

1 Dev, 2023

Nameson | 01982.HK

Mixed signals from the knitwear products

STOCK RATING

NR

TARGET PRICE

HK\$ -

The total revenue of Nameson (01982.HK) in 2023/24 1H slashed YoY 12.0% to HKD 2,726.4mn, and the adjusted net profit dropped YoY 15.7% to HKD 289.1mn, bringing the adjusted net profit margin to 10.6%.

Impossible triangle: Nameson (01982.HK) announced a HKD 0.095 dividend per share, amounting to a 74.8% payout ratio. We are astonished about the dividend declared and the payout ratio, we do believe that is a catalyst supporting the stock price in the short term. However, it is challenging for the Group to simultaneously maintain a low gearing ratio, high dividend payout ratio and aggressive expansion. The current interest-bearing debts and the cash on hand reached HKD 664.5mn and HKD 1,120.7mn respectively as at the end of Sep 2023, in consideration of HKD 300mn – HKD 400mn CAPEX (for Vietnam factory, fabric and cashmere business etc.) and the current dividend payout, we expect that the gearing ratio will remain relatively flat and the dividend payout ratio of 2023/24 2H will be lower than 1H.

Mixed signals from the knitwear products: Knitwear products remained the primary contributor to Nameson (01982.HK), the sales volume slightly increased YoY 1.6% to 19.0mn pieces, of which the sales volume of wholegarment products increased YoY 17.6%. However, the YoY 12.9% decline in ASP offset an increase in sales volume, it was a result of the adjustment of the sales price of wholegarment and the decline in sales of cashmere products. It is positive to hear that the potential orders from almost all customers show a rebound in the 2023/24 2H, leading to single-digit growth in the sales volume guidance that is more optimistic than before. However, the ASP of the knitwear products, especially wholegarment, is expected to remain at a lower level due to a lower raw material price, limiting the growth in the top-line and bottom-line. Besides, we believe that the gross margin will not increase further but reverse to a normal level due to an appreciation of RMB against USD.

Be prepared for the future: in response to the weak market condition, Nameson (01982.HK) tries to strike a balance between cash reservation and business expansion. It i) plans to increase the knitwear production capacity by 5mn pcs in Vietnam in response to the demand for products produced outside China, ii) further bets on the fabric business that may bring a better growth potential to the Group, and iii) limits its CAPEX to <HKD 400mn, the soft steps taken don't bring an exciting performance to the Group immediately but allows the Group to grasp opportunities in market turnaround.

Uncertainty in Myanmar: The factory in Myanmar remains a primary uncertainty faced by Nameson (01982.HK). According to the latest financial report, customers displayed reluctance to procure from Myanmar due to political considerations, the possibility for further impairment cannot be ruled out.

COMPANY NOTE

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Nameson (01982.HK)

Stock Rating **NR**
Target Price **HK\$ -**

 Current Price **HK\$ 0.61**

 52-Week Range **HK\$ 0.375 – 0.650**

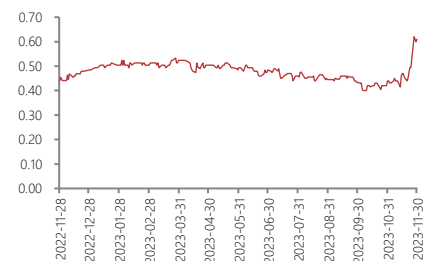
 Market cap. (HKD, bn) **HK\$ 1.4**

HKD, mn	2019/	2020/	2021/	2022/
	20 (A)	21 (A)	22 (A)	23 (A)

Revenue	4,480.7	3,848.6	4,040.5	4,602.3
Gross Profit	690.1	701.4	706.1	745.5
Gross Margin	15.4%	18.2%	17.5%	16.2%
Net Profit	151.5	298.4	275.6	158.3
ROE	7.3%	13.2%	11.0%	6.2%

Performance **1 mth** **3 mth** **6 mth** **1 year**

 Absolute **45.2%** **37.1%** **26.0%** **37.0%**

 Relative to HSI **47.3%** **44.9%** **34.4%** **45.3%**


Peers comparison

		Mkt. Cap.	P/E	Fw. P/E	P/B	P/S	Revenue	GM	ROE
		(HKD, mn)	(x)	(x)	(x)	(x)	(HKD, mn)	(%)	(%)
00420.HK	Fountain Set	483.9	-	-	0.2	0.1	6,053.6	9.5	(8.2)
02232.HK	Crystal Intl	7,588.5	5.7	-	0.7	0.4	19,505.8	18.6	12.8
02313.HK	Shenzhou Intl	117,852.6	24.9	-	3.3	4.2	32,349.7	22.1	14.0
02368.HK	Eagle Nice	2,295.3	8.1	-	1.3	0.6	4,051.1	18.7	16.6
	<i>Average</i>	<i>32,055.1</i>	<i>12.9</i>	<i>-</i>	<i>1.4</i>	<i>1.3</i>	<i>18,635.5</i>	<i>19.8</i>	<i>14.5</i>
01982.HK	Nameson	1,390.4	7.3	-	0.6	0.3	4,602.3	16.2	7.5

