

PetroVietnam Power Nhon Trach 2 JSC

(NT2 VN)

Widening top line in 4M22

Trading Buy
(Update)

TP: VND28,000
Upside +12%

Mirae Asset Securities (Vietnam) JSC
Ngoc Nguyen, ngoc.nhb@miraeasset.com.vn

Valuation and recommendation

We maintain our target price for PetroVietnam Power Nhon Trach 2 JSC (NT2) at VND28,000, and downgrade our recommendation from Buy to Trading Buy (+12% upside), as the stock price has increased by 15% since our latest update in May 2022. NT2 is currently trading at FY22F P/B of 1.57x, 3.2% higher than its 1-year average P/B (see Figure 1).

Our valuation does not include the following abnormal factors: 1) Further offsetting income incurred by lower mobilization than assigned Qc (electricity volume under the power purchase agreement), which we expected NT2 to record in January 2022; and 2) one-off reimbursements from EVN for foreign-exchange losses in FY15-FY21.

4M22 preliminary results

NT2 announced preliminary 4M22 revenue of VND2,962bn (+31% YoY), equivalent to 36% of FY22 target and 34% of our forecast. We expect 7% YoY higher selling volume and a 23% YoY increase in electricity selling price to positively affect 4M22 topline. The strong growth in selling price was supported by 31% YoY higher gas input price and higher alpha ratio of 79% in 4M22 (4M21: 76%, assigned Qc to total mobilization, see Figure 2).

Earnings forecasts

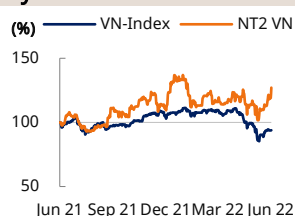
We forecast flat net profit of VND400bn (-2.2% YoY) in the last-9M22. We expect selling volume to achieve a 35% YoY rise, compared with the last-9M21's low-based output. Nevertheless, we anticipate no offsetting income, with an alpha ratio of 89% (last-9M21: 112%); thus, gross profit will be maintained at VND482bn (-8.7% YoY) in the last-9M22. We expect net financial income to increase to VND-3bn in the last-9M22 (last-9M21: VND-30bn), as NT2 paid off its long-term loans by June 2021, which will help the company to save on financial expenses.

For 2022, we forecast revenue of VND8,676bn (+41% YoY) and net profit of VND560bn (+4.8% YoY), equivalent to 107% and 120% of FY22 guidance in revenue and net profit, respectively. We estimate net cash flow of VND674bn in FY22, versus VND-61bn in FY21.

Risks

Mobilization of NT2 could be lower than our expectation, due to: 1) an increase in gas input price; and 2) higher output of hydropower and renewable energy. According to the National Center for Hydro-Meteorological Forecasting, rainfall tends to be less than multi-year average of monthly rainfall over the Central Highlands and South Vietnam in June–September 2022 (see Figure 3). However, from October to November 2022, rainfall over the Central coastal areas, Central Highlands, and South Vietnam tends to increase, while the odds for La Nina to continue into early-winter 2022 are 55–65%.

Key data



Current price (Jun 6, 2022, VND)	25,100	Market cap (VNDbn)	7,226
OP (22F, VNDbn)	587	Shares outstanding (mn)	288
EPS growth (22F, %)	5	Free float (%)	32.3
Market EPS growth (22F, %)	n/a	Foreign ownership (%)	14.1
P/E (22F, x)	12.6	Beta (12M)	0.8
Market P/E (x)	14.0	52-week low	18,250
VN-Index	1,290	52-week high	27,950

