

Samsonite (1910 HK)

2Q24 results slowed by soft demand, guidance revised downward

The company reported 2Q24 results below market expectations, with net sales down 1.7% YoY (+1.6% in constant currency) given softened consumer demand in China and North America, and increased competition in India. The GPM remained high at 60.0%, supported by channel and product mix optimization. Adjusted net profit declined by 3.4% YoY. The company has lowered its 2024E revenue guidance while maintaining its margin expectation. We lower our earnings forecast to reflect a more conservative view on 2H24 consumer demand. We are transferring coverage with a BUY rating. Our new TP is at HK\$28.0, derived from the DCF model (WACC: 8.828%, terminal growth: 2.0%), representing 16x 2024E P/E.

■ **2Q24 sales dragged by Asia and North America.** The company reported 2.8% YoY constant currency net sales growth for 1H24, with 1Q24 and 2Q24 up 4.1% and 1.5% YoY, respectively, below market expectations. Sluggish 2Q24 results were chiefly due to 1) declines in North America (-1.2% YoY) given a retail slowdown and a high base effect from robust wholesale and TUMI sales last year and 2) lacklustre results in Asia (-3.0% YoY) given consumer demand largely softened in China and competition intensified in India.

■ **Expect margin improvement to continue.** The company achieved a record-high half-year GPM of 60.2% (vs. 58.8%/59.8% in 1H23/2H23), mainly driven by channel and product mix optimization. **1)** The Direct-to-Consumer (DTC) channel's contribution to net sales rose to 38.1% in 1H24 (from 37.7% in 1H23), buoyed by growth in e-commerce channel (10% of net revenue) and the opening of 82 new stores. **2)** Non-travel products (with higher margin) contributed more to net sales (34.4% in 1H24 versus 33.9% in 1H23). The firm reported EBITDA margin of 18.9% and a net margin of 9.8%, up 10 and 20 bps, respectively, owing to significant GPM enhancement and disciplined SG&A expense management. We anticipate these trends to persist in 2H24, supporting further GPM improvement.

■ **Guidance adjusted down.** The company has revised 2024E net sales growth guidance to low single-digits from high single-digits to reflect uncertainty in consumer demand. Accordingly, we have reduced our 2024E revenue estimate by 10% to US\$3,683mn (flat YoY), to reflect a more pessimistic outlook on 2H24 demand recovery, particularly in the Asian market.

■ **Valuation.** Our TP is at HK\$28.0, derived from the DCF model, implying a 2024E P/E of 16x. Catalyst includes the share buyback and the dual listing progress in the US. **Risks:** weaker-than-expected consumer sentiment and travel demand.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	2,880	3,682	3,683	3,947	4,283
YoY growth (%)	42.5	27.9	0.0	7.2	8.5
Net profit (US\$ mn)	312.7	417.1	377.3	418.1	463.3
YoY growth (%)	2,086.7	33.4	(9.5)	10.8	10.8
EPS (Reported) (US\$)	0.22	0.29	0.26	0.29	0.32
Consensus EPS (US\$)	na	na	0.27	0.30	0.32
P/E (x)	11.4	8.6	9.5	8.5	7.7
P/B (x)	3.4	2.5	2.1	1.8	1.6
EV/EBITDA (x)	9.6	6.6	6.5	5.8	5.0
Yield (%)	na	na	3.8	4.2	4.6
ROE (%)	36.3	33.6	24.1	23.0	21.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$28.0**
 (Previous TP) **HK\$30.6**
Up/Downside **45.2%**
Current Price **HK\$19.26**

China Consumer Staples

Miao ZHANG

(852) 3761 8910

zhangmiao@cmbi.com.hk

Bella LI

(852) 3757 6202

bellali@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	27,820.9
Avg 3 mths t/o (HK\$ mn)	177.5
52w High/Low (HK\$)	31.45/19.26
Total Issued Shares (mn)	1444.5

