

# PC1 Group (PC1)

## Industrial parks as long-term growth driver

December 9, 2024

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**9M24 revenue & profit were equal to 70% and 110% of 2024 respective targets**

In 9M24, PC1 Group (PC1) recorded VND7,538 billion in revenue (+47% YoY), driven by (1) industrial construction and production activities (+66% YoY) with the 500kV line 3 project and (2) nickel sales (VND1,431 billion, +165% YoY) compared to the low base from only recording revenue in 3Q23. 9M24 net profit hit VND578 billion, beating the full-year target by 10%.

**Backlog of construction and industrial production continues to recover thanks to stable new contracts**

In October 2024, PC1 and its partner in the Philippines signed a general contract for a wind power plant (PC1's estimated backlog reaching VND1,200 billion). Revenue from industrial construction and production should continue its recovery given (1) PC1's accelerated cooperation to seek projects abroad and (2) increased construction demand thanks to the revised Electricity Law passed in November 2024 and the National Power Development Plant 8 (NPDP8).

**Power sector results remain positive in 2025 thanks to La Nina**

The phase transition from El Nino to La Nina has positively impacted PC1's hydropower output in 2H24, and output should stay high in 1H25. Electricity output is projected to reach 1.1 billion kWh in 2024 and remain stable in 2025.

**Industrial real estate ensures long-term growth for PC1**

In addition to Nomura 1 Hai Phong Industrial Park, whose occupancy rate reached nearly 100%, and Yen Phong 2A Industrial Park, which has started leasing since the beginning of this year, PC1 is developing nearly 400ha of industrial park land in Ha Nam, Hai Phong, and Bac Giang, expected to start leasing from 2026-2027.

**Valuation: BUY rating – Price target VND30,300**

We recommend BUY for PC1 with a price target of VND30,300, which is 31% higher than the closing price on December 9, 2024.

**Buy** maintain

<b>Target price</b>	<b>VND30,300</b>
Upside	31%
Current price (Dec 9, 2024)	VND23,150
Consensus target price	VND28,700
Market cap (VNDtn/USDbn)	8.3/0.3

### Forecast earnings & valuation

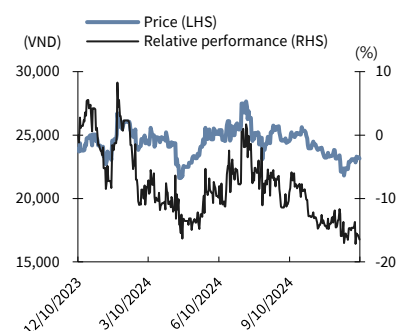
FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	8,358	7,775	10,036	11,029
Operating income/loss (VNDbn)	647	407	918	1,021
NPAT-MI (VNDbn)	460	140	575	701
EPS (VND)	1,700	450	1,607	1,961
EPS growth (%)	-42.5%	-73.5%	257.1%	22.0%
P/E (x)	11.9	64.0	17.9	14.7
P/B (x)	0.9	1.5	1.6	1.4
ROE (%)	6.8%	1.9%	7.6%	8.7%
Dividend yield (%)	1.5%	4.0%	13.0%	0.0%

### Trading data

Free float	76.6%
3M avg trading value (VNDbn/USDmn)	43.2/1.7
Foreign ownership	13.2%
Major shareholder	Chairman Trinh Van Tuan (21.38%)

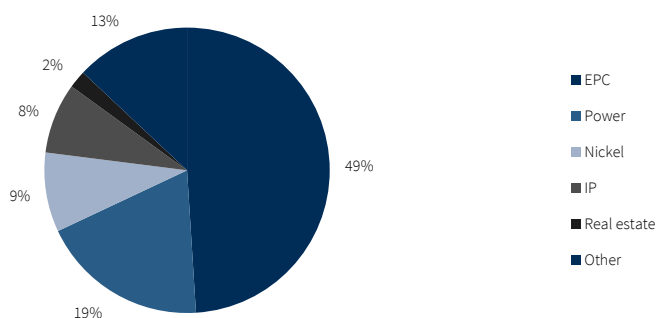
### Share price performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	0.0	-6.1	-8.8	-3.2
<b>Relative</b>	-1.7	-7.6	-7.5	-16.5



Source: Bloomberg, KB Securities Vietnam

## Revenue composition (2023)



Source: PC1 Group, KB Securities Vietnam

## Business operation

PC1 is a multi-industry enterprise, operating in the fields of (1) electrical construction and installation, (2) renewable energy, (3) Nickel ore mining and refining, (4) industrial and (5) residential real estate.

