February 05th, 2024



Quang Ninh Thermal Power JSC

[Việt Nam / Utilities]

Bloomberg Code (QTP VN) | Reuters Code (QTP.HM)

BUY

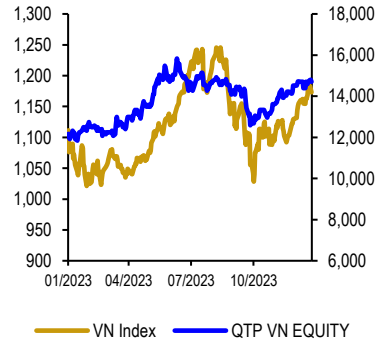
Update Report

Target price (12 months)	**VND 17,500**
Current price (05/02/24)	VND 14,900
Upside/downside (%)	+17.4%

VNINDEX	1,186
P/E market (23F,x)	15.1
Market Cap (bn VND)	6,705
Outstanding shares (mn)	450
Free-Floating (mn)	398
52-Wk High/Low (VND)	18,400/13,300
90-day avg. trading volume (mn)	0.27
90-day avg. turnover (bn VND)	4.0
Foreign ownership (%)	1.2

Major shareholders (%)	EVN GENCO 1	42.0
	PPC	16.0

Performance	3M	6M	12M
Absolute (%)	8.0	-10.8	0.7
Relative to VN-Index (%)	-2.2	-7.5	-9.4



Source: Bloomberg

Nam Hoang

☎ (84-28) 6299-7603

✉ nam.h@shinhan.com

Ly Bui – Head of research

☎ (84-28) 6299-8029

✉ ly.btt@shinhan.com





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Record output and attractive dividends

Update recommendation BUY, target price 17,500 VND

Quang Ninh Thermal Power JSC (UPCOM: QTP) is one of the largest designed capacity thermal power companies on the stock exchange (1200MW). Quang Ninh 1&2 Thermal Power Plant supplies electricity directly to the key economic region of the North with stable demand. In addition, this plant is also located in the area with the most abundant coal reserves in the country. Based on the FCFF and PE methods, we update the target price of QTP at VND 17,500. In 2024, we believe that QTP continues to be an attractive investment because: (1) Expected output recovery is supported by many factors such as: Elnino lasting until mid-2024, expected recovery of industrial production, the power shortage in the North still occurs; (2) Strong financial health, expected to pay off all debts and high potential dividends.

Update business results 2023

Quang NinhThermal Power JSC updates its Q4/2023 business results with net revenue of VND 2,847 billion (+25.8% YoY) and net profit of VND 211 billion (8.4 times higher YoY) mainly thanks to a 38.2% YoY increase in commercial electricity output. In the whole year of 2023, QTP's electricity production reached the highest level in 13 years of operation (7.8 billion kWh), revenue reached VND 12,058 billion (+15.7% YoY) and net profit reached VND 614 billion (-19.6% YoY), thanks to strong mobilization when the El Nino phenomenon negatively affected the output of hydroelectric plants. However, the significant increase in raw material costs due to QTP using blended coal with a high proportion of imported coal in 2023 caused the company's net profit to decline.

Outlook for 2024

According to the company, the electricity production assigned by the Ministry of Industry and Trade in 2024 is 7.7 billion kWh, a slight decrease of 1.2% YoY. We expect QTP to be able to achieve this output level completely thanks to the support of the following factors: (1) Expected recovery of electricity demand by 8.9% (based on GDP growth target of 6-6.5%) and the power shortage in the North still exists, (2) Expected Elnino to last until mid-2024 before switching to a neutral phase. In addition, we expect profit in 2024 to reach VND 642 billion, +4.5% YoY due to a decrease in interest expenses, which will help improve the net profit margin slightly.

Attractive Dividend Payout Ratio

QTP has had an attractive dividend payout policy in the past 3 years with a ratio of 10-22%. We expect QTP to increase the dividend payout ratio in the coming years when: (1) The company is expected to pay off all its debts this year, which will increase the company's cash flow, (2) Depreciation expenses will decrease significantly from 2026-2027, helping to improve the company's business operations.

Risks: (1) Input material risks; (2) Unfavorable weather; (3) Risk from other peer power sources ; (4) Risk from an accident at the power plant.

