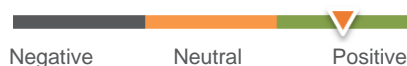


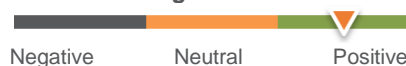
## GEMADEPT CORP (GMD)

<b>Current Price</b> VND39,000	<b>Target Price</b> VND36,000	<b>Dividend Yield</b> 5.00%	<b>Recommendation</b> Hold	<b>Sector</b> INDUSTRIALS
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### Outlook – Short term



### Outlook – Long term



### Valuation

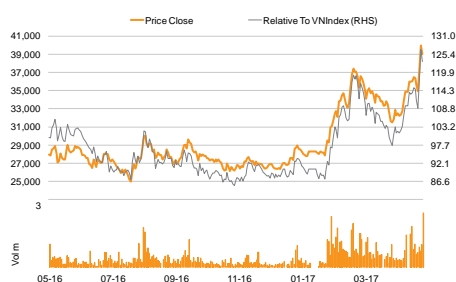


17 May 2017

Quang Nguyễn Hồng

quang.nguyenhong@vndirect.com.vn

### Price performance



Source: VNDIRECT

### Key statistics

52w high (VND)	39,950
52w low (VND)	25,000
Average daily turnover (3m)	890,626
Market cap (VND) billion	7,168
Outstanding shares (m)	184
Free float (%)	78
Beta	1.5

### Ownership

Shareholders	% Ownership
ReCollection Pte	7,99
PYN Elite Fund	3,18
Market Vector VN	2,66
Deutsche Bank AG	1,27
Đỗ Văn Nhân	0,74

Source: VNDIRECT

**GMD is planning for divestments of some projects and issuing stock for conversion of convertible bonds, as shown in documents for 2017 AGM on May 26, 2017. We change the recommendation to HOLD as the market price has reached our target price although we are still positive about this year's earnings growth. We believe that the upside catalysts beyond this price shall depend on possible gains from upcoming divestments.**

**Revenue of 1Q2017 was VND860bn (+1,3% yoy), NPAT was VND108 (+29% yoy).** Revenue from terminal activity declined by 9% yoy to VND377bn, possibly due to the decrease in throughput of Nam Hai Port (NHP). The decrease could be attributed to competition of newer terminals in Dinh Vu peninsula. Logistics revenue increased by 12% yoy to VND483bn. However, gross profit down by 11% owing to rising raw material costs which has increased by 69% yoy (VND34bn).

**GMD is completing some projects** including Nam Hai DC (NHD) and Mekong Logistics (MKL). NHD, located by Nam Hai ICD, has area of 6m660 sqm and will be finished in Aug 2017. The cold storage of MKL will start to operate since Jun 2017. According to GMD, the demand of cold storage from the partner Minh Phu is quite high. As a result, the cold storage could be filled up to more than 50% in 2017.

**GMD will divest non-core projects** including 15% ownership in CJ Tower, rubber plantation in Cambodia, and Gemadept Terminal Link etc. The proceeds will be reinvested in logistics business and be paid out as dividend.

**2017 EPS could be diluted by 20%** if VND913bn convertible bonds are fully converted: 2017 diluted EPS could be VND2,218.

Financial summary (VND)	12-15A	12-16A	12-17E	12-18E
Revenue (bn)	3,586	3,742	4,159	4,213
Revenue growth	19.0%	4.3%	11.2%	1.3%
Gross margin	26.4%	27.2%	26.2%	26.0%
Operating EBITDA (bn)	936	938	1,075	1,081
Net profit (bn)	402	390	519	552
Net profit growth	(20.4%)	(3.1%)	33.2%	6.3%
EPS	3,485	3,336	2,892	3,074
BVPS	42,543	28,792	29,927	31,245
ROAE	7.8%	7.6%	9.9%	10.1%

Source: VNDIRECT

### Divestment of non-core project

GMD is planning to divest from the following projects:

#### Divestment

Project	Ownership	% Divest	Book value (VND bn)
Rubber plantation	100%	51% - 100%	1564
CJ Vietnam Ltd	15%	15%	38
Hoa Sen Gemadept Termial JSC	51%	51%	na
Cap Mep Gemadept Termial Link	75%	25%	1377
Sea Transport Gemadept Hld	100%	<= 51%	na
Logistics Gemadept Hld	100%	<= 51%	na

