PVPOWER Corp (POW)

ADD (Maintain)

POWER

Current Price	VND12,400
52Wk High/Low	VND15,300/VND10,450
Target Price	VND14,900
Previous TP	VND14,600
TP vs Consensus	5.8%
Upside	20.2%
Dividend Yield	0.0%
Total stock return	20.2%

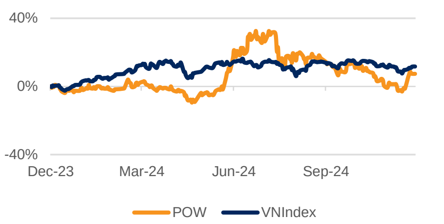
Growth rating	Positive
Value rating	Positive
ST Technical Analysis	Positive

Market Cap	USD1,144.5mn
3m Avg daily value	USD2.6mn
Avail Foreign Room	USD517.5mn
Outstanding Shares	2,341.9mn
Fully diluted O/S	2,341.9mn

	POW	Peers	VNI
P/E TTM	20.2x	38.3x	13.1x
P/B Current	0.8x	1.6x	1.6x
ROA	1.7%	3.1%	2.1%
ROE	4.0%	5.0%	12.5%

**as of December 4, 2024*

Share Price performance



Share price (%)	1M	3M	12M
POW	6.9%	-7.8%	9.7%
VN-Index	-0.3%	-2.5%	13.5%

Ownership

PVN	79.9%
Others	20.1%

Business Description

PVPower is the second-largest listed electricity producer in Vietnam. With a power portfolio of 4,200 MW, it represents 5.4% of the country's total capacity. POW's main strength lies in advanced thermal power plants with state-of-art technology. Ca Mau 1 and 2, Nhon Trach 2 and Vung Ang 1 are POW's key power plants, accounting for 87% of total volume.

Analyst(s):

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Ready to feed surging power consumption

- We retain our ADD rating with 20.2% upside. Since our last report, we raised our TP by 2% while the share price inched up by 1%.
- Our higher TP is mainly driven by revising our FY25-26 EPS forecast and rolling our model in 2025.
- Current P/B of 0.8x is below the domestic peer average of 1.6x and is attractive considering the upcoming commencement of NT3 and 4.

Financial Highlights

- POW's EPS surged 380% YoY in 3Q24, mainly driven by an unrealized FX gain of its USD-denominated debt. This FX gain masked the fact that its core business barely improved.
- We expect FY24 net profit to increase 5%, then jump 45%/19% in FY25/26 thanks to higher mobilization from all power plants.

Investment Thesis

Soaring electricity consumption boosts power plants outlook

The MoIT forecasts electricity consumption to jump 11.3% YoY in 2025, with potential upside to 14-15%. For a long-term perspective, given the Government's strong commitment and focus on developing the electricity-intensive semiconductor industry, we believe power consumption will continue to grow at a double-digit rate. This surge in demand benefits power plants, including POW's, leading to higher capacity utilization. The upcoming Nhon Trach 3 and 4 plants further solidify POW's position to capitalize on this growing demand in the long term.

NT3 and 4 will be the main growth drivers once they resolve PPA delays

NT3 and 4 gas-fired power plants are two crucial POW projects with total investment of VND34tn (USD1.4bn). Per POW's board, NT3 is about to commence trial operations in December, followed by commercial operation in June 2025. NT4 is expected to start six months later, in line with our expectation. NT3 and 4 have secured a PPA with a minimum Qc offtake ratio of 35%, according to POW. We consider NT3 and 4 as POW's mid- and long-term growth engines as they will lift POW's total capacity 36% and contribute 16.4%/44.2% to the top line in FY25-26.

NT2 production to recover meaningfully thanks to higher gas availability

In 2024, EVN prioritized coal-fired power generation due to its baseload nature and slower ramp-up/ramp-down times. This shift reduced demand for gas-fired power, leading to a 22% YoY decline in NT2's generation volume. However, as coal-fired power plants approach maximum capacity and gas supply constraints ease, NT2 is poised for a significant recovery in 2025. Increased gas availability and potential higher demand for gas-fired power from EVN could drive a 23% YoY increase in NT2's output, in our estimate.

Moderate rainfall and strong power demand facilitate VA1 operation in 2025

Recent forecasts indicate a decrease in La Nina probability for early 2025, suggesting moderate rainfall. This, combined with rising electricity demand in the North, creates favorable conditions for the Vung Ang 1 coal-fired power plant. With no scheduled maintenance in 2025, VA1's volume is projected to increase by 14%. The plant's long-term outlook is optimistic, especially with the completion of the 500kV line 3, which enhances power transmission to key northern consumption centers.

	2023	2024E	2025F	2026F
Revenue growth	0.4%	15.3%	19.4%	19.4%
EPS growth	(49.6%)	5.1%	26.2%	49.6%
Gross margin	9.5%	7.3%	8.9%	10.1%
Net profit margin	3.7%	3.9%	3.8%	4.2%
P/E (x)	25.6	24.4	19.3	12.9
Rolling P/B (x)	0.8	0.9		
ROAE	3.5%	3.5%	4.2%	5.9%
Net debt to equity	5.4%	40.6%	44.5%	27.5%

Source: VNDIRECT RESEARCH

Company Profile:

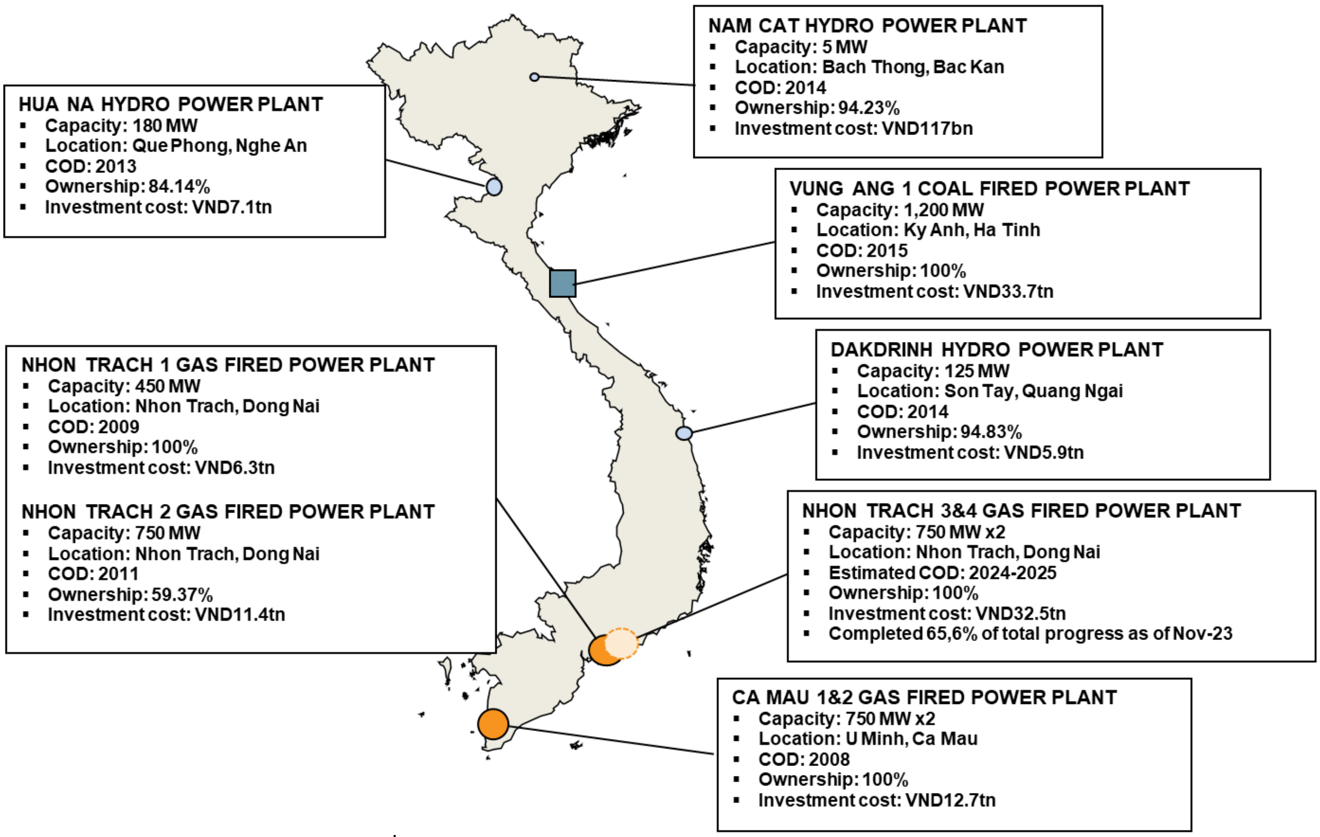
Vietnam's leading gas-fired power company poised for expansion

PVPower (POW) was established in 2007 as a subsidiary of PetroVietnam. POW officially became a joint stock company in late 2017, and it was listed on UPCOM in 2018 and HOSE in 2019, in accordance with Vietnam's power sector reforms. POW has eight power plants across the country, with total generating capacity of 4,205 MW (~5.4% of Vietnam's designed electric generation capacity). The company's maximum capacity is the second largest among listed companies, trailing only GENCO3 (PGV), which has total capacity of about 7,000 MW.

POW has focused on gas-fired power with total gas-fired capacity of 2,700 MW, which makes up 64% of POW's total capacity and 38% of the gas-fired power market. Coal-fired and hydropower accounts for 29% and 7% of the company's total capacity, respectively. POW uses modern gas turbines for its plants, resulting in a high utilization rate of 62.9%.

The company is working on two crucial projects - Nhon Trach 3 and 4 - with total investment of USD1.4bn, and they are expected to come online in 2024-25. The two new units will have a combined capacity of 1.5 GW and be equipped with General Electric's 9HA.02 gas turbines, which are among the most advanced and efficient gas turbines in the world. Nhon Trach 3 and 4 will be the first power projects in Vietnam to be fueled by liquefied natural gas (LNG), contributing to the country's commitment to achieve net-zero carbon emission in 2050.

Figure 1: POW power plant info



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Results Recap: Unrealized FX gain masks stagnant core operation

Figure 2: 3Q24 results

VNDbn	3Q24	% YoY	9M24	% YoY	9M24/FY24
Volume (million kWh)	3,047	8.6%	8,369	1.5%	70.3%
ASP (VND/kWh)	1,989	-1.7%	1,900	32.4%	107.3%
Net sales	6,061	6.7%	21,686	36.8%	75.4%
Gross profit	296	-3.5%	1,408	-3.2%	65.6%
SG&A	169	13.5%	480	-0.4%	67.6%
EBIT	127	-19.5%	927	-4.6%	64.6%
Net financial expenses	(415)	-656.7%	(260)	-350.3%	-90.6%
PBT	547	568.0%	1,267	25.3%	91.4%
NPAT-MI	396	379.5%	1,066	43.5%	92.6%
GPM	4.9%	-0.5% pts	6.5%	-2.7% pts	
NPM	6.5%	5.1% pts	4.9%	0.2% pts	

Source: VNDIRECT RESEARCH

NT2 volume beat estimates, while VA1 underperformed amid heavy rainfall

POW's volume showed improvement, rising 8.6% YoY in 3Q24 to 3.0 billion kWh. Driving the increase was a 103% YoY surge in NT2 volume to 743 million kWh because: 1) the plant was undergoing a major maintenance in 3Q23, leading to a low 3Q23 base level; and 2) improved gas supply bolstered mobilization. On the other hand, Vung Ang 1 (VA1) volume declined 41% YoY to 606 million kWh, explained by: 1) strong hydropower generation in the North resulted in limited coal-fired power mobilization; and 2) the plant was under maintenance in 3Q24. Hua Na output jumped 40% YoY to 266 million kWh on the back of heavy rainfall.

Despite volume growing, margin shrank due to low assigned Qc

3Q24 ASP edged down 1.7% YoY mainly due to a lower spot price as EVN has been tightening the competitive generation market since the beginning of the year. Hydropower power plants Hua Na and DakDrinh were particularly impacted, with 3Q24 ASPs decreasing by 10%/17% YoY, despite volume increases of 2% and 12% YoY, respectively. POW's gross margin edged down by 0.5 pts % YoY in 3Q24 to 4.9%, primarily due to a 17% decline in assigned Qc in the period. Consequently, though overall volume improved, 3Q24 gross profit showed a less-than-impressive result of VND296bn (USD11.7mn; -4% YoY).

