

PetroVietnam Power Corporation (HSX: POW)

- 1Q24 NP fall 48% yoy, under severe loss from Nhon Trach 1&2, partly offsetting by robust output growth of Vung Ang 1 and Ca Mau 1&2.
- We expect 2024-25 NP to increase 10% yoy/42% yoy, with Nhon Trach 3&4 to be the long-term growth when come online from 2025.
- Reiterate ADD with higher TP of VND16,800/share.

ADD

Target price

VND 16,800

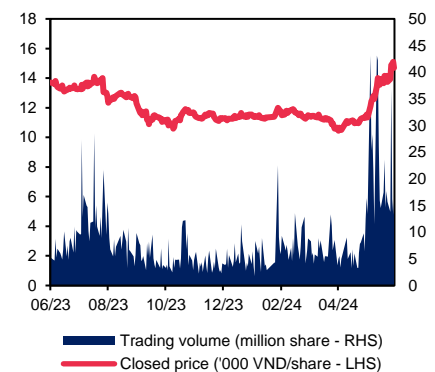
Upside

15%

Key changes in the report

Revise up 2024/25 EPS by 3.0%/16.3%

Price performance



Sources: FiinPro, MBS Research

Current price (VND)	14,700
52W High (VND)	15,100
52W Low (VND)	10,450
Market Cap (VNDbn)	34,426
P/E (TTM)	42.1
P/B	1.1
Dividend yield (%)	0.0%
Foreign ownership (%)	2.9%

Sources: <https://s24.mbs.com.vn/>

Ownership

PVN	79.9%
Others	20.1%

Sources: <https://s24.mbs.com.vn/>

1Q24 recap: Nhon Trach 1&2 severe loss to hamper company's bottom line

In 1Q24, total output dropped 10% yoy, mainly due to Nhon Trach 1&2 output slump under severe gas shortage, partly offset by positive mobilization from Vung Ang 1 and Ca Mau 1&2. ASP decreased 11% yoy, following lower coal-fired power ASP thanks to input price drop, leading to revenue cut down 16% yoy. Notably, gross profit dropped 45% yoy due to NT2 1Q24 gross loss of VND225bn. Financial income decreased 19% yoy due to lower deposit income while financial expenses increased 10% yoy under significant exchange rate loss. Accordingly, 1Q24 net profit fall 48% yoy, in line and completed 23% our forecast.

2024-25 outlook: Nhon Trach 1&2 outlook remain bleak, offset by solid recovery from Ca Mau 1&2 and Vung Ang 1

From 2024, we expect Ca Mau 1&2 and Vung Ang 1 robust growth to be the main drivers for POW's 3.5% yoy output growth, offsetting Nhon Trach 1&2 slump, thanks to sufficient gas supply from Northeastern gas fields and Vung Ang 1 run at full capacity after repaired. Hydropower will recover from 2Q24 onward after intensively reserving water in 1Q24, leading to total POW output to increase 13% yoy. Thus, revenue rises 12% yoy and NP to increase 10% yoy from 2023 low-base.

In 2025, we see Nhon Trach 3&4 – POW new LNG-to-power plants, to support robust output growth of 63% yoy, combining with Nhon Trach 1&2 recover from low base. However, under expected net loss in the first two years for the new plants, we see one-off gains, including EVN Viet Lao divestment and Vung Ang 1 compensation to be the timely 2025 NP's growth driver of VND1,690bn (+42.6% yoy).

Reiterate ADD with higher TP of VND16,800/share

We reiterate ADD rating with higher TP of VND16,800 (+13% versus previous report) driven by an upward revision of our 2024-25 EPS projections by 3.0%/16.3%. We see POW as one of the most outstanding players to benefit in LNG-to-power trend thanks to its pipeline of mega projects in 2025-35 period, hence we believe POW is a potential opportunity for a long-term investment horizon.

VNDbn	2023	2024F	2025F	2026F
Revenue	27,945	31,507	46,305	50,776
Net profit	1,075	1,185	1,690	2,127
Revenue growth	-1.0%	12.7%	47.0%	9.7%
Net profit growth	-47.8%	10.2%	42.6%	25.9%
Gross margin	7.8%	7.2%	8.6%	9.7%
EBITDA margin	15.1%	14.0%	13.9%	14.4%
ROAE (%)	3.6%	3.8%	5.1%	6.0%
ROAA (%)	1.7%	1.6%	1.9%	2.1%
EPS (VND/share)	459	506	721	908
BVPS (VND/share)	14,589	15,280	16,960	18,198

Sources: POW, MBS Research

Analyst(s)



Tung Nguyen

Tung.nguyenhaduc@mbs.com.vn

PetroVietnam Power Corporation (HSX: POW)

Investment thesis and Recommendation

Investment thesis

- A leading gas-fired power company, stands to benefit from the government's long-term strategy, focused on developing gas-fired power until 2035. POW has a favorable opportunity to enhance its position by investing in key gas-fired power projects, outlined in the national plan including LNG Nhon Trach 3&4 (1,600MW – come online in 2024-25) and LNG Quang Ninh (1,500MW – come online in 2028-29).
- 2024 net profit to edge up slightly 10% yoy from low base 2023, with significant improvement from 2Q24 compared to low level in 1Q24 thanks to 1) The recovery of gas-fired power output mobilization in peak load season and no major maintenance in 2024; 2) Vung Ang 1 operating at full capacity from August 2023, currently running at high rate thanks to demand surge in the North.
- POW recorded solid stock price surge prompted by crucial LNG price framework issued in early-June, since then we see its short-term upside may fade as current price somewhat reflect the company's short-term outlook. However, we believe its long-term outlook to remain intact under potential re-rating catalyst owing to a very intriguing story of Vietnam LNG-to-power sector in long-term.

