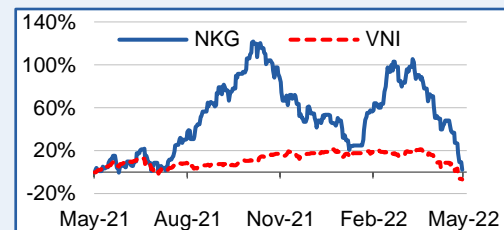




# Nam Kim Steel (NKG) [OUTPERFORM +17.8%]

## Update Report

Industry	Steel		2021	2022F	2022F	2023F
<b>Report Date</b>	<b>May 23, 2022</b>	Rev y/y	143.7%	-5.5%	-3.2%	17.1%
Current Price	VND29,700	EPS y/y	614.0%	-27.9%	-24.4%	37.8%
Target Price	VND34,000	GPM	15.2%	13.1%	11.3%	12.1%
Last Target Price	VND44,900	NPM	7.9%	6.0%	4.7%	5.5%
Upside to TP	+14.5%	EV/EBITDA	3.5x	4.5x	5.5x	4.4x
Dividend Yield	3.4%	P/B	1.1x	0.9x	0.8x	0.7x
TSR	+17.8%	P/E	3.0x	4.2x	5.5x	4.0x



Market Cap	USD283.3mn		NKG	Peers*	VNI
Foreign Room	USD110.5mn	P/E (ttm)	2.8x	7.5x	13.5x
ADTV30D	USD8.8mn	P/B (curr)	1.0x	0.6x	2.1x
State Ownership	0.0%	Net D/E	0.7x	0.4x	N/A
Outstanding Shares	219.4 mn	ROE	40.4%	11.1%	15.8%
Fully Diluted Shares	219.4 mn	ROA	15.2%	6.0%	2.6%

\* Regional peers

### Company Overview

Founded in 2002, Nam Kim Steel is one of Vietnam's largest manufacturers of galvanized steel sheets and steel pipes (a combined market share of 14% in 2021) for use in residential, industrial and civil construction.

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## New capex bolsters long-term growth; stock oversold

- We upgrade NKG to OUTPERFORM from MARKET PERFORM despite cutting our target price by 24% to VND34,000/share. NKG's share price has plunged 40% over the last three months.
- The 22% downward revision in our target price is driven by a 21% increase of our aggregate 2022-2026F NPAT-MI on the back of the new contribution from the Phu My plant, which is offset by 1) a lower cash balance as of end-Q1 2022 vs end-2021, 2) a VND1.5tn (USD65.2mn) increase in capex in 2023 for the Phu My plant – Phase 1 and 3) lower target P/E.
- NKG reported strong Q1 2022 NPAT-MI of VND507bn (USD22.0mn; +59% YoY and +12% QoQ) thanks to the company reversing VND300bn (USD13.0mn) of provision expenses, which supported gross margin despite a lower spread between input hot rolled coil (HRC) prices and finished galvanized steel selling prices in the quarter.
- As NKG's Q1 2022 sales and margin were broadly in line with our expectation, we maintain our 2022F NPAT-MI of VND1.6tn (USD69.7mn; -28% YoY).
- NKG's share price has plunged 42% over the last three months as softening steel prices dampened market sentiment toward steel stocks. The deep correction in its share price has rendered NKG's valuation attractive at a FY2022 P/E of 4.2x compared to regional peers' TTM P/E of 7.5x.
- Upside catalyst: Stronger-than-expected sales volume growth; higher-than-expected steel prices.
- Downside risk: Thinner margins due to higher input HRC costs may not be passed on to ASPs.

**We continue to expect domestic sales volume to recover in 2022F while export sales decline from a high base.** In Q1 2022, The total industry's galvanized steel sheet and steel pipe sales volume grew 7% YoY — with domestic sales surging 20% YoY. Meanwhile, export sales fell 11% YoY and accounting for 36% of the industry's total sales (vs 47% in full-year 2021). NKG's Q1 2021 total galvanized steel sheet and steel pipe sale volume was 265,400 tonnes (+11% YoY). As NKG's Q1 2022 sales progress was broadly in line with our expectation, we maintain our 2022F total sales volume of galvanized steel sheets and steel pipes at 1.1 million tonnes (+3% compared to 2021).

**We expect gross margin to pick up in Q2 2022 thanks the HRC price swing in November 2021 – February 2022.** We maintain our 2022F gross margin at 13.1% as we believe the correction of HRC prices also created an opportunity to accumulate HRC before the recovery in March 2022, which should support margins in Q2 2022. In addition, NKG still has a VND120bn (USD5.2mn) inventory provision that can be reversed in 2022.

**We factor in the first phase of NKG's new Phu My plant.** We incorporate VND1.5tn (USD65.2mn) of assumed capex for the Phu My plant – Phase 1 (400,000 tonnes per annum of galvanized steel products) to be fully incurred in 2023, which leads to our aggregate 2022-2026F NPAT-MI increasing by 21% (details on page 5).

