



POWER

The Way of Water

CONTENTS

I.	Executive summary	2
II.	1H24 - Output electricity increased as the strong El-Niño	5
	1. 1H24 – Electricity consumption demand increased positively	6
	2. 1H24 - The El-Niño calls coal-fired, while hydropower is significantly affected	6
III.	2H24F - Electricity consumption output is likely to increase	10
	1. 2H24F - Expectation that electricity consumption continues to increase	10
	2. 2H24F - Bright spot for Hydropower and Wind power	11
IV.	Risk to be considered	15
	Company Analysis	16
	Ree Corporation (REE)	17
	Quang Ninh Thermal Power (QTP)	19
	Petro VietNam Power (POW)	20
	Nhon Trach 2 (NT2)	22

What is the report about?

- Hydropower electricity output growth in 2H24F
- Hydropower is expected to comeback and Wind power could continue to growth
- REE and QTP are our favorite stocks

I. Executive summary

Nationwide electricity consumption in the 1H24 reached 152.6bn kWh

In 1H24, nationwide electricity consumption reached 153bn kWh, +13% yoy. In our view, the drivers of growth likely came from: (1) El-Niño's prolonged intense heat and (2) the recovery of the economy.

In 1H24 Coal-fired power and Wind power were the two sources that benefited

The coal-fired power group gained +30% yoy, largely benefiting from the decline in the hydropower group and the high price of natural gas. The wind power group also recorded positive growth of 8% yoy from new capacity added (386 MW of "temporary price" projects).

Estimated electricity output growth +11% yoy in 2H24F

Conversely, the hydropower group saw a 8% yoy decline in output volume as a result of El Nino's continued strength in 1H24. In addition to the impact of the output decline, the EVN's increase in contract volume to 98% (2023: 90%) also had an impact on the the hydropower plants' gross margin in 1Q24 and the remainder of 2024F as well.

Hydropower is expected to comeback and Wind power will continue growth

Worse, gas-fired power plants experienced a drop of 13% yoy in volume as (a) gas prices were still at a high level, while coal prices had cooled down and (b) new wind power capacity was added to the system. These factors are significantly disadvantageous for gas-fired power groups in the competitive electricity market.

QTP and REE are our favorite stocks

In 2H24F, according to the EVN, the estimated electricity output for 2H24F is 159 bn kWh, +11% yoy. In which:

We believe that the hydropower group will significantly improve its operation in 2H24F thanks to the transition from the El-Niño phase to the Neutral phase, given the estimated volume increase of 16% yoy and the CF rise of 5% compared to 2H23. We also anticipate continued growth in wind power output as 0.4 - 0.5 GW of new capacity is added.

Contrary to 1H24, 2H24F could see a slowdown in coal-fired power due to improved hydrological conditions. We predict that CF could decrease by 2% compared to 2H23. Based on the facts: (a) the gas price is likely to stabilize at a high level, (b) the hydrological situation is improving, and (c) EVN's 4A plan, we forecasts a 13% yoy drop in the volume of the gas-fired group and a 2% decline in CF compared to 2H23.

We still recommend BUY for QTP (TP: VND23,400; +40%) in the short, mid, and long-term. Besides, we still recommend HOLD for POW (TP: VND15,100) and NT2 (TP: VND19,900). In addition, we appreciate REE's performance in 2H24 as (1) the hydropower segment benefiting from the El Niño phase to the Neutral phase and (2) recordings from the Etown 6 office and the Bo Xuyen housing project will support NPAT growth in 2H24F.

Challenges from changing hydrological situations

The motivation to improve the operation of hydropower plants is largely based on the probability of decline of the El-Niño phase. However, weather forecasting is always a difficult problem, even in the short term. Besides, in 2024 – 25F, promoting the operation of wind power projects depends greatly on the perspective of the Government and MOIT in perfecting policies to support the development of power sources.

Table 1. Coverage valuation

Recommendation & TP			Earning & Valuation										
Company				Sales	OP	NP	EPS	BPS	ROE	ROA	PE	PB	EV/EBITDA
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(%)	(%)	(x)	(x)	(x)
Quang Ninh Thermal Power (QTP)	Recommendation	BUY	2021A	8,571	734	578	1,168	13,712	9.4	6.0	6.4	1.2	13
	TP	23,400	2022A	10,417	968	764	1,405	13,694	12	9.0	11.1	1.3	6.3
	Price	16,500	2023A	12,058	703	612	1,125	11,761	10	7.9	10.9	1.3	9.7
	Market cap	7,065	2024F	12,622	794	746	1,371	11,632	14	10.3	10.1	1.4	9.7
	(VND bn)		2025F	12,293	479	477	876	11,008	9.4	6.9	15.8	1.5	16
REE Corporation (REE)	Recommendation	N/A	2021A	5,810	1,854	2,135	5,960	42,901	15	8.2	6.4	1.2	18
	TP	N/A	2022A	9,372	3,663	3,515	7,527	43,507	18	10.7	11.1	1.3	10
	Price	71,500	2023A	8,570	2,954	2,787	5,322	42,269	13	8.1	8.3	1.3	11
	Market cap	32,759	2024F	9,514	2,725	2,879	7,001	48,407	15	8.3	11.7	1.7	15
	(VND bn)		2025F	8,600	3,413	3,720	9,047	56,363	17	10.8	9.1	1.5	12
Petro Vietnam Power (POW)	Recommendation	HOLD	2021A	24,561	2,400	2,052	746	12,229	6.3	3.8	6.4	1.2	18
	TP	15,100	2022A	28,224	2,859	2,553	824	13,031	7.0	4.6	11.1	1.3	9.4
	Price	15,100	2023A	27,945	1,404	1,329	430	13,430	3.5	2.1	19.8	0.8	22
	Market cap	26,346	2024F	30,780	1,869	1,488	595	14,025	4.6	1.9	23.0	1.0	22
	(VND bn)		2025F	28,012	927	(185)	(74)	13,951	(0.6)	(0.2)	(185)	1.0	44
Nhon Trach 2 Power (NT2)	Recommendation	HOLD	2021A	6,150	593	534	1,757	14,706	12	8.2	6.4	1.2	13
	TP	19,900	2022A	8,788	950	883	2,961	16,027	20	12.6	11.1	1.3	8.0
	Price	21,950	2023A	6,386	441	473	1,586	15,062	10	6.0	14.9	1.6	13
	Market cap	7,053	2024F	4,494	27	110	368	13,930	2.6	1.5	57.9	1.6	212
	(VND bn)		2025F	3,639	(125)	(9)	(29)	12,401	(0.2)	(0.1)	(739)	1.8	(46)

Source: Company Data, KISVN

Table 2: 2H24F business results

(VNDbn, %, %p)

	Revenue			NPAT		
	2H24F	yoy	qoq	2H24F	yoy	qoq
QTP	5,769	8	(16)	297	34	(28)
REE	5,207	29	21	1,782	61	51
POW	15,388	27	0	1,222	145	114
NT2	2,141	6	(9)	100	(14)	355
KIS coverage list	28,505	21	(1)	3,401	75	56

Source: Company data, KISVN

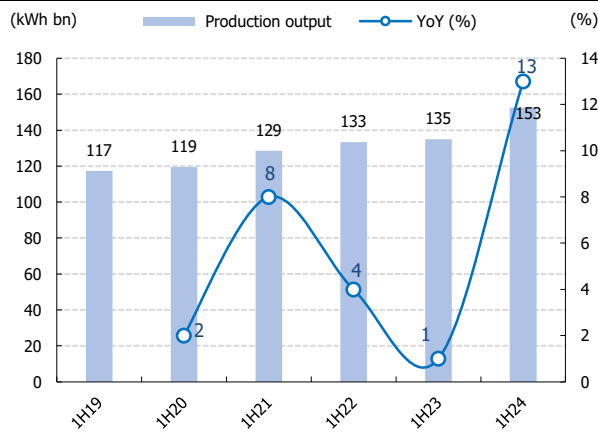
II. 1H24 - Output electricity increased as the strong El-Niño

