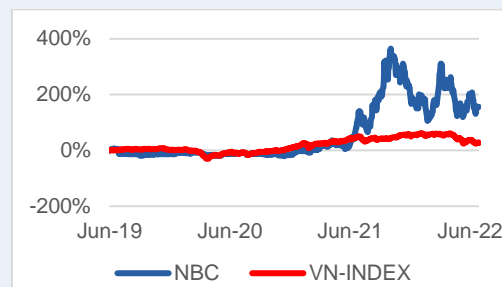


# Vinacomin – Nui Beo Coal JSC (NBC) [NOT RATED]

## Company Visit Note

<b>Industry:</b>	<b>Utilities</b>		<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Report Date:</b>	<b>July 1, 2022</b>	Rev Growth	12.5%	-9.9%	21.6%
<b>Current Price:</b>	VND15,100	EPS YoY	-60.8%	36.8%	-3.5%
<b>Dividend Yield:</b>	4.0%	GPM	15.7%	16.4%	12.9%
		NPM	1.4%	2.1%	1.7%
		EV/EBITDA*	5.2x	4.9x	4.3x
		ROE	7.1%	10.0%	9.4%
		PER*	7.2x	5.1x	12.4x

\* Valuations based on historical share prices — except 2021, which is based on current share price



			<u>NBC</u>	<u>Peers</u>	<u>VNI</u>
Market Cap:	USD24mn	PER (ttm)	11.0x	6.5x	13.0x
Foreign Room:	USD11.2mn	P/B (curr)	1.1x	0.9x	2.0x
ADTV30D:	USD0.4mn	Net D/E	5.0x	1.5x	N/A
State Ownership:	65.0%	ROE (ttm)	10.6%	12.1%	15.6%
Outstanding Shares:	37mn	ROA (ttm)	1.5%	2.4%	2.5%

### Company Overview

Vinacomin – Nui Beo Coal JSC (HNX: NBC) is a coal mining company under Vietnam National Coal & Mineral Industries Group. NBC previously operated the largest open-cast mine in Ha Long before shutting it down in 2021. NBC started underground mining in 2016.

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## Transition to underground mining to bear fruit in 2022

- Vinacomin – Nui Beo Coal JSC (HNX: NBC) is a coal mining company under Vietnam National Coal & Mineral Industries Group (Vinacomin) — a State-owned mining & industrial group.
- NBC has transitioned from open-cast mining to underground mining. In 2021, NBC shut down its open-cast mine in Ha Long and recorded its one-millionth tonne of underground-mined coal.
- With the end of open-cast mining, NBC's underground mine will be its key earnings driver starting in 2022. The full transition to underground mining will support NBC's earnings by improving production capacity and coal selling prices thanks to higher-quality coal from deeper coal seams.
- NBC guides for a 43% reduction in 2022G PBT, which we believe is conservative given the company's impressive Q1 2022 earnings results and our outlook for 2022.
- NBC is currently trading at a TTM PER of 11.0x — a 69% premium vs our selected peer group median of 6.5x (see page 12).
- NBC has a history of paying cash dividend with an average DPS/EPS in 2016-2021 of 50%.
- Investment risks: (1) Volatility in fuel & material prices; (2) Lower coal prices.

**NBC's underground mine has a designed capacity of two million tonnes p.a.** NBC started the development of the Nui Beo underground mine project in 2012 with a total estimated investment of VND5.3tn (USD230mn). The company recorded its first tonne of underground-mined coal in 2016 and one-millionth tonne in November 2021. As NBC finished the project's construction in Q1 2021, management expects the production capacity to increase in 2022G and reach the designed production capacity of two million tonnes p.a. by 2024G.

**NBC's transition to underground mining will support the company's future earnings by improving mining capacity and coal selling prices.** As a member of Vinacomin, NBC is under the group's management mechanism. Specifically, NBC provides coal to Vinacomin based on the Vinacomin based on volumes and selling prices set by Vinacomin. According to NBC, coal selling prices are fixed at ~103% of standard costs — the amount Vinacomin expects to pay for coal mining activities, depending on the mining company's size, coal quantity assigned and Vinacomin's development strategy (see page 4). Due to this mechanism, we believe the transition to underground mining will help to increase NBC's earnings by raising both (1) production capacity (to two million tonnes p.a. vs an average of 1.3 million tonnes in 2018-2021) and (2) coal selling prices due to higher underground mining expenses and better coal quality from deeper coal seams. In addition, if Vinacomin receives approval from the MoIT to increase its coal prices, there is upside potential for NBC to raise its selling coal prices to Vinacomin by 10%-12% compared with the current level.

## Table of Contents

Transition to underground mining to bear fruit in 2022F .....	1
Company Overview .....	3
A member of Vietnam National Coal & Mineral Industries Group.....	3
Vinacomin is the dominant coal producer in Vietnam .....	3
Vinacomin's management mechanism.....	4
A pioneer in the transition from open-cast mining to underground mining .....	4
NBC shut down its large open-cast coal mine in Ha Long in 2021 .....	4
NBC's underground mine has a designed capacity of two million tonnes p.a.....	4
NBC's mining process .....	5
Historical financial performance compared with selected peers.....	6
Q1 2022 results exceeded quarterly targets .....	8
Outlook .....	9
Market Outlook.....	9
Stable growth of domestic coal demand in 2022F .....	9
Vinacomin is requesting to increase coal prices for 2022 .....	9
Company Outlook .....	9
Underground mine to drive earnings starting in 2022 .....	9
Financial health to improve.....	11
Guaranteed annual output under Vinacomin's management .....	11
Company Guidance .....	11
Valuation .....	12
Investment Risks .....	13
Financial Statements.....	14
VCSC Rating System .....	15