Source: FactSet

Shareholding Structure

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

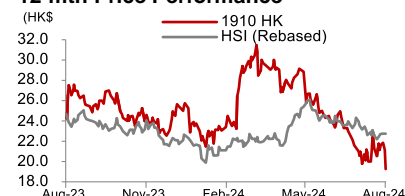
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-8.3%	-3.4%
3-mth	-33.2%	-25.6%
6-mth	-17.9%	-23.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: DCF assumptions

Present value calculation	
Net Present Value	3,772
+ Terminal Value	2,865
= Enterprise value	6,636
- Net debt	1,443
= Total Equity value	5,193
Number of shares (mn)	1,444
DCF value per share (HK\$)	28.0
WACC assumptions	
Debt %	55.5%
Equity %	44.5%
Tax rate	23.0%
Borrowing premium	4.6%
Post-tax cost of debt	7.1%
Risk free rate	4.6%
Risk Premium	8.0%
Beta	0.8
Cost of equity	11.0%
WACC	8.828%
Long-term growth	2.0%
1 USD =	7.78

Source: CMBIGM estimates

Figure 2: DCF sensitivity analysis

28.0	8.5%	8.6%	8.7%	8.8%	8.9%
1.8%	28.7	28.2	27.8	27.4	27.0
1.9%	28.9	28.5	28.1	27.7	27.3
2.0%	29.2	28.7	28.3	27.9	27.5
2.1%	29.5	29.0	28.6	28.1	27.7
2.2%	29.7	29.3	28.8	28.4	28.0
Sensitivity to RF and long-term growth					
28.0	1.8%	1.9%	2.0%	2.1%	2.2%
4.4%	28.2	28.5	28.7	29.0	29.2
4.5%	27.9	28.1	28.3	28.6	28.9
4.6%	27.5	27.7	28.0	28.2	28.5
4.7%	27.2	27.4	27.6	27.8	28.1
4.8%	26.8	27.0	27.3	27.5	27.7
Sensitivity to RF and Equity Risk Premium (ERP)					
28.0	4.4%	4.5%	4.6%	4.7%	4.8%
7.8%	29.0	28.6	28.3	27.9	27.5
7.9%	28.9	28.5	28.1	27.8	27.4
8.0%	28.7	28.3	28.0	27.6	27.3
8.1%	28.6	28.2	27.8	27.5	27.1
8.2%	28.4	28.0	27.7	27.3	27.0

Source: CMBIGM estimates

Figure 3: Earnings revision

USD mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,683	3,947	4,283	4,098	4,393	na	-10.1%	-10.2%	na
Gross Profit	2,220	2,387	2,590	2,438	2,687	na	-8.9%	-11.2%	na
EBITDA	688	745	808	908	965	na	-24.2%	-22.8%	na
Net profit	377	418	463	452	507	na	-16.5%	-17.5%	na
Gross Margin	60.3%	60.5%	60.5%	59.5%	61.2%	na	0.8ppt	-0.7ppt	na
Adj. EBITDA Margin	18.7%	18.9%	18.9%	22.2%	22.0%	na	-3.5ppt	-3.1ppt	na
Net margin	10.2%	10.6%	10.8%	11.0%	11.5%	na	-0.8ppt	-0.9ppt	na

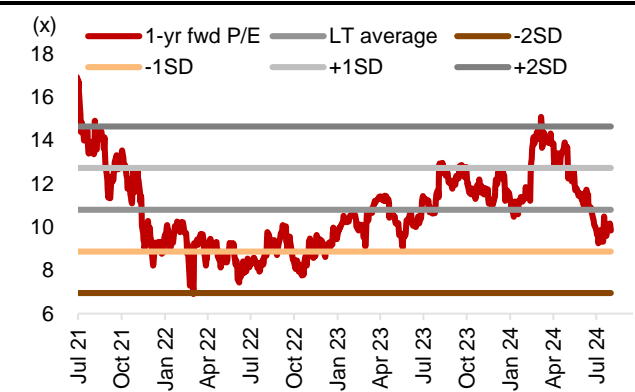
Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

