

Category: Seaports /BSC RESEARCH

**RECOMMENDATIONS FOLLOW GEMADEPT . JSC (HSX: GMD)  
HIGH PROFIT GROWTH IN 2022 WILL NOT SUSTAINABLE IN 2023**

Current price:	<b>48,500</b>	Report writing date:	10/10/2022	<b>SHAREHOLDER STRUCTURE</b>	
Previous target price		Outstanding Shares (Million)	301	KOREA INVESTMENT MGM	4.9%
New target price:	<b>53,500</b>	Market capitalization (billion VND)	14,014	MIRAE ASSET GLOBAL	0.8%
Dividend yield		Average liquidity:	3,182,953	JP MORGAN CHASE	0.8%
Potential for price increase	<b>10%</b>	Foreign ownership	45.13%	JIH SUN INVESTMENT	0.8%

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**VIEWPOINT OF PRICE**

We recommend **LOOKING** for GMD stock with a 2023 fair value of **53,500VND/share** (Upside **10%** from the 10/10/2022 closing price), based on the target P/E method = 16.25x. Target P/E valuation is based on (1) 2019 average P/E = **17.1x** with GMD core earnings growth (+7-10% yoy), and (2) applied **5%** discount on output risk in 2023. We recommend **MONITORING** due to concerns that output growth will slow down in the near future. Upside **10%** mainly comes from GMD's share price, which has dropped sharply in the context of the general market's correction since May 2022.

**FORECAST OF BUSINESS RESULTS**

In 2022, BSC forecasts that GMD will record revenue = **3,667 billion VND (+14% yoy)**, NPATMI = 953 billion VND (+56% yoy), equivalent to EPS FWD = 3,161 VND/share, P/E FWD = 15.4 x.

In 2023, BSC forecasts that GMD will record revenue = **3,797 billion VND (+4% yoy)**, NPATMI = 990 billion VND (+4% yoy), equivalent to EPS FWD = 3,286 VND/share, P/E FWD = 14.8 x, based on the following key 2023 assumptions:

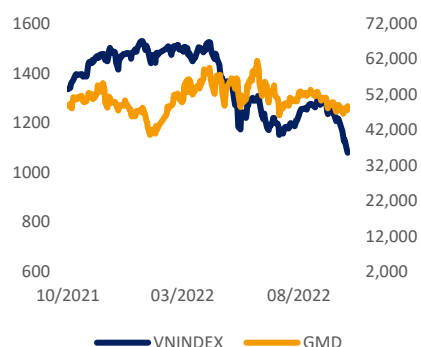
- **Cargo volume +1.3% yoy in 2023, contributed by NDV +10% yoy (assuming NDV 2 will receive 1 service from Q3.2022), Nam Hai -4%, Nam Hai Dinh Vu - 4% yoy and Phuoc Long ICD –Binh Duong +2% yoy.** Output growth rate is lower than 2022 at +5.8% yoy due to slowing global economy and high competition in Hai Phong area.
- **Service prices increase by +1% yoy in 2023.**
- **Assumed Logisitcs revenue + 10% yoy in 2023** – equivalent to the average growth of Logistics segment in the past.
- **In 2023, gross profit margin = 35.9%, down 0.3 percentage points compared to 2022 based on assumption of outsourcing service cost/SL – 3% yoy due to cooling oil price, depreciation expense + 100 billion VND due to the operation of NDV 2 project.**
- **Interest expense = 161 billion VND (+44% yoy) in 2023 based on the assumption of a new loan of 750 billion VND to invest in equipment for phase 2 users, interest rate +1 percentage point.** Profit from CTLK = VND 555 billion (+10% yoy), mainly contributed by GML project (205/232 billion VND) and SCS (222/244 billion VND).

**BUSINESS OUTLOOK 2023:** In 2023, profit growth will slow down due to (1) NDV 2's filling difficulties due to global economic downturn, high competition in Hai Phong returning and (2) GML 2 project not yet going. into operation, while, phase 1 is at full capacity.

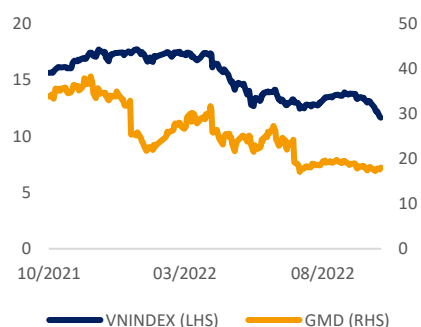
**BUSINESS UPDATE**

- **In 1H.2022 GMD recorded revenue = 1,858 billion VND (+29% yoy)**, NPATMI = 562 billion VND (+95% yoy). In which, port revenue = 1,536 billion VND (+24%) thanks to: Service price +19% yoy, mainly from the increase in service price at the yard due to lack of empty containers, Output +5% yoy. 2. Revenue from logistics segment = VND 322 billion (+61% yoy), due to (1) increase in Logisitcs service price, (2) expansion of business activities  
**Profit from CTLK +143% yoy**, increased mainly from Gemalink, SCS. In Q2.2022 Gemalink - 21% qoq, while output + 1.3% qoq, due to increased cost of outsourcing services due to rising oil prices.

**Bảng so sánh giá CP và VN- Index**



**P/E and VN index comparison table**



Ratios	2021	2022F	Peer	VN-Index
PE (x)	24.6	15.4	9.7	11.8
PB (x)	2.1	1.5	1.6	1.8
ROE (%)	6%	9%	16.4%	15.4%
ROA (%)	4%	6%	12.9%	2.5%

business results	2020	2021	2022F	2023F
Net Revenue	2,606	3,206	3,667	3,797
Gross profit	950	1,142	1,326	1,363
NPATMI	371	612	953	990
EPS	1,231	2,031	3,161	3,286

