

Samsonite (1910 HK)

4Q preview: sales/adj. EBITDA +18%/+36%

Our NDR with Samsonite's management indicated a rather stable 4Q and hence a maintained full-year 2023 guidance with high-teen sales increase year-over-four-year (Yo4Y), 59%+ gross margins and 19%+ adjusted EBITDA margins. Specifically, for the December-quarter, management preliminarily commented that 1) cFX sales growth Yo4Y would be somewhere between mid-to-high teen, excluding Russia & Speck; 2) adj. EBITDA margin will be slightly below 3Q23, but will remain close to 19%, 3) A&P ratio will hover between 6.5-7.0% of sales, and 4) adverse F/X impact will become more apparent, especially that from Turkey and Argentina. We believe these should match investors' expectation and help Samsonite circumvent any de-rating risks entering the March reporting season. Samsonite remains one of our top picks that sees benefits from China's outbound travel recovery and mix upgrade on a balanced regional exposure.

- 4Q update by region. Asia** - Sales sequentially moderated from October to December. TUMI and Samsonite still managed to grow, when American Tourister slowed. **China** – Golden Week led to +10% Yo4Y October sales growth, but momentum started normalising into November when the softening spending sentiment of the Chinese middle-income-class surfaced. December sales were largely flattish Yo4Y. **North America** – November was the best-selling month thanks to Black Friday, when both October and December sell-in were impacted by channel destocking. **Europe** – winter sales decelerated from that in summer holiday.
- 2024 outlook.** Samsonite has its eyes on 7-12% cFX sales growth with improving gross/adj EBITDA margins. The former is set to expand faster than the later at a 7% A&P ratio (largely flattish to 2023E). Brands will likely achieve steady profit margins. TUMI and Asia will continue to grow faster than group average. By regions, Asia/North America/Europe/Latin America will see low-teen/LSD%/MSD%/MSD%/HSD%/double-digit sales growth.
- Balance sheet de-gearing.** Management sees chance for blended interest rate to go down in 2024, when the company at present pays ~5.5% effective interest rate that reset quarterly. Current net debt of US\$1.2bn, or a 1.8x net leverage ratio, is at historical low since the acquisition of TUMI in 2016.
- Earnings changes.** We lower our 2023E revenue by 5% mainly to reflect the impact of currency as mentioned above. Our forecasts imply that 4Q23 revenue/adj. EBITDA will grow at 18%/36% YoY to US\$970/195mn.
- Valuation.** Our TP is DCF-based. In our model, we assume 4.6% risk-free rate, 8.0% risk premium and 0.8x Beta, and hence 8.7% WACC. Our terminal growth is set at 2.0%. Our TP implies 12.2x end-24E P/E.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	2,021	2,880	3,704	4,098	4,493
YoY growth (%)	31.5	42.5	28.6	10.6	9.6
Net profit (US\$ mn)	14.3	312.7	381.4	452.0	507.5
YoY growth (%)	na	2,086.7	22.0	18.5	12.3
EPS (Reported) (US\$)	0.01	0.22	0.27	0.31	0.35
Consensus EPS (US\$)	na	na	0.26	0.31	0.34
P/E (x)	195.6	10.4	12.1	10.2	9.1
P/B (x)	4.1	3.1	3.3	2.6	2.2
EV/EBITDA (x)	19.7	9.6	7.2	6.4	5.8
ROE (%)	2.2	36.3	31.2	28.6	26.2
Net gearing (%)	212.3	133.4	73.0	45.7	27.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$30.6
(Previous TP)	HK\$30.0)
Up/Downside	20.0%
Current Price	HK\$25.5

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Stock Data

Mkt Cap (HK\$ mn)	35,939.4
Avg 3 mths t/o (HK\$ mn)	129.1
52w High/Low (HK\$)	27.55/19.70
Total Issued Shares (mn)	1437.6

Source: FactSet

Shareholding Structure

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

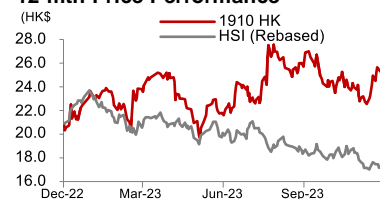
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	5.3%	11.0%
3-mth	-2.7%	3.1%
6-mth	13.9%	31.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: DCF assumptions

