

Gemadept (GMD)

Southern ports strongly rebound

June 10, 2024

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1Q NPAT hit VND656 billion (+157% YoY) on revenue of VND1,006 billion (+11% YoY)

Gemadept Corporation (GMD) posted VND1,006 billion in 1Q revenue (+11% YoY), completing 25% of the guidance. Of that, core business of port operation contributed VND843 billion (+29% YoY). 1Q NPAT rose 157% YoY to VND656 billion after the company recorded an extra profit of more than VND335 billion from the Nam Hai Port divestment deal in the quarter.

GMD total throughput should reach 3.3 – 3.5 million TEUs this year (+10–12% YoY)

The total port throughput of the entire GMD port system in 2024 is expected to grow 10–12% YoY with (1) positive prospects of import and export activities until the end of the year; (2) new routes continuously being deployed; and (3) improved port operating capacity of GMD.

Service charges in the Northern and Southern ports of GMD should rise 5% and 7–10% YoY respectively

In 1Q, GMD raised service charges by 3–10% across the system. With the Circular 39/2023/TT-BGTVT on adjusting the seaport service fee framework effective from February 15, 2024, GMD's room for increasing seaport rates has been expanded. Service charges in the North and South of GMD should grow 5% and 7–10% respectively compared to the 2023 average.

Valuation: BUY rating – Target price VND100,600/share

Based on prospects and valuation results of the business, we gave a BUY rating to GMD with a price target of VND100,600, 15.8% higher than the closing price on June 10, 2024.

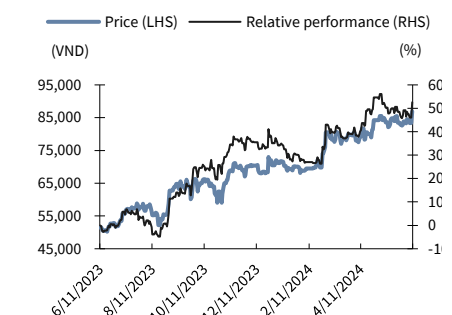
Buy maintain

Target price	VND100,600
Upside	15.8%
Current price (Jun 10, 2024)	VND86,900
Consensus target price	VND88,600
Market cap (VNDtn/USDbn)	27.0/1.1

Trading data	
Free float	97.5%
3M avg trading value (VNDbn/USDmn)	148.6/5.9
Foreign ownership	47.5%
Major shareholder	SSJ Consulting (9.6%)

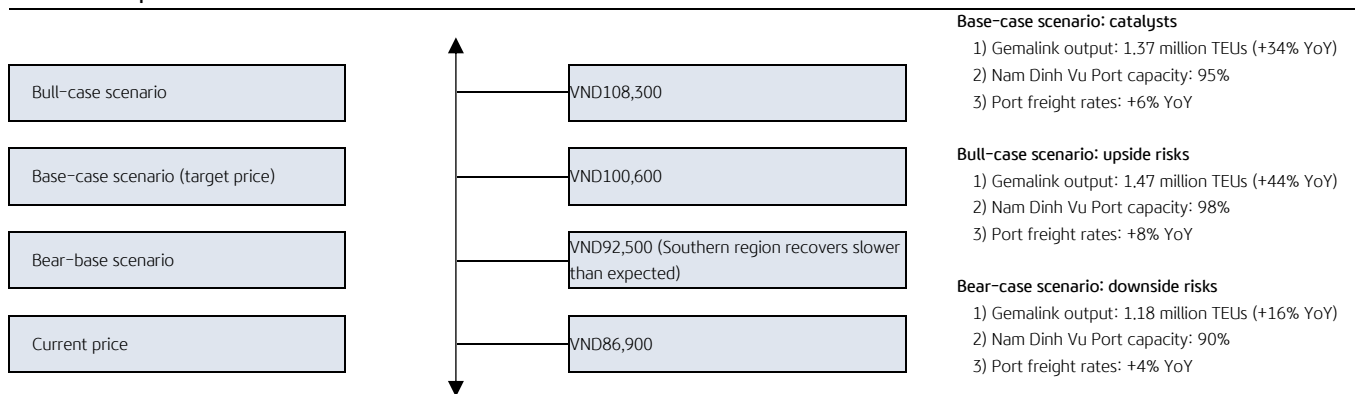
Share price performance				
(%)	1M	3M	6M	12M
Absolute	-2	4	18	67
Relative	-5	3	3	43