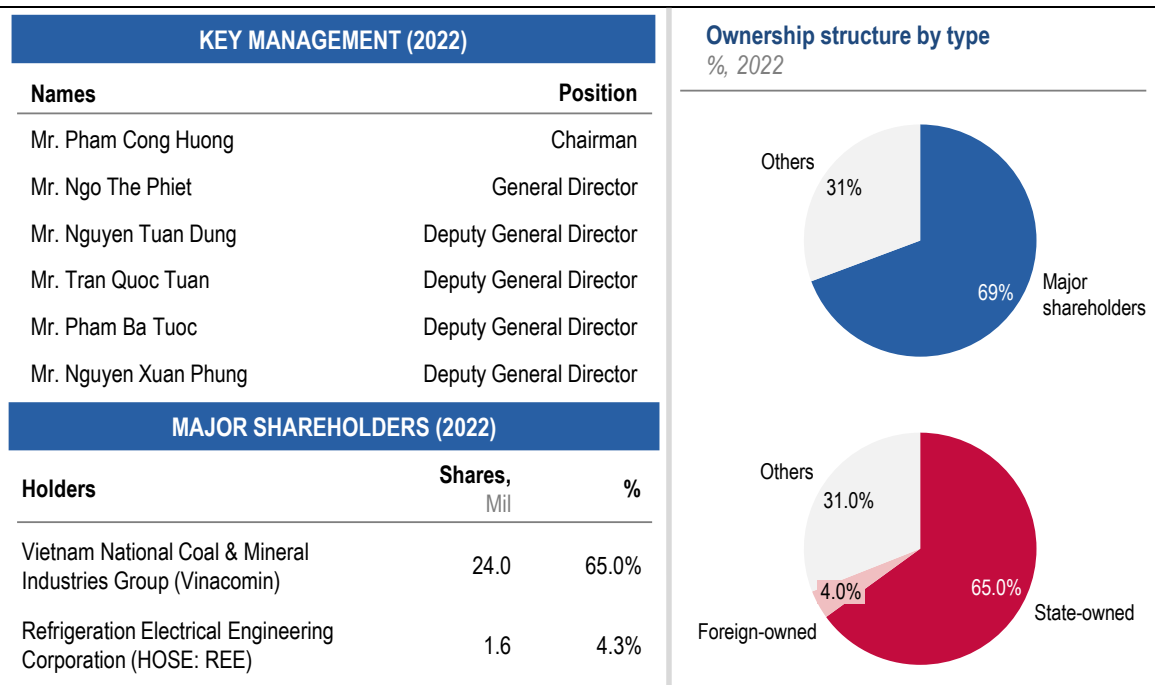
## Company Overview

**Vinacomin – Nui Beo Coal JSC (HNX: NBC)** is a coal mining company in Quang Ninh Province. The company was established in 1988 as Nui Beo Coal Mine and was transformed to Vinacomin – Nui Beo Coal JSC in 2006. NBC was listed on HNX in 2006.

### A member of Vietnam National Coal & Mineral Industries Group

Vinacomin is the dominant coal producer in Vietnam

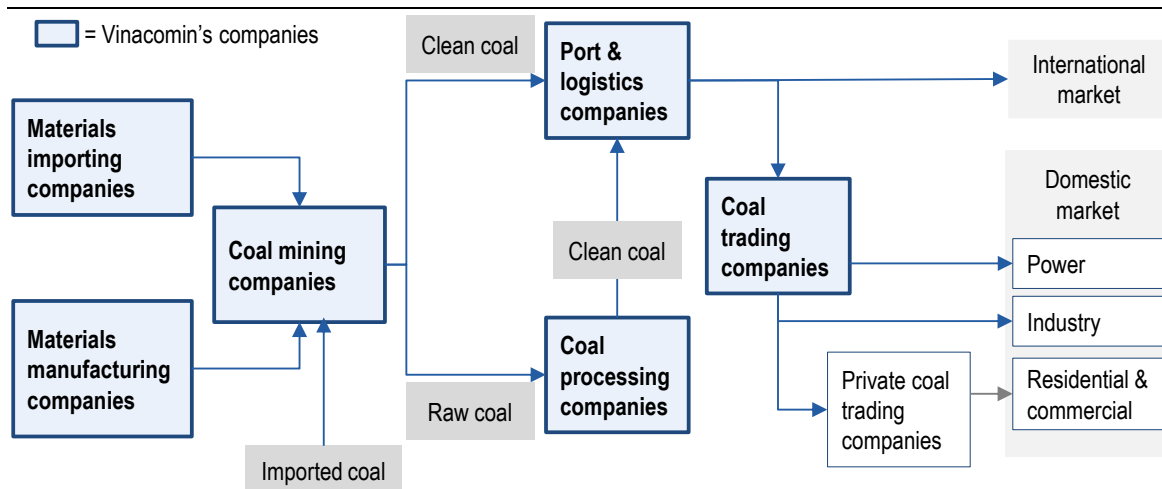
**Figure 1: NBC's ownership structure**



Source: NBC, VCSC

**NBC is a member of Vietnam National Coal & Mineral Industries Group (Vinacomin).** As of end-Q1 2022, Vinacomin held a 65% stake in NBC (Figure 1). Vinacomin is a State-owned mining & industrial group and plays a critical role in national strategies to ensure efficient coal exploitation. Furthermore, Vinacomin is the dominant coal producer in Vietnam as its coal output contributes to more than 85% of the country's total production. Vinacomin currently manages nearly 100 companies that participate in different stages along the coal supply chain in Vietnam (Figure 2).

**Figure 2: Vinacomin's coal supply chain**



Source: Vinacomin, VCSC

### Vinacomin's management mechanism

As coal is a crucial to the national economy, Vinacomin represents the State in owning & managing most coal mines in Vietnam. NBC thus does not have the right to own coal mines under its jurisdiction and is independent only in its production operations. All commercial and financial activities are managed by Vinacomin.

**Vinacomin assigns coal production volume to NBC quarterly.** Based on Vinacomin's coal-supply agreements with its customers, Vinacomin sets its annual production targets and then assigns coal production volume to its member companies quarterly. After it is mined, the coal is delivered to Vinacomin or customers designated by Vinacomin at the selling prices set by Vinacomin.

**Vinacomin sets coal purchase prices based on standard costs and pays NBC accordingly.** Standard costs are the total amount Vinacomin expects to pay for coal exploitation & processing. Standard costs are established at the beginning of the year and vary annually depending on the coal quantity assigned, the size of the mining company and Vinacomin's development strategy. Based on these standard costs, Vinacomin decides the coal purchase prices for its mining members. The coal selling prices of NBC are thus fixed for the whole year and not affected by market coal prices. In case of higher input costs (such as fuel, electricity & material costs) than the standard level, Vinacomin will compensate NBC at the end of the year. Any other changes from the budgeted amount must be submitted for Vinacomin's approval for compensation every six months. If NBC cannot meet the targets assigned by its parent company, then the coal purchase prices will be deducted accordingly. Per management, NBC's PBT is currently set at 3% of standard costs — equivalent to selling prices of around 103% of standard costs per tonne.

