

# Power

## Rebounding in line with the economy

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December 30, 2024

## Positive maintains

Recommendations	
<b>POW</b>	<b>BUY</b>
Price target	VND14,500
<b>GEG</b>	<b>BUY</b>
Price target	VND14,300
<b>REE</b>	<b>BUY</b>
Price target	VND76,900

### Electricity consumption grows positively with economic recovery

We believe the positive growth of electricity consumption will continue in 2025, in line with the economic rebound, underpinned by (i) the industrial production group leading economic growth, (ii) key public investment projects being completed and put into use, leading to higher electricity demand for operations, and (iii) improved people's income that will help increase spending on commercial and service activities, contributing to improving electricity sales output.

### Power generation capacity is increased with new operating projects

In 2025, Vietnam's power generation capacity should be around 93 GW, based on the roadmap to put new plants into operation, including Vung Ang 2 (1,330 MW), Nhon Trach 3&4 (1,500 MW), Hoa Binh hydropower expansion (480 MW), and Ialy hydropower (360 MW). New power sources will play an important role in raising capacity for domestic electricity demand amid strong growth in consumption.

### Coal and hydropower groups maintain stable operating capacity

In the first months of 2025, the rainfall in the Northern region is likely to maintain higher than the average thanks to the prolonged La Nina weather phase, which can allow hydropower to be operated earlier from 2Q25 while coal power will decrease compared to 2Q24. From the second half of the year, the weather may turn to a neutral phase, increasing Qc ratio for coal power and declining the mobilization from hydropower compared to the high base level of 2H24.

### Policies to remove difficulties will come into effect, facilitating renewable energy sustainable growth

By 2025, new guiding documents paving the way for a more sustainable renewable energy development mechanism have been announced such as Decree 80/2024/ND-CP, Circular 07/2024/TT-BCT, and proposed price framework for wind power projects 2025. This will help contractors in negotiating electricity prices for renewable energy projects with buyers, improve project finance, and pave the way for new projects to come into operation.

### We gave a POSITIVE rating to the power sector in 2025

The rating was given amid increasing load demand and new supportive policies. In general, enterprises will record a recovery in business results, of which some will benefit from the new policies and post robust growth. However, investors need to watch enterprises if the business performance does not meet expectations.

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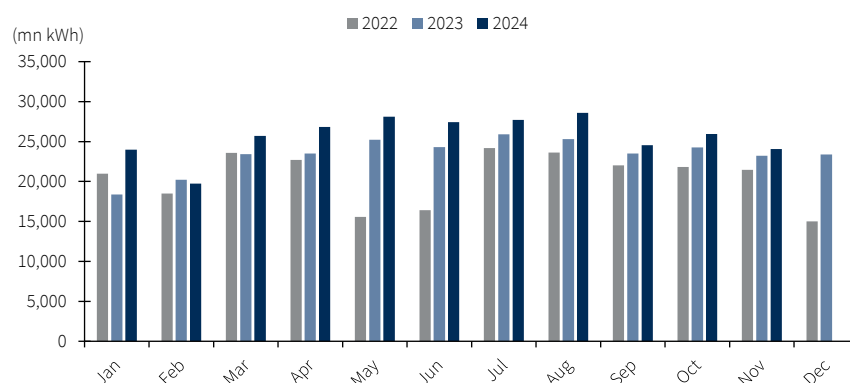
## I. Business performance in 9M24

**11M24 electricity consumption posted a single-digit growth, completing 91% of the full-year plan**

In the first 11 months of 2024, the total domestic electricity consumption hit 282.6 billion kWh, increasing 9.8% YoY with the support from (i) household consumption (+9.9%), (ii) industrial construction (+10.5%), and (iii) commerce & services (+12%). Electricity consumption completed 92.3% of the full-year objective (91% of the amended plan).

For regional consumption, electricity output in the Southern region in 11M24 reached 114 billion kWh, a positive growth of 10% YoY led by industrial construction (+11.4% YoY). In the North, electricity sales output was 60 billion kWh (+16% YoY) in the first half of the year due to early hot weather. In 2H24, production and business activities stabilized quickly after the impact of Typhoon Yagi, helping electricity output in July–November reach 55.6 billion kWh (+5.3% YoY).

