

25 Jul 2024

## NHON TRACH 2 (NT2)

### 2Q24: NPAT improved, but outlook is not promising

- NPAT experienced negative results
- Pressure from gas prices is likely to continue high
- Maintain a HOLD recommendation

#### Facts: NPAT experienced negative results

In 2Q24, revenue NT2 recorded VND2,186bn, a slightly rise of 0.2% compared to the same period (Figure 1). The main reason comes from the improvement in the average selling price to VND2,132 per kWh (+4% yoy, figure 3). Although, NT2 recorded the volume decline 3% yoy of 1,026mn kWh in 2Q24.

In terms of profit, the average gas price in 2Q24 is still at a high level at 9.51 USD per mmBTU (+7% yoy, figure 4), while the full market price (FMP) declined strongly to 21% yoy. These are what caused the gross margin to drop to 5.9% in 2Q24, a decrease of 1.5%pt yoy. As a result, gross profit and NPAT reported losses of VND129.5bn (-20% yoy) and VND122.1bn (-15% yoy), respectively (Figure 5,6).

**Table 1. Quarterly earnings snapshot in 2Q24**

	2Q23	3Q23	4Q23	1Q24	2Q24	QoQ	YoY
Sales	2,183	816	1,201	262	2,186	735	0.2
OP	157	(124)	257	(229)	122	-	(23)
OP margin (%)	7	(15)	21	(87)	6	-	14.3
EBT	157.2	(123.7)	256.5	(158.1)	122.1	-	(22)

Source: Company data, KISVN

#### Pros & cons: Pressure from high gas prices is likely to last

In 2H24F, we forecast that NT2's volume will grow +17% yoy (Figure 7) based on the country's demand for consumption of electricity (+8% yoy in 2H24F) and EVN's 4A plan.

However, we estimated that the NPAT's NT2 is likely to record negative results mainly due to the full market price (FMP), which is expected to decline more sharply while the gas price is forecast to increase slightly in 2H24F (Figure 4). This led to disadvantages for the gross margin's NT2.

#### Action: Maintain HOLD rating

We strongly believe in a positive outlook for NT2 in the long term, as it plays an important role in maintaining system stability. However, in 2H24, NT2 may continue to experience negative results as (1) the full market price (FMP) predicts a decrease due to the neutral phase, which will officially return in early July (Figure 8). Additionally, (2) the gas price seems to be still high and (3) the expansion of renewable energy capacity. On this basis, we maintain a **HOLD-rating** for NT2 (**TP: 19,900VND**) in 2H24F.

12M rating **HOLD**

12M TP **19,900**

Up/Downside **(-1%) (included dividend)**

#### Stock data

VNIndex (24 Jul, pt)	1,238
Stock price (24 Jul, VND)	20,250
Market cap (USD mn)	230
Shares outstanding (mn)	288
52-Week high/low (VND)	27,983/20,250
6M avg. daily turnover (USD mn)	0.83
Free float / Foreign ownership (%)	32.3/12.8
Major shareholders (%)	
PV Power	59.37
CFTD	8.27

#### Valuation

	2022A	2023F	2024F
PE (x)	11.1	14.9	57.9
PB (x)	1.3	1.6	1.6
ROE (%)	20.0	10.6	2.6
DY (%)	114.5	92.1	89.0
EV/EBITDA (x)	8.0	13.9	(30.9)
EPS (VND)	2,961	1,586	368
BPS (VND)	16,027	15,062	13,930

#### Performance

	1M	6M	12M
Absolute (%)	(6.7)	(18.4)	(27.4)
Relative to VNIndex (%p)	(5.6)	(24.9)	(33.5)