## Investment Catalysts

**EPC revenue is expected to grow 28%/20% YoY in 2024/2025.** Industrial construction and production kept rebounding with positive backlog value coming from (1) non-EVN projects promoted by PC1 and (2) construction demand motivated by the revised NPDP8.

**Power sector results remain positive in 2025 thanks to La Nina.** The long-term driving force of the energy sector comes from the two projects Bao Lac A and Thuong Ha, which should be exploited from 2026.

**Industrial park development is the medium and long-term growth driver of PC1.** In addition to the two industrial parks that have been and are being leased, PC1 is developing nearly 400ha of industrial park land in Ha Nam, Hai Phong, and Bac Giang, expected to start leasing from 2026–2027.

## Notes

Please find more details [here](#)

Please see more details below

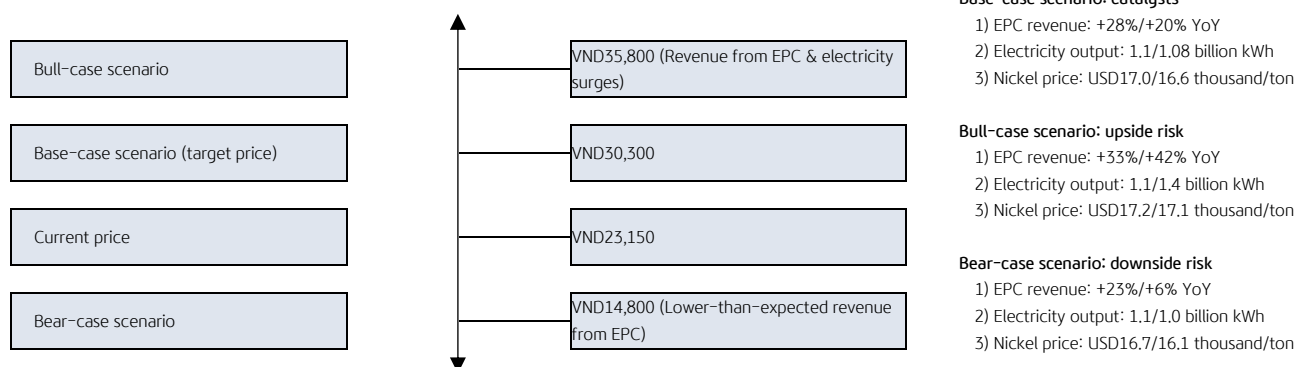
Please see more details below

## Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	10,007	11,029	-3%	+1%	10,512	11,598	-5%	-5%
EBIT	1,753	1,976	+8%	+9%	1,476	1,673	+19%	+18%
NP after MI	595	701	+8%	-3%	498	684	+19%	+3%

