

GMD INVESTMENT VIEW UPDATE
What happens with the share price?

This is the question we receive the most frequently. The share price peaked at 117,000 VND/share with almost 3 million shares traded on 23-September. In both September and October, the shares were traded at over one million share daily, ways higher than the yearly average. This was a technical indicator signifying that the shares were overbought. The reversal came as a consequence and now the question is how low the price falls will. As noted in our previous report, the correlation of this stock with VNIndex is very high (>90%), so watch out for the VNIndex.

Is there any fundamental change with this stock?

The GMD Cai Mep story, shareholders were disappointed with the fact that the profit recorded from the Cai Mep GMD has not booked into quarter III result.

There has been a lot of noise regarding whether GMD can book all the revaluation profit of the Cai Mep project into its income statement. First of all, this project will be done by GMD Vung Tau, a subsidiary that GMD owns 70%. GMD Vung Tau is established to take care of the GMD Cai Mep Port project, and will enjoy a tax exemption for reversal years, thus the profit generated from this project is likely to be tax-free. Second of all, this is not a land revaluation, as the difference between 39,5 million USD of capital contribution and the actual cost GMD has paid for the Cai Mep land, is actually the amount the foreign partner (CGM-CMA) paid for the GMD's brandname as well as the licence to run a port in the Cai Mep Port Complex. This amount, whether booking into the income statement or balance sheet statement, should not make any difference to shareholders. It's only an evidence of GMD's actual value is ways beyond the book value.

Whilst the company will take time to turn the quality asset into quality profit (GMD Cai Mep will only start generating profit in 2013), we believe investors should not expect a quick run on the stock price.

The issuance plan took too long to be finalized and we think this should have been done earlier since the company is in need of capital to fund the GMD Cai Mep project and the market condition was good (the market really welcomed the new issuance). There ratio is still not yet decided, although the rumor goes it's closer to 1:1 now.

The Le Loi plaza project will be established in 1Q2010 as planned, on the assumption that GMD raises adequate funds for all on-going projects.

The quarter III result is as good as expected. The revenue and EBIT grow by 10% and 33% respectively, compared to the average of the last two quarters. Although compared with 3Q2008, revenue and EBIT still fall by 6% and 3% respectively. 3Q2008 was the best quarter for operating activities of GMD, thus we could say GMD's core business is back on track. We expected this result, thus we do not revise our forecast for 2009-2010 this time.

The portfolio investment is looking healthy too, with the provisional loss for short-term investment (236 billion VND) of only 8.4 billion VND. The long-term provisional loss is still at 102 billion VND; however, this loss has not been reversed in the first 3 quarters. Although the price of Maritime Bank is now quoted at over 22,000 VND/share on the Sanotc. (GMD provisioned for the loss at 9000 VND/share last year). We remain our forecast for GMD, with the assumption that VNI will be above 500 by the end of this year. We also left out the profit booked from the GMD Cai Mep project and put them into the Revaluation reserve for the time being.

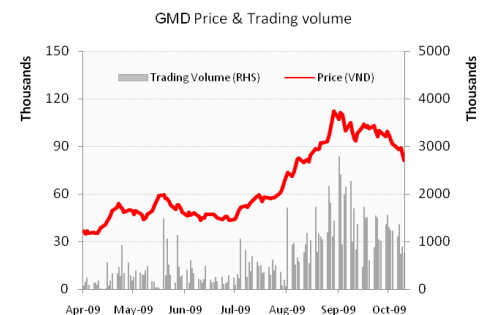
Conclusion: The VNIndex is nose-diving again but GMD will be among the stocks with good core fundamentals to bounce back.

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Stock Info:

GMD	03/11/2009
Price (VND)	81,000
Outstanding Shares	47,447,505
Market Cap (VND Bill)	3,843
% State	5.89%
% Foreign Ownership	23.88%



Source: Reuters, SSIResearch

Valuation

	2009E	2010E
P/E	10.3	16.2
P/B	1.29	1.34
Dividend yield	No	N/a
EV/ EBITDA	12.1	10.7

Estimates

(mil VND)	2009E	2010E
Revenue	1,731,512	1,820,648
Earnings	373,695	293,090
EPS	7,867.3	4,070.7
Dividend Rate	No	N/A

Previous report link
[GMD Investment View Update, September 2009](#)

Gemadep Corporation (GMD)						
Currency: VND	Q3/08	Q4/08	Q1/09	Q2/09	Q3/09	
Gross profit	499,396	444,530	407,888	446,814	470,363	
COGS	404,467	372,787	333,198	371,158	387,871	
Gross profit from sales and services	94,929	71,743	74,689	75,657	82,492	
Financial income	34,704	57,041	15,040	39,850	56,368	
Financial expense	260,742	143,052	29,256	(36,921)	17,091	
<i>Interest Expense</i>	9,036	28,449	14,498	18,888	17,488	
<i>Selling expense</i>	1,588	1,297	1,140	1,944	1,549	
<i>Administration expense</i>	29,511	35,826	27,871	26,322	19,173	
Operating profit (EBIT)	(162,208)	(51,390)	31,463	124,162	101,046	
Other income	1,611	5,572	6,727	1,270	1,331	
Other expense	-	313	5,121	190	1,479	
Other profit	1,611	5,258	1,607	1,080	(149)	
Earnings before income tax	(160,597)	(46,132)	33,069	125,242	100,897	
Corporate income tax expense	-	3,503	1,607	9,528	2,037	
Income tax expense delay	-	71	-	-	-	
Minority Interest	-	1,853	-	971	(1,319)	
Net Earning	(160,597)	(51,559)	31,463	114,743	100,179	
EBIT	63,830	34,620	45,678	47,391	61,769	
Depreciation	(28,078)	(31,661)	(33,138)	(41,689)	(39,979)	
EBITDA	91,909	66,282	78,816	89,080	101,748	
Margin						
Gross margin	19%	16%	18%	17%	18%	
EBIT margin	13%	8%	11%	11%	13%	
EBITDA margin	18%	15%	19%	20%	22%	
Net profit margin	-32%	-12%	8%	26%	21%	
Growth						
Revenue growth	-100%	-100%	-100%	-100%	-6%	
EBIT growth	-100%	-100%	-100%	-100%	-4%	
EBITDA growth	-100%	-100%	-100%	-100%	-13%	
Net profit growth	-100%	-100%	-100%	-100%	62%	

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