

Sector: Power –ICB 7535
12th May 2015

Company Report Southern Hydropower JSC - SHP



TRADING CHART



INVESTMENT RECOMMENDATION

Investment View	BUY
Target price	22,100
Market price	19,700
Prospect 3M	Increase
Prospect 6M	Increase
Prospect 12M	Increase

THÔNG TIN GIAO DỊCH

Outstanding (mil shares)	93.71
Market Cap (bil)	1,780
BVPS	1,219
Foreign Ownership (%)	0.06
Avg 10 days (shares)	46,091
Lowest Price 52 Wk (VND)	11,100
Highest Price 52 Wk (VND)	22,200
+/- 7 days	+1%
+/- 1 Month	+1%

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INVESTMENTS HIGHLIGHTS

We recommend to **BUY** the stock SHP with 12-month target price at VND 22,100/share (+12% up to the market price dated 12.05.2015) after analyzing the stock under 3 valuation methods: FCFF, P/E and P/B. We expect the business to grow rapidly in 2015 thanks to the increase in electricity production output and electricity price.

SHP is a Small and Medium Enterprise (SME) that manufactures and trades hydropower in Vietnam's Southern region. The company manages and operates three hydropower plants in Lam Dong area with a total capacity of 122.5 MW.

Rapid growth in 2014: SHP reached VND 596 billion revenue and VND 220 billion net profits after tax in 2014. The two figures increased by 3.07 and 2.11 times respectively compared to 2013. The operation of Da Mbri plant in Turbine 1 since Jan 2014 and in 2nd Turbine since May 2014, along with favorable hydrological conditions helped increase the company's electricity output by 2.53 times compared to 2013.

Expecting further growth in 2015 thanks to the following factors: (1) Electricity production output will rise slightly because 2nd Turbine will operate Da Mbri plant all year round in 2015 instead of 8 months as in 2014. (2) Avoided cost tariff in 2015 increased compared to 2014. (3) Electricity price on the competitive electricity market is expected to increase. However, we need to be careful that the hydrographic conditions may not be favorable for hydropower enterprises in 2015 and SHP's cost of maintenance and repair may increase if the company conducts the restoration for 2 factories: Da Siat and Da Dang 2.

SHP's business result is predicted to increase slightly in 2015: BSC forecasts the Southern Hydropower JSC will reach VND 632 billion in revenue and VND 226 billion in profit after tax, a slight growth of 6% and 3% respectively compared to 2014. This is equivalent to 2015 EPS of VND 2,417 /share.

High dividend payout ratio: The company is expected to maintain a dividend payout ratio of 15% for the coming years.

Financial Indicators	2011	2012	2013	2014
Net Sales (VND Bil)	155	177	194	596
% yoy		14%	10%	207%
Total Asset (VND Bil)	1,946	2,533	2,927	3,206
Owner Capital (VND Bil)	916	1,046	1,081	1,222
Avg. Shares (Mil shares)	85	94	94	94
Net profit after tax (VND Bil)	63	91	104	220
% growth yoy		45%	14%	111%
Ending EPS (VND/share)	740	1,033	1,112	2,349
Book Value (VND/share)	10,70	11,65	11,504	13,00
Gross profit margin	58%	63%	63%	63%
ROS	41%	52%	54%	37%
ROE	7%	9%	10%	19%
ROA	4%	4%	4%	7%

Source: BCTC SHP, BSC

GENERAL INTRODUCTION

General Introduction

Company name:	Southern Hydropower JSC
Trading name:	Southern Hydropower JSC
Abbreviation:	SHP JSC
Address:	93B Nguyen Van Thu, Da Kao Ward, 1 st District, Ho Chi Minh City
Tel:	(84-8)3911 0098
Fax:	(84-8)3911 0445
Website:	http://www.shp.vn
Authorized Capital:	937,102,000,000 VND
Business Activity	Manufacturing and Trading Power
Main Business Sector	Manufacturing and Trading Power

History

Time	Event
13/7/2004	Southern Hydropower Joint Stock Company officially went into operation
24/3/2006	The company made investment plans for the Da M'bri project
01/2010	Da Siat Hydropower Plant officially generate power into national network
09/2010	Da Dang 2 Hydropower Plant official generate power into national network
10/9/2010	Stocks of the company officially traded on Upcom exchange with stock code SHP
01/2014	Da M'bri Hydropower Plant official generate power into national network
21/7/2014	Stocks of the company officially traded on HOSE

List of shareholders holding over 5% of authorized capital as of 25.03.2014

Name	Number of shares	Weight (%)	Type of shares
Southern Power Corporation	45,784,358	48.86%	Common
Sabeco	18,950,713	20.22%	Common

