October 30th, 2024

Shinhan Securities



Gemadept Corporation Joint Stock Company (GMD VN)

[Vietnam / Logistics]

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

HOLD

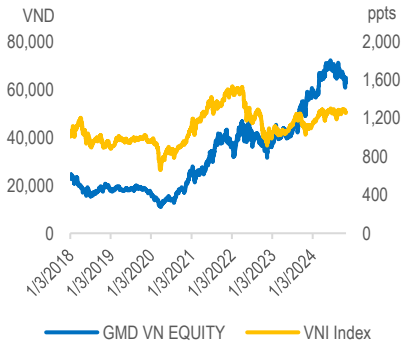
Update

Target price (12 months)	**69,300 VND**
Current price (29/10/24)	65,000 VND
Upside/downside (%)	6.9%

VNINDEX		1,261
HNXINDEX		225
Market Cap (bn VND)		26,908
Outstanding shares (mn)		413
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 (%)	VI Fund II, I.P	13.81
	SSJ Consulting VN	9.56

Performance	3T	6T	12T
Absolute (%)	-2.9	-8.9	26.7
Relative to VN-Index (%)	-4.3	-13.3	5.6

Source: Bloomberg



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Cross the finish line

Maintain HOLD rating and target price of VND 69,300

Gemadept Corporation (GMD) is a pioneer in port and logistics service sector in Viet Nam. In 9M/2024, the core business segment achieved strong growth, estimated at 40% YoY, driven by robust growth in throughput. We expect GMD to continue this upward momentum amid the recovery in import-export activities. Based on SOTP methods, we update GMD's target price at VND 69,300.

The successful divestment of Nam Hai port and the strengthening of Nam Dinh Vu and Gemalink ports

GMD finalized the complete sale of its stake in Nam Hai Port on April 17th. The company realized a profit of approximately VND 336 billion from this transaction, which was recorded in its Q1/ 2024 financial results. GMD is focusing on expanding Phase 3 of Nam Dinh Vu Port, with a capacity of 650,000 TEUs/year. The port is expected to commence operations in the Q4/2025, increasing its current capacity by 30%.The Gemalink deep-water port project - phase 2A is expected to be implemented from the Q4/2024 to the Q4/2025, with a capacity of 600,000 TEU/year, increasing the current capacity of Gemalink port by 30%. As a result, once these two projects are finalized, we anticipate a 25% increase in GMD's overall capacity, which in turn will stimulate profit growth.

Business results have improved significantly thanks to the recovery of imports and exports.

In Q3 2024, GMD reported revenue of VND 1,264 bn (+26.7% YoY) and NPAT-Mi of VND 335 bn (+31.8% YoY). For the cumulative 9 months of 2024, GMD reported VND 1,728 bn in PBT (-42% YoY), exceeding the plan by 2%. Excluding the divestment, we estimate that the PBT of the core business grew by 38% YoY.

(1) Revenue from port operations in Q3/2024 reached VND 1,095 bn (+40.5% YoY) and the cargo volume through Nam Dinh Vu port in 9M/2024 increased by nearly 145% YoY. The cargo volume through the Hai Phong port cluster increased significantly thanks to the recovery and growth of import-export activities on a low base in 9M/2023.

(2) Profits from joint ventures and associated companies also increased significantly, reaching VND 221 bn (+325% YoY), primarily driven by improved business results from Gemalink Port. In the first 9M/2024, Gemalink's profit is estimated to reach approximately VND 473 bn (compared to a loss of VND 85 bn in the same period last year). Business performance was supported by a 165% YoY increase in 9M/2024 volume and a 3-10% increase in service fees thanks to Circular 39/2023/TT-BGTVT, which increased the ceiling price of port services, taking effect on February 15, 2024.

Given the strong performance in import and export, we're optimistic that GMD will keep up its 15% growth rate in the 2024 and 2025.