Share performance

(%)	1M	6M	12M
Absolute	11.8	11.8	27.1
Relative	14.8	23.0	33.2

Earnings and valuation metrics

FY (December 31)	FY19	FY20	FY21	FY22F	FY23F	FY24F
Revenue (VNDbn)	7,654	6,082	6,150	8,676	7,844	7,986
OP (VNDbn)	887	810	593	587	449	526
OP margin (%)	11.6%	13.3%	9.6%	6.8%	5.7%	6.6%
NP (VNDbn)	754	625	534	560	454	520
EPS (VND)	2,540	2,095	1,778	1,867	1,515	1,733
ROE (%)	19.3%	14.8%	12.5%	13.1%	10.5%	11.9%
P/E (x)	7.6x	11.3x	14.8x	12.6x	15.5x	13.6x
P/B (x)	1.3x	1.6x	1.8x	1.6x	1.6x	1.5x
Dividend yield (%)	5%	11%	8%	7%	6%	6%

Notes: Non-GAAP; net profit refers to net profit attributable to controlling interests.

Source: Company data, MAS Vietnam Research estimates

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT

Figure 1. NT2's P/B

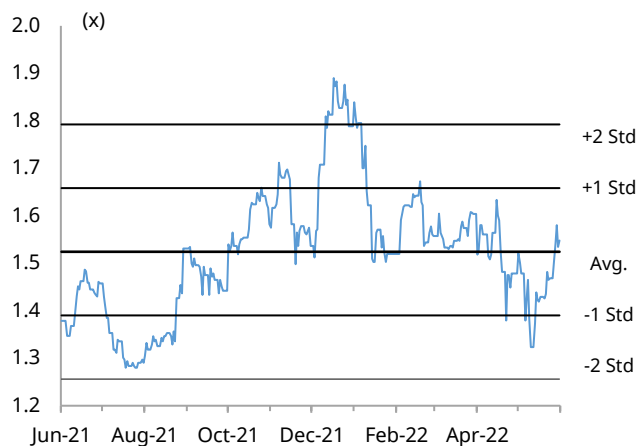
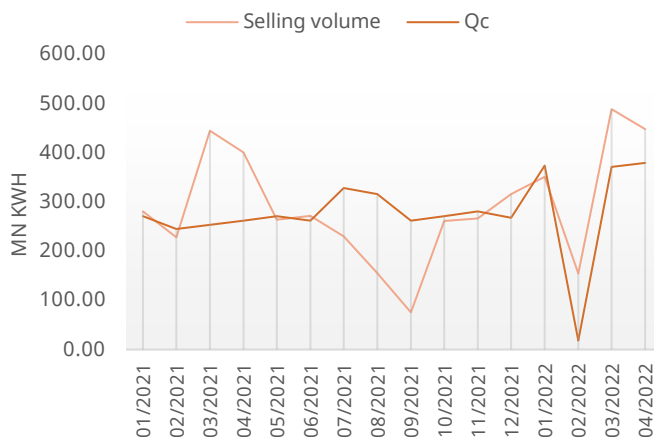
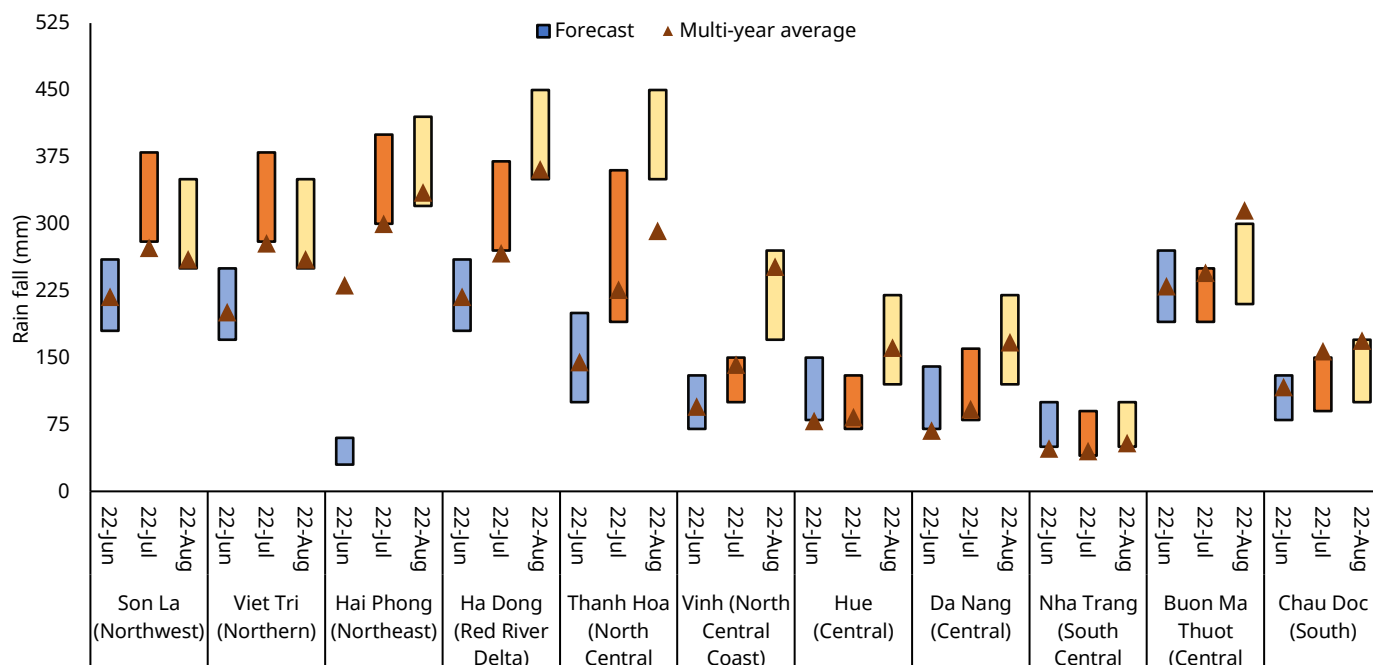


