RONG VIET SECURITIES

Preliminary 2H2020 outlook

August 2020

RONG VIET SECURITIES

POWER INDUSTRY: Full potential

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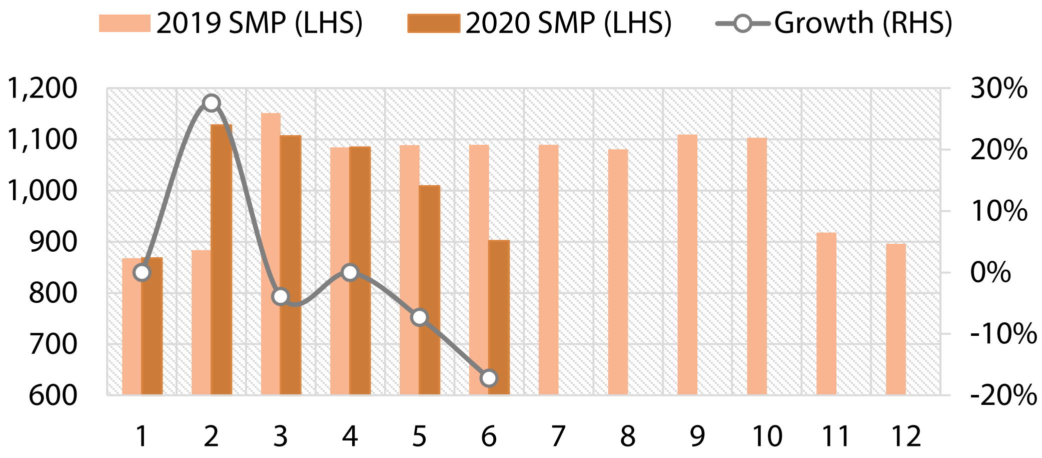
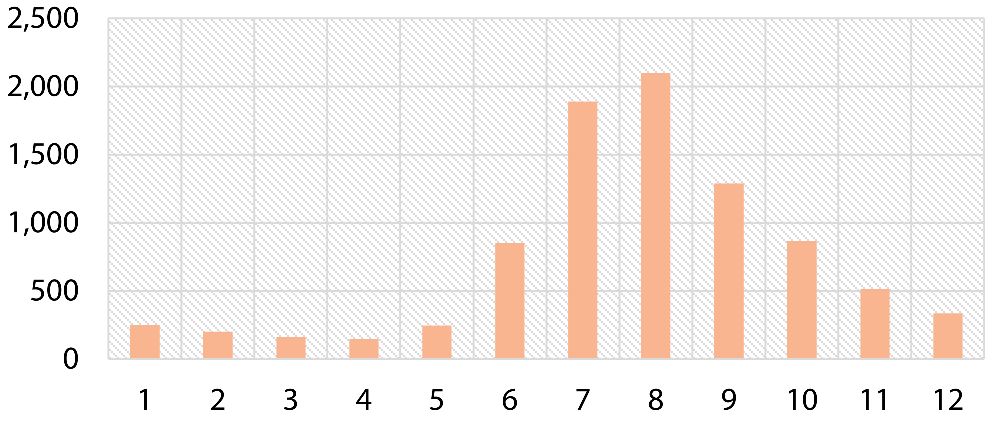
Prolonged droughts have ended

Figure 1: SMP (VND per kWh)



Source: RongViet Securities

Figure 2: 54 CGM participating HPPs' total water level (m3/s)



Source: A0, RongViet Securities

1H2020 electricity demand only grew slightly by 1.74% YoY due to COVID-19's impact.

Hydropower is coming back

- 1Q2020 was the worst performing quarter for most hydropower plants.
- Water level has gradually come back since May:
  - By the end of July, 36 out of 54 CGM participating HPPs have higher water level than at the beginning of 2020.
  - It is forecasted by A0 that the monthly average water level in 2H2020 will be 2.8x higher than it was at the beginning of the year.

Thermal power saw high utilization, but profitability did not improve

- Severe droughts put a burden on thermal power plants, as many coal-fired and gas-fired plans saw output up nearly 10% YoY (PPC, HND).
- However, both CAN and SMP went down YoY in 1H2020, meaning that the CGM was not profitable for participants.

Efforts to diversify are yet to happen

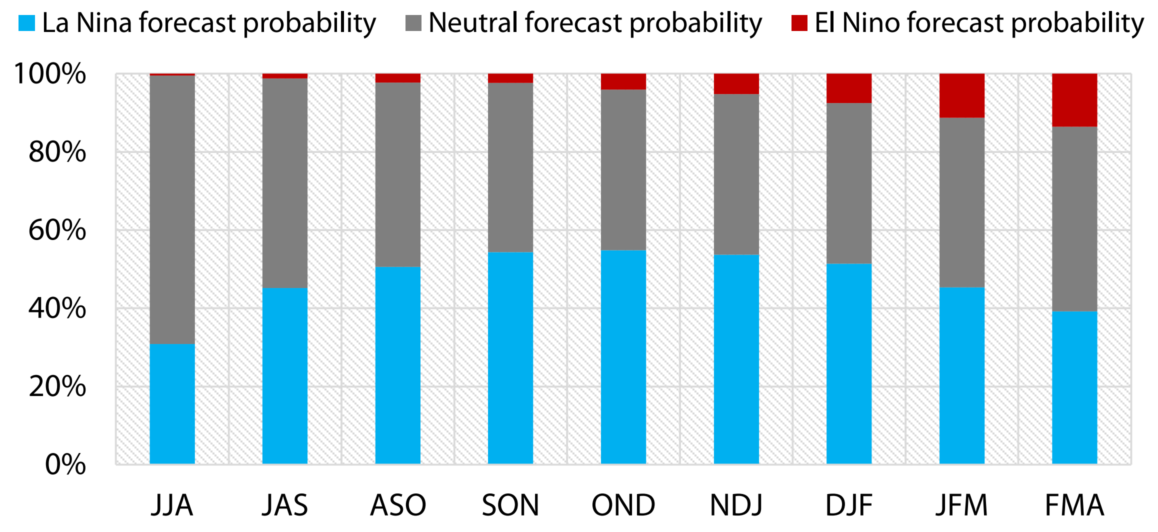
- Solar power did not considerably ease the shortage while wind power remains in a initial phase due to COVID.
- Overload problem has just been solved.

Hydropower's turnaround is imminent, while opportunities still exist for thermal power plants

Hydropower plants are going to have a remarkable turnaroundin 2H2020

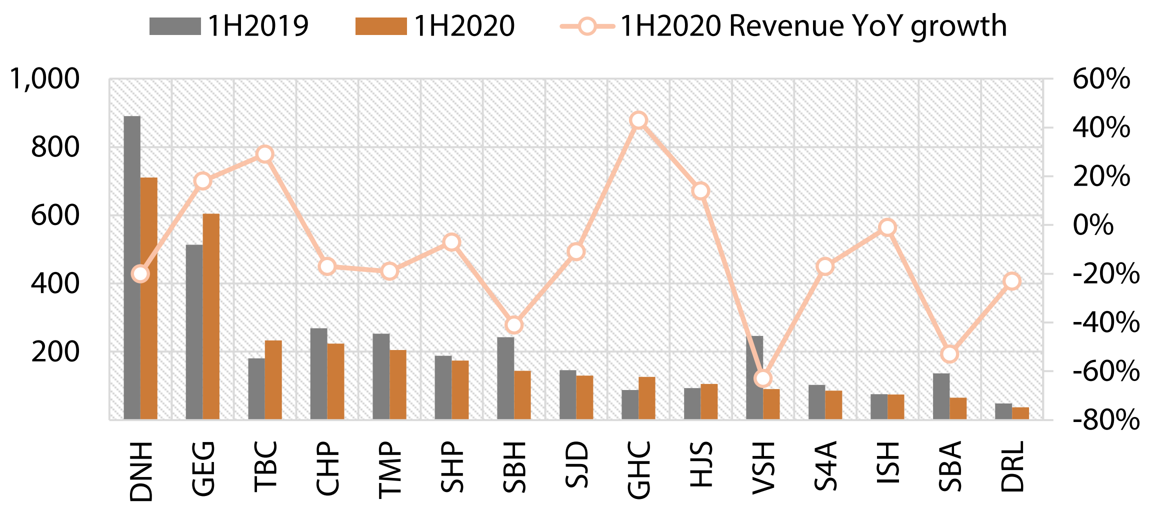
- We may see strong growth in 2H2020 compared to the same period last year because (1) water level is going up quickly, (2) low base in 2H2019.
- Considering the stable nature of HPPs, stocks with high EPS growth and low P/E are preferred.
- Large HPPs that can benefit from the trend include CHP, TMP, SHP, and VSH.
- Among small HPP investors, we favor PC1 because of (1) its ability to build and operate small-scale HPPs quickly and efficiently, (2) performance has bounced back very early, as seen in 2Q results (2Q revenue and net profit doubled vs 1Q). Besides, PC1 has the real estate segment as a one-off bonus, handing over one apartment block and two others in the pipeline.

Figure 3: Probabilistic ENSO forecasts



Source: NOAA, RongViet Securities

Figure 4: Listed HPPs' 1H revenue



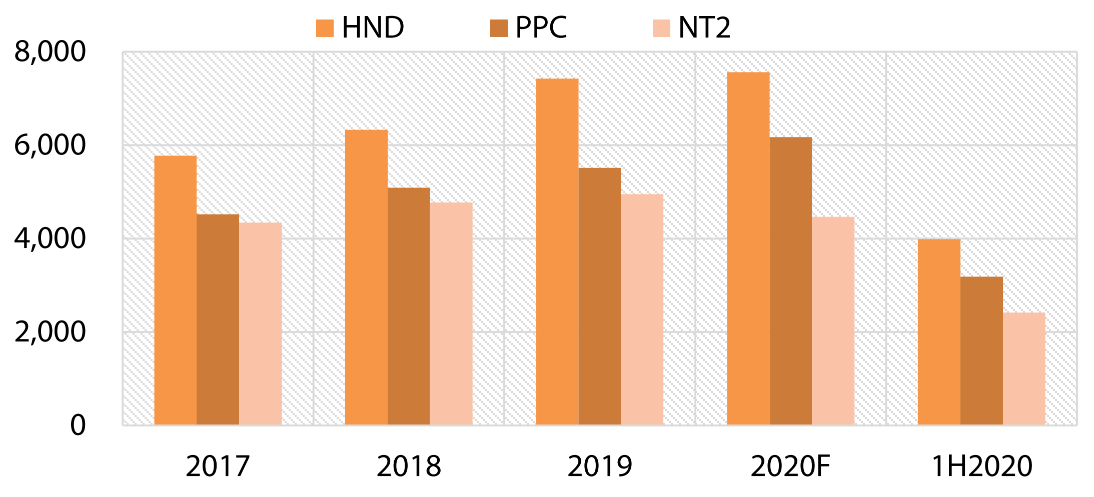
Source: Fiinpro, RongViet Securities

Hydropower's turnaround is imminent, while opportunities still exist for thermal power plants

Thermal power plants still have opportunities being the most important power source of the national grid

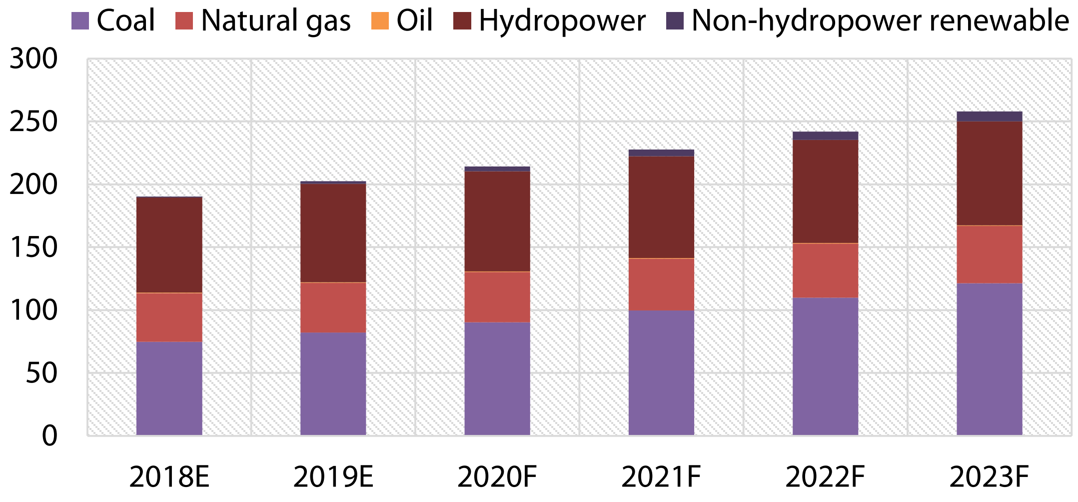
- Thermal power plants located near economic zones will still be utilized at a very high rate because of the demand for stable power sources. PPC, HND and NT2 are examples as they have been running at nearly maximum capacity regardless of weather conditions.
- Younger facilities are offering promising growth as they are able to pay off debt, making future cash flows abundant, hence attractive upside. HND is our favorite pick while QTP fits into this category as well.
- Gas-turbine power plants can benefit from the depressed gas price. Because of COVID-19, economic activities are dampened, keeping commodity prices low. We pick NT2 as it has benefited from the low gas price to grow the 1H bottom-line by 10.6% and will continue to do so in 2H.

