February 13th, 2023



# Gemadept Corporation Joint Stock Company

[ Vietnam / Logistics ]

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

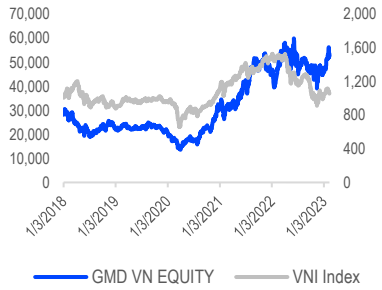
## BUY

Update

| | |
|---|---|
| **Target price** (12 months) | **61,500 VND** |
| Current price (13/02/23) | 52,000 VND |
| Upside/downside (%) | 18.2% |

| | | | |
|---|---|---|---|
| VNINDEX | | | 1,033 |
| HNXINDEX | | | 204 |
| Market Cap (bn VND) | | | 15,652 |
| Outstanding shares (mn) | | | 301 |
| Free-Floating (mn) | | | 289 |
| 52-Wk High/Low (VND) | | | 62,200/36,400 |
| 90-day avg. trading volume (mn) | | | 0.68 |
| 90-day avg. turnover (bn VND) | | | 27 |
| Major shareholders (%) | SSJ Consulting VN | | 9.9 |
| | KITMC | | 7.05 |
| Performance | 3T | 6T | 12T |
| Absolute (%) | 18.1 | 1 | 8.2 |
| Relative to VN-Index (%) | 7.8 | 17.6 | 38.1 |

Source: Bloomberg




# Create its own story

### Maintain BUY rating and target price of VND 61,500

Gemadept Corporation (GMD) is a pioneer in port and logistics service sector in Viet Nam. Based on SOTP methods, we update GMD's target price at VND 61,500. We expect a sustainable growth in revenue and profit in the long-term, due to (1) Gemalink port phase 2 and Nam Dinh Vu (NDV) port phase 2 will be key profit drivers, (2) provide the full logistic service from North to South.

### Update business results in 2022 and prospects

In Q4/2022, GMD recorded revenue of VND 1,065 bn (+2.7% Y.o.Y) and NPAT-Mi of VND 189 bn (-0.5% Y.o.Y). Port service was still the main contribution to revenue in Q4/2022, accounting for nearly 80% revenue. In 2022, GMD's revenue increased 30.1% to VND 3,915 bn and its NPAT-Mi surged 62.5% to VND 995 bn, which were boosted by GMD's core businesses and net income from affiliates.

- **In term of Hai Phong port cluster:** We estimate the volume of container cargo through Nam Hai Dinh Vu port (NHDV) and Nam Dinh Vu reached 540,000 TEUs (-0.9% Y.o.Y) and 380,000 TEUs, respectively. The flat cargo throughput showed a fierce competition in Hai Phong and an economic downturn.
- **In term of Cai Mep Thi Vai (CMTV) port cluster:** We estimate that Gemalink handled a throughput of 1.6 million TEUs (+42.9% Y.o.Y). CMTV port is envisioned as an international gateway in the southern region to Ho Chi Minh port.

In 2023, we forecast net profit to rise 73.2% to VND 2,004 bn, which we expect to be mainly driven by the contribution of Nam Dinh Vu port phase 2 and the profit of NHDV port's divestment. In 2022, GMD announced that it will divest its 85% stake in the NHDV port, the largest port of GMD in Hai Phong. After divestment, we expect part of the cargo throughputs from NHDV port will be transfer to NDV port. The transaction value of this divestment has not yet been provided. We estimate that GMD's profit will earn VND 867 bn from this divestment and include the extraordinary profit in our forecast in 2023.

| Year to Dec. | 2022 | 2023F | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **Revenue (bn VND)** | **3,916** | **3,336** | **3,551** | **3,837** | **4,095** |
| OP (bn VND) | 1,104 | 875 | 940 | 1,030 | 1,084 |
| **NP (bn VND)** | **1,157** | **2,004** | **1,391** | **1,503** | **1,611** |
| EPS (VND) | 3,054 | 5,105 | 3,500 | 3,737 | 3,955 |
| BPS (VND) | 22,986 | 27,304 | 29,788 | 32,329 | 35,104 |
| OPM | 28.2% | 26.2% | 26.5% | 26.8% | 26.5% |
| NPM | 29.5% | 60.1% | 39.2% | 39.2% | 39.3% |
| **ROE** | **15%** | **21.9%** | **13.3%** | **13%** | **12.7%** |
| PER (x) | 17.6 | 10.2 | 14.9 | 13.9 | 13.1 |
| PBR (x) | 2.3 | 1.9 | 1.7 | 1.6 | 1.5 |
| EV/EBITDA (x) | 9.8 | 8.9 | 8.2 | 7.6 | 7.0 |

