

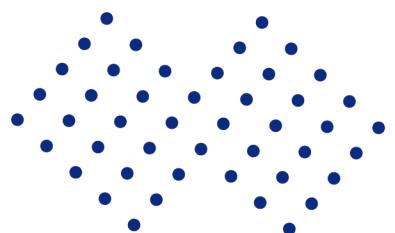
GROUP 5



FINANCIAL STATEMENT ANALYSIS

NAM KIM GROUP

Lecture: Ms. Nguyen Thuy Nhung



Company Background



- A prominent Vietnamese coated sheet metal manufacturer since 2002.
- Adheres to strict quality standards (ISO, JIS, European).
- Core products: Pre-painted steel sheets (domestic & international markets).
- Recognized achievements: Top 2 Vietnamese building material exporters (2020).
- Experienced growth despite challenges (e.g., COVID-19).

COMPANY BACKGROUND

2012

Nam Kim 2 factory began operation & increased production capacity up to 350.000 tons / year.

2011

Listed on stock exchange as "NKG".

2010

Built Nam Kim 2 factory in Binh Duong province.

2002

Established and first introduced non-oxidizing furnace (NOF) metal coating line.

2014

Built Nam Kim 3 factory in Binh Duong province.

2015

Built Long An factory in Long An province.

2016

Nam Kim 3 factory began operation & increased production capacity up to 650.000 tons / year.

2018 - Present

Production capacity of

- Coated steel coil: 1.000.000 tons / year.
- Pickled & oiled steel coil : 800.000 tons / year.
- Galvanized steel pipe : 120.000 tons / year.



Vision, Mission & Core Value

Vision

Products under the Ton Nam Kim brand are recognized by domestic and international customers as being in the high quality segment.

Mission

- Share with the community.
- Join hands for the environment.
- Social responsibility.

Core Value

- | | |
|---------------------|------------------|
| • Non - stop effort | • Knowledge |
| • Attitude | • Innovation |
| • Morality | • Meet the trust |



Industry overview

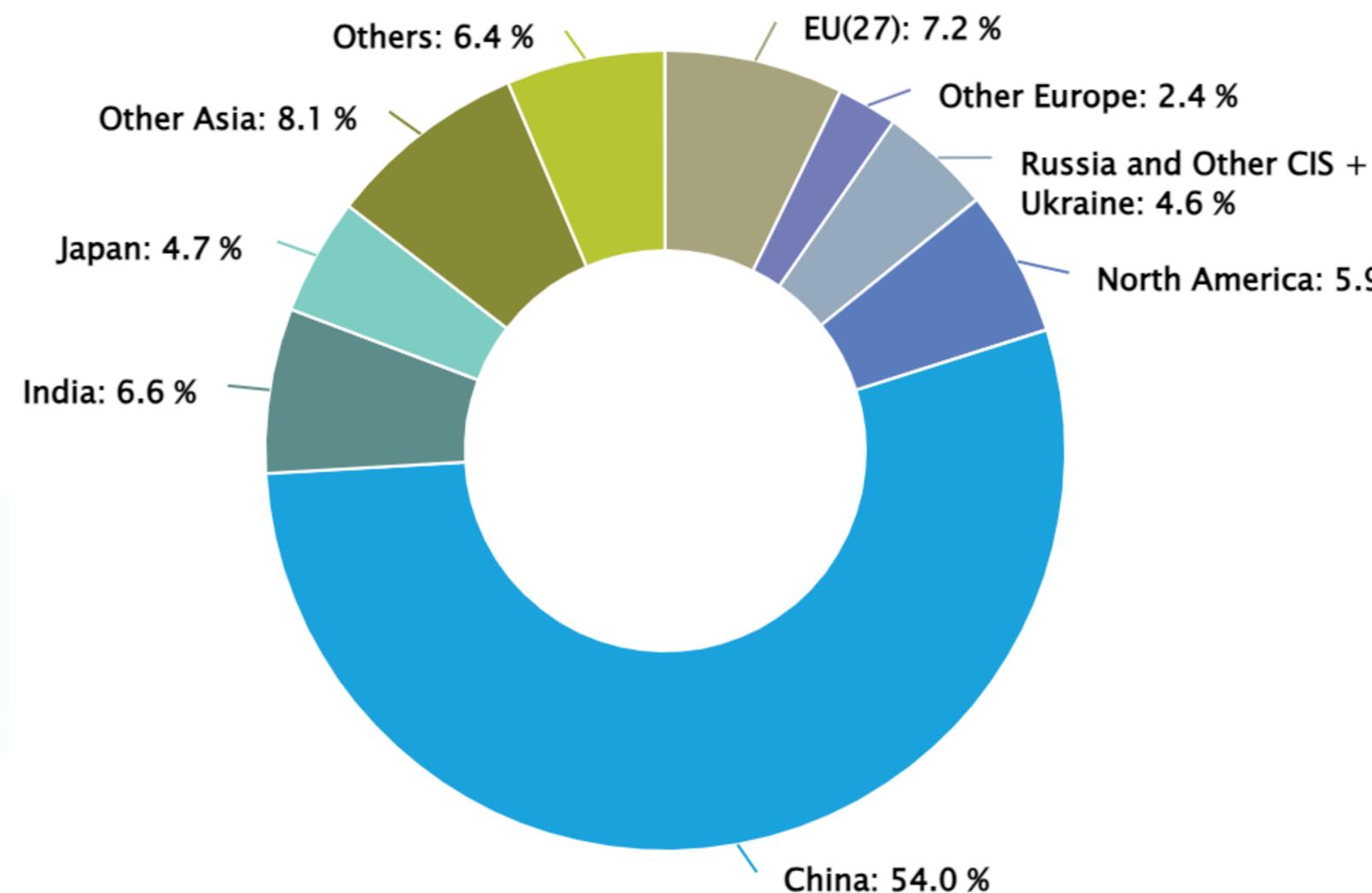


Figure 2 : Crude steel production in 2022

Source: World Steel Association

- The global steel production decreased by 0.1% year on year across 63 countries.
- The global steel demand is projected to increase by 1.8% in 2023, despite the challenges in the real estate sector and significant impacts from the tightened monetary policies (Le, 2023)
- Since 2013, China's steel production has accounted for more than half of the world's total. Until China dominates the world's steel production, making it reaching 54% of the total worldwide steel industry.

