

Nameson Holdings | 1982.HK

Undemanding yield play in textiles universe

Fundamentals

⚡ **Expects better 2HFY24 on client's fast order ; Net gearing ratio further declined**

■ We have arranged an individual investor meeting with Nameson in mid-Apr to discuss company's recent operation. Nameson's sales and adjusted net profit (excl. HK\$109mn impairment loss on Myanmar production base in 1HFY23) was down 12%/16% Yoy to HK\$2,726mn/HK\$ 289mn respectively. Blended GM was up 1.6ppts Yoy to 18.3%, the highest since 2HFY22, thanks to lower raw material price and improved operating efficiency in Vietnam plant.

■ The sales drop in 1HFY24 was mainly driven by ASP (-12.9% Yoy, in HKD terms) in knitwear as a result of higher sales volume of normal knitwear and whole garment with lower ASP, while mutually agreed price adjustment for whole garment products caused a drag on ASP. Nevertheless, we noticed that normal knitwear ASP managed to grow 10.6% HoH (based on our calculation) in 1HFY24, we believe Nameson sacrifice lower ASP orders. Sales volume remains resilient at ~19mn pieces (+1.7% Yoy). Management expects FY24E sales volume would grow at mid-single digit Yoy (vs. previous guidance at mid-single digit drop), the upward revision was mainly driven by Japanese client fast order in 2HFY24.

■ Nameson's financial condition further improved, with net gearing ratio further declined to ~3.0% in 1HFY24 (vs. 13.0% in FY23). Therefore, the company raised its payout ratio to 75% in 1HFY24 and we expect FY24E payout ratio would be well-above management guidance at >35%.

⚡ **Restocking demand and new client's order ramp up to drive 2HFY24 revenue**

■ Nameson's largest customer (Uniqlo) took up ~48% of 1HFY24 revenue. As apparel retailers began to re-stock, together with newly added international sportswear client's order gradually ramp up, we expect sales in all regions would pick up in 2HFY24. Based on our current sales forecast, Nameson 2HFY24 sales growth would grow >20% Yoy.

⚡ **Continue capacity expansion in Vietnam to shorten production lead time and fulfill clients' demand**

■ Nameson manufactured 35% of total sweaters in China in 1HFY24, while the remaining was manufactured in Vietnam. Nameson would further expanded knitwear capacity in Central Vietnam and expects would account for ~two-third of the company's total knitwear capacity.

■ Going forward, Nameson targets to expand capacity in both fabric and cashmere yarn business Vietnam to enhance raw material supply chain and shorten production lead time of cashmere knitwear products. Nameson currently has 13 cashmere yarn production lines (~900tons annual designed capacity) in Hebei to satisfy internal use and external customers. Nameson produced ~450 tons in 1HFY24 (~50% utilization rate) and their own branded cashmere yarn – M.oro is gaining reputation with customers and revenue came in at HK330mn in 1HFY24 (12% of revenue).

Catalysts

- ⚡ **FY24E results (Due in end- Jun) and management guidance**
- ⚡ **Further increase in investors' awareness in textiles supply chain**
- ⚡ **Diversifying clientele**

Trading Buy

Trading Sell

Current Price: HK\$0.72

Target price: HK\$0.87

Upside: 21.1%

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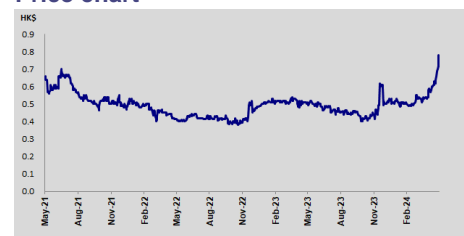
Trading data

52-Week Range (HK\$)	0.73/0.375
3 Mth Avg Daily Vol (m)	0.82
No. of Shares (m)	2,279.4
Market Cap (HK\$m)	1,641.6
Major Shareholders (%)	Wong Ting Chung & Family (74.58%)
Auditors	PWC
Result Due	FY24E: Jun 2024

Company description

Established in 1990 and listed in HKEx in April 2016, Nameson is one of the leading knitwear manufacturers in the PRC. Nameson offers one-stop services including raw material development and procurement, product design, sample manufacturing, high-quality production, quality control and timely delivery of products to their clients. Nameson has been supplying quality knitwear products to internationally renowned apparel brands such as UNIQLO (50% of FY23 sales), Tommy Hilfiger, Under Armour and Lululemon.

