

Construction materials

Positive signals from domestic market

Analyst Nguyen Duong Nguyen
 (+84) 24-7303-5333 nguyennnd1@kbsec.com.vn

December 30, 2024

Neutral change

Recommendations	
HPG	BUY
Price target	VND34,700
HSG	BUY
Price target	VND21,900
NKG	NEUTRAL
Price target	VND17,500
BMP	NEUTRAL
Price target	VND117,500

Recovery in consumption output boosts 9M24 business results

We estimate that steel and plastic pipe sales output in 9M24 gained 14%/3% YoY, boosting revenue and profit recovery. Profit margins of steel enterprises are mixed between upstream and downstream groups. Construction steel and HRC manufacturers benefit from stable domestic product prices while input costs (iron ore, and coke) declined. Meanwhile, galvanized steel producers were hit when Chinese HRC prices fell sharply in 3Q24, causing provisioning costs to arise.

Improved domestic consumption is the growth driver for the steel industry

KBSV expects steel consumption output to increase by 14% in 2025, driven by (1) the recovery of the real estate market, increased construction activities and (2) improved disbursement of public investment capital as many large projects are due for handover. In addition, we also expect anti-dumping duties to be approved and applied from 1Q25, helping to curb cheap Chinese steel penetrating the Vietnamese market. In the short term, KBSV believes that the two main risks affecting steel prices are the pressure to reduce steel inventories in China to balance supply and demand and the decline in iron ore prices when the slow recovery of the Chinese real estate market partly caused low domestic consumption demand. We expect steel prices to remain stable in 2025, supported by domestic demand.

Input costs for the plastic pipe industry are expected to recover in 2025

Current PVC resin prices have touched 10-year lows (24% below average) and are expected to gradually recover in 2025. This will have a negative impact on the profit margins of manufacturing enterprises. We expect plastic companies to keep stable prices and pass on part of the costs to buyers, thereby helping to limit the impact of increased input costs on GPM.

Current valuations are appropriate

PBRs of Hoa Phat Group (HPG), Hoa Sen Group (HSG), Nam Kim Steel (NKG), and Binh Minh Plastics (BMP) are at 1.5x/1.1x/1.1x/3.48x, corresponding to the -0.3/-0.4/-0.4/+2.0 STD range compared to the five-year averages). KBSV expects improved consumption demand to be the main driver of the industry's overall business results in 2025. Investors can consider and choose stocks with catalysts including but not limited to (1) factory expansion to increase capacity and (2) favorable product price and input cost developments. Some notable opportunities include HPG, HSG, NKG, and BMP.

Contents

I. Business performance of steel industry in 9M24	3
II. Business outlook for steel industry in 2025	4
III. Business performance of plastic pipe industry in 9M24	7
IV. Business outlook for plastic pipe industry in 2025	8
V. Companies	13
Hoa Phat Group (HPG, BUY)	14
Hoa Sen Group (HSG, BUY)	15
Nam Kim Steel (NKG, NEUTRAL)	16
Binh Minh Plastics (BMP, NEUTRAL)	17

I. Business performance of steel industry in 9M24

Industry-wide sales output strongly bounced back in 2024

Accumulated in 9M24, HPG/HSG/NKG's revenue reached VND 104,364/30,197/16,140 billion (+23%/+27%/+14% YoY) thanks to recovering consumption output. The industry-wide sales output in 9M24 gained 14% YoY, of which domestic consumption increased by 19% YoY, supported by construction steel, HRC, and galvanized steel (up 6%/37%/19% YoY respectively). This reflects the shift of consumption channels to the domestic market as demand gradually recovers, different from the story of 2023 when businesses relied more on export channels to maintain output amid the difficult real estate market.

Table 1. Vietnam – Sales output of construction steel products in 10M24 (million tons)

(million tons, %)	10M23	10M24	%YoY	10M23	10M24	%YoY	Notes
Construction steel	0.75	1.04	39%	7.27	8.24	13%	Domestic consumption 10M24 gained 10% YoY.
HRC	0.81	0.73	-10%	7.13	7.79	9%	Domestic consumption 10M24 gained 36% YoY.
Galvanized steel	0.36	0.50	39%	3.46	4.63	34%	Domestic consumption 10M24 gained 23% YoY.
Steel pipes	0.18	0.25	42%	1.81	1.94	7%	
Total	2.10	2.52	20%	19.7	22.6	15%	

Source: KB Securities Vietnam

Steel prices and input costs are affected by China, causing NPAT of upstream and downstream manufacturing enterprises to fluctuate

HPG (with construction steel and HRC as the main products) benefit from stable domestic steel prices thanks to gradually improving demand and declining iron ore and coke prices due to poor consumption prospects in China. Meanwhile, galvanized steel manufacturers such as HSG and NKG faced difficulties when HRC prices plummeted in 3Q24. Accumulated in 9M24, NPAT-MI of HPG/HSG/NKG hit VND9,210/406/435 billion (+140%/-42%/+336% YoY), respectively.

Table 2. HPG, HSG, NKG – NPAT (VNDbn)

(VNDbn, %)	3Q23	3Q24	%YoY	9M23	9M24	%YoY	Notes
HPG	2,000	3,022	51%	3,831	9,210	140%	
HSG	440	-186		705	406	-42%	
NKG	24	65	174%	100	435	336%	

Source: KB Securities Vietnam

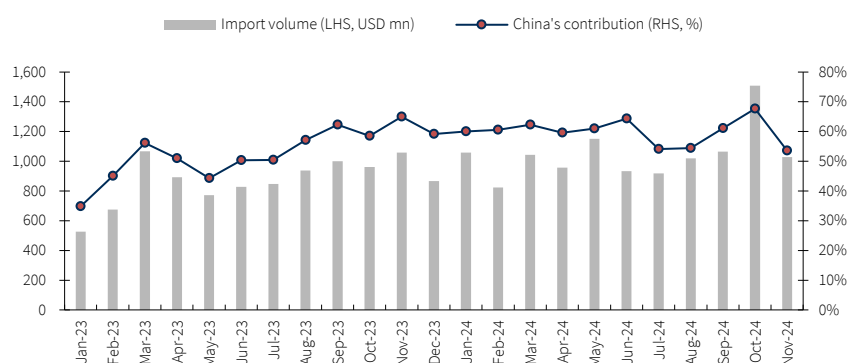
II. Business outlook for steel industry in 2025

