

# Gemadept Corporation

(GMD VN)

## Maintain the recovery

**Hold**  
(Update)

**TP: VND50,500**  
Upside: 0.4%

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### 9M21 business results

**Volume growth in all ports:** In 9M21, GMD's customs clearance volume increased sharply. Specifically, the container clearance volume of Hai Phong port group reached 754,359 TEU (+13% YoY); the southern port group, excluding Gemalink, recorded clearance volume of 620,836 TEU (+5.6% YoY); Gemalink recorded output of about 607,660 TEU in 9M21; and Gemadept Dung Quat port recorded output of nearly 1.93mn tons (+31% YoY).

GMD's 9M21 revenue and operating profit reached VND2,167bn (+14% YoY) and VND597.9bn (+43.8% YoY), respectively.

### Growth drivers in 2022 and key risks

**Manufacturing activity recovered:** Manufacturing activity in November continued to recover after the social distancing period that Vietnam PMI recorded 52.2, remaining above the threshold of 50 for the second consecutive month, while IIP returned to positive growth, at 5.6% YoY. Manufacturing activity is forecast to recover as industrial FDI grows.

**Growth in water transport:** In 11M21, shipping volume reached 76.4mn tons (+3.1% YoY). Inland waterway transport narrowed the decline, with an estimated volume of 288.9mn tons (-5.3% YoY). In addition, the total tonnage of sea and river shipping recorded a sharp increase, at 22% and 14.5% YoY, respectively, in 10M21, a sign that water transport volume is likely to continue to enjoy brisk growth in 2022.

#### Key risks

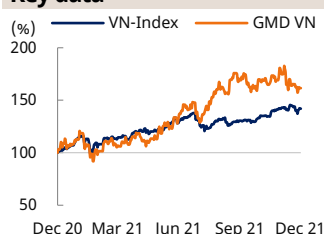
The relocation of Truong Tho Port, expansion of Lach Huyen port, and interest rates are uncertainties that could affect the valuation of GMD stock.

### Forecast and valuation

Reflecting the twin factors of the production disruption in 3Q21 and improvement in associates' profit, we forecast GMD's 2021 revenue and NPAT at VND2,739.4bn (+5.1% YoY) and VND576.2bn (+55.7% YoY), respectively.

Factoring in the required return of 12% and growth rate (g) after 2030 of ~5%, we downgrade our recommendation for GMD to Hold (from Buy) and raise our target price to VND50,500 (from VND48,000).

#### Key data



Share price (12/15/21, VND)	50,300	Market cap (VNDbn)	15,159
OP (21F, VNDbn)	857	Shares outstanding (mn)	301
Consensus OP (21F, VNDbn)	567	Free float (%)	96.7
EPS growth (21F, %)	55.7	Foreign ownership (%)	40.8
P/E (21F, x)	27	Beta (12M)	1.0
Market P/E (21F, x)	14.5	52-week low (VND)	25,850
VN-Index	1,476	52-week high (VND)	56,000

#### Share performance

(%)	1M	6M	12M
Absolute	-4.9	14.6	51.5
Relative	-4.8	7.5	11.7

#### Earnings and valuation metrics

FY (I)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue (VNDbn)	2,708	2,643	2,606	2,739	3,151	3,443
OP (VNDbn)	546	544	496.3	857.4	913.2	1,075.6
OP margin (%)	20.2	20.6	19.0	31.3	29.0	31.2
NP (VNDbn)	1,848	517	441	720	767	904
EPS (VND)	6,207	1,602	1,166	1,816	1,934	2,278
ROE (%)	29.6	8.1	6.7	10.4	10.5	11.7
P/E (x)	4.2	14.5	42.0	27.0	25.3	21.5
P/B (x)	1.3	1.2	2.2	2.1	2.0	1.9

Source: Company data, Mirae Asset Securities (Vietnam) JSC Research estimates

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## 9M21 business results

**Volume growth in all ports:** In 9M21, GMD's customs clearance volume increased sharply. Specifically, the container clearance volume of Hai Phong port group (three main ports: Nam Hai, Nam Hai Dinh Vu, and Nam Dinh Vu) reached 754,359 TEU (+13% YoY); group of southern ports (main ports: Binh Duong port and ICD3 Truong Tho), except Gemalink, recorded clearance volume of 620,836 TEU (+5.6% YoY); Gemalink recorded output of about 607,660 TEU in 9M21; and Gemadept Dung Quat port recorded output of nearly 1.93mn tons (+31% YoY).