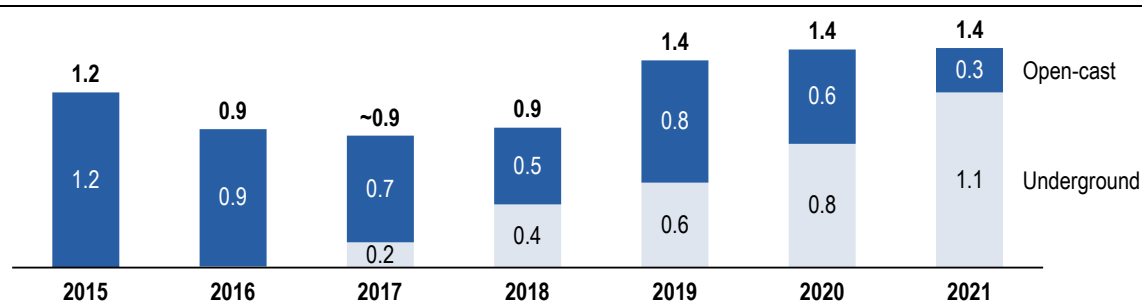
### A pioneer in the transition from open-cast mining to underground mining

#### NBC shut down its large open-cast coal mine in Ha Long in 2021

**NBC previously operated a large open-cast coal mine in Ha Long — the capital city of Quang Ninh Province.** Following the desire of provincial authorities to transition to more environmentally-friendly coal mining methods, NBC gradually reduced its open-cast mining output beginning in 2012 while also developing its Nui Beo underground mine project.

**2021 is the sixth consecutive year that NBC reduced its open-cast mining output.** NBC's open-cast mining volume decreased at an average of 15% p.a. from 1.2 million tonnes in 2015 to around 292,000 tonnes in 2021 (**Figure 3**). The company officially shut down its open-cast coal mine in November 2021.

**Figure 3: Extracted coal volume by method**



Source: NBC, VCSC

#### NBC's underground mine has a designed capacity of two million tonnes p.a.

**Among Vinacomin subsidiaries, Vinacomin – Ha Lam Coal JSC (HNX: HLC) has been engaged in underground mining for over 60 years. However, NBC is the first Vinacomin subsidiary to transition from open-cast mining to underground mining.** The company started the construction of the Nui Beo underground mine project in 2012 with a total estimated investment of more than VND5.3tn; the construction of this project was completed in 2021. Compared with open-cast mining, underground mining requires a larger investment cost, but it is more environmentally friendly and increases mine utilization.

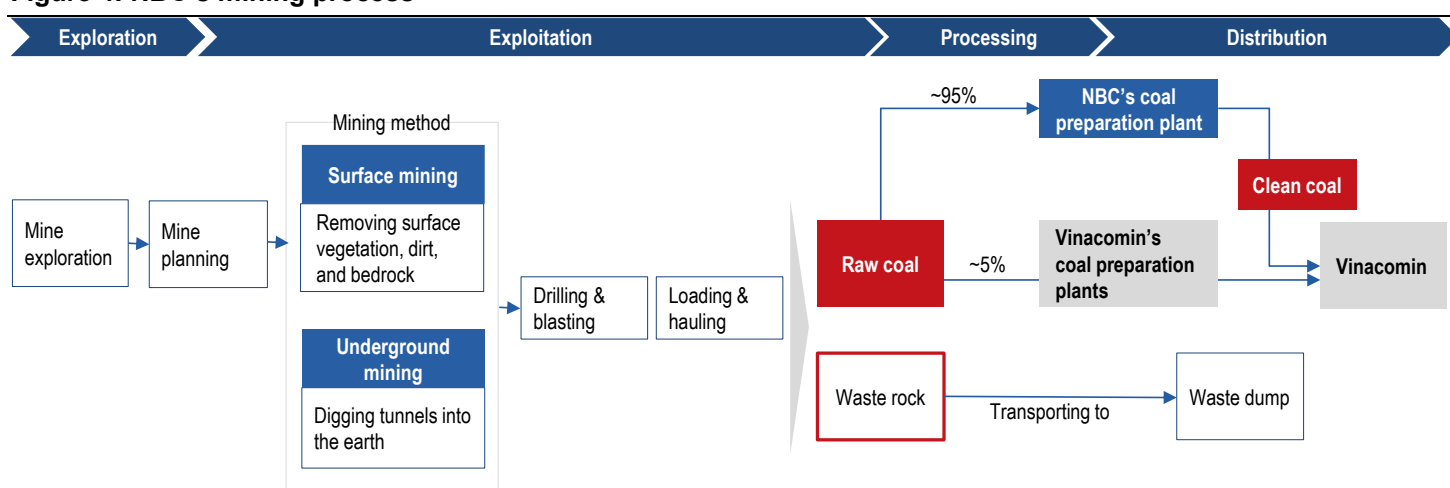
**Underground mining requires a larger investment than open-cast mining.** Open-cast mining — also known as surface mining — is often preferable for mining companies as it can be done above ground at a cheaper cost and with higher safety. However, as coal reserves in surface mines are depleting and a significant volume of coal resources remains distributed in difficult geological conditions, underground coal mining has become common. Underground mining involves digging tunnels to extract coal from deep below the earth's surface; as a result, this method requires a longer period of preparation (from five to 10 years) and a larger investment in machinery & equipment. As the work is underground, this method is not affected by weather like open-cast mining, but is more dangerous and thus requires highly-skilled miners.

**Nevertheless, underground mining increases mine utilization and is more environmentally friendly.** As it has become more difficult to extract through surface mining, underground mining allows for the extraction of coal from deep underground. This method increases the utilization of coal mines and lengthens a mine's lifespan, thus mitigating the expensive investment costs. In addition, underground mining does not inflict significant damage to the surface environment within the mine area due to the underground tunnels as the method does not need explosives for blasting work that causes erosion and dust pollution.

**NBC recorded its one millionth tonne of underground-mined coal in November 2021.** NBC recorded its first tonne of underground-mined coal in 2016 and one millionth tonne in November 2021. With an estimated coal reserve of nearly 50 million tonnes and a designed capacity of two million tonnes p.a., the mine's lifespan is expected at around 34 years (including nine years of construction), per NBC.

