Shinhan Securities

Before you invest, ask us!

Refrigeration Electrical Engineering

4/7/2021

Ticker	**REE**
RATING	**NOT RATING**
Current price (VND)	**53,100**
Target price (VND)	**N/A**
Upside	**N/A**

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COMPANY INFORMATION

Industry	Industrial Engineering
Stock Exchange	HOSE

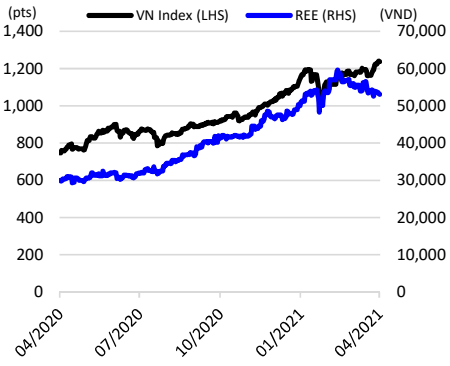
STOCK TRADING DATA

VN INDEX	1,237
Market Cap. (bn VND)	16,411
Outstanding Shares (1mn)	309
Free Floating Shares (1mn)	172
52-week High (VND)	59,600
52-week Low (VND)	28,900
Avg. Trading Volume (mn)	0.7
Avg. Reading T/O (bn VND)	45

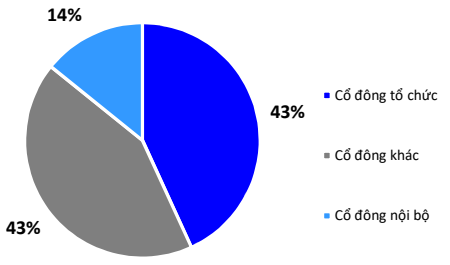
REE's PERFORMANCE VS VN INDEX

(%)	3M	6M	12M
Absoulute	4.1	28.4	77.0
Relative	(2.9)	(6.1)	11.3

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

We participated REE's AGM On March 30th 2021. During the meeting, The chairwoman/CEO gave a comprehensive speech. Overall, we assess REE will present a very stable growth in next 5 years base on its core business and future capacity expansion plans.

1. 2020 performance and 2021 business plan

- In 2020, revenue increased by 15% while net profit was flat. The electricity segment surged by 49% YoY because of 86 MWp rooftop solar power and hydropower turnover in 2H2020 while the M&E and real estate increased by 9% YoY and 7% YoY, respectively.
- REE targets net profit after tax to grow 9% YoY (VND1,769bn), mainly driven by the growth from electricity and office leasing segments.
- The company restructured itself as a holding company with four main segments in 2020: M&E, power utilities, real estate and water utilities. The chairwoman said that in the next 3 years, the business plan is expected to grow steadily ~ 10% -15% / year thanks to the above 4 core businesses, especially the electricity segment.

2. Investment and development strategy for the next 3 years

- REE aims to invest VND6,400bn CAPEX for its ongoing projects in next 3 years. This includes 3 wind power projects with 103MW capacity (VND3,900bn), 60MW rooftop solar power (VND800bn) and Etown 6 office building (VND1,700bn).
- REE has been funded enough debts for its current CAPEX with very competitive interest rate and enhance performance of its electricity power projects (~4%-5% interest rate USD).This indicates a very high level of credit for REE to financial institutions. REE said that it is working with IFC to have cheap funding for upcoming renewable energy projects.
- The company is actively seeking potential M&A targets in all four of its business segments: For power segment, Many developers are facing difficulties due to an excess of renewable energy leading to insufficient debt repayment, REE is looking to conduct M&A with projects with attractive pricing; In water segment, targets to purchase other water companies and expand in wastewater treatment with a capacity 20,000 m3/day; In real estate segment, REE is looking to potential landbank acquisition to expand its office leasing portfolio as well as residential projects.
- In terms of dividend policy, the company wants to keep some cash to pour resources in wind power plant. Thus, the company proposes to pay no cash dividend in 2021. Moreover, we believe it is highly possibility that the company will not pay any dividend in next 2 years.
- Regarding to 4 holding subsidiaries: M&E, electricity, water and real estate. The Chairwoman opens the possibility of IPO of these subsidiaries and listing. After IPO, the IPO funds will be used to re-invest in the project is long-term growth dynamics. We believe that REE will have many good investment opportunities when conducting IPOs of subsidiaries. Each subsidiary are operating very well and growth potential for investors.