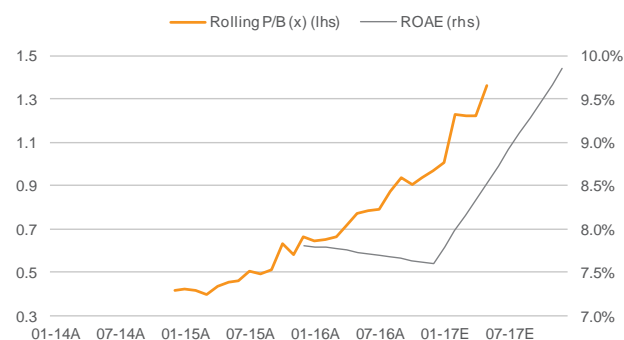
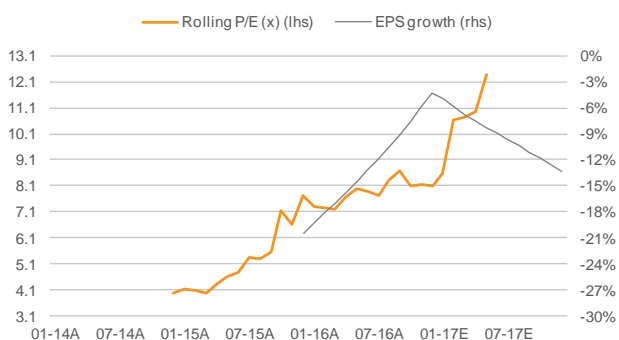
Source: GMD

Total book value of these projects could be more than VND3,000bn. For CJ Tower, GMD has sold 85% of its share to CJ Group (South Korea) and reported financial income of VND630bn in 2014. If the remaining 15% could be sold at a similar price, GMD will record a financial income of VND111bn for FY 2017. It is highly likely that the buyer still be CJ Group. For rubber plantation projects, GMD is searching for potential buyers. For Gemalink project, the buyer could be a carrier which could provide cargoes for the port. Details of the divestments will be disclosed in 2017 AGM.

### Risk of diluting EPS coming from convertible bonds

At the end of FY2016, VIF held VND913bn convertible bonds issued by GMD. These bonds pay 6% pa and will come due in Aug 2017. VIF has decided to convert all these bonds. For foreign ownership to not excess 49%, VIF has transferred part of the bonds to an individual, Ms. Le Thuy Huong. As a result, GMD will issue 87.7m shares to VIF and 21.2m shares to Ms Huong at a price of VND10,640 per share. The number of additional share is 109m, (current share outstanding is 179m). It is likely that VIF and Ms. Huong will transfer their ownership through private placement. If the conversion date is at mid-2017, the dilution of EPS could be around 20%. Diluted 2017 EPS, according to our calculation, could be VND2,218.

Valuation



Income statements

(VNDbn)	12-16A	12-17E	12-18E
Revenue	3,742	4,159	4,213
Cost of sales	(2,723)	(3,068)	(3,120)
Gen & admin expenses	(297)	(304)	(308)
Selling expenses	(63)	(50)	(51)
<b>Operating profit</b>	<b>659</b>	<b>738</b>	<b>735</b>
Operating EBITDA	938	1,075	1,081
<b>Depreciation and amortisation</b>	<b>(280)</b>	<b>(337)</b>	<b>(345)</b>
<b>Operating EBIT</b>	<b>659</b>	<b>738</b>	<b>735</b>
Interest income	39	12	12
Financial expense	(151)	(180)	(136)
Net other income	(116)	17	17
Income from associates & JVs	50	63	75
<b>Pre-tax profit</b>	<b>481</b>	<b>650</b>	<b>702</b>
Taxation	(37)	(59)	(74)
Minority interests	(54)	(72)	(76)
<b>Net profit</b>	<b>390</b>	<b>519</b>	<b>552</b>
Adj. net profit to ordinary	390	519	552
Ordinary dividends	0	(359)	(359)
<b>Retained earnings</b>	<b>390</b>	<b>160</b>	<b>193</b>

