

Pha Lai Thermal Power Joint Stock Company

(PPC VN)

Bottomed out

Trading Buy
(Upgrade)

 TP: VND25,600
Upside +15%

 Mirae Asset Securities (Vietnam) JSC
Ngoc Nguyen, ngoc.nhb@miraeasset.com.vn

Valuation and recommendation

We raise our target price for Pha Lai Thermal Power Joint Stock Company (PPC) by 7% to VND25,600 (from VND23,900) using the dividend discount model, and upgrade our recommendation to Trading Buy (+15% upside) from Hold. PPC is currently trading at FY22F P/B of 1.42x, 5% lower than its peers.

We expect electricity selling volume to rebound from 2H22 onward, after technical issues are resolved for Unit 6 at the Pha Lai 2 coal-fired power plant (300 MW/total capacity of 1,040 MW). Thus, fixed costs/kWh is forecast to improve, and we raise our forecast for FY23–FY25 cash dividend per share by 12% on average.

PPC will maintain a payout ratio of about 77%, resulting in a forecast cash dividend per share of VND1,200 in FY22 (dividend yield at 5%) and VND2,400 in FY23–FY24 (dividend yield at 11%).

FY21 preliminary results

PPC announced FY21 revenue of VND3,885bn (-51% YoY) and net profit of VND287bn (-72% YoY). Gross profit recorded a loss of VND112bn (FY20: +VND1,009bn), affected by a 49% drop in selling volume and no one-off reimbursements from EVN for foreign-exchange losses (total one-off revenue and gross profit of VND249bn in 4Q20, zero cost of goods sold). A turbine engine failure at Unit 6 from 2Q21 and a 75-day overhaul of Unit 5 (300 MW) in 4Q21 significantly declined FY21 output.

However, received dividends of VND382bn (+88% YoY) from HND (VND2,175/share, +61% YoY) and QTP (VND1,000/share, +391% YoY) helped to mitigate the negative effects. The results were equivalent to 78% of total revenue and 71% of the earnings before tax (EBT) target in the company's FY21 plan.

Earnings forecasts

FY22: Net profit to rebound by 79% YoY

The technical issues at PL2 are expected to be resolved by 2H22, and we forecast power generation to record production volume of 4,346mn kWh (+47% YoY, Figure 1) and EBT of VND298bn in FY22 (FY21: VND-203bn, Figure 2).

For net financial income, we expect profits to cool in FY22 (-40% YoY), after booming in FY21, as HND will lower its cash dividend per share to VND1,200 (-46% YoY), reflecting a downward adjustment to the fixed price in the power purchase agreement from FY21.

Key data



Current price (Jan. 27, 2022, VND)	22,200	Market cap (VNDbn)	7,118
OP (22F, VNDbn)	298	Shares outstanding (mn)	321
EPS growth (22F, %)	69	Free float (%)	23.9
Market EPS growth (22F, %)	n/a	Foreign ownership (%)	14.0
P/E (22F, x)	7.6	Beta (12M)	0.7
Market P/E (x)	14.2	52-week low	21,800
VN-Index	1,486	52-week high	29,400

