

19 Apr 2023

Nam Kim Steel (NKG)

Mar 2023 – The m-o-m recovery to continue

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

The m-o-m recovery to continue

- Total Mar steel sales volume posted 83,590 tonnes, increasing by 23.4% mom but -17.8% yoy.
- Steel coat volume made up 83.1% of the Mar total sales volume at 69,522 tonnes, -18.4% yoy, +33.6% mom.
- The coated steel export volume (50,119 tonnes) significantly increased by 48.2% mom but -18.6% yoy.
- Domestic volume of steel coat dropped by 17.9% yoy but +6.5% mom (19,403 tonnes), and steel pipes volume decreased by 10.3% mom and 14.6% yoy (14,068 tonnes).

3M23 total sales volume dropped due to 2022 high-base

- The 3M23 total sales volume came in at 194,698 tonnes, -24.3% yoy. In which, the steel coat volume declined 27.6% yoy to 154,807 tonnes and the steel pipes volume was down by 8.1% yoy to 39,891 tonnes.
- The 3M23 total export volume (accounted for 55.0% of total sales; 104,456 tonnes) decreased by 32.7% yoy while the local sales volume (90,242 tonnes) decreased by 11.7% yoy.

Rating and recommendation

- We reiterate HOLD rating as we have yet seen light at the end of tunnel. Dimming outlook as we examined [in the in-depth flat steel report](#) has reinforced our recommendation. Earnings are under review.

	2020A	2021F	2022F	2023F	2024F
Sales (VND bn)	11,560	28,173	22,358	12,880	16,396
chg. (% YoY)	(5.1)	143.7	(20.6)	(42.4)	27.3
Operating profit (VND bn)	509	2,749	528	426	683
Net profit (VND bn)	295	2,225	275	295	511
EPS (VND)	1,547	10,059	1,044	1,120	1,937
chg. (% YoY)	539.7	550.4	(89.6)	7.3	73.0
EBITDA (VND bn)	886	3,128	913	871	1,168
PE (x)	9.6	1.5	14.3	13.3	7.7
EV/EBITDA (x)	5.8	1.9	7.2	6.2	5.6
PB (x)	0.9	0.6	0.7	0.7	0.6
ROE (%)	9.5	50.0	4.8	5.1	8.5
Dividend yield (%)	0.0	0.0	5.4	5.4	5.4

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

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13M rating **HOLD (Maintain)**

13M TP **NA**

Up/Downside **NA**

Stock Data

VNIndex (18 Apr, pt)	1,055
Stock price (18 Apr, VND)	14,900
Market cap (USD mn)	167
Shares outstanding (mn)	263
52-Week high/low (VND)	30,889/7,400
6M avg. daily turnover (USD mn)	6.16
Free float / Foreign ownership (%)	64.5/12.2
Major shareholders (%)	
Ho Minh Quang	15.4

Performance

	3M	6M	13M
Absolute (%)	(5.1)	(12.4)	(51.2)
Relative to VNIndex (%p)	(6.2)	(12.7)	(27.6)

Stock price trend



Source: Bloomberg

Research Department

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Mar-22	Mar-23	MoM (%)	YoY (%)	3M22	3M23	YoY (%)
Steel Pipes	16,470	14,068	(10.3)	(14.6)	43,426	39,891	(8.1)
Export	0	0	NA	NA	0	0	NA
Domestic	16,470	14,068	(10.3)	(14.6)	43,426	39,891	(8.1)
Steel Coat	85,200	69,522	33.6	(18.4)	213,911	154,807	(27.6)
Export	61,555	50,119	48.2	(18.6)	155,127	104,456	(32.7)
Domestic	23,645	19,403	6.5	(17.9)	58,784	50,351	(14.3)
Total Steel Volume	101,670	83,590	23.4	(17.8)	257,337	194,698	(24.3)
Export	61,555	50,119	48.2	(18.6)	155,127	104,456	(32.7)
Domestic	40,115	33,471	(1.3)	(16.6)	102,210	90,242	(11.7)

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Mar-22	Mar-23	MoM (%)	YoY (%)	3M22	3M23	YoY (%)
Steel Pipes							
Production	15,039	15,451	(1.1)	2.7	39,623	40,225	1.5
Inventories	0	0	NA	NA			
Steel Coat							
Production	80,926	72,475	37.8	(10.4)	220,293	156,666	(28.9)
Inventories	0	0	NA	NA			
Total							
Production	95,965	87,926	28.9	(8.4)	259,916	196,891	32.0
Inventories	0						

