

7 Feb 2025

NHON TRACH 2 (NT2)

NPAT experienced unfavorable results

- NPAT dropped by 73% yoy
- Production boosted strongly in 1Q25F
- Maintain a HOLD recommendation

Facts: NPAT dropped by 73% yoy

In 4Q24, NT2's revenue was recorded at VND1,792bn, up 49% yoy (figure 1). The key growth drivers were:

- A significant improvement in output (figure 2), as (1) A0 prioritized dispatching to compensate for the capacity shortage from two BOT plants – Phu My 3, which reached the end of its contract, and Phu My 1, Phu My 2.1 (expansion), which were undergoing maintenance.
- Additionally, (2) the full market price (FMP)'s NT2 in 4Q24 was estimated to increase sharply at VND1,559/kWh (+55% yoy, figure 3).

Although NT2 recorded positively in output and the electricity sell price in 4Q24, while the gas price only rose slightly at 9.5 USD per mMBTU. However, the gross profit downed to VND73bn (-68% yoy). When the plant must use more gas fuel to produce 1 kWh. As a result, gross margin's NT2 in 1Q25F declined to 4.1% (-14.8%p yoy).

Besides, (a) a surge in G&A expenses to VND21bn (+120% yoy) and (b) a high base in 4Q23, which recorded VND240bn. As a result, NPAT dropped to VND64bn (-73% yoy, figure 6).

Table 1. Quarterly earnings snapshot in 4Q24

(VND bn, %, %p)

	4Q23	1Q24	2Q24	3Q24	4Q24	QoQ	YoY
Sales	1,201	262	2,186	1,712	1,792	5	49
OP	257	(229)	122	49	76	55	(70)
OP margin (%)	21.4	(87.3)	5.6	2.9	4.2	45	(80)
EBT	257	(158)	122	50	76	52	(70)
NPAT	240	(158)	122	44	64	45	(73)

Source: Company data, FiinPro-X KISVN

Pros & cons: Production boosted strongly in 1Q25F

In 1Q25F, we anticipated that NT2's production could continue to be strong growth according to EVN's plan for 2025F. The positive factors support the offset capacity shortage for BOT Phu My 3, Phu My 2.2 expired.

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

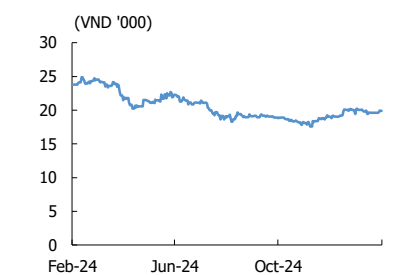
Stock data

VNIndex (07 Feb, pt)	1,271
Stock price (07 Feb, VND)	19,900
Market cap (USD mn)	227
Shares outstanding (mn)	288
52-Week high/low (VND)	24,884/17,595
6M avg. daily turnover (USD mn)	0.26
Free float / Foreign ownership (%)	32.3/13.7
Major shareholders (%)	
PV Power	59.37
CFTD	8.27

Performance

	1M	6M	12M
Absolute (%)	2.5	4.3	(16.4)
Relative to VNIndex (%p)	0.5	(1.2)	(24.4)

Stock price



Source: Bloomberg

Research Dept

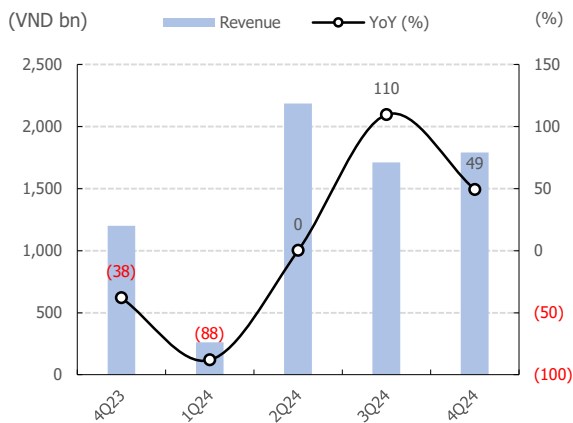
researchdept@kisvn.vn

Besides, we forecast that NPAT's NT2 could improve yoy (1Q24: -VND158bn), but could still estimated to lose in 1Q25F. The main reason comes from (a) heat rate efficiency to deteriorate in 1Q25F (-7% yoy). Besides, (b) getting benefits of the alpha coefficient rise from 70% to 80%, which means that most of the output is sold at the contract price, which is significantly higher than the FMP. And (c) the increase of SMP is faster than the NT2's gas price (+3% yoy). These advantages could fully cover the plunge in CAN price in 2025. Based on these positive factors, we believe that NT2's profit in 1Q25F could improve.

