

PETROVIETNAM POWER NHONTRACH 2 JSC (NT2) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND23,700	VND29,200	8.5%	Add	POWER

29 October 2021

Outlook – Short term: Positive
Outlook – Long term: Positive
Valuation: Positive

Consensus*: Add:4 Hold:0 Reduce:1

Target price / Consensus: 17.4%

Key changes in the report

- Decrease price by 3% vs previous report
- FY21/22/23F EPS adjusted by -14.0%/-0.2%/2.0%



Source: VND RESEARCH

Key statistics

52w high (VND)	26,000
52w low (VND)	18,350
3m Avg daily value (VNDmn)	19,631
Market cap (VND bn)	6,736
Free float (%)	9
TTM P/E (x)	10.7
Current P/B (x)	1.56

Ownership

PetroVietnam Power	59.4%
CFTD Technologies	8.3%
Others	32.30%

Analyst(s):

Ha Duc Tung Nguyen

Tung.nguyenduc@vndirect.com.vn

Vibrant 3Q21 to offset the 1H21 loss

- NT2's net profit rose 305% yoy in 3Q21 thanks to 81.7% yoy ASP surge, almost offsetting the loss of 1H21.
- We adjust FY21/22/23F EPS by -14.0%/-0.2%/2.0% to reflect lower Qc assigned when Brent oil price remains high.
- Reiterate Add with a lower TP of VND29,200, following the downward adjustment on earnings.

9M21 results: Soft output volume to be counterbalanced by ASP hike

NT2's output slumped 40.3% yoy in 3Q21 on lower Qc assigned as EVN preferred to mobilize from renewable energy (RE) and hydropower plants. However, average selling price (ASP) rose sharply 81.7% yoy due to recent gas price hike, making 3Q21 revenue to grow positively 8.4% yoy. Gross profit margin (GPM) widened 19% pts yoy thanks to no large maintenance. Financial expenses dropped 86.2% yoy as NT2 has completed its long-term debt obligation since 2Q21. Net profit recorded VND273.8bn in 3Q21, vs negative VND5.9bn to in 3Q20. For 9M21, output dropped 25.6% yoy while ASP surged 27% yoy, bringing revenue to modestly drop 5.0% yoy to VND4,515bn. A sharp decline of 56% yoy in financial expenses helped 9M21 NP to edge down only 2.2% yoy, fulfilling 69.2% of our full year forecast.

We expect output gradually to recover in FY22-23F

We expect NT2's output will drop 12.5% yoy in FY21F then bounce back 20% yoy in FY22F after retreating 3.8% yoy in FY23F (maintenance plan). ASP will record a leap of 12.5% yoy in FY21F and continue to remain high level of around 1723-1760VND/kWh in FY22-23F. We believe the debt repayment in 2Q21 will help reduce NT2's interest expense and exchange rate risk and improve its future financing cash flow. We forecast financial expense will decrease 73.1% yoy in FY21F then remain stable of VND49bn and VND35bn in FY22-23F, respectively. Consequently, NT2's net profit may drop 21.6% yoy to VND649bn in FY21F then grow 25.8% yoy to VND818bn in FY22F.

Reiterate Add with target price of VND29,200

We trim our TP to VND29,200 (-3% versus our previous report) following an adjusted EPS of -14.0%/-0.2%/2.0% for FY21/22/23F. We think it's time to accumulate a defensive stock with limited downside risks but attractive dividend policy. Downside risks are 1) fuel price remain high, hampering the output mobilization, 2) lower-than-expected power consumption growth due to the presented risk from Covid-19. Upside catalysts are 1) higher-than-expected power output, 2) NT2's surprise earnings of VND400bn will be address in the future.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	6,082	5,985	7,062	6,938
Revenue growth	(20.5%)	(1.6%)	18.0%	(1.8%)
Gross margin	14.7%	13.4%	14.1%	11.9%
EBITDA margin	22.3%	23.1%	22.1%	20.2%
Net profit (bn)	625	650	818	671
Net profit growth	(17.1%)	3.9%	25.8%	(17.9%)
Recurring profit growth				
Basic EPS	2,172	2,258	2,840	2,331
Adjusted EPS	2,172	2,258	2,840	2,331
BVPS	14,928	15,196	15,563	15,418
ROAE	14.8%	15.0%	18.5%	15.0%

Source: VND RESEARCH

VIBRANT 3Q21 TO OFFSET THE 1H21 LOSS

Reiterate Add with a lower target price of VND29,200

We like NT2 for:

- (1) We believe NT2 will strengthen its role as a backup energy source due to its stable nature. Its output will gradually recover in FY22F from its low base of FY21F when power consumption bounces back post-Covid.
- (2) We especially believe NT2 is a good long-term investment due to the orientation under the Power Development Plan VIII (PDP8) toward gas power development. NT2 has a good chance to operate with an efficient utilization rate of around 70% from FY25F, while ASP could reduce as we believe gas input will stabilize in the future. Besides, we project that NT2's depreciation cost will drop significantly 72.0% yoy from FY26F, which could widen the company profit margin. Hence, we expect NT2's earnings will rise sharply 25.8% yoy to VND817bn in FY22F and gradually increase to VND935bn and VND1,304bn in FY25F and FY30F, respectively.
- (3) We expected NT2 to keep a high dividend rate of 20-25% (2000-2500VND/share) in FY22-25F. The main incentives are: 1) NT2 completed its debt obligation from 2Q21, reduced interest expense, exchange rate risk, and improved its financing cash flow. 2) Its major shareholder POW is in the process of constructing the Nhon Trach 3&4 power plant, and we expect the capital need of this company is another reason for NT2 to keep a high dividend rate in the future.

We reiterate our Add rating on NT2 with lower TP of VND29,200 (-3.0% versus our previous report) as we adjust FY21/22/23F EPS by -14.0%/-0.2%/2.0%, respectively. Our 1-year target price is based on equal combination of DCF and EV/EBITDA multiple:

- 5-year DCF valuation (WACC: 15.3% COE: 16.0%, LTG: 0.0%) to reflect our conservative view on NT2's growth. We believe DCF valuation is a fundamentally sound way to value as NT2's cash flow is more predictable.
- Targeted EV/EBITDA multiple of 5.7x (from 5.5x in our previous forecast) to reflect our positive view on NT2's outlook due to higher ASP. We derive an end-FY21F EV/EBITDA valuation of VND28,981 for NT2.

Downside risks:

- The Covid risk is still present, hindering the recovery of manufacturing activities, which might hurt the power consumption.
- Fuels price remained high might hamper the output mobilization.
- Several new wind projects might hinder gas-fired output recovery due to overcapacity in the South.

Potential upside risks:

- Higher-than-expected power output and gas-fired power ASP.
- NT2 contains a surprise earning of about VND600bn on the revaluation of foreign currency loans, which are considered to distribute for existing shareholder. Other VND400bn fx profit arose between 2016-20 about the temporary exchange rate negotiation with EVN in the power purchase agreement (PPA), but the payment schedule has not yet been explicitly addressed. Hence, we do not take this into our forecasting model until further information confirmed.

Figure 1: DCF valuation – Summary of free cash flow (FCF)

	2021F	2022F	2023F	2024F	2025F	2026F
EBITDA	1,417	1,600	1,427	1,718	1,639	931
(-) Depreciation and Amortisation	(694)	(693)	(690)	(691)	(571)	(158)
EBIT	723	907	737	1,028	1,068	773
(-) Tax	(42)	(52)	(43)	(103)	(160)	(155)
Tax rate (%)	6%	6%	6%	10%	15%	20%
EBIAT	681	855	694	925	908	618
(+) Depreciation and Amortisation	694	693	690	691	571	158
(+) (Increase)/decrease in NWC	212	(35)	12	(77)	(49)	119
(-) Capital Expenditure	(7)	(6)	(6)	(7)	(7)	(7)
Unleveraged Free cash flow (FCFF)	1,580	1,506	1,390	1,532	1,423	889
Terminal value						6,610

Source: VNDIRECT RESEARCH

Figure 2: DCF - Assumption

Assumption	
Risk-free rate, bloomberg, 10Y	3%
Beta, bloomberg, 5Y	1.0
Equity risk premium (ERP)	11%
Cost of Equity - ke	14%
Cost of debt - kd (after tax)	8.6%
Target debt to captial ratio	10%
WACC	13.5%

Source: VNDIRECT RESEARCH

Figure 3: DCF - Valuation

DCF Valuation	
Enterprise value	8,711
(-) Debt	(615.0)
(+) Cash	436.5
Equity value including Minority interest	8,532
(-) Minority interest	-
(-) Preferred share	0
Implied equity value	8,532
Outstanding share (mn shares)	288
Equity value per share	29,638

Source: VNDIRECT RESEARCH

Figure 4: EV/EBITDA - Valuation

EV/EBITDA Valuation	
EV/EBITDA, peer average, 1-yr	5.7
Enterprise value	8,078
(-) Debt	(282.5)
(+) Cash	481.49
Equity value including MI	8,277
(-) MI	0
(-) Preferred share	0
Implied equity value	8,277
Outstanding share (m)	288
Equity value per share	28,753

