

15 Nov 2021

# Nam Kim Steel JSC (NKG)

## October 2021 – Operational updates

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

### Local demand reviving

- Total Oct steel sales volume posted 108,452 tonnes, increasing by 5.5% mom and 64% yoy.
- Steel coat volume continued to make up most of the Oct total sales volume (87%) at 94,520 tonnes, +94.5% yoy but -2.5% mom.
- The coated steel export volume (73,545 tonnes) was down 10.5% mom from the high-base in September but increased 133.4% yoy.
- The domestic market continued to contribute minor impact to total sales volume: Domestic volume of steel coat recorded 20,975 tonnes (+42.8% mom, +22.9% yoy) and steel pipes volume posted 13,932 tonnes (+136.4% mom and -20.5% yoy).
- However, the domestic market is expected to increase its level of impact in total sale volume in 4Q21 amid the easing lockdown policy with ramp-up of public spending.

### The export volume still a key driver in 10M21

- The October performance witnessed the continuous revival of domestic demand from the low-base in August
- The 10M21 total sale volume came in at 906,066 tonnes, +58.6% yoy on the back of the steel coat volume growth of 64.3% yoy to 772,355 tonnes and the steel pipes growth of 32.1% yoy to 133,711 tonnes.
- The total 10M21 export volume (accounted for 65.1% of total sales; 590,560 tonnes) grew +138.7% yoy while the local sales volume (315,506 tonnes) declined 2.6% yoy amid the management's strategy skewed in favor of an expansion of sale channels to export markets.

	2017A	2018A	2019A	2020A	9M21A
Sales (VND bn)	12,619	14,811	12,176	11,559	19,393
chg. (% YoY)	41.2	17.4	(17.8)	(5.1)	-
Operating profit (VND bn)	1,024	390	62	509	2,228
Net profit (VND bn)	707	57	47	295	1,773
EPS (VND)	5,279	315	251	1,574	9,140*
chg. (% YoY)	(30.5)	(94.9)	(28.4)	543.1	-
EBITDA (VND bn)	1,344	811	504	885	2,512
PE (x)	5.9	21.9	26.8	8.9	5.4*
EV/EBITDA (x)	7.8	6.3	6.9	5.6	5.2*
PB (x)	1.6	0.4	0.4	0.8	2*
ROE (%)	31.3	1.9	1.5	9.5	46.6*
Dividend yield (%)	2.5	0	0	1.9	0

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

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**

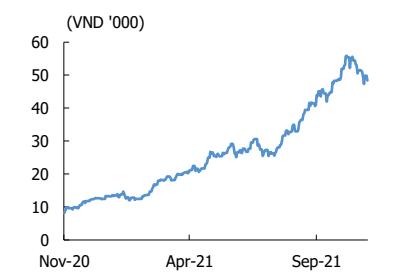
### Stock Data

VNIndex (15 Nov, pt)	1,477
Stock price (15 Nov, VND)	48,350
Market cap (USD mn)	466
Shares outstanding (mn)	218
52-Week high/low (VND)	55,900/8,741
6M avg. daily turnover (USD mn)	12.71
Free float / Foreign ownership (%)	66.3/9.6
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

### Performance

	1M	6M	12M
Absolute (%)	(6.8)	89.9	491.9
Relative to VNIndex (%p)	(12.9)	72.4	436.9

### Stock price trend



Source: Bloomberg

**Hai Nguyen**

hai.nt@kisvn.vn

**Table 1. Sales volume growth**

(Tonnes)

	Monthly				Accumulated		
	Oct-20	Oct-21	MoM (%)	YoY (%)	10M20	10M21	YoY (%)
<b>Steel Pipes</b>	<b>17,524</b>	<b>13,932</b>	<b>136.4</b>	<b>(20.5)</b>	<b>101,238</b>	<b>133,711</b>	<b>32.1</b>
Export	-	-	-	-	148	244	64.9
Domestic	17,524	13,932	136.4	(20.5)	101,090	133,467	32.0
<b>Steel Coat</b>	<b>48,588</b>	<b>94,520</b>	<b>(2.5)</b>	<b>94.5</b>	<b>470,127</b>	<b>772,355</b>	<b>64.3</b>
Export	31,515	73,545	(10.5)	133.4	247,258	590,316	138.7
Domestic	17,073	20,975	42.8	22.9	222,869	182,039	(18.3)
<b>Total Steel Volume</b>	<b>66,112</b>	<b>108,452</b>	<b>5.5</b>	<b>64.0</b>	<b>571,365</b>	<b>906,066</b>	<b>58.6</b>
Export	31,515	73,545	(10.5)	133.4	247,406	590,560	138.7
Domestic	34,597	34,907	69.6	0.9	323,959	315,506	(2.6)

