

REE Corporation (REE)

Led by energy business

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Analyst Nguyen Viet Anh
anhnv3@kbsec.com.vn

Revenue and profit went up 3.4% YoY and 39.4% YoY in 3Q24

3Q24 revenue & NPAT of REE Corporation (REE) respectively reached VND2,031 billion (+3.4% YoY/-6.9% QoQ) and VND561.5 billion (+20.7% YoY/39.4% QoQ). The respective results for its core business, energy, were promising, reaching VND1,008 billion and VND301 billion (+12.62% YoY and 51.25% YoY) with a strong increase in power output.

Hydropower benefited from La Nina and heavy rains in 2H24

In 9M24, the consolidated electricity output generated by REE was 2.7 billion kWh (+7% YoY/+4.2% QoQ) with higher contribution from the hydropower segment. Hydropower output recorded 1.7 billion kWh (+13.1% YoY), increasing the contribution to 63% of REE's total output vs 60% in9M23.

New electricity price framework will promote negotiation and implementation progress of wind power projects

REE is proposing a feasibility study for 344 MW of newly installed wind power capacity in Tra Vinh province, marking its return to developing renewable energy projects. Early preparation will help it benefit from new policies and the newly issued price framework expectations.

The Light Square handover progress is slower than expected

In 3Q24, revenue from the real estate segment only reached VND12 billion due to the slow progress of recording apartment handovers at The Light Square project after a period of promoting sales strategies through discounts. Recorded profit was about VND2 billion, equivalent to a net profit margin of 17%.

Valuation: NEUTRAL rating – Target price VND76,900

Considering SOTP results, business outlook and potential risks, we gave REE a NEUTRAL rating with a price target of VND76,900/share.

Neutral change

Target price	VND76,900
Upside	13.4%
Current price (Dec 6, 2024)	VND67,800
Consensus target price	VND72,100
Market cap (VNDtn/USDbn)	31.9/1.3

Forecast earnings & valuation

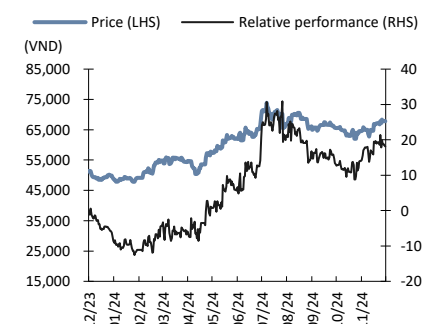
FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	9,372	8,570	8,342	9,072
Operating income/loss (VNDbn)	3,663	2,954	2,496	2,677
NPAT-MI (VNDbn)	2,693	2,188	2,041	2,311
EPS (VND)	7,576	5,354	4,635	4,905
EPS growth (%)	26.2	-29.3	-13.0	6.0
P/E (x)	10.2	14.4	16.6	15.7
P/B (x)	1.8	1.8	1.9	1.8
ROE (%)	18.3	13.4	11.4	11.9
Dividend yield (%)	1.1	1.1	1.0	1.2

Trading data

Free float	25.7%
3M avg trading value (VNDbn/USDmn)	68.8/2.7
Foreign ownership	49%
Major shareholder	Platinum Victory (35.7%)

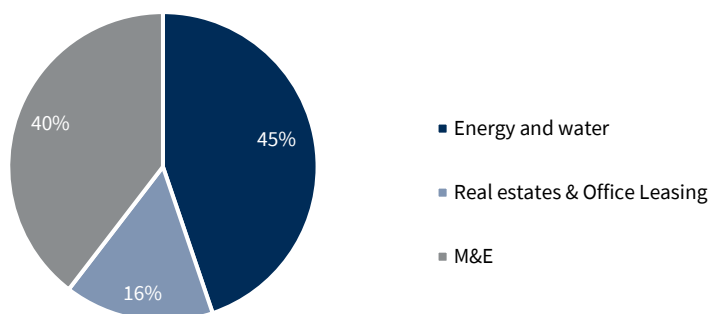
Share price performance

(%)	1M	3M	6M	12M
Absolute	7.7	-2.6	6.0	34.1
Relative	8.0	-0.1	8.3	20.5



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: REE Corporation, KB Securities Vietnam

Business operation

REE Refrigeration Electrical Engineering Corporation (REE) has three main business segments: power (1,050 MW and accounting for nearly 50% of revenue), mechanical and electrical engineering (M&E), and office leasing. REE also has subsidiaries in the water and real estate business. It currently owns 182,000 m2 of office area for lease.