Year to Dec.	2021	2022	2023	2024F	2025F
Revenue (bn VND)	8,571	10,417	12,058	11,789	11,544
OP (bn VND)	621	815	651	713	731
NP (bn VND)	578	770	614	642	658
EPS (VND)	1,284	1,712	1,365	1,427	1,462
BPS (VND)	13,712	13,694	11,481	12,526	12,234
OPM	9%	9%	6%	6%	6%
NPM	7%	7%	5%	5%	6%
ROE	9%	13%	12%	11%	12%
PER (x)	14.8	8.6	10.8	10.4	10.2
PBR (x)	0.9	0.9	0.9	1.2	1.2
EV/EBITDA (x)	3.4	3.2	3.9	3.8	4.0

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

We use the P/E and Discounted Cash Flow (DCF) valuation methods with a 50%-50% weighting to value QTP. We recommend buying with a target price of VND 17,500, with a total return of 17.4%.

Weighted Average Cost of Capital (WACC)	
WACC (%)	**11.3**
Risk-free rate (%)	2.5
Equity risk premium (%)	9.0
Beta	1.0
Debt cost (%)	9
The cost of equity(%)	11.5
Debt-to-equity ratio	0.05
Total debt (VND billion)	316

Source: Company data, Shinhan Securities Vietnam

FCF valuation					
Unit: billion VND	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Net profit	642	658	674	925	848
After-tax interest expense	15	0	0	0	0
Depreciation & Amortization	837	821	544	187	188
Change in working capital	-371	124	168	-102	-64
CapEx	-7	-7	-7	-7	-7
Free Cash Flow (FCF)	**1,116**	**1,596**	**1,379**	**1,002**	**964**
Discount rate	0.90	0.81	0.72	0.65	0.58
PV of FCF	1,003	1,287	999	652	563
Growth rate	0%				
Present value of long-term value	4,965				
Enterprise value	9,469				
Debt	-316				
Cash and cash equivalents	159				
Number of shares outstanding (billion)	0.45				
Target price (VND)	**20,694**				

Source: Company data, Shinhan Securities Vietnam

Based on the P/E method, we collect data from companies in the energy sector in Vietnam and the Asia-Pacific region. The median P/E of the electricity companies in the statistics (excluding QTP) is 12.52x. Combined with QTP's forward EPS forecast of VND 1,427, we expect QTP's 12-month target price to be VND 14,294.

Multiple valuation

Ticker	PE	Market Cap (mn USD)	EPS Growth (%)	ROA (%)	ROE (%)
NT2 VN EQUITY	15.9	303.6	-45.7	6.2	10.3
QTP VN EQUITY	8.6	268.6	32.2	9.0	12.3
PGV VM EQUITY	12.4	1,047.2	-19.6	3.2	12.2
SPCG TB Equity	6.1	364.6	-7.2	8.7	11.6
POW VN EQUITY	16.9	1,101.0	15.0	2.6	5.2
HND VN EQUITY	12.5	280.0	20.1	6.5	8.7
Median	12.52				
EPS forward (VND)	1,498				
Discount for increasing coal price risk	-20%				
Target price (VND)	**14,294**				

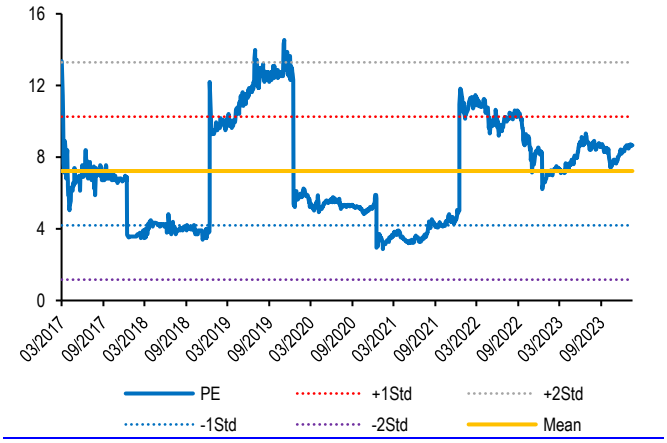
Nguồn: Bloomberg, Shinhan Securities Vietnam

Summary of valuation

Method	Weight	Target price
FCFF	50%	20,694
P/E	50%	14,294
Total	**100%**	**17,500**

