March 17th, 2023

Shinhan Securities



Nam Kim Steel JSC

[Vietnam / Steel]

Bloomberg Code (NKG VN) | Reuters Code (NKG.HM)

BUY

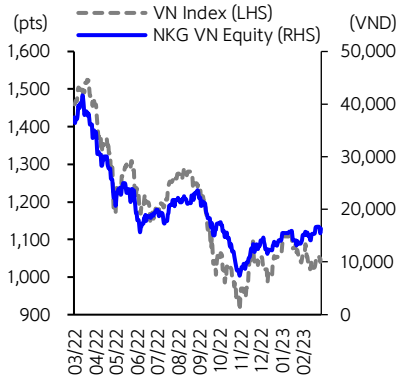
Initiation Coverage

Target price (12 months)	**19,100 VND**
Current price (17/03/23)	15,750 VND
Upside/downside (%)	22%

VNINDEX		1,046
HNXINDEX		204
Market Cap (bn VND)		4,305
Outstanding shares (mn)		263
Free-Floating (mn)		170
52-Wk High/Low (VND)		43,750/6,890
90-day avg. trading volume (mn)		11.21
90-day avg. turnover (bn VND)		169
Major shareholders (%)	Ho Minh Quang	11.84%
	Unicoh Specialty Chemicals	5.85%

Performance	3T	6T	12T
Absolute (%)	23.9	-29.5	-57.8
Relative to VN-Index (%)	23.2	-14.8	-30.9

Source: Bloomberg



Stand still through the storm

Initiate coverage with BUY call and target price of VND 19,100

Nam Kim Steel Joint Stock Company (NKG) is one the top 3 largest enterprises in the field of galvanized steel sheets with export markets of more than 50 countries worldwide. Adverse situations in the Steel industry led to Nam Kim's loss results in 2022. However, with the recent increase in the price of HRC steel and the decline in freight rates, we assess that Nam Kim's business situation will turn around, and the company will have a profit in 2023. Besides, healthy financial health and maintained market share are key points to help Nam Kim overcome difficulties against unpredictable fluctuations in the steel industry. Nam Kim Phu My project will be the key driver when the industry rebound as the capacity will be doubled. We offer an initial valuation of NKG stock at a price of VND 19,100 for 22% return. We use DCF and P/E valuation methods with weights of 70% and 30% respectively.

Profit margins will recover thanks to the increase in HRC prices and lower transportation costs

HRC's steel price has improved significantly after the announcement of China's opening plan and China's real estate market stimulus package. As of March 2023, the price of HRC steel has increased by 57% compared to the bottom in November 2022. This greatly contributes to the improvement of Nam Kim's profit margin when the proportion of Nam Kim's exports accounted for more than 50% of revenue. Besides, a sharp drop in sea freight rates will also improve the profit margin for Nam Kim. We estimate 2023 revenue to reach VND 16,611 billion, down 23% compared to 2022. Profit in 2023 is expected to reach VND 565 billion.

Financial stability and maintained market share despite difficulties

Although the company's debt ratio increased in 2022, Nam Kim's liquidity ratio remained at a sustained level. Combined with the stable market share in 2022, this helps to ensure the company's position despite the difficult economic situation.

Nam Kim Phu My project is ready to expand capacity when the steel industry recovers

The Nam Kim Phu My project is expected to double Nam Kim's current capacity from 1 million tons in 2022 to 2.2 million tons in 2027. The project is divided into 3 phases 2024, 2025, and 2027, each stage increases capacity to 400,000 tons. This project is expected to be a key driver when the steel market recovers.

Risks: (1) Risk of price fluctuation of HRC steel; (2) The risk of unstable domestic real estate market; (3) The risk of a decline in the world economic situation.

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**23,128**	**16,611**	**21,595**	**25,914**	**28,505**
OP (bn VND)	(46)	646	1,000	1,222	1,322
NP (bn VND)	**(67)**	**565**	**874**	**1,068**	**1,155**
EPS (VND)	-	2,144	3,319	4,056	4,387
BPS (VND)	20,426	21,726	24,202	27,413	30,957
OPM (%)	0%	4%	5%	5%	5%
NPM (%)	0%	3%	4%	4%	4%
ROE (%)	**0%**	**10%**	**14%**	**15%**	**14%**
PER (x)		7.69	4.97	4.07	3.76
PBR (x)	0.60	0.76	0.68	0.60	0.53
EV/EBITDA (x)	33.89	15.27	6.07	4.52	3.78

Source: Company data, Shinhan Securities Vietnam

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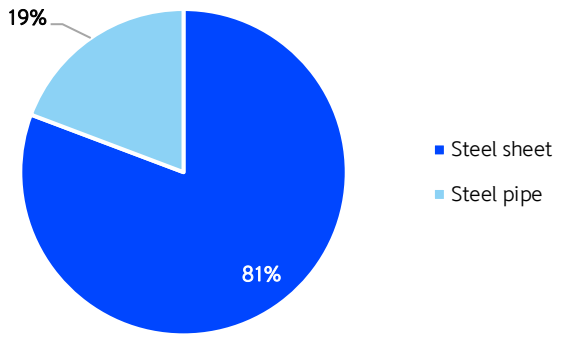
Company background

Company history

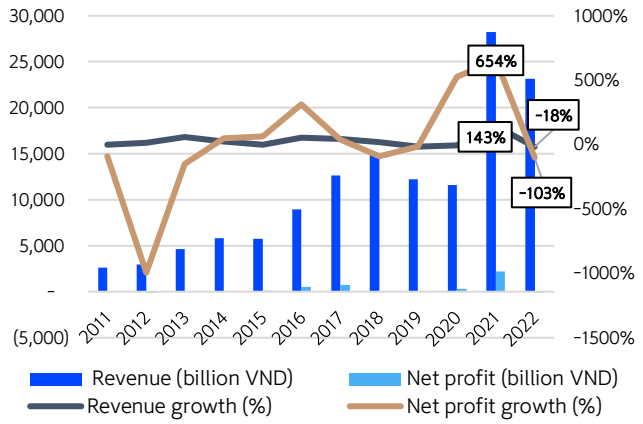
Nam Kim Steel Joint Stock Company (NKG) was established on December 23, 2002, until 2011, the company was listed on HOSE with the stock code NKG. Nam Kim Steel Joint Stock Company is a leading enterprise specializing in manufacturing galvanized steel sheets in Vietnam. The company is always a pioneer in providing products with quality standards to domestic and international customers. Currently, Nam Kim's products are trusted nationwide and exported to more than 50 countries around the globe.

Nam Kim's main products include galvanized steel sheets and steel pipes. Which, galvanized sheets accounted for more than 80% of Nam Kim's product structure.

