

VIS Rating assigns first-time BBB- senior secured bond rating to FECON Corporation, stable outlook

Hanoi, 13 May 2026 - Vietnam Investors Service and Credit Rating Agency Joint Stock Company (VIS Rating) has assigned a BBB- senior secured bond rating to FECON Corporation (short name: FECON). The outlook on the ratings is stable.

The bond rating is assigned based on the draft bond offering prospectus and terms and conditions of FECON's proposed 18-month VND 125 billion senior secured bond issuance.

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

RATING RATIONALE

SENIOR SECURED BOND RATING

The BBB- senior secured bond rating is primarily underpinned by FECON's 'Average' standalone assessment.

The senior secured bond constitutes direct, senior, and secured obligations of FECON, and will rank pari passu with other senior secured obligations of FECON.

Proceeds of the proposed 18-month VND125 billion senior secured bond will be used to repay existing loans. FECON intends to issue the bond by May 2026.

The bond is secured by two collaterals, namely (1) 13,910,918 ordinary shares in FECON Power Joint Stock Company, and (2) 16,197,490 ordinary shares of FECON RAITO Underground Construction Joint Stock Company.

The company has appointed PetroVietnam Securities Joint Stock Company (PSI) to serve as the advisory service provider, bondholder representative, and collateral management agent. PSI is required to monitor FECON'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, protracted negotiations, and delays.

According to management, FECON intends to meet its bond obligations through cash flow from its construction operations and the collection of receivables from its subsidiaries.

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

The outlook on FECON's bond rating is stable, reflecting our expectation that FECON's credit fundamentals will remain stable over the next 12-18 months.

STANDALONE ASSESSMENT

FECON's 'Average' standalone assessment incorporates its 'Average' scale and business profile, 'Below-Average' profitability and efficiency, as well as its 'Below-Average' leverage and coverage.

FECON, established in 2004, has become one of the leading companies in foundation engineering and underground construction in Vietnam through the development of deep geotechnical capabilities, continuous R&D, and partnerships with international constructors to adopt advanced construction technologies. Additionally, via its subsidiaries, FECON has invested in several projects in residential real estate, industrial parks, and renewable energy sectors.

Established in 2004, FECON is a leading foundation engineering and underground construction company in Vietnam, underpinned by strong geotechnical expertise, sustained R&D, and the adoption of advanced construction technologies



through international partnerships. The company has successfully executed complex foundation and underground works for major infrastructure and high-rise projects, such as urban metro systems, large commercial developments, and critical infrastructure projects, demonstrating solid technical execution capabilities. Through its subsidiaries, FECON has also diversified into residential real estate, industrial park, and renewable energy investments.

We assess FECON's Business Profile score to be Average, incorporating the 'Below-Average' industry profile of the construction sector, and the company's 'Above-Average' Competitive Position and Diversification.

The 'Below-Average' industry profile score reflects the low barriers to entry, high fragmentation, and intense competition. These characteristics result in structurally low and volatile profit margins. Margin volatility is driven by exposure to material cost fluctuations, execution risks, and receivables collection challenges.

Over the next 12–18 months, sector revenue growth is expected to remain strong. This outlook is supported by accelerated transportation infrastructure spending and a recovery in residential real estate development. Growth is likely to be concentrated in major cities and surrounding suburban areas.

We assess FECON's competitive position and diversification as Above-Average, supported by its specialization in foundation engineering and underground construction. This segment involves high technical complexity and significant barriers to entry, particularly in feasibility studies and engineering expertise.

Including its construction subsidiaries, FECON ranks among the top 10 listed construction companies in Vietnam by revenue. The company also generates gross margins above the peer's average.

Within its core construction business, FECON generated revenue of VND 2,400–2,900 billion over 2024–2025, which we assess as Average in scale.

FECON's competitive advantage is underpinned by its ability to deliver end-to-end geotechnical solutions, spanning site investigation, geotechnical consulting, design, material production, and construction execution. The company maintains strong research and technical development capabilities, with in-house R&D activities focused on geotechnical engineering, foundation testing, and the development and application of advanced construction technologies such as tunnel boring machines, jet grouting, and pipe jacking. This integrated service model enhances quality control and optimizes construction methods, particularly for projects with complex ground conditions.

Over more than 20 years of operations, FECON has built a strong execution track record across over 600 projects, including technically complex works such as Ho Chi Minh City Metro Line 1, Hanoi Metro Line 3, Nhon Trach 3 & 4 Thermal Power Plants, and the Hoa Phat–Dung Quat Steel Complex. This track record enhances its competitiveness in highly contested tenders and supports visibility into order backlog and revenue stability.

FECON benefits from technical and financial support from Raito Kogyo, its strategic shareholder and technical partner. As a leading Japanese contractor, Raito Kogyo has transferred advanced expertise in geotechnical engineering, underground construction, and slope stabilization. This partnership strengthens FECON's execution capabilities and credibility, supporting recent expansion into seaport and urban railway projects. Raito Kogyo also provides loans and payment guarantees to FECON Raito Underground Construction JSC, a 51%-owned subsidiary.

