

Power Construction JSC No.1

PC1 VN

New projects to expand profit stream

Trading Buy
(Initiation)

 TP VND24,500
Upside +10%

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Investment highlights

New wind power projects in the pipeline: Three wind power plants (48 MW per project) are expected to contribute annual net profit of VND127bn–156bn during their 20-year life cycle, starting from FY21.

Stellar earnings growth for hydropower segment: PC1 began operation of the three hydropower plants—which have total capacity of 54 MW—in 2Q20 and 3Q20. We forecast the gross profit of the hydropower segment to increase by 9% YoY in FY20 and 28% YoY in FY21. Furthermore, PC1 targets to develop the Bao Lac A project (30 MW) and operate by 4Q23, which will increase the gross profit of this segment by 19% YoY in FY24. In addition, we expect Vietnam to enjoy a two-year period of favorable hydrological cycle from FY21.

Power infrastructure construction's stable outlook: We expect PC1 to continue to play a leading position in grid erection and installation, with a 48% market share, in terms of FY19 revenue among the five biggest players. After completing the third 500kv transmission line project in FY20, we expect slow progress in investment activities in state-funded projects. For private contracts, we believe the development of wind power will help PC1 maintain FY19-levels of performance.

Sales momentum from real estate segment: The Thanh Xuan project is expected to sell out in FY20, which guides FY20 real estate's revenue and gross profit to be around four times that of FY19. In addition, the Vinh Hung project is expected to launch in 2Q22, which will push the performance of this segment in FY22. So far, PC1 is focused on developing condominium projects in the mid-range segment.

Valuation and recommendation

We initiate coverage of PC1 with a Trading Buy recommendation and **target price of VND24,500 (+10% upside)**, applying the FCFE method. We expect new hydropower and wind power projects, as well as mid-end real estate projects, to drive the company's revenue and profit growth in upcoming years. However, earnings may fluctuate going forward, due to the timing of booking real estate projects.

We believe that FY21 is when PC1 will become attractive, based on **an expected sharp increase of 30% YoY in FY22 net profit**. Profits should improve significantly then, due to three new wind power projects and the Vinh Hung real estate project.

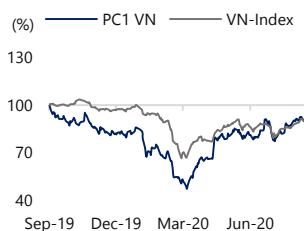
Risk

Climate risk: Construction activity takes place in different geographical areas across the whole country. Bad weather can impact the progress, safety, and profitability of the projects. In addition, a hydro power plant's operation is extremely dependent upon rainfall.

Lower public investment and delay approval process risk: Currently, EVN is the major client of PC1. Hence, lowering public investment will negative affect the company's orders and backlog.

Real estate industry's downtrend risk: The Covid-19 pandemic may have a negative effect on residential income and thus may impede buyers' ability to pay down existing loans and invest in new properties.

Key data



OP (20F, VNDbn)	745	Market cap (VNDbn)	3,402
Consensus OP (20F, VNDbn)	702	Shares outstanding (mn)	159
EPS growth (20F, %)	14	Free float (%)	62.6
Market EPS growth (20F, %)	8	Foreign ownership (%)	14.7
P/E (20F, x)	8.8	Beta (12M)	1.1
Market P/E (20F, x)	16	52-week low	10,000
VN-Index	908.5	52-week high	21,950

Share performance

(%)	1M	6M	12M
Absolute	11.2	23.4	2.2
Relative	7.2	16.8	11.1

Earnings and valuation metrics

FY (VNDbn)	FY17	FY18	FY19	FY20F	FY21F	FY22F
Revenue (VNDbn)	3,161	5,084	5,845	6,133	5,513	6,938
OP (VNDbn)	355	658	595	745	656	1,175
OP margin (%)	11.2%	12.9%	10.2%	12.2%	11.9%	16.9%
NP (VNDbn)	237	467	358	404	342	444
EPS (VND)	1,486	2,819	2,028	2,309	1,973	2,566
ROE (%)	9.7%	15.3%	10.3%	10.0%	7.6%	9.1%
P/E (x)	18.9x	7.3x	8.7x	8.8x	10.3x	7.9x
P/B (x)	1.6x	1x	0.8x	0.7x	0.7x	0.6x
Dividend yield (%)	0%	1%	0%	0%	0%	0%

Notes: Non-GAAP; net profit refers to net profit attributable to controlling interests.

Source: Company data, MAS Vietnam Research estimates

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Investment thesis

Vietnam economic growth crave for more power

Vietnam desires more power to keep projected GDP growth by 7% through FY30. The revised Power Development Plan VII (Revised PDP VII) states that Vietnam needs US\$148bn to increase power generation and develop the electricity grid through FY30 to meet the goal of 9% annual growth of electricity consumption. The rapid increases in power demand have exceeded the speed by which the power sector is expanding, and might risk domestic power shortages in the near term, as power projects progress slowly.

According to the Revised PDP VII, installed capacity will nearly triple to 129,500 MW in FY30. However, new capacity operating in the period of FY16–FY30 could fall short of the figure in the Revised PDP VII by 16% (15,200 MW), as stated in the report of Ministry of Industry and Trade (MOIT) in June 2019. Delays to some coal-fired power projects, as well as the Block B O Mon and Blue Whale gas field projects, could contribute to power shortage in the South, especially from FY22.

In this context, we expect the government to facilitate development in power sources to make up for the outages in the Vietnam market. We view the competition in the electricity-generation industry as being low in the short and medium term. Besides, the power plants and projects of the company do not participate in the competitive generation market. For hydro power plants with capacities of less than 30MW, a special rate—called the “avoidable tariff”—is applied. For wind power, the Feed in Tariff (FIT) under Decision No. 39/2018/QĐ-TTg (expiry in November 2021) is applied.

Awaiting more wind power projects

PC1 is currently developing three wind power plants (designed capacity of 48 MW per project, PC1 holding about 54–56%, with Renova Renewables Vietnam 1 PTE. LTD holding the rest). We expect these projects to contribute annual net profit of VND127bn–VND156bn on average during their 20-year life cycle. The projects are anticipated to start operation by September 2021 and enjoy a selling price of (US\$)8.5cents/kWh (an estimated devaluation of the nominal VND/US\$ exchange rate at 1%/year). IRR will be about 15–20%. From FY21 onward, we expect the wind power segment to contribute about 15% of total revenue and 32% of gross profit.

