

# Nam Kim Steel JSC (NKG)

## Feb 2022 – Operational updates

Vietnam Steel Association (VSA) released some worthy headlines on the February sales of the company. Here are some key issues worthy of note.

### Surprising domestic demand in Feb despite long holiday

- Total Feb steel sales volume posted 61,745 tonnes, decreasing by 13.5% yoy, 34.3% mom.
- Steel coat volume made up 75% of the Jan total sales volume at 46,365 tonnes, -22.2% yoy and -43.7% mom.
- The coated steel export volume (25,841 tonnes) was down 61.8% mom and 48.2% yoy.
- The domestic market has a significant comeback: Domestic volume of steel coat recorded 20,524 tonnes (+40.4% mom, +110.4% yoy) and steel pipes volume posted 15,380 tonnes (+32.9% mom and +31.9% yoy).

### The export is still the important driver for growth in 2M22

- The Feb performance witnessed the significant decline in export volume, however, export channel is still the main growth driver in 2M22 thanks to great Jan performance.
- The 2M22 total sale volume came in at 155,667 tonnes, +11.5% yoy on the back of the steel coat volume growth of 18.5% yoy to 128,711 tonnes while the steel pipes growth of -13.1% yoy to 26,956 tonnes.
- The total 2M22 export volume (accounted for 60.1% of total sales; 93,572 tonnes) grew +21.4% yoy while the local sales volume (62,095 tonnes) declined slightly by 0.7% yoy thanks to the stronger domestic demand in Feb.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N/a**

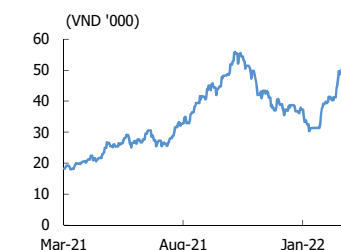
### Stock Data

VNIndex (16 Mar, pt)	1,459
Stock price (16 Mar, VND)	46,600
Market cap (USD mn)	447
Shares outstanding (mn)	219
52-Week high/low (VND)	55,900/18,084
6M avg. daily turnover (USD mn)	14.81
Free float / Foreign ownership (%)	66.3/8.3
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

### Performance

	1M	6M	12M
Absolute (%)	18.0	6.8	154.8
Relative to VNIndex (%p)	20.2	(2.2)	129.7

### Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	12,619	14,811	12,176	11,559	28,173
chg. (% YoY)	41.2	17.4	(17.8)	(5.1)	143.7
Operating profit (VND bn)	1,024	390	62	509	2,749
Net profit (VND bn)	707	57	47	295	2,225
EPS (VND)	5,279	315	251	1,574	10,189
chg. (% YoY)	(30.5)	(94.9)	(28.4)	543.1	509.4
EBITDA (VND bn)	1,344	811	504	885	3,128
PE (x)	5.9	21.9	26.8	8.9	3.8
EV/EBITDA (x)	7.8	6.3	6.9	5.6	3.7
PB (x)	1.6	0.4	0.4	0.8	1.5
ROE (%)	31.3	1.9	1.5	9.5	49.9
Dividend yield (%)	2.5	0	0	1.9	0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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**Table 1. Sales volume growth** (Tonnes)

	Monthly				Accumulated		
	Feb-21	Feb-22	MoM (%)	YoY (%)	2M21	2M22	YoY (%)
<b>Steel Pipes</b>	<b>11,788</b>	<b>15,380</b>	<b>32.9</b>	<b>30.5</b>	<b>31,030</b>	<b>26,956</b>	<b>(13.1)</b>
Export	124	0	-	(100.0)	244	0	(100.0)
Domestic	11,664	15,380	32.9	31.9	30,786	26,956	(12.4)
<b>Steel Coat</b>	<b>59,594</b>	<b>46,365</b>	<b>(43.7)</b>	<b>(22.2)</b>	<b>108,610</b>	<b>128,711</b>	<b>18.5</b>
Export	49,840	25,841	(61.8)	(48.2)	76,842	93,572	21.8
Domestic	9,754	20,524	40.4	110.4	31,768	35,139	10.6
<b>Total Steel Volume</b>	<b>71,382</b>	<b>61,745</b>	<b>(34.3)</b>	<b>(13.5)</b>	<b>139,640</b>	<b>155,667</b>	<b>11.5</b>
Export	49,964	25,841	(61.8)	(48.3)	77,086	93,572	21.4
Domestic	21,418	35,904	37.1	67.6	62,554	62,095	(0.7)

Source: Company, VSA, KIS

**Table 2. Production volume growth** (Tonnes)

	Monthly				Accumulated		
	Feb-21	Feb-22	MoM (%)	YoY (%)	2M21	2M22	YoY (%)
<b>Steel Pipes</b>							
Production	11,892	13,010	12.4	9.4	29,233	24,584	(15.9)
Inventories	8,442	-	-	-			
<b>Steel Coat</b>							
Production	62,019	57,240	(30.3)	(7.7)	117,006	139,367	19.1
Inventories	35,439	-	-	-			

