

12 May 2025

## REE CORPORATION. (REE)

### Power segment remains key driver in 1Q25

- Power driven growth to 62% profit
- 1Q25 - NPAT skyrocketed to 49%
- Maintain the BUY recommendation

#### Facts: Power segment driven growth in 1Q25

- REE recorded a revenue of VND2,068bn (+13% yoy, figure 1). The main reason comes from an improvement in Power and Water segments.
- The gross margin record increased to 46% yoy (+6%p yoy, figure 5), leading to the gross profit going up to VND950bn (+28% yoy, figure 5). Additionally, driven by (i) a 57% yoy surge in financial revenue to VND110bn, (ii) a 15% yoy decline in financial expenses to VND191bn. Hence, NPAT skyrocketed to VND816bn, up 49% yoy (figure 6). Detailed operation of the plants:
  - **Power:** In 1Q25, revenue recorded VND1,277bn (+24% yoy, figure 1) and NPAT remained stable at VND417bn (+62% yoy, figure 4), respectively. The motivation mainly comes from hydropower and solar groups, specifically:
    - **Hydropower:** The production increased by 30% yoy (figure 2) of 1,238mn kWh driven by Vinh Son (+43% yoy) and central (+54% yoy) hydropower plants. Besides, financial expenses declined due to debt restructuring. As a result, revenue and NPAT recorded VND744bn (+55% yoy, figure 3) and VND236bn (+258% yoy, figure 4), respectively.
    - **Wind power:** The production was down to 7% yoy of 134mn kWh (figure 2) as the Tra Vinh region saw that the wind speed was lower compared to the same period. Next, the pressure from interest expenses could increase in 1Q25. Thus, revenue and NPAT recorded VND296bn (-6% yoy, figure 3) and VND111bn (-24% yoy, figure 4), respectively.
    - **Solar power:** The production decreased by 4% yoy of 75mn kWh (-4% yoy, figure 2), leading to revenue recorded at VND67bn (-4% yoy, figure 3). However, due to the reversal of previously booked provisions at the end of 2024. Therefore, NPAT recorded VND51bn (+219% yoy, figure 4), respectively.
  - **Water:** Revenue recorded stood at VND45bn, up 12x yoy (figure 1) as the commercial water improved compared to the same period. However, thanks to the depreciation, and financial expenses rose in 1Q25F. Hence, NPAT declined to 1% yoy, reached VND66bn.

12M rating **BUY (Maintain)**

12M TP **81,000**

Up/Downside **17% (included dividend)**

#### Stock data

VNIndex (12 May, pt)	1,283
Stock price (12 May, VND)	69,000
Market cap (USD mn)	1,251
Shares outstanding (mn)	471
52-Week high/low (VND)	75,000/57,127
6M avg. daily turnover (USD mn)	1.89
Free float / Foreign ownership (%)	38.2/49.0
Major shareholders (%)	
Platinum Victory Pte. Ptd	41.59
CM-Nguyen Thi Mai Thanh	12.83
Nguyen Ngoc Hai	5.47
HFIC	5.28

#### Performance

	1M	6M	12M
Absolute (%)	2.2	6.3	21.9
Relative to VNIndex (%p)	(2.8)	2.8	16.9

#### Stock price



Source: Bloomberg

#### Research Dept

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- *M&E*: Revenue decreased by 17% yoy to VND454bn (figure 1), as the project is still under construction. At the same time, interest expenses and warehouse rental costs increased during the period. Therefore, NPAT declined to VND19bn (-21% yoy).
- *Real estate*: In 1Q25, revenue and NPAT recorded VND286bn (figure 1), up 9% yoy and VND103bn, down 22% yoy, respectively. Details:
  - *Office leasing*: In 1Q25, REE recorded revenue of VND272bn, up 3% yoy, primarily driven by a slight increase in average selling prices compared to the same period last year. However, the segment continued to face challenges from a declining occupancy rate. Additionally, rising depreciation expenses led to a 20% yoy decline in NPAT to VND110bn.
  - *Real estate development*: 1Q25, REE was estimated to have sold 01 unit from the Bo Xuyen – Thai Binh project (figure 8) with revenue of VND15bn (150x yoy, figure 7), as there were no sales recorded in 1Q24. Overall, we anticipated that the current sales pace could remain slow. As a result, the segment posted a net loss of VND7bn in 1Q25 (1Q24: -VND5bn).

