

# Gemadept (GMD) [BUY +31.8%]

# Update Report

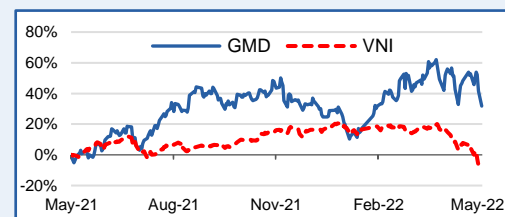
<b>Industry:</b>	<b>Ports</b>		<u>2021</u>	<u>2022F</u>	<u>2023F</u>	<u>2024F</u>
<b>Report Date:</b>	<b>May 16, 2022</b>	Rev Growth	23.1%	8.3%	9.3%	6.7%
Current Price:	VND48,400	EPS Growth	67.4%	12.4%	33.7%	23.5%
Target Price:	VND62,600	GPM	35.6%	36.1%	36.3%	36.8%
Last Target Price:	VND57,400	NPM	19.1%	22.8%	28.3%	33.2%
Upside to TP:	+29.3%	EV/EBITDA*	12.7x	10.0x	8.3x	7.0x
Dividend Yield:	2.5%	P/E	25.8x	22.9x	17.1x	13.9x
TSR:	+31.8%	P/B	2.3x	1.9x	1.8x	1.7x

Market Cap:	USD631.9mn
Foreign Room:	USD26.4mn
ADTV30D:	USD7.0mn
State Ownership:	0.0%
Outstanding Shares:	301.4 mn
Fully Diluted Shares**:	341.6 mn

\*\* adjusted for potential right issue

	<u>GMD</u>	<u>Peers</u>	<u>VNI</u>
EV/EBITDA^A	11.1x	7.3x	N/A
P/E (ttm)	23.2x	15.7x	12.8x
P/B (curr)	2.0x	1.7x	2.0x
ROE	11.5%	12.7%	15.8%
ROA	6.9%	9.0%	2.6%

^ ttm; \* EBITDA includes net income from affiliates



## Company Overview:

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

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## Gemalink Phase 2 to be key profit driver from 2023F

- We upgrade our rating for GMD to BUY from OUTPERFORM and raise our target price (TP) by 9.1% to VND62,600/share.
- Our higher TP is mainly driven by (1) the positive effect from rolling our TP to mid-2023 vs previously end-2022 and (2) our higher capacity assumption for the Gemalink deep-sea port Phase 2 following management's new capacity guidance. These factors are partially offset by the dilution effect from an upcoming rights issuance for a total of approximately 100.5 million shares at an issuing price of VND20,000/share, which was approved by shareholders at GMD's AGM on April 25, 2022 (see page 5).
- We broadly maintain our NPAT-MI forecasts for 2022F and raise our aggregate NPAT-MI forecasts for 2023-2024F by 4.3% thanks to GMD's deleveraging financial position after the rights issue as well as increasing our aggregated NPAT-MI forecasts for 2025-2030F by 13%, which mainly reflects our higher capacity assumption for Gemalink Phase 2.
- For 2022F, we forecast revenue of VND3.5tn (USD152mn; +8.3% YoY) and NPAT-MI of VND790bn (USD34mn; +29% YoY). We assume upbeat profit growth in 2022F will be mainly driven by a full-year profit contribution from Gemalink.
- We note that Gemalink is recorded as GMD's affiliate despite the company owning a 65% stake in the port; as a result, our forecast for single-digit revenue growth in 2022F has not factored in the revenue contribution from Gemalink.
- We expect GMD to be a major beneficiary of growing manufacturing activity in Vietnam. Despite GMD trading at high premium vs its peer median, the port operator is set for a solid capacity expansion and superior profit growth in the next three years thanks to Gemalink.
- Downside risks to our view: Lower growth in throughput and/or tariffs; slower development of Vietnam's transportation infrastructure network.

**Gemalink Phase 2 is expected to start operation in 2023F**, and the company targets to increase its capacity compared to what was previously planned. GMD shared that it is in the process of adjusting the investment plan of Gemalink Phase 2; this plan targets to increase Phase 2's capacity to 1.5 million TEUs vs the previously planned 900,000 TEUs by expanding the port's berth and equipping more modern and efficient machinery. GMD expects to partially start Phase 2's operations in 2023F and fully operate from 2024F. Following management's new target for Gemalink Phase 2's capacity, we raise our capacity assumption for Gemalink (Phase 1 & 2) to 3 million TEUs in total vs previously 2.4 million TEUs and raise our aggregate NPAT-MI forecasts for GMD by 13% in 2025-2030F.

**Successful divestment from rubber plantations to be a catalyst.** Management has expressed that it targets to divest its rubber plantations in Cambodia over the short term to leverage the currently favorable conditions of the natural rubber sector. We believe a successful divestment from these projects will be a positive catalyst for GMD.