EPS growth -29% 65% 56% 4%

## I. UPDATE 1H.2022 BUSINESS RESULTS

Figure 1: Updated results of GMD in 1H.2022

GMD_ Billion VND	Q2.2021	Q2.2022	% QoQ	% YoY	1H.2021	1H.2022	% YoY	Comment
Turnover	752	978	11%	30%	1,439	1,858	29%	<p>In 1H.2022, GMD recorded revenue = 1,858 billion VND (+29% yoy), NPATMI = 562 billion VND (+95% yoy). In there:</p> <p>1. Net revenue from port operation = VND 1,536 billion (+24%) thanks:</p> <p>+ Service price +19% yoy, mainly from the increase in the price at the yard due to the lack of empty containers.</p> <p>Yield+5%yoy.</p> <p>2. Revenue from logistics segment = 322 billion VND (+61% yoy). According to the Board of Directors, the reason comes from (1) expanding business activities, (2) increasing service prices.</p>
Port operation	657	800	9%	22%	1,239	1,536	24%	
Logistics, office rental	95	178	24%	88%	200	322	61%	
Port output	518,008	502,484	36%	-3%	940,378	982,991	5%	
Nam Hai Dinh Vu	135,392	130,883	-4%	-3%	272,062	267,803	-2%	
Nam Dinh Vu	100,166	87,769	-8%	-12%	185,650	183,664	-1%	
Nam Hai	24,205	42,579	3%	76%	34,115	83,824	146%	
Binh Duong	258,245	241,253	152%	-7%	448,551	447,700	0%	
Phuoc Long ICD	518,008	502,484	36%	-3%	940,378	982,991	5%	
Selling price(Million VND/TEUS)	1.27	1.59		26%	1.32	1.56	19%	
Gross profit	319	436	24%	37%	578	788	36%	
Port operation	289	347	18%	20%	518	641	24%	<p>- Financial expense +22% yoy due to low base level in 2021 from reversal of provision for financial investment.</p> <p>- SG&amp;A expenses remained under stable control over the same period.</p> <p>-Profit from CTLK +143% yoy, increased mainly from Gemalink, SCS. In Q2.2022, profit from Gemalink -21% QoQ, while output +1.3% QoQ, due to increased cost of outsourcing services due to higher oil prices.</p>
Logistics, office rental	30	89	54%	193%	61	147	142%	
Financial income	9	4	-6%	-55%	31	8	-73%	
Financial CP	(45)	(56)	74%	25%	(72)	(88)	22%	
Interest	(30)	(32)	9%	9%	(59)	(62)	5%	
expenses								
Profit/(loss) from CTLK	68	100	-20%	47%	93	226	143%	
SCS	51	53		4%	98	118	20%	
Gemalink	(2)	30			(37)	69		
Selling expenses	(39)	(35)	-12%	-11%	(74)	(74)	1%	
Enterprise Management	(72)	(85)	20%	19%	(138)	(156)	13%	
Joint Stock Company								
Profit from business activities	240	364	7%	51%	418	703	68%	
Other income, net	(44)	6	-46%	-	(30)	17	-	
				114%			157%	
EBT	196	370	6%	89%	388	720	86%	
Tax	(18)	(36)	16%	101%	(38)	(67)	76%	
NPAT	178	334	5%	87%	350	653	87%	

Owner's benefits	37	46	2%	26%	61	92	49%
NPATMI	142	288	5%	103%	289	562	95%
Gross profit margin	42%	45%			40%	42%	
Port operation	44%	43%			42%	42%	
Logisitcs, rent office	32%	50%			30%	46%	
Net profit margin	24%	34%			24%	35%	

**Gross profit margin + 2%** points mainly from the improvement of Logisiics profit margin +16% points due to service price increase.

Source: GMD Financial Statements

## THE NORTH PORT GROUP – PERFORMANCE DECREASE BECAUSE OF GLOBAL ECONOMY SLOW

Figure 2: Output of Northern ports in 1H. 2022

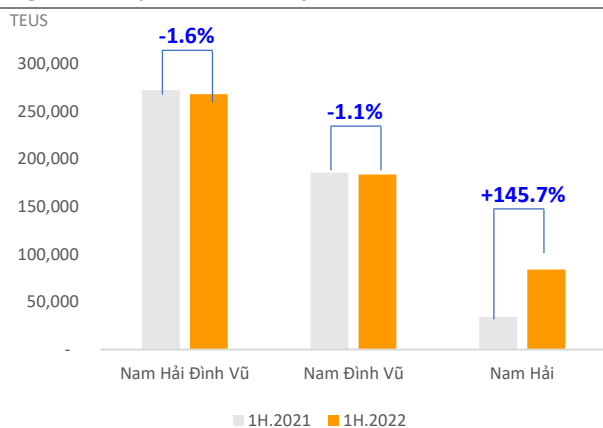
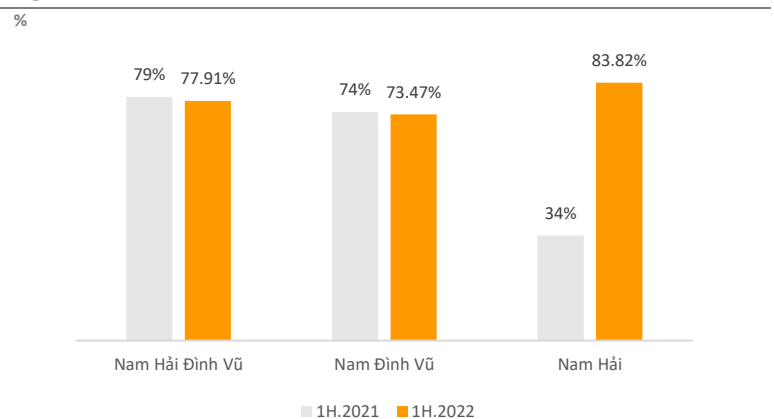


Figure 3: Performance of Northern Ports in 1H.2022



Source: VINAMARINE, compiled by BSC Research

By the end of 1H.2022, the efficiency of Northern ports reached 77%, increasing by +6 points % yoy. In it:

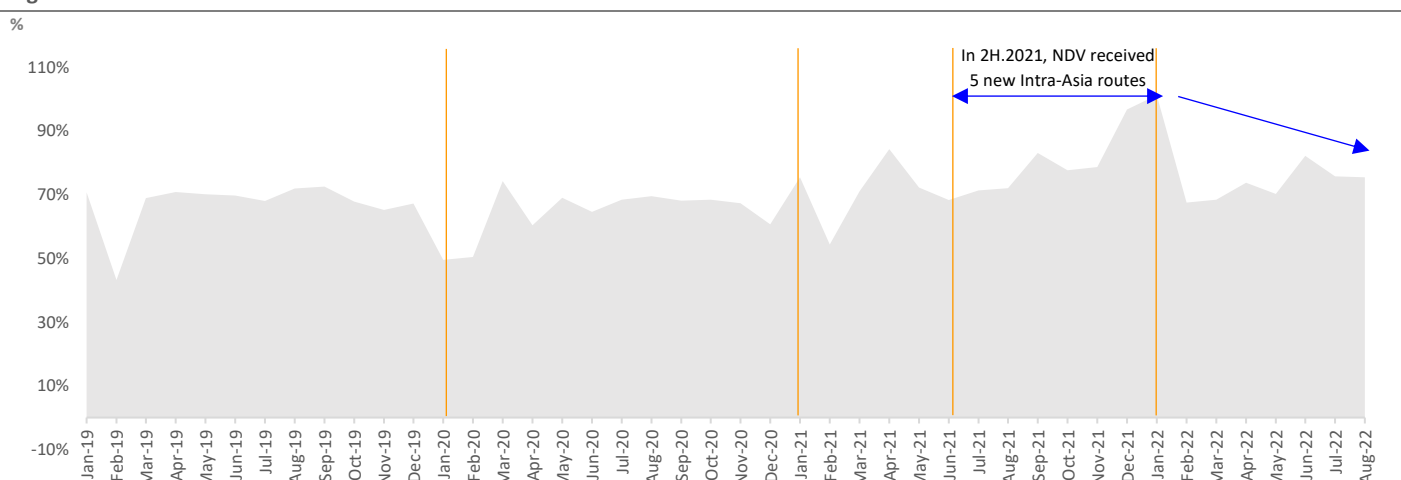
- **Nam Hai efficiency + 50 pts svck**, thanks to this port receiving more domestic routes from Nam Dinh Vu from May 2021.
- **NDV performance is equivalent to yoy**. Although Nam Dinh Vu was transferred domestic routes to Nam Hai, this port has also received 5 more Intra-Asia routes since 2H.2021. Therefore, the output from these new lines has made up for the above loss, helping the NDV efficiency to remain at 73% in 1H.2022 – equivalent to svck.
- **Bank service performance** is equivalent to svck thanks to no new service lines.

⇒ Thus, taking into account all 3 northern ports, the operating efficiency increased + 6 pts % of svck, due to the additional contribution of 5 intra-Asia routes that NDV received from 2H.2021.

**Northern port performance has declined since March 2022.** In 1H.2022, GMD will not receive/receive any additional service lines at Northern ports. Although there is a low seasonal factor, BSC believes that the main reasons come from (1) the slowing global economy, (2) China's lockdown has affected the supply chain.

Entering the beginning of the third quarter of 2022, both factors mentioned above have not shown signs of improvement. BSC believes that (1) the global economic slowdown due to high inflation, and (2) China's maintenance of the Zero - Covid policy, will last until at least 2022. Therefore, BSC believes that weakness The seasonal factors at the end of this year will have little change and the Northern port's efficiency is forecasted = 77% in 2H.2022 – equivalent to 1H.2022 (H=77%). For the whole year of 2022, BSC forecasts efficiency = 77.2%, corresponding to output = 1,072 million TEUs (+5% yoy).

Figure 4: Performance of GMD . Northern Ports





## SOUTH PORT GROUP – GEMALINK MAY BE FULL OF CHARACTERISTICS IN Q3 BY RECEIVING A NEW SERVICE LINE

Figure 5: Output of Southern ports in 1H. 2022

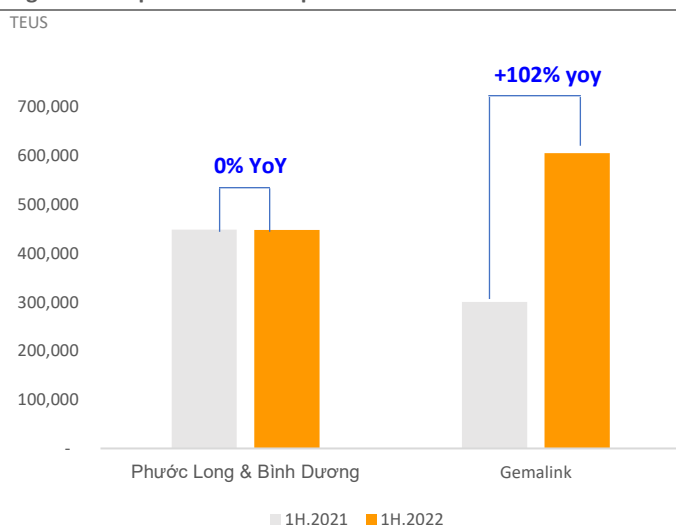
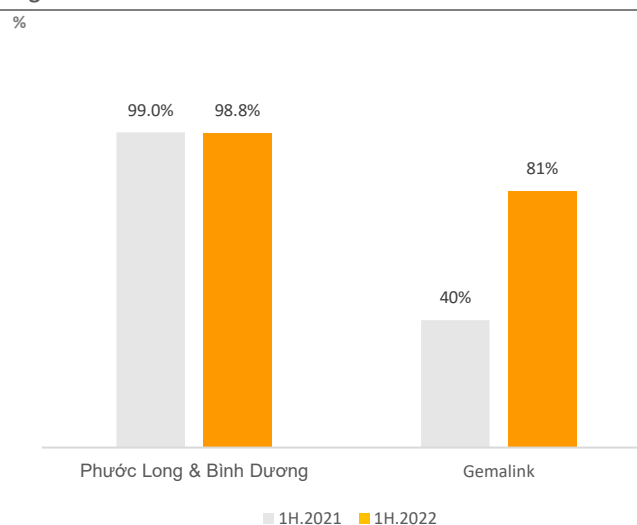


Figure 6: Performance of Southern Ports in 1H.2022



Source: VINAMARINE, compiled by BSC Research

### End 1H.2022:

- **The performance of Phuoc Long & Binh Duong ports is equivalent to yoy** because it is already running at full capacity. BSC believes that these two ports will still maintain their efficiency at 95-100% in 2H.2022 thanks to the stable source of goods from Binh Duong area.
- **Gemalink port efficiency = 81%, up + 40 percentage points** thanks to serving 5 service routes compared to the same period of 1-2 routes. Since July 2022, GML has welcomed a new COSCO AEU7 service to Europe, with a frequency of 1 trip/week, and output = 8-10,000 TEUS/trip. BSC estimates that with this new service, GML efficiency will increase by +20% in Q3, and can run at full capacity in 2H.2022 (H=98-99%). **For the whole year of 2022, BSC forecasts that GML output will reach 90% of capacity – equivalent to 1.35 million TEUs (+69% yoy)).**

### OTHER UPDATES

**In 2H.2022, GMD plans to increase contributed capital by 2,000 billion VND** (equivalent to 66% of the current charter capital) through the issuance of buying rights to existing shareholders at the ratio 3:1, expected price of 20,000 VND. /CP. The purpose of this issuance mainly comes from supplementing capital for phase 2 investors (VND 800 billion) and Phase 2 Gemalink (VND 1,000 billion). GMD's interest rate in GML will remain at 65.1% in 2022 as the remaining shareholders will also contribute capital according to their respective ownership percentages.