Industry overview

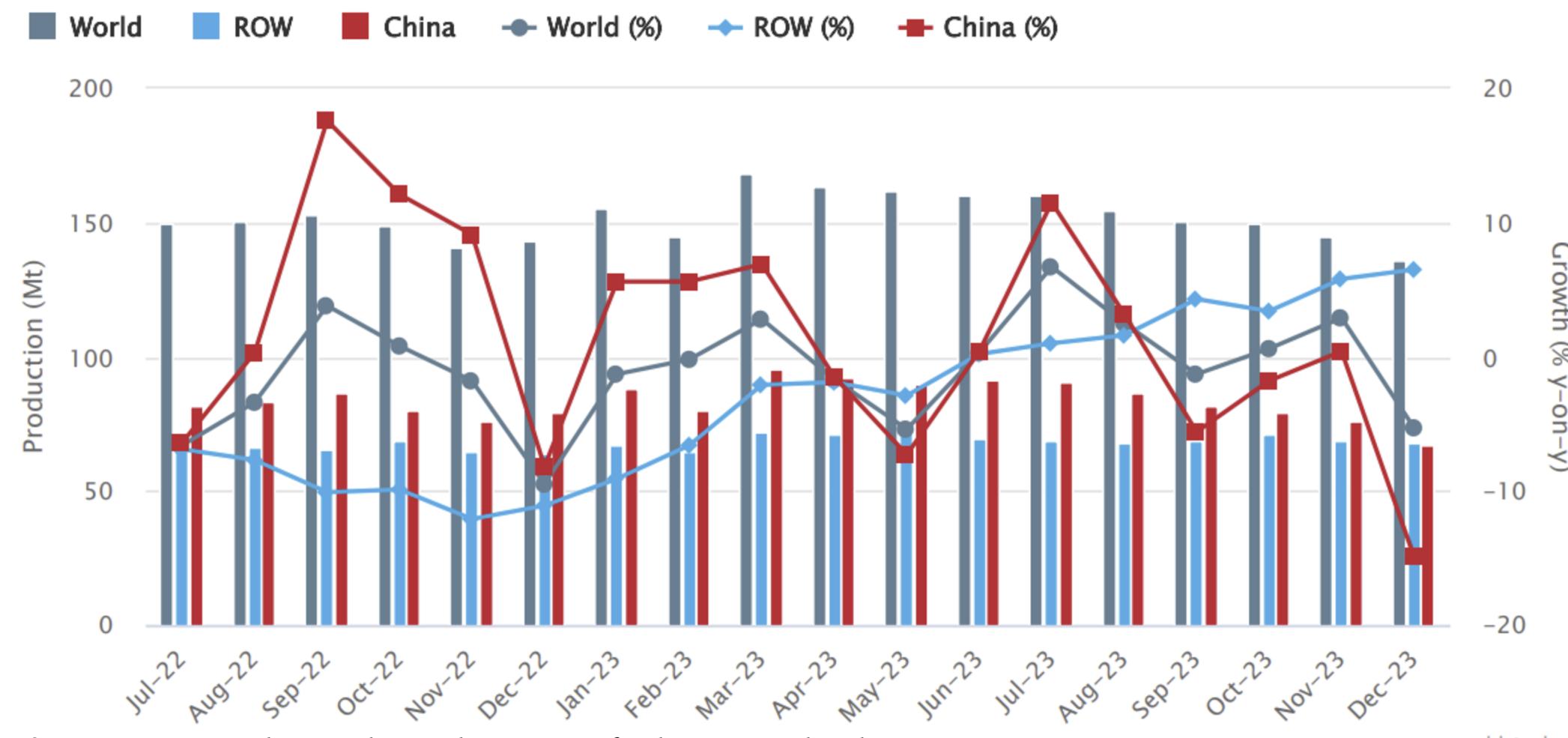


Figure 3: Crude steel production of China and others

Source: World Steel Association

- The global steel industry depends heavily on China.
- The top 10 steel-consuming countries represent more than 70% of the global steel demand (worldsteel, 2023).
- The raw materials price of steel fell by 21% year on year (Segen, 2024).

Competitors



- Renowned Vietnamese company Hoa Sen Group is a prominent exporter of sheet metal to Southeast Asia, as well as a manufacturer and dealer of steel sheets.
- In terms of financial performance, the firm recorded VND 9,073,224.14 million in revenue for the first quarter ending December 31, 2023, up from VND 7,917,428.62 million the previous year.
- They produce steel sheets, steel pipes, meshes, wires, and other products coated with an aluminum-zinc alloy and pre-painted or galvanized. They also engage in warehouses, freight transport services, building materials, and tangible assets like machinery and equipment.



- Leading Japanese multinational in pneumatic engineering for industrial automation applications since 1959 is SMC Corporation.
- The firm recorded sales of JPY 189.07 billion for fiscal Q3 2024, which ended on December 31, 2023, representing an 8.20% decline year on year. The net income was JPY 42.57 billion, up 4.56% year on year.
- With production facilities spread across North America, South America, Europe, India, Korea, Australia, China, and Singapore, SMC maintains technological centers in the US, Europe, and China. In 81 countries, the company oversees 400 sales and marketing locations.

Competitive Advantage

Nam Kim Steel is recognized as **one of the two most prestigious building supplies exporters in 2020**.

Positioning Statement

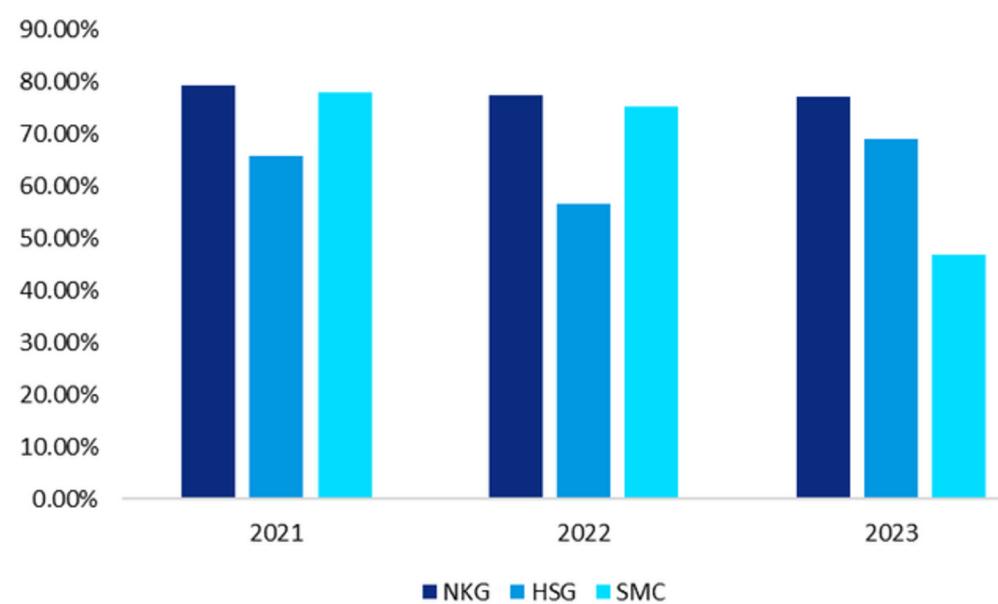
Portrays itself as a **prominent supplier of high-grade** steel and construction goods dedicated to implementing inventive solutions addressing customers' multi-faceted needs across diverse sectors reliably.

VERTICAL ANALYSIS

In 2021-2023: NKG's short-term assets to total assets are the highest

- 2021, total assets - 15,397 billion: Short-term assets accounted for 79.3% of total assets
- 2023, total assets - 12,235 billion: Short-term assets accounted for 77.1% of total assets

Figure 4: Current Assets

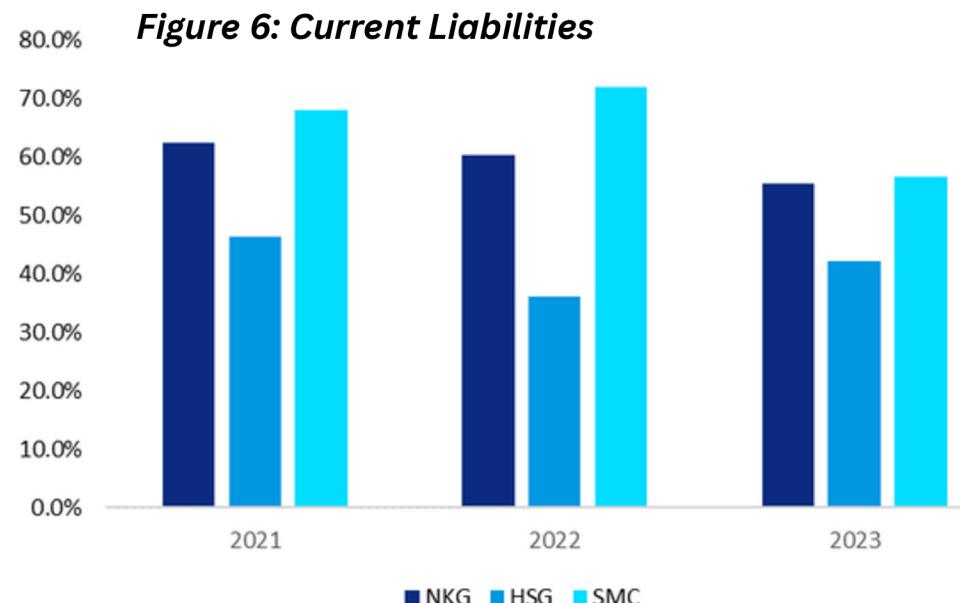


Inventory always accounts for over 50% of total assets.

Due to : impact of HRC prices decreasing by more than 30%

- In 2022, NKG had to set aside a total of 710 billion VND for inventory

Figure 6: Current Liabilities



In 2022 - 2023: NKG's liabilities accounts for a high proportion of total assets
The majority comes from short-term liabilities with amounts recorded respectively as 62.3%, 60.2%, 55.4%

Most of short-term loans and financial lease debt is 4,767 billion VND

Figure 5: Inventories

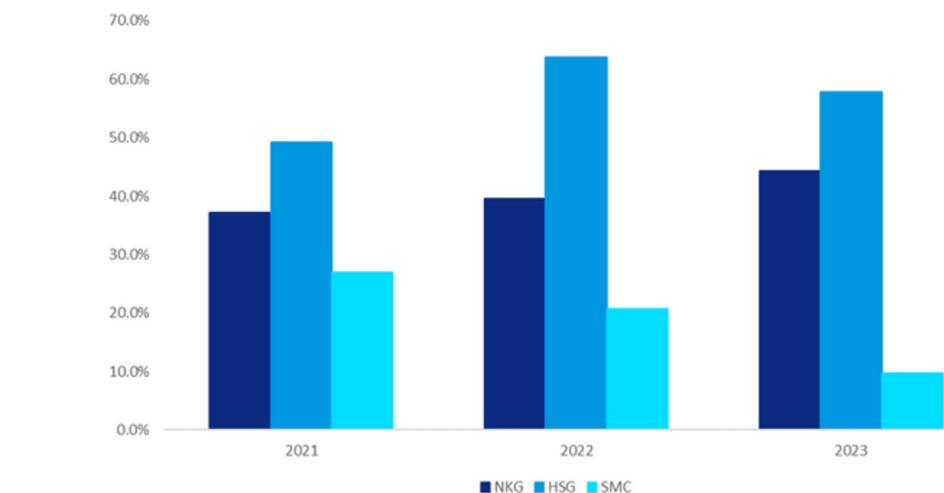


Owner's equity :

- NKG : 2021-2023, increased from 37.2% to 57.23%
- HSG : 2021-2023, increased from 49.23% to 63.71% and then down to 58%.
- SMC : 2021-2023, decreased from 26.86% to 9.65%.

