

DANANG RUBBER JSC (HSX: DRC)

Radial tires are at the heart of long-term outlook

Amid challenges in the domestic bias transport tire market due to competition and shifting consumer preferences, DRC has pivoted to radial transport/car tires, targeting the low-to-mid-end segment in high-density markets like the US and Brazil. However, high raw material prices and elevated transportation/discount costs from global expansion hinder net profit margins, making a return to pre-2020 levels difficult.

Sustainable revenue growth thanks to radial transport/car tire support in the medium term

- **Domestic market:** Bias transport tires are projected to grow 6.9%/year, supported by Vietnam's 8-9% annual production growth. Market share, after a sharp decline in 2018-24, is expected to stabilize with competitive pricing/discount policies for dealers.
- **Export market:** DRC is focusing on radial transport tires, expanding production capacity by 1.2 million tires/year and optimizing discount and transport strategies. Market share in the US low-to-mid-tier segment is expected to rise from 1.3% to 2.1%, benefiting from better tariffs than competitors like Thailand, while maintaining a strong 7.5% share in Brazil.
- **The "dark horse" of "radial car tires – PCR":** From Q2-2025, PCR tires show recovery with growing domestic and export orders, mirroring the successful pricing/discount/distribution model of CSM – Advenza tires. Gross margin for PCR is expected to improve from 0% in 2025 to 12.5% by 2029, with average revenue growth of 31%/year.

Net margin recovery but struggles to reach industry average (7-8%)

- Rising raw material prices and increased discount/transport costs from targeting competitive markets will pressure margins, as reflected in 2025 results.
- A 2-3% annual USD/VND exchange rate increase and partial price pass-through to consumers will help margins recover from 2.6% in 2025 to 5.0% but remain below the industry's 7% due to weaker scale and brand recognition compared to foreign competitors.

In 2025, NPAT is forecast at VND 140 bn (-42.9% YoY), with an EPS of VND 905. Long-term NPAT is projected to grow at a 9% CAGR from 2025-29, reaching VND 376 bn by 2029.

Using the DCF method, the fair value for the next year of DRC is at **16,650 VND/share**. Based on the closing price on September 22nd, 2025, we recommend **NEUTRAL** for DRC.

Risks:

- The risk of price upside comes from (1) a stronger-than-expected expansion of revenue/profit margin from the radial transport/automobile tire (TBR/PCR) line through finding new customers and expanding factory capacity, (2) Vinachem divesting DRC from international tire organizations/merger with domestic tire organizations.
- The downside risk comes from the increase in the input price not being converted to the selling price due to the emergence of many competitors or the Brazilian/US tariffs on Cambodian/Thai tires being better adjusted.

Key financial ratios

Y/E Dec (VND bn)	FY2022	FY2023	FY2024	FY2025F	FY2026F	FY2027F
Net revenue	4,899	4,495	4,673	5,361	5,724	6,162
%change	11.9%	-8.2%	4.0%	14.7%	6.8%	7.7%
EBITDA	343	274	256	250	334	414
PAT	308	246	245	140	195	267
% change	6.3%	-20.1%	-0.7%	-42.9%	39.3%	37.4%
Net margin (%)	6.3%	5.5%	5.2%	2.6%	3.4%	4.3%
ROA (%)	9.0%	7.3%	5.8%	3.2%	4.2%	5.6%
ROE (%)	16.1%	13.3%	12.8%	7.0%	9.3%	11.9%
Basic EPS (VND)	2,597	2,074	1,950	905	1,260	1,731
Book value (VND)	16,089	15,588	16,126	12,839	13,575	14,550
Cash dividend per share (VND)	1,200	2,300	1,200	1,200	500	800
P/E (x)	8.3	13.2	14.7	19.0	13.6	9.9
P/BV (x)	1.3	1.8	1.8	1.3	1.3	1.2

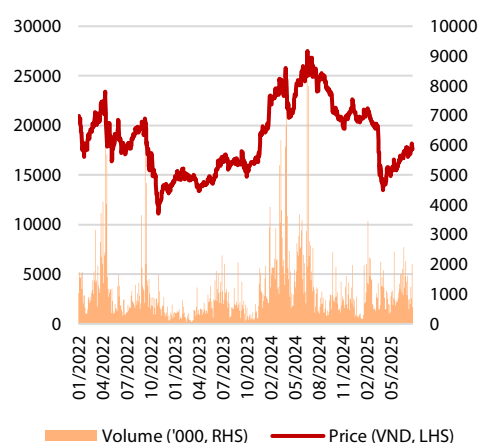
Source: DRC, RongViet Securities. Based on the closing price on September 22th, 2025.

NEUTRAL

Market price (VND)	16,650
Target price (VND)	17,200
Expected cash dividend next 1 year (VND)	500

Stock Info

Sector	Tire & Tube
Market Cap (VND Bn)	2,811
Share O/S (Mn)	154
Beta	0.93
Free Float (%)	41.7
52 weeks high	25,300
52 weeks low	13,500
Average trading volume (20 sessions)	972.7



Performance (%)

	3M	1Y	2Y
DRC	7.1	-14.7	-31.4
VN30 Index	29.9	33.9	40.8
VN-Index	25.2	26.8	31.3

Major shareholders (%)

Vietnam National Chemical Group	50.51
Edmond de Rothschild Group	1.89
Nhut, Le Hoang Khanh	0.50
Others	47.10
Remaining Foreign Room (%)	-3.5

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VALUATION

LONG-TERM VALUATION BY FCFF METHOD

DCF Assumptions	Value	Valuation summary	Unit: VND bn
WACC 2024	10.4%	DCF forecast time	5 years
Effective tax rate	20.0%	Discountable Free Cash Flow	3,424
Cost of Equity	13.8%	+ Cash & Equity at Valuation Date	137
Risk-free rate	3.0%	- Debt	911
Equity risk premium	12.0%	Equity Value	2,650
Beta	0.9	Number of Outstanding Shares (mn shares)	154.43
Exit EV/EBITDA	8.7x	Equity Value per Share (VND)	17,200

Table 1: Sensitivity scenario for DRC's Equity Value per Share (VND)

WACC	Exit EV/EBITDA							
		5.7	6.7	7.7	8.7	9.7	10.7	11.7
	7.4%	12,524	15,008	17,492	19,976	22,460	24,944	27,428
	8.4%	11,837	14,221	16,606	18,990	21,375	23,759	26,143
	9.4%	11,183	13,472	15,762	18,052	20,341	22,631	24,920
	10.4%	10,559	12,759	14,958	17,158	19,357	21,556	23,756
	11.4%	9,965	12,079	14,192	16,306	18,419	20,533	22,646
	12.4%	9,398	11,430	13,462	15,493	17,525	19,557	21,588
	13.4%	8,857	10,811	12,765	14,718	16,672	18,626	20,579

SHORT-TERM VALUATION BY MULTIPLE METHOD (PE)

We have also conducted a valuation for DRC using the comparable company analysis (PE) method as a reference. A detailed description of the comparable valuation method is provided below.

Company	Market cap	2024 Net revenue	2024 EBITDA	Gross margin	Net margin	2024 P/E	2024 EV/EBITDA
PT. Gajah Tunggal Tbk (Indonesia)	241	1,137	185	21.5	6.6	3.3	2.6
Prinx Chengshan Holdings Ltd (HongKong)	603	1,524	266	21.2	12.0	3.4	2.4
Sailun Group Co., Ltd (China)	6,455	4,417	887	27.6	12.8	11.4	8.8
Guizhou Tyre Co., Ltd (China)	1,072	1,485	200	17.9	5.8	11.4	8.8
Aeolus Tyre Co., Ltd (China)	616	932	89	17.1	4.2	15.8	9.5
Triangle Tyre Co. Ltd (China)	1,652	1,411	196	17.9	10.9	10.9	8.1
DRC (Vietnam)	106	187	10	15.6	5.2	10.4	7.5
5Y-median tire manufacturer (2019-2024)						11.1	8.4

Investors may refer to the DRC valuation sensitivity table and P/E metrics provided below, selecting an appropriate valuation for DRC based on their individual risk appetite.

Table 2: Sensitivity scenario for DRC's Equity Value per Share (VND)

EPS (VND)	P/E						
		9.5	10.5	11.5	12.5	13.5	
	2025F	905	8,573	9,477	10,382	11,287	12,191
	2026F	1,260	11,942	13,202	14,462	15,722	16,982

Source: RongViet Securities | (*) EPS (Sales Per Share)

VALUATION SUMMARY

Method	Density	Target price (VND/share)
DRC Long-Term Valuation (FCFF, 5 years, WACC: 10.4%, Exit EVEBITDA: 8.7x)	100%	17,200
Target price (VND/share)	100%	17,200

Source: RongViet Securities

Using the DCF method in the long term, **DRC's target stock price for the next year is at 17,200 VND/share**. Based on the closing price on 09/22/2025, we recommend **NEUTRAL** on DRC stock.

We present aspects of DRC stock that support our valuation above in the following sections:

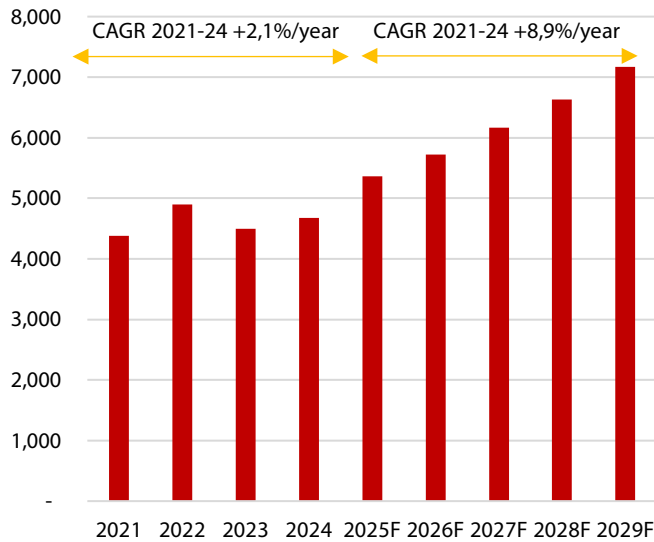
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FINANCIAL ANALYSIS & FORECAST IN 2025-29

Revenue: DRC is striving to renew its growth engine, with a focus on the radial tire segment in the context of a gradual decline in the long-term pillar segment (bias). This strategy is having positive changes.

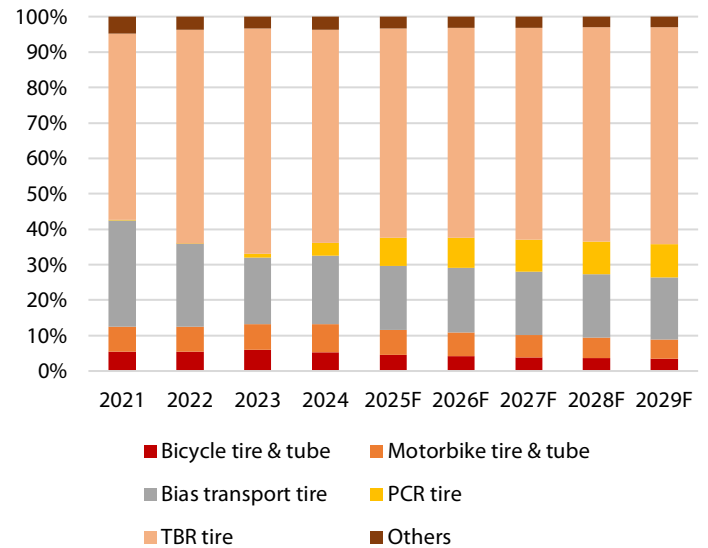
Figure 1: DRC's net revenue (VND bn)



Source: DRC, RongViet Securities

Note: We also visualize these data using table formality. More information in our Appendix 3 ([See page 42](#))

Figure 2: DRC's revenue contribution by segment (%)



Source: DRC, RongViet Securities

Details of DRC's projected sales volume for 2025-29 (units)

	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Bicycle tire tube	8,633,371	9,113,186	9,129,202	8,779,478	8,516,094	8,345,772	8,262,314	8,262,314	8,262,314
YoY Growth	-0.2%	5.6%	0.2%	-3.8%	-3.0%	-2.0%	-1.0%	0.0%	0.0%
Motorcycle tire tube	6,333,616	6,173,462	5,342,398	5,441,442	5,441,442	5,441,442	5,441,442	5,441,442	5,441,442
YoY Growth	-3.5%	-2.5%	-13.5%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Automobile tire tube	588,317	455,824	328,822	350,569	375,109	401,366	429,462	459,524	491,691
YoY Growth	2.4%	-22.5%	-27.9%	6.6%	7.0%	7.0%	7.0%	7.0%	7.0%
Bias transport tire	716,046	575,887	429,909	441,156	461,819	480,301	499,692	528,332	559,264
YoY Growth	13.7%	-19.6%	-25.3%	2.6%	4.7%	4.0%	4.0%	5.7%	5.9%
PCR tire	599	1,238	94,400	355,198	704,550	770,005	837,006	905,706	976,277
YoY Growth	-78.3%	106.7%	7525.2%	276.3%	98.4%	9.3%	8.7%	8.2%	7.8%
Mud Flap	444,730	332,206	242,878	269,672	269,672	269,672	269,672	269,672	269,672
YoY Growth	10.0%	-25.3%	-26.9%	11.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Retread tire	42,502	38,113	30,491	35,422	35,422	35,422	35,422	35,422	35,422
YoY Growth	0.8%	-10.3%	-20.0%	16.2%	0.0%	0.0%	0.0%	0.0%	0.0%
TBR tire	608,669	733,684	760,840	738,404	833,159	860,558	902,946	946,173	1,007,289
YoY Growth	19.8%	20.5%	3.7%	-2.9%	12.8%	3.3%	4.9%	4.8%	6.5%

Source: DRC, RongViet Securities

DRC's selling price projection details for 2025-29: [See page 36](#)

Regarding the sales revenue forecast for 2025-29, we make the following assumptions:

Transport tire – bias (mainly domestic): In the period of 2012-24, DRC was strongly affected by fierce competition with FDI enterprises and the wave of cheap Chinese tires, causing DRC's consumption of bias transport tires to decline with a CAGR of -3.8%/year in 2012-24 despite the strong production growth during this time (implying a bigger piece of transport tires) [\(See page 23\)](#). Entering the 2025-29 period, DRC's business landscape has two different changes: (1) enterprises spend more heavily on discounts and change product axes from heavy-duty to light-duty and radial types, (2) different from before, China's motivation to discharge large inventories has decreased due to the US imposition of tariffs on tire products from 2019, making the competition less fierce. This helps DRC anchor growth in line with production growth. We forecast the growth of bias tire consumption at +4.9%/year in the 2025-29 period, which is lower than the +9.5%/year production growth target set by the Government. Combined with the average selling price growth of 2.0%/year, this segment's revenue will achieve a CAGR growth of +6.9%/year in 2024-29. [\(See page 32\)](#)

Transportation tire – radial TBR (mainly exported): From 2013-24, DRC's shift to radial tires addressed declining bias tire demand, aligning with global trends and reducing domestic reliance. Targeting low-to-mid-end segments in the US and Brazil, radial tire consumption grew at a +42.7%/year CAGR [\(See page 27\)](#). For 2025-29, DRC will focus on US exports, maintain stable Brazilian revenue with favorable tariffs, and expand capacity to 1.0-1.2 mn tires/year post-Phase 3 completion. We forecast a +6.4%/year consumption CAGR and +2.8%/year price growth, yielding a +9.4%/year revenue CAGR. [\(See page 34\)](#)

Bicycle and motorcycle tires (mainly domestic): Since 2016, market saturation (over 80% penetration) and competition from Chinese tires led to a -1.8%/year and -4.6%/year CAGR for bicycle and motorcycle tires [\(See page 26\)](#), respectively. For 2025-29, with unchanged market dynamics and reduced focus, we expect consumption CAGRs of -1.2%/year and 0.0%/year, respectively, with +1.0%/year price growth, resulting in revenue CAGRs of -0.2%/year and +1.0%/year. [\(See page 32\)](#)

Automotive tire – radial PCR: From 2023, DRC will enter the automotive tire market with radial PCR tire products, targeting both the OEM channel (cooperating with major car manufacturers such as VinFast) and the replacement channel through domestic and foreign dealers. To compete, DRC prices products lower than the industry average, suitable for the low-mid-end segment, this is also the premise for DRC's brightest milestone in the past 2 years in this segment – the consumption of 148 thousand PCR tires in the quarter and the break-even point of gross profit [\(See page 30\)](#). For the period of 2025-29, thanks to the aforementioned low cost advantage and efforts to find many new customers in the Middle East, Brazil, Russia, the US or even domestic markets, DRC will increase the efficiency of capacity exploitation (from 70% in 2025 to nearly 100% in 2029) similar to the case of CSM in the past when the business strategy was similar in time of penetration.

Overall, we forecast a CAGR of +22.4%/year in 2025-29 for consumption, combined with an average increase in selling price of +6.7%/year, resulting in a revenue CAGR of +30.7%/year. [\(See page 34\)](#)

Profitability: DRC's net margin is expected to recover from 2.6% in 2025 to 5% by 2029 by partially passing raw material cost increases to selling prices, though below the industry's ~8% due to limited scale and brand strength.

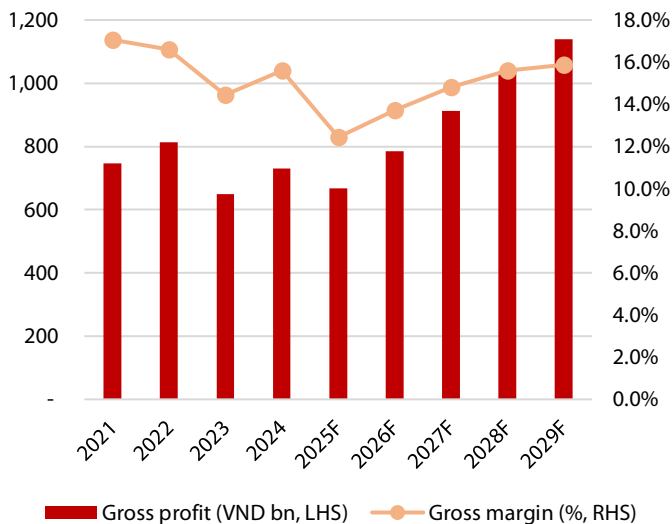
Gross margin

We believe that the prices of most of DRC's main input materials will increase in the medium term, specifically the average annual increase in natural rubber (+3.1%/year, reaching VND 50.6 mn/ton in 2029 due to long-term supply shortage), synthetic rubber (+4.6%/year, reaching VND 65.8 mn/ton with the price trend following substitute products - natural rubber and the average exchange rate increase of +3%/year), sulfur chemicals (+11.5%/year, due to the impact of the decline in oil exploitation motivation due to the low level of oil prices and the average exchange rate increase of +3%/year), tinted steel & fiber steel (+2.5%/year). Particularly, imported products such as synthetic rubber, sulfur chemicals, and carbon black are further affected by the exchange rate increasing by an average of 2%/year. [\(See page 13\)](#)

We view that DRC will uplift the output selling price (*) to reduce this negative effect in most products (as analyzed in each previous segment) resonate with the rising exchange rate to support the selling price for the main export product PCR & TBR tires better (See page 36). An additional point of support for DRC selling prices is that most Chinese and Thai tire enterprises also recorded a weakening gross margin. Therefore, the increase in selling prices may be the general trend of the whole industry instead of each DRC to help DRC maintain its current price competitiveness. Thereby, DRC's gross margin will upswing from a historical low of 12.3% in 2025 to 15.8% in 2029. This level is still lower than the industry average because it does not have the advantage of production scale and brand position like major tire companies. Notably, the optimization of production capacity helps the depreciation cost per unit of radial transport vehicles gradually decrease gradually (from 3.2% in 2025 to 2.4% in 2029), supporting the gross margin of this segment in particular and DRC in general.