**GML is currently implementing Gemalink phase 2 and Nam Dinh Vu phase 2 projects** - expected to come into operation from 2023-2025. Details of progress are updated below

Figure 7: New project progress update

TT	Investment projects	Capacity (TEUS)	TMĐT	Start time	Completion time	Progress
1	Gemalink GĐ 2	1,500,000	200 triệu USD	Quarter 4/2022	2025	- Designing and arranging capital
2	Nam Đình Vũ GĐ 2	500,000	2,200 tỷ đồng	Quarter 4/2021	Quarter 1/2023	- Expected to start construction in the fourth quarter of 2022, put into operation 1 berth in 2023.

Nguồn: GMD

In the long term, GMD plans to divest 24% of capital in Gemalink and the rubber project. This plan has been proposed by GMD's Board of Directors for a long time, however, progress is relatively slow. Particularly for GML, GMD wants to divest capital for a shipping line. BSC believes that the biggest difficulty of divesting GML is to balance the benefits between CMA –CGM, GMD and the new shipping line. Therefore, the best option is that GMD can divest for CMA - CGM..

## II. BUSINESS OUTLOOK 2023

In the period of 2023-2025, BSC believes tht GMD's market share in Hai Phong and CM-TV will increase significantly thanks to the operation of NDV 2 and GML 2 ports:

1. NDV 2 will increase GMD's total northern port capacity to 1.8 million TEUS (+37% yoy), increasing +2.4 percentage points in port market share in Hai Phong in 2023. Phase 2 NDV project has a capacity of 500,000 TEUS, with a total investment of 2,200 billion VND, and started construction from December 2021. By the end of Quarter 2, 2022, GMD has completed 50% of the construction volume, is expected to test run at the end of the year, and come into operation in early 2023..

Figure 8: Port capacity of GMD in Hai Phong

Millions TEUS

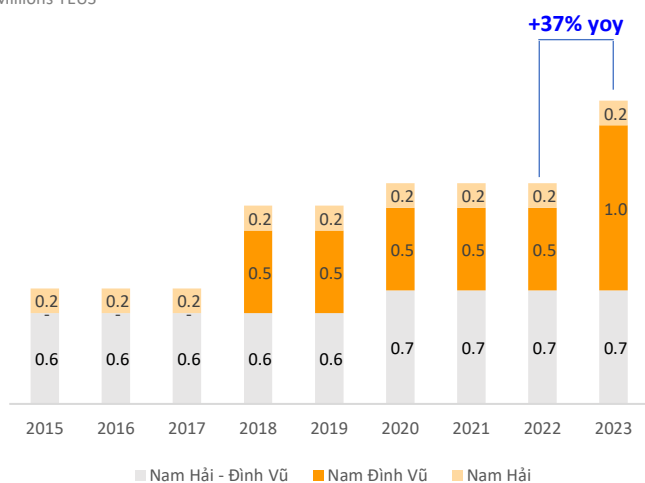
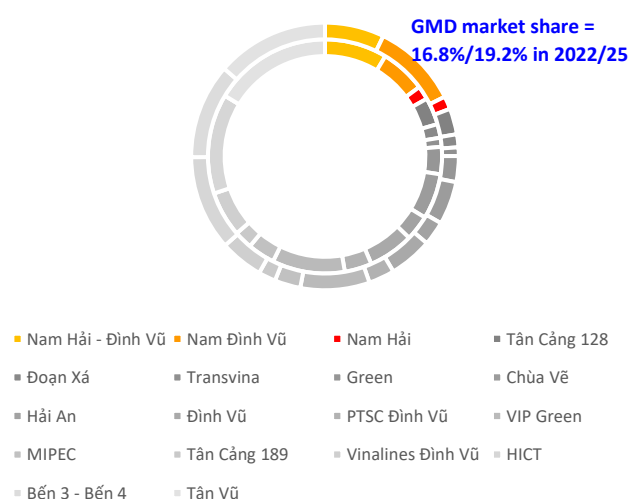


Figure 9: GMD's Northern Port Market Share in 2022 and 2025



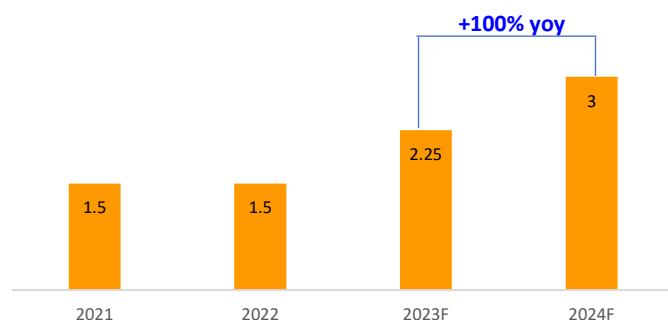
Source: GMD, BSC Research compiled

2. GML 2 will increase the total capacity of GML to 3 million TEUs (+100% yoy), an increase of +13 percentage points in market share of port scale at CM-TV in 2025. The GML 2 project is in the process of designing, capital arrangement and legal procedures to convert from 900,000 TEUS to 1,500,000 TEUS, is expected to start construction on 2H.2022, with a total investment of 200 million USD (lower than Phase 1's 300 million USD), estimated The first berth is expected to operate in 2024. BSC forecasts that the total GML capacity will reach 2.4/3 million TEUs in 2024–2025, respectively, accounting for 25%/31% of the seaport size at CM-TV, respectively.

