China / Hong Kong Industry Focus

Global Container Shipping Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity 15 Feb 2024

Starting 2024 on a high note

- **Recent freight rates have significantly surged due to the Red Sea crisis**
- **However, fundamentally, the container shipping sector will continue to grapple with oversupply in 2024**
- **Liner profits are expected to continue trending down in 2024, but more positive about 1Q24 earnings**
- **Orderbook showing signs of easing, but remains high**

Global container volumes witnessed a firm rebound in 4Q23, mainly due to a low base in late 2022. Freight rates were up 10% q-o-q, supported by the escalation of the Red Sea attacks in mid-Dec. The charter market has also slowly expanded since late Dec 2023, as additional vessels are needed as a result of the current vessels being rerouted along longer alternative routes.

Container shipping sector will still face oversupply in 2024, but a potential rebound in TEU-mile trade growth would narrow the supply and demand (S&D) gap. As for the impact of the two "Black Swan" events on the sector, we expect the Red Sea attacks to result in longer voyage routes and freight rate gains, while the Panama Canal transit restrictions may not critically impact the sector.

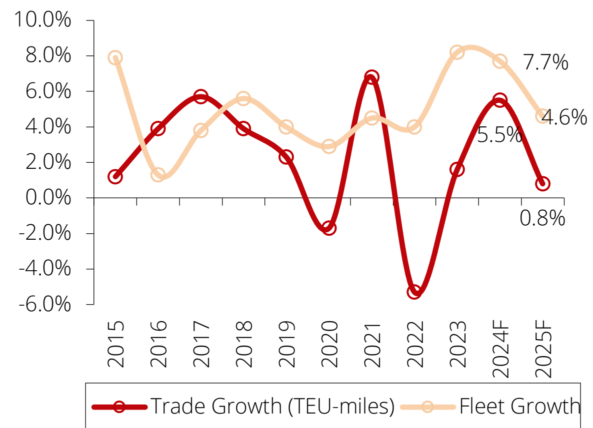
We believe freight rates are likely to remain elevated in 1Q24, as vessel supply is tight and equipment shortages persist. However, in the long term, the end of the disruptions and historically high new vessel deliveries may lead to market normalisation.

More carriers are expected to make losses in 4Q23 following the announcement of losses in the results of Hapag-Lloyd, ONE, and Maersk Line. The impact of the Red Sea crisis is expected to be more pronounced in carriers' 1Q24 results, as it typically takes time for rate increases to be converted to profitability.

HSI: 15,879

ANALYSTS
Maggie WANG +852 36684191 maggiewang@dbs.com
Paul YONG +65 6682 3712 paulyong@dbs.com

Container shipping sector will still face oversupply in 2024



Source: Clarksons Research, DBS Bank (Hong Kong) Limited ("DBS HK")

DBS Insights Direct

Watchlist the stock on Insights Direct to receive prompt updates

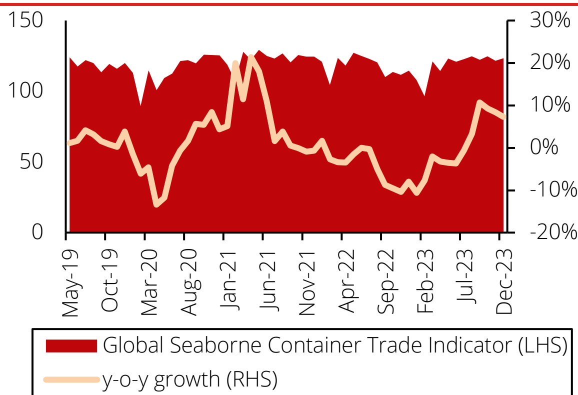
Global container trade is expected to recover

Global container volume witnessed a firm rebound in 4Q23. According to Clarksons' seaborne trade indicator, container trade was up 8.8% y-o-y in 4Q23, mainly due to a low base in late 2022. Overall, 2H23 saw a stronger rebound of 6.7% y-o-y, or 8.0% h-o-h, after a challenging 1H23. However, the demand side for the full year of 2023 remained generally weak amid global economic headwinds and high inflation.

Clarksons believes firm container trade volume trend would extend into 2024 with expectation of 3.8% y-o-y growth in TEUs. Container trade along both the Transpacific and Far East-Europe routes is expected to mildly increase by 2% in 2024 (vs. 6% and 2% in 2023, respectively), while intra-Asian trade will witness a more significant rebound of c.4% in 2024 (vs. -1.2% in 2023).

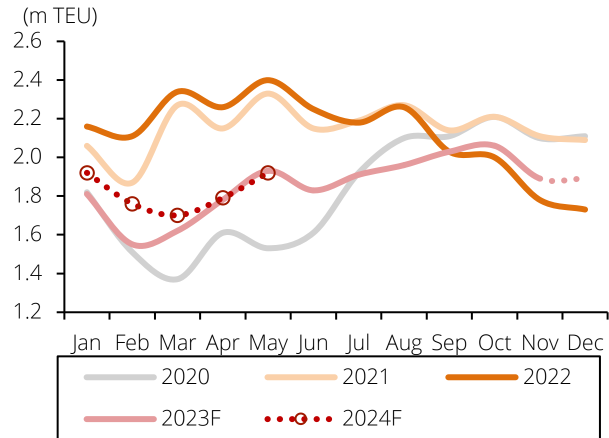
Prolonged Red Sea disruptions would yield TEU-mile demand. Additionally, Clarksons anticipates that an extended period of rerouting away from the Red Sea/Suez along longer routes would be the major driver of TEU-mile demand, with a y-o-y increase of 5.5% currently projected for 2024. Although the situation remains fluid, it estimates that disruptions during one quarter of the year would yield a full-year boost of c.2% to TEU-miles.

