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Steel industry

Overcome challenges



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SSV Research

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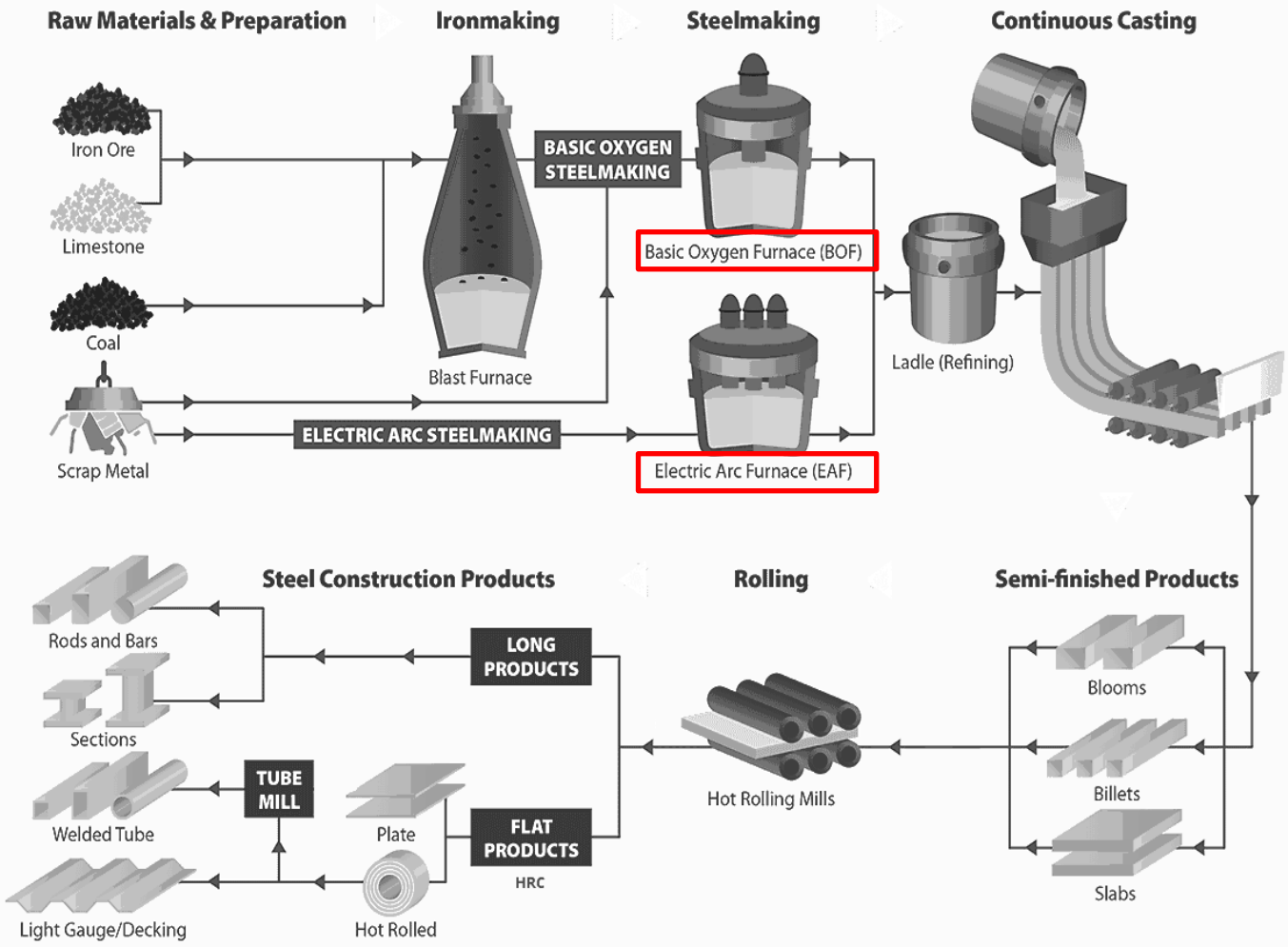
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Steel industry value chain



Techniques of making steel

- **Basic oxygen furnace (BOF):** use pure oxygen gas to oxidize instead of using normal air to remove excess carbon from cast iron to make steel. Input materials include iron ore (29%), coke (25%), scrap steel (8%), gas (6%), electricity (6%), labor (5%), and others (21%).
- **Electric Arc Furnace (EAF):** Do not need to use iron ore, produce steel from melting scrap metal. Input materials include scrap steel (55%), electricity (26%), labor (3%), gas (1%), and others (15%).

Semi-finished products

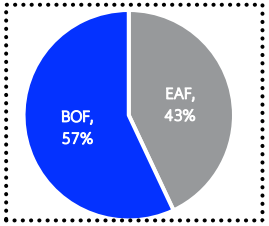
- Blooms, Slabs, and Billets are materials for further steel marking process, which can be divided into long products and flat products.
- HRC is the main raw material for making welded tubes and galvanized steel. Vietnam's steel industry uses HRC from HPG, and Formosa, and imports the remain.

Steel industry value chain

Raw materials*	
Iron ore	1,370
Coke	780
Limestone	270
Steel scrap	125

Blast Furnace → Pig iron / Hot metal → BOF

Raw materials*	
Electricity (kwh)	639
Iron ore	586
Coke	150
Limestone	88
Steel scrap	710

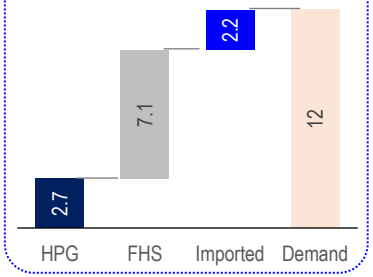


EAF

Billet: Slab, Bloom / Billet

CRC / HRC

Vietnam HRC supply-demand

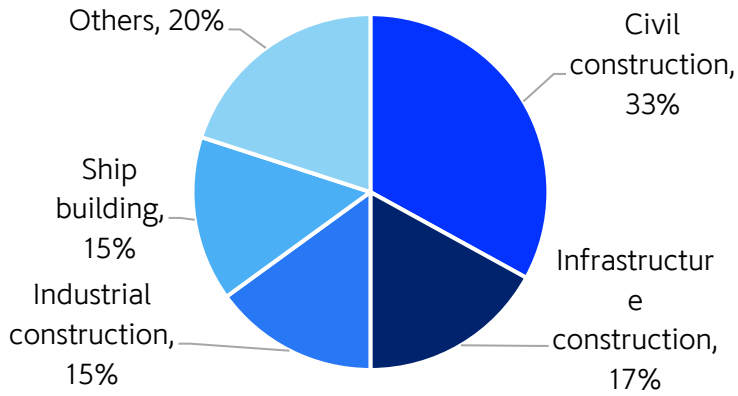


Flat steel
Tubes/Pipes
Color Coated
Galvanized Steel





Vietnam steel demand by sectors



Long steel
Steel bar
Shaped steel
Long coil steel





(*) Material usage/1 tonne of billet

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Steel production and consumption by countries

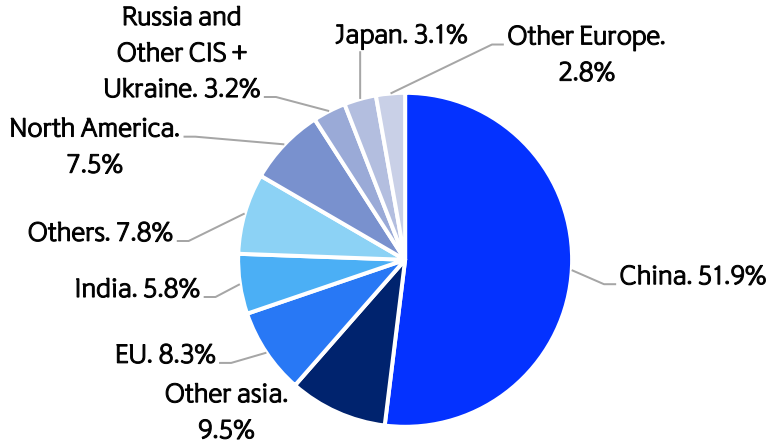
- China is one of the key producers and consumers of the world steel industry. In 2022, steel production in China decreased by 3.3%. Steel production in the country fell due to the slowdown of the economy and the downturn in the real estate market. According to China Iron and Steel Association (CISA), the country is expected to recover in general economic activity and demand for steel products in 2023 thanks to the stimulus of the government for the real estate industry and interest rate cut.
- Vietnam is in the 13th rank in the world steel production countries. Vietnam's steel production growth rate is among the top highest in Asia.