Break down the output of NKG by-products in 2022

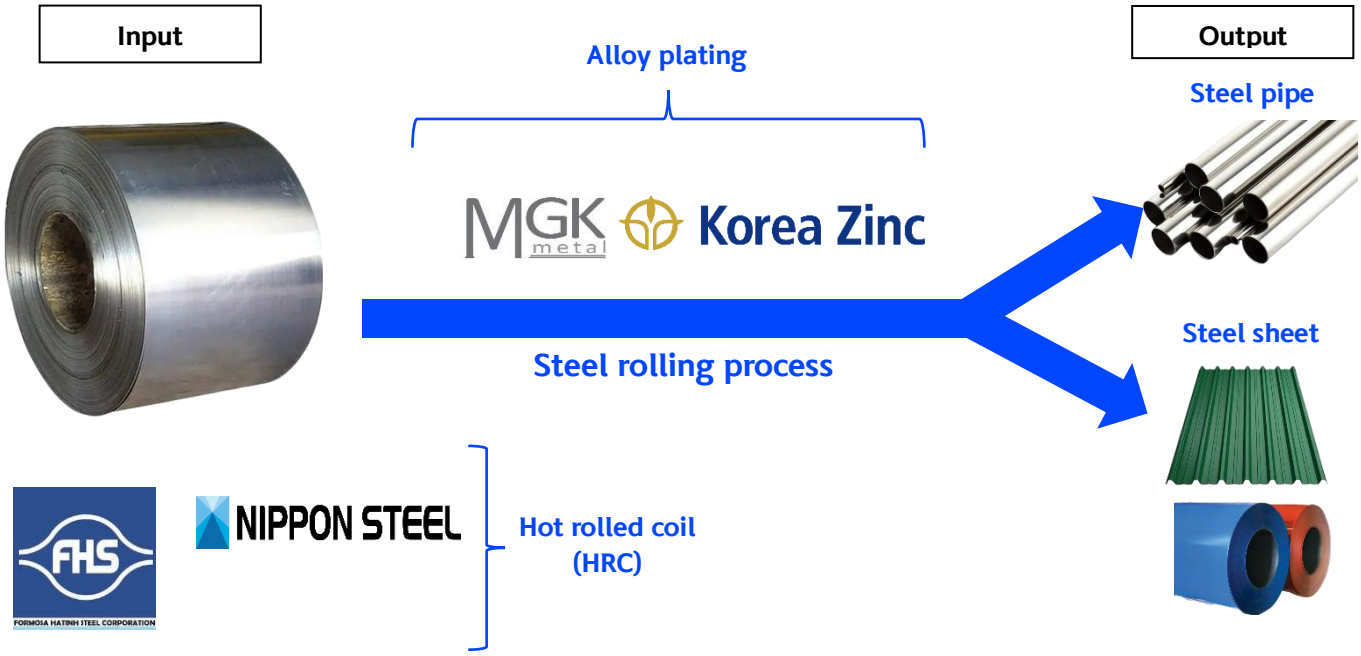


Revenue and profit of NKG 2011 - 2022



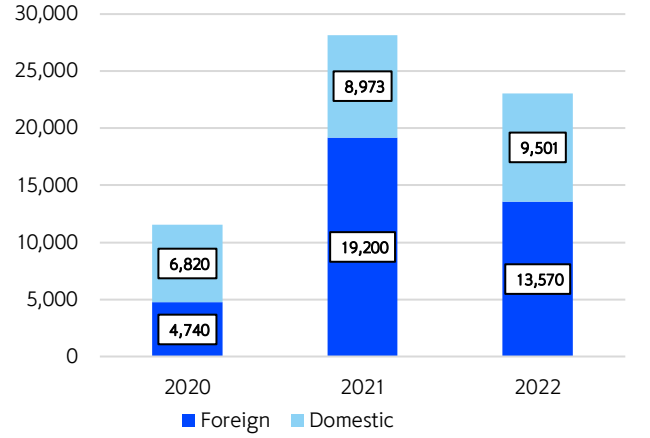
Source: Company Report, Shinhan Securities Vietnam

Value chain of NKG

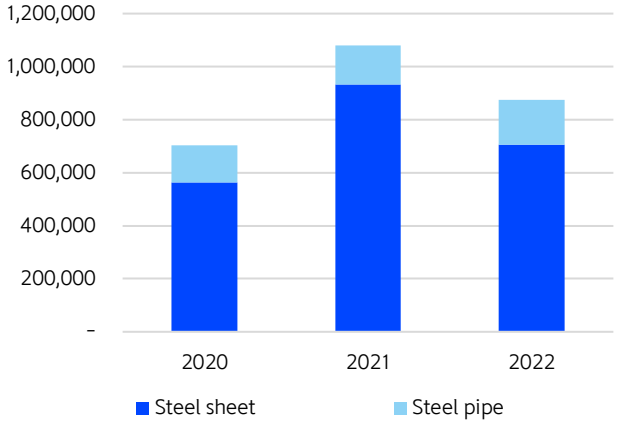


Nam Kim's input is mainly hot rolled coil (HRC), after undergoing the process of steel rolling and alloy plating, the hot rolled coil will be produced into galvanized sheets and steel pipes. The hot rolled steel coil of Nam Kim is mainly produced domestically, sourced from Formosa Ha Tinh company. Besides, other materials of Nam Kim are also imported from abroad through companies from Japan and Korea.

Domestic and foreign revenue 2020 – 2022 (billion VND)



Consumption volume by product structure (ton)



Source: Company Report, Shinhan Securities Vietnam

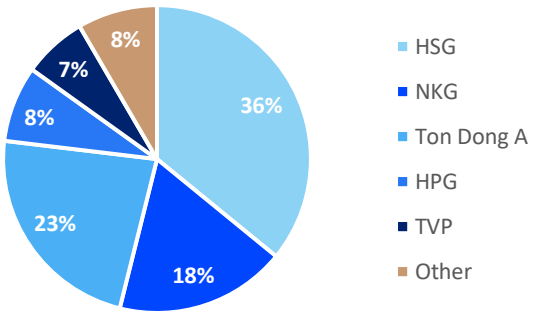
Nam Kim currently maintains an export revenue ratio of about 60% and domestic revenue of 40%. Nam Kim's products are mainly exported to countries such as Europe, America, and Southeast Asia.

With a high proportion of exports, Nam Kim's business results are directly influenced by the economic situation and global steel consumption demand. Nam Kim's steel consumption had strong growth in 2021 when the world steel industry cycle grew and declined in 2022 when the world steel industry cycle went down.

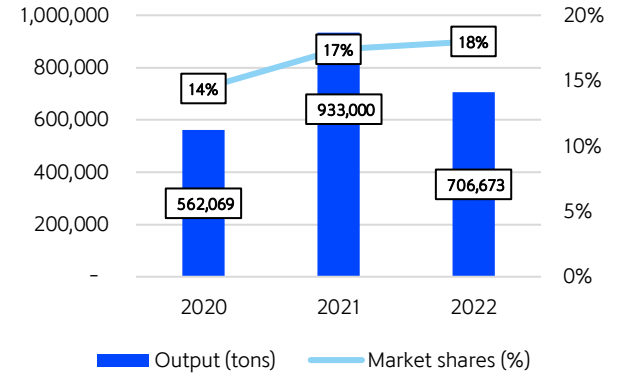
Currently, Nam Kim's annual production capacity reaches 1 million tons of galvanized steel and 270,000 tons of steel pipes. Nam Kim owns 4 factories, including 2 galvanized steel sheet factories and 2 steel pipe factories