**Fig 1. Vietnam – Total electricity consumption output 2022–11M24 (million kWh)**

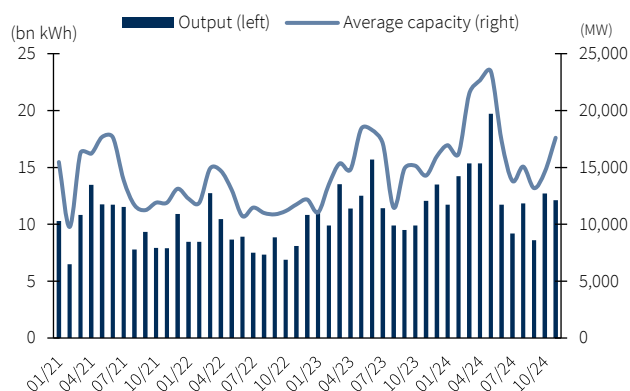


Source: EVN, KB Securities Vietnam

**Coal-fired power and hydropower took turns contributing a large proportion to total power generation in 2024**

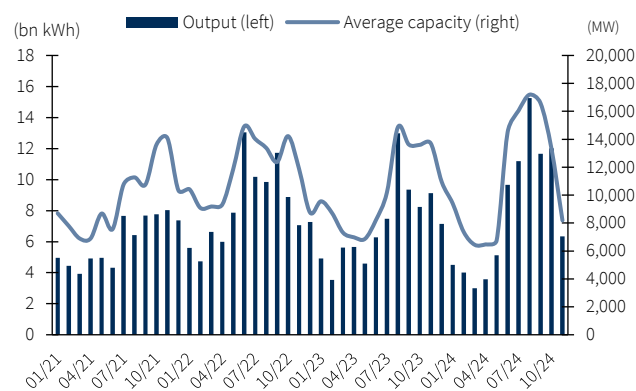
In the first half of the year, the sharp increase in electricity consumption in the North caused a sharp increase in the capacity of thermal power plants. In contrast, hydropower started to accumulate water from the beginning of the year and was only mobilized from July when the flow to the lake gradually improved thanks to stronger La Nina effects. The ratio of maximum power generation capacity/installed capacity of the hydropower group peaked at 80% in July and remained until the end of October. By November 2024, large hydropower reservoirs simultaneously stopped releasing water, causing the generation capacity to only reach 40%.

**Fig 2. Vietnam – Actual & Qc output of coal-fired power (billion kWh, MW)**



Source: NSMO, KB Securities Vietnam

**Fig 3. Vietnam – Actual & Qc output of hydropower (billion kWh, MW)**

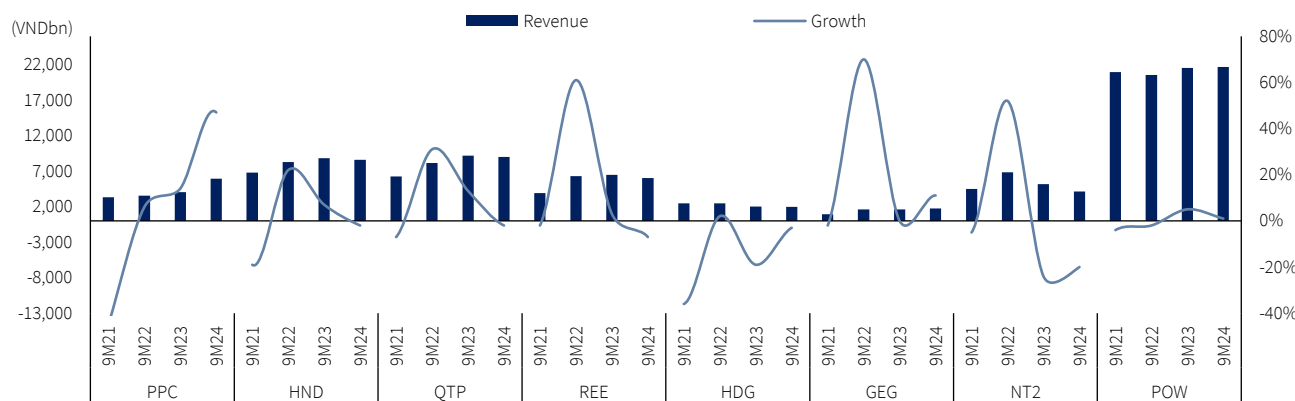


Source: NSMO, KB Securities Vietnam

### Revenue growth of power plants is mixed

In 9M24, thermal power plants recorded a contraction in revenue to VND89,466 billion (–5.3% YoY). Only some posted growth after the renovation process and returning to production such as Ninh Binh Thermal Power (NBP, +57% YoY) and Pha Lai Thermal Power (PPC, +47% YoY). In contrast, the gas-fired power group recorded lower business results compared to 9M23 due to a serious shortage of domestic gas supply, including PV Nhon Trach 2 (NT2, –20% YoY) and Power Generation JSC 3 (PGV, –24% YoY). PV Power's (POW) revenue inched up 1% as positive coal power revenue offset the decline in gas power revenue. The hydropower group's business results dropped 5.3% YoY as the El Nino, which lasted until 2Q24, caused low water levels in the reservoirs, forcing the reservoirs to stop generating electricity to store water. Since 3Q24, increased rainfall during the La Nina weather phase has helped some power plants record a strong breakthrough such as Thac Ba Hydropower (TBC, +25% YoY), Su Pan 2 Hydropower (SP2, +20% YoY), and Nam Mu Hydropower (HJS, +6.6% YoY). NPAT of listed power companies decreased 26%, of which the thermal power group and hydropower group posted respective contraction of 33% and 23%.

**Fig 4. Vietnam – 9M24 revenue of power plants (VNDbn)**



Source: FlinPro, KB Securities Vietnam

## II. Business outlook for 2025

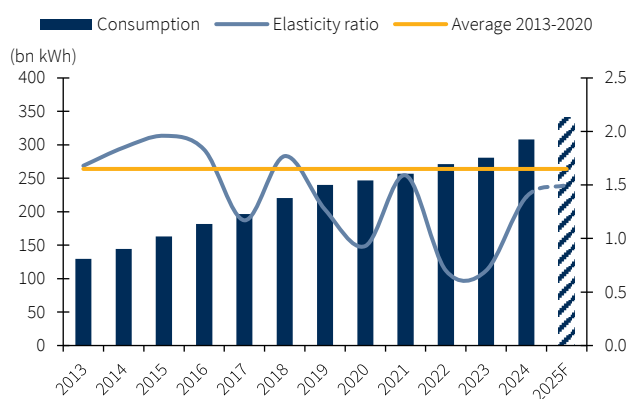
### Electricity consumption grows positively in parallel with the economic recovery

Expecting Vietnam's economy to continue its recovery and maintain growth at 6.5% – 7%, KBSV forecasts that electricity consumption growth in 2025 will be similar to the baseline scenario proposed by the Ministry of Industry and Trade of 10.5% (equivalent to 342.3 billion kWh), based on: (i) The industrial production sector becomes a driving force for economic growth with electricity-intensive heavy industry and processing activities. (ii) Key public investment projects are completed and put into use (highway systems and ring roads), leading to increased electricity consumption for operations. (iii) Consumption for the trade and service sectors gradually recovers.

