

28 Oct 2024

Quang Ninh Thermal Power (QTP)

Waiting for new cycle

- 3Q24 NPAT growth optimistic thanks to low base
- Pressure from the coal prices may be high in 4Q24F
- Maintain a BUY recommendation

Facts: NPAT growth optimistic thanks to low base

In 3Q24, QTP recorded revenue of VND2,386bn (-5% yoy, figure 1). The main reason comes from the output's QTP in 3Q24, which is reported to decrease slightly compared to the same period (-2% yoy, figure 2).

Notably, in 3Q24, gross profit and NPAT strongly increased to VND113bn (+81% yoy, figure 3) and VND76bn (+554% yoy, figure 4), thanks to factor drivers:

- 3Q24's gross margin (GM) rose to 4.7%, improving by 2.2%p yoy due to good operating leverage performance that decreased other fixed costs by 39% yoy.
- Besides, support positive from interest expenses is down recorded VND231bn (-68% yoy, figure 5).

Table 1. Quarterly earnings snapshot in 3Q24

	3Q23	4Q23	1Q23	2Q24	3Q24	QoQ	YoY
Sales	2,507	2,847	3,010	3,628	2,386	(34)	(5)
OP	14	223	253	181	85	(53)	531
OP margin (%)	0.5	7.8	8.4	5.0	3.6	(1.4)	3.1
EBIT	12	222	252	180	85	(53)	(588)
NPAT	12	211	227	162	76	(53)	554

Source: Company data, KISVN

Pros & cons: Pressure from the coal prices may be high

In 4Q24F, we think that QTP's earnings could experience less positive compared to the same period, and the main reason comes from:

- The main effect of the GM decline is that the current coal price is likely to increase by 18% compared to the same period (Figure 6).
- In contrast, the estimated FMP price in 4Q24, is expected to decline more quickly due to favorable conditional hydrological (Figure 6, 7).
- Besides, partly due to the high-profit base in 4Q23 recorded VND211bn.
- On the positive side, interest expenses are down VND30bn per quarter as QTP repays its debts. However, this positive effect could not offset the decline in 4Q24F's GM.

12M rating **BUY (Maintain)**

12M TP **23,400**

Up/Downside **(70%) (included dividend)**

Stock data

VNIndex (30 Oct, pt)	1,259
Stock price (30 Oct, VND)	13,800
Market cap (USD mn)	245
Shares outstanding (mn)	450
52-Week high/low (VND)	16,948/12,463
6M avg. daily turnover (USD mn)	0.28
Free float / Foreign ownership (%)	88.4/1.0
Major shareholders (%)	
GENCO1	42
PPC	16.35

Performance

	1M	6M	12M
Absolute (%)	(4.2)	(7.5)	12.3
Relative to VNIndex (%p)	(1.9)	(12.9)	(10.9)

Stock price



Source: Bloomberg

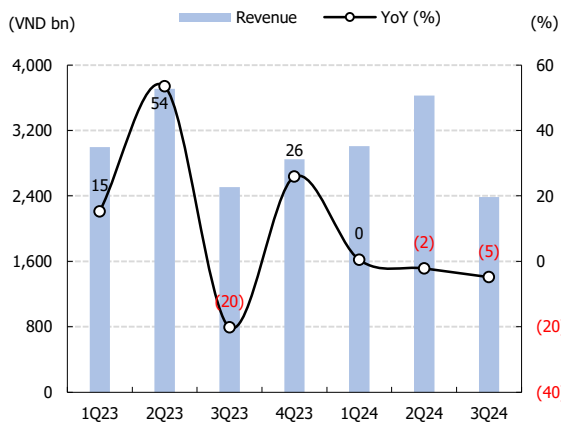
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Action: Maintain BUY rating

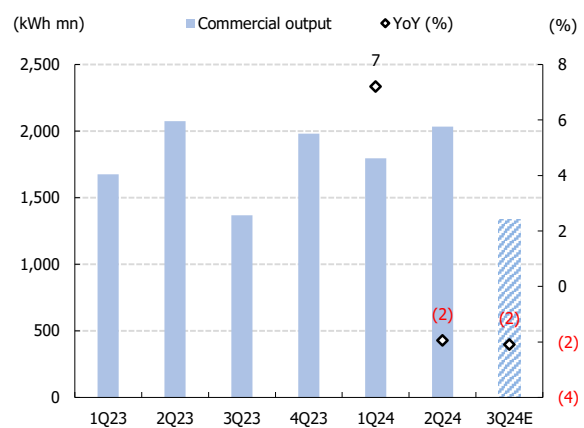
We strongly believe that QTP has a positive in the mid, and long term. In addition ,QTP plays an important role in maintaining system stability. On this basic, we maintain a **BUY**-rating for **QTP** (TP: 23,400VND, +70%) in 4Q24F. However, QTP’s negative earnings results in 4Q24F could impact the stock price in the short-term.

