

PC1 GROUP JSC (PC1) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND16,450	VND30,800	0.61%	Add	Conglomerate

21 November 2022

Outlook – Short term: Positive
Outlook – Long term: Positive
Valuation: Positive

Consensus*: Add:8 Hold:1 Reduce:0

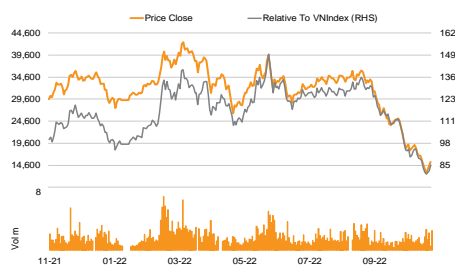
Target price / Consensus: -10.9%

Key changes in the report

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Price performance



Source: VNDIRECT RESEARCH

Key statistics

52w high (VND)	42,567
52w low (VND)	12,650
3m Avg daily value (VNDmn)	43,948
Market cap (VND bn)	3,894
Free float (%)	69
TTM P/E (x)	5.99
Current P/B (x)	0.89

Ownership

Trinh Van Tuan	21.4%
BEHS	17.3%
Others	61.3%

Source: VNDIRECT RESEARCH

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Inflection point in sight

- We forecast FY22F net profit to drop 37% yoy under strong pressure from duo effect of interest rate rise and exchange rate loss.
- An inflection point looks to be coming in FY23F with robust earnings growth of 163% yoy, boosted by nickel ore, residential and industrial property.
- Recommend Add rating with TP of VND30,800.

9M22 recap: Financial expenses dent the bottom line

PC1's 9M22 net profit slumped 52% yoy to VND262bn following the duo effects of interest rate rise and exchange rate loss. For FY22F, we see power sector to be the major traction for PC1, regarding favorable La Nina phase and the full-year contribution of wind power, thus, power gross profit will rise 104% yoy to VND1,086bn. We believe the M&E's GM to improve, offsetting revenue loss in 4Q22F thanks to the commodity price cool down and solid backlog transferred from 1H22, leading to 3% yoy gross profit increase. Overall, we forecast FY22F PC1's gross profit will reach VND1,719bn (+49% yoy). Notably, we see the pressure from interest expense rise and exchange rate loss to stay for the rest of FY22F following the company high D/E ratios. Therefore, we forecast FY22F net profit (NP) to drop 37% yoy to VND437bn.

We see potential inflection point of earnings in FY23F

For FY23F, we see the recovery of M&E segment, triggering by the official RE mechanism, to be primary contribution for PC1 profit. Besides, we expect a solid sales unit in residential property to be record in FY23F, along with the new PC1's investments to start recording profit in FY23F, including the Nickel mining and the Yen Phong II-A industrial park. Overall, we see a FY23F revenue and gross profit to rise 48% yoy and 66% yoy, respectively, leading to 163% yoy rise in net profit of VND1,148bn.

For FY24F, we expect revenue and gross profit to continuously increase 14% yoy and 12% yoy, respectively, leading to net profit of VND1,523bn (+33% yoy) thanks to 1) Industrial park segment will contribute VND411bn (+167% yoy) for PC1's associate's profit; 2) Major residential sale units expected to record in FY24F.

Investment point before any inflection point

We recommend ADD with sum-of-the-part TP of VND30,800. Our rating is underpinned by solid FY23-24F EPS growth of 42% CAGR, with an attractive FY23F P/E of 8.0x. Re-rating catalysts include the operation of new power plants and the booking of real estate projects and IP projects. Downside risks include 1) The current challenge of the property market hindering the booking process of property projects; 2) higher-than-expected interest rise putting upward pressure on financial expense.

Financial summary (VND)	12-21A	12-22E	12-23E	12-24E
Net revenue (bn)	9,828	9,949	14,722	16,753
Revenue growth	47.2%	1.2%	48.0%	13.8%
Gross margin	11.8%	17.3%	19.3%	19.0%
EBITDA margin	16.0%	18.3%	21.6%	22.6%
Net profit (bn)	695	437	1,148	1,523
Net profit growth	35.5%	(37.1%)	162.8%	32.6%
Recurring profit growth				
Basic EPS	2,570	1,616	4,247	5,631
Adjusted EPS	2,570	1,616	4,247	5,631
BVPS	17,384	17,917	21,611	25,524
ROAE	16.0%	9.2%	21.5%	23.9%

Source: VNDIRECT RESEARCH

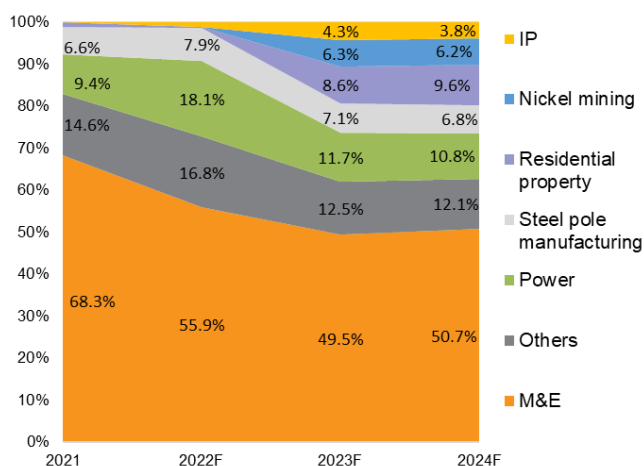
INFLECTION POINT IN SIGHT

Investment thesis

We like PC1 for:

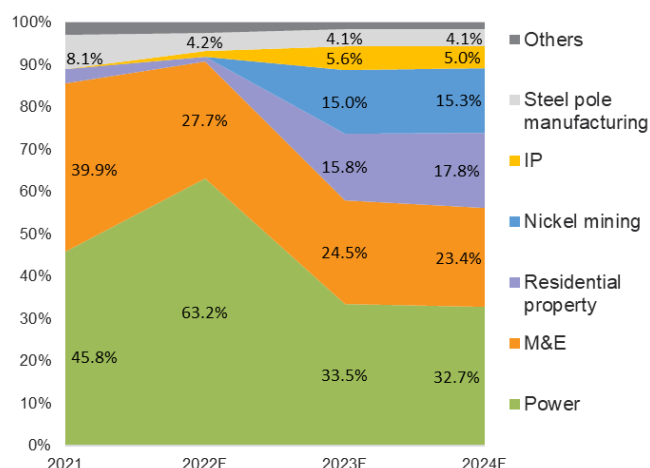
- PC1 is one of the leading M&E companies with long history and wealth of experience, having participated in many large-scale grid projects with complex engineering. The enterprise has also demonstrated its capability of serving as an EPC contractor for wind power, with 600MW participating both onshore and nearshore. We believe that PC1 holds a huge opportunity to keep pace with the rising demand for green power sources, followed by the corresponding need for transmission grids. The PDP8 publication will likely trigger the M&E segment to grow faster.
- PC1 has proved its capability in developing and operating power plants (hydropower and wind power) with a total capacity of 313MW by 2021. In 2023-25F, PC1 planned to develop an additional 81MW of new small hydropower plants, and at the moment, the company is also conducting surveys of more than 1,000MW of wind power and finding opportunity to reach the 350MW additional RE power ambition in 2025F.
- The company has caught up with the global electric vehicle (EV) development trend by investing in a nickel mineral mining project in Cao Bang. Thanks to the anchored high Nickel price forecast and increasing demand for this commodity, we anticipate that PC1's nickel ore to bear fruit right in 2023F with an expected NPAT of VND203bn.
- We anticipate that FY23–24F will be a profitable break period for PC1 following a series of new business expansions in multiple industries within the company's ecosystem, including, Nickel mineral mining hydropower, residential property, and industrial park (IP). We expect a sharp EPS growth of 163% yoy and 33% yoy in FY23-24F, respectively.

Figure 1: M&E will contribute dominant portion for PC1 total revenue in FY22-24F



Source: VNDIRECT RESEARCH, Company report

Figure 2: Power segment will provide the most for PC1's gross profit, following by M&E and Residential property in FY22-24F



Source: VNDIRECT RESEARCH, Company report

Potential re-rating catalysts:

- PC1 Gia Lam and PC1 Dinh Cong record sale in line with the company plan and faster than our estimation.
- The PDP8 and RE price mechanism to be officially published in near future, triggering on higher growth of the company future back-log new signed.

- Nickel price anchors at higher level than expected, increasing the PC1 minerals mining project's expected return.

Downside risks:

- We see a potential risk of financial expense and debt rise following its high ratio of foreign debt of VND4,061bn, accounting for 36% of total debt in 9M22. Particularly, a major part of these loans' interest rate anchoring on Libor 3 months rate + margin, and we expect the likely possibility of average 1% pts rising in this rate which will cost PC1 roughly VND38bn in interest rate expense, especially in the context of the FED striving to raise interest environment to control inflation. We also find the risk of exchange rate loss, related to these US\$ loans, following the current situation of the US\$/VND appreciation. We see the pressure of exchange rate loss to stay for the rest of 2022 under a very challenging macro situation in the US. According to the company's ambition to expand businesses, followed by several recent investments in property and mineral mining sectors, we see a remained high net debt/equity ratio of around 1.3x in FY22-23F to threaten the company's cash flow.
- We see the current challenge of the property market to hinder the implementation progress of the upcoming projects, and the obstacle of rearranging legal procedures.

Valuation

Our valuation is based on the sum-of-the-parts (SOTP) methodology for PC1's main businesses. For M&E and industrial production segment, we use the EV/EBITDA method with an average local peer multiple of 7.0x. For the residential property segment, we apply the NPV method for projects that have been published. For other businesses, including industrial park (IP), power and nickel mining, we apply the DCF method. Overall, we come up with a 1-year TP of VND30,800. As an inflection point looks to be coming in 2023F, we think it is time to accumulate a growth stock with strong fundamentals at a reasonable valuation.

PC1 price has discounted 50% from its peak in March, reflecting its weak 9M22 results. Our 1-year target price of VND30,800 derives a potential upside of 86%.

