Ha An Real Estate Investment and Business JSC (Ha An)

Upcoming equity infusions will reduce Ha An's refinancing pressure and liquidity risks, a credit positive

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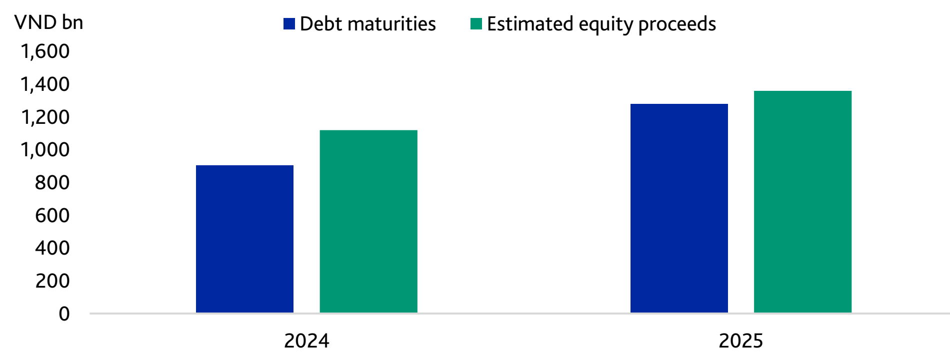
On 31 May 2024, Dat Xanh Group Joint Stock Company (DXG, unrated) – the parent company of Ha An Real Estate Investment and Business Joint Stock Company (Ha An, BBB stable) – announced its board has approved its plan to issue new shares to existing shareholders over Q3/2024 -2025 period and increase the chartered capital of Ha An.

According to the company disclosure, DXG expects to raise around VND1.8 trillion from the issuance of 150 million shares; of which, DXG will use VND1.358 trillion of the proceeds to boost Ha An's capital and repay maturing debts of Ha An's subsidiaries.

We view that the upcoming equity injections are credit-positive for Ha An as the proceeds will be used primarily to repay all of Ha An's maturing debt in 2025 (Exhibit 1), reducing its refinancing pressure and liquidity risks.

Exhibit 1
Ha An's liquidity risk will be mitigated, driven by proceeds from the equity raise



Source: Company data, Vietnam Investors Service
Note: 2024 equity proceed was received in Q1/2024

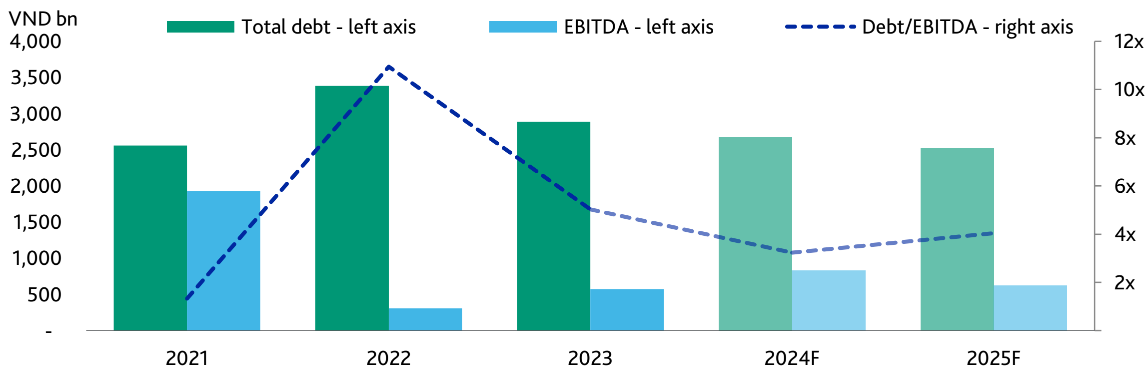
We note that DXG has infused significant amounts of equity capital into Ha An since 2018 to support the company's capital expenditures and business growth and repay maturing debt. Recently in March 2024, DXG completed another round of equity infusion of VND1,119 billion into Ha An. According to the company management, Ha An will use the new capital proceeds to repay the debt maturing in 2024 of Ha An and its subsidiaries.

Ha An's subsidiaries with outstanding debt maturing in 2025 include Hoi An Invest JSC, a 99.9%-owned company developing Dat Xanh Home Park View project, with VND802 billion of bond principal and interest obligations, and Ha Thuan Hung Ltd, a 54.61%-owned real estate investment company, with VND556 billion of bank loans. DXG and Ha An intend for these obligations to be fully covered by the upcoming equity infusion.

Ha An's leverage, measured by Debt/EBITDA (Earnings before interest, taxes, depreciation & amortization) peaked at 11x in 2022 as total debt significantly grew to fund its project development activities, while profitability declined sharply due to hand over delays in Gem Sky World project.

We expect Ha An's leverage will moderate to around 3x-4x by the end of 2024, driven by debt repayments and improving profits from new project handovers (Exhibit 2).

Exhibit 2
Leverage will moderate to 3x-4x by end-2024



Source: Company data, Vietnam Investors Service

The stable outlook on Ha An's BBB long-term issuer rating reflects our view that Ha An's project sales and cash flows will improve over the next 12-18 months, and it will manage its debt repayment and liquidity risks by using new cash resources, such as new equity infusions from DXG[1].

[1] For details on our rating rationale for Ha An, refer to our rating announcement.