

## Initial Rating Public Announcement

# Nam Long Investment Corporation (“NLG”)

**Issuer Credit Rating\* (ICR): A-**

**Outlook: Stable**

**Hanoi, 25 April 2024**

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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 an individual insurance such as bond that it may issue.*

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

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**Hanoi, 25 April 2024**

FiinRatings is pleased to announce that Nam Long Investment Corporation (“NLG” or “the Company”) has been assigned a first-time long-term Issuer Credit Rating of “**A-**” with a “**Stable**” outlook.

## **RATING RATIONALE**

FiinRatings’ opinion of an “A-” credit rating and “Stable” rating outlook for Nam Long Investment Corporation reflects our assessment of the Company’s “Strong” business risk profile and “Intermediate” financial risk profile. Operating predominantly in the residential real estate sector, which carries inherent risk in the Vietnamese market, NLG distinguishes itself through conservative land acquisition strategies and flexible capital deployment. These approaches consistently strengthen NLG’s asset quality, sales performance, and profit margins, surpassing industry benchmarks. Collaborations with international partners and prudent financial leveraging further enhance NLG’s capability to fulfill its debt obligations while maintaining adequate liquidity position.

The residential real estate development segment is assessed to be relatively high-risk in Vietnam. In an economic slowdown, residential real estate transaction volumes plunge due to a limited number of newly licensed housing projects and buyers’ cautious sentiment. In 2024, FiinRatings anticipates that refinancing risks will remain a major challenge for many businesses in the industry. Specifically, regulatory changes may offer long-term industry support but could also lead to profitability fluctuations and project delays, affecting cash inflow. With over VND 100 trillion of real estate bonds maturing in 2024, there’s substantial pressure on many real estate companies to raise new capital, directly impacting industry liquidity. However, FiinRatings believes a strong divergence in the industry, where enterprises with a solid track record, extensive project implementation experience, and stable financial profiles are expected to better withstand current challenging market conditions.

NLG’s competitive position is assessed at a strong level in the residential real estate industry. Its revenues from 2021 to 2023 constitute approximately 3% of the market share among listed real estate firms. With a land bank of nearly 700 hectares, NLG ranks among the top 10 listed real estate companies in Vietnam. NLG offers a diverse range of property types, including villas, townhouses, and apartments. NLG locates most of its projects in areas with active infrastructure connections to Ho Chi Minh City’s vibrant center.

Looking ahead, NLG emphasizes on gradual expansion into promising yet untapped regions across southern and northern Vietnam. A key strength lies in NLG’s flexible capital allocation capabilities. Initially, NLG introduces affordable housing options, gradually increasing occupancy rates in new areas before unveiling mid- to high-end offerings. With a focus on minimalist yet functional product designs, NLG meets buyer demands for both affordability and utility, ensuring strong product absorption rates while maintaining competitive pricing. Furthermore, NLG forms strategic partnerships with experienced international real estate developers, primarily aimed at maximizing project capital efficiency through post-legal procedures, thereby enhancing product value. This strategy accelerates cash flow turnover, reduces capital constraints throughout project life cycles, and enable new investment opportunities. The above project development approaches show consistent impacts on NLG’s operating efficiency and profitability, demonstrated by gross profit margin of 49% and a pre-sales-to-inventory ratio of 0.23x in 2023, surpassing industry averages.

NLG's financial risk profile is evaluated at an intermediate level, reflecting FiinRatings' assessment of the Company's leverage and its capacity to fulfill debt obligations that is in line with the progress of ongoing projects. As of December 31, 2023, NLG's debt-to-equity ratio was 0.45x, in line with industry peers. This ratio has gradually increased since 2019, driven by NLG's accelerated investment and development, including notable projects such as Southgate – Phase 1 (165 ha, Long An), Akari (8.5 ha, Ho Chi Minh City), Central Lake (43 ha, Can Tho), and Izumi (170 ha, Dong Nai). Additionally, NLG's debt-to-EBITDA ratio ranges between 2.0x-4.7x from 2020 to 2023, reflecting the typical life cycle of large-scale projects spanning 5-7 years. FiinRatings expects these ratios to remain relatively stable over the next 12 months, with projected debt-to-equity and debt-to-EBITDA of 0.47x and 4.74x for 2024F, respectively.

NLG's liquidity position is assessed at an adequate level, supported by a liquidity sources-to-uses of 1.3x in FiinRatings' base-case scenario, leading to no adjustments to the Company's anchor rating. With strong sales performance in key projects, NLG expects total cash flow from its business segments to reach VND 3,154 billion in 2024. Backed by highly liquid assets, including cash and short-term investments totaling VND 3,590 billion, NLG is assessed to be adequately serving its principal and interest debt payment amounting to approximately VND 2,879 billion, while also accommodating new investment requirements totaling about VND 4,548 billion in 2024.