Table 1. Key assumptions of wind power projects

	Unit	Lien Lap	Phong Huy	Phong Nguyen
Capacity	MW	48	48	48
Commercial Operation Date (COD)		Aug-21	Sep-21	Sep-21
PC1 holding	%	56%	54%	54%
Investment	VNDbn	1,874	1,747	1,747
Financed by loans	%	70%	70%	70%
Interest rate	%	7%	7%	7%
Loans maturity		2031	2031	2031
Selling price	cents(US\$)/kWh	8.5	8.5	8.5
Selling volume	kWh mn/year	149	160	158
Utilization	%	35%	38%	38%
Average annual net profit	VNDbn	127	156	153
IRR	%	15%	20%	19%

Source: PC1, Mirae Asset VN Research

New hydropower plants will boost earnings growth from FY20

PC1 began operations at the Mong An hydropower plant (30 MW, PC1 holding 82%) in 2Q20 and the Bao Lac B (18 MW), Song Nhiem 4 (6 MW) projects in July 2020. The total hydropower capacity of the company increased by 47% from 114 MW to 168 MW. We forecast the revenue and gross profit of the hydropower segment to increase by 18% YoY and 9% YoY respectively in FY20, and by 20% YoY and 28% YoY, respectively, in FY21, thanks to the contribution of these plants. Furthermore, PC1 targets to develop the Bao Lac A project (30 MW, +18%) and operate by 4Q23, which will increase the top line and gross profit of this segment by 19% YoY in FY24.

The performance of the hydropower division is usually affected by Vietnam's hydrological cycle, beside the development of new projects. Vietnam's rainfall statistics have shown a seasonal cycle, alternating between two-year drought and two-year rainy periods since 2006, according to the General Statistics Office. We expect Vietnam to enjoy a two-year period of favorable hydrological cycle from FY21. In FY23, without operating any new plants and entering a drought period, we anticipate hydropower electricity's selling volume and revenue to decrease by 5% YoY and gross profit to decline by 11% YoY.

We note that the hydropower division of PC1, which is located in Northern Vietnam, usually shows less fluctuation in electricity production volume between drought and rainy periods, compared with that of other listed hydropower companies (mostly located in Central Vietnam). Looking at the past 13 years of records, rainfall deviation in the North has generally been less significant than that of the Central region.

The company's hydropower plants with capacity less than 30MW, a special rate called "avoidable tariff" is applied. We expect average selling price to grow by 0.5% per year. Overall, we estimate the hydropower segment will account for 13% of total revenue and 39% of gross profit in the forecast period of FY20–FY25. In comparison with other peers in the small hydropower plant segment, PC1's gross profit margin was at an average level.

Figure 1. Electricity selling output of PC1 by plant

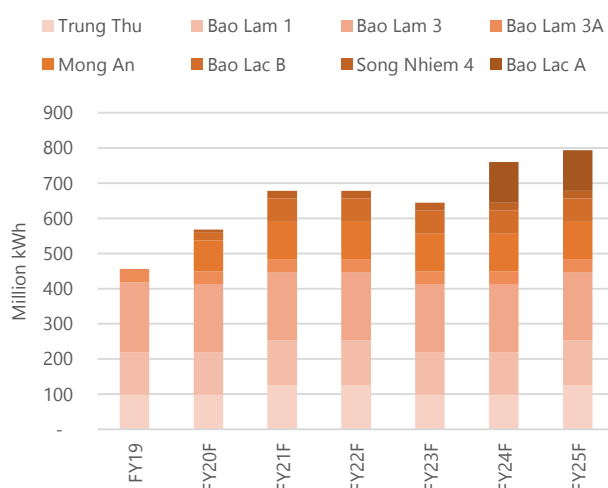
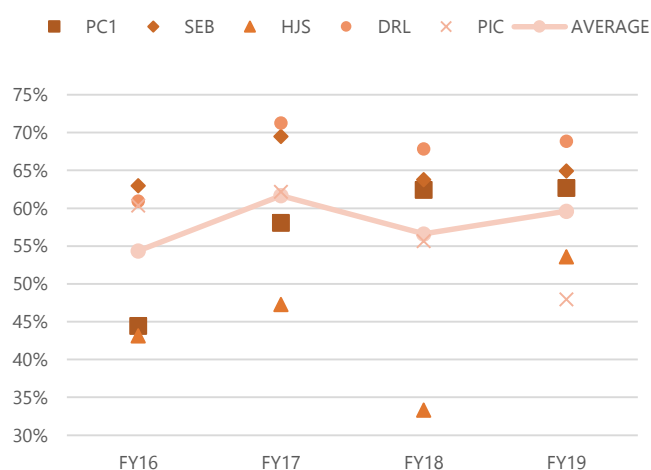
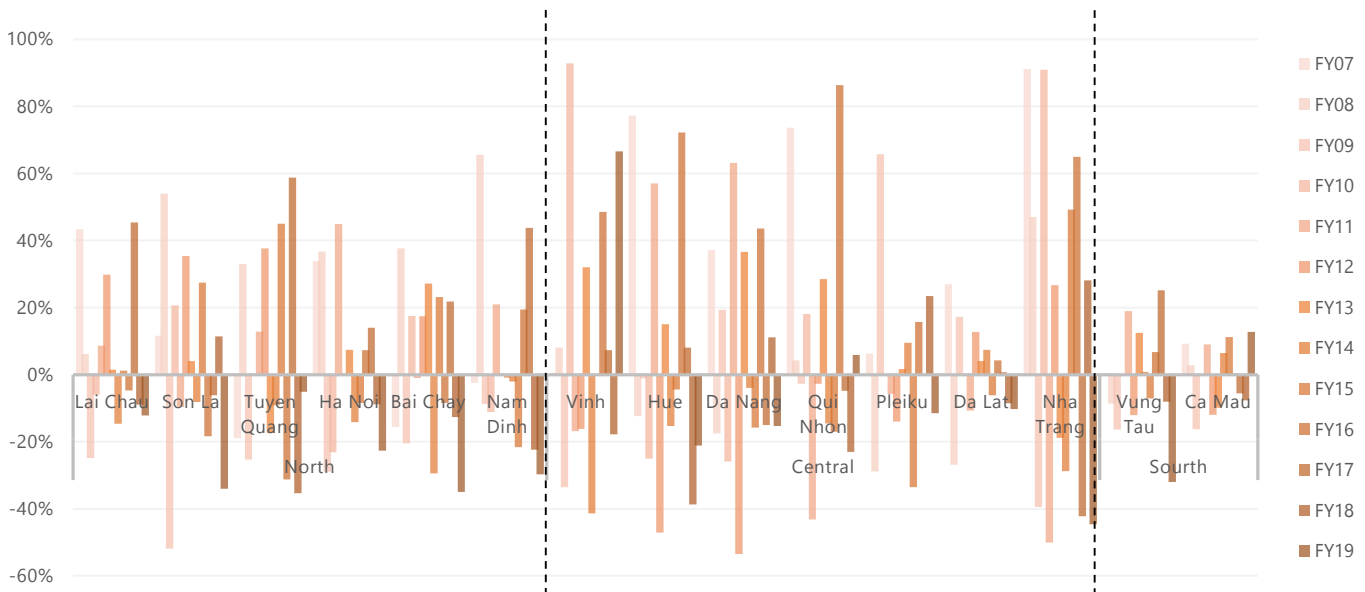


