February 6th, 2024

Shinhan Securities



Gemadept Corporation Joint Stock Company (GMD VN)

[Vietnam / Logistics]

Bloomberg Ticker (GMD VN) | Reuters Ticker (GMD.HM)

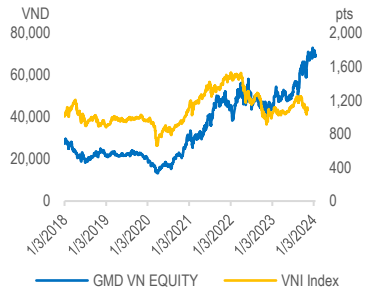
BUY

Update

Target price (12 months)	**83,400 VND**
Current price (05/02/24)	68,800 VND
Upside/downside (%)	21.2%

VNINDEX			1,186
HNXINDEX			230
Market Cap (bn VND)			21,045
Outstanding shares (mn)			305
Free-Floating (mn)			289
52-Wk High/Low (VND)			73,800/48,600
90-day avg. trading volume (mn)			1.11
90-day avg. turnover (bn VND)			67
Major shareholders (%)	SSJ Consulting VN		9.9
	KITMC		8.02
Performance	3T	6T	12T
Absolute (%)	7.7	20.8	29.1
Relative to VN-Index (%)	-1.1	24.9	20.4

Source: Bloomberg



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Gemalink bucked the trend

Maintain BUY rating and target price of VND 83,400

Gemadept Corporation (GMD) is a pioneer in port and logistics service sector in Viet Nam. In Q3/2023, GMD saw core profit to grow again. In 2023, GMD's core business PBT decreased by 9% YoY, in the context of Vietnam's total import-export turnover decreasing by 6.6% YoY. In 2024, we expect GMD's business results to recover, thanks to: (1) service fees increasing by 5% - 8%, (2) cargo throughput increasing by 8% thanks to the Nam Dinh Vu port phase 2 operating at full capacity and (3) Gemalink opening new service routes. Based on SOTP methods, we update GMD's target price at VND 83,400.

Updated business results in 2023 and prospects

In Q4/2023, GMD recorded revenue of VND 1,033 bn (-3% YoY and +4% QoQ) and NPAT-Mi reached VND 114 bn (-39.3% YoY and -55% QoQ). The sharp increase in G&A costs (+60% YoY) and higher-than-expected tax expenses (+77% YoY) have negatively affected the business results.

In 2023, GMD's net revenue reached nearly VND 3,845 bn (-1.3% YoY) and NPAT reached about VND 2,502 bn (+115% YoY). With the above results, GMD's profit after tax reached 95% of our forecast. Business results increased strongly thanks to the abnormal profit from Nam Hai Dinh Vu port divestment (estimated about VND 1,900 bn). Excluding this divestment, GMD's PBT to reach about VND 1,203 bn, down 9% YoY.

(1) Revenue from port operations in 2023 reached VND 2,942 bn (-4.6% YoY) due to a 3% YoY decrease in Hai Phong's throughput. Throughput at Haiphong port clusters remained low due to weak export demand.

(2) Profits of joint venture companies decreased, mainly due to the impact of Gemalink port's results. In 2023, Gemalink records an estimated profit of VND 27 bn. In Q4/2023 alone, Gemalink made a breakthrough, with an estimated profit reaching VND 111 bn. The business situation has improved thanks to the support of 2 new shipping routes and the recovery of existing routes.

Import-export activities exhibited positive signs of recovery in January 2024, leading goods through seaports to gradually regain growth momentum. Excluding the divestment, we estimate GMD's core net profit will grow by nearly 17%, reaching VND 1,351 bn, thanks to (1) service fees increasing by 5% - 8%, (2) cargo throughput increasing by 8% due to the Nam Dinh Vu port phase 2 operating at full capacity and (3) Gemalink opening new service routes.

In addition, in the first half of 2024, GMD plans to divest Nam Hai Port, focusing its competitive capacity on the downstream area in Hai Phong - Nam Dinh Vu Port. We estimate that GMD's profit will earn VND 203 bn from this divestment and include the extraordinary profit in our forecast in 2024.

Risk: (1) economic downturn scenario and (2) slow down in demand.

