

Gemadept Corporation

(GMD VN)

Surging

BUY
(Update)

TP: VND64,000
Upside: 26%

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Big jump in throughput volume

In 1Q22, the total throughput of Gemadept Corporation (GMD)'s seaport system reached more than 785,000 TEUs (+51% YoY), accounting for nearly 12.5% of the total clearance volume of Vietnam's seaport system. Of this, the container volume of the Gemalink International Terminal reached the first 1mn TEU within the 12 months of operation (equivalent to an average of 83,000 TEU/month), representing approximately 84% of the design capacity of Phase 1. In addition, the output of Hai Phong Port group continued to enjoy robust growth, at 21% YoY.

Profits from associates were positive, with continued solid growth in pre-tax profits from key logistics associates. Meanwhile, gross profit margin and operating profit have returned to their pre-social-distancing period levels of 3Q21.

Quarterly and 2022 forecast

2Q22 and 3Q22: With robust growth in domestic production, export-import activities, and port clearance, we believe that GMD will continue to benefit from its nationwide seaport and logistics system. We expect revenue in 2Q22 and 3Q22 to exceed VND800bn, while after-tax profit should also enjoy strong growth, at VND285.7bn (+60.2% YoY) and VND307bn (+89.2% YoY), respectively.

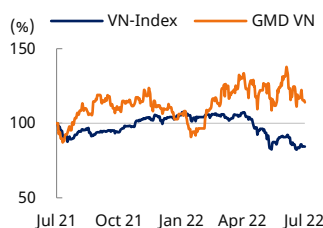
2022: We forecast that container throughput through GMD's main ports (except Gemalink) will reach about 1.9mn TEUs (+4.2% YoY) in 2022. Output of the Gemalink port is expected to reach the maximum capacity of 1.2mn TEUs, while Dung Quat Port output is forecast to reach 2.7mn tons (+12.5% YoY). We excluded income from the rubber segment, as GMD plans to divest from this segment. We forecast GMD's 2022 revenue and after-tax profit at VND3,456bn (+7.7% YoY) and VND1,209bn (+67.8% YoY), respectively.

Short-term risks: Operations at major ports around the world continue to face difficulties, due to the impact of the Zero-COVID policy in China and Western sanctions against Russia. Meanwhile, interest rates are an uncertainty that may affect the value of the company and its share price.

Valuation

Upgrade rating, maintain TP: We upgrade our rating for GMD to Buy (from Trading Buy). For now, we continue to maintain our forecasts for a 12% required return (RRR), growth rate (g) of ~5% after 2030, and some other assumptions. Using the discounted free cash flow method (FCFF), we determine the fair price of GMD stock at VND64,000/share.

Key data



Share price (07/04/22, VND)	50,800	Market cap (VNDbn)	15,310
OP (22F, VNDbn)	1510	Shares outstanding (mn)	301
Consensus OP (22F, VNDbn)	841	Free float (%)	95.9
EPS growth (22F, %)	58	Foreign ownership (%)	45.6
P/E (22F, x)	16.9	Beta (12M)	1.0
Market P/E (22F, x)	13	52-week low (VND)	37,500
VN-Index	1,198	52-week high (VND)	62,200

Share performance

(%)	1M	6M	12M
Absolute	-13.2	6.7	14.0
Relative	-6.2	28.0	29.7

Earnings and valuation metrics

FY (t)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue (VNDbn)	2,643	2,606	3,206	3,457	3,542	3,713
OP (VNDbn)	544	496.3	861.5	1,509.6	1,603.0	1,834.5
OP margin (%)	20.6	19.0	26.9	43.7	45.3	49.4
NP (VNDbn)	517	441	721	1,209	1,288	1,482
EPS (VND)	1,602	1,166	1,930	3,049	3,247	3,738
ROE (%)	8.1	6.7	10.2	12.1	12.1	13.1
P/E (x)	14.5	42.0	26.6	16.9	15.8	13.8
P/B (x)	1.2	2.2	2.2	1.6	1.5	1.4

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

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Throughput volume surged in 1Q22

In 1Q22, the total throughput of GMD's seaport system reached more than 785,000 TEUs (+51% of CK), accounting for nearly 12.5% of the total clearance volume of Vietnam's seaport system. Of this, the container volume of Gemalink international port reached the first 1mn TEU within its first 12 months of operation (equivalent to an average of 83,000 TEU/month), representing approximately 84% of the design capacity of Phase 1. Gemalink has become a cash cow for GMD, contributing nearly VND38bn (accounting for nearly 11% of the company's pre-tax profit). Meanwhile, the output of Hai Phong Port group continued to enjoy strong growth, at 21% YoY.

