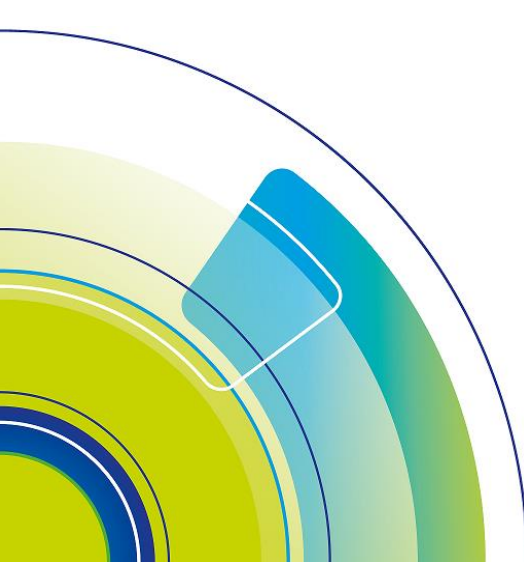




# Initiation REE – BUY

Date 20/10/2022

---



## Mr. Toan Pham

(+84 28) 3823 4159 - Ext: 250

[toanpd@acbs.com.vn](mailto:toanpd@acbs.com.vn)

## Company Initiation

### Recommendation

**BUY**

**HOSE: REE**

**Utility**

**Current price (VND)**

**80,100**

**Target price (VND)**

**93,209**

Expected share price return

16.4%

Expected dividend yield

1.9%

**Expected total return**

**18.3%**

### Stock performance (%)

|          | YTD  | 1M    | 3M   | 12M  |
|----------|------|-------|------|------|
| Absolute | 24.9 | -10.4 | -1.0 | 25.6 |
| Relative | 57.2 | 6.1   | 9.7  | 48.6 |

Source: Bloomberg



### Ownership

|                          |        |
|--------------------------|--------|
| Platinum Victory PTE.Ltd | 34.99% |
| Nguyễn Thị Mai Thanh     | 12.17% |
| Nguyễn Ngọc Hải          | 5.46%  |
| HFIC                     | 5.27%  |
| Apollo Asia Fund Ltd     | 5.02%  |

### Stock Statistics

**19-Oct-22**

**Bloomberg code**

**REE VN**

52-week range (VND)

56,230 – 99,600

Mkt cap (VND bn)

27,224

Mkt cap (USD bn)

1.11

Foreign room left (%)

0.0

Est. free float (mil)

114

30 aver daily vol (shrs)

868,655

VND/USD

24,530

Index: VNIndex / HNX

1052.15/225.68

## REE CORPORATION (HSX: REE)

REE has transitioned itself to a leading energy company with a focus going forward on renewable energies. We issue a BUY recommendation with a target price of VND93,209 per share, representing 18.3% expected total return thanks to their dominant investment portfolio in utilities.

REE owns an attractive diversified energy portfolio including hydro, coal-fired thermal, wind and solar energy, which has supplanted the M&E segment to be the focus of the company's long term orientation. Going forward, REE will be placing a higher priority on renewable energies and reducing its dependence on fossil fuels (coal fired thermal plant particularly), following Net Zero Carbon Emission by 2050 commitment at 2021 United Nations Climate Change conference (COP26) and the Politburo's Resolution 55-NQ/TW on the Orientation of the Viet Nam's National Energy Development Strategy. In 2022, REE targets to add an additional 100 MW in wind power plant capacity.

The company's net profit margin has improved and the EAT has been more stable since the energy segment has overtaken M&E as the main business line. In 2022, we expect an impressive growth of REE's EAT thanks to new Thuong Kon Tum hydro plant – VSH (220 MW) has been operated since 4Q2021, which increased the capacity of VSH almost three times, and the longer than expected effects of La Nina. This sector is anticipated as an main contributed catalyst for REE's growth in 2022.

In addition, REE owns 145,000 sqm lease-office building, which provides a more steady source of earnings and cash flow compared to the more variable business lines. In 2021, the Real Estate segment generated VND896 bn in revenue and VND461 bn in profit after tax. Furthermore, the company is currently expanding this segment with the Etown 6 project, which will add 40,000 sqm and is expected to be finalized in Q4/2023.

The M&E segment is expected to post a better performance in 2022 as the 2021 results were impacted strongly by slowdowns in real estate development from impacts of the COVID-19 prevention measures.

|                      | 2019  | 2020  | 2021  | 2022F | 2023F |
|----------------------|-------|-------|-------|-------|-------|
| Net Sales (VNDbn)    | 4,900 | 5,640 | 5,809 | 7,229 | 7,198 |
| Growth (%)           | -3.9% | 15.1% | 3.0%  | 24.4% | -0.4% |
| EBITDA ( VNDbn )     | 1,358 | 1,562 | 3,077 | 5,201 | 4,887 |
| Growth (%)           | 0.8%  | 15.0% | 53.0% | 69.0% | -6.0% |
| Net Profit ( VNDbn ) | 1,625 | 1,628 | 1,855 | 2,875 | 2,664 |
| Growth (%)           | -8.9% | 0.2%  | 13.9% | 54.9% | -7.3% |
| EPS (VND)            | 5,242 | 5,252 | 5,984 | 8,053 | 7,463 |
| Growth (%)           | -8.9% | 0.2%  | 13.9% | 60.8% | -7.3% |
| ROE (%)              | 14.8% | 13.3% | 11.3% | 17.8% | 16.5% |
| ROA (%)              | 5.2%  | 5.0%  | 5.6%  | 9.0%  | 8.4%  |
| Net debt/EBITDA (x)  | 4.1   | 2.1   | 3.0   | 2.0   | 2.1   |
| EV/EBITDA (x)        | 10.29 | 5.95  | 6.47  | 5.6   | 6.8   |
| PER (x)              | 15.7  | 15.8  | 13.4  | 8.9   | 9.6   |
| PBR (x)              | 2.5   | 2.2   | 1.9   | 1.3   | 1.2   |
| Dividend Yield (%)   | 2.8   | 2.8   | 3.0   | 1.9   | 1.9   |