Investment Catalysts

La Nina may last until 1Q25, ensuring positive growth compared to last year's low base.

Hydropower output and revenue are forecast to grow positively compared to 2024.

Favorable policies promote capacity expansion progress. The renewable electricity price framework is expected to be announced in 1Q25, which will promote 344MW of wind power that REE is surveying in Tra Vinh province.

E.Town 6 is likely to overcome the market's gloomy period. The competitive advantage in rents helps the project quickly fill its occupancy rate, reaching 60% and 85% in 2025 and 2026.

Notes

Please find more details [here](#)

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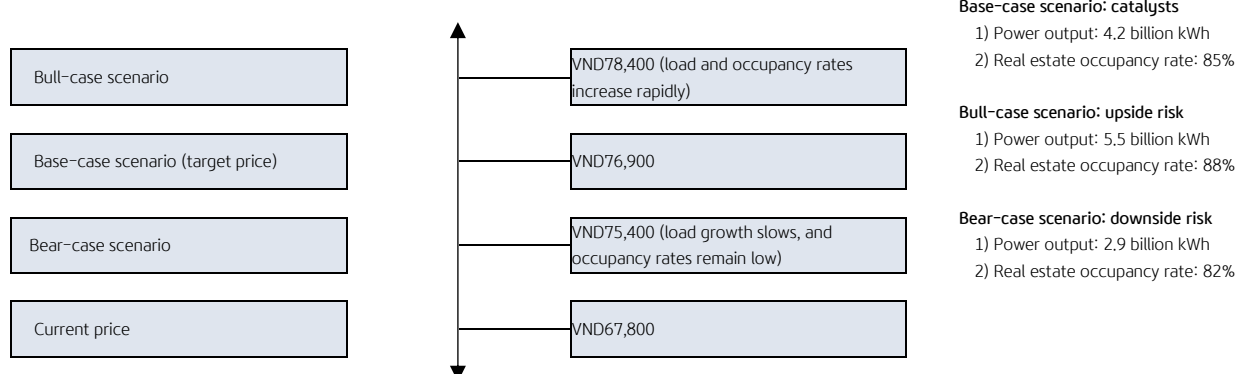
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	8,342	9,072	-10%	1%	8,857	8,278	-6%	10%
EBIT	2,496	2,677	-18%	-15%	3,003	2,949	-17%	-9%
NP after MI	2,041	2,311	-15%	-6%	2,379	2,349	-14%	-2%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



3Q24 performance updates

Revenue and profit went up 3.4% YoY and 39.4% YoY in 3Q24

REE's 3Q profit hit VND561 billion (+20.7% YoY/39.4% QoQ) on revenue of VND2,031 billion (+3.4% YoY/-6.9% QoQ), driven by the core business, power, with profit and revenue reaching VND301 billion (+12.6% YoY and 51.3% YoY) and VND1,008 billion thanks to a strong increase in output. The profit from associates increased 83.8% QoQ but decreased by 4.9% YoY due to the company reducing its ownership ratio in Pha Lai Thermal Power (PPC) from 21.2% to 20.7%.

Energy: Total electricity output grew as hydropower benefited from La Nina and rainy season starting in 3Q24

In 9M24, the consolidated electricity output generated by REE was 2.7 billion kWh (+7% YoY/+4.2% QoQ). Since 3Q, heavy rains have begun to appear more frequently in the Central and Central Highlands regions, helping to improve the flow to hydropower reservoirs compared to the previous quarter. However, the rainy season came later, and the intensity was not as high as the average of every year, so the power output of Vinh Son – Song Hinh Hydropower (VSH) and Thac Mo Hydro Power (TMP) only grew slightly from the low bases in 2023.