## Q1 2022 Recap: Strong earnings on reversed provision

Figure 1: NKG's Q1 2022 results

VND bn	Q1 2021	Q1 2022	% YoY Growth	2022F old	Q1 as % of 2022F old	VCSC comments
<b>Net revenue</b>	<b>4,853</b>	<b>7,151</b>	<b>47%</b>	<b>26,610</b>	<b>27%</b>	<p>* NKG's Q1 2022 total sales volume of galvanized steel sheets and steel pipes was 265,400 tonnes (+11% YoY) with steel sheet sales volume of 213,900 tonnes and steel pipe sales volume of 51,500 tonnes.</p> <p>* We believe export sales growth will decelerate in 2022 from 2021's high base with the domestic market recovering on the back of the resumption of domestic construction activities as COVID-19-related disruptions subside in Vietnam. The total industry's sales of galvanized steel sheets and steel pipes volume grew 7% YoY in Q1 2022 — with domestic sales surging 20% YoY. Meanwhile, export sales fell 11% YoY and accounting for 36% of the industry's total sales (vs 47% in full-year 2021).</p>
<b>Gross profit</b>	<b>610</b>	<b>957</b>	<b>57%</b>	<b>3,480</b>	<b>27%</b>	
SG&A expenses	-200	-316	58%	-1,453	22%	* YoY growth in conjunction with sales growth.
<b>Operating profit</b>	<b>410</b>	<b>641</b>	<b>56%</b>	<b>2,026</b>	<b>32%</b>	
Financial income	17	73	321%	195	37%	
Financial expense	-72	-123	72%	-342	36%	
<i>Interest expense</i>	-47	-74	55%	-197	37%	
Other gain/loss	10	0	N.M.	0	N.M.	
PBT	366	591	61%	1,879	31%	
<b>NPAT-MI</b>	<b>319</b>	<b>507</b>	<b>59%</b>	<b>1,597</b>	<b>32%</b>	* Strong results were mainly driven by robust sales volume and reverted provision for inventory.
<b>Gross margin</b>	<b>12.6%</b>	<b>13.4%</b>		<b>13.1%</b>		<p>* NKG reverted approximately VND300bn (USD13.0mn) of provision expenses in Q1 2022, which resulted in the company's Q1 2022 gross margin being higher compared to 12.6% in Q1 2021 and 12.0% in Q4 2021 despite a lower spread between input HRC prices and finished galvanized steel selling prices in Q1 2022.</p> <p>* If excluding this reverted provision from gross profit, NKG's Q1 2022 gross margin would be 9.2%. NKG booked a total of VND420bn (USD18.2mn) for inventory provision in Q4 2021.</p> <p>* The strong HRC price rally in FY2021 allowed NKG accumulate low-cost HRC inventory while benefiting from high finished product selling prices. However, our view is that the opportunities for steelmakers like NKG to earn abnormally high margins from accumulating low-cost input material inventory will cease to exist in 2022 compared to what happened in 2021.</p>
SG&A exp./Sales	4.1%	4.4%		5.5%		
Operating margin	8.4%	9.0%		7.6%		
NPAT margin	6.6%	7.1%		6.0%		

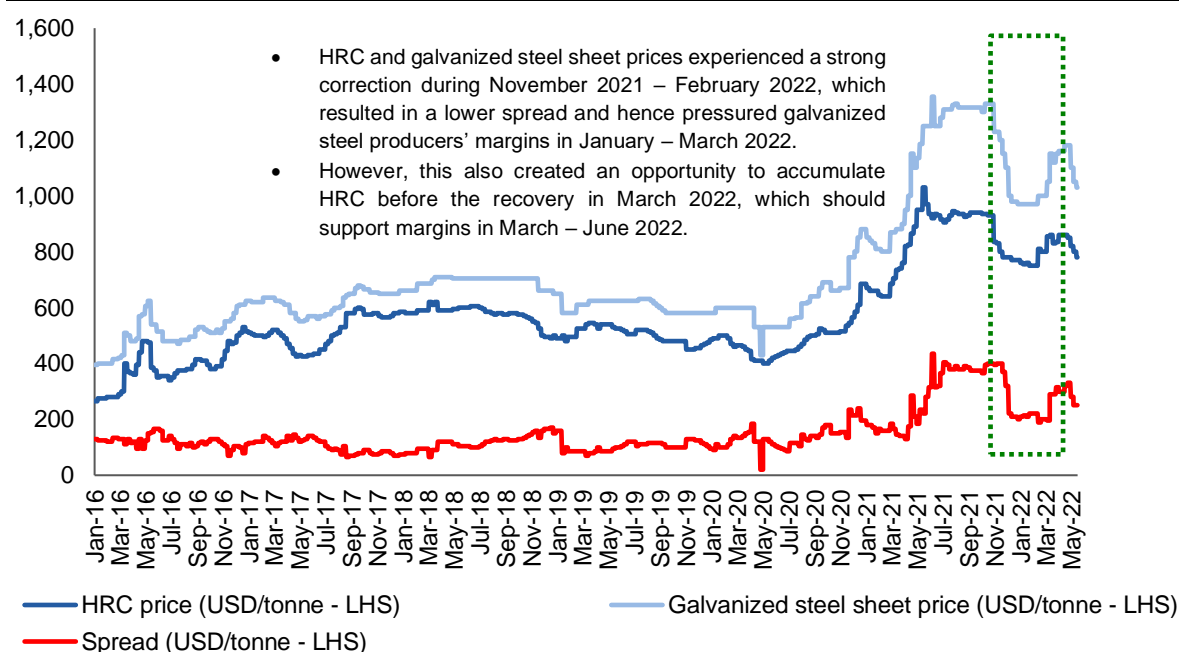
Source: Company's financial statements, VCSC forecasts

**Figure 2: Total sales volume of galvanized steel sheet and steel pipe products**

(tonnes)		Market share	Total sales
Industry	Q1 2021		1,884,100
	Q1 2022		2,007,800
	Growth		7%
HSG	Q1 2021	30%	562,000
	<b>Q1 2022</b>	<b>23%</b>	<b>461,300</b>
	Growth		-18%
NKG	Q1 2021	13%	240,100
	<b>Q1 2022</b>	<b>13%</b>	<b>265,400</b>
	Growth		11%

