December 03rd, 2022

Shinhan Securities



Gemadept Corporation

[Vietnam / Logistics]

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

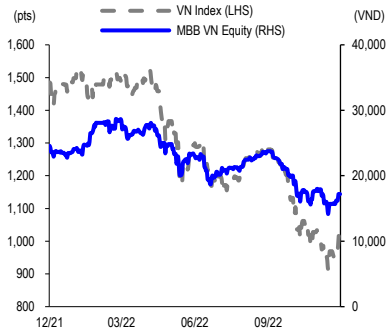
BUY

Initiate Coverage

Target price (12 months)	**62,300 VND**
Current price (03/12/22)	48,000 VND
Upside/downside (%)	30%

VNINDEX	1,093
HNXINDEX	219
Market Cap (bn VND)	14,240
Outstanding shares (mn)	301
Free-Floating (mn)	289
52-Wk High/Low (VND)	62,200/36,400
90-day avg. trading volume (mn)	0.94
90-day avg. turnover (bn VND)	39
Foreign ownership (%)	22.18
Major shareholders (%)	VI FUND II, L.P 11% SSJ Consulting (VN) Co., Ltd. 9%

Performance	3T	6T	12T
Absolute (%)	-7.0	-17.8	-5.2
Relative to VN-Index (%)	12.2	1.9	24.9



Source: Bloomberg

[Analyst]

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Shinhan Securities

Taking the lead in the sea port industry

Initial coverage with a BUY recommendation at a target price of VND 62,300

Gemadept Corporation (GMD) is one of the leading logistics enterprises in Vietnam. With many seaports concentrated in 2 specially design sea port regions in Vietnam, Gemadept possesses a prime location for strong development in seaport combined with technology and long-term experience in the industry. We first price GMD at VND 62,300, equivalent to a 30% return. We use the Sum of the parts valuation method, P/E and P/B with the weights of 80%, 10% and 10% respectively. Gemadept's business results will continue to grow in the period of 2023 - 2027 thanks to the strong investment in key ports.

Import and export growth promotes goods through seaports

Economic agreements such as EVFTA, RCEP and continued growth of FDI capital are the driving force for Vietnam's import and export in the future. The Vietnamese government expects Vietnam's import and export turnover to increase by about 14% in 2022. At the same time, the government also plans to grow by 7.5% in the period of 2023 - 2025 and 4.5 - 5.5% in the period of 2025 - 2030.

Gemadept owns favorable locations, which provides advantages for strong development

Gemadept has the advantage of geographical position compared to competitors. Combined with many years of experience in the industry and modern systems that meet European standard, Gemadept affirms the leading position in the port operation segment.

Strong growth prospects from Nam Dinh Vu and Gemalink expansion projects

Nam Dinh Vu expansion project and Gemalink expansion project will increase the current capacity from 3.5 million TEU to 6 million TEU in the future. The annual growth rate in the port segment is expected to average 10% from 2022 to 2030.

Investment risks:

1) Risks of slowing world economic growth

2) Rising inflation rate and interest rates affect consumer demand and production

Year to Dec.	2021	2022F	2023F	2024F	2025F
Revenue (bn VND)	**3,206**	**3,829**	**4,165**	**4,556**	**5,015**
OP (bn VND)	861	1,321	1,327	1,279	1,660
NP (bn VND)	**721**	**1,140**	**1,144**	**1,101**	**1,431**
EPS (VND)	1,869	3,213	3,226	3,105	4,034
BPS (VND)	21,507	32,055	34,080	35,985	38,819
OPM (%)	27%	35%	32%	28%	33%
NPM (%)	22%	30%	27%	24%	29%
ROE (%)	**9%**	**10%**	**9%**	**9%**	**10%**
PER (x)	23.28	14.63	14.57	15.14	11.65
PBR (x)	2.19	1.47	1.38	1.31	1.21
EV/EBITDA (x)	12.46	11.95	8.06	7.60	7.40

Source: Company data, Shinhan Securities Vietnam

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Industry overview & Company background

Industry overview

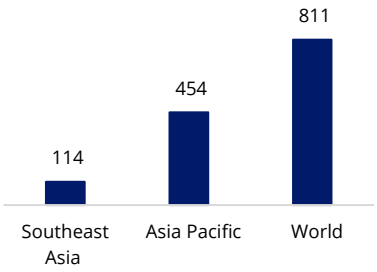
Liner shipping connectivity index	
Country	**Rank**
China	1
Singapore	2
Korea	3
America	4
Malaysia	5
...	...
Vietnam	13



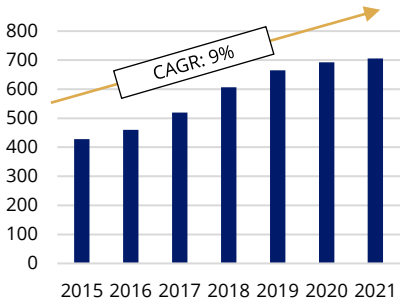
Vietnam's strategic position in the shipping industry

Vietnam is located right next to the East Sea, which is an important location in the international maritime route, which transport goods from Asia to other regions of the world. Vietnam has a coastline of 3,260 km with many deep-water bays, suitable for seaport development. According to the Liner shipping connectivity index (the World Bank's national maritime connectivity index), Vietnam is currently ranked 13th in the world. Therefore, Vietnam has great potential in developing seaports. Currently, the whole country has 45 seaports areas. The total number of ports of the system is 251 ports with about 88km of wharf length and 18 transshipment areas. Total design capacity is about 543.7 million tons/year.

Containers transported by sea 2020 (million TEUs)



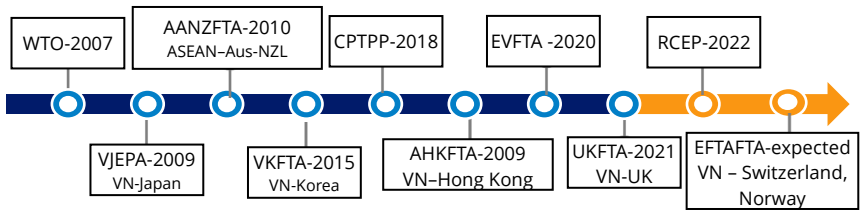
Cargo through seaport 2015 - 2021 (million tons)



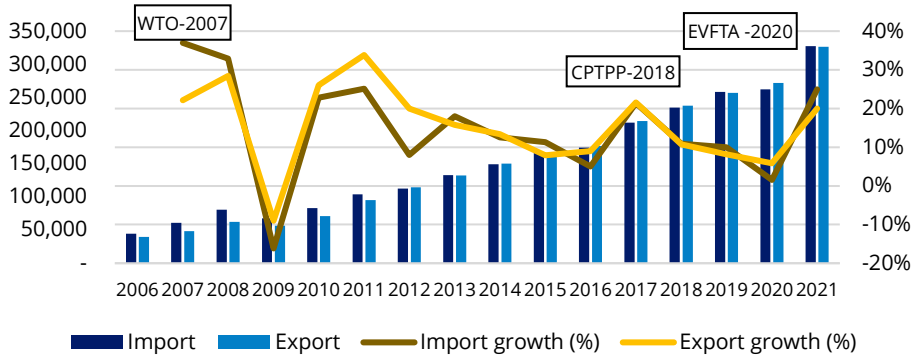
Source: Worldbank, GSO

Vietnam is one of the countries with the highest growth rate of goods through seaports in Southeast Asia with the average growth rate from 2010 to 2021 reaching 9% (5% higher than the average rate of other ASEAN countries). The total volume of goods transported through Vietnam's seaports reached about 706 million tons, ranking fourth compared with ASEAN countries. Vietnam's seaports are built in association with major city centers, industrial parks, and key economic regions of the country. This helps companies import and export goods efficiently. In addition, international trade agreements and FDI growth are the driving forces for import and export growth, contributing to the promotion of goods through Vietnam's seaports.

