

POWER CONSTRUCTION JSC NO.1 (PC1)

ADD (Maintained)

POWER

Current Price	VND27,850
52Wk High/Low	VND30,750/VND20,610
Target Price	VND35,300
Previous TP	VND34,700
TP vs Consensus	5.2%
Upside	26.7%
Dividend Yield	0%
Total stock return	26.7%

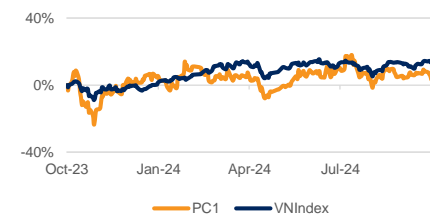
Growth rating	Positive
Value rating	Positive
ST Technical Analysis	Negative

Market Cap	USD368.2mn
3m Avg daily value	USD3.9mn
Avail Foreign Room	USD130.9mn
Outstanding Shares	311mn
Fully diluted O/S	311mn

	PC1	Peers	VNI
P/E TTM	31.2x	32.0x	14.1x
P/B Current	1.2x	1.3x	1.7x
ROA	1.4%	3.2%	2.1%
ROE	3.7%	7.3%	12.3%

*as of October 7, 2024

Share Price performance



Share price (%)	1M	3M	12M
PC1	-1.4%	-6.5%	9.7%
VN-Index	-0.4%	0.1%	14.3%

Ownership

Trinh Van Tuan	21.0%
VIX	5.0%
Others	74.0%

Business Description

PC1 is a holding company specializing in electrical construction and energy investments. PC1 has over 50 years of experience in executing power projects, transmission lines and electrical substations. It is also diversified into industrial production, nickel mining and residential and industrial property.

Analyst(s):


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New IP project approvals fuel mid-term growth

- We reiterate our ADD rating with 26.7% upside. We slightly lift our TP by 1.7% while the share price slightly fell since our last report.
- Our slightly higher TP is due to lower WACC assumption and revised FY24-25 EPS.
- The market's anticipation of a strong earnings rebound explains the high TTM P/E of 31.2x.

Financial Highlights

- 2Q24 net profit came in at VND62bn (VND2.5mn), compared to a loss of VND13bn (USD500,000) in 2Q23 thanks to improved core businesses and contribution from the new nickel segment.
- We forecast FY24 to surge fifteenfold to VND565bn (USD24mn) from a low base in FY23 (post 6M24 audit) driven by power construction and generation recovery, along with new contributions from mining and IP.

Investment Thesis

FY24 hydropower output surges due to prolonged rainfall

The impact of La Nina has particularly benefited PC1's hydropower plants, which are primarily located in the northern region of Vietnam. This region experienced prolonged rainfall in 3Q24, leading to a strong ramp up in hydropower generation. As a result, we have aggressively revised our FY24 hydropower volume forecast for PC1 upward by 27% to 589 million kWh (+46% YoY).

1H24 nickel mining beats expectation, should be key growth driver in FY24

PC1's nickel production exceeded expectations in 1H24, reaching 32,000 tonnes. We, thus, increase our full-year forecast to 60,000 tonnes, aligning with PC1's guidance. However, we see excess supply dragging on nickel prices, keep prices below the USD18,000/ton level in 2024. We forecast nickel mining NP to surge 176% YoY in FY24, contributing 16% to PC1's NP.

EVN squeezed GPM of Quang Trach Pho Noi line 3 project

The Quang Trach-Pho Noi line 3 transmission project has been a significant undertaking for PC1's power construction segment this year. However, the project's tight deadline forced EVN to expand the bidding process, resulting in increased competition and downward pressure on margins. As a consequence, the segment's margin in 1H24 reached only 8%, falling short of our initial forecast of 9.1%. With the project now completed in August, we anticipate PC1 will recognize the remaining revenue for the year. This will drive a 56% recovery in FY24 power construction revenue to VND4.1tn (USD166mn).

PC1 pivots to industrial property for mid and long-term growth

The industrial property sector is a key driver for PC1's mid and long-term growth. Western Pacific, its key IP affiliate, is actively expanding its IP portfolio with four projects: Yen Phong IIA, Yen Lenh, and recently approved Dong Van V and Yen Phu. The company's strategy is about to bear fruit. We project Yen Phong IIA contributing VND108bn (USD4.2mn) in net profit, which is about 20% of PC1 FY24 bottom line.

	12/23A	12/24E	12/25F	12/26F
Revenue growth	(7.0%)	39.4%	(4.9%)	34.0%
EPS growth	(68.4%)	1461.0%	15.5%	85.2%
Gross margin	20.3%	19.3%	20.9%	20.5%
Net profit margin	1.8%	5.2%	6.3%	8.7%
P/E (x)	64.1	19.4	16.8	9.1
Rolling P/B (x)	1.7			
ROAE	2.3%	8.2%	8.4%	13.2%
Net debt to equity	108.3%	89.7%	71.7%	55.4%

Source: VNDIRECT RESEARCH

Company profile

Founded in 1963, PC1 is one of Vietnam's leading power construction companies, having participated in many large-scale transmission line projects with complex engineering. The enterprise is also an EPC contractor for wind power, with 600MW of onshore and nearshore projects. PC1 boasts a strong presence in steel pole production, and is capable of designing and manufacturing steel tubular poles for high-voltage transmission lines.

PC1's energy portfolio includes hydropower plants in the northern region totalling 170 MW and three FIT-eligible wind farms in the central region with 144 MW of capacity.

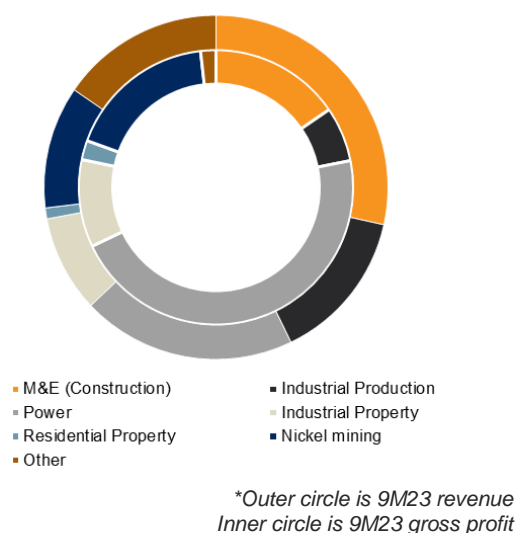
PC1 also operates as a residential property developer, delivering well-received projects like My Dinh Plaza and PCC1 Nang Huong. They are developing four mid-range residential property projects in Hanoi during 2024-27.

