

Samsonite International SA (1910.HK)

Performance in 2015Q1 was achieved strongly

HONG KONG | CONSUMING | COMPANY UPDATE

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Summary

- 2015Q1 saw Samsonite achieve the net sales growth by 10.8% yoy up to US\$567 million, and if excluding the currency exchange rate, its consolidated net sales in Q1 rose by 18.5% yoy. During this period, calculated at a fixed currency benchmark, the Company's net sales achieved in Asia went up by 18% to US\$232 million, up by 25.3% to US\$183 million in North America, up by 13.6% to US\$112 million in Europe and up by 11.5% to US\$37 million in Latin America.
- The sales growth in Q1 met our expectation and continued to rise at a double digit rate (fixed exchange rate) in the four continental markets, indicating that the Company has had strong endogenous capability. In particular, the growth in Asia and North America was higher than in Europe and Latin America, being of more significance in supporting the continuing sales growth in the future.
- From early Q2, a few factors have had positive effects on Samsonite's operation and business. First, the acquisition of Rolling Luggage is expected to push up its sales. The second one is exchange rate. After hitting 100 mark in Q1, the US Dollar Index (USDIX) fluctuates around 95-100. It is believed that the end of strong US Dollar has a positive significance to its sales in Asia, Europe and Latin America.
- Samsonite has completed the acquisitions of three brands in 2014. 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. (Closing price as at 9 June 2015)

Accumulate(Update)

Closing Price: HKD 26.05

(Closing price as at 9 June 2015)

Target Price: HKD 30.00 (15%)

O/S SHARES (MN) :	1,410
MARKET CAP (HKD MN) :	36,722
Ent. Value (HKD MN) :	36,252
52 - WK HI/LO (HKD) :	29.8/21.90

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
Valuation Ratios						
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%
Per share data (USD)						
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
Growth & Margins (%)						
Growth						
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%
Margins						
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%
Key Ratios						
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
Income Statement (USD mn)						
	FY11	FY12	FY13	FY14	FY15F	FY16F
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

(Financial figures as at 9 Jun 2015)

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 ± 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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