RONG VIET SECURITIES

PRELIMINARY 2H2021 OUTLOOK

RONG VIET SECURITIES

POWER INDUSTRY

TEMPORARY DEMAND-SUPPLY IMBALANCE

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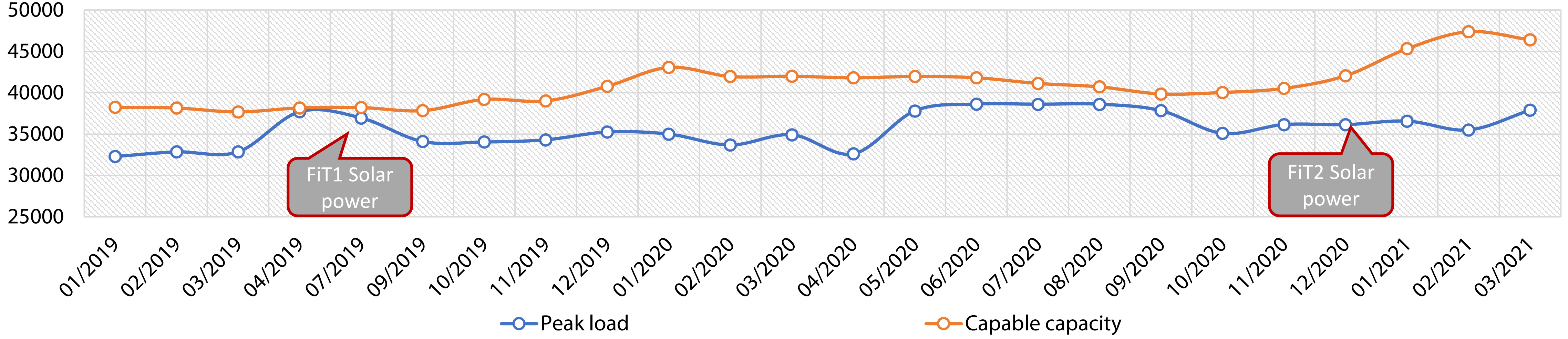
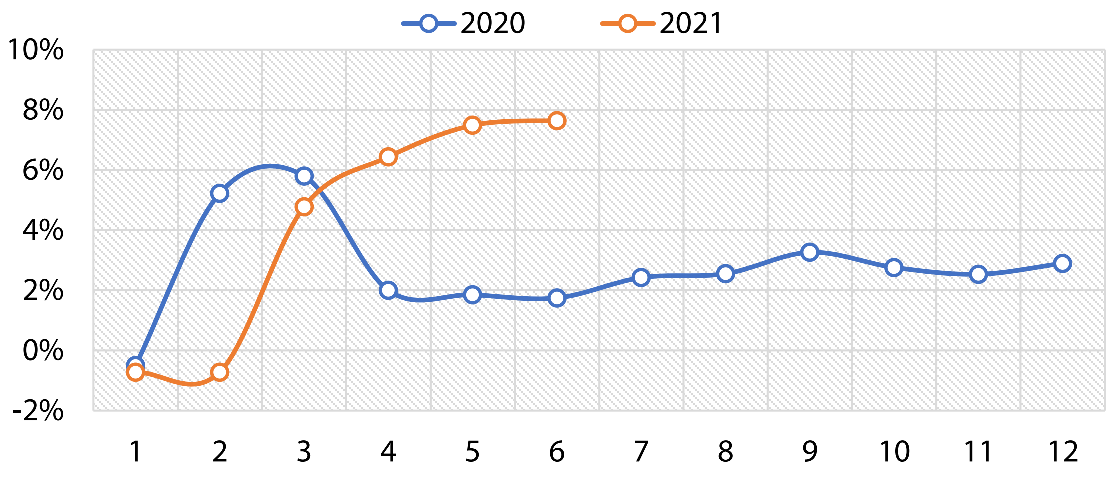
Figure 1: Peak load and capable capacity (MW) (*)



Source: EVN, RongViet Securities *(*) Excluding small scale hydropower plants (<30MW)*

Figure 2: Consumption growth by month (YoY)



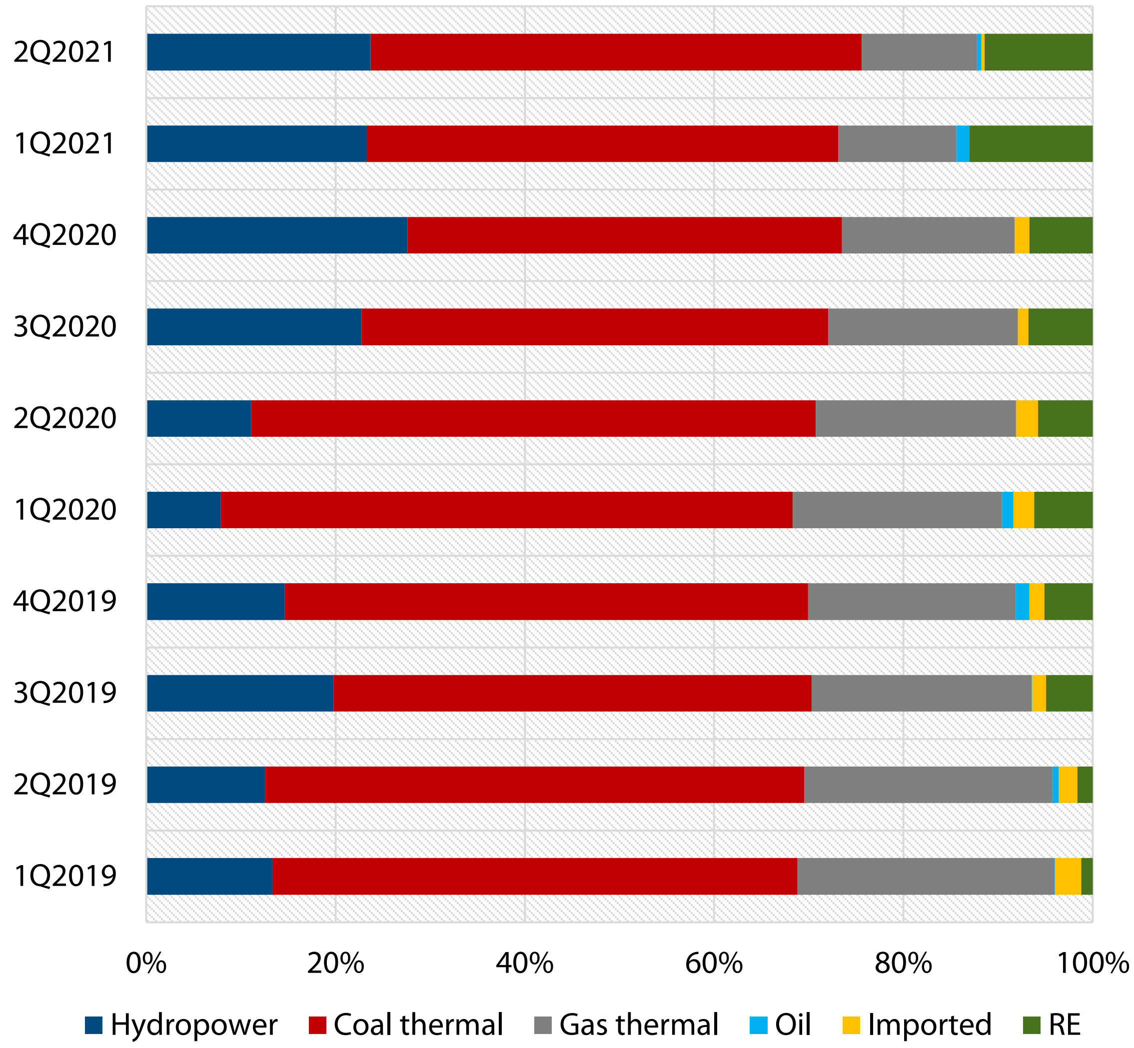
Source: MoiT, EVN, RongViet Securities

Demand growth has not kept pace with supply yet

- Capacity expanded significantly in 2019 and 2020 (14% and 26% YoY) due to the renewable energy boom while demand growth slowed down because of Covid 19 (only 2.9% in 2020 and 7.4% in 1H2021). (*)
- Hence, total national volume shared smaller part for electricity plants, both thermal and renewable energy (RE) plants are not fully utilized.

(*) Capacity growth is calculated at the year end

Figure 3: Portion among electricity groups

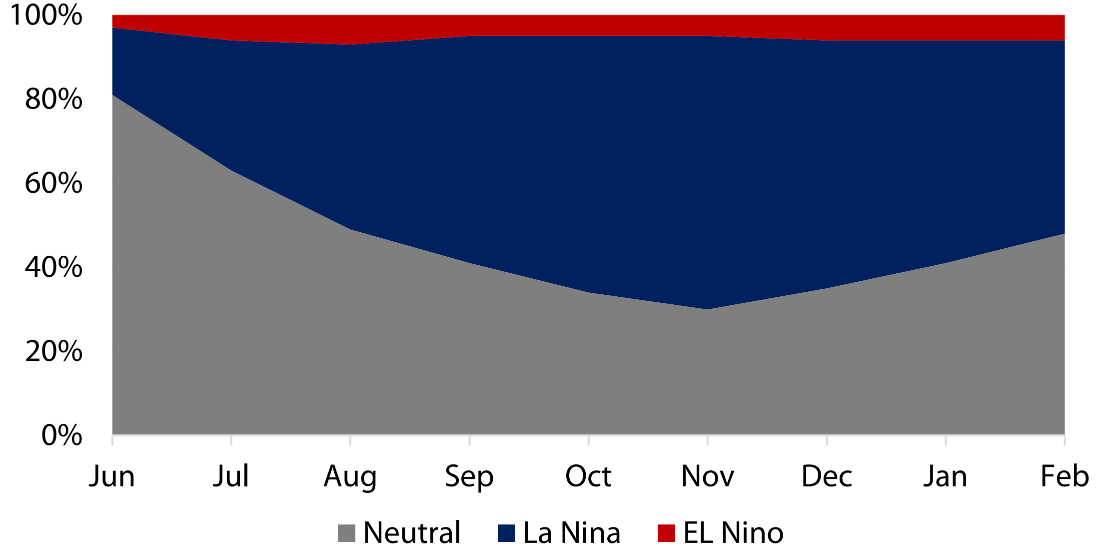


Source: EVN, RongViet Securities

Hydropower and renewable energy plants captured the thermal plant portion in 1H2021, compared to last year

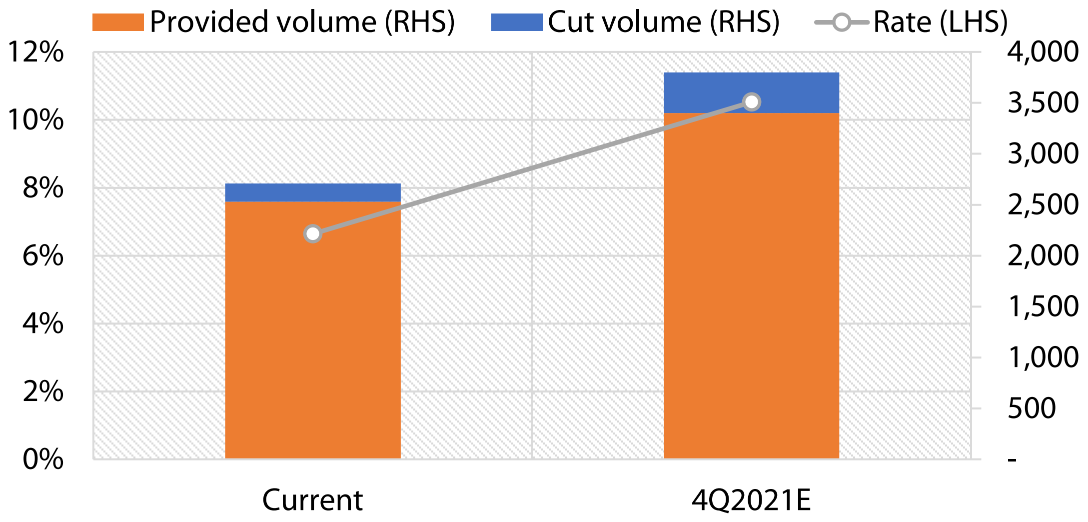
- Enjoying La Nina since 2H2020, volume of hydropower plants grew by 41% YoY, accounting for 24% of total volume in 1H2021.
- RE plants have raised market share gradually since their first appearance, particularly at the end of 2020 (FiT2 Solar power deadline). RE's volume surged to 15 bn kWh, +172% YoY, accounting for 11.43% of total national volume in 1H2021. These have been running at an average of 93% of capacity, varying between different areas.
- Thermal plants were affected by hydropower and renewable energy as the utilization declined, offering room for hydropower and RE (Figure 9, 10)
  - Coal thermal volume held the majority with 52% of total national volume, -4% YoY in 1H2021. This decrease is lower than that in 1Q2021 (-12.4%) as 2Q2021 was the dry season.
  - Gas thermal plants were the hardest affected group due to a surge in gas prices. Utilization and volume slumped, volume declined by-19% YoY, respectively (Figure 10).

Figure 4: La Nina forecast from Jun 2021 to Feb 2022 (%)



Source:: MoiT, EIA, BMI, RongViet Securities

Figure 5: Estimated monthly provided & cut volume (mn kWh)



Source: EVN, Estimated by RongViet Securities

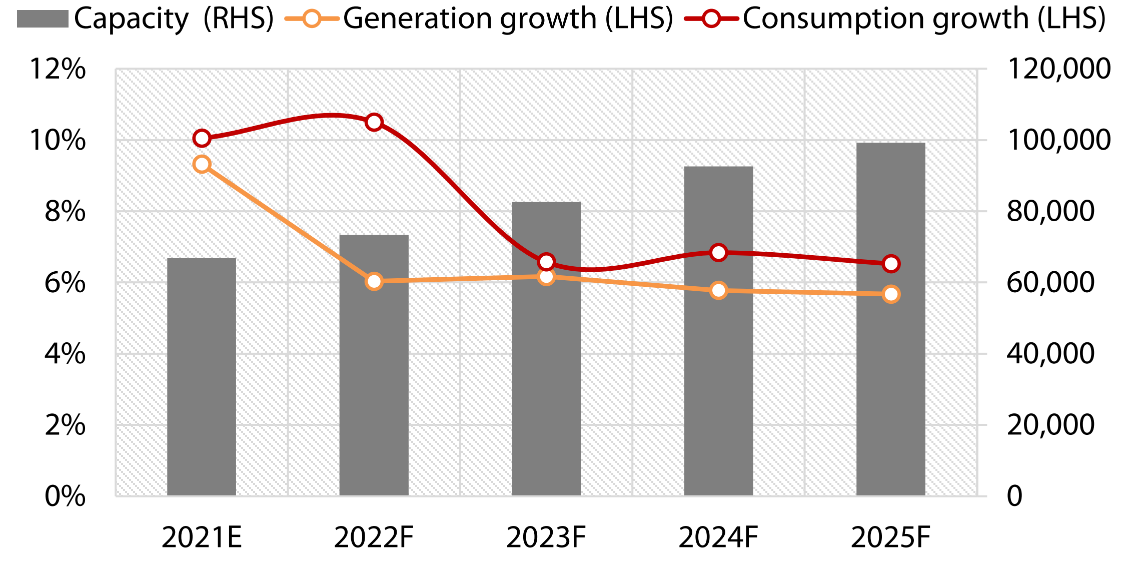
Hydrological condition continues supporting hydropower plants. La Nina phenomenon is forecasted to perform in 2H2021, thus hydropower companies will enjoy this to have a better performance than that in 1H2021. Beneficiaries are REE, PC1, GEG, VSH.

Numerous wind power plants will come online from 3Q2021 due to the FiT1 deadline. Year to date, EVN estimates that 5,656 MW wind power will be added to the system, equivalent to 8% of total national capacity. So, both current and upcoming RE farms will cut volume which will depend on the economic recovery in 4Q2021. Several companies that will add capacity and trigger earnings are REE, PC1, GEG.

Thermal plants will encounter difficulties in the rainy season. Both coal and gas thermal plants are going to have a low mobilized volume because of high volume from hydropower and wind power’s capacity addition. However, company earnings will depend on contract volume and variable costs.

