

Rating Update:

FiinRatings reaffirms BCG's 'BB' rating; revises outlook to Stable

Long-term Issuer Credit Rating (ICR*): **BB**

Outlook: **Stable**

Hanoi, 28 June 2022

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* This rating is an Issuer Credit Rating (ICR). An ICR reflects our view of the senior unsecured credit rating of an issuer and is not specific to a debt instrument such as a bond that it may issue.

The rating scale used by FiinRatings is national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

The rating presented in this announcement is effective from the rating date, until and unless we make any further updates.

This document is prepared in both English and Vietnamese. The English translation is for reference only and the Vietnamese version will prevail in the event of any inconsistency between the English version and the Vietnamese version.

Hanoi, 28 June 2022

FiinRatings has reaffirmed Bamboo Capital Joint Stock Company's ("BCG") long-term issuer rating of '**BB**' and revised the rating outlook to '**Stable**' from Positive. The rating outlook revision is primarily based on the reflection of changes in the operating environment of BCG and also its expansion plan into new business lines such as insurance and pharmaceutical industries which we believe will keep the Financial Risk Profile in the medium term at **Significant** level and the Business risk profile remains unchanged at **Fair** category. In our view, a positive rating action is remote and only be warranted if the company could accelerate the deleveraging process and better-than-expected core ratios such as Debt/EBITDA of less than 5.x in the near term.

Rating Sensitivity Factors:

We could take positive rating actions if the Company is able to:

- ❖ The company's business risk profile improves while maintaining its current financial risk profile. Improvements to its business risk profile may include: i) the company developing a track record in project finance repayments after they enter operation, leading to steady and consistent accruals to capital thereby lowering the leverage and improving financial flexibility; ii) no significant delay in selling activities for its real estate projects or if its cash flow generated from these projects come earlier than expected;
- ❖ As the real estate and renewable energy projects continue to generate cash flows, the company gradually uses these proceeds to pay back its project loans, reducing or maintaining its leverage of Debt/EBITDA to less than 5.0x in upcoming periods.

We could take negative rating actions in cases:

- ❖ The company's business risk profile deteriorates. This scenario could occur if i) the Company aggressively expands its investment activities in non-core competency segments or capital-intensive industries which materially erode its financial flexibility, or ii) the company's future energy projects have exposure to uncertainty related to the regulatory framework, or iii) substandard operation of completed projects, seriously affecting project payback and cash flow generation;
- ❖ The company's leverage position deteriorates materially with Debt to EBITDA increasing beyond 10.0x in the coming periods.

Rating Rationale

BCG's recent successful fundraising events included both equity infusion and bond issuance which are sufficient to maintain ratios commensurate with FiinRatings “**BB**” rating on the Company:

- ❖ In the first quarter of 2022, the Company has announced its total VND 1,785 bn equity raised by offering to current shareholders followed by VND 500 bn bond issuance by public offering which are aligned with our expectation of the Company's overall financing plan in 2021, the Company should therefore be able to maintain debt-to-debt plus equity and debt-to-EBITDA ratios at about 60% and 7.x-8.x, respectively, in 2022-2023. According to the financial statement in Q1.2022, BCG has reduced its leverage ratio (Total liabilities/Equity) to 2.7x from 3.5x at end of 2021 and the management expects to reduce this level to less than 2.0x within 2022.
- ❖ Additionally, the Company has also finished offering to strategic investors to raise another round of new equity (VND 1,140 bn) in the second quarter of 2022, we think this series of events will be the key theme of BCG financing activities in the medium-term to deleverage its capital structure as discussed by the Management team of BCG, hence we believe these levels of leverage are consistent with our “BB” rating's ratio requirements, such as debt to debt plus equity around 60% which we maintained the Financial risk profile of BCG at **Significant** level.
- ❖ Renewable energy projects have contributed significantly to the total revenue of BCG in 2021, the Company has finished phase 2 of Phu My project (114MW) which increased the installed capacity of BCG Energy from 450MW to 550MW at end of 2021. We believe the current pipeline of BCG Energy would bring a stable cash flow to support the whole group as the energy demand keep rising in recent months (the consumption of electricity in Vietnam has increased 7.8% YoY in Q1.2022 and estimated to increase 9.2% YoY for 2022) as demand keeps rising, the risk of cut-off on production subsidies, BCG Energy has recorded improved earnings in Q1.2022. Additionally, to limit the risk of cut-off productions, BCG has been working with foreign investors to invest in solar rooftop projects, FiinRatings believes this approach is proper in the long-term for the case where direct power purchase agreements are settled between renewable energy developers and manufacturing companies with considerable power demands.
- ❖ Due to the unprecedented situation caused by Covid-19, the real estate industry has faced downward pressure as most properties developers have to cease their construction and selling activities as low mobilization during social distancing periods, BCG is no exception and has to delay recording its revenue from real estate segment especially the project Malibu Hoi An (villas and condotels) which made the total revenue in 2021 failed short of the plan. Nevertheless, the selling prices for both residential properties and tourism properties have increased notably for the past 2 years due to the limited supplies in the market, we believe this would offset the negative impacts of the pandemic on the performance of BCG in 2021 and record higher profit margin from this segment in 2022. Looking forward, BCG has still possessed a well-diversified real estate portfolio including residential projects (King Crown City, Thao Dien Village...) and tourism projects in a prime location (Hoi An D'or) which would help to enhance BCG's earnings in 2022.

