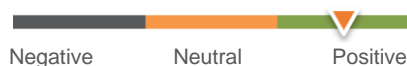


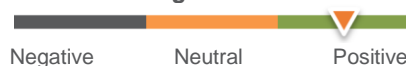
GEMADEPT CORP (GMD)

Current Price VND40,200	Target Price VND37,500	Dividend Yield 4.98%	Recommendation Hold	Sector INDUSTRIALS
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Outlook – Short term



Outlook – Long term



Valuation



22 August 2017

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Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	45,300
52w low (VND)	26,150
Average daily turnover (3m)	609,354
Market cap (VND) billion	11,675
Outstanding shares (m)	290
Free float (%)	78
Beta	1.5

Ownership

Shareholders	% Ownership
VI Fund II	30.4
Le Thuy Huong	7.5
ReCollection Pte	7.5
Deutsche Bank AG	4.0
PYN Elite Fund	1.9

Source: VNDIRECT

GMD is in the process of selling its assets. Gains from divesting Hoa Sen – Gemadept Port (HGP) could be reported within 2H2017. We maintain HOLD recommendation with target price of VND37,500 (up from previous target of VND36,000 to reflect positive earnings prospect of Mekong Logistics (MKL, newly launched at the end of 2Q2017). However, we believe there is potential upside for the stock price due to asset disposals gains which are not included in our EAT forecast.

1H2017 revenue was VND1,866b (+3.7% yoy) and EAT was VND231.1b (+5.2% yoy). Port business achieved 1% yoy revenue growth to VND837.2b. The business' profit margin declined 6.3% pts to 38.5% due to higher fuel costs compared to 1H2016. Logistics business also suffered from higher fuel prices: gross margin fell by 2.3% pts to 13.2% while revenue increased by 6% yoy to VND1,028.5b.

At the moment, six out of nine cold storages of MKL has been filled up mainly by the shrimp exporter Minh Phu (MPC: unlisted). During 1H2017, MPC achieved revenue of VND6,342b (34.5% yoy) and EAT of VND159.6b (733% yoy). We expect the cold chain distribution center to be fully utilized by the end of 2017.

We revise upwards expected revenue to VND4,417b (vs previous forecast VND4,159b) and expected EAT to VND615b (vs VND591b in previous forecast). The adjustment reflects positive business results of MKL. The target price is adjusted to VND37,500.

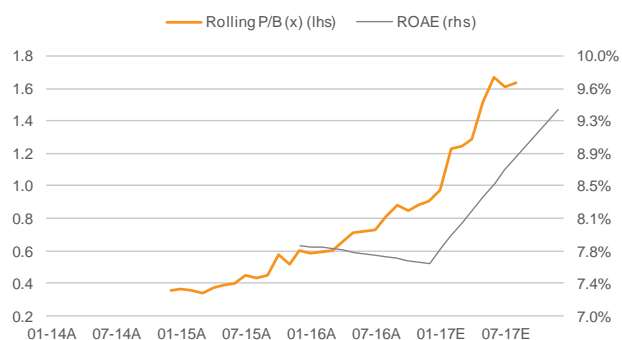
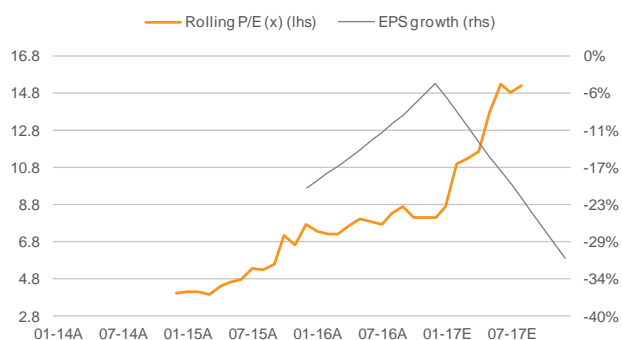
Gains from asset disposal could be reported within 2H2017. In August 2017, GMD has divested 51% ownership in HGP. The company has not disclosed selling price and gain for the transaction. For logistics assets, GMD revealed that a potential buyer is conducting due diligence and both parties could reach an agreement by the end of 2017.

Nam Hai Port project could commence test run in 4Q2017 and could officially launch in early 2018.