### Electricity elasticity will remain high at 1.5 times

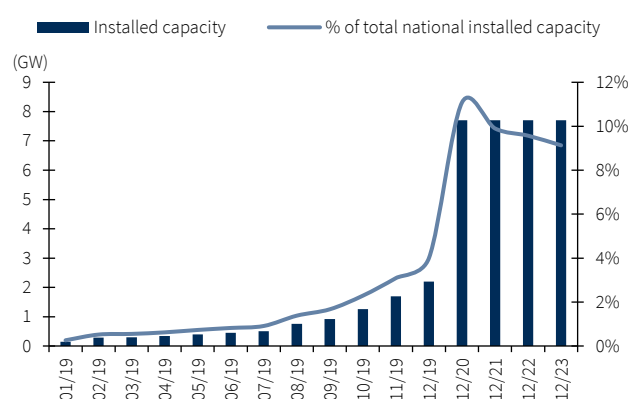
KBSV estimates the electricity consumption elasticity coefficient at around 1.5x, higher than the coefficient of 1.4x in 2024. We see this coefficient as lower than the pre-Covid average level of Vietnam, but our country may be able to maintain its economic growth rate without obstacles thanks to technological improvements that help save fuel and the widespread popularity of solar energy systems that helps increase proactive energy for production. According to Decision 500/QĐ-TTg approving the NPDP 2021 – 2030, with a vision to 2050. The goal is that by 2030, 50% of office buildings and houses will use rooftop solar power for self-production and self-consumption. Allowing unlimited development of this power source capacity will strengthen the autonomy and reliability of the national power system.

Fig 5. Vietnam – Electricity load growth and elasticity (billion kWh, x)



Source: KB Securities Vietnam

Fig 6. Vietnam – Proportion of rooftop solar power to total capacity (%)



Source: EVN, KB Securities Vietnam

### Additional power generation capacity from new projects helps meet electricity demand

According to the capacity plan to meet additional growth in 2025, NSMO developed a scenario for mobilizing capacity for plants. Accordingly, in the base scenario (10.5% growth in electricity consumption and 65% water frequency in the reservoirs), the power system will be able to meet the demand by mobilizing large capacity from traditional power sources (coal power and hydropower) and supplementing the peak season shortage with gas and oil power sources.

KBSV believes that in 2025, Vietnam's power generation capacity should be around 93 GW, based on the roadmap to put new plants into operation, including Vung Ang 2 (1,330 MW), Nhon Trach 3&4 (1,500 MW), Hoa Binh hydropower expansion (480 MW), and laly hydropower (360 MW). New power sources will play an important role in raising capacity for domestic electricity demand amid strong growth in consumption.

**Table 7. Vietnam – Power plants going into operation in 2025**

Power plant	Type	Region	Capacity	Expected go-live time
Vung Ang 2	Coal power	Ha Tinh	1,330 MW	3Q25
Nhon Trach 3&4	LNG power	Dong Nai	1,500 MW	2Q25
Hoa Binh Hydropower Plant Expansion	Hydropower	Hoa Binh	480 MW	2Q25
Yaly Hydropower Plant Expansion	Hydropower	Kon Tum	330 MW	4Q24 (operating)
Tri An Hydropower Plant (*)	Hydropower	Dong Nai	200 MW	2025
Power from Laos (**)	Renewable energy	Laos	1,150 MW	2025

Source: KB Securities Vietnam

Note: (\*) The project is currently stuck in site clearance issues

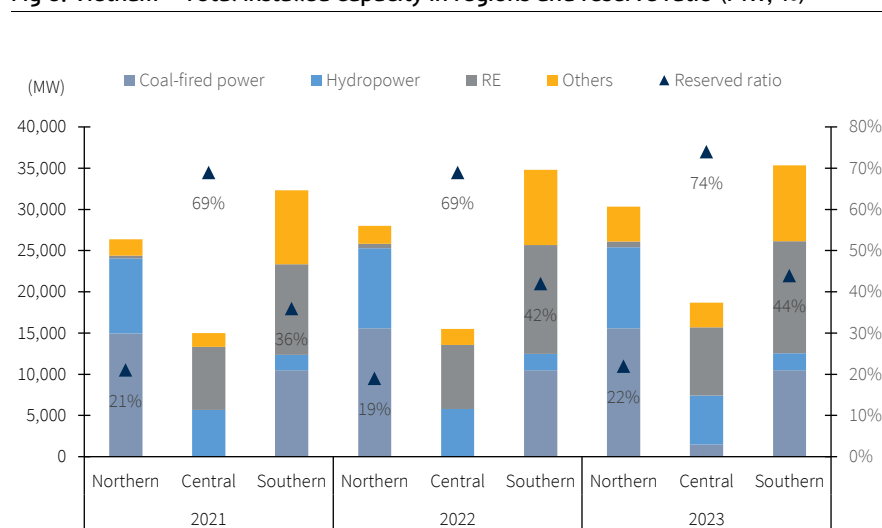
(\*\*) About 1,977/3,000 MW have been approved for import by 2025

### Major power infrastructure projects coming into operation will help solve the power shortage

By 2025, the power shortage in the North will be alleviated with the additional capacity transmitted through the 500 kV Quang Trach – Pho Noi transmission line system. The addition of about 2,500 MW of power capacity to the North (+100% of transmission capacity) will share some of the pressure that the current 500 kV line has to bear, thereby solving the power shortage that occurred in 2023. In addition, nearly 50% of the capacity in the Central region from renewable energy will also be distributed to the North, solving the excess capacity that led to power generation cuts that occurred in 2023.

