DRC – Global macro headwinds weigh heavily on 2026 business outlook

- DRC's Q2-2026 results beat our expectation by 22%, with net revenue reaching VND1,176 bn (+1.8% QoQ, -14.6% YoY) and net profit after tax of VND32 bn (+95.5% QoQ, flat YoY), still benefiting from low-cost inventory carried over from Q1-2026. Input material costs continued to trend favorably YoY, including natural rubber (-3.3% YoY), synthetic rubber (+1.5% YoY), chemicals such as sulphur & silica (-0.7% YoY), carbon black (-14.1% YoY), and steel cord (-6.4% YoY). DRC's three-month inventory policy allows raw material cost declines to flow through to gross margin relatively quickly (with a lag of approximately one quarter).
- DRC is trading at a reasonable valuation with a trailing PE of 13.0x and a 2026 forward PE of 15.5x, in line with the industry average of 13.0x. This is particularly notable given that the Company's net profit after tax is expected to decline 22% in 2026 (in our view), as the key growth driver (domestic bias tires tracking industrial production) remains insufficient to offset pressure from elevated rubber/sulphur/steel prices and rising doubtful receivables in international markets, which have pushed net margin to a 15-year low. DRC has also released its Q3-2026 business plan, which aligns with our view above, targeting net revenue of VND1,132 bn (-3.7% QoQ, -8.3% YoY) and pretax profit of VND30 bn (-25.0% QoQ, -40.2% YoY).

Q2-2026 results exceeded our expectation, still benefiting from low-cost inventory

Net revenue reached VND 1,176 bn (+1.8% QoQ, -14.6% YoY), missing our expectation by 8%. Details are as follows:

- ***Bias tire segment (mainly domestic),*** recorded VND 303 bn (-3.2% YoY), missing our expectation by 19%. DRC typically sees a seasonal peak in domestic sales in Q2 aligned with the industrial and construction upcycle; however, the peak may have shifted to Q1-2026 (+29.9% YoY) instead of this quarter.
- ***TBR tire segment (mainly export),*** reached VND 736 bn (-17.4% YoY), missing our expectation by 7%. Within this, export markets (accounting for 66% of segment revenue) declined 29.2% YoY. US dealers (accounting for 44.0% of segment revenue) have taken a more cautious approach to inventory than expected, driven by changes related to global tariffs (Section 301 – Table 3, 4) alongside intense competition from low-priced Cambodian tires (*) – which, in our view, has emerged as the new transshipment hub for Chinese tires into the US, replacing Thailand. Regarding the Middle East conflict, DRC order flows in Q2-2026 remained constrained, similar to Q1-2026, in the Egyptian market and certain Middle Eastern countries (accounting for 10.0% of segment revenue).

  (*) In terms of import value of radial truck & bus tires (TBR) into the US market in the first five months of 2026, Cambodia was the only country posting double-digit growth (+13.5% YoY) and entered the Top 4. Meanwhile, Vietnam slipped to 5th place with disappointing YoY growth of 14.6%.

- ***PCR tire segment***, posted VND 37 bn (-58.1% YoY), in line with our expectation. Sales volume reached 44 thous tires (-70.6% YoY). PCR tire consumption in 6M-2026 only reached 50.0% of the prior-year level (per DRC), due to the absence of new overseas orders (which normally account for 80.0% of this segment's revenue).

Net profit after tax reached VND 32 bn (+95.5% QoQ, flat YoY), beating our expectation by 22%. This translated into a net margin of 2.7% (+129bps QoQ, -37bps YoY), supported by continued low-cost inventory benefits carried over from Q1-2026 and average selling price increases. Specifically:

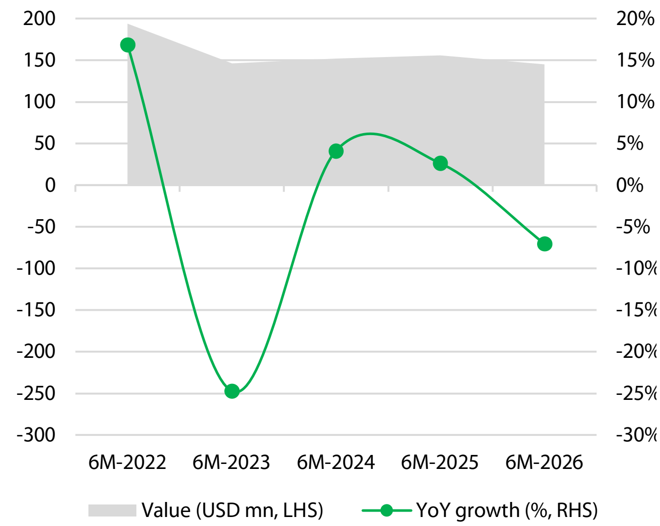
- ***Gross margin,*** expanded to 18.4% (+236bps QoQ, +772bps YoY), driven by favorable raw material costs versus the prior year: natural rubber (-3.3% YoY), synthetic rubber (+1.5% YoY), chemicals such as sulfur & silica (-0.7% YoY), carbon black (-14.1% YoY), and steel cord (-6.4% YoY). DRC's maintenance of a three-month inventory policy allows the decline in raw material costs to be quickly reflected in its gross margin (with a lag of approximately one quarter).
- ***Selling & general administrative expense ratio,*** stood at 13.8% of net revenue, similar to the record high in the previous quarter and +518bps YoY, due to an unusual additional VND 128 bn in other expenses related to increased provision for doubtful debts. This stemmed from DRC's adjustment of bad debts by an additional VND 349 bn at original value and VND 221 bn at recoverable value, primarily from two export customers — Oceanside and D-Force. Notably, these two customers accounted for 76.1% of DRC's total trade receivables, and the company has now made 100% provision for doubtful debts on both.
- ***Net finance income,*** recorded a loss of VND 15 bn (vs. a loss of VND 5 bn in the same period last year), also weighing on Q2 net profit. This was mainly due to lower forex gains amid a more stable exchange rate and rising interest expenses in a high interest rate environment.

Table 1: Import value of transport tire in US

Đơn vị: Triệu USD	2024	2025	5M-2026
Vietnam	294	328	280
YoY growth	*58.1%*	*11.6%*	*-14.6%*
Thailand	809	703	468
YoY growth	*19.9%*	*-13.1%*	*-33.4%*
Cambodia	155	282	320
YoY growth	*314.4%*	*81.9%*	*13.5%*
Japan	293	355	328
YoY growth	*-24.7%*	*21.2%*	*-7.6%*
Canada	419	435	462
YoY growth	*13.2%*	*3.8%*	*6.2%*
China	82	91	46
YoY growth	*-16.3%*	*11.0%*	*-49.1%*
Total	**2,992**	**3,202**	**2,648**
YoY growth	***12.8%***	***7.0%***	***-17.3%***