## Q1 2022 Recap: Strong profit growth thanks to Gemalink

Figure 1: GMD's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY Growth	Q1 2022 as % of Old 2022F	VCSC comment
<b>Revenue</b>	<b>687</b>	<b>880</b>	<b>28.0%</b>	<b>25.3%</b>	
					* Port revenue increased 26% YoY to VND736bn (USD32mn) in Q1 2022, completing ~25% of our full-year forecast.
<i>Ports</i>	582	736	26.3%	24.5%	* Although GMD has not provided a revenue breakdown for its ports, we believe the main revenue drivers in Q1 2022 were GMD's downstream ports in Hai Phong.
					* According to data provided by Vietnam Port Associate (VPA), total container throughput in GMD's downstream Nam Dinh Vu and Nam Hai Dinh Vu ports was up 38% YoY in Q1 2022.
<i>Logistics &amp; others</i>	105	144	37.2%	30.9%	
<b>Gross Profit</b>	<b>259</b>	<b>352</b>	<b>36.0%</b>	<b>28.1%</b>	
SG&A expenses	-100	-110	10.3%	22.0%	
<b>Operating profit</b>	<b>159</b>	<b>242</b>	<b>52.2%</b>	<b>32.2%</b>	
Financial income	22	4	-80.5%	11.5%	
Financial expenses	-28	-32	17.4%	19.8%	
Net income from affiliates	25	126	408.8%	25.4%	* 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 while SCS made up ~76% of GMD's net income from affiliates in Q1 2022.
Net other (loss)/gain	14	11	-23.2%	N.M.	
<b>Profit before tax</b>	<b>192</b>	<b>350</b>	<b>82.4%</b>	<b>34.5%</b>	
NPAT before MI	<b>172</b>	<b>319</b>	<b>85.7%</b>	<b>34.0%</b>	
MI	25	45	83.7%	29.4%	
<b>NPAT-MI</b>	<b>147</b>	<b>274</b>	<b>86.1%</b>	<b>35.0%</b>	* The upbeat profit growth in Q1 2022 was thanks to Gemalink, which has been profitable since Q3 2021, according to the company. Meanwhile, GMD's core businesses were broadly in line with our expectation.
<i>GPM</i>	37.7%	40.0%			
<i>Ports</i>	39.3%	40.0%			
<i>Logistics</i>	28.9%	40.1%			
<i>OPM</i>	23.1%	27.5%			
<i>NPM</i>	21.4%	31.1%			

Source: GMD, VCSC

## 2022 Outlook: Gemalink to drive profit growth

Figure 2: 2022 forecast for GMD

VND bn	2021A	Old 2022F	New 2022F	YoY Growth	VCSC assumptions
<b>Revenue</b>	<b>3,206</b>	<b>3,471</b>	<b>3,471</b>	<b>8.3%</b>	
<i>Ports</i>	2,762	3,006	3,006	8.8%	* We maintain our forecast for GMD's port revenue increasing 8.8% YoY to VND3tn (USD130mn), which we expect will mainly be driven by GMD's downstream ports in the Hai Phong port cluster.
<i>Logistics &amp; others</i>	444	466	466	5.0%	
<b>Gross Profit</b>	<b>1,142</b>	<b>1,252</b>	<b>1,252</b>	<b>9.6%</b>	
SG&A expenses	-449	-502	-493	9.9%	
<b>Operating profit</b>	<b>693</b>	<b>751</b>	<b>759</b>	<b>9.5%</b>	
Financial income	40	37	45	13.8%	
Financial expenses	-108	-163	-164	52.1%	
Net income from affiliates	237	494	489	106.4%	* We maintain our forecast for Gemalink to make a profit of VND270bn (USD11mn) in 2022F with an expected cargo throughput of 1.3 million TEUs — or ~90% of Phase 1 capacity. * For 2022F, we expect Gemalink to contribute 36% to GMD's net income from affiliates. * We forecast GMD's other major affiliates — including SCS and CJ GMD Logistics & Shipping — to also achieve solid YoY net income growth in 2022F of 24% and 15% YoY, respectively.
Net other gain/(loss)	-55	-104	-104	88.5%	* We believe net other losses were mainly derived from uncapitalized expenses from natural rubber plantations in Cambodia, which we expect will happen in H2 2022.
<b>Profit before tax</b>	<b>806</b>	<b>1,014</b>	<b>1,024</b>	<b>27.1%</b>	
NPAT before MI	721	938	946	31.3%	
MI	108	155	156	44.1%	
<b>NPAT-MI, reported</b>	<b>612</b>	<b>783</b>	<b>790</b>	<b>29.1%</b>	
<i>GPM</i>	35.6%	36.1%	36.1%		
<i>Ports</i>	37.0%	37.5%	37.5%		
<i>Logistics</i>	27.4%	26.9%	26.8%		
<i>OPM</i>	21.6%	21.6%	21.9%		
<i>NPM</i>	19.1%	22.6%	22.8%		

Source: GMD, VCSC

## Valuation

**We apply a sum-of-the-parts (SoTP) approach to value GMD.** We use the SoTP approach for GMD given the large contribution from its affiliates as well as the company's intention to divest its non-core assets.

