

Gemadept (GMD)

Port throughput continues strong growth

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1H24 NPAT reached VND1,101 billion (-44% YoY) on net revenue of VND2,156 billion (+19% YoY)

In 1H24, Gemadept Corporation's (GMD) recorded VND2,156 billion in net revenue (+19% YoY), equal to more than 54% of the full-year target. Of that, the core port operation contributed VND1,828 billion (+37% YoY). 1H24 net profit was VND1,101 billion (-44% YoY), gaining 33% YoY if excluding the extraordinary profit from selling Nam Hai Dinh Vu (NHDV) port and Nam Hai port in 2Q23 and 1Q24.

GMD's port throughput should remain large until the end of the year, growing by 20% YoY

The throughput of the entire GMD port system is expected to hit a strong growth of 20% YoY thanks to (1) the general recovery of the Vietnamese seaport industry from the low comparative figures of 2023 and (2) higher competitiveness at GMD ports in the North and South.

Gemalink 2A and Nam Dinh Vu 3 are expected to be put into operation from 2026, ensuring long-term growth for GMD

Gemalink 2A and Nam Dinh Vu 3 are completing legal procedures and expected to start construction by the end of this year and be put into operation from 2026, adding 1.5 million TEUs in capacity to GMD. It is estimated that it will take Gemalink 2A more than one year and Nam Dinh Vu 3 two to three years to fill 70% of their capacity.

Valuation: BUY rating – Price target VND93,900

Based on the business outlook and valuation results, we recommend BUY for GMD shares with a target price of VND93,900/share, 21.2% higher than the closing price on September 12, 2024.

Buy maintain

Target price	VND93,900
Upside	21.2%
Current price (Sep 12, 2024)	VND77,500
Consensus target price	VND84,800
Market cap (VNDtn/USDtn)	24.0/1.0

Forecast earnings & valuation

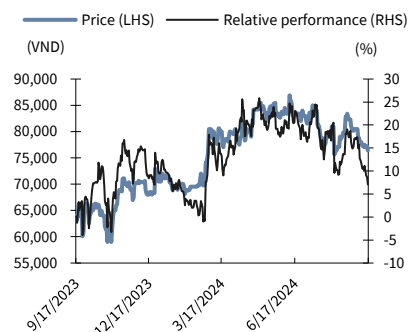
FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	3,898	3,846	4,191	4,468
Operating income/loss (VNDbn)	1,309	3,177	2,128	2,118
NPAT-MI (VNDbn)	994	2,251	1,626	1,686
EPS (VND)	3,034	7,207	5,316	5,429
EPS growth (%)	62%	138%	-26%	2%
P/E (x)	25.5	10.8	14.6	14.3
P/B (x)	3.0	2.4	2.3	1.7
ROE (%)	15%	26%	14%	13%
Dividend yield (%)	2%	3%	3%	3%

Trading data

Free float	97%
3M avg trading value (VNDbn/USDmn)	83.2/3.3
Foreign ownership	48.5%
Major shareholder	SSJ Consulting Vietnam (10%)

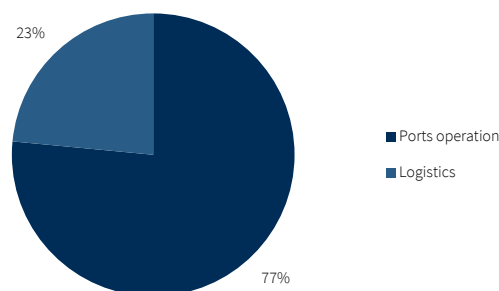
Share price performance

(%)	1M	3M	6M	12M
Absolute	-1.4	-8.8	-3.8	18.1
Relative	-3.5	-5.4	-2.7	16.7



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.

Investment Catalysts

Gemalink 2 and Nam Dinh Vu 3 are major port projects that ensure long-term growth potential for GMD. Gemalink 2 with a capacity of 1.5 million TEUs and Nam Dinh Vu 3 with a capacity of 800,000 TEUs are undergoing legal and capital arrangements and are expected to start operating from 2026.