Figure 5: Thermal power companies' 1H output



Source: RongViet Securities

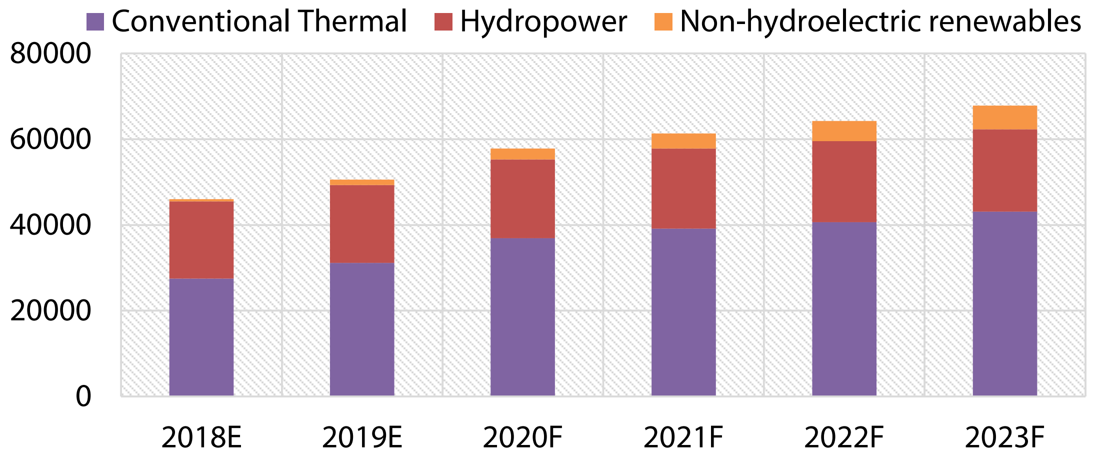
Figure 6: Power generation structure per input (billion kWh)



Source: Renewable Energy Potential in Vietnam Report, Rong Viet Securities

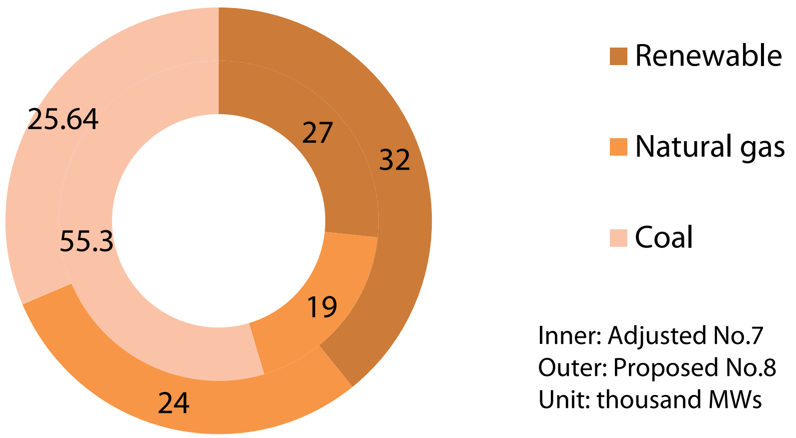
Appendix

Figure 7: Power generation structure (MWs)



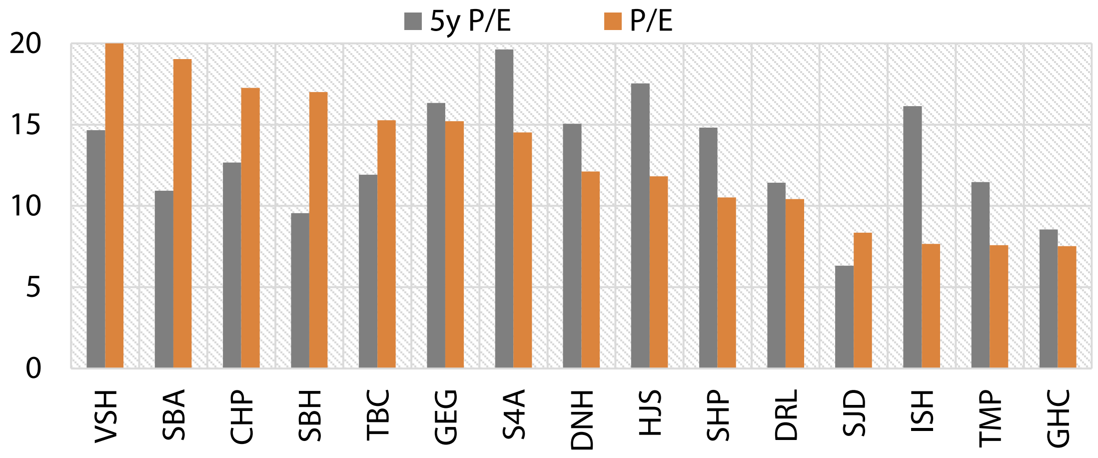
Source: Renewable Energy Potential in Vietnam Report, Rong Viet Securities

Figure 8: Master Plan No.8's on power generation structure



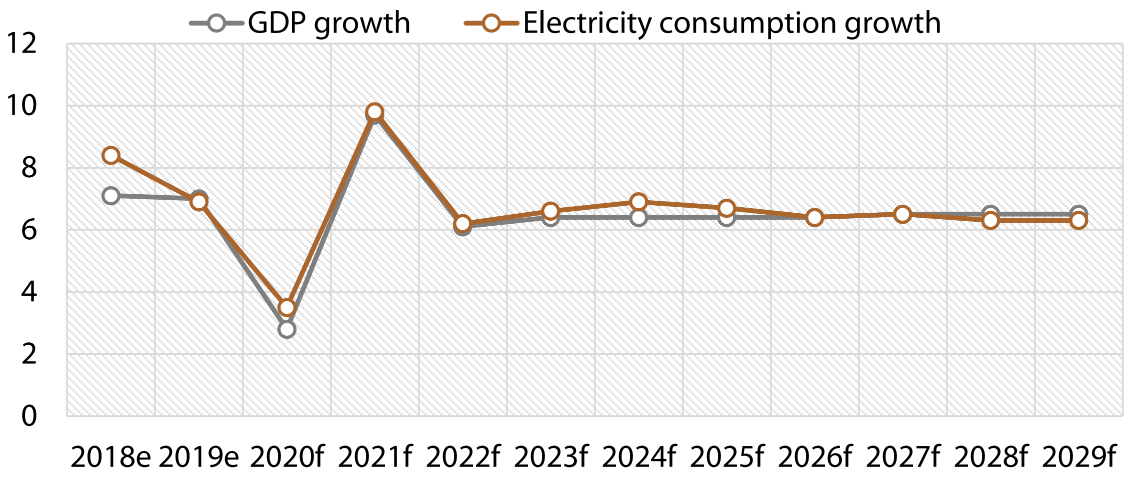
Source: MoIT, RongViet Securities

Figure 9: Listed HPP's P/E



Source: Fiinpro, RongViet Securities

Figure 10: Forecasted electricity demand growth (%)



Source: BMI, RongViet Securities

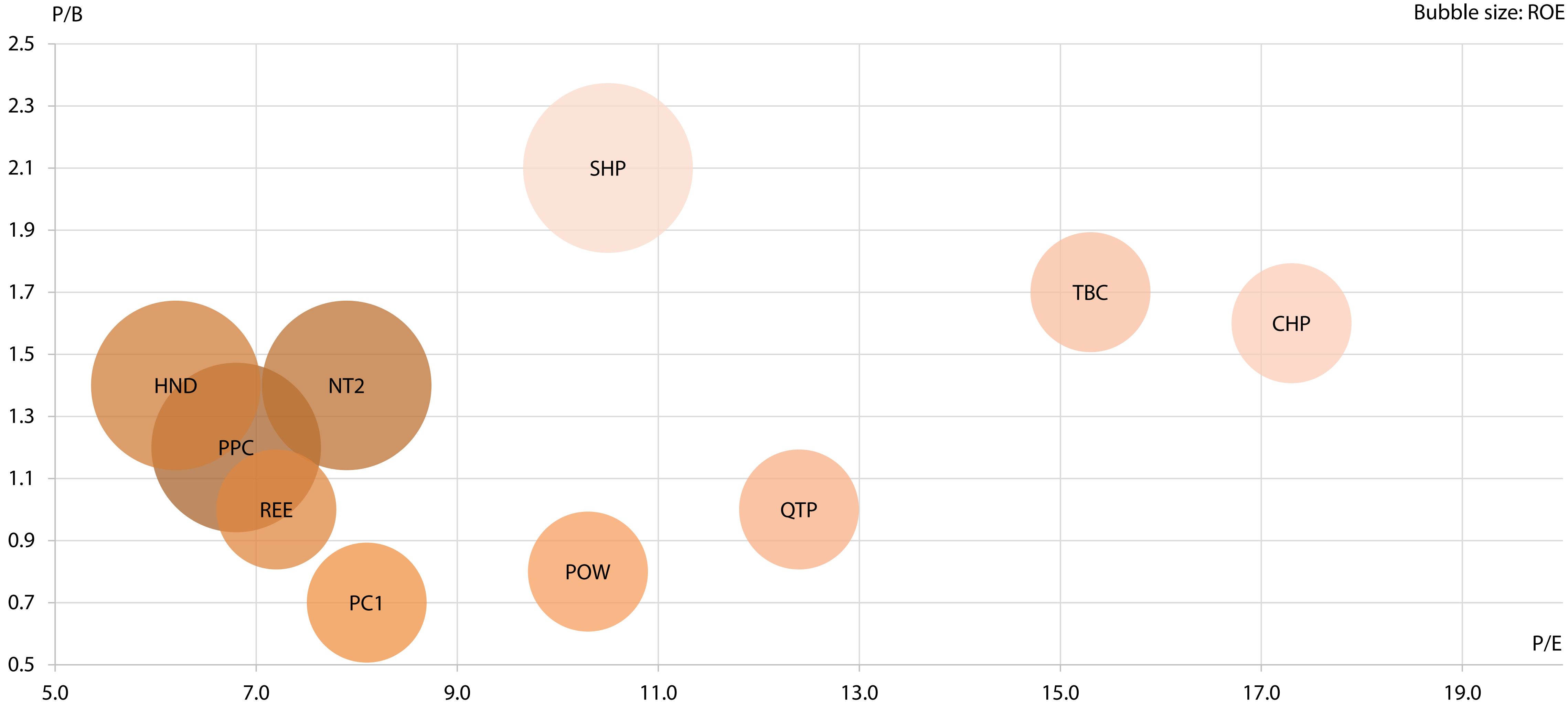
POWER INDUSTRY

Industry comparable: 1H2020 financials

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)
PPC	321.07	24,400	13.9	-45.3	7.0	6.6	-28.9	9.2	15.6	18.3	11.6	6.8	1.2
NT2	271.51	25,600	-10.4	5.9	23.7	14.1	10.7	11.9	10.3	18.6	0.0	7.9	1.4
HND	385.59	20,800	6.9	9.0	29.7	15.2	44.9	12.1	11.4	23.1	7.0	6.2	1.4
REE	463.06	41,700	5.7	24.3	30.5	24.0	-19.9	25.5	7.7	13.6	5.2	7.2	1.0
PC1	120.35	27,200	-15.9	11.3	18.6	14.6	-4.8	8.4	4.0	9.0	0.0	8.1	0.7
POW	950.21	#N/A	-14.4	-18.1	20.7	11.7	-22.6	7.5	3.7	7.2	0.0	10.3	0.8
QTP	215.72	#N/A	-2.4	-26.3	22.8	3.8	-92.2	0.4	3.8	8.5	0.0	12.4	1.0
TBC	68.39	#N/A	28.7	35.2	74.6	52.4	-25.3	32.6	6.9	9.7	2.0	15.3	1.7
CHP	110.98	#N/A	-16.7	-19.1	73.1	25.5	-116.6	-4.3	4.2	8.9	8.1	17.3	1.6
SHP	96.27	#N/A	-7.6	-12.6	68.8	16.8	-93.0	0.2	10.2	17.9	8.4	10.5	2.1
VSH	148.67	#N/A	-63.0	-76.8	42.3	-3.2	-102.9	-3.5	0.5	1.4	0.0	78.3	1.1

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

PC1 – HYDROPOWER PORTFOLIO TURNING AROUND

INVESTMENT RATIONALE

- **Benefiting from the disbursements into the power industry from both public and private investors.**
  - EVN is obliged to disburse due to the critical power shortage.
  - The cash flows into the wind power sector has just started while several solar farms restart construction, which is expected to boost growth for the power construction industry.
- **Three new hydropower plants pave ways for growth.**
  - Started operating Mong An HPP in 1Q/2020 to cushion electricity segment's performance.
  - Bao Lac B and Song Nhiem 4 HPPs are scheduled to start operating in 3Q2020.
- **Consolidated results peak owing to PCC1 Thanh Xuan handover**
  - Sold 90% of the flats, handover and booking concentrate in 9M2020.
  - Strong growth due to low base while high net margin boosts consolidated growth.

RISKS TO OUR CALL

- The majority of revenue depends on EVN's disbursement progress.
- Future projects depend on the government subsidy in terms of sales price and profitability.
- Real estate projects' progress might be sluggish, impacting NAV.