Profits from associates were positive, with continued strong growth in pre-tax profits from key logistics companies. Specifically, in 1Q22, SCS recorded profit after tax of VND187.5bn (+36.5% YoY), with GMD's share amounting to about VND60bn. 1Q22 profit from associates, such as CJ GMD Logistics Holdings (VND9bn, +28.5% YoY) and CJ GMD Shipping Holdings (VND13.4bn, nearly quadrupling), continued to record solid growth.

Table 1. Container throughput of GMD ports (TEU)

Port group	1Q21	1Q22	2Q22F	3Q22F	2022F
Hai Phong	229,840	279,050	250,000	290,000	1,180,000
Southern (include Gemalink)	290,306	506,447	500,000	530,000	2,050,000

Source: Company data, Mirae Asset Vietnam Research

Table 2. Quarterly forecast (VND bn)

	2Q21	3Q21	2Q22F	% YoY	3Q22F	% YoY
Revenue	751.7	728.7	823.0	9.49%	886.3	21.63%
Gross profits	319.3	263.5	323.2	1.22%	348.1	32.11%
SG&A expenses	-111.0	-131.6	-104.8	-5.59%	-112.8	-14.29%
Profits from associates	68.1	67.9	171.6	151.98%	184.8	172.16%
Operating profit	240.4	179.9	356.8	48.42%	384.3	113.62%
Pre-tax profit	196.2	186.5	340.2	73.39%	366.3	96.41%
After-tax profit	178.3	162.6	285.7	60.24%	307.7	89.24%
Profits for controlling shareholder	141.6	126.5	228.6	61.44%	246.2	94.62%

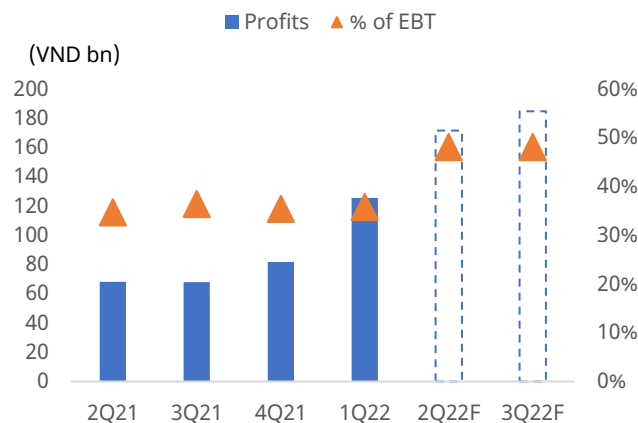
Source: Company data, Mirae Asset Vietnam Research

Figure 1. Gross margin and operating margin



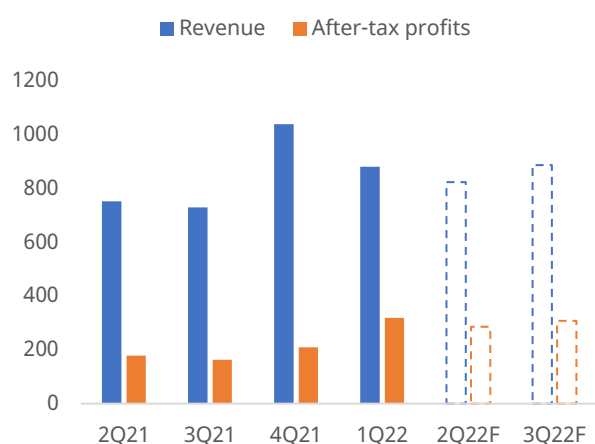
Source: Company data, Mirae Asset Vietnam Research

