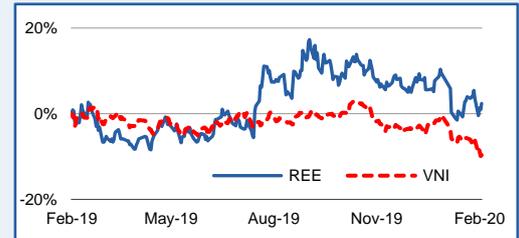


Industry	Utilities		2019	2020F	2021F	2022F
<b>Report Date</b>	<b>March 6, 2020</b>	Rev Growth	-4.1%	25.4%	5.0%	8.5%
Current Price:	VND32,200	EPS Y/Y	-8.1%	1.6%	22.9%	8.2%
Target Price:	VND45,800	EPS Y/Y*	-3.7%	3.9%	22.9%	8.2%
Previous TP:	VND48,300	EBITDA Y/Y	4.4%	40.2%	12.6%	17.3%
Upside to TP:	42.2%	FCF yield	12.9%	7.1%	2.1%	13.7%
Dividend Yield:	5.6%	P/B	1.0x	0.9x	0.8x	0.7x
TSR:	47.8%	P/E	6.3x	6.0x	4.9x	4.5x
Market Cap:	USD429mn		<u>REE</u>	<u>Peers**</u>	<u>VNI</u>	
Foreign Room:	USD0	P/E (ttm)	6.3x	11.3x	13.8x	
ADTV30D:	USD1.4mn	P/B (curr)	1.0x	1.2x	2.0x	
State Ownership:	0%	Net D/E	0.3	0.2	N/A	
Outstanding Shares:	310 mn	ROE	16.6%	14.3%	15.1%	
Fully Diluted Shares:	310 mn	ROA	9.9%	5.3%	2.5%	


**Company Overview**

REE is a holding company with three main business lines: power (nearly half of its total earnings), mechanical and engineering installation (M&E) and office leasing. REE is a leading M&E player and possesses 150,000 sqm of office leasing space. Other segments include water and real estate.

\* Core NPAT, adjusted for Quang Ninh plant (QTP)'s provision/write-back \*\*Average of power, M&E and real estate

## Share price at book value despite solid outlook

- We maintain a BUY rating but cut our target price by 5.2% to VND45,800 due to an 11.6% cut to our 2020F NPAT-MI forecast. Our 2021-2024F earnings forecasts are broadly unchanged.
- We cut 2020F NPAT-MI VND1.7tn (USD81.4mn, +4% YoY) due to lower profits from both the real estate segment (project delays) and M&E segment (lower margins).
- We expect REE to benefit from Vietnam's power shortage given its sizable power portfolio of 800 MW that is ideally located and possesses low production costs.
- In our view, REE's valuations are attractive with projected 2020F P/E of 6.1x, P/B of 0.9x and dividend yield of 5.5% vs our forecast for a robust 2019-2024F NPAT-MI CAGR of 10.9%.
- Upside catalyst: stronger-than-expected volume from hydropower segment in H2 2020.
- Downside risk: Lower-than-expected profit from M&E segment.

**Power segment (50% of NPAT) to deliver a NPAT CAGR of 26% over 2020-2022.** In late 2019, REE successfully raised its stake in associate VSH from 24.0% to 49.5%. In addition, we recently raised our 2020F adjusted NPAT for PPC (REE's 25%-owned associate) by 12.2% and increased our 2021-2029 NPAT forecast by an average of 6.5% (see our February 12, 2020 [PPC Update Report](#)). However, we expect REE's hydro portfolio to be negatively impacted by higher contracted volume. We raise our 2020-2024F contracted volume assumption for hydropower plants from 75%-80% to 90% — in line with EVN's decision announced in late December 2019 (see page 4). On a net-net basis, we see no significant change to our NPAT forecasts for REE's power segment.

**Office leasing (27% NPAT) to see full-year contribution from E-town 5 in 2020,** which we expect will add 10% YoY to segment NPAT. We estimate E-town 6 will start taking tenants by mid-2023 (instead of late 2022 as previously). Once the new office building is completed, an additional 70,000 sqm of NFA will be added to REE's existing portfolio of ~150,000 sqm and double segment NPAT. We estimate E-town 6 will bring an average of VND250bn (USD10.8mn) in NPAT p.a.

**We expect strong growth from the M&E segment (15% of NPAT) in 2020.** We project revenue and NPAT-MI to increase by 27.3% YoY and 38.6% YoY, respectively, given a continuing strong backlog that was at VND4.5tn (USD194mn) as of December 31, 2019. We note that we lower our segment NPAT forecast for 2020 and 2021 by ~5% and for 2022-2024 by ~10% due to lower margin assumptions following Q4 2019 results.

**Muted outlook for 2020; however, newly acquired assets will help REE to shine in 2021.** REE successfully completed its M&A guidance in 2019 with total disbursement of VND2.2tn (USD95mn), boosting total assets by 26% YoY, including VSH's Upper Kon Tum hydro power plant (220 MW). We expect this plant to break even in 2021 and thus play an important role in helping REE to deliver NPAT-MI growth of 22.9%.

Huy Nguyen  
Analyst  
[huy.nguyentuong@vcsc.com.vn](mailto:huy.nguyentuong@vcsc.com.vn)  
+848 3914 3588 ext. 173

Duong Dinh  
Senior Manager  
[duong.dinh@vcsc.com.vn](mailto:duong.dinh@vcsc.com.vn)  
+848 3914 3588 ext. 140

