

31 Mar 2022

REE Corp (REE)

AGM brief: Manifesting its charms

On Mar 31, REE Corp (REE) held the Annual General Meeting. The company presented to us full-year 2021 results as well as the 2022F business plan.

Growth accelerates in 2022F

- In spite of COVID-19 challenges in 2021, REE achieved solid results when its revenue and net profit were slightly up, +3% yoy and +13.9% yoy, respectively. This year was the most profitable year for energy sector when REE's new power plants came into operation. The company will pay 2021's cash dividend of 10% at par and stock dividend at 100:15.
- While revenue is expected to soar up to VND9,247bn (+59.2% yoy) in 2022F, NPATMI only edges up 11.1% yoy to VND2,061bn due to the high proportion of M&E in revenue (42.5%) when net margin of M&E is only 5-6%, per management.
- REE expects revenue from M&E, Real estate, Energy, Water to be VND3,930bn (+116.3% yoy), VND1,026bn (+9.3% yoy), VND4,138bn (+39.6% yoy), VND154bn (+66.8% yoy), respectively.
- Net profit from M&E, Real estate, Energy, Water is estimated to reach VND214bn (+118.9% yoy), VND550bn (-12.6% yoy), VND1,024bn (+17.3% yoy), VND307bn (+12.1% yoy), respectively in 2022F.

Renewable energy is the main pillar

- The company shared that it plans to divest its shares in Pha Lai Thermal Power (PPC VN) after its divestment in Quang Ninh Thermal Power (QTP VN) in 2021. REE will shift its focus to renewable energy when it intends to invest VND1,200bn for rooftop solar power projects. In 2022F, REE plans to add up 100MW into its power capacity.
- The company said that in the context of soaring thermal power price, EVN will prioritize hydropower supply. In 1Q22, the selling price of Thuong Kon Tum plant was VND1,400/kWh when the average cost was VND900/kWh. Although EVN has yet finalized the selling price of Thuong Kon Tum power plant, the company still believes this will not affect its profitability.

	2017A	2018A	2019A	2020A	2021P
Sales (VND bn)	4,995	5,101	4,890	5,640	5,810
chg. (% YoY)	N.A.	2.1	(4.1)	15.3	3.0
Operating profit (VND bn)	1,093	915	946	1,239	1,855
Net profit (VND bn)	1,377	1,784	1,639	1,628	1,855
EPS (VND)	4,441	5,754	5,286	5,251	6,003
chg. (% YoY)	N.A.	29.6	(8.1)	(0.7)	14.3
EBITDA (VND bn)	1,223	1,076	1,129	1,561	2,747
PE (x)	18.5	14.3	15.5	15.6	13.7
EV/EBITDA (x)	21.1	24.7	26.0	19.3	12.9
PB (x)	3.1	2.7	2.4	2.2	1.9
ROE (%)	16.8	19.2	15.6	14.0	13.0
Dividend yield (%)	2.0	2.2	2.0	0.0	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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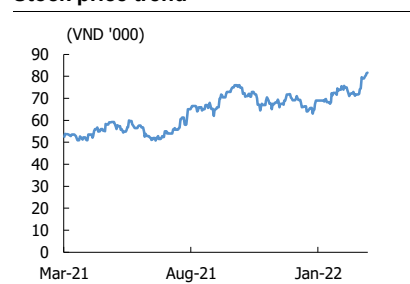
Stock Data

VNIndex (31 Mar, pt)	1,492
Stock price (31 Mar, VND)	81,700
Market cap (USD mn)	1,106
Shares outstanding (mn)	309
52-Week high/low (VND)	81,700/50,800
6M avg. daily turnover (USD mn)	2.10
Free float / Foreign ownership (%)	42.7/49.0
Major shareholders (%)	
Platinum Victory Pte	31.16
Nguyen Thi Mai Thanh	12.2

Performance

	1M	6M	12M
Absolute (%)	7.9	25.3	55.3
Relative to VNIndex (%p)	8.8	13.6	28.6

Stock price trend



Source: Bloomberg

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Ambitious plan for M&E

- In 2021, the company signed M&E contracts with total value of VND3,700bn. It sets the target of signing additional VND5,000bn M&E contract value in 2022F, especially projects of great value such as Long Thanh airport and building complexes.
- REE will expand EPC contracts for rooftop solar power projects.

Recovering office leasing

- REE will coordinate with Saigon Res to complete the legal procedures for Phu Hoi housing projects. REE expects to start construction of the project in 2022F.
- Etown 6 progress was 10 months slower than expected. REE is trying to shorten the construction progress to 6 months slower than expected and expects to start leasing in 3Q23. Currently, a bank is agreeing to lend REE 65% of Etown 6 investment cost.
- REE is eyeing 3-4 projects. REE estimates that expansion of land bank will be lengthy and risky. Thus, REE is considering of M&A of existing projects or cooperating with partners who have abundant land bank.
- Although office leasing price was down 20% in 3Q21, REE expects that this segment will recover in 2022F when the new leasing price was back to pre-pandemic level.

REE eyes waste-to-energy projects

- REE proposed the waste-to-energy plant to Ho Chi Minh city authorities and is carrying out the feasibility study of this project.
- Regarding to water segment, REE focuses on M&A of water plants to expand its asset and revenue.

Valuation

- Based on guidance of 2022F profit, 12MF PE is 14.1x and 12MF PB is 1.6x, slightly higher than the 2-year median of 10x and 1.4x, respectively.

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