

Samsonite (1910 HK)

3Q Preview: rev/adj EBITDA +20%/36%

In contrary to a normalised quarter that we expect for [Prada \(1913 HK, BUY\)](#), we forecast Samsonite to extend its strength from 1H and report 3Q revenue/adj EBITDA of US\$950/180mn (+20%/+36%). We envisage this will be much driven by an intact global travel demand during summer holiday, which effectively manifested into luggage and bags sell-through. By region, we look for revenue in North America/Europe/APAC to grow by 7%/35%/+20%+ to US\$310/330/260mn. By brands, growth in TUMI should continue to outperform that from Samsonite and American Tourister. The persistent mix upgrade is likely to sustain a 59% GPM for the quarter, and we are wary of any regional/channel mix change to result in deviation to our estimate. Advertising expense ratio is likely to stand stably despite seasonality, in our view, and so will the cost curve which has exhibited apparent fixed cost savings from 2Q. Since Samsonite is on track to financially grow beyond the pre-pandemic year in 2019, we see grounds for valuation to catch up and revert from currently 11.4x 1-year forward P/E to ~20.0 pre-pandemic. We are Buy-rated.

■ **2024E Outlook.** Much have been asked by investors and we look for low-teen revenue growth when the pent-up travel demand over the 3-year pandemic lockdown has yet to fully digest, particularly that from Asia, considering China reopened later than other nations. Meanwhile, the gradual ramp-up in long-haul flights capacity also helps. Numerically, APAC should remain the fastest growth region with low-to-mid teen sales growth thanks to favourable comps and robust TUMI sales. Other than that, we forecast revenue growth in North America to normalise to mid-single-digit, while that in Europe will normalise to high-single-digit with the support from new TUMI store openings.

■ **Balance sheet de-gearing.** Growth and profitability in 2Q23 was on record trajectory, and Samsonite's management is actively looking to de-leverage its balance sheet. Of note, by 1H23, Samsonite had US\$1.9bn total debt with an average borrowing cost of 5.5%. Samsonite has just completed its refinancing on its US\$382mn senior note and we expect future repayment will be mainly made to the remaining US\$1.5bn floating rate debt. In our view, Samsonite is also on track to resume its dividend pay-out by end-23E that we estimate the ratio to stand initially at 30%.

■ **Earnings change/valuation.** We largely maintain our estimates. Our TP is DCF-based. In our model, we assume a WACC of 8.0% and terminal growth of 2%. Our TP implies 15.9 x end-23E P/E.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	2,021	2,880	3,944	4,343	4,659
YoY growth (%)	31.5	42.5	37.0	10.1	7.3
Net profit (US\$ mn)	14.3	312.7	368.6	434.2	492.5
YoY growth (%)	na	nm	17.9	17.8	13.4
EPS (Reported) (US\$)	0.01	0.22	0.26	0.30	0.34
Consensus EPS (US\$)	na	na	0.26	0.31	0.34
P/E (x)	195.6	10.4	13.4	11.4	10.1
P/B (x)	4.1	3.1	3.5	2.9	2.4
EV/EBIT (x)	49.0	13.0	8.9	7.4	6.5
ROE (%)	2.2	36.3	30.3	27.8	25.9
Net gearing (%)	212.3	133.4	77.1	45.2	30.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$32.9
(Previous TP)	HK\$32.4
Up/Downside	21.7%
Current Price	HK\$27.0

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Stock Data

Mkt Cap (HK\$ mn)	38,814.5
Avg 3 mths t/o (HK\$ mn)	136.1
52w High/Low (HK\$)	27.55/16.88
Total Issued Shares (mn)	1437.6

Source: FactSet

Shareholding Structure

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

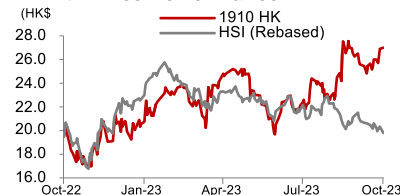
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.9%	11.7%
3-mth	19.5%	34.9%
6-mth	9.8%	29.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

