



Gemadep Corporation Joint Stock Company (GMD VN)

[Vietnam / Logistics]

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

HOLD

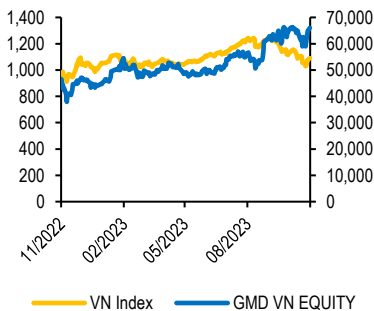
Update

Target price (12 months) **74,000 VND**
Current price (08/11/23) **67,800 VND**
Upside/downside (%) **9.1%**

VNINDEX	1,080
HNINDEX	218
Market Cap (bn VND)	20,189
Outstanding shares (mn)	305
Free-Floating (mn)	289
52-Wk High/Low (VND)	68,000/36,400
90-day avg. trading volume (mn)	1.47
90-day avg. turnover (bn VND)	96
Major shareholders (%)	SSJ Consulting VN 9.9

Performance	3T	6T	12T
Absolute (%)	13.8	32.0	35.5
Relative to VN-Index (%)	24.9	27.3	26.2

Source: Bloomberg



Thao Nguyen

(84-28) 6299-8004
 thao.np@shinhan.com

Ly Bui – Head of Research

(84-28) 6299-8029
 ly.btt@shinhan.com



A return to core profit growth

Maintain HOLD rating and target price of VND 74,000

Gemadep Corporation (GMD) is a pioneer in port and logistics service sector in Viet Nam. In Q3/2023, GMD saw core profit to grow again. With recent positive changes in trade goods, we expect GMD's business results to recover in the near future. Based on SOTP methods, we update GMD's target price at VND 74,000.

Updated business results in Q3/2023

In Q3/2023, GMD recorded revenue of VND 998 bn (+1% YoY and 9% QoQ) and NPAT-Mi reached VND 254 bn (+4% YoY and 21% QoQ). In Q3/2023, the core business grew again thanks to optimizing port operations and reducing costs.

Accumulated in 9M/2023, GMD's revenue reached nearly VND 2,812 bn (-1% YoY) and profit after tax reached about VND 2,310 bn (+145% YoY). Business results increased strongly thanks to the abnormal profit from Nam Hai Dinh Vu port divestment (estimated about VND 1,900 bn). Excluding this divestment, we estimate GMD's pre-tax profit to reach about VND 960 bn, down 9% YoY.

In 9M/2023, core profit decreased due to:

- Revenue from port operations in 9M/2023 reached VND 2,117 billion (-8.5% YoY) due to a 8% YoY decrease in Hai Phong's throughput.
- Profits of joint venture companies decreased, mainly due to the impact of Gemalink port's results. In 9M/2023, Gemalink recorded a loss of VND 55 billion. This is the third consecutive quarter recording loss-making business results. We believe that Gemalink's less positive business results in the past 3 quarters were due to the reduction of Vung Tau's commercial activities. According to Vietnam Maritime Administration, container throughput in 9T/2023 of Vung Tau port cluster decreased by 12% YoY.

In 2023, we forecast GMD's revenue to reach VND 3,358 bn (-1.5% YoY) and NPAT to reach VND 2,639 bn (+128% YoY). With the above results, GMD's profit after tax reached 87% of our forecast after the first 9 months of the year.

In 2024, we estimate GMD's core net profit will grow by nearly 20%, reaching VND 1,403 bn, thanks to rising demand for goods and positive changes in commodity trade recently.