#### NBC's mining process

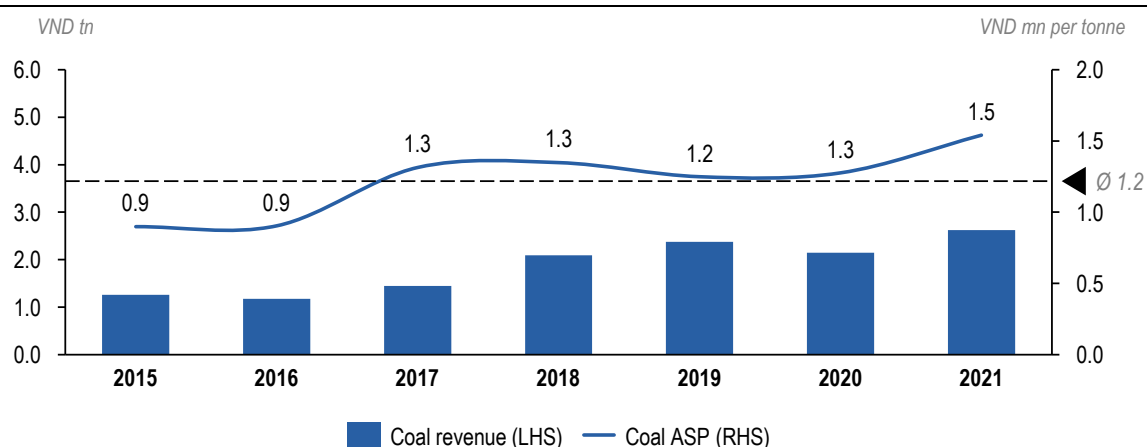
Figure 4: NBC's mining process



Source: NBC, VCSC

**NBC provides both raw and clean coal.** Depending on customer demand, raw coal extracted from the mine can be processed by NBC before delivery to the parent company or being transported directly to Vinacomin's coal preparation plants. (Figure 4).

**NBC's coal is anthracite coal — the highest rank of coal.** Anthracite coal — also known as hard coal — is the highest quality coal type as it contains the highest percentage of fixed carbon (86%-97%), followed by bituminous coal (or soft coal), subbituminous coal and lignite coal. Due to its characteristics, anthracite coal has the highest selling prices and is mainly used for coking plants and steel production instead of thermal power generation. In 2015-2021, the average coal ASP of NBC was around VND1.2mn (USD52) per tonne (Figure 5).

**Figure 5: NBC's coal revenue and ASP**


Source: NBC, VCSC

### Historical financial performance compared with selected peers

We select listed coal mining companies under Vinacomin and those similar with NBC in terms of location for peer reference. Specifically, all selected peers are mining companies in Quang Ninh Province and have anthracite coal as their main coal output. Among these companies, only Vinacomin – Ha Lam Coal JSC (HNX: HLC) conducts underground mining, whereas the others are engaged in open-cast mining.

**NBC's margins are among the highest of its selected peers.** NBC's NPM declined from 3.8% in 2015 to 1.7% in 2021, which we mainly attribute to its transition to underground mining. As mentioned earlier, underground mining requires a larger investment cost than open-cast mining, which has resulted in higher depreciation expenses for NBC. In addition, labor costs for underground mining are higher due to the need for highly-skilled miners. However, when compared with its selected peers, NBC's margins are among the highest as it had a GPM of 12.9% and NPAT margin of 1.7% in 2021 (**Figure 6**). HLC — the only other company among NBC's peers that conducts underground mining — had a slightly higher NPAT margin of 2.2% in 2021. In our view, these margins indicate the effective operation of NBC compared with other mining companies because NBC and the selected peers (1) are all under Vinacomin's management and (2) have similar coal product types; however, (3) NBC operates more expensive methods (including both open-cast and underground mining in 2021) than its peers (except for HLC) that are only engaged in open-cast mining.

**Figure 6: Net revenue and margins in 2021 of NBC vs selected peers**

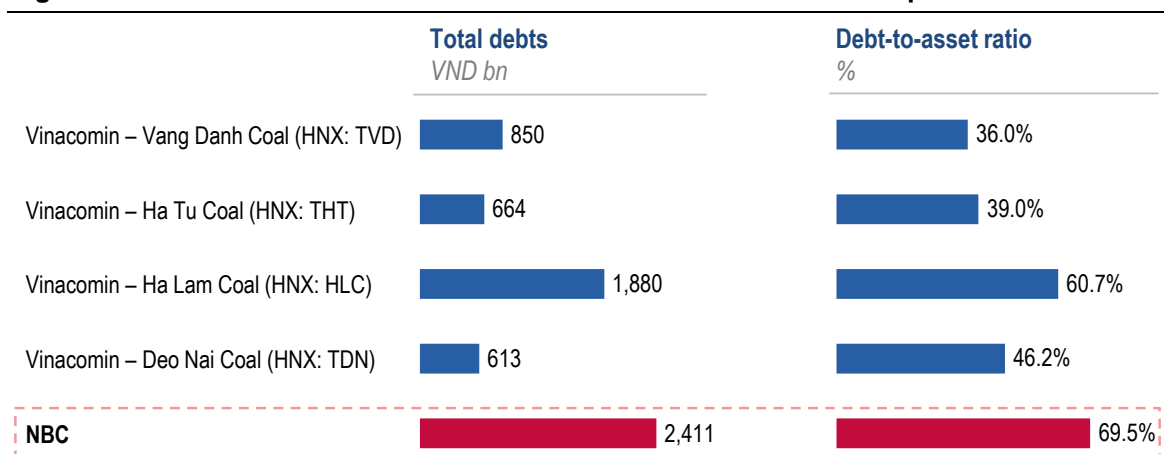
	Net revenue VND tn	GPM %	NPAT margin %
Vinacomin – Vang Danh Coal (HNX: TVD)	5.3	8.5%	1.9%
Vinacomin – Ha Tu Coal (HNX: THT)	3.6	5.4%	1.1%
Vinacomin – Ha Lam Coal (HNX: HLC)	3.2	12.4%	2.2%
Vinacomin – Deo Nai Coal (HNX: TDN)	3.2	6.8%	1.4%
<b>NBC</b>	<b>2.7</b>	<b>12.9%</b>	<b>1.7%</b>

Source: Company data, VCSC



**NBC's total debt is high due to its investment in the Nui Beo underground mine project.** As of end-2021, NBC had total debt of VND1.9tn — equivalent to a debt-to-asset ratio of around 70%. This ratio is relatively high compared with NBC's selected peer group (**Figure 7**). Nevertheless, we believe NBC's financial risk is low thanks to its stable operation under the management of Vinacomin.