Accounting for 22% of the total power generation capacity of the country (33% of hydropower and 37% of renewable energy), the electricity consumption of the Central region accounts for only 10% of the total load of the country, making its reserve ratio always higher than that of the major economic centers in the North and South. While the reserve ratio of the Northern region is always low, causing a tense situation of power shortage, the power transmission system from the Central region to the North is not enough to compensate for the shortage, causing the Qc capacity of the Central region's plants to be low. The 500 kV line will solve the power shortage in the Northern region and improve the generating capacity of the Central region's power plants.

**Fig 8. Vietnam – Total installed capacity in regions and reserve ratio (MW, %)**



Source: ERAVCTED, KB Securities Vietnam

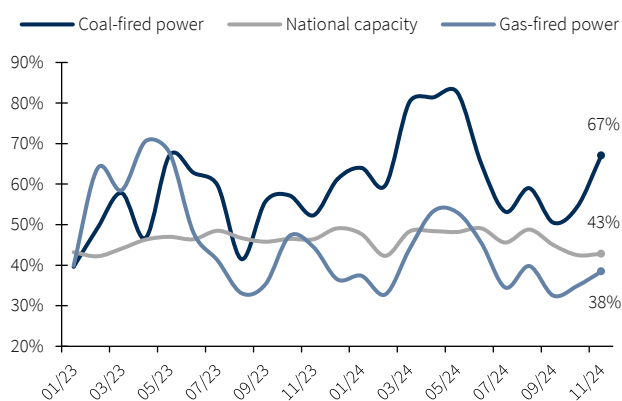
**Coal-fired power group should maintain high and stable performance until 2025, although the growth rate compared to 2024 is insignificant**

KBSV believes that coal power will continue to be mobilized in the context of high electricity consumption growth. The forecast for coal power output in 2025 is 160 billion kWh (+5% compared to the forecast for 2024), lower than the 10% growth in electricity consumption thanks to the stable operating capacity. Output in 1H25 will be equivalent or increase slightly compared to the same period last year, and then slightly reduce capacity in the second half of the year to serve the base load when the weather gradually shifts to a neutral phase, which will affect rainfall and the Qc output of the hydropower group. Compared to the peak of the maximum generation capacity ratio/installed capacity in April and May 2024 at 80%, large units that have completed renovation such as PPC, Ba Ria Thermal Power Plant (BTP), and Vung Ang Thermal Power Plant will help raise the maximum generation capacity to 90% of the designed capacity, meeting the peak consumption. The risk of a decline in power generation capacity for this group comes from weather developments in the Northern region, which may record higher-than-average rainfall in the first months of the year due to the prolonged La Nina weather phase, allowing hydropower plants to be operated earlier than expected from early 2Q25.

**Gas-fired power group increases power generation proportion thanks to LNG gas source meeting fuel demand**

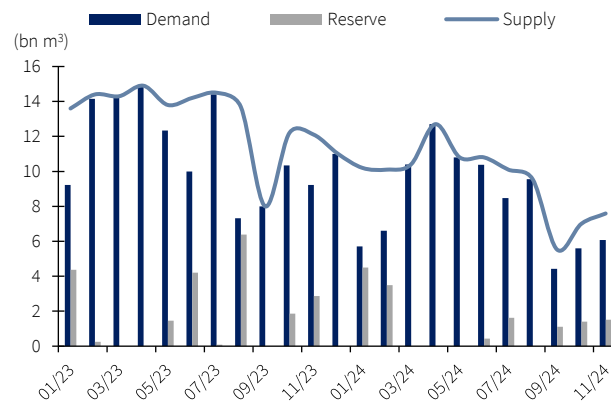
For the gas power group, the domestic gas supply in the Southeast region by 2025 is forecast to be scarce with an average output of about 2–2.5 million m<sup>3</sup>/day, 20% lower than the gas supply output in 2024. Accordingly, domestic gas output will be allocated to gas plants with remaining gas sale agreements (GSA) of EVN and Vietnam Oil & Gas Group (PVN), respectively Phu My (2,540 MW) and Nhon Trach 2 (750 MW). Although the gas source is lower, the output concentrated to serve the two plants will improve the Qc output during peak electricity consumption hours. We forecast that the Qc output of gas-fired electricity will recover in 2025, increasing its contribution to the total national electricity output as: (i) Domestic gas sources (Southeast and Southwest) are centrally allocated and used effectively. (ii) LNG gas sources are used for the first time by Nhon Trach 3&4 (1,500 MW) to generate electricity since June 25. (iii) Power plants whose domestic gas contracts have expired such as Nhon Trach 1 and BOT plants are allowed to use LNG to operate during peak hours.

