

28 Apr 2023

## Nam Kim Steel (NKG)

### 1Q23 Loss but less

- Remaining high-cost inventories and weak global demand hit the company's performance
- Maintain HOLD rating

#### Facts: 1Q23 performance was still being hit

NKG' revenue decreased 38.8% yoy to VND4,374.8bn in 1Q23 driven mainly by the weak global demand. In which, the total export volume in 1Q23 dropped to 104,456 tonnes, -32.7% yoy, +14.6% qoq. The 1Q23 NPAT-MI posted a loss of VND49.2bn whilst the gross profit turned to positive at VND137.7bn. The gross margin is thin at only 3.1%. The reasons could be

- Inventory provision reversal - Inventory provisioning decreased from VND336.8bn at beginning of 2023 to VND144.7bn at the end of 1Q23.
- Remaining high-cost inventory and low global selling price as weak demand.

Besides, selling expenses decreased significantly to VND82.5bn (-45.8% qoq, -72.0% yoy) while G&A expense also declined 22.8% to VND34.5bn compared to 4Q22.

#### Pros & cons: Better export orders in 2Q23

According to the BOD, NKG has export orders up to June, however, the export demand is still unsustainable. Weak demand continues to be our main concern due to the impact of global central banks' policies. Besides, recent HRC price downtrend may have some negative impact on NKG performance over next quarters.

#### Action: Maintain HOLD rating

As the outlook for global steel demand is still dark, we maintain HOLD rating on NKG stock. The earnings is under review.

Below	In line	Above
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

#### Stock data

VNIndex (Apr 28, pt)	1,049
Stock price (Apr 28, VND)	14,550
Market cap (USD mn)	163
Shares outstanding (mn)	263
52-Week high/low (VND)	30,045/7,400
6M avg. daily turnover (USD mn)	6.06
Free float / Foreign ownership (%)	64.5/12.3
Major shareholders (%)	
Ho Minh Quang	15.4

#### Valuation

	2020A	2021A	2022A
PE (x)	9.4	1.4	-30.9
PB (x)	0.8	0.6	0.7
ROE (%)	9.5	50.0	-2.3
DY (%)	0.0	0.0	5.7
EV/EBITDA (x)	5.7	1.9	16.1
EPS (VND)	1,547	10,059	(471)
BPS (VND)	17,478	26,205	20,204

#### Performance

	1M	6M	12M
Absolute (%)	(9.3)	7.4	(51.6)
Relative to VNIndex (%p)	(8.9)	4.6	(29.7)

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 1Q23 earnings**

(VND bn, %, %p)

	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY	Consensus
Sales	7,151.4	7,196.0	4,424.0	4,299.8	4,374.8	1.7	(38.8)	N/A
OP	640.7	288.2	(428.5)	(346.2)	20.7	-	(96.8)	N/A
OP margin	9.0	4.0	(9.7)	(8.1)	0.5	-	(8.5)	N/A
EBT	590.7	239.6	(476.0)	(400.3)	(48.4)	-	-	N/A
NP	506.9	201.5	(418.7)	(356.3)	(49.2)	-	-	N/A

Source: Company data, KIS

### ■ Company overview

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.

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Prepared by: Research Dept

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