Figure 2. Profits from associates



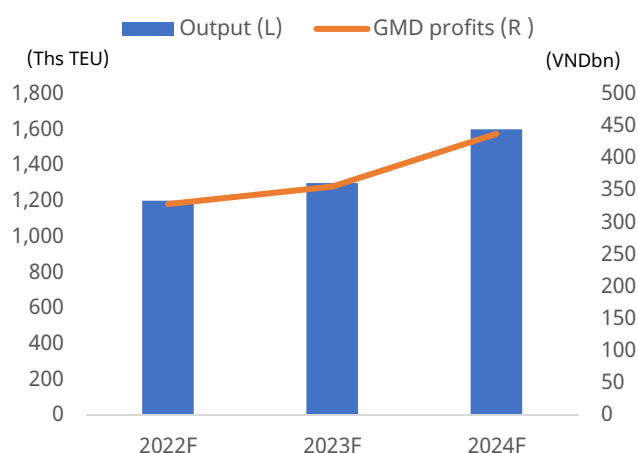
Source: Company data, Mirae Asset Vietnam Research

Figure 3. Quarterly revenue and after-tax profits (VND bn)



Source: Company data, Mirae Asset Vietnam Research

Figure 4. Output and profits from Gemalink



Source: Company data, Mirae Asset Vietnam Research

2022 forecast and valuation

In 2022, we forecast that container throughput through GMD's main ports (except Gemalink) will be about 1.9mn TEUs (+4.2% YoY). The output of Gemalink port is expected to reach a maximum capacity of 1.2mn TEUs. Dung Quat port output is forecast to reach 2.7mn tons (+12.5% YoY). We excluded income from the rubber segment, as GMD plans to divest from this segment. We forecast GMD's 2022 revenue and after-tax profit at VND3,456bn (+7.7% YoY) and VND1,209bn (+67.8% YoY), respectively.

For now, we continue to maintain our forecasts for a 12% required return (RRR), growth rate (g) of ~5% after 2030, and some other assumptions. Using the discounted free cash flow method (FCFF), we determined the fair price of GMD stock at VND64,000/share.

Share issuance for the Gemalink Phase 2 and Nam Dinh Vu Phase 2 projects: GMD plans to offer shares to existing shareholders with the maximum number of shares of 100,459,319 shares. If successful, the number of shares outstanding after the offering would be at 401,837,276 shares. The fair price after adjusting the number of shares would be about VND53,000/share.

Key short-term risks

Global shipping faces difficulties: Operations at key ports around the world continue to face difficulties, due to the impact of the Zero-COVID policy in China and Western sanctions against Russia. As of end-May, the volume of containers cleared at the ports of Singapore (-2.9% YoY), Hong Kong (-3.8% YoY), Mainland China (+3.8% YoY), and North America (forecast -2.0% YoY) remained low. Due to the connection between ports and shipping routes, when one main port is congested or has problems with goods, it will affect other associated ports. With its nationwide network of seaports, GMD is likely to be one of the companies being hit.

Rising interest rates: An increase in interest rates will also affect the discount rate and stock valuation of GMD. Amid the strengthening of the US dollar, due to the interest rate increase by the Federal Reserve (Fed), the SBV plans to sell US dollar reserves to help stabilize the exchange rate. If this strategy is unsuccessful, the option of increasing the policy rate is likely to be considered, a move which would hit the valuation of GMD shares.

Gemadep Corporation (GMD VN)

Income statement (summarized)

(VNDbn)	2021	2022	2023	2024
Revenue	3,206.3	3,456.5	3,541.8	3,712.9
COGS	-2,064.5	-2,099.0	-2,150.8	-2,254.7
Gross profit	1,141.8	1,357.5	1,391.0	1,458.2
SG&A expenses	-448.9	-440.0	-484.0	-532.4
Financial expenses	-68.3	-128.7	-103.9	-33.0
Profits from associates	236.9	720.8	799.9	941.7
Operating profit	861.5	1,509.6	1,603.0	1,834.5
Pre-tax profit	806.2	1,439.6	1,533.0	1,764.5
Income tax	-85.5	-230.3	-245.3	-282.3
After-tax profit	720.5	1,209.3	1,287.7	1,482.2
Profits for controlling shareholder	612.2	967.4	1,030.2	1,185.8

Balance sheet (summarized)