Action: Maintain HOLD rating

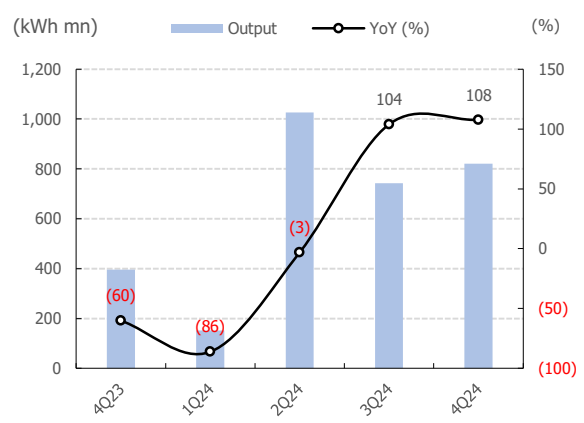
We strongly believe in a positive outlook for NT2 in the long term, as it plays an important role in maintaining system stability. However, in the short term, we anticipated that NT2's market price has almost reflected its intrinsic value. Therefore, we maintain a **HOLD** recommendation for **NT2** in 1Q25F.

Figure 1. Revenue increased strongly, recording VND1,792bn, an increase of 49% yoy



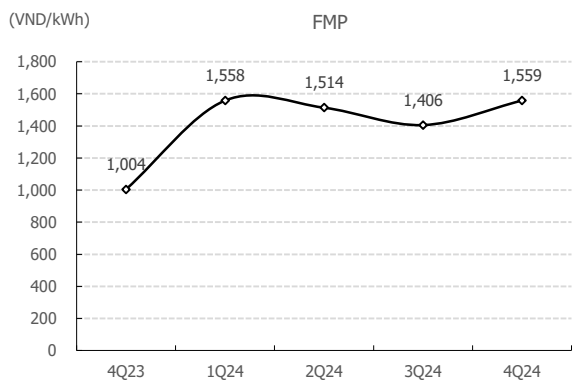
Source: NT2, KISVN

Figure 2. Output growth is 108% yoy due to the unit operating at full capacity



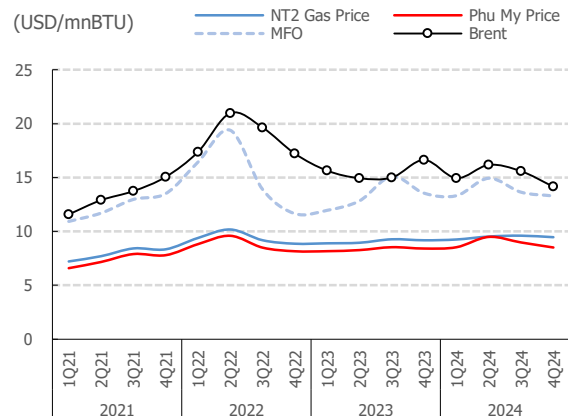
Source: NT2, KIS Vietnam

Figure 3. The full market price (FMP) in 4Q24 estimated recorded VND1,559kWh (+55% yoy)



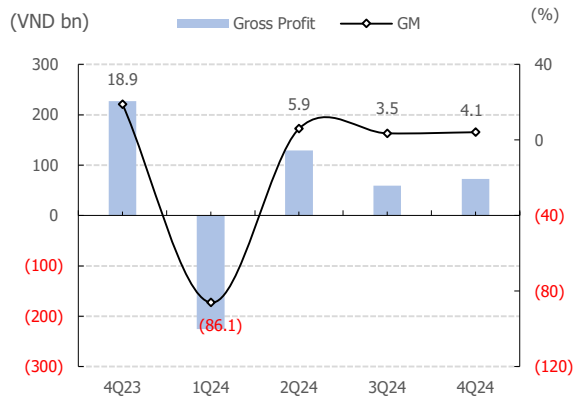
Source: POW, KISVN

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



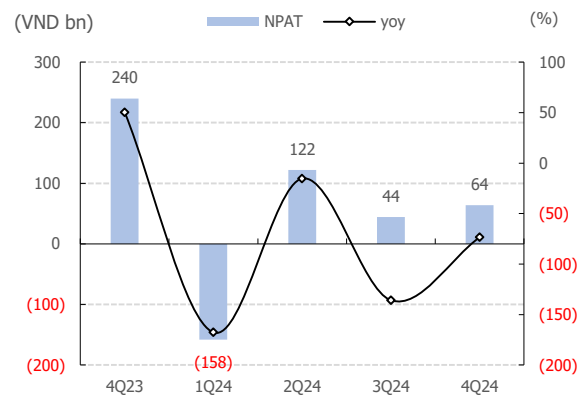
Source: Bloomberg, NT2, KIS Vietnam

Figure 5. ... and gross profit and GM drop strongly



Source: NT2, KISVN

Figure 6. NPAT down to VND64bn (-73% yoy)