Source: Company data, Shinhan Securities Vietnam


Open account

[ Analyst ]

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# Valuation and Recommendation

## Maintain BUY rating and target price of VND 61,500

We apply a Sum-of-the-part (SOTP) valuation method to value GMD. We update our BUY recommendation with a target price of 61,500 VND equivalent to a return of 18.2%.

## Valuation

| (Unit: billion VND) | Method | Value | GMD's ownership | Equity value attributed to GMD |
|---|---|---|---|---|
| Port and consolidated logistics | DCF | 9,520 | 100% | 9,520 |
| SCS | DCF | 7,204 | 34.5% | 2,488 |
| Rubber | BV | 1,084 | 100% | 1,084 |
| Gemalink | DCF | 7,508 | 65.1% | 4,890 |
| CJ Gemadept Logistics & Shipping | P/E | 1,188 | 49.1% - 51% | 566 |
| Total Equity Value | | | | 18,457 |
| **Target price (VND/share)** | | | | **61,500** |

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

| Unit: billion VND | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F |
|---|---|---|---|---|---|---|---|---|---|---|
| EBIT | 875 | 940 | 1,030 | 1,084 | 1,139 | 1,188 | 1,245 | 1,309 | 1,410 | 1,524 |
| Minus: Tax | -113 | -122 | -133 | -140 | -170 | -177 | -186 | -195 | -210 | -228 |
| Plus: Depreciation & Amortization | 428 | 447 | 478 | 533 | 582 | 598 | 603 | 608 | 615 | 627 |
| Minus: Change in working capital | -458 | -480 | -960 | -1,547 | -667 | -180 | -180 | -180 | -180 | -180 |
| Minus: CapEx | -726 | -38 | -50 | -41 | -42 | -39 | -44 | -51 | -67 | -76 |
| **Free Cash Flow (FCF)** | 7 | 748 | 363 | -111 | 843 | 1,390 | 1,437 | 1,490 | 1,568 | 1,668 |
| PV of FCF | 4,805 | | | | | | | | | |
| Growth rate | 0% | | | | | | | | | |
| Present value of long-term value | 5,515 | | | | | | | | | |
| **Enterprise value** | **10,319** | | | | | | | | | |
| Debt | 2,029 | | | | | | | | | |
| Cash and cash equivalents (inlcude the cash from the divestment) | 2,230 | | | | | | | | | |
| Minority interest | 1,000 | | | | | | | | | |
| **Equity value** | **9,520** | | | | | | | | | |

| **WACC** | **11%** |
|---|---|
| Risk-free rate | 5% |
| Equity risk premium | 7.8% |
| Beta | 0.9 |
| Debt cost | 10% |
| The cost of equity | 12% |
| Debt-to-equity ratio | 30% |
| Total debt (VND bn) | 2,029 |

Source: Company data, Shinhan Securities Company

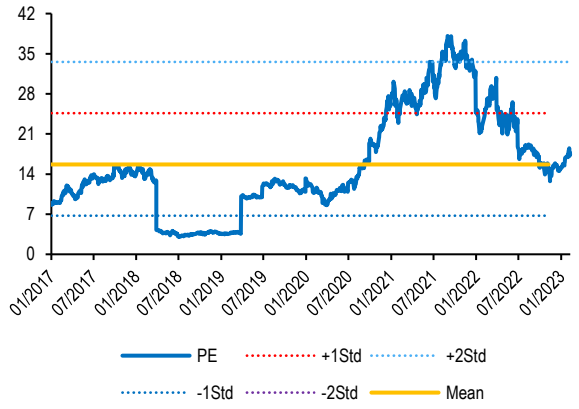
❖ The transaction value of Nam Hai Dinh Vu port's divestment:

We estimate the transaction will trade at 9x P/E and GMD will earn VND 867 bn from this divestment.

