

Samsonite International SA

Clear Drivers of Double-Digit Sales & Earnings Growth
- Initiate with Overweight

Initiate coverage on Samsonite with an Overweight rating and Jun-16 PT of HK\$31. While Samsonite faces some FX and underlying margin headwinds in the near term, we believe this is already factored into consensus forecasts. We like the growth prospects of the luggage industry and believe Samsonite is led by a superior management team. Samsonite is one of the very few companies within our coverage universe where we see clear drivers of double-digit sales and earnings growth over the foreseeable future. The stock is currently trading on ~21x FY15E P/E, which is at a ~2-3 point discount relative to global brand names.

- **Double-digit sales and earnings growth expected from 2014-2020E.** We expect ~12% p.a. sales growth for Samsonite from 2014-2020 and expect sales in 2020 to be close to double that of 2014 levels. We expect the following drivers of sales growth: (1) Industry growth; (2) Growth in the non-travel segment in US and other regions; (3) Increased penetration of *American Tourister* in Europe; (4) Growth in Asia supported by the *American Tourister* brand; (4) Expansion in Latin America. Samsonite has historically been able to grow operating margins over time through operating leverage, which we expect to continue for the foreseeable future. We forecast ~14% p.a. underlying EBITDA growth from 2014-2020.
- **While some FX and margin headwinds exist in the near term, we believe this has largely been factored into consensus forecasts.** Assuming current spot FX rates into perpetuity, we forecast ~7% negative translation impact on sales in FY15. We also expect underlying EBITDA margins to be negatively impacted by negative FX movements, some higher investment in A&P and dilution impact of recent acquisitions. We expect the above factors to cap the company's ability to expand underlying EBITDA margins in FY15. However, this has largely been factored into consensus forecasts.
- **Jun-16 PT of HK\$31.** Our Jun-16 PT is based on target P/E of ~20x our earnings forecasts for FY16. Key downside risks include: (1) Any downturn in global luggage demand (including events such as global health epidemics etc); (2) Damage to brand image; (3) Unfavourable FX movements; (4) Unforeseen operating cost pressures; (5) Risk of overexpansion.

Samsonite International SA (Reuters: 1910.HK, Bloomberg: 1910 HK)

\$ in mn, year-end Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue (\$ mn)	2,038	2,351	2,655	3,011	3,391
Net Profit (\$ mn)	176	186	232	274	321
EPS (\$)	0.13	0.13	0.16	0.19	0.23
Recurring EPS (\$)	0.13	0.13	0.16	0.19	0.23
DPS (\$)	0.06	0.06	0.08	0.09	0.11
Revenue growth (%)	15.0%	15.4%	12.9%	13.4%	12.6%
Net Profit growth (%)	18.6%	5.8%	24.5%	18.2%	17.1%
Recurring profit growth	18.6%	5.8%	24.5%	18.2%	17.1%
EPS growth (%)	18.6%	5.7%	24.5%	18.2%	17.1%
ROE	15.7%	15.1%	17.3%	18.3%	19.1%
ROA	9.4%	9.2%	10.4%	11.1%	11.7%
P/E (x)	27.5	26.1	20.9	17.7	15.1
P/BV (x)	3.9	3.7	3.3	2.9	2.6
EV/EBITDA (x)	14.9	13.8	11.9	10.3	8.9
Dividend Yield	1.6%	1.8%	2.2%	2.7%	3.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Initiation Overweight

1910.HK, 1910 HK

Price: HK\$26.70

Price Target: HK\$31.00

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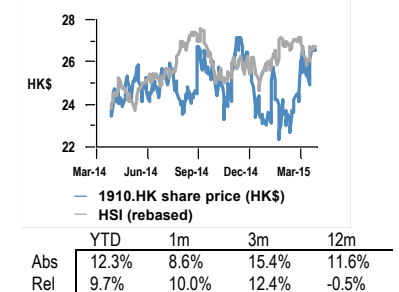
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Price Performance



