

Power

1Q24F Preview: The El Niño calls Coal-fired

Spotlight: Coal-fired and Wind power

According to the EVN 's data, the national electricity output in 1Q24 recorded 70bn kWh, +13% yoy:

- *Coal-fired* reached 40bn kWh, +43% yoy or +24% qoq. The robust growth comes from shortages of hydropower sources and the advantage of coal prices, which have fallen faster than natural gas prices in recent months
- *Renewable* reached 11.3bn kWh, +12% yoy or +27% qoq. The growth is due to adding more wind power sources to the system, which added 1,645 MW or 41% yoy.
- *Hydropower* produced 10.8 bn kWh, -30% yoy, or -51.8% qoq as El Niño gets stronger.
- *Gas-fired* hit 6.1 bn kWh, down 15% yoy because of the high price of natural gas and the extra capacity added by wind power.

Coal-fired plants improved GM, whereas Gas-fired plants' GM were impacted negatively

By the end of Q1, the price of coal had dropped to 48 USD per tonne, 43.4% below its peak of 86 USD per tonne last year. In the meantime, the selling price – FMP only went down by 15% yoy. Along with the coal-fired power plants' capacity factor up to 60%, an increase of 5% compared to 55% last year. These are likely to give them the drive to greatly improve their gross margin in 1Q24 compared to the same time last year.

On the other hand, natural gas prices still remain high might put the pressure on gas-fired plants' GM: in the Southeast, natural gas prices still remain high, around USD9.3 per mmBTU and there is no sign of a decline. As a result, gas power group's output decreased by 15% yoy. In the sector highly impacted by operating leverage, it is probable that gas turbine plants will have a weak quarter in terms of profitability indicators in the first quarter of 2024.

Recommendation

We still recommend **BUY** for **QTP** in both the short, mid, and long term based on the positive outlook for NPAT in 2024 and beyond.

In addition, we strongly believe in a positive outlook for for NT2 and POW in the long term, as they play an important role in maintaining system stability. However, in 2024–25, these two businesses will experience a decline in earnings due to the expansion of renewable energy sources and high gas prices. As a result, we keep **HOLD**-ratings for **POW** and **NT2** in 1H24.

Neutral

Company	Rating	TP (VND)
QTP	BUY	23,400
REE	Non-rated	
POW	HOLD	15,100
NT2	HOLD	19,900

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Table 1. Coverage valuation

Recommendation & TP			Earning & Valuation										
Company				Sales	OP	NP	EPS	BPS	ROE	ROA	PE	PB	EV/EBI TDA
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(%)	(%)	(x)	(x)	(x)
Quang Ninh Thermal Power (QTP)	TP	23,400	2021A	8,571	734	578	1,168	13,712	9.4	6.0	6.4	1.2	13.0
	Price	15,700	2022A	10,417	968	764	1,405	13,694	12.4	9.0	11.1	1.3	6.3
	Market cap (VND bn)	7,065	2023F	12,058	703	612	1,125	11,761	10.7	7.9	10.9	1.3	9.7
			2024F	11,328	838	785	1,444	12,435	14.4	11.1	9.0	1.3	8.6
			2025F	11,284	797	761	1,399	12,988	13.3	11.1	9.3	1.2	9.1
REE Corporation (REE)	TP	N/A	2021A	5,810	1,854	2,135	5,960	42,901	15.0	8.2	6.4	1.2	18.1
	Price	62,800	2022A	9,372	3,663	3,515	7,527	43,507	18.7	10.7	11.1	1.3	10.3
	Market cap (VND bn)	23,215	2023F	8,570	2,954	2,787	5,322	42,269	13.3	8.1	8.3	1.3	11.3
			2024F	9,799	2,977	3,143	7,644	48,964	16.8	9.0	7.4	1.2	11.2
			2025F	8,750	3,466	3,808	9,262	57,080	17.5	10.9	6.1	1.0	9.6
Petro Vietnam Power (POW)	TP	15,100	2021A	24,561	2,400	2,052	746	12,229	6.3	3.8	6.4	1.2	18.0
	Price	11,250	2022A	28,224	2,859	2,553	824	13,031	7.0	4.6	11.1	1.3	9.4
	Market cap (VND bn)	26,346	2023F	27,945	1,404	1,329	430	13,430	3.5	2.1	19.8	0.8	22.0
			2024F	27,641	518	238	95	13,525	0.8	0.3	110.8	0.8	59.7
Nhon Trach 2 Power (NT2)	TP	19,900	2021A	6,150	593	534	1,757	14,706	12.5	8.2	6.4	1.2	13.1
	Price	22,700	2022A	8,788	950	883	2,961	16,027	20.0	12.6	11.1	1.3	8.0
	Market cap (VND bn)	7,053	2023F	6,386	441	473	1,586	15,062	10.6	6.0	14.9	1.6	13.9
			2024F	3,094	(314)	(203)	(681)	12,880	(5.1)	(2.9)	(32.2)	1.8	(18.0)
			2025F	3,550	(132)	(23)	(77)	11,303	(0.7)	(0.4)	(284.5)	2.0	(42.5)