Figure 3: SOTP valuation

Valuation Table			
Methods	Metrics	Valuation method	Weight Value
	VNDbn		VND per share
SOTP:			
M/E & Industrial production	3,001	EV/EBITDA - 7.00x	
Real Estate	604	NPV	
Industrial park (IP)	1,520	DCF	
Power	10,983	DCF - 10yrs	
Nickel mining	2,330	DCF - 20yrs	
Investment in affiliates (excluding IP)	437	Book value	
(+) cash & ST Investment	2,917		
(-) debt	(11,745)		
(-) minority interest	(1,718)		
Equity value	8,329		
No of share (mn)	270		
Implied share price (VND/share)			30,798
Rounded share price (VND/share)			30,800

Source: VNDIRECT RESEARCH

Figure 4: DCF assumption

Assumption	
Risk-free rate, bloomberg	4%
Beta, bloomberg	1.2
Equity risk premium (ERP)	11.0%
Cost of Equity - ke	17.2%
Cost of debt - kd (after tax)	11%
Target debt to captial ratio	65%
WACC	12.6%

Source: VNDIRECT RESEARCH

Figure 5: Power DCF valuation (Unit:VNDbn)

	2022F	2023F	2024F	2025F //	2032F
EBITDA	1,498.9	1,412.9	1,496.2	1,657.8	1,885.0
(-) Depreciation and Amortisation	(493.8)	(537.0)	(537.0)	(614.0)	(614.0)
EBIT	1,005.1	875.9	959.2	1,043.7	1,271.0
(-) Tax	(20.3)	(15.8)	(21.4)	(21.9)	(68.7)
EBIAT	984.8	860.1	937.8	1,021.9	1,202.2
(+) Depreciation and Amortisation	493.8	537.0	537.0	614.0	614.0
(+) (Increase)/decrease in NWC	-	-	-	-	-
(-) Capital Expenditure	(298.0)	(1,146.1)	(770.0)	(770.0)	-
Unleveraged Free cash flow (FCFF)	1,180.6	251.0	704.8	865.9	1,816.3
Present value of FCFF					6,619.7
Terminal value					4,362.8
Power enterprise value					10,982.6

Source: VNDIRECT RESEARCH

Figure 6: Peer comparison

Company name	Ticker	Price Target price		Recom.	Mkt Cap	P/E(x)		P/BV(x)		EV/EBITDA (x)		ROE (%)	
		Bloomberg	LC\$			LC\$	US\$m	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Conglomerate peer													
Ha Do Group JSC	HDG VN Equity	27,200	43,800	ADD	268	4.8	5.1	1.1	1.0	3.7	3.2	27.3	20.6
Bamboo Capital Group JSC	BCG VN Equity	5,710	22,300	ADD	123	1.9	1.0	0.4	0.3	NA	NA	30.1	36.0
REE Corp	REE VN Equity	69,500	85,500	ADD	995	9.7	9.6	1.4	1.2	7.9	7.9	16.4	15.9
Average						5.5	5.2	1.0	0.8	5.8	5.5	24.6	24.2
M&E peer													
Power Engineering Consulting JSC No 2	TV2 VN Equity	19,600	NA	NR	53	11.6	NA	1.0	NA	3.2	NA	NA	NA
FECON Corp	FCN VN Equity	7,590	16,500	HOLD	48	11.9	7.3	0.4	0.04	11.0	NA	4.0	6.3
Average						11.8	7.3	0.7	0.0	7.1	NA	4.0	NA
Hydropower peer													
Gia Lai Electricity JSC	GEG VN Equity	11,200	NA	NR	145	11.2	9.1	1.0	1.0	8.5	8.5	9.3	11.3
Central Hydropower JSC	CHP VN Equity	22,400	NA	NR	133	6.0	NA	1.7	NA	4.4	NA	NA	NA
Vinh Son - Song Chinh JSC	VSH VN Equity	28,850	NA	NR	275	5.8	11.4	1.3	1.3	5.1	NA	25.1	13.5
Average						9.2	8.4	1.1	0.7	6.6	7.3	13.9	14.2
PC1 Group JSC	PC1 VN Equity	16,450	33,800	ADD	179	21.0	8.0	0.6	0.4	7.7	5.7	9.3	21.5

Source: VNDIRECT RESEARCH, Bloomberg
Data as of November 21, 2022

3Q22 results: Financial expense surge drowning business performance

Figure 7: 9M22 business results summary

Period	3Q22	3Q21	% yoy	9M22	9M21	% yoy	Comment
Revenue (VNDbn)	3,006	3,131	-4%	5,995	7,667	-22%	Revenue dropped 4% yoy to VND3,006bn in 3Q22 mainly due to the reduction in M&E sector from last year high-base
Gross profit (VNDbn)	396	315	25.9%	1,091	745	46.5%	Gross profit increased 26% yoy to VND396bn in 3Q22 thanks to vibrant results in high margin segment such as power
GPM (%)	13%	10%	3%pts	18%	10%	8%pts	
SG&A (VNDbn)	94	68	38%	213	217	-2%	
EBIT (VNDbn)	302	247	23%	878	527	66%	
Income from affiliates	(4)	20	-118%	8	74	-90%	
Financial income (VNDbn)	23	17	37%	53	303	-82%	9M22 financial income dropped 82% yoy due to one-off profit from revaluated Tan Phat Mineral in 9M21.
Financial expenses (VNDbn)	265	83	220%	602	220	173%	3Q22 financial expense rose 220% to VND265bn following the duo effect from interest expense rise and exchange rate loss.
Pretax Profit (VNDbn)	47	187	-75%	303	690	-56%	
Pretax margin (%)	2%	6%	-4%pts	5%	9%	-4%pts	
MI (VNDbn)	(61)	13	-590%	(11)	28	-138%	
Net profit (VNDbn)	66	144	-54%	262	550	-52%	Overall, 3Q22 net profit dropped 54% yoy to VND66bn, leading to 52% yoy decreased in 9M22 net profit to VND262bn.
EPS (VND/share)	255	605		1,018	2,314		

Source: VNDIRECT RESEARCH, Company report

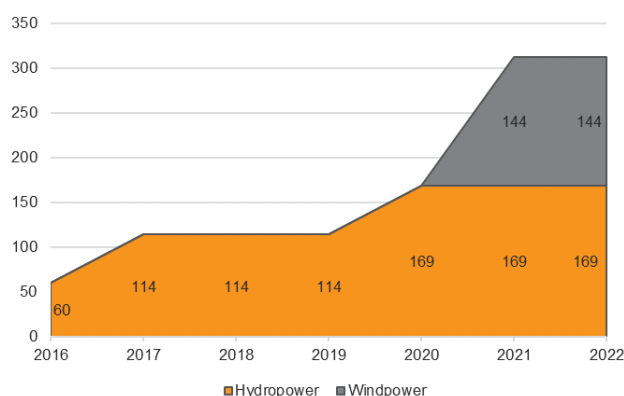
Power segment: The main earnings contributor in FY22-25F

Revenue from power segment grew robustly 150% yoy in 9M22 thanks to the newly added wind power plants

Currently, PC1 has a portfolio including 169MW of small hydropower and 144MW of wind power which was newly added in November 2021.

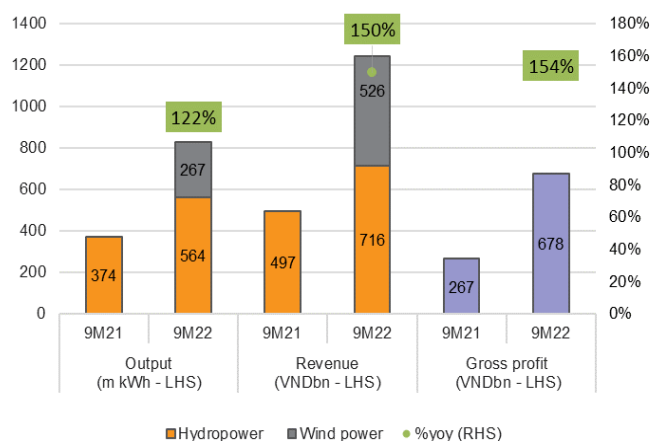
In 9M22, the country's weather recorded an extreme state with heavy rainfall and excessive hydrology even during the dry season in the North. Hence, PC1 hydropower output recorded a positive result with 564m kWh (+51% yoy). Besides, thanks to the additional new plants, wind power output mobilization reached 267m kWh, accounting for 54% of the total annual designed output (495m kWh) and making total PC1 power output reach 831m kWh (+222% yoy). Therefore, 9M22 revenue increased 150% yoy accordingly to VND1,243bn, leading to 9M22 gross profit rising 153% yoy to VND678bn.

Figure 8: Three new wind power plants of 144MW have raised PC1's total power capacity to 313MW since Nov 21 (Unit: MW)



Source: VNDIRECT RESEARCH, Company report

Figure 9: The power sector recorded impressive 9M22's business results for both hydropower and wind power



Source: VNDIRECT RESEARCH, Company report

Hydropower business will slow down during FY23-24F on high base FY22F

Since FY14, PC1 has continuously developed its hydropower power portfolio, mostly small and medium power plants, located in the Northern region such as Dien Bien and Cao Bang. In FY23-25F, the company has a pipeline of around 81MW upcoming hydropower projects with a total investment cost of around VND3,005bn. Particularly, Bao Lac A (30MW) is currently under construction phase and will come into operation from FY23F, while the remained 51MW is expected to operate from FY25F.