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

	Monthly				Accumulated		
	Oct-20	Oct-21	MoM (%)	YoY (%)	10M20	10M21	YoY (%)
<b>Steel Pipes</b>							
Production	17,750	17,485	196.7	(1.5)	101,750	129,270	27.0
Inventories	7,612	N/a	N/a	N/a			
<b>Steel Coat</b>							
Production	52,700	88,679	(13.7)	68.3	496,870	843,820	69.8
Inventories	22,133	N/a	N/a	N/a			

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	9M21A
Current assets	5,705	3,823	4,244	4,397	11,855
Cash & cash equivalent	508	658	778	588	1,197
Accounts & other receivables	1,107	744	876	1,437	3,520
Inventory	4,090	2,420	2,589	2,371	7,138
Non-current assets	3,992	3,975	3,506	3,185	2,973
Investment assets	132	443	49	58	116
Fixed assets	3,859	3,532	3,457	3,126	2,857
Others	451	290	243	121	965
<b>Total assets</b>	<b>10,174</b>	<b>8,122</b>	<b>8,064</b>	<b>7,763</b>	<b>15,793</b>
Accounts & other payables	1,053	723	1,953	1,577	5,953
ST debt & bond	4,503	3,201	2,388	2,520	4,383
LT debt & financial liabilities	1,677	1,226	705	484	180
<b>Total liabilities</b>	<b>7,234</b>	<b>5,150</b>	<b>5,047</b>	<b>4,582</b>	<b>10,516</b>
Controlling interest	2,940	2,971	3,016	3,181	5,278
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	2,191
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>5,278</b>

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	9M21A
Sales	12,619	14,811	12,176	11,559	19,393
COGS	11,250	14,018	11,835	10,690	16,181
Gross profit	1,368	792	341	869	3,212
SG&A expense	344	402	278	359	984
<b>Operating profit</b>	<b>1,024</b>	<b>390</b>	<b>62</b>	<b>509</b>	<b>2,228</b>
Financial income	115	97	107	89	94
Interest income	3	27	30	27	
Financial expense	377	430	275	281	266
Interest expense	267	338	237	222	176
Other non-operating profit	19	5	195	3	(7)
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
<b>Earnings before tax</b>	<b>781</b>	<b>62</b>	<b>90</b>	<b>320</b>	<b>2,049</b>
Income taxes	74	4	42	25	276
<b>Net profit</b>	<b>707</b>	<b>57</b>	<b>47</b>	<b>295</b>	<b>1,773</b>
Net profit of controlling interest	707	57	47	295	1,773
<b>EBITDA</b>	<b>1,344</b>	<b>811</b>	<b>504</b>	<b>885</b>	<b>2,512</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	9M21A
C/F from operating	(1456)	2335	1180	15	(1131)
Net profit	707	57	47	295	1773
Depreciation & Amortization	319	421	441	376	284
Net incr. in W/C	(2,507)	1,905	950	(645)	(3640)
Others	23	(48)	(258)	(10)	452
C/F from investing	(1,440)	(194)	(229)	(345)	(291)
CAPEX	(1,027)	(427)	156	(54)	(67)
Net loan granted & purchases of debt instruments	(388)	215	(511)	371	(106)
Net purchases of investment in affiliates	(27)	0.0	105	0.0	(138)
Other	3	17	20	28	20
C/F from financing	2,815	(1,772)	(1,336)	(218)	1895
Incr. in equity	811	0	0	(78)	340
Incr. in debts	2,138	(1,748)	(1,314)	(67)	1587
Dividends	(129)	(1)	0	0.0	0
Others	(5)	(23)	(21)	(21)	(32)
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>472</b>

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	9M21A
per share data (VND)					
EPS	5,279	315	251	1,574	9,140*
BPS	20,567	14,897	15,221	16,110	23,054*
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	11.5
NP margin	5.6	0.4	0.4	2.6	9.1
EBITDA margin	10.7	5.5	4.1	7.7	8.4
ROA	8.5	0.6	0.5	3.7	16.2*
ROE	31.3	1.9	1.5	9.5	46.6*
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	3,869
Int.-bearing debt/equity (%)	210.1	149.0	102.5	94.4	86.4
Valuation (X)					
PE	5.9	21.9	26.8	8.9	5.4*
PB	1.6	0.4	0.4	0.8	2.0*
EV/EBITDA	7.8	6.3	6.9	5.6	5.2*

(\*): Trailing Twelve Month

■ **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 15 Nov 2021.

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 15 Nov 2021.

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 © 2021 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..