Reiterate ADD with higher TP of VND16,800/share

We reiterate ADD rating with higher TP of VND16,800 (+13% versus previous report) driven by an upward revision of our 2024-25 EPS projections by 3.0%/16.3%. We believe this is an opportune time to reassess the company outlook, poised by major hurdles of LNG-to-power are gradually being overcome. We see LNG-to-power trend is inevitable under direct orientation from the government and we expect strong support from authorities to keep this sector rising in long-term. We see POW as one of the most outstanding gas-fired power to benefit in this trend thanks to its pipeline of mega LNG-to-power projects in 2025-35 period. Therefore, we set a new TP equating to multiple P/B 2024 forward of 1.2x, which is much lower than peer average and still at a conservative level. We believe its short-term profit hamper is insignificant and has been factored in, thus we conduct a new valuation base on equal weight of two methods DCF and P/B:

- 10-years DCF (WACC: 8.3%; COE: 12%; LTG: 1%) reflecting our conservative view on POW long-term earnings growth.
- P/B multiple of 1.2x, reflecting power sector average P/B multiple in 2024-25F.

Figure 1: DCF valuation – Summary of FCF

VNDbn	2024F	2025F	2026F	2027F //	2034F
EBITDA	4,416	6,436	7,303	7,808	6,207
(-) Depreciation and Amortisation	(2,810)	(3,666)	(3,636)	(3,637)	(1,936)
EBIT	1,607	2,770	3,666	4,171	4,271
(-) Tax	(177)	(308)	(462)	(473)	(854)
Tax rate (%)	11%	11%	13%	11%	20%
EBIAT	1,430	2,463	3,205	3,697	3,417
(+) Depreciation and Amortisation	2,810	3,666	3,636	3,637	1,936
(+) (Increase)/decrease in net working capital	(1,547)	1,737	227	(1,318)	123
(-) Capital Expenditure	(15,563)	(8,883)	(508)	(532)	(505)
Unleveraged Free cash flow (FCFF)	(12,870)	(1,017)	6,560	5,485	4,971
Terminal value					67,864

Sources: MBS Research

Figure 2: Cost of equity

Cost of equity	
Risk free rate	3,0%
Beta	1,0
Risk premium	9,0%
Cost of equity- ke	12,0%

Sources: MBS Research

Figure 3: WACC & Long-term growth rate

WACC & terminal growth	
Enterprise value	55,830
Debt	(24,115)
Cost of debt	5.7%
Tax rate	20.0%
WACC	8.4%
Perpetual growth rate	1.0%

Sources: MBS Research

Figure 4: Blended valuation

Methods	Target multiple	Implied share price	Weight	Weighted Value
		VND per share	%	VND per share
Average FY24-25 P/B	1.2x	16,433	50%	8,216
DCF, 10y		17,097	50%	8,548
Implied share price				16,765
Rounded share price				16,800

Sources: MBS Research

Figure 5: Peer comparison

Company	Ticker	Price	Target price	Recom.	Mkt Cap	P/E(x)		P/BV(x)		ROA(%)		ROE (%)	
						2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
	Bloomberg	LC\$	LC\$		US\$m	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
International peer													
Tata Power Co Ltd/The	TPWR IN	393.5	NA	NR	16,683.9	37.4	31.2	4.4	3.9	3.5	6.0	11.7	12.8
Malakoff Corp Bhd	MLK MK	0.6	NA	NR	808.8	14.4	13.2	0.9	0.8	1.5	1.8	5.2	5.7
Banpu power	BPP TB	14.9	NA	NR	1,061.8	10.2	9.1	0.7	0.7	4.1	4.4	7.4	7.7
Ratchaburi Elec	RATCH TB	28.0	NA	NR	1,613.2	8.6	7.3	0.6	0.5	3.6	4.2	6.8	7.9
Manila Electric	MER PM	360.4	NA	NR	6,904.4	11.2	10.9	2.7	2.5	6.5	6.1	26.0	23.7
Domestic peer													
GENCO3	PGV VN	25,200	NA	NR	1,134.3	na	na	2.0	na	-0.3	na	-1.3	na
Quang Ninh Thermal Power	QTP VN	17,100	NA	NR	302.3	10.5	8.5	1.4	1.5	10.6	13.7	14.1	17.2
Hai Phong Thermal Power	HND VN	15,700	NA	NR	306.4	13.3	12.6	1.3	1.3	7.8	8.7	7.2	10.2
Nhon Trach 2 Thermal Power	NT2 VN	22,000	23,050	HOLD	248.8	na	24.6	1.6	1.6	1.3	2.6	2.0	5.1
Average						15.1	14.7	1.7	1.6	4.3	5.9	8.8	11.3
PVPower	POW VN	14,550	16,800	ADD	1,380.1	39.1	24.9	1.1	1.0	2.5	1.6	4.4	4.4

Sources: Bloomberg, MBS Research

Re-rating catalysts include:

- Vung Ang 1 incident compensation of ~VND1,000bn to announce detail payment date and accounting plan.
- NT2 receivables related to 2019-20 exchange rate loss of ~VND150bn will be settled in 2024-25.
- Power demand surge at higher-than-expected rate, support gas-fired power mobilization rate to improve.

Downside risks include:

- EVN financial burden fails to resolve timely, causing disruption to POW's operating cash flow as well as risk of provisioning.
- The gas-supply risk in Southeast region to be more severe than expected.
- Nhon Trach 3&4 risks, relating to construction delay and early-year exchange rate loss from its foreign debt.

