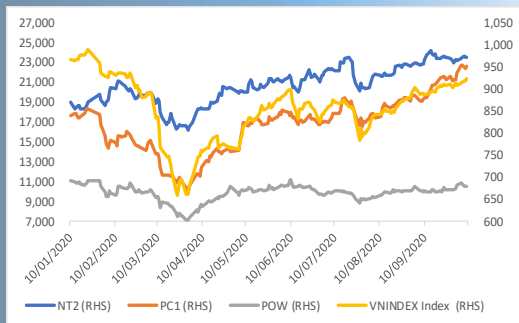


## Vietnam: Energy

13 October 2020



### What's new?

- **Rainy season** = hydropower turnaround.
- **PC1 is exposed to this recovery** given its new hydropower capacity.
- **Thermal power in 3Q20 likely to be weak** given hydropower mobilization amidst weaker overall demand due to COVID-19.
- **POW likely struggled in 3Q20.**
- **NT2 is carrying out medium maintenance** during late 3Q20–early 4Q20.

### Our view

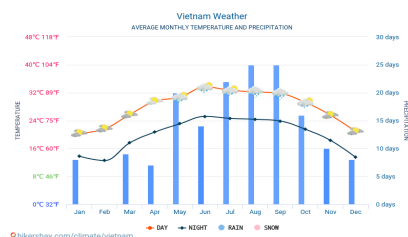
- **Hydropower is recovering from the low base of 2019.** The El Nino-driven drought extended to 1H20, suggesting decent growth in 1H21.
- **PC1 is most exposed to this hydropower recovery.** The company has added 48.2% to its hydropower capacity this year.
- **POW and NT2 may post weak 3Q20 results,** but they should recover in 2021 given the low base and stabilized gas input supply.

### Energy stocks under coverage

| Stock code | Current price (VND) | Target price (VND) | Up (down) side | 2020E Dividend yield | 12-m TSR* |
|------------|---------------------|--------------------|----------------|----------------------|-----------|
| POW VN     | 10,550              | 13,137             | 25%            | 2.8%                 | 27%       |
| NT2 VN     | 23,600              | 25,181             | 7%             | 8.5%                 | 15%       |
| PC1 VN     | 22,700              | 24,092             | 6%             | 0.0%                 | 7%        |

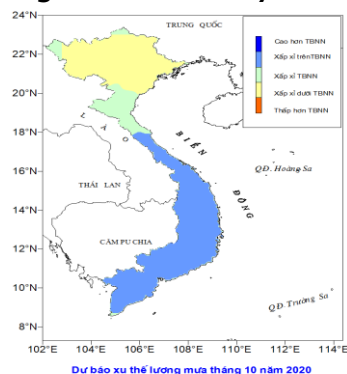
Source: Bloomberg, YSVN

### Vietnam's average temperature and rainfall



Source: hikersbay.com

### October 2020 rainfall (blue) is higher than multi-year average



Source: Meteorological Forecasting Group

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## 3Q20 preview: Hydropower recovery

**Rainy season is driving a turnaround for hydropower.** Hydropower is recovering in 2020 from the low base of 2019, when Vietnam was stricken with an extensive drought due to El Nino. By contrast, thermal power in 3Q20 is likely to be weak because of hydropower's increased share while overall electricity demand was hit by the secondary COVID-19 outbreak, which drove down the competitive generation market price of thermal power.

**PC1 is the key beneficiary of the hydropower recovery** after launching the 30MW Mong An Hydropower plant in 1Q20, as well as hydro plants Bao Lac B (18MW), and Song Nhim 4 (6MW) in July. Thus, PC1's installed capacity increased by 48.2% to reach 169MW, which should boost 3Q20 earnings. In addition, PC1 will hand over the remaining 40% of its Thanh Xuan apartment project, which has already generated VND 541 bn revenue in 6M2020 (+404% YoY) contributed 21% the 6M2020 revenue. PC1's share price has recovered by 40.3% since our [last update](#).

**POW likely struggled in 3Q20** with both input and output. Thermal power output in July and August was low due to reduced demand amid the COVID-19 resurgence, while input supply issues likely persisted. We expect 3Q2020 revenue to fall by -12% YoY to reach VND6,352bn, driven by a decline in output volume of 13% YoY due to mostly to NT1 (low mobility) and NT2 (medium maintenance). POW is up 4.4% since our [last update](#) but upcoming results are not likely to drive the stock up.

**NT2 carried out medium maintenance** in late Sep–early Oct. Thus, output volume may fall by 31% YoY to 783mn kWh revenue may fall by 25% YoY to VND 1,213bn. NT2 has increased by 17.1% since our [last update](#)

**PC1 remains our top pick in the sector.** PC1 plans to add 144 MWp of wind power into its power portfolio in 2021, entitling it to the favorable FIT of UScents 8.5/kWh. We believe that operations at POW and NT2 will recover in 2021. However, their share prices may be negatively impacted by the weak 3Q20 results; this implies a potential superior entry opportunity in late October, after the results have been released.

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