Figure 2. NT2's selling volume and assigned Qc



Source: NT2, Mirae Asset Vietnam Research

Figure 3. Rainfall forecast



Source: National Center for Hydro-Meteorological Forecasting, Mirae Asset Vietnam Research

PetroVietnam Power Nhon Trach 2 JSC (NT2 VN Equity)

Comprehensive Income Statement (Summarized)

(VNDbn)	FY21	FY22F	FY23F	FY24F
Revenue	6,150	8,676	7,844	7,986
Cost of Goods Sold	(5,474)	(8,009)	(7,311)	(7,371)
Gross Profit	676	667	533	614
SG&A Expenses	(83)	(80)	(84)	(88)
Operating Profit (Adj)	593	587	449	526
Operating Profit	593	587	449	526
Non-Operating Profit	(27)	3	29	51
Net Financial Income	(34)	(3)	14	36
Net Gain from Inv in Associates	-	-	-	-
Pretax Profit	566	589	478	577
Income Tax	(32)	(29)	(24)	(58)
Profit from Continuing Operations	559	584	463	562
Profit from Discontinued Operations	7	5	15	15
Net Profit	534	560	454	520
Controlling Interests	534	560	454	520
Non-Controlling Interests	-	-	-	-
Total Comprehensive Profit	534	560	454	520
Controlling Interests	534	560	454	520
Non-Controlling Interests	-	-	-	-
EBITDA	1,277	1,278	1,167	1,266
FCF (Free Cash Flow)	1,102	1,339	1,181	1,307
EBITDA Margin (%)	21%	15%	15%	16%
Operating Profit Margin (%)	10%	7%	6%	7%
Net Profit Margin (%)	9%	6%	6%	7%

Cash Flows (Summarized)