Accordingly, GMD's 9M21 revenue and profit from operating activities reached VND2,167bn (+14% YoY) and VND597.9bn (+43.8% YoY), respectively. Gross profit margin and operating profit margin were at 38.8% and 27.6%, respectively. Profit from associates was recorded at 160.6bn (+43.6 YoY).

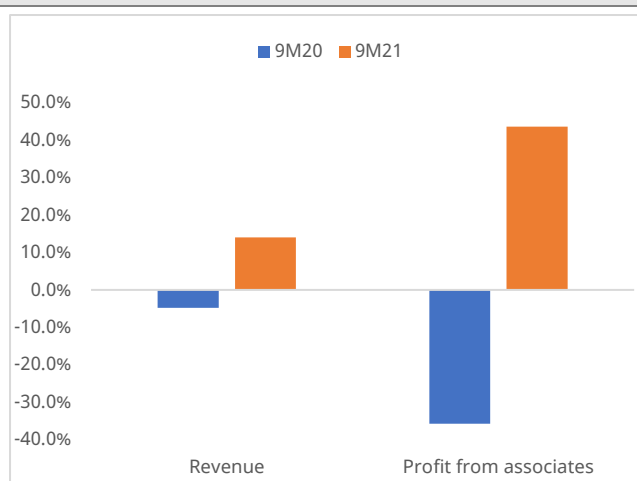
We forecast that throughput of the entire GMD system will continue to grow in 2022, with drivers from domestic production.

**Table 1. GMD container throughput (TEU)**

Port group	9M20	9M21	2021F	2022F
Hai Phong	667,325	754,359	1,050,000	1,280,000
Southern (excluding Gemalink)	587,940	620,836	893,500	947,000
Gemalink		607,660	900,000	1,000,000

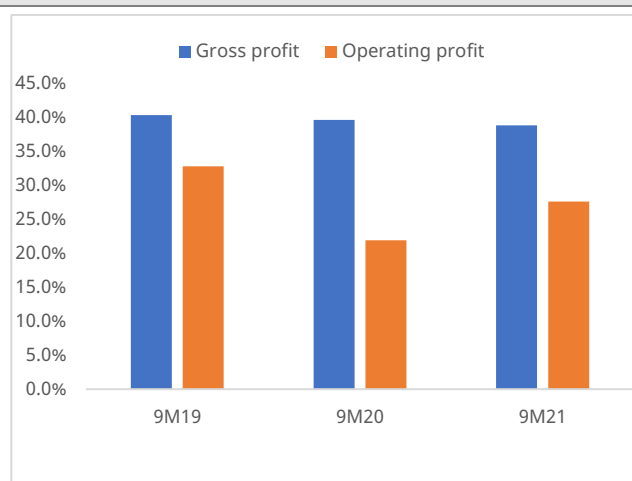
Source: Company data, Mirae Asset Vietnam Research

**Figure 1. Growth in revenue and profit from associates**



Source: Company data, Mirae Asset Vietnam Research

**Figure 2. Gross margin and operating margin**



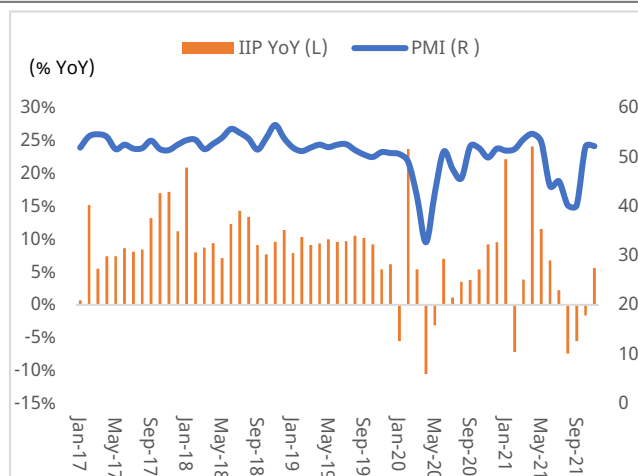
Source: Company data, Mirae Asset Vietnam Research

## Growth drivers in 2021

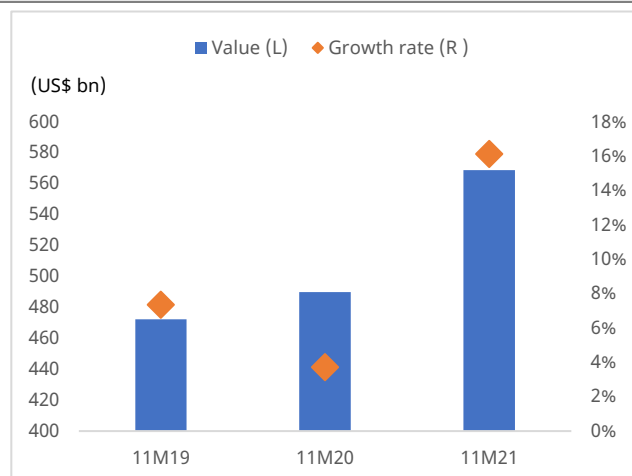
**Manufacturing activity recovered:** Manufacturing activity in 11M21 continued to recover following the social distancing period that Vietnam PMI recorded at 52.2, remaining above the threshold of 50 for a second consecutive month, while IIP returned to positive growth, at 5.6% YoY. Manufacturing activity is forecast to recover as industrial FDI grows. Specifically, in 11M21, the number of valid projects and the total registered investment capital reached 15,558 projects (+3.2% YoY) and US\$240.2bn (+6.4% YoY), respectively.

**Growth in water transport:** In 11M21, shipping volume reached 76.4mn tons (+3.1% YoY). Inland waterway transport narrowed the decline, with an estimated volume of 288.9mn tons (-5.3% YoY, versus -10.5% YoY in 11M20). In addition, the total tonnage of sea and river ships recorded a sharp increase, at 22% and 14.5% YoY, respectively, in 10M21 (compared with average increases of 3.2% and 4.6%, respectively, in the last three years) is a sign that sea and inland waterway transport output is likely to continue to record good growth in 2022.

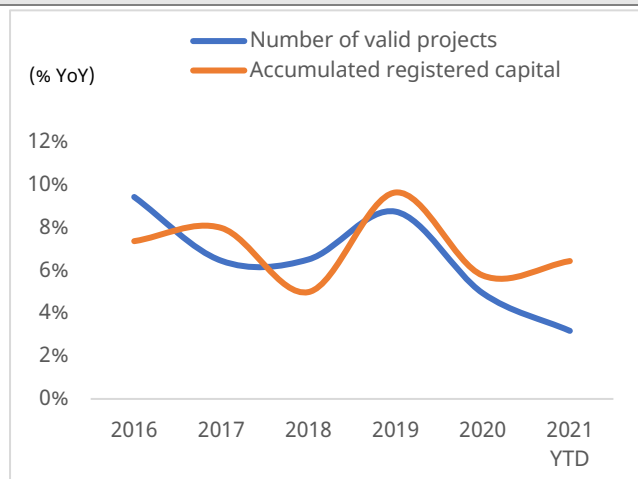
With a system of seaports in industrial centers across the country, we expect GMD to benefit in 2022, thanks to the recovery of production and shipping activities.

**Figure 3. Vietnam IIP and PMI**

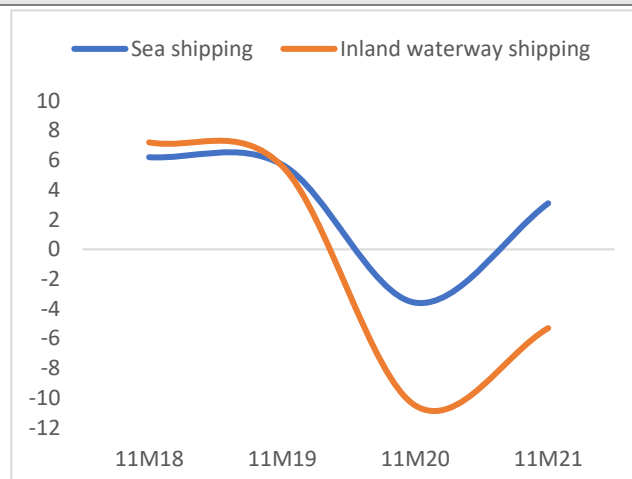
Source: GSO, PMI Markit, Mirae Asset Vietnam Research

**Figure 4. Import-export growth**

Source: Viet Nam Customs, Mirae Asset Vietnam Research

**Figure 5. Industrial FDI**

Source: GSO, Mirae Asset Vietnam Research

**Figure 6. Water shipping growth (% YoY)**

Source: GSO, Mirae Asset Vietnam Research

## Forecast and valuation

Reflecting the twin factors of the production disruption in 3Q21 and improvement in associates' profit, we revise GMD's 2021 revenue and NPAT forecast upwards to VND2,739.4bn (+5.1% YoY) and VND576.2bn (+55.7% YoY), respectively, from our previous forecast of VND2,922.1bn and VND534.2bn, respectively.

In 2022, we forecast that the total throughput through the GMD port system will continue to grow strongly. Specifically, container throughput is forecast to reach more than 2.2mn TEUs (+14.6% YoY), while Gemadept Dung Quat port output could reach 2.7mn tons (+3.8% YoY). Revenue and NPAT of 2022 are forecast at VND3,150.7bn (+15% YoY) and VND613.7bn (+6.4% YoY, respectively, adjusted from the forecast NPAT of VND646.6bn).

Factoring in the required return of 12% and growth rate (g) after 2030 of ~5%, we downgrade our recommendation for GMD to Hold (from Buy) and raise our target price to VND50,500 (from VND48,000).

## Key risks

**Relocating Truong Tho Port:** In 2022, according to HCMC's plan, Truong Tho Port will be relocated to Long Binh Ward, District 9. If the relocation goes as planned, the revenue of GMD Southern ports is expected to be negatively affected in the short term, due to the redeployment of the logistics system.

**Lach Huyen Terminal:** In accordance with Decision No. 1579/QĐ-TTg, approving the master plan on development of Vietnam's seaport system in the period of 2021–2030 (with a view to 2050), Lach Huyen Terminal area will continue to expand. This will increase competition in the Hai Phong port area, thereby affecting output at GMD's Hai Phong port cluster.

**Interest rates:** Currently, capital is being prepared for the expansion of Gemalink Phase 2 and Nam Dinh Vu Phase 2 projects. The two projects are expected to start in 2022, with a total estimated capital of US\$200mn and a maximum of VND4,500bn, respectively. If interest rates were to increase, the interest expense would increase, affecting the profit margin. In addition, an increase in interest rates would also affect the discount rate and valuation of GMD stock.

## Gemadep Corporation (GMD VN)

## Income statement (summarized)

(VNDbn)	2020	2021	2022	2023
Revenue	2,605.7	2,739.4	3,150.7	3,442.6
COGS	-1,656.0	-1,726.8	-1,988.2	-2,184.3
Gross profit	949.7	1,012.6	1,162.5	1,258.3
SG&A expenses	-478.8	-493.1	-627.6	-671.7
Financial expenses	-131.7	-103.9	-119.7	-117.3
Profits from associates	157.1	441.8	498.0	606.3
Operating profit	496.3	857.4	913.2	1,075.6
Pre-tax profit	496.3	857.4	913.2	1,075.6
Income tax	-72.1	-137.2	-146.1	-172.1
After-tax profit	440.5	720.2	767.1	903.5
Profits for controlling shareholder	370.0	576.2	613.7	722.8

## Balance sheet (summarized)

(VNDbn)	2020	2021	2022	2023
Current assets	1,356.4	1,444.7	1,682.8	1,879.5
Cash & Equivalents	427.7	500.0	600.0	700.0
Short-term investments	23.4	23.4	23.4	23.4
Receivables	748.0	760.9	874.0	948.2
Inventories	73.0	69.1	80.8	95.9
Other current assets	84.4	91.3	104.6	112.0
Non-current assets	8,478.1	8,422.1	8,989.5	9,296.7
Net fixed assets	3,143.2	2,855.0	4,807.7	4,749.3
Gross fixed assets	5,513.4	5,606.9	7,948.6	8,380.0
Accumulated depreciations	-2,370.2	-2,751.9	-3,140.9	-3,630.7
Long-term investment	2,531.1	2,792.9	3,074.9	3,432.8
Other non-current assets	2,748.0	2,774.2	1,106.9	1,114.6
Total assets	9,834.5	9,866.8	10,672.3	11,176.2
Total liabilities	3,239.6	2,926.2	3,363.4	3,433.6
Payables	1,339.0	1,328.3	1,521.6	1,628.5
Short-term debts	762.9	532.6	613.9	601.7
Long-term debts	1,137.7	1,065.2	1,227.8	1,203.4
Equity	6,594.9	6,940.6	7,308.9	7,742.6
Charter capital	3,013.8	3,013.8	3,013.8	3,013.8
Other equity	3,146.0	3,203.6	3,265.0	3,337.3
Retained earnings	435.1	723.2	1,030.1	1,391.5
Total resources	9,834.5	9,866.8	10,672.3	11,176.2

## Cash flow statement (summarized)

(VNDbn)	2020	2021	2022	2023
CFO	655.4	1,048.9	1,198.2	1,356.1
Net income	440.5	720.2	767.1	903.5
Depreciation & Amortization	407.8	381.7	389.0	489.8
Interest expenses	146.6	103.9	119.7	117.3
Chg. in receivables	207.8	-12.9	-113.1	-74.2
Chg. in inventories	4.3	3.9	-11.7	-15.1
Chg. in payables	-135.8	-10.7	193.3	106.9
Others	-415.8	-137.2	-146.1	-172.1
CFI	73.1	-443.3	-1,096.6	-930.4
Investment in fixed assets	-215.7	-85.4	-562.7	-407.9
Others	288.8	-357.9	-533.9	-522.5
CFF	-486.2	-533.3	-1.6	-325.7
Net borrowing	-177.2	-302.8	243.9	-36.6
Dividend paid	-353.5	-230.5	-245.5	-289.1
Net CF	242.3	72.3	100.0	100.0
Begin cash	185.5	427.7	500.0	600.0
End cash	427.7	500.0	600.0	700.0

## Key valuation metrics/ratios

	2020	2021	2022	2023
P/E (x)	42.0	27.0	25.3	21.5
P/B (x)	2.2	2.1	2.0	1.9
EPS (VND)	1,166	1,816	1,934	2,278
BPS (VND)	21,882	23,030	24,252	25,691
DPS (VND)	1,173	765	815	959
Revenue growth (%)	-1.4	5.1	15.0	9.3
Operating profit growth (%)	-33.1	72.8	6.5	17.8
EPS growth (%)	-27.3	55.7	6.5	17.8
Dividend yield (%)	2.4	1.6	1.7	2.0
Accounts receivable turnover (x)	3.5	3.6	3.6	3.6
Inventory turnover (x)	22.7	25.0	24.6	22.8
Accounts payable turnover (x)	1.2	1.3	1.3	1.3
ROA (%)	4.5	7.3	7.2	8.1
ROE (%)	6.7	10.4	10.5	11.7
Accounts payable to equity (%)	49.1	42.2	46.0	44.3
Total debt to equity (%)	28.8	23.0	25.2	23.3
Interest coverage ratio (x)	4.8	9.3	8.6	10.2

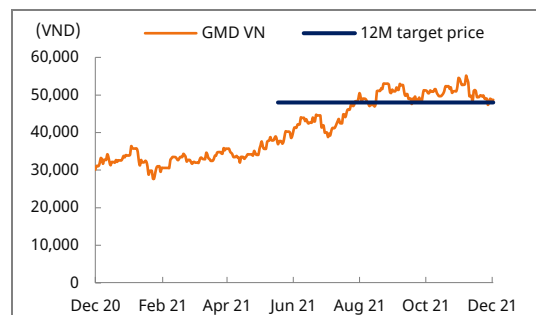
Source: Company data, Mirae Asset Vietnam Research

# Appendix 1

## Important disclosures and disclaimers

### Two-year rating and TP history

Company	Date	Rating	TP (VND)
Gemadep Corporation	12/15/2021	HOLD	50,500
Gemadep Corporation	05/27/2021	BUY	48,000



### Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

### Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

\* Our investment rating is a guide to the expected return of the stock over the next 12 months.

\* Outside of the official ratings of Mirae Asset Daewoo Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

\* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

\* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

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