Pressure on global seaborne container trade returned in 4Q23



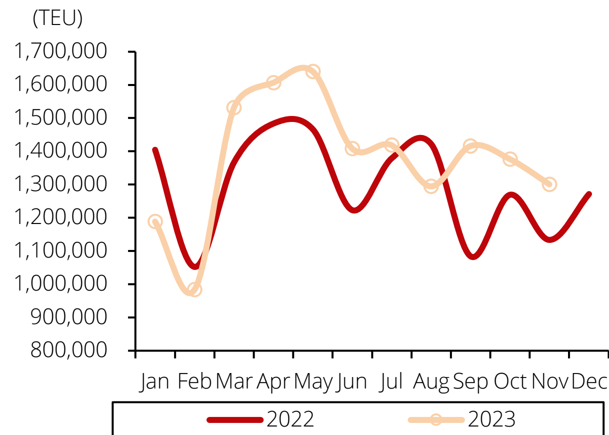
Source: Clarksons Research, DBS HK

US cargo volumes are expected to improve by 8% y-o-y in 1Q24



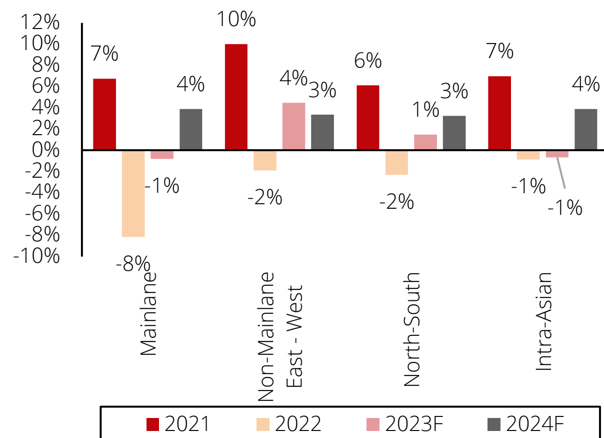
Source: National Retail Federation

Far East to Europe trade volume remains solid on y-o-y basis



Source: Container Trades Statistics

Container trade growth forecast by trade lane



Source: Clarksons Research, DBS HK

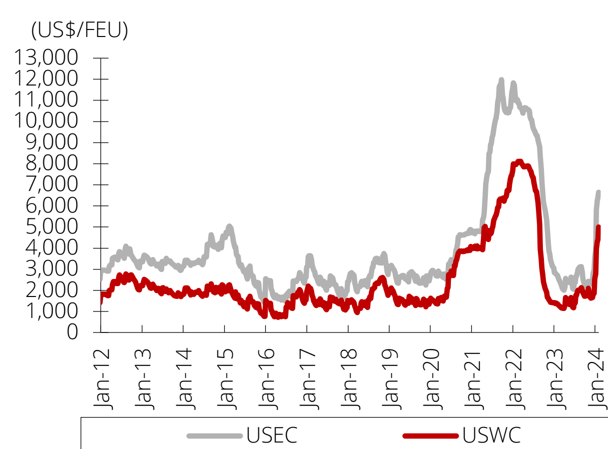
Freight rates have risen sharply, driven by the Red Sea crisis

A robust start to 2024. The Shanghai Containerised Freight Index (SCFI) further lifted in 4Q23, up 10% q-o-q, despite remaining down 21% y-o-y. This is suported by 1) container vessels diverting from the Red Sea along longer routes following the Houthi attacks and 2) a traditional cargo rush ahead of the Chinese New Year (CNY) holiday. Freight rates are up sharply since mid-December 2023, with the SCFI having jumped from an average of 1,046 points in early Dec to 2,218 points as of 2 Feb 2024 (a 112% increase). The YTD average SCFI in 2024 stood at 2,148 points, up 114% compared to the full year of 2023, but still 40% below the COVID level (average level in 2021-22).

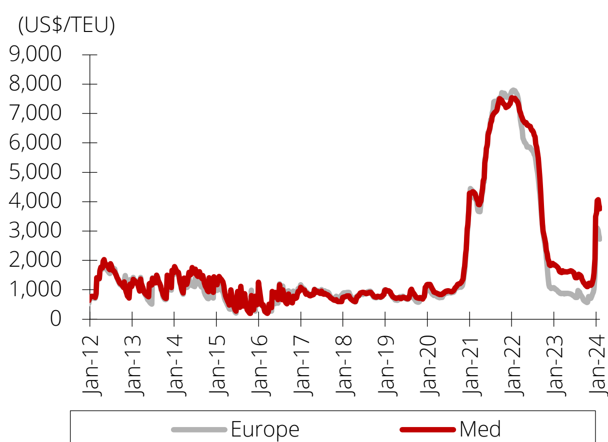
The Asia-Europe voyage, the most significantly impacted by the attacks, witnessed a skyrocketing hike in freight rates, with freight rates in China to North Europe/Mediterranean surging 165%/139%, respectively, from mid-Dec 2023 to the beginning of Feb 2024. Spot freight rates for the transpacific routes also performed robustly due to the knock-on effect of the Red Sea crisis and the Panama Canal transit restrictions. As of 2 Feb 2024, the Shanghai-USWC rate rose 175% y-o-y compared with mid-Dec 2023, while the Shanghai-USEC rate was up 137%. Although intra-Asia routes are not directly impacted by this crisis, rates in SE Asia further strenghtend by 51%, driven by the redeployment of some vessels from the intra-Asia market to ocean routes and the container equipment shortage.

Shanghai Containerised Freight Index (SCFI)

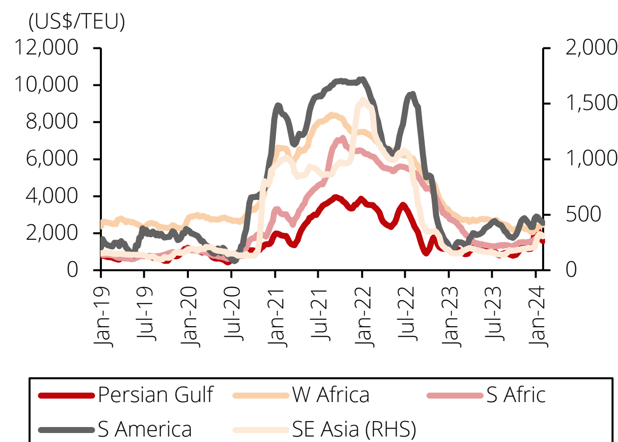
SCFI – US East Coast/US West Coast routes



SCFI – Europe/Mediterranean routes



SCFI – other routes



Source: Clarksons Research, DBS HK

Where next for rates?