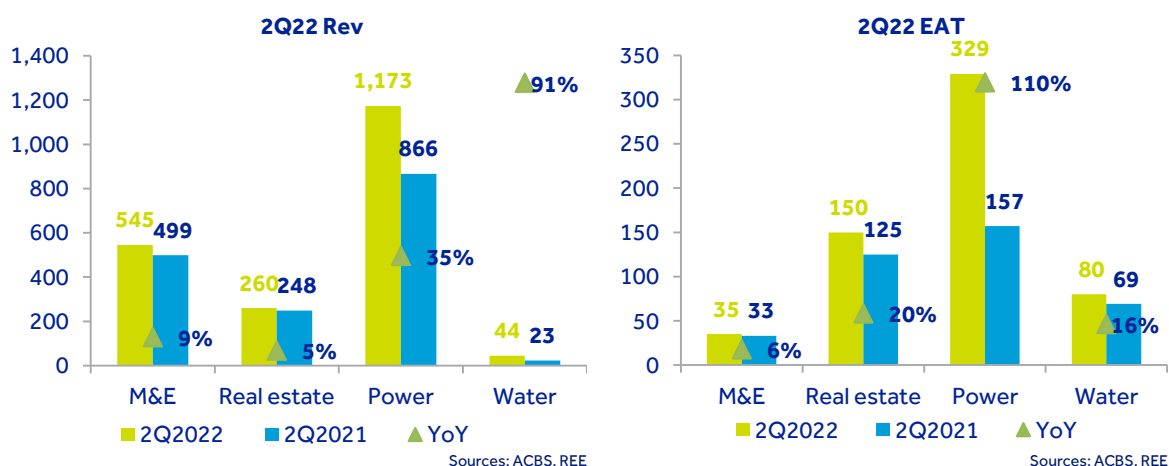
### HIGHLIGHTS OF BUSINESS RESULTS:

#### 2Q2022

In Q2 2022, REE's revenue reached VND2,023 bn, **+24% YoY**, and net profit reached 594 bn VND, **+55% YoY**. The strong reported performance in Q2 is partially due to the consolidation of Vinh Son - Song Dinh Hydropower JSC as a subsidiary as of Thuong Kon Tum hydropower plan was put into stably operation and others 3 wind power projects: Tra Vinh 3 V1-3, Phu Lac 2, Loi Hai 2. As a result, energy segment becomes the key contribution in REE's profit structure (62%).

The real estate segment also recorded a positive result with VND150 bn profit after tax, increasing by VND15 bn, **+20% YoY**. The growth rate was supported by a lower base in 2021 as REE discounted rents to support tenants during social distancing periods in 2021.

The M&E business recorded mediocre results, earning just VND35 bn net profit after tax, **+6% YoY**.



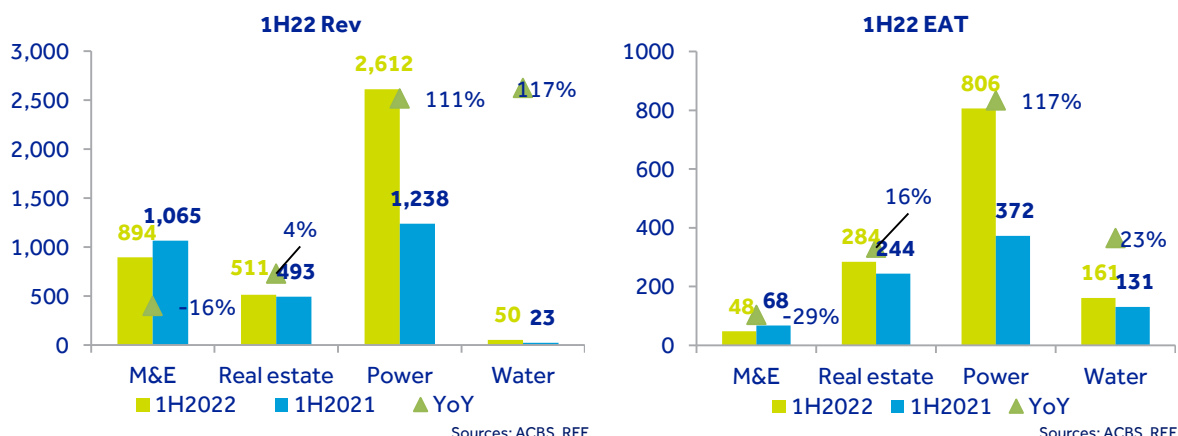
#### 1H2022

By the end of 1H2022, REE's revenue reached 4,068 bn VND, **+44% YoY**, completing 44% of the company's 2022 plan; and EAT achieved 1,289 bn VND, **+58% YoY**, completing 62% of 2022 plan.

The energy segment was the standout, recording 2,612 bn VND of revenue, **+111% YoY**; and 806 bn VND of EAT, **+117% YoY**, completing 63% and 79% of 2022 plan respectively.

In contrast, the M&E segment had disappointing first half with 894 bn VND of revenue, **-16% YoY**, completing only 23% 2022 plan; and 48 bn VND of EAT, **-29% YoY**, completing only 22% 2022 plan.

Thanks to the normalization post Covid-19, 2Q2022 real estate EAT reached 150 bn VND, **+20% YoY** and Water Segment EAT achieved 80 bn VND, **+16% YoY**.



### RISKS:

A company is currently having **11,468** bn VND of Net Debt, equivalent to 66.3% of Equity. This is concerned as a main risk to REE as we are in the midst of a period of rising interest rates which will increase the cost of debt to the company.