Shareholders structure (25.03.2014)

Portfolio	Number of shares	Weight (%)	Type of shares
State-owned	45,784,358	48.86%	
Inside holders	259,741	0.28%	
- Board of Directors	131,371	0.14%	Common
- Commission Board	33,600	0.04%	Common
- Board of Managements	94,770	0.10%	Common
Outside holders	47,666,101	50.86%	
- Domestic	47,606,891	50.80	Common
- Foreign	59,210	0.06%	Common
Total	93,710,200	100%	Common

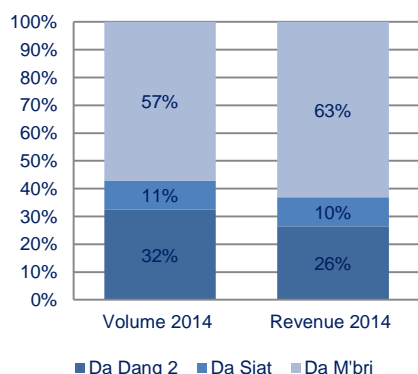
The process of raising capital

Time	Authorized Capital	Form of capital increase
13/7/2004	250,000,000,000	IPO
01/12/2004	579,409,657,000	Issued to existing shareholders
15/06/2009	687,000,000,000	Issued to existing shareholders
01/03/2010	767,177,940,000	Issued to existing shareholders
15/03/2010	770,113,440,000	Issued to officers and employees
20/10/2011	853,113,440,000	Issued to existing shareholders
05/07/2012	937,102,000,000	Issued to existing shareholders

- Southern Hydropower Joint Stock Company was established by the following original shareholders: Southern Electric Group, officers and employees working or retired in the Southern Electric Group and some businesses that are Southern Electric Group's partners
- State shareholders currently held the largest capital share with 48.86%, followed by Sabeco with 20.22%. The rest are mainly individual shareholders. Besides, members of Management Board, Supervisory Board and Board of Directors are holding shares of the company. However, with the policy to non-core divestments, Sabeco may divest from the business in 2015.
- The company continuously increased capital between 2009 and 2012 through issuing stocks for existing shareholders. The capital is used to invest in 2 hydropower factories Da Siat, and Da Dang M'bri.

OPERATING ACTIVITIES

Volumes and revenues of SHP's hydropower plants



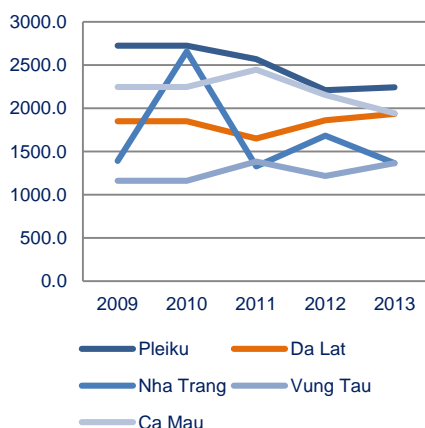
SHP is a Small and Medium Enterprise that manufactures and trades hydropower in Vietnam's Southern region. The company manages and operates 3 hydroelectric factories in Lam Dong area with a total capacity of 122.5 MW including: Siat Most (13.5MW), Da Dang 2 (34MW), and Da Mbri (75MW).

Significant growth in 2014: The operations of Da Mbri plant since Jan 2014 for Turbine 1 and since May 2014 for Turbine 2, along with the favorable hydrological conditions helped increase electricity production output by 2.53 times in 2014. Thereby, revenue and profits after tax increased by 3.07 and 2.11 respectively. In 2014, SHP reached VND 596 billion of revenue and VND 220 billion of net profit after tax.

Temporary loss in 1Q 2015 due to the maintainance of 3 factories: in 1Q2015, SHP recored VND 69.9 billion of revenue and VND22.7 billion of net loss. The reason is that the expenses of the 2nd turbine of Da Mbri was recored while 2 turbines of Da Dang 2 and 1 turbine of Da Siat was maintained and Da Mbri stopped to product in 21 days in order to inspect the tunnel after one year of operation. However, in March 2015, 3 plants backed to operate nomarly with higher output in comparision to same period in 2014. In 1Q2015, SHP producted 63.213 million kWh (+4%y.o.y) with the average selling price of VND1,106/kWh (+11% y.o.y)

Output is guaranteed in the long term: SHP signed an official power purchase agreement with EVN with the term of 10 to 25 years. Electricity amount sold under contracts accounted for 80% of the current annual electricity production. All risk related to inputs related this volume is transferred to the buyer EVN.