(VNDbn)	FY21	FY22F	FY23F	FY24F
Cash Flows from Op Activities	1,074	1,333	1,149	1,253
Pretax Profit	566	589	478	577
Non-Cash Income and Expense	679	676	660	638
Depreciation	690	681	682	682
Amortization				
Others	(12)	(5)	(21)	(44)
Chg. in Working Capital	(170)	68	10	38
Chg. in AR & Other Receivables	(775)	(322)	311	23
Chg. in Inventories	4	(160)	41	(4)
Chg. in AP & Other Payables	640	579	(318)	76
Income Tax Paid	(39)	(29)	(24)	(58)
Cash Flows from Inv Activities	9	(240)	(62)	(483)
Chg. in PP&E	(2)	(13)	(2)	(2)
Chg. in Intangible Assets				
Chg. in Financial Assets	-	(238)	(87)	(531)
Others	11	11	27	50
Cash Flows from Fin Activities	(1,143)	(420)	(432)	(466)
Chg. in Financial Liabilities	(568)	50	(25)	4
Chg. in Equity	-	-	-	-
Dividends Paid	(575)	(470)	(407)	(470)
Others	-	-	-	-
Increase (Decrease) in Cash	(60)	674	654	305
Beginning Balance	62	1	674	1,329
Ending Balance	1	674	1,329	1,633

Source: NT2, Mirae Asset Vietnam Research

Balance Sheet (Summarized)

(VNDbn)	FY21	FY22F	FY23F	FY24F
Current Assets	2,581	3,970	4,340	5,167
Cash and Cash Equivalents	1	674	1,329	1,633
AR & Other Receivables	2,230	2,552	2,241	2,218
Inventories	311	471	430	434
Other Current Assets	39	273	340	882
Non-Current Assets	4,043	3,105	2,456	1,652
Investments in Associates	-	-	-	-
Property, Plant and Equipment	3,497	2,829	2,150	1,470
Intangible Assets	546	276	306	182
Total Assets	6,624	7,075	6,796	6,820
Current Liabilities	2,390	2,763	2,451	2,408
AP & Other Payables	2,132	2,503	2,215	2,168
Short-Term Financial Liabilities	210	260	235	240
Other Current Liabilities	48	-	-	-
Non-Current Liabilities	-	-	-	-
Long-Term Financial Liabilities	-	-	-	-
Other Non-Current Liabilities	-	-	-	-
Total Liabilities	2,390	2,763	2,451	2,408
Controlling Interests	4,234	4,312	4,345	4,412
Capital Stock	2,879	2,879	2,879	2,879
Capital Surplus	(1)	-	-	-
Retained Earnings	1,356	1,433	1,466	1,533
Non-Controlling Interests	-	-	-	-
Stockholders' Equity	4,234	4,312	4,345	4,412

Forecasts/Valuations (Summarized)

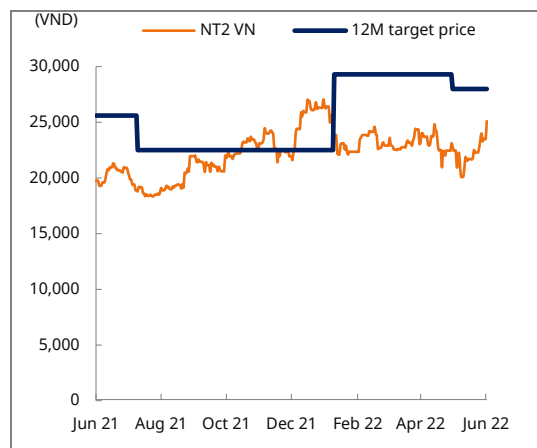
	FY21	FY22F	FY23F	FY24F
P/E (x)	14.8x	12.6x	15.5x	13.6x
P/CF (x)	7.1x	5.1x	5.9x	5.4x
P/B (x)	1.8x	1.6x	1.6x	1.5x
EV/EBITDA (x)	7.8x	6.9x	6.8x	6x
EPS (W)	1,778	1,867	1,515	1,733
CFPS (W)	3,730	4,632	3,989	4,353
BPS (W)	14,706	14,977	15,092	15,325
DPS (W)	2,000	1,600	1,400	1,500
Payout ratio (%)	112.5%	85.7%	92.4%	86.6%
Dividend Yield (%)	7.6%	6.8%	6.0%	6.4%
Revenue Growth (%)	1%	41%	-10%	2%
EBITDA Growth (%)	-9%	0%	-9%	9%
Operating Profit Growth (%)	-26.8%	-1.0%	-23.5%	17.2%
EPS Growth (%)	-15%	5%	-19%	14%
Accounts Receivable Turnover (x)	3.3x	3.4x	3.5x	3.6x
Inventory Turnover (x)	17.5x	17x	17x	17x
Accounts Payable Turnover (x)	3.1x	3.2x	3.3x	3.4x
ROA (%)	8.2%	8.2%	6.5%	7.6%
ROE (%)	12.5%	13.1%	10.5%	11.9%
ROIC (%)	11.8%	12.4%	9.3%	10.3%
Liability to Equity Ratio (%)	56%	64%	56%	55%
Current Ratio (%)	108%	144%	177%	215%
Net Debt to Equity Ratio (%)	5%	-10%	-25%	-32%
Interest Coverage Ratio (x)	28x	76.5x	68.7x	81.3x