1. 1H24 – Electricity consumption demand increased positively

Nationwide electricity consumption in the 1H24 reached 153bn kWh (+13% yoy)

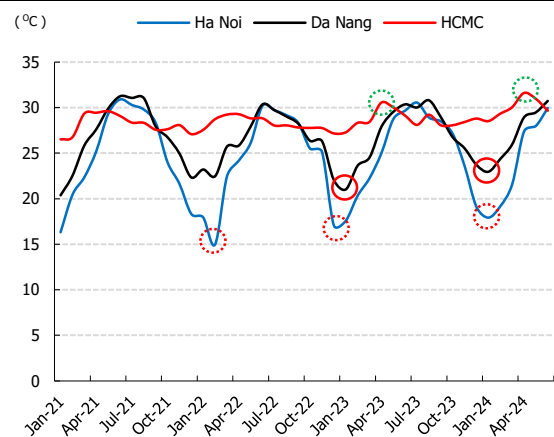
According to data from EVN, nationwide electricity consumption in the 1H24 reached 153bn kWh, an increase of 13% yoy (Figure 1). In our view, the driver for growth to come from (1) El-Niño’s prolonged intense heat and (2) the recovery of the economy, which is shown through the PMI index (Figure 3) and container volume throughput (Figure 4).

Figure 1. Production output in 1H24 increased positively, reaching 153bn kWh (+13% yoy)



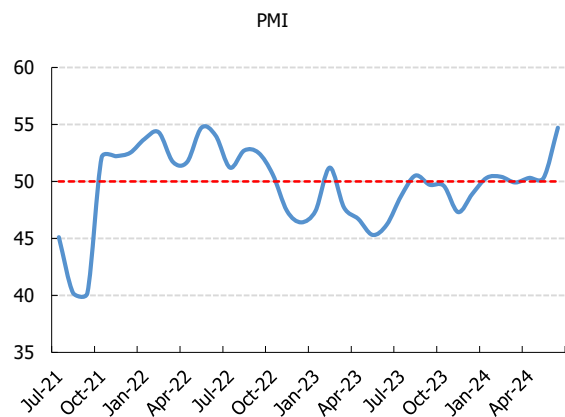
Source: EVN, KISVN

Figure 2. Temperature has tended to increase in 1H24



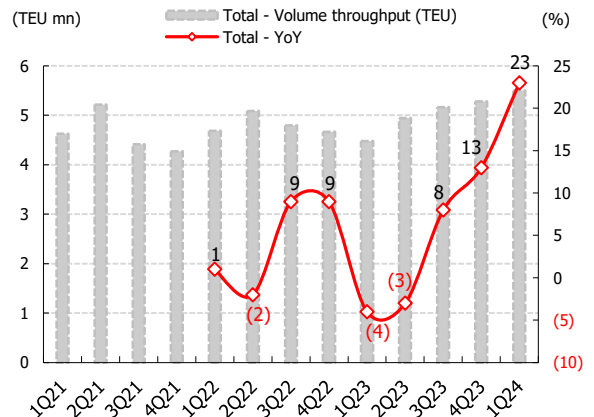
Source: Viet Nam Meteorological and Hydrological Administration (VNMHA), KISVN

Figure 3. ... along with the recovery of the economy, as evidenced by the slight improvement in the PMI in 1H24 yoy



Source: EVN, KISVN
Note: PMI

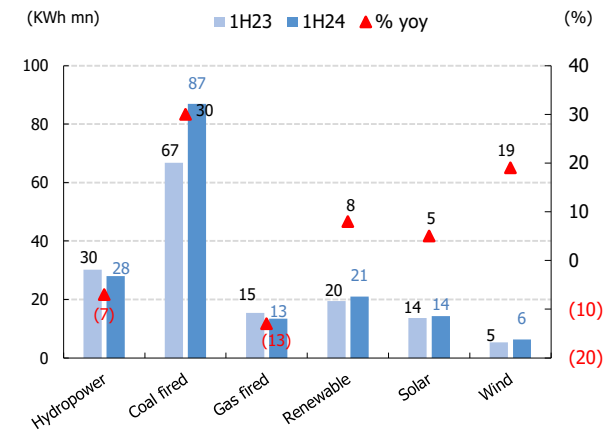
Figure 4. ... and container volume throughput in 1Q24 has improved compared to the same period



Source: VPA, KISVN

2. 1H24 - The El-Niño calls coal-fired, while hydropower is significantly affected

Figure 5. The coal-fired group recorded improvement output in 1H24, whereas hydropower group's proportion dropped to 7%



Source: EVN, KISVN

Figure 6. In 5M24, the capacity factor (CF) of coal-fired power plants increased significantly, whereas there was a decline in hydropower groups

	Hydropower	Coal fired	Gas + DO	Oil fired	Solar	Wind
Jun-24	56%	65%	41%	0%	41%	25%
May-24	26%	79%	44%	7%	36%	13%
Apr-24	22%	81%	46%	10%	41%	9%
Mar-24	16%	74%	44%	0%	36%	34%
Feb-24	18%	58%	36%	0%	33%	30%
Jan-24	27%	64%	34%	0%	31%	44%
Jun-23	28%	70%	48%	3%	35%	17%
May-23	27%	70%	77%	5%	39%	20%
Apr-23	32%	63%	53%	13%	38%	15%
Mar-23	28%	60%	51%	0%	39%	28%
Feb-23	33%	51%	49%	0%	36%	35%
Jan-23	32%	39%	34%	0%	26%	32%

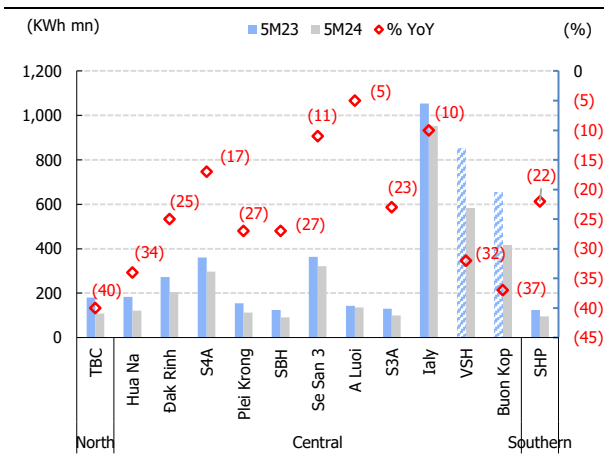
Source: EVN, KISVN

Unfavorable hydrological situation in 1H23, partly influenced by El-Niño

- Hydropower:** Under the strong impacts of the El-Niño phases have caused water levels in reservoirs to drop significantly. In 1H24, the group of hydropower plants produced only 28bn kWh (-7% yoy, figure 5). This led to the capacity factor (CF) of hydropower groups in 1H24 reaching 28%, a decrease of 7% compared to the same period (Figure 6).

