

16 Feb 2023

Nam Kim Steel (NKG)

Jan 2023 – Sales volume fell

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

Sales volume decreased amid long Tet holiday

- Total Jan steel sales volume posted 43,370 tonnes, falling by 34.6% mom and 53.8% yoy.
- Steel coat volume made up 76.6% of the Jan total sales volume at 33,238 tonnes, -59.6% yoy, -28.8% mom.
- The coated steel export volume (20,513 tonnes) stumbled 69.7% yoy and decreased by 25.6% mom.
- Domestic volume of steel coat fell by 12.9% yoy, 33.4% mom (12,725 tonnes), and steel pipes volume decreased by 48.4% mom and 12.5% yoy (10,132 tonnes).

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. Earnings are under review.

12M rating **HOLD (Maintain)**

12M TP **NA**

Up/Downside **NA**

Stock Data

VNIndex (17 Feb, pt)	1,058
Stock price (17 Feb, VND)	15,050
Market cap (USD mn)	168
Shares outstanding (mn)	263
52-Week high/low (VND)	41,668/7,400
6M avg. daily turnover (USD mn)	7.16
Free float / Foreign ownership (%)	64.5/8.5
Major shareholders (%)	
Ho Minh Quang	15.4

Performance

	1M	6M	12M
Absolute (%)	3.8	(32.2)	(52.7)
Relative to VNIndex (%p)	4.5	(15.8)	(24.7)

Stock price trend



Source: Bloomberg

	2020A	2021F	2022F	2023F	2024F
Sales (VND bn)	11,560	28,173	22,358	12,880	16,396
chg. (% YoY)	(5.1)	143.7	(20.6)	(42.4)	27.3
Operating profit (VND bn)	509	2,749	528	426	683
Net profit (VND bn)	295	2,225	275	295	511
EPS (VND)	1,547	10,059	1,044	1,120	1,937
chg. (% YoY)	539.7	550.4	(89.6)	7.3	73.0
EBITDA (VND bn)	886	3,128	913	871	1,168
PE (x)	9.7	1.5	14.4	13.4	7.8
EV/EBITDA (x)	5.8	1.9	7.2	6.3	5.6
PB (x)	0.9	0.6	0.7	0.7	0.6
ROE (%)	9.5	50.0	4.8	5.1	8.5
Dividend yield (%)	0.0	0.0	5.5	5.5	5.5

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

Analysts who prepared this report are registered as research analysts in Vietnam but not in any other jurisdiction, including the U.S. PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS AT THE END OF THIS REPORT.

Research Department

researchdept@kisvn.vn

Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Jan-22	Jan-23	MoM (%)	YoY (%)	1M22	1M23	YoY (%)
Steel Pipes	11,576	10,132	(48.4)	(12.5)	11,576	10,132	(12.5)
Export	0	0	NA	NA	0	0	NA
Domestic	11,576	10,132	(48.4)	(12.5)	11,576	10,132	(12.5)
Steel Coat	82,346	33,238	(28.8)	(59.6)	82,346	33,238	(59.6)
Export	67,731	20,513	(25.6)	(69.7)	67,731	20,513	(69.7)
Domestic	14,615	12,725	(33.4)	(12.9)	14,615	12,725	(12.9)
Total Steel Volume	93,922	43,370	(34.6)	(53.8)	93,922	43,370	(53.8)
Export	67,731	20,513	(25.6)	(69.7)	67,731	20,513	(69.7)
Domestic	26,191	22,857	(41.0)	(12.7)	26,191	22,857	(12.7)

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Jan-22	Jan-23	MoM (%)	YoY (%)	1M22	1M23	YoY (%)
Steel Pipes							
Production	11,574	9,144	(50.6)	(21.0)	11,574	9,144	(21.0)
Inventories	0	0	NA	NA			
Steel Coat							
Production	82,127	31,583	(37.1)	(61.5)	82,127	31,583	(61.5)
Inventories	0	0	NA	NA			
Total							
Production	93,701	40,727	(40.8)	(56.5)	93,701	40,727	130.1
Inventories	0						

