

Gemadept (GMD)

Southern ports act as the key growth driver

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Analyst Nguyen Thi Ngoc Anh
anhntn@kbsec.com.vn

4Q2023 net revenue was VND1,034 billion (-1% YoY) and NPAT was VND192 billion (-11% YoY)

Gemadept Corporation (GMD) recorded 4Q2023 revenue of VND1,034 billion (-1% YoY), mainly underpinned by its core port operations that generated VND824 billion, accounting for 80% of overall revenue. For the entire year of 2023, GMD obtained a net profit of VND2,502 billion (+116% YoY) on revenue of VND3,846 billion (-1% YoY, accomplishing 98% of the guided objective).

Total port throughput in 2024F is expected to grow by 10–15%, fueled by Southern ports

GMD's total port throughput should maintain its growth momentum seen from early 2023 until now, backed by: (1) import-export growth; (2) the upcoming completion of the project to upgrade maritime traffic at Nam Dinh Vu Port scheduled for June; and (3) new shipping lines docking at GMD's ports.

GMD's port service fees will further increase in 2024, up to 10% for Southern ports

Circular 39/2023/TT-BGTVT regarding the increase in floor prices for Vietnamese seaport services will have a more profound impact on GMD's Southern ports. In 2024, the increase in the Northern region is expected to be around 2–3%, while that in the Southern region may sit at 5–10%.

GMD should fully divest from Nam Hai Port JSC within 2024

At the start of November 2023, GMD announced a resolution regarding fully divesting from Nam Hai Port JSC. This deal should bring in about VND200 billion for GMD, with expectations of completion within this year.

We recommend BUY for GMD with a target price of VND94,000/share

Based on the business outlook and valuation results, we recommend BUY for GMD with a target price of VND94,000/share, 19.9% higher than the closing price on March 12, 2024.

Buy maintain

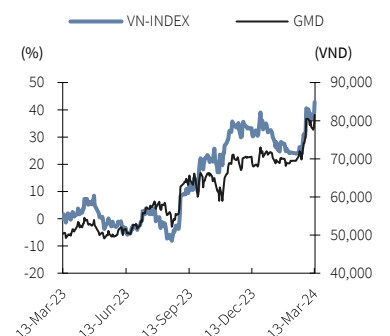
Target price	VND94,000
Upside	19.9%
Current price (Mar 12, 2024)	VND78,400
Consensus target price	VND85,400
Market cap (VNDtn/USDmn)	24/973

Trading data	
Free float	90%
3M avg trading value (VNDbn/USDmn)	88.5/3.61
Foreign ownership	48.73%
Major shareholder	SSJ Consulting Co., Ltd (9.7%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	18	16	26	62
Relative	13	4	25	43

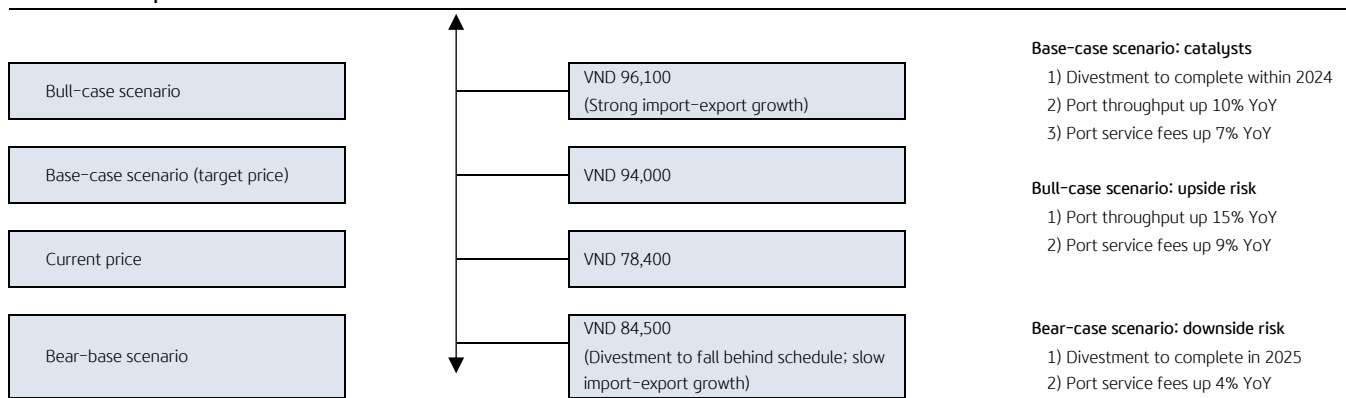
Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	3,898	3,846	4,197	4,620
Operating income/loss (VNDbn)	1,309	3,160	1,949	1,820
NPAT-MI (VNDbn)	798	1,514	1,080	978
EPS (VND)	3,034	7,119	3,530	3,197
EPS growth (%)	62%	135%	-50%	-9%
P/E (x)	23.2	11.0	22.2	24.5
P/B (x)	1.7	2.2	2.3	2.2
ROE (%)	12%	18%	12%	11%
Dividend yield (%)	2%	3%	0%	0%