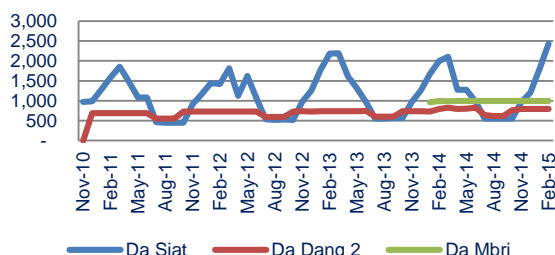
The annual rainfall in Southeastern and Highland provinces



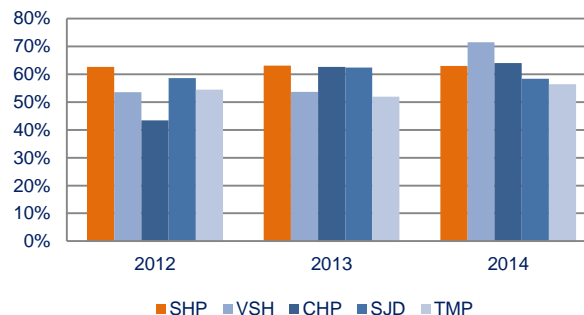
Electricity price at a high level: Since the new factories have just been put into operation with a large depreciation, SHP's contract price is at a relatively high level compared with other factories. Moreover, Da Dang 2 is the only plant participating in the competitive electricity market with low sales volume, resulting in the average selling price of SHP is not much different from to the contract price.

High and stable profit margins thanks to location advantage: SHP's hydroelectric factories were built in Lam Dong, where rainfall is relatively stable over the years and at the region average level in. Due to the stable hydrological conditions, the risk of weather change and water shortage in SHP is lower than other hydropower factories. Moreover, the Southern region always had to face with the risk of power shortage, which means power consumption and power prices are higher than other factories in the North and Central regions. SHP thereby can maintain stable margins higher than other hydropower enterprises in the industry.

Output price of SHP's hydropower plants



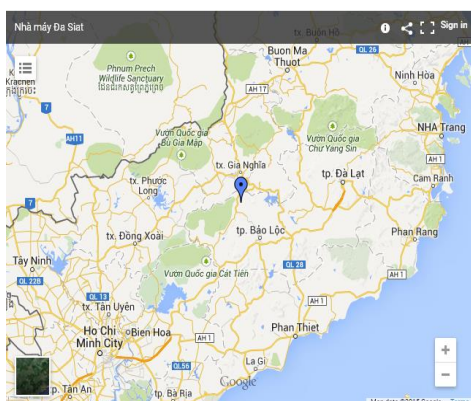
Gross margin of Hydropower companies



Comparison of regional hydropower companies in Central and South Vietnam.

	Capacity (MW)	Location	2014 Volume millionkWh	2014 Revenue	2014 NPAT	Output price	Total assets	Equity	Fixed assets	2014 Depreciation
SHP	122.50	Lam Dong	663	596	220	900	3,206	1,22	2,782	153
VSH	136.00	Binh Dinh	690	554	376	657	3,640	2,963	2,637	77
TMP	150.00	Binh Phuoc	865	687	242	795	1,593	1,031	750	142
SJD	77.60	Binh Phuoc	415	391	183	938	1,296	995	965	179
CHP	170.00	Hue	575	626	213	1,090	3,322	1,421	2,878	153

Da Siat plant map



DA SIAT PLANT

Hydropower Da Siat Plant has installed capacity of 13.5MW including 2 units (2*6.75MW). The plant was built on the main line streams Da Siat, a left bank tributary of Dong Nai River, Bao Loc commune, Bao Lam district, Lam Dong province.

Do not participate in the competitive electricity market: the capacity of hydropower Da Siat is smaller than 30MW therefore it is not allowed to participate in the competitive electricity market. The price of electricity sold to EVN of Da Siat is calculated as avoided cost tariff (published annually).

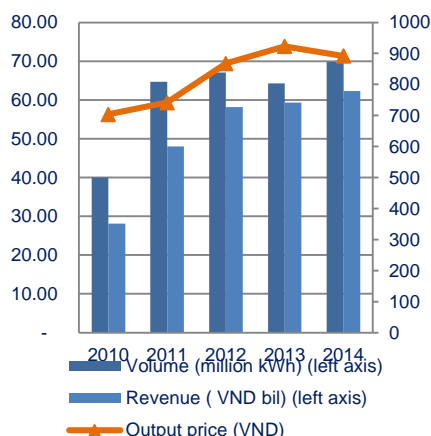
Plant contributed 11% of production and 10% of revenues of SHP: is the plant having the smallest capacity and average selling price among 3 plants.

