

Gemadept (GMD)

Nam Dinh Vu, Gemalink exceeded capacity limits

November 26, 2024

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In 9M2024, GMD reported revenue of VND3,421 billion (+22% YoY) and net profit of VND1,549 billion (–33% YoY)

Port operations are experiencing robust growth, which is expected to persist through the end of 2025

Nam Dinh Vu 3 has commenced construction, and together with Gemalink 2A, it is expected to add over 1.4 million TEUs to GMD's capacity from 2026 onwards

We recommend BUY for GMD with a target price of VND75,400/share

In 9M2024, GMD obtained net revenue of VND3,421 billion (+22% YoY), meeting 86% of its 2024 target. The core port operations contributed VND2,924 billion (+38% YoY). However, NPAT totaled VND1,549 billion (–33% YoY). Barring one-off gains from the divestments of Nam Hai Dinh Vu and Nam Hai ports in 2Q2023 and 1Q2024, NPAT would have increased by 33% compared to 9M2023.

Total port throughput is projected to rise by over 40% this year, maintaining a strong growth trend into the following year. Nevertheless, cargo volume growth is anticipated to decelerate in 2025 compared to 2024. Steady increases in port service charges will be essential for sustaining revenue growth for GMD, given the limited potential for volume expansion next year.

Nam Dinh Vu 3 is currently under construction, while Gemalink 2A is in the final stages of legal approvals, with both projects set to begin operations in 1Q and 3Q of 2026. These expansions will add 800,000 TEUs and 650,000 TEUs of capacity to GMD's portfolio, playing a crucial role in securing long-term growth in cargo throughput for the company.

Based on the business outlook and valuation results, we reiterate our BUY recommendation for GMD with a target price of VND75,400 per share, which represents a 17.8% upside from the closing price on November 25, 2024.

Buy maintain

| | |
|------------------------------|------------------|
| Target price | VND75,400 |
| Upside | 17.8% |
| Current price (Nov 25, 2024) | VND64,000 |
| Consensus target price | VND73,400 |
| Market cap (VNDtn/USDtn) | 26.9/1.1 |

Forecast earnings & valuation

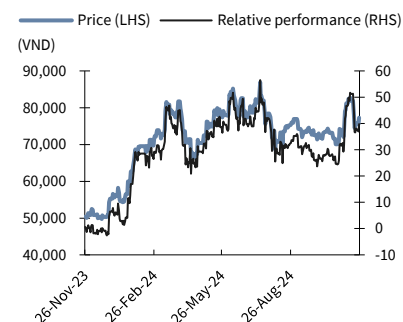
| FY-end | 2022A | 2023A | 2024F | 2025F |
|-------------------------------|-------|-------|-------|-------|
| Net revenue (VNDbn) | 3,898 | 3,846 | 4,623 | 4,837 |
| Operating income/loss (VNDbn) | 1,309 | 3,177 | 2,446 | 2,402 |
| NPAT-MI (VNDbn) | 994 | 2,251 | 1,895 | 2,019 |
| EPS (VND) | 3,034 | 7,207 | 6,194 | 4,878 |
| EPS growth (%) | 62% | 138% | –14% | –21% |
| P/E (x) | 21.1 | 8.9 | 10.3 | 13.1 |
| P/B (x) | 2.5 | 2.0 | 1.5 | 1.9 |
| ROE (%) | 15% | 26% | 15% | 16% |
| Dividend yield (%) | 2% | 3% | 3% | 2% |

Trading data

| | |
|------------------------------------|------------------------|
| Free float | 94.7% |
| 3M avg trading value (VNDbn/USDmn) | 66.9/2.7 |
| Foreign ownership | 36.7% |
| Major shareholder | SSJ Consulting (9.56%) |

