

A headwind in the performance will remain

BUY [+11%]

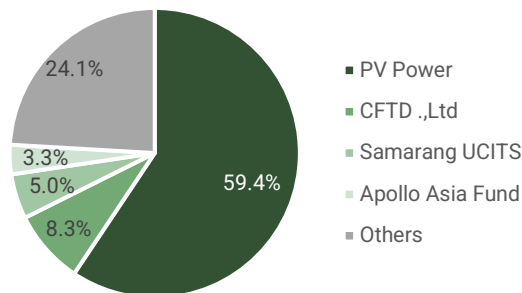
Updated: 31/07/2023

Fair price 32,500 VND
Current price 29,250 VND

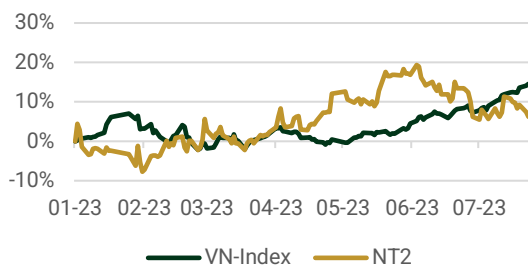
STOCK INFORMATION

Outstanding shares (mil) 287.9
Free float (mil) 87.4
Market cap. (billion VND) 8,377.2
3m avg. volume (shares) 0.75 million
Foreign ownership (%) 15.2%
First listing date 12/06/2015

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Performance overview: For the six-month period ended 30 June 2023, the company's net revenue reached VND4,366bn (-7% YoY) and NPAT plummeted to VND378bn (-28% YoY), which completed respectively 53% and 56% of forecasts. These contractions mainly derive from a 5% decline in avg. selling price and fierce competition from coal-fired power after the relief of nationwide supply shortage of coal feedstock begun from the beginning of 2023.

Forecast: We expect a headwind in the performance in 2023 will remain. Accordingly, Net revenue could drop to VND8,174bn (-7% YoY) and NPAT could decrease sharply to VND671bn (-24.1% YoY). Since 2023Q1, the Gross Margin has deteriorated modestly when the (contract) selling prices was suppressed by the downturn of gas price and that selling volume dropped due to the return of coal-fired power (thanks to low input costs) amid the distressed economic condition. Likewise, the Net Profit Margin has been worn out due to sticky operating expenses despite the minor level of interest expenses, resulting from the substantial decrease in borrowings over periods (Debt/Equity ratio was nearly 7.5% at 30 Jun 2023). However, considering that the deficiency of hydropower may provide the support of CGM in the second half of 2023, we expect the Gross Margin and the Net Profit Margin would slightly recover and be stabilized at 10% and 8% in the year.

Investment highlights: (1) Profits can maintain a quite flat growth in 2023F despite the long shutdown of the factory to carry out an overhaul. That is thanks to the better prospect of thermal power, as La Nina phenomenon passed from the beginning of 2023 and take away the favorable advantages of hydropower. Accordingly, we anticipate that the total output could reach around 4,006 million kWh in 2023F, nearly equivalent to the realized amount in 2022.

(2) The company is accelerating its deleveraging and maintaining the robust performance in the rising interest rate environment. This could enable the company to secure its bottom line and high dividend payout ratio looking forward.

Valuation & recommendation: Using DCF and Multiple method, we derive the fair price of VND32,500 per share. Thus, our recommendation is BUY with a potential upside of 11%. This valuation takes into account NT2's factory overhaul in 2023, which is expected to last 44 days, resulting in output reaching the equivalent of 2022 instead of a positive growth as we previously forecasted.

Investment risks: (1) The unfavorable fluctuation in natural gas prices; (2) The adverse changes in government's policies; (3) The recession risks come to forefront

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	7,670	7,654	6,082	6,150	8,788	8,174
Net Profit (billion VND)	782	754	625	534	883	671
EPS (VND)	2,717	2,620	2,172	1,854	3,069	2,330
EPS Growth (%)	-3.49%	-3.58%	-17.10%	-14.63%	65.50%	-24.08%
Book Value (VND)	12,795	14,336	14,928	14,706	16,027	15,857
P/E	11.00	11.77	14.27	17.02	10.10	13.93
P/B	2.34	2.09	2.00	2.03	1.87	2.05
Cash dividend (VND)	7,192	-	2,500	2,000	1,650	2,500