

Samsonite (1910 HK)

2Q rev/np +33%/49%; strength extending to 2H

Samsonite reported a beat in its 1H results with both gross margins and adjusted EBITDA margins kicking-in at 58.8% and 18.8% (vs CMBI estimates 57.0% and 17.2%), respectively. Major driving forces were 1) 116% stack growth in organic sales vs 2019, 2) higher TUMI contribution that boosts gross margins, and 3) a 3.2pp YoY lower fixed SG&A base as a result of ongoing cost initiative since 2019. In our view, Samsonite has successfully steered itself out of the pandemic doldrums and the strength we have seen in 1H will continue to extent into 2H of the year. Management is very optimistic about its future business, as a stepped-up advertising investment has started bearing fruit particularly in Asia, where the strong tourist traffic will likely grow in tandem with a higher TUMI brand penetration. China (+76%) remains a key region to focus, but other Asian countries like Korea (+67%) and India (+28%) are also delivering concrete numbers that deserve equal attention. No signs of abrupt slowdown in US and Europe. Operationally, the streamlined cost structure has fundamentally reengineered the business's profit profile and should continue to play-out. These should numerically transform into 115% stack revenue growth for the year, along with an approximately 59%/19% gross and adjusted EBITDA margins as in where Samsonite management is looking at. We remain buy-rated and see Samsonite on track to resume dividend payment by end-24E.

■ **Outlook.** International travel continued to recover and there is plenty of upside coming. Asia for July grew cFX 22% and North American blended 8% up (cFX ex Speck and ebag) and is heading to 10% for August. Of the latter, TUMI is likely to see another 30%+ growth in 3Q. Longer run, a 3-brand strategy shall sustain growth and hence the financial matrices: 1) TUMI remains Asia-focus and expands from business to travel scenarios, as well as launching campaigns to attract female consumers; 2) Samsonite targets entry-luxury buyers and sees tailwind in China's consumption polarization; 3) American Tourister is well managed in India. Our high frequency data tracks Samsonite/TUMI grew 32%/-2% y-y for July in China.

■ **Earnings change.** We largely maintain our 2023E revenue estimate but raise our GPM by 2.7pp given reasons above, along with a 1.6pp increase in our adjusted EBITDA margins to 18.5%. We raise our marketing spend by 0.4pp to 6.9% of revenue. Overall, we are ~10% higher than consensus.

■ **Valuation.** Our TP is DCF-based. In our model, we assume a WACC of 8.0%, risk-free rate of 3.5%, risk premium of 5.0%, beta of 1.5, and terminal growth of 2%. Our TP implies 16.2x end-23E P/E, and this compares to the stock's pre-pandemic multiple.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	2,021	2,880	4,020	4,380	4,663
YoY growth (%)	31.5	42.5	39.6	9.0	6.4
Net profit (US\$ mn)	14.3	312.7	368.2	423.1	476.6
YoY growth (%)	na	2,086.7	17.8	14.9	12.6
EPS (US\$)	0.01	0.22	0.26	0.29	0.33
Consensus EPS (US\$)	na	na	0.25	0.29	0.33
P/E (x)	195.6	10.4	13.2	11.5	10.2
P/B (x)	4.1	3.1	3.5	2.7	2.1
ROE (%)	2.2	36.3	30.3	26.3	23.1
Net gearing (%)	212.3	133.4	77.7	37.6	18.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$32.4
(Previous TP)	HK\$30.2)
Up/Downside	22.1%
Current Price	HK\$26.6

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Stock Data

Mkt Cap (HK\$ mn)	38,167.6
Avg 3 mths t/o (HK\$ mn)	101.5
52w High/Low (HK\$)	26.55/16.88
Total Issued Shares (mn)	1437.6

Source: FactSet

Shareholding Structure

Schroders PLC	6.0%
Bank of New York Mellon Cor	5.4%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	8.4%	14.8%
3-mth	19.6%	27.6%
6-mth	12.5%	28.2%

