

Vietnam

August 1, 2019 - 5:02 PM

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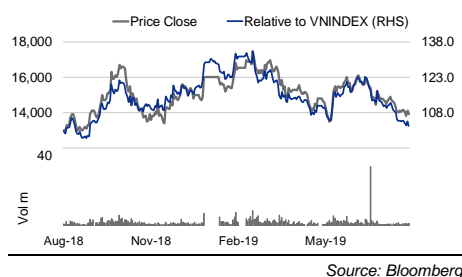
Consensus ratings*: Buy 9 Hold 0 Sell 0

Current price:	VND13,900
Target price:	VND18,334
Previous target:	VND18,334
Up/downside:	31.9%
CGS-CIMB / Consensus:	2.8%
Reuters:	POW.HM
Bloomberg:	POW VN
Market cap:	US\$1,403m
	VND32,552,016m
Average daily turnover:	US\$1.36m
	VND31,525m
Current shares o/s	2,342m
Free float:	20.1%

*Source: Bloomberg

Key financial forecasts

	Dec-19F	Dec-20F	Dec-21F
Net Profit (VNDb)	2,610	2,891	3,043
Core EPS (VND)	1,115	1,235	1,300
Core EPS Growth	35.9%	10.8%	5.3%
FD Core P/E (x)	12.47	11.26	10.70
Recurring ROE	10.1%	10.1%	9.6%
P/BV (x)	1.20	1.08	0.98
DPS (VND)	-	-	-
Dividend Yield	0%	0%	0%



Price performance	1M	3M	12M
Absolute (%)	-7.3	-6.1	6.9
Relative (%)	-10.6	-7.9	2.2

Major shareholders	% held
PVN	79.9
Norges Bank	1.5
Others	18.6

Analyst(s)

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PetroVietnam Power Corporation

Better 1H19 earnings as expected

- POW's 2Q19 net profit grew by 44.2% yoy, driven by a 1.9% pts increase in gross margin and lower financial expenses.
- 1H19 gross profit margin (GPM) inched up to 14.6% (+0.7% pt yoy), mainly due to lower depreciation cost.
- 1H19 revenue and NPAT-MI are in line with our forecasts. Maintain Add.

Weak sales volume was offset by higher selling price

- In 1H19, POW's electricity sales volume dipped by 2.3% yoy to 11,523m kWh due to a 16.1-16.7% yoy drop in hydro and coal-fired volume.
- Among four gas-fired power plants, Ca Mau 1 & 2 (CM 1 & 2) power plants were outliers with an 8.4% yoy increase in aggregated sales volume in 1H19.
- Average electricity selling price was VND1,500 per kWh in 1H19 (+2.4% yoy) due to higher market electricity price for POW's hydropower plants. This led to muted revenue growth in electricity production segment.
- 1H19's revenue was VND18,317bn (+2.8% yoy), forming 55.9% of the company's FY19F plan and 54.6% of our full-year forecast.

Concern over coal supply shortage for Vung Ang 1 plant is easing

- According to the company, the lack of coal supply from Vinacomin forced Vung Ang 1 (VA 1) plant to run below its full capacity in 1Q19. However, we believe that this concern was addressed in 2Q19 as VA 1's sales volume rose 13.4% qoq to 1,399m kWh.
- VA 1's 1H19 sales volume decreased by 16.1% yoy to 2,633m kWh, accounting for 45.6% of the company's FY19F plan and 47.5% of our full-year estimate.
- POW aims to import 400,000 tonnes of coal, mainly from South Africa in order to ensure stable operations of its coal-fired power plant in the upcoming quarters.

Better 1H19 gross margin on the back of lower depreciation

- As expected, 1H19 GPM inched up by 0.7% pt as its CM 1 & 2 plants were fully depreciated in 2018, leading to a VND376bn decrease in depreciation expenses in 1H19 (-18.7% yoy).
- We estimate FY19F GPM of 15.8% as we expect Nhon Trach 1 plant to be fully depreciated by 3Q19 which will help to boost GPM further.