BUY +55%

CMP (VND)	**17,500**
Target price (VND)	**27,200**
Cash dividend in 12 months	-

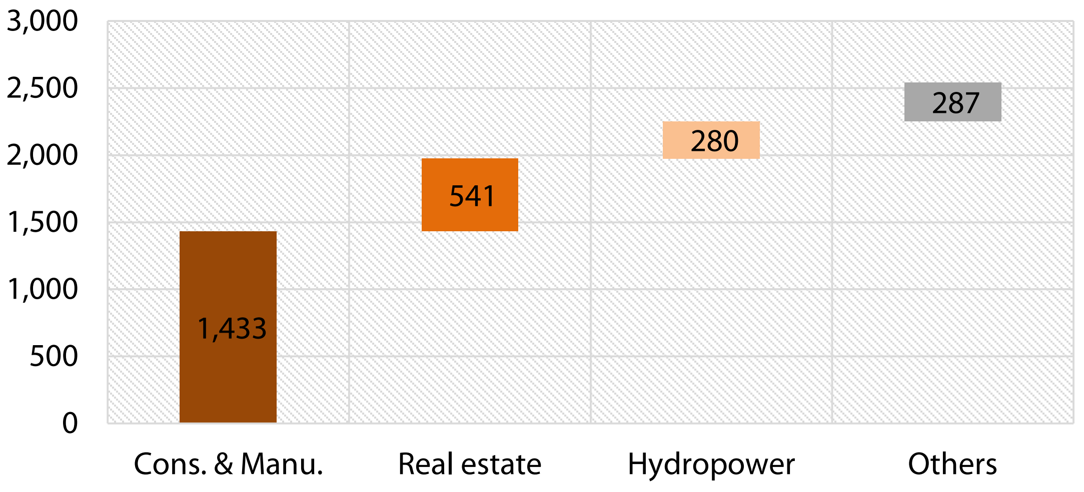
STOCK INFO	
Sector	Industrials
Market Cap ($ mn)	120.4
Current Shares O/S (mn shares)	159.3
3M Avg. Volume (K)	1086
3M Avg. Trading Value ($ mn)	0.8
Remaining foreign room (%)	32.4
52-week range ('000 VND)	10-21.7

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**5,084**	**5,842**	**6,883**	**6,606**
Growth (%)	*60.9*	*14.9*	*17.8*	*-4.0*
NPATMI (VND bn)	**467**	**356**	**506**	**539**
Growth (%)	*97.1*	*-23.6*	*42.0*	*6.6*
ROA (%)	*4.8*	*7.7*	*4.8*	*5.6*
ROE (%)	*9.1*	*15.0*	*10.4*	*12.9*
EPS (VND)	3,514	2,236	2,858	3,046
Book Value (VND)	19,578	21,577	24,531	27,679
Cash dividend (VND)	0	0	0	0
P/E (x) (*)	7.1	9.5	6.0	5.6
P/B (x) (*)	1.0	0.9	0.7	0.6

(*) Share price as of Aug 7th, 2020.

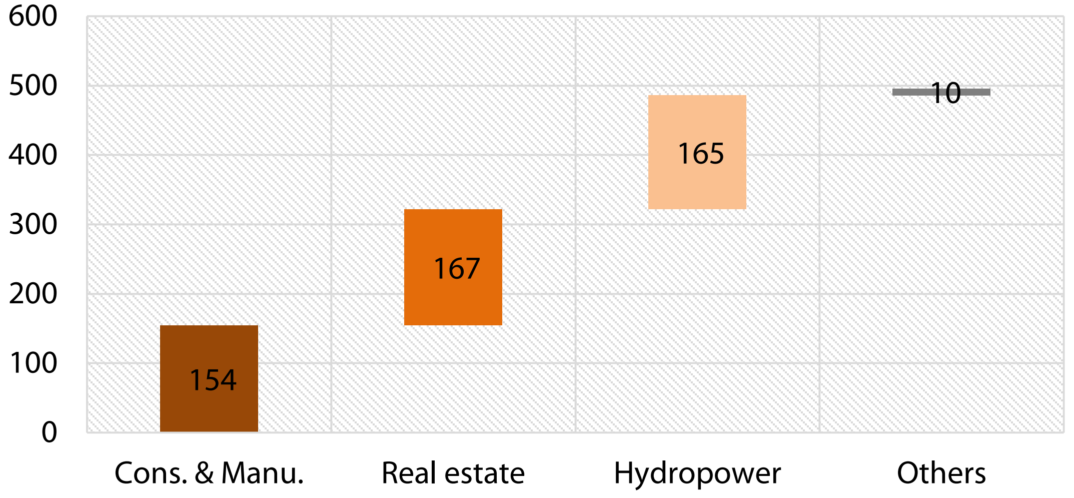
PC1 – Real estate handover helped maintain profit

Figure 1: 1H 2020 Revenue (VND billion)



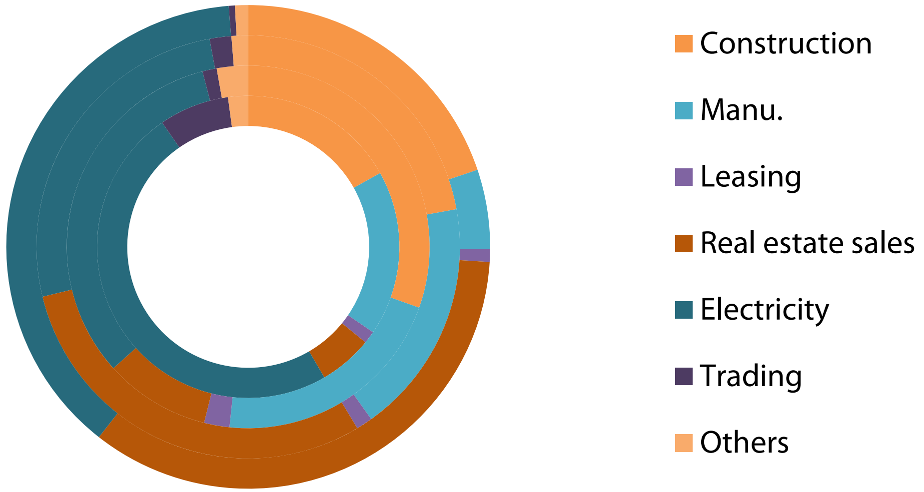
Source: PC1, RongViet Securities

Figure 2: 1H 2020 Gross profit (VND billion)



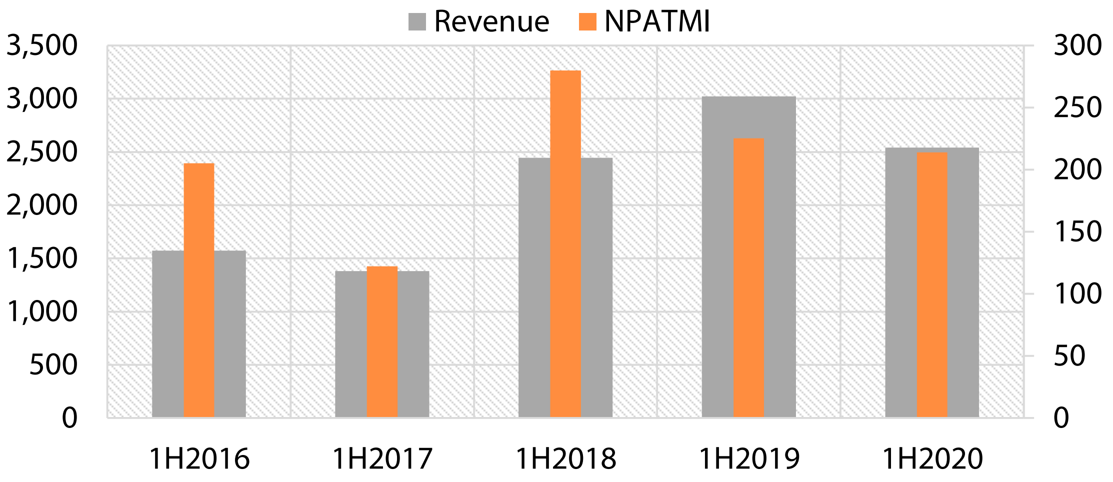
Source: PC1, Rong Viet Securities

Figure 3: Quarterly gross profit breakdown



Source: PC1, RongViet Securities. From inside out: 3Q-FY19 to 2Q-FY20

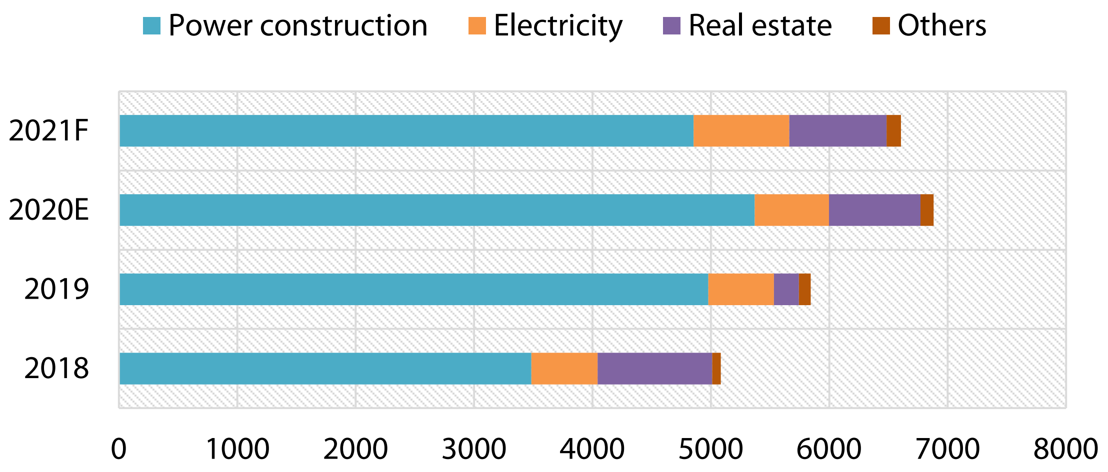
Figure 4: 1H Results (VND billion)



Source: PC1, RongViet Securities

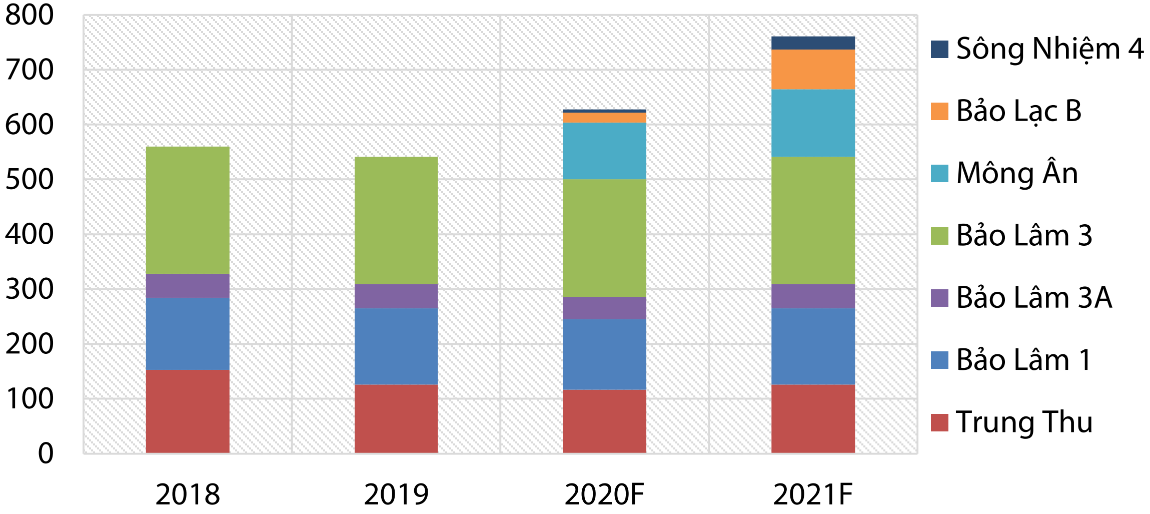
RONGVIET SECURITIES

Figure 5: 2020 and 2021 revenue forecast (VND billion)



Source: Rong Viet Securities

Figure 6: Forecasted electricity revenue (VND billion)



Source: Rong Viet Securities

PC1 is transforming itself into a power company

- Despite being a leading contractor in the power construction industry, PC1 puts in great efforts to diversify away from the sector because of the short cycle and low profitability.
- PC1 has advantages in developing small-scale HPPs and is making use of that. Its expanding hydropower portfolio is contributing both growth and stability to the group.

La Nina comes back, giving PC1 more power for growth

- Two new power plants will come online in 3Q, poised to grow strongly in 2021 - fforecasted revenue growth +29%.
- PC1 is able to maintain a 50% gross margin. With La Nina coming back, high output will bring about stable cash flows.

PCC1 Thanh Xuan's handover is the one-off item that stabilizes business results

- PC1 has sold nearly all the units and will be eligible to book 100% of the value in 2020. This will contribute 11% to revenue and 25% togross profit.
- The segment can compensate for the construction's low seasons and provide growth in 2020.