Strong growth potential through economic agreements



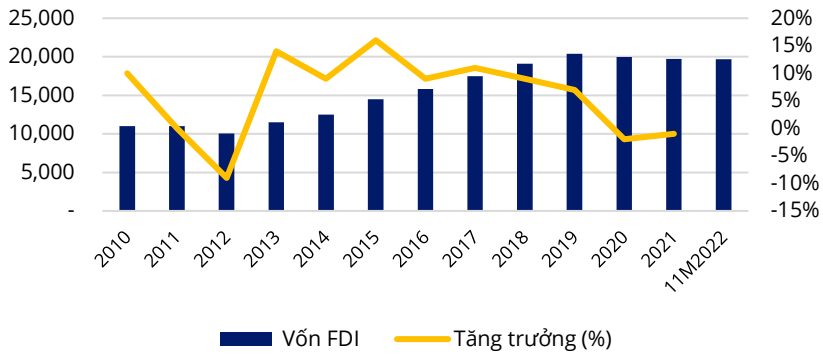
Vietnam Import-Export 2006 - 2021 (million USD)



Source: Bloomberg

The seaport industry is highly dependent on the volume of domestic import and export goods. With the policy of opening up the economy, Vietnam has signed many important economic agreements in recent years, contributing to promoting import and export growth. In 2021, one year after the economic cooperation agreement with European countries - EVFTA was signed, the total two-way trade turnover increased by 12% to 54.6 billion USD, including 16.2 billion USD of exports from the EU to Vietnam and 38.5 billion USD exported from Vietnam to the EU. By the end of 2021, export value increased by 20%.

Disbursed FDI in Vietnam (million USD)
2008 - 2020



Source: World Bank

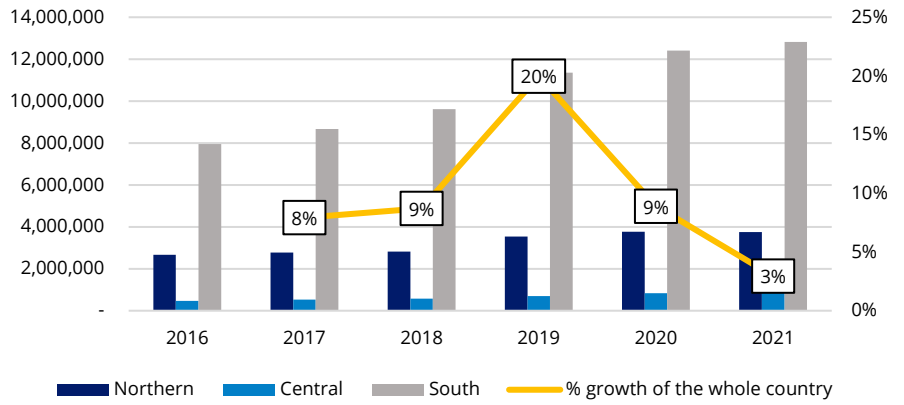
Economic agreements between countries play an important role in FDI investment in Vietnam, thereby contributing to the growth of imports and export. FDI enterprises investing in Vietnam will contribute to the increasing imports through the import of raw materials from other countries and the increasing exports through exporting products to foreign countries. The amount of disbursed FDI in Vietnam grows by about 10% annually, but in 2020 due to the Covid-19 situation affecting world economic activities, the amount of FDI capital decreased slightly by 2%. We expect FDI will continue to grow well in 2022 after the epidemic situation is under control and consumption demand recovers.

Strong development investment policy from the state

The Government has issued Decision No. 1579/QD-TTg dated September 22, 2021 to master plan and develop Vietnam's seaport system from 2021 to 2030, with a vision to 2050. Accordingly, the Government develops a synchronous and modern seaport system with high-quality services to meet the needs of socio-economic development. The goal is that by 2030, the seaport system will meet the volume of goods from 1,140 to 1,423 million tons - corresponding to a growth rate of about 8%/year. From 2030 to 2050, goods through the port will grow at an average rate average from 4.0 to 4.5%/year.

Goods through seaports grow steadily across the country

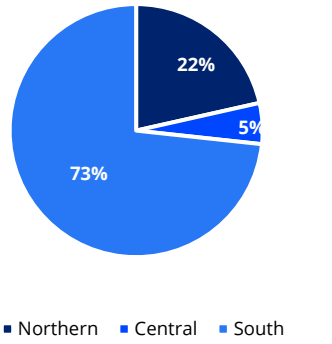
Cargo transport through seaports by region from 2016 - 2021 (unit: TEUs)



Source: VPA data

Cargo through seaports has grown steadily over the years with an average annual growth rate of about 8%. The growth rate in 2020 and 2021 is decelerated compared to the period from 2016 to 2019 due to the influence of Covid-19. Cargo volume through seaports is concentrated mainly in the South, accounting for 73%. The proportion in the other two regions is lower, with the North accounting for 21% and the Central region accounting for 5%.

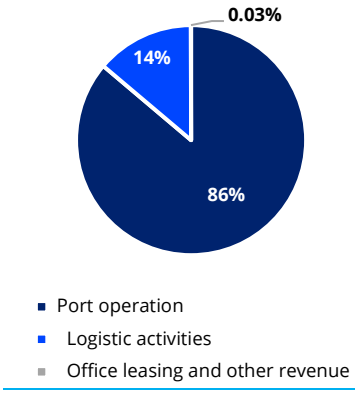
Vietnam seaport market share in 2021



Source: VPA data

- **Northern port area:** Concentrating on two main ports, Hai Phong port, and Quang Ninh port, which Hai Phong port accounts for more than 70% of cargo volume. The average growth rate of the north from 2016 to 2021 is 7%. The growth potential in the North is still great with the plan to develop Hai Phong and Lach Huyen seaports.
- **Central port area:** Compared to the whole country, the market share of Central seaports is not large, but it has fierce competition because every province has their own ports. However, the growth potential of the Central region is still high due to the development of industrial zones and big cities in the Central region. Cargo growth in the central port area in the 2016-2021 period reached a high of 14% annually.
- **Southern port area:** The southern port area is a key area of the country, in which the main port area is the Saigon - Dong Nai area (accounting for 62%) and the Ba Ria - Vung Tau port area (accounting for 37%).). The Saigon - Dong Nai port area currently does not have much growth potential. The average growth rate is about 5% in the period 2016 - 2021. Ba Ria - Vung Tau port area is classified as a special port area. The Cai Mep - Thi Vai port area in Ba Ria Vung Tau is invested to become an international deep-water port. The annual growth rate of Cai Mep – Thi Vai is about 18% in the period 2016 - 2021.

Gemadept's revenue breakdown in 2021



Source: Gemadept report 2021

Company background

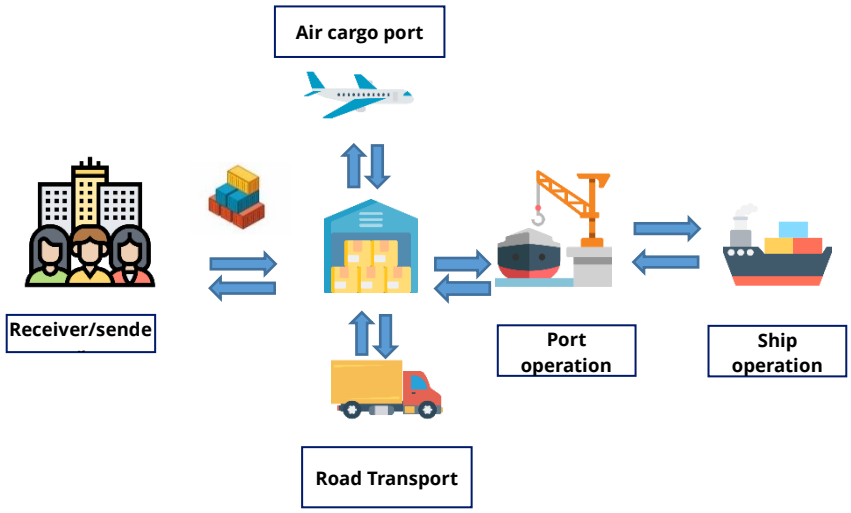
Gemadept Corporation description

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's shareholder structure comprises 34% who are institutional investors including domestic and foreign companies.