Share performance

(%)	1M	6M	12M
Absolute	-9.2	0.0	-17.7
Relative	-8.4	-13.2	-52.8

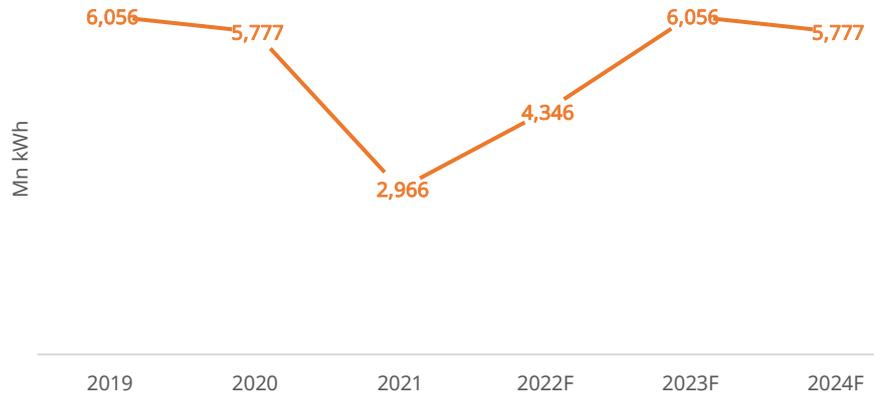
Earnings and valuation metrics

	FY (December 31)	FY19	FY20	FY21	FY22F	FY23F	FY24F
Revenue (VNDbn)		8,183	7,929	3,885	6,006	8,217	7,865
OP (VNDbn)		1,203	928	(203)	298	721	689
OP margin (%)		15%	12%	-5%	5%	9%	9%
NP (VNDbn)		1,261	1,011	287	515	997	1,025
EPS (VND)		3,933	3,153	895	1,510	2,923	3,006
ROE (%)		22%	16%	5%	10%	20%	19%
P/E (x)		6.6x	7.8x	26.9x	14.7x	7.6x	7.4x
P/B (x)		1.4x	1.2x	1.6x	1.4x	1.4x	1.3x
Dividend yield (%)		10%	5%	23%	5%	11%	11%

Note: Non-GAAP; net profit refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Vietnam Research

Figure 1. PPC's production volume



Source: PPC, Mirae Asset Vietnam Research

Figure 2. PPC's EBT structure (VNDbn)



Source: PPC, Mirae Asset Vietnam Research

Pha Lai Thermal Power JSC (PPC VN Equity)

Comprehensive Income Statement
(Summarized)

(VNDbn)	FY21	FY22F	FY23F	FY24F
Revenue	3,885	6,006	8,217	7,865
Cost of Goods Sold	(3,997)	(5,609)	(7,387)	(7,058)
Gross Profit	(112)	397	829	807
SG&A Expenses	(91)	(99)	(108)	(118)
Operating Profit (Adj)	(203)	298	721	689
Operating Profit	(203)	298	721	689
Non-Operating Profit	497	285	427	480
Net Financial Income	476	285	427	480
Net Gain from Inv in Associates	-	-	-	-
Pretax Profit	294	583	1,148	1,169
Income Tax	(7)	(67)	(151)	(143)
Profit from Continuing Operations	294	583	1,148	1,169
Profit from Discontinued Operations	-	-	-	-
Net Profit	287	515	997	1,025
Controlling Interests	287	515	997	1,025
Non-Controlling Interests	-	-	-	-
Total Comprehensive Profit	287	515	997	1,025
Controlling Interests	287	515	997	1,025
Non-Controlling Interests	-	-	-	-
EBITDA	353	648	1,213	1,234
FCF (Free Cash Flow)	1,445	162	604	1,005
EBITDA Margin (%)	9%	11%	15%	16%
Operating Profit Margin (%)	-5%	5%	9%	9%
Net Profit Margin (%)	7%	9%	12%	13%

Cash Flows (Summarized)

(VNDbn)	FY21	FY22F	FY23F	FY24F
Cash Flows from Op Activities	957	(8)	292	640
Pretax Profit	294	583	1,148	1,169
Non-Cash Income and Expense	(435)	(220)	(362)	(415)
Depreciation	59	65	65	65
Amortization	-	-	-	-
Others	(494)	(285)	(427)	(480)
Chg. in Working Capital	1,099	(370)	(494)	(114)
Chg. in AR & Other Receivables	937	(624)	(460)	73
Chg. in Inventories	228	(9)	(162)	30
Chg. in AP & Other Payables	32	330	279	(74)
Income Tax Paid	(98)	(67)	(151)	(143)
Cash Flows from Inv Activities	917	170	312	365
Chg. in PP&E	(3)	(115)	(115)	(115)
Chg. in Intangible Assets	-	-	-	-
Chg. in Financial Assets	429	-	-	-
Others	491	285	427	480
Cash Flows from Fin Activities	(1,621)	(385)	(775)	(798)
Chg. in Financial Liabilities	-	-	-	-
Chg. in Equity	-	-	-	-
Dividends Paid	(1,621)	(385)	(775)	(798)
Others	-	-	-	-
Increase (Decrease) in Cash	253	(222)	(171)	207
Beginning Balance	273	527	305	134
Ending Balance	527	305	134	341