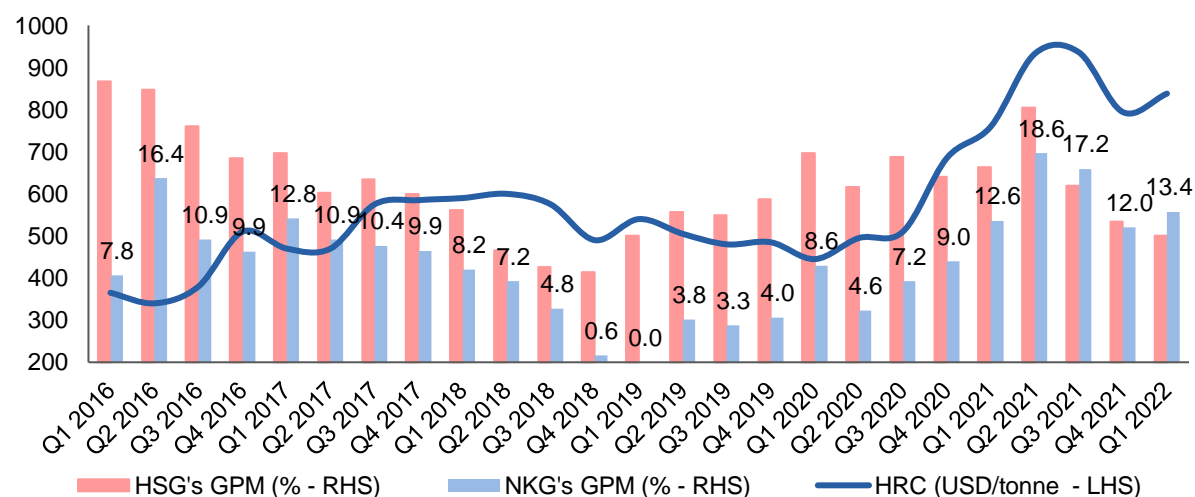
Source: Vietnam Steel Association (VSA), VCSC compilation. HSG's financial year (FY) end is September 30; however, HSG's data in this table is presented in calendar year for consistency (i.e., HSG's Q2 FY2022 is equivalent to calendar year Q1 2022).

**Figure 3: Shanghai exported HRC and imported galvanized steel sheet prices (USD/tonne)**



Source: Bloomberg, VCSC compilation

**Figure 4: HRC price trend in comparison with HSG and NKG's quarterly gross margin**



Source: Bloomberg, VCSC compilation. Note: HSG's financial year (FY) end is September 30; however, HSG's data in this chart is presented in calendar year for consistency (i.e., HSG's Q2 FY2022 is equivalent to calendar year Q1 2022).

## 2022 Outlook: Lower margins to depress earnings in 2022F despite sales volume growth and high ASP continuing

Figure 5: 2022 forecast

VND bn	2021	2022F old	2022F new	2022F new vs old	2022F new vs 2021	VCSC forecasts/assumptions for 2022F
<b>Net revenue</b>	<b>28,173</b>	<b>26,610</b>	<b>26,610</b>	<b>0%</b>	<b>-6%</b>	<p>* We continue to expect export sales growth to cool in 2022 from a hot market in FY2021 while the domestic market recovers on the back of the resumption of domestic construction activities as COVID-19-related disruptions subside in Vietnam.</p> <p>* As NKG's Q1 2022 sales progress was broadly in line with our expectation, we maintain our 2022F total sales volume of galvanized steel sheets and steel pipes at 1.1 million tonnes (+3% compared to 2021).</p> <p>* We continue to expect selling prices across steel products to soften throughout 2022 from a high base in late 2021 (details in <b>Figures 3 &amp; 4</b>). On average, we expect 2022F ASPs to remain broadly flat vs 2021 ASPs.</p>
<b>Gross profit</b>	<b>4,270</b>	<b>3,480</b>	<b>3,480</b>	<b>0%</b>	<b>-19%</b>	
SG&A expenses	-1,521	-1,453	-1,453	0%	-4%	
<b>Operating profit</b>	<b>2,749</b>	<b>2,026</b>	<b>2,026</b>	<b>0%</b>	<b>-26%</b>	
Financial income	199	195	195	0%	-2%	
Financial expense	-397	-342	-335	-2%	-16%	
Interest expense	-247	-197	-190	-4%	-23%	
Other gain/loss	11	0	0	N.M.	N.M.	
PBT	2,562	1,879	1,886	0%	-26%	
<b>NPAT-MI</b>	<b>2,225</b>	<b>1,597</b>	<b>1,603</b>	<b>0%</b>	<b>-28%</b>	* Single-digit sales volume and flat ASPs while gross margin declines from 2021's high base.
<b>Gross margin</b>	<b>15.2%</b>	<b>13.1%</b>	<b>13.1%</b>			<p>* Due to the correction of galvanized steel sheet prices in November 2021 - February 2022, NKG's Q1 2022 gross margin (excluding the reverted provision) dropped to 9.2%.</p> <p>* However, we maintain our 2022F gross margin at 13.1% as 1) the correction of HRC prices also created an opportunity to accumulate HRC before the recovery in March 2022,2 which should support margins in Q2 2022, and 2) NKG still has a VND120bn (USD5.2mn) inventory provision that can be reverted in 2022.</p> <p>* We again not our view that prices of both input materials and finished steel should stabilize in 2022F. Hence, the benefit from input materials accumulated at lower costs vs spot prices in the rising price environment should subside in 2022 vs 2021.</p>
SG&A exp./Sales	5.4%	5.5%	5.5%			
Operating margin	9.8%	7.6%	7.6%			
NPAT margin	7.9%	6.0%	6.0%			