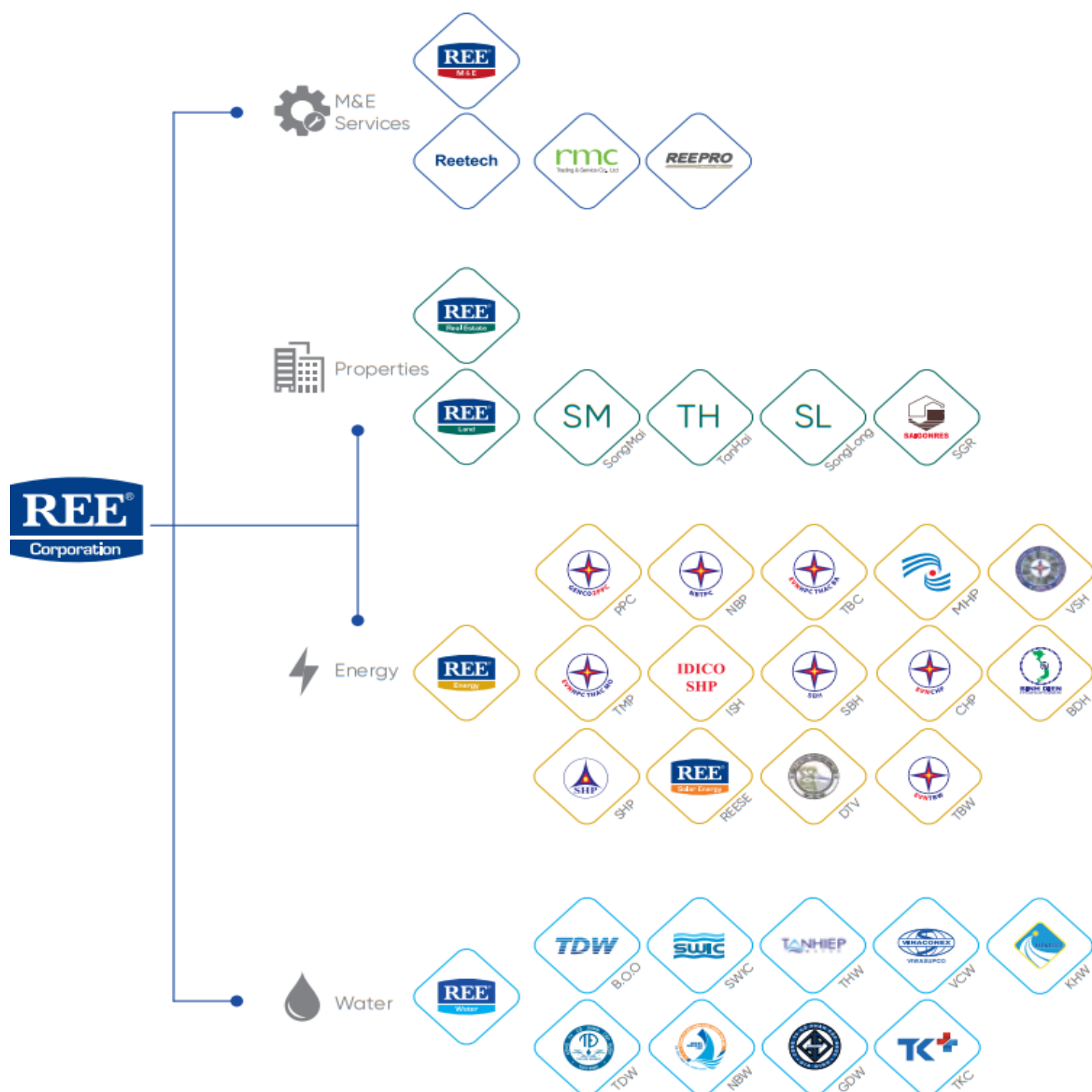
### Recommendation With Target Price: 93,209 VND/Share

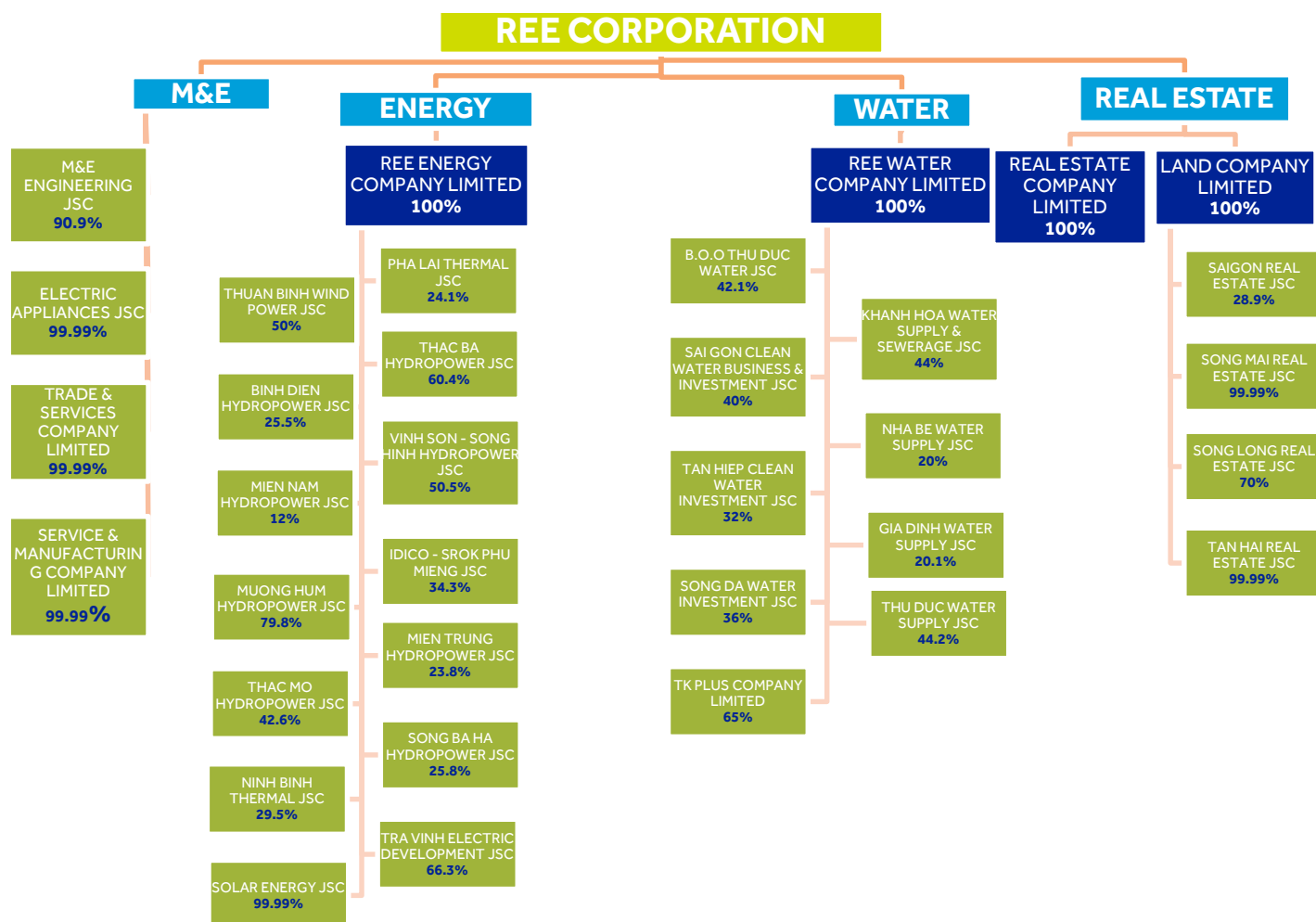
Applying the Sum of The Parts (SOTP) method, combined with Price Earning ratio (P/E) method, and EV/EBITDA, we propose **BUY** with target price: **93,209 VND** per share.

