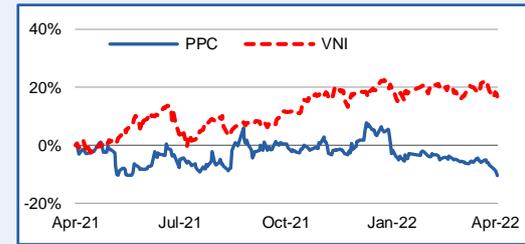


Industry:	Utilities		2021	Q1 2022	2022F
<b>Report Date:</b>	<b>April 20, 2022</b>	Rev Y/Y	-51.0%	-0.1%	47.1%
Current Price:	VND20,000	EPS Y/Y	-71.6%	-41.9%	38.0%
Target Price: <sup>1</sup>	VND22,800	NPAT (VND bn)	287	80	396
Upside to TP:	+14.0%	Dividend yield	4.0%		7.5%
Dividend Yield:	<u>4.0%</u>	DPS (VND)	800		1,500
TSR:	+18.0%	EV/EBITDA	N.M.		41.0x
Rating: <sup>1</sup>	MARKET PERFORM	P/E	23.3x		16.9x



		PPC	Peers	VNI
Market Cap:	USD285mn	23.3x	13.4x	16.3x
Foreign Room:	USD100mn	P/E (ttm)	10.2x	N/A
ADTV30D:	USD125,712	EV/EBITDA	N/A	10.2x
State Ownership:	51%	Net D/E	-12.0%	57.0%
Outstanding Shares:	320.6 mn	ROE	4.7%	9.1%
Fully Diluted Shares:	320.6 mn	ROA	4.1%	2.9%

### Company Overview

PPC owns two coal-fired power plants in northern Vietnam with capacity of 1,040 MW: Pha Lai 1 (4x110 MW, 34 years old) and Pha Lai 2 (2x300 MW, 17 years old). PPC also has 27% and 16% stakes in the Hai Phong (HND/1,200 MW) and Quang Ninh (QTP/1,200 MW) coal-fired power plants, respectively.

(1) Last updated on January 26, 2022

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## Further delay in operation of Pha Lai 2's S6 generator

PPC released Q1 2022 earnings results with NPAT of VND80bn (USD3.4mn; -42% YoY). The plunge in Q1 2022 earnings was mainly driven by lower dividend income and no more reversal provision for financial investments in Quang Ninh Thermal Power JSC and EVNFinance JSC. NPAT from electricity generation was VND22bn (USD1mn; +14% YoY) as strong competitive generation (CGM) prices outweighed an 8% YoY decrease in sales volume (see **Figure 1**).

Q1 2022 reported NPAT was in line with our expectation as it completed 20% of our 2022F full-year forecast. However, we foresee downside risk to our current earnings forecast for 2022F due to the ongoing delayed operation of the S6 generator (300 MW) at Pha Lai 2 (600 MW), pending for a fuller review.

**S6 generator at Pha Lai 2 to resume operation later than end-Q3 2022.** In our [January 26, 2022 PPC Update Report](#), we expected that PPC could finish the repair of the S6 generator by end-Q3 2022. However, PPC said that the repair could last longer than expected due to paperwork procedures, which implies downside risk to our 2022 volume forecast.

**Sales volume decreased 8% YoY to 718 million kWh in Q1 2022 due to a partial shutdown at Pha Lai 2 and lower contracted volume.** According to PPC, its contracted volume in Q1 2022 was 603 million kWh — 10% lower than the amount of contracted volume granted by EVN in Q1 2021.

**Strong CGM price due to a recovery of electricity consumption and coal shortages for some coal-fired power plants.** The sector's CGM price in Q1 2022 averaged VND1,522/kWh (+38% YoY). As such, the company enjoyed ASP of VND1,500/kWh (+9% YoY). PPC shared that coal shortages are nominal for the company.

**Figure 1: PPC's Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY growth	% of VCSC's 2022F
<b>Sales volume (million kWh)</b>	<b>782</b>	<b>718</b>	<b>-8%</b>	<b>20%</b>
ASP (VND/kWh)	1,380	1,500	9%	
Average material cost (VND/kWh)	1,115	1,189	7%	
Price spread (VND/kWh)	265	311	17%	
<b>Revenue</b>	<b>1,079</b>	<b>1,077</b>	<b>0%</b>	<b>19%</b>
COGS	-1,049	-1,036	-1%	19%
- In which, maintenance & other expenses	-120	-123	3%	22%
<b>Gross profit</b>	<b>30</b>	<b>42</b>	<b>40%</b>	<b>20%</b>
G&A	-23	-25	7%	27%
<b>Operating profit (EBIT)</b>	<b>7</b>	<b>17</b>	<b>150%</b>	<b>15%</b>
Net interest income	22	10	-56%	14%
Dividend income	97	59	-40%	23%
Others	22	0	N/A	N/A
<b>PBT</b>	<b>148</b>	<b>86</b>	<b>-42%</b>	<b>20%</b>
Income tax exp	-10	-5	-45%	15%
<b>Reported NPAT</b>	<b>138</b>	<b>80</b>	<b>-42%</b>	<b>20%</b>
<b>NPAT from electricity generation (*)</b>	<b>19</b>	<b>22</b>	<b>14%</b>	<b>15%</b>

Source: PPC, VCSC; (\*) NPAT from electricity generation = reported NPAT – dividend income & others

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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