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REE Corporation (REE)

1Q earnings dragged down by hydro power & COVID-19

1Q earnings down by 27% YoY but revenue up slightly by 9%

— 1Q earnings down 27% YoY to VND278 billion due to: 1) unfavorable weather conditions for the hydro power plants that led to 46% YoY drop in earnings to VND100 billion for the utilities segment; 2) negative COVID-19 impact on the Mechanical & Electrical Engineering (M&E) segment that saw profits fall by 40% YoY to VND 33 billion; and some offset from 3) the 19% YoY increase in profits to VND127 billion for the office leasing segment after the new Etown 5 project officially began operations in 4Q 2019. Revenue reached VND1,184 billion or up 9% YoY and benefitted from the inclusion of the *Huong Hum Hydro Power* and *Thuan Binh Wind Power* subsidiaries into the REE's consolidation from 4Q 2019.

Management guiding flat earnings performance for 2020E

— Management expects 2020E earnings of VND1,620 billion (down 1.2% YoY) on revenue of VND5,965 billion (up 23% YoY) alongside more favorable weather conditions for the hydroelectric segment that should allow better business performance in the second half. The company plans to approve this business plan at the annual general shareholders' meeting scheduled for May 15th and also to declare a cash dividend of VND1,600 per share for 2019 earnings. Moreover, management will propose adopting a new holding company structure separating business lines into four segments – M&E, Real Estate, Power and Water – to facilitate more transparent capital raising activities. Management believes the new structure will allow investors to better assess the fair value of each business and allow the combined entity to reach the BOD's target of USD1 billion market capitalization over the next five years.

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Investment ratings & definitions

Investment Ratings for Stocks

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

Buy:	Hold:	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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