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

Year to Dec.	2023	2024F	2025F	2026F	2027F
Revenue (bn VND)	**3,846**	**4,181**	**4,621**	**5,143**	**5,710**
OP (bn VND)	1,116	1,322	1,463	1,578	1,750
NP (bn VND) (*)	**1,061**	**1,540**	**1,721**	**1,983**	**2,195**
EPS (VND)	2,366	3,876	4,279	4,871	5,325
BPS (VND)	28,395	31,433	34,815	38,644	42,971
OPM	29.0%	31.6%	31.7%	30.7%	30.6%
NPM	27.6%	36.8%	37.2%	38.6%	38.4%
ROE	**10.1%**	**14.2%**	**14.1%**	**14.5%**	**14.3%**
PER (x)	26.6	20.0	18.1	15.9	14.6
PBR (x)	2.2	2.5	2.2	2.0	1.8
EV/EBITDA (x)	12.0	10.4	9.7	8.7	7.9

Source: Company data, Shinhan Securities Vietnam

(*) We have excluded the abnormal profit from the divestment of Nam Hai Dinh Vu and Nam Hai ports

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Valuation and Recommendation

Maintain HOLD rating and target price of VND 69,300

We apply the Sum-of-the-part (SOTP) valuation method to value GMD. We update our HOLD recommendation with a target price of VND 69,300, equivalent to a return of 6.9%.

Valuation

(Unit: billion VND)	Method	Value	GMD's ownership	Equity value attributed to GMD
Port and consolidated logistics	DCF	15,786	100%	15,786
SCS	DCF	7,988	34.5%	2,758
Rubber	BV	1,084	100%	1,084
Gemalink	DCF	12,875	65.1%	8,385
CJ Gemadept Logistics & Shipping	P/E	1,296	49.1% - 51%	617
Total Equity Value				25,446
Target price (VND/share)				**69,300**

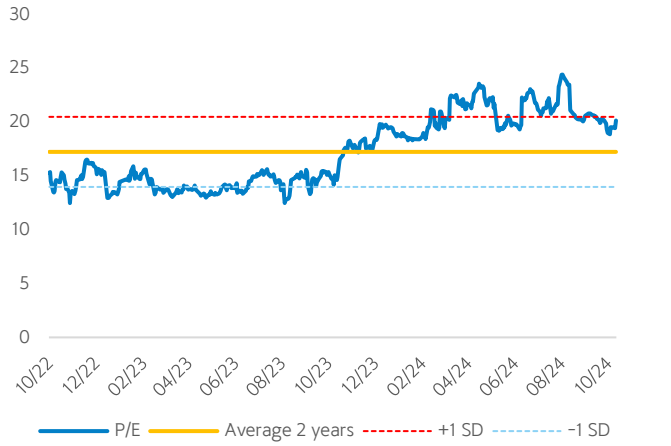
Port and consolidated logistics DCF valuation (exclude Nam Hai port)

Unit: billion VND	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT	1,322	1,463	1,578	1,750	1,870	1,909	1,952	1,999	2,056	2,119
Minus: Tax	-185	-205	-221	-245	-299	-305	-312	-320	-329	-339
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	638	-72	-73	-92	-43	-13	-15	-16	-22	-23
Free Cash Flow (FCF)	1,341	1,013	857	742	1,361	2,099	2,139	2,182	2,233	2,297
PV of FCF	9,240									
Growth rate	0%									
Present value of long-term value	7,873									
Enterprise value	**17,113**									
Debt	1,928									
Cash and cash equivalents (inlcude the cash from the divestment)	2,067									
Minority interest	1,446									
Equity value	**15,786**									

WACC	**10.6%**
Risk-free rate	2.9%
Equity risk premium	9%
Beta	0.95
Debt cost	10%
The cost of equity	12%
Debt-to-equity ratio	30%
Total debt (VND bn)	1,928

