



PetroVietnam Power Nhon Trach 2 (NT2)

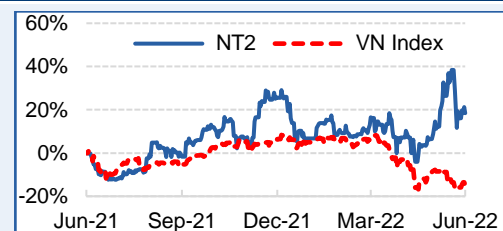
Earnings Flash

Industry:	Utilities		2021	H1-22	2022F
Report Date:	July 18, 2022	Rev y/y	1.1%	43.8%	44.4%
Current Price:	VND23,800	EPS Y/Y	-14.6%	276.3%	43.0%
Target Price ¹ :	VND28,000	NPAT (VND bn)	534	525	763
Upside to TP:	+17.6%	Div. yield	6.3%		8.4%
Dividend Yield:	+6.3%	DPS**	1,500		2,000
TSR:	+23.9%	EV/EBITDA	5.5x		4.8x
Rating ¹ :	BUY	P/E	13.3x		9.3x

Market Cap:	USD292mn		NT2	Peers*	VNI
Foreign Room:	USD105mn	P/E (ttm)	7.5x	13.5x	12.8x
ADTV30D:	USD2.9mn	P/B (curr)	1.6x	11.1x	2.0x
State Ownership:	60%	Net D/E	-0.1%	66.0%	N/A
Outstanding Shares:	287.9 mn	ROE	20.7%	7.2%	15.6%
Fully Diluted Shares:	287.9 mn	ROA	11.8%	2.8%	2.5%

(1) Last updated April 25, 2022

* Foreign peer multiples
 ** VND/share



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 an industrial & economic hub of southeast Vietnam.

Another stellar quarter thanks to strong CGM prices

- NT2 announced robust Q2 2022 results with reported NPAT of VND365bn (USD16mn), which was 15x higher than Q2 2021 due to a strong volume recovery and robust competitive generation market (CGM) prices. These factors outweighed high gas prices and intensified competition from hydropower and renewable energy.
- NT2's H1 2022 NPAT was VND525bn, nearly quadrupling YoY and completing 69% of our 2022 reported NPAT forecast. In addition, this result completed 92% of our 2022 adjusted NPAT forecast (excluding VND200bn of EVN's compensation for the previous year's forex losses).
- We see potential significant upside risk to our 2022 earnings forecast, pending for a fuller review.

NT2's sales volume and contracted volume increased in Q2 2022. The National Load and Dispatch Center mobilized 1.1 billion kWh from NT2 (+24% YoY) in Q2 2022 despite the surge in gas prices and competition from hydropower and renewable energy, which we partly attribute to NT2's 58% efficiency ratio — the highest among Vietnam's gas-fired power plants. In addition, contracted volume increased 44% YoY in Q2 2022. H1 2022 volume was 2.1 billion kWh and completed 50.2% of our 2022 forecast — in line with our expectation.

Stronger-than-expected ASP thanks to bidding strategy and robust CGM prices. The sector's CGM price in Q2 2022 averaged VND1,373/kWh (+29% YoY). As a result of NT2's bidding strategy, the company had an ASP of VND2,275/kWh (+35% YoY), which beat our 2022 forecast by 8%.

Gas prices jumped. NT2's gas price in Q2 2022 averaged USD10.2/MMBTU (+32% YoY) — higher than our forecast for an average of USD9.1/MMBTU in 2022F.

Q2 2022 financial expenses plummeted 86% YoY. NT2 finished its long-term debt repayment on June 1, 2021. As a result, there will be insignificant interest expense going forward, thus supporting our forecast for a higher dividend.

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Figure 1: NT2's Q1 2022 results

VND bn	Q2 2021	Q2 2022	YoY	H1 2021	H1 2022	YoY	% of 2022F
Sales volume (mn kWh)	955	1,181	23.7%	1,909	2,176	14.0%	50.2%
Qc (bn kWh)	795	1,145	44.0%	1,582	1,908	20.6%	55.0%
ASP (VND/kWh)	1,691	2,275	34.5%	1,710	2,157	26.1%	107.8%
Gas price (USD/MMBTU)	7.7	10.2	32.1%	7.4	9.8	31.2%	107.1%
Revenue	1,616	2,688	66.4%	3,265	4,695	43.8%	52.9%
COGS	-1,543	-2,278	47.7%	-3,044	-4,099	34.7%	51.2%
Gross profit	73	410	462.4%	221	595	169.4%	67.7%
SG&A	-21	-22	4.8%	-43	-38	-12.0%	43.2%
Operating profit	52	389	641.7%	178	557	213.7%	70.4%
Financial income	4	2	-58.3%	20	3	-84.0%	14.0%
Financial expense	-35	-5	-85.8%	-55	-7	-87.2%	68.8%
Other income	5	0	-93.8%	6	1	-90.4%	N.M.
Profit before tax	27	384	1,335.1%	148	552	272.3%	68.7%
NPAT-MI, reported	25	365	1,389.5%	139	525	276.3%	68.7%
NPAT-MI, adjusted	25	365	1,389.5%	139	525	276.3%	91.5%

Source: NT2, 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.

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BUY	If the projected TSR is 20% or higher
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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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