We apply an unchanged valuation discount of 10% on GMD in order to factor in its conglomerate structure as well as its limited information access related to its non-core businesses (real estate and rubber plantations). Our SoTP valuation includes:

**(1) Port and consolidated logistics segments**, which we value using a DCF method as these businesses mostly generate predictable cash flows.

**(2) Saigon Cargo Service (SCS)**, which is the main contributor to GMD's net income from affiliates. We value SCS using a DCF method. For more information on our view and valuation of SCS, please see our [May 13, 2022 SCS Update Report](#).

**(3) Gemalink port**, which we value using a DCF method. We value Gemalink separately as we do not yet have sufficient information on its financial position and timeline to consolidate this project into our forecast for the core business.

**(4) Rubber plantations**, which we value by a P/B approach. We apply a target P/B of 1.0x, which is equivalent to the two-year average median P/B of selected peers. We benchmark GMD's rubber plantations against selected pure rubber plantation peers in Vietnam as there are no listed peers in Cambodia. We believe the isolated location of GMD's rubber plantations in Cambodia has limited potential for redevelopment.

**(5) CJ Gemadept Logistics and CJ Gemadept Shipping**, which we value using relative P/E multiples. We apply a target P/E of 12.0x, which is equivalent to the two-year average median P/E of selected peers. We benchmark CJ Gemadept Logistics and Shipping against other listed logistics players in Asia that also provide integrated logistics services and are small and geographically concentrated to their own domestic markets.

**(6) Real estate projects and other investments**, which we value at book value given the current uncertainty around land-use rights approval and development timelines.

**Figure 3: Valuation summary**

VND bn	Method	Value	GMD's ownership	Equity value attributed to GMD
Ports and consolidated logistics	DCF	9,130	100.0%	9,130
SCS	DCF	9,654	34.5%	3,333
Rubber plantation	P/B	1,571	100.0%	1,571
Gemalink port	DCF	9,750	65.1%	6,350
CJ Gemadept Logistics & Shipping	P/E	2,194	49.1%; 51.0%	1,097
Others (*)	BV	360	100.0%	360
<b>Total Equity Value</b>				<b>21,841</b>
Discount (%)				10%
<b>Discounted equity value ***</b>				<b>21,666</b>
Share count (million) **				346.1
<b>Target price (VND/share)</b>				<b>62,600</b>
Upside to target price				+29.3%
Dividend yield				2.5%
<b>TSR</b>				<b>+31.8%</b>
2022F PER at TP				29.6x
2023F PER at TP				22.2x
2022F EV/EBITDA at TP				14.2x
2023F EV/EBITDA at TP				11.8x

Source: VCSC. Note: (\*) Including other affiliates (real estate projects, K'Line Logistics and Mekong Logistics) and long-term investments; (\*\*) factoring expected ESOP issuance and the fair value element of potential rights issue in 2022F; (\*\*\*) including VND2tn (USD87mn) proceeds from rights issue.

## GMD's planned rights issue and our related assumptions

**Figure 4: Summary of GMD's rights issue plan, which was approved at GMD's AGM on April 25, 2022**

Right issue	
Timeline of issuance	2022 after approval from the State Securities Commission
Rights issue ratio	90:30 (a shareholder who owns 90 shares can buy 30 new shares)
Number of shares to be issued	100.5 million shares
Exercise price	VND20,000/share
Proceeds	VND2tn (USD87mn). 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%).

Source: GMD, VCSC

**Figure 5: Summary of our assumption for GMD's rights issue**

Our assumption	
Pre-money share price for market capitalization calculation (1)	VND18.1tn (USD787mn)
(1) = our assumed share price before ex-rights date of the rights issue ( <b>VND60,000/share</b> ) multiplied by pre-rights issue share outstanding	
Theoretical diluted price (2)	VND50,000
(2) = [(1) + proceeds from exercised rights] / (GMD's current outstanding shares + issued share amount)	
Fair value element of the rights issue (3)	40.2 million shares
(3) = proceeds/(2)	
Bonus element of the rights issue (4)	60.3 million shares
(4) = Issued share amount - (3)	

Source: VCSC

## Port and consolidated logistics segments

**Figure 6: Port and consolidated logistics DCF valuation**

Cost of Capital	Previous	Revised	FCFF (10-Year)	VND bn
Beta	0.9	0.9	PV of Free Cash Flows	4,827
Market Risk Premium %	7.0%	7.0%	PV of Terminal Val (0.0% g)	6,336
Risk Free Rate %	5.5%	5.5%	<b>PV of FCF and TV</b>	<b>11,163</b>
Cost of Equity %	11.8%	11.8%	+ Cash & ST investments	614
Cost of Debt %	10.0%	10.0%	- Debt	-1,876
Debt %	30.0%	30.0%	- Minority Interest	-771
Equity %	70.0%	70.0%	<b>Equity Value</b>	<b>9,130</b>
Corporate Tax Rate %	10.0%	10.0%	Shares (million)*	346.1
<b>WACC %</b>	<b>11.0%</b>	<b>11.0%</b>	<b>Value per share, VND</b>	<b>26,400</b>

Source: Bloomberg, VCSC. Note: (\*) factoring expected ESOP issuance and the fair value element of potential rights issue in 2022F.