Top countries producing steel in 2022 - 2021 (million tons)

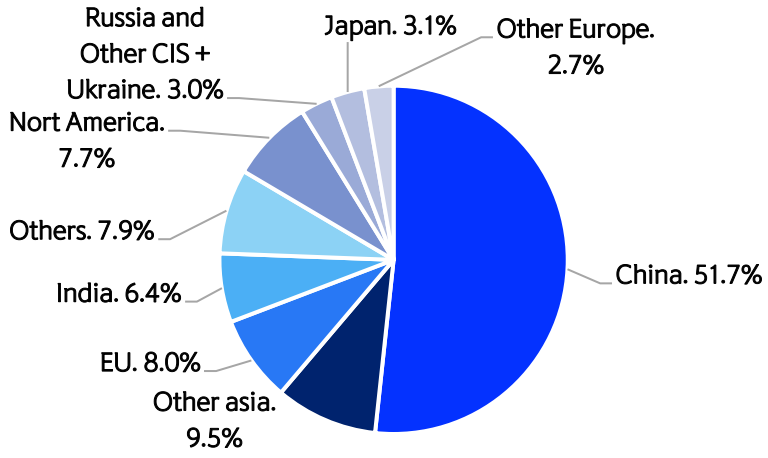
Rank	Country	2022	2021	% Change
1	China	1,018	1,035	-2%
2	India	125	118	6%
3	Japan	89	96	-7%
4	United States	81	86	-6%
5	Russia	72	77	-7%
6	South Korea	66	70	-7%
7	Germany	37	40	-8%
8	Turkiye	35	40	-13%
9	Brazil	34	36	-6%
10	Iran	31	28	8%
11	Italy	22	24	-11%
12	Taiwan, China	21	23	-10%
13	Viet Nam	20	23	-13%
14	Mexico	18	19	-2%
15	Indonesia	16	15	5%

Source: World steel association

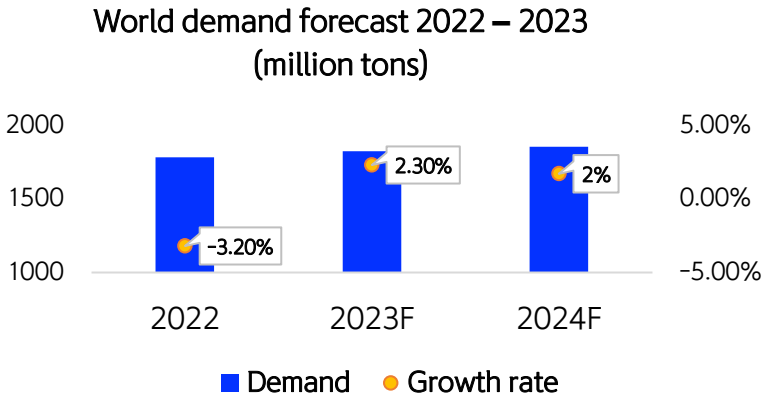
Steel consumption by region in 2022



Steel production by region in 2022



Production and demand forecast of the world steel industry



The growth rate of top 3 steel consumption countries in 2023 & 2024



China
2023F: +2%
2024F: 0%

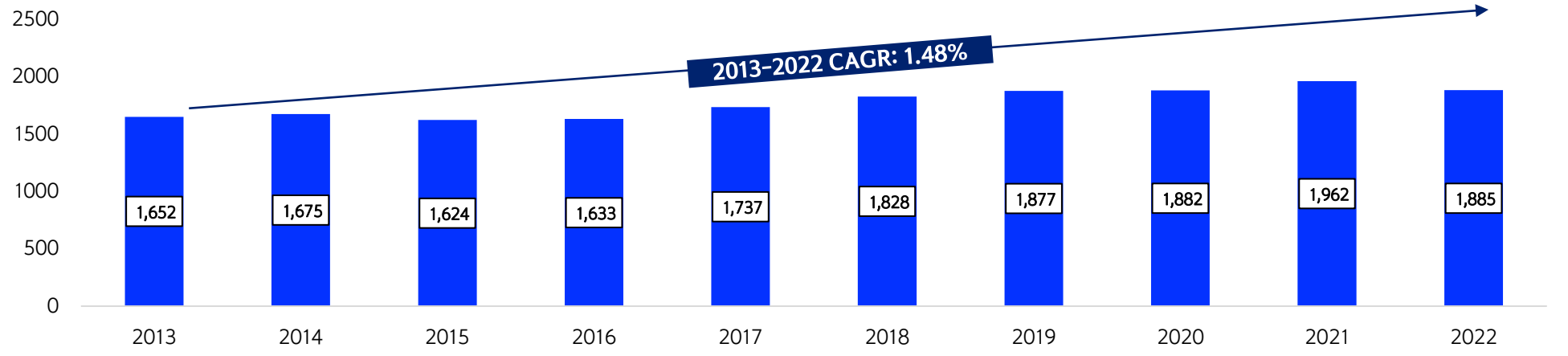


USA
2023F: +1.3%
2024F: +2.5%



India
2023F: +7.3%
2024F: +6.2%

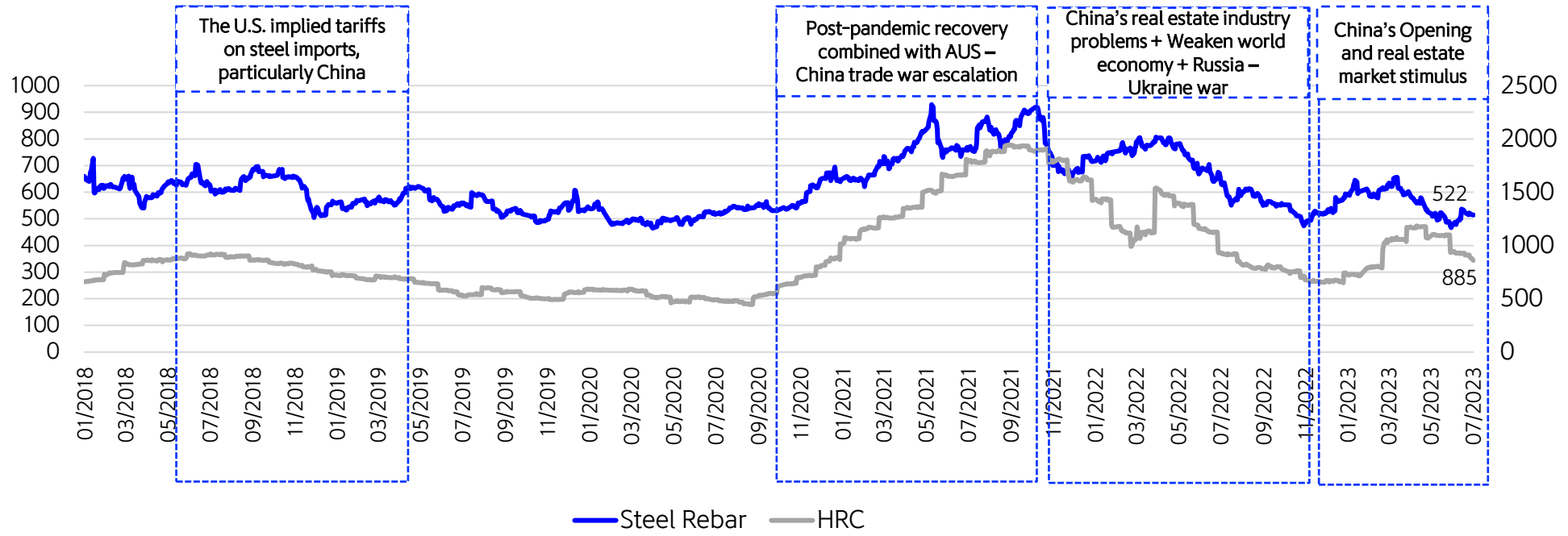
World steel production from 2013 to 2022 (million tons)



Source: World steel association

World steel prices remained sideway due to weak demand

World steel rebar, HRC, Iron ore price from 2018 – 2023 (USD/T)



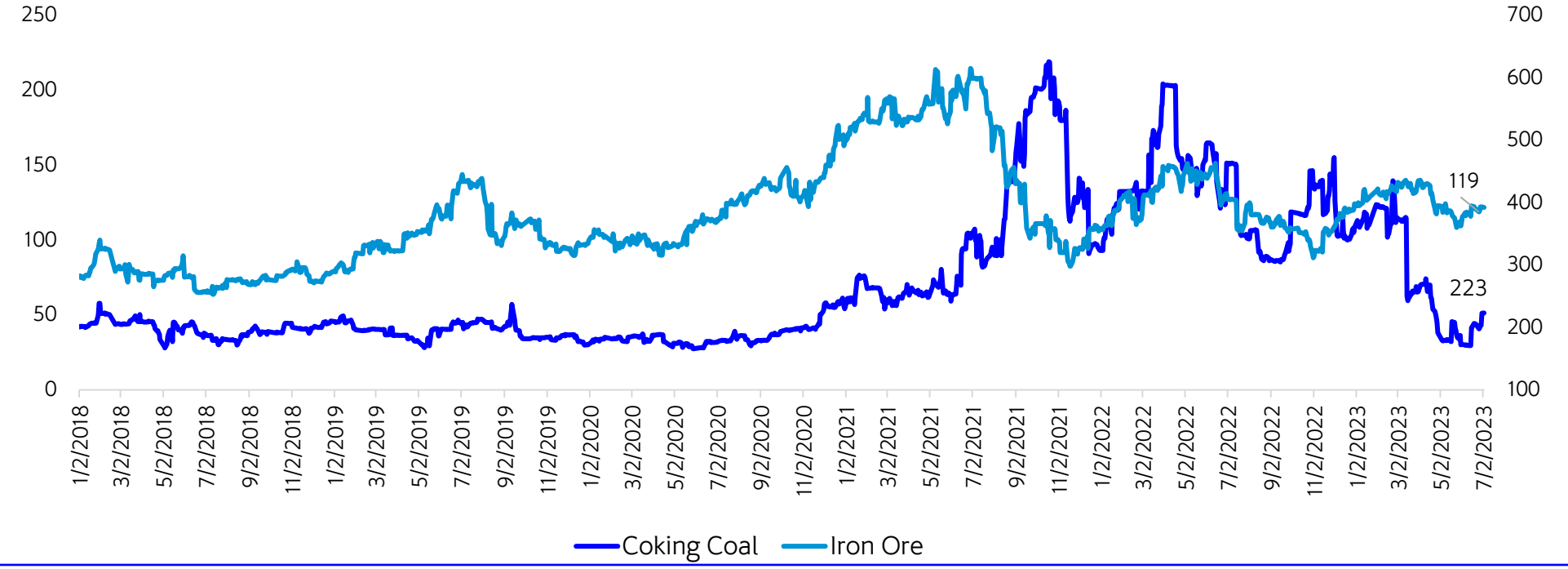
Source: Bloomberg

Struggling China's property market hampered the recovery of the world steel prices

- China, as one of the biggest world producers and consumers of the steel industry, is the main driver of world steel prices. In November 2022, the China banks and other financial regulators initiated a series of 16 support measures for the real estate market including re-lending programs and credit support. China's state-owned banks also revealed about $256 billion in approved credit for developers. These stimuli helped the steel prices recover 27% from the bottom in March. However, the steel prices turned around and dropped by 15% from March to July due to weak demand in the market. The support packages mainly focus on the supply side while weak demand inhibits the recovery. Data from the 100 biggest real estate developers showed that the value of home sales growth rate in May dropped -14.3% MoM. This was due to the increase in Fed fund rates and a sluggish economy.

