

VIS Rating assigns first-time BBB+ issuer and bond ratings to AQUAONE, stable outlook

Hanoi, 24 December 2025 - Vietnam Investors Service and Credit Rating Agency Joint Stock Company (VIS Rating) has assigned a BBB+ long-term issuer rating to Aqua One Water Corporation (short name: AQUAONE).

VIS Rating also assigned a BBB+ senior secured bond rating to AQUAONE. The outlook on the ratings is stable.

The bond rating is assigned based on the draft bond offering prospectus and terms and conditions of AQUAONE's proposed three-year VND600 billion senior secured bond issuance.

This is the first time VIS Rating has assigned ratings to AQUAONE.

RATING RATIONALE

ISSUER RATING

AQUAONE's BBB+ long-term issuer credit rating reflects its 'Average' standalone assessment, underpinned by its 'Strong' business profile, 'Above-Average' profitability and efficiency, 'Average' scale, and 'Below-Average' leverage and coverage profile.

Established in 2015, AQUAONE is one of Vietnam's largest water supply companies, specializing in surface water treatment plants (WTPs). The company operates two major plants—Duong WTP (Duong River Surface Water Plant Joint Stock Company) in Hanoi (since 2018) and Phu Yen WTP (Phu Yen Water Supply and Sewerage Joint Stock Company) in Dak Lak province (since 2019)—with a combined capacity of 350,000 cubic meters (cbm) per day, ranking among the top 10 nationwide in water treatment capacity. In addition, AQUAONE manages water distribution networks serving retail customers across multiple areas of Hanoi.

In 2024–1H2025, AQUAONE's water supply business generated annual revenue of around VND1-1.2 trillion, reflecting an 'Average' scale relative to industry peers and broader Vietnam corporates.

AQUAONE's 'Strong' Business Profile reflects our view of its 'Strong' Industry Profile and 'Strong' Competitive Position and Diversification. The water and waste management sector benefits from high entry barriers, limited competition, and low volatility in business performance, supported by resilient water demand and a positive sector outlook. Operations of water plants and distribution networks are highly regulated under the water supply master plan and pricing scheme issued by authorities and require substantial upfront capital investment. These factors create significant entry barriers and restrict competition, as regions typically have a sole distributor sourcing water from a limited number of regulated plants.

The sector's positive outlook is supported by steadily rising water demand, driven by strong economic activity and accelerating urbanization. Regulatory support further underpins growth, including tax incentives and price adjustments for newly developed water projects. For example, water treatment plants typically benefit from a four-year corporate income tax exemption, a 50% reduction for the following nine years, and a preferential 10% tax rate for 15 years.

AQUAONE's 'Strong' Competitive Position and Diversification reflect its leading market position, competitive advantages, and track record of steady corporate execution, supported by above-average operational efficiency and business diversification. In Hanoi, AQUAONE is among the largest water suppliers by volume, primarily through Duong WTP and three water distribution networks. The company plans to strengthen its position further by commissioning Xuan Mai WTP (Hoa Binh-Xuan Mai Clean Water Limited Liability Company) in 2026, which will increase Hanoi's water supply capacity by 50%. Management expects AQUAONE to become the largest water supplier in Hanoi and nationwide over the long term, based on its licensed project pipeline, with planned capacity reaching up to 1.4 million cbm per day in Hanoi and 4 million cbm per day nationwide by 2050.



AQUAONE's key competitive advantage lies in its strategically located water treatment plants, which serve multiple provinces with accelerating water demand, supporting revenue growth and geographic diversification. For example, Duong WTP, positioned at the junction of Hanoi, Bac Ninh, and Hung Yen, enables efficient water intake from the Duong River and distribution across Hanoi and fast-growing industrial hubs in Bac Ninh and Hung Yen. Similarly, Xuan Mai WTP is well-positioned to supply areas in both Hanoi and Phu Tho. Management plans to further expand AQUAONE's geographic reach by developing new WTPs in major economic regions, including Ho Chi Minh City, Long An, and Hung Yen.

Over more than a decade of operations, AQUAONE has built a strong track record in developing and operating large-scale water treatment plants (WTPs) and distribution networks efficiently. Its flagship Duong WTP (Phase 1) was completed 16 months ahead of schedule and has operated without incidents. The company's distribution networks in Hanoi and Phu Yen maintain an average water leakage ratio below 8%, significantly better than the market average of 17%, underscoring its strong execution capability.

AQUAONE's 'Above-Average' Profitability and Efficiency score is supported by consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) margins of 65–70% and gross margins of 45–50% over the past two years. Profitability has exceeded peers since 2023, driven by Duong WTP operating at full capacity and qualifying for a higher water tariff than most other plants. However, we expect margins to decline over the next 12–18 months as Xuan Mai WTP begins operations in 2026 with a lower initial utilization rate of 30–40%.