Cash flow statement

(VNDbn)	12-16A	12-17E	12-18E
<b>Pretax profit</b>	<b>481</b>	<b>650</b>	<b>702</b>
Depreciation & amortisation	280	337	345
Other non cash gains/(losses)	0	0	0
Other non operating gains/(losses)	27	(92)	(103)
Tax paid	(76)	(59)	(74)
Other operating cash flow	29	0	0
<b>Change in working capital</b>	<b>21</b>	<b>(296)</b>	<b>(1)</b>
<b>Cash flow from operations</b>	<b>762</b>	<b>540</b>	<b>869</b>
Capex	(1,018)	(478)	(461)
Proceeds from assets sales	73	0	0
Others	(23)	129	103
Other non-current assets changes	(269)	(6)	(12)
<b>Cash flow from investing activities</b>	<b>(1,237)</b>	<b>(355)</b>	<b>(370)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	627	(142)	(494)
Other financing cash flow	(61)	121	6
Dividends paid	(271)	(359)	(359)
<b>Cash flow from financing activities</b>	<b>294</b>	<b>(380)</b>	<b>(846)</b>
Cash and equivalents at beginning of period	905	724	530
<b>Total cash generated</b>	<b>(181)</b>	<b>(195)</b>	<b>(347)</b>
Cash and equivalents at the end of period	724	530	183

Balance sheets

(VNDbn)	12-16A	12-17E	12-18E
Cash and equivalents	724	530	183
Short term investments	89	51	51
Accounts receivables	1,128	1,107	1,115
Inventories	87	128	130
Other current assets	112	197	200
<b>Total current assets</b>	<b>2,140</b>	<b>2,013</b>	<b>1,679</b>
Fixed assets	4,641	4,782	4,898
Total investments	2,308	2,308	2,308
Other long-term assets	1,029	1,035	1,046
<b>Total assets</b>	<b>10,118</b>	<b>10,138</b>	<b>9,931</b>
Short-term debt	1,579	1,579	2,136
Accounts payable	595	508	511
Other current liabilities	787	683	693
<b>Total current liabilities</b>	<b>2,961</b>	<b>2,770</b>	<b>3,339</b>
Total long-term debt	928	785	(266)
Other liabilities	363	484	490
<b>Shareholders' equity</b>	<b>5,166</b>	<b>5,370</b>	<b>5,606</b>
Minority interests	700	729	761
<b>Total liabilities &amp; equity</b>	<b>10,118</b>	<b>10,138</b>	<b>9,931</b>

Key ratios

	12-16A	12-17E	12-18E
<b>Dupont</b>			
Net profit margin	10.4%	12.5%	13.1%
Asset turnover	0	0	0
ROAA	4.1%	5.1%	5.5%
Avg assets/avg equity	2	2	2
ROAE	7.6%	9.9%	10.1%
<b>Efficiency</b>			
Days account receivable	52	46	46
Days inventory	12	15	15
Days creditor	80	60	60
Fixed asset turnover	1	1	1
ROIC	4.7%	6.1%	6.7%
<b>Liquidity</b>			
Current ratio	1	1	1
Quick ratio	1	1	0
Cash ratio	0	0	0
Cash cycle	(16)	1	2
<b>Growth rate (yoy)</b>			
Revenue growth	4.3%	11.2%	1.3%
Operating profit growth	2.7%	12.1%	(0.4%)
Net profit growth	(3.1%)	33.2%	6.3%
EPS growth	(4.3%)	(13.3%)	6.3%
<b>Share value</b>			
EPS (VND)	3,336	2,892	3,074
BVPS (VND)	28,792	29,927	31,245
DPS (VND)	0	2,000	2,000

Source: VNDIRECT

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### **Phường Nguyễn Mai – Director**

Email: [phuong.nguyenmai@vndirect.com.vn](mailto:phuong.nguyenmai@vndirect.com.vn)

### **Quang Nguyễn Hồng – Senior Analyst**

Email: [quang.nguyenhong@vndirect.com.vn](mailto:quang.nguyenhong@vndirect.com.vn)

### **VNDIRECT Securities Corporation**

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>