

Automobile Sector - 2H2026 Outlook

Intense competition and higher borrowing costs constrain credit profiles despite robust sales growth

Strong adoption of electric vehicles (EVs) and hybrids, together with rising imports of competitively priced Chinese vehicles, drove robust sales growth in 1H2026 but also intensified price competition. Financing access remained sound, although higher borrowing costs and a larger volume of bonds maturing in 2H2026 will increase refinancing needs. Despite revenue and EBITDA growth, weaker core operating margins and slower inventory turnover weighed on operating cash flow, which was negative for most listed automotive firms. These pressures, together with intensifying competition, will continue to constrain credit profiles in 2H2026.


Improved

Stable

Deteriorated
Indicator
Trend
Key Highlights

Policy Measures


Extended tax and fee incentives preserve EVs' price advantage and support demand for EVs

- **Law No. 09/2026/QH16** extends the preferential special consumption tax rates of 1-3%, effective since March 2022, through the end of 2030 instead of February 2027. The extension will preserve EVs' price advantage over the medium term.
- **Decree No. 202/2026/ND-CP**, effective from 1 March 2027, extends the 0% first-time registration fee for battery electric vehicles through the end of 2030, ensuring continuity of this policy support since 2025.


Market Condition


Strong EV/Hybrid adoption and rapid expansion of Chinese cars drive robust sales growth but also intensify price competition

- Automobile sales reached 303,391 units in 1H2026, up 33.8% YoY, mainly driven by a 72% YoY increase in VinFast EV sales to 115,916 units, while hybrid vehicle sales rose 83% YoY to 10,865 units. Government policy incentives, competitive pricing and volatile gasoline prices increased consumer interest in electrified vehicles.
- Sales of internal combustion engine cars rose by an estimated 13% YoY to around 174,000 units in 1H2026, indicating resilient demand beyond electrified vehicles. However, many long-established brands are losing market share such as Toyota, Hyundai, Ford.
- Completely built-up vehicle imports rose 28.9% YoY to USD2.8 billion, led by imports from China, which increased 71.2% to USD1.26 billion. Chinese vehicles are generally competitively priced and offer advanced technology features, giving consumers more choices and intensifying competition in the market.


Financing Condition


Financing access remained sound but borrowing costs edged up, and bond maturities will raise refinancing needs in 2H2026

- The sector's financing access remained stable, as listed automotive firms reported a 7.3% increase in total debt in 1H2026. Debt growth was concentrated among large firms, including HUT (BBB+, stable) and HAX, to finance expansion of their car distribution businesses.
- Borrowing costs increased for both car dealers and buyers, as listed firms' effective interest rates rose by 1-4% YoY, while bank auto loan rates increased by 1.5-2% YoY in 1H2026. We expect interest rates to remain elevated in the next 12-18 months, pressuring consumer demand and working capital financing for automotive firms.
- New bond issuance remained subdued, with no issuance in 1H2026. Looking ahead, VND2.5 trillion bonds will mature in 2H2026, increasing refinancing pressure and likely supporting new issuance activity.


Financial Strength


Weaker core business margins and cash flow constrain credit profiles

- Revenue of listed automotive firms rose 17.5% YoY in 1H2026 on robust vehicle sales. Higher revenue and a surge in financial income drove a 28.9% increase in reported EBITDA, modestly improving average debt/EBITDA to 4.47x (2025: 4.66x) and interest coverage to 2.43x (2025: 2.16x) in 1H2026.
- However, intense market competition compressed profitability in the core automotive business. Excluding financial income, core EBITDA margin declined to 3.06% in 1H2026 from 3.20% in 1H2025, driven by a 38% YoY surge in selling expenses. Looking ahead, we expect increasing price competition from VinFast and Chinese cars to continue limiting sector profit margins.
- Most listed automotive firms reported negative operating cash flow (CFO) in 1H2026, driven by thin margins and a 37% inventory build from end-2025, with turnover slowing to 5.5x from 6.7x. Interest paid also rose 47% YoY on larger debt balances, higher borrowing costs and the timing of interest settlements. We expect automotive firms' CFO to remain weak in 2H2026 as intensifying price competition and higher borrowing costs continue.