Always operated beyond designed capacity: being operated since 1/2010, the generator output maintains within the range from 64 to 70 million kWh/year, exceeding the designed capacity by 4 – 13%/year

Not hold the initiative of source of water: because the plant has a small reservoir (capacity 0.462 million m3) and regulate day and night, hence the plant's electricity production depends on the amount of water per day and there is no water reserve.

Business performance results in 2014 increased slightly: in 2014, the plant generated 69.818 million kWh, bringing VND62.268 billion in revenue, up 9% and 5% yoy, respectively. However, the average selling price in 2014 again decreased by 3%, reaching VND892/kWh. The main reason is that while tariff costs avoided in 2014 did not change

Business performance of Da Siat



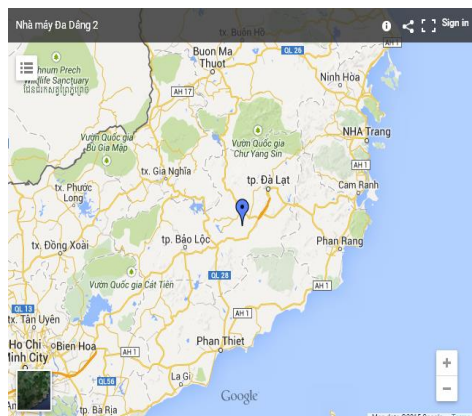
compared to 2013 due to the favorable hydrological conditions in 2014 meanwhile the retail prices of small power plants fell slightly.

Rapid growth in the first 3 months of 2015: although conducted overhaul one unit within 10 days, production was still up 5% over the same period, reaching 6.4 million kWh. Simultaneously, the average price increased by 11 % to VND2,058/kWh. Thus, revenue of electricity for 3 months of Da Siat plant was VND13.2 billion, increasing by 16 % yoy.

Growth prospects in 2015:

- **Electricity selling price increases:** according to avoided cost tariff issued by Ministry of Industry and Trade on 31/12/2014 along with Decision No. 12 086/QĐ - BCT, the purchase price of electricity for the southern power plants will be increased from 1% to 9 % per year depending on time, at the same time capacity cost increased by 20% to VND2,158/ kWh.
- **Stable power output:** due to small hydropower plants, water demand is low, while plants remained relatively stable output over the years regardless of hydrological conditions. Therefore, we expect that the plant will continue to maintain this stability in 2015 and forecast production capacity will reach 75 million kWh in 2014.

Da Dang 2 plant map



DA DANG 2 Plant

Hydropower Da Nang Plant 2 was built on Da Dang river with water channels to the plant located in the left bank of Da Nang river, at the junction of Da Dang estuary flowing into the Dong Nai River. The plant is located in Region 2, Tan Van commune, Lam Ha district and Tan Thanh commune, Duc Trong district, Lam Dong province.

Plant contributes 32% of electricity production and 26% of revenue for SHP in 2014. Hydropower Da Dang 2 Plant has installed capacity of 34MW including 2 units (2 * 17MW).

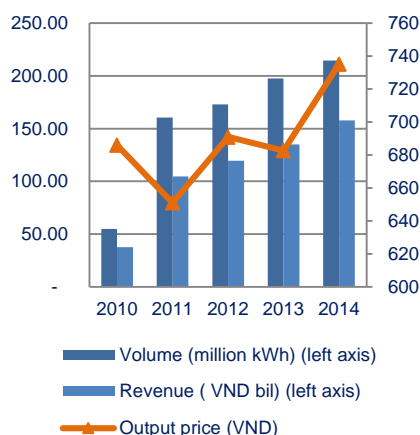
Participated in competitive electricity market since 2012: Da Dang 2 was one of the first plants involved competitive electricity market. Approximately 10% of the annual electricity production of the plant is sold on the competitive electricity market. Current electricity price of Da Dang 2 is the lowest among 3 plants, averaging of VND735 / kWh in 2014.

Electricity output increased annually: started operations since 9/2010, the power output of Da Dang 2 steadily increased over the years and the plant is operated beyond designed capacity (152 million kWh/year) with an excess increased from 6 % in 2011 to 41 % in 2014.

Not hold the initiative of source of water: similar to Da Siat hydropower plant, Da Dang 2 hydroelectric power plant only owns one reservoir with a capacity of 0.912 million m3, regulating day and night therefore electricity production depends on the amount of daily water and there is no reserve.