Price chart



* Note:

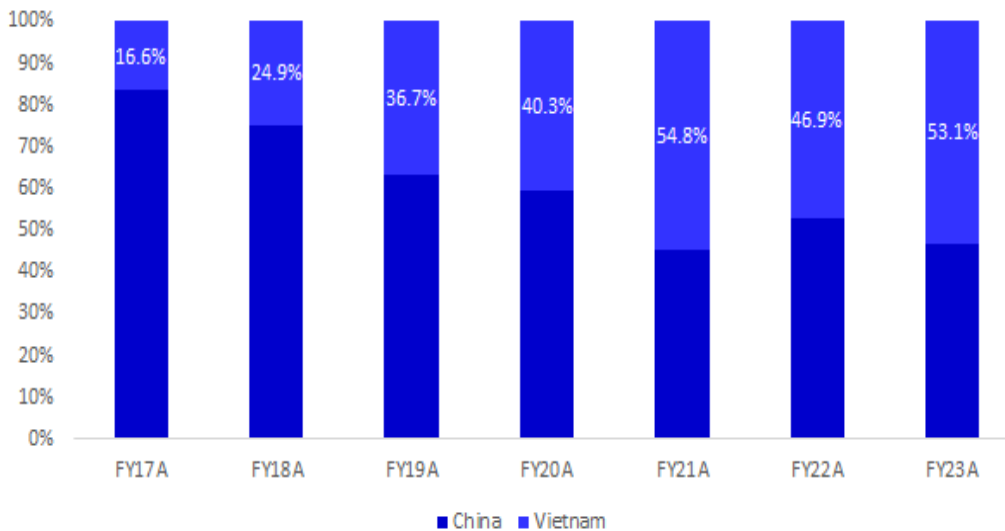
FLASH NOTE represents short-term trading ideas by Cinda International Research which are distinguished from our normal coverage. The recommended stocks may not be continually followed.

Valuation

⚡ **Attractive yield play with undemanding valuation, improving industry fundamentals and market sentiment favours re-rating**