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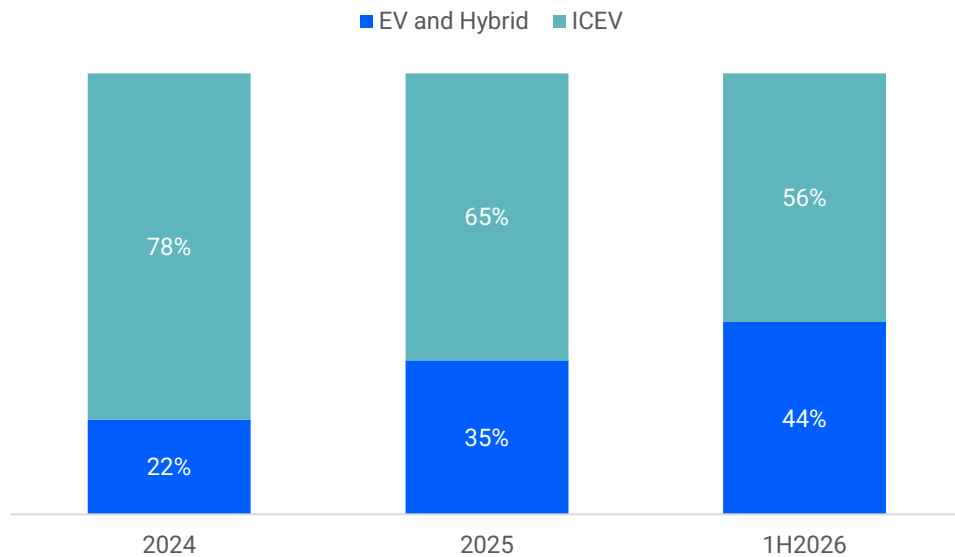
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Exhibit 1: Vietnam automotive sales by quarter



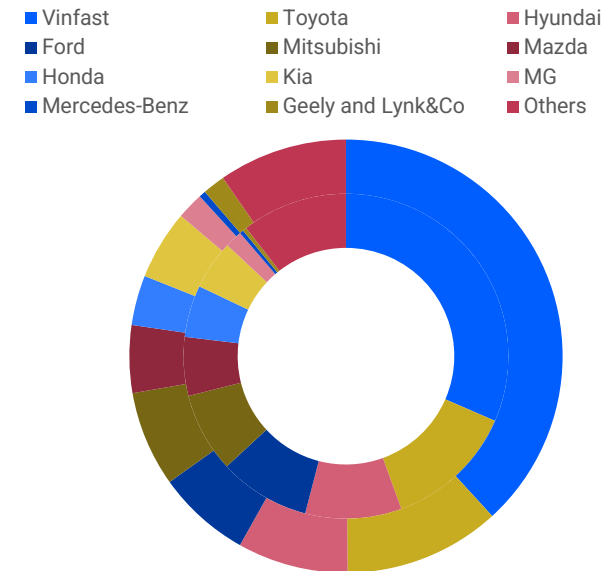
Source: Vietnam Automobile Manufacturers Association (VAMA), VinFast, TC Motor, VIS Rating

Exhibit 3: Electrified vehicles (including both BEVs and hybrids) account for an increasing share of total automotive sales



Source: Vietnam Automobile Manufacturers Association (VAMA), VinFast, TC Motor, VIS Rating

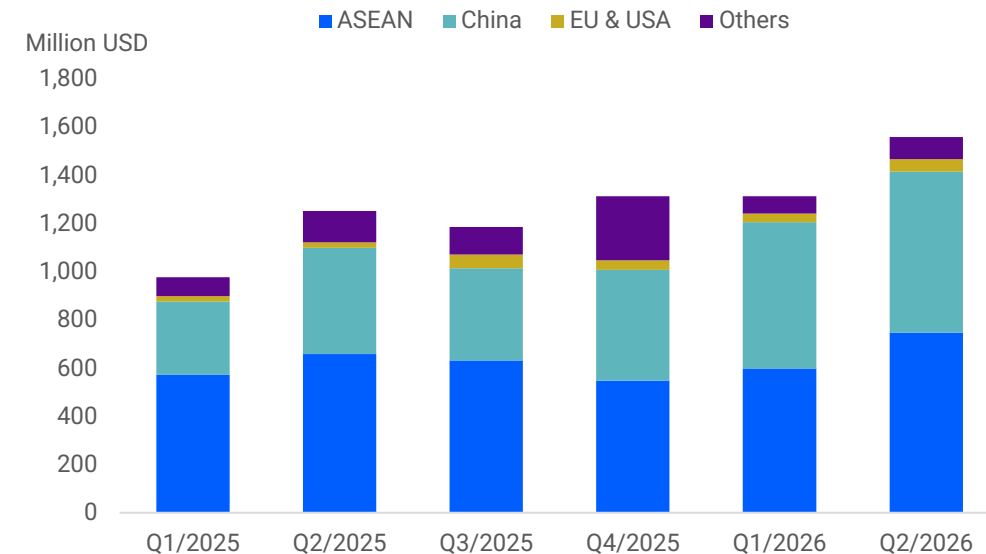
Exhibit 2: VinFast leads automotive market share by sales volume in the first half of 2026



