Shinhan Securities

Impact Assessment

China's policy towards domestic steel market



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The steel industry is struggling due to falling demand and falling steel prices.

2. Policies affecting Chinese steel

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China's policies have contributed to reducing the amount of steel exported to Vietnam.

4. Steel Businesses Outlook 2024-2025

China Steel Market

01

Crude Steel Output in Key Markets 8M/2024

Demand Does Not “Keep Up” with Domestic Supply

High Exports Cause Anti-Dumping Tariff Wave

Input Costs Stay Low but “Difficult to Reduce Further”

Output Steel Prices Expected To Bottom Out

Short-term Momentum Comes from the Automotive Industry

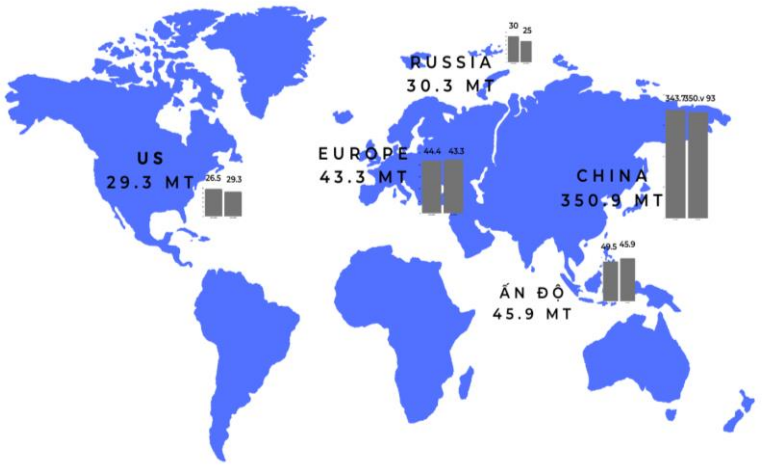
1. China Steel Market

Crude steel output in key markets in the first 8 months of 2024

China is the world's largest steel producer and consumer, accounting for 50% of global output. In the second quarter of 2024, the overall situation of China's real estate industry remained unfavorable, causing crude steel output to continue to decline.

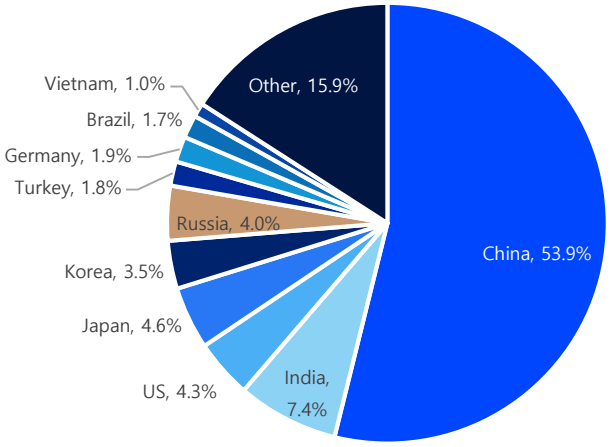
In the first 8 months of 2024, the world's crude steel output of 71 countries reached 1,251 million tons (-1.5% YoY). Of which, China's production output reached 691.4 million tons (-3.3% YoY).

Steel output in key countries 8M2024 (YoY)



Source: World Steel Associate Shinhan Securities Vietnam

Steel production by region 8M2024

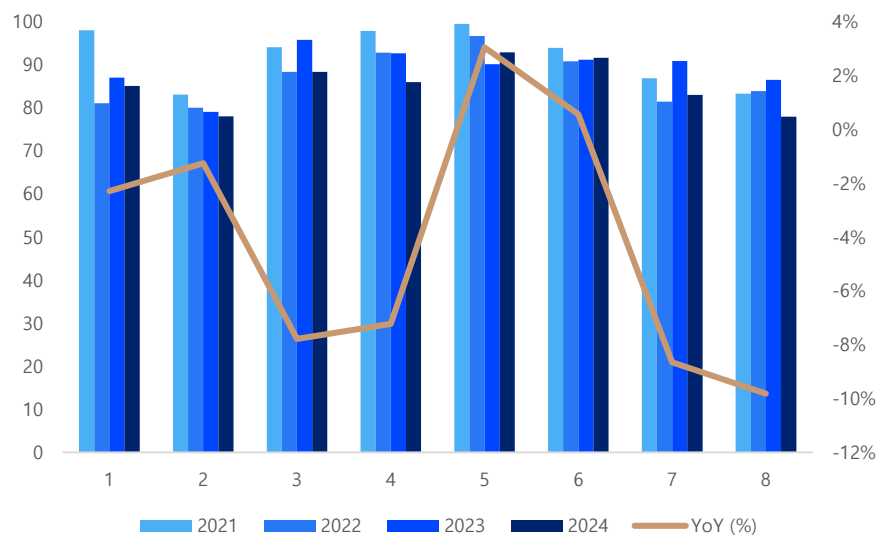


Source: World Steel Associate, Shinhan Securities Vietnam

1. China Steel Market

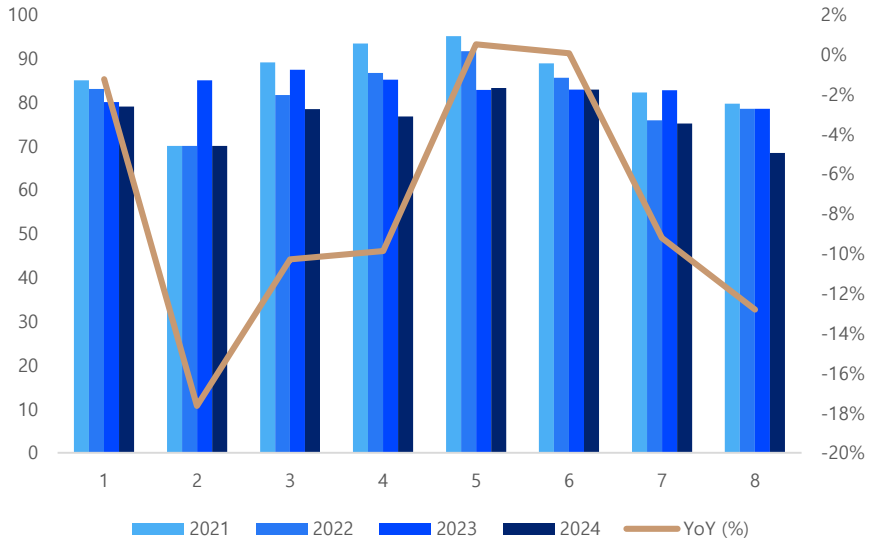
Demand does not "match" domestic supply

China's crude steel production (million tonnes)



Source: Bloomberg, Shinhan Securities Vietnam

China's steel consumption (million tonnes)



Source: Bloomberg, Shinhan Securities Vietnam

China's steel supply declines but remains higher than domestic demand

Although steel production continues to decline compared to 2023, China's steel supply remains higher than domestic demand as the real estate market has yet to show signs of improvement. The sharp weakening of steel demand and the imbalance between supply and demand are the main reasons for the sharp decline in Chinese steel prices in 2024.

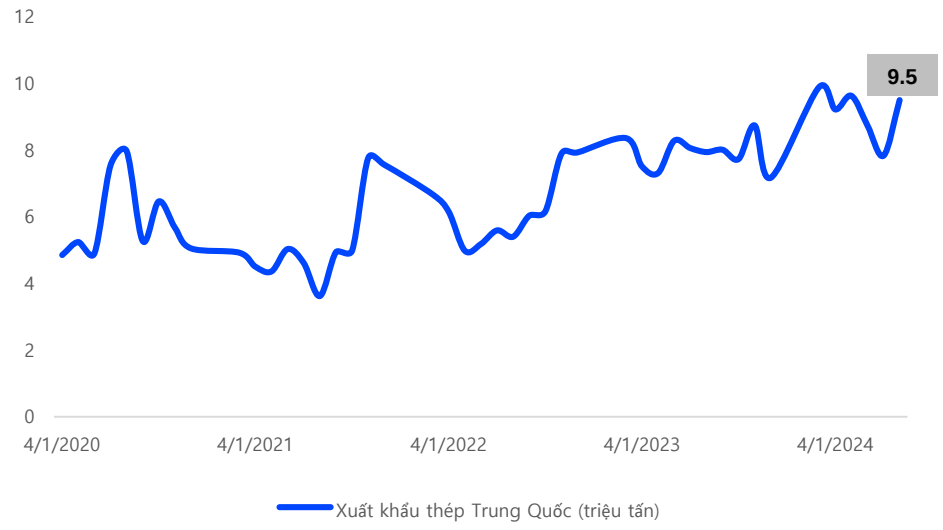
1. China Steel Market

"Struggling" to find foreign consumption sources

In the context of weakening domestic steel consumption, Chinese steelmakers have to boost exports, especially in the difficult period of the steel market (2021-2024). In the first 8 months of 2024, China exported 9.5 million tons of steel (+19.6% YoY), concentrated in the following markets: Middle East (9.5%), Vietnam (9.3%), South Korea (7.8%), etc.