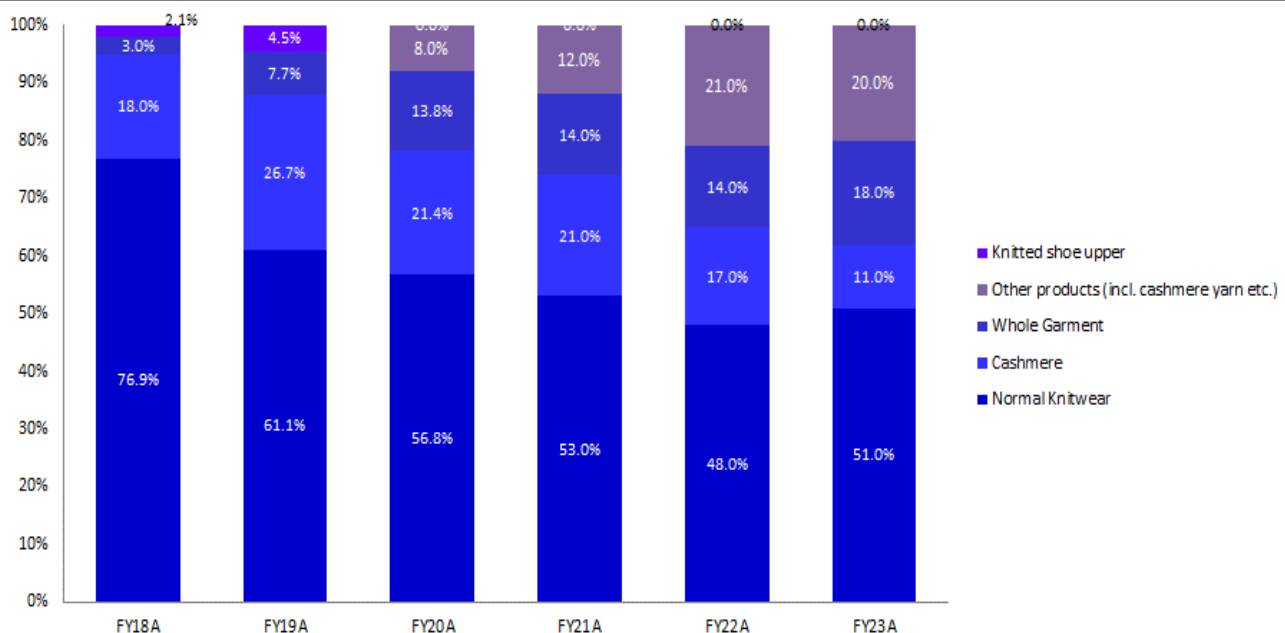
- **Since we issued a quick update in our daily commentary on Apr 11 ([Report Link](#)), share price rose 24% (as of May 7 market close)** and we have received interest from investors. Based on our back of envelope calculation, we expect Nameson's FY24E (end-Mar 24) core net profit to arrive at HK\$350mn, led by volume growth while GPM expansion on lower production cost. Nameson's is trading at FY24E 4.7x PE valuation (~54% discount to HK listed textile peers' FY23-FY24E average), and with >10% dividend yield (assume 50% payout in FY24E), current valuation looks attractive and deserve a re-rating. We arrive Nameson's TP at HK\$0.87 based on 5.7x FY24E PE (45% discount to peers' FY24E-25E avg)

