Rating Announcement:

# FiinRatings First Rated BamBoo Capital Joint Stock Company ("BCG")

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

## Outlook: Positive

**Hanoi, 16 August 2021**


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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 bond that it may issue.

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.

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, 16 August 2021**

FiinRatings today announced that it has assigned its **BB** long-term issuer credit rating to Bamboo Capital Joint Stock Company ("BCG" or "the Company") with the outlook: Positive.

The positive outlook on BCG reflects the potential growth prospect of an emerging developer in energy and property segments in the medium and long term. The outlook also highlights FiinRatings' expectation that the Company's financial flexibility will be improved since renewable energy projects and properties development started delivering cash flow. Nevertheless, the Rating outcome has also incorporated the worsening economic conditions and potential regulatory changes which BCG could face in its major business segments in the next 12-18 months as a result of the pandemic.

## RATING RATIONALE

Our rating opinion reflects our view that BCG, an emerging real estate developer with a moderate scale of operations, and also emerging energy developer with a limited track record given the early stage of renewable industry in Vietnam, will continue to have a significant financial risk profile marked by a thin capital base and high gearing levels and modest operating cash flow generation over the medium term. The rating also reflects BCG's modest albeit growing market position and potential regulatory changes and operating environment challenges which BCG could face in its major business segments in the next 12-18 months as a result of the pandemic. These factors are partially offset by the good long-term prospects of renewable energy in Vietnam, BCG's experienced management team which has proven its ability to raise funds regularly, and strong adherence to its investment strategy.

Further, even BCG has posted a good progress, the Company is still in the early stage of development in its key business segments including renewable energy and property development, both of which fundamentally have high capital expenditure and implementation risks. These factors have together led us to conclude that BCG's business risk profile as Fair over the medium term.

Despite our expectation that BCG's profitability and cash flow will improve as its solar energy and rooftop projects come into operation, we believe that the company's performance in the energy segment as well as real estate projects are still being affected by the worsening economic conditions that the COVID-19 pandemic has been causing. As the ambitious plans of developing significant pipelines of renewable energy and real estate in the period of 2021-2023 require a substantial amount of capital, this would put pressure on the level of leverage employed by the company.

BCG's real estate tourism segment is likely to face diminished demand in the hospitality sector due to travel restrictions and social distancing norms because of the pandemic. However, since the Company is targeting on high-end customers the impact would be modest to property sales within 2021-2023 period as its residential projects including King Crown City, King Crown Thao Dien, and Malibu Hoi An (tourism properties) are ready to be transferred to buyers. Meanwhile, other projects are expected to face lower demand under the downward trends in tourism such as Hoi An D'or. Thus, it might affect BCG's targeted selling rate in the near term which could affect its cash flow as well.

In the renewable energy sector, we expect that there will be high uncertainty regarding wind-power projects. The key risk would be the regulatory framework related to the purchasing prices for wind energy from Vietnam Electricity Group ("EVN") which are subject to the Power Development Master Plan 8 ("PDP8"). BCG's inability to achieve a definite agreement for the output price for its wind power projects might severely affect the company's plans to raise funds from domestic and foreign investors thereby impacting its growth and cash flow projections.

With its BCGressive development plans, BCG's financial risk profile is assessed as Significant, in addition to the high funding requirement, BCG's equity capital structure continues to remain modest even when the hybrid securities are fully converted. There will be significant debt requirements for BCG's operations in the 2021-2023 period. We believe the leverage and coverage ratios will slowly improv but remain at a high level and the company still rely heavily on financing activities to service its obligations. The company has plans to raise capital along with tapping various sources of financing in the medium term. Its ability to raise adequate and timely capital while maintaining its leverage and coverage ratios will be a key rating factor.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We might consider upgrading the rating of BCG if:

- 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 less than 5.0x in upcoming periods.

We could lower the rating of BCG if:

- The company's business risk profile deteriorates. This scenario could occur if i) the Company BCGressively expands its investment activities in non-core competency segment 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.
- If the company's debt levels remain consistently high and the company is unable to have regular accruals and raise the required amounts of capital to solidify its capital structure.
- If the company faces issues in liquidity management thereby constraining its ability to service its high levels of debt on time.
- The company's leverage position deteriorates materially with Debt to EBITDA increasing beyond 10.0x in the coming periods.
- The operating environment and challenges faced due to the pandemic result in a more than expected negative impact on the company's credit profile.

## RATING METHODOLOGY

The rating methodology explains FiinRatings approach to assessing credit risk of non-financial corporates 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 this sector.

In addition, ratings are forward-looking opinions about an issuers' future capacity and willingness to honor its obligations to creditors, but the scorecard uses historical data. As a result, the assigned rating may deviate from the scorecard-indicated rating range in such cases, where a rating committee deems this to be appropriate. The related criteria and methodology are shown in more detail:

- Rating Methodology for Non-financial Corporates

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

- Rating Methodologies

## RATING SCALE AND DEFINITIONS

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 |
| Group 2: **Very strong** capacity to meet financial obligation | **AA+** | |
| | **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+** | Speculative Grade |
| | **BB** | |
| | **BB-** | |
| Group 6: **Weak capacity** to meet financial obligations. Sensitive to business, financial and economic conditions. High risk. | **B+** | |
| | **B** | |
| | **B-** | |
| Group 7: **Very weak** capability or very likely to get into default. Very sensitive to business, financial and economic conditions. Substantial risk. | **CCC+** | |
| | **CCC** | |
| | **CCC-** | |
| | **CC** | |
| | **C** | |
| 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.

FiinGroup and FiinRatings maintain a strict independence policy to meet current regulations in providing credit rating services in Vietnam as well as to comply with our conflicts-of-interest policy and to ensure the objectivity and independence in giving opinion on our credit ratings. Accordingly, personnel directly participated in credit rating are not allowed to own or to execute any transactions of securities, shares or debt instruments issued by the Company once FiinRatings has established a credit rating relationship.

**FiinGroup Joint Stock Company**
Credit Rating Report No.: 01-C03-2021

Nguyen Quang Thuan, FCCA
Chief Executive Officer
Hanoi, August 16th, 2021

## CONTACT US

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

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