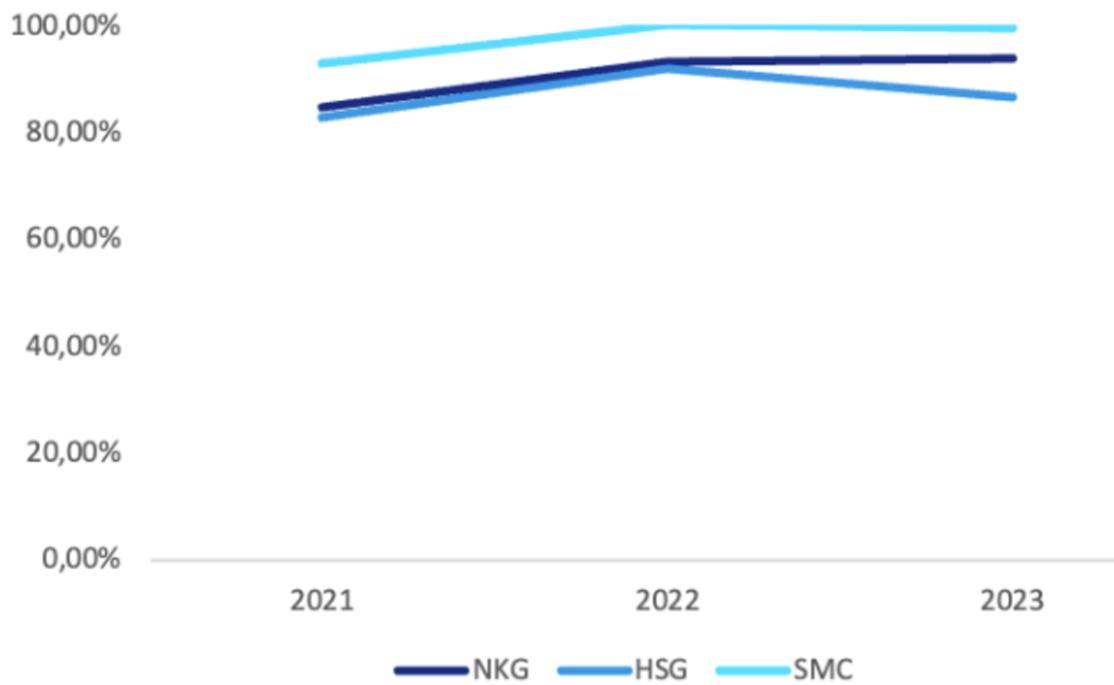
=> NKG & HSG have better equity-liability balance than SMC.

Figure 7: Owner's Equity



VERTICAL ANALYSIS

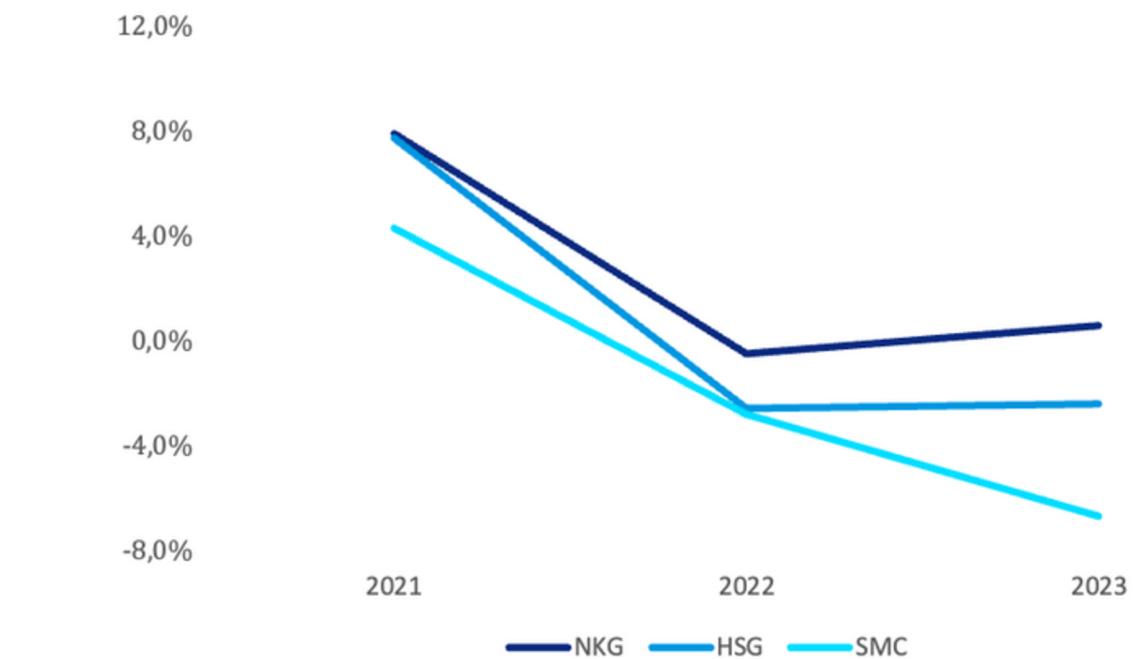
Figure 8: Cost of good sold



More than 90% of total sale in period 2021-2023, due to:

- The effect of Covid-19 pandemic
- The Russia-Ukraine conflict
- European and US sanctions against Russia => global supply chain disruption and intensified transportation costs

Figure 9: Net income



2021-2023: NKG's growth rate decreased continuously

- NKG peaked at 7,9% of total sales in 2021 - 2,225 billion

- Due to the trend of promoting investment in infrastructure development.

2/3 of NKGs revenue in 2021–19,200 billion - came from exports

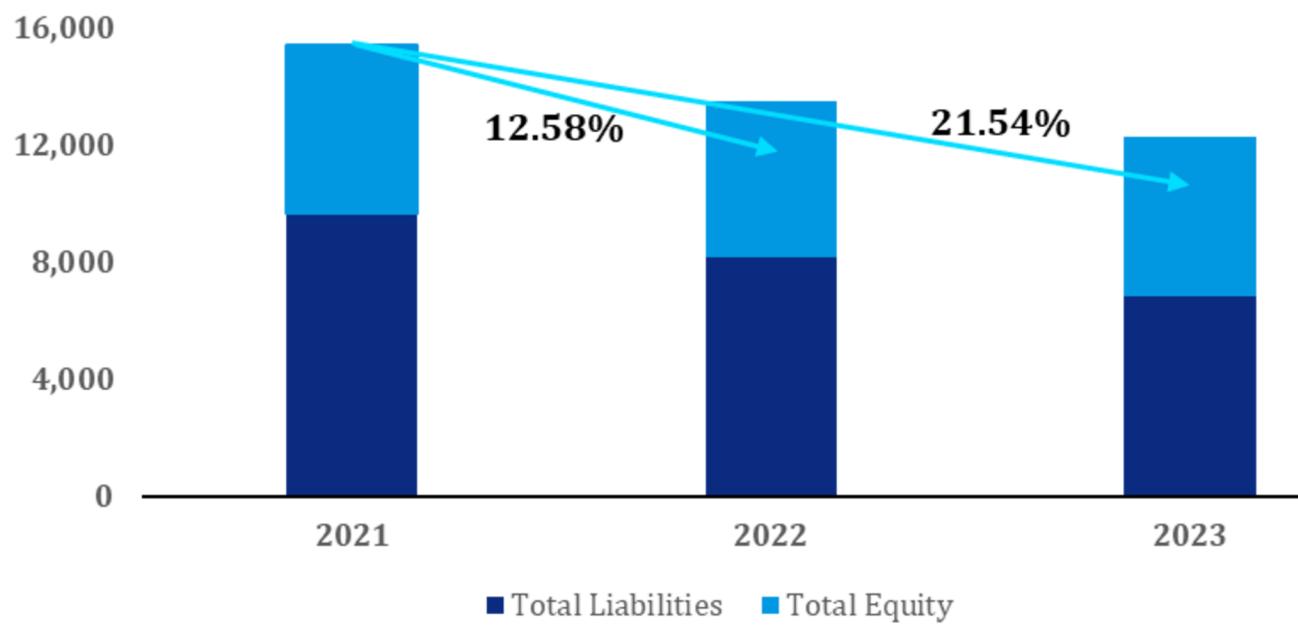
In 2022, NKG decrease significantly by -0.5%