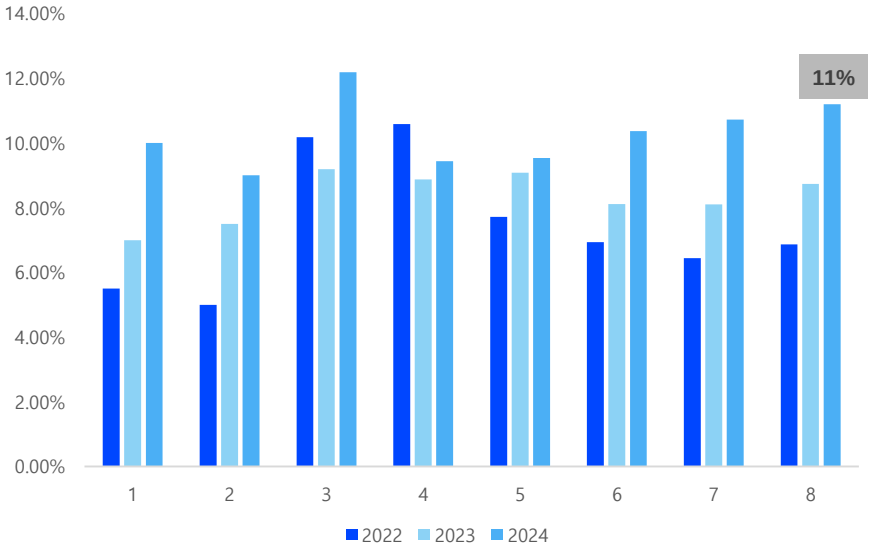
The massive export has led to a wave of anti-dumping duties (CBPG) on steel products originating from China being initiated in many countries. Specifically, in the first 6 months of 2024 alone, China received 12 trade defense lawsuits targeting steel exports, more than the total number of cases in the previous 3 years combined.

China's steel export output (million tons)



Source: Bloomberg, Shinhan Securities Vietnam

Steel Export Share to Total Output (%)



Source: Bloomberg, Shinhan Securities Vietnam

1. China Steel Market

Input costs remain low but "difficult to reduce further"

Coking coal prices are at a four-year low due to weak demand. However, we believe that coking coal prices are **unlikely to fall too much** because:

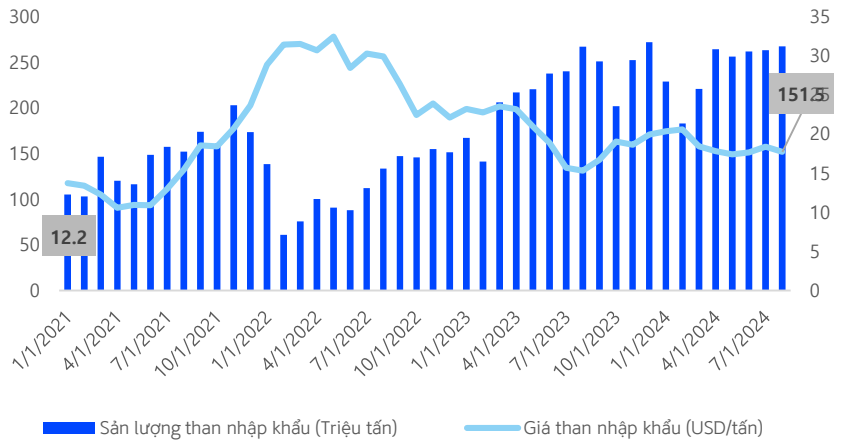
(1) Coal prices are currently at par with mining and transportation costs;

(2) Coal demand may increase as winter approaches;

(3) Coal supply may decline due to the impact of La Nina returning from September 2024.

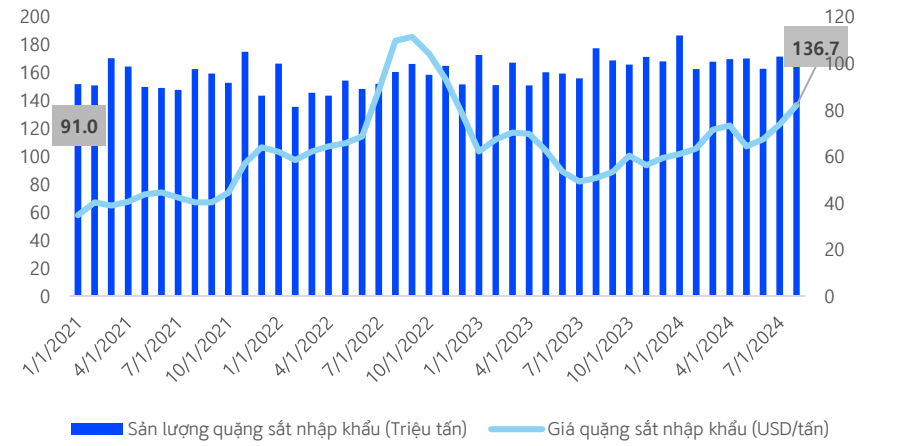
Although iron ore prices may adjust in 2024, they are still at a historic low, not much different from the same period last year. However, we believe that iron ore prices are **approaching the bottom and may rebound in the final period of the year** due to recovering demand as the Chinese government accelerates policy easing.

China's imported coking coal output and price



Source: Bloomberg, Shinhan Securities Vietnam

China's iron ore import output and price



Source: Bloomberg, Shinhan Securities Vietnam

1. China Steel Market

Steel prices expected to bottom out

The Chinese real estate market is facing many difficulties, causing steel prices to continuously plummet. HRC steel prices maintained a downward trend in the first 3 quarters of 2024, down 17% YoY. The main reasons come from:

(1) The real estate market situation (accounting for an average of about 33% of steel demand in China) continues to be "gloomy"

(2) The oversupply of steel products continues as China's steel production activities recover strongly from mid-2023 due to lower input material prices, while steel demand continues to weaken.

(3) Many new quality standards applied to rebar make inventory more difficult to sell, leading to steel sell-offs before the new regulations take effect from September 2024.

However, Chinese steel prices have witnessed a strong increase (21.4%) since 9/2024. The main reason comes from the psychological factor of Chinese investors, after the Chinese government introduced a series of monetary and fiscal policy reforms to reactivate the real estate market. We expect Chinese steel prices to bottom out and recover from Q4/2024 thanks to the momentum from the issued policies.