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Source: KB Securities Vietnam

Business performance

Table 1. GMD – 2022A–2023A business results

(VNDbn)	4Q2022	3Q2023	4Q2023	+/-%QoQ	+/-%YoY	2022A	2023A	+/-%YoY	KBSV's comments
Net revenue	1,049	998	1,034	4%	-1%	3,898	3,846	-1%	Completed 98% of the revenue plan set for 2023 (VND3,920 billion) For 2023, GMD's total port throughput exceeded 3 million TEUs (-4% YoY), port service fees were up 5-10%. 4Q2023 recorded a record throughput of 915,000 TEUs (+19%QoQ), the fourth consecutive quarter of positive QoQ growth. In 4Q2023, one time charter contract expired.
-Port operations	771	780	824	6%	7%	3,086	2,942	-5%	
-Logistics & others	278	218	210	-4%	-24%	812	904	11%	
Gross profit	454	465	426	-8%	-6%	1,718	1,776	3%	4Q2023 gross margin decreased due to surging outsourced service costs. In 2023, financial income increased sharply after recognizing profits from stake sales at Nam Hai Dinh Vu in 2Q2023.
Gross profit margin	43.3%	46.6%	41.2%	-5.4 pts	-2.1 pts	44.1%	46.2%	2.1pts	
Financial income	8	33	24	-27%	200%	24	1,941	7,988%	Due to promoting sales & marketing in the second half of 2023 (1) In 4Q2023, Gemalink turned profitable after four consecutive quarters of losses, driven by positive throughput growth since September 2023, contributing VND74 billion to GMD. (2) In 4Q2023, CJ Gemadept Logistics contributed more than VND22 billion for GMD. For the whole year 2023, excluding profits from stake sales at Nam Hai Dinh Vu, GMD had completed 118% of PBT target (VND1,136 billion).
Financial expenses	27	51	25	-51%	-7%	166	169	2%	
SG&A	190	102	276	171%	45%	667	660	-1%	
Shared profits from associates	70	52	139	167%	99%	399	272	-32%	
PBT	251	398	253	-36%	1%	1,308	3,144	140%	
NPAT	216	338	192	-43%	-11%	1,161	2,502	116%	

Source: Gemadept Corporation, KB Securities Vietnam

Total port throughput in 2024F is expected to grow by 10–15%, fueled by Southern ports

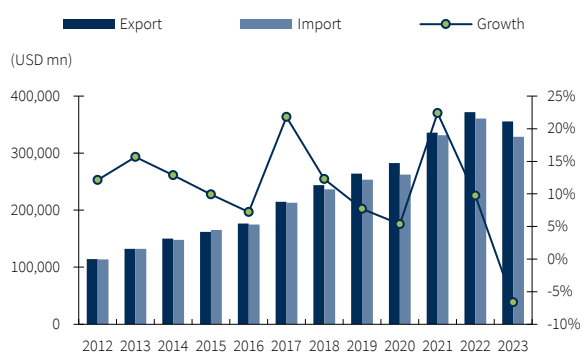
GMD's total port throughput in 2023 remained lower than that of 2022 due to the impacts of global economic downturn and significant decreases in consumer demand, especially in major markets such as China, the US, and Europe. However, the total port throughput has been recovering since early 2023, consistently showing positive growth quarter by quarter. 4Q2023 recorded a nearly 20% increase in throughput compared to 3Q2023, marking the highest quarterly throughput for GMD to date and increasing GMD's market share in the Central and Southern regions to 30% and 21%, respectively.