USD mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,683	3,947	4,283	3,770	4,003	4,276	-2.3%	-1.4%	0.2%
Gross Profit	2,220	2,387	2,590	2,261	2,385	2,553	-1.8%	0.1%	1.5%
EBITDA	688	745	808	752	814	855	-8.6%	-8.4%	-5.4%
Net profit	377	418	463	398	435	476	-5.2%	-4.0%	-2.8%
Gross Margin	60.3%	60.5%	60.5%	60.0%	59.6%	59.7%	0.3ppt	0.9ppt	0.8ppt
Adj. EBITDA Margin	18.7%	18.9%	18.9%	20.0%	20.3%	20.0%	-1.3ppt	-1.4ppt	-1.1ppt
Net margin	10.2%	10.6%	10.8%	10.6%	10.9%	11.1%	-0.3ppt	-0.3ppt	-0.3ppt

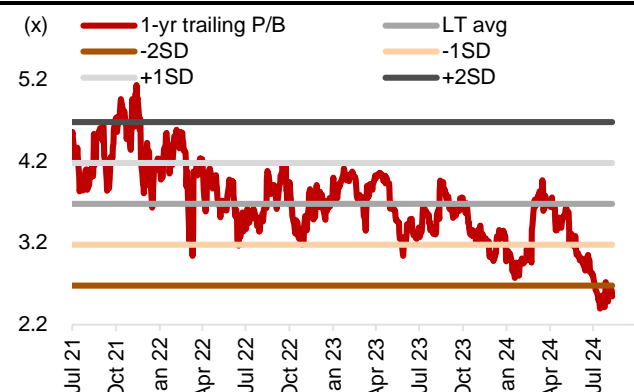
Source: Bloomberg, CMBIGM estimates

Figure 5: Samsonite - 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 6: Samsonite - 12M trailing P/B band



Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	2,021	2,880	3,682	3,683	3,947	4,283
Cost of goods sold	(919)	(1,274)	(1,500)	(1,463)	(1,560)	(1,693)
Gross profit	1,102	1,605	2,183	2,220	2,387	2,590
Operating expenses	(988)	(1,185)	(1,519)	(1,532)	(1,642)	(1,782)
Selling expense	(782)	(963)	(1,269)	(1,289)	(1,381)	(1,499)
Admin expense	(206)	(222)	(250)	(243)	(261)	(283)
Operating profit	133	492	744	688	745	808
EBITDA	330	668	936	896	964	1,035
Adjusted EBITDA	182	472	709	688	745	808
Depreciation	(46)	(35)	(40)	(55)	(66)	(74)
Goodwill amortisation	(152)	(141)	(153)	(153)	(153)	(153)
EBIT	133	492	744	688	745	808
Net Interest income/(expense)	(165)	(130)	(159)	(159)	(159)	(159)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	(33)	363	585	529	586	650
Income tax	56	(24)	(135)	(122)	(135)	(149)
After tax profit	24	338	450	407	451	500
Minority interest	(9)	(26)	(33)	(30)	(33)	(37)
Net profit	14	313	417	377	418	463
Core net profit	(10)	223	311	377	418	463
Gross dividends	0	0	149	135	150	166
Net dividends	0	0	149	135	150	166

