April, 2021

# GEMADEPT CORPORATION (HSX: GMD)

## Gemalink To Strongly Boost Earnings Growth Outlook

| (VND bn) | Q4-FY20 | Q3-FY20 | *+/- qoq* | Q4-FY19 | *+/- yoy* |
|---|---|---|---|---|---|
| Net revenue | 705 | 692 | 2% | 647 | 9% |
| PAT | 58 | 97 | -40% | 67 | -13% |
| EBIT | 50 | 145 | -66% | 53 | -5% |
| EBIT margin | 7.1% | 21.0% | -13.9 pps | 8.2% | -1.1 pps |

*Source: GMD, Rong Viet Securities*

### Q1-2021 Forecast – Losses from Gemalink to dent PBT's growth rate

- We project that quarterly net sales will come at VND687Bn (USD30Mn), relatively unchanged versus last year, while PBT will drop by 19% YoY to VND115Bn (USD5Mn) mainly due to losses from the newly operated deep-sea container terminal Gemalink (GML). We forecast that GML will incur a loss of VND81Bn (USD4Mn) in Q1-2021.
- Port operation segment's revenue to grow by 22% YoY to VND617Bn (USD27Mn) on the back of an 8% YoY surge in throughput volume at GMD's port cluster in the North.

### 2021 Outlook – Northern ports' improved volume growth to compensate for GML's losses

- Projected revenue and PBT will respectively grow by 7% YoY and 26% YoY to VND2,785Bn (USD120Mn) and VND647Bn (USD28Mn).
- Total throughput volume will stand at 2.1 mn TEU (+18% YoY), mainly boosted by Nam Dinh Vu Port as the terminal attracts new shipping services. Consequently, the port operation segment revenue is expected to rise by 14% YoY.
- We project that GML will incur a net loss of VND80Bn (USD4Mn) in 2021.

### Valuation and recommendation

*With the worst likely over, we reckon that GMD, with its extensive port network across Vietnam, is set to ride on the global trade recovery with the reopening of economies and Vietnam's increasingly important position in the global supply chain as well. On the back of this, we strongly believe that the GMD's flagship terminal, Gemalink (GML), along with Nam Dinh Vu Port will receive more new shipping services and, hence, growing container throughput volume to become the key earnings growth driver for GMD in the next few years. While GMD's associated profit will likely experience a setback from projected GML's net loss in 2021F, we also expect GML to quickly turn profitable in 2022F, strongly bolstering GMD's PBT growth of 55% in 2022F from 26% in 2021F. Catalysts come from seaport tariffs hike and GML's successful partnership with a new shipping line through a transfer of GMD's stake in GML.*

*To reflect the better outlook of GMD's Hai Phong ports and GML, we revise up our target price by 23% to **VND43,600.** Although weak profitability of GML in the early phase could hamper GMD's Q1-2021 profit growth and might impact the stock price, we believe this will be a good opportunity to **BUY** the stock with an **expected total return of 30%** as of the closing price on April 29th, 2021.*

## BUY +30%

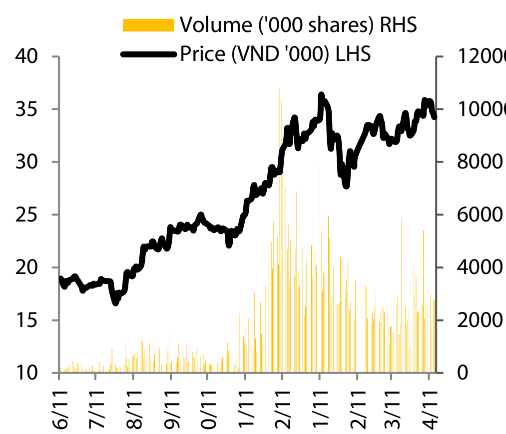
| | |
|---|---|
| Target price (VND) | 43,600 |
| Current market price (VND) | 34,200 |
| *Cash dividend (VND)* | *1,000* |

### Stock Info

| | |
|---|---|
| Sector | Industrial |
| Market Cap (VND billion) | 10,187 |
| Current Shares O/S | 301.4 |
| Avg. Daily Volume (in 20 sessions) | 2,611,810 |
| Free float (%) | 63.6 |
| 52 weeks High | 36,350 |
| 52 weeks Low | 16,596 |
| Beta | 1.17 |

| | FY2020 | Current |
|---|---|---|
| EPS | 1,249 | 1,249 |
| EPS Growth (%) | -28.3 | -28.3 |
| Diluted EPS | 1,249 | 1,249 |
| P/E | 25.6 | 25.6 |
| P/B | 1.4 | 1.4 |
| EV/EBITDA | 13.3 | 13.3 |
| Cash dividend yield (%) | 3.0 | 3.0 |
| ROE (%) | 6.3 | 6.3 |

### Price performance




### Major Shareholders (%)

| | |
|---|---|
| SSJ Consulting Vietnam Ltd. | 10.0 |
| KIMC | 7.1 |
| *Foreign ownership remaining room (%)* | 11.4 |