#### Stock price

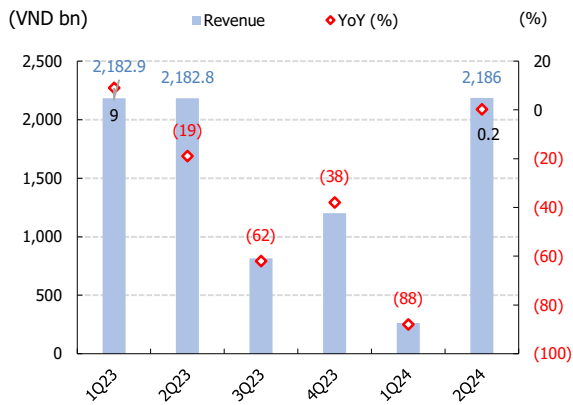


Source: Bloomberg

#### Research Dept

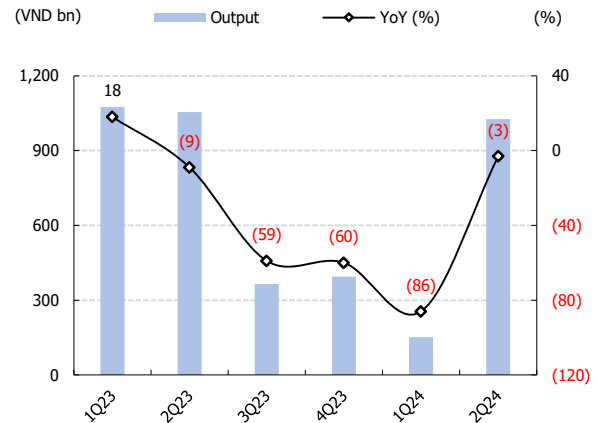
researchdept@kisvn.vn

**Figure 1. Revenue NT2 in 2Q24 recorded VND2,186bn, moving sideways compared to the same period**



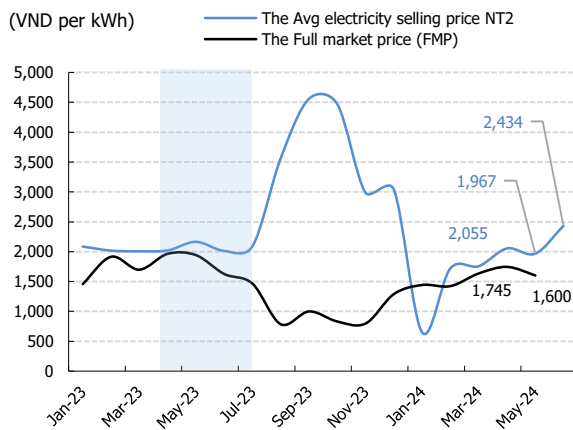
Source: NT2, KISVN

**Figure 2. Production output in 2Q24 reached 1,026mm kWh, decrease 3% yoy**



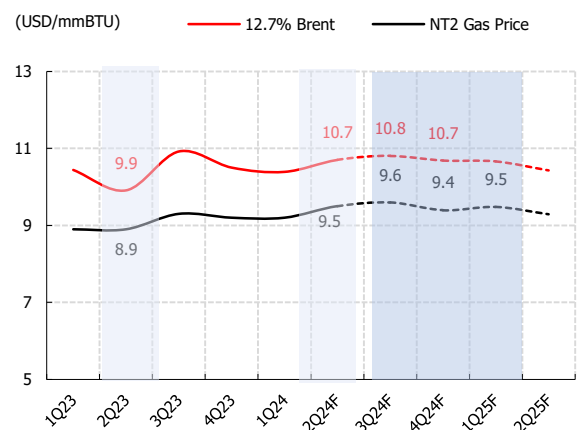
Source: Bloomberg, NT2, KIS Vietnam

**Figure 3. The average electricity selling price NT2 in 2Q24 recorded VND2,152 per kWh (+4% yoy)**



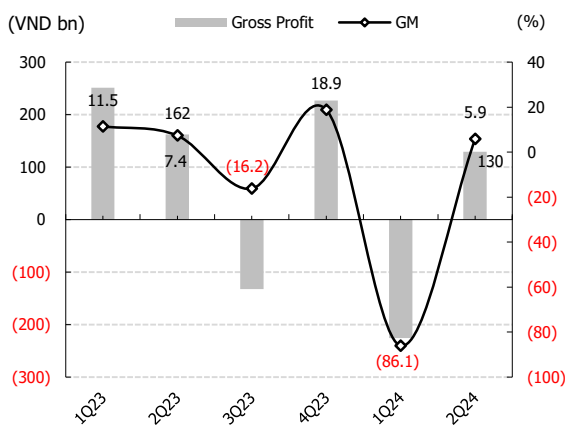
Source: NT2, KISVN

**Figure 4. The NT2's gas prices in the Southeast is predicted to still be at a high level, expect a continued increase in 2H24F**