Exhibit 1: Increasing Vietnam knitwear production volume contribution

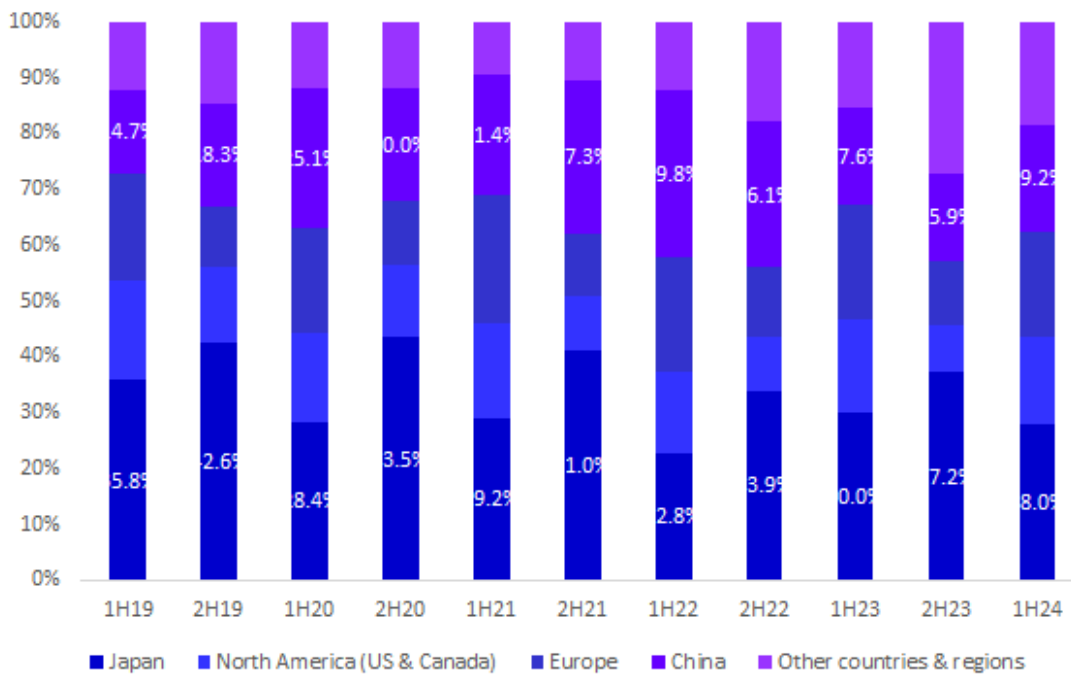


Source: Company data, CIRL

Exhibit 2: Nameson's GM and net margin expected to grow gradually on the grounds of Vitenam plant ramp up



Source: Company data, CIRL

Exhibit 3: Japan, Europe and China took up >60% of Nameson's sales in 1HFY24


Source: Company data

Exhibit 4: Nameson's current client portfolio includes renowned fast fashion brands and sportswear brand

Key Customers



TOMMY HILFIGER

RALPH LAUREN



Theory



Marc O'Polo
EST. IN STOCKHOLM

Calvin Klein

Source: Company data

Exhibit 5: Financial statement

Income statement						Cash flow					
Year to Mar (HK\$ Mn)	FY19A	FY20A	FY21A	FY22A	FY23A	Year to Mar (HK\$ Mn)	FY19A	FY20A	FY21A	FY22A	FY23A
Revenue	4,359	4,481	3,849	4,040	4,602	Pre-tax profit	(275)	174	335	319	209
Gross profit (reported)	672	690	701	706	746	Taxes paid	(24)	(16)	14	(27)	(16)
EBITDA	479	436	492	486	682	Depreciation & amortization	187	141	126	146	197
Depreciation	187	141	126	146	197	Associates & Others	595	258	129	133	254
EBIT	292	295	366	339	485	CFO bef. WC change	484	558	604	572	644
Net interest income (exp.)	(45)	(63)	(33)	(21)	(33)	Change in working cap	(420)	401	228	(275)	19
Associates	(0)	1	0	1	1	Cashflow from operation	64	958	832	297	663
Exceptionals/others	(522)	(59)	0	0	(243)	CAPEX	(323)	(308)	(279)	(150)	(76)
Profit before tax	(275)	174	333	319	209	Free cash flow	(259)	651	554	147	587
Tax expenses	(25)	(23)	(36)	(43)	(24)	Dividends	82	98	87	96	130
Minority interest	(2)	(6)	(15)	12	23	Balance sheet adj.	(310)	(27)	(277)	(391)	(357)
Profit for the year	(300)	152	297	276	186	Shares issued	0	0	0	0	0
Adjusted Net profit	227	245	305	261	379	Others	0	0	0	0	0
Dividends	82	98	87	96	130	Net cash flow	(487)	721	363	(148)	360
Adjusted EPS (HK\$)	0.100	0.107	0.134	0.115	0.166	Net cash (debt) start	(1,029)	(1,516)	(795)	(431)	(579)
						Net cash (debt) at year-end	-1,516	-795	-431	-579	-220

