

HOSE

Industrials

## Neutral

Price (2008/05/20): VND\$32,700  
Target Price: VND\$37,900

Miss Trang To Thi Tu  
(+ 84-8) 413-5479 ext.456  
[trangto@chungkhoanaulac.vn](mailto:trangto@chungkhoanaulac.vn)

### Key Data

Chartered Capital	VND 3,262.35bn
Outstanding shares	325.235 mn
52 weeks price range	VND 66,700 – 32,700
Mkt cap (2008/05/20)	VND 11,448bn
Total Assets (FY2007)	VND 1,681bn
Foreign - owned ratio	15.84%
Total Room	159.86 mn
Current Room (2008/05/20)	108.18 mn
P/E (2008)	13.37
P/B (2008)	2.79
ROE (2008E)	20.63%
ROA (2008E)	9.09%
Dividend (2008E)	15%

\*The holding cap for foreign strategic investors is 49%.  
For banking sector the cap is 30%.

## New Power Generators Drive More Momentum in 2Q

- Company Profile:** PPC is the largest thermal power producer in Vietnam, with 40% of electricity supply in the North, about 10% of Vietnamese electricity supply. PPC was founded in 1982, formerly a state-owned Phailai Thermal Power Station under the management of the Vietnam Electricity (EVN). PPC majors in producing and trading electricity. Since Jan 2006, PPC changed to joint stock company with the first chartered capital of VND 3,107 billion. PPC has 2 plants with the total production capacity approximately 1,040 MW. Pha Lai I plant has 4 old generators with production capacity 440 MW and Pha lai II plant has 2 modern generators with production capacity 600 MW.
- Annual stable revenue and dividend:** Under Purchasing Power Agreement (PPA), all PPC's outputs will be bought by EVN at a price of VND 581.9/kWh. This price will be adjusted based on the change in the costs of the inputs (coal and fuel) and the maintenance dividend payments at min 12% per year. PPA will be renegotiated after May,2008
- Earnings Performance:** In FY2007, PPC made a net revenue of VND 3,807.07 bn, up 5.54% YoY but net profit of VND 824.35 bn, down 15.83% YoY due to increasing expenses on generator maintenance and loan.
- 2008 Outlook:** According to resolution of 2008 annual shareholders' meeting, PPC targets to achieve net revenue of VND\$3.638.15 bn and profit before tax of VND\$ 693.52 bn in 2008.
- 1Q08 Results:** PPC reported a net revenue of VND 1,073.73 bn, an increase of 3.8% over the same period last year, but net profit post from VND 287.76 bn in 1Q07 to VND 286.74 bn in 1Q08, as the financing activities expenses and the cost of good sold increased in 1Q08.
- Growth in 2Q:** We forecast +5%qoq in PPC's revenue to VND 1,065.75 bn due to raising YoY inputs costs, but -2% down in profit to VND 269.5bn for more financial and maintenance fees in 2Q08.
- Valuation:** PPC is running at full production capacity and all its four generators will be depreciated in 2011. Two modern generators are recently operated, so PPC's stock price is undervalued compared with other thermal powers in Vietnam. Currently PPC is trading at 12.9x FY07 PER. We retain PPC Neutral in the coverage focus list with a target price of VND 37,900. Our target price is based on FY07 PER of 15x, implying 18.8x FY08E PER.

### Financial Abstract :

Year	Revenue (VND Bn)	Change (%)	Net Profit (VNDBn)	Change (%)	Outstanding Shares (Mn)	EPS (VND)	P/E (x)	ROE (%)	ROA (%)
2005	1,458.89	NA	9.01	NA	310.70	29	NA	0.29%	0.08%
2006	3,607.07	147.25%	979.34	1,0771.70%	310.70	3,152.04	8.25	31.51%	9.23%
2007	3,807.07	5.54%	824.35	-15.83%	326.24	2,526.87	12.94	21.55%	8.24%
2008E	4,155.15	9.14%	797.81	-3.22%	326.24	2,445.50	13.37	20.63%	9.09%
2009F	4,400.30	5.90%	818.02	2.53%	326.24	2,507.45	13.04	20.94%	10.15%

**Business Highlights:**

- **Industry Overview:** Electricity demand grows rapidly to meet the development of national economy. Under the sixth Power Master Development Plan covering 2006-2015 with a view to 2015, has been signed by the Prime Minister on decision No 110/2007 QĐ-TTg dated 18 July, 2007, electricity demand growth is projected at 15-17% per annum in stage 2006-2015. To meet the electricity demand growth, a massive expansion of power system is required over in the next years. The Plan emphasizes growth in all three major power generation subsectors: hydropower, coal-fired power and power fueled by offshore natural gas, in which to priority for hydropower resources. Finally, power resources imports from China and other neighbors are expected to increase sharply in the future.
- **Characteristic:** Mobilizing capacity of thermal power usually reduces in the rainy season. And this will affect the company's operation performance in the 3Q & 4Q.
- **Strengths:** PPC is running at full production capacity and all its four generators will be depreciated in 2011. Two modern generators are recently operated, so PPC's stock price is undervalued compared with other thermal powers in Vietnam. PPC has just achieved ISO 9001:2000 in December 2007, the int'l management system help ensure that the organization runs its business operations in an orderly and structured way. This means that PPC's resources are utilized efficiently.
- **Weaknesses:** VND has depreciated strongly in comparison with YEN, which will affect the company's profit in the coming time due to PPC's Japanese ODA loan. Four old generators in Pha Lai I need heavy maintenance fee to avoid drawdown in operations.

---

## Analyst Certification

---

Each research analyst(s), strategist(s) or research associate(s) responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the research analyst, strategist or research associate covers in this research report, all of the views expressed by that research analyst, strategist or research associate in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s), strategist(s) or research associate(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst, strategist or research associate in this research report.

## Ratings Definition

---

**Overweight (OW)** = Expected to outperform the local market by >10%

**Neutral(N)** = Expected to in line with the local market by +10%~ -10%

**Underweight (UW)** = Expected to underperform the local market by >10%.

**Not Rated (NR)** = The stock is not rated in Aulac's coverage universe or not listed yet.

Performance is defined as 12-month total return (including dividends).

## Disclaimer

---

This information has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. Aulac Securities and its affiliates and their officers and employees may or may not have a position in or with respect to the securities mentioned herein. Aulac Securities (or one of its affiliates) may from time to time perform investment banking or other services or solicit investment banking or other business for any company mentioned in this report. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

© **Aulac Securities Corporation.**

5th Fl., Lawrence S. Ting Bldg., 801 Nguyen Van Linh St, Tan Phu Ward, Dist 7, HCMC

Tel: (+84-8) 413-5479 – Fax: +84 8 4135472 Web: chungkhoanulac.vn / aulacsecurities.com