1Q24 business recap

Figure 6: Nhon Trach 1&2 severe loss to hinder company's bottom line

VNDbn	1Q24	% yoy	% qoq	% vs previous forecast	Comment
Total output (million kWh)	3,544	-10%	4%	21%	Total output dropped 10% yoy in 1Q24, mainly due to gas-fired and hydropower output slump
Gas-fired power	1,626	-41%	-10%	17%	1Q24 gas-fired power output slumped 41% yoy, greatly affected by severe output loss from Nhon Trach 1&2 as these plants suffered from gas shortage and modest A0 mobilization. Ca Mau 1&2 recorded higher output generation thanks to sufficient gas supply but failed to offset Nhon Trach loss.
Coal-fired power	1,708	83%	42%	28%	Vung Ang 1 output recovered 83% yoy in 1Q24, thanks to its generator 1 (600MW) completed repairs and operated from 3Q23. Besides, the plants enjoy optimal mobilization under demand surge in the North.
Hydropower	210	-36%	-44%	17%	Hydropower output decreased 36% yoy amid intense water reserve direction from A0 to serve peak load 2Q-3Q24 period, as well as El Nino phase lasts until end-1Q24.
Average price (VND/kWh)	1,732	-11.4%	-10.3%		
Gas-fired power	1,889	-4%	-16%	94%	Gas-fired power ASP remained high, edged down 4% yoy in 1Q24 under anchored high gas input price. However, gas-fired power ASP dropped 16% qoq as in 4Q24, EVN has paid for non-mobilized Qc portion.
Coal-fired power	1,716	-23%	-8.7%	94%	Coal-fired power ASP dropped 23% yoy thanks to imported coal price retreated from 2023 peak.
Hydropower	1,292	4%	3%	108%	
Revenue	6,243	-16%	-3%	20%	1Q24 revenue dropped 16% yoy due to severe hydropower and gas-fired power output drop, partly offsetting by strong resurgence of coal-fired power.
Gross profit	377	-45%	-48%	15%	
GPM (%)	6%	-3.1 ppts	-5.3 ppts	-1.6 ppts	GPM narrowed 3.1 ppts mainly due to recorded NT2 gross loss of VND225bn in 1Q24
SG&A	116	-8%	-61%	17%	
Financial income	101	-19%	-38%	18%	1Q24 financial income decreased 19% yoy due to lower deposit income
Financial expenses	154	10%	-19%	21%	1Q24 financial expenses increased 10% yoy despite of lower interest expenses (-42% yoy), mainly due to significant exchange rate loss
Net other income	71	-54%	234%		1Q24 net other income decreased 54% yoy due to one-off gain of VND154bn from Vung Ang 1 compensation in 1Q23.
PBT	278	-60%	-38%	17%	
Tax	62	54%	na	37%	
NPAT	216	-67%	-51%	15%	
Minority interest	(61)	na	na	22%	
Net profit	278	-48%	-16%	23%	Accordingly, 1Q24 Net profit dropped 48% yoy, inline with our forecast

Sources: POW, MBS Research

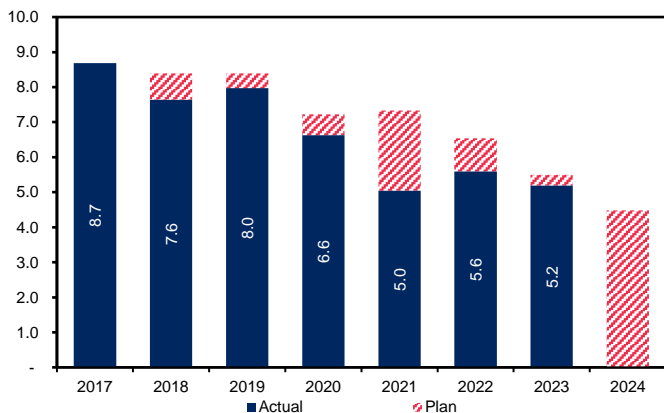
2024-25 outlook: Nhon Trach 1&2 outlook remain bleak, offset by solid recovery from Ca Mau 1&2 and Vung Ang 1

Gas-fired power: Difficulties to linger under severe gas shortage

As domestic gas fields are gradually depleting and PVN's planned significantly lower gas allocation for power generation from 2024, we forecast Nhon Trach 1&2 to be mobilized at humble output rate, as these plants fueled with Southeastern gas sources. Therefore, since the beginning of the year, A0 has set a very low Qc for Nhon Trach 1&2 amid the excessive capacity situation in the South. Besides, we expect lower SMP price of 15% yoy to be the resonance factor that hamper the plants mobilization in the context of its high gas price, hinders power price's competitiveness in the CGM. For Ca Mau 1&2, we see a less serious situation thanks to a more sufficient gas supply from Southwestern gas fields. For 2024, we expect gas-fired power output to maintain at 9.3bn kWh (+4% yoy) with Ca Mau 1&2 growth to offset Nhon Trach 1&2 slump, ASP lingers at high level of VND2.010/kWh (-5% yoy), leading to total revenue of VND18,726bn (-2% yoy). Notably, this is still far below the potential output level of gas-fired power segment.

