

Samsonite (1910 HK)

3Q Rev/NP +21%/94%; low-teen growth for 2024E

Consistent to our preview, Samsonite 3Q revenue/adjusted net profit kicked in at US\$958mn/126mn, up +21.2%/93.9% YoY. The results were mainly driven by 29.3% TUMI brand sales, with China strength, on a regional basis, continued to outpace the average. Gross margin of 59.6% and adjusted EBITDA margin of 20.3% both reached record highs. Looking ahead, management envisages high-teen/20%+ sales growth vs 2019/YoY for 4Q, and low-teen growth for 2024E, driven by Asia strength, mix upgrades and effective cost control. On a record high 3Q results and a 10.3x 2024E P/E, we reiterate BUY.

Key takeaways from analyst call

- **Revenue and GPM outlook.** Management commented that 4Q sales should see upper-teen growth compared to 2019, and this would be much driven by 1) a double in sales during the 2023 Double 11 event in China, 2) growth in TUMI brand in Europe and America, supported by an upcoming women's category debut next year. Separately, GPM stood at 59.6% in 3Q23, +390 bps compared to 3Q19, primarily attributed to the remarkable sales growth of the TUMI brand in Asia, which saw a 70.2% YoY increase in sales for 9M23. Samsonite envisages GPM to stabilise at approximately 59% in 4Q.
- **Advertising spend/store count to increase.** The current marketing expenditure level at 6.2% is below the historical average. Starting from 4Q, the company aims to increase the marketing expenditure to 7% as part of its strategic efforts to reinforce brand positioning. In addition to the steady onshore consumption recovery, management also noticed the resumption of Chinese credit card transaction activities in Europe and other regions. As part of the long-term recovery plan, the company continues to invest in store refreshments and opening new stores, with a focus on nurturing DTC channels and selective company-oriented retail stores. Year-to-date, there have been net additions of 24/6 stores in Asia/Europe, respectively.
- **Balance sheet deleveraging.** Samsonite made a voluntary borrowing repayment of US\$70mn. Together with another obligated US\$6.5mn repayment, net debt decreased to about US\$1.2bn by the end of the quarter. Total net leverage ratio was brought down to 1.8x, the lowest level since the TUMI acquisition in 2016.
- **Earnings change/valuation.** We largely maintain our estimates on an in-line 3Q results. Our TP is DCF-based. We update our risk-free rate to 4.6%, risk premium to 8.0% and Beta to 0.8x, and hence our new WACC to 8.5% (from 8.0%). Meanwhile, our 2% terminal growth assumption is unchanged. Our TP implies 12.9x end-24E P/E.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	2,021	2,880	3,899	4,292	4,605
YoY growth (%)	31.5	42.5	35.4	10.1	7.3
Net profit (US\$ mn)	14.3	312.7	363.2	428.0	485.6
YoY growth (%)	na	2,086.7	16.2	17.8	13.4
EPS (Reported) (US\$)	0.01	0.22	0.25	0.30	0.34
Consensus EPS (US\$)	na	na	0.26	0.31	0.34
P/E (x)	195.6	10.4	12.2	10.3	9.1
P/B (x)	4.1	3.1	3.2	2.6	2.1
EV/EBIT (x)	49.0	13.0	9.0	7.5	6.6
ROE (%)	2.2	36.3	29.9	27.5	25.7
Net gearing (%)	212.3	133.4	77.5	45.7	31.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$30.0
(Previous TP)	HK\$32.9
Up/Downside	25.0%
Current Price	HK\$24.00

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Stock Data

Mkt Cap (HK\$ mn)	34,501.8
Avg 3 mths t/o (HK\$ mn)	149.7
52w High/Low (HK\$)	27.55/18.90
Total Issued Shares (mn)	1437.6
Source: FactSet	

Shareholding Structure

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

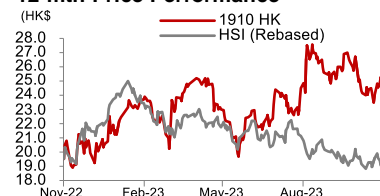
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-10.1%	-8.1%
3-mth	-2.0%	7.2%
6-mth	4.3%	17.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

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4. [CTGDF \(601888 CH\) – 3Q prelim rev/np +28%/93%; estimates unchanged – Oct 10, 2023](#)
5. [Samsonite \(1910 HK\) – 3Q Preview: rev/adj EBITDA +20%/36% - Oct 4, 2023](#)

Figure 1: DCF assumptions

Present value calculation	
Net Present Value	3,510
+ Terminal Value	3,482
= Enterprise value	6,992
- Net debt	1,454
= Total Equity value	5,538
Number of shares (mn)	1,438
DCF value per share (HK\$)	30.0

WACC assumptions	
Debt %	59.1%
Equity %	40.9%
Tax rate	26.0%
Borrowing premium	4.6%
Post-tax cost of debt	6.8%
Risk free rate	4.6%
Risk Premium	8.0%
Beta	0.8
Cost of equity	11.0%
WACC	8.524%
Long-term growth	2.0%

