

22 November 2023

RECOMMENDATION BUY

Fair price	18,900 VND
Current price	13,250 VND
Upside/downside	42.0%

STOCK INFORMATION

Outstanding shares (mil)	386.1
Free float (mil)	95.6
Market cap. (billion VND)	4,572.7
3m avg. volume (shares)	1.0 million
Foreign ownership (%)	51.4%
First listing date	21/03/2017

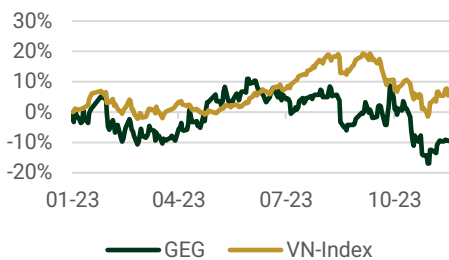
SHAREHOLDER STRUCTURE

AVH Pte. Ltd	29.3%
DEG	16.6%
TTC Investment	14.0%
Global Mind Vietnam	7.2%
Others	32.9%

KEY ATTRIBUTES

TTM EPS (VND)	269
BVPS (VND)	12,677
Debt/Equity (%)	180%
ROA (%)	0.7%
ROE (%)	2.0%
P/E	43.0
P/B	1.0
Dividend yield (%)	0%

PRICE PERFORMANCE



COMPANY PROFILE

Gia Lai Electricity Corporation was established in 1989, formerly known as Gia Lai - Kon Tum Hydropower Company. Throughout 33 years of development, GEG currently owns 12 small and medium hydro-power plants, 05 solar power plants and 34 rooftop solar systems, 04 wind power plants with a total capacity of 493 MW. GEG aims to expand into new types of renewable energy, such as biomass,...

ANALYST(S)

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Heading towards green despite difficulties

- In 9M2023, GEG's net revenue was steady (-0% YoY), but NPAT fell sharply (-68% YoY), despite the operation of Tan Phu Dong 1 wind power plant from 2Q2023.
- The contraction is mainly attributed to the surge in interest expenses.
- However, 2024 could see improvement with easing monetary policies, indeed, falling interest rates are happening in late 2023.
- We maintain our BUY recommendation with a 42% potential upside.

Business result in 9M2023: In the period, GEG recorded a flat Net Revenue of VND1,595bn (-0% YoY), yet a steep decline in NPAT to VND111bn (-68% YoY). This was due to the company incurring considerable interest expenses during this time, influenced by global inflationary pressures and an increase in borrowings to fund new CAPEX, including the Tan Phu Dong 1 wind power plant, which has been operational since 2Q2023. The Net Revenue and NPAT completed 69% and 54% of our estimates in 2023F, respectively, and are unlikely to meet the whole year forecasts.

Tan Phu Dong 1 wind power plant, largest in GEG's wind power portfolio with capacity of 100MW, has boosted the company's total output to 869 million kWh in the first 9 months (+13% YoY). However, its operation at a temporary price led to a swift decline in the average selling price of wind power (-14% YoY). This momentum is expected to continue into late 2023. A retroactive adjustment may help GEG recover losses from the price difference, but it is not yet factored into our valuation model due to uncertainty. This suggests a potential adjustment to our valuation when more information is available.

Besides, hydropower price also saw a decline of around 10% in the period while solar power price remained unchanged. These movements collectively yielded a flat Net Revenue despite a sizeable gain in output.

While the Net Revenue remained steady, the acceleration of interest expenses has been wearing out the Net profit margin, which is currently 7.0% (down from 21.9% in 9M2022).

Forecast for 2024F: We expect the situation could improve remarkably in 2024 thanks to SBV supportive policies. Indeed, the interest rates have been demonstrating downward momentum in late 2023 (VCB's listed rate down to 5.1% in Nov from 5.8% in Sep 2023). Then along with higher output and revenue (thanks to Tan Phu Dong 1), NPAT could reach VND450bn and be 116% higher than our forecasted NPAT for 2023F.

Comment & rating: We maintain our BUY recommendation for GEG at VND18,900/share, indicating a 42% potential upside, despite GEG's results in 2023 potentially falling short of our forecast, as we anticipate its outlook for 2024 to be more optimistic.

Financial Results	3Q23	3Q22	%YoY	9M23	9M22	%YoY
Electricity output (mn kWh)	379	286	33%	869	770	13%
Net Revenue (VNDbn)	566	522	9%	1,595	1,597	0%
Gross Profit (VNDbn)	293	219	34%	868	791	10%
Net Profit (VNDbn)	0.3	136.5	-100%	111	349	-68%
Net Profit Margin (%)	0.1%	26.2%	-100%	7.0%	21.9%	-68%