Source: FactSet

12-mth Price Performance

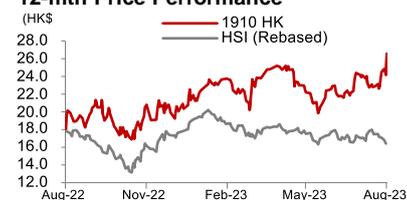


Figure 1: DCF assumptions

Present value calculation	
Net Present Value	3,560
+ Terminal Value	3,886
= Enterprise value	7,445
- Net debt	1,454
= Total Equity value	5,991
Number of shares (mn)	1,438
DCF value per share (HK\$)	32.4

WACC assumptions	
Debt %	59.0%
Equity %	41.0%
Tax rate	26.0%
Borrowing premium	4.5%
Post-tax cost of debt	5.9%

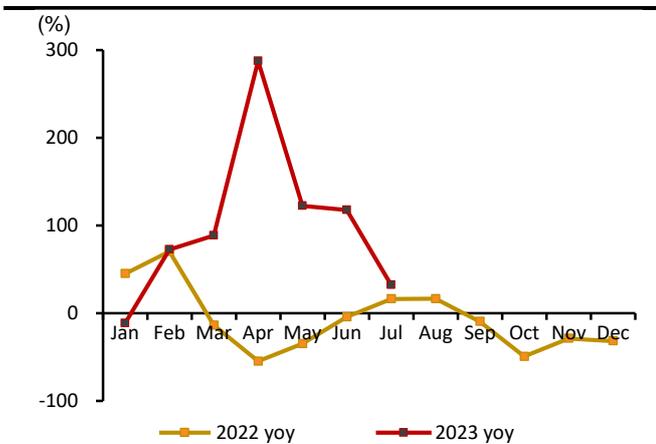
Risk free rate	3.5%
Risk Premium	5.0%
Beta	1.5
Cost of equity	11.0%

WACC	8.0%
Long-term growth	2.0%

1 USD =	7.78
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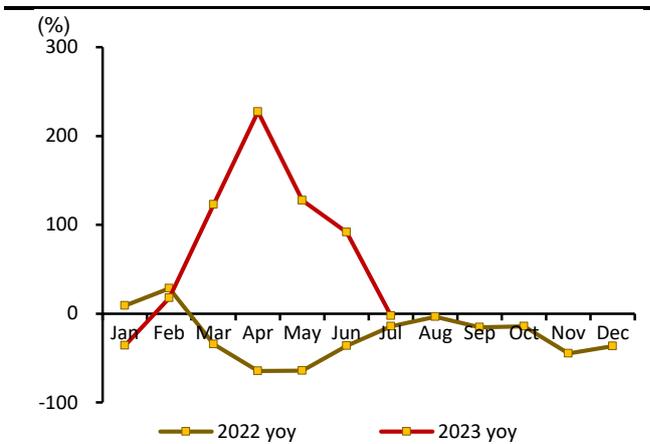
Source: CMBIGM estimates

Figure 2: Samsonite's monthly sales growth on Taobao & Tmall



Source: Moojing, CMBIGM

Figure 3: TUMI's monthly sales growth on Taobao & Tmall



Source: Moojing, CMBIGM

Figure 5: Earnings revision

USD mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	4,020	4,380	4,663	3,938	4,425	4,884	2.1%	-1.0%	-4.5%
Gross Profit	2,372	2,598	2,779	2,217	2,500	2,764	7.0%	3.9%	0.5%
Adj. EBITDA	746	853	940	667	795	864	11.8%	7.3%	8.8%
Net profit	368	423	477	323	380	432	14.2%	11.5%	10.4%
Gross Margin	59.0%	59.3%	59.6%	56.3%	56.5%	56.6%	2.7ppt	2.8ppt	3ppt
Adj. EBITDA Margin	18.5%	19.5%	20.1%	16.9%	18.0%	17.7%	1.6ppt	1.5ppt	2.5ppt
Net margin	9.2%	9.7%	10.2%	8.2%	8.6%	8.8%	1ppt	1.1ppt	1.4ppt