**Figure 7: Port and consolidated logistics cash flow summary**

VND bn	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
<b>EBIT</b>	<b>759</b>	<b>846</b>	<b>933</b>	<b>1,059</b>	<b>1,100</b>	<b>1,246</b>	<b>1,379</b>	<b>1,506</b>	<b>1,570</b>	<b>1,617</b>
- Tax	-81	-90	-99	-134	-139	-157	-174	-190	-198	-204
+ Dep.	421	489	563	627	650	660	669	683	707	744
- Capex	-1,385	-960	-1,547	-667	-230	-230	-230	-230	-230	-230
- Working cap increase	51	-105	-85	-94	-71	-156	-149	-129	-76	-62
<b>Free Cash Flow</b>	<b>-235</b>	<b>180</b>	<b>-236</b>	<b>791</b>	<b>1,310</b>	<b>1,362</b>	<b>1,494</b>	<b>1,640</b>	<b>1,772</b>	<b>1,865</b>
PV of FCF	-223	154	-182	550	821	769	760	752	732	694
<b>Cumulative PV of FCF</b>	<b>-223</b>	<b>-69</b>	<b>-251</b>	<b>299</b>	<b>1,120</b>	<b>1,889</b>	<b>2,649</b>	<b>3,400</b>	<b>4,133</b>	<b>4,827</b>

Source: VCSC

## SCS — air cargo terminal affiliate

**Figure 8: Valuation summary**

VND bn	Valuation method	Value
<b>SCS</b>	<b>Five-year DCF</b>	<b>9,654</b>
GMD ownership stake % in SCS		34.5%
<b>Equity value attributed to GMD</b>		<b>3,333</b>

Source: VCSC

## Rubber plantations

We apply our target P/B of 1.0x for GMD's rubber plantations in Cambodia — in line with the two-year average peer median P/B.

**Figure 9: Rubber plantation peers in Vietnam (USD mn)**

Company	Country	Mkt cap	TTM Net Sales	YoY %	TTM NPAT	YoY %	Debt/ Equity	ROE	TTM P/E	LQ P/B	TTM EV/ EBIT-DA
Tan Bien Rubber JSC	Vietnam	103	39	33%	11	50%	18.9%	18.4%	9.4x	1.7x	8.9x
Ba Ria Rubber JSC	Vietnam	95	22	27%	6	34%	0.0%	11.1%	15.0x	1.6x	16.4x
Dong Phu Rubber JSC	Vietnam	127	53	-1%	19	119%	2.0%	21.2%	6.8x	1.3x	5.4x
Daklak Rubber JSC	Vietnam	36	26	33%	4	249%	36.1%	11.4%	9.8x	1.2x	4.0x
<b>Median</b>		<b>99</b>	<b>32</b>	<b>30%</b>	<b>9</b>	<b>85%</b>	<b>10.4%</b>	<b>14.9%</b>	<b>9.6x</b>	<b>1.5x</b>	<b>7.2x</b>
<b>Average</b>		<b>90</b>	<b>35</b>	<b>23%</b>	<b>10</b>	<b>113%</b>	<b>14.2%</b>	<b>15.6%</b>	<b>10.2x</b>	<b>1.5x</b>	<b>8.7x</b>

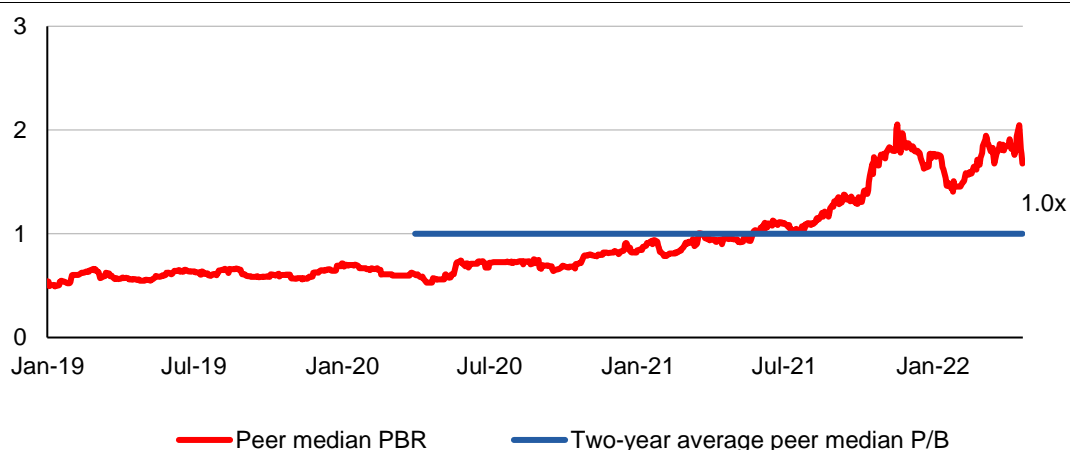
Source: Bloomberg, VCSC (data as of May 12, 2022)