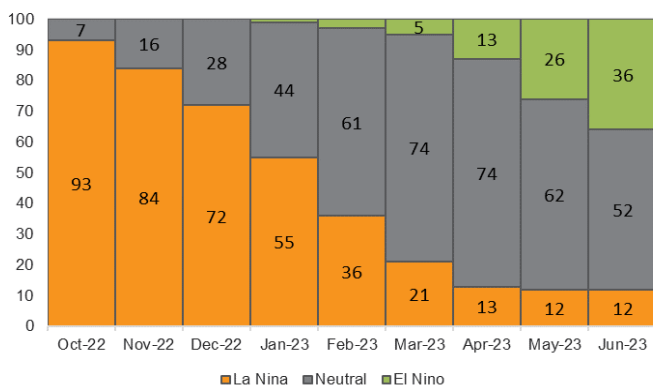
Figure 10: PC1 will add several new small hydropower projects to expand its power portfolio in the FY22-25F period

Power plants	Onwership (%)	Total investment (VNDbn)	Capacity (MW)	Location	Construction time												
					2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Trung Thu	60%	900	30	Dien Bien													
Bao Lam 1	100%	915	30	Cao Bang													
Bao Lam 3	100%	1,394	46	Cao Bang													
Bao Lam 3A	100%	253	8	Cao Bang													
Mong An	90%	916	30	Cao Bang													
Bao Lac B	100%	568	18	Cao Bang													
Song Nhiem 4	100%	196	7	Ha Giang													
Total		5,142	169														
Developing projects																	
Bao Lac A	100%	1,080	30	Cao Bang													
Nam Po 5A	100%	760	18	Dien Bien													
Nam Po 5B	100%	684	20	Dien Bien													
Thuong Ha	100%	481	13	Cao Bang													
Total		3,005	81														

Source: VNDIRECT RESEARCH, Company report

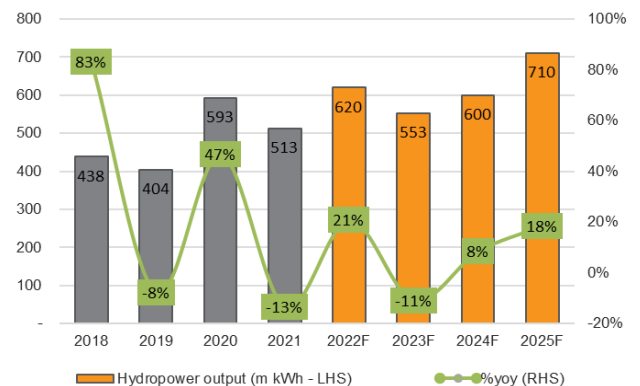
According to the International Research Institute (IRI), the latest ENSO forecast showed the continuation of La Nina phase for the rest of FY22 with highest occurred possibility. We see this to be the hinge element to expect a vibrant output mobilization from PC1's hydropower segment. Besides, by investing in mainly small hydropower (under 30MW), PC1 benefited from higher average selling price (ASP) thanks to the avoidable cost policy, issued annually by the Ministry of Industry and Trade (MOIT). Hence, its hydropower plants' ASP is tending to be 20-30% higher than average price level of large hydropower plants (900-1,100VND/kWh).

Figure 11: La Nina phase is expected to last to the rest of 2022 before switching to Neutral phase from Jan 2023 (Unit: %)



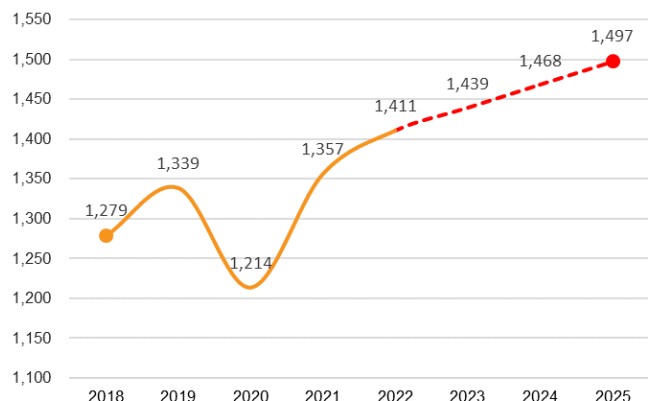
Source: VNDIRECT RESEARCH, IRI

Figure 12: We expect a bountiful year for hydropower output in FY22F before coming out of its ideal weather condition in FY23F



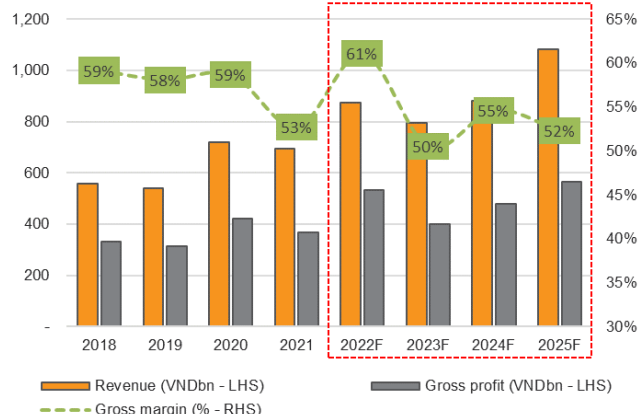
Source: VNDIRECT RESEARCH, Company report

Figure 13: PC1 hydropower plants enjoyed higher ASP thanks to avoidable cost policy. We see ASP to grow at 2%/year (Unit: VND/kWh)



Source: VNDIRECT RESEARCH, Company report

Figure 14: Hydropower revenue and gross profit will stay around before surging in FY25F thanks to additional hydropower plants



Source: VNDIRECT RESEARCH, Company report

- For FY22F hydropower outlook, we expected on a remained positive output result of 620m kWh (+21% yoy) thanks to ideal weather conditions. Revenue is estimated to increase 25% yoy to VND874bn with 2% annually increasing assumption of ASP to 1,411VND/kWh. Gross profit margin (GM) will improve to 61% thanks to optimal output mobilization.
- For FY23F, we expect PC1 hydropower output to drop 11% yoy to 553m kWh due to two-way influence, weather conditions to come out of its peak, and the additional output from Bac Lac A (30MW). Overall, FY23F revenue will decline 9% yoy to VND795bn, and gross profit will drop 24% yoy to VND420bn.
- For FY24F, we forecast hydropower output based on the three-year-average level, thus, it is expected to be around 599m kWh (+6.8% yoy). Revenue and gross profit increase 10% yoy and 19% yoy, to VND880bn and VND481bn, accordingly.
- For FY25F, we expect on a solid output rise of 20% yoy to 710m kWh thanks to additional contribution from three new hydropower plants of 51MW. Leading to 23% yoy increase in revenue of VND1,083bn and 18% yoy in gross profit of VND566bn.

We expect revenue from power business to grow 8.5% CAGR over FY23-25F with solid contribution from wind power

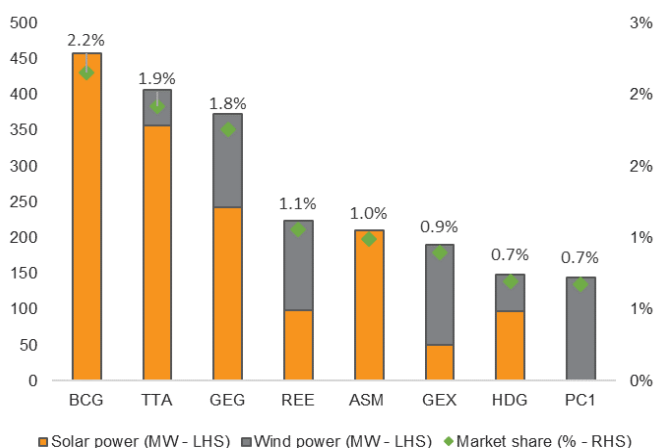
Currently, PC1 owned three wind projects with total capacity of 144MW and investment cost estimated at VND5,763bn. In the difficult setting of the Covid pandemic, PC1 has proved its capability in term of project implementation with all three projects were completed ahead schedule and accordingly, they were entitled to preferential FIT price of 8.5UScent/kWh. PC1 has climbed in the top 10 listed RE firm and cemented its reputation of one of the largest power enterprises in the industry. PC1 wind power plants have a slightly higher investment cost per capacity of VND40bn/MW than average peers developed at the same period (VND39.4bn/MW). However, these projects were funded from a syndicated loan of three parties, including the Asian Development Bank (ADB), the Japan International Cooperation Agency (JICA), the Australian Export Finance Agency (EFA). This is certified as a “green” loan, thus, it benefited from a very attracting interest rate policy.

Figure 15: PC1 wind power plant information

Power plant	Ownership (%)	Total investment (VNDbn)	FIT price (cent/kWh)	Capacity (MW)	Annual output (m kWh)	Operation hour (hour/year)	ADB syndicated loans for 15 years (VNDbn)	
Lien Lap	55.5%	1,921	8.5	48.0	145.0	3,020.8	1,307.2	Fixed rate 5.02%
Phong Nguyen	54.7%	1,921	8.5	48.0	173.0	3,604.2	2,114.7	LIBOR 3M + margin
Phong Huy	54.7%	1,921	8.5	48.0	177.0	3,687.5	575.7	LIBOR 6M + margin
Total		5,763		144.0	495.0		3,997.6	

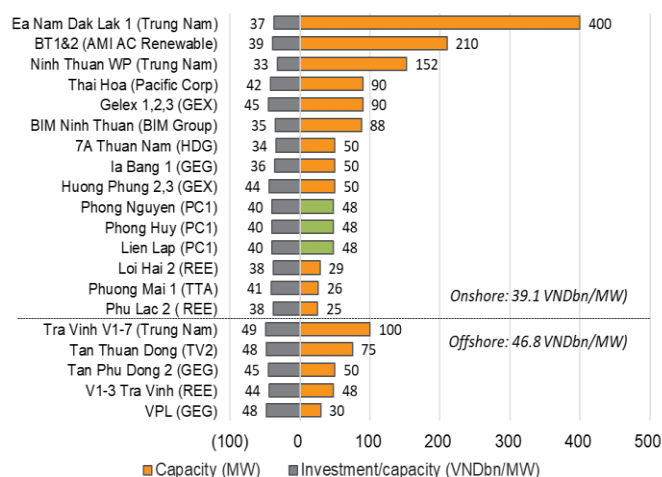
Source: VNDIRECT RESEARCH, Company report

Figure 16: Currently PC1 is among the top largest listed 10 RE power developers (excl. hydropower) in term of capacity



Source: VNDIRECT RESEARCH, Company report

Figure 17: Per our estimate, PC1's onshore wind power plants are more expensive in term of investment cost per MW than average peers