**Fig 9. Vietnam – Maximum capacity/installed capacity of coal & gas-fired power vs the whole industry (%)**



Source: NSMO, KB Securities Vietnam

**Fig 10. Vietnam – Gas supply and demand in the Southeast region (billion m<sup>3</sup>)**

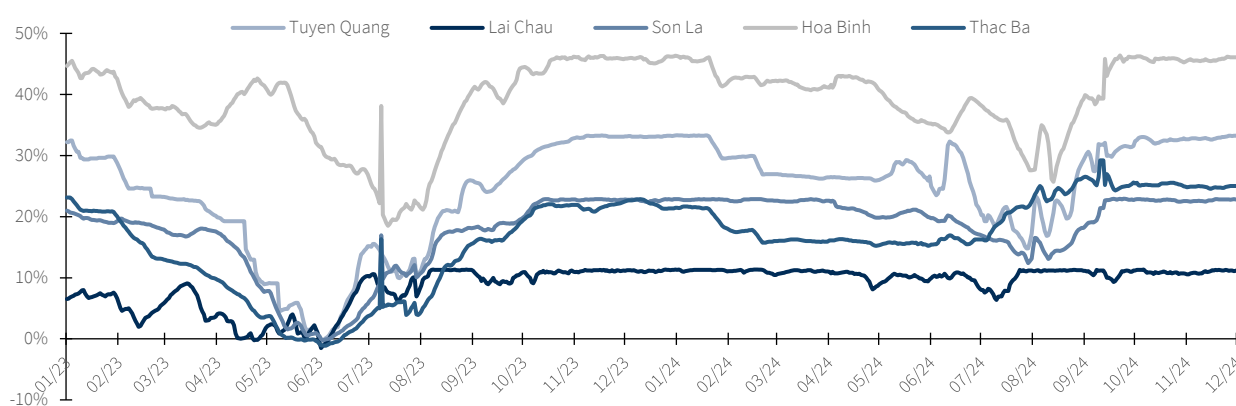


Source: PV Power, EVN GENCO 3, KB Securities Vietnam

**Hydropower group will be mobilized early from 2Q25, maintaining stable operating efficiency of power plants**

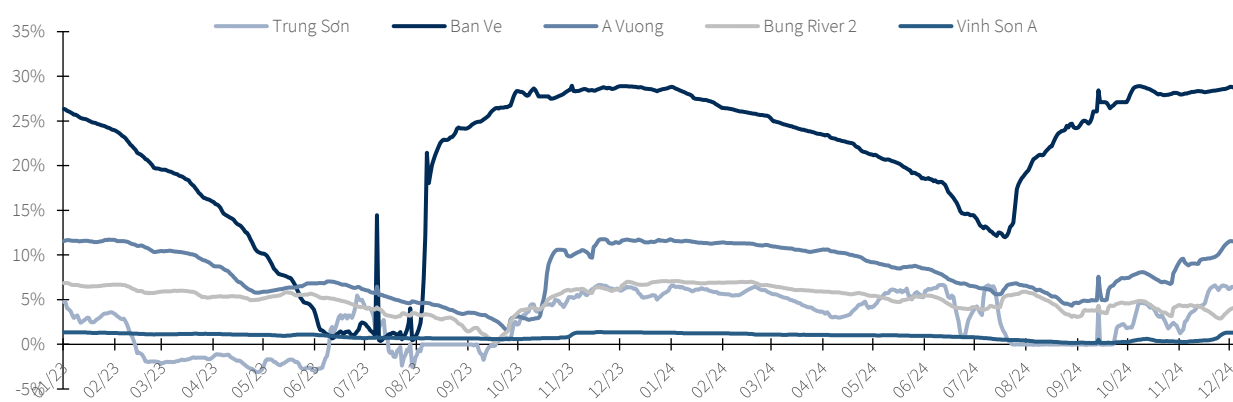
According to the National Centre for Hydro – Meteorological Forecasting (NCHMF), the probability of La Nina appearing in the last months of 2024 and early 2025 is about 50–55% and gradually decreasing into 1Q25 with the neutral weather phase dominating (probability 55–70%). KBSV believes that hydropower will stop storing water in 1Q25 and start to be mobilized from the beginning of 2Q25, bringing 1H25 output to 36 billion kWh (+20% from the YoY low base) as the rainfall may decrease but will still be higher than the low comparative level last year (5–10 mm higher in the North, approximately or higher in the Central and Central Highlands). In 2H25, the rainy season may be less intense than in 2H24, causing output to fall to 54 billion kWh (–13% YoY).

**Fig 11. Vietnam – Water level compared to the “dead level” of some Northern hydropower reservoirs (%)**



Source: EVN, KB Securities Vietnam

**Fig 12. Vietnam – Water level compared to the “dead level” of hydropower reservoirs in the Central and Central Highlands (%)**



Source: EVN, KB Securities Vietnam

**Newly approved regulations will open a new energy era for consulting and construction enterprises**

By 2025, new documents paving the way for a more sustainable renewable energy development mechanism have been announced such as Decree 80/2024/ND-CP, Circular 07/2024/TT-BCT, and proposed price framework for wind power projects 2025. This will remove difficulties for renewable energy development and implement cash flows for new investments. New power projects will help the consulting, construction and operation of power projects (Power Engineering Consulting JSC 2 – TV2 & PC1) recover as they can attract a large backlog with its highly qualified personnel.



Table 13. Vietnam – Impacts of new documents

Document	Contents	Impacts	Beneficiary stocks
Electricity Law 2024 (amended)	Special mechanism for urgent energy projects	<ul style="list-style-type: none"> <li>- Adding urgent power capacity helps ensure national energy security</li> <li>- More guidance documents are needed for monitoring</li> </ul>	Consulting and construction group: TV2 & PC1
	Regulations on the authority to grant licenses for 220 kV power projects	<ul style="list-style-type: none"> <li>- Adding energy transmission projects between provinces</li> <li>- Solving excess renewable energy capacity</li> </ul>	Renewable energy group: REE, Bamboo Capital Group (BCG), Gia Lai Electricity (GEG), and Ha Do Group (HDG)
	General regulations on bidding for energy projects	<ul style="list-style-type: none"> <li>- Publishing regulations on bidding and ownership of new power projects</li> <li>- Allowing contractors to proactively seek projects</li> </ul>	
	Promoting the competitive electricity generation market (CGM)	<ul style="list-style-type: none"> <li>- Moving towards eliminating cross-subsidy of electricity prices and the two-component electricity price mechanism</li> </ul>	Large hydropower plants: REE Corporation (REE) and Vinh Son - Song Hinh Hydropower (VSH)
80/2024/ND-CP	Direct electricity trading mechanism	<ul style="list-style-type: none"> <li>- Regulating electricity trading between contractors and large electricity consumers</li> </ul>	
07/2024/TT-BCT	Price regulations in PPAs	<ul style="list-style-type: none"> <li>- Allowing PPAs for renewable energy projects</li> </ul>	Renewable energy group: REE, BCG, GEG, and HDG
Proposed price framework for wind power projects	Wind power price framework to be built from 2025	<ul style="list-style-type: none"> <li>- Promoting price negotiation between EVN and contractors</li> </ul>	

