

NAM KIM STEEL (HOSE: NKG)

4Q.2024: Declines in steel sheet selling price drag down revenue and profit

Domestic market was the primary driver for steel sheet consumption volume growth in 4Q.24

- NKG sold 198,021 tons of steel sheet in 4Q.24, marking a 6.3% YoY increase, primarily driven by a surge in domestic sales volume, which reached 78,677 tons (+29.3% YoY, +32.4% QoQ). Meanwhile, exported steel sheet volume in 4Q.24 came to 119,344 tons (-4.9% YoY, -23.7% QoQ). This was the first quarter in which exported steel sheet volume record a YoY decline after four consecutive quarters of YoY growth. For the full year 2024, NKG recorded total steel sheet consumption of 882,252 tons (+22.1% YoY), with export sales volume reaching 620,595 tons (+21.3% YoY) and domestic sales volume amounting to 261,657 tons (+24.1% YoY).
- Regarding steel pipe products, NKG sold 34,299 tons of steel pipe in 4Q.24, reflecting a 3.9% YoY decline. Overall, total steel pipe sales volume totaled 130,542 tons, down 5.3% YoY.

Steel sheet selling prices in the EU market declined, while HRC prices began to rise in 4Q

- The average steel sheet price in 4Q.24 in the EU market (NKG's key export market) recorded a 13.5% decline compared to 3Q's average price. Meanwhile, the average HRC price in 4Q increased by 3% in Vietnam and 3.5% in China compared to 3Q.

4Q.24 revenue remained nearly flat compared to 4Q.23, while profit recorded a sharp drop

- NKG recorded 4Q.24 revenue and net profit of 4,469 billion VND (+0.2% YoY) and 18 billion VND (-18% YoY), respectively. Gross profit margin in 4Q stood at 6.7%, down 2 percentage points from 3Q.24. NKG's GPM declined throughout 2024 primarily due to ongoing decline in steel sheet prices, as demand weakened in the second half of the year.
- For the full year 2024, NKG's revenue and pre-tax profit reached 20,609 billion VND (+10.8% YoY) and 558 billion VND (+215% YoY), respectively. NKG's pre-tax profit fulfilled 133% of the company's 2024 profit target and completed 89% of our 2024 forecast.

TRADING INFO

Ticker	HOSE: NKG
52-week Avg. volume (shares)	5,864,476
Shares outstanding (mn)	447.57
Free float	80%
Market cap. (VNDbn)	7,183
Beta	1.24

SHARE PRICE PERFORMANCE

Management and Related Parties	18,59%
Foreign ownership	7,89%
Others	73,52%

SUMMARY FINANCIALS

VNDbn	2023	2024	2025F	2026F
Net revenue	18,596	20,609	21,317	22,866
- %YoY	-19.4%	10.8%	2.5%	7.3%
Gross profit	1,112	1,832	2,009	2,243
- <i>Gross margin</i>	6.0%	8.9%	9.4%	9.8%
PBT	177	558	738	899
- <i>PBT margin</i>	1.0%	215%	3.5%	3.9%
Current assets	9,323	10,202	12,169	11,892
Non-current assets	2,913	3,317	5,074	7,616
Total assets	12,235	13,519	17,243	19,507
Liabilities	6,812	7,648	8,656	10,255
Owners' equity	5,423	5,871	8,588	9,252
- <i>Debt/Equity</i>	0.9	1.0	0.8	0.8

Analyst:

Minh Nguyen Duong

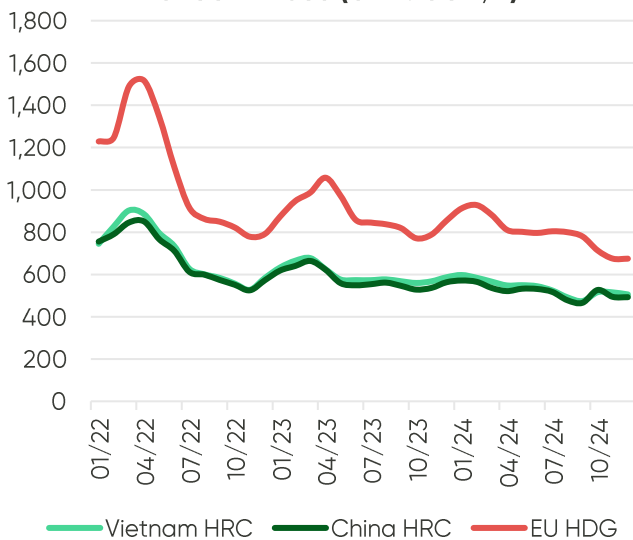
minhndt@vpbanks.com.vn

4Q24 AND FY24 EARNINGS UPDATE:

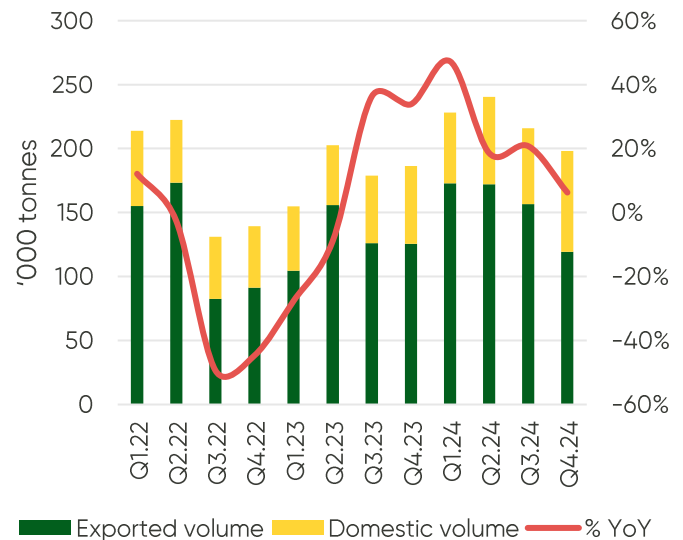
4Q.24 Results:

Tonnes	4Q.2024	%YoY	%QoQ	2024	%YoY
Steel sheet	198,021	6.3%	-8.3%	882,252	22.1%
- Export volume	119,344	-4.9%	-23.7%	620,595	21.3%
- Domestic volume	78,677	29.3%	32.4%	261,657	24.1%
Steel pipe	34,299	-3.9%	4.8%	130,542	-5.3%
VNDbn	4Q.2024	%YoY	%QoQ	2024	%YoY
Net revenue	4,469	0.2%	-13.9%	20,609	10.8%
Gross profit	301	10.1%	-33.4%	1,832	64.7%
Financial income	102	134%	70.3%	341	47.9%
Financial expenses	(168)	90%	42.4%	(477)	12.0%
S,G&A expenses	(219)	10.4%	-29.6%	(1,138)	53.9%
PBT	16	-48.5%	-81.0%	558	215%
NPAT	18	-18%	-71.6%	453	286%

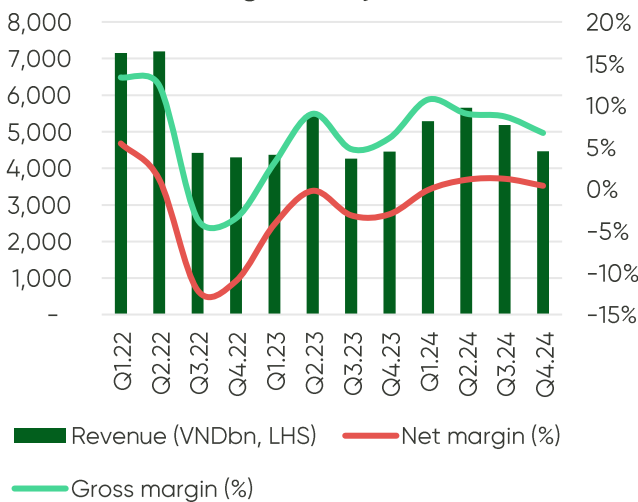
Input HRC Prices vs. Exported steel sheet Prices (Unit: USD/t)



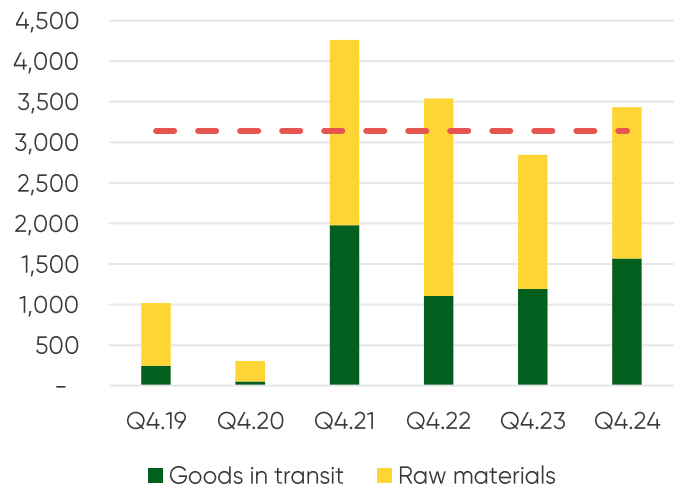
NKG's Quarterly sales volume



NKG's Revenue and Profit margin declined gradually from 2Q.24



NKG's raw material inventory in 4Q remained above the 6-year average



APPENDIX 1 (Unit: VNDbn)