Input material prices reduction helps to increase the profit

World Iron ore and coking coal price from 2018 – 2023 (USD/T)



Source: Bloomberg

Coking coal prices fell to a low base in the pre-Covid-19 period

- The coking coal prices dropped by 40% to $223 since the beginning of the year. With the price of coking coal prices hit a long-term bottom in the period of 2018 – 2020, companies in the steel industry will benefit from lower input costs. For the years to come, the coking coal prices outlook is going to be stable the same as the period before Covid-19. This is due to the fact that the steel industry's demand is expected to be low for the short-term range period, which hurt demand for coking coal, a key ingredient in steelmaking.
- The Iron ore prices also moved in the same direction as the world steel prices. Lower Iron ore prices will relieve the input cost of the steel industry and improve profit margin for companies.

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Vietnam companies in steel value chain

Product Structure in the Vietnamese Steel Industry

Company	Iron Making	Steel Making		Continuous casting		Long			Flat				
	Iron	BOF	EAF	Billet	Slab	Steel bar	Wire rod	Section	HRC	FH	CR	GI	Pre-painted
Hoa Phat	■	■		■		■	■		■	■		■	■
TISCO*	■	■		■		■	■						
Pomina			■	■		■	■						
PY VINA*			■	■		■		■					
Vina Kyoei, SSC*			■	■		■	■						
VPS*						■	■						
FHS *	■	■		■			■		■				
CSVC*										■	■	■	
Hoa Sen, Nam Kim, TDA*,...										■		■	■

*Note: TISCO = Thai Nguyen Iron and Steel, PY VINA = Posco Yamato Vina Steel JSC, SSC = Southern Steel Company, VPS = VSC-POSC Ltd, FHS = Formosa CSVC = China Steel And Nippon Steel Vietnam JSC, TDA = Ton Dong A,

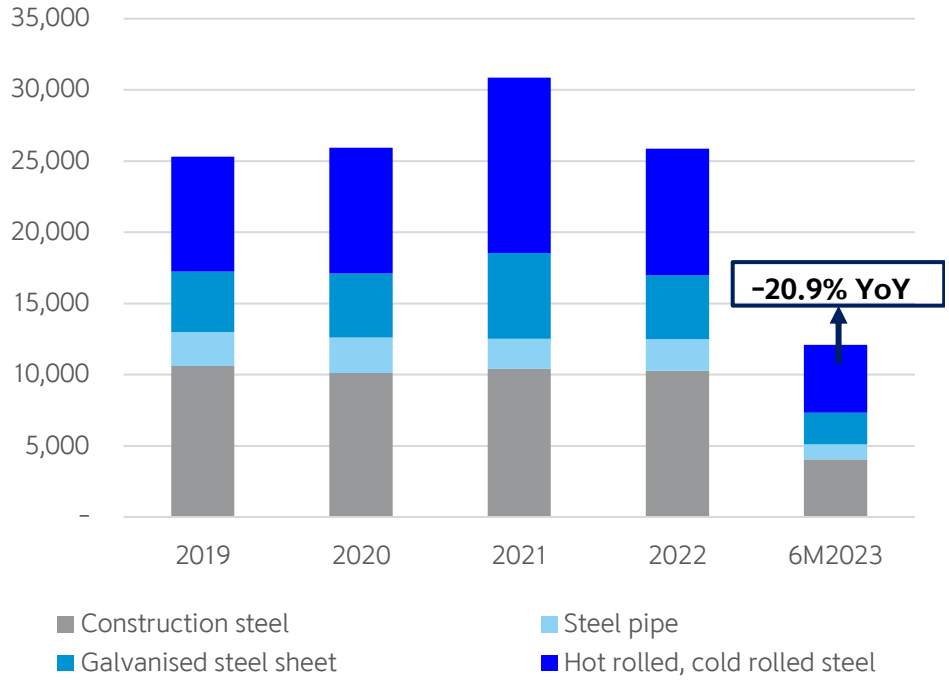
Current tax policy

CURRENT MAIN ANTI-DUMPING TAXES IN VIETNAM				
PRODUCTS	REGULATION	ORIGIN	TAX RATES	PERIOD
Galvanized steel sheet	No. 924/QĐ-BCT	China	0%	Not mention
		Korea	0%	
Long steel (Steel bar)	No. 691/QĐ-BCT	Worldwide	6.3% (2023 - 2024)	Mar 2023 - Mar 2026
			6.2% (2024 - 2025)	
			6.1% (2025 – 2026)	
Cold rolled coil	No. 3390/QĐ-BCT	China	4.43% - 25.22%	Until 21 Dec 2025

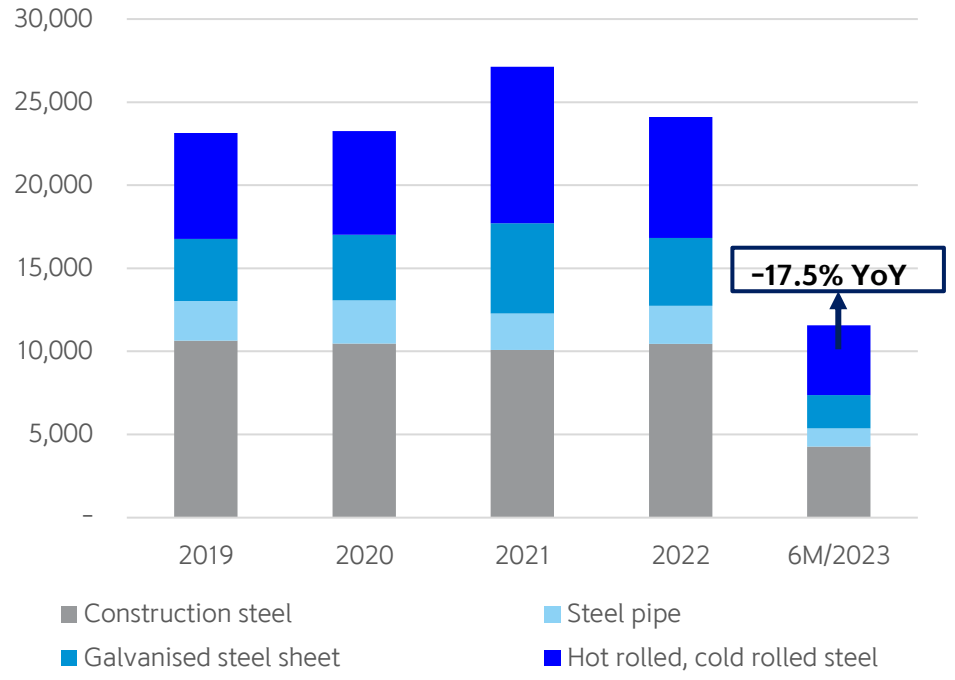
CURRENT TAXES AND PROTECTIONS IMPLIED ON VIETNAM STEEL				
PRODUCT	COUNTRIES	YEAR OF INITIATION	TARGET TAXES	STATUS
Galvanized aluminum alloy steel	Thailand	Aug-2018	4,3% - 60,26%	Implied
Color coated steel	Thailand	Aug-2018	6,2% đến 40,49%	Implied
CRC & Galvanised steel	The U.S.	Jul-2019	456%	Implied
CRC & non-alloy steel	Malaysia	Aug-2019	7.7% - 20.13%	Implied
Galvanised steel	Indonesia	Aug-2019		Investigated
Corrosion-resistance steel	Canada	Nov-2019	36.3% - 91.8%	Implied
Steel pipe and angle steel	Australia	Jan-2020		Investigated
Galvanized	Malaysia	Mar-2020	39.27%	Investigated
Corrosion-resistance steel sheet	The U.S.	May-2020	139% - 267%	Investigated
Galvanised steel sheet	Philippines	Jun-2020		Investigated
Corrosion-resistance steel pipe	Turkey	Jun-2020	39.27%	Investigated
Corrosion-resistance CRC	Malaysia	Jul-2020	3.06 - 37.14%	Implied
CRC	Malaysia	Jul-2020		Investigated
Reinforcing bar	Canada	Jun-2019	3.7% - 15.4%	Implied

Production and consumption of the steel industry in Vietnam

Steel production output from 2018 – 6M/2023 (thousand tons)



Steel consumption from 2018 – 6M/2023 (thousand tons)