Source: Bloomberg, West Bull Securities

Risk factors

- Losing market shares in primary customers' orders
- Shrinking market size for knitwear products
- Unable to find new growth drivers
- Unable to maintain a market-expected dividend payout ratio
- Appreciation of RMB against USD

Financial Statement

PnL					Balance Sheet				
(HKD, mn)	2019/20 (A)	2020/21 (A)	2021/22 (A)	2022/23 (A)	(HKD, mn)	2019/20 (A)	2020/21 (A)	2021/22 (A)	2022/23 (A)
Revenue	4,480.7	3,848.6	4,040.5	4,602.3	PPE	1,515.7	1,770.8	2,131.1	1,780.4
<i>YoY growth</i>	<i>2.8%</i>	<i>-14.1%</i>	<i>5.0%</i>	<i>13.9%</i>	Others	1,269.2	1,098.5	640.0	601.8
COGS	(3,790.6)	(3,147.1)	(3,334.4)	(3,856.8)	Non-current assets	2,784.9	2,869.4	2,771.2	2,382.3
Gross profit	690.1	701.4	706.1	745.5	Inventories	806.5	721.6	1,161.2	1,032.0
Other income	43.7	48.1	19.5	125.4	Trade receivables	164.0	143.9	146.2	132.7
Operating expenses	(497.5)	(381.9)	(386.2)	(629.2)	Cash & cash equivalents	713.1	793.2	610.7	717.0
Operating profit	236.4	367.6	339.4	241.7	Others	357.9	127.6	124.9	165.1
Finance expenses, net	(62.8)	(33.0)	(21.2)	(33.0)	Current assets	2,041.4	1,786.2	2,043.1	2,046.8
JV & Ass.	0.8	0.1	0.8	0.7	Total assets	4,826.4	4,655.6	4,814.3	4,429.1
Profit before tax	174.4	334.7	319.0	209.4	LT borrowings	1,136.1	343.0	935.6	530.9
Tax	(22.8)	(36.3)	(43.4)	(51.1)	Others	291.9	115.5	54.1	88.1
Net profit	151.5	298.4	275.6	158.3	Non-current liabilities	1,428.0	458.5	989.7	619.0
<i>YoY growth</i>	<i>-150.4%</i>	<i>96.9%</i>	<i>-7.6%</i>	<i>-42.6%</i>	Trade payables	390.4	314.4	415.9	363.4
					ST borrowings	371.6	881.3	254.5	405.8
					Others	539.7	585.3	551.2	563.2
					Current liabilities	1,301.7	1,781.0	1,221.6	1,332.4
					Total liabilities	2,729.8	2,239.5	2,211.4	1,951.4
					Non-controlling interests	122.7	174.9	194.5	202.6
					Controlling interests	1,974.0	2,241.2	2,408.4	2,275.1
					Total equities	2,096.6	2,416.1	2,602.9	2,477.7

Cash Flow					Financial Ratio				
(HKD, mn)	2019/20 (A)	2020/21 (A)	2021/22 (A)	2022/23 (A)		2019/20 (A)	2020/21 (A)	2021/22 (A)	2022/23 (A)
Profit before tax	174.4	334.7	319.0	209.4	Gross margin	15.4%	18.2%	17.5%	16.2%
Finance expenses	68.6	35.9	23.9	43.2	Operating margin	5.3%	9.6%	8.4%	5.3%
Finance income	(5.7)	(2.9)	(2.7)	(10.1)	Net profit margin	3.4%	7.8%	6.8%	3.4%
D&A	150.8	126.4	146.4	196.9	Adj. EBITDA profit margin	10.5%	12.6%	12.0%	13.4%
Others	87.6	92.9	35.3	140.6	Return on Equity	7.3%	13.2%	11.0%	6.2%
Change in working capital	400.7	262.4	(277.9)	13.3	Return on Asset	3.2%	6.3%	5.8%	3.4%
CFO	876.3	849.3	244.0	593.2	Current ratio	156.8%	100.3%	167.2%	153.6%
					Quick ratio	94.9%	59.8%	72.2%	76.2%
CAPEX	(307.4)	(273.1)	(97.3)	(10.1)	Cash ratio	54.8%	44.5%	50.0%	53.8%
Others	(1.1)	2.9	6.9	10.1	Debt-to-Equity ratio	71.9%	50.7%	45.7%	37.8%
CFI	(308.5)	(270.3)	(90.4)	0.0	Net Debt-to-Equity ratio	37.9%	17.8%	22.3%	8.9%
					Inventory turnover days	92.3	88.6	103.1	103.8
Shares issuance	-	-	-	-	Receivable turnover days	12.5	14.7	13.1	11.1
Net borrowings	(2.8)	(283.4)	(34.2)	(253.4)	Payable turnover days	33.8	40.9	40.0	36.9
Interest expenses	-	-	-	-					
Dividend paid	(98.0)	(86.6)	(123.1)	(150.4)					
Others	(164.2)	(139.1)	(180.4)	(80.0)					
CFF	(265.0)	(509.2)	(337.7)	(483.8)					
FCFE	566.1	292.8	112.5	329.8					
FCFF	626.6	608.1	167.2	614.6					

Source: Company data, West Bull Securities

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