

## QUANG NINH THERMAL POWER JOINT STOCK COMPANY (QTP)

<b>12-MONTH RATING</b>	Close price as of 18 <sup>th</sup> Jul 2024	₫15.800
<b>HOLD</b>	Target price (12M)	₫17.500
	Upside	10,8%

### OPTIMISTIC OUTLOOK FOR 2024

**Q2/2024 financial performance showed a decline, while 6M2024 cumulative results exhibited robust growth**

- Q2/2024's electricity generation output reached 2,2 billion kWh**, representing a slight YoY decline of 3,5%. 6M2024 data recorded total output of 4,2 billion kWh (+1,7% YoY). QTP's annual production target for 2024 was set at 7,73 billion kWh, and the Company is actively working to achieve an output of 7,76 billion kWh, driving the guidance completion rate to 100,44%.
- QTP reported revenue of VND3.628 billion (-2,2% YoY) and PBT of VND178 billion (-32,1% YoY) for the second quarter of 2024:** The decline in revenue was primarily attributed to a decline in electricity output, while the decrease in PBT was primarily due to lower electricity prices in the competitive market. 6M2024 data recorded total revenue of VND6.638 billion (-1% YoY), total PBT of VND430 billion (+4% YoY, driving the guidance completion rate to 78%).
- Financial and depreciation expenses continued on a decline:** During the first six months of 2024, financial expenses declined significantly by 57% to VND15 billion, while depreciation expenses declined by 34% (equivalent to VND154 billion) – primarily driven by a decrease in the depreciation of machinery and equipment at QN1 factory. QTP's outstanding loans amounted VND267 billion VND, and the Company anticipates repaying the loans used for factory investment by the first half of 2025.
- QTP plans to maintain a generous dividend policy in the upcoming years:** For the year 2023, a dividend payout ratio of 15% was declared, with 10,36% already paid out. The Company had announced the planned dividend payout for the year 2024 to be 10%; however, we believe this rate represents a minimum level and the Company may be able to distribute higher dividends.
- Electricity demand surged by 11.3% during 1H.2024:** Total system's electricity production output and export reached 151,7 billion kWh (+11,3% YoY). Coal-fired thermal power output reached 86,3 billion kWh (+29,3% YoY), accounting for 56,9% of total electricity generation.

**Investment risks – low season for thermal power:** The rainy season in the North, which typically begins in June, marks the low season for thermal power generation. QTP routinely conducts plant maintenance in Q3, which may temporarily impact the quarter's earning results. However, we consider these factors to be immaterial and cyclical in nature.

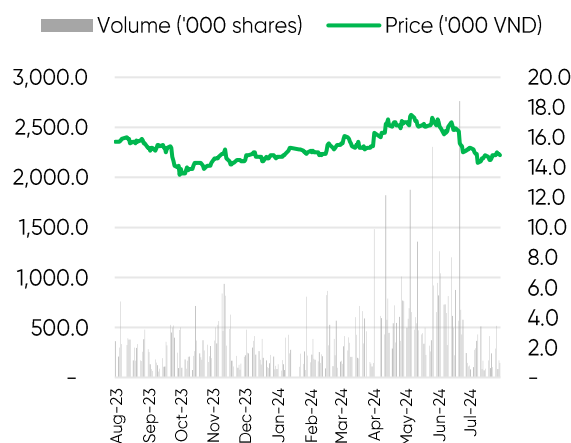
**For the year 2024, we forecast QTP's total electricity output to reach between 7,75 and 7,80 billion kWh; total revenue of VND11.892 billion (equivalent to 99% of 2023's result) and total profit of VND764 billion (equivalent to 118% of 2023's result).**

**Using a combination of FCFE and P/E, P/B analysis, QTP's stock is determined to be VND17.500 per share. This suggests an expected return of 10,8% over the next 12 months.**

### TRADING INFO

Ticker	UPCOM: QTP
52W Average volume (000 shares)	<b>483</b>
Outstanding shares (mil)	450
52W Range	13.500 ₫ – 17.500 ₫
Market cap (VNDb)	7.110
2-year Beta	0,85