Source: Respective company data, Korea Investment & Securities

Table 2: 1Q24F business results forecast, KIS coverage

(VNDbn, %, %p)

	Revenue			NPAT		
	1Q24F	yoy	qoq	1Q24F	yoy	qoq
QTP	2,689	(10)	(6)	171	19	(19)
REE	2,133	5,810	172	793	(31)	16
POW	5,954	(20)	(7)	27	(96)	(94)
NT2	(202)	(130)	(128)	(80)	(112)	(118)

Source: Company data, KISVN estimate

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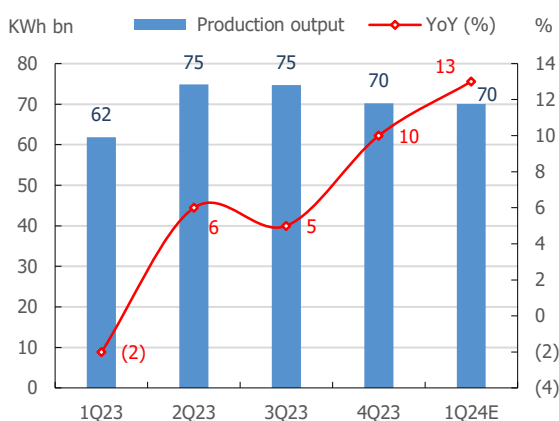
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I. Power sector: The El Niño calls Coal-fired

Spotlight: Coal-fired and Wind power

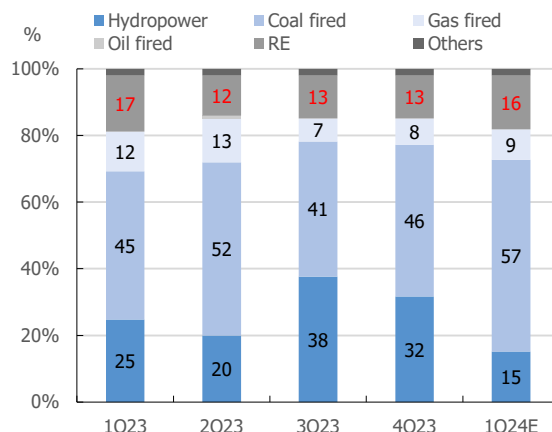
According to the EVN 's data, the national electricity output in 1Q24 recorded 70bn kWh (+13% yoy, figure 1). If compared to last quarter, there was a decrease of 0.3% compared to 4Q23 attributed to the influence of the holiday period.

Figure 1. The overall system electricity production in 1Q24 increased 13% yoy. This showed the initial signal of recovery



Source: EVN, KISVN

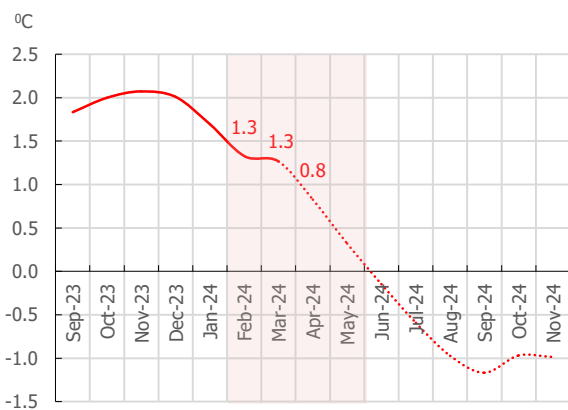
Figure 2. The coal-fired group recorded positive results in 1Q24, whereas hydropower group's proportion dropped to 15%