Top 3 steel sheets company in Vietnam

Steel sheet market share in 2022



Production output and market share of galvanized steel 2018 - 2022



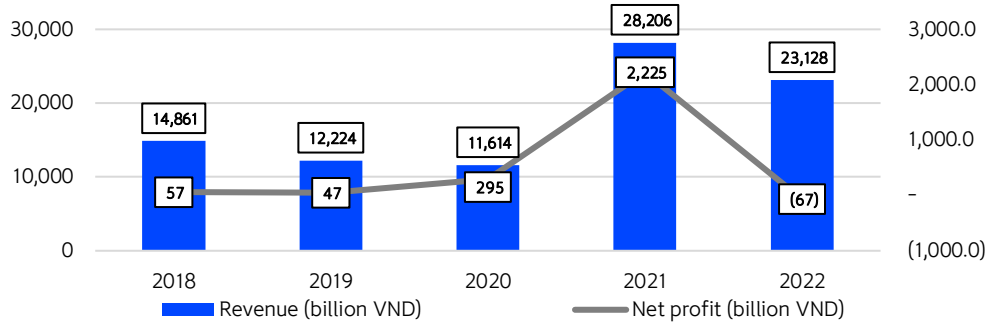
Source: Company Report, Shinhan Securities Vietnam

Nam Kim held the third largest market share in galvanized steel sheets with an 18% market share in 2022. The market share and consumption volume of galvanized steel have grown over the years. From 2020 to 2022, Nam Kim's construction steel output increased from 562,069 tons to 706,673 tons. The market share also grew from 14% to 18%.

Update business results in 2022

Nam Kim's business results were heavily influenced by the downward cycle of the steel industry in 2022

Revenue and net profit of NKG 2017 – 2022 (billion VND)



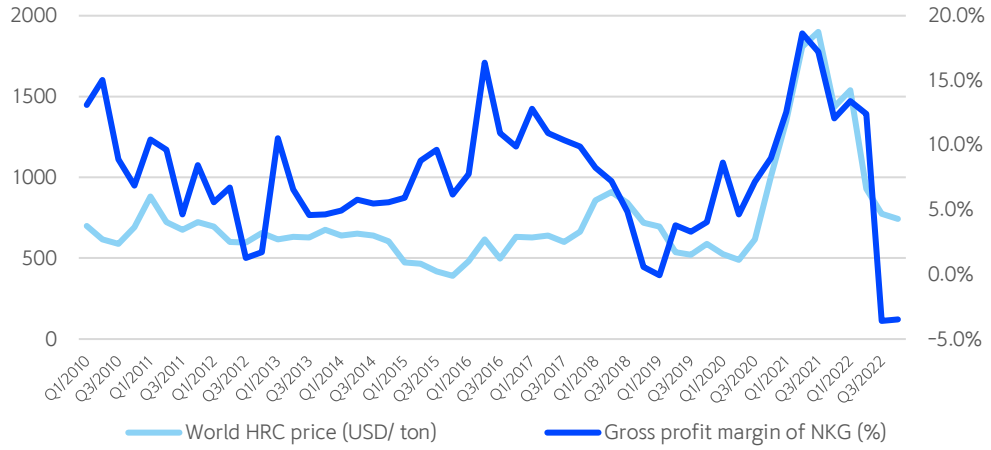
Source: Company Report, Shinhan Securities Vietnam

Nam Kim achieved VND 23,128 billion in revenue in 2022 (-18% YoY), and net profit recorded a loss of nearly VND -67 billion (-103% YoY). In the whole year of 2022, Nam Kim supplied the market with 875,231 tons of steel (-19% YoY), including 706,673 tons of galvanized steel and 168,558 tons of steel pipes.

This was explained by unfavorable factors occurring in the steel industry such as the weakening of the domestic real estate market and the negative influence of the world economic situation. These factors led to a decline in selling prices and consumption.

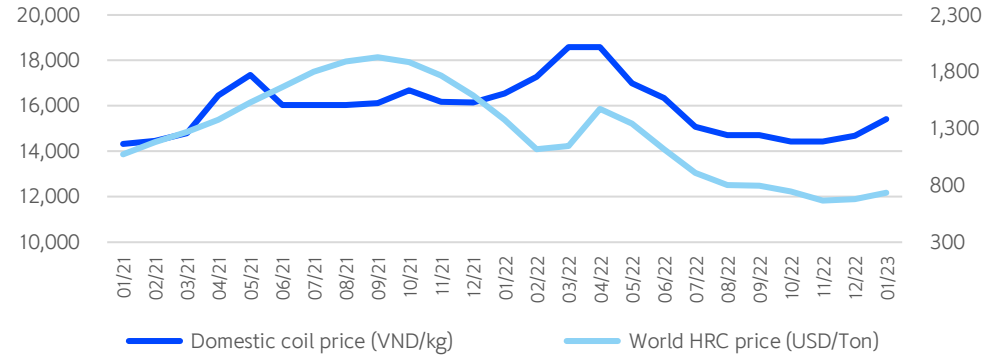
Steel prices declined both in the country and in the world negatively affecting the steel industry

World HRC price and NKG's gross profit margin



Source: Bloomberg and Fiinpro

Domestic coil price and world HRC price (USD/Ton)



Source: Bloomberg and Fiinpro

Nam Kim maintains an average gross profit margin of 8% during the production process from HRC steel to galvanized steel sheet and steel pipe. The sharp drop in world HRC price and domestic coil price in 2022 forced Nam Kim to sharply reduced the selling price and recorded a

large amount of inventory provision in 2022.

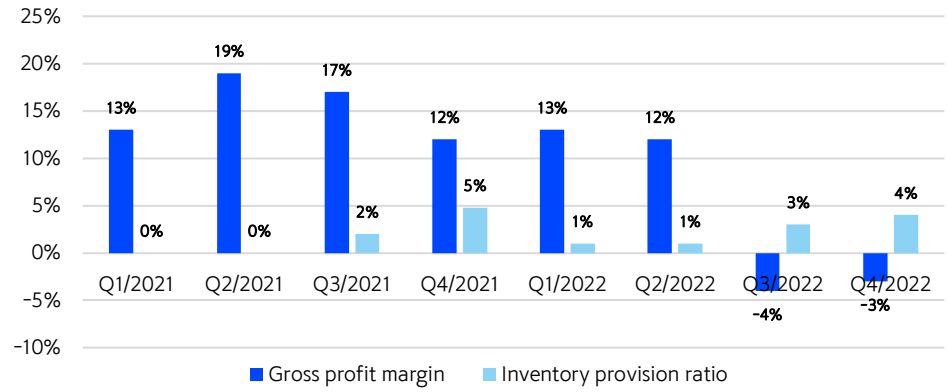
In the context of the weakening world economic situation after the prolonged Covid-19 epidemic, followed by the Russia-Ukraine war and China's strong measures in managing the real estate market, HRC steel price plummeted from USD 1300/ton in January 2022 to USD 670/ton by the end of December 2022. This negatively affected companies in the steel industry. Compared to 2021, the price of HRC steel 2022 decreased by about 35%.

Along with the general trend of the world, Vietnam steel coil price also dropped after peaking at VND 18,585/kg. Unresolved difficulties in capital flow and issues related to bonds seriously affected the real estate market and reduced the domestic demand for galvanized steel and pipes. Steel consumption of the whole Vietnamese market in general and Nam Kim, in particular, reached the highest peak in the second quarter and decreased in the following two quarters of 2022.

