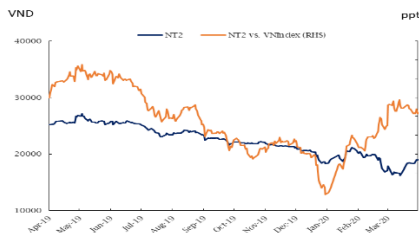


HOLD O/P
TP upside (downside) +46.7%
Close 22 April 2020

Price	19,900
12M Target	29,195
Previous target	29,195

Share price performance relative to VNINDEX


Market cap (USD mn)	240
6M ADT (USD mn)	0.25
Outstanding shares (mn)	288
Free float (%)	32
FINI ownership (%)	17.7
FOL Room (%)	31.3
Major shareholders (%)	72.6
2020E Net debt/equity (%)	15.5
2020E BVPS (VND)	14,354
2020E P/B (x)	1.5
2019E P/E (x)	7.8
2020E P/E (x)	7.7
2020E EV/EBITDA (x)	4.0

Financial outlook

Year to Dec	2019E	2020E	2021E	2022E
Sales (VND bn)	7,654	8,369	8,607	8,971
EPS (VND)	2,567	2,598	2,792	2,983
ROE (%)	19.3	19.1	20.9	21.7
Div. yield (%)	10.1	12.6	12.6	12.6

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

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PV Nhon Trach 2 (NT2 VN)

Margin improved on lower input costs

Event

NT2 released its 1Q20 results. 1Q20 revenue slid by 8.8% YoY while PATMI was nearly unchanged due to reduced input costs. However, the gas supply issue has not yet been resolved.

Key highlights

1Q20 revenues fell by 8.8% YoY to VND 1,723 bn. The decline is mainly attributable to a fall in sales volume of 4.7% YoY to 1,170 mn kWh, according to POW's recent operational update. NT2 did not disclose further details regarding its ASP.

1Q20 gross margin expanded on lower input cost. 1Q20 margin was 14.2%, up from 9.9% in 1Q19, mainly due to the contraction in input cost. Input material costs, which account for 78% of production costs, declined by 16.2% YoY. Nevertheless, 4Q19 PATMI was nearly unchanged at VND 179.2 bn. Investors should be reminded of the one-off VND37.1bn in other income gains in 1Q19, which was from reversals of the technology development fund and which did not repeat in 1Q20.

Significant degearing. NT2 has reduced its long-term debt by 68% YoY to VND495bn as at 1Q20, in line with our forecast. Thus, net debt/equity fell to 38% at 1Q20 from 63% at 1Q19. Also, 1Q20 interest expense decline by 45.7% YoY to VND12.8bn.

Input gas disruption persists. According to NT2, the total average daily volume needed for electricity generation in the Southeast in 2019 was 22.6 Sm³, whereas the total average daily gas supply was 16.0mn Sm³. In March, the company only generated 95% of its monthly guidance for volume due to insufficient gas supply. However, this issue may be resolved by the end of 2020 when the Sao Vang Dai Nguyet gas field comes online.

Our view

We maintain our HOLD-Outperform rating with target price of VND 29,195. NT2 is trading at 1.5x 2020E P/B with forecast dividend yield of 12.6%. We make no change in our forecast in this report, but we might revisit our model after the PPA negotiation results are announced.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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