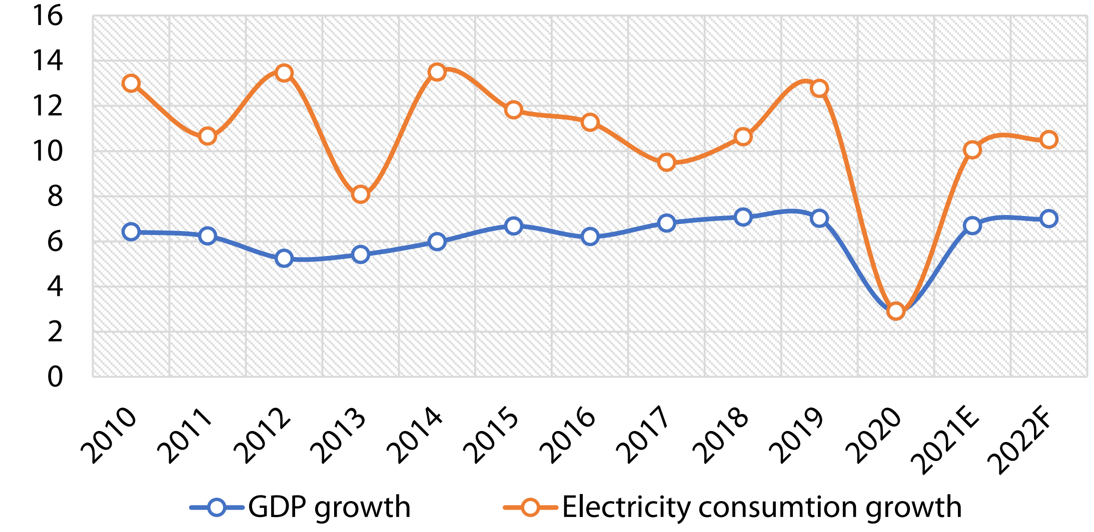
(*) La Nina average phase is roughly two years

Figure 6: Generation, consumption growth and capacity (MW)



Source:: MoiT, EIA, BMI, RongViet Securities

Figure 7: Forecasted GDP, electricity consumption growth (%)

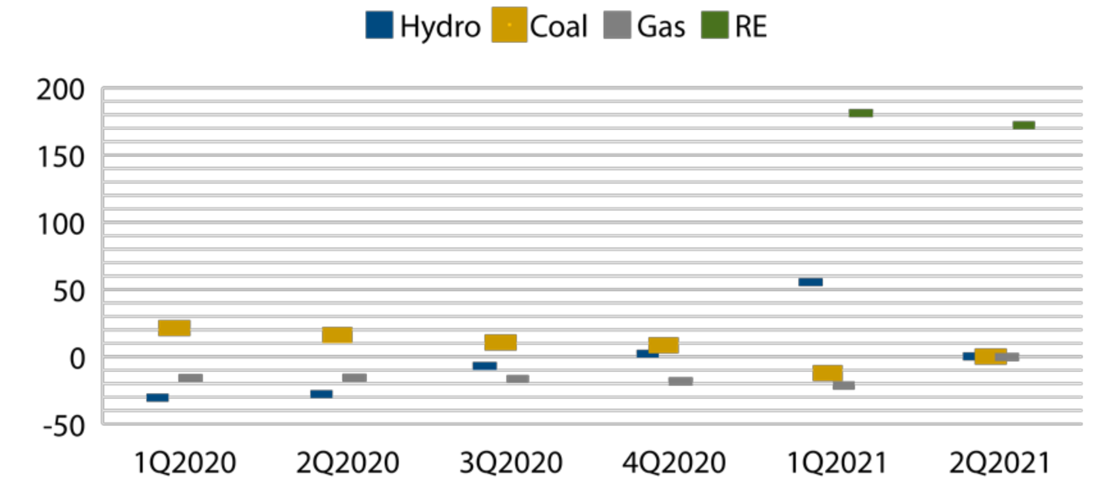


Source:: MoiT, EVN, RongViet Securities

The electricity system is on its way to reach optimal utilization point

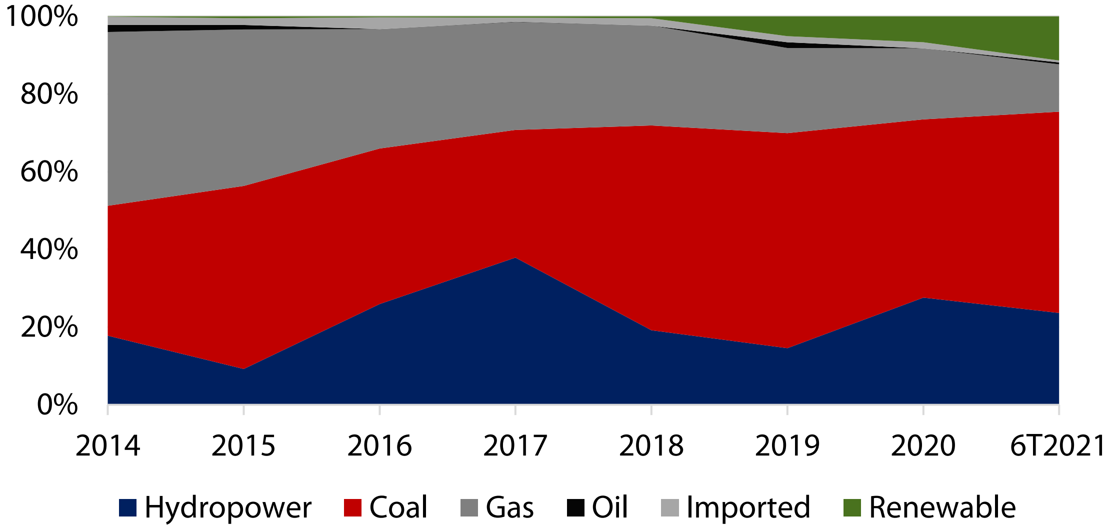
- Optimal utilization point is expected to happen in late 2022. According to the government, Vietnam will be fully vaccinated in mid-2022, the economic growth is expected to recover, demand growth will be higher than that in 2020 and 2021. Longer-term, Vietnam will still be the fastest-growing power market.
- Lower La Nina magnitude is expected to take place in late 2022 (Figure 11). Thermal plants and RE are able to provide higher volume.
  - Thermal plants are forecasted to have higher mobilized volume in late 2022 thanks to demand growth and lower La Nina magnitude.
  - Renewable energy is able to be fully utilized, expanding its profit margin. However, we need to monitor transmission line construction because of overcapacity in several areas (Figure 12) and the RE capacity addition in coming years (Figure 13).

Figure 8: Volume growth by segment by quarter (%)



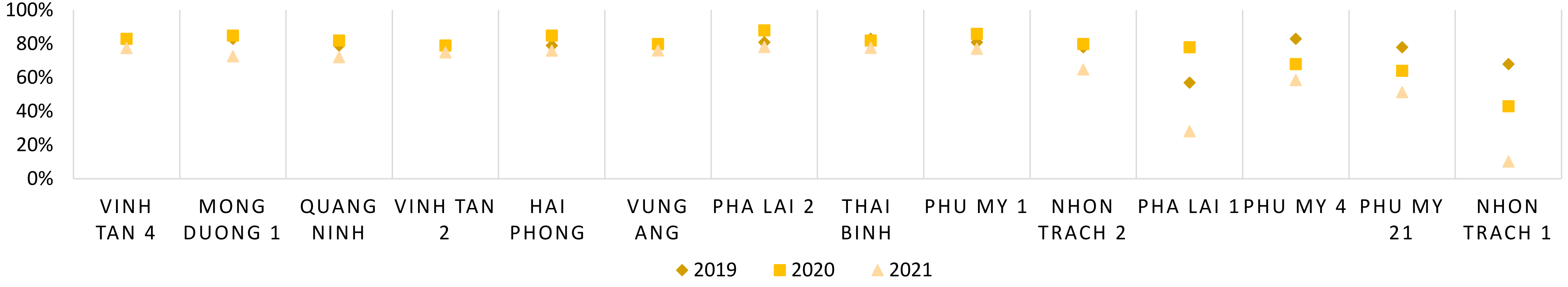
Source: MoiT, RongViet Securities

Figure 9 : Mobilized volume by group



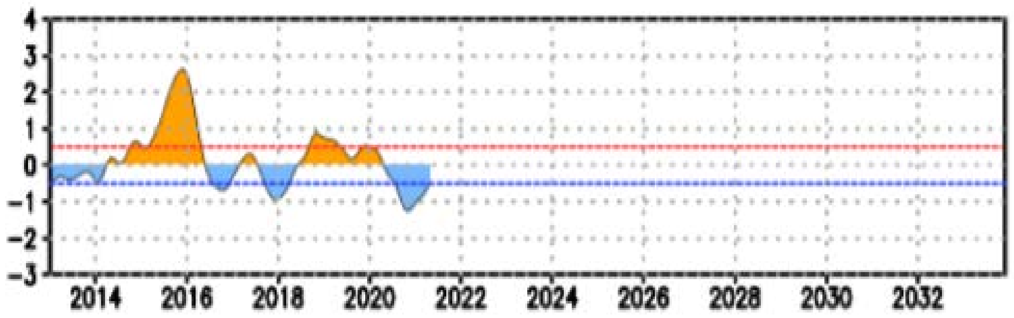
Source: Rong Viet Securities

Figure 10: Thermal plant utilization by year (%)



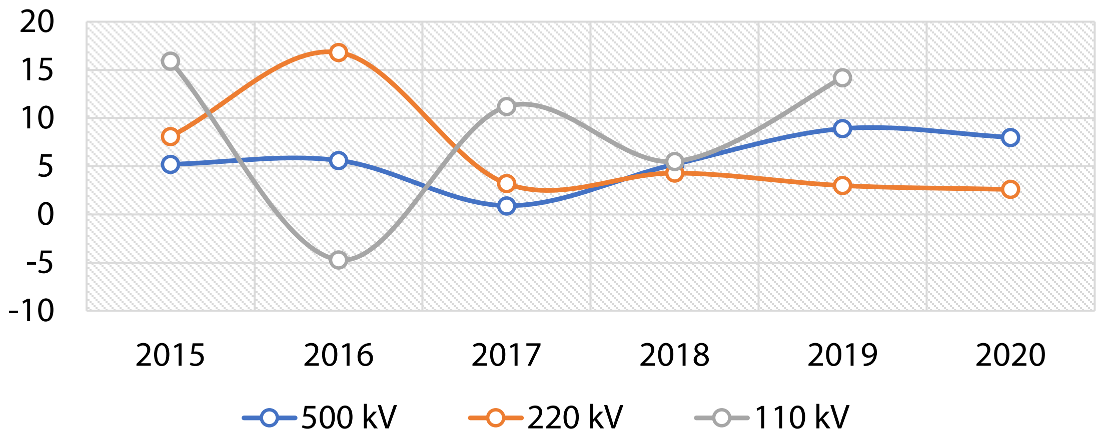
Source: A0, RongViet Securities

Figure 11: La Nina magnitude (Blue: La Nina, Orange: El Nino)



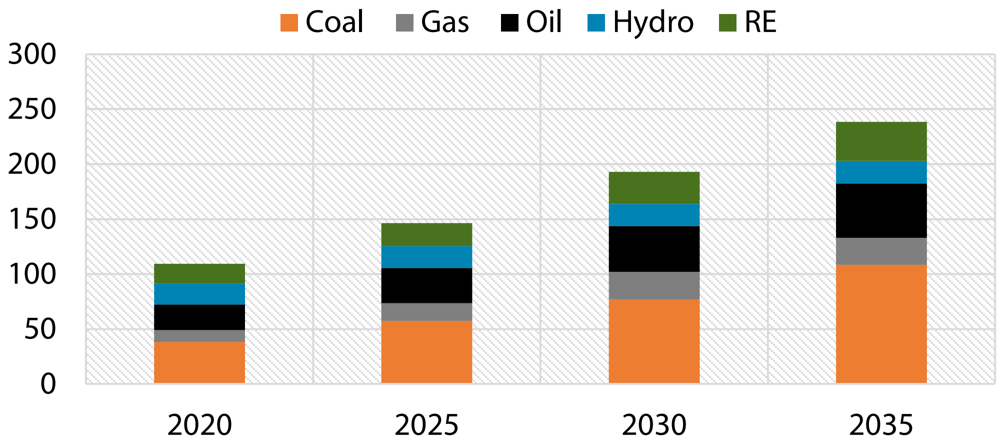
Source: MoiT, RongViet Securities

Figure 12: Transmission line construction growth per type (%)



Source: Rong Viet Securities

Figure 13: Volume by group as per 8th Master plan MTOE)

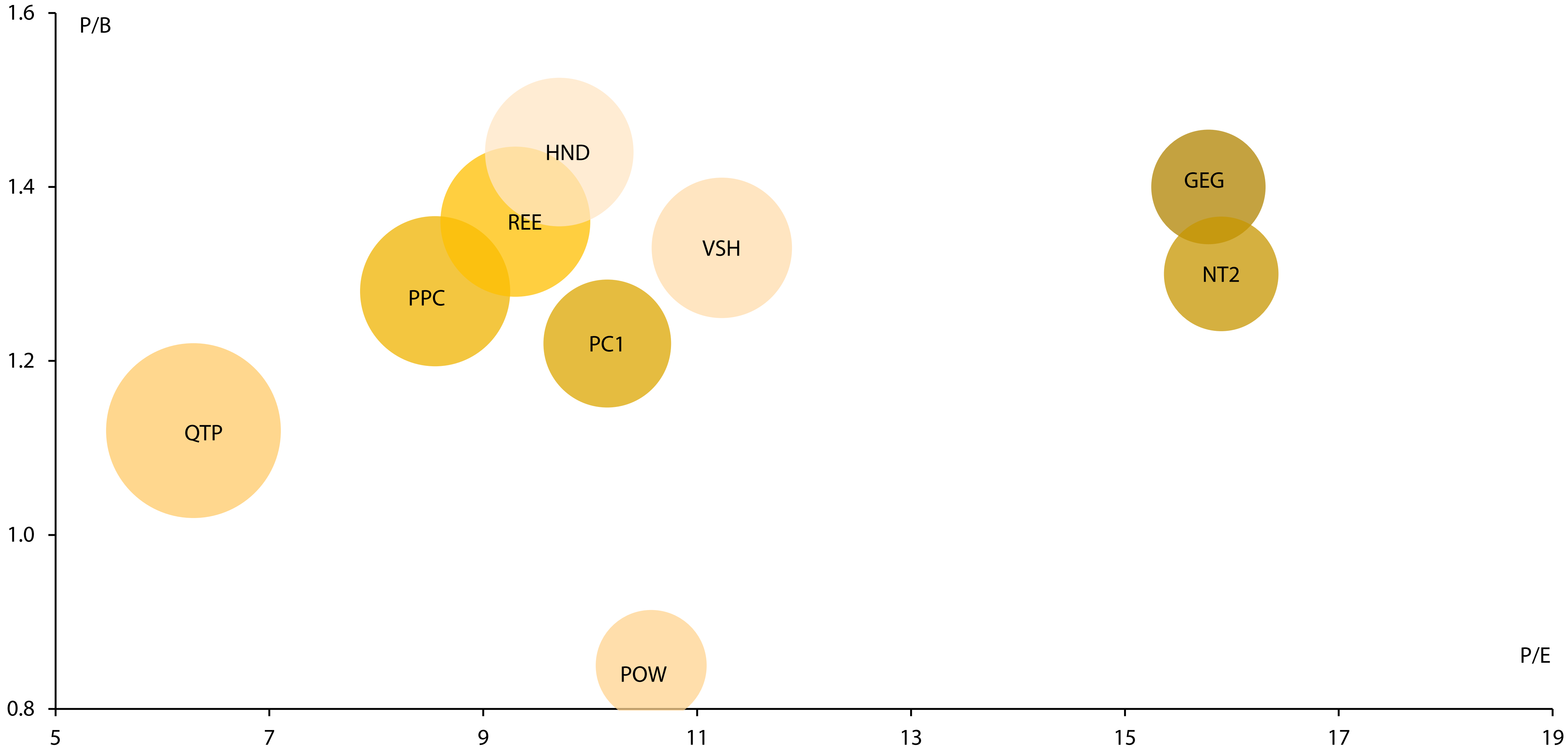


Source: A0, RongViet Securities

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
POW	1,094.57	#N/A	-9.6%	-5.5%	20.1%	10.6%	3.4%	8.7%	4.2%	7.6%	1.9%	10.6	0.8
REE	725.60	65,300	19.2%	63.8%	34.7%	26.2%	25.5%	33.0%	7.9%	13.9%	0.0%	9.3	1.4
HND	372.72	17,900	-20.3%	-26.0%	28.3%	11.5%	-38.4%	9.5%	8.2%	13.6%	0.0%	9.7	1.4
PPC	316.43	21,200	-34.4%	-42.0%	10.0%	9.3%	-22.5%	14.9%	12.5%	13.9%	5.5%	8.5	1.3
QTP	288.41	#N/A	-21.2%	-23.7%	26.2%	17.3%	161.4%	13.4%	10.7%	18.8%	6.8%	6.3	1.1
NT2	232.80	22,900	-20.6%	-27.8%	20.4%	8.4%	-57.9%	5.9%	5.0%	8.1%	5.4%	15.9	1.3
VSH	222.89	#N/A	282.4%	451.0%	75.9%	53.3%	869.0%	45.6%	4.4%	12.1%	0.0%	11.2	1.3
PC1	221.11	30,100	61.4%	29.1%	12.0%	8.6%	53.0%	6.3%	4.1%	10.1%	0.0%	10.2	1.2
GEG	189.82	20,000	21.0%	7.5%	66.8%	43.0%	9.5%	20.1%	3.2%	8.1%	2.4%	15.8	1.4
TV2	84.16	#N/A	93.8%	12.2%	7.0%	6.2%	27.4%	6.7%	8.2%	23.2%	0.0%	7.2	1.6

Source: Bloomberg, RongViet Securities. Share price as of 02 Aug 2021.