Company Data

Shares O/S (mn)	1,408
Market Cap (\$ mn)	4,849.42
Market Cap (\$ mn)	4,849.42
Price (HK\$)	26.70
Date Of Price	30 Mar 15
Free Float(%)	-
3M - Avg daily vol (mn)	4.30
3M - Avg daily val (HK\$ mn)	105.39
3M - Avg daily val (\$ mn)	13.6
HSI	2,4486.20
Exchange Rate	7.75
Price Target End Date	30-Jun-16

See page 49 for analyst certification and important disclosures, including non-US analyst disclosures.

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Key catalysts for the stock price:	Upside risks to our view:	Downside risks to our view:
Upcoming sales and earnings releases highlighting that the company is on track to achieve earnings growth Any favourable FX movements, with fall in USD a positive for Samsonite's bottom line	Upside risks to our view include: (1) Any upturn in global luggage demand; (2) Better than expected penetration of American Tourister in European and Asian markets; (3) Any unexpected decrease in sourcing costs; (4) Lower than expected operating cost and capex investment; (5) Favourable movements in FX	Downside risks to our view include: (1) Any downturn in global luggage demand; (2) Worse than expected penetration of American Tourister in European and Asian markets; (3) Ongoing sustained loss of market share; (4) Risk of overexpansion which leads to operating cost pressure; (5) Any unexpected increase in sourcing costs; (6) Higher than expected operating cost and capex investment; (7) Unfavourable movements in FX; (8) Any significant event that negatively impacts global travel.

Key financial metrics	FY13A	FY14A	FY15E	FY16E
Revenues (LC)	2,038	2,351	2,655	3,011
Revenue growth (%)	15%	15%	13%	13%
EBITDA (LC)	326	351	407	473
EBITDA margin (%)	16.0%	14.9%	15.3%	15.7%
Tax rate (%)	27%	27%	27%	26%
Net profit (LC)	176	186	232	274
EPS (LC)	0.13	0.13	0.16	0.19
EPS growth (%)	19%	6%	25%	18%
DPS (LC)	0.06	0.06	0.08	0.09
BVPS (LC)	0.87	0.93	1.05	1.18
Operating cash flow (LC mn)	193	224	258	334
Free cash flow (LC mn)	143	167	181	249
Interest cover (X)	29.8x	20.8x	58.9x	78.0x
Net margin (%)	9%	8%	9%	9%
Sales/assets (X)	1.1x	1.2x	1.2x	1.2x
Debt/equity (%)	1%	5%	4%	4%
Net debt/equity (%)	-17%	-6%	-9%	-17%
ROE (%)	16%	15%	17%	18%

Key model assumptions	FY13A	FY14A	FY15E	FY16E
Sales Growth			13%	13%
Gross Margin			52.9%	52.8%
Operating Margin			12.7%	13.2%

Source: Company, J.P. Morgan estimates.

Sensitivity analysis	EBITDA		EPS	
5pp decrease in sales growth	-14.4%	-14.5%	-18.3%	-18.4%
100bp decrease in gross margin	-6.4%	-12.6%	-8.3%	-16.0%
100bp decrease in EBIT margin	-6.4%	-12.6%	-8.3%	-16.0%

Source: J.P. Morgan estimates.

