

# Gemadept (GMD)

## Positive outlook in the year-end period

December 7, 2023

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**GMD achieved 3Q23 NPAT of VND338 billion (+18% YoY) on net revenue of VND998 billion (+1% YoY)**

**GMD's total port throughput has risen since early 2023 though it remained lower YoY**

**GMD's port service charges have remained unchanged after a round of increase in early 2023 and may advance 5–10% in 2024**

**In November 2023, GMD approved a resolution on Nam Hai Port JSC divestment**

**We recommend BUY for GMD with a target price of VND81,800/share**

**Buy** maintain

<b>Target price</b>	<b>VND81,800</b>
Upside	16.2%
Current price (Dec 7, 2023)	VND70,400
Consensus target price	VND86,000
Market cap (VNDtn/USDmn)	21.5/887

#### Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	3,206	3,916	3,991	4,697
Operating income/loss (VNDbn)	861	1,357	3,458	2,010
NPAT-MI (VNDbn)	612	995	2,581	1,487
EPS (VND)	1,869	3,037	8,563	4,935
EPS growth (%)	63%	62%	182%	-42%
P/E (x)	24.3	23.2	8.2	14.3
P/B (x)	2.0	1.7	2.1	1.9
ROE (%)	10.2%	14.6%	27.3%	15.5%
Dividend yield (%)	2.0%	2.0%	2.8%	0%

Gemadept Corporation (GMD) recorded 3Q23 revenue of VND998 billion (+1% YoY). In particular, port operations remain the core business, contributing VND780 billion or 78% of total revenue. For 9M23, GMD achieved NPAT of VND2,310 billion (+145% YoY) on revenue of VND2,812 billion (-1% YoY).

GPM's total port throughput has increased steadily since early 2023, although it remained lower than in the same period last year. The recovery trend may continue in the near term as (1) the upward momentum of import-export turnover, supported by rising consumer demand in the US and Europe, (2) new shipping routes docking at GMD's ports, and (3) GMD's efforts to enhance operational efficiency, strengthening its leading position in the port industry.

After a round of increase in port service prices at the beginning of 2023, GMD has had no new price updates. These fees should advance 5–10% early next year. The percentage of increase will be higher following the approval of the draft circular replacing Circular 54/2018/TT-BGTVT on raising seaport service charges.

In early November, GMD announced a resolution on selling all stakes at Nam Hai Port JSC. Proceeds from this deal can help GMD focus on expanding Nam Dinh Vu and Gemalink.

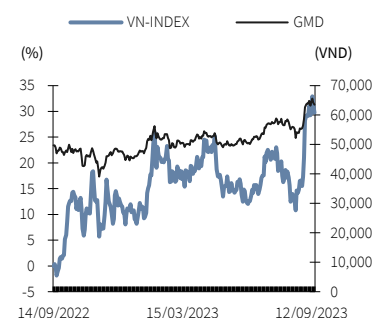
Based on business prospects and valuation results, we recommend BUY for GMD with a target price of VND81,800/share, equivalent to a 16.2% upside.

#### Trading data

Free float	90%
3M avg trading value (VNDbn/USDmn)	99.2/4.08
Foreign ownership	48.89%
Major shareholder	SSJ Consulting Co., Ltd (9.7%)