Source: Bloomberg, KB Securities Vietnam

## Investment opinion &amp; risks



## 3Q24 performance updates

Table 1. PC1 – 3Q & 1H24 business results

(VNDbn, %)	3Q23	3Q24	+/-%YoY	1H23	1H24	+/-%YoY	Notes
<b>Revenue</b>	<b>2,162</b>	<b>2,232</b>	<b>3%</b>	<b>5,140</b>	<b>7,538</b>	<b>47%</b>	PC1 completed 70% of 2024 revenue plan (VND10,822 billion). Strong growth mainly came from the 500kV line 3 project.
Power construction	478	705	48%	1,481	2,457	66%	
Industrial production	401	161	-60%	745	1,229	65%	
Power	387	448	16%	1,047	1,197	14%	Wind power revenue in 9M24 reached VND583 billion (-7% YoY) while hydropower revenue surged to VND595 billion (+43% YoY) due to favorable water conditions. Hydropower output in 9M24 reached more than 500 million kWh (+54% YoY).
Nickel	540	565	5%	540	1,431	165%	Nickel segment started recording revenue from 3Q23. Nickel revenue in 9M24 exceeded the annual plan by 16% with nearly 55,000 tons of exported concentrate.
Industrial real estate	182	162	-11%	474	443	-7%	
Residential real estate	39	4	-90%	54	26	-51%	
<b>Gross profit</b>	<b>466</b>	<b>482</b>	<b>3%</b>	<b>1,056</b>	<b>1,490</b>	<b>41%</b>	
Gross profit margin	21.5%	21.6%	10 bps	20.5%	19.8%	-70 bps	Gross margin in 9M24 decreased slightly although the gross margin of the power segment increased from 49% in 9M23 to 53% in 9M24 due to the construction segment's gross margin decreasing to 7% (down 4.6% compared to 9M23) mainly due to increased outsourcing costs to meet the urgent completion schedule of the 500kV line 3.
Financial income	42	29	-32%	137	123	-10%	
Financial expenses	-324	-98	-70%	-765	-635	-17%	In 9M24, interest expenses decreased by more than VND70 billion YoY due to lower interest rates.
Profit/loss from affiliates	-4	-13	195%	-2	51	-2439%	In 9M24, Yen Phong 2A Industrial Park handed over 14% of its commercial land area.
SG&A costs	-105	-108	3%	-256	-356	39%	
<b>Operating profit/loss</b>	<b>75</b>	<b>292</b>	<b>289%</b>	<b>170</b>	<b>673</b>	<b>296%</b>	
Other incomes (net)	-3	-2	-27%	-14	-5	-65%	
<b>PBT</b>	<b>72</b>	<b>290</b>	<b>304%</b>	<b>156</b>	<b>668</b>	<b>328%</b>	
<b>NPAT</b>	<b>34</b>	<b>259</b>	<b>654%</b>	<b>93</b>	<b>578</b>	<b>522%</b>	PC1 completed 110% of the full-year NPAT target.
<b>NPATMI</b>	<b>1</b>	<b>160</b>		<b>3</b>	<b>399</b>		
NPAT-MI margin	0.0%	7.1%	711 bps	0.1%	5.3%	524 bps	

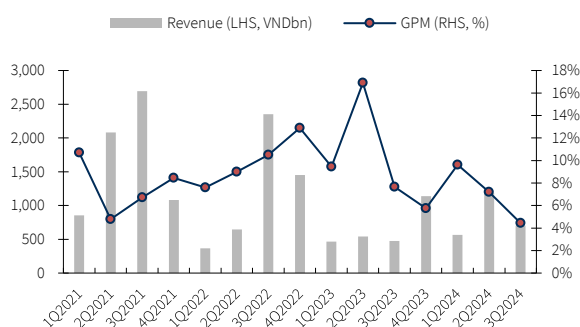
Source: PC1 Group, KB Securities Vietnam

### Industrial construction and production backlog continues to recover thanks to stable new contracts

The construction and industrial production backlog at the end of September 2024 reached VND3,970 billion with the value of new contracts signed in the first nine months of the year recording VND4,838 billion. Last October, PC1 and its partner in the Philippines signed an EPC general contract for a 58.5 MW wind power plant, expected to contribute VND1,200 billion to PC1's total revenue in 2025 and 2026.

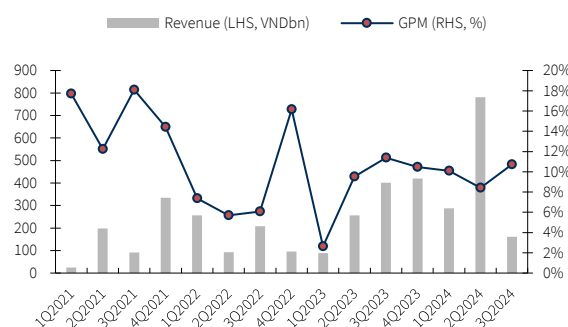
We expect PC1's industrial construction and production revenue to continue to recover, growing 28%/20% in 2024/2025 thanks to (1) the group's promoting non-EVN projects in foreign markets and (2) benefiting from the revised Electricity Law passed at the end of November, which will accelerate the approval of new projects, and the demand for construction of power plants and transmission lines will grow steadily in the long term.