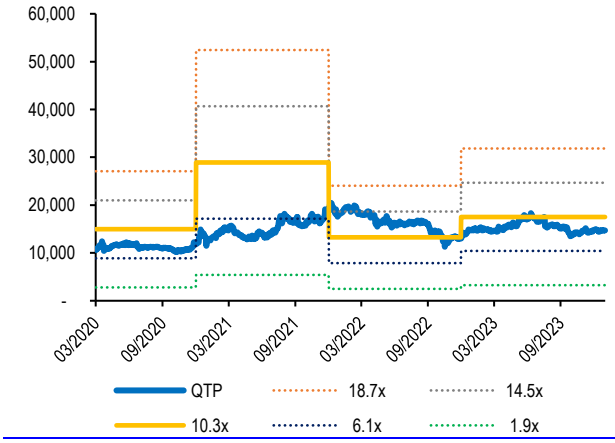
Source: Shinhan Securities Vietnam

PER of QTP



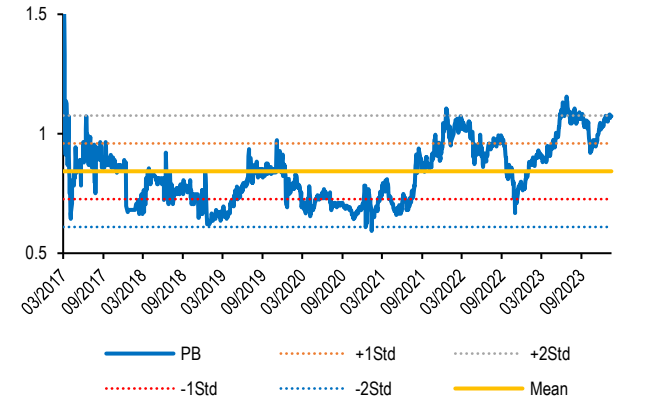
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of QTP



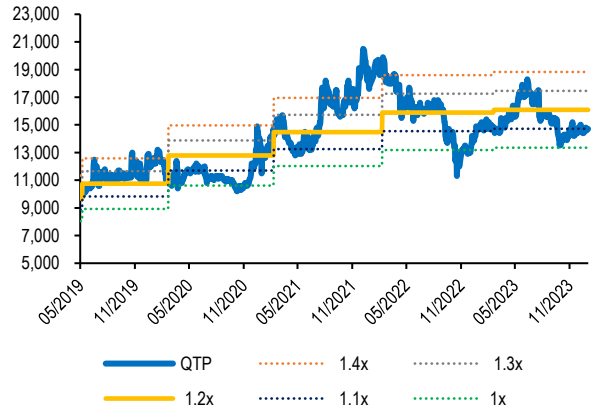
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of QTP



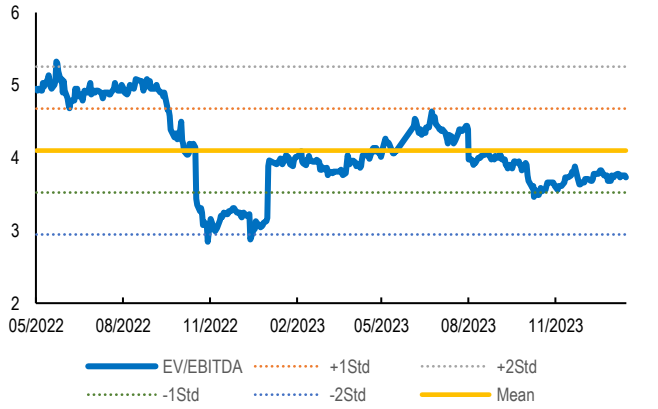
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of QTP



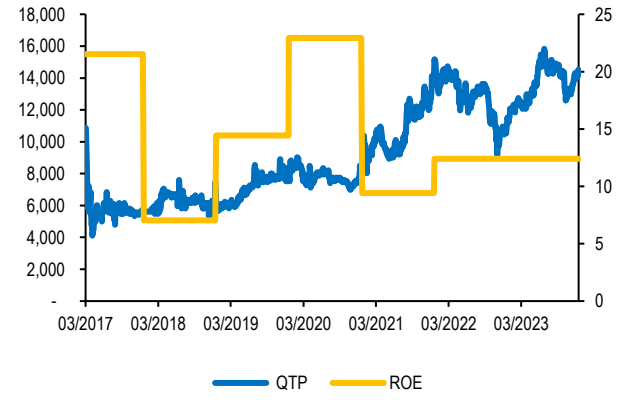
Source: Bloomberg, Company data, Shinhan Securities Vietnam