Unrealized FX gain masked stagnant core operation

While 3Q24 operating profit slid 20% YoY to VND127bn (USD5.0mn), net profit came in at VND396bn (USD15.7mn), representing an impressive jump of 380% YoY. This increase mainly came from an unrealized FX gain of VND227bn (USD9.0mn), compared to a minimal gain in 3Q23, resulting from a 3.5% depreciation of the VND against the USD during the quarter.

Thanks to upbeat 3Q24 results, 9M24 net profit climbed 44% YoY to VND1.1tn (USD43.5mn), completing 93% of our FY24 forecast.

However, the sudden surge in unrealized FX gains may reverse in coming quarters due to exchange rate volatility.

Solid balance sheet to execute key projects Nhon Trach 3 and 4

Figure 3: Balance sheet analysis

VNDbn	3Q23	4Q23	1Q24	2Q24	3Q24
Cash	9,248	10,831	9,108	12,533	15,758
A/R days	229	181	206	142	171
Inventory days	39	35	28	24	37
A/P days	198	239	263	191	287
Capex	582	4,116	133	5,973	1,663
Depreciation	706	706	702	703	706
Fixed assets	27,092	26,401	25,709	25,015	24,320
Construction in progress	4,935	9,032	11,409	16,567	18,328
Long-term (LT) debt	3,908	7,179	8,285	9,289	8,781
Total debt	9,280	12,679	13,619	20,589	19,962
% of total debt in USD	30%	27%	20%	29%	39%
Net debt/equity	0%	5%	13%	24%	12%

Sources: COMPANY FINANCIAL STATEMENTS, VNDIRECT RESEARCH

POW is stacking up cash and issuing long-term debt to finance the Nhon Trach 3 and 4 LNG-to-power projects. Its last large power plant, Vung Ang 1, was completed a decade ago, so now POW has ample resources to take up this ambitious project.

The company's strong financial health is evident in its low net debt-to-equity ratio. Additionally, the improvement in accounts receivable days indicates that EVN is consistently fulfilling its payment obligations, further solidifying POW's financial stability. In fact, POW received substantial cash inflow of VND3.1tn (USD122mn) from EVN in 3Q24, significantly boosting its cash reserves to VND15.8tn (USD622mn) and reducing its net debt-to-equity ratio to 12%.

POW's foreign currency exposure, totaling VND5.0tn (USD203mn), constitutes ~39% of its total debt. This exposure to the USD is the primary driver of its FX losses/gains.

FY24-25 Outlook: Mid-term outlook supported by electricity demand surge

Figure 4: Earnings forecast revision

VNDbn	Old			New			% change			
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	Comment
Revenue	**28,774**	**36,303**	**49,123**	**28,093**	**36,591**	**49,619**	**-2.4%**	**+0.8%**	**+1.0%**	
Gas-fired power	17,077	22,836	35,955	16,377	23,137	36,309	-4.1%	+1.3%	+1.0%	FY24 gas-fired revenue is slightly revised down by 4.1% due to lower than expected volume in Ca Mau 1&2, while FY25 revenue is revised up to reflect recovery expectation of NT2
Hydropower	1,422	1,514	1,468	1,444	1,501	1,477	+1.5%	-0.9%	+0.6%	Mildly adjust upward to reflect better than expected 9M24 results
Coal-fired power	11,323	11,856	11,700	10,198	11,856	11,700	-9.9%	-0.0%	-	We reduced our FY24 coal-fired power revenue forecast due to lower-than-expected generation caused by heavy rainfall in 3Q24.
COGS	26,629	32,921	44,176	26,034	33,325	44,592	-2.2%	+1.2%	+0.9%	
Gross profit	**2,145**	**3,382**	**4,947**	**2,059**	**3,266**	**5,027**	**-4.0%**	**-3.4%**	**+1.6%**	
Gross profit margin (%)	*7.5%*	*9.3%*	*10.1%*	*7.3%*	*8.9%*	*10.1%*				
SG&A	711	896	1,227	694	903	1,222	-2.4%	+0.8%	-0.4%	
EBIT	1,434	2,486	3,720	1,365	2,363	3,804	-4.8%	-5.0%	+2.3%	
Financial income	492	579	713	492	580	709	-0.0%	+0.2%	-0.5%	
Financial expense	774	1,310	1,869	776	1,316	1,882	+0.3%	+0.4%	+0.7%	
Net profit	**1,151**	**1,451**	**1,985**	**1,091**	**1,377**	**2,061**	**-5.2%**	**-5.1%**	**+3.8%**	

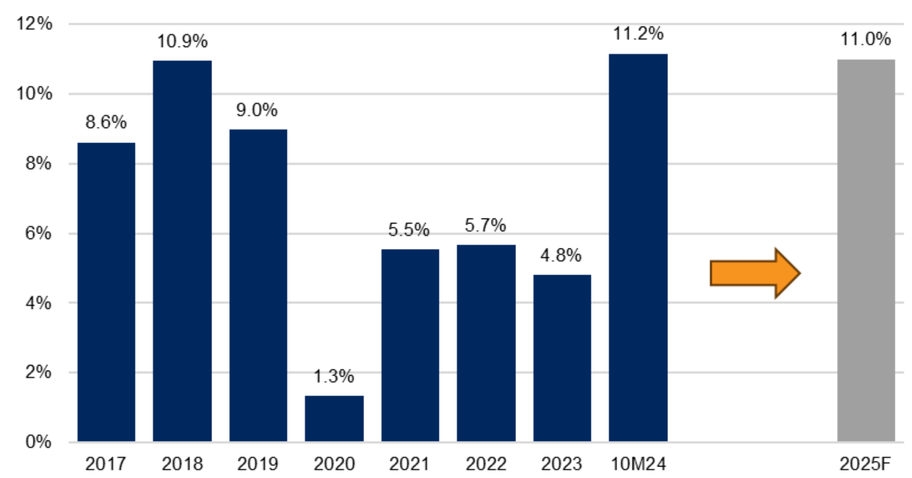
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Vietnam's strong growth trajectory to fuel power demand surge

Vietnam's robust economic trajectory, underpinned by strong FDI inflows and key public infrastructure projects, is set to drive significant electricity demand growth in 2025. The Ministry of Industry and Trade (MoIT) forecasts a potential 11.3% YoY increase in national electricity demand, with upside risks stemming from the Government's ambitious 8% GDP growth target for next year.