Source: EVN, KISVN

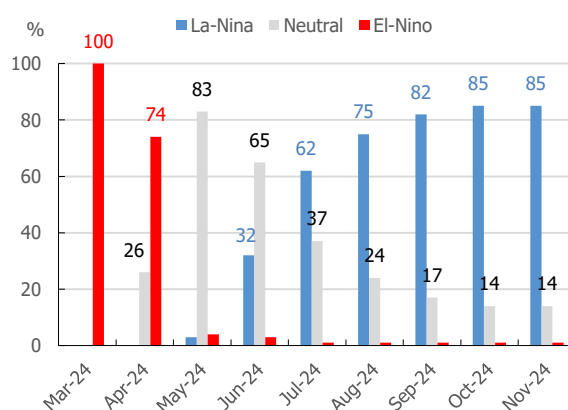
- Hydropower:** Hydropower sources produced 10.8bn kWh in 1Q24, which was 30% less than the same time last year and 51.8% less than the previous quarter. This was only 16% of the system's total output (figure 2). As El Niño gets stronger, the general flow of water in the reservoirs slows down, which is what causes the drop in output. El Niño is also expected to last until May 2024, when the temperature in zone 3.4 will still be very high at 1.3 °C (figure 4,5). At that point, it is expected that hydropower plants will still not be able to produce much power.

Figure 4. The temperature was hot in 1Q24, and it's likely to last until the end of 2Q24



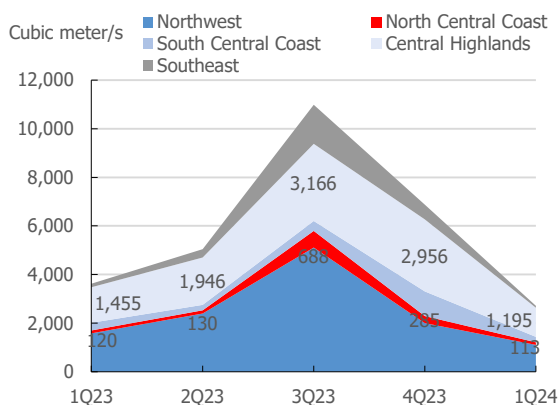
Source: NOAA, EVN, KISVN

Figure 5. El Niño probability predicted weaken at the end of May



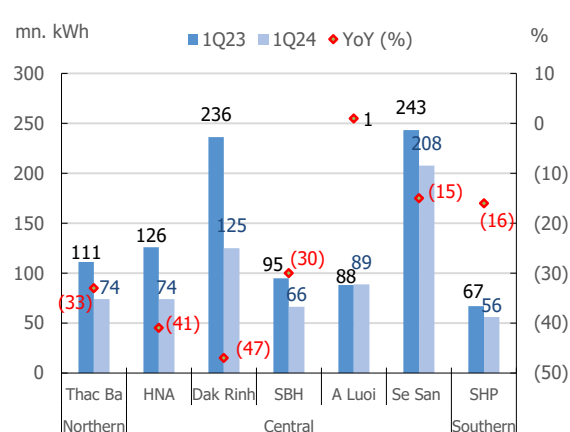
Source: NOAA, EVN, KISVN

Figure 6. Water flow statistics showed a decline across the country, especially in the Central Highlands



Source: EVN, PGV, KIS Vietnam

Figure 7. The output of some hydropower plants also shows a significant decrease in 1Q24



Source: EVN, KISVN

Compared to the same period, the *Central Highlands* is a region susceptible to significant impacts when the water flow rate decreases to 1,195 cubic meters/s (-18% yoy and -60% qoq) (figure 6). Additionally, data on the reservoirs' estimated useful capacity also indicates a significant decrease (figure 8), such as Se San 3A (22%), Da Mi - DNH (14%), An Khe (20%), and Ialy (28%). Thuong Kom Tum (VSH-REE) is the only one to record the improvement in amount of water compared to 1Q23.

In a more positive direction, the *South Central Coast* area is less affected by the *El Niño* phase. Hydropower plants in the area are still storing water quite well. This could be observed through data on the reservoirs' estimated useful capacity, such as A Vuong - AVC (88%), Song Hinh - REE (90%), Vinh Son B - REE (76%).

Figure 8. The reservoirs' estimated useful capacity across the country in 1Q24 generally decreased