Present value calculation	
Net Present Value	3,600
+ Terminal Value	3,510
= Enterprise value	7,111
- Net debt	1,455
= Total Equity value	5,656
Number of shares (mn)	1,438
DCF value per share (HK\$)	30.6

WACC assumptions	
Debt %	56.2%
Equity %	43.8%
Tax rate	24.0%
Borrowing premium	4.6%
Post-tax cost of debt	7.0%
Risk free rate	4.6%
Risk Premium	8.0%
Beta	0.8
Cost of equity	11.0%
WACC	8.748%
Long-term growth	2.0%

1 USD =	7.78
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Source: CMBIGM estimates

Figure 2: DCF sensitivity analysis

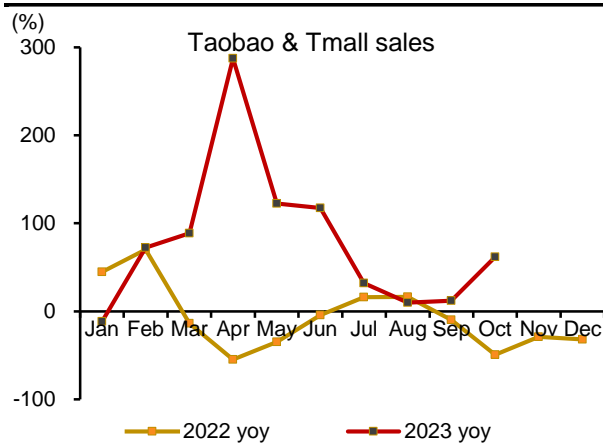
30.6	8.5%	8.6%	8.7%	8.8%	8.9%
1.8%	31.1	30.5	30.0	29.5	29.0
1.9%	31.4	30.8	30.3	29.8	29.3
2.0%	31.7	31.2	30.6	30.1	29.6
2.1%	32.0	31.5	30.9	30.4	29.9
2.2%	32.4	31.8	31.2	30.7	30.1

Sensitivity to RF and long-term growth					
30.6	1.8%	1.9%	2.0%	2.1%	2.2%
4.4%	30.9	31.2	31.6	31.9	32.2
4.5%	30.5	30.8	31.1	31.4	31.7
4.6%	30.0	30.3	30.6	30.9	31.2
4.7%	29.6	29.9	30.2	30.4	30.8
4.8%	29.2	29.4	29.7	30.0	30.3

Sensitivity to RF and Equity Risk Premium (ERP)					
30.6	4.4%	4.5%	4.6%	4.7%	4.8%
7.8%	32.0	31.5	31.0	30.5	30.1
7.9%	31.8	31.3	30.8	30.3	29.9
8.0%	31.6	31.1	30.6	30.2	29.7
8.1%	31.4	30.9	30.4	30.0	29.5
8.2%	31.2	30.7	30.2	29.8	29.4

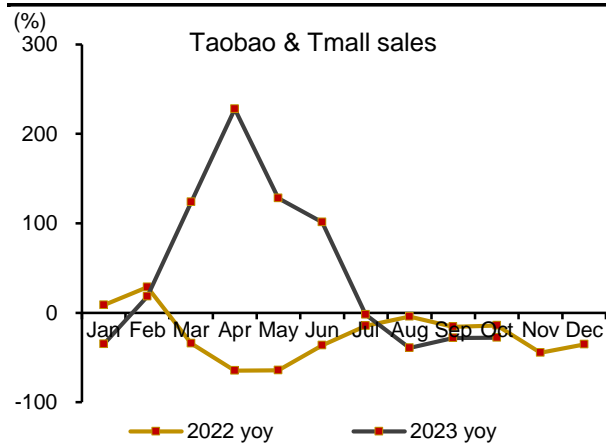
Source: CMBIGM estimates

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



Source: Moojing, CMBIGM

Figure 4: 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	3,704	4,098	4,493	3,899	4,292	4,605	-5.0%	-4.5%	-2.4%
Gross Profit	2,193	2,438	2,687	2,300	2,545	2,744	-4.7%	-4.2%	-2.1%
EBITDA	840	908	965	848	910	973	-0.9%	-0.3%	-0.8%
Net profit	381	452	507	363	428	486	5.1%	5.6%	4.4%
Gross Margin	59.2%	59.5%	59.8%	59.0%	59.3%	59.6%	0.2ppt	0.2ppt	0.2ppt
Adj. EBITDA Margin	22.7%	22.1%	21.5%	18.5%	19.5%	20.1%	4.1ppt	2.7ppt	1.3ppt
Net margin	10.3%	11.0%	11.3%	9.2%	9.7%	10.2%	1.1ppt	1.4ppt	1.1ppt