Source: VNDIRECT RESEARCH

Figure 5: Valuation result

Blended valuation			
Methodology	Price (VND)	Weight	Target price (VND)
DCF	29,638	50%	14,819
EV/EBITDA, 1-yr forward	28,753	50%	14,376
Average price			29,195
Discount			
SUM(VND)			29,195
Round			29,200
Current price			23,650
Upside/(Downside)			23.4%

Source: VNDIRECT RESEARCH

Figure 6: Peer comparison

Company	Ticker	Recom.	Price	Target price	Mkt Cap	PE (x)	P/BV (x)	EV/EBITDA (x)	ROE (x)	D/E				
			LC\$	LC\$	US\$ m	TTM FY21F	TTM FY21F	TTM FY21F	TTM FY21F	(x)				
International peer														
JSW Energy Ltd	JSW IN Equity	NR	365.9	NA	8,028.1	75.6	NA	4.1	3.9	23.7	22.2	6.1	6.8	0.2
Gudian Changan Electric Power	000966 CH Equity	NR	8.1	NA	3,228.1	24.0	8.4	2.4	1.8	29.4	16.9	7.8	7.8	0.5
First Gen Corp	FGEN PM Equity	NR	30.2	NA	2,137.2	5.9	9.6	0.9	0.8	4.8	4.3	12.3	11.3	0.6
Dian Swastatika Sentosa TPT	DSSA IJ Equity	NR	33,300.0	NA	1,815.3	NA	NA	1.1	NA	5.0	NA	(4.0)	NA	0.7
SJVN Ltd	SJVN IN Equity	NR	28.9	NA	1,513.1	6.9	NA	0.9	NA	6.8	5.4	13.2	12.2	0.6
An Hui Wenergy Co Ltd	000543 CH Equity	NR	3.9	NA	1,381.8	14.3	NA	0.6	NA	13.1	NA	4.5	NA	0.9
Malakoff Corp Bhd	MLK MK Equity	HOLD	0.8	NA	960.3	14.7	13.6	0.6	0.7	5.3	5.2	4.4	5.4	1.7
Average					2,723.41	23.6	10.5	1.5	1.8	12.6	10.8	6.3	8.7	0.7
Domestic peer														
Power Generation JSC 3	PGV VN Equity	NR	29,000.0	NA	1,431.7	18.2	NA	2.2	NA	8.7	NA	13.0	NA	3.4
Petro Vietnam Power Corp	POW VN Equity	ADD	12,350.0	15,000.0	1,270.9	11.5	13.8	1.0	0.9	5.8	6.0	8.7	7.1	0.4
Hai Phong Thermal Power JSC	HND VN Equity	NR	18,100.0	NA	397.7	6.3	27.0	1.3	1.4	3.1	5.7	21.9	6.7	0.5
BaRia Thermal Power JSC	BTP VN Equity	NR	16,700.0	NA	44.4	19.7	NA	0.8	NA	NA	NA	4.3	NA	0.3
Average					786.2	13.9	20.4	1.3	1.2	5.6	5.7	12.0	6.9	1.2
PetroVietnam Nhon Trach 2	NT2 VN Equity	ADD	23,250.0	29,200.0	296.01	11.3	8.9	1.6	1.6	4.9	5.6	14.5	11.1	0.4

Data as of 27 October 2021

Source: Bloomberg, VNDIRECT RESEARCH

9M21 result: Soft output volume to be counterbalanced by ASP hike
Figure 7: NT2's 9M21 results comparison

Period	3Q21	3Q20	% yoy	9M21	9M20	% yoy	Vs. our forecast	Comment
Output (m kWh)	460.8	772.2	-40.3%	2,370.0	3,183.9	-25.6%	69.4%	Lower Qc assigned from EVN in 9M21 due to: (1) EVN mobilized from cheaper power source such as hydropower, (2) Renewable energy was preferable due to the government support, (3) low electric load in the South in behalf of Covid-19. Lower than our forecast
ASP (VND/kWh)	2,712.0	1,492.6	81.7%	1,905.1	1,492.3	27.7%		9M21 's average selling price (ASP) increased 27.7% yoy due to strong increase in Brent oil price, leading to a surge in gas input price. Notably, 3Q21's ASP surged 81.7% yoy to 2,712VND/kWh
Revenue (VNDbn)	1,249.6	1,152.6	8.4%	4,515.0	4,751.5	-5.0%	75.6%	9M21 revenue decreased 5% yoy due to sharp decline in output but offset by strong rise of ASP.
COGS (VNDbn)	(944.6)	(1,084.7)	-12.9%	(3,989.0)	(4,141.7)	-3.7%	76.9%	
Gross profit (VNDbn)	305.1	67.9	349.3%	526.0	610.7	-13.9%	66.8%	
GPM (%)	24.4%	5.9%	19%pts	11.6%	12.9%	-1%pts		Gross profit margin (GPM) widened in 3Q21 as it did not record maintenance cost as 3Q20 overhaul and higher ASP. However, 9M21's gross margin reduce due to lower output assigned and NT2 operated under the efficient utilisation rate
EBIT (VNDbn)	287.0	40.2	613.9%	464.5	546.3	-15.0%	65.3%	
Financial income (VNDbn)	7.5	2.9	154.0%	13.7	14.2	-3.4%	97.7%	
Financial expenses (VNDbn)	(6.7)	(48.5)	-86.2%	(47.6)	(110.6)	-56.9%	110.5%	Financial expense reduced 58% yoy as NT2 has fulfilled its foreign debt obligation since 2Q21, helping interest expense and loan insurance fee dropped in 9M21. Lower than our forecast
Pretax Profit (VNDbn)	287.8	(5.4)	na	430.6	449.9	-4.3%	63.5%	
Pretax margin (%)	23.0%	-0.5%		9.5%	9.5%	0%pts		
Net profit (VNDbn)	273.8	(5.9)	na	412.7	422.1	-2.2%	64.6%	Therefore, 9M net profit completed 69.2% of our expectation
EPS (VND/share)	996.0	(40.0)	na	1,376.0	1,409.0	-2.3%		