Fig 2. PC1 – Revenue & GPM of power construction segment (VNDbn, %)



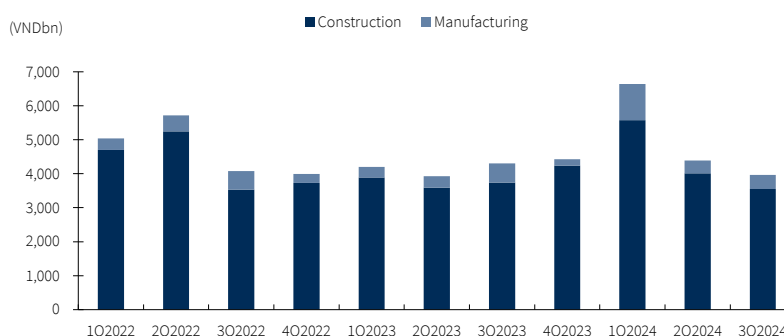
Source: PC1 Group, KB Securities Vietnam

Fig 3. PC1 – Revenue & GPM of industrial production segment (VNDbn, %)



Source: PC1 Group, KB Securities Vietnam

Fig 4. PC1 – EPC backlog (VNDbn)



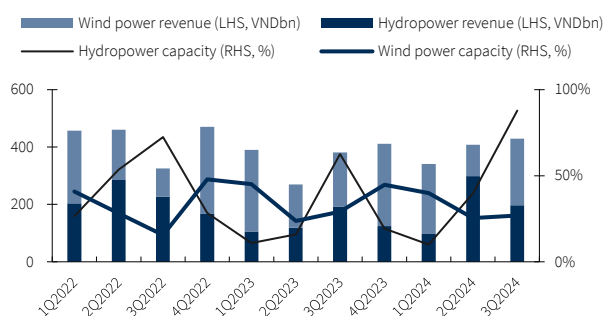
Source: PC1 Group, KB Securities Vietnam

### Power sector results remain positive in 2025 thanks to La Nina

The phase transition from El Nino to La Nina has positively impacted PC1's hydropower output in 2H24 which should remain high in 1H25. Power sector business results will remain positive: (1) Wind power should be stable, and the power sector may record 1.1 billion kWh in 2024/2025F output; and (2) electricity prices are expected to increase by an average of 2%/year.

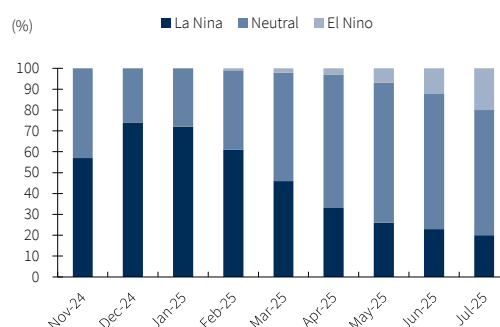
Currently, PC1 has completed legal procedures and is carrying out site clearance to implement two hydropower projects Bao Lac A (30 MW) and Thuong Ha (13 MW). These two projects should be completed in 2H26, raising PC1's hydropower capacity to 212 MW (an increase of 25% compared to present), ensuring growth potential for the company's energy segment in the medium and long term.

Fig 5. PC1 – Revenue & GPM of power segment (VNDbn, %)



Source: PC1 Group, KB Securities Vietnam

Fig 6. Global – Probability of weather phases as of November 2024 (%)

