

## STOCK PITCH REPORT

December 17, 2025

# Danang Rubber (DRC)

## Attractive valuation with rubber price tailwinds

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### Buy

<b>Target price</b>	<b>VND 18,300</b>
Support/Entry 1	VND 14,200 – 14,750
Upside 1	24%
Support/Entry 2	VND 12,900 – 13,700
Upside 2	31%

#### Note:

Investors need to combine the assessment of market trend, the attractiveness of investment catalysts and risk appetite to manage the stock exposure at each entry level accordingly.

Since the determination of each support/entry level is based on different time frames, we do not provide a fixed Stop Loss. In general, Stop Loss levels should be set tighter for near supports/entries (5–7%) and wider for far supports/entries (10–15%).

#### Business operation

Danang Rubber (DRC) primarily operates in the manufacturing and trading of tires and inner tubes for automobiles, motorcycles, and bicycles. Its core product portfolio comprises radial and bias tires for passenger and commercial vehicles. The radial tire plant currently has an annual production capacity of one million tires.

#### Stock price relative comparison

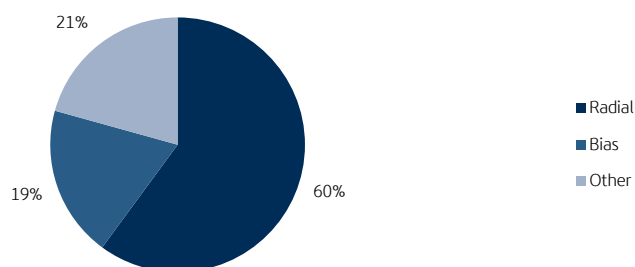
DRC is currently trading at a P/B ratio of 1.1x, equivalent to 1.8 standard deviations below its 10-year average. Earnings recovery is expected to be supported by favorable rubber input prices, which should drive a meaningful improvement in profit margins in 2026. At its 11–14% ROE level, DRC's P/B is projected to revert to 1.5x, implying a fair value of VND18,300 per share.

### INVESTMENT CATALYSTS

**Competitive export position and structural domestic demand should help sustain revenue growth.** In export markets, the advantage of lower effective tariff rates compared to China and Thailand is expected to support export volumes over the medium term. Domestically, the ongoing shift toward radial tires, together with continued infrastructure development, is forecast to underpin long-term tire demand.

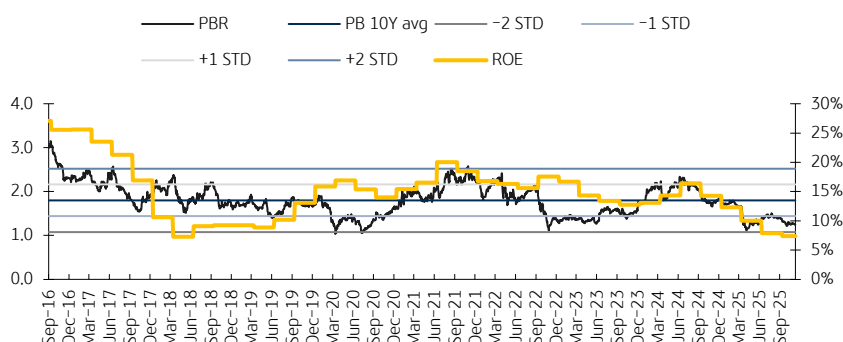
**A projected 5–10% contraction in rubber prices is set to bolster profit margins in 2026.** The key driver is a forecast 3–5% YoY decline in China's auto sales in 2026, as the Chinese government has scaled back vehicle purchase and trade-in subsidy programs and removed electric vehicles (EVs) from the list of strategic industries for the 2026–2030 period. Under the base-case scenario, KBSV expects a 5% decline in rubber prices to lift DRC's gross margin to 15.7% in 2026 compared with an estimated 12.3% in 2025. In addition, input rubber prices may benefit from a low oil price outlook in the near term.

