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RESEARCH DIVISION

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## MAINTAINING GROWTH MOMENTUM

- **The natural rubber sector delivered strong earnings growth in 4Q24**, with average year-over-year (YoY) increases of 25% in revenue, 97% in gross profit, and 110% in net profit attributable to parent company shareholders (NPAT-MI). This strong performance was driven by (i) A 30%–40% YoY increase in average rubber selling prices in 4Q24; (ii) Plantations in Vietnam, Laos, Cambodia reaching peak maturity cycles.

- **Vietnamese rubber companies are expected to maintain solid profit growth in 2025**, supported by (i) A projected 4%–23% YoY increase in rubber selling prices, at least through 2Q25; (ii) Strategic inventory utilization, leveraging large stockpiles accumulated by the end of 4Q24 (increase average 38% YoY); (iii) A favorable domestic demand outlook, benefiting from the shift in global tire industry investments amid escalating trade tensions.

- **Regarding positive outlook for sector, We recommend:**

+ **BUY** Dak Lak Rubber Investment JSC (UpCOM: DRI) with a target price of 15,100 VND/share, offering an upside of 23.8% (\*).

+ **OVERWEIGHT** Dong Phu Rubber JSC (HSX: DPR) with a target price of 43,500 VND/share, offering an upside of 10.8% (\* including dividend yield)

**PHS expects SVR10 rubber prices to remain above USD1.80/kg through at least 2Q25, sustaining a projected 4%–23% YoY increase in selling prices for Vietnamese rubber companies.** Two key factors:

- (1) A sharp decline in global rubber supply during the peak harvesting season in late 2024, driven by severe storms and heavy rainfall. With supply unlikely to recover immediately, the shortage is expected to persist until the next harvesting cycle begins in June 2025.
- (2) Stable demand for raw rubber, supported by continued growth in the automotive industry across the three major markets—the U.S., the European Union, and China. Both vehicle production and tire manufacturing have sustained year-over-year growth, further reinforcing demand for rubber materials.

**Escalating trade tensions are expected to boost Vietnam's domestic rubber market, as leading global tire manufacturers continue to relocate and expand production in Vietnam.** In the last 02 months of 2024, 02 major expansion projects were continuously announced, adding a combined 15 million tires in new capacity: Haohua Tire (Phase 2, 280 mn USD, +10 million tires capacity) and Kumho Tire (Phase 3 expansion, 300 mn USD; +5 million tires capacity). This additional capacity represents 39% of Vietnam's total tire production in 2023, reinforcing the country's role as a new key player in the global tire supply chain.