### Pros & cons: 2Q25F - Earnings maintain strong growth

In 2Q25F, we think that REE could grow optimistically due to:

- *Power segment*: Based on EVN data accumulated to May 2025, we estimate that the water flow at the reservoirs across the nation is rising 11% yoy (figure 9). Besides, according to NOAA, the neutral could have a strong impact until June 2025. Therefore, we anticipated that the hydropower groups could continue to motivate driven growth for the power segments's REE in 2Q25F.
- *Water segment*: We forecast the 2Q25F outlook could record positive based on (a) the expected doubling of capacity at the Song Da plant and (b) the newly approved wholesale price of 7,767VND/m<sup>3</sup> (+53% yoy), which is expected to be officially applied from 2Q25F.
- *M&E segment*: We believe the M&E segment's outlook could continue to decline slightly in 2Q25F. Although REE recorded newly signed contracts in 2025 totaling ~VND5,556bn (+131% yoy), the projects are likely still under construction and facing pressure from rising warehouse rental costs. As a result, the M&E segment's NPAT could experience a decline.
- *Real estate*: We expect NPAT to increase in 2Q25F. The main reason comes from (i) improve occupancy rates at the office leasing segment, up 86% (figure 7) (2Q24: 84%) and (ii) an estimated record VND156bn from the transfer commercial land lot under Phase 2 of the Light Square project, according to the BOD. (iii) Additionally, a portion of the profit from the sale of the Light Square project could contribute. However, we anticipate that this project may continue to see slow growth in 2Q25F, making it challenging for REE to achieve its full-year growth target for this segment in 2025.

### Action: Maintain the BUY recommendation

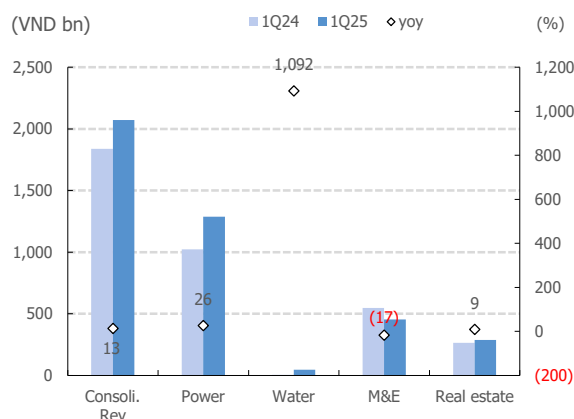
From the above analysis, we also believe that REE could experience many positive results in the short, medium, and long term as its plants play an important role in stabilizing the power system. Therefore, we recommend a **BUY** rating for **REE (81,000VND; UPSIDE: 17%)** in 2025F.

**Table 1. Quarterly earnings snapshot in 1Q25**

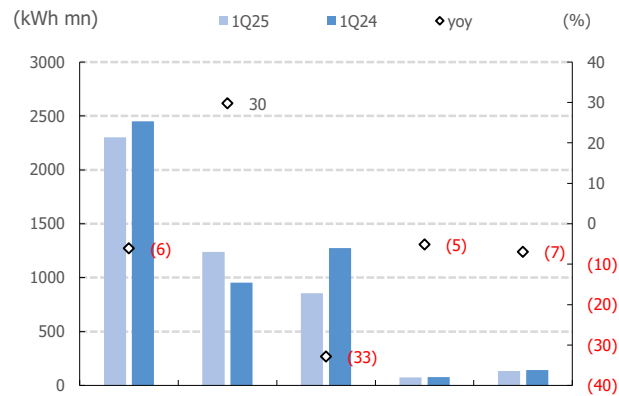
(VND bn, %, %p)

	1Q24	2Q24	3Q24	4Q24	1Q25	QoQ	YoY
Sales	1,837	2,181	2,029	2,336	2,068	(11)	13
OP	595	470	633	973	897	(8)	51
OP margin (%)	32.4	21.6	31.2	41.7	43.4	1.7	11
EBT	599	474	633	982	898	(9)	50
NPAT	549	403	562	882	817	(7)	49