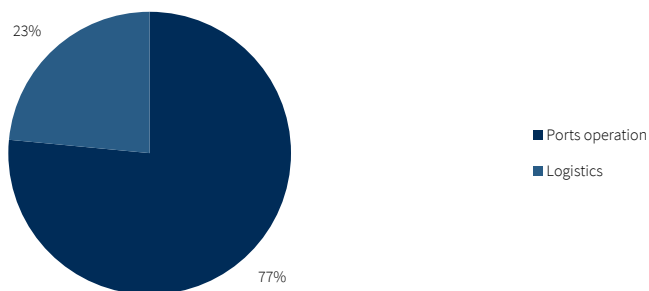
Share price performance

| (%) | 1M | 3M | 6M | 12M |
|-----------------|------|-------|-------|------|
| Absolute | –8.7 | –15.1 | –17.5 | 26.9 |
| Relative | –7.3 | –11.6 | –15.3 | 14.2 |



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Gemadept Corporation, KB Securities Vietnam

Business operation

Gemadept Corporation (GMD) is one of Vietnam's foremost companies in the port operations and logistics sector, achieving a total throughput of over 3 million TEUs in 2023. The company boasts an extensive network of ports across the Northern, Central, and Southern regions, offering a diverse range of inland ports, river ports, and seaports. Notably, its deep-water port, Gemalink, is capable of accommodating the world's largest Megaships currently in service.

Investment Catalysts

Gemalink 2 and Nam Dinh Vu 3 are pivotal port projects that will drive GMD's long-term growth. Gemalink 2, with a planned capacity of 1.5 million TEUs, and Nam Dinh Vu 3, set to handle 800,000 TEUs, are currently in the final stages of legal and financing arrangements, with operations expected to start by 2026.

Total port throughput is expected to grow significantly in 2024. KBSV estimates that the total throughput across GMD ports will increase by more than 40% YoY in 2024, with all ports operating at 90% to over 100% of their design capacity. The growth rate in 2025 is expected to slow to around 3-4%.

Port service fees at GMD ports are anticipated to continue rising by 5-8% per year. KBSV projects that service fees at GMD's northern ports will increase by 2-4% annually, while the southern ports will see an average increase of 5-10% per year.

Notes

Please find more details below

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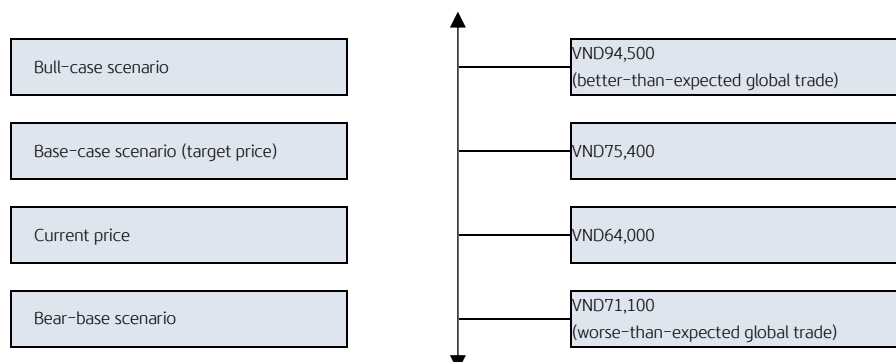
Please find more details [here](#)

Revised earnings estimates

| (VNDbn) | KBSV estimates | | Change vs previous estimates | | Consensus* | | Difference | |
|-------------|----------------|-------|------------------------------|-------|------------|-------|------------|-------|
| | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E |
| Revenue | 4,623 | 4,837 | +10% | 8 | 7,710 | 8,608 | -40% | -44 |
| EBIT | 2,545 | 2,499 | +10% | 10 | 922 | 1,045 | +176% | +139% |
| NP after MI | 1,888 | 2,017 | +13% | 16 | 1,027 | 1,116 | +84% | +81% |

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Base-case scenario: catalysts

- 1) 2025F utilization rates of Gemalink & Nam Dinh Vu to reach 125% and 115%
- 2) 2025F port services charges up 9% YoY

Bull-case scenario: upside risk

- 1) 2025F utilization rates of Gemalink & Nam Dinh Vu to reach 120% and 105%
- 2) 2025F port service charges up 6% YoY

