

VIS Rating assigns first-time A- issuer rating to Truong Hai Group Corporation, stable outlook

Hanoi, 24 December 2025 - VIS Rating has assigned a long-term issuer rating of A- to Truong Hai Group Corporation (THACO). The outlook for THACO's A- issuer rating is stable. This is the first time VIS Rating has assigned a rating to THACO.

RATING RATIONALE

THACO's A- long-term issuer rating reflects its 'Above-Average' standalone credit profile, supported by a 'Strong' business profile, 'Very Strong' scale, and 'Above-Average' profitability and efficiency, partially offset by a 'Below-Average' leverage and coverage profile.

Established in 1997 as an automotive distributor, THACO has evolved into a diversified conglomerate operating through fully or majority-owned subsidiaries across multiple sectors, namely, Automotive (contributing around 70% of consolidated revenue over the past five years), Mechanical Engineering & Supporting Industries (12%), Construction and Real Estate (5%), Agriculture (4%), Commercial Services (3%), and Logistics (3%). THACO now operates as the parent and holding company of THACO's group of companies, leveraging synergies across sectors—such as shared infrastructure and integrated supply chains between automotive, manufacturing, and logistics, as well as between construction, real estate, and commercial services—supported by centralized financial management to optimize funding costs and liquidity.

THACO ranks among Vietnam's top 10 largest corporations by total consolidated assets and revenue over the past decade. Our 'Very Strong' assessment of THACO's Scale reflects its well-established market presence and deep operational footprint across multiple industries. We expect THACO to maintain business scale and cash flow generation capacity at a 'Very Strong' level over the long term, driven by its dominant automotive market position, expansion in agricultural products (including fruits and livestock), and a robust pipeline of residential real estate, commercial projects, and logistics developments.

THACO's 'Strong' Business Profile reflects its 'Average' Industry Profile and 'Very Strong' Competitive Position and Diversification, particularly in the automotive sector, which drives most of the group's revenue and cash flows.

The 'Average' Industry Profile is based on THACO's key operating sectors: Automotive and Mechanical Engineering & Supporting Industries.

Vietnam's automotive industry is moderately regulated and highly capital-intensive, with intense competition and low customer switching costs. Business performance is moderately volatile due to high vehicle prices relative to income, making demand sensitive to macroeconomic conditions. Long-term growth prospects remain favorable, supported by low car ownership, rising middle-class income, government incentives for electric vehicles, and infrastructure development.

Mechanical Engineering & Supporting Industries are highly competitive with low entry barriers. The sector's outlook is moderately positive, driven by increasing localization and rising demand from the automotive and industrial sectors, though performance is cyclical and exposed to fluctuations in raw material prices.

THACO's 'Very Strong' Competitive Position and Diversification score reflects its dominant market position in the automotive sector, extensive business diversification through strategic expansion into multiple sectors, and strong operational efficiency through scaling and leveraging synergies across its group companies.

Thaco Auto Corporation Ltd. (Thaco Auto), THACO's wholly owned subsidiary, holds a leading position in Vietnam's automotive industry, maintaining an integrated value chain—from imports, manufacturing, and assembly to distribution, retail sales, and after-sales services. Thaco Auto operates over 460 showrooms and service centers nationwide, offering a wide range of products, from passenger cars and buses to trucks and specialized vehicles. Its strategic partnerships with

global brands—from mass-market (Kia, Mazda) to premium (BMW, Mini Cooper)— alongside THACO's own bus and truck brands allow THACO to capture diverse demand and maintain stable sales, even during the 2023 downturns.

Between 2017 and 2024, Thaco Auto sold an average of 100,000 vehicles annually, capturing over 30% market share—well ahead of competitors such as TC Group (<20%), Toyota Vietnam (<20%), and Ford Vietnam (<15%). Thaco Auto recorded EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) margins of around 16% over 2021-1H2025 period, surpassing its industry peers.