1H19 NPAT-MI grew by 42.5% yoy, in line with our forecast

- 1H19 NPAT-MI was up by 42.5% yoy to VND1,572bn, in line at 60.2% of our full-year forecast.
- POW aims for 2H19 sales volume of 10,320m kWh (+51.7% yoy) due to limited maintenance days for VA 1 plant.
- With the solid 1H19 performance, management raised its 2019 revenue target by 3.9% to VND34,045bn and 2019 PBT target by 21.5% to VND3,037bn.
- Maintain Add. Our target price is based on an equal weighting of DCF and FY19F EV/EBITDA multiple of 7.7x.

Re-rating catalysts and downside risks

- A potential re-rating catalyst is better-than-expected utilisation rate at VA 1 plant.
- Downside risks include: 1) lack of reliable coal supply dampening sales volume at VA 1 plant; 2) unexpected technical issues negatively affecting operations.

Figure 1: POW's sales volume by power plants

Unit: m KWh	2Q19	2Q18	yoy%	1Q19	qoq %	1H19	1H18	yoy%
Gas-fired	4,398	4,185	5.1%	4,009	9.7%	8,407	8,079	4.1%
Hydro	223	255	-12.4%	260	-14.0%	483	580	-16.7%
Coal-fired	1,399	1,630	-14.2%	1,234	13.4%	2,633	3,138	-16.1%
Total	6,020	6,070	-0.8%	5,503	9.4%	11,523	11,797	-2.3%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 2: Result comparison

FYE Dec (VND bn)	2Q19	2Q18*	yoy%	1Q19	qoq %	1H19	1H18*	yoy%	vs. FY19F
			chg		chg			chg	forecast
Revenue	9,881	9,467	4.4%	8,436	17.1%	18,317	17,822	2.8%	54.6%
Gross profit	1,365	1,127	21.1%	1,312	4.0%	2,677	2,474	8.2%	50.5%
Gross profit margin (%)	13.8%	11.9%	1.9% pts	15.6%	-1.7% pts	14.6%	13.9%	0.7% pts	
SG&A expenses	227	308	-26.2%	122	86.3%	349	422	-17.3%	44.0%
EBIT	1,138	821	38.5%	1,191	-4.4%	2,328	2,052	13.5%	51.6%
Interest expenses	307	340	-9.7%	290	5.9%	597	647	-7.8%	48.6%
EBT	864	595	45.2%	1,007	-14.2%	1,891	1,447	30.7%	57.4%
NPAT	785	544	44.2%	916	-14.3%	1,701	1,325	28.4%	57.3%
NPAT-MI	693	427	62.1%	916	-24.3%	1,572	1,103	42.5%	60.2%
Recurring NPAT-MI**	729	425	71.4%	831	-12.2%	1,560	1,217	28.1%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