China steel price movement (CNY/ton)



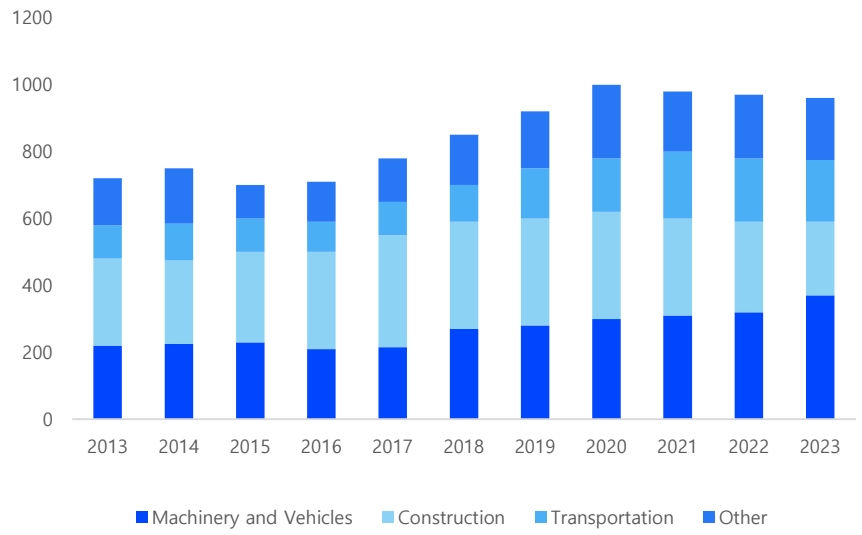
Source: Bloomberg, Shinhan Securities Vietnam

1. China Steel Market

Demand from auto industry offsets decline in construction

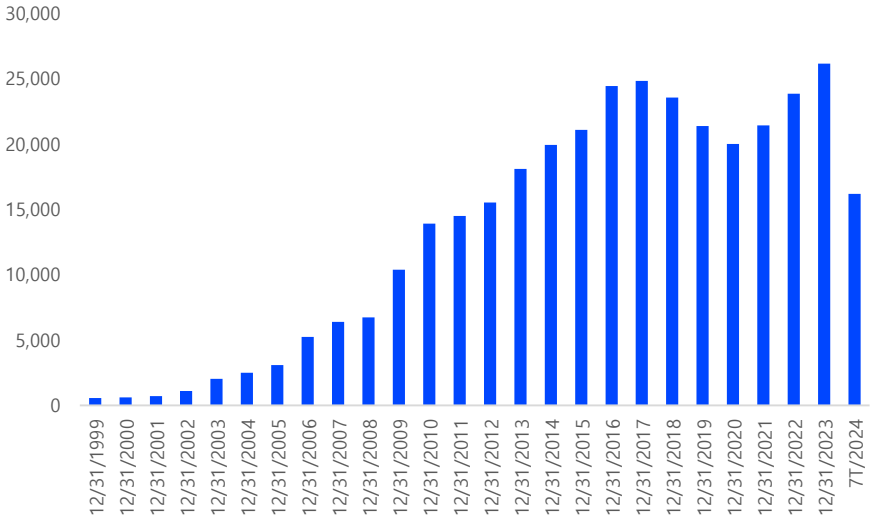
China's steel demand structure has clearly shifted. Specifically, steel consumption for housing construction has narrowed in the period of 2021-2023 (down from 32% to 24%), due to the weakening of China's real estate market. At the same time, the demand for machinery and vehicle production has increased rapidly (from 30% to 39% in 4 years). This change has reduced construction steel production output and increased demand for HRC steel for the automobile manufacturing industry. We believe that the automobile manufacturing industry will be the main growth driver of China's steel industry in the context of the real estate market showing no signs of recovery.

Steel consumption output follows demand in China (million tons)



Source: Bloomberg, Shinhan Securities Vietnam

China's vehicle production (thousand of units)



Source: Bloomberg, Shinhan Securities Vietnam

02

Policy Impact on Chinese Steel

The stimulus measures are expected to boost the real estate market, thereby supporting the steel industry's recovery..

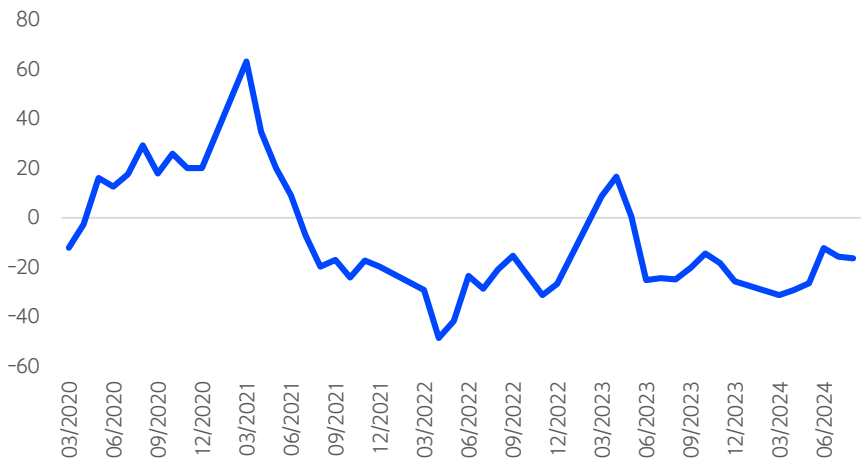
2. Policy Impact on Chinese Steel

China real estate to decline in 2021-2024

According to the National Bureau of Statistics of China, the total value of new home sales in 8M/2024 fell to 5.24 trillion yuan, down 25% year-on-year. In addition, the average price of newly built homes in 70 major cities in China continued to show signs of decline, with the average home price in August 2024 falling 5.3% year-on-year, continuing the downward trend since February 2022.

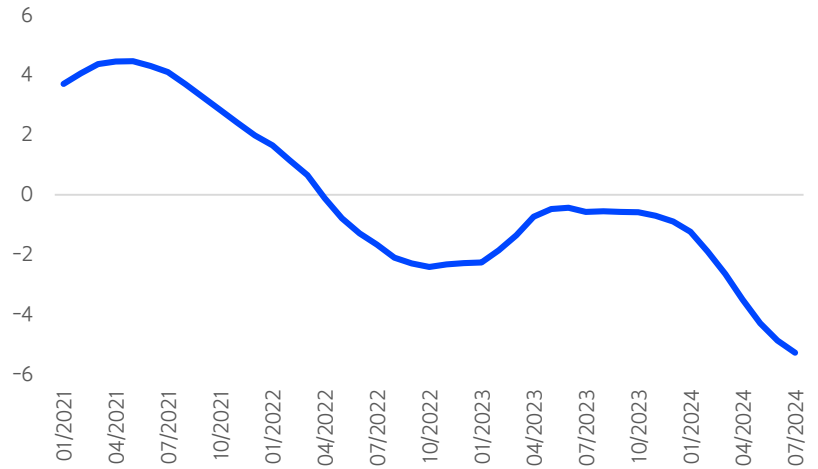
The continuous weakening of the real estate market in recent years has negatively impacted steel consumption demand in China in particular and the world in general, as China accounts for more than 50% of global steel consumption demand.

China housing sales growth (% YoY)



Source: Bloomberg, Shinhan Securities Vietnam

New Home Price Change in 70 Major Cities in China (% YoY)



Source: Bloomberg, Shinhan Securities Vietnam

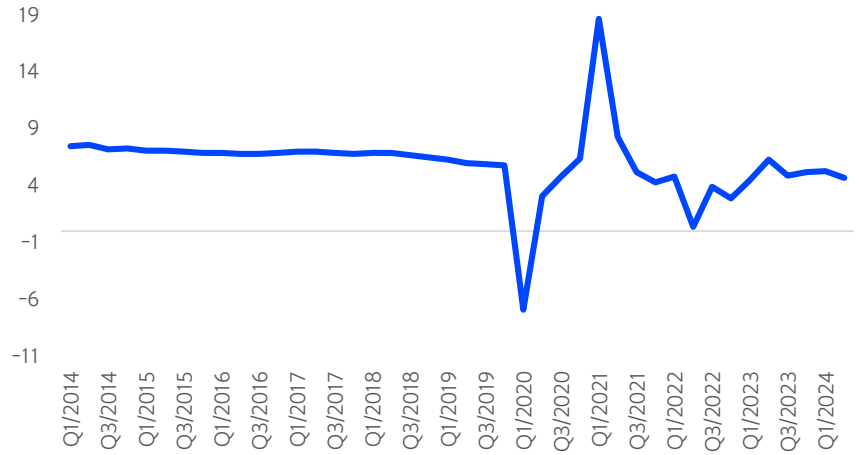
2. Policy Impact on Chinese Steel

Economic slowdown and population decline affect China's real estate market

China's GDP growth rate has been slowing down in recent years. In Q2/2024, GDP growth reached only 4.7%, lower than the average of 6.5% – 7.5% in the period of 2014 – 2018. This is partly due to the increasingly aging population structure and low birth rate, which have affected China's economic growth rate. According to Worldometer, the average age of Chinese people increased from 35.7 years old in 2015 to 39.6 years old in 2024, while the birth rate also decreased from 1.67 to 1.01.