Figure 10: Gemalink capacity at Cai Mep – Thi Vai

Triệu TEUS

Figure 11: GML market share in CMTV in 2022 and 2025



Thị phần GML = 18%/31%  
trong năm 2022/25



■ TCIT+TCCT ■ CMIT ■ TCTT ■ SSIT ■ GML ■ SP-PSA

Nguồn: GMD, BSC Research tổng hợp

- BSC considers that the expansion strategy of NDV 2 and GML 2 is necessary to help GMD increase market share in both the North and the South. However, in 2023, BSC believes that business results will not immediately reflect the expansion plan. BSC believes that profit growth will slow down in the near future due to: BSC believes that filling Nam Dinh Vu 2 project will face many difficulties when:
  - The global economy in general is tending to slow down. In July-August 2022, global production indicators in general such as PMI, new export orders, . . . , all recorded a decrease below the average level. BSC believes that the trend of decelerating economies will last into 2023 as inflation is forecasted to remain at a high level. This will negatively affect the shipping line's need to open new service routes

Figure 12: % Change YoY Global PMI

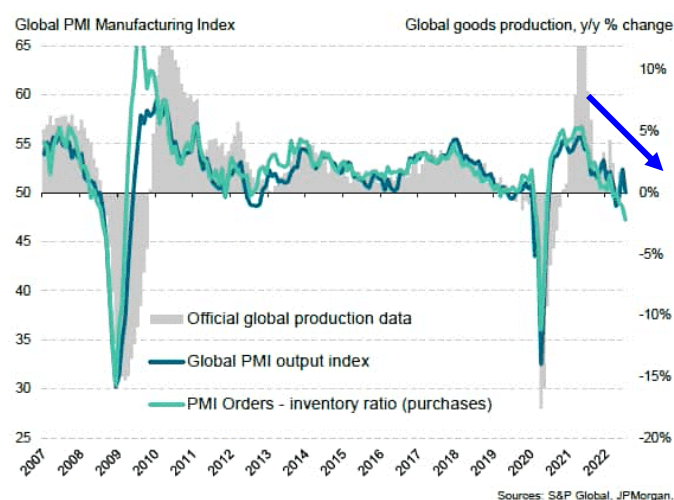
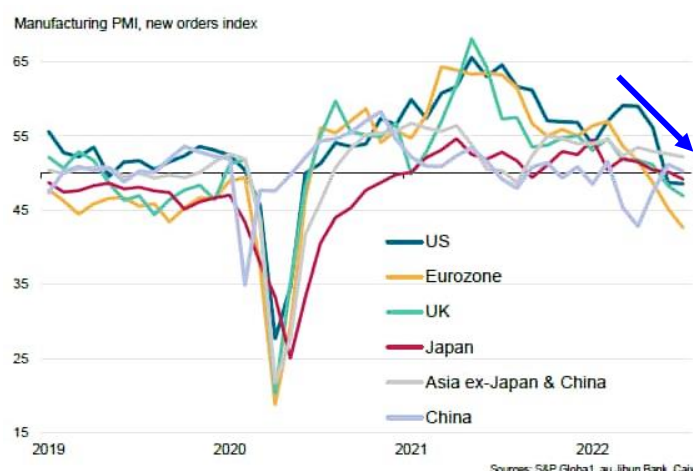


Figure 13: Global New Export Orders Index



Source: S&P Global, compiled by BSC Research

Competition will return in 2023 as Hai Phong is still oversupplied:

- The oversupply situation has worsened since 2020 as MIPEC and VIMC Dinh Vu come into operation. BSC estimates the total port capacity of downstream Cam river + 3% YoY/+7% YoY in 2020/2021 due to the addition of the above 2 ports to the Cam river port system. If excluding upstream ports, and Lach Huyen due to different competitive segments (mother ships / bulk carriers), BSC estimates that since 2020, ports in Hai Phong area are operating with an oversupply of ≈30% capacity (+ 10 percentage points compared to 2019).
- Meanwhile, BSC believes that GMD has no real competitive advantage - compared to two new ports, MIPEC and VIMC Dinh Vu. Except for VIP Green Port, which has the advantage of shareholder EverGreen, the remaining ports in the downstream of Cam River are competing with each other mainly on price. Therefore, with (1) the oversupply situation is still serious, (2) GMD has no special advantages, BSC believes that GMD will be under more intense competitive pressure in 2023..



Figure 14: Forecast of output/capacity of downstream ports of Cam River

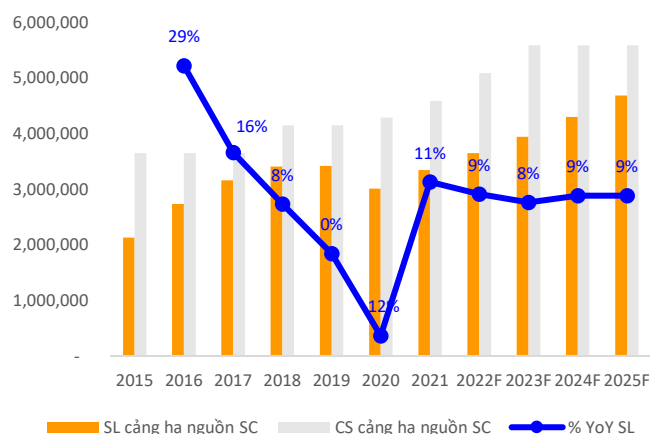
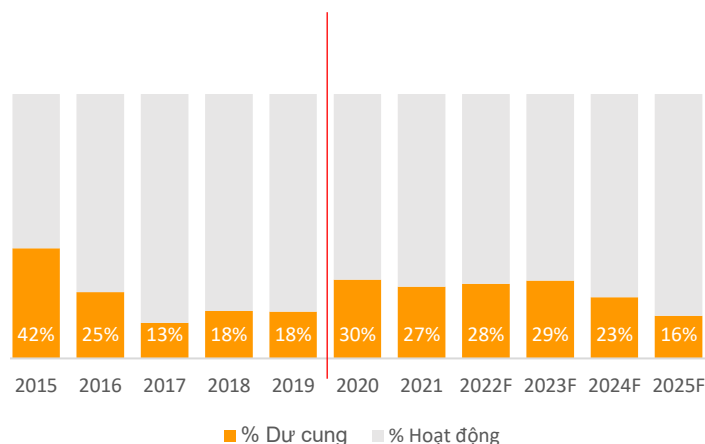


Figure 15: Oversupply increases to 30% since 2020



Source: compiled by BSC Research

2. Gemalink 2 project will not be able to come into operation in 2023 – while GML 1 is already at full capacity. As of September 2022, the legal progress on the Gemalink Phase 2 conversion from 900,000 TEUS to 1,500,000 TEUS remains uncertain. From a cautious point of view, BSC believes that Gemalink port will come into operation at wharf 1 as early as 1H.2024. Therefore, GML's volume growth in 2023 mainly comes from the port's full operation since July 2022.

