

# Energy & Utilities Sector

Domestic E&P to enter a new growth cycle

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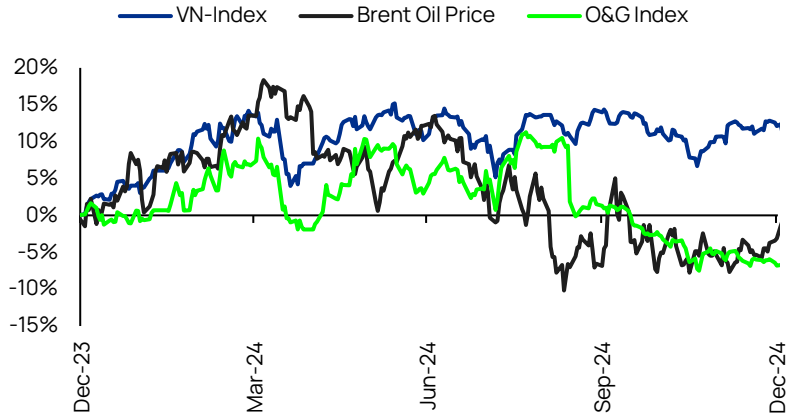
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# Oil & Gas Sector: Domestic E&P recovery to continue despite lower oil prices

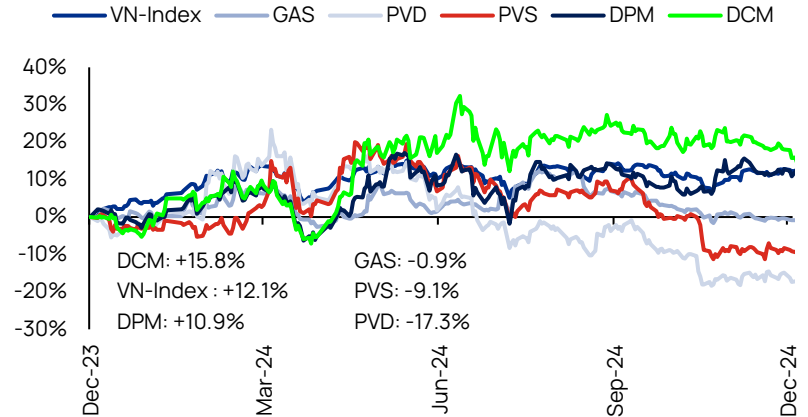
- **We forecast the average Brent oil price at USD70/bbl (-12.5% YoY) for 2025F.** We forecast the average Brent oil price for 2026-2029F at USD69-70/bbl, ~20% higher compared to the average pre-COVID level (2015-2019), which should support E&P activities. PetroVietnam Group plans for a Brent oil price of USD70-75/bbl in 2025. This expectation strongly supports our forecast as the company is usually conservative in guidance.
- **Vietnam's E&P activities recovered in 2024 and should accelerate from 2025F:** We project domestic E&P capex of USD14bn for the 2023-33F period. We estimate for domestic E&P spending to improve 14% YoY in 2024 to USD0.8bn, increase further to USD1.3bn in 2025 (+63% YoY), and peak at USD2.8bn in 2027. This implies USD2.1bn p.a. on average for the 2025-29F period, 2.6x of the average p.a. level in the previous cycle (2016-23). This is mainly driven by Block B Phase 1's official groundbreaking in September 2024, and further development of the Yellow Camel and White Lion Phase 2B oil & gas fields. This should benefit PVS, GAS, and PVD.
- **PVS (our top pick) to benefit from global/domestic E&P recovery and the huge potential of offshore wind power projects:** PVS has secured three contracts of Block B (EPCI#1-3, totaling USD1.1bn) and started construction. Additionally, PVS stands to benefit from global offshore wind growth with signed backlog of USD2.0bn at the end of 2024. PVS looks attractive at a 2025 P/E of 13.2x, implying a three-year PEG of 0.7.
- **We believe Vietnam's energy sector will have a massive transition to LNG.** We expect robust power demand, as well as official guidelines for LNG consumption, to drive LNG volume significantly. The Ministry of Industry & Trade/National Electricity System & Market Operation (NSMO) guides to raise gas-fired power plants' mobilization by 22%-30% YoY in 2025.
- **We recommend GAS as it has a near monopoly player in Vietnam.** We project a 2024-2027 EPS CAGR of 18%, driven by LNG Thi Vai's NPAT to increase 10x over this period to VND2.7tn, contributing 16% to GAS's NPAT. GAS's valuation is compelling with a 2025F P/E of 14.6x, 13% lower than its historical 5Y average P/E, and an implied PEG of 0.8.
- **We remain confident that petroleum consumption will continue to grow strongly in Vietnam, even with increasing penetration of electric vehicles.** The MolT estimates for petroleum consumption to grow 8% in 2025, 2x of 2024's growth. We project Vietnam's petroleum consumption to grow at a 4.7% CAGR in 2024-2030F. This rate is 12x the International Energy Agency (IEA)'s projected CAGR in global consumption of 0.4% in the same period, which should benefit PVT, PLX, and BSR.
- **We like PVT as it potentially benefits from Donald Trump's presidency.** President Trump's policies of increased production and oil exports could shift oil trade flows as the US exports more oil to markets in Asia. This would lead to more demand for longer-haul routes (from the US to Asia and to Europe). This could sustain tonne-mile demand for tanker classes and support tanker rates, even with potentially lower transport volumes. Additionally, PVT expects positive impacts on LPG tanker rates. PVT's valuation looks attractive with a 2025F EV/EBITDA of 2.5x, 62% below the five-year average of our selected regional peer median.
- **We also like PLX: We expect the new decree on the petroleum sector (may be approved in H1 2025) to have a positive impact on PLX's earnings.** The new decree will allow petrol distributors to set their own prices and switch from a base price mechanism to a ceiling price mechanism. We expect this to improve margins for petrol distributors. From 2015-2023, countries with market-determined pricing or ceiling prices averaged OPMs of 3.0% and 3.9%, respectively, while PLX averaged 2.1% and PV OIL averaged 0.6%. We believe that switching to a ceiling price mechanism should help to improve the OPMs of PLX and OIL in recovering to their pre-COVID levels and potentially increasing, thereby matching with the OPMs of regional peers.
- **We like DPM and DCM, who deliver a solid dividend yield (~8%) and benefit from VAT Law changes.** The 5% VAT on the selling price of fertilizers was approved at the National Assembly meeting on November 26, 2024, and is effective from July 1, 2025.

# Oil & Gas Stock Performance

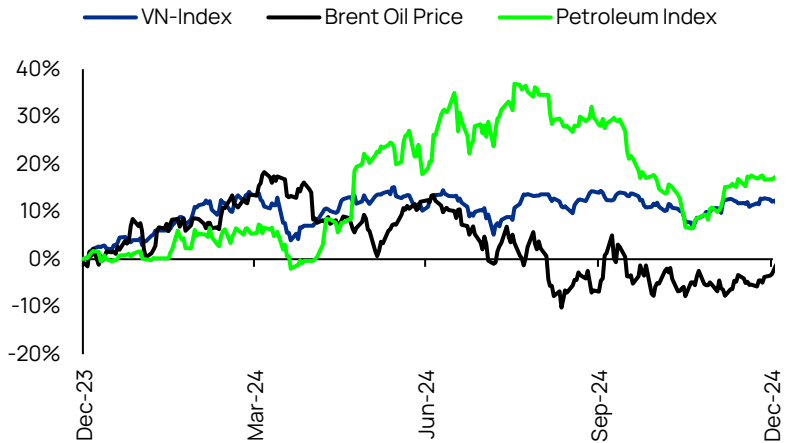
## Vietcap Oil & Gas Index vs VN-Index



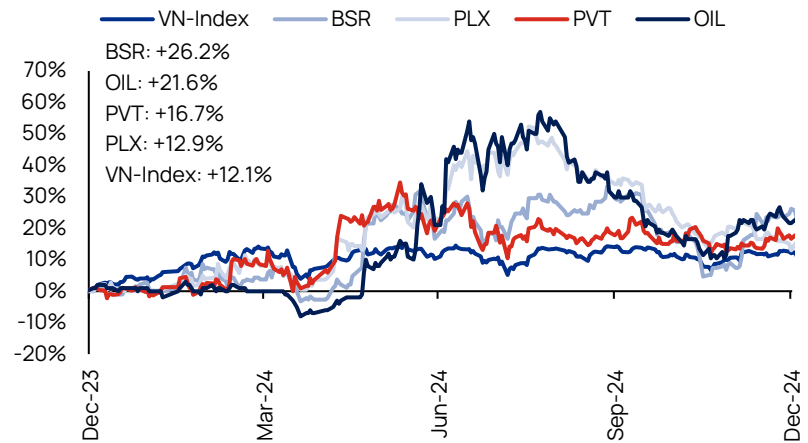
## Vietcap Oil & Gas stocks vs VN-Index



## Vietcap Petroleum Index vs VN-Index



## Vietcap Petroleum stocks vs VN-Index



Source: FiiPro, Vietcap. Note: Oil & Gas and Petroleum indices are weighted by the market cap of the stock shown; data as of February 18, 2025.

# Oil & Gas Sector: Key data and summary valuations

## Oil & Gas and Petroleum stocks – Key data

Code	Rating	Market Cap, USD mn	State O'ship %	Foreign Limit %	Foreign Avail, USD mn	ADTV 30D, USD mn	Share price, VND ps	Target price, VND ps	Target price, updated	Upside %	Div yield %	12M TSR %
PVS	BUY	648	51.4	49	196	2.9	34,600	50,900	2/6/25	47.1	2.0	49.1
PVT	BUY	366	51.0	49	134	1.6	26,200	32,200	2/21/25	22.9	3.1	26.0
GAS	BUY	6,308	95.8	49	2,984	1.7	68,700	79,200	2/7/25	15.3	4.4	19.7
PLX	BUY	2,151	75.9	20	56	2.1	43,200	49,200	2/14/25	13.9	3.5	17.4
BSR	O-PF	2,479	92.0	49	1,210	2.2	20,400	21,200	11/26/24	3.9	3.4	7.3
DPM	O-PF	563	59.6	49	224	3.9	36,700	36,800	1/17/25	0.3	4.1	4.4
PVD	M-PF	507	50.5	49	193	3.1	24,500	25,500	2/19/25	4.1	0.0	4.1
DCM	O-PF	744	75.6	49	322	2.6	35,850	35,800	1/17/25	-0.1	4.1	4.0

## Oil & Gas and Petroleum stocks – Summary valuations (based on reported earnings)

Code	Share price VND ps	EPS g 2024 %	EPS g 2025F %	EPS g 2026F %	P/E TTM x	P/E 2024 x	P/E 2025F x	P/E 2026F x	EV/EBITDA 2025F x	ROE 2025F %	P/B LQ x	Net D/E LQ x
PVS	34,600	28.1	20.0	30.5	15.9	15.9	13.2	10.1	4.2	9.2	1.2	-102.4
PVT	26,200	12.6	21.6	23.7	8.9	8.9	7.3	5.9	3.0	16.2	1.2	30.5
GAS	68,700	-12.2	7.1	25.3	15.8	15.8	14.8	11.8	8.6	17.9	2.6	-49.5
PLX	43,200	2.0	15.6	46.8	20.9	20.9	18.1	12.3	7.5	11.1	2.2	-35.6
BSR	20,400	-92.8	754.7	3.6	112.9	112.9	11.6	11.2	6.0	9.2	1.1	-48.9
DPM	36,700	10.4	36.9	46.0	30.2	30.2	21.0	14.4	6.3	7.2	1.3	-60.0
PVD	24,500	14.1	33.8	66.3	22.7	22.7	17.0	10.2	6.1	5.8	0.9	0.5
DCM	35,850	20.4	23.1	24.5	15.5	15.5	13.0	10.5	6.1	14.9	1.9	-82.8

# Power & Water Sector

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## Water sector outlook

**Strong water volume growth to drive BWE and TDM's earnings:** We forecast water volume to grow at a CAGR of 11-12% over the 2024-2029 period in BWE's and TDM's home province Binh Duong, vs pre-COVID average growth of 17-30% p.a., respectively. In addition, BWE and TDM expect to get approval for water tariff increases of 3% p.a. in late 2025, which should further help boost their double-digit NPAT CAGRs. We like management's aggressive M&A beyond its home base to provide sustainable growth. The Tan Hiep Water JSC 43% stake M&A is a huge success with an acquisition P/E of 9x and compelling dividend yield of 8-9%.

## Power sector outlook

**We forecast electricity consumption growth of 10% YoY and contracted volume Qc of 80% in 2025 to benefit thermal players, especially QTP.** We note that EVN's base case power consumption growth projection is 9.4% and goes up to 13.2% YoY. In addition, the National Electricity System & Market Operation (NSMO)'s plan for a power consumption growth rate of 11-13% YoY in 2025. Finally, according to the NSMO's plan, gas-fired power plants' volume is planned to increase 22%-30% YoY in 2025, and coal-fired power continues to be mobilized strongly at ~11% YoY due to its competitive costs vs gas-fired sources.

**We forecast that power supply will be sufficient in 2025.** We project national installed capacity to grow 3.5% and 4.5% in 2024 and 2025F, respectively. We believe that neutral weather conditions in 2025, compared to the slight El Niño effect (resulting in low rainfall in 2024), will support sufficient power output to meet demand. Additionally, the completion of national transmission line no.3 in August 2024, which doubled transmission capacity from 2,500 MW to 5,000 MW, will potentially help to provide more electricity from the central region to the north during the 2025 dry season.

**We expect the revised plan for PDP VIII to be issued in 2025.** Recently, the MoIT requested to raise the 2025-30F CAGR of the power consumption growth rate to 10.3%-12.5% (vs 8.6% in the current PDP VIII), following the Government's higher GDP growth target of 8% for 2025 and 10% p.a. for 2026-30F. Power demand in the next five years should continue to be strong, partly driven by growing consumption from data centers, EVs, and the semiconductor sector. The MoIT also aims to increase national installed capacity by 2.5-3x by 2030F. In contrast, development of new power plants might not meet the approved schedule.

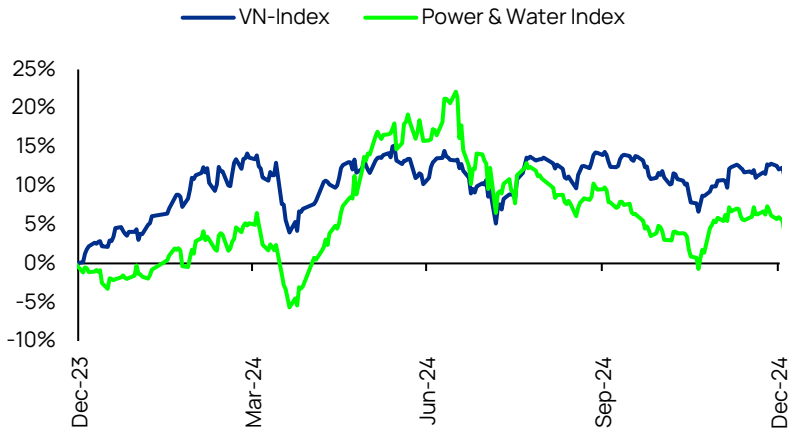
**The Amended Electricity Law was approved in the November National Assembly meeting, which creates a solid legal framework for power investment return.** This establishes a legal foundation for two-component retail electricity pricing, which is comprised of a capacity charge (kW) and an energy charge (kWh). This is designed to more accurately reflect Vietnam's electricity production costs and reduce subsidies. This approach is expected to facilitate increases in retail electricity prices, potentially reducing EVN's accumulated loss and indirectly benefiting all power plants. Additionally, it provides a pricing framework for renewable power as well as minimum contracted volume for LNG and offshore wind power to ensure financing schemes and decent IRR. Finally, it further specifies the privatization of transmission lines at 220kV and below to attract investments and accelerate development.

**We expect the Circular/details for Direct Power Purchasing Agreement (DPPA) to be released in H1 2025 and a new pricing mechanism for renewable power in H2, helping to drive an earnings surge for renewable players, especially PC1 (our top pick), REE, and HDG.** We expect a strong recovery in investments in renewables once details of the DPPA (approved in July 2024) and its service fees are announced. We believe investments will jump when a new price mechanism is released. We anticipate that this will be a bidding mechanism with price caps (ceiling prices).

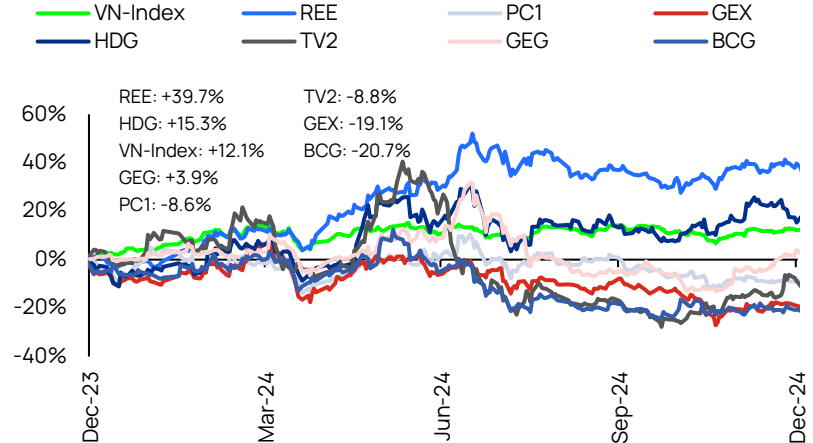
**We forecast the 2025 competitive generation market price (CGM) to be relatively flat YoY at VND1,409/kWh** due to (1) our projection for strong power consumption growth of 10.0% YoY in 2025F (vs 2024E's high base of 9% YoY, ~2x YoY the growth rate in 2023), and (2) our projected 5%/10% YoY higher coal and gas prices potentially offset by a lower capacity add-on price (CAN: the extra price paid for the best new entrant power plant to break even).

# Power & Water Stock Performance

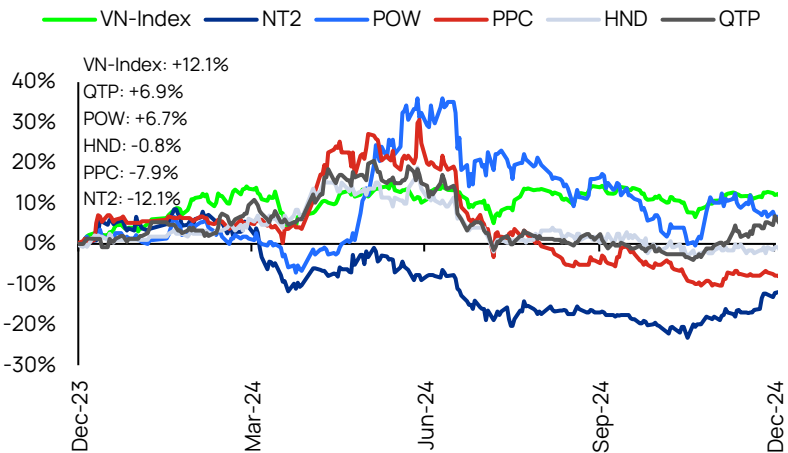
## Vietcap Power & Water Index (\*) vs VN-Index



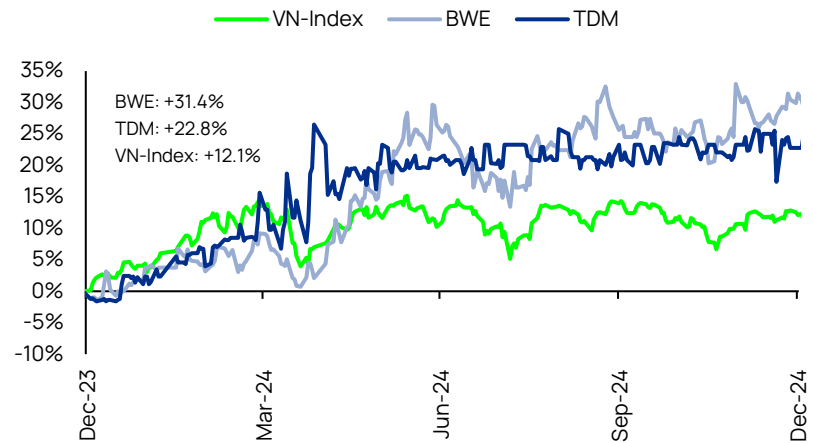
## Renewable power stocks



## Thermal power generation stocks



## Water stocks



Source: FiinPro, Vietcap. (\*) Our power & water index is based on the market cap weighted price performance of power & water stocks under our coverage - REE, HDG, PC1, GEX, POW, NT2, PPC, QTP, TV2, TDM, and BWE - and non-rated stocks GEG, BCG, and HND.