**Figure 10: Rubber plantation valuation summary**

VND bn	Value
Book value	1,571
Target P/B	1.0x
<b>Equity value</b>	<b>1,571</b>
GMD ownership stake %	100%
<b>Equity value attributed to GMD</b>	<b>1,571</b>

Source: VCSC

**Figure 11: Rubber peer median PBR (x)**



Source: Bloomberg, VCSC



## Gemalink port

Figure 12: VCSC's forecast for Gemalink's top line

VND bn	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F
<b>Revenue</b>	<b>1,829</b>	<b>2,515</b>	<b>3,530</b>	<b>4,766</b>	<b>5,742</b>	<b>5,915</b>	<b>6,092</b>	<b>6,214</b>	<b>6,338</b>	<b>6,465</b>	<b>6,594</b>	<b>6,726</b>	<b>6,861</b>	<b>6,998</b>	<b>7,138</b>
Throughput (TEUs, 000's)	1,330	1,663	2,161	2,702	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Average tariff (VND mn /TEU)	1.38	1.51	1.63	1.76	1.85	1.91	1.97	2.00	2.04	2.09	2.13	2.17	2.21	2.26	2.30

Source: VCSC

Figure 13: Gemalink DCF valuation

Cost of Capital	Previous	Revised	FCFF (15-Year) - VND bn	Value
Beta	0.9	0.9	PV of Free Cash Flows	9,716
Market Risk Premium %	7.0%	7.0%	PV of Terminal Val (0.0% g)	4,118
Risk Free Rate %	5.5%	5.5%	<b>PV of FCF and TV</b>	<b>13,834</b>
Cost of Equity %	11.8%	11.8%	- Net debt *	4,083
Cost of Debt %	10.0%	10.0%	- Others	0
Debt %	30.0%	30.0%	<b>Equity Value</b>	<b>9,750</b>
Equity %	70.0%	70.0%	<b>Effective ownership</b>	<b>65.1%</b>
Corporate Tax Rate %	10.0%	10.0%	Shares (million)	346.1
<b>WACC %</b>	<b>11.0%</b>	<b>11.0%</b>	<b>Value per share, VND</b>	<b>18,300</b>

Source: VCSC. Note: (\*) We currently assume Gemalink will disburse all of the total required debt balance as of end-2022.

Figure 14: Gemalink's cash flow assumption summary

VND bn	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F
<b>EBIT</b>	<b>530</b>	<b>792</b>	<b>1,165</b>	<b>1,620</b>	<b>1,981</b>	<b>2,070</b>	<b>2,132</b>	<b>2,175</b>	<b>2,250</b>	<b>2,263</b>	<b>2,324</b>	<b>2,388</b>	<b>2,453</b>	<b>2,519</b>	<b>2,587</b>
- Tax	0	0	117	162	198	207	213	217	225	226	349	478	491	504	517
+ Dep.	372	428	428	428	428	428	428	428	428	428	428	428	428	428	428
- Capex	-2,415	-1,691	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Free Cash Flow</b>	<b>-1,507</b>	<b>-458</b>	<b>1,489</b>	<b>1,899</b>	<b>2,223</b>	<b>2,304</b>	<b>2,359</b>	<b>2,398</b>	<b>2,465</b>	<b>2,477</b>	<b>2,416</b>	<b>2,351</b>	<b>2,403</b>	<b>2,456</b>	<b>2,510</b>
PV of FCF	-1,431	-392	1,148	1,319	1,392	1,300	1,200	893	827	749	659	577	532	490	451
<b>Cumulative PV of FCF</b>	<b>-1,431</b>	<b>-1,823</b>	<b>-674</b>	<b>645</b>	<b>2,037</b>	<b>3,338</b>	<b>4,538</b>	<b>5,430</b>	<b>6,258</b>	<b>7,007</b>	<b>7,665</b>	<b>8,243</b>	<b>8,774</b>	<b>9,264</b>	<b>9,716</b>

Source: VCSC

## CJ Gemadept Logistics & CJ Gemadept Shipping

Figure 15: Selected peers of CJ Gemadept Logistics & CJ Gemadept Shipping (USD mn)

