

Company Update

NT2 - PV Power Nhon Trach 2 - JSC

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BSC

Recommendation: **HOLD**

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Target price	30,217
Current price	29,300
Upside	3.1%

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Target price
Cut loss

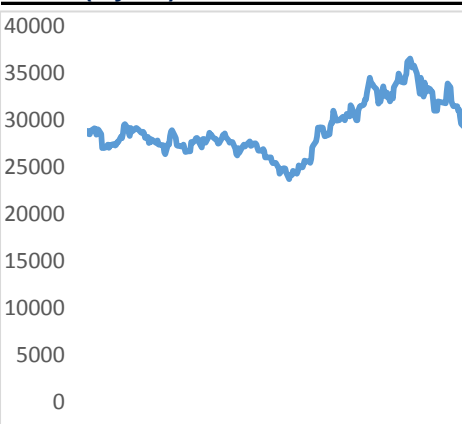
Market Data

Outstanding shares	287
Mkt cap (VND bil)	8,434
Highest of 52w	36,700
Avg Vol 10 session	353,456
Foreign Ownership	22.18%

Major shareholder

CFTD	8.27%
Electric power Develop	4.83%
ETF	3.97%
Norges Bank	1.60%

Chart (1 year)



Overview

NT2 has capacity of 750 MW. After restoration in 2017, the capacity reached 774 MW. NT2's factory is located in Dong Nai province, where high loads come from the industrial parks in the locality, and at the same time convenient for gas transmission to serve the factory.

[Other report: Link](#)

Valuation

In 2018, BSC forecast NT2 will reach EPS of 2,949 VND/share, EBITDA of VND 1,685 billion, and trading value of 29,300 VND/share, equivalent to PE of 10x. This is a higher valuation than the current average.

Therefore, over the next year, we are recommending HOLD with NT2 shares with a target price of 30,217 VND/share, corresponds to 6.5x EV/EBITDA in 2018 of VND 6.5x (the highest level in 3 years). NT2 is one of the enterprises operating in the most efficient power sector, have high defense properties (beta 3 years at 0.69). At the current price, the percentage of cash dividend by 25%, the profit margin of dividend reached 8.5%.

Earning forecast

In 2018, we expect NT2 will record VND 8.071 billion of revenue (+19% yoy), VND 849 billion of EBT (+4.8% yoy). Assumption:
 (1) In 2018, with the planned capacity increase of 24 MW, commercial electricity output is forecasted to reach 5.35 million kWh, corresponding to 80% utilization. QCs of NT2 in 2018 will reduce by about 10% compared to 2017. In 2018, BSC forecasts that NT2 will not be able to record extraordinary revenue from the difference of QC delivered in the year and the amount of deposits from EVN as 2017.
 (2) The average selling price of electricity is 1,508 VND/kWh, slightly lower than the average price in 2017 due to the increase in the proportion of electricity sold on the CGM. In addition, we expected that gas prices will increase about 10% from 2017 at \$ 6.61/mil BTU.
 (3) The EUR/VND exchange rate is expected to increase by 2% in 2018 while the USD/VND will remain stable

Catalyst

(1) EUR/VND estimated to increase by 2% in 2018 to help foreign exchange losses decrease sharply
 (2) Complete restoration to increase capacity from 750MW to 774MW.

Investment highlights

(1) The business results are expected to improve in 2018 thanks to the EUR/VND exchange rate will not increase sharply as in 2017. In addition, due to complete restoration unit, NT2 is expected to operate stable in the next 3 years
 (2) NT2 located in an area with high electrical load (Dong Nai), which keeps the demand of the plant is guaranteed.

Investment risks: (1) QC in 2018 of most of the thermal power plants decreased by 10% compared to 2017, so NT2 may be accelerated sale of electricity on the competitive electricity market.
 (2) The EUR/USD exchange rate increased stronger than forecasted.
 (3) From 2022, input prices of NT2 could increase sharply due to the import of gas at mines with high operating costs.