# Power & Water Sector: Key data and summary valuations

## Power & Water – Key data

Code	Rating	Market Cap, USD mn	State O'ship %	Foreign Limit %	Foreign Avail, USD mn	ADTV 30D, USD mn	Share price, VND ps	Target price, VND ps	Target price, updated	Upside %	Div yield %	12M TSR %
QTP	BUY	247	64	49	120	0.2	14,000	15,700	2/12/25	14.3	10.7	25.0
BWE	O-PF	386	19	49	144	0.3	44,800	52,600	2/17/25	17.4	2.9	20.3
PC1	BUY	338	0	50	117	2.1	24,100	28,800	2/17/25	19.5	0.0	19.5
PPC	BUY	149	51	49	59	0.2	11,850	13,100	2/12/25	10.5	5.1	15.6
HDG	O-PF	367	0	50	110	2.3	27,850	31,000	11/25/24	11.3	1.8	13.1
TDM	O-PF	228	0	50	107	0.0	52,800	58,100	2/17/25	10.0	2.7	12.7
REE	O-PF	1,333	5	49	0	1.7	72,200	76,100	2/17/25	5.4	1.4	6.8
NT2	O-PF	239	62	49	84	0.4	21,150	22,000	2/12/25	4.0	1.4	5.4
GEX	BUY	765	0	50	328	7.0	22,700	23,600	12/4/24	4.0	0.0	4.0
POW	M-PF	1,138	80	49	517	2.3	12,400	12,900	2/12/25	4.0	0.0	4.0
TV2	M-PF	87	51	15	4	0.4	33,050	32,200	9/10/24	-2.6	3.0	0.5

## Power & Water – Summary valuations (based on reported earnings)

Code	Share price VND ps	EPS g 2024 %	EPS g 2025F %	EPS g 2026F %	P/E TTM x	P/E 2024 x	P/E 2025F x	P/E 2026F x	EV/EBITDA 2025F x	ROE 2025F %	P/B LQ x	Net D/E LQ x
QTP	14,000	6.2	19.7	0.8	10.2	10.2	8.5	8.5	7.4	15.1	1.2	-7.2
BWE	44,800	-4.8	24.1	60.5	18.5	18.5	14.9	9.3	8.6	14.0	1.8	100.3
PC1	24,100	1,169.5	41.1	70.9	20.2	20.2	14.3	8.4	7.8	11.4	1.6	111.7
PPC	11,850	11.6	15.0	89.4	9.3	9.3	8.1	4.3	7.8	10.5	0.8	-0.6
HDG	27,850	-13.3	53.0	19.3	16.8	16.8	10.9	9.2	7.5	13.2	1.5	59.0
TDM	52,800	-34.3	52.1	25.9	30.8	30.8	20.3	16.1	14.8	12.0	2.3	-1.6
REE	72,200	-8.9	20.9	41.6	17.1	17.1	14.1	10.0	10.2	12.1	1.8	16.5
NT2	21,150	-84.3	478.7	22.8	87.2	87.2	15.1	12.3	8.2	9.3	1.5	-31.9
GEX	22,700	391.6	-37.3	37.4	12.1	12.1	26.8	19.5	6.0	5.4	1.4	53.2
POW	12,400	20.6	5.3	75.1	24.5	24.5	23.2	13.3	6.8	4.1	0.9	31.6
TV2	33,050	21.7	68.5	64.4	38.5	38.5	19.2	11.7	12.0	8.0	1.7	-12.4

# Oil & Gas Sector

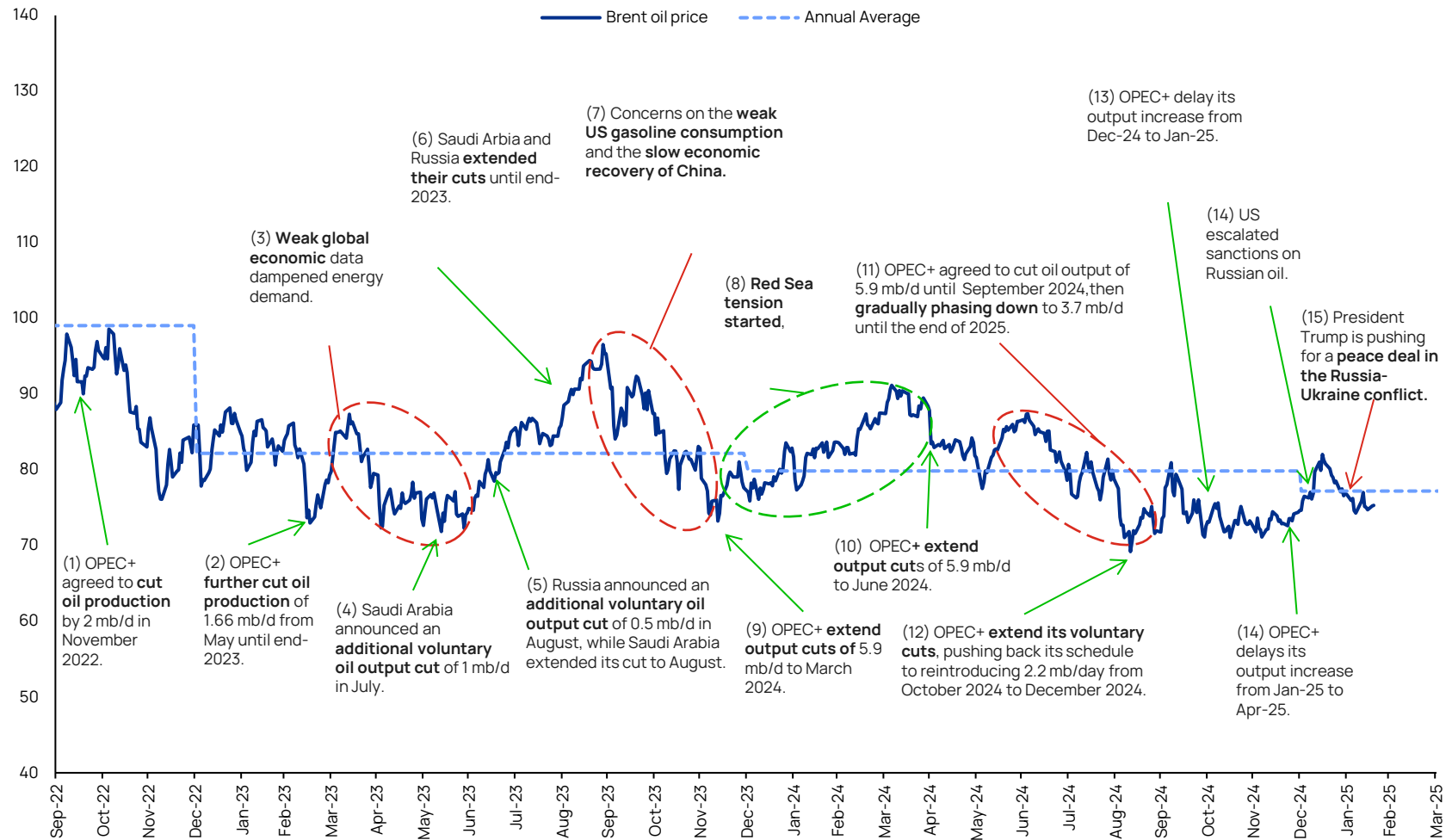
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## 1. Overview



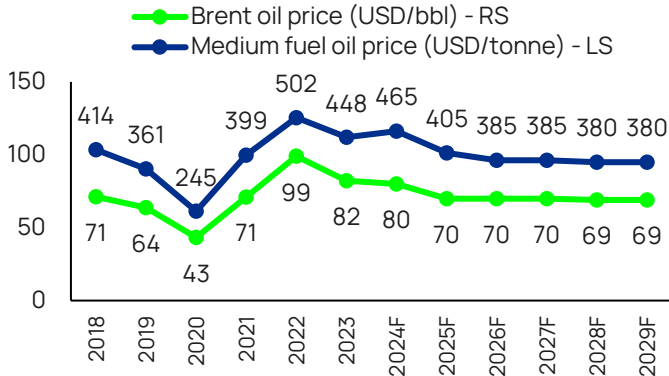
# Brent oil price expects to see wide fluctuation in 2025 under President Trump's policies

Brent oil price movement (USD/bbl)



# Brent oil, fuel oil, and LNG price forecasts for 2025-2029F

## Vietcap's Brent oil (USD/bbl) and fuel oil price (USD/tonne) base case assumptions



Source: Bloomberg, Vietcap

## Brent oil price forecasts (USD/bbl)

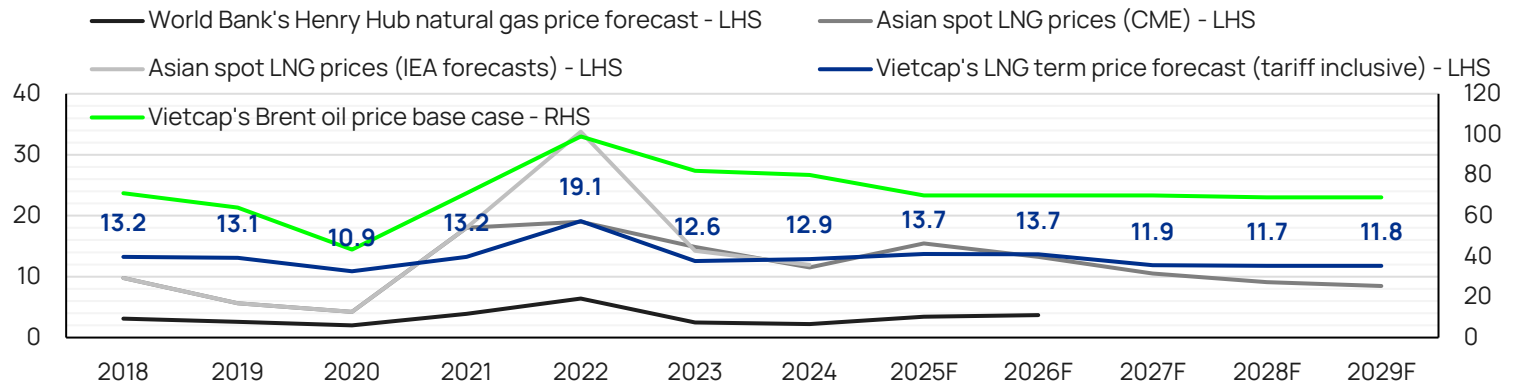
Institutions	2025F	2026F	2027F	2028F	2029F	Forecast as of
Bloomberg consensus	74	72	74	74	69	Feb-25
EIA	74	66	N/A	N/A	N/A	Feb-25
World Bank	73	72	N/A	N/A	N/A	Oct-24
<b>Average of above forecast</b>	<b>74</b>	<b>70</b>	<b>74</b>	<b>74</b>	<b>69</b>	
<b>Vietcap's oil price base case</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>69</b>	<b>69</b>	<b>Nov-24</b>

Source: Institutions in table, Vietcap

## Gas price forecasts

For 2025F, we forecast Vietnam's LNG import price at USD13.7/MMBTU (+6% YoY, tariff inclusive) or USD11.8/MMBTU (+7% YoY, tariff exclusive).

## Vietcap's LNG price forecasts (USD/MMBTU)

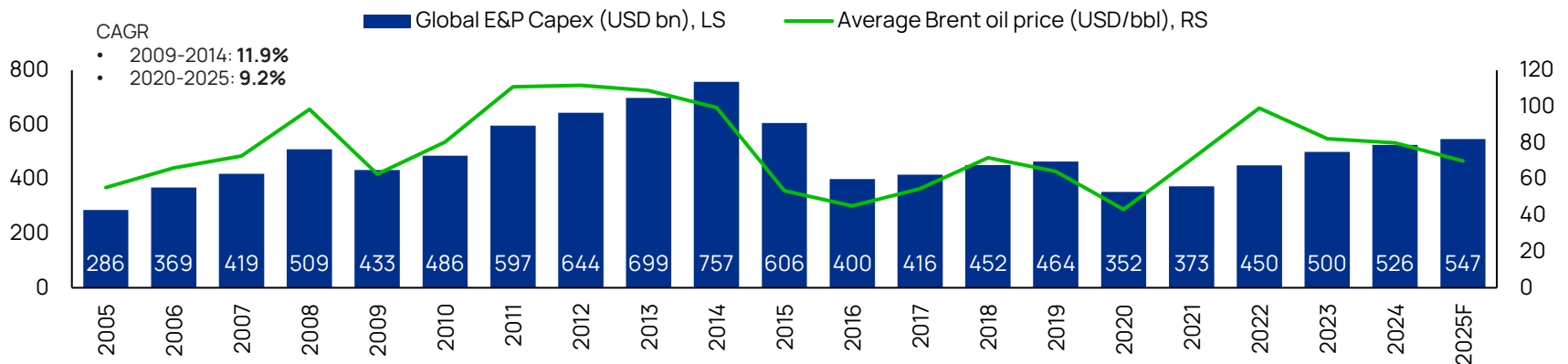


Source: World Bank, IEA, CME, Vietcap. Note: Vietcap's LNG price forecast (term contract) is calculated based on 13% of the Brent oil price + tariff for 2026-2028F, according to industry players. World Bank's forecast is as of October 2024 and IEA forecasts are from July 2024.

# Increasing spending for global E&P

- **S&P Global maintain a positive outlook for global E&P and forecasts for global E&P spending to grow 4% in 2025**, marking the fifth consecutive year of expansion since 2020. For 2026, spending is projected to grow at a slower pace of 0.8% YoY, reflecting a flattening oil price environment.
- **Middle East to lead the recovery of global E&P:** Despite postponing its 1 mb/d oil production capacity expansion, Saudi Aramco's 2024 capex remain robust at USD48-58bn (+6% YoY). Now, this capex is redirected to gas, liquids, and chemicals. Without investment, its current oil production capacity of 12 mb/d will drop to about 10.5 mb/d by 2027, emphasizing the importance of expansion projects. We thus believe that the investment is necessary and Saudi Aramco may reconsider its production capacity expansion.
- **Southeast Asia's E&P outlook remains bright.** According to Fitch Solutions, SEA's national oil companies (NOCs) will increase aggregate capex to USD31bn (+29% YoY) in 2025. The most active countries in E&P include Malaysia, Indonesia, Thailand, and Vietnam. Petronas (Malaysia's NOC) targets 2 mmboe per day between 2025-2027 (+18% vs 1.7 mmboe in 2024). PTTEP (Thailand's NOC) aims to boost production to 0.58 mmboe in 2029 (3.5% CAGR for 2024-2029F). With this target, PTTEP plans to invest USD21.2bn (USD4.2bn p.a.) in E&P activities from 2025-2029F. These targets are higher than our forecast of USD15bn (USD1.5bn p.a.) capex for Vietnam over the 2024-2033F period.

Global E&P capex (USD bn)

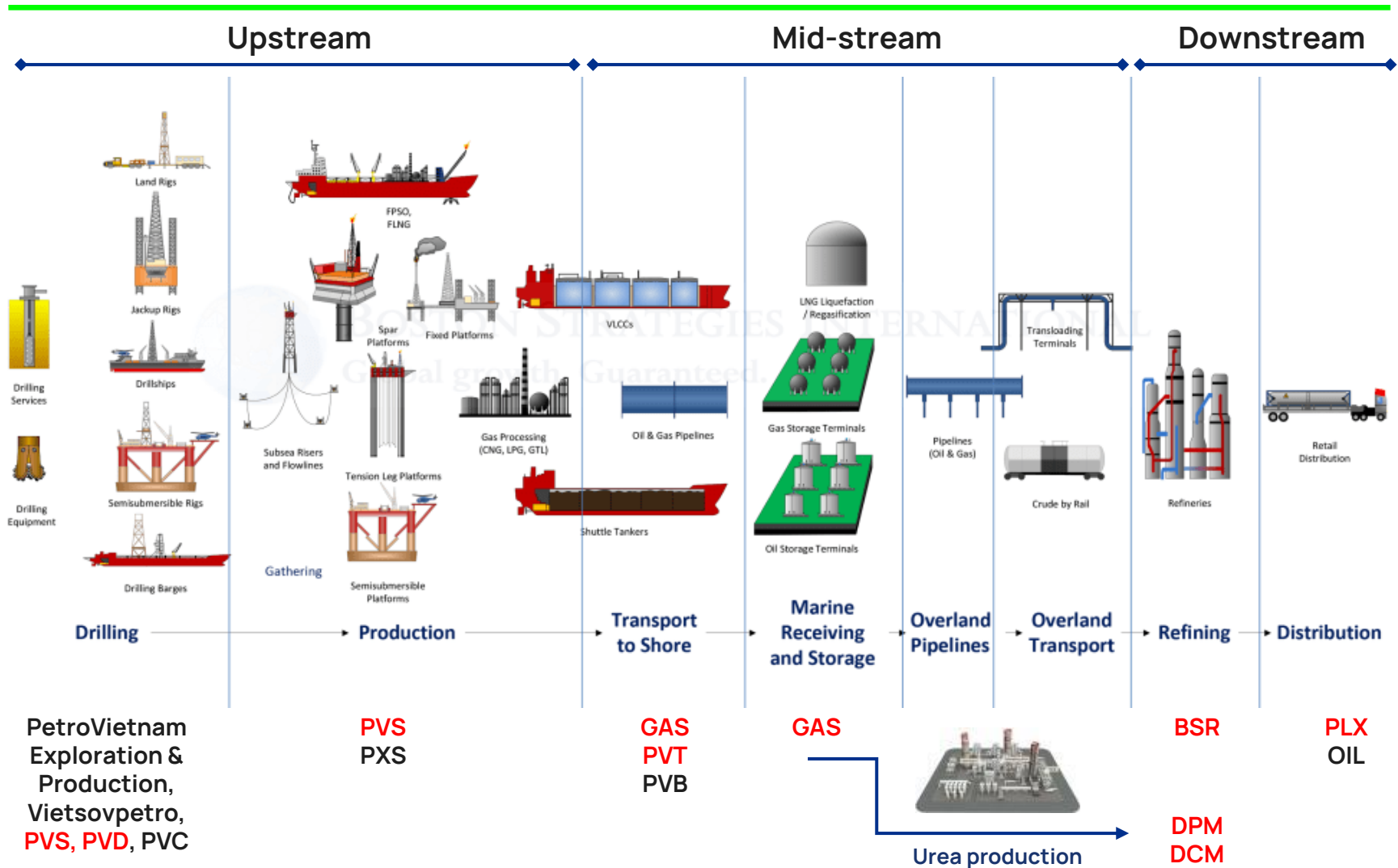




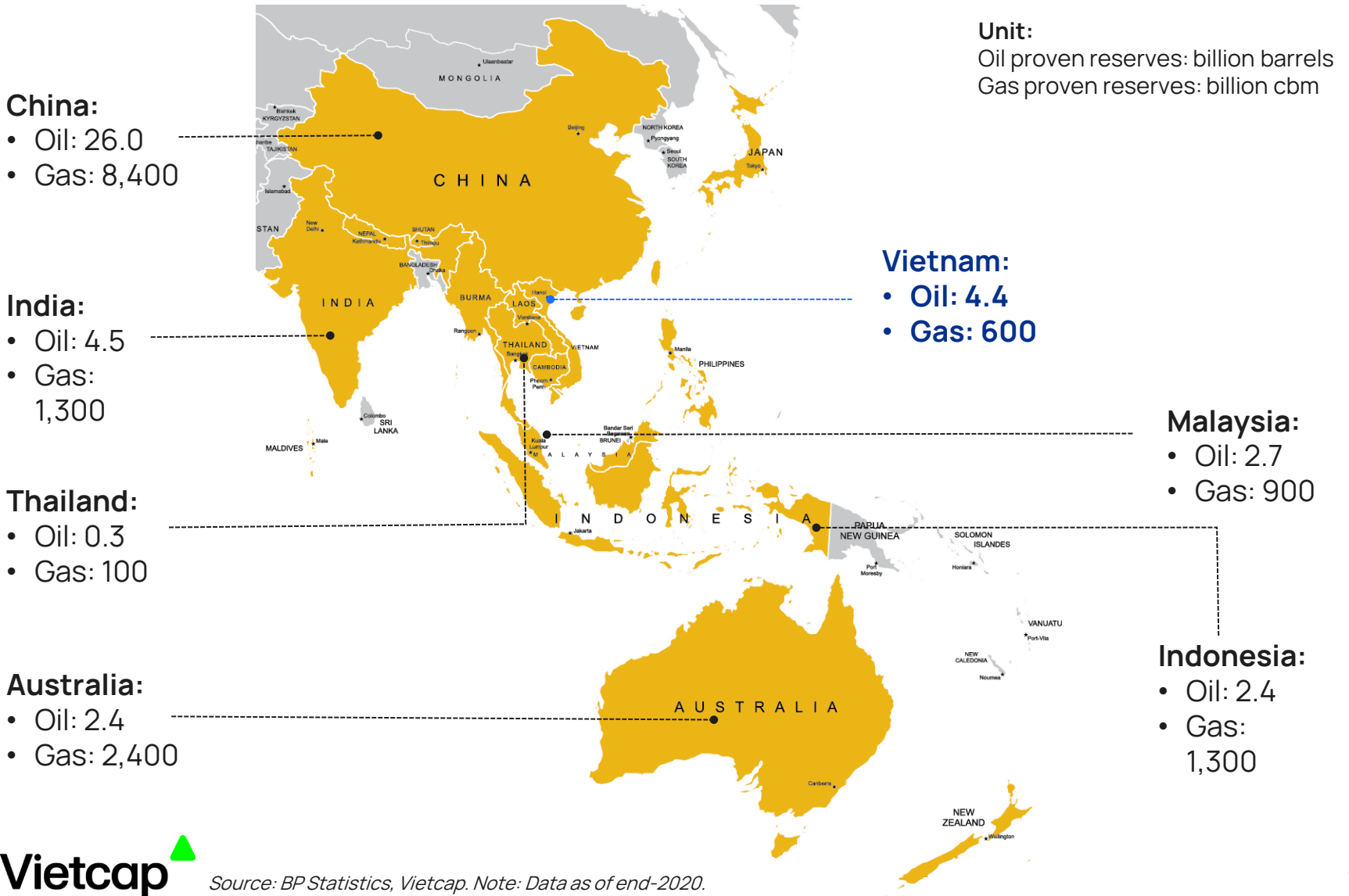
# Vietnam's Oil & Gas Sector

## 2. Upstream

# Oil & Gas stocks in the value chain

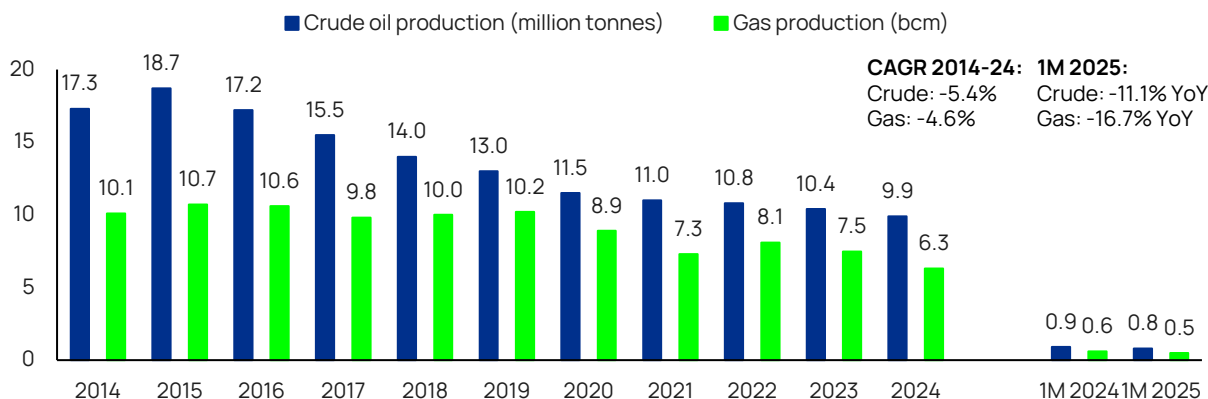


# Vietnam's proven oil & gas reserves vs regional peers



# Vietnam's oil & gas production to grow in the next five years

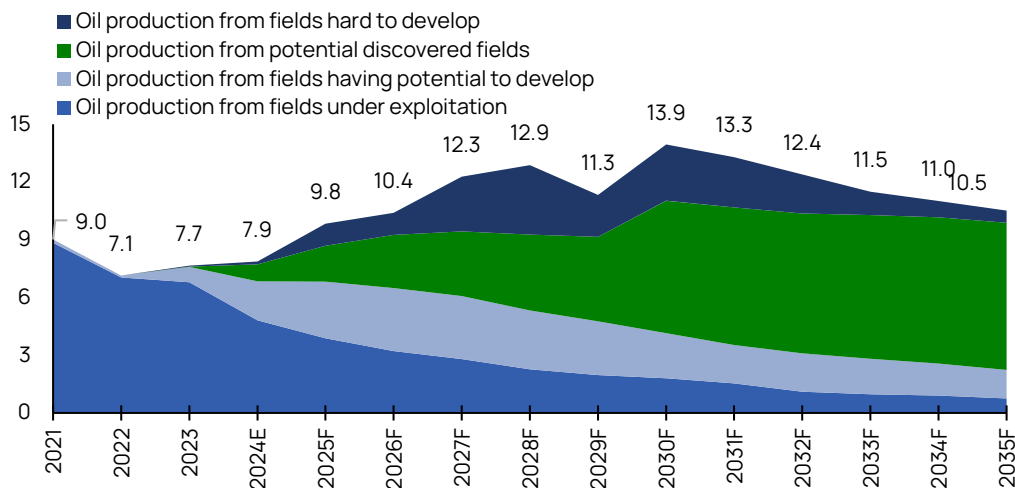
## Crude oil and gas production in Vietnam



In 2024, Vietnam recorded three new oil discoveries (highest since 2015), potentially increasing the country's oil reserves by 6%-12%.

