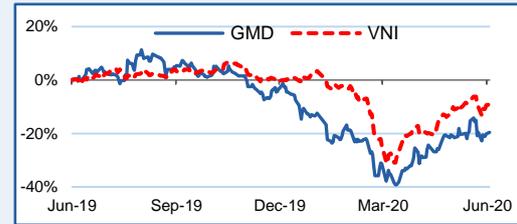


Industry:	Ports		2019	2020F	2021F	2022F
Report Date:	June 22, 2020	Rev Growth	-2.4%	-6.6%	3.9%	3.9%
Current Price	VND19,800	EPS Growth	-73.4%	-19.8%	17.2%	7.8%
Current Target Price	VND25,100	EPS Growth **	-11.6%	-9.7%	19.0%	20.7%
Upside to TP	+26.8%	GPM	38.3%	37.9%	38.8%	38.4%
Dividend Yield	7.6%	NPM	19.6%	16.8%	18.9%	19.6%
TSR	+34.4%	EV/EBITDA *	7.4x	7.9x	6.8x	6.2x
Rating	BUY	P/E **	13.6x	15.0x	12.6x	10.5x



		GMD	Peers	VNI
Market Cap:	USD253.3mn	7.5x	6.6x	N.A.
Foreign Room:	USD0	13.6x	11.2x	14.4x
ADTV30D:	USD355,000	0.9x	0.9x	1.9x
State Ownership:	0.0%	7.2%	14.2%	13.6%
Outstanding Shares:	296.9mn	4.3%	10.2%	2.4%
Fully Diluted Shares:	296.9mn	^ ttm; * EBITDA includes net income from affiliates; ** include Gemalink contribution in 2020 onwards and adjust for abnormal gains/losses		

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 has investments in real estate projects and rubber plantations.

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Gemalink to be earnings driver from 2022

- We attended GMD's AGM on June 22, 2020, in Ho Chi Minh City.
- Shareholders approved GMD's 2020 business plan under two scenarios given the uncertain impact of COVID-19 and the high exposure of the company's businesses to trade activities between Vietnam and other countries.
- Under the more optimistic scenario, GMD guides for 2020G revenue of VND2.2tn (USD93mn; -19% YoY) and PBT of VND500bn (USD22mn; -29% YoY). Under the less optimistic scenario, GMD guides for 2020G revenue of VND2tn (USD86mn; -24% YoY) and PBT of VND430bn (USD18mn; -39% YoY).
- GMD's PBT guidance in both scenarios is below our 2020 PBT forecast of VND546bn (USD24mn; -23% YoY), which we attribute to the more conservative view of GMD's management given the unpredictable development of COVID-19.
- Shareholders approved a total FY2019 cash dividend of VND1,000/share — equivalent to a 5.1% dividend yield — which is below our forecast of VND1,500/share (7.6% dividend yield). We expect the FY2019 cash dividend to be paid in H2 2020; however, GMD has not yet announced the payment date.
- For FY2019, shareholders approved a BOD fund allocation of 2.5% and bonus & welfare fund allocation of 5% of 2019 NPAT-MI. The respective rates are 3% and 5% for FY2018.

GMD's 2020 guidance is based on Vietnam's GDP forecasts by the Ministry of Planning and Investment (MoPI). The more optimistic guidance is based on the first scenario of Vietnam's GDP forecast by the MoPI, in which Vietnam will have controlled COVID-19 from the second half of April while its major trading/investment partners will possibly control the pandemic by the end of Q3 2020. Meanwhile, the less optimistic scenario is based on the second scenario of Vietnam's GDP forecast by the MoPI, in which Vietnam will have controlled COVID-19 from the second half of April while its major trading/investment partners will possibly control the pandemic by the end of Q4 2020.

Gemalink deep-sea port (Phase 1) in Cai Mep is slightly behind schedule. Construction of the project resumed in February 2019 and management believes Gemalink will be able to commence trial operation in November 2020, which is slightly behind the previous guidance of early Q4 2020. Management shared that Gemalink will be commercially operational in early 2021 and fulfill 60% of its total capacity of 1.5 million TEUs (equivalent to 900,000 TEUs) in full-year 2021. Management expects Gemalink will not contribute significantly to 2021 profits or losses; however, GMD believes the project will be profitable after one year of operation (in 2022), which is in line with our expectation. The project has completed 80% of its total construction while its debt disbursement has reached VND2tn (USD85mn) — or ~38% of total required debt. We expect the remaining debt will mainly be used for importing port machinery.

Gemalink to benefit from current overload situation in the fast-growing Cai Mep port area.

The Cai Mep port cluster posted a 2014-2019 CAGR of 23% and is expected to become a regional transshipment hub. Meanwhile, the usable capacity of the area reached 115% in 2019, excluding inactive and upstream ports that are unable to receive large vessels, per GMD. Management also shared that only the SP-SSA International Terminal (SSIT) in the Cai Mep area can increase its capacity, while other terminals are running at full capacity.

NDV port Phase 2 development in Hai Phong has been delayed. Per GMD, NDV Phase 2 is expected to be delayed amid short-term headwinds from the COVID-19 pandemic. Management expects the development of Phase 2 to coincide with the higher capacity utilization of Phase 1. The company has not provided specific guidance or a timeline for the resumption. We believe the postponement of the NDV port Phase 2 is reasonable as throughput growth has remained weak in the Hai Phong port cluster amid COVID-19

Real estate projects are showing progress. GMD is currently invested in two real estate projects: (1) a five-star hotel in Vientiane, Laos and (2) a complex building project (Saigon Gem) in District 1, HCMC. Per management, the Vientiane project has been under basement construction while the Saigon Gem project has obtained land use rights and has been processing further legal work. Management is working with partners to consider development or divestment plans for both projects. GMD has a 40% stake in the entity that owns the Vientiane project; its initial investment cost was VND95bn (USD4.1mn). Meanwhile, GMD owns 45% stake in an entity, which owns a 70% stake in the Saigon Gem project; its initial investment cost was VND63bn (USD2.7mn).

Shareholders expressed concerns about rubber plantations, but GMD's strategy remains intact. Per GMD, the company continues to focus on maintaining planted rubber trees without new investment. Some areas are reaching tapping ages and management expects to conduct pilot tapping of rubber in late 2020 if the natural rubber market becomes favorable. GMD continues to seek strategic investors to divest its rubber plantations.

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
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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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