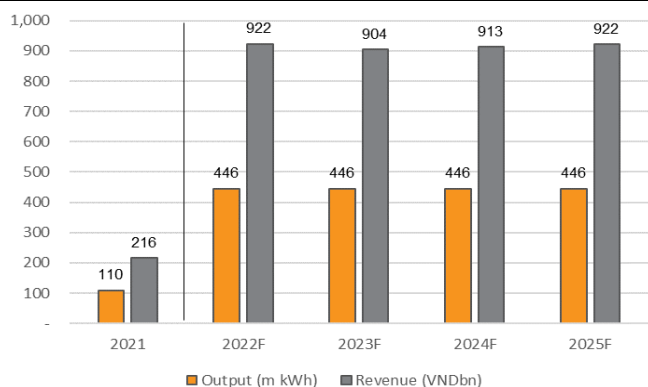
Source: VNDIRECT RESEARCH, Company report

At the moment, PC1 is conducting a survey of 90MW of onshore wind power in Quang Tri province and planned to develop additional 350MW in the FY22-25F period. We expect the contribution of wind power will help power segment to record solid business results and grab the largest portion in PC1 gross profit structure of around 40% annually, in which:

- In FY22F, we expect wind power output to record a strong rise of 305% yoy to 446m kWh by operating full year. Revenue will rise 326% yoy to VND922bn, support by 5% rise in US\$/VND exchange rate, thus, gross profit expected to reach VND422bn.
- For FY23-25F, we assume a similar output level of 422m kWh (85% designed output) to present our conservative view on the curtailment risk of wind power, owing to its instability nature and the quality of transmission grid. However, FY23-25F revenue will adjust, owing to the exchange rate adjustment in ASP. Therefore, we forecast revenue to shift down in FY23F to VND904bn, then shift up 1% annually in FY24-25F. Therefore, wind power segment gross profit will be varied at VND534bn, VND543bn, and VND 551bn, in FY23/24/25F, respectively.

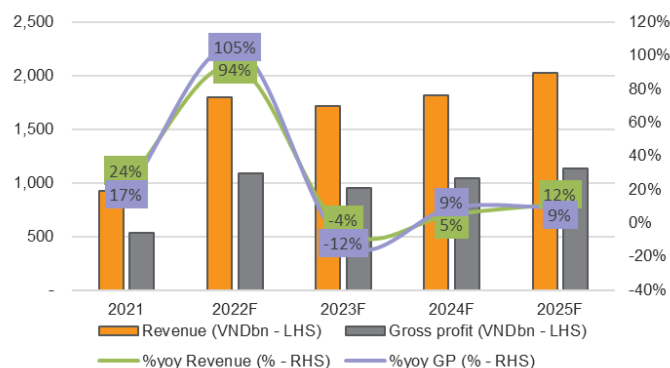
For power sector, we forecast a 4% yoy revenue dropped to VND1,718bn in FY23F due to lower hydropower output, after stable at VND1,811bn (+5% yoy) in FY24F. For FY25F, we expect a 12% yoy revenue rise to VND2,024bn, following additional hydropower capacity. Overall, FY22F power segment gross profit will reach VND956bn (+80% yoy), accounting for 54% PC1 total gross profit. Total power segment gross profit will shift -14% yoy, 9% yoy and 9% yoy to VND936bn, VND1,023bn and VND1,117bn in FY23/24/25F, respectively.

Figure 18: FY22-25F wind power output will stable at 446m kWh while revenue expected to rise correspondingly with exchange rate



Source: VNDIRECT RESEARCH, Company report

Figure 19: Power segment will continue to provide the largest portion in gross profit structure of PC1 in FY22-25F period.



Source: VNDIRECT RESEARCH, Company report

Residential property will comeback after years of absence

PC1's residential property segment will come back and contribute a solid portion of the company revenue thanks to a pipeline of four mid-range residential property projects in the 2022-25F period.

Figure 20: PC1 is currently developing four new residential property projects, expect to record revenue in FY22-25 period per our estimate

Project	Location	Total size area (m2)	Expected pre-sale	Construction time	Products
PC1 Gia Lam (Yen Thuong)	Yen Khe, Yen Thuong, Gia Lam	7,152.0	4Q22	3Q22-4Q22	+) Construction area: 3,129m2 +) Products: 54 units of landed property (low-rise)
PC1 Dinh Cong	120 Dinh Cong, Thanh Xuan, Hanoi	15,100.0	4Q22	3Q22-1Q23	+) Construction area: 6,000m2 +) Products: 84 units of landed property, office
PC1 Vinh Hung	No. 1, lane 321 Vinh Hung, Hoang Mai, Hanoi	5,160.0	4Q22	3Q22-4Q23	+) Mixed projects: including mid-range apartment building with 27 floors, 3 basements, 1 rooftop. +) Shophouse: 5 floor, 1 rooftop.
PC1 Thang Long	Tan Xuan, Bac Tu Liem, Hanoi	22,000.0	1Q23	1Q23-3Q24	+) Mixed projects: including near high-end apartment building with 27 floors, 3 basements, 1 rooftop. +) Landed property (low-rise): 4 floor, 1 rooftop.

Source: VNDIRECT RESEARCH, Company report

We see increasing headwinds weighing on property sector outlook, including: 1) tightening bank loans into the property sector and stricter supervision in corporate bond issuance; 2) rising mortgage rates will hinder housing purchasing decisions. However, we think that the mid-range housing category that PC1 is aiming for is one with strong purchasing power and real demand. Therefore, we see a lighter effect on PC1's real estate project as follows:

- At the moment, the investment progress of these projects is slower than planned, in which, PC1 Gia Lam is expected to achieve the investment policy approval in November, then PC1 Dinh Cong to be right after. Hence, we assume a sale progress of these projects to be delayed into 2023F.
- We expect a one-year delay in the sale schedule of PC1 Vinh Hung and PC1 Thang Long following the tightening property market and weakened demand under a high-interest rate environment. In particular, PC1 Thang Long will start selling 10% of units in 4Q23F, 70% in FY24F, and the remaining in FY25F. For Vinh Hung we expect 60% of units to be sold in 2024F, and the remained unit will be transferred into 2025F. Although there are still uncertainties among PC1 Vinh Hung and Thang

Long progress, the company expects total revenue of around VND2,400-2,500bn for two projects with a forecasted NPAT margin of more than 15%.

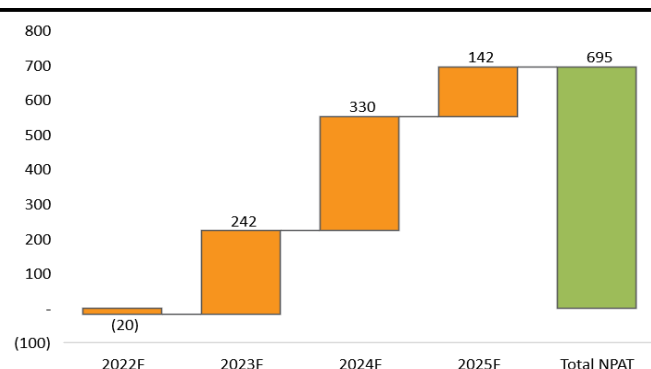
- In our forecast, we expect these mid-range property projects to record a GM of around 30% (equivalent to the average GM of PC1 previous projects) with NPAT margin around 20-25%. Therefore, we estimate the total revenue of four projects to be about VND3,428bn for FY22-25F. Total net profit after tax (NPAT) is expected at VND695bn, with an NPAT margin of 20%, which, NPAT will allocate mainly in FY23-24F period.

Figure 21: FY22-25F residential property segment revenue allocation

Project	Project revenue (VNDbn)	Revenue allocation (VNDbn)			
		2022F	2023F	2024F	2025F
PC1 Gia Lam	194	-	194		
PC1 Dinh Cong	969	-	969		
PC1 Vinh Hung	725		73	508	145
PC1 Thang Long	1,539		-	923	615
Total (VNDbn)	3,428	-	1,236	1,431	760

Source: VNDIRECT RESEARCH, Company report

Figure 22: NPAT portion will allocate mainly in FY23-24F (Unit: VNDbn)



Source: VNDIRECT RESEARCH, Company report

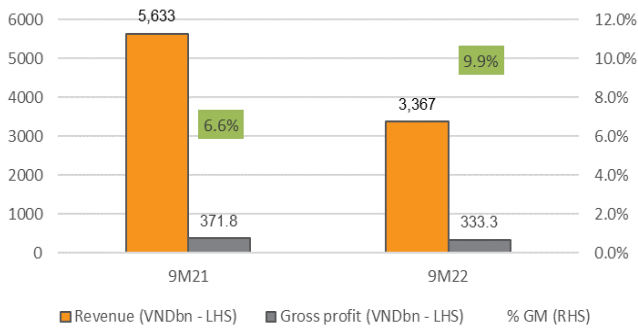
M&E segment: Waiting for official RE price mechanism

Humble 9M22 from 2021 high-base, with the postponement of the wind power project to be the resonance reason

In 9M22, PC1's Mechanical and Electrical (M&E) segment delivered a modest result, with M&E revenue falling 40% yoy to VND3,367bn from high-base 9M21. However, thanks to GM improvement of 3.3%pts to 9.9%, gross profit declined slighter 10% yoy to VND333bn. We see the main reason for the revenue drop in FY22F, relating to the current postponement of wind power investing activities under the uncertainty in RE price mechanism. Besides, we see commodity price hike is also a resonance factor, stagnated M&E activities in 1H22. In contrast, the improvement of GM in 9M22 became the bright spot, in which, PC1 recorded a higher margin thanks to larger portion of outside EVN contracts.