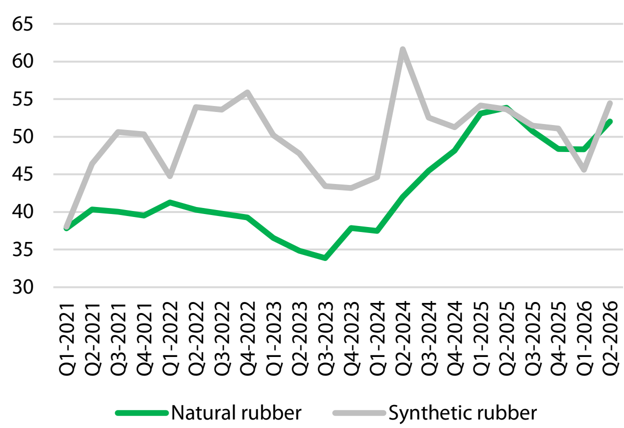
Source: Trademap, RongViet Securities

Figure 1: Import value of transport tire in Vietnam from China



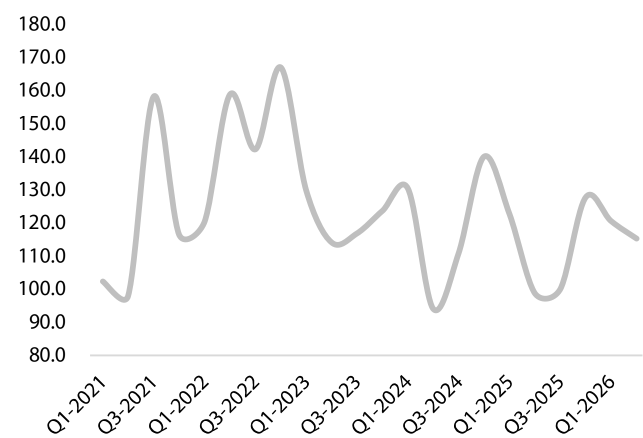
Source: Trademap, RongViet Securities

Figure 2: Trend of natural rubber and synthetic rubber input prices used in DRC's production (VND mn/ton)



Source: DRC, RongViet Securities

Figure 3: DRC has maintained a 3-month inventory policy since 2024



Source: DRC, RongViet Securities

Table 2: DRC results in Q2-2026 (VND bn)

	Q2-2026	Q1-2026	+/-QoQ	Q2-2025	+/-YoY
Net revenue	**1,176**	**1,155**	**1.8%**	**1,377**	**-14.6%**
Bias Transport/Bus tire	246	271	-9.1%	254	-3.2%
Radial Transport/Bus tire (TBR)	689	666	3.3%	834	-17.4%
Radial passenger car tire (PCR)	37	44	-16.1%	89	-58.1%
Others	204	173	17.7%	200	1.7%
Gross profit	**217**	**186**	**16.7%**	**155**	**40.3%**
Selling expenses	**-90**	**-59**	**52.5%**	**-99**	**-9.4%**
G&A expenses	**-68**	**-100**	**-31.6%**	**-19**	**255.0%**
EBIT	**59**	**27**	**116.5%**	**36**	**63.3%**
Income from affiliates	0	0		0	
Net finance income	-19	-10	-VND 9 bn	1	-VND 20 bn
Other profit	-0	0	-392.7%	0	-206.8%
Profit before tax	**40**	**18**	**126.7%**	**37**	**7.1%**
Corporate income tax	-8	-1	481.1%	-5	56.0%
Net profit after tax	**32**	**16**	**96.2%**	**32**	**-0.8%**
Gross margin	*18.4%*	*16.1%*	*236bps*	*11.2%*	*722bps*
Selling exp/Net sales	*7.7%*	*5.1%*	*254bps*	*7.2%*	*44bps*
G&A exp/Net sales	*5.8%*	*8.6%*	*-283bps*	*1.4%*	*440bps*
EBIT margin	*5.0%*	*2.3%*	*265bps*	*2.6%*	*238bps*
Net margin	*2.7%*	*1.4%*	*130bps*	*2.3%*	*38bps*

Source: DRC, RongViet Securities

Table 3: Description of tariffs imposed on Vietnamese truck & bus tires by the US

Tariff type	Heavy trucks (HS 4011.20)	Light trucks (HS 4011.10)	Effective period
MFN tariff	4%	4%	2001 to present
Anti-dumping duty (AD)	0%	0% (DRC, CSM) 22.3% (FDI entities with Chinese factors)	May 2021 to present
Countervailing duty (CVD)	0%	0% (DRC, CSM) 7.89% (FDI entities with Chinese factors)	May 2021 to present
Section 301 tariff	12.5%	12.5%	From July 2026
Total tariffs applicable to DRC	**16.5%**	**16.5%**	

Source: RongViet Securities. Based on the official announcement by USTR dated July 23rd, 2026 (effective from July 24th, 2026), immediately after the expiration of Trump's reciprocal tariffs.

Table 4: Summary of Section 301-related tariffs on truck & bus tires (excluding aircraft tires) from the US

Country	Additional Section 301 rate	Application method	Notes
Cambodia	10%	Stacked on top of MFN tariff	Included in the group of 17 economies subject to 10%
Canada	10%	Stacked on top of MFN tariff (with USMCA exceptions for certain items)	Included in the 10% group
Japan	12.5% (including MFN)	Total (MFN + Section 301) = 12.5% if MFN < 12.5%. If MFN ≥ 12.5%, Section 301 = 0%	Special treatment for Japan, South Korea, Switzerland
Vietnam	12.5%	Stacked on top of MFN tariff	12.5% group
China	12.5%	Stacked on top of MFN tariff + existing Section 301 tariffs (if any)	12.5% group

Source: RongViet Securities. Based on the official announcement by USTR dated July 23rd, 2026 (effective from July 24th, 2026), immediately after the expiration of Trump's reciprocal tariffs.

