May, 2016

PVPower NT2 JSC (NT2 – HSX)

Secure position

Particulars (VND bn)	Q1-FY16	Q4-FY15	*+/- qoq*	Q1-FY15	*+/- yoy*
Net revenue	1,387.2	1,708.3	-19%	1,758.1	-21%
PAT	318.6	450.1	-29%	503.4	-37%
EBIT	405.1	388.4	4%	294.1	38%
EBIT margin	29.2%	22.7%	647bps	16.7%	1,248bps

Sources: NT2, RongViet Research

Remained high operating efficiency in 1Q2016

Total output was slightly up to 1.33 bn kWh. The average selling price was down by c. 23.4% yoy caused by new natural gas price mechanism. Consequently, revenue shrunk 21% yoy.

In 1Q2016, the average input price was down by more than 36% yoy, higher than the decrease of output price. As a result, NT2's gross margin significantly increased to 33% in 1Q2016 compared with 17% in 1Q2015. Profit from operating business, excluding FX variation and other financial income, reached more than VND405 bn (+38% yoy).

The 4% appreciation of EUR against VND in the first quarter caused an unrealized FX loss of VND58 bn.

2Q2016: Keeping advantages

The average CGM (competitive generation market) electric price is expected to be higher in the second quarter due to (1) a shortage of output from hydro power plants. Because of severe drought, output from hydro power plants sharply slump in 1Q2016. The trend would prolong in the second quarter it is the peak time of dry season; and (2) Output demand, which is the second reason, would be higher in Q2 as a seasonal factor.

Thanks to high operation efficiency and temporary benefit from low input price, NT2's gross margin could be positive in 2Q2016. 1H2016, total revenue is estimated at c. VND2,986 bn (-20% yoy). Gross margin would strongly grow 34% (1H2015: 20%) and profit from operating business would increase c. 42% yoy. Including FX variation effects, PBT is forecasted at VND824 bn (+26% yoy).

Outlook and valuation

NT2 has demonstrated its outperform operating result since officially generated in 2012. The success of NT2 is a synchronization of the plant's favor location, sound corporate governance, experienced staffs and modern machine. For 2016, NT2 is expected to reserve high efficiency and improving profit margin. 2016 NPAT is forecasted at VND944.4 bn and diluted EPS is VND3,455.

After its second payment for 2015 dividend, which is 13% in cash and 4% in stock, we recommend "**ACCUMULATE**" for this ticker with target price of VND35,600.

ACCUMULATE

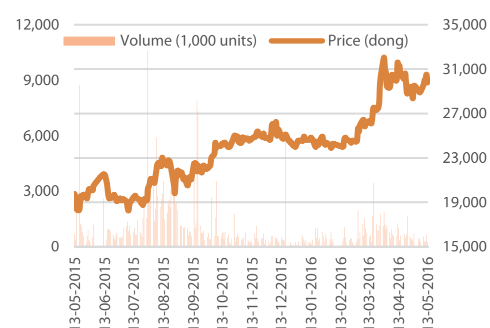
CMP (VND)	29,800
Target Price (VND)	35,600
Investment Period	Intermediate-term

Stock Info

Sector	Power
Market Cap (VND bn)	7,916
Current Shares O/S	273,919,843
Beta	0.8
Free float (%)	26.8%
52 weeks High	32,000
52 weeks Low	18,900
Avg. Daily Volume (in 20 sessions)	618,339

	FY15	Current
EPS	4,095	3,359
EPS Growth	-33.3%	-18.0%
Diluted EPS	4,128	N/A
P/E	6.5	9.08
P/B	1.5	1.77
EV/EBITDA	5.51	6.79
Cash dividend (on par)	15%	22%
ROE	25.3%	20.6%

Price performance



Major Shareholders (%)

PV Power	60.0%
CFTD	8.4%
Vinacomin	4.9%
Foreign Investor Room (%)	29.4

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Exhibit 1: 1QFY2016 and YTD Results

Particulars (VND bn)	4QFY15	3QFY15	% chg (qoq)	4QFY14	% chg (yoy)
Net Revenues	1,387.2	1,708.3	-18.8%	1,758.1	-21.1%
Gross profits	464.1	522.0	-11.1%	353.9	31.1%
SG&AC	18.7	81.4	-77.0%	16.4	14.3%
Operating Income	445.3	440.6	1.1%	337.5	31.9%
EBITDA	577.7	562.8	2.6%	464.6	24.3%
EBIT	405.1	388.4	4.3%	294.1	37.8%
Financial expenses	118.4	84.5	40.1%	130.5	-9.3%
- Interest Expenses	*40.3*	*52.2*	*-22.9%*	*43.5*	*-7.4%*
Dep. and amortization	172.6	174.4	-1.1%	170.5	1.2%
PBT	340.9	473.8	-28.1%	530.0	-35.7%
PAT	318.6	450.1	-29.2%	503.4	-36.7%

