

## Vietnam

**ADD**

Consensus ratings\*: Buy 7 Hold 1 Sell 0

Current price:	VND23,500
Target price:	VND29,500
Previous target:	NA
Up/downside:	25.5%
CGS-CIMB / Consensus:	-7.7%
Reuters:	GMD.HM
Bloomberg:	GMD VN
Market cap:	US\$301.2m VND6,977,737m
Average daily turnover:	US\$0.43m VND10,005m
Current shares o/s:	296.9m
Free float:	90.0%

\*Source: Bloomberg

**Key changes in this note**

➤ N/A.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-12.6	-17	-18.6
Relative (%)	-7.1	-15.8	-19.3

Major shareholders	% held
VI FUND II, L.P	29.6
VI (Vietnam Investments) Fund II,	19.6
SSJ Consulting Co., LTD	10.0

**Analyst(s)**

**Nhan LAI, CFA**

T (84) 914 459 879

E nhan.laithanh@vndirect.com.vn

# Gemadept Corporation

## A long-term story

- GMD, offering integrated logistics services, is the top private sector port operator in Vietnam, commanding a market share of 7.3% as at 2018.
- We expect GMD to increase its port capacity by 500,000 TEUs in 2021F, +43.4% vs. FY18, through the launch of Nam Dinh Vu port phase 2.
- We initiate coverage on GMD with an Add rating and TP of VND29,500 (25.5% potential upside).

### Vietnam's top private sector port operator

Gemadept Corporation (GMD) is Vietnam's biggest private sector port operator, holding a 7.3% market share of the nation's cargo throughput in 2018. Its Nam Hai Dinh Vu downstream container ports are located in Hai Phong city, the nation's most buoyant northern industrial hub. GMD also provides comprehensive supply chain services via its integrated logistics system.

### Expanding port capacity by 43.4% in 2021F

We expect the port throughput volume in Vietnam to maintain a steady double-digit growth rate in FY2019-21F, giving ample room for GMD to expand Nam Dinh Vu port's capacity by 500,000 twenty equivalent units (TEUs) in 2021F, up 43.4% vs. 2018. Furthermore, GMD publicly announced to enter the Cai Mep Thi Vai port cluster with the Gemalink deep sea port via its associate as at 2Q19.

### Temporarily flat earnings in FY20-21F

We expect GMD to achieve a 7.9% revenue CAGR in FY19-21F, driven by a 6.3% CAGR in logistics service revenue and 8.2% CAGR in port operation revenue owing to additional volumes at Nam Dinh Vu port phase 1 and phase 2. We estimate associate profit to witness a 34.2% CAGR in FY19-21F thanks to Gemalink's contribution. Overall, we expect GMD to deliver an EPS CAGR of 0.6% in FY20-21F.

### Initiate coverage with Add and target price of VND29,500

We initiate coverage on GMD with an Add rating and a DCF based target price of VND29,500. The valuation is based on a terminal growth rate of 5% and weighted average cost of capital of 11.3%, assuming: 1) a risk-free rate of 4.0%, 2) beta of 0.8 and 3) an equity risk premium of 11.0%. With target price VND29,500, it is trading at forward 8.5x FY19F EV/EBITDA, in line with historical 5 year average EV/EBITDA of 8.5x.

### Risks and potential re-rating catalysts

We think the recent fall in GMD's share price is due to the sale register transaction of Vietnam Investment (VI) Fund (42 m shares, 14.4% holding). Catalysts include successful divestiture of its non-core businesses and consolidation of Gemalink into GMD which we have not factored into our model. We think worse-than-expected competition in Hai Phong ports could result in lower-than-expected throughput volume for GMD.

**Financial Summary**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (VNDb)	3,984	2,708	2,736	2,929	3,393
Operating EBITDA (VNDb)	909	881	1,033	1,098	1,230
Net Profit (VNDb)	508	1,848	583	541	624
Normalised EPS (VND)	1,762	1,861	1,948	1,757	1,972
Normalised EPS Growth	(18.9%)	5.6%	4.7%	(9.8%)	12.2%
FD Normalised P/E (x)	10.82	12.72	12.13	13.47	12.00
DPS (VND)	139	17,567	1,458	0	1,420
Dividend Yield	0.6%	74.8%	6.2%	0.0%	6.0%
EV/EBITDA (x)	7.01	8.00	6.48	6.90	5.99
P/FCFE (x)	47.20	3.15	19.30	NA	17.34
Net Gearing	14.7%	30.4%	20.6%	27.3%	21.1%
P/BV (x)	1.07	1.19	1.18	1.10	1.09
ROE	8.83%	8.84%	9.74%	8.43%	9.10%
% Change In Normalised EPS Estimates					
Normalised EPS/consensus EPS (x)			1.06	0.87	1.03

SOURCES: VND RESEARCH, COMPANY REPORTS

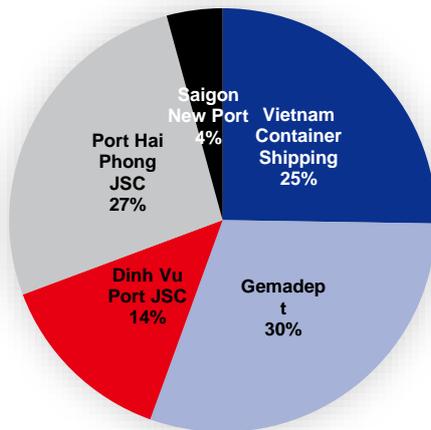
## A long-term story

### Leading private sector port operator

#### Holding the biggest market share of container throughput among private peers ➤

GMD has established a brand name in the port operation business, mostly through its port cluster in the Hai Phong area, the fastest-growing sea port city in northern Vietnam. Its ports in Hai Phong, namely Nam Dinh Vu, Nam Hai Dinh Vu, and Nam Hai ICD, are well-positioned in terms of having deep dredges, high throughput capacity, and modern infrastructure to accommodate big vessels. Furthermore, through its 30 years of operation, GMD has set up a solid relationship with most of the world's large carriers. Supported by these competitive strengths, total container throughput via GMD's port cluster in Hai Phong is steadily increasing, making GMD the dominant player among the private players in 2018.

**Figure 1: GMD commanded the largest market share in term of the total container throughput at Hai Phong in 2018.**



SOURCES: Vietnam Seaports Association (VPA)

**Figure 2: Nam Dinh Vu is the largest port in (Dinh Vu area, Hai Phong) based on VPA while the Lach Huyen–Hai Phong International Container Terminal is the biggest port in the Lach Huyen area (as at end-2018 )**



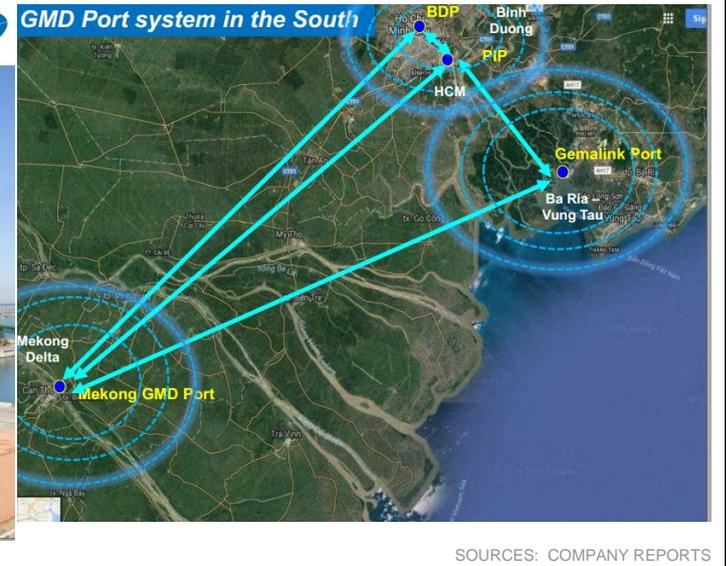
SOURCES: VPA

Not only does it have a firm foothold in the northern part of Vietnam, GMD is also present along the length of the country with Dung Quat port (which can accommodate bulk carriers) in the Central area, and Phuoc Long ICD port at the South. Based on Vietnam Seaports Association (VPA) reports, GMD accounted for 7.3% of total cargo throughput via sea ports in Vietnam in 2018. It lagged behind Defence Ministry-owned Saigon Newport Corporation (Unlisted), the largest port operator with over 50% market share of Vietnam's total cargo throughput, and the second-largest player, the Transportation Ministry-owned Marine Vietnam National Vinalines (MVN) with a 25.4% market share.

**Figure 3: Dung Quat port accounted the biggest market share of volume in tonnes among the Central bulk port cluster in 2018**



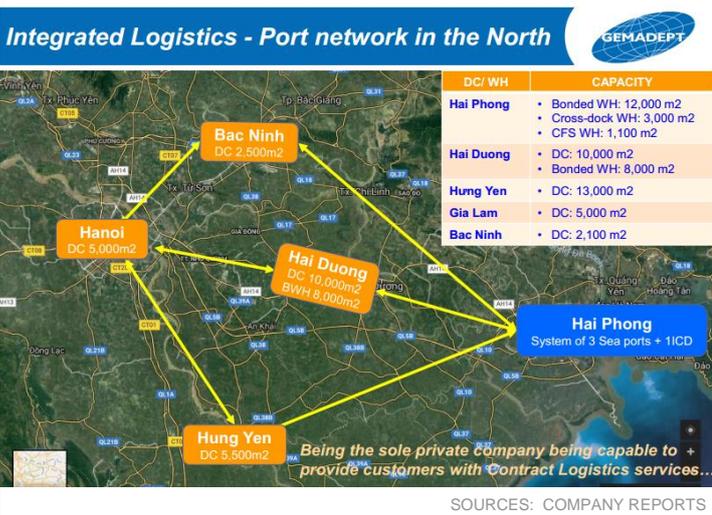
**Figure 4: A well-integrated system network between Phuoc Long ICD and soon-to-be-launched Gemalink sea port**



**Offering integrated logistics services ►**

GMD, which stands among Vietnam's largest enterprises, provides comprehensive supply chain management and solutions through its integrated logistics system. GMD owns 17 distribution centres/warehouses, a 143,000 sq m air cargo terminal at Tan Son Nhat International Airport, 36 ocean and river ships, 250 truck heads, and 56 vans. Being able to offer full supply chain services enhances GMD's competitiveness and makes it stand out distinctively, in our view.