Với quan điểm **(1)** việc lấp đầy Nam Đình Vũ 2 sẽ gặp khó, **(2)** GML 2 chưa thể đi vào hoạt động, **BSC tương đối thận trọng cho tăng trưởng sản lượng trong năm 2023**. BSC đưa ra dự báo:

- Port volume of the parent company + 1.3% yoy (lower than the % growth rate of output in 2022 = 5.8% yoy), based on assumptions:
  - Output of DV, NDV 1 and NH -4% yoy due to (1) slowing down of global economy, (2) returning of competition.
  - Output of NDV 2 = 50,000 TEUS (H= 10%) – assuming NDV 2 will receive 1 more Intra-Asia service from 3Q2023 with output = 1,800-2,000 TEUS/trip, frequency = 1 trips/week.
  - Phuoc Long & Binh Duong output +2% yoy - slower than Binh Duong region growth (10-15% yoy) in the past.
- 2. GML output = 1.47 million TEUs**, with efficiency =98% - flat compared to 2H.2022.

Figure 16: GMD Northern Port/GML throughput forecast for 2022 and 2023

Year – Northern Port	2018	2019	2020	2021	2022F	2023F
<b>Output (TEU)</b>	<b>1,029,151</b>	<b>935,000</b>	<b>924,448</b>	<b>1,022,982</b>	<b>1,100,000</b>	<b>1,078,880</b>
Nam Hai - Dinh Vu	660,000	450,000	544,448	550,000	536,250	514,800
Nam Dinh Vu 1	185,000	350,000	280,000	350,000	367,500	352,800
Nam Dinh Vu 2						50,000
Nam Hai	184,151	135,000	100,000	122,982	168,000	161,280
Phuoc Long & Binh Duong	740,000	840,000	818,127	829,833	888,125	906,250
<b>Capacity (TEU)</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,337,500</b>	<b>1,387,500</b>	<b>1,387,500</b>	<b>1,387,500</b>
Nam Hai - Dinh Vu	550,000	550,000	687,500	687,500	687,500	687,500
Nam Dinh Vu 1	500,000	500,000	500,000	500,000	500,000	500,000
Nam Dinh Vu 2						500,000
Nam Hai	150,000	150,000	150,000	200,000	200,000	200,000
Phuoc Long & Binh Duong	650,000	812,500	812,500	812,500	906,250	906,250

Assumption						
<b>Efficiency %</b>	<b>86%</b>	<b>78%</b>	<b>69%</b>	<b>74%</b>	<b>77%</b>	<b>57%</b>
Nam Hai - Dinh Vu	120%	82%	79%	80%	78%	75%
Nam Dinh Vu 1	37%	70%	56%	70%	74%	71%
Nam Dinh Vu 2						10%
Nam Hai	123%	90%	67%	61%	84%	81%
Phuoc Long & Binh Duong						
<b>% YoY - Output</b>	<b>22%</b>	<b>0%</b>	<b>-2%</b>	<b>6%</b>	<b>5.8%</b>	<b>1.3%</b>
Nam Hai - Dinh Vu	1%	-32%	21%	1%	-3%	-4%
Nam Dinh Vu 1		89%	-20%	25%	5%	10%
Nam Dinh Vu 2						-
Nam Hai	10%	-27%	-26%	23%	37%	-4%
Phuoc Long & Binh Duong	17%	14%	-3%	1%	7%	2%
<b>New service route NDV 2</b>						<b>Q3.2023</b>

Source: BSC Research forecasts

Year – GML	2018	2019	2020	2021	2022F	2023F
Output (TEU)				800,000	1,350,000	1,470,000
Capacity (TEU)				1,500,000	1,500,000	1,500,000
% YoY Output					69%	9%
Efficiency %					90%	98%

### III. FORECAST OF BUSINESS RESULTS

In 2022, BSC forecasts that GMD will record revenue = **3,667 billion VND** (+14% yoy), NPATMI = 953 billion VND (+56% yoy), equivalent to EPS FWD = **3,161 VND/share**, P/E FWD = **15.4 x**. In 2023, BSC forecasts that GMD will record revenue = 3,797 billion VND (+4% yoy), NPATMI = 990 billion VND (+4% yoy), equivalent to EPS FWD = 3,286 VND/share, P/E FWD = 14.8 x, based on the following assumptions:

Hình 1: Dự báo KQKD của GMD

Income result	Forecast 2020	2021	2022F	2023F	% Change 2022F	2023F	C	Main Assumption
Net Revenue	2,606	3,206	3,667	3,797	14%	4%		<b>1. Port operations – Parent company</b>
Port operation	2,172	2,763	3,069	3,139	11%	2%		▪ <b>Cargo volume</b> +5.8%/1.3% yoy in 2022/23, mainly contributed by NDV +5%/+10% yoy, Nam Hai +37%/-4%, Nam Hai Dinh Vu -3%/-4% yoy and Phuoc Long ICD –Binh Duong +7%/2% yoy.
Logistics & other	434	444	598	658	35%	10%		▪ <b>Service price will increase</b> +5% in 2022 – equivalent to 1H.2022, and increase +1% yoy in 2023.
Port Output (Million TEUs)	1.7	1.9	2.0	2.0	6%	1%		
Port fee (million VND/TEU)	1.25	1.49	1.57	1.58	5%	1%		
Cost of goods sold								<b>2. Logistic activities</b>
	(1,656)	(2,064)	(2,341)	(2,435)	13%	4%		▪ <b>Assumed revenue + 35% yoy in 2022</b> due to expansion of business activities, increase in logistics service prices. BSC assumes revenue + 10% yoy in 2023 – equivalent to the

