

Vietnam Cold Storage & Warehousing Sector Overview

Hanoi, Vietnam

June 2014

Presentation and Marketing Material



Our research contacts for this report are:

Thuan Nguyen, FCCA
CEO
thuan.nguyen@stoxplus.com
+84 98 389 0000

Harry Hoan Tran, CFA
Senior Analyst
harry.tran@stoxplus.com
+75 1597 1532

Lan Nguyen
Associate
Research Division
lan.nguyen@stoxplus.com
+84 96 494 6760

Content	Page
Cold chain segment	3 – 5
Key foreign player	6
Key local player	7
Major local company profile	8 – 10
Sector summary	11
About StoxPlus	12 - 17

DISCLAIMER

All information contained in this publication has been researched and compiled from sources believed to be accurate and reliable at the time of publishing. However, in view of the natural scope for human and/or mechanical error, either at source or during production, StoxPlus, its Directors and employees accept no liability whatsoever for any loss or damage resulting from errors, inaccuracies or omissions affecting any part of the publication. All information is provided without warranty, and StoxPlus makes no representation of warranty of any kind as to the accuracy or completeness of any information hereto contained.

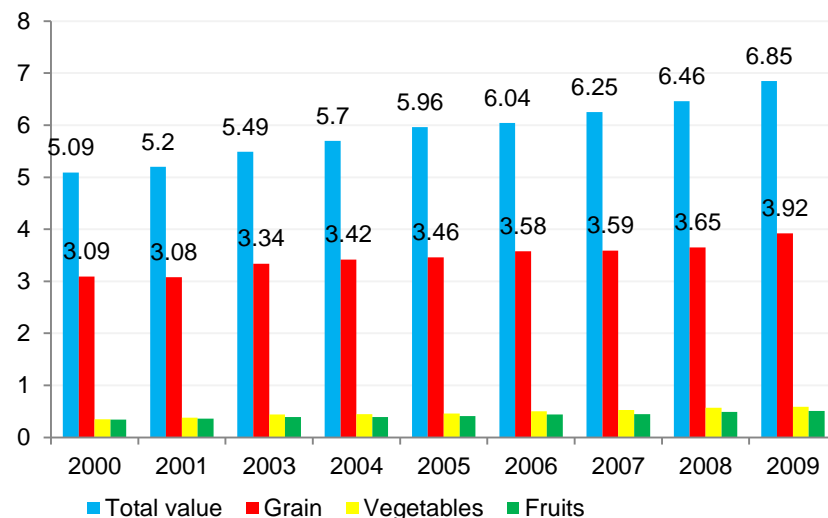
Cold Chain Segment

Cold chain (storage and cold transportation) appears to be the most promising business in Vietnam

Growth and Potential

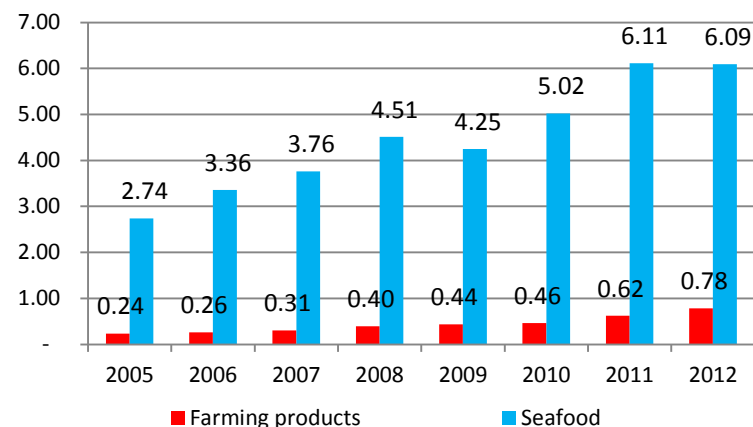
- By structure, cold chain can be divided into two systems: cold storage and cold transportation (including cold trucks, cold containers, cold air cargo).
- Cold chain is classified as climate control logistics. And according to Frost & Sullivan's report on logistics in ASEAN countries (2012), climate control logistics is one of the most required and potential segment for growth within logistics sector in Vietnam. Growth rate of climate control logistics has increased 4 times from 2008 to 2012. The main reasons for this booming segment are:
 - Vietnam is an agricultural economy and is considered a top exporter of farming products. Vietnam's agriculture, seafood, pharmaceutical, food processing and fresh flowers industries are rapidly increasing, that will be huge forces to speed up cold chain segment.
 - Loss rate in goods distribution is high. According to MARD, each year Vietnam incurred a loss of at least VND50,000bn (US\$2.5bn) in distribution of farming products and seafood. Especially with regards to fruits and vegetables (loss rates are 25% and 30%, respectively). These loss rates are extremely high, compared to other countries, e.g. India 3-3.5%; Bangladesh 7%, Indonesia 6-17%. Seafood, a key exporting industry with total exporting volume in 2012 was 5.2 mn tons, also experiences high loss rate about 20-30% (equivalent to 400,000 tons or VND8,000bn). The reason of Vietnam's high loss rate is the lack of cold storage and reserve after harvesting.
 - The MARD set a goal that until 2020, loss rate of seafood industry will be reduced from 20% to 10%, and loss rate of vegetables & fruits industry will be reduced to 10-12%. Thus, deployment of cold chain for such key exporting industries is very essential.

