

25 Oct 2024

NHON TRACH 2 (NT2)

3Q24 NPAT experienced robust growth

- Earnings recorded growth optimistic yoy
- 4Q24: Pressure as mobilization of expensive gas sources
- Maintain a HOLD recommendation

Facts: Earnings recorded growth optimistic yoy

In 3Q24, revenue NT2 recorded VND1,711bn, an increase of 110% compared to the same period (Figure 1). The main motives come from:

- The output grew significantly (Figure 2), as (1) A0 prioritized mobilization to compensate for the capacity of two BOT plants – Phu My 3, which expired, and Phu My 2, which underwent maintenance. Besides, (2) this is the time when the plant operates at full capacity compared to the same period of plant maintenance.
- Additionally, an improvement in the average selling price (FMP) in 3Q24 recorded VND1,207kWh (+12% yoy, figure 3).

In terms of profit, as the FMP is +12% yoy increasing faster than the gas price in 3Q24, which is still at a high level at 9.5 USD per mm/BTU (+3% yoy, figure 4). This boosted the gross margin increase to 3.4% in 3Q24 (3Q23 recorded GM of -16%, figure 5). As a result, gross profit and NPAT were recorded at VND59bn (3Q23: -VND132bn, figure 5) and VND44bn (3Q23: -VND124bn, figure 6), respectively.

Table 1. Quarterly earnings snapshot in 3Q24

	3Q23	4Q23	1Q23	2Q24	3Q24	QoQ	YoY
Sales	816	1,201	262	2,186	1,711	(22)	110
OP	(124)	257	(229)	122	49	59	-
OP margin (%)	(15)	21	(87)	6	3	(48)	-
EBT	(124)	257	(158)	122	50	(59)	-
NPAT	(124)	240	(158)	122	44	(64)	-

Source: Company data, KISVN

Pros & cons: Pressure as mobilization of more expensive gas sources

In 4Q24F, we think that NT2's volume continues to be strong growth according to EVN's plan for 2H24F. The positive factors support (1) the unit operating at full capacity again compared to the same period of plant maintenance and (2) the offset capacity shortage for BOT Phu My 3 expired, Phu My 1, and Phu My 2.1 undergoing maintenance.

However, we forecast that NPAT's NT2 to record is less positive compared to the same period, and the main reason comes from:

12M rating **HOLD (Maintain)**

12M TP
Up/Downside

Stock data

VNIndex (25 Oct, pt)	1,260
Stock price (25 Oct, VND)	19,150
Market cap (USD mn)	217
Shares outstanding (mn)	288
52-Week high/low (VND)	25,882/19,000
6M avg. daily turnover (USD mn)	0.47
Free float / Foreign ownership (%)	32.3/13.2
Major shareholders (%)	
PV Power	59.37
CFTD	8.27

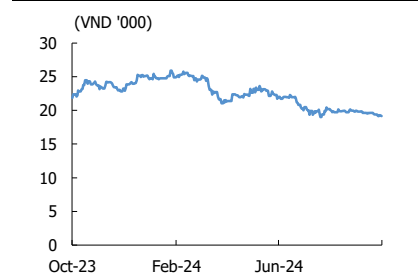
Valuation

	2022A	2023F	2024F
PE (x)	11	15	75
PB (x)	1	2	1
ROE (%)	20	11	2
DY (%)	95	92	89
EV/EBITDA (x)	8	14	(390)
EPS (VND)	2,961	1,586	246
BPS (VND)	16,027	15,062	13,808

Performance

	1M	6M	12M
Absolute (%)	(4.0)	(10.1)	(16.1)
Relative to VNIndex (%p)	(1.9)	(16.1)	(32.7)

