

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**

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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%

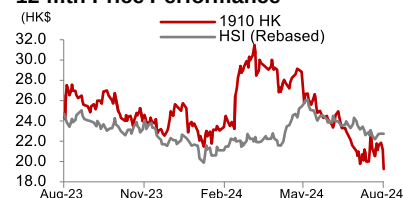
Source: HKEx

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

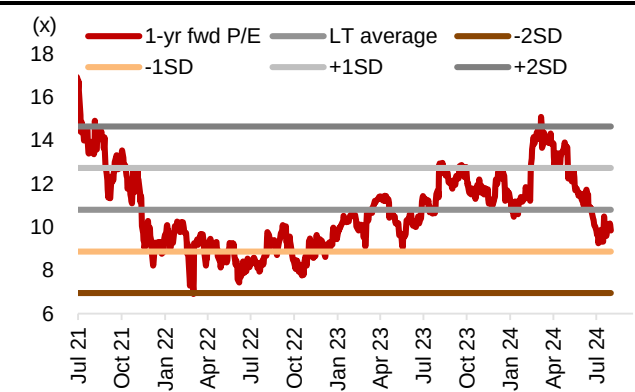
Source: CMBIGM estimates

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

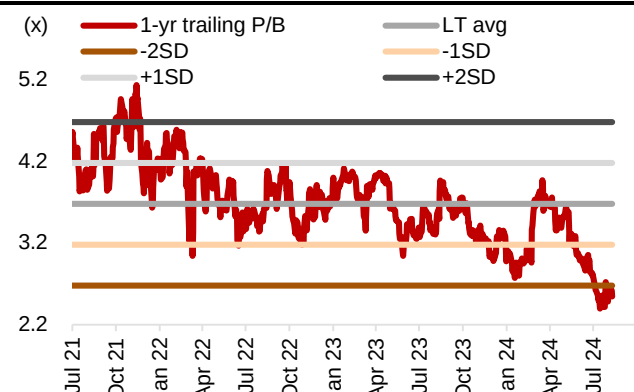
Source: Bloomberg, CMBIGM estimates

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.

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