Company	Country	Mkt cap	TTM Net Sales	YoY %	TTM NPAT	YoY %	Debt/Equity	ROE	TTM P/E	LQ P/B	TTM EV/EBIT-DA
TASCO Bhd	Malaysia	184	355	56%	16	58%	42%	13%	12.4x	1.6x	7.2x
Chien Shing Harbour	Taiwan	128	90	30%	20	113%	173%	21%	6.3x	1.3x	8.8x
South Logistics JSC	Vietnam	135	133	38%	10	42%	13%	14%	13.2x	1.7x	8.3x
Tiger Logistics	India	30	23	-44%	-2	0%	36%	-26%	NA	5.5x	13.4x
CJ Century Logistics	Malaysia	80	207	43%	2	628%	42%	2%	19.5x	0.8x	6.4x
T3EX Global Holdings	Taiwan	550	1,444	118%	160	392%	13%	59%	3.5x	1.5x	1.5x
<b>Median</b>		<b>132</b>	<b>170</b>	<b>41%</b>	<b>13</b>	<b>86%</b>	<b>39%</b>	<b>13%</b>	<b>12.4x</b>	<b>1.5x</b>	<b>7.8x</b>
<b>Average</b>		<b>185</b>	<b>375</b>	<b>40%</b>	<b>34</b>	<b>205%</b>	<b>53%</b>	<b>14%</b>	<b>11.0x</b>	<b>2.1x</b>	<b>7.6x</b>

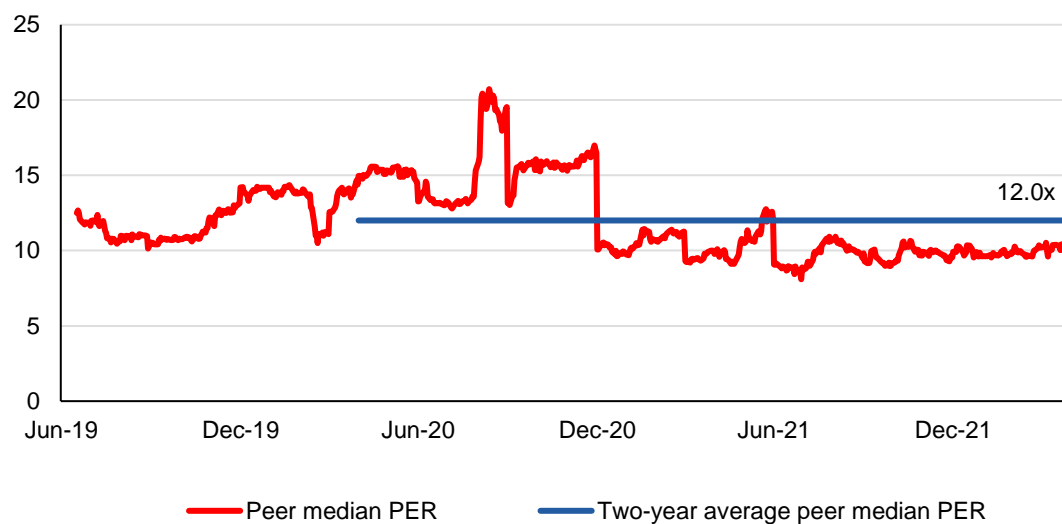
Source: Bloomberg, VCSC (data as of May 12, 2022)

**Figure 16: CJ Gemadept Logistics & CJ Gemadept Shipping valuation summary**

VND bn	Value
2022F Net income	183
Target P/E	12.0x
<b>Equity value</b>	<b>2,194</b>
GMD ownership stake %	49.1%; 51.0%*
<b>Equity value attributed to GMD</b>	<b>1,097</b>

Source: VCSC. Note: (\*) We assume an average of 50%.

**Figure 17: Logistics peer median PER (x)**



Source: Bloomberg, VCSC



## Peer comparison

We benchmark GMD against small and mid-sized listed port operators in Asia whose revenues are mainly derived from container port operations — as well as operators who are also geographically concentrated to one or two port clusters.

GMD is trading at a TTM of 23.2x, which is a 48% premium compared its peer median. However, we believe GMD's valuation is attractive following its solid capacity expansion vs its peers who mostly have been in a mature phase without capacity expansion — in addition to its superior profit growth in the next three years thanks to Gemalink.

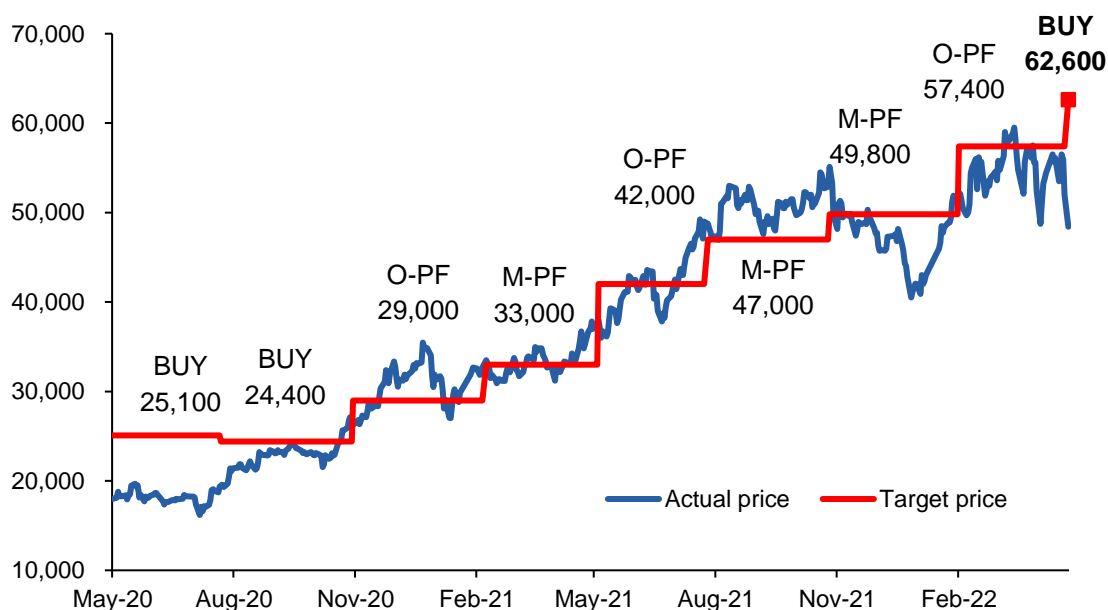
**Figure 18: GMD's comparable peers (USD mn)**