To accommodate this surge, the MoIT has outlined three scenarios: a base case of 11-12% growth, an optimistic scenario of 12-13%, and an extreme scenario of 14-15%. This robust demand growth benefits power plants, including those of POW, leading to higher capacity utilization. With the Nhon Trach 3 and 4 plants scheduled for operation in 2025 and 2026, respectively, POW is well-positioned to capitalize on this long-term growth opportunity.

Figure 5: Surging power consumption growth expected to extend into 2025 and upcoming years



Sources: MoIT, VNDIRECT RESEARCH

Gas-fired power: NT2 set for bright outlook

We expect FY25 gas-fired power revenue to jump 41.4% YoY to VND23.1tn (USD909mn) thanks to new contribution from Nhon Trach 3.

Ca Mau 1 and 2: We expect Ca Mau 1 and 2 FY25 revenue to grow by 6% to VND11.1bn (USD438mn), thanks to strong electricity consumption and a stable gas source from Southwestern gas fields (PM3-CAA block). Strong power demand should continue to maintain the plant's high mobilization rate, leading to FY25 output growth of 6.7% YoY to 6.3 billion kWh.

NT2: In 2024, EVN has strongly mobilize from coal-fired power as a bulk baseload power source since coal-fired power takes much longer to ramp up and down. Strong mobilization of coal-fired power also helped EVN to utilize renewable energy at certain times of the day. As a result, gas-fired power was left behind, with generation volume falling by 22% YoY compared to 2023. However, we believe the situation will improve in 2025, as coal-fired power plants are operating near maximum capacity, meaning that EVN would eventually have to turn to NT2 to secure sufficient electricity for a hungry economy.

The lack of cheap domestic gas supply also played a part and was a major problem for the power plant in 2024. However, we expect the situation will improve meaningfully in 2025 following expiration of BOT power plant Phu My 2.2, meaning there will be more gas supply available for NT2 as the plant still has a gas offtake agreement until 2036.

We expect NT2's output to rebound strongly by 23% YoY to 3.2 billion kWh. This recovery is driven by increased gas availability and the expectation that EVN's financial situation may improve, leading to increased mobilization of gas-fired power generation.

Nhon Trach 3 and 4: Nhon Trach 3's commercial operation is expected to begin in mid-2025, followed by Nhon Trach 4 in 2026, a six-month delay from POW's initial target. These two power plants will contribute 13.8%/37.7% of POW's total revenue in 2025-26. Our base case scenario assumes EVN and POW will finalize a PPA using terms from a recent MoIT draft decree. This agreement would guarantee offtake of 70% of Nhon Trach 3 and 4's designed output for a seven-year term and the gas price will be passed through to the electricity price. Given the high cost of LNG-fueled power generation, securing favorable terms for the Qc mechanism is crucial for the financial viability of Nhon Trach 3 & 4. These plants will heavily rely on the Qc mechanism to generate revenue, as spot market opportunities for LNG-fired power are limited.

Figure 6: Impact of guaranteed Qc ratio term assumption on IRR and GM

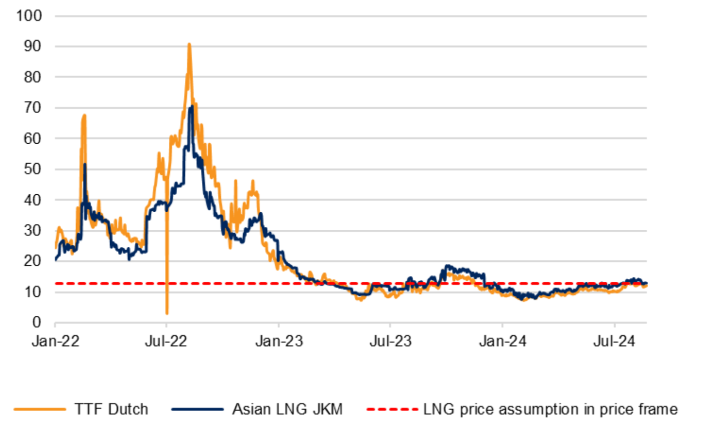
		Base case	
Qc ratio	65%	70%	75%
LNG price assumption (USD/mmBTU)	12.5	12.5	12.5
IRR	7.8%	10.2%	11.7%
Gross margin in the first 3 years	7.0% - 7.3%	8.1% - 8.4%	9.1% - 9.3%

Source: VNDIRECT RESEARCH

Another key factor for Nhon Trach 3 and 4's profitability is the capacity cost term. This term sets the price EVN pays POW for each kilowatt-hour (kWh) of electricity generated. Because fuel costs are passed through to EVN, negotiating a favorable capacity cost is essential for project success. A higher capacity cost translates directly to a larger gross margin for POW, even with fluctuations in fuel prices. With an investment cost of USD1.4bn for 1,600 MW, we estimate a capacity cost term of VND500/kWh should ensure project viability. This estimate aligns with POW's recent disclosure that the capacity cost for Nhon Trach 3 will be similar to that of Nhon Trach 2.

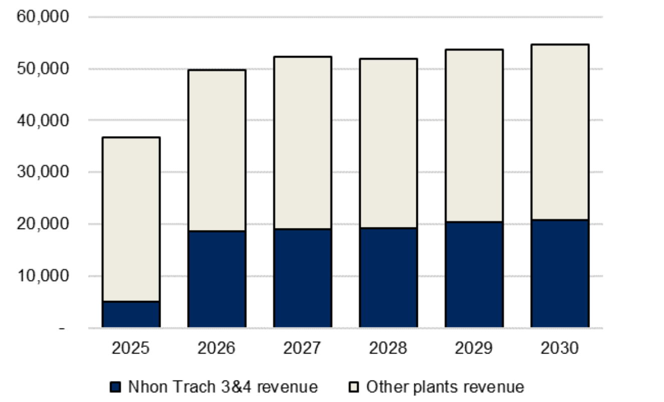
Assuming an LNG price of USD12.8/mmBTU, this capacity cost translates to a Pc of roughly VND2,585/kWh, slightly below MoIT's 2024 LNG-to-power price cap.