Table 1. REE – 3Q & 9M24 updated results

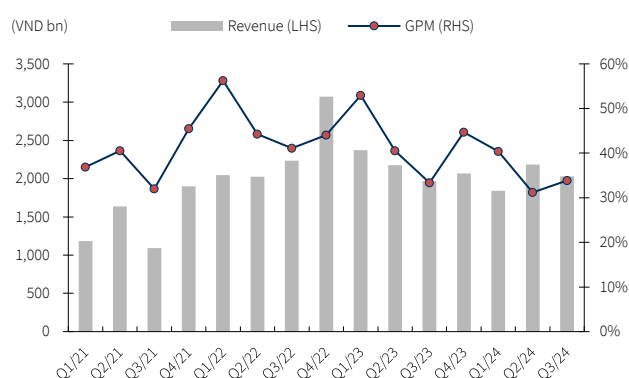
(VNDbn, %)	3Q23	3Q24	+/-%YoY	9M23	9M24	+/-%YoY	Notes
Revenue	1,965	2,031	3%	6,513	6,056	-7%	Consolidated revenue of the energy segment reached VND839 billion, gaining 13% YoY as heavy rains in the North facilitated higher hydropower output compared to the same period last year.
Energy	740	839	13%	3,097	2,408	-22%	
Hydropower	499	631	26%	2,311	1,626	-30%	
Solar power	174	147	-16%	588	573	-3%	
Wind power	67	61	-9%	198	209	6%	
M&E	766	706	-8%	2,080	2,187	5%	Revenue was lower than the same period due to slower construction progress. However, the backlog volume at the end of 3Q was valued at VND3,902 billion, which was four times higher than 3Q23, opening up growth prospects in 4Q. The air conditioner sales segment recorded a 30.9% increase in revenue with more project contracts in both value and quantity.
Office leasing	267	270	1%	801	796	-1%	
Real estate	0	12	n.a	0	80	n.a	The Light Square project recorded a lower number of handed-over units compared to the launch in 3Q.
Water	32	33	3%	59	44	-25%	The water segment recorded a 23% decrease in revenue compared to the same period due to the timing of recording and fluctuations in projects at TK Cong Company Limited.
Gross profit	654	688	5%	2,788	2,109	-24%	The decrease results from lower revenue from the electricity segment, causing a decrease in gross profit after deducting depreciation expenses.
Gross profit margin	33%	34%	1 pts	43%	35%	-8 pts	
Financial income	49	63	29%	166	222	34%	
Financial expenses	-276	-185	-33%	-787	-609	-23%	Financing costs were optimized thanks to restructuring of low-interest loans.
Profit from affiliates	218	207	-5%	607	441	-27%	Profits mostly came from hydropower plants which were affected by unfavorable weather.
SG&A	-119	-139	17%	-411	-464	13%	
Operating profit/loss	525	633	21%	2,362	1,698	-28%	
Other income	-1	-4	300%	-5	-5	0%	
Profit before taxes (PBT)	526	633	20%	2,375	1,706	-28%	
Profit after taxes (NPAT)	465	562	21%	2,143	1,514	-29%	

NP after MI	450	480	7%	1,684	1,314	-22%
NPAT margin	24%	28%	4 ppts	33%	25%	-8 ppts
Output						
Power segment	2,516	2,694	7%	6,937	7,730	11%
Thermal power	863	858	-1%	2,354	3,578	52%
Hydropower	1,503	1,700	13%	4,083	3,663	-10%
Solar power	71	69	-3%	227	227	0%
Wind power	79	67	-15%	273	262	-4%

Power output improved thanks to higher flow to the reservoir at Thac Ba Hydropower Plant compared to the same period due to Typhoon Yagi.

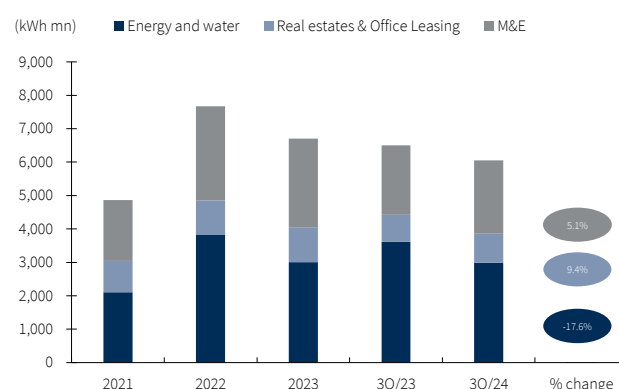
Source: REE Corporation, KB Securities Vietnam

Fig 2. REE – Revenue & GPM in 2021–2024 (VNDbn, %)



Source: REE Corporation, KB Securities Vietnam

Fig 3. REE – Revenue components



Source: REE Corporation, KB Securities Vietnam

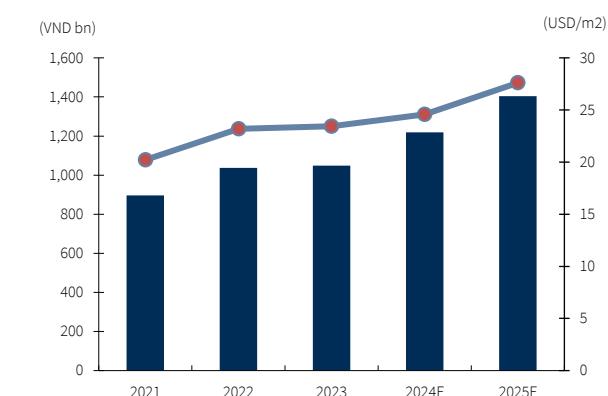
Office leasing: E.Town 6 with competitive rents will overcome difficulties in low demand