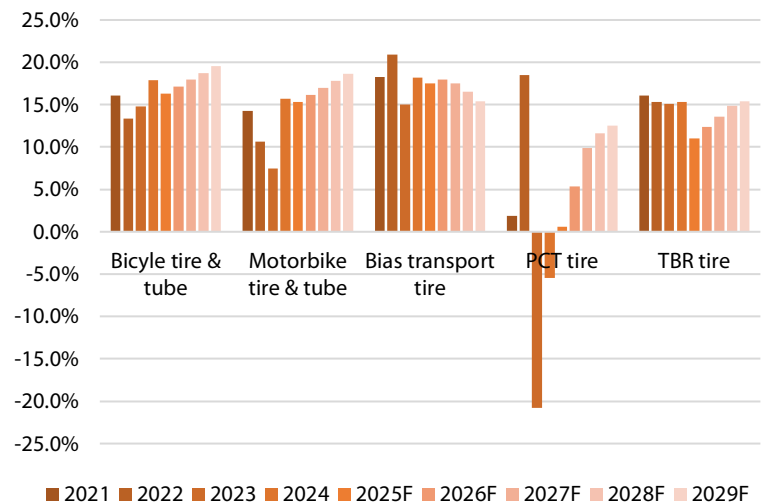
The specifics of the price increase for each product niche will depend on the advantages in the relevant competitive environment, presented below (See page 36).

Figure 3: Gross profit of DRC (VND bn)



Source: DRC, RongViet Securities

Figure 4: DRC's gross margin (%)



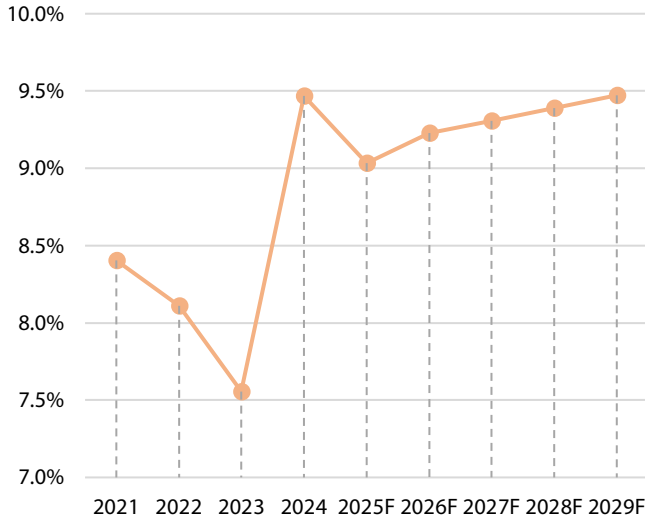
Source: DRC, RongViet Securities

Note: We also visualize these data using table formality. More information in our Appendix 3. (See page 42)

Selling & G&A expenses

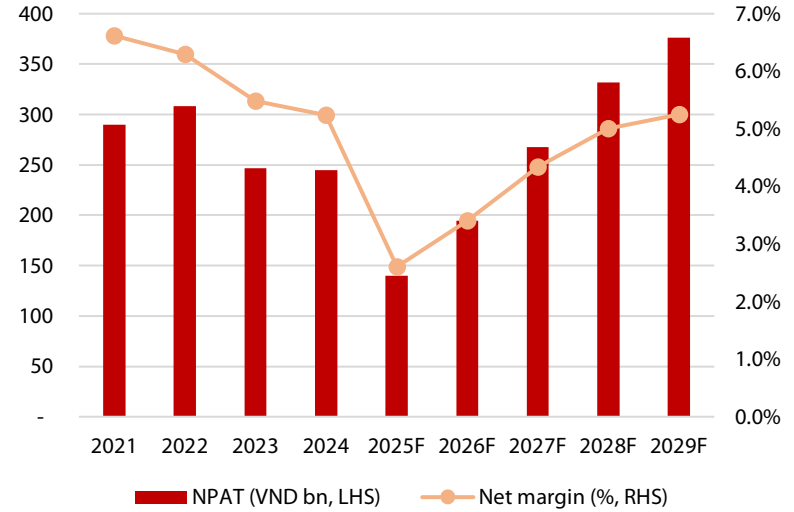
The ratio of SG&A to net revenue was peak in 2024 when freight rates increase hotly. However, we believe that this rate is unlikely to decrease to less than 9% as in the previous period when businesses had to: (1) increase discount costs for domestic agents, and (2) elevate costs to enter foreign markets such as discount costs in the early stages of making a market, shipping costs (DRC switched from CIF to FOB), advertising costs, staff. We forecast that DRC's net revenue will increase from 9.0% in 2025 to 9.5% in 2029, higher than the industry average (7-8%) as DRC does not have the advantage of scale and high brand reputation or diversified manufacturing plants in various countries.

Net margin: Given the trend in gross margin and discounted expenditure analyzed above, we expect DRC's overall net margin to increase from 2.6% to 5.0% in 2025-29, significantly lower than the industry's 8% and below the 2020-24 average (above 5.2-7.0%) due to DRC's weakened position domestically and have to sacrifice margins for the big game in foreign markets in the coming time.

Figure 5: DRC's SG&A exp/Net sales (%)


Source: DRC, RongViet Securities

 Note: We also visualize these data using table formality. More information in our Appendix 3 ([See page 42](#))

Figure 6: DRC's net income & net margin


Source: DRC, RongViet Securities

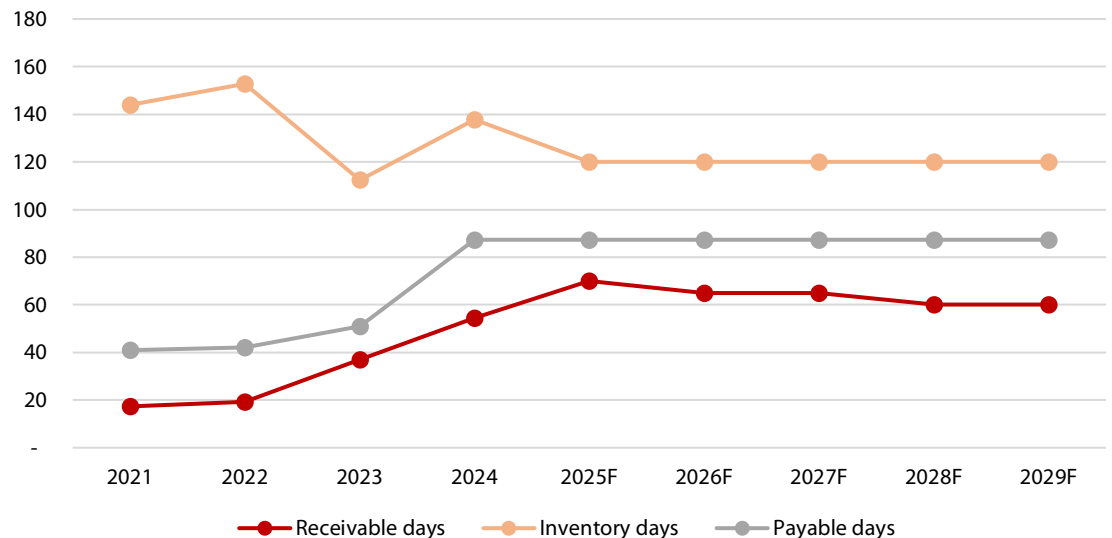
Asset Highlights

Working capital: DRC's working capital management is trending unfavorably due to the competitive demands of expanding into large foreign markets.

We expect DRC to extend accounts receivable to 70-72 days, aligning with the industry average for 2025-29, to penetrate markets like the US and maintain influence in Brazil. This is driven by Dforce Tires & Wheels Ilc (US) and Oceanside One Trading Ilc (Brazil), which accounted for 67% of receivables in Q2-2025, up from 30% previously.

Inventory days will remain at 120 days, with raw materials imported every 3-4 months, unchanged from 2023 through 2025-29.

Strong ties with suppliers like Vietnam Rubber Group have extended accounts payable from 40 to 80-87 days in 2021-24, mitigating cash flow strain. However, for 2025-29, maintaining 87 days is likely, as it aligns with industry norms and H1-2025 trends.

Figure 7: DRC's working capital management (days)


Source: DRC, RongViet Securities

 Note: We also visualize these data using table formality. More information in our Appendix 3. ([See page 43](#))

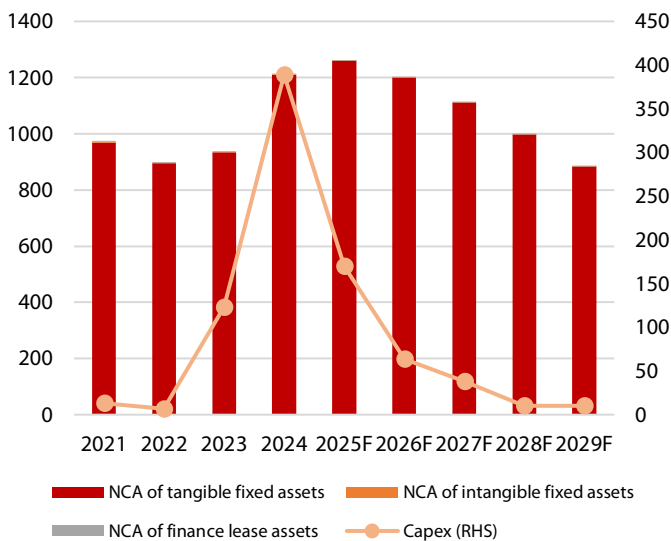
Fixed asset investment: With the tire production model, the cost of maintenance and periodic replacement of machinery is a regular expense in addition to factory expansion projects. We expect DRC's net fixed asset value to be VND 883 bn at the end of Dec-2029 from VND 1,344 bn at the end of Dec-2024.

DRC recorded that the construction investment cost of phase 3 for the radial plant is VND 600 bn from 2023-25 and will be gradually allocated until 2026 (See page 21). The TBR tire factory project with a capacity of 1 mn tires/year and PCR with a capacity of 4 mn tires/year has no signs of being implemented in the near future. Therefore, we have not reflected the investment in these two projects in the projection.

In addition, the Company will reinvest VND 30-50 bn per year to replace/maintain machinery to maintain stable revenue growth in the period of 2025-29.

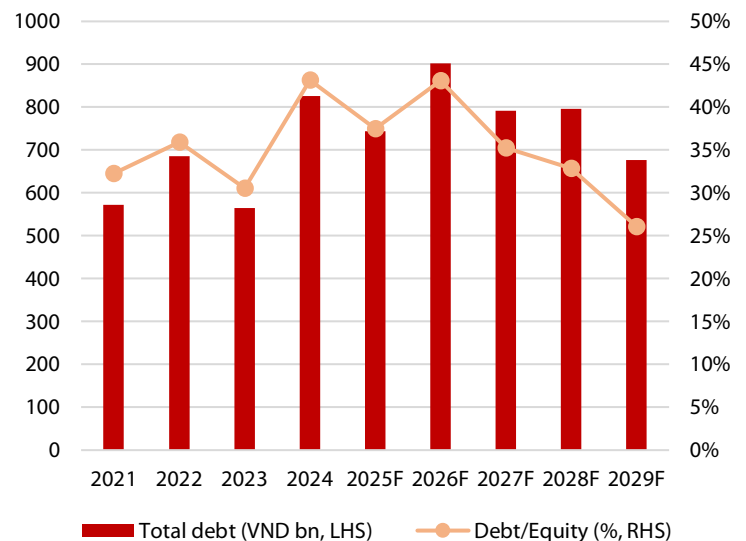
Debt: We believe that business performance will gradually recover from 2025 combined with a gradual reduction in fixed asset investments that will support the reduction of debt and interest expenses in the period 2025-29. We expect the interest expense/net revenue ratio to be 0.2-0.4% in 2025-29.

Figure 8: DRC's fixed assets (VND bn)



Source: DRC, RongViet Securities estimates

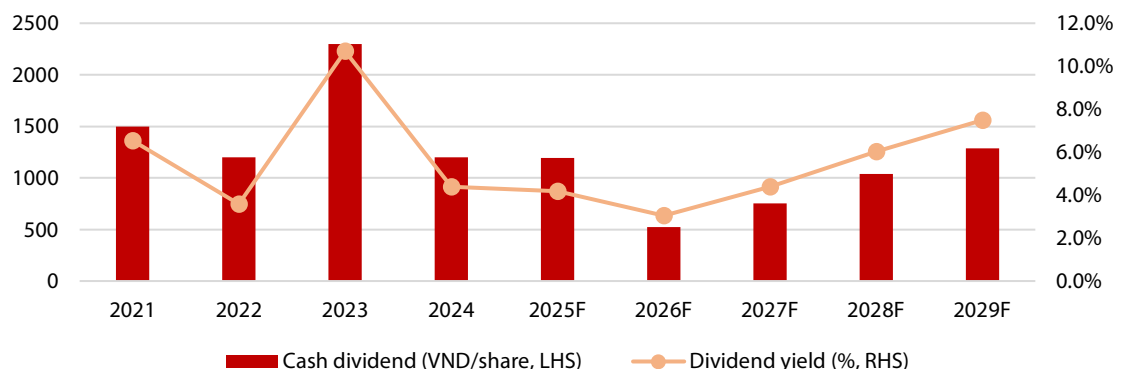
Figure 9: DRC's total debt



Source: DRC, RongViet Securities estimates

Cash dividend: We expect DRC to continue to maintain the cash dividend payment of 60% of its after-tax profit each year 2025-29 in the same manner as in 2023-24. The gradual recovery of business performance supports the cash dividend and dividend yield to improve over time, which is higher than the average bank deposit interest rate (3-5%/year).

Figure 10: DRC's cash dividend



Source: DRC, Viet Dragon Stock Company

Note: We also visualize these data using table formality. More information in our Appendix 3. (See page 43)

Table 3: DRC's income statement (VND bn)

INCOME STATEMENT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Net sales	4,380	4,899	4,495	4,673	5,361	5,724	6,162	6,631	7,165
COGS	3,632	4,085	3,847	3,944	4,694	4,939	5,250	5,596	6,027
Gross profit	747	813	649	729	667	784	912	1,035	1,138
Selling and GA expenses	368	397	340	430	484	528	574	623	679
Other operating expenses	42	73	36	45	54	46	50	54	59
EBITDA	338	343	274	256	250	334	414	483	525
EBIT	337	342	273	255	128	210	288	359	401
Non-operating expenses	1	-1	0	2	2	2	2	2	2
Gain/loss on asset sales	-1	0	0	0	0	0	0	0	0
Finance income	37	62	55	70	71	51	59	69	81
Finance expenses	9	19	21	21	23	16	12	12	10
EBT	363	386	307	302	175	243	334	415	470
Corporate tax expenses	73	78	61	57	35	49	67	83	94
Equity earnings in affiliates	0	0	0	0	0	0	0	0	0
Minority interest in earnings	0	0	0	0	0	0	0	0	0
NPAT-MI	290	308	246	245	140	195	267	332	376

Source: DRC, RongViet Securities

Table 4: DRC's balance sheet (VND bn)

BALANCE SHEET	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
ASSET									
Operating cash	90	155	321	221	54	172	185	332	358
Short-term investment	320	210	134	45	45	45	45	45	45
Short-term receivables	208	257	457	697	1,028	1,113	1,199	1,308	1,413
Inventories	1,432	1,710	1,184	1,491	1,543	1,624	1,726	1,840	1,981
Other current assets	67	127	196	341	391	417	449	483	522
Current assets	2,117	2,460	2,292	2,794	3,061	3,371	3,604	4,007	4,320
Tangible fixed assets	973	910	1,044	1,344	1,286	1,199	1,111	998	883
Long-term investment	4	4	5	5	5	5	5	5	5
Intangible fixed assets	3	2	1	1	1	1	1	1	1
Other non-current assets	42	44	43	56	65	69	74	80	87
Non-current assets	1,022	960	1,092	1,406	1,357	1,275	1,192	1,084	976
Total assets	3,139	3,420	3,384	4,200	4,418	4,646	4,796	5,091	5,296
LIABILITIES									
Short-term debts	572	686	565	826	744	903	792	796	677
Trade payables	408	471	537	946	1,123	1,182	1,256	1,339	1,442
Other current liabilities	383	350	407	367	421	449	484	521	562
Current liabilities	1,363	1,508	1,508	2,139	2,288	2,534	2,532	2,655	2,681
Long-term debts	2	1	25	133	133	0	0	0	0
Other non-current liabilities	0	0	0	13	15	16	17	18	20
Non-current liabilities	2	1	25	146	148	16	17	18	20
Total liabilities	1,365	1,509	1,533	2,285	2,435	2,549	2,549	2,673	2,701
MINORITY INTEREST									
Minority interest	0	0	0	0	0	0	0	0	0
SHAREHOLDER'S EQUITY									
Common stock	1,188	1,188	1,188	1,188	1,544	1,544	1,544	1,544	1,544
Retained earnings	242	320	199	189	187	301	452	623	800
Other equity accounts	345	403	464	538	251	251	251	251	251
Total shareholder's equity	1,774	1,910	1,851	1,915	1,983	2,096	2,247	2,418	2,595
Total resources	3,139	3,419	3,384	4,200	4,418	4,646	4,796	5,091	5,296

Source: DRC, RongViet Securities

VALUE CHAIN ANALYSIS OF THE ENTERPRISE

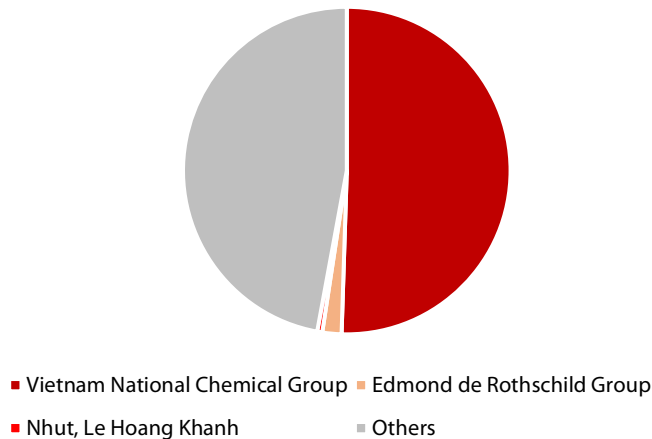
Company Overview

Da Nang Rubber Joint Stock Company (HSX: DRC) Established in 1975 as a former US military tire factory, DRC was taken over by Vietnam's General Department of Chemicals. Leveraging its state-owned status and focus on bias transport tires (0.6 mn tires/year capacity), DRC aligned with Vietnam's 2006-15 production and transport growth, becoming the top tire manufacturer with revenue and profit CAGRs of 15.2% and 25.2%, respectively.

However, Post-2015, competition from foreign players, especially China, slowed DRC's domestic growth, with bias tire sales halving by 2024 compared to 2016. To adapt, DRC diversified into export-friendly radial transport tires, building radial factories (Phase 1 and 2, 1 mn tires/year capacity). This sustained revenue growth but sacrificed profit margins to compete globally, resulting in 2016-24 revenue and profit CAGRs of +4.2% and -6.5%, respectively.

DRC's current shareholder structure is quite concentrated with 50.5% held by Vietnam Chemical Group (Vinachem). Previously, in 2019, Vinachem had divested its capital in DRC under Vinachem's Restructuring Scheme in the period 2017-20, reducing its ownership rate to 36.51% but was unsuccessful. Currently, Vinachem has no plans to divest new capital in this enterprise.