Stock price



Source: Bloomberg

Research Dept

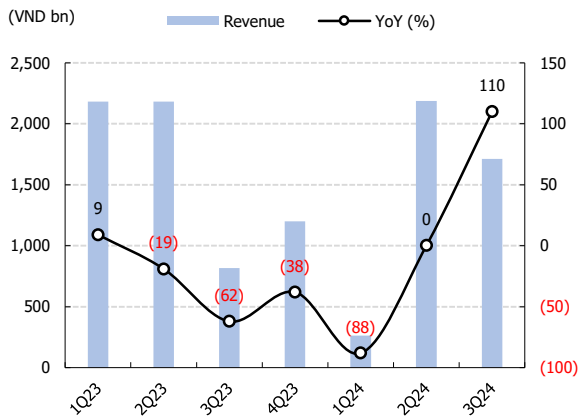
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- The full market price (FMP), which is expected to decline more quickly in 4Q24F due to favorable conditional hydrological, while the gas price may be increased slightly. Due to the increasingly limited supply khi September only reached 5.5 Sm³ per day (-31% yoy, figure 7), leading to more expensive gas sources such as Sao Vang – Dai Nguyet had to be mobilized.
- Additionally, according to data's EVN, expect to add 100MW (+40% yoy) in 4Q24F from transitional wind power projects and part of the additional capacity from projects that have already signed PPAs.
- Besides, partly due to the high profit base in 4Q23 recored VND240bn (+54% yoy).

Action: Maintain HOLD rating

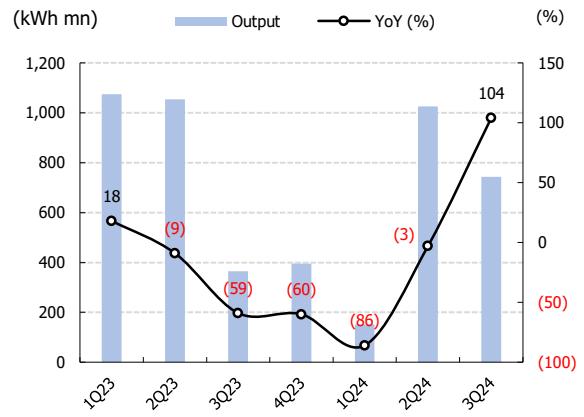
We strongly believe in a positive outlook for NT2 in the long term, as it plays an important role in maintaining system stability. However, in the short term, we believe that NT2's market price has almost reflected its intrinsic value. Therefore, we maintain a **HOLD** recommendation for **NT2** in 4Q24F.

Figure 1. Revenue robusted strongly, recorded VND1,711bn, increase 110% yoy



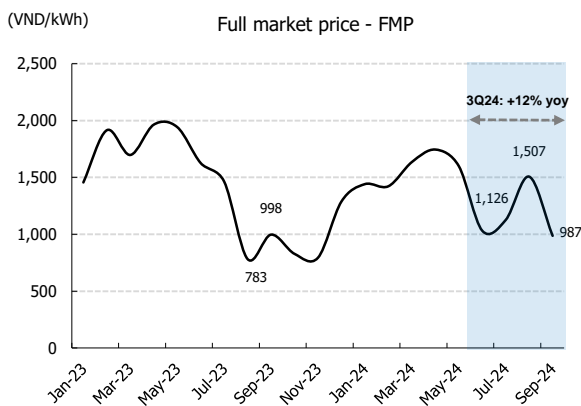
Source: NT2, KISVN

Figure 2. Output growth 104% yoy due to the unit operates at full capacity



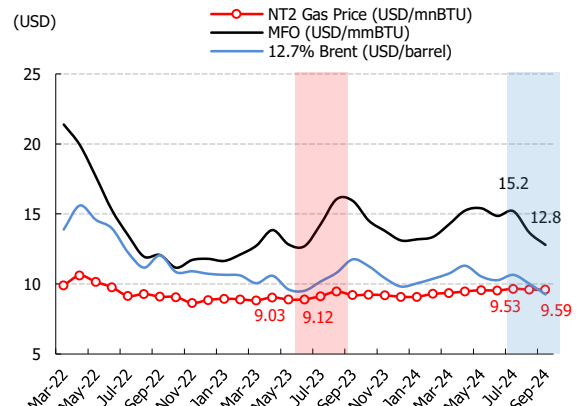
Source: NT2, KIS Vietnam

Figure 3. The full market price (FMP) in 3Q24 recorded VND1,207kWh (+12% yoy)