In the first nine months of 2024, revenue and NPAT from office leasing reached VND796 billion (-0.6% YoY) and VND379 billion (-7.7% YoY), respectively. Due to the operation and commissioning of new offices, the occupancy rate of office buildings for lease decreased slightly by 1.5% YoY in Q2, leading to a decrease in revenue. However, the average rent of REE offices inched up compared to the market average, partly undermining the negative impacts. According to CBRE, the Grade A office real estate market in Ho Chi Minh City recorded a slight improvement in leasing capacity, reaching nearly 4,000 m² of new leases, rising 0.6ppts QoQ. This reflects the trend of office relocation, the main reason for the increase in occupancy of Grade A offices, is recovering despite the high office vacancy rate in the past three years. In 2024, KBSV believes that the E.Town 6 project will achieve an occupancy rate of 20% with an average rent of about USD27.54/m²/month, based on: (i) The trend of office expansion/upgrade will lead to demand for high-end and newly operated offices. (ii) The competitive advantage of E.Town 6 comes from the quality of offices that meet many green construction criteria, making it easy to attract FDI enterprises, while the rent is only 60% thanks to its location outside the center. Revenue and NPAT of the office leasing segment in 2024 should be VND1,219 billion (+14.2% YoY) and VND664.47 billion (+23.5% YoY). In the long term, we maintain the view that the recovery of office leasing demand will be vibrant again, thereby helping E.Town 6 achieve an occupancy rate of 60%/85% in the next two years.

High-end real estate: The Light Square starts recording revenue

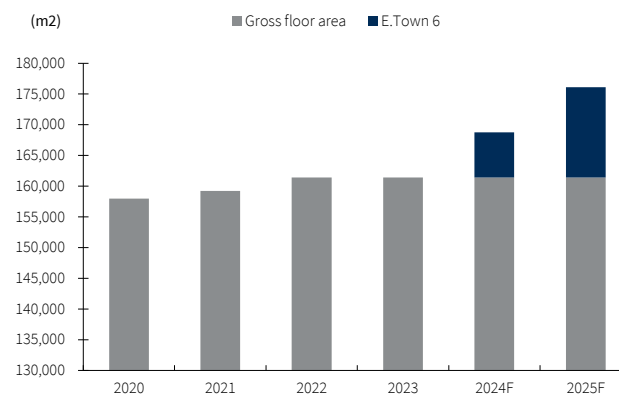
The Light Square townhouse project started offering and handing over apartments to customers in May 2024. In 3Q, the project recorded apartment handovers with a total value of VND12 billion, much lower than VND68 billion in 2Q presales. We believe that the plan set by the Management in 2024 to record 100% of the number of units sold is unlikely to be achieved because the 7% discount program for home buyers has expired since September 2024, while higher competitive pressure from projects launched in Thai Binh province will cause the project to delay the handover record to 2025. We adjust the recorded revenue in 2024 to VND120 billion, transferring VND770 billion in presales to 2025 (equivalent to 86% of the project value).

Fig 4. REE – 2025F revenue & average rent of offices (VNDbn, USD/m²)



Source: REE Corporation, KB Securities Vietnam

Fig 5. REE – Leasable area after E.Town 6 project comes into operation (m²)



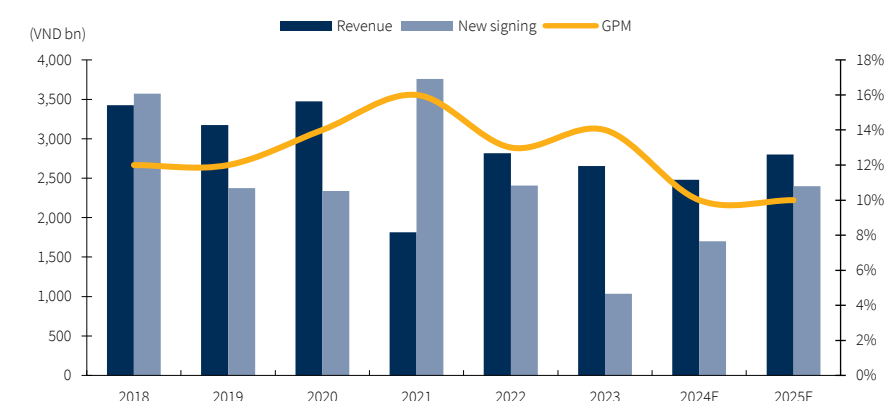
Source: REE Corporation, KB Securities Vietnam