Notes

Please find more details [here](#)

The volume of goods passing through GMD ports in 2024 is expected to grow strongly. KBSV estimates that it will grow by more than 20% YoY, given all ports operating at 90% to more than 100% of their design capacity.

Please see more details below

Port service rates at GMD ports should maintain an increase of 5-8%/year. We estimate that the rates at GMD's Northern ports will grow 2-4%/year, while the Southern region may increase of 5-10%/year on average.

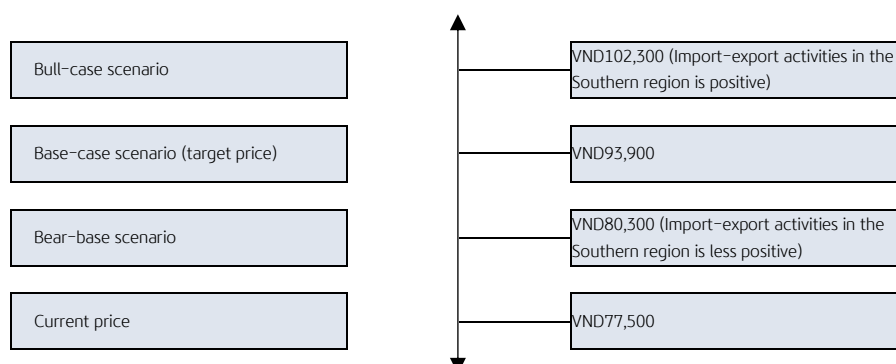
Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,191	4,468	+1%	-1%	4,244	4,595	-1%	-3%
EBIT	2,306	2,281	+11%	+16%	1,261	1,401	+83%	+63%
NP after MI	1,676	1,739	+13%	+15%	1,356	1,335	+24%	+30%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks for 2024



Base-case scenario: catalysts

- 1) Gemalink and Nam Dinh Vu Port capacity: 103% & 99%
- 2) Port freight rates: +9% YoY

Bull-case scenario: upside risk

- 1) Gemalink and Nam Dinh Vu Port capacity: 115% & 105%
- 2) Port freight rates: +11% YoY

Bear-case scenario: downside risk

- 1) Gemalink and Nam Dinh Vu Port capacity: 198% & 90%
- 2) Gemalink 2A starts operating from 2027

