

16 Feb 2022

Nam Kim Steel JSC (NKG)

Jan 2021 – Operational updates

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

Rosy export volume amid weak local demand in January

- Total Jan steel sales volume posted 93,922 tonnes, increasing by 37.6% yoy, 23.6% mom.
- Steel coat volume continued to make up most of the Jan total sales volume (87.6%) at 82,346 tonnes, +68% yoy and 25.5% mom.
- The coated steel export volume (67,731 tonnes) was up 31.9% mom and 150.8% yoy.
- The domestic market contributed minor impact to total sales volume: Domestic volume of steel coat recorded 14,615 tonnes (+2.4% mom, -33.6% yoy) and steel pipes volume posted 11,576 tonnes (+11.7% mom and -39.5% yoy).

The export volume still one of key drivers in 2022F

- The January performance was struck by the dim domestic purchasing power while export sales volume was brisk as usual.
- As mentioned in 4Q2021 earning note, we expect export channel will continue to contribute significantly to company's earnings growth in 2022F along with domestic demand revival.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N/a**

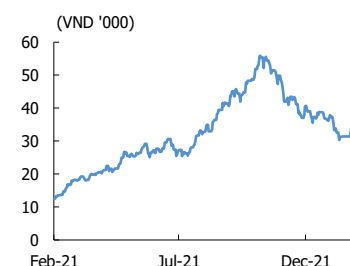
Stock Data

VNIndex (15 Feb, pt)	1,493
Stock price (19 Jan, VND)	39,500
Market cap (USD mn)	375
Shares outstanding (mn)	219
52-Week high/low (VND)	55,900/13,084
6M avg. daily turnover (USD mn)	13.46
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 (%)	5.9	18.3	211.6
Relative to VNIndex (%p)	6.1	8.8	176.2

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	12,619	14,811	12,176	11,559	28,173
chg. (% YoY)	41.2	17.4	(17.8)	(5.1)	143.7
Operating profit (VND bn)	1,024	390	62	509	2,749
Net profit (VND bn)	707	57	47	295	2,225
EPS (VND)	5,279	315	251	1,574	10,189
chg. (% YoY)	(30.5)	(94.9)	(28.4)	543.1	509.4
EBITDA (VND bn)	1,344	811	504	885	3,128
PE (x)	5.9	21.9	26.8	8.9	3.8
EV/EBITDA (x)	7.8	6.3	6.9	5.6	3.7
PB (x)	1.6	0.4	0.4	0.8	1.5
ROE (%)	31.3	1.9	1.5	9.5	49.9
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 & production volume growth

(Tonnes)

	Monthly					Monthly			
	Jan-21	Jan-22	MoM (%)	YoY (%)		Jan-21	Jan-22	MoM (%)	YoY (%)
Steel Pipes	19,242	11,576	11.7	(39.8)					
Export	120	0	N.a	(100.0)	Production	17,341	11,574	8.1	(33.3)
Domestic	19,122	11,576	11.7	(39.5)	Inventories	7,510	-	-	-
Steel Coat	49,016	82,346	25.5	68.0					
Export	27,002	67,731	31.9	150.8	Production	54,987	82,127	2.8	49.4
Domestic	22,014	14,615	2.4	(33.6)	Inventories	30,427	-	-	-
Total Steel Volume	68,258	93,922	23.6	37.6					
Export	27,122	67,731	31.9	149.7					
Domestic	41,136	26,191	6.3	(36.3)					

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	2021A
Current assets	5,705	3,823	4,244	4,397	11,385
Cash & cash equivalent	508	658	778	588	1,199
Accounts & other receivables	1,107	744	876	1,437	1,905
Inventory	4,090	2,420	2,589	2,371	8,281
Non-current assets	3,992	3,975	3,506	3,185	2,955
Investment assets	132	443	49	58	184
Fixed assets	3,859	3,532	3,457	3,126	2,771
Others	451	290	243	121	1,042
Total assets	10,174	8,122	8,064	7,763	15,382
Accounts & other payables	1,053	723	1,953	1,577	5,828
ST debt & bond	4,503	3,201	2,388	2,520	3,773
LT debt & financial liabilities	1,677	1,226	705	484	58
Total liabilities	7,234	5,150	5,047	4,582	9,659
Controlling interest	2,940	2,971	3,016	3,181	5,723
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	2,636
Minority interest	0	0	0	0	0
Shareholders' equity	2,940	2,971	3,016	3,181	5,723

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	12,619	14,811	12,176	11,559	28,173
COGS	11,250	14,018	11,835	10,690	23,904
Gross profit	1,368	792	341	869	4,270
SG&A expense	344	402	278	359	1,521
Operating profit	1,024	390	62	509	2,749
Financial income	115	97	107	89	199
Interest income	3	27	30	27	199
Financial expense	377	430	275	281	397
Interest expense	267	338	237	222	244
Other non-operating profit	19	5	195	3	11
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	781	62	90	320	2,562
Income taxes	74	4	42	25	337
Net profit	707	57	47	295	2,225
Net profit of controlling interest	707	57	47	295	2,225
EBITDA	1,344	811	504	885	3,128

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operating	(1456)	2335	1180	15	(303)
Net profit	707	57	47	295	2225
Depreciation & Amortization	319	421	441	376	379
Net incr. in W/C	(2,507)	1,905	950	(645)	(3434)
Others	23	(48)	(258)	(10)	527
C/F from investing	(1,440)	(194)	(229)	(345)	(304)
CAPEX	(1,027)	(427)	156	(54)	(140)
Net loan granted & purchases of debt instruments	(388)	215	(511)	371	(49)
Net purchases of investment in affiliates	(27)	0.0	105	0.0	(138)
Other	3	17	20	28	23
C/F from financing	2,815	(1,772)	(1,336)	(218)	1154
Incr. in equity	811	0	0	(78)	340
Incr. in debts	2,138	(1,748)	(1,314)	(67)	861
Dividends	(129)	(1)	0	0.0	0
Others	(5)	(23)	(21)	(21)	(47)
C/F from others	0	(0)	0	0	0
Increase in cash	(81)	368	(385)	143	533

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
per share data (VND)					
EPS	5,279	315	251	1,574	10,189
BPS	20,567	14,897	15,221	16,110	26,205
DPS	595.2	0	0	250	0
Growth (%)					
Sales growth	41.2	17.4	(17.8)	(5.1)	143.7
OP growth	28.6	(61.9)	(83.9)	709.9	439.7
NP growth	36.6	(91.9)	(17.5)	524.3	653.6
EPS growth	(30.5)	(94.9)	(28.4)	543.1	509.4
EBITDA growth	39.6	(39.7)	(37.8)	75.5	83.5
Profitability (%)					
OP margin	8.1	2.6	0.5	4.4	9.7
NP margin	5.6	0.4	0.4	2.6	7.9
EBITDA margin	10.7	5.5	4.1	7.7	5.8
ROA	8.5	0.6	0.5	3.7	19.2
ROE	31.3	1.9	1.5	9.5	49.9
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	3,068
Int.-bearing debt/equity (%)	210.1	149.0	102.5	94.4	66.7
Valuation (X)					
PE	5.9	21.9	26.8	8.9	3.8
PB	1.6	0.4	0.4	0.8	1.5
EV/EBITDA	7.8	6.3	6.9	5.6	3.7

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