PE, PB AND ROE (TTM)

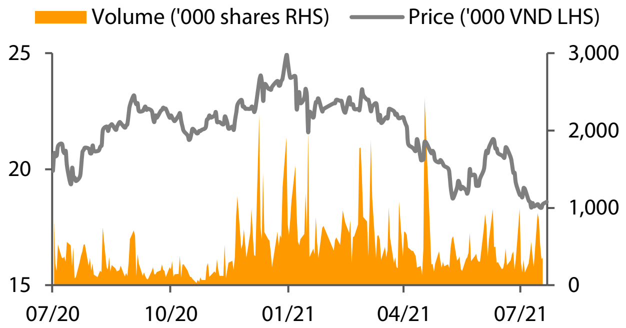


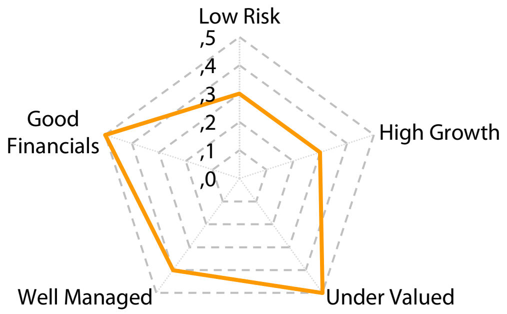
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

BECOMING A CASH COW

HSX: NT2

<BUY: 28%>(*) **<MP: 18,600>** **<TP: 22,900>**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	232.8
Current Shares O/S (mn shares)	287.9
3M Avg. Volume (K)	434.0
3M Avg. Trading Value ($ mn)	0.4
Remaining foreign room (%)	35.1
52-week range ('000 VND)	18 - 26.0

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue (VND bn)	6,082	6,389	6,777
NPATMI (VND bn)	625	306	435
ROA (%)	9.8	5.4	8.3
ROE (%)	14.5	8.2	12.6
EPS (VND)	2,125	1,041	1,477
Book Value (VND)	14,928	12,970	11,947
Cash dividend (VND)	2,498	2,000	1.500
P/E (x)	7.5	15.5	12.7
P/B (x)	1.2	1.4	1.5

INVESTMENT RATIONALES

Long-term debt free since 2Q2021, unlocking the company's cash flow

- Finish its debt obligation this June, utilizing entirely the operating cash flow to pay dividends owing to no investments or other financing activities.
- The company's profit might drop due to rising gas prices and a decrease of sale prices, leading to a stock price discount of more than 30% since its lately peak. Based on current price, the dividend yield in the coming years might be attractive.

Tough time will pass soon. Brighter outlook for thermal plants is expected to come back

- NT2 encountered numerous difficulties due to Covid19. Volume decreased significantly owing to low demand and high supply from hydropower and renewable energy.
- We expect that (1) High demand post Covid19 and (2) Lower La Nina magnitude will boost the company's volume in 2022.

Locating in Southern key economic zone, stable and efficient operation are the bottom line

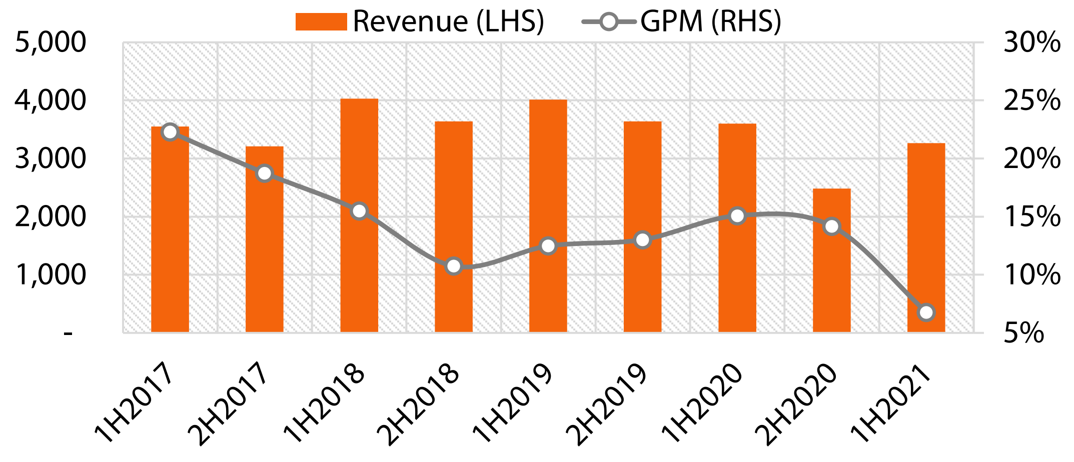
- NT2 is located in Nhon Trach, one of the pivotal economic zone in the South. Besides, regular maintenance ensures the company's stable operation.

RISKS TO OUR CALL

- Gas prices are on upward trend because the new high-price gas field weighted more compared to the old one such as Sao Vang Dai Nguyet.
- Contract volume portion continues decreasing, which may impact profits.

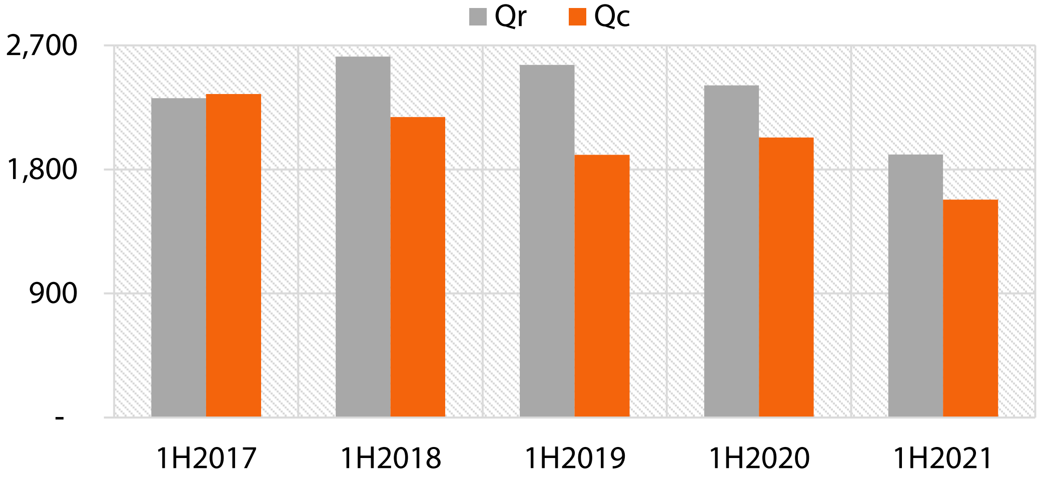
(*) Total return including expected VND 1,000 cash dividends in 12 months

Figure 1: 1H2021 revenue (VND bn) and GPM (%)



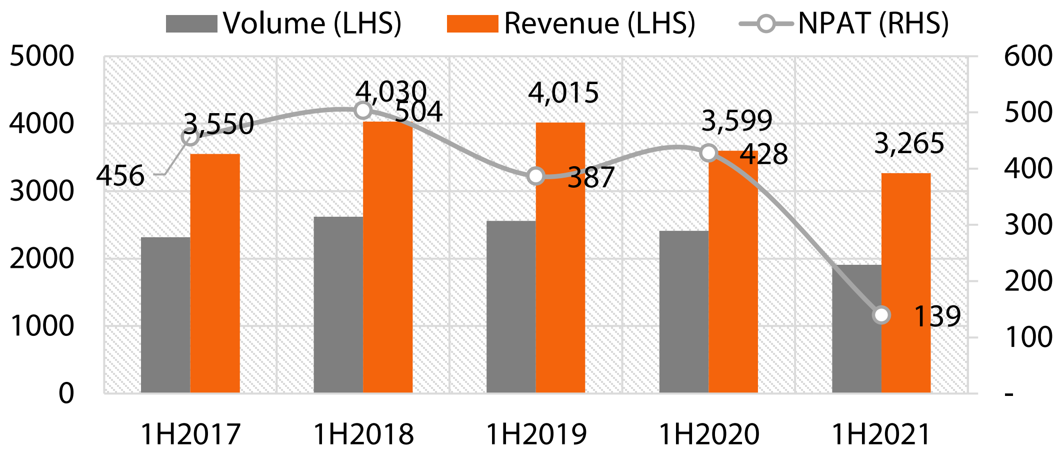
Source: NT2, RongViet Securities

Figure 2: 1H2021 contract and total volume (mn kWh) (*)



Source: NT2, Rong Viet Securities

Figure 3: 1H2021 volume (mn kWh) and business results (VND bn)



Source: NT2, RongViet Securities

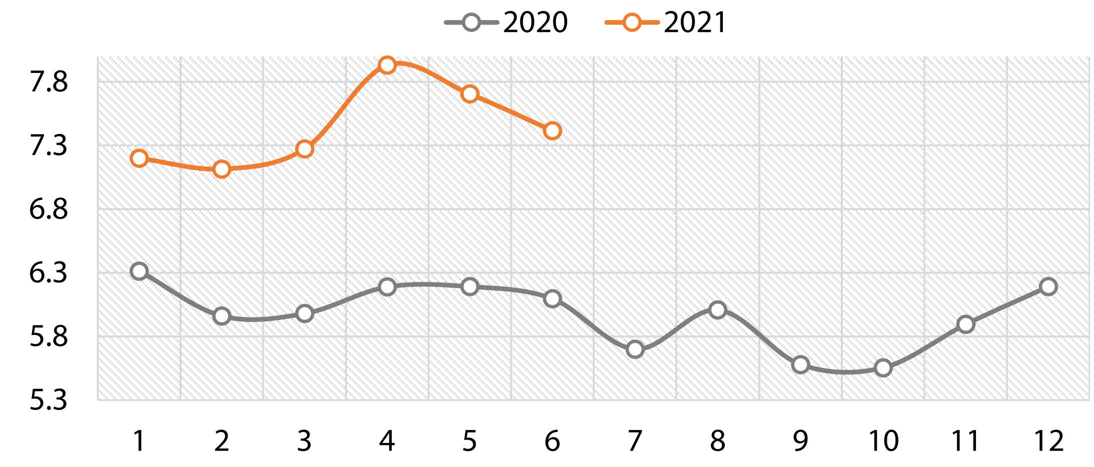
Volume plummeted because of the industry difficulties

- Mobilized volume declined in 1H2021 because of (1) Low demand due to Covid19 19 dampen; (2) Abundant supply source from hydropower and renewable energy; (3) A gas price surge.
- The company provided 1,909 mn kWh in 1H2021, -21% YoY. In which, contract volume (Qc) was 1,565 mn kWh, accounting for roughly 82% of total volume, and -22% YoY.

(*) Qr = Qc+ Qm

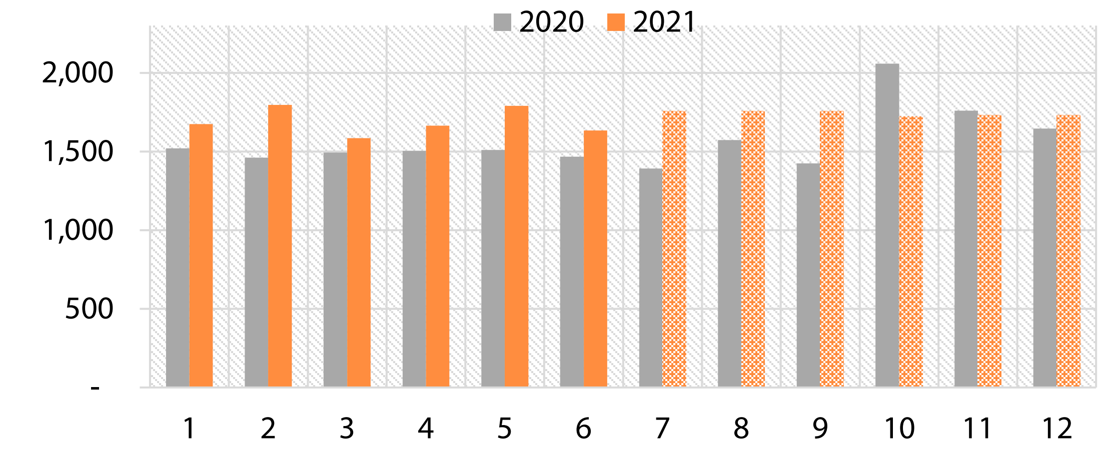
A DECREASE IN FIXED PRICE IN SALE PRICE DIMINISHED GPM

Figure 4: Gas price by month (USD/mm BTU)



Source: Rong Viet Securities

Figure 5: Average selling price by month (VND)



Source: Rong Viet Securities

(*) Contract price (Pc) = fixed price + variable price

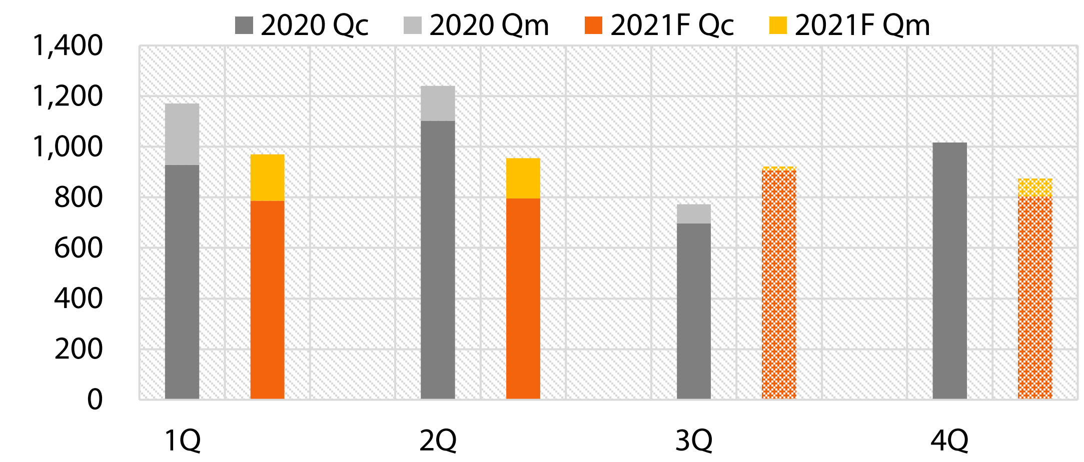
New PPA has been applicable in 2021, a decrease in fixed cost

- Fixed price in Pc(*) decreased by VND 37.59, which was finalized in April. Hence, the business results in 1Q2021 was still calculated by the old PPA. Thus, business results in 2Q2021 were negatively impacted by 1Q2021's retrospective.
- Selling price in 1H2021 seems to be higher than that in 2020 because of variable price growth. Gas price experienced an upward trend due to (1) Higher price from new gas field (Sao Vang Dai Nguyet - SVDN), (2) A recovery in oil price. Hence, the average gas price in 1H2021 was USD 7.44/ mm BTU, +22% YoY.
- The average selling price in 1H2021 was VND 1,711, +15% YoY.

Slightly decrease in revenue yet significantly in NPAT

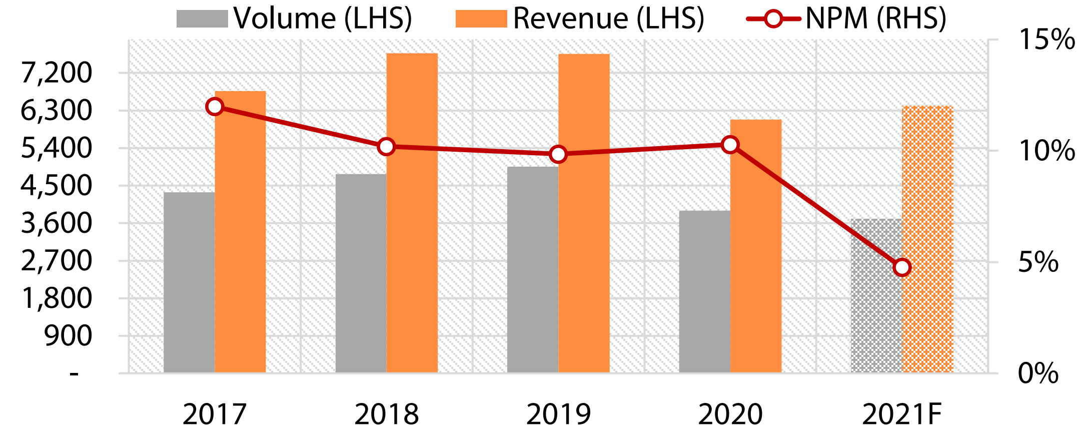
- Revenue was VND 3,265 bn (or USD142 mn) in 1H2021, -9% YoY because of lower volume than 2020.
- Gross profit margin diminished to 7% in 1H2021 from 15% in 1H2020, -831 bps (Figure 1). This is because of low Qc and the new Pc application.
- Accordingly, NPAT was VND 139 bn (or USD6 mn), -67% YoY, completing 30% 2021's plan. As a result, NPM shrank to 4%, -762 bps.