Source: NKG, VCSC forecast

## Longer-term outlook

**Figure 6: Summary of six-year forecasts for NKG**

New forecast (VND bn)	2020	2021	2022F	2023F	2024F	2025F	2026F
Revenue	11,560	28,173	26,610	25,745	30,157	32,663	33,933
Gross profit	869	4,270	3,480	2,897	3,648	4,078	4,305
SG&A	-360	-1,521	-1,453	-1,406	-1,647	-1,784	-1,853
EBIT	509	2,749	2,026	1,491	2,001	2,294	2,451
Interest expense	-222	-244	-190	-118	-76	-26	-11
Net other items	34	57	50	52	40	32	29
PBT	321	2,562	1,886	1,425	1,964	2,300	2,469
NPAT	295	2,225	1,603	1,212	1,670	1,955	2,098

New forecast vs Old forecast	2022F	2023F	2024F	2025F	2026F	VCSC's comment
Revenue	0%	0%	15%	22%	25%	New contribution from Phu My plant – Phase 1 from 2024.
Gross profit	0%	-2%	21%	32%	37%	
SG&A	0%	0%	15%	22%	25%	
EBIT	0%	-4%	26%	41%	48%	
Interest expense	-4%	16%	105%	190%	24%	Higher forecast short-term debt to fund working capital.
PBT	0%	-5%	23%	38%	45%	
NPAT	0%	-5%	23%	38%	45%	New contribution from Phu My plant – Phase 1 from 2024.

Source: Company data, VCSC forecasts

**New production factory to double capacity.** NKG plans to invest in a new factory — the Phu My plant in Ba Ria - Vung Tau Province with a total investment cost of VND4.5tn (USD195.7mn) and annual capacity of 1.2 million tonnes of galvanized steel products (which would help to double NKG's capacity). This project includes three phases with the capacity of each phase equaling 400,000 tonnes per annum. NKG will start the construction of the Phu My plant by end-2022 and expects to launch the first phase in 2024, second phase in 2025 and third phase in 2027. NKG will fund the first phase of the project entirely by equity.

**In this Update Report, we factor in the first phase of the new Phu My plant.** In this Update Report, we incorporate VND1.5tn (USD65.2mn) of assumed capex for the Phu My plant – Phase 1 (400,000 tonnes per annum of galvanized steel products) to be fully incurred in 2023. We also revise up our total sales volume of galvanized steel sheets and steel pipes in 2024F/2025F/2026F by 15%/22%/25%, respectively, to take into account the new contribution of the Phu My plant – Phase 1. This leads to our aggregate 2022-2026F NPAT-MI increasing by 21% (see **Figure 6**).

## Valuation

We continue to use a combination of the DCF (70% weighting) and P/E (30% weighting) methodologies to derive a target price of VND34,000/share for NKG, which is 24% lower than our previous target price of VND44,900/share. We believe the target P/E methodology is useful to incorporate positive market sentiment toward the expected strong earnings of the galvanized steel industry on the back of sustained HRC prices.

1. Our DCF-derived fair price is 13% lower compared to our previous report as our 21% upward revision of aggregate 2022-2026F NPAT-MI on the back of the new contribution from the Phu My plant is offset by 1) a lower cash balance of VND844bn (USD36.7mn) as end-Q1 2022 vs VND1.2tn (USD52.1mn) at end-2021 and 2) a VND1.5tn (USD65.2mn) increase in capex in 2023. We also roll over our target price horizon to mid-2023.
2. Our P/E-derived fair price is 43% lower than in our previous Update Report as 1) we use lower our average 2022-2022F EPS forecast to VND6,223/share vs our previous 2022F EPS forecast of VND7,063 and 2) lower our target P/E to 5.1x from 7.9x.

**Figure 7: Valuation summary**

Method	Fair value (VND/share)	Weight (%)	Contribution (VND/share)
Five-year DCF	35,000	70%	24,500
P/E multiple @ 5.1x targeted P/E	31,700	30%	9,500
<b>Target price (TP)</b>			<b>34,000</b>
2022F P/E @ TP			4.8x
2023F P/E @ TP			6.3x

Source: VCSC

## Discounted cash flow (DCF)

**Figure 8: Five-year DCF assumptions**

VND bn	2022F	2023F	2024F	2025F	2026F
<b>EBIT</b>	<b>2,026</b>	<b>1,491</b>	<b>2,001</b>	<b>2,294</b>	<b>2,451</b>
- Tax	-304	-224	-300	-344	-368
+ Depreciation	410	510	510	510	510
- Capex	-90	-1,590	-90	-90	-90
- Working cap increase	-5	-277	-649	-1,420	-1,103
<b>Free Cash Flow</b>	<b>2,037</b>	<b>-90</b>	<b>1,471</b>	<b>949</b>	<b>1,400</b>
<b>Present value of FCF</b>	<b>1,930</b>	<b>-76</b>	<b>1,123</b>	<b>651</b>	<b>861</b>
<b>Total PV of FCF</b>	<b>1,930</b>	<b>1,854</b>	<b>2,977</b>	<b>3,628</b>	<b>4,489</b>

Cost of capital	Old	Revised
Beta	1.20	1.20
Market Risk Premium %	7.0%	7.0%
Risk Free Rate %	5.5%	5.5%
Cost of Equity %	13.9%	13.9%
Cost of Debt %	9.0%	9.0%
Corporate Tax Rate %	15.0%	15.0%
<b>WACC %</b>	<b>11.4%</b>	<b>11.4%</b>
Debt-to-capital ratio %	40.8%	40.0%

DCF valuation	VND bn
PV of Free Cash Flow	4,489
PV of Terminal Val (1.5% growth)	7,634
<b>PV of FCF and TV</b>	<b>12,123</b>
Plus: Cash	844
Less: Debt	5,278
<b>Value of Equity</b>	<b>7,689</b>
Current O/S (million)	219
<b>DCF value (VND/share)</b>	<b>34,979</b>

