

14 Mar 2023

# Nam Kim Steel (NKG)

## Feb 2023 – Sales volume recovered

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

### Sales volume signaled a m-o-m recover in Feb

- Total Feb steel sales volume posted 67,738 tonnes, increasing by 56.2% mom and 9.7% yoy.
- Steel coat volume made up 76.8% of the Feb total sales volume at 52,047 tonnes, +12.3% yoy, +56.6% mom.
- The coated steel export volume (33,824 tonnes) significantly spiked 30.9% yoy and 64.9% mom.
- Domestic volume of steel coat slightly dropped by 11.2% yoy but +43.2% mom (18,223 tonnes), and steel pipes volume rose by 54.9% mom and 2.0% yoy (15,691 tonnes).

### 2M23 total sales volume dropped due to 2022 high-base

- The 2M23 total sales volume came in at 111,108 tonnes, -28.6% yoy. In which, the steel coat volume declined 33.7% yoy to 85,285 tonnes and the steel pipes volume was down by 4.2% yoy to 25,823 tonnes.
- The 2M23 total export volume (accounted for 48.9% of total sales; 54,337 tonnes) decreased by 41.9% yoy while the local sales volume (56,771 tonnes) decreased by 8.6% 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. Earnings are under review.

	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)	10.0	1.5	14.8	13.8	8.0
EV/EBITDA (x)	5.9	1.9	7.3	6.4	5.7
PB (x)	0.9	0.6	0.7	0.7	0.7
ROE (%)	9.5	50.0	4.8	5.1	8.5
Dividend yield (%)	0.0	0.0	5.4	5.4	5.4

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

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12M rating **HOLD (Maintain)**

12M TP **NA**

Up/Downside **NA**

### Stock Data

VNIndex (14 Mar, pt)	1,040
Stock price (14 Mar, VND)	15,450
Market cap (USD mn)	172
Shares outstanding (mn)	263
52-Week high/low (VND)	41,668/7,400
6M avg. daily turnover (USD mn)	6.42
Free float / Foreign ownership (%)	64.5/12.1
Major shareholders (%)	
Ho Minh Quang	15.4

### Performance

	2M	6M	12M
Absolute (%)	12.0 (34.7)	(58.9)	
Relative to VNIndex (%p)	11.7 (19.1)	(32.0)	

### Stock price trend



Source: Bloomberg

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**Table 1. Sales volume growth**

(Tonnes)

	Monthly				Accumulated		
	Feb-22	Feb-23	MoM (%)	YoY (%)	2M22	2M23	YoY (%)
<b>Steel Pipes</b>	<b>15,380</b>	<b>15,691</b>	<b>54.9</b>	<b>2.0</b>	<b>26,956</b>	<b>25,823</b>	<b>(4.2)</b>
Export	0	0	NA	NA	0	0	NA
Domestic	15,380	15,691	54.9	2.0	26,956	25,823	(4.2)
<b>Steel Coat</b>	<b>46,365</b>	<b>52,047</b>	<b>56.6</b>	<b>12.3</b>	<b>128,711</b>	<b>85,285</b>	<b>(33.7)</b>
Export	25,841	33,824	64.9	30.9	93,572	54,337	(41.9)
Domestic	20,524	18,223	43.2	(11.2)	35,139	30,948	(11.9)
<b>Total Steel Volume</b>	<b>61,745</b>	<b>67,738</b>	<b>56.2</b>	<b>9.7</b>	<b>155,667</b>	<b>111,108</b>	<b>(28.6)</b>
Export	25,841	33,824	64.9	30.9	93,572	54,337	(41.9)
Domestic	35,904	33,914	48.4	(5.5)	62,095	56,771	(8.6)

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

	Monthly				Accumulated		
	Feb-22	Feb-23	MoM (%)	YoY (%)	2M22	2M23	YoY (%)
<b>Steel Pipes</b>							
Production	13,010	15,630	70.9	20.1	24,584	24,774	0.8
Inventories	0	0	NA	NA			
<b>Steel Coat</b>							
Production	57,240	52,608	66.6	(8.1)	139,367	84,191	(39.6)
Inventories	0	0	NA	NA			
<b>Total</b>							
Production	70,250	68,238	67.5	(2.9)	163,951	108,965	50.5
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
<b>Total assets</b>	<b>7,763</b>	<b>15,398</b>	<b>13,989</b>	<b>11,005</b>	<b>12,196</b>
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
<b>Total liabilities</b>	<b>4,582</b>	<b>9,675</b>	<b>8,211</b>	<b>5,152</b>	<b>6,053</b>
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
<b>Shareholders' equity</b>	<b>3,181</b>	<b>5,723</b>	<b>5,779</b>	<b>5,854</b>	<b>6,144</b>

**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
<b>Increase in cash</b>	<b>143</b>	<b>533</b>	<b>83</b>	<b>(65)</b>	<b>(622)</b>

**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	5.4	5.4	5.4
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	10.0	1.5	14.8	13.8	8.0
PB	0.9	0.6	0.7	0.7	0.7
EV/EBITDA	5.9	1.9	7.3	6.4	5.7

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