Forecast earnings & valuation				
FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	3,898	3,846	4,132	4,511
Operating income/loss (VNDbn)	1,309	3,160	1,969	1,914
NPAT-MI (VNDbn)	994	2,222	1,490	1,513
EPS (VND)	3,034	7,119	4,869	4,872
EPS growth (%)	62%	135%	-32%	0%
P/E (x)	28.6	12.2	17.8	17.8
P/B (x)	3.3	2.7	2.6	1.9
ROE (%)	15%	26%	16%	12%
Dividend yield (%)	2%	3%	2%	2%



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Revised earnings estimates

(VNDbn, %)	Revised		Previous		Change	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,197	4,620	4,132	4,511	(1.5)	(2.4)
EBIT	2,050	2,099	2,073	1,940	1.1	(7.6)
NP after MI	1,205	1,086	1,489	1,429	23.6	31.6

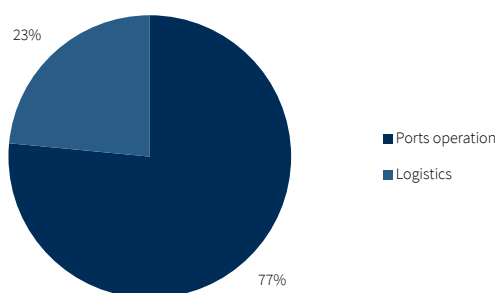
Source: KB Securities Vietnam

KBSV estimate vs consensus

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,132	4,511	4,255	4,604	(2.9)	(2.0)
EBIT	2,073	1,940	1,383	1,414	49.9	37.2
NP after MI	1,489	1,429	1,281	1,337	16.3	6.9

Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Gemadept Corporation, KB Securities Vietnam

Business operation

Gemadept Corporation is a leading enterprise in Vietnam seaport and logistics industry with a 2023 output of more than 3 million TEUs. The enterprise owns a chain of ports along the length of North – Central – South with diverse types from dry ports to river ports and seaports. Its Gemalink deep seaport that can accommodate the largest megaship today.

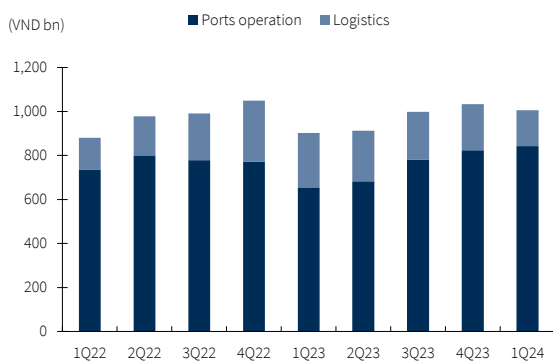
1Q24 performance updates

Table 1. GMD – 1Q24 updated results

(VNDbn, %)	1Q23	1Q24	+/-%YoY	Notes
Revenue	902	1,006	11%	GMD completed 25.2% of revenue target set for 2024 (VND4,000 billion).
Port operation	655	843	29%	Cargo throughput at GMD ports in 1Q24 reached 908,000 TEUs (+55% YoY) as Southern ports witnessed a strong recovery thanks to increasing import and export demand from the US and Europe.
Logistics	247	163	-34%	
Gross profit	427	441	3%	
<i>Gross profit margin</i>	47%	44%	-3 ppts	
<i>Port operation</i>	43%	43%	0	
<i>Logistics</i>	59%	47%	-12 ppts	GPM of the logistics segment decreased due to: (1) lower freight rates compared to the same period in 2023 and (2) increased outsourcing costs.
Financial income	21	354	1598%	GMD recorded an extra profit of more than VND335 billion from the divestment of Nam Hai Port.
Financial expenses	-40	-39	-2%	
Profits from affiliates	21	98	358%	The surge in profit was attributable to a strong recovery in the affiliates' performance. Gemalink contributed nearly VND50 billion to GMD's business results with an output of 355,000 TEUs (+112% YoY), while it posted a loss of VND40 billion in 1Q23. SCS's contribution also gained 31% YoY thanks to the strong increase in air cargo demand.
SG&A	-127	-149	18%	
Operating profit/loss	303	704	133%	
Other income	6	4	-35%	
Profit before taxes (PBT)	308	708	130%	GMD completed 42% of planned NPAT for 2024 (VND1,686 billion).
<i>PBT margin</i>	34%	70%	36 ppts	
CIT expenses	-54	-52	-3%	
Profit after taxes (NPAT)	255	656	157%	
<i>NPAT margin</i>	28%	65%	37 ppts	
NP after MI	202	559	177%	