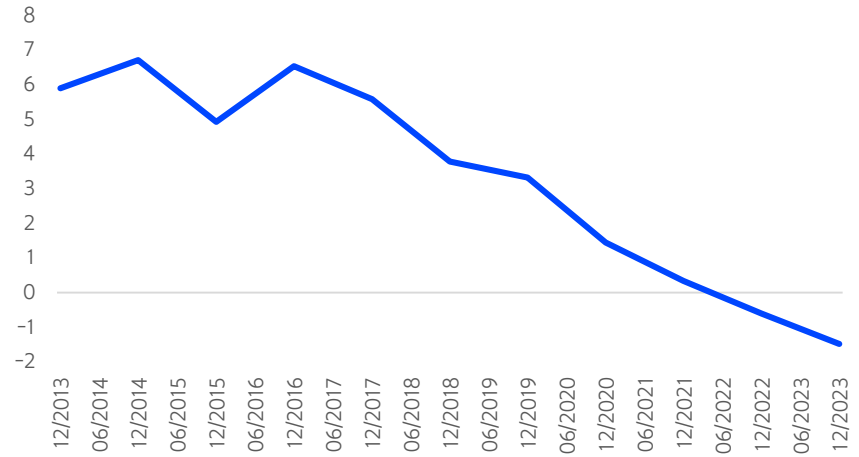
China's total population has been continuously declining since 2021. The population decline combined with excessive investment in real estate in the previous period has led to a severe oversupply in the real estate market; It is estimated that China has a surplus of about 50 million houses, corresponding to the needs of 150 million people.

China GDP growth (% YoY)



Source: Bloomberg, Shinhan Securities Vietnam

China natural population growth (% YoY)



Source: Bloomberg, Shinhan Securities Vietnam

2. Policy Impact on Chinese Steel

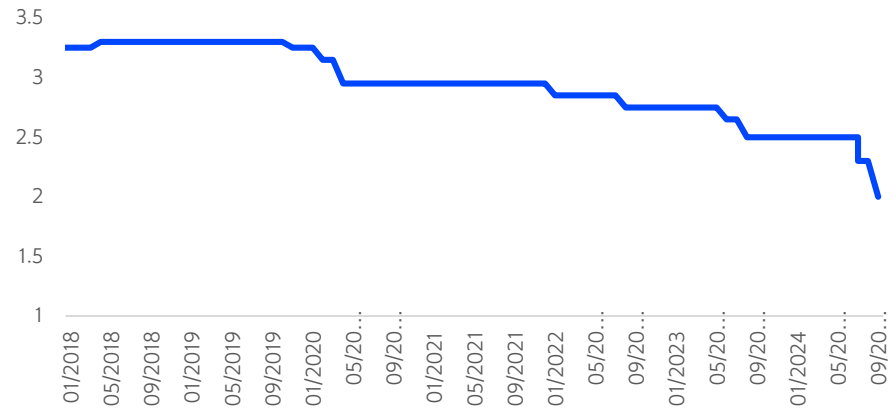
China applies a series of policies to support the economy and real estate market.

To support the economy and real estate market, on September 24, the People's Bank of China (PBoC) announced its largest stimulus package since the pandemic: including (1) a 0.5% cut in the reserve requirement ratio; (2) lowering policy rates and market interest rates. This move will inject about 1,000 billion yuan (US$141.7 billion) of long-term liquidity into the financial market.

Then, on September 25, the PBoC lowered the interest rate on medium-term loans to commercial banks from 2.3% to 2% for one-year loans worth 300 billion yuan, the sharpest reduction since April 2020.

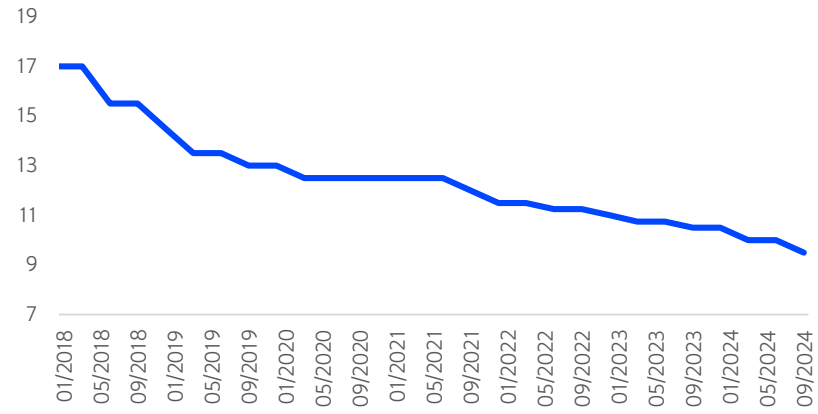
The PBoC will also support land acquisition for real estate companies by allowing banks to provide loans to qualified companies to acquire land to restore land supply and ease financial pressure on real estate enterprises. **The above policies are expected to support the real estate market in the short term, thereby supporting steel market demand and steel prices. However, in the long term, the problem of excess real estate supply and population decline remains unresolved.**

China medium-term lending rate (% YoY)



Source: Bloomberg, Shinhan Securities Vietnam

China reserve ratio (%)



Source: Bloomberg, Shinhan Securities Vietnam

2. Policy Impact on Chinese Steel

New rebar standards cause supply to drop

On June 25, China's State Administration for Market Regulation approved two new mandatory national standards for hot-rolled rebar, GB1499.1-2024 and GB1499.2-2024, which will be implemented on September 25. The policy requires stricter requirements on production accuracy, mine efficiency, smelting methods, and testing methods. In addition, new and expanded steel projects must meet energy efficiency standards and A-level environmental performance. The Chinese government plans to cut greenhouse gas emissions by 5% to 10% by 2025, and control the production of metals including copper, aluminum, and steel.

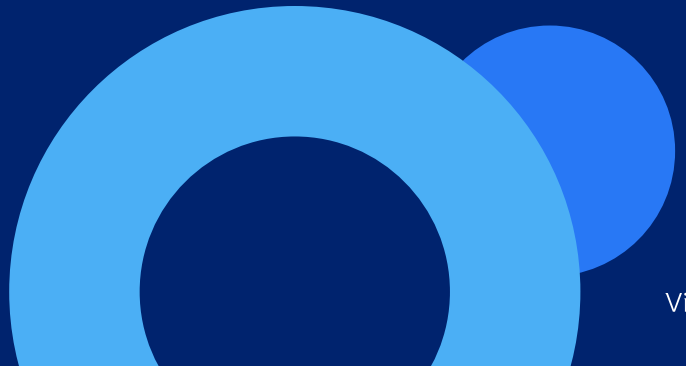
The planned new standards for steel could lead to a decrease in China's total steel supply in the near future, thereby supporting a recovery in steel prices.



03

Impact on Vietnam Steel Market

Despite the weakening of the Chinese real estate market, the Vietnamese steel market still has a positive recovery in domestic and export demand.
Imported steel from China has been a concern for businesses, but the impact is expected to gradually decrease thanks to the recovery of the Chinese market.



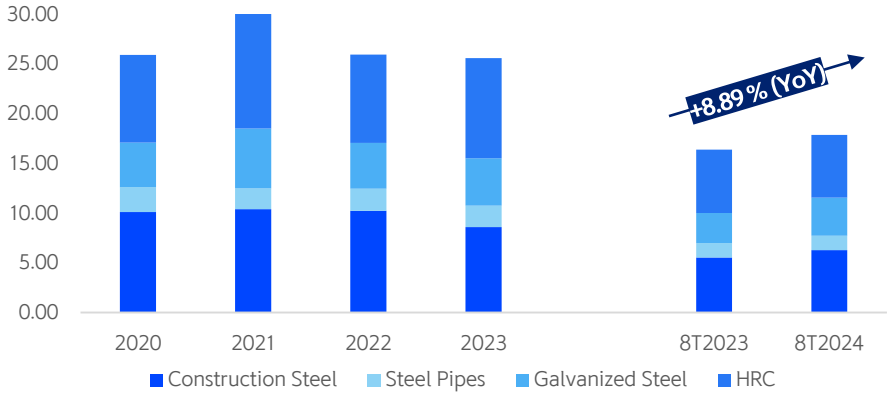
3. Impact on Vietnam Steel Market

Domestic steel output improves thanks to recovering demand

Steel production output in 8M/2024 reached 17.87 million tons (+8.89% YoY), consumption reached 17.79 million tons (+14.77% YoY), in general, the steel industry had a slight growth compared to the same period last year. In particular, the improvement mainly came from the construction steel segment with consumption reaching 6.44 million tons (+13.30% YoY), the galvanized steel segment also had a good improvement reaching 3.68 million tons (+34.10% YoY).

