

PHA LAI THERMAL (PPC)

1Q25 - The profit remains weak

- 1Q25 - NPAT down on missing financial income
- Gross margin expands amid cost savings in 2Q25F
- Maintain a HOLD recommendation

Facts: NPAT dropped to 67% yoy

In 1Q25, PPC recorded revenue of VND1,536bn, down 23% yoy, (figure 1), primarily due to (1) the average electricity price dropped 13% yoy (figure 3) and (2) the production's PPC estimated recorded 1,090mn kWh in 1Q25, dropped 12% yoy (figure 2).

Besides, the gross profit remained relatively stable at VND95bn, slightly decreasing by 0.6% yoy (figure 4). This was supported by an improvement in the gross margin, which widened to 6.2%, up 1.5% compared to 1Q24 (figure 4). The main reasons (i) PPC's estimated heat rate is expected to decrease as the company has just completed maintenance of unit S2 in June 2024 (ii) the depreciation costs were estimated to decline by VND12bn, down 24% yoy. Hence, these factors contributed to more efficient plant operations during the quarter.

Next, (iii) the financial income was not recorded in 1Q25 (-100% yoy). And (iv) due to a strong impact from the corporate tax expenses, recorded 20% in 1Q25 (1Q24: 1%, figure 5). As a result, NPAT experience results deepen to VND52bn (-67% yoy, figure 6).

Pros & cons: Gross margin expands amid cost savings

In 2Q25F, we forecast that PPC's revenue could continue to decline due to: (1) a slight drop in estimated output, as national power consumption rose by only 3% yoy (2Q25 data as of May 27); in addition, EVN prioritized hydropower sources, with production increasing by 37% yoy thanks to the impact of the neutral phase, which is expected to persist through 1H25; and (2) the average electricity price is estimated to fall by 32% yoy in 2Q25F.

In contrast, we expect PPC's NPAT to improve based on expectations:

- We estimated that the gross margin could improve in 2Q25F. This comes from the depreciated cost could be recorded down to 24% yoy.
- In addition, we believe that the plant operated more efficiently thanks to the above mentiond.
- Therefore, we believe that the above positive drivers could offset the impact of the higher corporate tax expenses, which could rise to 20% in 2Q25F.

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

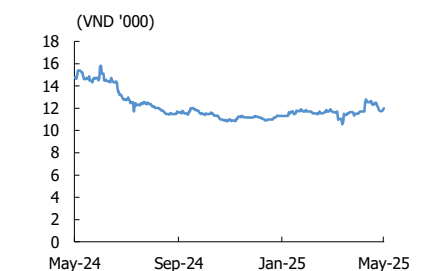
Stock data

VNIndex (27 May, pt)	1,337
Stock price (27 May, VND)	12,000
Market cap (USD mn)	148
Shares outstanding (mn)	321
52-Week high/low (VND)	15,816/10,550
6M avg. daily turnover (USD mn)	0.19
Free float / Foreign ownership (%)	23.0/9.4
Major shareholders (%)	
EVNGENCO2	51.00
REE energy	19.77
Samarang UCITS	4.91

Performance

	1M	6M	12M
Absolute (%)	4.3	9.5	(18.6)
Relative to VNIndex (%p)	(4.9)	1.0	(26.1)

Stock price



Source: Bloomberg

Action: Maintain HOLD rating

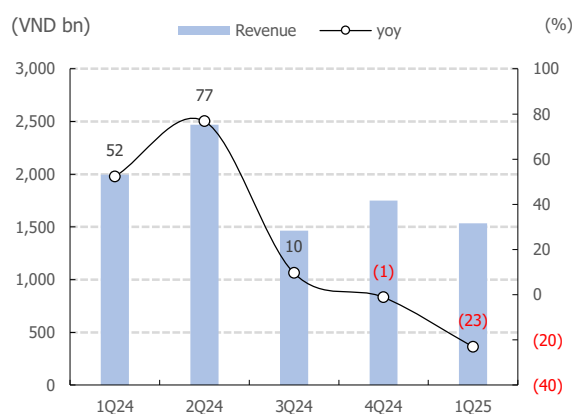
We anticipate that PPC plays a key role in maintaining system stability. However, we believe that risks from input fuel prices remain a factor worth considering in the short, medium, and long term. Therefore, we still recommend a **HOLD** rating for **PPC** in 2025F.