The "Stable" outlook reflects FiinRatings' opinion of NLG's ability to maintain its credit rating over the next 24 months. We anticipate NLG will continue its prudent strategies to land acquisition and project development, ensuring sustained momentum in absorption rates as the residential real estate market rebounds. Furthermore, NLG is expected to maintain its financial policies and risk appetite in line with its operating cash flow, and the scale and pace of project implementation. As a result, NLG's liquidity position is projected to remain at an adequate level, meeting debt obligations and funding requirements for upcoming projects.

## CREDIT HIGHLIGHTS

### Credit Strengths

- With a proven track record of nearly three decades in residential real estate development, NLG has established a well-recognized brandname. Guided by a consistent and clear product positioning strategy, NLG's Board of Directors implements a systematic customer segmentation plan, ensuring targeted market penetration. By adopting a phased product launch strategy, NLG efficiently increases occupancy rates at new projects, strategically transitioning to mid- and high-end offerings based on market demand, thus optimizing both scale and efficiency while preserving cost-effectiveness.
- NLG's financial strategy demonstrates prudence, consistently maintaining its debt-to-equity below 0.5 times. Through strategic partnerships with foreign partners, NLG mitigates the risk of capital stagnation, enabling faster capital turnover to support new project initiatives.

### Credit Challenges

- The Izumi project (170 ha, Dong Nai) poses a concentrated risk, representing approximately 50% of the Company's inventory value as of December 31, 2023. While NLG has successfully pre-sold around 10% of the project's total product in subdivision 1A1, the legal finalization process for the remaining subdivisions is ongoing. Any unforeseen delays in project progress could potentially impact NLG's operational efficiency and opportunity costs.
- Revenue diversification remains limited, in which stable sources of cash inflow, such as leasing and commercial real estate operations, contribute minimally to overall revenue.

## RATING UPGRADE AND DOWNGRADE SCENARIOS

NLG's "Stable" outlook reflects our opinion on the rating of the Company in the next 24 months. FiinRatings' assessment of NLG might be reviewed for an upgraded or downgraded in the following scenarios which reflect our assumptions of potential events over the next 24 months:

### Upgrade Scenarios

- NLG strategically diversified its business portfolio by expand into sectors with minimal correlation to residential real estate development, each contributing at least 10% to the annual EBITDA. This strategic expansion not only broadens NLG's revenue streams but also fortifies its business resilience against economic volatility.
- NLG's financial leverage reduces, reflected by a Debt-to-equity ratio less than 0.2 times.

### Downgrade Scenarios

- NLG's risk appetite becomes more aggressive, as shown by increasing its borrowing and raising its debt-to-equity ratio by more than 0.8 times during the expansion and development stages of new projects. This adjustment might amplify financial risk amidst a challenging real estate market conditions.
- Substantial delays in NLG's main projects, caused by legal processes or limitations in capacity, extend project schedules, resulting in higher expenses and reduce profitability. Consequently, NLG's capacity to fulfill debt obligations from operating cash flow is affected.
- NLG encounters obstacles in partnership with foreign partners, limiting its flexibility in allocating capital and hindering the expansion of investments in new projects. This limitation undermines NLG's ability to adapt to market changes and pursue other opportunities.

## 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:

- [Corporate Rating Methodology](#)

Or refer to the following link for more details on the general ranking methodology:

- [General Rating methodology](#)

## CREDIT RATING HISTORY

Nam Long Investment Corporation (“NLG”)			
Credit Rating Type	Date	Rating	Outlook
Initial Credit Rating	25 April 2024	A-	Stable

## RATING SCALE AND DEFINITION

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

## OWNERSHIP DISCLOSURE AND STATEMENTS

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:

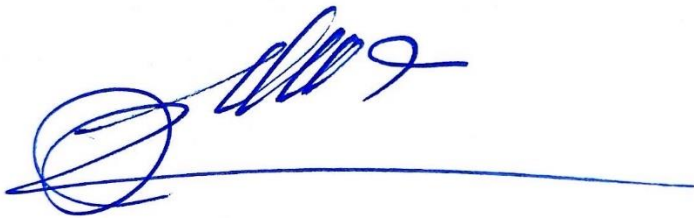
- NLG's percentage of equity ownership at FiinRatings: *none*
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- FiinRatings's other employee percentage of equity ownership at NLG: *none*
- NLG's investment value of bond(s) issued by FiinRatings: *none*
- FiinRatings's investment value of bond(s) issued by NLG: *none*
- NLG's investment value of other debt instruments issued by FiinRatings: *none*
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FiinRatings aforementioned includes FiinRatings JSC., its directors, Credit Rating Committee members, and analysts of FiinRatings 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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### FIINRATINGS JOINT STOCK COMPANY

Public Credit Rating Announcement: 01-C34-2024



Nguyen Quang Thuan, FCCA

Chief Executive Officer

Hanoi, 25 April 2024

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