PC1 has progressively expanded its portfolio through strategic acquisitions to position itself for future growth.

The company acquired a 57% stake in Tan Phat JSC in 2021, gaining access to the Nickel-Copper mine in Cao Bang. The nickel segment commenced commercial operations in 2Q23 and generated its first revenue in 3Q23.

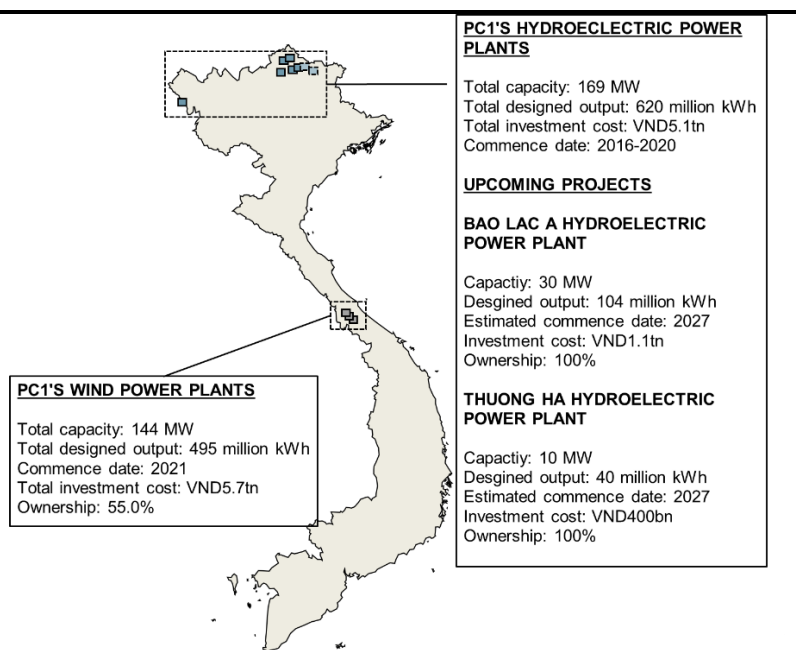
In 2022, PC1 entered the industrial property sector through two key acquisitions. It acquired 100% ownership of NAIV, a company that owns 70% of Nomura Hai Phong Industrial park (NHIZ), and additionally secured a 30% stake in Western Pacific JSC, expanding its involvement in developing IPs like Yen Phong II-A, and port cluster - industrial cluster - industrial parks in Ha Nam, Bac Giang.

Figure 1: 9M23 revenue and gross profit by segment



Source: VNDIRECT RESEARCH

Figure 2: Power plants portfolio of PC1



Source: VNDIRECT RESEARCH

Results Recap: Hydropower rebounds, FX losses surge

Figure 3: 2Q24 and 1H24 (revised) results review

VNDbn	2Q24	% YoY	6M24	% YoY	vs. full year forecast
Net sales	3,091	+109.9%	5,256	+77%	48%
Power construction	1,188	+120.1%	1,752	+75%	34%
Power generation	393	+42.0%	749	+12%	47%
Steel pole manufacturing	781	+205.6%	1,068	+211%	80%
Nickel	338	N/A	866	N/A	73%
IP mangement	154	-10.3%	274	-6%	43%
Real estate	4	-48.4%	22	+53%	81%
Others	233	+5.6%	525	-20%	49%
Gross profit	469	+65.9%	907	+54%	45%
Power construction	87	-8.9%	273	+97%	58%
Power generation	219	+123.3%	399	+24%	49%
Steel pole manufacturing	66	+155.2%	95	+237%	66%
Nickel	37	N/A	273	N/A	72%
IP mangement	60	+29.2%	82	+21%	58%
Real estate	4	-30.2%	11	+24%	70%
Others	-3	-131.1%	-42	-325%	-154%
SG&A	145	+72.9%	250	+65%	53%
Net financial expense	217	+8.5%	443	+28%	73%
PBT	95	N/A	378	+350%	42%
NPAT-MI	62	N/A	240	+11491%	44%
GPM	15.2%	-4.0% pts	17.3%	-2.6% pts	
NPM	2.0%	+2.9% pts	4.6%	+4.5% pts	

Source: VNDIRECT RESEARCH

Source: VNDIRECT RESEARCH

Power construction and steel pole manufacturing drive revenue growth

Power construction's 2Q24 revenue jumped 120% YoY to VND1.19tn (USD47.1mn), driven by the 500kV transmission line project. However, the segment's gross margin dropped 10% pts YoY to 7.3%, lower than our expectation. EVN's aggressive push to accelerate project completion led to increased competition, squeezing profit margins. 2Q24 electrical steel pole revenue tripled YoY to VND781bn (USD31.5mn), which was a pleasant surprise thanks to high demand from the 500kV line 3 project.

High rainfall in the North drives sharp power segment rebound

2Q24 power generation revenue increased 42% YoY to VND393bn (USD15.6mn) and gross profit jumped 123% YoY to VND219bn (USD8.7mn), beating our estimates. All of PC1's hydropower plants are located in the northern region, which experienced heavy rainfall in 2Q24.

6M24 nickel volume tops estimate

Post-audit revenue from mining operations in 6M24 reached VND866bn (USD35mn), with a gross profit of VND273bn (USD11mn). This represents a gross margin of 32%. The mining segment's 6M24 gross profit exceeded our forecast, completing 72% of our annual estimate due to 30% higher-than-expected export volumes.

FX losses and SG&A erode bottom line; revised bottom line trails forecast

Despite improved operating performance, PC1's net profit was dampened by a tenfold surge in FX losses from offshore loans to VND55.6bn (USD2.2mn) and SG&A increasing 73% YoY to VND145bn (USD5.8mn) as PC1 expands into mining. The company's 6M24 net profit jumped 68% post-audit to VND240bn (USD9.7mn), completing 44% of our full-year estimate.

6M24 net profit jumps post-audit

The company's 6M24 nickel revenue increased by VND50bn (USD2.0mn) due to an adjustment of revenue related to two nickel shipments. Additionally, PC1 changed the depreciation method for the mining rights from the straight-line method to the revenue-based method, resulting in an increase in 6M24 NPAT.

