

NT2: Q4-2022 Earning Release.

NT2's Q4-2022 revenue reached 1,923 bn VND, **+18% YoY**, whereas the cost of goods sold (COGS) outpaced revenue growth, rising **+24% YoY** to 1,838 bn VND, leaving a declining gross profit of just 85 bn VND, **-43% YoY**. The underlying reason was due to the hike in gas prices as the chief input material, which is indexed to the oil price. To be more detailed, the material costs increased by **+52% YoY** in the formation of operational expenses. As a result, the gross profit margin was squeezed to only 4%, down from 9% in Q4-2021, resulting in modest net earning of 6 bn VND (contributed partially by the effect of provisions as well). However, the overall 2022 posted performance was better than 2021 with 729 bn VND EAT, **+37% YoY** thanks to the economic normalization post COVID-19.

In addition, Q4-2022's administrative expense folded four times, reaching 82 bn VND, compared to Q4-2021 of only 21 bn VND. It was similar for the entire year 2022 with 330 bn VND compatible with 82 bn VND in 2021. The primary cause was lying on the provisions of 240 bn VND in receivables. Both parties, NT2 and Electricity Power Trading Company (EPTC), haven't settled on an agreement on the paid price, which relates to some output volume on the purchasing power contract number 07/2012/HĐ-NMĐ-NT2, signed on July 6th, 2012.

Moreover, the whole year's financial expenses in 2022 decreased by 34 bn VND, **-65% YoY**, on the ground of less interest expenses (**-25% YoY**) and the absence of loan insurance, compared to 27 bn VND in 2021.

At the end of 2022, the account receivables from customers surged by 712 bn VND, **+32% YoY**, equivalent to 66% of current asset. Furthermore, 2022 net debt surged by **+200%** from 210 bn VND in 2021 to 631 bn VND; but nevertheless, these were short-term debts for daily operating activities.

Unit: bn VND	Q4-2021	Q4-2022	YoY	2021	2022	YoY
Revenue	1,635	1,923	18%	6,150	8,786	22%
Gross profit	150	85	-43%	676	1,086	10%
<i>Gross profit margin</i>	9%	4%		11%	10%	
Financial Expense	4	10	150%	52	18	-65%
Interest Expense	4	8	50%	20	15	-25%
EAT	121	6	-95%	534	729	37%
<i>Net profit margin</i>	7%	0%		9%	8%	
Net debt				210	631	200%
Receivables from customers				2,889	2,187	32%

Sources: NT2, ACBS

Comments:

As in line with our previous expectation, the La Nina effect was forecasted not to end until the beginning of 2023 instead of mid-2022 (compared to earlier forecasts at the beginning of 2022), which allowed higher mobilization output volume from hydro, led to a bleak result among thermal groups. However, according to the most recent weather update, El Nino is expected to return shortly in 2023, which will turn the tide of the advantageous competition to thermal generators, particularly for NT2, which is located in Nhon Trach – Dong Nai, one of many important economic regions, alongside many industrial zones.

Nonetheless, we are concerned that the overall economic slowdown will have an impact on energy demand, particularly from industrial zones, in the context of the PMI index falling to 46.4 in December 2022. Furthermore, the input gas price has demonstrated a reversal of downward trend at the last couple months of 2022. This would have a long-term negative impact on thermal power's gross profit margin. In addition, EVN, which is almost the proprietary customer of NT2, stated that they would lose over 30,000 bn VND in 2022. This would put the EVN's sufficient liquidity in jeopardy, resulting in a pressured increase in NT2's account receivables and provisions, which has already been partially reflected in Q4-2022.

Associate, Research Department

Toan Pham

toanpd@acbs.com.vn

CONTACTS

Ho Chi Minh City Head Office

117 Nguyen Dinh Chieu, Dist. 1, Ho Chi Minh City

Tel: (+84 28) 3823 4159

Fax: (+84 28) 3823 5060

Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi

Tel: (+84 24) 3942 9395

Fax: (+84 24) 3942 9407

RESEARCH DEPARTMENT

Director - Head of Research**Tyler Cheung**

(+84 28) 38 234 876

tyler@acbs.com.vn**Associate Director****Gigi Nguyen Binh**

(+84 28) 3823 4159 (x250)

giaonbt@acbs.com.vn**Manager- Property****Truc Pham**

(+84 28) 3823 4159 (x303)

trucptt@acbs.com.vn**Manager- Financials****Hung Cao**

(+84 28) 3823 4159 (x326)

hungcv@acbs.com.vn**Associate – Consumer-****related, Technology****Chi Luong**

(+84 28) 3823 4159 (x327)

chilkt@acbs.com.vn**Associate- Oil & Gas****Hung Phan**

(+84 28) 3823 4159 (x354)

hungpv@acbs.com.vn**Associate – Consumer-related,****Media****Trung Tran**

(+84 28) 3823 4159 (x351)

trungtn@acbs.com.vn**Associate – Construction****materials****Huy Huynh**

(+84 28) 3823 4159 (x325)

huyha@acbs.com.vn**Associate – Energy****Toan Pham**

(+84 28) 3823 4159 (x325)

toanpd@acbs.com.vn**Associate – Macro****Hoa Nguyen**

(+84 28) 3823 4159 (x352)

hoant@acbs.com.vn**Associate – Macro****Minh Trinh**

(+84 28) 3823 4159 (x352)

minhtvh@acbs.com.vn**Analyst – Technical****Phuoc Luong**

(+84 28) 3823 4159 (x354)

phuocld@acbs.com.vn**Analyst – Technical****Huu Vo**

(+84 28) 3823 4159 (x354)

huvvp@acbs.com.vn**Associate Director – Institutional sales****Huong Chu**

(+84 28) 3824 6679

huongctk@acbs.com.vn**Customer Support****Institutional Client****Thanh Le**

(+84 28) 3823 4798

thanhln@acbs.com.vn**Trader****Thanh Tran**

(+84 28) 3824 7677

thanhtt@acbs.com.vn**Trader****Phuong Chu**

(+84 28) 3823 4159 (x357)

phuongctm@acbs.com.vn**Trader****Dung Ly**

(+84 28) 3823 4159 (x313)

dungln.hso@acbs.com.vn**Trader****Nhi Nguyen**

(+84 28) 3823 4159 (x315)

nhinp@acbs.com.vn

DISCLAIMER

Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2022). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.