

26 Aug 2024

## PETROVIETNAM POWER (POW)

### Positive results from the low base

- NPAT was led by the Vung Ang and Dakdrinh plants
- 3Q24F - Favorable results due to the low base
- Maintain the HOLD recommendation

### Facts: NPAT was led by the Vung Ang and Dakdrinh plants

In 2Q24, POW recorded revenue of VND9,407bn (+9% yoy, figure 1). The primary growth driver of commercial output reached 4,825mn kWh, up 11% compared to the same period (Figure 2). In which, Vung Ang coal-fired thermal plant and Dakdrinh hydropower plant are key factors.

Gross profit strongly increased to VND724bn (+54% yoy, figure 3) and the gross margin rose to 7.7% in 2Q24, a rise of 2.1% pt yoy (Figure 3). The improvement in output and GM boosted NPAT to VND450bn (+148% yoy, figure 4), specially:

- **Hydropower:** Recorded reach 202mn kWh, increase 7% yoy. In which, a significant contribution by Dak Rinh hydropower as revenue reached VND138.5bn (+26% yoy) and NPAT estimated at VND38.2bn (+132% yoy), respectively, due to optimal utilization of reservoir water flow.
- **Coal-fired power:** Output commercial in 2Q24 reached 1,855mn kWh (+58% yoy) thanks to the Vung Ang coal-fired power resuming full capacity operations, compared to the period when the plant underwent major maintenance in 3Q23 in 2023. As a result, revenue and NPAT reached VND3,429bn (+52% yoy) and VND823bn (+231% yoy) in 2Q24, respectively.
- **Gas-fired power:** The recorded output reached 2,768mn kWh, a decrease of 14% yoy. This decline was due to limited gas supply in the Southeast region, where gas supply capability in this area was estimated to have decreased by 18% yoy in 2Q24. Additionally, the average gas price in 2Q24 remained high (+7% yoy), while the full-market power price (FMP) dropped significantly by 21% yoy (Figure 5, 6).

**Table 1. Quarterly earnings snapshot in 2Q24**

(VND bn, %, %p)

	2Q23	3Q23	4Q23	1Q24	2Q24	QoQ	YoY
Sales	8,429	5,679	6,411	6,243	9,407	51	12
OP	261	83	429	207	447	116	71
OP margin (%)	3.1	1.5	6.7	3.3	4.8	43	53
LNTT	239.1	81.9	447.7	278.0	450.9	62	89

Source: Company data, KISVN

### Pros & cons: 3Q24F - Favorable results due to the low base

In 3Q24F, we anticipate that POW's earnings could see positive results due to:

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12M rating **HOLD**

12M TP **15.100**

Up/Downside **(13%) (included dividend)**

#### Stock data

VNIndex (26 Aug, pt)	1,280
Stock price (26 Aug, VND)	13,400
Market cap (USD mn)	1,262
Shares outstanding (mn)	2,342
52-Week high/low (VND)	15,300/10,450
6M avg. daily turnover (USD mn)	5.75
Free float / Foreign ownership (%)	20.0/4.1
Major shareholders (%)	
PVN	79.74
PYN Elite Fund	2.51

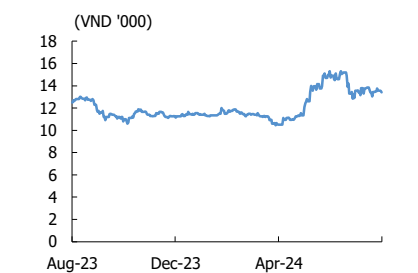
#### Valuation

	2022A	2023A	2024F
PE (x)	11.1	19.8	22.1
PB (x)	1.3	0.8	1.0
ROE (%)	7.0	3.5	4.4
DY (%)	28.0	19.8	-
EV/EBITDA (x)	9.4	22.0	23.4
EPS (VND)	824	430	568
BPS (VND)	13,031	13,430	13,998

#### Performance

	1M	6M	12M
Absolute (%)	(1.1)	16.0	7.2
Relative to VNIndex (%p)	(4.2)	10.5	(2.9)