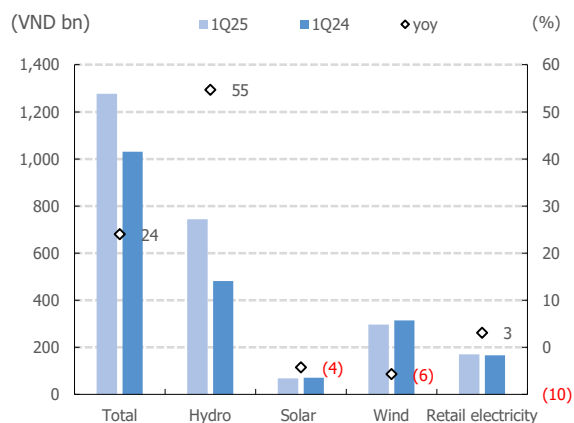
Source: FiinPro-X, Company data, KISVN

**Figure 1. Revenue recorded reached VND2,068bn, up 13% yoy**

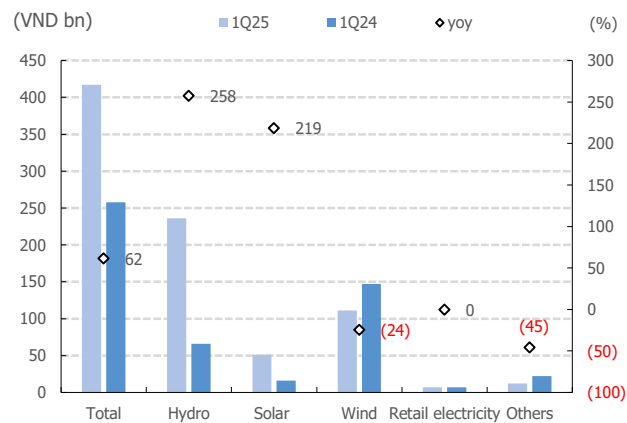
Source: Company data, FiinPro-X, KIS Research

**Figure 2. The hydropower driven growth to 30% yoy of power segment in 1Q25**

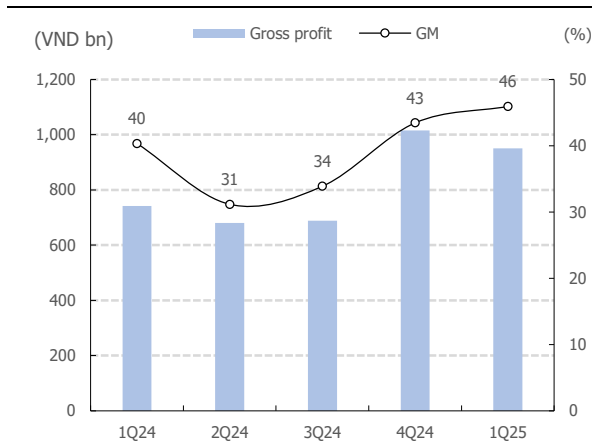
Source: Company data, FiinPro-X, KIS Research

**Figure 3. Revenue power segment drive by hydropower group growth to 55% yoy in 1Q25**

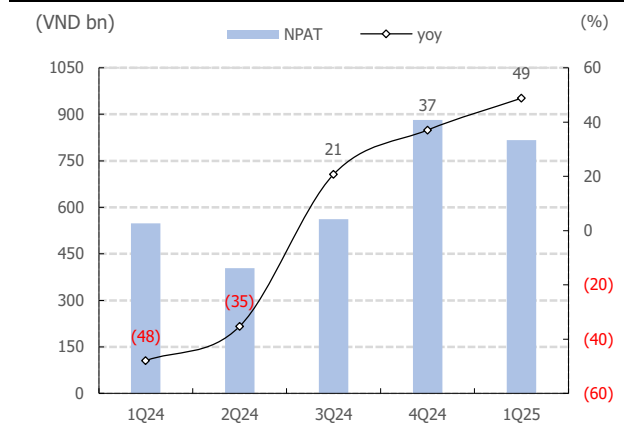
Source: Company data, FiinPro-X, KIS Research

**Figure 4. ... hydropower groups still key contributors in NPAT**

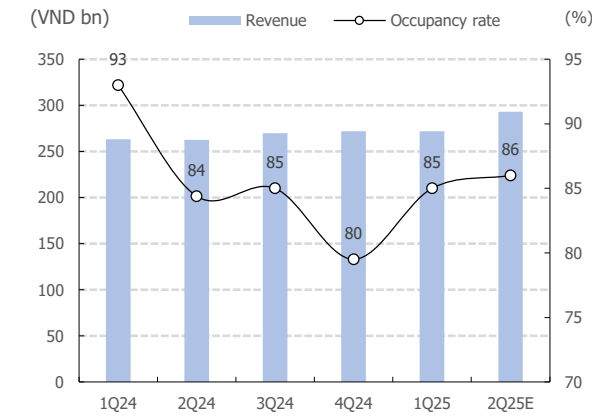
Source: Company data, FiinPro-X, KIS Research