							average growth of Logistics segment in the past.
Gross profit	950	1,142	1,326	1,363	16%	3%	
Financial income	28	40	21	31	-48%	50%	
Financial expenses	(159)	(108)	(128)	(184)	18%	44%	
In which: interest expenses	(147)	(119)	(128)	(184)	7%	44%	
Profit/(loss) from joint venture	157	237	503	555	112%	10%	
Cost of Insurance	(137)	(154)	(176)	(182)	14%	4%	
Management costs	(341)	(295)	(330)	(323)	12%	-2%	
Profit from business activities	496	861	1,216	1,259	41%	4%	
Other income, net	16	(55)	15	15	-127%	4%	
EBT	513	806	1,231	1,274	53%	4%	
CIT	(72)	(86)	(109)	(108)	28%	-1%	
NPAT	440	721	1,121	1,166	56%	4%	
Benefits of CSC	70	108	169	175	56%	4%	
Parent company's NPAT	371	612	953	990	56%	4%	
EPS	1,231	2,031	3,161	3,286	56%	4%	
Gross profit margin	36%	36%	36%	36%	0.6%	-0.3%	
Net profit margin	17%	22%	31%	31%	8.1%	0.1%	
Interest from CTLK							
SCS	160	181	222	244	23%	10%	
GMD	(33)	(37)	205	232	-658%	13%	
Other CTLK	29	93	76	78	-18%	3%	

**3. Thu nhập/Chi phí**

- **Interest expense = VND 128 billion** (+7% yoy) in 2022, and VND 161 billion (+44% yoy) in 2023 based on the assumption of a new loan of VND 750 billion to invest in equipment for phase 2 users, interest rate +1 percentage point.
- **Profit from CTLK = VND 503 billion** (+112% yoy) in 2022 and VND 555 billion (+10% yoy), mainly contributed by GML project (205/232 billion VND) and SCS (222/244 billion VND).

**4. Gross profit**

- Gross profit margin = 36.2% in 2022, based on assumption of outsourcing service fee/SL +23% yoy due to rising oil price (Basic oil price scenario BSC = 100 USD/bbl), other expenses/SL + 1% yoy. **In 2023, gross profit margin = 35.9%**, down 0.3 percentage points compared to 2022 based on assumption of outsourcing service cost/SL – 3% yoy due to cooling oil price, depreciation expense + 100 billion VND due to the NDNV 2 project coming into operation.

Nguồn: BSC Research dự báo

#### Potential/risk of forecast change in 2023:

The risk of reducing output due to (1) high competition in Hai Phong area becomes more intense, (2) global economic recession.

Potential to increase selling prices at ports Parent company: The Government is considering raising the floor price of seaport services.

Potential/risk of divestment of Gemalink, and rubber project.

**In BSC's view, GMD's biggest risk in 2023 comes from output growth.** BSC provides NPATMI sensitivity table according to output growth rate Parent company and GML.

	% output growth Parent company						
	-1.7%	-0.7%	0.3%	1.3%	2.3%	3.3%	4.3%
⌘ Ⓞ ⚡ 6%	955	961	966	971	977	982	987

7%	962	967	972	978	983	988	994
8%	968	973	979	984	989	995	1,000
9%	974	980	985	990	996	1,001	1,006
10%	981	986	991	997	1,002	1,007	1,013
11%	987	992	998	1,003	1,008	1,014	1,019
12%	993	999	1,004	1,009	1,015	1,020	1,025
13%	1,000	1,005	1,010	1,016	1,021	1,026	1,032

GML 2021F output = 1.35 million TEUS, parent company 2021F output = 1,959 million TEUS.

. Source: BSC Research forecasts

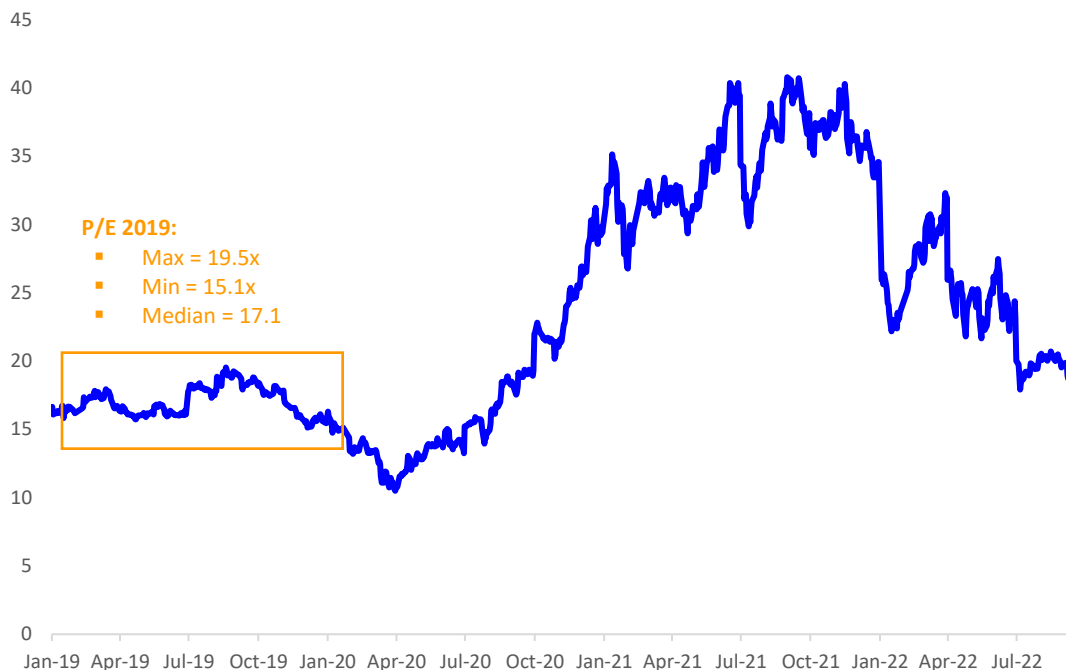
## II. ĐỊNH GIÁ VÀ KHUYẾN NGHỊ

We recommend **LOOKING** for **GMD** stock with a 2023 fair value of VND53,500/share (Upside 10% from the 10/10/2022 closing price), based on the target P/E method = 16.25x. Target P/E valuation is based on **(1)** 2019 average P/E = 17.1x with GMD core earnings growth (+7-10% yoy), and **(2)** applied 5% discount on output risk in 2023. We recommend **MONITORING** due to concerns that output growth will slow down in the near future. Upside 10% mainly comes from **GMD's** share price, which has dropped sharply in the context of the general market's correction since May 2022.

