

22 Aug 2022

Nam Kim Steel JSC (NKG)

July 2022 – Operational updates

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

Continuing weak coated-steel demand in July

- Total July steel sales volume posted 56,629 tonnes, decreasing by 31.0% mom and 31.5% yoy.
- Steel coat volume made up 79.0% of the July total sales volume at 44,786 tonnes, -34.5% mom and -40.7% yoy.
- The coated steel export volume (30,630 tonnes) was down 41.5% mom and 50.6% yoy, which showed the weak demand globally amid slow growth outlook.
- Domestic volume of steel coat recorded 14,156 tonnes (-11.2% mom, +4.6% yoy) and steel pipes volume posted 11,843 tonnes (-14.1% mom and +64.9% yoy).

Weak demand dragged overall performance

- The July performance witnessed the decline in export volume, however, export still remains as the key growth driver in 6M22.
- The 7M22 total sales volume came in at 574,231 tonnes, -4.9% yoy. In which, the steel coat volume declined 2.7% yoy to 481,138 tonnes and the steel pipes volume also decreased 14.8% yoy to 93,093 tonnes.
- The total 7M22 export volume (accounted for 62.5% of total sales; 358,974 tonnes) grew 1.4% yoy while the local sales volume (215,257 tonnes) declined by 13.8% yoy.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

Stock Data

VNIndex (19 Aug, pt)	1,269
Stock price (19 Aug, VND)	21,350
Market cap (USD mn)	240
Shares outstanding (mn)	263
52-Week high/low (VND)	44,966/15,650
6M avg. daily turnover (USD mn)	12.22
Free float / Foreign ownership (%)	64.9/6.7
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

Performance

	1M	6M	12M
Absolute (%)	14.2	(34.2)	(19.5)
Relative to VNIndex (%p)	6.4	(19.4)	(16.5)

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)	4.4	457.2	88.3	13.8	2.1
EV/EBITDA (x)	6.3	9.4	12.2	7.1	2.3
PB (x)	0.9	1.3	1.3	1.2	0.8
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		
	July-21	July-22	MoM (%)	YoY (%)	7M21	7M22	YoY (%)
Steel Pipes	7,182	11,843	(14.1)	64.9	109,305	93,093	(14.8)
Export	0	0	N.A	N.A	244	0	(100.0)
Domestic	7,182	11,843	(14.1)	64.9	109,061	93,093	(14.6)
Steel Coat	75,483	44,786	(34.5)	(40.7)	494,634	481,138	(2.7)
Export	61,950	30,630	(41.5)	(50.6)	353,943	358,974	1.4
Domestic	13,533	14,156	(11.2)	4.6	140,691	122,164	(13.2)
Total Steel Volume	82,665	56,629	(31.0)	(31.5)	603,939	574,231	(4.9)
Export	61,950	30,630	(41.5)	(50.6)	354,187	358,974	1.4
Domestic	20,715	25,999	(12.5)	25.5	249,752	215,257	(13.8)

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	July-21	July-22	MoM (%)	YoY (%)	7M21	7M22	YoY (%)
Steel Pipes							
Production	5,087	15,543	16.8	205.5	104,673	90,489	(13.6)
Inventories	5,607	0	N.A	(100.0)			
Steel Coat							
Production	82,919	46,209	(32.6)	(44.3)	556,444	495,112	(11.0)
Inventories	88,853	0	N.A	(100.0)			
Total							
Production	88,006	61,752	(24.6)	(29.8)	661,117	585,601	12.9
Inventories	94,460						

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
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	(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	4.4	457.2	88.3	13.8	2.1
PB	0.9	1.3	1.3	1.2	0.8
EV/EBITDA	6.3	9.4	12.2	7.1	2.3

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