Year to Dec.	2023	2024F	2025F	2026F	2027F
Revenue (bn VND)	**3,846**	**4,159**	**4,485**	**4,901**	**5,356**
OP (bn VND)	1,116	1,395	1,425	1,537	1,671
NP (bn VND)	**2,502**	**1,351**	**1,458**	**1,639**	**1,970**
EPS (VND)	6,737	3,401	3,627	4,026	4,781
BPS (VND)	28,395	30,912	33,580	36,485	40,215
OPM	29.0%	33.5%	31.8%	31.4%	31.2%
NPM	65.1%	32.5%	32.5%	33.4%	36.8%
ROE	**28.7%**	**12.5%**	**12.3%**	**12.6%**	**13.6%**
PER (x)	9.4	18.5	17.4	15.6	13.2
PBR (x)	2.2	2.0	1.9	1.7	1.6
EV/EBITDA (x)	12.0	9.7	9.1	8.3	7.1

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Maintain BUY rating and target price of VND 83,400

We apply the Sum-of-the-part (SOTP) valuation method to value GMD. We update our BUY recommendation with a target price of VND 83,400, equivalent to a return of 21.2%. The main driver of our target price is the update of risk-free rate, equity risk premium and better logistics prospects.

Valuation

(Unit: billion VND)	Method	Value	GMD's ownership	Equity value attributed to GMD
Port and consolidated logistics	DCF	15,563	100%	15,563
SCS	DCF	6,688	34.5%	2,309
Rubber	BV	1,084	100%	1,084
Gemalink	DCF	9,097	65.1%	5,873
CJ Gemadept Logistics & Shipping	P/E	1,296	49.1% - 51%	617
Total Equity Value				25,446
Target price (VND/share)				**83,400**

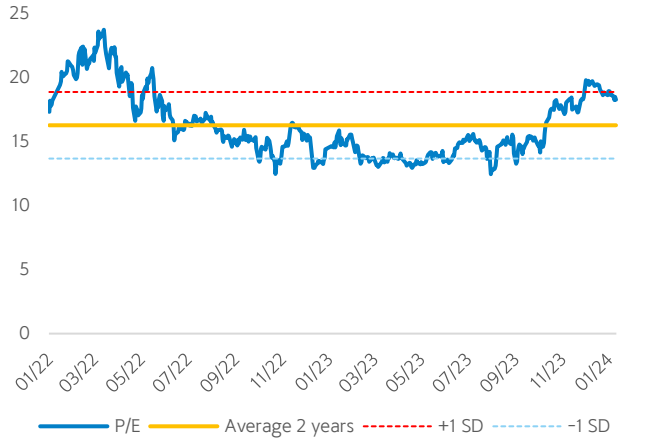
Port and consolidated logistics DCF valuation (exclude Nam Hai port)

Unit: billion VND	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT	1,395	1,425	1,537	1,671	1,803	1,832	1,863	1,896	1,936	1,979
Minus: Tax	-195	-199	-215	-234	-289	-293	-298	-303	-310	-317
Plus: Depreciation & Amortization	476	516	557	613	666	688	694	699	707	721
Minus: Change in working capital	-910	-689	-983	-1,284	-833	-180	-180	-180	-180	-180
Minus: CapEx	631	-38	-64	-74	-57	-11	-12	-12	-17	-17
Free Cash Flow (FCF)	**1,396**	**1,015**	**831**	**692**	**1,291**	**2,037**	**2,067**	**2,099**	**2,137**	**2,185**
PV of FCF	9,118									
Growth rate	0%									
Present value of long-term value	7,875									
Enterprise value	**16,993**									
Debt	1,882									
Cash and cash equivalents (inlcude the cash from the divestment)	1,674									
Minority interest	1,222									
Equity value	**15,563**									

WACC	**10.6%**
Risk-free rate	2.5%
Equity risk premium	9%
Beta	0.95
Debt cost	10%
The cost of equity	12%
Debt-to-equity ratio	30%
Total debt (VND bn)	1,882

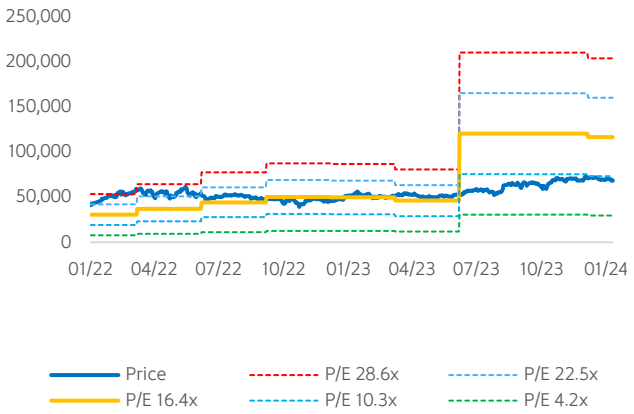
Source: Company data, Shinhan Securities Company