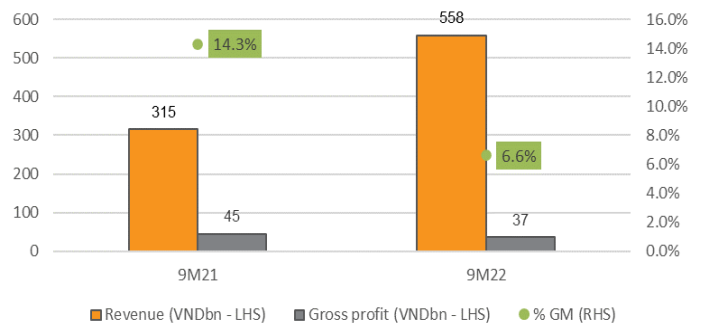
Steel pole manufacturing recorded a solid rise in sale revenue, increasing 77% yoy to VND558bn in 9M22. However, the gross margin narrowed down to only 6.9%, caused a decline in 9M22 gross profit of 17% yoy to VND37bn. The strong rise in input prices such as steel and zinc has put pressure on the manufacturing cost of steel poles while EVN package quota were not changed accordingly. At the end of 2Q22, we see a downtrend in costs, especially from steel and we expect 2Q22 to be the peak of this commodity price.

Figure 23: 9M22 M&E revenue and gross profit dropped due to the absence of wind power projects that PC1 is the EPC contractor



Source: VNDIRECT RESEARCH, Company report

Figure 24: Steel pole sale activities recorded a positive revenue, but gross profit hampered by lower GPM, regarding the steel price surge



Source: VNDIRECT RESEARCH, Company report

FY22-24F outlook: We are looking for a comeback from the M&E segment, triggered by the official RE price mechanism

Although we believe the positive M&E activities in 3Q22 to be continue in 4Q22 thanks to the cooling of commodity price and the settlement of transferred M&E contract, we still forecast a revenue drop of 17% yoy to VND5,560bn from a high base in FY21. However, gross profit will increase 3% yoy to VND476bn, thanks to wider gross margin of 8.6%, offsetting the revenue loss. Along with the clear orientation in the PDP8 draft, favoring wind power, we believe the announcement of official price mechanism for RE projects to open up a bright outlook for PC1 from FY23F onward.

We are looking for a long-term uptrend in M&E demand owing to the need for grid upgrade and RE capacity development and PC1 will benefit from this trend thanks to the company's credibility in this sector. We anticipate a 10% annual increase in backlog new signed from FY23F onwards, thus, FY23-24F revenue would rise 31% yoy and 17% yoy to VND7,290bn and VND8,497bn, respectively. Besides, we forecast a widened GM after being narrowed under 1H22 high-cost environment, reaching VND697bn (+46% yoy) and VND744bn (+7% yoy), respectively.

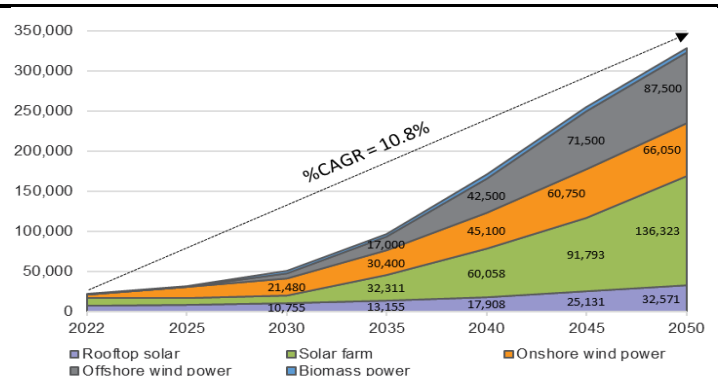
We believe steel pole manufacturing GM might improve from low level in 1H22, however, we forecast the segment's GM to only stay at 9.2% in FY22F, which is 5.2% pts lower than FY21 level. Therefore, although we expect on a revenue rise of 20% yoy, gross profit will decline 12% yoy to VND72bn in FY22F. We see a more vibrant activities for steel pole sales thanks to the downtrend of steel price and larger demand. Hence, we forecast FY23-24F steel pole manufacturing GM widen to 11.2% and 11.6%, leading to gross profit of VND117bn and VND 131bn, respectively.

Figure 25: Strong demand for transmission grid will underpin PC1 – the top power M&E firm outlook in the future

	Unit	High-load scenario	
		2021-30 period	2031-45 period
500kV substation			
New build	MVA	46,650	66,600
Upgrade	MVA	37,800	99,450
500kV transmission line			
New build	km	12,490	7,760
Upgrade	km	1,324	801
220kV substation			
New build	MVA	74,275	84,125
Upgrade	MVA	34,497	82,625
220kV transmission line			
New build	km	16,061	8,245
Upgrade	km	6,484	304

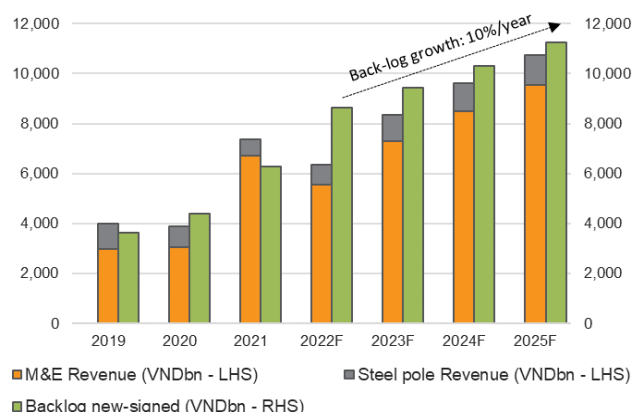
Source: VNDIRECT RESEARCH, PDP8 draft

Figure 26: PC1 has proven its strong capacity as EPC contractor, and will be benefited from the RE rising trend (Unit: MW)



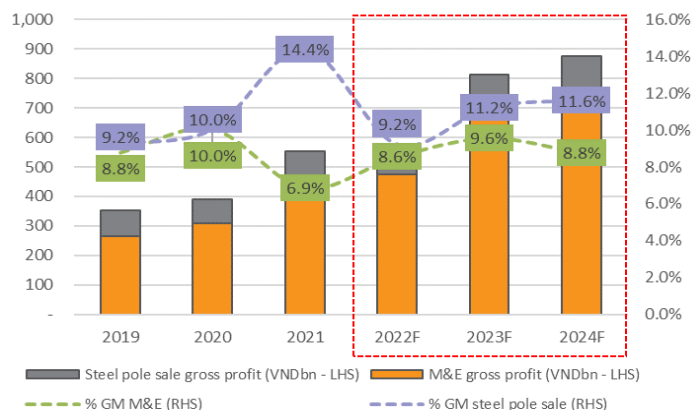
Source: VNDIRECT RESEARCH, PDP8 draft

Figure 27: M&E & steel pole sales revenue and back-log will increase sustainably in FY22-24F period



Source: VNDIRECT RESEARCH, Company report

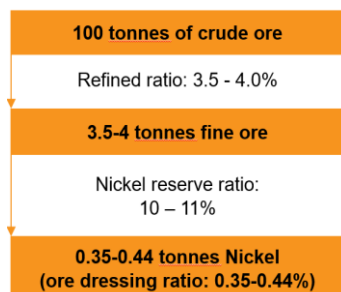
Figure 28: Gross profit margin of these segments forecasted to improve after commodity price cool down from FY22F peak



Source: VNDIRECT RESEARCH, Company report

Figure 29: Nickel mine specification

Nickel mine specification	
Primitive reserves (tonne)	14,290,000
Designed capacity (tonne/year)	700,000
Nickel reserve (%)	0.3%
Total investment (VNDbn)	1,502
Mining technology	China



Source: VIMLUKI, VNDIRECT RESEARCH

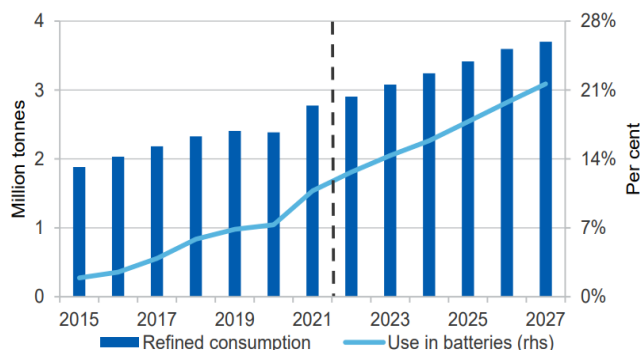
Nickel minerals will bring a stable profit flow from FY23 onward

In 2Q21, PC1 acquired 23.3% of Tan Phat Minerals trade JSC with an estimated investment cost of around VND233bn, increased its ownership to 57.2%. Tan Phat is the investor in Ha Tri Nickel – Copper mineral opencast mining project in Quang Trung, Cao Bang. The project was awarded investment decision policy in 2021 with a total investment of VND1,502bn, designed capacity of 700,000 tonnes/year, expected to run test in 4Q22F and officially sell products from 1Q23F with an initial operating license of 4m tonnes (VND978bn). The projects will use mining technology from China – a top country in non-ferrous metal mining sector, providing impressive environmental outcomes with minimal sludge and liquid waste, helping PC1 products to attract international customer who place great emphasis on project quality and environmental impact. PC1's Nickel fine ore will contain 7.5% Nickel and 5% Copper, reaching the commercial standard.

We expect larger scale of electric vehicles (EV) to be the core factors, triggering Nickel demand rise in the future. According to the Department of Industry, Science and Resources report, total nickel demand rose by 16% yoy in 2021 and expected to grow at an averaging 3.7% annually to 3.4m tonnes in 2027F. In particular, the nickel demand for EV's batteries is major driving force for nickel consumption with an estimated 11% pts widening from 11% in 2021 to 22% of total demand in 2027F. According to the IEA, the nickel market may not face a significant deficit in the upcoming years thanks to additional supply from Australia and Indonesia. However, the supply corruption under Ukraine – Russia conflict put pressure on the nickel market, causing in a surge to US\$48,000/tonne in March. The price then cooling down and currently located at US\$25,000/tonne (-50% from peak) but still higher than 2021 level. Basing on IISA forecast, we see a remained high nickel price of US\$25,748/tonne in 2022F, and gradually drop to US\$21,250/tonne in 2023F, and US\$20,250/tonne in 2024F onward. From 2025F, we use long-term price level of US\$15,000/tonne by Fitch rating to portrait our conservative view on this commodity outlook.

