June 22nd, 2023

Shinhan Securities



Gemadept Corporation Joint Stock Company (GMD VN)

[Vietnam / Logistics]

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

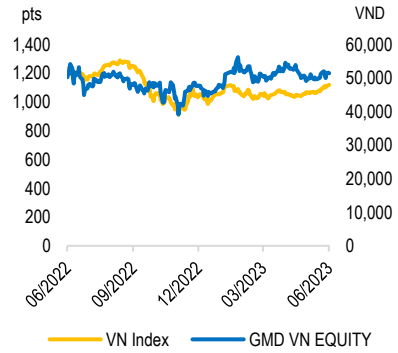
BUY

Update

Target price (12 months)	**62,400 VND**
Current price (21/06/23)	51,800 VND
Upside/downside (%)	20.4%

VNINDEX			1,118
HNXINDEX			231
Market Cap (bn VND)			15,591
Outstanding shares (mn)			301
Free-Floating (mn)			289
52-Wk High/Low (VND)			56,400/36,400
90-day avg. trading volume (mn)			0.67
90-day avg. turnover (bn VND)			36
Major shareholders (%)	SSJ Consulting VN		9.9
	KITMC		7.05
Performance	3T	6T	12T
Absolute (%)	2.2	7.5	-0.2
Relative to VN-Index (%)	-4.0	0.8	0.7

Source: Bloomberg



Nam Hai Dinh Vu port divestment to create upside for earnings

Maintain BUY rating and target price of VND 62,400

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 62,400. We expect strong profit growth in 2023, thanks to (1) the abnormal profit from Nam Hai Dinh Vu (NHDV) port divestment and (2) the establishment of Nam Dinh Vu (NDV) port phase 2.

The abnormal profit from Nam Hai Dinh Vu port divestment

On 31 May 2023, GMD completed the divestment of all shares of the NHDV port. Regarding this divestment, GMD only sold infrastructure while retaining its workforce and clients, who will be transferred to Nam Dinh Vu phase 2. In Q3/2023, GMD expects to realize VND 2,000 bn of abnormal profit before tax from this divestment. We have included this profit in our forecast in 2023.

In addition, the divestment will help focus resources on NDV phase 2 and optimize GMD's capacity in Hai Phong port cluster. (The designed capacity of NHDV port and NDV port phase 2 is 550,000 TEU/year and 700,000 TEU/year, respectively).

The establishment of Nam Dinh Vu port phase 2

On 24 May 2023, GMD started the operation of NDV phase 2 port, doubling the capacity of NDV port. The toatal capacity of the 2 phases is 1.2 million TEUs/year, accounting for 37% of GMD's port-designed capacity (excluding NHDV port). NDV is the closest gateway to the sea compared to other ports in the area. The total area of the port cluster is 65ha, with a designed capacity of 2 million TEUs (3 phases). When completed, NDV port will be the largest port in the North.

We forecast GMD's revenue to reach VND 3,358 bn (-15% y.o.y) and PBT to reach VND 2,861 bn (+118.3% y.o.y), 151% higher than GMD's 2023 target plan for PBT. PBT Q1/2023 reached VND 308 bn (-12% y.o.y), fulfilling 10.7% of our PBT full-year forecast.

Besides, GMD canceled its share issurance as declared and will consider a new capital raising plan if needed. We cite that the main reason is the current unfavorable market conditions. Besides, the proceeds from NHDV port divestment would be sufficient to fund the expansion projects.

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

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**3,916**	**3,358**	**3,578**	**3,870**	**4,136**
OP (bn VND)	1,104	881	948	1,039	1,096
NP (bn VND)	**1,157**	**2,525**	**1,213**	**1,442**	**1,535**
EPS (VND)	3,054	6,433	3,054	3,584	3,768
BPS (VND)	22,986	28,740	30,742	33,116	35,690
OPM	28.2%	26.2%	26.5%	26.8%	26.5%
NPM	29.5%	80.0%	36.6%	40.7%	41.0%
ROE	**15.0%**	**26.9%**	**11.1%**	**12.1%**	**11.8%**
PER (x)	16.4	7.8	16.4	14.0	13.3
PBR (x)	2.2	1.7	1.6	1.5	1.4
EV/EBITDA (x)	9.1	9.1	8.9	7.7	6.8

Source: Company data, Shinhan Securities Vietnam

Open account

[Analyst]

Thao Nguyen

(84-28) 6299-8004

thao.np@shinhan.com

Ly Bui – Head of Research

(84-28) 6299-8029

ly.btt@shinhan.com

Shinhan Securities Vietnam Co., Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Analysts employed by Shinhan Securities Vietnam Co., Ltd. , or a non-US affiliate thereof, are not registered/qualified as research analysts with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For analyst certification and important disclosures, refer to the Compliance & Disclosure Notice at the end of this report.

