

1 Aug 2025

REE CORPORATION. (REE)

Steady surge in utilities

- NPAT grew strongly by 83% yoy in 2Q25
- 3Q25F - Utilities continue solid profit gains
- Maintain the HOLD recommendation

Facts: 2Q25 - Utilities and real estate segments driven growth

REE recorded a revenue of VND2,516bn (+15% yoy, figure 1). The main reason comes from an improvement in utilities and real estate segments.

The gross margin record increased to 33.9% (+2.7% yoy, figure 5), leading to the gross profit going up to VND853bn (+25% yoy, figure 5). Additionally, driven by (i) a 35% yoy surge in financial revenue to VND120n, (ii) a 22% yoy decline in G&A expenses to VND137bn; (iii) a 10% yoy decreasing in selling expenses to VND31bn. As a result, NPAT skyrocketed to VND739bn, up 83% yoy (figure 6). Detailed operation of the plants:

- **Power:** In 2Q25, revenue recorded VND1,145bn (+26% yoy, figure 1) and NPAT remained stable at VND239bn (+143% yoy, figure 4). The motivation mainly comes from hydropower, specifically:
 - **Hydropower:** The production increased by 48% yoy (figure 2) of 1,492mn kWh as the water flow improve estimated 20% yoy in 2Q25. As a result, revenue and NPAT recorded VND725bn (+39% yoy, figure 3) and VND212bn (+138% yoy, figure 4), respectively.
 - **Wind power:** Revenue show positive result reached VND140bn (+25% yoy, figure 3) due to the production was rose to 22% yoy of 62mn kWh (figure 2). However, the pressure from interest expenses could increase in 2Q25. Therefore, NPAT recorded of VND7bn (-178% yoy, figure 4).
 - **Solar power:** The production decreased by 4% yoy of 77mn kWh (figure 2), leading to revenue recorded VND74bn (-5% yoy, figure 3). However, this was due to the reversal of corporate income tax provisions related to tax incentives in 2Q25. Thus, NPAT recorded VND29bn (+7% yoy, figure 4), respectively.
- **Water:** Revenue recorded stood at VND61bn, up 8x yoy (figure 1) as (i) the commercial water improved compared to the same period and (ii) the newly approved wholesale price of 7,767VND/m³ (+53% yoy). However, thanks to the depreciation, and financial expenses rose in 1Q25F. Hence, NPAT declined to 61% yoy, reached VND95bn (figure 6).
- **M&E:** Revenue decreased by 7% yoy to VND865bn (figure 1), as the project is still under construction. Simultaneously, improved debt recovery and lower SG&A and interest expenses supported the results. Therefore, NPAT recorded VND24bn (+142% yoy, figure 6).

12M rating **HOLD**

12M TP

Up/Downside

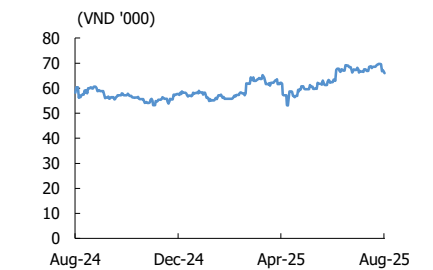
Stock data

VNIndex (01 Aug, pt)	1,505
Stock price (01 Aug, VND)	66,000
Market cap (USD mn)	1,364
Shares outstanding (mn)	542
52-Week high/low (VND)	69,700/53,044
6M avg. daily turnover (USD mn)	2.41
Free float / Foreign ownership (%)	38.2/49.0
Major shareholders (%)	
Platinum Victory PTE	41.46
Nguyen Thi Mai Thanh	12.83

Performance

	1M	6M	12M
Absolute (%)	(2.2)	18.3	13.3
Relative to VNIndex (%p)	(11.5)	(1.7)	(11.6)