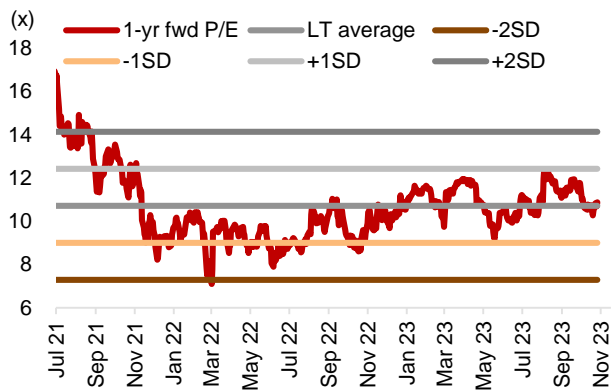
Source: CMBIGM estimates

Figure 6: CMBIGM estimates vs consensus

USD mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	3,704	4,098	4,493	3,810	4,243	4,630	-2.8%	-3.4%	-3.0%
Gross Profit	2,193	2,438	2,687	2,244	2,499	2,709	-2.3%	-2.4%	-0.8%
EBITDA	840	908	965	814	918	971	3.2%	-1.1%	-0.6%
Net profit	381	452	507	378	447	490	0.8%	1.1%	3.5%
Gross Margin	59.2%	59.5%	59.8%	58.9%	58.9%	58.5%	0.3ppt	0.6ppt	1.3ppt
Adj. EBITDA Margin	22.7%	22.1%	21.5%	21.4%	21.6%	21.0%	1.3ppt	0.5ppt	0.5ppt
Net margin	10.3%	11.0%	11.3%	9.9%	10.5%	10.6%	0.4ppt	0.5ppt	0.7ppt