#### Revenue composition (2024)



Source: Danang Rubber, KB Securities Vietnam

#### P/B and ROE



Source: Bloomberg, KB Securities Vietnam

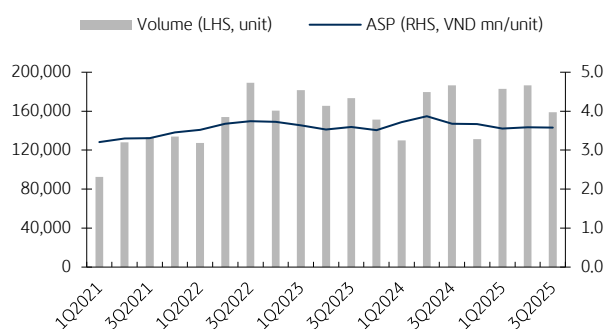
## 1. Competitive export position and structural domestic demand should help sustain revenue growth

**DRC's exports to the US may soften in the near term but remain stable over the longer term, supported by resilient demand in the replacement tire market**

DRC's export volume rose 21% YoY in 1H2025, driven by front-loading ahead of the US reciprocal tariff implementation. We view this as a temporary effect, as US demand is likely to normalize once importers prioritize selling through inventories accumulated from front-loading. Over the medium term, DRC's outlook should be supported by stable demand in the US replacement tire market amid: (1) *elevated new car prices* (~USD47,800, up 35% from 2019) and *auto loan rates of around 8%* that discourage new vehicle purchases and extend the average vehicle lifespan to 12.8 years (from 11.8/12.6 years in 2019/2024) and (2) *sustained post-pandemic mobility growth*, with vehicle miles traveled (VMT) reaching 3.3 trillion miles in the 12 months to September 2025 (+0.8% YoY), according to the Federal Highway Administration (FHWA).

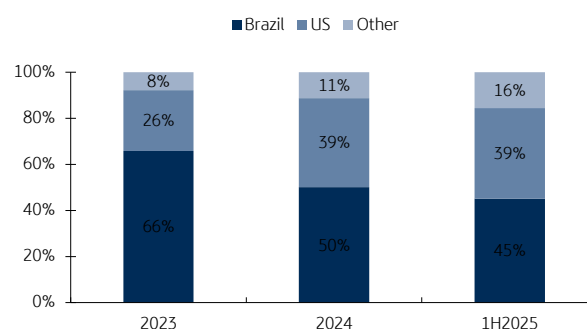
KBSV forecasts revenue of VND5,070 billion in 2026, rising to VND5,379 billion (+2% YoY) in 2027 and VND5,718 billion (+6% YoY) in 2028.

Fig 1. DRC – Export volumes & ASP (unit, VNDmn/unit)



Source: Danang Rubber, KB Securities Vietnam

Fig 2. DRC – Revenue breakdown by market (%)



Source: Danang Rubber, KB Securities Vietnam

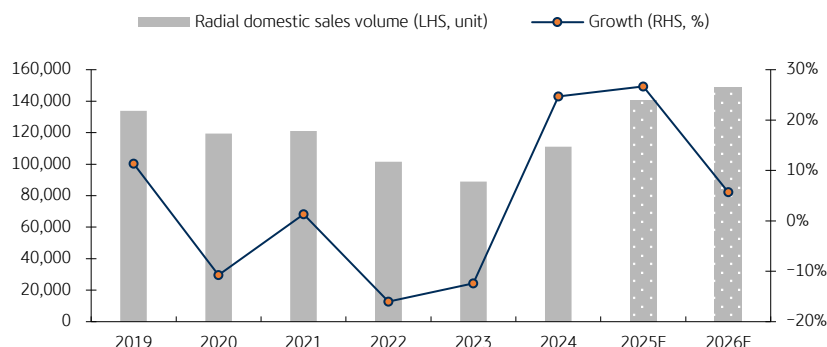
**DRC has expanded into emerging markets in response to US reciprocal tariffs**

In response to US reciprocal tariffs, DRC has proactively expanded into emerging markets, securing additional orders from the Middle East and Africa in 2025. These markets present attractive opportunities due to (1) their reliance on imported tires, stemming from the lack of large-scale domestic manufacturers, and (2) relatively stable and less cyclical demand growth. Expanding exports to these markets is expected to support sales volumes, sustain revenue growth, and reduce exposure to high-tariff markets.

**A structural shift toward radial tires is set to drive domestic sales growth**

Domestically, Vietnam plans to add 2,000 km of expressways during 2026–2030, which will boost long-distance transportation demand and accelerate radial tire consumption, given their superior durability, road grip, and fuel efficiency. However, the domestic adoption rate of radial tires remains low compared with developed markets, indicating substantial growth potential. Against this backdrop, expanding radial tire production capacity positions DRC to meet rising demand, capture structural growth opportunities, and support domestic sales and revenue growth in the coming years.