Table 1. Quarterly earnings snapshot in 1Q25

	1Q24	2Q24	3Q24	4Q24	1Q25	QoQ	YoY
Sales	1,996	2,469	1,465	1,750	1,536	(12)	(23)
OP	159	112	(44)	184	66	(64)	(59)
OP margin (%)	8.0	4.5	(3.0)	10.5	4.3	(6.2)	(3.7)
EBT	159	112	(18)	184	65	(65)	(59)
NPAT	157	94	(5)	181	52	(71)	(67)

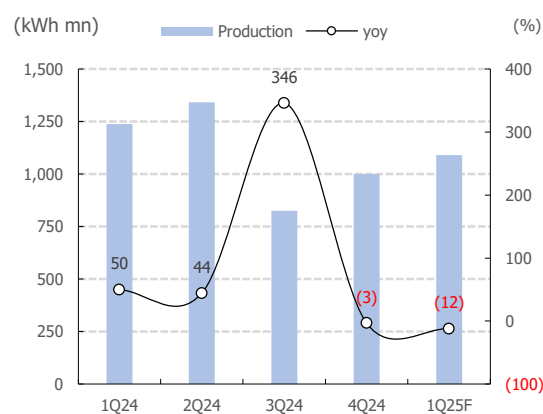
Source: Company data, FiinPro-X, KIS Research

Figure 1. Revenue experienced a difficult result, down 23% yoy in 1Q25



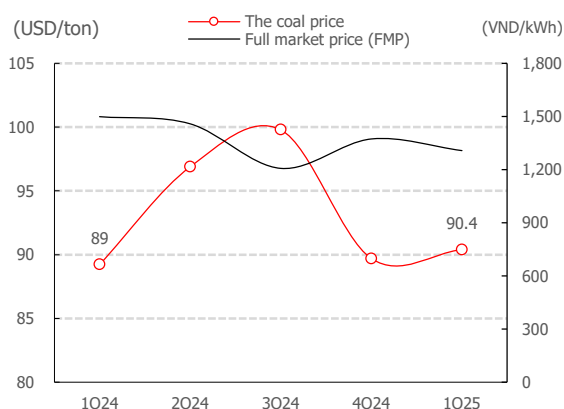
Source: PPC, FiinPro-X, KIS Research

Figure 2. The production shows a decline to 12% yoy in 1Q25



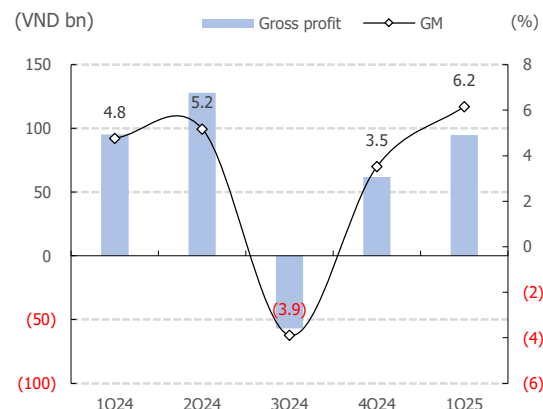
Source: PPC, FiinPro-X, EVN, KIS Research
Note: Data for 1Q25E is estimated.

Figure 3. The coal price is still at a high level, estimated up 4% yoy in 1Q25

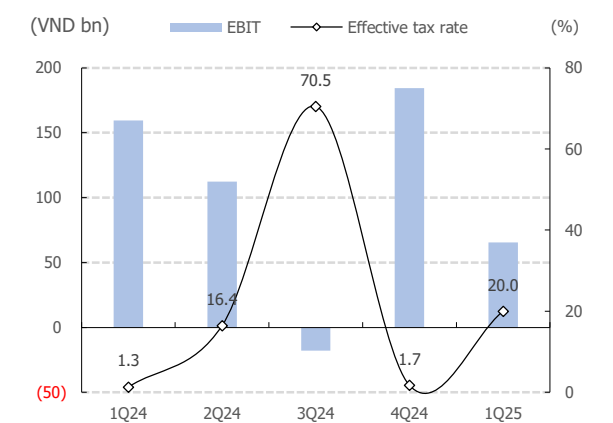


Source: PPC, FiinPro-X, KIS Research

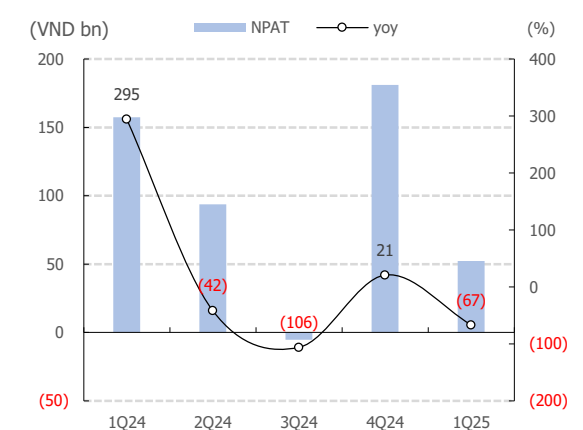
Figure 4. The gross margin is up to 6.2%, an increase 1.5%p yoy in 1Q25



Source: PPC, PGV

Figure 5. Higher tax rate amplified net profit decline


Source: PPC, FiinPro-X, KIS Research

Figure 6. NPAT shows not optimistic result in 1Q25


Source: PPC, FiinPro-X, KIS Research

■ Company overview

Pha Lai Thermal Power Joint Stock Company (PPC) was established on April 26, 1982. On January 26, 2007, Pha Lai Thermal Power Joint Stock Company shares were officially traded on the Ho Chi Minh City Stock Exchange with an opening price of VND 105,000. PPC is a company specializing in producing electricity from natural coal fuel.