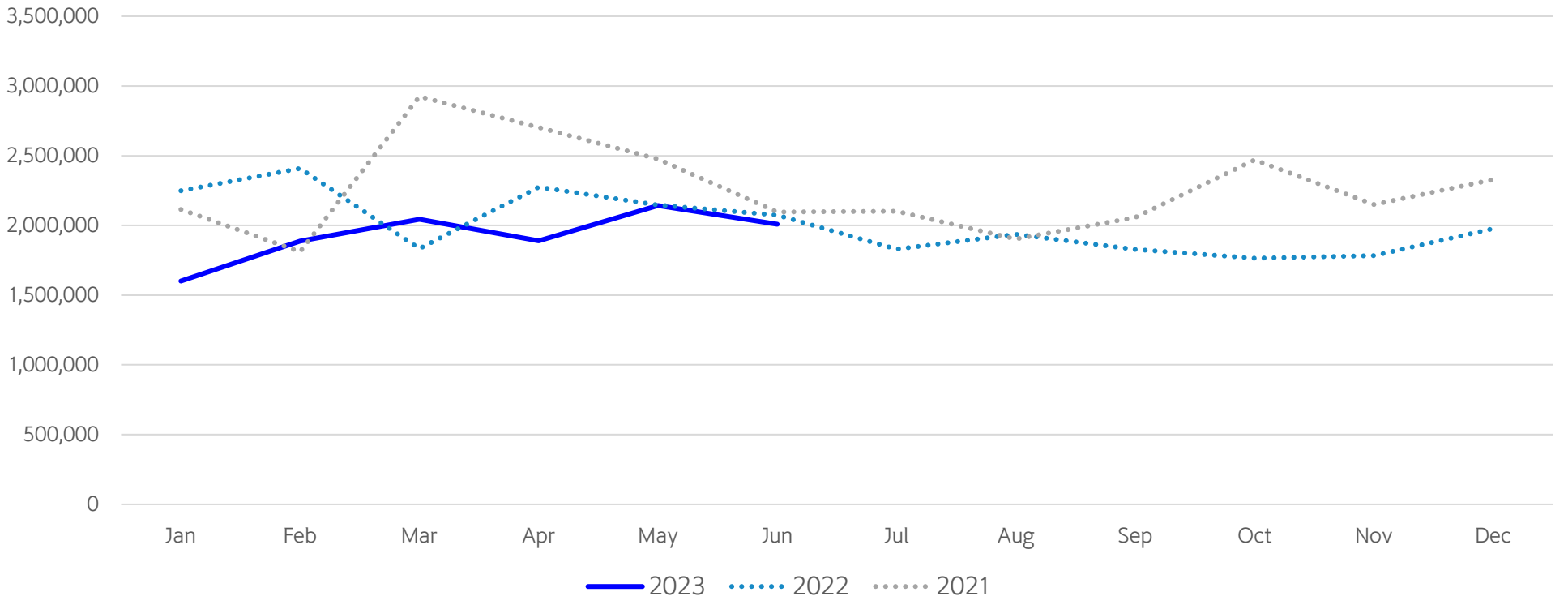
Source: Fiinpro

Despite remaining weak, the demand for steel has begun to increase since the beginning of the year.

- The accumulated production of steel in Vietnam reached 13.1 million tons for 6M2023, which decreased by -20.9% YoY, while the steel consumption for the accumulated 6M2023 was 12.4 million tons, which declined by -17.5% YoY. This was due to low demand in the real estate market. High-interest rates and problems with real estate bonds in 2022 had pressured the demand in the first half year of 2023. Although the accumulated consumption and demand were still low compared with the previous year, the demand and consumption of the steel industry started to bounce back again in February.

Steel consumption demand rebounded from February 2023

Steel consumption in Vietnam from 2021 to 06/2023 (VND/Kg)



Source: Fiinpro

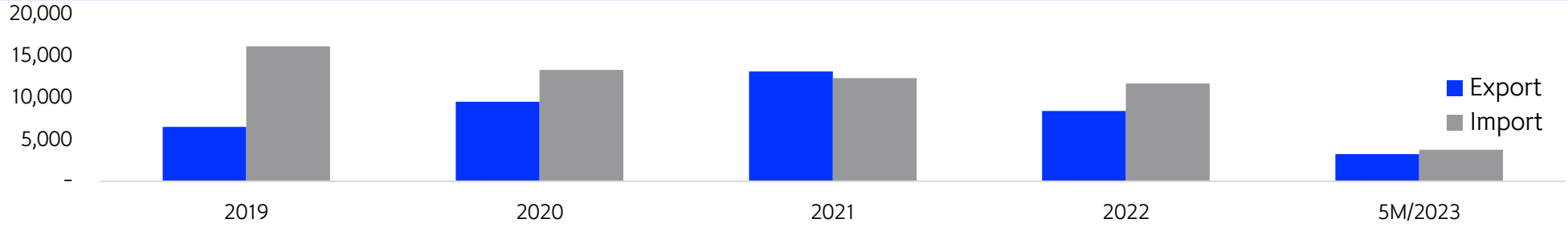
Domestic demand has improved markedly thanks to the supportive policies of the government

- Steel consumption hit the bottom of 1.7 million tons in January. Since then, the monthly consumption of steel grew. When compared to the beginning of the year, the consumption of steel in June climbed by 26% to 2.1 million tons, a slight drop compared to June/2022. Government support for the housing market and infrastructure spending led to the steel industry's recovery.

Export and import of the Vietnam steel industry

- In the first 5 months of 2023, Vietnam exported about 4.3 million tons of steel (+ 10.12% YoY). Export value reached USD 3.4 billion, down -16.21% YoY. Import of steel products in Vietnam was about 4.6 million tons with a value of more than USD 3.9 billion, down -12.3% YoY in volume and -29.6% in value YoY.
- The export proportion in ASEAN dropped from 41% to 36% while the EU increased from 19% to 24% compared to last year. There was also a rise in the amount of steel exported in India and Turkish, together these countries account for 7% of the total export market in Vietnam. The rise in Turkish was due to its country's earthquake while the rise in India was supported by strong infrastructure spending and growth in the residential sector.

Steel export and import of Vietnam from 2016 – 5M/2023 (thousand tons)



Source: VSA

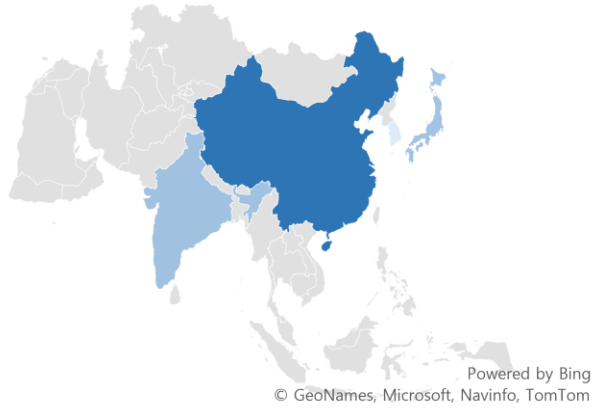
Export market for 4M2023



Countries	%
ASEAN	35%
EU	25%
US	7%
India	5%
Other	28%

Main products: billets and galvanized sheets

Import market for 4M2023



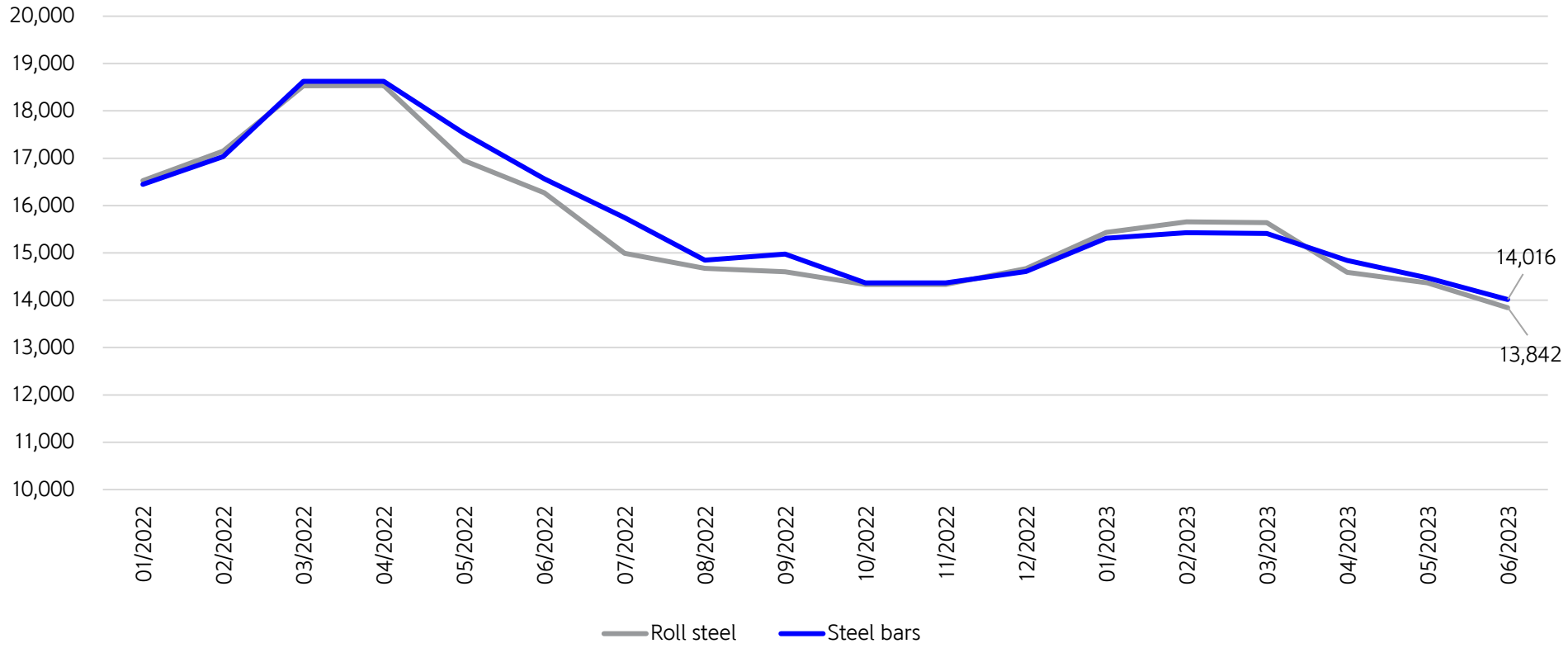
Countries	%
China	54%
Japan	16%
Korea	9%
Taiwan	6%
Other	15%

Main products: HRC and other end-use steel products

Steel prices in Vietnam maintained at the bottom

- Domestic steel prices started to decrease in March, which was the same trend as the world steel prices. The average steel price in May was about VND 13,842/kg for roll steel and VND 14,016/kg for bar steel.
- Domestic steel prices slightly decreased when compared with the beginning of the year. With lower material costs and weak demand in the current industry, domestic steel prices are expected to be stable at the current level.