Figure 11: DRC's main shareholders



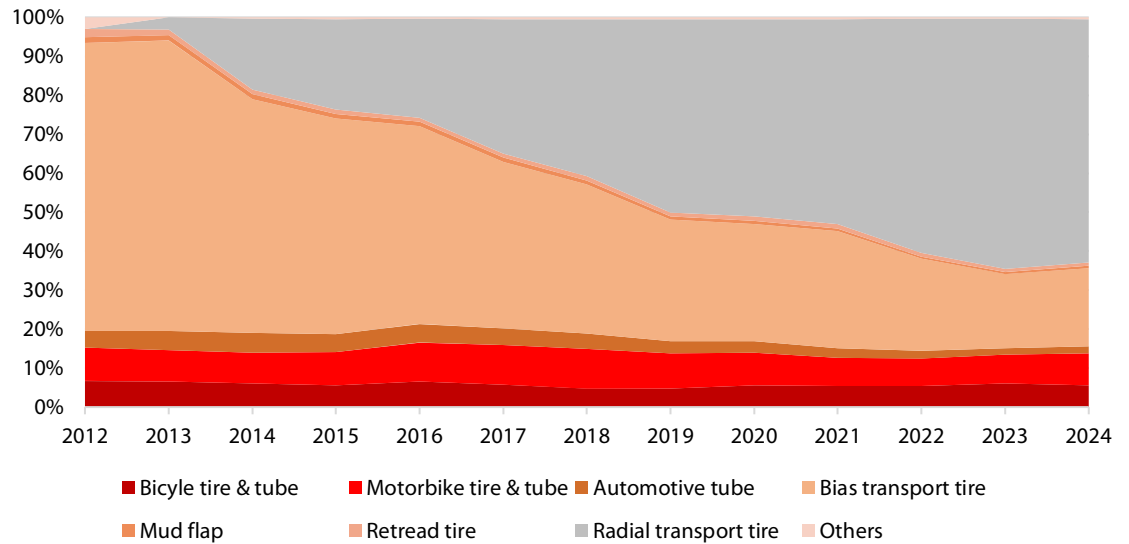
Source: DRC, RongViet Securities

Core Business

The changes in the revenue structure clearly outline DRC's development journey, specifically:

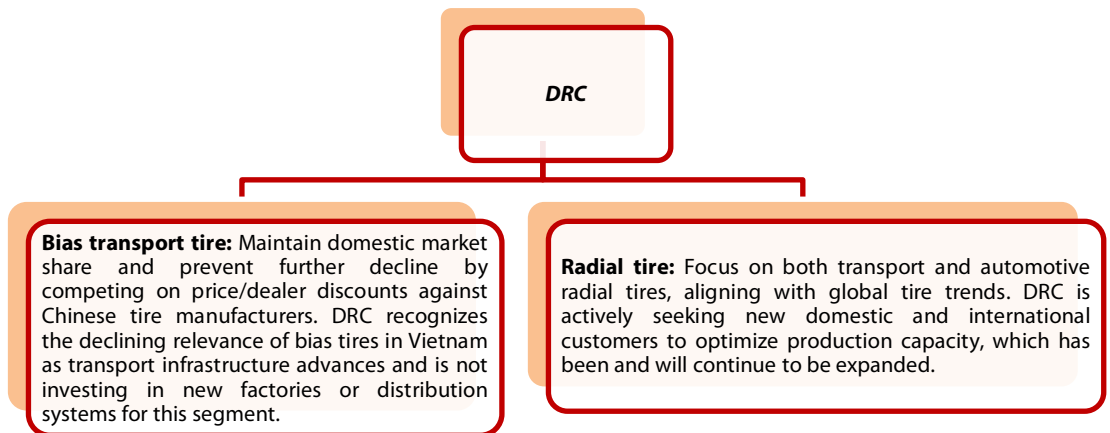
- **2006-15 period:** Bias transport tires are the long-term growth pillar (accounting for 70-75% of revenue) in addition to by-products (bicycle tires, motorcycles, automobile/bicycle/motorcycle tires).
- **2016-24:** Radial transport tires replace bias, becoming the new growth platform of this manufacturer, accounting for 60% of sales, mainly in export markets.

Figure 12: Revenue contribution by segment



Source: DRC, RongViet Securities

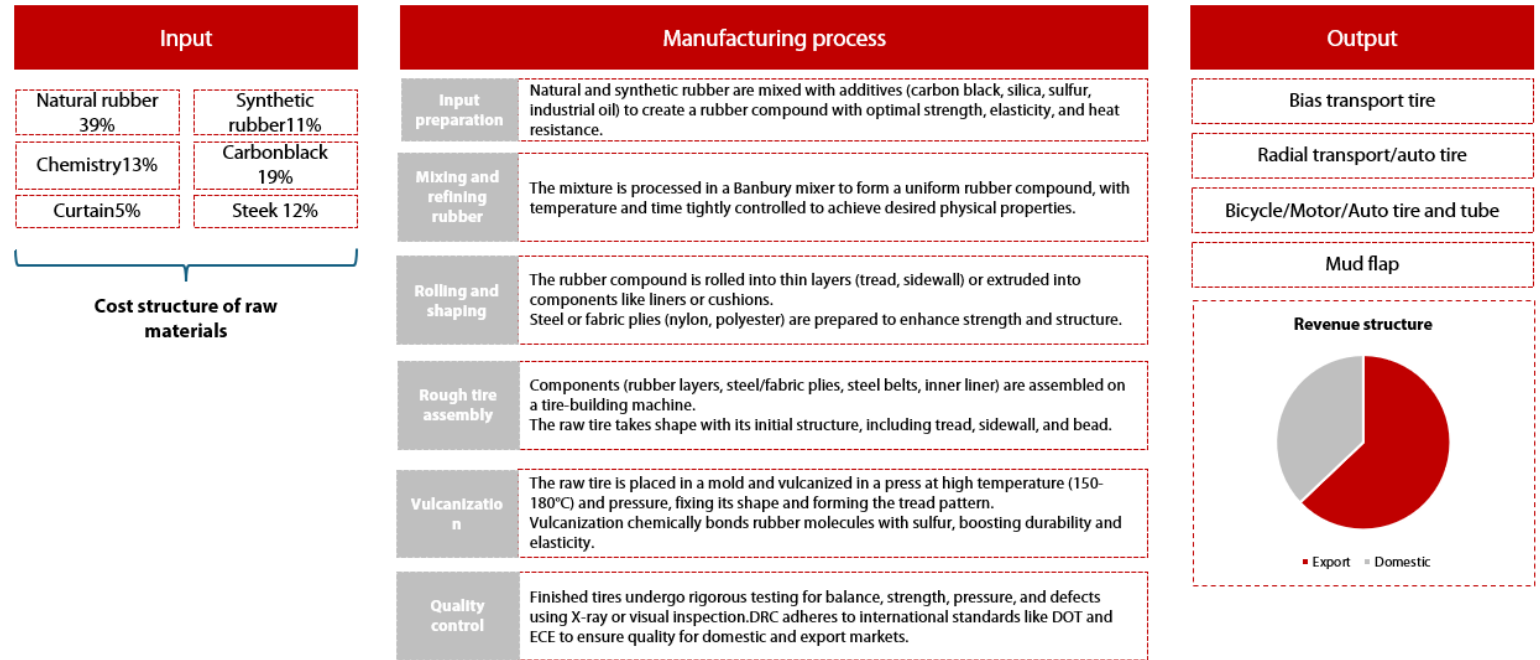
Figure 13: DRC's development plan



Source: DRC, RongViet Securities

Corporate value chain

Figure 14: DRC Enterprise Value Chain



Source: RongViet Securities

DRC's tire production model can be divided into 2 main industries: (1) tires specializing in industrial transportation/ production, (2) tires specializing in cars/motorcycles/bicycles. However, both in terms of revenue and profit, the production of transport tires accounts for over 80% of the structure, so the scope of this report is mostly for the transport tire segment. We outline 4 points that should be the success of a truck tire brand as follows:

- (1) The scale and growth potential of the overall transport pie:** seen through the growth of domestic production and potential foreign markets. "Sniffing out the right growth drop point of the industry" will help DRC easily find growth and create a higher position than those who come later.
- (2) Production technology:** Considered the backbone in creating products that meet global standards in terms of autonomy, variety of types (radial/bias, size), tire performance (traction, load-bearing, fuel economy, longevity). Tires from China, Taiwan, Japan, and Thailand are almost superior to Vietnamese tires when "attacking" foreign markets.
- (3) Production scale:** As the production scale of Vietnamese enterprises is quite small (less than 1 mn tires/year) compared to large foreign enterprises (over 5 mn tires/year), it is impossible to compete with large partner contracts due to the inability to meet output.
- (4) Ability to establish a relationship of interest with a tire company.** The above factors constitute a necessary competitive advantage to "snatch" contracts with major global transport agents/carriers. Therefore, manufacturers need to improve their capacity profiles, serve as a flexible springboard for product policies, appropriate selling prices and discounts to attract car manufacturers/dealers.
- (5) The ability to optimize costs** related to **SG&A** (discount/transportation costs or salesperson salaries), **interest expenses** (related to debts to serve working capital needs), **gross margin** (focus on managing input costs and output selling prices – which in turn depends on the capacity of scale/production technology presented above).

Based on the above value chain, we present the main highlights for success in the tire industry and the prospects of DRC in the Vietnamese market in the coming years.

Input – Natural rubber that affects the most (Back to page 5)

The most important input material of the tire industry is rubber, which accounts for ~50% of DRC's cost of production, including natural rubber (purchased domestically) and synthetic rubber (usually imported). They are mixed with chemicals (silica), carbon black in appropriate proportions, combined with curtain fabric, fiber steel & steel bars and undergo many stages of processing to produce different tire products.

Table 3: Description of DRC input materials

Material	Supplier	Notes	Proportion of input cost
Natural Rubber	The company has traditional suppliers who are companies under the Vietnam Rubber Corporation and other major manufacturers that are members of the Vietnam Rubber Association	100% domestic raw materials	39%
Synthetic rubber	The company has 05 suppliers who are major synthetic rubber manufacturers of Europe, Asia, and America.	100% imported raw materials	11%
Chemicals (Sulfur, Silica)	The company has two sources of domestic and imported supplies. These are reputable manufacturers at the same time the company is always looking for new manufacturers.	Both imported and domestic	13%
Blind fabric	The company currently has 03 manufacturers who are traditional partners in China, Taiwan and domestically.	100% imported raw materials	5%
Black Charcoal	The company currently has 03 large overseas manufacturers providing stability in quantity and quality.	100% imported raw materials	19%
Fishy steel/fiber	The Company always has traditional suppliers and new suppliers that are suitable for the Company's product categories.	100% domestic raw materials	12%

Source: DRC, RongViet Securities

In this section, we focus on analyzing two ideas: (1) The importance of raw materials to the quality of tire output – considered a competitive advantage on domestic and international scales, (2) Price trends of key materials in this industry.

First theme: The importance of raw materials to the quality of the output tire

We list the role of different materials in tire output quality in the table below.

Ingredients	Ability to affect tire quality
Natural, synthetic rubber	Natural rubber provides basic elasticity and durability, while synthetic rubber (such as SSB, BR) improves heat resistance, abrasion, and fuel economy.
Fillers (black carbon, silica)	Black carbon increases hardness and wear resistance, silica improves wet grip and reduces rolling resistance.
Steel & fiber, blind fabric	Create a tire frame (belts, dorsal), which ensures load capacity and stability at high speeds.
Chemicals (sulfur)	Antioxidants, vulcanizers (sulfurs), and accelerators increase tire life and anti-aging.

Source: RongViet Securities

From there, referring to DRC and domestic & foreign competitors, we find that DRC has only operated in the low and medium quality segments in recent years, specifically:

Ingredients	Comparison between businesses
Natural, synthetic rubber	Domestic brands such as DRC, Casumina use domestic natural rubber combined with cheap SBR, resulting in 10-15% lower tire life (40,000-60,000 km) than Bridgestone, Continental (50,000-70,000 km) using high-end SSBR. ("NanoPro-Tech" with SSBR, 10% reduction in rolling resistance and 5% increase in fuel efficiency)
Fillers (black carbon, silica)	Domestic tires (DRC, Casumina) use cheap black carbon, low silica (less than 20%), resulting in low wet traction of 15-20%. Premium tires (Bridgestone, Continental) use high-quality silica (30-50%) and high-quality carbon black, increasing durability by 20%.
Steel & fiber, blind fabric	DRC and Casumina use basic steel wire and polyester fiber, which is suitable for light trucks but is 10-15% less stable than premium tires using high-strength steel wire and aramid fiber (such as Continental's Kevlar).
Chemicals (sulfur)	Domestic tires use basic additives, which are easy to crack after 3-4 years. Premium tires (Kumho, Bridgestone) use high-quality anti-UV and anti-aging additives, increasing durability by 20-30%.

Source: remote.com, vietnambriefing, tirestreets.com, RongViet Securities

We see that DRC still carries out material import activities as it has in the past – operating in the replaceable, medium-quality tire segment instead of the assembly tire segment (OEM) that requires high quality. The effort to expand the range of higher-end products requires DRC to improve the quality of input materials, which may affect the margin of profit, but this is “still open” when there are not many signals for DRC to enter this segment strongly in the medium term.

Second theme: Price movements of key materials in the medium term

Following the above input story of DRC, we believe that the trend of the Company's gross margin will depend heavily on the input price instead of changing the high-end product range mentioned above (Appendix 1). Concrete:

Natural Rubber

As most of Vietnam's natural rubber is used for export, domestic prices are highly dependent on world prices. The price of natural rubber in the world in general and Vietnam in particular is directly affected by 3 main factors: (1) the rubber and tire industry in China, which consumes more than 40% of the total global rubber production; (2) rubber planting area, a factor that directly affects the supply of natural rubber in the long term due to the characteristics of rubber trees that can be exploited from 20 to 25 years from the time of maturity;

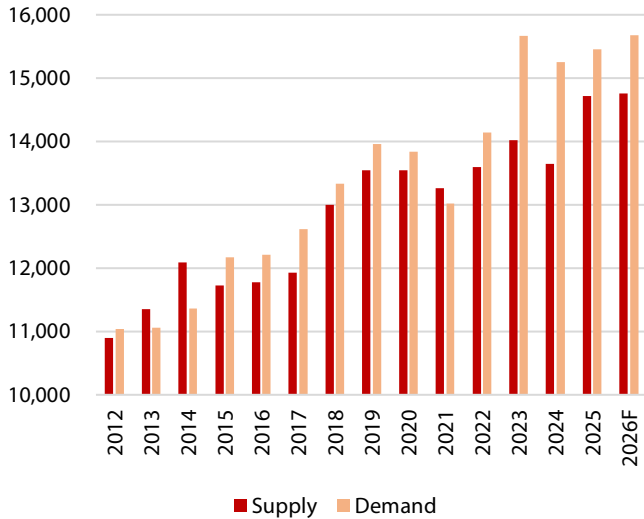
From there, we look at the medium-term natural rubber price prospects, the natural rubber industry **is gradually entering a period of supply shortage due to** new planting/replanting and unexploited areas slowing down growth when

- Switching to planting other crops with faster care time and higher profits such as palm oil, durian, coffee... This leaves many trees in the age of exploitation vacant. Notably, smallholder households account for about 85% of the total global supply of natural rubber – a part that is easier to convert crops than large plantations.
- The erratic weather state (La Nina/El Nino Phenomenon) is becoming more and more intense. Specifically, rubber trees will be more affected by the La Nina phenomenon causing rainstorms as (1) rubber latex is reduced in quality if it comes into contact with water, the frequency of continuous rain will affect the exploitation of rubber latex; (2) Rubber trees are easy to break due to brittle trunks, so the wind and storm will affect the exploitation area of the rubber industry. For the El Nino phenomenon, rubber trees can tolerate drought well and the average temperature is about 26-28

degrees Celsius. However, the yield will decrease if the intensity is strong as in the period of 2014 – 2016, prolonged heat will cause latex to freeze faster when exploited and reduce quality.

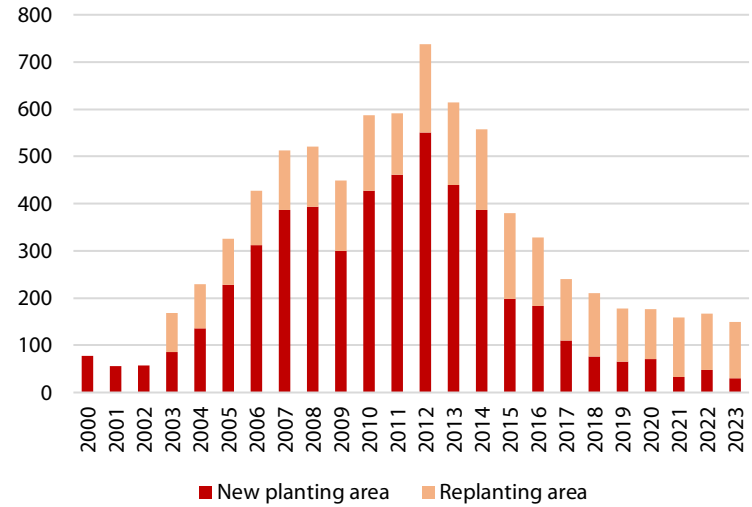
- Demand has remained stable since Covid-19 thanks to the development of the electric vehicle industry.

Figure 15: World natural rubber supply and demand over the years (thous tons)



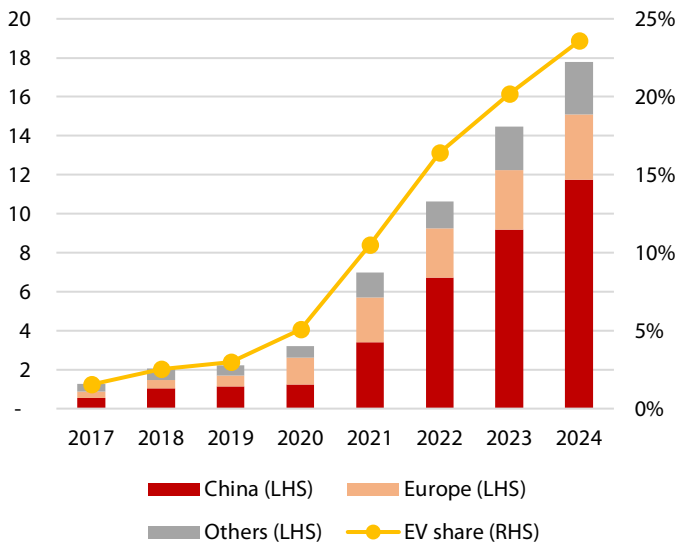
Source: ANRPC, RongViet Securities

Figure 16: World natural rubber new planting area and replanting area (ha)



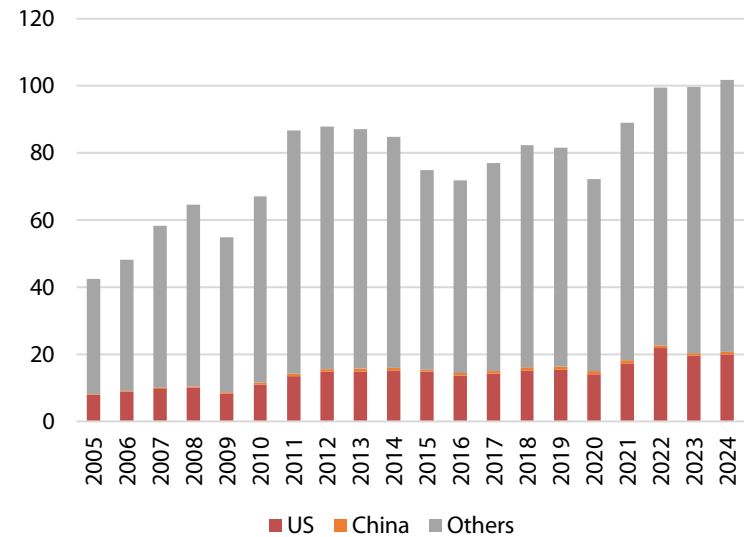
Source: ANRPC, RongViet Securities

Figure 17: Total global electric vehicle sales (mn units)