**Figure 5: GMD offers fully-integrated logistics services in the North (as at end-FY18)**



**Figure 6: GMD provides high-quality logistic services in the South. (as at end-FY18)**

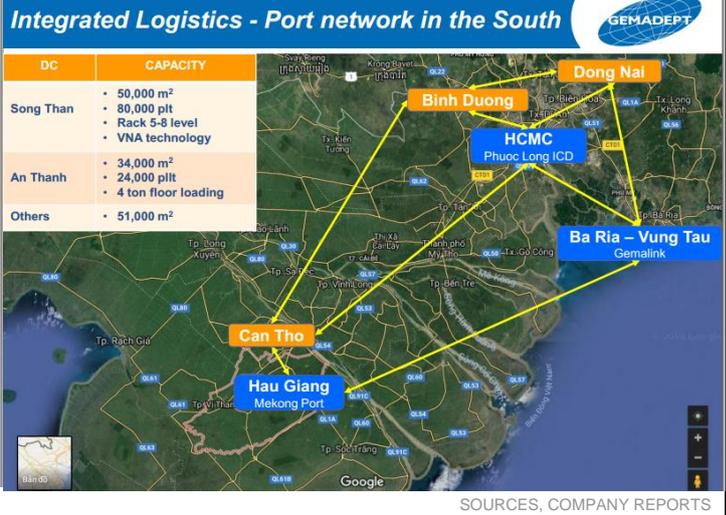
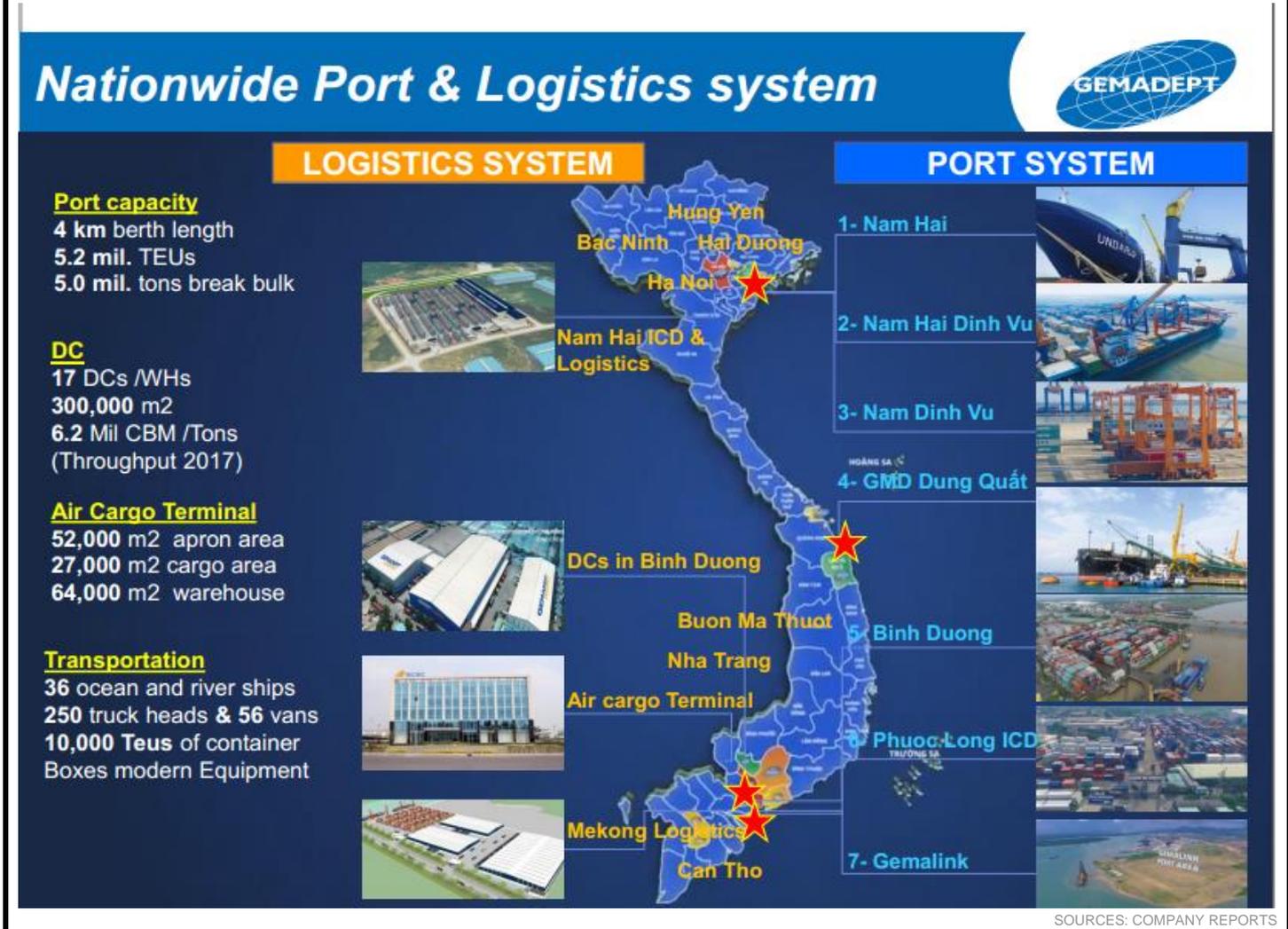


Figure 7: GMD is among the rare businesses offering nationwide logistics services (as at end-FY18)

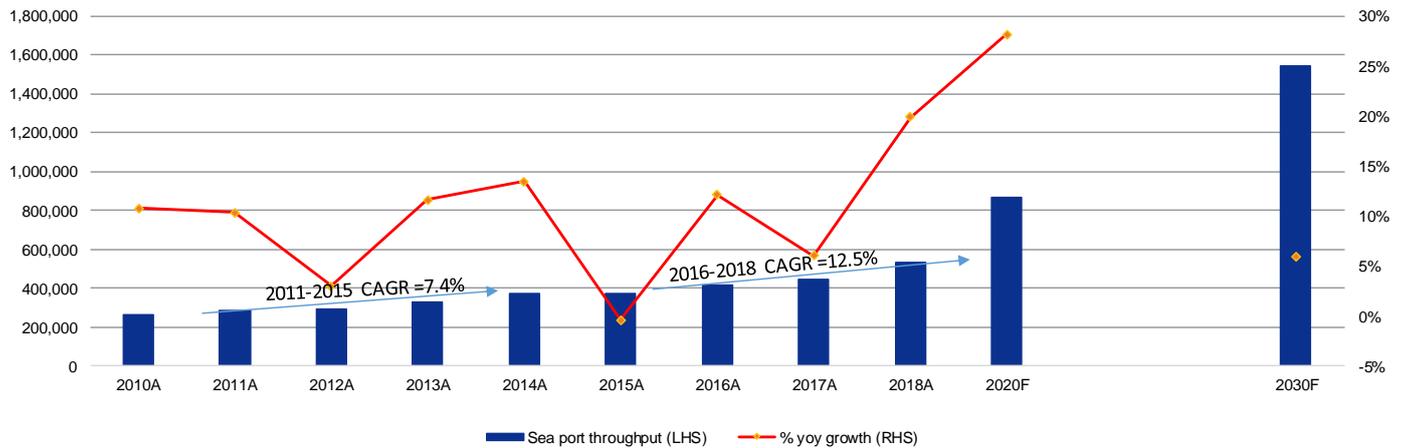


## Riding on Vietnam's buoyant trade flow

### Vietnam's sea port volume to post double-digit growth in FY19-21F >

Vietnam's seaborne trade volume in FY16-18 grew by 12.5% p.a., up from 7.4% p.a. in FY11-15. Since international volumes accounted for 60-62% of total port throughput in FY15-18, we believe an acceleration in trade flow will be the key factor in port throughput growth in FY20-21F. In reality, port throughput grew in tandem with trade value in FY11-18, which was partially underpinned by free trade agreements (FTAs) and foreign direct investment.

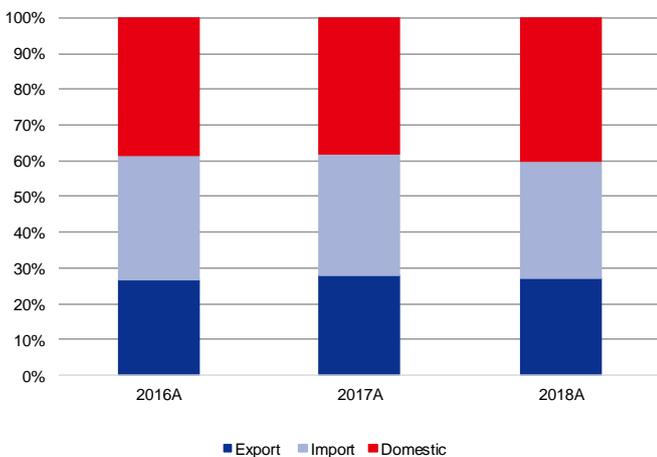
**Figure 8: Vietnam seaborne throughput (tonnes) has grown rapidly in recent years**



SOURCES: VINAMARINE GOV ESTIMATES

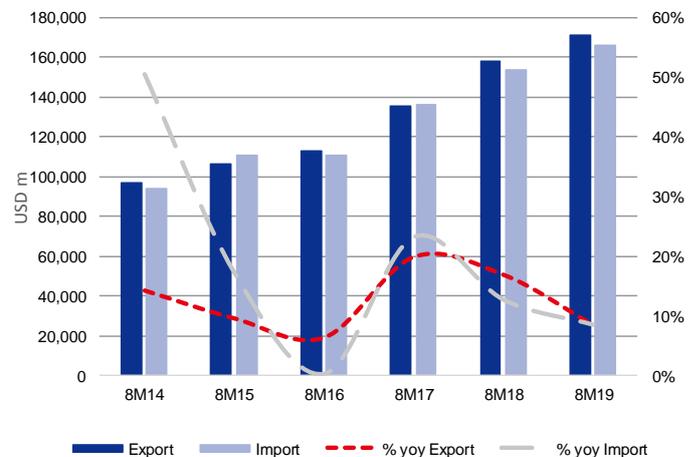
Based on the Ministry of Transportation’s master plan for port operations in 2017, the total volume throughput is expected to reach 869.6m tonnes in FY20F, implying a CAGR of 28.2% in FY18-20F, and 1,542m tonnes in FY30F, or 5.9% growth p.a. in FY20-30F. We think growth in FY19-21F will be lower than the projection, but still remain in the double-digits based on the positive results after the signing of the EU-Vietnam Free Trade Agreement (FTA) in Jun 2019, and the conclusion of the 11-nation Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in Mar 2019, Vietnam’s exports, specifically to the EU market, are expected to increase. Once the tariff reductions under the FTAs come into effect, Vietnam will enjoy import-export tariffs of close to 0% when dealing with new markets in Mexico, Peru, Canada and the European Union. Vietnamese businesses in wood processing, textiles, agricultural products and electronic products could boost shipments of manufactured products to these markets. Hence, the volume throughput could benefit from the rising trade flow, in our view.