We assess AQUAONE's leverage and coverage at a 'Below-Average' level, reflecting its 'Average' Leverage and 'Weak' Coverage scores. Its Debt/Equity ratio rose to 3.8x in 2024 from 3.3x in 2022. We estimate that its Debt/EBITDA ratio will rise to 8.6x in 2025–2026, from 7.1x in 2023–2024, driven by debt-funded CAPEX of VND3 trillion for Xuan Mai WTP and the Xuan Mai–Hanoi distribution network (operational in Q2 2026), as well as Vam Co Dong WTP (AQUAONE Long An Water Joint Stock Company) (2028) and Duong WTP Phase 2 (2028). On a positive note, over 97% of AQUAONE's debt is long-term, mitigating near-term repayment pressure.

AQUAONE's coverage is 'Weak', reflected in interest coverage (EBIT/Interest expense) of 1.2x and CFO-to-Debt of 6% in 2025–2026F. Coverage metrics have been low relative to peers over the past three years, driven by the company's debt-reliant growth strategy. We expect coverage to remain weak over the next 12–18 months as higher debt and interest costs offset stable operating cash flow. CFO should remain broadly steady, with inflows from Xuan Mai WTP partly offsetting the impact of the planned divestment of Phu Yen WTP in 2026.

We expect liquidity risks at AQUAONE's key subsidiaries to remain manageable over the next 12–18 months, supported by substantial cash resources—including VND510 billion in cash and equivalents and VND373 billion in bank deposits—more than sufficient to cover maturing debt obligations of around VND119 billion as of 2024.

At the holding company (holdco) level, liquidity is tight, and AQUAONE will need to rely on equity stake sales in subsidiaries to generate sufficient cash to repay debt. Over 2023–1H2025, the holdco had limited operations and minimal cash resources, relying primarily on dividends from Phu Yen WTP, low-interest loans from related parties, and repayments from other subsidiaries.

The new VND600 billion senior secured bond will replace outstanding low-interest loans, significantly increasing interest expense starting in 2026. Management plans to repay its debt obligations using proceeds from planned stake transfers in subsidiaries – such as Phu Yen WTP, the collection of receivables (VND162 billion as of 1H2025), future dividends, and receivables from the former subsidiary Aqua Hau Giang (VND346 billion). In Q3 2025, AQUAONE completed the sale of a 33.8% stake in Xuan Mai WTP for VND258 billion, improving the holdco's cash position and partially easing liquidity pressure.

We do not factor in any potential external support from related entities or the government in meeting its debt obligations.

The outlook on AQUAONE's long-term issuer rating is stable, reflecting our view that its credit fundamentals will remain stable over the next 12–18 months.

SENIOR SECURED BOND RATING

The BBB+ senior secured bond rating is underpinned by AQUAONE's 'Average' standalone assessment and BBB+ long-term issuer rating.

The senior secured bond constitutes direct, senior, and secured obligations of AQUAONE, and will rank pari passu with other senior secured obligations of AQUAONE. The senior secured bond rating matches the BBB+ issuer rating, as the bond will represent the preponderance of debt in AQUAONE's capital structure upon issuance.

Proceeds of the proposed three-year VND600 billion senior secured bond will be used to repay existing loans from individuals and extend the maturity profile of its outstanding debt. AQUAONE intends to issue the bond by January 2026.

The bond is secured by two collaterals, namely (1) ordinary shares in Song Duong Surface Water Joint Stock Company – amounting to 51% equity stake in the company; and (2) ordinary shares of AQUAONE – amounting to 65% equity stake in the company.

The company has appointed Vietcap Securities Joint Stock Company (VCI) to serve as the advisory service provider, bondholder representative, and collateral management agent. VCI is required to monitor AQUAONE's compliance with the terms and conditions of the bonds, notify bondholders of any breach of the bond terms and conditions and coordinate with bondholders in collateral liquidation.

We note that recoveries from collateral liquidation in the event of default depend on the market valuation of the ordinary shares, which may be affected by investor sentiment and protracted negotiations and delays. In Vietnam, we note that secured bondholders do not experience substantially higher recoveries than senior unsecured bondholders, as recoveries primarily came from debt restructuring and partial repayments rather than from liquidation of collateral.

AQUAONE will need to maintain a debt service ratio of at least 1x, and current ratio of at least 1x, throughout the bond duration. AQUAONE will also need to maintain its majority ownership in key subsidiaries, including Duong WTP, Xuan Mai WTP, and water distribution companies.

Factors that could lead to an upgrade

AQUAONE's BBB+ issuer rating and BBB+ bond rating could be upgraded if the company maintains steady improvement in its operating cash flow to fund its expansion plans, leading to improvements in debt leverage and coverage ratios, for example, Debt/ EBITDA ratio of below 5x, or EBIT/ interest expense ratio of above 4x, or CFO/ Debt ratio of above 20%.

