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Credit Rating Surveillance

FiinRatings affirms Issuer Rating of Ha Do Group Joint Stock Company ("HDG") at "A" with a "Stable" outlook

Hanoi, 28 February 2025

Key Updates:

- **In 2024, HDG recorded revenue of VND 2,719.2 billion (-5.6% yoy)**. The electricity generation segment remained the largest contributor, accounting for 70% of the total revenue. Meanwhile, the residential real estate segment saw a strong 46.8% increase yoy, driven by the sales of 34 units from Charm Villas' phase 2.
- **HDG generated a total of 1,387 million kWh of electricity in 2024 (-3.4% yoy)**. However, with the forecasted impact of a new La Nina cycle from late 2024 through early 2025, the Company expects to improve its electricity production in 2025.
- **Partial receivable from Hong Phong 4's electricity sales was moved to contingency**. The solar farm was constructed on a national mineral reserve site but given the land use permit by the provincial authority. While receiving electricity from the project, EVN has not been paying HDG.
- **The opening sales of the rest of Charm Villas' phase 3 is postponed until 2025**. These 108 apartments are ready for handover but remain unsold as the Company currently has no immediate capital needs.
- **In Q4 2024, HDG secured a contract to operate the Bcons Mien Dong Apartment Complex** in Di An City, Binh Duong. Comprising of 768 apartments and accommodates over 2,000 residents, the project is expected to generate VND 4.0 bn annually for HDG.
- **HDG maintains a lower gearing level than its peers as of the end of 2024,** reflected in its Debt-to-Equity ratio of 0.6x and Debt-to-EBITDA ratio of 2.8x. Until any significant investments are confirmed, we expect the Company's financials to remain stable over the next 12 months.

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Recent Publication: FiinRatings affirms A/Stable Issuer Rating of Ha Do Group Joint Stock Company ("HDG")

** 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.*

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.

TEARSHEET

Industry Classification: **Renewable Energy and Real Estate**

Industry Risk: Recent Research

Renewable Enerrgy: Intermediate Risk

Residential Real Estate: Moderately High Risk

Rating Rationale:

FiinRatings maintains our opinion on the "A" rating and "Stable" outlook for Ha Do Group JSC ("HDG"), reflecting the Company's Strong business risk profile and Modest financial risk profile. Facing challenges in both of its major operating segments, electricity generation and residential real estate, the Company's actual EBITDA for 2024 underperformed compared to our previous base-case projection. However, by possessing hydropower plants, the Company is provided with a stable source of cash generation over the years. Moreover, by keeping their investment plan in-line with their operating cash generation capacity, HDG did not face any significant debt repayment pressure in the past years.

Business Risk Profile: FiinRatings maintains a Strong assessment for HDG's energy business risk profile and a Satisfactory assessment for its real estate segment. In 2024, HDG reported revenue of VND 2,719.2 billion, marking a 5.6% decline from the previous year. The electricity generation segment remained the primary contributor, generating VND 1,891.1 billion, accounting for 70% of total revenue. Together with favorable ACT and FiT rates, HDG's lower investment costs for its solar and wind farms compared to the industry averages remain the Company's notable competitive advantage. Meanwhile, the residential real estate segment saw a strong 46.8% yoy increase, reaching VND 413.6 billion, driven by the recognition of sales from 34 units in Phase 2 of the Charm Villa project.

In the next 12 months, we expect an improvement in HDG's electricity production, supported by the anticipated impact of a new La Nina cycle. Additionally, the planned sale of 108 remaining apartments in Phase 3 of the Hado Charm Villas project in 2025 is set to contribute significantly to the company's revenue and profitability.

Financial Risk Profile: HDG's FRP is maintained at a Modest level, as reflected in its Debt-to-Equity ratio of 0.64 in 2024, which declined from 2023 and remains lower than industry peers. Despite its lower EBITDA compared to the previous projection, the Company's capacity to repay due debts from its operating cash flow remains strong with a Debt-to-EBITDA of 2.8 while possessing an average debt maturity of 4.1 years.

Liquidity: We also assess that HDG has an adequate liquidity profile, indicating its capacity to repay an annual due principal and interest amount of VND 1 trillion from its operating cash flow. To prevent project level default, HDG has also provided comprehensive, irrevocable and unconditional guarantee payments for its project debt.

