

2 Dec, 2024

Nameson | 01982.HK

Improving operating efficiency

STOCK RATING

NR

TARGET PRICE

HK\$ -

Nameson (01982.HK) delivered a 2.2% YoY increase in revenue in FY 2024/25 1H, and the Group also achieved a 19.9% gross margin in the same period, resulting in a HKD 312.8mn net profit. Moreover, the Group also announced a dividend of HKD 0.098/share.

Slight retreat in the knitwear products: The decrease in the sales volume of the knitwear products offset a slight rebound in the ASP, leading to a 5.0% YoY decline in the revenue contributed by the knitwear products. An increase in the ASP resulted from the change in product mix, and an increment in the sales volume of cashmere products brought the Group a favourable ASP. However, resulting from a decrease in fast orders and a longer summer in Japan, there was a drop in the sales volume of traditional knitwear products and the wholegarment sweaters. The Group further provided conservative guidance that the sales volume may drop slightly for FY 2024/25, and the fast orders will revert to normal this year. Despite a drop in the orders from the primary customer due to the one-off weather issue, the Group gained two more customers in the EU and Canada respectively, the latter has the potential to provide the Group with a sound contribution like the US customer.

An outstanding performance was delivered in the cashmere yarn business: The Group reported a 26.8% YoY growth in the cashmere yarn business to HKD 418.5mn, both internal and external demand was solid, and the production volume also grew to 550 tons. The factory operates at full capacity, and excess demand will be satisfied by external supply.

Uncertainties about the fabrics business: The contribution from the sales of fabrics robustly in 2024/25 1H. We still have concerns about the absorption of additional production capacity of fabrics released next year. Fortunately, further investment in the production capacity is limited, and the equipment suppliers also provided a credit period, reducing the pressure on the cash flow. More importantly, the Group has no intention to reduce the payout ratio caused by potential cash flow issues.

Improving operating efficiency: We see a gradual improvement potential in the profit margin due to i) improving operating efficiency of the existing factories in Vietnam, ii) the rental income generated from the factory in China and iii) ameliorating fabric business. However, a short-term headwind will be brought by the new factories for knitwear and fabric products in Vietnam, more time is required for the factories to pick up.

COMPANY NOTE

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Nameson (01982.HK)

Stock Rating NR
Target Price HK\$ -

 Current Price HK\$ 0.900

 52-Week Range HK\$ 0.445 – 0.960

 Market cap. (HKD, bn) HK\$ 2.1

| HKD, mn | 2020/ | 2021/ | 2022/ | 2023/ |
|--------------|---------|---------|---------|---------|
| | 21 (A) | 22 (A) | 23 (A) | 24 (A) |
| Revenue | 3,848.6 | 4,040.5 | 4,602.3 | 4,378.9 |
| Gross Profit | 701.4 | 706.1 | 745.5 | 774.2 |
| Gross Margin | 18.2% | 17.5% | 16.2% | 17.7% |
| Net Profit | 298.4 | 275.6 | 158.3 | 380.7 |
| ROE | 13.2% | 11.0% | 6.2% | 15.0% |

Performance 1 mth 3 mth 6 mth 1 year

 Absolute -14.8% 1.5% -3.7% 43.5%

 Relative to HSI -8.6% -7.7% -8.8% 29.2%


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 | 771.8 | 6.3 | - | 0.2 | 0.2 | 4,440.2 | 7.3 | 3.9 |
| 02232.HK | Crystal Intl | 12,067.4 | 8.9 | - | 1.1 | 0.7 | 17,046.0 | 19.2 | 12.3 |
| 02313.HK | Shenzhou Intl | 89,441.7 | 15.5 | 13.4 | 2.4 | 3.2 | 27,605.2 | 24.3 | 16.2 |
| 02368.HK | Eagle Nice | 2,210.6 | 9.7 | - | 1.1 | 0.5 | 4,074.7 | 18.4 | 12.0 |
| | <i>Average</i> | <i>26,122.9</i> | <i>10.1</i> | <i>13.4</i> | <i>1.2</i> | <i>1.1</i> | <i>13,291.5</i> | <i>17.3</i> | <i>11.1</i> |
| 01982.HK | Nameson | 2,051.5 | 5.5 | - | 0.8 | 0.5 | 4,378.9 | 17.7 | 14.7 |

Source: Bloomberg, West Bull Securities

Risk factors

- Unsatisfied progress in the negotiation about next year's orders
- A weak fabrics market results in a low utilization rate and more loss will be incurred in this business
- An increase in the US tariff
- New production capacity cannot be absorbed by the demand