**Figure 7: Total debt and debt-to-asset ratio in 2021 of NBC vs selected peers**



Source: Company data, VCSC



## Q1 2022 results exceeded quarterly targets

**Q1 2022 NPAT–MI surged 308% YoY (from a low base in Q1 2021), which was primarily driven by soaring net revenue and a substantial reduction in net financial expenses.** NBC recorded net revenue of around VND841bn — up nearly 3x YoY. According to NBC, this increase was mainly due to higher coal sales volume with 545,000 tonnes in Q1 2022. Management stated that the company exceeded 30% and 34% of its Q1 2022 sales volume and net revenue targets, respectively.

**SG&A expenses jumped nearly 95% YoY.** In first half of Q1 2022, more than 50% of NBC's workers were affected by COVID-19, according to the company. Additional expenses due to the pandemic and surging fuel & material costs in the second half of Q1 2022 caused SG&A expenses to nearly double YoY.

**Conversely, net financial expenses dropped 10%.** Q1 2022 financial expenses were VND38bn and mainly came from a nearly VND3bn reduction of interest expenses. As of end-Q1 2022, NBC's total debt was VND2.1tn (-12% QoQ).

**With its impressive Q1 2022 earnings results, NBC has completed 29% of its 2022 PBT target.** At the company's April 2022 AGM, NBC announced guidance for 2022G net revenue and PBT of VND2.3tn and VND28bn, respectively. As a result, NBC has completed 37% and 29% of its 2022 revenue and NPAT-MI targets, respectively. However, these results are preliminary as NBC has to proceed with settlements with Vinacomin at the end of its fiscal year.

**Figure 8: NBC's Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY	VCSC's comments
<b>Net revenue</b>	<b>227.4</b>	<b>840.5</b>	<b>269.6%</b>	
Coal	226.5	839.2	270.6%	Surged from a low base thanks to higher coal sales volume.
Others	0.9	1.3	41.5%	
<b>Gross profit</b>	<b>62.0</b>	<b>81.7</b>	<b>31.7%</b>	
Coal	61.7	81.4	31.9%	
Others	0.3	0.3	-3.6%	
SG&A expense	-19.1	-37.1	94.5%	Primarily came from additional expenses amid COVID-19 and surging fuel & material costs.
<b>Operating profit</b>	<b>43.0</b>	<b>44.6</b>	<b>3.9%</b>	
Net financial income (expenses)	-41.2	-37.3	-9.5%	Mainly due to the reduction of total debt.
Other income (expenses)	0.2	0.6	250.8%	
<b>PBT</b>	<b>2.0</b>	<b>8.0</b>	<b>307.9%</b>	
Tax expense	0.0	0.0	N.M.	
<b>NPAT–MI</b>	<b>2.0</b>	<b>8.0</b>	<b>307.9%</b>	
<b>GPM</b>	<b>27.3%</b>	<b>9.7%</b>	<b>-17.6 pts</b>	
<b>NPM</b>	<b>0.9%</b>	<b>1.0%</b>	<b>+0.1 pts</b>	

Note: Figures may not sum up due to rounding.

Source: NBC, VCSC



## Outlook

### Market Outlook

#### Stable growth of domestic coal demand in 2022F

**We anticipate an increase in domestic coal demand in 2022F.** While COVID-19 decreased domestic coal demand in 2021, we believe domestic coal demand will rebound this year thanks to the strong recovery of industrial power consumption as the negative impacts from COVID-19 have faded. Due to the recent increase of international coal prices, Vietnam is trying to produce more coal domestically to take the place of expensive imported coal. In addition, given uncertain energy production from renewable energy technologies, we believe non-renewable energy — especially coal-fired power — will remain Vietnam's major energy source in the short term. As discussed in our [Energy Sector Update](#), dated April 8, 2022, we believe coal-fired power will be one of the main drivers for Vietnam's 2022F electricity production due to (1) the relatively high cost of gas-fired energy and (2) the limited growth headroom of hydropower plants. According to Vietnam Electricity Group (EVN), Vietnam consumed 87 billion kWh in 4M 2022, with 85% coming from non-renewable energy sources. Notably, coal-fired power accounted for 39 billion kWh, contributing to nearly 45% of Vietnam's total electricity consumption.

#### Vinacomin is requesting to increase coal prices for 2022

**We expect domestic coal prices to rise in 2022F.** As discussed in our April 8, 2022 Energy Sector Update, Vinacomin is requesting the Ministry of Industry and Trade (MoIT) to increase coal prices for 2022. As domestic coal prices have remained stable in recent years amid rising production costs, we believe it is only a matter of time until the MoIT approves Vinacomin's coal price request. As Vinacomin has had to import coal due to the fully utilized domestic coal production capacity amid the recent rise of international coal prices, it is uneconomical for Vinacomin to maintain its 2021 coal selling price.

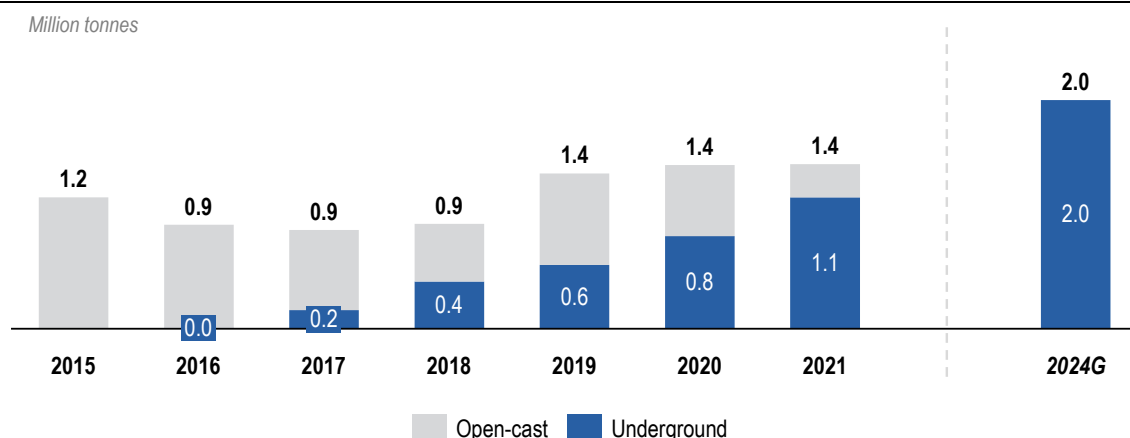
### Company Outlook

With the management mechanism of Vinacomin, we believe NBC is still able to increase its PBT — which is already fixed by Vinacomin's standard costs — by either (1) saving its operation costs, (2) expanding its mining capacity or (3) raising negotiated selling prices due to increased standard costs and/or better coal quality.