Figure 4: Comparison between pre-audit and post-audit 6M24 income statement. NPAT 6M24 increased while NPAT 2023 decreased roughly the same amount after audit (Unit: VNDbn)

	Pre-audit	Post-audit	% change	change
Revenue	5,256	5,306	+1%	+50
<i>in which, nickel revenue</i>	816	866	+6%	+50
(-) CoGS	4,348	4,298	-1%	-51
<i>in which, nickel CoGS</i>	634	593	-6%	-41
Gross profit	907	1,008	+11%	+101
(+) Income from affiliates	40	64	+59%	+24
(-) SG&A	250	248	-1%	-1
(+) Other income/expenses	-2	-2	-	-
EBIT	695	821	+18%	+126
(+) Financial income	94	94	-	-
(-) Financial expenses	537	537	-	-
EBT	252	378	+50%	+126
(-) Tax	49	59	+22%	+11
NPAT	204	319	+57%	+115
(-) Minority interest	61	80	+30%	+19
Net profit	143	240	+68%	+97

Source: VNDIRECT RESEARCH

Figure 5: Balance sheet analysis

VNDbn	2Q23	3Q23	4Q23	1Q24	2Q24
Cash & short-term investment	2,035	2,180	2,863	2,723	3,330
A/R days	100	79	68	85	64
Inventory days	78	47	39	59	54
A/P days	60	36	37	37	33
Capex	0	76	112	62	58
Total debt	10,548	10,400	10,740	10,833	11,353
Interest expenses	219	214	208	181	204
Depreciation	182	206	219	210	207
Fixed assets	11,113	10,938	10,745	10,589	10,464
Net debt/equity	120.4%	115.2%	108.4%	110.3%	108.5%

Source: VNDIRECT RESEARCH

Improving financial position and liquidity

PC1 is accumulating cash and issuing short-term debt, which we believe will fund its new residential project, Thap Vang. The company's cash reserves surged from VND2.0tn (USD81mn) in 2Q23 to VND3.3tn (USD134mn) in 2Q24. Approximately 35% of PC1's total debt is denominated in USD, which caused severe FX loss recognition in 1H24. However, most of these losses should be reversed in Q3 as the US dollar has weakened substantially and is likely to continue this trend as the US Fed cuts interest rates.

Additionally, PC1's liquidity has improved, as evidenced by declining accounts receivable and inventory days. The company is gradually paying down its debt burden, with the net D/E ratio decreasing from a high of 120% to 108%.

FY24-25 Outlook: Strong hydropower and nickel performance drives growth

Figure 6: Earnings revision

VNDbn	FY23	Old		New		% YoY		% change		Comment
		2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	
Revenue (*)	7,725	10,260	11,458	10,838	10,310	40.3%	-4.9%	5.6%	-10.0%	
Power construction	2,607	5,156	4,785	4,067	3,920	56.0%	-3.6%	-21.1%	-18.1%	We cut FY24-25 power construction revenue meaningfully due to weaker-than-expected revenue in 6M24 and we don't see new major project in the pipeline.
Steel pole manufacturing	1,166	1,333	1,060	1,906	1,232	63.5%	-35.4%	43.0%	16.2%	Steel pole manufacturing revenue forecasts have been revised upwards on the back of stronger-than-anticipated demand.
Power generation	1,461	1,578	1,777	1,700	1,703	16.4%	0.2%	7.8%	-4.1%	We revised FY24-25 power generation revenue by 7.8%/-4.1% due to prolonged rainfall in the north boosted hydropower generation in 2H24, while a neutral phase might return in early 2025 after a strong rainy year 2024.
Industrial property	614	637	643	626	632	1.9%	0.9%	-1.7%	-1.8%	
Residential property	187	27	215	27	215	-85.3%	681.9%	1.6%	-0.2%	
Nickel mining	655	1,186	1,202	1,418	1,296	116.3%	-8.6%	19.5%	7.8%	Higher than expected 6M24 exported volume.
Others	1,034	1,065	1,097	1,065	1,097	3.0%	3.0%	0.0%	0.0%	
Gross profit (*)	1,481	2,012	2,251	2,094	2,160	41.4%	3.1%	4.0%	-4.1%	
%GPM	19.2%	18.3%	20.5%	19.3%	20.9%					
Power construction	235	471	427	315	358	33.9%	13.8%	-33.2%	-16.0%	We decreased our power construction margin from 9.1% to 7.7% due to lower-than-expected profitability on the Quang Trach Pho Noi line 3 project.
Steel pole manufacturing	117	143	115	185	131	57.6%	-29.2%	29.6%	13.5%	
Power generation	736	816	1,003	928	932	26.0%	0.4%	13.7%	-7.1%	
Industrial property	139	140	142	138	139	-0.6%	0.9%	-1.8%	-1.8%	
Residential property	79	16	72	16	72	-79.3%	340.4%	0.0%	0.0%	
Nickel mining	240	382	392	468	426	94.9%	-9.0%	22.5%	8.8%	
Others	27	27	29	27	29	2.8%	6.9%	0.0%	0.0%	
SG&A	391	470	511	463	480	18.4%	3.6%	-1.6%	-6.2%	
Financial income	183	125	128	99	106	-46.1%	7.9%	-21.0%	-17.1%	
Financial expense	967	844	662	887	765	-8.3%	-13.8%	5.1%	15.4%	Adjusted according to 6M24 results, PC1 is borrowing more short-term debt to finance new project.
Affiliate income	2	108	71	73	19	4531.9%	-73.6%	-32.1%	-72.7%	We pushed back handover schedule of Yen Phong IIA by one year. Additionally, high interest expenses from two new IP projects also ate into PC1's 2025 affiliate income.
Net profit (*)	36	540	809	565	652	1460.9%	15.5%	4.5%	-19.4%	

(*): adjusted following post-audit 6M24 financial reports

Source: COMPANY REPORTS, VNDIRECT RESEARCH

NP to surge in 2024 driven by improvement in all segments

For 2024, we anticipate a robust rebound in power construction activity, coupled with a full year of operations for PC1's new nickel business (commencing in mid-2023) to propel revenue growth of 40.3% YoY. This, combined with the recovery of hydropower thanks to La Nina, and contribution from Yen Phong IIA, is expected to drive substantial net profit growth of 1,461% YoY from a low base in 2023.

For 2025, we anticipate that lower financial expenses and improved margins in the power construction segment will drive bottom line growth of 16% YoY.