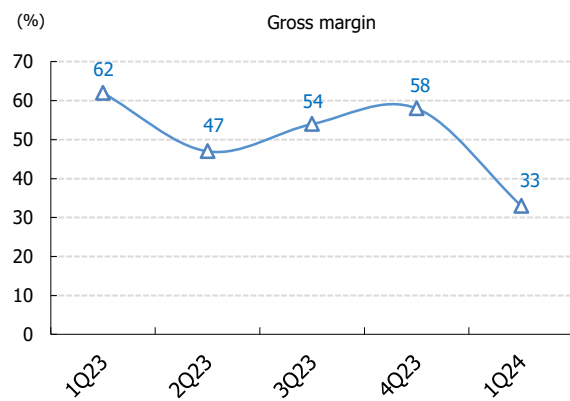
Among these, the South Central region is likely to be the hardest hit, with water inflow into reservoirs dropping to only 821 cubic meters per second (-41% yoy). Data also show that the electricity output of factories in the Southern and Northern regions declined more severely than in the Central and Central Highlands regions (Figure 7).

Figure 7. The output of hydropower plants all decreased sharply in 1H24



Source: EVN, KISVN

Figure 8. ... and the Alpha coefficient changes from 90% to 98%, impacting the gross margin of hydropower plants

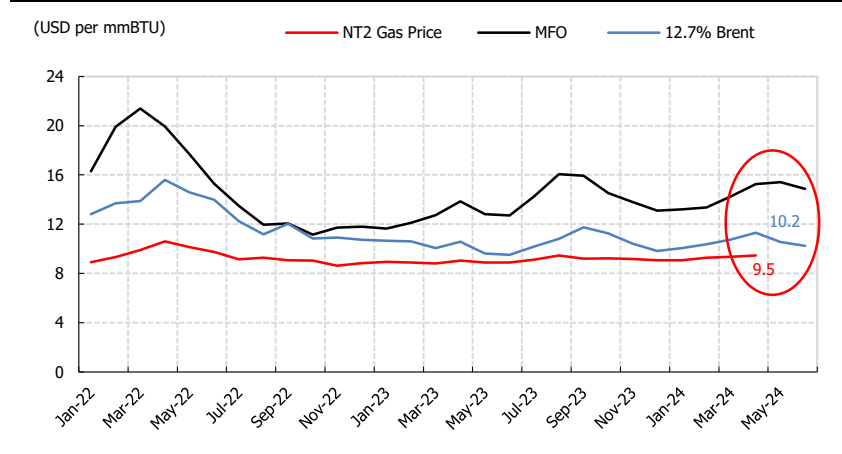


Source: FiinProX, KISVN

The EVN increased the contract volume to 98%, affecting the GM of hydropower plants in 1H24

In addition to the impact of the output decline, we believe that the EVN's increase in contract volume to 98% (compared to 90% in 2023) also had an impact on the gross margin in 1Q24 and the remainder of 2024F. The contract volume is high, which means most of the output is sold at the contract price, which is much lower than the full market price (FMP).

Figure 9. The gas prices in the Southeast have not improved

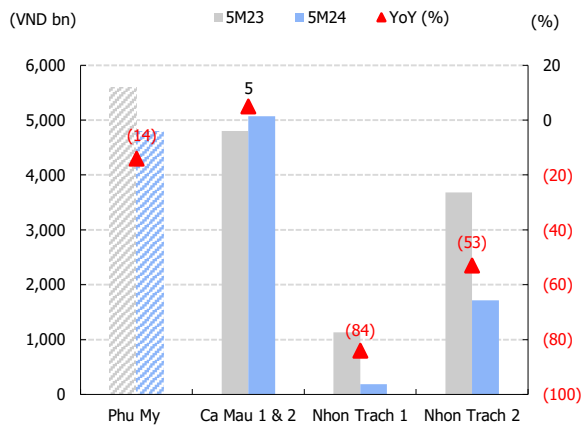


Source: EVN, KISVN

The production output reached 13.5bn kWh (-13% yoy) due to add in wind power capacity in the system

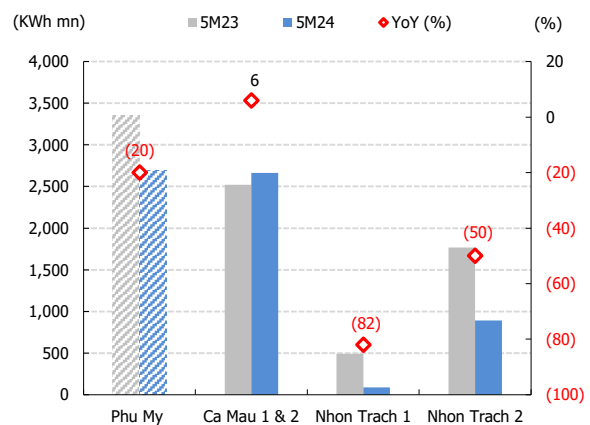
- Gas-fired:** In 1H24, production output reached 13.5bn kWh (-13% yoy, figure 5). The drop over the same period comes from the increase in wind power capacity in the system (+31% yoy), forcing high-cost energy sources such as gas-fired power to be cut back. In addition, the fact that gas prices are still at a relatively high level (~9.54 USD per mmBTU by the end of May, figure 9), is also a disadvantage for gas-fired plants in the competitive electricity market.

Figure 10. Revenue of gas-fired power plants recorded negative results, except Ca Mau 1&2 thanks to sufficient gas supply



Source: EVN, PGV, POW, KISVN
Note: Phu My Gas Thermal Power Plant data recorded in 4M

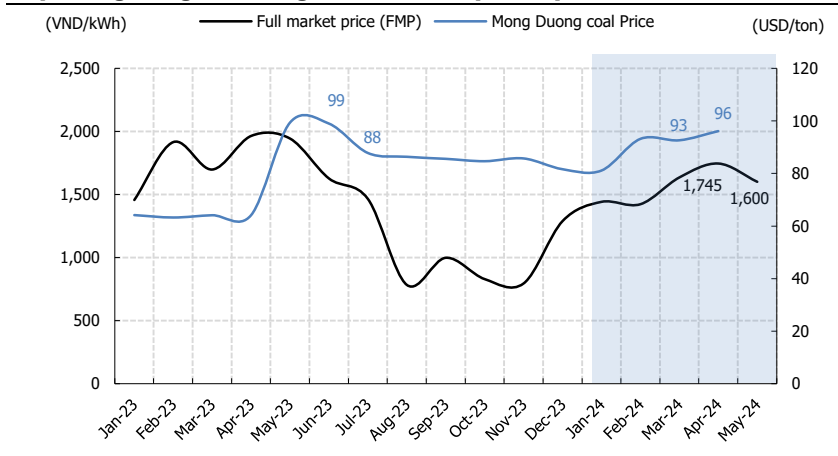
Figure 11. Gas-fired power group output is still on the decline



Source: EVN, PGV, POW, KISVN
Note: Phu My Gas Thermal Power Plant data recorded in 4M

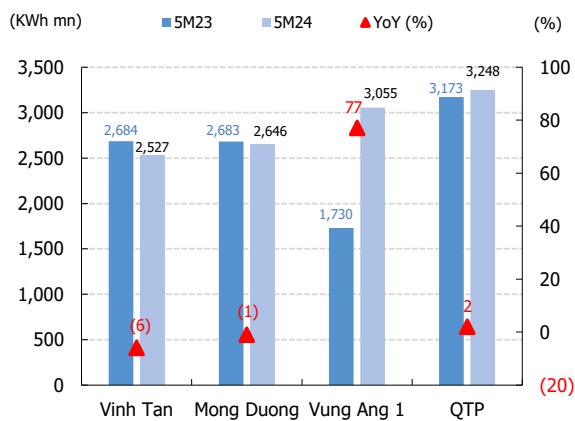
Statistics on the 5M24 output of the gas-fired plants also showed a downward trend (Figure 10) as in Nhon Trach 1 (-82% yoy), Nhon Trach 2 (-50% yoy) or Phu My (-20% yoy as of 4M24). In this context, Ca Mau 1&2 may be the only factory to record output growth over the same period, reaching 2,665mn kWh (+6% yoy), thanks to the terms of the natural gas purchase commitment with Petronas.