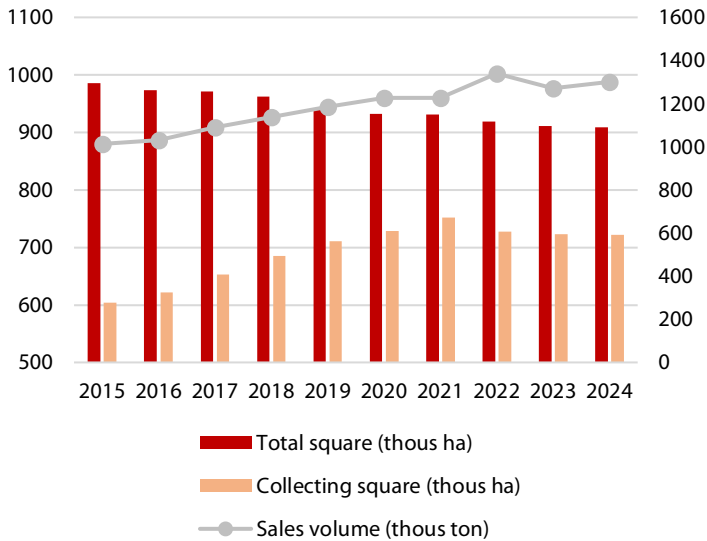
Source: itif.org, RongViet Securities

Figure 18: Global tire import situation (USD bn)



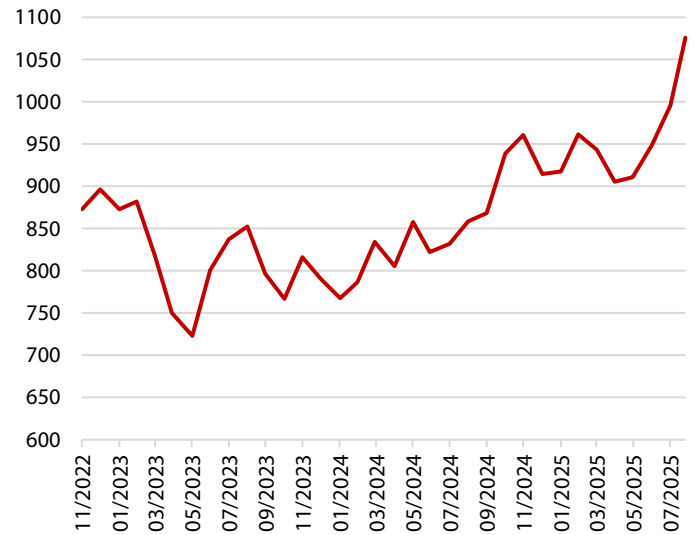
Source: Trademap, RongViet Securities

Figure 19: Rubber planting area in Vietnam



Source: ANRPC, RongViet Securities

Figure 20: Malaysia's palm oil price (USD/ton)



Source: Bloomberg, RongViet Securities

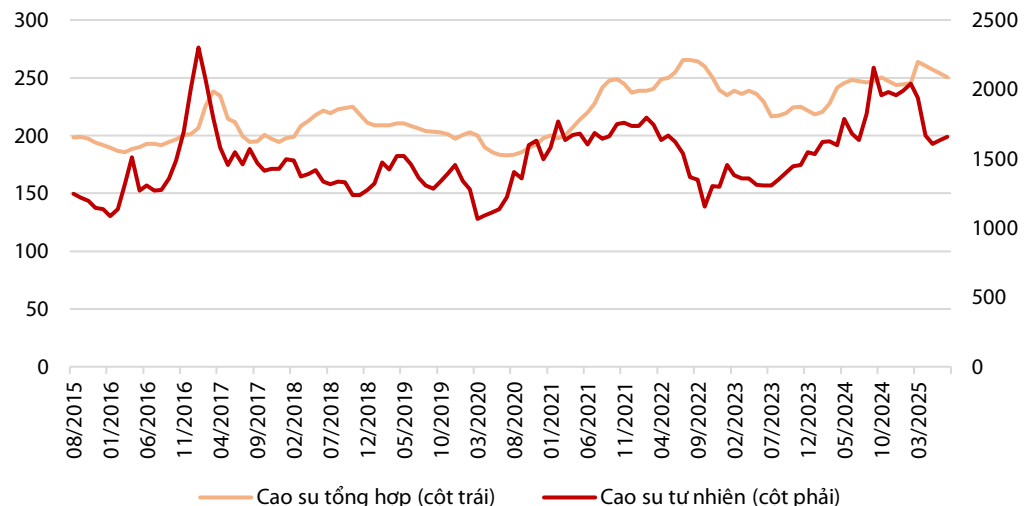
The large supply-demand gap has pushed the price of natural rubber up in the past 2 years, significantly affecting DRC's gross margin and is expected to continue in the medium term according to the assessment of many reputable organizations. In the baseline scenario, we expect the price of natural rubber (similar to synthetic rubber to be presented below) of DRC to maintain an average growth rate of 1% per year. Concrete:

+ The World Bank forecasts that natural rubber prices will increase by about 3% in 2026 (compared to 2025), after increasing by 27% in 2024 and recovering slightly in 2025. Overall, prices have stabilized at an average of 180-200 US cents/kg, thanks to supply shortages and demand from China.

+ The World Rubber Research Organization (IRSG) currently forecasts that the world's natural rubber supply will be in short supply until 2031 with a shortage of about 500,000 tons/year.

+ The Association of Natural Rubber Producing Countries (ANRPC) forecasts that the market may have a shortage of 600,000 - 800,000 tons of rubber/year from now to 2028.

Figure 21: World natural & synthetic rubber price movements (USD/ton)

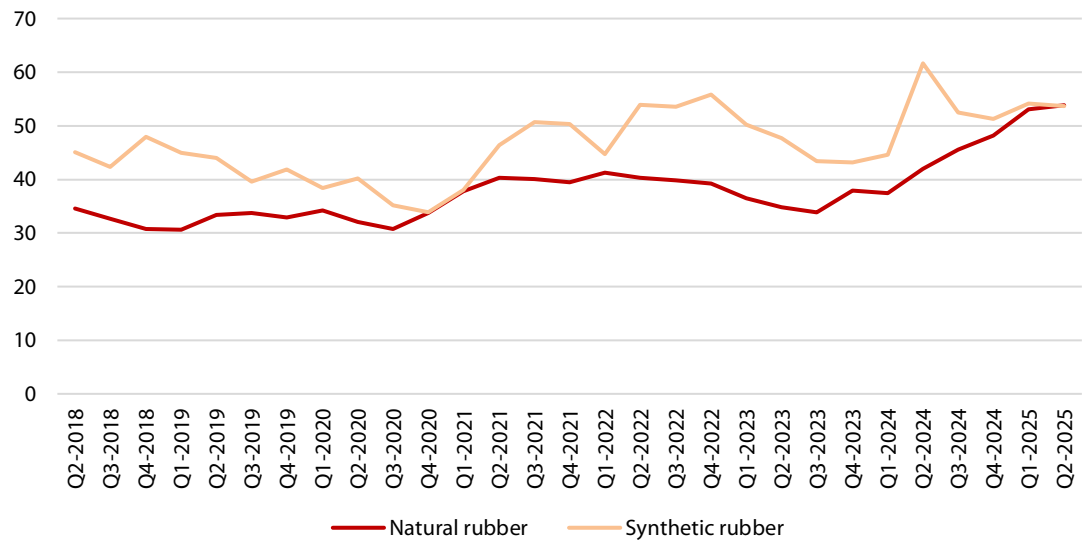


Source: Bloomberg, RongViet Securities

Synthetic rubber

Synthetic rubber is a petrochemical product but also a substitute/supplement to natural rubber in the production of tires. Therefore, the price of this materials is also highly dependent on the price of natural rubber with the price sensitivity between these two raw materials over 65%. With the prospect of natural rubber prices remaining high, the expected movement of synthetic rubber prices is also another factor that is detrimental to DRC's gross margin in the medium term.

Figure 22: Price movements of natural and synthetic rubber of DRC (VND mn/ton)



Source: DRC, RongViet Securities

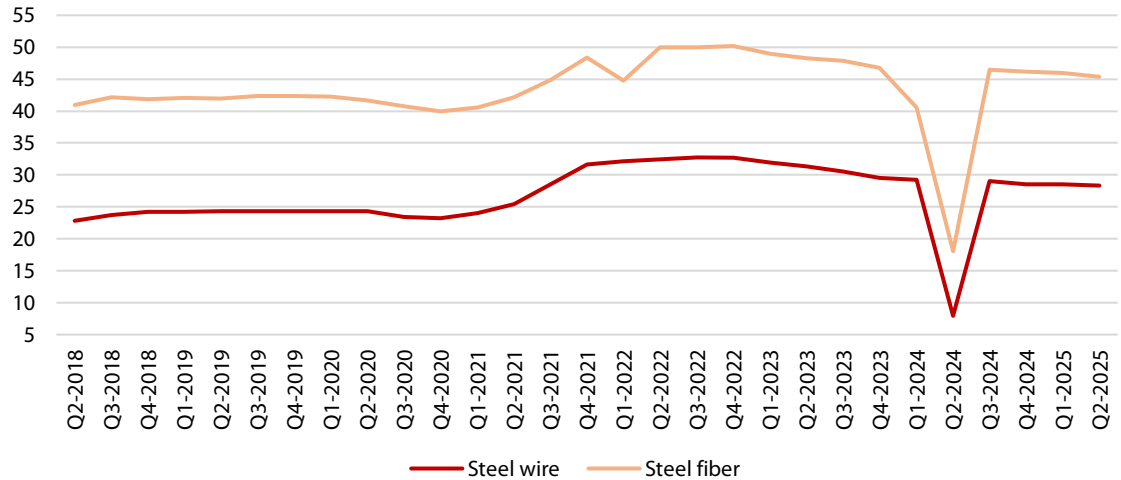
Linen steel & steel fiber

Steel is becoming increasingly important in DRC's material structure as the company gradually turns to Radial tires (which require a higher density of steel).

Currently, steel is trading at a low level in the period of 2020-2024, the main reasons are: (1) Pressure from Chinese steel exports to markets (when domestic demand is weak) makes steel producers accept to sell below cost, (2) Increase inventory imports before anti-dumping investigation measures (in export markets) take effect. However, we expect bottlenecks to be gradually removed from 2025 onwards (similar to the 2015-2016 period) when: (1) For China, measures to promote economic recovery, production cuts at BOF reactors in 2025 (in response to the impact of national protectionist policies), will reduce the amount of steel exported to markets, (2) Domestic steel consumption demand recovers. In the baseline scenario, we expect Vietnam's steel prices to maintain an average growth rate of 2%/year.

[\(Refers to Our Company Report: HPG – The Steel Titan Stirs\)](#)

Figure 23: Price movements of DRC's steel fiber and steel wire (VND mn/ton)



Source: DRC, RongViet Securities

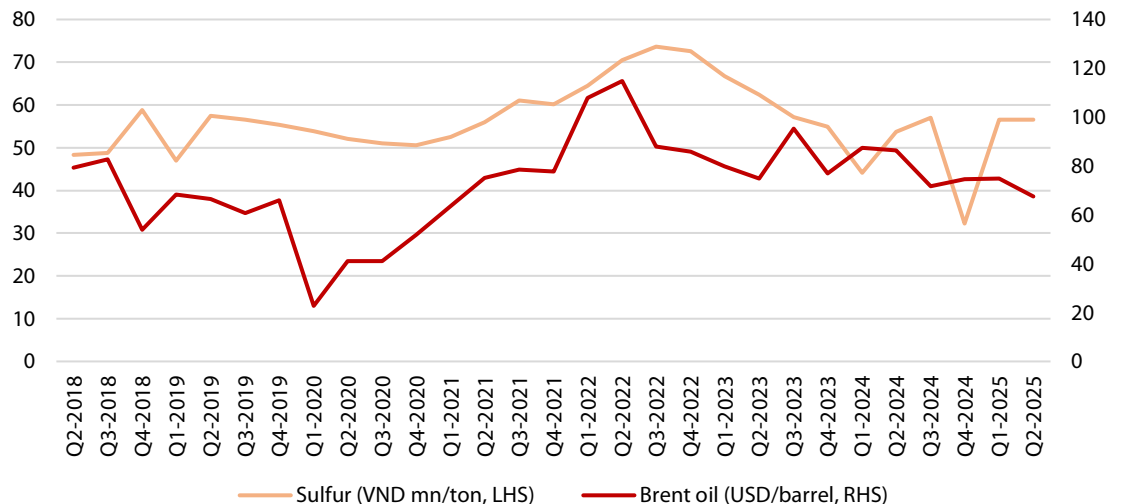
Sulfur

The price of sulfur is closely related to the price of oil as it is mainly a by-product of the refining of crude oil and natural gas. About 90% of global sulfur is produced from desulfurization in the refining of crude oil and natural gas (the Claus process). Major refineries in the Middle East (Saudi Arabia, UAE), the United States, and Canada are the main suppliers.

We proceed with a brief explanation of the relationship between these two raw materials as follows: When oil prices rise, crude oil production increases to meet demand, resulting in increased sulfur production (as more oil is refined). Conversely, when oil prices fall, oil production decreases, reducing the supply of sulfur.

Therefore, the low oil price throughout 2024-25 (USD 65-72 per barrel) accompanied by strict regulations on emissions and environmental protection (IMO 2020, EPA 2024, Gothenburg Protocol of the European Union) causes the available production of sulfur to be low, pushing sulfur prices up sharply as of June 2025 and is expected to remain high in the medium term when the two factors mentioned above, there are no signs of improvement soon. In the baseline scenario, we expect DRC's chemical prices to remain high (VND 53-55 mn/ton) in the medium term.

Figure 24: Price movements of chemicals (mainly sulfur) of DRC (VND mn/ton)



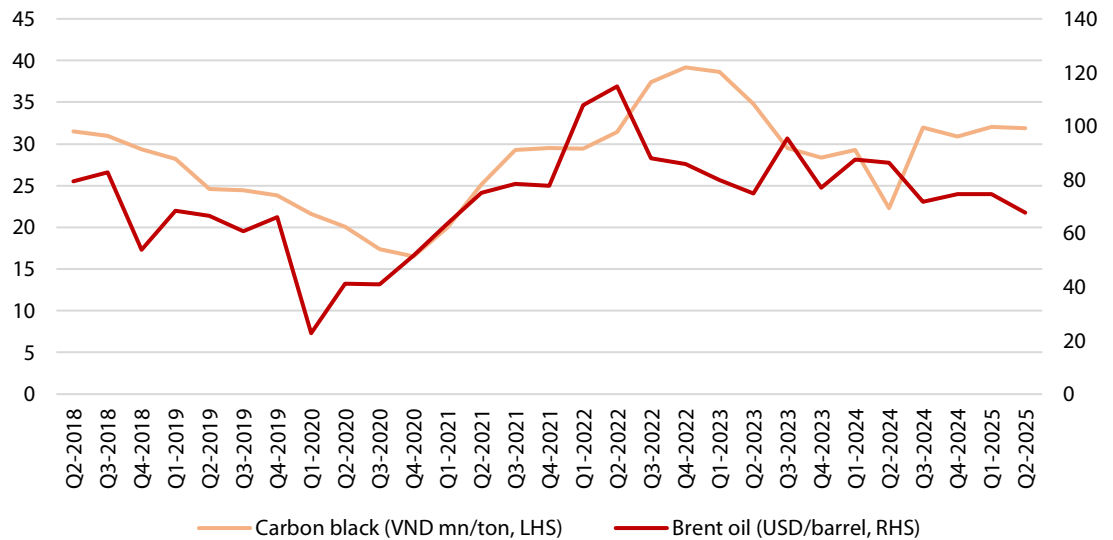
Source: DRC, Bloomberg, RongViet Securities

Carbon black

Carbon black is usually produced from hydrocarbons such as petroleum, coal tar, or natural gas. The price of these raw materials fluctuates according to the oil and gas and coal markets, thus directly affecting the cost of producing carbon black. Black carbon black is widely used as a filler in rubber (especially tires), plastics, printing inks, paints, and batteries. It improves the strength, hardness, and conductivity of products.

Therefore, the price of carbon black is usually directly proportional to the price of Brent oil. In the baseline scenario, we expect the price of DRC's carbon black to gradually decrease in the region (26-28 million VND/ton) in the medium term when the outlook for oil prices is less positive, however, this is an imported raw material, so it is affected by the USD/VND exchange rate (an average increase of 2-3%/year), pushing the import price of DRC black coal black black soot to increase slightly.

Figure 25: Price movements of chemicals (mainly sulfur) of DRC (VND mn/ton)



Source: DRC, Bloomberg, RongViet Securities

Summary table of price trend forecasts of DRC materials

Ingredients	Present (as of Q2-2025)		Period 2026-29	
	Price	YoY Growth	Trend	Increase Level
Natural rubber (VND mn/ton)	53.8	+28.2%	Increase	3.1%/year
Synthetic rubber (VND mn/ton)	53.7	+20.2%	Increase	4.6%/year
Steel Wire (VND mn/ton)	28.4	-2.9%	Increase	+2.5%/year
Steel Fiber (VND mn/ton)	45.3	-2.3%	Increase	+2.5%/year
Chemicals (sulfur) (VND mn/ton)	56.6	+5.3%	Increase	11.5%/year
Carbon Black (VND mn/ton)	31.9	-0.3%	Increase	+1.2%/year

Source: DRC, RongViet Securities

With raw material prices poised to rise in the medium term, DRC and tire manufacturers must raise selling prices to cushion gross margin erosion. The flexibility for such increases hinges on each firm's cost control prowess and market competitiveness.

Manufacturing Process

The tire manufacturing industry presents significant entry barriers due to high initial capital requirements and specialized production lines for each tire segment (bias, radial).

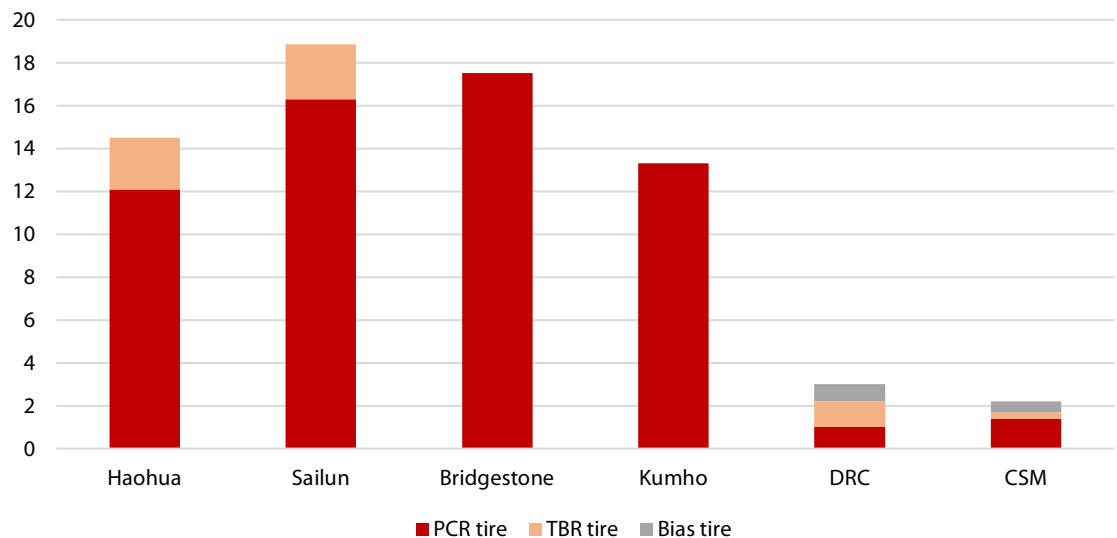
DRC operates a factory in Da Nang equipped with diverse lines for motorcycle, bicycle, automobile, and transport tires. Key highlights include bias transport tires (0.8 mn units/year), radial transport tires (1.2 mn units/year), and radial car tires (PCR) (1 mn units/year).

DRC's 2025 sales volumes—bias transport tires (441,000 units), radial transport tires (738,000 units), and radial car tires (355,000 units)—remain well below design capacity. Given current infrastructure and projected demand, we anticipate no need for capacity expansion. Thus, our forecasts exclude DRC's potential projects, such as a 4-mn-unit radial car tire plant or a 1-mn-unit radial transport tire facility.