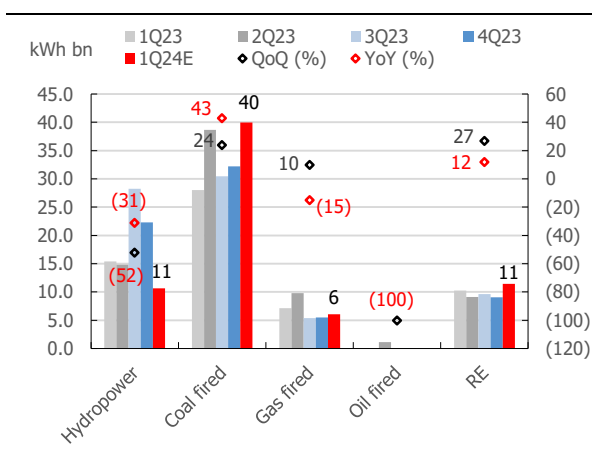
Hydropower reservoirs	Watershed	Capacity (MW)	Related business	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	
				72%	65%	58%	27%	1%	3%	27%	56%	68%	97%	100%	98%	100%	99%	98%	98%
Northwest	Son La	Hong river Watershed (Thai Binh)	2,400	86%	68%	59%	76%	64%	37%	24%	57%	82%	92%	98%	99%	92%	83%	80%	
	Hoa Binh	Hong river Watershed (Thai Binh)	1920	63%	31%	19%	5%	0%	1%	6%	23%	44%	69%	70%	71%	61%	40%	38%	
	Thac Ba	Hong river Watershed (Thai Binh)	120	79%	63%	35%	7%	1%	5%	28%	74%	90%	96%	100%	100%	100%	97%	90%	
	Ban Chat	Hong river Watershed (Thai Binh)	220	40%	8%	33%	25%	2%	32%	80%	30%	23%	44%	100%	100%	32%	30%	17%	
	Huoi Quang	Hong river Watershed (Thai Binh)	520	43%	16%	35%	3%	1%	39%	64%	100%	74%	92%	97%	98%	99%	93%	98%	
	Lai Chau	Hong river Watershed (Thai Binh)	1200	73%	52%	37%	18%	5%	0%	12%	60%	85%	97%	98%	98%	89%	86%	69%	
North Central Coast	Ban Ve	Lam river	320	19%	1%	0%	0%	0%	23%	3%	0%	3%	47%	85%	79%	79%	78%	44%	
	Trung Son	Hinh river	260	100%	83%	79%	69%	64%	39%	20%	26%	21%	29%	100%	100%	100%	74%	66%	
South Central Coast	Vinh Son A	Hinh river	66	100%	89%	64%	41%	32%	16%	8%	9%	8%	20%	53%	82%	81%	76%	71%	
	Vinh Son B	Hinh river		VSH, REE	100%	89%	64%	41%	32%	16%	8%	9%	8%	20%	53%	82%	81%	76%	71%
	Vinh Son C	Ba river		VSH, REE	100%	100%	81%	44%	4%	2%	0%	0%	0%	19%	59%	37%	24%	24%	
	Song Ba Ha	Hinh river	220	71%	56%	44%	16%	19%	22%	43%	27%	17%	18%	29%	63%	92%	87%	68%	
	Song Hinh	Vu Gia - Thu Bon	70	100%	100%	93%	71%	55%	40%	21%	7%	2%	10%	81%	100%	98%	90%	83%	
	A Vuong	Vu Gia - Thu Bon	210	97%	85%	70%	34%	30%	31%	18%	11%	6%	28%	90%	97%	94%	90%	81%	
	Song Tranh 2	Vu Gia - Thu Bon	190	98%	91%	88%	48%	40%	27%	18%	5%	1%	20%	87%	99%	98%	93%	86%	
	Song Bung 2	Vu Gia - Thu Bon	100	87%	72%	65%	54%	61%	44%	24%	14%	9%	47%	76%	96%	95%	92%	74%	
Song Bung 2	Se San river watershed	156	89%	76%	65%	30%	33%	56%	43%	14%	1%	20%	64%	96%	92%	88%	79%		
Central Highlands	Se San 4	Se San river watershed	360	58%	29%	5%	0%	0%	5%	93%	68%	79%	87%	97%	88%	82%	78%	72%	
	Se San 3A	Se San river watershed	108	67%	67%	33%	0%	67%	33%	67%	100%	100%	100%	100%	42%	33%	33%	0%	
	Se San 3A	Se San river watershed	260	48%	67%	0%	67%	22%	54%	17%	67%	100%	80%	82%	22%	83%	36%	8%	
	Ialy	Se San river watershed	720	70%	48%	16%	5%	5%	24%	27%	55%	81%	88%	97%	78%	47%	23%	15%	
	Pleirong	Dak Bia river watershed	100	95%	85%	76%	45%	23%	7%	21%	61%	95%	100%	100%	100%	100%	95%	75%	
	Thuong Kom Tum	Srepok river watershed	220	100%	88%	69%	39%	20%	17%	27%	27%	37%	56%	100%	100%	100%	100%	74%	
	Buon Tua Srah	Srepok river watershed	56	88%	66%	37%	6%	1%	6%	35%	91%	94%	100%	100%	84%	65%	44%		
	Buon Kop	Srepok river watershed	280	14%	30%	21%	7%	5%	21%	29%	54%	75%	85%	73%	29%	12%	17%	54%	
	Srepok 3	Dong Nai river watershed	220	53%	11%	24%	0%	27%	11%	19%	32%	33%	57%	93%	63%	30%	7%	53%	
	Dai Ninh	Dong Nai river watershed	220	75%	62%	43%	13%	3%	9%	20%	29%	49%	73%	97%	100%	91%	73%	51%	
	Don Duong	Dong Nai river watershed	220	100%	88%	59%	25%	16%	28%	38%	49%	68%	82%	97%	100%	100%	91%	66%	
	Dong Nai 3	Dong Nai river watershed	180	80%	58%	39%	11%	1%	1%	11%	31%	52%	73%	100%	100%	88%	77%	65%	
	Dong Nai 4	Dong Nai river watershed	340	51%	54%	26%	30%	18%	77%	76%	73%	100%	100%	86%	62%	78%	62%	50%	
	Ham Thuan	Dong Nai river watershed	300	65%	47%	28%	9%	4%	8%	26%	72%	86%	90%	100%	100%	93%	77%	58%	
Da Mi	Con river watershed	175	14%	35%	23%	57%	43%	43%	56%	32%	89%	100%	82%	38%	8%	8%	26%		
Kanak	Con river watershed	173	97%	88%	74%	54%	43%	36%	18%	27%	15%	19%	61%	86%	31%	52%	21%		
An Khe	Dong Nai river watershed	173	54%	31%	41%	25%	31%	34%	23%	68%	62%	35%	100%	55%	19%	19%	71%		
Southeast	Thac Mo	Dong Nai river watershed	225	74%	56%	41%	19%	2%	1%	19%	61%	83%	100%	100%	100%	88%	76%	62%	
	Tri An	Dong Nai river watershed	400	52%	42%	27%	4%	2%	8%	36%	84%	86%	94%	92%	98%	98%	91%	81%	