**Figure 5. GM up to 46% in 1Q25, up 6%p yoy**

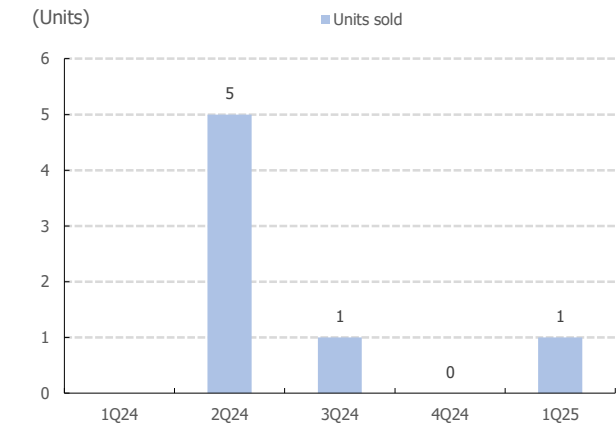
Source: Company data, FiinPro-X, KIS Research

**Figure 6. NPAT skyrocketed to 49% yoy, reached VND817bn**

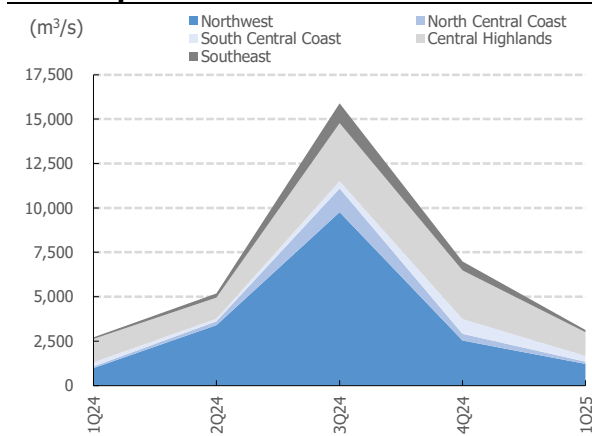
Source: Company data, FiinPro-X, KIS Research

**Figure 7. The office leasing expects the occupancy rate to improve, estimated to record 86% in 2Q25F**

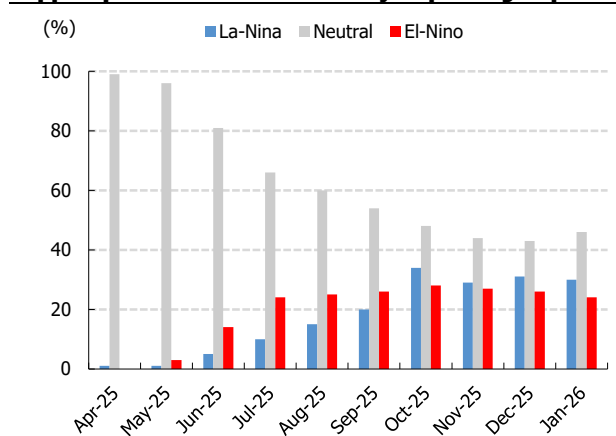
Source: Company data, FiinPro-X, KIS Research

**Figure 8. The Bo Xuyen – Thai Binh project showed slow growth in sales, with only one unit sold in 1Q25**

Source: Company data, FiinPro-X, KIS Research

**Figure 9. The average water inflow at the reservoirs still remain improve 15% in 1Q25**

Source: EVN, KIS Research

**Figure 10. Neutral is expected to last until the Jun 2025, support positive to the outlook's hydropower groups**

Source: NOAA, KIS Research

**■ Company overview**

Refrigeration Electrical Engineering Corporation (REE) is a multi-sector business group established in 1977. After transitioning from a state-owned enterprise to a public company through equitization in 1993, REE became the first company to be listed on the Vietnamese stock exchange in 2000. Currently, REE operates in the fields of energy, water and environment, real estate, and M&E services.

**Balance sheet** VND bn

FY-ending Dec.	2022A	2023A	2024A	2025F	2026F
Current assets (Adj.)	8,573	9,524	11,286	12,871	17,294
Cash & cash equivalent	1,151	3,023	5,636	7,324	12,207
Non-current assets (Adj.)	4,013	3,780	3,130	2,905	2,676
Fixed Asset	1,409	1,354	1,277	1,378	1,163
Investment assets	7,422	6,501	5,650	5,546	5,087
Others	15,842	14,917	13,961	12,772	11,584
<b>Total assets</b>	<b>6,491</b>	<b>6,560</b>	<b>6,199</b>	<b>6,199</b>	<b>6,199</b>
Advances from customers	810	707	999	1,111	1,023
Unearned revenue	1	2	5	-	-
Trade payables	650	619	724	806	742
Others	1,170	1,378	1,088	1,210	1,115
ST debt & bond	1,455	1,238	1,254	-	1,888
LT debt & bond	9,946	9,505	9,143	7,242	5,341
<b>Total liabilities</b>	<b>14,711</b>	<b>14,142</b>	<b>13,908</b>	<b>11,141</b>	<b>10,821</b>
Controlling interest	15,506	17,318	18,900	21,966	25,240
Capital stock	3,564	4,097	4,710	4,710	4,710
Capital surplus	1,050	1,050	1,013	1,013	1,013
Other Reserves	187	368	416	416	416
Retained earnings	10,705	11,802	12,761	15,827	19,101
<b>Shareholders' equity</b>	<b>19,204</b>	<b>20,770</b>	<b>22,455</b>	<b>25,521</b>	<b>28,795</b>