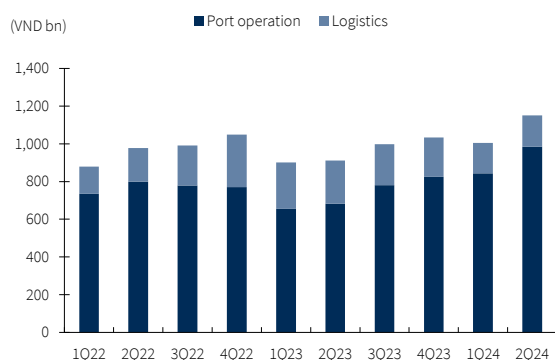
2Q24 performance updates

Table 1. GMD – 1H24 results

(VNDbn, %)	2Q23	2Q24	+/-%YoY	1H23	1H24	+/-%YoY	Notes
Revenue	912	1,181	29%	1,814	2,156	19%	GMD completed 54% of the revenue objective for 2024 (VND4,000 billion). Strong growth in port revenue came from: (1) cargo throughput through GMD ports in the North and South growing 13% and 55% YoY respectively and (2) freight rates at all GMD ports rising 3–10% YoY in 1H24.
Port operation	683	985	44%	1,338	1,828	37%	
Logistics	229	165	-28%	476	328	-31%	
Gross profit	459	542	18%	886	951	7%	
<i>Gross profit margin</i>	50%	46%	-4 ppts	49%	44%	-5 ppts	The decrease mainly resulted from the narrowing of the logistics (down from 56% in 1H23 to 45% in 1H24). There is no extraordinary income from port transfers (GMD recorded a financial income of VND1,800 billion from the NHDV deal in 2Q23).
Financial income	1,863	28	-98%	1,884	384	-80%	
Financial expenses	53	46	-14%	93	85	-9%	
Profits from affiliates	59	183	210%	80	281	251%	The surge in profit was attributable to (1) GMD's profit from Gemalink in 2Q24 reaching more than VND100 billion, bringing Gemalink's total profit in 1H24 to more than VND150 billion (compared to the loss of VND50 billion recorded in 1H23) and (2) SCS's business results significantly growing after having a new customer, Qatar Airways, from April 2024. The profit contribution to GMD in 1H24 hit VND115 billion (+40% YoY).
SG&A	156	201	29%	283	364	29%	
Operating profit/loss	2,172	506	-77%	2,475	1,168	-53%	
Other income	12	5	-55%	23	133	478%	
Profit before taxes (PBT)	2,184	511	-77%	2,493	1,228	-51%	GMD fulfilled 73% of the planned NPAT set for 2024 (VND1,686 billion).
<i>PBT margin</i>	239%	43%	-196 ppts	137%	57%	-80 ppts	
CIT expenses	467	93	-80%	520	127	-76%	
Profit after taxes (NPAT)	1,717	418	-76%	1,972	1,101	-44%	
<i>NPAT margin</i>	188%	35%	-153 ppts	109%	51%	-58 ppts	
NP after MI	1,650	303	-82%	1,853	890	-52%	

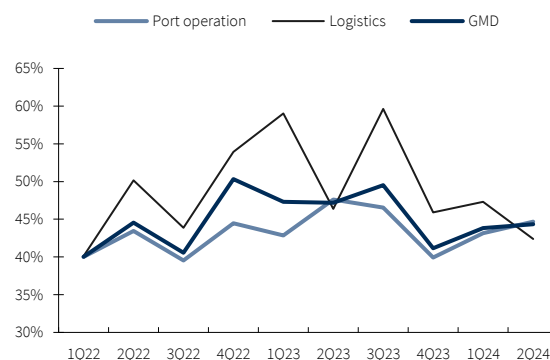
Source: Gemadept Corporation, KB Securities Vietnam

Fig 2. GMD – Revenue components (VNDbn)



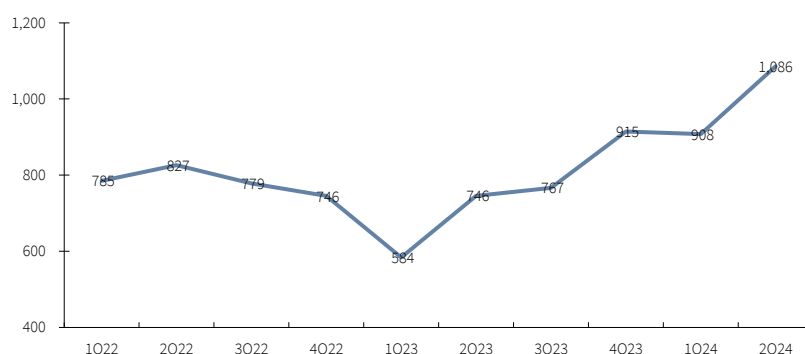
Source: Gemadept Corporation, KB Securities Vietnam

Fig 3. GMD – GPM (%)



Source: Gemadept Corporation, KB Securities Vietnam

Fig 4. GMD – Port throughput (TEU)



