

PETROVIETNAM POWER CORPORATION (POW) – AGM NOTE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND14,100	N/A	0.00%	NOT RATED	UTILITIES

22 April 2019

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Price performance



Key statistics

52w high (VND)	17,500
52w low (VND)	11,000
3m Avg daily volume (shares)	1.52
3m Avg daily value (VNDmn)	36,690
Market cap (VNDbn)	33,723
Outstanding shares (m)	2,392
Free float (%)	18
TTM P/E (x)	19.8
Current P/B (x)	1.35

Ownership

PVN	79.9%
Norges Bank	1.7%
Others	18.40%

Source: VNDIRECT

The company has set a flat business plan for FY2019 at the AGM on 19 Apr 2019. In our view, this plan is quite conservative given lower depreciation expenses (thanks to fully depreciated Ca Mau 1 & 2 plants in 2018) and potentially higher output volume with no major maintenance this year. The company plans to pay 6% stock dividend in 2019.

In 2019, PV Power sets a targeted volume of 21,600m kWh (+2.8% yoy). Management targets revenue of VND32,769.5bn (+0.3% yoy) and NPAT of VND2,275.2bn (-0.5% yoy). The operation of Vung Ang 1 (VA1) plant will generate a better performance than last year, per management. If coal supply is enough, VA1 could achieve a net profit of VND190-200bn in 2019 (vs. a loss of VND546bn in 2018). 1QFY19 prelim results were flat with revenue and PBT of VND8,400bn and VND860bn, respectively.

Coal and gas supply is one of the biggest concerns

Coal-fired power plants: Vinacomin, the major coal provider of POW, can only provide 2.4 MT for the VA1 plant in 2019 while the demand is about 2.8 MT. VA1 is a coal-fired power plant. POW has gotten the government's approval to import coal in order to ensure input supply for VA1's operation. However, there could be a delay due to the testing process for coal quality. As a result, there could be a risk of input shortage for the VA1 Plant.

Gas-fired power plants: There will be higher gas input prices due to 1) higher cost of new gas fields (Nhon Trach 1 & 2); 2) Ca Mau 1 & 2 plants have to buy natural gas from Malay Tho Chu basin at higher prices as the agreement between the Vietnam and Malaysian governments will end in Sep 2018. However, higher input prices will be 100% passed through to buyers (EVN). As a result, the margin for contracted volume will not be impacted. On the other hand, POW's gas-fired power plants will face more difficulties in the competitive market because of higher electricity production cost.

Investment in Luang Prabang hydropower project in Laos being assessed. This project (Capacity: 1,400MW, POW's ownership: 38%) has an estimated investment cost of US\$4-5bn. POW expects to sell electricity from this project to Thailand. The company will finalise this project's feasibility study to estimate profitability in 2019.

Unclear divestment plan. According to the management, POW's divestment plan will depend on the new committee of State Capital Management. However, PetroVietnam (PVN) has to hold at least a 65% stake until 2025 after the termination of VA1's loans because these loans are guaranteed by the Vietnamese government. POW's management also noted that POW's inclusion into the VN30 will be considered by HOSE by the end of this year.

Financial summary (VND)	12-16A	12-17A	12-18A
Net revenue (bn)	28,212	29,710	32,662
Revenue growth	21.4%	5.3%	9.9%
Gross margin	13.4%	16.6%	13.7%
EBITDA margin	26.0%	28.3%	21.8%
Net profit (bn)	1,075	2,233	1,921
Net profit growth		107.8%	(14.0%)
Recurring profit growth		107.8%	(14.0%)
Basic EPS	399	829	713
Adjusted EPS	399	829	713
BVPS	11,048	11,436	10,464
ROAE		9.1%	7.8%