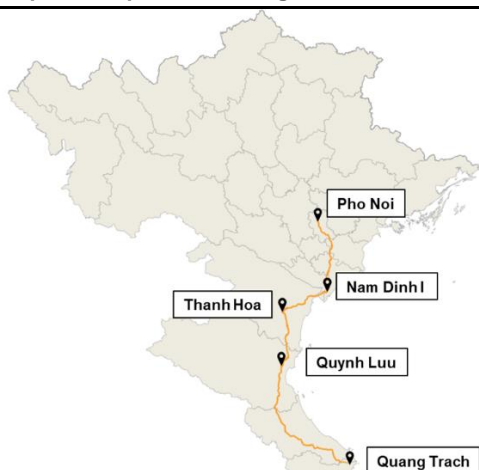
Power construction: Quang Trach Pho Noi line disappointing

With the Government prioritizing transmission grid projects in 2024, the power construction sector is anticipated to experience a substantial surge. This focus aims to tackle power shortages in the North by adding additional capacity from North Central power sources, creating huge workload for power construction businesses involved in transmission line expansion and equipment supply. In 2024, the 500kV circuit 3 transmission line project from Quang Trach to Pho Noi will be a key project for the power sector with a total length of 514 km and a total investment of up to VND23tn (roughly USD940mn).

We have decreased our 2024 gross margin forecast for the power construction segment from 9.1% to 7.7%, primarily reflecting lower-than-anticipated margins on the Quang Trach Pho Noi line 3 project as reported in the 2Q24 quarterly report. The project's tight deadline compelled EVN to open bidding to a wider pool of contractors, intensifying competition and leading to downward pressure on margins. Additionally, PC1's need to subcontract portions of the project further contributed to margin compression.

However, we anticipate a rebound in gross margin to 9.1% in 2025, driven by a higher proportion of non-EVN projects. This would result in a 12% increase in gross profit to VND354bn (USD14.4mn).

Figure 7: The 500kV Quang Trach – Pho Noi transmission line plays a particularly important role in power supply to the North. The project was put into operation on August 2024.



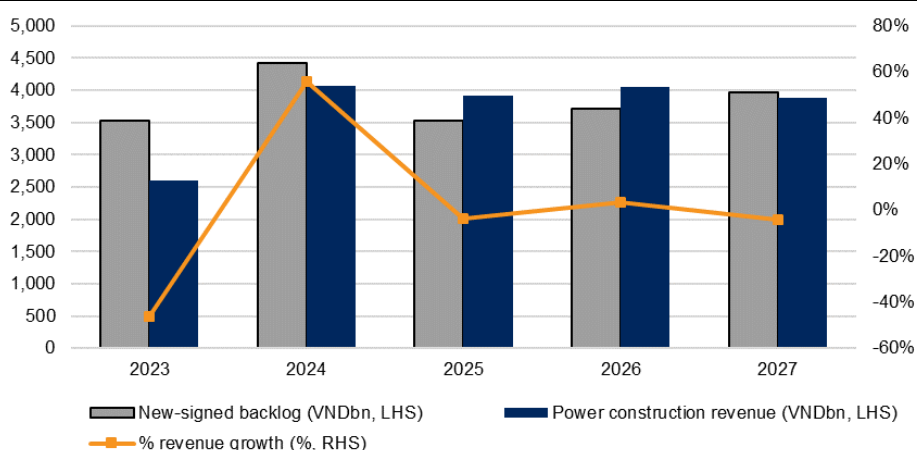
Source: VNDIRECT RESEARCH

Figure 8: Four sections of the 500kV circuit 3 transmission line project from Quang Trach - Pho Noi

Section	Length (km)	Capex (VNDbn)	Capex (US\$m)
Quang Trach - Quynh Luu	226	10,110	~416
Quynh Luu - Thanh Hoa	91	4,116	~169
Thanh Hoa - Nam Dinh	73	3,086	~127
Nam Dinh - Pho Noi	124	5,539	~228
Total	514	22,851	~940

Source: VNDIRECT RESEARCH

Figure 9: We see power construction revenue slowing in FY23 before growing gradually from FY24, triggered by the construction of Quang Trach – Pho Noi 500kV transmission line



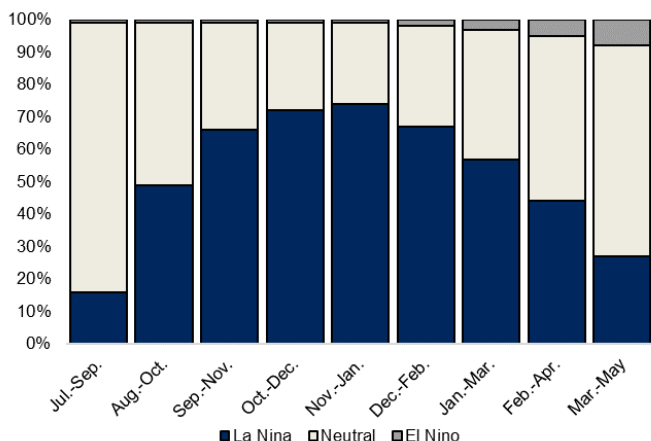
Source: VNDIRECT RESEARCH

Power generation: Unexpectedly benefits from heavy rain in North

The impact of La Nina has been more pronounced on hydropower plants in the North, particularly PC1. While all other hydropower plants in our coverage reported weaker YoY results in 6M24, PC1's hydropower segment saw a remarkable 85% increase. This can be attributed to the location of PC1's plants in the northern region, which has experienced wetter conditions in 2024, while other plants are located in central and southern Vietnam.

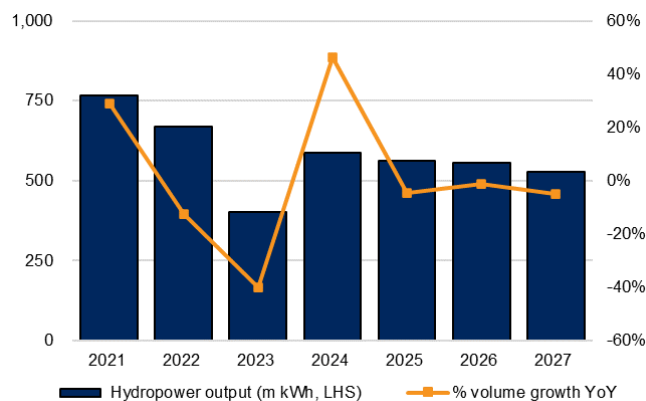
As a result of this favorable weather, we have revised our full-year 2024 hydropower volume forecast for PC1 upward by 27% to 589 million kWh (+46% YoY), exceeding the company's initial plan of 520 million kWh by ~10%. We expect a slight decrease in 2025 hydropower volume to 562 million kWh, down 4.5% YoY from the 2024 high. This is due to the possibility of a neutral phase returning in early 2025, following a strong rainy season in 2024.

