

# Samsonite International SA (1910.HK)

## Better performance in 2014 than forecast

HONG KONG | CONSUMING | COMPANY UPDATE

25 March 2015

### Summary

- The result of Samsonite in 2014 shows that the sales revenue reaches up to 2.351 billion dollars with a growth of 15.4% yoy, which is the new revenue record. The EBITDA reaches up to 384 million with a growth of 13.8% yoy. And the profits that the shareholders should occupy reach up to 186 million dollars with a growth of 5.8% yoy. The net sales and EBITDA of Samsonite exceed our expectations by 2.8% and 1.3% respectively. The profit margin of EBITDA is 16.4%, a little lower than our expectation of 16.6%. Overall, the result of Samsonite is a little higher than our expectation.
- In this period, the revenues of Asia, North America, Europe and Latin America have growths of 16.1%, 22.4%, 8.3% and 5.7% yoy respectively. The businesses in Latin America and Europe are significantly affected by the exchange rate fluctuation. From the perspective of brand division, the revenue proportion of the core brand Samsonite has reduced from 69.4% in 2013 to 65.3%, which reflects the brand diversification trend of the company. The new acquired brands Speck and Gregory have contributed revenue of more than 100 million dollars, the revenue proportion of which is 8.3%.
- Samsonite has completed the acquisitions of three brands in 2014, see details in the above table. We can see that Samsonite is walking forward firmly on the road of diversification of products and brands, which provides potential power for the business development and result growth of the company in emerging markets. In finance, the three transactions' takeover price altogether equals to about 200 million dollars. In 2014, 110 million dollars of revenue and 1.1 million dollars of profit were made. Although it is hard to describe the acquisition price is cheap, it is good for rising the enterprise's value and establishing more advantages in competitions.
- In 2014, the liability scale of Samsonite increased and the total liability was amount to 67 million by the end of the period, which grew 346% compared to the 15 million at the end of 2013; mostly on account of the remarkable rising short-term liability, the leverage ratio increased from 1.3% in 2013 to 5.2%; however, due to that the liability scale is relatively small, the whole is still in the state of net cash. At the end, the company's cash dropped from 225 million to 140 million dollars.
- Samsonite continuously carries out acquisition to make its product and brand combinations diverse and effectively expand its "defense river" for competition. Yet, the company's steady balance sheet benefits from lower financial leverage, limited capital costs and sufficient cash flow; it is good for helping the company to establish more advantages in competitions. Organic growth and denotative expansion drive Samsonite's continuous and healthy growth. We maintain Samsonite's "Accumulate" rating with 30HKD target price for 12 months, equivalent to 20 times and 18 times of 2014 and 2015's prospective PE ratio.

### Accumulate(Update)

Closing Price: HKD 26.55

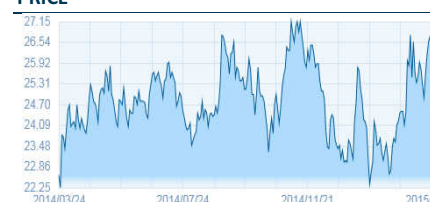
Target Price: HKD 30.00 (13%)

O/S SHARES (MN) :	1,408
MARKET CAP (HKD MN) :	37,388
Ent. Value (HKD MN) :	36,752
52 - WK HI/LO (HKD) :	28.05/21.90

### SHARE HOLDING PATTERN, %

PROMOTERS :	5.60
NON PROMOTER CORP. HOLDINGS :	45.67
PUBLIC & OTHERS :	48.72

### PRICE



Source: Phillip Capital Research

### KEY FINANCIALS

USD Mn	FY13	FY14	FY15E	FY16E
Revenue	2,038	2,350	2,525	2,765
Net Profit	176	186	243	266
EPS	0.125	0.132	0.172	0.189
P/E (X)	24.27	20.00	20.02	18.26
BVPS	0.850	0.930	1.070	1.190
P/B (X)	3.57	2.84	3.22	2.90
DPS	0.057	0.062	0.077	0.092
Div. Yield	1.88%	2.35%	2.23%	2.67%

Source: Phillip Capital Research Est.

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## Financials

FYE	FY11	FY12	FY13	FY14	FY15F	FY16F
<b>Valuation Ratios</b>						
P/E (X), adj.	26.09	19.56	24.27	20.00	20.02	18.26
P/B (X)	2.41	2.74	3.57	2.84	3.22	2.90
Dividend Yield (%)	1.34%	1.31%	1.88%	2.35%	2.23%	2.67%
<b>Per share data (USD)</b>						
EPS, reported	0.060	0.105	0.125	0.132	0.172	0.189
EPS, adj.	0.060	0.105	0.125	0.132	0.172	0.189
DPS	0.021	0.027	0.057	0.062	0.077	0.092
BV/PS	0.650	0.750	0.850	0.930	1.070	1.190
<b>Growth &amp; Margins (%)</b>						
<b>Growth</b>						
Revenue	28.80%	13.23%	15.01%	15.31%	7.45%	9.50%
EBTDA	29.30%	15.73%	17.77%	13.61%	10.21%	8.46%
Net Income, adj.	-75.50%	70.11%	18.92%	5.68%	30.42%	9.65%
<b>Margins</b>						
EBITDA margin	15.85%	16.20%	16.58%	16.34%	16.76%	16.60%
Net profit margin	6.65%	9.42%	9.67%	7.91%	10.76%	9.62%
<b>Key Ratios</b>						
ROE (%)	9.23%	14.00%	14.71%	14.19%	16.10%	15.88%
ROA (%)	5.63%	8.16%	9.10%	8.72%	10.81%	9.71%
Net Debt/(Cash)	net cash	net cash	net cash	net cash	net cash	net cash
Net Gearing (X)	net cash	net cash	net cash	net cash	net cash	net cash
<b>Income Statement (USD mn)</b>						
	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15F</b>	<b>FY16F</b>
Revenue	1,565	1,772	2,038	2,350	2,525	2,765
EBITDA	248	287	338	384	423	459
EBIT	209	242	281	299	373	399
EBT	139	225	270	282	370	387
Tax	36	58	73	77	98	101
Tax rate	25.90%	25.78%	27.04%	27.30%	26.60%	26.00%
Profit for the year	104	167	197	205	272	286
Minority interests	17	18	21	19	29	20
Net profit	87	148	176	186	243	266

Source: BLOOMBERG, Samsonite and Phillip Securities

### PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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