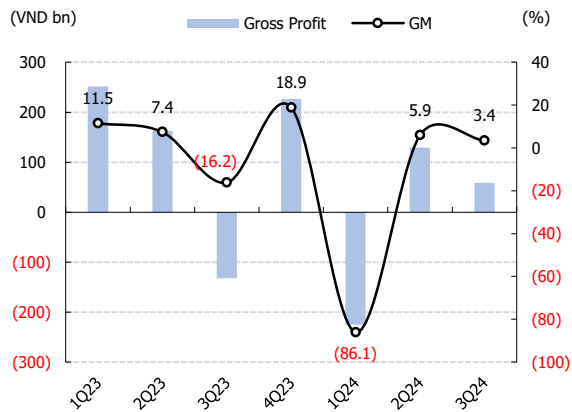
Source: POW, KISVN

Figure 4. The gas price may increase slightly in 4Q24 due to the mobilization of more expensive gas sources



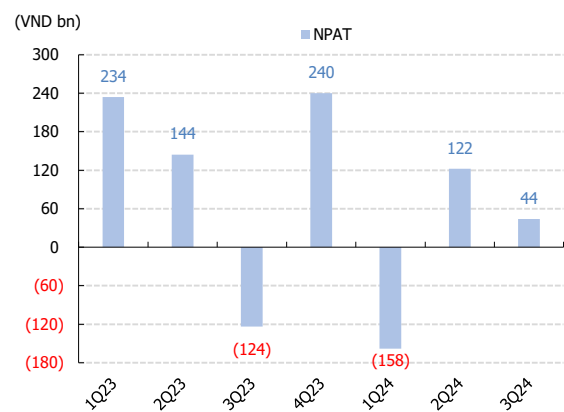
Source: Bloomberg, NT2, KIS Vietnam

Figure 5. ... and Gross profit and GM were also positive affected in 3Q24



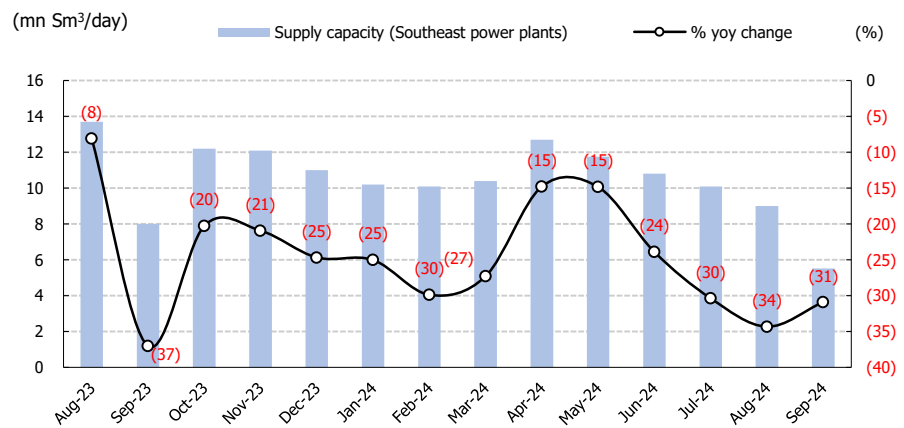
Source: NT2, KISVN

Figure 6. NPAT experienced robust growth in 3Q24



Source: NT2, KISVN

Figure 7. Declining gas supply leads to mobilization of expensive gas sources like Sao Vang Dai Nguyet



