

30 Oct 2023

## Nam Kim Steel (NKG)

### 3Q23 Costly input constrained gross profit

- Gross margin reduced by halve
- Maintain HOLD rating

#### Facts: 3Q23 Gross margin reduced by halve

NKG's revenue inched down 3.7% yoy and slid 22.5% qoq to VND4,262bn in 3Q23 due to the weak demand. In which, the total export volume ballooned 52.6% yoy to 125,909 tonnes, but dropped by 19.2% qoq in 3Q23. The 3Q23 NPAT posted a VND23.6bn (-81.1% qoq), an improvement over the 3Q22's loss of VND418.7bn.

2Q23's gross margin of 9% halved to 4.8% in 3Q23. Though selling expenses lessened to VND137.5bn from VND213.7bn in 2Q23 (-35.3% yoy, -35.6% qoq), operating margin went down to 0.8% (-3.6% qoq).

#### Pros & cons: Gross margin could reduce further

In 4Q23, we expect domestic sales could improve qoq and yoy, with the end of the rainy season when the demand from the construction industry could revive. The El-Nino could increase the number of dry days, which may slightly shore up sales volume in 4Q23. The return of construction activities in China fosters the export growth in 4Q23F, in our view. Despite the optimistic sales growth, we expect a narrower gross margin on qoq in 4Q23 in light of costlier input material starting in October,

#### 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**

12M TP

Up/Downside

#### Stock data

VNIndex (30 Oct, pt)	1,042
Stock price (30 Oct, VND)	18,000
Market cap (USD mn)	193
Shares outstanding (mn)	263
52-Week high/low (VND)	22,850/7,400
6M avg. daily turnover (USD mn)	7.52
Free float / Foreign ownership (%)	64.5/9.6
Major shareholders (%)	
Ho Minh Quang	15.4

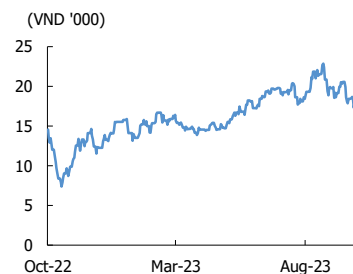
#### Valuation

	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 (%)	(8.9)	23.7	23.7
Relative to VNIndex (%p)	0.8	23.3	20.5

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 3Q23 earnings**

(VND bn, %, %p)

	3Q22	4Q22	1Q23	2Q23	3Q23	QoQ	YoY	Consensus
Sales	4,424.0	4,299.8	4,374.7	5,500.0	4,262.1	(22.5)	(3.7)	N/A
OP	(428.5)	(346.2)	20.6	242.0	35.3	(85.4)	NM	N/A
OP margin	(9.7)	(8.1)	0.5	4.4	0.8	(3.6)	NM	N/A
EBT	(476.0)	(400.3)	(49.5)	166.7	29.8	(82.1)	NM	N/A
NP	(418.7)	(356.3)	(49.3)	125.4	23.7	(81.1)	NM	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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