We view THACO's key competitive advantage lies in its fully integrated automotive supporting industries, managed by Truong Hai Industries Group Co. Ltd. (Thaco Industries), which have increased localization, stabilized supply chains, and reduced costs, enabling faster market response. The group operates 19 factories specializing in mechanical engineering and manufacturing, supported by an R&D Center and Testing Center in Chu Lai. These facilities supply essential parts to Thaco Auto and mechanical equipment to other THACO businesses at competitive prices, reinforcing operational efficiency. This integrated value chain operation underpins our 'Strong' assessment of THACO's Profitability and Efficiency.

THACO also demonstrates strong corporate execution, consistently meeting strategic goals across core and diversified sectors. Over the past decade, the group has delivered large-scale industrial and infrastructure projects on schedule, including the completion of the Thu Thiem 2 Bridge despite pandemic-related challenges, the expansion of the Chu Lai automotive and mechanical industrial park, and the inauguration of Chu Lai Port's 50,000-DWT berth in February 2025 to strengthen logistics capabilities.

Over the next 12–18 months, we expect THACO's consolidated profitability to improve, largely driven by its residential real estate business. THADICO, THACO's real estate subsidiary, plans to complete the sale of condominium units from its projects, including C2, C3, Lot 6.8, and premium villas Sarina and Saroma, in the Sala Urban Area, Ho Chi Minh City. Management expects THADICO's revenue contribution to the group to increase to 10–15% over 2025–2027, supported by an average EBITDA margin of 50–65%, which will, in turn, lift THACO's overall EBITDA margin close to 20%.

We assess THACO's leverage as 'Average'. From 2021 to 1H2025, consolidated leverage worsened, with Debt/EBITDA rising from 4x to 10x and Debt/Equity increasing from 97% to 196%, primarily due to financing for new long-term investments in agriculture and real estate. By 1H2025, consolidated debt (excluding convertible bonds) reached VND105 trillion, 60% of which was short-term and concentrated at Thaco Auto (over 75% of total short-term debt), while long-term debt was mainly at the parent company (41%) and THADICO (34%).

Rising debt financing to fund Truong Hai Agriculture JSC (Thaco Agri) expansion is a key credit concern. By 1H2025, Thaco Agri borrowed VND43 trillion from THACO, accounting for 40% of consolidated debt despite limited direct bank borrowings. From 2025 to 2027, Thaco Agri plans to invest over VND20 trillion to develop 40,000 hectares of farmland in Vietnam and Cambodia, focusing on large-scale industrial farming for export. If revenue and operating cash flow growth are insufficient to service debt, Thaco Agri will likely require additional borrowings and refinancing, which could pressure liquidity at the parent company and Thaco Auto, given that most parent funding comes from internal loans sourced from Thaco Auto (VND30 trillion).

Cash flow and interest coverage will remain weak. High leverage has pushed up interest costs across subsidiaries, with Thaco Agri posting EBIT (Earnings Before Interest, Taxes)/Interest of only 0.2x and THADICO at 1.2x—the lowest within the group—dragging consolidated coverage from 6.7x in 2021 to 1.9x in 1H2025. Operating cash flow (CFO) was negative during 2023–1H2025, driven by higher working capital for agricultural expansion and delayed real estate sales due to legal hurdles.

Nonetheless, we expect THACO's leverage and coverage to gradually improve over the next 12–18 months, mainly driven by the sales proceeds from THADICO's new residential projects. Assuming the sales materialize as planned, THACO's CFO should turn positive in 2026–2027; its Debt/EBITDA will decline from its peak in 1H2025 to an average of 7x, and interest coverage will improve to 3.4x, which are still considered weak relative to the Vietnam corporate universe.

We assess THACO's liquidity risk over the next 12–18 months as manageable at both the group and parent levels. The group maintains robust banking relationships with leading domestic and international institutions, ensuring access to funding. Most banks require parent guarantees for subsidiary loans, making the parent critical in centralized cash flow and liquidity management. The parents' financial income from dividends and interest on intercompany loans has so far been sufficient to cover operating costs, interest payments, and near-term debt obligations.