EV/EBITDA of QTP



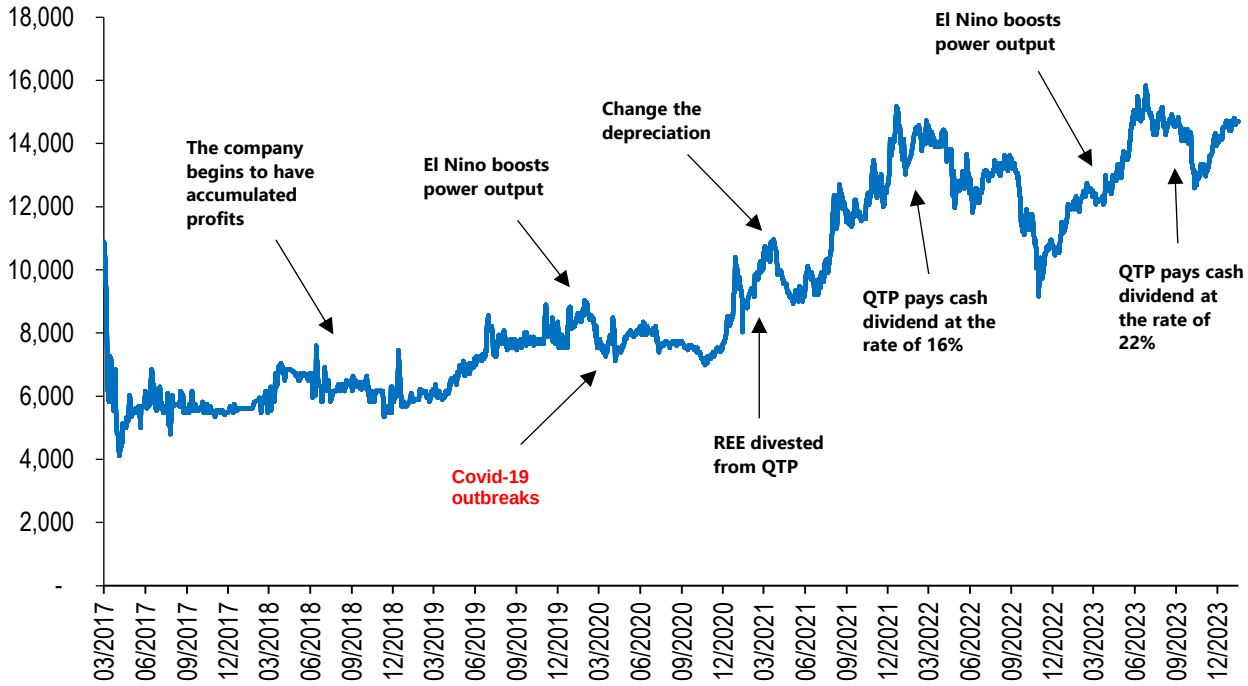
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of QTP and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key events of QTP



Source: Bloomberg, Company data, Shinhan Securities Vietnam

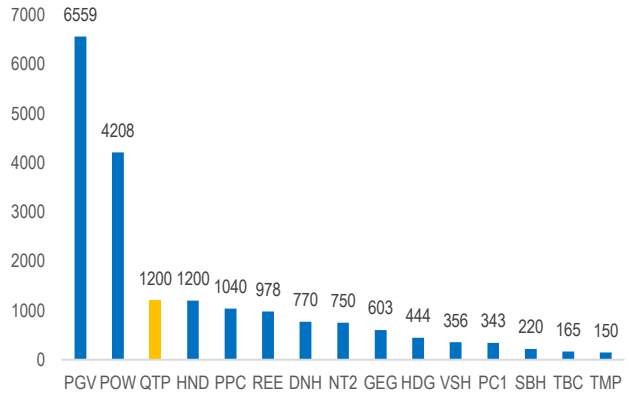
Company background

History of development

Quang Ninh Thermal Power JSC (UPCOM: QTP) was established in 2002 with 5 founders. The shareholder structure of QTP is quite concentrated with 4 major shareholders holding 80% of the total outstanding share of QTP.