P/E Method Value	Value
EPS FW 2023	3,286
Target P/E = 16.25x	16.25
Fair value	53,500 VND/Stock

Nguồn: BSC Research dự báo

Figure 18: P/E performance – Financial and other extraordinary income excluded



Source: compiled by BSC Research

Figure 18: NPAMI statistics eliminate financial revenue, abnormal profit

Billion VND	2018	2019	2020	2021
NPATMI (Remove DTTC, other abnormal TN)	445	478	388	613
% YoY		7%	-19%	58%

Nguồn: BSC Research tổng hợp

Compared with other companies in the same industry (P/E = 8-10), GMD's valuation is relatively high (P/E = 17-20) because it reflects non-operating assets such as real estate, rubber project, associates, . . . .

Figure 18: Valuation statistics of port enterprises listed on the exchange

Company	ROE Trailing 12M	ROA Trailing 12M	P/E	P/B	P/S
<b>Median</b>	<b>16.4%</b>	<b>12.9%</b>	<b>9.7</b>	<b>1.6</b>	<b>2.5</b>
GMD	12.5%	8.2%	18.2	2.2	4.1
VSC	16.4%	12.7%	10.5	1.5	2.1
PDN	25.4%	16.4%	13.3	3.1	2.4
DVP	22.4%	19.8%	7.2	1.6	3.3
PHP	13.0%	9.2%	8.6	1.1	2.1
DXP	11.0%	10.6%	5.7	0.6	3.5
CLL	15.8%	12.9%	10.8	1.7	4.1
SGP	39.1%	17.1%	3.8	1.4	2.5
CDN	17.6%	13.1%	9.7	1.7	2.2

Source: compiled by BSC Research

## APPENDIX

IS(Billion VND)	2020	2021	2022F	2023F
Net Revenue	2,606	3,206	3,667	3,797
Cost of goods sold	(1,656)	(2,064)	(2,341)	(2,435)
Gross profit	950	1,142	1,326	1,363
Financial income	28	40	21	31
Financial expenses	(159)	(108)	(128)	(184)
In which: interest expenses	(147)	(119)	(128)	(184)
Profit/(loss) from CTLK	157	237	503	555
Cost of Insurance	(137)	(154)	(176)	(182)
Management costs	(341)	(295)	(330)	(323)
Profit from business activities	496	861	1,216	1,259
Other income, net	16	(55)	15	15
EBT	513	806	1,231	1,274
CIT	(72)	(86)	(109)	(108)
NPAT	440	721	1,121	1,166
Benefits of CSC	70	108	169	175
Parent company's NPAT	371	612	953	990
EPS	1,231	2,031	3,161	3,286

BS (Billion VND)	2020	2021	2022F	2023F
Cash and cash equivalents	428	637	980	407
Short term investment	23	52	54	56
Short-term receivables	748	842	963	997
Inventory	73	69	70	71
Other short-term TS	-	-	-	-
Short term TS	<b>1,356</b>	<b>1,689</b>	<b>2,177</b>	<b>1,645</b>
Long-term receivables	56	44	37	38
Original cost of fixed assets	5,513	5,825	5,877	7,577
Depreciation	(2,370)	(2,679)	(3,060)	(3,542)
Original cost of fixed assets	-	-	-	-
Depreciation	-	-	-	-
Long-term unfinished TS	1,757	1,747	2,382	1,747
Long-term phone	2,531	2,830	4,993	5,300
Other long-term TS	991	1,275	1,393	1,443
Long-term TS	<b>8,478</b>	<b>9,042</b>	<b>11,622</b>	<b>12,563</b>
Total TS	<b>9,835</b>	<b>10,731</b>	<b>13,799</b>	<b>14,208</b>
Liabilities must pay	982	1,402	1,377	1,418
Short-term loans	763	860	822	799
Total current liabilities	<b>1,745</b>	<b>2,263</b>	<b>2,199</b>	<b>2,216</b>
Long-term loans	1,138	1,061	1,623	1,433
Other long-term debt	357	363	363	363
Total Long-term Debt	<b>1,494</b>	<b>1,424</b>	<b>1,985</b>	<b>1,795</b>
Total liabilities	<b>3,240</b>	<b>3,687</b>	<b>4,184</b>	<b>4,011</b>
Capital	3,014	3,014	5,023	5,023
Capital surplus	1,942	1,942	1,942	1,942
Other equity	511	702	702	702
Undistributed interest	435	661	1,053	1,461
Owner's benefits	693	726	894	1,070
Total Equity	<b>6,595</b>	<b>7,045</b>	<b>9,614</b>	<b>10,197</b>

CF (Billion VND)	2020	2021	2022F	2023F
(Loss)/EBT	513	806	1,231	1,274
Depreciation and amortization	408	380	382	482
Change in working capital	136	(2)	(279)	(50)
Other adjustments	(401)	(219)	(612)	(663)
LCTT from BCC	655	965	721	1,043
Money spent to buy fixed assets	(194)	(544)	(687)	(1,065)
Other investment	267	188	(1,662)	246
LCTT from the LCTT	73	(356)	(2,350)	(819)
Dividend payment	(353)	(426)	(561)	(583)
Cash from net borrowing	(177)	29	523	(213)
Other revenue	45	-	2,009	-
LCTT from HDTC	(486)	(398)	1,971	(796)
Cash flow at the beginning of the period	<b>186</b>	<b>428</b>	<b>637</b>	<b>980</b>
Money in the period	242	211	342	(573)
Cash flow at the end of the period	<b>428</b>	<b>637</b>	<b>980</b>	<b>407</b>

Ratios	2020	2021	2022F	2023F
Solvency				
Short-term TT numbers	0.8	0.7	1.0	0.7
Fast TT number	0.7	0.7	0.9	0.7
Capital structure				
Amount of Debt/TTS	33%	34%	30%	28%
Debt/Equity	49%	52%	44%	39%
Operational capacity				
Number of HTK . days	16	12	11	11
Number of days of short-term receivables	105	96	96	96
Profit rate				
Gross profit	36%	36%	36%	36%
Profit after tax	17%	22%	31%	31%
ROE	6%	9%	10%	10%
ROA	4%	6%	7%	7%
Growth				
GDP growth	-1%	23%	14%	4%
EBIT Growth	-22%	40%	47%	7%
EBT growth	-27%	57%	53%	4%
EPS growth	-29%	65%	56%	4%
Circulating SLCP (million)	297	301	301	301

Total capital	9,835	10,731	13,799	14,208
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## Disclosure

*The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).*

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