| Unit: billion VND | 2022 |
|---|---|
| Revenue | 756 |
| The volume container cargo (thousand TEUs) | 540 |
| The tariff (million VND/ TEU) | 1.4 |
| Net margin | 15% |
| NPAT | 113 |

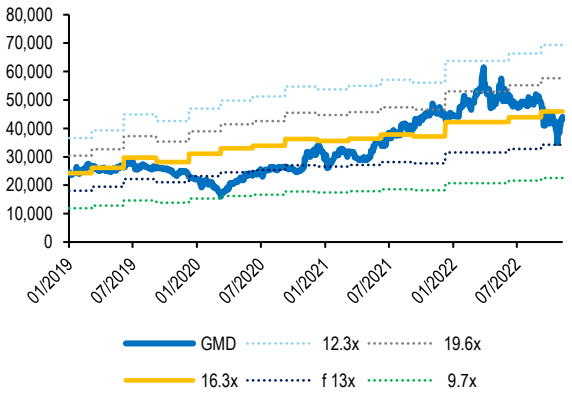
| Hai Phong port cluster | P/E trailing (x) | P/B trailing (x) | EV/EBITDA (x) |
|---|---|---|---|
| VSC | 11.5 | 1.3 | 5.3 |
| DVP | 6.7 | 1.3 | 6.2 |
| PHP | 10 | 1.2 | 8.1 |
| VGR | 8.1 | 1.9 | 5.1 |
| Average | 9 | 1.4 | 6.1 |