## 2019 recap: Better-than-expected profits from the power and office leasing segments offset disappointing M&E

Figure 1: 2019 results

VND bn	Q4 2019	YoY	2019	YoY	% of 2019F	(a) YoY explanation (b) vs forecast
<b>Revenue</b>	<b>1,325</b>	<b>-19.0%</b>	<b>4,890</b>	<b>-4.1%</b>	<b>94.0%</b>	(a) Lower vs last year as M&E and real estate revenue recognition was delayed. (b) Fell short of our forecast due to lower-than-expected revenue from the M&E and real estate segments.
Power and water	184	-17.6%	790	-5.4%	110.7%	
M&E and air conditioning	256	-21.7%	3,143	-8.3%	92.4%	
Office leasing and real estate	855	-21.2%	927	10.5%	85.2%	
<b>Gross profit</b>	<b>297</b>	<b>-23.1%</b>	<b>1,246</b>	<b>1.5%</b>	<b>87.0%</b>	(b) Weaker-than-expected performance from M&E weighed down gross profit.
SG&A	-112	-8.8%	-301	-4.7%	92.5%	
<b>Operating profit</b>	<b>185</b>	<b>-29.8%</b>	<b>946</b>	<b>3.6%</b>	<b>85.4%</b>	
- Financial income	124	165.1%	442	45.6%	125.7%	(a) One-off gain of VND161bn from selling an investment license at Vung Ang 2 and other projects (b) Gain of VND70bn from disposing of investments in addition to higher interest income than expected.
- Financial expenses	-110	n/m	-386	246%	-107%	
Interest expense	-107	70.3%	-404	79.6%	110.2%	(a) Long-term debt increased from VND2.0tn to 4.7tn as REE ramped up borrowings to fund its projects.
QTP provision/write-back	3	-96.1%	36	-70.2%	n/m	
- Share profit/loss from associates	323	-3.7%	907	-9.2%	109.7%	(a) Lower profit from associate power plants (PPC) due to lower contracted volume and lower-than-expected profit from the water company (VCW).
- Net other income/loss	1	-86.7%	11	-22.9%	77.1%	
<b>EBT</b>	<b>522</b>	<b>-20.0%</b>	<b>1,920</b>	<b>-9.3%</b>	<b>98.8%</b>	
- Income tax exp	-76	12.4%	-201	-14.0%	86.2%	
<b>Profit after tax</b>	<b>445</b>	<b>-23.8%</b>	<b>1,720</b>	<b>-8.8%</b>	<b>100.0%</b>	
- Minority interests	-28	-13.8%	-81	-19.6%	100.1%	
<b>NPAT-MI</b>	<b>417</b>	<b>-24.4%</b>	<b>1,639</b>	<b>-8.1%</b>	<b>100.0%</b>	(a) Dragged by (1) lower earnings from power and (2) a lower provision write-back from QTP, which was offset by (3) a strong performance from office leasing. (b) In line with our forecast as higher-than-expected profit from the power and office leasing segments offset lower-than-expected profit from M&E.
Power and Water*	276	-20.5%	943	-10.7%	109.3%	(b) Driven by PPC's NPAT exceeding our forecast by 33% and a disposal gain from Vung Ang 2.
M&E and air conditioning	55	-24.8%	245	0.8%	87.6%	(b) Weaker-than-expected revenue and margin.
Office leasing and real estate	166	36.3%	487	15.2%	107.4%	(b) Higher-than-expected margin from office leasing combined with higher profit from SaigonRes.
Other	-11	n/m	-37	n/m	294.8%	
<b>NPAT-MI adjusted for QTP** provision</b>	<b>415</b>	<b>-14.6%</b>	<b>1,603</b>	<b>-3.7%</b>	<b>97.8%</b>	

Source: REE, VCSC

## 2020 outlook: Strong office leasing and M&E earnings growth to offset weaker power contribution

Figure 2: 2020 forecast

VND bn	2019	2020F New	2020F New vs Old	2020F vs 2019	Note (a) YoY explanation (b) Explanation for change in forecast
<b>Revenue</b>	<b>4,890</b>	<b>6,132</b>	<b>-5.4%</b>	<b>25.4%</b>	<b>(a) Strong growth from all segments, particularly the power segment, driven by full-year consolidation of newly acquired assets (Muong Hum hydropower and Thuan Binh wind power). (b) Adjusting for postponed revenue booking at real estate subsidiary - VIID.</b>
Power	790	994	12.0%	25.9%	
M&E & air conditioning	3,143	4,000	0.0%	27.3%	
Office leasing & RE	927	1,137	-28.5%	22.7%	
<b>Gross profit</b>	<b>1,246</b>	<b>1,768</b>	<b>-4.8%</b>	<b>41.9%</b>	<b>(a) Mainly from M&amp;E and office leasing segments. (b) Lower gross profit from VIID assumption.</b>
SG&A	-301	-383	-5.4%	27.5%	
<b>Operating profit</b>	<b>946</b>	<b>1,385</b>	<b>-4.6%</b>	<b>46.5%</b>	
- Financial income	442	177	-29.7%	-59.9%	(a) No gain from asset disposal as in 2019. (b) Due to lower cash balance as a result of investments in long-term bonds and higher receivables.
- Financial expenses	-386	-352	7.9%	-8.7%	
- Interest expense	-404	-352	7.9%	-12.8%	
- Share profit/loss from associates	907	766	-14.9%	-15.6%	(a) and (b) Higher base in 2019 mainly due to a one-off gain from PPC and a VND63bn loss recognized by VSH.
- Net other income/loss	11	11	-22.9%	0.0%	
<b>EBT</b>	<b>1,920</b>	<b>1,987</b>	<b>-13.3%</b>	<b>3.5%</b>	
<b>NPAT-MI</b>	<b>1,639</b>	<b>1,666</b>	<b>-11.6%</b>	<b>1.6%</b>	<b>(b) Lower income from associates due to VSH recognizing loss.</b>
Power	802	645	-4.1%	-19.6%	(a) No more gain from asset disposal as in 2019. (b) Due to higher contracted volume for hydropower plants at PPA price, which is lower than CGM price.
M&E & air conditioning	245	340	-10.8%	38.6%	(a) Strong growth in M&E based on management guidance for robust backlog (b) We lower our margin assumption following Q4 result
Office leasing	426	469	4.0%	10.1%	
Real estate	61	55	-69.2%	-10.2%	(b) Lower contribution from delayed projects of associate company (Saigon Res) and subsidiary VIID.
Water	141	168	-17.4%	19.2%	From VCW's earnings recovery and more profit from other water companies.
Other	-37	-11	n/m	-69.5%	
<b>NPAT-MI adjusted for QTP provision</b>	<b>1,603</b>	<b>1,666</b>	<b>-11.6%</b>	<b>3.9%</b>	

Source: REE, VCSC

## New developments

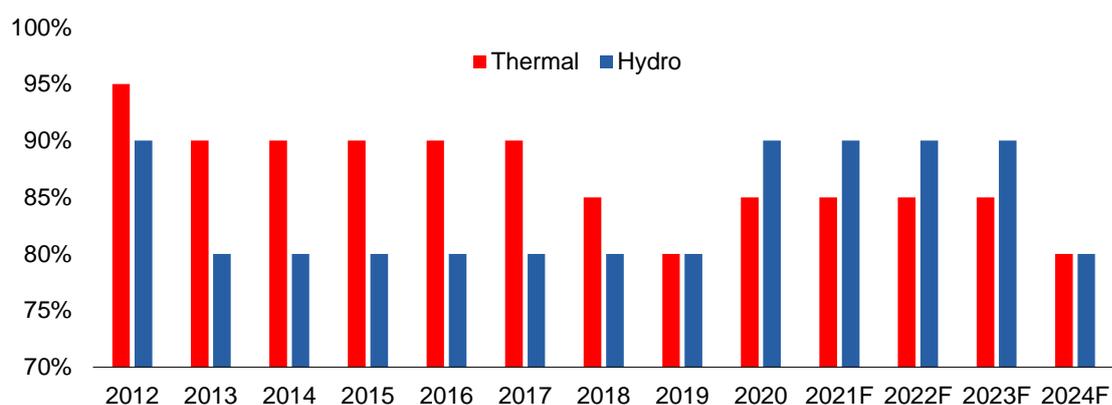
### Power segment

#### Higher contracted volume is negative for hydropower plants

Per Decision 122/QĐ-ĐTĐL, dated December 27, 2019, EVN raised the contracted volume ratio (Qc) for hydropower plants from 80% in 2019 to 90% in 2020. This increase is a negative development for hydropower plants as their PPA price is usually lower than CGM price [Revenue of power plant = PPA price \* Qc + CGM price \* Non-Qc].