1. [Prada \(1913 HK\) - 3Q preview: Embracing a normalised quarter](#) - Sep 29
2. [CTGDF \(601888 CH\) - 2Q in line with profit alert; subtle recovery ahead](#) - 28 Aug 2023
3. [Samsonite \(1910 HK\) - 2Q rev/np +33%/49%; strength extending to 2H](#) - 18 Aug 2023
4. [Prada SpA \(1913 HK\) - A decent 1H, though not a straight beat](#) - 28 Jul 2023
5. [Chow Tai Fook \(1929 HK\) - Another solid quarter](#) - 11 Jul 2023

Figure 1: DCF assumptions

Present value calculation	
Net Present Value	3,584
+ Terminal Value	3,943
= Enterprise value	7,527
- Net debt	1,454
= Total Equity value	6,073
Number of shares (mn)	1,438
DCF value per share (HK\$)	32.9

WACC assumptions	
Debt %	59.0%
Equity %	41.0%
Tax rate	26.0%
Borrowing premium	4.6%
Post-tax cost of debt	6.0%
Risk free rate	3.5%
Risk Premium	5.0%
Beta	1.5
Cost of equity	11.0%
WACC	8.048%
Long-term growth	2.0%
1 USD =	7.78

Source: CMBIGM estimates

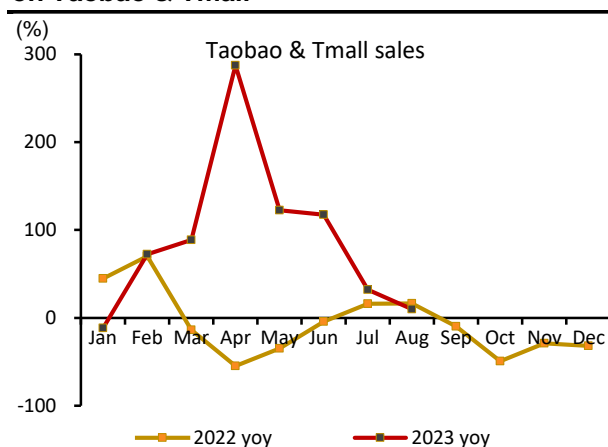
Figure 2: DCF sensitivity analysis

Sensitivity to WACC and long-term growth						
32.9	7.8%	7.9%	8.0%	8.1%	8.2%	
1.8%	33.4	32.8	32.1	31.6	31.0	
1.9%	33.8	33.1	32.5	31.9	31.3	
2.0%	34.2	33.5	32.9	32.2	31.6	
2.1%	34.6	33.9	33.2	32.6	32.0	
2.2%	35.0	34.3	33.6	33.0	32.3	

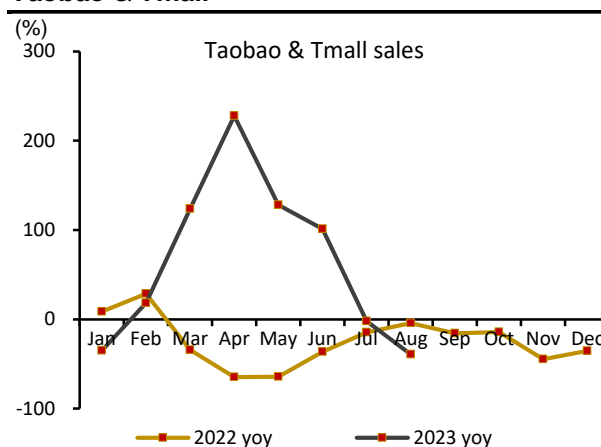
Sensitivity to RF and long-term growth						
32.9	1.8%	1.9%	2.0%	2.1%	2.2%	
3.3%	33.2	33.6	34.0	34.4	34.8	
3.4%	32.7	33.0	33.4	33.8	34.2	
3.5%	32.1	32.5	32.9	33.2	33.6	
3.6%	31.6	32.0	32.3	32.7	33.1	
3.7%	31.1	31.5	31.8	32.2	32.5	