**Tung Do**

(084) 028- 6299 2006 – Ext 1521

tung.dt@vdsc.com.vn

**Exhibit 1: Q4-2020 Results**

| (VND Bn) | Q4-FY20 | Q3-FY20 | *+/- (qoq)* | Q4-FY19 | *+/- (yoy)* |
|---|---|---|---|---|---|
| Net revenue | 705 | 692 | 2.0% | 647 | 9.0% |
| Gross profit | 197 | 258 | -23.8% | 209 | -5.9% |
| SG&A | 147 | 113 | 30.0% | 156 | -6.1% |
| Operating income | 50 | 145 | -65.5% | 53 | -5.3% |
| EBITDA | 153 | 248 | -38.2% | 149 | 2.7% |
| EBIT | 50 | 145 | -65.5% | 53 | -5.3% |
| Financial expenses | 22 | 39 | -42.9% | 29 | -22.0% |
| *- Interest Expenses* | 33 | 36 | -7.0% | 37 | -10.6% |
| Dep. and amortization | 103 | 102 | 0.6% | 96 | 7.1% |
| Non-recurring items (*) | | | | | |
| Extraordinary items (*) | | | | | |
| PBT | 85 | 146 | -41.4% | 93 | -8.0% |
| PAT | 58 | 97 | -40.0% | 67 | -12.6% |
| (*) Adjusted PAT | 58 | 97 | -40.0% | 67 | -12.6% |

*Source: GMD, Rong Viet Securities*

**Exhibit 2: Q4-2020 Performance Analysis**

| Particulars | Q4-FY20 | Q3-FY20 | *+/- (qoq)* | Q4-FY19 | *+/- (yoy)* |
|---|---|---|---|---|---|
| **Profitability Ratios (%)** | | | | | |
| Gross Margin | 27.9 | 37.3 | -9.4 pps | 32.3 | -4.4 pps |
| EBITDA Margin | 21.7 | 35.8 | -14.1 pps | 23.0 | -1.3 pps |
| EBIT Margin | 7.1 | 21.0 | -13.9 pps | 8.2 | -1.1 pps |
| Net Margin | 8.2 | 14.0 | -5.8 pps | 10.3 | -2.0 pps |
| Adjusted Net Margin | 8.2 | 14.0 | -5.8 pps | 10.3 | -2.0 pps |
| **Turnover *(x)** | | | | | |
| -Inventories | 28 | 18 | 9.6 | 22 | 6.0 |
| -Receivables | 8 | 8 | 0.7 | 7 | 1.2 |
| -Payables | 1 | 0 | 0.1 | 0 | 0.1 |
| **Leverage (%)** | | | | | |
| Total liabilities/ Equity | 26.7% | 27.0% | -0.3 pps | 27.9% | -1.2 pps |

*Source: Rong Viet Securities*

**Exhibit 3: Q1-2021 Performance Forecast**

| Particulars (VND Bn) | Q1-FY21 | +/- qoq | +/- yoy |
|---|---|---|---|
| Revenue | 687 | -3% | 14% |
| Gross profit | 261 | 32% | 10% |
| EBIT | 144 | 187% | 22% |
| PBT | 115 | 34% | -19% |

*Source: Rong Viet Securities*

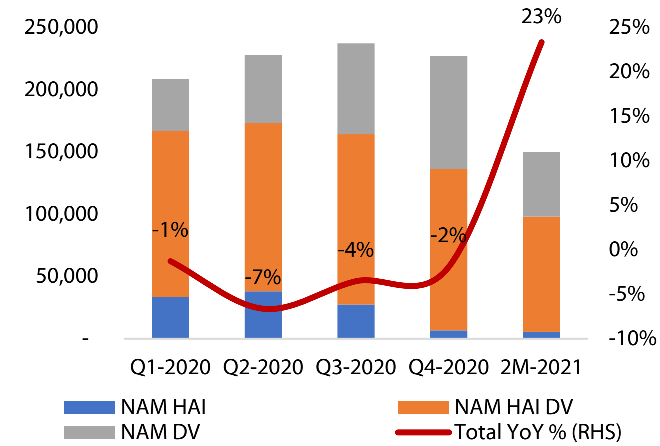
## Update

### Early signs point to stronger 2021 throughput volume growth for GMD's Hai Phong ports

**Throughput volume recovery momentum continues in 2M-2021.** After gradually recovering in Q4-2020 in terms of growth rate (figure 1), GMD's Hai Phong volume recovery improved further into positive territory in 2M-2021, posting a 23% growth YoY and bringing volume in the period to just under 150 thousand TEUs.

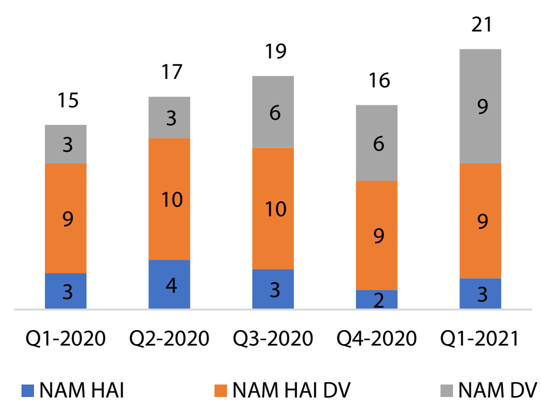
Regarding current container shipping services, following the intentional rotation of domestic services operated by CJ Gemadept Shipping from Nam Hai Port to Nam Dinh Vu Port (NDV) in Q2-2020, NDV successfully attracted two new services from CMA-CGM and ZIM in late 2020. As such, the number of weekly calls at NDV has jumped to nine trips by Q1-2021 per our estimate while Nam Hai Port is now serving two container weekly services for Asean Seas Line that are bound to Hong Kong and China (figure 2). In the meantime, operation at Nam Hai Dinh Vu Port has been relatively stable with nine to ten weekly calls since Q1-2020 till now, and is running at its designed capacity (est. 2020 throughput volume: 535k TEUs).