Comparative metrics

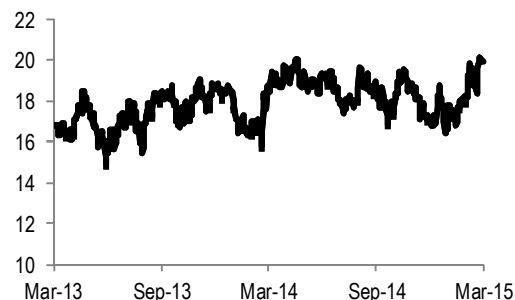
	CP LC	Mkt Cap \$Mn	P/E		EV/EBITDA		P/BV		YTD Stock perf.
			FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	
INDITEX	29.6	100,727	37.1x	31.9x	21.4x	18.5x	9.1x	7.9x	25.1%
LVMH MOET HENNE	162.3	89,799	20.7x	18.8x	10.6x	9.6x	3.2x	2.9x	22.7%
NIKE INC -CL B	99.9	86,290	28.1x	25.2x	17.3x	15.7x	6.9x	6.3x	4.2%
HENNES & MAURI-B	343.5	66,329	25.5x	23.3x	15.8x	14.3x	9.5x	8.3x	5.5%
FAST RETAILING	47,550.0	42,328	39.2x	36.6x	20.5x	18.3x	6.8x	6.0x	8.4%
VF CORP	74.4	31,639	23.1x	20.1x	14.4x	12.7x	5.3x	4.9x	-0.3%
MICHAEL KORS HOL	67.0	13,445	15.6x	14.0x	8.8x	7.5x	6.0x	4.4x	-10.8%
TUMI HOLDINGS IN	24.0	1,625	24.7x	21.2x	12.6x	10.9x	3.3x	2.9x	0.9%
VIP INDS LTD	90.2	204	28.5x	20.0x	N/A	N/A	4.2x	3.9x	-20.4%

Source: Bloomberg, Company and J.P. Morgan estimates. Prices are as of March 30, 2015.

Valuation and price target basis

Our Jun-16 price target is HK\$31 per share. Our price target is based on a target P/E of ~20x and our earnings forecasts for the year ending Dec-16. Our target P/E is in line with the current Samsonite trading multiple.

Samsonite – One-year Forward P/E



Source: Bloomberg

JPM vs. consensus, change in estimates

EPS	FY15E	FY16E
JPM old		
JPM new	0.16	0.19
% chg		
Consensus	0.17	0.19

Source: Bloomberg, J.P. Morgan estimates.

Company Description

Samsonite International S.A. is the world’s largest travel luggage company, with heritage dating back more than 100 years. The company is principally engaged in design, manufacture, sourcing and distribution of luggage, business & computer bags, outdoor & casual bags and travel accessories throughout the world. The company brand portfolio currently consists of *Samsonite, American Tourister, High Sierra, Hartmann, Lipault* and *Speck*.

Sales % by Region

Country	% Sales
Asia	38%
North America	32%
Europe	24%
Latin America	6%
Other	0%

Source: Company reports. 2014 figures.

EBITDA % by Region

Country	% EBITDA
Asia	46%
North America	28%
Europe	23%
Latin America	3%

Source: Company reports. 2014 figures.

Brand Sales Distribution

Country	% Sales
Samsonite	65%
American Tourister	21%
High Sierra/ Hartmann	5%
Speck	4%
Other	5%

Source: Company reports. 2014 figures.

Sales by Category

Country	% Sales
Travel	70%
Casual	11%
Business	11%
Accessories	6%
Other	2%

Source: Company reports. 2014 figures.

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Global tourism has grown ~4% p.a. since 199540

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Investment Summary

Positive driver #1 – Drivers of double-digit sales growth over the coming years

- We expect ~12% p.a. sales growth for Samsonite from 2014-2020 and expect sales in 2020 to be close to double that of 2014 levels. We expect the following drivers of sales growth:
 - Industry growth.
 - Growth in the non-travel segment in US and other regions.
 - Increased penetration of *American Tourister* in Europe.
 - Growth in Asia supported by the *American Tourister* brand.
 - Expansion in Latin America.
- Our range estimates for dollar sales growth contribution by driver is detailed in the table below.