Valuation context

The ongoing benefit from low-cost inventory has helped DRC mitigate the negative impact on profitability from challenging export conditions (higher bad debt provisions and lower export sales) in the first half of 2026. Entering the second half of 2026, the trend is expected to partially reverse as rubber prices have risen sharply since April-2026, eroding margins. However, the absence of further bad debt provisioning (as DRC has already fully provided for the two large customers mentioned above) should give some support to earnings.

Overall, DRC is trading at a reasonable valuation with a trailing PE of 13.0x and a 2026 forward PE of 15.5x, in line with the industry average of 13.0x, particularly given that the Company's net profit is expected to decline 22% in 2026 (in our view). This reflects limited support from the key growth driver (domestic bias tires tracking industrial production), which is insufficient to offset pressure from elevated rubber/sulphur/steel prices and rising doubtful receivables in international markets that have pushed profit margins to a 15-year low.

DRC has also released its Q3-2026 business plan, which aligns with our view above, targeting net revenue of VND1,132 bn (-3.7% QoQ, -8.3% YoY) and pretax profit of VND30 bn (-25.0% QoQ, -40.2% YoY).

Global macro headwinds — including geopolitical instability in the Middle East, dealers' caution on inventory ahead of U.S. tariff uncertainty, rubber prices remaining elevated following the earlier La Niña season, and full provisioning for doubtful receivables from two major customers — are expected to ease moderately, supporting a more constructive operating environment for the Company from 2027 onward. We will provide detailed updates on our target price and revised revenue/earnings forecasts for DRC in subsequent reports.

Table 5: Valuation landscape of global tire manufacturers

	+/-stock price YTD	PE trailing	PE forward 2026	5-year average PE
Sailun (China)	-13%	13.0	9.1	14.1
Guizhou Tyre (China)	-17%	8.9	7.5	10.6
Aeolus Tyre (China)	-24%	15.1	10.2	19.0
Triangle Tyre (China)	-7%	10.6	9.1	11.2
Caosumina (Vietnam)	5%	25.7	NA	20.4
Caosudanang (Vietnam)	-26%	13.0	15.5	11.4
Industry median		**13.0**	**9.1**	**12.8**

Nguồn: Bloomberg, CTCK Rồng Việt

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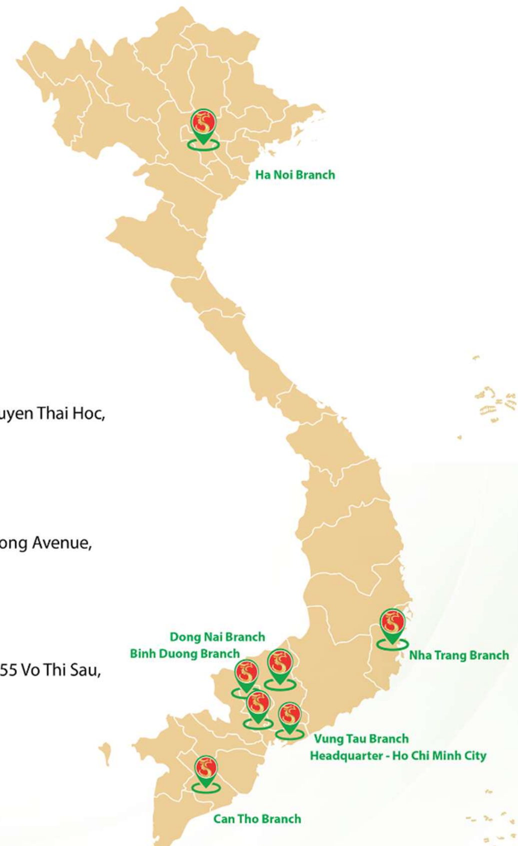

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