



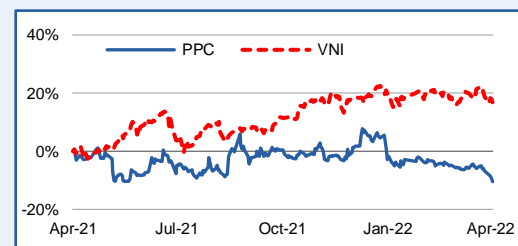
# Pha Lai Thermal Power Joint Stock Company (PPC)

## Earnings Flash

**Industry: Utilities**
**Report Date: April 20, 2022**

Current Price:	VND20,000
Target Price: <sup>1</sup>	VND22,800
Upside to TP:	+14.0%
Dividend Yield:	4.0%
TSR:	+18.0%
Rating: <sup>1</sup>	MARKET PERFORM

	2021	Q1 2022	2022F
Rev Y/Y	-51.0%	-0.1%	47.1%
EPS Y/Y	-71.6%	-41.9%	38.0%
NPAT (VND bn)	287	80	396
Dividend yield	4.0%		7.5%
DPS (VND)	800		1,500
EV/EBITDA	N.M.		41.0x
P/E	23.3x		16.9x



Market Cap:	USD285mn
Foreign Room:	USD100mn
ADTV30D:	USD125,712
State Ownership:	51%
Outstanding Shares:	320.6 mn
Fully Diluted Shares:	320.6 mn

	PPC	Peers	VNI
P/E (ttm)	23.3x	13.4x	16.3x
EV/EBITDA	N/A	10.2x	N/A
Net D/E	-12.0%	57.0%	N/A
ROE	4.7%	9.1%	15.4%
ROA	4.1%	2.9%	2.5%

**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

Duc Le  
 Analyst  
[duc.lephuoc@vcsc.com.vn](mailto:duc.lephuoc@vcsc.com.vn)  
 +848 3914 3588 ext. 196

Duong Dinh  
 Senior Manager  
[duong.dinh@vcsc.com.vn](mailto:duong.dinh@vcsc.com.vn)  
 +848 3914 3588 ext. 140

## 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
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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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## Contacts

### Corporate

[www.vcsc.com.vn](http://www.vcsc.com.vn)

#### Head Office

Bitexco Financial Tower, 15th Floor  
2 Hai Trieu Street, District 1, HCMC  
+84 28 3914 3588

#### Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor  
10 Nguyen Hue Street, District 1, HCMC  
+84 28 3914 3588 (417)

#### Transaction Office Dong Da

9 Nguyen Ngoc Doan,  
Dong Da District, Hanoi  
+84 24 6262 6999

#### Hanoi Branch

109 Tran Hung Dao  
Hoan Kiem District, Hanoi  
+84 24 6262 6999

#### Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street  
District 1, HCMC  
+84 28 3914 3588 (400)

#### Transaction Office ABS

Sailing Tower, 8th Floor,  
111A Pasteur Street, District 1, HCMC  
+84 28 3914 3588 (403)

### Research

**Research Team:** +84 28 3914 3588  
[research@vcsc.com.vn](mailto:research@vcsc.com.vn)

**Alastair Macdonald, Head of Research, ext 105**  
[alastair.macdonald@vcsc.com.vn](mailto:alastair.macdonald@vcsc.com.vn)

#### Banks, Securities and Insurance

##### Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

#### Macro

##### Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

#### Consumer

##### Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

#### Oil & Gas and Power

##### Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Duc Le, Analyst, ext 196

#### Real Estate and Infrastructure

##### Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

#### Materials and Industrials

##### Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

#### Retail Client Research

##### Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

### Brokerage and Institutional Sales & Trading

#### Tuan Nhan

##### Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107  
[tuan.nhan@vcsc.com.vn](mailto:tuan.nhan@vcsc.com.vn)

#### Quynh Chau

##### Managing Director Brokerage

+84 28 3914 3588, ext 222  
[quynh.chau@vcsc.com.vn](mailto:quynh.chau@vcsc.com.vn)

#### Dung Nguyen

##### Director Institutional Sales & Trading

+84 28 3914 3588, ext 136  
[dung.nguyen@vcsc.com.vn](mailto:dung.nguyen@vcsc.com.vn)