**Figure 1: Estimated throughput volume at GMD Hai Phong terminals (TEU)**




*Source: Rong Viet Securities*

**Figure 2: Estimated weekly vessel calls at GMD Hai Phong terminals by quarter**




*Source: Hai Phong Maritime Administration, Rong Viet Securities*

**Nam Dinh Vu Port to drive the growth.** Given the low base in 2020 due to a loss of customers and impacts from the pandemic, GMD's throughput volume in Hai Phong is poised to enjoy robust growth in 2021 of 30% on the back of the above mentioned new shipping services at NDV. Over the next two years, we expect this port to attract new shipping services (table 1) owing to Vietnam's positive trade flow outlook, and become the key growth driver for this port cluster of GMD, since NHDV has faced port congestion due to full utilization. Besides, GMD also considers expanding the NDV this year, delayed by one year from the original plan due to lower volume than expected. Estimated construction time is one year, and hence phase 2 is slated to be operational in 2H-2022.

**Table 1: GMD's Hai Phong ports throughput volume forecast (thousand TEU)**

| Terminal | 2019 | 2020 | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Nam Hai | 141 | 106 | 73 | 68 | 62 |
| *Number of weekly services* | *3* | *3* | *2* | *2* | *2* |
| Nam Hai Dinh Vu | 457 | 535 | 543 | 552 | 562 |
| *Number of weekly services* | 8 | 9 | 9 | 9 | 9 |
| Nam Dinh Vu | 334 | 260 | 553 | 676 | 799 |
| *Number of weekly services* | 5 | 4 | 9 | 11 | 13 |
| **Total** | **932** | **898** | **1,169** | **1,296** | **1,423** |
| *YoY %* | -1% | -4% | 30% | 11% | 10% |

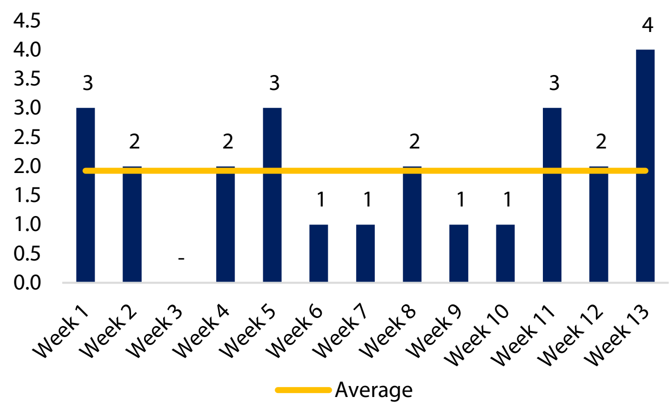
*Source: Rong Viet Securities*

## Gemalink: Projected loss of VND81Bn in Q1-2021; Forecasted utilization rate of 46% for 2021

CMA-CGM, a shareholder with an effective ownership of 12.25% in Gemalink (GML), has quickly established two services named Columbus JAX and Pacific Express 3 (see appendix 1) at the port (by shifting these from Cai Mep International Terminal CMIT) as soon as the terminal commenced operation in Jan 19th, 2021. Theoretically, GML on average serves three weekly calls from these services: two from Columbus JAX (one bound for the US West Coast and one for the US East Coast), one from Pacific Express 3 (bound for the US West Coast).

GML served 19 mother vessel calls in Q1-2021 (figure 3), posting a throughput volume of 89K TEUs for the period, according to TCIT. Thereby, we estimate that GML will incur losses of VND81Bn in Q1-2021, and contribute an associated loss of about VND53Bn to GMD's quarterly P/L statement since GMD's effective ownership in GML is 65%. **Our full-year forecast for GML's throughput volume and net loss are 686K TEUs (utilization rate: 46%) and -VND80Bn, respectively**. Further forecast is shown in table 6.

**Figure 3: Gemalink weekly vessel calls since initiation**




*Source: Vung Tau Maritime Administration, Rong Viet Securities; Week 1 starting from Jan 18th 2021.*

**Table 2: Throughput volume at Cai Mep – Thi Vai container terminals (Thousand TEUs)**

| Terminal | | 2018 | 2019 | 2020 | Q1-2021 |
|---|---|---|---|---|---|
| TCIT+TCCT | | 1,632 | 1,957 | 2,090 | 490 |
| | *YoY%* | *23%* | *20%* | *7%* | *-9%* |
| CMIT | | 792 | 907 | 1,027 | 242 |
| | *YoY%* | *9%* | *15%* | *13%* | *10%* |
| TCTT | | 470 | 649 | 740 | 165 |
| | *YoY%* | *21%* | *38%* | *14%* | *-20%* |
| SSIT | | 52 | 229 | 554 | 231 |
| | *YoY%* | *-* | *343%* | *142%* | *286%* |
| GEMALINK Phase1 | | - | - | - | 0.09 |
| **Total** | | **2,946** | **3,742** | **4,410** | **1,128** |
| | *YoY%* | *21%* | *27%* | *18%* | *10%* |

*Source: TCIT, Rong Viet Securities*

In a recent meeting with the company, GMD shared an ambitous plan that it will push for the second phase of GML by this year which would add 900K TEU more in the capacity via construction (i.e: extending main berth, feeder berth) and equipment purchase (i.e: quay cranes and RTGs). The construction time will be around 1.5 years, which puts phase 2 to be operational by 2023. We think that capital funding for this phase (approx. USD 220 mn) will come from debt along with a possible private placement for new global container shipping line(s) since many of which have an interest in GML. In fact, GMD is in negotiation with global container liners to sell a stake in GML, planning to reduce its ownership to 51% from 65%. If the deal succeeds, this will be an upside potential to our forecast owing to additional throughput volume from new shareholders.