**Figure 9: Export and import container volume made up over 60% total port throughput in FY16-18**



SOURCES: VINAMARINE GOV

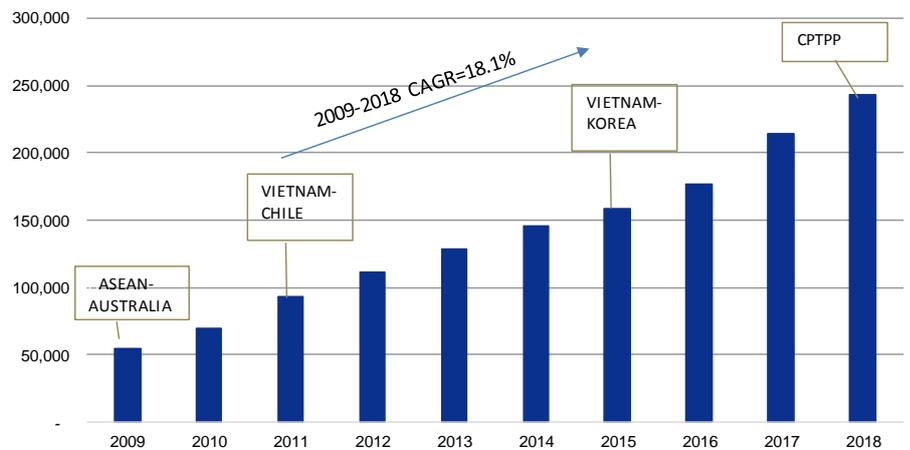
**Figure 10: While export-import growth slowed in 8M19, the value remained on the upward trend**



SOURCES: Custom Bureau

*The potential success in trade offered by FTAs is subject to Vietnam's ability to take risks and overcome challenges, in our view. We believe that companies in Vietnam will be able to reap the benefits of FTAs as we have witnessed the export markets created by FTAs underpinning the country's impressive trade results over the past two decades.*

**Figure 11: Vietnam's exports (US\$ m) boosted by FTAs, thanks to numerous FTAs signed with partners during 2009-2018**



SOURCES: VNDIRECT

### International gateway ports seen as fastest growing ports ►

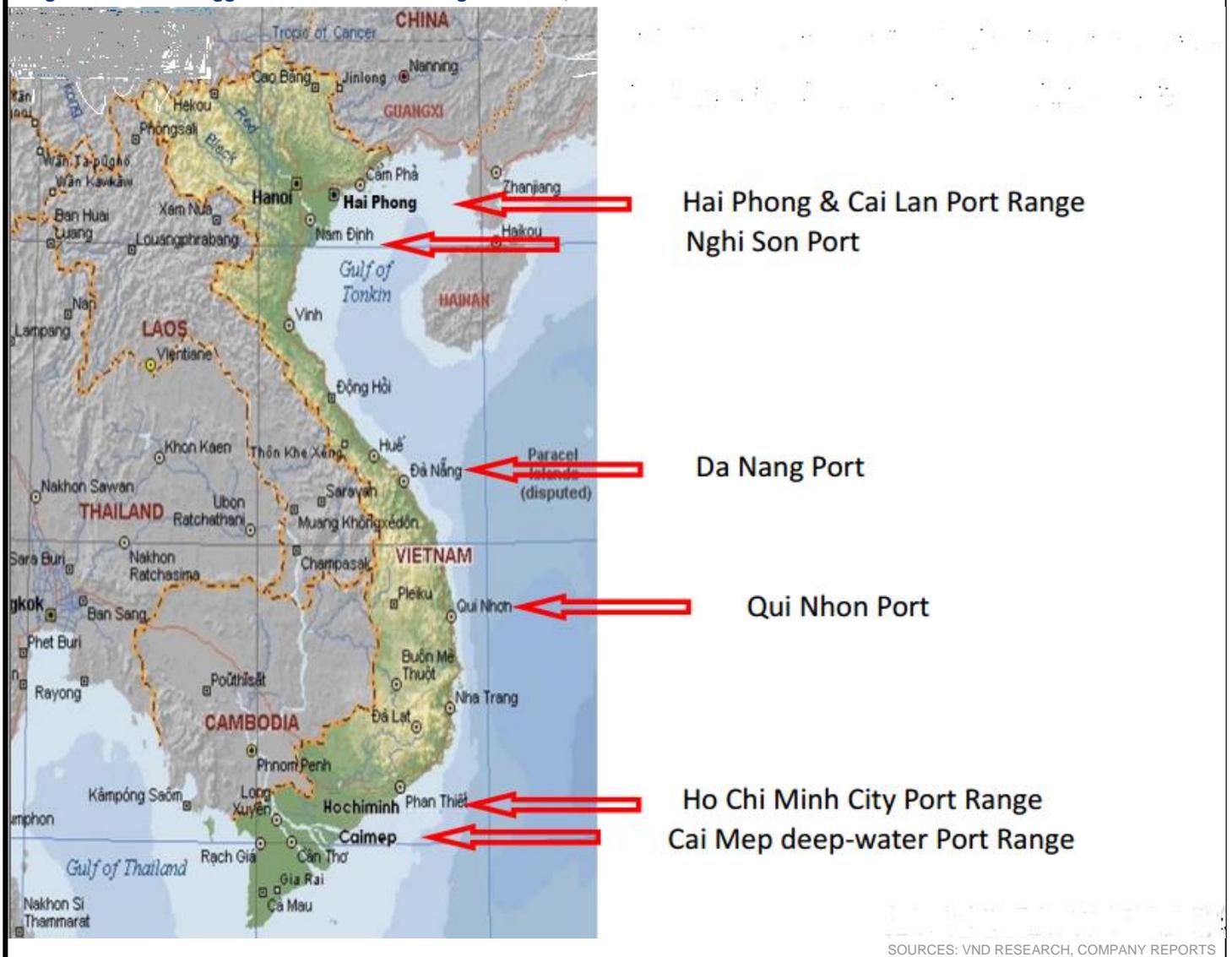
Vietnam has six gateway ports among its 45 ports along the coast (as at end-2018). However, the market share of sea ports is fragmented as, based on VPA's figures as at 30 Jul 2019, 30.3% of throughput volume in 7M19 was handled by the northern ports, 13.3% by central ports and 56.4% by southern ports. Counting only the container throughput in 7M19, the proportion of southern ports including the Ho Chi Minh port cluster, Mekong Delta port cluster and Cai Mep Thi Vai port cluster accounted for 72.2%, while the northern ports (the port clusters in Hai Phong and Quang Ninh) made up 23.1%. We believe the southern and northern ports will further dominate throughput volumes in coming years, as they are located in the most burgeoning key economic zones. However, different ports tend to have different prospects and in our view, among the southern and northern port clusters, the Cai Mep Thi Vai port cluster and downstream ports in the Hai Phong port cluster should be the fastest-growing ports based on following review:

- Downstream ports in the Hai Phong port cluster have been the busiest in the northern region

The Hai Phong port cluster is strategically located near China's border and has been an international transshipment hub between northern Vietnam and East Asian countries. The cluster offers a wide range of ports from upstream to downstream ports, with various capacity to accommodate vessels with deadweight ranging from DWT10,000 to DWT160,000. However, only downstream ports near the mouth of the Gam river, with berth depth at minus 10 metres, are able to accommodate large vessels of at least DWT30,000. Container ships have grown larger and at a rapid pace over the last few decades, faster than any other ship type. In one decade, the average capacity of a container ship has doubled. The largest ship can now carry 24,200 containers. Larger container ships have generated cost savings for carriers, decreased maritime transportation cost, and thus, facilitated global trade. Based on the Ministry of Transportation's master plan in 2017, the total container throughput via Hai Phong ports is estimated to rise to 5.84-6.2m TEUs by FY20F and 11.2-12.5m TEUs by FY30F. The growing demand for ports has created a race to expand port capacity that we believe will exceed demand growth in FY18-20F. We forecast supply from downstream ports alone will be able to meet demand in FY19-20F. We believe only the port operators that establish a firm relationship with carriers and that are equipped with modern infrastructure to accommodate a large fleet at least up to 40,000 DWT would be able to capture more market share. This includes Lach Huyen-Hai Phong International Container Terminal (HICT) (Unlisted), Tan Vu Port, Nam Dinh Vu Port (Unlisted) and Vip Green Port (Unlisted). Among these downstream ports, Lach Huyen-HICT is zoned to be

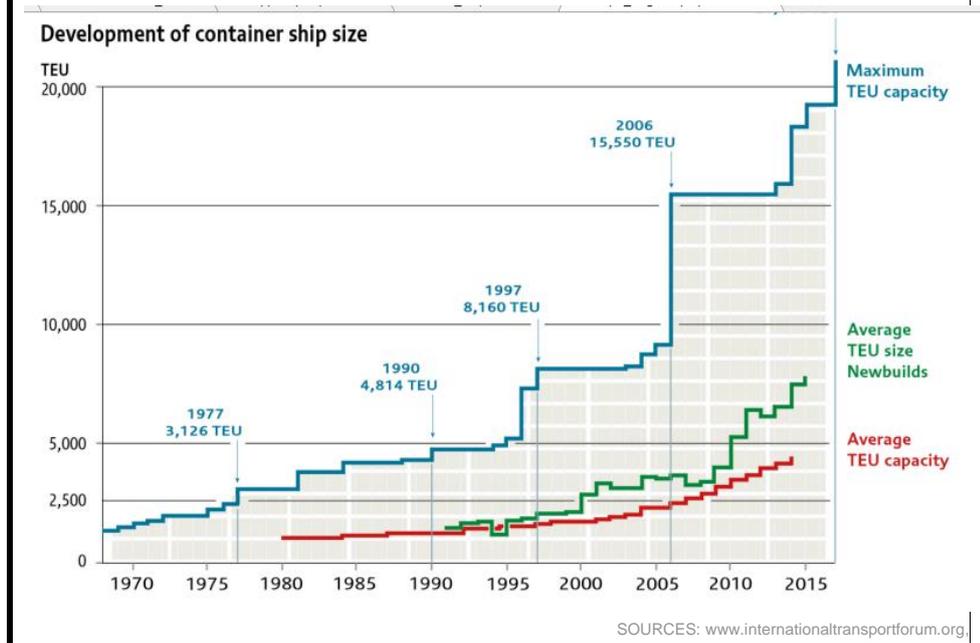
one of key hubs of the Southeast Asian connecting mother vessels directly to North American and Europe ports without trans-shipment in Singapore and China. HICT was launched in May 2018 and consists of the first two berths of Lach Huyen deep seaport which more than doubled its volume in 1H19. It received eight vessels per week and handled 200,000 TEUs of container throughput in 1H19 vs. four vessels a week and 68,000 TEUs in 2H18. In the short-term, we believe the impact of the HICT port will be minimal as only some few liners with sufficient cargo would find switching to direct intercontinental routes financially beneficial. However, in the long term, we expect HICT to draw considerable demand for deep sea ports, thus increasing pressure on revenue per container for nearby ports. We think the launch of Nam Dinh Vu port phase 2 in FY20F will still give Gemadept an advantage in attracting smaller DWT vessels, but we are skeptical about the launch of Nam Dinh Vu phase 3 in FY22-23F.