Vietnam's automobile tire industry is dominated by foreign direct investment (FDI) firms. By late 2024, total design capacity exceeded 70 mn tires annually, with FDI contributing 93% (about 65 mn units). Domestic players like Da Nang Rubber (DRC), Southern Rubber (CSM), and Golden Star Rubber (SRC) hold just 7%, with roughly 6 mn units in combined capacity.

FDI firms primarily produce semi-steel radial car tires, capturing over 85% of global tire demand (per Michelin data) and targeting passenger vehicles. Among locals, CSM focuses on semi-steel radial car tires, while DRC specializes in all-steel radial tires for heavy trucks. Domestic firms also manufacture bias tires for trucks and specialty vehicles, offering a broader product range than FDI counterparts.

Figure 26: Comparison of production capacity of automobile/truck tire enterprises (mn tires/year)



Source: DRC, CSM, RongViet Securities. Note: SRC only produces bicycle/motorcycle tires, so it is not included in this statistic.

DRC is both subject to competition from FDI enterprises setting up factories in Vietnam as shown above and under strong pressure from the amount of imported Chinese tires to increase sharply from 2018 to now. As a result, domestic staple tire products – bias recorded a decline of half of sales in the period 2016-25. DRC has had to turn to more "globalized" products such as radial in search of new growth.

In the last 5 years, the radial factory project phase 2-3 has been the focus of DRC – marking the shift in business axis from bias to radial. By the beginning of 2025, DRC has officially completed the project to increase the capacity of the radial transport tire factory up to 1.2 – 1.5 mn tires/year (+20 – 40% of the plan) thanks to changes in technical and technological aspects. However, we only forecast the design capacity to reach 1,000,000 tires/year based on a cautious point of view.

Table 4: Description of DRC's radial plant project ([Back to Page 8](#))

Radial Transport Tire Factory Project	Phase 1 Q2-2011 – Q2-2013	Phase 2 Q2-2015 – Q4-2018	Phase 3 Q2-2022 – Q2-2024
Investment level (VND bn)	1,711	512	600
Total design capacity (thousand tires/year)	300	600	1,000

Source: DRC, Viet Dragon Stock Company

Regarding production technology, DRC is still far away from foreign competitors, combined with the use of input as described in the previous section, low/medium segments are considered as DRC's target markets domestically and abroad. Specifically, in the table below:

Table 5: Comparison of differences in production technology and materials used on tire quality

Criteria	Opponent's Radial Tires	DRC Radial Tires
Production Technology	<ul style="list-style-type: none"> - Using advanced technology: Automatic vulcanizing press, 4.0 line (Sailun, Giti). - Integration of AI in tire design (Giti, Sailun). - Strict quality inspection process (ISO 9001, IATF 16949). - For example, Giti applies non-pneumatic tire technology to heavy-duty trucks. 	<ul style="list-style-type: none"> - Medium technology, dependent on Yokohama (Japan) and IRC. - Semi-automatic line, not yet up to 4.0 standards. - Basic quality inspection, in accordance with domestic and ASEAN standards.
Material quality	<ul style="list-style-type: none"> - High-quality synthetic rubber, imported steel wire (Bekaert, Japan). - Improved chemicals (silica, carbon black) increase grip and longevity. - For example, Sailun uses nanocompounds in SmartWay tires, reducing rolling resistance by 10%. 	<ul style="list-style-type: none"> - Domestic natural rubber (Vietnam is the top 3 exporters), but imported synthetic rubber of medium quality. - Steel wire and basic chemicals, no nano compounds or high-grade silica.
Tire performance	<ul style="list-style-type: none"> - Outstanding traction (wet/dry grip), high load capacity (20-30 tons/axle). - Fuel efficiency (SmartWay, ECE R117). - Long service life (80,000-120,000 km). - Example: Giti GTL926 FS (truck) meets EPA SmartWay standards, reducing fuel consumption by 5%. 	<ul style="list-style-type: none"> - Medium traction, suitable for ASEAN roads. - Lower load capacity (10-20 tons/axle). - Lifespan ~50,000-70,000 km, not SmartWay standard. - Suitable for small trucks, basic road conditions.
Price	<ul style="list-style-type: none"> - High: 100-300 USD/tire (depending on size and segment). - Reflecting high quality, strong brand (GT Radial, Sailun). - Example: Giti 11R22.5 tires cost ~\$250. 	<ul style="list-style-type: none"> - Low: 50-150 USD/tire, competitive by price. - Suitable for price-sensitive customers (domestic, ASEAN). - For example, DRC 11R22.5 tires cost ~100-120 USD.
Target market	<ul style="list-style-type: none"> - Global: US, EU, Asia (60-90% of revenue from exports). - High-end segment, competing with Michelin, Bridgestone. 	<ul style="list-style-type: none"> - Domestic (60% of revenue), USA, Brazil (40% of revenue). - Medium/low-cost segment, competing with Casumina, Kumho VN.

Source: Tyrepress, GRIP500, DRC, RongViet Securities

Output

Product portfolio

DRC operates across a wide range of tire products, including transport, automobile, motorcycle, and bicycle tires, all positioned in the mid-price segment to align with Vietnamese consumer preferences. Its primary export products are radial tires, reflecting global market trends.

DRC offers over 1,000 SKUs, categorized by ETRTO, inches, pattern, overall diameter, section width, rim diameter, rim width, inflation pressure, and max load. Export-compliant products include radial tires (436 types), bias tires (432 types), and radial car tires (238 types).

Table 6: DRC Product List

STT	Product Segmentation
1	Bicycle tires/tubes
2	Motorcycle tires/tubes
3	Bias transport tires (heavy load, light, agricultural, specialty)
4	D-star Radial Transport Tires (Heavy and Light Load)
5	Radial Driveforce Tires
6	Other Products (Automotive Bibs)

Source: DRC, RongViet Securities

Notably, DRC focuses exclusively on the replacement tire market, as the OEM (original equipment manufacturer) segment is dominated by major foreign brands and FDI-produced tires in Vietnam. These include motorcycle tires (Kenda, Inoue, Chengshin), car tires (Michelin, Bridgestone, Kumho, Continental, Pirelli, Maxxis), and truck tires (Bridgestone, Kumho, Continental, Yokohama, Chengshin). Long-term clients like THACO Truong Hai and Giai Phong Automobile contribute minimally to revenue, primarily through direct outsourcing for vehicle assembly firms such as Truong Hai, Vinaxuki, Chengshin, Continental, Honda, Yamaha, and Suzuki.

Distribution system

In line with Vietnam's distribution model, DRC relies on tier-1 and tier-2 agents to reach consumers, rather than operating proprietary retail stores.

With the largest distribution network among Vietnamese tire manufacturers, DRC spans all 63 provinces and cities (per company website data). However, to expand market share, we believe DRC must enhance its pricing, discount, and after-sales policies. This is critical to compete with Chinese FDI firms and the influx of affordable Chinese tires flooding the Vietnamese market in recent years.

Figure 27: Structure of DRC's Tier 1 agent system in Vietnam by number

- Northern Highlands and Midlands
- Red River Delta
- North Central
- South Central Coast
- Central Highlands
- Southeast
- Mekong River Delta



Source: DRC, RongViet Securities

Table 7: Comparison of the scale of the distribution system of tire manufacturing enterprises in Vietnam

Criteria	DRC	CSM	SRC	Bridgestones	Kumho	Chengshin (CST)	Yokohama
Number of Tier 1 Agents	378	200	130	>100	100-200	~100 agents, exclusive distributors via Tutto Vietnam	93
Number of Tier 2 Agents	More than 2000	NA	NA	NA	NA	NA	NA
Operating Range	Nationwide, strong in the central and southern regions	Nationwide, strong in the south	Northern	Nationwide, strong Ho Chi Minh City. Ho Chi Minh City, Hanoi, produced in Hai Phong	South, Binh Duong, 90% export	Nationwide, Nhon Trach production	Binh Duong, Ho Chi Minh City. Ho Chi Minh City, export
Main Product Structure	Specializing in heavy/light truck tires and specialized tires,	Specializing in buses and light trucks, passenger cars	Only distribute bicycle and motorcycle tires	FDI enterprises are manufacturers of radial tires for cars/trucks. Despite dominating the domestic market, these companies still export most of their tires.			

Source: RongViet Securities

Table 8: Comparison of after-sales policies of tire manufacturers in Vietnam

Company	Describe
DRC	Basic after-sales service (warranty period 5-7 years, warranty support via website...), low cost, suitable for individual customers and small businesses. However, the lack of specialized programs for trucks (such as fleet service, extended warranties for transportation) reduces competitiveness compared to Bridgestone or Continental, leading to the risk of losing market share in the context of transportation growth.
Foreign brands (Bridgestone, Kumho...)	Outstanding after-sales service thanks to integrated services (long warranty, free inspection, support app), bringing higher value to growth investors. Casumina and SRC are equivalent to DRC in terms of domestic after-sales, but Casumina stands out more with professional service. Maxxis competes with cheap but basic aftermarket.

Source: RongViet Securities

Export activities are increasingly promoted (more than 50 countries), of which the Americas (Brazil, the US with the main product is Radial tires) and Asia (Thailand and Malaysia with the main product is Bias car tires) are the main export markets. DRC's products are exported in two forms: genuine DRC (D-star, Driveforce) or processed in the name of tire/truck and car manufacturers in that country.

Past background

The domestic market – the bicycle/motorcycle tire line and the bias transport tire line – the main playground is gradually being overshadowed by the "Chinese" giant

Production and Transportation Tires [\(Back to page 5\)](#)

From 2012 to 2025, the transport tire market favored DRC as production surged, driving a market CAGR of 13.2% annually. However, fierce competition from FDI firms and a surge in low-cost Chinese tire imports (*) led to a decline in DRC's bias transport tire sales, with a CAGR of -3.8% from 2012 to 2024.

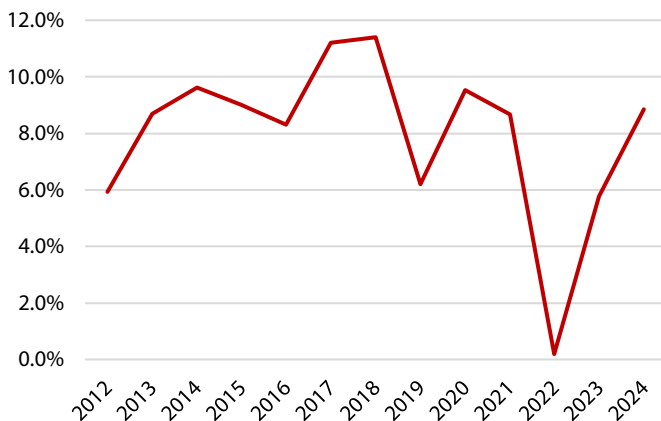
(*) In 2016, the USW launched an anti-dumping and anti-subsidy probe into Chinese tire imports. By February 2019, the U.S. imposed anti-subsidy duties of 20.98%–63.34% and anti-dumping duties of 9.0%–22.5%, later adjusted to 14.77%–17.47% in 2021 following a U.S. Department of Commerce review.

We clarify the reasons for DRC's weakness domestically through the competitive core in the industry as follows:

- **Production capacity:** DRC's output pales in comparison to FDI firms and the flood of Chinese imports across all tire segments (bias, radial transport, radial car), as detailed in prior sections. This limits distribution reach and cost optimization through economies of scale.
- **Product price:** DRC targets the low-to-mid segment with diverse transport tire offerings. Yet, Chinese competitors, leveraging scale and cost efficiencies, undercut prices by declaring import values 30–35% below actual at Vietnamese customs, offering more competitive retail prices than local manufacturers like DRC and CSM.
- **Product Transition:** DRC has shifted from bias to radial tires to align with market trends. However, as a state-owned enterprise, its sluggish capital mobilization and construction processes have delayed progress, taking a decade to reach 1 mn tires/year—far below competitors' scales.
- **To further embellish the importance of competitiveness, transport tire demand, tied to production activities, has grown steadily (3–5% annually over the past five years despite Covid-19 impacts, per our estimates).** DRC's failure to capitalize on this expansion has cost it significant growth over the past decade.

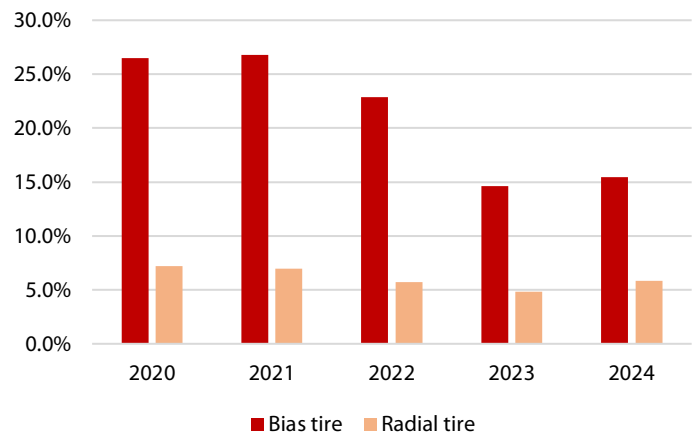
Meanwhile, in terms of the high-end segment, DRC does not have an advantage in R&D (inputs, production technology, and after-sales processes in serving the distribution system). Therefore, **we believe that DRC will still only operate in the low-mid-range segment in both domestic and foreign markets in the coming years.**

Figure 28: Vietnam's IIP index (%)



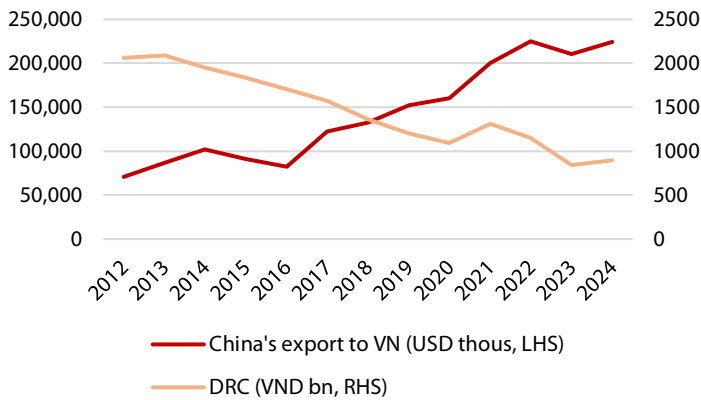
Source: GSO VN, RongViet Securities

Figure 29: DRC's market share in Vietnam's transport tire market (%)



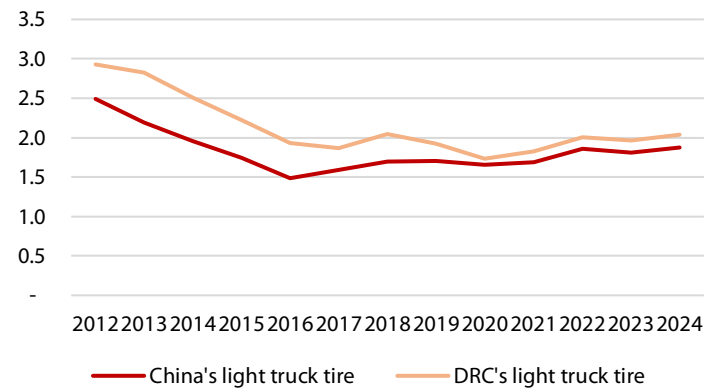
Source: DRC, Registry Office, RongViet Securities

Figure 30: Comparison of DRC's domestic net revenue and China's TBR tire export value to Vietnam



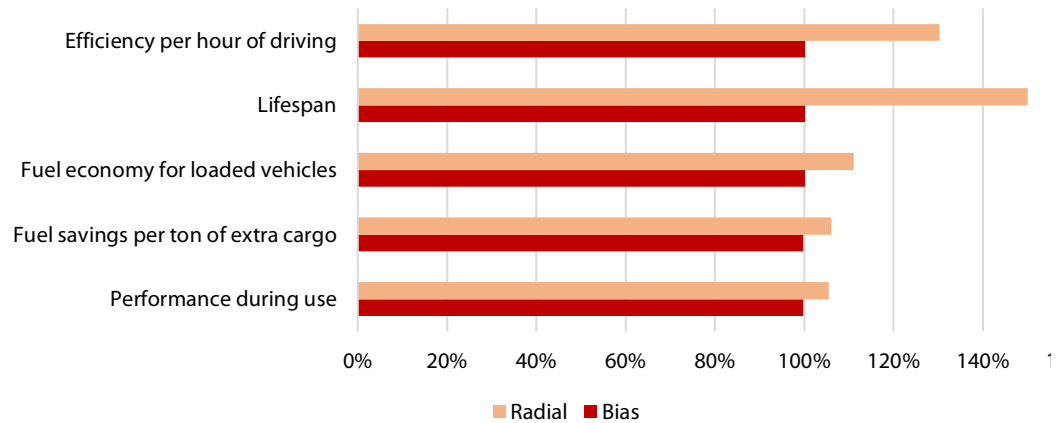
Source: U.S Trademap, DRC, RongViet Securities

Figure 31: Domestic tire selling price (DRC represents this group) compared to Chinese products (VND mn/tire)



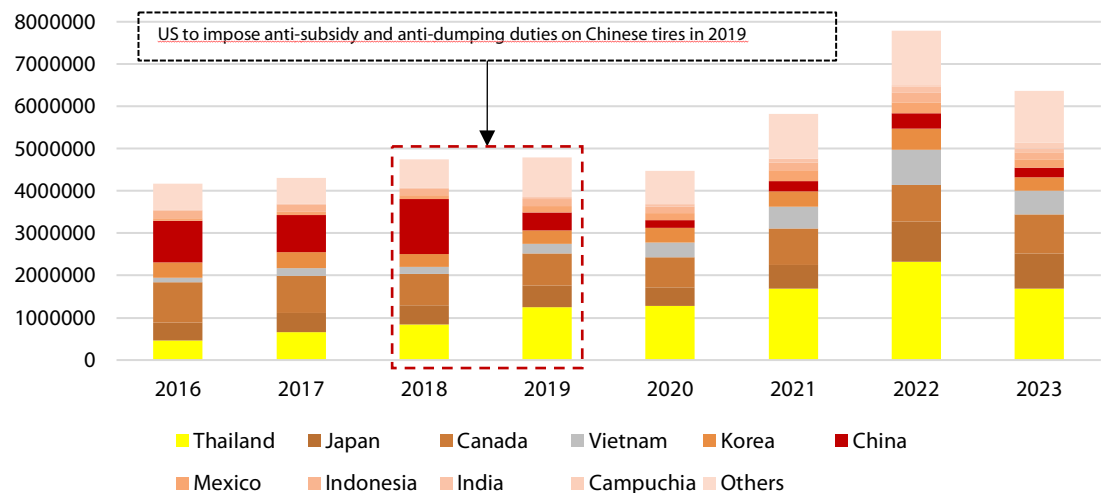
Source: U.S Trademap, RongViet Securities

Figure 32: Superior features of radial tires compared to bias



Source: Michelin, Apollo, RongViet Securities

Figure 33: Annual export value of radial truck and bus tires to the US by country (USD thousand) ()**



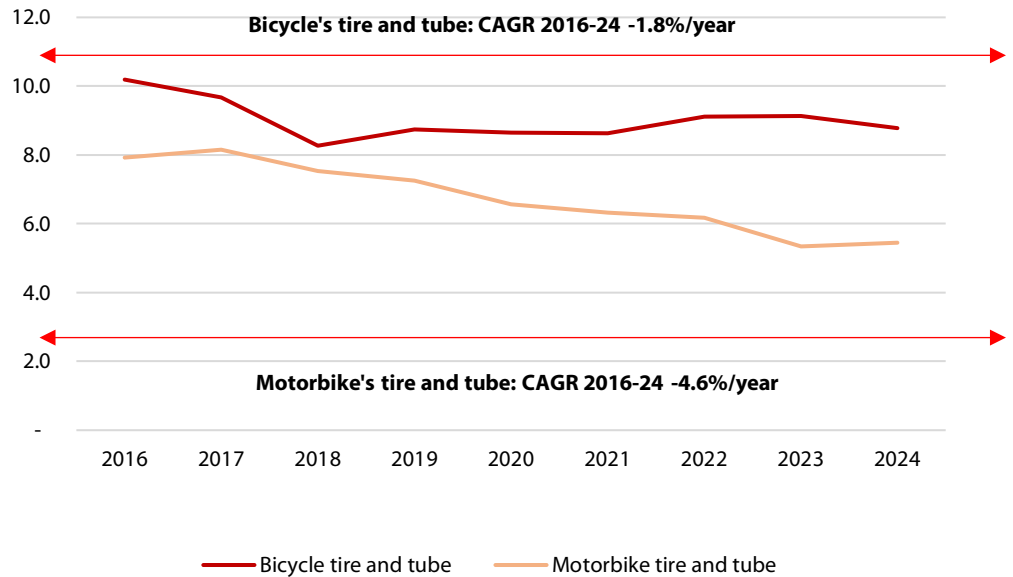
Source: U.S Trademap, DRC, RongViet Securities

Bicycle/Motorcycle Tire Tubes ([Back to Page 5](#))

Motorcycles and bicycles dominate Vietnamese transportation, with a household penetration rate exceeding 80% by 2024. However, this saturation limits growth prospects for the motorcycle and bicycle industry, resulting in negative growth for ancillary products like tires in recent years.