Figure 6: Contract and CGM volume by quarter (mn kWh) (*)



Source: Rong Viet Securities

Figure 7: Estimated business performance in 2021 (VND bn)



Source: Rong Viet Securities

(*) Qr = Qc+ Qm

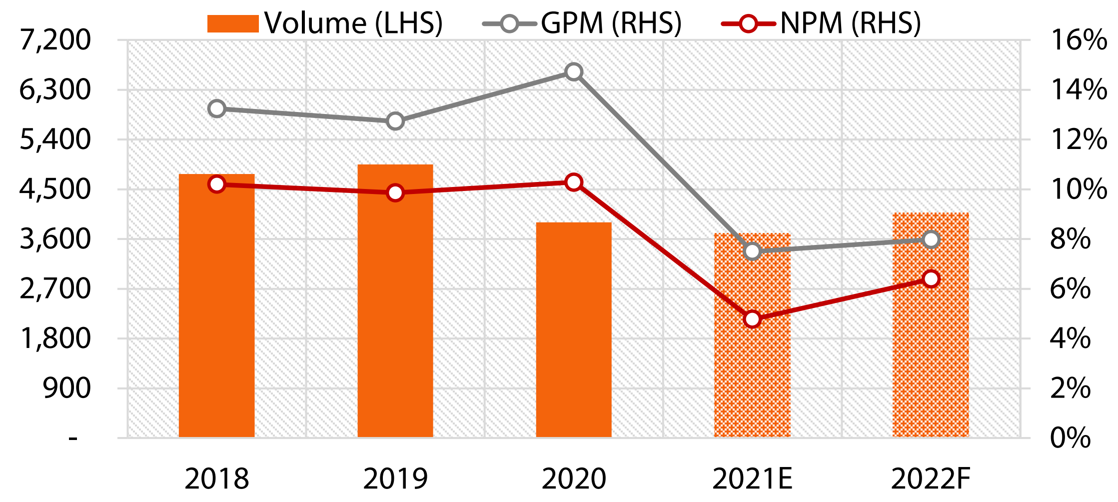
Higher Qc in 2H2021 than 1H2021

- In 2H2021, Qc reached 1,711 mn kWh, +8% compared to that in 1H2021 and nearly equal to that in 2H2020. Of noted, 2H2020 Qc was impacted by 36 days maintenance in Sep and Oct 2020. Totally, Qr(*) is forecasted to be 1,794 mn kWh, +20% YoY, meaning that Qc will account for 95% total volume in 2H2021.
- For the year 2021, we estimate revenue to reach VND 6,410 bn (or USD279 mn), +5% YoY, mostly because of an increase in selling price (gas price surge) while volume will decline. NPAT is estimated to be VND 306 bn (or USD13 mn), -51% YoY because of (1) A decrease in volume owing to industry difficulties; (2) A decline in Pc due to new PPA application (3) Gas price surge, mostly came from new gas field SVDN.

Brighter outlook for thermal plants is expected to turnback

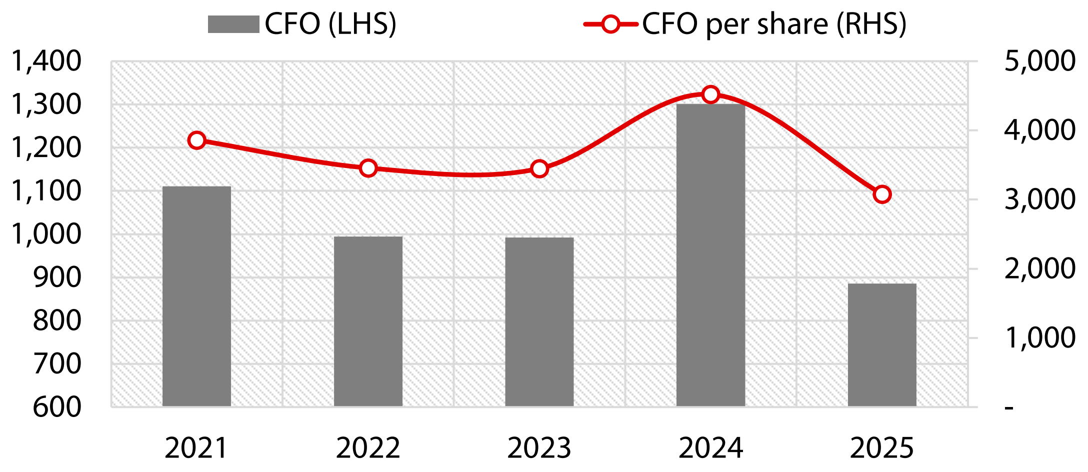
- The company has encountered numerous difficulties, hurting the company profit in 2021. In 2022, demand growth is expected to recover post Covid19 19. In addition, La Nina magnitude is expected to be lower in late 2022. Hence, mobilized volume is expected to be higher than that in 2021.
- We forecast that volume is going to be roughly at 4,073 mn kWh, +10% YoY in 2022 (Figure 8). GPM and NPM is going to recover after 2021. Better outlook than our assumption might happen based on electricity demand recover speed.

Figure 8: Estimated revenue (VND bn) and profit margin (%)



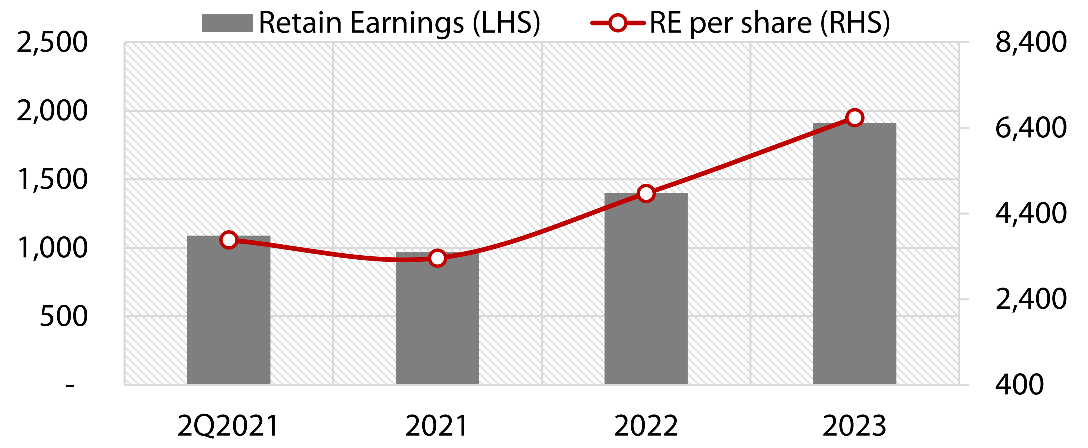
Source: NT2, RongViet Securities

Figure 9: Estimated CFO (VND bn) and CFO per share (VND)



Source: NT2, Rong Viet Securities

Figure 10: Estimated RE (VND bn) an RE per share (VND) (*)



Source: NT2, RongViet Securities; (*) RE after 2021 is assumption no dividend payment since then

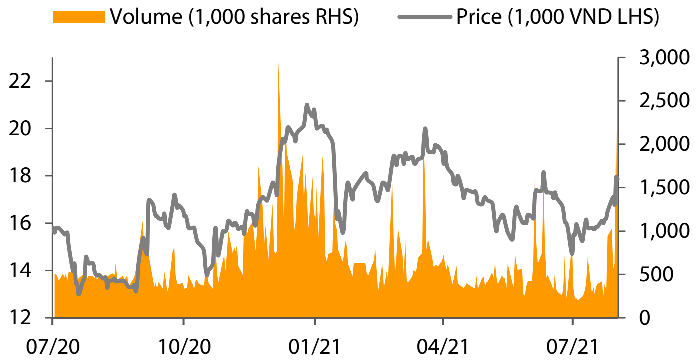
Become a cash cow with an available source to pay dividends

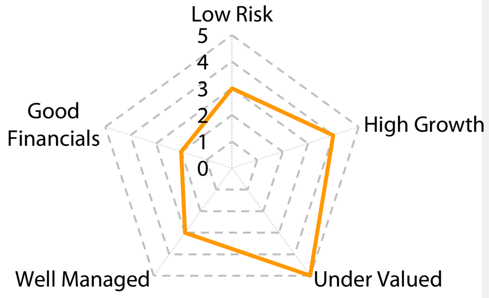
- The company's profit was hurt by a gas price upward trend and a decrease of fixed cost in selling price. However, the company finished its debt obligation, the operating cash flow will utilize to pay dividends because there is no investing activity.
- We estimate maximum cash flow and retain earnings per share at the end of this year roughly at VND 3,000.
- Besides, NT2 is on negotiation about FX income for the period from 2016 – 2020, roughly at VND 400 bn (or USD17 mn)according to the company.

WIND POWER FUELS THE COMPANY'S GROWTH

HSX: GEG

<BUY: +27%>(*) **<MP: 16,100>** **<TP: 20,000>**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	221.1
Current Shares O/S (mn shares)	191.2
3M Avg. Volume (K)	568.5
3M Avg. Trading Value ($ mn)	0.6
Remaining foreign room (%)	38.9
52-week range ('000 VND)	17 - 30.5

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue (VND bn)	1,493	1,550	2,197
NPATMI (VND bn)	257	273	320
ROA (%)	3	2	3
ROE (%)	11	8	8
EPS (VND)	934	982	1,151
Book Value (VND)	11,274	12,949	13,100
Cash dividend (VND)	0	400	400
P/E (x)	17.1	16.4	14.0
P/B (x)	1.8	1.5	1.5

INVESTMENT RATIONALES

Wind power fuels the company's growth, triggering the company earnings from November this year

- Capacity to increase by 57% to 433 MW. In 2021, wind power is going to attribute the minority in NPAT due to only two months operation but will add more to profit in 2022.
- These projects possess high GPM (around 55% - 60%) and it will bring solid and sustainable CFs for the company in the medium term.

Hydropower continues enjoying the hydrological condition in the La Nina phase. La Nina phenomenon is forecasted to extend to early next year

- Hydropower is likely to enjoy La Nina and the rainy season in 2H2021. Volume and revenue are forecasted to grow 240% and 180%, respectively compared to that in 1H2021.

Holding five solar power plants, achieving FiT1 sale price, this segment is set to be the main pillar for GEG's earnings in the medium term

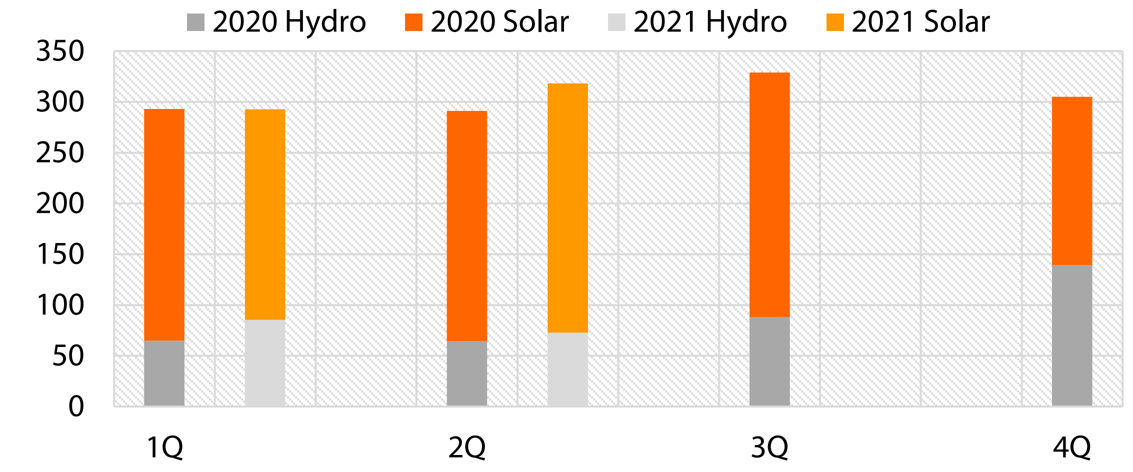
- This segment encountered industry risk in 1H2021, resulting in a volume decline. This is considered a short-term risk due to supply–demand imbalance and will be solved post Covid19.
- In the medium term, solar power will contribute the majority to the company revenue and profit. In 2021, solar power will attribute 58% in total revenue and gross profit.

RISKS TO OUR CALL

- Numerous projects in their pipeline require intensive capital, that might bear capital risk including interest rate risk for debt financing and dilution for equity raising.
- Risk of the renewable energy industry such as (1) Finishing its wind farms before FiT1 deadline to; (2) Volume cut by EVN; (3) Overcapacity in several areas.

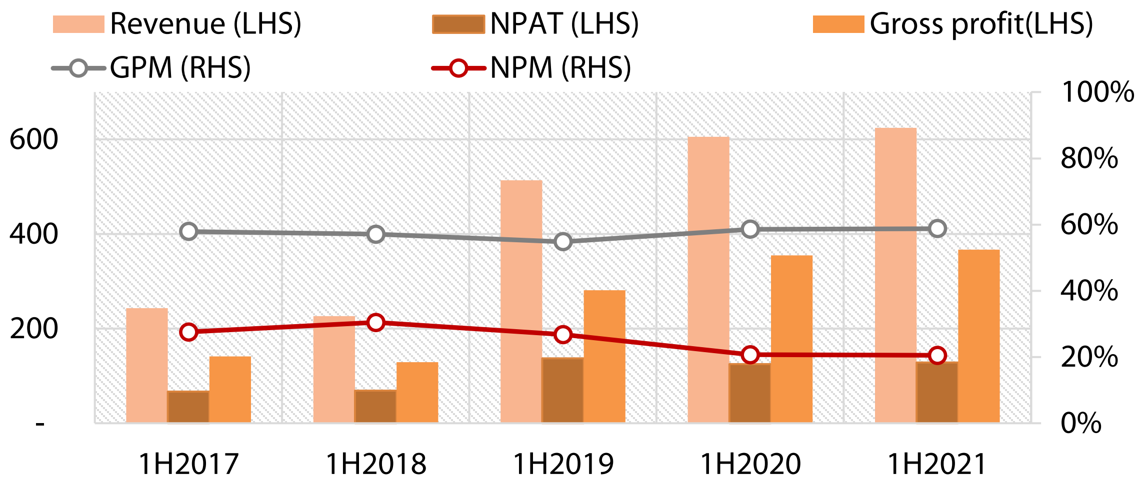
(*) Total return including VND 400 cash dividends

Figure 1: Revenue by segment (VND bn)



Source: Rong Viet Securities

Figure 2: Business results (VND bn) and profit margin



Source: Rong Viet Securities

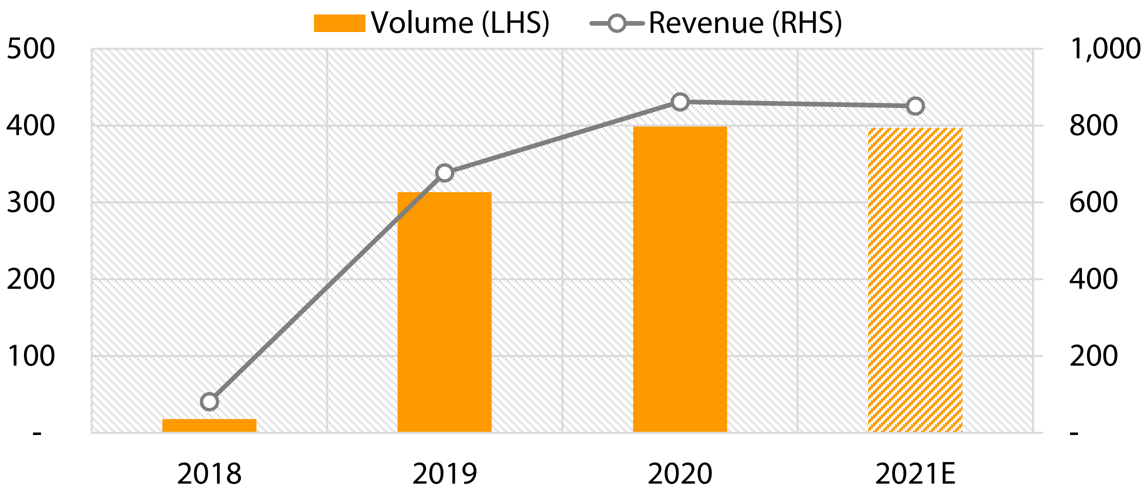
The main pillar - solar power was damaged by industry risk

- Hydropower volume in 1H2021 surged by 30% YoY, revenue increased 15% YoY thanks to hydrological condition support.
- Inversely, solar power's capacity was cut because of low demand. Total volume in 1H2021 increased slightly by 1% even the rooftop solar power (~30MW) operated (30 MW came online in late 2020). We estimate that solar power farm volume was cut roughly 10% compared to that in 2020. As the price is fixed price, the drop in volume led to a fall in solar power revenue.

Slight growth in revenue and NPAT

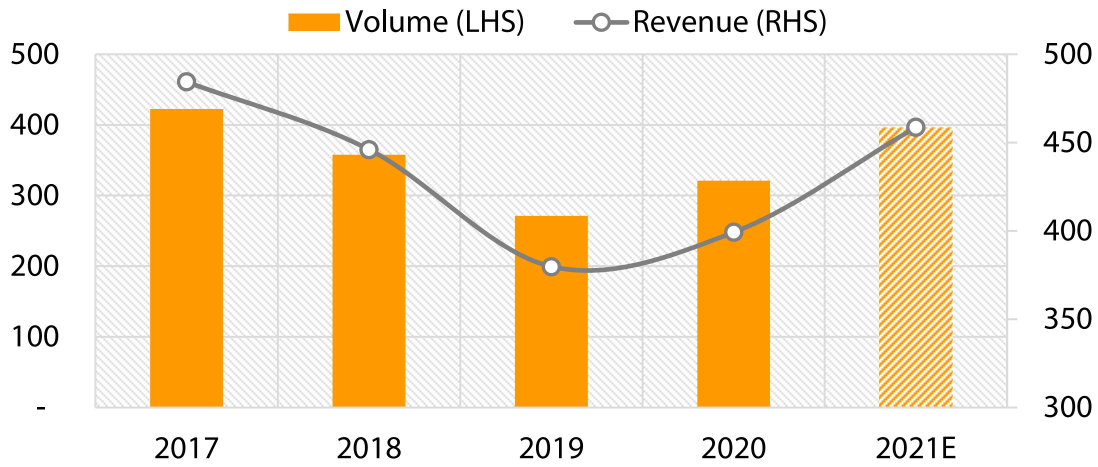
- Revenue in 1H2021 slightly reached VND 627 bn (or USD 27 mn), +3% YoY despite rooftop solar power addition and hydropower growth.
- NPAT-MI was VND 128 bn (or USD 5.6 mn) in 1H2021, +3% YoY. GPM and NPM were 59% and 21%, respectively, which remained unchanged compared to that in 2020.