Table 1: Samsonite Revenue Growth Waterfall

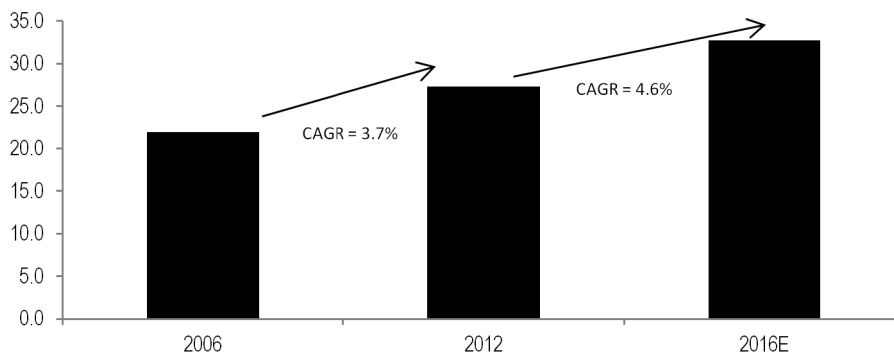
FY14 revenue	US\$2,351m
Industry growth	~US\$700-800m
Additional non-luggage growth in US	~US\$200-300m
<i>American Tourister</i> growth in Europe	~US\$200-300m
<i>American Tourister</i> growth in Asia	~US\$600-700m
Other Asia	~US\$100-300m
Increase Latam market share	~US\$100-200m
Other	~US\$100-200m
FY20 revenue range	~US\$4,350-5,150m
<i>CAGR growth (FY14-FY20)</i>	<i>~10.5-14.0%</i>

Source: J.P. Morgan estimates.

Driver #1 – Industry growth

- The global luggage industry has grown 3.7% p.a. since 2006. Over the same period, international tourist arrivals have grown 2.7% p.a. In 2012, the industry was a US\$27.3bn industry.
- The global luggage industry is expected to grow at a CAGR of 4.6% from 2012 to 2016 with growth driven by expected growth in international tourism.

Figure 1: Global Luggage Industry Growth (US\$bn)



Source: Company data.

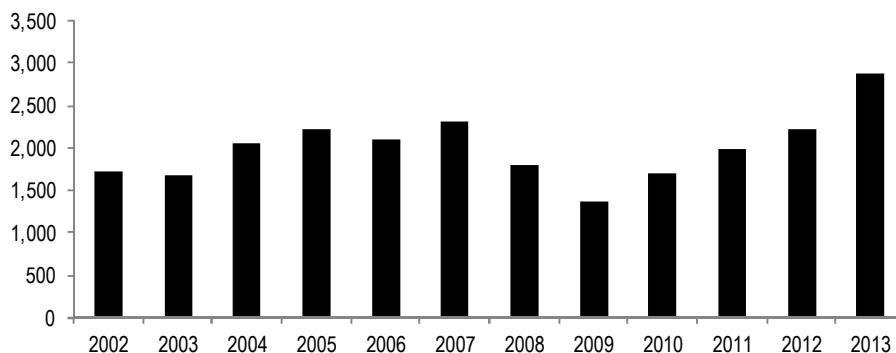
Driver #2 – Growth in non-travel segment within US

The US luggage market has grown at CAGR of ~5% from 2002 to 2013

- The US luggage market has grown at a CAGR of ~5% p.a. from 2002 to 2013 based off data from the US Travel Goods Association.

Figure 2: Retail Sales Value for US Luggage Market

US\$ in millions



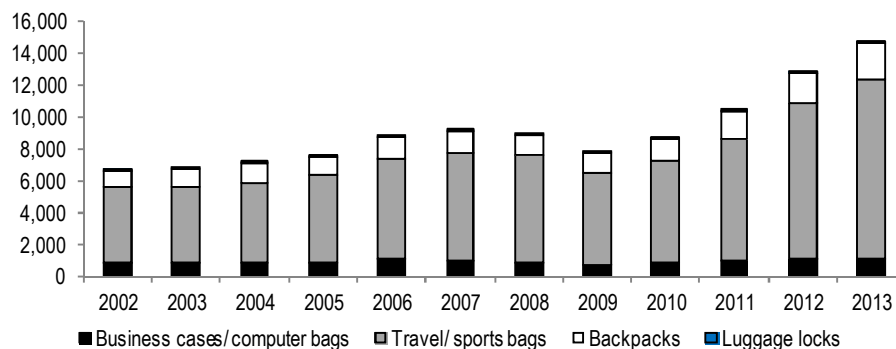
Source: US Travel Goods Association.

