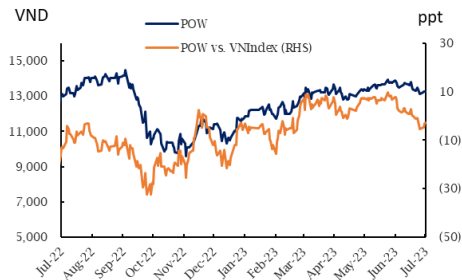


Vietnam: Energy

13 July 2023

BUY
TP upside +25.3%
Close 13 July 2023

 Price 13,350
 12M Target 16,724

Share price performance relative to VNINDEX


Market cap (USD mn)	US\$1.3bn
6M ADT (USD mn)	US\$4.2mn
Outstanding shares (mn)	2.342mn
Free float (%)	20%
FINI ownership (%)	7.5%
FOL Room (%)	41.4%
Major shareholders (%)	79.9%
2023 Net debt/equity (%)	Net cash
2023 BVPS (VND)	15.207
2023 P/B (x)	0.9
2023 P/E (x)	12.4
2023 EV/EBITDA (x)	4.4

Financial outlook

Year to Dec	2022A	2023E	2024E	2025E
Sales (VND bn)	28,235	29,830	29,950	38,659
EPS (VND)	765	1,071	1,178	1,332
ROE (%)	7.6	7.8	8.2	7.2
Div. yield (%)	-	-	-	-

Sources: Bloomberg, Company data, Yuanta Vietnam

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Bloomberg code: YUTA

PV Power (POW VN) Vung Ang is coming back

Event

POW reported preliminary 2Q results. Two catalysts: 1) Prelim 2Q23 revenue reached a 4-year high; and 2) Vung Ang is coming back.

Details

2Q23 revenue increased by +19.6% YoY to reach VND8.8tn, a four-year high. This was underpinned by production of 4.3bn kWh, up by +23.4% YoY (+7.5% QoQ). Preliminary 1H23 revenue reached VND 16,567bn (+14.5% YoY).

POW did not disclose 2Q23 profit yet, but we expect a ~25% YoY jump in PATMI to reach VND527bn based on the increased revenue and softening input costs. Thus, 6M23 PATMI should reach VND1.1tn, unchanged YoY but fulfilling ~90% of its 2023E guidance. Recall that POW recorded VND276bn in one-off gains in 1H22; our estimate of normalized PATMI growth is roughly ~25% YoY.

Modest 2023 profit guidance. POW set a revenue target of VND 30.3 trillion, up +7% YoY. POW targets output volume of 15.6 bn kWh, up by +10% YoY. The company guides for profit after tax to decline by -56% YoY to VND 1,118 bn. But POW typically provides conservative guidance that it then (often) exceeds. For example, POW reported 2022 PAT of VND2,553bn, 3.4x its original guidance.

Vung Ang is coming back. At the AGM, POW said the issues at Vung Ang would not likely be resolved until August. Our understanding is that the affected turbine is now being shipped to Vietnam and could be re-installed and ready for operations by 4Q23, if all goes well. Given that the impact of El Nino might persist until 1Q24, thermal power is likely to remain in high demand until 1H24.

Longer-term growth driver: 1,500MW gas-fired thermal power capacity coming online (NT3 and NT4). POW is constructing 1,500 MW of designed LNG capacity at these plants with a total investment of USD1.4bn. We expect POW to launch NT3 in 2025 and NT4 in 2026, thereby expanding its designed capacity by +35%.

We reiterate BUY after [upgrading](#) the stock as a trading BUY on March 1. Our target price of VND 16,724 implies 6.5x 2024F EV/EBITDA, an 8% discount to the regional sector median valuation. The main risk to our model is potential further delays at Vung Ang.

Upside risk: Potential recognition of ~VND300bn in machine breakdown insurance claims could be recorded in 2023.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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