### STOCK PRICE MOVEMENT



### PRIMARY FINANCIAL INDICATORS

Unit: billion VND

Indicators	2022	2023	6M2024	2024F
Revenue	10,417	12,058	6,638	11,892
Revenue growth	21.5%	15.8%	-1.0%	-1.4%
Gross profit	1,081	819	495	892
PBT	805	648	430	764
PAT	764	616	387	726
EBIT	998	725	445	801
EBITDA	1,958	1,609	737	1,411
Short-term assets	3,732	3,946	4,090	3,604
Long-term assets	4,318	3,436	3,155	2,876
Total assets	8,050	7,383	7,245	6,480
Liabilities	1,888	2,216	1,764	1,263
Shareholders' Equity	6,162	5,166	5,481	5,217
D/E	0.31	0.43	0.32	0.24
EPS	1,698	1,368	860	1,613
BV	13,693	11,481	12,180	11,594

Sources: QTP's FS, VPBankS Research compiled

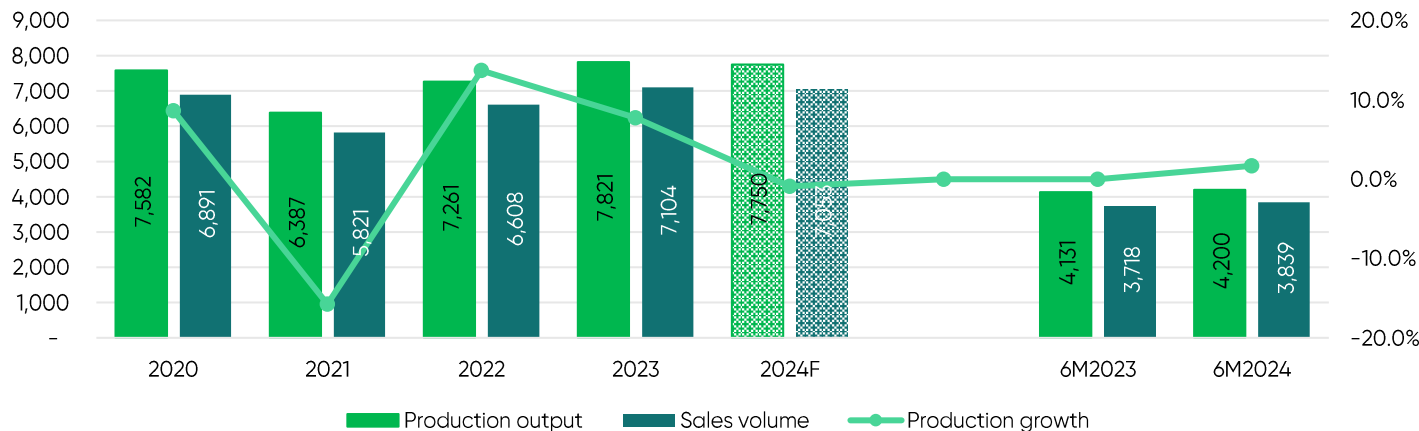
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HIGH ELECTRICITY PRODUCTION OUTPUT & POWER FACTOR

Electricity Production Output (million kWh)