GMD's PER



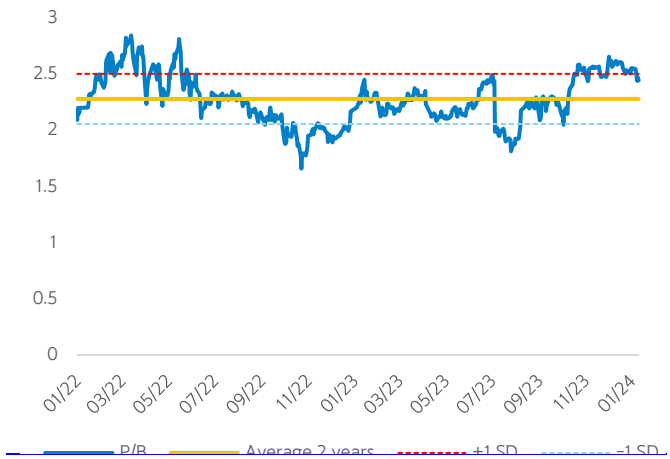
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of GMD



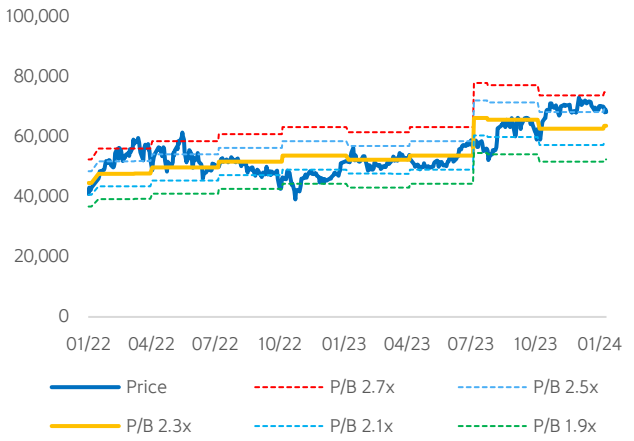
Source: Bloomberg, Company data, Shinhan Securities Vietnam

GMD's PBR



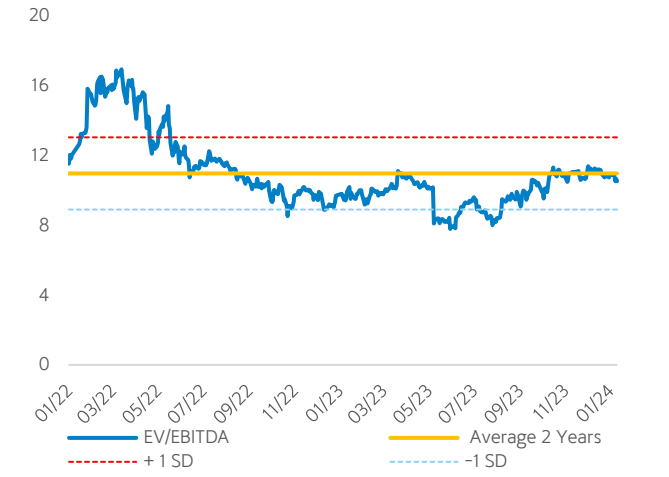
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of GMD



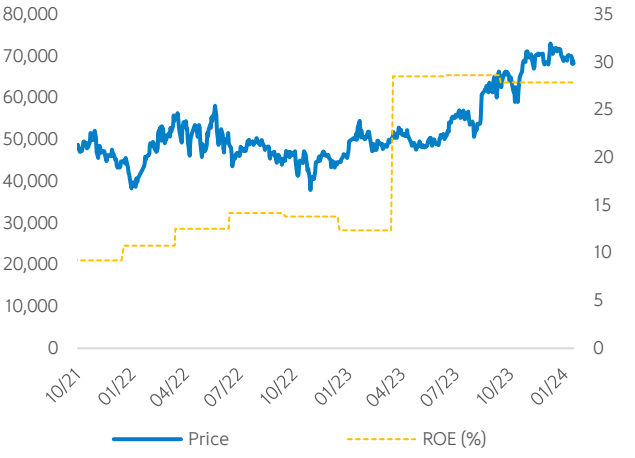
Source: Bloomberg, Company data, Shinhan Securities Vietnam