**Figure 4: GML Phase 2 plan**


*Source: GMD*

## GMD's seaports could benefit from upcoming seaport tariffs hike

GMD expects the floor price of container handling services in Hai Phong and Cai Mep – Thi Vai to rise by another 10% in the next few months following MoT's approval. It's noteworthy that the draft circular that amends the tariffs was proposed in Q4 last year but hasn't been approved by the MoT yet. In the draft amendment to Circular 54/2018/TT-BGTVT of the Ministry of Transport (MoT), the minimum price for marine piloting, berthing, towage, container stevedoring services at seaports are proposed to increase from 2021-2023. The most recent seaport tariffs hike took place in early 2019.

**Table 3: The proposed roadmap for increasing minimum seaport tariffs**

| Zone | 2021 | 2022 | 2023 |
|---|---|---|---|
| Hai Phong | +10% | +10% | +10% |
| Lach Huyen | +10% | 0 | +10% |
| HCMC | 0 | +10% | +10% |
| Cai Mep – Thi Vai, Vung Tau | +10% | 0 | +10% |

*Source: Vinamarine, Rong Viet Securities*

## Forecast

**Table 4: GMD Forecast**

| *Unit: VND Bn* | 2020 | 2021F | YoY % | Assumptions |
|---|---|---|---|---|
| **Revenue** | **2,606** | **2,785** | **7%** | |
| Port operation | 2,172 | 2,474 | 14% | We expect GMD's Hai Phong ports to enjoy solid growth of 30% in terms of throughput volume thanks to new services at Nam Dinh Vu Port as shown in table 1. Meanwhile, a setback of average yield/TEU of -1% (due to different cargo mix of higher bulk cargo in Nam Hai Port) will result in a growth rate of 29% for this port cluster's revenue.<br>In the meantime, we expect GMD Dung Quat and GMD's Southern ports namely Phuoc Long ICD and Binh Duong port to maintain a moderate revenue growth rate of 10% YoY and 5% YoY, respectively. |
| Other | 434 | 311 | -28% | In 2021, GMD no longer records a revenue stream relating to GML's construction. |
| **Gross profit** | **950** | **1,077** | **13%** | |
| *GPM* | *36.4%* | *38.7%* | 2.2pps | GPM is expected to improve mainly on the back of better economies-of-scale driven by higher throughput volume. |
| Selling expenses | -137 | -147 | 7% | |
| *Selling expenses/sales* | *5.3%* | *5.3%* | 0.0pps | |
| General and administration expenses | -341 | -352 | 3% | |
| *G&A expenses/sales* | *13.1%* | *12.6%* | -0.5pps | |
| **EBIT** | **471** | **578** | **23%** | |
| *EBIT margin* | *18.1%* | *20.7%* | 2.7pps | |
| Financial income | 28 | 7 | -76% | |
| Financial expenses | -159 | -134 | -16% | |
| **Gain/(loss) from joint ventures** | **157** | **196** | **25%** | |
| Gemalink | -33 | -52 | 58% | |
| SCSC | 153 | 168 | 10% | |
| Gemadept Logistics Holdings | 43 | 51 | 20% | |
| Gemadept Shipping Holdings | -15 | 12 | -181% | |
| Other JVs | 10 | 17 | 71% | |
| **PBT** | **513** | **647** | **26%** | |
| *PBT margin* | *19.7%* | *23.2%* | 3.5 pps | |
| **NPAT-MI** | **371** | **477** | **29%** | |
| *Net profit margin* | *14.2%* | *17.1%* | 2.9 pps | |
| **EPS (VND)** | **1,231** | **1,582** | **29%** | |

*Source: GMD, Rong Viet Securities*

## Valuation

We use the sum-of-the-parts method to evaluate the stock. Our fair value estimate for GMD arrives at **VND43,600 per share**, implying a **total stock return of 39% as of the closing price on April 22nd, 2021**. Below is a valuation summary along with implied forward multiples, FCFF projections, and GML forecasts.

**Table 5: Sum-of-the-parts valuation summary**

| Component | Methodology | Equity Value | GMD's ownership rate | Discount | Fair Equity Value attributable to GMD |
|---|---|---|---|---|---|
| **Ports and logistics** | 5Y FCFF (WACC: 12.9%, g: 1%) | **4,024** | | **0%** | **4,024** |
| **Logistics & Shipping JVs** | | **15,119** | | | **7,421** |
| SCSC | P/E & FCFE | 7,305 | 34.5% | 0% | 2,522 |
| CJ GMD Logistics | P/E (@10x 2021F EPS) | 1,039 | 49.1% | 0% | 510 |
| CJ GMD Shipping | BV | 173 | 51.0% | 0% | 88 |
| Gemalink | 10YFCFF (WACC:9.4%, g:1%) | 7,339 | 65.1% | 0% | 4,780 |
| **Non-operating assets** | | **2,007** | | | **1,223** |
| Shares in other firms | BV | 438 | | 0% | 438 |
| Rubber subsidiaries | BV | 1,569 | 100% | 50% | 784 |
| **Total (VND Bn)** | | | | | **13,147** |
| **Number of Shares (million)** | | | | | **301.4** |
| **Implied Price per Share** | | | | | **43,600** |
| Implied 2021F P/E | | | | | 27.7x |
| Implied 2022F P/E | | | | | 17.2x |
| Implied 2021F EV/EBITDA | | | | | 13.1x |
| Implied 2022F EV/EBITDA | | | | | 12.4x |