### CORPORATION STRUCTURE

2022 is the second full year REE's restructuring as a sector holding company. In 2020, REE has established subsidiaries and associates complied with strategic sectors to improve the management apparatus, took over REE's allocated portfolio and continue to develop in four chief categories including: Refrigeration Mechanical & Electrical Engineering (REE M&E), Electricity (REE Energy), Water (REE Water) and real estate (REE Land).

- Selling **Mechanical and Electrical (M&E)** industrial products, providing installation, consultancy, deployment, operation and maintenance services to industrial M&E and solar photovoltaic power projects.
- **Developing real estate activities** with 6 office buildings branded Etown with almost 145,000 sqm of NLA.
- **Developing and operating energy production** including hydro, thermal, solar and wind energy, providing 12 billion kWh 2021 (almost 4%) total electricity consumption of a whole country.
- **Distribution and processing clean water:** capacity 700,000 and 1.1 mil cbm/day.





### ENERGY

REE has a diversified investment portfolio in energy with various types of energy generation throughout Vietnam. The energy segment has been at the forefront of REE's development plans since 2018 and is expected to be the key catalyst for REE going forward. The REE's Board of Management (BOM) has taken the path to gradually increase investment and resources into wind and solar energy and reduce proportion in coal-fired plant.

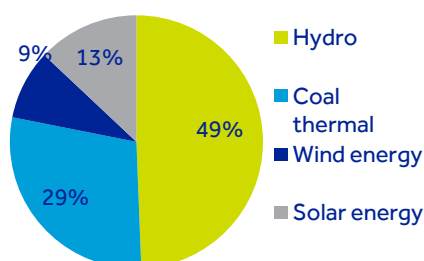
REE 's Energy Portfolio and performance in 2021

|                | Company       | Capacity: MW   | REE's ownership | Output: mil kWh | Revenue: bn   | Profit: bn   |
|----------------|---------------|----------------|-----------------|-----------------|---------------|--------------|
| <b>Hydro</b>   |               | <b>1,288.3</b> |                 | <b>5,277</b>    | <b>5,182</b>  | <b>2,096</b> |
| 1              | TBC           | 120            | 60.4%           | 337             | 294           | 143          |
| 2              | TMP           | 220            | 42.6%           | 658             | 505           | 334          |
| 3              | ISH           | 51             | 34.3%           | 230             | 238           | 95           |
| 4              | SBH           | 220            | 25.8%           | 723             | 870           | 471          |
| 5              | MHP           | 34.8           | 79.8%           | 160             | 203           | 83           |
| 6              | BDH           | 44             | 25.5%           | 193             | 187           | 86           |
| 7              | VSH           | 356            | 50.5%           | 1,771           | 1,611         | 387          |
| 8              | CHP           | 220            | 22.7%           | 558             | 616           | 232          |
| 9              | SHP           | 122.5          | 11.9%           | 647             | 658           | 265          |
| <b>Thermal</b> |               | <b>1,140</b>   |                 | <b>3,072</b>    | <b>4,729</b>  | <b>313</b>   |
| 1              | QTP           |                | 1%              |                 |               |              |
| 2              | NBP           | 100            | 29.1%           | 391             | 844           | 26           |
| 3              | PPC           | 1,040          | 24.1%           | 2,681           | 3,885         | 287          |
| <b>Solar</b>   |               | <b>102</b>     | <b>100%</b>     | <b>113</b>      | <b>213</b>    | <b>71</b>    |
| <b>Wind</b>    |               | <b>126</b>     |                 | <b>97</b>       | <b>201</b>    | <b>125</b>   |
| 1              | Tra Vinh V1-3 | 48             | 100%            | 37.6            |               |              |
| 2              | Loi Hai 2     | 28.9           | 50%             | 28.9            |               |              |
| 3              | Phu Lac 2     | 26             | 50%             | 7.7             |               |              |
| 4              | Phu Lac 1     | 24             | 50%             | 64.8            |               |              |
| <b>Retail</b>  | <b>DTV</b>    | <b>0</b>       | <b>100%</b>     | <b>317</b>      | <b>596</b>    | <b>28</b>    |
| <b>Total</b>   |               | <b>2,647</b>   |                 | <b>8,876</b>    | <b>10,921</b> | <b>2,723</b> |

Sources: ACBS, REE

By ownership, REE's energy capacity reached almost 1.000 MW, in which Hydro accounts for nearly half, reaches 49.4%, next is coal-fired thermal 28.7% and lastly 21.9% is wind and solar energy.

REE's Capacity Structure



Sources: ACBS, REE

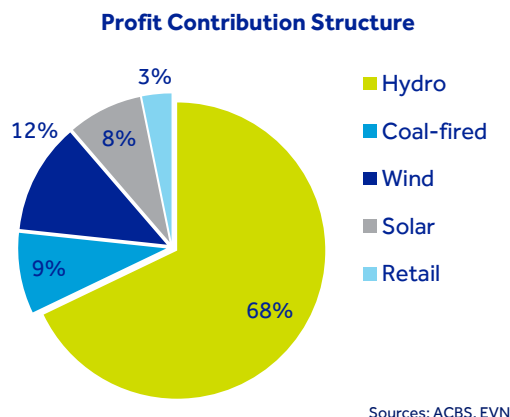
|              | Capacity - MW <sup>1</sup> |
|--------------|----------------------------|
| Hydro        | 483                        |
| Coal thermal | 281                        |
| Wind energy  | 87                         |
| Solar energy | 127                        |
| <b>Total</b> | <b>978</b>                 |

Sources: ACBS, REE

<sup>1</sup> Calculated based on a project's total capacity and REE's ownership stake



In 2021, energy segment contributed VND2,963 bn (accounting for 51% of the total company's revenue) and VND873 bn in profit (47.1% of total profit), in which hydro accounted for the largest profit proportion: 68% for a total of VND594 bn, coal thermal: VND77 bn (9%), wind energy: VND105 bn (12%), solar energy: VND71 bn (8%) and retail: VND28 bn (3%).