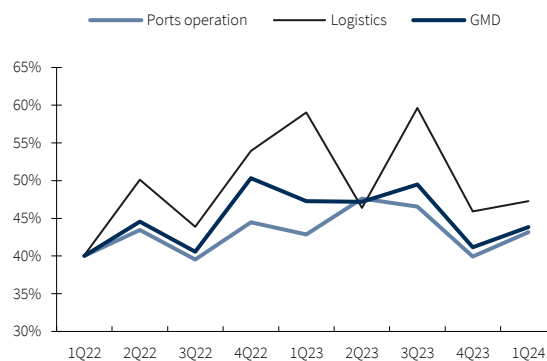
Source: Gemadept Corporation, KB Securities Vietnam

Fig 2. GMD – Revenue breakdown (VNDbn)



Source: Gemadept Corporation, KB Securities Vietnam

Fig 3. GMD – GPM (%)



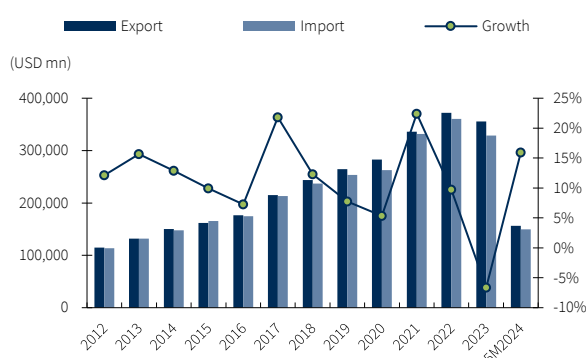
Source: Gemadept Corporation, KB Securities Vietnam

GMD throughput should continue to recover until the end of the year, increasing 10–12% YoY

The freight volume of the entire GMD port system in 2024 should grow 10 – 12% YoY as ports in the Southern region bounced back from the low base in 1H23:

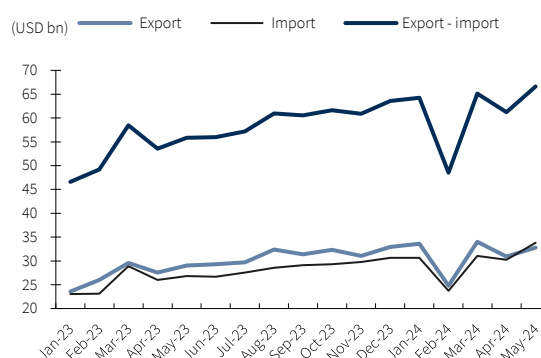
- Import-export turnover is forecast to continue their recovery from the beginning of the year (the total import-export turnover in 5M24 gained 16% YoY), mostly underpinned by the increase in inventory in the two major markets, the US and Europe (also the main customers of GMD’s Southern ports). The trend may last until the end of the year given (1) Vietnam upgrading its comprehensive strategic partnership with China and the US and (2) GMD’s indirectly benefiting from the US raising tariffs on imports from China from August 1.
- GMD has promoted the signing of new freight routes with partner shipping lines. By the end of 2023, Gemalink had three new service routes and now it can accommodate new mega container ships with tonnage of more than 24,000 TEUs.
- Since late 2023, the wharf equipment of Nam Dinh Vu and Dung Quat ports have been upgraded, which improves their operating capacity and ability to handle ships.