Stock price



Source: Bloomberg

Research Dept

researchdept@kisvn.vn

- **Real estate:** In 2Q25, revenue and NPAT recorded VND443bn (figure 1), up 34% yoy and VND217bn, up 45% yoy (figure 6), respectively.
 - **Office leasing:** In 2Q25, REE recorded revenue of VND283bn, up 8% yoy, primarily driven by a slight increase in average selling prices compared to the same period last year. Although, the segment continued to face challenges from a declining occupancy rate. Additionally, pressure is increasing from the depreciation expenses of the office leasing. Hence, NPAT recorded to VND238bn, down 35% yoy.
 - **Real estate development:** In 2Q25, revenue recorded to VND159bn, up 134% yoy as an estimated record ~VND156bn from the transfer commercial land lot under Phase 2 of the Light Square project. As a result, the segment posted a NPAT of VND101bn, up 5x yoy.

Table 1. Quarterly earnings snapshot in 2Q25

(VND bn, %, %p)

	2Q24	3Q24	4Q24	1Q25	2Q25	QoQ	YoY
Sales	2,181	2,029	2,336	2,068	2,514	22	15
OP	470	633	973	897	827	(7.8)	75.7
OP margin (%)	21.6	31.2	41.7	43.4	32.9	(10.5)	11.3
EBT	474	633	982	898	828	(7.8)	74.8
NPAT	403	562	882	817	739	(9)	83

Source: FiinPro-X, Company data, KISVN

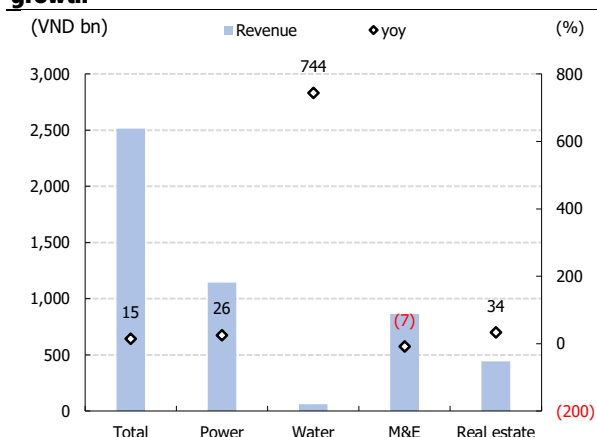
Pros & cons: 3Q25F – Sustained earnings growth in utilities

In 3Q25F, we think that REE could continue to grow optimistically, with a main driver coming from utilities and M&E segments:

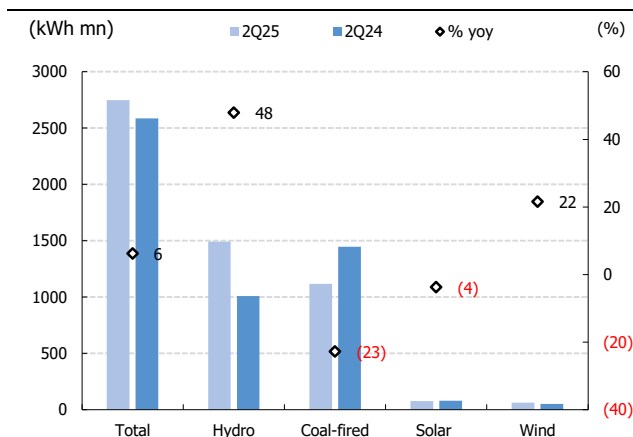
- **Power segment:** Based on EVN data accumulated to July 2025, we estimate that the water flow at the reservoirs across the nation maintain flat (figure 9). Besides, according to NOAA, the neutral could have a strong impact until the end of the 2025. Therefore, we anticipated that the hydropower groups could continue to motivate driven growth for the power segment's REE in 3Q25F.
- **Water segment:** We forecast the 3Q25F outlook could record positive based on expectation which we mentioned above.
- **M&E segment:** We believe the M&E segment's outlook show optimistic result thanks to expectation newly signed contracts in 2025 totaling ~VND5,556bn (+131% yoy).
- **Real estate:** We anticipate that the outlook may decline slightly due to the office leasing segment's occupancy rate, which is estimated to fall to 81% (3Q24: 85%). Additionally, we expect the Light Square project to continue showing a weak outlook in 3Q25F. Therefore, we believe that REE is unlikely to achieve its full-year growth target for this segment in 2025.