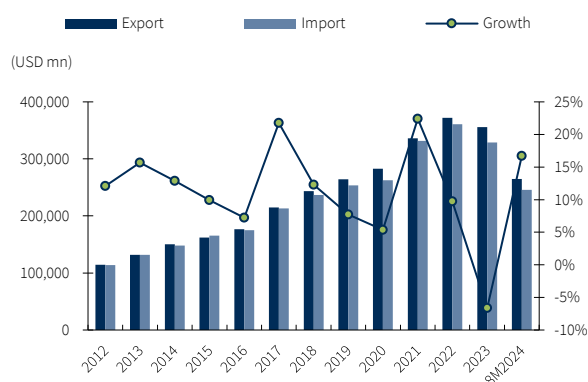
Source: Gemadept Corporation

GMD output should continue to remain high until the end of the year, increasing by 20% YoY

The throughput of the entire GMD port system is expected to hit a strong growth of 20% YoY thanks to (1) the general recovery of the Vietnamese seaport industry from the low comparative figures of 2023 and (2) higher competitiveness at GMD ports in the North and South:

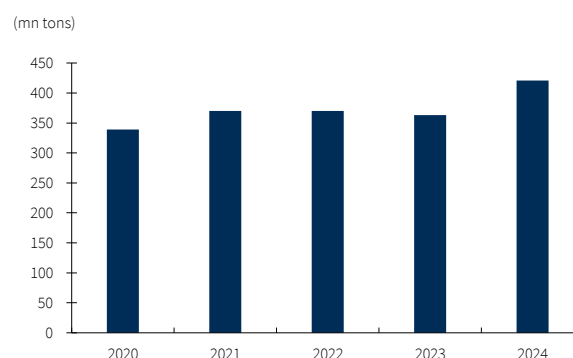
- Import-export turnover in the first eight months of the year hit VND511 billion (+16.7% YoY) and may maintain the growth until the end of the year, although it will slow down due to the low base only lasting until the end of 2Q23. Despite slowing down, the number of new orders has been increasing for four consecutive months mainly thanks to the continued inventory stockpiling from the US and EU.
- In the Northern region, Nam Dinh Vu port is expected to continue operating at 97–100% capacity from now until the end of the year as (1) it receives cargo transferred from GMD's partners at Nam Hai port; and (2) the completion of the dredging project in Ha Nam will raise the port's capacity to handle large vessels.
- In the Southern region, Gemalink has recently received cargo for many new partners, benefiting from the congestion of ports in the Asian region. GMD also cooperates with major shipping lines, continuously adding many new shipping routes and bringing large workload to the port.

Fig 5. Vietnam – Import turnover from 2012 (USDmn)



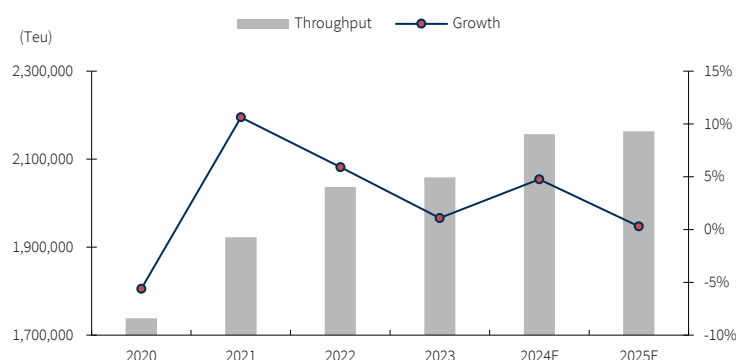
Source: UNCTAD

Fig 6. Vietnam – Total port throughput in 1H20–1H24 (million tons)



Source: General Statistics Office of Vietnam

Fig 7. GMD – 2024–2025F container throughput excluding Gemalink (TEU)



Source: Gemadept Corporation

Gemalink 2A and Nam Dinh Vu 3 are expected to be put into operation from 2026, ensuring long-term growth for GMD

Gemalink 2A and Nam Dinh Vu 3 are completing legal procedures and expected to start construction by the end of this year and be put into operation from 2026, adding 1.5 million TEUs in capacity to GMD.

