

**08 August 2024**
**RECOMMENDATION BUY**

Fair price	22,300 VND
Current price	19,650 VND
Upside/downside	13%

**STOCK INFORMATION**

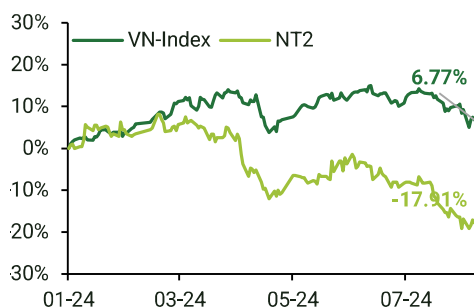
Outstanding shares (mil)	287.9
Free float (mil)	86.4
Market cap. (billion VND)	5,685.6
3m avg. volume (shares)	0.75 million
Foreign ownership (%)	15.2%
First listing date	12/06/2015

**SHAREHOLDER STRUCTURE**

PV Power	59.4%
CFTD .Ltd	8.3%
Samarang UCITS	5.0%
Apollo Asia Fund	3.3%
Others	24.1%

**KEY ATTRIBUTES**

TTM EPS (VND)	2,789.8
BVPS (VND)	18,510.9
Debt/Equity (%)	19%
ROA (%)	10.5%
ROE (%)	15.8%
P/E	6.9
P/B	1.0
Dividend yield (%)	4%

**PRICE PERFORMANCE**

**COMPANY PROFILE**

PetroVietnam Power Nhon Trach 2 Joint Stock Company (NT2) was established in 2007 to implement the investment and construction of Nhon Trach 2 Thermal Power Plant in Ong Keo Industrial Park, Dong Nai Province. Nhon Trach 2 Power Plant with a designed capacity of 750 MW has come into operation since 2011.

**ANALYST(S)**

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**The outlook confronts many challenges**

- In 1H2024, Net revenue and NPAT sharply decreased by 44% YoY and 110% YoY, respectively, primarily due to a significant drop in electricity sales volume (-50% YoY) as EVN did not mobilize electricity in the first 3 months of the year. Additionally, selling on the wholesale market was not feasible due to low prices (FMP).
- Operating cash flow remained stable and sustainable, enabling NT2 to increase its cash and savings, earning interest income, and maintaining a good level of dividend payments in the future.
- We maintain a BUY recommendation with a potential upside of 13%.

**Business Performance for 1H2024**

NT2's business performance significantly declined in the first half, with revenue reaching only VND2,448bn (-43.9% YoY) and recording a net loss of VND36bn. The company faced substantial fixed costs as sales volume dropped nearly 50% YoY to 1,178.1 mn kWh, despite the peak of El Nino. Although NT2 could have benefited from the severe deficiency in hydropower, gas-fired players, especially NT2, faced intense competition from coal-fired power plants, which EVN prioritized due to their lower costs (average coal prices decreased by roughly 36% YoY).

**Projections for 2H2024 and 2025**

We anticipate that NT2's business results will remain suppressed in the second half of 2024 as El Nino ends around June and July, and hydropower officially returns. With a focus on tightly controlling production costs, EVN will aggressively mobilize hydropower sources in the coming period, alongside increasing the mobilization of low-cost coal-fired power. This indicates a gloomy outlook for gas-fired power plants, particularly NT2, for the next six months and throughout 2025. Consequently, we project that electricity output for the entire 2024 will only reach 2,409.4 mn kWh (-17% YoY), continuing to decline sharply from the low base of the previous year. Therefore, Net revenue and NPAT are expected to decrease significantly by 17.2% YoY and 84.5% YoY to VND5,288bn and VND73bn, respectively, for the entire 2024. Moving into 2025, with the expectation of slight decreases in gas and electricity selling prices, PHS projects Net revenue and NPAT to reach VND4,959bn and VND83bn, respectively.

**Investment highlights**

- (1) **Despite the decline in business operations, NT2 is expected to maintain relatively good cash flow from operating activities**, along with a high cash and saving balance (nearly 50% of short-term assets), providing NT2 with additional income from deposits, which is an increasing matter in the profit structure.
- (2) **Moreover, the strong cash flow and solid cash balance** also help the company maintain a good cash dividend payout ratio in the coming years.

**Valuation & recommendation**

Using DCF and Multiple method, we derive the fair price of VND22,300 per share. Thus, our recommendation is BUY with a potential upside of 13%. This valuation has decreased by 33% compared to PHS's previous figure, reflecting our significant downward adjustment for the company's future outlook.