1 USD =	7.78
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Source: CMBIGM estimates

Figure 2: DCF sensitivity analysis

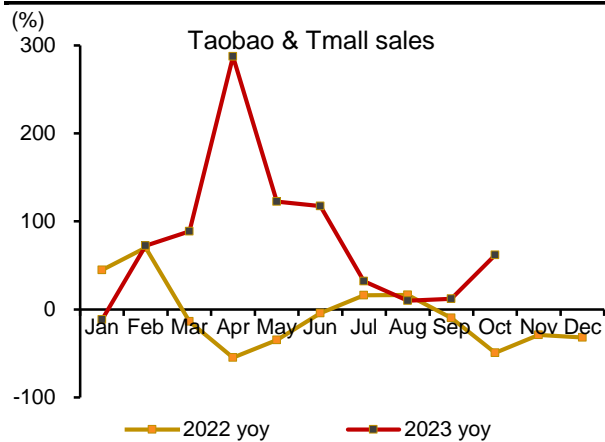
30.0	8.3%	8.4%	8.5%	8.6%	8.7%
1.8%	30.5	29.9	29.4	28.9	28.4
1.9%	30.8	30.2	29.7	29.2	28.7
2.0%	31.1	30.5	30.0	29.5	28.9
2.1%	31.5	30.9	30.3	29.8	29.2
2.2%	31.8	31.2	30.6	30.1	29.5

Sensitivity to RF and long-term growth					
30.0	1.8%	1.9%	2.0%	2.1%	2.2%
4.5%	29.8	30.1	30.4	30.8	31.1
4.6%	29.6	29.9	30.2	30.5	30.8
4.6%	29.4	29.7	30.0	30.3	30.6
4.7%	29.2	29.4	29.7	30.1	30.4
4.7%	28.9	29.2	29.5	29.8	30.1

Sensitivity to RF and Equity Risk Premium (ERP)					
30.0	4.4%	4.5%	4.6%	4.7%	4.8%
7.8%	31.3	30.8	30.3	29.9	29.4
7.9%	31.1	30.6	30.2	29.7	29.3
8.0%	30.9	30.4	30.0	29.5	29.1
8.1%	30.7	30.3	29.8	29.3	28.9
8.2%	30.5	30.1	29.6	29.2	28.7

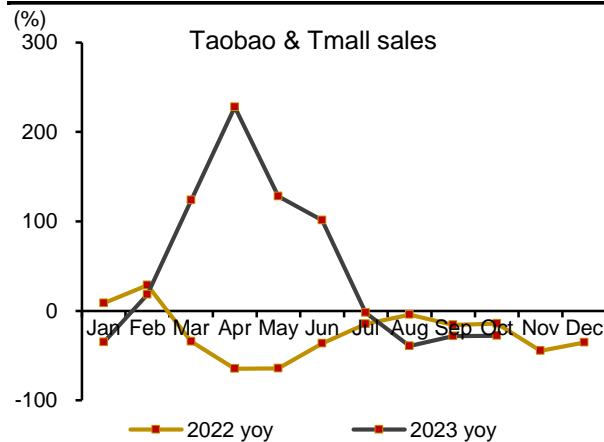
Source: CMBIGM estimates

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

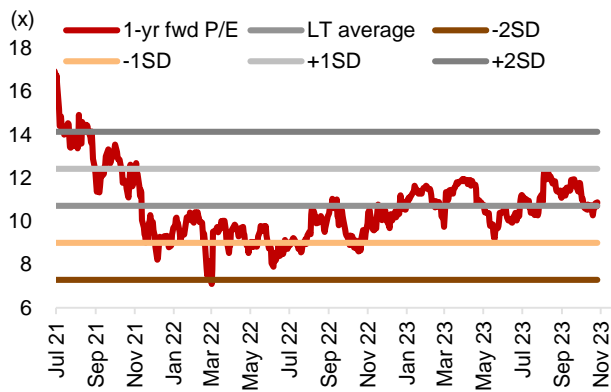
USD mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	3,899	4,292	4,605	3,944	4,343	4,659	-1.1%	-1.2%	-1.2%
Gross Profit	2,300	2,545	2,744	2,327	2,575	2,777	-1.1%	-1.2%	-1.2%
EBITDA	848	910	973	856	919	983	-0.9%	-1.0%	-1.0%
Net profit	363	428	486	369	434	493	-1.5%	-1.4%	-1.4%
Gross Margin	59.0%	59.3%	59.6%	59.0%	59.3%	59.6%	0ppt	0ppt	0ppt
Adj. EBITDA Margin	21.8%	21.2%	21.1%	18.5%	19.5%	20.1%	3.2ppt	1.7ppt	1ppt
Net margin	9.3%	10.0%	10.5%	9.2%	9.7%	10.2%	0.2ppt	0.3ppt	0.3ppt

