

22 Apr 2022

Nam Kim Steel JSC (NKG)

AGM Brief: Capacity expansion - higher quality products

On April 22, Nam Kim Steel (NKG) held the Annual General Meeting. The company presented to us full-year FY2021 results as well as the FY2022F business plan.

2022 guidance: input volatility compresses the margin

- The company targets a VND28,000bn revenue (-2.1%yoy) and a VND1,600bn NPAT (-28% yoy) amid input volatility and logistic cost concerns. In 1Q22, the company's revenue was VND7,100bn (+46% yoy) and NPAT was VND507bn (+58.9% yoy), fulfilling 25.3%/31.6% of annual guidance, respectively. 2Q22 revenue is expected to be over VND8,000bn.
- The company has been approved to pay dividends in 2021 with a total of 30% (10% in cash and 20% in shares). After completing the issuance to pay dividends, the company's charter capital will increase to VND2,632bn. A maximum 10% cash/share dividend at par will be paid in 2022.
- While the export market cannot be as good as it was in the 2Q and 3Q of 2021, NKG still sets a 2022 export output plan equivalent to that of the previous year and the export market is expected to be contributed up to 55-60% of total sales. Furthermore, NKG has successfully signed its export contracts till the end of mid-July this year.

Focusing on capacity expansion and high-quality product

- NKG is currently running at full capacity. NKG is planning to invest in a project on an area of 33 hectares with a total capacity of 1.2mn tonnes, which is divided into 3 phases with 400,000-tonne capacity added each phase. The new factory, expected to be fully-installed in 2027, would add 1.2mn TPA, equivalent to more than double current capacity.
- The total investment is VND4,500bn and the company expects to use retain earnings to finance capex requirements in early phases.

	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

Analysts who prepared this report are registered as research analysts in Vietnam but not in any other jurisdiction, including the U.S. PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS AT THE END OF THIS REPORT.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

Stock Data

VNIndex (22 Apr, pt)	1,379
Stock price (22 Apr, VND)	37,800
Market cap (USD mn)	361
Shares outstanding (mn)	219
52-Week high/low (VND)	55,900/20,625
6M avg. daily turnover (USD mn)	14.91
Free float / Foreign ownership (%)	66.3/10.2
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

Performance

	1M	6M	12M
Absolute (%)	(23.4)	(31.8)	80.7
Relative to VNIndex (%p)	(15.1)	(31.5)	67.1

Stock price trend



Source: Bloomberg

Hai Nguyen

hai.nt@kisvn.vn

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
Total assets	10,174	8,122	8,064	7,763	15,382
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
Total liabilities	7,234	5,150	5,047	4,582	9,659
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
Shareholders' equity	2,940	2,971	3,016	3,181	5,723

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
Increase in cash	(81)	368	(385)	143	533

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

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 22 Apr 2022.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 22 Apr 2022.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Nam Kim Steel JSC (NKG) and is the liquidity provider.

Prepared by: Hai Nguyen

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2022 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..