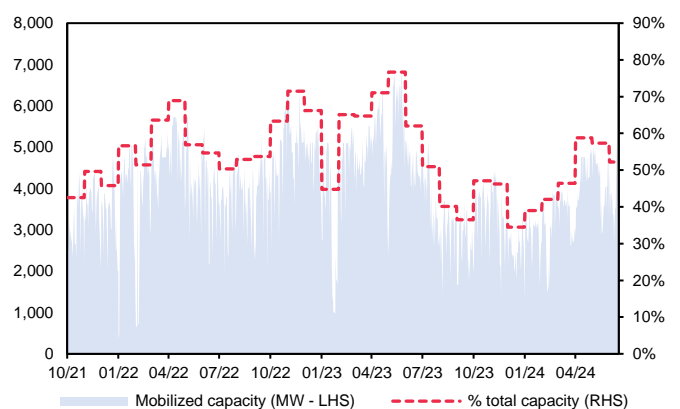
For 2025, we expect Nhon Trach 2 output to recover from 2024 low base, thanks to strong demand recover in the South. Notably, we forecast a strong output growth, coming from POW's new LNG-to-power plants - Nhon Trach 3&4 (~1,600MW). Although there have been positive changes, related to crucial policy that were issued promptly to support PPA negotiation process, we set a more conservative timeline and expect 1-quarter delay for Nhon Trach 3&4 to 1Q25 and 3Q25, respectively due to 1) EPC contracting progress and transmission lines construction is behind schedule; 2) POW is resolving land lease issue for the plants. Thus, in 2025, we expect gas-fired power output to rise 63% yoy to 15.1bn kWh, backed by additional output from Nhon Trach 3&4. ASP also increases 7.3% yoy to VND2,157/kWh as new plants using LNG with higher imported price, leading to revenue growth of 74.7% yoy to VND32,713bn.

Figure 7: Gas for power set lower over years, owing to gas field depletion. Power plants using Southeastern gas field consume average 5.0bn m3 while actual current supply reach ~3.0bn m3



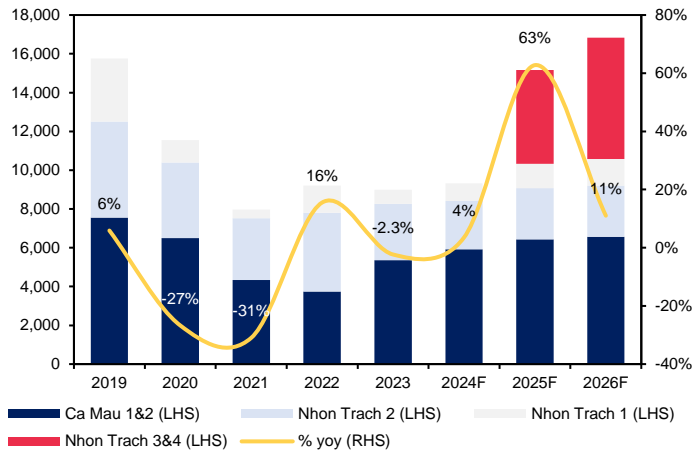
Sources: GAS, MBS Research

Figure 8: According to A0, we see solid improvement in gas-fired power mobilization from April compared to 1Q24 low base. However, this is still less than last year level



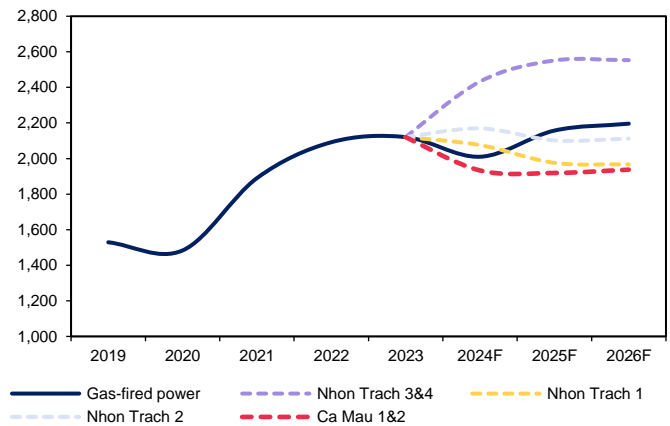
Sources: EVN, MBS Research

Figure 9: Gas-fired power output will stay at low in 2024, before surging 63% yoy in 2025, thanks to additional contribution from Nhon Trach 3&4 (Unit: billion kWh)



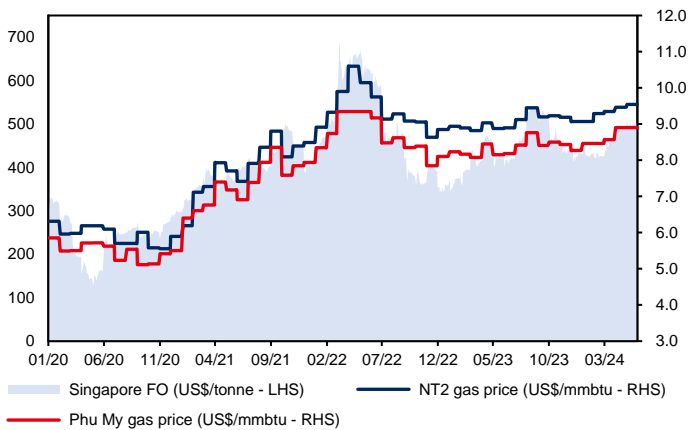
Sources: POW, MBS Research

Figure 10: Gas-fired power ASP to linger at high level in 2024-25 due to remained high domestic gas price and LNG-to-power plant to come online from 2025 (Unit: VND/kWh)



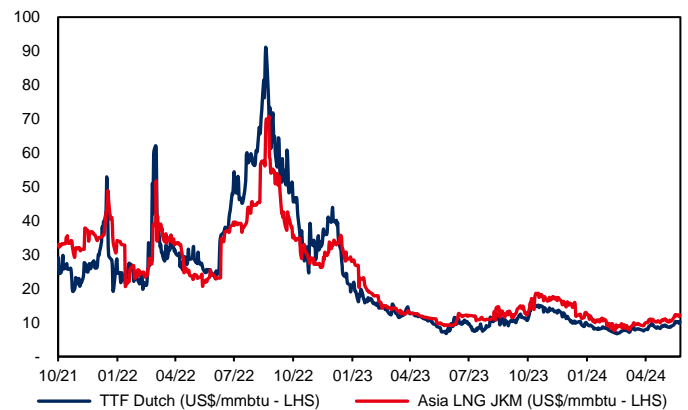
Sources: POW, MBS Research

Figure 11: Domestic gas prices to decline from 2022 peak, but remain high, anchoring on the HSFO price movement in 5M24