Source: PPC, Mirae Asset Vietnam Research

Balance Sheet (Summarized)

(VNDbn)	FY21	FY22F	FY23F	FY24F
Current Assets	2,632	3,007	3,399	3,441
Cash and Cash Equivalents	527	305	134	341
AR & Other Receivables	812	1,436	1,897	1,823
Inventories	501	510	672	642
Other Current Assets	792	756	697	635
Non-Current Assets	2,914	2,963	3,013	3,063
Investments in Associates	2,501	2,501	2,501	2,501
Property, Plant and Equipment	412	461	511	561
Intangible Assets	1	1	1	1
Total Assets	5,546	5,971	6,412	6,504
Current Liabilities	621	946	1,225	1,152
AP & Other Payables	615	946	1,225	1,152
Short-Term Financial Liabilities	-	-	-	-
Other Current Liabilities	6	-	-	-
Non-Current Liabilities	-	-	-	-
Long-Term Financial Liabilities	-	-	-	-
Other Non-Current Liabilities	-	-	-	-
Total Liabilities	621	946	1,225	1,152
Controlling Interests	4,925	5,025	5,187	5,353
Capital Stock	3,262	3,262	3,262	3,262
Capital Surplus	12	12	12	12
Retained Earnings	1,651	1,751	1,913	2,079
Non-Controlling Interests	-	-	-	-
Stockholders' Equity	4,925	5,025	5,187	5,353

Forecasts/Valuations
(Summarized)

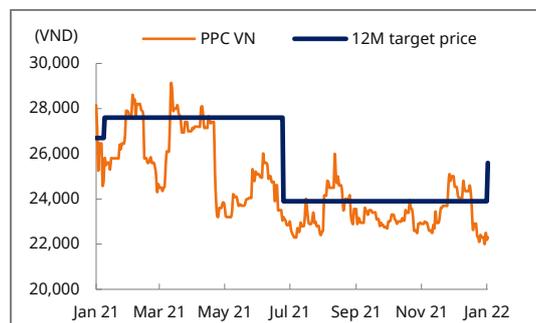
	FY21	FY22F	FY23F	FY24F
P/E (x)	26.9x	14.7x	7.6x	7.4x
P/CF (x)	8.2x	-954.2x	24.8x	11.3x
P/B (x)	1.6x	1.4x	1.4x	1.3x
EV/EBITDA (x)	22.5x	12.2x	6.9x	6.5x
EPS (W)	895	1,510	2,923	3,006
CFPS (W)	2,934	(23)	896	1,961
BPS (W)	15,361	15,672	16,178	16,695
DPS (W)	5,500	1,200	2,400	2,400
Payout ratio (%)	614%	79%	82%	80%
Dividend Yield (%)	23%	5%	11%	11%
Revenue Growth (%)	-51%	55%	37%	-4%
EBITDA Growth (%)	-72%	83%	87%	2%
Operating Profit Growth (%)	-122%	-247%	142%	-4%
EPS Growth (%)	-72%	69%	94%	3%
Accounts Receivable Turnover (x)	3.6x	4.8x	4.8x	4.8x
Inventory Turnover (x)	7x	11x	11x	11x
Accounts Payable Turnover (x)	5.8x	5.9x	6x	6.1x
ROA (%)	4%	9%	16%	16%
ROE (%)	5%	10%	20%	19%
ROIC (%)	-3%	5%	12%	11%
Liability to Equity Ratio (%)	13%	19%	24%	22%
Current Ratio (%)	4.2	3.2	2.8	3.0
Net Debt to Equity Ratio (%)	-11%	-6%	-3%	-6%
Interest Coverage Ratio (x)	-	-	-	-

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target price
Pha Lai Thermal Power JSC (PPC VN Equity)	Nov. 27, 2020	Trading Buy	26,700
Pha Lai Thermal Power JSC (PPC VN Equity)	Feb. 3, 2021	Hold	27,600
Pha Lai Thermal Power JSC (PPC VN Equity)	Jul. 20, 2021	Hold	23,900
Pha Lai Thermal Power JSC (PPC VN Equity)	Jan. 27, 2022	Trading Buy	25,600



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be HT1eded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	74.13%	15.92%	9.95%	0.00%
Investment Banking Services	75.00%	11.11%	13.89%	0.00%

* Based on recommendations in the last 12-months (as of March 31, 2016)

Disclosures

As of the publication date, Mirae Asset Daewoo and/or its affiliates do not have any special interest with the subject company and do not own 1% or more of the subject company's shares outstanding.