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	3,788	4,047	4,409
OP (bn VND)	1,104	1,116	1,019	1,085	1,167
NP (bn VND)	1,157	2,639	1,403	1,549	1,671
EPS (VND)	3,054	7,513	3,532	3,851	4,105
BPS (VND)	22,986	28,813	31,477	34,390	37,382
OPM	28.2%	33.2%	26.9%	26.8%	26.5%
NPM	29.5%	78.6%	37.0%	38.3%	37.9%
ROE	15.0%	31.7%	12.8%	12.8%	12.5%
PER (x)	16.4	8.4	17.8	16.4	15.3
PBR (x)	2.2	2.2	2.0	1.8	1.7
EV/EBITDA (x)	9.1	12.2	9.6	8.8	8.2

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Maintain HOLD rating and target price of VND 74,000

We apply the Sum-of-the-part (SOTP) valuation method to value GMD. We update our HOLD recommendation with a target price of VND 74,000, equivalent to a return of 9.1%.

Valuation

(Unit: billion VND)	Method	Value	GMD's ownership	Equity value attributed to GMD
Port and consolidated logistics	DCF	12,158	100%	12,158
SCS	DCF	6,688	34.5%	2,309
Rubber	BV	1,084	100%	1,084
Gemalink	DCF	9,097	65.1%	5,925
CJ Gemadep Logistics & Shipping	P/E	1,296	49.1% - 51%	617
Total Equity Value				22,580
Target price (VND/share)				74,000

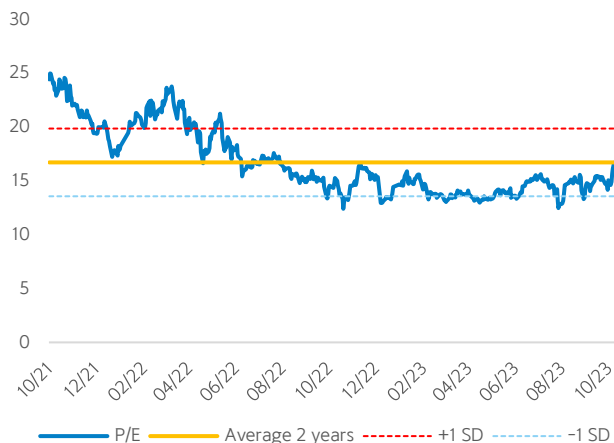
Port and consolidated logistics DCF valuation (exclude Nam Hai Dinh Vu port)

Unit: billion VND	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT	1,019	1,085	1,167	1,273	1,379	1,392	1,406	1,421	1,442	1,465
Minus: Tax	-132	-140	-151	-165	-206	-208	-210	-212	-215	-219
Plus: Depreciation & Amortization	441	481	521	578	630	653	659	664	672	685
Minus: Change in working capital	-910	-689	-983	-1,284	-833	-180	-180	-180	-180	-180
Minus: CapEx	-83	-43	-58	-68	-50	-8	-8	-9	-13	-14
Free Cash Flow (FCF)	336	693	496	334	921	1,650	1,666	1,684	1,706	1,738
PV of FCF	6,608									
Growth rate	0%									
Present value of long-term value	6,619									
Enterprise value	12,187									
Debt	1,882									
Cash and cash equivalents (include the cash from the divestment)	3,075									
Minority interest	1,222									
Equity value	12,158									

WACC	10.8%
Risk-free rate	3.0%
Equity risk premium	9.57%
Beta	0.9
Debt cost	10%
The cost of equity	12%
Debt-to-equity ratio	30%
Total debt (VND bn)	1,882

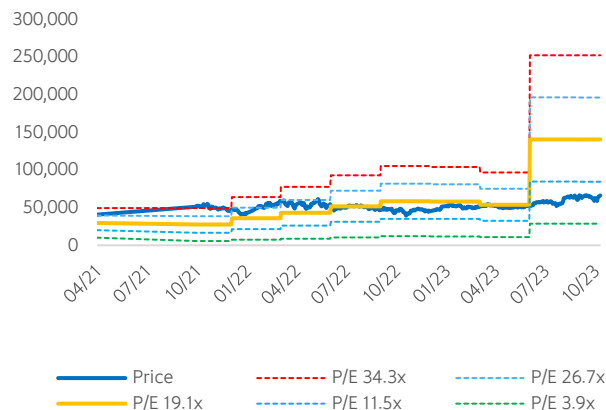
Source: Company data, Shinhan Securities Company