In 2023, NKG get better is 0.6%

HORIZONTAL ANALYSIS

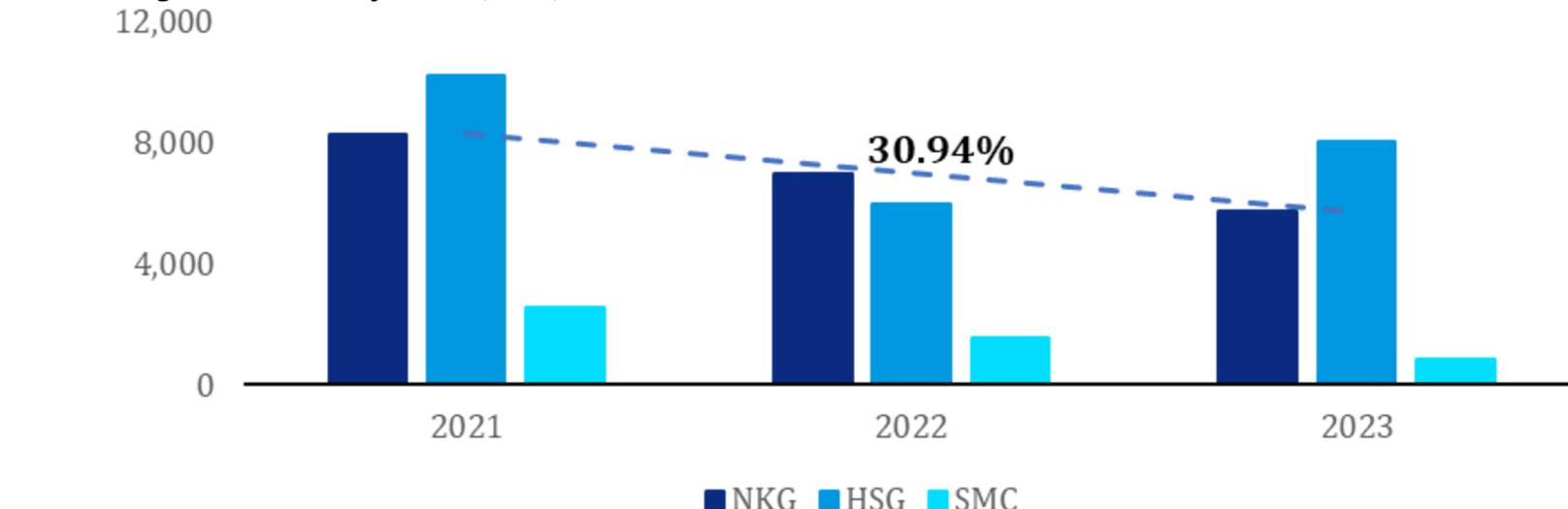
Total resources fell due to its Debts and Inventory.

Figure 10 Total Resources of NKG



Inventory accounted largest in Total Assets and decline shrinking.

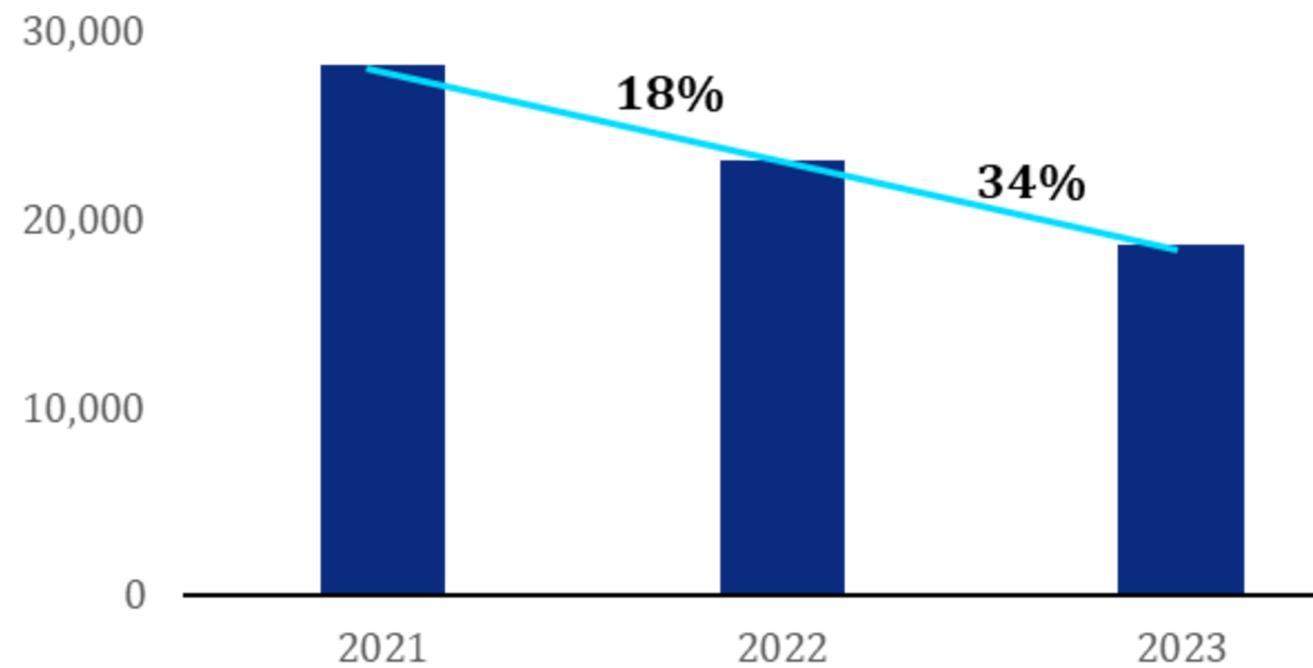
Figure 11 Inventory of NKG, HSG, SMC.



...however because the consumption volume and their strategy

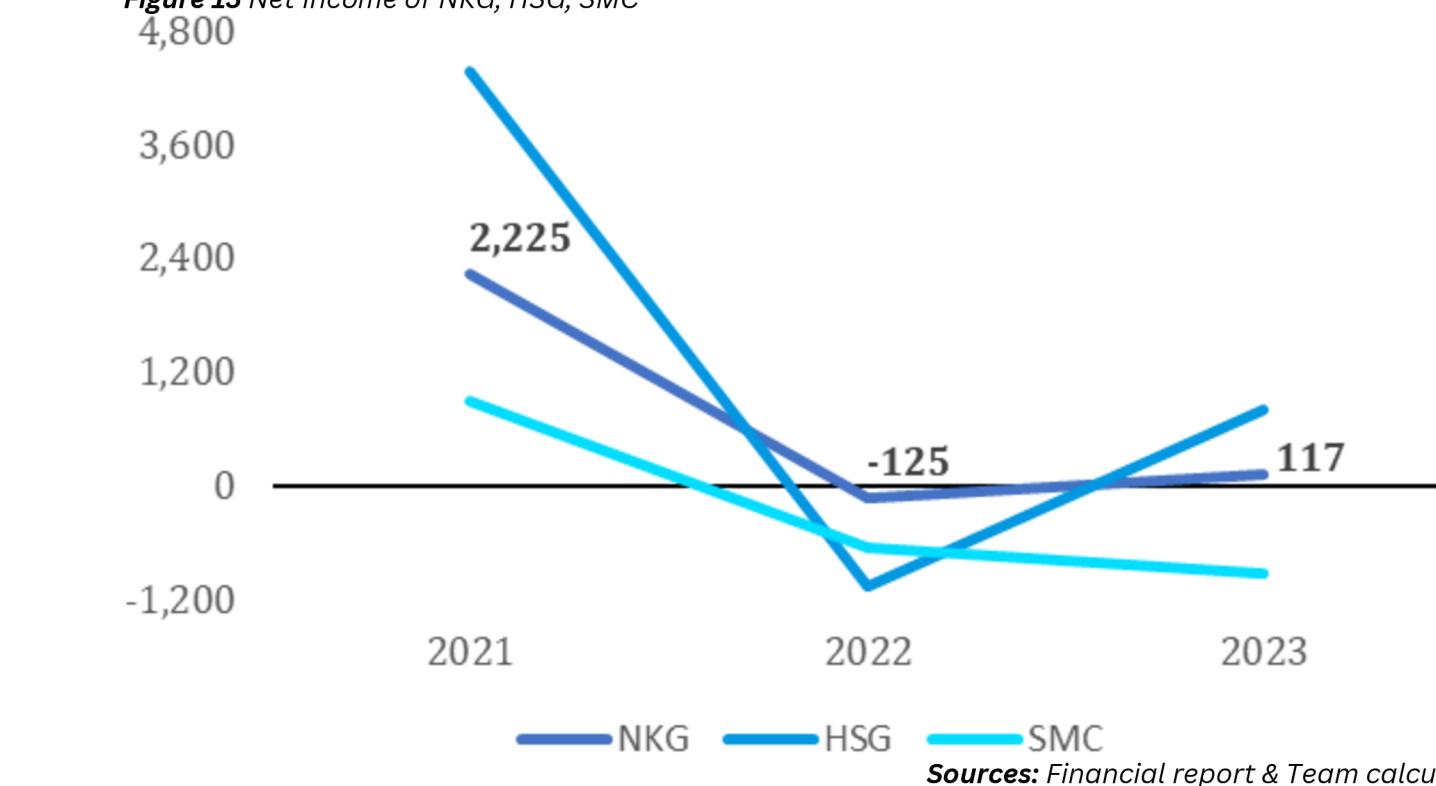
The revenue of Nam Kim Group also decrease over the period.