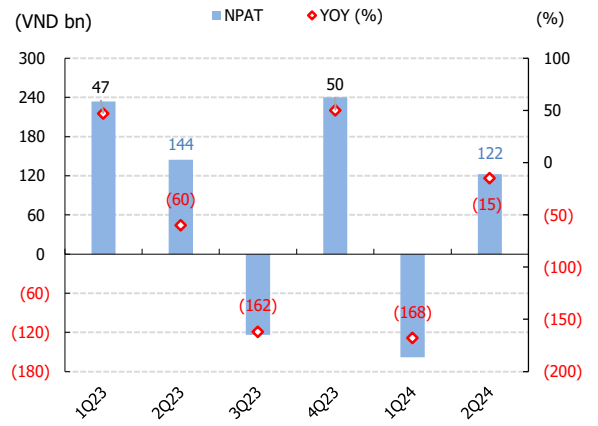
Source: Bloomberg, NT2, KIS Vietnam

**Figure 5. ... and Gross profit and GM were also negatively affected in 2Q24**



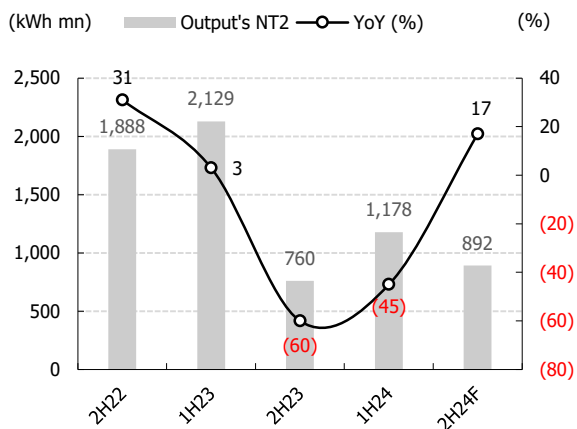
Source: NT2, KISVN

**Figure 6. NPAT in 1Q24 recorded VND122bn, decrease 15% yoy**



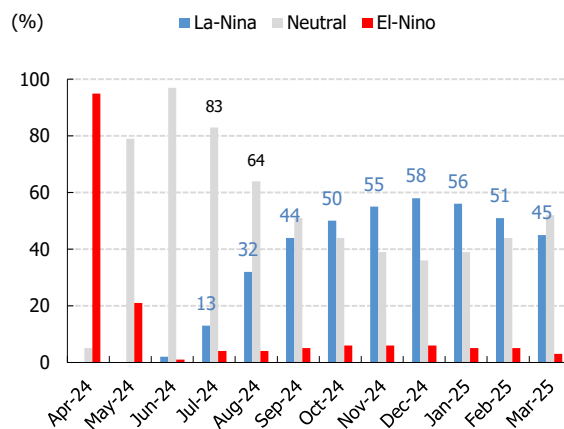
Source: NT2, KISVN

**Figure 7. Output electricity's NT2 in 2H24F expect to reach 892mn kWh (+17% yoy) based on EVN's 4A plan**



Source: EVN, NT2, KISVN

**Figure 8. The temperature in zone 3.4 tends to decrease gradually in 2H24F**



Source: NOAA, KISVN

**■ 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

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
Current assets (Adj.)	2,581	4,557	4,770	3,965	3,632
Cash & cash equivalent	1	384	1	1	36
Non-current assets (Adj.)	2,580	4,173	4,769	3,964	3,597
Fixed Asset	3,496	2,809	2,125	1,437	748
Investment assets	-	-	-	-	-
Others	547	79	1,556	1,103	887
<b>Total assets</b>	<b>6,624</b>	<b>7,445</b>	<b>8,451</b>	<b>6,505</b>	<b>5,267</b>
Advances from customers	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Trade payables	1,034	770	1,680	1,191	957
Others	1,147	1,431	1,235	876	704
ST debt & bond	210	631	1,200	598	177
LT debt & bond	-	-	-	-	-
<b>Total liabilities</b>	<b>2,390</b>	<b>2,831</b>	<b>4,115</b>	<b>2,665</b>	<b>1,838</b>
Controlling interest	4,234	4,614	4,336	3,840	3,428
Capital stock	2,879	2,879	2,879	2,879	2,879
Capital surplus	(0)	(0)	(0)	(0)	(0)
Other Reserves	160	182	226	226	226
Retained earnings	1,196	1,554	1,231	736	324
Shareholders' equity	4,234	4,614	4,336	3,840	3,428

