

REE Corporation (HSX: REE)

Promising horizon of sustainable growth from 2025

- 3Q24 Net profit grew 7% yoy, supported by the recovery of hydropower from a low base, offsetting declines across most core business segments. Cumulatively, 9M24 net profit fell by 22% yoy, achieving only 63% of our full-year forecast.
- Hydropower recovery and solid growth from property to drive NP by 15% CAGR over 2025-26, after an anticipated 7.7% decline in 2024 NP.
- Reiterate **ADD** with higher target price of VND75,300/share.

3Q24 results: Power segment to support the bottom-line growth

3Q24 revenue grew 3% yoy, driven by improved power segment revenue as EVN ramped up hydropower procurement. Property revenue increased slightly, with VND80bn recognized from the The Light Square. Financial income rose 29% yoy, primarily due to a solid increase in deposit income. Financial expenses decreased 33% yoy, benefiting from a lower interest rate environment. Associates' profit declined 5% yoy, mainly due to VCW net loss of VND33bn due to higher cost incurred. Thus, 3Q24 NP up 7% yoy, while 9M24 NP fell 22% yoy to VND1,315bn, due to weak performance in 1H24, meeting only 63% of MBS's full-year projection.

2024-2026 Outlook: Power and property to be major pillars for growth

For 4Q24, continued revenue recognition from two new projects, E.Town 6 and The Light Square will support property segment growth. Additionally, 4Q24 will often mark a peak period for some hydropower and wind power plant utilization. However, full-year 2024 net profit is expected to reach only VND2,020bn, representing a 7.7% yoy decline, due to the challenging first half of the year.

Looking into 2025-2026, we expect net profit growth of 25% yoy and 8% yoy, respectively, driven by: 1) Hydropower recovery from the low base in 1H24; 2) Full-year operation of E.Town 6 and the complete handover of The Light Square in 2025; 3) Recovery in the M&E segment, driven by a new-signed backlog of approximately VND3,902bn at end-3Q24, primarily from the Long Thanh Airport project, along with expectations of a revitalized Ho Chi Minh City real estate market following the issuance of new land price bracket.

Reiterate **ADD** with higher TP of VND75,300/share

SOTP-based valuation with TP revised up by 5.5% versus previous forecast, mainly due to an adjustment in the capitalization rate for the office leasing segment from 10% to 8%, for the Grade B office leasing market in HCMC. We view REE as a suitable investment opportunity for defensive appetite, supported by strong financial health, and projected EPS growth of 15% CAGR over 2025-26. With sustainable growth, the stock's forward P/E for 2025-26 is expected to be 12.3x and 11.5x, respectively, representing a ~25% discount to the current P/E, providing upside potential for the stock price.

VNDbn	2023	2024F	2025F	2026F
Revenue	8,579	8,778	9,874	10,551
Net profit	2,188	2,020	2,531	2,732
Revenue growth	-8.5%	2.3%	12.5%	6.8%
Net profit growth	-18.7%	-7.7%	25.3%	8.0%
Gross margin	43.2%	37.6%	38.7%	37.8%
EBITDA margin	48.7%	45.9%	45.6%	44.3%
ROAE (%)	11.3%	9.5%	10.6%	10.2%
ROAA (%)	6.4%	5.6%	6.7%	6.9%
EPS (VND/share)	4,656	4,298	5,384	5,812
BVPS (VND/share)	41,174	45,394	50,974	57,148

Sources: REE, MBS Research

ADD

Target price

VND 75,300

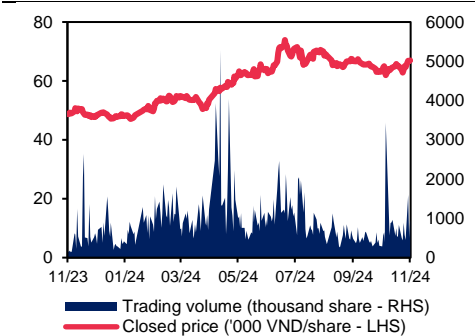
Upside

15%

Key changes in the report

- Revised down 2024/2025/2026 NP by 14%/3.8%/0.9% versus previous report
- Adjusted the capitalization rate for the office leasing segment from 10% to 8%.

Price performance



Sources: FiiPro, MBS Research

Current price (VND)	66,000
52W High (VND)	73,900
52W Low (VND)	47,070
Market Cap (VNDbn)	31,417
P/E (TTM)	17.3
P/B	1.7
Dividend yield (%)	2.2
Foreign ownership (%)	49

Sources: <https://s24.mbs.com.vn/>

Ownership

Platinum Victory PTE.ltd	35.7%
Nguyen Thi Mai Thanh	12.8%
Nguyen Ngoc Hai	5.5%
HFIC	5.3%
Others	40.7%

Sources: <https://s24.mbs.com.vn/>

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REE Corporation (HSX: REE)

Investment thesis and Recommendation

Investment thesis

- A diversified business with a strong focus on utility sectors generating stable cash flows, including power, clean water, and office leasing. The company holds a portfolio of subsidiaries and associates delivering high profitability, with an average ROE of 15%, outperforming industry peers.
- In the latter half of 2024, growth momentum is expected to stem from the property segment, driven by the phase 1 launch of the low-rise residential project The Light Square and the opening of E.Town 6, a new office building. These developments are anticipated to partially offset the moderate performance of the utilities segment (power and water).
- Looking ahead to 2025-2026, we see an improvement in EPS, underpinned by the recovery in hydropower from 1H24 low base. Besides, the company's long-term growth trajectory is supported by planned investments, including the development of two RE projects: Tra Khuc 2 hydropower (30MW) and Duyen Hai wind power (48MW), both expected to commence operations in 2026. Furthermore, REE is pursuing the development of three additional wind power projects in Tra Vinh with a total capacity of 344MW, reinforcing its commitment to renewable energy expansion.
- With a strategic focus on sustainable growth, REE's strong cash flow generation and ample liquidity provide the company with financial flexibility to pursue strategic investments while optimizing capital allocation to maximize returns. We believe REE presents a compelling investment case within the defensive sector, thanks to its solid financial position, superior profitability, and an expected EPS CAGR of 15% over 2025-26. The projected forward P/E ratios of 12.3x and 11.5x for 2025 and 2026, respectively, represent a ~25% discount to the current valuation, supporting a favorable upside potential for the stock.