As NBC has stopped open-cast mining, its underground mine will be the key earnings driver starting in 2022. The full transition to underground mining will support NBC future earnings by improving both mining capacity (compared with the average of the last four years) and coal selling prices (details below). NBC is also well positioned to capture rising domestic coal demand in 2022F given that its coal output is guaranteed by Vinacomin.

#### Underground mining to drive earnings starting in 2022

**Figure 9: Extracted mine volume by method in 2015 – 2024G**

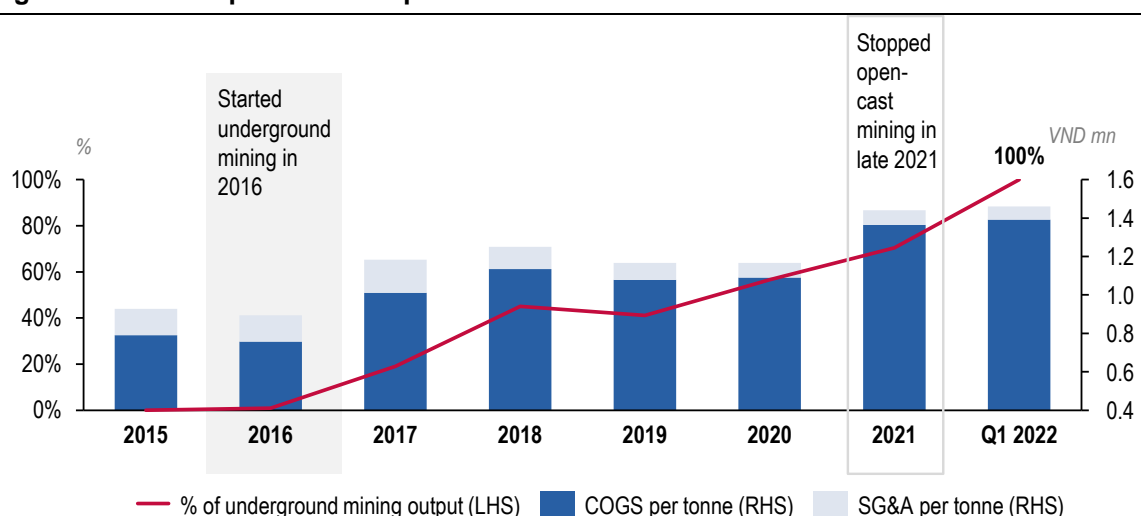


Source: NBC, VCSC

**We anticipate NBC's underground mining activities to be more stable in 2022F.** In 2021, NBC officially finished the construction of its Nui Beo underground mine project; therefore, we expect the company's underground mining production capacity to increase in 2022F. Over the last four years, NBC's average annual coal production volume was around 1.3 million tonnes, with the contribution of underground mining increasing from 1% in 2016 to 80% in 2021 (**Figure 9**). While NBC has stopped open-cast mining, the completion of its underground mine will expand its total coal production volume over the short term. Management targets the company to reach the designed underground mining capacity of two million tonnes by 2024G.

**We expect higher coal selling prices for NBC's underground-mined coal due to** (1) higher operation costs and (2) better coal quality. While coal selling prices are determined by Vinacomin based on its standard costs (including all expenses before taxes), we believe NBC will be able to negotiate higher selling prices with Vinacomin due to higher underground mining expenses — mainly depreciation expenses and labor costs. NBC started booking depreciation expenses for its underground mine project in 2016 when the company mined its first tonne of underground coal. As a result, we anticipate higher depreciation expenses in 2022F as NBC shifts the remaining construction-in-progress amount to fixed assets this year. We also forecast higher labor costs as NBC has fully transitioned to underground mining. As of end-Q1 2022 — the first quarter when NBC stopped open-cast mining — the total operation cost per tonne was nearly VND1.5mn, roughly 57% higher than in 2015 when the company had not started underground mining (**Figure 10**).

**Figure 10: NBC's operation cost per tonne**



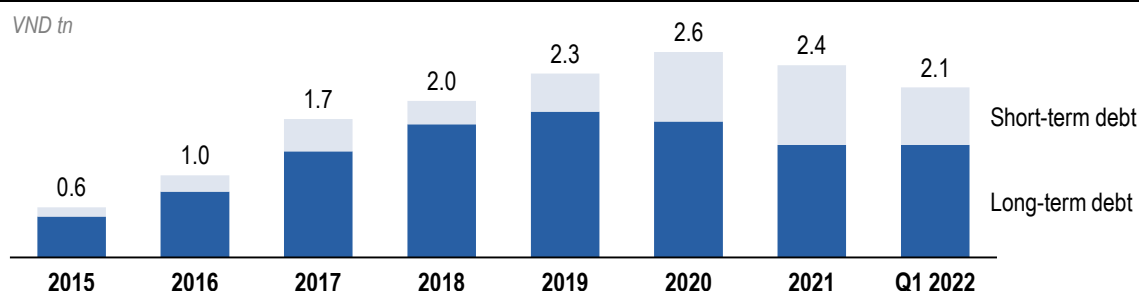
Source: NBC, VCSC

In addition, the quality of coal in deeper coal seams is higher. At deeper depths, coal experiences greater temperatures and pressure, giving it better quality with a higher percentage of fixed carbon. As a result of getting higher quality coal from underground mining, we believe NBC should be able to raise its selling prices.



## Financial health to improve

**Figure 11: NBC's total debt**



Source: NBC, VCSC

**We anticipate NBC's financial health to improve in the short term.** NBC's total debt jumped from VND630bn in 2015 to nearly VND2.6tn in 2020, which was primarily due to the large investment cost for its Nui Beo underground mine project that began in 2012 (**Figure 11**). In Q1 2022, NBC recorded total debt of VND2.1tn — equivalent to a reduction of 12% QoQ and 20% YoY. As the company completed the development of its underground mine project in 2021, we expect a further reduction in total debt over the short term.