*Source: Rong Viet Securities*

**Table 6: 5Y FCFF projection for GMD port and logistics businesses (excluding profit from JVs and extraordinary items)**

| Unit: VND Bn | 2021F | 2022F | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|
| **Net income** | **285** | **290** | **323** | **358** | **386** |
| + Depreciation | 428 | 421 | 418 | 415 | 413 |
| + Interest exp x (1-T) | 101 | 114 | 119 | 97 | 74 |
| - Changes in working capital | **-11** | **-2** | **-2** | **-3** | **-3** |
| - CAPEX | 560 | 1,060 | 60 | 60 | 60 |
| **FCFF** | **265** | **-233** | **801** | **813** | **817** |

*Source: Rong Viet Securities*

**Table 7: GML 10Y Forecasts**

| Unit: VND Bn | 2021F | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|---|---|---|---|
| **Throughput volume (Thousand TEUs)** | **686** | **1,170** | **1,430** | **1,560** | **1,690** | **1,820** | **1,950** | **1,950** | **2,080** | **2,210** |
| *Utilization rate* | *46%* | *78%* | *60%* | *65%* | *70%* | *76%* | *81%* | *81%* | *87%* | *92%* |
| **Revenue** | **991** | **1,859** | **2,272** | **2,479** | **2,685** | **2,892** | **3,098** | **3,098** | **3,305** | **3,511** |
| COGS | 635 | 939 | 1,271 | 1,343 | 1,415 | 1,488 | 1,560 | 1,560 | 1,632 | 1,704 |
| Gross profit | 356 | 920 | 1,001 | 1,136 | 1,270 | 1,404 | 1,538 | 1,538 | 1,673 | 1,807 |
| *GPM* | *36%* | *50%* | *44%* | *46%* | *47%* | *49%* | *50%* | *50%* | *51%* | *51%* |
| SG&A | 99 | 279 | 341 | 372 | 403 | 434 | 465 | 465 | 496 | 527 |
| Interest expenses | 337 | 361 | 462 | 504 | 457 | 411 | 365 | 318 | 271 | 224 |
| **PBT** | **-80** | **281** | **198** | **260** | **410** | **560** | **709** | **756** | **906** | **1,057** |
| **Net Income** | **-80** | **281** | **198** | **260** | **390** | **532** | **674** | **718** | **861** | **1004** |

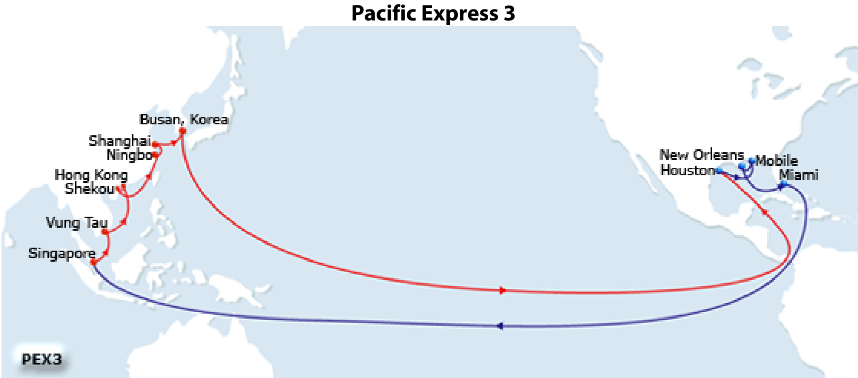
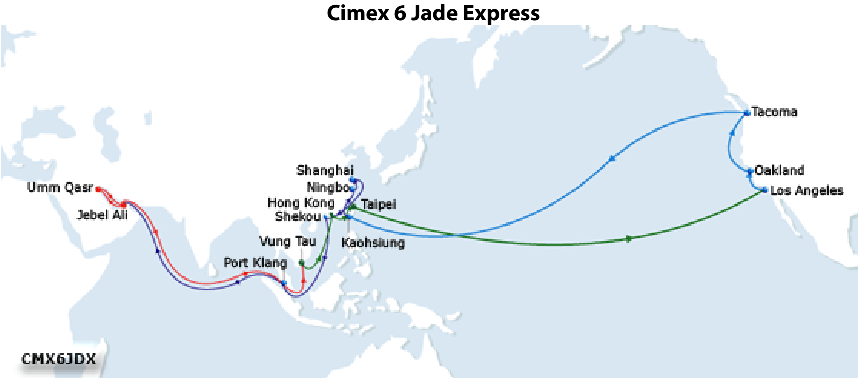
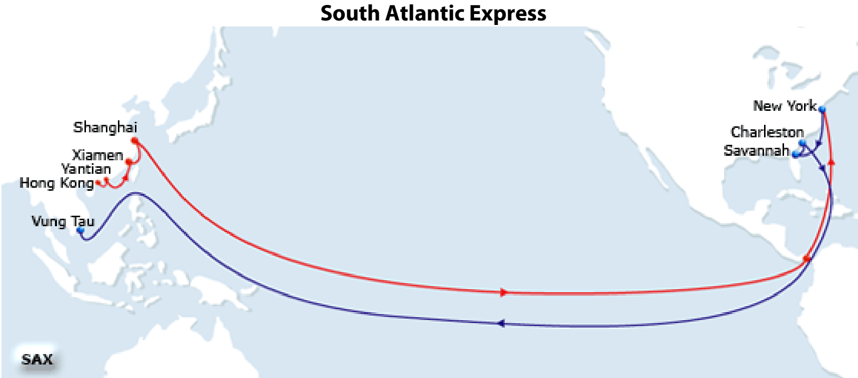
*Source: Rong Viet Securities*