The Rating Outlook has been revised to Stable from Positive to reflect changes in the Company's operating environment and its expansion plans into new business segments. FiinRatings assesses the Rating Outlook will be kept stable in the next 12-24 months, as it is likely that the Company will still have to maintain the leverage ratio (Debt/EBITDA) at **Significant** level in the medium-term to support its penetration into industries requiring substantial capital investments:

- ❖ BCG recently has added an insurance company, and a pharmaceutical manufacturing company into its ecosystem of services with its plans to utilize the competitive advantages of each business line to optimize its operating cost, benefit from economies of scale and drive better profit margin. However, the synergies have remained untested and the Company has to demonstrate its capability to integrate newly acquired portfolios. We, therefore, view the company's Business risk profile as still adequately positioned in the **Fair** category and now require a much-improved debt-to-debt-plus-equity ratio and debt/EBITDA for a rating upgrade.
- ❖ An important aspect related to BCG 's core business activities which is renewable energy is being affected by the delay in the approval of a new purchasing power scheme in the power development plan 8 ("PDP8"). We have also factored in the changes in the operating landscape of the real estate industry due to recent events when the State Bank of Vietnam and the Ministry of Finance have issued regulations to tighten capital inflows into the real estates sector such as Circular 16/2021/TT-NHNN and draft amendments to Decree 153 on private placement of corporate bonds, these events coupled with the possibility of higher-than-expected inflation rate and increasing materials cost might affect construction company and real estate projects of BCG and its fundraising activities in 2022.

RATING METHODOLOGY

The rating methodology explains FiinRatings approach to assessing credit risk of companies in Vietnam. This methodology is intended as a general guidance to help companies, investors, and other market participants to understand how FiinRatings looks at quantitative and qualitative factors significant in explaining rating outcomes in general and specific for each sector that we cover.

In addition, certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please follow the link below for the Rating Methodology and Related Criteria:

- [Rating Methodology for Corporates](#)

or visit the link below for further information about general rating methodology:

- [General Rating methodology](#)

CREDIT RATINGS HISTORY

Credit Ratings History

Bamboo Capital Joint Stock Company

Issuer Credit Rating History

<i>16 August 2021</i>	<i>Initial Ratings</i>	<i>Issuer Rating: BB</i> <i>Outlook: Positive</i>
<i>28 June 2022</i>	<i>Surveillance</i>	<i>Issuer Rating: BB</i> <i>Outlook: Stable</i>

RATING SCALES

We employ below rating scale in assigning ratings for all issuers across industries and sectors that we cover in Vietnam. The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

Definition and explanation	Rating scales	Grading Scale
Group 1: Extremely strong capacity to meet financial obligation	AAA	Investment Grade
	AA+	
Group 2: Very strong capacity to meet financial obligation	AA	
	AA-	
Group 3: Strong capacity to meet financial obligations but somewhat susceptible to adverse economic conditions and changes in circumstances	A+	
	A	
	A-	
Group 4: Adequate capacity to meet financial commitments but more vulnerable to adverse developments and economic conditions	BBB+	
	BBB	
	BBB-	
Group 5: Moderate capacity to meet financial obligations but less vulnerable than other speculative issuers	BB+	
	BB	
	BB-	
Group 6: Weak capacity to meet financial obligations. Sensitive to business, financial and economic conditions. High risk.	B+	
	B	
	B-	
CCC+		
CCC		
CCC-		
Group 7: Very weak capability or very likely to get into default. Very sensitive to business, financial and economic conditions. Substantial risk.	CC	
	C	
	D	Default Grade
Group 8: Default. Payments on an obligation are not made on the date due or the issuer becomes insolvent. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action.	D	Default Grade

OWNERSHIP DISCLOSURE

At the time of the publication, the following information is provided as required by current regulations and as a part of our compliance policies in providing credit ratings:

- BCG's percentage of equity ownership at FiinGroup: *none*
- FiinGroup's percentage of equity ownership at BCG: *none*
- FiinGroup's other employee percentage of equity ownership at BCG: < 0.001% (90 shares)
- BCG's investment value of bond(s) issued by FiinGroup: *none*
- FiinGroup's investment value of bond(s) issued by BCG: *none*
- BCG's investment value of other debt instruments issued by FiinGroup: *none*
- FiinGroup's investment value of other debt instruments issued by BCG: *none*

FiinGroup aforementioned includes Credit Rating Agency (FiinGroup JSC.), its directors, Credit Rating Committee members, and analysts of FiinGroup engaged in this rating action. The information above was examined during client acceptance process and before the signing date of Credit Rating Agreement with the Company and was updated on the issue date of this report.

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FiinGroup Joint Stock Company

Credit Rating Report No.: 02-C03-2022



Nguyen Quang Thuan, FCCA
Chief Executive Officer
Hanoi, June 28th, 2022

CONTACT US

This rating announcement is intended for general public audience and therefore it provides rating summary and credit highlights only. Complete rating information or a full rating report would be available for purchase on request to FiinRatings with specific terms and conditions.

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