The non-travel segment has grown at CAGR of ~7% from 2002 to 2013

- The non-travel segment, however, has grown at a CAGR of ~7% p.a. from 2002 to 2013 based off data from the US Travel Goods Association.

Figure 3: Retail Sales Value for US Non-Travel Bags Market

US\$ in millions

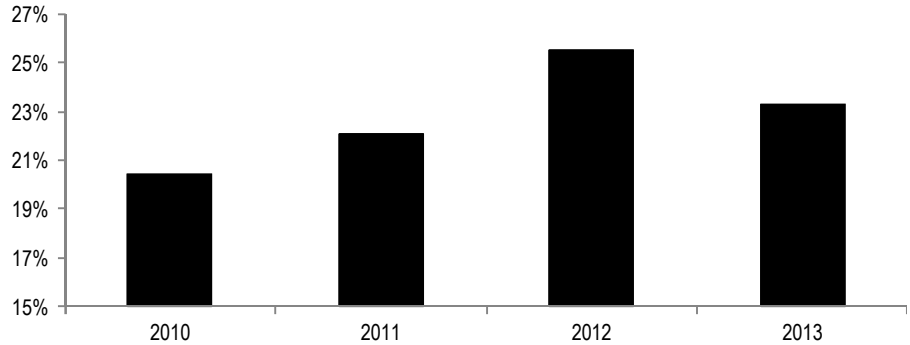


Source: US Travel Goods Association.

Opportunity for growth in non-travel segment in US

- According to the US Travel Goods Association, the size of the US luggage market at retail value was ~US\$2.9bn in size in 2013. Samsonite’s US sales in 2013 were US\$590m. Within this figure, we estimate travel goods sales represent ~US\$450m. This figure includes both wholesale and retail sales.
- Wholesale sales represent ~78% of Samsonite business in North America. Assuming ~40% retail mark-up, we estimate Samsonite group has ~23% market share within the US luggage market (in retail value terms).

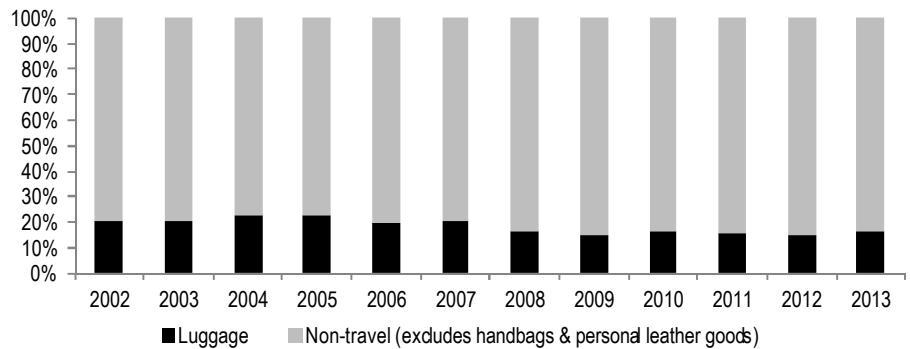
Figure 4: Samsonite US Market Share Trend



Source: Company reports and J.P. Morgan estimates. December year end.

- With this level of market share, we expect incremental market share gain in the core US luggage market would be relatively difficult to gain for Samsonite group. Hence, we believe growth in this region will more likely be driven by growth in the non-travel segment.
- Based on US Travel Goods Association data, the luggage segment represents ~16% of the US travel goods industry (excluding handbags and personal leathersgoods). Hence, we believe there is significant opportunity for Samsonite to gain market share in adjacent categories.