Sources: NT2, RongViet Research

Exhibit 2: 1QFY2016 performance analysis

Particulars	Q1-FY16	Q4-FY15	+/- (qoq)	Q1-FY15	+/- (yoy)
Profitability Ratios (%)					
Gross Margin	33.5%	30.6%	289bps	20.1%	1332bps
EBITDA Margin	41.6%	32.9%	870bps	26.4%	1522bps
EBIT Margin	29.2%	22.7%	647bps	16.7%	1248bps
Net Margin	23.0%	26.3%	-338bps	28.6%	-567bps
Adjusted Net Margin	23.0%	26.3%	-338bps	n/a	n/a
Turnover *(x)					
-Inventories	12.7	16.6	-3.9	20.4	-7.7
-Receivables	3.8	5.1	-1.4	3.9	-0.1
-Payables	1.7	2.5	-0.8	2.5	-0.8
Leverage (%)					
Total Debt/ Equity	1.5	1.4	0.1	1.6	-0.1

Sources: RongViet Research database; (*) Annualized turnover

Exhibit 3: 2QFY2016 Forecast

Particulars (VND bn)	Q2-FY16	+/- qoq	+/- yoy
Net Revenues	1,599	15%	-20%
Gross profits	558	20%	37%
EBIT	499	23%	47%
PAT	468	47%	294%

Sources: NT2, RongViet Research

Updated information

System load significantly increases in first 6M

In 1Q2016, EVN's total sales output reached 35.11 bn kWh, up by 13.08% yoy. In which, the highest growth was in the Southern provinces, more than 14.16% yoy. In terms of sectors, electric demand in industry and construction grew faster 9.48% and accounted for 52.9% of total demand.

Electrical load would grow 13% yoy in 2Q2016. Meanwhile, the severe drought would remain, especially in the Center – Highland and Southern provinces. Therefore, coal, gas and oil power would be prioritized to generate at high capacity.

Double benefit from weather condition as well as low input price in 2016

Although operated 13% higher than its capacity in 2015, NT2's CEO believed that in case of requirement from EVN, NT2's capacity would reach 6 bn kWh, i. e. 10% higher than 2015's volume. Despite of that, in our base case scenario, we set a lower volume for 2016. The rationale is that electric supply would increase in 2H2016 due to (1) Higher output from hydro power plants when rainy season comes and (2) New power plants. Therefore, we estimate that NT2's 2016 volume would equal to that of 2015, i. e. 5.5 bn kWh. Lower selling price, in fact, would not a negative signal to NT2's profitability. Instead, profit margin from core business is estimated at 25.6%, higher than the margin of 22.2% of 2015. Excluding FX variation affect, operating profit would be more than VND1,345 bn (+11% yoy).

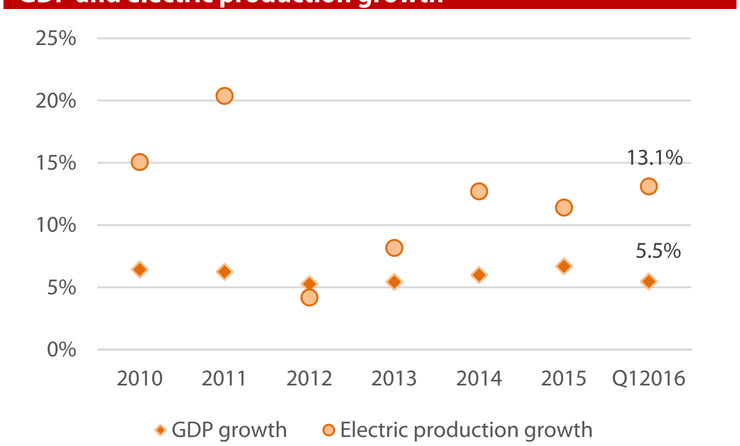
Foreign exchange variation

FX variation would be the riskiest factor for NT2. As our macro team's forecast, USD would appreciate 3.5% and EUR would appreciate 10% against VND in 2016. Hence, 2016's PBT and NPAT would reach VND1,047 bn and VND994.4 bn (-13% yoy) respectively. The correspondent EPS is VND3,455.