- Rong Field (Block 09-1): Preliminary production of 6,300 b/d, and additional reserves of 16.5 mmboe.
- Bunga Aster Field (Block PM3-CAA): Preliminary production of 2,100 b/d and additional reserves of 84 mmboe.
- Hai Su Vang Field (Block 15-2/17): Murphy Oil estimates potential resources of 170 mmboe to 430 mmboe.

## Vietnam's crude oil production targets CAGR of 5% in 2020-2030 (million cbm)



## Vietnam's gas production targets CAGR of 13% in 2020-2030 (billion cubic meters)

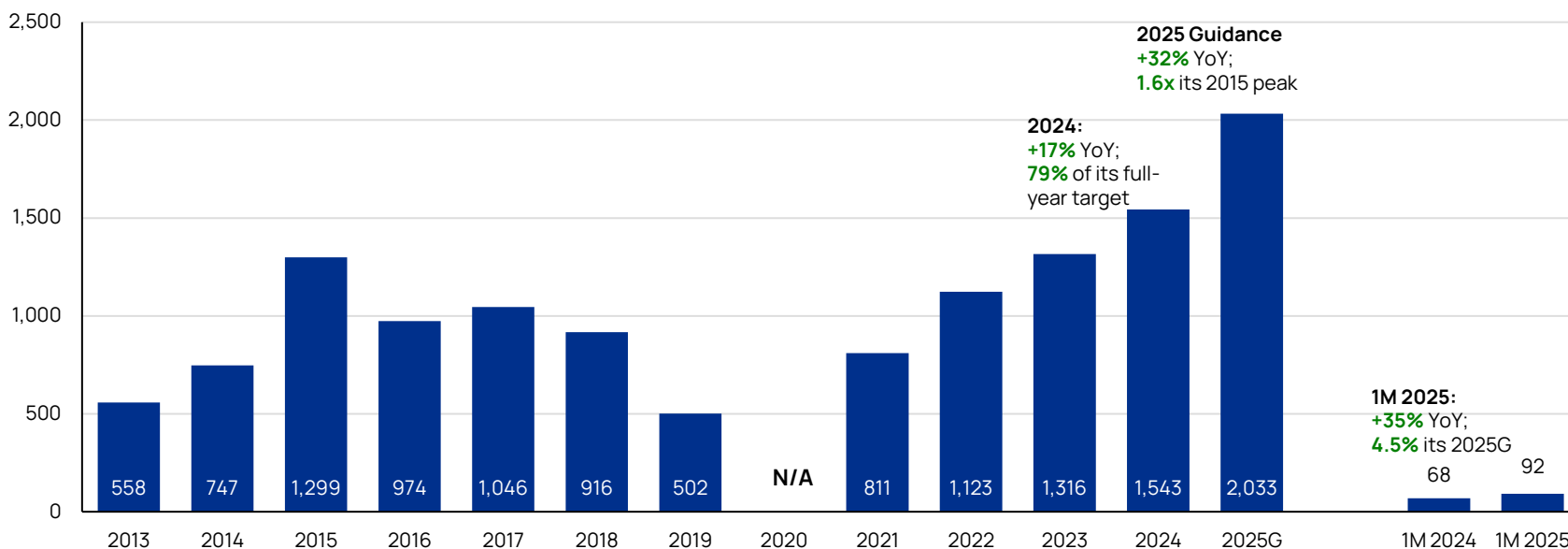
	2020G	2025G	2030G	2050G
Power	6.6	7.8	25.5	14.1
Fertilizer	1.2	1.1	2.4	2.4
Industrial	0.9	1.4	2.3	6.2
<b>Total</b>	<b>8.7</b>	<b>10.4</b>	<b>30.1</b>	<b>22.6</b>
<b>CAGR</b>		2020-25G: 3.7%	2020-30G: 13.2%	2020-50G: 3.2%
			2025-30G: 23.7%	2025-50G: 3.2%



# PVN set a new growth cycle with 2025 capex guidance 32% higher YoY, 1.6x the peak capex in 2015

- **PetroVietnam Group (PVN) reported 2024 revenue of VND600tn (USD23.6bn; +9% YoY) and NPAT of VND38.5tn (USD1.5bn; -5% YoY).** Capex surged 49% YoY to VND38.6tn (USD1.5bn), achieving 79% of its full-year target. Key spending focused on exploration and production (E&P), accounting for 61% (VND23.4tn, USD0.9bn; +66% YoY). We attribute this growth as mainly driven by the Block B project, which commenced construction in September after awarding EPCI#1 and EPCI#2 contracts.
- **PVN targets 2025 revenue of VND813tn (USD31.9bn; +36% YoY) and capex of VND50.9tn (USD2.0bn; +32% YoY).** Approximately 74% (VND37.6tn) will be allocated to key projects, including Block B, Dung Quat refinery upgrades, and the Nhon Trach 3 and 4 power plants.
- **PVN's financial capacity is strong, which is affirmed by its Fitch rating of "BB+" and a "stable" outlook.** At the end of 2023, PVN had cash & equivalents of VND355tn (USD14.2bn) and net cash of VND93tn (USD3.7bn), which ensure strong financial capacity and cashflow to execute new projects.

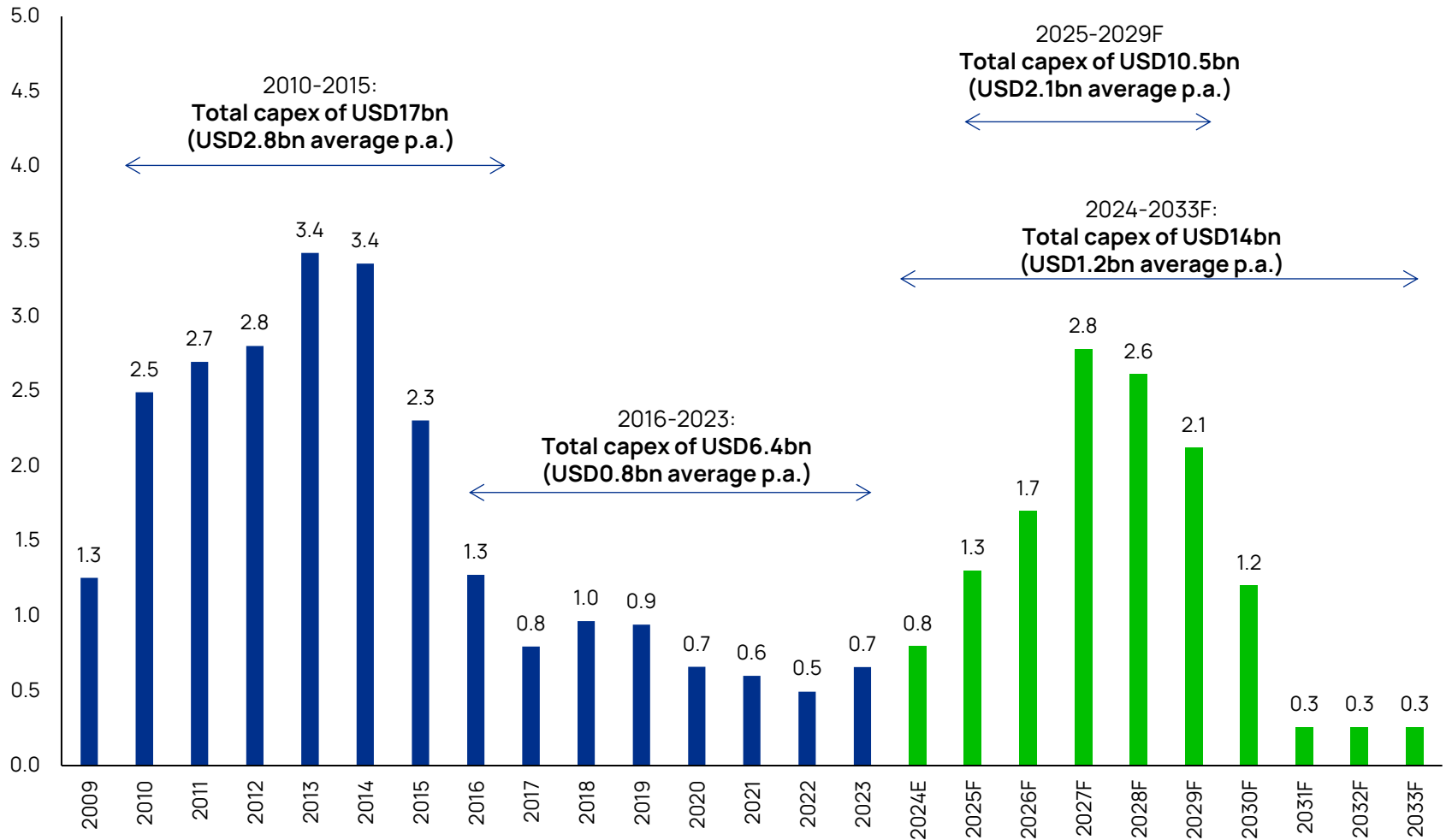
## PetroVietnam's historical capex (USD mn)





# Vietnam's E&P activities to accelerate from 2025F (1)

Vietnam's E&P capex (USD bn)



# Vietnam's E&P activities to accelerate from 2025F (2)

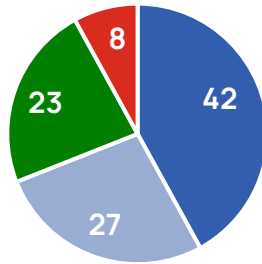
## Select oil & gas projects in Vietnam expected in 2024E-2033F

No.	Block	Project	Capex* (USD mn)	Oil/gas reserves	Investors	Status	Expected first gas/ oil	Location
<b>GAS PROJECTS</b>								
1	52/97; 48/95	Block B	5,186	107 bcm	PVN (42.9%), PVEP (26.8%), MOECO (22.6%), PTTEP (7.7%)	Started work in September 2024, following the full award of EPCI#1 and EPCI#2.	2028	Malay Tho Chu Basin
2	117-119	Blue Whale	4,600	150 bcm	ExxonMobil (64%), PVN (36%)	Implementation plan of PDP VIII guides COD in 2028 but we forecast 2030 given the current status of ExxonMobil's potential withdrawal and PVN's self-development. PVS may secure a USD830mn contract.	2030	Song Hong Basin
3	15-1	White Lion - Phase 2B	1,100	24 bcm	Cuu Long JOC including PVEP (50%), ConocoPhillips (23.25%), KNOC (14.25%), SKI (9%), Geopetrol (3.5%)	Expected to get an FID in 2025. PVS could get a contract (USD250mn). Other beneficiaries include PVD (potential USD220mn contract) and GAS (via a gas pipeline).	2027	Cuu Long Basin
4	112-113	Bao Vang - Bao Den	1,321	58 bcm	PVN (50%), Gazprom (50%)	Exploration.	2030	Song Hong Basin
5	114	Ken Bau	N/A	200-250 bcm	Eni Vietnam B.V. (50%), Essar E&P Limited (50%)	Ken Bau is in the discovery phase, waiting for the finalization of proven gas reserves. After unsuccessful appraisal of wells KB-2X and KB-3X, Vietnam is reassessing exploration plans, with future appraisals potentially occurring in 2024-2026.	After 2030	Song Hong Basin
6	46/07; 51	Nam Du - U Minh	750	5.6 bcm	Jadestone Energy (100%)	In January 2024, GAS signed an HOA with Jadestone Energy.	2027	Malay Tho Chu Basin
7	46/13	Khanh My - Dam Doi	250	4.0 bcm	PVEP, PV GAS	In May 2024, PV GAS and PVEP signed an MOU on GSPA.	2027	Malay - Tho Chu Basin
8	19/11	Thien Nga - Hai Au	349	10.0 bcm	Zarubezhneft JSC (100%)	In May 2024, Zarubezhneft, PVGAS, and PVEP began partnering in project development.	2027	Nam Con Son Basin
<b>OIL PROJECTS</b>								
1	15/1-05	Yellow Camel	700	63 mn bbl	Murphy Oil (40%), PVEP (35%), SKI (25%)	PVS was awarded USD250mn of contracts in June 2024. PVD might get a USD294mn contract.	2026-2027	Cuu Long Basin
2	09-2/09	Kinh Ngu Trang - Kinh Ngu Trang Nam	650	6 mn bbl	Vietsovpetro (40%), PVEP (30%), AO Zarubezhneft (30%)	In development.	2025	Cuu Long Basin
<b>Total</b>			<b>14,906</b>					

# Block B officially broke ground in September 2024 (1)

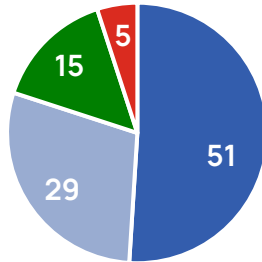
## Upstream shareholders - Phu Quoc POC (%)

- PVN (Vietnamese)
- PVEP (Vietnamese)
- MOECO (Japanese)
- PTTEP (Thailand)



## Midstream shareholders - Southwest POC (%)

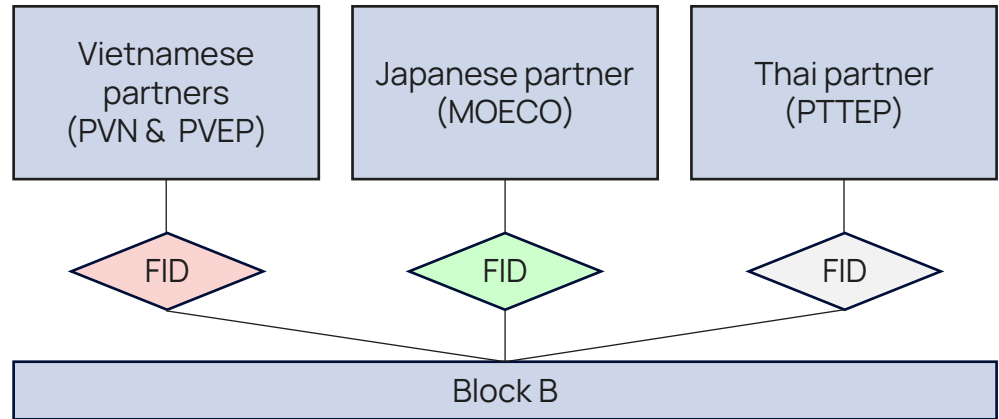
- PV GAS (Vietnamese)
- PVN (Vietnamese)
- MOECO (Japanese)
- PTTEP (Thailand)



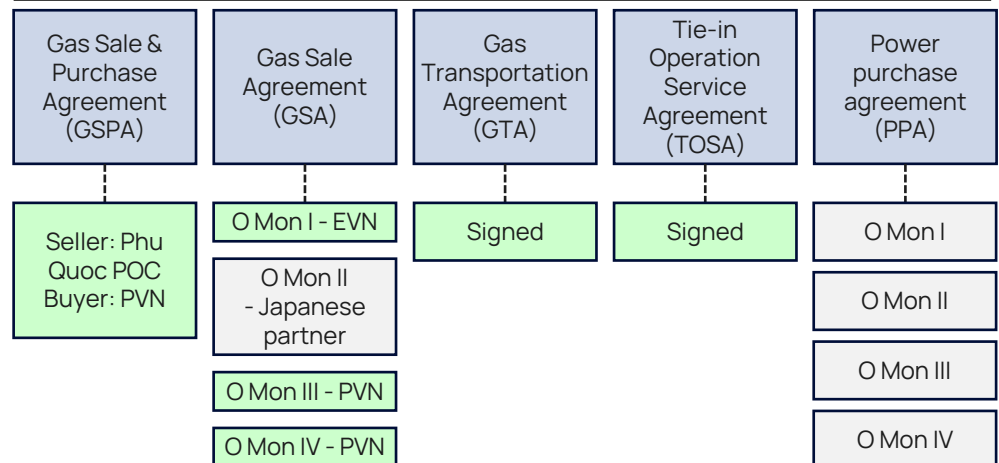
## Downstream investor (%)

Power plants	Investor
O Mon I	EVNGENCO 2
O Mon II	Marubeni - WTO
O Mon III	PetroVietnam
O Mon IV	PetroVietnam

## Current Status of Final Investment Decision for Block B



## A series of agreements was signed



# Block B officially broke ground in September 2024 (2)

Event	2015 ...	2022	2023	2024	2025	2026	2027	2028	2029
<b>Legal Procedures</b>		<ul style="list-style-type: none"> <li>Foreign partners agreed no Government guarantee.</li> </ul>	<ul style="list-style-type: none"> <li>October 30: PVN and foreign partners signed the HOA to commence first gas extraction in 2027. Notably, a pass-through mechanism (gas prices to electricity prices) was previously approved by the MoIT.</li> </ul>	<ul style="list-style-type: none"> <li>March 18: VCB and PVN signed a credit granting framework contract.</li> <li>March 28: Japanese partner (MOECO) announced FID.</li> <li>March 28: PVN signed the GSPA, GSA for O Mon I, GTA, and TOSA.</li> <li>July 7: JBIC Bank and MOECO (Japanese partner) signed a loan agreement.</li> <li><b>September 18: Block B broke ground, following the full awarding of EPCI#1 and the commencement of work on EPCI#2, which implies a full FID.</b></li> </ul>		<ul style="list-style-type: none"> <li>To secure GSA for O Mon II, O Mon III, and O Mon IV</li> </ul>		<ul style="list-style-type: none"> <li>First gas</li> </ul>	
<b>Up &amp; Midstream</b>									
EPCI#1			<ul style="list-style-type: none"> <li>October 30: PVS and US-based McDermott secured the LLOA.</li> </ul>	<ul style="list-style-type: none"> <li>September 3: Awarded a comprehensive contract to PVS and US-based McDermott.</li> <li><b>December 1: PVS commenced work.</b></li> </ul>					
EPCI#2			<ul style="list-style-type: none"> <li>November 29: PVS secured the LLOA.</li> </ul>	<ul style="list-style-type: none"> <li><b>September 18: PVS commenced work.</b></li> </ul>					
EPCI#3			<ul style="list-style-type: none"> <li>December 22: PVS and Lilama 18 secured the LLOA.</li> </ul>	<ul style="list-style-type: none"> <li><b>July 3: Commenced work by the PVS-Lilama 18 consortium.</b></li> </ul>					
EPCI#4				<ul style="list-style-type: none"> <li>July 3: Started the contractor selection process.</li> </ul>	<ul style="list-style-type: none"> <li>To award EPC contractor by Q2</li> </ul>				
EPCI of 42 WHPs FSO Leasing					<ul style="list-style-type: none"> <li>To close bidding</li> </ul>			<ul style="list-style-type: none"> <li>To start EPC contract</li> </ul>	
<b>Downstream</b>									
O Mon I	<ul style="list-style-type: none"> <li>Come online</li> </ul>			<ul style="list-style-type: none"> <li><b>March 18: Signed the GSA to purchase input gas from Block B.</b></li> <li>April 21: EVN guide to transitioning the input source to Block B's gas.</li> <li>September 30: Issued the EPC bidding.</li> </ul>			<ul style="list-style-type: none"> <li>To secure PPA contract with EVN in H1</li> </ul>	<ul style="list-style-type: none"> <li>Change to use Block B's gas</li> </ul>	
O Mon II					<ul style="list-style-type: none"> <li><b>To close EPC Bidding by Q2</b></li> </ul>	<ul style="list-style-type: none"> <li>To secure PPA contract with EVN in H1</li> </ul>		<ul style="list-style-type: none"> <li>COD on Q4 2028*</li> </ul>	
O Mon III		<ul style="list-style-type: none"> <li>October 9: EVN transferred ownership to PVN.</li> </ul>	<ul style="list-style-type: none"> <li>July 29: The TV2-TV3 contractor consortium conducted feasibility construction.</li> </ul>			<ul style="list-style-type: none"> <li>To secure PPA contract with EVN in H1</li> </ul>			<ul style="list-style-type: none"> <li>COD on Q4 2029*</li> </ul>
O Mon IV		<ul style="list-style-type: none"> <li>October 9: EVN transferred ownership to PVN.</li> </ul>	<ul style="list-style-type: none"> <li>September 24: Issued the EPC bidding.</li> </ul>		<ul style="list-style-type: none"> <li><b>To close EPC Bidding by Q2*</b></li> </ul>	<ul style="list-style-type: none"> <li>To secure PPA contract with EVN in H1</li> </ul>		<ul style="list-style-type: none"> <li>COD on Q4 2028</li> </ul>	

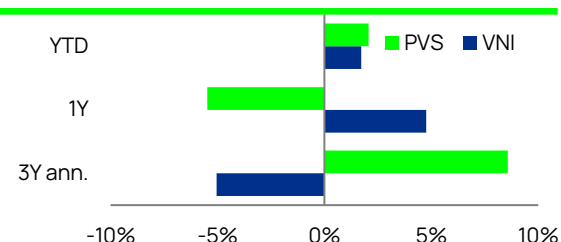
# Key beneficiaries of Block B

## Estimated revenue and NPAT for beneficiaries of Block B (USD mn)

Beneficiaries	Potential revenue	Potential NPAT	Details
PVS	5,357	401	<p>We forecast profit of at least USD394mn from the below five contracts in 2025-2050F. We also forecast that these contracts will on average contribute 27% to PVS's 2025-2029F NPAT-MI. We have not yet included any contract value from gas field clearance at the end of the project's life cycle.</p> <p>Contract details:</p> <ol style="list-style-type: none"> <li>1. EPCI#1 for 1 CPP + 1 living quarters platform + 1 flare tower (USD500mn)</li> <li>2. EPCI#2 for 4 WHPs (USD400mn)</li> <li>3. EPCI#3 for onshore gas pipeline (USD257mn)</li> <li>4. EPCI for 42 WHPs (USD4.2bn)</li> <li>5. FSO leasing contract</li> </ol>
PVD	2,498	274	<p>We estimate profit from drilling &amp; well-related services to contribute USD33mn to PVD's NPAT-MI in 2026-2028F (18% of its 2026-2027F aggregate NPAT-MI). We expect profit from Block B to contribute USD240mn to PVD's NPAT-MI in 2029-2050F.</p>
GAS	1,000	278	<p>We estimate profit from Block B gas transportation to account for an average ~4% of GAS's NPAT-MI in 2028-2033F.</p>
PVB	100-130	13	<p>We project PVB to have aggregate revenue of VND2.5tn from contract for Block B's gas pipeline coating in 2025-2027. To date, PVB has secured two contracts totaling USD22.6mn:</p> <ul style="list-style-type: none"> <li>• Onshore pipeline coating contract valued at VND426bn (USD17mn, excluding VAT).</li> <li>• Infield pipeline coating contract valued at VND138bn (USD5.6mn, excluding VAT).</li> </ul>

# PVS – Further contract signings to confirm substantial M&C backlog

Rating*	BUY	(VND bn)	2024	2025F	2026F	2027F	
Share Price (Feb 19)	VND34,600	Revenue	23,878	35,150	47,511	46,693	YTD
Target Price (TP)*	VND50,900	%YoY	23.3%	47.2%	35.2%	-1.7%	1Y
Upside to TP	+47.1%	NPAT-MI	1,182	1,418	1,852	2,027	3Y ann.
Dividend Yield	2.0%	% YoY	15.1%	20.0%	30.5%	9.5%	
TSR	+49.1%	Recurring NPAT-MI	939	1,418	1,852	2,027	
		EPS	28.1%	20.0%	30.5%	9.5%	
		GPM	4.7%	5.8%	6.0%	6.1%	
Industry	Oil & Gas	EBITDA margin	2.0%	3.7%	3.9%	4.2%	
Market Cap	USD648mn	OPM	-0.5%	1.7%	2.5%	2.6%	
Foreign Room	USD196mn	NPM	5.9%	4.3%	4.1%	4.5%	
ADTV30D	USD2.9mn	ROE	8.3%	9.2%	11.0%	10.9%	
State Ownership	51.4%	EV/EBITDA	9.2x	4.2x	3.8x	2.4x	
Outstanding Shares	478.0 mn	P/E	15.9x	13.2x	10.1x	9.3x	
Fully Diluted Shares	478.0 mn	P/B	1.2x	1.1x	1.0x	0.9x	
3-year PEG	0.7	* TP and rating last updated February 6, 2025					



## Company Overview

As a member of PetroVietnam Group and the only domestic provider of technical services (excluding drilling services) for the oil & gas industry, PVS enjoys majority market shares in related industries, including offshore support vessels (OSV/ship segment, 97% market share), mechanical & construction (M&C), supply base (port segment, 100%), and floating oil storage (FSO/FPSO, 60%). PVS owns and operates a fleet of 21 vessels, three FSOs, and two FPSOs.