Shareholders	%
VI FUND II, L.P	14.2%
SSJ Consulting (Vietnam) Co., Ltd.	9.9%
ReCollection Pte. Ltd.	4.5%
KIM Vietnam Growth Equity Fund	3.7%
KITMC Worldwide Vietnam RSP Balanced Fund	1.2%
Do Van Nhan	0.5%

Gemadept Corporation's logistics value chain



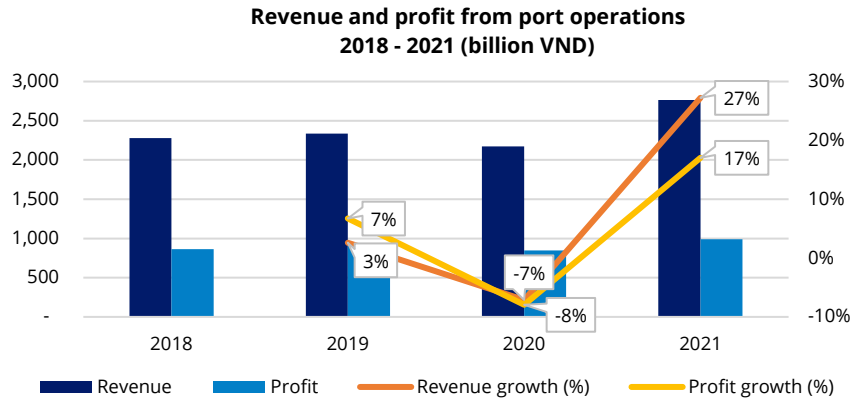


Gemadept owns a system of ports in all three regions of the country in key areas and major economic zones. With a total of 8 seaports, the annual capacity of GMD reaches to 3.5 million TEUs and 2 million tons of bulk cargo. Combined with a modern logistics system, GMD prove its efficiency of domestic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

Efficient port operation with many seaports located in prime locations

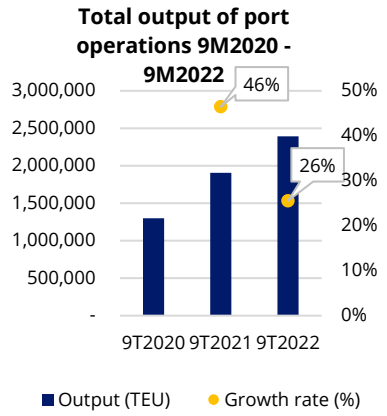
Gemadept currently has 4 ports in the North operating in the Hai Phong seaport area, 1 port in the central region operating in Dung Quat - Quang Ngai industrial park, and 3 ports in Binh Duong, Ho Chi Minh, and Ba Ria – Vung Tau areas. Gemadept's seaports are located in important areas for port operation. 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.

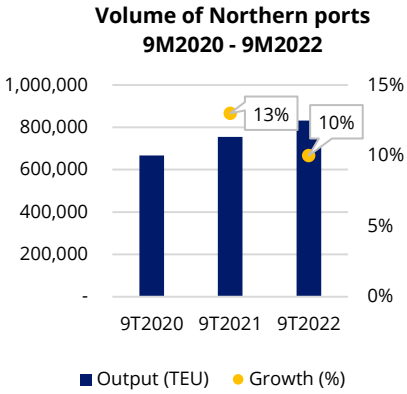


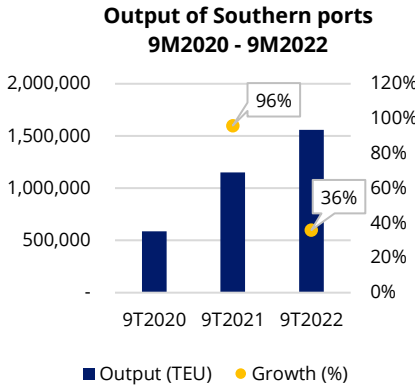
Source: Gemadept report

Gemadept's port activities have an average growth rate of 12% from 2018 to 2021. Despite the strong impact of the Covid-19 pandemic, Gemadept still has significant revenue and profit growth in 2021 with an increase of 27% and 17% respectively. The driving force behind the growth of Gemadept's port segment comes from the southern port sector with the Gemalink project.



Source: Gemadept report





Source: Gemadept report

More than 95% of Gemadept's revenue and profit comes from Southern and Northern ports. During the period of 9M2020 and 9M2022, the total volume of seaport exploitation has a strong growth rate thanks to the contribution of the Southern ports. Total output in the southern ports increased by 96% in the first 9 months of 2021 and 36% in the first 9 months of 2022 thanks to Gemalink International port.

Gemalink International port is a joint venture between Gemadept and the world's leading partner, CMA Terminals - the top 3 shipping line in the world. Gemalink International Port has a phase 1 investment capital of USD 330 million and a capacity of 1.5 million TEU. Gemalink is the largest deep-water port in Cai Mep - Thi Vai area. Gemalink is also equipped with the most modern facilities with European standards. Currently, Gemalink International Seaport is one of the top 19 ports in the world, capable of receiving the largest container ship with a tonnage of up to 200,000 DWT. Gemalink is expected to become one of the most important transshipment hubs in Vietnam & the Asia-Pacific region.

After 1 year of operation, in March 2022, Gemalink officially reached 1 million TEU through the port, setting a new record in Vietnam's port industry. Gemalink Port has made a great contribution to Gemadept's growth, contributing to increasing the total capacity of the southern port area from 850,000 TEUs to 2 million 350 thousand TEUs.

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**.

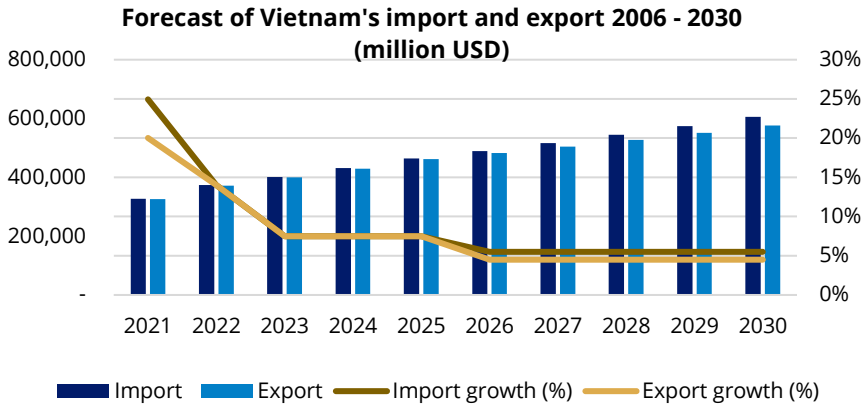


- Gemadept is currently the largest shareholder of Saigon Cargo Services Joint Stock Company (SCS), with a market capitalization of more than VND 7,000 billion. SCS is in charge of operating the airport logistics at Tan Son Nhat airport. Gemadept's current airport operation segment has a capacity of 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...

Investment catalysts & Theses

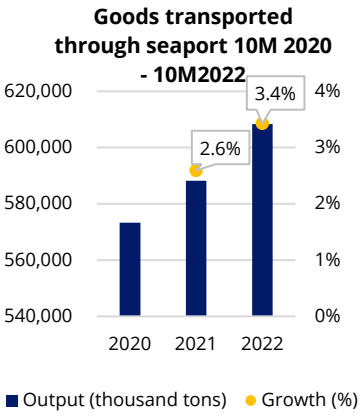
Import and export growth promotes the port industry

Economic agreements continue to boost import and export growth

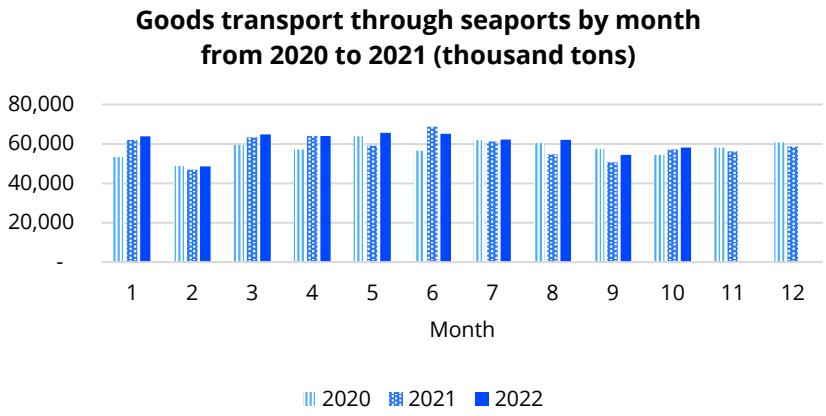


Source: Vietnam Government Plan

Economic agreements such as EVFTA, UKFTA, EFTAFTA, and RCEP continue to be the growth engine for import and export. The government expects Vietnam's export turnover to grow by 14% in 2022. At the same time, the government also plans to grow export by 7.5% from 2023 to 2025 and 4.5 - 5.5% from 2025 to 2030. Import and export growth will strongly promote the demand for shipping in the future.