#### Stock price



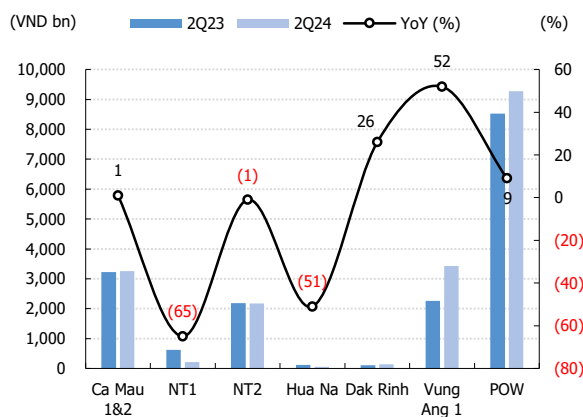
Source: Bloomberg

- Growth from a low base in 3Q23, as this is the period when POW's factories undergo overhaul and maintenance.
- Besides, the average water flow at reservoirs in the Central region in August has improved by 10% yoy, positively impacting the capacity factor (CF) of POW's hydropower plants in 3Q24F (Figure 7).
- Additionally, coal prices are likely to decline compared to the same period last year (Figure 5), continuing to positively impact the gross margin of coal-fired power plants, such as the Vung Ang coal-fired power plant.

**Action: Maintain the HOLD recommendation**

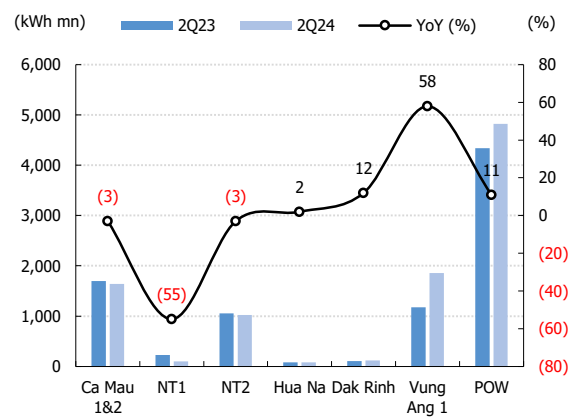
As per the above analysis, we also believe that POW will have a positive outlook in the short, medium, and long term, as it plays an important role in maintaining the system's stability, in addition to the launch of NT3 and 4. However, in the short term, we think that POW's market price has almost reflected its intrinsic value. Therefore, we recommend the **HOLD** - rating for POW in 2H24.

