

31 Jul 2023

GIA LAI POWER (GEG)

Pressure from interest expenses

- 2Q23 NPAT declined 81%yoy owing to the robust increase in interest expenses
- Forecast interest expenses to be at high level 2H23
- Maintain a BUY recommendation

Facts: Decrease in revenue and NPAT compared to 2Q22

GEG reported its revenue at VND479bn, slightly down 5.2%yoy. However, NPAT recorded a significant decline -81.1%yoy. The largest effect comes from the surge of interest expenses, which is VND206bn, +47.9%yoy right after Tan Thuan Phong 1 wind power plant started operating and stop capitalizing interest expenses.

Tan Thuan Phong 1 wind power plant is the newest project of GEG comes into operation. It has begun to generate the energy by the end of June 2023 after reaching an agreement with EVN on the temporary price, that is as 50% as FIT price. The plant is 100 MW capacity and produces 1,000-1,500MWh per day on average.

Pros & cons: Pressure from interest expenses could last to the end of 2023

We forecast that interest expenses will remain high in 2H23. It will continue to put pressure on GEG's NPAT in the last two quarters of 2023. In addition to, temporary price is currently only as 50% as FIT price, this can help the project to generate cash flow but it's unlikely to reach the breakeven point. This also contributes to negative effect on GEG's NPAT in 2H23.

Action: Maintain BUY rating

Despite of negative GEG's earnings growth in 2Q23 (yoy), we still keep a BUY recommendation for GEG. Based on long-term prospects of government policy on green energy development and the attractive valuation.

12M rating **BUY (Maintain)**

12M TP **19,700**

Up/Downside **+27.5% (included dividend)**

Stock data

VNIndex (30 Jul, pt)	1,215
Stock price (30 Jul, VND)	15,450
Market cap (USD mn)	223
Shares outstanding (mn)	341
52-Week high/low (VND)	21,510/9,000
6M avg. daily turnover (USD mn)	0.90
Free float / Foreign ownership (%)	23/46
Major shareholders (%)	
Thanh Thanh Cong and related parties	43.64
JERA (Japan)	35.1

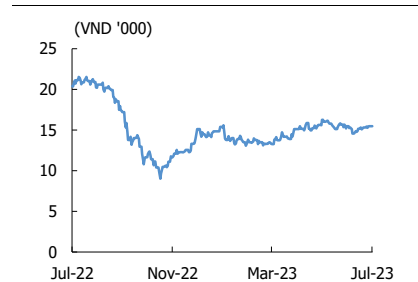
Valuation

	2022A	2023F	2024F
PE (x)	17.3	15.2	19.6
PB (x)	1.4	1.4	1.3
ROE (%)	7.6	5.7	5.0
DY (%)	-	-	-
EV/EBITDA (x)	9.9	7.0	5.6
EPS (VND)	892	1,013	788
BPS (VND)	11,121	11,166	11,814

Performance

	1M	6M	12M
Absolute (%)	2.4	(0.1)	(0.7)
Relative to VNIndex (%p)	(19.2)	(8.6)	(10.9)

Stock price



Source: Bloomberg

Research Dept

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■ Company overview

Founded in 2007, Gia Lai Power (HSX: GEG) is a leading firm in renewable power. GEG owns 13 hydro power plants, 7 solar power plants and 4 wind power plants. The total capacity is up to nearly 500MW. On March 01, 2017, GEG officially traded on Ho Chi Minh City Stock Exchange (HOSE).

Balance sheet

(VND bn)

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
Current assets	1,174	1,730	2,635	1,153	1,085
Cash & cash equivalents	256	825	1,669	157	54
Accounts & other receivables	772	750	803	825	851
Inventory	146	155	163	171	181
Non-current assets	10,994	14,842	14,157	14,761	13,789
Fixed assets	10,495	9,965	14,157	13,261	13,789
Investment assets	499	4,877	0	1,500	0
Others	305	546	427	427	427
Total assets	12,473	17,118	17,218	16,340	15,301
Advances from customers	3	2	2	2	2
Unearned revenue	0	1	0	0	0
Trade payables	1,473	1,376	1,376	1,348	1,098
Others	156	183	187	197	206
ST debt & due bonds	408	663	1,577	1,667	1,460
LT debt & bonds	6,695	9,264	8,054	6,735	5,830
Total liabilities	8,735	11,488	11,196	9,948	8,598
Controlling interest	3,378	4,278	4,620	4,928	5,173
Capital stock	3,037	3,861	4,215	4,501	4,501
Capital surplus	38	26	31	31	31
Other reserves	94	98	102	106	109
Retained earnings	208	292	272	290	532
Minority interest	360	1,352	1,402	1,464	1,530
Shareholders' equity	3,738	5,630	6,022	6,392	6,703

Cash flow

(VND bn)

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
C/F from operations	2,542	(191)	1,621	1,219	1,200
Net profit	325	371	339	418	553
Dep'n & Amort'n	414	648	785	906	981
Net incr. in W/C	1,803	(1,210)	497	(105)	(333)
C/F from investing	(5,883)	(3,718)	(52)	(1,463)	38
Capex	(5,807)	(3,810)	(99)	(1,510)	(10)
Incr. in investment	(77)	92	47	47	48
C/F from financing	3,456	3,994	(233)	(1,268)	(1,342)
Incr. in equity	313	1,232	101	0	0
Incr. in debt	3,283	2,819	(296)	(1,230)	(1,110)
Dividends	(140)	(57)	(39)	(39)	(231)
C/F from others	0	(0)	0	0	0
Increase in cash	115	84	1,335	(1,512)	(104)

Income statement

(VND bn)

	2021A	2022A	2023F	2024F	2025F
Net sales	1,381	2,093	2,401	2,735	2,894
COGS	614	1,082	1,138	1,246	1,318
Gross profit	767	1,011	1,263	1,490	1,576
SG&A expenses	114	161	184	210	222
Operating profit	653	851	1,078	1,280	1,354
Operating profit (Adj)	653	720	1,078	1,280	1,354
Financial income	37	214	67	67	68
Interest income	26	31	47	47	48
Financial expenses	409	657	755	867	790
Interest expenses	384	587	755	867	790
Other non-operating profit	81	(14)	(14)	(14)	(14)
Gains (Losses) in associates, subsidiaries and JV	6	13	10	10	10
Earnings before tax	369	407	385	475	628
Income taxes	43	36	46	57	75
Net profit	325	371	339	418	553

Key financial data

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
Per-share data (VND, adj.)					
EPS	892	576	778	987	1,393
BPS	11,121	13,287	14,350	15,307	16,070
DPS	800	600	91	86	514
Growth (%)					
Sales growth	(7.5)	51.6	14.7	13.9	5.8
OP growth	1.3	10.4	49.7	18.7	5.8
NP growth	10.3	(18.1)	27.3	23.3	32.1
EPS growth	(1.1)	(35.4)	35.0	26.9	41.1
EBITDA growth	6.9	40.4	24.3	17.3	6.8
Profitability (%)					
OP margin	47.3	34.4	44.9	46.8	46.8
NP margin	23.6	12.7	14.1	15.3	19.1
EBITDA margin	77.3	71.6	77.6	79.9	80.7
ROA	2.3	1.8	1.7	2.2	3.2
ROE	7.6	5.6	4.8	5.6	7.3
Dividend payout ratio	49.5	18.1	13.3	10.8	47.5
Stability					
Net debt (VND bn)	6,847	9,103	7,962	8,244	7,237
Net debt/equity (%)	183.2	161.7	132.2	129.0	108.0
Valuation (x)					
PE	17.3	15.2	19.6	11.3	17.3
PB	1.4	1.4	1.3	1.2	1.4
EV/EBITDA	9.9	7.0	5.6	5.0	9.9

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Prepared by: Research Dept

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