Figure 3: Solar power volume (mn kWh) and revenue (VND bn)



Source: GEG, RongViet Securities

Figure 4: Hydropower volume (mn kWh) and revenue (VND bn)



Source: GEG, Rong Viet Securities

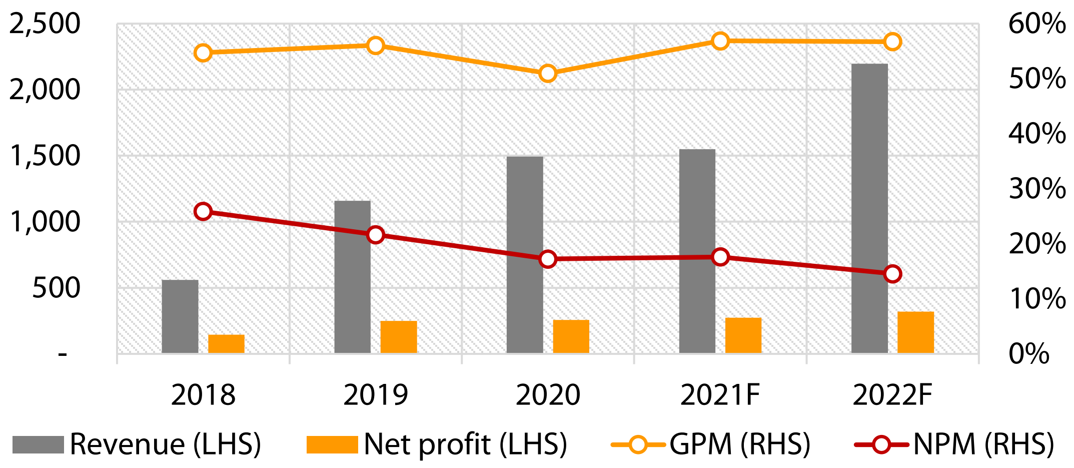
Hydropower will be supported by the rainy season and La Nina

- La Nina is forecasted to extend to Feb 2022, thus the hydropower segment in 2H2021 will perform as well as that in 2020.
- We forecast that hydropower revenue will be VND 459 bn (USD 20 mn), +17% YoY and gross profit will be VND 249 bn (USD 11 mn), +21% YoY.

The solar power segment might be cut as 1H2021

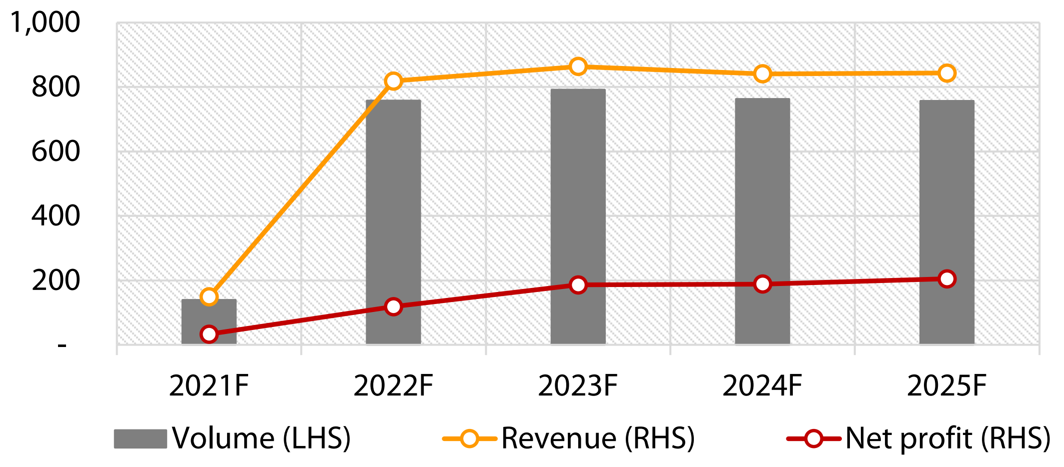
- We forecast solar power revenue to be VND 850 bn (or USD 37 mn), nearly unchanged to that in 2020 because the cut volume was offset by rooftop solar power addition.

Figure 5: Estimated business results (VND bn)



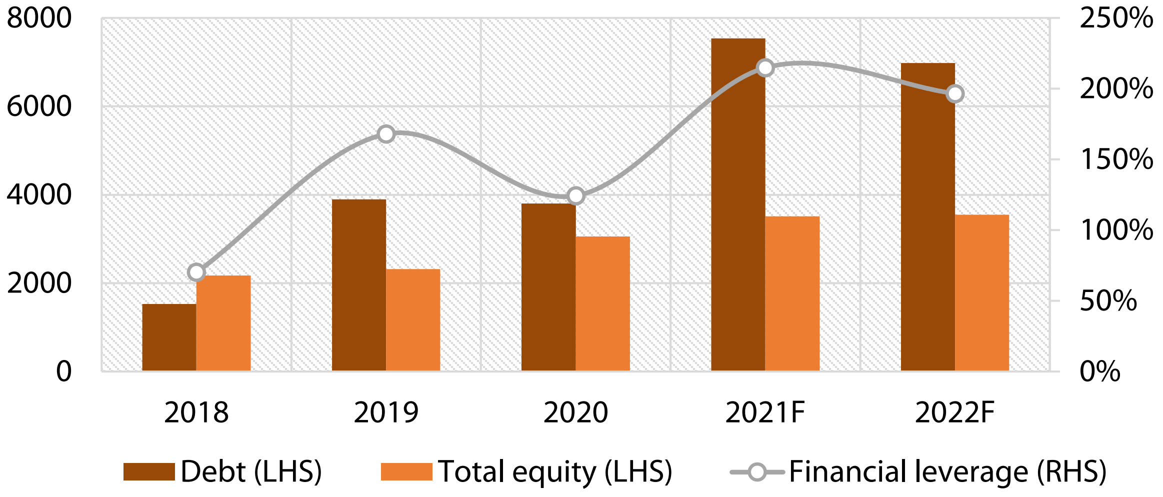
Source: GEG, RongViet Securities

Figure 6: Estimated wind power results (mn kWh and VND bn)



Source: Rong Viet Securities

Figure 7: Total debt and equity (VND bn) and financial leverage



Source: Rong Viet Securities

Wind power will trigger the company earnings from 4Q2021

- The company is constructing three wind power plants (130 MW) and will commercially operate in this Nov. Year to date, it finished almost pillar and is on the turbines installation phase
- The projects might bear the financial burden in early stage. However, the company will soon finish its debt obligation thanks to stable cash flow from the project.

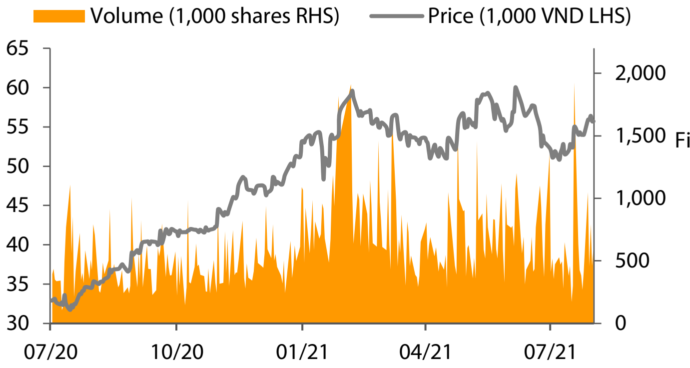
Full-year utilization from the three-wind power will drive the company growth in the medium term

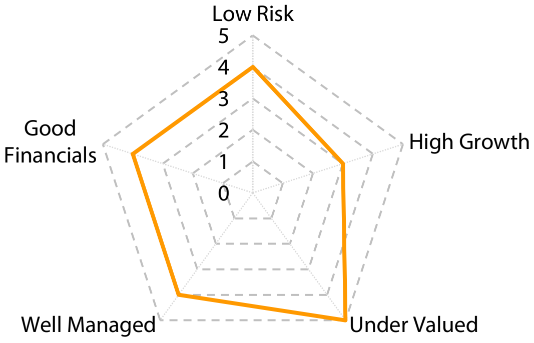
- Wind power plants will be fully utilized in 2022, contributing more than VND 800 bn (USD35 mn) in revenue, and roughly 26% in NPAT in 2022. In 2022, revenue and NPAT are forecasted to be more than triple.
- We expect that RE farms will be cut a lower volume in early 2022 and will be fully utilized in late 2022 thanks to a surge in demand post-Covid 19.
- We forecast revenue and NPAT in 2022 to grow 42% YoY and 17% YoY, respectively, because financial expenses will surge by 64% YoY. We see that in case demand growth recovers sooner than our expectation, high volume mobilized from RE farms could lead to higher growth in NPAT.

SUSTAINABLE GROWTH THANKS TO THE UTILITIES SEGMENT

HSX: REE

<BUY: +21%> <MP: 54,000> <TP: 65,300>





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	725.6
Current Shares O/S (mn shares)	309.1
3M Avg. Volume (K)	717.4
3M Avg. Trading Value ($ mn)	1.7
Remaining foreign room (%)	-
52-week range ('000 VND)	32 - 60.0

FINANCIALS	2020A	2021F	2022F
Revenue (VND bn)	5,640	6,705	8,336
NPATMI (VND bn)	1,628	1,712	2,103
ROA (%)	7.9	5.5	6.6
ROE (%)	13.3	12.3	13.1
EPS (VND)	5,251	5,651	6,783
Book Value (VND)	39,389	45,040	51,823
Cash dividend (VND)	0	0	0
P/E (x)	10.3	9.6	8.0
P/B (x)	1.0	1.2	1.0

INVESTMENT RATIONALEs

Holding a well-diversified portfolio in the power segment drives growth

- La Nina is forecasted to extend into Feb 2022, thus the hydropower *segment* continues to perform well in 2H2021. Besides, REE just consolidated VSH in May. The Thuong Kon Tum plant came online in April that will boost the company volume and earnings as well.
- Full-year utilization from rooftop solar power that commercially operated in late 2020 also boosts the company's profit in the power segment.
- Three wind power plants are on development and will operate commercially in 4Q2021, with 102 MW in capacity.

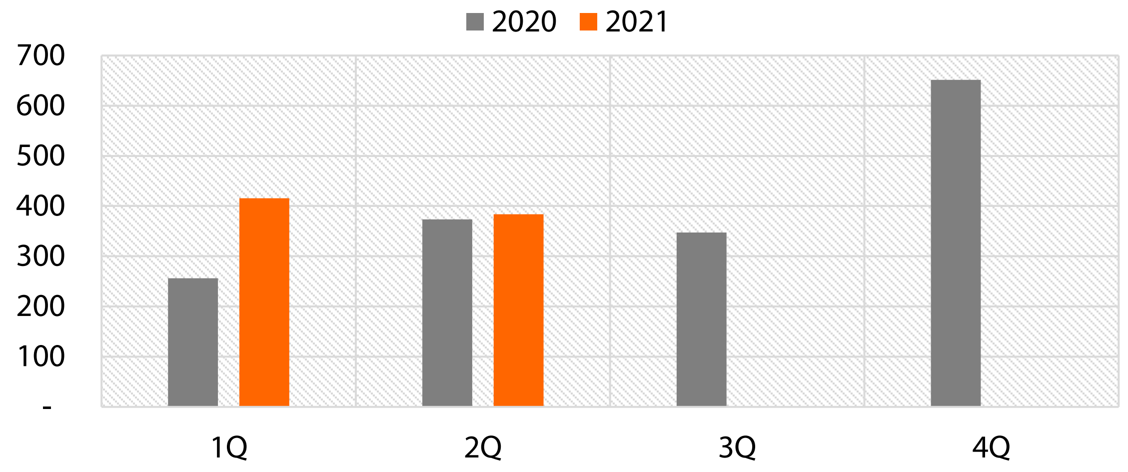
Solid contribution from leasing and water segment, creating steady cash flow

- Nearly full occupation in the leasing segment creating steady earnings and cash flow. Furthermore, the E.Town6 project will finish in Apr 2023, raising its leasable area by 33% to 200.000 m2.
- Capitalize on healthy financial position. Earnings from the water segment are sustainable year over year.

RISKS TO OUR CALL

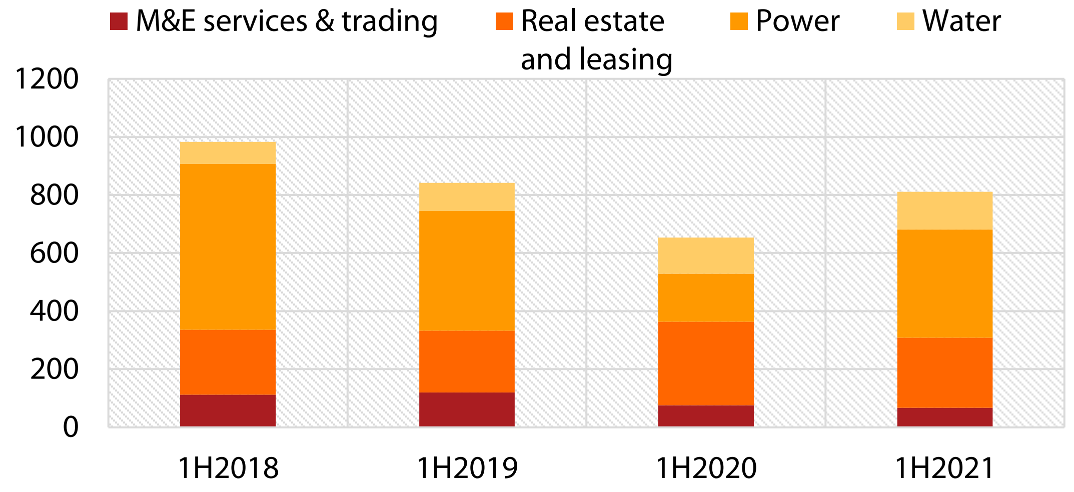
- M&E services and trading, leasing segments might be sharply impacted due to the lockdown.
- Risk of the renewable energy industry including (1) Finishing wind power plants before FiT1 deadline, (2) Volume cut due to overcapacity and low demand.

Figure 1: NPAT by quarter (VND bn)



Source: REE, RongViet Securities

Figure 2: NPAT by segment (VND bn)



Source: REE, Rong Viet Securities

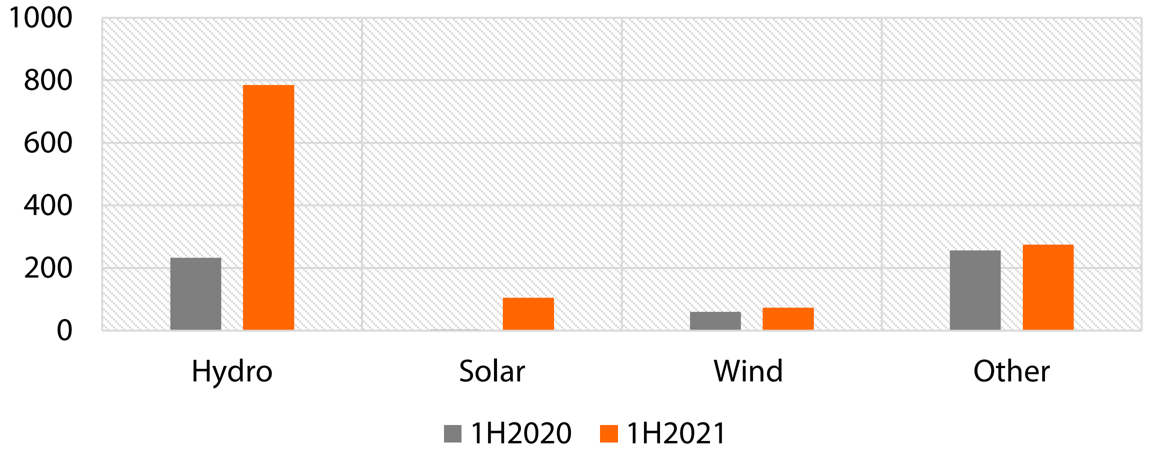
Figure 3: 1H2021 NPAT by segment (VND bn)

Source: REE, RongViet Securities

Power segment grew while M&E services and trading was hit by Covid19

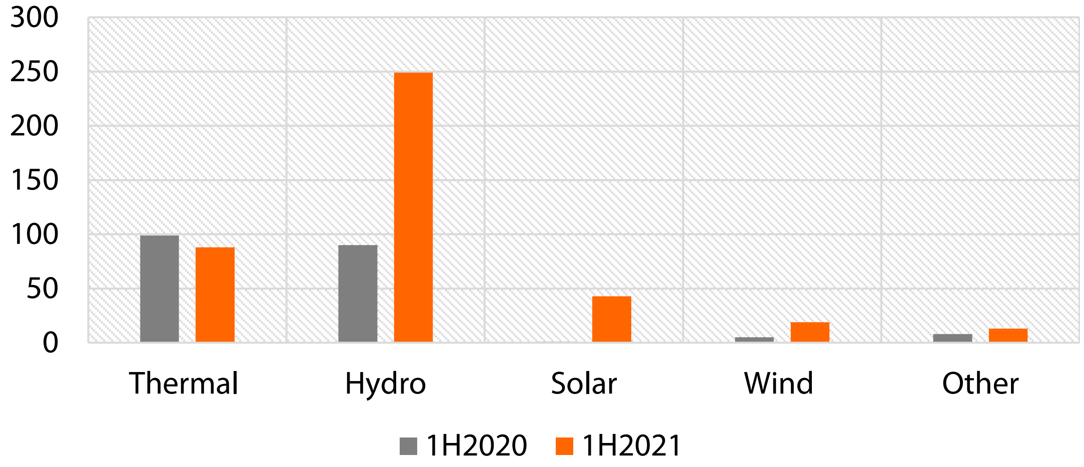
- An increase of 14% in revenue in 1H2021 due to VSH consolidation and a surge of hydropower segment. NPAT-MI grew by 37% YoY in 1H2021 thanks to hydrological support and 1H2020 dry season.
- In 1H2021, the hydropower segment grew by 25% YoY, M&E services and trading declined by 12% YoY, other segments had minor changes.