## Guaranteed annual output under Vinacomin's management

**Under Vinacomin, NBC's output volume is stable.** As mentioned earlier, based on supply contracts with customers, Vinacomin assigns production volume to its coal mining companies annually or quarterly. This mechanism reduces competition among the mining companies while ensuring sales volume for NBC.

**NBC targets net revenue of over VND800bn in Q2 2022.** Management expects to extract more than 390,000 tonnes of raw coal and achieve a coal sales volume of over 550,000 tonnes in Q2 2022. As NBC's underground mine is operating more stably and its outputs are guaranteed by Vinacomin, these targets are feasible, in our view.

## Company Guidance

**Management is guiding for a reduction in 2022G PBT.** The company set 2022G net revenue and PBT at VND2.3tn (-14% YoY) and VND28bn (-43% YoY), respectively. In our view, these targets are quite conservative given the company's impressive Q1 2022 earnings results. If NBC meets its Q2 2022 net revenue target of over VND800bn, we estimate its H1 2022 net revenue could be approximately VND1.6tn — equivalent to 72% of 2022G net revenue.

NBC also expects to pay a minimum 2022 DPS of VND300 — equivalent to 3% of par value. As of now, the company has not determined whether to pay a cash or stock dividend.

**Figure 12: NBC's guidance for 2022G**

	Unit	2022G
Exploration drilling	meters	15,000
Raw coal volume to extract	thousand tonnes	1,400
Clean coal volume to process	thousand tonnes	1,545
Total coal sales volume	thousand tonnes	1,545
Net revenue	VND bn	2,295
%YoY growth	%	-14%
PBT	VND bn	28
%YoY growth	%	-43%
Dividend	VND per share	≥ 300
Dividend	% par value	≥ 3%

Source: NBC, VCSC

## Valuation

Due to the specific management mechanism of Vinacomin, we only select listed coal mining companies under Vinacomin for peer reference. All selected peers are similar to NBC in terms of location (in Quang Ninh Province) and coal product (anthracite coal). Among these, only HLC conducts underground mining, whereas the other conduct open-cast mining.

**NBC is currently trading at a TTM PER of 11.0x — a 69% premium to its peer group median.**

We believe these figures reflect the strong expectations of investors regarding NBC's future performance as it has transitioned from open-cast mining to underground mining.

**NBC has a history of paying a cash dividend.** While NBC expects to pay a minimum 2022 DPS of VND300 (equivalent to around 2% of the current share price) and has not yet determined to pay a cash or stock dividend, it has a history of paying a cash dividend. In 2016-2021, NBC's DPS was VND550-1,000 — equivalent to an average DPS/EPS of 50% (**Figure 14**).

**Figure 13: Peer comparison**

Company	Mkt cap (USD mn)	TTM Sales Growth (%)	TTM EPS Growth (%)	ROE (%)	ROA (%)	Net D/E (x)	NPM (%)	LQ PBR (x)	TTM PER (x)
TVD VN Equity	28.2	23.1%	57.1%	18.6%	4.0%	1.5x	1.8%	1.2x	6.5x
CST VN Equity	26.9	0.0%	0.0%	0.0%	0.0%	1.5x	1.2%	0.8x	5.8x
HLC VN Equity	16.2	30.3%	69.1%	21.0%	2.4%	5.5x	2.1%	1.1x	5.3x
TDN VN Equity	15.8	14.4%	4.5%	11.3%	3.2%	1.5x	1.3%	0.9x	8.1x
THT VN Equity	12.7	68.8%	24.9%	12.1%	2.4%	1.8x	1.0%	0.8x	6.7x
<b>Median</b>	<b>16.2</b>	<b>23.1%</b>	<b>24.9%</b>	<b>12.1%</b>	<b>2.4%</b>	<b>1.5x</b>	<b>1.3%</b>	<b>0.9x</b>	<b>6.5x</b>
<b>NBC VN Equity</b>	<b>24.0</b>	<b>68.0%</b>	<b>8.7%</b>	<b>10.6%</b>	<b>1.5%</b>	<b>5.0x</b>	<b>1.6%</b>	<b>1.1x</b>	<b>11.0x</b>

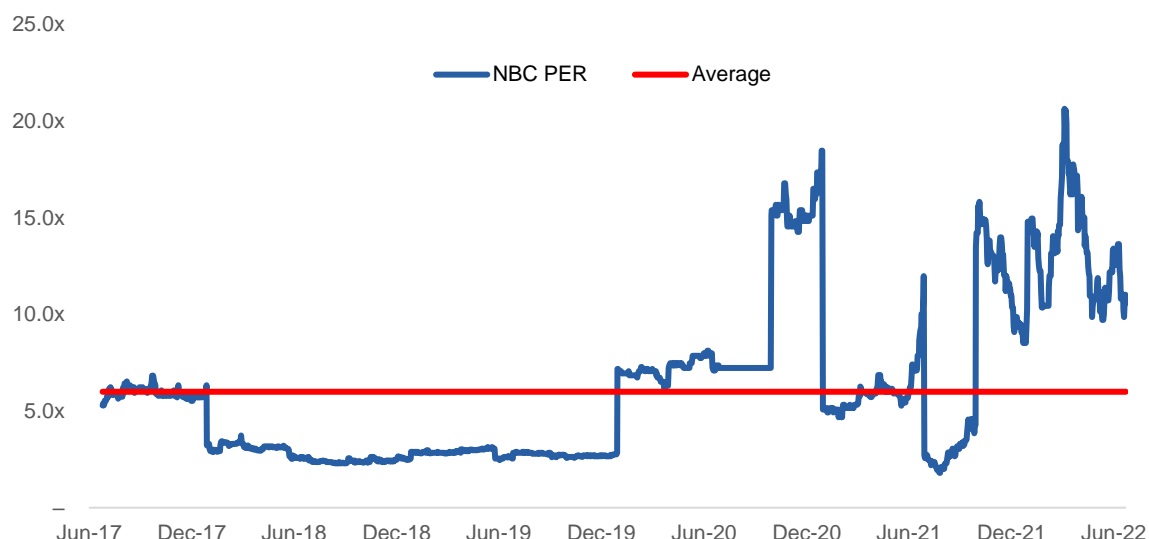
Source: Bloomberg, VCSC (data as of June 30, 2021)

**Figure 14: NBC's EPS and DPS**

	2016	2017	2018	2019	2020	2021
EPS (VND/share)	1,046	2,357	2,351	921	1,260	1,216
DPS (VND/share)	550	1,000	1,000	600	600	600
DPS/EPS (%)	52.6%	42.4%	42.5%	65.2%	47.6%	49.3%

Source: NBC, VCSC

Figure 15: NBC's TTM PER



Source: Bloomberg, VCSC

## Investment Risks

**Volatility in fuel and material prices could negatively impact NBC's operation.** Strong price fluctuations for gasoline, fuel for coal processing & transportation, and/or materials could have a negative impact on the operations and efficiency of NBC. Despite NBC potentially being able to partially pass through increased costs to Vinacomin by raising its selling coal prices, we believe the company's bottom line would still be negatively affected amid price fluctuations.