**Figure 12: Vietnam has 6 gateways for container vessels of which Cai Mep deep-water port range and downstream Hai Phong port range would be the biggest beneficiaries of rising trade flow, in our view.**

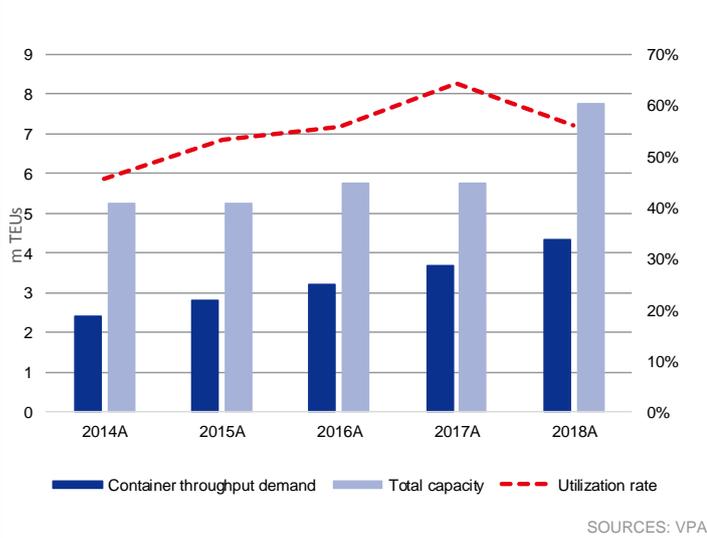


Larger ships require adaptations of infrastructure and equipment. There are size-related fixes to existing infrastructure, such as bridge height, river width/depth, quay wall strengthening, berth deepening, canals/locks and port equipment (crane height, outreach). Mega-ships also require expansion of infrastructure to cater to the higher peaks related to mega-ships; as a result, more physical yard and berth capacity is needed, in our view

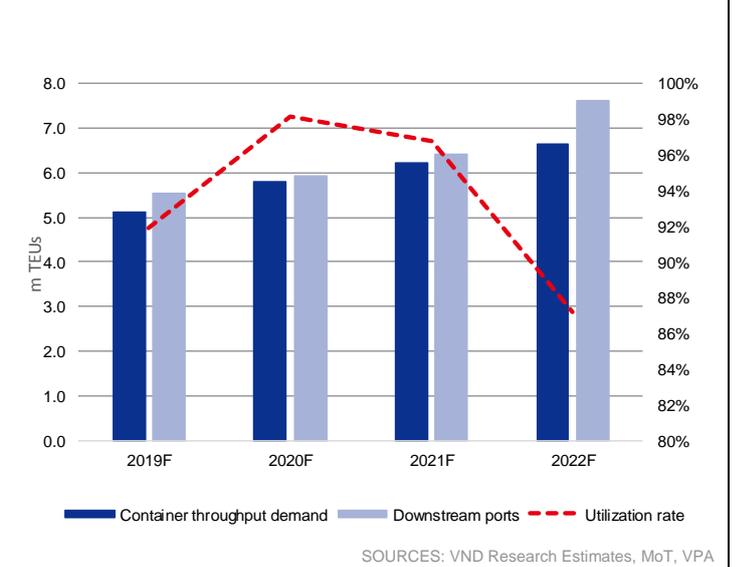
**Figure 13: Development of container ships by ship size in 1996-2015**



**Figure 14: Port cluster utilisation: Hai Phong port cluster has been crowded with numerous ports but some of them ran at low utilisation rates in FY14-18, driving down the total cluster's utilisation**



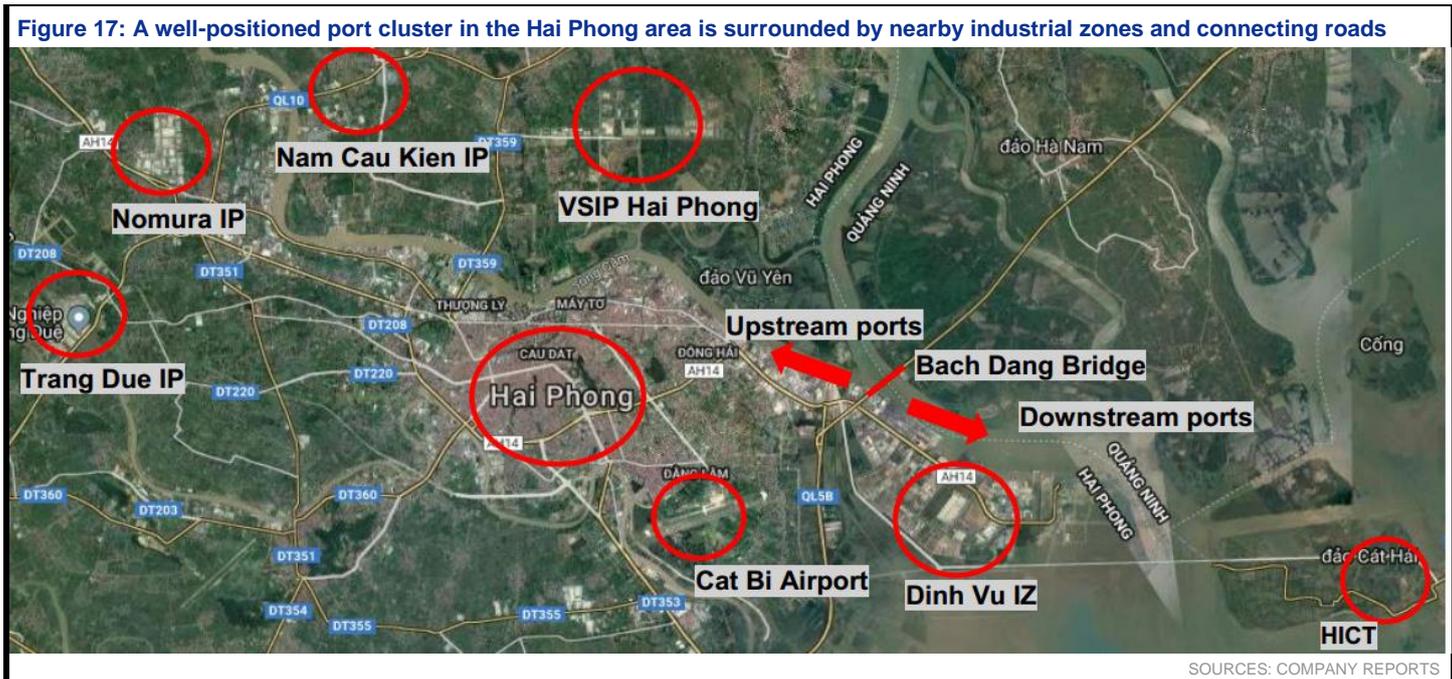
**Figure 15: Downstream ports utilisation: downstream ports should be able to meet demand from Hai Phong container throughput in FY19-22F, in our view**



**Figure 16: Lach Huyen-HICT port is the biggest deep sea port among downstream ports in Hai Phong, capable of handling vessel sizes of up to DWT160,000 (as at end-2018)**

Port	Berth depth (meters)	No. of berth	Berth length (meters)	Max vessel size (DWT)	Designed throughput capacity per year (TEUs)	Throughput in 2018 (TEUs)
Nam Dinh Vu phase 1	-11.5	2	440	40,000	500,000	190,000
Nam Hai Dinh Vu	-11.5	2	500	30,000	500,000	660,000
Dinh Vu	-8.7	2	425	20,000	600,000	657,125
Tan Vu	-9.4	5	980	20,000	1,300,000	1,153,734
VIP Green	-9.5	2	400	30,000	800,000	782,000
Lach Huyen-HICT	-16	2	750	160,000	1,100,000	64,190

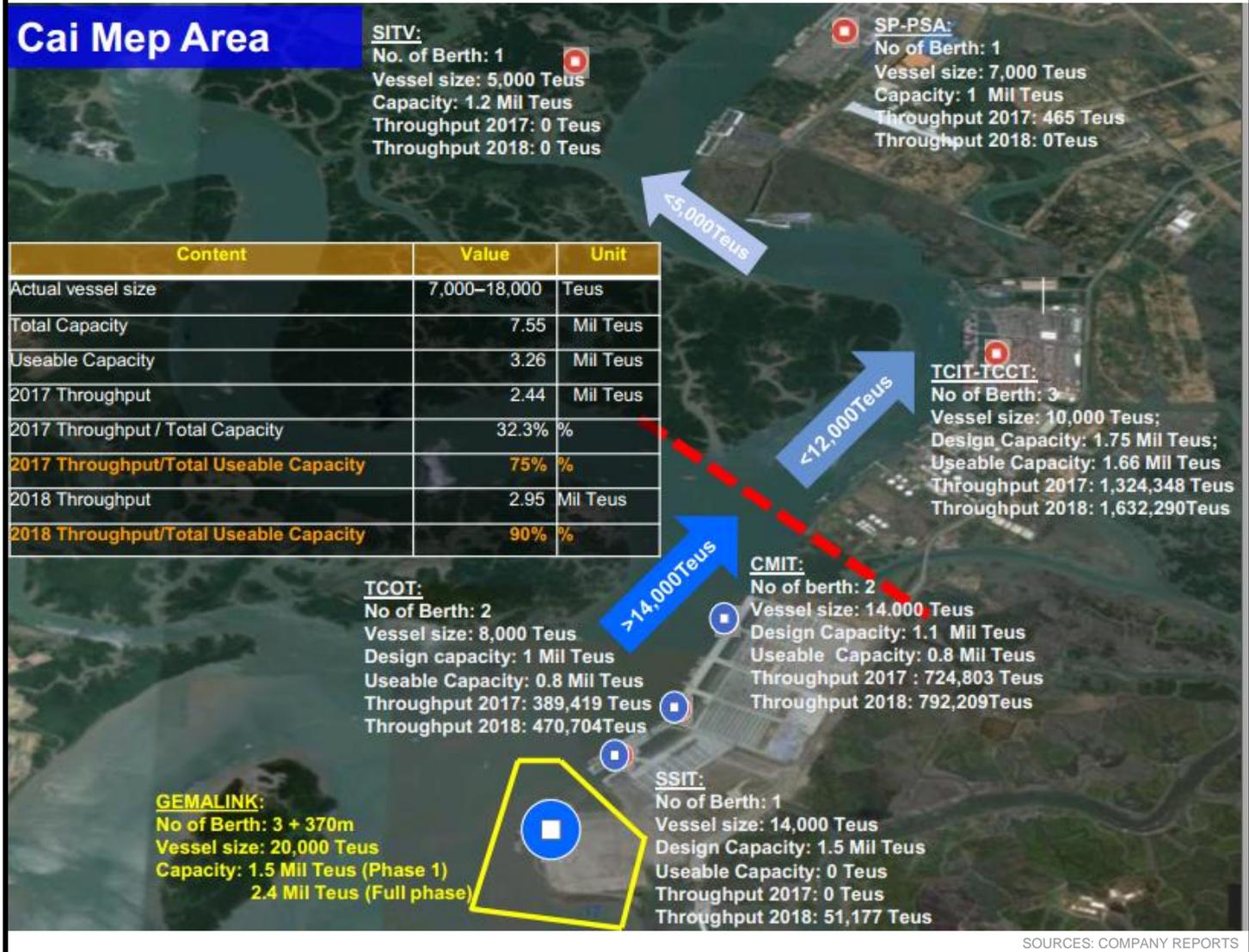
SOURCES: VND RESEARCH ESTIMATES, VPA COMPANY REPORTS



• **Cai Mep-Thi Vai port cluster**

We believe Cai Mep-Thi Vai port cluster is poised to be the international port hub in southern Vietnam, helping ease the congestion at Cai Lai-Ho Chi Minh City, which has been handling nearly 49.5% of sea port goods in the southern region. Due to poor connecting roads to manufacturing and consumption sites in the provinces of Dong Nai, Binh Duong and Ho Chi Minh City, the Cai Mep-Thi Vai port was underutilised in FY10-18. Some bulk cargo ports like by SP-SSA International Terminal and the SITV terminal in the upstream Thi Vai river have been idle since 2017. Taking into consideration only useable terminals in FY17-18, the throughput volume at Cai Mep-Thi Vai port cluster reached 2.95m TEUs in FY2018, implying a 90% utilisation rate. In 1H19, the Cai Mep-Thi Vai port cluster saw strong container volume growth of 23.1% yoy, the second highest among gateway ports. We expect the cluster to report better growth of 20.0% p.a.in FY20-22F as it offers deep dredging of up to 14-16 metres to accommodate mother vessels and an attractive handling fee which was among the lowest in Asia as of 2018. Furthermore, the utilisation rate in FY2018 was 90%, implying ample room for capacity expansion, in our view. We believe that the launch of a new port or capacity expansion at Cai Mep-Thi Vai will help the port operator gain more market share. We expect the Gemalink project to launch its first phase in late-FY20F. Phase 1 would boost Cai Mep-Thi Vai port's annual capacity by 1.5m TEUs of throughput. We believe the Gemanlink project would gather momentum as it is located in the downstream of Thi Vai river with deep dredging to accommodate fleet capacity of up to DWT200,000 (transporting 20,000 TEUs).