M&E segment: It continued to record revenue from Long Thanh airport project

3Q24 revenue from the M&E segment witnessed a decrease compared to the same period, dropping 12% YoY to VND551 billion. However, the progress of signing the contract to build Long Thanh airport was accelerated, helping the accumulated backlog volume reach an estimated VND3,902 billion, an increase of VND775 billion compared to the previous quarter. Although 9M24 net profit was VND10 billion lower than the same period, and 3Q profit gained VND37 billion QoQ, showing a decline in the provision for bad debts of the projects.

We forecast REE's new M&E backlog in 2024 to reach VND1,699 billion, which will help revenue reach VND2,478 billion vs the low base in 2023. Looking to 2025–2026, the recovery in the real estate market after the land price framework has been issued should increase REE's workload from the private sector. Revenue will achieve a CAGR of 9.3% thanks to signing contracts with new real estate projects and maintaining a large volume of backlog.

Fig 6. REE – Revenue & new backlog (VNDbn)



Source: REE Corporation, KB Securities Vietnam

Hydropower enters recovery phase from 2Q24 thanks to large rainfall

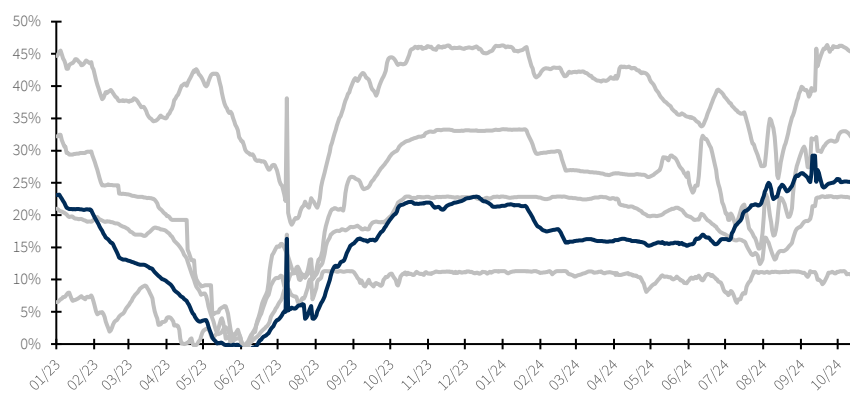
In 3Q24, the rainy season started and gave a large rainfall to the Central and Central Highlands regions, but the time of arrival was later and the impact on the regions was uneven, so revenue from VSH and TMP only grew slightly by 13% YoY compared to the low base level of 2023.

In the last quarter of 2024, under the impact of more frequent tropical depressions and prolonged rains with high intensity, the water flow to the reservoir is expected to improve and support the power generation at plants. According to the Vietnam Institute of Meteorology, Hydrology and Climate Change, the total rainfall from November 2024 to January 2025 is likely to be equal to or lower than the annual average in the North, North Central and higher than the annual average in the South Central, Central Highlands, and South. Hydropower output before and after REE's ownership adjustment in 2024 is estimated at 5,290 million kWh and 2,900 million kWh (-14% YoY/-18% YoY). The average electricity price at the end of the year should be lower than the same period in 2023 mainly due to the larger contribution of contracted output and the lack of signs of improvement in CGM prices. Therefore, the adjusted revenue forecast for the whole year of 2024 is VND2,563 billion (-14.62% YoY).

Hydropower will become REE's growth mainstay in 2025. We estimate that the output and revenue in 2025 will break out compared to 2024, reaching 3,428 million kWh and VND2,416 billion (+18.2% YoY/+1% YoY) thanks to: (i) Improved rainfall in the first months of the year during La Nina happening will increase the Qc output of hydropower compared to the same period in the first half of the year. The water level is at the average level, maintaining the Qc output in the second half of the year. (ii) Fuel prices for coal and gas power are stable. (iii) Electricity consumption continues to grow at 9%-10% YoY. In the long term, REE's power generation capacity in the hydropower segment will be continuously consolidated. Most recently, Tra Khuc 2 hydropower project is expected to add 30MW of capacity and be put into operation in 2028.

