

Vietnam: Energy
9 December 2021
POW VN
SELL
TP Downside -12.7%
Close 8 December 2021

Price VND 15,100
12M Target VND 13,137

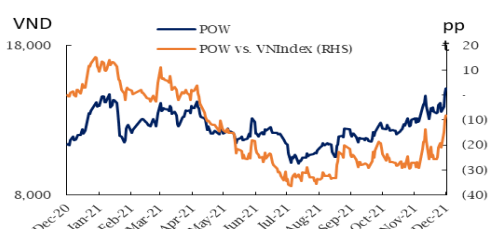
What's new?

- ▶ 9M21 profit growth (+41.4% YoY) appears attractive, but was driven by non-operating items.
- ▶ POW reported a -19.2% YoY decline in output to 12,206bn kWh in 9M21.
- ▶ Green competition: Vietnam's total installed capacity has increased by +9% YTD, but roughly half of the new capacity is wind energy.

Our view

- ▶ POW faces increased competition from renewable power suppliers, which we also believe will continue to benefit from preferential policy and ESG fund flows.
- ▶ The recent price rally has been driven by undue excitement over more potential one-off gains.
- ▶ We downgrade our recommendation from BUY to SELL with unchanged target price of VND 13,137 per share.

Company profile: POW is Vietnam's second largest independent electricity supplier with installed capacity of 4,208 MW, accounting for 6% of Vietnam's power installed capacity. The firm's production comprises gas fired thermal power (64% of the firm's power production mix), coal fired thermal power (29%), and hydropower (7%). We believe the stock is likely to remain range-bound given the structural policy shift toward renewable energy and ESG preferences.

Share price performance relative to VNI


Market cap	US\$1.5bn
6M avg. daily turnover	US\$7.5mn
Outstanding shares	2,342mn
Free float	20%
FINI ownership	2.9%
Major shareholders	80%
Asset/equity	1.7x
2021E PE	15.7x
2021E P/B	1.1x
Trading platform	HOSE
FOL Room	36.1%

Financial outlook (VND bn)

Year to Dec	2019A	2020A	2021E	2022E
Sales	35,374	33,177	33,869	35,702
Op. profit	3,934	3,432	3,597	3,717
Net profit	2,488	2,061	2,351	2,528
EPS (VND)	1,028	342	962	1,035
EPS chg (%)	25	(67)	181	8
P/E (x)	14.7	44.1	15.7	14.6
ROE (%)	2.9	7.3	7.6	6.9
Div. yield (%)	-	2.0	2.0	2.0
DPS (VND)	0	300	300	300

Research Analysts:
Binh Truong

+84 28 3622 6868 ext 3845

Binh.truong@yuanta.com.vn
<http://yuanta.com.vn>

Bloomberg code: YUTA

PV POWER (POW VN)
Profit is up, but core business has decelerated

9M21 profit growth appears attractive... Specifically, 9M21 PATMI jumped by 41.4% YoY to reach VND1,841bn, fulfilling 138% of POW's 2021E profit guidance and 63% of our 2021 forecast.

... but it was driven mostly by a one-off. POW recorded a VND306bn one-off gain from divestment from 19.9 million PVM shares (or 51.6% of the company) in 1Q21. Without this item, PATMI would have only risen by 18.3% YoY.

POW struggled to sell electricity while electricity demand grew. POW reported a -19.2% YoY decline in 9M21 output to 12.2bn kWh. By contrast, 9M21 national output rose by +3.6% YoY to 192.5bn kWh. The gap is due to increased competition from renewable power.

Short-term headwinds. POW shut down its coal-fired power plant at Vung Ang in 3Q21; this maintenance was scheduled for completion by 21 Oct, so presumably it is now complete. Vung Ang accounted for 38% of POW's total revenue in 9M21, so its temporary shutdown may also dampen 4Q21 output volume and thus revenue.

Structural risk: competition from renewable power. Vietnam reports 75.8k MW of total installed capacity as of November, up by 9% YTD. Wind power capacity has reached 3,980 MW, accounting for 5% of total system capacity and supported by accommodative policies. This places further pressure on traditional carbon-based power suppliers.