Balance sheet						Ratios					
Year to Mar (HK\$ Mn)	FY19A	FY20A	FY21A	FY22A	FY23A	Year to Mar (HK\$ Mn)	FY19A	FY20A	FY21A	FY22A	FY23A
Cash & equiv	415	713	793	611	717	Growth rate (%)					
Trade receivables	141	164	144	146	133	Revenue	26.5%	2.8%	-14.1%	5.0%	13.9%
Other receivables	404	340	125	125	165	EBITDA	-14.4%	-8.9%	12.8%	-1.3%	40.4%
Inventories	1,111	806	722	1,161	1,032	EBIT	-26.3%	1.3%	23.8%	-7.2%	42.9%
Other current assets	12	18	3	0	0	Adjusted Net profit	-30.4%	7.6%	24.9%	-14.5%	45.3%
Fixed assets	2,088	1,516	1,771	2,131	1,780	Fully diluted core EPS	-34.1%	7.6%	24.9%	-14.5%	45.3%
Land use rights / RoU assets	109	997	830	385	334	Margins (%)					
Investment, associates etc	343	272	268	255	267	Gross margin (reported)	15.4%	15.4%	18.2%	17.5%	16.2%
Total assets	4,623	4,826	4,656	4,814	4,429	EBITDA margin	11.0%	9.7%	12.8%	12.0%	14.8%
Account payables	313	390	314	416	363	EBIT margin	6.7%	6.6%	9.5%	8.4%	10.5%
Other payables	163	159	184	240	225	Net margin	5.2%	5.5%	7.9%	6.5%	8.2%
Short-term debt	1,006	372	881	254	406	Other ratios					
Other current liabs	158	381	402	311	339	ROE (%)	10.1%	11.8%	13.5%	10.4%	14.9%
Long-term debts	925	1,136	343	936	531	ROA (%)	4.7%	5.2%	6.4%	5.5%	8.2%
Deferred tax and others	11	3	3	6	6	Net gearing (%)	74.0%	37.9%	17.8%	22.3%	8.9%
Other long-term liabs	0	289	113	48	82	Interest coverage (x)	-6.5	-4.7	-11.1	-16.0	-14.7
Total liabilities	2,576	2,730	2,239	2,211	1,951	Receivables days	12.2	12.4	14.6	13.1	11.1
Share capital	23	23	23	23	23	Payables days	31.0	37.6	36.5	45.5	34.4
Reserves	1,921	1,951	2,218	2,386	2,252	Inventory days	110.0	77.7	83.7	127.1	97.7
Shareholders' equity	1,944	1,974	2,241	2,408	2,275	Effective tax rate (%)	-10.3%	-9.8%	-10.9%	-13.6%	-11.3%
Minorities	103	123	175	194	203						
Total equity	2,047	2,097	2,416	2,603	2,478						
Net cash (debt)	(1,516)	(795)	(431)	(579)	(220)						