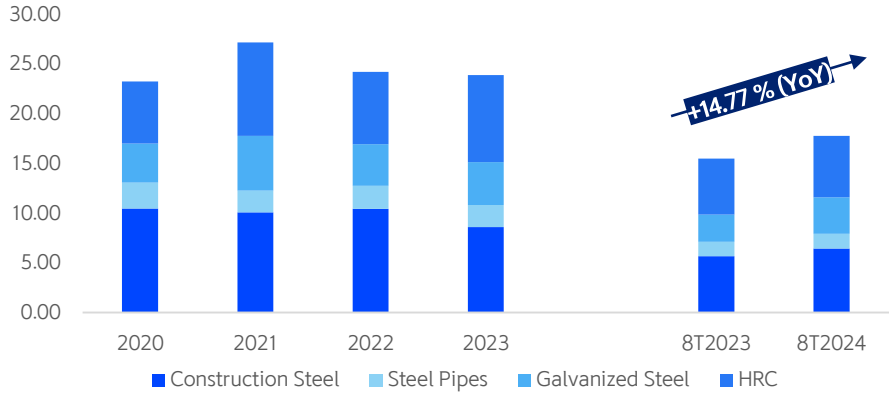
The steel situation recovered thanks to increased exports and recovering demand in the domestic market. The steel industry in particular and the real estate industry in general have gone through the most difficult period and are on the way to recovery. We expect domestic steel production to continue to grow thanks to the improvement of the economy and the return of the real estate market. The trio of the Real Estate Business Law, Housing Law and Land Law, along with the promotion of public investment, will be the driving force to continue to boost steel demand growth in the period 2025 - 2026.

Steel production output from 2020- 8M/2024 (million tons)



Source: FiinPro, Shinhan Securities Vietnam

Steel consumption output from 2020 – 8M/2024

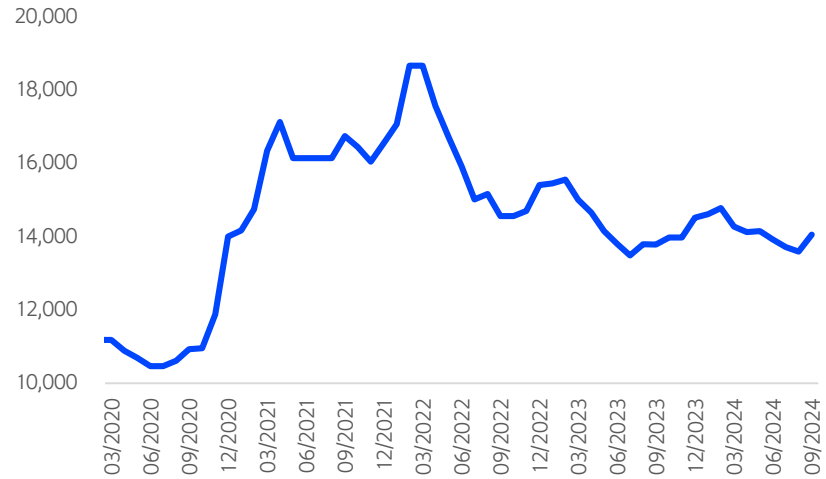


Source: FiinPro, Shinhan Securities Vietnam

3. Impact on Vietnam Steel Market

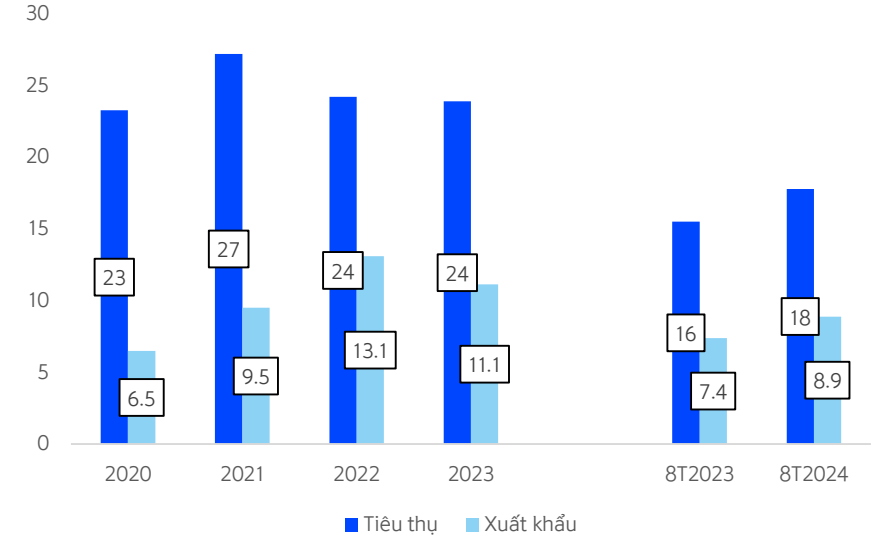
Domestic steel prices started increase following the trend of Chinese steel prices

Domestic steel price developments 2020 – 09/2024 (VND/kg)



Source: FiinPro, Shinhan Securities Vietnam

Domestic consumption and export output 2020 – 8M2024 (million tons)



Source: FiinPro, Shinhan Securities Vietnam

Domestic steel prices rebounded in September and remained more stable than the volatile period of 2021-2022.

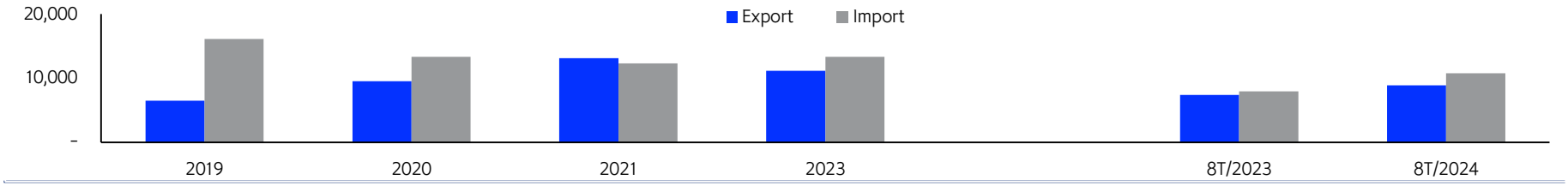
Domestic steel prices remained stable in 9M/2024 (13,500 - 14,000 VND/kg), the lowest price range in the past 4 years. The reasons are (1) declining domestic and international consumption demand, (2) Domestic steel prices followed the trend of world steel prices when the real estate situation in China was negative. However, domestic steel prices increased by ~500 VND/kg in September 2024 along with the increase in Chinese steel prices, when the government of this country introduced more drastic policies to "revive" the real estate market.

3. Impact on Vietnam Steel Market

Import and export situation is strong in 8M/2024

In the first 8 months of 2024, Vietnam's steel exports grew positively (8.88 million tons, +20.7% YoY), of which construction steel and galvanized steel grew by 34% and 47% respectively. Vietnam's steel product imports reached about 10.75 million tons (+35.5% YoY).Regarding exports, the EU and ASEAN are the largest consuming markets for Vietnam's iron and steel, accounting for 26% and 25% of total exports, respectively. In addition, exports to the US recorded impressive growth of 1.04 billion USD (+83.5% YoY).On the other hand, China led the volume of iron and steel imported into Vietnam, reaching 7.23 million tons (+59.3% YoY), accounting for 67% of total imports. The amount of iron imported into Vietnam has increased sharply, threatening the domestic iron and steel consumption market.

