POWER SECTOR: Hydropower shines and regulatory framework steadily takes shape

- Power consumption grow modestly in 2Q25, with the average growth rate for April–May reaching only ~1% yoy. In May 2025, EVN implemented another 4.8% electricity price hike, marking the fourth consecutive annual increase over the past three years.
- 2Q25 hydropower output is expected to recover from a low base last year, while renewable energy output remains flat yoy, and coal- and gas-fired power decreases yoy.
- We forecast NPAT-MI for companies under our power sector coverage may grow by 13% yoy in Q2/2025, with REE and HDG among the most notable outperformers.

2Q25 power consumption expected to be lower than the MOIT's plan

In 2Q25, electricity consumption is expected to remain low, with April–May growth reaching only ~1.0% yoy, far below the Ministry of Industry and Trade's initial 2025 target of 11% yoy. However, with power generation capacity only increasing by ~1.8% YTD, electricity shortage pressure may emerge from 3Q25, although risks remain low. In May, EVN implemented another 4.8% price hike, the fourth in three consecutive years. We expect this to help improve financial performance for the company, thereby supporting power plant dispatch and investment cash flows across the industry.

Hydropower output expected to rise sharply, renewable energy stable, while coal and gas-fired generation may decline yoy

Hydropower generation is forecast to improve significantly in 2Q25 (5M25: +35% yoy), mainly driven by a recovery from last year's low base, when El Niño conditions persisting, and tighter water storage plans in preparation for the hot season. According to the National Center for Hydro-Meteorological Forecasting, neutral ENSO conditions will persist through late 2025 with highest probability. Nationwide rainfall is expected to be around the multi-year average during this period, but the Central Region is seeing notably higher rainfall, benefiting companies with plants located there such as REE and HDG.

Coal-fired power output is projected to remain relatively stable, decline slightly in 2Q25. Although imported coal prices dropped ~14% yoy since early 2025, the observed mixed coal price only declined ~2–5% yoy, resulting in a slight decrease in coal power selling prices. In 2025, the regulated Qc ratio is set at 80%, up from 70% in 2024. However, given a sharp 22% drop in market electricity prices in April–May, gross profit margins for coal-fired plants are unlikely to improve significantly during this period.

2Q25 gas-fired output is expected to decline, primarily due to ongoing gas supply shortages and lower demand growth, which hinder dispatch opportunities, especially with elevated gas prices. Notably, some plants (Phu My 2.2, Phu My 3) that have ended BOT contracts are now allocated much lower Qc volumes and must rely on LNG. This benefits listed companies such as POW and NT2, which are assigned higher Qc and have more stable domestic fuel sources.

Renewable energy output in 2Q25 is expected to remain stable. These plants are typically prioritized for dispatch within the power system, and curtailment risks have significantly eased as the grid becomes more technically capable of handling variable generation.

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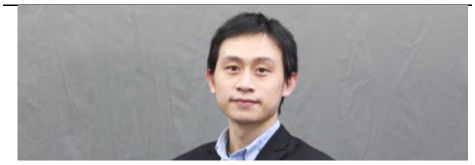

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2Q25 marked by rollout of several major policy developments

2Q25 recorded a positive shift with the rollout of key regulatory frameworks that support the next growth phase of the power sector. The implementation roadmap for the Revised PDP8 was issued in May 2025, emphasizing stronger commitments to increasing RE capacity, followed by emerging energy types such as nuclear, pumped-storage hydropower, and BESS. In addition, the RE price framework issued in 2Q25, unlocking investment potential after four years of policy deadlock. Specifically, onshore and nearshore wind tariffs are 17% and 8% higher, respectively, than the transitional price framework—levels considered attractive for investors. As for solar power, many developers remain cautious as the new tariff is equivalent to the transitional price, though a few experienced and capable companies have shown interest, especially in floating solar projects. Currently, several provinces are launching tenders for expressions of interest in new projects, drawing attention from many investors. Among listed companies, REE and GEG are prominent participants. On the downside, risks persist due to regulatory scrutiny and the legacy of past violations among RE projects, which continue to weigh on the sector.