**PVS is set to benefit from the global and domestic E&P recovery and the substantial potential of offshore wind power projects.** The Block B project broke ground in September 2024, positioning PVS as the earliest beneficiary through securing three out of six major contracts. PVS's substantial Mechanical & Construction (M&C) backlog, totaling USD3.4bn by the end of 2024 (including USD2.0bn from offshore wind and USD1.0bn from Block B), ensures strong revenue and profit growth in 2025.

**Well-positioned for ample growth in offshore wind power projects.** PVS's established expertise and vast resources make it a leading candidate to capitalize on offshore wind expansion, particularly in the Asia-Pacific region. McKinsey forecasts global offshore wind capacity to increase 16x, from 40 GW in 2020 to 630 GW by 2050, with the Asia-Pacific region driving 65% of this growth (a 37x increase from 11 GW in 2020 to 410 GW in 2050). Vietnam's Power Development Plan (PDP) VIII targets 6,000 MW of offshore wind capacity by 2030, representing a market potential of approximately USD12bn (vs zero currently).

**We project 2025 reported and recurring NPAT-MI to grow 20% and 51% YoY,** respectively, driven by a 4x YoY increase in M&C gross profit (with revenue up 75% and GPM rising to 3.5%).

**For 2024–27F, we forecast a 20% EPS CAGR,** driven by our M&C signed and unsigned backlog assumption of USD7.4bn and profit from FSO/FPSO JVs of VND829bn per year in 2025–29F.

**PVS looks attractive** at a 2025 P/E of 13.2x, an implied three-year PEG of 0.7, and P/B of 1.1x.

**Upside potential:** Success of the USD5bn offshore wind power project to export electricity to Singapore.

**Downside risk:** Lower-than-expected M&C margin.

# Projected M&C backlog for 2024-2030F of USD7.4bn

## Vietcap's forecasts for PVS's M&C order book

M&C contract (USD mn)		Total contract value	2024E M&C revenue	2025F M&C revenue	Estimated backlog for 2024-2030F
<b>A = I + II</b>	<b>Offshore projects</b>	<b>7,205</b>	<b>519</b>	<b>939</b>	<b>6,681</b>
<b>I</b>	<b>Oil &amp; Gas projects</b>	<b>3,537</b>	<b>243</b>	<b>471</b>	<b>3,141</b>
1	Gallaf - Batch 3 (in Qatar)	380	80	0	80
2	Shwe (in Myanmar)	200	0	0	0
3	White Lion - Phase 2B	250	0	25	250
4	Block B*	1,157	35	289	1,157
5	Nam Du-U Minh	189	0	0	189
6	Khanh My - Dam Doi	175	0	0	175
7	Blue Whale	830	0	0	830
8	Yellow Camel*	356	25	156	356
9	Other M&C Revenue		104	0	104
<b>II</b>	<b>Offshore wind projects</b>	<b>3,668</b>	<b>276</b>	<b>468</b>	<b>3,540</b>
1	Hai Long 2 & 3 (in Taiwan)	68	0	0	0
2	Greater Changhua 2b & 4 (in Taiwan)	320	192	128	320
3	Baltica 2 (in Poland)	180	54	90	180
4	Fengmiao (in Taiwan)	100	30	30	100
5	Formosa (in Taiwan)	400	0	120	400
6	Other overseas offshore wind projects	1,600	0	100	1,540
7	Domestic offshore wind projects	1,000	0	0	1,000
<b>B</b>	<b>Onshore projects</b>	<b>732</b>	<b>36</b>	<b>30</b>	<b>716</b>
1	Thi Vai LPG tanker	32	16	0	16
2	Thi Vai LNG terminal - Phase 2	100	20	30	100
3	Thi Vai LNG terminal - Phase 3	300	0	0	300
4	Son My LNG terminal	300	0	0	300
<b>C = A+B</b>	<b>Total (USD mn)</b>	<b>7,937</b>	<b>555</b>	<b>969</b>	<b>7,397</b>





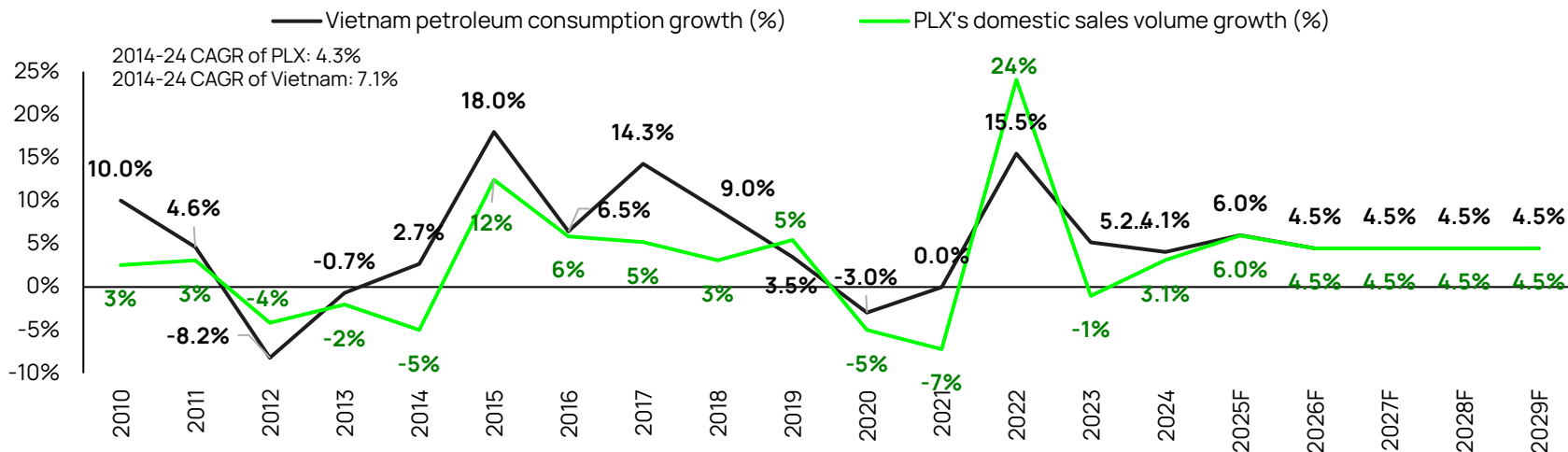
## Vietnam's Oil & Gas Sector

### 3. Downstream

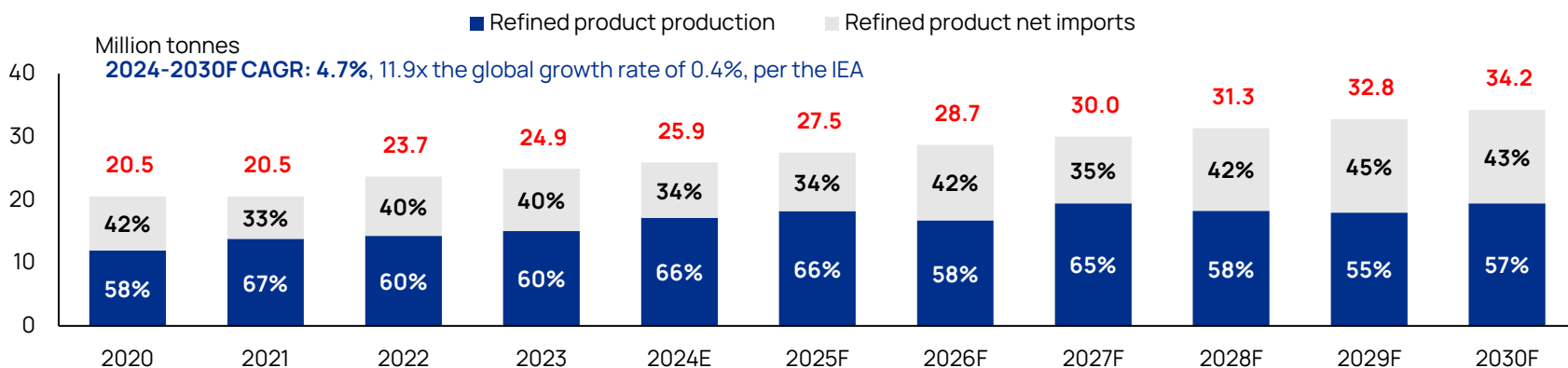


# Vietnam's petroleum consumption set for continued growth with sufficient supply

Vietnam's petroleum consumption and PLX's domestic volume growth (%)



Vietnam's petroleum consumption forecasts (million tonnes)



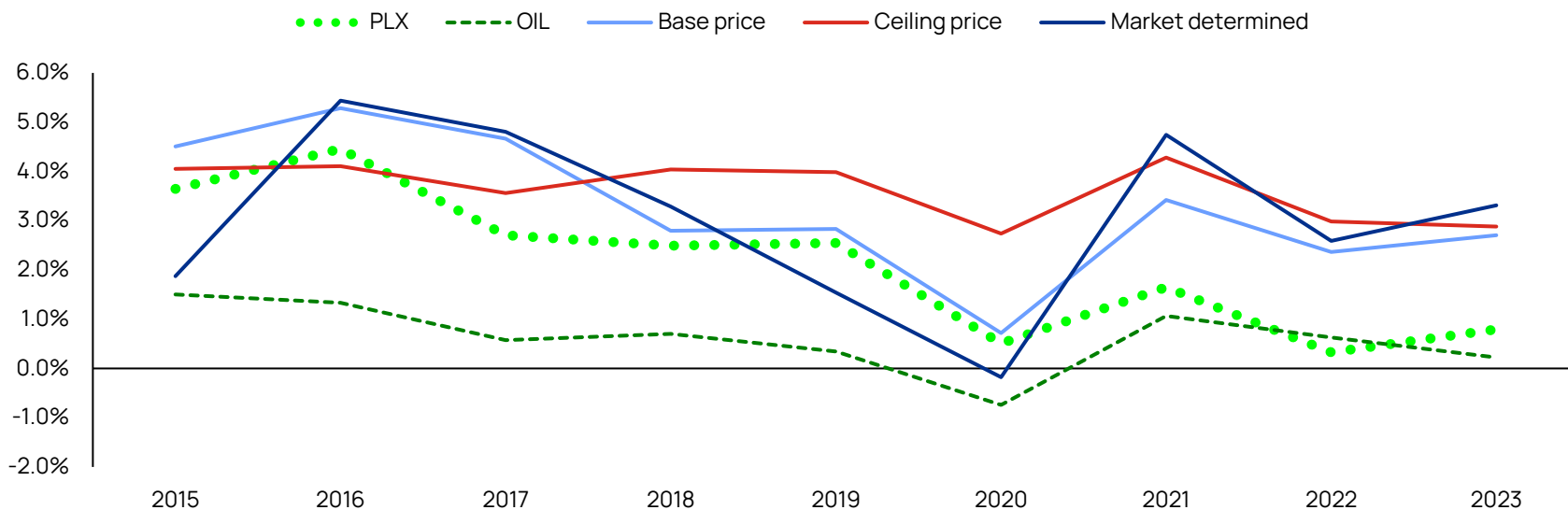
# Further revisions to petroleum regulations to boost earnings

## Comparison between drafts 3 & 4 of the new decree vs the current decree

	Decree 83/2014	Decree 95/2021	Decree 80/2023 (Current)	New decree (Drafts 3 & 4)
Participants of petroleum value chain	1. Major distributors 2. Wholesale distributors 3. General Dealers 4. Retail distributors (Dealers)	1. Major distributors 2. Wholesale distributors 3. General Dealers 4. Retail distributors (Dealers)	1. Major distributors 2. Wholesale distributors 3. Retail distributors (Dealers)	1. Major distributors 2. Wholesale distributors 3. Retail distributors (Dealers)
Retail price formula	Base price	Base price	Base price	Ceiling price
Premium	Not mentioned.	The Ministry of Finance (MoF) will review every six months.	MoF will review every three months.	Draft 3: Calculated on average every seven days (every Thursday), announced by the MoIT along with the international price. Draft 4: MoF will review every three months.
Regulated transportation cost	Not mentioned.	MoF will review every six months.	MoF will review every three months.	MoF will review every three months.
Regulated operating cost	Gasoline: VND1,050 Diesel: VND950	MoF will review every year.	MoF will review every year. Current regulated operating cost under Dispatch No. 6808/BTC-QLG dated July 1, 2024. A95 gasoline's regulated cost: VND1,140/liter. Diesel's regulated cost: VND1,170/liter.	Regulated operating cost adjusted annually based on the CPI. This will be reviewed every three years to ensure accuracy (based on our understanding).
Regulated profit	VND300/liter	VND300/liter	VND300/liter	VND300/liter
Petrol price adjustment cycle	15 days	10 days	7 days	7 days
Inventory days	30 days' supply	20 days' supply	20 days' supply	20 days' supply
Maximum number of wholesale distributors per retail distributor	One	One	Three	One

# Flexible pricing mechanisms can enhance profitability

Comparison of operating profit margins by pricing mechanism in the region



## Pricing mechanism comparison

Country	Pricing mechanism	Retail price adjustment cycle
Korea	Market determined	7 days
India	Market determined	Daily
Japan	Market determined	7 days
Philippines	Market determined	7 days
Thailand	Market determined	4 days
Malaysia	Base price	7 days
China	Ceiling price	10 days
Vietnam	Current: Base price Target: Price Ceiling	7 days

Note:

- **Market-determined**, where distributors set prices freely with minimal Government involvement, leading to price differences between stations;
- **Price ceiling**, where distributors can set prices but cannot exceed a Government-set maximum;
- **Base price**, where the Government fixes retail fuel prices, and all retailers must follow these mandated prices.

# PLX – Robust volume growth, margin expansion to boost NPAT-MI

Rating*	BUY	(VND bn)	2024	2025F	2026F	2027F	
Share Price (Feb 19)	VND43,200	Revenue (VND bn)	284,028	259,477	284,071	294,089	
Target Price (TP)*	VND49,200	% YoY	3.7%	-8.6%	9.5%	3.5%	
		NPAT-MI (VND bn)	2,890	3,341	4,904	5,554	
		% YoY	2.0%	15.6%	46.8%	13.3%	
Upside to TP	+13.9%	EPS	2.0%	15.6%	46.8%	13.3%	
Dividend Yield	3.5%	GPM	6.1%	6.9%	7.0%	7.0%	
TSR	+17.4%	NPM	1.0%	1.3%	1.7%	1.9%	
		ROE	9.9%	11.1%	15.0%	15.7%	
Industry	Petroleum	Net D/E	-35.6%	-37.4%	-45.6%	-50.5%	
Market Cap	USD2.2bn	Dividend yield	3.5%	4.6%	6.9%	6.9%	
Foreign Room	USD56mn	DPS (VND)	1,500	2,000	3,000	3,000	
ADTV30D	USD2.1mn	P/E	20.9x	18.1x	12.3x	10.9x	
State Ownership	75.9%	P/Op CF	27.5x	14.3x	8.7x	8.4x	
Outstanding Shares	1.27 bn	EV/EBITDA	9.6x	7.5x	5.2x	4.5x	
Fully Diluted Shares	1.27 bn	* TP and rating last updated February 14, 2025					

## Company Overview

PLX is the leading player in Vietnam's petroleum distribution sector and has a 50% market share. It has 2,774 COCO stations (company-owned company-operated, retail sales) and 1,956 DODO stations (dealer-owned dealer-operated, wholesale). Other segments include petrochemicals (lubricants and asphalt), liquefied petroleum gas (LPG) distribution, petroleum transportation, and insurance.

**PLX is the market leader in Vietnam's petroleum distribution sector with a 50% market share**, backed by the country's largest storage capacity and nationwide distribution network. With domestic petroleum consumption projected to grow at a 4.7% CAGR (2024–2030F)—12x the IEA's global forecast—PLX is well-positioned for sustained long-term growth.

**PLX consistently outperforms competitors in profitability**, achieving the highest gross profit per liter (VND 850–1,250 vs peers' VND 400–750 in 2019–2023). This reflects sourcing capabilities and operational efficiency.

**We expect a new decree on petroleum pricing (to be approved by H1 2025) could enhance margins.** The shift from a base price mechanism to a ceiling price mechanism would grant distributors greater pricing flexibility. Historically, markets with ceiling or market-driven pricing mechanisms enjoy higher OPMs (3.0–3.9% on average) compared to PLX's 2.1%. We believe that switching to a ceiling price mechanism should help to improve the OPMs of PLX and OIL in recovering to their pre-COVID levels and potentially increasing, thereby matching with the OPMs of regional peers.

**We forecast 2025 reported/core NPAT-MI to grow 16/24% YoY**, driven by (1) 6.0% YoY higher domestic sales volume, (2) a 0.8 ppts expansion in GPM from the full-year impact of a higher regulated cost since July 2024, as well as the slight positive impact of new petroleum regulations allowing petrol distributors to set their own prices, and (3) YoY lower SG&A. These outweigh (4) our one-off loss projection of VND300bn from the Petrolimex Laos divestment.

**We project a 24% CAGR in reported EPS for 2024–27F**, driven by a volume growth CAGR of 5%, and GPM improving to 7.0% in 2026F vs the pre-COVID average of 8.6%.

**PLX's valuation looks attractive** at a 2025F P/E of 18.1x, an implied three-year PEG of 0.7x.

**Upside catalysts:** Share capital increase via stock dividend, PLC's divestment gain.

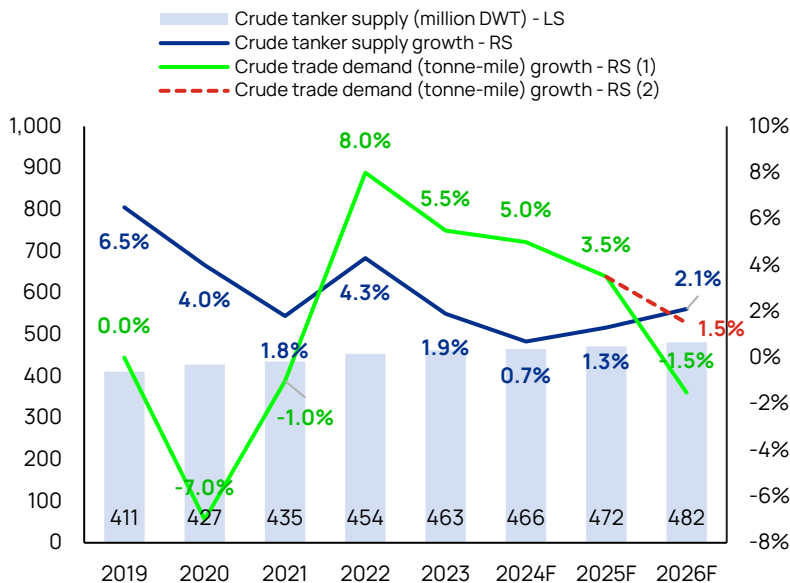
**Downside risks:** Volatile oil prices; policy risks; later-than-expected approval for the new Decree.

# Tanker market remains favorable with higher rates expected in 2024-2026 compared to before the Russia-Ukraine conflict

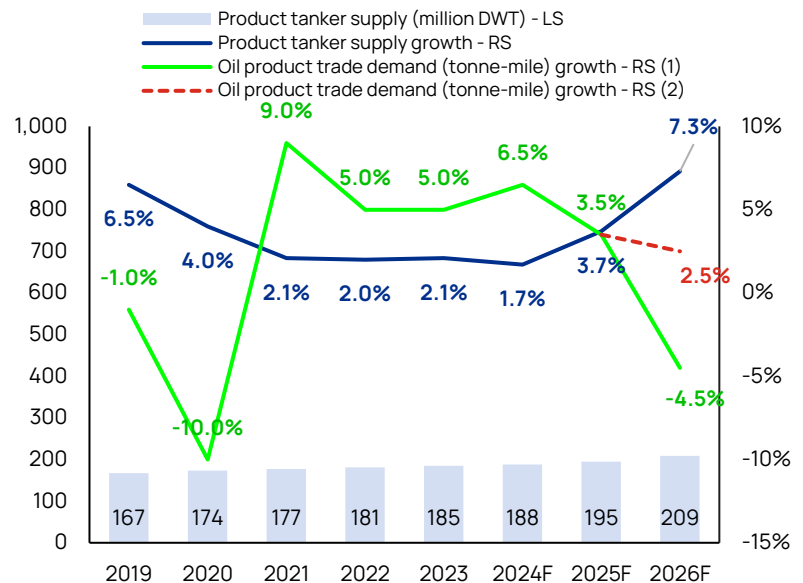
Crude oil tanker market to strengthen slightly in 2025 but could weaken in 2026 if Red Sea tensions ease.