Figure 7: 2021F Revenue breakdown (VND billion)

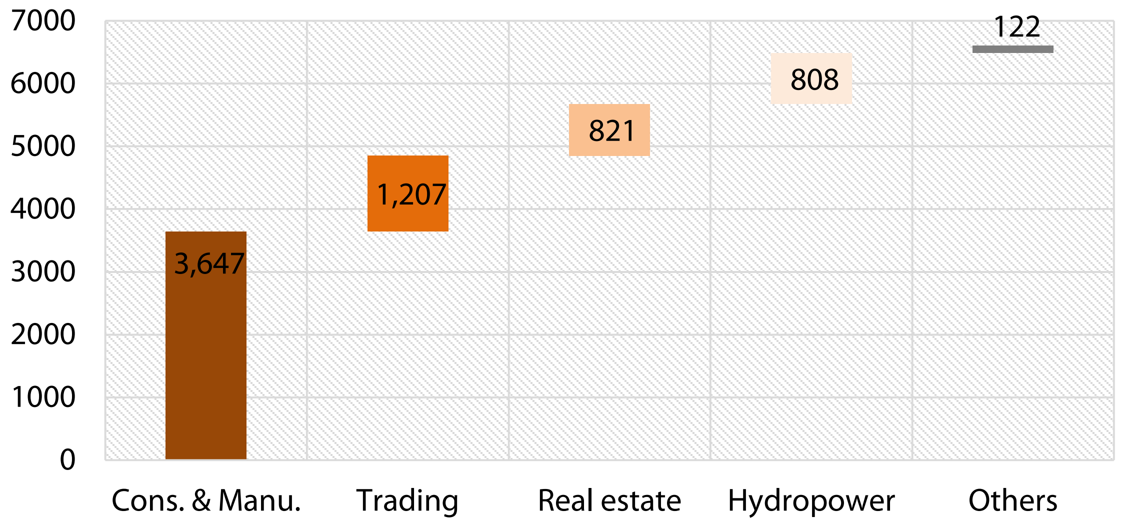
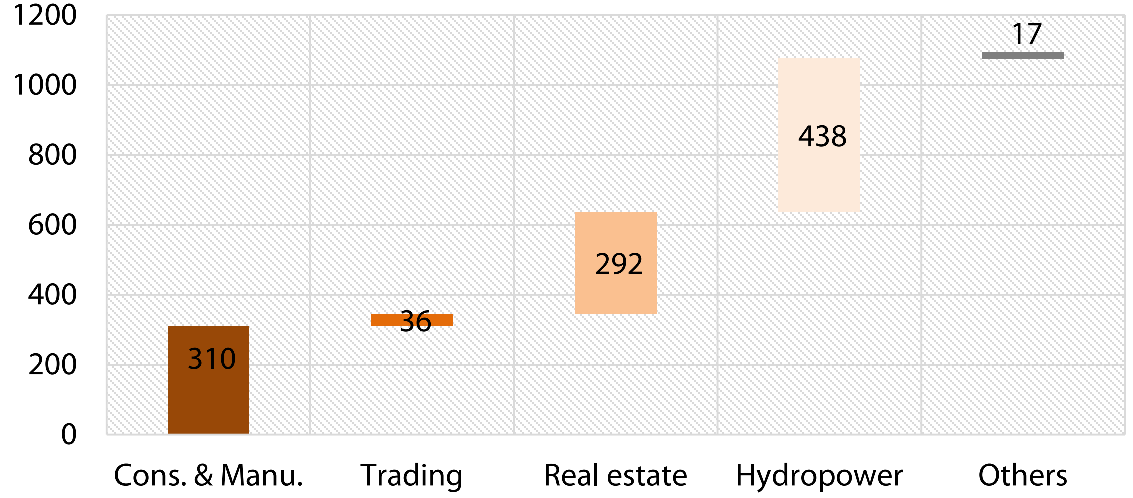


Figure 8: 2021F Gross profit breakdown (VND billion)



Source: Rong Viet Securities

2021 is expected to be the year as all segments achieve full potential

- Construction, manufacturing and trading will benefit from capital flows into wind power to meet the deadline for FIT subsidiary (November 2021).
- Electricity will become the main pillar in PC1's performance, contributing the most in terms of gross profit. This forecast does not include three wind power projects scheduled to operate in late-2021.
- PCC1 Vinh Hung's handover can support results.

Wind power: Promising but financially challenging

- Lien Lap Wind Power is located in Quang Tri, has 48 MW in designed capacity, VND 1,678 billion in investment outlay with a 70% debt ratio. PC1 owns 60% of this project while the remaining is held by RENOVA, a Japanese renewable energy developer. Lien Lap Wind Power is going to start construction in 4Q 2020 and is scheduled to operate in October 2021. Its electricity sale price will be 8.5 cent per kWh, subsidized by the government. Our estimates include an NPV of VND 705 billion, an IRR of 17%, assuming a 9.5% cost of debt and a 10.1% discount rate for FCFE. Once running at full capacity, the wind power plant can bring about VND 284 billion in turnover for PC1's consolidated performance.
- Two other wind power projects with similar structure and with the same timeline as Lien Lap's.

NT2 – PAYING OFF DEBT UNLOCKSA PROSPEROUS FUTURE

INVESTMENT RATIONALE

Sustainable efficiency has been the key advantage to profit

- Located in the most vibrant economic zone in the country, NT2 enjoys high utilization because of electricity demand nearly regardless of weather conditions.
- NT2's ability to operate stably and profitably has granted itself priority in terms of gas supply.

Paying off debt opens the door to shareholders' wealth

- NT2 will have paid off all debt by 2Q2021. Interest expenses are going to keep shrinking to boost the bottom-line.
- Paying off debt means an annual net cash flow of VND 800 billion given normal market conditions, which would mostly be paid out as cash dividend, equivalent to VND 2,700 per share annually.

Becoming one of the most notable defensive stocks

- "PPC 2.0" has a certain industry power, remarkable profitability, solid consistency, healthy cash hoard.

RISKS TO OUR CALL

- Considering the new gas well pipeline, gas shortage might become critical in the medium term, causing utilization rate to drop, impacting NT2's profit and cash dividend during the year. This is an uncontrollable risk, which needs close monitoring in order to hold NT2 in the long term.

BUY +36%

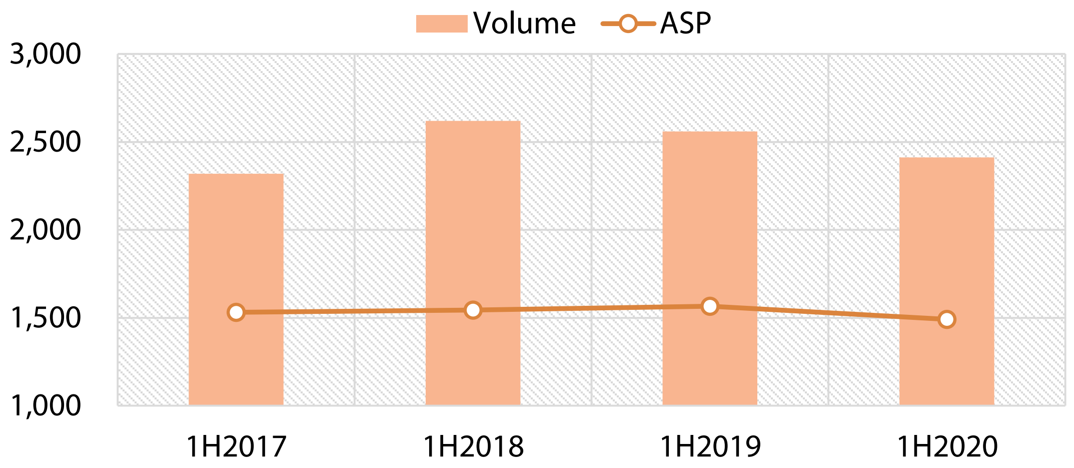
CMP (VND)	**21,850**
Target price (VND)	**25,600**
Cash dividend in 12 months	*2,500*

STOCK INFO	
Sector	Utilities
Market Cap ($ mn)	271.5
Current Shares O/S (mn shares)	287.9
3M Avg. Volume (K)	398.6
3M Avg. Trading Value ($ mn)	0.4
Remaining foreign room (%)	30.6
52-week range ('000 VND)	15-22.9

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**7,670**	**7,654**	**6,615**	**7,290**
Growth (%)	*13.4*	*-0.2*	*-13.6*	*10.2*
NPATMI (VND bn)	**782**	**754**	**769**	**687**
Growth (%)	*-3.5*	*-3.6*	*2.0*	*-10.7*
ROA (%)	8.8	10.0	11.9	11.4
ROE (%)	21.2	18.3	18.4	16.2
EPS (VND)	3,383	2,351	2,571	2,278
Book Value (VND)	12,795	14,336	14,518	14,698
Cash dividend (VND)	6,286	899	2,442	2,164
P/E (x) (*)	9.4	8.1	10.4	11.7
P/B (x) (*)	1.9	1.5	1.8	1.8

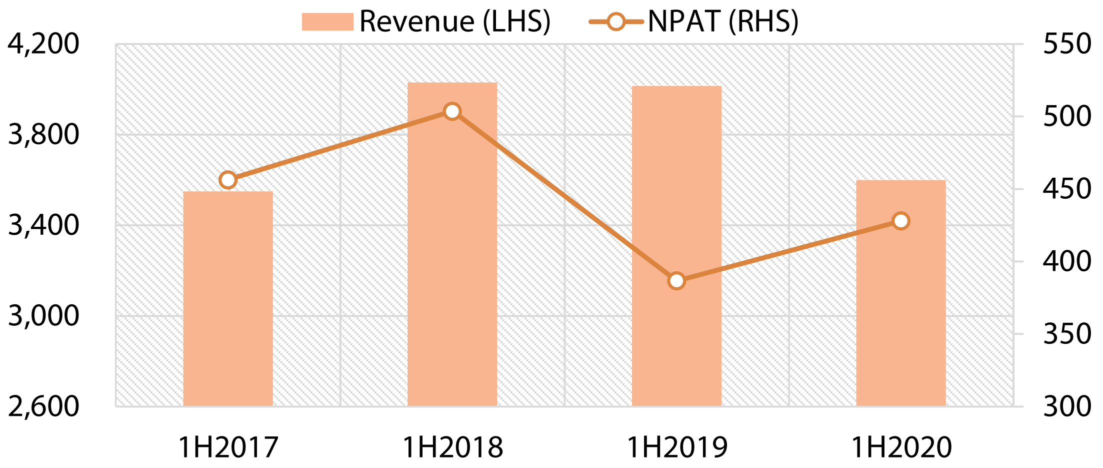
(*) Share price as of Aug 7th, 2020.

Figure 1: 1H 2020 volume (million kWh) and ASP (VND per kWh)



Source: NT2, RongViet Securities

Figure 2: 1H 2020 revenue and NPAT (VND billion)



Source: NT2, Rong Viet Securities

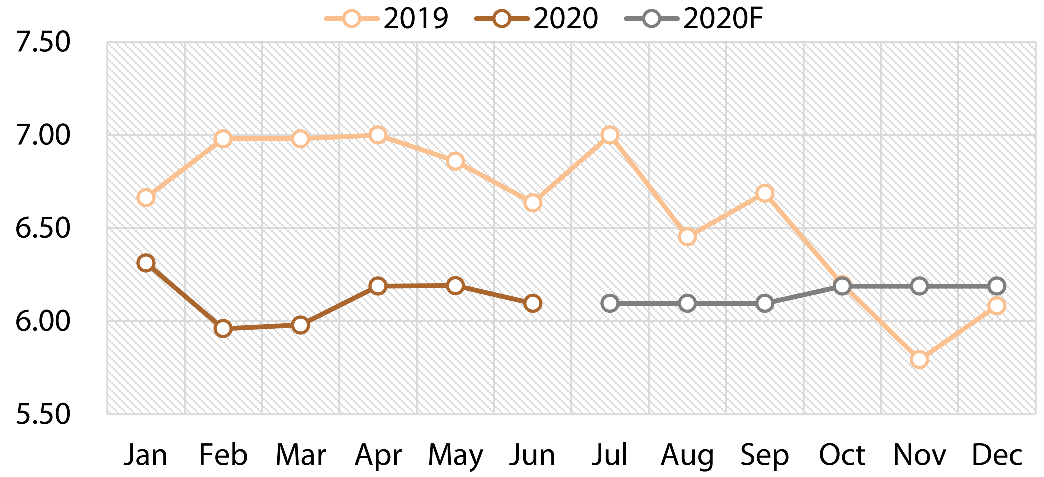
Operating numbers remain stable as capacity has been maximized

- NT2 has been utilized at a very high rate (>85%) since El Nino came back in late-2018. Moreover, gas shortage caused decreasing output to the gas-fired power plants. NT2's 1H revenue went down by 10% YoY.