## HYDRO

This is the largest profit contributor of REE's energy segment with nine hydropower plants in portfolio, 483 MW capacity adjusted to ownership proportion and we forecast it would continue to post an impressive result in 2022 thanks to:

REE increased its ownership in Vinh Son – Song Hinh Hydropower JSC (VSH) to 50.5% from 49.5% which then allowed for the financial consolidation of VSH by the Group from 2021. In addition, Thuong Kon Tum hydropower plant belongs to Vinh Son – Song Hinh Hydropower JSC (VSH) coming on stream in April 2021, as a result, its output and profit would be fully reflected in 2022.

In 1H2022, hydropower including TBC and VSH record an impressive result thanks to favorable conditions (La Nina was lasting longer than expected). We expect the power segment will continue to post good results in 2H2022, especially 3Q2022, as Vietnam is entering the rainy season, which creates higher levels of precipitation which is beneficial to hydro power facilities.

A Luoi hydropower plant belongs to Mien Trung Hydropower JSC (CHP) generated commercial output of only 558 million kWh, down by 6.5% on the grounds that tunnel issues caused power generation disruption in the first four months of 2021. As a result, CHP is expected to have better performance in 2022 as A Luoi hydropower return to work normally.

We expect by the end of 2022, REE's hydropower group can earn **1,718 bn VND EAT**.



## COAL-FIRED THERMAL

In 2021, commercial power output of PPC reduced by 49.1% to 2,966 mil kWh owing to the breakdown of the generating unit S6 (Capacity: 300 MW) at Pha Lai 2 Plant. PPC's BOM expects the generating unit S6 would resume its operations before Sep 2022. However, in Sep 2022, S6 have not been done fixing completely. EVNGENCO2 which is PPC's mother company had a meeting with PPC in Sep to advance the process. The maintenance might be delay until the beginning of 2023.

Coal-fired thermal, despite of less positive 2Q2022 result compared to hydropower group, still posted profit growth. Coal-fired plants have been somewhat insulated from rising global coal prices as there are sufficient supply from domestic coal mines and the Government has ensured price stability given the national energy security implications with the importance of coal fired plants.

In long term, we expect this segment's prospects and profit to wane due to the National Power Development Plan VIII, which commits to not continue processing coal thermal plant after 2030. We forecast this segment could bring to **66 bn VND** for REE in **2022**.

## SOLAR ENERGY

REE has a capacity of 86 MWp of rooftop solar projects that were finalized before 2021 and operated fully all the year round, along with extra 6.5 MWp has been completed also in 2021.

In the short run, we project the solar sector to be stagnant due to the overdevelopment of the sector in 2018-2020 period as expiring preferential tariffs lead to a surge in solar capacity installation. The surge in solar generation lead to some instability on the national grid (increases of generation during the day and a lack of storage energy technology and capability), resulting in the preferential policies not being extended for the time being, solar energy sector would contribute **VND74 bn** net profit after tax for REE in **2022**.

| Capacity MW | FIT cents/kWh | Working hours | USD/VND | Rev: bn | EAT: bn |
|-------------|---------------|---------------|---------|---------|---------|
| 93          | 8.38          | 1,217         | 23,370  | 222     | 74      |

Sources: ACBS, REE

## WIND ENERGY

In 2021, three wind power projects with a total installed capacity of 102 MW – Tra Vinh V1-3 (48 MW – in Tra Vinh), Loi Hai 2 (28.9 MW – in Ninh Thuan) and Phu Lac 2 (26 MW – in Binh Thuan) – started their commercial operations in October 2021. Applicable feed-in tariffs are US 9.8 Cents/kWh (for Tra Vinh V1-3) and US 8.5 Cents/kWh (for Loi Hai 2 and Phu Lac 2). Therefore, net profit from these projects has not been fully reflected, only VND125 bn. We expect these wind projects will bring in **383 bn VND** EBITDA for REE in 2022.

| Projects      | Year output (mil kWh) | FIT (US cent/kWh) | Revenue: bn VND | EBITDA: bn VND | EBITDA adjusted for Ownership: bn VND |
|---------------|-----------------------|-------------------|-----------------|----------------|---------------------------------------|
| Phu Lac 1     | 66,7                  | 8.5               | 125             | 96             | 48                                    |
| Phu Lac 2     | 70                    | 8.5               | 135             | 105            | 52                                    |
| Loi Hai 2     | 100                   | 8.8               | 156             | 120            | 60                                    |
| Tra Vinh V1-3 | 158                   | 9.8               | 288             | 222            | 222                                   |
| <b>Total</b>  | <b>394,7</b>          |                   | <b>704</b>      | <b>544</b>     | <b>383</b>                            |

Sources: ACBS, REE

|               | 2021       | 2022F        | 2022F      |
|---------------|------------|--------------|------------|
| Unit: bn dong |            | EAT          | EBITDA     |
| Hydro         | 594        | 1,718        |            |
| Coal thermal  | 77         | 65           |            |
| Wind          | 105        |              | 383        |
| Solar         | 71         | 74           |            |
| Retail        | 28         | 28           |            |
| <b>Total</b>  | <b>873</b> | <b>1,885</b> | <b>383</b> |

Sources: ACBS, REE

## REAL ESTATE

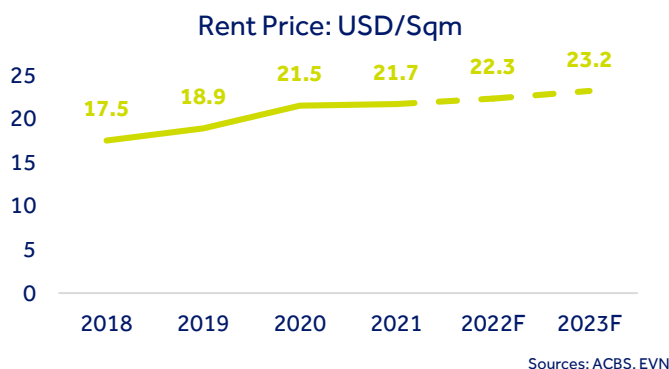
|                | Area: sqm      |
|----------------|----------------|
| IDC building   | 4,000          |
| Manson Pasteur | 1,290          |
| Etown central  | 34,000         |
| Etown 1        | 29,480         |
| Etown 2        | 26,633         |
| Etown 3        | 12,097         |
| Etown EW       | 4,236          |
| REE tower      | 17,000         |
| REE corp       | 4,250          |
| Etown 5        | 17,000         |
| <b>Total</b>   | <b>144,851</b> |
| Etown 6        | 40,000         |
| <b>Total</b>   | <b>184,851</b> |

Sources: ACBS, REE

In the real estate sector, REE's primary focus is on the office segment and a secondary priority on residential real estate development. The office segment is thought to be a sustainable and profitable business with low management expenses compared to REE's other business segments.

