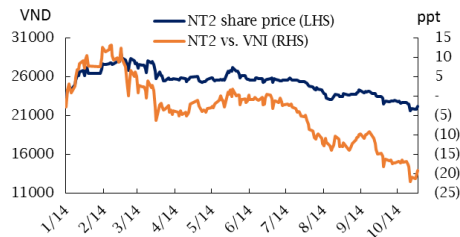


HOLD O/P
TP upside (downside) +58.7%
Close 20 Jan 2020

Price	18,400
12M Target	29,195
Previous target	29,195

Share price performance relative to VNINDEX


Market cap (USD mn)	229
6M ADT (USD mn)	0.25
Outstanding shares (mn)	288
Free float (%)	27.3
FINI ownership (%)	18.6
FOL Room (%)	30.4
Major shareholders (%)	72.6
2019E Net debt/equity (%)	28.8
2019E BVPS (VND)	14,354
2019E P/B (x)	1.3
2019E P/E (x)	7.4
2020E P/E (x)	7.1
2019E EV/EBITDA (x)	4.1

Financial outlook

Year to Dec	2018	2019E	2020E	2021E
Sales (VND bn)	7,670	7,892	8,369	8,607
EPS (VND)	2,638	2,501	2,598	2,792
ROE (%)	18.0	18.8	19.1	21.0
Div. yield (%)	39.3	10.9	13.6	13.6

Note: Fully diluted weighted average EPS is based on weighted average number of shares.

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PV Nhon Trach 2 (NT2 VN)
Preliminary earnings -3% YoY
Event

POW released its preliminary (unaudited) 4Q2019 and FY2019 financial statements. FY2019 PATMI slid by 2.9% YoY to VND 759 bn, exceeding our forecast by 3%.

Key highlights

4Q2019 revenue decreased by 6.2% YoY to VND 1,893 bn. This is despite the sales volume increasing by 3.8% YoY to 1,264 mn kWh, according to POW's recent operational update. NT2 did not disclose further detail regarding its ASP. 4Q19 gross margin, however, expanded to 15.5% from 12.8% in 4Q18. 4Q19 PATMI decreased by 16.9% YoY to VND 210.8 bn, worse than the revenue decline, partly due to a VND 25.4 bn unrealized FX loss vs a 38.1 bn gain in 4Q18.

FY2019 PBT decreased by 2.9% YoY to VND 759 bn, exceeding our forecast by 3%. This is mainly attributable to the 0.2% YoY slide in FY2019 revenue to VND 7,653 bn. NT2 did not disclose its sales volume but POW has disclosed that NT2's sales volume rose by 4.5% YoY to 4,952 mn kWh. FY2019 gross margin contracted 0.5 percentage points to 12.7%.

Significant deleveraging. NT2 has reduced its long-term debt by 68% to VND 492 bn as at 4Q19, in line with our forecast. Net debt/equity fell to 28.8% at end-2019 from 78.8% at end-2018.

Noise regarding Nhon Trach 2 PPA renegotiation persists but we believe that the market has overreacted to this news. In a recent meeting with parent company POW (which holds 59.4% of NT2), management said they do not expect a big reduction to the current PPA price. Please see our [NT2 initiation report](#) for scenario analysis. Another risk is input gas supply, which is a concern that should be resolved by 2021 as GAS (not rated) launches its LNG stations.

Our view

We maintain our HOLD-Outperform rating with target price of VND 29,195. NT2 is trading at 1.4x 2020E P/B with forecast dividend yield of 13.6%.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Appendix A: Important Disclosures

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Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

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