



KB Securities

Gemadep (GMD: HoSE)

Focus on core-business: Port Services Operation and logistics

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| Recommendation: BUY | | Trading Data | | Performance | | | | |
|----------------------------|-----------|----------------------------|----------------------|-------------|-----|----|------|------|
| Target Price (VND) | VND33,000 | Outstanding shares | 288,276,957 | (%) | 1T | 3T | 6T | 12T |
| Upside/Downside | 26% | Avg Daily Vol (3M, shares) | 473,564 | GMD | 9 | -1 | -18 | -24 |
| Current Price (14-08-2018) | VND26,050 | Foreign Ownership | 49.0% | VN-Index | 6.3 | -6 | -3.5 | 25.2 |
| Market Cap. (Bn.) | VND7,509 | Major shareholders | VIG – 30.4% | | | | | |
| | | | Le Thuy Huong – 7.5% | | | | | |

Source: GMD, KBSV Research

Financial gains surged sharply from divestitures

In the first 6 months of 2018, Gemadep completed transfer of 51% stake in Hoa Sen - Gemadep Port (Profit of VND115 billion) which will be accounted for in Q3.2018 profit. Divesting 50.9% stake of Gemadep Logistics Holdings (Gained 1.356 billion) and 49% of Gemadep Shipping (Gained VND100 billion) to CJ Logistics in the first quarter of 2018 brought financial income to VND1,500 billion. However, the sale of logistics to CJ also reduced its Logistics Revenue to VND248 billion (-76.2%).

Ports revenue increased due to new port launching

Nam Dinh Vu Port in Hai Phong started operation in February 2018. With three other ports operating in Hai Phong namely Nam Hai Dinh Vu, Nam Hai and Nam Hai ICD, GMD solidifies its integrated logistics operations. Hai Phong is also one of the key industrial centers of Vietnam, especially import-export activities are bustlingly happening here.

Profitability is improved by focusing on core business

After transferring logistics activities to Korean partners, H1.2018 GMD's revenue structure come from port operations (81% compared to 44% in 2017). Port operation has a higher gross margin (42%) than logistics (21%). The focus on port operations result in higher combined gross margin 2018 (38%) compared with 2017 (25%).

Selling Expenses doubled

Selling expenses doubled compared to the first 6 months of 2017 due to severe competition with Lach Huyen deep water port. The new Nam Dinh Vu port also came into operation, giving rise to brokerage fees of Vietnamese vessels for foreign businesses.

Reversal of provision for long-term financial investments

H1 2018, A portion of GMD's profit came from its reversal of provision for long-term financial investments (VND 100 billion), mainly reimbursed for its long-term investment in Maritime Bank.

Gains from logistics associates is highly potential

With CJ becoming a partner in logistics operation and Korea now has been the largest FDI investor in Vietnam with factories like Samsung, LG ..., the gains from the associate with CJ is stable and highly potential.

Ports market share continues to grow

GMD is currently holding a 10% market share in seaport services (1.46 million TEUs). By bringing new ports into operation and doubling its port capacity, GMD is expected to hold a 26% market share in 2022 (4 million TEUs).

Non-core investment activities are not effective

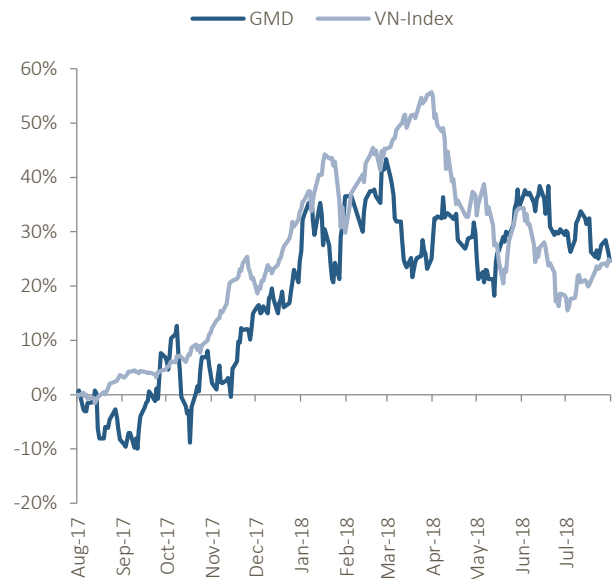
Real estate projects are in the implementation phase (Saigon Gem, Complex Building in Laos). Both projects are in the paper stage and has to undergo many legal procedures.