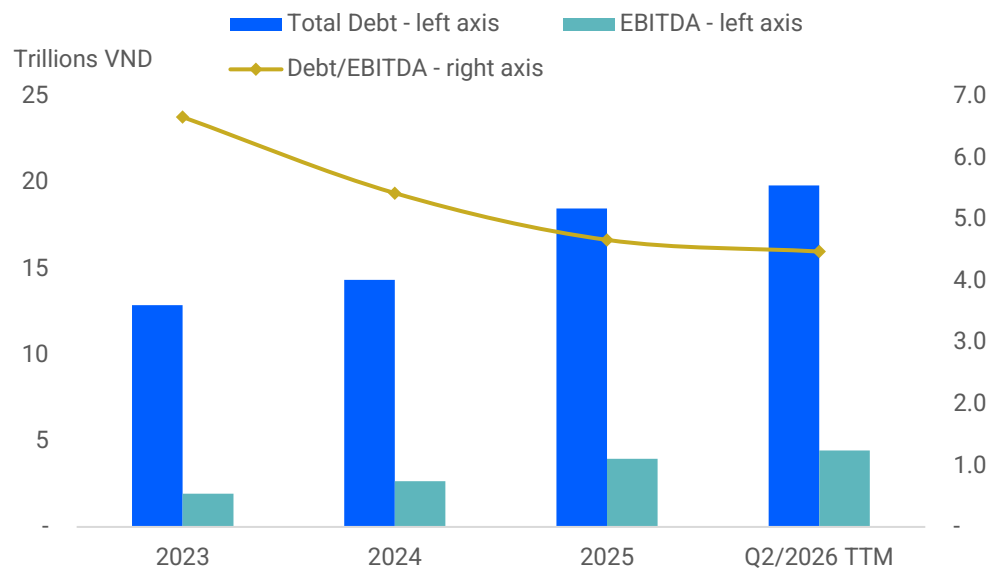
Note: Inner circle - 2025, Outer circle - 1H2026

Source: Vietnam Automobile Manufacturers Association (VAMA), VinFast, TC Motor, Company data, VIS Rating

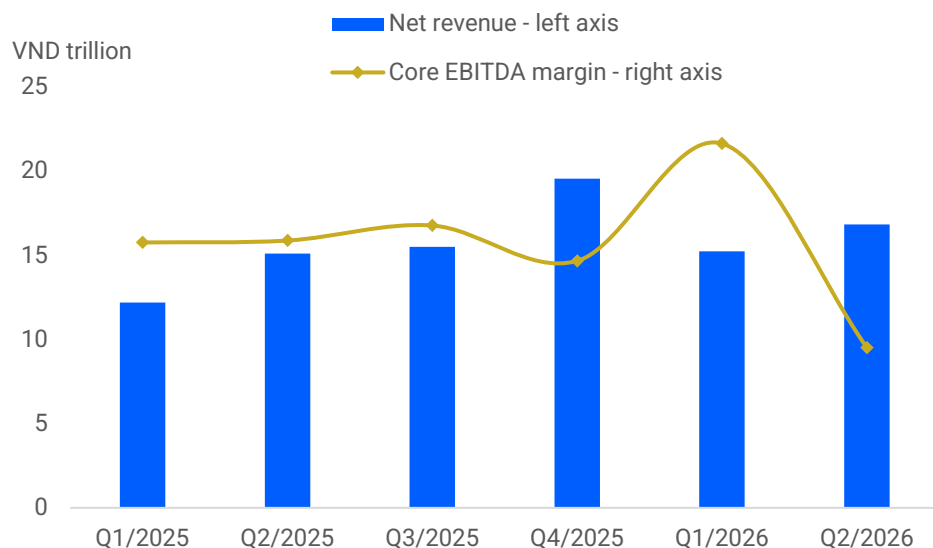
Exhibit 4: Sharp increase in automotive imports, especially from China