Bear-case scenario: downside risk

- 1) 2025F utilization rates of Gemalink & Nam Dinh Vu to reach 105% and 90%
- 2) 2025F port service charges up 4% YoY

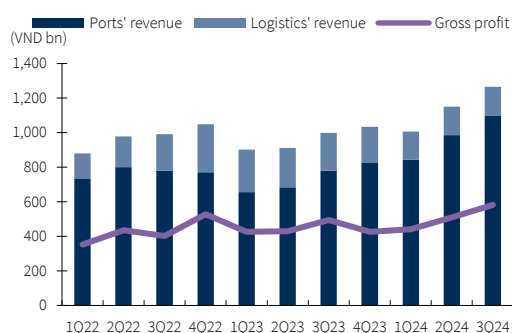
Business performance

Table 1. GMD – 9M2024 business performance

| (VNDbn) | 3Q2023 | 3Q2024 | +/-%YoY | 9M2023 | 9M2024 | +/-%YoY | Notes |
|---------------------------|--------|--------|---------|--------|--------|----------|--|
| Revenue | 998 | 1,264 | 27% | 2,812 | 3,421 | 22% | As of 3Q2024, GMD had achieved 86% of its 2024 revenue target of VND4,000 billion. |
| Port operations | 780 | 1,096 | 41% | 2,118 | 2,924 | 38% | Positive growth was driven by an increase in throughput. In 3Q2024, throughput at the Hai Phong port cluster, Central ports, and Southern ports reached 336,000 TEUs (+19% YoY), 792,000 tons (+148% YoY), and 361,000 TEUs (+54% YoY), respectively. |
| Logistics | 218 | 169 | -22% | 694 | 497 | -28% | Negative growth was attributable to issues surrounding the detention of the Green Pacific vessel in China. |
| Gross profit | 465 | 581 | 25% | 1,351 | 1,533 | 13% | |
| Gross profit margin | 47% | 46% | -1 ppts | 48% | 45% | -3 ppts | An improvement in the gross profit margin of port operations (which increased from 47% in 3Q2023 to 53% in 3Q2024) was not enough to offset the losses seen in the logistics segment. |
| Financial income | 33 | 5 | -86% | 1,917 | 388 | -80% | |
| Financial expenses | -51 | -50 | -3% | 144 | 134 | -7% | |
| Profits from affiliates | 52 | 222 | 325% | 133 | 503 | 278% | Robust growth was attributed to: (1) a profit contribution from Gemalink, which rose to VND308 billion from a loss of VND55 billion in 9M2023, driven by a throughput of nearly 1.3 million TEUs (+90% YoY), and (2) increased throughput from both new and existing customers, boosting SCS's contribution to over VND160 billion (+41% YoY). |
| SG&A | -102 | -182 | 79% | -384 | -546 | 42% | Cost increases were due to: (1) higher outsourced service expenses (up VND20 billion from increased throughput) and (2) increased commission for agents. |
| Operating income/loss | 397 | 576 | 45% | 2,872 | 1,744 | -39% | |
| Other income | 1 | -75 | -8779% | 19 | -15 | -179% | |
| Profit before taxes (PBT) | 398 | 501 | 26% | 2,890 | 1,728 | -40% | |
| PBT margin | 40% | 40% | 0 | 103% | 51% | -52 ppts | Excluding one-off gains from the divestment of Nam Hai Port, GMD would have met 83% of its 2024 PBT target, reaching VND1,686 billion. |
| Corporate income tax | -59 | -52 | -12% | -580 | -179 | -69% | |
| Profit after taxes (NPAT) | 338 | 448 | 32% | 2,311 | 1,549 | -33% | |
| NPAT margin | 34% | 35% | +1 ppt | 82% | 45% | -37 ppts | |
| NP after MI | 254 | 335 | 32% | 2,107 | 1,225 | -42% | |

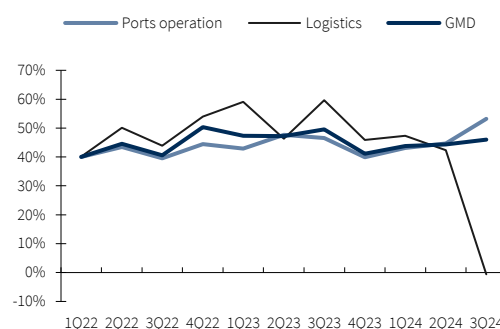
Source: Gemadept Corporation, KB Securities Vietnam