Figure 10: A shift from neutral conditions to La Nina is anticipated to occur between September and November. However, a swing back to a neutral phase is expected in early 2025



Source: IRI, VNDIRECT RESEARCH

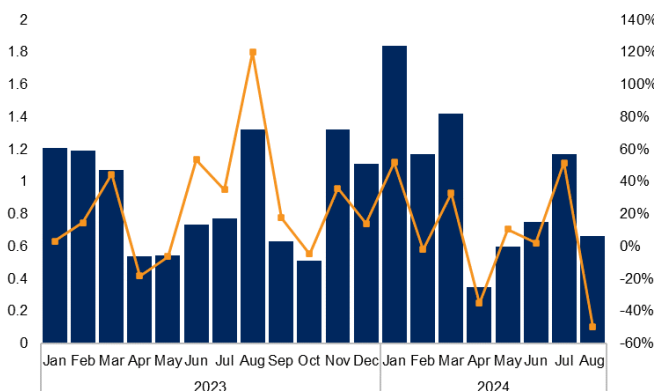
Figure 11: We expect hydropower volume to spike 46% YoY in 2024. For 2025, we conservatively forecast volume to slightly decrease



Source: VNDIRECT RESEARCH

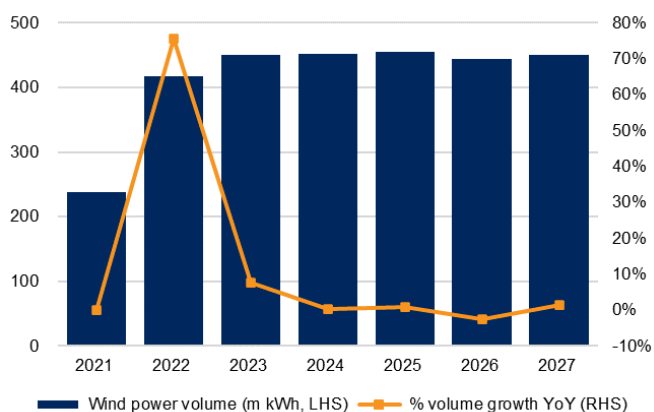
For wind power, we see the three operated wind power plants (149MW) will bring a stable revenue stream in coming years. For 2024, we expect wind power volume to go flat at 452 million kWh and revenue to reach VND932bn (USD36mn; +2.3% YoY).

Figure 12: Wind power has been enjoying stable mobilization during FY23-24 (Winds are strongest between November and March).



Source: EVN, VNDIRECT RESEARCH

Figure 13: We expect wind the power segment will bring a stable revenue stream to PC1 in FY24-25 with a high utilization rate



Source: VNDIRECT RESEARCH

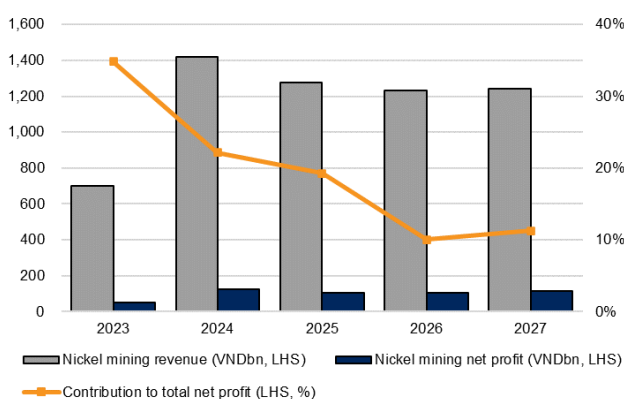
Nickel mining segment: Excess supply drags on nickel prices

In its first year of operation, Tan Phat JSC (PC1's mining company) recorded 29,000 tons of Nickel ore. We expect the company to record around 50,000 tons of Nickel ore (+72% YoY) in a full year of operation, starting in 2024.

Early 2024 saw nickel prices jump due to: 1) delays in Indonesia's new mining quota approval process; 2) potential sanctions on Russia's nickel supply; and 3) production cuts from western producers. However, this momentum didn't hold. Indonesia, the world's leading producer, maintained high supply levels throughout the year, and continued weakness in the EV market due to inflation further dampened demand. Despite this, recent optimism surrounding China's mortgage rate cut decision has boosted commodity prices, including nickel. However, the underlying supply-demand dynamics suggest that nickel prices may remain below USD18,000-20,000/ton in the near term.

Overall, we expect nickel mining FY24-25 net profit to reach VN88bn/VND81bn (USD3.6mn/USD3.3mn), contributing 16%/12% of PC1's net profit during the period.

Figure 14: Nickel segment revenue and net profit forecast (Unit: VNDbn)



Source: VNDIRECT RESEARCH

Figure 15: Nickel price (USD/ton) has been in a down trend since the beginning of 2023 as key producer Indonesia ramped up production while demand slowed



Source: Bloomberg, VNDIRECT RESEARCH

Industrial property: short and mid-term growth driver

Facing a slowdown in power capacity development, PC1 is pivoting toward industrial park (IP) development as its mid-term strategy. The company is aggressively investing in expanding its IP portfolio, with a target of 1,500ha of industrial zone for lease by 2030. Recent acquisitions like Western Pacific (WP), Nhat Ban-Hai Phong (NHIZ) IP, and the investment in Phu Binh Warehouse JSC, all serve this goal. The industrial property sector in Vietnam is experiencing robust growth, driven by the country's rising prominence as a global manufacturing hub. PC1's strategic pivot is already showing positive results. The company has begun generating income from its Van Phong IIA industrial park, with net profit to PC1 reaching VND73bn (USD2.9mn) in 2024, accounting for 13% of PC1's total net profit for 2024.