Figure 2. Small hydropower plants' (< 30MW) gross profit margin



Source: Company data, Mirae Asset VN Research

Figure 3. Rainfall deviation in some weather stations of Vietnam (YoY)

Source: Companies data, Mirae Asset VN Research

Table 2. Hydropower plant investment of PC1

Plant	Location	PC1 holding	Ground breaking	Operation	Capacity (MW)	Average annual output (kWh mn)	Investment (VNDbn/MW)
Trung Thu	Dien Bien	60%	Aug-14	Nov-16	30	121	31
Bao Lam 1	Cao Bang	100%	Nov-14	Jan-17	30	118	26
Bao Lam 3	Cao Bang	100%	Jun-15	Nov-17	46	185	27
Bao Lam 3A	Cao Bang	100%	Feb-16	Nov-17	8	33	36
Mong An	Cao Bang	82%	3Q17	2Q20	30	109	27
Bao Lac B	Cao Bang	100%	3Q18	Jul-20	18	66	33
Song Nhiem 4	Ha Giang	100%	4Q18	Jul-20	6	22	41
Bao Lac A	Cao Bang	100%	4Q21	4Q23	30	117	31
Total					198	652	31

Source: PC1, Mirae Asset VN Research

Table 3. Cost-avoidable price tariff

VND/kWh	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Dry season (Nov - Jun)								
North	624	624	634	609	610	620	666	726
Central	611	611	624	607	608	618	666	729
South	657	657	662	638	639	644	686	749
Rainy season (Jul - Oct)								
North	585	585	613	615	615	625	621	703
Central	566	566	602	612	612	622	620	707
South	602	602	636	644	644	648	640	727
Capacity-Add-On price*	1,805	1,805	2,158	2,242	2,242	2,306	2,306	1,932

*Applied to output in peak-hour (9h30 - 11h30, 17h - 20h) in dry season

Source: Ministry Of Industry and Trade, Mirae Asset VN Research

Power infrastructure construction and steel tower segment's stable outlook

We expect PC1 to continue to play a leading position in grid erection and installation, with 48% market share, in terms of FY19 revenue among the five biggest players. The other players are Power Construction One Member State Limited Company No.2 (PCC2), Power Construction One Member State Limited Company No.4 (PCC4)—two subsidiaries of Vietnam Industrial Construction Corporation (VVN), Vietnam Electricity Construction Joint Stock Corporation (VNE), and Song Da No 11 JSC (SJE). Since FY17, PC1 and VNE have increased their market share, thanks to finding new customers beside Vietnam Electricity Corporation (EVN) and focusing on bidding engineering, procurement, and construction (EPC) contracts of solar power projects.

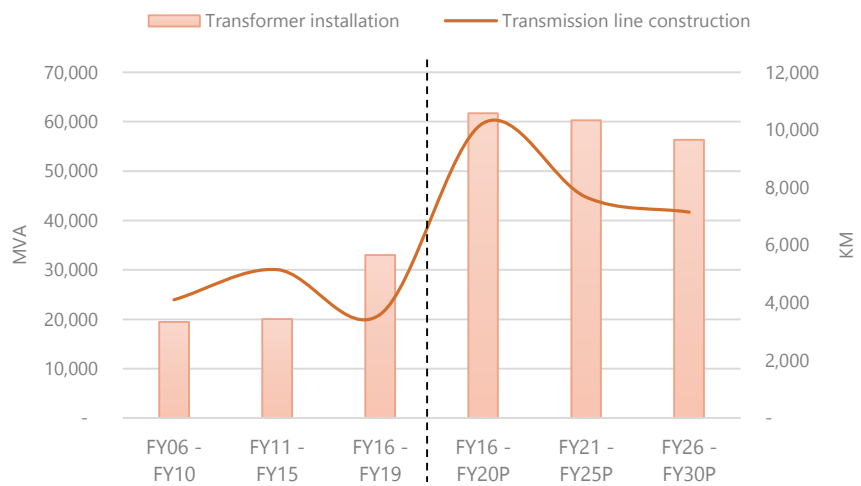
For state funding projects, expansion of transformer installation and transmission line construction in the period of FY16–FY19 was 45% higher than that of the period of FY11–FY15. However, it will be far more likely to reach the targets of EVN, given a 73–88% estimated achievement of expansion plan in the period of FY16–FY20, according to the Institute of Energy. After completing the Third 500kv Transmission Lines projects in FY20, we expect slow progress in investment activities. The limited government budget has posed some downside risks to pushing future expansion in state funding projects. The regulation named Decision No. 4970/QĐ-BCT, dated December 21, 2016 decreased state general budget for foundation costs accounting for 30–40% of grid erection and installation projects. It has in turn been driving down the bidding prices and profit margins of any contractors since FY18.

Major contracts usually come from state funding projects. We view no significant competition among the biggest players, as they all originated as state-owned enterprises and each company owns special advantages in gaining bidding packages from EVN. Currently, EVN tends to divide its bidding packages so as to provide opportunities for all major players.