* Revised 2Q18 Financial Statement after equitisation finalization

** Excluding Gain/Loss on FX, in 2Q18, the company recorded a FX gain of VND127bn vs. a FX loss of VND36bn in 2Q19

Figure 3: Regional peer comparison

Company	Ticker	Recom.	Price	TP	Mkt cap	P/E (x)	3-year EPS	P/BV (x)	EV/EBITDA (x)	ROE (%)				
			LC\$	LC\$	US\$ m	CY19F	CY20F	CAGR (%)	CY19F	CY20F	CY19F	CY20F	CY19F	CY20F
Regional listed power plants														
Beijing Jingneng Power Co -A	600578 CH	Add	3.2	4.4	3,167.4	14.0	12.3	(8.3)	0.9	0.9	12.4	10.6	6.8	7.3
JSW Energy Ltd	JSW IN	Hold	67.7	74.3	1,609.0	11.6	10.0	323.6	0.9	0.8	6.0	5.8	7.8	8.5
An Hui Wenergy Co Ltd -A	000543 CH	NR	4.7	na	1,553.7	10.7	8.1	34.5	0.8	0.7	7.5	6.6	6.8	8.3
CESC Ltd	CESC IN	Add	748.6	871.2	1,436.7	8.1	7.4	30.2	1.0	0.9	6.8	6.3	12.8	12.7
Malakoff Corp Bhd	MLK MK	Hold	0.9	1.0	1,055.6	17.2	16.3	(16.6)	0.7	0.7	6.4	6.5	4.0	4.4
Reliance Infrastructure Ltd	RELI IN	NR	50.6	na	192.7	na	na	(9.5)	na	na	na	na	na	na
Average					1,502.5	12.3	10.8	59.0	0.9	0.8	7.8	7.2	7.6	8.2
Vietnam listed power plants														
Power Generation Corp 3	PGV VN	NR	10,100	na	905.7	na	na	na	na	na	na	na	na	na
Pha Lai Thermal Power Jsc	PPC VN	Add	24,300	28,600	335.7	7.7	8.5	25.9	1.4	1.4	6.0	7.3	17.4	16.4
Petrovietnam Nhon Trach 2 Power Jsc	NT2 VN	Add	25,300	30,800	313.9	8.4	9.7	(12.1)	na	na	5.4	6.0	19.8	18.5
Hai Phong Thermal Power Jsc	HND VN	Hold	14,000	14,700	301.7	10.3	9.7	6.2	1.2	1.1	na	na	13.0	13.0
Quang Ninh Thermal Jsc	QTP VN	NR	10,600	na	205.6	na	na	na	na	na	na	na	na	na
Vinh Son Song Hinh Hydropower Jsc	VSH VN	NR	19,000	na	168.9	16.6	6.4	6.7	1.3	1.2	26.0	6.2	8.0	20.0
Thac Mo Hydropower Jsc	TMP VN	NR	36,900	na	111.3	na	na	71.4	na	na	na	na	na	na
Central Hydropower Jsc	CHP VN	NR	21,750	na	129.9	na	na	(9.8)	na	na	na	na	na	na
Southern Hydropower Jsc	SHP VN	NR	23,850	na	96.3	na	na	15.6	na	na	na	na	na	na
Thac Ba Hydropower Jsc	TBC VN	NR	25,100	na	68.7	na	na	23.9	na	na	na	na	na	na
Can Don Hydropower Jsc	SJD VN	NR	20,300	na	60.4	na	na	3.6	na	na	na	na	na	na
Mien Trung Power Inv & Dev	SEB VN	NR	31,500	na	43.4	na	na	26.8	na	na	na	na	na	na
Ba Ria Thermal Power Jsc	BTP VN	NR	13,050	na	34.0	na	na	16.9	na	na	na	na	na	na
Ninh Binh Thermal Power Jsc	NBP VN	NR	13,500	na	7.5	na	na	(3.6)	na	na	na	na	na	na
Average					198.8	10.7	8.6	14.3	1.3	1.3	12.4	6.5	14.6	17.0
PV Power	POW VN	Add	13,900	18,334	1,402.8	12.5	11.3	28.9	1.2	1.1	6.5	6.3	10.1	10.1

NOTE: ALL FORECASTS FOR NOT RATED (NR) COMPANIES, ARE BASED ON BLOOMBERG CONSENSUS FORECASTS

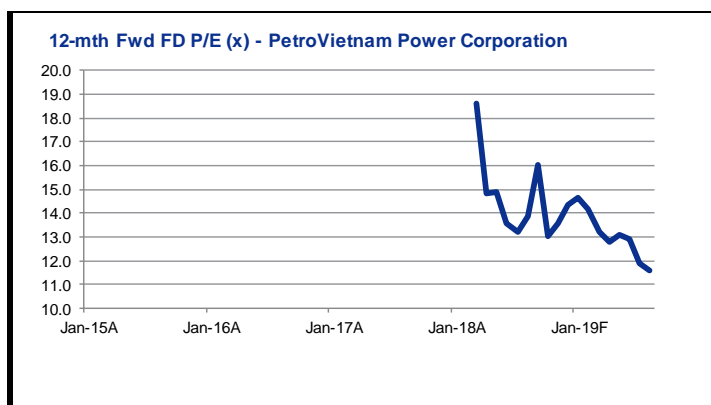
SOURCES: VND RESEARCH ESTIMATES, BLOOMBERG,