Figure 1: Value of lines of products that have demand for cold storage and transportation (US\$bn)



Source: StoxPlus, Frost & Sullivan

Figure 2: Exporting value of farming products and seafood (US\$bn)



Source: StoxPlus from Vietnam Customs

Cold chain is being encouraged by the Government with various incentives

Support from the Government

- Growth rate of climate control logistics has increased 4 times from 2008 to 2012. With the booming of this segment and its essential role in facilitating key export industries of Vietnam, the Government is paying more attention in cold chain development.
- In response to the "Project against loss after harvesting until 2020" (issued and submitted by MARD), the Government issued Decision 63/2010/QĐ-TTg, providing supporting policy to reduce loss after harvesting. Pursuant to Decision 63, enterprises, investing in cold storage, can receive the following preferential treatments:
 - Could borrow up to 100% of machinery value to purchase;
 - State Budget subsidize 100% interest expense (i.e. interest rate 0%) in the first 2 years and 50% interest expense in 3rd year;
 - Could be exempt from land rental fees;
 - Could be subsidized 20% of clearance fees and 30% of outside-the-fence technical infrastructure completion cost; be exempt from corporate tax in the first 3 years of commencement and 50% tax in the following 2 years.

Competition dynamic

- Logistics companies in Vietnam (both local and foreign) have not yet had sufficient capacity to provide full cold chain logistics services.
- Local companies focus on forwarding and domestic transportation while foreign ones specialize in packing and international transportation. Participation of logistics companies in cold chain is scattered and thus, competition is low. In fact, these companies tend to connect with each other in providing some discrete stages of the chain. For example:
 - Cold air cargo transportation: Vietnam Airlines;
 - Cold sea lines shipping: APL Logistics, Maersk Lines, Mitsui O.S.K Lines;
 - Cold storage: Mapletree (see notes about Mapletree in next slide).
- Currently existing players are not so many, namely: Panalpina, Kuehne Nagel, Swire Cold, Schenker, Agility, APL, K-line, Maersk Logistics, Konoike and some local brands such as: Quang Minh, Hoang Ha, Minh Phuong, and Vinafco.

Figure 3: Logistics services outsourcing demand of Vietnamese enterprises from 2008 - 2012

No.	Logistics services	% outsourcing	
		2008	2012
1	Output transportation	85	91
2	Output warehousing	71	85
3	Input transportation	69	88
4	Input warehousing	33	56
5	Reserves management	28	48
6	Storage management	19	67
7	Purchase order management	14	43
8	Suppliers management	11	23
9	Customs information & supporting	9	13
10	Withdrawal logistics	7	19
11	Climate control logistics	5	21

Source: Frost & Sullivan

Implied for cold chain/cold storage business!