GMD's EV/EBITDA



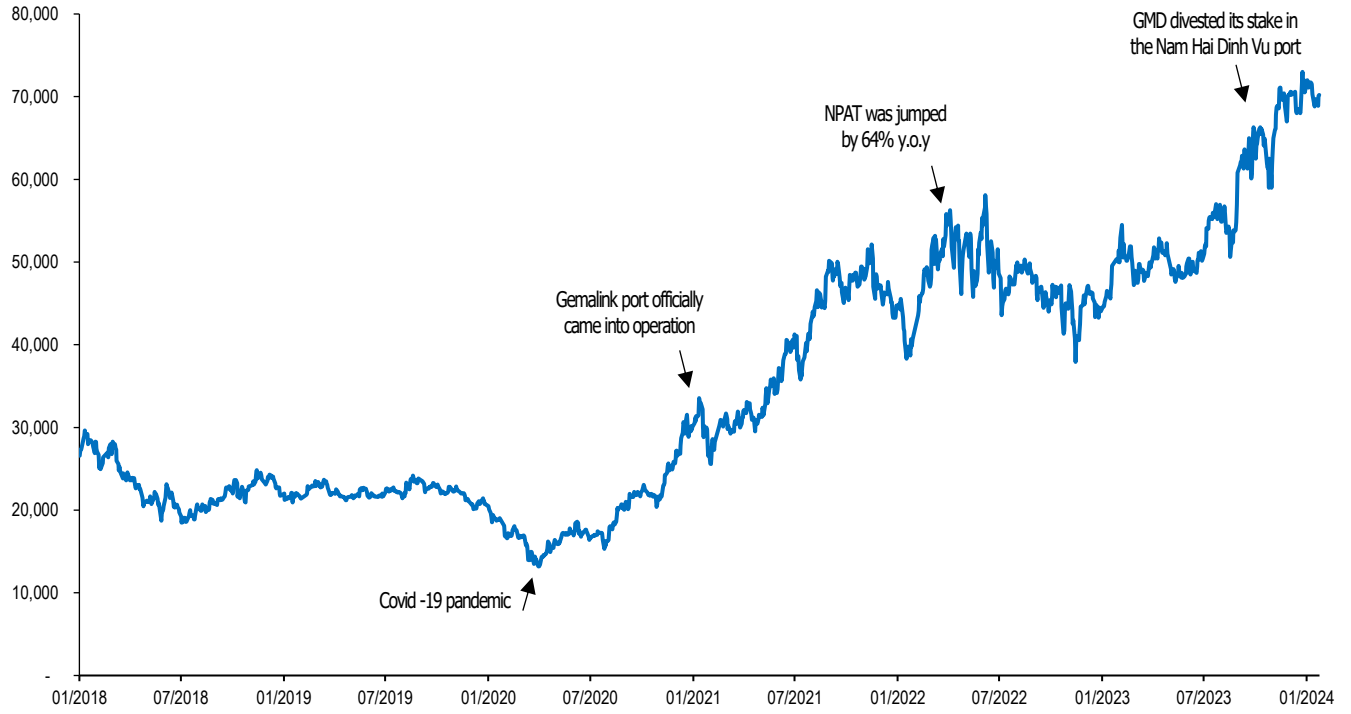
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of price and ROE



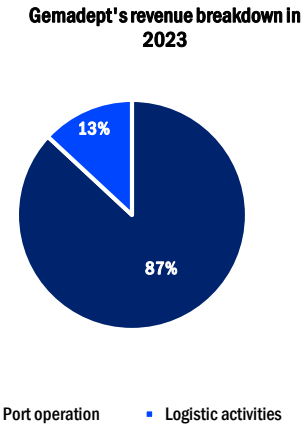
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of GMD