Steel imports have continued the increasing trajectory but are expected to gradually decrease due to anti-dumping measures

According to our observations, dealers had proactively stockpiled steel at low cost in 2H24 before the anti-dumping measures were approved. This is also one of the main reasons why domestic steel prices have tended to move sideways recently. Looking back at the 2016–2017 period, we found that domestic galvanized steel consumption increased by an average of 23%/quarter in the first year since the anti-dumping duty AD02 was applied. KBSV expects the anti-dumping duty AD19 on galvanized steel to be passed in 1Q25 and steel imports to gradually decrease from 2Q25. Meanwhile, we maintain our view that the probability of the anti-dumping tax on HRC being approved is 50–60%.

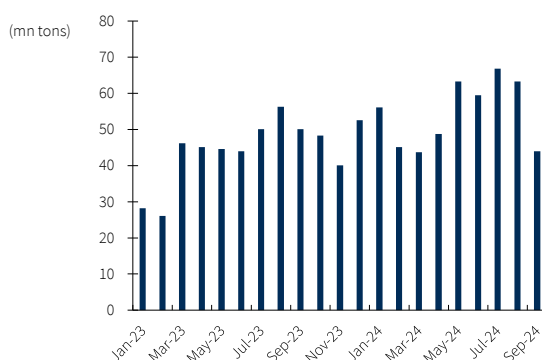
According to data from GSO, steel imports into Vietnam in 11M24 gained 20% YoY, of which the volume imported from China surged 35% YoY (accounting for 60% of import turnover).

Fig 3. Vietnam – Steel import turnover (USDmn)



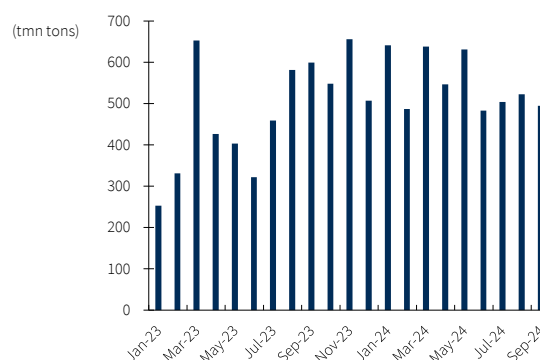
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 4. Vietnam – Galvanized steel import volume (HSCode AD19, million tons)



Source: KB Securities Vietnam

Fig 5. Vietnam – HRC import volume (HSCode AD20, million tons)



Source: KB Securities Vietnam

Consumption output is driven by recovering demand in the domestic market

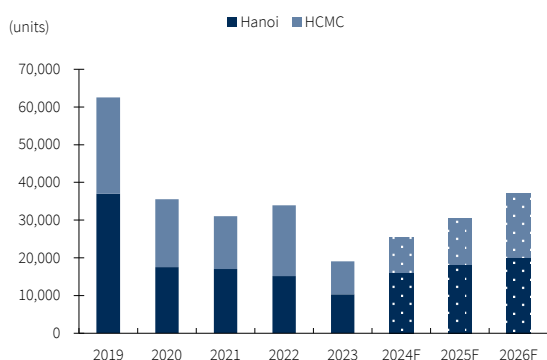
In 2025, we expect domestic consumption demand to continue to increase thanks to (1) the recovery of the real estate market, improved construction activities and (2) the highest disbursement plan for public investment capital ever with many key projects due for completion this year.

According to CBRE, apartment supply in Hanoi and Ho Chi Minh City is expected to increase by 21%/year in 2025–2026. In addition, the Real Estate Law (amended) and the Land Law (amended) should help shorten the time for compensation, site clearance, and completion of legal documents for contractors. As a result, this will help the steel industry to develop more sustainably in the long term. In fact, many new projects, especially in the Southern market, have been supported with legal clearance in 2H24 thanks to the Government's commitment to support to stimulate economic recovery.

For the public investment sector, data from the Ministry of Finance said the cumulative capital disbursement in 11M24 reached VND411 trillion, completing 61% of the plan set at the beginning of the year. The disbursement plan in 2025 should be VND791 trillion (+17% YoY) as many key projects will reach the deadline for handover and acceptance (in whole or in part) this year, including component projects of the North–South Expressway Phase 2 and Long Thanh Airport Phase 1. With the target of GDP growth of over 6.5% in 2025, public investment will be a key sector that helps stimulate economic growth, which puts pressure on the construction progress of slow-progressing projects, especially when the disbursement plan has been approved.

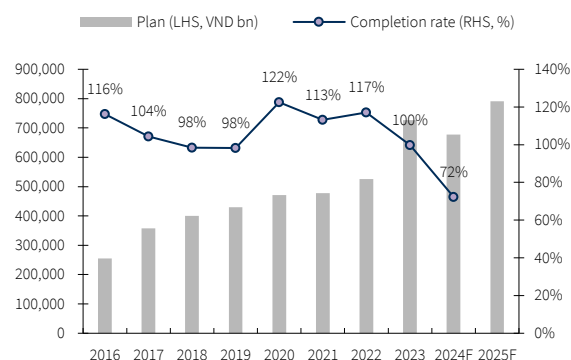
KBSV expects the steel consumption output of the whole industry to increase by 14%/7% respectively in 2025/2026. We believe that manufacturing enterprises with a large domestic market share will benefit the most as domestic demand is forecast to grow strongly in the coming time.