According to PC1's authorities, the company highly appreciated the efficiency of this project with minimum expect NPAT of 30%. Moreover, the company planned to expand Phase 2 from 2025F, but we have not included in the model due to limited project information.

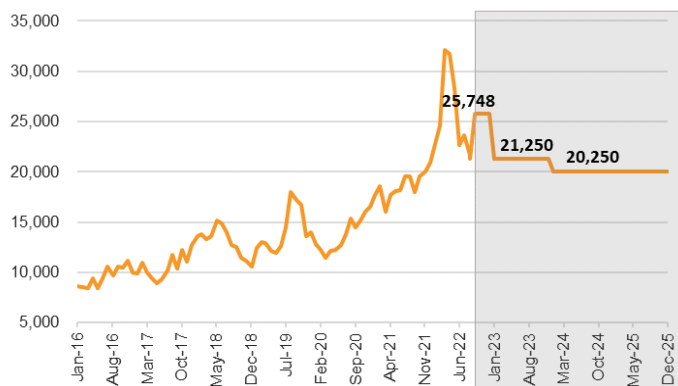
Figure 30: Nickel consumption demand expected to rise at average 3.7% with wider portion for batteries demand in 2022-27F period



Source: International Nickel Study Group (INSG); Wood Mackenzie; Department of Industry, Science, Energy and Resources (2022)

Source: VNDIRECT RESEARCH, Department of Industry, Science and Resources

Figure 31: Nickel price forecasted in 2022-25F period following IISA and Fitch rating Nickel price forecast (US\$/tonne)



Source: VNDIRECT RESEARCH, IISA, Bloomberg

We expect the project to run at 70-80% capacity in FY23-24F, after reaching full capacity from FY25F when operating more smoothly. We forecast total volume base on Nickel ore dressing ratio of 0.35% following the research of National Institute of Mining – Metallurgy Science and Technology (VIMLUKI), a more conservative level than PC1’s estimation of 0.4-0.5%, converting into US\$1,715/1,960/2,450/tonnes in FY23/24/25F. In term of price, we assume FY23/24F nickel price to stay at US\$21,000/20,000, following IISA forecast, before decline to US\$15,000/tonne in FY24F, due to the Fitch long-term level forecast. Besides Nickel, we see modest copper content in PC1’s ore, we estimate FY23/24F copper output of 490 tonnes (equivalent to 0.1% ore dressing ratio in the VIMLUKI report) after increase to 613 tonnes in FY25F when the project operates for full capacity. According to Fitch Solution, copper price will rise to US\$8,400/tonne and US\$9,000/tonne in 2023-24F, following higher industrial demand and expected supply deficit. Overall, we forecast FY23/24/25F revenue of the mineral projects at VND928/1,042/1,030bn, respectively, with around 90% revenue portion come from Nickel. NPAT will gradually increase to VND192/239/242bn thanks to higher output and lower interest expense, with NPAT margin widen at 20.7%/23%/23.5% in FY23/24/25F respectively. We put on a lower NPAT margin level than the addressed level from PC1 (>30%) as we stay conservative under limited information about Vietnam Nickel segment. On the other hand, we see the average NPAT margin of several world Nickel enterprise to stay around 25-30% as well.

Figure 32: Nickel business result forecast in FY23-30F period

VNDbn	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
Nickel volume (tons)	1,715	1,960	2,450	2,450	2,450	2,450	2,450	2,450
Nickel price (USD/tons)	21,000	20,000	15,000	15,000	15,000	15,000	15,000	15,000
Copper volume (tons)	429	490	613	613	613	613	613	613
Copper price (USD/tons)	8,400	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Revenue	928.4	1,042.4	1,030.4	1,051.0	1,072.0	1,093.5	1,115.3	1,137.6
Gross profit	426.2	487.8	481.3	492.4	503.8	515.4	527.2	539.2
%GPM	46%	47%	47%	47%	47%	47%	47%	47%
Interest expense	93.02	84.09	75.15	66.21	57.28	48.34	39.40	30.47
NPAT	192.29	239.57	242.50	256.90	271.45	286.15	300.99	315.99
%NPAT margin	21%	23%	24%	24%	25%	26%	27%	28%
Net profit	110.12	137.20	138.88	147.13	155.46	163.88	172.38	180.97

Source: VNDIRECT RESEARCH, Company report

We expect greater contribution from industrial park segment from FY23F

In FY21, PC1 purchased a total of 18.5m shares of Western Pacific JSC (WP), of which 7m shares are from existing shareholders and the remaining 11.5m shares are privately issued only for PC1. Accordingly, the company will grab 30.08% stake in WP with total investment of VND1,110bn. Western Pacific is an industrial park company, pioneering in developing the LIC projects (logistic industrial cluster). At the moment, Western Pacific is the investor of:

- 60.2% stake in Yen Phong II-A - a smart logistic center: The IP locates in Tam Giang, Bac Ninh, has a total site area of 158ha, and investment value of VND1,830bn. Yen Phong II-A is expected to be ready for rent and recognize profit from FY23F. We see Bac Ninh is the tier-1 industrial zone, particularly attracting the electronics industry, manufacturing electronic components and equipment with skilled workforce, preferential mechanisms, and policies, especially for production FDI projects and supply chains with global brands. The area is destination of giants, including Samsung, Canon, Foxconn,... and we believe Yen Phong II-A to be benefited from the massive potential of this region.
- Yen Lenh industrial park and port cluster: The IP has total site area of around 70ha and total investment of VND624bn, and we expect the industrial park to ready for rent from FY24F. Ha Nam is currently creating a strategy to draw investment with the goal of promoting supporting industries and high technology. The province initially attracted some automobile enterprises such as Yokowo Japan. Moreover, we believe the project Ring Road 5, when it comes into operation, will improve Ha Nam's regional connection and boost the area's attraction. We see the limited land bank in major industrial hubs to boost the new supply moving to the tier-2 industrial area such as Hung Yen, Hai Duong and the Yen Lenh IP will ride on this trend.
- In FY23-25F period, WP planned to develop Long An international port and additional 1,000ha IP projects in Bac Giang and Ha Nam provinces. However, the specific information about these projects hasn't been disclosed, and we expect these to be a potential re-rating catalyst for PC1 whenever further information is provided.

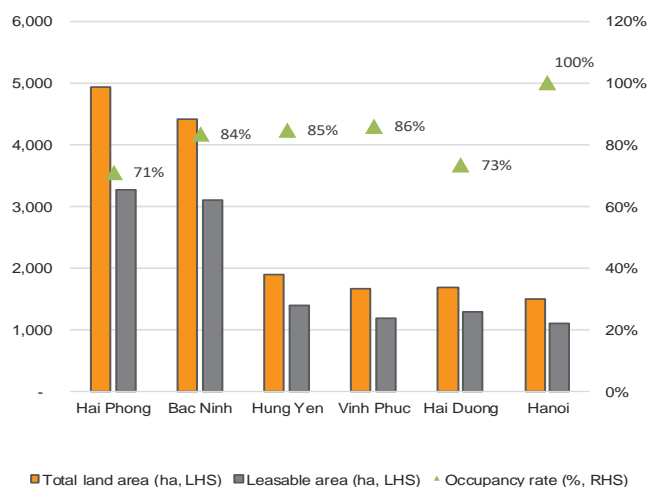
Figure 33: Western Pacific is currently developing two industrial parks

Industrial park	Location	PC1 Onwershhip (%)	Total site area (ha)	Total investment (VNDbn)	Operation years
Yen Phong IIA	Tam Giang, Bac Ninh	19%	158	1,830	2023
Yen Lenh	Duy Tien, Ha Nam	30%	69	624	2024

Source: VNDIRECT RESEARCH, Company report

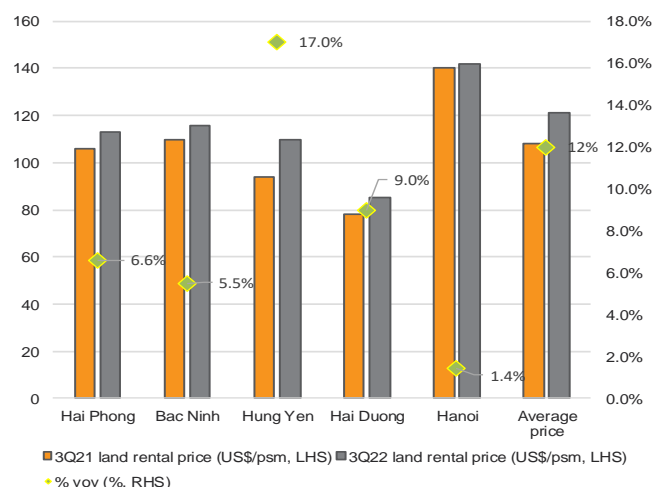
We expect the two WP's upcoming projects to contribute majorly to PC1 associates' profit from FY23F onward. PC1 board has disclosed average renting price for Yen Phong II-A of US\$150/spm/lease term. Although the price is higher than its peer of average US\$120/spm/lease term, we think this is an acceptable price when Yen Phong II-A is one of the pioneer following the Logistics Industrial Cluster model, with the ability to provide the most modern and complete services to tenants. We assume the occupancy rate will reach 100% after four years, regarding the current area renting rate of 30-40ha per year among the industrial parks in Yen Phong area. We assume a similar leasing period of 4 years for Yen Lenh IP from FY24F with lower leasing price of average US\$100/psm/lease term. Overall, we expect Yen Phong II-A IP to bring a total of VND569bn for PC1 in FY23-26F and Yen Lenh IP will bring VND542bn in FY24-FY27F.