Figure 18: Locating at the mouth of Cai Mep-Thi Vai river, Gemalink would be more competitive than other upstream ports.



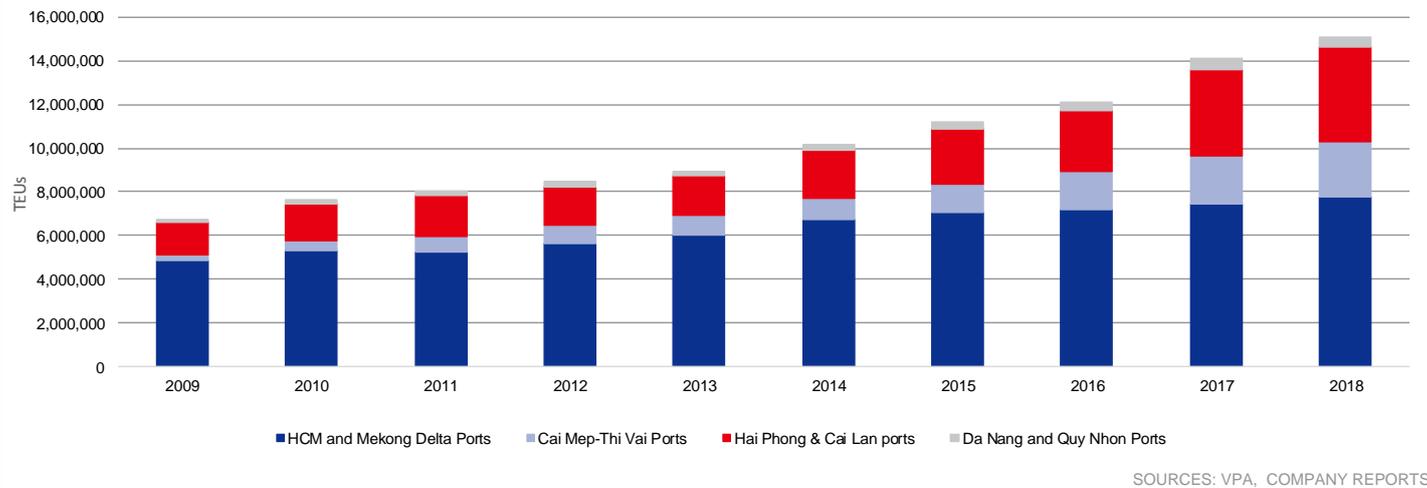
The low handling cost in Vietnam is a major attraction for foreign liners to bring throughput to Vietnam sea ports.

Figure 19: Handling fee (US\$/TEU) in Vietnam was among the lowest in Asia region as at end-2018

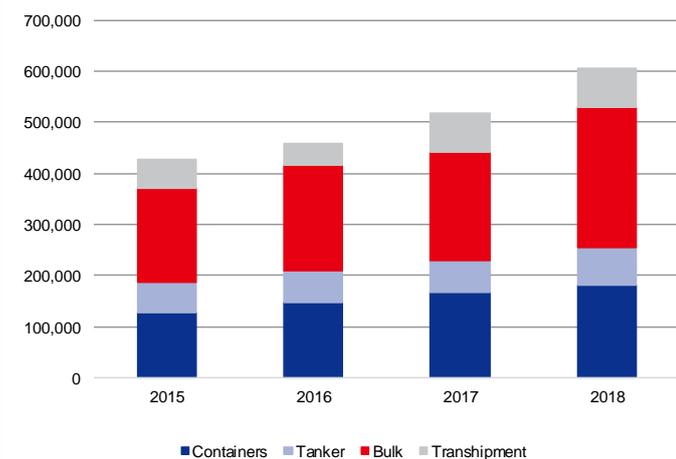
Region	Type of port	Handling fee (US\$/TEU)
Vietnam	River port	36
	Sea port	52
Cambodia	River port	63
Thailand	Sea port	58
Malaysia	Sea port	75
Indonesia	Sea port	80
Singapore	Sea port	107
Hongkong	Sea port	130

SOURCES: VND RESEARCH, COMPANY REPORTS

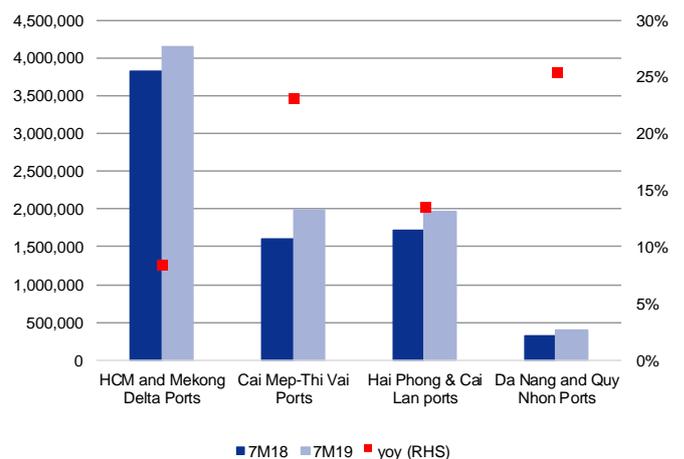
**Figure 20: Vietnam's container volume (TEUs) by region: total national throughput was fuelled by stronger growth in port clusters in Cai Mep -Thi Vai and Hai Phong. Ho Chi Minh port cluster still occupied more than half of the volume during FY09-18.**



**Figure 21: Container throughput (tonnes) via port was seen rising in 2015-18**



**Figure 22: Cai Mep-Thi Vai growth among the highest in 7M18-7M19**



## Steady growth outlook over the next three years

### Hai Phong port's 43.4% capacity expansion is a key catalyst for volume growth in FY21-23F ➤

GMD is planning to launch the second phase of Nam Dinh Vu in FY2021F, which will add capacity of up to 500,000 TEUs raising the total capacity in Hai Phong area (1.15m TEUs at end-FY18) by 43.4% relative to FY18. The intensifying competition in Hai Phong port cluster between HICT port and other nearby ports puts slight pressure on both the phases of Nam Dinh Vu port. For Nam Dinh Vu port phase 1, we expect it to achieve 76% of the 500,000 TEUs capacity target in FY19F, or 25% below the company's initial plan in FY18. Therefore, we have adopted more conservative assumptions. We forecast it will take at least three years from 2021F for Nam Dinh Vu's second phase to run at full capacity. We expect the container throughput at Nam Dinh Vu port to rise given the rising container demand in Hai Phong area, and as the container throughput switches from Nam Hai upstream port and Nam Hai Dinh Vu port to Nam Dinh Vu port as they are not strategically located near the mouth of Gam river like Nam Dinh Vu port. We expect GMD to see an increase in total

international container throughput in FY21-23F in Hai Phong area, fuelled by Nam Dinh Vu port. We forecast the port to deliver a container volume CAGR of 16.5% in 2021-23F while GMD's overall container growth in Hai Phong is estimated at 4.3-14.7% during FY21-23F.

**Figure 23: Nam Dinh Vu port is driving the growth of GMD's container throughput in Hai Phong area in FY21F-23F**

TEUs	2017A	2018A	2019F	2020F	2021F	2022F	2023F
Nam Hai	167,896	184,000	119,600	77,740	69,966	69,966	69,966
Nam Hai Dinh Vu	654,474	660,000	396,000	316,800	285,120	285,120	285,120
Nam Dinh Vu phase 1		190,000	370,000	450,000	500,000	550,000	550,000
Nam Dinh Vu phase 2		0	0	0	150,000	240,000	336,000
Nam Hai ICD	250,000	280,000	282,800	288,456	294,225	300,110	306,112
Total container throughput	1,072,370	1,314,000	1,168,400	1,132,996	1,299,311	1,445,196	1,547,198
% Growth in total container throughput		22.5%	-11.1%	-3.0%	14.7%	11.2%	7.1%
% Growth in Nam Dinh Vu			94.7%	21.6%	44.4%	21.5%	12.2%

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

### Associates' profit contributed by rising air cargo handling and Gemalink sea port project ➤

GMD owns about 35.2% interest in Saigon Cargo Service JSC (SCS VN, Not Rated, CP VND138,000) (as at end-3Q19), which we expect to deliver a net profit CAGR 17.5% during FY19-21F, driven by 11.5% cargo volume growth. We estimate the SCS's net profit contribution to GMD's associate profit to rise 19.3% p.a. over the same period, making up 80% of the total associate profit in FY19-21F.

*SCS investment is expected to generate sustainable cash dividends for GMD in FY19f-21F, in our view*

**Figure 24: SCS's contribution to GMD in FY19F-21F**

	2018A	2019F	2020F	2021F
Total cargo volume (tonnes)	204,943	223,200	253,280	284,371
Net profit (VNDbn)	415.9	474.3	568.9	673.9
Net profit attributed to GMD (VNDbn)	139.6	167.0	200.3	237.3
Cash dividend attributed to GMD (VNDbn)	93.9	90.6	90.6	100.7

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

GMD is set to launch its Gemalink seaport project in the Cai Mep-Thi Vai port cluster in late-2020F, with 1.5m TEU capacity p.a. The project is expected, in our view to help GMD gain 15.4-24.1% market share of the total Cai Mep-Thi Vai container throughput in FY21-25F, thanks to support from CMA-CGM which holds a 25% stake in Gemalink project. CMA-CGM plans to transfer its container throughput (780,000-800,000 TEUs in FY18) from Tan Cang Cai Mep International Terminal port (TCIT port) to Gemalink port. It could also convince other carriers in the Ocean Alliance to bring containers from Cambodia and the Philippines to the Gemalink port given its lowest handling fee in Asia (as end-2018) and its deepest dredging in the Cai Mep-Thi Vai port cluster (as at end-2018). We estimate Gemalink would bear a loss of VND82.5bn-72.6bn in each year during FY20-21F as this project needs at least two years to reach full capacity. However, in 2023-25F, we expect Gemalink's net profit contribution to GMD to witness a CAGR of 40.3%, helping GMD's associate profit to increase by 17.9% p.a. during the four years ending 2025F.