Fig 6. Hanoi & HCM City – Apartment supply (unit)



Source: CBRE, KB Securities Vietnam

Fig 7. Vietnam – Disbursed public capital (VNDbn)



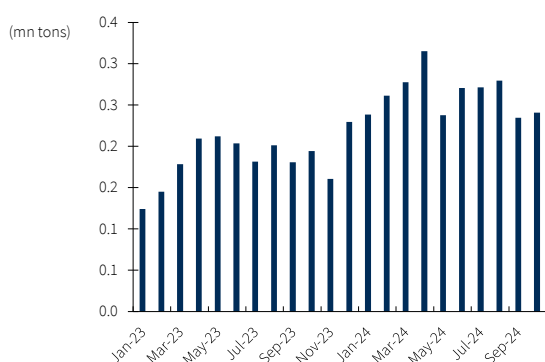
Source: Ministry of Finance, KB Securities Vietnam

Steel export output is forecast to decline in 2025 due to anti-dumping measures

After a period when the world steel market was threatened by cheap steel from China (domestic consumption remained weak due to the negative impact of the real estate industry), major markets such as the US and EU have increased anti-dumping measures on imported steel from all countries with large import turnover, including Vietnam. VSA data said the export output of galvanized steel and HRC has declined since the beginning of 2H24, showing the negative impact of anti-dumping tax has been partly reflected when foreign enterprises limit imports from Vietnam, avoiding the risk of tax collection in the future.

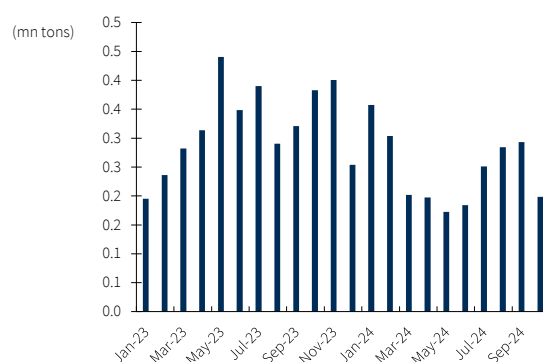
This will require domestic steel producers to reduce their dependence on export markets in the short term and make efforts to compete, shifting orders to the domestic market or expanding to find new customers in niche markets. We believe that after the anti-dumping tax in developed markets is applied, consumption output may decrease by an average of 5-8%/month compared to the current level. In the long term, KBSV believes that Vietnamese enterprises can still maintain a competitive advantage in the export market over other countries thanks to (1) lower labor costs, making steel prices lower than domestic production prices, and (2) lower tax rates for steel products imported from Vietnam compared to China, with tax rates for different enterprises depending on the level of export to each market.

Fig 8. Vietnam – Export volume of galvanized steel (million tons)



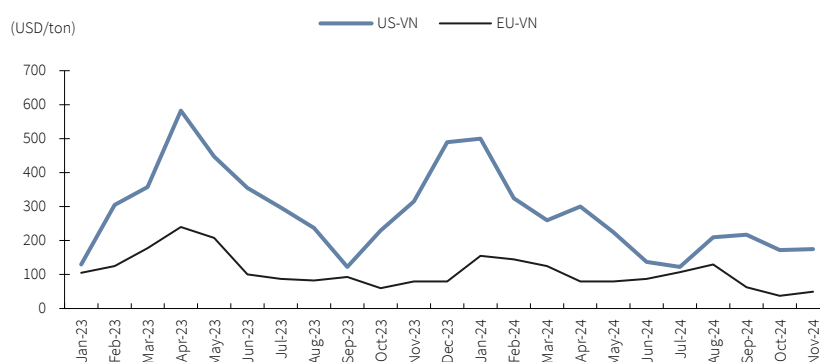
Source: Vietnam Steel Association, KB Securities Vietnam

Fig 9. Vietnam – Export volume of HRC (million tons)



Source: Vietnam Steel Association, KB Securities Vietnam

Fig 10. Global – HRC price gap between US/EU and Vietnam (USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fluctuations in the Chinese market are the main risks affecting steel prices in 2025

Some risks that may affect steel prices in 2025: (1) High steel inventories in China will push steel prices lower during the inventory reduction process (construction steel will need to comply with new standards from September 25, 2024). In addition, (2) the Chinese real estate market is recovering at a slow pace while consumption output continues to remain low, causing production demand to decline, hitting iron ore and coking coal prices.

Although the Chinese real estate market has shown signs of short-term recovery thanks to recent economic stimulus policies, investors expect the Chinese government to launch more stimulus policies to support the industry's recovery. We expect that the Chinese land market has bottomed out after its government showed its willingness to support and assist the recovery of the entire industry.

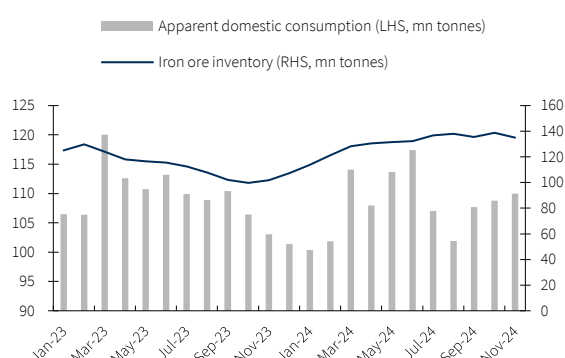
KBSV believes that risks related to the real estate market have been partly reflected in steel and raw material prices in the past time. However, the risk of declining demand for iron ore and coking coal may not have been reflected in the market.