Fig 4. Vietnam – Import-export turnover since 2012 (USDmn)



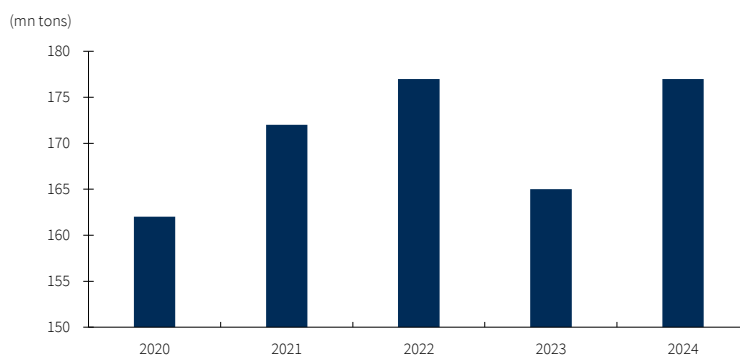
Source: UNCTAD

Fig 5. Vietnam – Import-export turnover since 2023 (USDbn)



Source: General Statistics Office of Vietnam

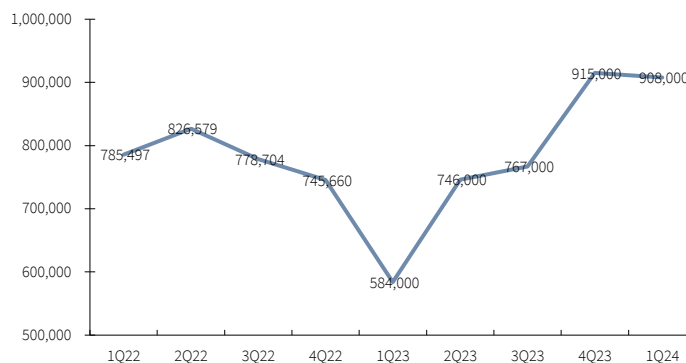
Fig 6. Vietnam – Total cargo throughput in 1Q20–1Q24 (million tons)



Source: Vietnam Maritime Administration

The cargo throughput at GMD ports has increased for four consecutive quarters. The volume for the rest of the year should continue to rebound and reach 3.4 million TEUs by the end of 2024.

Fig 7. GMD – Total port throughput (TEUs)



Source: Gemadept Corporation

The project to upgrade the navigation channel in Hai Phong is expected to be completed in June 2024

The project to clear the Ha Nam canal navigation channel was started in February 2024 to increase the channel depth from -7m to -8.5m, accommodate ships with tonnage of up to 48,000 DWT, make the turning basin 300m wide, and raise the capacity by at least 300,000 TEUs. Once completed, the project will raise the capacity to receive large ships for Nam Dinh Vu Port, contributing to increasing port output and revenue from 3Q24 and accelerating the speed of capacity filling for both port phases. Currently, the total completed dredging workload has reached more than 80% of the proposed plan and is expected to be completed this June.

GMD's service charges in the North and South are expected to grow at 5% and 7-10% respectively from 2023's average

In 1Q24, GMD raised service charges for all ports:

- In the Northern ports, loading and unloading service fees did not change much. However, container lifting fees have been adjusted to increase by roughly 6%. Container loading and unloading fees usually increase by 10% and increase less for refrigerated bags/containers.
- In the Southern ports, container loading/unloading service charges increased by 4-5% for domestic goods, and 10% for import and export goods. Storage fees also increased from 5-15%, depending on the type of service.

With the Circular 39/2023/TT-BGTVT on adjusting the seaport service fee framework effective from February 15, 2024, GMD's room for increasing seaport rates has been expanded. The circular increased both the floor and ceiling rates of many port services by 5-10%, especially for deep seaports. As the demand is expected to rebound significantly from 2023 levels, especially from the US and Europe, port charges of GMD should grow 5% and 7% respectively for ports in the North and the South.

GMD plans to offer shares to existing shareholders for VND29,000/share

GMD submitted to the general shareholders at the end of June a plan to offer shares to existing shareholders at a rate of 33.33%, corresponding to an additional 103,495,652 shares for VND29,000/share. If the issuance is successful, GMD's charter capital will increase from VND3,105 billion to 4,140 billion. The proceeds of VND3,001 billion should be used to purchase fixed assets, pay loans, and increase capital contribution to Nam Dinh Vu Port.

Nam Dinh Vu Port is the closest gateway to the sea compared to other ports in Hai Phong. Phases 1 and 2 are currently exploiting over 75% capacity and expected to reach full capacity in 2025.

