

13 Feb 2025

PV POWER (POW)

Gross margin encountered many challenges

- NPAT decline by 26% yoy in 4Q24
- 1Q25F - Facing Challenges
- Maintain the HOLD recommendation

Facts: NPAT declined by 26% yoy in 4Q24

POW's 4Q24 revenue grew to VND8,493bn, up 32% yoy (figure 1). Increasing revenue driven by total the output recorded 4,556mn kWh (+22% yoy), specially:

- **Hydropower:** Production output swelled by 4% yoy to 391mn kWh (figure 2) driven by Hua Na and Dak Drinh hydropower plants and hence, hydropower revenue reached by VND361bn, 18% yoy (figure 1).
- **Coal-fired power:** Production output rose 21% yoy to 1,577mn kWh (figure 2), and revenue was up 31% yoy to VND2,972bn, due to EVN prioritizing the mobilization of alternative power sources such as coal-fired thermal power, when the water inflow at the reservoirs is still low level (figure 5).
- **Gas-fired power:** Production surged 68% yoy to 2,588mn kWh (figure 2), thanks to A0's decision to mobilize the gas-fired plants to stabilize the power system following the expiration of the BOT contract for Phu My 3; Phu My 1 and Phu My 2.2 (expansion) went into maintenance operation. This to led revenue's gas-fired power group growth of VND4,962bn, +31% yoy.

However, GP recorded VND540bn (-26% yoy, figure 3), as the gross margin declined to 6.4% (-5%p yoy). The main reasons come from: (1) the alpha Qc coefficient dropping from 80% to 70% in 2024 (figure 8), leading to lower profits in the CFD market; and (2) the inefficiency of NT1 and NT2, which had a significant impact on NPAT.

Besides, (3) the impact from G&A expenses surged 33% yoy to VND394bn; (4) Financial revenue plummeted 100% yoy to VND0.26bn. But (5) the benefit from VND413bn in other income from Vung Ang compensation which eases the downward pressure on profits. As a result, NPAT declined to VND234bn (-47% yoy).

Table 1. Quarterly earnings snapshot in 4Q24

(VND bn, %, %p)

	4Q23	1Q24	2Q24	3Q24	4Q24	QoQ	YoY
Sales	6,412	6,243	9,382	6,061	8,493	40	32.4
OP	429	207	439	542	(164)	(130)	(138)
OP margin (%)	6.7	3.3	4.7	8.9	1.9	(7.0)	(4.8)
EBT	448	278	442	547	250	(54)	(44)
NPAT	446	216	441	453	235	(48)	(47)

Source: FiinPro-X, Company data, KISVN

12M rating **HOLD**

12M TP

Up/Downside

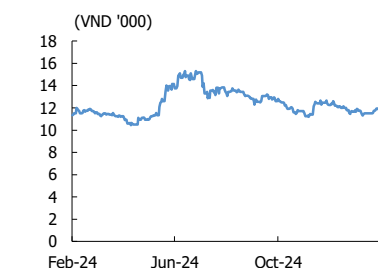
Stock data

VNIndex (13 Feb, pt)	1,270
Stock price (13 Feb, VND)	12,150
Market cap (USD mn)	1,117
Shares outstanding (mn)	2,342
52-Week high/low (VND)	15,300/10,450
6M avg. daily turnover (USD mn)	2.66
Free float / Foreign ownership (%)	20.1/3.6
Major shareholders (%)	
PVN	79.74
PYN Elite Fund	2.51

Performance

	1M	6M	12M
Absolute (%)	3.0	(9.3)	7.0
Relative to VNIndex (%p)	0.1	(13.5)	(0.9)

Stock price



Source: Bloomberg

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Pros & cons: 1Q25F - Facing Challenges

In 1Q25F, we anticipated that POW's output could continue to grow strongly, due to expecting the output to rise 20% yoy according to EVN's plan for 2025.

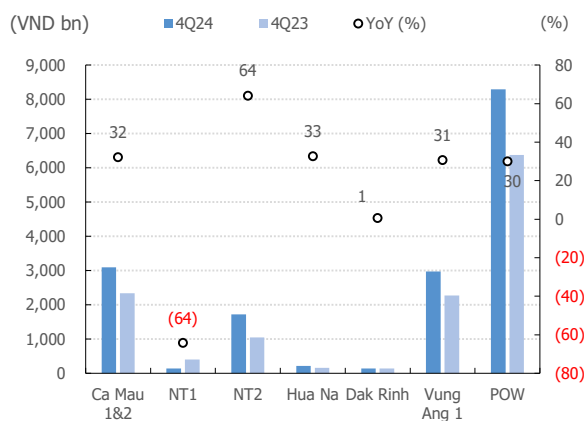
In contract, NPAT could experience negative result. Although we expect hydropower and gas-fired plants could get higher profits in 1Q25F compared to the same period. However, the Vung Ang 1 coal-fired plant the most efficient facility of POW could face significant pressure from low CAN prices (-85% yoy, figure 7). This is also the key factor weighing on the company's growth outlook in 1Q25F. Specially:

- *Hydropower plants:* We expect the output of POW's hydropower plants to increase slightly thanks to the effect of the La-Niña phase lasting into 1Q25F. We also believe that that increase in output could offset the decline of FMP (-6% yoy, figure 7). Therefore, we expect the gross margin and profit of the hydropower group to record growth in 1Q25F.
- *Gas-fired power:* According to EVN's mobilization data from option 1A, to ensure electricity consumption demand continues to increase in 2025F (+11% yoy), the output of POW's gas-fired power plants is expected to continue to increase (+36% yoy). However, we believe the increase of SMP is faster than the natural gas price as above mentioned. These advantage points could fully cover the plunge in CAN price. So, we believe the gross margin and profit of the gas-fired group could grow in 1Q25F.
- *Coal-fired plant:* We believe the outlook for the coal-fired power segment could improve due to Vung Ang's expected output growth of 33%, driven by the anticipated increase in the alpha Qc coefficient from 70% to 80% (figure 8) in 2025. However, we anticipate these advantages may not fully offset the sharp decline in CAN prices (51VND/kWh; -85% yoy, figure 7) in 1Q25F.

Action: Maintain the HOLD recommendation

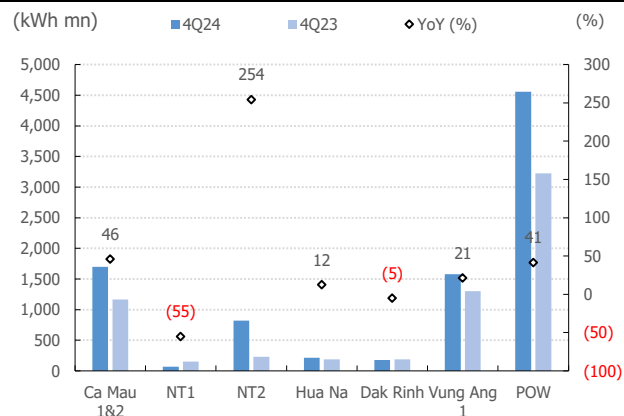
We believe that POW has a positive in the mid, and long-term. In addition, POW plays an important role in maintaining system stability. However, POW's negative earnings results in 1Q25F could impact the stock price in the short term and the NT3 and NT4 projects pose significant risks as POW has not yet secured a committed Qc guarantee level for the PPA contract. Thus, we recommend a **HOLD** rating for **POW** on the watchlist.

Figure 1. Revenue boosted (+30% yoy) VND8,493bn



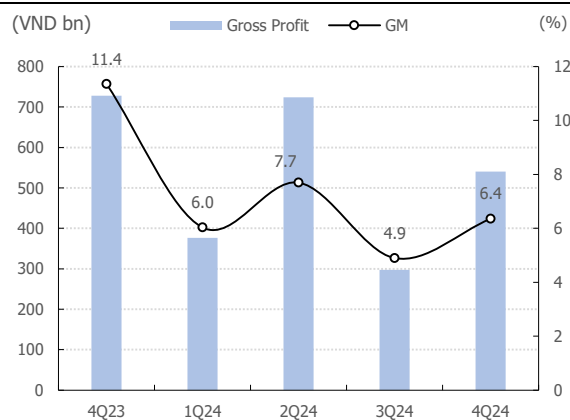
Source: Company data, FiinPro-X, KIS Research

Figure 2. Output 4Q24 growth +41% yoy to 4,556mn kWh



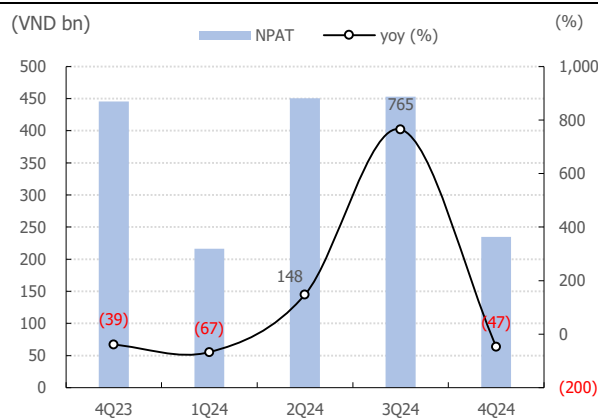
Source: Company data, FiinPro-X, KIS Research