Source: Bloomberg



Source: Vinamarine

The total volume of goods through Vietnam's seaports has a stable growth rate despite the Covid-19 situation. Accumulated in the first 10 months of the year, a total cargo volume of 608,366 thousand tons, which is 3.4% higher than the previous year.

Gemadept Port has a positional advantage over its competitors

The Northern port group has an advantageous position with high capacity



The group of seaports in the mainland of Hai Phong is separated by the Bach Dang bridge. Which, the group of ports located in front of Bach Dang bridge has the advantage and has better exploitation efficiency (because large ships are limited to going under the bridge). Besides, seaports located closer to the sea will help shipping lines save fuel as well as loading and unloading time. Hai Phong seaport area also has Lach Huyen deep-water port system including TC-HITC port, this area specializes in serving large ships.

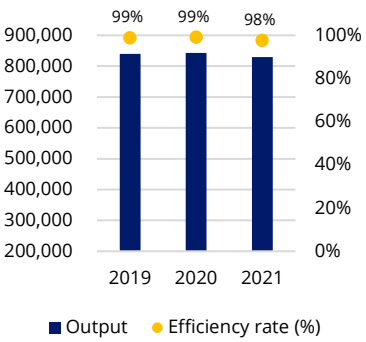
Gemadept owns 3 seaports and 1 ICD port in the Hai Phong port area. These are two large ports Nam Hai Dinh Vu port and Nam Dinh Vu port with a large capacity of 500,000 TEU/year, and a small port located behind Bach Dang bridge, which is Nam Hai with a capacity of 150,000 TEU/year. Gemadept's Nam Hai ICD is a leading modern and large-scale ICD in the Hai Phong area. With a total area of more than 21ha, Nam Hai ICD support the efficiency of ports in the region

Port	Capacity (TEU/year)	Maximum ship size (DWT)
TC – HITC, Deep Water Port	1,100,000	160,000
Tan Vu (PHP)	1,000,000	55,000
Dinh Vu (DVP)	600,000	50,000
VIP Green Port (VSC)	600,000	42,000
Nam Hai Dinh Vu (GMD)	500,000	50,000
Nam Dinh Vu (GMD)	500,000	50,000
Source: Shinhan Securities Vietnam		

With the location of two large ports located at the opening points of the shipping lanes to Hai Phong port, Gemadept is the preferred choice of shipping lines as it helps shipping lines save fuel and time. With a large scale that can meet the ships of 50,000 DWT, Gemadept has the third largest capacity compared to current ports in the region.

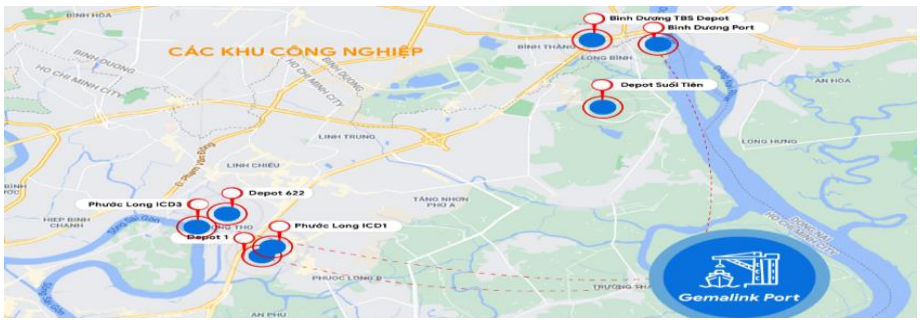
Compared to TC-HITC deep-water port, TC-HITC is capable of receiving large vessels - 160,000 DWT, however, TC-HITC deep-water port is located on Cat Hai island. Cat Hai Island is a sandy island (built up from sand) so there is often sedimentation, making the deep water level in front of the port not safe and the port often has to be dredged to maintain the design depth. In addition, the construction of a port outside the island makes it inefficient to move inland. Currently, it takes about 20 minutes to travel from Cat Hai island to the inland and the main way is to cross the Tan Vu-Lach Huyen bridge. Because the bridge is the only road to Hai Phong, the means of transport may encounter problems such as traffic jams or congestion if an accident occurs on the bridge.

Total output of Gemadept Binh Duong port group (Teu)



Source: Gemadept annual report

Binh Duong ports group maintains good output thanks to its important position

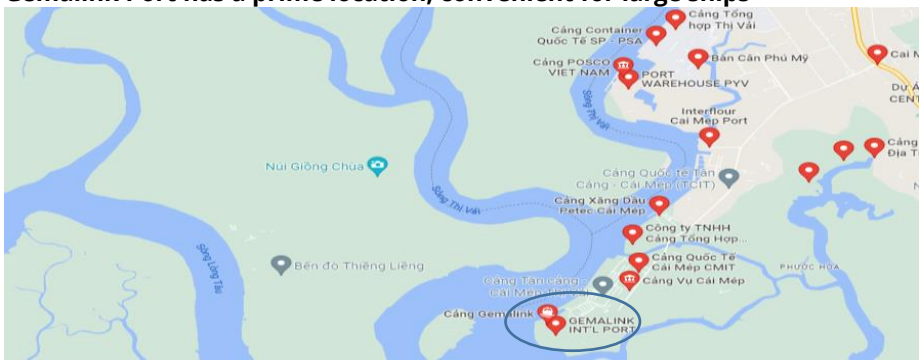


The Binh Duong – Phuoc Long port group has high and stable operating efficiency thanks to its strategic location and high demand from the region. Phuoc Long - Binh Duong port block has stable output with annual efficiency rate always reaching over 90%.

Binh Duong port, as the only international seaport of Binh Duong province, Binh Duong port plays an essential role in reducing traffic pressure on the inner city port of Ho Chi Minh City. Binh Duong port plays a key role in developing FDI enterprises in Binh Duong industrial zone.

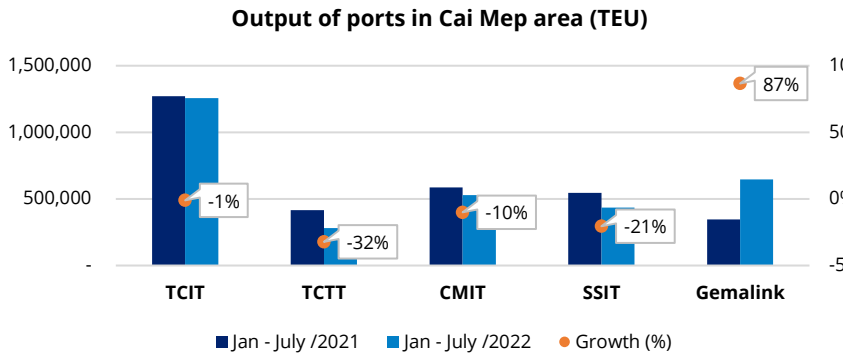
Phuoc Long Port (PIP) is one of the pioneer ports in exploiting container port operations, ICD, and logistics in Vietnam. Owning a location in the key economic region of the South, PIP is located on the Hanoi Highway. PIP has the CY system, Depot, which connects with many large industrial parks and key traffic routes. Phuoc Long Port is one of the most prestigious and effective ICD operators in HCMC, Dong Nai, and Vung Tau.

Gemalink Port has a prime location, convenient for large ships



Gemalink International Port – is a joint venture between Gemadept Vietnam Group and the world's leading partner, CMA Terminals of France. Immediately after going into operation in phase I, Gemalink has become the largest deep-water port in Cai Mep - Thi Vai area. Gemalink is also equipped with the most modern facilities meeting European standards. In particular, Gemalink owns the wharf system, which is designed with a separate loading and unloading berth for barges, helping to optimize cargo handling capacity, and avoiding the common congestion that no other seaport currently has.

Gemalink deep-water port has the advantage of a prime location, which is located on the international shipping route, right at the river mouth. The port also has the deepest draft in the area, which is convenient for turning ships. Gemalink has a scale of 72ha with a total length of nearly 1,500m main berth and a 370m dedicated berth for feeder ships and barges. Therefore, Gemalink has the advantage of receiving large ships and is the preferred choice for transhipment ships. With outstanding advantages in geographical location and modern technology, Gemalink port is currently ranked 19th in the world. After only one year of operation, Gemalink officially reached 1 million TEU through the port, setting a new record in Vietnam's port industry.