Figure 34: 3Q22 occupancy rate in the North stay at high base despite new supply



Source: VNDIRECT RESEARCH, Company report

Figure 35: Hung Yen has a biggest price increase among five key Northern industrial cities/provinces



Source: VNDIRECT RESEARCH, Company report

In July 2022, PC1 has acquired 100% shares of Nomura Asia Investment Vietnam (NAIV). NAIV is a Singapore-based legal entity, of which 70% contribution from Nomura Holdings and 30% by JAFCO. At the moment, NAIV has only one investment of 70% ownership in Nomura Hai Phong IP. The IP is currently reaching its full occupancy (90%), thus, providing only modest renting revenue. However, we expect another revenue flow from service activities and its independent coal thermal power plant, build only to serve the IP customers. The plant has total capacity of 50MW and average selling price of around US\$0.12/ kWh, contributing around VND657bn service income per our estimate. The IP expected to finally consolidate into PC1 income statement from Nov, 2022, thus, we include the 2 months revenue contribution of around VND104bn in FY22F, leading to PC1's NPAT-MI of VND11.7bn. We see the M&A deal to be the firm step for PC1 to join deeper onto IP sector in term of IP management and developed ancillary services. Besides, the investment will be the springboard for PC1 to continue invest in the Phase 2 Nomura HP. Although specific schedule of the project has not been confirmed, the company confident on the appearance of this project in the future.

Figure 36: Revenue and NPAT-MI allocation from IP segment (Unit: VNDbn)

	2022	2023F	%yoy	2024F	%yoy	2025F	%yoy	2026F	%yoy	2027F	%yoy	Total
Yen Phong IIA	-	1,087	NA	2,391	120%	2,630	10%	46	-98%	-	-100%	6,154
Yen Lenh	-	-	NA	797	NA	877	10%	920	5%	483	-47%	3,077
Nomura HP	104	632	505%	637	1%	643	1%	649	1%	655	1%	3,321
Project revenue	104	1,719	1547%	3,825	123%	4,150	8%	1,616	-61%	1,138	-30%	12,552
Yen Phong IIA	-	85	NA	219	157%	257	17%	1	-99%	-	-100%	562
Yen Lenh	-	-	NA	132	NA	153	16%	165	8%	87	-47%	537
Nomura HP	12	71	505%	71	1%	72	1%	73	1%	73	1%	372
PC1 NPAT-MI	12	156	1233%	422	171%	481	14%	239	-50%	161	-33%	1,471

Source: VNDIRECT RESEARCH, Company report

FY22-24F earnings forecast

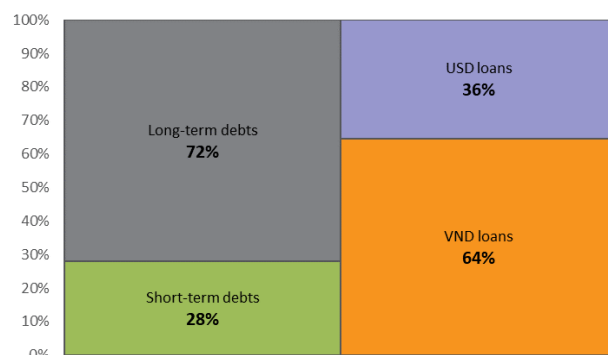
We see PC1 are facing a duo effect from interest expense rise and exchange rate loss, expected to last through 1H23F

Figure 37: 3Q22 PC1's liquidity ratios improved from 2021 low level

	2017	2018	2019	2020	2021	3Q22
Quick ratio	1.10	1.37	1.05	1.33	0.98	1.17
Cash ratio	0.36	0.36	0.36	0.36	0.36	0.36
D/E (x)	0.60	0.60	0.80	0.80	1.40	1.70
Interest coverage ratio	3.70	4.40	3.50	3.40	2.70	2.40
CFO/Revenue (%)	-5.7%	10.1%	-5.7%	9.5%	1.0%	15.3%
Loan/EBITDA	3.90	2.40	4.00	3.40	7.40	6.40

Source: VNDIRECT RESEARCH, Company report

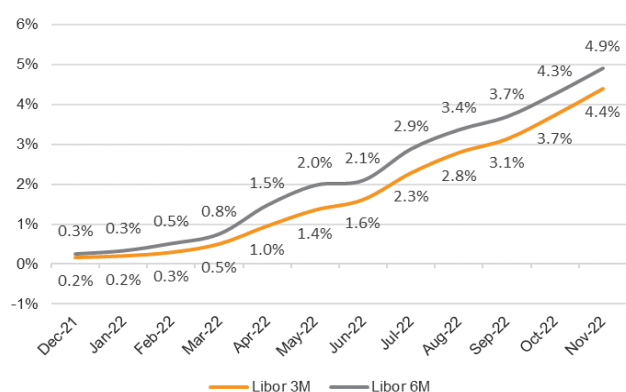
Figure 38: 3Q22 PC1 debt structure (Unit: %)



Source: VNDIRECT RESEARCH, Company report

Due to the additional loans for 144MW wind power in FY21, PC1 D/E ratio has increased sharply from 0.8x to 1.4x in 2021 and 1.7x in 3Q22. Interest coverage ratio also met higher pressure and dropped to 2.4x in 3Q22 under higher interest rate environment. Therefore, the debt/EBITDA ratio also surged to 6.4x in 3Q22 from 3.4x level in 2020, owing to a higher debt portion. On the other hand, PC1's liquidity ratios, including quick and cash ratios, both improved in 3Q22 from a low level in 2021. Moreover, thanks to strong cash flow from the power segment, PC1 recorded a strong CFO/Revenue of 15.3% in 3Q22. In our perspective, although we see higher debt put larger pressure on the company's financial situation, we see PC1 still remain healthy thanks to strong cash flow and quality assets. At the moment, PC1's debt structure included 36% US\$ loans of wind power, and the remained 64% allocated in the VND loans.

Figure 39: US\$ Libor 3-month + 6-month interest rate surged from the beginning of the year, following the Fed interest rising action (Unit: %)



Source: VNDIRECT RESEARCH, global-rates.com

Figure 40: VND has depreciated to US\$ by ~8% ytd. We see the FX pressure will linger till 2H23F

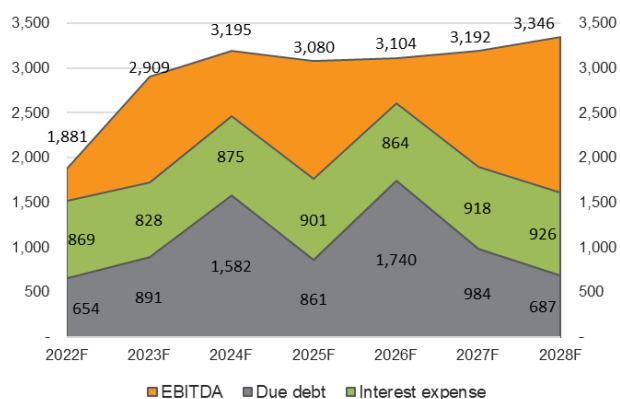


Source: VNDIRECT RESEARCH, Bloomberg

In the context of interest rate hike, we see an upward pressure on PC1's high debt portion to stay to at least 1H23. While we see the Vietnam deposit rate surge to harm the VND loans' financial expense, we think the attractiveness of the US\$ loans has also not been shown, and even vice versa. We see a major part of the VND3,900bn in US\$ loans is suffering from LIBOR interest rates

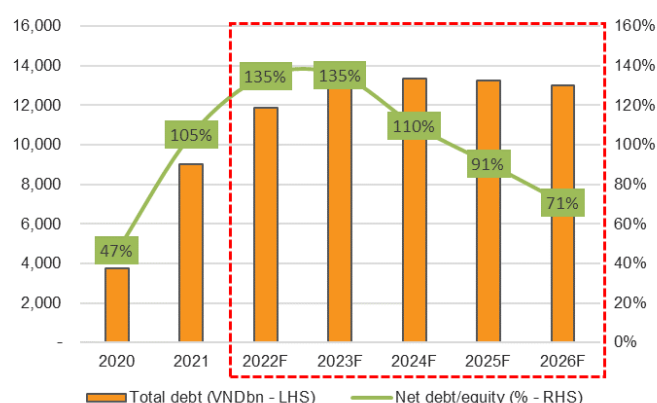
hiking and higher exchange rates, following the Fed interest rate rise policy. Accordingly, we expect these loans' interest rates will reach 6.5%, with central VND/US\$ rate to depreciate by 5%, combining in a total 11.5% rate for these loans in FY22F, higher than the average interest rate of domestic loans for RE projects of 10%. However, we note that in long-term, achieving an average 5% interest policy will bring huge advantage. This project is among one of the outstanding wind power plants in Asia with low cost of debt and high ESG standard.

Figure 41: We estimate EBITDA flow will be able to cover PC1 debt service in FY22-28F (Unit: VNDbn)



Source: VNDIRECT RESEARCH, Company report

Figure 42: Leverage ratio remained high in 2022-24F period following several expansion plans in upcoming years



Source: VNDIRECT RESEARCH, Company report

Figure 43: We conclude a sensitivity analysis for 2023F financial expense to illustrate the duo impact of the US\$ loans

FY23F financial expense sensitivity analysis

		Interest rate (%)				
		5.3%	5.5%	6.3%	6.5%	7.0%
Fx rate (%)	-2%	722.10	730.69	759.34	766.50	784.40
	-1%	756.53	765.12	793.77	800.93	818.83
	0%	790.96	799.55	828.20	835.36	853.26
	1%	825.39	833.98	862.63	869.79	887.69
	2%	859.82	868.41	897.06	904.22	922.13
	3%	894.25	902.85	931.49	938.65	956.56

Source: VNDIRECT RESEARCH, Company report

Due to several expansion projects from PC1 in Nickel mineral mining, hydropower plants and residential properties, we see a remained high net debt/equity ratio of 135%, 135% and 110% in FY22/23/24F, following high demand for debt. However, we see the strong EBITDA flow will help PC1 to cover its debt service easily in FY22-28F.