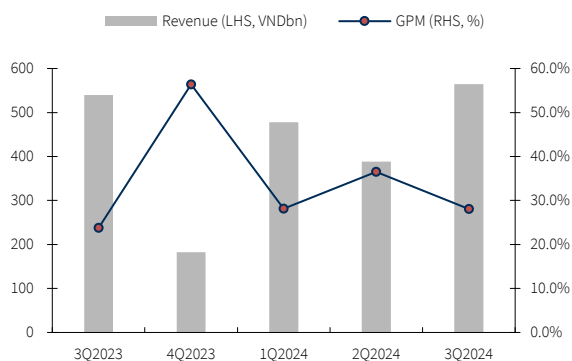


Source: IRI, KB Securities Vietnam

### Nickel business may remain flat in 2025 despite an expected 7–9% YoY increase in output

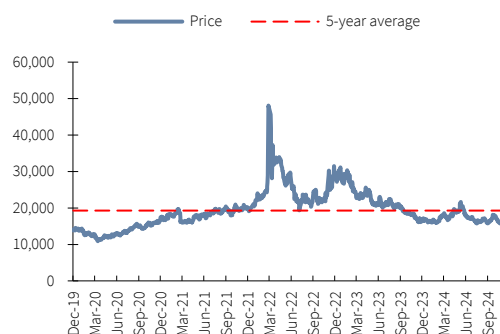
After a sharp decline since the beginning of 4Q, nickel prices started to move sideways over concerns about Indonesia tightening its mining policy, the world's largest nickel supplier. However, we believe that nickel prices will not recover in the short term as nickel supply from major exporting countries remains abundant while demand from China remains weak with an average price of USD16,600/ton in 2025 compared to an average of USD17,000/ton in 2024. PC1's nickel output is expected to grow by 9% YoY as PC1 has secured a partner to ensure output while nickel demand continues to grow steadily.

Fig 7. PC1 – Revenue &amp; GPM of Nickel segment (VNDbn, %)



Source: PC1 Group, KB Securities Vietnam

Fig 8. Global – Nickel price (USD/ton)



Source: Bloomberg, KB Securities Vietnam

### Industrial real estate ensures long-term growth for PC1

In addition to Nomura 1 Hai Phong Industrial Park, whose occupancy rate reached nearly 100%, and Yen Phong 2A Industrial Park, which has started leasing since the beginning of this year, PC1 is developing nearly 400ha of industrial park land in Ha Nam, Hai Phong, and Bac Giang. It is expected that these projects will complete legal procedures and start leasing from 2026–2027, contributing an average of about VND400–500 billion/year to PC1's profit.

The Golden Tower – Gia Lam residential real estate project with a scale of 1.5ha of commercial land including 183 villas and townhouses has completed land use fees and should start construction from late 2024–early 2025 and record more than VND1,600 billion in 2026–2027F.

Table 9. PC1 – Deploying projects

Industrial park	Ownership	Commercial land area	Rent (USD/m <sup>2</sup> /leasing term)	Progress
Nomura Hai Phong 1	70%	123	120	Currently leasing, occupancy rate approaching 100%
Nomura Hai Phong 2	100%	120	120	1/2000 planning approved, awaiting investment policy
Yen Phong 2A	18.6%	83	153	14% of commercial land area handed over in 9M24
Yen Lenh – Ha Nam	30%	45	87	Under construction
Yen Lu – Bac Giang	30%	66	115	Investment policy granted in July 2024, site clearance underway
Dong Van 5 – Ha Nam	30%	166	90	Investment policy granted in July 2024, site clearance underway

