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PV Power (POW)

2020E earnings guidance down by 28%

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- Management released preliminary 2020E earnings guidance of VND2,044 billion or down 28% YoY on largely flat revenue expectations of VND35,449 billion at a recent analyst meeting. Parent earnings are expected to fall by a modest 1% to VND1,924 billion and electricity output will likely be down 4% YoY to 21.6 billion kWh. Management will also declare a VND300 per share cash dividend at upcoming annual shareholders' meeting scheduled for June 12. All guidance assumes an average oil price of USD60 per barrel for the year. POW has met 29% of its full-year sales target after booking VND10,288 billion in revenue for the first four months of the year or down 4% YoY. Accumulated electricity output reached 32% of the annual objective at 7 billion kWh or down 7% YoY.
- Natural gas shortages from technical issues and less demand due to the coronavirus saw four-month revenues down at Ca Mau 1 & 2 (down 2% YoY); Nhon Trach 1 (down 67% YoY) and Nhon Trach 2 (down 8% YoY). Unfavorable weather also led to sharp drops in revenue for the hydropower plants at Hua Na (down 65% YoY) and Dakdrink (down 68% YoY). Vung Ang 1 was the only plant that witnessed a sharp 55% YoY increase in sales after resolving problems with fuel shortages.

POW securing coal supply for its thermal plants to avoid fuel shortages

- Coal needs at the Vung Ang 1 coal power plant is about 3.4 million tons for 2020E but Vinacomin – POW's main supplier – can only meet about 3 million tons of this demand. POW will secure the remaining 400,000–450,000 tons of coal from imports. Moreover, POW will also supplement its natural gas supply with the official opening of the Sao Vang–Dai Nguyet project when it begins operations at the end of the year.

Still no plans for divesting the Hua Na and Dakdrink hydroelectric plants

- Management also announced that it has no plans to sell off its stakes in the Hua Na and Dakdrink hydroelectric plants due to covenants on government-guaranteed loans that require a minimum 65% ownership in both power stations. Unfavorable weather conditions seen during the first four months of the year continue to play havoc on results, with both suffering from heavy losses that have negatively impacted POW's overall business performance. That said, improved weather conditions expected for the second half of 2020E should help turnaround earnings performance and allow both plants to contribute meaningfully to POW's overall results.

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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