

Vietnam : Energy
1 February 2021
BUY
TP upside (downside) +16.3%
Close 1 February 2020
Price 11,300
12M Target 13,137
Share price performance relative to VNINDEX


| | |
|--------------------------|--------|
| Market cap (USD mn) | 1,169 |
| 6M ADT (USD mn) | 3.9 |
| Outstanding shares (mn) | 2,342 |
| Free float (%) | 20.1 |
| FINI ownership (%) | 8.4 |
| FOL Room (%) | 40.6 |
| Major shareholders (%) | 79.9 |
| 2021 Net debt/equity (%) | 21.9 |
| 2021 BVPS (VND) | 14,026 |
| 2021 P/B (x) | 0.8 |
| 2021 P/E (x) | 12.0 |
| 2021 EV/EBITDA (x) | 5.2 |

Financial outlook

| Year to Dec | 2019A | 2020A | 2021E | 2022E |
|----------------|--------|--------|--------|--------|
| Sales (VND bn) | 35,374 | 31,239 | 33,869 | 35,702 |
| EPS (VND) | 1,028 | 895 | 962 | 1,035 |
| ROE (%) | 8.9 | 7.2 | 7.3 | 7.5 |
| Div. yield (%) | - | 2.6 | 2.6 | 2.6 |

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PV POWER (POW VN)
4Q20 profit recovers
Event

POW issued its 4Q20 results over the weekend. Its net profit recovered strongly from last year's low base due to gross margin expansion and lower bad debt provisioning.

Details

4Q20 revenue decreased -13.8% YoY to reach VND 7.9tn. Total output fell -13.1% YoY to 5.3bn kWh as NT2's medium maintenance extended three weeks into 4Q20 (NT2's 4Q20 revenue decreased by -31% YoY) while NT1 suffered low mobilization (its revenue dropped by -65% YoY).

However, 4Q20 PATMI soared by 233% YoY to VND 892bn, mostly on gross margin expansion of +8.2ppt to reach 21.8%, while SG&A declined by -27.5% YoY to reach VND 492bn. Bad debt provisioning declined by VND175bn YoY, and net financial expenses fell by -47% YoY to VND125bn, according to the announcement.

FY2020 PATMI fell by -12.5% YoY to reach VND 2.2tn. The bottom line was weak mainly because revenue declined by -16% YoY to VND29.7tn (of which, NT1's revenue decreased by -62.8% YoY to VND1.8bn). In addition, SG&A increased by +6.4% YoY to VND 1.3tn. On the other hand, gross margin expanded by +1 ppt to 15.5% and net financial expenses decreased by -41.8% YoY to VND 507bn.

Substantial de-gearing. 4Q20 net debt declined -61.5% YoY to VND 4.6tn. As a result, net debt to equity declined to 14.6% from 39.9% at 4Q19. This explains the reduction in net financial expenses in 2020.

Expect a recovery in 2021. In 2020, output volume decreased by -14% YoY to 19bn kWh as the gas fired power NT1 faced low mobilization. This issue should now be resolved as the Sao Vang Dai Nguyet gas field was launched in November 2020, which should alleviate the gas supply shortage issue.

We reiterate BUY on POW. The stock far exceeded our target price after our [last report](#) in November before correcting to what we view as a more attractive level due to current market conditions. As such, we reiterate BUY with target price of VND 13,137 per share, which implies just 6.2x 2021 EV/EBITDA. Again, we expect the business operations to recover in 2021 as the gas supply issue should have been resolved.

Upside catalysts include the possible bad debt collection from EVN, which could amount to as much as VND1.4tn.

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