

## Vietnam

November 4, 2019

**ADD** (no change)

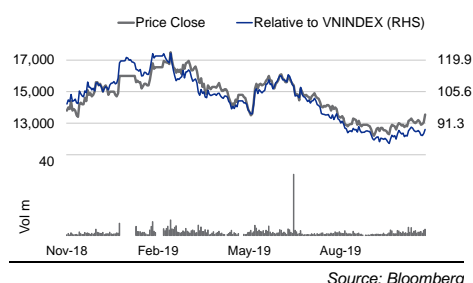
Consensus ratings\*: Buy 11 Hold 0 Sell 0

Current price:	VND13,550
Target price:	VND18,334
Previous target:	VND18,334
Up/downside:	35.3%
CGS-CIMB / Consensus:	4.3%
Reuters:	POW.HM
Bloomberg:	POW VN
Market cap:	US\$1,368m
	VND31,732,360m
Average daily turnover:	US\$0.81m
	VND18,748m
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)	12.16	10.97	10.43
Recurring ROE	10.1%	10.1%	9.6%
P/BV (x)	1.17	1.06	0.96
DPS (VND)	-	-	-
Dividend Yield	0%	0%	0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.4	-2.5	-0.4
Relative (%)	3.8	-4.3	-12.3

Major shareholders	% held
PVN	79.9
Norges Bank	1.5
Others	18.6

### Analyst(s)

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# PetroVietnam Power Corporation

## 9M19 results beat our expectations

- POW's 3Q19 revenue rose by 13.8% yoy to VND7,924bn, driven by a 16.4% yoy increase in electricity sales volume.
- 9M19 gross profit margin (GPM) inched up 0.8% pt yoy to 14.8%, mainly due to lower depreciation cost.
- 9M19 net profit rose 31.3% yoy to VND2,491bn. It was above at 84.0% of our FY19F forecast due to lower depreciation and finance cost. Maintain Add.

### Coal- and gas-fired plants' strong output boosted revenue

- In 3Q19, PetroVietnam Power Corporation's (POW) electricity output rose 16.4% yoy to 4,938bn kWh, with sales volume from coal-fired and gas-fired plants increasing 44.2% and 15.0% yoy, respectively.
- Ca Mau 1 & 2 (CM 1 & 2) output rose 9.8% yoy while Nhon Trach 1 (NT 1) and Nhon Trach 2 output (NT 2) increased 16.9% and 21.8% yoy, respectively, as the issues relating to Nam Con Gas gas pipeline have been addressed. 3Q19 NT 2 output rose higher due to the absence of minor maintenance which occurred in 3Q18.
- According to POW, coal supply for Vung Ang 1 (VA 1) plant from Vinacomin (unlisted) has been stable since Aug 2019, bringing the plant's utilisation rate to 60.8% in 3Q19, from 42.2% in 3Q18. We think the plant's performance in 4Q19F should also improve yoy, given stable coal supply and no technical issues expected (VA 1 encountered a technical issue that led to the shutdown of one generator for nearly 1.5 months in 4Q18).
- 3Q19's revenue totalled VND7,924bn (+13.8% yoy), bringing 9M19 revenue to VND26,239bn (+5.8% yoy), forming 78.2% of our full-year forecast.

### Better 9M19 gross margin on the back of lower depreciation

- 9M19 GPM widened by 0.8% pt yoy to 14.8% since NT 1 has now been fully depreciated. 9M19 depreciation expense fell 17.3% yoy.
- We estimate that FY19F GPM will rise by 1% pt to 15.8%.

### 9M19 net profit grew 31.3% yoy, slightly above our forecast

- 3Q19 net profit soared 330.7% yoy, mainly thanks to the absence of VND395.5bn unrealised FX loss booked in 3Q18. Unrealised FX loss fell 98.0% yoy in 3Q19.
- 9M19 net profit rose 31.3% yoy to VND2,491bn due to lower depreciation (-17.3% yoy) and financial expenses (-35.3% yoy). 9M net profit met 109.5% of POW's FY19F target and was slightly above our full-year forecast at 84.0%.
- Based on solid 9M19 performance, at the end of 3Q19, management raised its FY19F revenue target to VND35,114bn, up 7.2% from the FY19F original plan. The company's 9M19 revenue has already met 75% of the revised target.

### Re-rating catalysts and downside risks

- Maintain Add. Our TP remains at VND18,334, based on an equal weighting of DCF and FY19F EV/EBITDA multiple of 7.7x. Potential re-rating catalysts include better-than-expected utilisation rate at Vung Ang 1 plant.
- Downside risks include: 1) unstable coal supply from Vinacomin which will affect Vung Ang 1 plant; and 2) unexpected technical issues that could disrupt operations.

