

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.

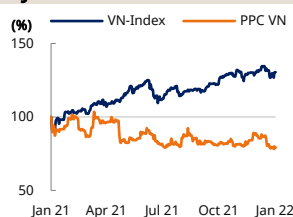
Earnings forecasts

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

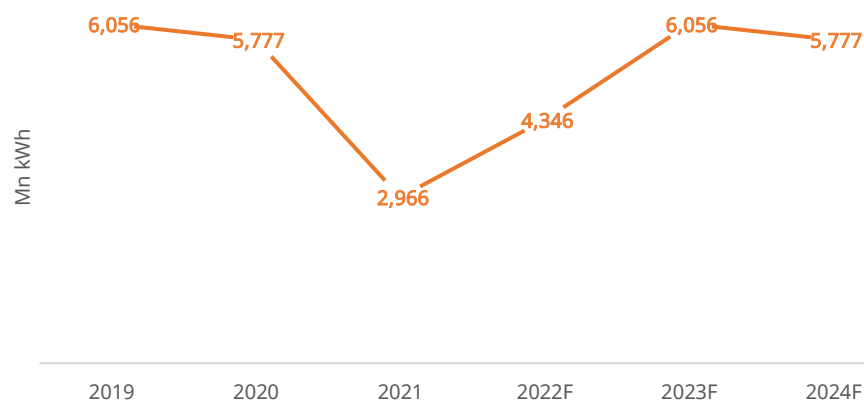
Earnings and valuation metrics

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%

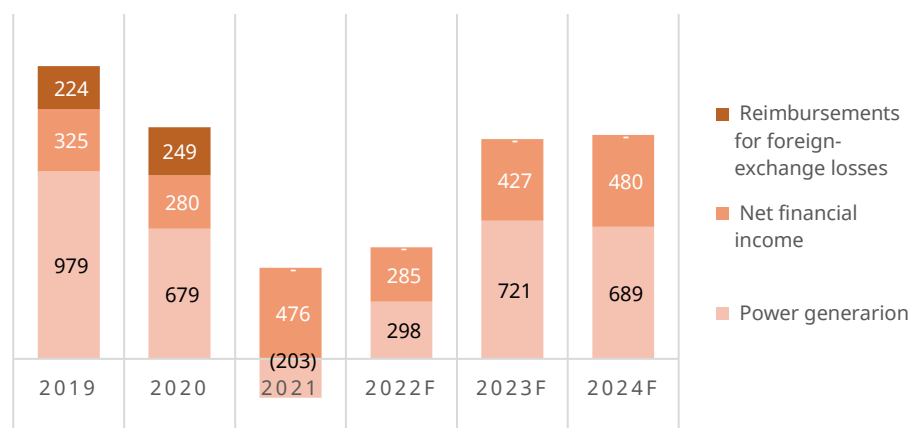
Note: Non-GAAP; net profit refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Vietnam Research

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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)

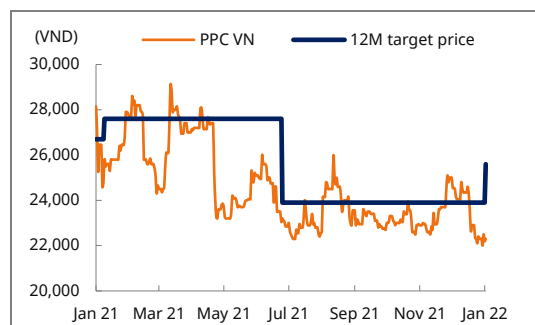
	FY21	FY22F	FY23F	FY24F
P/E (x)	26.9x	14.7x	7.6x	7.4x
P/CF (x)	8.2x	-954.2x	24.8x	11.3x
P/B (x)	1.6x	1.4x	1.4x	1.3x
EV/EBITDA (x)	22.5x	12.2x	6.9x	6.5x
EPS (W)	895	1,510	2,923	3,006
CFPS (W)	2,934	(23)	896	1,961
BPS (W)	15,361	15,672	16,178	16,695
DPS (W)	5,500	1,200	2,400	2,400
Payout ratio (%)	614%	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)

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Shanghai Representative Office 38T31, 38F, Shanghai World Financial Center 100 Century Avenue, Pudong New Area Shanghai 200120 China Tel: 86-21-5013-6392	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 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