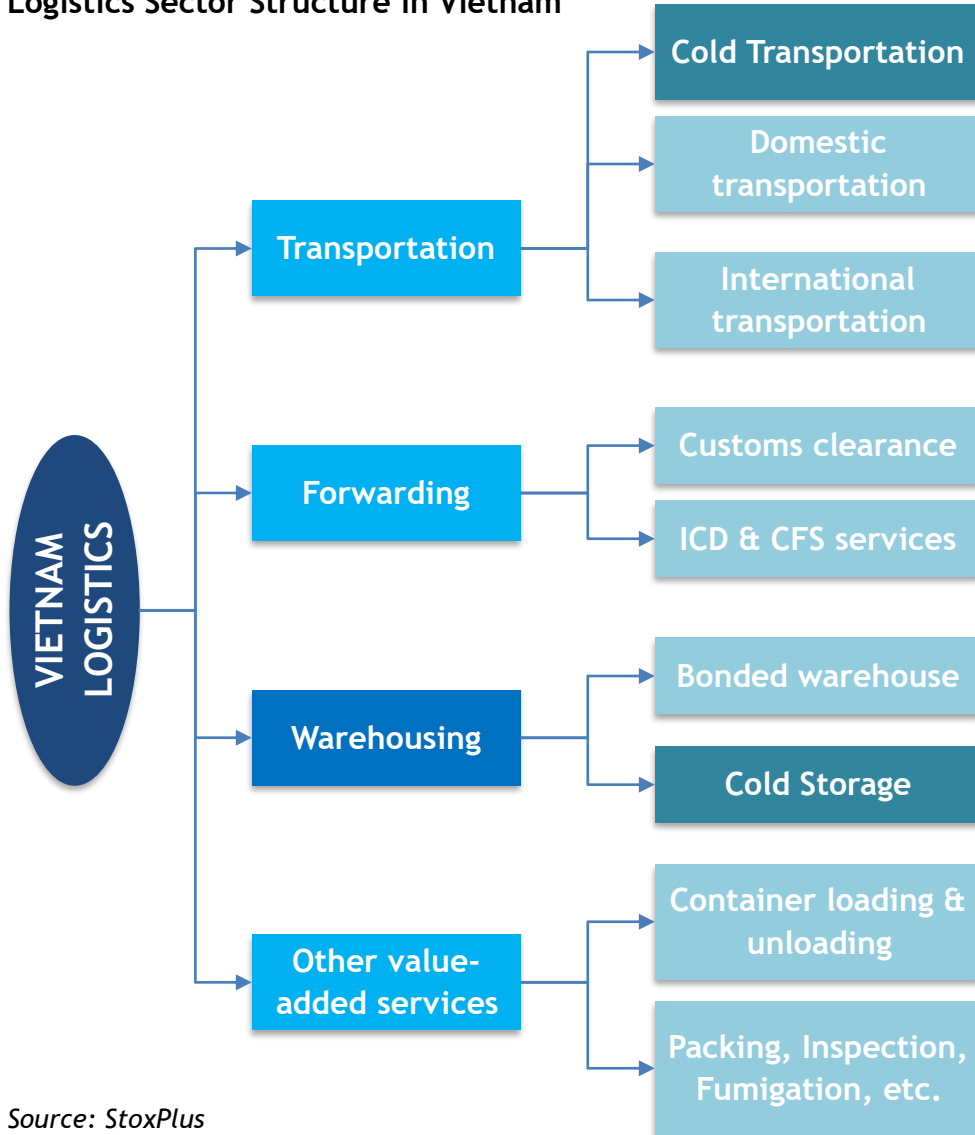
SECTION 2: MARKET POTENTIAL

SECTION 3: KEY TRENDS

SECTION 4: FOREIGN INVESTMENT

Cold chain, including cold transportation and cold storage, one of the most potential logistics segment for growing in Vietnam

Logistics Sector Structure in Vietnam



- Cold chain is one of the most potential logistics segment in Vietnam.
- Last-mile delivery - key to the development of e-commerce in Vietnam
 - ✓ Last-mile delivery is that final segment in the logistics network where finished goods are transferred to the consumer or business that ordered and purchased them.
 - ✓ Last-mile delivery has huge potentials for development in Vietnam with increasing retail and e-commerce segment.