Sources: Bloomberg, NT2, GENCO3, MBS Research

Figure 12: We see the recent downtrend in benchmark LNG price to below US\$10/mmbtu will support Nhon Trach 3&4 mobilization



Sources: Bloomberg, MBS Research

There has been positive news about development progress of Nhon Trach 3&4, we see LNG-to-power is inevitable trend in short-term

Regarding construction progress: As of end April 2024, the overall progress of EPC package reached 87% (5%pts behind the expected plan of 92%). About the land lease problem for construction site with Tin Nghia, POW has recently finalized the fee payment plan and officially signed land lease contract for the area of 30.8ha at 29/05/2024. At the moment, the remain area of 6.5ha is under site clearance stage. We see the timely resolution to push the EPC progress to catch up with the deadline. For the Nhon Trach 3&4 relieved capacity transmission projects, the investment task dependent on EVNNPT. At the moment, these projects are stuck in the land clearance stage and behind schedule. Thus, Nhon Trach 3 is currently using Nhon Trach 1&2 transmission system for testing generation to ensure on-time operation. We see the extended timeline from the projects to be the potential delay risk for Nhon Trach 3&4.

Regarding capital arrangement: In April 2024, POW, along with Citibank and ING, signed a credit agreement worth US\$300m (~VND7,200bn) to supplement

capital for Nhon Trach 3&4. Additionally, the company is currently engaged in negotiations with these partners to secure a long-term ECA loan valued at US\$600m (~VND14,400bn), without the guarantee of the Government and PVN.

Regarding contract negotiation: After basically agreeing on contract price terms with EPTC in 1Q24, the official price framework for LNG-to-power plants issued in May, brings POW one step closer to finalizing the PPA contract for Nhon Trach 3&4 this year. Therefore, along with contract Qc expected at 65%-75% potential average output, it is economically viable enough to set up the official PPA.

Figure 13: We conduct Nhon Trach 3&4 ASP following the new price framework

	2024 LNG framework	Nhon Trach 3&4 estimations
Capacity (MW)	1,579.1	1,500-1,600
Heat loss at 85% load (BTU/kWh)	6,330.2	6,330.2
LNG price (exclude processing cost and VAT) (US\$/mmbtu)	13.0	12.4
Exchange rate (USD/VND)	24,520	24,520
Selling price	2,590.9	2,551.4

Sources: Bloomberg, MBS Research

We assume LNG price of US\$12.4/mmbtu, equivalent to current average LNG price supplied for Phu My 3 and estimate Nhon Trach 3&4 selling price of VND2,551.4/kWh. At this price level, we see remaining pressure on EVN as average retail price is currently at VND2,100/kWh. However, we see the new retail price framework to signal potential retail power price increase in the future, partly release mobilization pressure from high-priced power sources. We expect these projects to record a net loss in the first 2 years of operation due to high fixed costs and financial expenses. From 2027, we forecast positive growth when these two plants run at potential capacity of 58-60%, equivalent to ~3.4bn kWh per plant. Therefore, we believe that securing an output commitment at 65-75% average potential output could ensure an IRR of ~8% per our estimation.

We also recognize a potential exchange rate risk arising from ~US\$800-900m debt financing for these projects. Accordingly, for every 1% increase in exchange rate, POW may incur exchange rate loss of ~VND160-180bn during the initial years of operations.

Figure 14: Nhon Trach 3&4 business estimation by MBS

	2025	2026	2027	2028	2029	2030
Output (m kWh)	4,836.92	6,259.55	7,170.02	7,397.64	7,397.64	7,397.64
%utilisation	43%	55%	63%	65%	65%	65%
ASP (VND/kWh)	2,551.53	2,552.92	2,554.36	2,555.83	2,557.35	2,558.92
LNG price (US\$/mmbtu)	12.50	12.50	12.50	12.50	12.50	12.50
Revenue	12,341.66	15,980.21	18,314.80	18,907.14	18,918.38	18,812.60
%yoy		29%	15%	3%	0%	-1%
COGS	11,514.27	14,779.82	16,467.81	16,891.20	16,893.11	16,897.41
Gross profit	827.39	1,200.39	1,846.99	2,015.94	2,025.27	1,915.19
%GPM	7%	8%	10%	11%	11%	10%
SG&A	246.83	319.60	366.30	378.14	378.37	376.25
Interest expenses	1,349.71	1,237.23	1,124.76	1,012.28	899.81	787.33
Tax	-	-	-	-	37.35	37.58
%tax rate	0%	0%	0%	0%	5%	5%
NPAT	(769.15)	(356.45)	355.93	625.51	709.74	714.03
%NPAT margin	-6%	-2%	2%	3%	4%	4%