Factors that could lead to a downgrade

AQUAONE's BBB+ issuer rating and BBB+ bond rating could be downgraded if (1) there is a significant deterioration in cash sources, weakening the company's liquidity; and/or (2) the company fails to implement its business plans, leading to significant deterioration in leverage and coverage metrics, for example, Debt/ EBITDA ratio rising above 11x; or CFO/ Debt ratio of below 1%; and/or (3) the holdco is unable to direct liquidity resources from subsidiaries to meet its obligations.

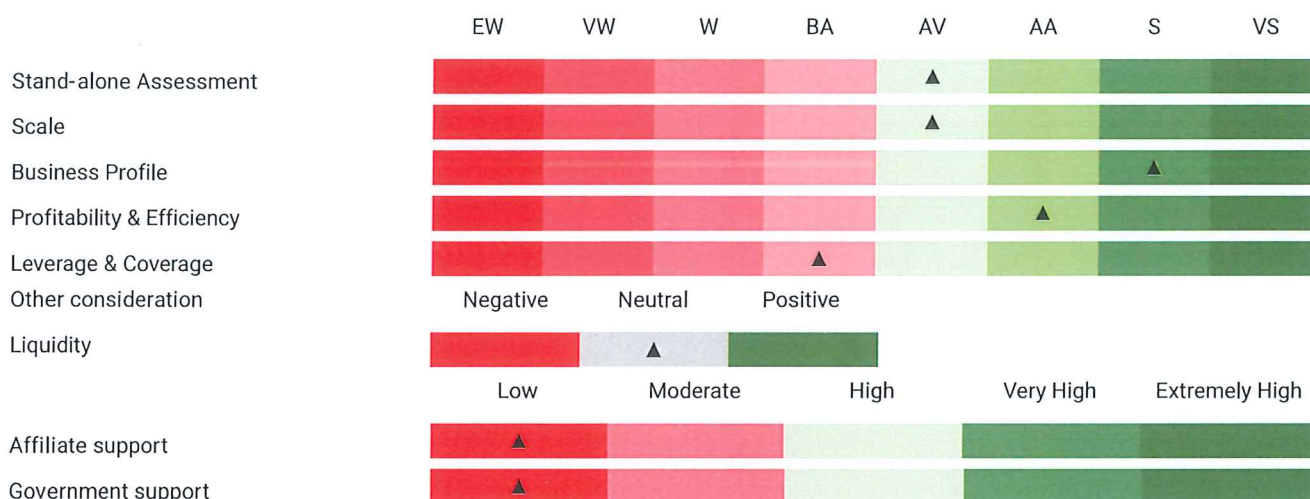
RATING METHODOLOGY

Rating Methodology: Non-Financial Corporates.

For detailed information, please see our full methodologies at:

<https://visrating.com/how-to-get-rated/view/non-financial-corporates-rating-methodology.1>

SUMMARY OF KEY FACTORS



Source: VIS Rating

Note: EW- Extremely Weak, VW- Very Weak, W- Weak, BA Below-Average, AV- Average, AA Above-Average, S- Strong, VS- Very Strong

CREDIT RATING HISTORY

Date	Rating type	Rating	Outlook	Action
24 December 2025	Long-term Issuer Credit Rating	BBB+	Stable	First-time assignment

Date	Rating type	Rating	Bond code	Maturity	Outlook	Action
24 December 2025	Senior secured debt rating	BBB+	AQ112501	3 years	Stable	First-time assignment

RATING SCALE

Long-Term Rating

AAA	Issuers or debt instruments demonstrate the strongest creditworthiness relative to other domestic entities and transactions.
AA	Issuers or debt instruments demonstrate very strong creditworthiness relative to other domestic entities and transactions.
A	Issuers or debt instruments demonstrate above-average creditworthiness relative to other domestic entities and transactions.
BBB	Issuers or debt instruments demonstrate average creditworthiness relative to other domestic entities and transactions.
BB	Issuers or debt instruments demonstrate below-average creditworthiness relative to other domestic entities and transactions.
B	Issuers or debt instruments demonstrate weak creditworthiness relative to other domestic entities and transactions and may be approaching default, with strong recovery prospects.
CCC	Issuers or debt instruments demonstrate very weak creditworthiness relative to other domestic entities and transactions and are likely in or near default, typically with moderate recovery prospects.
CC	Issuers or debt instruments demonstrate extremely weak creditworthiness relative to other domestic entities and transactions and are typically in default, typically with poor recovery prospects.
C	Issuers or debt instruments demonstrate the weakest creditworthiness relative to other domestic entities and transactions and are typically in default, with very poor recovery prospects.

Note: VIS Rating appends the modifiers + and – to each generic rating classification from AA through CCC. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier – indicates a ranking in the lower end of that generic rating category

REGULATORY DISCLOSURES

For further specification of VIS Rating's Rating Symbols and Definitions, please see:
<https://visrating.com/how-to-get-rated/>

AQUAONE's ownership stake in VIS rating: 0%

The ownership ratio of AQUAONE held by VIS Rating's staff: 0%

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