#### Share price performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	7	14	45	51
<b>Relative</b>	6	23	44	49



Source: Bloomberg, KB Securities Vietnam

## Business performance

Table 1. GMD – 9M22–9M23 business results

(VNDbn)	3Q2022	2Q2023	3Q2023	+/-%QoQ	+/-%YoY	9M2022	9M2023	+/-%YoY	Chú thích
Net revenue	992	912	998	9%	1%	2,850	2,812	-1%	9M23 revenue completed 72% of the full-year objective of VND3,920 billion.
-Port operations	779	683	780	14%	0.1%	2,315	2,118	-9%	In 9M23, GMD posted port throughput of 2.1 million TEUs (-12% YoY), port service fees advanced 5-10%. In 3Q23, GMD recorded port throughput of 767,000 TEUs (+3% QoQ), the third consecutive quarter of positive YoY growth.
-Logistics & others	212	229	218	-5%	3%	534	694	30%	GMD expanded the warehouse system, especially cold storage infrastructure, and signed many new logistics services contracts with major partners.
Gross profit	402	459	465	1%	16%	1,191	1,351	13%	
Gross profit margin	40.5%	50.3%	46.6%	-3.7ppts	+6.1ppts	41.8%	48.0%	+6.2ppts	Port gross margin increased as port service rates were adjusted up YoY. Logistics gross margin improved due to an increase in the proportion of high-margin segments such as warehousing and cold storage.
Financial income	7.5	1,863	33	-98%	340%	16	1,917	11,881%	Financial income rose in 3Q23 mainly thanks to interest from bank deposits. In 9M23, interest from bank deposits increased by nearly VND40 billion.
Financial expenses	62	53	51	-4%	-18%	151	144	-5%	
SG&A	121	156	102	-35%	-16%	351	384	9%	
Shared profit from associates	109	58	52	-10%	-52%	336	133	-60%	(1) Gemalink suffered a loss for the third consecutive quarter although 3Q23 business results improved thanks to new shipping routes passing through. In 9M23, GMD recorded a loss of VND55 billion from Gemalink (vs. shared profits of VND104 billion in 9M22) (2) SCS achieved VND128 billion in profits in 3Q23, contributing more than VND43 billion to GMD (-13% YoY)
PBT	337	2,178	398	-82%	18%	1,057	2,890	173%	Excluding net gains from Nam Hai Dinh Vu divestment, 9M23 PBT completed 95% of the full-year objective of VND1,136 billion.
NPAT	288	1,711	338	-80%	17%	941	2,310	145%	

Source: Gemadept Corporation, KB Securities Vietnam

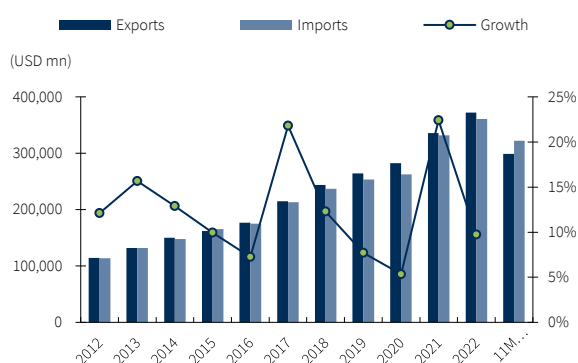
### GMD's total port throughput has risen since early 2023 though it remained lower YoY

GMD saw negative YoY growth concerning total port throughput in the first three quarters of 2023 due to global economic uncertainty and a sharp fall in consumer demand, especially in Vietnam's major trading partners like China, America, and Europe. However, since the beginning of the year, container volume passing through GMD's ports has been growing steadily with quarter and is expected to have bottomed out at the start of this year. This came amid the recovery of import and export turnover from April until now, especially import turnover in the last three months enjoyed positive growth compared to the same period in 2022.

We expect the growth momentum to continue through the end of the year and into the first half of 2024 for the following reasons:

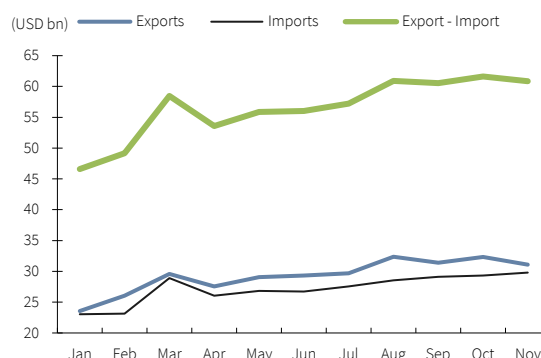
- Import-export turnover is expected to maintain its upward momentum but at a slow pace. The key driver, according to a report by Maersk Line, should come from growing consumer demand in the US and Europe in 2024, leading to rising cargo transportation.
- GMD recorded new shipping routes passing through its ports. In 3Q23, GMD welcomed Evergreen's TPA service route docking at Gemalink port and MSC's Kaguya service route docking at Nam Dinh Vu port.
- With increasingly consolidated advantages such as (1) leading the green port and green logistics trends and (2) the highest cargo and container handling capacity in Vietnam with Gemalink deep-sea port (Gemalink recently made a record of handling two large ships at the same time with a combined cargo capacity up to 30,000 TEUs), GMD will further improve its competitiveness, attracting many new partners.