FINANCIAL INFORMATION

	2017	2018	2019	2020	TTM
Sales (bn VND)	**4,995**	**5,101**	**4,890**	**5,640**	**5,640**
OP (bn VND)	1,093	915	946	1,239	1,239
Operating profit margin	21.9	17.9	19.4	22.0	22.0
NP(1bn VND)	**1,377**	**1,784**	**1,639**	**1,628**	**1,628**
Net profit margin	27.6	35.0	33.5	28.9	28.9
BPS(VND)	25,913	30,056	33,533	37,059	37,059
PER(x)	9.3	5.4	6.9	9.3	10.1
PBR(x)	1.6	1.0	1.1	1.3	1.4
ROE(%)	18.1	20.6	16.6	14.9	14.9
EPS (đồng)	4,441	5,754	5,286	5,251	5,250

(*) Database information provided by Bloomberg

[FLASHNOTE]

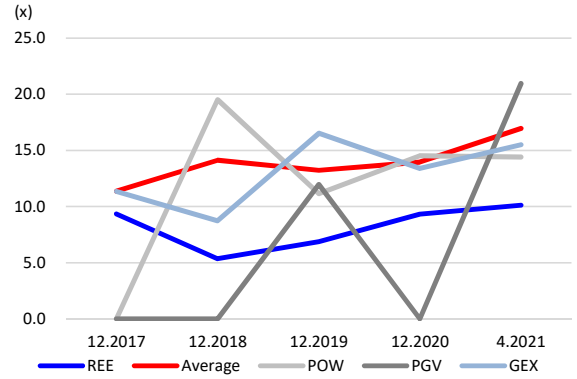
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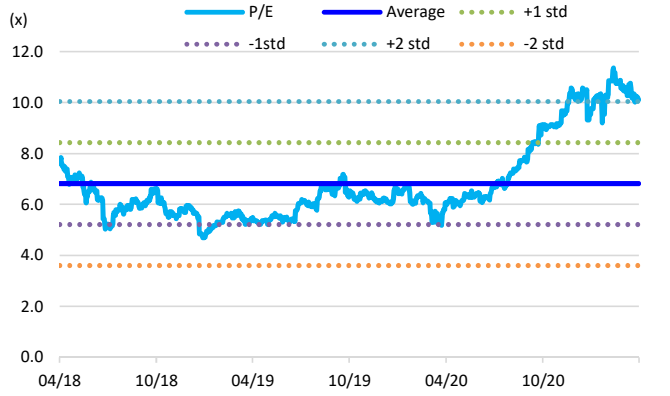
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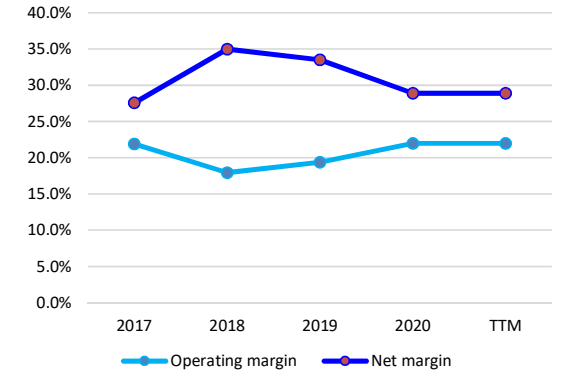
Relative valuation peers' PE



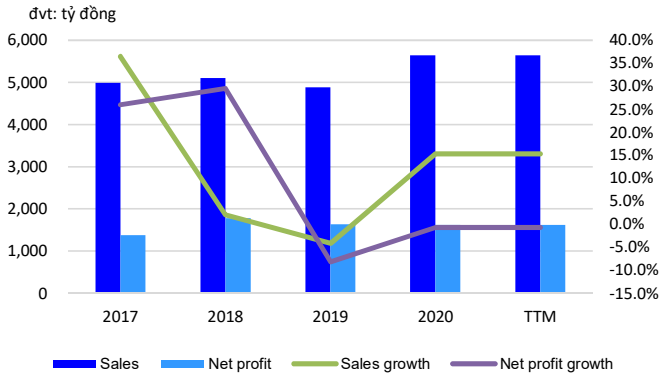
Average P/E 3 years of REE



Operating and net margin in the past



Revenue - profit in the past



(*) Database information provided by Bloomberg



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