Source: EVN, PGV, KIS Vietnam

- Coal-fired:** recognizing a significant growth in output compared to both 4Q23 and the same period in 1Q23. The production output for the period reached 40bn kWh (+43% yoy, figure 9). The robust growth comes from shortages of hydropower sources and the advantage of coal prices, which have fallen faster than natural gas prices in recent months. This led to an improvement in the output proportion of the coal-fired power plants in 1Q24 reaching 57%, a 27% increase compared to the 46% recorded in 4Q23. On this basis, we also expect the gross margin of the thermal power plants to grow significantly in 1Q24.

Besides, we believed that the dry season in April and May would not be as serious as last year, when the thermal plants' capacity would be boosted by 24% compared to the same time last year by an improvement in the average capacity factor of coal-fired power plants in 1Q24. In addition, two Van phong coal-fired power plants (1,320 MW), Thai Binh 2 (1,200 MW), and the comeback of Vung Ang-unit 2 (600MW).

Figure 9. The coal-fired and renewable power groups recorded output growth in both QoQ and YoY



Source: PVN, GAS, KISVN

Figure 10. In Feb and Mar 24, the percentage of coal-fired groups' production increased significantly, whereas there was a decline in hydropower groups

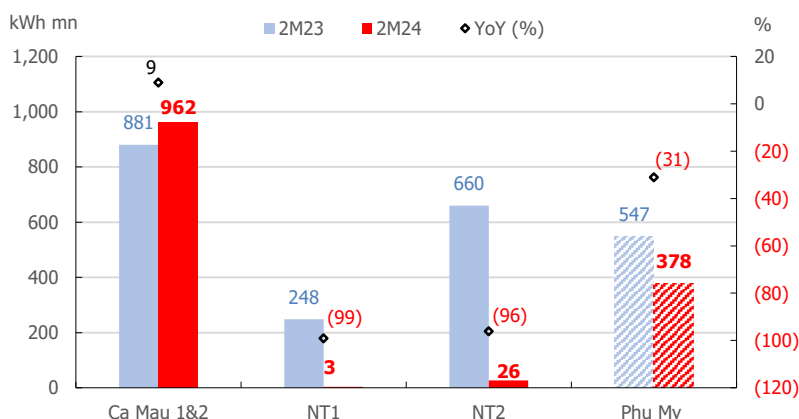
	Hydropower	Coal fired	Gas fired	Oil fired	Renewable	Solar	Wind
Mar-24	11%	62%	9%	0%	16%	9%	5%
Feb-24	15%	57%	9%	0%	16%	10%	6%
Jan-24	20%	53%	8%	0%	17%	9%	8%
Dec-23	26%	52%	7%	0%	15%	8%	7%
Nov-23	34%	43%	8%	0%	13%	8%	6%
Oct-23	36%	43%	9%	0%	10%	8%	2%
Sep-23	41%	39%	7%	0%	12%	9%	3%
Aug-23	46%	32%	5%	0%	17%	11%	5%
Jul-23	27%	52%	10%	0%	10%	7%	3%
Jun-23	21%	54%	11%	0%	12%	10%	3%
May-23	17%	50%	16%	3%	11%	10%	3%
Apr-23	22%	51%	12%	1%	13%	10%	2%
Mar-23	21%	50%	12%	0%	16%	11%	5%
Feb-23	25%	44%	12%	0%	17%	11%	6%
Jan-23	30%	41%	10%	0%	16%	9%	7%