Project update: Liquid CO2 production from emissions

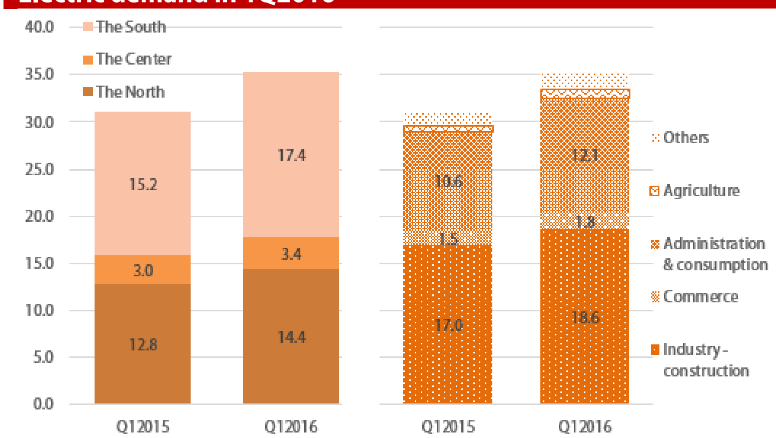
In the early of May, NT2 and Chemical Industry Engineering JSC. signed contract on Feasible Statement Consultant for the project. The documents would be transferred to NT2 in the early of Aug 2016. The CEO of NT2 said in a recent meeting with our analyst that the installed capacity was c. 50 tons per day. The project, if being approved, would take the company more than one year to fulfill required legal document as well as complete the construction. Therefore, it is not sooner than 2018 that NT2 could record revenue from the project.

GDP and electric production growth



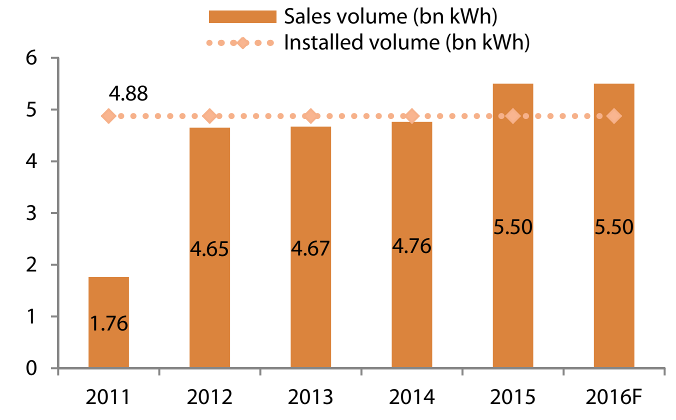
Source: RongViet Research

Electric demand in 1Q2016



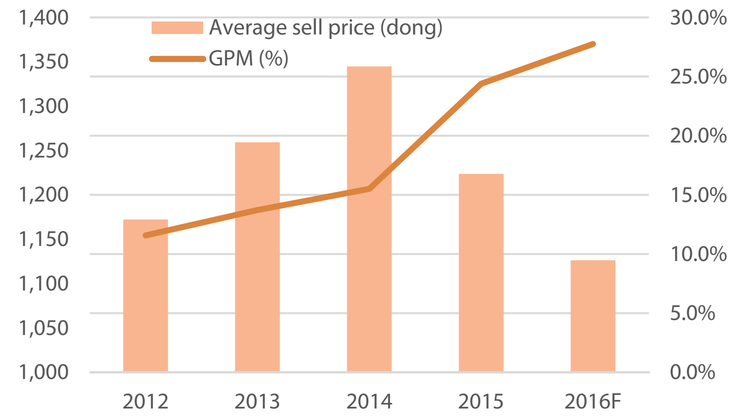
Source: RongViet Research

NT2's Average sales volume



Sources: RongViet Research

NT2's Gross margin



Sources: RongViet Research

VND billion

INCOME STATEMENT	2014A	2015A	2016E	2017F
Revenue	7,064.9	6,729.4	6,194.3	5,776.9
COGS	5,413.3	5,087.7	4,474.9	4,356.4
Gross profit	**1,651.7**	**1,641.8**	**1,719.4**	**1,420.4**
Selling Expense	0.2	0.1	0.2	0.2
G&A Expense	74.7	146.2	134.6	125.5
Finance Income	450.5	65.0	64.5	102.5
Finance Expense	437.2	359.4	603.2	383.1
Other profits	0.9	0.8	0.9	0.9
PBT	**1,591.0**	**1,201.8**	**1,046.8**	**1,015.1**
Prov. of Tax	0.0	60.2	52.4	50.8
Minority's Interest	0.0	0.0	0.0	0.0
PAT to Equity Shareholder	**1,591.0**	**1,141.6**	**994.4**	**964.3**
EBIT	1,576.7	1,495.4	1,584.6	1,294.7
EBITDA	2,415.4	2,187.3	2,275.2	1,985.3

