

Update REE – Annual General Meeting (AGM) 2024.

On March 29, 2024, REE Corporation held an AGM in Ho Chi Minh City. Key details from the meeting are listed below.

- The 2024 business strategy is relatively conservative with NPAT +10.1% YoY**, given the expectation that the economy will still face numerous challenges in 2024.

Unit: bn VND	2022	2023	YoY	2024F	YoY
Revenue	9,372	8,570	-8.6%	10,588	23.5%
Energy	5,365	4,801	-10.5%	5,061	5.4%
M&E	2,816	2,653	-5.8%	3,245	22.3%
Real Estate	1,037	1,049	1.2%	2,137	103.7%
Water	154	67	-56.5%	145	116.4%
NPAT	2,693	2,188	-18.8%	2,409	10.1%
Energy	1,666	1,315	-21.1%	1,220	-7.2%
M&E	131	(9)	-106.9%	166	
Real Estate	579	562	-2.9%	852	51.6%
Water	339	324	-4.4%	240	-25.9%

Profit distribution policy for 2023: 10% cash dividends, payable in April and 15% stock dividends, payable in Q2 or Q3/2024.

In 2024, the company also plans the similar dividend payout scheme with 10% cash dividends and 15% stock dividends.

In addition, REE invested in VIB with total market value of VND994 bn at the end of 2023, compared to the investment cost of VND696 bn, translating into a profit of 42.8%. However, the profit has not been claimed yet since REE is still holding the stock.

2. Energy Sector

Due to El Nino, which produced less precipitation than many years' average and had a direct influence on hydropower, which makes up a sizeable component of REE's portfolio, the business performance in 2023 faced a variety of challenges. Due to an increase in Quantity Control (Qc) output and Alpha coefficient (contracted output sold to EVN at the pre-signed contract price), which left less space for surplus output to participate in the Vietnam Wholesale Electricity Market (VWEM), which offers more enticing electricity prices (the remaining output accounted for only 1% to 2% of total production output), profits declined).

2024's performance is forecast to improve under prediction that El Nino would end and begin to transfer to the neutral phase in Spring. Therefore, the company plans for 2024 revenue to reach VND5,061 bn, +5.4% YoY and NPAT to reach VND1,220 bn, -7.2% YoY.

Wind power is regarded as the strategic leader among energy segments upcoming, especially offshore projects. In addition, REE would continue to M&A more hydropower projects which are either under construction process or starting to run steadily.

Particularly in Tra Vinh and Binh Thuan, REE's wind generations performed steadily and well, reaching about 98% of their designed capacity. Furthermore, REE plans to cooperate with foreign partners to pursue a 1,800 MW capacity offshore wind energy project in Tra Vinh, which serve as a proxy initiative for numerous upcoming projects. However, because the Government determines it would be an essentially national project, REE has to cooperate with company which contains Government factor at least, such as EVN to implement it if authorized.

With an vision on greening the energy sector, REE intends to divest from Pha Lai Coal Thermal Power Company (HOSE: PPC) and concentrate resources on the development of Renewable Energy (RE).

Deliberately continue developing new wind and hydropower projects: REE would keep progressing new wind generators including Tra Vinh 2, Tra Vinh V1-5, and Tra Vinh V1-6, with a total capacity of 130 MW, and more than VND5,000 bn in capital. For hydropower, it would be Tra Khuc 2 in Quang Ngai Province, capacity of 30 MW, and VND1,000 bn in capital.

3. M&E Sector

Due to the overall challenging economy (about VND1,000 bn, -57% YoY), particularly in the private sector, there were not many new backlogs signed in 2023. On the public field, it was more brighter because the Government is promoting public infrastructure investment. However, the market is fiercely competitive, many investors underwent severe cash-flow finance issue.

However, the REE's BOD believes a robust recovery in revenue and profit in 2024 - 2025 period because new contracts signed in 2023 which were unable to create revenue in 2023 yet transfer to 2024. More details, REE participates in bidding for 49 projects with a total value of VND12,100 bn in 2023, of which the company has completed bidding procedures for VND4,200 bn, the rest is transferred to 2024.