DATA AS OF 01 AUG 2019

BY THE NUMBERS

Profit & Loss				
(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	32,662	33,548	39,444	41,221
Gross Profit	4,477	5,306	5,930	6,060
Operating EBITDA	7,120	7,157	7,066	7,127
Depreciation And Amortisation	(3,908)	(3,147)	(2,660)	(2,660)
Operating EBIT	3,211	4,011	4,407	4,468
Financial Income/(Expense)	(792)	(786)	(641)	(480)
Pretax Income/(Loss) from Assoc.	50	50	50	50
Non-Operating Income/(Expense)	22	19	22	23
Profit Before Tax (pre-EI)	2,492	3,292	3,837	4,060
Exceptional Items				
Pre-tax Profit	2,492	3,292	3,837	4,060
Taxation	(205)	(326)	(582)	(610)
Exceptional Income - post-tax				
Profit After Tax	2,287	2,967	3,255	3,450
Minority Interests	(366)	(356)	(364)	(407)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	1,921	2,610	2,891	3,043
Recurring Net Profit	1,921	2,610	2,891	3,043
Fully Diluted Recurring Net Profit	1,921	2,610	2,891	3,043

Cash Flow				
(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	7,120	7,157	7,066	7,127
Cash Flow from Inv. & Assoc.	50	50	50	50
Change In Working Capital	(1,054)	(206)	(363)	(422)
(Incr)/Decr in Total Provisions	(69)	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0
Other Operating Cashflow	352	396	413	417
Net Interest (Paid)/Received	(1,307)	(1,229)	(1,111)	(974)
Tax Paid	(96)	(326)	(582)	(610)
Cashflow From Operations	4,996	5,842	5,473	5,588
Capex	(219)	(349)	(3,266)	(6,740)
Disposals Of FAs/subsidiaries	0	39	46	48
Acq. Of Subsidiaries/investments	891	0	0	0
Other Investing Cashflow	883	88	100	100
Cash Flow From Investing	1,555	(222)	(3,119)	(6,592)
Debt Raised/(repaid)	(5,284)	(5,763)	(2,242)	1,152
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(349)	0	0	0
Preferred Dividends				
Other Financing Cashflow	0	13	14	15
Cash Flow From Financing	(5,633)	(5,750)	(2,228)	1,167
Total Cash Generated	919	(130)	126	163
Free Cashflow To Equity	1,267	(143)	112	148
Free Cashflow To Firm	7,858	6,849	3,465	(30)



Balance Sheet				
(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	3,361	3,448	3,743	4,050
Total Debtors	7,531	7,721	9,042	9,480
Inventories	4,187	4,178	4,904	5,190
Total Other Current Assets	172	177	208	217
Total Current Assets	15,251	15,524	17,898	18,937
Fixed Assets	40,491	37,698	38,310	42,396
Total Investments	937	849	749	648
Intangible Assets	64	59	53	48
Total Other Non-Current Assets	1,369	1,406	1,653	1,727
Total Non-current Assets	42,860	40,012	40,765	44,820
Short-term Debt	706	722	627	195
Current Portion of Long-Term Debt	5,848	5,187	2,445	1,948
Total Creditors	5,900	5,828	6,916	7,256
Other Current Liabilities	5,116	5,255	6,178	6,456
Total Current Liabilities	17,571	16,992	16,166	15,855
Total Long-term Debt	13,304	8,186	8,781	10,862
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	422	569	630	492
Total Non-current Liabilities	13,725	8,755	9,411	11,354
Total Provisions	0	0	0	0
Total Liabilities	31,296	25,747	25,577	27,209
Shareholders' Equity	24,506	27,123	30,056	33,112
Minority Interests	2,309	2,665	3,029	3,436
Total Equity	26,815	29,788	33,085	36,548