Business performance results in 2014 rose sharply: the average yield increased by 9% (215 million kWh) and the average selling price

Business performance of Da Dang 2



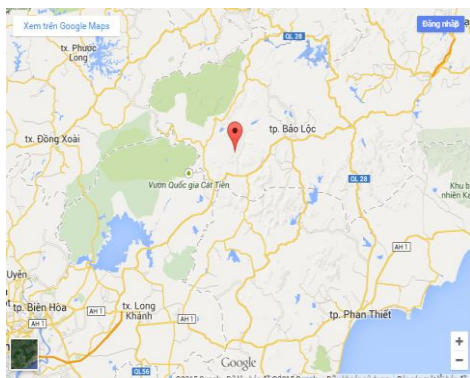
increased by 8%, hence revenues in 2014 of Da Dang hydropower plant grew by 17%, reaching VND158 billion.

Business results plunged in 1Q2015: in the first 2 months the plant was conducted overhaul 2 units in 20 days makes electricity production decreased by 7% while the average selling price increased by 3% compared to 1Q2014, revenue in of Da Dang 2 fell 4% to VND11.875 billion

Forecast slightly decrease in 2015:

- **Outputs decline:** hydrological conditions are predicted to be severe drought in 2015 and in 2014 the plant exceeded production capacity of the plant by 41% so it will be difficult to maintain production as of 2014. We predict the power output produced by Da Nang 2 plant in 2015 will reach 196 million kWh, decreasing by 8 % as compared with 2014.
- **Selling price increases:** the unfavorable hydrological electricity production will lead to commercially competitive generation of hydroelectric plants decline. However this helps the plant to have a chance to put a higher price on competitive electricity market.

Da Mbri Plant Map



DA M'BRI PLANT

Da M'bri hydropower plant was built on the main line streams Da M'bri – one of the two main branches of Da Huoi river - a left tributary of Dong Nai River, in the area 3 of Loc Tan commune, Bao Lam district; Phuoc Loc commune, Da Huoi district and Trieu Hai commune, Da The district.

The largest plant among 3 plants of SHP: Da M'br plant has a capacity of 75 MW including 2 units (2 * 37.5MW). This plant contributed 57% of total production and 63% of sales of SHP in 2014.

Hold initiative in annual water resources: with 2 plants, Da M'bri owns the largest water reservoir, with a capacity of 56.3 million m3 and being regulated annually. Lake reserve for enough to produce about 120 million kWh.

Stable electricity price during 2014: the plant has yet to participate in the competitive electricity market therefore electricity prices in 2014 was stable at 916 VND/kWh (excluding environmental protection taxes) during the year.

Unit 1 was operated beyond capacity since 2014: estimates of 2014, the plant was operated exceeding approximately 12% of design capacity.

Slight increase in 1Q/2015: although production stopped for 21 days to check the tunnel after 1 year of operation, output in the first three months of 2015 reached 41.6 million kWh; increased by 8% yoy, while electricity prices also rose 8% thanks to joining competitive power market. Therefore sales of electricity in 1Q2015 of Da M'rbri plant was VND43.886 billion, up 16% y.o.y.

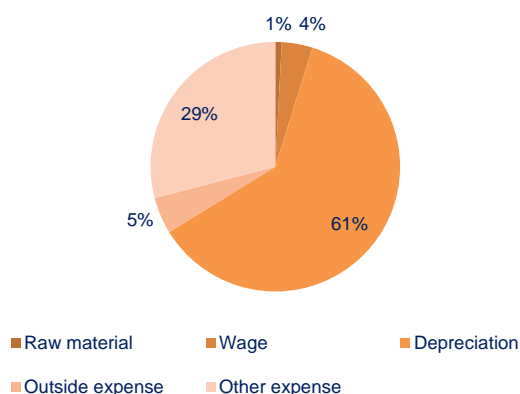
Prospects for strong growth in 2015 :

- **2 machines operate at full capacity:** 1st turbine of the plant started operation in January 2014 and 2nd turbine started operation in May 2014. Thus the plant will be operating at full capacity since 2015 when the two machines are operated throughout the year. We forecast electricity production output of the Da Mbri plant in 2015 will reach about 399 million kWh, an increase of 6 % compared with 2014.
- **Start participating in competitive electricity market:** since 2015, 20% of electricity production output of the plant will be sold on the competitive power market with the expected price will be higher than the current contract prices.

