

22 August 2024

RECOMMENDATION BUY

Fair price	15,900 VND
Current price	13,600 VND
Upside/downside	17%

STOCK INFORMATION

Outstanding shares (mil)	2,341.9
Free float (mil)	468.4
Market cap. (billion VND)	31,966.5
3m avg. volume (shares)	15.8 million
Foreign ownership (%)	5.3%
First listing date	01/07/2018

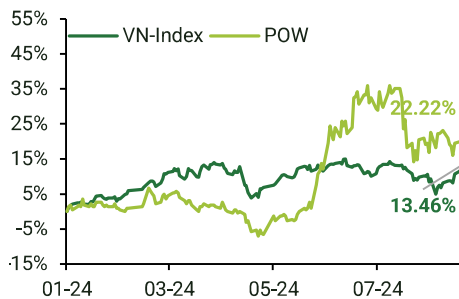
SHAREHOLDER STRUCTURE

PetroVietnam	79.9%
Norges Bank	1.3%
Amersham Industries Ltd	0.7%
Others	18.1%

KEY ATTRIBUTES

TTM EPS (VND)	467
BVPS (VND)	13,488.6
Debt/Equity (%)	60%
ROA (%)	1.5%
ROE (%)	3.5%
P/E	28.9
P/B	1.0
Dividend yield (%)	0%

PRICE PERFORMANCE



COMPANY PROFILE

PetroVietnam Power Corporation (POW) was established in 2007. The Corporation has its main business in the generation, transmission, trading, import, and export of electricity. The Corporation has been put into operation under the model of a joint-stock company since July 2018. PV Power manages and operates 07 power plants with a total capacity of 4,205 MW, including gas-fired, coal-fired, and hydropower plants.

ANALYST(S)

Nguyen Thien Nhan
nhannguyen@phs.vn

Coal-fired power becomes a tough pillar

- In 1H2024, POW reported flat revenue as the commercial volume was maintained due to the strong compensation from coal-fired power for the significant decline in gas-fired power. However, NPAT still dropped sharply by 20% YoY, mainly due to FX losses recorded during the period related to foreign debts.
- The two new LNG power plants, Nhon Trach 3&4, will be key growth drivers for POW's output and revenue in the coming years.
- POW could recognize an insurance compensation of VND1,000bn (for the incident at Vung Ang 1 plant) in 2025.
- We maintain a BUY recommendation with a potential upside of 17%

First Half of 2024: Bright color for Coal-Fired Power

POW's revenue remained flat in the first half of this year, reaching VND15,650bn, a positive result given the significant decline in output from gas-fired and hydroelectric power, which only reached 4.4bn kWh and 0.4bn kWh, respectively (-23% and -20% YoY). The decline was due to Nhon Trach 2 (NT2) being hardly mobilized by EVN in the early months of the year, and hydroelectric power being heavily impacted by El Nino. However, during this period, coal-fired power saw strong growth, helping POW withstand the challenges. Accordingly, production increased by 69% YoY to 3.6bn kWh, thanks to Unit 1 of Vung Ang 1 resuming operations at full capacity and a year-on-year fall in coal prices (down roughly 36% YoY). Nevertheless, POW's NPAT still decreased by 20% YoY, mainly due to a net FX loss (up to VND179bn) related to its foreign currency denominated debts (as FX rates surged in the past half year), resulting in the NPAT down to 4% in first half.

Projections for the Second Half of 2024 and 2025

PHS forecasts that the coal-fired power segment will continue to drive POW's performance in the 2H2024, as EVN prioritizes this source due to its low cost (with coal prices remaining low). For the entire 2024, the total commercial electricity output is estimated to reach 6.6bn kWh (+53% YoY). Meanwhile, the outlook for gas-fired power remains gloomy due to (1) the strong return of hydroelectric power as El Nino fading away, (2) continued fierce competition from coal-fired power, and (3) NT1&2 facing gas supply shortages in the Southeast region. Consequently, this segment may report an 11% YoY decline in output this year. In totssal, POW is expected to record a total output of 16.1bn kWh (+11% YoY) in 2024, bringing in a slight revenue growth of 5.1% YoY, reaching VND29,774bn, and a 7.9% YoY decrease in NPAT to VND1,181bn. This reflects our assumption that interest expenses will rise in the near future along with mounting borrowings (to finance the Nhon Trach 3&4 projects and working capital), causing total financial costs to slightly increase compared to 2023, although unrealized FX losses will narrow as exchange rates become favorably cooled down. These revenue and NPAT figures are 4% and 39% lower than our previous forecasts due to weaker-than-expected performance of NT2.

Entering 2025, with the introduction of the Nhon Trach 3 and 4 LNG power plants, PHS projects net revenue and NPAT to reach VND40,069bn and VND3,369bn, respectively (including VND1,000bn in insurance compensation for the incident at Vung Ang 1, according to our forecast).