Rating Snapshot	Previous Rating	Surveillance
Business Risk Profile	**Strong**	**Strong**
i. Energy Sector	Strong	Strong
Industry Risk	*Intermediate*	*Intermediate*
Competitive Position	*Strong*	*Strong*
ii. Real Estate Sector	Satisfactory	Satisfactory
Industry Risk	*Moderately High*	*Moderately High*
Competitive Position	*Satisfactory*	*Satisfactory*
Financial Risk Profile	**Modest**	**Modest**
Anchor	**a**	**a**
Modifiers		
Diversification Effect	*0*	*0*
Capital Structure	*0*	*0*
Liquidity	*0*	*0*
Financial Policy & Management	*0*	*0*
Standalone Credit Profile	**a**	**a**
External Support	**0**	**0**
Issuer Credit Rating ("ICR")	**A**	**A**
Outlook	**Stable**	**Stable**

The **"Stable"** outlook reflects FiinRatings' assessment that HDG will maintain its ability to meet financial obligations over the next 12-24 months. While its leverage is expected to gradually decrease due to no recent significant investments, HDG's source of cash inflow is supported by steady renewable energy operations and leasing activities. Sales of Charm Villas in 2025 is expected to strengthen the Company's liquidity, allowing HDG to follow its investment plan with minimal borrowing needs.

Upgrade Scenario:

- HDG expands to an additional low volatility segment possessing a low degree of correlation with the Company's current energy and real estate segments, in which the contribution of each operating activity accounts for a minimum of 10% of HDG's EBITDA, enhancing the Company's cash inflow diversification and operational stability.
- HDG reaches favorable resolutions for its solar project matters, allowing the Company to keep its current FiT rates and collect its receivables from EVN for sales of electricity from HP4. As a result, HDG maintains a stable and strong funding source for future investments, which does not require the Company to seek further funding.

Downgrade Scenario:

- The Government's resolutions are unfavorable for HDG's solar power plants, including project recalls, any significant price cut of the current FiT rate, or compensation of all previous solar electricity sales, which would reduce the Company's cash inflows from operations.
- HDG follows an elevated risk appetite, shown through a notable increase in financial leverage compared to its ability to generate cash flow from operations. As a result, the Company's Debt-to-Equity and Debt-to-EBITDA ratios escalate toward or even exceed the industry averages.

Exhibit 01: HDG's key financial metrics 2021A-2025F

Key Items	Unit	2021A	2022A	2023A	2024A	2025F
Net Revenue	VND Billion	3,777.4	3,581.2	2,889.4	2,719.2	4,815.7
Gross Profit	VND Billion	2,320.1	2,212.4	1,723.0	1,589.0	2,896.2
EBITDA	VND Billion	2,295.5	2,577.1	2,009.9	1,751.5	3,182.7
Net Profit	VND Billion	1,343.7	1,361.9	866.3	753.0	1,916.7
Gross Profit Margin	%	61.4%	61.8%	59.6%	58.4%	60.1%
EBITDA Margin	%	60.8%	72.0%	69.6%	64.4%	66.1%
ROE	%	28.7%	22.8%	12.6%	10.1%	22.2%
Debt/Equity	x	1.4	0.9	0.7	0.6	0.5
Debt/EBITDA	x	3.2	2.4	2.7	2.8	1.4
EBITDA/Interest Expenses	x	5.9	5.2	4.1	5.0	8.2

Source: HDG, FiinRatings. (A: Actual, F: Forecasted)

PROJECTION

Assumption:

- **HDG's major revenue contribution continues to come from electricity generation and residential real estate sales**. We expect an improvement in HDG's electricity production, supported by the anticipated impact of a new La Nina cycle from late 2024 through Q1 2025. Additionally, the planned sale of 108 remaining apartments in Phase 3 of the Hado Charm Villas project in 2025 is set to contribute significantly to the company's revenue and profitability.
- **Regarding electricity generation, the Company is expected to generate approximately VND 1.9 trillion in 2025**. HDG's hydro-power electricity improves as hydrological conditions tend to be favorable in the last quarter of the year. As for the solar-power plant disputes, the Company is able to maintain its current FiT rates for SP1, while the cash inflow from HP4, approximately VND 190 bn per year, has been taken out to reflect a prudent view.
- **HDG's real estate sales increase from 2025 as the Company can proceed with its revised plan to fully sell and record Charm Villas sales of the remaining 108 units**. Other major residential projects, notably Linh Trung and District 8, are expected to receive construction permits and start to record pre-sales of approximately VND 624 bn in 2025. HDG's commercial real estate performs stably, providing an estimated average cash flow of at least VND 400 bn annually.
- **In the current update, HDG's unrestricted cash and potential cash inflows from operation is projected to be comparable to its debt repayment obligations and investment plans from 2025-2026**. The Company has the options to acquire additional funding, including selling 20-30% of its stakes in HDE (the direct subsidiary that owns the renewable energy projects) and other hydro-power plants, borrowing from financial institutions up to 70% of future project capex, and other options such as issuing green bonds and getting export credit arrangements (ECA) from its international suppliers for energy projects. However, none of these options have been reflected in the base-case projection.
- **Under stress case assumptions**, we exclude revenue from the Hong Phong 4 projects, reflecting the worst-case scenario where electricity output cannot be sold to EVN after inspection. Additionally, total revenue from other projects is reduced by 15% as a conservative measure. Furthermore, HDG's EBITDA margin and net profit margin are assumed to be 60% and 30%, respectively, showing a slight decline from previous periods.

Liquidity:

FiinRatings assesses HDG's liquidity at an Adequate level in the next 12 months and do not adjust the Company's anchor. With a projected EBITDA of about VND 3.2 trillion in 2025 from operating activities, including strong hydro-power electricity production and remaining Charm Villas sales, HDG is expected to have the capacity to service its annual principal and interest due of approximately VND 1 trillion. With the accumulated cash over the years from operations, HDG is expected to be capable of following its next 12-month investment plan without additional borrowings. Even in our stress case scenario, HDG's liquidity source remains higher than its liquidity use.

Exhibit 02: HDG's projection for FY2025 under base case and stress case (VND billion)

Key Financial Items	Base Case	Stress Case
Net Revenue	4,815.7	3,931.8
Gross Profit	2,896.2	2,359.1
EBITDA	3,182.7	2,359.1
Net Profit	1,916.7	1,179.6
Total Debt	4,295.8	4,295.8
Equity	9,016.8	8,303.4
Gross Profit Margin (%)	60.1%	60.0%
EBITDA Margin (%)	66.1%	60.0%
ROE (%)	22.2%	13.6%
Debt-to-Equity (x)	0.48	0.52
Debt-to-EBITDA (x)	1.3	1.8
Interest Coverage (x)	8.2	7.9

Liquidity Projection	Base Case	Stress Case
Liquidity Source	**4,326.4**	**3,502.8**
Cash & S-T investment	1,089.0	1,089.0
EBITDA	3,182.7	2,359.1
Interest from investment	54.7	54.7
New debt	-	-
Liquidity Use	**3,106.1**	**3,106.1**
Capex	2,046.9	2,046.9
Principal debt payment	577.0	577.0
Interest payments	386.4	386.4
Dividend payments	95.8	95.8
Liquidity Source-to-Use (x)	**1.4**	**1.1**

FINANCIAL STATEMENTS

Balance Sheet	2022	2023	2024
CURRENT ASSETS	**3,856.2**	**3,353.9**	**3,351.7**
Cash & cash equiv	694.5	245.5	337.4
ST Investment	1.2	392.7	751.6
ST accounts receivable	1,710.7	1,594.7	1,352.9
Trade receivables	1,097.8	1,318.8	1,380.0
Inventories	1,381.6	1,074.4	863.5
Others	68.2	46.6	46.3
NON-CURRENT ASSETS	**11,248.7**	**11,084.5**	**10,584.0**
LT accounts receivable	15.2	286.6	305.6
Fixed assets	9,099.7	8,832.8	8,356.1
LT assets in progress	818.1	830.9	849.7
Intangible fixed assets	395.2	201.6	192.9
LT investments	3.1	63.1	43.2
Others	917.5	869.4	836.6
TOTAL ASSETS	**15,104.9**	**14,438.4**	**13,935.7**
LIABILITIES	**8,556.9**	**7,209.6**	**6,252.2**
Current liabilities	**3,286.8**	**2,328.7**	**1,915.9**
S-T trade payables	180.9	75.5	40.8
S-T debt	958.9	625.1	631.0
S-T deferred revenue	21.3	7.1	1.5
S-T advances from customers	682.0	303.9	19.0
L-T liabilities	**5,270.1**	**4,880.9**	**4,336.3**
L-T deferred revenue	6.7	0.4	-
L-T debt	5,160.2	4,800.9	4,253.1
Others	33.3	11.8	15.4
EQUITY	**6,548.0**	**7,228.7**	**7,683.5**
Contributed capital	2,446.1	3,057.6	3,363.3
Retained earnings	2,340.6	2,394.2	2,512.0
Fund for capital expenditure	1,244.8	1,311.8	1,355.1
TOTAL RESOURCES	**15,104.9**	**14,438.4**	**13,935.7**