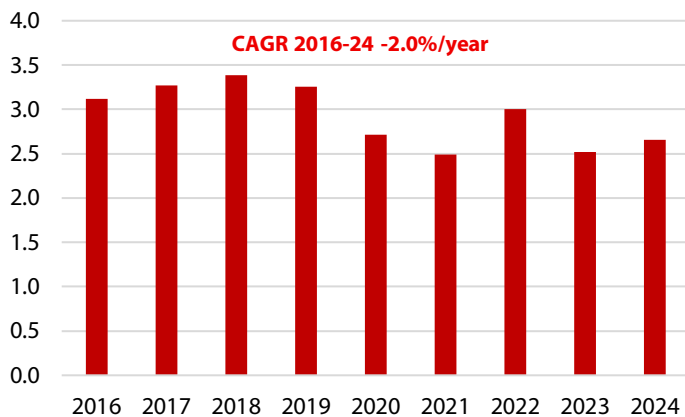
Compounding this, low-cost Chinese tire imports have surged, with import value growing at a CAGR of 22.8% from 2016 to 2024. This creates a "double challenge" for DRC and other tire manufacturers: a shrinking market size and diminishing market share within it.

Figure 34: Consumption of bicycle and motorcycle tires of DRC (mn units)



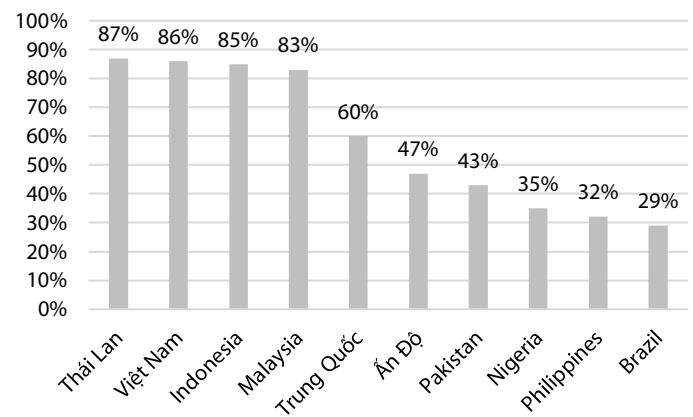
Source: DRC, RongViet Securities

Figure 35: Motorbike's sales volume in Vietnam (mn units)



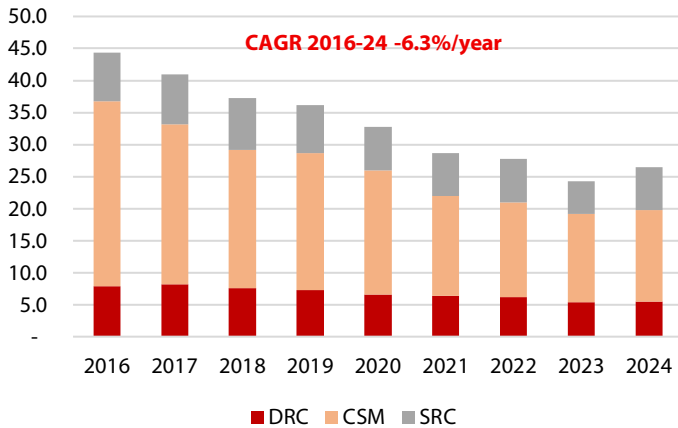
Source: VAMM, RongViet Securities

Figure 36: Motorbike's household penetration by countries (%)



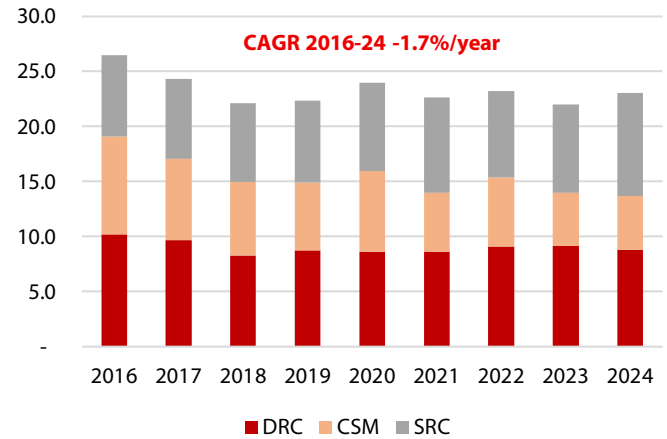
Source: RongViet Securities

Figure 37: Vietnam's motorcycle tire consumption output (represented by 3 leading manufacturers - DRC, CSM, SRC) (mn units)



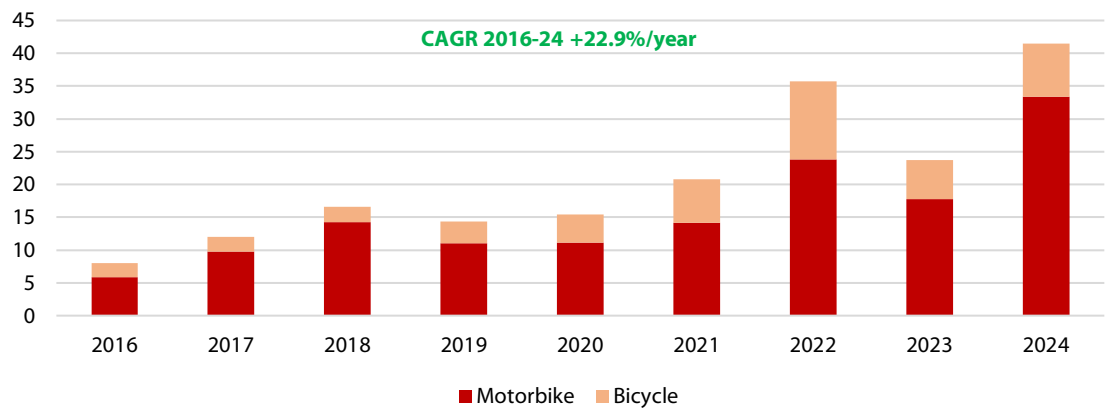
Source: DRC, CSM, SRC, RongViet Securities

Hình 38: Vietnam bicycle tire and tube consumption output (represented by 3 leading manufacturers – DRC, CSM, SRC) (mn units)



Source: DRC, CSM, SRC, RongViet Securities

Figure 39: Import value of bicycle and motorbike tires and tubes into Vietnam (USD mn)



Nguồn: U.S Trademap, DRC, CTCK Rõng Việt

Foreign markets – transport tires/radial cars – potential but difficult to exploit effectively in terms of profits

Production and Transportation Tires ([Back to page 5](#))

The journey of Vietnam's transport and automobile tire industry to "reach the big sea" began with FDI enterprises, marked by a pivotal moment in 2006-2007 when two global tire giants shifted production to Vietnam:

+ Bridgestone (Japan): Signed an agreement in 2007 and launched its first factory in 2009, with an initial capacity of 24,700 tires/day, primarily for export. This move sparked a wave of investment from other global players.

+ Kumho Tire (Korea): Invested in Binh Duong from 2006-2007, expanding in 2014 to a capacity of 6.3 million tires/year, focusing on car and SUV tires

This has continuously attracted many FDI names into Vietnam so far (*) with a CAGR of 2005-24 Vietnam's tire export value of +33.3%/year, and began to create an export/import surplus from 2018. The main export products of this group: the lead is radial automobile tires, the second is radial transport tires.

(*) Sailun (China, 2010-12), Yokohama (Japan, 2013-15), Kenda (Taiwan 2013-14), Inoue Rubber (Japan, 2013), Maxxis (Taiwan, 2016), Michelin (France, 2020), Guizhou (China, 2020), Hankook (South Korea, 2022), Nexen (South Korea, 2023).

The explanation for the trend of Vietnam landing as a new production center of the tire industry includes the following reasons:

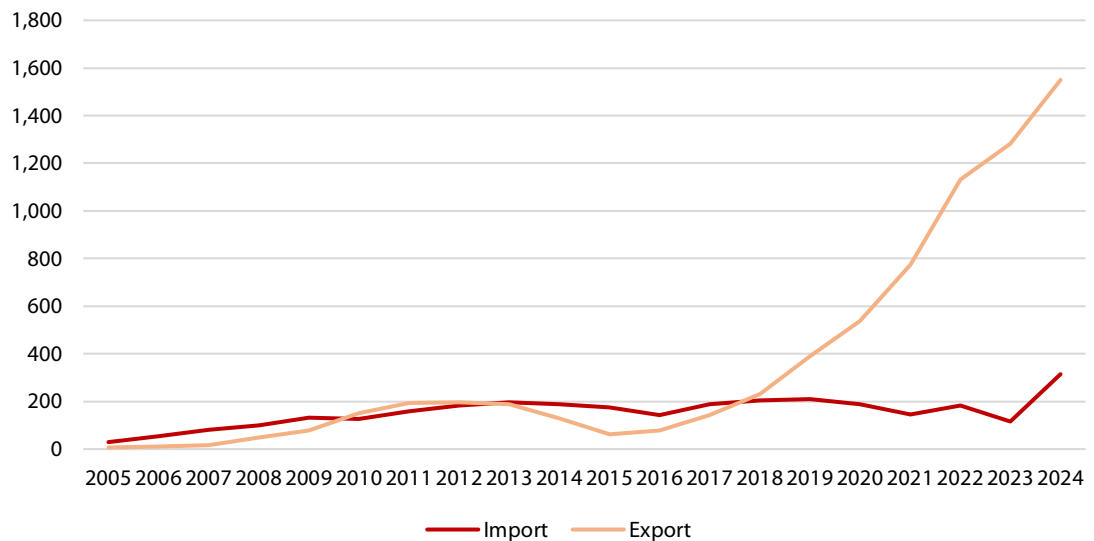
+ **Advantages of raw materials, cheap labor and geographical location:** Vietnam is one of the largest rubber producers in the world, supplying input materials accounting for 53% of the cost of tire production. FDI investors choose Vietnam to reduce logistics costs and take advantage of local supply, rather than importing from afar. This became the initial "push", helping the tire industry attract FDI from about 2005-06.

+ **Vietnam's investment attraction policy:** 1987 Law on Foreign Investment has been amended many times (especially after Doi Moi 1986), creating a favorable environment with tax incentives, land and administrative procedures. After joining the WTO, agreements such as ASEAN (AFTA) reduced tariffs, encouraging FDI into manufacturing industries, including tires. By 2010, Vietnam's tire exports exceeded imports for the first time, marking a boom.

+ **Global supply chain shift:** Asian corporations relocated to Vietnam to avoid risks like anti-dumping duties in the US and EU targeting China.

+ **Rising demand for radial tires:** Growing global need for high-tech car tires outpaced domestic capabilities, creating opportunities for FDI.

Figure 40: Export/import value of Vietnam's tire industry (USD mn)



Source: U.S Trademap, DRC, RongViet Securities

Against the backdrop of Vietnam's booming tire industry and rising domestic competition, DRC launched its export journey in 2012 by establishing a radial transport tire factory aligned with global trends.

Over 15 years, DRC's international business has focused on low-cost radial universal tires for small and medium-sized dealers in the US and Brazil, markets that don't demand large order volumes. These, alongside Spain, Germany, and Canada, are key export destinations for Vietnamese tire companies. Brazil (2012-23) and the US (2024-25) have alternated as DRC's primary markets, **driving a CAGR of +42.3% for radial transport tire sales from 2013-24. Since 2018, these tires have become DRC's revenue backbone, contributing over 40% of total revenue.**

+ **Brazil:** DRC and Vietnam's market share in Brazil surged since 2012, reaching ~35% by 2024. This growth stems from (1) Brazil's vast market (5th largest population globally) with expanding production,

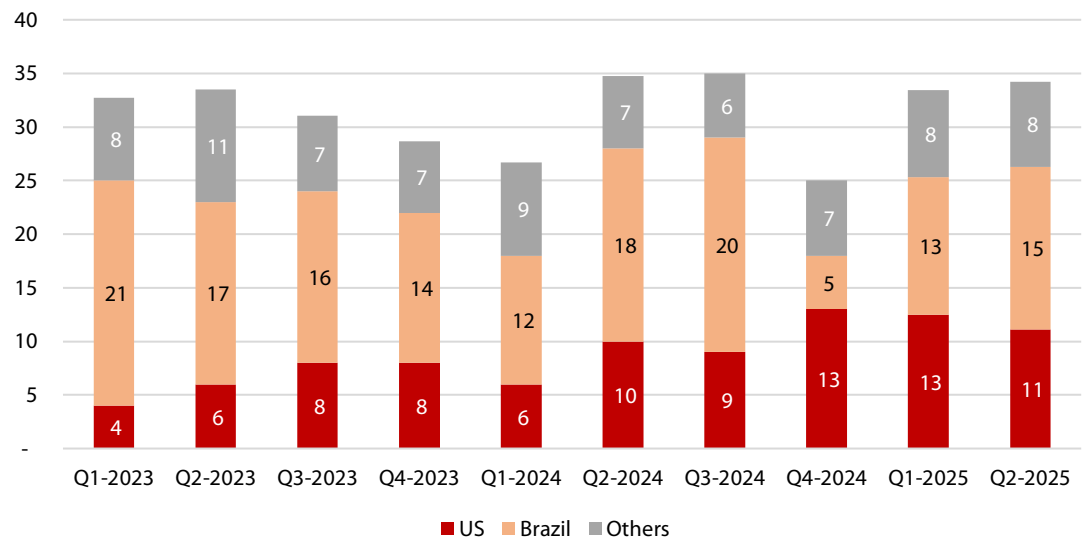
(2) demand for affordable low- to mid-range tires, and (3) Brazil's anti-dumping/import tariffs on Chinese tires since 2013 (1.25-1.77 USD/kg for car tires, 2.21-7.40 USD/kg for motorcycle tires), enabling Vietnam to replace Chinese supply. However, Brazil's cargo tire tax hike from 0% to 16% in Mar-2023 disrupted DRC's revenue stability in this market.

+ US: DRC entered the US market in 2012 but prioritized Brazil due to limited production capacity and the US's focus on high-end tires. By 2024, declining Brazilian sales and growing US demand for affordable tires prompted DRC to refocus on the US. High US anti-dumping duties on Chinese and Thai tires further incentivized DRC's push into this market.

In terms of selling prices, DRC has reduced the selling price of radial transport tires by ~7% in H1-2025 to regain market share in Brazil and maintain its influence in the US market against the impact of tire stockpiles from dealers in the US before the anti-dumping period on Thailand.

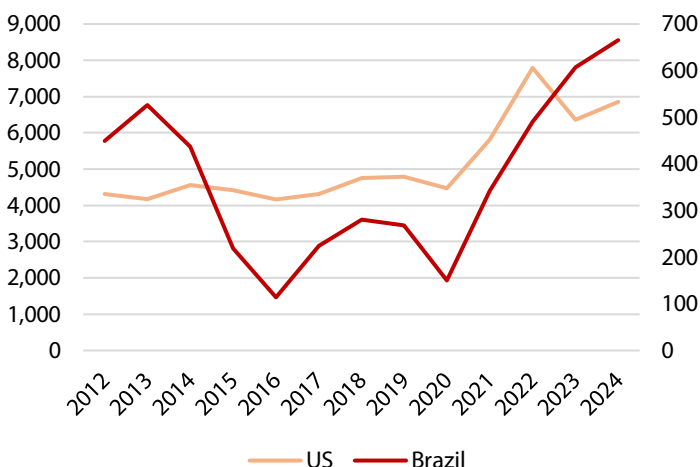
However, from H2-2025, when the tire picture in the US market is more clearly outlined with DRC's tax rate in the US market much lower than that of Thai competitors, giving the Company room to increase the average selling price, from a gradually improved profit margin in 2026-27.

Figure 41: DRC's export revenue by quarter (USD mn)



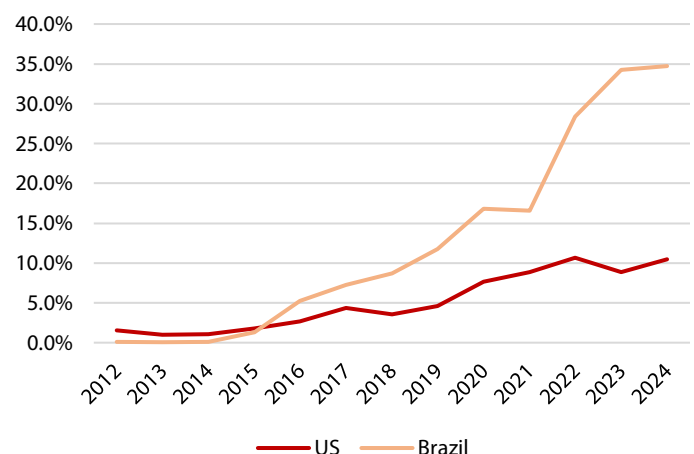
Source: DRC, RongViet Securities

Figure 42: US and Brazil radial tire import value (USD mn)



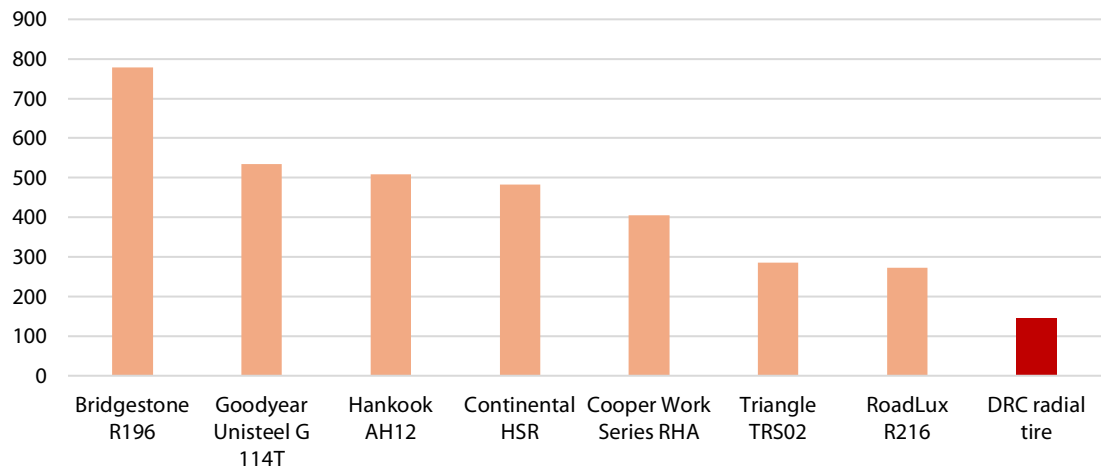
Source: Trademap, RongViet Securities

Figure 43: Market share of Vietnamese tires exported to the US and Brazil (%)



Source: Trademap, RongViet Securities

Figure 44: Current selling prices of some radial truck tire models among tire brands in the US market (USD/unit)



Source: *tire-online.net*, DRC, RongViet Securities

However, the transition from the domestic market (bias tires) to the export market (radial tires) significantly reduces the profit efficiency of DRC (CAGR 2016-24 NPAT -6.5%/year) when it has to spend more on transportation, advertising and discounts. (Later Analysis)

Automotive tire [\(Back to Page 5\)](#)

In 2023, DRC ventured into the car tire market with a cutting-edge product: radial PCR car tires. Rather than limiting its target market, DRC pursued diverse partnerships, engaging OEM channels with major manufacturers like VinFast and alternative channels with domestic and international dealers to kickstart this venture.