Oil product tanker market to remain tight in 2025 but weaken in 2026 due to higher supply growth. Tonne-mile demand in 2026 is forecast to remain 27–36% above the 2021 levels, while supply is projected to be only 20% higher. This imbalance is likely to keep rates above the 2021 levels, providing support for oil product tanker rates.

## Crude oil trade supply and demand

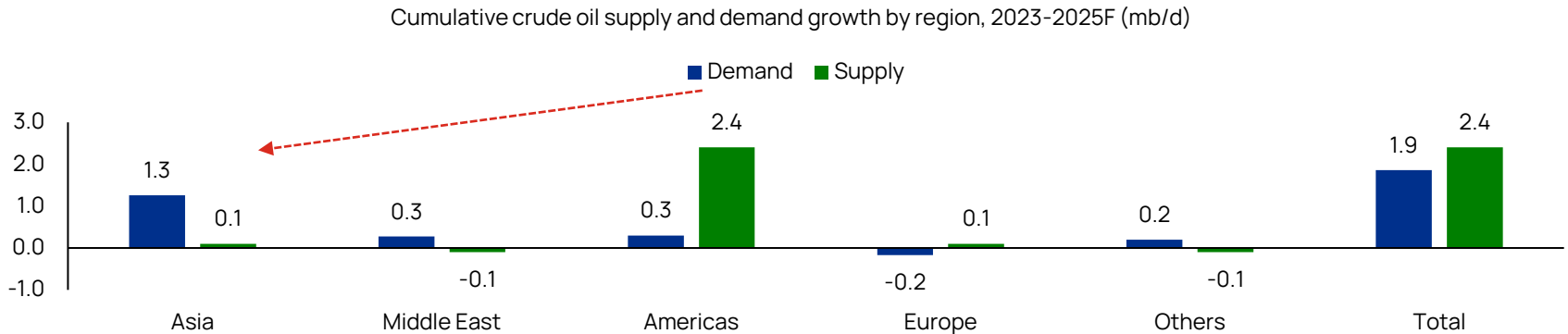


## Oil product trade supply and demand

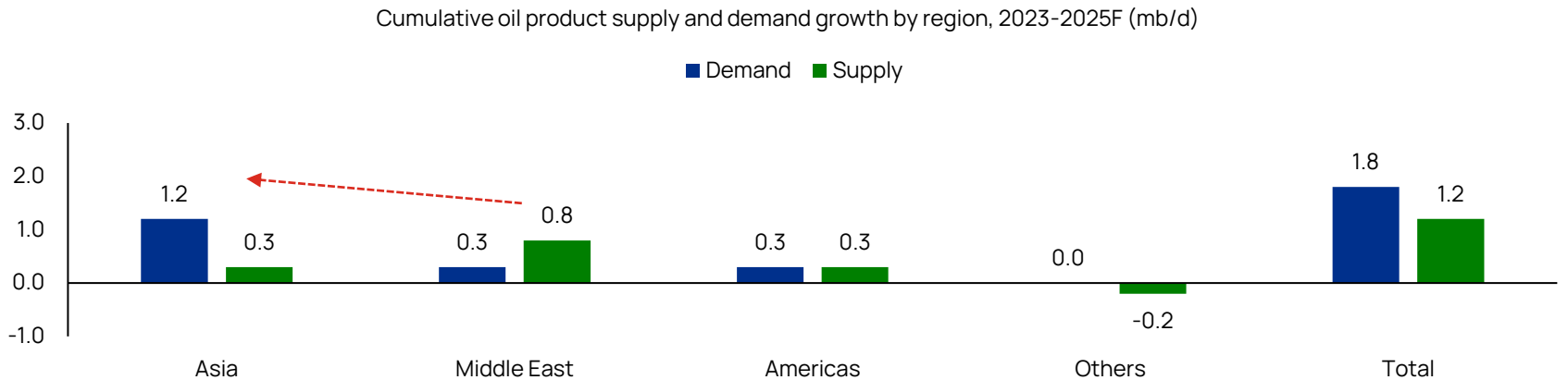


# The possible positive impact from increasing US crude oil and oil product output

**Crude oil transport:** This imbalance is expected to increase as more US oil is shipped to Asia and Europe, supporting high tonne-mile demand

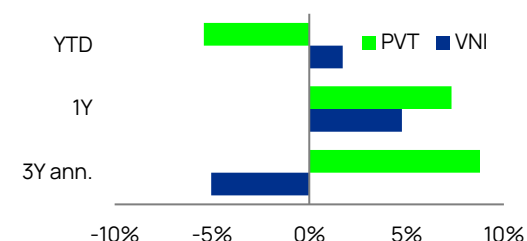


**Oil product transport:** Although Asia and the Middle East primarily meet Asia's demand, increased US refinery output could lead to higher US oil product exports, potentially creating a need for longer-distance shipments to Asia



# PVT – Robust earnings growth ahead with 30% YoY fleet expansion

Rating*	BUY	(VND bn)	2024	2025F	2026F	2027F
Share Price (Feb 19)	VND26,200	Revenue (VND bn)	11,812	13,939	15,051	15,552
Target Price (TP)*	VND32,200	% YoY	24%	18%	8%	3%
		NPAT-MI (VND bn)	1,095	1,332	1,648	1,725
		% YoY	13%	22%	24%	5%
Upside to TP	22.9%	EPS reported % YoY	12.6%	21.6%	23.7%	4.7%
Dividend Yield	3.1%	EPS recurring % YoY	17%	35%	25%	5%
TSR	+26.0%	GPM	20.7%	21.1%	19.5%	18.9%
		NPM	9.3%	9.6%	10.9%	11.1%
Industry	Oil & Gas	ROE	15.1%	16.2%	17.5%	16.1%
Market Cap	USD366mn	Net D/E	30.5%	8.7%	-10.5%	-41.6%
Foreign Room	USD134mn	Dividend yield	3.1%	3.8%	3.8%	3.8%
ADTV30D	USD1.6mn	P/E Reported	8.9x	7.3x	5.9x	5.7x
State Ownership	51.0%	P/B	1.2x	1.1x	0.9x	0.8x
Outstanding Shares	323.7 mn	EV/EBITDA	3.8x	3.0x	2.9x	2.2x
Fully Diluted Shares	323.7 mn	* TP and rating last updated February 21, 2025				



## Company Overview

PVT owns the largest liquid tanker fleet in Vietnam and holds a major market share for the crude oil transportation of Binh Son Refinery (BSR) (312,800 DWT), 30% for oil products (543,800 DWT), 100% for liquefied petroleum gas (157,300 DWT), 10% for coal transportation (414,000 DWT), and 10% for floating oil storage (FSO).

**Stable profitability in the Vietnam market, backed by crude transportation for BSR and the FSO segment.** As the largest liquid tanker fleet operator in Vietnam, PVT holds a 70% share of BSR's crude oil feedstock transport, contributing 25% of PVT's net profit. Additionally, its 10% market share in the FSO segment, supported by 7-10-year contracts, contributes 15% of PVT's net profit. With our projected Vietnam's petroleum demand to grow at a 4.7% CAGR (2024-2030), PVT is well-positioned for continued domestic revenue growth.

**Internationally, PVT is aggressively scaling up to secure higher-value contracts.** A 30% YoY fleet expansion in 2023, followed by an additional 29% YoY expansion in 2024, strengthens its global footprint. The tanker market remains favorable, with rates nearly twice pre-2021 levels, driven by tonne-mile demand growth outpacing tanker supply growth. The Russia-Ukraine conflict has structurally shifted global trade routes, increasing transport distances as Europe sources more oil from Asia and the US, while Russia pivots to Asia, sustaining high demand for long-haul shipping. Additionally, the mismatch between oil supply and demand across regions supports long-term growth in tonne-mile demand, with the Asia-Pacific region leading global oil demand growth. Meanwhile, non-OPEC oil supply growth is primarily driven by the Americas.

**We forecast 2025 recurring NPAT-MI to grow by 35% YoY due to:** 1) fleet DWT (deadweight tonnage) expanding by an estimated ~30% YoY in 2024, 2) an 18% YoY increase in BSR's transport volume amid a flat YoY rate (one-year contract signed in December 2024) for BSR's crude oil transportation (~20% of fleet DWT), 3) 35% YoY lower net financial income/expense, and 4) lower YoY maintenance & other cash costs. These factors outweigh the impact of our projection for 10% YoY lower oil product fleet rates (which account for 20% of fleet DWT), 7% YoY lower crude oil overseas rates (4% of the fleet DWT), and a 4% YoY decrease in chemical rates (18% of fleet DWT).

**PVT's valuation looks attractive** with a 2025F EV/EBITDA of 3.0x, ~50% below the five-year average of our selected regional peer and 2025F P/E of 7.4x, 15% lower than its 5Y average.

**Upside catalyst:** 20% stock dividend payment, higher-than-expected fleet expansion. **Downside risks:** Lower-than-expected oil product tanker rates, higher-than-expected maintenance expenses.





## Vietnam's Oil & Gas Sector

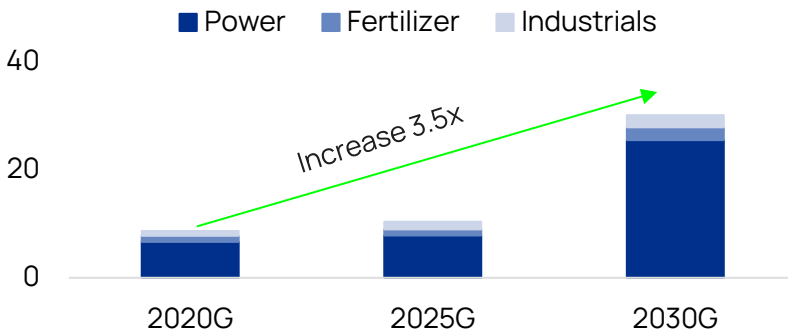
### 4. LNG



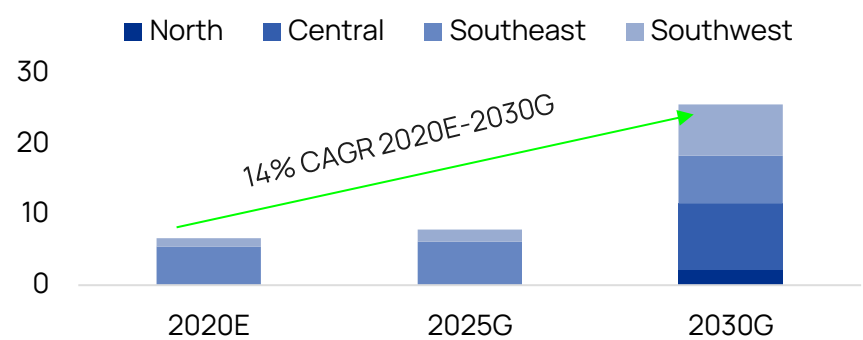
# Importing LNG is inevitable to meet growing national power demand

The National Energy Plan 2021-2030 targets a **3.5x rise in Vietnam's gas demand by 2030**, driven by robust power needs. However, domestic supply from key fields like Sao Vang – Dai Nguyet and Block B falls short. Vietnam ended gas self-sufficiency in 2023, started LNG imports in 2024, with LNG's share projected to grow from 12% in 2024 to 73% by 2029F.

Vietnam's gas demand by segment (bcm)

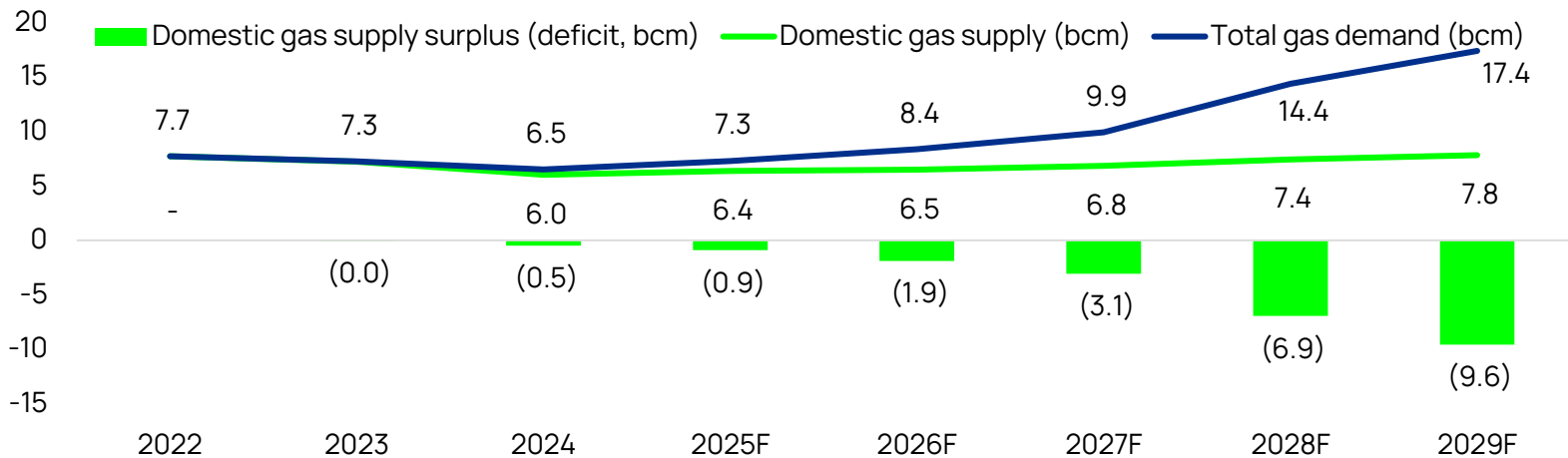


Vietnam's gas demand from power plants by region (bcm)



Source: National Energy Development Plan for 2021-2030, Vietcap

Gas shortage outlook (Vietcap estimates) (bcm)



# Total capex of USD23bn for LNG infrastructure in the next ten years

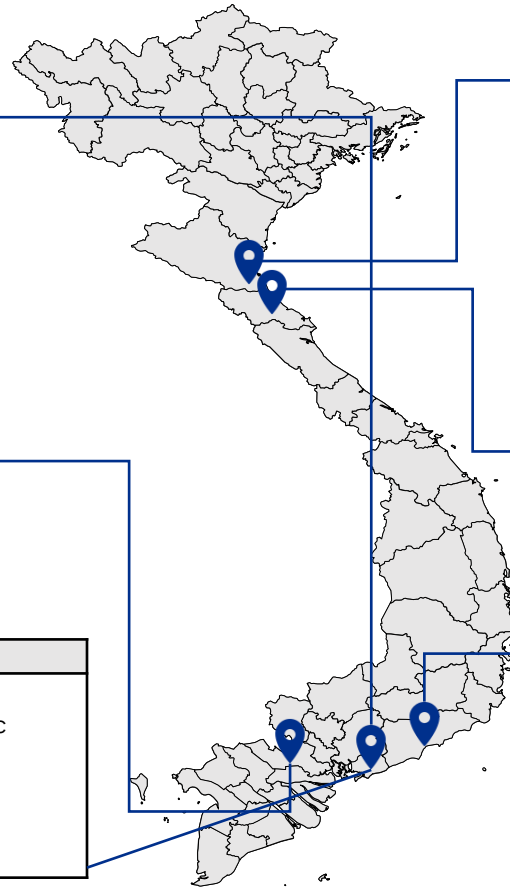
The National Energy Plan targets LNG imports of 2.2 bcm by 2025, rising to 15.7 bcm by 2030. The April 2024 PDP VIII Implementation Plan prioritizes 13 LNG-fired power plants totaling 22,524 MW.

## Some LNG terminal projects in Vietnam

Thi Vai LNG Terminal	
Location	Ba Ria - Vung Tau Province
Investor	GAS
Investment	Phase 1/2/3: USD286/200/200mn
Capacity	Phase 1/2/3: 1/3/6 MMTPA
Operation year	Phase 1/2/3: 2024/27/29
Status	Phase 1: CoD Phase 2: Waiting for MoIT's approval of FS Phase 3: N/A
Power plants to supply	Nhon Trach 3 & 4, Long An I & II

Long An LNG Terminal	
Location	Long An Province
Investor	VinaCapital & General Electric
Investment	USD3.1bn (incl. power plants)
Capacity	1-3 MMTPA
Operation year	N/A
Status	Under construction
Power plants to supply	Long An I and II

Hai Linh LNG Terminal - Phase 1	
Location	Ba Ria - Vung Tau Province
Investor	Hai Linh Ltd, Atlantic Gulf & Pacific
Investment	USD231mn
Capacity	1 MMTPA
Status	CoD
Power plants to supply	Hiep Phuoc 1 & 2, Genco 3



Quynh Lap LNG Terminal	
Location	Nghe An Province
Investor	N/A
Investment	USD2.2bn (incl. power plant)
Capacity	1.2 MMTPA
Operation year	2030
Status	Selecting investor
Power plants to supply	Quynh Lap (1,500 MW)

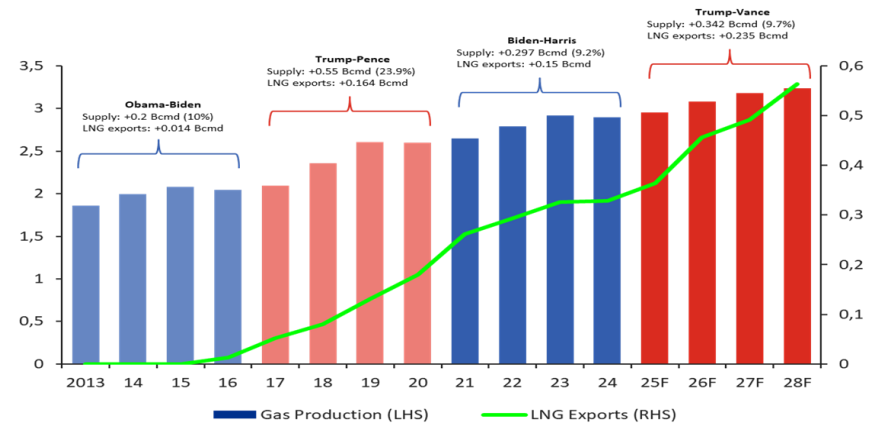
Vung Ang LNG Terminal	
Location	Ha Tinh Province
Investor	N/A
Investment	N/A
Capacity	1-3 MMTPA
Operation year	2030
Status	Asking for investment approval
Power plants to supply	Vung Ang III (1,500 - 3,000 MW)

Son My LNG Terminal	
Location	Binh Thuan Province
Investor	GAS & AES
Investment	USD1.4bn
Capacity	3.6-6 MMTPA
Operation year	Phase 1: 2028
Status	Completed FS
Power plants to supply	Son My 1 & 2

# Opportunity to source cheaper LNG from the US compared to Japan or Korea

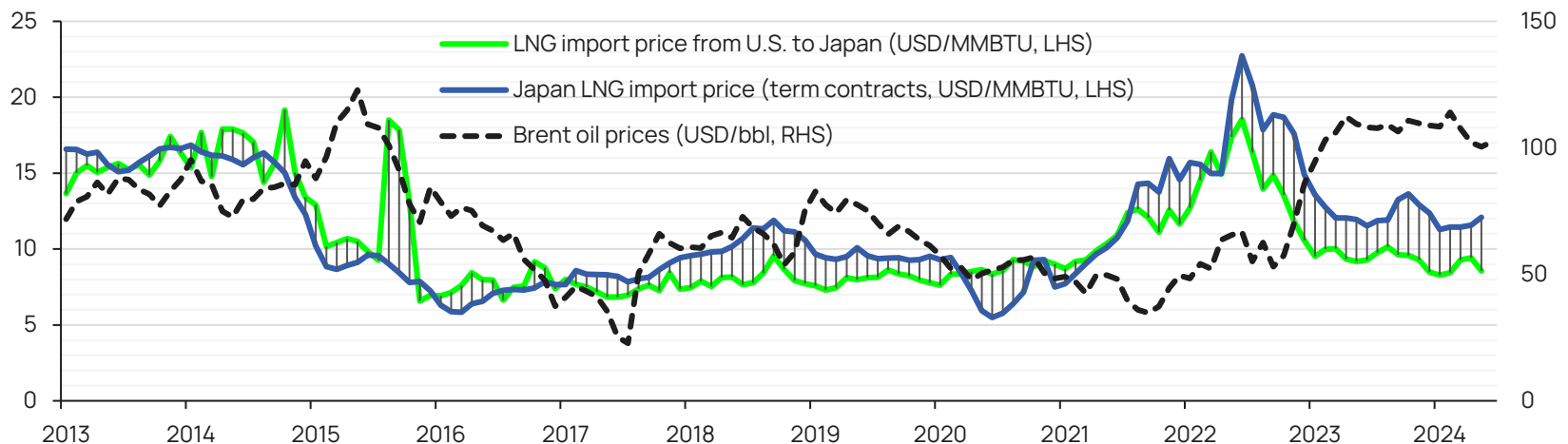
- Rystad Energy forecasted US LNG export capacity to double from 0.4 bcm/d in 2023 to 0.8 bcm/d by 2030, meeting ~37% of the ~780 bcm global LNG demand. Growth is driven by pro-energy policies, including expedited permits for Texas LNG, Calcasieu Pass (CP2), and expanded federal gas leases.
- We estimate that US LNG imports are 19% cheaper than Japan's over 2022-24 on average and could facilitate Vietnam LNG import from the US, helping to reduce its trade deficit.
- LNG prices face downward pressure from potential oversupply if multiple US projects advance simultaneously. However, prices could rise due to (1) a possible 25% steel tariff increasing project/export costs, (2) reliable US supply unlocking demand in price-sensitive markets like Vietnam, and (3) Europe's drive to secure US LNG, reducing reliance on Russian gas and ensuring steady demand.