Figure 1. Revenue had a slight decrease of VND2,386bn, -5% yoy



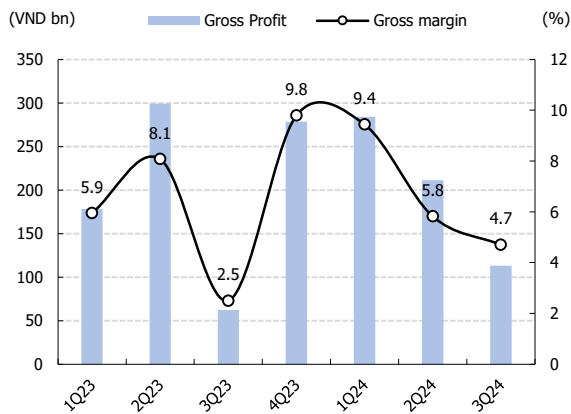
Source: QTP, KISVN

Figure 2. Commercial output in 3Q24 decreased by 2% yoy, and could continue the less positive in 4Q24F



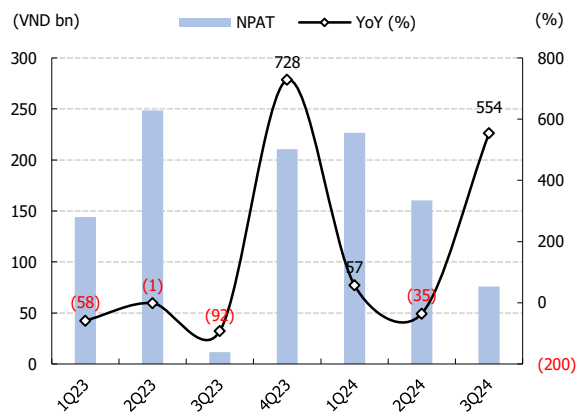
Source: QTP, EVN, KISVN
Note: Data for 3Q24F is estimated.

Figure 3. 3Q24’s gross margin rising to 4.7%, improving by 2.2%p yoy



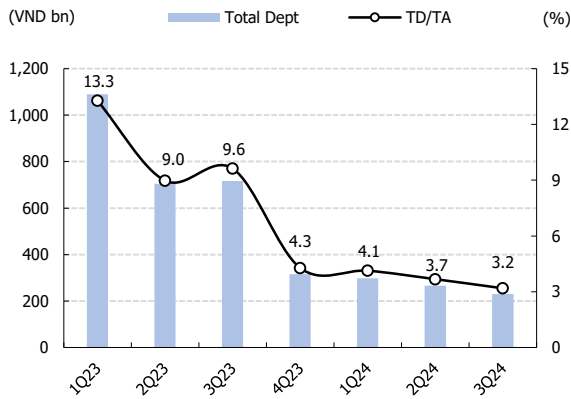
Source: QTP, KISVN

Figure 4. NPAT recorded growth strongly recorded VND76bn (+554% yoy)



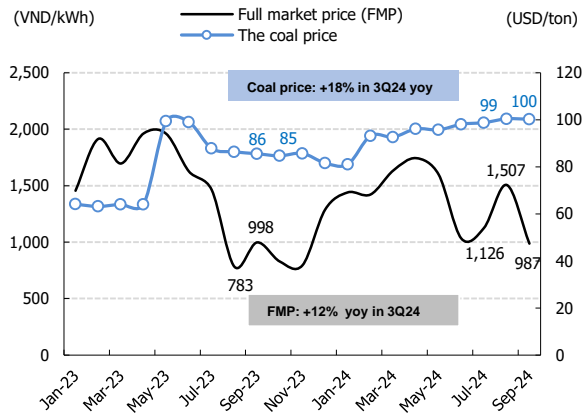
Source: QTP, KISVN

Figure 5. In 3Q24, total debts recorded VND231bn, a decrease of 68% compared to the same period.



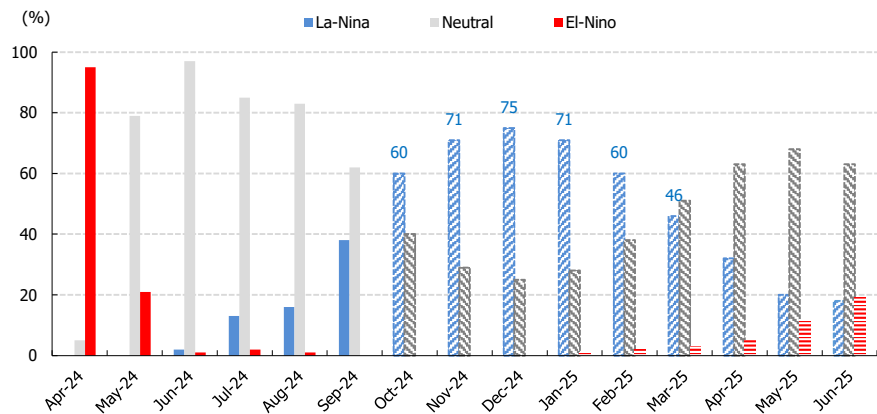
Source: QTP, KISVN

Figure 6. The FMP price in 4Q24, which is expected to continue decline



Source: PGV, POW, KISVN

Figure 7. The La-Nina ability to last to the end of 2025, an impact positively on the hydrological situation in 4Q24F