DRC did not invest in the factory, but converted a few bias tire production lines to PCR and recorded the investment cost in the production cost directly. DRC shared that this conversion does not affect the production capacity of bias tires because the enterprise is investing in more modern machinery and technology from Korea starting Q2-2024 to help increase the production productivity of tires (For example, the vulcanization time of 1 tire is reduced from 1 hour to 40 minutes). Specifically, the production capacity of PCR tires is expected to reach 1 million tires/year from 2025.

Instead of building a new factory, DRC repurposed existing bias tire production lines for PCR tires, incorporating investment costs directly into production expenses. This conversion, supported by advanced Korean machinery and technology from Q2-2024, maintained bias tire capacity while boosting overall productivity (e.g., reducing tire vulcanization time from 1 hour to 40 minutes). By 2025, DRC's PCR tire production is projected to reach 1 million tires/year.

DRC had to keep the price significantly low compared to the average of the automotive tire industry in foreign markets to penetrate the markets and also be suitable for the low-mid-end target segment, which helped DRC reach the gross profit break-even threshold (*) for the first time with 148 thousand PCR tires consumed in the whole quarter. DRC has the ambition to turn this business segment into a "potential" pillar in the future. (Plan to build a radial PCR car tire factory with a capacity of 4 million tires/year for the period 2025-30).

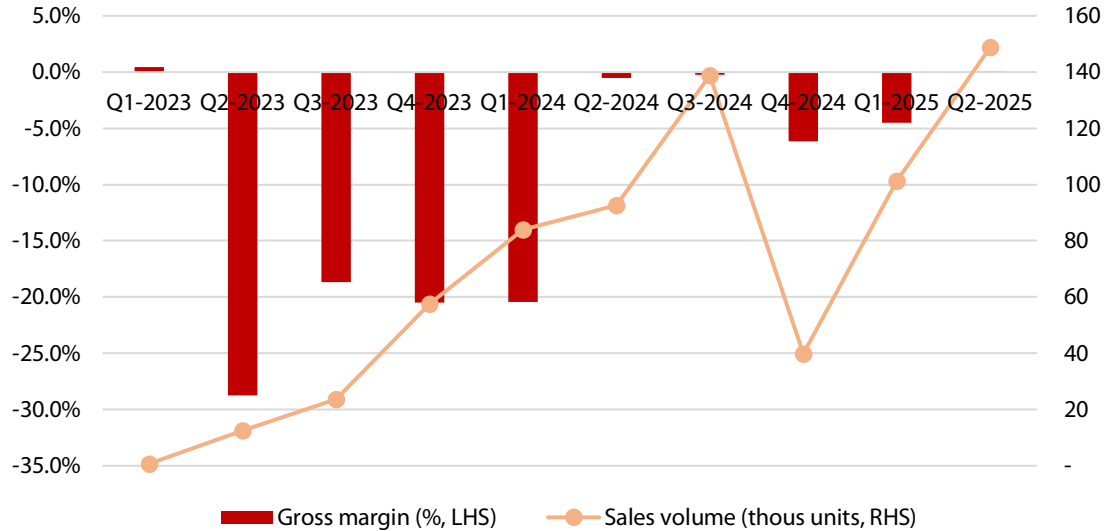
To penetrate markets and appeal to the low- to mid-end segment, DRC priced its PCR tires well below the global industry average, achieving a gross profit break-even (*) with 148,000 tires sold in a single quarter. DRC aims to transform this segment into a key revenue driver, planning a dedicated radial PCR tire factory with a 4 million tires/year capacity for 2025-30.

However, to compete in the premium automotive tire market—targeting middle-class car owners and dominated by established brands like Yokohama, Hankook, and Michelin—DRC must enhance tire quality

and brand reputation. This foundation will enable DRC to align prices with industry standards, securing positive net profits in the long term.

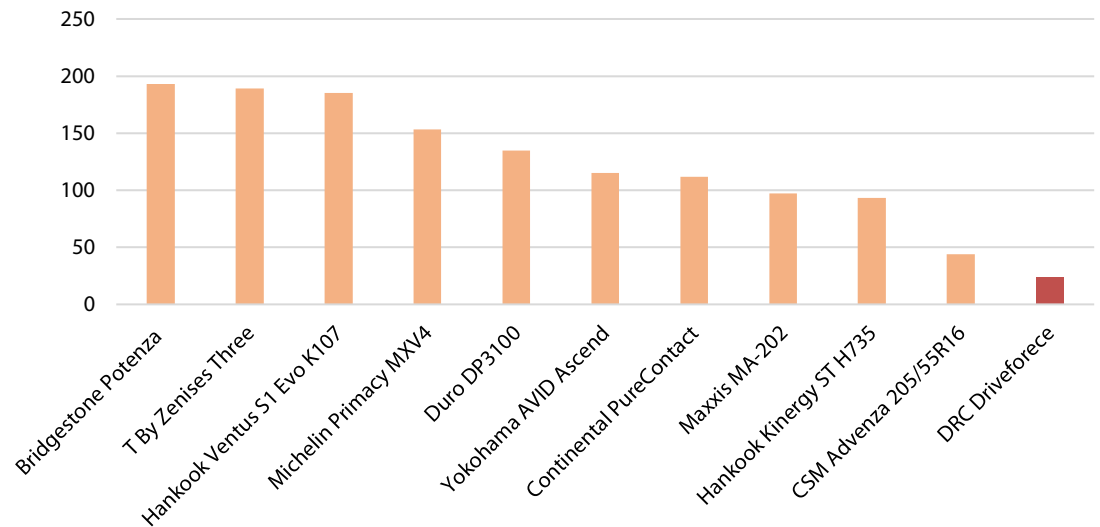
(*) The business said that with a sales volume of over 50-60k/month, it will reach the break-even point of this tire line.

Figure 45: DRC's PCR car tire business



Source: DRC, RongViet Securities

Figure 46: Current selling prices of some radial car tire models among tire manufacturers in the US market (USD/unit)



Source: tire-online.net, DRC, CSM, RongViet Securities

2025-29 Outlook

Output Revenue

Domestic market

Transport tires [\(Back to page 5\)](#)

Over the next 3-5 years, DRC is poised for positive growth in the tire industry, driven by Vietnam's robust economic outlook (target GDP growth of 8-10%/year in 2025-30) and increased production, industrial activity, and public investment. Markntel Advisors forecasts a CAGR of 5.94% for Vietnam's production and transport tire market from 2024-30. However, intense competition persists.

Since Covid-19, DRC has made efforts to take many measures to regain lost market share from China as follows:

- **Strategy of pivoting key products:** DRC gradually transforms the range of key products from heavy load bias to light load and radial in line with the general trend in the world of average truck load and outstanding characteristics of radial as listed earlier.
- **Strategy to increase discounts/reduce selling prices for dealers:** DRC is more aggressive in spending on discounts, promotions, and discounts to narrow the price gap with Chinese tire products, helping DRC prevent the decline in market share from 2023. It can be said that DRC trades off the high profit margin it once owned in the period 2012-18 for better output efficiency.

However, **due to the price/discount gap with Chinese tires still and the increasing entry of a variety of Chinese/Taiwanese/Japanese/Korean tires, FDI in Vietnam** with accompanying after-sales services establishes good relations with fleets/dealers, tires that we have presented throughout this report, making **the above 2 business strategies of DRC only enough to help businesses maintain a low horizontal market share from 2023 to now.**

In the baseline scenario, we believe that DRC still maintains the above 2 competitive strategies, helping DRC's transport tire market share (bias and radial) only decrease slightly from 13.4% in 2024 to 12.1% in 2029.

Table 9: Historical and projected market share of DRC in Vietnam transport tire market by segment (%)

	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Radial tires	4.8%	5.0%	3.6%	3.0%	3.6%	3.6%	3.4%	3.2%	3.0%	2.8%
Bias tires	17.7%	19.1%	14.3%	9.1%	9.7%	9.7%	9.5%	9.3%	9.3%	9.3%

Source: DRC, RongViet Securities

Bicycle/Motorcycle Tire Tubes [\(Back to Page 5\)](#)

As highlighted previously, Vietnam's motorcycle and bicycle tire industry has reached saturation, driven by high penetration rates and intense price competition among companies. No significant shifts are expected to alter this landscape in the near future. Consequently, DRC is projected to further scale back its focus on the motorcycle and bicycle tire segment, influenced by both industry dynamics and its strategic shift toward higher-value products like transport and radial car tires.

Table 10: Annual growth rate of DRC's motorcycle and bicycle tire consumption (%)

	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Bicycle tire tube	-1.1%	-0.2%	5.6%	0.2%	-3.8%	-3.0%	-2.0%	-1.0%	0.0%	0.0%
Motorbike tire tube	-9.4%	-3.5%	-2.5%	-13.5%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: DRC, RongViet Securities

In terms of selling prices, we see that DRC or CSM have both moved to increase selling prices to reduce the impact of high material prices from Q2-2025. Due to the medium-term price increase prospect of most of the materials DRC used in production, we believe that the upward trend in selling prices will continue with a projected increase of +2.0%/year for bias transport tires, +1.0%/year for motorcycle and bicycle tires.

Overseas Markets

Transport tires [\(Return to page 5\)](#)

The completion of DRC's phase 3 radial factory, with a capacity of 1–1.2 mn tires/year, drives DRC to ramp up production to optimize depreciation and operating costs, targeting the US market as a key focus.

Looking ahead, DRC's transport tire segment builds on past strategies with promising prospects in two primary markets:

+ **Brazil**: DRC secured a new client, Oceanside One Trading LLC, and adopted innovative strategies (*) to boost revenue, recovering to USD 13–15 mn in Q1 & Q2-2025 from a low of USD 5 mn in Q4-2024. However, as a state-owned enterprise, DRC faces challenges relocating factories to Brazil to bypass taxes, unlike Chinese and Thai competitors, limiting its market share recovery to below its historical peak of over 15%.

(*) *Strategies include diversified product packages, shifting to CIF export methods, and targeting B2C customers.*

+ **US**: The story of doing business in the US enters a state of "normalization" when the Trump administration officially approves reciprocal tariffs between countries in 2026 with "no more detrimental" tariffs for tire products ahead of rivals such as Thailand and Cambodia (Table). By:

- Tires are not high-value products, which are prioritized to move to the US as Trump's orientation. (The average profit margin of the tire industry is low at 5-10%).
- The US is highly dependent on imported tires (the world's top 1 importer), so it is impossible to stop this situation in the medium term.
- DRC is an enterprise with 100% Vietnamese elements, with a market share of only 1.3% exported to the US. Because there is no Chinese factor and does not have a major impact on this market, DRC is not the target of the US in the tax period in our opinion. Note, the only US tire tax on Vietnam is also only aimed at China-related FDI enterprises.
- The biggest rival, Thailand, has officially been imposed by the US on CBPG from Q2-2025, similar to Chinese tires in 2019, showing that Thai tires are the target of the US higher in the tariff scenario in the tire industry. This is considered a great opportunity for DRC in the medium to long term when the capacity of the Radial GD2 plant is gradually optimized.

Table 11: Description of taxes imposed on Vietnamese transport tires from the US

Type of tax	Heavy Trucks (HS 4011.20)	Light Trucks (HS 4011.10)	When to apply
MFN Taxes	4%	4%	2001 to present
Anti-dumping duties (AD)	0%	0% (DRC, CSM) 22.3% (FDI with Chinese elements)	T5-2021 to present
Anti-subsidy tax (CVD)	0%	0% (DRC, CSM) 7.89% (FDI with Chinese elements)	T5-2021 to present
Trump's reciprocal taxes	20%	20%	From T7-2025
Total taxes related to the DRC	24%	24%	

Source: RongViet Securities

Table 12: Summary description of taxes imposed on Vietnam/Thailand/Cambodia transport tires from the US

Country	Tire Type	Applicable taxes	Reciprocal taxes
Vietnam (DRC only)	Heavy Trucks	4%	20%
	Light Truck	4%	20%
Thailand	Heavy Trucks	16.33% (remainder) – 52.39% (Bridgestone Thailand)	18%
	Light Truck	5.24% - 10.16%	18%
Cambodia	Heavy Trucks	4%	19%
	Light Truck	4%	19%

Source: RongViet Securities

Table 13: Import value of transport tires to the US (USD mn)

Importing tires into the US	2020	2021	2022	2023	2024	5M-2025
Thailand	1,287	1,685	2,326	1,692	1,706	702
YoY Growth (%)		30.9%	38.0%	-27.2%	0.8%	-13.5%
Canada	709	866	859	928	988	435
YoY Growth (%)		22.1%	-0.8%	8.1%	6.5%	3.6%
Vietnam	343	516	831	564	716	328
YoY Growth (%)		50.5%	61.0%	-32.1%	26.9%	11.3%
Japan	433	557	952	823	602	356
YoY Growth (%)		28.7%	70.9%	-13.5%	-26.8%	21.9%
Cambodia	0	0	35	142	421	283
YoY Growth (%)				306.8%	196.4%	81.5%

Source: Trademap, RongViet Securities

Table 14: Description of the growth of the radial transport tires market size in the US/Brazil and the market share of DRC in the markets

	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Growth in tire consumption in markets								
US	21.1%	-8.4%	8.8%	-5.0%	3.0%	3.0%	3.0%	3.0%
Brazil	50.3%	26.1%	9.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Market share of DRC transport tires in markets								
US	0.5%	0.9%	1.3%	1.6%	1.7%	1.8%	2.0%	2.1%
Brazil	16.1%	12.1%	8.1%	8.7%	8.1%	7.8%	7.5%	7.5%

Source: Trademap, DRC, RongViet Securities

In terms of selling prices, we view that DRC or CSM have both moved to increase selling prices to reduce the impact of high material prices from Q2-2025. Due to the medium-term price increase prospect of most of the materials DRC used in production, we believe that the upward trend in selling prices will continue with a projected increase of +2.8%/year.

Automotive tire ([Back to page 5](#))

Thanks to the aforementioned low cost advantage and efforts to find many new customers in the Middle East, Brazil, Russia, the US or even domestic markets (*), DRC will increase its capacity exploitation efficiency over time (from 70% in 2025 to nearly 100% in 2029) similar to the case of CSM in the past when the business strategy was similar at the penetration phase.

(*) The cooperation with Vinfast lies in the policy of the Government, DRC will provide PCR products for Vinfast factories, but Vinfast has not committed to output and import prices, but requires DRC to meet specifications first, so it is not clear how long Vinfast's contribution to DRC revenue will be. Currently, DRC has invested in its

own PCR car tire line in advance according to the electric vehicle trend, and has now cooperated with 2 strategic partners in the North and South to ensure output.

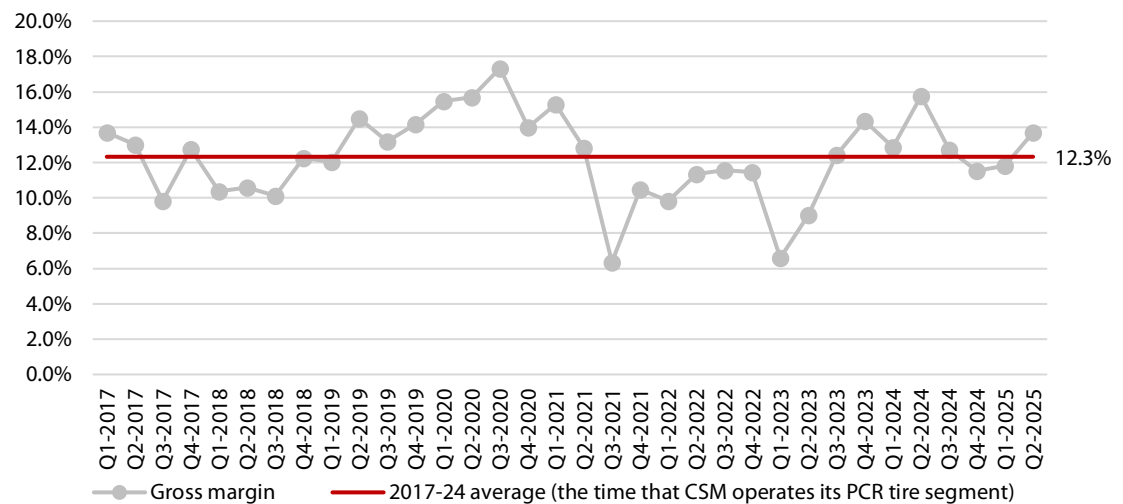
Table 15: Forecast description of DRC's PCR automotive tire consumption based on past CSM cases (%)

Reference Case: CSM's PCR tire - Advenza Automotive Tires								
	2017	2018	2019	2020	2021	2022	2023	2024
Consumption	0.2	0.8	1.1	1.1	1.1	1.5	1.5	1.5
YoY Growth		260%	35%	1%	-4%	37%	1%	-1%
Capacity Extraction Rate	16.4%	59.1%	80.0%	81.0%	77.8%	106.2%	107.6%	106.4%
Business Forecast of DRC DriveForce tire – PCR Automotive Tires								
	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Consumption	0.0	0.1	0.4	0.7	0.8	0.8	0.9	1.0
YoY Growth		7525%	276%	98%	9%	9%	8%	8%
Capacity Extraction Rate	0.1%	9.4%	35.5%	70.5%	77.0%	83.7%	90.6%	97.6%

Source: DRC, CSM, RongViet Securities

Regarding the selling price, we believe that DRC will gradually increase the average selling price from USD 24/tire to USD 27-30/tire similar to CSM tires of the same specification to create cost-effectiveness, raising the gross margin of this segment to 12-14% similar to CSM.

Figure 47: Gross profit margin of CSM from the time of PCR tire trading (2017)



Source: CSM, RongViet Securities

Cost Structure

As for the cost structure, we perform a DRC analysis based on two main parts:

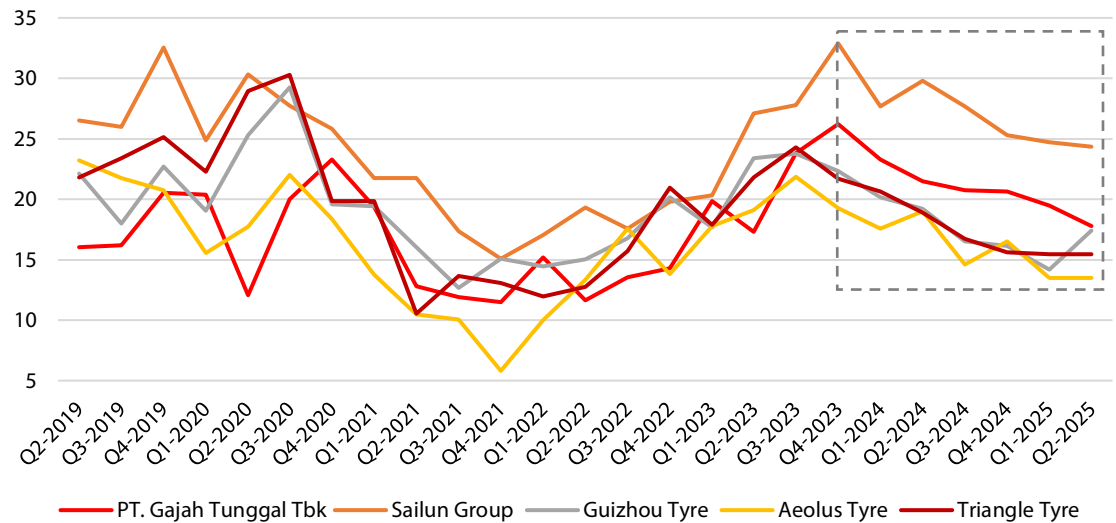
Gross margin

With the prospect of high material prices, peaking in Q2-2025 pushing DRC's gross margin to 11.2% (the lowest in a quarter since 2019 and significantly lower than the industry average), we believe that DRC is forced to increase the output selling price to reduce this negative impact in most products (as analyzed in each segment earlier).

