

24 Feb 2022

# Power

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## Rising revenue growth of coal-fired in 1Q22F

### Hydropower rode on the tailwinds in 4Q21

Based on our estimate, 4Q21 aggregated revenue of 23 listed hydropower companies jumped 22.5% yoy, while 4Q21 aggregated NPATMI increased by 32.9% yoy. The NPATMI growth was softer after booming at 1,134% in 1Q21, then slow down due to the national lockdown. In contrast, 4Q21 revenue of 4 listed gas thermal power makers and 5 coal-fired power makers shrank -61.2% yoy and -67.6% yoy, respectively due to the sharp rise of global coal and gas price, resulting in EVN's switch to hydropower.

### Gross margin of hydropower up; thermal power down in 4Q21

The average net margin of leading thermal power companies slumped to 5.9% in 4Q21 from 8.5% in 3Q21. The gross profit and net profit of leading gas thermal companies decreased -36% qoq and -57% qoq respectively due to the sharp rise of global gas prices (+44% yoy) which resulted in EVN shifting into the much cheaper hydropower. Thanks to La Nina effect, the increasing output accompanied by higher Fair Market Price (FMP) resulted in the 4Q21 fascinating growths among most hydropower makers (revenue +22.5% yoy, NPATMI +32.9% yoy). VSH far exceeded industry growth thanks to favorable hydrologic conditions (revenue +311% in 4Q21 and +373% in 2021).

### The strong rebound of coal-fired revenue in 1Q21F

Vietnam's power consumption is expected to rebound in 1Q22F driven by rapid economic recovery (1Q22F GDP could grow by 4.9% - 5.4% yoy, per Government). Due to the waning effect of La Nina in the north, EVN will shift its focus to coal thermal plants to ensure power supply. The HFO Singapore, a reference for gas price supplied to domestic gas-fired power plants could spike in 1Q22F due to supply shortage and Russia – Ukraine tension. We think EVN will prioritize the cheaper coal-fired power plants driven by their lower than gas supply price. Thus, we expect the revenue of coal-fired plants stays solid than gas-fired firms in 1Q22F.

**Non-rated**

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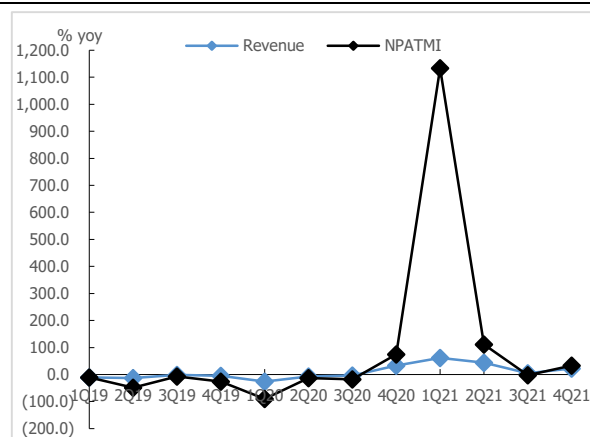
This quarterly earnings report is intended to track the earning growth trend in the power generators. We make a deep dive analysis into the specific producers from hydro-powered, gas-fired, coal-fired. The renewable companies have yet been listed except Bamboo Capital (BCG VN Equity) whose renewable revenue is still not accounting for the big portion.

**Table 1. Business results of 23 hydropower producers** (VND bn,%)

	4Q20	3Q21	4Q21	YoY	QoQ
Revenue	4,063	3,229	4,975	22	54
OP	2,236	1,713	3,026	35	77
NP	1,718	1,107	2,280	33	106

Source: Company data, Fiinpro

**Figure 1. Hydropower makers enjoyed growth in 4Q21**



Source: Company data, Fiinpro

Note: The extraordinary growth of net profit in 1Q21 inherited from the improving gross margin (+17%p yoy), strong financial income (+96% yoy) and less financial expense (-26% yoy).

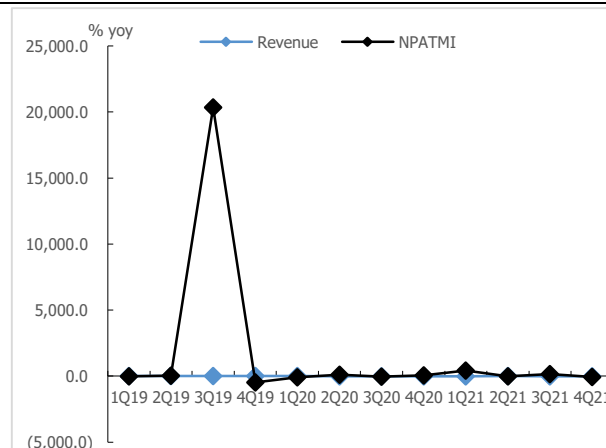
Based on our collection, the 4Q21 aggregate earnings momentum of 23 listed hydropower companies was accelerated. Net profit growth reverted to 33% yoy in 4Q21 from the peak of 1Q21. The power industry benefited from the opening up of the economy since 4Q21 after a lengthy lockdown. Moreover, the effect of La Nina prompts EVN to switch to hydroelectric power to take advantage of cheap price. The revenue growth pace (+22.5% yoy) was much more than 3Q21 (+5% yoy). We that revenue growth was mainly attributable to the combination of an increase in output volume and rising selling price (Qc increased 4-5% yoy).

**Table 2. Business results of 4 gas thermal producers** (VND bn,%)

	4Q20	3Q21	4Q21	YoY	QoQ
Revenue	18,931	15,457	15,024	(21)	(3)
OP	3,591	2,034	1,309	(64)	36
NP	1,950	1,798	789	(60)	(56)

Source: Company data, Fiinpro

**Figure 2. Gas thermal witnessed net profit decrease in 4Q21**



Source: Company data, Fiinpro

Note: The extraordinary growth of net profit in 3Q19 came from the exchange rate difference of PGV and the significant decrease of financial expense of POW (-VND511bn).

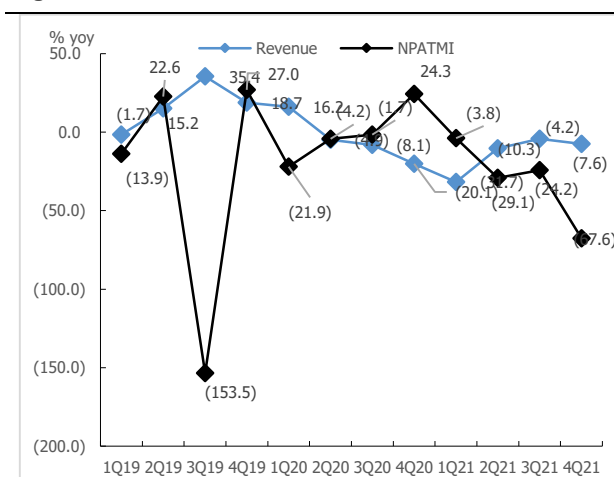
According to our research, the 4Q21 aggregate earnings momentum of 4 listed gas thermal companies decelerated. Net profit growth reverted to -61.2% yoy in 4Q21, after the significant growth of 155.2% yoy in 3Q21. The revenue growth pace in 4Q21 was much less than the 2Q21 level to -20.6% yoy. Net profit growth pace more plunged, mostly attributable to the strong growth of gas price in 2021 which in turn hit the net margin.

**Table 3. Business results of 5 coal-fired producers**  
(VND bn, %)

	4Q20	3Q21	4Q21	YoY	QoQ
Revenue	9,687	8,225	8,954	-8%	9%
OP	2,831	377	862	-70%	129%
NP	1,947	210	634	-67%	202%

Source: Company data, Fiinpro

**Figure 3. Listed coal-fired makers were hit in 4Q21**



Source: Company data, Fiinpro

Regarding coal thermal, net profit growth of 5 leading coal thermal companies drop 67.6% yoy in 4Q21, vs 24.3% yoy in 4Q20 based on Fiinpro data. The revenue growth pace in 4Q21 was less decreasing with 7.6% yoy in 4Q21. Net profit growth was hit harder, owing to a decrease of coal-fired output volume in 4Q21.

### Hydropower led industry volume growth in 4Q21

The total output of the top 6 hydropower operators climbed 45% yoy in 2021, driven by EVN's switch to cheap and abundant hydropower in the light of rising electricity prices of gas-fired and coal-fired.

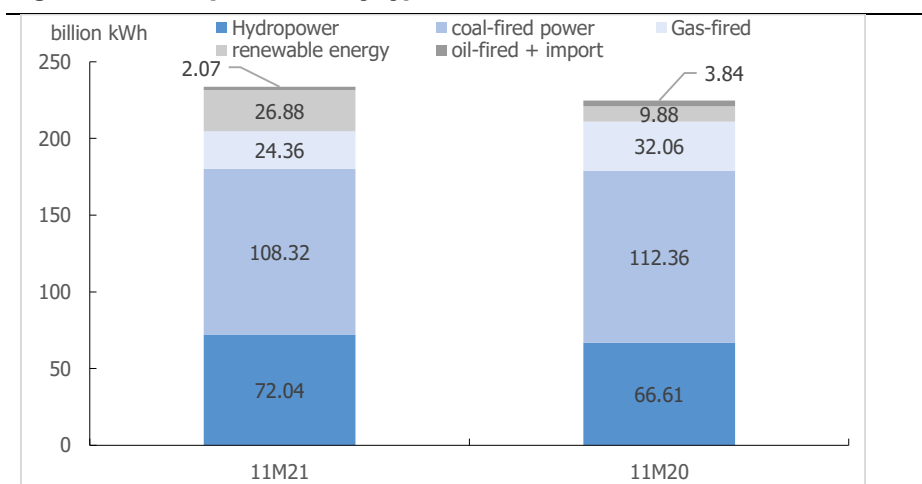
DNH, the largest revenue earner, delivered revenue growth of +97.5% yoy in 4Q21 and +46.7% yoy in 2021. Among the hydropower makers, VSH outperformed the best amid its highest revenue growth of 311% yoy in 4Q21 and 373% yoy in 2021 thanks to favorable hydrologic conditions and the commencement of the new Thuong Kon Tum plant. SBH's revenue also prospered in 4Q21 after bleak results in the previous quarter, surging +7.9% yoy in 4Q21 and +8.1% yoy in 2021. In contrast, GEG kept slow recovery from 4<sup>th</sup> wave of the pandemic in 4Q21, making the revenue decrease by -17.2% yoy in 4Q21 and -11.4% yoy in 2021. Overall, DNH, GEG, VSH, and SBH completed 135%/75%/126%/128% of 2021 revenue guidance.

The revenue of POW, the top gas thermal producer, strongly plunged 54.5% yoy in 4Q21 and 17.3% yoy in 2021 due to the technical trouble at Vung Ang 1 Power Plant and the decreasing power demand due to harsh lockdown measures when its output volume dropped 23.4% in 2021. PGV's revenue slightly decreased by -2.4% yoy in 4Q21 and -6.5% yoy in 2021 when its output dropped by -11% yoy in 2021. On the opposite side, BTP delivered a strong revenue growth by 237.4% yoy in 4Q21 and 62.3% yoy in 2021 respectively thanks to its increasing output, making the output volume reach 212 million kWh

in 4Q21, up 150% yoy. NT2 also witnessed a successful period when its revenue increased by 22.8% yoy in 4Q21 and 1.1% yoy in 2021. In conclusion, POW, PGV, NT2, and BTP fulfilled 86%/95%/80%/137% of 2021 revenue guidance respectively.

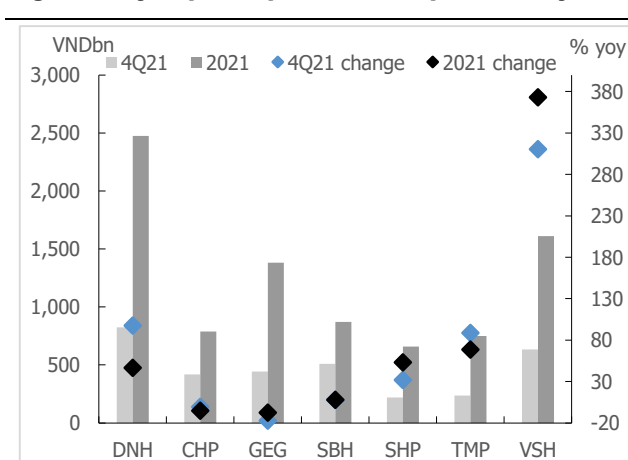
Among the coal thermal stocks, DTK, the leader in respect of the revenue, posted revenue growth of +13.4% yoy in 4Q21 and +2.3% yoy in 2021 thanks to gains from exchange rates difference in 2018 which in turn was paid in the selling price in 4Q21. QTP realized the largest growth of +18.6% yoy in 4Q21 driven by volume growth of +75.4% yoy in 4Q21. On the other hand, revenue of HND and PPC respectively slid by 8.7% yoy and 71.2% yoy in 4Q21. PPC had to suspend the operation of 5th engine unit for 75 days in 4Q21 for maintenance which resulted in the output decline of 64% yoy. In summary, DTK/HND/QTP/PPC completed 112%/101%/102%/68% of 2021 revenue guidance.

**Figure 4. The output volume by type**



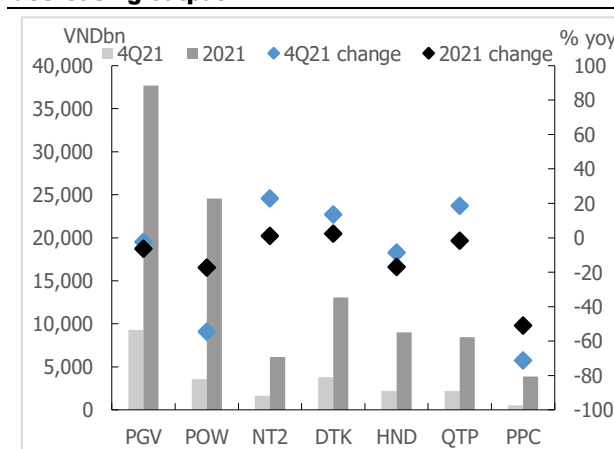
Source: EVN

**Figure 5. Hydropower producers reap a fruitful year**



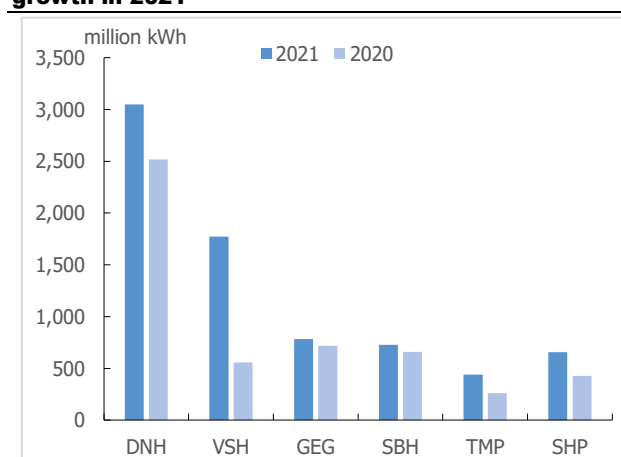
Source: Company data, Fiinpro

**Figure 6. Thermal power plants shrank due to decreasing output**



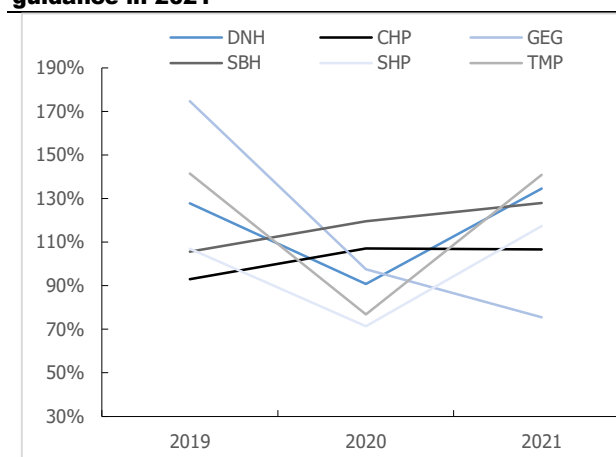
Source: Company data, Fiinpro

**Figure 7. Sales volume led hydropower revenue growth in 2021**



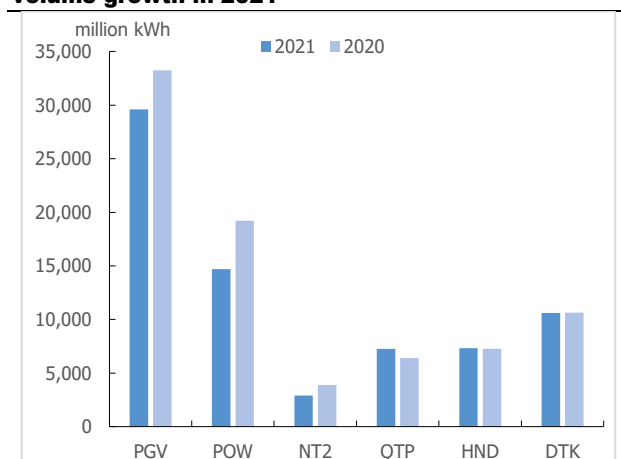
Source: Company data

**Figure 8. Most of the hydropower plants beat their guidance in 2021**



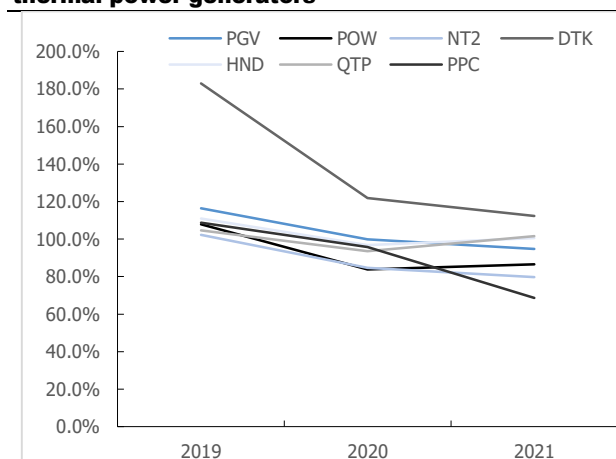
Source: Company data, Fiinpro

**Figure 9. Thermal power producers delivered tepid volume growth in 2021**



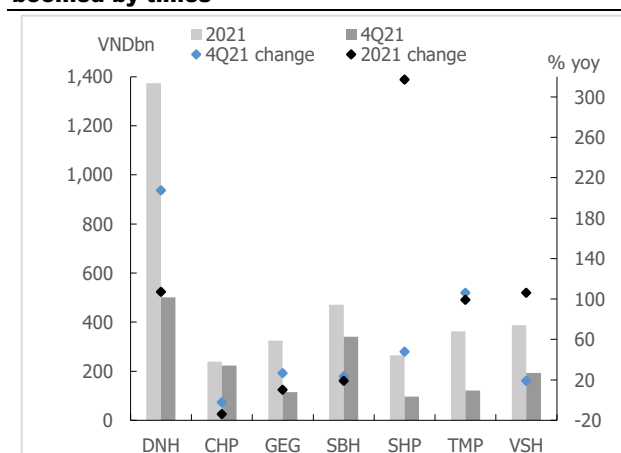
Source: Company data, Fiinpro

**Figure 10. Mixed revenue completion among the thermal power generators**



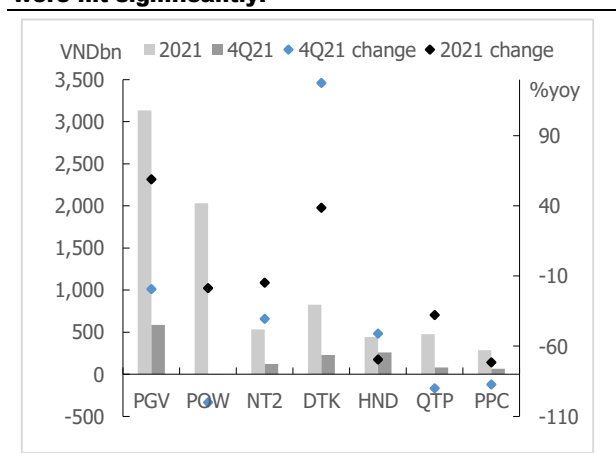
Source: Company data, Fiinpro

**Figure 11. Net profit growth of hydropower plants boomed by times**



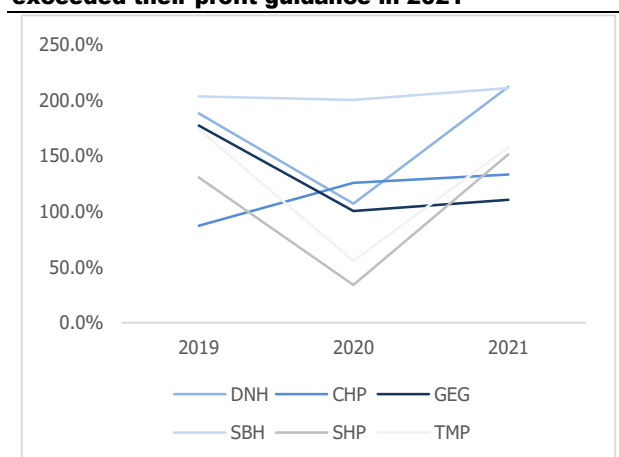
Source: Company data, Fiinpro

**Figure 12. Thermal power companies' net profit were hit significantly.**



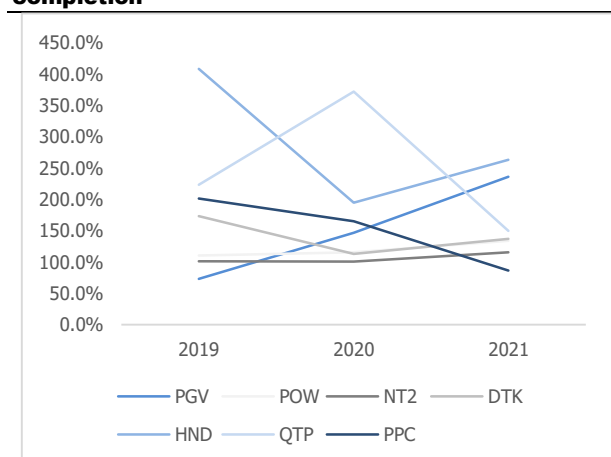
Source: Company data, Fiinpro

**Figure 13. Most of the hydropower makers exceeded their profit guidance in 2021**



Source: Company data, Fiinpro

**Figure 14. Thermal power producers' net profit completion**

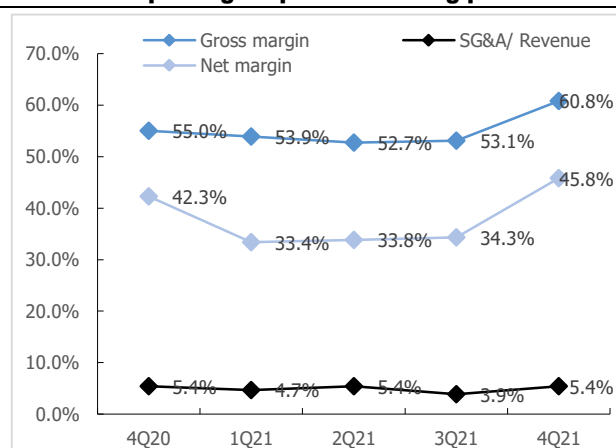


Source: Company data, Fiinpro

### Gross margin rose in hydropower plants and slid in thermal

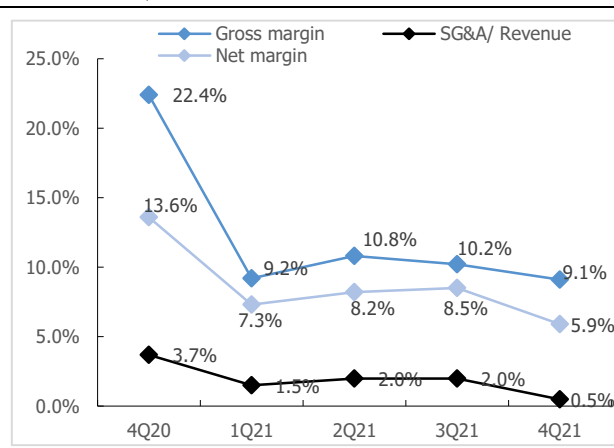
In 4Q21, the net profit of 23 leading listed hydropower generators continuously remained robust by +32.9% yoy and +108% qoq. Among the top biggest revenue-generating hydropower producers, DNH was the most outstanding player in 4Q21 with a 207% yoy net profit growth in 4Q21 and 107% yoy growth in 2021 thanks to abundant water in Don Duong, Ham Thuan reservoirs and the 2x yoy increase of financial income. SHP gained an impressive net profit growth of 47.7% yoy in 4Q21 and 317% yoy in 2021, mainly due to the combination of increase of output and slightly increasing selling price (Pc) of +3% yoy in 2021. SBH also earned a remarkable net profit growth of 23% yoy in 4Q21 and 19% yoy in 2021, exceeding 111% of 2021 profit guidance. The other hydropower companies fulfilled around 110-211% of their 2021 net profit guidance, much larger than 34-125% witnessed in 2020. The gross margin expansion of 5.8%p yoy to 60.8% in 4Q21 was the qualitative influence, driven by increase of the Pc price (the contract price with EVN) of +4-5% yoy amid the sustained 4Q21 average input price. Hence, net margin of hydropower operators also surged by 3.5%p yoy in 4Q21. Moreover, the FMP price of power which is sold on the competitive market and accounts for 10-20% of total output also rose 13% yoy. However, we saw a net margin decline in most thermal power companies in 4Q21 and the whole year 2021. The average net margin slumped to 5.9% in 4Q21 from 8.5% in 3Q21 and 13.6% in 4Q20. Despite the rally in the selling price, the gross profit and net profit of leading gas thermal companies were still dragged by -64% yoy and -60% yoy respectively due to the sharp hike of global gas prices, +44% in 2021. The gross profit and net profit of top coal-fired power makers slid -70% yoy and -67% yoy when Newcastle coal prices also hovered to USD155/tonne, +89% yoy in 2021.

**Figure 15. Hydropower's net margin spiked in 4Q21 thanks to improving output and bidding price**



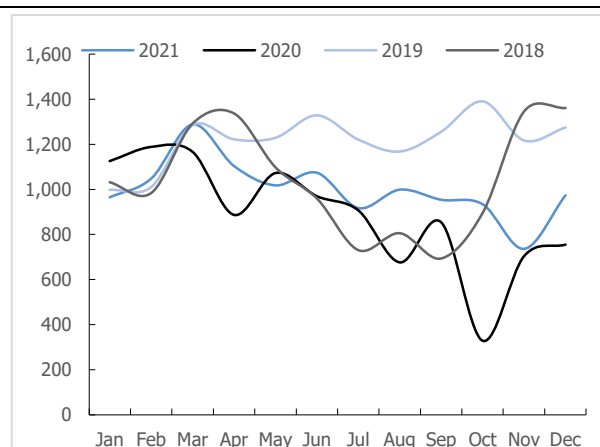
Source: Company data, Fiinpro

**Figure 16. Thermal power company net margin shrank in 4Q21**



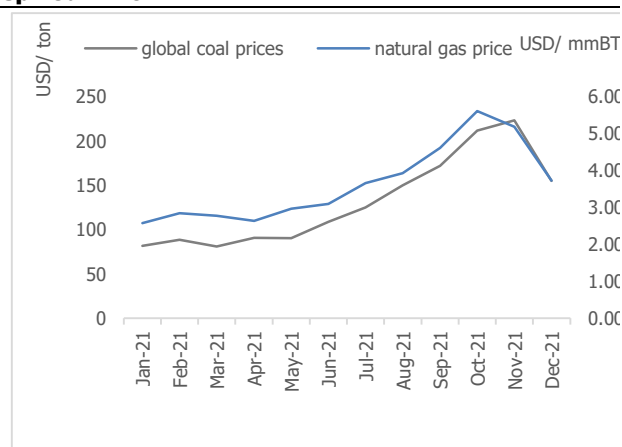
Source: Company data, Fiinpro

**Figure 17. Average FMP increased 13% yoy in 2021**



Source: EVNGENCO3

**Figure 18. Global coal price and natural gas price spiked in 2021**



Source: Bloomberg, EIA

### The bright prospect of coal-fired power plants in 1Q22F

In 1Q22F, the market is expecting the demand for power to rebound strongly thanks to the opening economy and the removal of harsh lockdown measures. According to EVN, Vietnam's power consumption will grow at 8.2% in 2022F. Hydropower plants in southern regions still benefit from La Nina effects in 1Q22F. However, as the La Nina wanes since early 2022F, reservoirs of hydropower in the northern provinces could suffer water shortage from Jan to Jun 2022F. According to EVN, in November 2021, the pumped water in Son La, Hoa Binh hydropower plants only reached 67% of useful capacity. It is projected to lack 4.19 billion m3 of water in early 2022F. Accordingly, we expect that EVN will shift its focus to coal thermal plants to ensure power supply for the northern region. The imported coal often makes up only 20 –25% of total coal consumption, of which, Vietnam primarily imports from Indonesia and Australia. The price of domestic coal supplied for coal-fired power plants is modified annually by MOIT and MOF at the early of the year. We see that MOIT's assigned prices are normally less volatile than global coal prices which could be significantly increased in 1Q22F. We believe that the bidding price of coal-fired power plants is still compelling against gas-fired power despite the rising trend of global coal and gas prices. Thus, EVN will prioritize the cheaper coal-fired power plants driven by their lower price than gas supply. The gas price

supplied to domestic gas thermal power is estimated to keep upward in 1Q22F due to the increase price of its reference, HFO Singapore amid the concern for supply shortage and Russia – Ukraine tension. For the first sign, HFO Singapore, increased 20% YTD in 2022. We expect the revenue of coal-fired plants stays solid than gas-fired firms in 1Q22F.



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