Figure 12. Coal prices in 1H24 recorded 91.1 USD per ton (+20% yoy), impacting the gross margin's coal-fired power plants



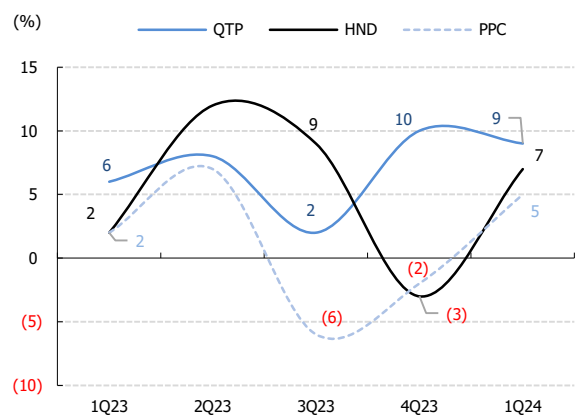
Source: EVN, PGV, KIS Vietnam

Figure 13. The group of coal-fired power plants was increasingly mobilized thanks to strong El-Niño phase in 1H24



Source: EVN, PGV, POW, KISVN

Figure 14. The GM of most coal-fired power plants in 1Q24 improved compared to the same period last year



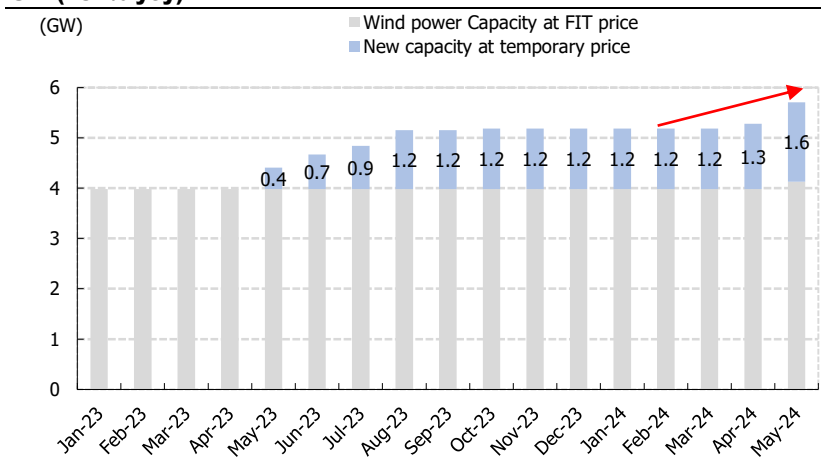
Source: FiinproX, KISVN

This led to the average capacity factor (CF) of coal-fired power plants recording 70%, an increase of 18% yoy

- **Coal-fire power:** recorded an output increase, reaching 86.9bn kWh in 1H24 (+30% yoy, figure 5). The primary growth driver was the compensation for the capacity shortfall of hydropower sources as an impact of El-Niño phases. This led to the average capacity factor (CF) of coal-fired power plants recording 70%, an increase of 18% yoy (Figure 6).

- Additionally, we also believe that the increase in output is the main reason for improving the gross margin of enterprises, as both the selling price (FMP: VND1,569 per kWh, -11% yoy) and the input coal price (TKV's price: 91 USD per ton, +20% yoy) were less favorable compared to 1H23.

Figure 15. The installed capacity of wind power in 5M24 boosted 1.6 GW (+31% yoy)



Source: EVN, PGV, KISVN

Table 3. List of renewable energy projects were added to the system in 1H24

STT	Project	MW	Company
Total wind power capacity		307	
1	+ Cau Dat wind power	68	Private company
2	+ Wind power la Le 1	53	Private company
3	+ Huong Linh 3 wind power	30	Private company
4	+ la Pech 2 wind power	50	Private company
5	+ Song An wind power	46	Private company
6	+ Hoa Dong Wind Power	30	Private company
7	+ Lac Hoa Wind Power	30	Private company
Total solar power capacity		79	
8	+ Thien Tan Solar Power 1.4	79	Private company
Total capacity		386	

Source: EVN, KISVN

Wind power output recorded at 6.3mn kWh (+19% yoy), as in 1H24 the system added 1.6 GW of wind power

- **Renewable energy:** In 1H24, production output reached 21bn kWh, marking an 8% yoy increase (Figure 5). This growth was driven by increased mobilization of wind power output recorded at 6.3bn kWh (+19% yoy), as in the end of 1H24 the system increased 1.6 GW of wind power, +31% yoy (Figure 16).

In the first 6 months of 2024, EVN added 386MW of renewable energy from “temporary price” projects (Table 3). All of them belong to private companies.

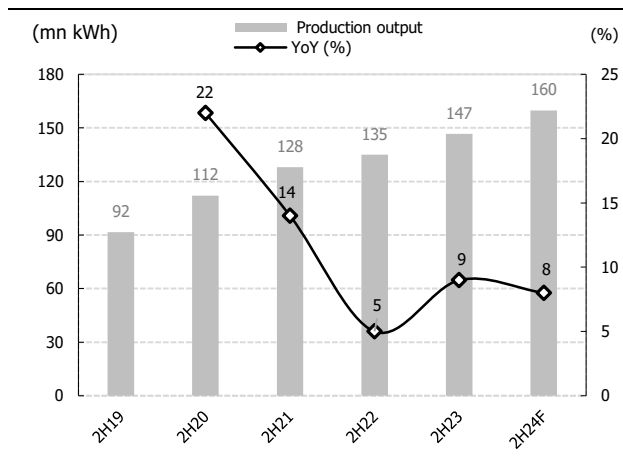
III. 2H24 - Electricity consumption output is likely to increase

1. Expectation that electricity consumption in 2H24 continues to increase

We estimate that electricity consumption in 2H24 will be recorded at 160mn kWh, +11% yoy

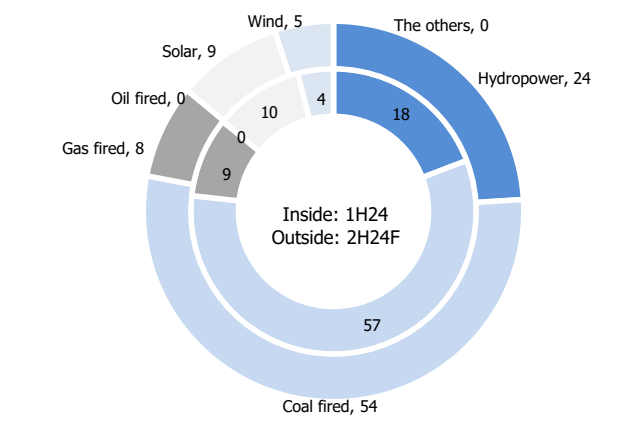
According to data from EVN, the estimated electricity output for 2H24 is 160bn kWh (+8% yoy, figure 16). Among this, the growth in output is significantly contributed by hydropower plants, thanks to the return of the Neutral phases. This means that in 2H24F, hydropower plants will be mobilized more actively compared to early 2024F.