NT2 - PV Power Nhon Trach 2 - JSC Financial Analysis

BSC

Unit: VND billions	2014	2015	2016	2017	2018E
Net Sales	7,065	6,729	7,983	6,761	8,071
Gross profit	1,652	1,642	1,351	1,393	1,223
Financial Income	450	65	103	63	75
Financial Expense	(437)	(359)	(249)	(490)	(268)
Interest expense	(219)	(183)	(156)	(120)	(95)
Selling expense	(0)	(0)	-	-	-
G&A expense	(75)	(146)	(57)	(114)	(136)
Operating profit	1,590	1,201	1,149	852	894
Other income	1	1	(1)	1	1
Net profit before tax	1,591	1,202	1,148	853	895
Net profit after tax	1,591	1,142	1,086	810	849
Minority Interest	-	-	-	-	-
Parents	1,591	1,142	1,086	810	849
EPS	6,215	4,168	3,810	2,815	2,949

Sales decreased due to: (1) Restoration of units in 32 days in October 2017. Electricity production reached 4,337 million kWh (-17% yoy). (2) Good hydrologic conditions reduced the average price on CGM.

Financial expenses increased due to exchange rate EURVND rose sharply 17% in 2017 causing NT2 to record a loss of VND 290 billion (2016 loss of VND 12 billion). At 31/12/2017, NT2 has outstanding loans of USD 78 million and EUR 70 million

Current Asset	2,768	2,981	5,316	3,101	4,817
Cash and CE	726	1,109	1,398	146	1,442
ST investment	-	-	-	900	900
Account receivables	1,767	1,576	3,610	1,795	2,143
Inventories	275	288	239	259	331
Other current asset	0	8	69	0	0
Non-current Asset	9,716	8,664	7,664	6,863	6,158
LT receivables	532	368	202	38	45
Fixed assets	8,306	7,618	6,935	6,247	5,538
Tangible fixed FA					
Finance lease FA	-	-	-	-	-
Intangible FA	180	164	183	186	396
LT incomplete assets	-	-	-	-	-
LT investment	-	-	-	-	-
Other LT asset	877	673	526	575	575
Total asset	12,484	11,645	12,980	9,964	10,975
Total Liabilities	8,237	6,876	8,071	4,979	5,232
Current liabilities	2,374	2,002	4,287	2,269	2,557
ST borrowings	1,052	1,054	1,045	1,066	653
LT liabilities	5,856	4,812	3,721	2,655	2,675
LT borrowings	5,856	4,812	3,697	2,632	2,647
Owner's Equity	4,247	4,768	4,908	4,985	5,743
Paid-in cap	2,560	2,739	2,849	2,879	2,879
Retained earning	1,497	1,950	1,923	1,970	2,721
Total equity and liabil	12,484	11,645	12,980	9,964	10,975

Short-term assets dropped sharply due to the decreasing in receivables from EPTC. We recognize that this is a typical feature of the power companies when businesses buy electricity occupy short-term capital. Receivables was at average of previous years.

Long-term assets did not fluctuate significantly, mainly due to the deduction of depreciation during the period

In 2017, NT2 finalized 2 contracts of 281 billion loans, paid foreign currency loans of 25.12 million USD and 22.69 million EUR.

% yoy Rev		-5%	19%	-15%	19%
Gross profit margin	23.4%	24.4%	16.9%	20.6%	15.1%
Ir exp/Sale	3.1%	2.7%	2.0%	1.8%	1.2%
Selling Exp/Sale	0.0%	0.0%	0.0%	0.0%	0.0%
GA Exp/Sale	1.1%	2.2%	0.7%	1.7%	1.7%
Net profit margin	22.5%	17.0%	13.6%	12.0%	10.5%

Gross profit margin increased sharply thanks to the extraordinary revenue from the difference between the Qc assigned in the year and the real output of EVN mobilized. We estimate NT2 will record about 90 billion in 2017