Source: CMBIGM estimates

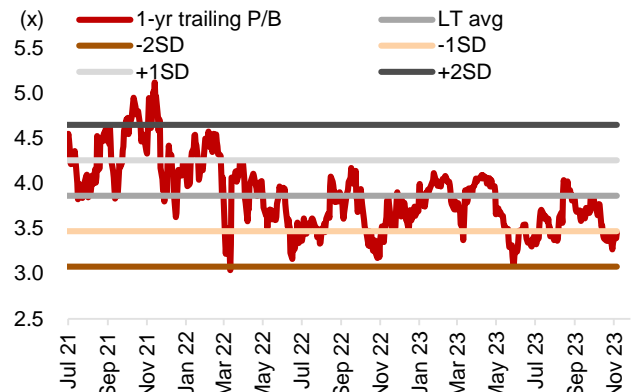
Figure 6: CMBIGM estimates vs consensus

USD mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	3,899	4,292	4,605	3,810	4,243	4,630	2.3%	1.2%	-0.5%
Gross Profit	2,300	2,545	2,744	2,244	2,499	2,709	2.5%	1.9%	1.3%
EBITDA	848	910	973	814	918	971	4.2%	-0.9%	0.2%
Net profit	363	428	486	378	447	490	-4.0%	-4.3%	-0.9%
Gross Margin	59.0%	59.3%	59.6%	58.9%	58.9%	58.5%	0.1ppt	0.4ppt	1.1ppt
Adj. EBITDA Margin	21.8%	21.2%	21.1%	21.4%	21.6%	21.0%	0.4ppt	-0.4ppt	0.1ppt
Net margin	9.3%	10.0%	10.5%	9.9%	10.5%	10.6%	-0.6ppt	-0.6ppt	0ppt

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	3,899	4,292	4,605
Cost of goods sold	(830)	(919)	(1,274)	(1,598)	(1,747)	(1,860)
Gross profit	706	1,102	1,605	2,300	2,545	2,744
Operating expenses	(1,018)	(988)	(1,185)	(1,618)	(1,768)	(1,883)
Selling expense	(818)	(782)	(963)	(1,337)	(1,459)	(1,552)
Admin expense	(200)	(206)	(222)	(281)	(309)	(332)
Operating profit	(1,266)	133	492	682	777	861
EBITDA	(1,011)	330	668	848	910	973
Adjusted EBITDA	(219)	182	472	728	830	923
Depreciation	(66)	(46)	(35)	(36)	(40)	(42)
Goodwill amortisation	(189)	(152)	(141)	(130)	(93)	(69)
EBIT	(1,266)	133	492	682	777	861
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	531	626	710
Income tax	94	56	(24)	(138)	(163)	(185)
After tax profit	(1,288)	24	338	393	463	525
Minority interest	10	(9)	(26)	(30)	(35)	(40)
Net profit	(1,278)	14	313	363	428	486
Dividends	0	0	0	109	128	146

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Current assets	2,174	1,940	1,695	2,650	2,912	3,157
Cash & equivalents	1,495	1,325	636	931	1,228	1,364
Account receivables	141	206	291	587	647	694
Inventories	456	348	688	1,051	957	1,019
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	5,562	5,743	5,927
Current liabilities	731	918	1,213	1,661	1,488	1,276
Short-term borrowings	81	107	119	119	119	119
Account payables	413	529	779	1,226	1,053	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	2,428	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	4,089	3,916	3,704
Share capital	14	14	14	14	14	14
Retained earnings	620	675	1,017	1,381	1,700	2,057
Total shareholders equity	634	690	1,032	1,395	1,714	2,071
Minority interest	35	37	48	78	113	152
Total equity and liabilities	5,162	4,854	4,721	5,562	5,743	5,927

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,382)	(33)	363	531	626	710
Depreciation & amortization	99	78	57	60	63	65
Tax paid	(28)	2	(51)	(138)	(163)	(185)
Change in working capital	120	203	(175)	(212)	(139)	(321)
Others	1,078	137	83	106	70	47
Net cash from operations	(114)	387	278	347	457	316
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	(109)	(128)
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	(109)	(128)
Net change in cash						
Cash at the beginning of the year	463	1,495	1,325	636	931	1,228
Exchange difference	14	(16)	(23)	0	0	0
Cash at the end of the year	1,495	1,325	636	931	1,228	1,364
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	(57.8%)	31.5%	42.5%	35.4%	10.1%	7.3%
Gross profit	(65.0%)	56.0%	45.7%	43.3%	10.7%	7.8%
Operating profit	na	na	270.8%	38.6%	13.9%	10.8%
EBITDA	na	na	102.0%	27.1%	7.3%	6.9%
EBIT	na	na	270.8%	38.6%	13.9%	10.8%
Net profit	na	na	2,086.7%	16.2%	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%	21.8%	21.2%	21.1%
Return on equity (ROE)	(98.9%)	2.2%	36.3%	29.9%	27.5%	25.7%
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	12.2	10.3	9.1
P/E (diluted)	na	na	14.6	11.6	10.3	9.1
P/B	2.9	4.1	3.1	3.2	2.6	2.1
EV	6,727.0	6,503.5	6,421.9	6,126.7	5,829.9	5,694.2
EV/Sales	4.4	3.2	2.2	1.6	1.4	1.2
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	5.9

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

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