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PC1 Group (PC1)

FY21 AGM Update

In 2021, PC1 recorded increases in consolidated revenue and NPAT by 46.9% and 40.4% YoY, respectively

— In 2021, PC1 Group (PC1) achieved VND764.1 billion (+40.4% YoY) in NPAT on revenue of VND9.81 trillion (+46.9% YoY). The main contribution was the power construction and installation segment, with revenue reaching VND6.71 trillion (+119.4% YoY), accounting for 68.4% of 2021 revenue. The gross profit margin decreased by 5.73 ppts compared to 2020, mainly due to the substantial contribution from the segments like EPC general contractor with low gross profit margin, surging raw material costs, and unfavorable hydrological conditions in 1H21. Generally, PC1's revenue and NPAT exceeded the full-year plan for revenue and profit by 23% and 50%, respectively.

Business results in 1Q22 recorded positive growth thanks to the hydropower segment and EPC general contractor

— PC1 set targets for NPAT of VND657 billion (-14.0% YoY) and revenue of VND11,003 billion (+12.1% YoY) in 2022. The BOD explained that PC1 would have to pay interest to the bondholders for the first year after issuing bonds and allocate investment capital in 2022, leading to a decrease in NPAT. Otherwise, NPAT may reach VND870-900 billion (+13.9-17.8% YoY) this year.

— In 1Q22, PC1 posted VND151.1 billion (+89.1% YoY) in NPAT and VND2,200 billion (+42.1% YoY) in revenue, fulfilling 23% and 20% of the whole year plan for profit and revenue, respectively. Positive results were thanks to the stable operation of the wind power project cluster in Quang Tri and numerous backlogged projects estimated at more than VND6,000 billion by the end of 1Q22. We also note that the first quarter is usually the low season of the construction and installation segment since the construction, acceptance, and finalization are often in the third and fourth quarters. In our view, this is a better-than-expected result and considered an upside risk for PC1.

PC1 will proceed with the industrial real estate segment as planned

— According to the BOD, Western Pacific Infrastructure JSC (30% ownership by PC1) invested in Yen Phong II-A Industrial Park and implemented the first bidding packages for the project after completing site clearance and getting approvals. Some companies booked in advance, ensuring the growth potential for this IP. The management added that the internal rate of return (IRR) of leasing industrial parks would reach 25-30%, with net profit margin of 35-40% during the 2023-2026 period. We expect the project to contribute VND300-330 billion/year in profit for PC1. The management board also targets to expand the industrial land to 2,000 ha by 2030.

PC1 will hand over the residential projects this year

- PC1 will deliver two low-rise projects, Dinh Cong and Yen Thuong (Gia Lam), with NPAT of over VND200 billion and total accumulated revenue of over VND1,000 billion. In 4Q22, PC1 will start construction of PCC1 Thang Long, including a high-rise mixed-use building and low-rise commercial service work. Besides, PC1 will push back the launch of the Vinh Hung project to 2023 instead of this year due to procedural problems.

PC1 can awake the potential of the mining sector

- PC1's Nickel Mine project in Cao Bang has a reserve of 7.5–8 million tons (raw) with an exploitation period of 15–20 years. The main products of the mine are nickel (60%) and copper (40%). PC1 is now building a fully automated factory applying Siemens technology. The management added that the deployed ore-dressing technology uses dry ore, which does not pollute the soil and environment like the conventional method using wet ore.
- PC1 disclosed many international partners (the US, China, to name but a few) have reached out to sign spot contracts. The Chairman said the company would not manufacture batteries for electric vehicles because it is neither economically feasible nor easy to cooperate with domestic partners. Instead, the company will export Nickel concentrates to leading battery manufacturers across the globe. Also, PC1 plans to make an IPO for Tan Phat Mineral JSC in the next 3–5 years.

The energy sector will go with Vietnam's electricity demand

- PC1 currently owns seven hydropower plants and three wind power plants. The company plans to develop an additional 400 MW of renewable energy, onshore and offshore. However, given the unofficial new feed-in-tariff (FIT) mechanism, PC1 is assessing the feasibility of new wind power projects. Regarding hydropower projects, PC1 will start construction next year. The BOD also shared that after 2025, if the demand for renewable energy is huge enough and the electric power system can meet it, PC1 will deploy offshore projects given its ability to execute the whole project except for wind turbines.

Further information

- PC1 targets to mobilize VND1,200 billion through corporate bonds to contribute capital to Western Pacific. The company has successfully issued VND300 billion of bonds, and the rest will proceed in June 2022.
- PC1 would divest from Cao Bang Cast Iron and Steel Company since its earnings peak last year fell short of PC1's expectations.
- At the AGM, the BOD approved the plan to use undistributed profits by the end of 2021 to pay stock dividends at a rate of 15%, expected in 4Q22.

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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