We anticipate this recovery trend to continue into 2024, with the total throughput expected to expand by 10–15% based on:

- The revival of import-export activities positively impacting port throughput. In January–February 2024, the import-export turnover hit USD114 billion (+18.6% YoY). Positive export-import prospects with China and Europe should perpetuate the growth momentum.

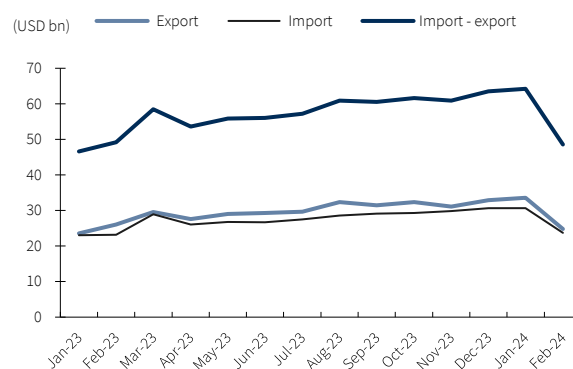
- The project to dredge the Ha Nam canal in the Hai Phong port cluster, conducted from January to June 2024. It will deepen the water depth from -7m to -8.5m from the turning basin of the Hai Phong International Container Terminal to the Nam Dinh Vu Port area. Upon completion, Nam Dinh Vu will be able to accommodate larger vessels, enhancing its competitiveness compared to other ports in the area.
- Intensifying investments in sales and marketing activities to attract major shipping lines. In 4Q2023, Gemalink welcomed the new AUE service route from Evergreen Shipping Line, connecting Asia to the East Coast of the US and may expect another from The Alliance.

Fig 2. Vietnam – Import-export growth in 2012–2023 (USDmn)



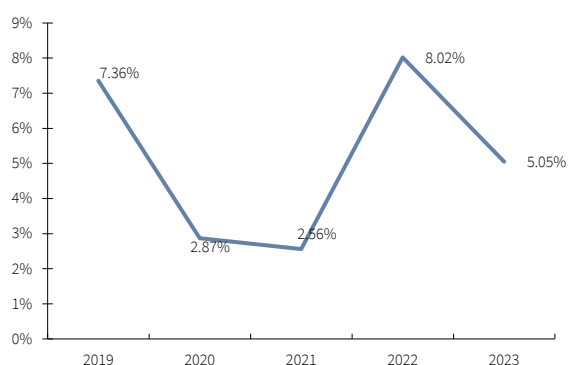
Source: UNCTAD

Fig 3. Vietnam – Import-export growth in 2023–2024 (USDbn)



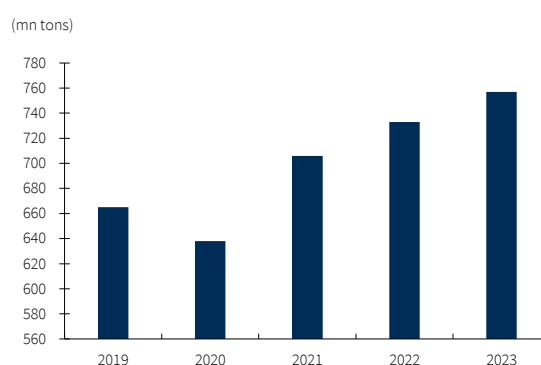
Source: General Statistics Office

Fig 4. Vietnam – GDP growth in 2019–2023 (%)