Vietnam Steel Import and Export 2019– 4M/2023 (thousand tons)



Source: FiinPro, Shinhan Securities Vietnam

Export markets 8M2024

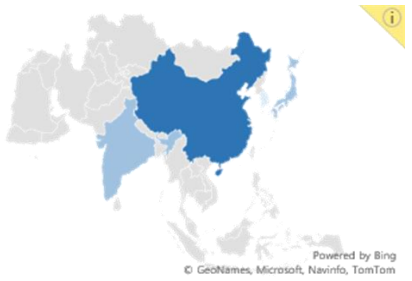


Country	%
ASEAN	26%
EU	25%
US	15%
Taiwan	4%
Other	30%

Main Products: Steel Billets and Galvanized Steel Sheets

Nguồn: Tổng cục hải quan, Shinhan Securities Vietnam

Import Market 8M2024



Country	%
China	67%
Japan	12%
Korea	7%
Taiwan	6%
Other	8%

Main Products: HRC and Other Consumer Steel Products

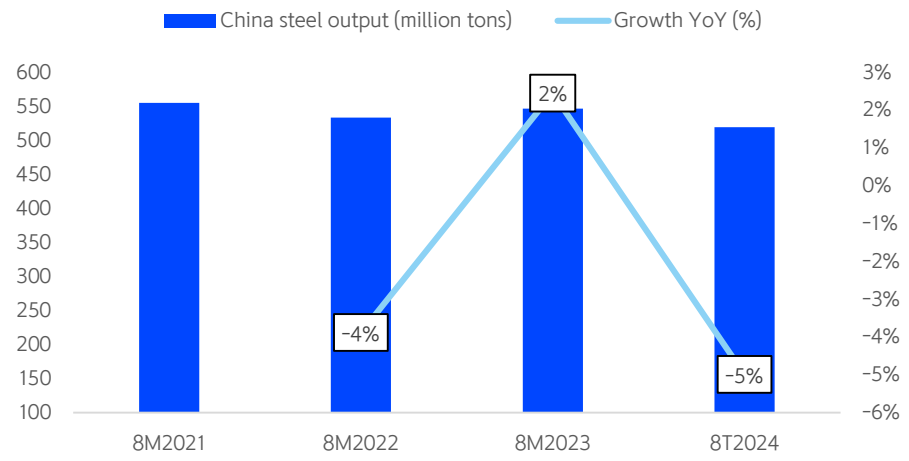
Nguồn: Tổng cục hải quan, Shinhan Securities Vietnam

3. Impact on Vietnam Steel Market

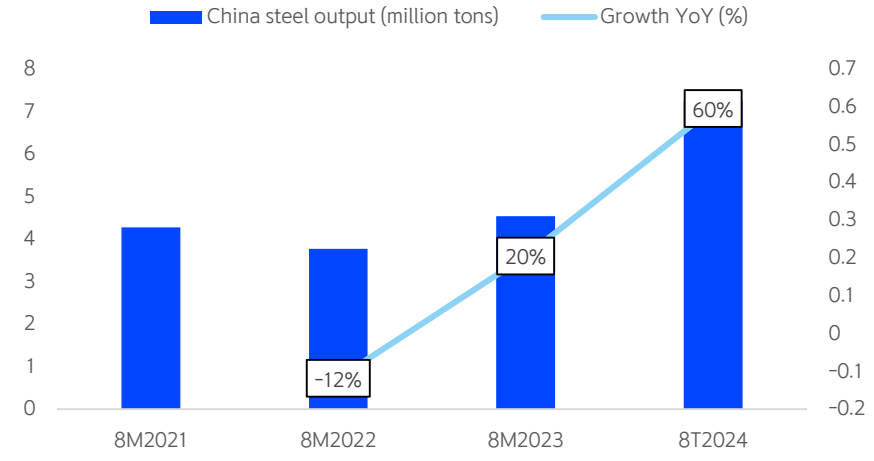
Chinese steel flooding into Vietnam threatens recovery of domestic businesses

- With the weakening real estate market, China's steel consumption demand has declined sharply. However, the supply remains high, creating pressure on Chinese steel enterprises, forcing them to boost exports to compensate for the shortage. The pressure continues to increase when the US and EU impose a 25% tax on Chinese steel (increased from 7.5% to 25% for the US and 22.6% to 25% for the EU).
- Chinese steel enterprises are forced to turn to other markets as an alternative solution. Over the past two years, the volume of Chinese steel imported into Vietnam has nearly doubled from 3.76 million tons in 8M2022 to 7.23 million tons in 8M2024. This threatens the domestic steel consumption market.

China's steel output in 8 months from 2021 – 2024 (million tons)



China's steel output imported into Vietnam in 8 months from 2021 – 2024 (million tons)



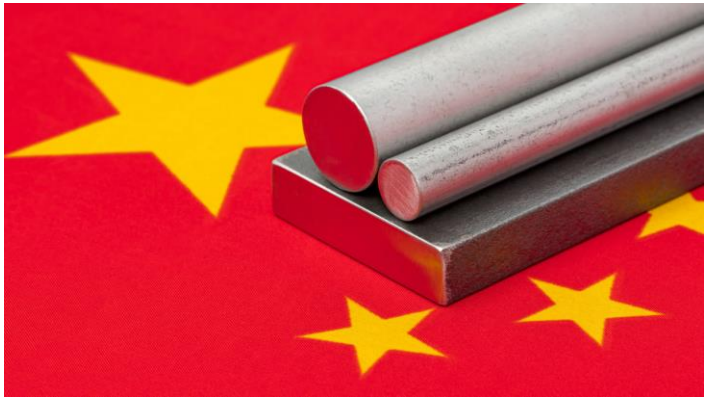
Source: Bloomberg, Shinhan Securities Vietnam

3. Impact on Vietnam Steel Market

Pressure from steel imports from China expected to gradually ease

We expect the amount of Chinese steel imported to Vietnam to decrease due to the following prospects:

1. China's monetary policy is expected to stimulate the economy, thereby supporting the real estate market and boosting steel demand. Steel enterprises in China will reduce pressure to find alternative sources of consumption.
2. China's steel production cut will increase steel prices and reduce steel exports to other countries, as enterprises reduce competitive pressure and do not have to find alternative markets to replace domestic deficit demand. In addition, the policy of reducing the production of old standard steel bars from September 25, 2024 will continue to reduce the country's output. Accumulated in 8M2024, China's steel output has decreased by 5% YoY compared to the same period.
3. It is expected that the results of the anti-dumping investigation under Decision No. 1985/QD-BCT (expected to be available in November 2024) will reduce the amount of steel imported from China and India into Vietnam, thereby ensuring safety for domestic consumption demand.



04

Steel Businesses Outlook 2024-2025

HPG, HSG, NKG

4. Listed steel companies

Steel induatry business outlook 2024-2025 : "Winter goes, Spring comes"

We expect the business picture of steel enterprises to improve in Q4/2024 and 2025 thanks to the prospects of:

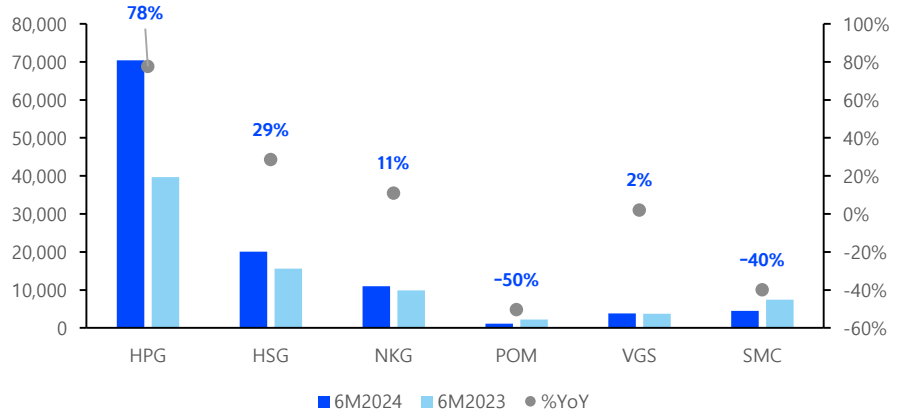
(1) Chinese steel prices "bottoming out" thanks to the government's determination to revive the real estate market, and the imposition of restrictions on steel production standards that may tighten supply after 2025;