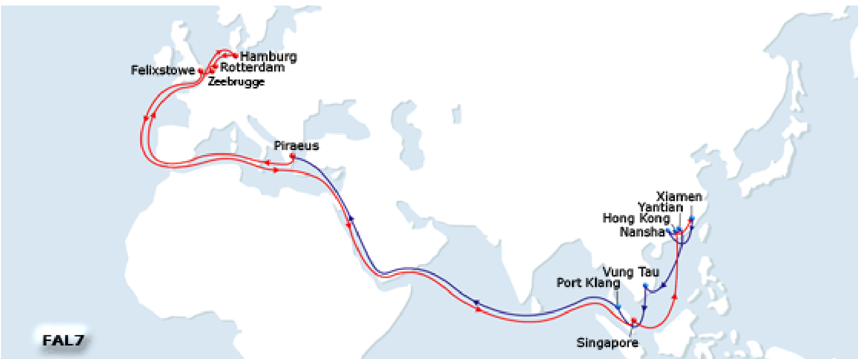
**Table 8: 10Y FCFF projection for GML**

| Unit: VND Bn | 2021F | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net income** | **-80** | **281** | **198** | **260** | **390** | **532** | **674** | **718** | **861** | **1,004** |
| + Depreciation | 268 | 268 | 455 | 455 | 455 | 455 | 455 | 455 | 455 | 455 |
| + Interest exp x (1-T) | 337 | 361 | 462 | 504 | 434 | 390 | 346 | 302 | 257 | 212 |
| - CAPEX | - | 2,520 | 2,520 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| **FCFF** | **525** | **-1,611** | **-1,404** | **1,199** | **1,259** | **1,357** | **1,455** | **1,455** | **1,554** | **1,652** |

*Source: Rong Viet Securities*

## Appendix 1: OCEAN alliance shipping service loops that connects with Vung Tau

<table>
<tr><th>Service</th><th>Using fleet of</th><th>Port of call</th></tr>
<tr><td>Columbus JAX<br>
</td><td>CMA-CGM / APL</td><td>GEMALINK</td></tr>
<tr><td>Pacific Express 3<br>
</td><td>CMA-CGM / APL</td><td>GEMALINK</td></tr>
<tr><td>Cimex 6 Jade Express<br>
</td><td>EVERGREEN</td><td>TAN CANG CAI MEP INTERNATIONAL (TCIT)</td></tr>
<tr><td>South Atlantic Express<br>
</td><td>COSCO/OOCL</td><td>CAI MEP INTERNATIONAL TERMINAL (CMIT)</td></tr>
</table>

| | | |
|---|---|---|
| **South China Sea**<br> | COSCO | Tan Cang – Cai Mep International Terminal (TCIT) |
| **French Asia Line 7**<br> | COSCO | TAN CANG CAI MEP THI VAI TERMINAL (TCTT) |

*Source: CMA-CGM, Rong Viet Securities*

## Appendix 2: Throughput volume at Cai Mep – Thi Vai container terminals

| Terminal | 2019 | 2020 | YoY % | 2020 Utilization rate | Capacity (TEU) | Main berth length (m) | No of quay crane |
|---|---|---|---|---|---|---|---|
| TCIT+TCCT | 1,957,083 | 2,089,555 | 7% | 139% | 1,500,000 | 890 | 9 |
| CMIT | 907,374 | 1,026,840 | 13% | 89% | 1,150,000 | 600 | 5 |
| TCTT | 648,835 | 739,725 | 14% | 106% | 700,000 | 600 | 4 |
| SSIT | 229,092 | 553,989 | 142% | 35% | 1,570,000 | 600 | 4 |
| GEMALINK Phase 1 | N.A | N.A | N.A | N.A | 1,500,000 | 800 | 6 |
| **Total** | **3,742,384** | **4,410,109** | **18%** | **90%** | **4,920,000** | | |

*Source: VPA, Vung Tau Maritime Administration, Rong Viet Securities*

*VND Billion*

| *INCOME STATEMENT* | FY2019 | FY2020 | FY2021F | FY2022F |
|---|---|---|---|---|
| Revenue | 2.643 | 2.606 | 2.785 | 3.003 |
| COGS | 1.630 | 1.656 | 1.708 | 1.829 |
| **Gross profit** | **1.013** | **950** | **1.077** | **1.174** |
| Selling Expense | 138 | 137 | 147 | 158 |
| G&A Expense | 331 | 341 | 352 | 370 |
| Finance Income | 107 | 28 | 7 | 3 |
| Finance Expenses | 147 | 159 | 134 | 134 |
| Gain/(loss) from joint ventures | 236 | 157 | 196 | 486 |
| **PBT** | **705** | **513** | **647** | **1,000** |
| Prov. of Tax | 91 | 72 | 86 | 98 |
| Minority's Interest | 97 | 70 | 84 | 135 |
| **PAT to Equity S/H** | **517** | **371** | **477** | **767** |
| EBIT | 544 | 471 | 578 | 645 |
| EBITDA | 910 | 879 | 1,005 | 1,066 |