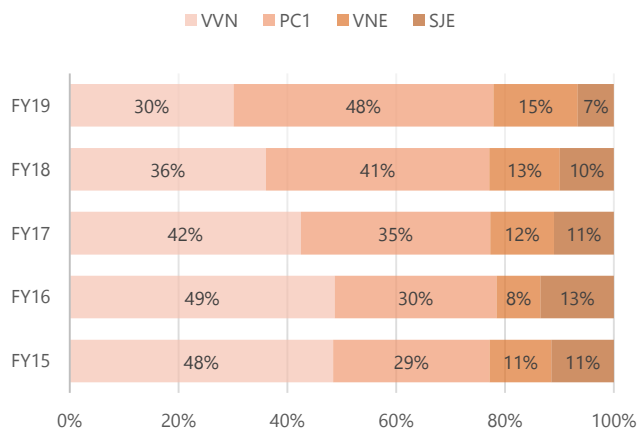
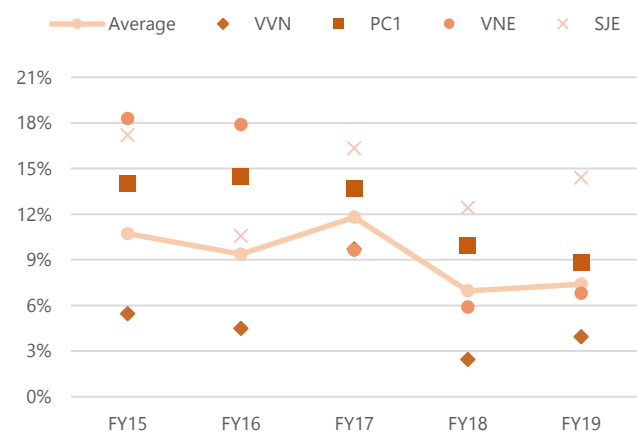
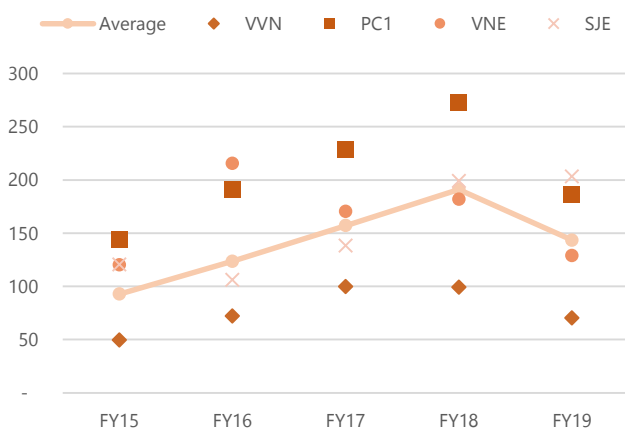
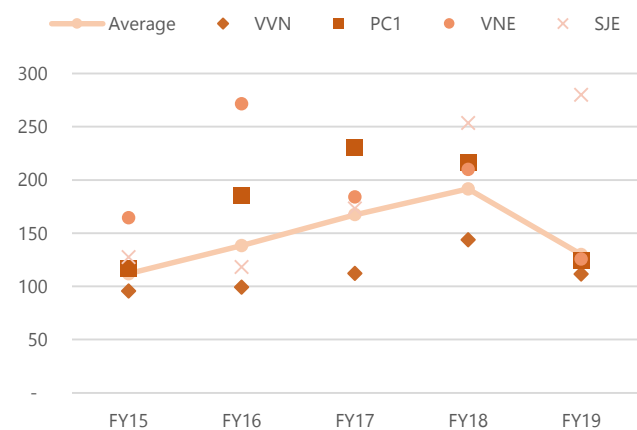
For private contracts, we view development of wind power will lend a helping hand to maintain FY19 high revenue of PC1. In May–June 2020, proposed wind power projects under the Revised Power Master Plan No. VII became more active after the Ministry of Industry and Trade (MOIT) suggested an extension in the Feed in Tariff (FIT) scheme lasting until December 2023 instead of November 2021 for wind power projects (as stated in Document No. 2491/BCT-ĐL). On June 24, 2020, MOIT proposed the Prime Minister to supplement 92 wind power projects with a total capacity of 7,009 MW into Master Plan for the FY20–FY25 period (as stated in Document No. 4589/BCT-ĐL dated on June 24, 2020). The 7,009 MW is equivalent to only 15% of the total capacity submitted by the People's Committee, which highlights the current attraction of the wind power segment.

Based on these points of view, we forecast the revenue of these segments to maintain at an average level of VND3,804bn per year for the period of FY20–FY25, which is 4% lower than that of FY19. Gross profit margin will be stabilized at 9%, equivalent to that of FY19. We anticipate these divisions to decrease the proportion of revenue from 68% in FY19 to 61% on average for the period of FY20–FY25 and in gross profit from 43% in FY19 to 27% on average for the period of FY20–FY25.

In comparison with other peers, PC1 gross profit margin was two (02) percentage points higher than the average level. For the period of FY15–FY19, the company retained 45% and 17% higher ratios in terms of receivable and payable days respectively, compared with the average points. So far, we see no significant provisions for doubtful debts incurred.

Figure 4. Vietnam transmission system expansion

Source: EVN, Mirae Asset VN Research

Figure 5. Market share in terms of revenue**Figure 6. Gross profit margin****Figure 7. Receivable days****Figure 8. Payable days**

Source: Company data, Mirae Asset VN Research

Sales momentum from real estate segment

Real estate division boosts earnings of PC1 in FY20. The Thanh Xuan, a mid-end apartment project was sold out by 60% of the total in 1H20 and is expected to transfer the rest in 2H20. It guides FY20 real estate's net revenue of VND915bn (4.7 times as much as FY19 revenue) and gross profit of VND255bn (four times as much as that of FY19). In addition, the Vinh Hung project is anticipated to launch in 2Q22. We forecast that it will record VND641bn of revenue and VND172bn of gross profit in FY22.