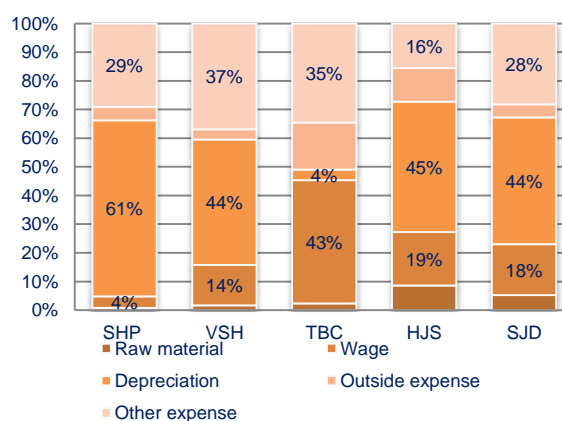
SIGNIFICANT INCREASE IN DEPRECIATION EXPENSES IN 2015

Depreciation expenses rose sharply: with the general characteristics of the hydropower plant, depreciation is the largest expense of business. As Da Mbri is the new plant which just started its operation since 2014 so share of depreciation expense in the cost structure of production and business is higher than peers. Also, depreciation expenses increased sharply in 2014 and continued to rise in 2015 when 2nd machine of the Da Mbri plant will be depreciated for the whole year instead of just 8-month-depreciation in 2014. We estimate spending depreciation in 2015 will increase to VND52 billion compared to 2014.

Structure of production costs of SHP in 2014



The cost structure of hydropower enterprises in 2014



CORPORATE FINANCE

Fundamental Ratios	2011	201	2013	2014
Capital Struture				
Debts/Equity	0.90	1.13	1.40	1.23
Total Assets/Equity	2.12	2.42	2.71	2.62
Asset Structure				
Long-term Assets/	0.83	0.83	0.91	0.87
Short-term	0.17	0.17	0.09	0.13
Liquidity				
Quick ratio	1.17	1.09	0.43	0.66
Current ratio	1.17	1.09	0.43	0.66
Activity (Days)				
Average Collection	104	67	68	32
Days of Inventory	2	3	4	2
Days Payable	369	502	499	149
Profitability (%)				
Gross Profit Margin	58%	63%	63%	63%
ROS	41%	52%	54%	37%
ROE	7%	9%	10%	19%
ROA	4%	4%	4%	7%

The debt restructuring in 2014 helped the financial situation of enterprises improving significantly:

- **Reduced interest expense:** in 2014, the company has implemented financial restructuring of loans with high interest rates (11,4%, 12% and 14,4% / year) at the Vietnam Development Bank to the loans account at Vietcombank at interest rates lower (about 9,6% / year). Thus, the average lending rate fell sharply from 12,6% / year to 9,8% / year. At the same time the original repayment period is also extended by 4 years. Thus, the annual interest expense will be reduced by approximately VND17-18 billion. We estimate that in 2015, interest expense will decrease by VND4 billion due to the operating in full years of 2nd turbine of Da Mbri.
- **Pressure of repayment of principal and interest will be large but decreasing:** annually firm pays more than 200 billion of principal and interest owed. Consequently, cash flow from operating activities is mainly used to pay principal and interest. However, as the impact from the restructuring of the debt, lower interest rates and extended repayment of principal, the pressure paid of corporate debt will decrease rapidly.
- **Improved Liquidity:** the pressure caused by large debt payments leadsto the maintainance of the cash balance of the business at a low level. Moreover, firm implemented accruals of enterprise projectcostand other costs for the three hydropower plants. Thus, debt restructuring will help improve theLiquidity ratio of business.

Profitability improved over the years: with the increase of production and selling price over the years while assets and equity no significant changes to the corporate profit margin increased over the years.

However, from 2014, due to interest expense of Da M'bri plant was not be capitalized so ROS of Enterprise has plummeted from 54 % to 37 % while the gross profit margin was maintained at 63 %.

Corporate income tax increases from 2014: 2014 is the first year the company is subjected to 5 % income tax rate for income from business of 2 plants Da Dang 2 and DaSiat instead of the income tax exemption as previous year. Meanwhile revenue from Da Mbri hydropower plants will be exempt from Corporate income tax within 9 years from 2014

INVESTMENT RISKS

Exposure to weather: hydrological conditions are the most important factors for production and business operation of hydroelectric plants. Therefore weather is the largest risk for hydroelectric enterprises. Owing reservoirs which have sufficient capacity for production of 120kWh, is controlled at the Da M'bri plant annually; this helped business partially mitigate this risk. However, with 2015-forecast of drought is more severe than in previous years, due to no water reserve, two plants Da Dang 2 and Da Siat will be able to encounter difficulties in production of the year 2015 leading to a slight decrease in production output.

Liquidity risk: as mentioned above, due to pressure of paying large debts and accruals expense so solvency ratio of businesses is low. Hence, liquidity risk is also one of the significant risks of the business at the moment. However, as the impact of the financial restructuring, liquidity ratios of the business will be improved and liquidity risk diminished.