Figure 16: Revenue allocation by project in FY24-28 (VNDbn)

	2024	2025	2026	2027	2028	Total
Yen Phong IIA	1,369	1,369	543	0	0	3,282
Yen Lenh	0	0	474	498	137	972
Dong Van V	0	0	1,518	1,750	1,837	3,268
Yen Lu	0	0	394	847	890	1,241
Nomura HP	626	632	637	643	649	2,538
Total Revenue	1,995	2,001	3,567	3,738	3,513	11,301

Source: VNDIRECT RESEARCH

Figure 17: NP allocation by project in FY24-28 (VNDbn)

	2024	2025	2026	2027	2028	Total
Yen Phong IIA	73	83	38	0	0	193
Yen Lenh	0	-8	43	52	16	86
Dong Van V	0	-38	113	177	208	252
Yen Lu	0	-17	35	95	109	113
Nomura HP	60	60	61	61	62	242
Total NPAT-MI	133	79	289	385	396	886

Source: VNDIRECT RESEARCH

With Nomura Hai Phong IP now fully occupied, PC1 will not record land sale revenue from this IP going forward. However, revenue from the 50 MW coal-fired power plant serving the park's customers is likely to remain stable in the coming years. The power plant is projected to generate 240.9 million kWh annually, bringing in estimated revenue of VND637.5bn (USD26.2mn) in 2024. PC1 is planning for phase two of NHIZ (200ha) with PC1 owning 99%. Currently, the enterprise is actively implementing the licensing phase, and it is expected that in 3Q24 it will carry out site clearance. The new project is still fresh and has released minimal information. We see it as a mid-term catalyst for PC1 and will include it in the model as soon as we have further information.

For 2024-28, Western Pacific, a PC1 affiliate, is developing four promising IPs including Yen Phong IIA in Bac Ninh (150ha), Yen Lenh in Ha Nam (70ha), Dong Van V in Ha Nam (240ha) and Yen Luu in Bac Giang (120ha). At the moment, Yen Phong IIA has started renting and recorded a very promising leasing price of USD135-170/spm/lease term. We assume the IP will reach 100% occupancy during FY24-26 and record VND3.3tn (USD133.7mn) in revenue. Yen Phong IIA stands out as the immediate earnings driver for PC1, with a projected net profit contribution of VND108bn (USD4.2mn), representing 19% of FY24 total net profit.

On July 12, Deputy PM Tran Hong Ha approved the investment policies for two IPs owned by Western Pacific: the Dong Van V in Ha Nam and the Yen Lu in Bac Giang. The Dong Van V project, spanning 237 hectares, will require a total investment of VND2.9tn (USD117mn). Meanwhile, the Yen Lu expansion, covering 120 hectares, will necessitate a VND1.5tn (USD63mn) investment. Combined, these projects are estimated to generate an additional VND276bn (USD11.3mn) and VND124bn (USD5.1mn) in net profit for PC1.

Real estate development: PC1 won Thap Vang Gia Lam land plot

PC1 has successfully secured the Thap Vang land plot in Gia Lam district, Hanoi, through an auction process. The acquired land spans 1.6 ha, of which 1.5 ha are designated for residential development. This residential zone will accommodate four-story buildings and is divided into 182 individual plots.

We estimate that this project will generate ~VND1.5tn (USD61.3mn) in revenue and VND146bn (USD5.9mn) in net profit in FY26-27. While PC1 secured the Thap Vang land plot through a bidding process, the project's profit margins may be lower compared to some of the company's other residential developments. This is often the case when land is acquired through auctions.

We expect PC1 to complete the legal procedure of PC1 Gia Lam in 2024 (delay from 3Q22) then start selling and handing over in 2025-26, bringing in a total of VND269bn (USD10.9mn) in revenue in the same period, per our estimation. PC1 Dinh Cong's launch is also expected in FY25. PC1 Hoang Mai sales

process will likely experience a delay due to postponed legal procedure completion, with the sales process now projected to commence in FY27.

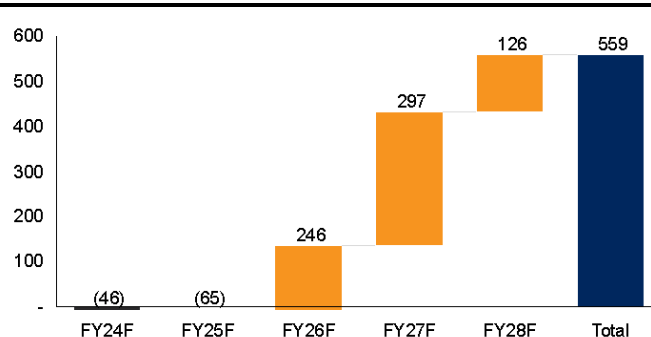
Overall, we estimate the four projects will bring a total of VND3.3tn (USD132.4mn) in revenue and VND559bn (USD22.7mn) in profit, mainly during FY26-27.

Figure 18: Revenue allocation by project (Unit: VNDbn)

	FY24F	FY25F	FY26F	FY27F	FY28F	Total
PC1 Gia Lam	-	79	189	-	-	269
PC1 Thap Vang	-	-	616	942	-	1,558
PC1 Dinh Cong	-	107	655	334	-	1,097
PC1 Vinh Hung	-	-	-	330	511	330
Total	-	187	1,461	1,607	511	3,254

Source: VNDIRECT RESEARCH

Figure 19: Real estate's NP allocation in FY24-28 (Unit: VNDbn)



Source: VNDIRECT RESEARCH

Financial expenses should improve thanks to reversal of FX losses

6M24 financial expenses of PC1 reached VND537bn (USD21.7mn), a 21% YoY increase mainly driven by an unrealized FX loss of VND136bn (USD5.5mn). This loss, meaningfully higher than the minimal FX loss recorded in 6M23, was the primary factor eroding company profits. However, we expect the situation to improve in 2H24 as the USD/VND exchange rate peaked in late-June and has been on the declining trend as the US Fed cuts interest rates. We expect the FX loss will fall to VND54bn (USD2.2mn) in 2024.

Valuation

Reiterate ADD with higher TP of VND35,300

Our valuation is based on the sum-of-the-parts (SOTP) methodology for PC1's main businesses. For the power construction and industrial production segments, we use the EV/EBITDA method while retaining a target multiple of 7.0x, based on our assumption of a market recovery in the power construction sector to its 2022 performance level. For the residential property segment, we apply the NPV method for projects that have been published. For other businesses, including industrial parks (IP), and power and nickel mining, we apply the DCF method. We reiterate an ADD rating for PC1 with a higher TP of VND35,300, implying upside of 26.7%. We revised our TP slightly higher from our previous report due to: 1) a decrease in WACC assumption from 9.9% to 9.5% due to lower ERP (based on Damodaran updating the [ERP's](#) in July 2024), and risk-free rate assumptions (based on the 10-year bond yield as of July 30, 2024); and 2) a revision of FY24-25 EPS forecasts.