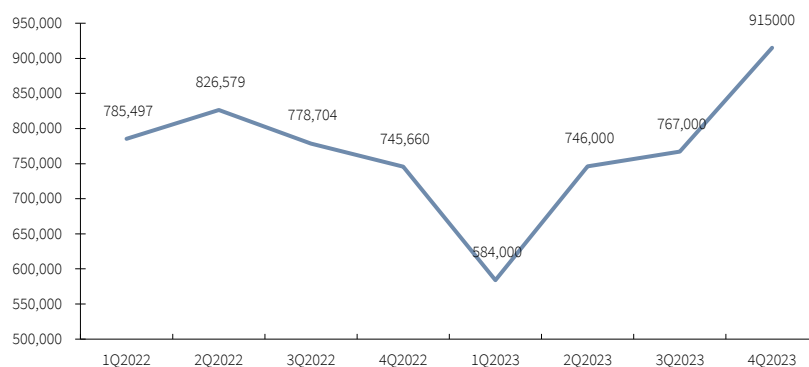
Source: General Statistics Office, KB Securities Vietnam

Fig 5. Vietnam – Cargo throughput via seaports in 2019–2023 (million tons)



Source: Vietnam Maritime Administration, KB Securities Vietnam

Fig 6. GMD – Total port throughput (TEU)



Source: Gemadept Corporation

Circular 39/2023/TT-BGTVT on lifting Vietnam's port service charges will positively impact GMD's Southern ports in the near term

We anticipate that GMD's port service charges will further increase in 2024, up to 10% for Southern ports, for the following reasons:

- There is still ample room for increases, as domestic current rates are considerably lower compared to those at comparable ports in the region, being 30-40% lower than port service fees in Thailand, Singapore, etc.
- Over the past few years, GMD has consistently adjusted prices upward by 5-10% annually from the start of the year.
- Circular 39/2023/TT-BGTVT, effective from February 15, 2024, regarding the adjustment of floor prices for maritime port services, will significantly impact GMD, as deep-water and green ports are subject to the highest increases.

The increase for Northern ports is expected to be only around 2-3%, while that for Southern ports will range from 5-10% because:

- GMD's Northern partners are largely long-term contracted partners, making immediate price adjustments difficult. In addition, intense competition in the North also constrains GMD from raising prices significantly.
- Southern ports have continuously secured new shipping routes, enabling the immediate application of new charges. Thus, the impact of price floor increases will be felt sooner.

GMD should fully divest from Nam Hai Port JSC as well as real estate and rubber projects

In early November 2023, GMD announced a resolution regarding fully divesting from Nam Hai Port JSC (equivalent to 99.98% of the company's capital). The company stated that it is currently in discussions with potential partners and expects to complete this deal within 2024. According to our estimates, the divestment of Nam Hai Port and Nam Hai ICD will generate approximately VND200 billion in profit for GMD, providing additional funds for the company to focus on investing in the development and expansion of major ports such as the expansion projects of Nam Dinh Vu Port and Gemalink.

The company is also seeking partners to divest its rubber project in Cambodia and real estate projects Saigon Gem and Gemadept Vientiane to concentrate on core activities.

Fig 7. GMD – Progress on Gemalink Phase 2

Gemalink has received 25% of its investment capital from CMA CGM, with the remaining coming from GMD. Currently, GMD is finalizing the relevant procedures to obtain permits for expanding the scale, extending the quay length to 1.5km, and arranging capital for construction deployment, including:

- Ability to accommodate vessels up to 23,000 TEUs/250,000 DWT
- Total capacity of 3 million TEUs over two phases

So far, Gemalink has handled over 2 million TEUs of cargo.

Gemalink Phase 2 will be implemented from the end of this year. Phase 2A is expected to be completed in the second half of 2025. Phase 2B will take at least two years to complete, with commercial operations expected to commence no earlier than 2H2026.



Source: Gemadept Corporation

Fig 8. GMD – Nam Dinh Vu Port

Nam Dinh Vu 1 and 2 are currently operating at 75% capacity, with plans to reach 100% capacity before 2026.

Currently, GMD is focusing on the construction of Nam Dinh Vu Phase 3 and has completed land use payment. Nam Dinh Vu Phase 3 is expected to be completed in 2024, undergo trial in 1H2025, and commence operations from 2H2025.