**Office Leasing:** REE owns six Grade B rated office buildings with occupancy rates over 98%, and are developing one more project: Etown 6, which is expected to be finalized at the end of 2023. When completed, total leasing area would increase by 40,000 sqm to 190,000 sqm; and is expected to earn extra VND140 bn profit after tax for corporation when it operates stably since 2024.

According to CBRE and Knight Frank, rent prices are forecasted to increase slightly between 3% and 5% in 2022 due to steady macro environments after COVID-19. We expect net profit from leasing office segment to reach **VND500 bn** and **VND550 bn** in 2022.



**Residential real estate:** REE, and many residential developers, faced a difficult environment in 2021 with COVID-19 prevention measures leading to delays and postponements of many projects. As a consequence, REE was unable to launch construction and sales, had difficulty in acquiring new lands and SaigonRes's projects have yet to report initial earnings as these still in various early stages. REE's aim to implement the infrastructure sector of Phu Hoi, Nhon Trach – Dong Nai commercial housing project by 2022, total area is 7.9 ha, will bring in **VND50** bn net profit in **2022** for the company. We expect since 2023, modest net profit in this segment would be in range between **VND25 – 35** bn from SaigonRes.

## WATER

Presently, REE owns 4 water treatment plants, 3 water distribution plants, 1 water treatment and distribution; and 1 enterprise providing technical consultancy and renovation - construction services to various water plants in Vietnam with total capacity of 1.1 million cpm water treatment and distributed more than 700,000 cpm per day.

| Water treatment                               | Capacity<br>cbm/day | REE<br>Ownership | Location  |
|---|---------------------|------------------|-----------|
| B.O.O THU DUC WATER JSC                       | 300,000             | 42.1%            | Thu Duc   |
| SAI GON CLEAN WATER BUSINESS & INVESTMENT JSC | 300,000             | 40.0%            | Thu Duc   |
| TAN HIEP CLEAN WATER INVESTMENT JSC           | 300,000             | 32.0%            | Tan Hiep  |
| SONG DA WATER INVESTMENT JSC                  | 300,000             | 36.0%            | Ha Noi    |
| <b>Water distribution</b>                     |                     |                  |           |
| THU DUC WATER SUPPLY JSC                      |                     | 44.2%            | Thu Duc   |
| GIA DINH WATER SUPPLY JSC                     |                     | 20.1%            | Gia Dinh  |
| NHA BE WATER SUPPLY JSC                       |                     | 20.0%            | Nha Be    |
| <b>Water treatment &amp; distribution</b>     |                     |                  |           |
| KHANH HOA WATER SUPPLY & SEWERAGE JSC         | 120,000             | 43.9%            | Khanh Hoa |
| <b>Technical consultancy and renovation</b>   |                     |                  |           |
| TK PLUS COMPANY LIMITED                       |                     | 65.0%            | HCMC      |

Sources: ACBS, REE

The net profit of water segment in 2022 could reach about VND300 bn. Revenue and output are expected to grow at a steady pace as the price of clean water will increase in HCMC by 6% every year from 2020-2025 in compliance with HCMC's 5-year policy plan. According to Vietnam Water Supply and Sewerage Association (VWSA)

predicts the demand for water production would rise by 5% every year in period 2021 – 2030.

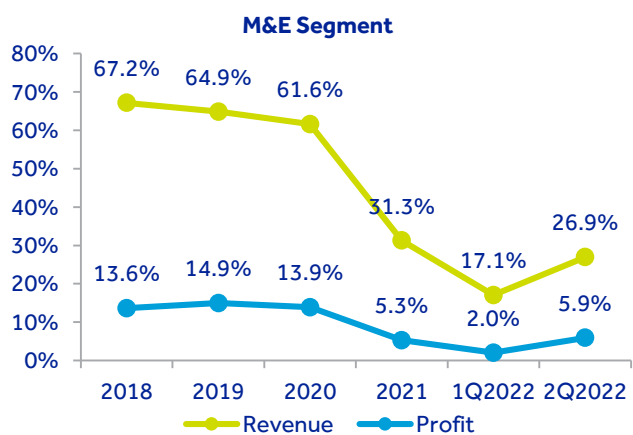
|  | 2021 | Q1/2022 | 2022F | 2023F |
|--|------|---------|-------|-------|
| REE's water segment net profit (bn dong) | 274  | 81      | 303   | 316   |

Sources: REE, ACBS

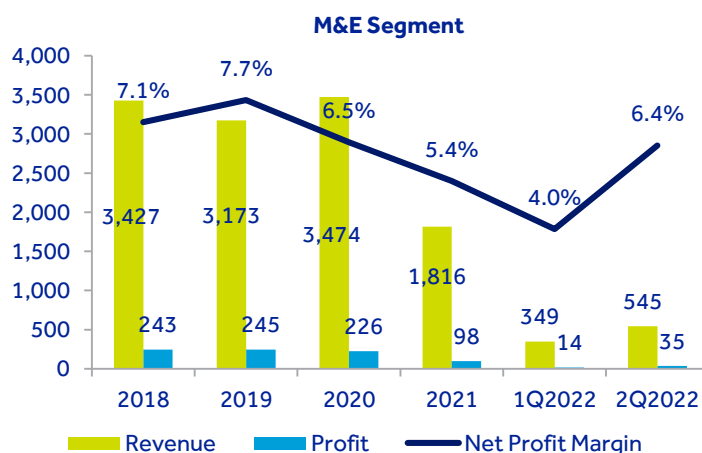
### M&E

M&E's REE currently focuses in three fields: M&E contractor, air conditioner distributor, and rooftop solar EPC contractor. This segment had encountered fierce competition from many other contractors causing deterioration in sales, profit and net profit margin recent years. 2021 was a tough year for the sector due to COVID – 19 restrictions which lead to many constructions works being stopped during these periods. M&E's revenue dropped nearly half from 3,474 bn dong to 1,816 bn VND. Net profit dropped almost 60% as well, from 226 to 98 bn VND.