*Even though the Gemalink project is 75% owned by Gemadept and its subsidiary, the project is still accounted for at the associate level as GMD is not the controlling shareholder.*

**Figure 25: Gemalink to drive GMD's associate profits in FY22-25F**

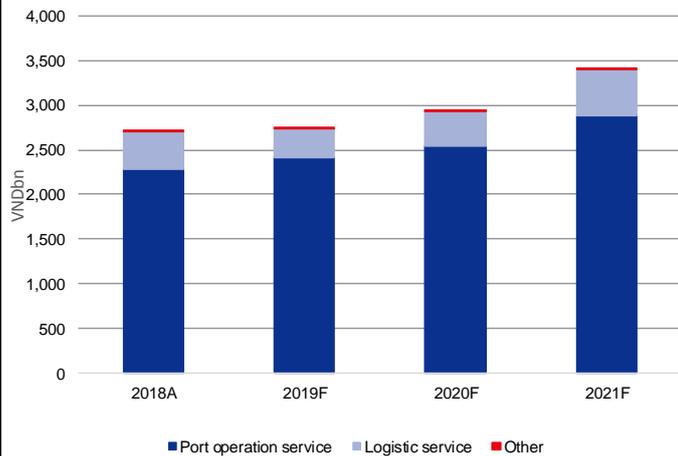
	2020F	2021F	2022F	2023F	2024F	2025F
Container throughput (TEUs)	200,000	800,000	1,360,000	1,768,000	1,768,000	1,768,000
% Capacity	13.3%	53.3%	90.7%	117.9%	117.9%	117.9%
% market share of Cai Mep Thi Vai port cluster	4.6%	15.4%	21.9%	24.1%	20.8%	18.2%
Net profit attributed to GMD (VNDbn)	(82.5)	(72.6)	109.1	244.2	250.2	308.7

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

## Steady FY21F net profit growth on the back of margin expansion and container volume growth

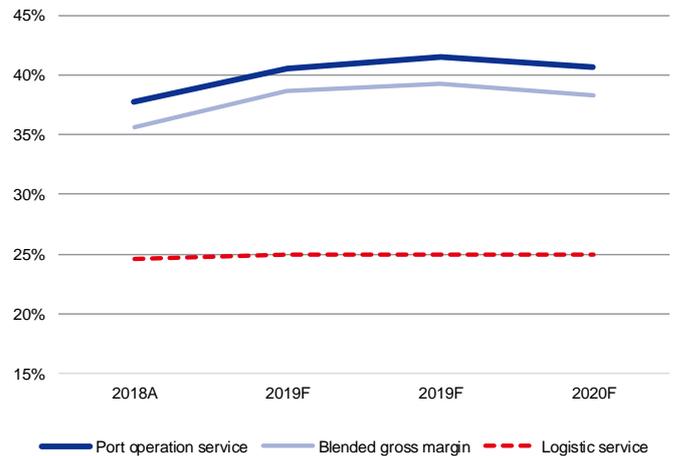
We expect GMD to achieve a revenue CAGR of 7.9% in FY19-21F, driven by an 8.2% CAGR in port operation revenue and 6.3% CAGR in logistics revenue.

**Figure 26: GMD's revenue by business segment – Port operation business from Nam Dinh Vu likely to be a key revenue growth driver in FY19-21F**



SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 27: Blended gross margin (GM) – we expect GM expansion in FY19-21F, mainly due to bigger gross profit contribution from the port service segment in Nam Dinh Vu port**



SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 28: FY19-21F Performance snapshot**

	2018A	2019F	2020F	2021F Assumption	
<b>Volume by port</b>					
Nam Dinh Vu ( TEUs)	190,000	370,000	450,000	650,000	We expect Nam Dinh Vu's container volume growth of 30.7% p.a. in FY19-21F to lead the company's port revenue growth, thanks to its strategic location in Hai Phong area.
Nam Hai Dinh Vu ( TEUs)	660,000	396,000	316,800	285,120	We expect Nam Hai Dinh Vu to see lower volume in FY19-21F as it has already exceeded its capacity by 30% in 2018 and had to transfer containers to Nam Dinh Vu port.
Nam Hai (TEUs)	184,000	119,600	77,740	69,966	We expect seaport container throughput in Nam Hai to drop in FY19F-21F as it is located in the upstream Gam river, which is disadvantageous to downstream ports like Nam Dinh Vu port. Hence, the carriers temporarily switch to docking at Nam Dinh Vu port rather than Nam Hai port. The container throughput in Nam Hai port would be decreasing gradually in FY19-21F.
Nam Hai ICD ( TEUs)	280,000	282,800	288,456	294,225	Closer to Nam Dinh Vu port, Nam Hai ICD would benefit from the Nam Dinh Vu port growth as it plays a role as an inland port.
Dung Quoc Bulk port (tonnes)	2,120,000	2,226,000	2,337,300	2,454,165	We expect a minor increase of volume throughput at 5% p.a. in Dung Quoc port in FY19-21F.
Phuoc Long ICD ( TEUs)	740,000	851,000	961,630	1,067,409	Phuoc Long ICD to act as a transshipment destination to transport containers from Gemalink port to Dong Nai, Binh Duong.
<b>Revenue (VNDbn)</b>	<b>2,702.8</b>	<b>2,736.0</b>	<b>2,928.9</b>	<b>3,393.2</b>	
Port service(VNDbn)	2,273.8	2,405.3	2,532.6	2,878.7	
Logistic service (VNDbn)	426.2	327.7	393.3	511.3	We project the logistics segment to grow 24% p.a. in FY20-21F, backed by the increasing trade flow into Vietnam.
Other service (VNDbn)	2.8	2.9	3.1	3.2	
Gross profit (VNDbn)	963.4	1,058.1	1,149.8	1,299.0	
<b>Blended gross margin (GM)</b>	<b>35.6%</b>	<b>38.7%</b>	<b>39.3%</b>	<b>38.3%</b>	
GM of port service	37.7%	40.6%	41.5%	40.7%	Thanks to a 10% increase in container drop/load floor commission rate at end-FY18, the average revenue per container should rise 8-10% in FY19F and 2-3% in FY20-21F. Hence, the gross margin of the port service segment should rise 400bp in FY19-21F
GM of logistic service	24.6%	25.0%	25.0%	25.0%	
SG&A (VNDbn)	(404.0)	(383.0)	(410.1)	(492.0)	We maintain our SG&A-to-sales ratio assumption at 14.9% for FY19-21F.
Associates' profit (VNDbn)	132.5	211.0	193.1	246.7	
Gemalink	(12.8)	(20.9)	(82.5)	(72.6)	Gemalink will contribute the biggest loss of VND67bn in FY20F due to the under-utilisation of its capacity in late-FY20F. However, this should improve from FY21F onwards.
SCS	139.6	167.0	200.3	237.3	SCS continues to be a key contributor to associates' profit, with over 80% contribution.
CJ Gemadep Logistic Holdings	26.6	34.6	45.0	51.8	
CJ Gemadep Shipping Holdings	(20.3)	22.3	22.3	22.3	
Others	(0.6)	8.0	8.0	8.0	
Financial income (VNDbn)	1,601.6	92.5	-7.3	-7.3	
<b>Financial expense (VNDbn)</b>	<b>-43.7</b>	<b>-145.2</b>	<b>-150.2</b>	<b>-158.3</b>	Financial expense would surge notably in FY19-21F as GMD leverages its borrowing to finance the Nam Dinh Vu port in 2018 and Nam Dinh Vu expansion in FY20F.
<b>Net profit (VNDbn)</b>	<b>1,847.7</b>	<b>583.4</b>	<b>540.8</b>	<b>623.8</b>	We project FY19F net profit of VND618.7bn, down 66.5% yoy after GMD recorded a one-off financial investment of VND1,507bn in FY18. FY20F net profit will ease a slight -1.1% due to higher financial expense and lower associates' profit.
<b>Capex (VNDbn)</b>	<b>-875.9</b>	<b>-100.0</b>	<b>-1,502.9</b>	<b>-100.0</b>	Huge capex of VND1,502bn envisaged in FY20F to build Nam Dinh Vu phase 2.

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

Some of our key assumptions for FY19-21F include: 1) blended gross margin of 40%, +4% pts vs. FY18, thanks to a 10% rise in container handling fee from higher-margin Nam Dinh Vu port; 2) a stable SG&A-to-sales ratio of 14.9%; 3) Gemalink's loss rising to VND82.5bn in FY20F due to underutilised operations; and 4) continued increase in interest expense due to an increase in capex in FY18 and FY20F to build the Nam Dinh Vu port. Overall, we forecast FY19F net profit to plunge -68.4% yoy to VND583.4bn, because in FY18 GMD had a one-off investment income of VND1,507bn, and FY20F net profit of VND540.8bn (-7.3% yoy), owing to rising financial expenses. However, we expect a strong rebound in FY21F, when net profit could touch VND623.8bn, +15.3% yoy when the Nam Dinh Vu phase 2 comes into operation and Gemalink trims its losses, backed by higher container throughput.

The company is going to need a significant capex of VND1,500bn to expand Nam Dinh Vu phase 2 next year. We estimate the capital structure of this phase to be same as the phase 1, with loans of up to VND879bn. Due to the huge capex, we forecast no cash dividend next year. After 2020F, there should only be an annual maintenance capex of VND100bn over FY21F-25F. As such, we project a dividend payment of 15% at par value of the shares p.a. over FY21-25F.

### 9M19 financial results recap >

Figure 29: Results comparison

VNDbn	3Q19	3Q18	YoY %	9M19	9M18	YoY %	Comments
Revenue	697.7	699.4	-0.2%	1,995.6	1,998.5	-0.1%	
Port service	626.7	639.2	-2.0%	1,760.1	1,662.2	5.9%	We believe the competition between HICT and other nearby ports in Hai Phong drove the 5.9% yoy increase in 9M19 GMD's port revenue.
Logistic service	71.7	60.2	19.2%	235.6	336.2	-29.9%	As GMD sold its 51% stake in CJ Logistics Holding company in FY18, its logistic revenue decreased in FY19F.
Gross profit	282.7	283.9	-0.4%	803.6	759.0	5.9%	
Blended gross margin (GM)	40.5%	40.6%	0.0%	40.3%	38.0%	0.0%	
GM of port service	42.2%	37.6%	4.6% pts	42.4%	40.2%	2.2% pts	Thanks to a 10% increase in container drop/load floor commission rate at end-FY18, the gross margin of the port service segment rose 4.6% pts yoy in 9M19.
GM of logistic service	33.5%	55.8%		24.3%	27.1%		
SG&A	98.6	86.9	13.4%	312.4	315.8	-1.1%	
Associates' profit	53.6	29.9	79.3%	174.3	83.8	107.9%	The increase was due to growing air cargo services in Saigon Cargo service (SCS) company
Financial income	3.9	6.1	-37.0%	105.9	1,552.3	-93.2%	Due to the absence of one-off financial gains recorded in 9M18, financial income fell by 93.2% yoy.
Financial expense	33.0	30.1	9.5%	117.7	5.7	1964.0%	The finance expense jumped in 9M19 due to the absence of a VND120bn reversal in provision in 9M18.
Net profit	162.0	146.3	10.8%	450.5	1,675.1	-73.1%	

SOURCES: VND RESEARCH, COMPANY REPORTS

The 9M19 net profit decreased by 73.1% yoy to VND450.5bn due to an absence of one off financial gains recorded in 9M18. Without this one-off investment gain, GMD recorded a 18.3% yoy net profit in 9M19. Furthermore, the gross margin in port segment improved by 4.6% pts mainly driven by a 10% increase in container drop/load floor commission rate at end-FY18.

### Dragged down by non-core assets

During 2009-2012, the company made tremendous investments in a wide variety of non-core businesses, ranging from rubber, real estate, broking house, food, banking, mineral exploitation, etc. The company's non-core businesses are valued at VND2,331.7bn, accounting for 20.9% of its total assets as at end-FY18. Most of these investments generated losses. Among the huge investment projects is a rubber plantation valued at VND1,745.8bn; it continues to report losses due to soft rubber prices. GMD has been seeking potential partners and investors to divest its rubber plantation. However, we do not expect this plan to materialise over the next 2-3 years. Based on the assumption that GMD is not able to divest its investments over the next three years, we estimate ROA and ROE would remain low at 10.5-9.4% and 8.5-9.2%, respectively, in FY19-21F.