The air conditioning segment would be stagnant if it is not performing well and fails to achieve the 2024's target: The management admits the air conditioning business is not performing well. Due to the high expenditures associated with branding and advertising, even with an annual revenue of over VND500 bn, there is not enough financing to sustain the business. REE may reconsider its ability to continue this business sector if 2024 does not turn out as planned. To break even, projected revenue needs to be at least between VND1,000 bn and VND2,000 bn.

2024's revenue plan is VND3,245 bn, or +22.3% YoY, and NPAT is VND166 bn YoY (includeing the air conditioning segment).

4. Office Leasing Sector

REE's office leasing segment also recorded poor 2023 business result, when many businesses dissolved and returned premises, sharing the same fate with the struggling general economy. Occupancy rate dropped below 95% in 2023 (normally recorded at an average of 98%).

The Etown 6 project is expected to fill in 30-50% occupied in 2024: This project will be examined by the Fire Department at the end of March 2024, and examined by the Ministry of Construction at the end of April 2024. Expected occupancy in 2024 will be from 30% to 50% (in a decently expanding economic period, the occupancy rate can reach up to 70% in the first year), due to the competitive pressure. It is forecasted that there will be about 120,000 m² of high-grade office supply upcoming in Ho Chi Minh City in the 2024-2025 period, with more than 81,000 m² of Grade A office supply area to be completed in the next 2 years, concentrated in Thu Thiem area. By the end of March 2024, there were only 02 booking tenants with an area of more than 6,000 m² of a total more than 36,000 m². REE expects that Etown 6 to start recording revenue from Q3/2024 because it will take at least 2 to 3 months for tenants to repair the interior.

REE goals to continue developing the office leasing segment with a project in Phu Huu Ward, District 9 (near Global City), with a floor area of nearly 5,400 m². Plan to build an office building with an area of 35,000 m², capital of more than VND1,000 bn, striving to complete permit and bidding procedures in 2024, start construction in mid-2025, and be able to operate at the end of 2027.

Revenue plan for 2024 would be VND2,137 bn VND, +103.7% YoY and VND852 bn of NPAT, +51.6% YoY (including residential segment)

5. Residential Real Estate Sector

REE expected to book revenue from the Light Square project in Bo Xuyen, Thai Binh, total area of 19,375 m², capital of VND1,107 bn (townhouses include 27 units with 5-storey structure, area from 321 – 534 m²; townhouses include 11 units with 5-storey structure, area from 301 – 422 m² and villas include 7 units with 4-storey structure, area from 344 – 491 m², expected selling price of VND160 mil/m²). It would be completed in Mar 2024, start selling in Apr 2024. 2024 – 2025 period is expected to be fully recorded revenue from the project of more than VND3,100 bn and NPAT of about VND300 bn.

In addition, REE would continue to implement the Phu Hoi - Nhon Trach residential area project in Dong Nai, with total area of 80 ha, capital of VND500 bn.

6. Water Sector

Song Da Clean Water Investment Joint Stock Company (OTC: VCW) has 02 major shareholders including REE holding 35.95%, and Gelex Infrastructure Joint Stock Company - A subsidiary of GELEX Group holding 62.46%. VCW put into operation the urban chain water supply system of Son Tay - Hoa Hac - Xuan Mai - Mieu Mon - Hanoi - Ha Dong (referred to as Da River Water Supply Project Phase 2), with capital of VND4,300 VND bn, capacity of 600,000 m³/day but the official selling price has not been negotiated. Therefore, REE estimates that 2024 business results of the water segment will go backwards due to recording interest and depreciation expenses but not yet being able to book revenue from the project. As of Q4/2023, VCW's debt is more than VND2,150 bn, 2023's loan interest is more than VND100 bn, 2023's NPAT was VND35 bn, -82.6% YoY.

2024's revenue plan is VND145 bn, +116.4% YoY and NPAT is VND240 bn VND, -25.9% YoY.

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BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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