Sensitivity to RF and Equity Risk Premium (ERP)						
32.9	3.3%	3.4%	3.5%	3.6%	3.7%	
4.8%	34.8	34.2	33.6	33.1	32.6	
4.9%	34.4	33.8	33.2	32.7	32.2	
5.0%	34.0	33.4	32.9	32.3	31.8	
5.1%	33.5	33.0	32.5	32.0	31.5	
5.2%	33.2	32.6	32.1	31.6	31.1	

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

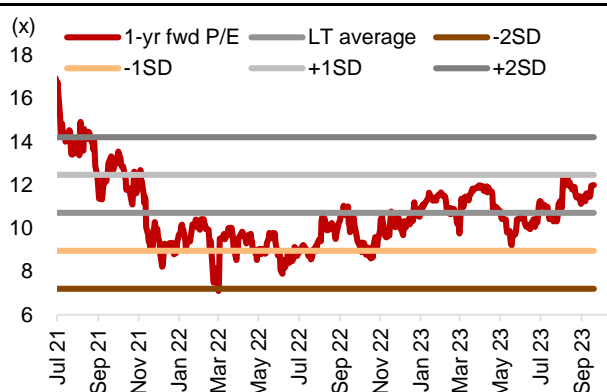
USD mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	3,944	4,343	4,659	4,020	4,380	4,663	-1.9%	-0.9%	-0.1%
Gross Profit	2,327	2,575	2,777	2,372	2,598	2,779	-1.9%	-0.9%	-0.1%
EBITDA	856	919	983	866	913	970	-1.1%	0.7%	1.3%
Net profit	369	434	493	368	423	477	0.1%	2.6%	3.4%
Gross Margin	59.0%	59.3%	59.6%	59.0%	59.3%	59.6%	0ppt	0ppt	0ppt
Adj. EBITDA Margin	21.7%	21.2%	21.1%	18.5%	19.5%	20.1%	3.2ppt	1.7ppt	0.9ppt
Net margin	9.3%	10.0%	10.6%	9.2%	9.7%	10.2%	0.2ppt	0.3ppt	0.4ppt

Source: CMBIGM estimates

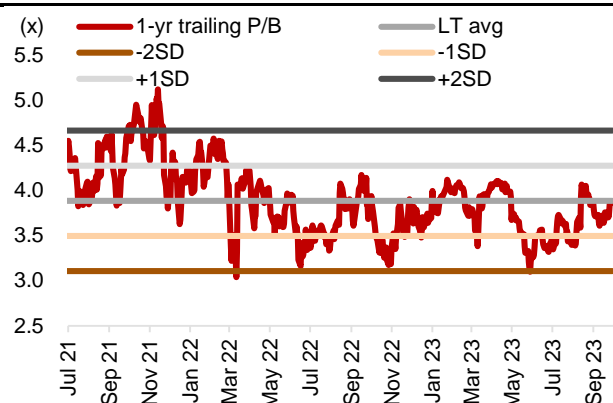
Figure 6: CMBIGM estimates vs consensus

USD mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	3,944	4,343	4,659	3,822	4,250	4,630	3.2%	2.2%	0.6%
Gross Profit	2,327	2,575	2,777	2,251	2,496	2,716	3.4%	3.2%	2.2%
EBITDA	856	919	983	816	916	968	4.9%	0.4%	1.6%
Net profit	369	434	493	378	444	485	-2.5%	-2.2%	1.6%
Gross Margin	59.0%	59.3%	59.6%	58.9%	58.7%	58.7%	0.1ppt	0.6ppt	0.9ppt
Adj. EBITDA Margin	21.7%	21.2%	21.1%	21.4%	21.5%	20.9%	0.4ppt	-0.4ppt	0.2ppt
Net margin	9.3%	10.0%	10.6%	9.9%	10.4%	10.5%	-0.5ppt	-0.4ppt	0.1ppt