Valuation and Recommendation

Maintain BUY rating and target price of VND 62,400

We apply the Sum-of-the-part (SOTP) valuation method to value GMD. We update our BUY recommendation with a target price of VND 62,400, equivalent to a return of 20.4%.

Valuation

(Unit: billion VND)	Method	Value	GMD's ownership	Equity value attributed to GMD
Port and consolidated logistics	DCF	10,499	100%	10,499
SCS	DCF	6,444	34.5%	2,225
Rubber	BV	1,084	100%	1,084
Gemalink	DCF	6,726	65.1%	4,381
CJ Gemadept Logistics & Shipping	P/E	1,296	49.1% - 51%	617
Total Equity Value				18,806
Target price (VND/share)				**62,400**

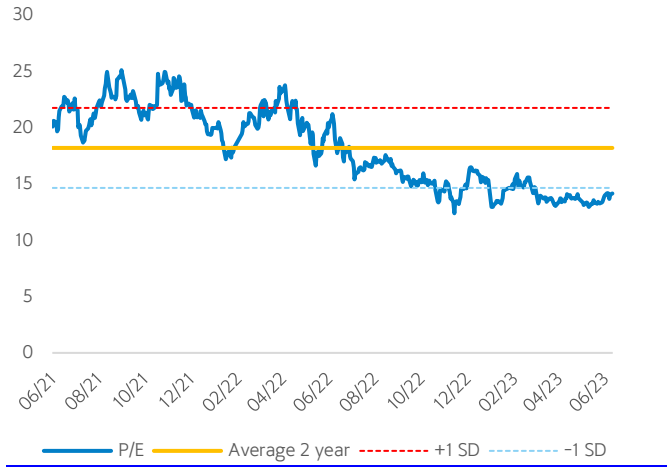
Port and consolidated logistics DCF valuation (exclude Nam Hai Dinh Vu port)

Unit: billion VND	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
EBIT	881	948	1,039	1,096	1,153	1,204	1,263	1,330	1,434	1,553
Minus: Tax	-114	-122	-134	-142	-172	-180	-188	-198	-214	-232
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	-729	-39	-51	-42	-43	-40	-46	-53	-69	-78
Free Cash Flow (FCF)	8	754	370	-102	853	1,402	1,451	1,506	1,586	1,689
PV of FCF	4,832									
Growth rate	0%									
Present value of long-term value	5,502									
Enterprise value	**10,344**									
Debt	1,920									
Cash and cash equivalents (inlcude the cash from the divestment)	3,075									
Minority interest	1,000									
Equity value	**10,499**									

WACC	**11.2%**
Risk-free rate	3.0%
Equity risk premium	11.1%
Beta	0.9
Debt cost	10%
The cost of equity	12%
Debt-to-equity ratio	30%
Total debt (VND bn)	1,920

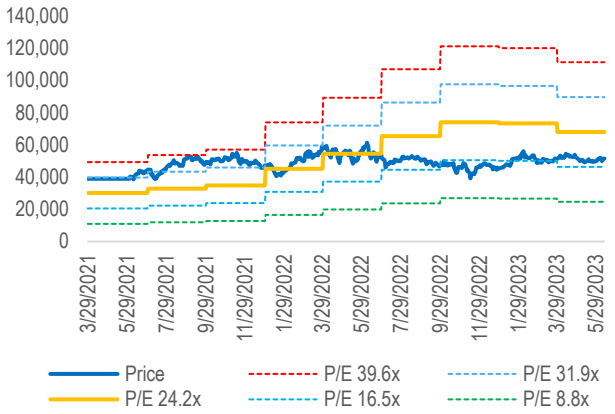
Source: Company data, Shinhan Securities Company