Source: VNDIRECT

Income statement

(VNDbn)	12-16A	12-17A	12-18A
Net revenue	28,212	29,710	32,662
Cost of sales	(24,429)	(24,787)	(28,186)
Gen & admin expenses	(739)	(799)	(793)
Selling expenses	(17)	(16)	0
Operating profit	3,027	4,107	3,683
Operating EBITDA	7,343	8,423	7,604
Depreciation and amortisation	(4,316)	(4,316)	(3,920)
Operating EBIT	3,027	4,107	3,683
Interest income	459	414	516
Financial expense	(1,798)	(1,806)	(1,779)
Net other income	(6)	(4)	22
Income from associates & JVs	15	22	50
Pre-tax profit	1,696	2,733	2,492
Tax expense	(178)	(132)	(205)
Minority interest	(443)	(368)	(366)
Net profit	1,075	2,233	1,921
Adj. net profit to ordinary	1,075	2,233	1,921
Ordinary dividends			
Retained earnings	1,075	2,233	1,921

Balance sheet

(VNDbn)	12-16A	12-17A	12-18A
Cash and equivalents	4,671	2,266	3,185
Short term investments	60	1,039	176
Accounts receivables	10,230	6,744	7,531
Inventories	3,347	3,533	4,187
Other current assets	211	196	172
Total current assets	18,519	13,778	15,251
Fixed assets	48,350	44,282	40,555
Total investments	931	957	937
Other long-term assets	1,933	1,567	1,369
Total assets	69,732	60,583	58,111
Short-term debt	5,888	6,099	6,554
Accounts payable	6,169	5,041	5,900
Other current liabilities	6,021	2,729	5,116
Total current liabilities	18,078	13,868	17,571
Total long-term debt	24,669	18,779	13,304
Other liabilities	189	213	422
Share capital	21,774	21,774	23,419
Retained earnings reserve	1,015	1,282	859
Shareholders' equity	24,055	24,902	24,506
Minority interest	2,741	2,822	2,309
Total liabilities & equity	69,732	60,583	58,111

Cash flow statement

(VNDbn)	12-16A	12-17A	12-18A
Pretax profit	1,696	2,733	2,492
Depreciation & amortisation	4,316	4,316	3,920
Tax paid	(242)	(190)	(96)
Other adjustments	385	2,806	(2,604)
Change in working capital	(2,392)	(3,531)	1,334
Cash flow from operations	3,764	6,134	5,046
Capex	(1,673)	(308)	(219)
Proceeds from assets sales	0	1	0
Others	297	(751)	1,774
Other non-current assets changes	(0)	0	0
Cash flow from investing activities	(1,376)	(1,059)	1,555
New share issuance	0	31	0
Shares buyback	0	0	0
Net borrowings	(3,168)	(5,680)	(5,019)
Other financing cash flow	(179)	(247)	(265)
Dividends paid	(430)	(1,563)	(349)
Cash flow from financing activities	(3,776)	(7,458)	(5,633)
Cash and equivalents at beginning of period	6,073	4,671	2,266
Total cash generated	(1,388)	(2,382)	969
Cash and equivalents at the end of period	4,686	2,289	3,235

Key ratios

	12-16A	12-17A	12-18A
Dupont			
Net profit margin	3.8%	7.5%	5.9%
Asset turnover		0.46	0.55
ROAA		3.4%	3.2%
Avg assets/avg equity		2.66	2.40
ROAE		9.1%	7.8%
Efficiency			
Days account receivable	127	80	82
Days inventory	50.1	52.0	54.2
Days creditor	92.4	74.2	76.4
Fixed asset turnover		0.64	0.77
ROIC	1.9%	4.2%	4.1%
Liquidity			
Current ratio	1.02	0.99	0.87
Quick ratio	0.84	0.74	0.63
Cash ratio	0.26	0.24	0.19
Cash cycle	85.2	57.7	59.6
Growth rate (yoy)			
Revenue growth	21.4%	5.3%	9.9%
Operating profit growth		35.7%	(10.3%)
Net profit growth		107.8%	(14.0%)
EPS growth		107.8%	(14.0%)
Share value			
Basic EPS (VND)	399	829	713
BVPS (VND)	11,048	11,436	10,464

Source: VNDIRECT

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information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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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.

Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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