WESTBULL SECURITIES | RESEARCH

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Nameson | 01982.HK

Business development remains stable

STOCK RATING	TARGET PRICE
NR	HK$ -

COMPANY NOTE

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Expansion of cashmere yarn business: Nameson (01982.HK) entered into a JV agreement with its largest cashmere supplier, Hebei Yuteng, to engage in the manufacturing of cashmere yarn in Vietnam, the total production capacity per annum is designed to be 500 - 550 tonnes. Given the >80% utilization rate of cashmere yarn in Hebei, an increase in production capacity in Vietnam supports the potential demand from internal consumption and external customers, especially the manufacturers located in S.E. Asia who produce cashmere apparel. About USD 8mn CAPEX will be incurred in the new factory, and full production of Phase 1 (~300 tonnes) is expected to carry out in 2026.

An increase in sales volume may offset by the decrease in ASP: Regarding the knitwear products, thanks to a warmer winter in the past year, the major customer, Uniqlo, mentioned in the Interim Report, was unable "to compile a suitable product lineup for the warm winter weather or convey sufficient product-related information", bringing additional orders to Nameson (01982.HK). However, the ASP may further decrease due to i) the decline in the price of raw materials like yarn, and ii) the expiry of long-term agreements for wholegarment. We maintain our view that an increase in sales volume will offset the decrease in ASP, bringing a flattish growth for 2023/24 FY but resilient growth in 2023/24 2H. Besides, although the financial guidance announced by the customers was cautious, the order visibility and the order book of the Group remain steady when compared to last year, the coming additional orders may be one of the key factors affecting the FY performance of the Group.

Improving fabric business, but far beyond break-even: It is glad to hear that the demand for fabric ameliorated because of the lower inventory level of the customers. However, it is still an initial stage for the Group to explore the fabric business, and the utilization rate remains too low to achieve break-even. Given a steady market demand for fabric, we believe that the Group need about 1 – 2 years to achieve economies of scale and hence break-even.

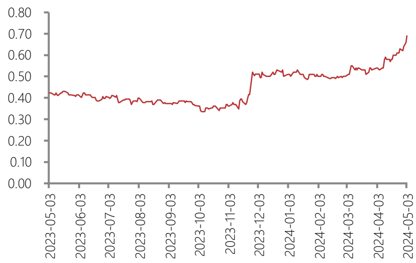
Stagnated progress in Myanmar: Although trial production was successful, the development progress in Myanmar remains stagnant due to political issues. Customers displayed reluctance to procure from Myanmar, and we cannot see any change in the attitude of the customers. Potential impairment and depreciation expenses may further drag the financial performance of the Group, and, more importantly, it remains uncertain for the factory in Myanmar to resume production.

Nameson (01982.HK)

Stock Rating	NR
Target Price	HK$ -
Current Price	HK$ 0.69
52-Week Range	HK$ 0.280 – 0.690
Market cap. (HKD, bn)	HK$ 1.6

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
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	27.8%	38.0%	91.3%	63.3%
Relative to HSI	18.9%	20.8%	88.2%	70.9%



Peers comparison

		Mkt. Cap. (HKD, mn)	P/E (x)	Fw. P/E (x)	P/B (x)	P/S (x)	Revenue (HKD, mn)	GM (%)	ROE (%)
00420.HK	Fountain Set	698.3	12.4	-	0.2	0.1	4,440.2	7.3	1.6
02232.HK	Crystal Intl	11,439.8	9.2	7.9	1.0	0.7	17,046.0	19.2	11.5
02313.HK	Shenzhou Intl	124,767.5	23.9	18.8	3.3	4.4	27,605.2	24.3	14.3
02368.HK	Eagle Nice	2,508.9	9.1	-	1.5	0.6	4,051.1	18.7	16.6
	Average	*34,853.6*	*13.7*	*13.4*	*1.5*	*1.5*	*13,285.6*	*17.4*	*11.0*
01982.HK	Nameson	1,572.8	7.6	-	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

(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
YoY growth	*2.8%*	*-14.1%*	*5.0%*	*13.9%*
COGS	(3,790.6)	(3,147.1)	(3,334.4)	(3,856.8)
Gross profit	690.1	701.4	706.1	745.5
Other income	43.7	48.1	19.5	125.4
Operating expenses	(497.5)	(381.9)	(386.2)	(629.2)
Operating profit	236.4	367.6	339.4	241.7
Finance expenses, net	(62.8)	(33.0)	(21.2)	(33.0)
JV & Ass.	0.8	0.1	0.8	0.7
Profit before tax	174.4	334.7	319.0	209.4
Tax	(22.8)	(36.3)	(43.4)	(51.1)
Net profit	151.5	298.4	275.6	158.3
YoY growth	*-150.4%*	*96.9%*	*-7.6%*	*-42.6%*

Balance Sheet

(HKD, mn)	2019/20 (A)	2020/21 (A)	2021/22 (A)	2022/23 (A)
PPE	1,515.7	1,770.8	2,131.1	1,780.4
Others	1,269.2	1,098.5	640.0	601.8
Non-current assets	2,784.9	2,869.4	2,771.2	2,382.3
Inventories	806.5	721.6	1,161.2	1,032.0
Trade receivables	164.0	143.9	146.2	132.7
Cash & cash equivalents	713.1	793.2	610.7	717.0
Others	357.9	127.6	124.9	165.1
Current assets	2,041.4	1,786.2	2,043.1	2,046.8
Total assets	4,826.4	4,655.6	4,814.3	4,429.1
LT borrowings	1,136.1	343.0	935.6	530.9
Others	291.9	115.5	54.1	88.1
Non-current liabilities	1,428.0	458.5	989.7	619.0
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 (HKD, mn)	2019/20 (A)	2020/21 (A)	2021/22 (A)	2022/23 (A)
Profit before tax	174.4	334.7	319.0	209.4
Finance expenses	68.6	35.9	23.9	43.2
Finance income	(5.7)	(2.9)	(2.7)	(10.1)
D&A	150.8	126.4	146.4	196.9
Others	87.6	92.9	35.3	140.6
Change in working capital	400.7	262.4	(277.9)	13.3
CFO	876.3	849.3	244.0	593.2
CAPEX	(307.4)	(273.1)	(97.3)	(10.1)
Others	(1.1)	2.9	6.9	10.1
CFI	(308.5)	(270.3)	(90.4)	0.0
Shares issuance	-	-	-	-
Net borrowings	(2.8)	(283.4)	(34.2)	(253.4)
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

Financial Ratio	2019/20 (A)	2020/21 (A)	2021/22 (A)	2022/23 (A)
Gross margin	15.4%	18.2%	17.5%	16.2%
Operating margin	5.3%	9.6%	8.4%	5.3%
Net profit margin	3.4%	7.8%	6.8%	3.4%
Adj. EBITDA profit margin	10.5%	12.6%	12.0%	13.4%
Return on Equity	7.3%	13.2%	11.0%	6.2%
Return on Asset	3.2%	6.3%	5.8%	3.4%
Current ratio	156.8%	100.3%	167.2%	153.6%
Quick ratio	94.9%	59.8%	72.2%	76.2%
Cash ratio	54.8%	44.5%	50.0%	53.8%
Debt-to-Equity ratio	71.9%	50.7%	45.7%	37.8%
Net Debt-to-Equity ratio	37.9%	17.8%	22.3%	8.9%
Inventory turnover days	92.3	88.6	103.1	103.8
Receivable turnover days	12.5	14.7	13.1	11.1
Payable turnover days	33.8	40.9	40.0	36.9

Source: Company data, West Bull Securities

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