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target price
PetroVietnam Power Nhon Trach 2 JSC (NT2 VN Equity)	Nov 20, 2020	Hold	24,200
PetroVietnam Power Nhon Trach 2 JSC (NT2 VN Equity)	Feb 25, 2021	Trading Buy	25,600
PetroVietnam Power Nhon Trach 2 JSC (NT2 VN Equity)	Jul 14, 2021	Trading Buy	22,500
PetroVietnam Power Nhon Trach 2 JSC (NT2 VN Equity)	Jan 14, 2022	Buy	29,300
PetroVietnam Power Nhon Trach 2 JSC (NT2 VN Equity)	May 5, 2022	Buy	28,000
PetroVietnam Power Nhon Trach 2 JSC (NT2 VN Equity)	Jun 7, 2022	Trading Buy	28,000



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at Mirae Asset Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be affected by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	74.13%	15.92%	9.95%	0.00%
Investment Banking Services	75.00%	11.11%	13.89%	0.00%

* Based on recommendations in the last 12-months (as of March 31, 2016)

Disclosures

As of the publication date, Mirae Asset and/or its affiliates do not have any special interest with the subject company and do not own 1% or more of the subject company's shares outstanding.

Analyst Certification

The research analysts who prepared this report (the "Analysts") are registered with the Korea Financial Investment Association and are subject to Korean securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws or regulations thereof. Each Analyst responsible for the preparation of this report certifies that (i) all views expressed in this report accurately reflect the personal views of the Analyst about any and all of the issuers and securities named in this report and (ii) no part of the compensation of the Analyst was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report. Mirae Asset Co., ("Mirae Asset") policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst's area of coverage, and the Analysts do not serve as an officer, director or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. Like all employees of Mirae Asset, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading and private client division. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or Mirae Asset except as otherwise stated herein.

Disclaimers

This report was prepared by Mirae Asset, a broker-dealer registered in the Republic of Korea and a member of the Korea Exchange. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and Mirae Asset makes no guarantee, representation or warranty, express, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein or of any translation into English from the Korean language. In case of an English translation of a report prepared in the Korean language, the original Korean language report may have been made available to investors in advance of this report.

The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws and accounting principles and no person whose receipt or use of this report would violate any laws or regulations or subject Mirae Asset or any of its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and it is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person and such person shall not be treated as a client of Mirae Asset by virtue of receiving this report. This report does not take into account the particular investment objectives, financial situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of the investments referred to in this report and the income from them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. Mirae Asset, its affiliates and their directors, officers, employees and agents do not accept any liability for any loss arising out of the use hereof.

Mirae Asset may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. Mirae Asset may make investment decisions that are inconsistent with the opinions and views expressed in this research report. Mirae Asset, its affiliates and their directors, officers, employees and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. Mirae Asset and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of Mirae Asset. For further information regarding company-specific information as it pertains to the representations and disclosures in this Appendix 1, please contact compliance@miraeasset.us.com or +1 (212) 407-1000

Distribution

United Kingdom: This report is being distributed by Mirae Asset Securities (UK) Ltd. in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), and (ii) high net worth companies and other persons to whom it may lawfully be communicated, falling within Article 49(2)(A) to (E) of the Order (all such persons together being referred to as "Relevant Persons"). This report is directed only at Relevant Persons. Any person who is not a Relevant Person should not act or rely on this report or any of its contents.