**NBC would benefit if Vinacomin is able to increase coal prices.** Per management, if the MoIT approves the coal price request, it is likely that NBC could also raise its selling coal prices to Vinacomin by 10%-12% compared with the current level. This increase in NBC's selling coal prices to Vinacomin would mean NBC could pass through the increased costs to Vinacomin — especially as domestic coal prices have remained stable over the past two years despite rising production costs. In addition, NBC could only request a certain amount of compensation from Vinacomin. As a result, Vinacomin receiving approval from the MoIT to increase its coal prices would create an opportunity for NBC to further expand its earnings, in our view.

## Financial Statements

P&L (VND bn)					B/S (VND bn)				
	2018	2019	2020	2021		2018	2019	2020	2021
<b>Revenue</b>	<b>2,164</b>	<b>2,435</b>	<b>2,194</b>	<b>2,667</b>	Cash & equivalents	3	3	4	3
COGS	-1,759	-2,051	-1,835	-2,322	ST investments	0	0	0	0
<b>Gross Profit</b>	<b>405</b>	<b>383</b>	<b>359</b>	<b>345</b>	Accounts receivable	134	10	110	131
Sales & Marketing exp	-50	-34	-15	-20	Inventories	618	729	733	618
General & Admin exp	-129	-134	-112	-111	Other current assets	19	59	33	63
<b>Operating Profit</b>	<b>226</b>	<b>215</b>	<b>232</b>	<b>214</b>	<b>Total Current assets</b>	<b>773</b>	<b>802</b>	<b>880</b>	<b>816</b>
Financial income	5	3	2	8	Fixed assets, gross	2,916	3,167	3,773	4,763
Financial expenses	-123	-159	-190	-174	- Depreciation	-1,416	-1,697	-1,945	-2,419
- o/w interest expense	-123	-159	-185	-174	Fixed assets, net	1,500	1,470	1,827	2,344
Associates	0	0	0	0	LT investments	3	0	0	0
Net other income/(loss)	4	-1	2	1	LT assets other	858	1,331	854	311
<b>Profit before Tax</b>	<b>111</b>	<b>60</b>	<b>47</b>	<b>49</b>	<b>Total LT assets</b>	<b>2,360</b>	<b>2,801</b>	<b>2,681</b>	<b>2,655</b>
Income Tax	-24	-25	0	-4	<b>Total Assets</b>	<b>3,134</b>	<b>3,602</b>	<b>3,561</b>	<b>3,471</b>
<b>NPAT before MI</b>	<b>87</b>	<b>34</b>	<b>47</b>	<b>45</b>	Accounts payable	439	534	349	388
Minority Interest	0	0	0	0	Short-term debt	295	481	869	998
<b>NPAT less MI, reported</b>	<b>87</b>	<b>34</b>	<b>47</b>	<b>45</b>	Other ST liabilities	236	303	162	192
<b>NPAT less MI, adjusted<sup>(1)</sup></b>	<b>87</b>	<b>34</b>	<b>47</b>	<b>45</b>	<b>Total current liabilities</b>	<b>970</b>	<b>1,318</b>	<b>1,381</b>	<b>1,578</b>
EBITDA	480	491	579	690	Long-term debt	1,668	1,827	1,706	1,413
EPS reported, VND	2,351	921	1,260	1,216	Other LT liabilities	0	0	0	0
DPS, VND	1,000	600	600	600	<b>Total Liabilities</b>	<b>2,638</b>	<b>3,144</b>	<b>3,087</b>	<b>2,991</b>
DPS/EPS (%)	42.5%	65.2%	47.6%	49.3%	Preferred equity	0	0	0	0
<sup>(1)</sup> As reported in the company's audited financial statements					Paid-in capital	370	370	370	370
					Share premium	0	0	0	0
					Retained earnings	87	34	47	45
					Other equity	39	54	58	65
					Minority interest	0	0	0	0
					<b>Total equity</b>	<b>496</b>	<b>458</b>	<b>474</b>	<b>480</b>
					<b>Liabilities &amp; equity</b>	<b>3,134</b>	<b>3,602</b>	<b>3,561</b>	<b>3,471</b>
					Y/E shares out, mn	37.0	37.0	37.0	37.0
RATIOS					CASH FLOW (VND bn)				
	2018	2019	2020	2021		2018	2019	2020	2021
<b>Growth</b>					<b>Beginning Cash Balance</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>
Revenue growth	45.1%	12.5%	-9.9%	21.6%	Net Income	87	34	47	45
Op profit (EBIT) growth	21.0%	-4.5%	7.8%	-7.9%	Dep, & amortization	251	276	345	476
PBT growth	1.8%	-46.4%	-21.7%	5.7%	Change in Working Cap	128	127	-389	137
EPS growth, adjusted	-0.3%	-60.8%	36.8%	-3.5%	Other adjustments	-20	-35	-26	-17
					<b>Cash from Operations</b>	<b>446</b>	<b>402</b>	<b>-24</b>	<b>641</b>
					Capital Expenditures, net	-635	-714	-224	-455
					Investments, net	0	4	2	0
					<b>Cash from Investments</b>	<b>-635</b>	<b>-710</b>	<b>-222</b>	<b>-455</b>
					Dividends Paid	-37	-37	-22	-22
					Δ in Share Capital	0	0	0	0
					Δ in ST debt	-113	186	389	129
					Δ in LT debt	339	158	-120	-294
					Other financing C/F	0	0	0	0
					<b>Cash from Financing</b>	<b>189</b>	<b>307</b>	<b>246</b>	<b>-187</b>
					<b>Net Change in Cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
					<b>Ending Cash Balance</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>3</b>

(Figures may not sum up due to rounding)

Source: Company data, VCSC

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + 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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