Downside risks

- Delayed issuance of pricing mechanisms for renewable energy projects, which may hinder the progress of wind power developments.
- Narrowing profit margins in the hydropower segment due to lower-than-expected dispatch rates and sales prices.
- Lower-than-expected earnings growth could hamper ROE, making the stock less attractive to investors.

Reiterate ADD with higher TP of VND75,300/share

Reiterate ADD recommendation with a revised target price of VND 75,300/share, implying a total upside, inclusive of dividends, of 15%. Our valuation is derived using SOTP method, reflecting a 5.5% upward adjustment from the previous target. This revision primarily accounts for a reduction in the capitalization rate for the office leasing segment, lowered from 10% to 8%, to better reflect current market conditions for Grade B office spaces in HCMC. Given REE's robust financial health, strong profitability, and sustainable growth outlook, we believe this is an opportune moment for investors to accumulate shares in a company poised for consistent long-term performance.

Figure 1: SOTP summary

Unit: VNDbn	Method	Multiple	Adjusted NAV	Ownership (%)	NAV by ownership	Comment
Hydropower					16,247	
VSH	DCF	WACC: 8.6%	17,759	53%	9,338	Apply DCF valuation method for subsidiaries; WACC = 8.6% (COE:10.2%; LTG: 0%) Apply P/E valuation for hydropower associate portfolio. We set 2024-25 multiple targets of 11.0x, reflecting weaker earning outlook under lower price and modest output mobilization.
TBC	DCF	WACC: 8.6%	3,950	60%	2,386	
Nam Ban 2	DCF	WACC: 8.6%	755	100%	755	
TMP	PE	11.0x	3,919	43%	1,670	
CHP	PE	11.0x	2,721	24%	657	
SBH	PE	11.0x	3,207	26%	827	
ISH	PE	11.0x	788	34%	270	
Binh Dien Hydro	BV			26%	141	
SHP	BV			11%	203	
RE power					4,615	
Phu Lac 1,2; Loi Hai 2	DCF	WACC: 8.6%	3,053	50%	1,527	Apply DCF valuation method for subsidiaries; WACC = 8.6% (COE:10.2%; LTG: 0%)
Tra Vinh V1-3	DCF	WACC: 8.6%	2,499	100%	2,499	
Rooftop solar	DCF	WACC: 8.6%	589	100%	589	
Thermal power					1,078	
PPC	PE	9.0x	3,862	24%	931	Apply 2024 target P/E of 9.0x, captures unforable profit outlook, driven by narrowing margin.
NBP	BV			29%	71	
DTV (retail power)	BV			66%	76	
Clean Water					3,669	
Water process	PE	10.0x	-	38%	2,900	Apply a P/E multiple of 10x, aligned with the current industry average, to reflect the group's stable growth prospects.
Water distribution	PE	10.1x	2,503	32%	758	
TK plus (consulting)	BV			65%	11	
Property segment					10,092	
Office leasing	Cap rate	8%	9,660	99%	9,563	
The Light Square (Thai Binh)	NPV	12%	270	100%	270	
SGR	BV			29%	259	
M&E	PE	12.0x	1,397	100%	1,397	
VIB	BV				994	
(+) Cash & cash equivalent					6,518	
(-) Debt					9,960	
Equity value					35,452	
No of share outstanding (m share)					471	
Share price (VND/share)					75,271	
Rounded share price (VND/share)					75,300	

Sources: REE, MBS Research

Figure 2: Peer comparison

Company name	Ticker	Price	Target price	Recom.	Mkt Cap	P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)	
						Bloomberg	LC\$	LC\$	US\$m	2024	2025	2024	2025
M&E													
Hai Phong Electromechanical JSC	DHP VN	11,500	NA	NR	4	7.9	na	0.6	na	3.8	na	8.1	na
Sunway Construction Group Bhd	SCGB MK	1.8	NA	NR	1,273	34.0	na	6.7	na	26.3	na	20.6	na
Average						21.0	na	3.7	na	15.0	na	14.4	na
Hydropower													
Central Hydropower JSC	CHP VN	33,100	NA	NR	191	15.7	na	2.7	na	8.7	na	16.8	na
Gia Lai Electricity JSC	GEG VN	11,000	NA	NR	155	28.8	11.9	1.1	1.0	8.6	8.6	3.8	5.2
Vinh Son - Song Hinh Hydropower	VSH VN	51,000	NA	NR	474	32.0	na	2.5	na	11.1	na	7.7	na
Da Nhim - Ham Thuan Hydropower	DNH VN	44,000	NA	NR	731	16.5	na	3.6	na	11.8	na	19.2	na
Average						23.2	11.9	2.5	1.0	10.1	8.6	11.9	5.2
Water													
Binh Duong Water JSC	BWE VN	45,300	NA	NR	392	18.6	11.5	2.0	1.8	8.3	7.3	14.1	16.6
Thu Dau Mot Water JSC	TDM VN	49,300	NA	NR	213	14.5	11.4	2.5	2.3	11.9	12.8	8.8	13.3
Gia Dinh Water Supply JSC	GDW VN	28,500	NA	NR	11	11.1	na	1.5	na	3.3	na	13.5	na
Song Da Water Investment JSC	VCW VN	29,000	NA	NR	86	63.0	na	1.6	na	14.3	na	2.5	na
Average						26.8	11.5	1.9	na	9.5	10.1	9.7	15.0
Conglomerate													
PC1 Group JSC	PC1 VN	22,900	30,000	ADD	322	19.3	12.2	1.4	1.2	7.8	7.2	8.1	11.9
GELEX Group JSC	GEX VN	18,650	NA	NR	631	15.3	15.1	1.2	1.2	6.1	5.8	8.5	4.9
Ha Do Group JSC	HDG VN	28,550	33,900	ADD	378	14.4	9.0	1.4	1.3	7.7	5.9	13.3	16.5
Average						16.3	12.1	1.3	1.2	7.2	6.3	9.9	11.1
REE Corp	REE VN	66,000	75,300	ADD	1,236	17.3	12.3	1.4	1.4	9.1	8.4	11.2	10.5