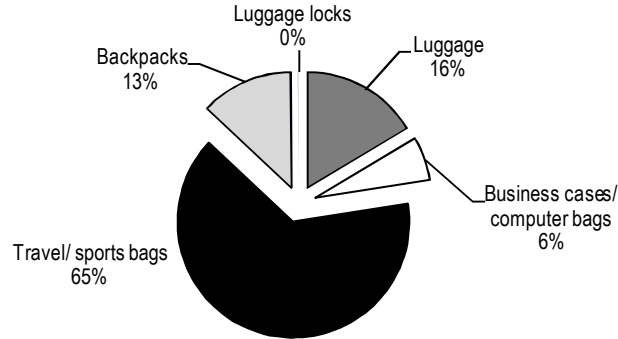
Figure 5: Breakdown of US Travel Goods Market (Excludes Handbags & Personal Leathersgoods)



Source: US Travel Goods Association.

- Breaking down the US travel goods market further, we think there are significant opportunities for Samsonite Group to gain market share in the backpacks, sportsbags, business cases/computer bags, and electronic device cases/accessories market, especially with recent acquisitions (*High Sierra, Gregory, Speck*).

Figure 6: Categories in US Travel Goods Market 2013 (Excludes Handbags & Personal Leathergoods)

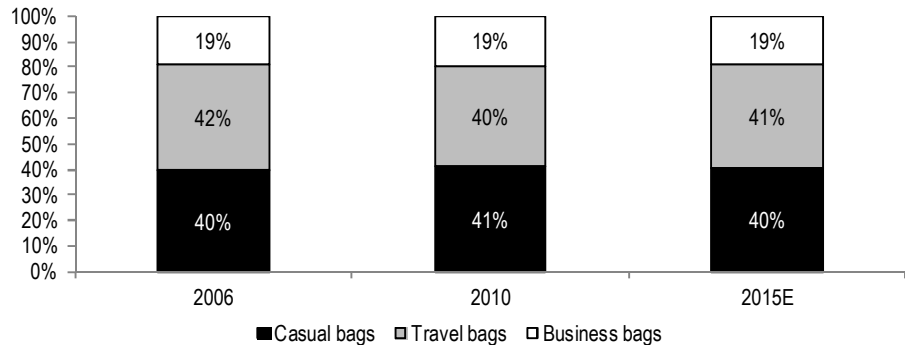


Source: US Travel Goods Association.

We also believe there is significant opportunity for growth in non-travel outside of US

- Beyond the opportunity for Samsonite to grow in non-travel in the US, we think there is also significant opportunity for growth in the non-travel category outside of the US.
- The Samsonite prospectus (quoting Frost & Sullivan data) stated that casual and business bag segment will represent ~1.5x the size of the travel bag segment globally by 2015. Hence, we believe there is significant opportunity for Samsonite to increase penetration in this area.

Figure 7: Global Luggage Market by Category



Source: Company reports.

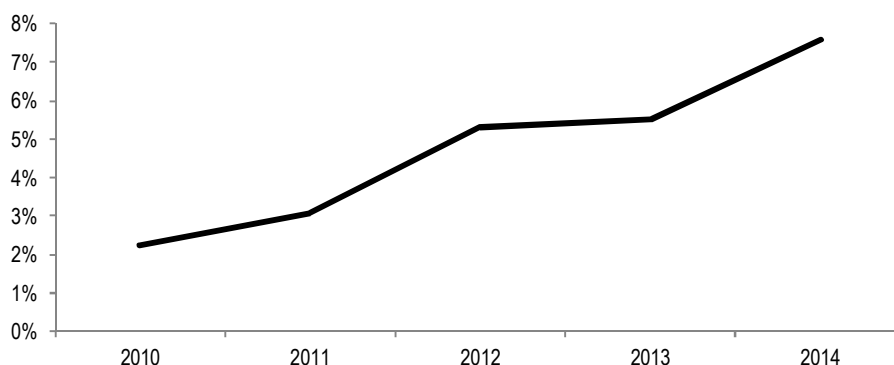
- Our forecasts do not inherently include a significant amount of market share growth in non-travel outside of the US and we believe this does represent an area of upside risk.