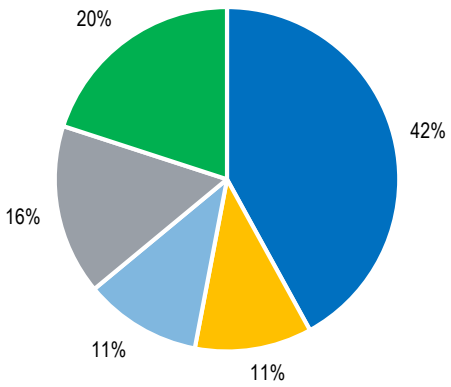
Quang Ninh Thermal Power JSC is officially listed in UPCOM since 2017. Currently, QTP is one of the largest enterprises operating in thermal power. QTP owned the Quang Ninh 1&2 power plant having a total installed capacity of 1,200 MWwith an average volume installed at 7.2 billion kWh per year. Quang Ninh 1&2 power planthas 4 engines with a capacity of 300 MW, which was put into operation in 2009, 2010, 2012, and 2023, respectively.

Total installed capacity of some listed company 2023 (MW) at 12/2023



Source: Company data, Shinhan Securities Vietnam

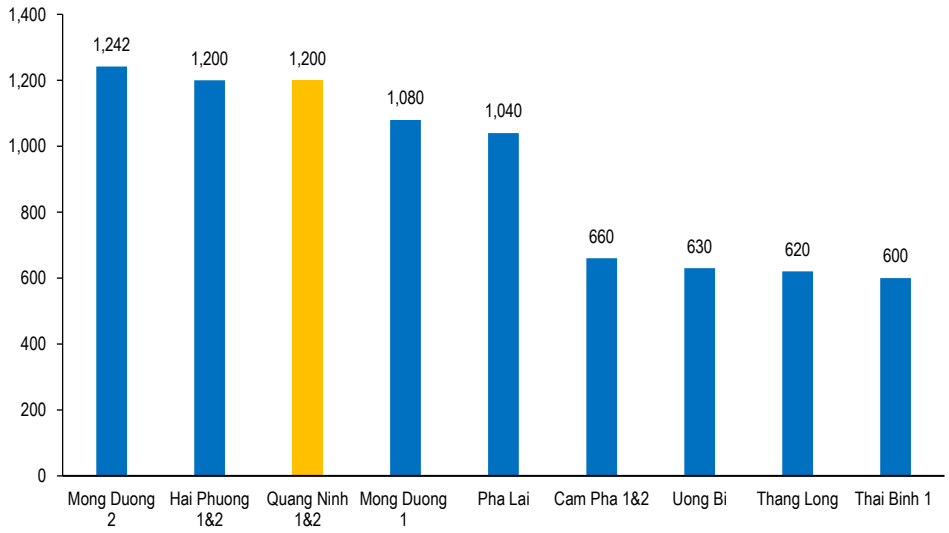
Shareholder structure of QTP at 01/2024



Source: Company data, Shinhan Securities Vietnam

Position of Quang Ninh 1&2 power plant

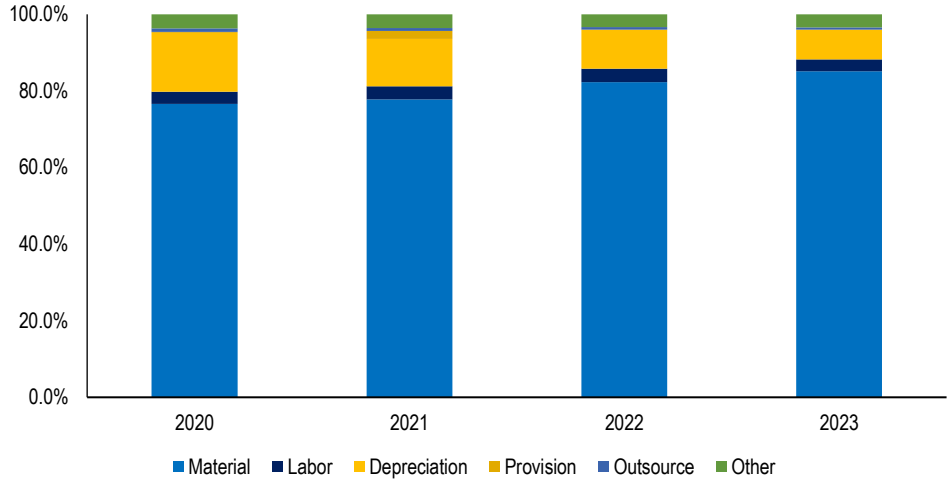
Total capacity of some power plant in the North (MW) at 12/2023



Source: Company data , Shinhan Securities Vietnam

Quang Ninh 1&2 thermal power plant is one of the largest power plants in the North. This power plant is located in Ha Long city, Quang Ninh province, which has a huge amount of coal reserves. So, the Quang Ninh 1&2 power plant has a favorable premise to operate and supply tothe national grid.