The company also intends to develop the Bac Tu Liem project with target revenue of VND1,068bn. PC1 is working on preparing documents for 1/500 Detail Planning Adjustment and Preliminary Architecture. We will factor in the contribution of this project, as the company receives construction permits and more details of the project are disclosed. So far, PC1 focuses on developing projects in mid-range segments with prices around VND28mn/m².

We are optimistic about sales of the Thanh Xuan and Vinh Hung projects in the mid-range segment, which is higher demand than other segments. In Hanoi condominium market, mid-end projects dominated the market, with 88% of total units sold in 2Q20, according to CBRE. Selling prices in the primary market of mid-end products witnessed the highest YoY growth of 4%, compared with average growth of 3% YoY in 2Q20.

Table 4. Real estate projects

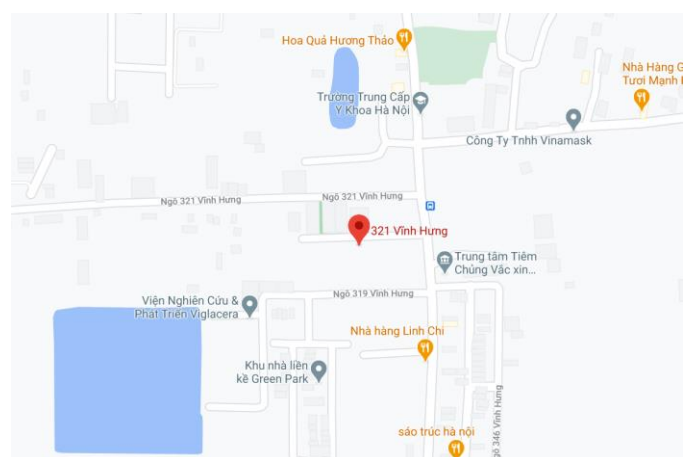
Project	Location in Hanoi	Description	Break ground	Handover	Site Area (m ²)	Density of building	Apartment (Units)	Area/unit (m ²)	Average price (excluding VAT-VNDmn/m ²)
My Dinh Plaza 2	Nguyen Hoang, Nam Tu Liem	2 buildings, 28 stories, 3 basements, 4 story podiums for offices, trade centers	2016	May 2018	5,000	48%	472	75 - 114	32
Thanh Xuan	Trieu Khuc, Thanh Xuan	2 buildings, 27 stories, 3 basements, 4 story podiums for offices, trade centers	3Q17	2Q20	6,098	45%	480	55 - 81	26
Vinh Hung	Thanh Tri, Hoang Mai	27 stories, 3 basements, 1 tum	4Q20	2Q22	5,160	35%	288	65 - 89	28

Source: PC1, Mirae Asset VN Research

Figure 9. Thanh Xuan Project location



Figure 10. Vinh Hung Project location



Source: PC1, Mirae Asset VN Research

Earnings forecasts

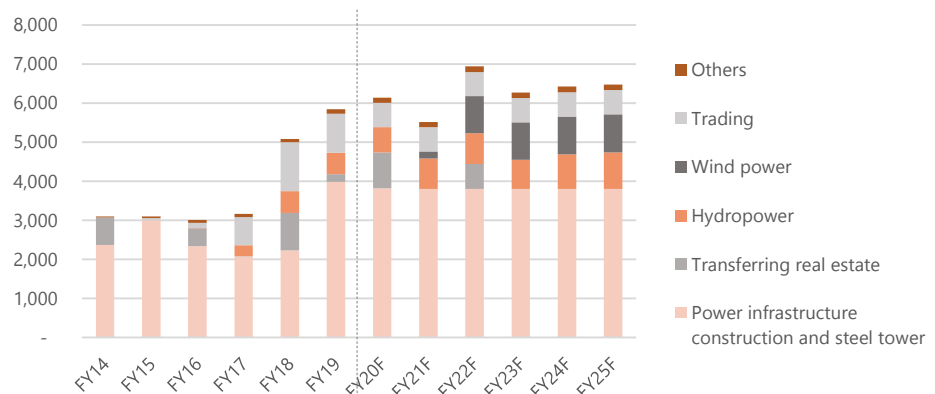
Power segments will become PC1's biggest gross profit contributor, rising from 42% in FY19 to 72% in FY25. For FY20, we expect revenue at VND6,133bn (+5% YoY) and net profit at VND404bn (+13% YoY). In particular, we anticipate a 43% YoY increase in net profit to VND190bn in 2H20. The real estate segment will record VND383bn revenue (+303% YoY) and VND93bn gross profit (+257% YoY), thanks to the booking of the remaining Thanh Xuan real estate project. We forecast that revenue and gross profit of hydropower division will increase by 44% YoY to VND371bn and VND213bn respectively, because of the operation of the Mong An (30 MW), Bao Lac B (18 MW), and Song Nhiem 4 (6 MW) hydropower projects. The increase in total gross profit (+45% YoY) will help to offset higher interest expense of VND135bn (+41% YoY) in 2H20.

PC1 announced 1H20 revenue of VND2,540bn (-16% YoY) and net profit of VND214bn (-5% YoY), which are equivalent to 41% and 53% of our forecast FY20 revenue and net profit, respectively.

For FY21 and FY23, without booking any revenue and profit of transferring real estate projects, we forecast net profit to decrease by 15% YoY and 32% YoY respectively. In FY21, expected favorable weather should help push the revenue and gross profit of hydropower segment by 20% YoY and 28% YoY, which will mitigate the negative effect of real estate division.

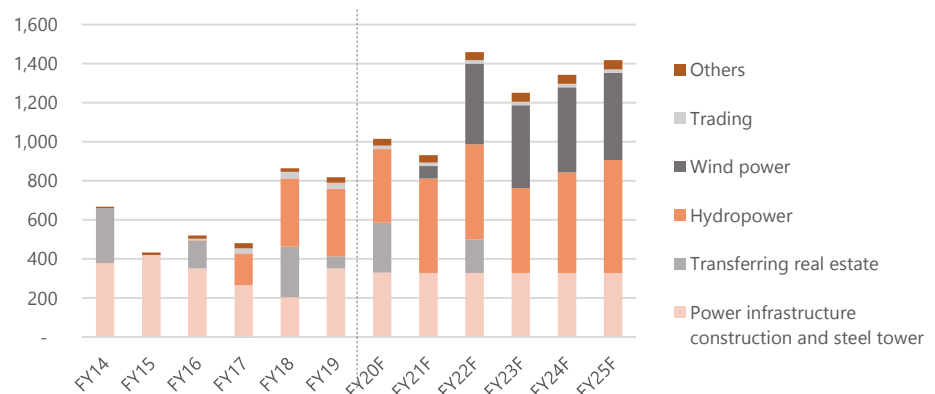
FY22 will be a fruitful year with a sharp rise of 30% YoY in projected net profit, given adding on a profit of three new wind power projects and the Vinh Hung real estate project.