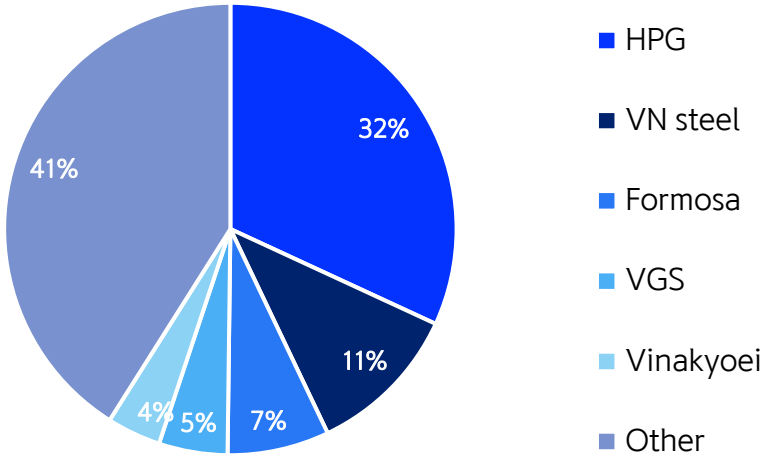
Steel price in Vietnam from 2020 to 06/2023 (VND/Kg)



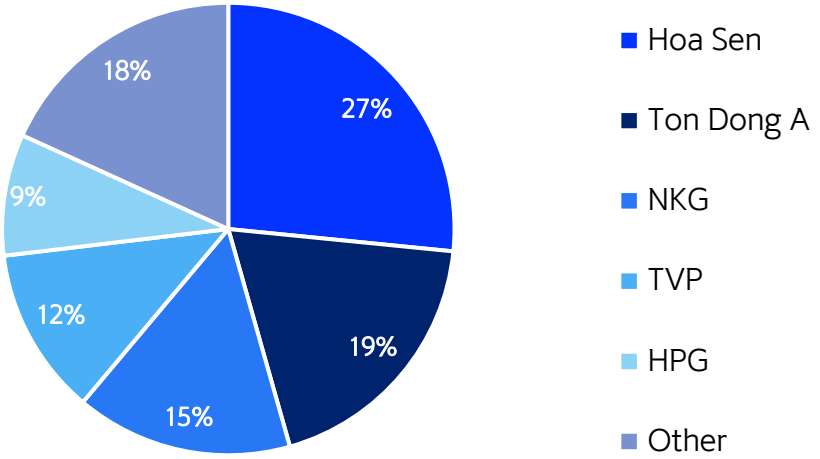
Source: Fiinpro

Vietnam steel industry market share

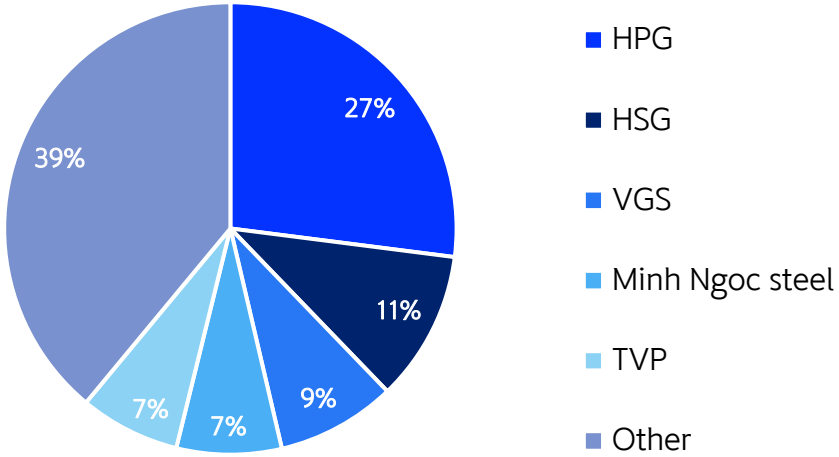
Construction steel market shares 5M2023 (%)



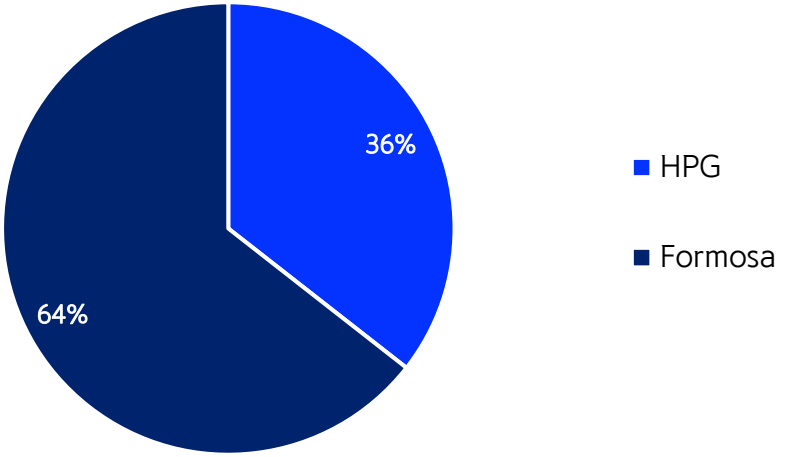
Galvanised steel sheet market shares 5M2023 (%)



Steel pipe market shares 5M2023 (%)



HRC steel market shares 5M2023 (%)



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Low steel demand balances out with a supply drop leading to sideway world steel prices

Supply side

Supply drop due to the electricity restriction

- Extreme heat in the Chinese production hubs of Sichuan threatened the hydroelectric power supply that blast furnaces and mills largely depend on, driving authorities to issue electricity restrictions. Steel mills in the Sichuan province of China had planned to reduce production from end-July owing to power curbs.
- Sichuan's total crude steel output accounted for 2.7% of China's total output. At the end of 2022, EAF mills accounted for 26% of the province's total production

Reduce production due to air quality

- Deteriorating air quality forced capacity cuts for producers.
- The city of Tangshan, a steelmaking hub in north China, has started production restrictions to try to clear its skies ahead of some major political meetings in the country





Demand side

Weak demand in the real estate market is expected to continue

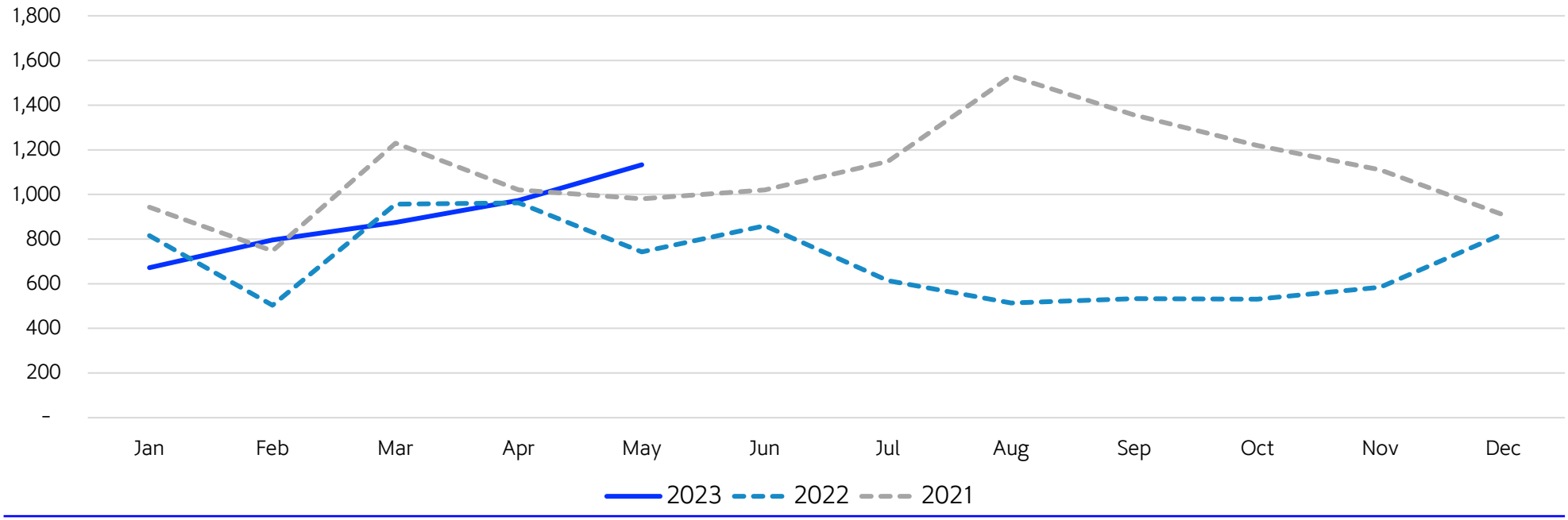
- According to the report of Goldman Sachs, the real estate market in China is assumed to have an 'L-shaped' recovery in coming years. The high level of debt of real estate developers combined with weak demand in the real estate market inhibits the recovery of the industry.
- Moreover, the government seeks to cut the economy's reliance on the sector and shift its policy to focus on strategically important sectors.
- Falling demographic and birth rates in recent years continue to hamper the long-term prospect of the real estate sector.

Recent support from the government is expected to stabilize the real estate market.

- The People's Bank of China (PBOC) and the National Administration of Financial Regulation (NAFR) jointly issued a notice to extend loans that are due before 31 December 2024 up to one year without adjusting the loan classification.
- The Beijing government also pledged to optimize management policies to promote the real estate sector and reduce economic financial risks.