Source: VNDIRECT RESEARCH, Company report

FY21-23F outlook: Output will gradually recover
We expect FY21F will be the low base of NT2's output

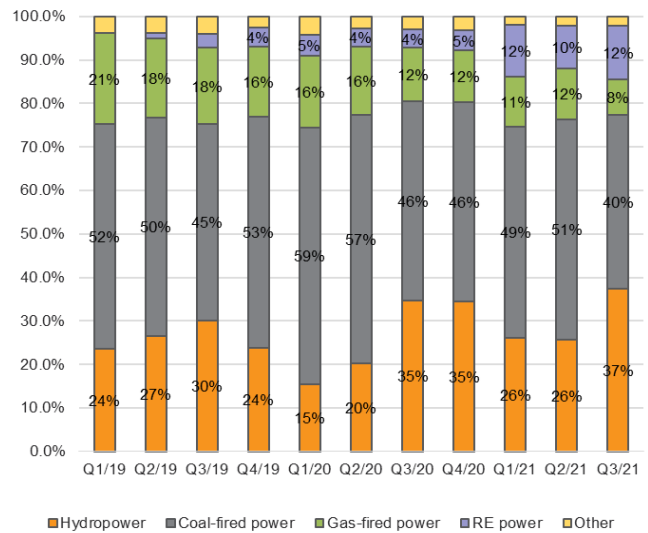
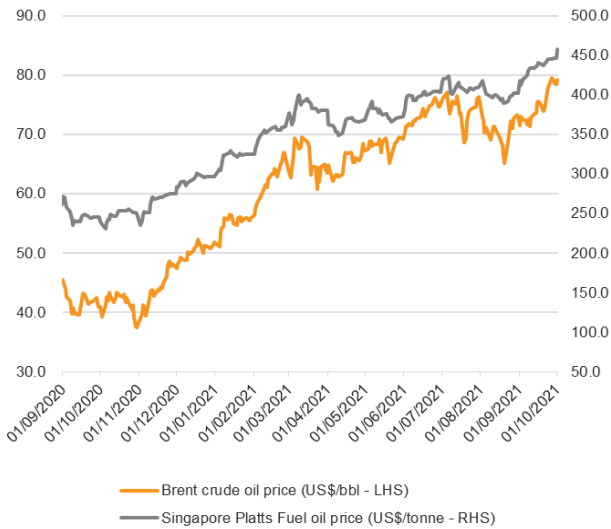
NT2's power output has been suffered from lower Qc assigned since 4Q20 and dropped 25% yoy in 9M21 due to (1) The increasing oil price led to higher input prices and hindered gas-fired power plants' competitiveness with higher power prices; (2) EVN prioritized mobilizing from a cheaper power source such as hydropower due to favorable weather conditions; (3) continued to be benefited with strong support from the government orientation; (4) low electric load due to strict quarantine from 2Q21, especially in the South and industrial areas. Despite several recent efforts from the government to reopen activities, we believe NT2 power output will be hampered by 12.5% yoy until end-2021F due to:

- Hydropower will likely be prioritized as the La Nina phase could last until February 2022F, and hydropower plants in the South will continue to be advantaged with high mobilization from EVN.

- Gas-price will stay at a high level as we forecast Brent oil price will be around 72-75US\$/barrel in 2021-23F, leading to a higher gas-fired power ASP of 12.4% yoy in FY21F.
- We believe the government will gradually implement several reopening policies post Covid-19 at the end of the year, and we expect power consumption to recover from 2022F onward.