Freight rates are likely to remain elevated in 1Q24, although the upward momentum may moderate. The impact of the Red Sea crisis on freight rates is showing signs of easing as liner networks adjust and plan for diversions. The latest SCFI as of 2 Feb 2024 was slightly up by 1.8% w-o-w, compared with the weekly average of a 17% increase from mid-Dec 2023 to mid-Jan 2024. Rates on the Asia-Europe trade lanes tend to level off at the end of Jan. However, Transpacific freight rates are showing a continued upward momentum, influenced by the FAK (freight-all-kinds) rate hikes initiated by COSCO and MSC. We believe that overall freight rates may stay firm even after the CNY, as vessel supply is tight and equipment shortages persist. New vessel deliveries in Jan have not been sufficient to meet the capacity shortage caused by re-routing and the extended transit times continue to impact the repositioning of containers.

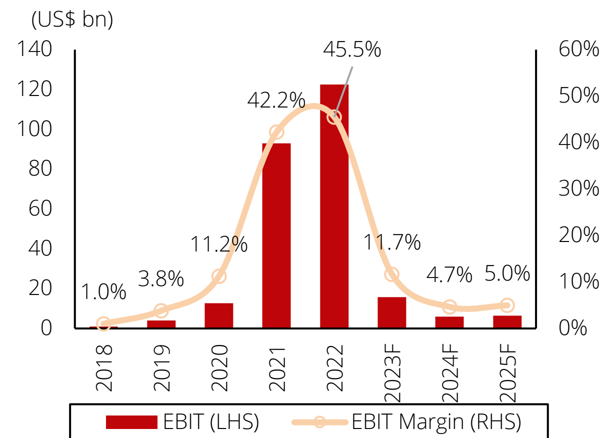
We believe the overall freight rates would remain elevated as long as the Red Sea crisis continues. Additionally, we believe it will be challenging for freight rates to return to the levels seen during COVID for an extended period in 2024, due to 1) overall global trade remaining moderate, evidenced by the inventories of manufacturing firms remaining too high, and 2) the persistent supply pressure (significant new vessel deliveries of 2.7m in 2024F vs. 2.2m in 2023).

Liner profits to continue to trend down in 2024

Despite a recovery in trade volume in 3Q23, carriers' operating profits further declined in this quarter due to rising costs and continued pressure on rates. The combined EBIT of eight listed carriers shrank by 40% q-o-q or 92% y-o-y to US$2.6bn in 3Q23 (OOIL and SITC do not release quarterly results). ZIM and Wan Hai continue to record operating losses, and Yang Ming also entered the red in 3Q23. Only COSCO Shipping Holdings posted an earnings improvement on a q-o-q basis, supported by continuous cost-cutting. More carriers are expected to report losses in 4Q23 following the announcement of losses by Hapag-Lloyd, ONE, and Maersk Line (the largest operating subsidiary of Maersk) in their results. ZIM has already acknowledged the possibility of losses for 4Q23 but carriers like ONE are relatively positive about 1Q24, as the significant increase in freight rates may translate into earnings.

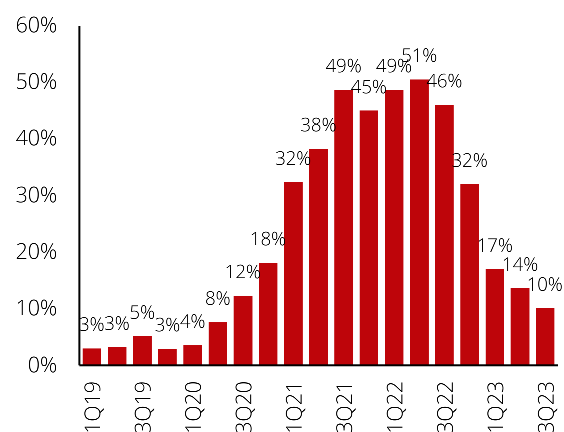
Regarding the full-year earnings predictions, the Bloomberg consensus estimate shows that the EBITs for 10 listed container carriers are projected to reach US$6.1bn in 2024, marking a 62% y-o-y decrease, but still coming in 51% higher than the full-year figure of 2019 (pre-COVID period) given the rise in operating costs. The industry's average ROE is expected to reach 7% in 2024, down from 13% in 2023.

10 listed liners' EBIT and EBIT margin forecasts



Source: Bloomberg Finance L.P., DBS HK Note: 1) 10 companies include: Maersk, Hapag-Lloyd, COSCO Shipping Holdings, Orient Overseas International (OOIL), Yang Ming Marine Transport ,Wanhai Lines, Evergreen Marine, HMM, SITC International, ZIM. 2) Wanhai is not included in 2025 forecasts

8 listed liner companies' quarterly EBIT margin



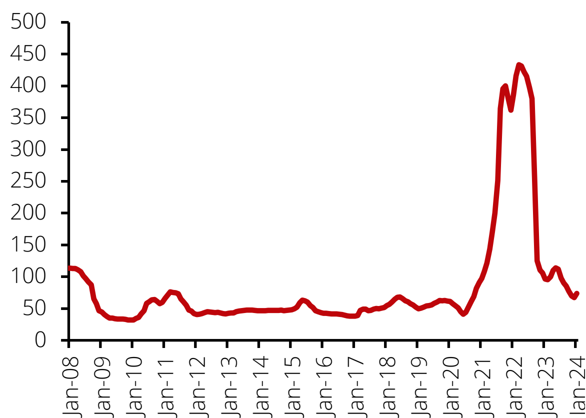
Source: Bloomberg Finance L.P., DBS HK Note: OOIL and SITC are not included as they do not provide quarterly results

Charter market begins to recover starting in 2024

Clarksons' Containership Timecharter Rate Index averaged 71 points in 4Q23, down 22% q-o-q, or 37% y-o-y. Charter rates for the larger sized vessels witnessed greater declines amid rising pressure on supply from new deliveries. However, the market has strengthened since late Dec 2023, as additional vessels are needed as a result of the current vessels being rerouted along longer alternative routes. Although it had a slow and moderate reaction to the Red Sea crisis, by 2 Feb 2024, the index stood at 82 points, up 22% from mid-Dec levels, though still 12% below the 2023 average.

Clarksons believes there is potential for further gains in charter rates as capacity tightens in 1Q24. This is driven by 1) the situation in the Red Sea prompting an uptick in demand for vessels to be deployed for Far East, MEG, and Red Sea trades, and 2) current vessel deliveries, which haven't started to ramp up. However, charter market trends are expected to normalise once the disruption ends.