%

| *FINANCIAL RATIO* | FY2019 | FY2020 | FY2021F | FY2022F |
|---|---|---|---|---|
| **Growth (%)** | | | | |
| Revenue | -2.4 | -1.4 | 6.9 | 7.8 |
| Operating Income | 3.3 | -3.5 | 14.4 | 6.0 |
| EBITDA | -0.3 | -13.5 | 22.7 | 11.8 |
| PAT | -72.0 | -28.3 | 28.6 | 60.8 |
| Total Assets | 1.4 | -2.8 | 0.7 | 9.1 |
| Equity | -0.1 | 0.4 | 3.4 | 7.9 |
| **Profitability (%)** | | | | |
| Gross margin | 38.3 | 36.4 | 38.7 | 39.1 |
| EBITDA margin | 34.4 | 33.7 | 36.1 | 35.5 |
| EBIT margin | 20.6 | 18.1 | 20.7 | 21.5 |
| Net margin | 19.6 | 14.2 | 17.1 | 25.5 |
| ROA | 5.1 | 3.8 | 4.8 | 7.1 |
| ROE | 8.8 | 6.3 | 7.8 | 11.6 |
| **Efficiency** | | | | (times) |
| Receivable Turnover | 3.4 | 3.5 | 3.3 | 3.3 |
| Inventory Turnover | 20.8 | 22.7 | 22.2 | 22.2 |
| Payable Turnover | 1.5 | 1.8 | 1.7 | 1.7 |
| **Liquidity** | | | | (times) |
| Current | 0.7 | 0.8 | 0.8 | 0.7 |
| Quick | 0.6 | 0.8 | 0.7 | 0.6 |
| **Finance Structure (%)** | | | | |
| Total Debt/Equity | 35.4 | 32.2 | 27.0 | 28.3 |
| Current Debt/Equity | 11.1 | 12.9 | 8.5 | 8.8 |
| Long-term Debt/Equity | 24.3 | 19.3 | 18.5 | 19.5 |

*VND Billion*

| *BALANCE SHEET* | FY2019 | FY2020 | FY2021F | FY2022F |
|---|---|---|---|---|
| Cash and cash equivalents | 186 | 428 | 188 | 58 |
| Short-term investments | 44 | 23 | 23 | 23 |
| Accounts receivable | 787 | 748 | 835 | 901 |
| Inventories | 78 | 73 | 77 | 82 |
| Other current assets | 92 | 84 | 90 | 97 |
| Property, plant & equipment | 4,876 | 4,635 | 4,797 | 5,419 |
| Acquired intangible assets | 566 | 507 | 477 | 452 |
| Long-term investments | 2,684 | 2,531 | 2,608 | 2,962 |
| Other non-current assets | 806 | 805 | 805 | 805 |
| **Total assets** | **10,120** | **9,835** | **9,901** | **10,800** |
| Accounts payable | 1,115 | 922 | 1,025 | 1,097 |
| Short-term borrowings | 652 | 763 | 521 | 577 |
| Long-term borrowings | 1,426 | 1,138 | 1,127 | 1,284 |
| Other non-current liabilities | 299 | 357 | 351 | 345 |
| Bonus and Welfare fund | 62 | 60 | 0 | 0 |
| Technology-science, dev. fund | 0 | 0 | 0 | 0 |
| **Total liabilities** | **3,553** | **3,240** | **3,024** | **3,303** |
| Common stock and APIC | 4,911 | 4,956 | 4,956 | 4,956 |
| Treasury stock (enter as -) | 0 | 0 | 0 | 0 |
| Retained earnings | 505 | 435 | 615 | 1,081 |
| Other comprehensive income | 307 | 358 | 376 | 395 |
| Inv. and Dev. Fund | 153 | 153 | 153 | 153 |
| **Total equity** | **5,876** | **5,901** | **6,099** | **6,584** |
| **Minority Interest** | **691** | **693** | **778** | **913** |

| *VALUATION RATIO (*)* | FY2019 | FY2020 | FY2021F | FY2022F |
|---|---|---|---|---|
| EPS (dong) | 1,741 | 1,249 | 1,582 | 2,545 |
| P/E (x) | 11.0 | 25.6 | 20.2 | 12.6 |
| BV (dong) | 19,789 | 19,875 | 20,238 | 21,845 |
| P/B (x) | 0.9 | 1.4 | 1.6 | 1.5 |
| DPS (dong/cp) | 1,500 | 1,000 | 1,000 | 1,000 |
| Dividend yield (%) | 7.3 | 3.0 | 3.0 | 3.0 |

| *VALUATION MODEL* | *Price* | *Weight* | *Average* |
|---|---|---|---|
| Sum-of-the-parts | 43,600 | 100% | 43,600 |
| **Target price (VND)** | | | **43,600** |

| *VALUATION HISTORY* | *Price* | *Recommendation* | *Period* |
|---|---|---|---|
| 12/8/2020 | 35,300 | Buy | Long term |
| 11/27/2020 | 30,600 | Accumulate | Long term |

## RESULT UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report. we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information. investors may contact the assigned analyst or our client support department.

### RATING GUIDANCE

| Ratings | BUY | ACCUMULATE | REDUCE | SELL |
|---|---|---|---|---|
| Total Return including Dividends in 12-month horizon | >20% | 5% to 20% | -20% to -5% | <-20% |

## ABOUT US

**RongViet Securities Corporation (RongViet**) was established in 2007. licensed to perform the complete range of securities services including brokerage. financial investment. underwriting. financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders. also our strategic partners. are reputable institutions. i.e Eximbank. Viet Dragon Fund Management. etc... Along with a team of the professional and dynamic staffs. RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially. RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy. securities market and investment strategy along with industry and company reports and daily and weekly market reviews.