Table 11. China – Policies and measures to stimulate the economy and real estate market

Purpose	Policies and measures
Cut policy rates	The PBOC cut the reverse rate by 20bps to 1.5% Expects a 30bp-cut in medium-term lending facility rate (MLF) Suggests further 20-25bps cuts to 1-year loan prime rate (LPR) and deposit rate
Inject cash into the banking system	Cut 50bps in reserve requirement ratio (RRR) and hints at further 25-50bps cuts until year-end
Support the real estate market	Several major cities have eased or removed home-buying criteria, including household registration and marital status Cut down payment rates for second-home buyers from 25% to 15% nationwide. Beijing also cut the rate for first-home buyers from 20% to 15% Allows local governments to issue up to USD834 billion to buy back real estate inventory PBOC allows commercial banks to use up to 100%, up from 60%, of the CNY300 billion recapitalization package for state-owned entities to buy back real estate inventory and convert it into social housing projects
Support the securities market	Commits to improving transaction processes and supporting foreign investors and investment funds to enter the market Supports state-owned investment funds to expand their investment portfolios Launched CNY500 billion support package for investment funds, insurance companies and securities companies and CNY300 billion low-interest loan package for enterprises to buy back treasury shares
Issue bonds	China plans to issue bonds worth USD411 billion to stimulate consumption and investment

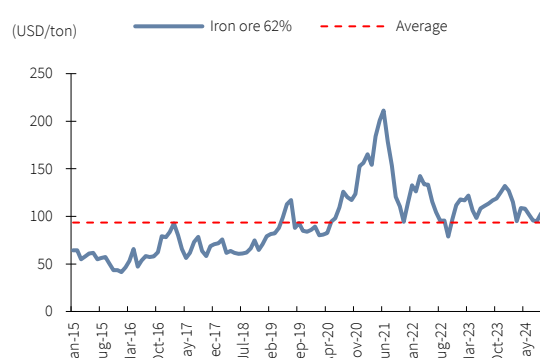
Source: KB Securities Vietnam

Fig 12. China – Iron ore inventory (million tons)



Source: Bloomberg, KB Securities Vietnam

Fig 13. Australia – Iron ore Fe62% prices (USD/ton)

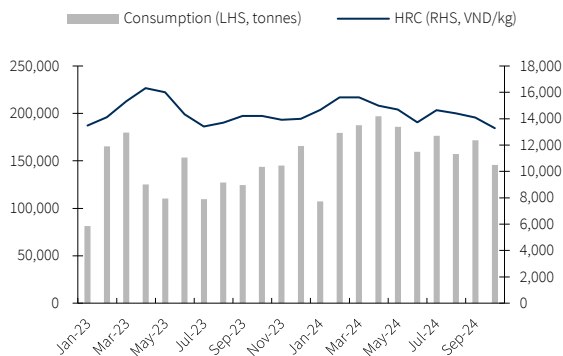


Source: Bloomberg, KB Securities Vietnam

Steel prices are expected to remain flat in 2025 thanks to recovering domestic demand

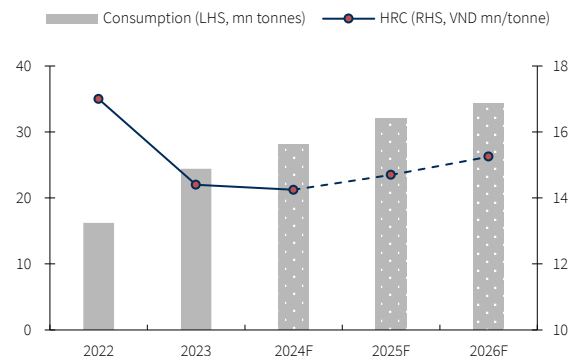
According to our observations, in 2024, manufacturers tend to maintain stable steel prices and only adjust to balance input costs to maintain and improve consumption output. With the above risks of fluctuations from the external market, KBSV expects steel prices to continue to move sideways, supported by the recovery in domestic market demand.

Fig 14. HPG – HRC average sales output & price (million tons, VND/kg)



Source: Bloomberg, KB Securities Vietnam

Fig 15. Vietnam – HRC average sales output & price (million tons, VND/kg)



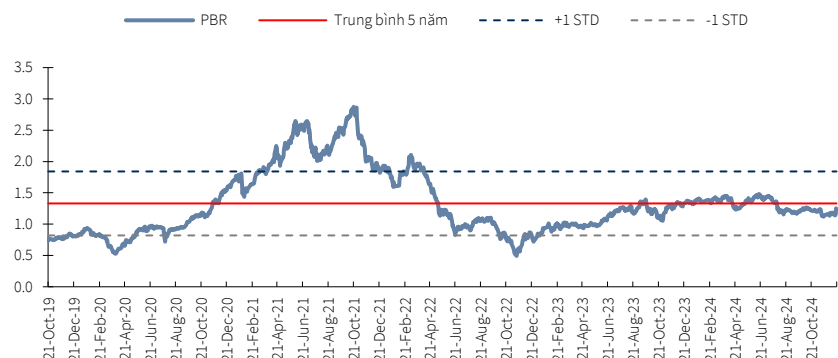
Source: KB Securities Vietnam

Steel stocks all have appropriate valuation, but each have different prospects

The average PBRs of three steel companies on KBSV's coverage list (HPG, HSG, and NKG) are in the 1.2x area (lower than their five-year averages). At the current price range, we believe that the steel industry's stock price has partly reflected the risk of a short-term decline in steel prices and the potential for improved consumption output in 2025.

KBSV rates NEUTRAL on the overall steel industry outlook, but we prefer HPG thanks to (1) the prospect of increased output thanks to Dung Quat 2 coming into operation, improved domestic consumption demand thanks to the recovery of the real estate market, and the acceleration of public investment projects and (2) improved GPM thanks to expectations of flat steel prices, optimized inventory turnover to improve GPM in case of a decline in iron ore and coking coal prices.

Fig 26. Vietnam – PBR of steel stocks (x)



Source: FiinProX, KB Securities Vietnam

III. Business performance of plastic pipe industry in 9M24

Profit margin remains high thanks to rock-bottom PVC prices

We estimate that the plastic pipe industry's total sales output will increase by 3% YoY in 9M24. Accordingly, NP-MI of BMP and Tien Phong Plastic (NTP) will reach VND760/519 billion (-3%/+32% YoY) thanks to low input costs (PVC accounts for 70%), helping to maintain high GPMs. The main reason for the flat demand in 2024 is the slow recovery of the real estate market (especially in 1H24). We observed that 70% of the demand for plastic pipes comes from the residential real estate market, the remaining 30% comes from public investment projects.