**Figure 1. Revenue increase by 9% yoy, reaching VND9,407bn, mainly led by the Vung Ang coal-fired power**



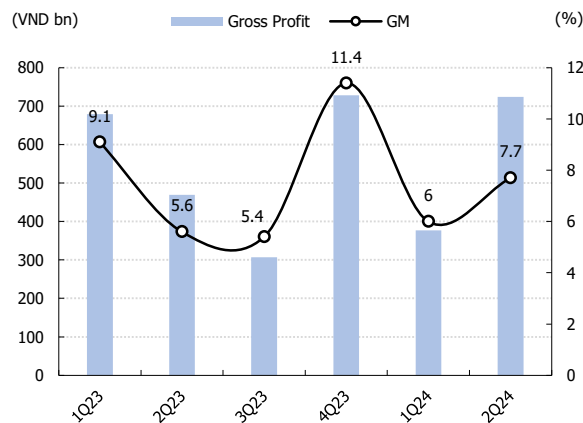
Source: POW, KISVN

**Figure 2. Commercial output in 2Q24 reached 4,825mn kWh (+11% yoy)**



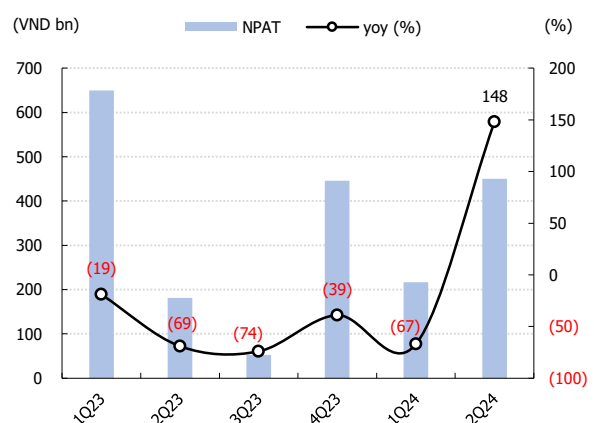
Source: POW, KISVN

**Figure 3. Gross margin increased to 7.7% from 5.6% in 2Q23**



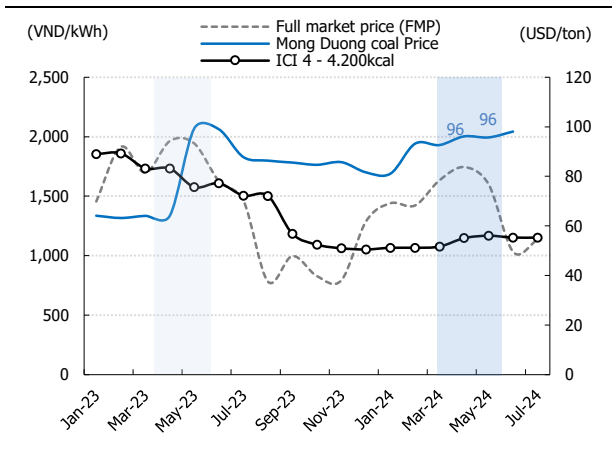
Source: POW, KISVN

**Figure 4. NPAT recorded a strong increase in VND450bn, +148% yoy**



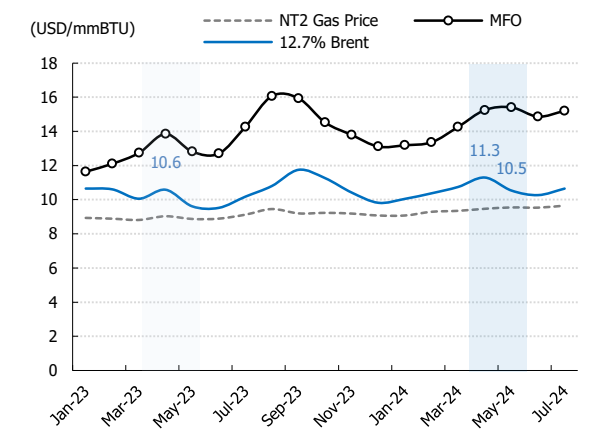
Source: POW, KISVN

**Figure 5. In 2H24F, coal price ability slightly declined**



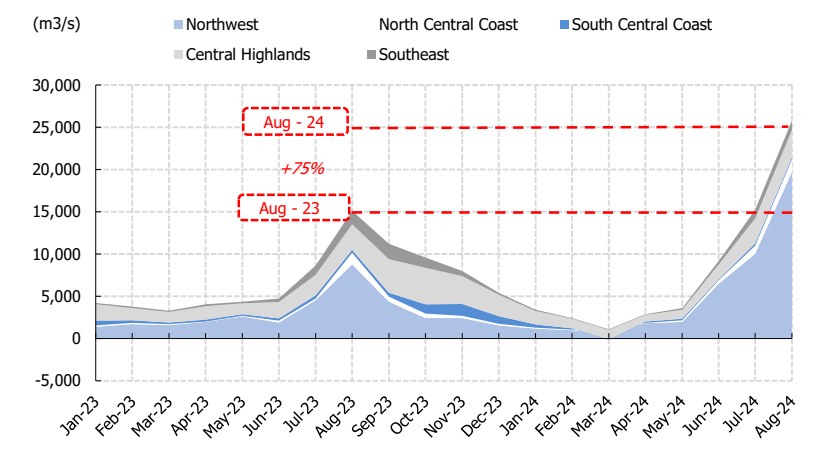
Source: PGV, KISVN

**Figure 6. The gas price is still continue high level, in 2Q24 up 7% yoy**



Source: NT2, KISVN

**Figure 7. The average water flow at reservoirs in early August has improved, increasing 75% yoy**



Source: EVN, PGV, KIS Vietnam

**■ Company overview**

PetroVietNam Power Corporation (PV Power) was established in 2007 under Decision No.1468/QĐ-DKVN issued by Vietnam Oil and Gas Group. 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.

**Balance sheet**

VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
Current assets (Adj.)	18,420	24,925	29,152	29,524	26,703
Cash & cash equivalent	8,224	8,252	8,592	9,538	8,528
Non-current assets (Adj.)	10,196	16,673	20,560	19,986	18,175
Fixed Asset	31,869	29,155	26,401	23,585	53,697
Investment assets	828	878	958	958	958
Others	1,860	1,885	13,835	35,881	9,525
<b>Total assets</b>	<b>52,977</b>	<b>56,843</b>	<b>70,347</b>	<b>89,948</b>	<b>90,883</b>
Advances from customers	6	4	1	1	1
Unearned revenue	-	0	0	-	-
Trade payables	7,240	7,346	15,950	17,706	15,832
Others	4,797	5,340	4,810	5,340	4,775
ST debt & bond	4,769	5,635	5,500	8,386	8,283
LT debt & bond	3,689	3,382	7,179	19,976	24,048
<b>Total liabilities</b>	<b>21,852</b>	<b>23,562</b>	<b>36,181</b>	<b>54,452</b>	<b>55,660</b>
Controlling interest	28,638	30,516	31,452	32,782	32,509
Capital stock	23,419	23,419	23,419	23,419	23,419
Capital surplus	(0)	(0)	(0)	(0)	(0)
Other Reserves	2,209	3,678	4,074	4,074	4,074
Retained earnings	3,010	3,420	3,959	5,290	5,017
Shareholders' equity	31,125	33,281	34,166	35,496	35,223