GMD's PER



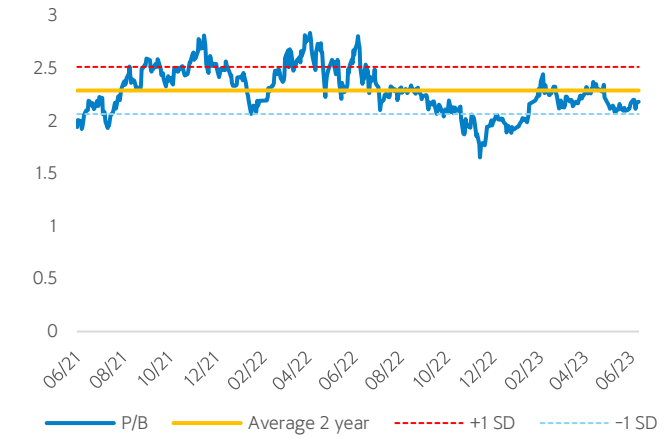
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of GMD



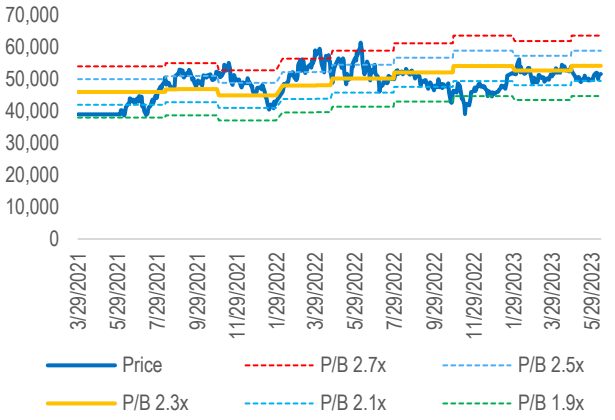
Source: Bloomberg, Company data, Shinhan Securities Vietnam

GMD's PBR



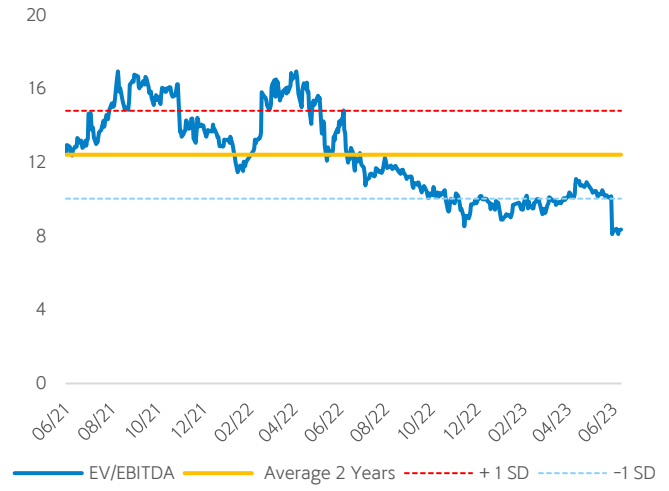
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of GMD



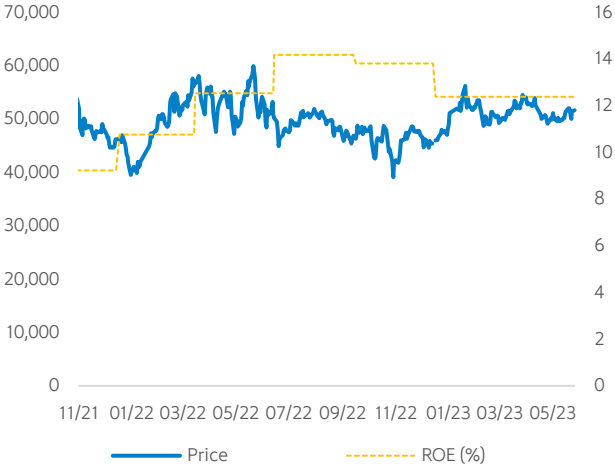
Source: Bloomberg, Company data, Shinhan Securities Vietnam

