

BUY
TP upside (downside) +6.1%
Close 04 November 2020
Price 22,700
12M Target 24,092
Share price performance relative to VNINDEX


Market cap (USD mn)	157
6M ADT (USD k)	396
Outstanding shares (mn)	159
Free float (%)	63
FINI ownership (%)	21
FOL Room (%)	28
Major shareholders (%)	35.9
2020 Net debt/equity (%)	51.0
2020 BVPS (VND)	26.557
2020 P/B (x)	0.9
2020 P/E (x)	6.7
2020 EV/EBITDA (x)	5.6

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)

Substantial windpower in the pipeline

Event

PC1's 3Q20 earnings jumped on manufacturing and the [previously discussed](#) electricity generation businesses and property transfer. Also, substantial wind capacity has been added into the pipeline.

Details

3Q20 revenue jumped by 31.2% YoY to VND1,644bn. This was mainly attributable to a +159% YoY surge in power construction revenue to reach VND713bn, most of which had been moved from 2Q20 due to COVID-19 disruptions. Property transfers reached VND145.5bn (+619% YoY), mostly from the Thanh Xuan projects. Electricity sales increased by +80% YoY to reach VND270bn. 9M20 revenue declined slightly by -2.1% YoY to VND4,184bn, equivalent to 60% of the company's FY2020 revenue guidance.

3Q20 PATMI doubled YoY to reach VND159bn despite a +36.6% YoY increase in net financial expense and +91% YoY rise in SG&A costs. 3Q20 gross profit margin expanded to 20.4%, up from 14.6% in 3Q19, as high margin property and electricity sales accounted for a larger share of revenue. Thus 9M20 PATMI jumped by +23.5% YoY to VND373bn, fulfilling 79.5% of 2020 profit guidance.

Significant hydropower capacity has been added. PC1 launched its 30MW Mong An Hydropower plant in 1Q20, followed by hydro plants Bao Lac B (18MW), and Song Nhiem 4 (6MW) in July. This has lifted PC1's hydropower installed capacity by +48.2% to reach 169MW, which contributed to the 3Q20 results. Net debt reached VND2,579bn, down by -1.8% YoY. As a result, PC1's net debt to equity ratio reached 55% in 3Q20, down from 73% in 3Q19.

Substantial wind energy projects are in the pipeline. PC1 has signed a PPA for its VND1,874bn investment in the 48MW Lien Lap windpower plant, which should launch by Aug 2021. The company also plays two windpower 48MW (each) plants at Phong Huy and Phong Nguyen with a total investment of VND4,029bn. These are planned to launch in 3Q21, which means that they should be eligible for the favorable feed-in-tariff (FIT) of UScent 8.5/kWh.

Our view -- We re-iterate our BUY call with target price of VND24,092, equivalent to FY21E PER of 7.7x. PC1 provides excellent exposure to Vietnam's thirst for energy, as its business model involves nearly the entire energy value chain including manufacturing, energy construction, and power generation. PC1's has share price advanced by 41% since our [last update](#) of May.

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