Source: Company, VSA, KIS

### Company overview & Glossary

Founded in 2002, Nam Kim Steel is one of Vietnam's largest manufacturers of galvanized steel sheets and steel pipes for use in residential, industrial and civil construction.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	5,705	3,823	4,244	4,397	11,385
Cash & cash equivalent	508	658	778	588	1,199
Accounts & other receivables	1,107	744	876	1,437	1,905
Inventory	4,090	2,420	2,589	2,371	8,281
Non-current assets	3,992	3,975	3,506	3,185	2,955
Investment assets	132	443	49	58	184
Fixed assets	3,859	3,532	3,457	3,126	2,771
Others	451	290	243	121	1,042
<b>Total assets</b>	<b>10,174</b>	<b>8,122</b>	<b>8,064</b>	<b>7,763</b>	<b>15,382</b>
Accounts & other payables	1,053	723	1,953	1,577	5,828
ST debt & bond	4,503	3,201	2,388	2,520	3,773
LT debt & financial liabilities	1,677	1,226	705	484	58
<b>Total liabilities</b>	<b>7,234</b>	<b>5,150</b>	<b>5,047</b>	<b>4,582</b>	<b>9,659</b>
Controlling interest	2,940	2,971	3,016	3,181	5,723
Capital stock	1,300	1,820	1,820	1,820	2,184
Capital surplus	766	766	766	766	786
Others	43	71	74	18	117
Retained earnings	830	313	356	576	2,636
Minority interest	0	0	0	0	0
<b>Shareholders' equity</b>	<b>2,940</b>	<b>2,971</b>	<b>3,016</b>	<b>3,181</b>	<b>5,723</b>

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	12,619	14,811	12,176	11,559	28,173
COGS	11,250	14,018	11,835	10,690	23,904
Gross profit	1,368	792	341	869	4,270
SG&A expense	344	402	278	359	1,521
Operating profit	1,024	390	62	509	2,749
Financial income	115	97	107	89	199
Interest income	3	27	30	27	199
Financial expense	377	430	275	281	397
Interest expense	267	338	237	222	244
Other non-operating profit	19	5	195	3	11
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	781	62	90	320	2,562
Income taxes	74	4	42	25	337
Net profit	707	57	47	295	2,225
Net profit of controlling interest	707	57	47	295	2,225
EBITDA	1,344	811	504	885	3,128

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operating	(1,456)	2,335	1,180	15	(303)
Net profit	707	57	47	295	2,225
Depreciation & Amortization	319	421	441	376	379
Net incr. in W/C	(2,507)	1,905	950	(645)	(3,434)
Others	23	(48)	(258)	(10)	527
C/F from investing	(1,440)	(194)	(229)	(345)	(304)
CAPEX	(1,027)	(427)	156	(54)	(140)
Net loan granted & purchases of debt instruments	(388)	215	(511)	371	(49)
Net purchases of investment in affiliates	(27)	0.0	105	0.0	(138)
Other	3	17	20	28	23
C/F from financing	2,815	(1,772)	(1,336)	(218)	1,154
Incr. in equity	811	0	0	(78)	340
Incr. in debts	2,138	(1,748)	(1,314)	(67)	861
Dividends	(129)	(1)	0	0.0	0
Others	(5)	(23)	(21)	(21)	(47)
C/F from others	0	(0)	0	0	0
<b>Increase in cash</b>	<b>(81)</b>	<b>368</b>	<b>(385)</b>	<b>143</b>	<b>533</b>

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
per share data (VND)					
EPS	5,279	315	251	1,574	10,189
BPS	20,567	14,897	15,221	16,110	26,205
DPS	595.2	0	0	250	0
Growth (%)					
Sales growth	41.2	17.4	(17.8)	(5.1)	143.7
OP growth	28.6	(61.9)	(83.9)	709.9	439.7
NP growth	36.6	(91.9)	(17.5)	524.3	653.6
EPS growth	(30.5)	(94.9)	(28.4)	543.1	509.4
EBITDA growth	39.6	(39.7)	(37.8)	75.5	83.5
Profitability (%)					
OP margin	8.1	2.6	0.5	4.4	9.7
NP margin	5.6	0.4	0.4	2.6	7.9
EBITDA margin	10.7	5.5	4.1	7.7	5.8
ROA	8.5	0.6	0.5	3.7	19.2
ROE	31.3	1.9	1.5	9.5	49.9
Dividend yield	2.5	0	0	1.9	0
Dividend payout ratio	11.2	0	0	15.8	0
Stability					
Net debt (VND bn)	3,981	6,086	3,965	3,016	3,068
Int.-bearing debt/equity (%)	210.1	149.0	102.5	94.4	66.7
Valuation (X)					
PE	5.9	21.9	26.8	8.9	3.8
PB	1.6	0.4	0.4	0.8	1.5
EV/EBITDA	7.8	6.3	6.9	5.6	3.7

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