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.	2020F	2021A	2022F	2023F	2024F
Current assets	4,492	12,216	10,996	6,930	7,576
Cash & cash equivalents	589	1,199	1,304	1,263	665
Accounts & other receivables	1,438	1,902	2,162	1,352	1,631
Inventory	2,371	8,281	7,127	4,071	4,919
Non-current assets	3,271	3,182	2,993	4,075	4,621
Fixed assets	3,127	2,771	2,536	3,591	4,106
Investment assets	82	184	184	184	184
Others	154	1,061	675	545	691
Total assets	7,763	15,398	13,989	11,005	12,196
Advances from customers	346	583	224	129	164
Unearned revenue	0	0	0	0	0
Trade payables	1,070	4,879	3,619	1,850	2,200
Others	164	393	398	403	409
ST debt & due bonds	2,520	3,773	3,873	2,573	3,073
LT debt & bonds	482	47	97	197	207
Total liabilities	4,582	9,675	8,211	5,152	6,053
Controlling interest	3,181	5,723	5,779	5,854	6,144
Capital stock	1,820	2,184	2,622	2,622	2,622
Capital surplus	766	786	786	786	786
Other reserves	97	117	118	118	118
Retained earnings	576	2,636	2,254	2,329	2,618
Minority interest	0	0	0	0	0
Shareholders' equity	3,181	5,723	5,779	5,854	6,144

Income statement

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	11,560	28,173	22,358	12,880	16,396
COGS	10,691	23,904	20,323	11,256	14,598
Gross profit	869	4,270	2,035	1,624	1,798
SG&A expense	360	1,521	1,507	1,198	1,115
Operating profit	509	2,749	528	426	683
Financial income	89	199	335	258	246
Interest income	27	15	28	25	21
Financial expense	281	398	528	348	295
Interest expense	222	244	318	208	230
Other non-operating profit	4	11	0	4	5
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	321	2,562	336	340	639
Income taxes	26	337	61	45	128
Net profit	295	2,225	275	295	511
Net profit of controlling interest	295	2,225	275	295	511
EBITDA	886	3,128	913	871	1,168

Cash flow

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	16	(308)	295	2,853	90
Net profit	295	2,225	275	295	511
Dep'n & Amort'n	376	379	385	445	485
Net incr. in W/C	(655)	(2,912)	(365)	2,113	(906)
C/F from investing	346	(309)	(144)	(1,499)	(1,004)
Capex	(54)	(145)	(150)	(1,500)	(1,000)
Incr. in investment	400	(164)	6	1	(4)
C/F from financing	(218.2)	1,150.0	(68.4)	(1,418.4)	291.6
Incr. in equity	(78)	334	0	0	0
Incr. in debt	(67)	862	150	(1,200)	510
Dividends	0	0	(218)	(218)	(218)
C/F from others	0	(1)	0	0	0
Increase in cash	143	533	83	(65)	(622)

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (VND)					
EPS	1,547	10,059	1,044	1,120	1,937
BPS	17,478	26,205	22,040	22,328	23,434
DPS	0	0	833	833	833
Growth (%)					
Sales growth	(5.1)	143.7	(20.6)	(42.4)	27.3
OP growth	709.7	439.8	(80.8)	(19.3)	60.3
NP growth	524.3	653.6	(87.6)	7.3	73.0
EPS growth	539.7	550.4	(89.6)	7.3	73.0
EBITDA growth	75.4	253.0	(70.8)	(4.6)	34.1
Profitability (%)					
OP margin	4.4	9.8	2.4	3.3	4.2
NP margin	2.6	7.9	1.2	2.3	3.1
EBITDA margin	7.7	11.1	4.1	6.8	7.1
ROA	3.7	19.2	1.9	2.4	4.4
ROE	9.5	50.0	4.8	5.1	8.5
Dividend yield	0.0	0.0	5.4	5.4	5.4
Dividend payout ratio	0.0	0.0	79.8	74.4	43.0
Stability					
Net debt (VND bn)	2,414	2,621	2,666	1,507	2,614
Int.-bearing debt/equity (%)	80.0	50.0	50.0	30.0	40.0
Valuation (X)					
PE	9.6	1.5	14.3	13.3	7.7
PB	0.9	0.6	0.7	0.7	0.6
EV/EBITDA	5.8	1.9	7.2	6.2	5.6

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