Source: VPA

Information about ports in Cai Mep – Thi Vai area					
	SP -SSA	TCTT	TCIT	CMIT	Gemalink
Container Wharf	2	1	3	2	1
Pier length (m)	600	600	890	600	1,500
Area (ha)	60.6	48	55	48	72
Depth in front of the wharf	16.5	17	16.8	16.5	16
Inlet depth	14.0	14	14	14	14
Capacity (thousand TEU)	1,100	1,500	2,400	1,115	1,500
Maximum ship (thousands DWT)	167	160	160	160	200
Source: Shinhan Securities Vietnam					

Although only started at the beginning of 2021, Gemalink has had a remarkable growth rate compared to its competitors in the first 7 months of 2022. While other ports in the region have negative growth, Gemalink has recorded high growth, up to 87%. It is expected that Gemalink's output will reach a high level in 2022 with a port efficiency rate more than 90%.

Strong growth momentum from the Nam Dinh Vu & Gemalink expansion project

Nam Dinh Vu Port is expected to triple the current capacity

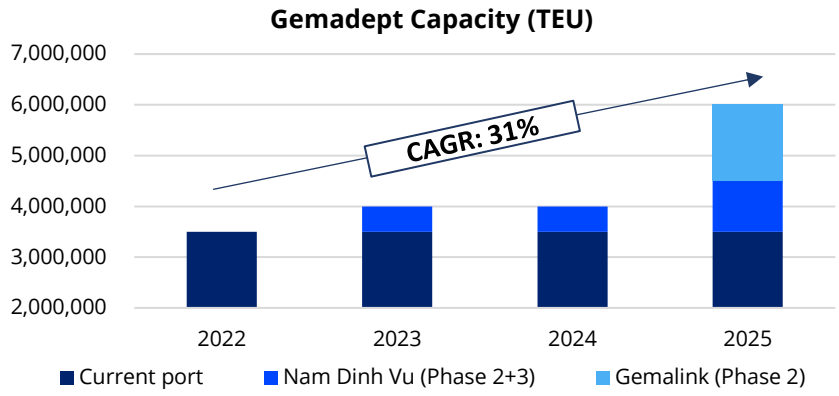


Phase 2 of the Nam Dinh Vu project, which is expected to be completed by the end of 2022, will increase the capacity to 1 million TEU, double the current scale. When phase 3 complete in 2025, an additional 500 thousand TEUs and 3 million tons of dry cargo will be added. Located in the most prime location on the mainland, Nam Dinh Vu will become one of the fastest-growing ports in the Northern region.

Gemalink Port invests 300 million USD, increasing capacity by 1.5 million TEU



With an expanded scale of 39ha and 700m of berth length, the expansion will increase the capacity of phase 2 by 1.5 million TEUs. The completion of phase 2 will bring the total capacity of Gemalink to 3 million TEUs. This will create a strong breakthrough for Gemalink. Phase 2 of the port will begin to be constructed in 2023 Gemalink phase 2 will finish between 2024 and 2025.

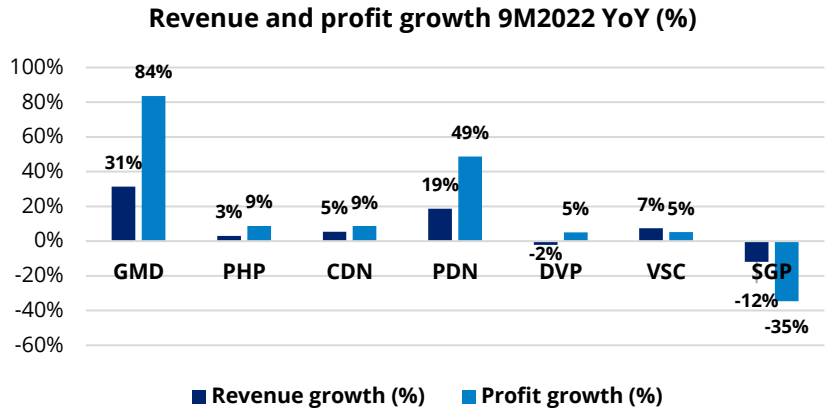


Source: Gemadept annual report

With a large-scale investment project, the expansion capacity of Gemadept will reach about 6 million TEUs and 5 million tons of dry cargo by 2025. The compound annual growth rate will be 31% from 2022 to 2025.

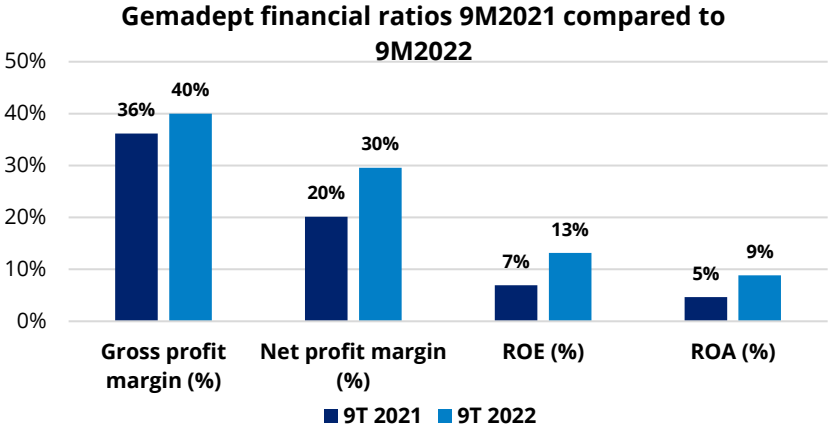
Earnings estimates

Impressive business results in the first 9 months of 2022



Source: Shinhan Securities Vietnam synthetic

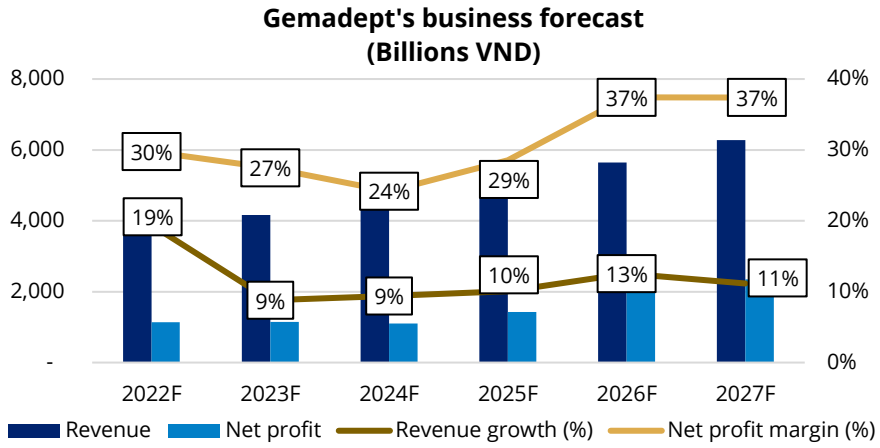
Gemadept has impressive revenue and profit growth in the first 9 months of 2022. Which, revenue reached nearly VND 2,850 billion (an increase of 31% YoY) and profit reached VND 941 billion (an increase of 84% YoY). Efficient exploitation from Gemalink port helps Gemadept achieve impressive business results.



Source: Shinhan Securities Vietnam synthetic

Gemadept's financial ratios improved significantly in the first 9 months of 2022, in which gross profit margin increased by 4% year-on-year. Net profit margin increased by 10% to 30% in 2022. This result is supported by the efficient operation of the Gemalink port with higher port utilization. Profitability indicators such as ROE and ROA also improved compared to the previous year.

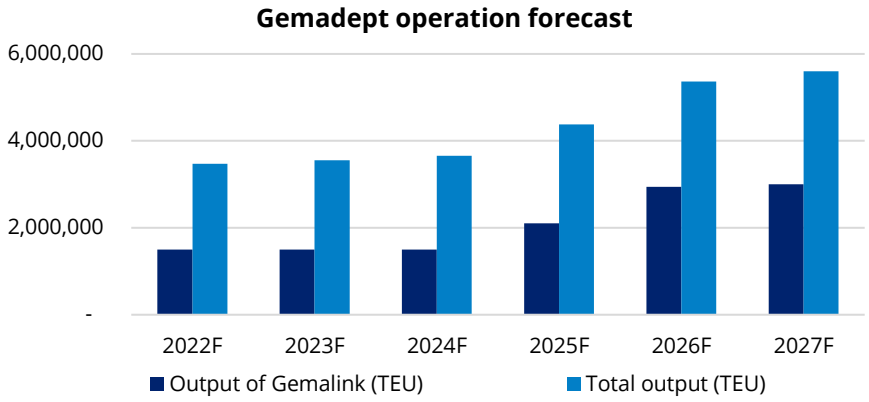
Growth prospect thanks to investment in ports expansion



Source: Shinhan Securities Vietnam

Gemalink's operations are not consolidated into Gemadept's financial statements but are recognized as profits from joint ventures. Therefore, the growth rate of revenue and profit is different. We estimate that the revenue of Gemadept's current port operation will grow at 10% annually, mainly from the current port operation and the expansion of Nam Dinh Vu port.
Gemadept's profit will grow significantly in 2022 with a growth rate of about 35% due to the good operation of Gemalink port. In the years 2023 and 2024, profit and net profit margin will decrease slightly due to interest expense as the company borrows to invest in Nam Dinh Vu and Gemalink phase 2 projects. After the projects are completed, Gemadept's profit is expected to continue to grow strongly.