Fig 2. GMD – Revenue breakdown (VNDbn)



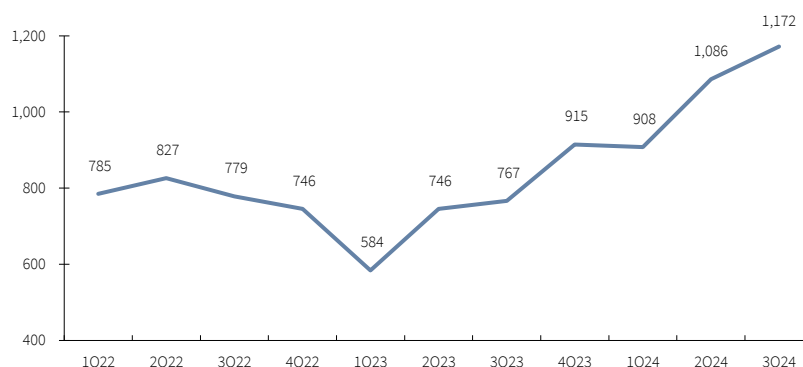
Source: Gemadept Corporation, KB Securities Vietnam

Fig 3. GMD – GPM breakdown (%)



Source: Gemadept Corporation, KB Securities Vietnam

Fig 4. GMD – Total port throughput (TEUs)



Source: Gemadept Corporation

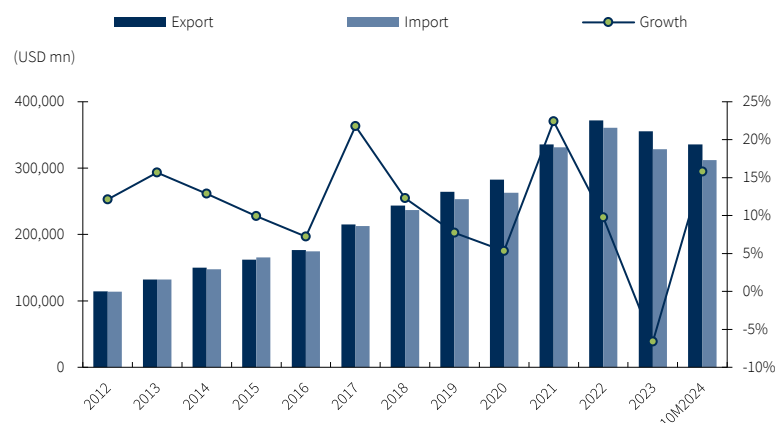
Port operations are experiencing robust growth, which is expected to persist through the end of 2025

Total port throughput is expected to grow by over 40% this year, with continued growth anticipated next year, driven by:

- **Expected export-import growth:** Vietnam's total trade value reached USD648 billion in the first 10 months of the year, up 16% YoY. This growth is supported by: (i) stable FDI inflows as Vietnam benefits directly from the the China Plus One (C+1) trend and (ii) anticipated short-term growth in global trade ahead of potential tariff changes under Donald Trump's administration.
- **Northern ports:** Nam Dinh Vu Port is expected to continue operating beyond its design capacity, given: (i) the completion of the project to upgrade the maritime channel from the turning basin at Hai Phong International Container Port to Nam Dinh Vu Port in 3Q, enabling Nam Dinh Vu to accommodate vessels exceeding 48,000 DWT and (ii) the port's strategic location and scale, which help maintain and expand its customer base.
- **Southern ports:** Gemalink has consistently partnered with shipping lines, adding new routes. Notably, following the restructuring of shipping alliances in February 2025, the Ocean Alliance, which includes Gemalink's strategic partner CMA CGM, is set to become the largest alliance by market share, potentially bringing additional routes to the port.