Sources: Bloomberg, MBS Research

3Q24 & 9M24 business update

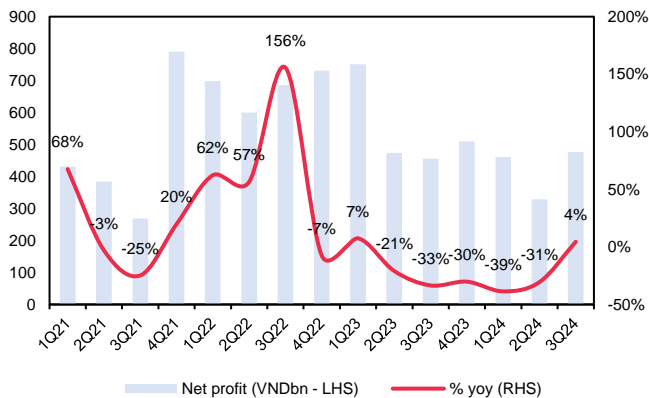
Power segment growth to support 3Q24 bottom line

Figure 3: Summary of 3Q24 and 9M24 REE's business results

Unit: VNDbn	3Q24	%yoy	%qoq	9M24	%yoy	% versus forecast	Comment
Revenue	2,029	3%	-7%	6,048	-7%	72%	Revenue increased slightly by 3% yoy, primarily supported by improved revenue from the electricity segment.
M&E	734	-4.3%	-21%	2,186	5.0%	83%	M&E revenue decreased by 4.3% yoy, mainly due to newly signed backlogs are still in the early stages of construction. As of end-3Q24, the value of newly signed contracts reached VND3,902bn, a fourfold increase from the low base of last year, primarily driven by contracts for Long Thanh Airport.
Power	1,008	13%	11%	2,942	-17%	66%	3Q24 Power revenue grew by 13% yoy, mainly supported by improved hydropower output from last year's low base. Hydrological conditions in Northern regions remained favorable, boosting the output of power plants from very low dispatch levels in 1H24.
Water	34	6%	396%	44	-25%	70%	
Office leasing & property	282	6%	-15%	876	9%	79%	3Q24 property revenue increased by 6% yoy, mainly driven by the recognition of VND80bn from the handover of The Light Square project. In 3Q24, REE also officially commissioned E.Town 6, which is expected to be a growth driver in Q4/24.
COGS	1,342	3%	-11%	3,939	6%		
Gross profit	688	5%	1%	2,109	-24%		
%GPM	34%	1d%	3d%	35%	-8d%		
SG&A	139	17%	-34%	462	13%	77%	
Financial income	63	29%	-30%	223	29%	86%	3Q24 financial income rose by 29% yoy, driven by a 53% yoy increase in interest income from deposits.
Financial expenses	185	-33%	-9%	611	-22%	68%	3Q24 financial expenses decreased 33% yoy, supported by a significant 20% yoy reduction in interest expenses.
Associates' profit	207	-5%	84%	441	-26%	62%	3Q24 associates' profit decreased slightly yoy but surged 84% qoq, driven by the recovery of hydropower, offsetting weaker performance in the water segment.
Minority interest	82	426%	67%	199	-57%	80%	
Net profit	480	7%	35%	1,315	-22%	63%	
M&E	37	-9%	256%	72	6%		3Q24 M&E's NP rose significantly qoq, mainly due to provisions for doubtful receivables from older M&E contracts recorded in Q2.
Power	258	32%	143%	602	-35%		3Q24 power's NP increased by 32% yoy from last year's low base. However, 9M24 NP still declined by 35% yoy due to weak performance in the first half of the year.
Water	72	-7%	22%	197	-25%		
Office leasing & property	110	-23%	-29%	396	-6%		Net profit from the real estate segment fell by 23% yoy, mainly due to the initial recognition of additional costs related to E.Town 6 in 3Q24.
EPS (VND/share)	1,020	7%	35%	2,794	-22%		

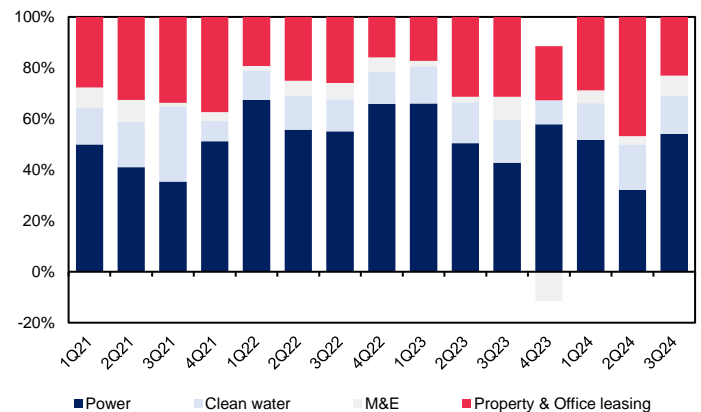
Sources: REE, MBS Research

Figure 4: Net profit growth by quarter over 2021-24



Sources: REE, MBS Research

Figure 5: Net profit structure by segment; Of which, power accounts for the largest proportion, followed by real estate and clean water



