

Vietnam: Energy
28 May 2020
GEG VN
Not Rated
Close 28 May 2020

 Price VND 21,450
 12M Target N/A

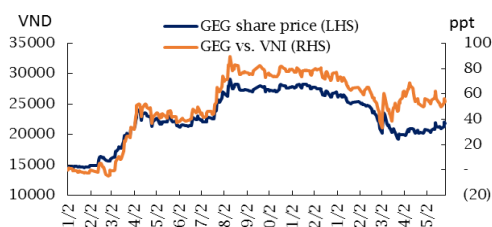
What's new?

- ▶ Strong 1Q20 revenue growth was driven by three new solar farms.
- ▶ Solar power capacity is expanding by 38.8% in 2020
- ▶ 30MW wind power to begin operations in 2021.

Our view

- ▶ GEG launched 3 new solar farms in 2Q2019 with the total capacity of 142MW.
- ▶ Wind power is expected to launch before November 2021, and thus should be eligible for favourable terms under the FIT scheme.
- ▶ Trailing valuations appear high, but 2019 performance was hit by the drought.
- ▶ See our [green energy report](#) for further details of our views on the sector.

Company profile: GEG is a renewable energy generator with 14 hydropower plants with 85MW capacity and 5 solar farms with 260MWP capacity. GEG is investing heavily in three wind power projects which are expected to be launched by 2021.

Share price performance relative to VNI


Market cap	US\$191mn
6M avg. daily turnover	US\$400,000
Outstanding shares	204mn
Free float	58%
FINI ownership	37%
Major shareholders	42%
Asset/equity	2.6x
2019A P/E	17.4x
2019A P/B	1.9x
Trading platform	HSX
FOL Room	12%

Financial outlook (VND bn)

Year to Dec	2016A	2017A	2018A	2019A
Sales	431	539	559	1,159
Op. profit	167	246	229	538
Net profit	95	154	145	251
EPS (VND)	1,220	1,584	710	1,231
EPS chg (%)	-3.0	29.8	-55.2	73.4
P/E (x)	18.0	13.9	31.2	17.4
ROE (%)	8.2%	12.5%	7.8%	10.1%
Div. yield (%)	0.0	4.6	3.2	0.0
DPS (VND)	0	1,000	700	0

Source: Fiiipro

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GIA LAI ELECTRICITY JSC (GEG VN)
Expanding renewable power capacity

Solar power led 1Q20 revenue growth of 75.1% YoY to VND303.8bn. Output volume increased by 72% YoY. The increase in revenue was mainly driven by solar power (78% of 1Q20 revenue). The three solar farms launched in 2019 expanded GEG's solar capacity by 120% to 260Mwp. Gross margin was 59.5%, up from 58% in 1Q19. PATMI increased by 31.4% YoY to VND50.3bn, slower than revenue growth due to a 241% YoY increase in net financial expenses to VND 79.1bn.

Expanding solar power capacity by 38.8% in 2020. GEG plans to launch the VND947bn 49MWp Duc Hue 2 solar farm in 2020. Separately, GEG plans to launch an additional 52MWp in solar capacity, also in 2020.

Wind power to begin operations in 2021. GEG is investing in a 70MW wind power project in Ben Tre province. It expects to launch VND1.3trillion Phase One by Nov 2021 with capacity of 30MW. Two other projects including 50MW IA Bang and 100MW in Tien Giang province are also in the 2021 pipeline and should also be eligible for the FIT scheme. GEG expects to reach 500–700 MW in wind power capacity by 2025.

Onshore wind power should eligible for favourable feed-in tariff (FIT) of 8.5 US cent/kWh for 20 years if launched before Nov 2021. Solar power is eligible for FIT 2 US cent 7.09/kWh onshore and US cent 8.38/kWh proof solar for 20 years if operating before 2021.

Hydropower divestments. GEG plans to divest four hydropower plants with total capacity of 5.2MW with asking price of VND165bn. This should raise more cash for wind energy expansion.

Our view. We don't cover GEG, but the stock appears to trade at a high trailing valuation at 16.5x TTM PE and 1.9x P/B versus the sector averages of 11.9x and 1.2x. With its aggressive expansion plan, the company guided PBT CAGR of 37% in 2020–2025.

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