Figure 12 Revenue of NKG



Net Income substantially dropped but it has a signal of recovery phase.

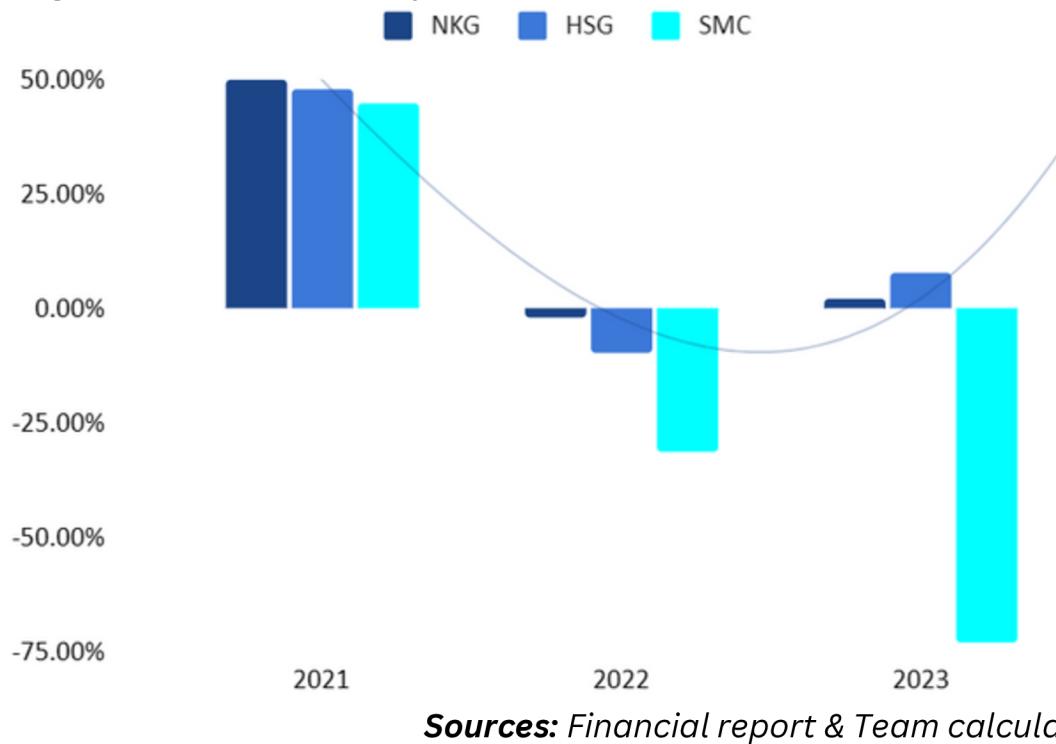
Figure 13 Net Income of NKG, HSG, SMC



RATIO ANALYSIS

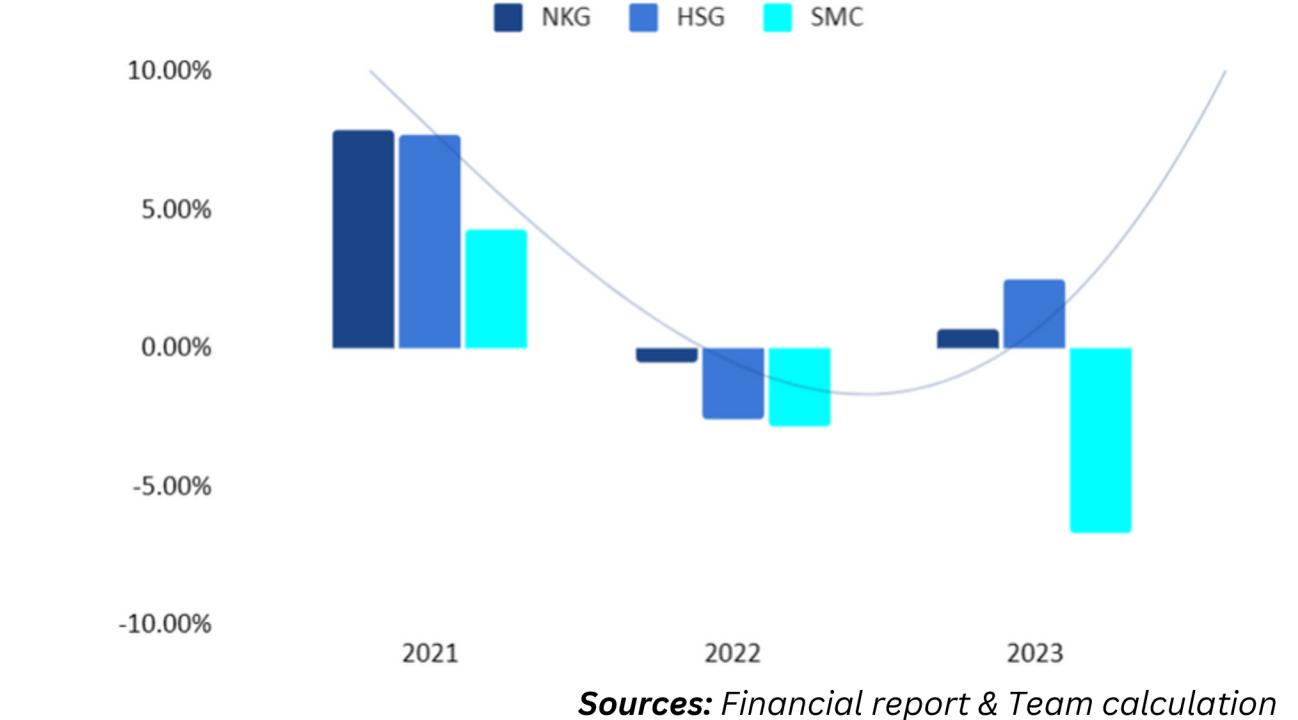
PROFITABILITY RATIOS

Figure 14 Return on Equity ratio.



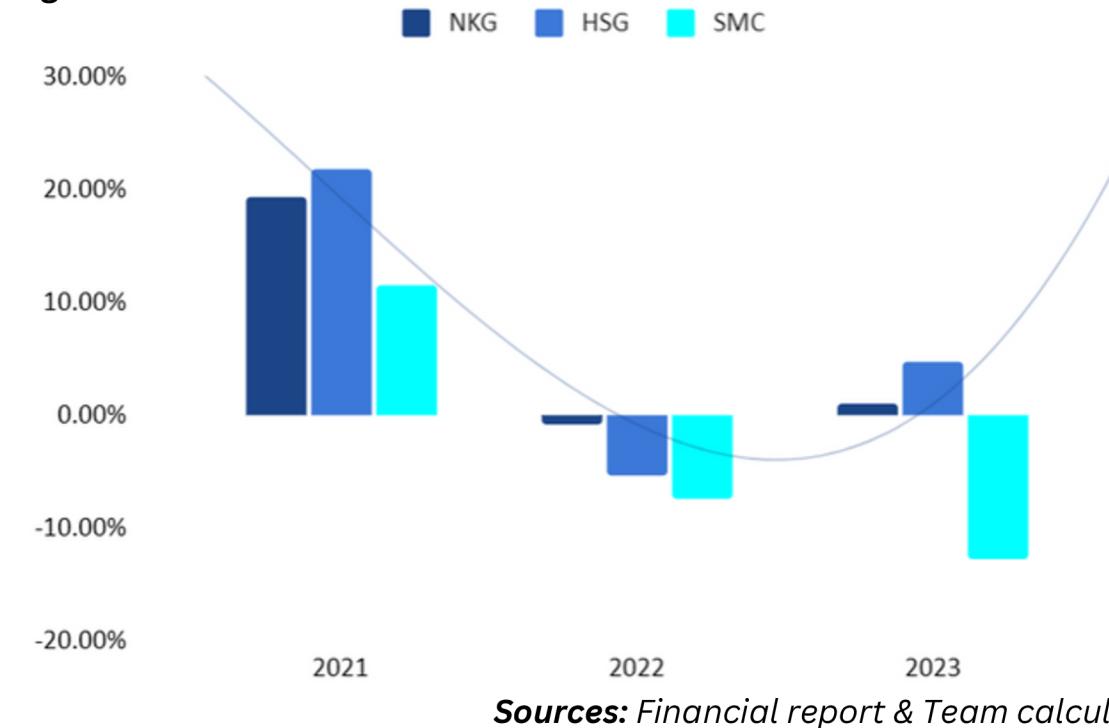
Sources: Financial report & Team calculation

Figure 15 Net Profit Margin ratio.