Strong fluctuations in steel prices in 2022 directly impacted the company's profit margin and caused the company to record a strong inventory provision in the third and fourth quarters of 2022 when steel prices plummeted.

Profit margin dropped sharply in 2022

Gross profit margin and inventory provision ratio Nam Kim 2021 - 2022 (%)



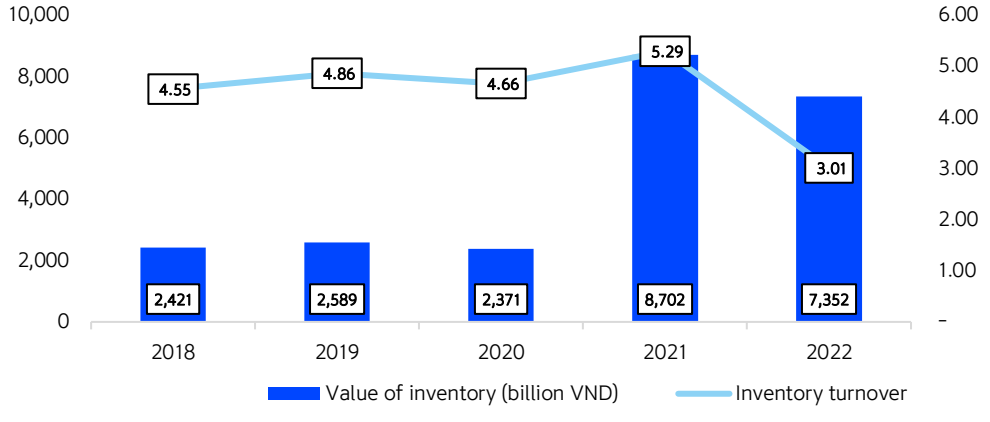
Source: Company Report, Shinhan Securities Vietnam

Nam Kim maintained a high level of inventory provision in Q4 2021 at 5% when world HRC steel prices tend to decrease. However, when the world steel price increased again in the first 2 quarters of 2022, the reserve ratio fell to 1% and then increased again to 4% at the end of 2022 when steel prices turned around.

In the context of a sharp drop in the price of HRC steel at the end of 2022, Nam Kim's gross profit margin was severely affected due to the high old inventories price. This resulted in negative margins and a sharp increase in inventory provisioning in the third and fourth quarters of 2022.

Inventory value and inventory volume decreased significantly

Nam Kim's inventory value 2018 – 2022 (billion VND)

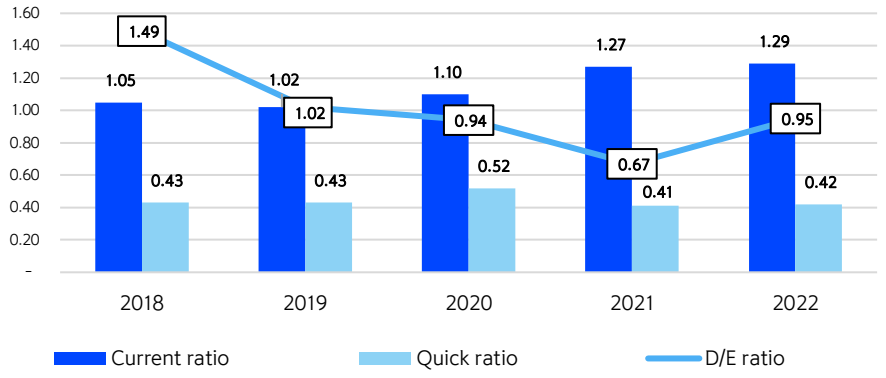


Source: Company Report, Shinhan Securities Vietnam

In the context of falling HRC steel prices and weak demand, NKG's inventory value decreased by about VND 1,350 billion compared to the end of 2021. However, NKG's inventory value was still 3 times higher compared to 2020. Moreover, the inventory turnover decreased from 5.29 in 2021 to 3.01 in 2022. This raises concerns if steel prices continue to decline.

Liquidity ratios remain stable but leverage increased

Chỉ số thanh khoản và đòn bẩy của Nam Kim 2018 - 2022



Source: Company Report, Shinhan Securities Vietnam

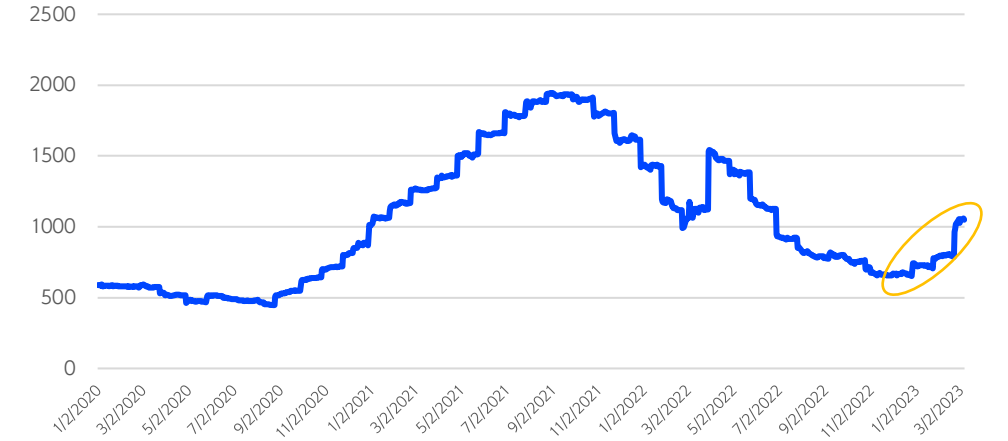
Nam Kim still maintained its liquidity ratios at a high level with current ratios and quick ratios having a slight increase in 2022. However, it is worth noting that the D/E ratio increased from 0.67 to 0.95 due to a 34% increase in total debt compared to 2021.

Investment Catalysts & Theses

Profit margin is expected to improve thanks to the increase in HRC price

HRC steel prices recover on the prospect of China opening up and real estate recovery in China

World HRC steel price 2020 – 2023 (USD/ ton)



Source: Bloomberg and Fiinpro

China is the world's leading steel consumer with consumption accounting for more than 50% of global consumption. The opening of China's border on January 8, 2023, is estimated to help the country's economy recover, thereby increasing steel consumption demand. Since the information on China's opening plan was announced, HRC steel price had an impressive recovery from USD 666/ton in November 2022 to USD 1,050/ton in early March 2023 corresponding to an increase of 57%.

Besides, government measures to revive the real estate market will continue to be the driving force behind steel price growth in 2023. China's real estate industry currently accounts for 40% of Chinese steel consumption. The Chinese government has announced a series of measures to "untie " the sector, including easing regulations to make it easier for property developers to raise capital and launching a program support refinancing with a total value of up to USD 24 billion for real estate companies.