Lowered expenses boosted 1H NPAT by 10.6% YoY

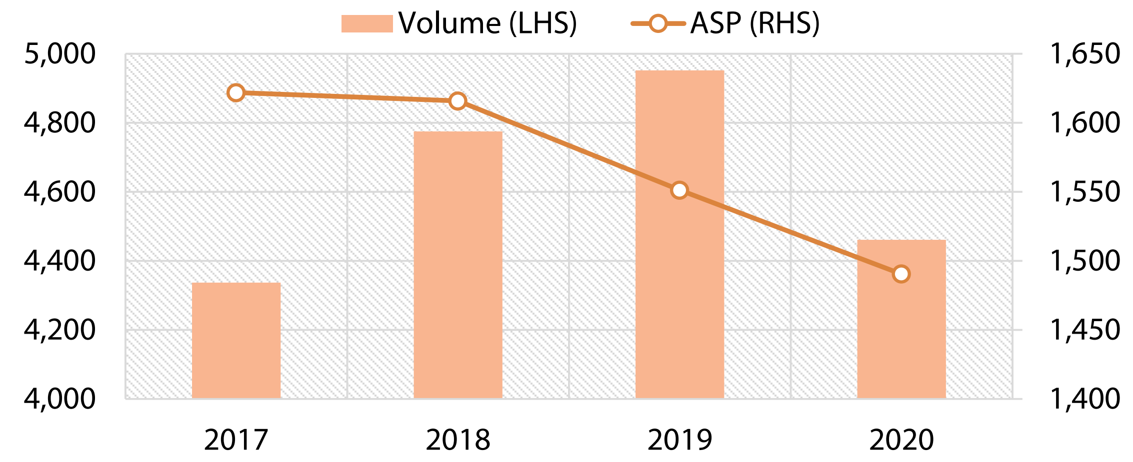
- Gas price was 10.7% lower YoY, improving gross margin to 15.1% (12.5% in 1H2019).
- NT2 is making the last payments, which means interest expenses are reduced strongly quarter after quarter. 1H2020's NPAT grew by VND 41 billion YoY and interest expenses dropped by VND 22 billion.

Figure 3: Gas price (USD per mmBTU)



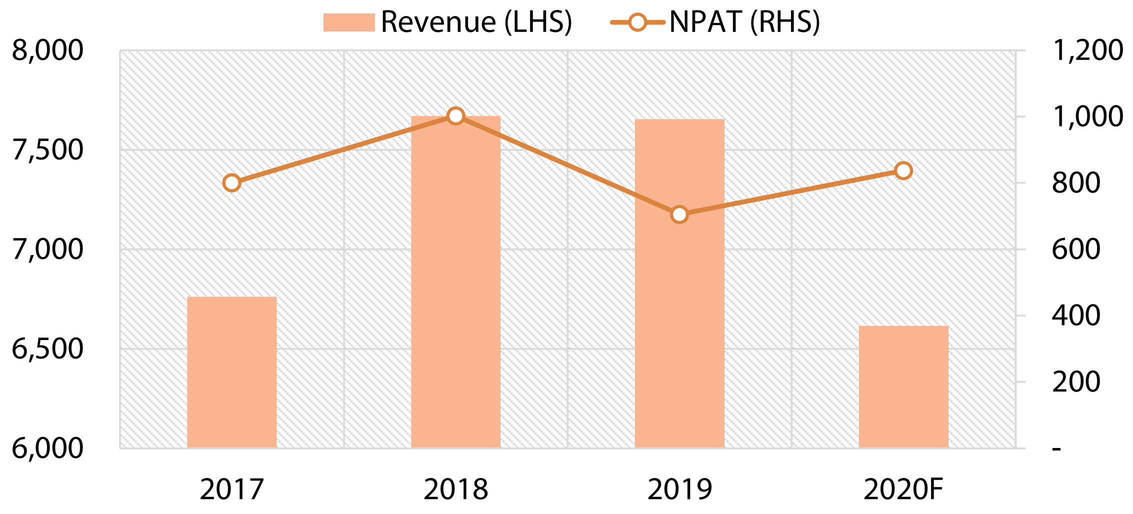
Source: NT2, RongViet Securities

Figure 4: 2020F volume (million kWh) and ASP (VND per kWh)



Source: Rong Viet Securities

Figure 5: 2020F revenue and NPAT (VND billion)



Source: Rong Viet Securities

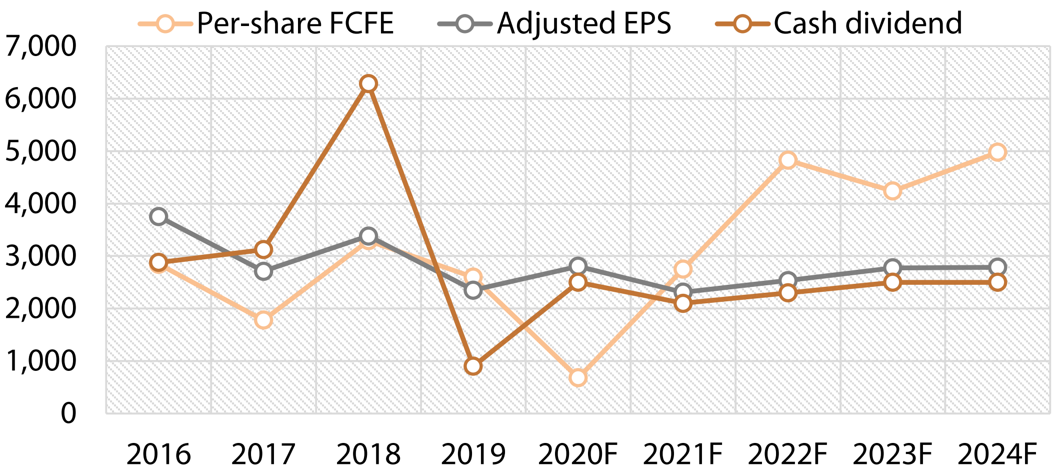
NT2 is going to continue benefiting from low gas price

- Gas prices stay low throughout 2020 because of COVID which will reduce input costs. We forecast that NT2's natural gas price for 2020 will average USD 6.13 per mmBTU, -7.2% YoY.
- Gross margin will improve to 16.1% in 2H2020.
- Financial expense is estimated at VND 122 billion, -27.3% YoY.
- 2020 NPAT is forecasted at +18.7% YoY.

We think the most important element in NT2's potential underlies in its new Pc

- NT2 is expected to announce new Pc in 3Q2020, which is likely to be lowered. On a preliminary assessment, it will reduce ROE for the remaining of the generator cycle.
- We estimate that Pc might be reduced by VND 25 per kWh. In the short-term, it is overweighed by a lower cost of production.

Figure 6: Net cash flow and forecasted dividend (VND per share)



Source: Rong Viet Securities

Figure 7: Valuation

Method	Valuation	Weight	Target price
DDM	21,030	30%	6,342
PE	22,690	40%	9,076
FCFF	33,595	30%	10,137
Target price			**25,600**

Source: Rong Viet Securities

We want to emphasize stability as NT2's strongest rationale, not growth

- Becoming debt-free means that almost all of the net cash flow will turn into cash dividend. Annual cash flow is estimated at more than VND 1,300 billion per year in 2022-2024, equivalent to VND 4,600 FCFE per share.
- The cash hoard might become increasingly profitable. We forecast that NT2's interest income will be VND 32 billion in 2022, increasing in the following years.
- The hydrological cycle might impact NT2's utilization rate at a very low level given its superior efficiency compared to local peers. As a result, a stable output will ensure a certain level of net profit and net cash flow, hence stable dividend.

NT2 is finding its way to the "cash cow" basket

- Cash cows on the Vietnamese stock market are industry leaders with certain market power, transparent management, sustainable bottom-line, strong cash flow to guarantee annual dividend. NT2 is becoming one of them.
- We value NT2 as a leading stock among this group because of the industry characteristic, which monopsony and Power Purchase Agreement can drive profitability of market participants, such as PPC. As it can minimize the exposure on input price fluctuation, NT2 stands out as one of the top defensive items for one's portfolio.

REE – GRITTING ITS TEETH

INVESTMENT RATIONALE

REE has accumulated itself a well-thought utilities portfolio where many individual companies have their own turnaround stories.

- Hydro power: After two bare years, most operating HPPs are expecting sustainable water levels to start under a new La Nina phase. VSH's turnaround story unfolds with the new plant Thuong Kon Tum's operation in 3Q2020, which will be the key growth driver for REE in the long-term as ownership has been just under 50%.
- Thermal power: PPC proves itself a worthy pillar while its affiliates are concluding their payback period (QTP, HND...). Particularly, QTP has just started paying out a cash dividend for the first time during REE's 10 years holding.
- Water supply: water companies thrive on a strongly developing economy and return a remarkable dividend yield, helping to stabilize REE's cash flows.

Office leasing faces short-term difficulties because of COVID-19, but long-term potential stays solid.

- REE cut lease prices for tenants during 2Q but re-adjusted to normal levels as the COVID situation in Vietnam has been under control and the majority of clients are large, sustainable businesses.
- We think the overall market demand for working space is going to keep declining as the government maintains international flight bans. Hence, lease price is forecasted to be reduced slightly in 2020 and 2021 for premium venues. Nevertheless, cash flows to REE will remain sufficient to fund its investment.

RISKS TO OUR CALL

- Office leasing, the bread winner among REE's segments, has the most exposure to COVID. If the situation worsens either in Vietnam or around the globe, leasing demand is going to be hit, further depressing prices.

BUY +28%

CMP (VND)	**32,500**
Target price (VND)	**41,700**
Cash dividend in 12 months	*1,800*

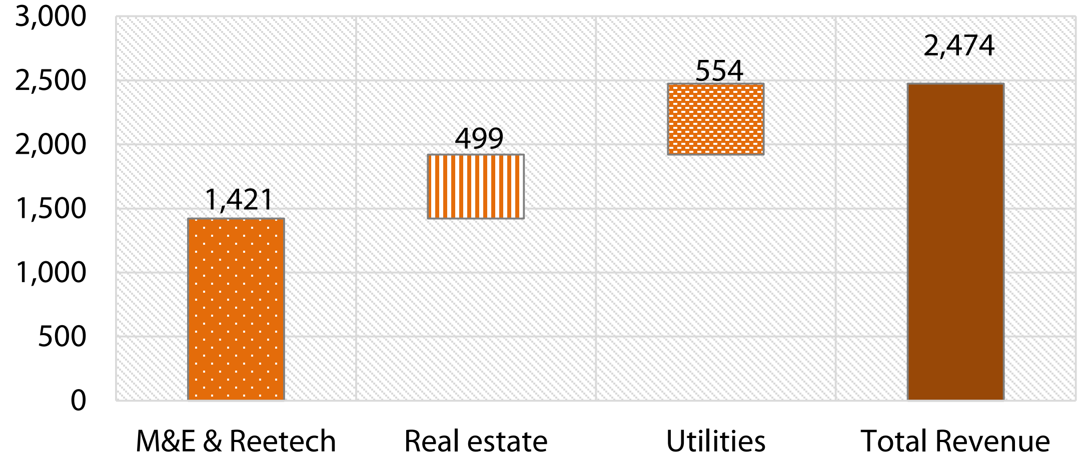
STOCK INFO	
Sector	Industrials
Market Cap ($ mn)	463.1
Current Shares O/S (mn shares)	310.1
3M Avg. Volume (K)	569.4
3M Avg. Trading Value ($ mn)	0.8
Remaining foreign room (%)	0
52-week range ('000 VND)	26.1-38.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**5,101**	**4,890**	**5,197**	**5,307**
Growth (%)	*2.1*	*-4.1*	*6.3*	*2.1*
NPATMI (VND bn)	**1,784**	**1,639**	**1,686**	**1,751**
Growth (%)	*29.5*	*-8.1*	*2.9*	*3.8*
ROA (%)	9.0	8.1	7.8	7.7
ROE (%)	15.5	12.9	12.0	11.3
EPS (VND)	5,286	5,286	5,430	5,639
Book Value (VND)	30,056	33,533	37,164	41,002
Cash dividend (VND)	1,600	1,800	1,800	1,800
P/E (x) (*)	5.4	5.8	6.0	5.8
P/B (x) (*)	1.0	1.0	0.9	0.8

(*) Share price as of Aug 7th, 2020.

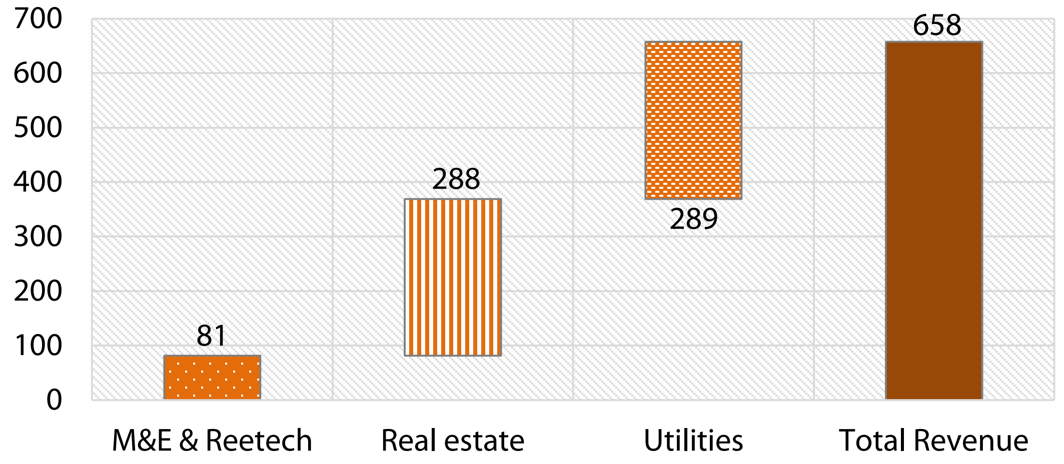
REE – 1H2020 net profit impacted by COVID

Figure 1: 1H 2020 revenue per segment (VND bn)



Source: REE, RongViet Securities

Figure2: 1H 2020 NPAT per segment (VND bn)



Source: REE, Rong Viet Securities.