Charter rates start to pick up, driven by the rerouting of vessels



Source: Clarksons Research, DBS HK

Impact of 'Black Swan' events on container shipping market

#1 Red Sea attacks: Result in longer voyage routes and freight rate gains

Red Sea attacks and carriers' response. Starting from mid-Nov 2023, an increasing number of vessels have faced attacks by Houthi rebels near the Red Sea. The attacks escalated in mid-Dec, causing major container shipping carriers to temporarily avoid passing through the Red Sea/Suez Canal. In stead, they rerouted around the Cape of Good Hope (COGH, longer alternative route) to avoid the threat. From mid-Dec 2023 to 6 Feb 2024, the average number of transits through the Suez Canal fell by c.47% compared to 1H-Dec, with containership transits sharply down by 72% in terms of TEU. The Suez Canal is an artificial canal connecting the Red Sea and the Mediterranean, serving as a vital route for ships travelling between Asia and Europe. Container volume transits at the Suez Canal account for 22% of overall seaborne volume (Clarksons data).

These large-scale diversions have had substantial positive impacts on the container shipping market:

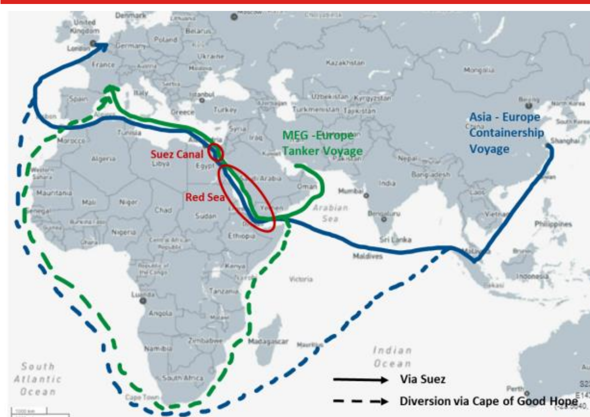
1) Spot freight rate hikes. The rerouting is causing an immediate capacity shortage, coupled with the traditional increase in demand leading up to the Chinese New Year. As a result, cargo owners are compelled to accept increasing surcharges and higher freight rates to ensure the timely delivery of time-sensitive container goods to customers. Furthermore, rates on all major trades could be affected, even those that typically wouldn't transit at the Suez Canal, with the SCFI up 112% from mid-Dec 2023 to 2 Feb 2024, due to the ripple effect felt in the form of capacity and container equipment shortages. Currently, freight rates stabilised at levels that were twice-thrice pre-disruption rates, but gradual increases in charter rates are continuing.

2) Boost to carriers' 1Q24 profit. Although the total costs of the diversions remain unclear, Clarksons estimates the re-routing to COGH would result in c.30% higher bunker costs. The rise in freight rates can fully offset the escalating costs and enhance carriers' earnings in 1Q24, given the consensus belief that this disruption may last throughout the entire first quarter.

3) Lifting of TEU-mile trade demand and strenghtening fundamentals in long term. Clarksons estimates that if all Far East/ME/ISC-Europe trade (both directions) is diverted away from the Suez throughout the entire year of 2024, it would add c.10% to global TEU-mile trade, effectively resulting in the full absorption of the projected fleet growth of 7.7% in 2024, and leading to a more balanced market.

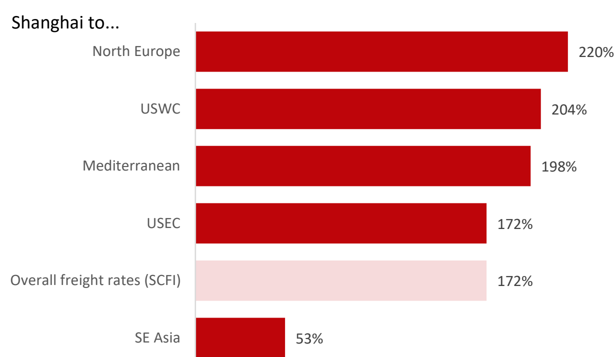
However, once the Red Sea disruptions eventually ease, weak underlying supply-demand trends could start to resurface, leading to a normalisation of freight rates.

Diverting an Asia-Europe voyage from Suez Canal to Cape of Good Hope adds significant distance to the journey



Source: Marine Traffic, Clarksons, DBS HK

% freight rate change: 2 Feb 2024 vs. 1 Dec 2023



Source: Clarksons Research, DBS HK

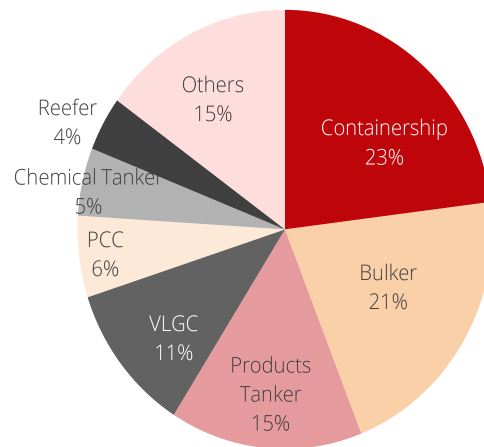
#2 Panama Canal transit restrictions: Largely positive impact, but significantly less than Red Sea attacks

No further vessel transit restrictions at the Panama Canal until April 2024. Due to continuously low water levels at Gatun Lake caused by drought, the Panama Canal Authority has announced a series of restrictions since July 30 2023, reducing the daily transit capacity from the usual 36-38 vessels to the current 24. Instead of reducing daily transits to 18 vessels in Feb 2024 as initially planned, the authority now intends to maintain 24 daily transits at least until April. If rains arrive in May as expected, the canal plans to progressively increase daily slots, aiming to return to the normal level of 36 vessels per day. If the drought continues, it may result in a reduction of daily transits by one or two vessels.

Panama Canal is a crucial waterway connecting the Atlantic and Pacific Oceans, with >13,000 transits per year comprising 2.5% of global trade (Suez Canal: ~24,000 transits and 10% of global trade). Vessels intending to pass through the Canal currently have to book their transit in advance using the transit reservation system. Containerships have priority as the main users of the canal. Daily transits of containerships through the Canal averaged eight vessels in 2023 (Suez Canal: 16 daily transits), forming c.25% of total Panama Canal transits.