**GMD's PER from 2017**



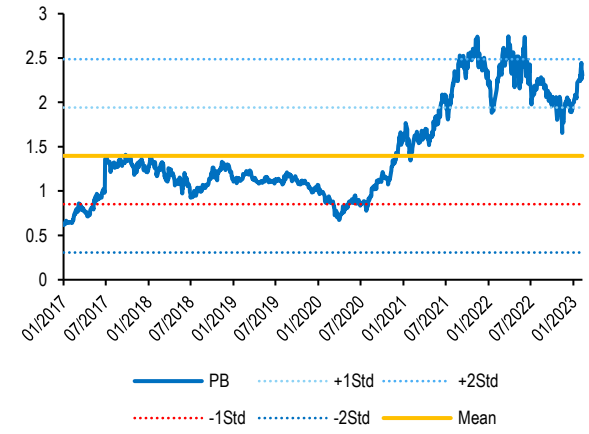

Source: Bloomberg, Company data, Shinhan Securities Vietnam

**PER band chart of GMD**



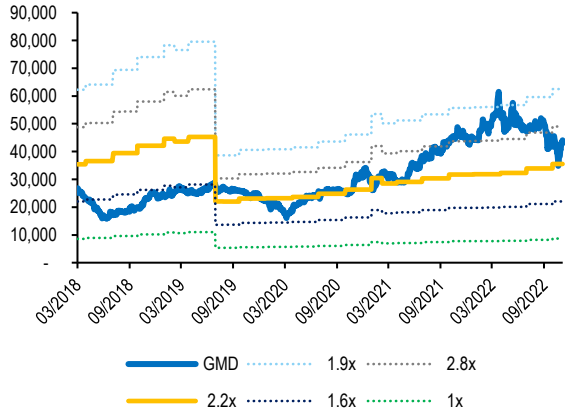

Source: Bloomberg, Company data, Shinhan Securities Vietnam

**GMD's PBR from 2017**




Source: Bloomberg, Company data, Shinhan Securities Vietnam

**PBR band chart of GMD**



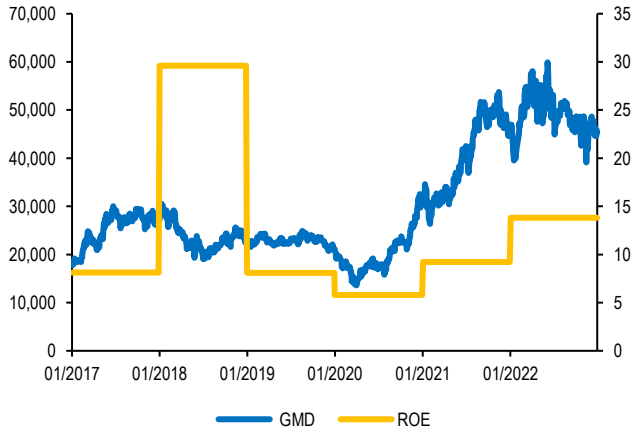

Source: Bloomberg, Company data, Shinhan Securities Vietnam

**GMD's EV/EBITDA from 2017**



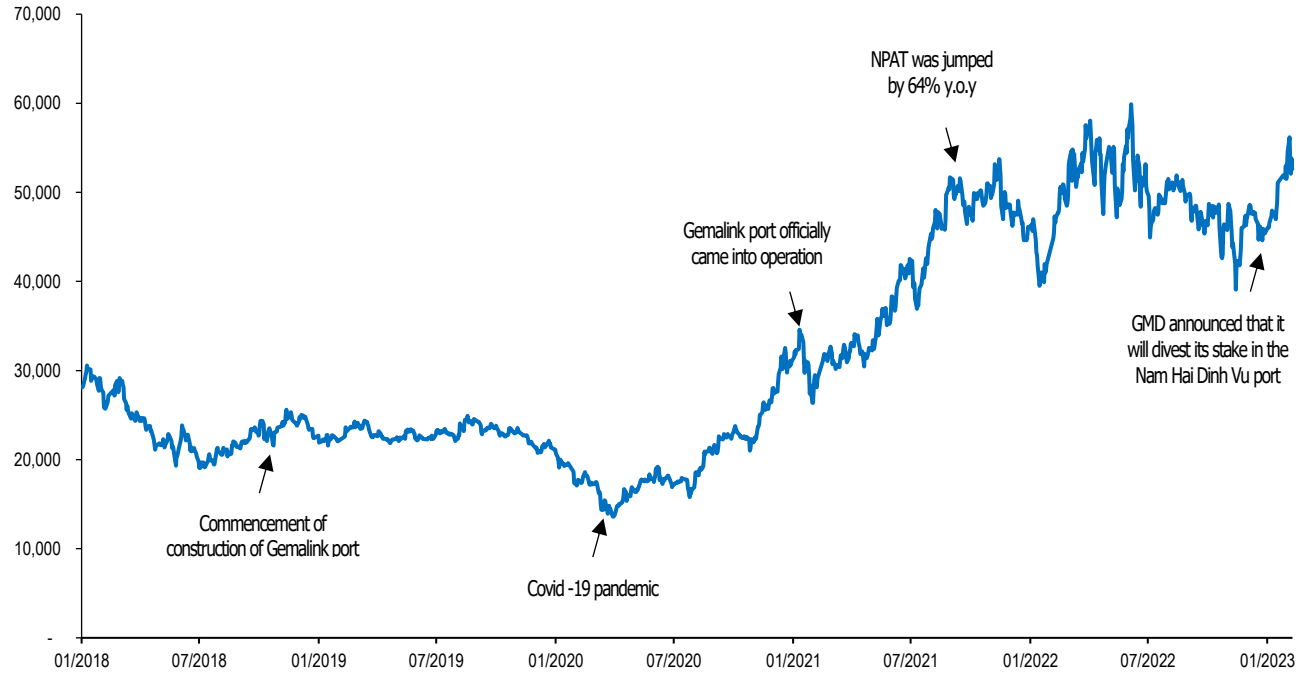

Source: Bloomberg, Company data, Shinhan Securities Vietnam

**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: Financial statements

## Statement of financial position

| Year to Dec. (bn VND) | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|
| **Total assets** | 9,042 | 10,466 | 10,940 | 11,646 | 12,837 |
| Current assets | 1,689 | 2,724 | 2,993 | 3,298 | 3,416 |
| Cash & equivalents | 637 | 1,364 | 1,862 | 2,100 | 2,128 |
| Short-term financial asset | 52 | 82 | 82 | 82 | 82 |
| Accounts receivable | 842 | 976 | 834 | 887 | 959 |
| Inventories | 69 | 82 | 99 | 105 | 112 |
| Non-current assets | 10,466 | 11,107 | 11,646 | 12,837 | 14,607 |
| Net fixed assets | 3,146 | 3,262 | 3,292 | 3,325 | 3,808 |
| Investment assets | 1,747 | 2,839 | 2,839 | 2,839 | 2,839 |
| Other long-term assets | 4,149 | 4,365 | 4,809 | 5,482 | 6,190 |
| **Total liabilities** | 3,687 | 5,247 | 4,347 | 4,359 | 4,617 |
| Current liabilities | 2,263 | 3,374 | 2,145 | 2,340 | 2,518 |
| Accounts payable | 381 | 838 | 523 | 554 | 595 |
| Short-term borrowings | 860 | 543 | 350 | 450 | 500 |
| Others | 570 | 1,722 | 1,001 | 1,065 | 1,151 |
| Non-current liabilities | 2,263 | 3,374 | 2,145 | 2,340 | 2,518 |
| Long-term borrowings | 1,061 | 1,486 | 1,815 | 1,625 | 1,697 |
| Other financial liabilities | 363 | 387 | 387 | 394 | 402 |
| **Total shareholders' equity** | | | | | |