**Cash flow**

VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
C/F from operations	5,147	3,156	3,257	5,984	2,980
Net profit	2,339	2,809	1,459	1,560	(320)
Depreciation	2,818	2,809	2,809	2,816	4,188
Net incr. in W/C	4,485	5,456	5,101	4,649	5,042
C/F from investing	563	(3,374)	(6,258)	(20,722)	(7,958)
Capex	(284)	(2,600)	(6,054)	(21,512)	(8,514)
Incr. in investment	846	(774)	(204)	790	556
C/F from financing	(4,555)	245	3,321	15,684	3,968
Incr. in equity	-	-	82	-	-
Incr. in debts	-	-	3,604	2,887	(103)
Dividends	(710)	(199)	(365)	-	-
C/F from others	(0)	(0)	21	-	-
<b>Increase in cash</b>	<b>1,154</b>	<b>28</b>	<b>340</b>	<b>946</b>	<b>(1,009)</b>

**Income statement**

VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
Net sales	24,561	28,224	27,945	31,020	27,738
COGS	22,021	24,498	25,761	28,361	26,148
Gross profit	2,540	3,726	2,183	2,659	1,589
SG&A	140	868	779	865	774
<b>Operating profit</b>	<b>2,400</b>	<b>2,859</b>	<b>1,404</b>	<b>1,794</b>	<b>816</b>
Financial income	690	445	550	557	556
Interest income	319	319	449	489	488
Financial expenses	653	592	680	830	1,731
Interest expenses	510	438	498	1,062	1,731
Other non-operating profit	(120)	44	147	-	-
Gains (Losses) in associates, subsidiaries and JV	22	53	38	38	38
<b>Earnings before tax</b>	<b>2,339</b>	<b>2,809</b>	<b>1,459</b>	<b>1,560</b>	<b>(320)</b>
Income taxes	287	256	129	138	(28)
<b>Net profit</b>	<b>2,052</b>	<b>2,553</b>	<b>1,329</b>	<b>1,421</b>	<b>(292)</b>
Net profit of controlling interest	1,799	2,061	1,075	1,421	(292)
<b>EBITDA</b>	<b>5,654</b>	<b>6,061</b>	<b>4,767</b>	<b>5,439</b>	<b>5,598</b>

**Key financial data**

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
per share data (VND, adj.)					
EPS	746	824	430	568	(117)
BPS	12,229	13,031	13,430	13,998	13,882
DPS	-	-	-	-	-
Growth (%)					
Sales growth	(17.4)	14.9	(1.0)	11.0	(10.6)
OP growth	(28.8)	19.1	(50.9)	27.8	(54.5)
NP growth	(22.9)	24.4	(47.9)	6.9	(120.5)
EPS growth	(24.0)	14.6	(47.8)	32.2	(120.5)
EBITDA growth	(28.8)	19.1	(50.9)	27.8	(54.5)
Profitability (%)					
OP margin	9.8	10.1	5.0	5.8	2.9
NP margin	8.4	9.0	4.8	4.6	(1.1)
EBITDA margin	9.8	10.1	5.0	5.8	2.9
ROA	3.8	4.6	2.1	1.8	(0.3)
ROE (excl MI)	6.3	7.0	3.5	4.4	(0.9)
Dividend yield	-	-	-	-	-
Dividend payout ratio	-	28	20	-	-
Stability					
Net debt (VND bn)	234	765	4,087	18,825	23,803
Net debt/equity (%)	1	2	12	53	68
Valuation (X)					
PE	6.4	11.1	19.8	22.1	(107.5)
PB	1.2	1.3	0.8	1.0	1.0
EV/EBITDA	18.0	9.4	22.0	23.4	51.5

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- 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.

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- 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.

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