**Cash flow** VND bn

FY-ending Dec.	2022A	2023A	2024A	2025F	2026F
C/F from operations	1,569	2,817	3,818	5,276	5,349
Net profit	3,879	3,056	2,722	3,059	3,267
Depreciation	1,225	1,264	1,298	1,417	1,418
Net incr. in W/C	5,003	4,481	3,854	4,917	5,163
C/F from investing	(768)	642	(869)	(433)	(453)
Capex	(711)	(857)	(830)	(28)	(30)
Incr. in investment	(58)	1,499	(39)	(405)	(423)
C/F from financing	(1,481)	(1,588)	(1,724)	(3,155)	(13)
Incr. in equity	1	-	(1,347)	-	-
Incr. in debts	-	(701)	3,452	(1,254)	1,888
Dividends	(574)	(886)	-	-	-
C/F from others	0	(0)	0	-	-
<b>Increase in cash</b>	<b>(680)</b>	<b>1,872</b>	<b>1,225</b>	<b>1,689</b>	<b>4,882</b>

**Income statement** VND bn

FY-ending Dec.	2022A	2023A	2024A	2025F	2026F
Net sales	9,372	8,570	8,384	9,324	8,591
COGS	5,042	4,860	5,260	5,675	4,790
Gross profit	4,330	3,710	3,124	3,650	3,800
SG&A	667	756	696	866	773
<b>Operating profit</b>	<b>3,663</b>	<b>2,954</b>	<b>2,428</b>	<b>2,783</b>	<b>3,028</b>
Financial income	187	227	318	369	480
Interest income	119	124	158	230	340
Financial expenses	942	1,016	791	810	958
Interest expenses	883	939	738	36	55
Other non-operating profit	(107)	14	50	-	-
Gains (Losses) in associates, subsidiaries and JV	1,077	877	717	717	717
<b>Earnings before tax</b>	<b>3,879</b>	<b>3,056</b>	<b>2,722</b>	<b>3,059</b>	<b>3,267</b>
Income taxes	363	269	(6)	(7)	(7)
<b>Net profit</b>	<b>3,515</b>	<b>2,787</b>	<b>2,728</b>	<b>3,066</b>	<b>3,274</b>
Net profit of controlling interest	2,693	2,188	1,993	3,066	3,274
<b>EBITDA</b>	<b>6,073</b>	<b>5,188</b>	<b>4,688</b>	<b>4,512</b>	<b>4,740</b>

**Key financial data**

FY-ending Dec.	2022A	2023F	2024A	2025F	2026F
per share data (VND, adj.)					
EPS	7,527	5,341	4,232	6,509	6,951
BPS	43,507	42,269	40,126	46,635	53,587
DPS	2,806	2,441	-	-	-
Growth (%)					
Sales growth	61.3	(8.6)	(2.2)	11.2	(7.9)
OP growth	97.5	(19.4)	(17.8)	14.6	8.8
NP growth	64.6	(20.7)	(2.1)	12.4	6.8
EPS growth	45.1	(18.7)	(8.9)	53.8	6.8
EBITDA growth	97.5	(19.4)	(17.8)	14.6	8.8
Profitability (%)					
OP margin	39.1	34.5	29.0	29.8	35.2
NP margin	37.5	32.5	32.5	32.9	38.1
EBITDA margin	39.1	34.5	29.0	29.8	35.2
ROA	10.7	8.1	7.7	8.4	8.6
ROE (excl MI)	18.7	13.3	11.0	15.0	13.9
Dividend yield	3.9	4.3	-	-	-
Dividend payout ratio	98	-	54	37	46
Stability					
Net debt (VND bn)	10,250	7,720	4,761	(83)	(4,978)
Net debt/equity (%)	53	37	21	(0)	(17)
Valuation (X)					
PE	11.1	8.3	11.6	10.4	9.7
PB	1.3	1.3	1.7	1.4	1.3
EV/EBITDA	10.3	11.3	16.6	14.5	13.3

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Prepared by: Research Dept

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