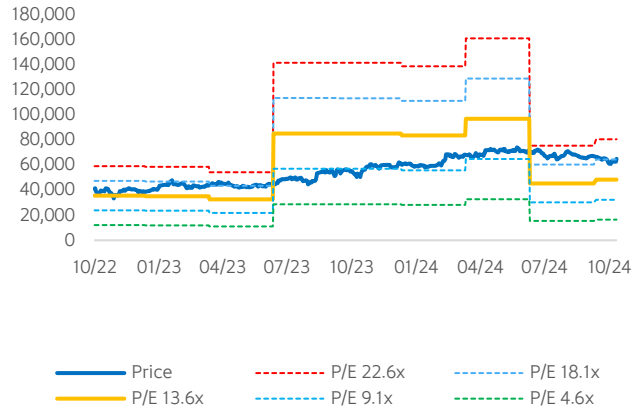
Source: Company data, Shinhan Securities Company

GMD's PER



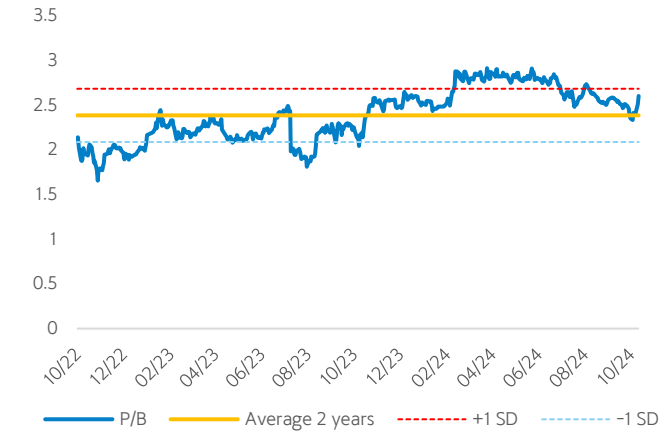
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of GMD



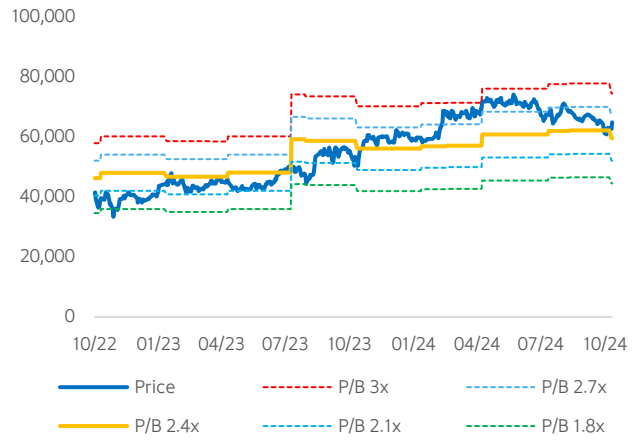
Source: Bloomberg, Company data, Shinhan Securities Vietnam

GMD's PBR



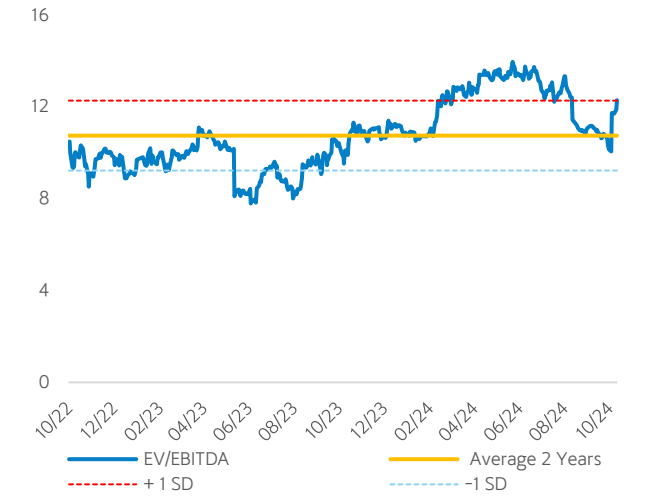
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of GMD