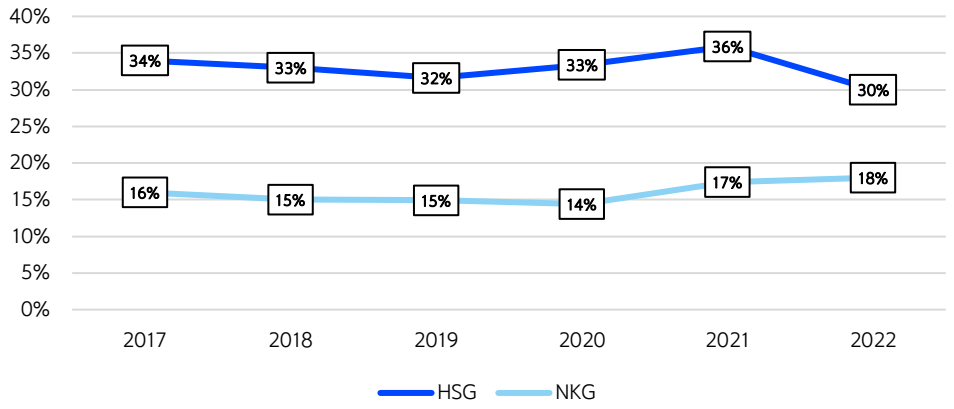
Standstill through difficulties

Good financial health ensures the company overcomes difficulties

The liquidity ratio remains at a safe level, showing that the company's financial status is safe, which helps the company to overcome difficulties in the future. Besides, the current high provision for inventories prevents the company from recording expenses in the future, and vice versa, increasing profit when HRC steel prices increase.

The market share in the galvanized sheet segment still holds

Market shares of NKG and HSG 2017 – 2018 (%)

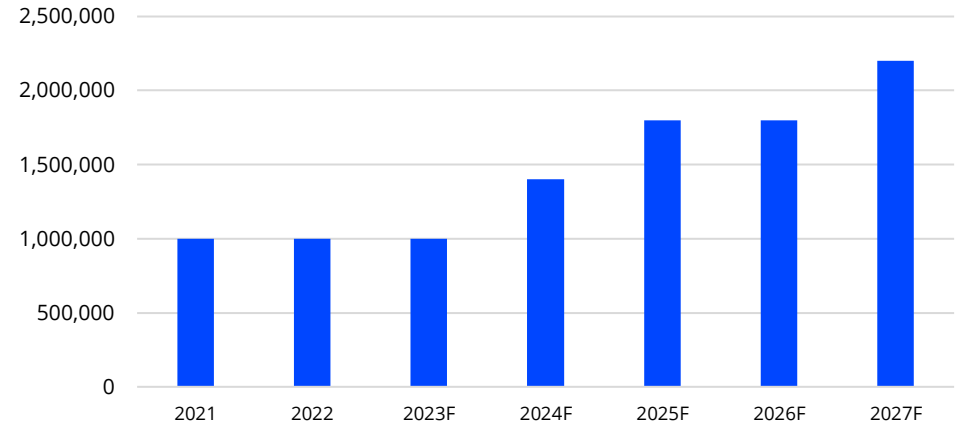


Source: Company Report, Shinhan Securities Vietnam

Nam Kim's market share has a slight growth in 2022, despite the steel industry going through a difficult period. Compared to peers, Nam Kim has gained 1% more market share while Hoa Sen has decreased by 6% in 2022.

Long-term investment prospect with Phu My project

The capacity of Nam Kim 2021 – 2027F (tons)

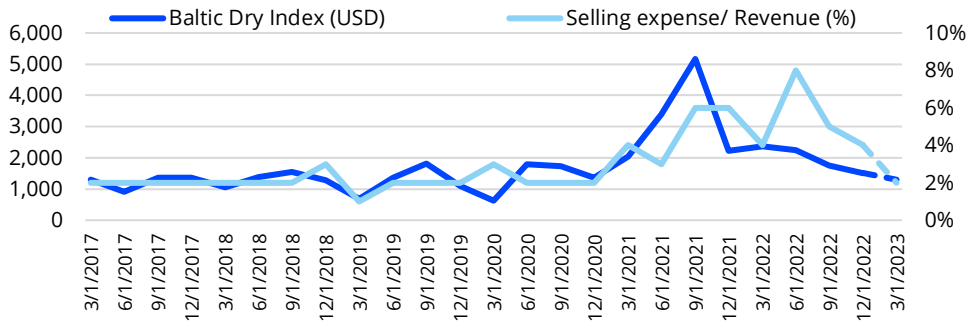


Source: Company Report, Shinhan Securities Vietnam

Nam Kim plans to establish Nam Kim Phu My factory to expand into the higher-grade galvanized steel segment and increase capacity. Total plant capacity of Phu My project is expected to be 1,200,000 tons/year, total investment capital is VND 4,500 billion. The project is divided into 3 phases in 2024, 2025, and 2027, each phase will increase the capacity by 400,000 tons. The project is expected to double Nam Kim's current capacity from 1 million tons in 2022 to 2.2 million tons in 2027.

Lower selling costs thanks to lower world shipping costs

Baltic dry index and Selling expense/ Revenue 2021 – 2027F



Source: Company Report, Shinhan Securities Vietnam

With the proportion of exports accounting for more than 50% of the revenue structure, the amount of steel exported to other countries is transported mainly via sea. The Covid-19 situation and border closures of countries caused shipping costs to rise in 2021 and the first half of 2022. Baltic Dry Index increased sharply from USD 1,500 at the beginning of 2020 to USD 5,000 in September 2021, before falling below USD 2,000 by the end of 2022. Selling expenses (including shipping costs) increased sharply in 2021 and the first half of 2022, which account for 5% of revenue. Since the shipping contract usually lasts about 6 months, we estimate the cost of sales/revenue will decrease by 2% (before the epidemic) as the reduction in sea freight rates to the level before the epidemic (before 2020).

The real estate market is still negative but could improve in the last 6 months of 2022

According to the Ministry of Construction, the number of newly licensed apartments for construction in the first three quarters of 2022 decreased by 41% YoY. With the problems in 2022, the real estate industry is expected to face difficulties in 2023. The government continues to maintain tighten the issuance of bonds and real estate credits while keeping interest rates at a high level to control inflation will negatively affect the domestic real estate industry. The real estate industry is expected to see an improvement in the middle of 2023 when the problems are resolved and interest rates cool down. Recently, the real estate market has had a few positive signals from the government through actions and solutions to support the market:

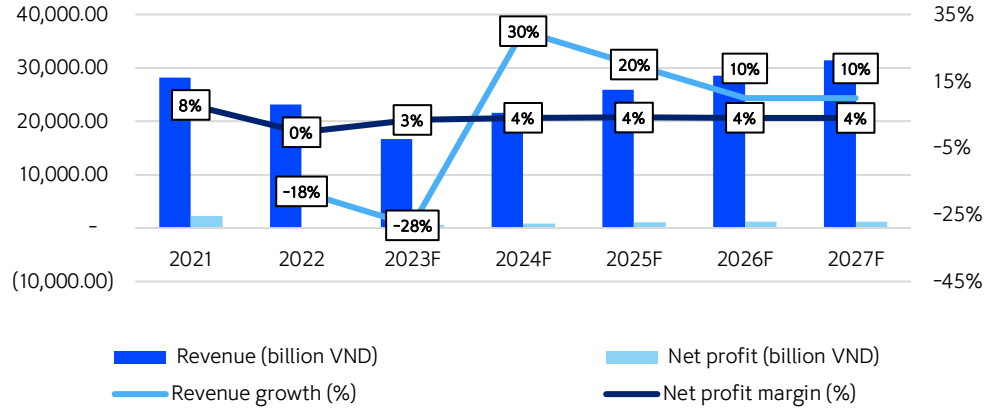
- During the conference " Dismantling, promoting and developing the real estate market " with the Prime Minister, the State Bank and 4 state-owned banks also agreed on a credit package of VND 120,000 billion, with a lower interest rate of 1.5-2% for social housing. This helps to improve the real estate market thereby boosting domestic steel consumption.
- The Government has recently issued Decree No. 08/2023/ND-CP dated 5/3/2023 to amend some regulations on domestic and international corporate bond offering and trading. Some major changes of the decree include: The issuer can pay the bond principal and interest with other assets, and may extend the term up to a maximum of 2 years with the consent of the bondholder. This Decree also postpones regulations on professional securities investors, bond distribution time, and credit rating requirements for bond issuers until December 31, 2023. The new regulations under Decree No. 08/2023/ND-CP have positive values and are the basis for accelerating measures to reduce pressure on the current bond market, especially real estate bonds.