(2) Improved domestic demand driven by the "warming up" of the real estate market and public investment, thereby helping domestic steel prices recover (+ 4% YoY in 2024 and + 8% YoY in 2025);

(3) Anti-dumping taxes on HRC steel and galvanized steel imported from China, India and South Korea may be applied; along with a more balanced supply-demand balance of Chinese steel, it will reduce the amount of imported steel flooding into Vietnam;

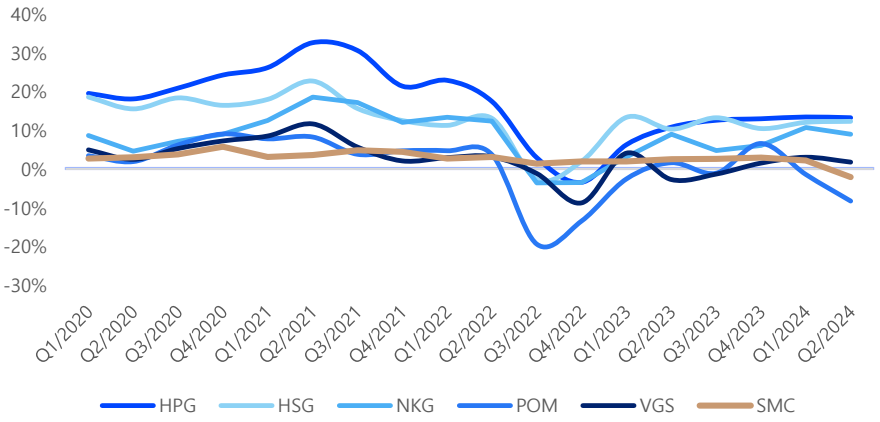
(4) Input material prices are expected to stabilize, in the context of recovering output steel prices, which will help steel industry enterprises have better profit margins.

Revenue of typical steel enterprises 6M/2024



Nguồn: FiinPro, Shinhan Securities Vietnam

Profit margin of steel industry enterprises



Nguồn: FiinPro, Shinhan Securities Vietnam

4. Listed steel companies

General information		Stock price			Business results						Financial indicators (**)				
Ticker	Market cap. (bn VND)	Market price (VND)	TP (*) (VND)	Upside (%)	Revenue 6M/2024 (bn VND)	Revenue growth 6M/2024 (YoY)	Forecast revenue (2024F)	NPAT 6M/2024 (bn VND)	NPAT growth 6M/2024 (YoY)	Forecast NPAT (2024F)	ROA - TTM (%)	ROE - TTM (%)	D/E	P/B	P/E
HPG	172,379	26,950	34,000	26.16%	70,407	20.30%	138,266	6,188	237%	11,411	5.80%	10.72%	0.9	1.59	15.44
HSG	13,151	21,350	24,000	12.41%	29,163	24.00%	40,843	696	-502%	857	5.84%	10.36%	0.78	1.18	20.5
NKG	5,805	22,050	25,000	13.38%	5,660	6.90%	21,811	219	46%	719	3.31%	7.49%	1.23	1.04	18.05
TVN	6,034	8,900	N/A	N/A	10,102	34.40%	N/A	193	328%	N/A	0.17%	0.50%	1.64	0.65	-19.2
DTL	746	12,300	N/A	N/A	407	10.20%	N/A	29	220%	N/A	-1.38%	-3.59%	1.54	0.98	-66.83
POM	780	2,800	N/A	N/A	615	30.60%	N/A	-280	-24%	N/A	-9.16%	-67.61%	11.5	0.67	-0.78

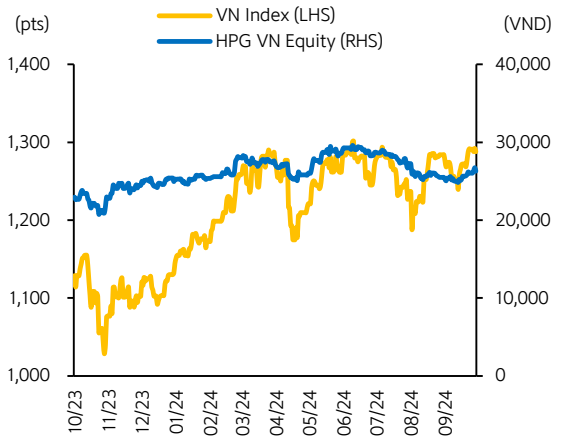
Source: SSV Research, Bloomberg
Data as of Oct 8th, 2024

* Target price (fair value) for the next 12 months
** Data for 12 months up to Q2/2024

Hoa Phat Group Joint Stock Company (HOSE: HPG)

Target price (12 months)	**34,000 VND**
Current price (08/10/24)	26,950 VND
Return (%)	26.16%
VNINDEX	1,272
Capitalization (billion VND)	172,379
Outstanding shares (million	6,396
Free Float share (million)	3,578
52-week high/low (VND)	29,950/20,545
Average trading volume (million)	20.82
Average trading value (VND billion)	539
Beta coefficient (12M)	1.5

Price volatility	3M	6M	12M
Absolute (%)	-7.9	-1.4	16.4
Relative to VN-Index (%)	-6.8	-2.6	3.9



Shinhan Securities

Recovery thanks to the return of the residential Real Estate market

Hoa Phat Group Joint Stock Company (HoSE: HPG) was established in August 1992, starting as a construction machinery trading company and then gradually expanding into other fields such as steel pipes, construction steel., furniture, real estate and agriculture. Hoa Phat's core business is Steel, contributing over 90% of the group's revenue and profit. Hoa Phat's main steel products include: construction steel, hot rolled steel coil - HRC, steel billets, steel pipes and galvanized steel sheets, of which construction steel currently contributes 59% of the total proportion of steel consumption in the world. Hoa Phat holds the largest market share in the construction steel segment (35%) and steel pipes (29%).

Business results: Revenue in 6M/2024 reached VND 70,407billion (+20.3% YoY), NPAT reached VND 6,188 billion (+237% YoY), completing 50.2% and 62% of the yearly plan, respectively.

Outlook for 2024: We assume that **(1)** construction steel output recovers following the Real Estate market, especially projects that were waiting last year to be legally confirmed, when new amended laws of real estate market adjustments effective from mid-2024; **(2)** the Government promotes disbursement of public investment with large key projects; **(3)** benefit from steel price gap with the US and EU; **(4)** downward trend in raw material prices. Hence, revenue 2024F VND 138,266 billion (+10.7% YoY), NPAT 2024F is VND 11,411 billion (+68% YoY).

In the long term, the key project Dung Quat 2 phase 1, capacity of 2.8 million tons of HRC/year is gradually being completed, expected to contribute output from 2025, and fill 100% of phase 1 capacity from year 2027.

Monitoring factor: (1) Interest rate in the period 2024-2026, when HPG increases debt to construct the Dung Quat 2 project; **(2)** Decision of the Ministry of Industry and Trade on imposing anti-dumping tariff on Chinese HRC steel.

Risks: (1) Economic recession risk affects steel demand and pulls steel prices down; **(2)** Competition risks with Chinese and Indian hot rolled steel products.