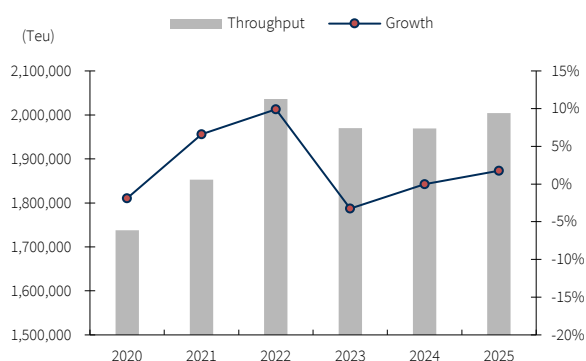
Upon completion, the total capacity of Nam Dinh Vu will increase to 2 million TEUs with a total area of 65 ha, making Nam Dinh Vu the largest river port in the Northern region.



Source: Gemadept Corporation

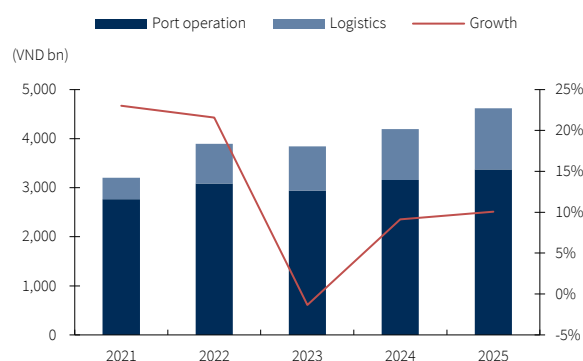
Forecast & Valuation

Fig 9. GMD – 2020A–2025F total port throughput (excluding Gemalink) (TEU)



Source: Gemadept Corporation, KB Securities Vietnam

Fig 10. GMD – 2021A–2025F port and logistics revenue and growth (VNDbn, %)



Source: Gemadept Corporation, KB Securities Vietnam

Table 11. GMD – 2023A–2024F business results

(VNDbn)	2023A	2024F	+/-%YoY	KBSV's comments
Net revenue	3,846	4,197	9%	
-Port operations	2,942	3,158	7%	We forecast that the throughput passing through Northern ports will tend to increase by 2–3% and through Southern ports will grow by 10 – 15%. Port service rates should rise slightly in the North and by 5–10% in the South. We adjust this downward compared to the previous projection because GMD has reduced ASL's shipping routes.
-Logistics & others	904	1,039	15%	Cold storage operations should generate a stable source of income. CJ Gemadept signed a contract with two new strategic partners Beko and Hitachi in 2H2023. At the end of 2023, GMD also completed the bonded warehouse project for oversized goods.
Gross profit	1,776	1,961	10%	
Gross profit margin	46.2%	46.7%	+0.5ppt	Gross margin is anticipated to increase slightly due to: rising port service rates, high-margin logistics services such as cold storage, increased proportion of land transportation. However, new time charter contracts at lower rates would pull the gross margin of transportation activities down.
Financial income	1,941	331	-83%	Expected to record a financial income of about VND200 billion after divesting from Nam Hai Port in 2024 (vs. a profit of VND1,800 billion from the divestment of all shares in Nam Hai Dinh Vu)
Financial expenses	169	119	-30%	After recording profits from the divestment of all shares in Nam Hai Dinh Vu, GMD restructured loans, reducing financial costs.
SG&A	660	651	-2%	GMD will continue to promote investment in marketing in 2024 to attract new partners.
Shared profits from associates	272	426	57%	Gemalink plans to increase output to 1.3 million TEUs, contributing more than VND100 billion in profit to GMD. SCS is expected to turn profitable again.
Other income	69	75	9%	
PBT	3,091	1,873	-39%	
NPAT	1,794	1,301	-28%	

Source: Gemadept Corporation, KB Securities Vietnam

We recommend BUY for GMD with a target price of VND94,000/share

We utilize the sum-of-the-parts (SOTP) valuation method for to assess GMD's value, comprising: (1) core businesses + profits from associates; (2) Gemalink; and (3) rubber and real estate projects.