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Financial Analysis

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FINANCIAL RATIO

2013 2014 2015 2016 2017

1. Liquidity ratio

Current ratio	0.95	1.17	1.49	1.24	1.37
Quick ratio	0.85	1.05	1.34	1.18	1.25

Liquidity ratio at the safe level, NT2 can ensure payment of due debts

2. Capital structure ratio

Ca/TA	0.16	0.22	0.26	0.41	0.31
NCA/TA	0.84	0.78	0.74	0.59	0.69
Liabilities/TA	0.77	0.66	0.59	0.62	0.50
Liabilities/TE	3.37	1.94	1.44	1.64	1.00
CL/TA	0.75	0.56	0.42	0.87	0.46
NCL/TA	2.62	1.38	1.01	0.76	0.53

Asset structure: The proportion of long-term assets is declining, which is similar to the characteristics of electricity enterprises: the initial investment costs are large and little investment is made in new fixed assets. As loans are gradually repaid, the ratio of debt / total assets tends to decrease.

3. Operating efficiency ratio

Inventory turnover	22.6	21.5	17.8	24.8	21.2
Receivable turnover	4.0	4.3	4.0	3.0	2.5
Payable turnover	6.2	5.3	7.0	2.4	5.5
Days of inventory	15.9	16.7	20.2	14.5	16.9
Days of receivables	90.0	83.1	90.7	118.5	145.9
Days of payables	58.4	68.3	51.5	148.2	64.9
CCC	(15.3)	(6.1)	(23.0)	(21.4)	(31.4)

4. Profitability ratio

Net income/Nsale (%)	0.1%	22.5%	17.0%	13.6%	12.0%
ROE	0.3%	37.5%	23.9%	22.1%	16.3%
ROA	0.1%	12.7%	9.8%	8.4%	8.1%
Oper profit/Nsale	0.1%	22.5%	17.8%	14.4%	12.6%

In the last 4 years, 2017 was the year NT2 noted the lowest profitability ratio, mainly due to EURVND exchange rate fluctuations. Meanwhile the main business activity remained stable. We believe that investors can watch the exchange rate of EURVND to make a reasonable investment decision with NT2.

5. Dupont analysis

TA/TE	1.0	1.0	0.9	0.9	0.9
Nsale/TA	0.0	0.9	0.9	0.9	0.9
EBIT/Nsale	0.0	0.3	0.2	0.2	0.1
EBT/EBIT	0.5	0.6	0.6	0.6	0.7
Net income/EBT	4.4	2.9	2.4	2.6	2.0

6. Valuation multiples

EPS	32	6,215	4,168	3,810	2,815
BVPS	10,889	16,589	17,408	17,230	17,317

7. Growth (%yoy)

TA		2%	-7%	11%	-23%
Liabilities		-12%	-17%	17%	-38%
Sale		20%	-5%	19%	-15%
Gross profit		23%	24%	17%	21%
NI		19255%	-28%	-5%	-25%
EPS		0%	-33%	-9%	-26%

With the restoration of the factory to increase its operating capacity, EURVND exchange rate will not fluctuate sharply in 2018, EPS 2018 may slightly improve compared to 2017.

Technical highlights:

- Current trend: Short term accumulation
- The MACD is sticking to the signal line, and the RSI indicator has not broken above the resistance line, indicating the cumulative trend of the stock.
- Liquidity: Average liquidity of 10 sessions was about 12.7 billion dong, not lower than the general market. Liquidity of shares fell sharply in March 13th session.

Comment: After a correction, NT2 shares broke the support of the medium term uptrend line. The stock rebounded sharply to form the "Belt-hold lines" when it hit support for Fibonacci 29.3, but with much lower liquidity than previous sessions. Current prices are fluctuating between 29.3 - 32.

Recommendation: Investors continue to track price movements until the trend formation is clearer and may increase in proportion if shares move down to the support level of 29.3. Target price 32. Cut loss: lost support 29.3

Technical chart



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