Cost of goods sold structure of QTP in the period of 2020-2023



Source: Company data, Shinhan Securities Vietnam

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Total assets	**8,910**	**8,051**	**7,382**	**6,700**	**6,614**
Current assets	3,639	3,732	3,946	4,094	4,822
Cash & equivalents	206	24	158	290	1,051
Short-term financial asset	952	772	2	354	400
Accounts receivable	2,056	2,546	3,061	2,864	2,804
Inventories	426	391	726	587	568
Non-current assets	5,270	4,318	3,436	2,606	1,792
Net fixed assets	5,195	4,242	3,368	2,538	1,723
Investment assets	0	0	0	0	0
Other long-term assets	70	71	63	63	63
Total liabilities	**2,739**	**1,888**	**2,216**	**1,192**	**1,237**
Current liabilities	1,329	1,567	1,993	1,187	1,232
Accounts payable	549	758	1,791	1,187	1,232
Short-term borrowings	750	776	98	0	0
Others	30	33	104	0	0
Non-current liabilities	1,410	321	223	5	5
Long-term borrowings	1,405	316	218	0	0
Other financial liabilities	5	5	5	5	5
Total shareholders' equity	**6,171**	**6,162**	**5,166**	**5,637**	**5,505**
Capital stock	4,500	4,500	4,500	4,500	4,500
Capital surplus	231	231	231	231	231
Other capital	274	274	145	274	274
Retained earnings	1,166	1,158	290	632	500
Non-controlling interest equity	0	0	0	0	0
*Total debt	2,154	1,092	316	0	0
*Net debt (cash)	997	297	157	(644)	(1,451)

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	**8,571**	**10,417**	**12,058**	**11,789**	**11,544**
Growth (%)	*-6.7*	*21.5*	*15.8*	*-2.2*	*-2.1*
COGS	(7,581)	(9,331)	(11,239)	(10,957)	(10,737)
Gross profit	**990**	**1,086**	**819**	**832**	**807**
GPM (%)	*11.5*	*10.4*	*6.8*	*7.1*	*7.0*
SG&A	(256)	(112)	(113)	(110)	(108)
Operating profit	**734**	**975**	**706**	**722**	**699**
Growth (%)	*(55.0)*	*31.3*	*(20.1)*	*0.02*	*2.5*
OPM (%)	*8.6*	*9.4*	*5.9*	*6.1*	*6.1*
Non-operating profit	(116)	(164)	(59)	(9)	32
Financial income	82	34	23	8	32
Financial expense	(195)	(193)	(77)	(17)	0
In which: interest expenses	(195)	(133)	(57)	(17)	0
Net other non-operating profit	(4)	(4)	(4)	0	(0)
Pre-tax profit	**617**	**811**	**647**	**713**	**731**
Income tax	(39)	(41)	(33)	(71)	(73)
Net profit	**578**	**770**	**614**	**642**	**658**
Growth (%)	*(55.7)*	*33.3*	*(20.2)*	*4.5*	*2.5*
NPM (%)	*6.7*	*7.4*	*5.1*	*5.4*	*5.7*
Controlling interest	578	770	614	642	658
Non-controlling interest	0	0	0	0	0
EBIT	**812**	**945**	**705**	**730**	**731**
Growth (%)	*(51.8)*	*16.3*	*(25.4)*	*3.6*	*0.1*
EBIT Margin (%)	*9.5*	*9.1*	*5.8*	*6.2*	*6.3*
EBITDA	**1,783**	**1,904**	**1,586**	**1,567**	**1,552**
Growth (%)	*(37.0)*	*6.8*	*(16.7)*	*(1.2)*	*(1.0)*
EBITDA margin (%)	*20.8*	*18.3*	*13.2*	*13.3*	*13.4*