We assume this increase is due to EVN's concern regarding a worsening electricity shortage that could boost CGM prices. We raise our 2021-2023 contracted volume assumption for all REE's hydropower plants from 75%-80% to 90%.

**Figure 3: Contracted volume ratio in 2012-2024F**



Source: EVN, VCSC forecast

#### REE increased its stake in VSH from 24% to 49.5%

- In late 2019, REE increased its stake in VSH from 24% to 49.5%.
- **Progress of Upper Kon Tum project:** This project will start commercial operation from June 2020 instead of March 2020 as originally guided.
- **PPA and capex assumption:** REE guides for a temporary PPA of VND800/kWh and original capex of VND5.7tn for accounting in 2020.
- We reduce our loss estimation for VSH in 2020 due to a change in our capex assumption (from the latest capex of VND9.4tn to VND5.7tn) despite a lower volume assumption for Upper Kon Tum caused by a shorter period of operations (six months vs nine months as previously assumed).
- As a result, we forecast that REE could endure a VND63bn (USD2.7mn) loss from VSH in 2020, but receive nearly doubled profit from VSH in following years.

**Figure 4: New vs previous forecast for VSH**

VND bn	2019	2020F	2021F	2022F	2023F	2024F
<b>Sales volume (mn kWh)</b>						
Previous forecast	460	1,449	1,760	1,760	1,760	1,760
New forecast	492	1,318	1,760	1,760	1,760	1,760
New vs Previous	7.0%	-9.1%	-	-	-	-
<b>Revenue</b>						
Previous forecast	377	1,216	1,747	1,752	1,757	1,762
New forecast	400	1,012	1,529	1,760	1,765	1,770
New vs Previous	6.1%	-16.8%	-12.5%	0.5%	0.5%	0.4%
<b>NPAT</b>						
Previous forecast	155	-178	205	210	273	339

New forecast	159	-126	197	209	270	336
New vs Previous	2.7%	-29.3%	-3.7%	-0.4%	-0.9%	-0.8%
<b>REE's shared profit/loss</b>						
Previous forecast	33	-37	43	44	57	71
New forecast	33	-63	99	105	135	168
New vs Previous	2.7%	70.3%	130.2%	138.6%	136.8%	136.6%

Source: VCSC forecast

## M&E segment

In 2019, M&E NPAT-MI trailed our forecast by 12.5%. However, we currently forecast this segment will deliver revenue growth of 27.3% YoY and NPAT growth of 38.5% YoY in 2020 given REE's continued strong accumulated backlog of ~VND4.5tn (USD194mn) as of December 31, 2020.

We note that we lower NPAT forecast for 2020-2021 by ~5% and 2022-2024 by ~10% due to a lower margin assumption.

**Figure 5: M&E NPAT-MI 2019-2024F - new vs previous forecast (VND bn)**

	2019A	2020F	2021F	2022F	2023F	2024F
<b>NPAT</b>						
Previous forecast	280	357	378	418	440	462
New forecast	245	340	357	374	391	408
New vs Previous	-12.5%	-4.8%	-5.6%	-10.5%	-11.1%	-11.7%

Source: VCSC's forecast

## Office leasing segment: Progress of E-town 6 is slightly slower than expected

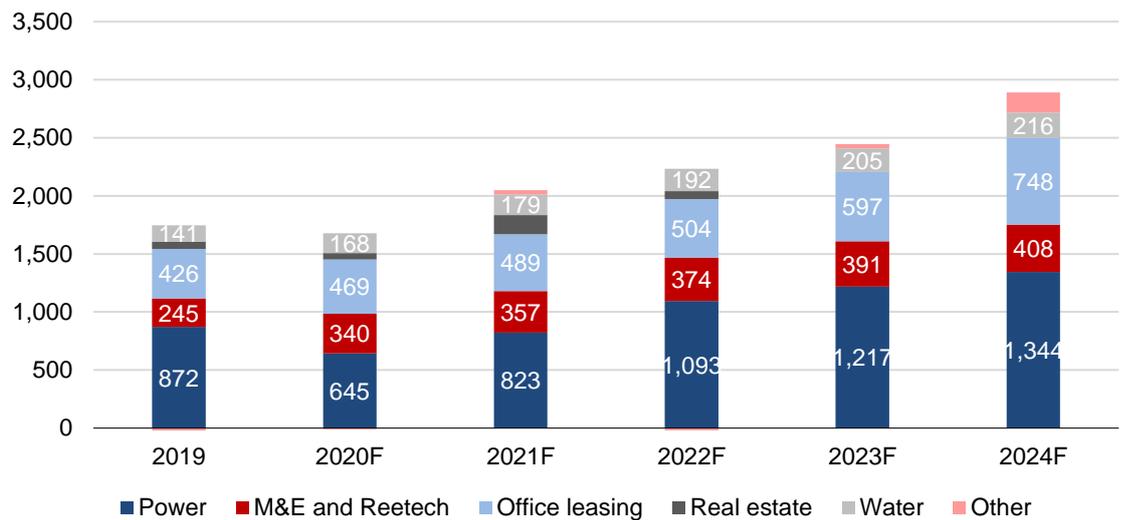
We note REE will start seeing a full-year contribution from E-town 5 in 2020, driving an additional VND43bn contribution to 2020F NPAT-MI. REE notes its newest office tower project, E-town 6, is scheduled to break ground at the end of 2020 (instead of June 2020 as previously) with its construction estimated to take two and a half to three years. We estimate E-town 6 will start taking tenants by mid-2023. When this new office building is completed, an additional 70,000 sqm of NFA will be added REE's existing portfolio of 141,480 sqm. Additionally, E-town 6 is expected to command a rental price of USD20-23/sqm. We estimate E-town 6 produce VND239bn of NPAT-MI annually starting from 2024.

## Medium-term forecasts

We project a 2019-2024F NPAT-MI CAGR of 10.9%, in which:

- We expect Upper Kon Tum to break even in 2021, leading to 22.9% 2021F NPAT-MI growth for REE. Our increased forecast comes from REE's higher stake in VSH (from 24% to 50%)
- We forecast the Tra Vinh wind power plant to become commercially operational in 2021 and make significant contributions from 2022, which will help to boost 2022F NPAT-MI by 8.2%.
- Our 2023F NPAT-MI growth of 10.4% is mainly driven by E-town 6 coming into operation; however, we lower our forecast by 7.6%, which is mainly due to slower-than-expected construction progress.