Rubber accounts for 16% of assets but low profit contribution. By the end of 2018, GMD expects to gain small profit from rubber planting in the period from 2011 to 2017.

Forecast earnings & valuation

| FY-end (Bn.) | 2017A | 2018F | 2019F |
|----------------|-------|--------|-------|
| Net revenue | 3,984 | 2,405 | N/A |
| Gross profit | 1,029 | N/A | N/A |
| NPAT | 508 | 2,130 | N/A |
| EPS (Tnd.) | 1,962 | 7,978 | N/A |
| EPS Growth (%) | -2 | 307 | N/A |
| PER (x) | 20.5 | 3.3 | N/A |
| PBR (x) | 1.8 | 0.9 | N/A |
| ROE | 8.00% | 35.90% | N/A |

Source: GMD, KBSV estimated



Source: Fiin Pro

Table 1. Business Performance in 1H.2018 (VND bn)

| VND bn | 2018 Plan | 1H.18 | 1H.17 | % Y/Y | % Plan |
|-------------------|-----------|-------|-------|-------|--------|
| Net sales | 2,405 | 1,286 | 1,867 | -31% | 53% |
| Gross profit | N/A | 485 | 468 | 4% | N/A |
| Financial expense | N/A | 33 | -85 | -139% | N/A |
| Selling expense | N/A | -75 | -37 | 103% | N/A |
| G&A expense | N/A | -157 | -145 | 8% | N/A |
| Operating profit | N/A | 253 | 286 | -12% | N/A |
| PBT | N/A | 1,789 | 261 | 585% | N/A |
| PAT | 2,130 | 1,554 | 231 | 573% | 73% |

Source: GMD

Fig 1: Revenue and gross profit structure in 1H.2018

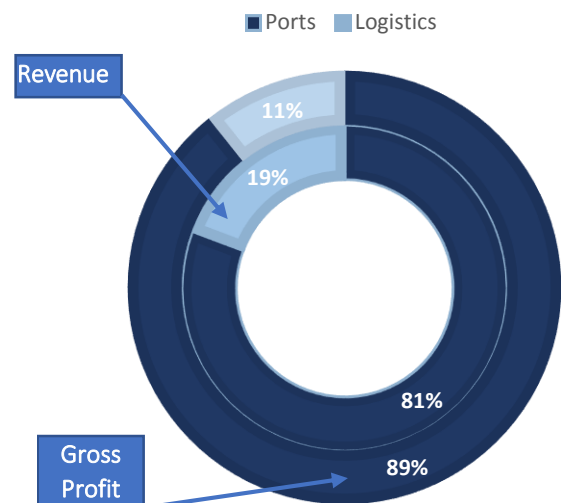
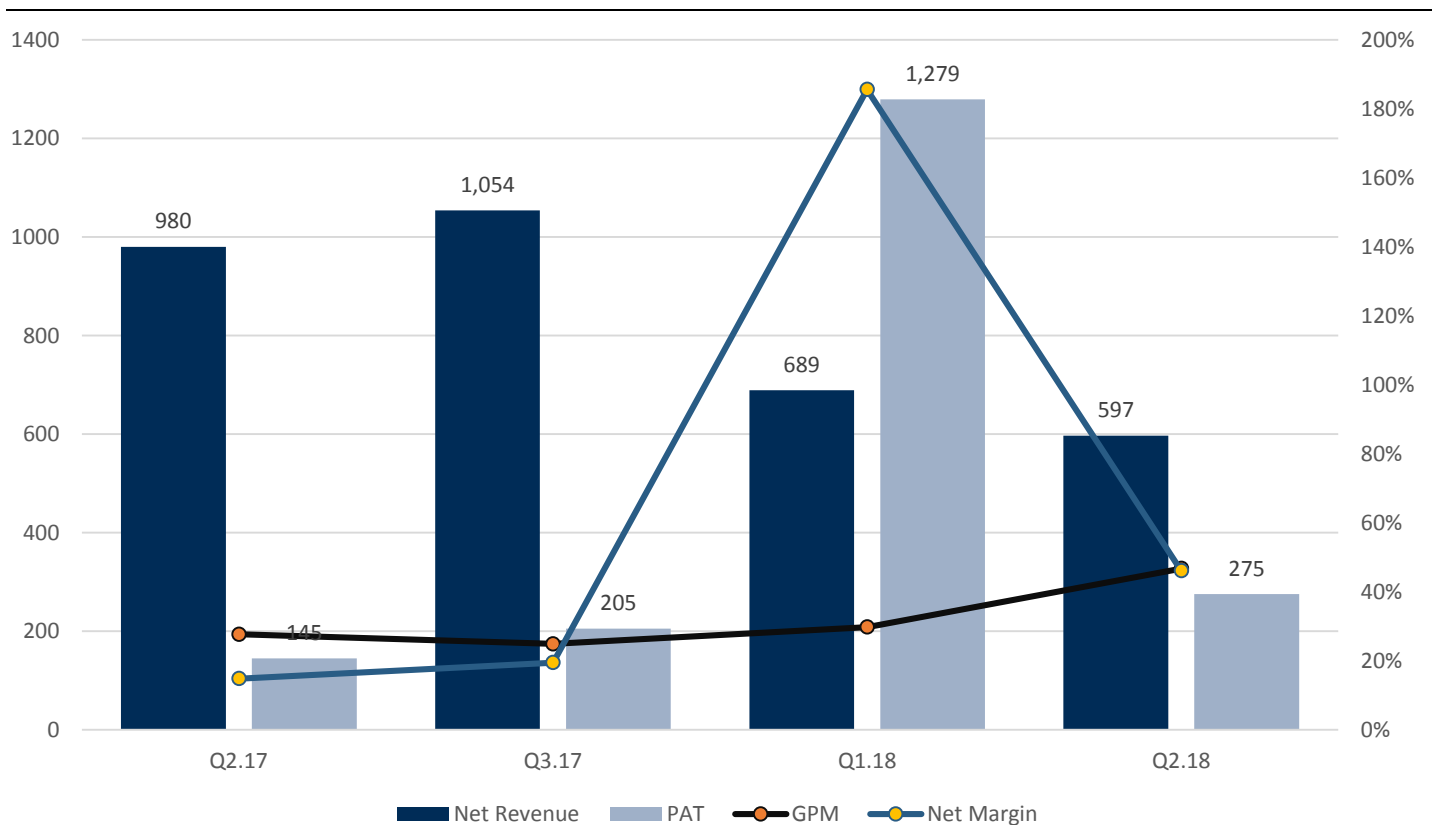