Source: Bloomberg, Company data, Shinhan Securities Vietnam

GMD's EV/EBITDA



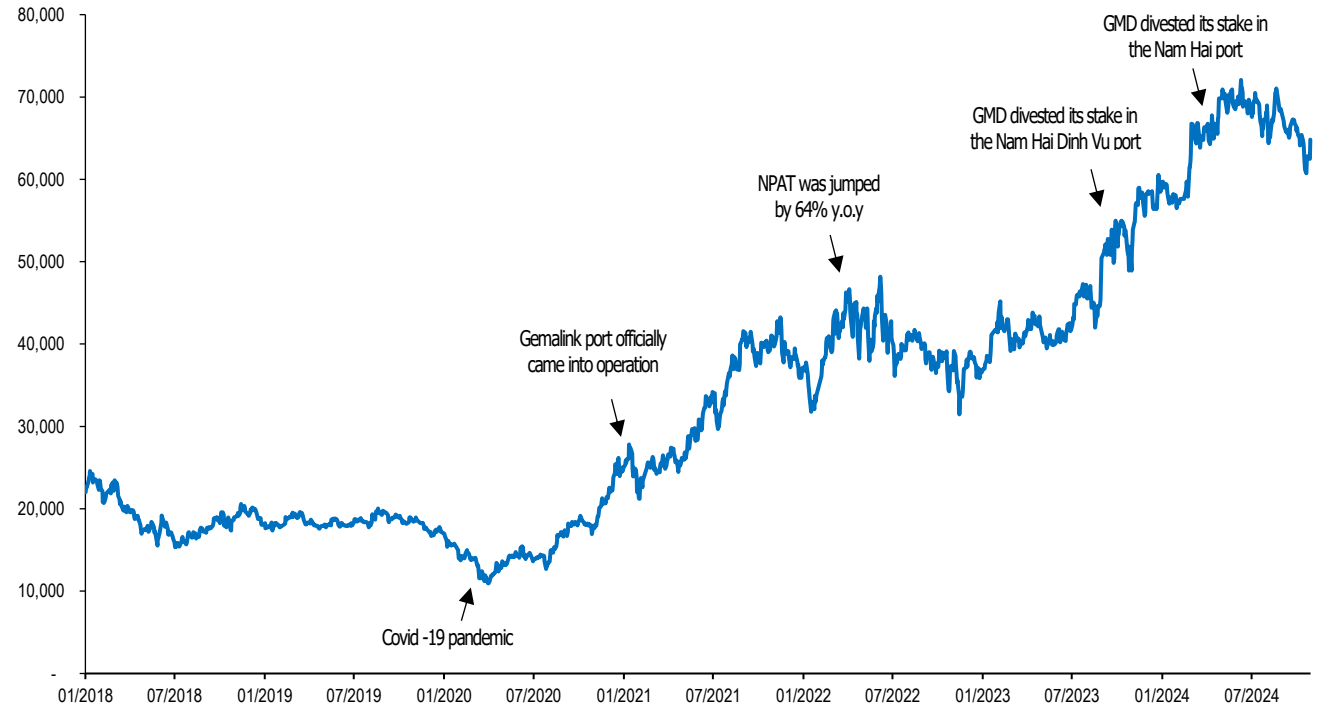
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