Source: VCSC



**Figure 9: Sensitivity analysis of our target price (VND/share) to assumptions for WACC and terminal growth rate in our DCF valuation, ceteris paribus**

Terminal growth rate %	WACC						
	9.9%	10.4%	10.9%	11.4%	11.9%	12.4%	12.9%
0.0%	35,800	33,800	32,100	30,500	29,000	27,700	26,500
0.5%	37,300	35,200	33,300	31,600	30,000	28,600	27,300
1.0%	38,900	36,600	34,600	32,700	31,000	29,500	28,100
1.5%	40,800	38,300	36,000	<b>34,000</b>	32,200	30,500	29,000
2.0%	42,900	40,100	37,600	35,400	33,400	31,700	30,000
2.5%	45,300	42,200	39,400	37,000	34,800	32,900	31,100
3.0%	48,000	44,500	41,500	38,800	36,400	34,300	32,400

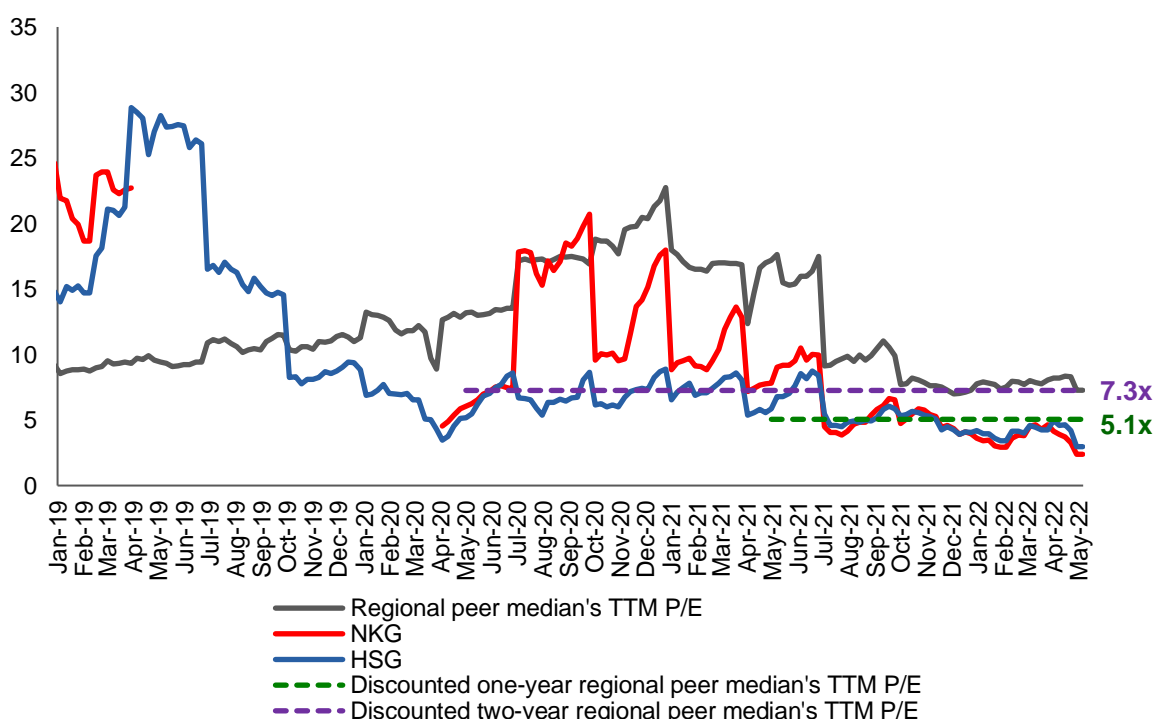
Source: VCSC

### Peer P/E multiples

We select galvanized steel producers in Asian countries, including Japan, South Korea, China, Taiwan, Pakistan and Malaysia, to form a comparable universe for NKG. Vietnam's galvanized steel players (including HSG and NKG) traded at a ~50% discount to this regional peer group in 2018-2019. The P/E of the peer group fell beginning in January 2021 when Q4 2020 results of the peer group started to reflect the positive impact of high HRC prices. Throughout H1 2021 as both the global steel market and sentiment toward the share prices of steelmakers remained strong, the P/E of peers remained high. In the H2 2021, strong earnings reported by steel companies on the back of high steel prices helped to push down P/E ratios. In Q1 2022, as steel prices have softened and investors have become more aware of a risk of margin compression from 2021's high base, the P/E of the peer group has continued to slide.

Previously, we applied a 45% discount to the two-year average peer P/E median to derive a target P/E, which is currently 7.3x. However, to reflect 1) the earnings normalization of galvanized steel producers in 2022-2023F from 2021's high base and 2) weaker market sentiment toward steel stocks amid expected earnings normalization, we apply a one-year average peer P/E median to derive a target P/E, which is currently 5.1x.

**Figure 10: Historical price-to-earnings ratio (PER) of NKG vs peers**



\* Note: NKG's TTM P/E is not meaningful from April 2019 to December 2019 due to negative TTM earnings.

Source: Bloomberg, VCSC compilation

**Figure 11: Local peer**

Company name	Ticker	Market cap (USD mn)	TTM Net Sales (USD mn)	Y-o-Y %	TTM NPAT (USD mn)	Y-o-Y %	Gross margin (%)	Net margin (%)	Net debt/ Equity (%)	ROE (%)	ROA (%)	TTM P/E	LQ P/B
Hoa Sen Group	HSG	461	2,538	66.2	153	44.0	15.4	6.0	58.3	31.5	14.4	3.1	0.9
<b>Nam Kim Steel</b>	<b>NKG</b>	<b>283</b>	<b>1,325</b>	<b>118.3</b>	<b>105</b>	<b>321.4</b>	<b>15.2</b>	<b>7.9</b>	<b>71.1</b>	<b>40.4</b>	<b>15.2</b>	<b>2.8</b>	<b>1.0</b>

Source: Bloomberg, VCSC. Note: Data as of May 19, 2022.