Figure 20: SOTP valuation

Valuation Table			
Methods	Metrics VNDbn	Valuation method	Weight Value VND per share
SOTP:			
Power construction & Industrial production	1,636	EV/EBITDA - 7.0x	
Real Estate	315	NPV	
Industrial park (IP)	1,235	NPV	
Power	13,703	FCFF - 10yrs	
Nickel mining	3,565	FCFF - 20yrs	
Investment in affiliates (excluding IP)	495	Book value	
Add cash & ST Investment	2,863		
Subtract total debt (breakdown below)	(10,740)		
M/E & Industrial production	(397)		
Industrial park (IP)	(1,184)		
Power	(5,226)		
Nickel mining	(1,093)		
Short-term debt	(2,838)		
Subtract minority interest	(2,087)		
Equity value	10,986		
No of share (mn)	311		
Implied share price (VND/share)			35,324
Rounded share price (VND/share)			35,300

Source: VNDIRECT RESEARCH

Figure 21: DCF assumption

Assumption	
Risk-free rate, bloomberg	2.7%
Beta, bloomberg	1.10
Equity risk premium (ERP)	7.78%
Cost of Equity - ke	11.3%
Cost of debt - kd (after tax)	9.0%
Target debt to capital ratio	65.0%
WACC	9.5%

Source: VNDIRECT RESEARCH

Figure 22: Power DCF valuation (Unit: VNDbn)

	2024F	2025F	2026F	2027F	//	2033F
EBITDA	1,377.81	1,381.54	1,351.41	1,344.11		1,446.20
(-) Depreciation and Amortisation	(518.15)	(518.15)	(518.15)	(596.65)		(596.65)
EBIT	859.66	863.39	833.26	747.46		849.55
(-) Tax	9.12	9.78	25.14	26.78		80.50
EBIAT	868.78	873.17	858.40	774.24		930.05
(+) Depreciation and Amortisation	518.15	518.15	518.15	596.65		596.65
(+) (Increase)/decrease in NWC	(10.30)	12.60	11.00	14.50		(17.00)
(-) Capital Expenditure	(581.46)	(701.46)	(834.91)	(193.35)		(193.35)
Unleveraged Free cash flow (FCFF)	795.17	702.46	552.64	1,192.04		1,316.35
Present value of FCFF						6,943.98
Terminal value						6,759.48
Power enterprise value						13,703.46

Source: VNDIRECT RESEARCH

Figure 23: Peer comparison

Company name	Ticker	Mkt Cap	P/E(x)		P/BV(x)		EV/EBITDA (x)		ROA (%)		ROE (%)		Net D/E
	Bloomberg	USDmn	TTM	FY24	TTM	FY24	TTM	FY24	TTM	FY24	TTM	FY24	%
Conglomerate peer													
Ha Do Group JSC	HDG VN Equity	377	15.2	10.3	1.5	2.9	7.9	6.4	4.3	6.6	10.5	14.2	66
Bamboo Capital Group JSC	BCG VN Equity	228	62.9	N/A	0.6	N/A	22.9	N/A	0.2	N/A	0.9	N/A	62
REE Corp	REE VN Equity	1,280	17.7	14.4	1.8	N/A	11.6	N/A	5.2	6.5	10.5	11.6	32
Average			31.9	12.4	1.3	2.9	14.1	6.4	3.2	6.5	7.3	12.9	53.4
M&E peer													
Power Engineering Consulting JSC No 2	TV2 VN Equity	84	37.1	33.1	1.6	N/A	15.4	N/A	2.2	12.5	4.4	5.1	(5)
FECON Corp	FCN VN Equity	84	N/A	N/A	0.8	N/A	15.5	N/A	-0.4	N/A	-1.2	N/A	66
Average			37.1	NA	1.2	NA	15.5	NA	0.9	NA	1.6	NA	30.6
Hydropower peer													
Gia Lai Electricity JSC	GEG VN Equity	169	27.0	42.2	1.1	1.0	8.4	N/A	1.1	0.9	3.6	3.8	167
Central Hydropower JSC	CHP VN Equity	194	17.7	N/A	2.4	N/A	9.0	N/A	9.2	N/A	14.1	N/A	34
Vinh Son - Song Dinh JSC	VSH VN Equity	478	36.4	N/A	2.5	N/A	10.9	N/A	3.4	N/A	6.7	N/A	78
Average			27.1	42.2	2.0	1.0	9.5	N/A	4.6	0.9	5.9	8.3	57.0
PC1 Group JSC	PC1 VN Equity	356	26.0	19.6	1.7	1.5	8.1	10.6	1.8	2.7	6.6	8.2	110

Source: BLOOMBERG, VNDIRECT RESEARCH

Potential re-rating catalysts:

- Nickel price unexpectedly surges.
- New development in approval process of property projects.
- Higher-than-expected rainfall in hydropower reservoir to support output mobilization.
- The RE price mechanism will be officially published in the near future, triggering higher growth of the company's future newly-signed backlog.

Downside risks:

- Nickel price and output demand are lower-than-expected, hampering PC1's Nickel mining profit.
- The current challenges of the property market hinder the implementation progress of upcoming projects; and the obstacle of rearranging legal procedures.

Income statement

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Net revenue	5,842	6,679	9,828	8,358	7,775	10,838	10,310
Cost of sales	(5,026)	(5,517)	(8,673)	(6,763)	(6,194)	(8,744)	(8,150)
Gross Profit	816	1,162	1,156	1,595	1,581	2,094	2,160
Gen & admin expenses	(203)	(268)	(241)	(285)	(335)	(368)	(382)
Selling expenses	(22)	(71)	(56)	(8)	(56)	(95)	(98)
Operating profit	591	823	859	1,301	1,190	1,631	1,680
Operating EBITDA	756	1,103	1,223	1,927	1,953	2,305	2,356
Depreciation and amortisation	165	280	364	627	763	675	676
Operating EBIT	591	823	859	1,301	1,190	1,631	1,680
Interest income	39	37	319	95	183	99	106
Financial expense	(171)	(244)	(359)	(767)	(967)	(887)	(765)
Net other income	6	17	(8)	(41)	(18)	(24)	(32)
Income from associates & JVs	(34)	18	86	1	2	73	19
Pre-tax profit	431	652	896	589	389	891	1,010
Tax expense	(56)	(108)	(132)	(69)	(86)	(100)	(121)
Net profit	356	513	695	443	140	565	652
Adj. net profit to ordinary	356	513	695	443	140	565	652