Steel demand is boosted by export growth

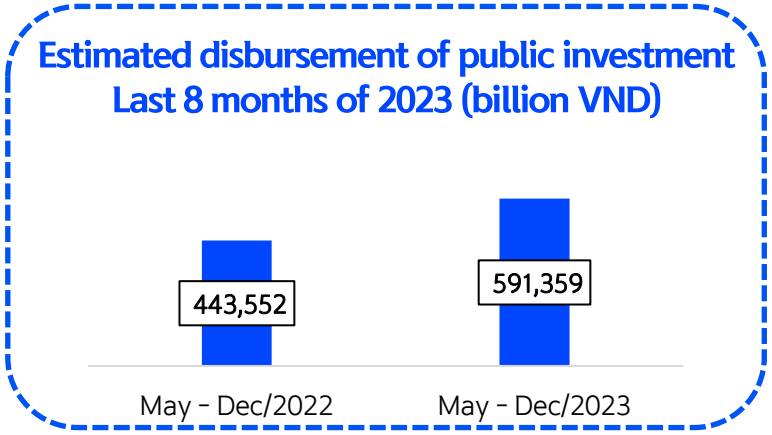
Export volume 01/2021 – 05/2023 (thousand tons)



Source : VSA

- The steel export situation has significantly improved since the beginning of the year, with consecutive monthly increases in output and export value. In May 2023, Vietnam exported approximately 1.3 million tons of steel, representing an increase of 52% YoY. The export value also experienced growth, reaching over USD 931 million, a 15% YoY increase. During the first five months of 2023, Vietnam exported around 4. 8 million tons of steel, marking an increase of 10. 2% YoY in volume, but a value decrease of 16.1% YoY.
- According to the World Steel Association (WSA) report, the demand for steel consumption is expected to continue growing in 2023 and 2024. Additionally, on 26/06/2023, the EU revised its regulations relating to import measures against steel imports from developing countries under the WTO. As a result, Vietnam will be exempt from the protection tax if the proportion of exports to the EU remains below 3% of the total EU import turnover for each specific product.

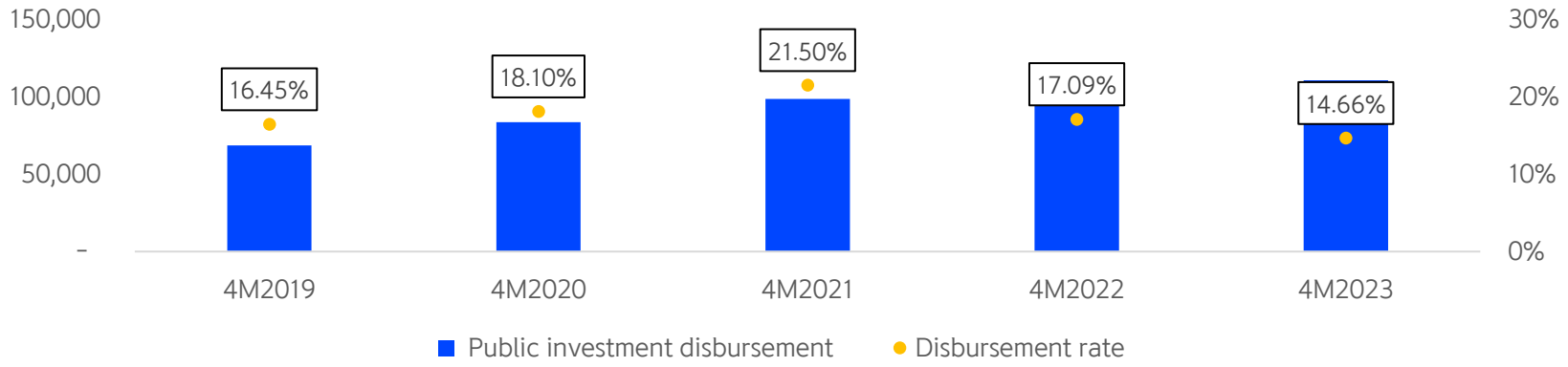
Public investment increases the demand for steel



The steel industry benefits from promoting public investment

- Steel accounts for 30% of the material cost for infrastructure construction. The increase in public infrastructure investment will push the demand for the steel industry.
- According to the Ministry of Finance, the estimated public investment disbursement to April 30, 2023, was VND 110,633 billion (+16% YoY). With the target of a 90% disbursement rate in 2023, it is estimated that the disbursement value of the remaining 8 months will be at least VND 591,359 billion, up +33% compared to the last 8 months of 2022.
- The Government also issued Directive No. 08/CT-TTg dated March 23, 2023, to accelerate the disbursement of public investment capital.

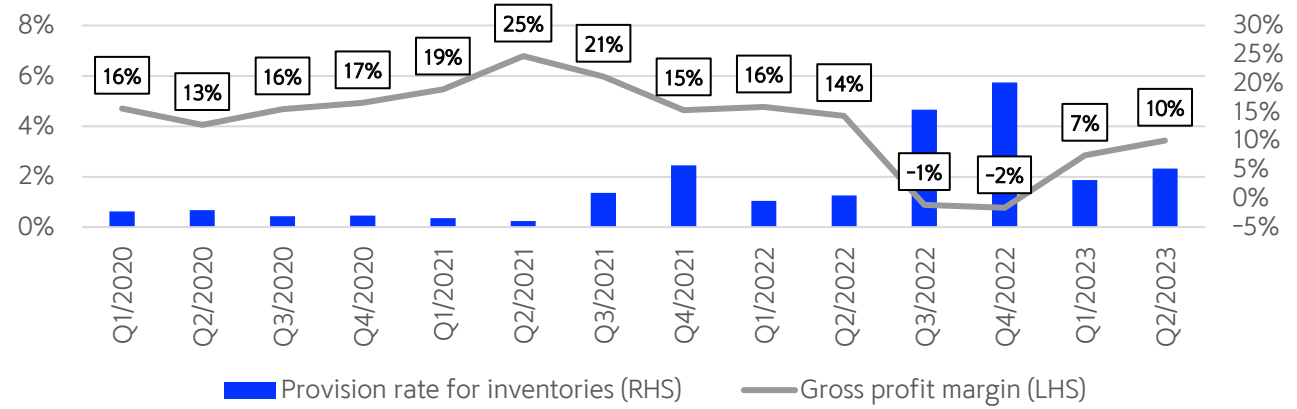
Disbursement of public investment in the first 4 months of 2018 - 2023 (VND billion)



Source: Ministry of Finance, Shinhan Securities Vietnam

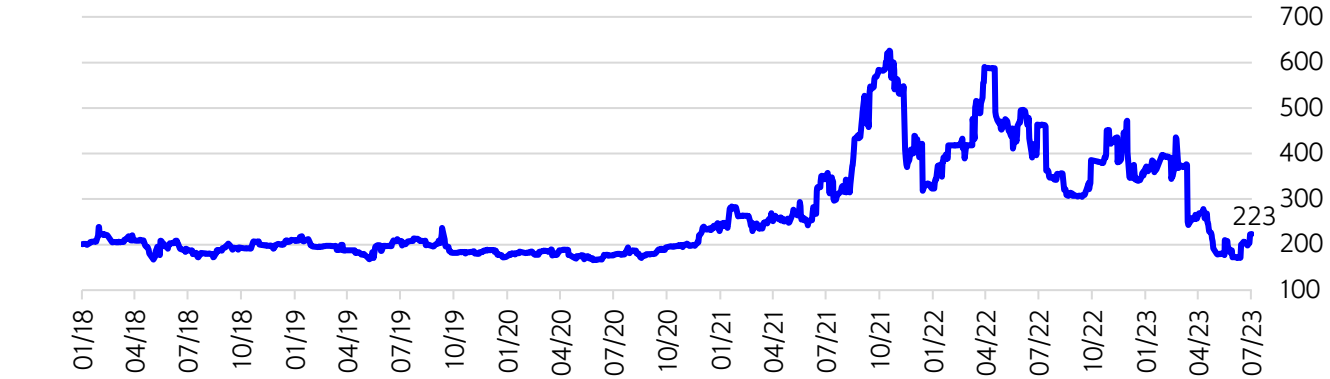
Gross profit margin is expected to improve thanks to lower cost of good sold

Average GPM and average provision rate of top 3 steel companies from Q1/2013 – Q3/2022



Source: Financial report

Coking coal price from Q1/2013 – Q3/2022 (USD/T)



Source: Financial report

Gross profit margin improved as steel companies' inventories cost had dropped

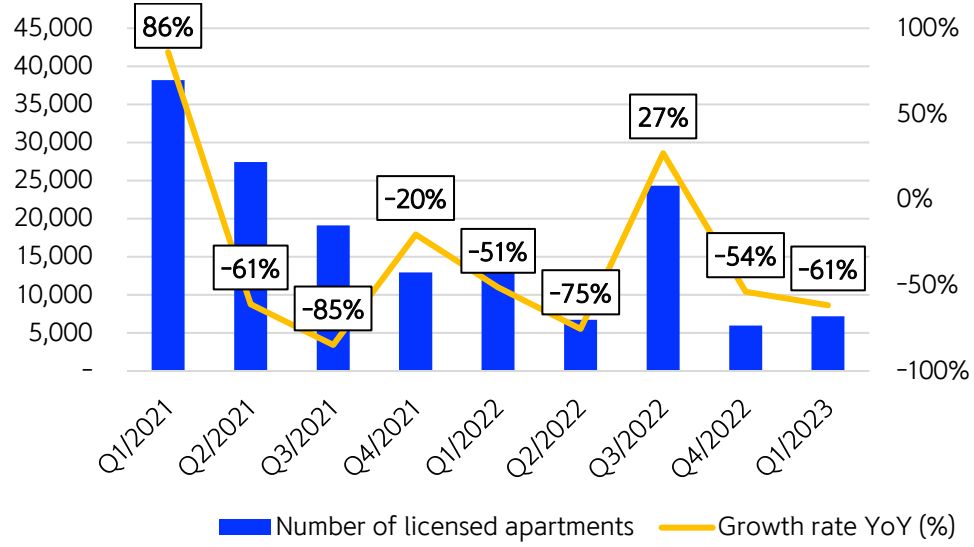
- With an average inventory day of about 100 days, most of the steel companies fully sold old inventories at high costs in Q2/2022, when the production costs were high.
- The inventory value of steel companies dropped by 30 to 40 percent compared to the peak of the cycle in Q2/2022. This helped to reduce the inventory cost and prevent companies to make provisions for inventories when the steel prices drop.
- Provision rate for inventories dropped from 6% of total inventories to 2%, which signaled the fact that companies had reversed the provision and sold old inventories.