Driver #3 – Increased penetration of American Tourister in Europe

Opportunity for increased penetration for American Tourister brand in Europe

- Management believes growth in market share for the American Tourister brand in Europe represents a significant revenue opportunity for Samsonite group.
- For the year ended Dec-14, the American Tourister brand represented ~8% of Samsonite’s sales in Europe.







Figure 8: American Tourister as % of European Sales



Source: Company data.

- Samsonite has historically focused only on growth of the *Samsonite* brand in Europe, with this brand representing ~90-95% of the group’s business in Europe. The company had historically thought that the *American Tourister* brand would not be successful in Europe because it contained the word “American”. However, this view has changed more recently.
- The *Samsonite* brand in Europe is positioned in the mid-high end segment, while *American Tourister* is positioned at the low-mid end segment. Our channel checks for the UK market, for example, indicate *Samsonite* products are priced at ~75-150% premium to *American Tourister*.

Table 2: Price Comparison in UK - Samsonite vs. American Tourister

Brand	Samsonite	American Tourister	Samsonite	American Tourister	Samsonite	American Tourister
Product	4-Wheel 75cm Medium Large Suitcase	4-Wheel 75cm Large Spinner Suitcase	4-Wheel Medium Expandable Suitcase	Colora 4-Wheel 79cm Large Expandable Spinner Suitcase	Short-Lite 4-Wheel 55cm Cabin Suitcase	Ocean Grove 2-Wheel 55cm Cabin Suitcase
Picture						
Capacity	94L	90L	81.5/88L	102/110.5L	40L	39.5L
Dimensions	H75 x W51 x D31cm	H75 x W53 x D29cm	H70 x W45.5 x D29/32cm	H79 x W47.5 x D32.5/35cm	H55 x W40 x D23cm	H55 x W40 x D20cm
Material	Polypropylene	Polypropylene	Nylon and polyester mix	Nylon	70 x 160 denier nylon	Polyester
Weight	2.8kg	4.1kg	3.0kg	3.6kg	1.6kg	2.3kg
Warranty	10 years	3 years	5 years	2 years	5 years	3 years
Price	£349.00	£149.00	£185.00	£109.00	£135.00	£69.00

Source: Johnlewis.com.

- Samsonite internal data indicates that the unbranded/private label luggage selling at the ~€70-100 price point represents ~80% of the European market in unit terms and ~70% of the European market in value terms. Hence, there is significant opportunity for Samsonite Group to gain market share in the low-mid end segment with its *American Tourister* brand.
- With only ~8% of Samsonite’s European business in the mid-end segment, Samsonite currently holds very small market share in this very large segment of the market. *American Tourister* is priced at a slight premium relative to

unbranded/private label product but is supported by the following marketing message/value proposition:

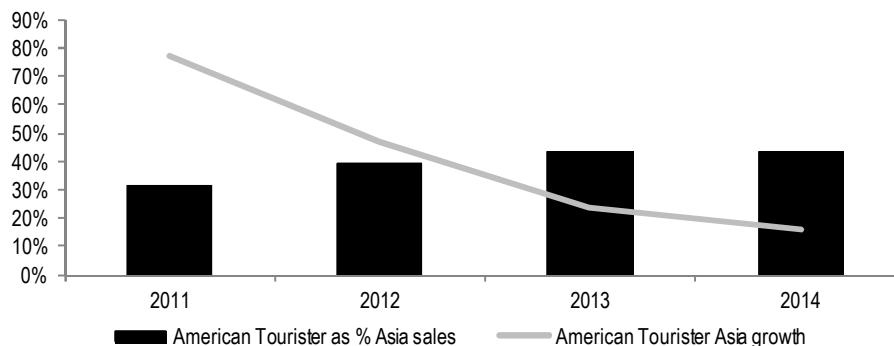
- Credible international brand implying assurance on functionality, reliability and quality.
- Global after sales warranty allowing the customer to be serviced if their luggage is broken elsewhere.
- Our optimism with respect to the growth potential of *American Tourister* in Europe is supported by some initial results in some European markets.
 - The company has indicated that it has initially tested the *American Tourister* brand in the Spanish and Italian markets, with the brand quickly becoming ~20% of the company's business in those markets.
 - UK department store John Lewis has recently agreed to stock *American Tourister* in 25 stores.

