QTP – Q3/2022 Earnings Release

QTP's Q3-2022 revenue reached 3,141 bn VND, **+59%** YoY; while gross profit reached 235 bn VND, **+94%** YoY. The reason gross profit growth could outpace revenue mostly due to the rise in electricity price. However, the company suffered an exchange rate deficit of 32 bn VND compared to a surplus 23 bn VND in Q3-2021 due to the increase of VND/USD rate and company is currently owing nearly 60% of net debt (1,833 bn VND) in USD. As a result, it hampered net earning growth of Q3-2022, **+71% YoY,** equivalent to 147 bn VND**.**

The accumulated 9M2022 revenue achieved 8,155 bn VND, **+31%** YoY, while gross profit achieved 977 bn VND, **+78%** YoY. Nevertheless, thanks to a descent of interest expenses by one-third to only 100 bn VND compared to 151 bn VND in Q3-2021, net profit was able to achieved 744 bn VND, **+88%** YoY.

The company saw an increase in the input price of coal in Q3-2022 resulting in a squeeze in the gross (7%) and net profit margins (5%) compared to 9M2022 (Gross and net profit margin: 12% and 9% respectively).

	Q3-2021	Q3-2022	YoY	9M2021	9M2022	YoY
Revenue: bn VND	1,973	3,141	59%	6,238	8,155	31%
Gross profit: bn VND	121	235	94%	559	997	78%
Gross profit margin	6%	7%		9%	12%	
Interest Expenses: bn VND	46	31		151	100	
Financial Expenses: bn VND	46	63		151	161	
EAT: bn VND	86	147	71%	396	744	88%
Net profit margin	4%	5%		6%	9%	

Sources: ACBS, QTP

Comments: La Nina effect was forecasted to last longer than expected until the beginning of 2023 instead of mid-2022 (as initially projected) resulting in high precipitation. The higher than expected precipitation allows for increased production from the hydro plants which enjoy mobilization priority over thermal production due in part to lower costs and more environmentally friendly production.

However, QTP was still able to increase energy output which helps increase its revenue to 3,141 bn VND in Q3-2022 thanks in part to its advantageous position near to important industrial zone Quang Ninh – Ha Long and the normalization of production post COVID-19. Furthermore, due to sufficient domestic coal supplies from Vietnamese mines (Hon Gai – Cam Pha) and the government's regulations to control input prices in the interest of national energy security for a sustainable economy, the rising prices of fossil fuels all over the world had much less influence to QTP's input costs. Thus, QTP's EAT went up even further compared to revenue.

We expect QTP will continue to post growth compared to last year thanks to the economic growth and the "busy period" at the last few months of year which rises the energy production in general and El Nino cycle is forecasted coming back in 2023-2024 period given advantages for thermal groups over hydropower. However, we do not expect the surge in the selling price of electricity to be sustainable for QTP as EVN would likely negotiate with QTP again for a more attractive power price.

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