Action: Maintain the HOLD recommendation

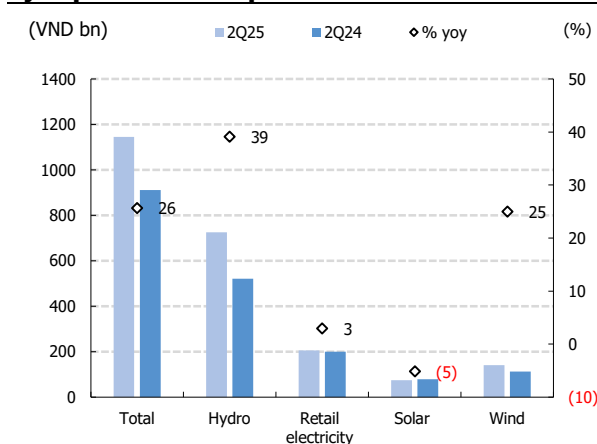
We believe that REE has a positive in the mid, and long-term. In addition, we anticipated REE could experience positive result in 3Q25F. However, in the short term, we believed that REE's market price has almost reflected its intrinsic value. Therefore, we maintain a HOLD recommendation for REE in 2025F.

Figure 1. The water and power segments drove revenue growth

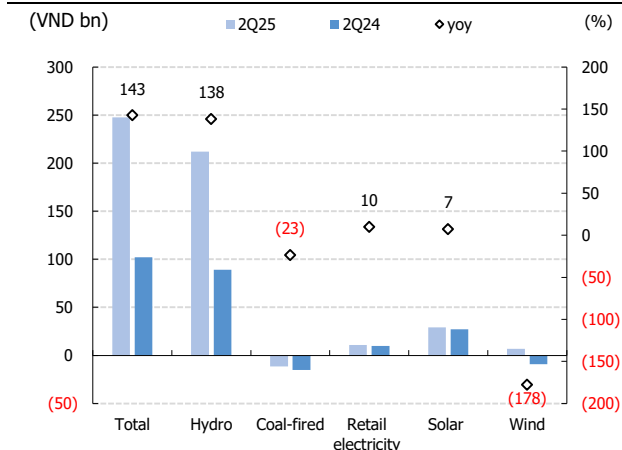
Source: Company data, FiinPro-X, KIS Research

Figure 2. Hydropower output rose by as much as 48% yoy

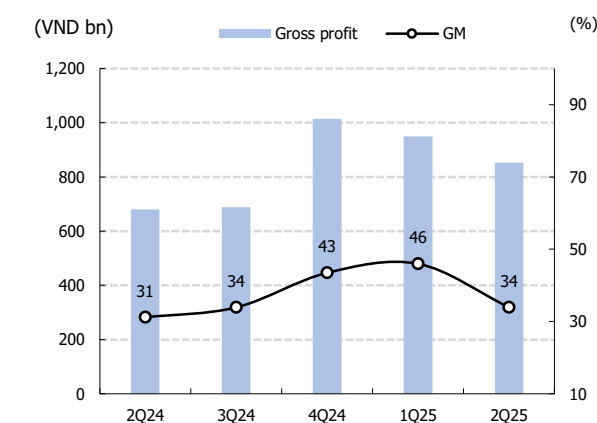
Source: Company data, FiinPro-X, KIS Research