GMD's PER



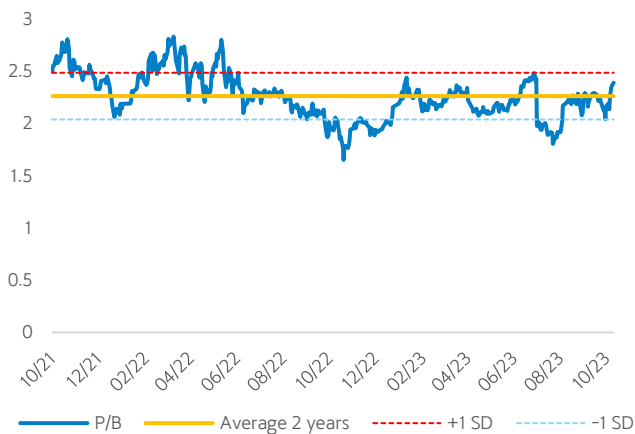
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of GMD



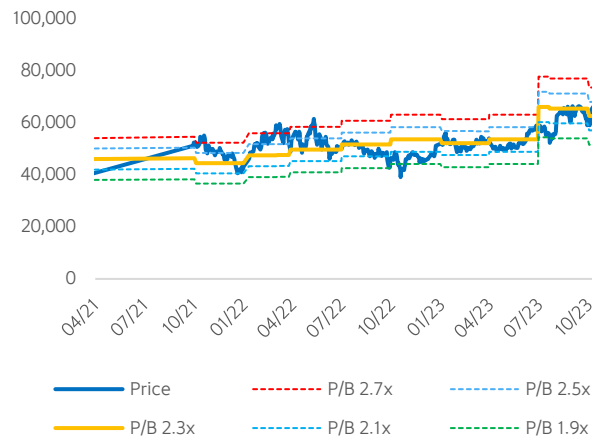
Source: Bloomberg, Company data, Shinhan Securities Vietnam

GMD's PBR



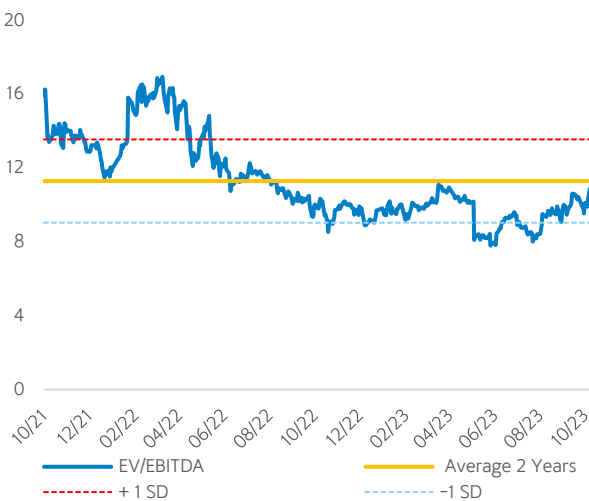
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of GMD