Figure 7: LNG prices cooling after a surge in 2022 has made LNG-to-power projects appear more economically viable (Unit: USD/mmBTU)



Sources: MoIT, BLOOMBERG, VNDIRECT RESEARCH

Figure 8: Nhon Trach 3 and 4's contribution to total revenue in FY25-30F (Unit: VNDbn)



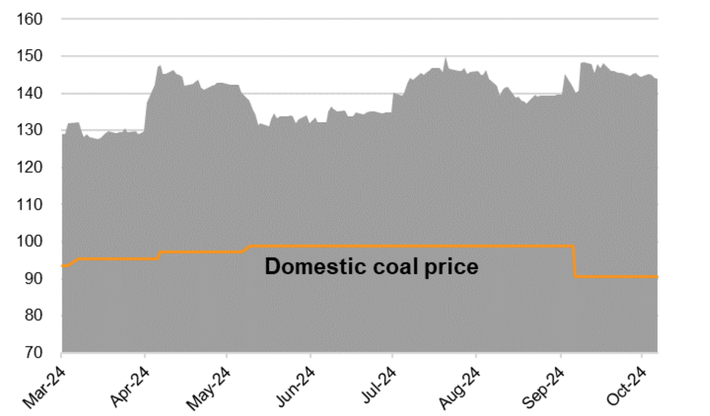
Source: VNDIRECT RESEARCH

Coal-fired power: High utilization rate as bulk baseload for system

2025 coal-fired power revenue is projected to increase by 16.3% YoY to VND11.9tn (USD468mn), driven by a 14.3% increase in volume. This growth is primarily due to the absence of a two-month maintenance schedule for VA1 as in 2024, allowing for extended operating hours. To meet surging electricity demand, EVN heavily relies on coal-fired power as a stable bulk baseload source, compensating for its inherent inability to ramp up and down quickly.

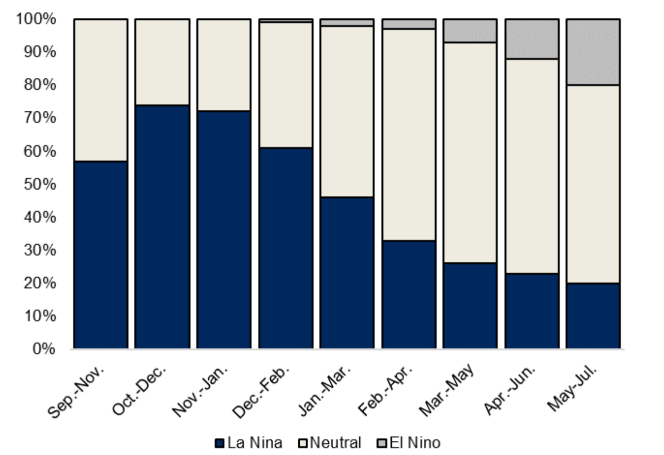
Recent ENSO forecasts indicate a decreasing trend in La Nina probability for early 2025, suggesting only moderate rainfall next year. This favorable weather condition will benefit coal-fired power plant operations.

Figure 9: Domestic coal prices have been flat. The grey area is Newcastle coal price (Unit: USD/ton)



Sources: BLOOMBERG, GENCO3, VNDIRECT RESEARCH

Figure 10: ENSO probability forecasts (issued in November) predict a short La Nina phase which should only last for a couple of months, then followed by a return of a Neutral phase during January-March. As of mid-November, Neutral conditions persist.



Sources: IRI, VNDIRECT RESEARCH

Hydropower: Swing back to multi-year average output level

Hydropower output is projected to increase by 4.0% YoY in 2024, reaching 1.36 billion kWh, primarily driven by more neutral weather conditions compared to a dry first half in 2024.

Vung Ang 1 and NT2's recovery to drive 2025 net profit growth

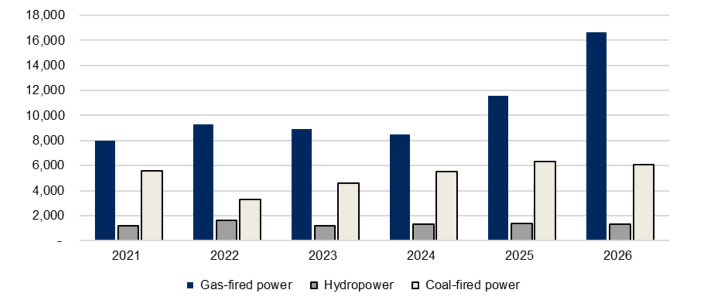
Figure 11: Volume and ASP breakdown by power type in FY23-25

	FY23	FY24E	% YoY	FY25F	% YoY
Total output (m kWh)	**14,665**	**15,345**	**4.6%**	**19,247**	**25.4%**
Gas-fired power	8,886	8,508	-4.3%	11,578	36.1%
Hydropower	1,206	1,318	9.3%	1,362	3.3%
Coal-fired power	4,573	5,519	20.7%	6,307	14.3%
Average selling price (ASP - VND/kWh)					
Gas-fired power	2,102	1,925	-8.4%	1,989	3.4%
Hydropower	1,106	1,095	-1.0%	1,102	0.6%
Coal-fired power	1,966	1,848	-6.0%	1,880	1.7%
Total revenue (VNDbn)	**29,006**	**28,018**	**-3.4%**	**36,390**	**29.9%**
Gas-fired power	18,680	16,377	-12.3%	23,034	40.6%
Hydropower	1,334	1,444	8.2%	1,501	4.0%
Coal-fired power	8,992	10,198	13.4%	11,856	16.3%

Source: VNDIRECT RESEARCH

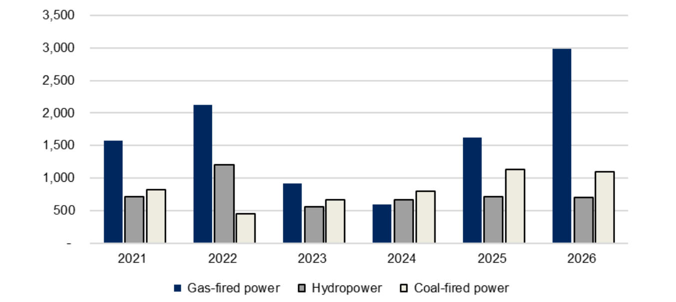
Looking ahead to 2025, we forecast a 26% increase in net profit fuelled by: 1) higher gas availability boosting NT2 output from sluggish levels; 2) Vung Ang 1 has no maintenance schedule and should have higher operating hours; and 3) continued strong performance from Ca Mau 1 and 2.