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	1,940	1,695	1,836	2,219	2,440	2,880
Cash & equivalents	1,325	636	717	908	1,047	1,377
Account receivables	206	291	320	409	438	475
Inventories	348	688	696	799	852	924
Other current assets	60	80	104	104	104	104
Non-current assets	2,915	3,027	3,276	3,167	3,047	2,920
PP&E	155	162	223	267	301	326
Deferred income tax	124	174	191	191	191	191
Intangibles	1,392	1,459	1,534	1,514	1,495	1,475
Goodwill	829	824	826	826	826	826
Other non-current assets	66	94	67	67	67	67
Total assets	4,854	4,721	5,112	5,386	5,488	5,800
Current liabilities	918	1,213	1,157	1,274	1,159	1,221
Short-term borrowings	107	119	77	77	77	77
Account payables	529	779	725	842	727	788
Tax payable	57	77	89	89	89	89
Other current liabilities	93	120	135	135	135	135
Non-current liabilities	3,210	2,428	2,437	2,337	2,237	2,137
Long-term borrowings	2,682	1,893	1,730	1,630	1,530	1,430
Other non-current liabilities	225	278	349	349	349	349
Total liabilities	4,128	3,642	3,594	3,611	3,396	3,357
Share capital	14	14	15	15	15	15
Retained earnings	675	1,017	1,437	1,664	1,947	2,261
Total shareholders equity	690	1,032	1,451	1,679	1,962	2,275
Minority interest	37	48	67	97	130	167
Total equity and liabilities	4,854	4,721	5,112	5,386	5,488	5,800

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(33)	363	585	529	586	650
Depreciation & amortization	78	57	59	75	86	94
Tax paid	2	(51)	(119)	(122)	(135)	(149)
Change in working capital	203	(175)	(101)	(76)	(197)	(48)
Others	137	83	111	134	134	134
Net cash from operations	387	278	534	540	473	679
Investing						
Capital expenditure	(21)	(52)	(99)	(99)	(99)	(99)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	30	(11)	(11)	0	0	0
Net cash from investing	9	(63)	(110)	(99)	(99)	(99)
Financing						
Dividend paid	0	0	0	(149)	(135)	(150)
Net borrowings	(386)	(741)	(27)	(100)	(100)	(100)
Others	(8)	(9)	(181)	0	0	0
Net cash from financing	(551)	(881)	(348)	(249)	(235)	(250)
Net change in cash						
Cash at the beginning of the year	1,495	1,325	636	717	908	1,047
Exchange difference	(16)	(23)	4	0	0	0
Cash at the end of the year	1,325	636	717	908	1,047	1,377
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	31.5%	42.5%	27.9%	0.0%	7.2%	8.5%
Gross profit	56.0%	45.7%	36.0%	1.7%	7.5%	8.5%
Operating profit	na	270.8%	51.1%	(7.5%)	8.3%	8.5%
EBITDA	na	102.0%	40.2%	(4.3%)	7.6%	7.4%
EBIT	na	270.8%	51.1%	(7.5%)	8.3%	8.5%
Net profit	na	2,086.7%	33.4%	(9.5%)	10.8%	10.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	54.5%	55.8%	59.3%	60.3%	60.5%	60.5%
Operating margin	6.6%	17.1%	20.2%	18.7%	18.9%	18.9%
EBITDA margin	16.3%	23.2%	25.4%	24.3%	24.4%	24.2%
Return on equity (ROE)	2.2%	36.3%	33.6%	24.1%	23.0%	21.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	2.1	1.3	0.8	0.5	0.3	0.1
Current ratio (x)	2.1	1.4	1.6	1.7	2.1	2.4
Receivable turnover days	49.0	52.5	40.5	40.5	40.5	40.5
Inventory turnover days	153.1	273.0	199.3	199.3	199.3	199.3
Payable turnover days	232.5	309.1	207.7	210.0	170.0	170.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	248.1	11.4	8.6	9.5	8.5	7.7
P/E (diluted)	ns	16.0	11.5	9.5	8.5	7.7
P/B	5.1	3.4	2.5	2.1	1.8	1.6
Div yield (%)	na	na	na	3.8	4.2	4.6
EV	6,503.5	6,421.9	6,160.6	5,869.1	5,630.4	5,200.1
EV/Sales	3.2	2.2	1.7	1.6	1.4	1.2
EV/EBIT	49.0	13.0	8.3	8.5	7.6	6.4
EV/EBITDA	19.7	9.6	6.6	6.5	5.8	5.0

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.