Source: NT2, 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	2024A	2025F	
Current assets (Adj.)	2,581	4,557	4,770	5,912	4,685	
Cash & cash equivalent	1	384	1	57	287	
Non-current assets (Adj.)	2,580	4,173	4,769	2,997	4,397	
Fixed Asset	3,496	2,809	2,125	333	748	
Investment assets	-	-	-	5,855	-	
Others	547	79	1,556	1,442	1,410	
Total assets	6,624	7,445	8,451	-	6,843	
Advances from customers	-	-	-	2,661	-	
Unearned revenue	-	-	-	10,015	-	
Trade payables	1,034	770	1,680	-	1,523	
Others	1,147	1,431	1,235	-	1,120	
ST debt & bond	210	631	1,200	3,687	694	
LT debt & bond	-	-	-	1,153	-	
Total liabilities	2,390	2,831	4,115	1,424	3,337	
Controlling interest	4,234	4,614	4,336	-	3,506	
Capital stock	2,879	2,879	2,879	6,264	2,879	
Capital surplus	(0)	(0)	(0)	4,179	(0)	
Other Reserves	160	182	226	2,879	226	
Retained earnings	1,196	1,554	1,231	(0)	402	
Shareholders' equity	4,234	4,614	4,336	226	3,506	

Cash flow						VND bn
FY-ending Dec.	2021A	2022A	2023A	2024A	2025F	
C/F from operations	1,074	1,383	857	528	549	
Net profit	566	943	514	91	(41)	
Depreciation	690	689	687	687	689	
Net incr. in W/C	1,266	1,668	1,119	715	541	
C/F from investing	9	(946)	(2,245)	(67)	143	
Capex	(2)	(1)	(1,094)	(3)	-	
Incr. in investment	11	(945)	(1,151)	(63)	143	
C/F from financing	(1,143)	(54)	420	(405)	(1,045)	
Incr. in equity	-	-	(150)	-	-	
Incr. in debts	-	-	1,551	(204)	(613)	
Dividends	(575)	(474)	-	(201)	(432)	
C/F from others	-	-	-	-	-	
Increase in cash	(61)	383	(968)	56	(354)	

Income statement						VND bn
FY-ending Dec.	2021A	2022A	2023A	2024A	2025F	
Net sales	6,150	8,788	6,386	5,952	5,790	
COGS	5,474	7,706	5,876	5,915	5,918	
Gross profit	676	1,082	510	37	(129)	
SG&A	83	131	69	79	19	
Operating profit	593	950	441	(43)	(147)	
Financial income	18	24	107	100	143	
Interest income	11	21	99	95	143	
Financial expenses	52	18	34	39	37	
Interest expenses	20	15	34	35	37	
Other non-operating profit	7	(14)	(0)	72	-	
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-	
Earnings before tax	566	943	514	91	(41)	
Income taxes	32	60	41	18	(3)	
Net profit	534	883	473	72	(38)	
Net profit of controlling interest	534	883	473	72	(38)	
EBITDA	1,277	1,647	1,234	813	684	

Key financial data					
FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
per share data (VND, adj.)					
EPS	1,757	2,961	1,586	242	(127)
BPS	14,706	16,027	15,062	14,515	12,180
DPS	1,650	2,500	700	700	1,500
Growth (%)					
Sales growth	1.1	42.9	(27.3)	(6.8)	(3.8)
OP growth	(26.8)	60.2	(53.6)	(109.7)	1,218.6
NP growth	(14.6)	65.5	(46.4)	(84.7)	(151.8)
EPS growth	(14.6)	65.5	(46.4)	(84.7)	(151.8)
EBITDA growth	(26.8)	60.2	(53.6)	(109.7)	1,218.6
Profitability (%)					
OP margin	9.6	10.8	6.9	(0.7)	(2.5)
NP margin	8.7	10.1	7.4	1.2	(0.7)
EBITDA margin	9.6	10.8	6.9	(0.7)	(2.5)
ROA	8.2	12.6	6.0	0.8	(0.5)
ROE (excl MI)	12.5	20.0	10.6	1.7	(1.0)
Dividend yield	6.3	8.7	2.9	3.5	7.8
Dividend payout ratio	88	95	92	89	81
Stability					
Net debt (VND bn)	209	246	1,199	1,367	406
Net debt/equity (%)	5	5	28	33	12
Valuation (X)					
PE	6.4	11.1	14.9	78.6	-
PB	1.2	1.3	1.6	1.4	1.6
EV/EBITDA	13.1	8.0	13.9	(105.8)	(29.6)

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- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
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