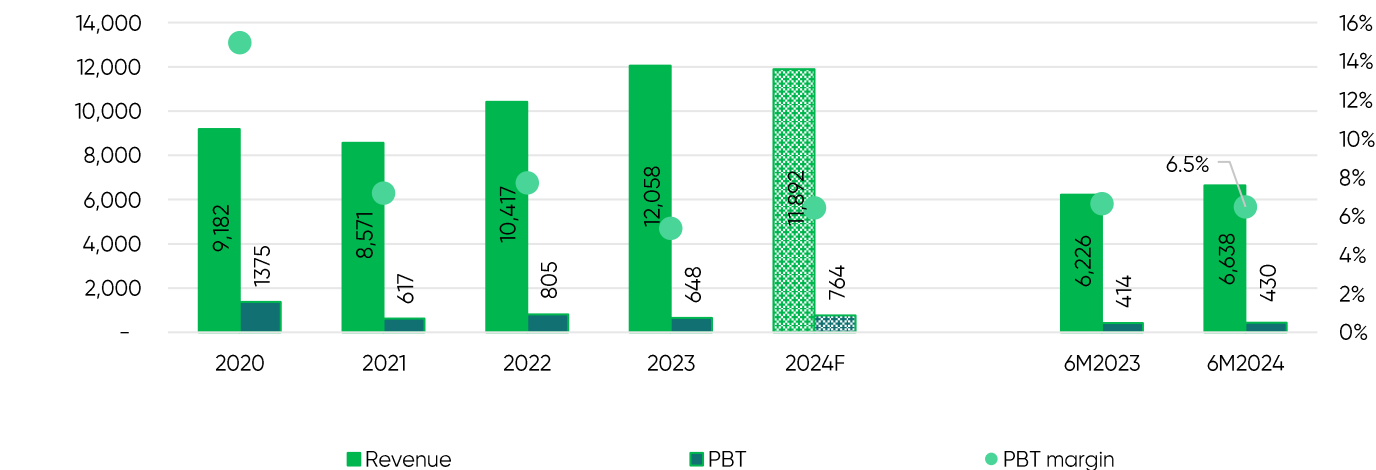


Sources: QTP's FS, VPBankS Research compiled and forecast

- **Electricity output reached 4,2 billion kWh (+1,7% YoY) in the first half of 2024, power factor stayed at 80%, completing 54% of the annual guidance:** In the second quarter specifically, electricity output reached 2,24 billion kWh (+13,7% QoQ, -3,5% YoY)
- **QTP has been assigned a 2024 electricity production target of 7.73 billion kWh,** after reaching 7.82 billion kWh in 2023. The Company is committed to surpassing this target by 0.44%, aiming to produce 7.76 billion kWh. **For the year 2024, we forecast electricity production output to reach between 7,75 and 7,80 billion kWh.**

6M2024's earning results – PBT rose by 4% YoY

VNDb Revenue and Profit



Sources: QTP, VPBankS Research compiled and forecast

- **Revenue and PBT for the second quarter reached VND3.628 billion (-2,2% YoY) and VND178 billion (-32,1% YoY), respectively:** The decline in revenue was primarily attributed to a decline in electricity output. PBT decreased due to lower electricity prices in the competitive market. 6M2024 data recorded total revenue of VND6.638 billion (-1% YoY), total PBT of VND430 billion (+4% YoY, completing 78% of annual guidance).
- **Financial and depreciation expenses continued on a decline:** Financial expenses declined by 57% for the first 6 months of 2024, reaching VND15 billion. Depreciation expenses decreased significantly by 34% (equivalent to VND154 billion), mainly driven by a decrease in the depreciation of machinery and factory equipment for QN1 plant.

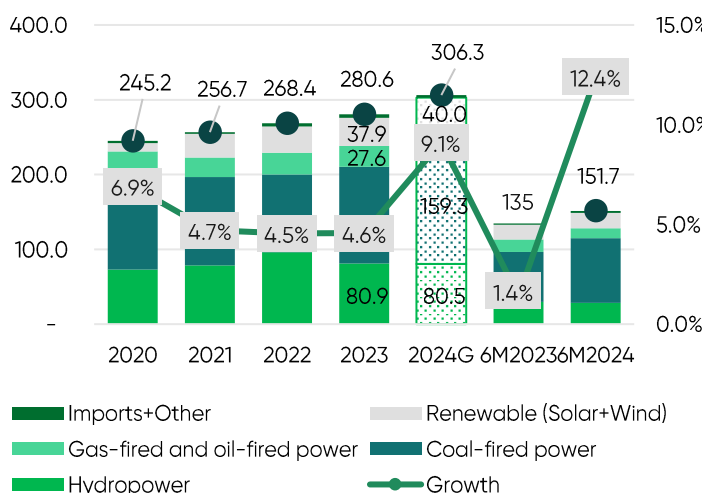
**For the year 2024, we forecast total revenue of VND11.892 billion (equivalent to 99% of 2023's result), total PBT of VND764 billion (equivalent to 118% of 2023's result), total PAT of VND726 billion, EPS of VND1.613.**