Currently, GMD is urgently completing procedures to start construction on Nam Dinh Vu 3, which is expected to start construction in 3Q24 with a total investment capital of VND2,500 billion. Nam Dinh Vu Phase 3 should be completed and undergo trial in 1H25 before operating from 2H25.

Once completed, the total capacity of Nam Dinh Vu will be up to 2 million Teu – an increase of 67% compared to the current capacity, able to receive ships of 48,000 DWT – the largest ship size entering/leaving the Dinh Vu area.

Fig 8. GMD – Nam Dinh Vu Port



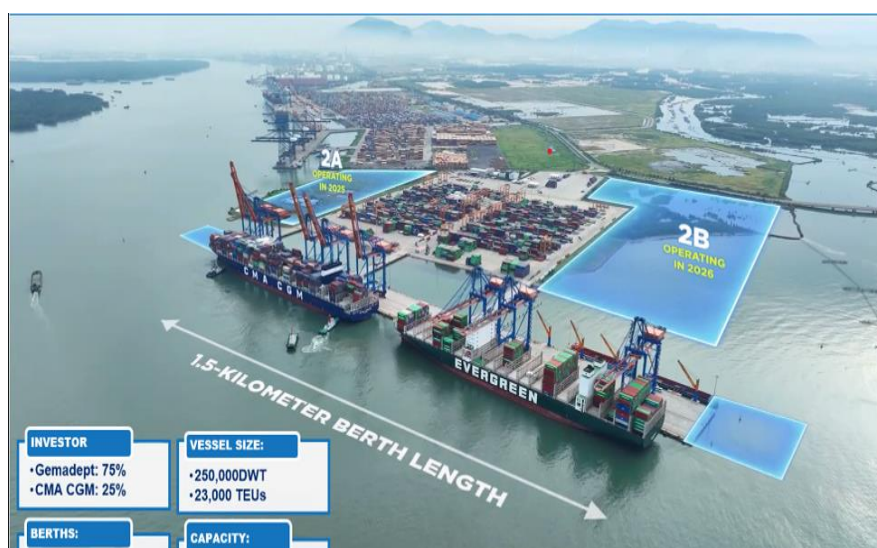
Source: Gemadept Corporation

Fig 9. GMD – Gemalink progress

Gemalink's 1Q24 output reached more than 355,000 TEUs (+112% YoY), expected to exploit 90% of capacity this year.

Gemalink 2 is completing related procedures and arranging capital to deploy construction from the end of this year.

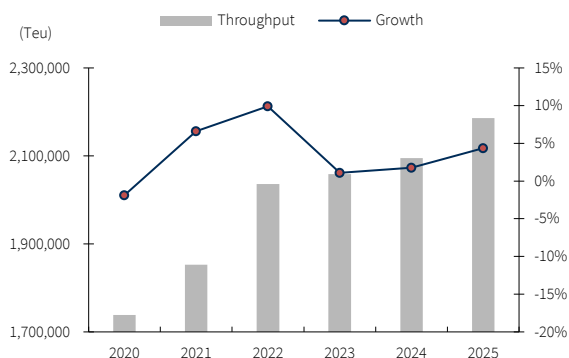
Phase 2A with a total investment of USD150 million is expected to be completed in 2H25. 2B may take at least two years to complete and operate no earlier than 2H26.



Source: Gemadept Corporation

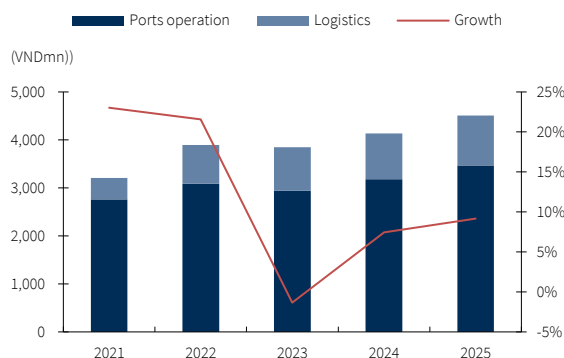
Forecast & valuation

Fig 10. GMD – 2025F total container throughput (excluding Gemalink) (TEU)