The net profit margin, which had fluctuated around 7% in previous years, fell to 5.4% in 2021 and further to 4% in 1Q2022 due to inflation of commodities price. The contract was signed with the firm price. However, increasing input prices, as a result of supply chain disruptions and quantitative easing policies, have put a squeeze on margins in the M&E segment. In 2Q2022, the net profit margin has bounced back to 6.4% showing positive signs of normalized operations post COVID-19. Thus, we expect a better performance of REE's M&E segment in 2H2022.



Sources: ACBS, REE



Sources: ACBS, REE

Given its leading position in the M&E industry (60% of market share in public investment projects), the focal point will be to bid on high value infrastructure projects, such as the Long Thanh international airport (which has a total capital investment of 110,000 bn VND) and Tan Son Nhat T3 Terminal (total capital investment: 10,990 bn VND).

| Previous projects                         | Duration   | Work scope  |
|---|--|---|
| Noi Bai (NB) international airport        | Jun 2000 – Dec 2001  | M&E contractor                                    |
| Lien Khuong airport                       | Dec 2007 – Dec 2009  | M&E contractor                                    |
| Tan Son Nhat international airport        | Nov 2004 – Sep 2007  | M&E contractor                                    |
| T2 Terminal NB international airport      | Aug 2012 – Dec 2014  | Mechanical, ventilation system & BMS installation |
| T2 Terminal TSN international airport     | Phase 1: May 2015 – Oct 2016<br>Phase 2: Jul 2017 – Aug 2018 | M&E installation and station equipment supply     |
| Da Nang airport international terminal    | Apr 2016 – Sep 2017  | M&E contractor                                    |
| Cam Ranh airport international terminal   | Feb 2017 – May 2018  | M&E contractor                                    |
| T2 terminal Phu Bai international airport | Feb 2021 – Nov 2022  | M&E contractor                                    |

Source: ACBS, REE

We expect M&E's revenue might be higher than the pre-pandemic period, reaching approximately VND2,482 bn (+36.6% YoY). The net profit margin is likely to maintain at a depressed level around 6%, equivalent to VND148 bn profit after tax in 2022 since the macro environment is expected to be more stable as the post COVID-19 recovery is solidified and a not very positive 1H2022 performances.

## VALUATION

Energy segment has supplanted M&E since 2018, which is the spearhead of corporation, contributes biggest net profit after tax for REE following by real estate, water and finally M&E.

Selling expenses and net debt have increased on the grounds that financial consolidation of VSH and other loans to support for alternative upcoming renewable projects. As a result, Return on Asset (ROA and Debt/Equity (D/E) ratios would be negatively influenced in the short run.

We expect although REE may not be the fast-moving growth company yet could reach by 15% - 20% accumulated every year, our target price for REE is VND93,209 per share, based on Sum of parts, valuing:

- Energy, water and M&E segments based on earnings multiples derived from the average earnings multiples of other similar companies' valuation in the market.
- Office Leasing based on capitalization rates and other similar enterprise.

| Valuation              |               |
|------------------------|---------------|
| <b>M&amp;E</b>         | <b>798</b>    |
| <b>Real estate</b>     | <b>11,016</b> |
| Office                 | 10,563        |
| Residential            | 453           |
| <b>Energy</b>          | <b>26,534</b> |
| Hydro                  | 21,007        |
| Coal-fired             | 9,28          |
| Wind                   | 3,946         |
| Solar                  | 1,327         |
| Retail                 | 254           |
| <b>Water</b>           | <b>4,253</b>  |
| <b>Net debt</b>        | <b>10,282</b> |
| <b>Total</b>           | <b>33,760</b> |
| <b>Share: mil</b>      | <b>356</b>    |
| <b>Price per share</b> | <b>93,209</b> |

| REE FINANCIALS MODEL               | Price:<br>VND | 80,000 | Target<br>(VND): | 93,209 | Mkt cap<br>(VND bn): | 27,224 |
|------------------------------------|---------------|--------|------------------|--------|----------------------|--------|
| (VND bn except where stated)       | 2019          | 2020   | 2021             | 2022F  | 2023F                |        |
| Net Revenue                        | 4,900         | 5,640  | 5,809            | 7,229  | 7,198                |        |
| <i>Sales growth (%)</i>            | -3.9%         | 15.1%  | 3.0%             | 24.4%  | -0.4%                |        |
| EBITDA                             | 1,358         | 2,662  | 3,956            | 5,201  | 4,887                |        |
| <i>Growth (%)</i>                  | 96.3%         | 24.4%  | 48.6%            | 69.0%  | -6.0%                |        |
| Depreciation                       | 183           | 322    | 893              | 1,100  | 1,100                |        |
| Operating profit                   | 1,175         | 1,241  | 2,184            | 4,101  | 3,183                |        |
| <i>Operating profit margin (%)</i> | 24.0%         | 22.0%  | 37.6%            | 56.7%  | 44.2%                |        |
| Net interest expense               | 162           | 254    | 663              | 502    | 423                  |        |
| <i>as % of avg. net debt</i>       | 13.0%         | 9.4%   | 5.5%             | 4.9%   | 4.6%                 |        |
| Tax                                | 227           | 210    | 264              | 785    | 732                  |        |
| <i>Effective tax rate (%)</i>      | 22.3%         | 25.5%  | 17.4%            | 21.8%  | 21.8%                |        |
| Minorities                         | 81            | 85     | 280              | 182    | 185                  |        |
| Net profit                         | 1,625         | 1,628  | 1,855            | 2,875  | 2,664                |        |
| <i>Net profit margin (%)</i>       | 33.5%         | 28.9%  | 31.9%            | 39.8%  | 37.0%                |        |
| Cash earnings                      | 1,808         | 1,788  | 2,657            | 3,975  | 3,765                |        |
| Number of shares (m)               | 310           | 310    | 310              | 356    | 356                  |        |
| EPS (VND)                          | 5,226         | 4,720  | 5,009            | 8,053  | 7,463                |        |
| Bonus factor (x)                   | 1.00          | 1.00   | 1.00             | 1.00   | 1.00                 |        |
| Adjusted EPS (VND)                 | 5,226         | 4,720  | 5,009            | 8,057  | 7,463                |        |
| EPS growth (%)                     | 34.4%         | -9.7   | 6.1%             | 60.8%  | -7.3%                |        |