Figure 11. PC1 revenue forecast



Source: PC1, Mirae Asset VN Research

Figure 12. PC1 gross profit forecast



Source: PC1, Mirae Asset VN Research

Table 5. PC1's forecast income statement							
(VNDbn)	FY19	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
Revenue	5,845	6,133	5,513	6,938	6,272	6,422	6,477
Cost of goods sold	(5,026)	(5,119)	(4,581)	(5,478)	(5,021)	(5,079)	(5,059)
Gross profit	819	1,015	932	1,460	1,251	1,343	1,418
SG&A expenses	(224)	(269)	(276)	(284)	(296)	(309)	(323)
Operating profit	595	745	656	1,175	955	1,034	1,095
Non-operating profit	(162)	(222)	(293)	(510)	(478)	(454)	(428)
Net financial income	(134)	(232)	(299)	(516)	(484)	(460)	(434)
Net gain from investment in associates	(33)	4	-	-	-	-	-
Net other income	6	6	6	6	6	6	6
Pretax profit	433	523	363	665	477	580	667
Income tax	(56)	(98)	(51)	(120)	(62)	(87)	(100)
Earnings after tax	377	425	312	546	415	493	567
Net profit	358	404	342	444	300	361	414
Non-controlling interests	19	21	(29)	101	114	132	153

Source: PC1, Mirae Asset VN Research

Valuation and recommendation

We initiate coverage of PC1 with a Trading Buy recommendation and target price of VND24,500 (10% upside). We expect new hydropower and wind power projects, as well as mid-end real estate projects, to drive the company's revenue and profit growth in upcoming years. We value the company's core businesses by using the FCFE method and then use book value for PC1's investment in the mining segment. The company will pay a 20% share dividend by 4Q20. Therefore, our post-dividend target price will be diluted to VND20,400.

PC1 is trading at FY20F P/E of 8.8x, implying a 23% discount to the average P/E of hydropower rivals (11x), a 33% discount to that of real estate peers (13x) and 41% discount to the market average P/E. However, we expect these discounts to narrow, as the company focuses more on hydropower and wind power generation.

Table 6. Target price

Method	Fair value (VND/share)
FCFE	24,122
Associates' book value/PC1 share	395
Target price	24,500

Source: Mirae Asset VN Research

Table 7. Valuation summary

(VNDbn)	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Cash flow from operations	1,348	237	1,189	906	961	1,077	1,135	1,141	1,168	1,246	1,302
Interest expense x (1 - tax rate)	208	275	440	439	409	387	345	303	262	220	179
Capex	(2,703)	(3,334)	(523)	(419)	(12)	(12)	(12)	(12)	(12)	(12)	(12)
Capital received by owners	224	-	-	-	-	-	-	-	-	-	-
Dividend income	22	22	22	22	22	22	22	22	22	22	22
FCFF	(901)	(2,801)	1,128	949	1,380	1,474	1,490	1,454	1,439	1,476	1,491
Change in loans	1,977	2,266	(95)	(392)	(679)	(693)	(699)	(705)	(699)	(693)	(699)
Interest Expense	(253)	(320)	(537)	(505)	(481)	(455)	(406)	(357)	(308)	(259)	(210)
FCFE	823	(854)	497	52	220	326	385	393	433	524	582

FCFE

Present value for FY20 - FY30	1,626
Present value for terminal value	2,216
Present value of equity	3,843
Shares outstanding (mn)	159
Target share price (VND)	24,122

Re & g

rf (*)	3%
Beta	0.66
rm	15.5%
Re	11.2%
g	1%

Source: Mirae Asset VN Research

*rf based on Vietnam Government 10-year bond yield

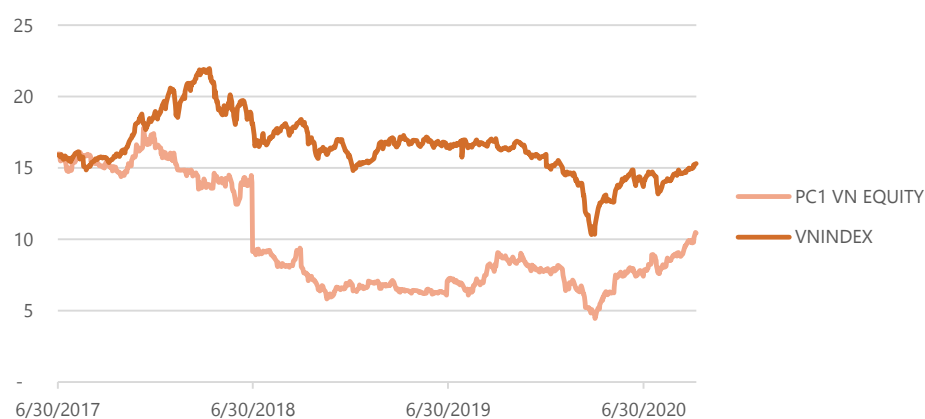
Beta based on data from listing date on Nov 16, 2016

Vietnam market risk premium of 12.6%

Table 8. Comparable multiple ratio						
	Market capitalization (VNDbn)	P/E (x)	P/B (x)	Dividend yield (%)	EPS growth (%)	EV/EBITDA (x)
PC1 (FY20F)	3,625	8.8	0.7	-	13.9	8.9
Hydropower						
SEB	973	11.0	2.5	7.9	4.0	7.9
HJS	640	12.3	2.2	3.9	10.3	5.9
DRL	504	11.5	4.3	9.4	7.7	8.9
PIC	307	38.3	0.9	5.4	(16.1)	9.5
Power infrastructure construction						
VNE	442	85.4	0.5	N/A	(88.3)	16.5
SJE	428	8.3	0.8	10.3	66.7	7.2
Real estate						
HDG	3,964	3.4	1.4	3.0	47.1	4.9
SJS	2,677	24.2	1.3	N/A	(4.3)	20.0
SCR	2,436	11.5	0.5	N/A	45.8	41.7
NBB	2,006	10.2	1.0	11.6	132.9	10.8
CEO	1,982	18.9	0.7	N/A	56.8	9.5

Source: Bloomberg, Mirae Asset VN Research

Figure 13. Historical P/E of PC1 and VN Index



Source: Bloomberg, Mirae Asset VN Research

Key risks

Climate risk: Construction activity takes place in different geographical areas across the whole country. Bad weather can impact the progress, safety, and profitability of the projects. In addition, a hydro power plant's operation is extremely dependent upon rainfall.