Earnings estimates

The business situation will make a turning point in 2023

The company is expected to have positive profit in 2023

Nam Kim revenue and profit forecast in 2021 – 2027F

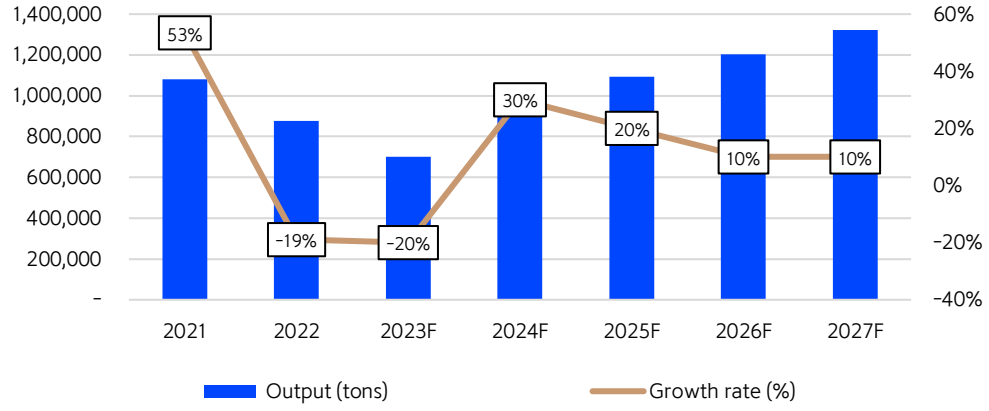


Source: Company Report, Shinhan Securities Vietnam

With uncertainties related to the steel industry in 2023, Nam Kim's revenue is expected to decrease. The situation will improve in 2024 when real estate-related issues are resolved and the economic situation recovers, which will boost the steel demand. The net profit margin in 2023 is expected to increase slightly again thanks to the increase in steel price, which help the company to sell at a higher price and record the reversal of inventory provision. Besides, the reduction in transportation costs also contributes to improving profit margins in the future. We estimate revenue in 2023 to reach VND 16,611 billion, down 23% compared to 2022. Profit in 2023 is expected to reach VND 565 billion.

Outlook for output to increase again after 2023

Forecast of Nam Kim production in 2021 – 2027F



Source: Company Report, Shinhan Securities Vietnam

Nam Kim's output is expected to decrease compared to 2022, with a decrease of 20% in 2023, due to weak domestic consumption and a decrease in demand for galvanized steel sheets from European countries and the US. Output is expected to rebound in 2024 as demand from the real estate industry picks up again and the world economy begins to recover.

Valuation and Recommendation

Initial valuation with BUY recommendation, target price VND19,100

We offer an initial valuation of Nam Kim Steel JSC (NKG) with a buy recommendation and a target price of VND19,100 for an increase of 22%. For long-term investment vision, NKG can be considered with the following advantages:

1) Profit margins improved thanks to the recovery of HRC steel prices and lower transportation costs
2) Financial stability and maintained market share despite difficulties
3) The prospect of Nam Kim Phu My project is ready to expand capacity when the steel industry recovers

Valuation method

We apply a combination of P/E and Discounted Cash Flow (FCFF) valuation methods with the weights of 30% and 70% respectively to value Nam Kim Steel JSC (NKG).

Method	Proportion	Price
FCFF	70%	20,700
P/E	30%	15,500
The target price (VND)		**19,100**
Current price (VND)		15,750
Upside (%)		22%

The Discounted Cash Flow (DCF) method – FCFF

Unit: billion VND	2023F	2024F	2025F	2026F	2027F
EBIT*(1-tax rate (%))	884	1.236	1.484	1.632	1,795
Depreciation	476	584	691	799	862
Change in working capital	3.395	-1.001	-964	-806	-971
Investment capital	-1,280	-1.282	-1.284	-1.285	-227
Free Cash Flow (FCFF)	**3.475**	**-463**	**-74**	**340**	**1.459**
Long-term growth rate (%)	0%	-	-	-	-
Discount rate (%)	13.10%	-	-	-	-
Terminal Value	-	-	-	-	14.632
Present value of free cash flow	**3.073**	**(362)**	**(51)**	**208**	**5,980**
Enterprise value	10,176	-	-	-	-
- In debt	5,882	-	-	-	-
+ Cash and cash equivalents	1.156	-	-	-	-
Equity value	5,450	-	-	-	-
Target price (VND)	20,700				

Variable	Value
D/E	118%
Beta	1.51
Risk-free rate	5%
Cost of equity	22%
Cost of debt	7%
WACC	13.10%

For the Weight average cost of capital (WACC), we use the 10-year Vietnamese government bond yield at 5% as the risk-free rate. Beta is calculated based on historical data of the last 5 years of NKG and VNINDEX. Based on those assumptions, NKG's FCFF target price is valued at VND 20,700.

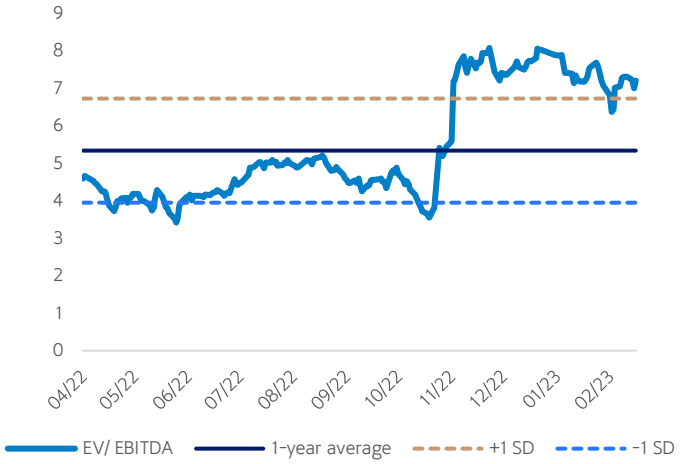
P/E method

Based on the P/E method, we collect an average P/E of the industry at 7.21, we estimate NKG's target P/E will be the same as the industry. Combined with a forward EPS of 2023 at VND2,144, NKG's target price is valued at VND 15,500.