2Q25 NPAT-MI forecast among our power sector's coverage

No	ticker	Sector	2Q25 NPAT-MI forecast					Comment
			2Q25	%yoy	%qoq	2025	%yoy	
1	REE	Hydropower, RE power	468	32%	-23%	2,588	30%	2Q25 NPAT-MI is expected to increase by 32% yoy, driven by: 1) Strong recovery in hydropower mobilization from a low base; 2) Continued handover of real estate projects and new office buildings for lease; 3) REE expects to complete the transfer of the apartment section of The Light Square in 2Q25. Accordingly, 6M25 NPAT is expected to grow by 47% yoy, fulfilling 48% of the company's 2025 NPAT target.
2	HDG	Hydropower, RE power	85	33%	-45%	882	53%	2Q25 NPAT-MI is expected to grow by 33% yoy, supported by: 1) A sharp increase in hydropower output due to favorable weather in the Central region; 2) Wind power output improvement thanks to the removal of capacity curtailment clauses. This offsets the decline in real estate revenue as HDG has not yet launched Charm Villa Phase 3, and the company continues to make provisions of ~VND30–40bn for price reductions in Hong Phong 4 solar power. Accordingly, 6M25 NPAT is expected to decline by 8% yoy, fulfilling 25% of the 2025 target. We believe this level remains consistent with forecasts as the 2H25 will see additional revenue from the launch of Charm Villa Phase 3, and Q4 is typically HDG's peak hydropower season.
3	POW	Gas- & coal-fired power	435	11%	-2%	1,261	1%	2Q25 NPAT-MI is expected to increase by 11% yoy. Output is projected to grow slightly by 4% yoy, supported by coal and hydropower, offsetting declines from gas-fired power. Gross margin is expected to improve from a low base thanks to higher Qc allocation in 2025 which is beneficial amid a 22% yoy drop in market electricity prices in April and May. 6M25 NPAT is forecast to grow by 50% yoy, completing 225% of the full-year target. This reflects pressures from projected net losses once Nhon Trach 3&4 come online in 3Q25. However, this is still considered a conservative forecast as the company has a history of setting targets much lower than actual results.
4	NT2	Gas-fired power	120	-2%	224%	303	321%	2Q25 NPAT-MI is expected to decline slightly by 2% yoy as output dropped 15% yoy due to lower-than-expected power demand and high gas prices at ~USD 9.4/mmbtu. However, we expect gross profit margin to improve from a low base thanks to higher Qc allocations. In April and May, the company was not fully dispatched according to Qc plans, so it is expected that NT2 could record additional Qc compensation revenue. Accordingly, 6M25 NPAT is projected to reach VND157bn from a net loss of VND38bn in 2Q24, achieving 56% of the company's full-year target.
5	QTP	Coal-fired power	167	-4%	-3%	620	-5%	2Q25 NPAT-MI is expected to decline slightly yoy with output remains flat. Gross profit margin is expected to decline mainly due to a 22% yoy drop in market electricity prices, partially offset by the Qc ratio increasing to 80% from 70% last year. Accordingly, 6M25 NPAT is forecast to decrease by 12.5% yoy, completing 73% of the 2025 target. We note that QTP has a history of conservative planning, with actual NPAT in previous years tending to reach ~130–140% of the target.
6	PC1	RE power, power construction	142	-11%	158%	590	28%	2Q25 NPAT-MI is expected to decrease by 11% yoy, mainly due to: 1) Lower profit from construction and steel pole manufacturing, down from last year's high base thanks to the 500kV Transmission Line Phase 3 project; 2) Persistent exchange rate loss pressure during the quarter. On the other hand, power segment is expected to remain flat yoy, and nickel segment profit is expected to grow from a low base. Accordingly, 6M25 NPAT is expected to remain flat yoy, achieving 38% of the full-year target. This is still considered an appropriate forecast as the company plans to hand over the Thap Vang real estate project in 2H25, which is also a period of acceleration for large construction contracts.

Sources: MBS Research

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Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

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