Fig 7. REE – Water level at Thac Ba and some reservoirs in the North

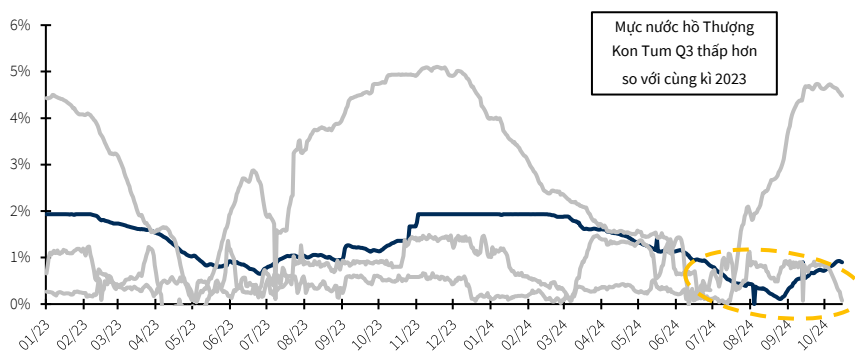
In the North, heavy rainfall combined with the impact of Typhoon Yagi caused the water level of Thac Ba Lake to reach the normal level (the maximum designed water level of the hydroelectric reservoir) and increased water discharge through turbines, helping to raise electricity output.



Source: EVN, KB Securities Vietnam

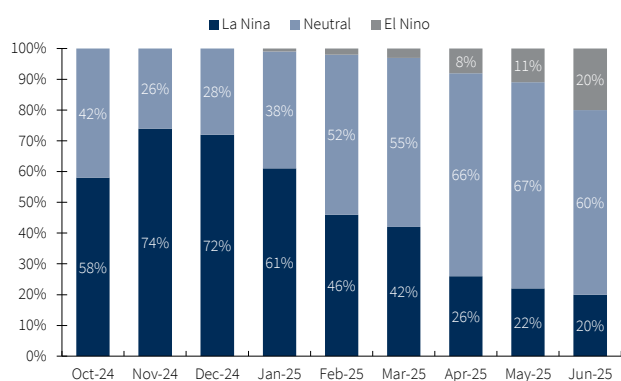
Fig 8. REE – Water level at Thuong Kon Tum and some reservoirs in Central Highlands

In Binh Dinh and Kon Tum, where VSH operates, data shows that regional rainfall is 10–20% lower than the average, causing the flow to the reservoir to be below the power generation level of the plant. Although the water volume of the reservoir has improved compared to the first half of the year after the reservoirs actively stored water, the low flow limits the plants' mobilization time.