Figure 16. Electricity consumption output in 2H24F reach 158mn kWh (+8% yoy)



Source: EVN, KISVN

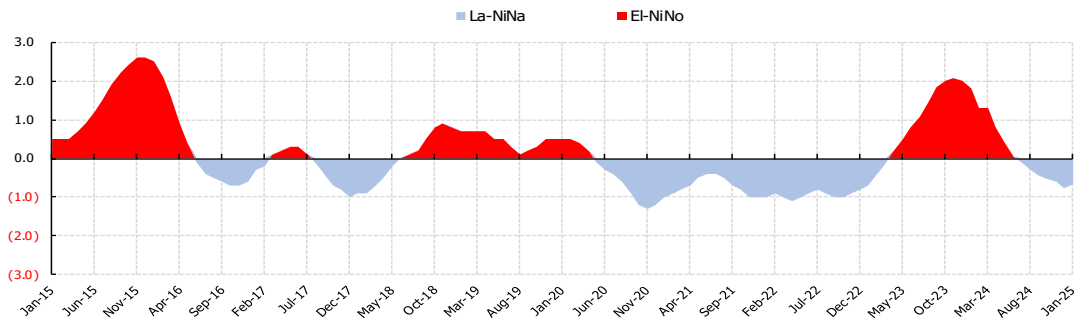
Figure 17. Structure of output proportion of power sources in 2H24F, in which hydropower accounts for 24% (+33% yoy)



Source: EVN, KISVN

2. 2H24F - Bright spot for Hydropower and Wind power

Table 4. The proportion of hydropower and wind power output is forecast to increase in 2024



% Share of production output

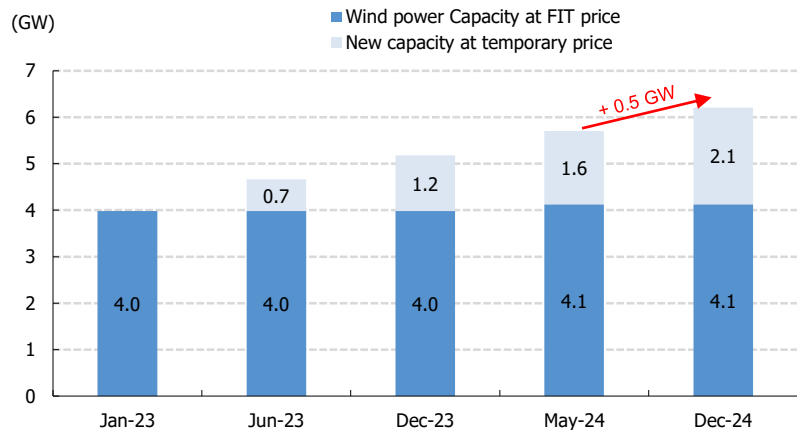
	2019	2020	2021	2022	2023	2024F	1H23	2H23	1H24	2H24F
Hydro power	29%	31%	32%	37%	29%	28%	23%	35%	18%	37%
Coal fired	48%	48%	44%	36%	46%	50%	50%	44%	57%	42%
Gas fired	18%	15%	11%	11%	10%	8%	12%	8%	9%	7%
Oil fired	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Renew able energy	3%	5%	12%	14%	14%	14%	15%	13%	14%	13%
+ Biomass		0%	0%	0%	0%	0%	0%	0%	0%	0%
+ Wind		0%	1%	3%	4%	5%	4%	4%	4%	6%
+ Solar		5%	11%	10%	9%	9%	10%	9%	9%	8%

% Capacity factor (CF)

Hydro power	41%	41%	43%	50%	41%	42%	29%	52%	27%	57%
Coal fired	66%	63%	54%	44%	56%	61%	58%	53%	69%	53%
Gas fired	67%	55%	42%	47%	44%	39%	53%	36%	43%	34%
Oil fired	7%	3%	0%	0%	0%	1%	0%	0%	2%	0%
Renew able energy	23%	12%	18%	20%	20%	21%	20%	20%	21%	21%
+ Biomass		12%	10%	11%	22%	0%	29%	14%	0%	0%
+ Wind		25%	17%	25%	28%	29%	24%	32%	25%	33%
+ Solar		11%	19%	18%	18%	18%	19%	17%	20%	17%

Source: NOAA, EVN, KISVN

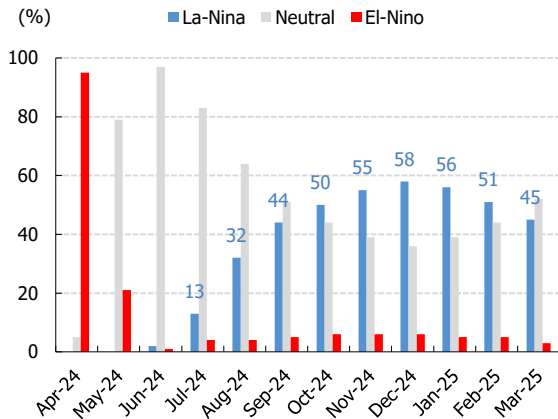
Figure 18. There was 2,100 MW (+32% yoy) of wind capacity added to the national system in 2H24F



Source: EVN, KISVN

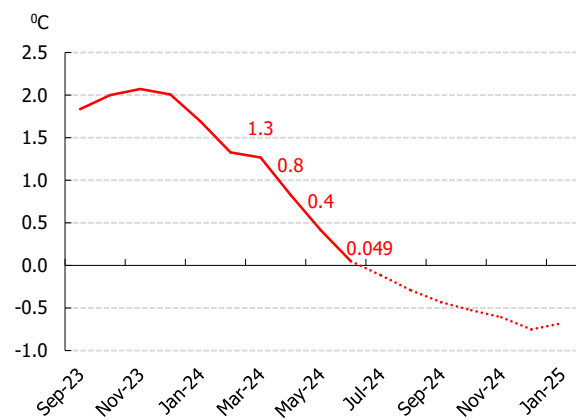
- **Renewable energy:** According to our calculations, in 2H24 the renewable energy output is estimated ~21.3bn kWh (+14% yoy), accounting for 13% in the system. Based on our estimates, thanks to add 0.5GW (+73% yoy) of new capacity in the system in 2H24F.

Figure 19. El-Niño predicted weakened at the end of May, likely shift to neutral Phase in July



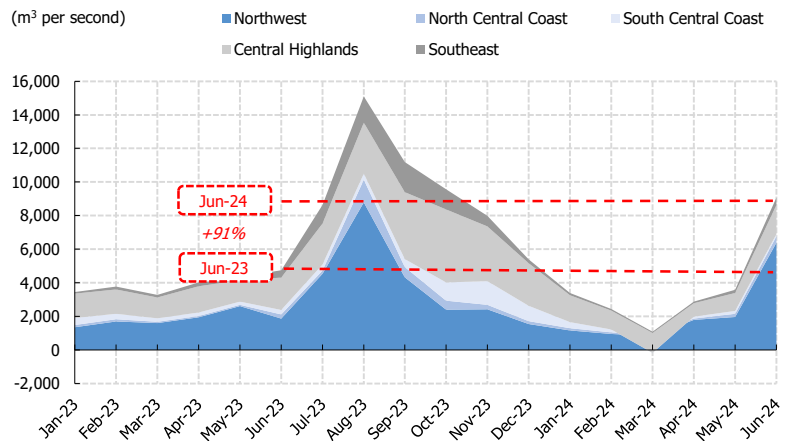
Source: NOAA, KISVN

Figure 20. The temperature in zone 3.4 tends to decrease gradually in 2H24F



Source: NOAA, KISVN

Figure 21. The water flow at hydropower reservoirs has started to improve, with a total flow rate in June reaching 9,868 cubic meters per second (+91% yoy)