United States: Mirae Asset is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This report is distributed in the U.S. by Mirae Asset Securities (USA) Inc., a member of FINRA/SIPC, to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6(b)(4) under the U.S. Securities Exchange Act of 1934, as amended. All U.S. persons that receive this document by their acceptance hereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or HT1lied understanding that they will direct commission income to Mirae Asset or its affiliates. Any U.S. recipient of this document wishing to affect a transaction in any securities discussed herein should contact and place orders with Mirae Asset Securities (USA) Inc. Mirae Asset Securities (USA) Inc. accepts responsibility for the contents of this report in the U.S., subject to the terms hereof, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Mirae Asset. 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. persons absent registration or an applicable exemption from the registration requirements.

Hong Kong: This report is distributed in Hong Kong by Mirae Asset Securities (HK) Limited, which is regulated by the Hong Kong Securities and Futures Commission. The contents of this report have not been reviewed by any regulatory authority in Hong Kong. This report is for distribution only to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571, Laws of Hong Kong) and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person.

All Other Jurisdictions: Customers in all other countries who wish to affect a transaction in any securities referenced in this report should contact Mirae Asset or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Mirae Asset and its affiliates to any registration or licensing requirement within such jurisdiction.

Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul) One-Asia Equity Sales Team Mirae Asset Center 1 Building 26 Eulji-ro 5-gil, Jung-gu, Seoul 04539 Korea Tel: 82-2-3774-2124	Mirae Asset Securities (HK) Ltd. Units 8501, 8507-8508, 85/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong Tel: 852-2845-6332	Mirae Asset Securities (UK) Ltd. 41st Floor, Tower 42 25 Old Broad Street, London EC2N 1HQ United Kingdom Tel: 44-20-7982-8000
Mirae Asset Securities (USA) Inc. 810 Seventh Avenue, 37th Floor New York, NY 10019 USA Tel: 1-212-407-1000	Mirae Asset Wealth Management (USA) Inc. 555 S. Flower Street, Suite 4410, Los Angeles, California 90071 USA Tel: 1-213-262-3807	Mirae Asset Wealth Management (Brazil) CCTVM Rua Funchal, 418, 18th Floor, E-Tower Building Vila Olimpia Sao Paulo - SP 04551-060 Brazil Tel: 55-11-2789-2100
PT. Mirae Asset Sekuritas Indonesia Equity Tower Building Lt. 50 Sudirman Central Business District Jl. Jend. Sudirman, Kav. 52-53 Jakarta Selatan 12190 Indonesia Tel: 62-21-515-3281	Mirae Asset Securities (Singapore) Pte. Ltd. 6 Battery Road, #11-01 Singapore 049909 Republic of Singapore Tel: 65-6671-9845	Mirae Asset Securities (Vietnam) LLC 7F, Le Meridien Building 3C Ton Duc Thang St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam Tel: 84-8-3911-0633 (ext.110)
Mirae Asset Securities Mongolia UTsK LLC #406, Blue Sky Tower, Peace Avenue 17 1 Khoroo, Sukhbaatar District Ulaanbaatar 14240 Mongolia Tel: 976-7011-0806	Mirae Asset Investment Advisory (Beijing) Co., Ltd 2401B, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China Tel: 86-10-6567-9699	Beijing Representative Office 2401A, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China Tel: 86-10-6567-9699 (ext. 3300)
Shanghai Representative Office 38T31, 38F, Shanghai World Financial Center 100 Century Avenue, Pudong New Area Shanghai 200120 China Tel: 86-21-5013-6392	Ho Chi Minh Representative Office 7F, Saigon Royal Building 91 Pasteur St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam Tel: 84-8-3910-7715	Mirae Asset Capital Markets (India) Private Limited Unit No. 506, 5th Floor, Windsor Bldg., Off CST Road, Kalina, Santacruz (East), Mumbai – 400098 India Tel: 91-22-62661336