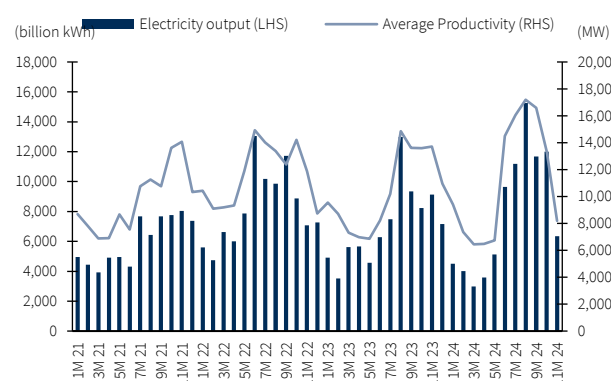
Source: EVN, KB Securities Vietnam

Fig 9. Global – Probability of weather phases in 2024–2025



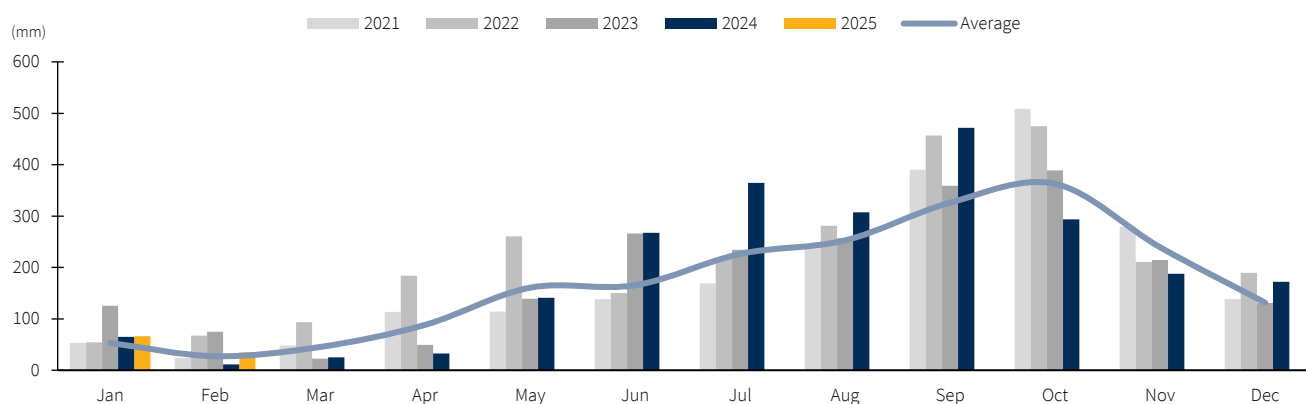
Source: IRI, KB Securities Vietnam

Fig 10. Vietnam – Total electricity output & productivity as of November 2024 (billion kWh, MW)



Source: NSMO, KB Securities Vietnam

Fig 11. Vietnam – Forecast rainfall in November–December 2024 and January–February 2025 (mm)



Source: IMHEN, KB Securities Vietnam

Renewable energy: This is a promising business with potential for long-term capacity expansion

According to official information from the People's Committee of Tra Vinh, REE is waiting for the approval for a study of adding three new projects including V3-5 (96 MW), V3-7 (200 MW) and V1-4 phase 2 (48 MW). The expected time for the study and survey is six months, but the actual time for the project to be added to the planning may be longer because the room to add wind power projects in Tra Vinh by 2030 is only about 260 MW (lower than REE's proposal of 344 MW). KBSV believes that there is a higher possibility for the corporation to complete the survey and invest in the construction of about 150-200 MW before 2030 for projects that are suitable for the planning of Tra Vinh province. In addition, for the Duyen Hai wind power project (48 MW), which REE successfully purchased 70% of shares, Tra Vinh People's Committee has granted an environmental license for the project (10-year term), ensuring the progress of trial operation of wastewater treatment in 4Q24 and starting to search for contractors in 1Q25.

Early finalization of wind power pricing framework will facilitate the signing of new PPAs and implementation of power projects

Regarding the progress of announcing the price framework for wind power projects implemented from 2025 based on Circular 19/2023/BCT, the EPTC has developed and submitted to EVN for approval the price framework for onshore and nearshore wind power projects at VND1,610.56/kWh and VND 1,890.68~1,902.08/kWh, respectively (1.5%/4.1% higher than the transitional price framework). The price framework is calculated based on the input parameters of transitional wind power plant projects that are negotiating electricity prices and have recently approved project feasibility reports, thus reflecting accurately the costs incurred by investors and is a solid basis for the official price framework decision to be issued in the coming time. We believe that the official price framework will need more time to be reviewed and submitted to the Ministry of Industry and Trade for an official announcement, expected to take effect in 1Q25. The new wind power price framework is the legal basis for investors to negotiate electricity prices with EVN, quickly sign PPAs and facilitate capital mobilization from credit institutions. We apply a lower selling price than the transition price for REE wind power projects expected to be deployed from 2025, reflecting the reduction in long-term wind power production costs and lower expected profitability of around 10% (compared to 12-13% for FIT projects).

Forecast & valuation

Table 12. REE – 2024–2025F business results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
Revenue	8,570	8,342	-3%	9,072	9%	
Energy	4,170	3,464	-17%	3,472	0%	
Hydropower	3,072	2,403	-22%	2,417	1%	2024: Lower hydropower business results mainly result from lower output in the first half of the year, and the second half of the year will have output equivalent to the same period. The lower output compared to the previous forecast comes from lower water inflows than expected.
Solar power	256	254	-1%	276	9%	2025: Hydropower business results in 2025 will increase slightly compared to 2024 due to the forecast that the La Nina weather phase will end and move to the neutral phase in 2Q25, while the rainy season will only occur in the second half of the year. 2024: Solar power output will decrease due to the adjusted number of sunshine hours in 2024 when the frequency of rain is frequent. 2025: From 2025, output will gradually improve thanks to the addition of 6MW capacity from the end of 2023 and 20 MW in 2024.
Wind power	842	807	-4%	779	-3%	
M&E	2,653	2,833	7%	2,658	-6%	
Office leasing	1,067	1,163	9%	1,404	21%	Revenue will improve thanks to the operation of E.Town 6 building with an occupancy rate of 20%/60% in 2024/2025.
Real estate	-18	120	n.a	770	542%	We adjust the handover schedule of Light Square project to 2025 with a value of about VND770 billion.
Water	67	72	7%	76	6%	
Gross profit	3,710	3,270	-12%	3,470	6%	
Gross profit margin	43%	39%	-4 ppts	38%	-1 ppts	
Financial income	227	273	20%	331	21%	
Financial expenses	-1,016	-903	-11%	-804	-11%	
Profit from affiliates	877	934	6%	970	4%	
SG&A	-756	-774	2%	-793	2%	
Operating profit/loss	2,954	2,496	-16%	2,677	7%	
Other income	-8	-8	0%	-8	0%	
Profit before taxes	3,056	2,836	-7%	3,210	13%	
Profit after taxes (NPAT)	2,787	2,552	-8%	2,889	13%	
NP after MI	2,188	2,041	-7%	2,311	13%	
NPAT margin	33%	31%	-2 ppts	32%	1 ppts	

