

15 Sep 2022

# Nam Kim Steel JSC (NKG)

## August 2022 – Operational updates

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

### Continuing weak coated-steel demand in Aug

- Total Aug steel sales volume posted 55,829 tonnes, decreasing by 1.4% mom and 38.6% yoy.
- Steel coat volume made up 77.3% of the Aug total sales volume at 43,176 tonnes, -3.6% mom and -50.0% yoy.
- The coated steel export volume (28,835 tonnes) was down 5.9% mom and 64.2% yoy, which showed the weak demand globally amid slow growth outlook.
- Domestic volume of steel coat recorded 14,341 tonnes (+1.3% mom, +152.1% yoy) and steel pipes volume posted 12,653 tonnes (+6.8% mom and +176.3% yoy).

### Weak demand dragged overall performance

- The 8M22 total sales volume came in at 630,060 tonnes, -9.3% yoy. In which, the steel coat volume declined 9.7% yoy to 524,314 tonnes and the steel pipes volume also decreased 7.1% yoy to 105,746 tonnes.
- The 8M22 total export volume (accounted for 61.5% of total sales; 387,809 tonnes) decreased by 10.8% yoy while the local sales volume (242,251 tonnes) declined by 6.8% yoy.

### Rating and recommendation

- We reaffirm HOLD rating given the worse-than-expected sector headwinds on selling prices, competitiveness, and margins. NKG is trading at 4.6x12MF PE and 0.8x 12MF PB.

	2020A	2021F	2022F	2023F	2024F
Sales (VND bn)	11,560	28,173	24,300	22,568	25,883
chg. (% YoY)	(5.1)	143.7	(13.7)	(7.1)	14.7
Operating profit (VND bn)	509	2,749	1,607	1,694	1,941
Net profit (VND bn)	295	2,225	1,255	1,340	1,414
EPS (VND)	1,547	10,059	4,756	5,081	5,362
chg. (% YoY)	539.7	550.4	(52.7)	6.8	5.5
EBITDA (VND bn)	886	3,128	1,991	2,138	2,446
PE (x)	15.0	2.3	4.9	4.6	4.3
EV/EBITDA (x)	7.5	2.5	4.1	3.6	3.3
PB (x)	1.3	0.9	0.9	0.8	0.7
ROE (%)	9.5	50.0	20.1	18.3	16.7
Dividend yield (%)	0.0	0.0	3.6	3.6	3.6

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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12M rating **HOLD**

12M TP

Up/Downside

### Stock Data

VNIndex (15 Sep, pt)	1,246
Stock price (15 Sep, VND)	23,200
Market cap (USD mn)	259
Shares outstanding (mn)	263
52-Week high/low (VND)	44,966/15,650
6M avg. daily turnover (USD mn)	10.77
Free float / Foreign ownership (%)	64.9/6.3
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

### Performance

	1M	6M	12M
Absolute (%)	6.7	(38.0)	(34.3)
Relative to VNIndex (%p)	8.9	(24.5)	(28.1)

### Stock price trend



Source: Bloomberg

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**Table 1. Sales volume growth**

(Tonnes)

	Monthly				Accumulated		
	Aug-21	Aug-22	MoM (%)	YoY (%)	8M21	8M22	YoY (%)
<b>Steel Pipes</b>	<b>4,580</b>	<b>12,653</b>	<b>6.8</b>	<b>176.3</b>	<b>113,885</b>	<b>105,746</b>	<b>(7.1)</b>
Export	0	0	N.A	N.A	244	0	(100.0)
Domestic	4,580	12,653	6.8	176.3	113,641	105,746	(6.9)
<b>Steel Coat</b>	<b>86,299</b>	<b>43,176</b>	<b>(3.6)</b>	<b>(50.0)</b>	<b>580,933</b>	<b>524,314</b>	<b>(9.7)</b>
Export	80,610	28,835	(5.9)	(64.2)	434,553	387,809	(10.8)
Domestic	5,689	14,341	1.3	152.1	146,380	136,505	(6.7)
<b>Total Steel Volume</b>	<b>90,879</b>	<b>55,829</b>	<b>(1.4)</b>	<b>(38.6)</b>	<b>694,818</b>	<b>630,060</b>	<b>(9.3)</b>
Export	80,610	28,835	(5.9)	(64.2)	434,797	387,809	(10.8)
Domestic	10,269	26,994	3.8	162.9	260,021	242,251	(6.8)

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

	Monthly				Accumulated		
	Aug-21	Aug-22	MoM (%)	YoY (%)	8M21	8M22	YoY (%)
<b>Steel Pipes</b>							
Production	1,219	13,967	(10.1)	1045.8	105,892	104,456	(1.4)
Inventories	2,246	0	N.A	N.A			
<b>Steel Coat</b>							
Production	95,909	44,818	(3.0)	(53.3)	652,353	539,930	(17.2)
Inventories	98,463	0	N.A	N.A			
<b>Total</b>							
Production	97,128	58,785	(4.8)	(39.5)	758,245	644,386	17.7
Inventories	100,709						