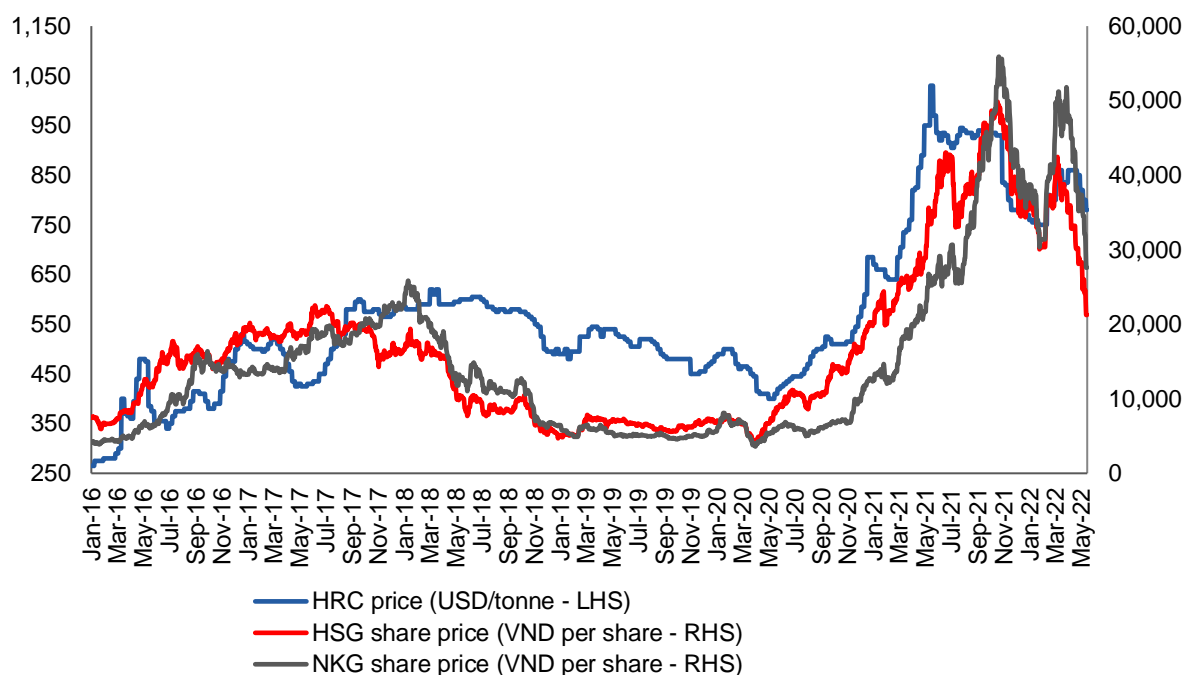
**Figure 12: Regional peers**

Company name	Country	Market cap (USD mn)	TTM Net Sales (USD mn)	Y-o-Y %	TTM NPAT (USD mn)	Y-o-Y %	Gross margin (%)	Net margin (%)	Net debt/ Equity (%)	ROE (%)	ROA (%)	TTM P/E	LQ P/B
Baoshan Iron & Steel	China	20,351	57,319	20.5	3,429	33.2	12.2	6.0	22.8	11.4	5.7	6.2	0.7
China Steel Corporation	Taiwan	17,532	17,402	45.1	2,286	424.3	19.8	13.1	38.7	19.1	9.4	8.0	1.4
Hyundai Steel	South Korea	4,168	21,346	36.2	1,481	N/A	15.4	6.9	49.4	8.5	4.1	3.1	0.3
Hesteel	China	3,641	23,018	26.1	392	29.3	11.0	1.7	175.0	5.3	1.1	9.6	0.5
Jiangsu Azure	China	2,960	1,100	40.4	111	66.2	19.7	10.1	81.2	20.7	7.9	28.3	5.3
YC INOX	Taiwan	455	662	49.6	53	210.6	17.6	8.0	59.4	16.4	9.4	9.1	1.4
Kyoei Steel	Japan	426	2,607	29.3	56	-28.1	8.8	2.2	24.0	4.0	2.1	8.4	0.3
Chun Yuan Steel Industry	Taiwan	413	974	32.3	41	60.7	8.2	4.2	55.9	10.7	5.3	10.7	1.1
KISCO Holdings	South Korea	218	1,508	63.8	108	271.0	16.8	7.2	-63.2	12.7	7.0	1.9	0.3
Kumkang Kind	South Korea	214	524	21.9	23	N/A	16.9	4.4	65.8	6.7	2.4	9.1	0.8
Dongkuk Industries	South Korea	144	668	31.2	14	134.4	13.5	2.1	-1.9	5.0	2.5	10.9	0.4
CSC Steel Holdings	Malaysia	137	356	36.5	21	132.7	9.0	5.8	-18.0	9.9	8.7	7.0	0.7
International Steels	Pakistan	130	535	47.8	46	53.7	15.6	8.6	62.1	41.6	17.7	3.3	1.2
Itec	Japan	102	753	24.8	38	269.3	17.3	5.1	32.2	13.2	6.2	2.8	0.3
YooSung T&S	South Korea	78	243	0.4	25	-43.7	4.1	10.5	29.9	11.9	6.7	3.3	0.3
Xiwang Special Steel	China	75	3,088	105.4	73	N/A	5.2	2.4	58.5	8.5	3.1	1.1	0.1
<b>Average</b>		<b>3,190</b>	<b>8,256</b>	<b>38.2</b>	<b>512</b>	<b>5,689.2</b>	<b>13.2</b>	<b>6.1</b>	<b>42.0</b>	<b>12.9</b>	<b>6.2</b>	<b>7.7</b>	<b>1.0</b>
<b>Median</b>		<b>315</b>	<b>1,037</b>	<b>34.3</b>	<b>55</b>	<b>99.4</b>	<b>14.5</b>	<b>5.9</b>	<b>44.1</b>	<b>11.1</b>	<b>6.0</b>	<b>7.5</b>	<b>0.6</b>
<b>Nam Kim Steel</b>	<b>Vietnam</b>	<b>283</b>	<b>1,325</b>	<b>118.3</b>	<b>105</b>	<b>321.4</b>	<b>15.2</b>	<b>7.9</b>	<b>71.1</b>	<b>40.4</b>	<b>15.2</b>	<b>2.8</b>	<b>1.0</b>