Figure 8: Brent oil price and Singapore Platts Fuel oil price recorded a rising trend from 4Q20.

Figure 9: Gas-fired power output narrowed down in 3Q21 while hydropower and RE power output were mobilized at higher rates.



Source: Bloomberg - data as of 03 Oct 2021

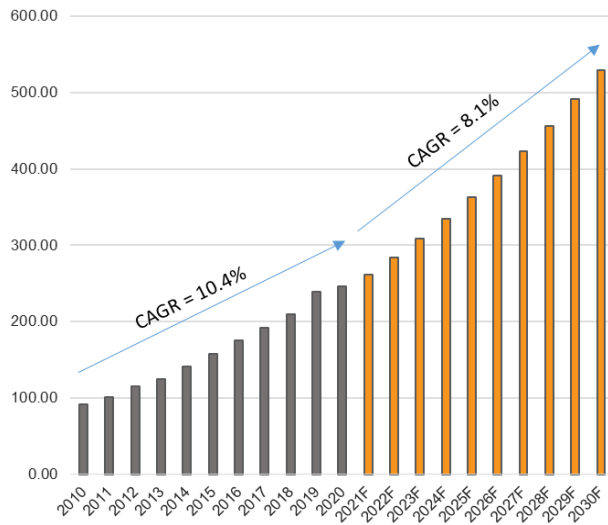
Source: VNDIRECT RESEARCH, EVN

NT2's output will bounce back from FY22-23F while ASP remains high

In the following years, we believe gas-fired power will strengthen its role as a reliable energy source according to its stable and clean nature, and NT2 will gain higher Qc assigned from its low base of FY21. Particularly, we forecast power output will increase 20% yoy in FY22F, reaching a sufficient utilization rate of 62%, after reducing slightly 3.8% yoy due to the company's maintenance plan in FY23F. We conduct several reasons for NT2 brighter outlook as:

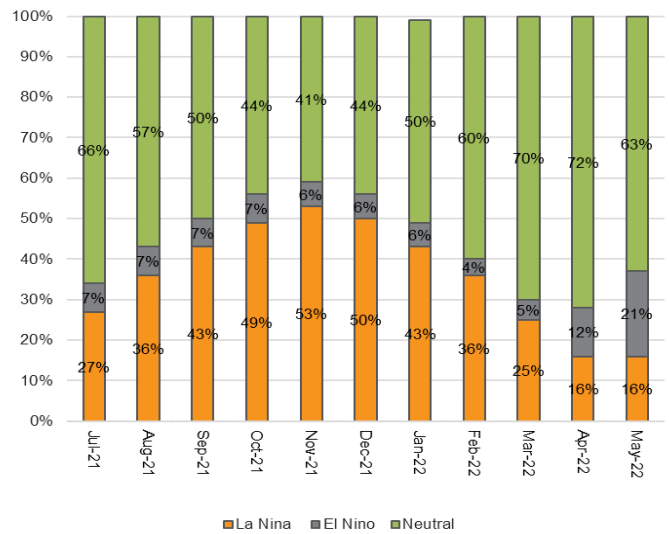
- We believe Vietnam power consumption will grow at a high level from 2022F when Covid-19 is controlled primarily in the South and industrial areas. According to the Ministry of Industry and Trade (MOIT), Vietnam might step into the power shortage phase from 2021F onwards regarding higher electricity demand with a rapid increase of 8.1% CAGR in the 2021-30F period.
- Hydropower output growth will decelerate from 1Q22 when the La Nina phase weakens while the El Nino phase has an increasing chance to occur from May 2022F, according to International Research Institute for Climate and Society (IRI).
- Gas-fired power plants are the raw backup source to serve high electric load in the evening when solar power is unavailable.

Figure 10: Electricity consumption output will gradually increase at 8.1% CAGR in 2021-30F period (Unit: billion kWh)