Sources: REE, MBS Research

2024-26 Outlook: Power and Property to poised growth

Power segment: Recovery expected in 2H24, led by hydropower

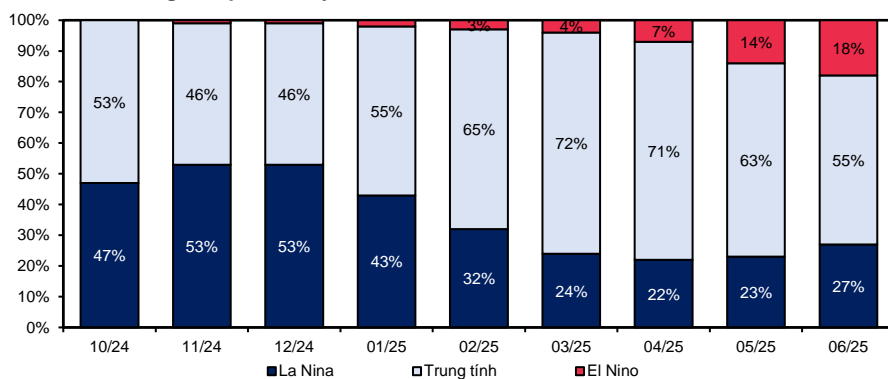
Hydropower is anticipated to improve in 2H24; however, it is unlikely to fully offset the impact of lower selling prices and reduced output in the first half

Moving into 4Q24, the National Center for Hydro-Meteorological Forecasting predicts that total rainfall across the Central Region, Central Highlands, and Southern Vietnam will remain in line with the multi-year average, while rainfall in the Central Central Region is expected to exceed the average by 5-15%. We believe this will provide moderate support for hydrological conditions and power generation, rebounding from the low base of last year. However, we estimate that revenue and net profit for the whole 2024 will decline by 22.9% yoy and 35.1% yoy, respectively, reaching VND2,315bn and VND697bn, due to:

- The recovery in output during the second half of the year is insufficient to offset the significant shortfall in the first half.
- Hydropower selling prices are expected to decrease by 10% yoy as the Ministry of Industry and Trade adjusts the Qm ratio from 10% in 2023 to 2% in 2024. This will reduce the availability of high-priced capacity and compress the segment’s profit margins.

For 2025, we project revenue and net profit for the hydropower segment to recover to VND2,637bn (+14% yoy) and VND908bn (+30% yoy), driven by a rebound from the low base of 1H24 and supported by the continuation of the La Niña phase through at least 1Q25. For 2026, we forecast revenue and net profit to reach VND2,773bn (+6% yoy) and VND948bn (+5% yoy), based on a conservative assumption of average hydropower output over a three-year period.

Figure 6: According to IRI, La Nina phase to last until 1Q25, and then Neutral phase to dominate with highest possibility



Sources: IRI, MBS Research

REE plans capacity expansion in 2024, anticipating output growth as Duyen Hai comes online in 2026

In 2024, REE successfully acquired 100% ownership of the Tra Khuc 2 hydropower plant (30MW) and a 70% stake in the Duyen Hai wind power project (48MW). Both projects are slated to commence construction between late 2024 and early 2025, with total investment costs of VND1,200bn and VND2,200bn, respectively. These additions will bring REE’s total installed capacity to approximately 1,100MW.

Wind power output is expected to remain stable in 2024-25, with an estimated production of 389m kWh and corresponding revenue of VND882bn (+6.1% yoy), achieving an average utilization rate of 90% compared to the designed capacity. Looking ahead to 2026, we anticipate the Duyen Hai project (48MW) to begin operations in 1Q26 as per REE's timeline, contributing to a 25% yoy increase in total wind power output, reaching 487m kWh.

For rooftop solar, output is projected to grow steadily over 2024-26, reaching approximately 149m kWh annually. Net profit 2024-26 is expected to improve, driven by lower interest and operating costs of 2024 of VND76bn (+53% yoy), VND93bn (+21% yoy) and VND98bn (+6% yoy), respectively.

Figure 7: 2024-26 power outlook forecast

Unit: VNDbn	2023	2024	%yoy	2025	%yoy	2026	%yoy
Total volume*	10,041	10,479	4.4%	11,370	8.5%	11,634	2.3%
Hydropower	5,694	5,088	-10.7%	5,666	11.4%	5,673	0.1%
Wind power	389	389	0.0%	389	0.0%	487	25.1%
Solar rooftop	134	145	7.9%	149	3.1%	149	0.0%
Retail power	318	331	4.0%	344	4.0%	357	3.8%
Thermal power	3,506	4,527	29.1%	4,822	6.5%	4,968	3.0%
Revenue (consolidated)	4,717	4,171	-11.6%	4,540	8.9%	4,905	8.0%
Hydropower	3,001	2,315	-22.9%	2,637	13.9%	2,773	5.2%
Wind power	831	882	6.1%	882	0.0%	1,066	20.9%
Solar rooftop	256	296	15.5%	312	5.6%	312	0.0%
Retail power	630	679	7.7%	709	4.5%	754	6.3%
Thermal power	-	-	-	-	-	-	-
NPAT (consolidated)	1,315	1,051	-20.1%	1,261	19.9%	1,338	6.2%
Hydropower	1,074	697	-35.1%	908	30.3%	948	4.4%
Wind power	188	244	29.9%	232	-5.0%	249	7.2%
Solar rooftop	50	76	53.4%	93	21.4%	98	5.5%
Retail power	16	18	17.2%	19	2.0%	20	9.3%
Thermal power	88	102	16.0%	116	13.0%	128	10.8%

(*) Total output exclude consolidation factors

Sources: REE, MBS Research

Figure 8: REE power portfolio (including ongoing projects)