Figure 3. Power revenue was mainly driven by hydropower and wind power

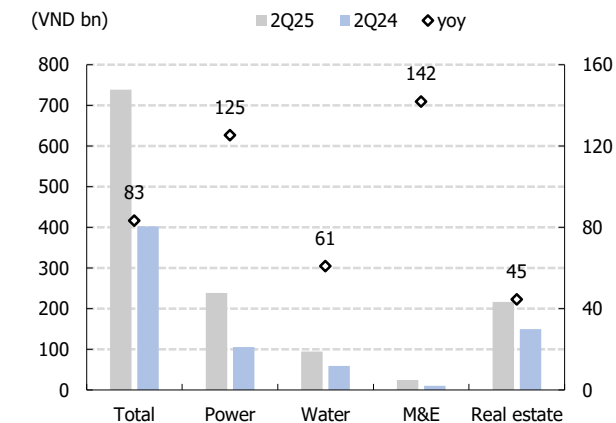
Source: Company data, FiinPro-X, KIS Research

Figure 4. Hydropower's profit rose by as much as 138% yoy

Source: Company data, FiinPro-X, KIS Research

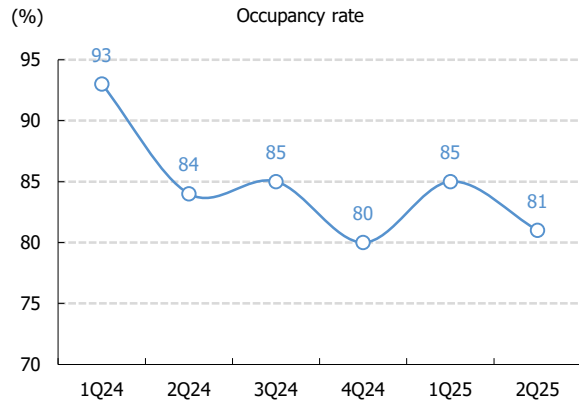
Figure 5. ..Gross profit growth to 34% yoy

Source: EVN, KIS Research

Figure 6. NPAT grew strongly by 83% yoy in 2Q25

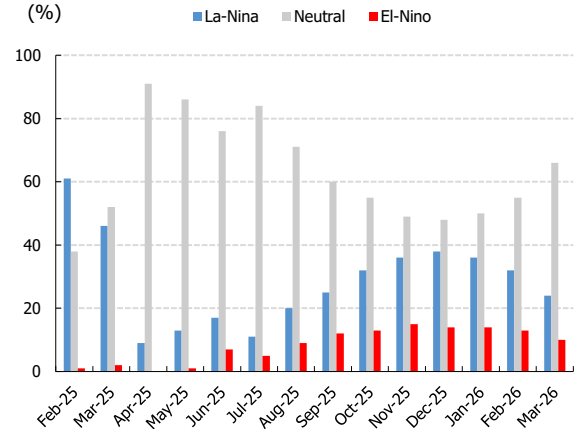
Source: NOAA, KIS Research

Figure 7. Office leasing occupancy rate estimated to drop to 81% in 2Q25



Source: EVN, KIS Research

Figure 8. The neutral is expected to last to the end of 2026, with a positive impact on the hydropower group



Source: EVN, 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.	2024F	2025F	2026F	2027F	2028F
Current assets (Adj.)	11,286	11,696	14,330	15,705	18,604
Cash & cash equivalent	5,636	6,228	9,165	10,385	13,069
Accounts & other receivables	3,130	2,877	2,732	2,873	2,950
Inventory	1,277	1,347	1,190	1,272	1,321
Non-current assets (Adj.)	5,650	5,467	5,165	5,320	5,535
Fixed Asset	13,961	12,773	11,586	10,397	9,207
Investment assets	6,199	6,199	6,199	6,199	6,199
Others	4,917	4,814	4,566	4,416	4,244
Total assets	36,362	35,481	36,679	36,717	38,254
Advances from customers	999	1,104	1,051	1,105	1,135
Unearned revenue	5	-	-	-	-
Trade payables	724	801	763	802	824
Others	1,088	1,202	1,145	1,204	1,237
ST debt & bond	1,254	364	1,888	1,888	1,888
LT debt & bond	9,143	7,242	5,341	3,440	2,999
Total liabilities	13,908	11,480	10,914	9,208	8,867
Controlling interest	18,900	20,507	22,220	24,042	25,837
Capital stock	4,710	4,710	4,710	4,710	4,710
Capital surplus	1,013	1,013	1,013	1,013	1,013
Other Reserves	416	416	416	416	416
Retained earnings	12,761	14,369	16,081	17,903	19,699
Minority interest	3,555	3,555	3,555	3,555	3,555
Shareholders' equity	22,455	24,062	25,775	27,596	29,392