Note: The "Project against loss after harvesting until 2020" was compiled by MARD and submitted to the Government in 2009. We cannot obtain the whole content of the Project. However, we list down some key points of its below:

- Each year Vietnam incurred a loss of at least VND50,000bn (US\$2.5bn) after harvesting of farming products and seafood.
- According to MARD's calculation, total investment for supporting farmers and enterprises to purchase machinery, building warehouses, etc. until 2020 will be about VND39,520bn (US\$1.9bn). Of which, State Budget will contribute VND5,312bn (US\$0.3bn), borrowings VND21,120bn (US\$1.0bn), and the rest is contribution of farmers and enterprises VND13,088bn (US\$0.6bn).
- Investment priority will be given to Mekong Delta and Red River Delta regions.

Cold chain: total country's capacity is just 473 thousand tons and mostly at manufacturing sites

Figure 4: Distribution of cold storage in Vietnam by 2010

This page is intentionally left blank

Foreign Participation in logistics sector in Vietnam (as of 2011)

This page is intentionally left blank

This page is intentionally left blank

Source: StoxPlus



This page is intentionally left blank

Major Local Company Profile



SOTRANS

Company Profile

- **Registered name:** Southern Logistics JSC
- **Head office:** 1B Hoang Dieu, District 4, Ho Chi Minh
- **Year of establishment:** 1975. **Charter Capital:** VND83bn (US\$4mn)
- **Type of company:** Listed Company
- **Principal group businesses:** Trading of warehouse, port, works, office for lease; Goods cargo and logistics; Transportation agent services in air, sea, road, rail, and multipurpose way; Agent services of shipping, marine brokerage, logistics and customs; Trading CFS, ICD, logistics centre; Trading of restaurant and hotel; Property trading; Manufacture and trading of lubricating oil products; wholesaling and retailing petroleum and lubricating oil; Trading of transportation equipment, warehouse; cargo and freight.
- **Main products:** International freight forwarder, Warehousing, Inland clearance depot, Petroleum trading
- **# of employees:** 351 by Dec 2012

Breakdown of Revenue 2012

This part is intentionally left blank

Ownership Structure

This part is intentionally left blank

Financial Indicators

This part is intentionally left blank

Source: StoxPlus from SOTRANS

Major Local Company Profile



VINAFCO

Company Profile

- **Registered name:** Vinafco Shipping JSC
- **Head office:** Floor 9, Capital Tower, No 109 Tran Hung Dao, Hoan Kiem, Ha Noi
- **Year of establishment:** 2001. **Charter Capital:** VND340bn (US\$17mn)
- **Type of company:** Listed Company
- **Principal group businesses:** To operate in sea transportation, domestic and international multimodal transportation; To rent warehouses; to distribute of goods, to produce and trade in steel; To export and import products;
- **Main products:** Logistics, shipping, transportation
- **# of employees:** 435 by Dec 2012