Source: PC1 Group, KB Securities Vietnam

## Forecast & valuation

Table 10. PC1 – 2024–2025F results

(VNDbn, %)	2023A	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
<b>Revenue</b>	<b>7,775</b>	<b>10,036</b>	<b>29%</b>	<b>11,029</b>	<b>10%</b>	PC1 should complete 93% of 2024 revenue plan (VND10,822 billion).
Power construction	2,618	3,400	30%	4,707	38%	The expected value of new contracts signed in 2024/2025 reach VND4,500/5,000 billion.
Industrial production	1,165	1,438	23%	1,074	-25%	
Power	1,461	1,706	17%	1,788	5%	Large hydropower output thanks to favorable water conditions, reaching 695/651 million kWh in 2024/2025. Wind power output reaches 415/427 million kWh. 2025F nickel output decreases by 9.3% YoY with average nickel price reaching USD16,600/ton.
Nickel	722	1,858	157%	1,812	-2%	
Industrial real estate	614	599	-2%	649	8%	There are no new projects.
Residential real estate	160	26	-84%	0		
<b>Gross profit</b>	<b>1,581</b>	<b>2,078</b>	<b>31%</b>	<b>2,300</b>	<b>11%</b>	
Gross profit margin	20.3%	20.7%	37 bps	20.9%	15 bps	Profit margin increases as GPM of construction and installation improves thanks to lower proportion of outsourcing revenue.
Deposit interest	124	109	-13%	169	56%	
Interest expenses	-844	-775	-8%	-895	15%	
Exchange gain/loss	2	65	3999%	60	-8%	Yen Phong 2A Industrial Park starts leasing from 2024.
Profit/loss from affiliates	-391	-481	23%	-551	15%	
SG&A costs	407	918	126%	1,021	11%	
<b>Operating profit/loss</b>	<b>-18</b>	<b>-5</b>	<b>-73%</b>	<b>0</b>		
Other incomes (net)	389	958	146%	1,081	13%	
<b>PBT</b>	<b>303</b>	<b>810</b>	<b>167%</b>	<b>865</b>	<b>7%</b>	Actual performance is equal to 154% of 2024 NPAT plan (VND525 billion).
<b>NPAT</b>	<b>140</b>	<b>575</b>	<b>311%</b>	<b>701</b>	<b>22%</b>	
<b>NPATMI</b>	<b>1.8%</b>	<b>5.7%</b>	<b>393 bps</b>	<b>6.4%</b>	<b>63 bps</b>	
NPAT-MI margin	7,775	10,036	29%	11,029	10%	

Source: PC1 Group, KB Securities Vietnam

**Valuation: BUY rating – Target price VND30,300**

We believe that the short-term growth driver for PC1's business results will continue to come from the EPC and power segments, while the strong profit growth potential will be realized in the long term as the residential and industrial real estate are expected to increase their contribution to PC1's profits from 2026.

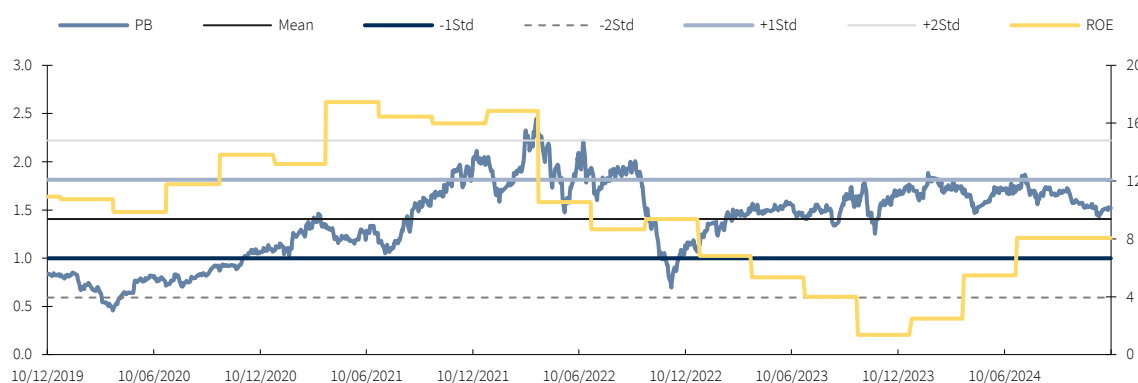
Using SOTP for PC1 including (1) construction and installation activities, industrial production and energy, (2) mining segment, (3) residential real estate projects and (4) ongoing industrial park projects, we recommend BUY for PC1 with a target price of VND30,300/share, equivalent to a potential return of 31% compared to the closing price on December 9, 2024.

**Table 11. PC1 – Final valuation**

Valuation	Method	Value (VNDbn)	Ownership	Contribution value (VNDbn)
EPC + Energy	FCFF	9,910	100%	9,910
Nickel	DCF	1,129	57.27%	647
Residential real estate	RNAV	115	49%	56
Industrial real estate	RNAV	3,517	40%	1,407
<b>Equity value</b>				<b>12,020</b>
No. of shares (million)				357.64
Fair value (VND)				33,608
Discount applied to holding company				10%
<b>Price target (VND)</b>				<b>30,300</b>

Source: KB Securities Vietnam

**Fig 12. PC1 – P/B & ROE (x, %)**



Source: Bloomberg, KB Securities Vietnam





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**Investment ratings & definitions**

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**Investment Ratings for Stocks**

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

Buy:	Neutral:	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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