Fig 3. DRC – Domestic radial tire sales volume and growth (units, %)



Source: Danang Rubber, KB Securities Vietnam

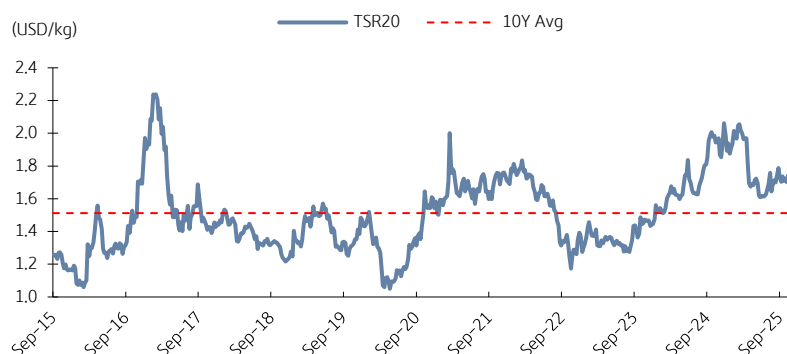
## 2. A projected 5–10% contraction in rubber prices is set to bolster profit margins in 2026

**A slowdown in China's auto market is likely to pressure tire demand and rubber prices**

China's auto sales are forecast to decline by 3–5% in 2026, following three consecutive years of growth driven by vehicle trade-in programs and buyer subsidies, amid continued economic slowdown. In addition, the Chinese government has removed EVs from the list of strategic industries under the 2026–2030 plan, signaling a potential inflection in the automotive growth cycle. Given the weaker outlook for tire demand in China, we expect natural rubber prices to retreat in 2026, similar to the 2017–2019 period. Under our base-case scenario, we project a 5% YoY decline in rubber prices in 2026, lifting DRC's gross margin to an estimated 15.7%, from a projected 12.3% in 2025.

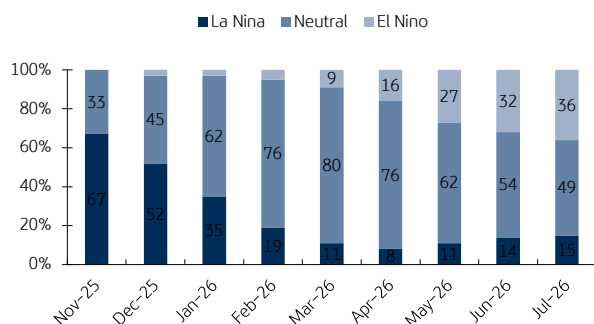
From 2024 through 2Q2025, low inventory levels and extreme weather events—including storms and floods in Thailand and China—constrained supply and drove a sharp increase in natural rubber prices. Looking ahead to 2026, amid an expected decline in auto sales driven by the Chinese government's scaling back of vehicle purchase and trade-in subsidy programs, the removal of EVs from the list of strategic industries under the 2026–2030 plan, and elevated automotive inventory levels, KBSV expects natural rubber prices to retreat significantly.

Fig 4. Global – TSR20 rubber price trends (USD/kg)



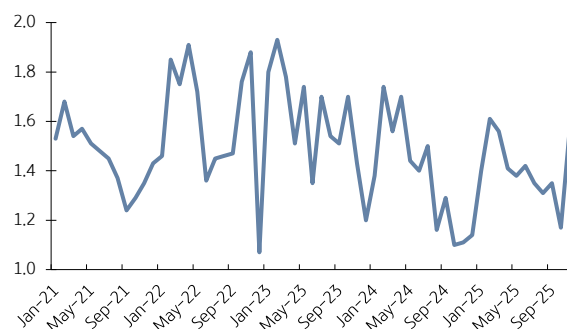
Source: Bloomberg, KB Securities Vietnam

Fig 5. Global – ENSO phase probability forecast (%)



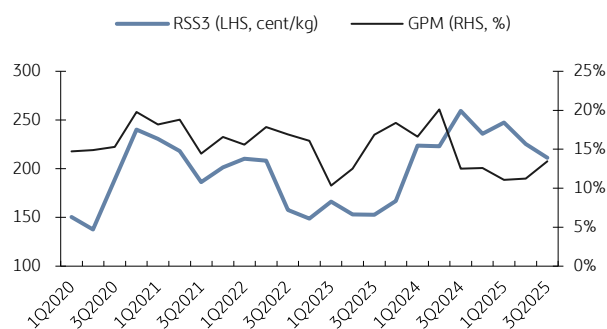
Source: Bloomberg, KB Securities Vietnam

Fig 6. China – Inventory-to-auto sales ratio (%)