**Figure 6: REE's NPAT by segment (VND bn)**



Source: VCSC forecast

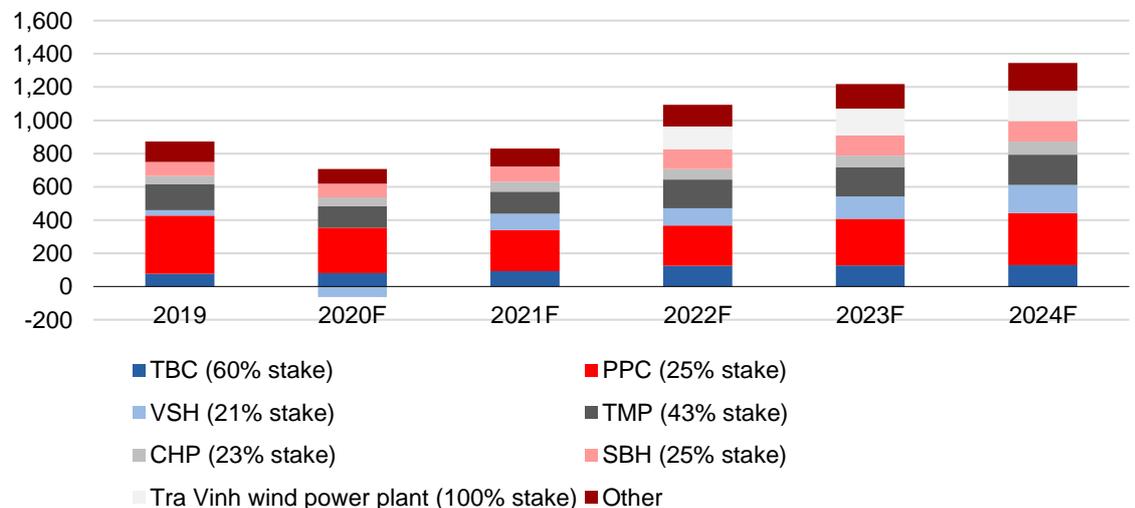
**Figure 7: Change in consolidated NPAT forecast 2020-2024 (VND bn)**

NPAT	2020F	2021F	2022F	2023F	2024F
Old forecast	1,884	2,000	2,237	2,647	2,892
New forecast	1,666	2,048	2,215	2,445	2,891
New vs old	-11.6%	2.4%	-1.0%	-7.6%	0.0%

Source: VCSC's forecast

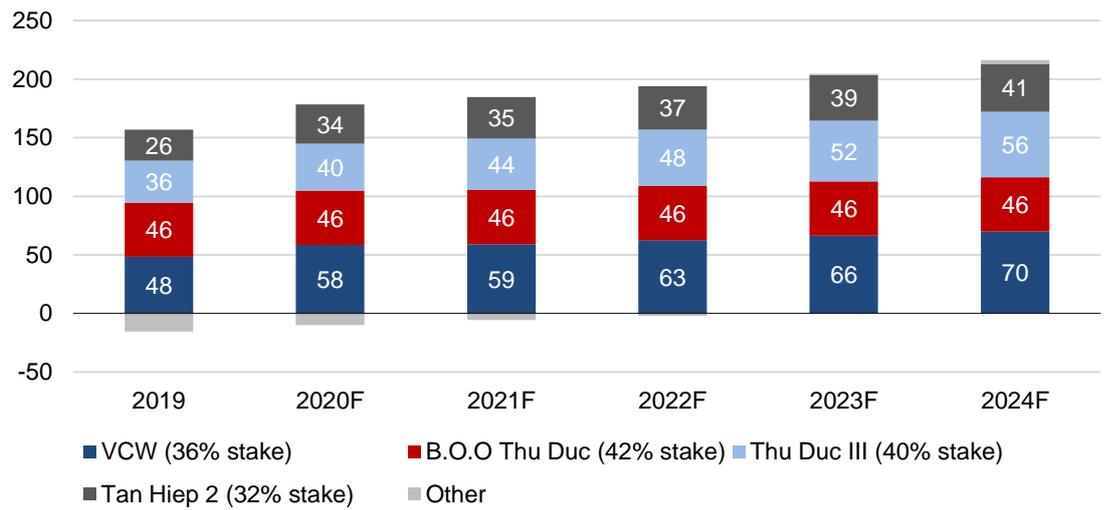
We break down the earnings contribution by subsidiaries and associated companies for power (Figure 7), water (Figure 8) and real estate (Figure 9). We also break down office leasing earnings by buildings (Figure 10) in which REE has 100% stake.

**Figure 8: REE's power earnings by plant (VND bn)**



Source: VCSC forecast

Figure 9: REE's water earnings by plant (VND bn)



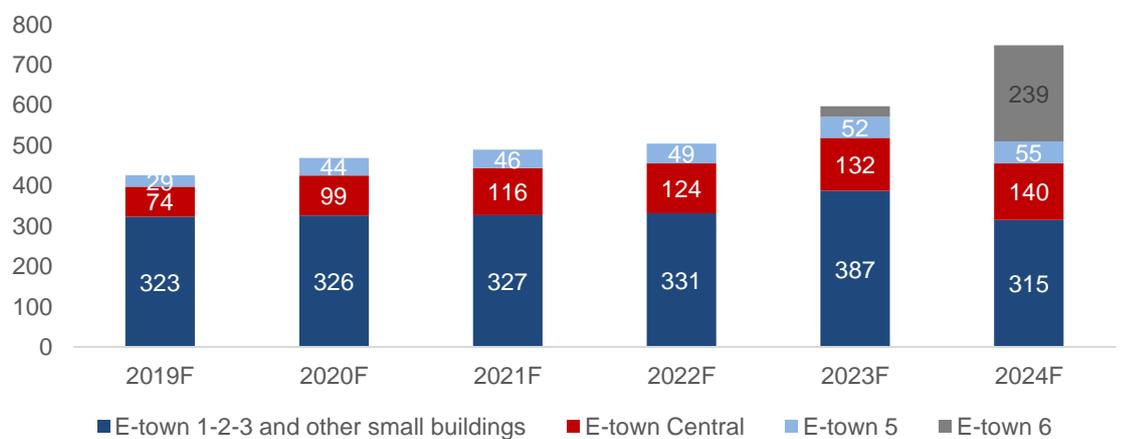
Source: VCSC forecast

Figure 10: REE's real estate earnings by company (VND bn)



Source: VCSC forecast

Figure 11: REE's office leasing earnings by building (VND bn)



Source: VCSC forecast

## Valuation

### Target price derivation

We continue to apply a 100% DCF valuation for REE based on projected consolidated cashflow, which we believe should capture the long-term outlook for REE's new investment projects. We note that we apply a 10% conglomerate discount to our DCF valuation.

We lower our target price by 5.2% from VND48,300/share to VND45,800/share, which is largely driven by (1) a lower cash balance assumption due to higher working cap, bond investment and other long-term investments, (2) lower 2020F NPAT-MI and 3) an insignificant change to 2021-2024 NPAT forecast.

Figure 12: Valuation (VND/share)

VND bn	Fair value
<b>DCF valuation</b>	<b>50,900</b>
Discount (%)	10%
<b>Target price</b>	<b>45,800</b>
Upside	42.2%
Dividend yield	5.6%
<b>TSR %</b>	<b>47.8%</b>
2020F P/E at target price	8.5x

Source: VCSC forecast

### DCF valuation

Figure 13: DCF Valuation

Cost of Capital	Old	Revised	FCFF (Five Year)	VND bn
Beta	1.0	1.0	PV of Free Cash Flows	5,419
Market Risk Premium %	8.7	8.7	PV of Terminal Val (1.0% g)	14,060
Risk Free Rate %	4.5	4.5	<b>PV of FCF and TV</b>	<b>19,479</b>
Cost of Equity %	13.2	13.2	+ Cash & ST investments	1,590
Cost of Debt %	8.0	8.0	- Debt	-4,512
Debt %	25.0	26.9	- Minority Interest	-782
Equity %	75.0	73.1	<b>Equity Value</b>	<b>15,775</b>
Corporate Tax Rate %	20.0	20.0	Shares (million)	310
<b>WACC %</b>	<b>11.5</b>	<b>11.4</b>	<b>DCF value per share, VND</b>	<b>50,900</b>

Source: VCSC forecast

Figure 14: Discounted cash flow

VND bn	2020F	2021F	2022F	2023F	2024F
<b>NPAT</b>	<b>1,666</b>	<b>2,048</b>	<b>2,215</b>	<b>2,445</b>	<b>2,891</b>
+ Interest expense	282	247	219	207	195
+ Depreciation	187	247	307	427	547
- Working cap increase	-223	-53	-96	-99	-109
- Capex	-1,000	-2,000	-1,000	0	0
- Adjust for non-cash income	-205	-282	-278	-284	-310
<b>Free Cash Flow</b>	<b>706</b>	<b>207</b>	<b>1,367</b>	<b>2,696</b>	<b>3,214</b>
Present Value of FCF	634	167	990	1,752	1,876
<b>Cumulative PV of FCF</b>	<b>634</b>	<b>801</b>	<b>1,791</b>	<b>3,543</b>	<b>5,419</b>

Source: VCSC forecast

## Peers

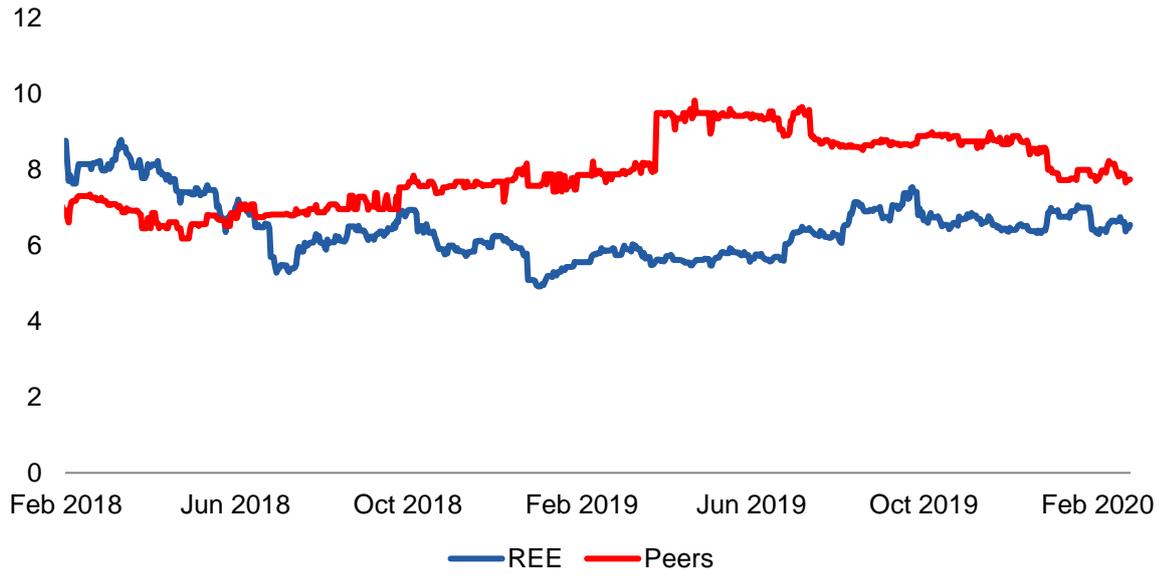
We choose peers from the M&E, power and real estate segments based on local listed companies. We have picked local firms with only a single power plant, either hydropower or thermal. We average peers in the M&E, power and real estate segments to generate a peer for REE; this is for reference as we do not use a multiple valuation for REE.

**Figure 15: Peer comparison**

Ticker	Market Cap (USD mn)	TTM Net sales (USD mn)	YoY %	TTM NPAT (USD mn)	YoY %	Net D/E (%)	ROE (%)	ROA (%)	Dividend yield (%)	TTM PER (x)	TTM PBR (x)
<b>M&amp;E</b>											
SRF	19.2	73.9	(0.9)	2.8	(23.6)	70.2	22.2	5.8	10.3	7.1	1.0
DHP	4.1	12.0	10.6	0.5	(26.8)	11.2	11.2	9.1	10.0	7.9	0.6
KSD	3.8	4.5	(38.9)	0.2	72.9	(1.4)	5.2	4.9	n/a	23.1	0.8
MCG	3.8	6.3	38.0	0.6	n/a	105.0	0.2	0.0	n/a	n/a	0.4
<b>Average</b>	<b>7.7</b>	<b>24.2</b>	<b>2.2</b>	<b>1.1</b>	<b>7.5</b>	<b>46.3</b>	<b>9.7</b>	<b>4.9</b>	<b>10.2</b>	<b>12.7</b>	<b>0.7</b>
<b>POWER</b>											
PPC	380.1	352.3	15.0	54.6	12.9	(19.7)	21.8	17.8	10.9	7.0	1.5
NT2	244.1	329.5	(0.2)	32.7	(2.9)	28.8	19.1	9.3	5.1	7.6	1.4
VSH	193.5	17.2	(29.0)	6.8	(48.1)	167.5	5.2	1.9	n/a	28.7	1.4
TBC	62.9	12.8	(25.0)	5.5	(37.0)	29.9	13.9	9.8	2.2	11.3	1.5
TMP	106.9	28.3	(25.9)	15.6	(28.7)	(48.5)	26.4	20.9	8.5	6.9	1.7
SHP	92.8	27.7	3.8	9.3	15.4	54.8	16.2	9.8	8.9	10.7	1.7
CHP	117.8	30.7	51.8	9.3	124.7	81.1	12.2	6.7	7.6	12.7	1.6
SJD	50.2	18.3	(14.3)	6.6	(19.5)	10.9	16.2	10.9	8.9	7.6	1.3
<b>Average</b>	<b>156.0</b>	<b>102.1</b>	<b>(3.0)</b>	<b>17.5</b>	<b>2.1</b>	<b>38.1</b>	<b>16.4</b>	<b>10.9</b>	<b>7.4</b>	<b>11.6</b>	<b>1.5</b>
<b>REAL ESTATE</b>											
NLG	268.6	109.6	(26.8)	41.3	25.8	(17.7)	18.7	9.4	3.0	6.7	1.2
PDR	366.6	146.4	58.3	37.6	35.6	35.0	22.5	7.0	4.6	9.8	2.0
KDH	351.2	435.5	14.8	28.1	15.3	(9.0)	10.3	3.5	5.5	12.5	1.3
DXG	575.2	121.1	(3.5)	39.4	13.3	(5.5)	12.6	7.8	1.6	14.5	1.8
<b>Average</b>	<b>266.3</b>	<b>250.3</b>	<b>25.1</b>	<b>52.4</b>	<b>3.2</b>	<b>35.8</b>	<b>20.3</b>	<b>7.2</b>	<b>n/a</b>	<b>4.2</b>	<b>0.9</b>
<b>PEER</b>	<b>176.4</b>	<b>113.0</b>	<b>4.3</b>	<b>19.5</b>	<b>9.4</b>	<b>30.7</b>	<b>14.3</b>	<b>7.6</b>	<b>7.1</b>	<b>11.3</b>	<b>1.2</b>
REE	455.0	210.5	(4.1)	70.6	(8.1)	25.8	16.6	9.3	5.3	6.5	1.0

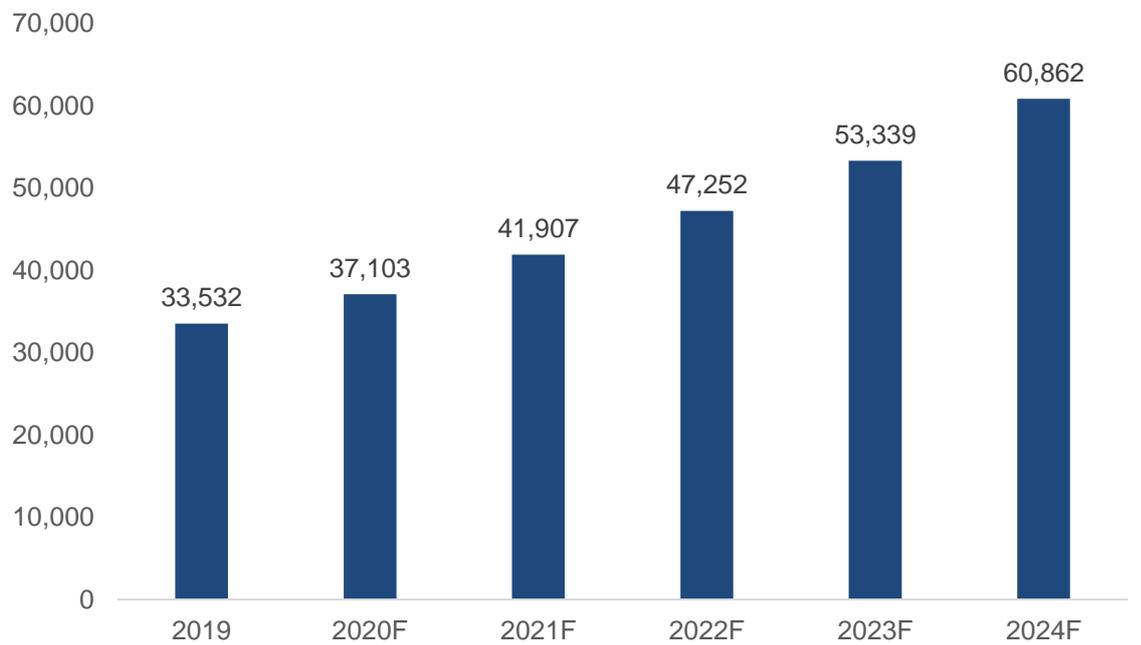
Source: Bloomberg

**Figure 16: Historical P/E of Vietnamese power plant peers (x)**



Source: Bloomberg, VCSC

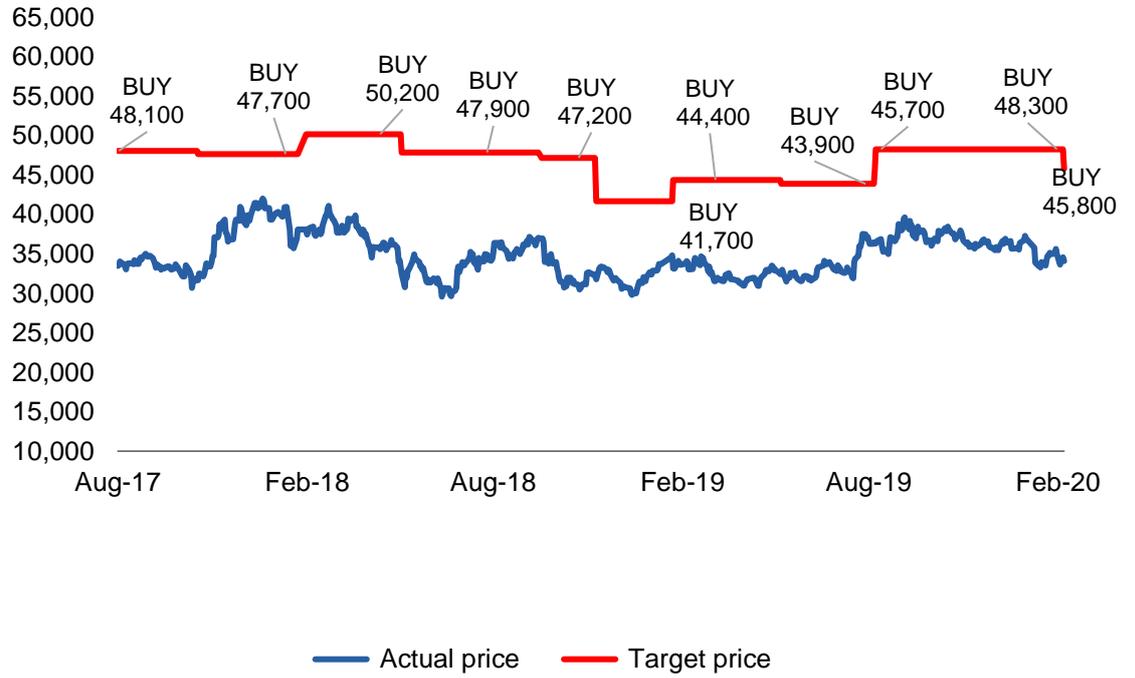
**Figure 17: REE's book value per share (VND) for 2019-2024F**



Source: Bloomberg, VCSC

## Recommendation history

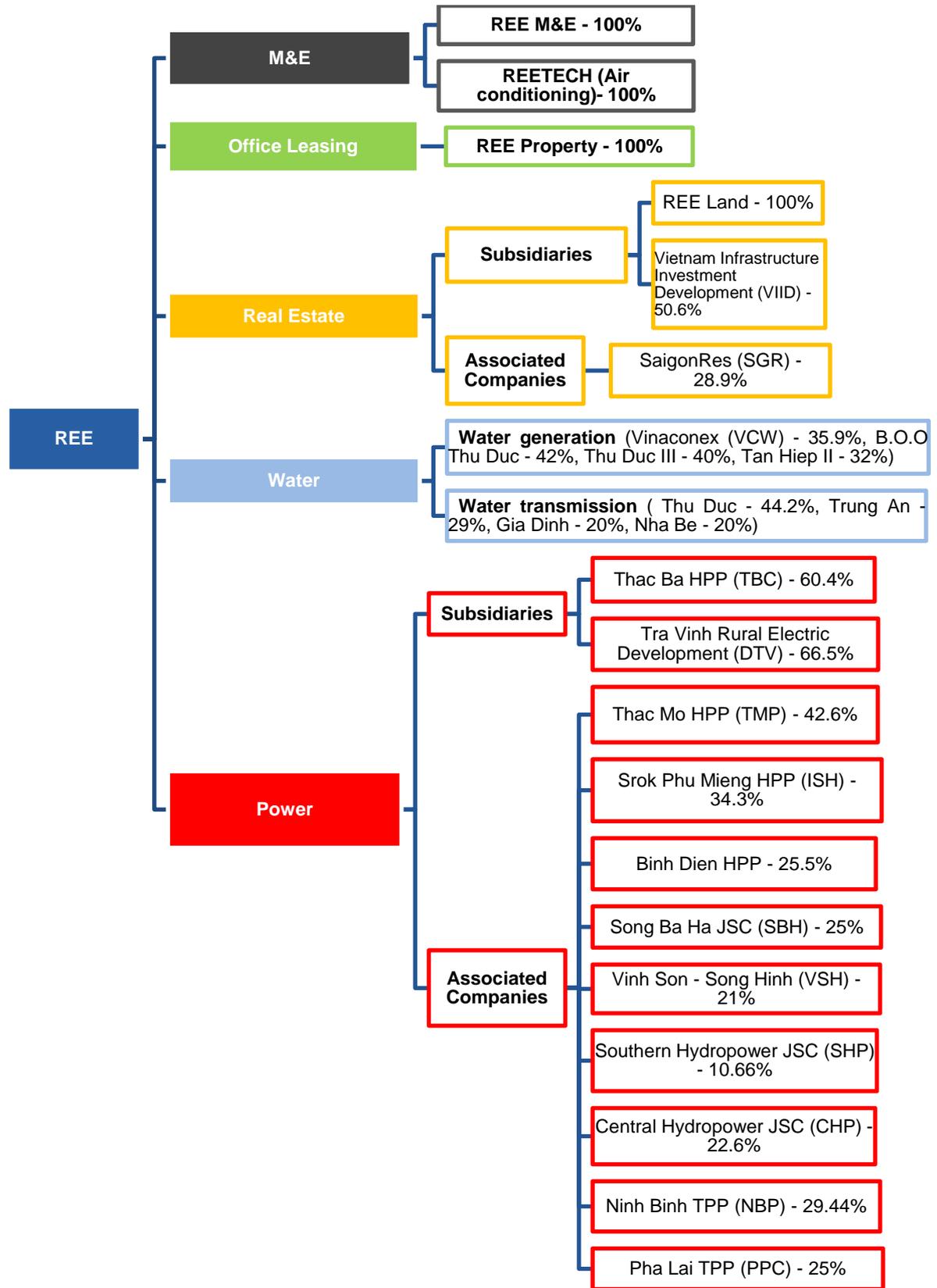
Figure 18: Historical target price and recommendation (VND/share)



Source: Bloomberg, VCSC

## Appendix: Corporate structure

Figure 11: Corporate structure



Source: REE

## Financial Statements

P&L (VND bn)	2019	2020F	2021F	2022F	B/S (VND bn)	2019	2020F	2021F	2022F
<b>Revenue</b>	<b>4,890</b>	<b>6,132</b>	<b>6,437</b>	<b>6,987</b>	Cash & equivalents	1,560	1590	532	784
COGS	-3,644	-4,363	-4,511	-4,780	ST investment	1,201	0	0	0
<b>Gross Profit</b>	<b>1,246</b>	<b>1,768</b>	<b>1,926</b>	<b>2,207</b>	Accounts receivables	2,153	1,865	1,958	2,125
Sales & Marketing exp	-78	-123	-129	-140	Inventories	987	1,422	1,470	1,558
General & Admin exp	-222	-261	-274	-297	Other current assets	112	112	112	112
<b>Operating Profit</b>	<b>946</b>	<b>1,385</b>	<b>1,524</b>	<b>1,770</b>	<b>Total Current assets</b>	<b>6,013</b>	<b>4,989</b>	<b>4,071</b>	<b>4,579</b>
Financial income	442	177	110	86	Fix assets, gross	5,550	6,419	8,269	9,098
Financial expenses	-386	-352	-309	-274	- Depreciation	-1,782	-1,838	-1,935	-2,071
- o/w interest expense	-404	-352	-309	-274	Fix assets, net	3,768	4,581	6,334	7,027
Associates	907	766	1,053	1,040	LT investment	9,211	9,416	9,698	9,976
Net other income/(loss)	11	11	11	11	LT assets other	627	627	627	627
<b>Profit before Tax</b>	<b>1,920</b>	<b>1,987</b>	<b>2,388</b>	<b>2,633</b>	<b>Total LT assets</b>	<b>13,607</b>	<b>14,624</b>	<b>16,659</b>	<b>17,630</b>
Income Tax	-201	-244	-267	-319	<b>Total Assets</b>	<b>19,619</b>	<b>19,613</b>	<b>20,730</b>	<b>22,209</b>
<b>NPAT before MI</b>	<b>1,720</b>	<b>1,743</b>	<b>2,121</b>	<b>2,315</b>	Accounts payable	1,495	1,701	1,759	1,863
Minority Interest	-81	-77	-74	-99	Short-term debt	888	776	679	435
<b>NPAT less MI, reported</b>	<b>1,639</b>	<b>1,666</b>	<b>2,048</b>	<b>2,215</b>	Other ST liabilities	883	601	631	685
<b>NPAT less MI, adjusted<sup>(1)</sup></b>	<b>1,597</b>	<b>1,659</b>	<b>2,040</b>	<b>2,207</b>	Total current liabilities	<b>3,266</b>	<b>3,078</b>	<b>3,068</b>	<b>2,983</b>
EBITDA	1,121	1,572	1,771	2,077	Long term debt	4,739	3,736	3,300	3,107
EPS reported, VND	5,285	5,372	6,604	7,145	Other LT liabilities	513	513	513	513
EPS adjusted <sup>(1)</sup> , VND	5,150	5,352	6,580	7,119	<b>Total Liabilities</b>	<b>5,252</b>	<b>4,250</b>	<b>3,813</b>	<b>3,620</b>
EPS fully diluted, VND	5,150	5,352	6,580	7,119	Preferred Equity	0	0	0	0
DPS, VND	1,800	1,800	1,800	1,800	Paid in capital	3,101	3,101	3,101	3,101
DPS/EPS (%)	34.9%	33.6%	27.4%	25.3%	Share premium	1,050	1,050	1,050	1,050
(1) Adjusted for bonus & welfare fund and QTP's provision/write-back					Retained earnings	6,005	7,113	8,602	10,260
<b>RATIOS</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>	Other equity	240	240	240	240
<b>Growth</b>					Minority interest	705	782	856	955
Revenue growth	-4.1%	25.4%	5.0%	8.5%	<b>Total equity</b>	<b>11,101</b>	<b>12,286</b>	<b>13,849</b>	<b>15,606</b>
Op profit (EBIT) growth	3.6%	46.5%	10.0%	16.2%	<b>Liabilities &amp; equity</b>	<b>19,619</b>	<b>19,613</b>	<b>20,730</b>	<b>22,209</b>
EPS growth, reported	-8.1%	1.6%	22.9%	8.2%	Y/E shares out, mn	310	310	310	310
EPS growth, Adjusted	-3.7%	3.9%	22.9%	8.2%					
<b>Profitability</b>					<b>CASH FLOW (VND bn)</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
Gross Profit Margin	25.5%	28.8%	29.9%	31.6%	<b>Beginning Cash Balance</b>	<b>1,865</b>	<b>1,559</b>	<b>1590</b>	<b>532</b>
Op Profit, (EBIT) Margin	19.3%	22.6%	23.7%	25.3%	Net Income	1,639	1,666	2,048	2,215
EBITDA Margin	22.9%	25.6%	27.5%	29.7%	Dep, & amortization	176	187	247	307
NPAT-MI Margin, reported	33.5%	27.2%	31.7%	31.6%	Change in Working Cap	-284	-223	-53	-96
ROE	15.6%	14.2%	15.7%	15.0%	Other adjustments <sup>(2)</sup>	-1,221	-766	-1,053	-1,040
ROA	9.3%	8.5%	10.2%	10.3%	<b>Cash from Operations</b>	<b>309</b>	<b>864</b>	<b>1,188</b>	<b>1,386</b>
<b>Efficiency</b>					Capital Expenditures, net	-287	-1,000	-2,000	-1,000
Days Inventory On Hand	98.0	100.8	117.0	115.6	Investments, net <sup>(3)</sup>	-1,308	1762	771	762
Days Accts, Receivable	153.7	119.6	108.4	106.6	<b>Cash from Investments</b>	<b>-1,595</b>	<b>762</b>	<b>-1,229</b>	<b>-238</b>
Days Accts, Payable	147.2	133.7	140.0	138.3	Dividends Paid	-625	-558	-558	-558
Cash Conversion Days	104.5	86.7	85.5	84.0	Δ in Share Capital	0	0	0	0
<b>Liquidity</b>					Δ in ST debt	0	-112	-97	-244
Current Ratio x	1.8	1.6	1.3	1.5	Δ in LT debt	1,605	-1,003	-437	-193
Quick Ratio x	1.5	1.2	0.8	1.0	Other financing C/F	0	77	74	99
Cash Ratio x	0.5	0.1	-0.2	-0.1	<b>Cash from Financing</b>	<b>980</b>	<b>-1,595</b>	<b>-1,018</b>	<b>-895</b>
Debt / Assets	28.7%	23.0%	19.2%	15.9%	<b>Net Change in Cash</b>	<b>-305</b>	<b>31</b>	<b>-1,059</b>	<b>252</b>
Debt / Capital	33.6%	26.9%	22.3%	18.5%	<b>Ending Cash Balance</b>	<b>1,559</b>	<b>1590</b>	<b>532</b>	<b>784</b>
Net Debt / Equity	25.8%	23.8%	24.9%	17.7%					
Interest Coverage x	2.3	3.9	4.9	6.5					

Source: Company data, VCSC

(2) Deduct income from associates, (3) Including dividend from associates

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

**Risks:** Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

## Disclaimer

### Analyst Certification of Independence

We, Huy Nguyen and Duong Dinh, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

## Contacts

### Corporate

[www.vcsc.com.vn](http://www.vcsc.com.vn)

#### Head Office

Bitexco Financial Tower, 2 Hai Trieu Street  
District 1, HCMC  
+84 28 3914 3588

#### Transaction Office

10 Nguyen Hue Street  
District 1, HCMC  
+84 28 3914 3588

### Research

**Research Team:** +84 28 3914 3588  
[research@vcsc.com.vn](mailto:research@vcsc.com.vn)

#### Banks, Securities and Insurance

##### Long Ngo, Associate Director, ext 123

- Nghia Dien, Senior Analyst, ext 138
- Anh Dinh, Analyst, ext 139
- Truc Ngo, Analyst, ext 116

#### Consumer and Pharma

##### Phap Dang, Associate Director, ext 143

- Dao Nguyen, Manager, ext 185
- Ha Dao, Analyst, ext 194
- Vinh Bui, Analyst, ext 191

#### Real Estate, Construction and Materials

##### Hong Luu, Senior Manager, ext 120

- Vy Nguyen, Senior Analyst, ext 147
- Duc Pham, Analyst, ext 174

#### Retail Client Research

##### Duc Vu, Senior Manager, ext 363

- Nghia Le, Analyst, ext 181
- Tra Vuong, Analyst, ext 365
- Trung Nguyen, Analyst, ext 129

### Institutional Sales and Brokerage

& Foreign Individuals

#### Dung Nguyen

+84 28 3914 3588, ext 136  
[dung.nguyen@vcsc.com.vn](mailto:dung.nguyen@vcsc.com.vn)

#### Hanoi Branch

109 Tran Hung Dao  
Hoan Kiem District, Hanoi  
+84 24 6262 6999

#### Transaction Office

236-238 Nguyen Cong Tru Street  
District 1, HCMC  
+84 28 3914 3588

#### Alastair Macdonald, Head of Research, ext 105

[alastair.macdonald@vcsc.com.vn](mailto:alastair.macdonald@vcsc.com.vn)

#### Macro

- Luong Hoang, Senior Analyst, ext 364
- Nguyen Truong, Analyst, ext 132

#### Oil & Gas and Power

##### Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Senior Analyst, ext 135
- Huy Nguyen, Analyst, ext 173
- Duc Le, Analyst, ext 196

#### Industrials and Transportation

- Nam Hoang, Senior Analyst, ext 124
- Dang Thai, Analyst, ext 149

### Retail & Corporate Brokerage

Ho Chi Minh & Hanoi

#### Quynh Chau

+84 28 3914 3588, ext 222  
[quynh.chau@vcsc.com.vn](mailto:quynh.chau@vcsc.com.vn)