Source: PVN, PGV, 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	5,127	4,685
Cash & cash equivalent	1	384	1	641	287
Non-current assets (Adj.)	2,580	4,173	4,769	4,486	4,397
Fixed Asset	3,496	2,809	2,125	1,437	748
Investment assets	-	-	-	-	-
Others	547	79	1,556	1,467	1,410
Total assets	6,624	7,445	8,451	8,031	6,843
Advances from customers	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Trade payables	1,034	770	1,680	1,584	1,523
Others	1,147	1,431	1,235	1,165	1,120
ST debt & bond	210	631	1,200	1,307	694
LT debt & bond	-	-	-	-	-
Total liabilities	2,390	2,831	4,115	4,056	3,337
Controlling interest	4,234	4,614	4,336	3,975	3,506
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	871	402
Shareholders' equity	4,234	4,614	4,336	3,975	3,506

Cash flow VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
C/F from operations	1,074	1,383	857	744	549
Net profit	566	943	514	80	(41)
Depreciation	690	689	687	689	689
Net incr. in W/C	1,266	1,668	1,119	677	541
C/F from investing	9	(946)	(2,245)	220	143
Capex	(2)	(1)	(1,094)	-	-
Incr. in investment	11	(945)	(1,151)	220	143
C/F from financing	(1,143)	(54)	420	(325)	(1,045)
Incr. in equity	-	-	(150)	-	-
Incr. in debts	-	-	1,551	107	(613)
Dividends	(575)	(474)	-	(432)	(432)
C/F from others	-	-	-	-	-
Increase in cash	(61)	383	(968)	640	(354)

Income statement VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
Net sales	6,150	8,788	6,386	6,022	5,790
COGS	5,474	7,706	5,876	6,013	5,918
Gross profit	676	1,082	510	8	(129)
SG&A	83	131	69	19	19
Operating profit	593	950	441	(11)	(147)
Financial income	18	24	107	137	143
Interest income	11	21	99	137	143
Financial expenses	52	18	34	46	37
Interest expenses	20	15	34	46	37
Other non-operating profit	7	(14)	(0)	-	-
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-
Earnings before tax	566	943	514	80	(41)
Income taxes	32	60	41	6	(3)
Net profit	534	883	473	73	(38)
Net profit of controlling interest	534	883	473	73	(38)
EBITDA	1,277	1,647	1,234	814	684

Key financial data

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
per share data (VND, adj.)					
EPS	1,757	2,961	1,586	246	(127)
BPS	14,706	16,027	15,062	13,808	12,180
DPS	1,650	2,500	700	1,500	1,500
Growth (%)					
Sales growth	1.1	42.9	(27.3)	(5.7)	(3.8)
OP growth	(26.8)	60.2	(53.6)	(102.5)	1,218.6
NP growth	(14.6)	65.5	(46.4)	(84.5)	(151.8)
EPS growth	(14.6)	65.5	(46.4)	(84.5)	(151.8)
EBITDA growth	(26.8)	60.2	(53.6)	(102.5)	1,218.6
Profitability (%)					
OP margin	9.6	10.8	6.9	(0.2)	(2.5)
NP margin	8.7	10.1	7.4	1.2	(0.7)
EBITDA margin	9.6	10.8	6.9	(0.2)	(2.5)
ROA	8.2	12.6	6.0	0.9	(0.5)
ROE (excl MI)	12.5	20.0	10.6	1.8	(1.0)
Dividend yield	6.3	8.7	2.9	7.8	7.8
Dividend payout ratio	88	95	92	89	81
Stability					
Net debt (VND bn)	209	246	1,199	666	406
Net debt/equity (%)	5	5	28	17	12
Valuation (X)					
PE	6.4	11.1	14.9	75.1	-
PB	1.2	1.3	1.6	1.4	1.6
EV/EBITDA	13.1	8.0	13.9	(390.3)	(29.6)

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