Source: Bloomberg, Company data, Shinhan Securities Vietnam

GMD's EV/EBITDA



Source: Bloomberg, Company data, Shinhan Securities Vietnam

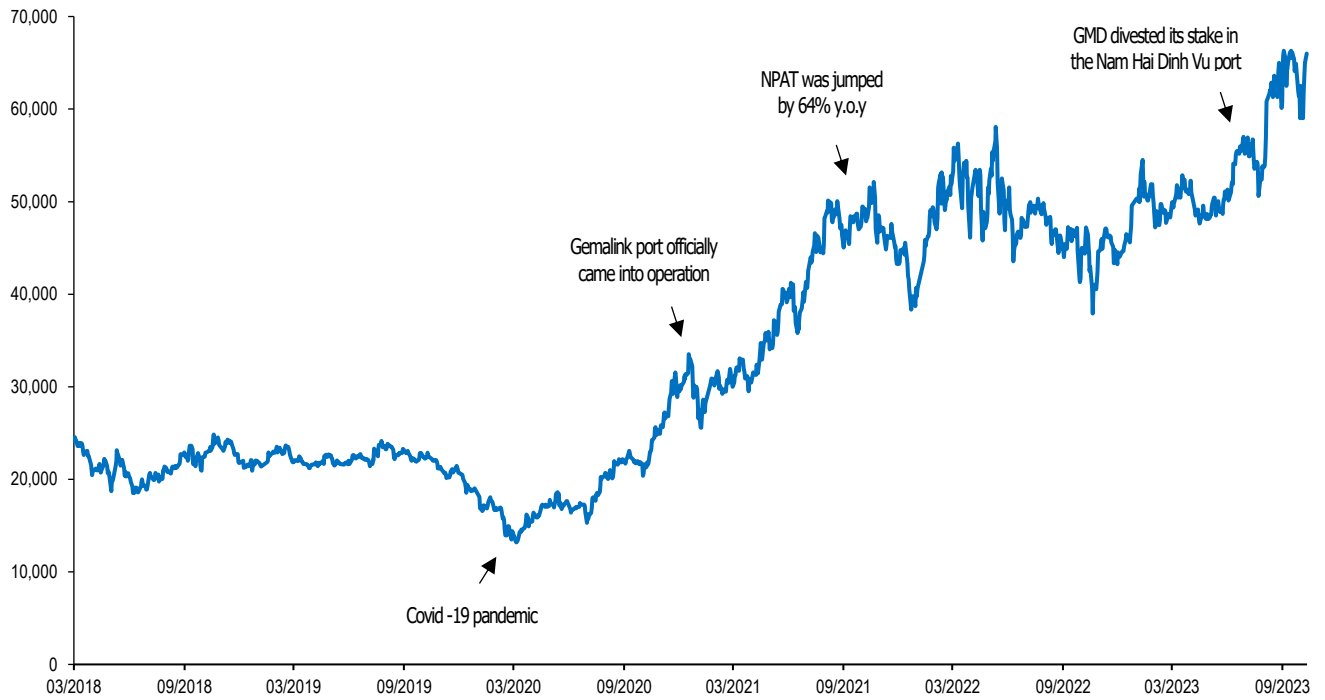
Correlation of price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam



Key event chart of GMD



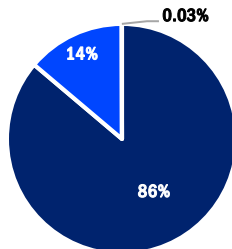
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Company Background

Gemadep Corporation description

Gemadep was established in 1990. GMD was one of the first three companies selected by the government for equitization in 1993. In 2002, Gemadep was officially listed on the Vietnam stock market with the stock code GMD. After nearly 30 years of establishment and development, Gemadep 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.