Source: Gemadept Corporation, KB Securities Vietnam

Fig 11. GMD – 2025F port and logistics revenue (VNDbn)



Source: Gemadept Corporation, KB Securities Vietnam

Table 12. GMD – 2023A–2024F business results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Notes
Revenue	3,846	4,132	7%	4,511	9%	GMD may reach 103% of 2024 revenue target (VND4,000 billion).
Port operation	2,942	3,183	8%	3,468	9%	The Northern ports' output will increase slightly by 2 – 3% YoY, and freight rates may gain 4 – 5% YoY. In the Southern region (excluding Gemalink), output should increase 5% YoY, and freight rates rise 5% YoY.
Logistics	904	949	5%	1,044	10%	
Gross profit	1,776	1,875	6%	2,058	10%	
<i>Gross profit margin</i>	46%	45%	-1 ppt	46%	+1 ppt	
<i>Port operation</i>	44%	44%	0	44%	0	
<i>Logistics</i>	53%	50%	-3 ppts	51%	+1 ppt	GPM of the segment may dip due to increased outsourcing costs resulting from the rapid increase in port throughput.
Financial income	1,941	402	-79%	69	-83%	In 2023, GMD recorded a sudden profit of VND1,800 billion from the transfer of Nam Hai Dinh Vu. In 2024, the company recorded a profit of VND335 billion from Nam Hai port divestment.
Financial expenses	-169	-122	-28%	-75	-38%	
Profits from affiliates	272	455	67%	471	4%	Profit from Gemalink is expected to increase from VND20 billion in 2023 to nearly VND200 billion in 2024 thanks to freight volume increasing more than 30% YoY. Profit growth from SCS should be at 10% thanks to the recovery in air cargo demand.
SG&A	-660	-640	-3%	-609	-5%	
Operating profit/loss	3,160	1,969	-38%	1,914	-3%	
Other income	-16	-17	7%	-19	9%	
Profit before taxes (PBT)	3,144	1,952	-38%	1,895	-3%	GMD may complete 105% of 2024 planned NPAT (VND1,686 billion).
<i>PBT margin</i>	82%	47%	-35 ppts	42%	-5 ppts	
CIT expenses	-642	-314	-51%	-241	-23%	
Profit after taxes (NPAT)	2,502	1,638	-35%	1,654	1%	
<i>NPAT margin</i>	65%	40%	-25ppts	37%	-3 ppts	
NP after MI	2,222	1,490	-33%	1,513	2%	

Source: Gemadept Corporation, KB Securities Vietnam

Valuation: BUY rating – Target price VND100,600/share

We used the SOTP for GMD: (1) Core business activities + profits from joint ventures, (2) Gemalink project, and (3) rubber and real estate projects. Based on the results, we gave a BUY rating to GMD with a target price of VND100,600/share, equivalent to an expected return of 15.8% compared to the closing price of VND86,900 on June 10, 2024. The assumptions are as follows:

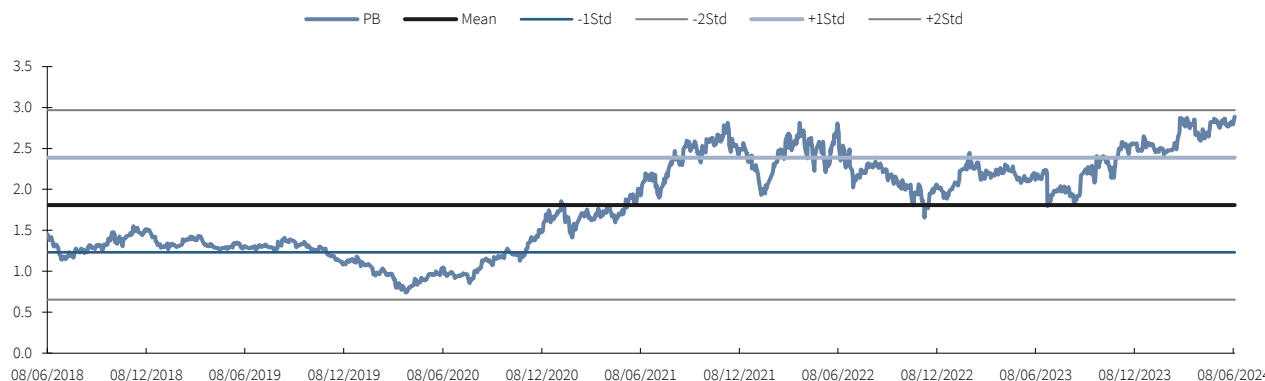
- Nam Dinh Vu 1 & 2 port system is expected to reach over 90% capacity in 2024 and full capacity in 2025. Cargo throughput of Gemalink significantly recovers to more than 1.3 million TEUs in 2024 (+35 % YoY) and fill capacity in 2025. New projects Gemalink 2A and Nam Dinh Vu 3 come into operation, contributing to GMD's business results from 2025 and 2026, respectively.
- Average port service charges in 2024 and 2025 are expected to increase 6% and 4% compared to the previous year's average and maintain an average increase of 4-5%/year in the period 2025-2030.