Figure 4: Revenue in the power segment (VND bn)



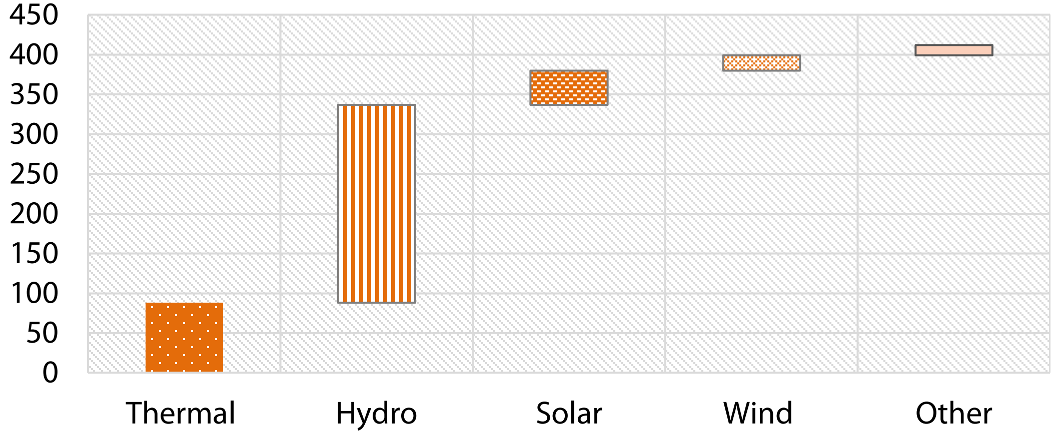
Source: REE, RongViet Securities

Figure 5 : NPAT in the power segment (VND bn)



Source: REE, Rong Viet Securities

Figure 6: 1H2021 power NPAT by type (VND bn)

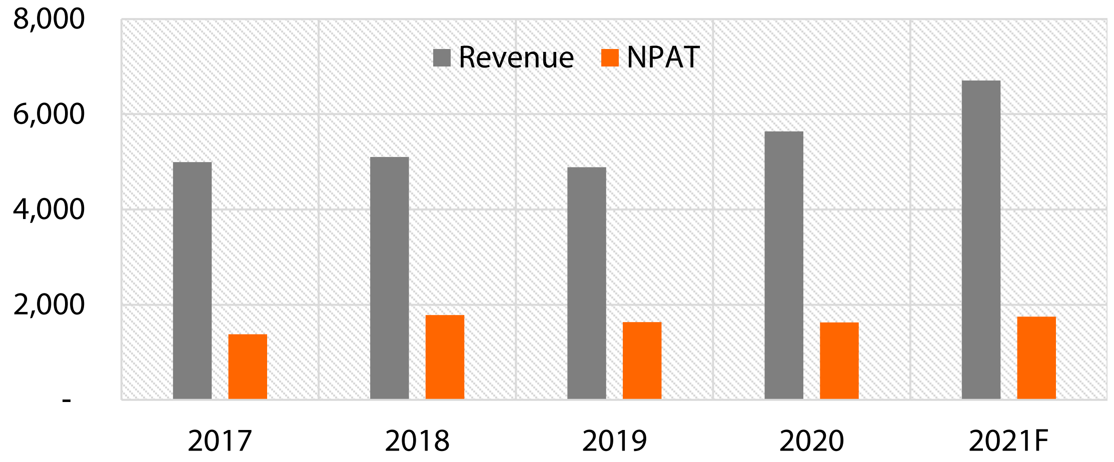


Source: REE, RongViet Securities

Hydrological conditions supported hydropower plants

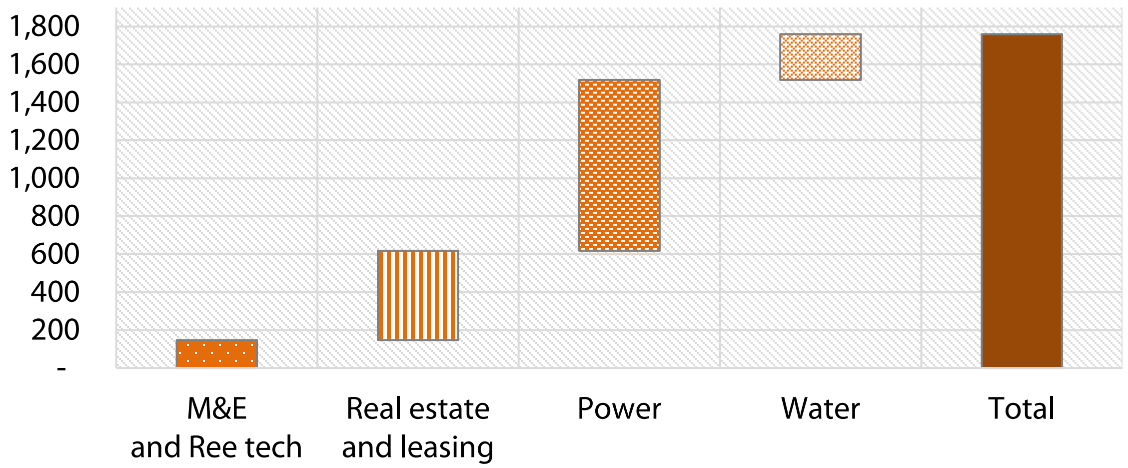
- Hydropower revenue in 1H2021 was 2.5 times higher, compared to that in 2020 thanks to VSH consolidation and hydrological support hydropower plants. This increase will be 79% in case VSH excluding.
- Hydropower contributed 60% in power NPAT, increasing 177% YoY. Inversely, thermal plants slightly decreased. Solar power has been fully utilized in 2021, contributing 10% to total NPAT.

Figure 7: Revenue and NPAT (VND bn)



Source: Rong Viet Securities

Figure 8: 2021 NPAT by segment (VND bn)



Source: Rong Viet Securities

Power segment continues playing as the main pillar in 2H2021

- REE has gradually accumulated hydropower plants in its portfolio. 102 MW wind power will be in commercial operation in 4Q2021. We consider that this contribution will offset the low-performance of thermal plants. The power segment is forecasted to contribute 51% of total NPAT in 2021.
- The leasing and water segments are quite stable and will contribute 27% and 14% of total NPAT, respectively in 2021.
- M&E services and trading are forecasted to recover in late 2021. We forecast this segment will be 8% of total NPAT in 2021.

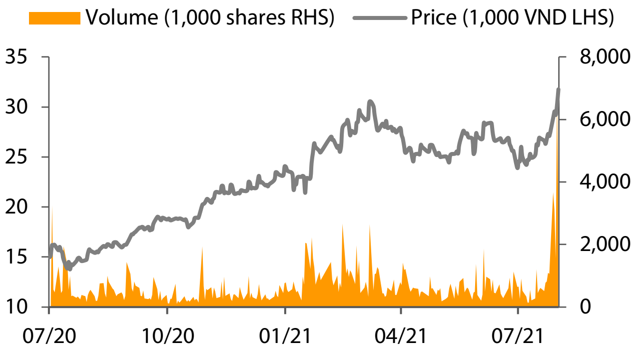
Capitalize on stable cash flow to continue accumulating utilities companies in its portfolio

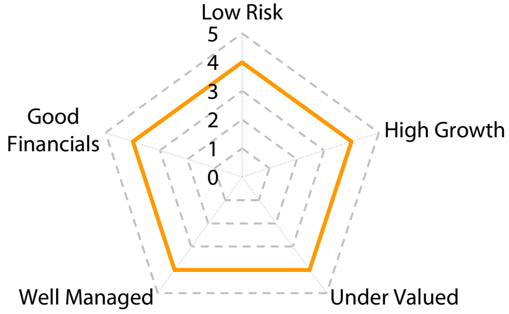
- The company will not pay dividends in the medium term to concentrate on M&A and develop renewable energy projects.
- REE will gradually expand its earnings in the power segment and generate solid cash flow from the utilities and leasing segments.

ATTEMPTING TO MAINTAIN EARNINGS GROWTH

HSX: PC1

<ACCUMULATE: +13%> <MP: 26,600> <TP: 30,100>





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	221.1
Current Shares O/S (mn shares)	191.2
3M Avg. Volume (K)	568.5
3M Avg. Trading Value ($ mn)	0.6
Remaining foreign room (%)	38.9
52-week range ('000 VND)	17 - 30.5

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue (VND bn)	6,656	8,513	6,965
NPATMI (VND bn)	506	450	445
ROA (%)	5.3	3.7	3.4
ROE (%)	13.6	10.7	9.6
EPS (VND)	2,526	2,117	2,096
Book Value (VND)	20,820	23,099	25,357
Cash dividend (VND)	0	0	0
P/E (x)	10.0	12.6	12.7
P/B (x)	0.9	1.2	1.0

INVESTMENT RATIONALES

Gradual capacity expansion from the power generation segment

- Electricity capacity has been expanding gradually and will be a solid contributor to the company's earnings in the medium term. In 2H2021, we expect that (1) Hydropower volume continues enjoying La Nina and (2) On-shore wind power plants will COD from 3Q2021 that will trigger PC1 earnings in the power generation segment.
- The power generation segment will generate VND 1,003 Bn (or USD 44 mn), +34% YoY and VND 572 Bn (USD 25mn), +27% YoY in terms of revenue and gross profit, respectively in 2021.

A reputable contractor in power construction that helps PC1 gain more contracts in the time to come

- A 57-year experienced player in the power construction market since its establishment that will help the company gain more contracts.
- In 2021, the segment is forecasted to contribute VND 5,530 Bn (or USD 240 mn) and VND 376 bn (or USD16 mn) to revenue and gross profit, +81% YoY and +22% YoY, respectively.

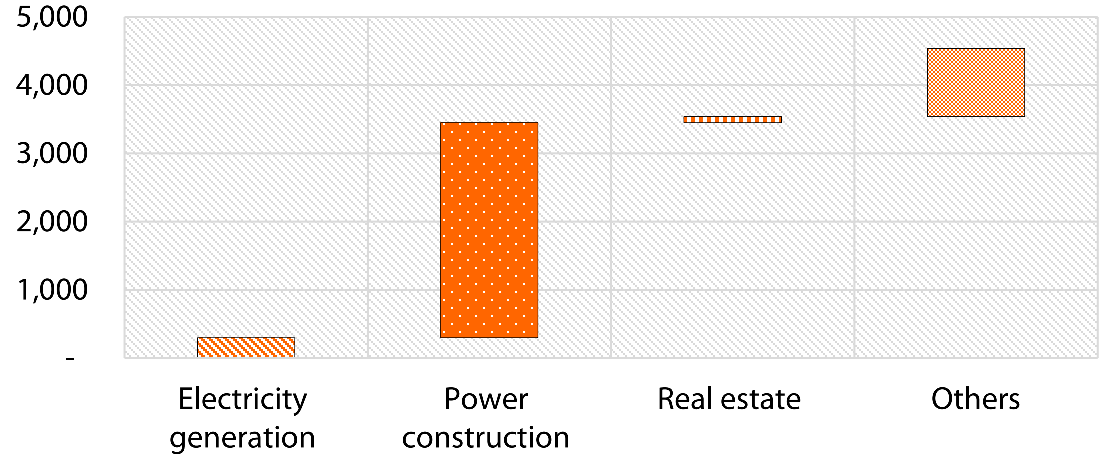
Real estate begins contributing in 2023

- Real estate omission shrinks PC1's bottom line in 2021. This segment is expected to contribute from 2023 through Vinh Hung and Bac Tu Liem projects.

RISKS TO OUR CALL

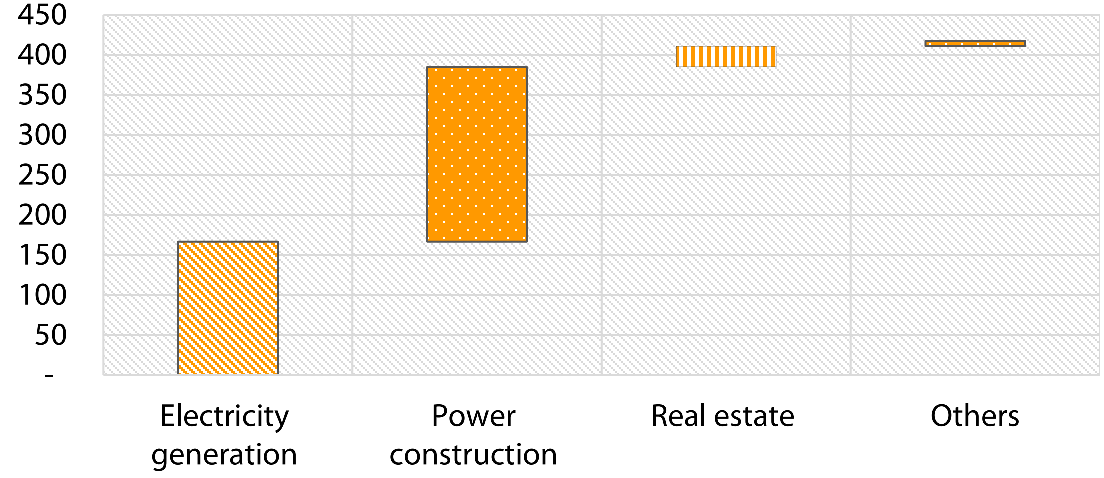
- RE projects encounter volume cut and overcapacity problems that might impact the company's net profit.
- More power project construction than our projection and real estate project might be recorded sooner. As a result, the company will earn more profit than our forecast.

Figure 1: 1H2021 revenue by segment (VND bn)



Source: Rong Viet Securities

Figure 2: 1H2021 gross profit by segment (VND bn)



Source: Rong Viet Securities

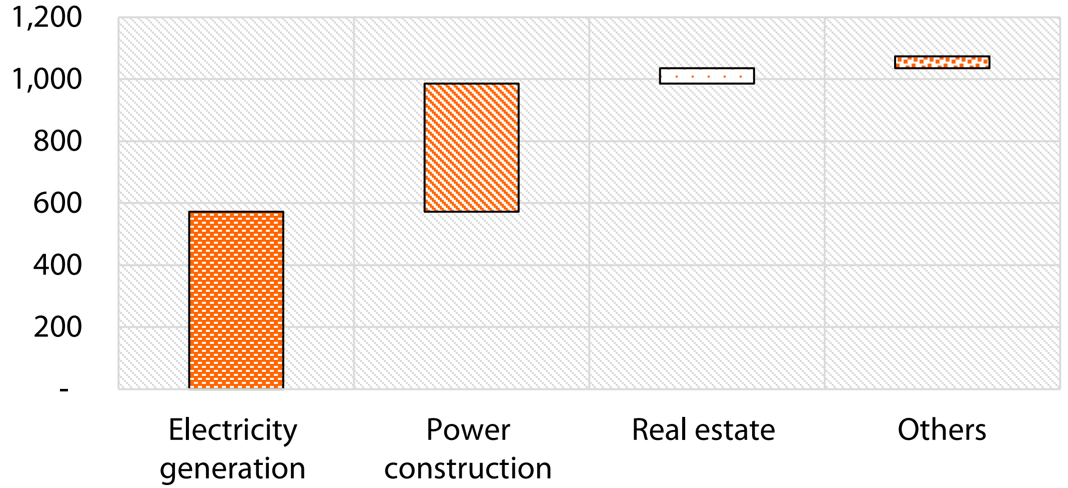
A surge in revenue thanks to power construction

- Total revenue reached VND 4,540 bn (or USD 197 mn) in 1H2021, surging by 79% YoY mostly thanks to power construction contribution.
- Power construction revenue contributed 65% to total revenue, nearly triple compared to that in 2020. The impressive result came from wind power projects construction.
- Power generation grew by 7% YoY due to hydrological support, contributing 7% to total revenue.