Trade the range: We downgrade our recommendation from BUY to SELL with unchanged target price of VND 13,137 per share, equivalent to 2022F EV/EBITDA of 6.6x, the regional median. We have not factored the potential new gas fired thermal power plants (i.e., NT3 and NT4) into our model yet given the very opaque outlook.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

PROFIT AND LOSS (VND bn)					
<i>FY Dec 31 (VND'bn)</i>	2019A	2020A	2021E	2022E	2023E
Revenue	35,374	33,177	33,869	35,702	36,773
<i>Gas fired</i>	<i>24,105</i>	<i>20,807</i>	<i>21,224</i>	<i>22,788</i>	<i>23,521</i>
<i>Coal fired</i>	<i>8,528</i>	<i>9,709</i>	<i>9,960</i>	<i>10,159</i>	<i>10,422</i>
<i>Hydropower</i>	<i>1,215</i>	<i>1,135</i>	<i>1,158</i>	<i>1,228</i>	<i>1,303</i>
<i>Others</i>					
Cost of goods sold	(30,237)	(28,528)	(29,438)	(31,106)	(32,082)
Gross profits	5,138	4,649	4,431	4,596	4,691
Operating expenses	(1,203)	(1,217)	(834)	(879)	(905)
Operating profits	3,934	3,432	3,597	3,717	3,786
Net interest expenses	(870)	(784)	(585)	(455)	(623)
Net investments income/(loss)	52	24	24	25	25
Net other incomes	49	23	23	25	25
Pretax profits	3,165	2,694	3,059	3,310	3,213
Income taxes	(310)	(314)	(356)	(395)	(384)
Minority interests	367	320	352	387	426
Net profits	2,488	2,061	2,351	2,528	2,403
<i>Core earnings</i>	<i>2,488</i>	<i>2,061</i>	<i>2,351</i>	<i>2,528</i>	<i>2,403</i>
EBITDA	7,066	4,872	6,318	6,438	6,507
EPS (VND)	1,028	342	962	1,035	983

KEY RATIOS					
	2019A	2020A	2021E	2022E	2023E
Growth (% YoY)					
Sales	8%	−6%	2%	5.4%	3%
<i>Gas fired</i>	<i>4%</i>	<i>−14%</i>	<i>2%</i>	<i>7%</i>	<i>3%</i>
<i>Coal fired</i>	<i>17%</i>	<i>14%</i>	<i>3%</i>	<i>2%</i>	<i>3%</i>
<i>Hydropower</i>	<i>−13%</i>	<i>−7%</i>	<i>2%</i>	<i>6%</i>	<i>6%</i>
<i>Others</i>					
Operating profit	6.8	(12.8)	4.8	3.3	1.9
EBITDA	(7.1)	(31.1)	29.7	0.0	1%
Net profit	29.5	(17.2)	14.1	7.5	(5)
EPS (VND)	25.3	(66.7)	181.3	7.5	(5)
Profitability ratio (%)					
Gross margin	14.5	8.5	13.1	12.9	12.8
Operating margin	11.1	10.3	10.6	10.4	10.3
EBITDA margin	20.0	14.7	18.7	18.0	17.7
Net margin	7.1	2.6	6.9	7.1	6.5
ROA	4.4	1.5	4.0	4.5	3.8
ROE	8.9	2.9	7.3	7.6	6.9
Stability					
Net debt/equity (x)	40.0	58.5	23.1	31.4	55.4
Int. coverage (x)	3.4	6.8	5.1	8.1	12.7
Int. &ST debt coverage (x)	0.6	0.3	0.7	0.8	0.6
Cash conversion days	56.8	47.7	51.0	62.7	55.4
Current ratio (X)	0.9	0.6	1.0	0.9	0.8
Quick ratio (X)	0.9	0.5	0.7	0.6	0.5
Net cash/(debt) (VND mn)	(11,810)	(18,505)	(7,528)	(10,769)	(19,855)
Efficiency					
Days receivable outstanding	84	88	85	83	79
Days inventory outstanding	34	22	45	55	52
Days payable outstanding	61	63	78	75	75

