

18 Oct 2023

NHON TRACH 2 (NT2)

3Q23 NPAT dropped dramatically

- 3Q23 NPAT declined 62%yoy owing to decrease in volume and GM,
- 4Q23 business results are forecasted to be more positive,
- Maintain a BUY recommendation.

Facts: Decrease in revenue and NPAT compared to 3Q22

In 3Q23, NT2 recorded a significant drop of 62% yoy in revenue. Gross profit and NPAT reported losses of VND 132bn and VND 124bn, respectively. The main reasons come from (1) the factory overhaul from September 7 to October 17 and (2) NLDC's priority in mobilizing cheap power sources: hydropower and wind power. The consequences placed significant pressure on NT2's output volume and gross margin in 3Q23.

- The volume in 3Q23 was 365mn kWh (-59% yoy, -65% qoq), which fulfilled 52% of the 2023 plan.
- The average selling price was VND2,203 per kWh (+6%yoy, +6%qoq).

Pros & cons: 4Q23 business results are forecasted to be more positive than 3Q23

Although business results in 3Q23 were less positive. In 4Q, we expect NT2's operation to be more positive when A0 begins to increase the mobilization of the gas power group by the end of September, after the peak of the rainy season is gone. On the first 15 days of October, capacity factor's gas power plants recorded 37%, an increase of 9% compared to the 28% in September.

In 4Q23, we forecast the NT2's revenue and NPAT are VND1,161bn (-40% yoy,) and VND3bn (-43% yoy).

Action: Maintain BUY rating

Unfavorable business results in 3Q and a recent market adjustment caused NT2's market price to touch VND24,500. These open opportunities to buy the stock in a holding over 12 months with a profit of +26% in the next 12 months are less affected by the VNIndex.

■ 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).

12M rating **BUY (Maintain)**

12M TP **29,400**

Up/Downside **+26.4% (included dividend)**

Stock data

VNIndex (18 Oct, pt)	1,103
Stock price (18 Oct, VND)	23,250
Market cap (USD mn)	371
Shares outstanding (mn)	277
52-Week high/low (VND)	31,892/19,525
6M avg. daily turnover (USD mn)	0.91
Free float / Foreign ownership (%)	32.3/14.8
Major shareholders (%)	
PV Power	59.37
CFTD	8.27

Valuation

	2022A	2023F	2024F
PE (x)	9.4	27.2	10.8
PB (x)	1.8	1.5	1.5
ROE (%)	20.0	5.6	14.0
DY (%)	8.7	3.2	8.4
EV/EBITDA (x)	4.6	6.8	4.7
EPS (VND)	2,960	856	2,153
BPS (VND)	16,027	16,105	16,190

Performance

	1M	6M	12M
Absolute (%)	(11.1)	(15.2)	(6.5)
Relative to VNIndex (%p)	(3.4)	(22.2)	(13.3)

Stock price



Source: Bloomberg

Research Dept

researchdept@kisvn.vn

Balance sheet VND bn

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
Current assets (Adj.)	2,581	4,557	7,579	6,901	6,666
Cash & cash equivalent	1	384	457	1,442	2,359
Non-current assets (Adj.)	2,580	4,173	7,122	5,459	4,307
Fixed Asset	3,496	2,809	2,214	1,547	858
Investment assets	-	-	-	-	-
Others	547	79	57	56	72
Total assets	6,624	7,445	9,850	8,504	7,596
Advances from customers	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Trade payables	1,034	770	3,200	2,100	1,200
Others	1,147	1,431	1,056	1,036	1,166
ST debt & bond	210	631	958	707	533
LT debt & bond	-	-	-	-	-
Total liabilities	2,390	2,831	5,214	3,843	2,899
Controlling interest	4,234	4,614	4,636	4,661	4,697
Capital stock	2,879	2,879	2,879	2,879	2,879
Capital surplus	(0)	(0)	(0)	(0)	(0)
Other Reserves	160	182	182	182	182
Retained earnings	1,196	1,554	1,576	1,601	1,637
Shareholders' equity	4,234	4,614	4,636	4,661	4,697

Cash flow VND bn

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
C/F from operations	1,074	1,383	(188)	1,758	1,792
Net profit	566	943	283	713	1,010
Depreciation	690	689	695	697	698
Net incr. in W/C	1,266	1,668	930	1,347	1,578
C/F from investing	9	(946)	157	74	152
Capex	(2)	(1)	(100)	(30)	(9)
Incr. in investment	11	(945)	257	104	161
C/F from financing	(1,143)	(54)	104	(847)	(1,018)
Incr. in equity	-	-	-	-	-
Incr. in debts	-	-	328	(251)	(174)
Dividends	(575)	(474)	(224)	(595)	(844)
C/F from others	-	-	-	-	-
Increase in cash	(61)	383	73	985	926

Income statement VND bn

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
Net sales	6,150	8,788	6,343	6,226	7,008
COGS	5,474	7,706	6,045	5,513	6,058
Gross profit	676	1,082	298	713	951
SG&A	83	131	63	62	70
Operating profit	593	950	235	650	881
Financial income	18	24	88	104	161
Interest income	11	21	77	104	161
Financial expenses	52	18	40	42	31
Interest expenses	20	15	40	42	31
Other non-operating profit	7	(14)	-	-	-
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-
Earnings before tax	566	943	283	713	1,010
Income taxes	32	60	24	61	87
Net profit	534	883	259	651	924
Net profit of controlling interest	534	883	259	651	924
EBITDA	1,283	1,639	930	1,347	1,578

Key financial data

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
per share data (VND, adj.)					
EPS	1,756	2,960	856	2,153	3,058
BPS	14,706	16,027	16,105	16,190	16,316
DPS	1,650	2,500	778	5,000	5,000
Growth (%)					
Sales growth	1.1	42.9	(27.8)	(1.9)	12.6
OP growth	(26.8)	60.2	(75.3)	176.8	35.4
NP growth	(14.6)	65.5	(70.7)	151.5	41.8
EPS growth	(14.6)	65.5	(70.7)	151.5	41.8
EBITDA growth	(14.6)	27.7	(43.2)	44.9	17.1
Profitability (%)					
OP margin	9.6	10.8	3.7	10.4	12.6
NP margin	8.7	10.1	4.1	10.5	13.2
EBITDA margin	20.9	18.7	14.7	21.6	22.5
ROA	8.2	12.6	3.0	7.1	11.5
ROE (excl MI)	12.5	20.0	5.6	14.0	19.7
Dividend yield	6.3	8.7	3.2	8.4	12.0
Dividend payout ratio	89	81	87	91	91
Stability					
Net debt (VND bn)	209	246	501	(735)	(1,826)
Net debt/equity (%)	0	0	0	(0)	(0)
Valuation (X)					
PE	14.2	9.4	27.2	10.8	7.6
PB	1.8	1.8	1.5	1.5	1.5
EV/EBITDA	6.1	4.6	6.8	4.7	4.0

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Prepared by: Research Dept

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