GMD's EV/EBITDA



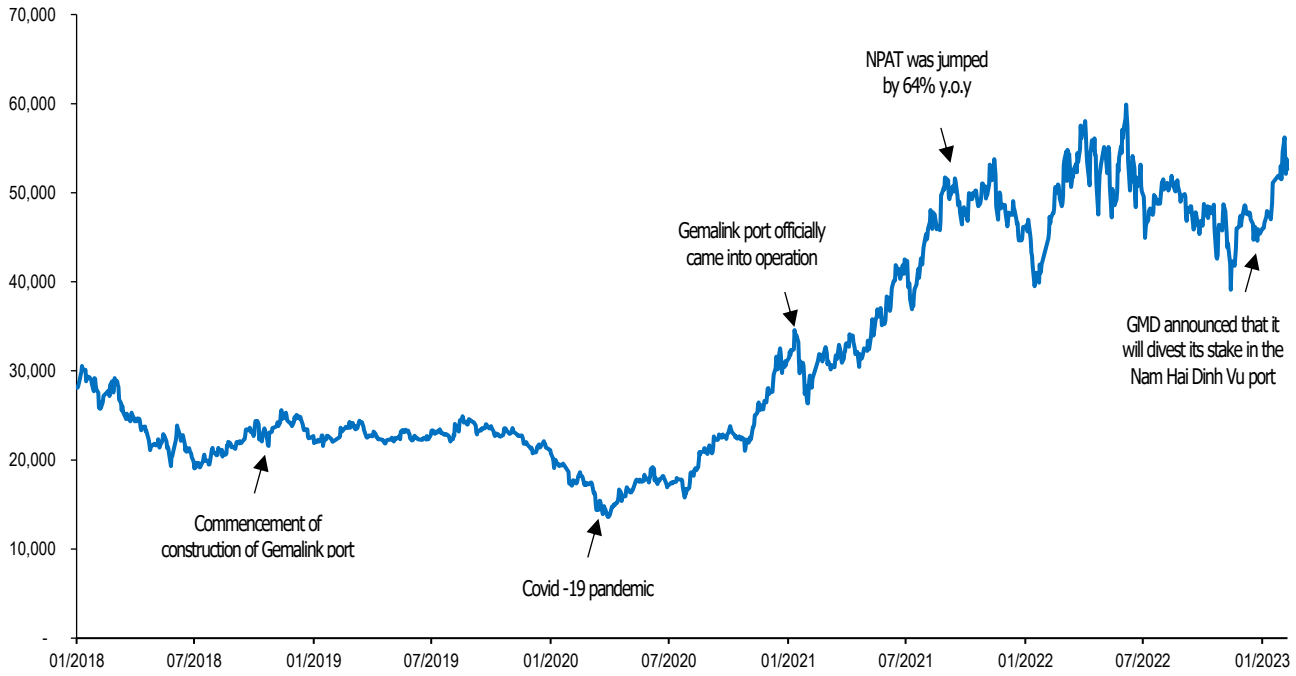
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of price and ROE



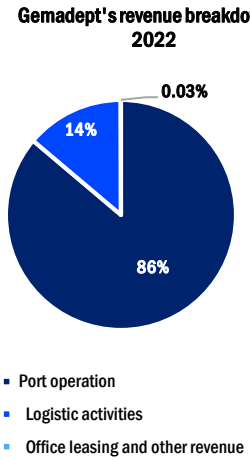
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of GMD



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Company Background



Source: Gemadept report 2022

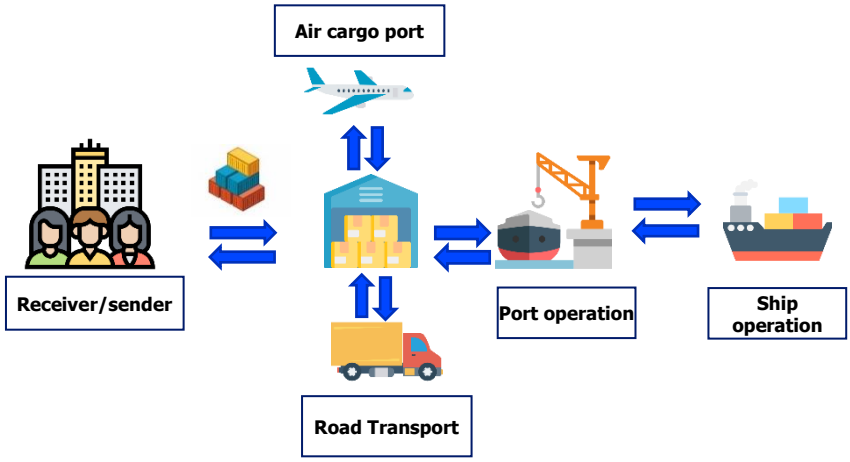
List of shareholders (as of 21/06/2023)	%
SSJ Consulting (Vietnam) Co., Ltd.	9.9
KIM Vietnam Growth Equity Fund	7.05
Do Van Nhan	0.5