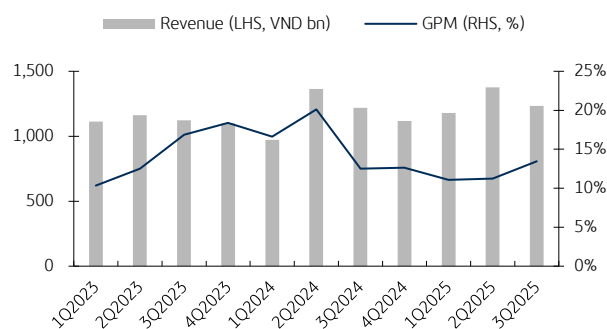
Source: Bloomberg, KB Securities Vietnam

Fig 7. DRC – RSS3 rubber prices vs. GPM (cent/kg, %)



Source: Danang Rubber, KB Securities Vietnam

Fig 8. DRC – Revenue, GPM (VNDbn, %)



Source: Danang Rubber, KB Securities Vietnam

Table 9. DRC – 2026F NPAT based on revenue growth and input rubber price movements

		Average rubber prices vs. 2025 (+/- % change)					
		-20%	-15%	-10%	-5%	0%	10%
Revenue growth vs. 2025	-10%	396.3	344.0	291.6	187.0	134.7	30.1
	-5%	421.5	366.3	311.0	200.6	145.4	34.9
	0%	446.7	388.6	330.4	214.2	156.1	39.8
	+5%	471.9	410.9	349.8	227.8	166.8	44.7
	+10%	497.1	433.2	369.2	241.4	177.4	49.6
	-10%	396.3	344.0	291.6	187.0	134.7	30.1

Source: KB Securities Vietnam

Table 10. DRC – 2026 forward PBR based on 2026F NPAT (Table 9) and market capitalization as of December 17, 2025

		Average rubber prices vs. 2025 (+/- % change)					
		-20%	-15%	-10%	-5%	0%	10%
Revenue growth vs. 2025	-10%	0.95	0.97	0.99	1.04	1.07	1.09
	-5%	0.94	0.96	0.99	1.04	1.06	1.09
	0%	0.93	0.95	0.98	1.03	1.06	1.09
	+5%	0.92	0.95	0.97	1.02	1.05	1.08
	+10%	0.91	0.94	0.96	1.02	1.05	1.08
	-10%	0.95	0.97	0.99	1.04	1.07	1.09

Source: KB Securities Vietnam

\*The 5-year and 10-year average PBRs are approximately 1.8x.

### Brent crude oil prices are expected to remain at low levels in 2026

As of November 2025, Brent crude oil was trading around USD60 per barrel, down 25% YTD and 20% YoY. This decline has been driven primarily by a pronounced oversupply, with global oil inventories rising rapidly while demand shows limited improvement. Notably, many oil-producing countries, including non-OPEC+ producers, continue to expand output, reinforcing oversupply as the key driver of downward price pressure. Looking ahead, we expect oil prices to remain at low levels in 2026, ranging between USD61–63 per barrel. A favorable oil price environment should help keep synthetic rubber costs—accounting for approximately 15% of tire production costs—low, thereby supporting an improvement in DRC’s profit margins.

Table 11. Global – 2026F Brent crude oil prices (USD/barrel)

	1Q2026	2Q2026	3Q2026	4Q2026
Median	61	62	63	63
Morgan Stanley	58	58	60	60
JP Morgan Chase	60	59	56	55
Citigroup	60	62	62	62
UBS Group	62	65	65	67
BofA Merrill Lynch	64	68	72	76
Goldman Sachs	58	54	54	57
BNP Paribas	55	57	63	63
Standard Charter	62	63	64	65
MUFG	64	62	63	60
HSBC	65	65	65	65

Source: Bloomberg, KB Securities Vietnam

## Risks

### Climate-driven weather volatility is making rubber input costs less predictable and weighing on DRC’s gross margin

Global warming has led to more extreme El Nino and La Nina events, resulting in heightened weather volatility across rubber-growing regions. Consequently, rubber prices have become more volatile, making input costs less predictable and exerting pressure on DRC’s gross margin.

### US market headwinds are reducing export volumes and keeping the new radial tire plant underutilized

Headwinds in the US market have weighed DRC’s export volumes in the short term, causing the new radial tire plant to operate below its design capacity. A slower-than-expected order recovery could lead to net revenue falling short of our projections.

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**Investment ratings & definitions**

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**Investment Ratings for Stocks**

**(Based on the expectation of price gains over the next 6 months)**

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

**Investment Ratings for Sectors**

**(Based on the assessment of sector prospects over the next 6 months)**

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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