

PV Nhon Trach 2 [NT2 VN]
18 June 2020
HOLD O/P
TP upside (downside) +36.7%
Close 17 June 2020

Price	21,350
12M Target	29,195
Previous target	29,195

Share price performance relative to VNINDEX


Market cap (USD mn)	265
6M ADT (USD mn)	0.29
Outstanding shares (mn)	288
Free float (%)	32
FINI ownership (%)	17.9
FOL Room (%)	31.1
Major shareholders (%)	72.6
2020E Net debt/equity (%)	15.5
2020E BVPS (VND)	13,462
2020E P/B (x)	1.5
2020E P/E (x)	8.2
2020E EV/EBITDA (x)	4.3

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 (%)	9.4	11.7	11.7	11.7

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

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Bloomberg code: YUTA

Dividend yield remains attractive
Event

We attended NT2's AGM on June 17. The company proposed a conservative FY2020 profit guidance due to an expected medium maintenance and input disruption.

Key highlights

Conservative 2020E profit guidance. NT2 proposed 2020E Revenue of VND 7,177bn (-7.3% YoY) and PAT of VND 620 (-17.8% YoY), target output volume of 4.5bn kWh (-9.1 % YoY). The management explain that NT2 will carry out medium maintenance that lasts 32 days in 2020, which in turn affects the output and profit guidance.

Attractive dividend yield. NT2 proposed 2020E cash dividend of 20% par value (VND 2,000 per share), equivalent to dividend yield of 9.4%, and payout ratio of 92%. The target dividend is fairly reasonable given no major capex in the foreseeable future.

1Q20 results revisited. 1Q20 PAT was almost flat at VND 179.2 bn despite 8.8% YoY decline in 1Q20 revenues to VND 1,723 bn. This is mainly attributed to expansion of 1Q20 gross margin 14.2%, up from 9.9% in 1Q19. NT2 thus fulfilled 28.9% of its full-year profit guidance in 1Q20.

Gas supply issue persists. NT2 continues to face gas supply issue as they thus expect a 2% decline in 2020E Qc output to 3,725 mn kWh. The management believe that Sao Vang Dai Nguyet first gas will comes online in April 2021, thus should alleviate the gas input constraints afterward.

PPA negotiation with EVN not yet finalized. NT2 and EVN has not agree on IRR revision. No clear deadline was given at the AGM.

Our view

NT2 2020E guidance is 14% lower than our revenue forecast and 19% lower than our PAT forecast. This is mainly because of the uncertainty of input supply, which we addressed in our [initiation](#). The target dividend (VND 2,000) is also lower than our estimate of VND 2,500.

We maintain HOLD-Outperform with target price of VND 29,195. NT2 is trading at 1.6x 2021E P/B with a dividend yield of 11.7%. We make no change to our forecasts in this report, but we might revisit our model depending on the eventual results of the PPA negotiation. Based on our sensitivity analysis, the worst case scenario (i.e., a VND 35 reduction in the contract price per kWh), would result in a fair value of VND 26,030, implying 33.6% TSR.

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