Balance sheet VND bn

FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
Current assets (Adj.)	2,489	2,734	2,929	2,730	2,127
Cash & cash equivalent	527	60	23	25	21
Non-current assets (Adj.)	1,963	2,673	2,906	2,705	2,106
Fixed Asset	336	323	273	219	993
Investment assets	2,501	2,499	2,500	2,497	2,497
Others	122	70	76	84	(40)
Total assets	5,449	5,626	5,778	5,531	5,577
Advances from customers	0	0	0	0	0
Unearned revenue	-	-	-	-	-
Trade payables	522	478	555	799	666
Others	72	131	211	213	178
ST debt & bond	-	-	-	-	247
LT debt & bond	-	-	-	-	-
Total liabilities	594	609	767	1,012	1,091
Controlling interest	4,854	5,016	5,011	4,519	4,486
Capital stock	3,262	3,262	3,262	3,262	3,262
Capital surplus	12	12	12	12	12
Other Reserves	1,364	1,364	830	872	872
Retained earnings	216	378	906	373	340
Shareholders' equity	4,854	5,016	5,011	4,519	4,486

Cash flow VND bn

FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
C/F from operations	601	(1,076)	(301)	521	955
Net profit	247	548	385	462	487
Depreciation	59	62	61	58	58
Net incr. in W/C	(184)	302	(37)	191	545
C/F from investing	2,612	1,205	689	492	(491)
Capex	1,537	680	511	392	(492)
Incr. in investment	1,075	525	178	100	0
C/F from financing	(1,830)	(144)	(257)	(889)	(242)
Incr. in equity	(1,830)	(144)	(257)	(889)	-
Incr. in debts	-	-	-	196	247
Dividends	-	-	-	-	(489)
C/F from others	-	-	-	-	-
Increase in cash	1,383	(15)	131	125	221

Income statement VND bn

FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
Net sales	3,868	5,266	5,814	7,681	6,408
COGS	4,102	4,893	5,777	7,451	5,800
Gross profit	(234)	373	36	230	608
SG&A	87	119	117	146	121
Operating profit	(320)	253	(80)	84	487
Financial income	452	295	464	327	0
Interest income	70	28	20	1	0
Financial expenses	(24)	3	(1)	3	-
Interest expenses	-	-	0	0	-
Other non-operating profit	91	2	(0)	55	-
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-
Earnings before tax	177	546	382	434	487
Income taxes	(46)	59	2	(0)	-
Net profit	216	487	380	424	487
Net profit of controlling interest	216	487	380	424	487
EBITDA	321	610	447	521	545

Key financial data

FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
per share data (VND, adj.)					
EPS	577	1,399	1,091	1,217	1,399
BPS	14,880	15,377	15,360	13,852	13,751
DPS	450	800	2,500	1,499	1,500
Growth (%)					
Sales growth	(51.2)	36.1	10.4	32.1	(16.6)
OP growth	(134.5)	(179.1)	(131.7)	(204.3)	480.5
NP growth	(75.8)	66.7	(21.8)	21.0	5.3
EPS growth	(78.6)	125.5	(22.0)	11.6	14.9
EBITDA growth	(134.5)	(179.1)	(131.7)	(204.3)	480.5
Profitability (%)					
OP margin	(8.3)	4.8	(1.4)	1.1	7.6
NP margin	7.6	9.3	6.6	6.0	7.6
EBITDA margin	(8.3)	4.8	(1.4)	1.1	7.6
ROA	4.6	8.8	6.7	8.2	8.8
ROE (excl MI)	3.8	9.9	7.6	8.9	10.8
Dividend yield	1.9	6.4	17.2	12.8	12.8
Dividend payout ratio	78	65	190	68	54
Stability					
Net debt (VND bn)	(527)	(60)	(23)	(25)	226
Net debt/equity (%)	(11)	(1)	(0)	(1)	5
Valuation (X)					
PE	6.4	11.1	12.4	8.3	7.9
PB	1.2	1.3	0.9	0.8	0.9
EV/EBITDA	(20.5)	15.4	(57.3)	45.6	7.9

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