Statement of cash flow

Year to Dec. (bn VND)	2021	2022	2023	2024F	2025F
Cash flow from operations	**1,802**	**1,434**	**1,149**	**1,100**	**1,571**
Net profit	578	770	614	642	658
D&A expense	971	960	881	837	821
(Gain) from investing activities	(52)	(34)	(21)	(8)	(32)
Change in working capital	362	(243)	246	(371)	124
Others	(58)	(19)	(572)	-	0
Cash flow from investments	**(407)**	**217**	**787**	**(351)**	**(21)**
Change in fixed assets	(5)	(4)	(7)	1	25
Change in investment assets	(450)	180	-	(352)	(46)
Others	47	41	795	-	-
Cash flow from financing	**(2,025)**	**(1,833)**	**(1,802)**	**(617)**	**(789)**
Change in equity	-	-	-	-	-
Net borrowing	(1,576)	(1,117)	(791)	(316)	-
Dividends	(449)	(715)	(1,011)	(300)	(789)
Change in total cash	**(631)**	**(182)**	**134**	**133**	**760**
Beginning cash	836	206	24	158	290
Change in FX rates	-	-	-	-	-
Ending cash	206	24	158	290	1,051

Source: Company data, Shinhan Securities Vietnam

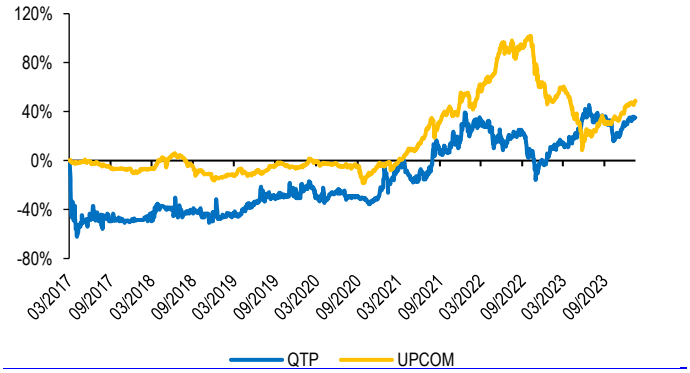
Key ratios

Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	1,284	1,712	1,365	1,427	1,462
BPS (VND)	13,712	13,694	11,481	12,526	12,234
DPS (VND)	1,000	1,598	2,247	1,712	1,754
PER (x)	14.8	8.6	10.8	10.4	10.2
PBR (x)	0.9	0.9	0.9	1.2	1.2
EV/EBITDA (x)	3.4	3.2	3.9	3.8	4.0
Dividend payout ratio (%)	77.7	92.9	164.6	120.0	120.0
Dividend yield (%)	7.1	10.9	13.1	9.8	10.0
Profitability					
EBITDA margin (%)	20.8	18.3	13.2	13.3	13.4
OPM (%)	8.6	9.4	5.9	6.1	6.1
NPM (%)	6.7	7.4	5.1	5.4	5.7
ROA (%)	6.5	9.6	8.3	9.6	9.9
ROE (%)	9.4	12.5	11.9	11.4	11.9
Stability					
Debt to equity ratio (%)	34.9	17.7	6.1	0.0	0.0
Net debt ratio (%)	55.9	15.6	9.9	(41.1)	(93.5)
Cash ratio (%)	87.1	50.8	8.0	54.3	117.7
Interest coverage ratio (x)	4.2	7.1	12.3	43.9	N/A
Activity					
Working capital turnover (days)	19.7	18.3	26.7	30.4	26.3
Inventory turnover (days)	22.7	16.0	18.1	21.9	19.6
Receivable turnover (days)	95.0	80.1	83.2	90.5	89.6

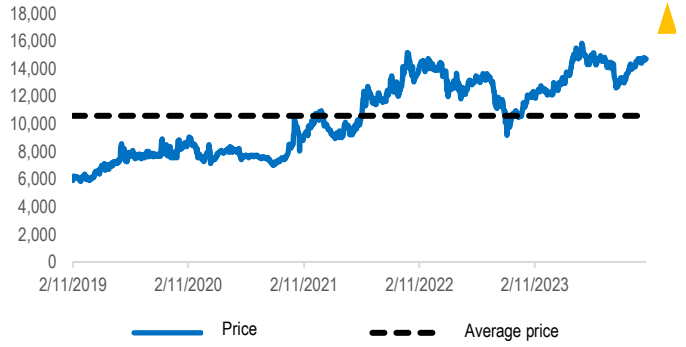
Source: Company data, Shinhan Securities Vietnam

Quang Ninh Thermal Power JSC (QTP VN)

Share price



Target price



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
30/03/2023 (Intiation)	BUY	18,200	18.4	4.3/39.3
31/01/2024 (Update)	BUY	17,500	23.5	7.4/43.5

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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Shinhan Investment Network

SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh
Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000