Cash flow

(VND bn)

FY-ending Dec.	2024F	2025F	2026F	2027F	2028F
C/F from operations	3,818	5,389	5,406	5,164	5,226
Net profit	2,722	3,189	3,487	3,583	3,669
Depreciation	1,298	1,417	1,419	1,420	1,422
Net incr. in W/C	3,854	5,007	5,281	5,354	5,388
C/F from investing	(869)	(407)	(347)	(281)	(211)
Capex	(830)	(29)	(31)	(32)	(32)
Incr. in investment	(39)	(378)	(315)	(249)	(179)
C/F from financing	(1,724)	(4,421)	(2,073)	(3,684)	(2,269)
Incr. in equity	(1,347)	-	-	-	-
Incr. in debts	3,452	(890)	1,524	-	-
Dividends	-	(1,588)	(1,738)	(1,783)	(1,828)
C/F from others	0	-	-	-	-
Increase in cash	1,225	561	2,986	1,199	2,746

Income statement

(VND bn)

FY-ending Dec.	2024F	2025F	2026F	2027F	2028F
Net sales	8,384	9,236	8,797	9,251	9,500
COGS	5,260	5,549	4,902	5,239	5,443
Gross profit	3,124	3,687	3,895	4,012	4,057
SG&A	696	812	753	792	814
Operating profit	2,428	2,875	3,142	3,219	3,243
Financial income	318	351	411	480	547
Interest income	158	211	270	340	404
Financial expenses	791	784	781	838	835
Interest expenses	738	55	55	109	109
Other non-operating profit	50	-	-	-	-
Gains (Losses) in associates, subsidiaries and JV	717	717	717	717	717
Earnings before tax	2,722	3,160	3,489	3,578	3,672
Income taxes	(6)	(7)	(8)	(8)	(8)
Net profit	2,728	3,166	3,496	3,586	3,680
Net profit of controlling interest	1,993	3,166	3,496	3,586	3,680
EBITDA	4,688	4,632	4,962	5,107	5,203

Key financial data

FY-ending Dec.	2024F	2025F	2026F	2027F	2028F
EPS	4,232	6,723	7,423	7,613	7,813
BPS	40,126	43,539	47,175	51,042	54,855
DPS	2,123	3,372	3,690	3,786	3,881
Growth (%)					
Sales growth	(2.2)	10.5	(5.1)	5.2	2.7
OP growth	(17.8)	19.6	8.2	2.5	0.7
NP growth	(2.1)	17.2	9.3	2.7	2.4
EPS growth	(8.9)	60.3	9.3	2.7	2.4
EBITDA growth	(17.8)	19.6	8.2	2.5	0.7
Profitability (%)					
OP margin	29.0	31.4	35.7	34.8	34.2
NP margin	32.5	34.5	39.7	38.8	38.7
EBITDA margin	29.0	31.4	35.7	34.8	34.2
ROA	7.7	8.8	9.7	9.8	9.8
ROE (excl MI)	11.0	16.1	16.4	15.5	14.8
Dividend yield	3.0	4.8	5.3	5.4	5.6
Dividend payout ratio	54	37	46	50	51
Stability					
Net debt (VND bn)	4,761	1,377	(1,936)	(5,057)	(8,183)
Net debt/equity (%)	21	6	(8)	(18)	(28)
Valuation (X)					
PE	12.3	10.6	9.6	9.3	9.1
PB	1.8	1.6	1.5	1.4	1.3
EV/EBITDA	16.8	14.2	13.0	12.6	12.5
EPS	4,232	6,723	7,423	7,613	7,813

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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
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