According to management, liquidity at the subsidiary and parent levels is centrally monitored and managed, and excess liquidity can be mobilized through internal loans from subsidiaries to parent, and vice versa.

We do not incorporate any affiliate support or government support in THACO's issuer rating.

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

Factors that could lead to an upgrade

THACO's A- issuer rating could be upgraded if the group: (1) demonstrates a sustained track record of strong revenue growth, improvement in profit margin, and cash flow generation from its core businesses, for example, CFO/Debt consistently above 5% or EBITDA margin consistently above 20%; and (2) achieves material and sustained improvements in leverage and coverage credit metrics, such as Debt/EBITDA ratio maintained lower 6x, and EBIT/Interest Expense ratio maintained above 5x.

Factors that could lead to a downgrade

THACO's A- issuer rating could be downgraded if: (1) the group increases borrowings significantly to finance new projects while cash generation capacity from these projects is weak or delayed, resulting in weaker leverage metrics. For example, Debt/EBITDA ratio exceeds 10x; and/or (2) the parent company and/or any group subsidiary faces heightened liquidity risk due to restricted access to bank financing or difficulties in refinancing at market rates.

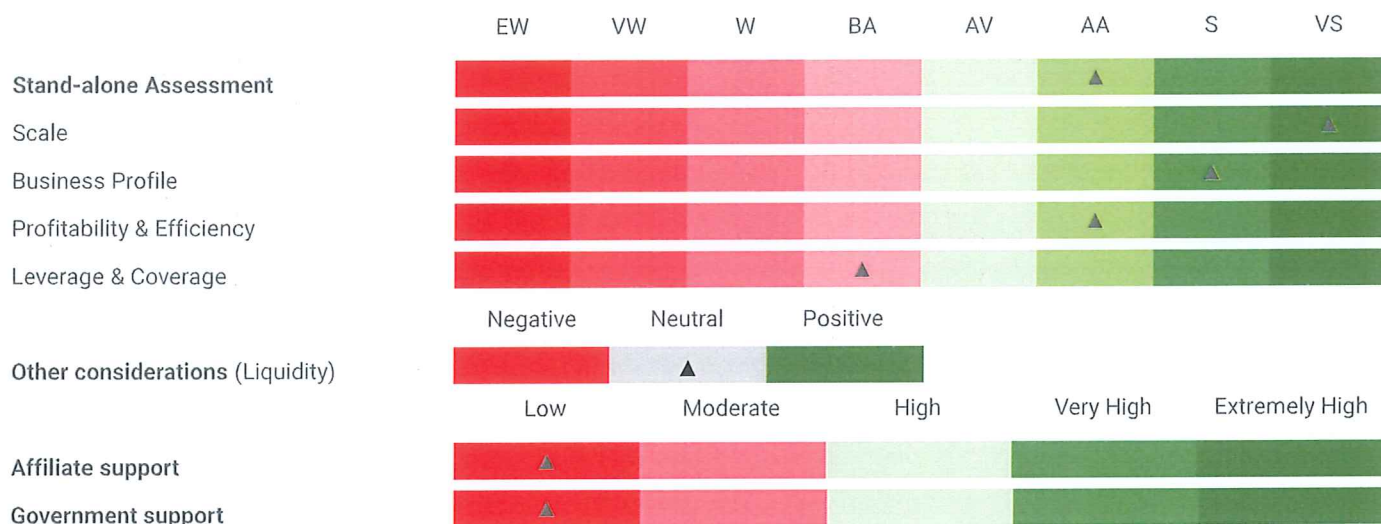
RATING METHODOLOGY

Rating Methodology: Non-Financial Corporates.

For detailed information, please see our full methodologies at:

<https://visrating.com/wpcontent/uploads/2024/04/VIS-Rating-Rating-Methodology-Non-financial-Corporates-EN.pdf>

SUMMARY OF KEY FACTORS



CREDIT RATING HISTORY

Date	Rating type	Rating	Outlook	Action
24 December 2025	Long-term Issuer	A-	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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