Income Statement	2022	2023	2024
Net revenue	**3,581.2**	**2,889.4**	**2,719.2**
Cost of sales	(1,368.8)	(1,166.4)	(1,130.2)
Gross profit/(loss)	**2,212.4**	**1,723.0**	**1,589.0**
Financial profit	83.3	40.3	56.9
Financial expenses	(517.3)	(569.0)	(366.9)
Interest expenses	(500.7)	(486.6)	(347.6)
Selling expenses	(4.6)	(14.5)	(5.1)
G&A expenses	(159.1)	(218.5)	(352.8)
Net operating profit	**1,614.6**	**961.3**	**921.0**
Results of other activities	(10.2)	2.1	(40.9)
Profit before tax	**1,604.4**	**963.4**	**880.1**
Tax expenses	(242.5)	(97.1)	(127.1)
Deferred income tax	(11.2)	(6.2)	(4.8)
Net profit	**1,361.9**	**866.3**	**753.0**

Cash Flow Statement	2022	2023	2024
Profit before tax	1,604.4	963.4	880.1
Depreciation and amortization	528.4	519.9	520.4
Interest expense	507.5	514.9	347.6
FFO	2,572.9	2,091.8	1,916.6
CFO	**1,942.0**	**793.6**	**907.1**
Loans granted, purchases of debt instruments	(1.2)	(143.5)	(166.9)
Collection of loans, proceeds from sales of debt instruments	339.8	-	97.4
Purchases of fixed assets and other non-current assets	(428.6)	(147.8)	(22.3)
Disposal of fixed assets and other non- current assets	-	0.6	1.4
CFI	**(79.6)**	**(326.2)**	**(33.5)**
Proceeds from issue of shares	200.0	0.2	-
Proceeds from borrowings	1,133.8	599.1	70.4
Repayment of borrowings	(2,375.4)	(1,324.8)	(557.4)
Dividends paid	(267.2)	(133.7)	(282.5)
CFF	**(1,308.7)**	**(859.1)**	**(769.7)**
Net cash changes	**553.7**	**(391.7)**	**103.9**
Beginning cash balance	230.4	694.5	245.5
Ending cash balance	**694.5**	**245.5**	**337.4**

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 rating methodology:

- General Rating methodology

CREDIT RATING HISTORY

Ha Do Group JSC ("HDG")			
Credit Rating Type	**Date**	**Issuer Credit Rating**	**Outlook**
Initial	28 August 2023	A	Stable
Surveillance	28 February 2024	A	Stable
Surveillance	28 August 2024	A	Stable
Surveillance	28 February 2025	A	Stable

RATING SCALE

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: Extremely strong capacity to meet financial obligation.	**AAA**
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+**
	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 (**SD**) or the issuer becomes insolvent (**D**). The '**D**' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action.	**SD, D**

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:

- HDG's percentage of equity ownership at FiinRatings: *none*
- FiinRatings's percentage of equity ownership at HDG: *none*
- FiinRatings's other employee percentage of equity ownership at HDG: *none*
- HDG's investment value of bond(s) issued by FiinRatings: *none*
- FiinRatings's investment value of bond(s) issued by HDG: *none*
- HDG's investment value of other debt instruments issued by FiinRatings: *none*
- FiinRatings's investment value of other debt instruments issued by HDG: *none*

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FIINRATINGS JOINT STOCK COMPANY

Credit Rating Report No.: 04-C23-2023

Nguyen Quang Thuan, FCCA

Chief Executive Officer

Hanoi, 28 February 2025

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