US LNG export and gas production outlook (bcm)



Source: Rystad Energy, Vietcap compilation

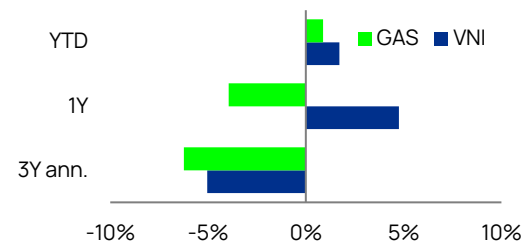
LNG import prices from the US and Japan (USD/MMBTU), Brent oil prices (USD/bbl)



# GAS – Growing volume, profitable Thi Vai LNG terminal to drive earnings

Rating*	BUY	(VND bn)	2024	2025F	2026F	2027F
Share Price (Feb 19)	VND68,700	Revenue	103,564	109,056	123,975	128,747
Target Price (TP)*	VND79,200	%YoY	15.1%	5.3%	13.7%	3.8%
		NPAT-MI	10,398	11,133	13,951	17,157
		% YoY	-10.4%	7.1%	25.3%	23.0%
Upside to TP	+15.3%	EPS	-12.2%	7.1%	25.3%	23.0%
Dividend Yield	4.4%	GPM	17.0%	17.0%	17.5%	19.4%
TSR	+19.7%	NPM	10.0%	10.2%	11.3%	13.3%
		ROE	16.7%	17.9%	21.4%	25.0%
Industry	Utilities	Net D/E	-49.5%	-38.8%	-20.0%	-5.3%
Market Cap	USD6.3bn	Dividend yield	4.4%	7.3%	7.3%	7.3%
Foreign Room	USD3.0bn	P/Op CF	18.3x	14.0x	11.2x	8.1x
ADTV30D	USD1.7mn	P/E	15.8x	14.8x	11.8x	9.6x
State Ownership	96%	P/B	2.6x	2.5x	2.4x	2.3x
Outstanding Shares	2.3 bn	EV/EBITDA	8.9x	8.6x	6.9x	5.4x
Fully Diluted Shares	2.3 bn					

\* TP and rating last updated Feb 7, 2025



## Company Overview

GAS is the monopoly operator of gas transporting & trading in Vietnam. It provides input feedstock for 100% gas thermal power plants, 70% urea production, and 100% industrial parks in the country. GAS has a 70% market share in the LPG wholesale business and supplies liquefied natural gas (LNG).

We like GAS as it (1) is a near-monopoly operator of gas transporting & trading in Vietnam, (2) holds a 70% market share in Vietnam's LPG wholesale industry and owns in-house LPG plants, (3) makes profit from trading LPG/LNG internationally, and (4) has a strong financial capacity, with a net cash-to-equity ratio of 48.5% at the end of Q4 2024 (outperforming its regional peers' average of 5.1%) and a projected return on equity of 17.9% for 2025F.

We project EPS to grow at an 18% CAGR for 2024-2029F, driven by rising profitability in transportation, particularly through LNG adoption. This growth should offset earnings declines in gas trading as cheap gas reserves deplete. LNG will be essential to meet surging power demand, further supported by our forecast of declining LNG prices from 2027F onward.

We project GAS's NPAT-MI to bottom out in 2024 and grow 7.1% YoY in 2025F, primarily driven by (1) 12% YoY growing gas sales volume and (2) 3x YoY NPAT from the Thi Vai terminal at VND202bn (vs VND72bn in 2024); these outweigh (3) our projected 13% YoY lower FO price.

GAS's valuation is compelling with a 2025F P/E of 14.8x, 13% lower than its historical 5Y average P/E, and an implied PEG of 0.8 based on our projected 2024-2027 EPS CAGR of 18%.

**Upside potential:** Higher-than-expected volume; LNG pricing mechanism approval; lower-than-expected provision expenses and/or earlier reversal of provision expenses.

**Downside risks:** Lower-than-expected Brent/FO prices.

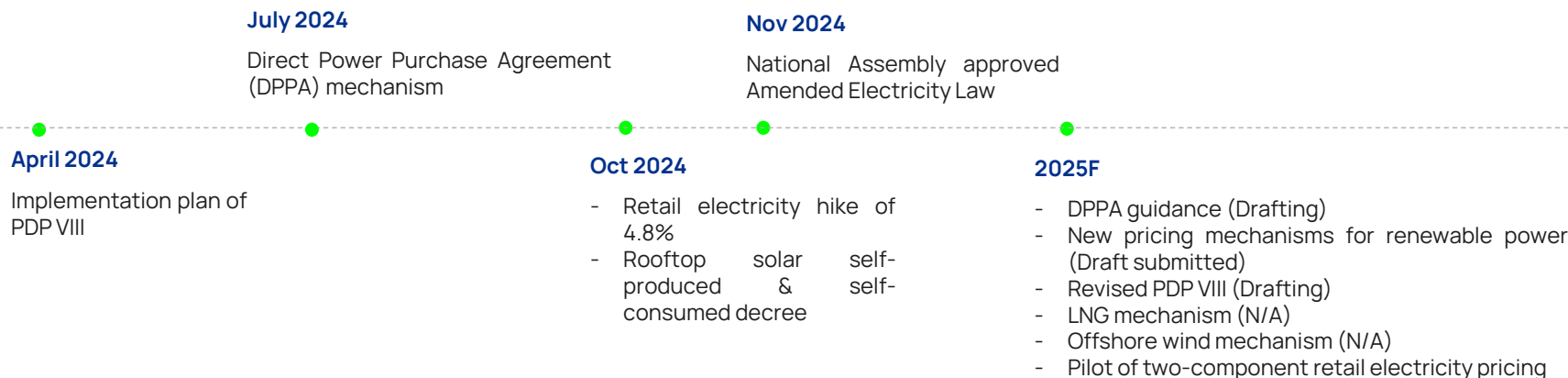
# Vietnam's Power & Water Sector

## 1. Power sector Overview

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# Accelerated regulatory approvals with more expected in 2025

## Crucial legal framework unlocks in 2024/25F



### National power consumption growth scenarios

	Current PDP VIII	Draft PDP VIII			Vietcap's forecast
		Low growth case	Medium growth case	High growth case	
2025 - 30F GDP growth (% YoY)	7.0%	6.5%	8.0%	10.0%	7.5%
2025-30F CAGR power consumption (% YoY)	8.6%	8.3%	10.3%	12.5%	10.0%

### Key catalysts forcing regulatory unlocks:

- ✓ 2024 power consumption grew 9% YoY (x2 2023 growth rate). EVN's 2025 base case growth is 9.4% and up to 13.2% YoY.
- ✓ Gas & LNG-fired/coal-fired/wind capacity expansion likely to fail 2030F target in PDP VIII.
- ✓ MoIT requested to raise 2025-30F CAGR power consumption growth rate to 10.3%-12.5% (vs 8.6% in current PDP VIII), following the higher GDP growth target of 8% for 2025 and 10% p.a. for 2026-30F.

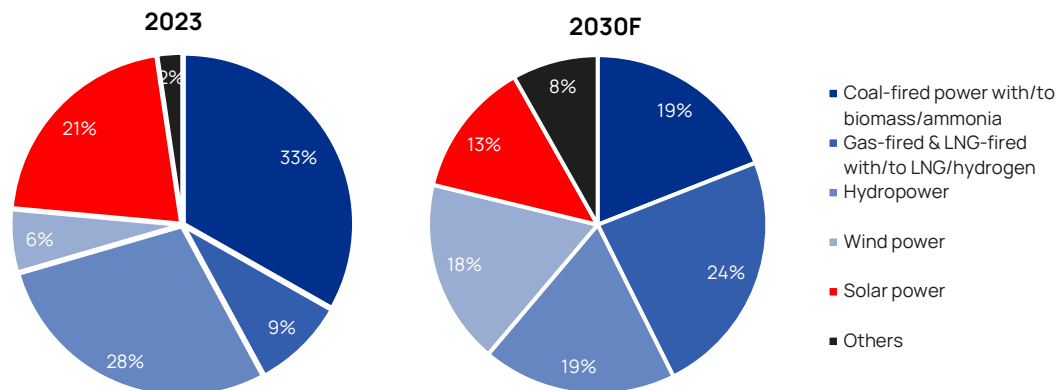
# We expect Revised PDP VIII to be issued in 2025

In September 2024, the MoIT proposed to adjust the PDP VIII to ensure sufficient electricity supply during the 2025-2030 period, mainly due to the delay new capacity development.

In February 2025, the Prime Minister designated EVN and PetroVietnam as the investors for the Ninh Thuan 1 & 2 nuclear power plants, targeting latest COD by 2031 to secure long-term power supply.

Power type	Current situation
Gas & LNG - fired	<ul style="list-style-type: none"> <li>The MoIT expects only O Mon I (660 MW) and Nhon Trach 3 &amp; 4 (1,624 MW), <b>~7.5% of the total additional gas-fired capacity</b> (23 plants, total capacity of 30,424 MW by 2030) are certain to begin commercial operations by 2030.</li> <li>Other gas-fired power plants may face difficulties, reaching COD before 2030 without timely LNG mechanisms (<b>mainly Qc and pass-through</b>).</li> </ul>
Coal-fired	<ul style="list-style-type: none"> <li>Many plants are facing significant challenges due to a lack of support from local authorities and financial institutions (5 projects with a total capacity of 7,200 MW, <b>~5% national installed capacity by 2030</b>) are <b>delayed</b> by funding issues and shareholder changes.</li> </ul>
Wind	<ul style="list-style-type: none"> <li>Only 3,000-5,000 MW of onshore and nearshore capacity has been installed, representing <b>just 14-18% of the planned target</b>.</li> <li>Achieving the additional 21,880 MW capacity goal by 2030 is becoming increasingly unlikely, per the MoIT.</li> </ul>
Solar	<ul style="list-style-type: none"> <li>Deputy PM suggested lifting the northern region's rooftop solar additional capacity to 7,000 MW, which is <b>~3x of the 2,600 MW</b> national capacity proposed in the PDV III.</li> <li>To make up for the delays in large-scale power sources like gas-fired and coal-fired.</li> </ul>
Transmission infrastructure	<ul style="list-style-type: none"> <li>The MoIT emphasizes reviewing power grid projects to ensure alignment with power source progress and to update or supplement projects as needed.</li> </ul>

Vietnam's power capacity breakdown by type





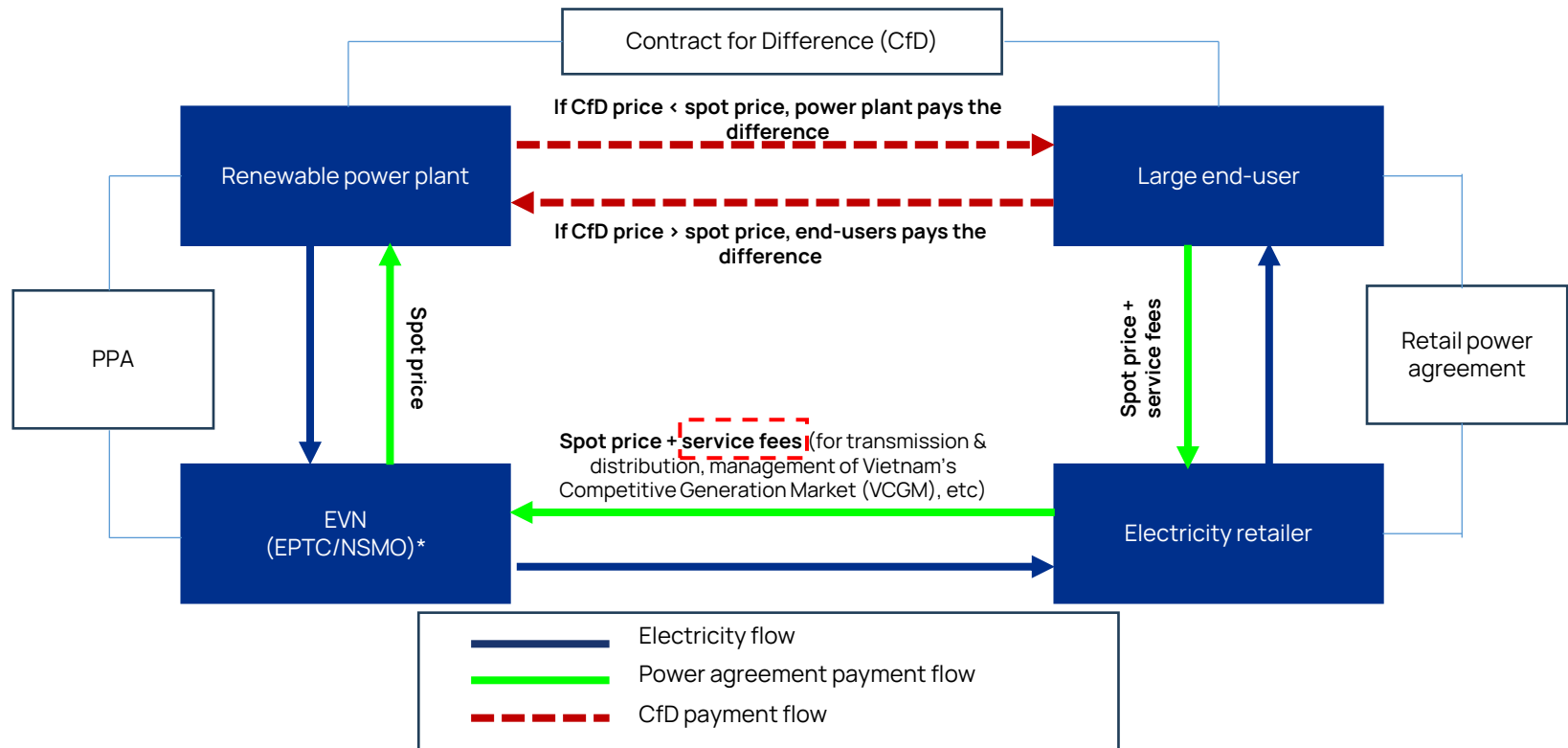


# **Vietnam's Power & Water Sector**

## 2. Renewable Power



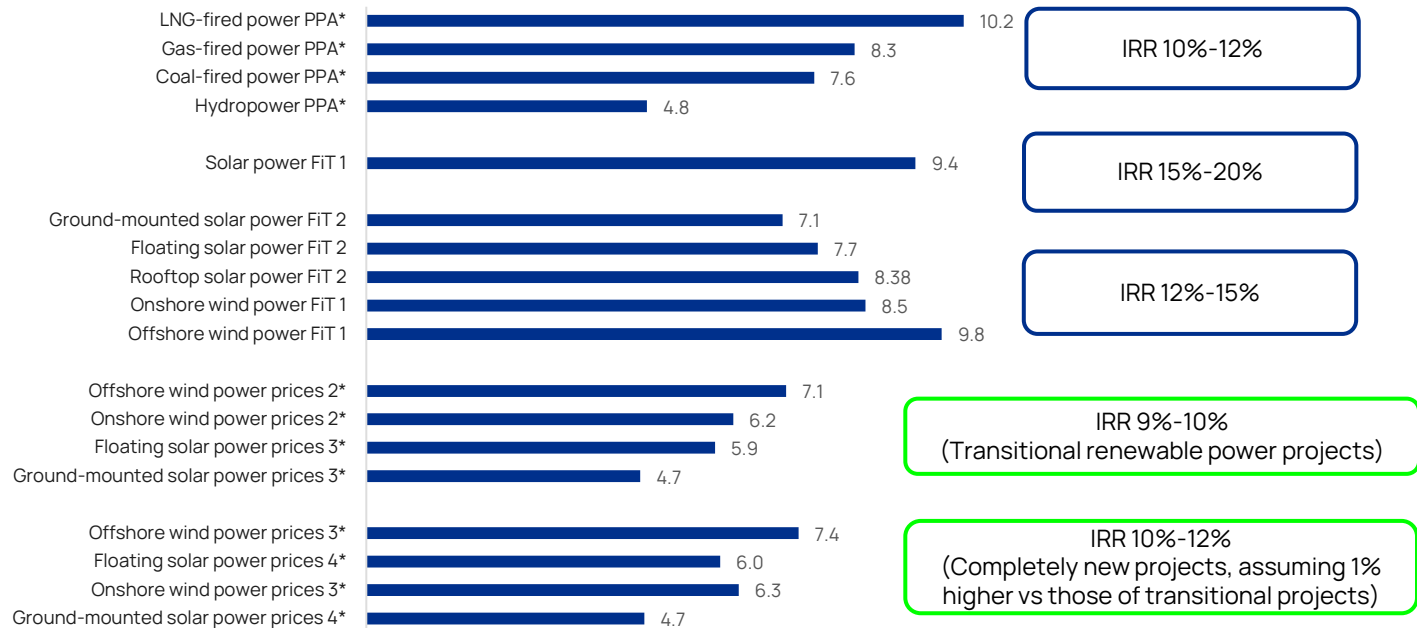
# DPPA mechanism



# We expect a new pricing mechanism for renewable power in 2025

- We anticipate higher new ceiling prices for renewable power in 2025 from the MoIT, incentivizing investors beyond transitional plant rates. With a projected 1%-3% increase over transitional project prices, we estimate project IRRs at ~10%-12%, matching traditional power sources' returns (including medium and large-scale hydropower and thermal plants).
- We also expect this to be a competitive **bidding/auction mechanism with ceiling prices**.

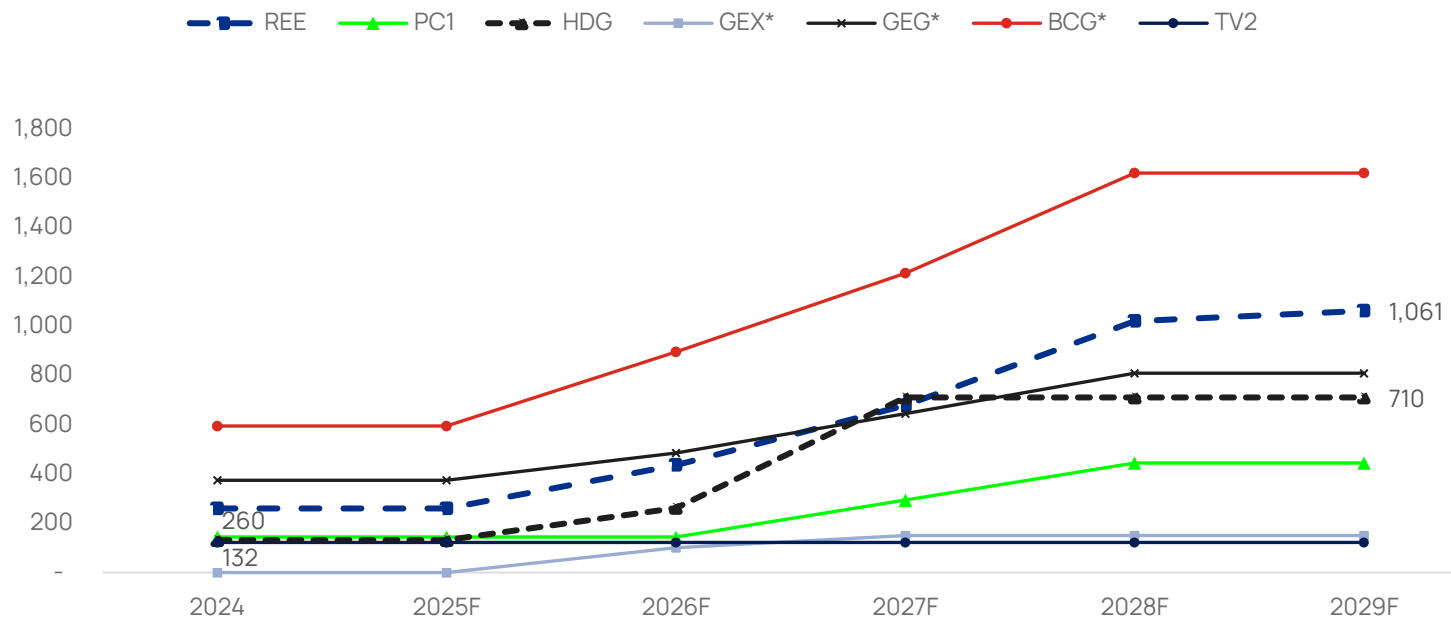
## Power Purchase Agreement (PPA) of traditional power vs FiT and new prices of renewable energy (US cents/kWh)



# Renewable power capacity expansion outlook of power companies

- Most companies under our coverage aim to significantly expand their renewable power capacity, **primarily focusing on wind power**, through self-development, M&A, and strategic partnerships.
- REE, HDG, and PC1 have adopted a build-to-operate strategy, while GEX pursues a build-to-sell approach.
- We project **REE/HDG to add approximately 830/580 MW**, respectively, of solar and wind power capacity during 2025-2029F, **4x and 5x increases** over the period.

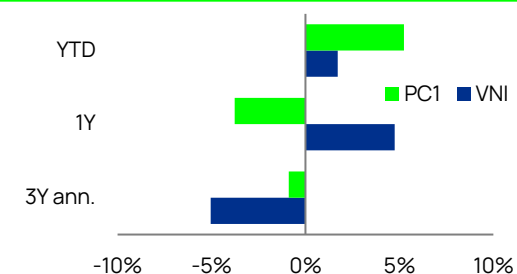
## Wind & solar power capacity expansion outlook of select power companies (MW)



# PC1 – Power construction, property sales to drive core earnings

Rating*	BUY	(VND bn)	2024	2025F	2026F	2027F
Share Price (February 19)	VND24,100	Revenue	10,078	11,340	15,350	17,904
Target Price (TP)*	VND28,800	%YoY	31.0%	12.5%	35.4%	16.6%
		NPAT-MI	460	650	1,110	1,897
		% YoY	1,169.5%	41.1%	70.9%	70.9%
Upside to TP	19.5%	Core NPAT-MI	481.9%	11.9%	70.9%	70.9%
		% YoY				
Dividend Yield	0.0%	GPM	20.7%	19.6%	19.2%	23.8%
TSR	19.5%	NPM	4.6%	5.7%	7.2%	10.6%
		ROE	8.7%	11.4%	17.7%	25.7%
Industry	Power	Net D/E	111.7%	106.7%	122.1%	138.2%
Market Cap	USD338mn	Dividend yield	0.0%	0.0%	0.0%	0.0%
Foreign Room	USD117mn	DPS (VND)	0	0	0	0
ADTV30D	USD2.1mn	P/E	20.2x	14.3x	8.4x	4.9x
State Ownership	0.0%	P/B	1.6x	1.5x	1.3x	1.1x
Outstanding Shares	358 mn	EV/EBITDA	8.2x	7.8x	6.2x	4.1x
Fully Diluted Shares	358 mn					

\* TP and rating last updated February 17, 2025.



## Company Overview

PC1 has 50 years of experience in erecting and installing power transmission lines & substations in Vietnam. Its key businesses include 1) 313 MW of power generation capacity (169 MW hydropower; 144 MW wind), 2) power-related construction, 3) residential and industrial park real estate, and 4) nickel minerals.

**We believe that PC1 is one of the earliest beneficiaries of the implementation of PDP VIII** with power transmission investments starting in 2024 and renewables from 2025. In 2024, PC1 secured VND6.7tn in new contracts (2x YoY), pushing its year-end backlog to VND6.9tn, a three-year high. PDP VIII's plan to **nearly triple 500kV transmission lines during 2026-30F** further strengthens PC1's growth outlook.

**PC1 possesses a sizeable renewable power portfolio of 320 MW**, including 170 MW of hydropower and ~150 MW of wind power capacity that generate strong cash flows with favorable tariffs. PC1 also targets to triple its wind power capacity in the long term.

**PC1 is exposed to the residential & industrial real estate and mineral sectors** with estimated earnings from these segments accounting for an average of ~40% of PC1's gross profit in 2025-29F. PC1 plans to expand its industrial park land bank by adding over 1,500 ha by 2033.