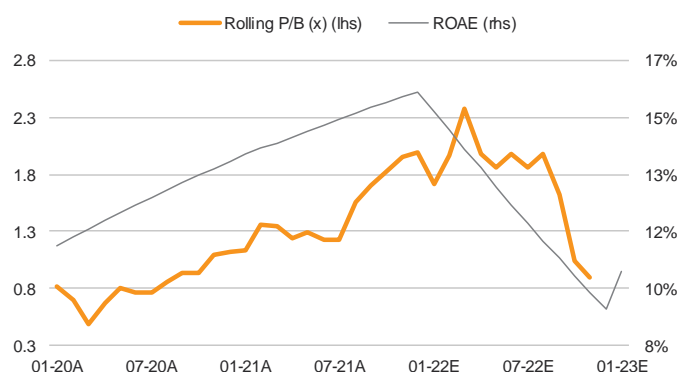
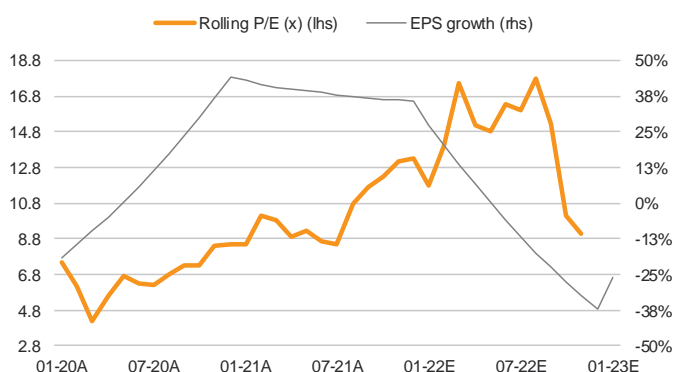
We forecast a 142% yoy surge in financial expense, contributing by 112% yoy rise in interest expense and 315% yoy surge in exchange rate loss. From FY23F, we see a released pressure on the exchange rate from 2H23F with the expectation of well inflation controlled. However, interest expense will remain high under several business expansion plans of the company. We derived a sensitivity analysis to see the changing impact of interest rates and exchange rates. We are assuming the FY22-23F average interest rate of the US\$ loans to stay around 6.3%, and the US\$/VND central rate to appreciate 5% yoy from end-

21. We see the 1% change in either the exchange rate or interest rate will cost the company an additional amount of approximately VND38bn.

Figure 44: FY22-24F business results forecast summary

VNDbn	FY21	FY22F	% yoy	FY23F	% yoy	FY24F	% yoy	Comment
Revenue	9,828	9,949	1%	14,722	48%	16,753	14%	We expect revenue to increase in 1% yoy to VND9,949bn in FY22F before accelerating 48% yoy and 14% yoy to VND14,722bn and VND 16,753bn in FY23-24F, respectively.
M&E	6,714	5,560	-17%	7,290	31%	8,498	17%	
Steel pole manufacturing	650	782	20%	1,044	33%	1,132	8%	
Power	928	1,797	94%	1,718	-4%	1,812	5%	
Residential property	106	30	-72%	1,270	4113%	1,611	27%	
Nickel mining	-	-	na	928	na	1,042	12%	
Industrial park (IP)	-	104	na	632	505%	637	1%	
Others	1,431	1,675	17%	1,840	10%	2,021	10%	
Gross profit	1,156	1,719	49%	2,846	66%	3,179	12%	Gross profit increases 49% yoy, 66% yoy and 12% yoy in FY22/23/24F.
%GM	12%	17%		19%		19%		GM will improve thanks to higher portion of high GPM segment.
M&E	461	476	3%	698	46%	745	7%	FY22F M&E gross profit (GP) increase 3% yoy thanks to GPM improvement, then recover 46% yoy, 7% yoy in FY23-24F, triggering by the commodity price reduction and the publication of RE price mechanism.
Steel pole manufacturing	94	72	-23%	117	62%	131	12%	The steel price surge hamper FY22F GP of 23% yoy. For FY23-24F, we forecast a 62% yoy and 12% yoy increase following the volume rise.
Power	530	1,086	105%	953	-12%	1,041	9%	We expect on a 105% yoy rise in FY22F power GP thanks to ideal weather condition and added wind power, before reduce 12% yoy in FY23F when La Nina phase over. For FY24F, we forecast on 9% yoy GP recovery for low level in FY23F.
Residential property	39	17	-56%	449	2570%	567	26%	We forecast the segment FY22F GP drop by 56% yoy due to the delay of PC1 Gia Lam and Dinh Cong. From FY23F, GP will rise 25x yoy thanks to additional sale from PC1 Thang Long and Vinh Hung, before selling most of the remaining in FY24F.
Nickel mining	-	-	na	426	na	488	14%	Nickel mining segment will start selling and record VND426bn gross profit in FY23F. In FY24F, we forecast gross profit to rise 14% yoy thanks to output increase.
Industrial park (IP)	-	26		158	505%	159	1%	Nomura HP provides stable GP from Nov 2022
Others	33	42	29%	45	8%	48	6%	
SG&A	297	396	33%	589	49%	668	13%	SG&A will increase according to the revenue growth, reaching VND396bn, VND589bn, and VND668bn in FY22/23/24F, respectively.
Financial income	319	59	-81%	98	65%	188	92%	Financial income drop 81% yoy to VND59bn in FY22F due to one-off profit of VND262bn revaluating Tan Phat in 2021. In FY23-24F, financial income is VND98bn and VND188bn of deposit income, respectively.
Financial expense	359	869	142%	828	-5%	875	6%	Financial expense surge 142% yoy in FY22F, following the duo effect from foreign loan interest rate and fx rate loss. In FY23-24F, we estimate financial expense to decline 5% yoy, then increase 6% yoy to VND828bn and VND875bn, respectively.
Associated profit	86	52	-39%	154	197%	411	167%	Associates profit is expected to rise 197% yoy and 167% yoy to VND154bn and VND411bn in FY23-24F, respectively, thanks to upcoming WP's IP Yen Phong II-A and Yen Lenh.
Industrial park (IP)	-	-	na	85	na	351	313%	
Others	86	52	-39%	69	33%	60	-12%	
Pre-tax profit	896	586	-35%	1,701	190%	2,261	33%	
Net profit	695	437	-37.1%	1,148	163%	1,523	33%	Overall, net profit will adjust -37.1% yoy, +163% yoy and +33% yoy to VND437bn, VND1,148bn and VND1,523bn in FY22/23/24F.
EPS	2,570	1,616	-37.1%	4,247	163%	5,631	33%	

Source: VNDIRECT RESEARCH, Company report

Valuation

Income statement

(VNDbn)	12-22E	12-23E	12-24E
Net revenue	9,949	14,722	16,753
Cost of sales	(8,230)	(11,876)	(13,574)
Gen & admin expenses	(329)	(514)	(556)
Selling expenses	(67)	(76)	(112)
Operating profit	1,323	2,256	2,512
Operating EBITDA	1,881	2,909	3,195
Depreciation and amortisation	(557)	(652)	(684)
Operating EBIT	1,323	2,256	2,512
Interest income	59	98	188
Financial expense	(869)	(828)	(875)
Net other income	20	21	26
Income from associates & JVs	52	154	411
Pre-tax profit	586	1,701	2,261
Tax expense	(11)	(190)	(258)
Minority interest	(138)	(363)	(481)
Net profit	437	1,148	1,523
Adj. net profit to ordinary	437	1,148	1,523
Ordinary dividends	0	0	0
Retained earnings	437	1,148	1,523

Balance sheet

(VNDbn)	12-22E	12-23E	12-24E
Cash and equivalents	2,270	2,570	1,455
Short term investments	647	647	1,834
Accounts receivables	3,373	5,220	5,724
Inventories	1,692	2,213	2,442
Other current assets	133	163	201
Total current assets	8,115	10,813	11,655
Fixed assets	11,931	13,173	13,708
Total investments	690	844	1,255
Other long-term assets	781	1,111	1,301
Total assets	21,518	25,942	27,919
Short-term debt	3,220	4,566	5,639
Accounts payable	1,614	2,081	2,356
Other current liabilities	1,467	1,879	2,213
Total current liabilities	6,301	8,526	10,208
Total long-term debt	8,525	9,299	8,000
Other liabilities	129	192	248
Share capital	2,352	2,352	2,352
Retained earnings reserve	1,742	2,891	4,414
Shareholders' equity	4,845	5,844	6,903
Minority interest	1,718	2,080	2,561
Total liabilities & equity	21,518	25,942	27,919

Cash flow statement

(VNDbn)	12-22E	12-23E	12-24E
Pretax profit	586	1,701	2,261
Depreciation & amortisation	557	652	684
Tax paid	(11)	(190)	(258)
Other adjustments	(27)	(519)	(701)
Change in working capital	(964)	(1,517)	(163)
Cash flow from operations	141	127	1,823
Capex	(1,948)	(1,895)	(1,218)
Proceeds from assets sales	0	0	0
Others	59	98	188
Other non-current assets changes	(503)	0	(1,187)
Cash flow from investing activities	(2,391)	(1,797)	(2,217)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	2,521	2,120	(257)
Other financing cash flow	(293)	(149)	(465)
Dividends paid	0	0	0
Cash flow from financing activities	2,228	1,970	(721)
Cash and equivalents at beginning of period	2,292	2,270	2,570
Total cash generated	(22)	301	(1,115)
Cash and equivalents at the end of period	2,270	2,570	1,455

Key ratios

	12-22E	12-23E	12-24E
Dupont			
Net profit margin	4.4%	7.8%	9.1%
Asset turnover	0.49	0.62	0.62
ROAA	2.2%	4.8%	5.7%
Avg assets/avg equity	4.21	4.44	4.23
ROAE	9.2%	21.5%	23.9%
Efficiency			
Days account receivable	123.7	129.4	125.0
Days inventory	75.1	68.0	65.8
Days creditor	71.6	64.0	63.5
Fixed asset turnover	0.89	1.17	1.25
ROIC	2.4%	5.3%	6.6%
Liquidity			
Current ratio	1.3	1.3	1.1
Quick ratio	1.0	1.0	0.9
Cash ratio	0.5	0.4	0.3
Cash cycle	127.2	133.5	127.4
Growth rate (yoy)			
Revenue growth	1.2%	48.0%	13.8%
Operating profit growth	54.1%	70.5%	11.3%
Net profit growth	(37.1%)	162.8%	32.6%
EPS growth	(37.1%)	162.8%	32.6%

Source: VND RESEARCH

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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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