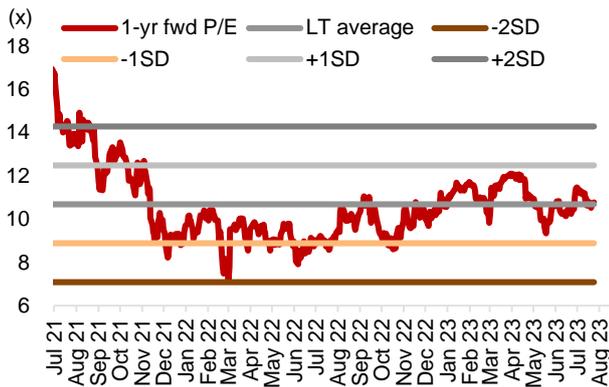
Source: Company data, CMBIGM estimates

Figure 6: CMBIGM estimates vs consensus

USD mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	4,020	4,380	4,663	3,773	4,159	4,514	6.6%	5.3%	3.3%
Gross Profit	2,372	2,598	2,779	2,187	2,394	2,596	8.4%	8.5%	7.0%
Adj. EBITDA	746	853	940	769	848	914	-3.0%	0.5%	2.8%
Net profit	368	423	477	327	385	420	12.6%	9.9%	13.5%
Gross Margin	59.0%	59.3%	59.6%	58.0%	57.6%	57.5%	1ppt	1.8ppt	2.1ppt
Adj. EBITDA Margin	18.5%	19.5%	20.1%	20.4%	20.4%	20.2%	-1.8ppt	-0.9ppt	-0.1ppt
Net margin	9.2%	9.7%	10.2%	8.7%	9.3%	9.3%	0.5ppt	0.4ppt	0.9ppt

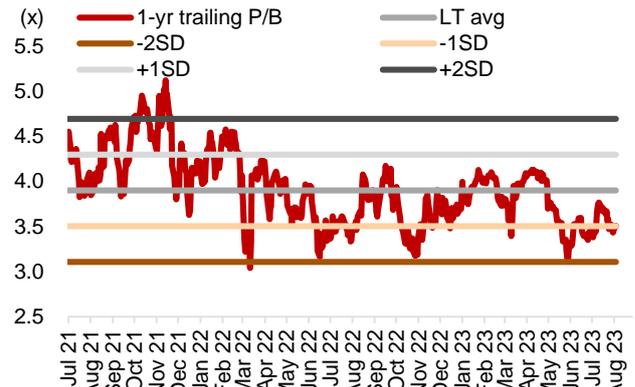
Source: Company data, CMBIGM estimates

Figure 7: Samsonite - 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: Samsonite - 12M trailing P/B band



Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Revenue	1,537	2,021	2,880	4,020	4,380	4,663
Cost of goods sold	(830)	(919)	(1,274)	(1,648)	(1,783)	(1,884)
Gross profit	706	1,102	1,605	2,372	2,598	2,779
Operating expenses	(1,018)	(988)	(1,185)	(1,672)	(1,818)	(1,921)
Selling expense	(818)	(782)	(963)	(1,383)	(1,502)	(1,585)
Admin expense	(200)	(206)	(222)	(289)	(315)	(336)
Operating profit	(1,266)	133	492	700	780	858
EBITDA	(1,011)	330	668	866	913	970
Adjusted EBITDA	(219)	182	472	746	853	940
Depreciation	(66)	(46)	(35)	(36)	(40)	(42)
Goodwill amortisation	(189)	(152)	(141)	(130)	(93)	(69)
Net interest income/(expense)	(116)	(165)	(130)	(161)	(161)	(161)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	(1,382)	(33)	363	538	619	697
Income tax	94	56	(24)	(140)	(161)	(181)
After tax profit	(1,288)	24	338	398	458	516
Minority interest	10	(9)	(26)	(30)	(35)	(39)
Net profit	(1,278)	14	313	368	423	477
Net dividends	0	0	0	0	0	0
BALANCE SHEET						
YE 31 Dec (US\$ mn)						
Current assets	2,174	1,940	1,695	2,693	3,043	3,395
Cash & equivalents	1,495	1,325	636	924	1,326	1,580
Account receivables	141	206	291	606	660	703
Inventories	456	348	688	1,084	977	1,032
Other current assets	82	60	80	80	80	80
Non-current assets	2,988	2,915	3,027	2,912	2,830	2,770
PP&E	188	155	162	177	189	198
Deferred income tax	55	124	174	174	174	174
Intangibles	1,418	1,392	1,459	1,435	1,412	1,390
Goodwill	850	829	824	824	824	824
Other non-current assets	78	66	94	94	94	94
Total assets	5,162	4,854	4,721	5,605	5,873	6,166
Current liabilities	731	918	1,213	1,699	1,509	1,286
Short-term borrowings	81	107	119	119	119	119
Account payables	413	529	779	1,264	1,075	852
Tax payable	35	57	77	77	77	77
Other current liabilities	57	93	120	120	120	120
Non-current liabilities	3,762	3,210	2,428	2,428	2,428	2,428
Long-term borrowings	3,110	2,682	1,893	1,893	1,893	1,893
Other non-current liabilities	266	225	278	278	278	278
Total liabilities	4,493	4,128	3,642	4,127	3,938	3,715
Share capital	14	14	14	14	14	14
Retained earnings	620	675	1,017	1,386	1,809	2,285
Total shareholders equity	634	690	1,032	1,400	1,823	2,300
Minority interest	35	37	48	78	113	152
Total equity and liabilities	5,162	4,854	4,721	5,605	5,873	6,166

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,382)	(33)	363	538	619	697
Depreciation & amortization	99	78	57	60	63	65
Tax paid	(28)	2	(51)	(140)	(161)	(181)
Change in working capital	120	203	(175)	(225)	(137)	(321)
Others	1,078	137	83	106	70	47
Net cash from operations	(114)	387	278	339	454	306
Investing						
Capital expenditure	(21)	(21)	(52)	(52)	(52)	(52)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	(6)	30	(11)	0	0	0
Net cash from investing	(26)	9	(63)	(52)	(52)	(52)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	1,413	(386)	(741)	0	0	0
Others	(39)	(8)	(9)	0	0	0
Net cash from financing	1,158	(551)	(881)	0	0	0
Net change in cash						
Cash at the beginning of the year	463	1,495	1,325	636	924	1,326
Exchange difference	14	(16)	(23)	0	0	0
Cash at the end of the year	1,495	1,325	636	924	1,326	1,580
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	(57.8%)	31.5%	42.5%	39.6%	9.0%	6.4%
Gross profit	(65.0%)	56.0%	45.7%	47.8%	9.5%	7.0%
Operating profit	na	na	270.8%	42.2%	11.5%	10.0%
EBITDA	na	na	102.0%	29.7%	5.4%	6.2%
Net profit	na	na	2,086.7%	17.8%	14.9%	12.6%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	46.0%	54.5%	55.8%	59.0%	59.3%	59.6%
Operating margin	(82.4%)	6.6%	17.1%	17.4%	17.8%	18.4%
EBITDA margin	(14.2%)	9.0%	16.4%	18.4%	19.5%	20.1%
Return on equity (ROE)	(98.9%)	2.2%	36.3%	30.3%	26.3%	23.1%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	2.7	2.1	1.3	0.8	0.4	0.2
Current ratio (x)	3.0	2.1	1.4	1.6	2.0	2.6
Receivable turnover days	14.1	49.0	52.5	55.0	55.0	55.0
Inventory turnover days	102.6	153.1	273.0	240.0	200.0	200.0
Payable turnover days	92.9	232.5	309.1	280.0	220.0	165.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	na	195.6	10.4	13.2	11.5	10.2
P/E (diluted)	na	na	14.6	13.2	11.5	10.2
P/B	2.9	4.1	3.1	3.5	2.7	2.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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