Source: REE Corporation, KB Securities Vietnam

Valuation: NEUTRAL rating –
Target price VND76,900

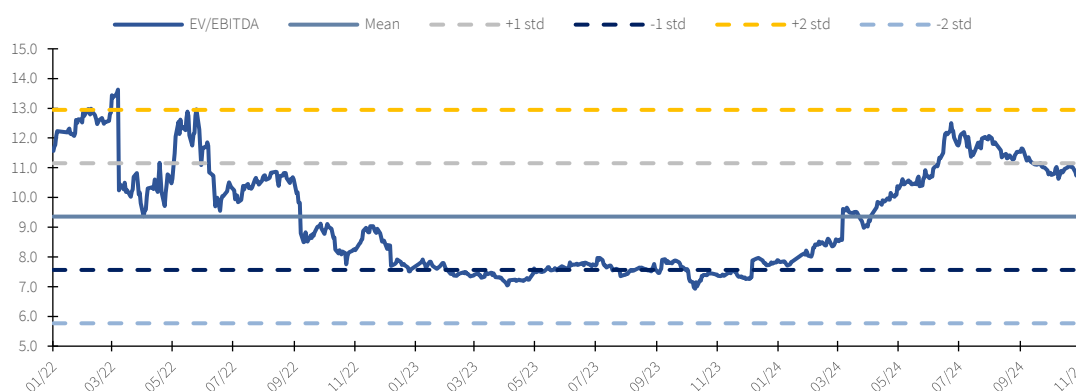
We use SOTP to value REE shares and give a NEUTRAL rating with a target price of VND76,900/share, equivalent to an upside of 13.4% compared to the closing price on December 6, 2024. We apply a discount rate of 10% to reflect the unique risks of REE as a multi-industry corporation operating in many different sectors.

Table 13. REE – STOP results

(VNDbn)	Method	Project NPV	Ownership	REE's value
Electricity				26,564
Hydro Power	DCF	31,771	23–50%	20,115
Thermal Power	DCF	4,231	24–30%	1,030
Solar Energy	DCF	710	99.99%	710
Wind Energy	DCF	4,653	50–100%	4,653
Electricity Distribution (DTV)	BV	56	66.29%	56
Real Estates & Office Leasing				9,686
Current project	Rate of return	7,908	100%	7,908
E.Town 6	DCF	1,778	100%	1,778
M&E				1,757
Water				3,699
Others				1,149
Enterprise Value				42,855
(-) Net debt				-4,399
(-) Minority interest				-3,452
Equity Value				35,004
Multi-industry group discount				10%
Reasonable Value				31,504
Number of outstanding shares (mn)				409.71
Stock value				76,900
Current price (September 13, 2024)				67,800
Upside				13.4%

Source: KB Securities Vietnam

Fig 14. REE – EV/EBITDA (x)



Source: Bloomberg, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Research Division

research@kbsec.com.vn

Nguyen Xuan Binh – Head of research

binhnx@kbsec.com.vn

Financials

Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Consumer

Nguyen Duc Quan – Analyst

quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst

anhnhd@kbsec.com.vn

Real Estate

Pham Hoang Bao Nga – Manager

ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst

trangnt6@kbsec.com.vn

Industrials & Materials

Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Macro & Strategy

Tran Duc Anh – Head of macro & strategy

anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Energy, Utilities & IT

Pham Minh Hieu – Analyst

hieupm@kbsec.com.vn

Nguyen Viet Anh – Analyst

anhnv3@kbsec.com.vn

Support Team

Nguyen Cam Tho – Assistant

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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