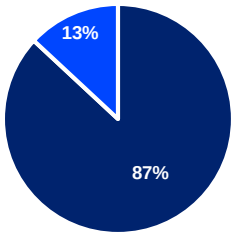
Key event chart of GMD



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Company Background

Gemadept's revenue breakdown in 9M2024



Source: Gemadept report 2024

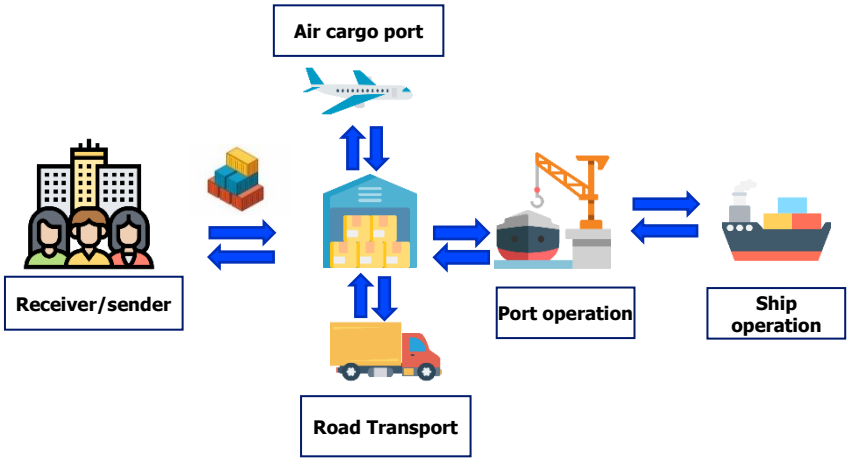
List of shareholders (as of 30/10/2024)	%
VI Fund II, L.P	13.81
SSJ Consulting (Vietnam) Co., Ltd.	9.56
Do Van Nhan	0.54



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	11,422	12,207	13,394
Current assets	2,619	3,401	4,573	5,382	6,135
Cash & equivalents	1,364	1,474	2,917	3,588	4,176
Short-term financial asset	82	356	356	356	356
Accounts receivable	868	1,212	1,045	1,155	1,285
Inventories	83	68	110	121	137
Non-current assets	10,141	11,072	12,207	13,394	14,902
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	5,060	5,672	6,433
Total liabilities	5,083	3,836	4,809	5,069	5,473
Current liabilities	3,211	1,936	2,565	2,866	3,168
Accounts payable	838	508	644	713	809
Short-term borrowings	543	446	350	450	500
Others	1,634	666	1,254	1,386	1,543
Non-current liabilities	3,211	1,936	2,565	2,866	3,168
Long-term borrowings	1,486	1,518	1,847	1,793	1,880
Other financial liabilities	386	381	398	411	426
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	4,104	5,128	6,286
Non-controlling interest equity	1,022	1,149	1,462	1,772	2,150
*Total debt	2,030	1,964	2,197	2,243	2,380
*Net debt (cash)	665	490	(720)	(1,345)	(1,797)

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Revenue	3,898	3,846	4,181	4,621	5,143
Growth		-1.3%	8.7%	10.5%	11.3%
COGS	2,180	2,069	2,351	2,602	2,951
Gross profit	1,718	1,776	1,830	2,019	2,192
GPM	44.1%	46.2%	43.8%	43.7%	42.6%
SG&A	667	660	508	556	614
Operating profit	1,051	1,116	1,322	1,463	1,578
Growth		6.1%	18.4%	10.7%	7.9%
OPM	27.0%	29.0%	31.6%	31.7%	30.7%
Non-operating profit	(0)	(16)	(52)	(46)	(39)
Financial income	24	1,900	345	66	77
Financial expense	166	169	179	178	185
In which: interest expenses	(131)	(135)	(179)	(178)	(185)
Net other non-operating profit	399	272	676	674	849
Pre-tax profit	1,308	3,144	2,111	1,979	2,280
Income tax	166	655	300	281	324
Net profit	1,161	2,502	1,841	1,726	1,988
Growth		115.5%	-35.7%	-6.2%	15.2%
NPM	29.8%	65.1%	44.0%	37.3%	38.7%
Controlling interest	994	2,222	1,528	1,415	1,610
Non-controlling interest	167	280	313	311	378
EBIT	1,439	3,037	2,290	2,157	2,465
Growth		211.0%	75.4%	94.2%	114.3%
EBIT Margin	36.9%	79.0%	54.8%	46.7%	47.9%
EBITDA	1,832	3,432	2,767	2,673	3,022
Growth		87.3%	-19.4%	-3.4%	13.0%
EBITDA margin	47.0%	89.2%	66.2%	57.8%	58.8%