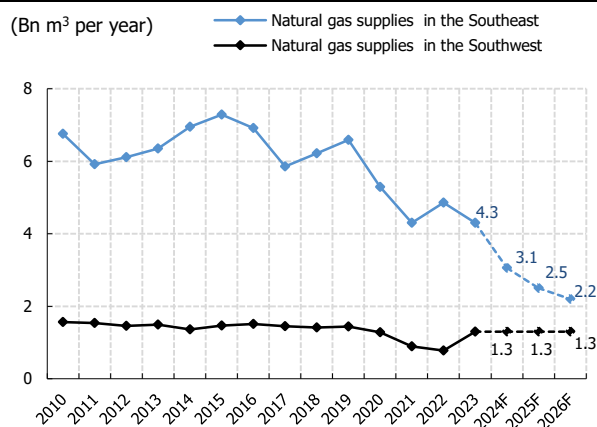
Source: EVN, KISVN

The capacity factor which we expect reach 57%, up 10% from the 52% recorded in 2H23)

- **Hydropower:** In 2H24, we forecast the output of hydropower plants to reach 58.9bn kWh (+16% yoy), accounting for 37%. As such, the capacity factor (CF), which we expect to reach 57%, is up 5% from the 52% recorded in 2H23 (Table 1), based on the above basis:
 - According to data from NOAA, the El-Niño phase officially ends in early July and changes to the Neutral phase in 2H24F. This premise will create a more favorable environment for hydropower plants in 2H24F.

- Meanwhile, the total water flow to the hydropower reservoir at the end of June reached 9,068 m³ per second, an increase of 91% yoy (Figure 21). Furthermore, the capacity factor (CF) of hydropower in June increased significantly, reaching 56% (+100% yoy). This indicates that the hydrological situation in the country has started to rise.
- According to historical data, in the first year of the phase transition from El-Niño to Neutral, the hydropower plants' CF typically improves by 1-2%. Therefore, we expect this ratio to continue to improve in 2H24F.

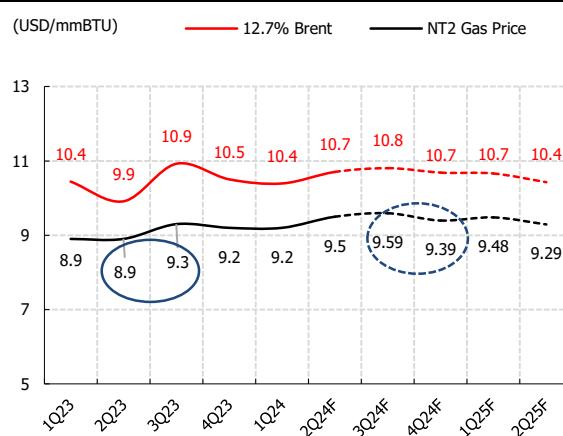
Figure 22. Domestic gas output in the Southeast region estimated to decrease



Source: PGV, KISVN
 Note: Natural gas supply electricity generation

The Gas prices are likely to remain anchored at a high level as domestic gas supply is decreasing

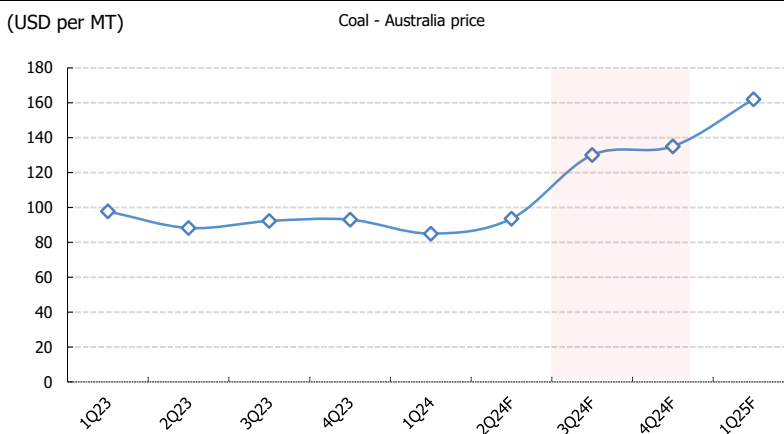
Figure 23. The gas price we estimate in 2H24 has not yet decreased



Source: Bloomberg, KISVN

- **Gas-fired power:** We think 2H24F will still be a difficult quarter for gas-fired power as:
 - According to data from NOAA, Neutral phase will officially return in early July. From there, it is expected that the hydrological situation in the country will improve.
 - Gas prices are likely to remain anchored at a high level as domestic gas supply is decreasing, and world gas prices are forecast to remain high until the end of 2Q25F (Figure 23).
 - According to EVN's 4A plan, gas-fired power plants mobilization output in 2H24F recorded 10.8bn kWh is, a decrease 13% compared to 2023 (Table 1). As a result, the gas thermal power group's CF in 2H24F was only 34%, a decrease of 2% compared to 1H24.

Figure 24. Coal price in 2H24 is expected to trend up until the end of 2024, up 15% yoy



Source: Bloomberg, EVN, PGV, KISVN

The proportion of coal-fired power plants' output is estimated to decrease from 44% to 42% (-5% yoy)

- **Coal-fired power:** According to our analysis, in the 2H24F, the proportion of coal-fired power plants' output is estimated to decrease from 44% to 42% (-5% yoy, Table 1) as:
 - EVN prioritizes increasing the mobilization of hydropower plants due to favorable hydrological conditions. Based on this, we estimate that the capacity factor of the coal-fired power group in 2H24F remained at 53%, with no change over the same period.
 - In terms of the coal price, it is predicted that there may be a slight increase until 1Q25F. This could potentially negatively impact the gross margin in 2H24.

IV. Risks to be considered

System activity depends on the decline of the El-Niño phase

In the short term – 2H24F, the motivation to improve the operation of hydropower plants is largely based on the probability of decline of the El-Niño phase. However, weather forecasting is always a difficult problem, even in the short term. Therefore, this will be the top key risk that needs to be regularly monitored to provide more accurate updates on the operations of electricity businesses. Besides, ensuring the stability of the gas supply system is also an essential deciding factor in the operation of gas thermal power enterprises.

In particular, the price mechanism policy aims to encourage the participation of private economic organizations

In 2024 – 25F, the growth of wind power sources is forecast to be very high. However, promoting the operation of wind power projects depends greatly on the perspective of the Government and MOIT in perfecting policies to support the development of power sources. In particular, the price mechanism policy aims to encourage the participation of private economic organizations, in addition to the synchronous development of the power transmission grid system.



Company Analysis

REE Corporation	REE
Quang Ninh Thermal Power	QTP
PetroPower Viet Nam	POW
Nhon Trach 2	NT2

REE Corporation (REE)

Stock price (11 Jul, VND)	71,500
Market cap (USD mn)	1,322
Shares outstanding (mn)	470
52-Week high/low (VND)	71,500/44,585
6M avg. daily turnover (USD mn)	2.52
Free float / Foreign ownership(%)	26.5/49.1
Major shareholders (%)	
Platinum Victory Pte.Ltd	34.85
Nguyen Thi Mai Thanh	12.82

Yr to	Sales	OP	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	NON-RATED	
											Dec	(VND bn)
2021A	5,810	1,854	2,135	5,960	4	42,901	6.4	1.2	8.2	15.0	1.4	
2022A	9,372	3,663	3,515	7,527	26	43,507	11.1	1.3	10.7	18.7	1.3	
2023F	8,570	2,954	2,787	5,322	(29)	42,269	8.3	1.3	8.1	13.3	1.2	
2024F	9,509	2,725	2,879	7,001	37	48,407	11.7	1.7	8.3	15.5	1.1	
2025F	8,600	3,413	3,720	9,047	24	56,363	9.1	1.5	10.8	17.3	1.4	

Source: Company data, KIS Research

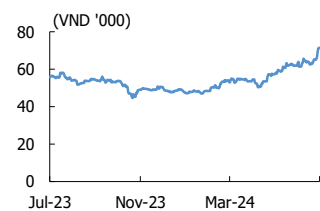
Note: NP and EPS attributed to controlling interest

Growth motivation from Etown 6 and housing in Bo Xuyen-Thai Binh

Performance

	1M	6M	12M
Absolute (%)	15.3	49.7	26.8
Rel. to VNI (%p)	15.0	38.1	12.9

Stock price



Source: Bloomberg

1Q24 significantly drop: In 1Q24, REE recorded revenue of VND1,837bn, a drop of 22% yoy, and NPAT of VND549bn (-48% yoy). The main reasons come from the main segment power, experienced negative growth in both revenue and NPAT as affected by the strong El-Niño phase in 1Q24. Overall, most business segments declined compared to 1Q23.