Gemadep's revenue breakdown in 2022

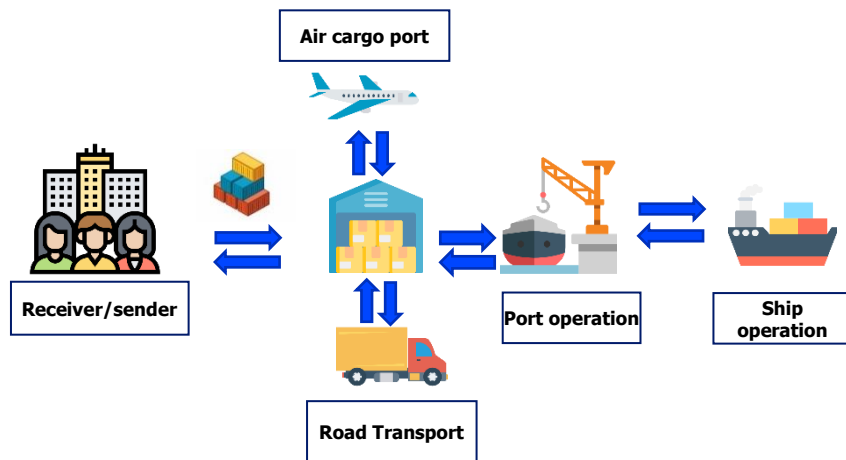


- Port operation
- Logistic activities
- Office leasing and other revenue

Source: Gemadep 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

Gemadep Corporation's logistics value chain



Gemadep 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

Gemadep 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. Gemadep'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, Gemadep 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	12,012	12,986
Current assets	1,689	2,724	3,583	4,013	4,367
Cash & equivalents	637	1,364	2,528	2,829	3,431
Short-term financial asset	52	82	82	82	82
Accounts receivable	842	976	788	946	1,011
Inventories	69	82	94	109	117
Non-current assets	10,466	10,785	11,323	12,986	14,274
Net fixed assets	3,146	3,262	3,292	3,731	3,939
Investment assets	1,747	2,839	2,839	2,839	2,839
Other long-term assets	4,149	4,365	4,654	5,442	6,208
Total liabilities	3,687	5,247	4,261	4,880	5,052
Current liabilities	2,263	3,374	2,064	2,337	2,554
Accounts payable	381	838	496	579	619
Short-term borrowings	860	543	350	350	450
Others	570	1,722	947	1,136	1,214
Non-current liabilities	2,263	3,374	2,064	2,337	2,554
Long-term borrowings	1,061	1,486	1,815	2,143	2,089
Other financial liabilities	363	387	382	400	408
Total shareholders' equity					
Capital stock	3,014	3,014	3,014	3,058	3,058
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	3,787	4,665
Non-controlling interest equity	726	1,016	1,446	1,689	1,967
*Total debt	1,922	2,030	2,165	2,493	2,539
*Net debt (cash)	1,284	666	(344)	(250)	(476)

Statement of cash flow

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	965	2,333	1,603	933	1,082
Net profit	612	995	2,477	1,164	1,270
Depreciation expense	380	376	428	441	481
(Gain) from investing activities	(194)	(420)	(420)		
Change in working capital	363	86	(729)	(83)	(43)
Others	(390)	876	(166)	(539)	(569)
Cash flow from investments	(356)	(1,269)	(213)	(685)	(464)
Change in fixed assets	(544)	(1,391)	(458)	(910)	(689)
Change in investment assets	55	-	-	-	-
Others	9	(52)	-	-	-
Cash flow from financing	(398)	(338)	(226)	(33)	(346)
Change in equity	-	-	-	-	-
Net borrowing	78	132	135	329	46
Dividends	(426)	(428)	(362)	(362)	(392)
Change in total cash	211	726	1,164	215	272
Beginning cash	428	637	1,364	2,528	2,829
Change in FX rates	(1)	1	-	-	-
Ending cash	637	1,364	2,528	2,829	3,431