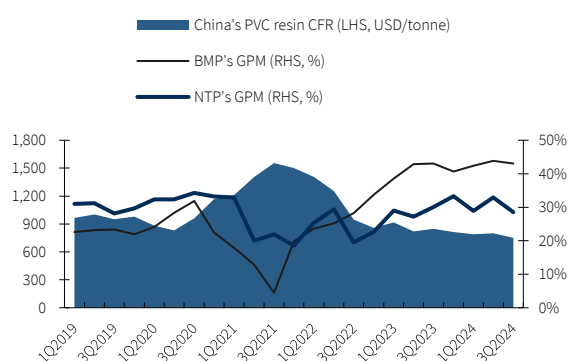
In the context of the lack of growth momentum in the industry, in 3Q24, BMP proactively raised discounts for agents to stimulate consumption output (+19%/52% QoQ/YoY). As a result, BMP's market share is estimated to reach 27% in the period. KBSV estimates that the market share of BMP/NTP/HSG in 9M24 at 25%/29%/13% respectively, demonstrating the difference in business strategy when NTP often maintains a higher discount policy for agents than its competitors to maintain high sales output.

Table 17. BMP, NTP – NPAT & NPAT growth (VNDbn, %)

(VNDbn, %)	3Q23	3Q24	%YoY	9M23	9M24	%YoY	Notes
BMP	209	290	39%	784	760	-3%	
NTP	148	172	16%	395	519	32%	

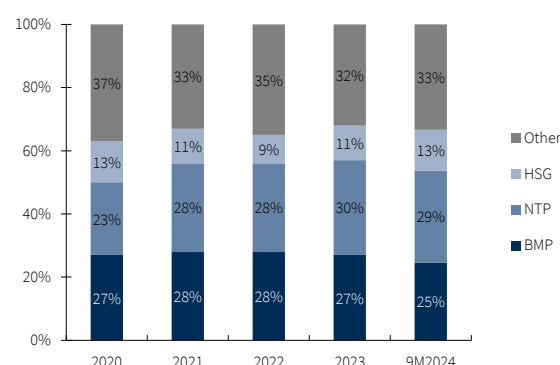
Source: KB Securities Vietnam

Fig 18. China, BMP, NTP – Correlation of China PVC resin prices & GPMs of BMP & NTP



Source: Bloomberg, KB Securities Vietnam

Fig 19. Vietnam – Market share of plastic pipe manufacturers (%)



Source: KB Securities Vietnam

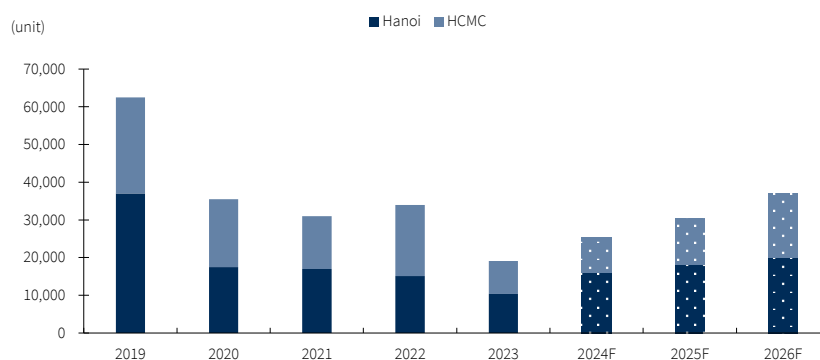
IV. Business outlook for plastic pipe industry in 2025

Consumption demand is expected to continue to grow in 2025, underpinned by the recovery of the real estate market

We observed that large real estate projects across the country are being supported to quickly handle and resolve legal issues with the Government's support measures. In addition, the National Assembly's passing of the Real Estate Law (amended), the Land Law (amended) and the Housing Law (amended) is expected to boost the market's recovery momentum in the future. According to CBRE, the supply of apartments in Hanoi and Ho Chi Minh City should gain by an average of 21% per year in 2025–2026. We expect the increased supply to have a positive impact on the demand for plastic pipes in the coming time.

The Land Law (amended), the Real Estate Business Law (amended), and the Housing Law (amended) taking effect from August 11, 2024 will help shorten the time for compensation, site clearance, and legal completion of projects, thereby improving supply, creating conditions for the real estate market to develop more sustainably. We expect the number of newly licensed housing projects to increase more strongly in 2025, helping to boost domestic demand for construction materials.

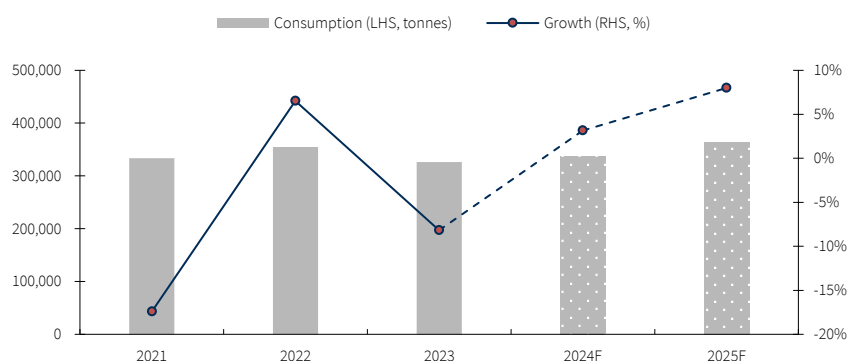
Fig 20. Hanoi, HCMC – Apartment supplies in 2019–2026 (unit)



Source: CBRE, KB Securities Vietnam

Sales output of the whole industry should gain 8% YoY in 2025

Fig 21. Vietnam – Sales output of the whole plastic pipe industry (ton)



Source: KB Securities Vietnam

Gross profit margins of plastic companies should decline as PVC resin prices get higher

KBSV believes that PVC resin prices have bottomed out and will gradually rebound in 2025, which is in line with our view that production activities in China are showing signs of improvement thanks to the Government's economic stimulus and support policies. This bodes ill for the GPMs of manufacturing enterprises in the industry.