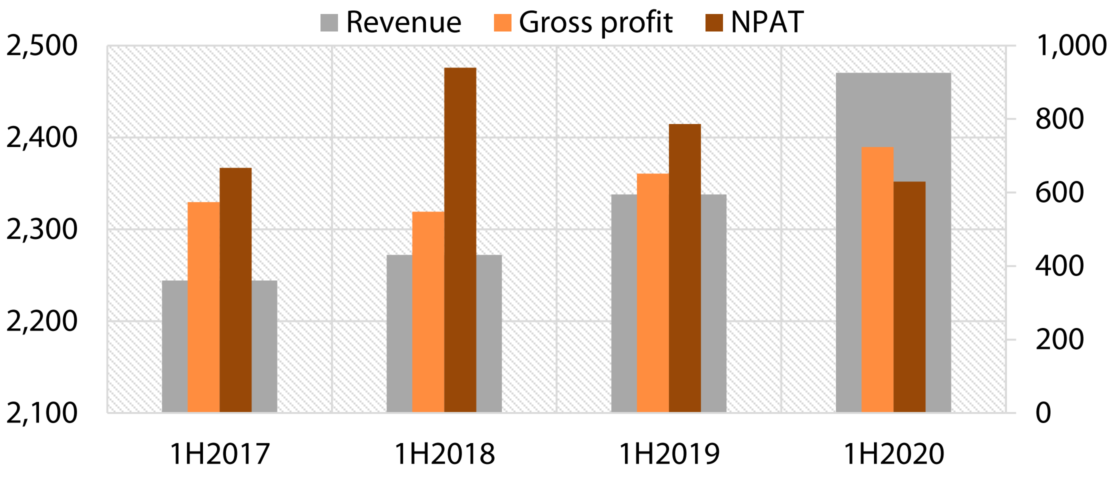
M&E and electricity decreased YoY

- The slowdown in the real estate market caused M&E profit to drop considerably, which is expected to last in the short term.
- The majority of REE's power portfolio is hydropower plants, who generally had a bad 1H2020 in terms of output, revenue and profit due to El Nino.

Silver lining was office leasing and water

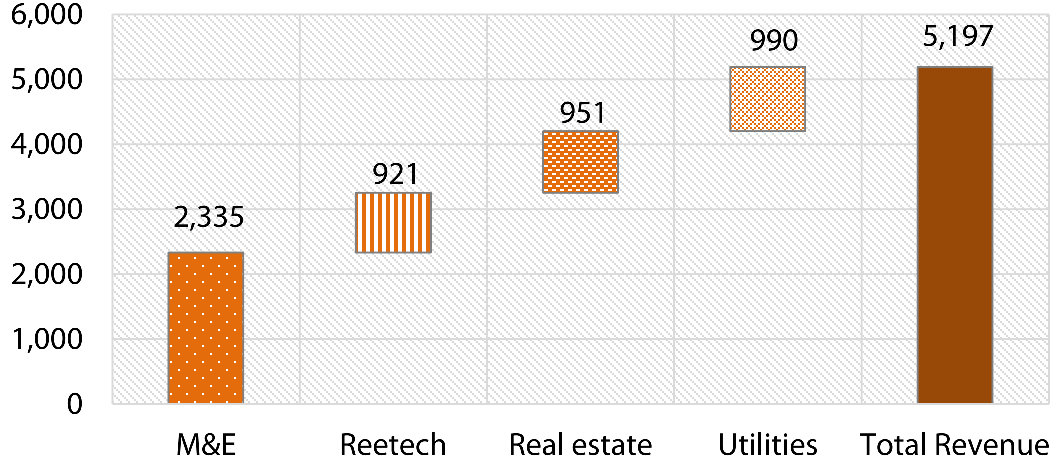
- Office leasing still had YoY growth because of the new lease area despite price cuts in Q2.
- Water companies performed stably as expected thanks to the solid water demand.

Figure 3: 1H 2020 Revenue, Gross profit and NPAT (VND bn)



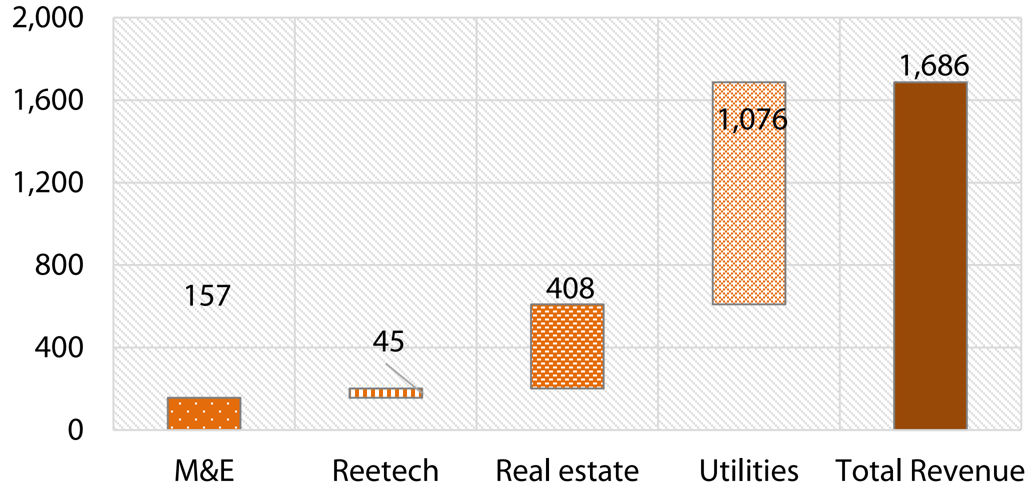
Source: REE, RongViet Securities

Figure 4: 2020 Revenue forecast per segment (VND billion)



Source: Rong Viet Securities

Figure 5: 2020 NPAT forecast per segment (VND billion)



Source: Rong Viet Securities

Stability in profit will be provided by office leasing

- Despite the lease price cut in 2Q, office leasing' revenue for 2020 can still increase by 7.6% YoY because of eTown 5's new lease area.
- Office leasing's NPAT is forecasted to stay flat YoY (VND 370 billion).
- REE is predicted to suffer very little from the leasing demand slowdown thanks to its reputation and price competitiveness.

VSH's performance will not outweigh other electricity and water investments' return

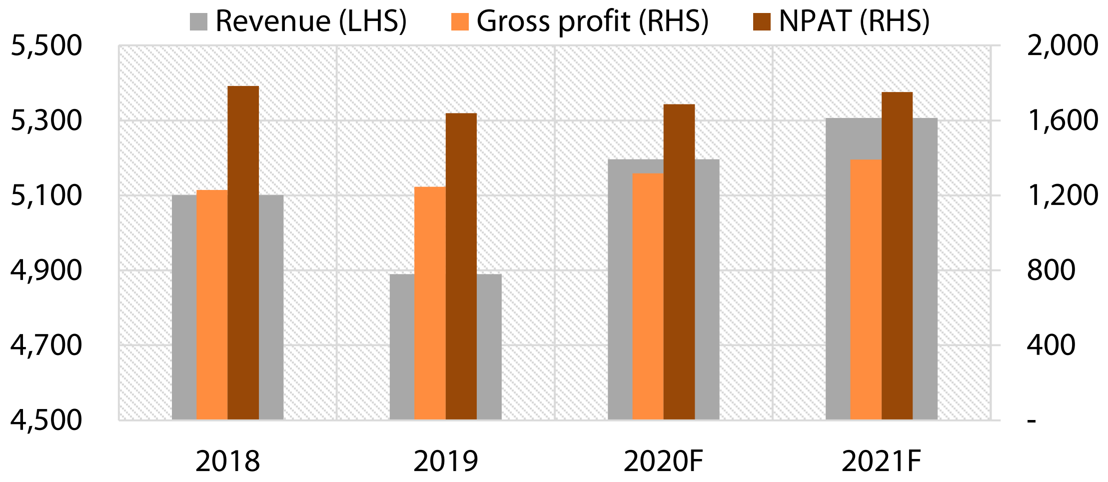
- Even though VSH can put its new plant Thuong Kon Tum into operation in late-2020, the company will still see its bottom-line cut by half, slightly affecting REE's utilities segment income.
- Utilities segment's NPAT can still grow at 14.8% YoY (VND 1,121 billion) thanks to thermal power plants, TBC and water supply investments.

Table 1: 2020 forecast per segment

(VND billion)	Revenue	YoY	NPAT	YoY
M&E	2,335	0%	157	-31%
Reetech	921	10%	45	20%
Real estates	951	7%	408	-5%
Utilities	990	25%	1,076	14%

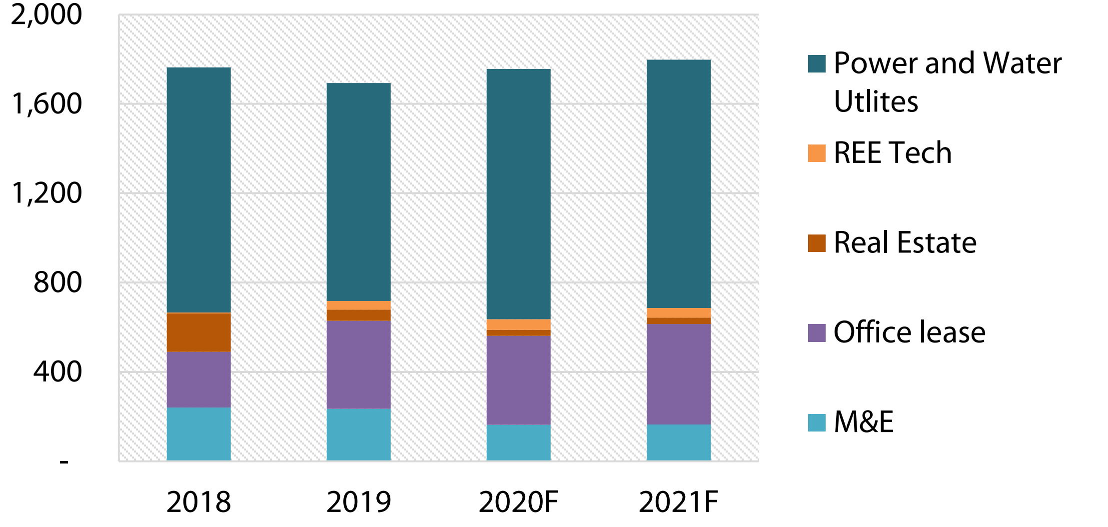
Source: Rong Viet Securities

Figure 6: 2021 forecasts (VND billion)



Source: Rong Viet Securities

Figure 7: Profit contribution per segment



Source: Rong Viet Securities

Industry characteristics allow REE to enjoy stability in the long-term

- The most COVID-19 exposed segment is office leasing, which has return to its normal level in terms of price. Stable demand from clients will allow REE to enjoy consistent cash flows.
- REE's electricity portfolio consists of both thermal power and hydropower plants, which will in turn provide growth drivers irrespective of the weather conditions (La Nina or El Nino).
- The water business, currently heavily monitored by the government, is capable of providing stable profitability. Besides, water demand is expected to grow given the demographics and the economy.
- M&E's and air conditioning contributions will increase slowly because of the real estate market slowdown, which will be replaced by the booming renewable energy sector.

The highly anticipated VSH's turnaround story is expected beyond 2021

- Operating Thuong Kon Tum in September 2020 is good news.
- However, we expect VSH to occur a loss in 2021 because of overwhelming financial obligations.
- Thuong Kon Tum's long-term potential depends heavily on its PPA.

HND – PATIENCE PAYS OFF

INVESTMENT RATIONALE

The modern plant is capable of keeping profitability in the long-run

- HND is one of the most modern and stably-operating coal-fired power plants in the country.
- HND is able to keep its material usage efficient and control its fixed overhead costs.

HND is entering the second half of the plant cycle

- Firstly, it means that HND is paying off its debt, thus reducing financial expenses.
- Secondly, depreciation will also be revised down. Even though Pc is also likely to be reduced, fixed costs will decrease substantially, cushioning profit during though years.

Valuation is attractive considering the long-term cash generation capacity

- Cash flows after debt payment are forecasted at VND 650 billion during 2020-2024. After paying off debt, FCFF will be nearly VND 1,500 billion annually.
- HND is capable of paying at least VND 2,000 per share in cash dividend from 2022 onwards.

RISKS TO OUR CALL

- Prospects for 2021 - 2022 are forecasted to be less positive due to the high probability of La Nina coming back. NPAT is expected to decline sharply in 2021, which may have a temporary impact on the stock price..