Source: StoxPlus

Cold chain is one of the most potential logistics segment for growing in Vietnam. Few foreign & local companies tapped in this segment.

Warehousing Market Segmentation Analysis

COLD CHAIN IN VIETNAM

COLD TRANSPORTATION

- **Cold container segment** is **dominated** by some giant logistics companies such as **Vinafco** and **Gemadep**.
- **Cold trucking segment** in Vietnam is relative **fragmented** in comparison to other logistics segment but it has a **high potential** to grow in the coming future. **ABA cooltrans** and **Quang Minh** are **pioneers** in the market.

COLD STORAGE

- It can be segmented into two segments including **in-house cold storage** (for internal demand) & **commercial cold storage**.
- Total designed capacity of **commercial cold storages** in Vietnam reaches **450,000** pallets in 2017.
- The segment is expected to grow healthily thanks to increasing demand from export (seafood, F&V) and grocery retail.

For cold storage segment, foreign-owned companies are dominating the market with high quality services

Key groups of players in Vietnam commercial cold storage



FOREIGN-OWNED

- Foreign cold storage such as Swire, PFS, and Lotte are the market leaders.
- They have high quality facilities and a professional management team.
- PFS, for example, uses 100% robots in their storage.
- Both PFS and Swire use barcode as an IT system to manage inventory in the store.



LOCAL

- Local cold storage providers such as Hoang Lai, Phan Duy, and Hung Vuong are considered the second tier.
- Their facilities are very simple in design, and they do not have professional team to manage the stores.



OTHER LOGISTICS COMPANIES

- Some forwarders are getting into the cold storage market to provide a suite of services for their logistics clients.
- Konoike Group is currently owns two cold storages, one of which they bought from Anpha AG. ICD Long Dinh is partnering with a forwarder from Germany to build cold storages.



OTHERS

- There are many other small independent cold and cool storage providers. Their facilities are usually no more than a few hundred square meters. Some do not even have racks, but they put the inventory on the ground.

Source: StoxPlus

Cold storage is being encouraged by the Government with various incentives

In response to the “Project against loss after harvesting until 2020” (issued and submitted by MARD), the Government issued Decision 63/2010/QĐ-TTg, a policy providing support to reduce loss after harvesting. Pursuant to Decision 63, enterprises investing in cold storage can receive the following preferential treatment:

01 LOAN

May borrow up to **100%** of **machinery** purchase **value**;

02 INTEREST

The State Budget offers **100% subsidy** on the **interest expense** (i.e. interest rate 0%) in the **first 2 years** and **50%** interest expense in **3rd year**

04 FEE & TAXES

May be eligible for a **20% subsidy** of **clearance fees** and a **30% subsidy** of **outside-the-fence** technical infrastructure completion cost. Support is supplemented with **corporate tax exemptions** for the **first three years** of commencement and a reduced **50% tax exemption** in the **following 2 years**.

