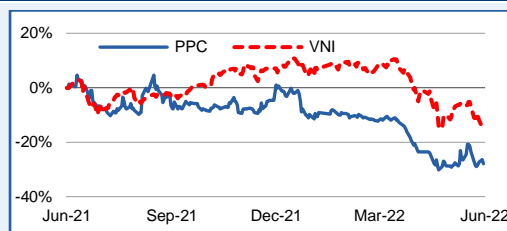




# Pha Lai Thermal (PPC)

# AGM Note

<b>Industry:</b>	<b>Utilities</b>		<u>2021</u>	<u>2022F</u>	<u>2023F</u>	<u>2024F</u>
<b>Report Date:</b>	<b>June 23, 2022</b>	Rev Y/Y	-51.2%	50.6%	30.9%	23.9%
Current Price:	VND17,600	EPS Y/Y	-78.6%	50.7%	82.6%	47.1%
Target Price*:	VND19,000	NPAT (VND bn)	216	326	595	875
Upside to TP:	8.0%	Dividend yield	4.5%	7.9%	7.9%	13.2%
Dividend Yield:	4.5%	DPS (VND)	800	1,500	1,500	2,500
TSR:	12.5%	EV/EBITDA	-21.0x	N.M.	17.3x	7.7x
Rating*	MARKET PERFORM	P/E	29.4x	19.5x	10.7x	7.3x



			<u>PPC</u>	<u>Peers</u>	<u>VNI</u>
Market Cap:	USD264mn	P/E (ttm)	27.3x	15.8x	13.2x
Foreign Room:	USD93mn	EV/EBITDA	N.M	10.5	N/A
ADTV30D:	USD118,993	Net D/E	-12.0%	66.0%	N/A
State Ownership:	51%	ROE	4.7%	7.2%	15.7%
Outstanding Shares:	320.6 mn	ROA	4.1%	2.8%	2.6%
Fully Diluted Shares:	320.6 mn				

## Company Overview

PPC owns two coal-fired power plants in northern Vietnam with a total 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 respective 27% and 16% stakes in the Hai Phong (UPCoM: HND/1,200 MW) and Quang Ninh (UPCoM: QTP/1,200 MW) coal-fired plants.

\* TP and rating last updated April 23, 2022

## PPC aims for S6 generator to restart in September

- PPC hosted its AGM in Hai Duong Province on June 23. Management addressed investor questions regarding the S6 generator's technical issue, dividend guidance and coal shortage
- PPC set conservative guidance for 2022. Management targets 2022 sales volume of 3.6 billion kWh (+36.0% YoY), which is backed by Vietnam's recovering electricity consumption and higher contracted volume. PPC's revenue and PBT guidance of VND5,428bn and VND278bn complete 93.2% and 83.3% of our forecasts, respectively. We note that apart from 2021, PPC's management has been conservative in its guidance as the company's PBT in 2019 and 2020 beat its guidance by 68.2% and 58.2%, respectively. We see no material change to our 2022 PBT and NPAT forecasts, pending a fuller review.
- Shareholders proposed cash dividends of VND450/share and VND600/share for 2021 and 2022 (equivalent to 2.5% and 3.4% yields, respectively), which trailed our respective forecasts of VND800/share and VND1,500/share.
- PPC aims for the S6 generator (300 MW) at Pha Lai 2 (600 MW) to come online in September — much earlier than our expectation of mid-2023.
- Shareholders approved the resignations of BOD members Mr. Nguyen Van Thuy and Mr. Vu Xuan Dung as well as BOS member Mr. Tran Anh Duy. In addition, shareholders appointed Mr. Duong Son Ba as a new BOD member, Mr. Nguyen Hoang Hai as acting CEO and BOD member, and Mr. Luong Truong Luan as a new BOS member for the 2022-2026 term.

**We maintain our assumption that the S6 generator will restart operation in mid-2023.** The S6 generator — which accounts for 29% of PPC's total capacity — has been shut down since March 2021. PPC is planning to put the generator back into operation by September 2022 — much earlier than our assumption of mid-2023. However, as the company is still selecting the contractor and as the turbine might need to be sent abroad for repair, we now believe the S6 generator's repair will be completed after 2022.

**Maintenance budget:** Management also proposed a budget of VND465bn (USD20mn) for 2022 maintenance. We expect the actual cost to be higher — up to VND566bn as the repair of the S6 turbine could cost ~VND100bn.

**Capex plan is in line with our expectation.** Management proposed a budget of VND357bn (USD16mn) for capex in 2022; however, we note that PPC tends to over-budget its capex (e.g., PPC guided for capex of VND244bn/USD105mn in 2020 vs actual capex of VND50bn/USD22mn).

**Coal supply secured for 2022.** PPC reassured investors that it has a sufficient coal supply for production after it signed long-term contracts with coal suppliers.

**PPC's associate companies QTP and HND target respective dividends per share of VND1,600 and VND800 for 2021.** QTP's approved dividend is in line with our forecasts; however, HND's dividend guidance represents only 67% of our forecast (VND1,200/share). As such, we see a slight downside risk of lower financial income for PPC, pending for a fuller review.

**PPC appointed new acting chairman and CEO.** Mr. Nguyen Xuan Dien is the new acting chairman and has replaced Mr. Nguyen Van Thuy for the 2022-2026 term. Moreover, Mr. Nguyen Hoang Hai was appointed as the new CEO. Mr. Nguyen Hoang Hai has been working for PPC for 22 years (since 2001) and became deputy CEO in 2019.

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as  $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$ , 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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