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)	2021	2022	2023F	2024F	2025F
Total assets	9,042	10,466	10,785	11,323	12,496
Current assets	1,689	2,724	3,583	3,853	3,901
Cash & equivalents	637	1,364	2,509	2,729	2,705
Short-term financial asset	52	82	82	82	82
Accounts receivable	842	976	788	829	885
Inventories	69	82	94	98	105
Non-current assets	10,466	10,785	11,323	12,496	14,248
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	4,654	5,159	5,849
Total liabilities	3,687	5,247	4,261	4,247	4,478
Current liabilities	2,263	3,374	2,064	2,236	2,388
Accounts payable	381	838	496	520	553
Short-term borrowings	860	543	350	450	500
Others	570	1,722	947	995	1,063
Non-current liabilities	2,263	3,374	2,064	2,236	2,388
Long-term borrowings	1,061	1,486	1,815	1,625	1,697
Other financial liabilities	363	387	382	387	393
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	2,962	3,566	4,281
Non-controlling interest equity	726	1,016	1,446	1,664	1,938
*Total debt	1,922	2,030	2,165	2,075	2,197
*Net debt (cash)	1,284	666	(344)	(654)	(507)

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	3,206	3,916	3,358	3,578	3,870
Growth		22.1%	-14.2%	6.5%	8.2%
COGS	2,064	2,271	2,134	2,263	2,433
Gross profit	1,142	1,645	1,224	1,315	1,436
GPM	35.6%	42.0%	36.5%	36.8%	37.1%
SG&A	449	541	343	367	397
Operating profit	693	1,104	881	948	1,039
Growth		59.3%	-20.2%	7.6%	9.6%
OPM	21.6%	28.2%	26.2%	26.5%	26.8%
Non-operating profit	(55)	(48)	1,558	(36)	(29)
Financial income	40	24	46	50	50
Financial expense	108	178	177	170	171
In which: interest expenses	(119)	(131)	(177)	(170)	(171)
Net other non-operating profit	237	406	581	547	716
Pre-tax profit	806	1,308	2,861	1,375	1,633
Income tax	107	170	375	180	214
Net profit	721	1,157	2,525	1,213	1,442
Growth		60.6%	118.3%	-51.9%	18.8%
NPM	22.5%	29.5%	80.0%	36.6%	40.7%
Controlling interest	612	995	2,096	995	1,168
Non-controlling interest	108	162	429	218	274
EBIT	925	1,439	3,037	1,544	1,804
Growth		155.5%	211.1%	50.8%	116.8%
EBIT Margin	28.9%	36.8%	96.3%	46.6%	50.9%
EBITDA	1,305	1,815	3,465	1,991	2,282
Growth		39.0%	90.9%	-42.5%	14.6%
EBITDA margin	40.7%	46.3%	109.8%	60.1%	64.4%

Statement of cash flow

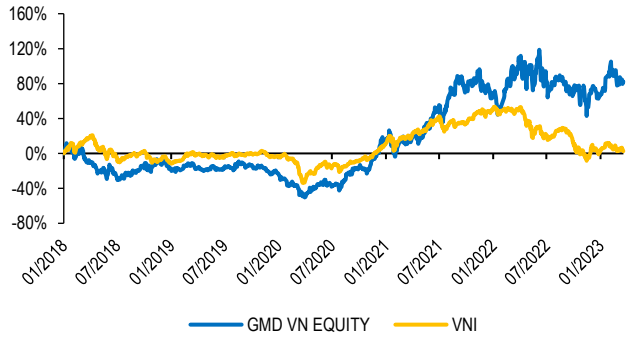
Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	965	2,333	1,585	936	1,003
Net profit	612	995	2,096	995	1,168
Depreciation expense	380	376	428	447	478
(Gain) from investing activities	(194)	(420)			
Change in working capital	363	86	(729)	(39)	(51)
Others	(390)	876	(199)	(427)	(553)
Cash flow from investments	(356)	(1,269)	(214)	(235)	(697)
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	1,145	220	(24)
Beginning cash	428	637	1,364	2,509	2,729
Change in FX rates	(1)	1	-	-	-
Ending cash	637	1,364	2,509	2,729	2,705