We don't expect transit limits to greatly impact container ships. due to the high priority given to liner vessels in the booking system. Even under the most stringent restrictions (50% cut as the previous plan), we expect container traffic would still be reasonably well accommodated. Assuming the share of transits is unchanged at 25%, daily transits of container ships could average five vessels from Feb 2024. This means that up to three vessels per day may either choose to wait for passage at the canal or reroute via the Cape of Good Hope. Given the scheduled nature of transits and priority given to container vessels, it is likely that their transits will remain frequent, though they may experience some delays or face higher rates. However, given that the current Red Sea crisis has already led to a dramatic increase in rates, it is noted that any potential additional congestion or rerouting due to the higher-than-expected escalation of Panama Canal restrictions could have a knock-on impact on the container shipping market.

Total Panama Canal transits as of Nov 2023



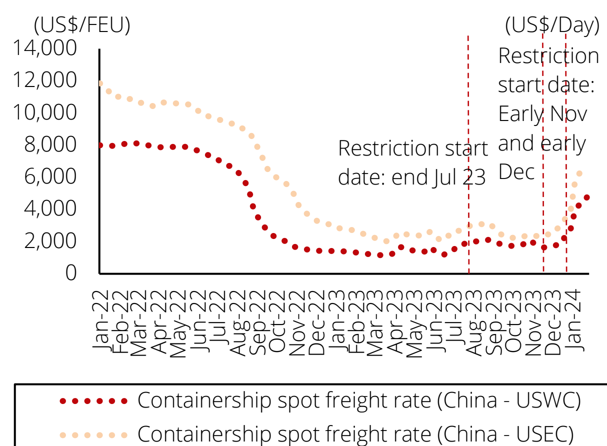
Source: Clarksons Research, DBS HK

Slot allocation priority

Period when booking window opens	Slot allocation priority
Special Period – 730-366 days ahead of transit	Passenger vessels only
Period 1 – 90-31 days	Container vessels only
Period 1.A – 30-15 days	Containers>LNG/LPG/PCC/RoRo
Period 2 – 14-8 days	Containers>Customer ranking
Period 3 – 7-2 days	All slots offered through auctions

Source: Panama Canal Authority

Freight rate response following the start of transit restrictions – overall impact on container freight rates is limited



Source: Clarksons, DBS HK. Note: The surge in container freight rates is mainly attributed to the Red Sea attacks, which escalated in mid-December

Containership supply: Newbuilding deliveries to hit a record high in 2024

Fleet delivery & scrapping: New deliveries further strengthened in 4Q23, with 108 ships or 662k TEUs being delivered to the market, marking the highest level since 3Q08. The global containership fleet hence reached 6,009 vessels or 27.6m TEUs by Dec 2023, up 8% y-o-y or 2% compared to end-3Q23. Clarksons forecasts liner vessel deliveries would reach 2.7m TEUs in the full year of 2024, up 17% y-o-y and hitting a historical high.

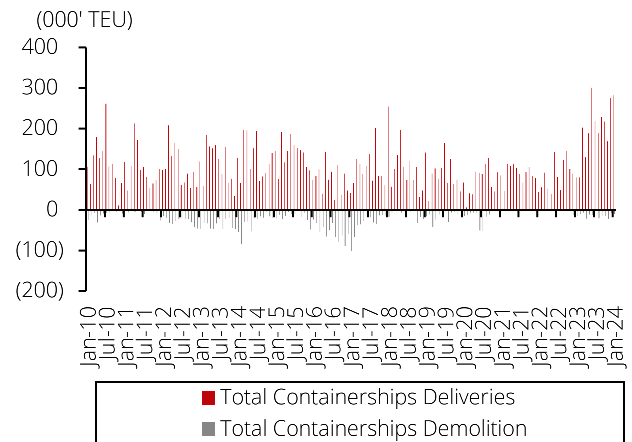
Containership scrapping activity continues to expand in 4Q23, with 23 vessels of 45k TEUs recycled in 4Q23, up from 37k TEUs in 3Q23. In 2023, scrapping stands at 83 vessels or 158k TEUs, which is c.10 times that of the full year of 2022. Clarksons projects 448k TEUs will be recycled in 2024, up 184% y-o-y. However, the record-high influx of new deliveries caps the scrapping effect and burdens the market. All these translate into a 7.7% y-o-y increase in total net fleet growth in 2024, which is expected to exert significant pressure on freight rates, especially if the disruptions in the Red Sea eventually ease.

Clarksons' Port Congestion Index was relatively flat with 31.5% of fleet capacity at ports in 4Q23, almost the same as the 2019 average of 31.4%. The average port waiting time in 4Q23 remained two hours higher than pre-pandemic levels, despite the ongoing Panama Canal transit restrictions.

Orderbook showing signs of easing but still high. A total of 7.5m TEUs were ordered as of Dec 2023, 1% lower than in 3Q23. The orderbook-to-fleet ratio has declined slightly following newbuild deliveries, standing at 25.8% at the end of 4Q23. As of the beginning of Feb, the ratio further slid to 23.9%, but is still well above the pre-COVID level of 12.5%.

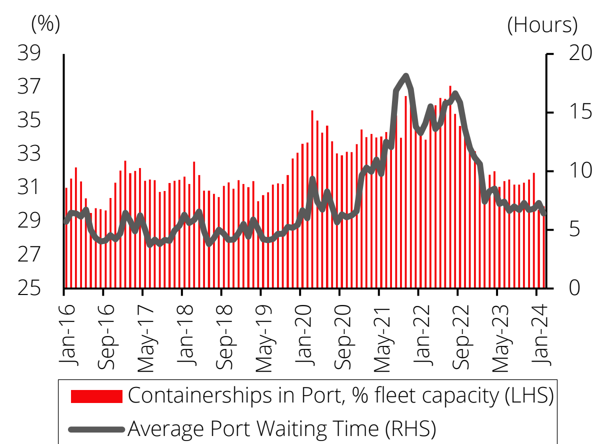
4Q23 saw muted activity in the containership newbuild market, with only five vessels of a total of 4k TEUs ordered (vs. 59 vessels of a total of 581k TEUs in 3Q23). Clarksons data shows that MSC dominated orders in 4Q23. In the full year of 2023, a total of 191 units of 1.6m TEUs have been ordered, down 44% y-o-y but 86% above the 2016-20 annual average of 845k. 83% of the capacity contracted in 2023 is set to be alternative fuel capable (50% methanol and 33% LNG), up from 65% in 2022.