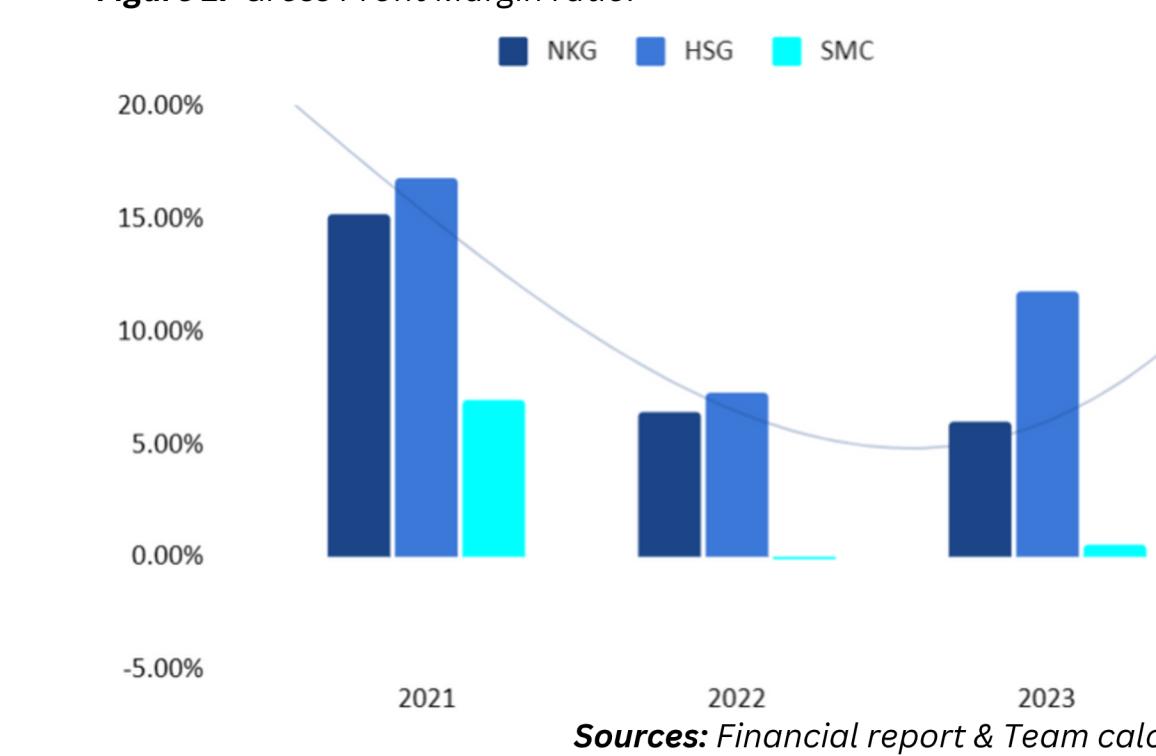
Sources: Financial report & Team calculation

Figure 16 Return on Assets ratio.



Sources: Financial report & Team calculation

Figure 17 Gross Profit Margin ratio.



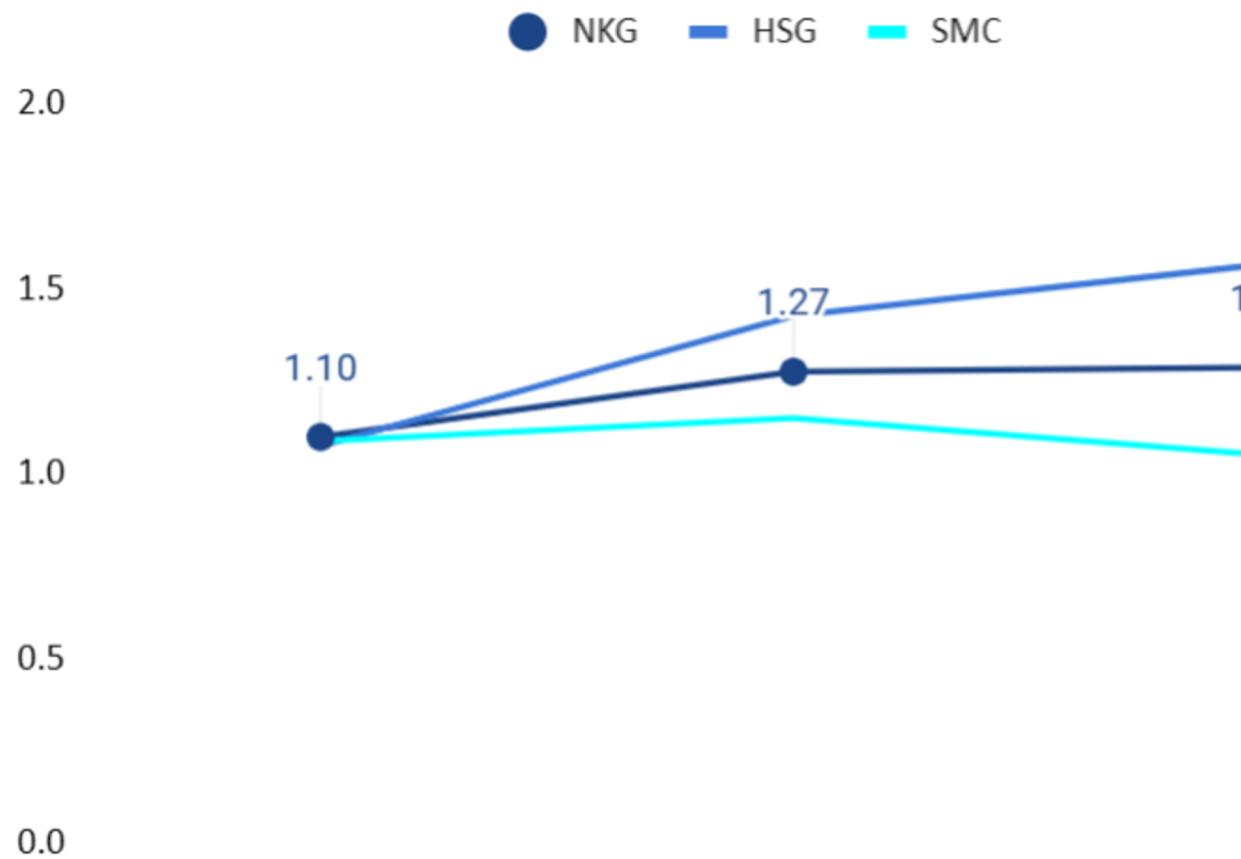
Sources: Financial report & Team calculation

RATIO ANALYSIS

LIQUIDITY RATIOS

NKG's current ratio shows a varying but usually positive tendency over time.