Financial Statement

| PnL (HKD, mn) | | | | | Balance Sheet | | | | |
|--------------------------|----------------|----------------|----------------|----------------|--------------------------------|----------------|----------------|----------------|----------------|
| | 2020/21 (A) | 2021/22 (A) | 2022/23 (A) | 2023/24 (A) | (HKD, mn) | 2020/21 (A) | 2021/22 (A) | 2022/23 (A) | 2023/24 (A) |
| Revenue | 3,848.6 | 4,040.5 | 4,602.3 | 4,378.9 | PPE | 1,770.8 | 2,131.1 | 1,780.4 | 1,785.1 |
| <i>YoY growth</i> | -14.1% | 5.0% | 13.9% | -4.9% | Others | 1,098.5 | 640.0 | 601.8 | 614.1 |
| COGS | (3,147.1) | (3,334.4) | (3,856.8) | (3,604.6) | Non-current assets | 2,869.4 | 2,771.2 | 2,382.3 | 2,399.2 |
| Gross profit | 701.4 | 706.1 | 745.5 | 774.2 | Inventories | 721.6 | 1,161.2 | 1,032.0 | 910.6 |
| Other income | 48.1 | 19.5 | 125.4 | 91.5 | Trade receivables | 143.9 | 146.2 | 132.7 | 167.1 |
| Operating expenses | (381.9) | (386.2) | (629.2) | (398.2) | Cash & cash equivalents | 793.2 | 610.7 | 717.0 | 717.4 |
| Operating profit | 367.6 | 339.4 | 241.7 | 467.5 | Others | 127.6 | 124.9 | 165.1 | 253.8 |
| Finance expenses, net | (33.0) | (21.2) | (33.0) | (35.2) | Current assets | 1,786.2 | 2,043.1 | 2,046.8 | 2,048.9 |
| JV & Ass. | 0.1 | 0.8 | 0.7 | 1.6 | Total assets | 4,655.6 | 4,814.3 | 4,429.1 | 4,448.1 |
| Profit before tax | 334.7 | 319.0 | 209.4 | 433.9 | LT borrowings | 343.0 | 935.6 | 530.9 | 454.8 |
| Tax | (36.3) | (43.4) | (51.1) | (53.2) | Others | 115.5 | 54.1 | 88.1 | 133.3 |
| Net profit | 298.4 | 275.6 | 158.3 | 380.7 | Non-current liabilities | 458.5 | 989.7 | 619.0 | 588.1 |
| <i>YoY growth</i> | 96.9% | -7.6% | -42.6% | 140.5% | Trade payables | 314.4 | 415.9 | 363.4 | 335.5 |
| | | | | | ST borrowings | 881.3 | 254.5 | 405.8 | 353.1 |
| | | | | | Others | 585.3 | 551.2 | 563.2 | 572.5 |
| | | | | | Current liabilities | 1,781.0 | 1,221.6 | 1,332.4 | 1,261.1 |
| | | | | | Total liabilities | 2,239.5 | 2,211.4 | 1,951.4 | 1,849.1 |
| | | | | | Non-controlling interests | 174.9 | 194.5 | 202.6 | 215.9 |
| | | | | | Controlling interests | 2,241.2 | 2,408.4 | 2,275.1 | 2,383.1 |
| | | | | | Total equities | 2,416.1 | 2,602.9 | 2,477.7 | 2,599.0 |

| Cash Flow | | | | | Financial Ratio | | | | |
|---------------------------|----------------|----------------|----------------|----------------|---------------------------|-------------|-------------|-------------|-------------|
| (HKD, mn) | 2020/21 (A) | 2021/22 (A) | 2022/23 (A) | 2023/24 (E) | | 2020/21 (A) | 2021/22 (A) | 2022/23 (A) | 2023/24 (A) |
| Profit before tax | 334.7 | 319.0 | 209.4 | 433.9 | Gross margin | 18.2% | 17.5% | 16.2% | 17.7% |
| Finance expenses | 35.9 | 23.9 | 43.2 | 64.8 | Operating margin | 9.6% | 8.4% | 5.3% | 10.7% |
| Finance income | (2.9) | (2.7) | (10.1) | (29.6) | Net profit margin | 7.8% | 6.8% | 3.4% | 8.7% |
| D&A | 126.4 | 146.4 | 196.9 | 193.5 | Adj. EBITDA profit margin | 12.6% | 12.0% | 13.4% | 14.0% |
| Others | 92.9 | 35.3 | 140.6 | (91.6) | Return on Equity | 13.2% | 11.0% | 6.2% | 15.0% |
| Change in working capital | 262.4 | (277.9) | 13.3 | 11.9 | Return on Asset | 6.3% | 5.8% | 3.4% | 8.6% |
| CFO | 849.3 | 244.0 | 593.2 | 582.9 | Current ratio | 100.3% | 167.2% | 153.6% | 162.5% |
| | | | | | Quick ratio | 59.8% | 72.2% | 76.2% | 90.3% |
| CAPEX | (273.1) | (97.3) | (10.1) | (174.7) | Cash ratio | 44.5% | 50.0% | 53.8% | 56.9% |
| Others | 2.9 | 6.9 | 10.1 | 29.6 | Debt-to-Equity ratio | 50.7% | 45.7% | 37.8% | 31.1% |
| CFI | (270.3) | (90.4) | 0.0 | (145.1) | Net Debt-to-Equity ratio | 17.8% | 22.3% | 8.9% | 3.5% |
| | | | | | Inventory turnover days | 88.6 | 103.1 | 103.8 | 98.3 |
| Shares issuance | - | - | - | - | Receivable turnover days | 14.7 | 13.1 | 11.1 | 12.5 |
| Net borrowings | (283.4) | (34.2) | (253.4) | (203.4) | Payable turnover days | 40.9 | 40.0 | 36.9 | 35.4 |
| Interest expenses | - | - | - | - | | | | | |
| Dividend paid | (86.6) | (123.1) | (150.4) | (230.2) | | | | | |
| Others | (139.1) | (180.4) | (80.0) | (2.3) | | | | | |
| CFF | (509.2) | (337.7) | (483.8) | (435.9) | | | | | |
| | | | | | | | | | |
| FCFE | 292.8 | 112.5 | 329.8 | 204.8 | | | | | |
| FCFF | 608.1 | 167.2 | 614.6 | 408.2 | | | | | |

Source: Company data, West Bull Securities

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