Source: NOAA, KISVN

■ **Company overview**

Quang Ninh Thermal Power Joint Stock Company (QTP) was established in 2002 with founding shareholders, including Vietnam Electricity Corporation (EVN), Vietnam Coal and Minerals Corporation (TKV), Construction Machinery Corporation (COMA), Vietnam Construction and Import-Export Corporation (VINACONEX) and Vietnam Machinery Installation Corporation (LILAMA)

Balance sheet VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
Current assets (Adj.)	3,639	3,732	3,944	4,232	4,899
Cash & cash equivalent	206	24	158	151	912
Non-current assets (Adj.)	3,433	3,709	3,787	4,081	3,987
Fixed Asset	5,195	4,242	3,367	2,407	1,454
Investment assets	-	-	-	-	-
Others	75	76	69	67	66
Total assets	8,910	8,051	7,380	6,705	6,419
Advances from customers	0	-	1	1	1
Unearned revenue	-	-	-	-	-
Trade payables	437	607	1,159	1,078	1,053
Others	143	184	607	288	281
ST debt & bond	750	776	98	153	80
LT debt & bond	1,405	316	218	80	16
Total liabilities	2,739	1,888	2,087	1,604	1,435
Controlling interest	6,171	6,162	5,292	5,101	4,984
Capital stock	4,500	4,500	4,500	4,500	4,500
Capital surplus	231	231	231	231	231
Other Reserves	274	274	145	145	145
Retained earnings	1,166	1,158	416	225	108
Shareholders' equity	6,171	6,162	5,292	5,234	4,954

Cash flow VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
C/F from operations	1,802	1,438	1,149	648	894
Net profit	617	805	644	649	749
Depreciation	972	960	884	526	313
Net incr. in W/C	1,877	1,896	1,568	1,191	1,037
C/F from investing	(407)	217	787	(336)	33
Capex	(5)	(4)	(10)	(7)	(7)
Incr. in investment	(403)	221	798	(329)	40
C/F from financing	(2,025)	(1,836)	(1,802)	(759)	(811)
Incr. in equity	-	-	-	-	-
Incr. in debts	-	-	(791)	54	(73)
Dividends	(449)	(719)	(1,011)	(675)	(675)
C/F from others	-	-	-	-	-
Increase in cash	(631)	(182)	134	(447)	115

Income statement VND bn

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
Net sales	8,571	10,417	12,058	11,519	11,248
COGS	7,581	9,336	11,241	10,754	10,427
Gross profit	990	1,081	817	765	821
SG&A	256	113	114	100	98
Operating profit	734	968	703	665	723
Financial income	82	34	23	1	40
Interest income	52	33	21	15	40
Financial expenses	195	193	78	17	15
Interest expenses	195	133	57	17	15
Other non-operating profit	(4)	(4)	(4)	-	-
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-
Earnings before tax	617	805	644	649	749
Income taxes	39	41	32	65	75
Net profit	578	764	612	584	674
Net profit of controlling interest	578	764	612	584	674
EBITDA	1,784	1,898	1,586	1,192	1,077

Key financial data

FY-ending Dec.	2021A	2022A	2023A	2024F	2025F
per share data (VND, adj.)					
EPS	1,168	1,405	1,125	1,075	1,239
BPS	13,712	13,694	11,761	11,336	11,075
DPS	1,600	2,250	1,036	1,500	1,500
Growth (%)					
Sales growth	(6.7)	21.5	15.8	(4.5)	(2.4)
OP growth	(57.6)	32.0	(27.4)	(5.4)	8.7
NP growth	(55.7)	32.2	(19.9)	(4.5)	15.3
EPS growth	(55.7)	32.2	(19.9)	(4.5)	15.3
EBITDA growth	(57.6)	32.0	(27.4)	(5.4)	8.7
Profitability (%)					
OP margin	8.6	9.3	5.8	5.8	6.4
NP margin	6.7	7.3	5.1	5.1	6.0
EBITDA margin	8.6	9.3	5.8	5.8	6.4
ROA	6.0	9.0	7.9	10.3	6.9
ROE (excl MI)	9.4	12.4	10.7	14.2	9.4
Dividend yield	8.4	17.3	7.0	10.5	10.5
Dividend payout ratio	343	159	34	125	133
Stability					
Net debt (VND bn)	1,949	1,069	159	82	(816)
Net debt/equity (%)	32	17	3	2	(16)
Valuation (X)					
PE	6.4	11.1	10.9	11.0	9.6
PB	1.2	1.3	1.3	1.3	1.3
EV/EBITDA	13.0	6.3	9.7	9.9	9.1

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