03 LAND RENTAL

Exemption from land rental fees

Cold Storage Companies

SECTION 1: SECTOR OVERVIEW

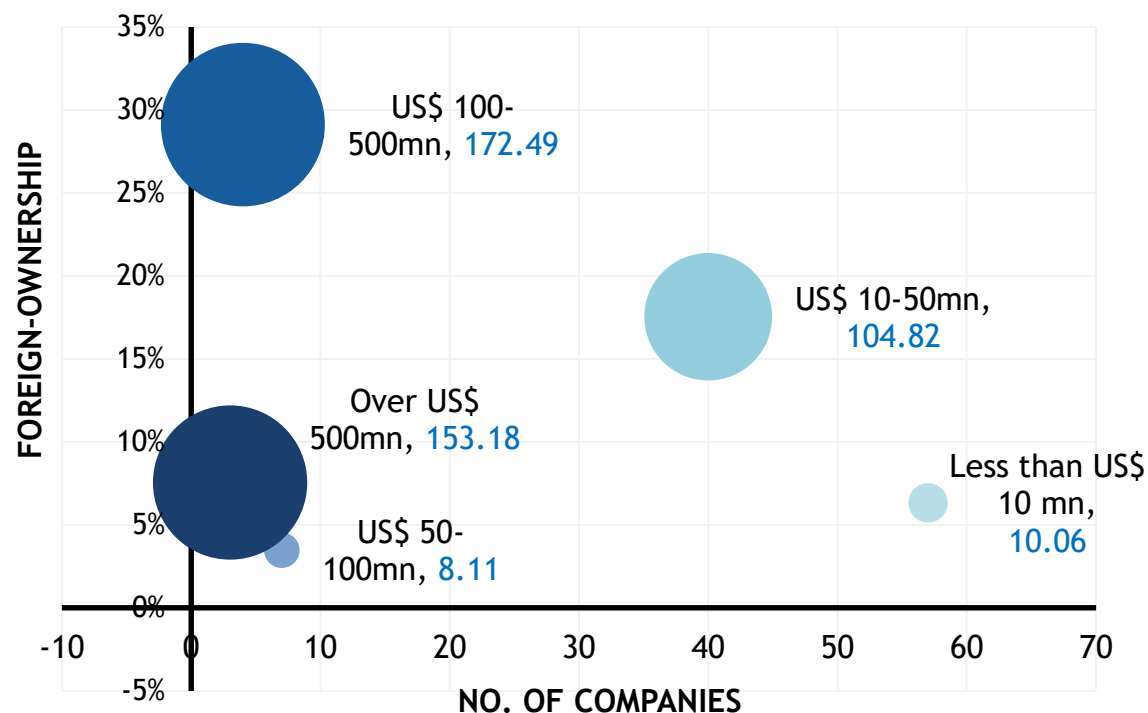
SECTION 2: MARKET POTENTIAL

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Foreign investors mostly focus on sizeable companies with net sales over US\$100 mn

Foreign ownership by net sales, 2016



Note:

- Bubble size is the foreign capital of public companies by net sales in US\$ million (highlighted in blue)
- Average foreign ownership is calculated as:

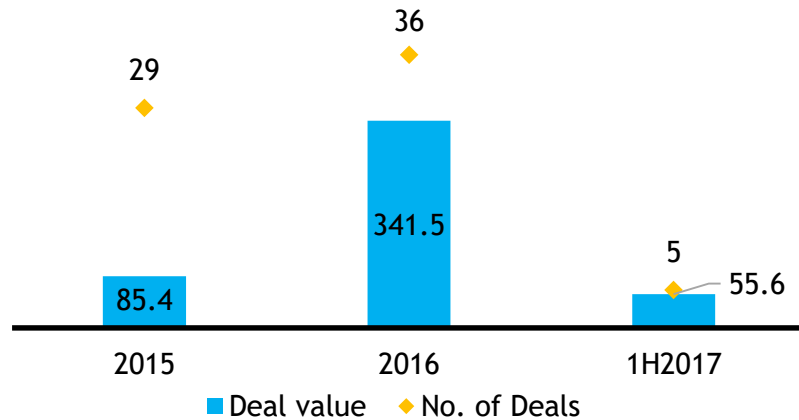
$$\frac{\sum (\% \text{ foreign ownership} * \text{the Company's owner's equity})}{\sum \text{Total owner's equity of public companies}}$$

Source: StoxPlus

- Most listed logistics companies have foreign ownership under 35%, which accounted for over 95% of total companies. Total foreign capital stays at US\$ 448.65, of which companies with foreign ownership under 35% reaches US\$ 256.67 mn.

Foreign ownership limit constrains inbound M&A transactions in Vietnam logistics sector

M&A Deal Value (US\$mn) & Number in Logistics Sector



Source: StoxPlus

M&A IN LOGISTICS IS DRIVEN BY VIETNAM DOMICILED ENTERPRISES

ONLY 4 & 5 INBOUND M&A DEALS IN 2016 & 2017

VALUATION: 10-15x EBITDA



Despite strong interest from foreign investors, Vietnam logistics sector recorded a relatively small number of M&A deals compared to other sectors, which could be explained by three main reasons:

- ✓ Legal constraint
- ✓ Fragmented market
- ✓ Local investors' high expectation in term of valuation

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