Statement of cash flow

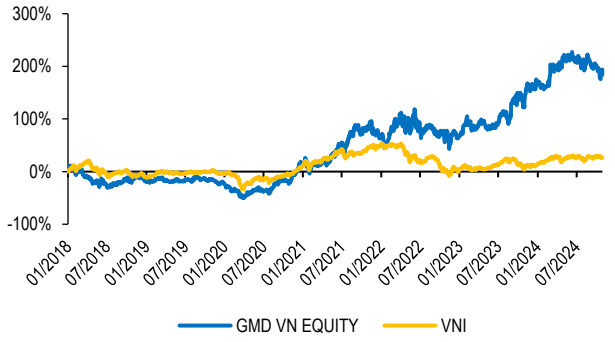
Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Cash flow from operations	2,299	(88)	2,222	1,442	1,560
Net profit	1,161	2,502	1,528	1,415	1,610
Depreciation expense	393	395	476	516	557
(Gain) from investing activities	(412)	(2,211)			
Change in working capital	1,092	(1,570)	638	(72)	(73)
Others	(180)	(1,135)	(366)	(351)	(456)
Cash flow from investments	(1,235)	1,013	(651)	(425)	(657)
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	1,443	671	588
Beginning cash	637	1,364	1,474	2,917	3,588
Change in FX rates	-	-	-	-	-
Ending cash	1,364	1,474	2,917	3,588	4,176

Key ratios

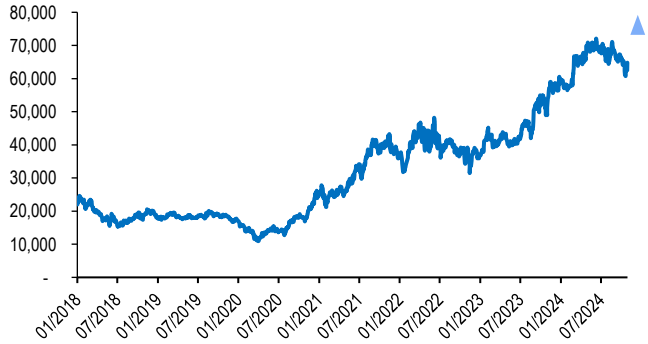
Year to Dec.	2022	2023	2024F	2025F	2026F
EPS (VND)	3,014	6,737	4,633	4,292	4,884
BPS (VND)	24,026	28,395	32,261	35,656	39,499
DPS (VND)	1,485	2,589	1,200	1,300	1,500
PER (x)	20.9	9.4	16.7	18.1	15.9
PBR (x)	2.6	2.2	2.4	2.2	2.0
EV/EBITDA (x)	11.6	12.0	10.4	9.7	8.7
Dividend payout ratio	49.3%	38.4%	25.9%	30.3%	30.7%
Dividend yield	2.2%	3.8%	2.3%	2.4%	2.8%
Profitability					
EBITDA margin	37.1%	39.3%	43.0%	42.8%	41.5%
OPM	27.0%	29.0%	31.6%	31.7%	30.7%
NPM	29.8%	65.1%	44.0%	37.3%	38.7%
ROA	9.8%	18.8%	12.5%	10.3%	10.7%
ROE	15.0%	28.7%	16.7%	13.8%	14.2%
Stability					
Debt to equity ratio	25.5%	20.2%	19.6%	17.9%	16.9%
Cash ratio	42.5%	76.1%	113.7%	125.2%	131.8%
Interest coverage ratio (x)	11.0	11.2	10.0	11.1	11.5
Activity					
Working capital turnover (times)	(5)	(3)	27	12	13
Inventory turnover (days)	13	13	14	16	16
Receivable turnover (days)	84	103	103	91	91

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	46,750	25.8	-0.3/70.3
13/02/2023 (Update)	BUY	46,120	24.7	-1.1/68.9
22/06/2023 (Update)	BUY	46,750	34.4	10.6/71.4
09/11/2023 (Update)	HOLD	55,000	41.7	8.8/103.2
03/02/2024 (Update)	BUY	62,550	34.2	13.0/71.6
30/10/2024 (Update)	HOLD	69,300	13.2	-0.6/42.5

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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