Project	Capacity (MW)	Ownership (%)	Capacity by ownership (MW)	Location	Progress
Hydropower	1,401		551		
VSH	356	53%	187	Binh Dinh - Phu Yen	
TBC	120	60%	72	Yen Bai	
Muong Hum	35	80%	28	Lao Cai	
Nam Ban 2	22	100%	22	Lai Chau	
TMP	210	43%	89	Binh Phuoc	Include a 50MWp solar farm
SBH	220	26%	57	Phu Yen, Gia Lai	
ISH	51	34%	17	Binh Phuong	
CHP	220	24%	53	Hue	Include a 50MWp solar farm
Binh Dien Hydro	44	26%	11	Hue	
SHP	123	11%	14	Lam Dong	
Tra Khuc 2*	30	100%	30	Quang Ngai	Expect to operate from 2027
Thac Ba 2*	19	36%	7	Yen Bai	Expect to operate from 2025
Thermal power	1,140		269		
PPC	1,040	23%	239	Hai Duong	
NBP	100	30%	30	Ninh Binh	
RE power	244		205		
Rooftop solar	118	100%	118		
Phu Lac 1	24	50%	12	Binh Thuan	
Phu Lac 2	25	50%	13	Binh Thuan	
Loi Hai 2	29	50%	15	Binh Thuan	
Tra Vinh V1-3	48	100%	48	Tra Vinh	
Tra Vinh V1-4*	48	70%	34	Tra Vinh	Expected to operate from 2026
Tra Vinh V1-4 phase 2*	48	na	48	Tra Vinh	Propose to include in the PDP8
Tra Vinh V3-5 & V3-7*	296	na	296	Tra Vinh	Propose to include in the PDP8
Total capacity	2,785		1,025		
Total additional capacity	3,178		1,439		

Sources: REE, MBS Research

Additionally, the company shared that it is currently promoting proposals to develop an additional 344 MW of RE capacity in Tra Vinh, including location V1-4 phase 2 (48 MW), V3-5 (96 MW), and V3-7 (200 MW). We believe this will remain the company's primary investment strategy in the long term, which is a prudent approach as many investors anticipate a new pricing mechanism for renewable energy to be issued in 2025, following EPTC's recent submission of a pricing framework to EVN for further evaluation. Accordingly, the proposed price range for offshore wind projects is expected to be around 1,890–1,910 VND/kWh, approximately 4% higher than the transitional tariff. Furthermore, the company is seeking opportunities to participate in the DPPA mechanism, pending the issuance of detailed guidelines by the government. This strategy aligns with the significant demand for "clean energy" from FDI enterprises in the near future.

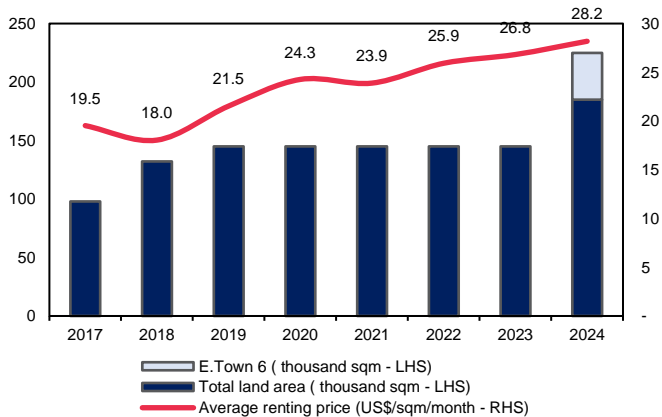
Property and Office leasing: Key growth driver from 2024

Office Leasing: E.Town 6 ready for operation from 3Q24

E.Town 6, REE's new grade B office building, officially commenced operations in 3Q24, increasing the company's total leasable area by 25% to 181,652m². We estimate that the building will operate with an occupancy rate of approximately 30% in its first year. Meanwhile, other buildings in the portfolio are expected to maintain an average occupancy rate of around 96%, driving office leasing revenue growth by 14% yoy to VND1,198bn. The average rental rate is forecasted to increase by 9% yoy, supported by rising office demand in HCMC and the higher rental prices commanded by E.Town 6 due to its modern facilities. However, we expect 2024 net profit from the office leasing segment to remain flat yoy, primarily due to the recognition of additional depreciation costs associated with the new project. Looking ahead to 2025–2026, we anticipate that E.Town 6's occupancy rate will gradually increase to 90% as it stabilizes, driving net profit from the office leasing segment to VND651bn (+24% yoy) in 2025 and VND733bn (+13% yoy) in 2026.

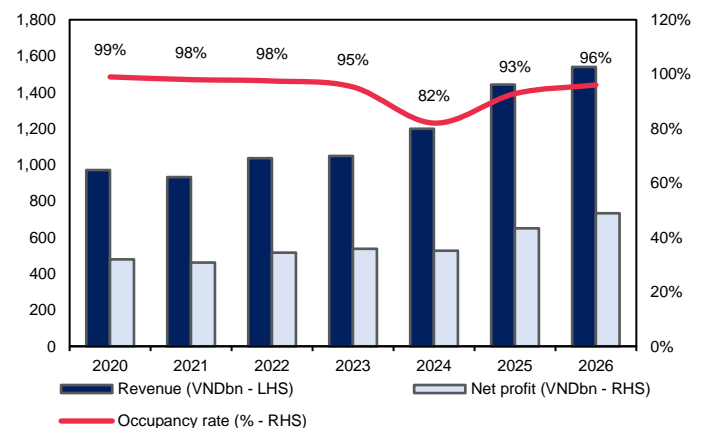
Additionally, REE is planning to invest in a new office building project in Phuoc Huu, Thu Duc, Ho Chi Minh City, which is expected to commence operations by 2027. We will incorporate this project into our valuation model once more detailed information becomes available.