**We project 2025F reported NPAT-MI to rise 41% YoY**, driven by (1) gross profit (GP) growth from power construction/real estate/associates by +52%/+6x/+91% YoY, and (2) no expected FX loss (vs VND159bn in 2024); these outweigh 30% YoY lower GP from nickel.

**PC1's valuation is compelling with a 2025F P/E of 14.3x**, ~30% lower than its historical 4-year P/E and implied PEG of 0.2 based on a projected 2024-2027 EPS CAGR of 60%.

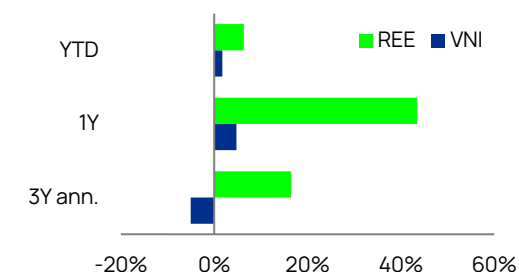
**Upside potential:** Higher-than-expected power construction revenue and margin in 2025F.

**Downside risks:** FX losses, delays in real estate and IP land sales, lower-than-expected power construction earnings in 2026F.

# REE - 2025 NPAT-MI to rebound on earnings growth in all segments

Rating*	OUTPERFORM	(VND bn)	2024	2025F	2026F	2027F
Share Price (February 19)	VND72,200	Revenue	8,384	10,053	14,100	15,216
Target Price (TP)*	VND76,100	%YoY	-2.2%	19.9%	40.3%	7.9%
		NPAT-MI	1,994	2,411	3,415	4,149
		% YoY	-8.9%	20.9%	41.6%	21.5%
Upside to TP	+5.4%	EPS	-8.9%	20.9%	41.6%	21.5%
Dividend Yield	1.4%	GPM	37.3%	34.7%	34.4%	38.7%
TSR	+6.8%	NPM	23.8%	24.0%	24.2%	27.3%
		ROE	11.0%	12.1%	15.3%	16.2%
Industry	Utilities	Net D/E	16.5%	28.7%	43.4%	47.8%
Market Cap	USD1,333mn	Dividend yield	1.4%	1.4%	1.4%	1.4%
Foreign Room	USD0mn	DPS (VND)	1,000	1,000	1,000	1,000
ADTV30D	USD1.7mn	P/E	17.1x	14.1x	10.0x	8.2x
State Ownership	0.0%	P/B	1.8x	1.6x	1.4x	1.2x
Outstanding Shares	471 mn	EV/EBITDA	11.1x	10.2x	7.4x	5.6x
Fully Diluted Shares	471 mn					

\* TP and rating last updated February 17, 2025



## Company Overview

REE is a holding company with three main business lines: power (~1,050 MW, contributing nearly 50% of total earnings), mechanical and engineering installation (M&E), and office leasing. REE is a leading M&E player and possesses 182,000 sqm of office leasing space. Other segments include water and real estate.

**We view REE as one of the leading players in Vietnam's green energy sector** with strong financial capacity in a capital-intensive sector and profitable projects supported by REE's effective cost management. REE is a conglomerate offering exposure to power generation, office leasing, air conditioning mechanical engineering (M&E), water, and residential property.

**We forecast its power capacity (adjusted for ownership) to jump from ~1,070 MW in 2024 to ~1,890 MW in 2029F**, which will be driven by green energy (wind and solar) and deliver an NPAT-MI CAGR of 22% over 2024-2029F.

**Office leasing NFA projected to increase 21% to ~220,000 sqm by 2027F** due to the operation of the Phu Huu office leasing projects. Additionally, the M&E segment is set to benefit from public investments, especially the Long Thanh International Airport.

**Water segment NPAT-MI to grow at a CAGR of 14% over 2024-29F** with its 43%-stake associate Song Da water doubling capacity and an expected ~15% increase in tariffs in the 2026-2028 period.

**We project REE's NPAT-MI to bottom out in 2024 and rebound by 21% YoY in 2025**, driven by NPAT-MI growth from all segments including power (+12% YoY), office leasing (+25% YoY), M&E (+52% YoY), real estate (+5x YoY), and water (+22% YoY).

**REE's valuation looks attractive with a 2025F P/E of 13.2x**, 19% lower than its average one-year P/E of 16.3x. The potential upward re-rating from the four-year average of 10.7x is due to 1) REE's shift to a pure renewable power generator (ongoing divestment from thermal power) and 2) the higher four-year average of regional renewable peers at 24.2x. Additionally, the 2025F P/E of 13.2x implies a PEG of 0.5 based on a projected 2024-2027 EPS CAGR of 28%.

**Downside risk:** Delay of new wind projects. **Upside potential:** Prospect of a VND340bn gain from selling held-for-trading securities (VIB) and an expected ~VND200bn provision write-back for the M&E segment.



# Vietnam's Power & Water Sector

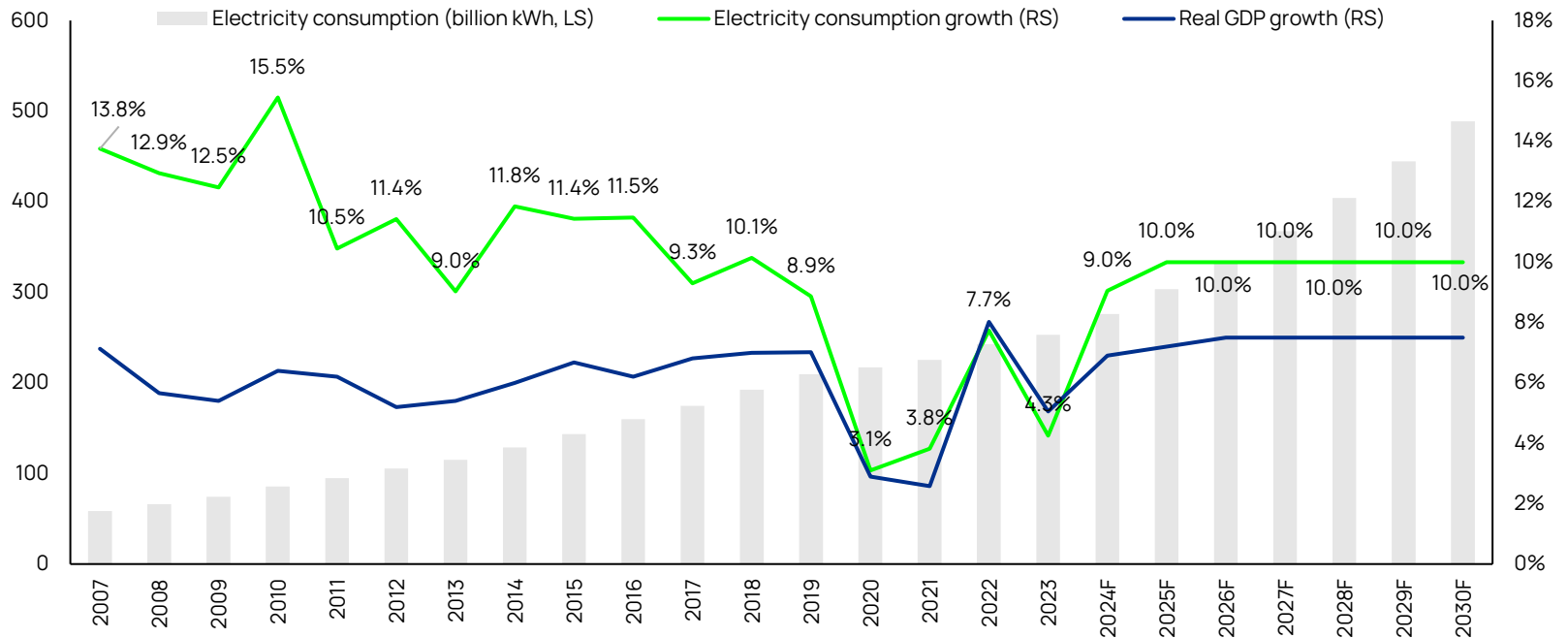
## 3. Thermal Power



# We project 2025F electricity consumption to grow 10.0% YoY

- We recently raised our 2025F electricity consumption growth by 50 bps to 10.0% YoY following our revised GDP forecast of 7.2% vs 6.8% previously. EVN's base case power consumption growth projection is 9.4%, and up to 13.2% YoY as electricity shortages remain a risk in the northern region during the dry season.
- We recently raised our power consumption growth rate projection for 2026-2030 to 10.0% YoY on average from 8.3% previously, due to our higher GDP growth assumption of 7.5% (vs 6.3% previously).

Vietnam's electricity consumption growth vs GDP growth forecasts\*





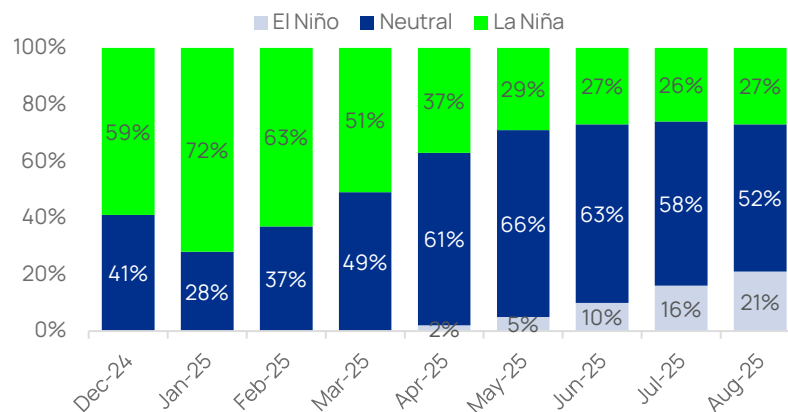
# Anticipated sufficient power for 2025 vs power shortage in 2023

- We expect no power shortage in 2025F due to
  - Sufficient national installed capacity growth in 2024/25F of 3.5%/4.5% YoY.
  - Neutral weather conditions in 2025 vs a mild El Niño effect in 2024. We maintain our expectation for neutral weather conditions in most of 2025, transitioning to a slight La Niña effect in late 2025.
  - The completion of national transmission line no.3 in August 2024, doubling the electricity transmission capacity from the central region to the north from 2,500 MW to 5,000 MW (especially helpful during the dry season).
- The highest uncertainty comes from more frequent **unscheduled technical shutdowns** than expected.
- Looking ahead to 2026-2030, the Government needs to resolve policy bottlenecks to ensure sufficient electricity supply.

## Vietcap's forecasts for Vietnam's power generation capacity (MW)

MW	2021	2022	2023	2024E	2025F
Hydropower	21,836	22,544	22,872	23,139	23,235
Coal-fired power	24,671	25,312	26,757	27,957	29,357
Gas-fired power	7,125	7,160	7,160	7,910	8,660
Solar power (farm)	8,736	8,736	9,115	9,194	9,344
Solar power (rooftop)	7,954	7,954	7,954	7,954	8,104
Wind power	3,980	3,980	4,802	5,154	5,936
Others	2,318	2,114	1,895	2,052	2,464
<b>Total capacity</b>	<b>76,620</b>	<b>77,800</b>	<b>80,555</b>	<b>83,360</b>	<b>87,100</b>
YoY growth	10.5%	1.5%	3.5%	3.5%	4.5%

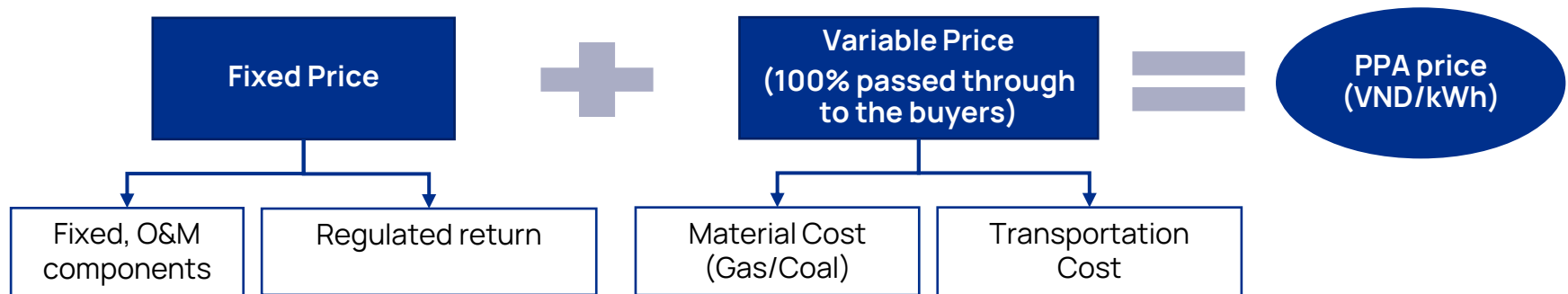
## Probability for weather conditions (during Dec 2024 – Aug 2025) as of December 2024



# Power purchase agreement (PPA) price mechanism

Revenue of a power plant =  $P * Q$  = Price (PPA price and CGM price) \* Volume ( $Q_c$  and non- $Q_c$ )  
=  $PPA * Q_c + CGM \text{ price} * \text{non-}Q_c$   
= Contracted price/Fixed price \* Contracted volume + CGM price \* Non-contracted volume

PPA formular (based on Circular 56)

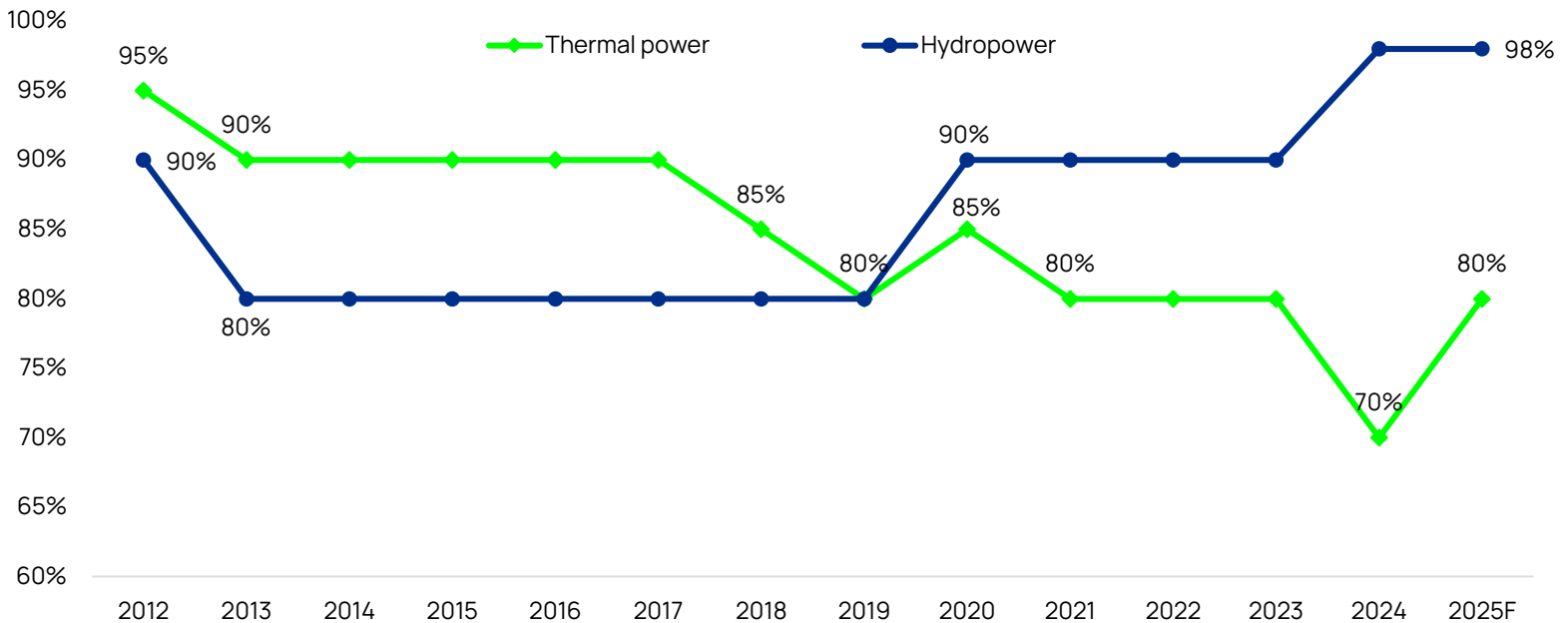


- **PPA contract:** EVN and power plants negotiate many assumptions of a discounted cash flow model such as capex, capital structure, and average utilization rate for the whole cycle of the project, among other factors, and then plug in PPA to derive a **project IRR of 10%-12%**.
- **$Q_c$**  is guided to decline gradually to 60% of a power plant's **average volume of the project's life cycle** (~70% utilization rate for thermal and ~40% utilization rate for hydro).

# Favorable contracted volume (Qc) ratio for thermal power plants at 80%

- We recently raised our contracted volume ratio projection for **thermal plants to 80% in 2025 (from 70% in 2024)** while maintaining **98% for hydropower plants in 2025**, as they are released by the MoIT, per industry players.
- This will **enhance the profitability of thermal plants after challenges in 2024** (historically-low contracted ratio of 70%). However, the ratio stays unchanged for hydropower at 98%, limiting the profitability of plants in 2025 given our expectation for more favorable weather conditions.

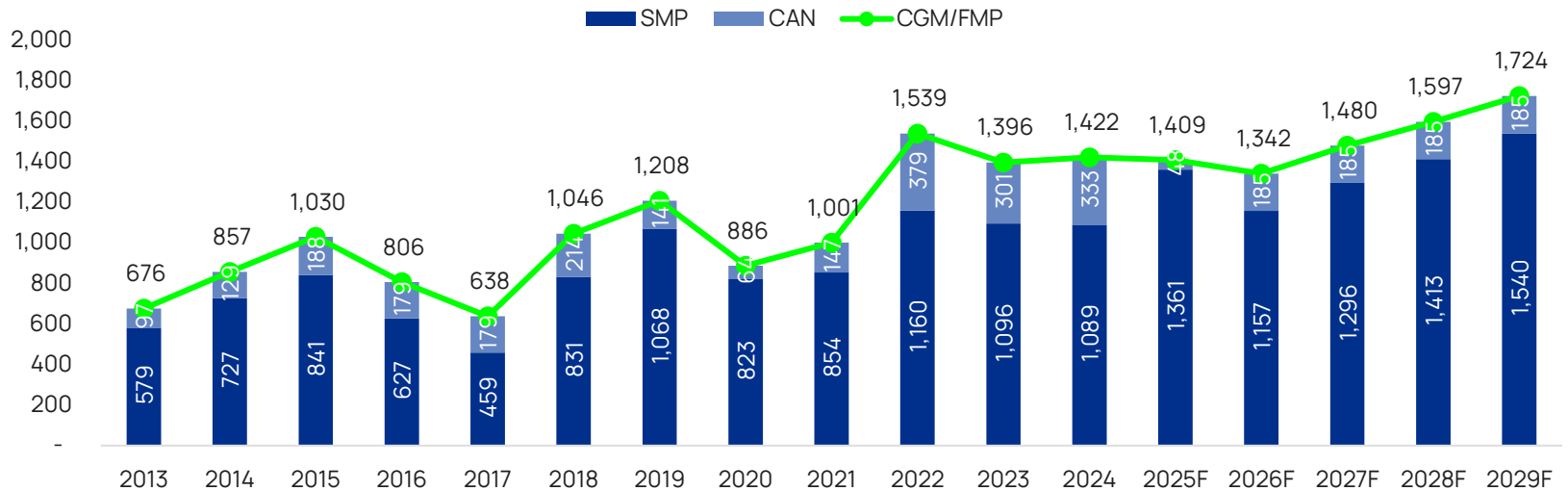
Contracted volume ratios (% Qc)



# 2025 average CGM price to be almost flat YoY

- In our [Thermal Power Sector Update](#), dated February 12, 2025, we lowered our 2025F CGM price projection by 2% to VND1,409/kWh (-1% YoY) due to a lower CAN price, which outweighs (1) our projection for strong power consumption growth of 10.0% YoY in 2025F (vs 2024F's high base of 9% YoY, ~2x of 2023), and (2) our projected 5%/10% YoY higher coal and gas prices, respectively.
- However, we increased our CGM price assumptions by 2% on average in 2026-2029F, primarily due to (1) higher-than-expected 2024 CGM prices and (2) higher projected power consumption growth. Our forecast implies a CAGR of 3.9% in CGM prices for the 2024-2029F period, which is roughly in line with expected CPI inflation.

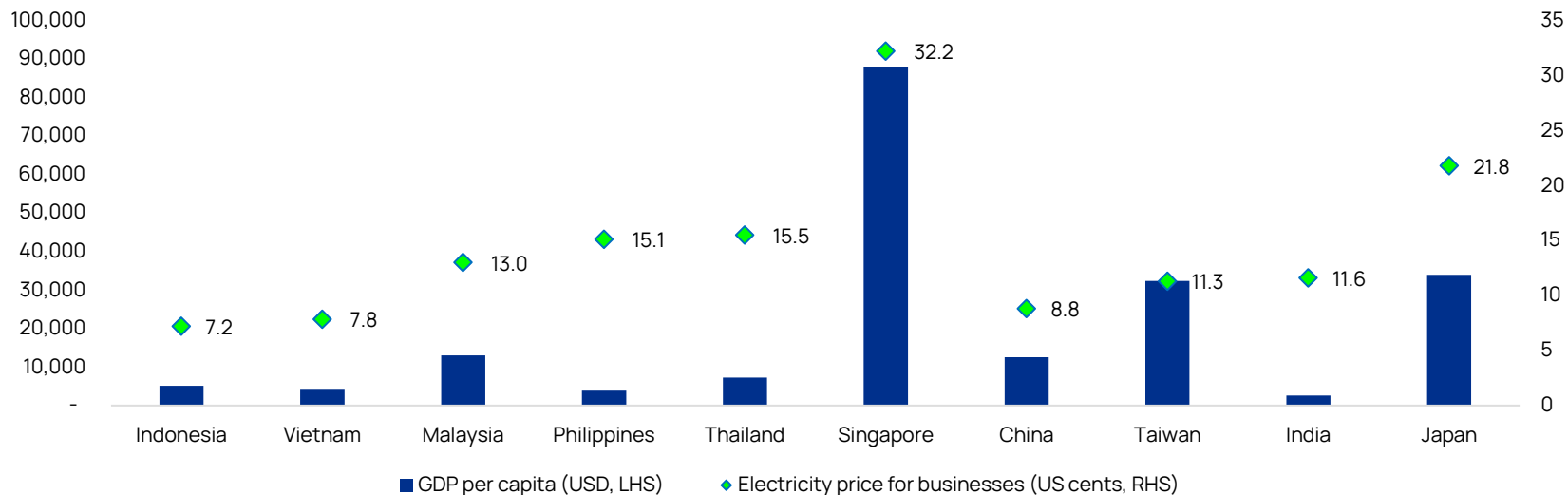
Average CGM price outlook (VND/kWh)



# We expect retail electricity prices to increase 5%/10% in 2025/26F

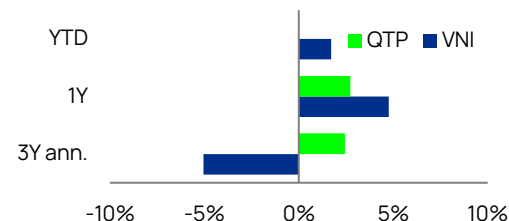
- The MoIT approved a **4.8% hike in retail electricity prices** to VND 2,103/kWh (US 8.3 cents/kWh, excl. VAT), effective October 11, 2024.
- By H1 2024, EVN's cumulative net loss reached VND56tn, 29%/9% of equity/total assets. While **EVN returned to profitability in 2024**, further price hikes will be necessary to clear cumulative losses.
- As **EVN's financial situation improves**, the higher retail electricity prices will allow more flexibility for EVN to **purchase electricity at higher prices**, ultimately benefiting power plants.
- **We expect 5%/10% YoY price hikes in 2025/26F**. We believe these hikes are necessary to (1) help EVN gradually clear its cumulative losses in 2022-2023, (2) be able to afford higher input costs (gas price changes of +10%/+7% YoY, mixed coal price changes of +5%/-7% for 2025/26F, respectively), and (3) fund capex investment.

