

19 Oct 2021

Nam Kim Steel JSC (NKG)

September 2021 – Operational updates

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

Strong export volume; revived local demand in Sep

- Total Sept steel sales volume posted 102,796 tonnes, increasing by 13.1% mom and 43.8% yoy.
- Steel coat volume continued to make up most of the Sept total sales volume (94%) at 96,902 tonnes, +81.8% yoy and +12.3% mom.
- The coated steel export volume (82,218 tonnes) edged up slightly +2.0% mom but 169.1% yoy.
- The domestic market continued to contribute minor impact to total sales volume: Domestic volume of steel coat recorded 14,684 tonnes (-35.4% yoy but +158.1% mom from the low base in August) and steel pipes volume posted 5,894 tonnes (+28.7% mom and -67.6% yoy).

The export volume still a key driver in 9M21

- The 3Q21 performance saw some headwinds from the lockdown policy in some big cities, which interrupted the supply chain but also witnessed the slight domestic revival from August low-base.
- In detail, steel pipe sale volume in 3Q21 was tepid with 17,656 tonnes, -66% yoy, -64.5% qoq and on the other hand, steel coat volume was brisk with 258,684 tonnes 64.2% yoy, 13.3 % qoq.
- The 9M21 total sale volume came in at 797,614 tonnes, +57.9% yoy on the back of the steel coat volume growth of 60.8% yoy to 677,835 tonnes and the steel pipes growth of 43.1% yoy to 119,779 tonnes.
- The total 9M21 export volume (accounted for 64.8%; 517,015 tonnes) grew +139.5% yoy while the local sales volume (280,599 tonnes) declined 3.0% yoy.

	2017A	2018A	2019A	2020A	6M21A
Sales (VND bn)	12,619	14,811	12,176	11,559	11,862
chg. (% YoY)	41.2	17.4	(17.8)	(5.1)	-
Operating profit (VND bn)	1,024	390	62	509	1,435
Net profit (VND bn)	707	57	47	295	1,166
EPS (VND)	5,279	315	251	1,574	6,680*
chg. (% YoY)	(30.5)	(94.9)	(28.4)	543.1	-
EBITDA (VND bn)	1,344	811	504	885	1,624
PE (x)	7.5	125.2	157.4	25.1	5.9*
EV/EBITDA (x)	8.3	13.7	20.2	11.3	5.5*
PB (x)	1.7	2.4	2.4	2.3	1.9*
ROE (%)	31.3	1.9	1.5	9.5	39.1*
Dividend yield (%)	2.5	0	0	1.9	0

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

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12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N/a**

Stock Data

VNIndex (18 Oct, pt)	1,396
Stock price (18 Oct, VND)	52,800
Market cap (USD mn)	507
Shares outstanding (mn)	218
52-Week high/low (VND)	52,800/6,699
6M avg. daily turnover (USD mn)	10.44
Free float / Foreign ownership (%)	66.3/11.9
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

Performance

	1M	6M	12M
Absolute (%)	17.1	148.5	655.1
Relative to VNIndex (%p)	13.8	135.0	605.0

Stock price trend



Source: Bloomberg

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Hedging on the commodity price rally

- Based on VSA figures, NKG's inventory as of end-Sep continued to move in contrary trends but in line with current business environments.
- Steel pipe inventory (2,245 tonnes) remained the same as August but dropped 87.7% yoy, which could be explained by the full impact of COVID-19 resurgence that suspended production and consumption.
- Steel coat inventory (104,349 tonnes), on the other side, increased 6.0% mom, spiked 479.0% yoy following the hedging demand.

Table 1. Sales volume growth

(Tonnes)

	Monthly				Quarterly				Accumulated		
	Sept-20	Sept-21	MoM (%)	YoY (%)	3Q20	3Q21	QoQ (%)	YoY (%)	9M20	9M21	YoY (%)
Steel Pipes	18,216	5,894	28.7	(67.6)	51,879	17,656	(64.5)	(66.0)	83,714	119,779	43.1
Export	148	0	-	(100.0)	148	0	-	(100.0)	148	244	64.9
Domestic	18,068	5,894	28.7	(67.4)	51,731	17,656	(64.5)	(65.9)	83,566	119,535	43.0
Steel Coat	53,293	96,902	12.3	81.8	157,500	258,684	13.3	64.2	421,539	677,835	60.8
Export	30,556	82,218	2.0	169.1	98,680	224,778	47.2	127.8	215,743	516,771	139.5
Domestic	22,737	14,684	158.1	(35.4)	58,820	33,906	(55.2)	(42.4)	205,796	161,064	(21.7)
Total Steel Volume	71,509	102,796	13.1	43.8	209,379	276,340	(0.7)	32.0	505,253	797,614	57.9
Export	30,704	82,218	2.0	167.8	98,828	224,778	47.2	127.4	215,891	517,015	139.5
Domestic	40,805	20,578	100.4	(49.6)	110,551	51,562	(58.9)	(53.4)	289,362	280,599	(3.0)

