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# Nam Kim Steel (NKG)

## 2Q22 Weak demand hit performance

### Bottom line collapsed

- Nam Kim Steel released 2Q22 results on 29 July, posting revenue of VND7,196bn (+0.6%qoq, +2.7% yoy) and net profit of VND201.4bn (-60.3% qoq, -76.2% yoy).
- 6M22 revenue was VND14,347bn (+20.9% yoy) and net profit was VND708.3bn (-39.2% yoy), fulfilling 51.3%/44.2% company guidance.
- 2Q22 Net margin squeezed to 2.7% from 7% in 1Q22 and 12% in 2Q21 while gross margin decreased to 12.4% from 13.3% in 1Q22 and 18.6% in 2Q21, which is caused by the unfavorable HRC price and selling price trends.
- In addition, 2Q22 SG&A expense also surged significantly in 2Q22 to VND605.3bn (+91.4% qoq, +115.9% yoy).
- The total sales volume for 2Q22 was 260,265 tonnes (+1.1% qoq, -6.4% yoy) according to VSA. In which, the total export volume was 173,217 tonnes (+11.7% qoq, +13.4% yoy) while total domestic sales volume dropped significantly to 87,048 tonnes (-14.8% qoq, -30.6% yoy).
- The weak demand in both domestic and export markets is expected to continue in 3Q22 amid high inflation concerns and low season.
- NKG is trading at 1.92x TTM PE, much lower than the 5-year average of 5.04x.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

### Stock Data

VNIndex (29 Jul, pt)	1,206
Stock price (29 Jul, VND)	17,800
Market cap (USD mn)	210
Shares outstanding (mn)	263
52-Week high/low (VND)	44,966/15,650
6M avg. daily turnover (USD mn)	12.17
Free float / Foreign ownership (%)	64.9/7.0
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

### Performance

	1M	6M	12M
Absolute (%)	(6.1)	(26.4)	(17.7)
Relative to VNIndex (%p)	(5.5)	(9.4)	(12.0)

### 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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### **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	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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