We assess FECON's profitability and efficiency as Below-Average, reflecting the construction sector's structurally low margins relative to other Vietnam corporate sectors. Over 2026–2027, we expect revenue to grow by about 25% annually to VND 4.0–4.3 trillion, supported by a strong backlog of VND 8.6 trillion as of 2025. EBITDA margins are projected to improve to around 7.7%, from an average of 6.6% in 2024–2025, driven by higher-margins, technically complex urban railway and seaport projects.

We assess FECON's leverage and coverage as Below Average, reflecting elevated leverage and low coverage.

Debt is primarily short-term and used to fund working capital in the construction business and is expected to increase gradually with new contract wins. Nevertheless, Debt/Equity is expected to remain below 1.0x. Improving profitability is projected to reduce Debt/EBITDA to about 6.4x in 2026–2027, from an average of 9.3x in 2024–2025.

FECON's weak coverage metrics reflect low profit margins and thin operating cash flow amid the ongoing expansion of its construction business. We forecast EBIT/interest of about 1.6x and CFO/debt of around 3% over 2026–2027, broadly unchanged from 2024–2025.

Similar to other constructors in Vietnam, FECON also face refinancing risk due to the reliance on short-term bank borrowings. Historically, the company has managed this risk through continued access to domestic bank credit lines. Management also plans to strengthen liquidity by accelerating the collection of receivables from its subsidiaries.

Factors that could lead to an upgrade

FECON's BBB- senior secured bond rating could be upgraded if its standalone credit profile strengthens through lower leverage and/or improved earnings, resulting in stronger debt and coverage metrics. Upgrade triggers could include Debt/EBITDA falling below 2.1x, EBIT/interest exceeding 5.4x, or CFO/debt exceeding 15%.

Factors that could lead to a downgrade

FECON's BBB- senior secured bond rating could be downgraded if its standalone credit profile weakens due to (1) heightened liquidity risk from adverse legal events or reduced access to bank financing, and/or (2) higher leverage or weaker profitability that materially deteriorates leverage and coverage metrics. Downside triggers could include Debt/EBITDA rising above 8.0x, EBIT/interest falling below 0.9x, or CFO/debt declining below 0.5%.

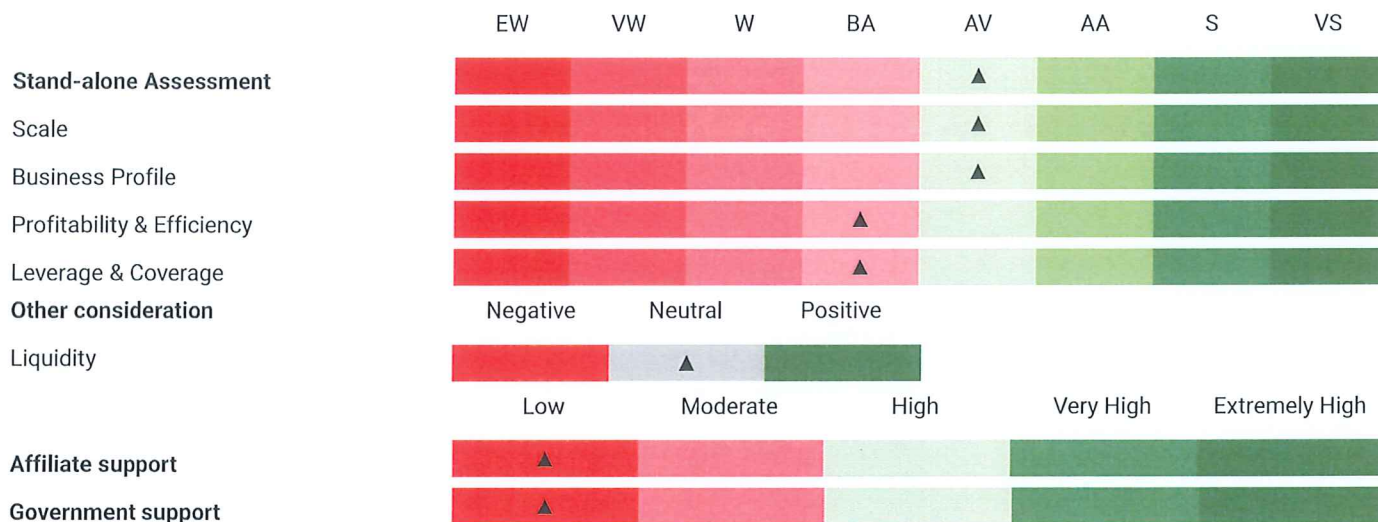
RATING METHODOLOGY

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	Bond code	Maturity	Outlook	Action
13 May 2026	Senior secured debt rating	BBB-	FCN12601	18 months	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

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