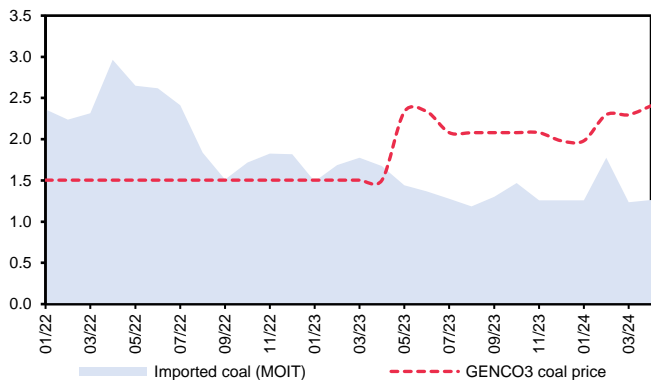
Sources: POW, MBS Research

Coal-fired power: Vung Ang 1 to firing up all cylinder from 2024 onward

In 2024, we expect Vung Ang 1 to enjoy robust output growth of 33% yoy to 6,097m kWh. ASP edges down 8% yoy to VND1,816/kWh thanks to lower input cost, leading revenue to recover 23% yoy to VND11,072bn following: 1) the generator 1 (600MW) fully repaired from 3Q23, helping Vung Ang 1 to run at full capacity in 2024; 2) Power demand surged in the North and A0 prioritize to mobilized from coal-fired power thanks to sufficient input and more competitive price than gas-fired power in 2024. For 2025, we expect Vung Ang 1 to maintain optimal output mobilization rate thanks to strong national power consumption growth of 9.3% CAGR in 2025-30. Notably, the Northern region consistently experiences highest load growth, while the new capacity investment rate in this area has been relatively slow. Therefore, we expect Vung Ang 1 output to reach 6,307m kWh (+3%yoy), leading to revenue of VND11,580bn (+4% yoy).

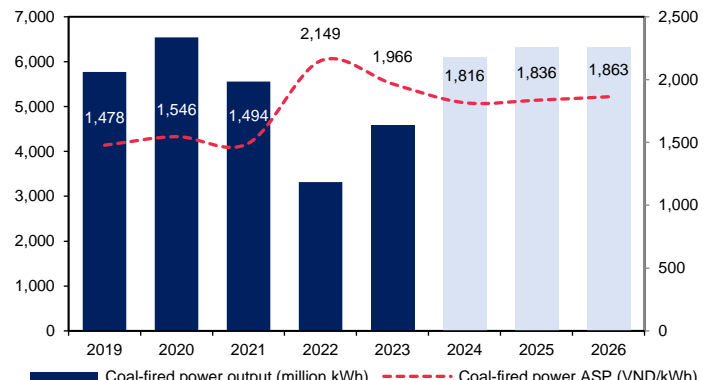
At 1Q24, POW and PVI agreed on unit 1 compensation plans with total value of ~VND1,000bn. Of this amount, VND650bn pertains to repair insurance and the remaining portion relates to business interruption compensation. Although a final plan is set, payment date and accounting method are not yet disclosed, Thus, we only include the ~VND300bn one-off gain from business interruption in valuation model until more information is provided. In our view, we see the remaining VND650bn will only be recorded in terms of cash inflow.

Figure 15: Coal prices slightly went up in 4M24, but stayed lower than gas-fired power input (Unit: million VND)



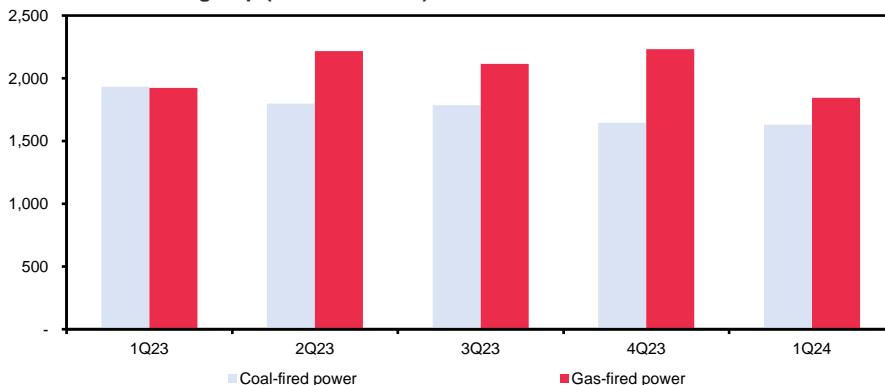
Sources: MOIT, MBS Research

Figure 16: ASP to slightly edged down in 2024-25 while output increase thanks to optimal mobilization rate



Sources: POW, MBS Research

Figure 17: Coal-fired ASP tend to be lower than gas-fired power in 1Q24, benefiting higher mobilization of this group (Unit: VND/kWh)



(*) Coal-fired power plants include Vung Ang 1, Mong Duong, Vinh Tan thermal

(*) Gas-fired power plant include Phu My cluster, Nhon Trach 1&2, Ca Mau 1&2

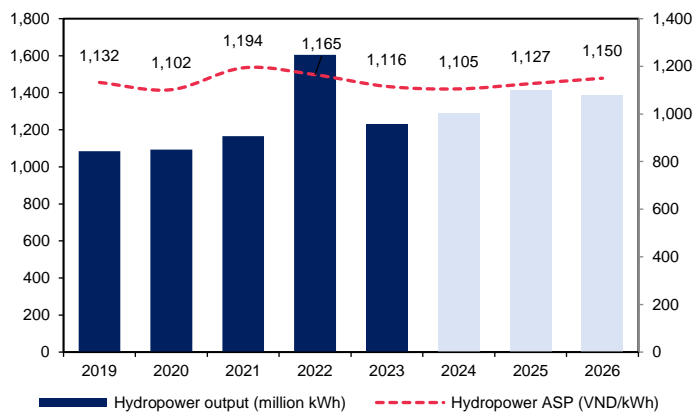
Sources: POW, GENCO3, MBS Research

Hydropower: Strong improvement from 1Q24 low-base

In 1Q24, under prolonged influence of El Nino phase and intense water reserve from A0 to serve 2Q-3Q24 peak-load season, hydropower segment encountered humble mobilization rate, especially a slump in March. Therefore, stepping into 2Q24, most of the reservoirs remained at an optimal water level and ready to operate following the A0 generation plan. Therefore, we expect hydropower output to recover from 2Q24 onward, especially when both Hua Na and Dakdrink enter rainy season as well as there is a good chance La Nina phase occur from 3Q24. We expect hydropower output to recover 6% yoy to 1,287m kWh. Notably, contract output (Qc) rate for hydropower increases from 90% in 2023 to 98% in 2024, equating to lower output on the competitive market (Qm) of only 2%. Thus, we see hydropower average selling price (ASP) to hinder due to the reduction for higher-priced portion bidding in the CGM. However, we see output recovery to offset price slump, leading to total revenue edge up 4% yoy to VND1,422bn.

