

[Vietnam] Logistics

December 15, 2021

Gemadept Corporation

(GMD VN)

Maintain the recovery

Hold

(Update)

TP: VND50,500

Upside: 0.4%

Mirae Asset Securities (Vietnam) JSC.

Chau Bui chau.bn@miraesasset.com.vn

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 ()	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

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

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 Gemadep 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).

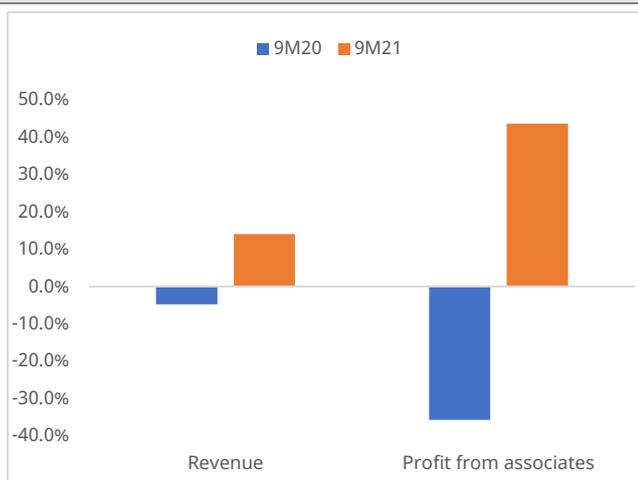
We forecast that throughput of the entire GMD system will continue to grow in 2022, with drivers from domestic production.

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

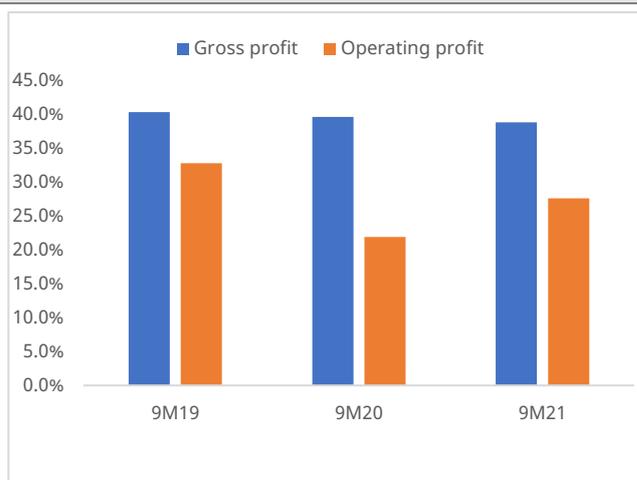
Source: Company data, Mirae Asset Vietnam Research

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

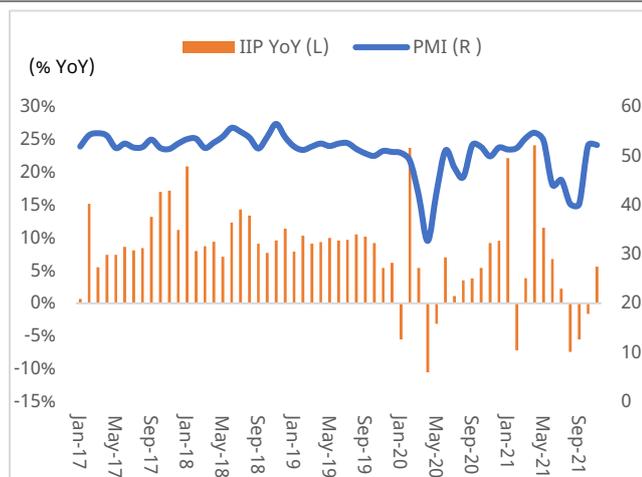
Growth drivers in 2021

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.

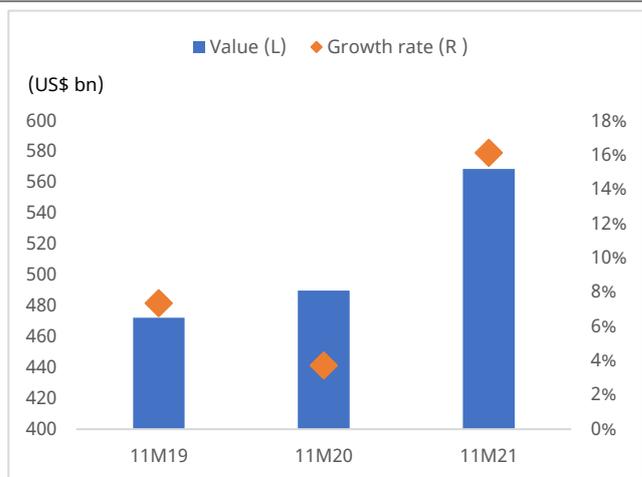
With a system of seaports in industrial centers across the country, we expect GMD to benefit in 2022, thanks to the recovery of production and shipping activities.

Figure 3. Vietnam IIP and PMI



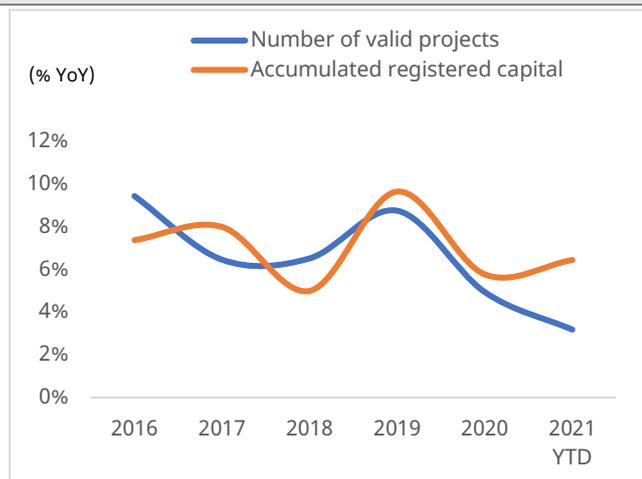
Source: GSO, PMI Markit, Mirae Asset Vietnam Research

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 Gemadep 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/QD-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

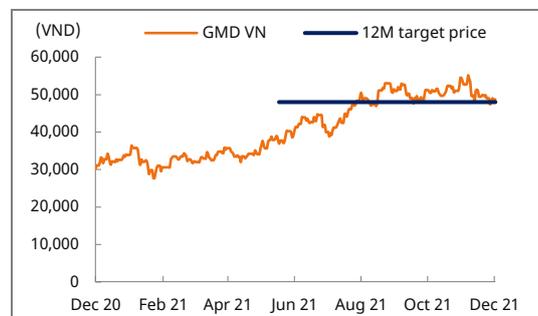
Source: Company data, Mirae Asset Vietnam Research

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.

Analyst certification

The research analysts who prepared this report (the “Analysts”) are subject to Vietnamese securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws and regulations thereof. Opinions expressed in this publication about the subject securities and companies accurately reflect the personal views of the Analysts primarily responsible for this report. MAS policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst’s area of coverage, and the Analysts do not serve as an officer, director or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. No part of the compensation of the Analysts was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report but, like all employees of MAS, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading and private client division. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or MAS except as otherwise stated herein.

Disclaimers

This report is published by Mirae Asset Securities (Vietnam) JSC (MAS), a broker-dealer registered in the Socialist Republic of Vietnam and a member of the Vietnam Stock Exchanges. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and MAS makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein or of any translation into English from the Vietnamese language. In case of an English translation of a report prepared in the Vietnamese language, the original Vietnamese language report may have been made available to investors in advance of this report.

The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws and accounting principles and no person whose receipt or use of this report would violate any laws and regulations or subject MAS and its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and it is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person and such person shall not be treated as a client of MAS by virtue of receiving this report. This report does not take into account the particular investment objectives, financial situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of the investments referred to in this report and the income from them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. MAS, its affiliates and their directors, officers, employees and agents do not accept any liability for any loss arising out of the use hereof.

MAS may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. MAS may make investment decisions that are inconsistent with the opinions and views expressed in this research report. MAS, its affiliates and their directors, officers, employees and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. MAS and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of MAS.

Mirae Asset Securities International Network

Mirae Asset Daewoo Co., Ltd. (Seoul)

One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

PT. Mirae Asset Sekuritas Indonesia

Equity Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-53
Jakarta Selatan 12190
Indonesia

Tel: 62-21-515-3281

Mirae Asset Securities Mongolia UTsK LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392

Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil

Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) JSC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)