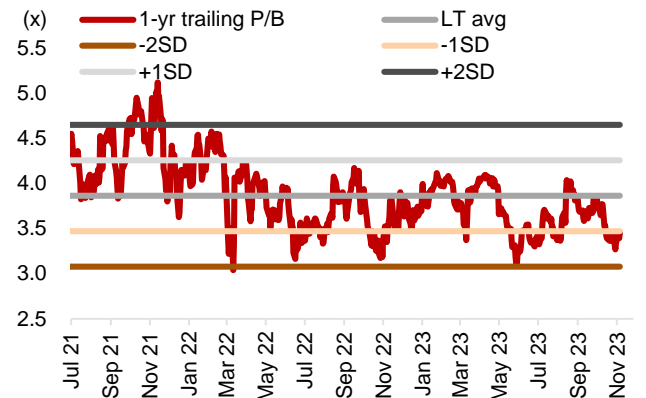
Source: Bloomberg, CMBIGM estimates

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	3,704	4,098	4,493
Cost of goods sold	(830)	(919)	(1,274)	(1,511)	(1,660)	(1,806)
Gross profit	706	1,102	1,605	2,193	2,438	2,687
Operating expenses	(1,018)	(988)	(1,185)	(1,519)	(1,664)	(1,833)
Selling expense	(818)	(782)	(963)	(1,259)	(1,393)	(1,536)
Admin expense	(200)	(206)	(222)	(259)	(270)	(297)
Operating profit	(1,266)	133	492	674	775	854
EBITDA	(1,011)	330	668	840	908	965
Adjusted EBITDA	(219)	182	472	723	808	895
Depreciation	(66)	(46)	(35)	(36)	(40)	(42)
Goodwill amortisation	(189)	(152)	(141)	(130)	(93)	(69)
EBIT	(1,266)	133	492	674	775	854
Net Interest income/(expense)	(116)	(165)	(130)	(131)	(131)	(131)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	(1,382)	(33)	363	543	643	722
Income tax	94	56	(24)	(130)	(154)	(173)
After tax profit	(1,288)	24	338	413	489	549
Minority interest	10	(9)	(26)	(31)	(37)	(42)
Net profit	(1,278)	14	313	381	452	507
Core net profit	(311)	(10)	223	399	452	507
Gross dividends	0	0	0	114	136	152
Net dividends	0	0	0	114	136	152
BALANCE SHEET						
YE 31 Dec (US\$ mn)						
Current assets	2,174	1,940	1,695	2,278	2,554	2,814
Cash & equivalents	1,495	1,325	636	780	912	1,030
Account receivables	141	206	291	507	561	615
Inventories	456	348	688	911	1,000	1,089
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	5,190	5,385	5,584
Current liabilities	731	918	1,213	1,470	1,390	1,276
Short-term borrowings	81	107	119	119	119	119
Account payables	413	529	779	1,035	955	841
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	2,228	2,128	2,028
Long-term borrowings	3,110	2,682	1,893	1,693	1,593	1,493
Other non-current liabilities	266	225	278	278	278	278
Total liabilities	4,493	4,128	3,642	3,698	3,518	3,304
Share capital	14	14	14	14	14	14
Retained earnings	620	675	1,017	1,399	1,736	2,108
Total shareholders equity	634	690	1,032	1,413	1,751	2,123
Minority interest	35	37	48	79	116	158
Total equity and liabilities	5,162	4,854	4,721	5,190	5,385	5,584

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,382)	(33)	363	543	643	722
Depreciation & amortization	99	78	57	60	63	65
Tax paid	(28)	2	(51)	(130)	(154)	(173)
Change in working capital	120	203	(175)	(183)	(224)	(256)
Others	1,078	137	83	106	70	47
Net cash from operations	(114)	387	278	396	398	405
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	(114)	(136)
Net borrowings	1,413	(386)	(741)	(200)	(100)	(100)
Others	(39)	(8)	(9)	0	0	0
Net cash from financing	1,158	(551)	(881)	(200)	(214)	(236)
Net change in cash						
Cash at the beginning of the year	463	1,495	1,325	636	780	912
Exchange difference	14	(16)	(23)	0	0	0
Cash at the end of the year	1,495	1,325	636	780	912	1,030
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	(57.8%)	31.5%	42.5%	28.6%	10.6%	9.6%
Gross profit	(65.0%)	56.0%	45.7%	36.6%	11.2%	10.2%
Operating profit	na	na	270.8%	37.0%	14.9%	10.2%
EBITDA	na	na	102.0%	25.9%	8.0%	6.3%
EBIT	na	na	270.8%	37.0%	14.9%	10.2%
Net profit	na	na	2,086.7%	22.0%	18.5%	12.3%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	46.0%	54.5%	55.8%	59.2%	59.5%	59.8%
Operating margin	(82.4%)	6.6%	17.1%	18.2%	18.9%	19.0%
EBITDA margin	(65.8%)	16.3%	23.2%	22.7%	22.1%	21.5%
Return on equity (ROE)	(98.9%)	2.2%	36.3%	31.2%	28.6%	26.2%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	2.7	2.1	1.3	0.7	0.5	0.3
Current ratio (x)	3.0	2.1	1.4	1.6	1.8	2.2
Receivable turnover days	14.1	49.0	52.5	50.0	50.0	50.0
Inventory turnover days	102.6	153.1	273.0	220.0	220.0	220.0
Payable turnover days	92.9	232.5	309.1	250.0	210.0	170.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	na	195.6	10.4	12.1	10.2	9.1
P/E (diluted)	na	na	14.6	11.5	10.2	9.1
P/B	2.9	4.1	3.1	3.3	2.6	2.2
EV	6,727.0	6,503.5	6,421.9	6,077.9	5,845.5	5,628.1
EV/Sales	4.4	3.2	2.2	1.6	1.4	1.3
EV/EBIT	(5.3)	49.0	13.0	9.0	7.5	6.6
EV/EBITDA	(6.7)	19.7	9.6	7.2	6.4	5.8

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

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