

16 Nov 2021

# Nam Kim Steel JSC (NKG)

## November 2021 – Operational updates

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

### Local demand revival pulled back

- Total Nov steel sales volume posted 101,573 tonnes, increasing by 58.4% yoy but down 6.3% mom.
- Steel coat volume continued to make up most of the Nov total sales volume (90%) at 91,551 tonnes, +113.7% yoy but -3.1% mom.
- The coated steel export volume (78,035 tonnes) was up 6.1% mom and 269.6% yoy.
- The disappointing 23,538-tonne domestic sales was added in total sale in November: Domestic volume of steel coat recorded 13,516 tonnes (-35.6% mom, -37.8% yoy) and steel pipes volume posted 10,022 tonnes (-28.1% mom and -52.9% yoy).

### The export is the main driver for growth in 11M21

- The November performance witnessed the pause in domestic demand revival.
- The 11M21 total sale volume came in at 1,007,639 tonnes, +58.6% yoy on the back of the steel coat volume growth of 68.4% yoy to 863,906 tonnes and the steel pipes growth of 17.3% yoy to 143,733 tonnes.
- The total 11M21 export volume (accounted for 66.3% of total sales; 668,595 tonnes) grew +149% yoy while the local sales volume (339,044 tonnes) declined 7.6% yoy amid the management's strategy skewed in favor of an expansion of sale channels to export markets.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N/a**

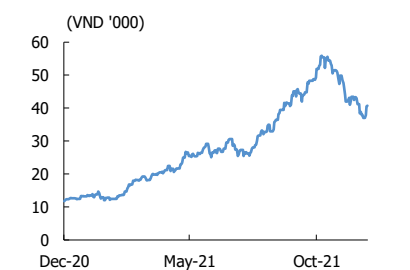
### Stock Data

VNIndex (15 Nov, pt)	1,476
Stock price (15 Nov, VND)	40,700
Market cap (USD mn)	385
Shares outstanding (mn)	218
52-Week high/low (VND)	55,900/12,042
6M avg. daily turnover (USD mn)	13.62
Free float / Foreign ownership (%)	66.3/8.6
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

### Performance

	1M	6M	12M
Absolute (%)	(15.8)	53.7	237.0
Relative to VNIndex (%p)	(15.9)	43.9	196.5

### Stock price trend



Source: Bloomberg

	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)

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**Table 1. Sales volume growth**

(Tonnes)

	Monthly				Accumulated		
	Nov-20	Nov-21	MoM (%)	YoY (%)	11M20	11M21	YoY (%)
<b>Steel Pipes</b>	<b>21,264</b>	<b>10,022</b>	<b>(28.1)</b>	<b>(52.9)</b>	<b>122,502</b>	<b>143,733</b>	<b>17.3</b>
Export	-	-	-	-	148	244	64.9
Domestic	21,264	10,022	(28.1)	(52.9)	122,354	143,489	17.3
<b>Steel Coat</b>	<b>42,846</b>	<b>91,551</b>	<b>(3.1)</b>	<b>113.7</b>	<b>512,973</b>	<b>863,906</b>	<b>68.4</b>
Export	21,111	78,035	6.1	269.6	268,369	668,351	149.0
Domestic	21,735	13,516	(35.6)	(37.8)	244,604	195,555	(20.1)
<b>Total Steel Volume</b>	<b>64,110</b>	<b>101,573</b>	<b>(6.3)</b>	<b>58.4</b>	<b>635,475</b>	<b>1,007,639</b>	<b>58.6</b>
Export	21,111	78,035	6.1	269.6	268,517	668,595	149.0
Domestic	42,999	23,538	(32.6)	(45.3)	366,958	339,044	(7.6)

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

	Monthly				Accumulated		
	Nov-20	Nov-21	MoM (%)	YoY (%)	11M20	11M21	YoY (%)
<b>Steel Pipes</b>							
Production	23,050	12,692	(27.4)	(44.9)	124,800	141,962	13.8
Inventories	9,398	N/a	N/a	N/a			
<b>Steel Coat</b>							
Production	45,169	108,196	22.0	139.5	542,039	952,016	75.6
Inventories	24,456	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

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