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	3,944	4,343	4,659
Cost of goods sold	(830)	(919)	(1,274)	(1,617)	(1,768)	(1,882)
Gross profit	706	1,102	1,605	2,327	2,575	2,777
Operating expenses	(1,018)	(988)	(1,185)	(1,637)	(1,789)	(1,906)
Selling expense	(818)	(782)	(963)	(1,353)	(1,477)	(1,570)
Admin expense	(200)	(206)	(222)	(284)	(313)	(335)
Operating profit	(1,266)	133	492	690	786	871
EBITDA	(1,011)	330	668	856	919	983
Adjusted EBITDA	(219)	182	472	736	839	933
Depreciation	(66)	(46)	(35)	(36)	(40)	(42)
Goodwill amortisation	(189)	(152)	(141)	(130)	(93)	(69)
EBIT	(1,266)	133	492	690	786	871
Net Interest income/(expense)	(116)	(165)	(130)	(151)	(151)	(151)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	(1,382)	(33)	363	539	635	720
Income tax	94	56	(24)	(140)	(165)	(187)
After tax profit	(1,288)	24	338	399	470	533
Minority interest	10	(9)	(26)	(30)	(36)	(40)
Net profit	(1,278)	14	313	369	434	493
Gross dividends	0	0	0	111	130	148

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Current assets	2,174	1,940	1,695	2,670	2,936	3,184
Cash & equivalents	1,495	1,325	636	932	1,232	1,370
Account receivables	141	206	291	594	654	702
Inventories	456	348	688	1,063	969	1,031
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	5,582	5,766	5,954
Current liabilities	731	918	1,213	1,675	1,500	1,286
Short-term borrowings	81	107	119	119	119	119
Account payables	413	529	779	1,240	1,065	851
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	4,103	3,928	3,714
Share capital	14	14	14	14	14	14
Retained earnings	620	675	1,017	1,386	1,710	2,072
Total shareholders equity	634	690	1,032	1,400	1,724	2,086
Minority interest	35	37	48	78	114	154
Total equity and liabilities	5,162	4,854	4,721	5,582	5,766	5,954

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,382)	(33)	363	539	635	720
Depreciation & amortization	99	78	57	60	63	65
Tax paid	(28)	2	(51)	(140)	(165)	(187)
Change in working capital	120	203	(175)	(217)	(140)	(325)
Others	1,078	137	83	106	70	47
Net cash from operations	(114)	387	278	348	462	319
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	(111)	(130)
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	(111)	(130)
Net change in cash						
Cash at the beginning of the year	463	1,495	1,325	636	932	1,232
Exchange difference	14	(16)	(23)	0	0	0
Cash at the end of the year	1,495	1,325	636	932	1,232	1,370
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	(57.8%)	31.5%	42.5%	37.0%	10.1%	7.3%
Gross profit	(65.0%)	56.0%	45.7%	44.9%	10.7%	7.8%
Operating profit	na	na	270.8%	40.2%	13.9%	10.8%
EBITDA	na	na	102.0%	28.3%	7.3%	6.9%
EBIT	na	na	270.8%	40.2%	13.9%	10.8%
Net profit	na	na	2,086.7%	17.9%	17.8%	13.4%
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%	17.5%	18.1%	18.7%
EBITDA margin	(65.8%)	16.3%	23.2%	21.7%	21.2%	21.1%
Return on equity (ROE)	(98.9%)	2.2%	36.3%	30.3%	27.8%	25.9%
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	0.5	0.3
Current ratio (x)	3.0	2.1	1.4	1.6	2.0	2.5
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	13.4	11.4	10.1
P/E (diluted)	na	na	14.6	12.8	11.4	10.1
P/B	2.9	4.1	3.1	3.5	2.9	2.4
EV	6,727.0	6,503.5	6,421.9	6,125.6	5,825.4	5,687.8
EV/Sales	4.4	3.2	2.2	1.6	1.3	1.2
EV/EBIT	(5.3)	49.0	13.0	8.9	7.4	6.5
EV/EBITDA	(6.7)	19.7	9.6	7.2	6.3	5.8

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

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