

# 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

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.

90%

99.2/4.08

SSJ Consulting Co., Ltd (9.7%)

48.89%



Target price	VND81,800
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
Р/В (х)	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%

Trading data

Foreign ownership

Maior shareholder

3M avg trading value (VNDbn/USDmn)

Free float

(%)	1M	3M	6M	12M
Absolute	7	14	45	51
Relative	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 thío
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%	<ol> <li>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)</li> <li>SCS achieved VND128 billion in profits in 3Q23, contributing more than VND43 billion to GMD (-13% YoY)</li> </ol>	
РВТ	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

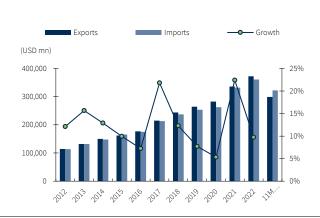
GMD's total port throughput has risen since early 2023 though it remained lower YoY GMD saw negative YoY growth concerning total port throughput in the first three quarters of 2023 due to global economic uncertainty and a sharp fall in consumer demand, especially in Vietnam's major trading partners like 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.

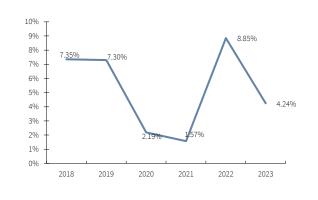
- With increasingly consolidated advantages such as (1) leading the green port and green logistics trends and (2) the highest cargo and container handling capacity in Vietnam with Gemalink deep-sea port (Gemalink recently made a record of handling two large ships at the same time with a combined cargo 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, %)



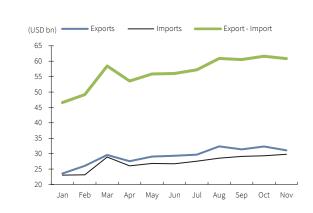
Source: UNCTAD

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



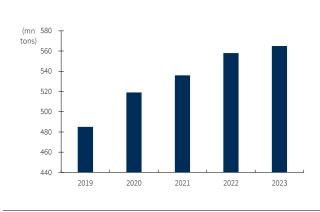
Source: General Statistics Office, KB Securities Vietnam

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

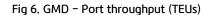


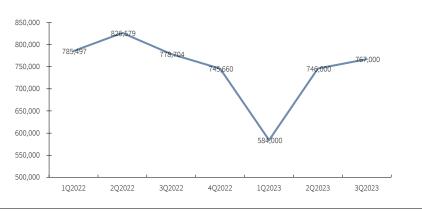
Source: General Statistics Office





Source: Vietnam Maritime Administration



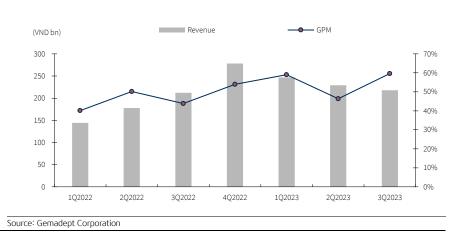


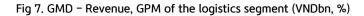
Source: Gemadept Corporation

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.





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

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. 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.

# Fig 8. GMD - Gemalink's construction progress



Source: Gemadept Corporation

# Fig 9. GMD – Nam Dinh Vu Port



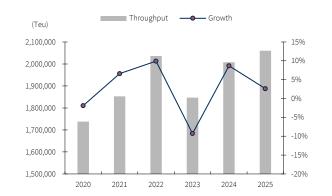
Source: Gemadept Corporation

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.

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

# Forecast & Valuation

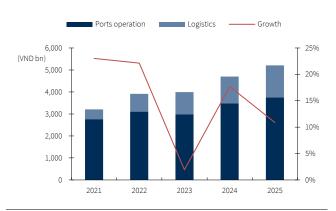
# Fig 10. GMD – Port throughput in 2020A–2025F (excluding Gemalink) (TEUs)



Source: Gemadept Corporation, KB Securities Vietnam

# Table 12. GMD - 2022A-2024F business results

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



Source: Gemadept Corporation, KB Securities Vietnam

(VNDbn)	2022A	2023F	+/-%YoY	2024F	Comments
Net revenue	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	
NPAT	1,157	2,781	140%	1,710	

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

	Valaation 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
Equity value				24,995
Outstanding shares (million)				305.90
Target price				81,800
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

2023F

2022

2024F

# GMD - 2021A-2024F financials

# Income Statement

(VND billion)	2021	2022	2023F	2024F
Net sales	3,206	3,916	3,991	4,697
Cost of sales	2,064	2,271	2,064	2,427
Gross Profit	1,142	1,645	1,927	2,270
Financial income	40	24	1,934	159
Financial expenses	108	178	66	-20
of which: interest expenses	119	131	66	-20
Gain/(loss) from joint ventures	237	406	274	384
Selling expenses	154	146	140	164
General and admin expenses	295	396	359	423
Operating profit/(loss)	861	1,357	3,569	2,246
Other incomes	50	30	0	0
Other expenses	105	79	0	0
Net other income/(expenses)	-55	-48	-48	-56
Net accounting profit/(loss) before tax	806	1,308	3,522	2,189
Corporate income tax expenses	86	151	650	280
Net profit/(loss) after tax	721	1,157	2,871	1,910
Minority interests	108	162	214	254
Attributable to parent company	612	995	2,657	1,656

Margin ratio							
(%)	2021	2022	2023F	2024F			
Gross profit margin	35.6%	42.0%	48.3%	48.3%			
EBITDA margin	40.7%	46.3%	98.4%	56.4%			
EBIT margin	28.9%	36.8%	89.9%	46,2%			
Pre-tax profit margin	25.1%	33.4%	88.2%	46.6%			
Operating profit margin	26.9%	34.6%	89.4%	47.8%			
Net profit margin	26.6%	31.8%	33.3%	34.4%			

