

28 Jul 2023

## Nam Kim Steel (NKG)

### 2Q23 Performance turned around

- Bottom line was back to positive
- Maintain HOLD rating

#### Facts: 2Q23 performance turned around

NKG' revenue decreased 23.6 % yoy to VND5,499.9bn in 2Q23 driven mainly by the weak global and domestic demand. In which, the total export volume in 2Q23 dropped to 155,858 tonnes, -10.0% yoy, +49.2% qoq. The 2Q23 NPAT posted at VND125.4bn (-37.8% yoy). Besides, selling expenses increased significantly to VND213.6bn from VND82.6bn in 1Q23 (+58.5% qoq, -60.0% yoy).

The gross margin improved from 3.1% in 1Q23 to 9.0% in 2Q23. The improvement was, in our opinion, caused by the divergence in regional selling prices.

#### Pros & cons: Off-peak season in 3Q23

Weak demand continues to be our main concern in 3Q23 (4QFY23) due to the rainy season in Vietnam. However, the El-Nino somehow may increase the number of dry days, which may slightly support sales volume in 3Q23. Besides, the positive signals from China market would support HRC price in 2H23.

#### Action: Maintain HOLD rating

As the outlook for global steel demand is still dark, we maintain HOLD rating on NKG stock. The earnings is under review.

Below	In line	Above
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

#### Stock data

VNIndex (28 Jul, pt)	1,208
Stock price (28 Jul, VND)	19,800
Market cap (USD mn)	220
Shares outstanding (mn)	263
52-Week high/low (VND)	23,650/7,400
6M avg. daily turnover (USD mn)	6.77
Free float / Foreign ownership (%)	64.5/10.7
Major shareholders (%)	
Ho Minh Quang	15.4

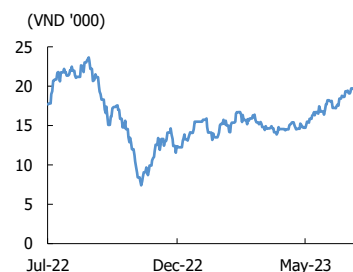
#### Valuation

	2020A	2021A	2022A
PE (x)	9.4	1.4	-30.9
PB (x)	0.8	0.6	0.7
ROE (%)	9.5	50.0	-2.3
DY (%)	0.0	0.0	5.7
EV/EBITDA (x)	5.7	1.9	16.1
EPS (VND)	1,547	10,059	(471)
BPS (VND)	17,478	26,205	20,204

#### Performance

	1M	6M	12M
Absolute (%)	9.1	25.7	11.9
Relative to VNIndex (%p)	2.9	16.8	10.5

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 2Q23 earnings**

(VND bn, %, %p)

	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	Consensus
Sales	7,196.0	4,424.0	4,299.8	4,374.7	5,499.9	25.7	(23.6)	N/A
OP	288.2	(428.5)	(346.2)	20.5	242.1	1081.0	(16.0)	N/A
OP margin	4.0	(9.7)	(8.1)	0.5	4.4	3.9	0.4	N/A
EBT	239.6	(476.0)	(400.3)	(49.5)	166.6	(436.6)	(30.5)	N/A
NP	201.5	(418.7)	(356.3)	(49.3)	125.4	-	(37.8)	N/A

Source: Company data, KIS

### ■ Company overview

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.

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Prepared by: Research Dept

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