## ANALYSIS & INVESTMENT ADVISORY DEPARTMENT


**Lam Nguyen**
*Head of Research*
lam.ntp@vdsc.com.vn
+ 84 28 6299 2006 (1313)

**Tung Do**
*Manager*
tung.dt@vdsc.com.vn
+ 84 28 6299 2006 (1521)
- Retails
- F&B
- Aviation
- Logistics

**Tam Pham**
*Manager*
tam.ptt@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Textiles
- Fishery
- Fertilizer

**Hoang Bui**
*Analyst*
hoang.bh@vdsc.com.vn
+ 84 28 6299 2006 (1514)
- Automobile and spares
- Agriculture
- Industrial Park

**Tu Pham**
*Analyst*
tu.pm@vdsc.com.vn
+ 84 28 6299 2006 (1536)
- Steel
- Pharmaceutical

**Thao Nguyen**
*Analyst*
thao.nn@vdsc.com.vn
+ 84 28 6299 2006 (1524)
- Utilities

**Kiet Tran**
*Analyst*
kiet.tht@vdsc.com.vn
+ 84 28 6299 2006 (1528)
- Real Estate
- Market Strategy

**Thanh Nguyen**
*Analyst*
thanh.nn@vdsc.com.vn
+ 84 28 6299 2006 (1535)
- Banking

**Ha My Tran**
*Senior Consultant*
my.tth@vdsc.com.vn
+ 84 28 6299 2006
- Macroeconomics

**Bernard Lapointe**
*Senior Consultant*
bernard.lapointe@vdsc.com.vn
- + 84 28 6299 2006

**Ha Tran**
*Assistant*
ha.ttn@vdsc.com.vn
+ 84 28 6299 2006 (1526)

**Vi Truong**
*Assistant*
vi.ttt@vdsc.com.vn
+ 84 28 6299 2006 (1517)

## DISCLAIMERS

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.



**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by Viet Dragon Securities Corp. ("VDSC"), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

**Additional Disclosures**

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior.

## RESEARCH DISCLOSURES

### Third Party Research

This is third party research. It was prepared by Rong Viet Securities Corporation (Rong Viet), with headquarters in Ho Chi Minh City, Vietnam. Rong Viet is authorized to engage in securities activities according to its domestic legislation. This research is not a product of Tellimer Markets, Inc., a U.S. registered broker-dealer. Rong Viet has sole control over the contents of this research report. Tellimer Markets, Inc. does not exercise any control over the contents of, or the views expressed in, research reports prepared by Rong Viet.

Rong Viet is not registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and other "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Tellimer Markets, Inc., located at 575 Fifth Avenue, 27th Floor, New York, NY 10017. A representative of Tellimer Markets, Inc. is contactable on +1 (212) 551 3480. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Rong Viet. Tellimer Markets, Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

None of the materials provided in this report may be used, reproduced, or transmitted, in any form or by any means, electronic or mechanical, including recording or the use of any information storage and retrieval system, without written permission from.

Rong Viet is the employer of the research analyst(s) responsible for the content of this report and research analysts preparing this report are resident outside the U.S. and are not associated persons of any U.S. regulated broker-dealer. The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Tellimer Markets, Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Tellimer Markets, Inc. or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, and does not expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Tellimer Markets, Inc. has never owned any class of equity securities of the subject company. There are no other actual, or potential, material conflicts of interest of Tellimer Markets, Inc. at the time of the publication of this report. As of the publication of this report, Tellimer Markets, Inc. does not make a market in the subject securities.

**About Tellimer**

Tellimer is a registered trade mark of Exotix Partners LLP. Exotix Partners LLP and its subsidiaries ("Tellimer") provide specialist investment banking services to trading professionals in the wholesale markets. Tellimer draws together liquidity and matches buyers and sellers so that deals can be executed by its customers. Tellimer may at any time, hold a trading position in the securities and financial instruments discussed in this report. Tellimer has procedures in place to identify and manage any potential conflicts of interests that arise in connection with its research. A copy of Tellimer's conflict of interest policy is available at www.tellimer.com/regulatory-information.

**Distribution**

This report is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Tellimer. Tellimer shall accept no liability whatsoever for the actions of third parties in this respect. This report is for distribution only under such circumstances as may be permitted by applicable law.

This report may not be used to create any financial instruments or products or any indices. Neither Tellimer, nor its members, directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information herein.

**United Kingdom:** Distributed by Exotix Partners LLP only to Eligible Counterparties or Professional Clients (as defined in the FCA Handbook). The information herein does not apply to, and should not be relied upon by, Retail Clients (as defined in the FCA Handbook); neither the FCA's protection rules nor compensation scheme may be applied.

**UAE:** Distributed in the Dubai International Financial Centre by Exotix Partners LLP (Dubai) which is regulated by the Dubai Financial Services Authority ("DFSA"). Material is intended only for persons who meet the criteria for Professional Clients under the Rules of the DFSA and no other person should act upon it.

**Other distribution:** The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction.

**Disclaimers**

Tellimer and/or its members, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Tellimer may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups of Tellimer.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Frontier and Emerging Market laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Frontier and Emerging Market securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Frontier and Emerging Market securities may also be affected by fluctuations in available currency rates and exchange control regulations. Not all of these or other risks associated with the relevant company, market or instrument which are the subject matter of the report are necessarily considered.