Source: VNDIRECT RESEARCH, MOIT

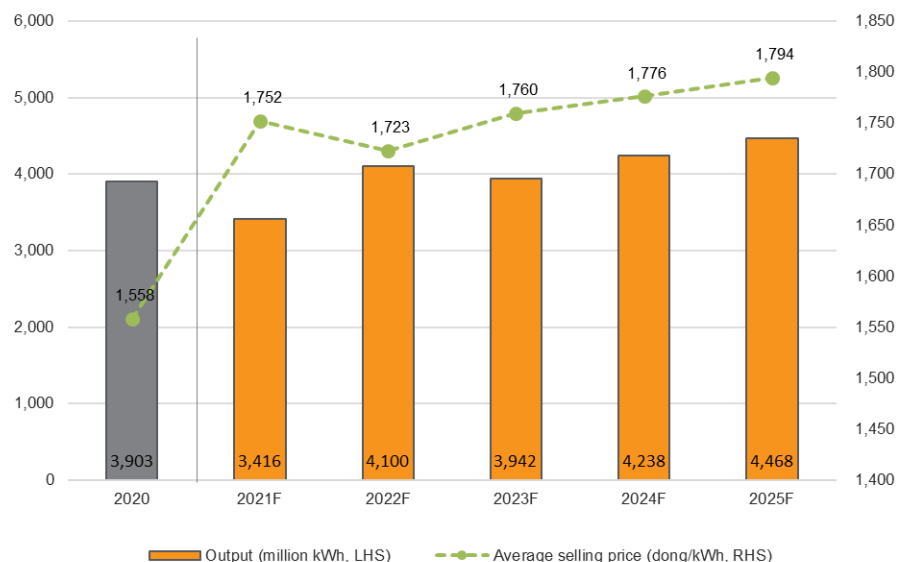
Figure 11: La Nina phase will weaken from 1Q22, and El Nino phenomenon contains higher possibility to occur from May 22 (Unit: %)



Source: VNDIRECT RESEARCH, IRI

We believe FY21F will be a leap for gas-fired power ASP of 12.4% yoy due to a hike in gas price. In our view, the uptrend momentum of this fuel input will decelerate in FY22-23F as Brent oil price stabilizes, but it will remain at a high level. Hence, we expect ASP to also stay at a high level of 1,723-1760VND/kWh in FY22-23F and gradually shift up at a slow rate in the following years.

Figure 12: NT2's power ASP will remain at high level of around 1,720-1,800VND/kWh in the following years. (Unit: VNDbn)



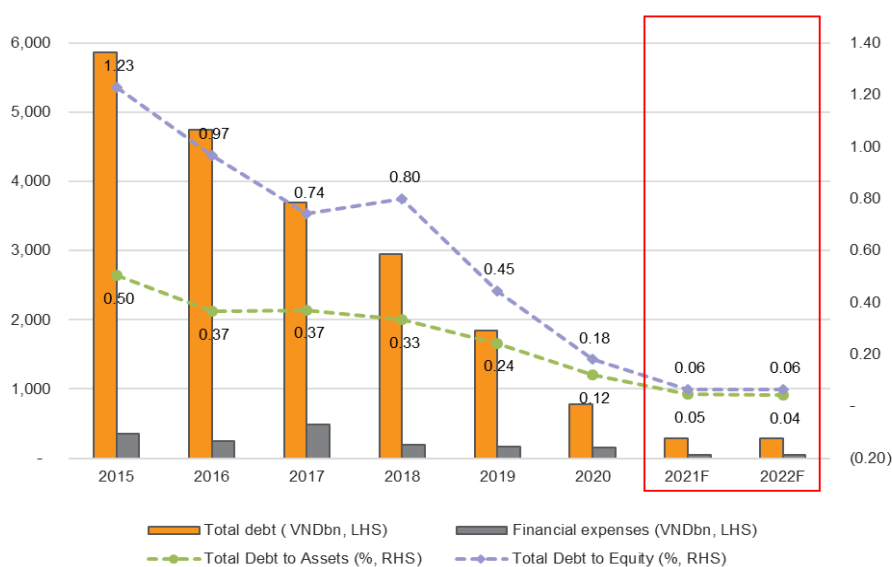
Source: VNDIRECT RESEARCH, Company report

NT2 has fulfilled its foreign debt obligation since 2Q21

In June 2021, NT2 fulfilled its debt obligation for long-term foreign loans, as the repayment schedule was completed on time. Particularly, the completion of the debt repayment up to US\$240.65m, including principal and interest, with a

guarantee from the Government, has confirmed the effectiveness of Nhon Trach 2 power plant over the years. Hence, we estimate the financial expenses of NT2 will decrease sharply from FY21F due to the reduction of interest expense and insurance loan fees. Besides, leverage ratios, including debt to asset ratio and debt to equity ratio, will slump to 0.05/0.06 in FY21F, respectively. We believe the completion of debt repayment will improve NT2's financing cash flow and reduce its pressure from interest expense and exchange rate risk in the future. In 3Q21's balance sheet, NT2 recorded a VND615bn of short-term loans, mostly working capital loans to serve business operations. We build our model based on the assumption of a VND300bn working capital short-term loan, and it will be maintained over years at an expected 5% interest rate.