Key ratios

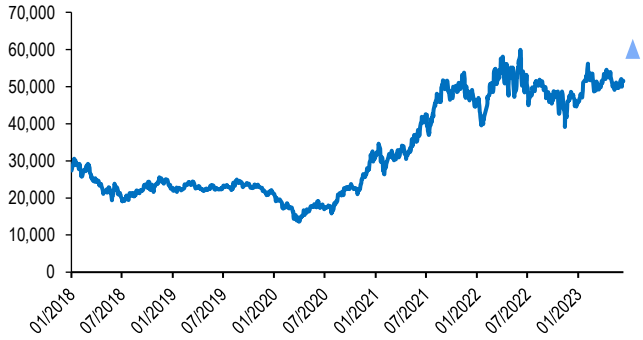
Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	1,879	3,054	6,433	3,054	3,584
BPS (VND)	21,586	22,986	28,740	30,742	33,116
DPS (VND)	1,456	1,421	1,200	1,300	1,500
PER (x)	26.6	16.4	7.8	16.4	14.0
PBR (x)	2.3	2.2	1.7	1.6	1.5
EV/EBITDA (x)	13.2	9.1	9.1	8.9	7.7
Dividend payout ratio	77.5%	46.5%	18.7%	42.6%	41.9%
Dividend yield	2.7%	2.6%	2.2%	2.4%	2.8%
Profitability					
EBITDA margin	33.4%	37.8%	39.0%	39.0%	39.2%
OPM	21.6%	28.2%	26.2%	26.5%	26.8%
NPM	22.5%	29.5%	80.0%	36.6%	40.7%
ROA	7.0%	9.7%	18.3%	8.2%	9.1%
ROE	10.0%	15.0%	26.9%	11.1%	12.1%
Stability					
Debt to equity ratio	27.3%	25.5%	21.4%	19.0%	18.4%
Net debt ratio	139.3%	94.1%	63.8%	-32.8%	-37.3%
Cash ratio	28.2%	40.4%	121.5%	122.0%	113.3%
Interest coverage ratio (x)	9.0	11.3	7.1	7.8	8.3
Activity					
Working capital turnover (times)	43	3	2	22	22
Inventory turnover (days)	13	12	16	17	16
Receivable turnover (days)	96	89	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

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

Compliance & Disclosure Notice

Analyst Certification

- 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: Thao Nguyen

Important Disclosures & Disclaimers

- As of the date of publication, Shinhan Securities Vietnam Co., Ltd. does not beneficially own 1% or more of any class of common equity securities of the following companies mentioned in this report: GMD VN
- Shinhan Securities Vietnam Co., Ltd. or one of its affiliates, and/or their respective officers, directors, or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities of the companies mentioned in this report.
- As of the date of publication, research analysts responsible for this report and members of their households do not have any financial interest in the debt or equity securities of the companies mentioned in this report.
- Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of Shinhan Securities Vietnam Co., Ltd. including profits derived from investment banking. The analysts responsible for this report may also receive compensation based upon, among other factors, the overall profitability of sales and trading businesses relating to the class of securities or financial instruments for which such analysts are responsible.
- All opinions and estimates regarding the companies and their securities are accurate representations of the research analysts' judgments and may differ from actual results.
- This report is intended to provide information to assist investment decisions only, and should not be used or construed as an offer or a solicitation of an offer to buy or sell any securities. The information herein has been obtained from sources deemed reliable, but such information has not been independently verified and no guarantee, representation, or warranty, expressed or implied, is made as to its accuracy, completeness, or correctness. Shinhan Securities Vietnam Co., Ltd. makes the best effort but does not guarantee the accuracy, completeness, or correctness of information and opinions translated into English from original Vietnamese language materials. Shinhan Securities Vietnam Co., Ltd. accepts no liability whatsoever for any direct, indirect, and/or consequential loss arising from any use of this material or its contents. Stock selection and final investment decisions should be made at the investor's own and sole discretion.
- This report is distributed to our customers only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.
- Investing in any Vietnamese securities or related financial instruments discussed in this research report may present certain risks. The securities of Vietnamese issuers may not be registered with, or be subject to the regulations of, the US Securities and Exchange Commission. Information on Vietnamese securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the US. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in currencies other than the Vietnamese won is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Distribution

- United States: This report is distributed in the US by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major US institutional investors as defined in Rule 15a-6(a)(2) of the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and warrant that they are major US institutional investors and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Securities Vietnam Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any US recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the US. The securities described herein may not have been registered under the US Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the US or to US persons unless they have been registered or are in compliance with an exemption from registration requirements.
- All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan Securities Vietnam Co., Ltd. or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan Securities Vietnam Co., Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction.



Shinhan Investment Network

SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh
Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000