**Cash flow** VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
C/F from operations	1,074	1,383	857	913	766
Net profit	566	943	514	(72)	23
Depreciation	690	689	687	689	689
Net incr. in W/C	1,266	1,668	1,119	526	606
C/F from investing	9	(946)	(2,245)	121	122
Capex	(2)	(1)	(1,094)	-	-
Incr. in investment	11	(945)	(1,151)	121	122
C/F from financing	(1,143)	(54)	420	(1,034)	(853)
Incr. in equity	-	-	(150)	-	-
Incr. in debts	-	-	1,551	(602)	(421)
Dividends	(575)	(474)	-	(432)	(432)
C/F from others	-	-	-	-	-
<b>Increase in cash</b>	<b>(61)</b>	<b>383</b>	<b>(968)</b>	<b>(0)</b>	<b>35</b>

**Income statement** VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
Net sales	6,150	8,788	6,386	4,527	3,639
COGS	5,474	7,706	5,876	4,689	3,721
Gross profit	676	1,082	510	(162)	(82)
SG&A	83	131	69	1	0
<b>Operating profit</b>	<b>593</b>	<b>950</b>	<b>441</b>	<b>(162)</b>	<b>(82)</b>
Financial income	18	24	107	121	122
Interest income	11	21	99	121	122
Financial expenses	52	18	34	31	17
Interest expenses	20	15	34	31	17
Other non-operating profit	7	(14)	(0)	-	-
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-
<b>Earnings before tax</b>	<b>566</b>	<b>943</b>	<b>514</b>	<b>(72)</b>	<b>23</b>
Income taxes	32	60	41	(6)	2
<b>Net profit</b>	<b>534</b>	<b>883</b>	<b>473</b>	<b>(66)</b>	<b>21</b>
<b>Net profit of controlling interest</b>	<b>534</b>	<b>883</b>	<b>473</b>	<b>(66)</b>	<b>21</b>
<b>EBITDA</b>	<b>1,277</b>	<b>1,647</b>	<b>1,234</b>	<b>647</b>	<b>728</b>

**Key financial data**

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
per share data (VND, adj.)					
EPS	1,757	2,961	1,586	(223)	70
BPS	14,706	16,027	15,062	13,339	11,909
DPS	1,650	2,500	1,500	1,500	1,500
Growth (%)					
Sales growth	1.1	42.9	(27.3)	(29.1)	(19.6)
OP growth	(26.8)	60.2	(53.6)	(136.8)	(49.2)
NP growth	(14.6)	65.5	(46.4)	(114.0)	(131.6)
EPS growth	(14.6)	65.5	(46.4)	(114.0)	(131.6)
EBITDA growth	(26.8)	60.2	(53.6)	(136.8)	(49.2)
Profitability (%)					
OP margin	9.6	10.8	6.9	(3.6)	(2.3)
NP margin	8.7	10.1	7.4	(1.5)	0.6
EBITDA margin	9.6	10.8	6.9	(3.6)	(2.3)
ROA	8.2	12.6	6.0	(0.9)	0.4
ROE (excl MI)	12.5	20.0	10.6	(1.6)	0.6
Dividend yield	6.3	8.7	6.1	7.5	7.5
Dividend payout ratio	88	115	92	89	81
Stability					
Net debt (VND bn)	209	246	1,199	597	142
Net debt/equity (%)	5	5	28	16	4
Valuation (X)					
PE	6.4	11.1	14.9	(86.7)	274.8
PB	1.2	1.3	1.6	1.5	1.7
EV/EBITDA	13.1	8.0	13.9	(30.9)	(60.8)

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 25 Jul 2024.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 25 Jul 2024.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of NHON TRACH 2 (NT2) and is the liquidity provider.

Prepared by: Research Dept

## Global Disclaimer

### ■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

### ■ Country-specific disclaimer

**United States:** This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

**United Kingdom:** This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

**Hong Kong:** This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

**Singapore:** This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2024 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..