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Company Background



Source: Gemadept report 2023

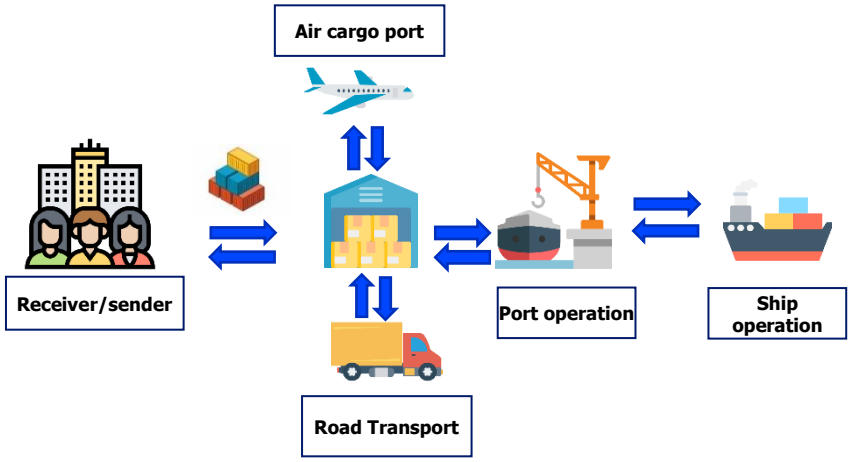
List of shareholders (as of 05/02/2024)	%
SSJ Consulting (Vietnam) Co., Ltd.	9.9
KIM Vietnam Growth Equity Fund	8.02
Do Van Nhan	0.5



Gemadept Corporation description

Gemadept was established in 1990. GMD was one of the first three companies selected by the government for equitization in 1993. In 2002, Gemadept was officially listed on the Vietnam stock market with the stock code GMD. After nearly 30 years of establishment and development, Gemadept is one of the leading enterprises in the country in logistics and port operations. Of which, port operation accounted for 86% of the revenue structure, Logistic activities accounted for 14%, and other services accounted for the remainder, including real estate and afforestation. The company is planning to divest from other fields and focus entirely on the port operation and logistics activities.

Gemadept Corporation's logistics value chain



Gemadept owns a system of ports in all three regions of the country in key areas and major economic zones. With a total of 8 seaports, the annual capacity of GMD reaches to 3.5 million TEUs and 2 million tons of bulk cargo. Combined with a modern logistics system, GMD prove its efficiency of domestic goods transportation.

Efficient port operation with many seaports located in prime locations

Gemadept currently has 4 ports in the North operating in the Hai Phong seaport area, 1 port in the central region operating in Dung Quat - Quang Ngai industrial park, and 3 ports in Binh Duong, Ho Chi Minh, and Ba Ria – Vung Tau areas. Gemadept's seaports are located in important areas for port operation. Hai Phong and Ba Ria Vung Tau port areas are the only two areas of the country that are specially designed for port operation. Ho Chi Minh and Quang Ngai are classified as Class I locations for port operation.

According to state regulations, all Vietnamese ports are graded according to 4 levels from special ports, to ports of class I, II, and III. The ports that ranked high are those that have a large volume of goods through the seaport, the ability to receive large ships, and have a direct influence on the development of the national economy. Therefore, Gemadept has a special advantage in exploiting and developing the seaport.

The leading logistics services in providing a variety of services





According to the evaluation report of Vietnam Report in 2021, Gemadept ranked first in the Top 10 prestigious Logistics companies in the categories of international freight forwarding, warehousing, and logistics services. With a comprehensive logistics system, Gemadept effectively exploits the logistics supply chain in 6 different fields: air cargo terminal, distribution center, OOG cargo transport, shipping, cold chain logistics, and Auto logistics.

- Gemadept is currently the largest shareholder of Saigon Cargo Services Joint Stock Company (SCS), with a market capitalization of more than VND 7,000 billion. SCS is in charge of operating the airport logistics at Tan Son Nhat airport. Gemadept's current airport operation segment has a capacity of 350,000 tons.
- Gemadept currently owns a logistics network including 19 distribution centers with a total area of up to 400,000 m2, concentrated mainly in key economic centers such as Ho Chi Minh City, Binh Duong, Hanoi, Hai Phong, Bac Ninh, Hung Yen… Gemadept is currently serving more than 300 domestic and foreign customers and partners, including large Vietnamese enterprises and famous global names. GMD's annual output is currently around 11 million CBM.
- Currently, Gemadept's transport capacity is about 18,000 TEUs, serving both road transport and water transport. Besides, Gemadept also undertakes the transportation of super-heavy items in Vietnam and is considered one of the top 3 leading companies in the field of super-heavy cargo transportation.
- Gemadept exploits the logistics of refrigerated goods through Mekong Logistics, a joint venture between Gemadept Joint Stock Company and "King Shrimp" - Minh Phu Seafood Corporation (currently Gemadept accounts for 25% and Minh Phu accounts for 41%). Mekong Logistics is a modern cold storage with the largest scale in the region, which has an area of 4.8 hectares and a capacity of up to 50,000 pallets.
- The automotive logistics segment is strongly developed through the joint venture K line – Gemadept Logistics (KGL), in which Gemadept holds 50% of the shares. With the current scale of 55,000 m2, the joint venture provides services for the world's leading automobile manufacturers such as Isuzu, Honda, Ford, and Mercedes...