Lower public investment and delay approval process risk: Currently, EVN is the major client of PC1. Hence, lowering public investment will have a negative effect on the company's orders and backlog.

Real estate industry's cycle risk. Beside some typical risks, such as legal paper risk, land clearance risk, construction material risk, and price risk, we are concerned about the downtrend cycle of this sector in coming years. The Covid-19 pandemic may have a negative effect on residential income and may thus impede buyers' ability to pay down existing loans and invest in new properties. However, we believe that the mid-end segment is still seeing high demand, which is a positive factor for current projects of PC1.

Company overview

Established on March 2, 1963, undergoing 57 years of construction and development, from the initial main task of constructing national electricity transmission works, PC1 has expanded its core business into energy investment and real estate investment.

The company has five members on the Board of Directors and seven members on the Board of Management (including four cum members). They all have 16–20 years of working experience in the power industry and the company. We see it is an advantage that PC1 operates in a highly regulated industry.

Table 8. History of PC1

Mar 2, 1963	Established with the original name Line and Substation Construction Company.
1967–1970	On June 30, 1967, The Ministry of Heavy Industry issued a decision to establish the Line and Substation Construction Company under the Electricity Department.
1970	On June 30, 1970, the Line and Substation Construction Company was established as a subsidiary of the Ministry of Electricity and Coal.
1979	The Line and Substation Construction Company under the Ministry of Electricity was renamed the Line and Substation Construction Company No. 1.
1983	The Ministry of Electricity decided to separate and lift the construction site of the company to set up four enterprises, including Line and Station Construction Company No. 4, located in Dong Anh, Hanoi Line and Substation Construction Company, Line Construction and Station 3 Company, located in Vinh, and Power Construction Company No. 5 in Vinh.
1988	Established Power Construction Company No. 1, under the Ministry of Energy, on a consolidated basis between Line and Substation Construction Company No. 1 and Hanoi Line and Substation Construction Company
2005	Power Construction Joint Stock Company I was equitized from a state-owned enterprise, Power Construction Company I.
2008	The company registered to become a public company with the State Securities Commission.
2016	The company listed PC1 shares on the Ho Chi Minh Stock Exchange and constructed its first two hydropower plants.
2017	Continued to generate two hydropower plants of Bao Lam 3 and Bao Lam 3A, increasing the total generating capacity of PC1 to 114 MW.

2019 Completing the 5th plant, the Mong An Hydropower Plant.

Source: PC1, Mirae Asset VN Research

Figure 13. PC1's shareholder structure in Sept. 2020

■ Mr. Trinh Van Tuan (*) ■ BEHS JSC ■ Others

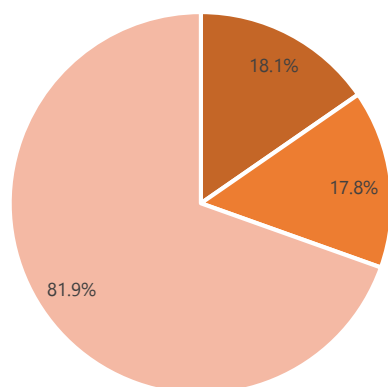
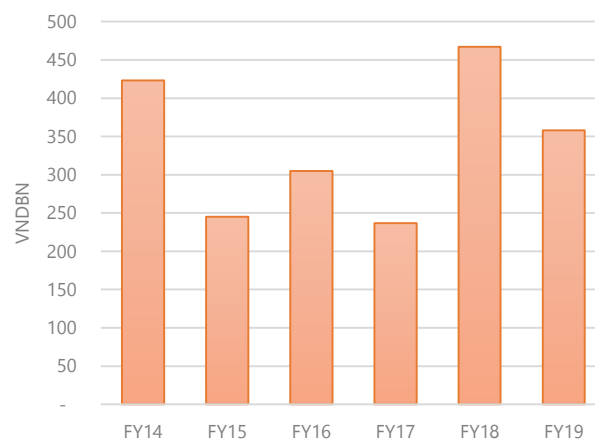


Figure 14. PC1's net profit



Source: PC1, Mirae Asset VN Research

Figure 15. PC1's chartered capital

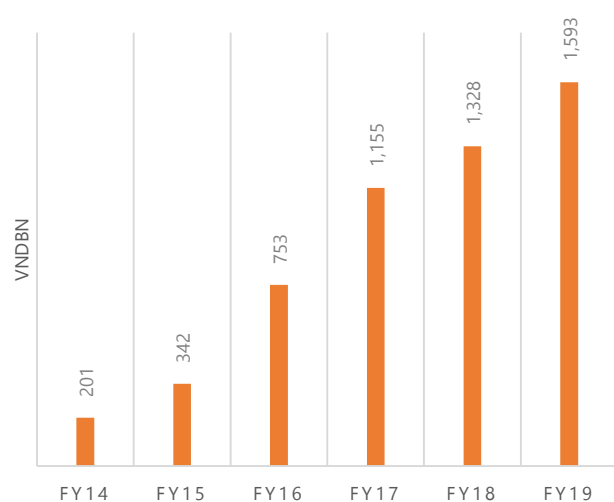


Figure 16. PC1's assets and equity



Source: PC1, Mirae Asset VN Research

Power Construction JSC No.1 (PC1 VN Equity)

Comprehensive Income Statement (Summarized)