Breakdown of Revenue 2011

This part is intentionally left blank

Ownership Structure

This part is intentionally left blank

Financial Indicators

This part is intentionally left blank

Sector Summary

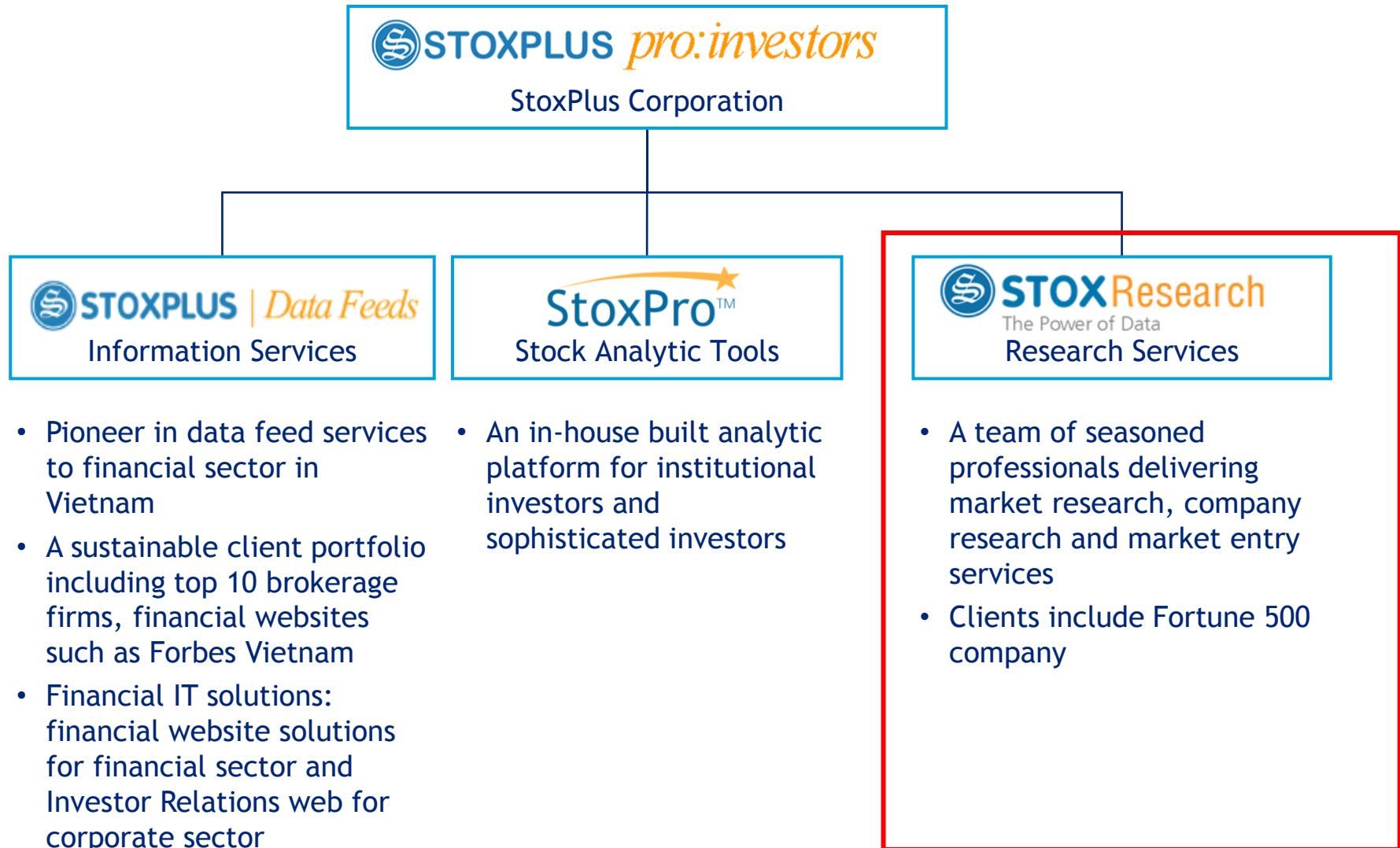
Sector Summary

No	Content	Sector Summary
1	Market Size and Potential Growth	Total logistics cost in Vietnam is largely at US\$25bn and total transportation cost is about US\$15bn. However, the sector is still in early development stages with more than 1200 companies.
2	Segmentation Analysis	Although transportation services (road and ocean) appears to be the largest sub-sector. However, cold chain (storage and cold transportation) are commonly viewed as a trend as it is important to the country's export of farming products and seafoods. Cold chain is currently under-invested and the Government recently introduced various incentives to lure local and foreign investors in this segment. We also know some Japanese players are tapping these businesses.
3	Domestic Key Players	<ul style="list-style-type: none"> The largest player in logistics sector in Vietnam is Gemadept with annual revenue of US\$130mn (2012) and with a strong related asset base and infrastructure including ports, vessels, warehousing, etc. Tier 2 companies mainly include former SOEs as they own and operate related infrastructure such as ports, warehousing, etc and the soft asset: ICD license. Tier 3 companies consists of many private players. Noticeable is Vinafco Shipping JSC who is Top 5 logistic companies in Vietnam with total 53ha warehousing capacity in Hanoi, Danang and HCMC areas.
4	Competition Dynamics	For ocean shipping, foreign players are totally dominating the market. Local transportation service players mainly involve in road transportation, forwarding and warehousing.
5	Foreign ownership	There are still foreign ownership restriction in this sector: (i) container shipping & uploading services: 50% max; (ii) warehousing: 51% max; (iii) Freight forwarding: 51% max; and (iv) other logistics: 51% max. However, all of these restrictions are expected to be removed from 11 January 2014 as per the Vietnam's WTO Commitment.