BUY +23%

CMP (VND)	**17,866**
Target price (VND)	**20,800**
Cash dividend in 12 months	*1,200*

STOCK INFO	
Sector	Utilities
Market Cap ($ mn)	385.6
Current Shares O/S (mn shares)	500
3M Avg. Volume (K)	181.8
3M Avg. Trading Value ($ mn)	0.1
Remaining foreign room (%)	48.9
52-week range ('000 VND)	11.8-19.5

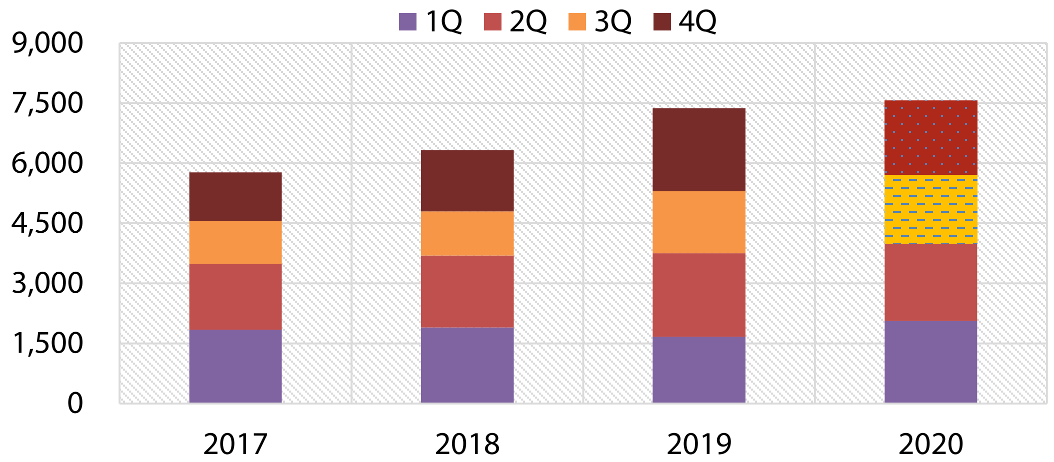
FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**9,527**	**11,301**	**11,653**	**9,699**
Growth (%)	*4.7*	*18.6*	*3.1*	*-16.8*
NPATMI (VND bn)	**425**	**1,203**	**1,272**	**779**
Growth (%)	*7.4*	*183.2*	*5.8*	*-38.7*
ROA (%)	2.9	9.1	10.4	7.1
ROE (%)	15.3	19.0	17.1	10.2
EPS (VND)	1,691	2,467	2,520	1,544
Book Value (VND)	11,385	12,459	14,349	14,330
Cash dividend (VND)	650	700	1,200	1,500
P/E (x) (*)	4.3	7.5	7.2	11.8
P/B (x) (*)	0.9	1.7	1.5	1.5

(*) Share price as of Aug 7th, 2020.

HND – 1H2020 profit growth thrived on favorable market conditions

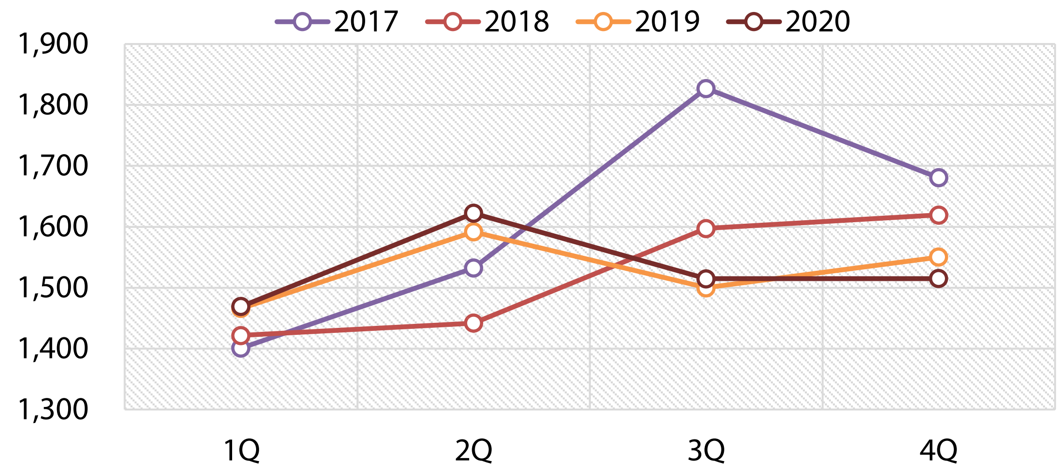
RONGVIET SECURITIES

Figure 1: Output (million kWh)



Source: HND, RongViet Securities | Q3, Q4 2020's volume is aforecast

Figure 2: ASP (VND per kWh)



Source: HND, Rong Viet Securities | ASP in Q3, Q4 2020 is estimated ASP

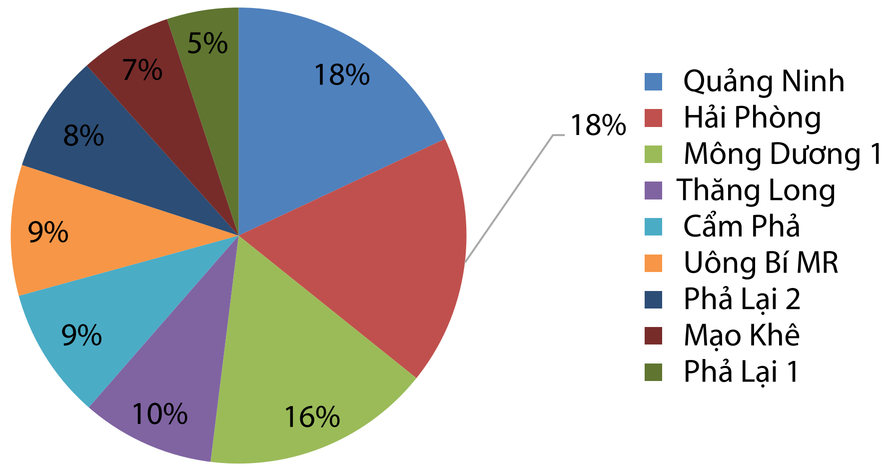
Record-high volume because of El Nino

- HND's 1H2020 output nearly reached 4 billion kWh (+6.4% YoY) because of the prolong droughts and despite the impact of the social distancing period.

Record-high quarterly NPAT

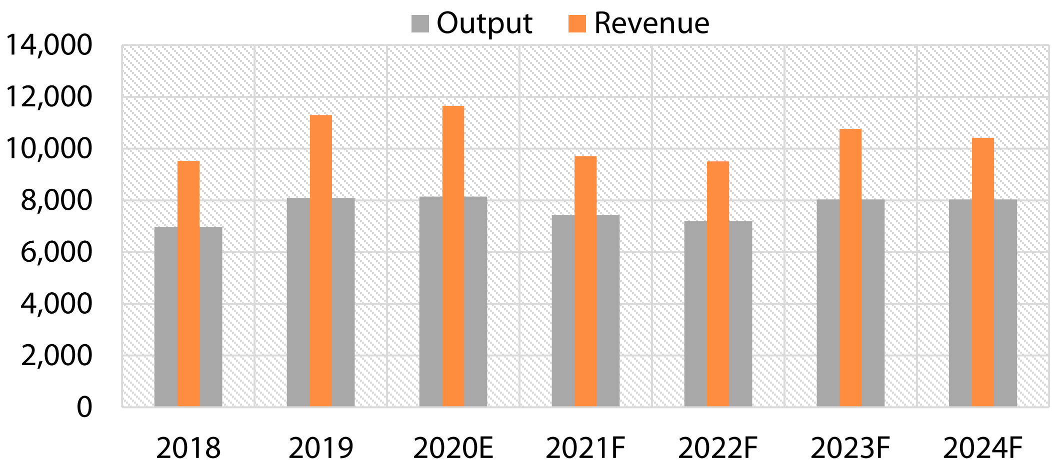
- ASP exceeded VND 1,500 per kWh in 1H2020, highest in recent years. Estimated core business's gross margin was 14%.
- Interest expenses decreased by 27.5% YoY.
- HND also benefited from booking FX fluctuation revenue.

Figure 3: Regional output contribution



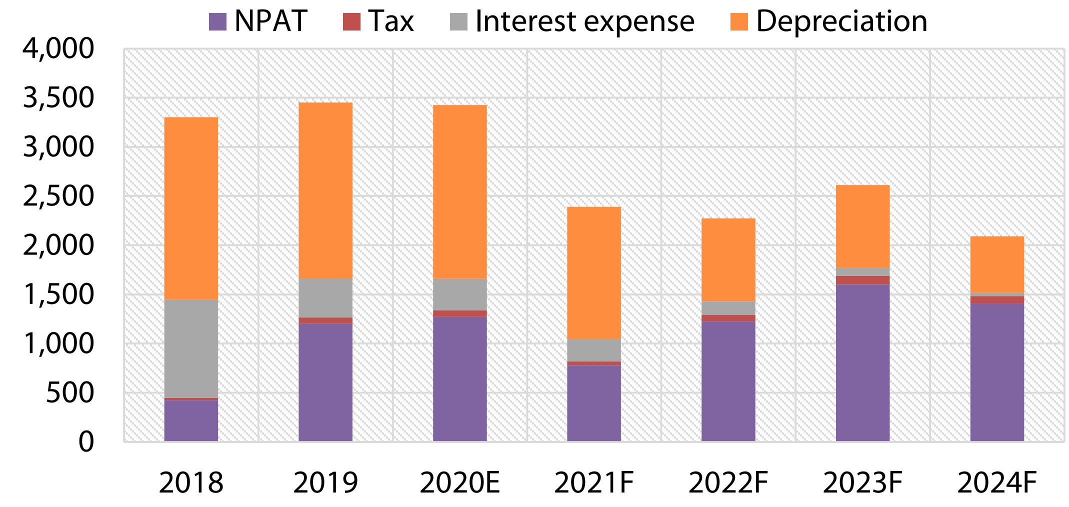
Source: RongViet Securities

Figure 4: 2020 output (million kWh) and revenue (VND billion)



Source: Rong Viet Securities

Figure 5: EBITDA composition (VND billion)



Source: Rong Viet Securities

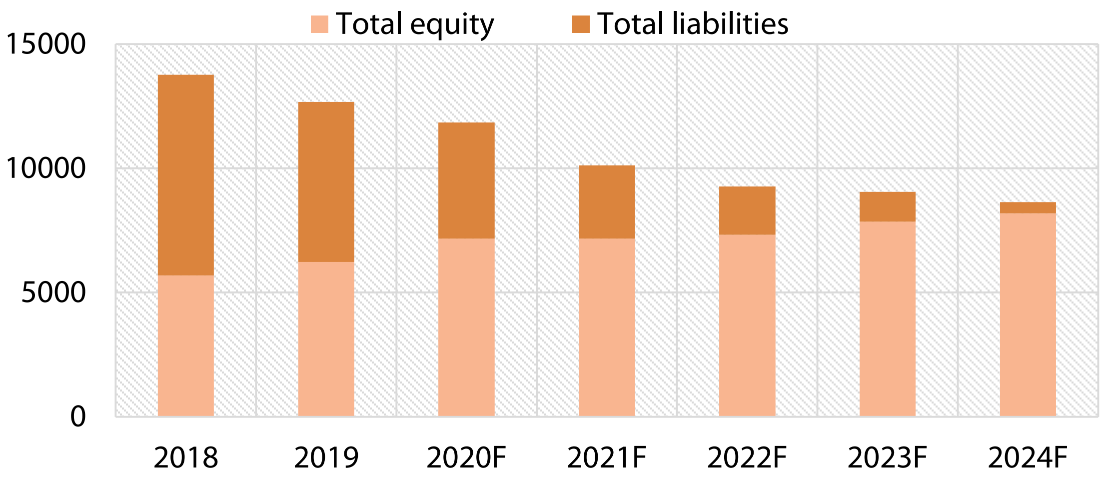
HND's bottom-line is expected to peak in 2020

- Favorable market condition enables HND to have abnormal profit from the CGM.
- However, as capacity has been maximized, output growth will be minimal. Besides, COVID-19 can impact electricity demand as it already did in April.
- 2H2020 will see output and revenue decline because La Nina has come back, causing hydropower plants to operate at high utilization. Accordingly, we expect the CGM might not be as profitable as in 1H.
- Nevertheless, HND's NPAT will still grow by 5.8% because of loweredinterest expenses.

HND is going to improve continuously as it enters the second half of the generator life cycle.

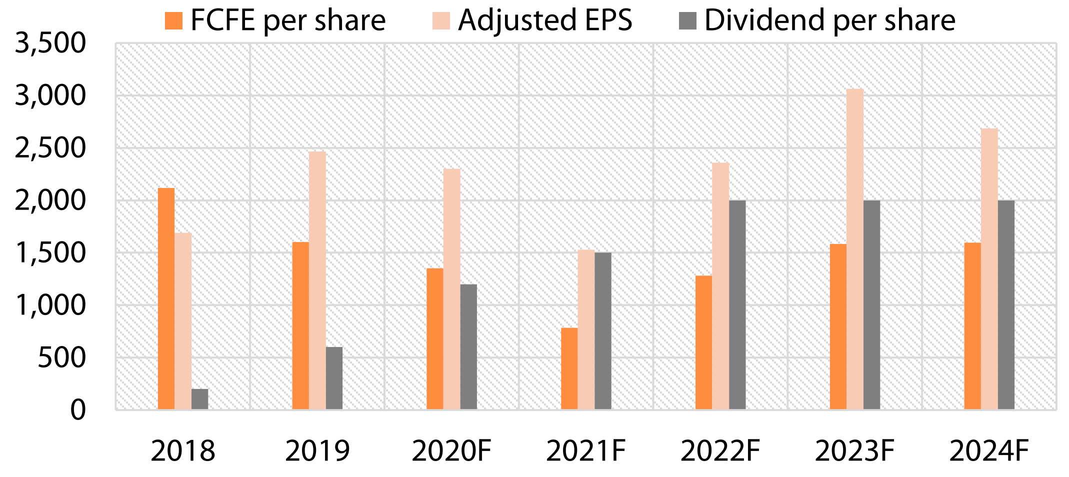
- HND is going to lower depreciation for its two plants, one by one, starting in 2021.
- EBITDA composition will change vastly, of which the major contribution will be earnings as cash flows will be freed because of debt being paid off.