Scrapping activity continues to expand in 4Q23



Source: Clarksons Research, DBS HK

Global Port Congestion Index and port waiting time easing



Source: Clarksons Research, DBS HK

Containership orderbook still high

- The mega ship types of >12,000 TEUs in size make up the majority of the orderbook, with 60% of the orderbook falling into the 12k-17k TEU range and 27% in the 17k+ TEU range
- Significant deliveries of 3.1m/1.9m TEUs (liner vessel and charter vessel deliveries combined) are scheduled for 2024/2025, respectively
- Overall supply can be expected to grow by 7.7% and 4.6% y-o-y in 2024 and 2025, respectively
- The containership orderbook-to-fleet ratio peaked at c.60% in early 2008. After that, the ratio steadily decreased to c.11% in 2021 and expanded to 29% in 2023
- Propelled by carriers' investments in green shipping and fleet cascading, the ratio stood at 23.9% as of the beginning of Feb 2024, nearly the same as the 2022 level of 24.0%
- The current ratio has exceeded a balanced orderbook-to-fleet ratio of 10%-20% and may weigh on freight rates

Total orderbook still high

('000 TEUs)	Existing fleet ('000 TEUs)	Orderbook ('000 TEUs)	% of fleet	% of orderbook
Feeder (100-3k TEUs)	4,917	458	9%	7%
Intermediate 3k-6k TEUs	4,925	442	9%	6%
Intermediate 6k-8k TEUs	1,973	558	28%	8%
Neo-Panamax 8k-12k TEUs	6,101	867	14%	13%
Neo Panamax 12k-17k TEUs	5,637	3,396	60%	49%
Post Panamax >17k TEUs	4,276	1,155	27%	17%
Total	27,829	6,877	25%	100%

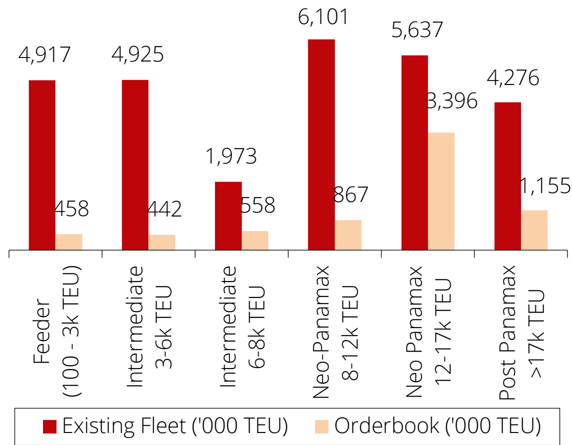
Source: Clarksons Research, DBS HK

Delivery schedule: Picking up delivery pace

('000 TEUs)	Orderbook	For delivery in		
		2024F	2025F	2026F+
Feeder (100-3k TEUs)	458	353	74	32
Intermediate 3k-6k TEUs	442	304	72	66
Intermediate 6k-8k TEUs	558	436	122	0
Neo-Panamax 8k-12k TEUs	867	174	333	360
Neo Panamax 12k-17k TEUs	3,396	1,500	1,120	776
Post Panamax >17k TEUs	1,155	405	174	576
Total	6,877	3,173	1,894	1,810
% of existing fleet	25%	11%	7%	7%

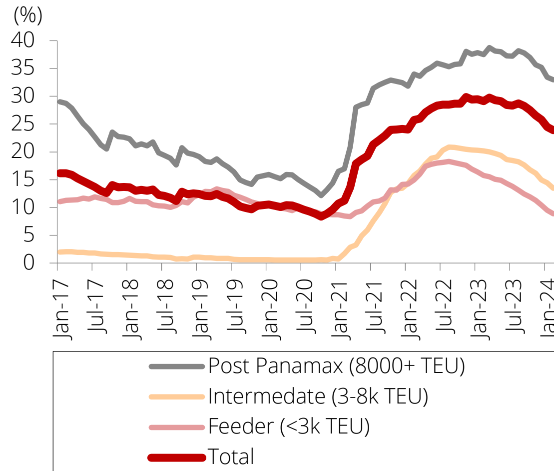
Source: Clarksons Research, DBS HK

Containership orderbook and deliveries as of end-2023



Source: Clarksons Research, DBS HK

Containership orderbook-to-fleet ratio in terms of TEU



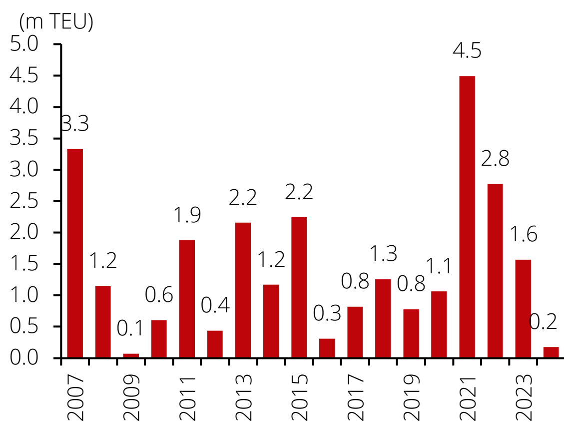
Source: Clarksons Research, DBS HK

Steady flow of newbuild orders

Containership newbuild market moderated in 4Q23. According to Clarksons data, total contracting activity significanlty shrank to only 4k TEUs in 4Q23, compared with 581k TEUs recorded in 3Q23 or 632k TEUs in the same period last year, bringing the 2023 total to 191 units of 1.6m TEUs (down 44% y-o-y but 86% above the 2016-20 annual average). Carriers' continued investment in green fleet renewal programmes is propelling newbuild activity, with 83% of the capacity ordered being alternative fuel vessels.

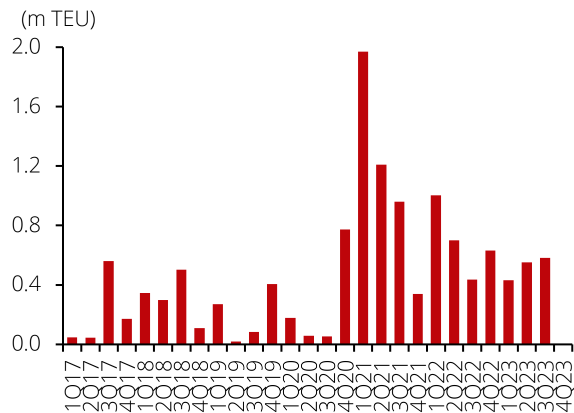
In terms of prices, Clarksons Secondhand Price Index stands at 52 points in 4Q23, down 8% q-o-q, or 12% y-o-y, marking the full year of 2023 down 12% y-o-y. Overall secondhand prices in 2023 moved in tandem with the challenging charter market. However, containership newbuilding prices have maintained its strong upward trajectory in 4Q23 amid the extension of shipyard forward cover for all types of vessels and cost inflation, with the price index up 1% q-o-q or 3% y-o-y in 4Q23, respectively. In 2023, the newbuilding index was up 3% y-o-y to 105 points, recording a 15-year high.

