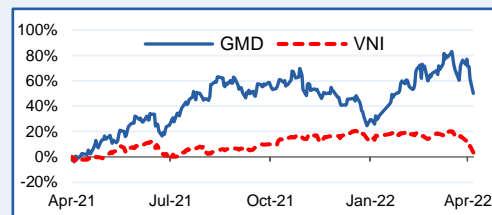




Gemadept (GMD)

AGM Note & Earnings Flash

Industry	Ports		2021	2022F	2023F	2024F
Report Date	April 25, 2022	Rev y/y	23.1%	8.3%	9.3%	6.7%
Current Price	VND48,750	EPS y/y	65.4%	27.6%	30.6%	21.4%
Target Price*	VND57,400	GPM	35.7%	36.1%	36.3%	36.8%
Upside to TP	+17.7%	NPM	18.9%	22.6%	27.4%	31.6%
Dividend Yield	2.1%	EV/EBITDA **	12.8x	10.0x	8.3x	7.0x
TSR	+19.8%	P/E	26.3x	20.6x	15.8x	13.0x
Rating*	OUTPERFORM	P/B	2.3x	2.2x	2.0x	1.8x



Market Cap	USD638.8mn	<u>GMD</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room	USD33.8mn	EV/EBITDA** ^	11.2x	7.0x
ADTV30D	USD8.0mn	P/E (ttm)	21.7x	12.8x
State Ownership	0.0%	P/B (curr)	2.0x	1.8x
Outstanding Shares	301.4 mn	ROE	11.5%	13.3%
Fully Diluted Shares	305.9 mn	ROA	6.9%	9.2%

^ ttm; * TP and rating last updated February 22, 2022;

** EBITDA includes net income from affiliates

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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Strong Q1 2022 results; rights issuance plan approved

- We attended GMD's AGM on April 25 in HCMC.
- Shareholders approved GMD's 2022 guidance for revenue of VND3.8tn (USD165mn; +19% YoY) and PBT of VND1.0tn (USD43mn; +24% YoY), representing 109% and 99% of our respective forecasts. In a more positive scenario, management aims to achieve 2022 revenue of VND3.85tn (USD167mn; +20% YoY) and PBT of VND1.2tn (USD52mn; +49% YoY).
- GMD released Q1 2022 results with revenue increasing 28% YoY to VND880bn (USD38mn) and NPAT-MI surging 86% YoY to VND274bn (USD12mn), representing 25% and 35% of our respective full-year forecasts. The upbeat profit growth in Q1 2022 was thanks to Gemalink, which has been profitable since Q3 2021, according to the company. We anticipate no major risks to our forecasts as GMD's core businesses were broadly in line with our expectation and as the high completion rate of the bottom line in Q1 2022 was mainly thanks to low other losses, which normally are incurred in H2.
- Shareholders also approved a FY2021 cash dividend of VND1,200/share — equivalent to a dividend yield of 2.5% — which is higher than our expectation of VND1,000/share.
- For FY2021, shareholders approved BOD fund and bonus & welfare fund allocations of 3% and 5% of 2021 NPAT-MI, respectively — unchanged vs the respective rates for FY2020.
- Additionally, shareholders approved a rights issue for a total of approximately 100.5 million shares at an issuing price of VND20,000/share. The rights issue ratio is proposed at 90:30 (i.e., a shareholder who owns 90 shares can buy 30 new shares). The issuance is expected to occur in 2022 after approval from the State Securities Commission. The proceeds are planned to finance investments in Nam Dinh Vu Phase 2 (40% of proceeds) and Gemalink Phase 2 (50%), in addition to fixed assets purchases for the company's businesses (10%). We have not yet factored this proposed rights issue into our forecasts and valuation.
- Shareholders appointed Mr. Nguyen Van Hung as an independent BOD member to replace Ms. Ha Thu Hien following her resignation.

Management shared its bright outlook for Gemalink. Management expects to fulfill Gemalink's Phase 1 capacity of ~1.5 million TEUs in 2022 vs our more conservative volume forecast of 1.3 million TEUs or 90% of Phase 1 capacity. Management also shared that several investors (including global shipping lines) have expressed intentions to acquire stake in Gemalink. Per GMD, the company is still negotiating and prefers to sell a maximum 24% stake to a strategic global shipping line. In Q1 2022, we estimate Gemalink made a profit of VND36bn (USD1.6mn) vs a loss of around VND35bn (USD1.6mn) in Q1 2021.

Nam Dinh Vu (NDV) Phase 2 started its development in late 2021. Per management, NDV Phase 2 had completed ~25% of its construction as of end-Q1 2022. The company expects to operate Phase 2 in Q1 2023, which will add around 600,000 TEUs of capacity (or ~52% of GMD's current capacity) to the Hai Phong port cluster.

GMD targets to divest from rubber plantations in 2022. GMD is still looking for investors to divest its natural rubber plantations in Cambodia. Management has expressed that it targets to divest these projects over the short term to leverage the current favorable conditions of the natural rubber sector. Moreover, GMD stated that it is continuing to focus on maintaining planted rubber trees without new investment.

Port segment's Q1 2022 performance was broadly in line with our expectation. Port revenue increased 26% YoY to VND736bn (USD32mn) in Q1 2022, completing ~25% of our full-year forecast. Although GMD has not provided a revenue breakdown for its ports, we believe the main revenue drivers were GMD's downstream ports in Hai Phong.

GMD's Q1 2022 net income from affiliates was mainly driven by Gemalink and Saigon Cargo Service (HOSE: SCS). In Q1 2022, net income from affiliates jumped 5.1x YoY to VND126bn (USD5.5mn), which was mainly driven by (1) Gemalink achieving profit of VND36bn (USD1.6mn) vs a loss of around VND35bn (USD1.6mn) in Q1 2021 (per our estimates), and (2) SCS's bottom line surging 37% YoY to VND188bn (USD8.2mn). Gemalink and SCS made up ~76% of GMD's net income from affiliates in Q1 2022.

Figure 1: GMD's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY Growth	VCSC's 2022F	Q1 2022 vs VCSC's 2022F
Total revenue	687	880	28.0%	3,471	25.3%
<i>Ports</i>	582	736	26.3%	3,006	24.5%
<i>Logistics and others</i>	105	144	37.2%	466	30.9%
Gross profit	259	352	36.0%	1,252	28.1%
<i>Ports</i>	229	294	28.8%	1,127	26.1%
<i>Logistics and others</i>	30	58	90.3%	125	46.1%
SG&A expenses	-100	-110	10.3%	-502	22.0%
Operating profit	159	242	52.2%	751	32.2%
Financial income	22	4	-80.5%	37	11.5%
Financial expenses	-28	-32	17.4%	-163	19.8%
Net income from affiliates	25	126	408.8%	494	25.4%
Net other (losses)/gain	14	11	-23.2%	-104	N.M.
PBT	192	350	82.4%	1,014	34.5%
NPAT	172	319	85.7%	938	34.0%
MI	25	45	83.7%	155	29.4%
NPAT-MI	147	274	86.1%	783	35.0%
GPM	37.7%	40.0%		36.1%	
<i>Ports</i>	39.3%	40.0%		37.5%	
<i>Logistics</i>	28.9%	40.1%		26.9%	
OPM	23.1%	27.5%		21.6%	
NPM	21.4%	31.1%		22.6%	

Source: GMD, VCSC forecasts (last updated February 22, 2022)

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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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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