Introduction about StoxPlus Corporation and Research Capability

Overview about StoxPlus

Areas of Existing Business



Overview about StoxPlus

Research Services



- Our Research division has been established as an independent research house in Vietnam to provide local insights to our clients at quality standards of the World's prestige advisory firms.
- Our research team with a team of 5 experienced analysts and researchers with CFA Charterholders, ACCA Chartered Accountants and MBAs with extensive experience in investment, banking, corporate finance and technology with well respected firms in the United Kingdom, Australia and Vietnam.
- Our research services consists of
 - Standard research reports (ready for sales via our website www.stoxresearch.com); and
 - Customisable services based on specific requirements
- Our team covers all key sectors of Vietnam including Financials, Logistics, Healthcare, Homebuilding, etc
- Our research clients are mostly foreign institutional investors and industry players who are penetrating into Vietnam.

Selection of our Regular Research Clients:



We provide sector research reports for all key industries as well as comprehensive analysis and local insights customized for your Vietnam market entry solutions. Our research services include:

Market Research Service

- Market understandings
- Market sizing & segmentation
- Market dynamics
- Industry analysis
- Customer segmentation
- Value chain analysis
- Regulatory and policy framework
- Key player profiles

Business Intelligence

- Key account profiling
- Competition analysis
- Commercial partner seeking
- Management background check
- Financial and operational due diligence

Market Entry Advisory

- Market assessment
- Market entry strategy defining
- Site location analysis
- Product and pricing strategy
- PPP/Joint ventures/M&A/licensing
- Vendors, outsourcers and distributors search

Industries we regularly cover:

Financial Sector

- Vietnamese banking
- Retail banking and home credit
- Insurance
- Brokerage
- Asset management

Healthcare Sector

- Hospital operation
- Drugs
- Medical devices
- Laboratory/medical testing
- Diagnostic imaging

Consumerism

- Beers
- Soft drinks
- Alcoholic
- Pharmaceutical
- Education

Construction & others

- Home builders
- Cement and concrete
- Construction materials
- Infrastructure i.e. ports
- Real estates
- Natural rubbers

StoxPlus has been engaged in many assignments covering a wide range of industries

International World Bank Banking Background research services for housing price, land price, cross-holding in banks and data inputs for FSAP  THE WORLD BANK Working for a World Free of Poverty	Korea SK Group Investment Screening Research on 10 key sectors of Vietnam and SOE IPOs to assess investment opportunities 	Korea SK Group Healthcare Market research on Vietnam hospital operation businesses and diagnostic service segment: help client fully understand the market and defined entry options 	Singapore Daiwa Can Flexible Packaging Market screening of top 10 largest players in carton packaging companies in Hanoi and HCMC under M&A transaction considerations 
Japan Japan Economic Research Inc. Home Builders Market research on Vietnamese home builders and assessing key trends. Profile of key players in HCMC, Hanoi and the Central of Vietnam  Japan Economic Research Institute Inc.	Singapore Happiness International Hospital Hospital & Clinics Market research of imaging diagnosis market in HCMC and in-depth analysis of selected players 	Japan Maruhan Corporation Banking Market Research for Banking sector in Vietnam and insightful analysis of shortlisted players 	Japan Japan Knowledge Incorporation Consumer Finance Vietnam Consumer Finance Market Report and Define Entry Options for a Japanese Financial Institution  株式会社ナレッジカンパニー Knowledge Company Inc.

*If you need further assistance in this sector,
please contact us at:*

Thuan Nguyen

CEO

+84 (0) 35626962 (ext. 111)

+84 (0) 98398 0000

thuan.nguyen@stoxplus.com

Lan Nguyen

Research Associate

+84 (0) 35626962 (ext. 108)

+84 (0) 96 494 6760

lan.nguyen@stoxplus.com

Hanoi Office

5th Floor, Indovina Bank Building

36 Hoang Cau Street

Hanoi, Vietnam

+ 84 (4) 3562 6962