P/E 1 year



EV/EBITDA 1 year

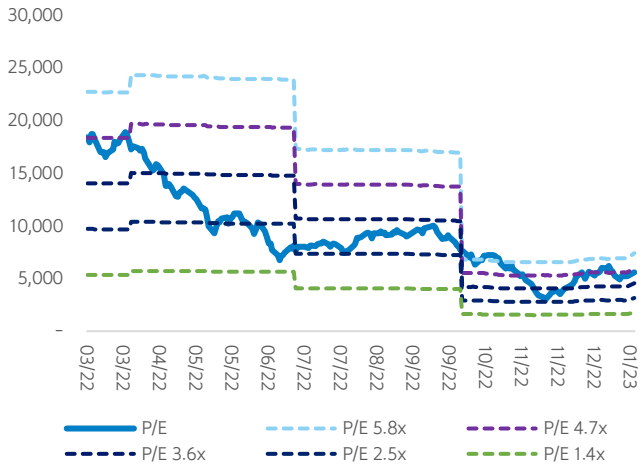


Source: Bloomberg data, Shinhan Securities Vietnam

P/B 1 year

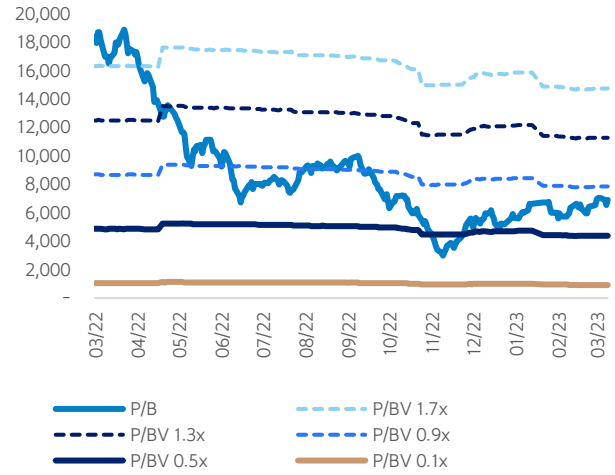


P/E band



Source: Bloomberg data, Shinhan Securities Vietnam

P/B band

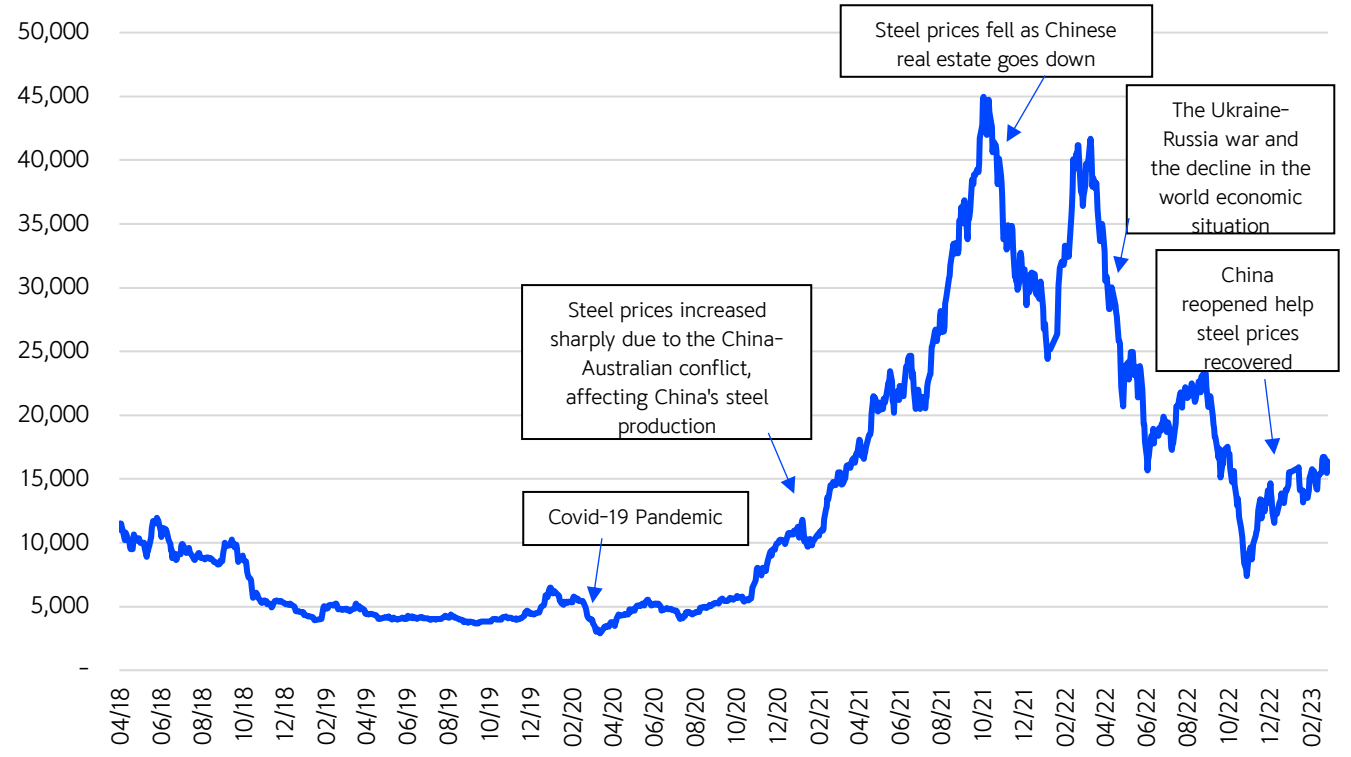


ROE and MA 1 year



Source: Bloomberg data, Shinhan Securities Vietnam

Key event chart of NKG



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

Risk of fluctuations in steel price HRC

The price fluctuation of HRC steel has a great impact on Nam Kim's selling price because HRC steel is the main raw material in Nam Kim's galvanized steel production process and Nam Kim's selling galvanized steel price is calculated as a markup from the price of HRC steel. With export revenue accounting for more than 50% of total revenue, Nam Kim's steel selling price is influenced by both domestic and international steel price movements.

Risk of unstable domestic real estate market

The real estate market directly affects the selling amount of galvanized steel sheets and steel pipe Nam Kim. Steel consumption in the real estate sector accounts for more than 30% of domestic steel consumption. Unstable developments in the real estate situation will negatively affect the steel industry and Nam Kim.

The risk of a decline in the world economy

The world economic situation directly affects the steel consumption demand of countries around the world. The economic decline will directly affect the investment and construction demand of countries, thereby negatively affecting the consumption and selling price of HRC around the world. With the proportion of exports accounting for nearly 50% of Nam Kim's revenue structure, the economic downturn will directly affect Nam Kim's business results.