Gemalink plays a great role in port operations



Source: Shinhan Securities Vietnam

Gemalink's operation has doubled Gemadept's capacity. In addition, the fact that Gemalink is a joint venture between Gemadept and CMA CGM (the third largest shipping group in the world) helps Gemalink to ensure a stable source of cargo from its partners. The Gemalink phase 2 project, which will be put into operation in 2025, continues to make a great contribution to Gemadept's growth and promote the overall growth of the Cai Mep - Thi Vai area.

Valuation & Recommendation

We recommend a BUY at a target price of VND 62,300

We offer an initial valuation of Gemadept JSC with a buy recommendation and a target price of VND 62,300, representing a 30% increase from the current price. With a strong outlook from the seaport segment, we expect growth for Gemadept Corporation with the following views:

1) Growth prospect of Vietnam's import and export
2) Strategic location combined with long experience in the industry
3) The Gemalink phase 2 project and Nam Dinh Vu port expansion project create a strong driving force for future development

Valuation method

We apply a combination of P/E, P/B and sum-of-the-parts valuation methods with weights of 10%, 10% and 80% respectively to value Gemadept corporation.

Method	Weight	Price
SOTP (VND)	80%	64,600
P/E (VND)	10%	54,800
P/B (VND)	10%	51,100
Target price		**62,300**
Current price		48,000
Upside (%)		**30%**

The sum-of-the-parts valuation (SOTP)

For the sum-of-the-parts valuation (SOTP), we apply the FCFF method to the main business segments of the company and its high value subsidiaries. For the low-value joint ventures, small subsidiaries, and the business segments that Gemadept plans to sell (real estate and afforestation), we apply the book value. Company value is determined by the sum of the value of the main business segment and the value of subsidiaries, joint ventures, and other businesses.

For the core business of Gemadept Corporation, we apply the weighted average cost of capital (WACC) at 12.66%. We use the 10-year Vietnamese government bond yield at 5% as the risk-free rate. Beta is calculated based on historical data of the last 2 years of GMD and VNINDEX. With a beta of 1.11, we estimate the cost of equity to be 14%. We forecast the stock price based on the assumption that Gemadept's expansion investments are completed and put into operation in the future.

Variable	Value
D/E	14%
Beta	1.11
Risk-free rate (%)	5%
Cost of equity (%)	14%
Cost of debt (%)	7%
WACC (%)	12.66%

Unit: Billion VND	2022F	2023F	2024F	2025F	2026F
EBIT*(1-Tax rate)	935	962	1,036	1,133	1,308
Depreciation	493	599	674	751	807
Minus: Working capital	-320	-51	-68	-84	-128
Minus: CAPEX	-2,268	-695	-1,338	-718	-748
Free Cashflow	-1,160	816	304	1,083	1,240
Sustainable Growth	0%	-	-	-	-
Discount rate	12.66%	-	-	-	-
Terminal value	-	-	-	-	23,899
DCF	**(1,029)**	**643**	**213**	**672**	**8,608**
Firm value	10,151	-	-	-	-
- Debt	2,142	-	-	-	-
+ Cash and cash equivalents	710	-	-	-	-
Equity value (excluding joint ventures)	**8,719**	**-**	**-**	**-**	**-**

The sum-of-the-parts valuation (SOTP)	Valuation method	Value (Billion VND)
Equity value (excluding joint ventures)	FCFF	8,719
Gemalink capital value	FCFF	5,692
Value of capital share at SCS	FCFF	2,769
Value of capital shares of other companies	Book value	726
Equity value of rubber and real estate segment	Book value	1,558
The total value of equity		19,464
Target price (VND)	**64,600**	

The target price based on the sum-of-the-parts valuation is estimated at VND 64,600.

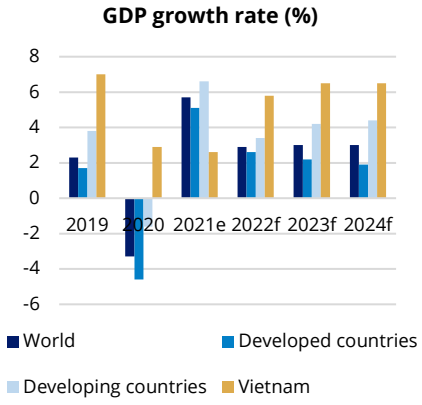
P/E and P/B method

Based on P/E and P/B methods, we collect data of 5-year historical P/E and P/B at 16.54x and 1.47x, respectively. We estimate GMD's target P/E and P/B at 17x and 1.5x, respectively. With 2022 forward EPS of VND 3,226 and BVPS of VND 34,080, GMD's target price is valued at VND 54,800 for the P/E method and VND 51,100 for the P/B method.

Ratio	2017	2018	2019	2020	2021
P/E	15.8	4.12	13.38	26.1	23.28
P/B	1.63	1.19	1.05	1.47	2.02
Average P/E	**16.54**				
Average P/B	**1.47**				

Investment risk

Risks related to the world economic situation





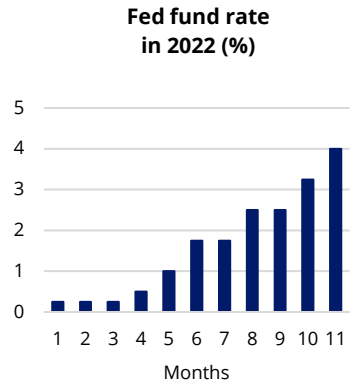
Source: World bank

The seaport industry depends greatly on the demand for goods transported between countries around the world. Factors related to the economic situation will directly affect the demand for goods, thereby directly affecting goods through seaports. Factors affecting the economic growth rate such as the Russia-Ukraine war or the continuing Covid-19 situation are risks that can affect economic development.

The International Monetary Fund (IMF) has lowered its forecast for world economic growth in 2023 to 2.7%, from 2.9% previously. Also in the latest economic outlook report, IMF warned that in 2023 there will be a recession for many parts of the world due to factors of war and epidemic situations.

However, we see that Vietnam's growth is still stable and imports and export have not been strongly affected. Also in the above context, Vietnam's economy is forecasted to be more positive by the IMF with an estimated economic growth rate of 5.8%.

Inflation rate increases and risks come from raising interest rates

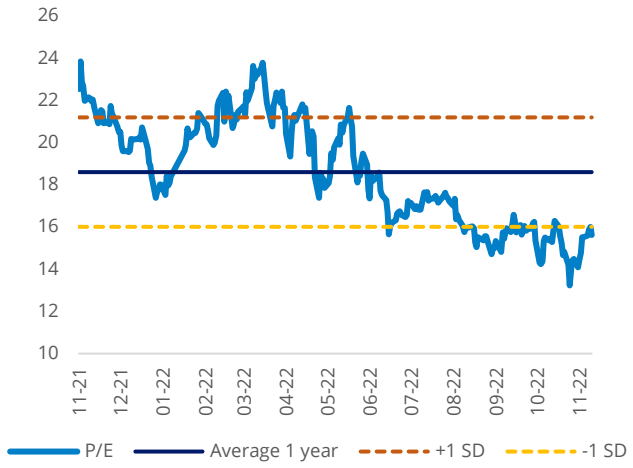


Source: Bloomberg

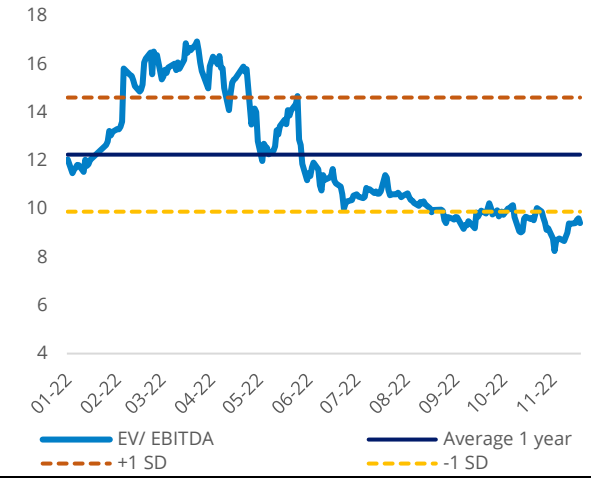
In the US, CPI last October increased by 7.7% compared to October 2021, this has a great impact on commodity demand, thereby affecting imports from Asian countries.