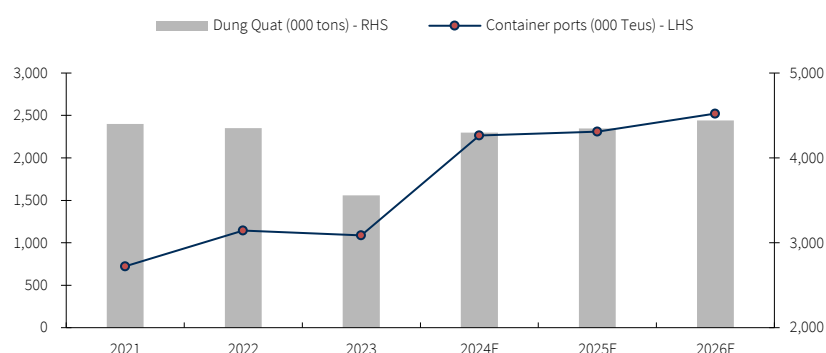
However, GMD's throughput growth rate is expected to decelerate to 3–4% in 2025 due to: (1) the two major ports, Nam Dinh Vu and Gemalink 1, already operating beyond their design capacity and (2) intensifying competition in the Hai Phong port cluster as Lach Huyen 3, 4 (PHP) and Lach Huyen 5, 6 (Hateco) commence operations in 2025. As a result, consistent increases in port service charges will be essential for sustaining revenue growth for GMD, given the limited potential for volume expansion next year.

Fig 5. Vietnam – Export-import turnover & growth (USDmn, %)



Source: UNCTAD

Fig 6. GMD – Bulk cargo & container throughput ('000 tons, '000 TEUs)



Source: Gemadept Corporation, KB Securities Vietnam

Nam Dinh Vu 3 has commenced construction, and together with Gemalink 2A, it is expected to add over 1.4 million TEUs to GMD's capacity from 2026 onwards

Nam Dinh Vu 3 is currently under construction, while Gemalink 2A is in the final stages of legal approvals, with both projects set to begin operations in 1Q and 3Q of 2026. These expansions will add 800,000 TEUs and 650,000 TEUs of capacity to GMD's portfolio, playing a crucial role in securing long-term growth in cargo throughput for the company.

- Nam Dinh Vu 3 is projected to fill capacity more gradually than Phase 2, potentially taking 2–3 years to surpass 70% utilization due to intensified competition in Hai Phong. This is driven by the addition of over 2 million TEUs of capacity from Lach Huyen terminals 3, 4, 5, and 6, scheduled to launch in 2025.
- Gemalink 2A is expected to achieve over 70% capacity utilization within 1–2 years of operation since: (i) it is currently operating beyond its design capacity, with no new southern ports anticipated within the next three years. Furthermore, Phuoc An Port, the only upcoming project, is designated for smaller vessels and caters to a distinct client base, posing no direct competition to Gemalink and (ii) the anticipated completion of the Cai Mep–Thi Vai channel upgrade by 2026 is set to attract additional regional transshipment cargo to the port.

Gemalink is currently proposing to develop the Cai Mep Ha Port project, covering an area of over 200 ha with a berth length of nearly 6 km. If GMD becomes the project's investor, alongside its existing Gemalink 1 and Gemalink 2 ports and its strategic partnership with CMA CGM, the company will unlock significant growth potential in the Cai Mep–Thi Vai deep-water port area. This region is poised to evolve into an international transshipment hub in the future.

Fig 7. GMD – Gemalink Port

Gemalink continues to operate beyond its design capacity, with a throughput of over 1.2 million TEUs in 9M2024 (+90% YoY). Gemalink 2 is currently in the process of obtaining an adjusted construction permit to extend the berth length, enabling it to accommodate larger vessels. Construction is expected to commence in early 2025, delayed from the initial plan of late 2024. Phase 2A, with a total investment of USD150 million, is projected to have its infrastructure completed by 2026. Phase 2B is anticipated to begin construction once Phase 2A reaches at least 70% capacity utilization, with the earliest operations expected by 2027.



