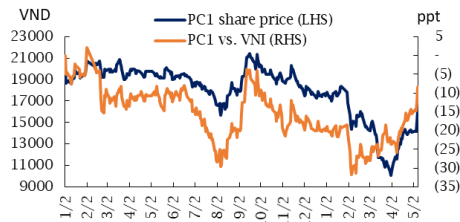


BUY
TP upside (downside) +49.2%
Close 07 May 2020
Price 16,150
12M Target 24,092
Share price performance relative to VNINDEX


Market cap (USD mn)	110
6M ADT (USD k)	224
Outstanding shares (mn)	159
Free float (%)	63
FINI ownership (%)	35
FOL Room (%)	14
Major shareholders (%)	26
2020 Net debt/equity (%)	51.0
2020 BVPS (VND)	26.557
2020 P/B (x)	0.6
2019 P/E (x)	7.2
2020 P/E (x)	4.7
2020 EV/EBITDA (x)	4.6

Financial outlook

Year to Dec	2019A	2020E	2021E	2022E
Sales (VND bn)	5,842	6,778	6,660	7,404
EPS (VND)	2,236	3,408	3,146	4,113
ROE (%)	10.2	14.4	11.8	13.7
Div. yield (%)	-	-	-	-

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Power Construction No1 (PC1 VN)
Property drives positive 1Q20 results
Event

PC1's 1Q20 earnings expanded on its property and manufacturing businesses. The bottom line grew despite a coronavirus-induced slowdown in its construction business.

Details

Property transfers drove growth. Revenue in 1Q20 increased 6.5% YoY to VND1,370bn. This was mainly due to property sales of VND257bn (+736% YoY) mostly from the Thanh Xuan projects. Manufacturing (33.8% of 1Q revenue) increased by 629% YoY to reach VND463bn. Conversely, construction revenue declined by 50% YoY to reach VND359bn.

Gross profit margin expanded slightly to 14.5%, up from 14.2% in 1Q19. Net financial expenses increased by 47.6% YoY to reach VND42bn, of which interest expenses increased by 51.2% YoY to just VND51bn. SG&A expenses slid by 11.4% YoY to reach VND46bn. PATMI increased 4.1% YoY to reach VND91bn.

Leverage is rising. Net debt increased by 62% YoY to VND2,877bn. Thus, PC1's net debt to equity ratio reached 76%, up from 53% in 1Q19 and 62% 4Q19. PC1 is investing heavily in renewable energy (e.g., Lien Lap Wind power, which is eligible for FIT schemes).

Launching 30MW Mong An Hydropower project. PC1 disclosed that one turbine at the Mong An Hydropower plant was launched on 30 March and another is under prelaunch inspection. PC1 expects this VND 916bn hydropower plant in Northern Vietnam to generate 110 mn kWh annually. Two other hydropower plants, 18MW Bao Lac B and 6MW Song Nhiem 4, are under construction and expected to be completed in 3Q20. In addition, the 48MW windpower Lien Lap plant has signed a PPA and should launch by Aug 2021.

Electricity construction market slowed due to COVID-19. Several electricity projects have been widely reported to have been delayed due to COVID-related issues. Specifically, Transmission Line Circuit 3, for which PC1 is a subcontractor, has been delayed from the originally planned June 2020 to Dec 2020 due to equipment delivery delays. We believe that this issue may explain the slowdown of PC1's construction business in 1Q20.

Our view -- We re-iterate our BUY call with target price of VND24,092. At the current price, PC1 is trading at an attractive 4.6x FY20E EV/EBITDA multiple.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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