

AGM 2023: Heading toward green energy despite difficulties

BUY [+13%]

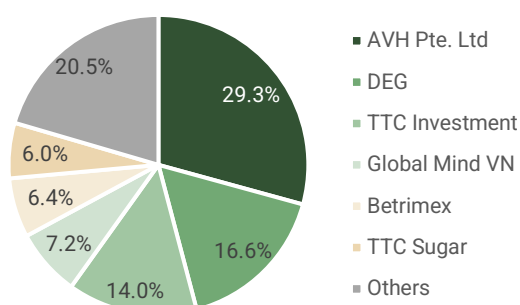
Updated: 04/05/2023

Fair price 18,600 VND
Current price 16,400 VND

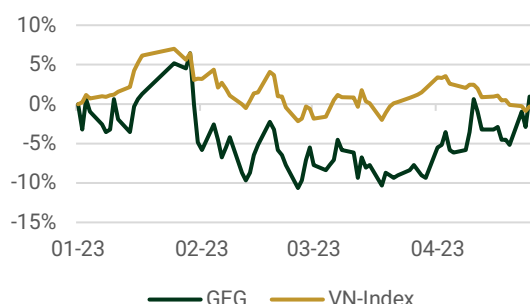
STOCK INFORMATION

Outstanding shares (mil) 386.1
Free float (mil) 95.6
Market cap. (billion VND) 6,225.4
3m avg. volume (shares) 0.9 million
Foreign ownership (%) 45.9%
First listing date 21/03/2017

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Main attractions:

Business plan: In 2023, Net revenue and NPAT are expected to be VND2,785 billion and VND 55 billion, respectively. This plan is based on the assumption that electricity output will reach 1.3 billion kWh this year, of which wind power will account for the highest proportion with 537 million kWh (summing up to 68%). This NPAT is considerably lower than our forecast (Net revenue is VND2,481 billion and NPAT, VND253 billion). Although the company is approaching a difficult period, we still consider this plan a quite conservative one as the company's solar segment can significantly benefit from the upcoming El Nino cycle happening soon in 2023.

Tan Phu Dong wind power project 1: The project has completed construction and installation phases, the management expects the project to come into operation from the third quarter of 2023, after finalizing the electricity price agreement with EVN, which should be around 15-20% lower than the previous FIT price. According to that basis, we anticipate that the Tan Phu Dong 1 project would contribute more than 140 million kWh of output as well as bring in VND282 billion more in Net revenue for GEG in 2023.

Dividend plan: In 2023, the company plans to pay a stock dividend at the rate of 6% to increase charter capital (owning 100 shares will receive 6 new shares).

Investment highlights: (1) The considerable growth in output and sales are happening in 2023, driven by the coming operation of the Tan Phu Dong 1 wind power plant, which is expected to benefit the selling price roughly 15% below the previous FIT and yield an incremental sales of VND282 bil. in the year.

(2) The company is accelerating the development of the new wind power project VPL2 having the total capacity of 30MW in 2024, which, alongside Tan Phu Dong 1, will double the current installed wind power capacity upon completion and would contribute more than VND660 bil. to the total Net revenue by 2025 per our forecast.

(3) That EVN is permitted to increase electricity price by 3% in May 2023 could help it repay payables to GEG, then relieve GEG's cashflow pressure. We expect the next price hike (by around 5%) to take place in the second half of 2023.

Valuation & recommendation: Using DCF and Multiple method, we derive the fair price of VND18,600 per share. Thus, our recommendation is BUY with a potential upside of 13%. Our valuation includes the 2 coming wind power plants of 130MW and but excludes the Duc Hue 2 solar project of 49 MWp due to the uncertain incentive and motivation for solar power as the EVN's price proposals for transitional solar projects are far below the previous FIT (VND1,188/kWh for ground type and VND1,570/kWh for floatings)

Investment risks: (1) The solvency risk arises out of large financial leverage; (2) The adverse changes in government's policies; (3) The recession risks come to forefront; (4) Insufficient cashflow due to late payment by EVN

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	559	1,159	1,493	1,381	2,093	2,481
Net Profit (billion VND)	187	291	295	325	371	253
EPS (VND)	745	1,231	949	931	818	517
EPS Growth (%)	-52.95%	65.21%	-22.91%	-1.88%	-12.21%	-36.76%
Book Value (VND)	11,210	11,384	11,274	11,121	11,078	10,933
P/E	22.06	13.29	17.35	17.55	19.14	36.01
P/B	1.40	1.37	1.39	1.41	1.41	1.70
Cash dividend (VND)	1,000	700	-	400	-	-