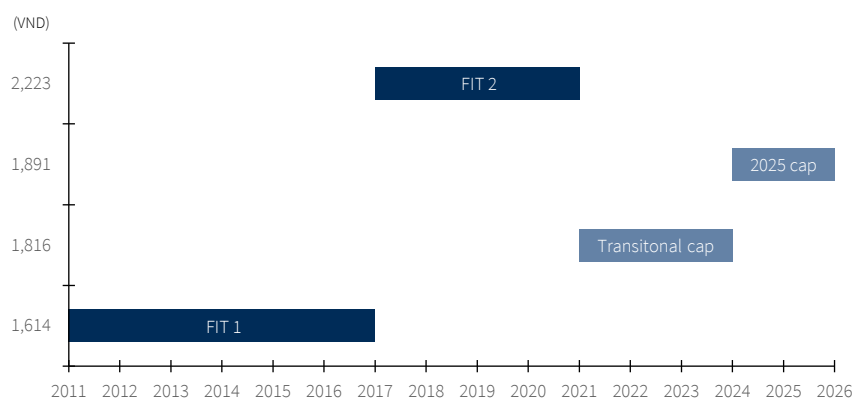
Source: KB Securities Vietnam

### Renewable energy overcame a quiet period to prepare investment resources by 2030

By the end of November 2024, Vietnam's total operating wind power capacity was about 5,100 MW and needed to add nearly 22,800 MW to complete the goal of 27,880 MW in operating capacity by 2030. KBSV believes that the wind power industry has a big growth potential in the long term thanks to the benefits of the Vietnamese government's promotion policies, specifically in 2024, and new mechanisms to remove obstacles and attract investors to develop wind power. The approved DPPA mechanism allows signing DPPAs for wind power projects with large electricity consumers will provide green energy in production activities to meet the criteria of the exporting country. The regulations allowing the signing of PPAs and the wind power price framework for negotiation between EVN and contractors will be a big help to new projects, ensuring electricity supply for Vietnam. Enterprises with financial potential and experience in developing and operating renewable energy projects will have an advantage in bidding thanks to effective management and savings after mobilizing large capital sources at low costs. Some leading companies in the industry with great potential include REE, HDG, and GEG.

Fig 24. Vietnam – New electricity price framework for nearshore wind power projects (VND)

The price framework is calculated based on the input parameters of two nearshore wind power plants, Nexif Energy Ben Tre (30 MW) with a feasibility report in 2023 and Nexif Ben Tre Phase 2.3 (48 MW) with a feasibility report in 2023. After the transition period, since no wind power plant has submitted a feasibility study, the price framework is calculated based on the two projects to fully reflect the costs spent to build the electricity price framework.



Source: Decisions of the Ministry of Industry and Trade, Document 8475/EPTC-KDMD, KB Securities Vietnam

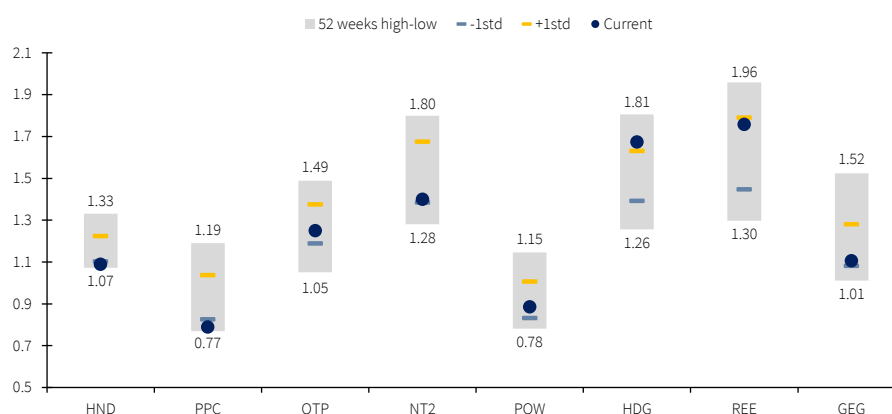
### Risks of FIT price recovery for projects subject to inspection

In addition, risks that could affect the business performance of enterprises owning renewable energy projects subject to inspection, including: GEG (Duc Hue solar project – 49 MW and Truc Son project – 45 MW), REE (Cu Jut project – 50 MW of Central Hydropower – CHP subsidiary), HDG (Hong Phong 4 project – 48 MW), and BCG (Long An 1 solar project – 44 MW). The Prime Minister's directive proposed six solutions for the above projects, including: (i) Allowing the addition of planning to implement the project if it does not violate the national key planning, (ii) allowing the completion of land procedures according to legal regulations, (iii) assessing the economic benefits of projects that violate the mineral planning to simultaneously exploit the project and minerals, and (iv) adjusting the price mechanism for projects that enjoy electricity prices not for the right purpose via future electricity price compensation.