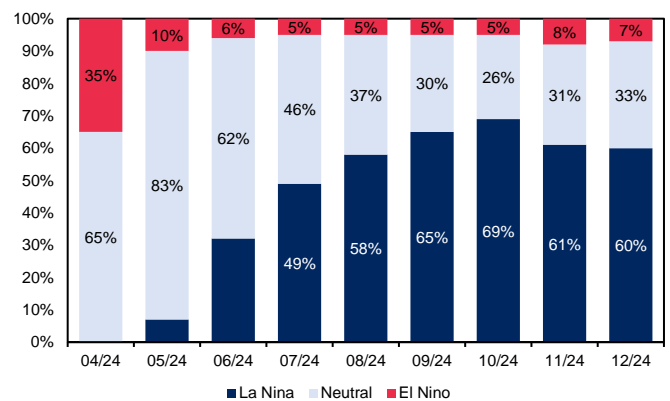
For 2025, we expect hydropower output to increase 10% yoy to 1,412m kWh, thanks to La Nina phase maintain for whole year (we track La Nina phase to usually last for 15-18 month). Projected ASP increases 2% yoy per annum to VND1,127/kWh, leading to a revenue rise of 12% yoy to VND1,592bn.

Figure 18: We see slight improvement in hydropower output in 2024-25, and ASP also grow sustainably 2% each year



Sources: POW, MBS Research

Figure 19: According to IRI, El Nino has official end from 1Q24, while La Nina phase might occur from 3Q24



Sources: IRI, MBS Research

2024-25 POW earnings revisions

Figure 20: 2024-25 Earnings revisions

VNDbn	2023	2024F	% svck	Δ%	2025F	% svck	Δ%	Comment
Total output (m kWh)	14,800	16,701	12.8%	-0.4%	18,048	8.1%	-1.4%	
Gas-fired power	8,999	9,316	3.5%	-0.7%	15,165	62.8%	-3.8%	
Hydropower	1,227	1,288	4.9%	0.0%	1,413	9.7%	0.0%	
Coal-fired power	4,573	6,097	33.3%	0.0%	6,307	3.4%	3.4%	
Selling price (VND/kWh)								
Gas-fired power	2,121	2,010	-5.2%	-1.9%	2,157	7.3%	0.5%	
Hydropower	1,116	1,105	-0.9%	0.0%	1,127	2.0%	0.0%	
Coal-fired power	1,966	1,816	-7.6%	0.0%	1,836	1.1%	0.0%	
Total revenue (VNDbn)	27,869	31,222	12.0%	-1.6%	45,886	47.0%	-1.6%	
Gas-fired power	19,082	18,727	-1.9%	-2.6%	32,713	74.7%	-3.3%	
Hydropower	1,366	1,422	4.2%	0.0%	1,592	11.9%	0.0%	
Coal-fired power	8,992	11,073	23.1%	0.0%	11,581	4.6%	3.4%	
Gross profit	2,183	2,278	4.4%	-6.5%	4,004	75.8%	-8.9%	Revise down 2024-25 gross profit due to more conservative view about Nhon Trach 2 gross loss, narrowing GPM by 0.4%pts and 0.7%pts
%GPM	7.8%	7.2%	-0.6 d%	-0.4%pts	8.6%	19.6%	-0.7%pts	
SG&A	(779)	(672)	-13.8%	-1.6%	(1,234)	83.7%	-1.6%	
EBIT	1,404	1,607	14.4%	-8.5%	2,770	72.4%	-11.8%	
Financial income	550	572	4.2%	1.0%	921	60.9%	47.4%	Revise up 2025 financial income by 47%, reflecting additional one-off gain of VND300bn from Vung Ang 1 compensation.
Financial expenses	(680)	(961)	41.3%	1.4%	(1,717)	78.6%	5.1%	
Net profit	1,075	1,185	10.2%	3.0%	1,690	42.6%	16.3%	Accordingly, 2024-25 net profit edge up 3%/16% versus previous report
EPS (VND/share)	459	506	10.2%	3.0%	721	42.6%	16.3%	