POWER SECTOR OUTLOOK

We determine **POSITIVE** assessment for the electricity sector in 2015 due to the increase in the selling price of electricity on competitive market in 2015. However, we also noted the hydrographic conditions are predicted to be unfavorable for hydroelectric plants in 2015.

Power output is expected to increase 10% yoy: in 2015, it is expected that EVN produced and purchased electricity of 156,9 billion kWh and of commercial electricity of 141,8 billion kWh, up 10% compared to 2014. According to data from the General Statistics Office, estimated for the first 2 months of the year, Vietnam produced 21,4 billion kWh, up 13,6% over the same period in 2014.

The risk of power shortages in the South: the power is distributed unevenly, which is concentrated in northern and central Vietnam. The power plant projects in southern delay while demand for electricity consumption of the South accounts for to about 50% of electricity demand of the country. This shortage of power can lead to the mobilization of power from oil-fired power plants with the purchase price of about 5,600 VND / kWh, which is almost 4 times higher than the current level of electricity prices or Chinese-imported electricity from.

Electricity retail prices rose 7.5% from the date of 16/03/2015: according to an official decision dated 12/03/2015 of Ministry of Trade which listed detailed regulations on electricity prices, the average selling price will increase from 1508,85 VND / kWh to 1622,01 VND / kWh.



Severe drought in the Central, South and Highlands : according to the stated Center for Hydrometeorology Forecast , in the first 2 months of the year, the water level on the Central, Highlands was down gradually , the water flow is in shortage compared to an average of 30-70 % in the same period for the last several years. This will make it difficult for the production of the plant in the central region , the Highlands and southern regions. However this is a favorable factor for the thermal power plants while increasing power output and price on competitive electricity market .

BUSINESS PERFORMANCE FORECAST

We conduct the business income forecast of Southern Hydropower Joint Stock Company based on the following assumptions:

- The total production power output of company in 2015 will reach 671 million kWh, increase slightly by 1.2% compared to 2014 due to the 2 Da M'bri plant operate in full year instead of 8 months in 2014.
- Da Mbri plant will participate in competitive power market since 2015.
- Approximately 20% of total electricity output of Da Mbri plant and 10% of total electricity output of Da Dang 2 plant will be sold on competitive power market.
- Electricity price on competitive power market will increase gradually with the gradual upward trend of input costs.

FORECAST RESULT: we forecast that the company will reach VND632 billion revenue and VND226 billion earning after tax in 2015, increase slightly by 6% and 3%, respectively compared to 2014, equivalent to EPS 2015 of VND 2,417/share.

Notably, the forecasts have been adjusted compared to the Industry Outlook Report in 2015 issued on 26.01.2015 due to the Da Mbri plant stopped their production in 2/2015.

VALUATION AND INVESTMENT VIEW

VALUATION

Rf	5.80%
Rm	11.75%
1 year beta	0.61
Ke	12.97%
Kd	9.8%
WACC	11.65%
g	2.5%
Stock price (VND/share)	26,957

We use two methods to value stock SHP include: (1) the FCFF method and (2) PE method as follows:

FCFF method:

Assumptions:

- Cost of equity is 12.97%, calculated according to the CAPM method based on the following assumptions (1) 1 year beta of SHP calculated by Bloomberg is 0.61; (2) Market yield is 11.75% which is 5 years average yield from 2009 to 2014 of VN-index; (3) Risk-free rate: 5.80% which is 5-year government bond.
- Average cost of Debt is 9.8%
- Corporate income tax rate is 5% for 2 factories Da Siat and Da Dang and tax exemption for plant Da Mbri.
- The D/E ratio is 42/58 for the period 2014-2018 and 33/67 for the period after 2018.

We use 2-phases growth model:

- **Phase 1 (from 2015 to 2018):** correspond to rapid growth time of the company due to high electric power output.
- **Phase 2 (after 2018):** long-term growth. Long-term growth rate is forecasted to be 2.5%, lower than forecasted GDP growth.

P/E method:

The report used the method comparing the P/E of company to average P/E of companies in the same industry with SHP in Vietnam.

- Industry average P/E is 8.08
- Estimated EPS of 2015 is 2,417 VND/share
- Appropriate Price is 19,529 VND/share

P/B method:

The report used the method comparing the P/B of company to average P/B of companies in the same industry with SHP in Vietnam

- Industry average P/B is 1.42
- Estimated Book Value of 2015 is 13,954 VND/share
- Appropriate Price is 19,814 VND/share

VALUATION RESULT

Method	Price	Weight	Appropriate Price
FCFF	26,957	30%	22,100
P/E	19,529	30%	
P/B	19,814	30%	

INVESTMENT VIEW

We recommend to BUY the SHP stock with 12-month target price is from 22,100 VND / share (+ 12% over the market price at 12/05/2015). We expect that the company would continue to grow in 2015. The full-year operating of the 2nd turbine of Da M'bri plant will help to increase slightly the electric power output, electricity selling prices will rise thanks to higher avoided cost tariff and the increase in price on competitive power markets.