| Capital stock | 3,014 | 3,014 | 3,014 | 3,014 | 3,014 |
| Capital surplus | 1,942 | 1,942 | 1,942 | 1,942 | 1,942 |
| Other capital | 702 | 744 | 744 | 744 | 744 |
| Retained earnings | 661 | 1,228 | 2,530 | 3,278 | 4,044 |
| Non-controlling interest equity | 726 | 1,016 | 1,357 | 1,607 | 1,893 |
| *Total debt | 1,922 | 2,030 | 2,165 | 2,075 | 2,197 |
| *Net debt (cash) | (1,284) | (666) | (303) | 25 | (69) |

## Statement of comprehensive income

| Year to Dec. (bn VND) | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|
| **Revenue** | 3,206 | 3,916 | 3,336 | 3,551 | 3,837 |
| Growth | | 22.1% | -14.8% | 6.4% | 8.1% |
| **COGS** | 2,064 | 2,271 | 2,121 | 2,247 | 2,415 |
| **Gross profit** | 1,142 | 1,645 | 1,215 | 1,304 | 1,423 |
| GPM | 35.6% | 42.0% | 36.4% | 36.7% | 37.1% |
| **SG&A** | 449 | 541 | 340 | 364 | 393 |
| **Operating profit** | 693 | 1,104 | 875 | 940 | 1,030 |
| Growth | | 59.3% | -20.7% | 7.4% | 9.5% |
| OPM | 21.6% | 28.2% | 26.2% | 26.5% | 26.8% |
| **Non-operating profit** | (55) | (48) | 834 | (36) | (29) |
| Financial income | 40 | 24 | 34 | 39 | 39 |
| Financial expense | 108 | 178 | 177 | 170 | 171 |
| In which: interest expenses | (119) | (131) | (177) | (170) | (171) |
| Net other non-operating profit | 237 | 406 | 703 | 802 | 834 |
| **Pre-tax profit** | 806 | 1,308 | 2,270 | 1,576 | 1,703 |
| Income tax | 107 | 170 | 297 | 206 | 223 |
| **Net profit** | 721 | 1,157 | 2,004 | 1,391 | 1,503 |
| Growth | | 60.6% | 73.2% | -30.6% | 8.1% |
| NPM | 22.5% | 29.5% | 60.1% | 39.2% | 39.2% |
| Controlling interest | 612 | 995 | 1,663 | 1,140 | 1,218 |
| Non-controlling interest | 108 | 162 | 341 | 250 | 286 |
| **EBIT** | 471 | 693 | 1,104 | 875 | 940 |
| Growth | | 147.2% | 159.3% | 79.3% | 107.4% |
| EBIT Margin | 14.7% | 17.7% | 33.1% | 24.6% | 24.5% |
| **EBITDA** | 879 | 1,072 | 1,479 | 1,303 | 1,387 |
| Growth | | 22.1% | 37.9% | -11.9% | 6.5% |
| EBITDA margin | 27.4% | 27.4% | 44.3% | 36.7% | 36.2% |