**Fig 2. Vietnam – Exports, imports, import-export turnover growth (USDmn, %)**



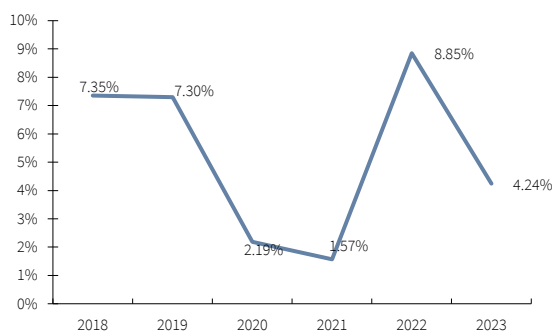
Source: UNCTAD

**Fig 3. Vietnam – Exports, imports, import-export turnover (USDbn)**



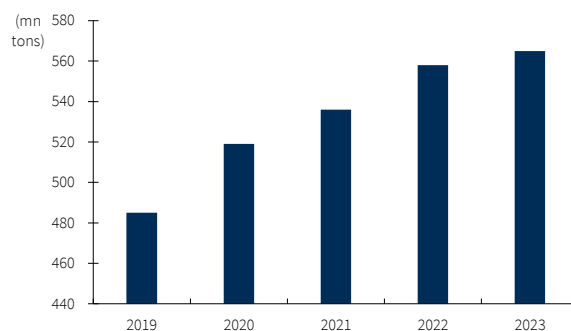
Source: General Statistics Office

**Fig 4. Vietnam – GDP growth in 2018–2023 (%)**



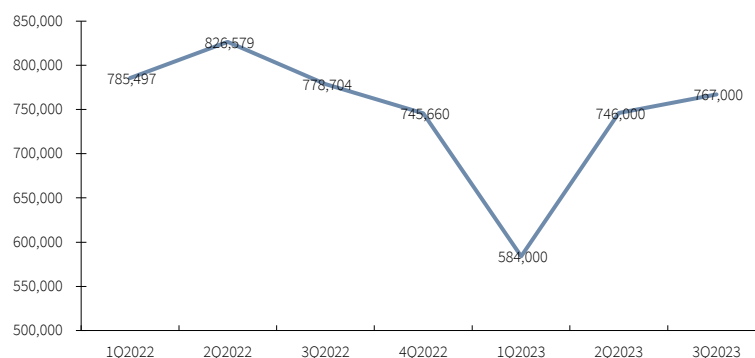
Source: General Statistics Office, KB Securities Vietnam

**Fig 5. Vietnam – Port cargo volume in 2019–2023 (mn tons)**



Source: Vietnam Maritime Administration

Fig 6. GMD – Port throughput (TEUs)



Source: Gemadept Corporation

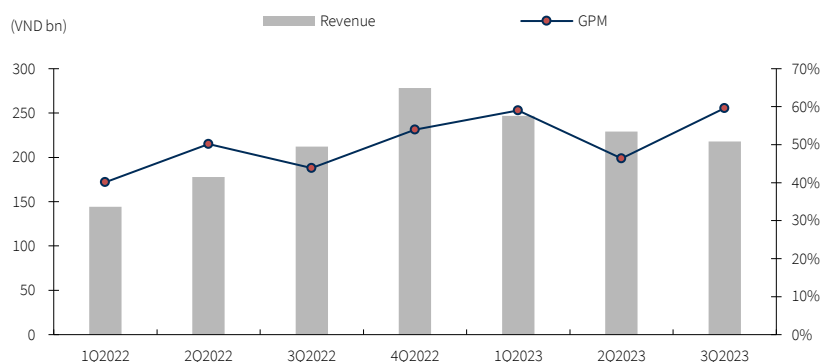
**GMD's port service charges have remained unchanged after a round of increase in early 2023 and may advance 5-10% in 2024**

After a round of increase of 5-10% at the beginning of this year, GMD's port service charges have remained unchanged through the end of 2023. We expect GMD's port service fees to increase further, at least 5-10%, since (1) Vietnam's port service fees are materially 30 to 40% lower than those in regional countries like Thailand, Singapore, etc. (2) GMD has maintained a 5-10% increase per annum for services charges at the start of recent years; and (3) the draft circular replacing Circular 54/2018/TT-BGTVT was issued this past August and should result in a significant increase in service prices once approved. Notably, GMD's green and deep-sea ports are subject to the highest increase levels.

**GMD's logistics segment continued to grow positively YoY**

GMD's logistics segment is expected to continue its growth momentum in both business results and earnings in the coming period because: (1) GMD is less affected by falling freight rates due to insignificant revenue contribution from its self-operated fleet, Signed charter contracts are still stable; (2) GMD is focusing on promoting high-margin logistics activities such as warehousing and cold storage operations (CJ Gemadept invested in upgrading warehouse systems, applying the Serial End-To-End management model to optimize operational efficiency; and (3) CJ Gemadept became a strategic partner of two giants in the electronics industry, namely Beko and Hitachi, in 3Q23.