(VNDbn)	2021	2022	2023	2024
Current assets	1,689.5	1,811.1	1,839.7	1,897.2
Cash & Equivalents	637.3	600.0	600.0	600.0
Short-term investments	51.8	51.8	51.8	51.8
Receivables	841.9	960.1	983.8	1,031.4
Inventories	68.7	84.0	86.0	90.2
Other current assets	89.7	115.2	118.1	123.8
Non-current assets	9,041.7	11,774.2	12,021.3	11,664.7
Net fixed assets	3,146.0	3,472.9	3,172.2	4,151.6
Gross fixed assets	5,824.5	6,550.9	6,706.3	8,152.7
Accumulated depreciations	-2,678.4	-3,078.0	-3,534.1	-4,001.1
Long-term investment	2,830.1	3,319.7	3,850.5	4,482.7
Other non-current assets	3,021.8	4,981.6	4,998.6	3,030.4
Total assets	10,731.2	13,585.3	13,861.0	13,561.9
Total liabilities	3,686.6	3,595.3	3,252.9	2,242.3
Payables	1,402.2	1,614.6	1,654.5	1,734.4
Short-term debts	860.5	660.2	532.8	169.3
Long-term debts	1,423.9	1,320.4	1,065.6	338.6
Equity	7,044.6	9,990.0	10,608.1	11,319.6
Charter capital	3,013.8	5,378.8	5,378.8	5,378.8
Other equity	3,369.6	3,466.3	3,569.3	3,687.9
Retained earnings	661.2	1,144.9	1,660.0	2,252.9
Total resources	10,731.2	13,585.3	13,861.0	13,561.9

Cash flow statement (summarized)

(VNDbn)	2021	2022	2023	2024
CFO	964.8	1,586.2	1,616.6	1,728.0
Net income	720.5	1,209.3	1,287.7	1,482.2
Depreciation & Amortization	379.5	399.6	456.1	467.0
Interest expenses	119.3	128.7	103.9	33.0
Chg. in receivables	6.1	-118.2	-23.7	-47.6
Chg. in inventories	8.5	-15.3	-2.0	-4.2
Chg. in payables	-31.0	212.4	39.9	79.9
Others	-104.2	-230.3	-245.3	-282.3
CFI	-356.3	-3,232.6	-631.6	-34.7
Investment in fixed assets	-544.1	-2,258.3	-276.1	-281.5
Others	187.8	-974.3	-355.5	246.8
CFF	-397.5	1,609.1	-985.0	-1,693.3
CF from share issuance	0.0	2,365.0	0.0	0.0
Net borrowing	77.8	-303.8	-382.2	-1,090.5
Dividend paid	-426.2	-452.1	-602.8	-602.8
Net CF	211.0	-37.3	0.0	0.0
Begin cash	427.7	637.3	600.0	600.0
End cash	637.3	600.0	600.0	600.0

Key valuation metrics/ratios

	2021	2022	2023	2024
P/E (x)	26.6	16.9	15.8	13.8
P/B (x)	2.2	1.6	1.5	1.4
EPS (VND)	1,930	3,049	3,247	3,738
BPS (VND)	23,375	33,148	35,199	37,559
DPS (VND)	1,414	1,500	2,000	2,000
Revenue growth (%)	23.0	7.8	2.5	4.8
Operating profit growth (%)	73.6	75.2	6.2	14.4
EPS growth (%)	65.5	58.0	6.5	15.1
Dividend yield (%)	2.8	2.9	3.9	3.9
Accounts receivable turnover (x)	3.8	3.6	3.6	3.6
Inventory turnover (x)	30.1	25.0	25.0	25.0
Accounts payable turnover (x)	1.5	1.3	1.3	1.3
ROA (%)	6.7	8.9	9.3	10.9
ROE (%)	10.2	12.1	12.1	13.1
Accounts payable to equity (%)	52.3	36.0	30.7	19.8
Total debt to equity (%)	32.4	19.8	15.1	4.5
Interest coverage ratio (x)	13.6	12.7	16.4	56.6

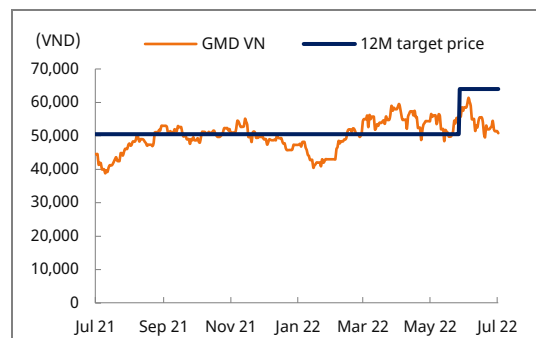
Source: Company data, Mirae Asset Vietnam Research

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (VND)
Gemadept Corporation	07/04/2022	BUY	64,000
Gemadept Corporation	05/30/2022	TRADING BUY	64,000
Gemadept Corporation	12/15/2021	HOLD	50,500
Gemadept 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.

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