### We assess the outlook for the power sector as POSITIVE in 2025

We gave the power sector a POSITIVE rating given the increasing load demand and new investment projects under the NPDP8. However, the outlook for each group will be different as presented above. **Thermal power group** (NT2, POW, and Quang Ninh Thermal Power) stabilized after a decline in stock price since early 3Q24, while the **hydropower group** (REE, VCP Power & Construction – VCP and Truong Thanh Development and Construction Investment – TTA) recovered. We see that the current prices of coal-fired power stocks are attractive for investment, with business performance growth in line with higher electricity demand, while the hydropower group needs monitoring corrections as a good opportunity to increase their proportion in the investment portfolio. We picked coal-fired power stocks in the North such as PPC and QTP and hydropower plants with large power generation capacity such as REE and VCP. For power construction group (PC1 & TV2) and renewable energy (GEG & HDG), stock prices have fallen sharply to reflect legal risks and delays in announcing the price mechanism. However, we assess that the overall risks of the industry have gradually been removed, leaving only risks specific to each project, so this is an attractive time to invest in businesses waiting for a recovery. Some renewable energy power generation and power project construction consulting businesses that we highly appreciate for their growth potential in the context of the industry's recovery are GEG, HDG, REE, PC1, and TV2.

Fig 15. Vietnam – P/B of power plants (x)



Source: Bloomberg, KB Securities Vietnam



# Companies

PV Power (POW)

Gia Lai Electricity (GEG)

REE Corporation (REE)

# REE Corporation (REE)

Led by energy business

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December 9, 2024

**Revenue and profit went up 3.4% YoY and 39.4% YoY in 3Q24**

3Q24 revenue & NPAT of REE Corporation (REE) respectively reached VND2,031 billion (+3.4% YoY/-6.9% QoQ) and VND561.5 billion (+20.7% YoY/39.4% QoQ). The respective results for its core business, energy, were promising, reaching VND1,008 billion and VND301 billion (+12.62% YoY and 51.25% YoY) with a strong increase in power output.

**Hydropower benefited from La Nina and heavy rains in 2H24**

In 9M24, the consolidated electricity output generated by REE was 2.7 billion kWh (+7% YoY/+4.2% QoQ) with higher contribution from the hydropower segment. Hydropower output recorded 1.7 billion kWh (+13.1% YoY), increasing the contribution to 63% of REE's total output vs 60% in 9M23.

**New electricity price framework will promote negotiation and implementation progress of wind power projects**

REE is proposing a feasibility study for 344 MW of newly installed wind power capacity in Tra Vinh province, marking its return to developing renewable energy projects. Early preparation will help it benefit from new policies and the newly issued price framework expectations.

**The Light Square handover progress is slower than expected**

In 3Q24, revenue from the real estate segment only reached VND12 billion due to the slow progress of recording apartment handovers at The Light Square project after a period of promoting sales strategies through discounts. Recorded profit was about VND2 billion, equivalent to a net profit margin of 17%.

**Valuation: NEUTRAL rating - Target price VND76,900**

**Neutral** change

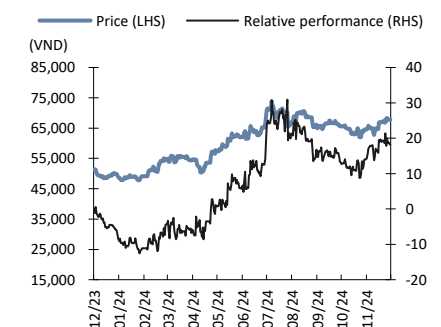
<b>Target price</b>	<b>VND76,900</b>
Upside	13.4%
Current price (Dec 6, 2024)	VND67,800
Consensus target price	VND72,100
Market cap (VNDtn/USDtn)	31.9/1.3

<b>Trading data</b>	
Free float	25.7%
3M avg trading value (VNDbn/USDmn)	68.8/2.7
Foreign ownership	49%
Major shareholder	Platinum Victory (35.7%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	7.7	-2.6	6.0	34.1
<b>Relative</b>	8.0	-0.1	8.3	20.5

## Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	9,372	8,570	8,342	9,072
Operating income/loss (VNDbn)	3,663	2,954	2,496	2,677
NPAT-MI (VNDbn)	2,693	2,188	2,041	2,311
EPS (VND)	7,576	5,354	4,635	4,905
EPS growth (%)	26.2	-29.3	-13.0	6.0
P/E (x)	10.2	14.4	16.6	15.7
P/B (x)	1.8	1.8	1.9	1.8
ROE (%)	18.3	13.4	11.4	11.9
Dividend yield (%)	1.1	1.1	1.0	1.2



Source: Bloomberg, KB Securities Vietnam

# PV Power (POW)

## Nhon Trach 3&4 to drive future growth

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December 12, 2024

**Revenue and NPAT showed a strong recovery in 3Q2024, supported by optimized financial activities**

In 3Q2024, POW reported revenue of VND6,061 billion (+6.7% YoY) and NPAT of VND453 billion (+765% YoY), largely driven by financial income of VND411 billion from unrealized foreign exchange gains. Core operations faced challenges as the Vung Ang 1&2 coal-fired power plants underwent maintenance, resulting in a 41% decline in coal-fired sales volume.

**The gas-fired power segment has witnessed a solid rebound, with revenue contribution projected to reach VND18,394 billion in 2024**

POW's gas-fired sales volume reached 2,041 million kWh in 3Q2024, marking a recovery from the low base in 3Q2023. However, a 30% QoQ decline highlights growing competition from hydropower, which is expected to continue weighing on NT2's sales volume through the end of 2024. Full-year gas-fired sales volume is projected at 8,637 million kWh.

**Nhon Trach 3&4 have finalized all legal procedures and are poised for trial operations and electricity sales beginning in 2025**

By 4Q2024, key issues concerning Nhon Trach 3&4 (NT3&4) gas-fired power plants, including power purchase agreements (PPAs), gas sales agreements (GSAs), and land lease handovers, were successfully resolved. For 2024, we estimate POW's total revenue and gas-fired electricity sales volume at VND25,126 billion and 11,309 million kWh, based on an average electricity selling price of VND2,436/kWh.