Figure 13: NT2 has completed its long-term debt obligation since June 2021, helping its leverage ratios to drop significantly (Unit: VNDbn)



Source: VNDIRECT RESEARCH, Company report

FY21-23F earnings revision

Considering NT2's outlook in 2021-23F, we adjust FY21/22/23F EPS by -14.0%/-0.2%/2.0%, versus the previous forecast. The adjustments are listed as follow:

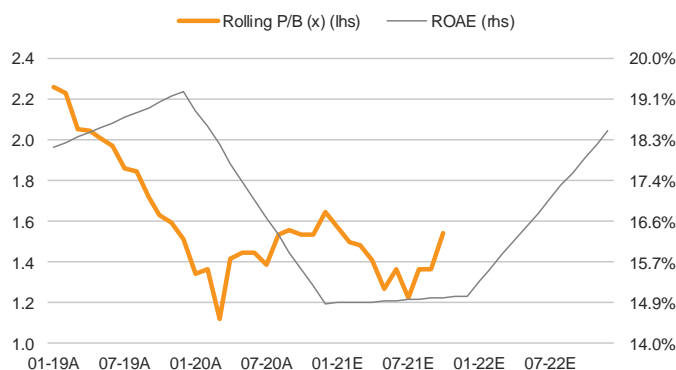
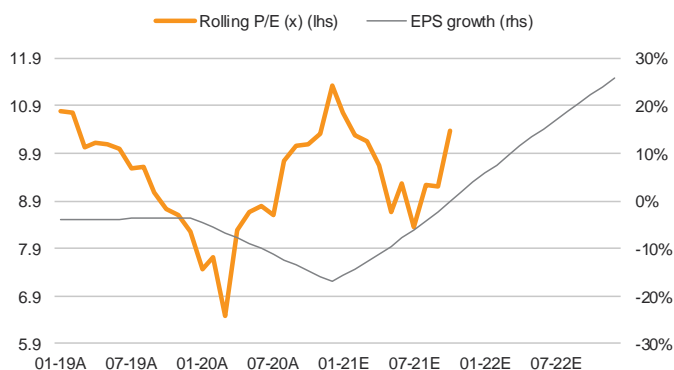
- We lower FY21/22/23F output by 25.7%/19.0%/9.1% from the previous forecast to reflect the low output mobilization among gas fire power plants. Besides, the upcoming deployment of several RE power projects could hinder the growth of this energy sub-sector.
- We raise our expectation for NT2's power ASP by 9.7%/8.0%/7.9% in FY21/22/23F to reflect the rising trend of input fuel, leading to higher power prices. We forecast Brent oil price will stay at a high level of around 72-75US\$/barrel in FY21-23F, keeping gas power ASP at a high level of 1,720-1,800 dong/kWh.
- We lower revenue forecast by 14.3%/12.5%/3.2% in FY21/22/23F versus the previous forecast due to a solid decline in output but offset by higher ASP.
- We reduce the financial expense forecast to reflect the completion of NT2's debt obligation in 2Q21. Notably, we adjust financial expenses to decrease 57.8%/53.8%/64.6% in FY21/22/23F versus the previous forecast.

- Hence, due to the above adjustment, net profit and EPS will be adjusted by -14.0%/-0.2%/+2.0% in FY21/22/23F.

Figure 14: Changes in forecast

Forecast revision	2020	2021F			2022F			2023F		
		Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
Output (m kWh)	3,903.0	4,599.0	3,416.4	-25.7%	5,059.0	4,099.7	-19.0%	4,336.2	3,942.0	-9.1%
ASP (VND/kWh)	1,558.4	1,593.4	1,751.9	9.9%	1,595.0	1,722.6	8.0%	1,631.2	1,760.0	7.9%
Utilisation rate (%)	59%	70%	52%	-18%pts	77%	62%	-15%pts	66%	60%	-6%pts
Revenue	6,082.2	6,980.7	5,985.2	-14.3%	8,071.0	7,062.1	-12.5%	7,166.3	6,937.7	-3.2%
COGS	(5,187.5)	(6,044.0)	(5,185.6)	-14.2%	(7,043.0)	(6,065.9)	-13.9%	(6,335.5)	(6,110.1)	-3.6%
Gross profit	894.8	936.6	799.6	-14.6%	1,028.0	996.2	-3.1%	830.8	827.6	-0.4%
GPM (%)	0.1	13.4%	13.4%	-0.1%	12.7%	14.1%	1.4%	11.6%	11.9%	0.3%
SG&A	(85.0)	(89.3)	(76.5)	-14.3%	(102.0)	(89.3)	-12.5%	(93.7)	(90.7)	-3.2%
EBIT	809.8	847.3	723.1	-14.7%	926.0	906.9	-2.1%	737.1	736.9	0.0%
Financial expense	(160.2)	(102.0)	(43.1)	-57.7%	(106.0)	(49.4)	-53.4%	(99.0)	(34.7)	-65.0%
Pre-tax profit	663.3	799.8	690.1	-13.7%	864.0	867.7	0.4%	695.2	712.4	2.5%
Profit after tax	625.3	756.2	649.9	-14.0%	819.0	817.6	-0.2%	658.0	671.1	2.0%
Net profit	625.3	756.2	649.9	-14.0%	819.0	817.6	-0.2%	658.0	671.1	2.0%
Net profit margin (%)	0.1	10.8%	10.9%	0.0%	10.1%	11.6%	1.4%	9.2%	9.7%	0.5%
EPS (VND/share)	2,172.1	2,626.8	2,257.7	-14.0%	2,845.0	2,840.0	-0.2%	2,285.8	2,331.2	2.0%