Source: Bloomberg, VCSC. Note: Data as of May 19, 2022.



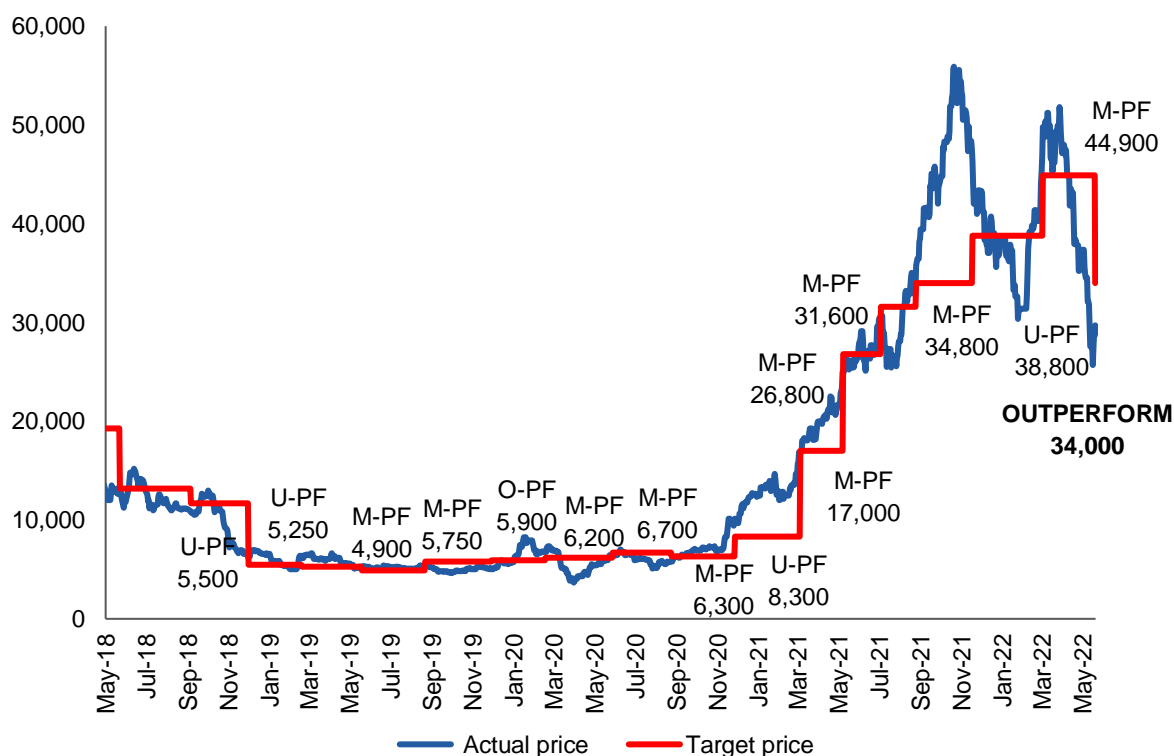
**Figure 13: HRC prices and share prices of domestic galvanized steel sheet manufacturers (HSG and NKG)**



Source: Bloomberg, VCSC compilation

## Recommendation History

**Figure 14: Historical VCSC target price vs share price (VND/share)**



Source: Bloomberg, VCSC. Note: Historical target prices adjusted for changes in shares outstanding.

## Financial Statements

P&L (VND bn)	2021	2022F	2023F	2024F
<b>Revenue</b>	<b>28,173</b>	<b>26,610</b>	<b>25,745</b>	<b>30,157</b>
COGS	-23,904	-23,130	-22,848	-26,508
<b>Gross Profit</b>	<b>4,270</b>	<b>3,480</b>	<b>2,897</b>	<b>3,648</b>
Sales & Marketing exp	-1,398	-1,320	-1,277	-1,496
General & Admin exp	-123	-133	-129	-151
<b>Operating Profit</b>	<b>2,749</b>	<b>2,026</b>	<b>1,491</b>	<b>2,001</b>
Financial income	199	195	193	204
Financial expenses	-397	-335	-259	-241
- o/w interest expense	-244	-190	-118	-76
Associates	0	0	0	0
Net other income/(loss)	11	0	0	0
<b>Profit before Tax</b>	<b>2,562</b>	<b>1,886</b>	<b>1,425</b>	<b>1,964</b>
Income Tax	-337	-283	-214	-295
<b>NPAT before MI</b>	<b>2,225</b>	<b>1,603</b>	<b>1,212</b>	<b>1,670</b>
Minority Interest	0	0	0	0
<b>NPAT less MI, reported</b>	<b>2,225</b>	<b>1,603</b>	<b>1,212</b>	<b>1,670</b>
<b>NPAT less MI, adjusted</b>	<b>2,225</b>	<b>1,603</b>	<b>1,212</b>	<b>1,670</b>