%

FINANCIAL RATIO	2014A	2015A	2016E	2017F
Growth				
Revenue	8.9	-4.7	-8.0	-6.7
Operating Income	112.9	-5.2	6.0	-18.3
EBITDA	40.2	-9.4	4.0	-12.7
PAT	19256.6	-28.2	-12.9	-3.0
Total Assets	2.4	-6.7	-4.8	-6.0
Equity	52.3	12.3	10.7	7.4
Internal growth rate	21.0	16.2	7.2	7.1
Profitability				
Gross profit/Revenue	15.5	24.4	27.8	24.6
Operating profit/ Revenue	22.3	22.2	25.6	22.4
EBITDA/ Revenue	34.2	32.5	36.7	34.4
Net margin	22.5	17.0	16.1	16.7
ROAA	12.9	9.5	8.7	9.0
ROAE	26.6	25.3	19.8	17.6
Efficiency				
Receivable Turnover	3.8	3.5	3.9	4.0
Inventory Turnover	21.8	18.1	16.5	17.4
Payable Turnover	4.8	4.4	4.7	4.8
Liquidity (x)				
Current	1.4	1.5	1.7	1.9
Quick	1.3	1.3	1.6	1.7
Solvency				
Total Debt/Equity	194.0	144.2	110.1	84.0
Current Debt/Equity	24.8	22.1	20.0	18.6
Long-term Debt/ Equity	137.9	100.9	71.2	47.7

VND billion

BALANCE SHEET	2014A	2015A	2016E	2017F
Cash and short-term investment	726	1,109	1,532	2,093
Receivables	2,260	1,576	1,578	1,290
Inventories	275	288	253	247
Other current assets	0	8	7	7
Total Current Asset	**3,261**	**2,981**	**3,371**	**3,637**
Fixed Assets	8,306	7,618	6,927	6,237
Construction in Progress	0	6	6	6
Long-term Investment	0	0	0	0
Other long-term assets	916	1,040	782	546
Long-term Asset	**9,222**	**8,664**	**7,716**	**6,788**
Total Asset	**12,484**	**11,645**	**11,086**	**10,425**
Payables	810	611	603	587
Current Debt	1,052	1,054	1,054	1,054
Long-term Debt	5,856	4,812	3,758	2,704
Other long-term liabilities	519	400	394	413
Total Liability	**8,237**	**6,876**	**5,810**	**4,758**
Owner's Equity	**4,247**	**4,768**	**5,277**	**5,667**
Capital	2,560	2,739	2,879	2,879
Retained Earnings	1,497	1,950	2,261	2,601
Funds & Reverses	190	80	137	187
Others	**0**	**0**	**0**	**0**
Total Equity	**4,247**	**4,768**	**5,277**	**5,667**
Minority's Interest	0	0	0	0
TOTAL RESOURCES	**12,484**	**11,645**	**11,086**	**10,425**

VALUATION RATIO	2014A	2015A	2016E	2017F
EPS (dong)	6,137	4,095	4,460	3,732
P/E (x)	3.2	6.5	7.8	7.8
BV (dong)	16,589	17,408	18,329	19,684
P/B (x)	1.2	1.5	1.5	1.2
DPS (dong/cp)	1,300	1,500	2,200	2,000
Dividend yield (%)	6.6%	5.6%	6.3%	5.7%

VALUATION MODEL	*Price*	*Weight*	*Average*
FCFE	43,075	30%	12,922
EV/EBITDA	37,382	40%	14,953
P/E	34,091	30%	10,227
Target price (dong/share)			**35,619 (*)**

(*) Adjusted for FX unrealized loss and 2015 dividend

VALUATION HISTORY	*Price*	*Recommendation*	*Period*
30/07/2015	30.200	Mua	Trung hạn

RESULT UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings / Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to10%	-15% to- 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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