However, it may take Nam Dinh Vu 3 two to three years to reach over 70% of its capacity due to the current fierce competition at Hai Phong ports, which will become more tense when Lach Huyen 3 and 4 terminals operate from the middle of next year with a capacity of 1.2 million TEUs. Meanwhile, Gemalink 2A may take just over one year to reach 70% capacity because (1) Gemalink 1 has already started operating beyond capacity and (2) in the next three years, there will be no more projects implemented in the Cai Mep Thi Vai area. Large projects such as Cai Mep Ha or Can Gio ports have not yet made progress, and if approved, it will take then at least three to five years to be put into operation.

Fig 8. GMD – Gemalink progress

Gemalink is currently operating beyond its design capacity, recording 1H24 output of more than 800,000 TEUs (+91% YoY).

Gemalink 2 is applying for a construction permit to adjust the length of the wharf compared to the original to increase the capacity to receive large ships. The progress is slower than expected.

Phase 2A with a total investment of USD150 million is expected to be completed in 1H26. Phase 2B may start construction when phase 2A has filled at least 70% of its capacity, expected to be run as early as 2027.



Source: Gemadept Corporation

Fig 9. GMD – 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 97% capacity and expected to reach full capacity in late 2024–early 2025 after the Ha Nam channel dredging project is completed.

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 in December 2025 and reach 70% of its capacity in two years.

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



Source: Gemadept Corporation

Forecast & valuation

Table 10. GMD – 2024–2025F business results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
Revenue	3,846	4,191	9%	4,468	7%	GMD should complete 105% of the revenue objective for 2024 (VND4,000 billion).
Port operation	2,942	3,378	15%	3,590	6%	In 2024, the output in the Northern region will increase by 8–10% YoY, and freight rates will gain 3–5% YoY. In the Southern region (excluding Gemalink), the output and freight rate growth should be 5% YoY for both.
Logistics	904	813	-10%	878	8%	
Gross profit	1,776	1,920	8%	2,064	8%	
<i>Gross profit margin</i>	46%	46%	0	46%		
<i>Port operation</i>	44%	46%	+2 ppts	46%	0	
<i>Logistics</i>	53%	45%	-9 ppts	47%	+2 ppts	Gross margin may decrease due to (1) increased outsourcing costs due to rapid growth in cargo volume and (2) decreased gross profit margin from transportation activities.
Financial income	1,941	438	-77%	175	-60%	2023 recorded a sudden profit of VND1,800 billion from the transfer of NHDV. 2024 recorded a profit of VND335 billion from the transfer of Nam Hai port.
Financial expenses	-155	-142	-8%	-127	-11%	
Profits from affiliates	274	583	113%	676	16%	Profit from Gemalink is expected to increase from VND 20 billion in 2023 to VND300 billion in 2024 thanks to expected output growth of more than 50% YoY, reaching more than 1.5 million TEUs. Profit growth from SCS is also expected to be at 10% thanks to the recovery of air transport demand.
SG&A	-661	-671	1%	-670	0%	
Operating profit/loss	3,177	2,128	-33%	2,118	0%	
Other income	-30	-32	9%	-34	7%	
Profit before taxes (PBT)	3,147	2,095	-33%	2,084	-1%	GMD fulfills 124% of the planned NPAT set for 2024 (VND1,686 billion).
<i>PBT margin</i>	82%	50%	-32 ppts	47%	-3 ppts	
CIT expenses	-614	-317	-48%	-248	-22%	
Profit after taxes (NPAT)	2,534	1,778	-30%	1,836	3%	
<i>NPAT margin</i>	66%	42%		41%		
NP after MI	2,251	1,626	-28%	1,686	4%	

Source: Gemadept Corporation, KB Securities Vietnam

Valuation: BUY rating – Price target VND93,900

Using the SOTP for GMD including: (1) Core business + profit from joint ventures, (2) Gemalink project and (3) rubber and real estate projects, we recommend BUY for GMD shares with a target price of VND93,900/share, equivalent to a potential price increase of 21.2% compared to the closing price of VND77,500/share on September 12, 2024, based on the following assumptions:

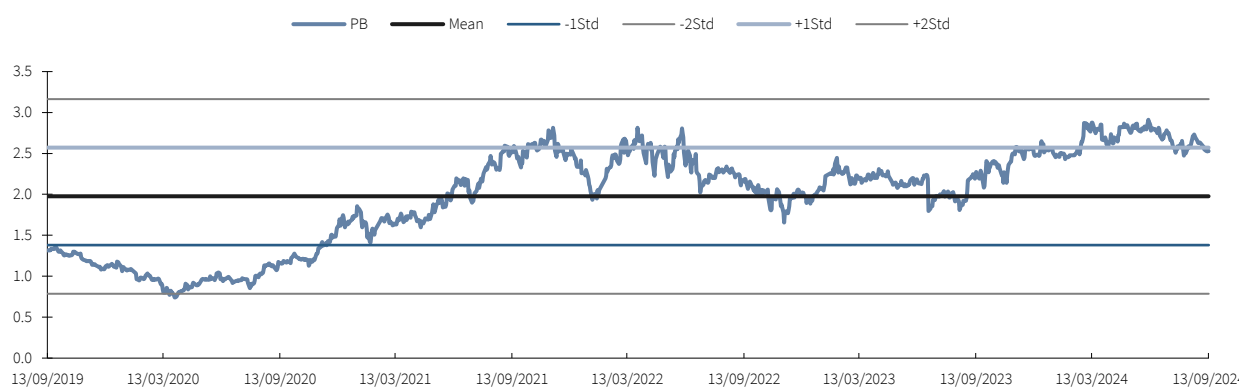
- Nam Dinh Vu 1+2 port system is expected to reach 99% of capacity in 2024 and operate beyond capacity in 2025. Cargo throughput at Gemalink recovers significantly, recording more than 1.5 million TEUs in 2024 (+51% YoY). The new projects Gemalink 2A and Nam Dinh Vu 3 are currently progressing slower than planned and expected to be put into operation from early 2026.
- Average port service rates in 2024 and 2025 should grow by 8% and 4% compared to the previous year's average, and will continue to increase at 4–5%/year from now until 2030.

Table 11. GMD – Final valuation

	Valuation method	Value	GMD's ownership	Contribution to GMD (VNDbn)
Core businesses	FCFF	12,766	100%	12,766
Gemalink	FCFF	21,938	65.10%	14,282
Rubber	Book value	1,830	100%	1,830
Real estate	Book value	290	100%	290
Equity value				29,167
Outstanding shares (million shares)				310.49
Value per share (VND)				93,900
Current price (VND)				77,500
TSR				21.2%

Source: Gemadept Corporation, KB Securities Vietnam

Fig 12. GMD – P/B (x)