Figure 12: Output forecast by power type (Unit: million kWh)



Source: VNDIRECT RESEARCH

Figure 13: Gross profit forecast by power type (Unit: VNDbn)



Source: VNDIRECT RESEARCH

Power purchase agreement and progress updates for Nhon Trach 3 and 4

LNG-fired power, with its large capacity range, high stability, and insensitivity to weather conditions, is poised to play a crucial role in stabilizing and securing the electrical system. As outlined in the PDP VIII, the gas-fired power industry is set to become increasingly important, especially given the limited potential for hydropower development and the phasing out of coal power after 2030…

POW secured PPA for NT3; long-term offtake term still in question

The biggest hurdle in the negotiations between POW and EVN lies in the Qc off-take term. While POW is advocating for a 70%-80% utilization factor of designed output (Qc), EVN is hesitant and proposes a lower 65% threshold. This difference likely stems from EVN's concern about the high cost of LNG power. LNG power plants typically have a generation cost of VND2,400-2,600/kWh, which is much higher than EVN’s current average electricity selling price of VND2,000/kWh.

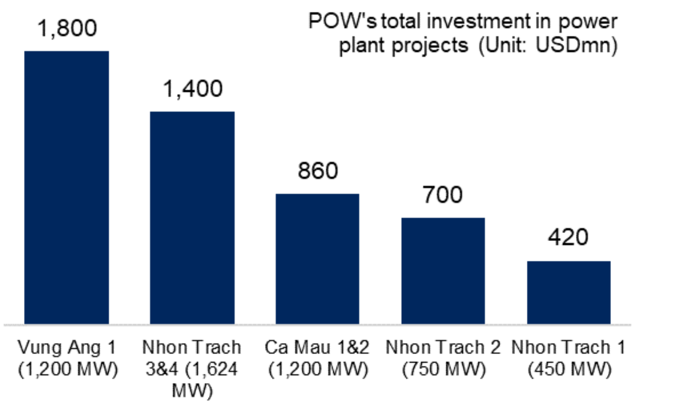
However, a draft decree by the MoIT offers a potential middle ground. The draft mandates a minimum purchase guarantee of 70% of an LNG power plant's output during its debt repayment period, ensuring project bankability. However, this requirement is capped at seven years to minimize the impact on retail electricity prices and maintain fair competition within the market. This limitation may be too short for the project’s financiers. While the disagreement between EVN and POW persists, the MoIT's proposal suggests a point of convergence as both parties inch closer to a mutually agreeable solution.

On May 28, the MoIT approved the price frame for LNG-fired power. We see this as a positive step forward for Nhon Trach 3 and 4 PPA negotiations.

On October 4, POW secured PPA for Nhon Trach 3 with a minimum offtake Qc ratio of only 35%. We see this as a short-term term for Nhon Trach 3 as the plant will only run for half a year in 2025. The long-term Qc offtake terms for Nhon Trach 3 remain uncertain and are still subject to ongoing negotiations

In our view, a 70% Qc offtake ratio could be a sweet spot for both parties, balancing the interests of POW and EVN. This level of capacity payment would provide a reasonable level of output assurance for POW, while also mitigating the risk of excessive costs for EVN. The negotiation process is expected to be pushed by the urgent need to secure electricity supply for surging power demand in the country. EVN's ongoing financial challenges may hinder the negotiation process, as the SOE may be less inclined to commit to expensive power sources like LNG. This could potentially delay the finalization of favorable Qc offtake terms for POW's LNG-fired power plants. Therefore, we see the upcoming electricity tariff hike could be a mild catalyst for the negotiation process.

Figure 14: Nhon Trach 3 and 4 are POW's second-largest project by USD investment, with the largest being Vung Ang 1.



Source: VNDIRECT RESEARCH

Figure 15: Parameters used to calculate LNG-to-power cap price

Parameters	Value	Unit
Net capacity	1,579	MW
Net heat rate at 85% utilization rate	6,330	BTU/kWh
LNG price (excluding VAT, storage costs, regasification, and post-regasification gas distribution)	12.97	USD
Exchange rate	24,520	USD/VND
LNG-to-power price cap	2,591	VND/kWh

Source: MoIT, VNDIRECT RESEARCH

Valuation

Reiterate ADD with a higher TP of VND14,900/share

We increase our TP by 2% to VND14,900, based on an equal weighting of DCF valuation and the target EV/EBITDA multiple, due to the mixed impact of:

- Higher DCF-based TP (+3% vs previous report) on the back of: 1) rolling our model into 2025; and 2) lowering our WACC assumption from 10.5% to 10.4% as we decrease our risk-free rate from 2.79% to 2.66% (based on the 10-year bond yield as of September 30, 2024) but retain our equity risk premium at 7.8% based on the Damodaran model.
- Lower multiple-based TP as we have adjusted the EV/EBITDA valuation multiple from 7.8x in our previous report to 7.3x (TTM peer average). We use average EBITDA of 2025 and 2026 to partly reflect the EBITDA from Nhon Trach 4 into the valuation.

Figure 16: Blended valuation

Methods	Target multiple	Implied share price	Weight	Weighted Value
		VND per share	**%**	**VND per share**
FY25-26F EV/EBITDA	7.3x	14,284	50%	7,142
DCF, 10y		15,421	50%	7,710
Implied target price				14,852
Rounded target price				**14,900**

Source: VNDIRECT RESEARCH

Figure 17: Cost of equity

Cost of equity	
Risk free rate	2.7%
Beta	1.3
Risk premium	7.8%
Cost of equity- ke	12.9%

Source: VNDIRECT RESEARCH

Figure 18: WACC and Long-term growth rate

WACC & terminal growth	
Enterprise value	53,154
Debt	(25,976)
Cost of debt	6.8%
Tax rate	20.0%
WACC	10.4%
Perpetual growth rate	0.8%

Source: VNDIRECT RESEARCH

Figure 19: DCF valuation – summary of free cash

VNDbn	FY25F	FY26F	FY27F	FY28F	//	FY34F
EBITDA	6,383	7,454	7,845	7,388		
(-) Depreciation and Amortisation	(4,020)	(3,649)	(3,650)	(3,558)		(3,559)
EBIT	2,363	3,804	4,195	3,830		4,076
(-) Tax	(262)	(479)	(476)	(476)		(638)
Tax rate (%)	11.1%	12.6%	11.4%	12.42%		15.6%
EBIAT	2,101	3,325	3,719	3,354		3,438
(+) Depreciation and Amortisation	4,020	3,649	3,650	3,558		3,559
(+) (Increase)/decrease in net working capital	(753)	792	(695)	(110)		245
(-) Capital Expenditure	(9,186)	(496)	(526)	(517)		(531)
Unleveraged Free cash flow (FCFF)	**(3,818)**	**7,270**	**6,148**	**6,285**		**6,711**
Terminal value						**67,138**

Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 20: Peer comparison

Company name	Ticker	Revenue		Net profit		Net D/E	Mkt Cap	P/E (x)		P/BV (x)		EV/EBITDA (x)		ROE (%)	
	Bloomberg	USD	% YoY	USD	% YoY	%	USDmn	TTM	FY24	Current	FY24	TTM	FY24	TTM	FY24
International peer															
First Gen Corp	FGEN PM Equity	2,474.7	(7.2)	312	11	25.4	1,043	3.0	N/A	0.4	N/A	5.3	N/A	10.3	8.3
Tata Power Co Ltd/The	TPWR IN Equity	7,424.9	11.5	447	13	112.3	16,402	37.7	32.5	4.3	3.5	15.7	14.0	12.1	12.9
Malakoff Corp Bhd	MLK MK Equity	1,990.1	(12.4)	(184)	N/A	103.9	878	N/A	12.8	0.7	0.8	7.0	3.0	-2.0	5.8
Domestic peer															
GENCO3	PGV VN Equity	1,924	(3)	45	(54)	206.5	853	N/A	9.3	1.5	1.2	7.9	5.1	-4.1	14.1
Quang Ninh Thermal Power JSC	QTP VN Equity	506	16	26	(20)	3.0	259	10.7	9.0	1.2	1.1	4.2	N/A	10.7	14.9
HAI Phong Thermal Power JSC	HND VN Equity	480	9	19	(10)	6.1	264	15.2	11.5	1.1	N/A	4.8	N/A	7.2	NA
Nhon Trach 2 JSC	NT2 VN Equity	268	(27)	20	(48)	(20.8)	224	25.8	85.4	1.4	1.3	6.5	N/A	5.3	7.4
Average		**2,153**	**(2)**	**98**	**(18)**	**62.3**	**2,846**	**18.5**	**26.8**	**1.5**	**1.6**	**7.3**	**7.4**	**5.6**	**10.6**
PVPower	**POW VN Equity**	**1,189**	**0**	**44**	**(50)**	**5.4**	**1,163**	**32.5**	**21.7**	**0.9**	**0.8**	**8.6**	**7.4**	**2.4**	**3.9**

Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 21: Historical P/E

Sources: BLOOMBERG, VNDIRECT RESEARCH

Figure 22: Historical P/B

Sources: BLOOMBERG, VNDIRECT RESEARCH

Re-rating catalysts:

- The introduction of a multi-component pricing mechanism dramatically alters the business model of gas-fired power plants.
- Power demand recovers stronger and faster than expected, supporting more intense mobilization rate.
- Nhon Trach 2 outperforms mobilization target.
- Securing PPA with favorable terms for Nhon Trach 3 and 4.

Downside risks:

- Input (both gas and coal) shortage risk in the short term, hindering company production activity.
- Coal incompatibility may lead to Vung Ang 1 performance issues.
- Unexpected technical problem with generators.
- LNG price spikes, hindering PPA negotiation process, resulting in less favorable terms for Nhon Trach 3 and 4.
- The operational volumes of Nhon Trach 1 and 2 may decline following the commercial operation of Nhon Trach 3 and 4, as these plants are located in the same region.

Income statement

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Net revenue	35,421	29,732	24,561	28,224	28,329	28,093	36,591
Cost of sales	(30,298)	(25,152)	(22,021)	(24,498)	(25,625)	(26,034)	(33,325)
Gross Profit	**5,123**	**4,580**	**2,540**	**3,726**	**2,704**	**2,059**	**3,266**
Gen & admin expenses	(1,179)	(1,174)	(131)	(868)	(1,268)	(680)	(886)
Selling expenses	(27)	(35)	(9)	0	0	(14)	(17)
Operating profit	**3,917**	**3,371**	**2,400**	**2,859**	**1,436**	**1,365**	**2,363**
Operating EBITDA	**756**	**756**	**756**	**756**	**756**	**756**	**756**
Depreciation and amortisation	3,132	2,824	2,818	2,809	2,809	3,235	3,796
Operating EBIT	**(2,376)**	**(2,068)**	**(2,062)**	**(2,053)**	**(2,053)**	**(2,479)**	**(3,040)**
Interest income	447	440	690	445	544	496	585
Financial expense	(1,324)	(999)	(653)	(592)	(730)	(788)	(1,340)
Net other income	48	20	(120)	44	152	193	26
Income from associates & JVs	57	44	22	53	40	40	40
Pre-tax profit	**3,145**	**2,875**	**2,339**	**2,809**	**1,442**	**1,306**	**1,674**
Tax expense	(307)	(212)	(287)	(256)	(159)	(158)	(177)
Net profit	**2,491**	**2,365**	**1,799**	**2,061**	**1,038**	**1,085**	**1,361**
Adj. net profit to ordinary	2,491	2,365	1,799	2,061	1,038	1,085	1,361

Balance sheet

(VNDbn)	12-19A	12-20A	12-21A	12-22A	12-23A	12-24E	12-25F
Cash and equivalents	5,122	7,070	8,224	8,252	8,440	9,298	8,670
Short term investments	619	789	531	1,650	2,391	2,391	5,529
Accounts receivable	8,701	7,196	5,799	12,538	14,560	9,376	12,820
Inventories	3,912	1,728	1,838	2,086	2,167	2,161	2,766
Other current assets	192	115	2,028	400	1,484	1,443	1,440
Total current assets	**18,546**	**16,897**	**18,420**	**24,925**	**29,042**	**24,669**	**31,224**
Fixed assets	37,250	34,548	31,835	29,123	26,362	34,842	44,289
Total investments	988	1,028	828	878	960	1,000	1,040
Other long-term assets	1,385	1,578	1,894	1,917	13,998	16,556	13,753
Total assets	**58,169**	**54,050**	**52,977**	**56,843**	**70,362**	**77,067**	**90,305**
Short-term debt	9,149	7,019	4,769	5,635	5,507	9,959	10,392
Accounts payable	6,684	4,649	7,240	7,346	15,947	8,870	12,141
Other current liabilities	3,598	4,812	4,803	5,344	5,331	5,591	7,120
Total current liabilities	**19,431**	**16,480**	**16,811**	**18,326**	**26,785**	**24,420**	**29,653**
Total long-term debt	8,406	5,391	3,689	3,382	7,172	16,018	20,669
Other liabilities	729	912	1,351	1,854	2,285	1,419	2,068
Share capital	23,419	23,419	23,419	23,419	23,419	23,419	23,419
Retained earnings reserve	3,326	4,302	3,010	3,420	3,923	4,983	6,330
Shareholders' equity	**29,368**	**30,450**	**28,917**	**29,604**	**30,046**	**31,170**	**32,654**
Minority interest	2,624	2,729	2,488	2,765	2,705	2,768	2,905
Total liabilities & equity	**58,169**	**54,050**	**52,977**	**56,843**	**70,362**	**77,067**	**90,305**

