

## REE: Q4 2022: Earning Release.

REE's consolidated Q4 2022 revenue achieved 3,070 bn VND, **+62% YoY**, while COGS was 1,719 bn VND, **+66% YoY**, leaving gross profit of 1,351 bn VND, **+57% YoY**. COGS could outpace revenue, which contributed in less gross profit gain and deteriorated gross margin due to the large growth in M&E sector revenue (1,159 bn VND in Q4 2022, **+133% YoY**), which holds a much smaller gross margin rate.

In contrast, the 2022 consolidated revenue was 9,372 bn VND, **+61% YoY**, whereas COGS was 5,056 bn VND, **+44% YoY**, leading to a gross profit of 4,316 bn VND, **+87% YoY**, thanks primarily to current renewable energy projects, including Thuong Kon Tum hydropower (VSH) and three (3) wind power plants: Phu Lac 2, Loi Hai 2 and Tra Vinh V1-3; which have commenced operation since Q4 2021. Therefore, the 2022 energy sector revenue increased by **+81% YoY**, reaching 5,364 bn VND, while Q4 2022 revenue was 1,557 bn VND, **+41% YoY**, additionally on the grounds of La Nina, which gave rise to higher precipitation than many years' average, which favored hydroelectricity among REE's portfolio in general. Nonetheless, these energy projects accompanied a hike in fixed as well as administrative costs, which nearly doubled in Q4 2022: 304 bn VND, over the same period (cumulative 2022: 580 bn VND, **+57% YoY**).

The Q4 2022 financial revenue was only 59 bn VND, **-76% YoY**; similarly, 2022 was 203 bn VND, **-56% YoY**. This happened partially because of the 190 bn VND one-off divestment of Vietnam Property and Infrastructure JSC (VIVD). The referenced number was also reflected in Q4 2021 real estate sector net earning, with 295 bn VND compared to 116 bn VND in Q4 2022. As a result, the 2022 real estate EAT field reported a descent of **-8% YoY** to 579 bn VND. Excluding this one-off, 2022 real estate net profit would increase by **+32% YoY**. Moreover, 2022 financial expense faced an ascent of 236 bn VND, to 943 bn VND, mostly from an increasing interest expense in order to finance various corporation's renewable projects.

Furthermore, REE's water field attained 154 bn VND in revenue, **+67% YoY**; and 339 bn VND in EAT, **+24% YoY**, on the grounds of the normalization of the economy, resulting in the resumption of many household and production activities.

Besides, in 2022 REE's cash downed by **-37% YoY**, to 1,151 bn VND, whereas short-term financial investment was almost twice as much as in 2021, in which securities investment rose by 738 bn VND. This is a 38.8 milshare investment in Vietnam International Bank (VIB), at an average price of 19,000 VND per share. Using the VIB closing price of 23,600 VND on February 1st, 2023 as a proxy, REE makes a temporary profit of 178 billion VND before taxes and fees.

Unit: bn VND	Q4 2021	Q4 2022	YoY	2021	2022	YoY
<b>Revenue</b>	1,898	3,070	62%	5,810	9,372	61%
<b>Gross profit</b>	<b>861</b>	<b>1,351</b>	<b>57%</b>	<b>2,310</b>	<b>4,316</b>	<b>87%</b>
<i>Gross margin</i>	45.4%	44.0%		39.8%	46.1%	
<b>Financial income</b>	242	59	-76%	466	203	-56%
<b>Financial expense</b>	202	247	22%	707	943	33%
<b>Administrative cost</b>	156	304	95%	370	580	57%
<b>EBT</b>	<b>1,030</b>	<b>1,060</b>	<b>3%</b>	<b>2,401</b>	<b>3,877</b>	<b>61%</b>
<b>EAT</b>	<b>922</b>	<b>967</b>	<b>5%</b>	<b>2,137</b>	<b>3,514</b>	<b>64%</b>
<b>Net profit</b>	<b>791</b>	<b>718</b>	<b>-9%</b>	<b>1,857</b>	<b>2,691</b>	<b>45%</b>
<b>Net margin</b>	42%	23%		32%	29%	
<b>Cash</b>				1,831	1,151	59%
<b>Short-term financial investment</b>				914	1,749	91%
<i>Securities investment</i>				73	790	982%
<b>Customer receivables</b>				2,035	2,665	31%

Sources: REE, ACBS

Unit: bn VND	Q4 2021	%	Q4 2022	%	YoY	2021	%	2022	%	YoY
M&E	498	26%	1,159	38%	<b>133%</b>	1,817	31%	2,815	30%	<b>55%</b>
Real Es	251	13%	263	9%	<b>5%</b>	938	16%	1,037	11%	<b>11%</b>
Power	1105	58%	1557	51%	<b>41%</b>	2,963	51%	5,364	57%	<b>81%</b>
Water	44	2%	90	3%	<b>105%</b>	92	2%	154	2%	<b>67%</b>
<b>Total revenue</b>	<b>1,898</b>		<b>3,069</b>		<b>62%</b>	<b>5,810</b>		<b>9,370</b>		<b>61%</b>
M&E	27	3.4%	39	5%	<b>44%</b>	99	5%	130	5%	<b>31%</b>
Real Es	295	37.2%	116	16%	<b>-61%</b>	629	34%	579	22%	<b>-8%</b>
Power	405	51.1%	482	67%	<b>19%</b>	872	47%	1,666	62%	<b>91%</b>
Water	64	8.1%	91	13%	<b>42%</b>	274	15%	339	13%	<b>24%</b>
<b>Total profit</b>	<b>792</b>		<b>718</b>		<b>-9%</b>	<b>1,855</b>		<b>2,690</b>		<b>45%</b>

Sources: REE, ACBS

**Comments:**

REE posted a fabulous result in 2022, thanks in part to the La Nina cycle that occurred in 2022, as three (3) consecutive years combined with new renewable generators were put into operation. As a result, we project that the overall corporation's growth in 2023 will not be as outstanding as in 2022 on the following reasons:

1. The La Nina cycle is past and replaced by El Nino, which favors thermal energy over hydropower,
2. Lacking growing prospects in the absence of new promising projects, except in the M&E sector,
3. Lastly, we expect the M&E sector will become the 2023 spearhead among REE's portfolio owing to public disbursement investment, REE's reputation, and its large scale, allowing the company to successfully tender for many attractive contracts. For example, expanding Tan Son Nhat Terminal 3 or Long Thanh airport.

The Etown 6 office leasing building project is still on schedule and should be finalized in Q4 2023. We forecast this is the key factor that will enable REE to thrive in 2024..

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