Figure 9: E.Town 6 coming into operation will increase the total rental area of the enterprise to 181,652 m2



Sources: REE, MBS Research

Figure 10: 2025-26 net profit to record yoy growth, supported by new building with higher leasing price



Sources: REE, MBS Research

Residential property: Revenue recognition from The Light Square from 3Q24

In 2024, the commercial housing project The Light Square, which commenced phase 1 construction in 2Q23, is expected to begin sales from January 2024 and deliver units by 2Q24. Phase 1 includes four rows of townhouses (44 terraced houses and 7 villas) located along Ly Bon Street, Thai Binh. The project benefits from proximity to schools, hospitals, and government offices, as well as its position within a future urban area earmarked for high-end business, shopping, entertainment, and office developments in the city.

With an estimated average selling price of VND15bn per unit (80–90 m²) and VND28bn for villas (170 m²), we project total revenue from phase 1 to reach VND890bn. Net profit is expected to reach VND312bn, maintaining a net profit margin of approximately 35%. Revenue recognition is anticipated at 45% in 2024 and 55% in 2025, given the project's prime location and reasonable average selling price of VND150–160m/m².

Figure 11: Thai Binh Light Square project overview, Phase 1 includes low-rise buildings, and Phase 2 contains of commercial apartment

Figure 12: Summary of project information



Sources: REE, MBS Research

Project name: The Light Square (Phase 1)

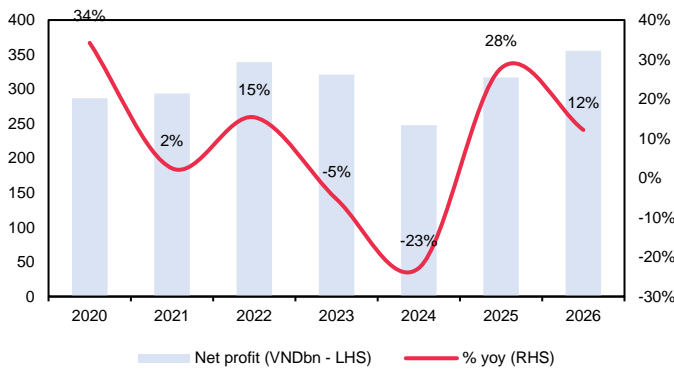
- Ownership: 100%
- Location: Bo Xuyen Ward, Thai Binh City
- Scale: ~5,000 m²; including 44 townhouses, shophouses and 7 villas
- Product type: Low-rise apartment project with selling price of around 150-160m VND/m²
- Sale progress: Officially opened for sale from 1Q24, expected to handover 45% unit in 2024 and 55% in 2025.
- Phase 1 revenue: VND890bn (allocated 45% in 2024)
- Estimated profit margin: 35%

Sources: REE, MBS Research

Clean water: Profit expected to decline due to cost burden from VCW

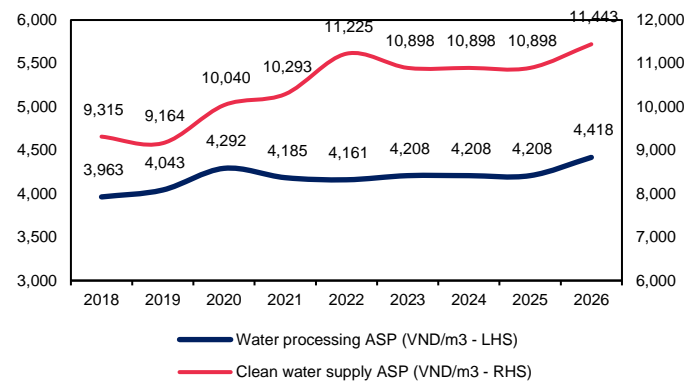
In 2024, water segment is expected to remain stable, as most of water plants are currently operating at full capacity, with no significant expansion plans in the near term. However, VCW (a 36%-owned associate of REE) is projected to record a net loss of VN 98bn in 2024. This is primarily due to increased depreciation and interest expenses, following the commissioning of new water supply project, which has eroded the company's profitability. Specifically, the Song Da phase 2, which includes a water treatment plant and a water distribution pipeline system, will double VCW's total water processing capacity to 600,000 m³ per day and expected to be completed by 2025. As a result, we anticipate VCW's profitability to improve starting in 2026, driven by increased water supply volumes. Consequently, REE's water segment profit is projected to decline by 23% yoy in 2024, reaching VND247bn. However, a recovery is expected in 2025, with profit rising by 23% yoy to VND316bn, and further increasing by 12% yoy to VND355bn in 2026, supported primarily by VCW's growth.

Figure 13: Earnings to decline in 2024 before recovering from 2025 due to VCW's capacity expansion project



Sources: REE, MBS Research

Figure 14: Water prices are expected to remain flat and increase slightly in 2026 due to VCW's new plant coming into operation



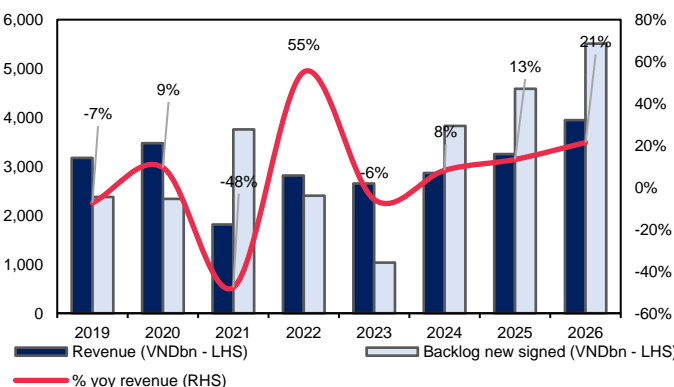
Sources: REE, MBS Research

M&E segment: Positive outlook from securing Airport terminal contracts

In 2024, M&E's revenue and net profit to reach VND2,869bn (+8% yoy) and VND116bn, recovering from a net loss in 2023 caused by provisioning for receivables in 4Q23. During 9M24, the company secured significant M&E contracts, primarily related to the construction of Long Thanh International Airport, with a total backlog of VND3,902bn as of the end of Q3/24. Given the continued challenges in the residential and high-end hotel segments—traditionally strong areas for REE—the company is shifting its focus to public investment projects funded by state capital, which aligns with its strategic strengths. Consequently, 2024 is expected to be a pivotal year, laying the groundwork for future recovery in the following years.