Cash flow statement

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Pretax profit	**3,145**	**2,860**	**2,339**	**2,809**	**1,442**	**1,306**	**1,674**
Depreciation & amortisation	3,132	2,824	2,818	2,809	2,809	3,235	3,796
Tax paid	(326)	(330)	(340)	(86)	(220)	(158)	(177)
Other adjustments	458	1,047	(1,204)	(603)	715	(1,362)	(1,455)
Change in working capital	(2,057)	1,507	1,533	(1,774)	(1,394)	(1,586)	753
Cash flow from operations	**4,352**	**7,908**	**5,147**	**3,156**	**3,352**	**1,436**	**4,592**
Capex	(137)	(147)	(286)	(2,601)	(6,312)	(14,537)	(9,186)
Proceeds from assets sales	4	3	2	2	125	0	0
Others	88	290	372	(759)	(393)	466	(2,414)
Other non-current assets changes	4	3	474	(15)	95	0	0
Cash flow from investing activities	**(42)**	**149**	**563**	**(3,374)**	**(6,485)**	**(14,071)**	**(11,600)**
New share issuance	2	125	0	0	82	0	0
Shares buyback	0	0	0	0	0	0	0
Net borrowings	(2,254)	(5,172)	(3,845)	444	3,604	13,752	5,158
Other financing cash flow	0	0	0	0	0	(34)	1,222
Dividends paid	(119)	(1,025)	(710)	(199)	(365)	0	0
Cash flow from financing activities	**(2,370)**	**(6,072)**	**(4,555)**	**245**	**3,321**	**13,718**	**6,379**
Beginning cash and equivalents	3,185	5,083	7,070	8,224	8,252	8,440	9,522
Total cash generated	**1,940**	**1,986**	**1,154**	**28**	**188**	**1,083**	**(629)**
Ending cash and equivalents	5,122	7,070	8,224	8,252	8,440	9,522	8,894

Key ratios

Valuation Ratios	2019A	2020A	2021A	2022A	2023A	2024E	2025F
EPS (VND)	1,064	1,010	768	880	443	463	581
Price Earnings	10.27	13.25	22.79	12.10	25.37	24.28	19.35
1-yr PEG	0.35	(2.63)	(0.95)	0.83	(0.51)	5.41	0.76
EV to EBIT	3.64	7.00	10.75	6.72	6.39	3.15	2.44
EV to EBITDA	2.02	3.89	5.97	3.73	3.55	1.75	1.35
Price to Sales	0.74	0.90	1.18	0.72	0.76	0.76	0.76
Price to Book	0.89	1.09	1.42	0.87	0.92	0.92	0.92
Dividend Yield	0.5%	3.2%	1.7%	0.8%	1.4%	0.0%	0.0%
Dividend Payout Ratio	4.8%	43.3%	39.5%	9.6%	35.2%	0.0%	0.0%
Growth Rates	**2019A**	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025F**
Net Revenue YoY	8.4%	-16.1%	-17.4%	14.9%	0.4%	-0.8%	30.2%
Gross Profit YoY	14.4%	-10.6%	-44.5%	46.7%	-27.4%	-23.9%	58.6%
Net Profit YoY	29.6%	-5.0%	-24.0%	14.6%	-49.6%	4.5%	25.5%
EPS YoY	29.6%	-5.0%	-24.0%	14.6%	-49.6%	4.5%	25.5%
Profitability Ratios	**2019A**	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025F**
Gross Margin	14.5%	15.4%	10.3%	13.2%	9.5%	7.3%	8.9%
EBITDA Margin	19.9%	20.8%	21.2%	20.1%	15.0%	16.4%	16.8%
Operating Margin	11.1%	11.3%	9.8%	10.1%	5.1%	4.9%	6.5%
Net Profit Margin	7.0%	8.0%	7.3%	7.3%	3.7%	3.9%	3.7%
Return on Avg Assets	4.3%	4.2%	3.4%	3.8%	1.6%	1.5%	1.6%
Return on Avg Equity	8.5%	7.8%	6.2%	7.0%	3.5%	3.5%	4.2%
Leverage Ratios	**2019A**	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025F**
Interest Coverage Ratio (EBIT/I)	3.4	4.2	4.7	6.5	2.5	1.7	1.8
EBITDA / (I + Cap Ex)	5.5	6.5	6.6	1.9	0.6	0.3	0.6
Tot Debt/Capital	0.3	0.2	0.1	0.2	0.2	0.4	0.4
Tot Debt/Equity	0.6	1.0	1.7	2.0	1.7	1.5	1.3
Net Debt/Equity	0.4	0.1	(0.0)	(0.0)	0.1	0.5	0.5
Liquidity Ratios	**2019A**	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025F**
Asset Turnover	0.6	0.5	0.5	0.5	0.4	0.4	0.4
Accounts Receivable Turnover	4.4	3.7	3.8	3.1	2.1	2.3	3.3
A/R DOH	83.6	97.6	96.6	118.6	174.6	155.5	110.7
Accounts Payable Turnover	4.5	5.3	4.2	3.0	2.1	2.1	2.5
A/P DOH	81.5	68.3	86.3	120.9	173.5	176.7	147.3
Inventory Turnover	7.5	8.9	12.4	12.5	12.0	12.0	13.5
Inv DOH	48.8	40.9	29.6	29.2	30.3	30.3	27.0
Current Ratio	1.0	1.0	1.1	1.4	1.1	1.0	1.0
Quick Ratio	0.8	0.9	1.0	1.2	1.0	0.9	0.9

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Stock Ratings	Definition:
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.

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.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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