Figure 6: Capital structure



Source: Rong Viet Securities

Figure 7: Per-share key figures (VND)



Source: Rong Viet Securities

HND is an underdog that should be on the watch-list for the long-term

- On the one hand, we admit that HND's has a high dependence on EVN in terms of output, which we have factored in the valuation. Unfortunately, the 2021 potential does not offer much.
- On the other hand, HND's long-term potential is undeniable. HND will eventually get to the point (particularly 2024) where it pays off its debt and cash flows should be paid out mostly as cash dividend, same as other mature power plant we see in the market. HND's capacity and efficiency are going to ensure that the cash flows will remain stable year over year.

Table 1: Valuation

Method	Valuation	Weight	Weighted average
EV/EBITDA	22,848	20%	4,570
FCFF	23,978	40%	9,591
P/E	16,699	40%	6,680
Total		**100%**	**20,800**

Source: Rong Viet Securities

PPC – FAIR VALUATION, BUT WORTH ACCUMULATING

INVESTMENT RATIONALE

Business performance has been solid

- PPC is equipped to take advantage of weather conditions when there is an opportunity.
- Share price performance and business results during the last year have been fairly correlated.

PPC is currently in its mature phase as room for growth is only minimal

- 2019 could have been the peak in terms of profit and cash dividend.
- Setting aside one-off items, sustainable elements in PPC's business performance include stable output and operating cash flow, topped up by financial income brought about by its large cash hoard.

The main rationale to hold PPC in the long-term would be cash dividend-related

- PPC is capable of maintaining a cash dividend above VND 2,000 annually, equivalent to ~8.7% dividend yield at the current market price.
- PPC's solid financials and cash dividend policy is suitable for conservative investors.

RISKS TO OUR CALL

- Pha Lai 1's operation should be monitored closely. The old plant might not contribute a large part into PPC's bottom-line but unfavorable news could affect PPC's output and share price performance.

ACCUMULATE +12%

CMP (VND)	**23,200**
Target price (VND)	**24,400**
Cash dividend in 12 months	*2,200*

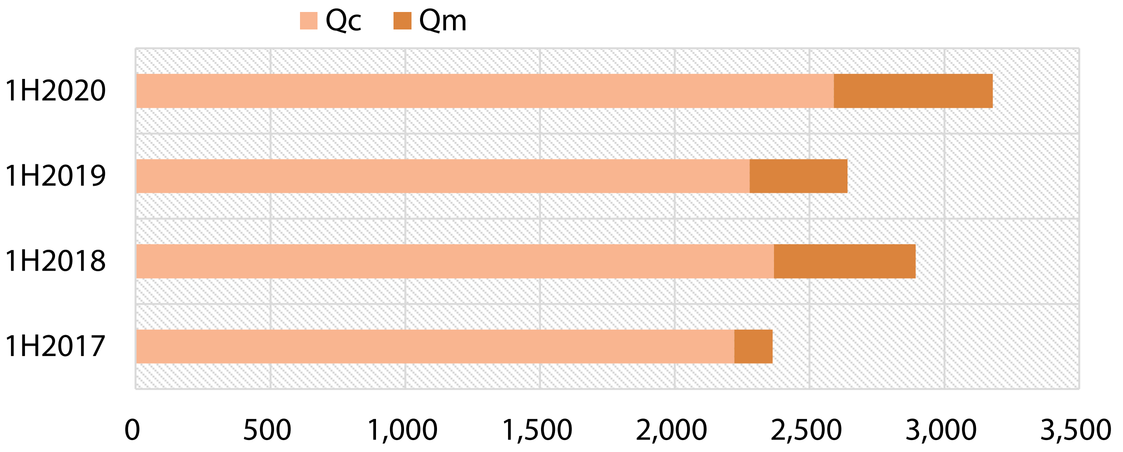
STOCK INFO	
Sector	Utilities
Market Cap ($ mn)	321.1
Current Shares O/S (mn shares)	320.6
3M Avg. Volume (K)	162
3M Avg. Trading Value ($ mn)	0.2
Remaining foreign room (%)	32.5
52-week range ('000 VND)	19.7-27.8

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**7,117**	**8,183**	**9,110**	**9,160**
Growth (%)	*14.1*	*15.0*	*11.3*	*0.5*
NPATMI (VND bn)	**1,122**	**1,268**	**1,100**	**1,084**
Growth (%)	*31.4*	*12.9*	*-13.2*	*-1.5*
ROA (%)	16.1	17.5	15.4	14.4
ROE (%)	15.7	15.9	12.5	11.2
EPS (VND)	2,680	3,501	3,792	3,292
Book Value (VND)	17,215	17,622	18,484	19,251
Cash dividend (VND)	2,820	2,700	2,500	2,500
P/E (x) (*)	5.2	7.7	6.1	7.0
P/B (x) (*)	1.3	1.3	1.2	1.2

(*) Share price as of Aug 7th, 2020.

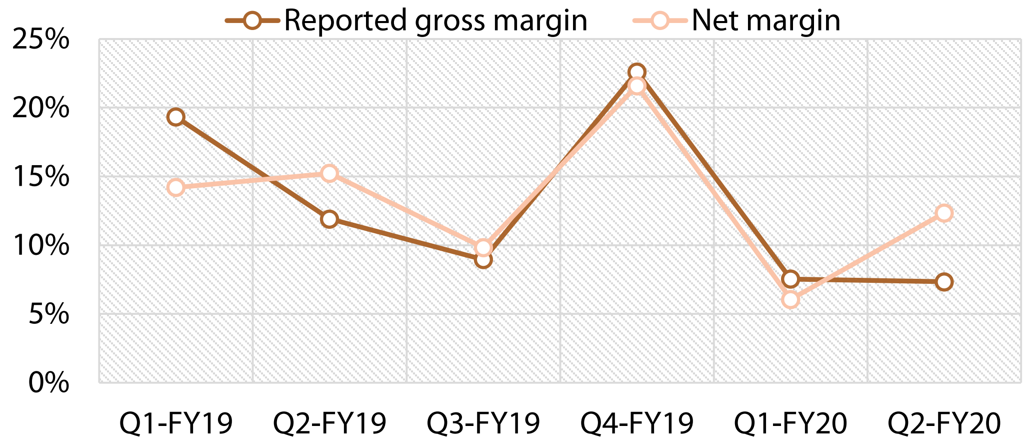
PPC – 1H2020 performance went down due to various reasons but within expectations

Figure 1: 1H volume (million kWh)



Source: PPC, RongViet Securities

Figure 2: 1H 2020 revenue and NPAT (VND billion)



Source: PPC, Rong Viet Securities

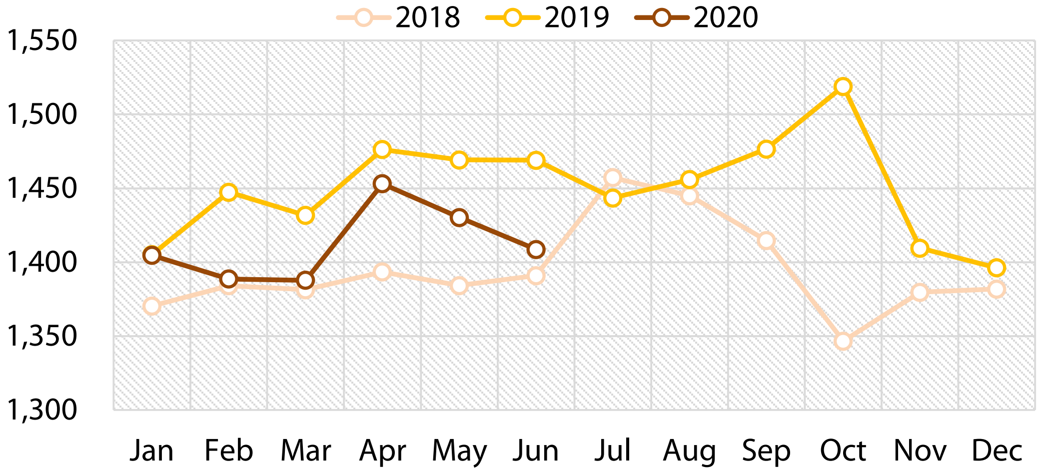
1H benefited from the dry season, but could have been better without COVID

- 1Q output went up by 43% YoY, 2Q only increased by 4% YoY due to social distancing. 1H2020 output reached 3.2 billion kWh, +20% YoY.

Gross margin went down considerably to 7.4% in 1H (1H2019 15.4%)

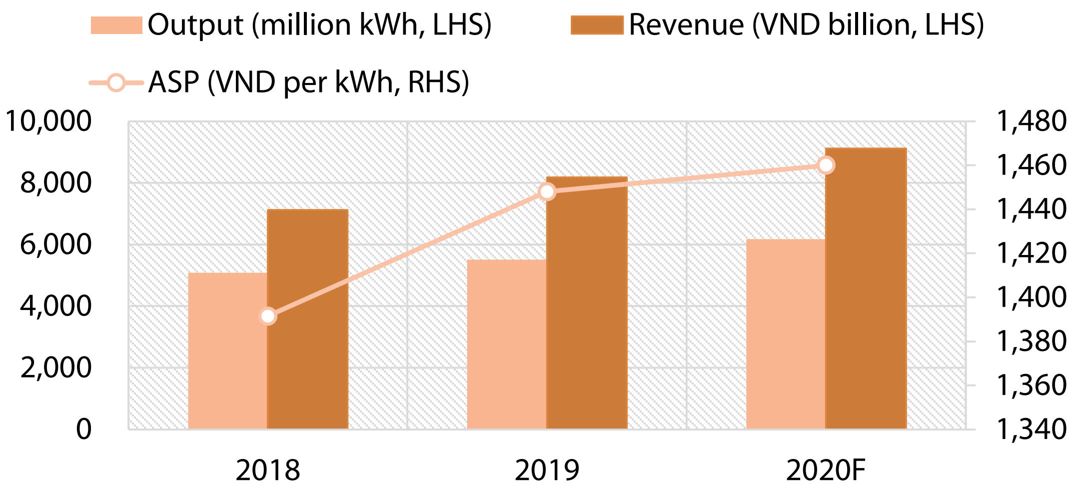
- Core gross margin is estimated at 7.1% in 1H2020 (taking apart FX revenue), 1H2019 12.5%. Possible reasons (1) high coal price, (2) weak CGM market, (3) lowered CAN price, (4) higher maintenance allocation per kWh.

Figure 3: ASP (VND per kWh)



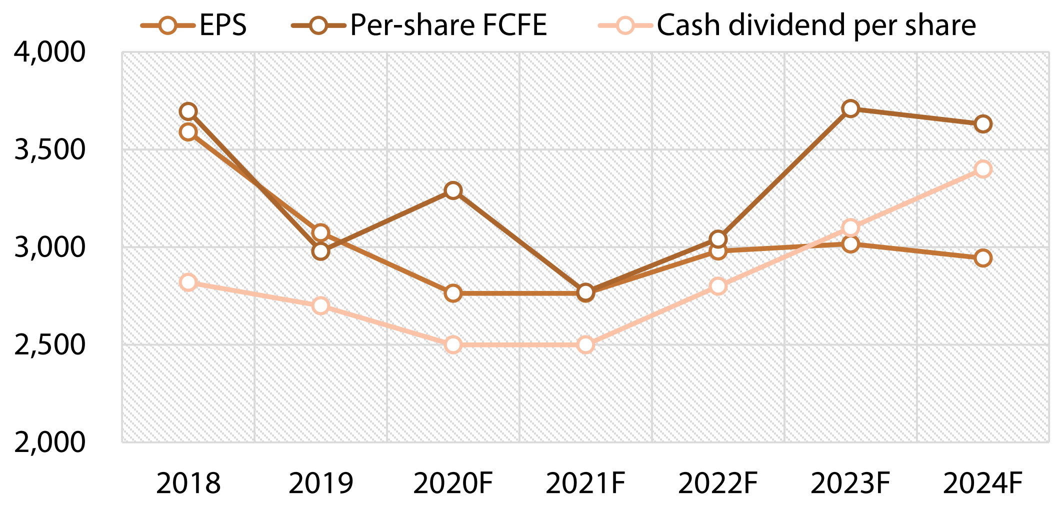
Source: PPC, RongViet Securities

Figure 4: 2020 forecasts



Source: Rong Viet Securities

Figure 5: 5-year per-share forecasts (VND)



Source: Rong Viet Securities

Making the most out of the CGM in 2H

- PPC is going to postpone maintenance for generator no.5 until next year, to take advantage of the last months of the dry season. 2H2020 will grow by 4% YoY, which is substantial because the rainy season has enabled hydropower plants to raise output.
- 2020 output can exceed 6 billion kWh, +12% YoY.
- PPC will gain a stable amount of financial income, including interest and dividend income (from HND, who has been performing exceptionally since 2019).
- Other income contributors may be reversals of maintenance allocations and FX revenue, normally booked in 4Q.

A typical defensive stock, with a bonus due to industry characteristics

- Located in an important electricity node, PPC has been almost always utilized at a very high rate, regardless of weather conditions.
- Pha Lai 2 plant is the breadwinner and the fact that it is a "young" plant ensures long-term stability.
- Stable output, stable price imply stable income, stable cash flow. It means PPC is capable of an annual cash dividend (at least VND 2,000 per year). The attractive dividend yield should come in handy during turbulent market conditions.

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