Key Ratios				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	9.9%	2.7%	17.6%	4.5%
Operating EBITDA Growth	(10.6%)	0.5%	(1.3%)	0.9%
Operating EBITDA Margin	21.8%	21.3%	17.9%	17.3%
Net Cash Per Share (VND)	(7,044)	(4,547)	(3,463)	(3,824)
BVPS (VND)	10,464	11,582	12,834	14,139
Gross Interest Cover	2.46	3.26	3.97	4.59
Effective Tax Rate	8.2%	9.9%	15.2%	15.0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	79.8	83.0	77.8	82.0
Inventory Days	49.99	54.05	49.60	52.39
Accounts Payables Days	70.85	75.79	69.59	73.56
ROIC (%)	6.6%	9.4%	11.0%	10.9%
ROCE (%)	7.5%	9.8%	11.0%	10.5%
Return On Average Assets	5.53%	7.18%	7.84%	7.42%

Key Drivers				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Power Despatched (GWh)	21,006.8	21,683.4	22,142.7	22,361.4
Capacity (MW)	4,208.2	4,208.2	4,208.2	4,208.2
Average Capacity Utilisation (%)	57.0%	58.8%	60.1%	60.7%
Avg tariff/ASP per kwh (% chg)	7.0%	-0.3%	15.1%	3.5%
Fuel Cost Per Kwh (% Change)	10.8%	0.2%	24.9%	5.7%
Industry Reserve Margin (%)	26.7%	22.7%	18.7%	12.3%

SOURCES: VND RESEARCH, COMPANY REPORTS

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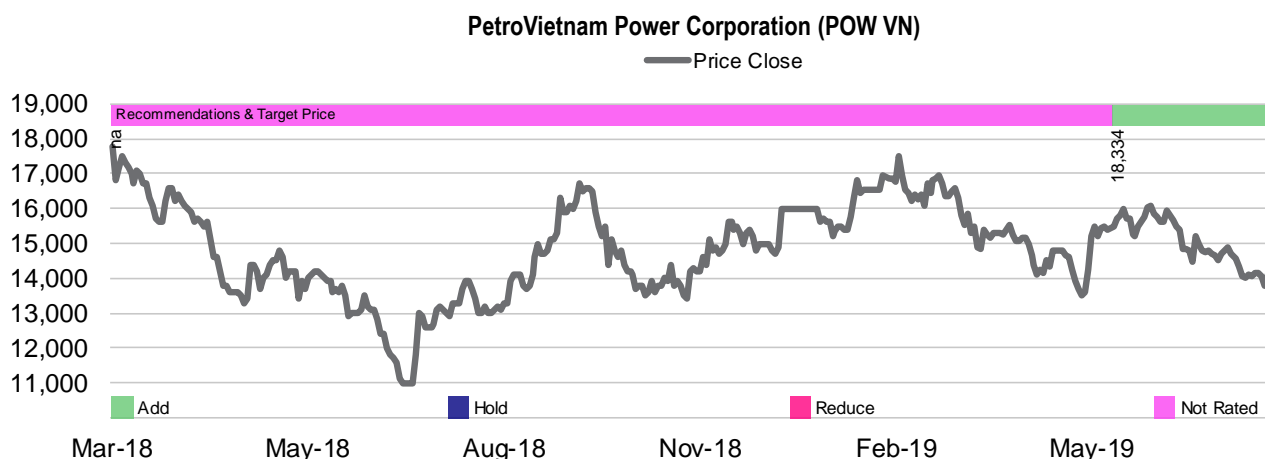
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2019		
791 companies under coverage for quarter ended on 30 June 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.9%	4.2%
Hold	26.5%	1.8%
Reduce	15.5%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

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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:

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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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