Sources: POW, MBS Research

Financial statements

Income statement					Cash flow statement				
	2022	2023	2024F	2025F		2022	2023	2024F	2025F
Net revenue	28,224	27,945	31,507	46,305	Pre-tax profit	2,809	1,459	1,272	2,035
Cost of sales	(24,498)	(25,761)	(29,229)	(42,301)	Depreciation & amortization	2,809	2,809	2,810	3,666
Gross profit	3,726	2,183	2,278	4,004	Tax paid	(86)	(219)	(132)	(218)
Gen & admin expenses	(868)	(779)	(672)	(1,234)	Other adjustments	-	-	-	-
Selling expenses	-	-	-	-	Change in working capital	(1,774)	(1,103)	1,547	(1,737)
Operating profit	2,859	1,404	1,607	2,770	Cash flow from operations	3,156	3,257	3,236	1,635
Operating EBITDA	5,668	4,213	4,416	6,436	Capex	(2,601)	(6,179)	(15,563)	(8,883)
EBIT	2,859	1,404	1,607	2,770	Proceeds from assets sales	2	125	-	-
Interest income	445	550	572	921	Cash flow from investing activities	(3,374)	(6,258)	(15,031)	(9,890)
Financial expense	(592)	(680)	(961)	(1,717)	New share issuance	-	82	-	-
Net other income	44	147	25	32	Net borrowings	444	3,604	11,436	6,601
Income from associates	53	38	29	29	Other financing cash flow	-	-	519	2,157
Pre-tax profit	2,809	1,459	1,272	2,035	Dividends paid	(199)	(365)	-	-
Tax expense	(256)	(129)	(132)	(218)	Cash flow from financing activities	245	3,321	11,955	8,758
NPAT	2,553	1,329	1,140	1,817	Cash and equivalents at beginning of period	8,224	8,252	8,592	8,753
Minority interest	(492)	(254)	46	(127)	Total cash generated	28	319	161	504
Net profit	2,061	1,075	1,185	1,690	Cash and equivalents at the end of period	8,252	8,592	8,753	9,257
Ordinary dividends	(199)	(365)	-	-					
Retained earnings	1,862	710	1,185	1,690					
Balance sheet					Key ratios				
	2022	2023	2024F	2025F		2022	2023	2024F	2025F
Cash and equivalents	8,252	8,592	8,753	9,257	Net revenue growth	14.9%	-1.0%	12.7%	47.0%
Short term investments	1,650	2,239	2,239	3,827	EBITDA growth	8.6%	-25.7%	4.8%	45.7%
Accounts receivables	12,538	14,642	11,299	18,056	EBIT growth	19.1%	-50.9%	14.4%	72.4%
Inventories	2,086	2,168	2,373	3,438	Pre-tax profit growth	20.1%	-48.1%	-12.8%	60.0%
Other current assets	400	1,513	1,629	1,844	Net profit growth	14.6%	-47.8%	10.2%	42.6%
Total current assets	24,925	29,152	26,291	36,420	EPS growth	14.6%	-47.8%	10.2%	42.6%
Tangible fixed assets	29,123	26,362	35,648	46,209		0.0%	0.0%	0.0%	0.0%
Intangible fixed assets	32	39	39	39	Gross profit margin	13.2%	7.8%	7.2%	8.6%
Construction in progress	936	8,983	12,450	7,106	EBITDA margin	20.1%	15.1%	14.0%	13.9%
Investments in subsidiaries	-	-	-	-	Net profit margin	7.3%	3.8%	3.8%	3.6%
Investments in associates	878	958	986	1,015	ROAE	7.0%	3.6%	3.8%	5.1%
Other long-term investments	-	-	-	-	ROAA	3.8%	1.7%	1.6%	1.9%
Other long-term assets	949	4,852	5,471	8,040	ROIC	4.9%	2.3%	2.0%	2.4%
Total non-current assets	31,918	41,195	54,596	62,411	Asset turnover ratio	51.4%	43.9%	41.7%	51.5%
Total assets	56,843	70,347	80,887	98,831	Dividend payout ratio	9.6%	33.9%	0.0%	0.0%
					D/E	27.1%	37.1%	67.4%	77.3%
Short-term borrowings	5,635	5,500	6,830	10,639	Net debt to total equity	2.3%	12.0%	42.9%	54.0%
Trade accounts payable	7,346	15,950	13,216	16,949	Net debt to asset	1.3%	5.8%	19.0%	21.7%
Other payables	5,344	4,811	6,070	8,637	Interest coverage ratio	6.5	2.8	1.7	1.6
Total current liabilities	18,326	26,261	26,116	36,226	Days account receivable	119	177	131	142
Long-term borrowings	3,382	7,179	17,285	20,077	Days inventory	29	30	30	30
Other long-term payables	1,854	2,741	1,702	2,811	Days account payable	109	165	165	146
Total long-term liabilities	5,236	9,920	18,986	22,887	Current ratio	1.4	1.1	1.0	1.0
Total liabilities	23,562	36,181	45,102	59,113	Quick ratio	1.2	1.0	0.9	0.9
Common shares	23,419	23,419	23,419	23,419	Cash ratio	0.5	0.4	0.4	0.4
Share premium	-	-	-	-					
Treasury shares	-	-	-	-					
Undistributed earnings	3,420	3,959	5,104	6,754					
Investment and development funds	3,677	4,073	4,593	6,750					
Foreign exchange differences	-	-	-	1					
Shareholders' equity	29,604	30,092	31,192	32,968	Valuation				
Minority interest	2,765	2,714	2,669	2,796	EPS (VND/share)	880	459	506	721
Total shareholders' equity	33,281	34,166	35,784	39,718	BVPS (VND/share)	14,211	14,589	15,280	16,960
Total liabilities & equity	56,843	70,347	80,887	98,831	P/E (x)	16.5	31.7	28.8	20.2
					P/B (x)	1.1	1.1	1.0	0.9

Sources: Company report, MBS Research

DISCLAIMER

This report has been written and distributed by MBS Research Center, MBS Securities JSC (MBS). It is based on information obtained from sources believed to be reliable, but MBS does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report and all of its content belongs to MBS. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of MBS.

MBS RECOMMENDATION FRAMEWORK

Stock Ratings

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Add	The stock's total return is expected to reach 15% or higher over the next 12 months
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

Sector Ratings

Positive	Stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
Neutral	Stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Negative	Stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

ABOUT MBS

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.

Address:

MB Building, 21 Cat Linh, Dong Da Dist., Hanoi

Tel: + 8424 7304 5688 - Fax: +8424 3726 2601

Website: www.mbs.com.vn

MBS RESEARCH DEPARTMENT

Director, Head of Research

Hien Tran Thi Khanh

Deputy Head of Equity Research

Dzung Nguyen Tien

Macro & Market Strategy

Hung Ngo Quoc

Anh Le Minh

Banking – Financial Services

Luyen Dinh Cong

Hao Nguyen Duc

Real Estate

Duc Nguyen Minh

Tri Nguyen Minh

Thanh Le Hai

Consumer - Retail

Ly Nguyen Quynh

Industrials – Energy

Tung Nguyen Ha Duc

Huyen Pham Thi Thanh