Issuer Credit Rating Report

An Gia Real Estate Investment and Development Corporation ("AGG")

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

Outlook: Stable

Ha Noi, 29 March 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 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.

Ha Noi, 29 March 2022

FiinRatings today announced that it has assigned a first-time Long-term Issuer Credit Rating '**BBB-**' to An Gia Real Estate Investment and Development Corporation (“AGG” or “the Company”) with the Outlook: **Stable**.

The rating outlook reflects on both the business environment, the industry outlook and the Company's business operations. The stable outlook on AGG factors in the recovery of the real estate market in Ho Chi Minh City after the COVID-19 pandemic, along with the Government's orientation to accelerate investment in infrastructure. These are the factors that will support AGG in achieving its business plans from ongoing projects in the period 2022-2024, then maintaining well cashflow from operating activities and fulfilling debt obligations in the near future.

RATING RATIONALE

FiinRatings' rating opinion reflects our view of AGG's experience and capabilities in mid-end real estate development:

Strong sales experience and capabilities. Although having only expanded strongly in the last 5 years, AGG has built a remarkable position and brand equity in the Ho Chi Minh City market. The projects that the Company has been implementing are mainly residential high-rise buildings aimed at the mid-end segment. With the starting point of being a real estate brokerage and consulting company, AGG has proven its capacity, experience in sales and product development, proven by the high absorption rate of projects after a short time of opening for sale. Compared to other real estate developers, AGG is currently an above-average company, with a land bank of about 80 hectares in Ho Chi Minh City and satellite cities, sufficient to support the development and growth of AGG over the next 4-5 years. Although a prudent land bank development strategy may result in the Company's lower profitability than the industry average, but this will help reduce AGG’s exposure to legal risk and improve operational efficiency.

AGG's main business risks, in our opinion, are exposure to the complex and frequently changing legal, cyclicality and volatility of the real estate sector. However, the Company's target segment is considered to have better liquidity than other segments (e.g. tourism and resort real estate, land plots in provinces) in unfavorable real estate market conditions.

Maintained debt levels to finance expansion of new projects and will be supported by cash flows from ongoing projects. The Company's Total Debt/Equity ratio is expected to remain at 0.8-1.2 times in the next 2 years, at a high level compared to the industry average due to the capital requirement for investment activities to expand the land bank. Meanwhile, compared to the average Total Debt/EBITDA of listed real estate companies of 2.4 times, AGG's Total Debt/EBITDA ratio in 2021 is relatively high at 3.8 times, but the ratio is expected to decrease to the average level in 2022-2023 thanks to the cash flow from 3 key projects (WestGate, The Standard and The Song). These projects have now passed the initial investment stage, and currently have an absorption rate of 65-99%, meeting the committed construction schedule.

Main Assumptions

Our base-case scenario is based on the following key analytical factors:

- The COVID-19 pandemic is gradually under control, without affecting the construction progress as in 2021.
- The construction of such projects as The Song, WestGate, The Standard are projected to follow the committed schedule and will be majority contribution to AGG's cashflow in 2022. From 2023-2024, other projects as The Gio, BC3.2 will be key projects to develop.
- EBITDA profit margin of projects is stable at around 30-35%.
- New investment costs in projects at VND 1,800 billion in the next three years (2022-2024).
- Total Debt/Equity will be maintained at 0.8 – 1.2 times in the next 12-24 months.

Exhibit 01: Base-Case Scenario's Key Analytical Factors

Unit: VND billion	-- Financial Year Ended 31/12 --				
Analytical Factors	**2019A**	**2020A**	**2021A**	**2022F**	**2023F**
Revenue	384.6	1,753.6	1,808.4	5,500.0	4,000.0
EBITDA	338.9	465,2	351.9	1,864.9	1,556.5
Inventory	2,614.5	5,734.2	6,738.3	8,000.0	8,500.0
Total Debt	1,070.0	2,483.0	2,473.0	4,088.6	4,084.3
Equity	1,452.0	2,320.0	2,675.0	3,375.0	3,975.0
Financial Ratios	**2019A**	**2020A**	**2021A**	**2022F**	**2023F**
Total Debt/Equity (x)	0.7	1.1	0.9	1.2	1.0
Total Debt/EBITDA (x)	2.6	4.7	3.8	2.2	2.6
Total Debt/FFO (x)	4.6	5.2	6.6	4.2	5.6
Short-term debt coverage	16.2%	33.0%	22.9%	25.0%	25.0%

Source: AGG, FiinRatings
Note: A--Actual. F--Forecast
Total Debt is calculated by Short-term debt + Long-term debt + Interest payable

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

In our opinion, the possibility of changing AGG's credit rating in the next 12 months is substantially low. However, we may consider changing AGG's rating in the following scenarios:

Upside Scenario:

- Cash flow from operating activities is better than our base-case forecast plan from key projects in 2022-2023 (The Song, WestGate, The Standard, The Gio).
- Financial leverage is lowered permanently (e.g., Total Debt/Equity < 0.8 times and Total Debt/EBITDA < 2.0 times) with appropriate financial policies, especially related to M&A activities.

Downside Scenario:

- Delays in the legal process, site clearance, compensation lead to larger investment capital requirements and affect the implementation progress of large projects including BC2.7 and BC3.2 projects.
- M&A activities result in higher financial leverage over a long period of time (e.g., Total Debt/Equity > 1.5 times).

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 - General Corporates and Financial Institutions

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
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: Failure to pay debt obligations on time or **in default**. Also, applicable when a business files for bankruptcy or takes similar actions.	**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:

- AGG's percentage of equity ownership at FiinGroup: *none*
- FiinGroup's percentage of equity ownership at AGG: *none*
- FiinGroup's other employee percentage of equity ownership at AGG: *0.001% (1,000 shares)*
- AGG's investment value of bond(s) issued by FiinGroup: *none*
- FiinGroup's investment value of bond(s) issued by AGG: *none*
- AGG's investment value of other debt instruments issued by FiinGroup: *none*
- FiinGroup's investment value of other debt instruments issued by AGG: *none*

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FiinGroup Joint Stock Company

Credit Rating Report No. 01-C07-2022

Nguyen Quang Thuan, FCCA
Chief Executive Officer
Ha Noi, 29 March 2022

CONTACT US

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