To control inflation, on November 2, the Fed decided to increase interest rates by 0.75%, bringing the federal funds rate to 3.75 - 4%. This is the fourth consecutive 0.75% increase by the Fed and the sixth rate hike since March 2022. To keep the exchange rate stable, the Vietnamese government also decided to increase the refinancing interest rate to 6%/year and the rediscount rate to 4.5%/year. This affects the production situation of enterprises and affects the number of goods transported in the world. Moreover, raising interest rates also increases the discount on stocks' valuation.

P/E 1 year

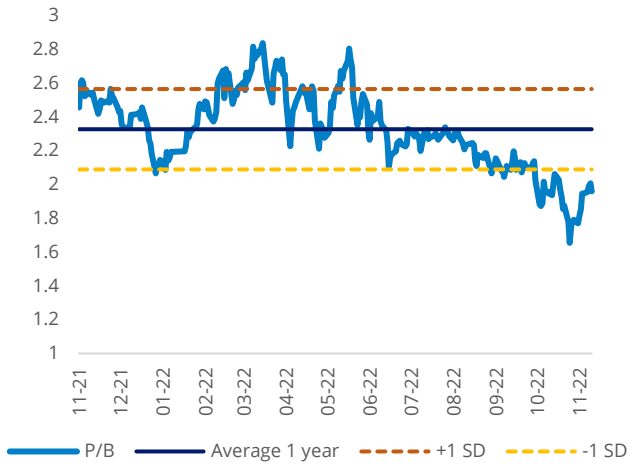


EV/EBITDA 1 year



Source: Company data, Shinhan Securities Vietnam

P/B 1 year

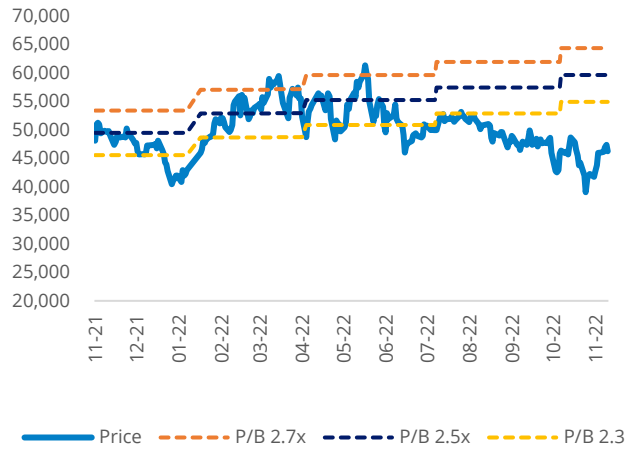


Price with multiple P/E

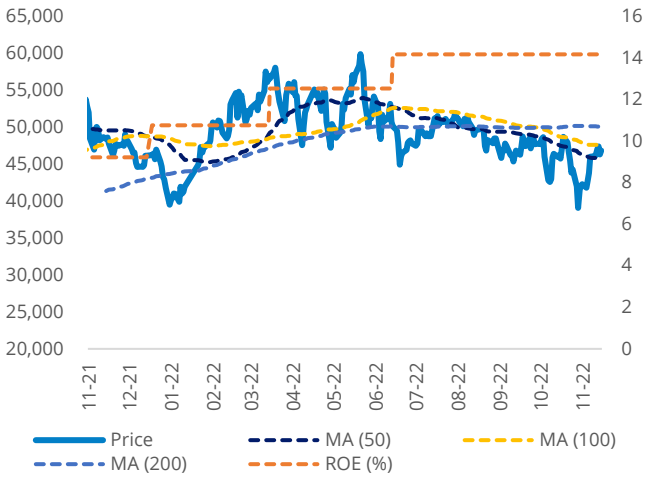


Source: Company data, Shinhan Securities Vietnam

Price with multiple P/B

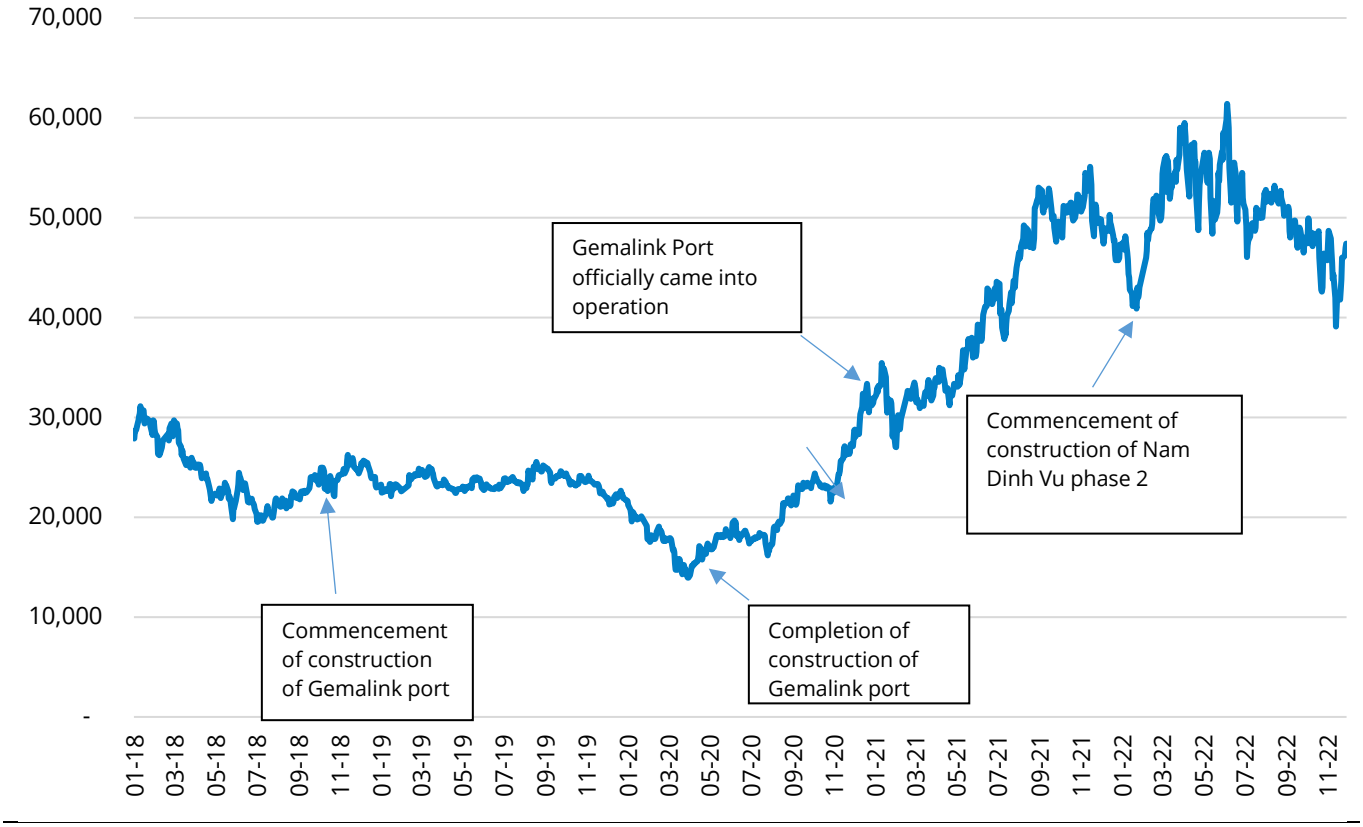


ROE & MA lines



Source: Company data, Shinhan Securities Vietnam

Important events of Gemadept



Source: Company data, Shinhan Securities Vietnam

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022F	2023F	2024F	2025F
Total assets	**10,731**	**13,494**	**14,276**	**15,727**	**16,661**
Current assets	1,689	1,471	1,738	2,325	2,740
Cash & equivalents	637	56	212	670	933
Short-term financial asset	52	52	52	52	52
Accounts receivable	932	1,259	1,361	1,480	1,619
Inventories	69	104	113	123	136
Non-current assets	9,042	12,023	12,539	13,402	13,922
Net fixed assets	3,146	4,921	5,017	5,680	5,647
Investment assets	214	214	214	214	214
Other long-term assets	5,682	6,888	7,308	7,508	8,061
Total liabilities	**3,687**	**3,833**	**4,005**	**4,882**	**4,962**
Current liabilities	2,263	2,446	2,658	2,885	3,015
Accounts payable	381	410	455	501	552
Short-term borrowings	860	1,000	1,152	1,319	1,381
Others	1,022	1,035	1,050	1,065	1,081
Non-current liabilities	1,424	1,388	1,348	1,997	1,948
Long-term borrowings	1,061	1,004	941	1,566	1,491
Other financial liabilities	363	384	407	431	457
Total shareholders' equity	**7,045**	**9,661**	**10,271**	**10,845**	**11,699**
Capital stock	3,014	5,023	5,023	5,023	5,023
Capital surplus	1,942	1,942	1,942	1,942	1,942
Other capital	661	1,268	1,878	2,453	3,307
Retained earnings	702	702	702	702	702
Non-controlling interest equity	726	726	726	726	726
*Total debt	1,922	2,004	2,093	2,885	2,872
*Net debt (cash)	1,284	1,948	1,882	2,215	1,938

Source: Company data, Shinhan Securities Vietnam

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022F	2023F	2024F	2025F
Revenue	**3,206**	**3,829**	**4,165**	**4,556**	**5,015**
Growth (%)	23%	19%	9%	9%	10%
COGS	**2,064**	**2,291**	**2,545**	**2,799**	**3,088**
Gross profit	**1,142**	**1,537**	**1,620**	**1,757**	**1,927**
GPM (%)	36%	40%	39%	39%	38%
SG&A	**449**	**498**	**553**	**609**	**671**
Operating profit	693	1,039	1,067	1,148	1,255
Growth (%)	47%	50%	3%	8%	9%
OPM (%)	22%	27%	26%	25%	25%
Non-operating profit	**113**	**271**	**248**	**118**	**390**
Financial income	40	47	52	56	62
Financial expense	(108)	(133)	(139)	(168)	(195)
In which: interest expenses	(119)	(133)	(139)	(168)	(195)