Fig 7. GMD – Revenue, GPM of the logistics segment (VNDbn, %)



Source: Gemadept Corporation

### In November 2023, GMD approved a resolution on Nam Hai Port JSC divestment

In early November, GMD announced a resolution on selling all stakes at Nam Hai Port JSC (equivalent to 99.98% of Nam Hai Port JSC's equity value). Nam Hai port, GMD's first port in the North, has a designed capacity of 200,000 TEUs. However, more and more ports with large designed capacities and favorable locations have been built while GMD's ports are inland ports, losing the chance to receive large ships after the Bach Dang Bridge came into operation. Nam Hai port is receiving fewer and fewer ships and switching to warehousing activities. In our estimates, Nam Hai Port JSC divestment will bring about VND200 billion in profit for GMD, helping the company to focus on developing and expanding large ports such as Nam Dinh Vu and Gemalink.

GMD is applying for a license to extend the wharf to 1.5km. The firm is raising funds to finance this project and expects to put phase 2 into operation from 2024 & 2025. The total investment for phase 2 is about USD300 million.

Fig 8. GMD – Gemalink's construction progress



Source: Gemadept Corporation

Nam Dinh Vu 1 and 2 have an area of 22 and 44 ha, a wharf length of 440m and 1,100m, and a capacity ranging from 900,000 to 1.2 million TEUs. Nam Dinh Vu 2 started commercial operation in May 2023 and should reach its maximum capacity in early 2024. GMD continues its market research to start construction of phase 3 as soon as possible. After completion, the Nam Dinh Vu port cluster will have a total wharf length of up to 1,500m and an area of 70 ha and become the largest port cluster in Hai Phong. Nam Dinh Vu 3 is expected to come into operation in late 2025 or early 2026.

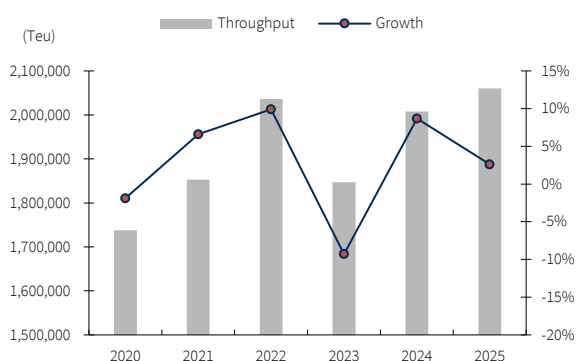
Fig 9. GMD – Nam Dinh Vu Port



Source: Gemadept Corporation

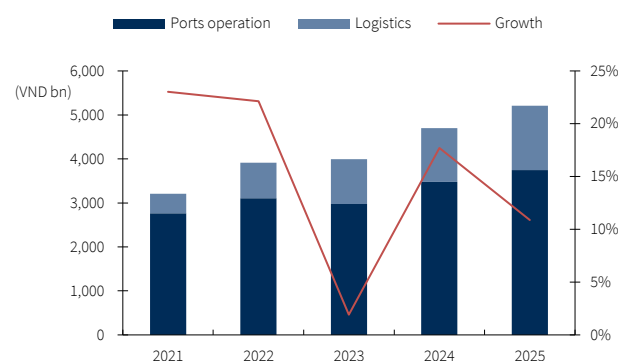
## Forecast & Valuation

Fig 10. GMD – Port throughput in 2020A–2025F (excluding Gemalink) (TEUs)



Source: Gemadept Corporation, KB Securities Vietnam

Fig 11. GMD – Revenue breakdown in 2021A–2025F (VNDbn, %)