## FAVORABLE ELECTRICITY MARKET

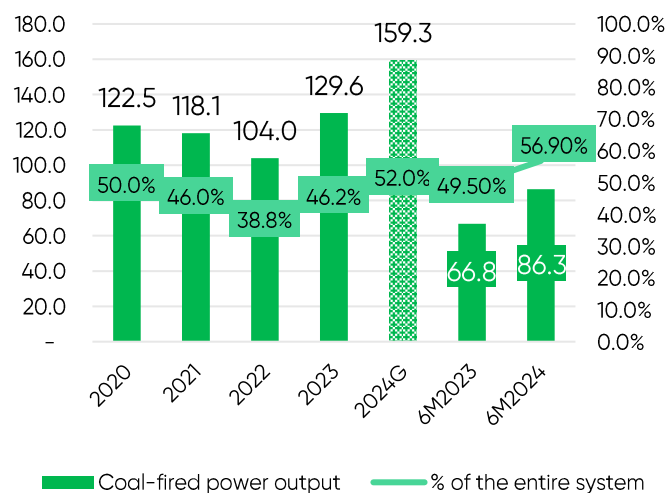
In 2024, the power generation market is anticipated to actively bolster enterprises with coal-fired thermal power plants, driven by a projected surge in electricity demand of 10%-11% and the prioritization of coal-fired power due to its competitive prices and secured coal supply.

- The anticipated growth in electricity demand is projected to range between 10% and 11% for the year 2024:** Since the beginning of the year, the Ministry of Industry and Trade has formulated a comprehensive electricity demand plan for the year 2024, estimating it to reach 306,3 billion kWh (+9,13%). However, in response to the observed system's demand during the first quarter, the Ministry has revised the demand upward by 1,25% to 310,6 billion kWh to ensure sufficient electricity supply for social and economic development.
- Prioritization of output from coal-fired power plants:** In 2024, coal-fired power output is projected to reach between 155 and 159 billion kWh, increasing by 22,9% and taking up 55% of the entire system's total output.
- Coal-fired power output reached 86,3 billion kWh in the first half of 2024, surging by 29,3% YoY and accounting for 56,9% of the entire system's total output:** The focus during this period was centred on prioritizing coal-fired power due to its competitive prices and secured coal supply. In contrast, hydropower sources encountered challenges due to the impact of El Nino, leading to constraints in water availability; consequently, it was needed to reserve hydropower capacity for the peak high-temperature months (from May to July). Gas-fired power's competitiveness was limited due to its high prices and limited gas supply.

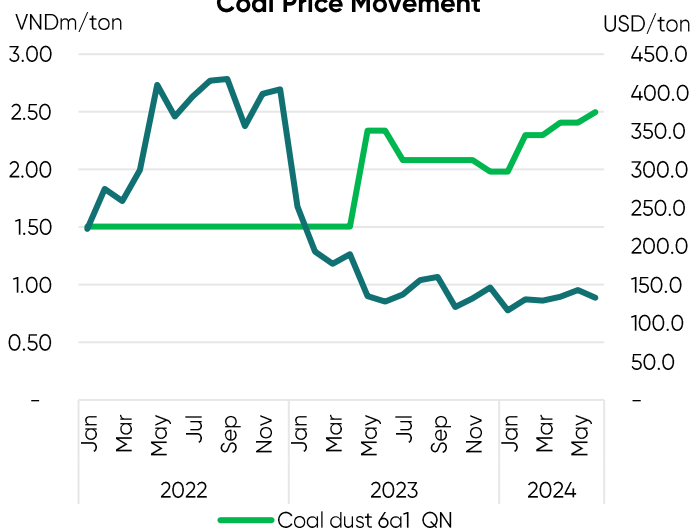
**Total Power Production Output and Growth**