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Total assets	10,412	10,141	11,106	11,617	12,467
Current assets	2,619	3,401	4,376	5,154	5,834
Cash & equivalents	1,364	1,474	2,728	3,401	3,951
Short-term financial asset	82	356	356	356	356
Accounts receivable	868	1,212	1,039	1,121	1,225
Inventories	83	68	107	118	130
Non-current assets	10,141	11,072	11,617	12,467	13,772
Net fixed assets	3,262	4,169	4,603	4,775	5,202
Investment assets	2,790	1,759	1,759	1,759	1,759
Other long-term assets	4,360	4,213	4,744	5,082	5,506
Total liabilities	5,083	3,836	4,785	5,008	5,352
Current liabilities	3,211	1,936	2,541	2,809	3,053
Accounts payable	838	508	627	697	766
Short-term borrowings	543	446	350	450	500
Others	1,634	666	1,248	1,346	1,470
Non-current liabilities	3,211	1,936	2,541	2,809	3,053
Long-term borrowings	1,486	1,518	1,847	1,793	1,880
Other financial liabilities	386	381	397	407	419
Total shareholders' equity					
Capital stock	3,014	3,059	3,058	3,058	3,058
Capital surplus	1,942	1,942	1,942	1,942	1,942
Other capital	743	619	619	619	619
Retained earnings	1,227	2,938	3,698	4,502	5,377
Non-controlling interest equity	1,022	1,149	1,379	1,641	1,952
*Total debt	2,030	1,964	2,197	2,243	2,380
*Net debt (cash)	665	490	(532)	(1,159)	(1,572)

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Revenue	3,898	3,846	4,159	4,485	4,901
Growth		-1.3%	8.1%	7.8%	9.3%
COGS	2,180	2,069	2,289	2,544	2,797
Gross profit	1,718	1,776	1,870	1,941	2,103
GPM	44.1%	46.2%	45.0%	43.3%	42.9%
SG&A	667	660	475	516	566
Operating profit	1,051	1,116	1,395	1,425	1,537
Growth		6.1%	25.0%	2.2%	7.9%
OPM	27.0%	29.0%	33.5%	31.8%	31.4%
Non-operating profit	(0)	(16)	(52)	(45)	(37)
Financial income	24	1,900	50	63	73
Financial expense	166	169	179	178	185
In which: interest expenses	(131)	(135)	(179)	(178)	(185)
Net other non-operating profit	399	272	336	408	492
Pre-tax profit	1,308	3,144	1,550	1,673	1,880
Income tax	166	655	220	237	267
Net profit	1,161	2,502	1,351	1,458	1,639
Growth		115.5%	-46.0%	7.9%	12.4%
NPM	29.8%	65.1%	32.5%	32.5%	33.4%
Controlling interest	994	2,222	1,121	1,196	1,328
Non-controlling interest	167	280	230	262	311
EBIT	1,439	3,037	1,729	1,850	2,065
Growth		211.0%	56.9%	107.0%	111.6%
EBIT Margin	36.9%	79.0%	41.6%	41.3%	42.1%
EBITDA	1,832	3,432	2,205	2,366	2,621
Growth		87.3%	-35.7%	7.3%	10.8%
EBITDA margin	47.0%	89.2%	53.0%	52.8%	53.5%