Financial summary (VND)	12-15A	12-16A	12-17E	12-18E
Revenue (bn)	3,586	3,742	4,417	4,572
Revenue growth	19.0%	4.3%	18.0%	3.5%
Gross margin	26.4%	27.2%	24.6%	26.2%
Operating EBITDA (bn)	936	938	1,022	1,127
Net profit (bn)	402	390	538	648
Net profit growth	(20.4%)	(3.1%)	37.9%	20.5%
Adjusted EPS	3,659	3,597	2,429	2,247
BVPS	42,543	28,792	21,818	22,309
ROAE	7.8%	7.6%	9.4%	10.2%

Source: VNDIRECT

Valuation



Income statements

(VNDbn)	12-16A	12-17E	12-18E
Revenue	3,742	4,417	4,572
Cost of sales	(2,723)	(3,331)	(3,376)
Gen & admin expenses	(297)	(322)	(334)
Selling expenses	(63)	(53)	(55)
Operating profit	659	710	808
Operating EBITDA	938	1,022	1,127
Depreciation and amortisation	(280)	(312)	(319)
Operating EBIT	659	710	808
Interest income	39	12	12
Financial expense	(151)	(129)	(88)
Net other income	(116)	18	18
Income from associates & JVs	50	63	75
Pre-tax profit	481	673	825
Taxation	(37)	(61)	(87)
Minority interests	(54)	(74)	(90)
Net profit	390	538	648
Adj. net profit to ordinary	390	538	648
Ordinary dividends	0	(358)	(577)
Retained earnings	390	179	71

Cash flow statement

(VNDbn)	12-16A	12-17E	12-18E
Pretax profit	481	673	825
Depreciation & amortisation	280	312	319
Other non cash gains/(losses)	0	0	0
Other non operating gains/(losses)	27	(93)	(105)
Tax paid	(76)	(61)	(87)
Other operating cash flow	29	0	0
Change in working capital	21	(287)	(10)
Cash flow from operations	762	544	942
Capex	(1,018)	(482)	(292)
Proceeds from assets sales	73	0	0
Others	(23)	130	105
Other non-current assets changes	(269)	(62)	(34)
Cash flow from investing activities	(1,237)	(413)	(221)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	627	(131)	(164)
Other financing cash flow	(61)	151	18
Dividends paid	(271)	(358)	(577)
Cash flow from financing activities	294	(338)	(723)
Cash and equivalents at beginning of period	905	724	517
Total cash generated	(181)	(207)	(1)
Cash and equivalents at the end of period	724	517	516

Balance sheets

(VNDbn)	12-16A	12-17E	12-18E
Cash and equivalents	724	517	516
Short term investments	89	51	51
Accounts receivables	1,128	1,169	1,188
Inventories	87	139	141
Other current assets	112	209	217
Total current assets	2,140	2,085	2,112
Fixed assets	4,641	4,810	4,783
Total investments	2,308	2,308	2,308
Other long-term assets	1,029	1,091	1,125
Total assets	10,118	10,294	10,328
Short-term debt	1,579	547	383
Accounts payable	595	553	552
Other current liabilities	787	732	751
Total current liabilities	2,961	1,832	1,686
Total long-term debt	928	928	928
Other liabilities	363	514	532
Shareholders' equity	5,166	6,290	6,431
Minority interests	700	731	751
Total liabilities & equity	10,118	10,294	10,328

Key ratios

	12-16A	12-17E	12-18E
Dupont			
Net profit margin	10.4%	12.2%	14.2%
Asset turnover	0.39	0.43	0.44
ROAA	4.1%	5.3%	6.3%
Avg assets/avg equity	1.86	1.78	1.62
ROAE	7.6%	9.4%	10.2%
Efficiency			
Days account receivable	51.9	46.2	46.2
Days inventory	11.7	15.2	15.2
Days creditor	80.0	60.6	59.7
Fixed asset turnover	0.92	0.93	0.95
ROIC	4.7%	6.3%	7.6%
Liquidity			
Current ratio	0.72	1.14	1.25
Quick ratio	0.69	1.06	1.17
Cash ratio	0.27	0.31	0.34
Cash cycle	(16.3)	0.8	1.7
Growth rate (yoy)			
Revenue growth	4.3%	18.0%	3.5%
Operating profit growth	2.7%	7.8%	13.8%
Net profit growth	(3.1%)	37.9%	20.5%
EPS growth	(4.3%)	(31.1%)	(2.2%)
Share value			
EPS (VND)	3,336	2,299	2,247
BVPS (VND)	28,792	21,818	22,309
DPS (VND)	0	1,243	2,000

Source: VNDIRECT

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