APPENDIX 01: Valuation of SHP according to FCFF method

Sensitive Analysis	9	10.15%	10.65%	11.15%	WACC			
					11.65%	12.15%	12.65%	13.15%
Stock price	0.0%	26,118	24,838	23,677	22,621	21,655	20,769	19,953
	0.5%	27,116	25,724	24,467	23,329	22,292	21,344	20,474
	1.0%	28,227	26,704	25,337	24,105	22,987	21,969	21,039
	1.5%	29,470	27,795	26,300	24,959	23,749	22,652	21,654
	2.0%	30,871	29,016	27,372	25,905	24,589	23,401	22,325
	2.5%	32,463	30,392	28,571	26,957	25,518	24,226	23,060
	3.0%	34,286	31,955	29,922	28,135	26,551	25,138	23,870
	3.5%	36,394	33,745	31,457	29,463	27,708	26,154	24,767
	4.0%	38,862	35,816	33,215	30,970	29,012	27,290	25,764
	4.5%	41,789	38,239	35,249	32,697	30,493	28,572	26,881
	7.5%	45,317	41,114	37,629	34,695	32,190	30,026	28,140

Source: BSC's forecast

APPENDIX 02: List of peer companies

	Beta:Y-1	Total asset (VNDbn)	Outstanding shares (million shares)	TTM Revenue	EPS	P/E	P/B
SHP	0.61	3,206	94	596	2,349	8.09	1.46
PPC	1.12	11,324	318	7,482	3,330	6.88	1.28
NT2	0.88	12,484	256	7,065	6,215	6.67	1.46
VSH	0.87	3,661	206	554	1,827	7.28	0.92
TMP	0.47	1,593	70	687	3,407	8.16	1.90
CHP	0.71	3,322	126	626	1,691	8.93	1.34
TBC	0.70	980	64	312	2,179	11.93	1.79
SJD	0.71	1,296	41	391	4,469	6.78	1.25
BTP	0.95	1,978	60	2,101	2,207	7.29	0.94
KHP	0.76	1,313	40	2,682	1,829	7.44	0.98
DRL	0.28	138	10	64	3,582	10.75	3.34
TIC	0.53	259	22	3	1,457	8.86	1.28
NBP	0.57	370	13	977	3,506	5.13	0.92
HJS	0.67	588	15	141	1,387	8.94	0.98
Average						8.08	1.42

Source: Bloomberg, BSC

APPENDIX 03 – Financial Forecast in 2015-2018

Balance sheet	2015F	2016F	2017F	2018F
Current asset (VNDbn)	344	273	272	299
Long-term asset (VNDbn)	2,774	2,770	2,766	2,762
Total asset (VNDbn)	3,119	3,043	3,038	3,061
Current liability (VNDbn)	658	585	555	524
Long-term liability (VNDbn)	1,153	1,012	871	730
Equity (VNDbn)	1,308	1,446	1,613	1,807
Book value (VND/share)	13,954	15,434	17,210	19,282

Income statement	2015F	2016F	2017F	2018F
Net revenue (VNDbn)	632	673	690	707
Gross profit (VNDbn)	377	416	433	450
Financial revenue VNDbn)	6	6	6	6
Financial expense (VNDbn)	122	105	93	80
NPAT (VNDbn)	226	279	307	335
ROE	17%	19%	19%	19%
EPS (VND/share)	2,417	2,980	3,276	3,572

Source: BSC's forecast

Valuation Methodology: *The selection of methods depends on the industry, the company, the stock. Our valuations are based on a single or a combination of one of the following valuation methods: 1) Relative models (P/E, P/B, EV/EBIT, EV/EBITDA); 2) Discount models (DCF, DVMA, DDM); 3) Asset-based evaluation methods (NAV, RNAV).*

Rating System	Note
STRONG BUY	If the target price is 20% higher than the market price
BUY	If the target price is 5% to 20% higher than the market price
HOLD	If the target price is 5% higher or lower than the market price
SELL	If the target price is more than 5% lower than the market price
NOT RATED	The investment rating and target price have been removed pursuant to BSC policy when BSC is acting in an advisory capacity, in a merger or strategic transaction involving this company, and in case BSC do not have enough material to perform valuation.

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