An additional point of support for DRC selling prices is that most Chinese and Thai tire enterprises also recorded a weakening gross margin. Therefore, the increase in medium-term selling prices may be the general trend of the whole industry instead of each DRC to help DRC maintain its current price competitiveness.

However, it is difficult for DRC to pull the gross margin from a low level of 11% to 19-20% like the industry average as it does not have the advantage of production scale and brand position like these large tire companies.

Figure 48: Gross margin by quarter of companies (%)



Source: Bloomberg, RongViet Securities

Table 16: Description of the projected selling price of DRC in each product niche (VND/tire) [\(Back to page 6\)](#)

	2023	2024	2025F	2026F	2027F	2028F	2029F
Bicycle tire tube	29,535	28,381	28,665	28,952	29,241	29,534	29,829
YoY Growth	0.6%	-3.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Motorcycle tire tube	61,131	67,976	68,656	69,342	70,036	70,736	71,443
YoY Growth	10.4%	11.2%	1.0%	1.0%	1.0%	1.0%	1.0%
Automotive Tube	234,415	237,183	241,927	246,765	251,701	256,735	261,869
YoY Growth	8.5%	1.2%	2.0%	2.0%	2.0%	2.0%	2.0%
Bias transport tire	1,960,408	2,036,680	2,115,601	2,171,617	2,206,341	2,227,401	2,247,371
YoY Growth	-2.1%	3.9%	3.9%	2.6%	1.6%	1.0%	0.9%
PCR tire	505,967	493,811	602,450	632,572	664,201	677,485	684,259
YoY Growth	-86.4%	-2.4%	22.0%	5.0%	5.0%	2.0%	1.0%
Mud Flap	98,214	102,413	103,437	103,437	103,437	103,437	103,437
YoY Growth	8.4%	4.3%	1.0%	0.0%	0.0%	0.0%	0.0%
Retread tire	1,170,698	1,208,255	1,202,214	1,196,203	1,190,222	1,184,270	1,178,349
YoY Growth	2.6%	3.2%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Domestic TBR tires	5,124,097	4,245,929	4,840,359	4,840,359	4,840,359	4,840,359	4,840,359
YoY Growth	-16.9%	-17.1%	14.0%	0.0%	0.0%	0.0%	0.0%
Export TBR tires	3,570,487	3,723,661	3,628,787	3,793,897	3,966,519	4,146,996	4,293,177
YoY Growth	-2.7%	4.3%	-2.5%	4.5%	4.5%	4.5%	3.5%
Dollar Price Conversion (USD)	147	149	139	142	145	148	149
YoY Growth	-4.6%	1.0%	-6.4%	2.0%	2.0%	2.0%	1.0%

Source: DRC, RongViet Securities

SG&A exp/Net sales

DRC has a net revenue share of 9.0%, higher than the industry average of 7.6-7.7%, but we still forecast that DRC will be forced to continue to gradually increase this ratio by 0.1%/year to (1) increase competitiveness both domestically and abroad, (2) in the early stages of developing new products such as PCR or TBR tires.

	2019	2020	2021	2022	2023	2024	Average
Gross margin	15%	15%	15%	15%	20%	20%	Density
Average	21.2%	22.8%	14.5%	15.3%	22.3%	20.5%	19.6%
Median	20.7%	23.0%	14.1%	14.6%	21.8%	19.6%	19.1%
SG&A exp/Net sales	15%	15%	15%	15%	20%	20%	Density
Average	9.4%	8.3%	7.0%	7.0%	7.2%	6.9%	7.6%
Median	9.5%	8.8%	7.0%	6.8%	7.4%	7.1%	7.7%

Source: Bloomberg, RongViet Securities

APPENDIX 1 – TIRE MANUFACTURES WITH COMPARABLE MODEL

In this report, we use six pure tire manufacturers with a similar domestic status to DRC as a reference for analysis and forecasting.

PT. Gajah Tunggal Tbk (Indonesia): is the largest integrated tire manufacturer in Southeast Asia, headquartered in Indonesia, established in 1951. Flagship products include passenger vehicle radial tires (PCR), motorcycle tires, truck and bus tires (TBR), with brands such as GT Radial, Giti, and IRC. The company owns Indonesia's largest integrated manufacturing facility, with a capacity of about 45,500 PCR tires, 83,000 motorcycle tires, and 2,300 TBR tires per day. Gajah Tunggal holds a leading position in the tire market in Indonesia, having been listed on the Indonesian Stock Exchange since 1990, and has strong export capabilities, with nearly 50% of its revenue coming from exports to Europe, the Middle East, the US, Asia, and Oceania. Compared to DRC, Gajah Tunggal has a larger scale and superior export capabilities thanks to its global distribution network and association with Giti Tire.

Prinx Chengshan Holdings Ltd (Hong Kong): based in Hong Kong but the main factory is located in Shandong, China, operating with a business model focused on the production of high-quality radial tires, especially truck and bus (TBR) and passenger car (PCR) tires. Compared to DRC, Prinx Chengshan has a larger international scale, with a focus on the global market rather than just domestic. The main products include TBR (Prinx, Chengshan) and PCR tires, serving trucks, buses, and cars. The company has a strong position in the Chinese market, but in Hong Kong, its role is primarily that of a financial and coordination center. Prinx Chengshan's export capabilities are significant, with main markets in North America, Europe, and Southeast Asia, supported by state-of-the-art factories and international certifications. Compared to DRC, Prinx Chengshan has advantages in technology and export scale, but is less diversified in by-products than Gajah Tunggal.

Guizhou Tire (China): based in Guizhou, China, focusing on the production of tires for commercial vehicles, especially truck, bus (TBR), and construction vehicle (OTR) tires. Its business model is similar to DRC's in that it focuses on specialty tires for trucks and construction, but Guizhou Tyre has a larger scale and invests heavily in R&D to improve tire technology. The main products are TBR and OTR tires with Advance brand, which are widely used in the construction and transportation industry. In China, Guizhou Tyre is one of the leading tire manufacturers, especially in the industrial tire segment. Their export capabilities are strong, with their main markets in Africa, the Middle East, and Asia, supported by international certifications such as ISO and DOT. Compared with DRC, Guizhou Tire has the advantage of production scale and wider export network.

Aeolus Tyre (China): belonging to ChemChina Group, is one of the major tire manufacturers in China, focusing on radial tires for trucks, buses (TBR), and passenger car tires (PCR). Compared to DRC, Aeolus Tyre's business model is more globalized, with support from parent group ChemChina, helping to expand the international market. The main products include TBR and OTR tires, with the Aeolus brand well-known in the transportation and construction industry. In China, Aeolus holds a leading position in the commercial tire segment, competing directly with major brands such as Michelin. Aeolus' export capabilities are strong, with key markets in Europe, North America, and Africa, thanks to its global distribution network and links with Pirelli. Compared with DRC, Aeolus has the advantage of international brand and larger production scale.

Triangle Tyre (China): headquartered in Shandong, China, has a business model similar to DRC, focusing on the production of radial tires for passenger cars (PCR), trucks (TBR), and construction tires (OTR). However, Triangle Tyre has a stronger international expansion strategy, with factories in China and the US. The main products are TBR and OTR tires, serving the transportation and mining industries, along with PCR tires for cars. Triangle Tyre is one of China's leading tire brands, especially in the high-value tire segment. Their export capabilities are very good, with main markets in more than 180 countries, including the US, Europe, and Asia, supported by international R&D and certification centers. Compared to DRC, Triangle Tyre has the advantage of scale, technology, and global presence.

Sailun Group (China): located in Shandong, China, is one of the world's fastest-growing tire manufacturers, with a business model focused on high-value radial tires for passenger cars (PCR), trucks (TBR), and construction vehicles (OTR). Compared to DRC, Sailun has a stronger globalization strategy, with factories in China, Vietnam, and Cambodia. The main products are PCR and TBR tires under the Sailun brand, which are highly appreciated for their quality and competitive price. In China, Sailun is among the top tire manufacturers, with strong investment in technology and automation. Sailun's export capabilities are impressive, with markets in more than 100 countries, especially North America and Europe, thanks to certifications such as DOT and ECE. Compared to DRC, Sailun is superior in terms of production scale, modern technology, and global export network.

Table 17: Pure tire manufacturing companies with a similar domestic position to DRC - The average of the industry is calculated from the 6 companies mentioned above

	2019	2020	2021	2022	2023	2024	Industry Average
Days AR on hands	15%	15%	15%	15%	20%	20%	Weight
Average	73	80	77	76	75	79	77
Median	70	82	75	69	71	71	73
Days inventory on hands	15%	15%	15%	15%	20%	20%	Weight
Average	68	67	66	74	75	74	71
Median	73	70	68	74	76	74	73
Days AP	15%	15%	15%	15%	20%	20%	Weight
Average	74	87	81	69	87	76	79
Median	62	75	81	58	73	60	68
Gross margin	15%	15%	15%	15%	20%	20%	Weight
Average	21.2%	22.8%	14.5%	15.3%	22.3%	20.5	19.6%
Median	20.7%	23.0%	14.1%	14.6%	21.8%	19.6	19.1%
SG&A exp/Net sales	15%	15%	15%	15%	20%	20%	Weight
Average	9.4%	8.3%	7.0%	7.0%	7.2%	6.9%	7.6%
Median	9.5%	8.8%	7.0%	6.8%	7.4%	7.1%	7.7%
Net margin	15%	15%	15%	15%	20%	20%	Weight
Average	5.7%	9.1%	3.5%	4.1%	9.6%	8.7%	7.0%
Median	5.7%	9.7%	4.4%	5.0%	9.5%	8.7%	7.3%

Source: Bloomberg, RongViet Securities

	2019	2020	2021	2022	2023	2024	Industry Average
EV/EBITDA	15%	15%	15%	15%	20%	20%	Weight
Average	7.5x	6.7x	14.9x	10.1x	6.2x	6.7x	8.5x
Median	6.9x	6.6x	12.5x	11.1x	7.2x	8.4x	8.7x
P/E	15%	15%	15%	15%	20%	20%	Weight
Average	12.1x	8.6x	19.3x	19.1x	7.7x	9.4x	12.3x
Median	10.4x	7.9x	15.4x	17.2x	8.0x	11.1x	11.5x
P/B	15%	15%	15%	15%	20%	20%	Weight
Average	1.0x	1.1x	1.4x	1.0x	1.1x	1.1x	1.1x
Median	1.1x	1.0x	0.9x	0.8x	0.9x	0.9x	0.9x
P/S	15%	15%	15%	15%	20%	20%	Weight
Average	0.6x	0.7x	0.9x	0.7x	0.7x	0.8x	0.7x
Median	0.6x	0.6x	0.7x	0.6x	0.7x	0.7x	0.7x

Source: Bloomberg, RongViet Securities

APPENDIX 2 – VINACHEM'S DIVESTMENT PLAN

We highlight the potential for DRC's share price to rise if Vinachem, holding 50.51% ownership, divests DRC to a major global tire organization or merges with domestic tire companies like CSM, creating "synergistic value" to enhance scale and sales capacity compared to the present.

In our view, this strategy is positive for DRC, given its limited scalability in capital and time, and less flexible sales capacity compared to international private tire companies. Thus, we advise investors to note this event's potential positive impact on DRC shares.

However, following the unsuccessful divestment in 2019 (table below), we have not observed further updates on Vinachem's divestment plans for DRC, suggesting that this initiative may be paused or not yet resumed.

Stock code	SRC	DRC	CSM
SCHEME 2017-20			
Ownership ratio of Vinachem in 2017	51.00%	50.51%	51.01%
Divestment targets in the 2017-20 scheme	Down to 36%	Down to 36%	Down to 36%
Auction Period	02/06/2019	04/06/2019	Not yet implemented
Number of shares auctioned	4.2 mn shares	17.23 mn shares	Without
Starting Price	46,452 VND/share	25,170 VND/share	Without
Auction results	Successfully. sold out 4.2 million shares. earning VND ~196 bn	Failure. no investors registered to buy	Not yet auctioned
Post-auction ownership rate (2019)	36.00%	50.51% (unchanged)	51.01% (unchanged)
Current status	Vinachem holds 36%. no further divestment information	Vinachem holds 50.51%. no further divestment information	Vinachem holds 51.01%. no divestment information

Source: Vinachem, RongViet Securities

APPENDIX 3 – FINANCIAL ANALYSIS & FORECAST IN 2025-29

Table 18: Projected revenue by segment (VND bn) ([Back to page 4](#))

REVENUE BY SEGMENT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Bicycle tire tube	237	268	270	249	244	242	242	244	246
YoY Growth	17.8%	12.7%	0.8%	-7.6%	-2.0%	-1.0%	0.0%	1.0%	1.0%
Motorcycle tire tube	314	342	327	370	374	377	381	385	389
YoY Growth	1.4%	8.9%	-4.5%	13.3%	1.0%	1.0%	1.0%	1.0%	1.0%
Automotive tube	112	98	77	83	91	99	108	118	129
YoY Growth	6.9%	-12.2%	-21.7%	7.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Bias transport tire	1,310	1,153	843	898	977	1,043	1,102	1,177	1,257
YoY Growth	20.0%	-11.9%	-26.9%	6.6%	8.7%	6.8%	5.7%	6.7%	6.8%
Radial automotive tire - PCR	4	5	48	175	424	487	556	614	668
YoY Growth	4.3%	24.1%	933.9%	267.2%	142.0%	14.8%	14.1%	10.4%	8.9%
Mud Flap	35	30	24	28	28	28	28	28	28
YoY Growth	10.0%	-13.0%	-20.7%	15.8%	1.0%	0.0%	0.0%	0.0%	0.0%
Retread tire	44	44	36	43	43	42	42	42	42
YoY Growth	3.7%	-0.3%	-17.9%	19.9%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Radial transport tire - TBR	2,305	2,948	2,855	2,808	3,167	3,392	3,689	4,010	4,393
YoY Growth	24.9%	27.9%	-3.2%	-1.7%	12.8%	7.1%	8.8%	8.7%	9.6%
Others	19	13	14	19	14	14	14	14	14
YoY Growth	17.7%	-34.2%	6.7%	39.7%	-28.4%	0.0%	0.0%	0.0%	0.0%
Total DRC	4,380	4,900	4,492	4,673	5,361	5,724	6,162	6,631	7,165
YoY Growth	20.1%	11.9%	-8.3%	4.0%	14.7%	6.8%	7.7%	7.6%	8.1%
REVENUE CONTRIBUTION									
Bicycle tire tube	5.4%	5.5%	6.0%	5.3%	4.6%	4.2%	3.9%	3.7%	3.4%
Motorcycle tire tube	7.2%	7.0%	7.3%	7.9%	7.0%	6.6%	6.2%	5.8%	5.4%
Car tube	2.6%	2.0%	1.7%	1.8%	1.7%	1.7%	1.8%	1.8%	1.8%
Bias transport tire	29.9%	23.5%	18.8%	19.2%	18.2%	18.2%	17.9%	17.7%	17.5%
Radial automotive tire - PCR	0.1%	0.1%	1.1%	3.8%	7.9%	8.5%	9.0%	9.3%	9.3%
Mud Flap	0.8%	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%
Retread tire	1.0%	0.9%	0.8%	0.9%	0.8%	0.7%	0.7%	0.6%	0.6%
Radial transport tire - TBR	52.6%	60.2%	63.6%	60.1%	59.1%	59.3%	59.9%	60.5%	61.3%
Others	0.4%	0.3%	0.3%	0.4%	0.3%	0.2%	0.2%	0.2%	0.2%
Total DRC	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: DRC, RongViet Securities

Table 19: Projected gross profit margin by array [\(Back to page 6\)](#)

GROSS PROFIT BY SEGMENT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Bicycle tire tube	38	36	40	45	40	41	43	46	48
Motorcycle tire tube	45	36	24	58	57	61	65	69	72
Car tube	27	25	17	23	25	28	32	37	42
Bias transport tire	239	241	127	163	171	187	193	194	194
Radial automotive tire - PCR	0	1	-10	-10	3	26	55	71	83
Mud Flap	4	4	3	2	2	2	2	2	2
Retread tire	10	11	7	7	6	6	6	6	5
Radial transport tire - TBR	371	452	430	431	350	419	502	597	678
Others	14	8	9	9	8	8	8	8	8
Total DRC	747	815	648	729	662	779	906	1,030	1,133
GROSS MARGIN									
Bicycle tire tube	16.1%	13.3%	14.8%	17.9%	16.3%	17.1%	17.9%	18.8%	19.6%
Motorcycle tires	14.3%	10.6%	7.5%	15.7%	15.3%	16.2%	17.0%	17.8%	18.6%
Car Tubes	24.1%	25.2%	22.5%	27.1%	27.1%	28.5%	29.9%	31.3%	32.6%
Tire Transport Bias	18.2%	20.9%	15.1%	18.2%	17.5%	18.0%	17.5%	16.5%	15.4%
Radial automotive tire - PCR	1.9%	18.5%	-20.8%	-5.4%	0.6%	5.3%	9.9%	11.6%	12.5%
Mud Flap	10.9%	14.3%	11.7%	8.6%	6.8%	6.8%	6.8%	6.8%	6.8%
Retread tire	23.2%	25.2%	20.1%	17.3%	14.4%	14.0%	13.6%	13.1%	12.7%
Radial transport tire - TBR	16.1%	15.3%	15.1%	15.4%	11.1%	12.3%	13.6%	14.9%	15.4%
Others	70.4%	64.5%	67.0%	49.9%	60.0%	60.0%	60.0%	60.0%	60.0%
Total DRC	17.1%	16.6%	14.4%	15.6%	12.3%	13.6%	14.7%	15.5%	15.8%

Source: DRC, RongViet Securities

Table 20: Projected SG&A expenses/net sales [\(Back to page 7\)](#)

SG&A EXPENSES/NET SALES	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Total DRC	8.4%	8.1%	7.6%	9.5%	9.0%	9.2%	9.3%	9.4%	9.5%

Source: DRC, RongViet Securities

Table 21: Projected net margin [\(Back to page 7\)](#)

NET PROFIT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Total DRC	290	308	246	245	140	195	267	332	376
YoY growth	13.7%	6.3%	-20.1%	-0.7%	-42.9%	39.3%	37.4%	24.1%	13.3%
NET MARGIN	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Total DRC	6.6%	6.3%	5.5%	5.2%	2.6%	3.4%	4.3%	5.0%	5.2%

Source: DRC, RongViet Securities

Table 22: Projected efficiency ratios [\(Back to page 7\)](#)

WORKING CAPITAL	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Days AR on hands	17	19	37	54	70	71	71	72	72
Days Inventory on hands	144	153	112	138	120	120	120	120	120
Days AP	41	42	51	87	87	87	87	87	87

Source: DRC, RongViet Securities

Table 23: DRC's annual cash dividends [\(Back to page 8\)](#)

	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Cash dividend (VND/share)	1,500	1,200	2,300	1,200	1,200	500	800	1,000	1,300
Dividend Payout Ratio	46.6%	69.7%	69.4%	57.9%	57.9%	57.9%	60.0%	60.0%	60.0%
Dividend Yield	6.5%	3.6%	10.7%	4.4%	4.2%	3.0%	4.4%	6.0%	7.5%

Source: DRC, RongViet Securities

Company Report

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

In some cases, we do not provide specific buy/sell recommendations but only offer some reference valuations to give investors additional information, classified under the **OBSERVE** recommendation.

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