Statement of comprehensive income

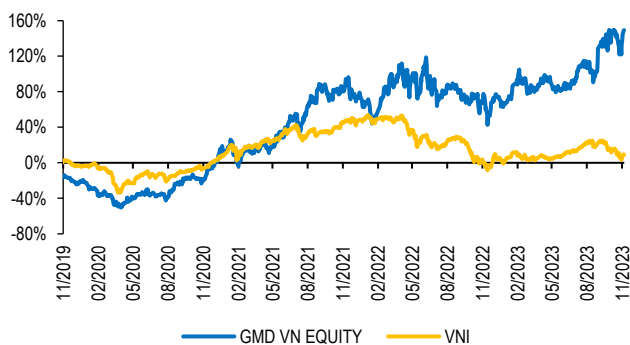
Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	3,206	3,916	3,358	3,788	4,047
Growth		22.1%	-14.2%	12.8%	6.8%
COGS	2,064	2,271	1,899	2,349	2,511
Gross profit	1,142	1,645	1,459	1,439	1,536
GPM	35.6%	42.0%	43.4%	38.0%	37.9%
SG&A	449	541	343	420	451
Operating profit	693	1,104	1,116	1,019	1,085
Growth		59.3%	1.1%	15.7%	6.4%
OPM	21.6%	28.2%	33.2%	26.9%	26.8%
Non-operating profit	(55)	(48)	(48)	(47)	(40)
Financial income	40	24	1,900	51	56
Financial expense	108	178	178	203	201
In which: interest expenses	(119)	(131)	(131)	(203)	(201)
Net other non-operating profit	237	406	210	770	856
Pre-tax profit	806	1,308	3,047	1,589	1,754
Income tax	107	170	427	208	230
Net profit	721	1,157	2,639	1,403	1,549
Growth		60.6%	128.1%	-46.8%	10.4%
NPM	22.5%	29.5%	78.6%	37.0%	38.3%
Controlling interest	612	995	2,477	1,164	1,270
Non-controlling interest	108	162	162	239	279
EBIT	925	1,439	3,178	1,792	1,956
Growth		155.5%	220.8%	-43.6%	109.1%
EBIT Margin	28.9%	36.8%	94.6%	47.3%	48.3%
EBITDA	1,305	1,815	3,605	2,233	2,436
Growth		39.0%	98.7%	-35.2%	9.1%
EBITDA margin	40.7%	46.3%	107.4%	59.0%	60.2%

Key ratios

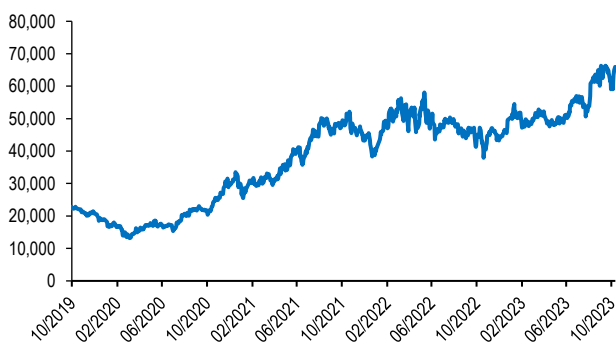
Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	1,879	3,054	7,513	3,532	3,851
BPS (VND)	21,586	22,986	28,813	31,623	34,537
DPS (VND)	1,456	1,421	1,200	1,200	1,300
PER (x)	26.6	16.4	8.4	17.8	16.4
PBR (x)	2.3	2.2	2.2	2.0	1.8
EV/EBITDA (x)	13.2	9.1	12.2	9.6	8.8
Dividend payout ratio	77.5%	46.5%	16.0%	34.0%	33.8%
Dividend yield	2.7%	2.6%	2.0%	2.0%	2.2%
Profitability					
EBITDA margin	33.4%	37.8%	46.0%	38.6%	38.7%
OPM	21.6%	28.2%	33.2%	26.9%	26.8%
NPM	22.5%	29.5%	78.6%	37.0%	38.3%
ROA	7.0%	9.7%	19.1%	9.2%	9.3%
ROE	10.0%	15.0%	31.7%	12.8%	12.7%
Stability					
Debt to equity ratio	27.3%	25.5%	21.4%	22.2%	20.5%
Cash ratio	28.2%	40.4%	117.3%	117.4%	118.0%
Interest coverage ratio (x)	9.0	11.3	11.8	7.2	7.8
Activity					
Working capital turnover (times)	43	3	2	21	22
Inventory turnover (days)	13	12	16	16	16
Receivable turnover (days)	96	89	103	91	93

Gemadep Corporation Joint Company (GMD VN)

Share price



Target price (VND)



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

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

Shinhan Securities Vietnam

Stock

- ◆ **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

Sector

- ◆ **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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Shinhan Investment Network

SEOUL

Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongsongpo-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,
Luijiuzui 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