Table 13. GMD – Final valuation

	Valuation method	Value	GMD's ownership	Contribution to GMD (VNDbn)
Core businesses	FCFF	11,775	100%	11,775
Gemalink	FCFF	26,280	65.10%	17,108
Rubber	Book value	1,600	100%	1,600
Real estate	Book value	290	100%	290
Equity value				30,774
Outstanding shares (million shares)				305.90
Value per share (VND)				100,600
Current price (VND)				86,900
TSR				15.8%

Source: Gemadept Corporation, KB Securities Vietnam

Fig 14. GMD – P/B (x)



Source: Gemadept Corporation, KB Securities Vietnam

GMD – 2022A–2025F financials

Income Statement

/ND billion)	2022	2023	2024F	2025F
Net sales	3,898	3,846	4,132	4,511
Cost of sales	2,180	2,069	2,257	2,453
Gross Profit	1,718	1,776	1,875	2,058
Financial income	24	1,941	402	69
Financial expenses	166	169	122	75
of which: interest expenses	131	135	122	75
Gain/(loss) from joint ventures	399	272	455	471
Selling expenses	142	115	145	158
General and admin expenses	524	545	496	451
Operating profit/(loss)	1,309	3,160	1,969	1,914
Other incomes	30	53	0	0
Other expenses	31	69	0	0
Net other income/(expenses)	0	-16	-17	-19
Net accounting profit/(loss) before tax	1,308	3,144	1,952	1,895
Corporate income tax expenses	147	642	314	240
Net profit/(loss) after tax	1,161	2,502	1,638	1,655
Minority interests	167	280	148	141
Attributable to parent company	994	2,222	1,490	1,514

Margin ratio

(%)	2022	2023	2024F	2025F
Gross profit margin	44.1%	46.2%	45.4%	45.6%
EBITDA margin	47.0%	95.5%	59.2%	55.8%
EBIT margin	36.9%	85.3%	50.2%	43.7%
Pre-tax profit margin	33.6%	81.7%	47.2%	42.0%
Operating profit margin	35.6%	82.2%	47.7%	42.4%
Net profit margin	26.6%	31.8%	33.3%	34.4%

Cash Flow Statement

/ND billion)	2022	2023	2024F	2025F
Net profit/(loss) before tax	1,308	3,144	1,952	1,895
Depreciation and amortisation	393	395	384	570
Profit/loss from investing activities	-412	-2,211	0	0
Interest expense	131	135	122	75
Operating profit/(loss) before changes in Working Capital	1,401	1,405	2,458	2,540
(Increase)/decrease in receivables	-186	512	23	-109
(Increase)/decrease in inventories	-14	25	-25	-8
Increase/(decrease) in payables	1,393	-1,257	365	-256
(Increase)/decrease in prepaid expenses	10	24	-43	24
Interest expense	0	0	0	0
Net cash inflows/(outflows) from operating activities	2,299	-88	2,907	1,956
Purchases of fixed assets and other long term assets	-1,366	-1,068	-2,047	-2,361
Proceeds from disposal of fixed assets	4	22	0	0
Loans granted, purchases of debt instruments	-86	-991	0	0
Collection of loans, proceeds from sales of debts instruments	39	437	0	0
Investments in other entities	0	-1	-1,000	-1,000
Proceeds from divestment in other entities	0	2,425	335	0
Dividends and interest received	0	-1	-1,000	-1,000
Net cash inflows/(outflows) from investing activities	-1,235	1,013	-2,712	-3,361
Proceeds from issue of shares	0	45	46	3,001
Payments for share returns and repurchases	0	0	0	0
Proceeds from borrowings	1,563	682	0	0
Repayment of borrowings	-1,431	-727	-446	-310
Finance lease principal payments	-41	-35	0	0
Dividends paid	-428	-780	-491	-497
Interests, dividends, profits received	0	0	0	0
Net cash inflows/(outflows) from financing activities	-338	-816	-891	2,195
Net increase in cash and cash equivalents	727	109	-696	790
Cash and cash equivalents at the beginning of period	637	1,364	1,474	778
Cash and cash equivalents at the end of period	1,364	1,474	778	1,568