Containerships contracting by year



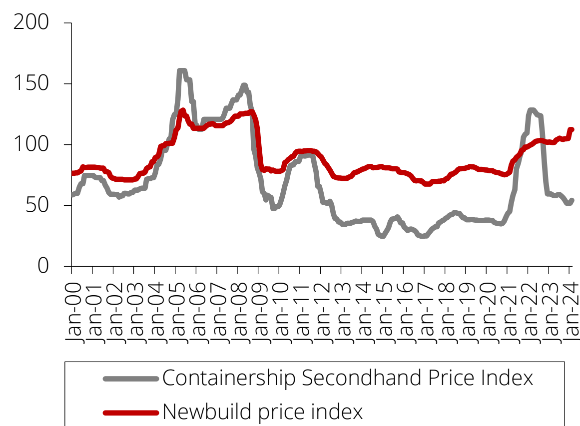
Source: Clarksons Research, DBS HK

Containerships contracting by quarter



Source: Clarksons Research, DBS HK

Second-hand prices went down with cooling charter market, but newbuild prices maintained upward trend



Source: Clarksons Research, DBS HK

Container liner capacity trend and alliance news

No change in ranking but capacity significantly increased in 2023. Alphaliner data shows that the aggregate market share of the top 10 liners has stayed steady throughout 2023, now at 84.6% of the global fleet, but there is a significant divergence among individual players. 8 Feb 2024 vs. 31 Jan 2023, the top 10 liners increased aggregate capacity by 2.1m TEUs, or 10%. In terms of TEUs added during the period, MSC, in first position, injected a phenomenal 1.1m TEUs of capacity, while ONE and CMA CGM, being the second and third, added 283k TEUs and 241k TEUs, respectively.

- MSC: The top-10 carrier that showed the most growth in 2023. MSC has once again outperformed all other top-10 carriers by increasing its nominal fleet capacity by 1.1m TEUs (24%), primarily through a combination of newbuild deliveries, charters, and secondhand acquisitions.
- After reducing its fleet capacity in 2022 by 1.4%, Maersk continued to sell vessels and end charters in 2023, further reducing its capacity by 1.2%.
- CMA CGM, the no. 3 carrier, appears to be on track to overtake Maersk and ascend to the no. 2 position in the not-too-distant future. Capacity wise, CMA CGM's orderbook of 1.1m TEUs is now the second largest, after that of MSC.
- ONE's capacity increased by 18% from 31 Jan 2023 to 8 Feb 2024, mainly driven by its continued expansion in charters to enhance its network in the Asia-Europe trade. The carrier is also set to double the number of container ships it has on charter from Seaspan to around 40 ships by mid-2024.
- After consecutively facing losses over the first three quarters in 2023, ZIM, heavily relying on charters, has terminated a series of charter contracts signed during the bull market and withdrawn new orders with the aim of cutting costs. However, as of 8 Feb 2024, ZIM is still the second-fastest-growing ocean carrier in terms of capacity growth (23% in 2023 vs. MSC's 24%).

.

Top 10 carriers' capacity changes, 8 Feb 2024 vs. 31 Jan 2023

Rank	Carrier	Share	Capacity (TEU)		Gain/(loss)	% Change
			8 Feb 24	31 Jan 23		
1	MSC	19.9%	5,704,595	4,600,851	1,103,744	24%
2	Maersk	14.6%	4,178,635	4,228,174	(49,539)	-1%
3	CMA CGM	12.7%	3,634,473	3,393,190	241,283	7%
4	COSCO Group	10.8%	3,095,754	2,871,859	223,895	8%
5	Hapag-Lloyd	7.0%	1,998,904	1,782,791	216,113	12%
6	ONE	6.3%	1,811,584	1,528,921	282,663	18%
7	Evergreen	5.7%	1,645,185	1,661,865	(16,680)	-1%
8	HMM	2.8%	799,136	816,365	(17,229)	-2%
9	Yang Ming	2.5%	708,591	707,354	1,237	0%
10	ZIM	2.3%	655,751	533,823	121,928	23%

Source: Alphaliner, DBS HK

Gemini Alliance set to disrupt liner market balance in 2025

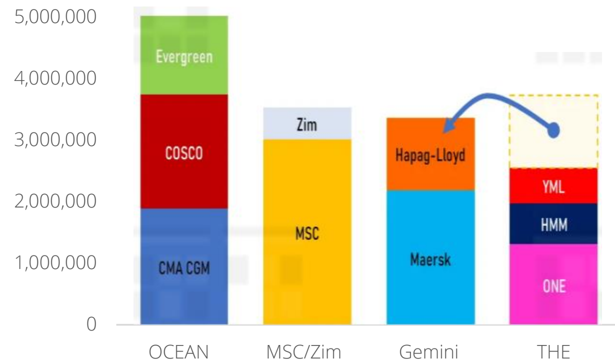
Maersk and Hapag-Lloyd launched a new "Gemini cooperation" partnership that will be implemented from 1 Feb 2025 and revolve around a global "hub-and-spoke" network of owned or controlled terminals in key locations. The two carriers will sign vessel-sharing agreements (VSAs) involving c.290 vessels or 3.4m TEUs with a 60-40 split between Maersk and Hapag-Lloyd. This means Maersk and Hapag-Lloyd will put 49% and 68% of their existing fleet into the new network, respectively.

The network has set an ambitious target of delivering schedule reliability of above 90%, significantly higher than than the present level in the industry. It commits to improve service quality and transit times in many major port-to-port corridors as well as access to some of the world's best connected ocean hubs.

