

## Power Sector: FY2024 Update

# Lower profits for gas and hydro firms from output and price declines, higher retail electricity prices will support sector cash flow

Power firms delivered mixed operating results in 2024. Total revenue and net income declined by 0.3% and 26% year-over-year (YoY), respectively. Despite declining profitability, power firms continued to show strong coverage, driven by operating cash flow (CFO) improvements. We expect 2025 to be a strong year for the power sector, as several new projects will start commercial operations in 2025, enhancing the power sector's output and revenue. In addition, expected increases in retail electricity prices in 2025 will also boost the sector's cash flow.

### Coal power drove the sector's output growth in 2024

Buoyed by increasing power demand to support strong economic growth in 2024, Vietnam's total power production reached 308.7 billion kWh (10% YoY). The coal power segment led the sector growth in 2024, with production volume increasing by 18% YoY and accounting for nearly 50% of total power output. Consequently, revenue and profits of our covered coal power firms grew by 6% YoY and 9% YoY, respectively. Coal power firms recognized significant revenue growth in 2024 including PPC (32%), NBP (23%), DTK (9%).

In 2025, we expect coal power plants will continue to operate at high utilization rates and lead power production growth. New plants commencing operation in the next 12 months, such as Vung Ang 2 and Quang Trach 1, will increase coal power installed capacity by 10%, strengthening the segment's revenue and cash flow.

### New LNG plants will improve gas power firms' weak operating results

Gas power production declined by 17% YoY in 2024 (2023: -10% YoY) due to the depletion of domestic natural gas supply. Gas power contribution to total power output declined from 13% in 2023 to 7% in 2024. In addition, natural gas price increased by 7% YoY in 2024. As a result, gas power firms reported significant reductions in revenue, such as NT2 (-7% YoY), PGV - Phu My Plant (-22% YoY). Looking ahead, we anticipate the gas power segment's production to recover in 2025. We are aware that POW's two new plants using imported LNG – expected to boost Vietnam's gas power installed capacity by 20% – will commence operations in Q3/2025.

### Policy change reduced hydropower firms' profitability

Hydropower output increased by 10% YoY, driven by increased rainfall in 2024. However, due to a new Ministry of Industry and Trade (MoIT) policy, firms had to reduce the output sold in the wholesale electricity market, which typically transacts at higher prices than the contract prices in Power Purchase Agreements with the EVN. This policy change led to firms' total revenue and net income declines by 4.4% and 20.4% YoY, respectively. VCP was the only hydropower firm reporting a significant revenue increase, mainly driven by its newly acquired waste treatment plant in 2023. In 2025, we expect hydropower firms' revenue and profits will stabilize from steady electricity production.

### Coverage improved from stronger operating cash flow, underpinned by lower interest payments and quicker payments from EVN

The sector's debt serviceability improved in 2024, driven by stable leverage and expanding CFO. Over the last year, power firms saw a modest increase in total debt (2.6% YoY). However, the sector's paid interest expense declined by 23% YoY, attributed to a low-interest environment. Total receivables from Vietnam Electricity (EVN) declined by 13% YoY, as recent retail electricity price increases improved EVN's liquidity and allowed it to quicken payments to power firms. Hence, power firms' CFO surged by 48% YoY in 2024, enhancing their debt coverage, measured by CFO/Debt, to 23% (2023: 16%).

In 2025, we expect the sector's leverage and coverage to remain stable. New plants will increase total installed capacity by approximately 6%, boosting the power sector's output and revenue amidst robust electricity demand. In addition, expected increases in retail electricity prices in 2025 will also boost the sector's cash flow.

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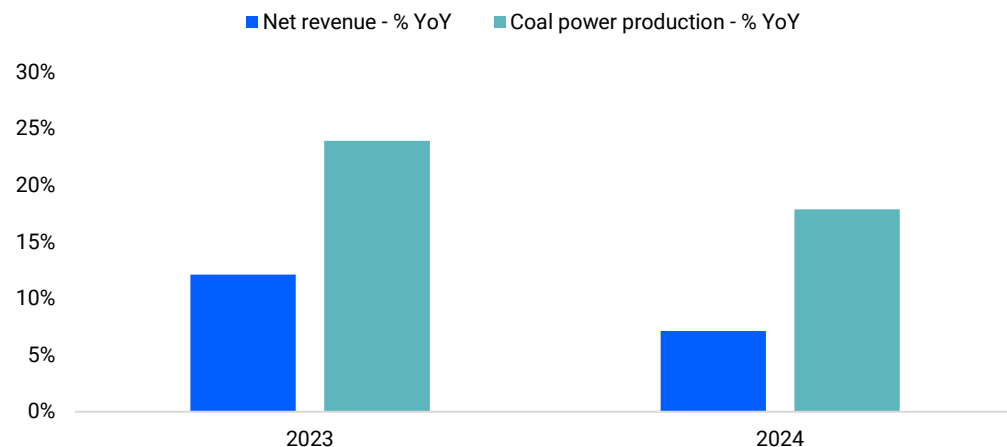
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## Lower profits for gas and hydro firms as output and price decline, higher retail electricity prices will support sector cash flow

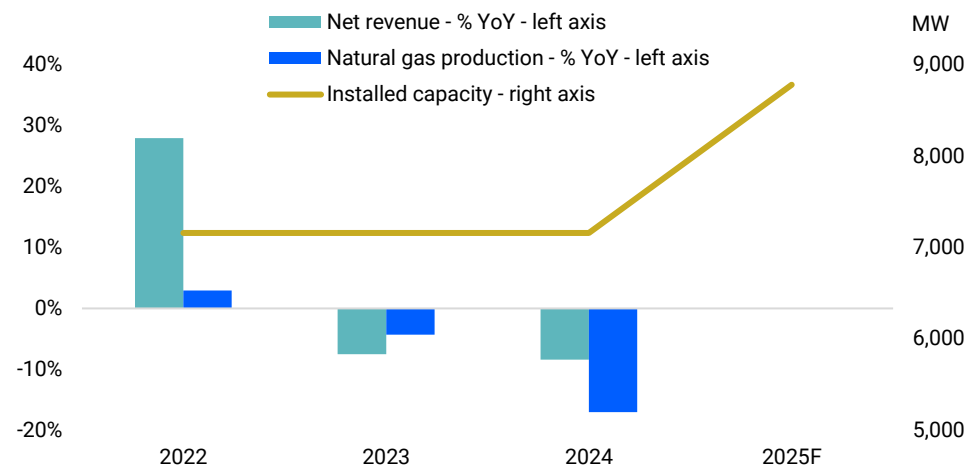
**Exhibit 1: Coal power drove the sector's output growth in 2024**



Source: General Statistics Office (GSO), Company data, VIS Rating

Note: Coal power firms in top 20 listed power firms in terms of revenue

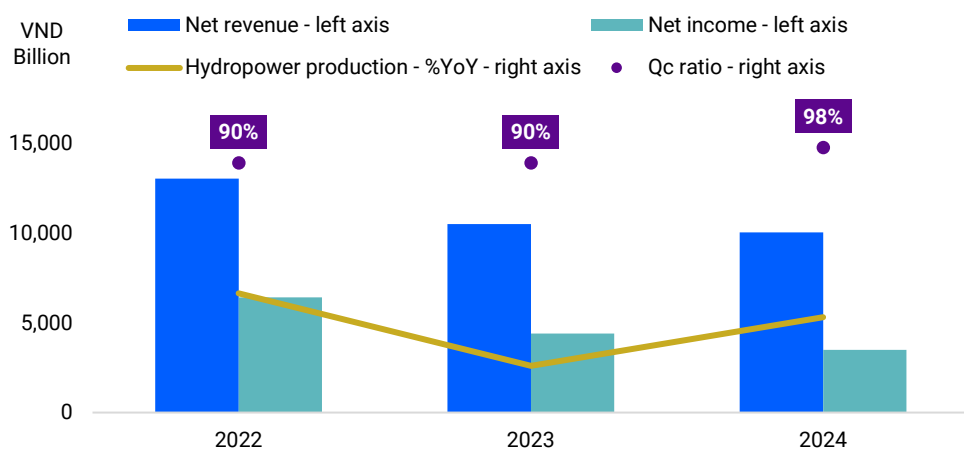
**Exhibit 2: New LNG plants will improve gas power firms' weak operating results**



Source: Vietnam Electricity (EVN), Company data, VIS Rating

Note: Gas power revenue of POW and PGV

**Exhibit 3: Policy change reduced hydropower firms' profitability**



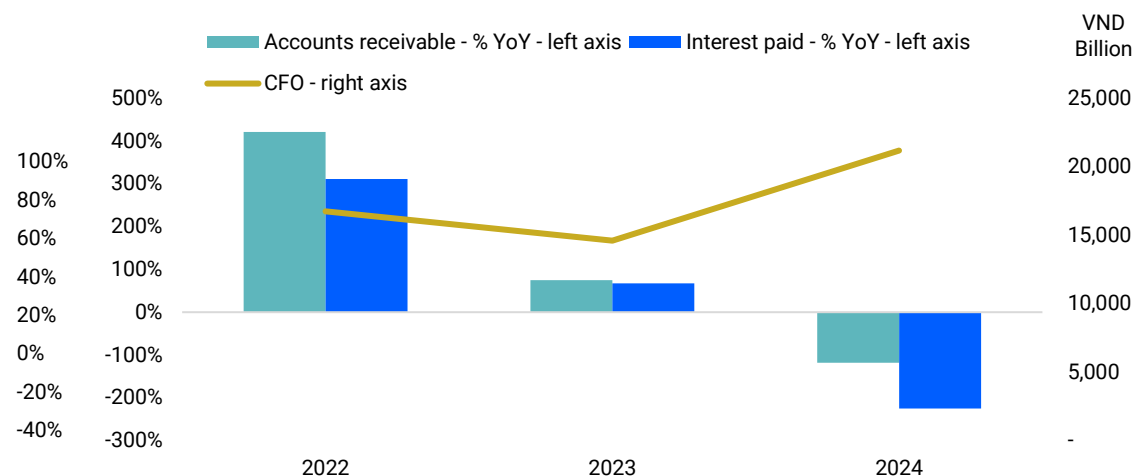
Source: Vietnam Electricity (EVN), Company data, VIS Rating

Note: Hydropower firms in top 20 listed power firms in terms of revenue

Qc ratio: Proportion of output sold under Power Purchase Agreements with EVN

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**Exhibit 4: Coverage improved from increasing operating cash flow, underpinned by lower interest payments and quickened payments from EVN**



Source: Company data, VIS Rating

Note: Top 20 listed power firms in terms of revenue

## APPENDIX

The firms included in our analysis are as follows:

	Short name	Full name
1	AVC	A Vuong Hydropower JSC
2	DNH	Da Nhim - Ham Thuan - Da Mi Hydro Power JSC
3	DTK	Vinacomin - Power Holding Corporation
4	GEG	Gia Lai Electricity JSC
5	HNA	Hua Na Hydropower JSC
6	HND	Hai Phong Thermal Power SJC
7	KHP	Khanh Hoa Power JSC
8	PGV	Power Generation Joint Stock Corporation 3
9	POW	PetroVietnam Power Corporation
10	PPC	Pha Lai Thermal Power JSC
11	QTP	Quang Ninh Thermal Power JSC
12	REE	Refrigeration Electrical Engineering Corporation
13	SBH	Song Ba Ha Hydro Power JSC
14	TMP	Thac Mo Hydro Power JSC
15	VSH	Vinh Son - Song Hinh Hydropower JSC
16	PC1	PC1 Group JSC
17	NT2	PetroVietnam Power Nhon Trach 2 JSC
18	VCP	VCP Power & Construction JSC
19	NBP	Ninh Binh Thermal Power JSC
20	CHP	Central Hydropower JSC

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