Net other non-operating profit	182	357	336	230	522
Pre-tax profit	**806**	**1,310**	**1,315**	**1,266**	**1,645**
Income tax	(86)	(170)	(171)	(165)	(214)
Net profit	**721**	**1,140**	**1,144**	**1,101**	**1,431**
Growth (%)	22%	30%	27%	24%	29%
NPM (%)	22%	30%	27%	24%	29%
Controlling interest	612	968	972	936	1,216
Non-controlling interest	108	171	172	166	215
EBIT	**925**	**1,443**	**1,454**	**1,434**	**1,840**
Growth (%)	40%	56%	1%	-1%	28%
EBIT Margin (%)	29%	38%	35%	31%	37%
EBITDA	**1,305**	**1,936**	**2,053**	**2,109**	**2,591**
Growth (%)	22%	48%	6%	3%	23%
EBITDA margin (%)	41%	51%	49%	46%	52%

Source: Company data, Shinhan Securities Vietnam

Statement of cash flow

Year to Dec. (bn VND)	2021	2022F	2023F	2024F	2025F
Cash flow from operations	**965**	**1,325**	**1,470**	**1,610**	**1,893**
Net profit	806	1,310	1,315	1,266	1,645
Depreciation & Amortization	380	493	599	674	751
(Gain) from investing activities	(194)	-	-	-	-
Interest expense	(6)	-	-	-	-
Change in working capital	(2)	(293)	(24)	(41)	(55)
Others	(19)	(13)	(248)	(125)	(232)
Cash flow from investments	**(356)**	**(3,636)**	**(1,043)**	**(1,581)**	**(1,255)**
CAPEX	(586)	(2,268)	(695)	(1,338)	(718)
Proceeds from liquidation and sale of fixed assets	42	-	-	-	-
Others	188	(1,368)	(348)	(243)	(537)
Cash flow from financing	**(398)**	**1,730**	**(272)**	**430**	**(375)**
Change in equity	-	2,009	-	-	-
Net borrowing	29	82	90	791	(13)
Dividends	(426)	(362)	(362)	(362)	(362)
Change in total cash	**211**	**(581)**	**156**	**458**	**264**
Begin	428	637	56	212	670
Change in FX rates	(1)	-	-	-	-
Ending cash	637	56	212	670	933

Source: Company data, Shinhan Securities Vietnam

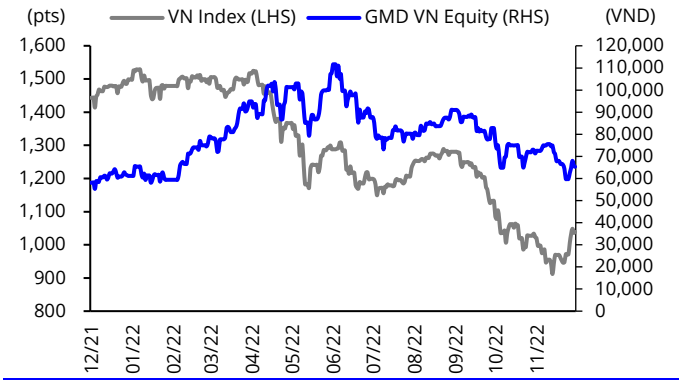
Key ratios

Year to Dec.	2021	2022F	2023F	2024F	2025F
EPS (VND)	1,869	3,213	3,226	3,105	4,034
BPS (VND)	21,507	32,055	34,080	35,985	38,819
DPS (VND)	1,301	1,200	1,200	1,200	1,200
PER (x)	23.28	14.63	14.57	15.14	11.65
PBR (x)	2.19	1.47	1.38	1.31	1.21
EV/EBITDA (x)	12.46	11.95	8.06	7.60	7.40
Dividend payout ratio (%)	6%	4%	4%	3%	3%
Dividend yield (%)	3%	3%	3%	3%	3%
Profitability					
EBITDA margin (%)	41%	51%	49%	46%	52%
OPM (%)	22%	27%	26%	25%	25%
NPM (%)	22%	30%	27%	24%	29%
ROA (%)	7%	9%	8%	7%	9%
ROE (%)	11%	14%	11%	10%	13%
Stability					
Debt to equity ratio (%)	27%	21%	20%	27%	25%
Net debt ratio (%)	98%	101%	92%	105%	75%
Cash ratio (%)	28%	2%	8%	23%	31%
Interest coverage ratio (x)	7.76	10.86	10.49	8.52	9.44
Activity					
Working capital turnover (days)	8.06	8.22	9.49	9.46	9.44
Inventory turnover (days)	90.49	95.94	107.10	106.82	106.51
Receivable turnover (days)	65.28	62.96	62.03	62.32	62.23

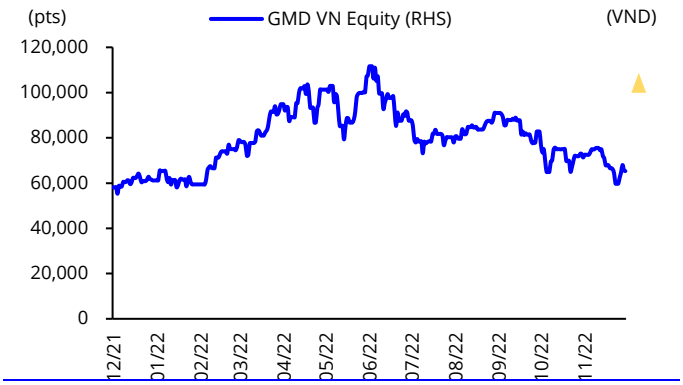
Source: Company data, Shinhan Securities Vietnam

Gemadept Corporation (GMD VN)

Share price



Target price



Date	Rating	TP (VND)	TP gap (%) TB	Max/Min
03/12/2022 (Initiation)	BUY	62,300	25.8	-0.3/70.3

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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- The following analysts hereby certify that their views about the companies and securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Le Duc Tien

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