Figure 3. GM down to 6.4% (-5%p yoy)



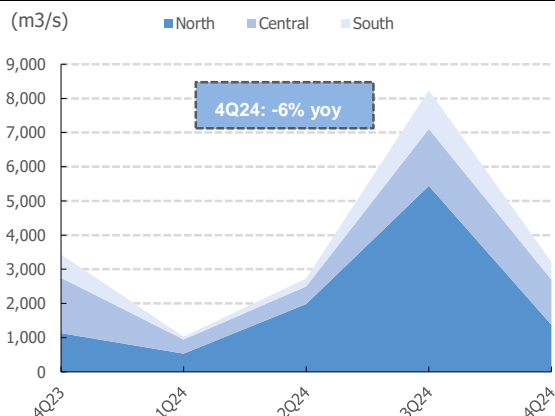
Source: Company data, FiinPro-X, KIS Research

Figure 4. NPAT decline by VND234bn, -47% yoy



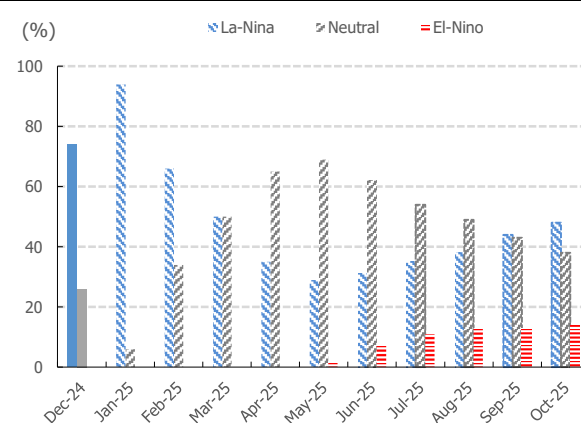
Source: Company data, FiinPro-X, KIS Research

Figure 5. The water inflow at the reservoirs still remain at a low level in 4Q24



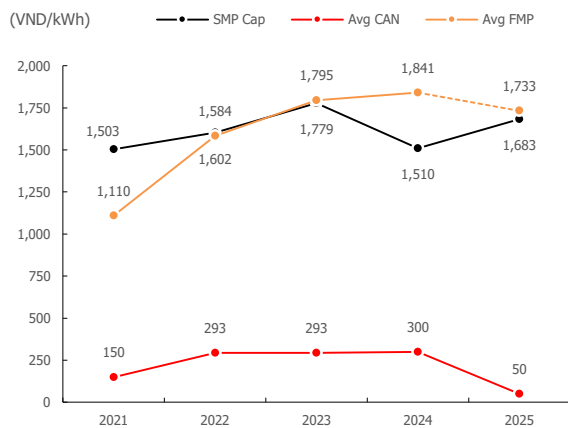
Source: EVN, KIS Research

Figure 6. La-Niña is expected to last until the Mar 2025 and transition to the Neutral in 2H25, with a probability of 55%



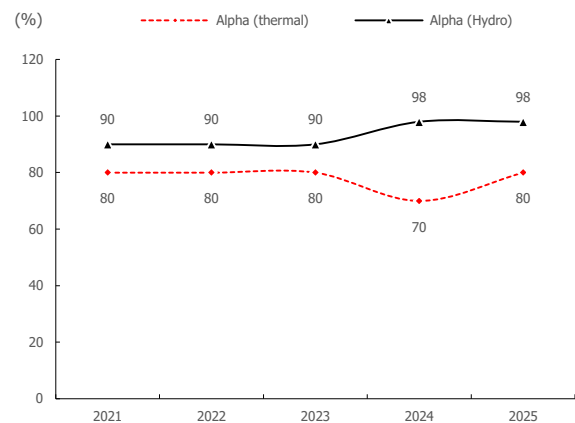
Source: NOAA, KIS Research

Figure 7. CAN price drops sharply in 2025 (-85% yoy), significantly affecting FMP price