Source: Gemadept Corporation, KB Securities Vietnam

Table 12. GMD – 2022A–2024F business results

(VNDbn)	2022A	2023F	+/-%YoY	2024F	Comments
<b>Net revenue</b>	3,916	3,991	2%	4,697	Completed 102% of the full-year objective of VND3,920 billion
-Port operations	3,104	2,976	-4%	3,479	We forecast that GMD's total port throughput will decrease by 9% YoY for the whole year 2023 while service rates will increase slightly by 6% YoY.
-Logistics & others	812	1,015	25%	1,218	Logistics revenue growth should be supported by long-term charter contracts and higher revenue contribution from warehouse services following expansion of the warehouse system. Cold storage operations will bring a stable source of income for GMD. CJ Gemadept signed contracts with new strategic partners Beko and Hitachi.
Gross profit	1,645	1,927	17%	2,270	
Gross profit margin	42%	48%	+6ppts	48.3%	GPM are expected to increase on rising port service fees, increased proportions of high-margin logistics services such as cold storage and land transport.
Financial income	24	1,924	7,917%	155	Driven by abnormal gains from Nam Hai Dinh Vu divestment
Financial expenses	178	168	-6%	212	After divesting from Nam Hai Dinh Vu, GMD restructured borrowing costs, leading financial expenses to fall.
SG&A	542	499	-8%	587	
Shared profits from associates	406	274	-33%	384	Gemalink recorded losses, shared profits from SCS and CJ Gemalink both decreased YoY.
Other income	-48	-48	0%	-56	
PBT	1,308	3,410	161%	1,935	
<b>NPAT</b>	<b>1,157</b>	<b>2,781</b>	<b>140%</b>	<b>1,710</b>	

Source: Gemadept Corporation, KB Securities Vietnam

**We recommend BUY for GMD with a target price of VND81,800/share**

We use the Sum-of-the-Parts Valuation (SOTP) to value GMD: (1) core businesses + shared profits from associates, (2) Gemalink, and (3) rubber plantations and real estate projects. We recommend BUY for GMD with a target price of VND81,800/share, 16.2% higher than the closing price of VND70,400/share on December 7, 2023, assuming:

- Nam Dinh Vu 2 will start commercial operation and replace Nam Hai Dinh Vu port, expected to reach maximum capacity by 2025. Gemalink's throughput should shrink by 10% in 2023 before recovering next year. GMD can expect revenue contributions from Gemalink 2 and Nam Dinh Vu 3 from 2025 and 2026, respectively.

– Port service rates are forecast to increase slightly by 5% this year and may increase by 8–10% YoY in 2024.

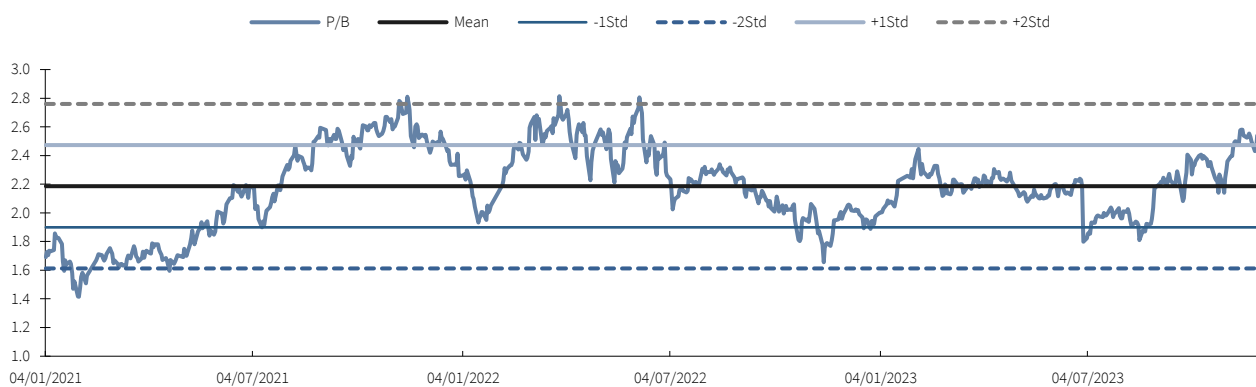
We will not incorporate the Nam Hai port divestment into the valuation model until further details about the deal's timing.

**Table 13. GMD – Valuation result**

	Valuation method	Value	GMD's ownership	Equity value attributed to GMD
Core business	FCFF	17,923	100%	17,923
Gemalink	FCFF	8,101	65.10%	5,274
Rubber plantation	BV	1,500	100%	1,500
Real estate projects	BV	299	100%	299
<b>Equity value</b>				<b>24,995</b>
Outstanding shares (million)				305.90
<b>Target price</b>				<b>81,800</b>
Current price (Dec 7, 2023)				70,400
TSR				16.2%

Source: Gemadept Corporation, KB Securities Vietnam

**Fig 14. GMD – Historical P/B in 2021–2023 (x)**



Source: Bloomberg, KB Securities Vietnam





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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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