| KEY CASHFLOW AND BS ITEMS   | 2019          | 2020          | 2021          | 2022F         | 2023F         |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Increase in Working Capital | (259)         | (408)         | (845)         | (504)         | (489)         |
| Capex                       | (293)         | (1,391)       | (3,911)       | (300)         | (300)         |
| Share issues (m)            | -             | -             | -             | -             | -             |
| Net debt end of year        | 5,627         | 5,599         | 11,974        | 10,282        | 9,150         |
| Shareholders' equity        | 11,102        | 12,213        | 16,358        | 19,233        | 21,897        |
| BVPS (VND)                  | 40,845        | 47,727        | 46,519        | 53,964        | 61,439        |
| Net debt / equity (%)       | 44.4%         | 38.0%         | 73.2%         | 53.5%         | 41.8%         |
| Net debt / EBITDA (x)       | 4.1           | 3.6           | 3.9           | 1.9           | 1.9           |
| <i>Total assets</i>         | <i>19,623</i> | <i>20,531</i> | <i>31,828</i> | <i>33,010</i> | <i>34,542</i> |

| KEY RETURN AND VALUATION RATIOS | 2019  | 2020  | 2021  | 2022F | 2023F |
|---------------------------------|-------|-------|-------|-------|-------|
| ROE (%)                         | 14.1% | 10.7% | 11.3% | 17.6% | 16.3% |
| ROA (%)                         | 8.4%  | 7.3%  | 6.7%  | 9.0%  | 8.4%  |
| PER (x)                         | 15.7  | 15.3  | 14.4  | 8.9   | 9.6   |
| EV/EBITDA (x)                   | 17.4  | 15.1  | 7.7   | 5.6   | 6.0   |
| PBR (x)                         | 2.5   | 2.2   | 1.5   | 1.3   | 1.2   |
| PSR (x)                         | 4.6   | 4.0   | 4.4   | 3.5   | 3.6   |
| EV/sales (x)                    | 2.9   | 2.8   | 6.5   | 5.0   | 4.8   |
| Dividend yield (%)              | 2.8   | 2.8   | 3.0   | 1.9   | 1.9   |

### CONTACTS

#### Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City  
Tel: (+84 28) 3823 4159  
Fax: (+84 28) 3823 5060

#### Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi  
Tel: (+84 24) 3942 9395  
Fax: (+84 24) 3942 9407

### RESEARCH DEPARTMENT

#### Director - Head of Research

**Tyler Cheung**  
(+84 28) 38 234 876  
[tyler@acbs.com.vn](mailto:tyler@acbs.com.vn)

#### Associate Director

**Gigi Nguyen Binh**  
(+84 28) 3823 4159 (x250)  
[giaonbt@acbs.com.vn](mailto:giaonbt@acbs.com.vn)

#### Manager– Property

**Truc Pham**  
(+84 28) 3823 4159 (x303)  
[trucptt@acbs.com.vn](mailto:trucptt@acbs.com.vn)

#### Manager– Financials

**Hung Cao**  
(+84 28) 3823 4159 (x326)  
[hungcv@acbs.com.vn](mailto:hungcv@acbs.com.vn)

#### Associate – Consumer-related, Technology

**Chi Luong**  
(+84 28) 3823 4159 (x327)  
[chiltk@acbs.com.vn](mailto:chiltk@acbs.com.vn)

#### Associate– Oil & Gas

**Hung Phan**  
(+84 28) 38234159 (x354)  
[hungpv@acbs.com.vn](mailto:hungpv@acbs.com.vn)

#### Associate – Consumer-related, Media

**Trung Tran**  
(+84 28) 3823 4159 (x351)  
[trungtn@acbs.com.vn](mailto:trungtn@acbs.com.vn)

#### Associate – Construction materials

**Huy Huynh**  
(+84 28) 3823 4159 (x325)  
[huyha@acbs.com.vn](mailto:huyha@acbs.com.vn)

#### Associate – Energy

**Toan Pham**  
(+84 28) 3823 4159 (x325)  
[toanpd@acbs.com.vn](mailto:toanpd@acbs.com.vn)

#### Associate –Macro

**Hoa Nguyen**  
(+84 28) 3823 4159 (x352)  
[hoant@acbs.com.vn](mailto:hoant@acbs.com.vn)

#### Analyst – Technical

**Phuoc Luong**  
(+84 28) 3823 4159 (x354)  
[phuocld@acbs.com.vn](mailto:phuocld@acbs.com.vn)

#### Associate – Derivatives, Macro

**Minh Trinh**  
(+84 28) 3823 4159 (x352)  
[minhtvh@acbs.com.vn](mailto:minhtvh@acbs.com.vn)

#### Associate – Technical

**Huu Vo**  
(+84 28) 3823 4159 (x352)  
[huvvp@acbs.com.vn](mailto:huvvp@acbs.com.vn)

#### Associate Director – Institutional sales

**Huong Chu**  
(+84 28) 3824 6679  
[huongctk@acbs.com.vn](mailto:huongctk@acbs.com.vn)

#### Customer Support Institutional Client

**Thanh Le**  
(+84 28) 3823 4798  
[thanhln@acbs.com.vn](mailto:thanhln@acbs.com.vn)

#### Trader

**Thanh Tran**  
(+84 28) 3824 7677  
[thanhtr@acbs.com.vn](mailto:thanhtr@acbs.com.vn)

#### Trader

**Phuong Chu**  
(+84 28) 3823 4159 (x357)  
[phuongctm@acbs.com.vn](mailto:phuongctm@acbs.com.vn)

#### Trader

**Dung Ly**  
(+84 28) 3823 4159 (x313)  
[dungln.hso@acbs.com.vn](mailto:dungln.hso@acbs.com.vn)

#### Trader

**Nhi Nguyen**  
(+84 28) 3823 4159 (x315)  
[nhinp@acbs.com.vn](mailto:nhinp@acbs.com.vn)



## DISCLAIMER

### Our Recommendation System

**BUY:** where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

**HOLD:** where we believe it will be -15% to 15%.

**SELL:** where we believe it will be lower than -15%.

### Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

### Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

### Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

**Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.**

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

**This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).**

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2022). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.