

POW – Ambitious LNG projects set the stage for long term development.

While waiting for final approval of Power Plan 8 (PP8), which is expected to see the synchronization of the goals of national energy security and reducing carbon emission, the Government is expected to encourage the development of renewable energy such as wind power together with gas thermals using LNG serve as primary sources instead of coal-fired. POW has already stayed one step ahead by starting ambitious projects: Nhon Trach Power Plant 3 and 4 (NT3&4) in Nov 2022.

On Sep 9th, 2022, POW's Board of Management announced the decision to invest 30% in the established Quang Ninh LNG Power Plant JSC (QN-PPL) together with Vietnam Mechanical Assembly JSC (COLAVI), Tokyo Gas Limited Company, and Marubeni Corporation. As a result, POW will need to invest capital of nearly 16,000 bn VND for this project.

Projects	Input fuel	Capacity: MW	Location	Capital: bn VND	COD	Cost per Capacity: bn VND/MW	Ownership	Energy Conversion Efficiency
Nhon Trach 3	LNG	750	Nhon Trach, Dong Nai	15,500	4Q2024	21	100%	Over 60%
Nhon Trach 4	LNG	750	Nhon Trach, Dong Nai	15,500	2Q2025	21	100%	Over 60%
Quang Ninh	LNG	1,500	Cam Pha, Quang Ninh	46,900	3Q2027	31	30%	Over 60%

Sources: ACBS, POW

Comment:

We expect Nhon Trach 3 & 4 Power Plants are the catalyst for revenues and profit surges after 2025. With the contribution of Nhon Trach 3 & 4, POW's capacity will be increased by 35% from 4,200 MW to 5,700 MW, producing extra 9 bn kWh per year. The projects stand a high opportunity of being successful thanks to:

- Healthy financial situation with net debt is decreasing to only 8,161 bn VND by 1H2022 compared to 23,839 bn VND in 2017;
- 7,135 bn VND in cash;
- The average net cash flow from operating activities (CFO) from 2017 – 2021 is 5,000 bn VND each year, and
- The energy demand in Vietnam is expected to reach 378 bn kWh in 2025, +50% compared to 2021 (252 bn kWh).

Risks:

- With 16,000 bn VND investment in QN-PPL, the necessary capital for these 3 projects might be 47,000 bn VND, which means POW would have to borrow more than 20,000 bn VND, which results in high pressure from interest payments.
- NT3&4 might face delays in development given the scale and complexity of the projects.
- Price inflation of fossil fuels might continue in 2023 and 2024, which would have a negative impact on the EAT and CFO.

Cash Flows: bn VND	2017	2018	2019	2020	2021
CFO	6,113	4,996	5,323	7,908	5,147
CFI	(1,059)	1,555	(422)	149	563
CFF	(7,458)	(5,633)	(3,003)	(6,075)	(4,555)

Sources: ACBS, POW

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