**Figure 30: GMD is incurring continuous losses from its investment in rubber plantation**

Projects	Area	Book value at end-18 (VNDbn)	Accumulated loss at end-18 (VNDbn)
Rubber plantation	30,000 ha	1,745.8	-239.7
Saigon Gem real estate (GMD holds 40% stake)	178,360 sq m floor area	62.5	
Vientiane Laos real estate (GMD holds 45% stake)	21,329 sq m floor area	95.0	
Financial investment		140.6	-61.3
Associate investment		287.8	-36.0

SOURCES: COMPANY REPORTS

## SWOT analysis

**Figure 31: SWOT analysis for GMD**

Strengths:	Opportunities:
<ul style="list-style-type: none"> <li>- Picked as a transportation hub by giant Ocean Alliances (members include CMA-CGA); could help attract container carriers.</li> <li>- Location just outside Hai Phong city, a key transportation hub on the northern coast, with established sea transport and a deep-sea port in the area.</li> <li>- Its close proximity to China makes it attractive to large carriers wishing to set up a new load and drop container position in the region.</li> </ul>	<ul style="list-style-type: none"> <li>- Vietnam is increasingly integrated into the global supply chain, with double-digit export and import growth in FY19-21F.</li> <li>- The US-China trade war could expedite the trade flow shift from China to Vietnam.</li> </ul>
Weaknesses:	Threats:
<ul style="list-style-type: none"> <li>- Non-core investment and inefficient assets are a waste of GMD's resources</li> </ul>	<ul style="list-style-type: none"> <li>- The prolonged US-China trade war will raise the price of goods, which could slow global consumption and reduce exporters' output.</li> <li>- Competition is rising as HICT phase 2 will be launched, with a huge capacity</li> </ul>

SOURCES: VND RESEARCH, COMPANY REPORTS

## Valuation and recommendation

### Initiate with an Add rating; TP of VND29,500 implies 25.5% potential upside ►

We initiate coverage on GMD with an Add rating and a target price of VND29,500 (potential upside of 25.5% from the current share price), based on DCF over a 10-year projection period. Our DCF-based target price is VND29,500. We estimate GMD's WACC at 11.3%, assuming: 1) a risk-free rate of 4%, 2) beta of 0.87 and 3) equity risk premium of 11%. In order to arrive the present of terminal value of VND4,843.97bn at end-2029F, we discount all the cash flow afterward with terminal growth rate of 5% to reflect the growth prospects for the port industry. With target price of VND29,500, GMD is trading at forward 8.5x FY19F EV/EBITDA, which is in line with GMD's historical 5 year average EV/EBITDA of 8.5x. We like GMD as it is the best direct logistic and port player in private-sector logistic which is leveraged into capturing benefits from multi FTAs and the trend towards factory location out of China and in to Vietnam. With those strong fundamental business and attractive potential upside of 25.5%, we rate the stock as an Add.

**Figure 32: DCF model – Summary of free cash flow (FCF)**

General assumption	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
EBIT	782.1	859.4	1,004.0	1,120.9	1,261.1	1,403.0	1,511.3	1,576.9	1,698.6	1,746.4
Add: Depreciation	358.0	423.0	423.0	423.0	423.0	423.0	423.0	423.0	423.0	423.0
Less: Capital Expenditure	(1,502.9)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Changes in working capital	(157.7)	(170.3)	(195.3)	(193.9)	(210.7)	(219.4)	(214.5)	(206.0)	(14.9)	(203.1)
Free Cashflow (FCF)	-520.5	1,012.1	1,131.8	1,250.0	1,373.5	1,506.7	1,619.8	1,694.0	2,006.8	1,866.4
Less: Tax Paid	(77.7)	(89.6)	(132.2)	(167.6)	(187.0)	(213.1)	(230.0)	(242.4)	(260.8)	(271.4)
Free Cashflow To Firm	(598)	923	1,000	1,082	1,186	1,294	1,390	1,452	1,746	1,595
Terminal Value										
PV of FCFF	(537.3)	744.4	724.6	704.8	694.0	679.7	656.0	615.5	665.0	545.7
PV of Terminal Value										4,843.97
Present value of future cashflow to firm (VNDbn)	5,492									
Present value of Terminal Value (VNDbn)	4,844									
Enterprise value (VNDbn)	10,336									
Less: Net debt (VNDbn)	1,773									
Plus: Cash and short-term investment (VNDbn)	188									
Equity value (VNDbn)	8,751									
No. of outstanding share (m)	297									
Equity value/per share (VND)	29,500									

SOURCES: VND RESEARCH ESTIMATES

**Figure 33: Cost of equity**

Cost of equity	
Beta	0.87
Risk free rate %	4
Equity risk premium %	11
Cost of equity %	13.6

SOURCES: VND RESEARCH ESTIMATES

**Figure 34: WACC**

	%
Cost of debt	9.0
Target debt to capital	35.3%
Tax rate	20
WACC	11.3
Terminal growth rate	5.0%

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 35: Peer comparison**

Company Name	Ticker	Price	TP	Recom.	Market Cap (US\$ m)	3-year EPS CAGR	P/E		P/BV		ROE (%)		Dividend yield (%)		EV/EBITDA	
		(local curr)	(local curr)			%	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F
<b>Gemadept Corp</b>	<b>GMD VN</b>	<b>23,500</b>	<b>29,500</b>	<b>ADD</b>	<b>299.5</b>	<b>13.3</b>	<b>12.6</b>	<b>12.1</b>	<b>1.2</b>	<b>1.1</b>	<b>9.7</b>	<b>8.4</b>	<b>6.0</b>	<b>0.0</b>	<b>6.4</b>	<b>6.8</b>
Doan Xa Port Joi	DXP VN	11,200	N/A	NR	12.5	-4.0	9.7	N/A	0.7	N/A	8.0	N/A	N/A	N/A	N/A	N/A
Vietnam Containe	VSC VN	23,650	N/A	NR	56.8	3.5	5.8	5.5	0.7	0.7	15.3	11.8	8.5	11.5	2.7	2.5
Hai An Transport	HAH VN	12,300	N/A	NR	25.6	-5.4	4.7	N/A	0.4	N/A	10.3	N/A	8.1	N/A	N/A	N/A
Dinh Vu Port	DVP VN	37,300	N/A	NR	63.7	1.3	5.0	N/A	1.1	N/A	26.8	N/A	6.7	N/A	N/A	N/A
Cat Lai Port Jsc	CLL VN	26,050	N/A	NR	38.0	2.0	9.9	N/A	1.2	N/A	14.3	N/A	8.4	N/A	N/A	N/A
Dong Nai Port Js	PDN VN	68,700	N/A	NR	54.6	6.0	11.0	N/A	2.1	N/A	24.5	N/A	3.6	N/A	N/A	N/A
<b>Vietnam Average</b>							<b>7.7</b>	<b>5.5</b>	<b>1.1</b>	<b>0.7</b>	<b>16.5</b>	<b>11.8</b>	<b>7.1</b>	<b>11.5</b>	<b>2.7</b>	<b>2.5</b>
<b>Vietnam Median</b>							<b>7.8</b>	<b>5.5</b>	<b>0.9</b>	<b>0.7</b>	<b>14.8</b>	<b>11.8</b>	<b>8.1</b>	<b>11.5</b>	<b>2.7</b>	<b>2.5</b>
Adani Ports And	ADSEZ IN	366	455	NR	10,599	14.6	16.4	14.1	2.8	2.4	17.8	18.1	N/A	1.3	12.6	10.9
Gujarat Pipavav	GPPV IN	88	105	NR	593	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Westports Holdin	WPRTS MK	4	4	NR	269	11.8	21.8	20.3	5.2	4.7	25.3	24.7	3.3	3.6	13.3	12.6
Atlas Air Worldw	AAWW US	25	44	NR	638	N/A	5.4	5.9	0.3	0.3	4.5	6.4	N/A	N/A	7.4	7.0
Xiamen Interna-A	600897 CH	21	22	NR	881	0.0	12.3	11.9	1.7	1.5	13.7	13.3	N/A	3.1	6.8	6.7
Namyong Terminal	NYT TB	4	7	NR	165	2.7	11.8	11.2	1.3	1.3	10.9	11.7	7.4	8.7	5.2	4.9
Suria Capital	SURIA MK	1	N/A	NR	112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gateway Distripa	GDPL IN	97	141	NR	148	N/A	13.6	12.0	0.8	0.7	7.0	6.7	N/A	4.9	6.4	6.3
Navkar Corp Ltd	NACO IN	31	39	NR	64	N/A	9.5	7.5	N/A	N/A	2.7	N/A	N/A	N/A	N/A	N/A
Triple I Logisti	III TB EQUIT	5	8	NR	102	N/A	15.3	12.2	1.6	1.5	16.0	18.5	3.5	4.6	16.2	11.6
<b>World Average</b>							<b>13.3</b>	<b>11.9</b>	<b>2.0</b>	<b>1.8</b>	<b>12.2</b>	<b>14.2</b>	<b>4.7</b>	<b>4.4</b>	<b>9.7</b>	<b>8.6</b>

All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VND RESEARCH, BLOOMBERG, COMPANY REPORT  
 DATA AS AT 04 DEC 2019

## RISKS AND CATALYSTS

### Downside risks ►

- The worse-than-expected competition between Hai Phong ports: as we have mentioned, in order to maintain the services offering to carriers, the upstream ports would fight by reducing its revenue per container to offset its disadvantages to downstream ports. The severe competition would result in the lower revenue per container to each port operator. Even within the downstream ports, they also have to compete with other larger one especially Lach Huyen –HICT port who is able to offer the revenue per port as the most competitive price, thanks to their ability to accommodate mother vessels.
- Lower-than-projected container throughput which could dampen cashflow: we believe GMD's newly-launched Nam Dinh Vu port phase 2 need a certain timeframe to reach its max capacity. In case the timeframe extends beyond GMD's schedule, the cashflow received from container throughput would be lower that is not enough to pay its due obligation to banker. Meanwhile, rising interest expenses could hurt its ability to repay debt taken for Nam Dinh Vu phase 2.

### Potential re-rating catalysts ►

- Higher-than-expected handling fees from stronger-than-expected improvement in port services demand.
- Higher-than-expected throughput from a surge in containerised seaborne trade.
- Divestment of non-core assets.
- Consolidating Gemalink business performance into GMD's income statement.
- Better performance from synergies with CJ Gemadept Logistic Holdings and CJ Gemadept Shipping Holdings.