Source: NOAA, EVN, KISVN

- Gas-fired:** in 1Q24, production output reached 6.1bn kWh (-15% yoy or +10% qoq). The drop over the same period comes from the increase in wind power capacity in the system, forcing high-cost energy sources such as gas-fired to be cut back. In addition, the fact that gas prices are still anchored at a relatively high level, while coal prices have cooled down, is also a disadvantage for gas-fired plants in the competitive electricity market.

Because of this, statistics on the 2M24 output of the gas-fired plants also showed a downward trend (figure 11). The worst effects can be seen in Nhon Trach 1 (-100% yoy), Nhon Trach 2 (-96% yoy), or Phu My (31% yoy as of January 24). Ca Mau 1&2 might be the only plant to see its output go up (962 mn kWh, or +9% year over year) in 2M24 thanks to the terms of the natural gas purchase commitment with Petronas.

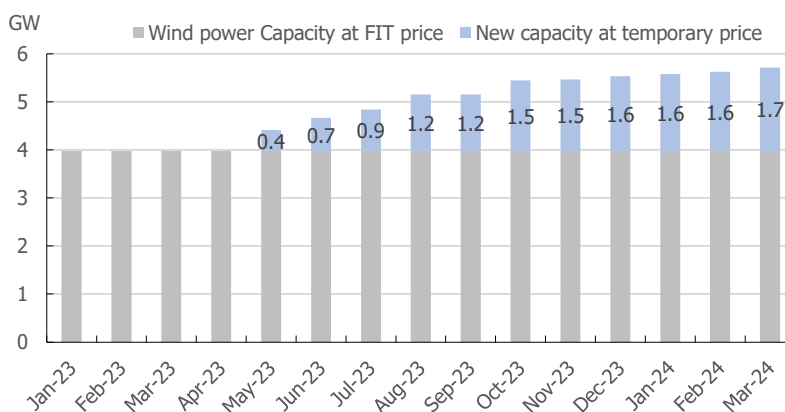
Figure 11. Cumulative 2M24 production output of the gas-fired plants decline significantly, QoQ and MoM almost plants recorded negative results



Source: EVN, PGV, KIS Vietnam

- **Renewable energy:** in 1Q24, electricity volume reached 11.3bn kWh (+12% yoy and +27% qoq), accounting for approximately 16% of the system output. The growth is due to adding more wind power sources to the system, which added 1,645 MW or 41% yoy (figure 12).

Figure 12. There was 1,645 MW (+41% yoy) of wind power capacity added to the national system



Source: EVN, NLDC, KIS Vietnam

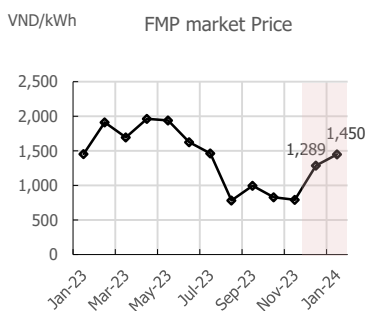
Coal-fired plants improved GM, whereas Gas-fired plants' GM were impacted negatively

- **The average price of FMP in 1Q24 is about 15% less than the price of 1,689 per kWh in 1Q23.** These changes are due to the fact that coal prices have been dropping in recent months. In addition to increasing wind power capacity, it has also caused spot market prices (SMP) to cool down due to the A0-center's reduced use of high-cost power sources such as oil and gas-fired turbines.
- **Coal-fired plants' GM benefits from the cooldown of coal prices, besides an increase in capacity factor.** By the end of 1Q24, the price of coal had dropped to 48 USD per tonne, 43.4% below its peak of 89 USD per tonne last year. In the meantime, the selling price – FMP only went down by 15% yoy. Along with the coal-fired power plants' capacity factor up to 60%, an increase of 5% compared to 55% last year. These

are likely to give them the drive to greatly improve their gross margin index in 1Q24 compared to the same time last year.

