

THE REVIVAL OF WHITE GOLD IN A NEW ERA

11/03/2024

ANALYST(S)

Nguyen Cuu Minh Danh
danhnguyen@phs.vn

- The natural rubber prices are forecasted to remain high, particularly with TSR20 rubber prices projected to reach \$1.6-1.8 USD/kg (+10%-20% YoY) in 24F/25F.
- Regarding positive outlook for rubber industry, PHS recommends **BUY**:
 - + **Dak Lak Rubber Investment JSC (UpCOM: DRI)** with a target price of 15,100 VND per share, offering a potential upside of 77.5%.
 - + **Dong Phu Rubber JSC (HSX: DPR)** with a target price of 43,500 VND per share, offering a potential upside of 27.5%.

A. Global natural rubber industry: Being vulnerable to various unfavorable factors and entering to a period of supply shortage.

After a decade of supply-demand equilibrium from 2010 to 2020, a shortage supply condition appeared in 2021 and continuously recurred in 2023. According to PHS projection, this shortage trend may persist into 24F-25F as the global market faces an annual deficit of approximately 600-800 thousand tons. This deficit arises from:

- i. Global natural rubber consumption maintaining a growth rate of 4%-6% annually, driven by the recovery of the global automotive and tire manufacturing industries, especially in the Chinese market.
- ii. Supply growth will be restricted with a slight increase around 1%-3% annually. This limitation is attributed to outbreaks of leaf diseases and severe weather conditions, notably in 2024, a year marked by the transitional phase between El-Nino and La-Nina. Additionally, the supply has significantly decreased as smallholders shifted to cultivating alternative crops during the period of sharp declines in rubber prices in recent years.

B. Vietnam's natural rubber industry: Stepping into a prime stage and the prospect for land conversion story in 24F-30F.

In PHS's perspective, growth prospects for rubber industry enterprises remain highly positive in the short & medium terms, driven by two key factors:

i. Core business operations: Continuously benefiting from rising rubber prices and the potential for increased export market share as other markets facing with supply shortages in 24F/25F. Moreover, enterprises certified with VFCO/PEFC sustainable forest management certification will have a significant advantage in supplying materials and products to manufacturers in the EU market when the EUDR regulation becomes effective in 2025.

ii. Other business operations: Enterprises owning land designated for conversion strategies will benefit from land compensation or have opportunities to develop new business segment such as operating Industrial parks (IPs). We believe that with the synchronized and coordinated policies from national and provincial departments, including:

- Ministry of Agriculture and Rural Development with Decision No. 431/QD-BNN-TT issued on 26th Jan 2024 about "Master plan for development of key industrial perennial trees until 2030."
- Decision No. 326/QD-TTg about "Master plan for national land use planning for the period 2021 - 2030, with a vision to 2050"
- Provincial master plan for the 2021-2030 period of various provinces have been approved and will be implemented in this period.

-> The alignment of these policies will boost the land conversion process, making it swifter and more advantageous during the 2024F-2030F.