Source: Company data, YSVN

BALANCE SHEET (VND bn)					
<i>FY Dec 31 (VND'bn)</i>	2019A	2020A	2021E	2022E	2023E
Total assets	55,696	65,906	52,662	59,091	68,743
Cash & cash equivalents	5,083	1,767	872	1,865	551
ST Investment	658	812	664	671	678
Accounts receivable	8,714	6,716	8,127	7,601	7,836
Inventories	1,428	2,357	4,839	4,474	4,669
Other current assets	192	115	190	190	190
Net fixed assets	37,320	26,416	31,861	29,132	26,402
Others	2,301	27,722	6,108	15,158	28,416
Total liabilities	26,186	34,260	20,138	24,847	32,900
Current liabilities	17,064	18,247	14,494	16,403	18,000
Accounts payable	4,202	6,463	6,182	6,532	6,737
ST debts	9,158	6,911	4,148	5,589	6,911
Long-term liabilities	9,123	16,013	5,644	8,444	14,901
Long-term debts	8,394	14,173	4,916	7,716	14,173
Others	729	1,840	728	728	728
Shareholder's equity	29,509	31,646	32,524	34,244	35,842
Share capital	23,419	23,419	23,419	23,419	23,419
Treasury stocks	−	−	−	−	−
Others	818	1,008	1,009	1,009	1,009
Retained earnings	2,651	4,491	5,474	7,194	8,792
Minority interest	2,623	2,729	2,623	2,623	2,623

CASH FLOW (VND bn)					
<i>FY (VND'bn)</i>	2019A	2020A	2021E	2022E	2023E
Operating cash flow	4,559	(5,975)	13,446	5,809	4,172
Net income	2,385	1,975	2,253	2,423	2,301
Dep. & amortisation	3,081	11,007	(5,548)	2,729	2,729
Change in working capital	(1,554)	4,575	(4,958)	1,359	(156)
Others	647	(23,531)	21,698	(703)	(703)
Investment cash flow	(355)	(1,099)	(2,097)	(9,057)	(13,264)
Net capex	(255)	(787)	(2,213)	(9,000)	(13,228)
Change in LT investment	382	(158)	(31)	(50)	(29)
Change in other assets	(482)	(154)	148	(7)	(7)
Cash flow after invt.	4,205	(7,074)	11,349	(3,248)	(9,092)
Financing cash flow	(2,307)	3,532	(12,020)	4,241	7,779
Change in share capital	0	−	−	−	−
Net change in debt	(2,307)	3,532	(12,020)	4,241	7,779
Change in other LT liab.	−	−	−	−	−
Net change in cash flow	1,898	(3,541)	(670)	993	(1,314)
Beginning cash flow	3,185	5,083	1,542	872	1,865
Ending Cash Balance	5,083	1,542	872	1,865	551

KEY METRICS					
	2018A	2019A	2020A	2021E	2022E
PE (x)	14.7	44.1	15.7	14.6	15.4
Diluted PE (x)	14.7	44.1	15.7	14.6	15.4
PB (x)	1.20	1.12	1.1	1.0	1.0
EBITDA/share	3,017	2,080	2,698	2,749	2,779
DPS	0	300	300	300	300
Dividend yield (%)	−	2.0	2.0	2.0	2.0
EV/EBITDA (x)	6.7	11.1	6.8	7.2	8.5
EV/EBIT (x)	44.0	12.0	26.3	11.9	12.4

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2019 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) – 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (3845)

binh.truong@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (3874)

tanh.tran@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (3874)

tam.nguyen@yuanta.com.vn

Di Luu

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Institutional Sales

Huy Nguyen

Head of Institutional sales

Tel: +84 28 3622 6868 (3808)

huy.nguyen@yuanta.com.vn

Trung Nguyen

Sales Trader

Tel: +84 28 3622 6868 (3890)

trung.nguyen2@yuanta.com.vn