Company	Country	Mkt cap	TTM Net Sales	YoY %	TTM NPAT	YoY %	Debt/Equity	ROE	TTM P/E	LQ P/B	TTM EV/EBIT-DA
PHP	Vietnam	272	101	10%	24	10%	13%	13%	11.6x	1.4x	5.8x
VSC	Vietnam	227	84	12%	13	24%	0%	13%	15.7x	1.9x	6.2x
Tianjin Port Co Ltd	China	1,683	2,132	-5%	141	17%	32%	5%	13.5x	0.7x	7.5x
Westports Holdings Bhd	Malaysia	3,175	486	1%	180	6%	39%	26%	18.5x	4.7x	10.8x
Gujarat Pipavav Port Ltd	India	491	92	-7%	30	-31%	2%	10%	17.1x	1.7x	7.3x
<b>Median</b>		<b>491</b>	<b>101</b>	<b>1%</b>	<b>30</b>	<b>10%</b>	<b>13%</b>	<b>13%</b>	<b>15.7x</b>	<b>1.7x</b>	<b>7.3x</b>
<b>Average</b>		<b>1,170</b>	<b>579</b>	<b>2%</b>	<b>78</b>	<b>5%</b>	<b>17%</b>	<b>13%</b>	<b>15.3x</b>	<b>2.1x</b>	<b>7.5x</b>
<b>Gemadep JSC</b>	<b>Vietnam</b>	<b>632</b>	<b>149</b>	<b>26%</b>	<b>32</b>	<b>83%</b>	<b>27%</b>	<b>12%</b>	<b>23.2x</b>	<b>2.0x</b>	<b>11.1x</b>

Source: Bloomberg, VCSC (data for peers is as of May 12, 2022)

## Recommendation History

**Figure 19: Historical VCSC target price vs share price (VND/share)**



Source: Bloomberg, VCSC

## Financial Statements

P&L (VND bn)	2021A	2022F	2023F	2024F
<b>Revenue</b>	<b>3,206</b>	<b>3,471</b>	<b>3,794</b>	<b>4,050</b>
COGS	-2,064	-2,219	-2,416	-2,561
<b>Gross Profit</b>	<b>1,142</b>	<b>1,252</b>	<b>1,378</b>	<b>1,490</b>
Sales & Marketing exp.	-154	-169	-186	-193
General & Admin exp.	-295	-324	-346	-364
<b>Operating Profit</b>	<b>693</b>	<b>759</b>	<b>846</b>	<b>933</b>
Financial Income	40	45	31	20
Financial Expenses	-108	-164	-119	-95
- o/w Interest Expense	-119	-134	-89	-64
Associates	237	489	676	885
Net Other Income/(Loss)	-55	-104	-76	-51
Profit Before Tax	806	1,024	1,358	1,692
Income Tax	-86	-78	-104	-129
NPAT Before MI	721	946	1,254	1,563
Minority Interest	108	156	182	219
<b>NPAT Less MI, Reported</b>	<b>612</b>	<b>790</b>	<b>1,073</b>	<b>1,344</b>
EBITDA	1,072	1,179	1,335	1,495
EPS Reported (1), VND	1,879	2,112	2,824	3,487
EPS Reported (2), VND	1,879	1,799	2,411	2,982
DPS Reported, VND	1,200	1,200	1,500	2,000
DPS/EPS Report (1) (%)	64%	57%	53%	57%

RATIOS	2021A	2022F	2023F	2024F
<b>Growth YoY</b>				
Revenue	23.1%	8.3%	9.3%	6.7%
Op. Profit (EBIT)	48.3%	9.5%	11.5%	10.2%
PBT	57.3%	27.1%	32.6%	24.6%
Reported EPS	67.4%	12.4%	33.7%	23.5%

<b>Profitability</b>				
Gross Profit Margin	35.6%	36.1%	36.3%	36.8%
Op. Profit, (EBIT) Margin	21.6%	21.9%	22.3%	23.0%
EBITDA Margin	33.4%	34.0%	35.2%	36.9%
NPAT-MI Margin	19.1%	22.8%	28.3%	33.2%
ROE	10.0%	10.5%	11.9%	13.7%
ROA	7.0%	8.0%	9.6%	11.3%