Source: Bloomberg, KB Securities Vietnam

GMD – 2022A-2025F financials

Income Statement				
(VND billion)	2022	2023	2024F	2025F
Net sales	3,898	3,846	4,191	4,468
Cost of sales	2,180	2,068	2,271	2,404
Gross Profit	1,718	1,778	1,920	2,064
Financial income	24	1,941	438	175
Financial expenses	166	155	142	127
of which: interest expenses	131	135	142	127
Gain/(loss) from joint ventures	399	274	583	676
Selling expenses	142	110	126	134
General and admin expenses	524	552	545	536
Operating profit/(loss)	1,309	3,177	2,128	2,118
Other incomes	30	55	0	0
Other expenses	31	84	0	0
Net other income/(expenses)	0	-30	-32	-34
Net accounting profit/(loss) before tax	1,308	3,147	2,095	2,084
Corporate income tax expenses	147	614	317	248
Net profit/(loss) after tax	1,161	2,534	1,778	1,836
Minority interests	167	283	152	150
Attributable to parent company	994	2,251	1,626	1,686
Margin ratio (%)	2022	2023	2024F	2025F
Gross profit margin	44.1%	46.2%	45.8%	46.2%
EBITDA margin	47.0%	95.7%	62.3%	61.7%
EBIT margin	36.9%	85.4%	53.4%	49.5%
Pre-tax profit margin	33.6%	81.8%	50.0%	46.6%
Operating profit margin	33.6%	82.6%	50.8%	47.4%
Net profit margin	26.6%	31.8%	33.3%	34.4%
Cash Flow Statement				
(VND billion)	2022	2023	2024F	2025F
Net profit/(loss) before tax	1,308	3,147	2,095	2,084
Depreciation and amortisation	393	396	385	571
Profit/loss from investing activities	-412	-2,213	0	0
Interest expense	131	135	142	127
Operating profit/(loss) before changes in Working Capital	1,401	1,441	2,623	2,782
(Increase)/decrease in receivables	-186	384	-12	-80
(Increase)/decrease in inventories	-14	25	-25	-5
Increase/(decrease) in payables	1,393	-1,073	361	-292
(Increase)/decrease in prepaid expenses	10	24	0	19
Interest expense	0	0	0	0
Net cash inflows/(outflows) from operating activities	2,299	-3	2,985	1,790
Purchases of fixed assets and other long term assets	-1,366	-1,177	-2,065	-2,348
Proceeds from disposal of fixed assets	4	24	0	0
Loans granted, purchases of debt instruments	-86	-994	0	0
Collection of loans, proceeds from sales of debts instruments	39	437	0	0
Investments in other entities	0	-1	0	0
Proceeds from divestment in other entities	0	2,425	335	0
Dividends and interest received	0	-1	0	0
Net cash inflows/(outflows) from investing activities	-1,235	915	-1,730	-2,348
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	740	690	950
Repayment of borrowings	-1,431	-778	-550	-535
Finance lease principal payments	-41	-35	0	0
Dividends paid	-428	-780	-533	-551
Interests, dividends, profits received	0	0	0	0
Net cash inflows/(outflows) from financing activities	-338	-808	-348	2,866
Net increase in cash and cash equivalents	727	105	907	2,307
Cash and cash equivalents at the beginning of period	637	1,364	1,472	2,379
Cash and cash equivalents at the end of period	1,364	1,472	2,379	4,686
Balance Sheet				
(VND billion)	2022	2023	2024F	2025F
TOTAL ASSETS	13,031	13,546	16,303	20,801
CURRENT ASSETS	2,619	3,380	4,309	6,720
Cash and cash equivalents	1,364	1,472	2,379	4,686
Short-term investments	82	359	359	359
Accounts receivable	868	1,193	1,206	1,285
Inventories	83	68	93	99
LONG-TERM ASSETS	10,412	10,166	11,994	14,081
Long-term trade receivables	45	40	40	40
Fixed assets	3,262	4,166	5,911	7,688
Long-term incomplete assets	2,790	1,759	1,842	2,153
Long-term investments	3,065	3,125	3,125	3,125
Goodwill	0	0	0	0
LIABILITIES	5,083	3,814	5,279	5,491
Current liabilities	3,211	1,915	3,331	3,443
Trade accounts payable	838	518	878	587
Short-term unrealized revenue	194	318	318	337
Short-term borrowings	543	445	535	850
Long-term liabilities	1,872	1,898	1,949	2,049
Long-term trade payables	0	0	0	0
Long-term advances from customers	0	0	0	0
Unrealized revenue	291	275	275	275
Long-term borrowings	1,486	1,518	1,569	1,669
OWNER'S EQUITY	7,948	9,732	11,023	15,309
Paid-in capital	3,014	3,059	3,105	4,140
Share premium	1,942	1,942	1,942	3,908
Undistributed earnings	1,227	2,964	4,208	5,493</

Source: Gemadep 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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