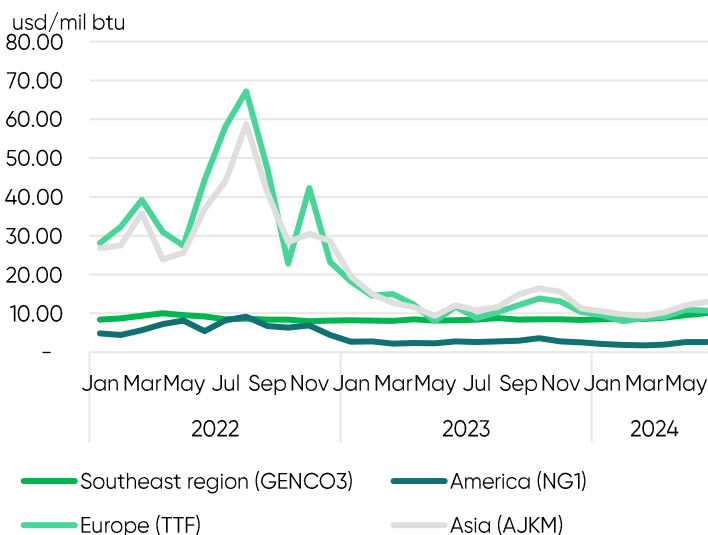
**Coal-fired Power Output**



**Coal Price Movement**



**Gas Price Movement**



Sources: Ministry of Industry and Trade, EVN, GENCO, VPBankS Research compiled

## APPENDIX – CONSOLIDATED FINANCIAL STATEMENTS

Profit & Loss Statement				Cash Flow Statement			
	2022A	2023A	2024F		2022A	2023A	2024F
<b>Revenue</b>	10,417	12,058	11,892	Cash flow from operating activities	1,438	1,149	939
COGS	-9,336	-11,239	-11,000	Cash flow from investing activities	217	787	-99
<b>Gross profit</b>	1,081	819	892	Cash flow from financing activities	-1,833	-1,802	-893
Financial income	34	23	30				
Financial expense	-193	-77	-37				
General & Administrative expense	-113	-112	-119				
<b>Net operating profit</b>	809	652	766				
Pre-tax profit	805	648	764				
<b>Net profit after tax</b>	764	616	726				
Earning per share	1,698	1,368	1,613				
Balance Sheet				Financial Ratios			
	2022A	2023A	2024F		2022A	2023A	2024F
<b>Current assets</b>	<b>3,732</b>	<b>3,946</b>	<b>3,604</b>	<b>Efficiency ratios</b>			
Cash & cash equivalents	24	158	105	Gross profit margin	10.4%	6.8%	7.5%
Short-term investments	772	2	50	EBITDA Margin	18.8%	13.3%	11.9%
Short-term receivables	2,515	2,984	2,769	Net profit margin	7.3%	5.1%	6.1%
Inventory	391	726	603	ROE	12.4%	11.9%	13.9%
Other current assets	30	77	76	ROA	9.5%	8.3%	11.2%
<b>Non-current assets</b>	<b>4,318</b>	<b>3,436</b>	<b>2,876</b>	<b>Growth ratios</b>			
Fixed assets	4,242	3,368	2,808	Revenue growth	21.5%	15.8%	-1.4%
Long-term construction-in-progress	5	6	6	PBT growth	30.5%	-19.5%	17.9%
Other non-current assets	71	63	63	PAT growth	32.2%	-19.4%	17.9%
<b>Total assets</b>	<b>8,050</b>	<b>7,383</b>	<b>6,480</b>	EPS growth	32.2%	-19.4%	17.9%
<b>Liabilities</b>	<b>1,888</b>	<b>2,216</b>	<b>1,263</b>	<b>Liquidity ratios</b>			
<b>Short-term liabilities</b>	<b>1,567</b>	<b>1,993</b>	<b>1,258</b>	Current ratio	2.38	1.98	2.86
Short-term payables	607	1,158	803	Quick ratio	2.13	1.62	2.39
Short-term debt	776	98	98	Debt/Assets	0.23	0.30	0.19
Other short-term liabilities	184	737	357	Debt/Shareholders' equity	0.31	0.43	0.24
<b>Long-term liabilities</b>	<b>321</b>	<b>223</b>	<b>5</b>	Interest coverage ratio	5.17	9.39	21.66
Long-term debt	316	218	0				
Other long-term liabilities	5	5	5	<b>Valuation ratios</b>			
<b>Shareholders' equity</b>	<b>6,162</b>	<b>5,166</b>	<b>5,217</b>	Dividend yield	14.6%	9.7%	9.7%
Owners' contributed capital	4,500	4,500	4,500	EPS (VND)	1,698	1,368	1,613
Investment and development fund	273	145	145	BVPS (VND)	13,693	11,481	11,594
Retained earnings	1,158	290	341				
<b>Total capital</b>	<b>8,050</b>	<b>7,383</b>	<b>6,480</b>				

Sources: QTP's FS, VPBankS Research compiled and forecast

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