### Cash Flow Statement

(VND billion)	2021	2022	2023F	2024F
Net profit/(loss) before tax	806	1,308	3,522	2,189
Depreciation and amortisation	380	376	339	478
Profit/loss from investing activities	-194	-420	0	0
Interest expense	119	131	66	-20
Operating profit/(loss) before changes in Working Capital	1,211	1,504	3,927	2,647
(Increase)/decrease in receivables	6	-163	-63	-184
(Increase)/decrease in inventories	8	-13	-3	-15
Increase/(decrease) in payables	-31	1,304	-754	922
(Increase)/decrease in prepaid expenses	11	10	78	61
Interest expense	4	-31	0	0
Net cash inflows/(outflows) from operating activities	965	2,333	3,509	3,284
Purchases of fixed assets and other long term assets	-586	-1,395	-1,198	-2,353
Proceeds from disposal of fixed assets	42	4	0	0
Loans granted, purchases of debt instruments	-95	-86	0	0
Collection of loans, proceeds from sales of debts instruments	105	33	0	0
Investments in other entities	0	0	0	0
Proceeds from divestment in other entities	0	0	0	0
Dividends and interest received	0	174	0	0
Net cash inflows/(outflows) from investing activities	-356	-1,269	-1,198	-2,353
Proceeds from issue of shares	0	0	90	0
Payments for share returns and repurchases	0	0	0	0
Proceeds from borrowings	1,524	1,563	0	0
Repayment of borrowings	-1,446	-1,431	-543	-350
Finance lease principal payments	-49	-41	0	0
Dividends paid	-426	-428	-612	-955
Interests, dividends, profits received	0	0	0	0
Net cash inflows/(outflows) from financing activities	-398	-338	-2,551	-1,255
Net increase in cash and cash equivalents	211	726	-240	-324
Cash and cash equivalents at the beginning of period	428	637	1,364	1,124
Cash and cash equivalents at the end of period	637	1,364	1,124	800

TOTAL ASSETS	10,731	13,190	14,229	16,004
CURRENT ASSETS	1,689	2,724	2,470	2,369
Cash and cash equivalents	637	1,364	1,124	800
Short-term investments	52	82	82	82
Accounts receivable	842	976	1,039	1,223
Inventories	69	82	85	100
LONG-TERM ASSETS	9,042	10,466	11,759	13,635
Long-term trade receivables	44	45	45	45
Fixed assets	3,146	3,262	4,155	6,030
Long-term incomplete assets	1,747	2,839	1,440	1,440
Long-term investments	2,830	3,070	4,870	4,870
Goodwill	0	0	0	0
LIABILITIES	3,687	5,247	1,785	2,164
Current liabilities	2,263	3,374	1,748	2,568
Trade accounts payable	381	838	84	1,005
Short-term unrealized revenue	1	1	0	0
Short-term borrowings	860	543	0	-300
Long-term liabilities	1,424	1,873	37	-404
Long-term trade payables	0	0	0	0
Long-term advances from customers	0	0	0	0
Unrealized revenue	276	291	291	291
Long-term borrowings	1,061	1,486	-350	-790
OWNER'S EQUITY	7,045	7,944	10,294	11,249
Paid-in capital	3,014	3,014	3,059	3,059
Share premium	1,942	1,942	1,987	1,987
Undistributed earnings	661	1,228	3,488	4,443
Other funds	0	0	0	0

2021

0

0

0

0

### Key ratios

Minority interests

Balance Sheet (VND billion)

(x,%,VND)	2021	2022	2023F	2024F
Multiple				
P/E	24.3	23.2	8.0	12.8
P/E diluted	24,3	23.2	8.0	12.8
P/B	2.0	1.7	2.1	1.9
P/S	4.4	3.5	5.3	4.5
P/Tangible Book	2,1	1.8	2.1	1.9
P/Cash Flow	14.8	5.9	6.0	6.5
EV/EBITDA	10.9	7.5	5.4	8.0
EV/EBIT	15.4	9.5	5.9	9,8
Operating performance				
ROE	10.2%	14.6%	27.9%	17.09
ROA	6.7%	8.8%	20.2%	11.99
ROIC	10.6%	16.0%	31.6%	17.69
Financial structure				
Cash Ratio	30.5%	42.9%	69.0%	34.49
Quick Ratio	41.5%	46.2%	125.8%	97.29
Current Ratio	67.7%	71.8%	128,4%	82.09
LT Debt/Equity	15.1%	18.7%	-3.4%	-7.09
LT Debt/Total Assets	9.9%	11.3%	-2.5%	-4.9%
ST Debt/Equity	12.2%	6.8%	0.0%	-2.79
ST Debt/Total Assets	8.0%	4.1%	0.0%	-1.99
ST Liabilities/Equity	32.1%	42.5%	17.0%	22.89
ST Liabilities/Total Assets	21.1%	25.6%	12.3%	16.09
Total Liabilities/Equity	52.3%	66.0%	17.3%	19.29
Total Liabilities/Total Assets	34.4%	39.8%	12.5%	13.5%
Activity ratios				
Account Receivable Turnover	3.8	4.0	3.8	3.
Inventory Turnover	30.0	27.6	24.3	24.
Account Payable Turnover	5.6	3.7	4.5	4.5

Source: Gemadept Corporation, KB Securities Vietnam

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# Investment ratings & definitions

# 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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