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Quarterly				Accumulated		
	Sept-20	Sept-21	MoM (%)	YoY (%)	3Q20	3Q21	QoQ (%)	YoY (%)	9M20	9M21	YoY (%)
Steel Pipes											
Production	18,310	5,893	383.4	(67.8)	52,520	12,199	(74.4)	(76.8)	84,000	111,785	33.1
Inventories	18,216	2,245	-0.0	(87.7)							
Steel Coat											
Production	53,410	102,788	7.2	92.5	157,707	281,616	1.5	78.6	444,170	755,141	70.0
Inventories	18,021	104,349	6.0	479.0							

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 (a combined market share of 13% in H1 2021) for use in residential, industrial and civil construction.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	6M21A
Current assets	5,705	3,823	4,244	4,397	10,213
Cash & cash equivalent	508	658	778	588	1,260
Accounts & other receivables	1,107	744	876	1,437	2,994
Inventory	4,090	2,420	2,589	2,371	5,958
Non-current assets	3,992	3,975	3,506	3,185	3,062
Investment assets	132	443	49	58	97
Fixed assets	3,859	3,532	3,457	3,126	2,965
Others	451	290	243	121	509
Total assets	10,174	8,122	8,064	7,763	13,945
Accounts & other payables	1,053	723	1,953	1,577	5,344
ST debt & bond	4,503	3,201	2,388	2,520	3,741
LT debt & financial liabilities	1,677	1,226	705	484	288
Total liabilities	7,234	5,150	5,047	4,582	9,373
Controlling interest	2,940	2,971	3,016	3,181	4,571
Capital stock	1,300	1,820	1,820	1,820	1,820
Capital surplus	766	766	766	766	944
Others	43	71	74	18	93
Retained earnings	830	313	356	576	1,713
Minority interest	0	0	0	0	0
Shareholders' equity	2,940	2,971	3,016	3,181	4,571

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	6M21A
Sales	12,619	14,811	12,176	11,559	11,862
COGS	11,250	14,018	11,835	10,690	9,946
Gross profit	1,368	792	341	869	1,916
SG&A expense	344	402	278	359	480
Operating profit	1,024	390	62	509	1,435
Financial income	115	97	107	89	54
Interest income	3	27	30	27	54
Financial expense	377	430	275	281	157
Interest expense	267	338	237	222	104
Other non-operating profit	19	5	195	3	10
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	781	62	90	320	1,342
Income taxes	74	4	42	25	176
Net profit	707	57	47	295	1,166
Net profit of controlling interest	707	57	47	295	1,166
EBITDA	1,344	811	504	885	1,624

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	6M21A
C/F from operating	(1456)	2335	1180	15	(433)
Net profit	707	57	47	295	1,166
Depreciation & Amortization	319	421	441	376	189
Net incr. in W/C	(2,507)	1,905	950	(645)	(1,955)
Others	23	(48)	(258)	(10)	166
C/F from investing	(1,440)	(194)	(229)	(345)	(224)
CAPEX	(1,027)	(427)	156	(54)	(49)
Net loan granted & purchases of debt instruments	(388)	215	(511)	371	(47)
Net purchases of investment in affiliates	(27)	0.0	105	0.0	(138)
Other	3	17	20	28	10
C/F from financing	2,815	(1,772)	(1,336)	(218)	1,260
Incr. in equity	811	0	0	(78)	233
Incr. in debts	2,138	(1,748)	(1,314)	(67)	1,038
Dividends	(129)	(1)	0	0.0	0
Others	(5)	(23)	(21)	(21)	(10)
C/F from others	0	(0)	0	0	0
Increase in cash	(81)	368	(385)	143	602

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020A	6M21A
per share data (VND)					
EPS	5,279	315	251	1,574	6,680*
BPS	20,567	14,897	15,221	16,110	23,772*
DPS	595.2	0	0	250	0
Growth (%)					
Sales growth	41.2	17.4	(17.8)	(5.1)	-
OP growth	28.6	(61.9)	(83.9)	709.9	-
NP growth	36.6	(91.9)	(17.5)	524.3	-
EPS growth	(30.5)	(94.9)	(28.4)	543.1	-
EBITDA growth	39.6	(39.7)	(37.8)	75.5	-
Profitability (%)					
OP margin	8.1	2.6	0.5	4.4	12.1
NP margin	5.6	0.4	0.4	2.6	9.8
EBITDA margin	10.7	5.5	4.1	7.7	10.7
ROA	8.5	0.6	0.5	3.7	14.1*
ROE	31.3	1.9	1.5	9.5	39.1*
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	2,783
Int.-bearing debt/equity (%)	210.1	149.0	102.5	94.4	88.1
Valuation (X)					
PE	7.5	125.2	157.4	25.1	5.9*
PB	1.7	2.4	2.4	2.3	1.9*
EV/EBITDA	8.3	13.7	20.2	11.3	5.5*

(*): Trailing Twelve Month

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