Given the launch of the new collaboration plan, Hapag-Lloyd will exit THE Alliance on 31 Jan 2025. Maersk and MSC had previously announced that they would terminate their 2M Alliance partnership in Jan 2025. The length of the cooperation is unknown at this time, but container carrier alliances typically last from five to ten years.

According to Linerlytica, this cooperation will create the third-largest global container shipping alliance, behind Ocean Alliance and the MSC/ZIM partnership, while THE Alliance will be relegated to fourth position. Linerlytica states that the new Gemini Alliance will trigger a fresh round of competitive reactions from its rivals, but the full impact will only play out in 2025. The preliminary service network announced by the Gemini partners is inferior to THE Alliance's current offering. On the other hand, the remaining members of THE Alliance, with limited options to fill the gap left by Hapag-Lloyd's departure, will operate at a sub-optimal scale in 2025 until the imbalance can be redressed.

Capacity operated on main East-West and Middle-East trades as of Jan 2024



Source: Linerlytica, DBS HK

DBS Group Research recommendations are based on an Absolute Total Return* Rating system, defined as follows:
STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 15 Feb 2024 10:02:45 (HKT)
Dissemination Date: 15 Feb 2024 11:30:33 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK"). This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), and DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

(a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
(b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate[1] does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests[2] in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 06 Feb 2024.

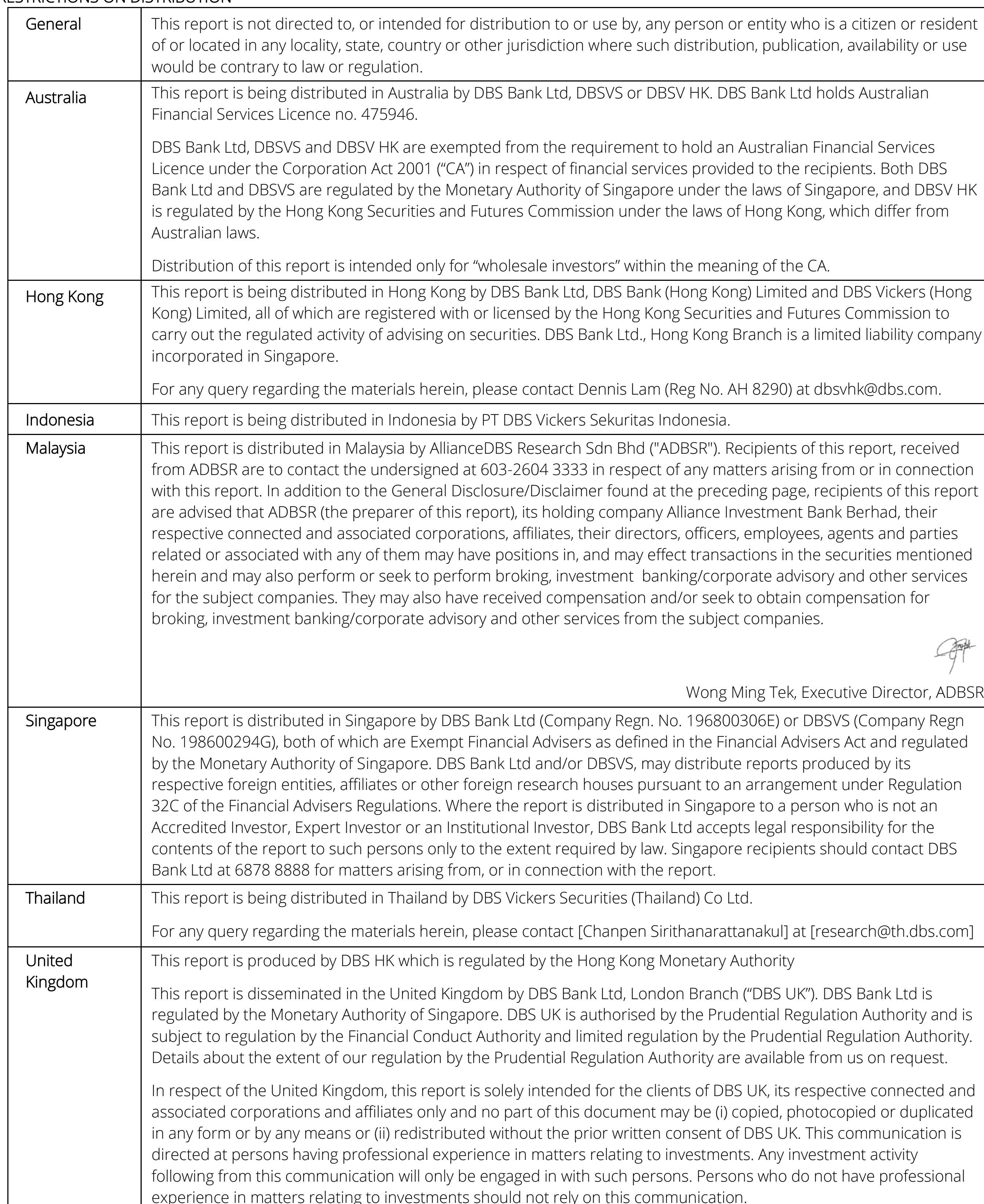
2. Compensation for investment banking services:
DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

3. Disclosure of previous investment recommendation produced:
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

[1] An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

[2] Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION



General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946. DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 (“CA”) in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws. Distribution of this report is intended only for “wholesale investors” within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore. For any query regarding the materials herein, please contact Dennis Lam (Reg No. AH 8290) at dbsvhk@dbs.com.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies. Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. For any query regarding the materials herein, please contact [Chanpen Sirithanarattanakul] at [research@th.dbs.com]
United Kingdom	This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority This report is disseminated in the United Kingdom by DBS Bank Ltd, London Branch (“DBS UK”). DBS Bank Ltd is regulated by the Monetary Authority of Singapore. DBS UK is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. In respect of the United Kingdom, this report is solely intended for the clients of DBS UK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS UK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.

Dubai International Financial Centre	This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules. This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates. DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see http://www.dbs.com/ae/our--network/default.page. Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC. Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010). The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way. Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.
United States	This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Bank (Hong Kong) Limited

13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

DBS Regional Research Offices

HONG KONG
DBS Bank (Hong Kong) Ltd
Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road, Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE
DBS Bank Ltd
Contact: Andy Sim
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA
PT DBS Vickers Sekuritas (Indonesia)
Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND
DBS Vickers Securities (Thailand) Co Ltd
Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand