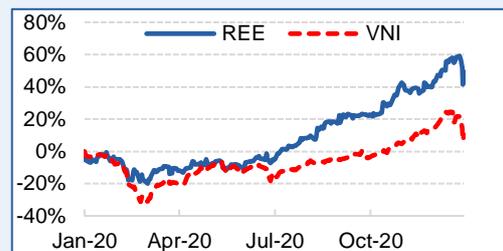


Industry:	Utilities		2019	2020
<b>Report Date</b>	<b>January 29, 2021</b>	Rev Y/Y	-4.1%	16.1%
Current Price	VND51,000	Adj EPS Y/Y <sup>(1)</sup>	-6.5%	14.9%
Target Price*	VND62,000	Rpt EPS Y/Y <sup>(2)</sup>	-8.1%	-0.7%
Upside to TP	+21.6%	EBITDA Y/Y	4.4%	39.2%
Dividend Yield	3.1%	FCF yield	6.6%	N.M.
TSR	+24.7%	Rpt P/B <sup>(2)</sup>	1.5x	1.4x
Rating*	BUY	Rpt P/E <sup>(2)</sup>	9.7x	9.7x



			REE	VNI
Market Cap	USD676.5mn	P/E (ttm)	9.7x	16.9x
Foreign Room	USD0	P/B (curr)	1.4x	2.2x
ADTV30D	USD1.4mn	Net D/E	29.6%	N/A
State Ownership	0%	ROE	14.9%	13.3%
Outstanding Shares	310.1 mn	ROA	8.5%	2.2%
Fully Diluted Shares	310.1 mn			

### 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.

(1) Adjusted for one-off provision expenses (2) Reported EPS  
\* TP & Rating last updated November 20, 2020

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## Strong hydropower segment lifts Q4 2020 earnings

REE published upbeat Q4 2020 results with NPAT-MI surging 45% YoY to VND651bn (USD28mn). This strong earnings performance was mainly driven by the strong performance of REE's hydropower portfolio thanks to higher rainfall in Q4 2020 and strong earnings growth from REE's water portfolio off a low base in Q4 2019. REE's full-year 2020 NPAT-MI reached VND1.6tn (USD70mn), which was flat YoY and completed 99% of our full-year forecast. We do not anticipate any material changes to our current 2021F earnings forecast, pending for a fuller review.

**Power NPAT-MI surged 61% YoY in Q4 2020 thanks to higher rainfall and one-off earnings at PPC.** Bucking against the negative trends recorded in 9M 2020, REE's hydropower portfolio delivered breakneck earnings growth of 110% YoY in Q4 2020, per our estimates, thanks a strong rebound in sales volume that was driven by heavy storms in central Vietnam. REE's coal-fired power portfolio, which is mainly driven by Pha Lai Thermal Power (PPC), recorded 5% YoY earnings growth thanks to one-off income that outweighed slumping sales volume and higher maintenance expenses in Q4 2020 ([see more in our January 19, 2021 PPC Earnings Flash](#)).

**New renewable capacity beat our forecast.** REE Solar Energy (REE SE) brought 71 MW of rooftop solar capacity online in Q4 2020 (or 86 MWp in 2020). This performance tracked ahead of our forecast of new 50 MWp of rooftop solar capacity by YE2020. On another note, the Phu Lac 2 (26 MW) and Loi Hai 2 (29 MW) wind farms (owned by REE's 50%-owned subsidiary Thuan Binh Wind Power) are on track to come online before November 2021, per Ree. We have yet to model in these two wind farms to our forecast.

**Office leasing segment delivered stable earnings, while the real estate segment was weak.** The office leasing segment was stable mainly due to the Etown 5 office tower being fully occupied in Q4 2019. On the other hand, we estimate that earnings from the real estate segment are weak as SaigonRes (a 29%-owned associate) recorded a small loss in Q4 2020 due to no major project delivery vs VND42bn (USD1.8mn) of gains in Q4 2019.

**M&E earning soared 37% YoY in Q4 2020.** After struggling in H1 2020 due to disruptions caused by COVID-19, REE's M&E segment recovered strongly in Q3 2020 and continued to extend its robust performance in Q4 2020. M&E revenue and NPAT-MI jumped 30% YoY and 37% YoY in Q4 2020, respectively.

**Water NPAT-MI nearly tripled from a low base in Q4 2019.** We note that Song Da Water Investment (VCW) — a 36%-owned associate company in REE's water portfolio — recorded one-off expenses to resolve an oil spill that caused the company to book a net loss of VND61bn (USD2.6mn) in Q4 2019 vs a net profit of VND59bn in Q4 2020.

**Figure: REE's Q4 and 2020 results**

VND bn	Q4 2020	YoY	2020	YoY	vs VCSC's 2020F
<b>Revenue</b>	<b>1,666</b>	<b>29%</b>	<b>5,640</b>	<b>16%</b>	<b>100%</b>
M&E	1,114	30%	3,475	11%	99%
Office leasing	251	-2%	987	7%	86%
Power	301	63%	1,178	49%	116%
<b>Reported NPAT-MI</b>	<b>651</b>	<b>45%</b>	<b>1,628</b>	<b>-1%</b>	<b>99%</b>
M&E	75	37%	226	-8%	99%
Office leasing & real estate	112	-21%	515	12%	98%
Power & water	474	73%	929	-5%	96%
Other	-9	-54%	-42	-4%	55%
<b>Adjusted NPAT-MI</b>	<b>664</b>	<b>76%</b>	<b>1,656</b>	<b>15%</b>	<b>105%</b>

Source: REE, VCSC

## 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.

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