Table 5. REE earnings forecast

(VNDbn, %)

	2H23	1H24F	2H24F		2024F		Consensus	
			yoy	qoq	yoy	2H24F	2024F	
Revenue	4,027	4,302	5,207	29	21	9,509	11	9,421
Energy & water	2,172	2,130	2,532	17	19	4,662	(4)	-
M&E	1,344	1,526	1,623	21	6	3,148	18	-
Real estate	515	651	1,052	104	62	1,703	62	-
NPAT	1,109	1,179	1,782	61	51	3,061	10	3,246

Source: Company data, Bloomberg, KISVN estimate

The business results revival in 2H24F: We forecast the business result could strongly rebound, with a revenue of VND5,207bn (+29% yoy) and a NPAT of VND1,782bn (+61% yoy) thanks to:

- **Energy segment:** Has improved compared to the same period due to the hydrological situation strongly rebounding, when La-Nina will officially return in early July. From there, we expect the energy segment's REE will benefit in 2H24F.
- **M&E segment:** We forecast positive growth with revenue reaching VND1,623bn, an increase of 21% yoy in 2H24F. This is due to more optimism about the backlog value of VND3,200bn (+10% yoy) for the whole year 2024F and a partial profit contribution from the REE Tech segment (+5% yoy).
- **Real Estate segment:** Expect the leasing office – Etown 6 to be operational on April - 24 and start recording revenue from 3Q24F, with an occupancy rate of 75% in 2024F. At the same time, the commercial housing – Bo Xuyen, Thai Binh is predicted that phase 1 will bring in VND900bn in revenue and VND300bn in NPAT in 2H24F.

In 2024F, we project REE's revenue and NPAT to sit at VND9,509bn (+11% yoy) and VND3,002bn (+10% yoy), respectively.

Valuation: REE is currently trading at 16.1 P/E, which is higher than + 2 5-year standard deviation. The consensus target price is VND74,600 (Bloomberg), which is 18% higher than the current market price.

Risks: (1) Changes in hydrological conditions and (2) waiting for policy approval for offshore wind power.

Quang Ninh Thermal Power (QTP)

BUY (Maintain), TP VND23,400

Stock price (11 Jul, VND)	16,700
Market cap (USD mn)	296
Shares outstanding (mn)	450
52-Week high/low (VND)	17,500/12,590
6M avg. daily turnover (USD mn)	0.29
Free float / Foreign ownership (%)	88.4/1.3
Major shareholders (%)	
EVN Genco1	42.0
PPC	16.3

Yr to	Sales	OP	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2021A	8,571	734	578	1,168	(47)	13,712	6.4	1.2	6.0	9.4	7.9
2022A	10,417	968	764	1,405	20	13,694	11.1	1.3	9.0	12.4	11.5
2023F	12,058	703	612	1,125	(20)	11,761	10.9	1.3	7.9	10.7	10.1
2024F	12,622	794	746	1,371	22	11,632	10.1	1.4	10.3	14.2	9.0
2025F	12,293	479	477	876	(36)	11,008	15.8	1.5	6.9	9.4	9.0

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

Growth from the expectation of repays its debts

Performance

	1M	6M	12M
Absolute (%)	(0.6)	13.6	7.4
Rel. to VNI (%p)	(0.9)	2.0	(6.4)

Stock price



Source: Bloomberg

1Q24 NPAT growth significantly: QTP recorded revenue of VND3,009bn (+1% yoy) due to a significant 7% yoy increase in output, reaching 1,796mn kWh, as the A0 had to increase mobilization from thermal power plants to offset for the shortage in hydropower. Additionally, in the 1H24, benefiting from the coal price cooling down (-41% yoy) faster than the FMP price (-11% yoy), QTP's NPAT reached VND226.5bn (+57% yoy).

Table 6. QTP earnings forecast

(VNDbn, %)

	2H23	1H24F	2H24F			2024F			Consensus	
				yoy	qoq		yoy	2H24F	2024F	
Revenue	5,354	6,852	5,769	8	(16)	12,622	5	-	-	11,940
GP	341	521	387	13	(26)	907	11	-	-	-
EBT	234	457	297	27	(35)	753	16	-	-	-
NPAT	222	411	297	34	(28)	708	15	-	-	803

Source: Company data, Bloomberg, KISVN estimate

2H24F - Positive growth thanks to increase demand consumption: We forecast business results could be positive, with a revenue of VND5,769bn (+8% yoy) and a NPAT of VND297bn (+34% yoy), the main growth driver due to:

- *We forecast that QTP's production output in 2H24F could reach 3,575mn kWh (+7% yoy) as EVN' 4A plan, when EVN estimated demand growth in 2H24 reaching +8% yoy and the increase of hydropower plants in 2H24 couldn't cover the total increase.*
- *Positive gross margin in 2H24F:* QTP's depreciation expenses have significantly decreased to ~VND304bn, down 30% compared to the number recorded in 2H2023. Along with good operating leverage performance, which are positive factors leading us to expect that QTP will maintain a positive gross margin in 2H24F.

In 2024F, we project QTP's revenue and NPAT to reach VND12,622bn (+5% yoy) and VND708bn (+15% yoy), respectively.

Valuation: We still recommend **BUY** for **QTP (TP: VND23,400; +40%)** in the short, mid, and long-term based on the positive outlook for NPAT in 2024F and beyond.

Risks: (1) The supply of domestic coal by TKV is expected to gradually decline and become more dependent on imports. This challenge causes the business to face high input material costs. Besides (2) impacted by the return of La-Nina.

PetroViet Nam Power (POW)

HOLD (Maintain)

		Yr to	Sales	OP	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Stock price (11 Jul, VND)	15,100	2021A	24,561	2,400	2,052	746	(9)	12,229	6.4	1.2	3.8	6.3	-
Market cap (USD mn)	1,391	2022A	28,224	2,859	2,553	824	10	13,031	11.1	1.3	4.6	7.0	-
Shares outstanding (mn)	2,342	2023F	27,945	1,404	1,329	430	(48)	13,430	19.8	0.8	2.1	3.5	-
52-Week high/low (VND)	15,300/10,450	2024F	30,780	1,869	1,488	595	(78)	14,025	23.0	1.0	1.9	4.6	-
6M avg. daily turnover (USD mn)	5.03	2025F	28,012	927	(185)	(74)	(66)	13,951	(185.0)	1.0	(0.2)	(0.6)	-
Free float / Foreign ownership (%)	20.0/4.0												
Major shareholders (%)													
PVN	79.94												
PYN Elite Fund	2.51												

Source: Company data, KIS Research

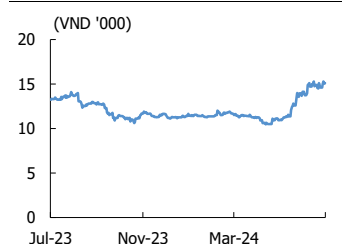
Note: NP and EPS attributed to controlling interest

Expected growth thanks to increased electricity demand

Performance

	1M	6M	12M
Absolute (%)	6.7	29.6	14.0
Rel. to VNI (%p)	6.6	18.2	0.4

Stock price



Source: Bloomberg

1Q24 – NPAT drop due to NT2 Only a limited output is assigned: In 1Q24, POW recorded revenue of VND6,243bn, a drop of 16% yoy, and NPAT of VND216,2bn (-67% yoy). The primary cause affected by NT1&2 was assigned a low output level reach of 7mn kWh (-99% yoy) and 246mn kWh (-89% yoy), respectively, significantly impacting the operational efficiency of the business. Additionally, POW faced challenges from persistently high gas prices along with a strong El-Niño phase, resulting in low output levels from gas-fired power plants such as NT1&2 and hydropower plants.