INCOME STATEMENT					BALANCE SHEET				
Year	2022	2023	2024F	2025F	Year	2022	2023	2024F	2025F
Sales	23,071	18,596	20,791	21,317	Current assets	10,415	9,429	10,366	12,169
Cost of sales	21,590	17,484	18,919	19,308	Cash & Short-term investments	1,257	1,075	1,324	2,745
Gross profit	1,481	1,112	1,871	2,009	Accounts receivable	1,499	2,028	2,298	2,336
SG&A	1,388	739	1,129	1,066	Inventory	7,000	5,719	5,985	6,480
EBIT	93	373	742	943	Other current assets	659	606	759	609
Financial income	303	230	307	213	Long-term assets	3,046	2,807	2,732	5,074
Financial expenses	503	426	423	425	Tangible fixed assets	2,305	2,026	1,706	1,594
<i>In which: interest expense</i>	<i>262</i>	<i>293</i>	<i>192</i>	<i>309</i>	Other fixed assets	283	332	322	321
Share of profit/(loss) in associates	0	0	0	0	Construction in progress	220	204	486	2,986
Other profit	0	0	1	7	Financial investments	8	3	0	0
Pre-tax profit	-107	177	627	738	Other long-term assets	230	241	218	172
Corporate income tax	18	60	125	148	TOTAL ASSETS	13,461	12,235	13,098	17,243
Net profit	-125	117	502	591	LIABILITIES	8,141	6,812	7,181	8,656
Minorities interests	0	0	0	0	Current liabilities	8,109	6,784	7,157	7,133
Bonus & welfare	0	0	314	17	Accounts payable	2,803	1,778	1,280	1,481
Adjusted NPAT	-125	117	187	573	Short-term debt	5,111	4,768	5,472	5,379
					Other current liabilities	195	238	404	273
					Long-term liabilities	32	28	25	1,523
					Long-term debt	3	0	0	1,500
					Other LT liabilities	29	28	25	23
					Equity	5,320	5,423	5,917	8,588
					Share capital	3,419	3,419	3,419	5,525
					Retained profit	1,628	1,731	2,217	2,782
					Others	273	273	281	281
					Minorities interests	0	0	0	0
					TOTAL RESOURCES	13,461	12,235	13,098	17,243
GROWTH & PROFIT MARGIN					FINANCIAL RATIOS				
-	2022	2023	2024F	2025F	-	2022	2023	2024F	2025F
Sales growth	-18.1%	-19.4%	11.8%	2.5%	Valuation				
EBIT growth	-96.6%	299.8%	99.1%	27.1%	P/E	(792.1)	534.6	34.0	11.1
EBITDA growth	-84.9%	58.9%	48.8%	7.9%	P/B	18.6	11.6	1.1	0.7
Adjusted NPAT growth	-105.6%	-194.2%	327.5%	17.7%	P/FCFE	408.1	(379.8)	11.8	(8.4)
Gross profit margin	6.4%	6.0%	9.0%	9.4%	EV/EBITDA	217.9	88.8	9.5	8.7
EBIT margin	0.4%	2.0%	3.6%	4.4%	EV/Sales	4.4	3.6	0.5	0.5
EBITDA margin	2.0%	4.0%	5.4%	5.6%	EV/FCFF	(142.6)	194.6	(387.8)	(5.5)
Adjusted net margin	-0.5%	0.6%	2.4%	2.8%	Efficiency ratios				
					ROE%	-2.3%	2.2%	8.9%	8.1%
					ROA%	-0.9%	0.9%	4.0%	3.9%
					ROIC%	1.0%	2.4%	5.2%	4.9%
					Liquidity & Leverage				
					Current ratio	1.3	1.4	1.4	1.7
					Debt/Equity	1.0	0.9	0.9	0.8
					Equity/Fixed Asset	1.9	2.1	2.4	1.8
					Leverage	2.5	2.3	2.2	2.0
					Operating ratios				
					Accounts receivable pays	26 days	35 days	38 days	40 days
					Inventory days	129 days	133 days	113 days	118 days
					Accounts payable days	70 days	48 days	29 days	26 days
					Cash turnover	86 days	120 days	121 days	131 days
					Other ratios				
					Financial income/Net sales	1.3%	1.2%	1.5%	1.0%
					Financial expenses/Net sales	2.2%	2.3%	2.0%	2.0%
					SG&A/Net sales	6.0%	4.0%	5.4%	5.0%
FCFF	-720	341	-27	-1,919					
FCFE	242	-165	541	-760					

DISCLAIMER

VPBank Securities JSC (VPBankS) has issued this report for information purposes only. This report is intended for circulation amongst VPBankS and its affiliates' clients generally or such persons as may be deemed eligible by VPBankS to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments. This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by VPBankS's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. All the information contained herein is based upon publicly available information and has been obtained from sources that VPBankS believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by VPBankS and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are VPBankS's present opinions only and are subject to change without prior notice. VPBankS is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, VPBankS does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by VPBankS or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. This report may contain comments, estimates, projections, forecasts and expressions of opinion relating to macroeconomic research published by VPBankS economists of which should not be considered as investment ratings/advice and/or a recommendation by such economists on any securities discussed in this report. This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to VPBankS and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. VPBankS expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events

CONTACT INFORMATION

VPBank Securities Joint Stock Company

25th Floor, VPBank Building, 89 Lang Ha, Dong Da District, Hanoi, Vietnam

Phone: 1900 636679

Email: cskh@vpbanks.com.vn

Website: www.vpbanks.com.vn

Equity Research Department

Email: equityresearch@vpbanks.com

Analyst

Minh Nguyen Duong

Steel & Basic Materials Sector

Email: minhndt@vpbanks.com.vn