Source: EVN, KIS Research

Figure 8. Alpha coefficient in contract output of sources in 2025



Source: EVN, KIS Research

■ 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.	2022A	2023A	2024A	2025F	2026F
Current assets (Adj.)	24,925	29,152	30,171	48,990	52,069
Cash & cash equivalent	8,252	8,592	11,720	25,893	26,342
Non-current assets (Adj.)	12,538	14,641	11,941	15,474	17,553
Fixed Asset	2,086	2,168	1,795	2,617	3,027
Investment assets	16,673	20,560	18,451	23,097	25,728
Others	29,155	26,401	24,321	54,403	50,183
Total assets	878	958	766	766	766
Advances from customers	4	1	26,023	2,643	3,800
Unearned revenue	0	0	81,281	106,802	106,818
Trade payables	7,346	15,950	3	4	5
Others	5,340	4,810	-	-	-
ST debt & bond	5,635	5,500	17,159	23,736	26,925
LT debt & bond	3,382	7,179	4,464	6,175	7,004
Total liabilities	23,562	36,181	13,508	15,828	16,172
Controlling interest	30,516	31,452	9,151	24,048	20,628
Capital stock	23,419	23,419	46,675	73,096	74,483
Capital surplus	(0)	(0)	31,911	31,011	29,640
Other Reserves	3,678	4,074	23,419	23,419	23,419
Retained earnings	3,420	3,959	(0)	(0)	(0)
Shareholders' equity	2,765	2,714	4,460	4,460	4,460

Cash flow VND bn

FY-ending Dec.	2022A	2023A	2024A	2025F	2026F
C/F from operations	3,156	3,257	5,589	4,423	2,153
Net profit	2,809	1,459	2,708	(1,118)	(1,831)
Depreciation	2,809	2,809	2,818	4,218	4,218
Net incr. in W/C	5,456	5,101	5,422	3,968	3,017
C/F from investing	(3,374)	(6,258)	(22,280)	(7,467)	1,372
Capex	(2,600)	(6,054)	(20,685)	(8,514)	12
Incr. in investment	(774)	(204)	(1,594)	1,046	1,360
C/F from financing	245	3,321	19,635	17,217	(3,076)
Incr. in equity	-	82	9,770	-	-
Incr. in debts	-	3,604	27,050	2,320	343
Dividends	(199)	(365)	-	-	-
C/F from others	(0)	21	0	-	-
Increase in cash	28	340	2,944	14,172	449

Income statement VND bn

FY-ending Dec.	2022A	2023A	2024A	2025F	2026F
Net sales	28,224	27,945	30,180	41,746	47,355
COGS	24,498	25,761	28,232	41,162	47,611
Gross profit	3,726	2,183	1,948	584	(255)
SG&A	868	779	874	835	947
Operating profit	2,859	1,404	1,073	(1,331)	(1,202)
Financial income	445	550	616	1,046	1,360
Interest income	319	449	460	978	1,292
Financial expenses	592	680	667	1,915	1,990
Interest expenses	438	498	382	1,915	1,990
Other non-operating profit	44	147	1,684	-	-
Gains (Losses) in associates, subsidiaries and JV	53	38	1	1	1
Earnings before tax	2,809	1,459	2,708	(1,331)	(1,831)
Income taxes	256	129	4	(157)	(366)
Net profit	2,553	1,329	2,704	(1,331)	(1,465)
Net profit of controlling interest	2,061	1,075	1,252	(962)	(1,465)
EBITDA	6,061	4,767	5,925	5,015	4,377

Key financial data

FY-ending Dec.	2022A	2023F	2024A	2025F	2026F
per share data (VND, adj.)					
EPS	824	430	500	(384)	(585)
BPS	13,031	13,430	13,626	13,242	12,656
DPS	-	-	-	-	-
Growth (%)					
Sales growth	14.9	(1.0)	8.0	38.3	13.4
OP growth	19.1	(50.9)	(23.5)	(123.3)	379.9
NP growth	24.4	(47.9)	103.4	(135.6)	52.3
EPS growth	14.6	(47.8)	16.5	(176.8)	52.3
EBITDA growth	19.1	(50.9)	(23.5)	(123.3)	379.9
Profitability (%)					
OP margin	10.1	5.0	3.6	(0.6)	(2.5)
NP margin	9.0	4.8	9.0	(2.3)	(3.1)
EBITDA margin	10.1	5.0	3.6	(0.6)	(2.5)
ROA	4.6	2.1	3.6	(1.0)	(1.4)
ROE (excl MI)	7.0	3.5	4.0	(3.1)	(4.8)
Dividend yield	-	-	-	-	-
Dividend payout ratio	28	20	-	-	-
Stability					
Net debt (VND bn)	765	4,087	10,939	13,984	10,459
Net debt/equity (%)	2	12	32	41	32
Valuation (X)					
PE	11.1	19.8	10.7	(30.1)	(19.7)
PB	1.3	0.8	0.9	0.9	1.0
EV/EBITDA	9.4	22.0	33.3	(142.8)	(29.8)

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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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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
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