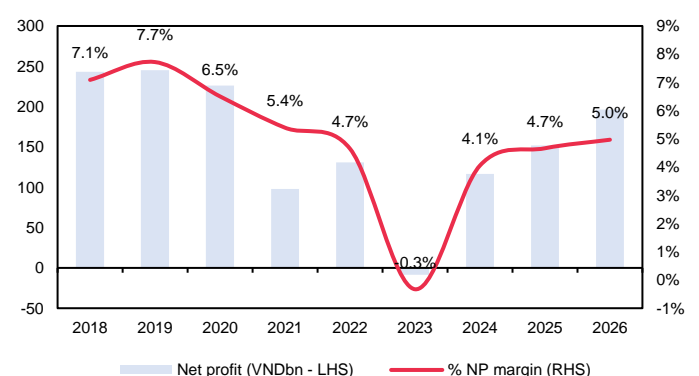
Looking ahead to 2025, we expect the property market, particularly in HCMC, to recover as the official land price framework has been issued. This serves as a crucial foundation for businesses to proceed with land use fee payments and obtain construction permits, thereby increasing workload for REE. We forecast 2025 revenue and net profit to reach VND3,252bn (+14% yoy) and VND152bn (+30% yoy), respectively. For 2026, we project revenue to rise to VND3,948bn (+21% yoy) and net profit to grow to VND196bn (+29% yoy). We believe there is remained room for profit growth in the coming years, gradually returning to pre-pandemic profit levels. However, this recovery will require more time due to the highly competitive nature of the M&E industry, characterized by intense price competition and increasingly narrow profit margins across the sector.

Figure 15: Revenue and back-log growth forecast to recover from low base in 2023-24 with impetus from public investment projects



Sources: REE, MBS Research

Figure 16: 2024 NP will recover, however, profit margin will remain lower than the pre-pandemic due to strong competition in the industry



Sources: REE, MBS Research

2024-26 revision: Sustained growth momentum

In 2024, the company targets revenue growth of 23% yoy to VND10,588bn and a net profit increase of 10% yoy to VND2,409bn, exceeding MBS projections. This variance is primarily attributed to our more conservative outlook on the recovery of hydropower in the second half of the year. Additionally, the company plans to distribute a 25% dividend this year, comprising 10% in cash and 15% in stock, translating to a current dividend yield of approximately 2.2%

Figure 17: 2024-26 REE's forecast revision

VNDbn	2024	%yoy	%Δ	2025	%yoy	%Δ	2026	%yoy	%Δ	Comment
Revenue	8,778	2.3%	-7.4%	9,874	12.5%	-1.4%	10,551	6.8%	3.9%	
Power	4,171	-11.6%	-3.8%	4,540	8.9%	-3.9%	4,905	8.0%	-1.1%	
Clean water	141	110.0%	0.0%	149	6.0%	0.0%	158	6.0%	0.0%	
Property & Office leasing	1,597	52.3%	-15.8%	1,933	21.0%	7.9%	1,539	-20.4%	0.0%	The Light Square handover schedule is mainly delay to 2025
M&E	2,869	8.2%	-7.5%	3,252	13.3%	-2.9%	3,948	21.4%	3.9%	
COGS	5,472	12.6%	-6.0%	6,049	10.5%	-0.3%	6,556	8.4%	5.6%	
LN gộp	3,298	-11.1%	-9.9%	3,816	15.7%	-3.3%	3,984	4.4%	0.9%	
%GPM	38%			39%			38%			
SG&A	638	-15.5%	-7.4%	718	12.5%	-1.4%	788	9.7%	3.9%	
Financial income	247	8.7%	-1.3%	316	28.1%	-2.2%	467	47.8%	-3.0%	
Financial expenses	902	-11.2%	0.0%	808	-10.4%	-0.5%	754	-6.7%	-4.5%	
Associates' profit	681	-22.3%	-14.5%	848	24.4%	-6.8%	878	3.5%	-5.7%	Revised down 2024 associates' profit, reflect weaker performance of hydropower and water segment in 1H24
Net profit	2,020	-7.7%	-14.0%	2,531	25.3%	-3.8%	2,732	8.0%	-0.9%	
Power	1,051	-19.8%	-13.1%	1,261	19.9%	-8.7%	1,338	6.2%	-1.0%	Revised down 2024 power NP to reflect weaker performance of hydropower.
Clean water	248	-22.8%	-4.0%	317	27.8%	0.0%	355	12.2%	0.0%	
Property & Office leasing	712	26.1%	-14.4%	823	15.7%	4.9%	734	-10.9%	0.0%	Revised down property NP, reflecting 1) delay in The Light Square handover; 2) More conservative occupancy rate for E.Town 6.
M&E	116	na	-7.5%	152	30.4%	-2.9%	196	29.3%	12.8%	

