

24 Jun 2022

# Nam Kim Steel JSC (NKG)

## May 2022 – Operational updates

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

### Weak domestic demand in May

- Total May steel sales volume posted 85,031 tonnes, decreasing by 8.7% mom and 0.8% yoy.
- Steel coat volume made up 87.9% of the May total sales volume at 74,743 tonnes, -5.8% mom and +7.3% yoy.
- The coated steel export volume (60,791 tonnes) was up 1.3% mom and 21.8% yoy.
- Domestic volume of steel coat recorded 13,952 tonnes (-27.8% mom, -29.3% yoy) and steel pipes volume posted 10,288 tonnes (-25.2% mom and -36.1% yoy).

### The export volume backed on track

- The May performance witnessed the growth in export volume on year-on-year basis, helping export channel to remain as the key growth driver in 5M22.
- The 5M22 total sales volume came in at 435,478 tonnes, +3.8% yoy on the back of the steel coat volume growth of 11.6% yoy to 368,008 tonnes despite the steel pipes growth of -24.8% yoy to 67,470 tonnes.
- The total 5M22 export volume (accounted for 63.4% of total sales; 275,941 tonnes) grew 20.6% yoy while the local sales volume (159,537 tonnes) declined by 16.3% yoy.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

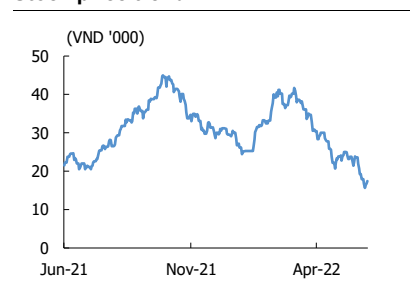
### Stock Data

|                                    |               |
|------------------------------------|---------------|
| VNIndex (24 Jun, pt)               | 1,186         |
| Stock price (24 Jun, VND)          | 17,400        |
| Market cap (USD mn)                | 197           |
| Shares outstanding (mn)            | 263           |
| 52-Week high/low (VND)             | 44,966/15,650 |
| 6M avg. daily turnover (USD mn)    | 11.97         |
| Free float / Foreign ownership (%) | 64.9/7.1      |
| Major shareholders (%)             |               |
| Ho Minh Quang                      | 15.4          |
| Vo Hoang Vu                        | 12.5          |

### Performance

|                          | 1M     | 6M     | 12M    |
|--------------------------|--------|--------|--------|
| Absolute (%)             | (23.8) | (42.1) | (19.1) |
| Relative to VNIndex (%p) | (20.3) | (22.9) | (6.2)  |

### 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

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**Table 1. Sales volume growth**

(Tonnes)

|                           | Monthly       |               |               |               | Accumulated    |                |               |
|---------------------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|
|                           | May-21        | May-22        | MoM (%)       | YoY (%)       | 5M21           | 5M22           | YoY (%)       |
| <b>Steel Pipes</b>        | <b>16,097</b> | <b>10,288</b> | <b>(25.2)</b> | <b>(36.1)</b> | <b>89,688</b>  | <b>67,470</b>  | <b>(24.8)</b> |
| Export                    | 0             | 0             | N.a           | n.a           | 244            | 0              | (100.0)       |
| Domestic                  | 16,097        | 10,288        | (25.2)        | (36.1)        | 89,444         | 67,470         | (24.6)        |
| <b>Steel Coat</b>         | <b>69,653</b> | <b>74,743</b> | <b>(5.8)</b>  | <b>7.3</b>    | <b>329,672</b> | <b>368,008</b> | <b>11.6</b>   |
| Export                    | 49,930        | 60,791        | 1.3           | 21.8          | 228,533        | 275,941        | 20.7          |
| Domestic                  | 19,723        | 13,952        | (27.8)        | (29.3)        | 101,139        | 92,067         | (9.0)         |
| <b>Total Steel Volume</b> | <b>85,750</b> | <b>85,031</b> | <b>(8.7)</b>  | <b>(0.8)</b>  | <b>419,360</b> | <b>435,478</b> | <b>3.8</b>    |
| Export                    | 49,930        | 60,791        | 1.3           | 21.8          | 228,777        | 275,941        | 20.6          |
| Domestic                  | 35,820        | 24,240        | (26.7)        | (32.3)        | 190,583        | 159,537        | (16.3)        |

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

|                    | Monthly |        |         |         | Accumulated |         |         |
|--------------------|---------|--------|---------|---------|-------------|---------|---------|
|                    | May-21  | May-22 | MoM (%) | YoY (%) | 5M21        | 5M22    | YoY (%) |
| <b>Steel Pipes</b> |         |        |         |         |             |         |         |
| Production         | 17,021  | 9,130  | (29.1)  | (46.4)  | 89,622      | 61,636  | (31.2)  |
| Inventories        | 10,173  | 0      | N.A     | N.A     |             |         |         |
| <b>Steel Coat</b>  |         |        |         |         |             |         |         |
| Production         | 84,305  | 80,293 | 0.7     | (4.8)   | 362,302     | 380,343 | 5.0     |
| Inventories        | 59,673  | 0      | N.A     | N.A     |             |         |         |
| <b>Total</b>       |         |        |         |         |             |         |         |
| Production         | 101,326 | 89,423 | (3.5)   | (11.7)  | 451,924     | 441,979 | 2.3     |
| Inventories        | 69,846  | 0      | 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 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         |
| <b>Total assets</b>             | <b>10,174</b> | <b>8,122</b> | <b>8,064</b> | <b>7,763</b> | <b>15,382</b> |
| 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            |
| <b>Total liabilities</b>        | <b>7,234</b>  | <b>5,150</b> | <b>5,047</b> | <b>4,582</b> | <b>9,659</b>  |
| 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                               | (1,456) | 2,335   | 1,180   | 15    | (303)   |
| Net profit                                       | 707     | 57      | 47      | 295   | 2,225   |
| Depreciation & Amortization                      | 319     | 421     | 441     | 376   | 379     |
| Net incr. in W/C                                 | (2,507) | 1,905   | 950     | (645) | (3,434) |
| 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) | 1,154   |
| 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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