**Figure 36: GMD's shareholder structure as at end-2018**

No.	Shareholder	Number of shares	Ratio (%)
1	State shareholders	-	0.00%
	Founding shareholders / FDI shareholders	-	0.00%
2	- Local	-	0.00%
	- Foreign	-	0.00%
	Major shareholders (owning from 5% of share capital)	127,119,937	42.81%
3	- Local	21,237,451	7.15%
	- Foreign	105,882,486	35.66%
	Labor union	-	0.00%
4	- Local	-	0.00%
	- Foreign	-	0.00%
5	Treasury shares	-	0.00%
6	Shareholders owning preferred shares (if any)	-	0.00%
	Other shareholders	169,805,020	57.19%
7	- Local	144,992,714	48.83%
	- Foreign	24,812,306	8.36%
	<b>TOTAL</b>	<b>296,924,957</b>	<b>100.00%</b>
In which:	Local	166,230,165	55.98%
	Foreign	130,694,792	44.02%

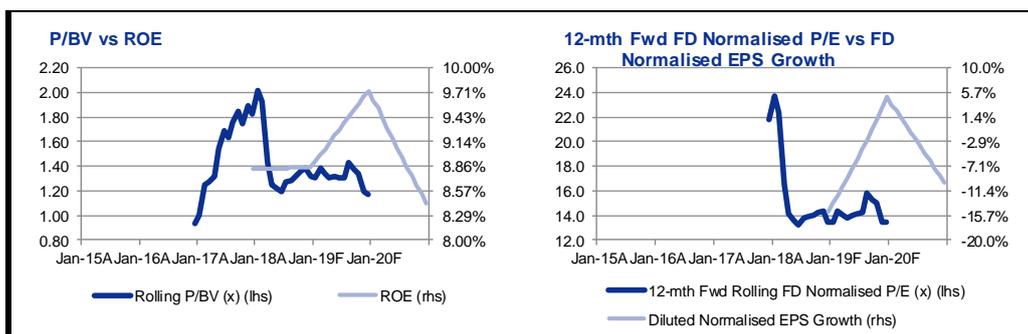
SOURCES: COMPANY REPORTS

**Figure 37: GMD's business overview as at end-2018**



SOURCES: COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>3,984</b>	<b>2,708</b>	<b>2,736</b>	<b>2,929</b>	<b>3,393</b>
<b>Gross Profit</b>	<b>1,029</b>	<b>968</b>	<b>1,058</b>	<b>1,150</b>	<b>1,299</b>
<b>Operating EBITDA</b>	<b>909</b>	<b>881</b>	<b>1,033</b>	<b>1,098</b>	<b>1,230</b>
Depreciation And Amortisation	(311)	(335)	(358)	(358)	(423)
<b>Operating EBIT</b>	<b>597</b>	<b>546</b>	<b>675</b>	<b>740</b>	<b>807</b>
Financial Income/(Expense)	(120)	(4)	(144)	(149)	(157)
Pretax Income/(Loss) from Assoc.	109	133	211	193	247
Non-Operating Income/(Expense)	64	(86)	50	(50)	(50)
<b>Profit Before Tax (pre-EI)</b>	<b>650</b>	<b>588</b>	<b>792</b>	<b>734</b>	<b>847</b>
Exceptional Items		1,594			
<b>Pre-tax Profit</b>	<b>650</b>	<b>2,182</b>	<b>792</b>	<b>734</b>	<b>847</b>
Taxation	(69)	5	(84)	(78)	(90)
Exceptional Income - post-tax		(287)	0		
<b>Profit After Tax</b>	<b>581</b>	<b>1,900</b>	<b>709</b>	<b>657</b>	<b>758</b>
Minority Interests	(74)	(53)	(125)	(116)	(134)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>508</b>	<b>1,848</b>	<b>583</b>	<b>541</b>	<b>624</b>
Normalised Net Profit	581	593	709	657	758
<b>Fully Diluted Normalised Profit</b>	<b>508</b>	<b>540</b>	<b>583</b>	<b>541</b>	<b>624</b>

### Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>909</b>	<b>881</b>	<b>1,033</b>	<b>1,098</b>	<b>1,230</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(115)	(37)	77	(158)	(170)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	15	106	(50)	(50)	(50)
Net Interest (Paid)/Received	(104)	(131)	(148)	(150)	(158)
Tax Paid	(73)	(273)	(84)	(78)	(90)
<b>Cashflow From Operations</b>	<b>633</b>	<b>545</b>	<b>829</b>	<b>663</b>	<b>762</b>
Capex	(1,148)	(876)	(100)	(1,503)	(100)
Disposals Of FAs/subsidiaries	177	1,899	0	112	0
Acq. Of Subsidiaries/investments	(25)	(238)	0	0	0
Other Investing Cashflow	155	224	192	92	102
<b>Cash Flow From Investing</b>	<b>(841)</b>	<b>1,008</b>	<b>92</b>	<b>(1,299)</b>	<b>2</b>
Debt Raised/(repaid)	324	626	(554)	594	(333)
Proceeds From Issue Of Shares	0	86	86	86	86
Shares Repurchased			0	0	0
Dividends Paid	(40)	(2,841)	(445)	0	(458)
Preferred Dividends			0	0	0
Other Financing Cashflow	(21)	(33)	0	0	0
<b>Cash Flow From Financing</b>	<b>263</b>	<b>(2,161)</b>	<b>(913)</b>	<b>681</b>	<b>(705)</b>
Total Cash Generated	55	(607)	8	44	60
<b>Free Cashflow To Equity</b>	<b>116</b>	<b>2,180</b>	<b>367</b>	<b>(42)</b>	<b>432</b>
<b>Free Cashflow To Firm</b>	<b>(104)</b>	<b>1,685</b>	<b>1,069</b>	<b>(486)</b>	<b>923</b>

SOURCES: VND RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	893	285	293	225	285
Total Debtors	1,128	949	960	1,028	1,191
Inventories	108	66	63	67	79
Total Other Current Assets	95	92	89	94	111
<b>Total Current Assets</b>	<b>2,223</b>	<b>1,391</b>	<b>1,405</b>	<b>1,415</b>	<b>1,666</b>
Fixed Assets	2,828	2,919	2,661	3,806	3,483
Total Investments	2,310	2,632	2,752	2,854	3,000
Intangible Assets	316	281	281	281	281
Total Other Non-Current Assets	3,614	2,760	2,646	2,778	2,917
<b>Total Non-current Assets</b>	<b>9,068</b>	<b>8,593</b>	<b>8,340</b>	<b>9,720</b>	<b>9,682</b>
Short-term Debt	715	675	415	474	566
Current Portion of Long-Term Debt					
Total Creditors	806	408	394	418	491
Other Current Liabilities	1,156	481	464	492	579
<b>Total Current Liabilities</b>	<b>2,676</b>	<b>1,564</b>	<b>1,273</b>	<b>1,383</b>	<b>1,636</b>
Total Long-term Debt	1,221	1,592	1,295	1,830	1,406
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	293	299	299	299	299
<b>Total Non-current Liabilities</b>	<b>1,514</b>	<b>1,891</b>	<b>1,594</b>	<b>2,129</b>	<b>1,705</b>
Total Provisions	7	0	0	0	0
<b>Total Liabilities</b>	<b>4,197</b>	<b>3,455</b>	<b>2,867</b>	<b>3,513</b>	<b>3,340</b>
Shareholders' Equity	6,344	5,880	6,105	6,732	6,984
Minority Interests	751	649	774	890	1,024
<b>Total Equity</b>	<b>7,095</b>	<b>6,529</b>	<b>6,879</b>	<b>7,622</b>	<b>8,008</b>

### Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	6.5%	(32.0%)	1.0%	7.1%	15.9%
Operating EBITDA Growth	(3.2%)	(3.1%)	17.3%	6.3%	12.0%
Operating EBITDA Margin	22.8%	32.5%	37.8%	37.5%	36.3%
Net Cash Per Share (VND)	(3,616)	(6,676)	(4,639)	(6,618)	(5,225)
BVPS (VND)	22,005	19,804	19,978	21,425	21,631
Gross Interest Cover	4.15	4.24	4.65	4.93	5.10
Effective Tax Rate	10.6%	0.0%	10.6%	10.6%	10.6%
Net Dividend Payout Ratio	8%	526%	76%	NA	73%
Accounts Receivables Days	52.72	69.79	55.78	54.42	52.28
Inventory Days	12.03	18.19	14.01	13.40	12.72
Accounts Payables Days	83.8	122.2	86.2	82.5	78.3
ROIC (%)	10.6%	8.9%	10.9%	12.7%	11.3%
ROCE (%)	8.65%	6.30%	8.93%	8.01%	8.12%
Return On Average Assets	6.55%	5.61%	8.64%	7.72%	8.13%

### Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Volumes Moved (% Change)	10.0%	10.0%	10.0%	10.0%	10.0%
Rates Charged (% Change)	5.0%	5.0%	5.0%	5.0%	5.0%
Acquisitions (m)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

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BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DELTA, DTAC, EA, EGCO, EPG, ERW, ESSO, GFPT, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMT, KBANK, KGE, KKP, KTB, KTC, LH, MAJOR, MBK, MEGA, MINT, MTC, ORI, OSP, PLANB, PRM, PSH, PSL, PTG, PTT, PTTEP, PTTGC, QH, RATCH, ROBINS, RS, SAWAD, SCB, SCC, SGP, SIRI, SPALI, SPRC, STA, STEC, SUPER, TASCO, TCAP, THAI, THANI, TISCO, TKN, TMB, TOA, TOP, TPIPP, TRUE, TTW, TU, TVO, WHA.

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The disclosure of the survey result of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

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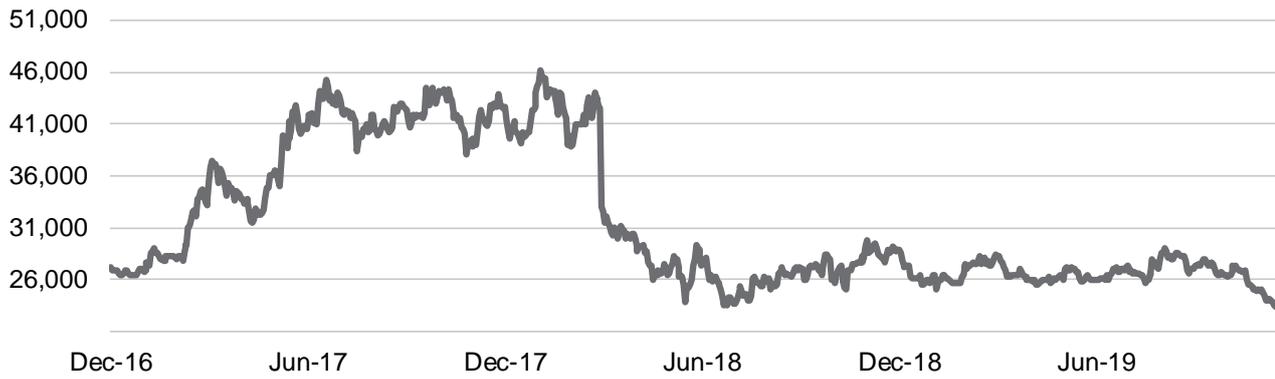
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

**Spitzer Chart for stock being researched ( 2 year data )**

**Gemadept Corporation (GMD VN)**

— Price Close



## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

\* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

### RECOMMENDATION FRAMEWORK

#### Stock Ratings

##### Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

##### Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

##### Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

Hien Tran Khanh – Deputy Head of Research

Email: hien.trankhanh@vndirect.com.vn

**Nhan LAI, CFA – Analyst**Email: [nhan.laithanh@vndirect.com.vn](mailto:nhan.laithanh@vndirect.com.vn)**VNDIRECT Securities Corporation**

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi | Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn) | Website: <https://vndirect.com.vn>