Analyst Certification

The research analysts who prepared this report (the "Analysts") are registered with the Korea Financial Investment Association and are subject to Korean securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws or regulations thereof. Each Analyst responsible for the preparation of this report certifies that (i) all views expressed in this report accurately reflect the personal views of the Analyst about any and all of the issuers and securities named in this report and (ii) no part of the compensation of the Analyst was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report. Mirae Asset Co., Ltd. ("Mirae Asset") policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst's area of coverage, and the Analysts do not serve as an officer, director or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. Like all employees of Mirae Asset, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading and private client division. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or Mirae Asset except as otherwise stated herein.

Disclaimers

This report was prepared by Mirae Asset, a broker-dealer registered in the Republic of Korea and a member of the Korea Exchange. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and Mirae Asset makes no guarantee, representation or warranty, express or HT1ied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein or of any translation into English from the Korean language. In case of an English translation of a report prepared in the Korean language, the original Korean language report may have been made available to investors in advance of this report.

The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws and accounting principles and no person whose receipt or use of this report would violate any laws or regulations or subject Mirae Asset or any of its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and it is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person and such person shall not be treated as a client of Mirae Asset by virtue of receiving this report. This report does not take into account the particular investment objectives, financial situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of the investments referred to in this report and the income from

them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. Mirae Asset, its affiliates and their directors, officers, employees and agents do not accept any liability for any loss arising out of the use hereof.

Mirae Asset may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. Mirae Asset may make investment decisions that are inconsistent with the opinions and views expressed in this research report. Mirae Asset, its affiliates and their directors, officers, employees and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. Mirae Asset and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of Mirae Asset. For further information regarding company-specific information as it pertains to the representations and disclosures in this Appendix 1, please contact compliance@miraeasset.us.com or +1 (212) 407-1000

Distribution

United Kingdom: This report is being distributed by Mirae Asset Securities (UK) Ltd. in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), and (ii) high net worth companies and other persons to whom it may lawfully be communicated, falling within Article 49(2)(A) to (E) of the Order (all such persons together being referred to as "Relevant Persons"). This report is directed only at Relevant Persons. Any person who is not a Relevant Person should not act or rely on this report or any of its contents.

United States: Mirae Asset is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This report is distributed in the U.S. by Mirae Asset Securities (USA) Inc., a member of FINRA/SIPC, to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6(b)(4) under the U.S. Securities Exchange Act of 1934, as amended. All U.S. persons that receive this document by their acceptance hereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or HT1lied understanding that they will direct commission income to Mirae Asset or its affiliates. Any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Mirae Asset Securities (USA) Inc. Mirae Asset Securities (USA) Inc. accepts responsibility for the contents of this report in the U.S., subject to the terms hereof, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Mirae Asset. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. persons absent registration or an applicable exemption from the registration requirements.

Hong Kong: This report is distributed in Hong Kong by Mirae Asset Securities (HK) Limited, which is regulated by the Hong Kong Securities and Futures Commission. The contents of this report have not been reviewed by any regulatory authority in Hong Kong. This report is for distribution only to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571, Laws of Hong Kong) and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person.

All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Mirae Asset or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Mirae Asset and its affiliates to any registration or licensing requirement within such jurisdiction.

Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul)

One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

PT. Mirae Asset Sekuritas Indonesia

Equity Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-53
Jakarta Selatan 12190
Indonesia
Tel: 62-21-515-3281

Mirae Asset Securities Mongolia UTsk LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392

Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong
Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil
Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Le Meridien Building
3C Ton Duc Thang St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)

Mirae Asset Capital Markets (India) Private Limited

Unit No. 506, 5th Floor, Windsor Bldg., Off CST
Road, Kalina, Santacruz (East), Mumbai - 400098
India

Tel: 91-22-62661336