Lowered coking price reduces the material costs for the steel industry

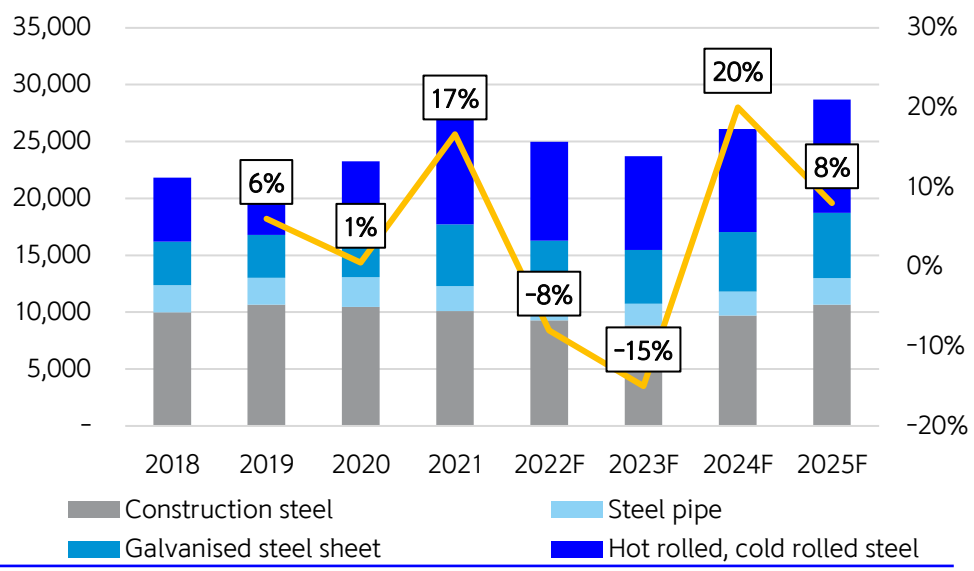
- Compared with the same period last year, coking prices were reduced by 55% to $223 USD/T in Q2/2023. The coking coal prices are expected to maintain at the average level before Covid-19. The gross profit margin will significantly improve as material costs become stable.

The most challenging time is over, but the problem still exists

Number of licensed apartments from Q1/2021 – Q1/2023



Steel consumption forecast (thounsand tons)



Source: Shinhan Securities Vietnam

The steel industry will struggle to recover in 2023, however, the prospect will improve in 2024

- The real estate market is currently experiencing low demand due to unresolved problems relating to the bond market in 2022. The number of licensed apartments reached 7,187 houses (-61% YoY) in Q1/2023, signaling low construction activities in the future. However, the worst time in the real estate market has passed. Recent data showed that the number of transactions for condominiums and individual houses increased by 272% compared to Q4/2022 and increased by 192% compared to Q1/2022. This shows that apartments continue to attract the attention of the target group with real housing needs.
- New laws relating to the real estate market passed by October/2023 will be a foundation to solve current issues in the market, which will be a key driver for the market to recover.
- The steel consumption in Vietnam is expected to drop by -15% in 2023 before surging by 20% in 2024. The recovery of the real estate market and the world economy will help improve steel consumption in 2024. Furthermore, lowered interest rates and inflation rates are also motivations to improve steel demand.

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II. Overview of the world steel industry

III. Overview of Vietnam steel industry

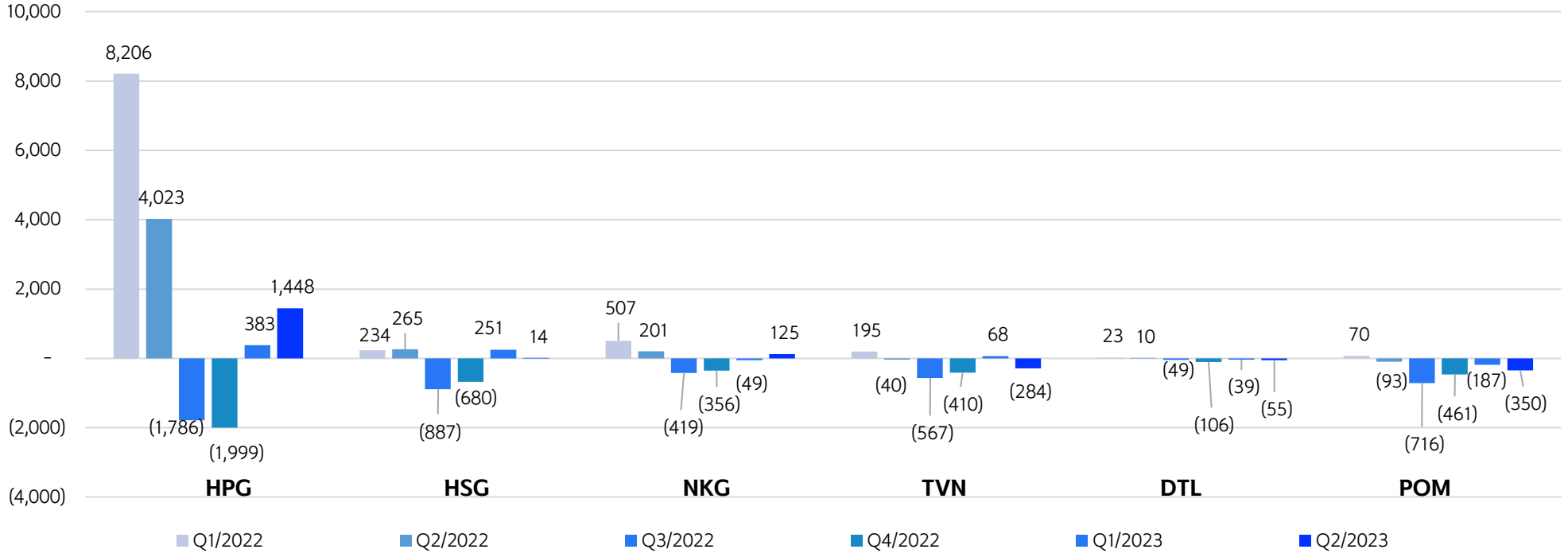
IV. Outlook

V. Outstanding company



Update the business situation of the steel sector

Profit after tax Q1/2022 - Q2/2023 (VND billion)



Nguồn : Fiinpro

Business results are differentiated between companies

- The majority of companies in the industry have exceeded their profit bottom in Q4/2022. However, the recovery status of companies varied significantly. For companies that effectively control costs and possess a comprehensive value chain, such as HPG, tend to experience better improvements when the prices of industry input materials decrease significantly. Additionally, enterprises with a significant portion of their revenue derived from exports, like NKG, will benefit from the rebound of the export market, leading to enhanced business outcomes.

Update the business situation of the steel sector

Ticker	Rating	Mkt price (VND)	Target price (VND)	Upside (%)	Mkt cap (Billion VND)	6M/2023 revenue (Billion VND)	Revenue growth in 6M/2023 (% YoY)	Profit in 6M/2023 (Billion VND)	6M/2023 profit growth (% YoY)	ROA - TTM (%)	ROE - TTM (%)	GPM - TTM (%)	D/E	P/B - TTM
HPG	Hold	27,500	28,400	3%	159,906	56,085	-31%	1,831	-85%	-1%	-2%	4%	0.62	1.68
HSG	Hold	18,800	16,200	-14%	11,582	15,627	-37%	265	-47%	-8%	-12%	6%	0.42	1.15
NKG	Buy	19,200	22,300	16%	5,054	9,875	-31%	76	-89%	-5%	-13%	2%	0.84	0.96
TVN	N/A	7,600	N/A	N/A	3,593	15,097	-31%	(216)	N/A	-5%	-13%	2%	0.77	0.60
DTL	N/A	25,000	N/A	N/A	1,515	1,005	58%	(93)	N/A	-11%	-27%	-4%	1.34	1.87
POM	N/A	7,500	N/A	N/A	2,089	2,444	-70%	(537)	N/A	-15%	-68%	-12%	3.02	1.03

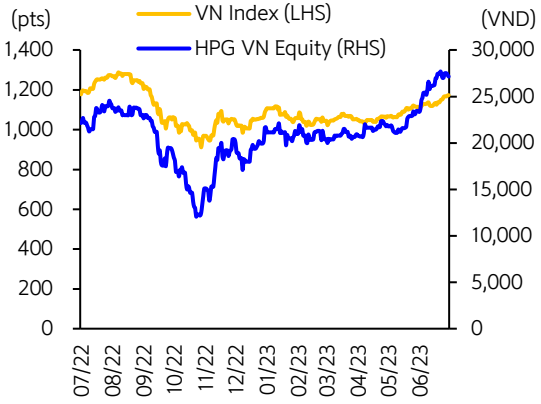
*Recommendations:
Buy when: upside > =15%
Hold when : -15% < upside < 15%
Sell when: upside < -15%

Source: SSV Research, Bloomberg
Data as of 02/08/2023

V. Outstanding company: Hoa Phat Group JSC

TARGET PRICE (VND)	
28,400	
CURRENT PRICE (VND)	UP/DOWNSIDE
27,500	3%
VNINDEX	1,220
Market P/E (x)	11.8
Market Cap. (bn VND)	159,906
Outstanding Shares (mn)	5,815
Free Floating Shares (mn)	3,156
Free Floating (%)	54.3
52-Wk High (VND)	28,050
52-Wk Low (VND)	11,800
3M Avg. Trading Vol. (mn)	20.34
3M Avg. T/O (bn VND)	476
Beta (12M)	1.4

	3M	6M	12M
Absolute	29.6	25.1	20.1
Rel. to VNINDEX	18.3	18.3	20.4



Investment catalysts & Theses

- Hoa Phat Group Joint Stock Company (HoSE: HPG) is a leading steel corporation in Vietnam, established in August 1992 with the beginning as a construction machinery trading company then expanding into other fields such as furniture, steel pipes, construction steel, refrigeration, 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, billet, steel pipe, and galvanized sheet, of which construction steel currently contributes 59% of the total steel consumption. Hoa Phat holds the largest market share in construction steel (with 35%) and steel pipe (with 29%).
- Hoa Phat has reported its business results for Q2/2023, revealing revenue of VND 29,799 billion, which is a 21% YoY decrease. The company's profit after tax reached VND 1,448 billion, reflecting a 64% decrease YoY. In the first half of this year, HPG recorded revenue of VND 56,665 billion, showing a 30% decline YoY and the profit after tax ofVND 1,830 billion, indicating a 85% YoY decrease.
- Although the Q2/2023 results showed a decline compared to the previous year, HPG experienced a significant increase in profit of 3.8 times compared to Q1/2023. Hoa Phat's steel consumption has also shown a month-by-month increase, reaching its highest level in June. Furthermore, the export situation has notably improved, with export revenue in Q2/2023 increasing by 2.5 times compared to Q1/2023 and reaching 90% of the revenue in Q2/2022, which was the company's peak period.
- Despite the anticipated impact of the declining demand for construction steel due to the negative situation in the real estate market, we believe that Hoa Phat's construction steel segment will be less affected thanks to the promising outlook for public investments, which will contribute to boosting demand. Additionally, the economic stimulus measures implemented by China and the recovery of the global export market are expected to drive the recovery of Hoa Phat's business results.