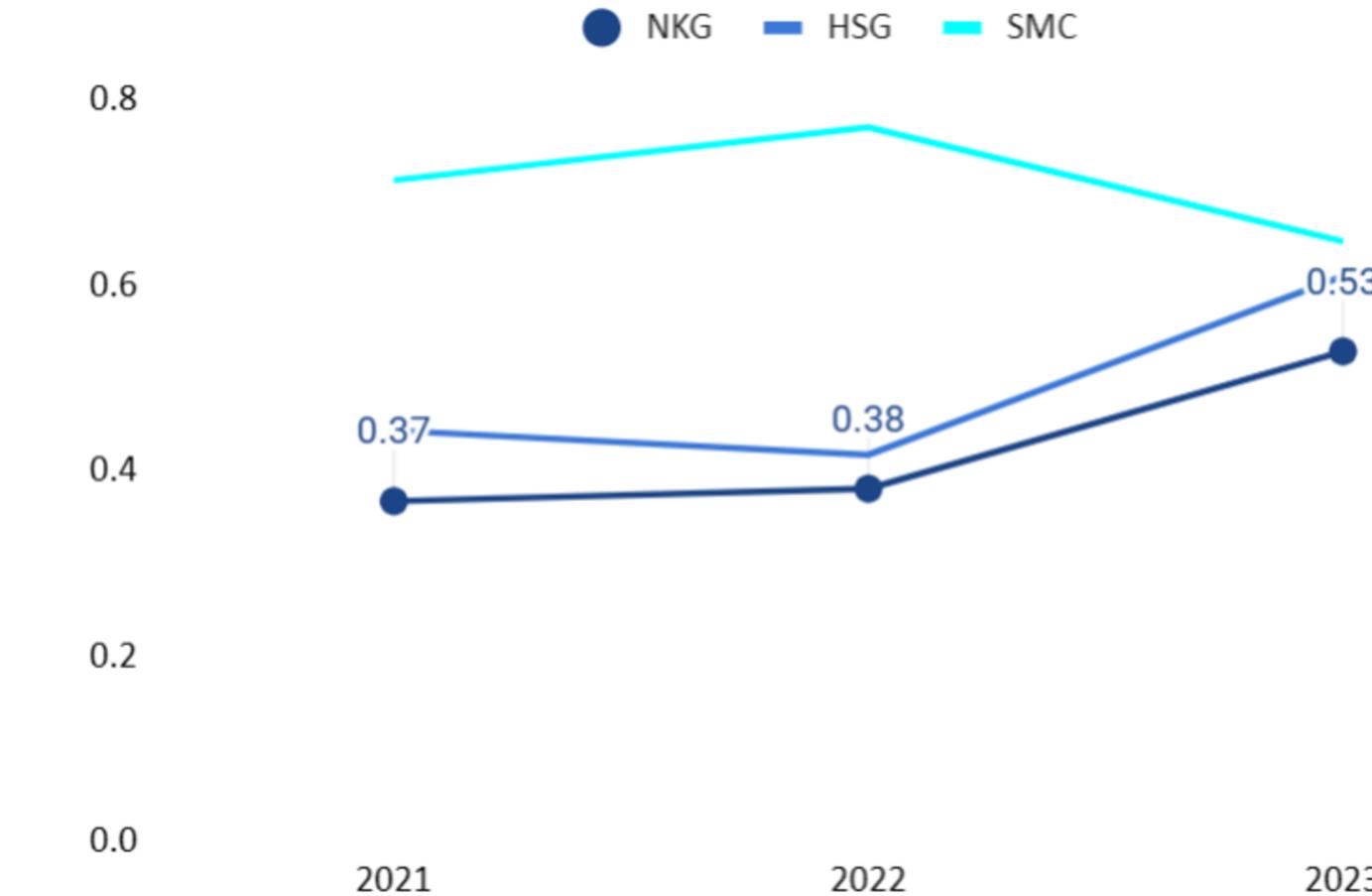
Figure 18 Current ratio.



Sources: Financial report & Team calculation

The quick ratio for NKG stays comparatively constant at 0.53 in 2021, a sign of better liquidity.

Figure 19 Quick ratio.

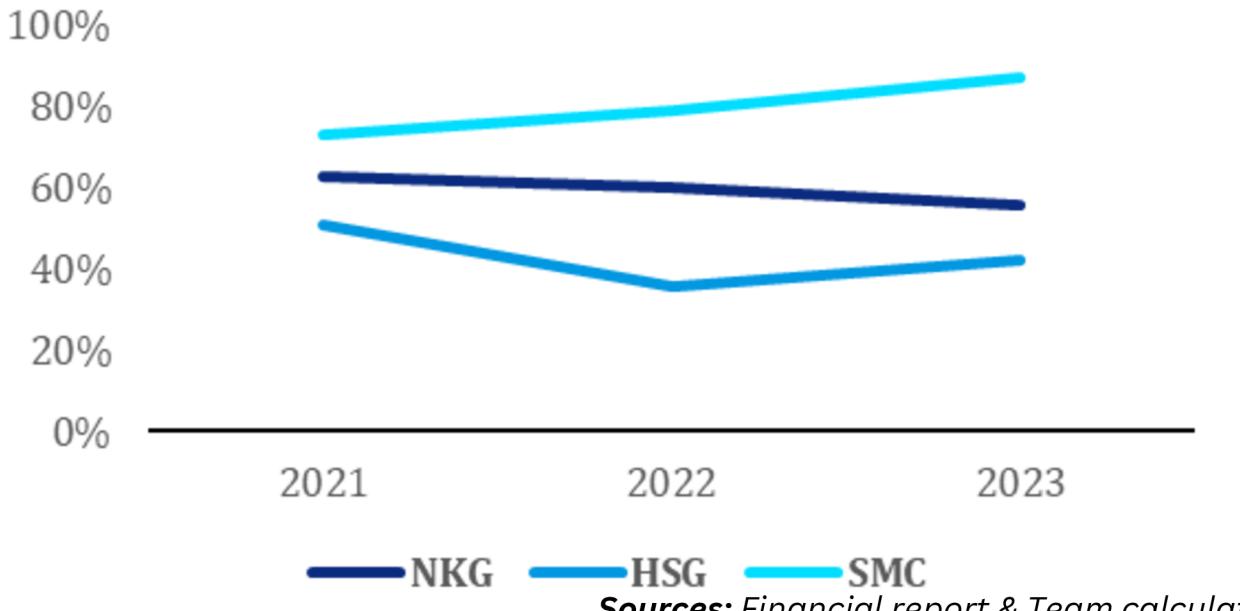


Sources: Financial report & Team calculation

SOLVENCY RATIO

Nam Kim have a balanced structure of Total Resources

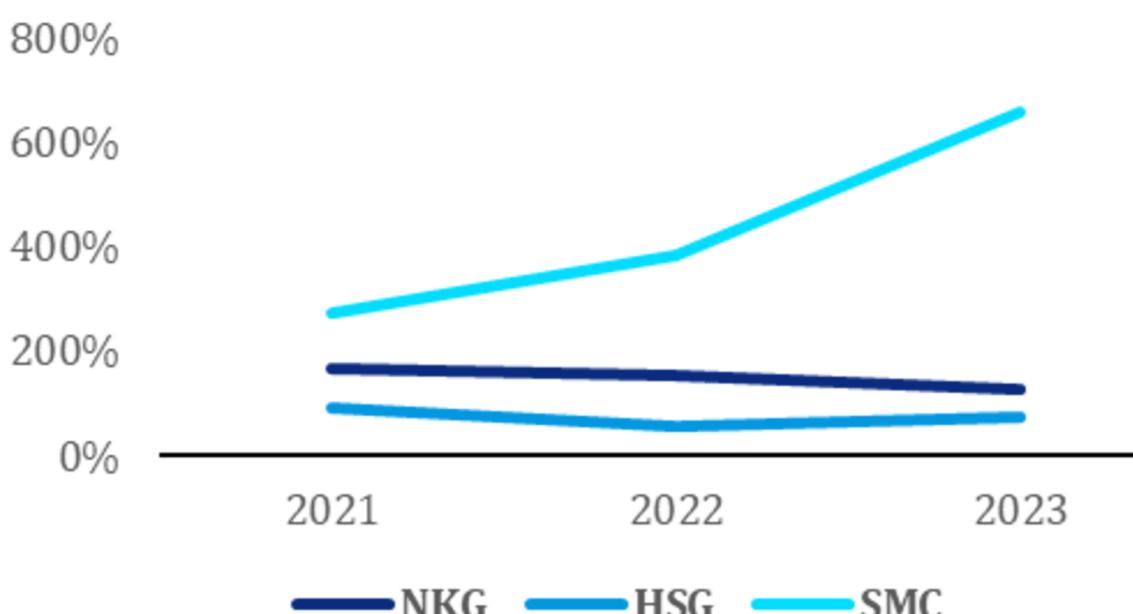
Figure 20 Equity to Capital ratio.



Sources: Financial report & Team calculation

Nam Kim showed effort of financing by Equity instead of Debt.

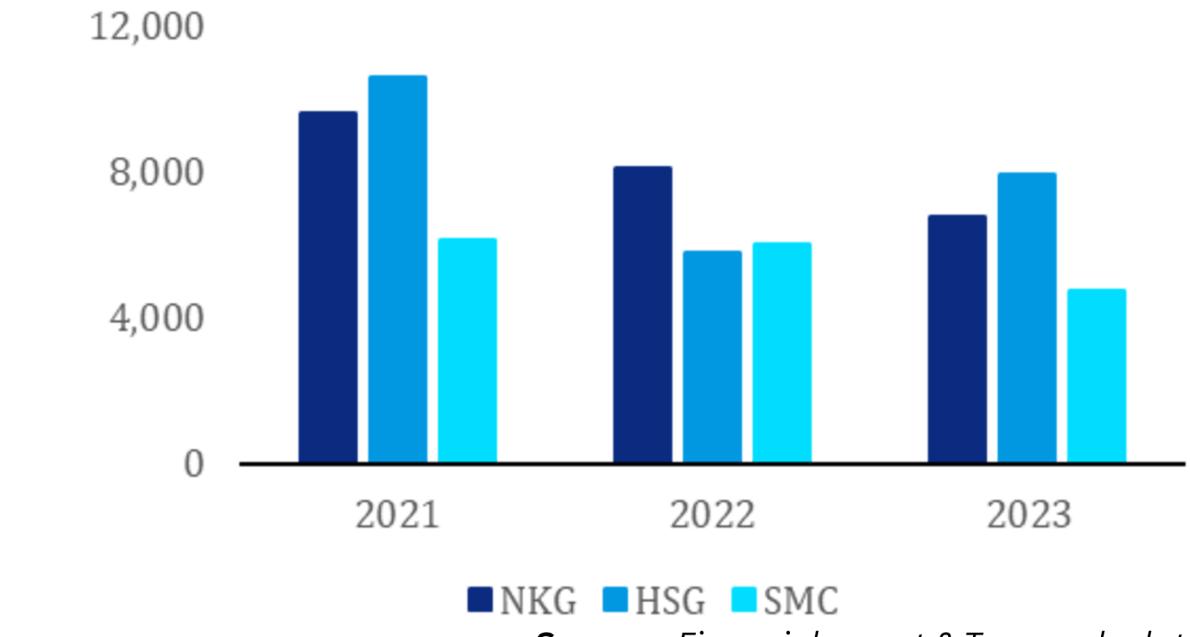
Figure 22 Debt to Equity ratio.