We employ the free cash flow to the firm (FCFF) method for core businesses and associates, given their stable cash flows.

For the rubber segment, we use the book value method due to uncertainties regarding GMD's divestment prospects from this segment in the near future.

We reiterate our BUY recommendation for GMD with a target price of VND94,000/share, equivalent to a potential increase of 19.9% from the closing price of VND78,400/share on March 12, 2024, based on the following assumptions:

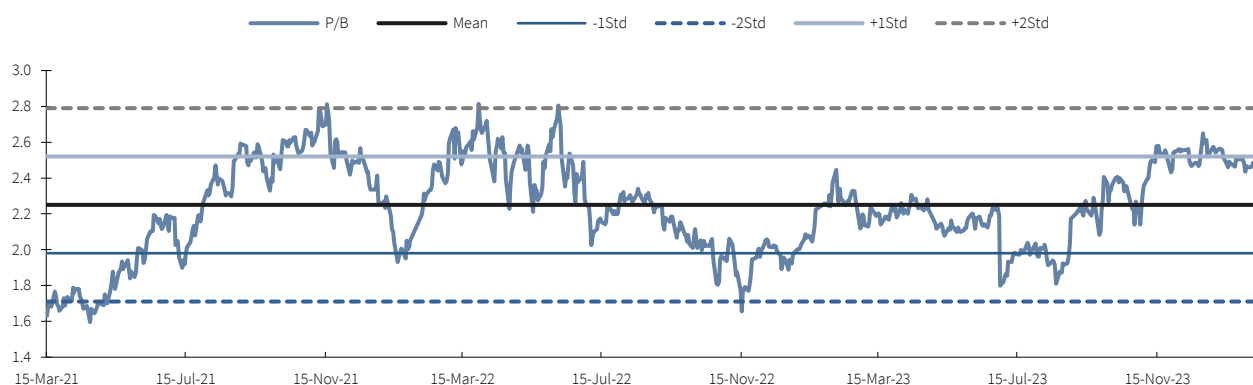
- Nam Dinh Vu Phase 2 will come into operation and swiftly replace Nam Hai Dinh Vu, reaching 80% capacity by 2024 and full capacity by 2025. Throughput via Gemalink is expected to significantly recover, recording 1.3 million TEUs in 2024F. The new projects Gemalink Phase 2A and Nam Dinh Vu Phase 3 should contribute to GMD's financial performance from 2025F and 2026F, respectively.
- Port service fees are anticipated to see a slight increase this year, averaging around 6-7% compared to 2023.
- We anticipate the divestment of Nam Hai Port to be recognized this year.

Table 12. GMD – Valuation results

	Valuation method	Value	GMD's ownership	Contribution to GMD (VNDbn)
Core businesses	FCFF	19,894	100%	19,894
Gemalink	FCFF	10,844	65.10%	7,059
Rubber	Book value	1,500	100%	1,500
Real estate	Book value	290	100%	290
Equity value				28,743
Outstanding shares (million shares)				305.90
Value per share (VND)				94,000
Current price (VND)				78,400
TSR				19.9%

Source: Gemadept Corporation, KB Securities Vietnam

Fig 13. GMD – Historical P/B (x)



Source: Bloomberg, KB Securities Vietnam

Nguyen Xuan Binh – Head of Research
binhnx@kbsec.com.vn

Equity

Banks, Insurance & Securities

Nguyen Anh Tung – Manager
tungna@kbsec.com.vn

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Senior Analyst
ngaphb@kbsec.com.vn

Nguyen Duong Nguyen – Analyst
nguyennd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang – Analyst
giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu – Analyst
hieupm@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy
anhtd@kbsec.com.vn

Macroeconomics & Banks

Ho Duc Thanh – Analyst
thanhhd@kbsec.com.vn

Vu Thu Uyen – Analyst
uyenvt@kbsec.com.vn

Strategy, Investment Themes

Nghiem Sy Tien – Analyst
tiens@kbsec.com.vn

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

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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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