Sources: REE, MBS Research

Financial statements

Income statement					Cash flow statement				
	2023	2024F	2025F	2026F		2023	2024F	2025F	2026F
Net revenue	8,579	8,778	9,874	10,551	Pre-tax profit	3,056	2,677	3,435	3,762
Cost of sales	(4,860)	(5,472)	(6,049)	(6,556)	Depreciation & amortization	1,264	1,368	1,403	1,480
Gross profit	3,710	3,298	3,816	3,984	Tax paid	(372)	(283)	(403)	(450)
Gen & admin expenses	(663)	(498)	(584)	(648)	Other adjustments	161	(26)	(355)	(591)
Selling expenses	(93)	(141)	(134)	(139)	Change in working capital	(302)	402	(51)	(240)
Operating profit	2,954	2,660	3,098	3,197	Cash flow from operations	2,817	3,308	3,200	3,169
Operating EBITDA	4,180	4,028	4,501	4,677	Capex	(873)	(632)	(1,210)	(550)
EBIT	2,954	2,660	3,098	3,197	Proceeds from assets sales	15	-	-	-
Interest income	227	247	316	467	Cash flow from investing activities	642	(1,390)	(924)	(1,055)
Financial expense	(1,016)	(902)	(808)	(754)	New share issuance	-	-	-	-
Net other income	14	(9)	(19)	(25)	Net borrowings	(701)	(38)	(1,844)	(551)
Income from associates	877	681	848	878	Other financing cash flow	-	-	-	-
Pre-tax profit	3,056	2,677	3,435	3,762	Dividends paid	(886)	(410)	(410)	(410)
Tax expense	(269)	(283)	(403)	(450)	Cash flow from financing activities	(1,588)	(1,000)	(2,310)	(1,345)
NPAT	2,787	2,393	3,032	3,311	Cash and equivalents at beginning of period	1,151	3,023	3,941	3,907
Minority interest	(598)	(373)	(502)	(580)	Total cash generated	1,872	918	(34)	769
Net profit	2,188	2,020	2,531	2,732	Cash and equivalents at the end of period	3,023	3,941	3,907	4,676
Ordinary dividends	(886)	(410)	(410)	(410)					
Retained earnings	1,302	1,611	2,121	2,322					
Balance sheet					Key ratios				
	2023	2024F	2025F	2026F		2023	2024F	2025F	2026F
Cash and equivalents	3,023	3,941	3,907	4,676	Net revenue growth	-8.5%	2.3%	12.5%	6.8%
Short term investments	1,132	2,577	3,817	5,339	EBITDA growth	-8.3%	-3.6%	11.8%	3.9%
Accounts receivables	3,780	3,948	4,204	4,676	EBIT growth	-19.4%	-10.0%	16.5%	3.2%
Inventories	1,354	1,339	1,452	1,597	Pre-tax profit growth	-21.2%	-12.4%	28.3%	9.5%
Other current assets	235	322	317	349	Net profit growth	-18.7%	-7.7%	25.3%	8.0%
Total current assets	9,524	12,128	13,696	16,637	EPS growth	-18.7%	-7.7%	25.3%	8.0%
Tangible fixed assets	14,845	15,124	13,874	12,393	Gross profit margin	43.2%	37.6%	38.7%	37.8%
Intangible fixed assets	71	71	71	71	EBITDA margin	48.7%	45.9%	45.6%	44.3%
Construction in progress	1,608	505	968	440	Net profit margin	25.5%	23.0%	25.6%	25.9%
Investments in subsidiaries	1,345	1,345	1,345	1,345	ROAE	11.3%	9.5%	10.6%	10.2%
Investments in associates	6,560	7,242	8,090	8,967	ROAA	6.4%	5.6%	6.7%	6.9%
Other long-term investments	-	-	-	-	ROIC				
Other long-term assets	941	964	1,064	1,158	Asset turnover ratio	24.9%	24.4%	26.2%	26.8%
Total non-current assets	25,388	24,950	24,497	23,984	Dividend payout ratio	40.5%	20.3%	16.2%	15.0%
Total assets	34,912	37,078	38,193	40,622	D/E	68.1%	67.0%	54.2%	48.9%
Short-term borrowings	1,238	1,483	205	582	Net debt to total equity	37.2%	30.5%	20.0%	13.3%
Trade accounts payable	619	796	889	967	Net debt to asset	22.1%	18.2%	13.0%	8.9%
Other payables	2,087	2,554	2,773	3,104	Interest coverage ratio	3.1	2.9	3.8	4.2
Total current liabilities	3,945	4,832	3,866	4,653	Days account receivable	166	164	155	162
Long-term borrowings	9,505	9,222	8,657	7,728	Days inventory	104	89	88	89
Other long-term payables	693	822	903	956	Days account payable	48	53	54	54
Total long-term liabilities	10,198	10,044	9,559	8,683	Current ratio	2.4	2.5	3.5	3.6
Total liabilities	14,142	14,876	13,425	13,337	Quick ratio	2.1	2.2	3.2	3.2
Common shares	4,097	4,097	4,097	4,097	Cash ratio	1.1	1.3	2.0	2.2
Share premium	-	-	-	1					
Treasury shares	-	-	-	-	Valuation				
Undistributed earnings	11,802	13,413	15,534	17,856	EPS (VND/share)	4,656	4,298	5,384	5,812
Investment and development funds	-	-	-	-	BVPS (VND/share)	41,174	45,394	50,974	57,148
Foreign exchange differences	-	-	-	-	P/E (x)	14.2	15.4	12.3	11.4
Shareholders' equity	19,352	21,335	23,958	26,860	P/B (x)	1.6	1.5	1.3	1.2
Minority interest	3,452	3,825	4,327	4,907					
Total shareholders' equity	20,770	22,201	24,768	27,285					
Total liabilities & equity	34,912	37,078	38,193	40,622					

Sources: REE, MBS Research

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MBS RECOMMENDATION FRAMEWORK

Stock Ratings

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Add	The stock's total return is expected to reach 15% or higher over the next 12 months
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

Sector Ratings

Positive	Stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
Neutral	Stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Negative	Stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

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Duc Nguyen Minh

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Industrials – Energy

Tung Nguyen Ha Duc

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