Table 2. Peer Comparison

| Tic. | Name | Ex. | Market Cap. (VND Bn.) | P/E | P/B | ROE % 2017 | GPM % Q2.18 | Net Margin % Q2.18 |
|---------------|---------------|------|-----------------------|-------------|-------------|-------------|-------------|--------------------|
| GMD | Gemadep | HOSE | 7,451.96 | 4.05 | 1.25 | 0.08 | 0.31 | 0.57 |
| STG | Sotrans | HOSE | 1,601.96 | 15.69 | 1.36 | 0.28 | 0.18 | 0.08 |
| TMS | Transimex | HOSE | 1,114.31 | 6.83 | 0.81 | 0.16 | 0.10 | 0.08 |
| HMH | Hai Minh Corp | HNX | 168.96 | 8.81 | 0.65 | 0.08 | 0.11 | 0.16 |
| HAH | Hai An Corp | HOSE | 629.14 | 3.50 | 0.71 | 0.21 | 0.22 | 0.16 |
| VSC | Viconship | HOSE | 2,009.50 | 7.20 | 1.30 | 0.15 | 0.32 | 0.22 |
| DXP | Doan Xa Port | HNX | 301.45 | 12.93 | 0.88 | 0.07 | 0.23 | 0.28 |
| AST | Taseco | HOSE | 2,260.80 | 15.11 | 4.88 | 0.44 | 0.53 | 0.19 |
| VTO | Vitaco | HOSE | 583.61 | 5.78 | 0.54 | 0.08 | 0.17 | 0.07 |
| Mean | | | 1,791.30 | 8.88 | 1.38 | 0.17 | 0.24 | 0.20 |
| Median | | | 1,358.14 | 8.01 | 1.07 | 0.15 | 0.23 | 0.18 |

Source: Fiinpro

Fig 2: Quarterly earning results (VND Bn.)



Investment Rating for Company**Buy:** +15% or beyond**Hold:** between +15% and -15%**Sell:** -15% or beyond**DISCLAIMER**

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