Balance Sheet

(VND billion)	2022	2023	2024F	2025F
TOTAL ASSETS	13,031	13,542	15,554	19,277
CURRENT ASSETS	2,619	3,401	2,684	3,616
Cash and cash equivalents	1,364	1,474	778	1,568
Short-term investments	82	356	356	356
Accounts receivable	868	1,212	1,189	1,298
Inventories	83	68	93	101
LONG-TERM ASSETS	10,412	10,141	12,870	15,660
Long-term trade receivables	45	40	40	40
Fixed assets	3,262	4,169	5,897	7,688
Long-term incomplete assets	2,790	1,759	1,759	1,759
Long-term investments	3,065	3,122	4,122	5,122
Goodwill	0	0	0	0
LIABILITIES	5,083	3,836	4,570	4,133
Current liabilities	3,211	1,936	2,700	3,212
Trade accounts payable	838	508	873	617
Short-term unrealized revenue	194	317	273	297
Short-term borrowings	543	446	310	950
Long-term liabilities	1,872	1,899	1,870	920
Long-term trade payables	0	0	0	0
Long-term advances from customers	0	0	0	0
Unrealized revenue	291	277	277	277
Long-term borrowings	1,486	1,518	1,208	258
OWNER'S EQUITY	7,949	9,707	10,899	15,059
Paid-in capital	3,014	3,059	3,105	4,140
Share premium	1,942	1,942	1,942	3,908
Undistributed earnings	1,228	2,938	4,085	5,243
Other funds	0	0	0	0
Minority interests	0	0	0	0

Key ratios

(x, %, VND)	2022	2023	2024F	2025F
Multiple				
P/E	28.6	12.2	17.8	17.8
P/E diluted	28.6	12.2	17.8	17.8
P/B	3.3	2.7	2.6	1.9
P/S	6.8	6.9	6.4	6.0
P/Tangible Book	1.8	2.3	2.6	2.0
P/Cash Flow	6.0	-244.6	6.6	17.5
EV/EBITDA	7.6	5.9	10.9	10.7
EV/EBIT	9.6	6.6	12.8	13.7
Operating performance				
ROE	14.6%	25.8%	15.7%	11.8%
ROA	8.9%	18.5%	12.3%	10.0%
ROIC	16.0%	31.0%	18.9%	15.6%
Financial structure				
Cash Ratio	45.1%	94.5%	18.8%	75.0%
Quick Ratio	45.5%	79.3%	52.2%	111.1%
Current Ratio	72.1%	157.1%	61.9%	123.3%
LT Debt/Equity	18.7%	15.6%	1.9%	0.0%
LT Debt/Total Assets	11.4%	11.2%	1.5%	0.0%
ST Debt/Equity	6.8%	4.6%	3.2%	0.0%
ST Debt/Total Assets	4.2%	3.3%	2.5%	0.0%
LT Liabilities/Equity	40.4%	20.0%	24.8%	21.3%
ST Liabilities/Total Assets	24.6%	14.3%	17.4%	16.7%
Total Liabilities/Equity	63.9%	39.5%	41.9%	27.4%
Total Liabilities/Total Assets	39.0%	28.3%	29.4%	21.4%
Activity ratios				
Account Receivable Turnover	4.5	3.2	3.8	3.8
Inventory Turnover	26.4	30.4	24.3	24.3
Account Payable Turnover	3.6	3.1	3.3	3.3

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:	Neutral:	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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