Risks:

(1) Risk of economic recession affecting steel demand;

(2) The risk of falling steel prices.

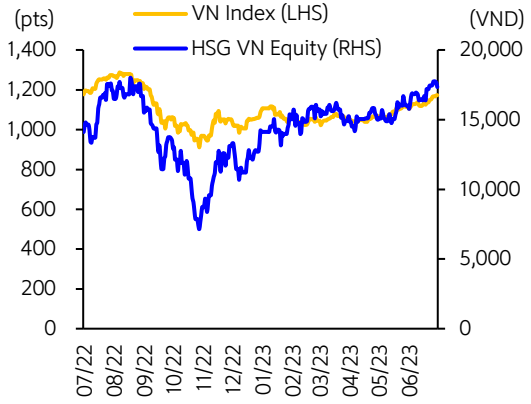
FY	2020	2021	2022	2023F	2024F
Revenue (bn VND)	90,119	149,680	141,409	117,438	137,536
OP (bn VND)	17,123	37,664	13,078	11,689	22,365
OP margin (%)	19.0	25.2	9.2	10.0	16.3
NPATMI (bn VND)	13,450	34,478	8,484	10,266	19,803
NP margin (%)	14.9	23.0	6.0	8.7	14.4
EPS (VND)	2,191	5,512	1,452	1,766	3,406
ROE (%)	23.9	42.8	9.0	9.8	16.2
P/E (x)	10.8	6.5	12.4	15.4	8.02
P/B (x)	2.3	2.3	1.3	1.5	1.30

Source: Bloomberg, Shinhan Securities, Data as of 02/08/2023

V. Outstanding company: Hoa Sen Group

TARGET PRICE (VND)	
16,200	
CURRENT PRICE (VND)	UP/DOWNSIDE
18,800	-14%
VNINDEX	1,220
Market P/E (x)	11.8
Market Cap. (bn VND)	11,582
Outstanding Shares (mn)	616
Free Floating Shares (mn)	419
Free Floating (%)	68.1
52-Wk High (VND)	18,366
52-Wk Low (VND)	6,650
3M Avg. Trading Vol. (mn)	15.05
3M Avg. T/O (bn VND)	229
Beta (12M)	1.7

	3M	6M	12M
Absolute	13.8	22.8	20.8
Rel. to VNINDEX	2.6	16.0	21.1



Investment catalysts & Theses

- Hoa Sen Group (HoSE: HSG) is a leading enterprise in the field of galvanized steel sheets in Vietnam. Hoa Sen Group mainly manufactures galvanized steel sheets, steel pipes, plastic pipes, and retail construction materials. Hoa Sen currently holds the largest market share in galvanized steel sheet segment with 29%.
- Hoa Sen Group owns a system of more than 600 branches & stores, together with more than 100 Hoa Sen Home construction material supermarkets across the country. This helps Hoa Sen build the brand, and manage better quality and service. Besides, Hoa Sen also exports to more than 87 countries and territories with higher export revenue than the top 2 and top 3 competitors combined.
- Hoa Sen Group achieved net revenue of VND 8,645 billion in Q2/2023, a decrease of 29% YoY, the company's net profit for Q2/2023 was VND 14 billion, a decline of 95% YoY. Although HSG's revenue in Q2/2023 increased by 24% QoQ, the profit experienced a sharp drop of 94% QoQ. This can be attributed to the decline in global and domestic steel prices since March 2023, resulting in a decrease in the gross profit margin from 14% to 10%.
- In the short term, Hoa Sen Group's business is expected to face continued challenges due to the weak real estate market. Although there is an anticipated improvement in the export segment, the impact on the company's overall financial performance is not significant, as exports only contribute to 27% of Hoa Sen Group's revenue and 17% of its profit.
- Looking towards the long term, Hoa Sen Group aims to establish 600 Hoa Sen Home building material supermarkets, which will serve as the company's next strategic step. It is expected that Hoa Sen Home will be the driving force behind Hoa Sen Group's growth. As of April 2023, there are already 114 Hoa Sen Home stores nationwide.

Risks:

(1) Risk of economic recession affecting steel demand;

(2) The risk of falling steel prices.

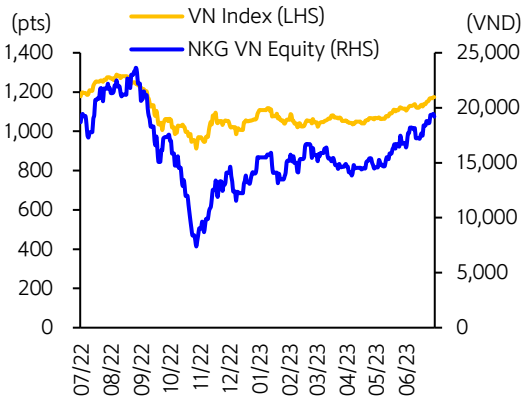
FY	2020	2021	2022	2023F	2024F
Revenue (bn VND)	27,531	48,727	49,711	31,470	40,843
OP (bn VND)	1,946	5,103	584	159	1,678
OP margin (%)	7.1	10.5	1.2	0.5	4.1
NPATMI (bn VND)	1,153	4,314	251	89	1,512
NP margin (%)	4.2	8.9	0.5	0.3	3.7
EPS (VND)	1,833	6,849	393	149	2,528
ROE (%)	18.4	47.6	2.2	0.8	12.1
P/E (x)	6.3	5.5	36.5	126.12	7.42
P/B (x)	1.1	2.1	0.8	1.02	0.90

Source: Bloomberg, Shinhan Securities, Data as of 02/08/2023

V. Outstanding company: Nam Kim Steel JSC

TARGET PRICE (VND)	
22,300	
CURRENT PRICE (VND)	UP/DOWNSIDE
19,200	16%
VNINDEX	1,220
Market P/E (x)	11.8
Market Cap. (bn VND)	5,054
Outstanding Shares (mn)	263
Free Floating Shares (mn)	170
Free Floating (%)	64.5
52-Wk High (VND)	23,950
52-Wk Low (VND)	6,890
3M Avg. Trading Vol. (mn)	9.45
3M Avg. T/O (bn VND)	148
Beta (12M)	1.9

	3M	6M	12M
Absolute	28.9	24.3	-0.5
Rel. to VNINDEX	17.6	17.4	-0.3



Investment catalysts & Theses

- Nam Kim Steel Joint Stock Company (HoSE: NKG) is a top 3 enterprise 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. Galvanized sheets accounted for more than 80% of Nam Kim's product structure.
- In Q2/2023, NKG achieved total revenue of VND 5,500 billion, representing a decrease of 23% YoY. The company's profit after tax was VND 125 billion, showing a decline of 37% YoY. It is worth noting that NKG returned to profitability after experiencing three consecutive quarters of losses. Furthermore, the revenue in Q2/2023 increased by 25% compared to Q1/2023. Nam Kim's export revenue experienced a significant growth of 68% compared to Q1/2023, reaching VND 3,582 billion, which accounted for 65% of NKG's total revenue.
- Nam Kim's inventory provision, dropped by 53% from VND 336 billion to VND 156 billion in Q2/2023. This indicates that Nam Kim successfully sold off and reversed a significant amount of old inventory at a high price. Additionally, the value of inventory decreased by approximately 19% compared to Q1/2023, which will reduce inventory management costs and the potential of future provisions when steel prices decrease.
- In the short term, the recovery of the export market will serve as the driving force behind Nam Kim's improved business performance. The prospect of increased consumption in the US and European markets will contribute to Nam Kim's recovery.
- Looking ahead in the long term, the Nam Kim Phu My Project is expected to double the company's current capacity from 1 million tons in 2022 to 2 million tons annually by 2027. This project will be implemented in three phases, in 2024, 2025, and 2027, with each phase increasing the capacity by 400,000 tons. The Nam Kim Phu My Project is anticipated to be the primary catalyst for growth once the steel market rebounds.

Risks:

(1) Risk of economic recession affecting steel demand;

(2) The risk of falling steel prices.

FY	2020	2021	2022	2023F	2024F
Revenue (bn VND)	11,560	28,173	23,071	16,611	21,811
OP (bn VND)	509	2,749	93	624	1,222
OP margin (%)	4.4	9.8	0.4	3.8	5.6
NPATMI (bn VND)	295	2,225	-125	405	920
NP margin (%)	2.6	7.9	-0.5	2.4	4.2
EPS (VND)	1,161	8,683	-474	1,539	3,496
ROE (%)	9.5	50.0	-2.3	7%	15%
P/E (x)	9.0	3.7	N/A	12.5	5.5
P/B (x)	0.8	1.5	0.6	0.9	0.8

Source: Bloomberg, Shinhan Securities, Data as of 02/08/2023

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