Source: Gemadept Corporation

Fig 8. GMD – Nam Dinh Vu Port

Nam Dinh Vu Port is the closest gateway to the sea among ports in Hai Phong, consisting of two phases, with a combined capacity of 1.2 million TEUs. Phase 1 has been operational since 2018, while Phase 2 began operations in mid-2023. The port is currently operating at maximum capacity, with an average throughput of approximately 100,000 TEUs per month, and October alone recorded a handling capacity exceeding 137,000 TEUs. Phase 3 is under construction, with a total investment of approximately VND2,500 billion. Nam Dinh Vu 3 is expected to be completed by December 2025 and is anticipated to achieve over 70% capacity utilization within two years of operations. Once completed, Nam Dinh Vu's total capacity will reach 2 million TEUs, a 67% increase from the current capacity. The port will be capable of handling vessels up to 48,000 DWT, the largest size able to access the Dinh Vu area.



Source: Gemadept Corporation

Forecast

Table 9. GMD – 2023A–2025F business performance

| (VNDbn) | 2023A | 2024F | +/-%YoY | 2025F | +/-%YoY | Notes |
|----------------------------|--------------|--------------|---------------|--------------|-----------|---|
| Revenue | 3,846 | 4,623 | 20% | 4,837 | 5% | 2024F revenue is expected to achieve 120% of the full-year target of VND4,000 billion. |
| Port operations | 2,942 | 3,958 | 35% | 4,106 | 4% | In 2024, cargo throughput across Northern ports, Central port, and Southern ports reached 1.3 million TEUs (+23% YoY), 2.3 million tons (+47% YoY), and 1.25 million TEUs (+35% YoY), respectively. Service prices rose by 2–4% YoY in the North and 6–8% YoY in the South. However, throughput growth is expected to decelerate in 2025 as ports approached maximum capacity. |
| Logistics | 904 | 665 | –26% | 732 | 10% | |
| Gross profit | 1,776 | 2,093 | 18% | 2,196 | 5% | |
| Gross profit margin | 46% | 45% | –1 ppt | 45% | 0 | |
| Port operations | 44% | 47% | +3 ppts | 46% | –1 ppt | |
| Logistics | 53% | 35% | –17 ppts | 42% | +7 ppts | Gross margin declined due to (1) higher outsourced service costs driven by rapid volume growth and (2) reduced gross profit margin from transportation activities. |
| Financial income | 1,941 | 519 | –73% | 237 | –54% | In 2023, the company recorded an exceptional profit of VND1,800 billion from the divestment of Nam Hai Dinh Vu Port, while 2024 saw VND335 billion in profit from the sale of Nam Hai Port. |
| Financial expenses | –155 | –142 | –8% | –119 | –16% | |
| Profits from affiliates | 274 | 716 | 161% | 813 | 14% | The profit contribution from Gemalink is projected to increase significantly, from VND20 billion in 2023 to over VND430 billion in 2024, supported by operating at 113% capacity with a throughput of 1.7 million TEUs. Meanwhile, the contribution from SCS is expected to exceed VND210 billion, bolstered by the overall recovery of the aviation sector and the acquisition of new major clients. |
| SG&A | –661 | –740 | 12% | –726 | –2% | |
| Operating income/loss | 3,177 | 2,446 | –23% | 2,402 | –2% | |
| Other income | –30 | –36 | 20% | –37 | 5% | |
| Profit before taxes (PBT) | 3,147 | 2,411 | –23% | 2,365 | –2% | Without the one-off profit from the divestment of Nam Hai Port, GMD is expected to achieve 122% of its 2024 PBT target (VND1,686 billion). In 2025, PBT is projected to grow by 15% YoY, excluding extraordinary income. |
| PBT margin | 82% | 52% | –30 ppts | 49% | –3 ppts | |
| Corporate income tax | –614 | –369 | –40% | –214 | –42% | |
| Profit after taxes (NPAT) | 2,534 | 2,042 | –19% | 2,151 | 5% | |
| NPAT margin | 66% | 44% | –22 ppts | 44% | 0 | |
| NP after MI | 2,251 | 1,895 | –16% | 2,019 | 7% | |