**We recommend BUY for POW with a target price of VND14,500/share**

Based on valuation results, business outlook, and potential risks, we recommend BUY for POW, with a target price of VND14,500 per share, representing a 16.9% upside from the closing price on December 11, 2024.

**Buy** maintain

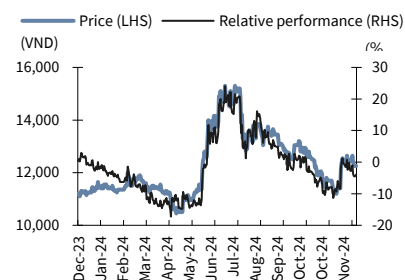
<b>Target price</b>	<b>VND14,500</b>
Upside	16.9%
Current price (Dec 11, 2024)	VND12,400
Consensus target price	VND13,700
Market cap (VNDtn/USDbn)	29.2/1.1

<b>Trading data</b>	
Free float	20.0%
3M avg trading value (VNDbn/USDmn)	67.6/2.7
Foreign ownership	3.8%
Major shareholder	PetroVietnam (PVN, 79.94%)

<b>Share price performance</b>				
(%)	1M	3M	6M	12M
<b>Absolute</b>	5.9	-4.6	-7.7	8.2
<b>Relative</b>	5.4	-4.1	-6.5	-4.3

### Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	28,224	28,329	30,254	37,585
Operating income/loss (VNDbn)	2,858	1,436	1,689	1,861
NPAT-MI (VNDbn)	2,061	1,038	1,431	1,139
EPS (VND)	871	443	611	486
EPS growth (%)	15.1	-49.0	38.0	-20.0
P/E (x)	15.0	29.6	21.4	27.0
P/B (x)	0.9	0.9	0.9	0.8
ROE (%)	7.7	3.8	4.7	3.6
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

# Gia Lai Electricity (GEG)

## Delayed the announcement of price framework

Analyst Nguyen Viet Anh

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December 19, 2024

**3Q24 revenue inched up 3.4% YoY, but high interest rates led to a net loss**

Gia Lai Electricity's JSC posted VND543 billion (-4% YoY/+11.4% QoQ) in revenue with NPAT hitting VND47.8 billion, marking the first quarter of loss. The main business, wind power, recorded a small contraction in revenue, reaching VND217 billion (-10% YoY/21% QoQ).

**Hydropower benefits from La Nina and heavy rains in 2H24, improving business results**

9M24 electricity output was 1.01 billion kWh (+16.5% YoY) thanks to higher contribution of the wind power segment. Wind power output recorded 516 million kWh, jumping up 45% YoY thanks to the operation of Tan Phu Dong wind power project. Better wind speed in 1Q helped wind turbines increase 6ppts YoY contracted sales volume ratio (Qc) to 34%. Hydropower output recorded positive results, reaching 128 million kWh (-3% YoY/374% QoQ) thanks to higher water reserves when La Nina brought heavy rain to the Central region.

**New progress in wind power price framework may boost negotiations on official transition prices**

On December 4, 2024, EVN sent the Ministry of Industry and Trade (MOIT) a document proposing a power generation price framework applicable to onshore and nearshore wind power plants in 2025. The proposed price for nearshore wind power projects is VND1,890.68/kWh, 4.12% higher than the price for transitional projects. The official price framework is expected to be issued soon, which will promote price negotiation progress for renewable energy projects.

**Valuation: BUY rating – Target price VND14,300/share**

Based on SOTP valuation, business prospects, and potential risks, we reiterate our BUY recommendation on GEG shares. Target price is VND14,300, 26.5% higher than the price on December 18, 2024.

**Buy** maintain

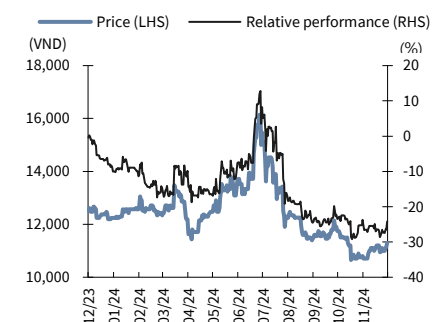
<b>Target price</b>	<b>VND14,300</b>
Upside	26.5%
Current price (Dec 18, 2024)	VND11,300
Consensus target price	VND14,200
Market cap (VNDtn/USDbn)	4.0/0.2

<b>Trading data</b>	
Free float	40.8%
3M avg trading value (VNDbn/USDmn)	788/33
Foreign ownership	46.01%
Major shareholder	AVH Pte.Ltd (29.76%)

<b>Share price performance</b>				
(%)	1M	3M	6M	12M
<b>Absolute</b>	2.3	-3.9	-16.0	-11.8
<b>Relative</b>	-1.3	-5.8	-14.6	-26.4

### Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	2,093	2,163	2,922	2,922
Operating income/loss (VNDbn)	851	962	1,200	1,346
NPAT-MI (VNDbn)	316	137	733	733
EPS (VND)	880	214	1,681	1,681
EPS growth (%)	0.0	-75.7	190.0	190.0
P/E (x)	18.6	76.6	25.0	12.8
P/B (x)	1.6	1.6	1.4	1.2
ROE (%)	6.6	2.5	4.5	8.5
Dividend yield (%)	0.0	0.7	0.6	3.7



Source: Bloomberg, KB Securities Vietnam

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**Investment ratings & definitions**

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**Investment Ratings for Stocks**

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

Buy:	Neutral:	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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