

Lackluster in business performance

BUY [+16%]

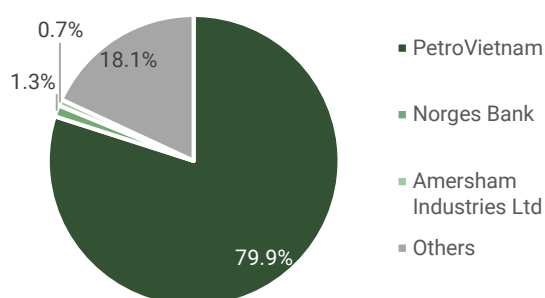
Updated: 20/09/2023

Fair price 14,800 VND
Current price 12,800 VND

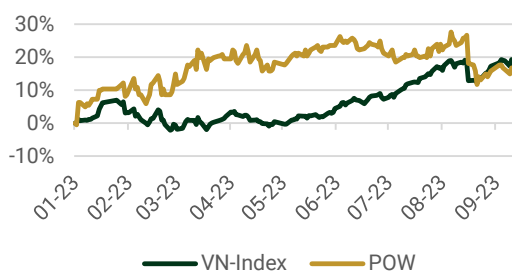
STOCK INFORMATION

Outstanding shares (mil) 2,341.9
Free float (mil) 468.4
Market cap. (billion VND) 22,435
3m avg. volume (shares) 9.4 million
Foreign ownership (%) 5.3%
First listing date 01/07/2018

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Performance overview: In the first half of 2023, POW reported a moderate revenue growth of 9.2% YoY, increasing the company's revenue to VND15,854bn. Net profit, however, plummeted to VND831bn (-40% YoY), mostly due to (1) high fuel (input) prices while electricity prices are falling, (2) the difference in the income recorded from exchange rates (there is no such amount in 2023) and (3) the serious decline in hydropower output leading to higher cost/revenue ratio (mainly fixed costs). As a result, the gross profit margin dropped to just 7.2% from 13.5% in the first half of 2022.

Forecast: We expect the company's net revenue will increase significantly by around 15.8% and reach VND32,671bn for the whole 2023. However, NPAT could decrease by more than 28% to just VND1,817bn, even though we expect the profit margin could slightly improve in the second half and throughout 2023 thanks to the rapid improvement in hydropower prospects and that the mobilization by Diesel Oil (DO) source will be limited because of the disappearing electricity supply shortage. Therefore, we expect the gross profit margin and net profit margin to stabilize at 10% and 6%, respectively, in 2023F.

Investment highlights: (1) Revenue could see a growth in 2023F, thanks to thermal power being increasingly mobilized while hydropower is facing many difficulties following the emergence of El Nino. Moreover, since August 2023, the Vung Ang 1 has been operating again after a long period of suspension, helping the total capacity to increase by an additional 600MW. Accordingly, we forecast that the total output could reach 17.5bn and 20.1bn kWh in 2023F and 2024F, respectively (growth of 23.5% and 42.0% compared to 2022).

(2) The company is accelerating the construction of 2 new LNG-fired power plants, Nhon Trach 3 and 4 with the designed total capacity of 750MW each. We expect the plants would create incremental output of nearly 4.3bn kWh per annum from 2027F upon their completions, and then facilitate the long-term growth of the company.

Valuation & recommendation: Using DCF and Multiple method, we derive the fair price of VND14,800 per share. Thus, our recommendation is BUY with a potential upside of 16%. In the valuation, we do not count the Quang Ninh LNG-fired plant of 1,500MW due to the uncertainty and the lack of sufficient information.

Investment risks: (1) The unfavorable fluctuation in feedstock's prices; (2) The adverse changes in government's policies; (3) The recession risks come to forefront

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	32,662	35,374	29,732	24,561	28,224	32,671
Net Profit (billion VND)	2,287	2,855	2,663	2,052	2,553	1,817
EPS (VND)	820	1,072	1,010	768	880	628
EPS Growth (%)	-20.01%	30.62%	-5.76%	-23.95%	14.58%	-28.68%
Book Value (VND)	10,464	11,481	12,186	12,229	13,031	13,658
P/E	15.60	12.44	13.63	18.13	15.34	23.61
P/B	1.22	1.11	1.05	1.05	0.98	1.08
Cash dividend (VND)	-	-	300	200	-	-