

20 Jan 2022

Nam Kim Steel JSC (NKG)

December 2021 – Operational updates

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

Return of local demand not yet confirmed

- Total Dec steel sales volume posted 75,982 tonnes, increasing by 11.3% yoy but decreasing by 25.2% mom.
- Steel coat volume continued to make up most of the Dec total sales volume (86%) at 65,621 tonnes, +33.9% yoy but -28.3% mom.
- The coated steel export volume (51,354 tonnes) was down 34.2% mom but up 90.2% yoy.
- The 24,628-tonne domestic sales were added in total sale in Dec: Domestic volume of steel coat recorded 14,267 tonnes (+5.6% mom, -35.2% yoy) and steel pipes volume posted 10,361 tonnes (+3.4% mom and -45.8% yoy).

Flexible strategy – Great year

- By successfully exploiting the export opportunity, NKG has fully offset the weak domestic demand caused by COVID-19 in 2021.
- The 2021 total sale volume came in at 1,083,621 tonnes, +54% yoy on the back of the steel coat volume growth of 65.4% yoy to 929,527 tonnes and the steel pipes growth of 8.7% yoy to 154,094 tonnes.
- The total 2021 export volume (accounted for 66.4% of total sales; 719,949 tonnes) grew +143.5% yoy while the local sales volume (363,672 tonnes) declined 10.9% yoy amid the management's strategy skewed in favor of an expansion of sale channels to export markets and COVID-19 resurgence.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N/a**

Stock Data

VNIndex (19 Jan, pt)	1,443
Stock price (19 Jan, VND)	33,300
Market cap (USD mn)	323
Shares outstanding (mn)	219
52-Week high/low (VND)	55,900/12,042
6M avg. daily turnover (USD mn)	13.66
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 (%)	(14.6)	25.7	157.8
Relative to VNIndex (%p)	(12.3)	11.5	129.0

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		
	Dec-20	Dec-21	MoM (%)	YoY (%)	2020	2021	YoY (%)
Steel Pipes	19,242	10,361	3.4	(46.2)	141,744	154,094	8.7
Export	120	-	-	-	268	244	(9.0)
Domestic	19,122	10,361	3.4	(45.8)	141,476	153,850	8.7
Steel Coat	49,016	65,621	(28.3)	33.9	561,989	929,527	65.4
Export	27,002	51,354	(34.2)	90.2	295,371	719,705	143.7
Domestic	22,014	14,267	5.6	(35.2)	266,618	209,822	(21.3)
Total Steel Volume	68,258	75,982	(25.2)	11.3	703,733	1,083,621	54.0
Export	27,122	51,354	(34.2)	89.3	295,639	719,949	143.5
Domestic	41,136	24,628	4.6	(40.1)	408,094	363,672	(10.9)

Source: Company, VSA, KIS

Table 2. Production volume growth (Tonnes)

	Monthly				Accumulated		
	Dec-20	Dec-21	MoM (%)	YoY (%)	2020	2021	YoY (%)
Steel Pipes							
Production	17,341	10,707	(15.6)	(38.3)	142,141	152,669	7.4
Inventories	7,510	N/a	N/a	N/a			
Steel Coat							
Production	54,987	79,884	(26.2)	45.3	597,026	1,031,900	72.8
Inventories	30,427	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
Total assets	10,174	8,122	8,064	7,763	15,793
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
Total liabilities	7,234	5,150	5,047	4,582	10,516
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
Shareholders' equity	2,940	2,971	3,016	3,181	5,278

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
Operating profit	1,024	390	62	509	2,228
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
Earnings before tax	781	62	90	320	2,049
Income taxes	74	4	42	25	276
Net profit	707	57	47	295	1,773
Net profit of controlling interest	707	57	47	295	1,773
EBITDA	1,344	811	504	885	2,512

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
Increase in cash	(81)	368	(385)	143	472

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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