Table 7. POW earnings forecast

(VNDbn, %)

	2H23	1H24F	2H24F		2024F		Consensus	
			yoy	qoq	yoy	2H24F	2024F	
Revenue	12,091	15,391	15,388	27	-	30,780	10	30,837
GP	1,035	1,000	1,727	67	73	2,727	25	-
EBT	530	734	1,286	143	75	2,020	(38)	-
NPAT	498	571	1,222	145	114	1,793	35	1,071

Source: Company data, Bloomberg, KISVN estimate

2H24F - Positive growth due to the low base effect: Revenue and NPAT are forecast to be VND15,388bn (+27% yoy) and VND1,222bn (+145% yoy) in 2H24F, respectively. The main reasons come from:

- **Hydropower plants:** We expect the output of POW's hydropower plants to increase thanks to the Neutral phase officially returning in July. Additionally, the water flow at hydropower reservoirs in June has improved (+91% yoy), and it is expected to increase significantly in 2H24F.
- **Thermal power plants:** According to EVN's mobilization data from option 4A, to ensure electricity consumption demand continues to increase in 2H24F, the output of POW's thermal power plants is expected to continue to increase. That can be seen through the output contributed from the two plants, gas-fired power Ca Mau 1&2 and coal-fired power Vung Ang in 2H24F, recording 3,152mn kWh (+47% yoy) and 3,844mn kWh (+57% yoy), respectively.
- **At the same time,** NPAT has shown improvement mainly due to improved output from gas-fired power plants Ca Mau 1&2 (+47% yoy) and Vung Ang coal-fired power plant (+57% yoy). From there, this

leads to a positive outlook for the gross margin in 2H24F.

In 2024F, revenue and NPAT could reach VND30,780bn (+10% yoy) and VND1,793bn (+35% yoy), respectively.

Valuation: As per the above analysis, we anticipate positive prospects for POW in the short term (2H24F). We also believe that POW will have a positive outlook in the long term, as it plays an important role in maintaining the system's stability, in addition to the launch of NT3 and 4. However, we recommend **HOLD** for POW as the current market price has reached our target price of **VND15,100 per share**.

Risks: (1) Changes in hydrological conditions. Besides, (2) challenges from coal and gas prices remaining high.

Nhon Trach 2 (NT2)

HOLD (Maintain)

	Yr to	Sales	OP	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
	Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Stock price (11 Jul, VND)	22,150											
Market cap (USD mn)	251											
Shares outstanding (mn)	288											
52-Week high/low (VND)	28,952/21,050											
6M avg. daily turnover (USD mn)	0.88											
Free float / Foreign ownership (%)	32.3/12.9											
Major shareholders (%)												
POW	59.37											
Company for Tech. Development	8.27											
	2021A	6,150	593	534	1,757	(16)	14,706	6.4	1.2	8.2	12.5	6.3
	2022A	8,788	950	883	2,961	69	16,027	11.1	1.3	12.6	20.0	8.7
	2023F	6,386	441	473	1,586	(46)	15,062	14.9	1.6	6.0	10.6	6.1
	2024F	4,494	27	110	368	(77)	13,930	57.9	1.6	1.5	2.6	6.8
	2025F	3,639	(125)	(9)	(29)	-	12,401	(739.1)	1.8	(0.1)	(0.2)	6.8

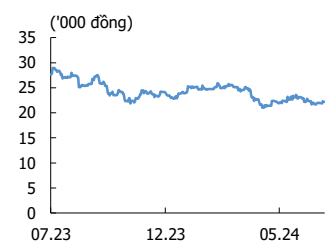
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

Performance

	1M	6M	12M
Absolute (%)	(3.3)	(12.4)	(20.4)
Rel. to VNI (%p)	(3.6)	(24.1)	(34.2)

Stock price



Source: Bloomberg

Negative scenario due to the pressure gas supply

Revenue and NPAT decrease substantially: In 1Q24, NT2's revenue recorded a significant drop of 88% yoy, reaching VND261.9bn. Of which the volume in 1Q24 was only 151mn kWh (-62% qoq and -86% yoy) and the average selling price was strongly decreasing to VND1,620 per kWh (-64% qoq and -22% yoy). The main reasons come from (1) the gas price is still high, while coal prices have cooled down and (2) the system added 1,6 GW of wind power capacity.

As a result, gross profit and NPAT reported losses of VND225bn (-190% yoy) and VND158bn (-168% yoy), respectively.

Table 8. NT2 earnings forecast

(VNDbn, %)

	2H23	1H24F	2H24F		2024F		Consensus	
			yoy	qoq		yoy	2H24F	2024F
Revenue	2,017	2,353	2,141	6	(9)	4,494	(30)	4,690
GP	95	(3)	83	(13)		80	(84)	-
EBT	172	61	106	(38)	74	166	(75)	-
NPAT	116	22	100	(14)	355	122	(75)	(114)

Source: Company data, Bloomberg, KISVN estimate

2H24F - Pressure from wind power and high gas costs: We expected revenue in 2H24F to have a slight improvement, reaching VND2,141bn (+6% yoy), in which outvolume (+17% yoy) based on the whole country's demand is estimated to grow 8% yoy in 2H24F and EVN' 4A plan.

However, we estimate the NPAT could record VND100bn (-14% yoy) mainly due to the full market price (FMP), which is expected to decline more sharply while the gas price is forecasted to increase slightly in 2H24F. The disadvantages would create pressure on the NT2' gross margin.

In 2024F, revenue and NPAT could reach VND4,494bn (-30% yoy) and VND122bn (-75% yoy), respectively.

Valuation: We also think that NT2's earnings could go down from 2024 - 28F because of the negative effects of the expansion of renewable energy sources. These effects are bigger than we thought they would be. And there's the risk that wars in the Middle East or between Russia and Ukraine could keep gas prices high for a longer time. Because of this, we keep **HOLD**-ratings for **NT2** (TP: VND19,900) in 2H24F.

Risks: (1) Challenges from high gas prices in the Southeast region persist. Additionally, (2) the pressure from the depleting gas supply in the Southeast region is increasing. Moreover, (3) the increase in wind power capacity in the system is also an adverse factor affecting NT2's capacity factor.

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 23 Dec 2020.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 23 Dec 2020.

KIS Vietnam Securities Corp. has not issued CW with underlying stocks of The hardships drag on and is not the liquidity provider.

Prepared by: Research Dept

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas of KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by KISVN America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to KISVN, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with KISVN America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by KISVN Asia Limited (KISA), a Hong Kong representative subsidiary of KISVN Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. KISVN Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom KISVN Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact KISVN Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2020 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..