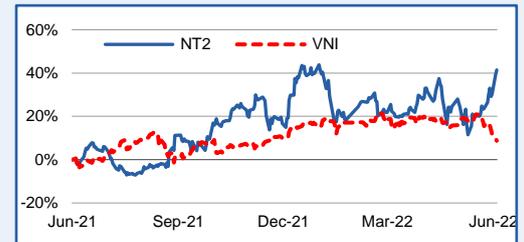


Industry:	Utilities		2021	2022F	2023F	2024F
Report Date:	June 9, 2022	Rev y/y	1.1%	44.4%	20.5%	16.3%
Current Price:	VND26,950	EPS Y/Y	-14.6%	43.0%	-2.7%	23.2%
Target Price*:	VND28,000	NPAT ¹	534	763	743	915
Upside to TP:	+3.9%	Div yield	5.6%	7.4%	11.1%	11.1%
Dividend Yield:	+5.6%	DPS ²	1,500	2,000	3,000	3,000
TSR:	+9.5%	P/E ¹	6.2x	5.4x	5.6x	4.9x
Last rating*:	BUY	P/E ²	15.1x	10.5x	10.8x	8.8x



		NT2	Peers ³	VNI
Market Cap:	USD294mn			
Foreign Room:	USD103mn	P/E (ttm)	13.7x	13.5x
ADTV30D:	USD536,316	EV/EBITDA	6.0x	11.2x
State Ownership:	60%	Net D/E	12.2%	66%
Outstanding Shares:	287.9 mn	ROE	12.9%	7.2%
Fully Diluted Shares:	287.9 mn	ROA	8.0%	2.8%

* Last updated June 9, 2022

(1) VND bn; (2) VND/share; (3) foreign peer multiples

Company Overview

NT2 is one of the most modern and efficient gas thermal power plants in Vietnam, providing approximately 4.5 billion kWh of electricity annually (~2% of the national power supply). The plant is in Dong Nai Province, which is a large economic hub of Vietnam.

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Conservative guidance despite volume recovery

- We attended NT2's AGM in HCMC on June 9. Management focused on addressing investors' questions regarding NT2's conservative earnings guidance and business interruption insurance.
- Shareholders approved management's 2022 conservative guidance, including for revenue of VND8,129bn (USD35mn; +32.2% YoY) and reported earnings of VND468bn (USD20mn; -12.8% YoY).
- The AGM approved a 2021 cash dividend of VND1,650/share, which is higher than our current forecast of VND1,500/share. In addition, the AGM proposed a 2022 cash dividend of VND1,500/share, but management guides for DPS of VND1,800-2,000 if NT2's actual 2022 earnings surpass its guidance.
- The CEO mentioned that NT2 will be fully depreciated after 2024 — one year earlier than our estimates — pending a fuller review

Management admitted it set conservative guidance. According to NT2's CEO, this guidance was set in November 2021. At that time, management assumed a competitive generation market (CGM) price of VND1,100-1,200/kwh. However, the CGM price in March - April 2022 was VND1,700-1,800/kwh. We foresee insignificant change to our NPAT forecast of VND763bn as 1) NT2's sales volume guidance of 4.3 billion kwh (+36% YoY) is in line with our forecast, and 2) the company expects to book VND236bn payment in 2022 from EVN for the previous year's forex loss.

NT2 will consider buying business interruption insurance. The CEO explained NT2 did not purchase business interruption insurance in previous years to save costs for shareholders and as the plant is still young. As NT2 has fully repaid its debt, it will have stronger cashflow to consider the purchase of business interruption insurance beginning this year. Management estimates the cost of this insurance at VND9bn p.a. and commented that compensation could reach VND1.5tn (USD65mn) if a technical issue occurs for more than 12 months.

Management addressed investor concerns about gas supply. NT2 has secured gas supply from PetroVietnam Gas until 2035 — either from domestic gas or LNG.

NT2 has a competitive advantage vs other gas-fired plants. The CEO explained that NT2 has an efficiency ratio of 57%, the highest among gas-fired power plants in Vietnam. Also, build-operate-transfer power plants such as Phu My 3 and Phu My 2.2 will not be subsidized with cheap gas prices in 2024-2025, so NT2 should be more competitive with these plants.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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