

20 Jul 2023

NHON TRACH 2 (NT2)

2Q23 NPAT didn't grow as expected.

- 2Q23 NPAT declined 60%yoy owing to decrease in volume and GM
- NT2's selling price downed by more thermal coal power of mobilization in 2Q23
- Maintain a BUY recommendation

Facts: Decrease in revenue and NPAT compared to 2Q22

NT2 posted its revenue at VND2,206bn, down 21%yoy due to (1) lower mobilization volume (-9%yoy) and (2) lower average selling price (-20%yoy). However, gross profit was only at VND15,069bn, a significant 60%yoy reduction. The GM decreased to 7% from 15% in 2Q22 mainly due to lower selling price. On above effect, NPAT also recorded VND144bn, a 60%yoy down. The mobilization volume in 2Q23 was kwh1.05bn (-9%yoy, -2%qq), which fulfilled 52% of the 2023 plan. Average selling price was VND2,071 per kWh (-13%yoy, +2%qq).

Pros & cons: Price reduction due to increased competition from thermal coal power

In general, the volume is on track with the 2023 plan. However, the price has decreased as a result of increased coal thermal power plant mobilization, those having competitive selling price. It took place when TKV boosted its supply sources to coal thermal plants after an increase in coal prices on May 23

Action: Maintain BUY rating

Despite of negative NT2's earnings growth in 2Q23 (yoy). We still keep the BUY recommendation for NT2. Based on the fundamentals - a strong cash dividend yield of over 5.0% and long-term business stability.

12M rating **BUY (Maintain)**

12M TP **34,850**

Up/Downside **+12.8% (included dividend)**

Stock data

VNIndex (20 Jul, pt)	1,173
Stock price (20 Jul, VND)	30,500
Market cap (USD mn)	371
Shares outstanding (mn)	288
52-Week high/low (VND)	33,600/20,571
6M avg. daily turnover (USD mn)	0.87
Free float / Foreign ownership (%)	32.3/15.5
Major shareholders (%)	
PV Power	59.37
CFTD	8.27

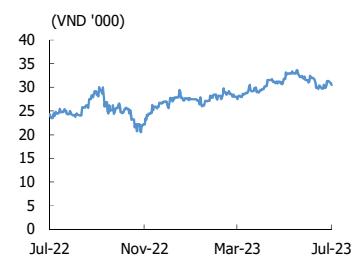
Valuation

	2022A	2023F	2024F
PE (x)	10.3	10.2	10.0
PB (x)	2.1	1.9	1.8
ROE (%)	19.1	18.3	18.2
DY (%)	5.3	8.1	9.1
EV/EBITDA (x)	5.5	5.5	5.5
EPS (VND)	2,992	3,044	3,084
BPS (VND)	14,802	16,667	16,950

Performance

	1M	6M	12M
Absolute (%)	(1.6)	11.0	25.7
Relative to VNIndex (%p)	(7.2)	4.4	26.2

Stock price



Source: Bloomberg

Research Dept

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■ Company overview

Founded in 2007, Nhon Trach 2 Thermal Power (HSX: NT2) is a leading firm in power generation. NT2 owns the Nhon Trach 2 gas thermal power with total capacity of 750MW, which has used the advanced F-generation gas turbine combined cycle. On Jun 12, 2015, NT2 officially traded on Ho Chi Minh City Stock Exchange (HOSE).

Balance sheet

(VND bn)

	2020A	2021A	2022A	2023F	2024F
Current assets (Adj.)	1,866	2,543	4,552	5,212	6,064
Cash & cash equivalent	62	1	1,333	2,206	2,792
Accounts & other receivables	1,489	2,230	2,911	2,593	2,819
Inventory	315	311	307	413	453
Non-current assets (Adj.)	4,184	3,496	2,809	2,220	1,581
Fixed Asset	4,184	3,496	2,809	2,220	1,581
Investment assets	0	0	0	0	0
Others	331	585	84	500	450
Total assets	6,381	6,624	7,445	7,931	8,095
Advances from customers	0	0	0	0	0
Unearned revenue	0	0	0	0	0
Trade payables	397	1,034	770	941	985
Others	912	1,147	1,431	1,047	1,085
ST debt & bond	775	210	631	631	631
LT debt & bond	0	0	0	0	0
Total liabilities	2,084	2,390	2,831	2,619	2,701
Controlling interest	4,298	4,234	4,614	4,798	4,879
Capital stock	2,879	2,879	2,879	2,879	2,879
Capital surplus	(0)	(0)	(0)	(0)	(0)
Other Reserves	137	160	182	234	271
Retained earnings	1,282	1,196	1,554	1,686	1,730
Minority interest	0	0	0	0	0
Shareholders' equity	4,298	4,234	4,614	4,798	4,879

Cash flow

(VND bn)

	2020A	2021A	2022A	2023F	2024F
C/F from operations	1,222	1,074	1,383	1,684	1,434
Net profit	625	534	883	876	888
Dep'n & Amort'n	693	690	689	689	689
Net incr. in W/C	(96)	(150)	(189)	119	(143)
C/F from investing	218	9	(946)	454	(41)
Capex	(1)	(3)	(1)	(100)	(50)
Incr. in investment	219	11	(945)	553	9
C/F from financing	(1,830)	(1,143)	(54)	(720)	(806)
Incr. in equity	0	0	0	0	0
Incr. in debt	(1,111)	(568)	421	0	0
Dividends	(719)	(575)	(474)	(720)	(806)
C/F from others	0	0	0	0	0
Increase in cash	(389)	(61)	383	1,418	586

Income statement

(VND bn)

	2020A	2021A	2022A	2023F	2024F
Net sales	6,082	6,150	8,788	8,861	9,380
COGS	5,187	5,474	7,706	7,809	8,265
Gross profit	895	676	1,082	1,052	1,115
SG&A expenses	85	83	131	100	106
Operating profit	810	593	950	952	1,009
Financial income	18	18	24	12	12
Interest income	17	11	21	8	9
Financial expenses	160	52	18	28	32
Interest expenses	38	20	15	13	16
Other non-operating profit	(4)	7	(14)	(14)	(14)
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	663	566	943	922	976
Income taxes	38	32	60	46	88
Net profit	625	534	883	876	888
Exceptional items	0	0	153	155	0
Net profit (Adj)	625	534	731	721	888
Total comprehensive profit of controlling interest	625	534	731	721	888
EBITDA	1,502	1,283	1,639	1,641	1,697

Key financial ratio

	2020A	2021A	2022A	2023F	2024F
Per-share (VND, adj)					
EPS	2,095	1,756	2,236	2,813	3,129
BPS	14,928	14,706	15,820	16,409	16,737
DPS	2,498	1,999	1,650	2,500	2,800
Profitability (%)					
OP margin	13.3	9.6	7.7	9.8	0.0
NP margin	10.3	8.7	7.3	9.1	9.6
EBITDA margin	24.7	20.9	17.3	18.5	18.1
ROA	9.8	8.1	11.5	12.9	12.7
ROE (excl MI)	14.5	12.6	17.5	18.8	18.7
Dividend yield	7.6	11.2	5.7	8.7	9.7
Dividend payout ratio	88.0	98.0	59.6	80.9	89.5
Stability					
Net debt (VND bn)	713	209	(793)	(987)	(1,586)
Net debt/equity (%)	16.6	4.9	(17.4)	(20.9)	(32.9)
Valuation (x)					
PE	13.7	16.4	12.9	10.2	9.2
PB	1.9	2.0	1.8	1.8	1.7
EV/EBITDA	5.5	6.1	5.6	5.2	5.0

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Prepared by: Research Dept

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