(VNDbn)	FY19	FY20F	FY21F	FY22F
Revenue	5,845	6,133	5,513	6,938
Cost of Goods Sold	(5,026)	(5,119)	(4,581)	(5,478)
Gross Profit	819	1,015	932	1,460
SG&A Expenses	(224)	(269)	(276)	(284)
Operating Profit	595	745	656	1,175
Non-Operating Profit	(162)	(222)	(293)	(510)
Net Financial Income	(134)	(232)	(299)	(516)
Net Gain from Inv in Associates	(33)	4	-	-
Pretax Profit	433	523	363	665
Income Tax	(56)	(98)	(51)	(120)
Net Profit	377	425	312	546
Controlling Interests	358	404	342	444
Non-Controlling Interests	19	21	(29)	101
Total Comprehensive Profit	377	425	312	546
Controlling Interests	358	404	342	444
Non-Controlling Interests	19	21	(29)	101
EBITDA	767	968	1,052	1,709
FCF (Free Cash Flow)	(766)	(901)	(2,801)	1,128
EBITDA Margin (%)	13%	16%	19%	25%
Operating Profit Margin (%)	10%	12%	12%	17%
Net Profit Margin (%)	6%	7%	6%	8%

Cash Flows (Summarized)

Cash Flows from Op Activities	(334)	1,348	237	1,189
Pretax Profit	433	523	363	665
Non-Cash Income and Expense	156	164	342	479
Depreciation	165	192	370	507
Amortization				
Others	(9)	(28)	(28)	(28)
Chg. in Working Capital	(924)	665	(468)	45
Chg. in AR & Other Receivables	(408)	270	(89)	(237)
Chg. in Inventories	(678)	797	(400)	321
Chg. in AP & Other Payables	239	(307)	72	81
Income Tax Paid	(77)	(94)	(51)	(120)
Cash Flows from Inv Activities	(956)	(2,681)	(3,312)	(501)
Chg. in PP&E	(703)	(2,703)	(3,334)	(523)
Chg. in Intangible Assets				
Chg. in Financial Assets	(287)	-	-	-
Others	33	22	22	22
Cash Flows from Fin Activities	1,156	2,201	2,266	(95)
Chg. in Financial Liabilities	1,077	1,977	2,266	(95)
Chg. in Equity	91	224	-	-
Dividends Paid	(12)	-	-	-
Others	-	-	-	-
Increase (Decrease) in Cash	(134)	869	(810)	593
Beginning Balance	701	568	1,437	627
Ending Balance	568	1,437	627	1,220

Source: PC1, Mirae Asset Vietnam Research estimates

Statement of Financial Condition (Summarized)

	FY19	FY20F	FY21F	FY22F
Current Assets	4,153	3,886	3,607	4,111
Cash and Cash Equivalents	568	1,437	627	1,220
AR & Other Receivables	1,851	1,581	1,671	1,908
Inventories	1,434	637	1,037	716
Non-Current Assets	4,162	6,756	9,686	9,668
Investments in Associates	64	63	63	63
Property, Plant and Equipment	4,096	6,691	9,622	9,604
Intangible Assets	2	2	2	1
Total Assets	8,315	10,642	13,294	13,779
Current Liabilities	2,497	2,393	2,769	3,100
Other Current Liabilities	84	-	-	91
Non-Current Liabilities	2,123	3,898	5,861	5,607
Long-Term Financial Liabilities	2,096	3,870	5,833	5,579
Other Non-Current Liabilities	27	28	28	28
Total Liabilities	4,620	6,291	8,629	8,707
Controlling Interests	3,438	3,804	4,117	4,525
Capital Stock	1,593	1,593	1,593	1,593
Capital Surplus	711	711	711	711
Retained Earnings	1,134	1,500	1,813	2,221
Non-Controlling Interests	257	547	547	547
Stockholders' Equity	3,695	4,351	4,664	5,072

Forecasts/Valuations (Summarized)

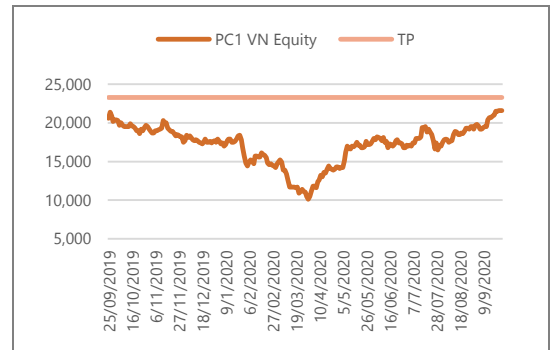
	FY19	FY20F	FY21F	FY22F
P/E (x)	8.7x	8.8x	10.3x	7.9x
P/CF (x)	-8.4x	2.4x	13.7x	2.7x
P/B (x)	0.8x	0.7x	0.7x	0.6x
EV/EBITDA (x)	9.3x	8.9x	11.2x	6.6x
EPS (W)	2,028	2,309	1,973	2,566
CFPS (W)	(2,097)	8,462	1,486	7,466
BPS (W)	23,195	27,312	29,280	31,839
DPS (W)	0	0	0	0
Payout ratio (%)	0.0%	0.0%	0.0%	0.0%
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Revenue Growth (%)	15%	5%	-10%	26%
EBITDA Growth (%)	-13%	26%	9%	62%
Operating Profit Growth (%)	-9.6%	25.3%	-12.0%	79.2%
EPS Growth (%)	-28%	14%	-15%	30%
Accounts Receivable Turnover (x)	3.3x	3.3x	3.3x	3.3x
Inventory Turnover (x)	7x	7x	7x	7x
Accounts Payable Turnover (x)	3.6x	3.6x	3.6x	3.6x
ROA (%)	4.8%	4.3%	2.9%	3.3%
ROE (%)	10%	10%	8%	9%
ROIC (%)	8.6%	7.5%	5.3%	8.0%
Liability to Equity Ratio (%)	125%	145%	185%	172%
Current Ratio (%)	166%	162%	130%	133%
Net Debt to Equity Ratio (%)	67%	82%	143%	118%
Interest Coverage Ratio (x)	3.6x	3.1x	2.1x	2.2x

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Power Construction JSC No.1 (PC1 VN Equity)	Oct 8, 2020	Trading Buy	24,500



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (■), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be hindered by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	74.13%	15.92%	9.95%	0.00%
Investment Banking Services	75.00%	11.11%	13.89%	0.00%

* Based on recommendations in the last 12-months (as of March 31, 2016)

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