Source: Gemadept Corporation, KB Securities Vietnam

Valuation

We recommend BUY for GMD with a target price of VND75,400/share

We use the sum of the parts (SOTP) valuation method to value GMD, encompassing: (i) its core businesses (port operations and logistics) and contributions from joint ventures and associates; (ii) contribution from SCSC Cargo Service Corporation (SCS); (iii) the Gemalink project; and (iv) rubber and real estate projects. Accordingly, we recommend BUY for GMD with a target price of VND75,400 per share. This represents a potential upside of 17.8% compared to the closing price of VND64,000 on November 25, 2024, based on the following assumptions:

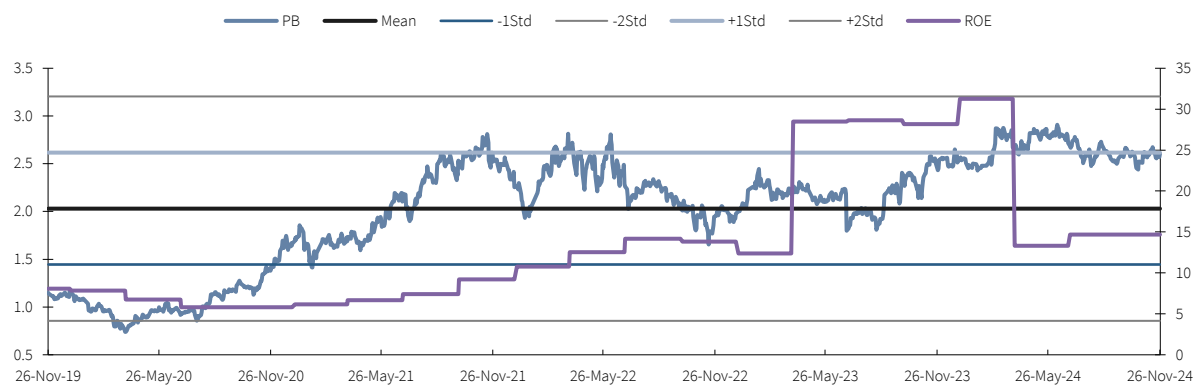
- The Nam Dinh Vu port system (Phases 1 and 2) is expected to reach 108% capacity in 2024 and 105% capacity in 2025. Throughput at Gemalink is anticipated to recover significantly, achieving 1.7 million TEUs in 2024 (+66% YoY). However, progress on the new projects Gemalink 2A and Nam Dinh Vu 3 has been slower than initially planned, with operations now expected to commence in 1Q and 3Q of 2026, respectively.
- Average port service fees are projected to increase by 8% in 2024 and 4% in 2025 compared to the prior year's average, maintaining a growth rate of 4-5% annually through 2030.

Table 10. GMD – Valuation results

| | Valuation method | Value (VNDbn) | GMD's ownership | Contribution to GMD (VNDbn) |
|---|------------------|---------------|-----------------|-----------------------------|
| Port operations & logistics | FCFF | 14,026 | 100% | 14,026 |
| SCS | FCFF | 10,088 | 36.24% | 3,656 |
| Gemalink | FCFF | 17,538 | 65.10% | 11,418 |
| Rubber | BV | 1,830 | 100% | 1,830 |
| Real estate | BV | 290 | 100% | 290 |
| Equity value | | | | 31,220 |
| Number of shares outstanding (million shares) | | | | 413.98 |
| Value per share (VND) | | | | 75,400 |
| Current price (Nov 25, 2024) | | | | 64,000 |
| Upside | | | | 17.8% |

Source: Gemadept Corporation, KB Securities Vietnam

Fig 11. GMD - P/B, ROE in 2019-2024



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

| | | |
|--------------|--------------|--------------|
| Buy: | Neutral: | Sell: |
| +15% or more | +15% to -15% | -15% or more |

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

| | | |
|-----------------------|---------------------------------|-------------------------|
| Positive: | Neutral: | Negative: |
| Outperform the market | Perform in line with the market | Underperform the market |

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