Sources: Financial report & Team calculation

As decreasing in Inventory, Nam Kim did not need to borrow more Short-term Debt.

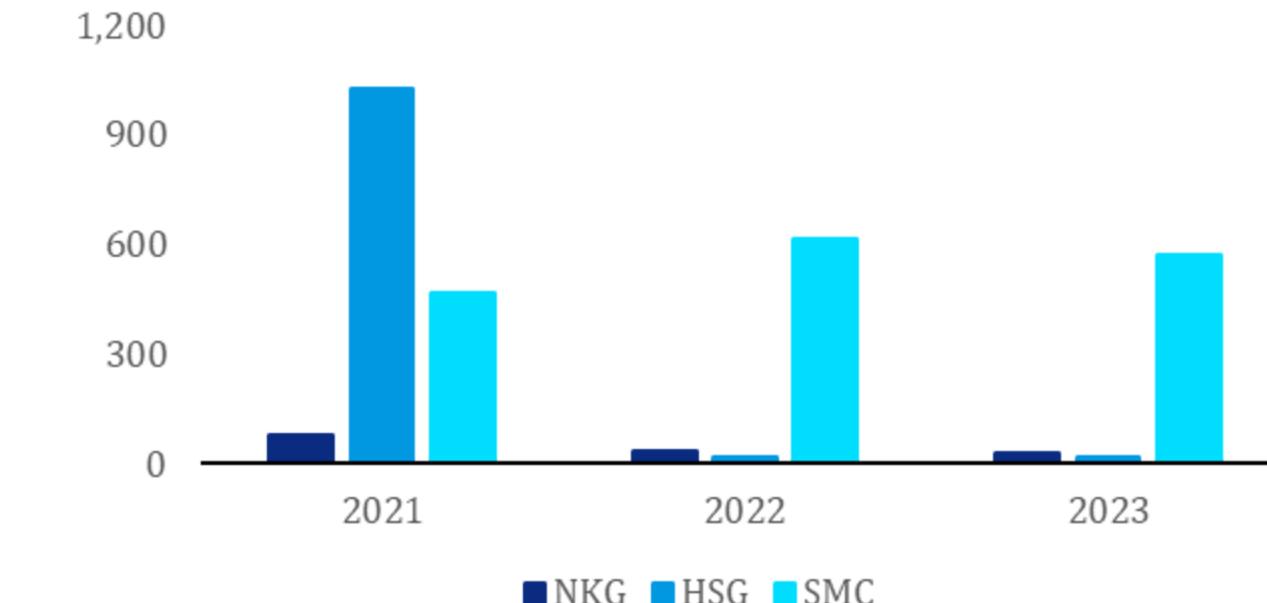
Figure 21 Short-term debt



Sources: Financial report & Team calculation

Nam Kim has a better financial health because of less risk of insolvency

Figure 23 Long-term debt



Sources: Financial report & Team calculation

SWOT ANALYSIS

APPLYING HIGH TECHNOLOGY TO STANDARDIZE BUSINESS PROCESSES

Nam Kim Steel has partnered with Votiva as its consulting and implementation partner for the Microsoft Dynamics AX business management system

S

NKG RANKED 2ND IN DOMESTIC GALVANIZED STEEL MARKET SHARE

NKG is one of the industry's leading cold-rolled sheet manufacturers with large capacity and modern production lines

DEPENDS HEAVILY ON THE GLOBAL STEEL MARKET

- On the supply side, the conflict between Russia and Ukraine generated worries that constraints in supply will cause a shock to the rest of the market in terms of coal prices (OECD, 2022)
- On the demand side, China's "Zero-Covid" test reality policy has reduced the market's demand for steel,

W

HIGHLY INVENTORIES:

The decrease in steel product consumption and real estate demand in Vietnam has led to a significant decrease in the inventory of Nam Kim steel firms. This has caused steel producers to decrease selling prices in an effort to improve demand, so inventories are high, which affect to revenue

SWOT ANALYSIS

MODEST GLOBAL STEEL INDUSTRY GROWTH IN 2023.

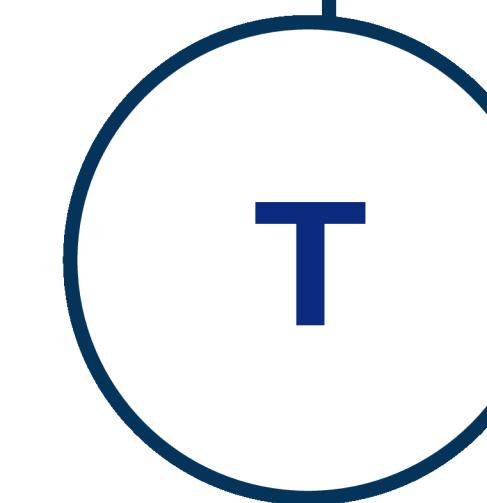
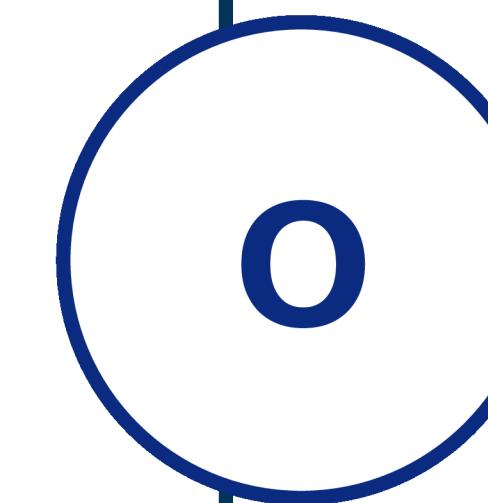
- The World Steel Association estimates demand will rise approximately 1% to reach 1814.7 million metric tons compared to 2022 figures.

VIETNAM'S DOMESTIC STEEL SECTOR RECOVERY.

EXPANSION OF NAM KIM STEEL PRODUCTS TO OVER 50 COUNTRIES.

- Demand projections further anticipate robust growth in Nam Kim steel imports across key export territories throughout 2024 supported by existing demand trends (MRS STEEL., 2023).

ACCESS TO EUROPEAN MARKETS DUE TO HIGH PRODUCTION STANDARDS.



PRICE VOLATILITY FOR RAW MATERIALS LIKE IRON ORE AND COKING COAL.

INTENSE COMPETITION WITHIN VIETNAM'S STEEL MARKET.

GLOBAL FACTORS AFFECTING STEEL OUTPUT INCLUDING TRADE, POLITICS, AND ECONOMICS.

- Reductions in the demand for steel globally may result from trade concerns or worldwide economic recessions.

INCREASED FOCUS ON ENVIRONMENTAL RESPONSIBILITY AND EMISSION REDUCTION PRESSURES.

- Emphasizes environmental responsibility

RECOMMENDATION & CONCLUSION

Inventory Management

Implementing advanced forecasting tools and continuously monitoring market trends can help improve inventory management.

Debt Management

Maintaining safe debt management strategies, pursuing possibilities to refinance debt at lower rates and improving capital structure can provide financial flexibility.

Cost Control and Efficiency

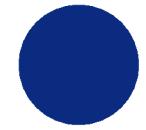
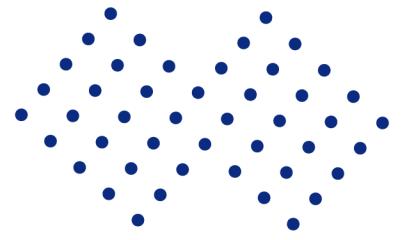
Applying advanced, modern technology and machinery to optimize production costs, using software that has the ability to monitor production operations.

Diversification of Revenue Streams

Diversifying revenue sources, exploring new markets, extending product lines, or investing in nearby company areas.

Investment in Research and Development (R&D)

Investing in R&D activities, could encourage innovation, improve product offerings, and increase market competitiveness.



GROUP 5

**THANK YOU
FOR YOUR ATTENTION**

NAM KIM GROUP

