

11 Oct 2022

Nam Kim Steel JSC (NKG)

September 2022 – Better domestic sales

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

Better domestic sales in Sep

- Total Sep steel sales volume posted 62,454 tonnes, climbing by 11.9% mom but falling by 39.2% yoy.
- Steel coat volume made up 69.1% of the Sep total sales volume at 43,159 tonnes, flattish mom but -55.5% yoy.
- The coated steel export volume (23,067 tonnes) stumbled 20.0% mom and 71.9% yoy, implying a tepid global demand.
- Domestic volume of steel coat revived with 40.1% mom, +36.8% yoy (20,092 tonnes), and steel pipes volume grew with +52.5% mom and +227.4% yoy (19,295 tonnes).

Sluggish 9M22 performance amid a weak demand

- The 9M22 total sales volume came in at 692,514 tonnes, -13.2% yoy. In which, the steel coat volume declined 16.3% yoy to 567,473 tonnes and the steel pipes volume inched by 4.4% yoy to 125,041 tonnes.
- The 9M22 total export volume (accounted for 59.3% of total sales; 410,876 tonnes) decreased by 20.5% yoy while the local sales volume (281,638 tonnes) edged by 0.4% yoy.

Rating and recommendation

- We reiterate HOLD rating as we have yet seen light at the end of tunnel. Dimming outlook as we examined [in the in-depth flat steel report](#) has reinforced our recommendation.

| | 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) | 10.4 | 1.6 | 3.4 | 3.2 | 3.0 |
| EV/EBITDA (x) | 6.0 | 2.0 | 3.2 | 2.7 | 2.6 |
| PB (x) | 0.9 | 0.6 | 0.6 | 0.5 | 0.5 |
| ROE (%) | 9.5 | 50.0 | 20.1 | 18.3 | 16.7 |
| Dividend yield (%) | 0.0 | 0.0 | 5.2 | 5.2 | 5.2 |

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

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12M rating **HOLD (Maintain)**

12M TP

Up/Downside

Stock Data

| | |
|------------------------------------|---------------|
| VNIndex (11 Oct, pt) | 1,006 |
| Stock price (11 Oct, VND) | 16,150 |
| Market cap (USD mn) | 178 |
| Shares outstanding (mn) | 263 |
| 52-Week high/low (VND) | 44,966/15,100 |
| 6M avg. daily turnover (USD mn) | 8.92 |
| 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 (%) | (29.8) | (55.3) | (58.9) |
| Relative to VNIndex (%p) | (10.4) | (23.9) | (32.1) |

Stock price trend



Source: Bloomberg

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Table 1. Sales volume growth

(Tonnes)

| | Monthly | | | | Accumulated | | |
|---------------------------|----------------|---------------|--------------|---------------|----------------|----------------|---------------|
| | Sept-21 | Sept-22 | MoM (%) | YoY (%) | 9M21 | 9M22 | YoY (%) |
| Steel Pipes | 5,894 | 19,295 | 52.5 | 227.4 | 119,779 | 125,041 | 4.4 |
| Export | 0 | 0 | N.A | N.A | 244 | 0 | (100.0) |
| Domestic | 5,894 | 19,295 | 52.5 | 227.4 | 119,535 | 125,041 | 4.6 |
| Steel Coat | 96,902 | 43,159 | (0.0) | (55.5) | 677,835 | 567,473 | (16.3) |
| Export | 82,218 | 23,067 | (20.0) | (71.9) | 516,771 | 410,876 | (20.5) |
| Domestic | 14,684 | 20,092 | 40.1 | 36.8 | 161,064 | 156,597 | (2.8) |
| Total Steel Volume | 102,796 | 62,454 | 11.9 | (39.2) | 797,614 | 692,514 | (13.2) |
| Export | 82,218 | 23,067 | (20.0) | (71.9) | 517,015 | 410,876 | (20.5) |
| Domestic | 20,578 | 39,387 | 45.9 | 91.4 | 280,599 | 281,638 | 0.4 |

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

| | Monthly | | | | Accumulated | | |
|--------------------|---------|---------|---------|---------|-------------|---------|---------|
| | Sept-21 | Sept-22 | MoM (%) | YoY (%) | 9M21 | 9M22 | YoY (%) |
| Steel Pipes | | | | | | | |
| Production | 5,893 | 17,080 | 22.3 | 189.8 | 111,785 | 121,536 | 8.7 |
| Inventories | 2,245 | N.A | N.A | N.A | | | |
| Steel Coat | | | | | | | |
| Production | 102,788 | 45,328 | 1.1 | (55.9) | 755,141 | 585,258 | (22.5) |
| Inventories | 104,349 | N.A | N.A | N.A | | | |
| Total | | | | | | | |
| Production | 108,681 | 62,408 | 6.2 | (42.6) | 866,926 | 706,794 | 22.7 |
| Inventories | 106,594 | | | | | | |

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 |
| Total assets | 7,763 | 15,398 | 15,415 | 16,149 | 17,763 |
| 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 |
| Total liabilities | 4,582 | 9,675 | 8,663 | 8,282 | 8,706 |
| 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 |
| Shareholders' equity | 3,181 | 5,723 | 6,753 | 7,868 | 9,057 |

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 |
| Increase in cash | 143 | 533 | 838 | 578 | (514) |

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 | 5.2 | 5.2 | 5.2 |
| 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 | 10.4 | 1.6 | 3.4 | 3.2 | 3.0 |
| PB | 0.9 | 0.6 | 0.6 | 0.5 | 0.5 |
| EV/EBITDA | 6.0 | 2.0 | 3.2 | 2.7 | 2.6 |

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