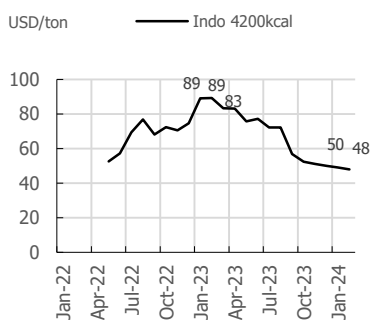
- Natural gas costs still remain high might put the pressure on Gas-fired plants' GM:** in the Southeast, natural gas prices still remain high, around USD9.3 per mmBTU and there is no sign of a decline. As a result, gas power group's output decreased by 15% yoy. In the sector highly impacted by operating leverage, it is probable that gas turbine plants will have a weak quarter in terms of profitability indicators in the first quarter of 2024.

Figure 13. The avg of FMP in 1Q24 is about 15% less than the price of 1,689 per kWh in 1Q23



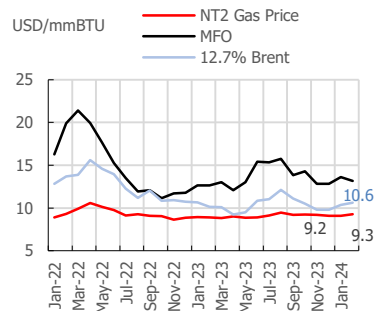
Source: Genco3, KISVN

Figure 14. By the end of 1Q24, the price of coal had dropped to 48 USD per tonne, a drop of 43% yoy



Source: Bloomberg, KISVN

Figure 15. The gas prices in the Southeast have not improved



Source: Bloomberg, GENCO3, KISVN

II. 1Q24F business results of listed enterprises

QTP - Growth comes back

Table 3. QTP 1Q24 earnings forecast

(VNDbn, %)

	1Q23A	4Q23A	1Q24F	1Q24F		2024F	2024F	Consensus	
				yoy	qoq			yoy	1Q24F
Revenue	2,995	2,847	2,689	(10)	(6)	11,328	(6)	-	11,622
GP	178	279	211	18	(24)	949	16	-	922
SG&A costs	21	45	19	(10)	(58)	110	(3)	-	-
OP	157	233	192	22	(18)	838	19	-	-
Non-operating P/L	(5)	(11)	(11)	111	0	(12)	(79)	-	-
EBT	152	222	181	19	(19)	827	28	-	-
NP	144	211	171	19	(19)	785	28	-	612
Controlling-int. NP	144	211	171	19	(19)	785	28	-	612

Source: Company data, Bloomberg, KISVN estimate

We forecast revenue's QTP to reach VND2,689bn (-10% yoy), due to the impactfull full market price (FMP) recording a decrease of 15% compared to the same period. Noticeably, production output in 1Q24 positive growth reached 1.8bn kWh (+7.2% yoy), and capacity factor (CF) boosted to a fairly high level of 75% when A0 proactively raise mobilization thermal power plants of the North region to reserve water for the dry season

At the same time, we forecast NPAT in 1Q24 reached VND168bn (+51% yoy). The major reason from (1) improvement of gross profit margin as input coal prices have cooled faster than full market price (FMP).

We still recommend **BUY** for **QTP** in both the short, mid, and long term based on the positive outlook for NPAT in 2024 and beyond.

REE - Impactful from the El Niño phase

Table 4. REE 1Q24 earnings forecast

(VNDbn, %)

	1Q23A	4Q23A	1Q24F	1Q24F		2024F	2024F	Consensus	
				yoy	qoq			yoy	1Q24F
Revenue	2,369	2,065	2,133	5,810	172	9,799	14	-	9,864
Energy & water	1,552	1,245	1,244	2,310	86	4,874	(2)	-	-
M&E	550	574	649	456	(30)	3,245	22	-	-
Real estate	270	248	240	1,854	672	1,680	60	-	-
GP	1,254	922	878	(204)	(123)	5,918	22	-	3,963
SG&A costs	121	344	121	2,400	1,890	905	20	-	-
OP	1,133	578	757	2,135	182	5,014	22	-	-
Non-operating P/L	19	104	36	1,855	5,004	471	362	-	-
EBT	1,152	682	793	(31)	16	3,447	13	-	-
NP	1,055	643	726	(31)	13	3,143	13	-	2,476

Source: Company data, Bloomberg, KISVN estimate

We predict revenue and NPAT's REE will record VND2,065bn (-13% yoy) and VND725bn (-31.% yoy), respectively. On the above premises, we believe that the energy sector is still negatively affected by El Niño phase, alongside the office leasing segment, which may not fully recover in 1Q24.