Source: VNDIRECT RESEARCH, Company report

Valuation

Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	5,985	7,062	6,938
Cost of sales	(5,186)	(6,066)	(6,110)
Gen & admin expenses	(77)	(89)	(91)
Selling expenses	0	0	0
Operating profit	723	907	737
Operating EBITDA	1,417	1,600	1,427
Depreciation and amortisation	(694)	(693)	(690)
Operating EBIT	723	907	737
Interest income	14	14	14
Financial expense	(43)	(49)	(35)
Net other income	(4)	(4)	(4)
Income from associates & JVs			
Pre-tax profit	690	868	712
Tax expense	(40)	(50)	(41)
Minority interest	0	0	0
Net profit	650	818	671
Adj. net profit to ordinary	650	818	671
Ordinary dividends	(576)	(720)	(720)
Retained earnings	74	98	(49)

Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	481	1,228	1,883
Short term investments	0	0	0
Accounts receivables	1,563	1,813	1,796
Inventories	264	335	324
Other current assets	11	18	15
Total current assets	2,320	3,394	4,019
Fixed assets	3,501	2,814	2,131
Total investments	0	0	0
Other long-term assets	259	333	314
Total assets	6,080	6,542	6,463
Short-term debt	283	283	283
Accounts payable	419	647	573
Other current liabilities	999	1,117	1,151
Total current liabilities	1,701	2,047	2,006
Total long-term debt	0	0	0
Other liabilities	5	15	18
Share capital	2,879	2,879	2,879
Retained earnings reserve	1,356	1,454	1,405
Shareholders' equity	4,375	4,480	4,438
Minority interest	0	0	0
Total liabilities & equity	6,080	6,542	6,463

Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
Pretax profit	690	868	712
Depreciation & amortisation	694	693	690
Tax paid	(40)	(50)	(41)
Other adjustments	(76)	(26)	(14)
Change in working capital	212	(35)	12
Cash flow from operations	1,480	1,449	1,359
Capex	(7)	(6)	(6)
Proceeds from assets sales	2	1	2
Others	(4)	(0)	0
Other non-current assets changes	14	14	14
Cash flow from investing activities	5	9	9
New share issuance	0	0	0
Shares buyback			
Net borrowings	(492)	0	0
Other financing cash flow	3	8	7
Dividends paid	(576)	(720)	(720)
Cash flow from financing activities	(1,065)	(712)	(713)
Cash and equivalents at beginning of period	62	481	1,228
Total cash generated	420	746	655
Cash and equivalents at the end of period	481	1,228	1,883

Key ratios

	12-21E	12-22E	12-23E
Dupont			
Net profit margin	10.9%	11.6%	9.7%
Asset turnover	0.96	1.12	1.07
ROAA	10.4%	13.0%	10.3%
Avg assets/avg equity	1.44	1.43	1.46
ROAE	15.0%	18.5%	15.0%
Efficiency			
Days account receivable	91.7	90.1	90.9
Days inventory	18.5	20.1	19.3
Days creditor	29.5	38.9	34.2
Fixed asset turnover	1.56	2.24	2.81
ROIC	14.0%	17.2%	14.2%
Liquidity			
Current ratio	1.4	1.7	2.0
Quick ratio	1.2	1.5	1.8
Cash ratio	0.3	0.6	0.9
Cash cycle	80.7	71.3	76.0
Growth rate (yoy)			
Revenue growth	(1.6%)	18.0%	(1.8%)
Operating profit growth	(10.7%)	25.4%	(18.7%)
Net profit growth	3.9%	25.8%	(17.9%)
EPS growth	3.9%	25.8%	(17.9%)

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Hien Tran Khanh – Deputy Head of Research

Email: hien.trankhanh@vndirect.com.vn

Dzung Nguyen – Senior Analyst

Email: dung.nguyentien5@vndirect.com.vn

Ha Duc Tung Nguyen – Analyst

Email: tung.nguyenduc@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: <https://vndirect.com.vn>