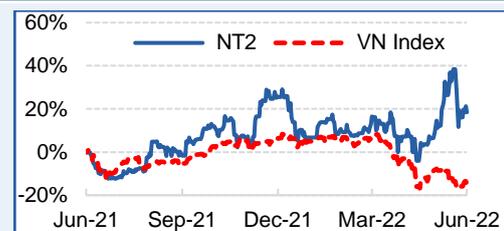


PetroVietnam Power Nhon Trach 2 (NT2)

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



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

(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.

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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