**Figure 1: POW's sales volume by power plants**

Unit: kWh	3Q19	3Q18	yoy%	2Q19	qoq%	9M19	9M18	yoy%
Gas-fired	3,420	2,974	15.0%	4,398	-22.2%	11,827	11,053	7.0%
Hydro	333	445	-25.1%	223	49.3%	816	1,025	-20.4%
Coal-fired	1,185	822	44.2%	1,399	-15.3%	3,818	3,960	-3.6%
Total	4,938	4,241	16.4%	6,020	-18.0%	16,461	16,038	2.6%

SOURCES: COMPANY REPORTS

**Figure 2: Results comparison**

FYE Dec (VND bn)	3Q19	3Q18	yoy%	2Q19	qoq%	9M19	9M18	yoy%	vs. FY19F
			chg		chg				forecast
Revenue	7,924	6,961	13.8%	9,880	-19.8%	26,239	24,789	5.8%	78.2%
Gross profit	1,193	983	21.3%	1,365	-12.6%	3,870	3,456	12.0%	72.9%
Gross profit margin (%)	15.1%	14.1%	0.9% pts	13.8%	1.2% pts	14.8%	13.9%	0.8% pts	
SG&A expenses	177	141	25.9%	229	-22.7%	528	566	-6.6%	66.7%
EBIT	1,016	843	20.5%	1,136	-10.6%	3,342	2,890	15.6%	74.0%
Financial income	138	133	3.6%	121	13.8%	360	405	-11.3%	81.3%
Financial expenses	284	796	-64.3%	392	-27.6%	999	1,545	-35.3%	81.3%
Pretax Profit	875	192	356.4%	863	1.4%	2,745	1,784	53.9%	83.4%
Pretax margin (%)	11.0%	2.8%	8.3% pts	8.7%	2.3% pts	10.5%	7.2%	3.3% pts	
Net Profit	793	184	330.7%	782	1.4%	2,491	1,897	31.3%	84.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**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 plant														
HAI Phong Thermal Power JSC	HND VN	NR	14,700.0	na	316.8	10.8	10.2	6.2	1.3	na	na	na	13.0	13.0
Pha Lai Thermal Power JSC	PPC VN	ADD	26,200.0	27,879.0	362.1	11.1	11.1	25.9	1.4	1.4	12.0	14.4	16.2	13.0
Gunkul Engineering PCL	GUNKUL TB	ADD	3.0	5.1	883.1	11.6	9.9	35.6	1.9	1.6	9.2	8.5	17.4	17.8
Malakoff Corp Bhd	MLK MK	HOLD	0.9	1.0	995.7	15.9	13.9	-16.7	0.7	0.7	5.4	5.1	4.5	5.2
An Hui Wenergy Co Ltd	000543 CH	NR	4.7	6.2	1,515.7	11.0	8.2	77.9	0.8	5.9	8.0	7.4	7.7	9.7
CK Power PCL	CKP TB	NR	6.1	6.0	1,630.0	64.4	29.5	na	2.0	3.2	19.2	17.0	3.2	6.9
Banpu Power PCL	BPP TB	HOLD	18	25	1,779.6	8.3	6.4	-19.8	1.2	1.1	13.5	8.6	14.5	17.4
Global Power Synergy PCL	GPSC TB	NR	83	72	7,709.5	36.3	27.4	17.3	5.0	38.6	25.0	21.3	7.2	8.0
Average					1,899.1	21.2	14.6	18.1	1.8	7.5	13.2	11.8	10.5	11.4
PetroVietnam Power Corp	POW VN	ADD	13,550	18,334	1,368.0	12.2	11.0	19.8	1.2	1.1	6.0	5.8	10.1	10.1
SOURCES: CGS-CIMB RESEARCH, VNDIRECT RESEARCH, BLOOMBERG (DATA AS AT NOV. 1)														

SOURCES: CGS-CIMB RESEARCH, VNDIRECT RESEARCH, BLOOMBERG (DATA AS AT NOV 1)

## BY THE NUMBERS

### Profit & Loss

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

### 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
<b>Total Current Assets</b>	<b>15,251</b>	<b>15,524</b>	<b>17,898</b>	<b>18,937</b>
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
<b>Total Non-current Assets</b>	<b>42,860</b>	<b>40,012</b>	<b>40,765</b>	<b>44,820</b>
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
<b>Total Current Liabilities</b>	<b>17,571</b>	<b>16,992</b>	<b>16,166</b>	<b>15,855</b>
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
<b>Total Non-current Liabilities</b>	<b>13,725</b>	<b>8,755</b>	<b>9,411</b>	<b>11,354</b>
Total Provisions	0	0	0	0
<b>Total Liabilities</b>	<b>31,296</b>	<b>25,747</b>	<b>25,577</b>	<b>27,209</b>
Shareholders' Equity	24,506	27,123	30,056	33,112
Minority Interests	2,309	2,665	3,029	3,436
<b>Total Equity</b>	<b>26,815</b>	<b>29,788</b>	<b>33,085</b>	<b>36,548</b>

### 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)
<b>Cashflow From Operations</b>	<b>4,996</b>	<b>5,842</b>	<b>5,473</b>	<b>5,588</b>
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
<b>Cash Flow From Investing</b>	<b>1,555</b>	<b>(222)</b>	<b>(3,119)</b>	<b>(6,592)</b>
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
<b>Cash Flow From Financing</b>	<b>(5,633)</b>	<b>(5,750)</b>	<b>(2,228)</b>	<b>1,167</b>
Total Cash Generated	919	(130)	126	163
<b>Free Cashflow To Equity</b>	<b>1,267</b>	<b>(143)</b>	<b>112</b>	<b>148</b>
<b>Free Cashflow To Firm</b>	<b>7,858</b>	<b>6,849</b>	<b>3,465</b>	<b>(30)</b>

### 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%

### 12-mth Fwd FD P/E (x) - PetroVietnam Power Corporation



### 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: VNDIRECT RESEARCH, COMPANY REPORTS

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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

## Spitzer Chart for stock being researched ( 2 year data )

PetroVietnam Power Corporation (POW VN)





## 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, **CENDEL** – 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, **TIPIP** – 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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#### 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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