[FLASHNOTE]

PV Power JSC.

11/01/2021

Shinhan Securities

Before you invest, ask us!

RECOMMEND	SELL
Current price (VND)	14,600

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COMPANY INFORMATION

Industry	Electricity
Ticker	POW
Stock Exchange	HOSE

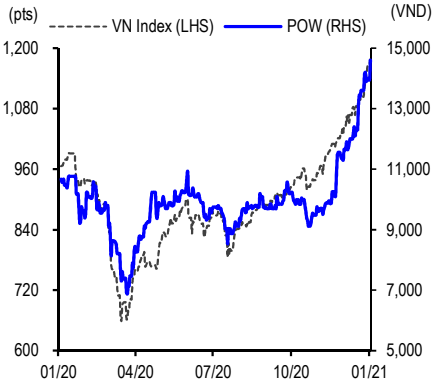
STOCK TRADING DATA

VN INDEX	1,184.9
Market Cap. (bn VND)	34,191.3
Outstanding Shares (1mn)	2,341.9
Free Floating Shares (1mn)	2,059.2
52-week High (VND)	14,650
52-week Low (VND)	6,850
Avg. Trading Volume (mn)	8.37
Avg. Reading T/O (bn VND)	108.6

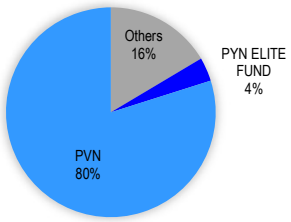
STOCK PERFORMANCE

(%)	3M	6M	12M
Absoulute	38.4	45.3	31.5
Percentage	10.2	9.3	9.2

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1. Business Position

- The No.2 power generator in Vietnam (after EVN), operating 8 power plants, including: 3 hydropower plants (Nam Cat, Hua Na, Dakdrink), 1 coal-fired thermal power plant (Vung Ang 1), and 4 LNG gas-fired power plants (Ca Mau 1&2, Nhon Trach 1, Nhon Trach 2)
- Customers: Vietnam Electricity Group (EVN).
- Competitors: EVN (with Genco 1, 2, and 3), and other private power plants.

2. Investment Thesis/Catalysts

- POW is taking advantage of the tremendous domestic demand for electricity in long term. According to MOIT, the 2016-2035 CAGR of electricity demand is 7.9% p.a., the highest growth in all the types of energy. Currently occupying 8% of Vietnam's total capacity, the output of POW reached 22.54bn kWh in 2019.
- The National Power Development Planning has affirmed the priority to apply LNG thermal power, which POW has competitive advantages thanks to its modern technology and high efficiency. Furthermore, the company has been approved of constructing 2 more gas thermal power plants (Nhon Trach 3 & 4) with a total capacity of 1,500MW. These two plants are expected to start operating in 2022 and 2023.
- In the mid-and long-term, the input shortage of coal and gas will be alleviated. In 2020, POW has signed a long-term contract with TKV to ensure the supply of ~3mn coals for Vung Ang 1. Besides, the slump of gas supplied for Nhon Trach 1&2 in Nam Con Son gas field will be offset by the Sao Vang - Dai Nguyen field (1.6bn m3/year), which will be delivered from early 2021.

3. Risks

- EVN is currently the sole buyer of electricity. However, with the Competitive Retail Electricity Market expected to be launched from 2023, the market price will be supported by competitive buyers.
- The identities of this industry are capital intensive and high leverage. Meanwhile, the government has no longer guaranteed the loans for coming projects of POW, which will be a challenge for the company.
- It is expected that the contract-based electricity purchases (Qc) of POW will fall to 60% in 2024E for a higher proportion of lower-margin market-priced volumes. This will put the margin under pressure. However, after this year, the gross margin is expected to improve due to the end of machinery depreciation (after 15 years of operation).
- POW would continue to bear risks of operation (like in Vung Ang 1 due to the low quality of China constructors).
- A boom in solar power in 2020 leads to an oversupply of electricity at noon but lack of electricity at night. This oversupply in the daytime will raise the decrease of the utilization rate of POW's thermal power plants, down its revenue and profit in the short-term. With the recent sharp price increase, the 12-month P/E reached 21.5x, which is considered not enough attractive in short-term view against with their unclear prospect

FINANCIAL INFORMATION

	2016	2017	2018	2019	4Q TTM
Sales (tr VND)	**28,212**	**29,710**	**32,662**	**35,374**	**30,931**
OP (tr VND)	3,027	4,107	3,683	3,934	2,697
Pre-tax (tr VND)	1,696	2,733	2,492	3,165	2,162
NP(1mn VND)	**1,075**	**2,233**	**1,921**	**2,510**	**1,590**
EPS(VND)	494	1,026	820	1,028	679
BPS(VND)	11,048	11,437	10,464	11,490	12,023
PER(x)	-	-	19.5	11.1	21.5
EV/EBITDA(x)	-	-	7.4	5.8	6.3
PBR(x)	-	-	1.5	1.0	1.2
ROE(%)	4.5	9.1	7.8	9.4	5.8

(*) Database information provided by Bloomberg

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