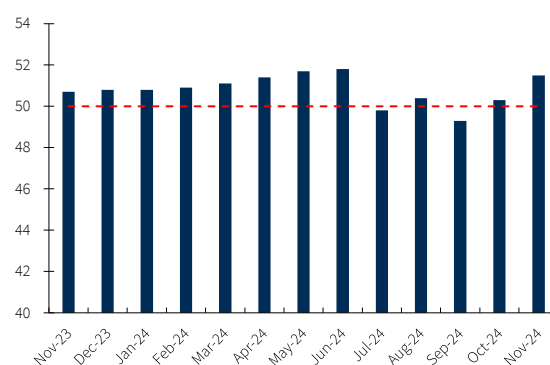
However, the plastic pipe market is less exposed to competition risks from import channels because each market will have separate standards for different products in large quantities, not to mention the arising transportation costs. This creates barriers to market entry and requires foreign enterprises to produce directly in Vietnam. With the three largest enterprises accounting for approximately 67% of the total market share of the industry, we believe that BMP, NTP, and HSG have a great advantage in setting product prices and competitive sales and debt policies. Stable product prices and the ability to pass on some costs to buyers will help manufacturers cushion their GPMs from rising input costs.

Fig 22. China – PVC resin prices (USD/ton)



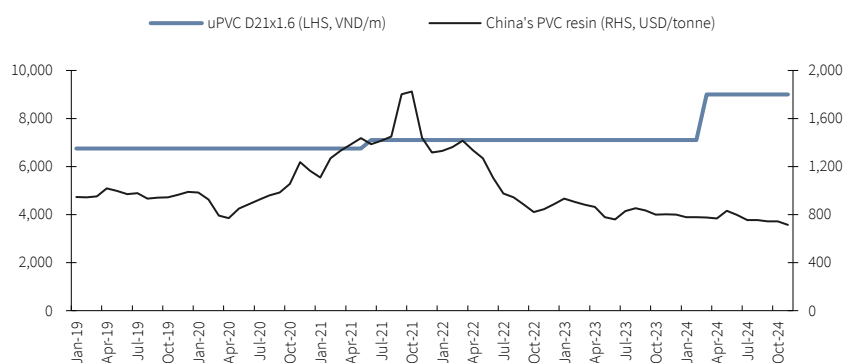
Source: Bloomberg, KB Securities Vietnam

Fig 23. China – Caixin PMI (point)



Source: Bloomberg, KB Securities Vietnam

Fig 24. China, BMP – Chinese PVC resin prices vs plastic pipe prices of BMP (USD/ton, VND/m)

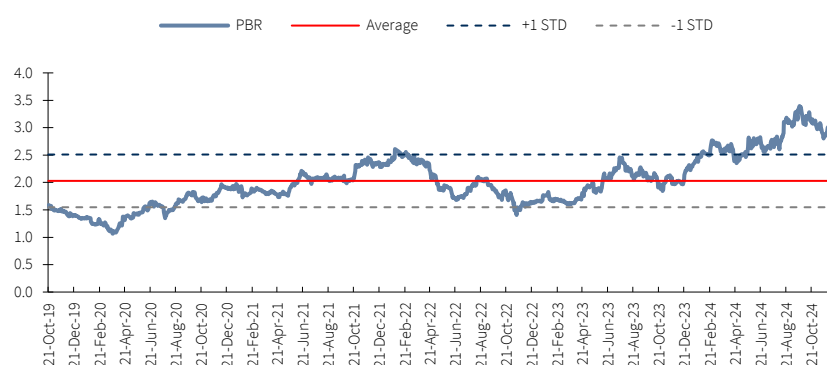


Source: KB Securities Vietnam

Valuations have partly reflected the business prospects

The average PBR of BMP and NTP is 3x, corresponding to their five-year PB average +2Std. We believe that the current valuation zone has largely reflected the business performance prospects of enterprises in 2025–2026. KBSV rates NEUTRAL for the plastic pipe industry in 2025 due to the risk of increased input costs, negatively affecting the profit margin of enterprises. We also picked BMP as a stock for monitoring and buying if there are significant adjustments thanks to (1) its top 2 market share in the entire industry, (2) high business efficiency compared to competitors, and (3) attractive cash dividend yield maintained over the years.

Fig 25. Vietnam – PBR average of plastic pipe producers (x)



Source: FiinProX, KB Securities Vietnam



Companies

Hoa Phat Group (HPG)

Hoa Sen Group (HSG)

Nam Kim Steel (NKG)

Binh Minh Plastics (BMP)

Hoa Phat Group (HPG)

Dominating the domestic market

Analyst Nguyen Duong Nguyen

nguyennd1@kbsec.com.vn

(+84) 24-7303-5333

December 6, 2024

NP after MI reached VND3,022 billion in 3Q2024, down 9% QoQ

In 3Q2024, HPG experienced a 14% QoQ decline in revenue, primarily driven by: (i) a 2% QoQ decrease in average steel prices and (ii) a 7% QoQ reduction in sales volume due to seasonal factors. However, the faster decline in input costs for iron ore and coking coal compared to domestic steel prices enabled HPG to improve its gross profit margin by 67bps QoQ during the quarter.

Consumption is projected to grow by 19%/9% YoY in 2025F/2026F, supported by the continued recovery of the domestic market

We expect domestic residential construction to pick up in 2025, supported by a stronger recovery in the real estate market. Additionally, demand from public investment projects is projected to increase as several major projects approach their handover deadlines. Furthermore, anti-dumping measures on imported steel are likely to stimulate domestic consumption in the near future.

Gross profit margin is estimated at 15.2%/15.6% in 2025F/2026F

A decline in iron ore and coking coal prices would further benefit HPG's gross profit margin. We forecast stable steel prices in 2025, with limited downward pressure compared to Chinese steel prices, as domestic demand continues its upward trajectory.

Dung Quat 2 is set to commence operations in 1Q2025

Currently, the first blast furnace along with the steel casting and rolling lines has been installed and is slated to commence operations in December 2024. KBSV estimates that Dung Quat 2 will contribute 1.1 million tons of HRC to HPG in 2025.

We recommend BUY for HPG with a target price of VND34,700/share

We recommend BUY for HPG with a revised target price of VND34,700 per share, implying a 25.7% return from the closing price on December 5, 2024.