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.	2020F	2021A	2022F	2023F	2024F
Current assets	4,492	12,216	12,422	12,074	12,662
Cash & cash equivalents	589	1,199	2,060	2,662	2,172
Accounts & other receivables	1,438	1,902	2,350	2,183	2,432
Inventory	2,371	8,281	7,575	6,801	7,488
Non-current assets	3,271	3,182	2,993	4,075	5,101
Fixed assets	3,127	2,771	2,536	3,591	4,586
Investment assets	82	184	184	184	184
Others	154	1,061	710	729	899
<b>Total assets</b>	<b>7,763</b>	<b>15,398</b>	<b>15,415</b>	<b>16,149</b>	<b>17,763</b>
Advances from customers	346	583	243	226	259
Unearned revenue	0	0	0	0	0
Trade payables	1,070	4,879	3,847	3,373	3,744
Others	164	393	403	413	423
ST debt & due bonds	2,520	3,773	4,073	4,073	4,073
LT debt & bonds	482	47	97	197	207
<b>Total liabilities</b>	<b>4,582</b>	<b>9,675</b>	<b>8,663</b>	<b>8,282</b>	<b>8,706</b>
Controlling interest	3,181	5,723	6,753	7,868	9,057
Capital stock	1,820	2,184	2,622	2,622	2,622
Capital surplus	766	786	786	786	786
Other reserves	97	117	119	120	121
Retained earnings	576	2,636	3,227	4,341	5,528
Minority interest	0	0	0	0	0
<b>Shareholders' equity</b>	<b>3,181</b>	<b>5,723</b>	<b>6,753</b>	<b>7,868</b>	<b>9,057</b>

**Income statement**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	11,560	28,173	24,300	22,568	25,883
COGS	10,691	23,904	21,600	19,859	22,777
Gross profit	869	4,270	2,700	2,709	3,106
SG&A expense	360	1,521	1,094	1,016	1,165
Operating profit	509	2,749	1,607	1,694	1,941
Financial income	89	199	170	158	181
Interest income	27	15	19	20	31
Financial expense	281	398	340	316	362
Interest expense	222	244	334	342	385
Other non-operating profit	4	11	7	7	8
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	321	2,562	1,444	1,542	1,768
Income taxes	26	337	189	202	354
Net profit	295	2,225	1,255	1,340	1,414
Net profit of controlling interest	295	2,225	1,255	1,340	1,414
EBITDA	886	3,128	1,991	2,138	2,446

**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	16	(308)	860	2,201	1,188
Net profit	295	2,225	1,255	1,340	1,414
Dep'n & Amort'n	376	379	385	445	505
Net incr. in W/C	(655)	(2,912)	(780)	416	(731)
C/F from investing	346	(309)	(154)	(1,504)	(1,494)
Capex	(54)	(145)	(150)	(1,500)	(1,500)
Incr. in investment	400	(164)	(4)	(4)	6
C/F from financing	(218.2)	1,150.0	131.6	(118.4)	(208.4)
Incr. in equity	(78)	334	0	0	0
Incr. in debt	(67)	862	350	100	10
Dividends	0	0	(218)	(218)	(218)
C/F from others	0	(1)	0	0	0
<b>Increase in cash</b>	<b>143</b>	<b>533</b>	<b>838</b>	<b>578</b>	<b>(514)</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (VND)					
EPS	1,547	10,059	4,756	5,081	5,362
BPS	17,478	26,205	25,756	30,009	34,543
DPS	0	0	833	833	833
Growth (%)					
Sales growth	(5.1)	143.7	(13.7)	(7.1)	14.7
OP growth	709.7	439.8	(41.6)	5.4	14.6
NP growth	524.3	653.6	(43.6)	6.8	5.5
EPS growth	539.7	550.4	(52.7)	6.8	5.5
EBITDA growth	75.4	253.0	(36.3)	7.4	14.4
Profitability (%)					
OP margin	4.4	9.8	6.6	7.5	7.5
NP margin	2.6	7.9	5.2	5.9	5.5
EBITDA margin	7.7	11.1	8.2	9.5	9.5
ROA	3.7	19.2	8.1	8.5	8.3
ROE	9.5	50.0	20.1	18.3	16.7
Dividend yield	0.0	0.0	3.6	3.6	3.6
Dividend payout ratio	0.0	0.0	17.5	16.4	15.5
Stability					
Net debt (VND bn)	2,414	2,621	2,110	1,608	2,107
Int.-bearing debt/equity (%)	80.0	50.0	30.0	20.0	20.0
Valuation (X)					
PE	15.0	2.3	4.9	4.6	4.3
PB	1.3	0.9	0.9	0.8	0.7
EV/EBITDA	7.5	2.5	4.1	3.6	3.3

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