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Total assets	**13,522**	**14,791**	**17,518**	**20,600**	**23,623**
Current assets	10,476	10,941	12,969	15,458	17,993
Cash & equivalents	1,005	4,767	4,952	5,779	7,090
Short-term financial asset	252	252	252	252	252
Accounts receivable	2,158	1,925	2,517	3,128	3,723
Inventories	7,061	3,998	5,249	6,299	6,928
Non-current assets	3,046	3,850	4,549	5,142	5,630
Net fixed assets	2,588	3,392	4,091	4,684	5,171
Investment assets	-	-	-	-	-
Other long-term assets	458	458	458	458	459
Total liabilities	**8,144**	**9,230**	**11,260**	**13,462**	**15,541**
Current liabilities	8,109	9,198	11,227	13,430	15,509
Accounts payable	2,544	2,672	3,439	4,127	4,540
Short-term borrowings	5,111	6,072	7,334	8,849	10,514
Others	453	453	454	454	454
Non-current liabilities	35	32	32	32	32
Long-term borrowings	3	-	-	-	-
Other financial liabilities	32	32	32	32	32
Total shareholders' equity	**5,378**	**5,561**	**6,259**	**7,138**	**8,082**
Capital stock	2,633	2,633	2,633	2,633	2,633
Capital surplus	786	786	786	786	786
Other capital	1,686	1,869	2,567	3,447	4,391
Retained earnings	273	273	273	273	273
Non-controlling interest equity	-	-	-	-	-
*Total debt	5,114	6,072	7,334	8,849	10,514
*Net debt (cash)	4,109	1,305	2,382	3,069	3,424

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Revenue	**23,128**	**16,611**	**21,595**	**25,914**	**28,505**
Growth (%)	-18%	-28%	30%	20%	10%
COGS	**21,529**	**15,329**	**19,828**	**23,793**	**26,172**
Gross profit	**1,542**	**1,283**	**1,767**	**2,120**	**2,332**
GPM (%)	7%	8%	8%	8%	8%
SG&A	**1,388**	**487**	**633**	**759**	**835**
Operating profit	**154**	**796**	**1,134**	**1,361**	**1,497**
Growth (%)	-94%	416%	43%	20%	10%
OPM (%)	1%	5%	5%	5%	5%
Non-operating profit	**(200)**	**(147)**	**(130)**	**(134)**	**(169)**
Financial income	303	218	283	339	373
Financial expense	(503)	(368)	(417)	(478)	(548)
In which: interest expenses	(262)	(368)	(417)	(478)	(548)
Net other non-operating profit	(0)	3	4	5	6
Pre-tax profit	**(46)**	**649**	**1,004**	**1,227**	**1,328**
Income tax	(21)	(84)	(131)	(160)	(173)
Net profit	**(67)**	**565**	**874**	**1,068**	**1,155**
Growth (%)	-103%	-946%	55%	22%	8%
NPM (%)	0%	3%	4%	4%	4%
Controlling interest	(67)	565	874	1,068	1,155
Non-controlling interest	-	-	-	-	-
EBIT	**216**	**1,017**	**1,421**	**1,705**	**1,876**
Growth (%)	-92%	370%	40%	20%	10%
EBIT Margin (%)	1%	6%	7%	7%	7%
EBITDA	**594**	**1,493**	**2,005**	**2,397**	**2,675**
Growth (%)	-81%	151%	34%	20%	12%
EBITDA margin (%)	3%	9%	9%	9%	9%

Statement of cash flow

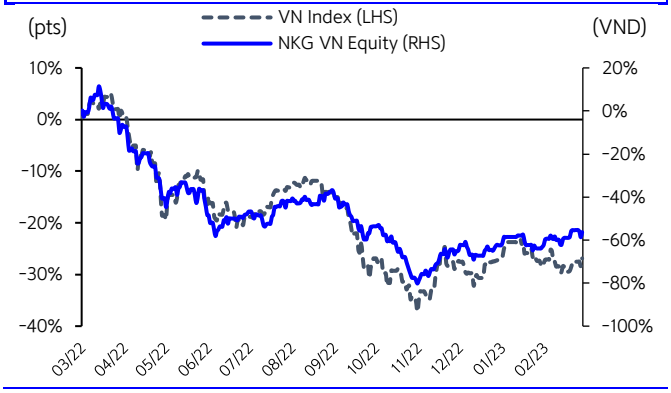
Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Cash flow from operations	**(827)**	**4,436**	**456**	**794**	**1,147**
Net profit	(46)	649	1,004	1,227	1,328
Depreciation expense	377	476	584	691	799
(Gain) from investing activities	(28)	-	-	-	-
Interest expense/ income	(13)	-	-	-	-
Change in working capital	(868)	3,587	(751)	(640)	(384)
Others	(249)	(277)	(380)	(484)	(595)
Cash flow from investments	**33**	**(1,280)**	**(1,282)**	**(1,284)**	**(1,285)**
Change in fixed assets	(210)	(1,280)	(1,282)	(1,284)	(1,285)
Change in investment assets	13	-	-	-	-
Others	231	-	-	-	-
Cash flow from financing	**1,048**	**411**	**601**	**765**	**864**
Change in equity	10	-	-	-	-
Net borrowing	1,260	633	823	987	1,086
Dividends	(222)	(222)	(222)	(222)	(222)
Change in total cash	**254**	**3,566**	**(225)**	**275**	**726**
Beginning cash	751	1,005	4,571	4,346	4,621
Change in FX rates	-	-	-	-	-
Ending cash	1,005	4,571	4,346	4,621	5,347

Key ratios

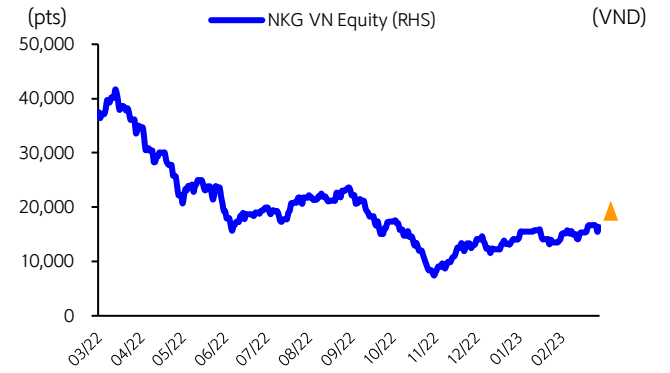
Year to Dec.	2022	2023F	2024F	2025F	2026F
EPS (VND)	-	2,144	3,319	4,056	4,387
BPS (VND)	20,426	21,726	24,202	27,413	30,957
DPS (VND)	844	844	844	844	844
PER (x)	-	7.69	4.97	4.07	3.76
PBR (x)	0.60	0.76	0.68	0.60	0.53
EV/EBITDA (x)	33.89	15.27	6.07	4.52	3.78
Dividend payout ratio (%)	4%	4%	3%	3%	3%
Dividend yield (%)	0%	5%	5%	5%	5%
Profitability					
EBITDA margin (%)	3%	9%	9%	9%	9%
OPM (%)	1%	5%	5%	5%	5%
NPM (%)	0%	3%	4%	4%	4%
ROA (%)	0%	4%	6%	6%	6%
ROE (%)	-1%	10%	14%	16%	15%
Stability					
Debt to equity ratio (%)	95%	100%	103%	105%	106%
Net debt ratio (%)	692%	79%	111%	123%	123%
Cash ratio (%)	12%	50%	39%	35%	35%
Interest coverage ratio (x)	0.82	2.77	3.41	3.57	3.42
Activity (%)					
Inventory turnover (days)	121.06	121.50	77.70	80.52	83.85
Accounts receivable turnover (days)	26.97	28.66	21.22	21.99	22.90
Accounts payable turnover (days)	62.93	61.76	55.79	57.68	60.07

Nam Kim Steel Joint Stock Company (NKG)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%) TB	TP gap (%) Max/Min
17/03/2023 (Initiate)	BUY	19,100	-24%	-56%/177%

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **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	◆ **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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