Balance sheet

(VNDbn)	12-19A	12-20A	12-21A	12-22A	12-23A	12-24E	12-25F
Cash and equivalents	568	1,476	2,292	2,581	2,082	2,023	2,420
Short term investments	180	63	144	1,006	781	828	893
Accounts receivables	1,865	3,390	3,124	3,174	2,821	3,951	3,873
Inventories	1,429	730	904	890	944	1,378	1,187
Other current assets	119	57	126	261	240	339	316
Total current assets	4,161	5,715	6,589	7,913	6,868	8,519	8,688
Fixed assets	2,412	3,802	9,205	8,602	9,524	9,091	9,132
Total investments	168	221	221	271	146	146	146
Other long-term assets	1,574	983	2,671	4,968	3,697	4,320	4,431
Total assets	8,314	10,722	18,687	21,754	20,235	22,076	22,397
Short-term debt	1,046	1,586	2,800	3,677	2,838	3,269	3,303
Accounts payable	823	1,100	1,756	1,285	1,049	1,591	1,523
Other current liabilities	722	1,057	1,243	988	828	1,326	1,249
Total current liabilities	2,592	3,744	5,799	5,950	4,715	6,185	6,075
Total long-term debt	2,000	2,171	6,238	8,284	7,902	7,109	6,615
Other liabilities	28	37	370	347	348	291	322
Share capital	1,593	1,912	2,352	2,704	3,110	3,110	3,110
Retained earnings reserve	933	1,109	1,305	1,345	957	1,495	2,117
Shareholders' equity	2,783	3,803	5,236	6,106	6,153	6,918	7,776
Minority interest	257	782	1,580	2,057	2,087	2,313	2,550
Total liabilities & equity	8,314	10,722	18,687	21,754	20,235	22,076	22,397

Cash flow statement

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Pretax profit	431	652	896	605	389	891	1,010
Depreciation & amortisation	165	280	364	627	763	675	676
Tax paid	(170)	(245)	(306)	(574)	(861)	(834)	(731)
Other adjustments	82	134	(164)	547	654	456	546
Change in working capital	(843)	(187)	(697)	85	87	(622)	148
Cash flow from operations	(335)	633	93	1,289	1,032	566	1,648
Capex	(703)	(933)	(3,991)	(1,729)	(475)	(695)	(805)
Proceeds from assets sales	0	3	3	3	168	0	0
Others	(56)	0	0	0	0	(98)	(30)
Other non-current assets changes	(196)	(86)	(925)	(1,543)	(40)	0	0
Cash flow from investing activities	(955)	(856)	(4,949)	(3,808)	(55)	(644)	(764)
New share issuance	91	437	422	97	3	0	0
Shares buyback	0	0	(0)	0	0	0	0
Net borrowings	1,077	711	5,284	2,754	(1,369)	(309)	(427)
Other financing cash flow	0	0	0	0	(2)	354	(31)
Dividends paid	(12)	(15)	(24)	(40)	(124)	(26)	(30)
Cash flow from financing activities	1,156	1,133	5,682	2,812	(1,492)	19	(487)
Beginning cash and equivalents	701	568	1,476	2,292	2,581	2,082	2,023
Total cash generated	(134)	909	826	292	(514)	(59)	397
Ending cash and equivalents	568	1,476	2,292	2,581	2,082	2,023	2,420

Key ratios							
Valuation Ratios	2019A	2020A	2021A	2022A	2023A	2024E	2025F
EPS (VND)	1,146	1,649	2,235	1,425	450	1,816	2,097
Price Earnings	8.02	8.49	13.32	12.33	63.99	15.89	13.76
1-yr PEG	(0.34)	0.19	0.37	(0.34)	(0.94)	0.05	0.89
EV to EBIT	4.84	7.37	15.66	9.25	15.16	15.18	15.18
EV to EBITDA	3.78	3.95	7.57	2.84	4.59	3.89	3.81
Price to Sales	0.49	0.65	0.94	0.65	1.15	0.83	0.87
Price to Book	1.03	1.15	1.77	0.89	1.46	1.30	1.15
Dividend Yield	0.4%	34.6%	25.6%	73.2%	138.7%	29.3%	33.9%
Dividend Payout Ratio	3.3%	2.9%	3.4%	9.0%	88.8%	4.7%	4.7%
Growth Rates	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Net Revenue YoY	14.9%	14.3%	47.2%	-15.0%	-7.0%	39.4%	-4.9%
Gross Profit YoY	-5.7%	42.3%	-0.5%	38.0%	-0.8%	32.4%	3.1%
Net Profit YoY	-23.6%	43.9%	35.5%	-36.3%	-68.4%	303.4%	15.5%
EPS YoY	-23.6%	43.9%	35.5%	-36.3%	-68.4%	303.4%	15.5%
Profitability Ratios	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Gross Margin	14.0%	17.4%	11.8%	19.1%	20.3%	19.3%	20.9%
EBITDA Margin	12.9%	16.5%	12.4%	23.1%	25.1%	21.3%	22.9%
Operating Margin	25.8%	22.3%	19.1%	32.2%	31.6%	38.2%	45.3%
Net Profit Margin	6.1%	8.8%	11.9%	7.6%	2.4%	9.7%	11.2%
Return on Avg Assets	4.8%	5.4%	4.7%	2.2%	0.7%	2.7%	2.9%
Return on Avg Equity	12.8%	13.5%	13.3%	7.8%	2.3%	8.2%	8.4%
Leverage Ratios	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Interest Coverage Ratio (EBIT/I)	3.5	3.4	2.8	2.2	1.4	2.0	2.3
EBITDA / (I + Cap Ex)	0.9	0.9	0.3	0.8	1.5	1.5	1.5
Tot Debt/Capital	0.5	0.5	0.6	0.7	0.6	0.6	0.6
Tot Debt/Equity	1.1	1.0	1.7	2.0	1.7	1.5	1.3
Net Debt/Equity	0.8	0.6	1.3	1.4	1.3	1.1	0.8
Liquidity Ratios	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Asset Turnover	0.8	0.7	0.7	0.4	0.4	0.5	0.5
Accounts Receivable Turnover	3.4	2.5	3.0	2.7	2.6	3.2	2.6
A/R DOH	106.7	143.6	120.9	137.5	140.7	114.0	138.5
Accounts Payable Turnover	6.4	5.7	6.1	4.4	5.3	6.6	5.2
A/P DOH	57.4	63.6	60.1	82.1	68.8	55.1	69.7
Inventory Turnover	4.6	5.1	10.6	7.5	6.8	7.5	6.4
Inv DOH	79.5	71.4	34.4	48.4	54.0	48.5	57.4
Current Ratio	1.6	1.5	1.1	1.3	1.5	1.4	1.4
Quick Ratio	1.1	1.3	1.0	1.2	1.3	1.2	1.2

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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