Buy maintain

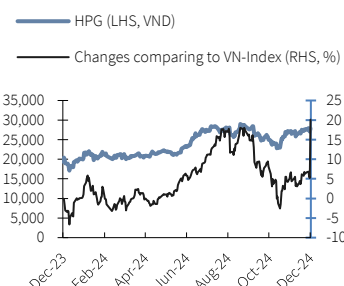
Target price	VND34,700
Upside	25.7%
Current price (Dec 6, 2024)	VND27,600
Consensus target price	VND33,900
Market cap (VNDtn/USDtn)	178.1/7.0

Trading data	
Free float	55.9%
3M avg trading value (VNDbn/USDmn)	526.7/21.0
Foreign ownership	27.3%
Major shareholder	Tran Dinh Long (34.9%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	0.8	6.6	-8.7	7.8
Relative	1.2	8.8	-5.3	-3.4

Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	141,409	118,953	140,232	161,391
Operating income/loss (VNDbn)	9,794	7,651	13,626	17,479
NPAT-MI (VNDbn)	8,484	6,835	12,424	15,355
EPS (VND)	1,459	1,175	1,942	2,401
EPS growth (%)	-81%	-19%	65%	24%
P/E (x)	12.3	25.7	14.3	11.5
P/B (x)	1.1	1.7	1.5	1.4
ROE (%)	9%	7%	11%	12%
Dividend yield (%)	3.9%	0.0%	0.0%	0.0%



Source: Bloomberg, KB Securities Vietnam

Hoa Sen Group (HSG)

Waiting for a brighter future

Analyst Nguyen Duong Nguyen

nguyenn1@kbsec.com.vn

(+84) 24-7303-5333

December 9, 2024

HSG recorded a loss of VND186 billion in 4Q FY24

Hoa Sen Group (HSG) recorded a loss in 4Q FY24 due to VND122 billion in inventory provisioning amid a plunge in HRC prices during the period. At the end of FY24, HSG's net profit after minority interest hit VND510 billion, equal to 102% of the full-year target thanks to a recovery in consumption output (+37% YoY).

Estimated total sales volume increase by 8%/10% in FY25/FY26

The rebounding domestic demand will be the main force for HSG's consumption output in the coming time. In particular, the recovery of the real estate market and the imposition of anti-dumping tax on imported galvanized steel will be two key supporting factors, helping HSG's revenue to increase 10%/13% in FY25/FY26.

Estimated GPMs are 11.8%/12.3% for FY25/FY26

KBSV expects the average steel price to remain stable in 2025. However, HRC may continue to reduce in price due to the pressure on iron ore and coking coal prices when steel consumption demand in China is forecast to decline in 2025. In case HRC prices decrease slowly, we expect HSG to cushion its GPM with the policy of optimizing raw material inventory at an average of two months.

Hoa Sen Homes creates competitive advantage for HSG in the domestic market

With a separate construction material distribution and retail system, HSG can maintain steel prices at a higher level than competitors on the market, helping to maintain a stable GPM. 80% of its domestic revenue comes from Hoa Sen Homes.

Valuation: BUY rating – Target price VND21,900/share

KBSV recommends BUY for HSG with a price target of VND21,900, which is 3% lower than the valuation in the previous report but still brings a return of 17.4% compared to the price of December 6, 2024.

Buy change

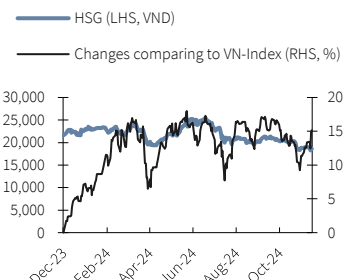
Target price	VND21,900
Upside	17.4%
Current price (Dec 6, 2024)	VND18,650
Consensus target price	VND23,500
Market cap (VNDtn/USDbn)	11.6/0.5

Trading data	
Free float	75.9%
3M avg trading value (VNDbn/USDmn)	159.2/6.4
Foreign ownership	39.0%
Major shareholder	Chairman Le Phuoc Vu (16.9%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-7.7	-8.6	-20.6	-15.6
Relative	-9.1	-8.8	-19.3	-28.6

Forecast earnings & valuation

FY-end	FY2023	FY2024	FY2025	FY2026
Net revenue (VNDbn)	31,651	39,270	43,305	48,931
Operating income/loss (VNDbn)	74	499	1,046	1,343
NPAT-MI (VNDbn)	25	510	878	1,108
EPS (VND)	40	828	1,426	1,799
EPS growth (%)	-90%	1976%	72%	26%
P/E (x)	571.9	25.4	13.1	10.4
P/B (x)	1.3	1.2	1.0	0.9
ROE (%)	0%	5%	8%	9%
Dividend yield (%)	0%	5%	0%	0%



Source: Bloomberg, KB Securities Vietnam

Nam Kim Steel (NKG)

Meeting short-term obstacles

Analyst Nguyen Duong Nguyen

nguyennd1@kbsec.com.vn

(+84) 24-7303-5333

September 20, 2024

NKG beat full-year profit target by 10% after 1H24

At the end of 1H24, NKG's net profit reached VND370 billion (+386% YoY) thanks to a 24% YoY increase in consumption output, of which, domestic galvanized steel consumption output recorded a 46% YoY increase.

HRC prices dropped rapidly in 3Q, putting pressure on GPM

Since the beginning of 3Q24, HRC prices have decreased by 22% as the Chinese market is reducing inventories in the context of markets increasing protective measures against imported steel, creating pressure on provisioning for raw material inventories during the period. However, in the medium term, we believe that NKG's GPM will remain stable thanks to the slower decrease in galvanized steel prices compared to HRC prices.

Domestic consumption should improve in the coming time

KBSV expects the domestic consumption output of NKG to improve in the coming time thanks to (1) anti-dumping tax on galvanized steel applied from the end of 4Q24 and (2) the real estate market gradually recovering, boosting steel demand.