Source: Company data, CIRL

Exhibit 6: Peers comparison

	bloomberg code	Year End	Mkt Cap (HKD mn)	Price (HKD)	Share Price Movement (%)			PER (x)					P/B (x)					Yield (%)				
					1M	3M	YTD	FY22	FY23	FY24E	FY25E	FY26E	FY22	FY23	FY24E	FY25E	FY26E	FY22	FY23	FY24E	FY25E	FY26E
HK listed peers																						
SHENZHOU INTERNATIONAL GROUP	2313 HK	12/2023	125,369	83.40	16.6	29.3	3.7	23.6	24.9	20.8	17.7	15.6	3.6	3.5	3.3	3.0	2.7	2.3%	2.7%	2.9%	3.5%	4.0%
YUE YUEN INDUSTRIAL HLDG	551 HK	12/2023	22,957	14.24	20.9	81.4	64.8	9.9	10.7	8.9	7.9	7.0	0.7	0.7	0.7	0.6	0.6	7.7%	6.3%	7.2%	7.8%	8.2%
STELLA INTERNATIONAL	1836 HK	12/2023	12,043	14.88	12.4	49.5	61.6	12.8	10.7	9.2	8.3	7.5	1.5	1.4	1.4	1.3	1.2	5.8%	5.8%	7.5%	17.1%	20.9%
CRYSTAL INTERNATIONAL GROUP	2232 HK	12/2023	11,754	4.12	30.4	42.1	42.1	8.7	9.2	8.0	7.0	6.1	1.1	1.0	1.0	0.9	0.8	4.1%	4.4%	5.2%	6.6%	7.7%
TEXHONG INTERNATIONAL GROUP	2678 HK	12/2023	4,168	4.54	11.5	20.4	3.7	22.9	-10.0	5.7	4.2	3.2	0.4	0.4	0.4	0.3	0.3	21.4%	0.0%	5.6%	7.6%	9.7%
REGINA MIRACLE INTERNATIONAL	2199 HK	03/2023	3,257	2.66	30.4	35.7	23.7	6.3	8.5	10.6	8.2	6.3	0.9	0.9	0.9	0.9	0.8	5.3%	3.9%	2.8%	3.6%	4.5%
EAGLE NICE (INTL) HLDGS LTD	2368 HK	03/2023	2,525	4.73	0.6	4.2	11.8	9.2	8.6	-	-	-	1.5	1.5	-	-	-	7.6%	11.0%	0.0%	0.0%	0.0%
BEST PACIFIC INTERNATIONAL H	2111 HK	12/2023	2,412	2.32	50.6	110.9	109.0	8.1	7.0	5.1	4.2	3.6	0.8	0.8	0.7	0.6	0.6	5.0%	5.4%	9.7%	11.9%	15.9%
PACIFIC TEXTILES HOLDINGS	1382 HK	03/2023	2,182	1.56	12.2	23.8	15.6	3.8	8.2	8.7	7.4	6.4	0.6	0.7	0.7	0.7	0.7	22.4%	12.2%	10.9%	11.9%	13.1%
TEXWINCA HOLDINGS LTD	321 HK	03/2023	1,133	0.82	3.8	(4.7)	(14.6)	5.9	15.2	-	-	-	0.2	0.2	-	-	-	22.0%	24.4%	0.0%	0.0%	0.0%
KINGMAKER FOOTWEAR HLDGS LTD	1170 HK	03/2023	585	0.86	10.3	13.2	17.0	-32.0	10.9	-	-	-	0.5	0.5	-	-	-	0.0%	4.4%	0.0%	0.0%	0.0%
BONNY INTERNATIONAL HOLDING	1906 HK	12/2023	486	0.41	0.0	8.0	8.0	-5.9	-9.6	-	-	-	1.5	1.4	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
COSMO LADY CHINA HOLDINGS CO	2298 HK	12/2023	477	0.21	(13.5)	(3.6)	(11.3)	12.1	9.9	7.3	5.3	6.2	0.2	0.2	0.2	0.2	0.2	0.0%	0.0%	0.0%	0.0%	0.0%
CHINA WEAVING MATERIALS HOLD	3778 HK	12/2023	313	0.25	(7.4)	(16.7)	(19.4)	-21.5	-10.7	-	-	-	0.4	0.4	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
WIN HANVERKY HOLDINGS LTD	3322 HK	12/2023	184	0.14	4.4	9.2	10.0	17.9	-0.5	-	-	-	0.1	0.1	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
SPEEDY GLOBAL HOLDINGS LTD	540 HK	12/2023	32	0.05	22.7	8.0	(10.0)	-0.9	-6.5	-	-	-	0.4	0.5	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Average			11,867		12.9	25.7	19.7	11.8	11.2	9.4	7.8	6.9	0.9	0.9	1.0	1.0	0.9	10.4%	8.0%	6.5%	8.7%	10.5%
NAMESON HOLDINGS LTD	1982 HK	03/2023	1,755	0.77	42.6	54.0	54.0	6.3	4.3	4.7	4.5	4.3	0.6	0.7	0.7	0.7	0.6	5.8%	7.9%	10.7%	11.0%	11.6%

Source: Bloomberg, CIRL (Market data as of May 8 afternoon)

Rating Policy

	Rating	Definition
Stock Rating	Buy	Outperform HSI by 15%
	Neutral	Between -15% ~ 15% of the HSI
	Sell	Underperform HSI by -15%
Sector Rating	Accumulate	Outperform HSI by 10%
	Neutral	Between -10% ~ 10% of the HSI
	Reduce	Underperform HSI by -10%

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Analyst Certification

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