## Statement of cash flow

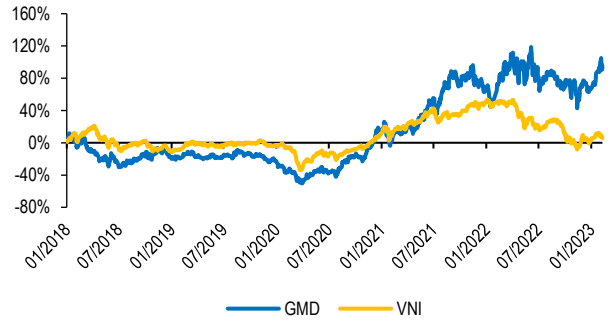
| Year to Dec. (bn VND) | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|
| **Cash flow from operations** | 965 | 2,333 | 950 | 966 | 1,066 |
| Net profit | 612 | 995 | 1,663 | 1,140 | 1,218 |
| Depreciation expense | 380 | 376 | 428 | 447 | 478 |
| (Gain) from investing activities | (194) | (420) | | | |
| Change in working capital | 363 | 86 | (726) | (38) | (50) |
| Others | (390) | 876 | (381) | (545) | (540) |
| **Cash flow from investments** | (356) | (1,269) | (226) | (246) | (707) |
| Change in fixed assets | (544) | (1,391) | (458) | (480) | (960) |
| Change in investment assets | 55 | - | | - | - |
| Others | 9 | (52) | - | - | - |
| **Cash flow from financing** | (398) | (338) | (226) | (482) | (330) |
| Change in equity | - | - | - | - | - |
| Net borrowing | 78 | 132 | 135 | (90) | 122 |
| Dividends | (426) | (428) | (362) | (392) | (452) |
| **Change in total cash** | 211 | 726 | 498 | 238 | 29 |
| Beginning cash | 428 | 637 | 1,364 | 1,862 | 2,100 |
| Change in FX rates | (1) | 1 | - | - | - |
| Ending cash | 637 | 1,364 | 1,862 | 2,100 | 2,128 |

## Key ratios

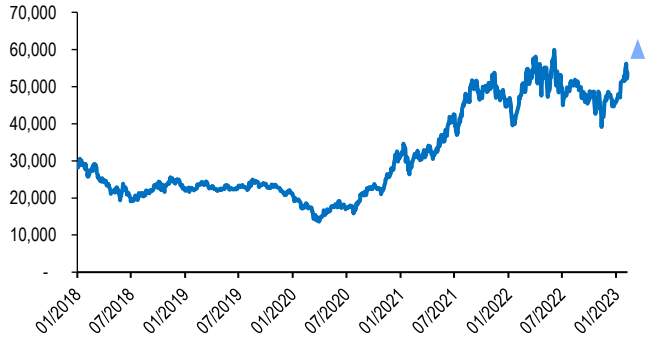
| Year to Dec. | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|
| EPS (VND) | 1,879 | 3,054 | 5,105 | 3,500 | 3,737 |
| BPS (VND) | 21,586 | 22,986 | 27,304 | 29,788 | 32,329 |
| DPS (VND) | 1,456 | 1,421 | 1,200 | 1,300 | 1,500 |
| PER (x) | 28.6 | 17.6 | 10.2 | 14.9 | 13.9 |
| PBR (x) | 2.5 | 2.3 | 1.9 | 1.7 | 1.6 |
| EV/EBITDA (x) | 14.0 | 9.8 | 8.9 | 8.2 | 7.6 |
| Dividend payout ratio | 77.5% | 46.5% | 23.5% | 37.1% | 40.1% |
| Dividend yield | 2.9% | 2.8% | 2.3% | 2.4% | 2.8% |
| **Profitability** | | | | | |
| EBITDA margin | 33.4% | 37.8% | 39.1% | 39.1% | 39.3% |
| OPM | 21.6% | 28.2% | 26.2% | 26.5% | 26.8% |
| NPM | 22.5% | 29.5% | 60.1% | 39.2% | 39.2% |
| ROA | 7% | 9.7% | 14.8% | 9.6% | 9.6% |
| ROE | 10% | 15% | 21.9% | 13.3% | 13.0% |
| **Stability** | | | | | |
| Debt to equity ratio | 27.3% | 25.5% | 22.6% | 19.6% | 18.9% |
| Net debt ratio | 139.3% | 94.1% | 61.5% | 15.4% | 6.5% |
| Cash ratio | 28.2% | 40.4% | 86.8% | 89.7% | 84.5% |
| Interest coverage ratio (x) | 9.0 | 11.3 | 7.4 | 8.2 | 8.8 |
| **Activity** | | | | | |
| Working capital turnover (times) | 43 | 3 | 2 | 22 | 22 |
| Inventory turnover (days) | 13 | 12 | 16 | 17 | 16 |
| Receivable turnover (days) | 96 | 89 | 104 | 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 |

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

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