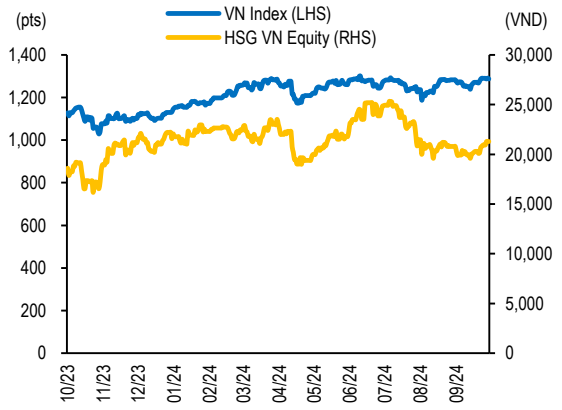
FY	2020	2021	2022	2023	2024F
Revenue (billion VND)	90,119	149,680	141,409	118,953	138,266
Operating profit (VND billion)	15,292	37,008	9,794	7,650	12,707
Operating profit margin (%)	17.0	24.7	6.9	6.4	9.1
Parent company's PAT (VND billion)	13,450	34,520	9,444	6,800	11,411
LNR margin (%)	14.9	23.1	6.7	5.7	8.2
EPS (VND)	2,191	5,512	1,452	1,170	1,954
ROE (%)	22.7	38	9.8	6.5	10
P/E (x)	10.8	6.5	12.4	15.4	13.2
P/B (x)	2.3	2.3	1.3	1.5	1.4

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Hoa Sen Group (HOSE: HSG)

Target price (12 months)	**24,000 VND**
Current price (08/10/24)	21,350 VND
Return (%)	12.41%
VNINDEX	1,272
Capitalization (billion VND)	13,151
Outstanding shares (million	616
Free Float share (million)	445
52-week high/low (VND)	26,100/16,100
Average trading volume (million)	12.80
Average trading value (VND billion)	255
Beta coefficient (12M)	1.7

Price volatility	3M	6M	12M
Absolute (%)	-15.6	-6.9	12.3
Relative to VN-Index (%)	-14.6	-8.0	-0.3



Improve profit margins by increasing low-priced inventory

Hoa Sen Group Joint Stock Company (HoSE: HSG) is a leading enterprise in the field of galvanized steel in Vietnam. Hoa Sen Group mainly produces galvanized steel, steel pipes, plastic pipes and retails construction materials. Hoa Sen currently holds the largest market share in the galvanized steel segment with 29%. In addition, the business also owns a construction materials distribution chain including more than 100 Hoa Sen Home stores.

Business results: 9M/FY2024, HSG recorded net revenue of VND 29,163 billion (+ 24 % YoY) and profit after tax of VND 696 billion (compared to the loss of VND 173 billion in the same period) ; completed 81% of revenue and 174% of profit for the whole financial year.

Outlook for 2024: HSG has actively accumulated inventory (+49% QoQ), when HRC raw material prices are low (530-550 USD/ton); can help HSG improve profit margin by 1-2 percentage points in 2024. In addition, we believe that: **(1)** Civil real estate recovers, implemented projects stimulate demand for galvanized steel in countries, **(2)** export trends to EU countries and North America thanks to price competition, **(3)** cases where anti-dumping measures for galvanized steel imported from China and Korea (AD02) are applied. Hence, 2024 revenue is estimated to reach VND 40,843 billion (+29% YoY), 2024 NPAT is estimated to reach VND 857 billion (28 times YoY). **In the long term,** the goal of opening 600 Hoa Sen Home construction materials supermarkets will be the company's next strategic step when it possesses the ability to apply technology in the retail segment. As of December 2023, Hoa Sen Home supermarket owns 114 Hoa Sen Home stores across the country.

Monitoring factor: (1) Price developments of input HRC and output galvanized steel, (2) Decision of the Ministry of Industry and Trade on anti-dumping investigation of galvanized steel from China and Korea (AD02).

Risks: (1) Economic recession risk affects steel consumption demand; (2) Risk of steel prices going down.

FY	2020	2021	2022	2023	2024F
Revenue (billion VND)	27,531	48,727	49,711	31,650	40,843
Operating profit (VND billion)	1,946	5,103	584	96.1	939
Operating profit margin (%)	7.1	10.5	1.2	0.3	2.3
Parent company's PAT (VND billion)	1,153	4,314	251	30	857
LNR margin (%)	4.2	8.9	0.5	0.1	2.1
EPS (VND)	1,833	6,849	393	49	1,260
ROE (%)	18.4	47.6	2.2	0.28	7.1
P/E (x)	6.3	5.5	36.5	461.4	15
P/B (x)	1.1	2.1	0.8	1	1

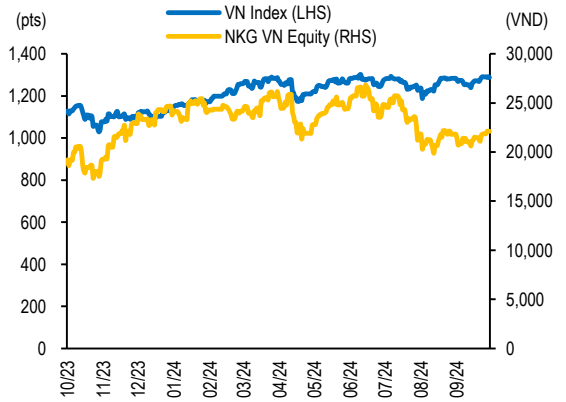
Source: Company data, Bloomberg, Shinhan Securities Vietnam

Nam Kim Steel Joint Stock Company (HOSE: NKG)

TÔN NAM KIM

Target price (12 months)	**25,000 VND**
Current price (08/10/24)	22,050 VND
Return (%)	13.38%
VNINDEX	1,272
Capitalization (billion VND)	5,805
Outstanding shares (million	263
Free Float share (million)	170
52-week high/low (VND)	27,200/17,150
Average trading volume (million)	5.54
Average trading value (VND billion)	109
Beta coefficient (12M)	1.8

Price volatility	3M	6M	12M
Absolute (%)	-11.4	-11.0	13.6
Relative to VN-Index (%)	-10.4	-12.2	1.0



Export segment is driving force

Nam Kim Steel Joint Stock Company (HoSE: NKG) is an enterprise in the top 3 galvanized steel manufacturing enterprises in Vietnam. The company is always a pioneer in providing products that meet quality standards for domestic and international customers. Nam Kim's products are trusted nationwide and exported to more than 50 countries globally. Nam Kim's main products include galvanized steel sheets and steel pipes. In particular, galvanized steel accounts for more than 80% of Nam Kim's product structure.

Business results: in 6M/2024, NKG recorded revenue of 10,952 billion VND (+11% YoY) and NPAT 370 billion VND (386% YoY). Notably, consumption output from export channels increased by 68% YoY, accounting for ~70% in 6M/2024.

Outlook for 2024: We expect revenue in 2024 to reach VND 21,811 billion (+17% YoY), profit after tax to reach VND 719 billion, 6.14 times higher than the previous year. **(1)** consumption growth prospects in the US and European markets; **(2)** expect steel prices to enter a new increasing cycle from the third quarter of 2024 with motivation from HRC prices creating a medium-term bottom in the region of 500-550 USD/ton, **(3)** domestic demand increased more strongly thanks to the recovery of the residential real estate market and increased infrastructure construction. **In the long term,** the Nam Kim Phu My project is expected to double Nam Kim's current capacity to 2.2 million tons per year in 2027. The project is divided into 3 phases 2024, 2025 and 2027, each phase increasing capacity up to 400,000 tons.

Monitoring factors: (1) Price movements of input HRC and output galvanized steel sheets; **(2)** Decision of the Ministry of Industry and Trade on anti-dumping investigation of galvanized steel from China and Korea (AD02).

Risks: (1) Economic recession risk affects steel consumption demand; **(2)** Risk of steel prices going down.

FY	2020	2021	2022	2023	2024F
Revenue (billion VND)	11,560	28,173	23,071	18,596	21,811
Operating profit (VND billion)	509	2,749	93	177	894
Operating profit margin (%)	4.4	9.8	0.4	0.9	4.1
Parent company's PAT (VND billion)	295	2,225	-125	117	719
LNR margin (%)	2.6	7.9	-0.5	0.6	3.3
EPS (VND)	1,161	8,683	-474	446	3,496
ROE (%)	9.5	50.0	-2.3	3%	15
P/E (x)	9.0	3.7	N/A	56.2	5.5
P/B (x)	0.8	1.5	0.6	1.3	0.8

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Important Disclosure

Stock

- **BUY:** Expected 12-month gain of 15% or more
- **HOLD:** Expected 12-month loss of 15% to gain of 15%
- **SELL:** Expected 12-month loss of 15% or more

Sector

- **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
- **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
- **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



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