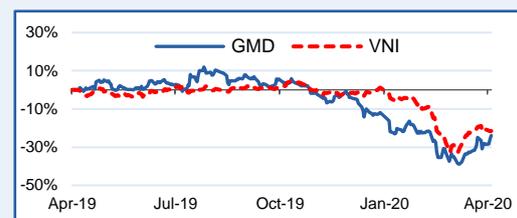


Industry:	Ports		2019	Q1 2020	2020F
Report Date:	April 29, 2020	Rev y/y	-2.5%	-4.4%	2.5%
Current Price:	VND18,600	EPS y/y	-73.5%	-4.9%	-8.4%
Target Price:	VND27,700	EPS y/y**	-13.5%	-15.0%	8.0%
Upside to TP:	+48.9%	GPM	37.7%	39.5%	38.3%
Dividend Yield:	8.1%	NPM	19.5%	18.9%	17.4%
TSR:	+57.0%	EV/EBITDA	7.1x	NM	6.6x
Rating	BUY	P/E	13.0x	NM	12.1x



			GMD	Peers	VNI
Market Cap:	USD235.7mn	EV/EBITDA* ^	7.2x	5.4x	N.A.
Foreign Room:	USD0	P/E (ttm)**	12.7x	11.4x	12.1x
ADTV30D:	USD320,000	P/B (curr)	0.8x	0.8x	1.7x
State Ownership:	0.0%	ROE**	7.2%	10.9%	14.6%
Outstanding Shares:	296.9 mn	ROA**	4.3%	9.5%	2.5%
Fully Diluted Shares:	296.9 mn				

Company Overview

GMD is one of Vietnam's largest port operators and domestic logistics service providers with integrated capabilities across the logistics value chain. In addition to its core business in port operations and logistics services, GMD also has investments in real estate projects and rubber plantations.

^ ttm; * EBITDA includes net income from affiliates
** excluding one-off gains/losses

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Earnings decline as port segment remains weak

- GMD released its Q1 2020 results in which revenue was down 4.4% YoY to VND601bn (USD26mn) and reported NPAT-MI fell 4.9% YoY to VND114bn (USD4.9mn).
- In Q1 2020, GMD's port revenue was down 10% YoY (2019: +3.4% YoY) and the segment's GPM contracted to 38.7% vs 40.5% in Q1 2019. We attribute this decline in revenue and GPM to the COVID-19 pandemic disrupting manufacturing activities in China in Q1 2020. According to a daily vessel schedule provided by the Hai Phong Port Authority, 50% of total vessels arriving at GMD's downstream port in Hai Phong in 2019 were from China and Hong Kong.
- Meanwhile, the consolidated logistics segment posted strong revenue growth of 42% YoY in Q1 2020 along with a 10-ppt GPM expansion to 43.7%. We note that this segment's GPM segment has frequently fluctuated in a wide range of 15%-71% over the past two years. Nevertheless, the consolidated logistics segment contributed ~18% to total gross profit in Q1 2020.
- In Q1 2020, GMD recognized VND15bn (USD650,000) of financial gains from investment transfers. Excluding these abnormal gains, GMD's core NPAT-MI was down 15% YoY.
- As GMD's Q1 2020 core NPAT-MI completed only 22% of our full-year forecasts and as global trade volume is expected to drop by 13%-32% in 2020 amid the COVID-19 pandemic (according to the World Trade Organization), we see potential downside risk to our 2020F earnings forecast, pending a more extensive review.

The HICT (Lach Huyen deep sea port) continues to achieve solid growth while other downstream ports decline. According to the daily vessel schedule provided by the Hai Phong Port Authority, while almost all downstream ports in the Hai Phong port cluster posted negative growth in the number of arriving vessels, the HICT posted a 48% YoY increase. We believe this reaffirms our view that competition in the Hai Phong port cluster has intensified following the ramp up of the HICT beginning in Q2 2018. While there has been no information regarding cargo throughput of each port, we believe the change in the number of vessels could be a reasonable reference for throughput growth as we expect the load factor of vessels could be stable. In Q1 2020, the total number of vessels arriving at GMD's downstream port was down ~10% YoY — in line with a YoY drop in GMD's port revenue for the same period.

Lower minority interest (MI) as Nam Hai Dinh Vu (NHDV) was prioritized. In Q1 2020, GMD's MI was down 67% YoY and the MI over NPAT ratio declined to 7.2% vs 18% in Q1 2019 and 16% in FY2019. We attribute this drop in MI to shifts of vessels from the Nam Dinh Vu port to the NHDV port, of which GMD owns 60% and 85%, respectively. This shift is evidenced by 6% YoY growth in the number of vessels arriving at the NHDV port vs a 36% YoY decline in the number of vessels arriving at NDV port in Q1 2020, based on data provided by the Hai Phong Port Authority.

GMD's Q1 2020 results

VND bn	Q1 2019	Q1 2020	YoY Growth	Q1 2020 vs VCSC's 2020F
Total revenue	629	601	-4.4%	22.2%
<i>Ports</i>	561	504	-10.1%	20.9%
<i>Logistics</i>	68	97	42.0%	32.8%
Gross profit	250	238	-5.0%	22.9%
<i>Ports</i>	227	195	-14.0%	20.5%
<i>Logistics</i>	23	42	84.7%	50.3%
SG&A expenses	-102	-119	17.0%	25.3%
<i>Selling expenses</i>	-29	-34	15.3%	25.0%
<i>G&A expenses</i>	-73	-86	17.6%	25.4%
Operating profit	148	118	-20.1%	20.9%
Financial income	12	17	43.4%	65.0%
Financial expenses	-44	-56	27.3%	36.0%
Net income from affiliates	43	60	38.7%	22.6%
Net other expenses	3	3	-1.9%	-9.1%
PBT	161	141	-12.6%	21.2%
<i>Core PBT</i>	161	126	-22.0%	18.9%
<i>Financial gains from divestments</i>	0	15	NM	NM
NPAT	146	123	-16.2%	20.9%
MI	27	9	-66.9%	7.6%
NPAT-MI	120	114	-4.9%	24.1%
Core NPAT-MI (*)	120	102	-15.0%	21.5%
GPM	39.7%	39.5%		
<i>Ports</i>	40.5%	38.7%		
<i>Logistics</i>	33.6%	43.7%		
OPM	23.5%	19.6%		
NPM	19.0%	18.9%		
<i>Underlying NPM (*)</i>	19.0%	16.4%		

Source: GMD, VCSC

Note: (*) Excluding estimated impact from divestments.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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