Real estate omission, power construction segment attempted to maintain earnings, NPAT was flatted in in 1H2021

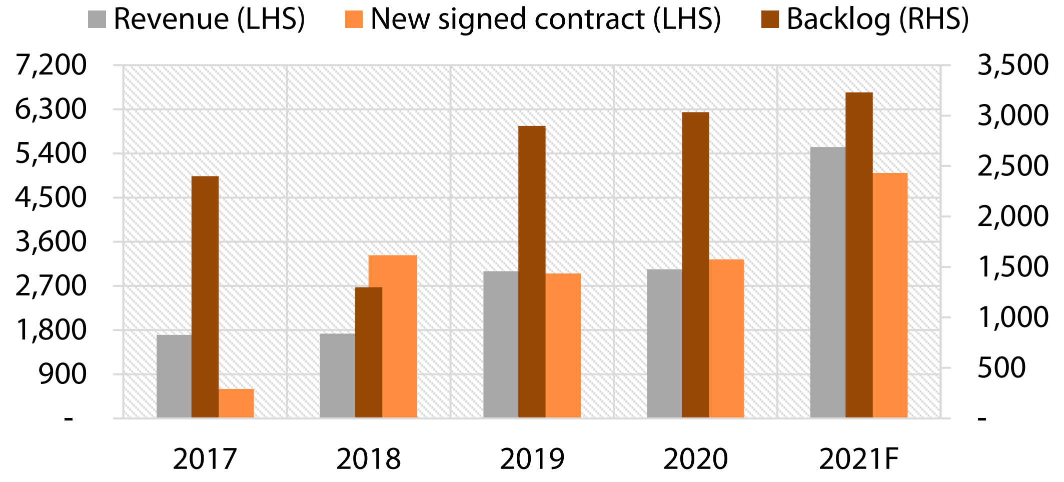
- Gross profit decreased by 12% to VND 438 bn (or USD19 mn) because of real estate omission. Power construction contributed 43% to total gross profit, and +85% YoY in 1H2021. The material price surge in 2Q2021 diminished this segment's gross profit margin to 4.8% from 10.7% in 1Q2021. Power generation's gross profit slightly increased by 1%YoY.
- Because high growth in revenue, mostly contributed from the low GPM segment – power construction, NPAT-MI in 1H2021 decreased by 2% YoY to VND 209 bn (USD 9 mn).

Figure 3: 2021 gross profit by segment (VND bn)



Source: PC1, Rong Viet Securities

Figure 4: Power construction performance (VND bn)

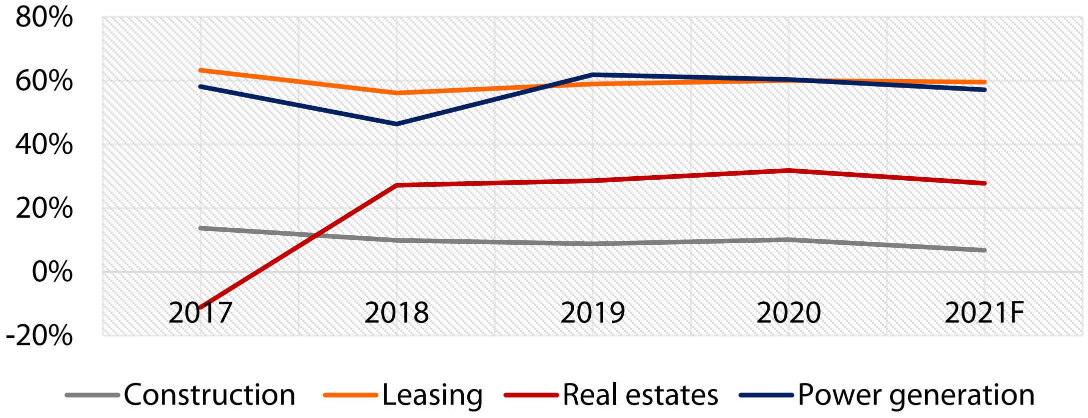


Source: PC1, Rong Viet Securities

Power construction has been negatively impacted by material price surge

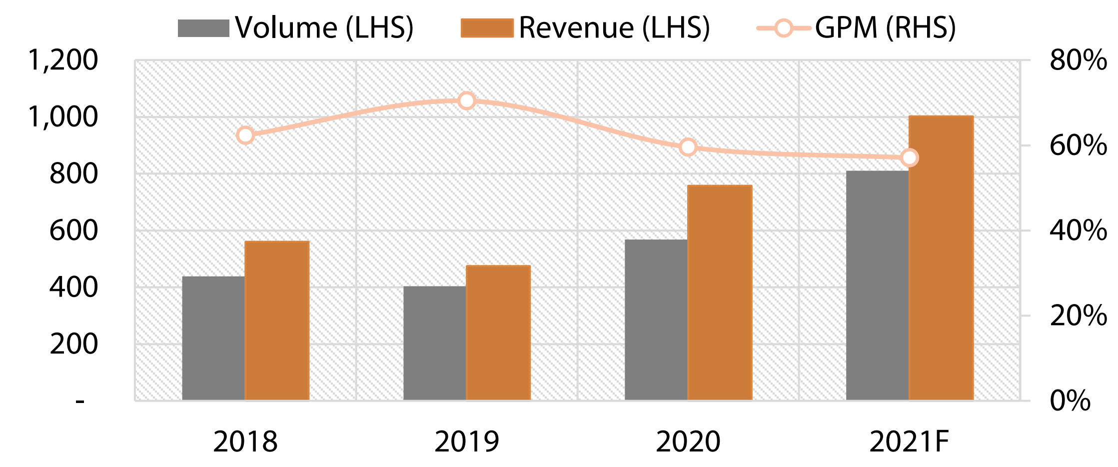
- This segment's revenue in 2021 is anticipated to surge thanks to the wind power construction contract. We forecast that this segment's revenue in 2H2021 will be VND 2,600 bn (or USD113 mn) based on the current backlog.
- However, the rising material price has shrunk this segment's gross profit margin. Hence, revenue and gross profit in 2021 are forecasted to be VND 5,530 Bn (or USD 240 mn) and VND 376 bn (or USD16 mn), +81% and +22% YoY, respectively.

Figure 5: Gross profit margin by segment



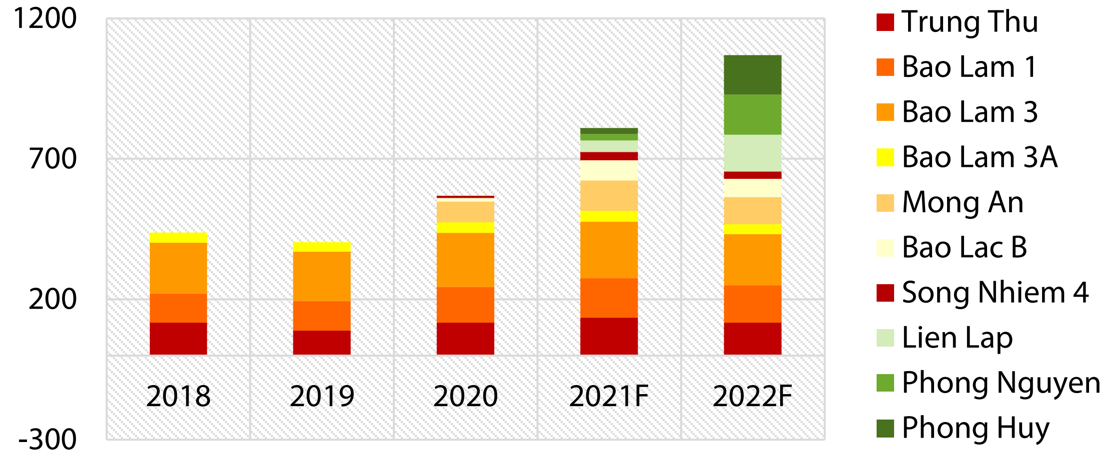
Source: PC1, Rong Viet Securities

Figure 6: Hydropower volume (mn kWh) and revenue (VND bn)



Source: Rong Viet Securities

Figure 7: Hydropower volume by plant (mn kWh)



Source: Rong Viet Securities

Power generation will be the main contributor to gross profit in 2H2021

- Three wind powers will raise its capacity by 86% to 312 MW in 2H2021. In addition, hydropower will surge in 2H2021 thanks to the rainy season, power generation will be the main contributor in 2H2021 with 61% of total gross profit in 2H2021. Revenue and gross profit are forecasted to be VND1,003 bn (or USD 44 mn), +34% YoY and VND 572 Bn (USD 25mn), +27% YoY.
- Real estate revenue is forecasted to be VND 114 bn (USD 5 mn) in 2021, the remaining of old projects, -86% YoY.
- Total revenue and NPAT-MI are forecasted to be VND 8,513 bn (or USD 370 mn) and VND 450 bn (or USD 20 mn), +28% YoY and -11% YoY respectively.

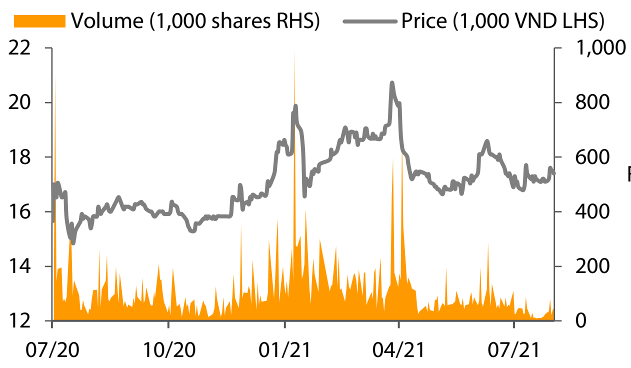
Three wind powers will be fully utilized in 2022

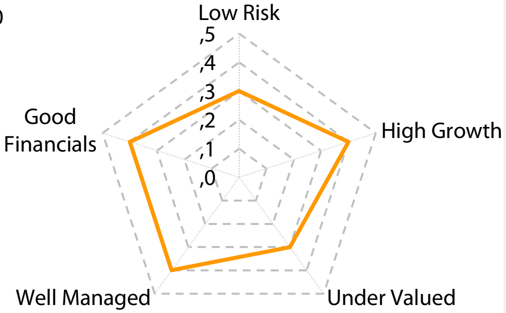
- In 2022, we forecast that power generation continues being the main contributor in gross profit while the real estate segment might not contribute because of slow progression as Covid 19. Power construction revenue is forecasted to be VND 3,350 bn (VND 146 mn).
- As a result, we estimate NPAT in 2022 to slightly increase by 9%YoY to VND 529 bn (or USD 23 mn).

WAITING FOR A BETTER OUTLOOK

UpCOM: HND

<ACCUMULATE: 5%> **<MP: 17,100>** **<TP: 17,900>**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	372.7
Current Shares O/S (mn shares)	500.0
3M Avg. Volume (K)	66.8
3M Avg. Trading Value ($ mn)	0.1
Remaining foreign room (%)	49.0
52-week range ('000 VND)	16 - 22.4

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue (VND bn)	10,867	8,700	9,947
NPATMI (VND bn)	1,438	265	799
ROA (%)	12.5	2.7	9.0
ROE (%)	20.5	3.4	11.4
EPS (VND)	2,791	500	1,508
Book Value (VND)	13,862	13,138	13,205
Cash dividend (VND) (*)	1,350	1,350	2,175
P/E (x)	3.5	34.2	11.3
P/B (x)	0.7	0.8	0.7

INVESTMENT RATIONALES

Young and efficient operation machine is the company outstanding point

- Technological advancement helps HND efficiently operate. Young and efficient machine plays a pivotal role in creating profit for the company.
- In addition, well managed fixed and variable costs will help the company save expenses. Low coal consumption compared to other plants is an advantage to compete in the CGM.

The company is on the way to become a cash cow within two years

- Speedy and on-time debt payment year over year. The company is going to finish its debt obligation in the next two years. Afterward, operating CFs will be utilized to pay dividends.
- Cash dividends in 2021 will be lower than 10% per par value. However, sustainable growth in dividend payout ratios is expected in the coming years.

The company will soon weather the storm, a hard time for thermal plants

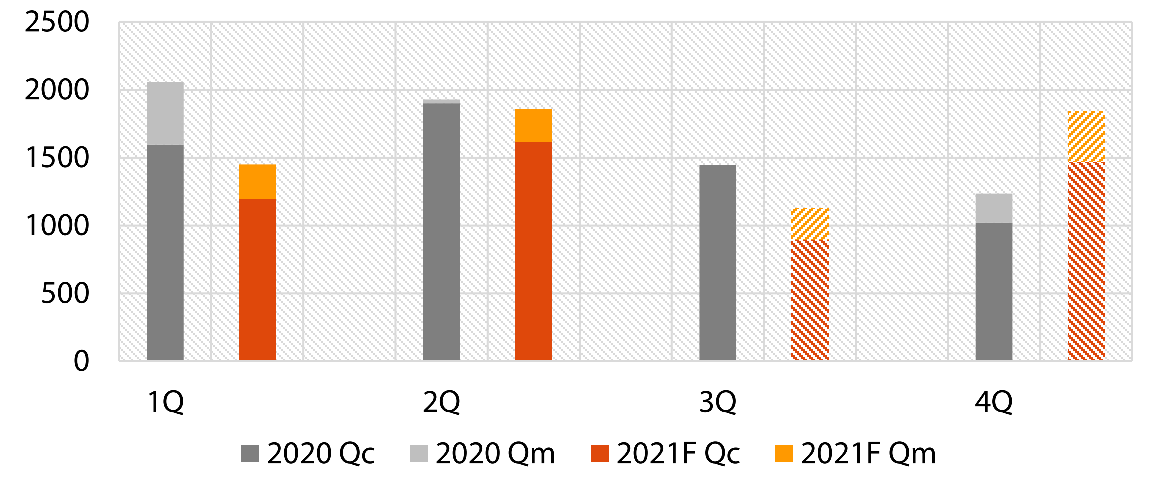
- HND is negatively impacted by (1) Electricity oversupply; (2) Hydrological condition support hydropower plants. Those difficulties are expected to diminish in 2022.

RISKS TO OUR CALL

- The negative outlook in 2021 might significantly impact the company profit more than our expectations. Consequently, dividends pay out ratios might be lower.
- The company must install the environment treatment system due to government requirements. Therefore, it might impact the company's cash flow.

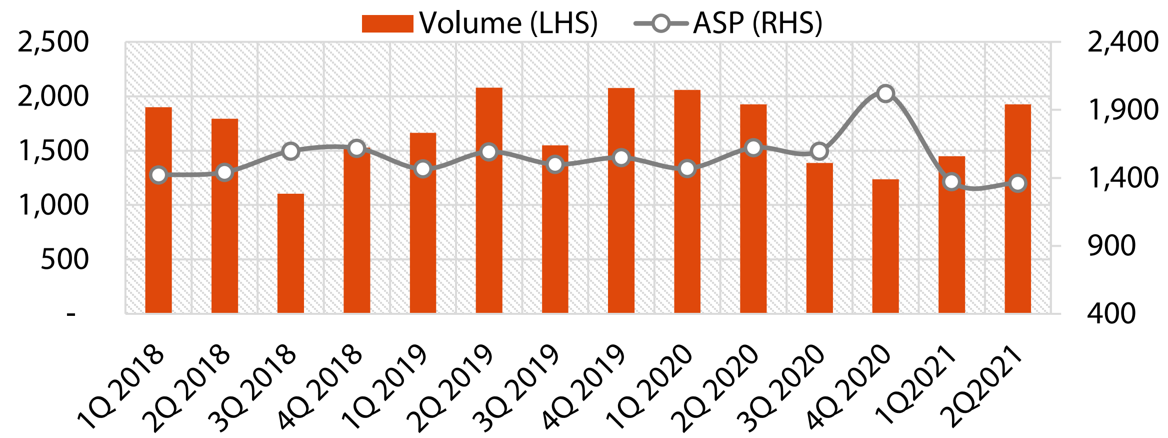
(*) Cash dividend paid in this year

Figure 1: Contract and CGM volume (mn kWh) (*)



Source: HND, Rong Viet Securities (*) Volume in 3Q2021 and 4Q2021 is estimated

Figure 2: Volume (mn kWh) and ASP (VND)



Source: HND, Rong Viet Securities

(**) Contract price (Pc) = Fixed price + variable price

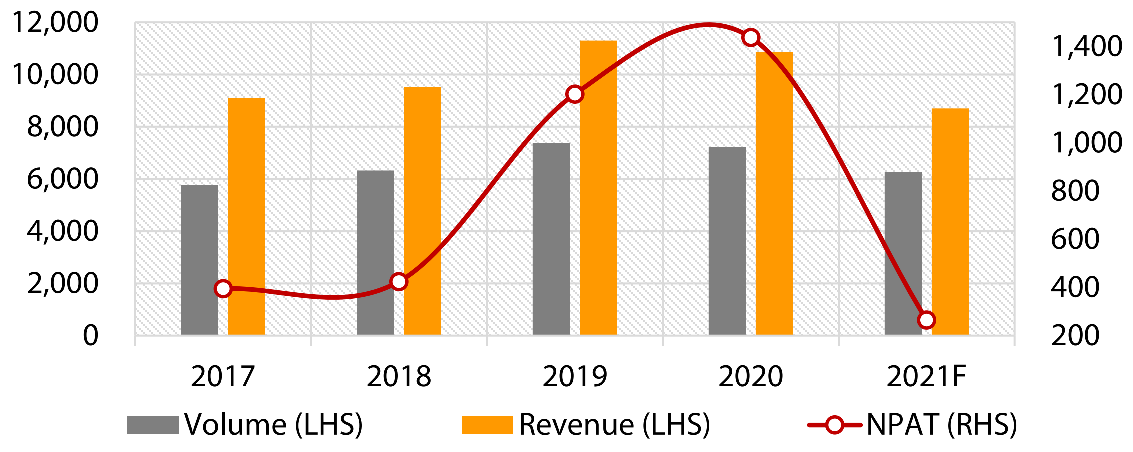
Volume plummeted because of thermal power difficulties

- Volume plummeted because (1) Supply growth speed surpassed demand one (2) Hydrological condition supported hydropower plants; thus, an abundant source volume was mobilized, taking thermal power volume portion.
- Total volume was 3,3 mn kWh in 1H2021, -17% YoY, Qc accounting for 85% of total volume, -20% YoY.

