

17 Nov 2022

Nam Kim Steel JSC (NKG)

Oct 2022 – Sales volume slumped

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

Sales volume slumped

- Total Oct steel sales volume posted 50,335 tonnes, falling by 53.6% yoy, 19.4% mom.
- Steel coat volume made up 78.7% of the Oct total sales volume at 39,637 tonnes, -58.1% yoy, -8.2% mom.
- The coated steel export volume (26,475 tonnes) stumbled 64.0% yoy but increased by 14.8% mom.
- Domestic volume of steel coat slumped with 34.5% mom, 37.2% yoy (13,162 tonnes), and steel pipes volume dropped by 44.6% mom and 23.2% yoy (10,698 tonnes).

Sluggish 10M22 performance amid a weak demand

- The 10M22 total sales volume came in at 742,849 tonnes, -18.0% yoy. In which, the steel coat volume declined 21.4% yoy to 607,110 tonnes and the steel pipes volume inched by 1.5% yoy to 135,739 tonnes.
- The 10M22 total export volume (accounted for 58.8% of total sales; 437,351 tonnes) decreased by 25.9% yoy while the local sales volume (305,498 tonnes) decreased by 3.2% 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)	5.5	0.8	1.8	1.7	1.6
EV/EBITDA (x)	4.4	1.4	2.2	1.8	1.8
PB (x)	0.5	0.3	0.3	0.3	0.2
ROE (%)	9.5	50.0	20.1	18.3	16.7
Dividend yield (%)	0.0	0.0	9.8	9.8	9.8

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

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12M rating **HOLD (Maintain)**

12M TP **N.A**

Up/Downside **N.A**

Stock Data

VNIndex (17 Nov, pt)	969
Stock price (17 Nov, VND)	8,460
Market cap (USD mn)	90
Shares outstanding (mn)	263
52-Week high/low (VND)	41,668/7,400
6M avg. daily turnover (USD mn)	8.03
Free float / Foreign ownership (%)	64.9/10.5
Major shareholders (%)	
Ho Minh Quang	15.4
Vo Hoang Vu	12.5

Performance

	1M	6M	12M
Absolute (%)	(51.7)	(61.7)	(77.3)
Relative to VNIndex (%p)	(43.9)	(41.5)	(44.0)

Stock price trend



Source: Bloomberg

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Oct-21	Oct-22	MoM (%)	YoY (%)	10M21	10M22	YoY (%)
Steel Pipes	13,932	10,698	(44.6)	(23.2)	133,711	135,739	1.5
Export	0	0	N.A	N.A	244	0	(100.0)
Domestic	13,932	10,698	(44.6)	(23.2)	133,467	135,739	1.7
Steel Coat	94,520	39,637	(8.2)	(58.1)	772,355	607,110	(21.4)
Export	73,545	26,475	14.8	(64.0)	590,316	437,351	(25.9)
Domestic	20,975	13,162	(34.5)	(37.2)	182,039	169,759	(6.7)
Total Steel Volume	108,452	50,335	(19.4)	(53.6)	906,066	742,849	(18.0)
Export	73,545	26,475	14.8	(64.0)	590,560	437,351	(25.9)
Domestic	34,907	23,860	(39.4)	(31.6)	315,506	305,498	(3.2)

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Oct-21	Oct-22	MoM (%)	YoY (%)	10M21	10M22	YoY (%)
Steel Pipes							
Production	17,485	12,530	(26.6)	(28.3)	129,270	134,066	3.7
Inventories	0	0	N.A	N.A			
Steel Coat							
Production	88,679	38,770	(14.5)	(56.3)	843,820	624,028	(26.0)
Inventories	0	0	N.A	N.A			
Total							
Production	106,164	51,300	(17.8)	(51.7)	973,090	758,094	28.4
Inventories							

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	9.8	9.8	9.8
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	5.5	0.8	1.8	1.7	1.6
PB	0.5	0.3	0.3	0.3	0.2
EV/EBITDA	4.4	1.4	2.2	1.8	1.8

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