## Electricity prices for businesses in selected countries



# QTP – Higher power demand to fuel growth, high yields ahead

Rating*	BUY	(VND bn)	2024	2025F	2026F	2027F	
Share Price (Feb 19)	VND14,000	Revenue	11,908	13,058	11,857	11,507	YTD
Target Price (TP)*	VND16,000	%YoY	-1%	10%	-9%	-3%	1Y
		NPAT-MI	650	778	784	927	3Y ann.
		% YoY	6%	20%	1%	18%	
Upside to TP	+14.3%	EPS	6.2%	19.7%	0.8%	18.2%	
Dividend Yield	10.7%	GPM	7.2%	8.3%	9.2%	11.0%	
TSR	+25.0%	NPM	5.5%	6.0%	6.6%	8.1%	
		ROE	12.7%	15.1%	15.3%	18.2%	
Industry	Utilities	Net D/E	-7.2%	-12.9%	-18.2%	-14.5%	
Market Cap	USD247mn	Dividend yield	10.7%	14.3%	14.3%	11.4%	
Foreign Room	USD120mn	DPS (VND)	1,500	2,000	2,000	1,600	
ADTV30D	USD0.2mn	P/E	10.2x	8.5x	8.5x	7.2x	
State Ownership	64%	P/B	1.2x	1.2x	1.2x	1.2x	
Outstanding Shares	450.0 mn	EV/EBITDA	8.6x	7.4x	7.4x	7.3x	
Fully Diluted Shares	450.0 mn						



## Company Overview

QTP owns two coal-fired power plants in Quang Ninh Province, northern Vietnam with a total capacity of 1,200 MW: Quang Ninh 1 (2x300 MW, 14 years old) and Quang Ninh 2 (2x300 MW, 10 years old). Shareholders include EVNGENCO1 (42.0%), PPC (16.4%), State Capital Investment Corporation (SCIC) (11.4%), and Vinacomin Power Holding Corporation (10.6%), among others

**QTP plays a pivotal role in powering the Hanoi–Hai Phong–Quang Ninh industrial triangle, a region driving Vietnam’s strongest electricity demand growth.** The company operates as part of a cluster of 11 thermal power plants, accounting for 21% of the region’s total thermal power capacity and 6% of northern Vietnam’s total electricity capacity. Since 2019, northern Vietnam has surpassed the south as the country’s largest electricity consumer, driven by rapid manufacturing expansion. This trend is expected to support high utilization rates for existing power plants, including QTP’s Quang Ninh 1 & 2.

**QTP’s low investment cost and access to affordable coal supply provide a significant competitive edge in production costs.** The company’s capital expenditure stands at VND 17.9bn/MW, which is 29% lower than its peers’ average of VND 25.1bn/MW. Additionally, QTP benefits from a strategic location near Hon Gai, Vietnam’s largest coal reserve, which holds ~95% of the country’s coal reserves. According to QTP, its power plants have no coal shortages in 2024 and beyond, ensuring stable operations at a time when fuel security is a growing concern for many power generators. Furthermore, QTP’s ~10-15% cost advantage over gas-fired plants is expected to support its utilization rate and expand its spread in the CGM market in 2025.

**We forecast 2025F reported NPAT-MI to increase 20% YoY,** driven by (1) 4% YoY higher sales volume following rising electricity demand in northern Vietnam, (2) a projected 8% YoY wider spread between ASP and the average material cost due to QTP’s Qc ratio increasing to 80% in 2025 (vs 73% in 2024).

**QTP’s valuation looks attractive** with (1) a 2025F PER of 8.5x, 51% lower compared to the 4Y median of our selected regional peers and (2) projected robust dividend yields (11-15%) supported by strong operating cashflows (estimated at VND1.5tn p.a.).

**Upside potential:** Lower-than-expected maintenance costs, last year’s FX loss compensation of ~VND600bn to be received over the next few years; SCIC’s divestment; EVNGENCO1’s IPO; moving to HOSE in the long term

**Downside risks:** Higher-than-expected heat rate (coal consumption per kWh) and technical generator shutdowns

# **Vietnam's Power & Water Sector**

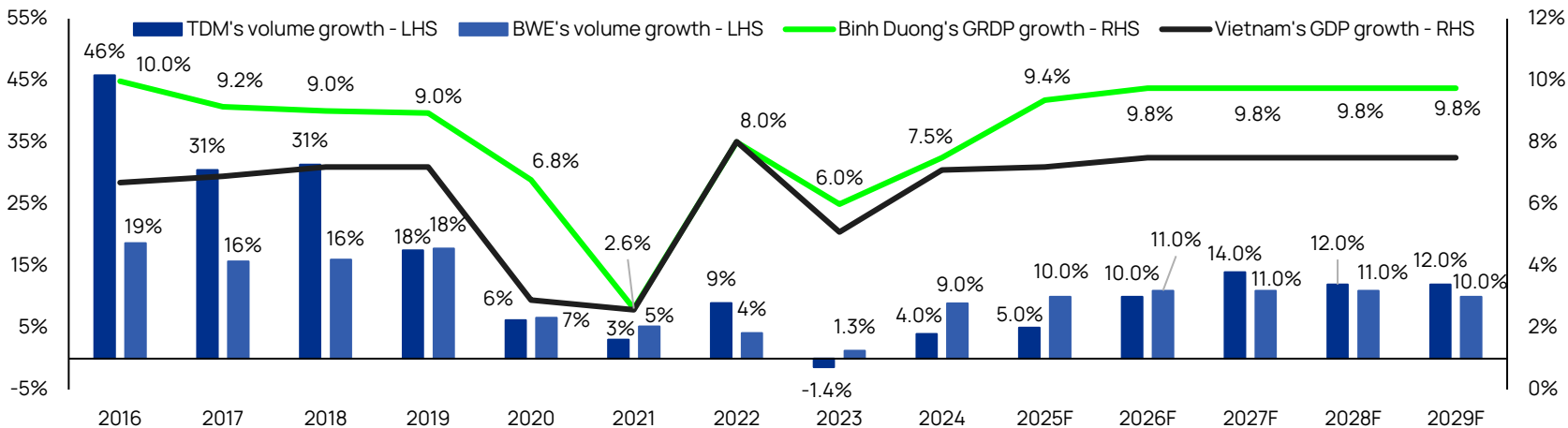
## 4. Water Sector

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# Binh Duong stands out among other provinces with the potential highest water demand CAGR

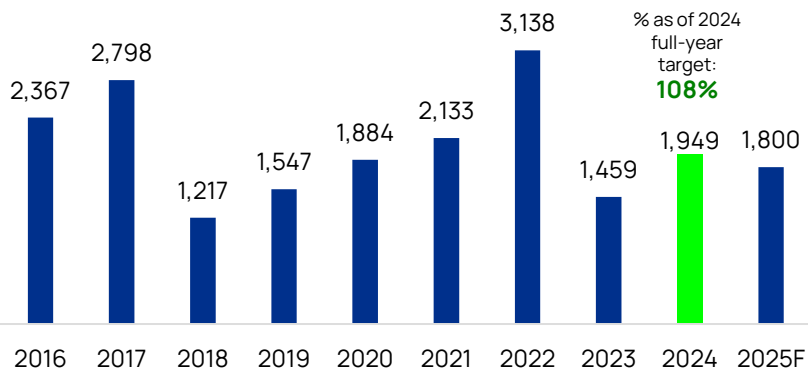
Binh Duong has resilient long-term water demand growth...



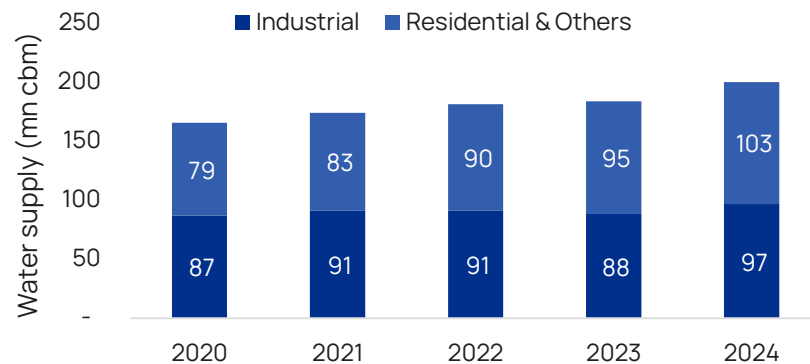
Source: BWE, TDM, Binh Duong provincial authorities, Vietcap

... due to strong FDI inflows. Binh Duong ranks third in Vietnam for attracting FDI over the past 30 years.

... and growing residential water demand due to high urbanization and population migration.



Source: Ministry of Planning and Investment (MoPI), Vietcap



Source: BWE, Vietcap

# Water tariff in Binh Duong to increase 3% p.a. in 2026-2030F

- The residential water tariff in Binh Duong Province of VND10,500/cbm in 2024 is close to the average of observed provinces/cities' ladder-scale tariffs.
- The industrial water tariff in Binh Duong Province is lower than the tariffs in Binh Phuoc, Long An, and Hanoi.
- We believe BWE & TDM's request to raise the water tariff by 3% p.a. starting on January 1, 2026, lasting for the next five years, will be approved.

## Binh Duong's water tariff for end-users in 2018-2024 (VND/cbm)

	2018	2019	2020	2021	2022	2023	2024
<b>Residential (households)</b>	<b>8,500</b>	<b>9,000</b>	<b>9,500</b>	<b>10,000</b>	<b>10,500</b>	<b>10,500</b>	<b>10,500</b>
YoY		5.9%	5.6%	5.3%	5.0%	0.0%	0.0%
<b>Manufacturing</b>							
- Retail	11,500	12,000	12,600	13,200	13,800	13,800	13,800
YoY		4.3%	5.0%	4.8%	4.5%	0.0%	0.0%
- Wholesale	10,800	11,300	11,800	12,500	13,100	13,100	13,100
YoY		4.6%	4.4%	5.9%	4.8%	0.0%	0.0%

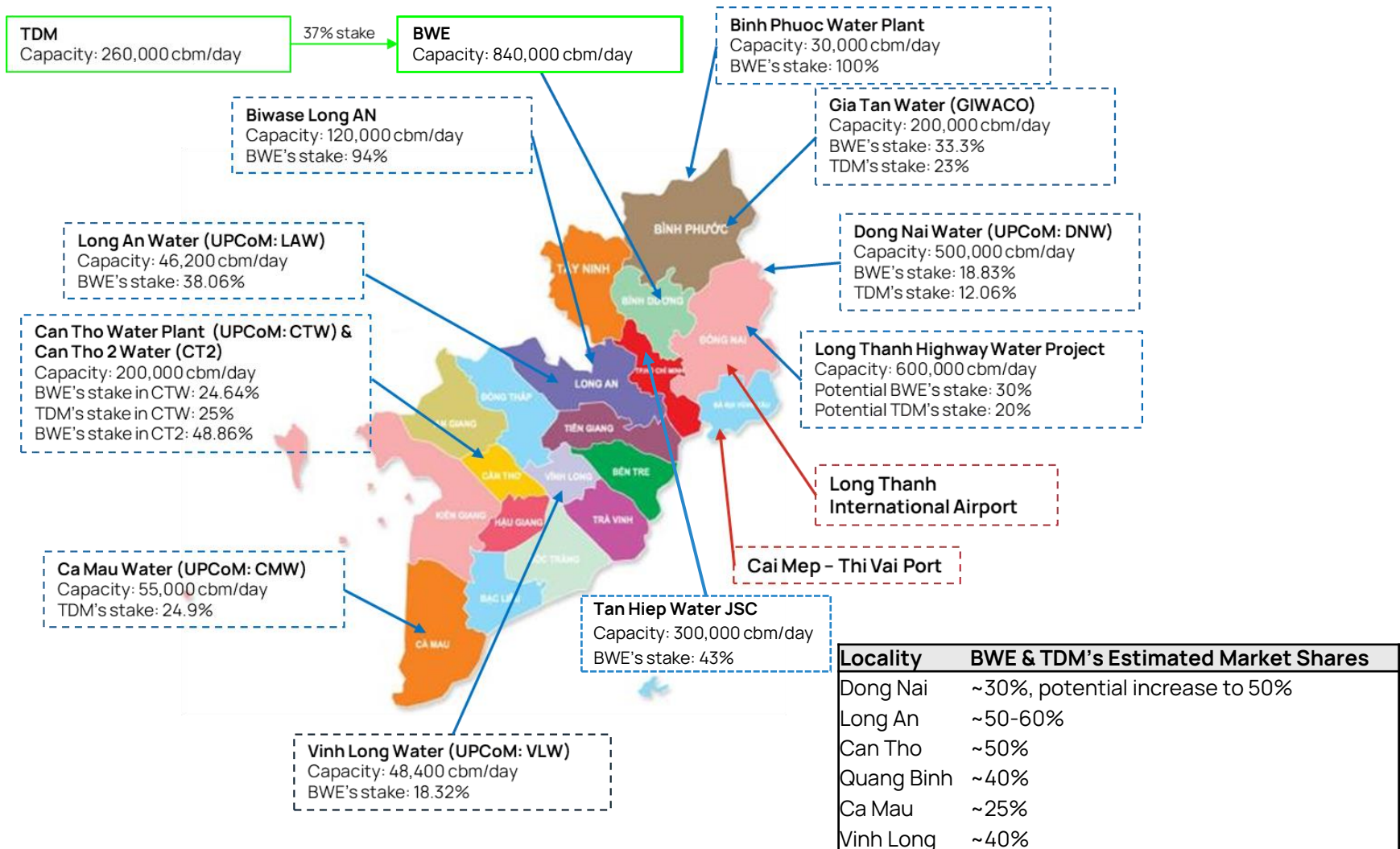
Source: Decision 04/2018/QĐ-UBND of the People's Committee of Binh Duong, dated February 22, 2018, BWE, Vietcap

## Water tariff in Binh Duong Province vs other cities/provinces in 2024 (VND/cbm)

VND/cbm	Binh Duong	Binh Phuoc	Ba Ria – Vung Tau	Dong Nai	HCMC	Hanoi	Can Tho	Long An
Residential	10,500	8,289- 14,881 on ladder scale basis	5,500- 13,500 on ladder scale basis	5,800- 12,800 on ladder scale basis	6,700- 14,400 on ladder scale basis	8,500- 27,000 on ladder scale basis	9,020 (wholesale price)	9,680 (wholesale price)
Industrial (wholesale price)	13,100	15,100	12,400	10,300	12,100	16,000	12,400	13,370

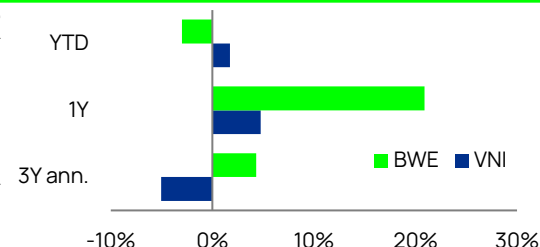
Source: BWE, Vietcap (above prices do not include VAT (5%) and environmental protection fee (10%))

# BWE & TDM are expanding beyond Binh Duong Province



# BWE – Strong volume, THW to offset water tariff hike delay

Rating*	OUTPERFORM	(VND bn)	2024	2025F	2026F	2027F		
Share Price (Feb 20)	VND44,800	Revenue	3,959	4,282	4,938	5,675	YTD	
Target Price (TP)*	VND52,600	%YoY	12.3%	8.2%	15.3%	14.9%	1Y	
		NPAT-MI	642	797	1,279	1,838	3Y ann.	
		% YoY	-4.8%	24.1%	60.5%	43.7%		
Upside to TP	+17.4%	EPS	-4.8%	24.1%	60.5%	43.7%		
Dividend Yield	2.9%	GPM	42.8%	43.0%	47.0%	52.4%		
TSR	+20.3%	NPM	16.2%	18.6%	25.9%	32.4%		
		ROE	12.3%	14.0%	20.4%	25.4%		
Industry	Utilities	Net D/E	100.3%	102.8%	83.7%	57.6%		
Market Cap	USD386mn	DPS (VND)	0	1,300	1,400	1,500		
Foreign Room	USD144mn	Dividend yield	0.0%	2.9%	3.1%	3.3%		
ADTV30D	USD0.3mn	P/E	18.5x	14.9x	9.3x	6.5x		
State Ownership	19%	P/B	1.8x	1.7x	1.5x	1.3x		
Outstanding Shares	220 mn	EV/EBITDA	9.2x	8.6x	7.2x	5.9x		
Fully Diluted Shares	220 mn	* TP and rating last update February 17, 2025						



## Company Overview

BWE is the second largest water distribution company in Vietnam and had a capacity of 840,000 cbm per day as of 2024. BWE offers a full environmental value chain from water generation and distribution (80% of gross profit) to wastewater treatment. BWE is also active in waste treatment, funeral services, and rooftop solar power.

**We are optimistic about BWE's growth outlook as it is one of the leading players in Vietnam's water sector.** BWE is expanding its footprint beyond Binh Duong Province into the provinces of Dong Nai, Long An, Vinh Long, Ca Mau, Quang Binh, and Can Tho, as well as Ho Chi Minh City. The company also possesses a superior loss ratio claims to rank second in the Asia region after Singapore.

**BWE is poised to benefit from robust water demand growth in Binh Duong Province** with a potential residential and industrial water demand of 10-11% p.a. over the 2025-2029 period – twice Vietnam's water demand growth rate p.a.

**BWE is requesting a favorable water tariff policy in Binh Duong** with a 3% increase p.a. in 2026-2029F.

**We forecast a 24% YoY increase in NPAT-MI to VND797bn in 2025**, driven by 10% YoY water sales volume growth, a 20% residential waste treatment tariff hike in mid-2025, no FX loss, and a 27% YoY rise in financial income. These factors outweigh the projected ~43% decline in NPAT for the trading & others segment.

**BWE's valuation looks compelling** at a 2025F P/E of 14.9x and implied PEG of 0.4 based on a projected 2024-2027F EPS CAGR of 42%.

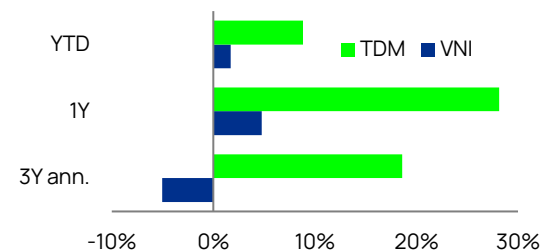
**Upside potential:** Sooner/higher-than-expected water tariff hikes.

**Downside risks:** Higher-than-expected forex loss, operating costs/depreciation expense.

# TDM – Consolidated NPAT to double over next two years

Rating*	OUTPERFORM	(VND bn)	2024	2025F	2026F	2027F
Share Price (Feb 20)	VND52,800	Revenue	544	569	637	737
Target Price (TP)*	VND58,100	%YoY	2.2%	4.5%	11.9%	15.8%
		NPAT-MI	205	311	392	482
		% YoY	-27.8%	52.1%	25.9%	23.1%
Upside to TP	+10.0%	Core EPS	12.4%	2.0%	38.9%	31.7%
Dividend Yield	2.7%	GPM	47.3%	42.3%	49.1%	52.4%
TSR	+12.7%	NPM	37.6%	54.7%	61.6%	65.4%
		ROE	9.0%	12.0%	14.1%	15.8%
Industry	Utilities	Net D/E	-1.6%	-5.3%	-11.8%	-19.1%
Market Cap	USD228mn	Dividend yield	2.7%	2.7%	2.8%	3.0%
Foreign Room	USD107mn	DPS (VND)	1,400	1,500	1,600	1,700
ADTV30D	USD0.0mn	P/E, consolidated	30.8x	20.3x	16.1x	13.1x
State Ownership	0.0%	P/B	2.3x	2.2x	2.0x	1.8x
Outstanding Shares	110 mn	EV/EBITDA	15.0x	14.8x	12.5x	10.0x
Fully Diluted Shares	110 mn					

\* TP and rating last updated February 17, 2025



## Company Overview

TDM is a private water supply company in Binh Duong Province (southern Vietnam). TDM had a capacity of 260,000 cbm per day in 2022. TDM has a 37% stake in Binh Duong Water - Environment Corporation - JSC (HOSE: BWE), a leading player and full value chain water company in Binh Duong Province.

**TDM has a 37.4% stake in BWE** – Vietnam’s third biggest water player in Binh Duong Province. BWE is an associate company of TDM as well as its sole customer. TDM and BWE play a duopoly role in Binh Duong’s clean water supply. TDM sells 100% of its water volume to BWE, which then distributes the water to end users in Binh Duong Province (~50% to households and ~50% to industrial parks).

**TDM possesses ample land bank to expand capacity.** TDM secured land bank to increase its Di An plant’s capacity from 200,000 cbm/day to 500,000 cbm/day over the long term. It also has an opportunity to increase its Bau Bang plant’s capacity from 60,000 to 160,000 cbm/day over the long term.

**We expect 2025F reported NPAT to surge 52% YoY** mainly due to a 5x increase in financial income with BWE’s cash dividend.

**We forecast consolidated NPAT to nearly double over the next two years** to over VND1tn.

**We expect TDM to deliver robust growth and a rising yield.** We project a 2024-2027F EPS CAGR of 33% as a result of double-digit water demand growth from 2026, a 3% p.a. water tariff increase in 2026-2027F, and capacity expansion. We project DPS to increase to VND1,400/1,500 in 2024/2025F.

**We view TDM’s valuation as attractive,** with respective 2025F parent and consolidated P/Es of 20.3x/12.2x (implied PEG of 0.7/0.4).

**Upside potential:** Sooner/higher-than-expected water tariff hike.

**Downside risk:** Weaker-than-expected recovery of water demand.

# Disclaimer

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