



REE Flash News - NEUTRAL

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Flash News

Recommendation

NEUTRAL

HOSE: REE

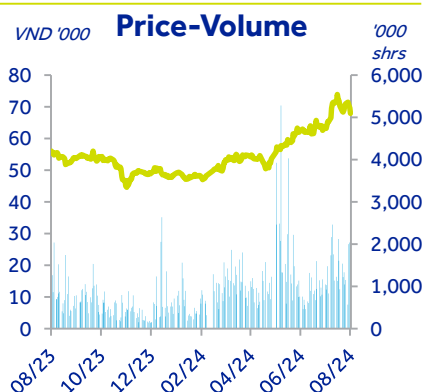
Conglomerate

Target price (VND)	70,400
Current price (VND)	67,900
Expected share price return	3.8%
Expected dividend yield	1.5%
Expected total return	5.3%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	+37.2	+4.7	+25.5	+20.3
Relative	+26.1	+8.5	+25.1	+19.4

Source: Bloomberg



Ownership

Plantinum Vicotory Pte. Ltd	34.85%
Nguyễn Thị Mai Thanh	12.83%
DCVFMVN Diamond	5.58%
Nguyễn Ngọc Hải	5.47%

Stock Statistics

01-Aug-24

Bloomberg code

REE VN

52-week range (VND)	75,700 – 43,400
Shares O/S (m)	471.0
Mkt cap (VND bn)	31,087
Mkt cap (USD bn)	1.22
Foreign room left (%)	0.0
Est. free float (%)	32.9
3m avg daily vol (shrs)	1,242,017
VND/USD	25,482
Index: VNIndex / HNX	1,226.9/229.2

REE Corporation (HoSE: REE)

REE reported Q2/2024 revenue of VND2,181 bn, +0.3% YoY, whereas gross profit was VND680 bn, -22.7% YoY and NPATMI reached VND355 bn, -27.4% YoY. Accumulated 6M2024, NPATMI achieved VND836 bn, -32.3% YoY, completing 34.7% REE's 2024 plan and 34.1% ACBS's forecast.

REE's Business Performance by Segment:

Energy: reported Q2/2024 revenue of VND911bn, -19.0% YoY, and VND106 bn in NPATMI, -55.8% YoY. For 6M2024, revenue was VND1,933 bn, -27.7% YoY, and VND344 bn in NPATMI, -53.3% YoY. This poor performance was primarily attributed to (1) reduced hydropower output due to the El Nino, which has higher profit margin compared to other segments, and (2) a decrease in average electricity selling prices, leading to an overall decline in profit margin. In detail, for 6M2024, Thac Ba hydropower output decreased by 14.0% YoY, resulting in -19.1% YoY in revenue and -55.1% YoY in NPAT. In addition, Vinh Son - Song Hinh hydropower output decreased by 47.9% YoY, leading to -50.9% YoY in revenue and -90.7% YoY in NPAT.

Mechanical and Electronic (M&E): achieved VND933 bn in revenue in Q2/2024, +21.8% YoY, while NPATMI remained unchanged at VND11 bn. For 6M2024, revenue attained VND1,481 bn, +12.8% YoY, and VND35 bn in NPATMI, +29.6% YoY, reflecting the overall economic recovery.

The real estate: attained VND330 bn in Q2/2024 revenue, +25.0% YoY, with VND154 bn in NPATMI, +3.4% YoY. For 6M2024, revenue was VND593 bn, +12.1% YoY, and VND286 bn in NPATMI, +2.5% YoY, driven by improved occupancy rates.

The Water Production and Distribution: experienced a -65.0% YoY in Q2/2024 revenue to VND 7 bn, while NPATMI -22.4% YoY to VND59 bn. For 6M2024, revenue -59.3% YoY to VND 11 bn, and NPATMI -32.4% YoY to VND125 bn.

Quick conclusion: Q2/2024 results were negatively impacted by the sunny season and the El Nino, which affected average annual precipitation and hydropower output. Furthermore, a loss of accumulated VND22 bn in 6M2024 compared to a profit of VND38 bn in the same period last year from Song Da Clean Water Investment JSC (VCW) contributed to the weaker Q2 and 1H2024 performance. While the outlook for 2025 remains largely unchanged from our previous report, the poor first-half performance makes it challenging to achieve the 2024 target. We are reviewing REE's earnings forecast and valuation model and will provide updates in our next report.

	2021	2022	2023	2024F	2025F
Net Sales (VNDbn)	5,810	9,372	8,570	8,999	9,936
Growth	3.0%	61.3%	-8.6%	5.0%	10.4%
EBITDA (VNDbn)	2,748	4,888	4,218	4,445	4,900
EBITDA margin	47.3%	52.2%	49.2%	49.4%	49.3%
NPAT (VNDbn)	2,136	3,515	2,786	2,878	3,622
Growth	24.7%	64.6%	-20.7%	3.3%	25.9%
EPS (bonus-adjusted, VND)	3,924	5,690	4,627	5,189	6,435
Growth	13.8%	45.0%	-18.7%	12.1%	24.0%
ROE	13.1%	18.3%	13.4%	12.6%	14.3%
ROA	6.7%	10.4%	8.0%	8.0%	9.5%
Net debt/EBITDA (x)	3.7	2.1	1.8	1.5	0.9
EV/EBITDA (x)	15.3	8.6	9.4	8.7	7.4
P/E (x)	26.3	8.1	11.5	11.1	8.8
P/B (x)	1.3	1.5	1.5	1.4	1.3
Dividend (VND)	1,000	1,000	1,000	1,000	1,000
Dividend yield	1.5%	1.5%	1.5%	1.5%	1.5%

Detail revenue and NPATMI by sector in the table below:

Unit: bn VND	Q2/2023	Q2/2024	YoY	1H2023	1H2024	YoY
Revenue	2,174	2,181	0.3%	4,543	4,018	-11.6%
<i>M&E</i>	766	933	21.8%	1,313	1,481	12.8%
<i>Real Estate</i>	264	330	25.0%	529	593	12.1%
<i>Energy</i>	1,124	911	-19.0%	2,674	1,933	-27.7%
<i>Water</i>	20	7	-65.0%	27	11	-59.3%
Gross profit	880	680	-22.7%	2,135	1,421	-33.4%
<i>Gross margin</i>	40.5%	31.2%		47.0%	35.4%	
Financial expense	255	203	-20.4%	511	426	-16.6%
<i>Interest expense</i>	246	184	-25.2%	495	376	-24.0%
Administrative expense	148	174	17.6%	250	270	8.0%
NPATMI	489	355	-27.4%	1,234	836	-32.3%
<i>NPATMI's margin</i>	22.5%	16.3%		27.2%	20.8%	
<i>M&E</i>	11	11	0.0%	27	35	29.6%
<i>Real Estate</i>	149	154	3.4%	279	286	2.5%
<i>Energy</i>	240	106	-55.8%	736	344	-53.3%
<i>Water</i>	76	59	-22.4%	185	125	-32.4%

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DISCLAIMER

Our Recommendation System

BUY: prospective 12 month VND total return (including dividends) will be more than 20%.

OUTPERFORM: prospective 12 month VND total return (including dividends) will be 10% to 20%.

NEUTRAL: prospective 12 month VND total return (including dividends) will be -10% to 10%.

UNDERPERFORM: prospective 12 month VND total return (including dividends) will be will be -20% to -10%.

SELL: prospective 12 month VND total return (including dividends) will be lower than -20%.

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