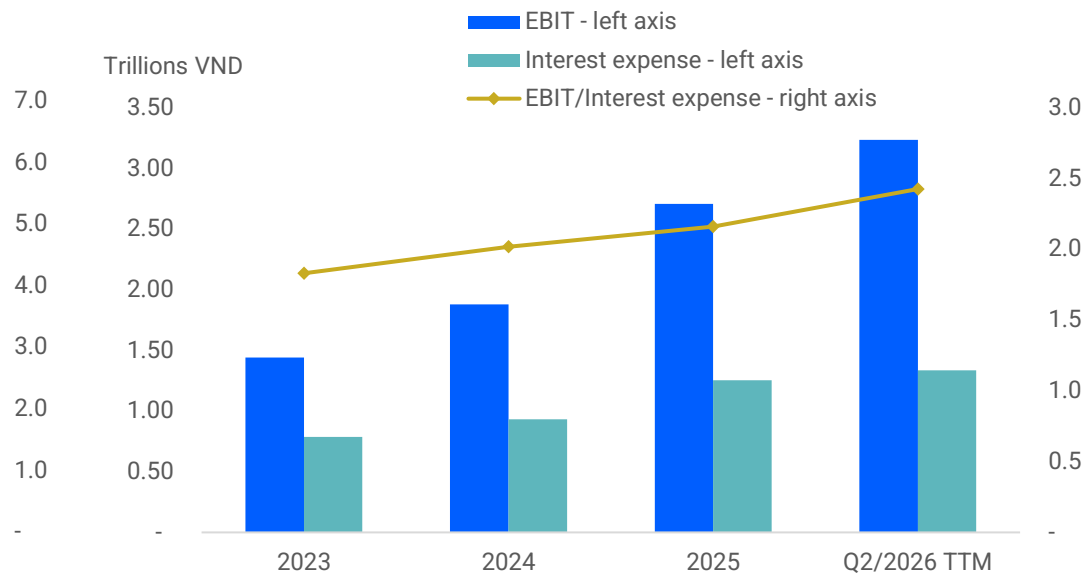
Source: Vietnam Customs, VIS Rating

Exhibit 5: Higher revenue and a surge in financial income modestly eased leverage ratios

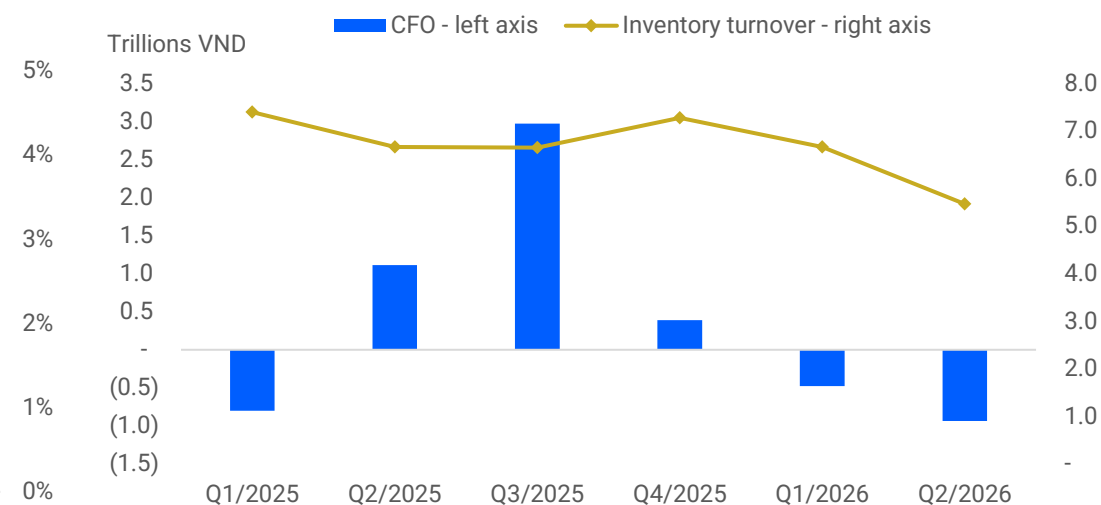
Source: Company data, VIS Rating

Exhibit 7: Revenue grew but core EBITDA margin of automobile business fell on intensifying price competition

Source: Company data, VIS Rating

Exhibit 6: Higher EBIT and a slower rise in interest expense lifted coverage ratios

Source: Company data, VIS Rating

Exhibit 8: Slower inventory turnover weighed on operating cash flow in 1H2026

Source: Company data, VIS Rating

APPENDIX

The companies included in our analysis are as follows:

	Short name	Full name	Classification*
1	HUT	Tasco Joint Stock Company	Large
2	SVC	Saigon General Service Corporation	Large
3	CTF	City Automotive Corporation	Large
4	HAX	Hang Xanh Motors Service Joint Stock Company	Large
5	GGG	Giai Phong Motor Joint Stock Company	Mid and small
6	GMA	G-Automobile Joint Stock Company	Mid and small
7	HHS	Hoang Huy Investment Services Joint Stock Company	Mid and small
8	HTL	Truong Long Automotive & Technology Joint Stock Company	Mid and small
9	TMT	TMT Motors Corporation	Mid and small
10	VMA	Vinacomin Motor Industry Joint Stock Company	Mid and small
11	VVS	Vietnam Machine Investment Development Joint Stock Company	Mid and small

**Note: We classify the scale of automotive firms based on their revenue scale. Firms with revenue exceeding 5,000 billion VND are classified as large-scale, and those below this threshold are considered small and medium scale.*

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