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	10,996	6,930	7,576
Cash & cash equivalents	589	1,199	1,304	1,263	665
Accounts & other receivables	1,438	1,902	2,162	1,352	1,631
Inventory	2,371	8,281	7,127	4,071	4,919
Non-current assets	3,271	3,182	2,993	4,075	4,621
Fixed assets	3,127	2,771	2,536	3,591	4,106
Investment assets	82	184	184	184	184
Others	154	1,061	675	545	691
Total assets	7,763	15,398	13,989	11,005	12,196
Advances from customers	346	583	224	129	164
Unearned revenue	0	0	0	0	0
Trade payables	1,070	4,879	3,619	1,850	2,200
Others	164	393	398	403	409
ST debt & due bonds	2,520	3,773	3,873	2,573	3,073
LT debt & bonds	482	47	97	197	207
Total liabilities	4,582	9,675	8,211	5,152	6,053
Controlling interest	3,181	5,723	5,779	5,854	6,144
Capital stock	1,820	2,184	2,622	2,622	2,622
Capital surplus	766	786	786	786	786
Other reserves	97	117	118	118	118
Retained earnings	576	2,636	2,254	2,329	2,618
Minority interest	0	0	0	0	0
Shareholders' equity	3,181	5,723	5,779	5,854	6,144

Income statement

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	11,560	28,173	22,358	12,880	16,396
COGS	10,691	23,904	20,323	11,256	14,598
Gross profit	869	4,270	2,035	1,624	1,798
SG&A expense	360	1,521	1,507	1,198	1,115
Operating profit	509	2,749	528	426	683
Financial income	89	199	335	258	246
Interest income	27	15	28	25	21
Financial expense	281	398	528	348	295
Interest expense	222	244	318	208	230
Other non-operating profit	4	11	0	4	5
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	321	2,562	336	340	639
Income taxes	26	337	61	45	128
Net profit	295	2,225	275	295	511
Net profit of controlling interest	295	2,225	275	295	511
EBITDA	886	3,128	913	871	1,168

Cash flow

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	16	(308)	295	2,853	90
Net profit	295	2,225	275	295	511
Dep'n & Amort'n	376	379	385	445	485
Net incr. in W/C	(655)	(2,912)	(365)	2,113	(906)
C/F from investing	346	(309)	(144)	(1,499)	(1,004)
Capex	(54)	(145)	(150)	(1,500)	(1,000)
Incr. in investment	400	(164)	6	1	(4)
C/F from financing	(218.2)	1,150.0	(68.4)	(1,418.4)	291.6
Incr. in equity	(78)	334	0	0	0
Incr. in debt	(67)	862	150	(1,200)	510
Dividends	0	0	(218)	(218)	(218)
C/F from others	0	(1)	0	0	0
Increase in cash	143	533	83	(65)	(622)

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (VND)					
EPS	1,547	10,059	1,044	1,120	1,937
BPS	17,478	26,205	22,040	22,328	23,434
DPS	0	0	833	833	833
Growth (%)					
Sales growth	(5.1)	143.7	(20.6)	(42.4)	27.3
OP growth	709.7	439.8	(80.8)	(19.3)	60.3
NP growth	524.3	653.6	(87.6)	7.3	73.0
EPS growth	539.7	550.4	(89.6)	7.3	73.0
EBITDA growth	75.4	253.0	(70.8)	(4.6)	34.1
Profitability (%)					
OP margin	4.4	9.8	2.4	3.3	4.2
NP margin	2.6	7.9	1.2	2.3	3.1
EBITDA margin	7.7	11.1	4.1	6.8	7.1
ROA	3.7	19.2	1.9	2.4	4.4
ROE	9.5	50.0	4.8	5.1	8.5
Dividend yield	0.0	0.0	5.5	5.5	5.5
Dividend payout ratio	0.0	0.0	79.8	74.4	43.0
Stability					
Net debt (VND bn)	2,414	2,621	2,666	1,507	2,614
Int.-bearing debt/equity (%)	80.0	50.0	50.0	30.0	40.0
Valuation (X)					
PE	9.7	1.5	14.4	13.4	7.8
PB	0.9	0.6	0.7	0.7	0.6
EV/EBITDA	5.8	1.9	7.2	6.3	5.6

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 16 Feb 2023.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 16 Feb 2023.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Nam Kim Steel (NKG) and is the liquidity provider.

Prepared by: Research Department

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2023 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..