The competitive advantage in export market should be maintained

In the long term, (1) the lower tax rate applied to steel imported from compared to China and (2) the difference in HRC prices between the US-Europe and Vietnam continue to be maintained as two main drivers to promote NKG's steel exports.

Valuation: NEUTRAL rating – Target price VND23,800

We gave NKG a NEUTRAL rating with a price target of VND23,800, equal to an expected return of 11% compared to the closing price on September 20, 2024.

Neutral change

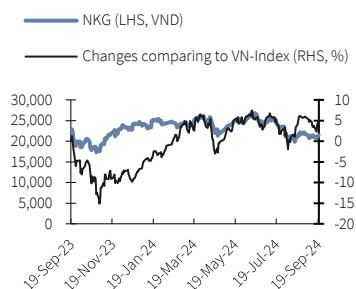
Target price	VND23,800
Upside	11%
Current price (Sep 20, 2024)	VND21,450
Consensus target price	VND24,550
Market cap (VNDtn/USDtn)	5,6/0.2

Trading data	
Free float	76%
3M avg trading value (VNDbn/USDmn)	102.6/4.1
Foreign ownership	12.1%
Major shareholder	Chairman Ho Minh Quang (14.2%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	0	-19	-15	-6
Relative	0	-18	-15	-10

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	23,071	18,596	21,500	23,489
Operating income/loss (VNDbn)	-46	177	678	776
NPAT-MI (VNDbn)	-67	117	545	621
EPS (VND)	-253	446	2,069	2,358
EPS growth (%)	-102%	-276%	364%	14%
P/E (x)	-48.3	55.3	10.4	9.1
P/B (x)	0.6	1.3	1.0	1.0
ROE (%)	-1%	2%	10%	10%
Dividend yield (%)	8.4%	0.0%	0.0%	0.0%



Source: Bloomberg, KB Securities Vietnam

Binh Minh Plastics (BMP)

Increased sales on greater distributor discounts

Analyst Nguyen Duong Nguyen

nguyenn1@kbsec.com.vn

(+84) 24-7303-5333

November 25, 2024

BMP recorded 3Q2024 NP after MI of VND290 billion (+3% QoQ)

In 3Q2024, revenue grew by 22% QoQ thanks to a 19% increase in sales volume and a 2% QoQ rise in the average selling price (ASP). This growth followed BMP's proactive strategies, including greater distributor discounts, enhanced sales promotion programs, and payment discounts for partners.

Sales volume is projected to grow by 12% in 2025 and 7% in 2026, fueled by the real estate market recovery

CBRE projects a 32% increase in apartment supply in Ho Chi Minh City in 2025 and 38% in 2026. We expect further growth in residential construction in 2025, driven by a recovering real estate market, accelerated site clearance, and regulatory easing following the amended Land and Real Estate Laws.

PVC resin prices in China are expected to rebound in 2025

Following the announcement of economic support measures, we expect China's manufacturing activity to recover, stimulating PVC resin demand and driving up selling prices, which will increase BMP's COGS. However, KBSV believes BMP's dominant market share and ability to pass on cost increases to buyers will maintain gross profit margins of 40% and 37% in 2025F and 2026F, respectively.

The dividend payout ratio remains steady, offering an attractive yield

KBSV expects BMP to distribute the second tranche of its 2024 dividend in 1H2025, with an estimated cash dividend yield of 5.2%. Also, we project relatively attractive cash dividend yields of 9.8%/9.2% for 2025F/2026F, respectively.

We downgrade BMP to NEUTRAL with a target price of VND117,500 per share

KBSV downgrades BMP to NEUTRAL with a target price of VND117,500 per share, 1.7% below the closing price on November 22, 2024. After adjusting for the second tranche of the 2024 dividend, the estimated return stands at 3.7%.

Neutral change

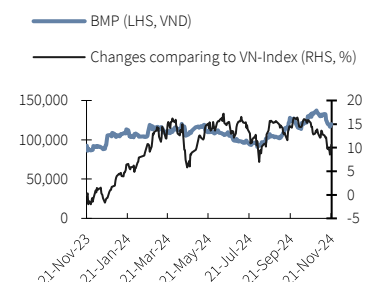
Target price	VND 117,500
Downside	-1.7%
Current price (Nov 22, 2024)	VND119,500
Consensus target price	VND 124,800
Market cap (VNDtn/USDbn)	9.8/0.4

Trading data	
Free float	44.1%
3M avg trading value (VNDbn/USDmn)	31.1/1.2
Foreign ownership	84.2%
Major shareholder	Nawaplastic (54.9%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-10.0	13.6	8.8	34.3
Relative	-8.0	18.0	11.5	22.2

Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	5,808	5,157	4,935	5,535
Operating income/loss (VNDbn)	868	1,304	1,256	1,237
NPAT-MI (VNDbn)	694	1,041	1,012	990
EPS (VND)	8,481	12,717	12,360	12,090
EPS growth (%)	224%	50%	-3%	-2%
P/E (x)	7.1	8.2	9.7	9.9
P/B (x)	1.9	3.2	3.6	3.6
ROE (%)	28%	39%	37%	36%
Dividend yield (%)	9.5%	11.3%	10.0%	9.8%



Source: Bloomberg, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Research Division

research@kbsec.com.vn

Nguyen Xuan Binh – Head of research

binhnx@kbsec.com.vn

Financials**Nguyen Anh Tung – Manager**

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Consumer**Nguyen Duc Quan – Analyst**

quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst

anhnhd@kbsec.com.vn

Real Estate**Pham Hoang Bao Nga – Manager**

ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst

trangnt6@kbsec.com.vn

Industrials & Materials**Nguyen Thi Ngoc Anh – Analyst**

anhntn@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Macro & Strategy**Tran Duc Anh – Head of macro & strategy**

anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Energy, Utilities & IT**Pham Minh Hieu – Analyst**

hieupm@kbsec.com.vn

Nguyen Viet Anh – Analyst

anhnv3@kbsec.com.vn

Support Team**Nguyen Cam Tho – Assistant**

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only, not authorized to use for any other purposes.