EBITDA	3,153	2,436	2,001	2,510
EPS reported, VND	9,838	7,089	5,357	7,382
EPS adjusted, VND	9,838	7,089	5,357	7,382
EPS fully diluted, VND	9,838	7,089	5,357	7,382
DPS, VND	1,000	1,000	1,000	1,000
DPS/EPS (%)	10%	14%	19%	14%

<b>RATIOS</b>	2021	2022F	2023F	2024F
<b>Growth</b>				
Revenue growth	143.7%	-5.5%	-3.2%	17.1%
Op profit (EBIT) growth	439.7%	-26.3%	-26.4%	34.2%
PBT growth	698.6%	-26.4%	-24.4%	37.8%
EPS growth, adjusted	614.0%	-27.9%	-24.4%	37.8%

<b>Profitability</b>				
Gross Profit Margin	15.2%	13.1%	11.3%	12.1%
Op Profit, (EBIT) Margin	9.8%	7.6%	5.8%	6.6%
EBITDA Margin	11.2%	9.2%	7.8%	8.3%
NPAT-MI Margin, adj,	7.9%	6.0%	4.7%	5.5%
ROE	50.0%	25.1%	16.1%	19.2%
ROA	19.2%	11.4%	9.2%	12.0%

<b>Efficiency</b>				
Days Inventory On Hand	81.3	113.6	99.2	92.2
Days Accts, Receivable	17.5	22.5	25.4	23.0
Days Accts, Payable	45.4	62.2	47.1	42.5
Cash Conversion Days	53.4	73.9	77.5	72.7

<b>Liquidity</b>				
Current Ratio x	1.3	1.7	1.8	2.2
Quick Ratio x	0.4	0.7	0.6	0.8
Cash Ratio x	0.1	0.1	0.1	0.1
Debt / Assets	24.8%	14.5%	12.4%	4.2%
Debt / Capital	40.0%	20.9%	17.3%	6.0%
Net Debt / Equity	45.8%	13.7%	17.1%	2.1%
Interest Coverage x	11.3	10.7	12.6	26.3

B/S (VND bn)	2021	2022F	2023F	2024F
Cash & equivalents	751	445	302	403
ST investment	448	448	0	0
Accounts receivables	1,490	1,787	1,794	2,007
Inventories	8,281	6,121	6,298	7,099
Other current assets	1,248	1,214	1,160	1,238
<b>Total Current assets</b>	<b>12,219</b>	<b>10,014</b>	<b>9,554</b>	<b>10,747</b>
Fix assets, gross	5,285	5,375	6,965	7,055
- Depreciation	-2,339	-2,748	-3,258	-3,767
Fix assets, net	2,947	2,627	3,708	3,288
LT investment	8	8	8	8
LT assets other	209	209	209	209
<b>Total LT assets</b>	<b>3,164</b>	<b>2,844</b>	<b>3,925</b>	<b>3,505</b>
<b>Total Assets</b>	<b>15,383</b>	<b>12,858</b>	<b>13,479</b>	<b>14,252</b>

Accounts payable	4,879	3,002	2,896	3,281
Short-term debt	3,773	1,863	1,673	603
Other ST liabilities	949	923	882	942
Total current liabilities	9,602	5,788	5,452	4,826
Long term debt	46	0	0	0
Other LT liabilities	11	11	11	11
<b>Total Liabilities</b>	<b>9,659</b>	<b>5,799</b>	<b>5,463</b>	<b>4,837</b>

Preferred Equity	0	0	0	0
Paid in capital	2,184	2,194	2,194	2,194
Share premium	786	786	786	786
Retained earnings	2,636	3,962	4,918	6,318
Other equity	117	117	117	117
Minority interest	0	0	0	0
<b>Total equity</b>	<b>5,723</b>	<b>7,059</b>	<b>8,015</b>	<b>9,415</b>
<b>Liabilities &amp; equity</b>	<b>15,383</b>	<b>12,858</b>	<b>13,479</b>	<b>14,252</b>

Y/E shares out, mn	219	219	219	219
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<b>CASH FLOW (VND bn)</b>	2021	2022F	2023F	2024F
<b>Beginning Cash Balance</b>	<b>219</b>	<b>751</b>	<b>445</b>	<b>302</b>
Net Income	2,225	1,603	1,212	1,670
Dep, & amortization	379	410	510	510
Chge in Working Cap	-2,866	-5	-277	-649
Other adjustments	-276	-48	-36	-50
<b>Cash from Operations</b>	<b>-318</b>	<b>1,960</b>	<b>1,408</b>	<b>1,480</b>

Capital Expenditures, net	-140	-90	-1,590	-90
Investments, net	-164	0	448	0
<b>Cash from Investments</b>	<b>-304</b>	<b>-90</b>	<b>-1,142</b>	<b>-90</b>

Dividends Paid	0	-219	-219	-219
Δ in Share Capital	0	0	0	0
Δ in ST debt	1,253	-1,910	-189	-1,070
Δ in LT debt	-436	-46	0	0
Other financing C/F	341	0	0	0
<b>Cash from Financing</b>	<b>1,154</b>	<b>-2,176</b>	<b>-409</b>	<b>-1,290</b>

<b>Net Change in Cash</b>	<b>532</b>	<b>-306</b>	<b>-143</b>	<b>101</b>
<b>Ending Cash Balance</b>	<b>751</b>	<b>445</b>	<b>302</b>	<b>403</b>

Source: Company's financial statements, VCSC forecasts

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**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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