Statement of cash flow

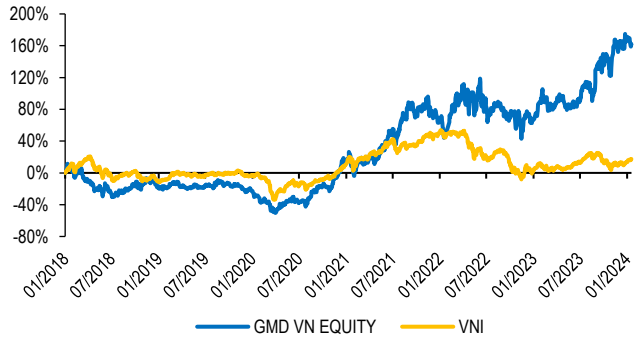
Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Cash flow from operations	2,299	(88)	2,068	1,476	1,579
Net profit	1,161	2,502	1,121	1,196	1,328
Depreciation expense	393	395	476	516	557
(Gain) from investing activities	(412)	(2,211)	-	-	-
Change in working capital	1,092	(1,570)	631	(38)	(64)
Others	(180)	(1,135)	(110)	(136)	(168)
Cash flow from investments	(1,235)	1,013	(685)	(457)	(714)
Change in fixed assets	(1,361)	(1,045)	(910)	(689)	(983)
Change in investment assets	-	2,424	-	-	-
Others	(47)	(554)	-	-	-
Cash flow from financing	(338)	(816)	(129)	(346)	(315)
Change in equity	-	45	-	-	-
Net borrowing	132	(45)	233	46	137
Dividends	(428)	(780)	(362)	(392)	(452)
Change in total cash	727	109	1,254	673	550
Beginning cash	637	1,364	1,474	2,728	3,401
Change in FX rates	-	-	-	-	-
Ending cash	1,364	1,474	2,728	3,401	3,951

Key ratios

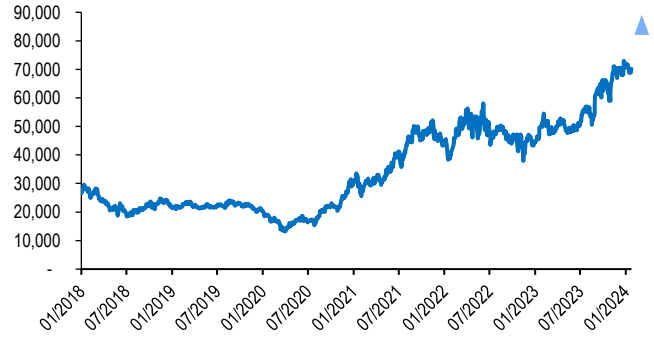
Year to Dec.	2022	2023	2024F	2025F	2026F
EPS (VND)	3,014	6,737	3,401	3,627	4,026
BPS (VND)	24,026	28,395	30,912	33,580	36,485
DPS (VND)	1,485	2,589	1,200	1,300	1,500
PER (x)	20.9	9.4	18.5	17.4	15.6
PBR (x)	2.6	2.2	2.0	1.9	1.7
EV/EBITDA (x)	11.6	12.0	9.7	9.1	8.3
Dividend payout ratio	49.3%	38.4%	35.3%	35.8%	37.3%
Dividend yield	2.2%	3.8%	1.7%	1.9%	2.1%
Profitability					
EBITDA margin	37.1%	39.3%	45.0%	43.3%	42.7%
OPM	27.0%	29.0%	33.5%	31.8%	31.4%
NPM	29.8%	65.1%	32.5%	32.5%	33.4%
ROA	9.8%	18.8%	9.3%	9.0%	9.3%
ROE	15.0%	28.7%	12.5%	12.3%	12.6%
Stability					
Debt to equity ratio	25.5%	20.2%	20.5%	19.1%	18.4%
Cash ratio	42.5%	76.1%	107.3%	121.1%	129.4%
Interest coverage ratio (x)	11.0	11.2	10.4	10.9	11.3
Activity					
Working capital turnover (times)	(5)	(3)	26	14	13
Inventory turnover (days)	13	13	14	16	16
Receivable turnover (days)	84	103	103	93	92

Gemadept Corporation Joint Company (GMD VN)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
03/12/2022 (Initiation)	BUY	62,300	25.8	-0.3/70.3
13/02/2023 (Update)	BUY	61,500	24.7	-1.1/68.9
22/06/2023 (Update)	BUY	62,400	34.4	10.6/71.4
09/11/2023 (Update)	HOLD	74,000	41.7	8.8/103.2
03/02/2024 (Update)	BUY	83,400	34.2	13.0/71.6

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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