In addition, energy sector and water, we forecast a decrease of 16% in the output of two hydropower plants Thac Ba-REE (TBC, -33% yoy) and Vinh Son, Song Hinh, Thuong Kom Tum (VSH). Besides, the operating performance of joint ventures and affiliated companies in the hydropower sector is also likely to

be affected by the El Niño phase and the plan to prioritize water retention for the dry season.

POW: The unfavorable quarter

Table 5. POW 1Q24 earnings forecast

(VNDbn, %)

	1Q23A	4Q23A	1Q24F		2024F		Consensus		
			yoy	qoq	yoy	1Q24F	2024F		
Revenue	7,424	6,412	5,954	(20)	(7)	27,641	(1)	-	31,529
GP	679	728	(3)	(100)	(100)	1,289	(41)	-	2,574
SG&A costs	126	297	95	(25)	(68)	771	(1)	-	-
OP	552	431	(98)	(118)	(123)	518	(63)	-	-
Non-operating P/L	138	16	127	(7)	678	(295)	(266)	-	-
EBT	690	448	29	(96)	(94)	261	(82)	-	-
NP	650	446	27	(96)	(94)	238	(82)	-	1,297

Source: Company data, Bloomberg, KISVN estimate

We forecast revenue's POW recorded VND5,954bn, -20%yoy, and NPAT was VND27bn, a significant decrease of 96% yoy. On this basis, the commercial output in 1Q24 estimated at 3.7bn kWh (-6% yoy). Of which, the actual accumulated output in 2M24 only reached 2.1bn kWh (-17% yoy).

The primary cause is the potential NPAT loss at two factories, NT1 and NT2, as a result of inadequate commercial output in 1Q24 (est run ~2% capacity for NT1 and ~7% for NT2 in 1Q24). Also, Elnino has a significant impact on the power-producing capacity of two hydroelectric facilities, Hua Na and Dak Rinh.

In addition, we strongly believe in a positive outlook for POW in the long term, as it plays an important role in maintaining system stability. However, in 2024–25, the company could experience a decline in earnings due to the expansion of renewable energy sources and high gas prices. As a result, we modified POW's valuation to **VND15,100** per share, a decline of VND1,500 (-9%) compared to our last report, and keep **HOLD**-ratings for POW in 1H24.

NT2: Commercial output plummeted

Table 6. NT2 1Q24 earnings forecast

(VNDbn, %)

	1Q23A	4Q23A	1Q24F		2024F		Consensus		
			yoy	qoq	yoy	1Q24F	2024F		
Revenue	7,424	6,412	314	(96)	(95)	3,094	(52)	-	5,640
GP	679	728	(202)	(130)	(128)	(280)	(155)	-	104
SG&A costs	126	297	5	(96)	(98)	33	(52)	-	-
OP	552	431	(207)	(137)	(148)	(314)	(171)	-	-
Non-operating P/L	138	16	127	(7)	678	106	42	-	-
EBT	690	448	(80)	(112)	(118)	(207)	(140)	-	-
NP	650	446	(80)	(112)	(118)	(191)	(140)	-	28
Controlling-int. NP	650	446	(80)	(112)	(118)	(191)	(140)	-	28

Source: Company data, Bloomberg, KISVN estimate

We forecast revenue's NT2 recorded VND314bn, a significant decrease of 96% yoy and NPAT was -VND103bn. On this basis, the commercial output in 1Q24 estimated at 121mn kWh (-89% yoy). Of which, the actual accumulated output in 2M24 only reached 26mn kWh (-96% yoy).

So, the main reason for (1) the gas price is that it is still so high that it's hard for NT2 to compete with coal-fired plants, whose costs have gone down a lot. Also, (2) the system has added an extra 1,650 MW of wind power capacity, which is an increase of 41% yoy. This is putting pressure on gas-fired plants' output, like

NT2 as well.

We also think that NT2's earnings could go down from 2024-28 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 adjusted NT2's valuation to **VND19,900** per share and changed to **HOLD**-ratings for NT2.

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