Volume and selling price declined that made the company profit drop in 1H2021

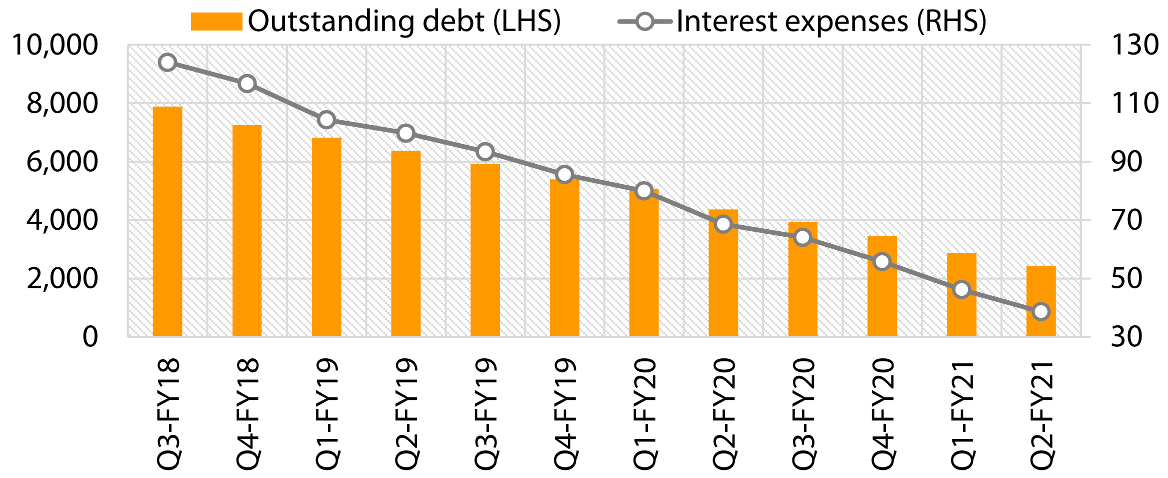
- Fixed price in Pc (**) declined by 40% from VND 601 to VND 410. Its ASP in 2021 declined by 10%, including the variable cost growth in 2021 (because of coal price surge lately).
- The average selling price in 1H2021 was VND 1,393, equivalent to the published Pc in AGM's document, -10% YoY.
- Revenue and NPAT in 1H2021 were VND 4,613 bn (or USD200 mn) and VND 177 bn (or USD8 mn), -25% YoY and -76% YoY, respectively. Profit margin declined due to a decrease in selling price.

Figure 3: Volume (mn kWh) and business results (VND bn)



Source: HND, Rong Viet Securities

Figure 4: Outstanding debt and interest expenses (VND bn)



Source: HND, Rong Viet Securities

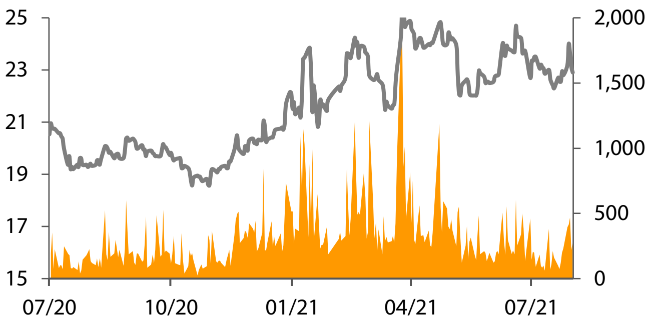
Low performance in 2021 and wait for better outlook in 2022

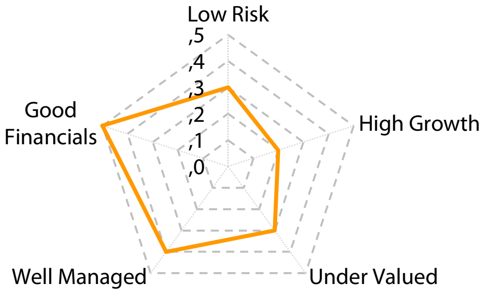
- It is hard to earn profit in 3Q2021 (rainy season) because of low volume and selling price. The company is going to have maintenance from August to October (92 days in total).
- In general, both volume and selling price have decreased in 2021, thus performance is forecasted to be significantly lower than previous years. We forecast that revenue and NPAT in 2021 will be VND 8,700 bn (or USD378 mn), -20% YoY and VND 265 bn (USD 11.5 mn), -82% YoY, respectively.
- Better outlook is expected in 2022 thanks to the supply and demand balance and La Nina magnitude being lower than 2021.

On the way to becoming a cash cow within two years

- Dividend payout ratio for the year 2021 might be lower than 2020 (plans to be 4% or 8%) due to the low performance.
- However, cash dividends will pay for shareholder in later years is expected to grow thank to speedy and on-time debt payment. Cash dividends payout ratios is planned to be higher than 20% after 2023.

<NEUTRAL: -1%>* **<MP: 22,700>** **<TP: 21,200>**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	316.4
Current Shares O/S (mn shares)	320.6
3M Avg. Volume (K)	314.1
3M Avg. Trading Value ($ mn)	0.3
Remaining foreign room (%)	34.1
52-week range ('000 VND)	22 - 29.1

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue (VND bn)	7,929	4,546	7,115
NPATMI (VND bn)	1,011	92	692
ROA (%)	14.0	1.8	12.3
ROE (%)	15.6	2.1	14.7
EPS (VND)	2,992	274	2,047
Book Value (VND)	20,050	13,528	14,550
Cash dividend (VND)	1,350	5,544	500
P/E (x)	7.4	82.9	11.1
P/B (x)	1.2	1.7	1.6

INVESTMENT RATIONALES

Both internal and external difficulties curb the company's stably operation

- Machine maintenance might hamper the company performance in the short-term. The Pha Lai 2 plant encounters machine problem and needs a downtime to prepare before turning back.
- 2021 is the hardest year for thermal plants due to: (1) Supply growth surpassed demand; (2) Hydrological condition supports hydropower plants. Consequently, mobilized volume from thermal plants have been reduced significantly, hurting profit.

Stable and high dividend plays is vital for this stock

- Most of its cash flow is spent for paying dividends that attracts dividend-oriented investors. Historically, the company pay on average more than 25% per par value, which is a constant and high dividend payout policy year over year. However, this may not happen in 2021 because of accidental machine problem.

Stable performance is expected to turn back

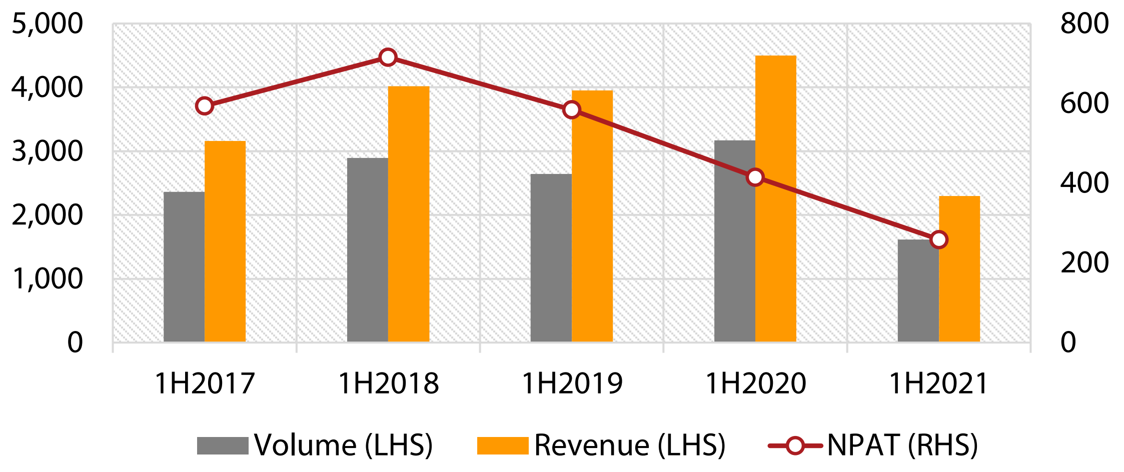
- Pha Lai is located in the key zone in the North. Besides, it is in a mature phase with stable operations. Thus, after maintenance, solid performance is expected to come back.

RISKS TO OUR CALL

- The aging machine at Pha Lai 1 might be shut down any time because of environmental concerns, that might impact the company's profit.
- Accidentally machine problem might occur due to the aging machine, that may impact the company volume and profit.

(*) Total return includes VND 1,250 cash dividends expected in next 12 months

Figure 1: 1H 2021 Volume (mn kWh), revenue and NPAT (VND Bn)



Source: PPC, RongViet Securities

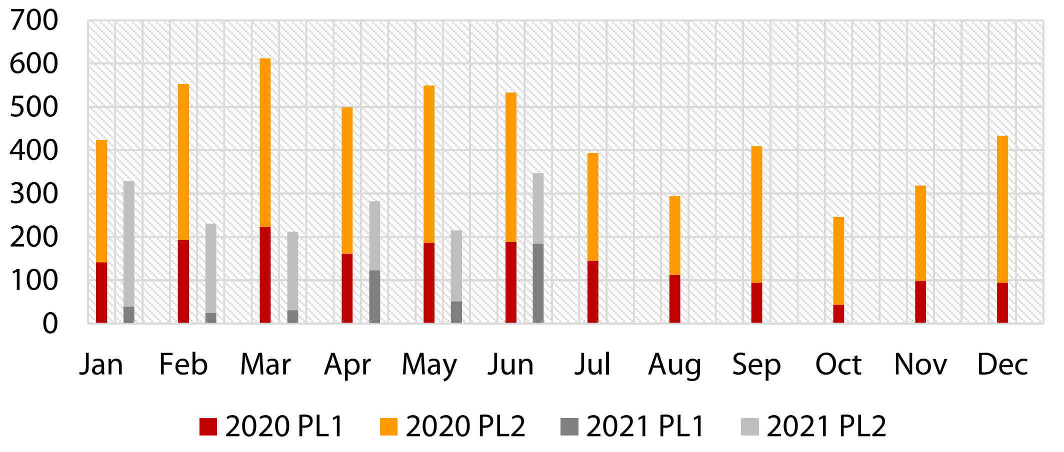
Volume drop weakened core business in 1H2021

- Provided volume plummeted to 1,6 bn kWh, -49% YoY, Qc was 1,3 bn kWh, -50% YoY. 2Q2021 was the dry season with high Qc mobilized volume. Unfortunately, PPC encountered a machine problem that lowered its profit.
- Revenue was VND 2,297 bn (or USD 100 mn),-49 %YoY, gross profit was -46 bn in 1H2021.

Financial income saved the company's performance in 1H2021

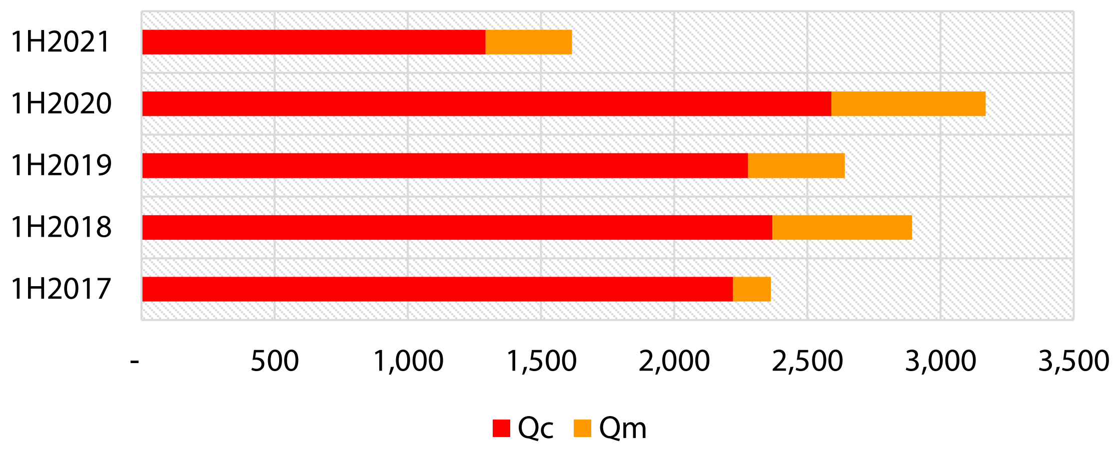
- Financial income reached VND 329 Bn (or USD14 mn), of which dividends from HND reached roughly VND 185 Bn (or USD8 mn).
- A loss from core business diluted financial income, resulting in VND 259 bn (or USD11 mn) in NPAT in 1H2021, -38% YoY.

Figure 2: Provided volume by plants (mn kWh)



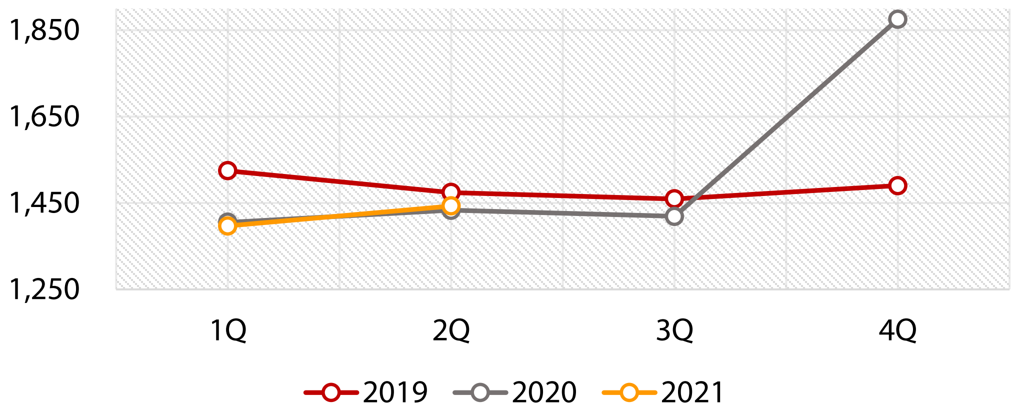
Source: PPC, Rong Viet Securities

Figure 3: 1H 2021 volume by contract and CGM (mn kWh)



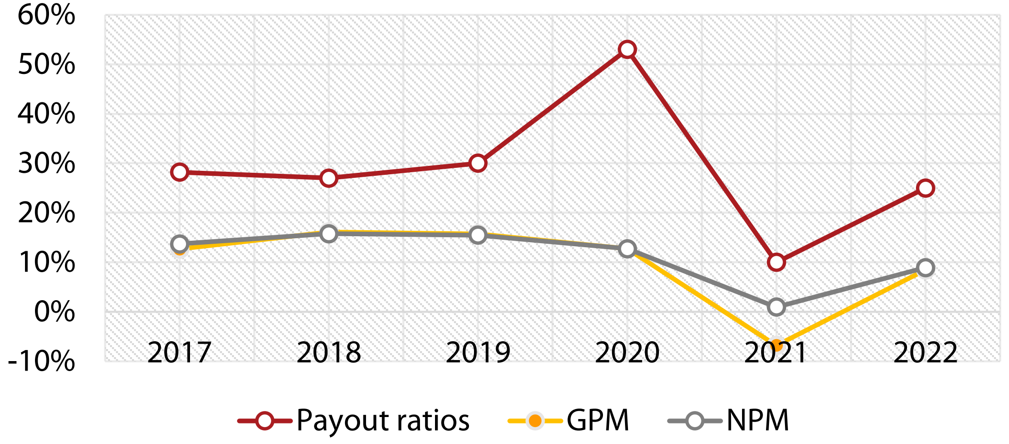
Source: PPC, RongViet Securities

Figure 4: Average selling price (ASP) per year



Source: Rong Viet Securities

Figure 5: Cash payout ratios, gross profit and net profit margin



Source: Rong Viet Securities

2H2021 is going to be tough

- The technical machine problem might take a while for maintenance, especially due to Covid 19.
- The company performance is affected by (1) Low mobilized volume due to numerous reason mentioned above. (2) CGM price is low because rainy season is coming. (3) Financial income is saving cash and QTP's dividends.
- For the year 2021, we forecast that the revenue will be VND 4,546 bn (or USD198 mn) and its EPS is lower than VND300 due to a loss in 2H2021.

Better outlook is expected to come back in 2022

- We expect mobilized volume in 2022 to be higher than 2021 due to: (1) Lower La Nina magnitude (2) Supply growth and demand growth in balance.
- Subsequent to the down time for maintenance, the machine is expected to be efficiently operating, creating profit to shareholders.
- The ASP is expected to be higher in late 2022 because: (1) La Nina magnitude will be lower and (2) Demand recovery post Covid 19.
- The fundamental attraction for this stock is dividends. The company is able to continue high dividends from 2022.

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