<b>Efficiency</b>				
Days Inventory On Hand	13	12	12	12
Days Accts, Receivable	97	95	93	94
Days Accts, Payable	65	64	63	63
Cash Conversion Days	44	43	42	43

<b>Liquidity</b>				
Current Ratio	0.7x	1.1x	0.8x	0.6x
Quick Ratio	0.7x	1.0x	0.7x	0.5x
Cash Ratio	0.3x	0.6x	0.3x	0.1x
Debt / Assets %	18.7%	12.0%	6.1%	5.9%
Debt / Capital %	21.4%	12.9%	7.1%	6.6%
Net Debt / Equity	21.2%	8.1%	-7.1%	-0.3%
Interest Coverage	9.0x	8.8x	15.1x	23.2x

B/S (VND bn)	2021A	2022F	2023F	2024F
Cash & Equivalents	637	1,542	841	285
ST Investment	52	52	52	52
Accounts Receivables	842	877	959	1,023
Inventories	69	76	83	88
Other Current assets	91	98	107	115
<b>Total Current Assets</b>	<b>1,690</b>	<b>2,645</b>	<b>2,041</b>	<b>1,562</b>
Fixed Assets, Gross	5,823	7,208	8,168	9,716
- Depreciation	-2,677	-3,097	-3,586	-4,149
Fixed Assets, Net	3,146	4,110	4,582	5,567
LT investments	2,836	3,122	3,578	4,222
LT assets, other	3,065	2,975	3,020	3,043
<b>Total LT Assets</b>	<b>9,047</b>	<b>10,207</b>	<b>11,180</b>	<b>12,831</b>
<b>Total Assets</b>	<b>10,738</b>	<b>12,852</b>	<b>13,221</b>	<b>14,394</b>
Accounts Payable	377	396	431	457
ST Debt	860	909	959	959
Other ST Liabilities	1,031	1,078	1,135	1,180
<b>Total Current Liabilities</b>	<b>2,268</b>	<b>2,383</b>	<b>2,525</b>	<b>2,596</b>
LT Debt	1,061	507	-161	-147
Other LT liabilities	363	377	386	394
<b>Total Liabilities</b>	<b>3,692</b>	<b>3,267</b>	<b>2,751</b>	<b>2,842</b>
Preferred Equity	0	0	0	0
Paid in capital/Issued capital	3,014	4,018	4,070	4,123
Share premium	1,942	2,946	2,946	2,946
Treasury share	0	0	0	0
Retained earnings	654	1,029	1,680	2,489
Other equity	702	702	702	702
Minority interest	734	890	1,072	1,291
<b>Total equity</b>	<b>7,045</b>	<b>9,586</b>	<b>10,470</b>	<b>11,551</b>
<b>Liabilities &amp; equity</b>	<b>10,738</b>	<b>12,852</b>	<b>13,221</b>	<b>14,394</b>
Y/E shares out, mn (1)	301.4	346.1	351.3	356.5
Y/E shares out, mn (2)	301.4	406.4	411.5	416.8

CASH FLOW (VND bn)	2021A	2022F	2023F	2024F
<b>Beginning Cash Balance</b>	<b>428</b>	<b>637</b>	<b>1,542</b>	<b>841</b>
Net Income	612	790	1,073	1,344
Dep. & Amortization	379	421	489	563
Δ in Working Capital	48	51	-105	-85
Other Adjustments (3)	-34	-297	-449	-612
<b>Cash from Operations</b>	<b>1,005</b>	<b>965</b>	<b>1,008</b>	<b>1,210</b>
Capital Expenditures, Net	-584	-1,385	-960	-1,547
Investments, Net	187	237	239	250
<b>Cash from Investments</b>	<b>-397</b>	<b>-1,148</b>	<b>-721</b>	<b>-1,297</b>
Dividends Paid	-426	-415	-422	-535
Δ in Share Capital	0	2,009	52	53
Δ in ST Debt	98	49	50	0
Δ in LT Debt	-76	-554	-668	14
Other financing C/F	8	0	0	0
<b>Cash from Financing</b>	<b>-398</b>	<b>1,088</b>	<b>-988</b>	<b>-469</b>
<b>Net Change in Cash</b>	<b>210</b>	<b>905</b>	<b>-701</b>	<b>-556</b>
<b>Ending Cash Balance</b>	<b>637</b>	<b>1,542</b>	<b>841</b>	<b>285</b>

Source: Company financial statements, VCSC forecasts

Note: (1) YE outstanding share forecast, not including the bonus value element shares of GMD's upcoming rights issue; (2) YE outstanding forecast, including the bonus value element shares of GMD's upcoming rights issue; (3) other adjustments mainly include non-cash income from affiliates, while cash dividends from affiliates are classified as cash from investments.

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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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**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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