Driver #4 – Growth in Asia supported by the *American Tourister* brand

We believe there is greater opportunity for growth in Asia via American Tourister

- For the year ending Dec-14, *American Tourister* represents ~43% of Samsonite's sales in Asia.

Figure 9: American Tourister Growth Trend in Asia



Source: Company data.

- We think there is significant opportunity for *American Tourister* to represent a bigger portion of the Samsonite business in Asia given the current wealth levels of emerging Asian consumers. In the figure below, we detail some price comparisons for *Samsonite* and *American Tourister* product in China.

Table 3: Price Comparison in China - Samsonite vs. American Tourister

Figure	Samsonite	American Tourister	Samsonite	American Tourister	Samsonite	American Tourister
Product	4-Wheel 20-inch Medium Large Suitcase	4-Wheel 20-inch Large Spinner Suitcase	4-Wheel 28-inch Business Suitcase	4-Wheel 27-inch Business Suitcase	V79 20-inch Cabin Suitcase	Tank 19-inch Cabin Suitcase
Picture						
Capacity	94L	39.5L	94L	75L	45L	38L
Dimensions	H75xW51xD31cm	H56xW37xD24cm	H75xW50xD32.5cm	H71xW41xD30cm	H55xW38xD24cm	H47.5xW36.5xD19cm
Material	Polypropylene	Polypropylene	Polyester	Polyester	Polyester	Polyester
Weight	2.8kg	2.8kg	3.94kg	3.1kg	3.36kg	3.02kg
Guarantee	Life time	-	10 years	-	10 years	-
Price	¥4,112	¥1,398	¥1,980	¥1,399	¥2,080	¥398

Source: Tmall.com

- The company is positioning *American Tourister* brand as an entry level affordable international brand. The company believes there is opportunity to upsell to *Samsonite* branded products after the customer becomes an *American Tourister* customer.

We believe Samsonite's experience in India highlights the opportunity for American Tourister in Asia

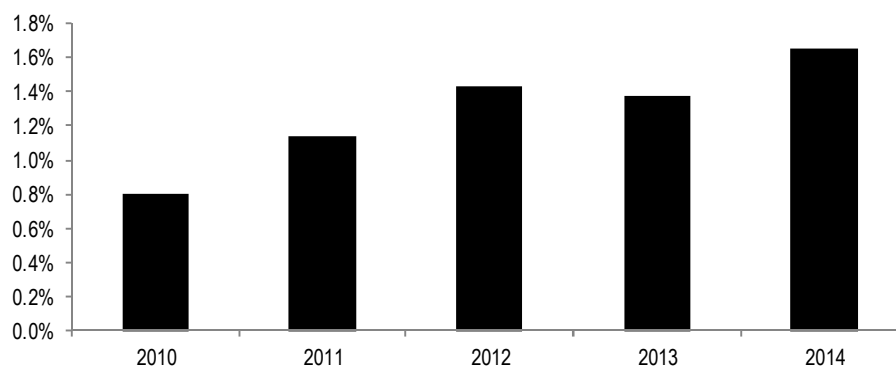
- Samsonite entered the Indian market with *American Tourister* in 2007. An article written by *Outlook Business* magazine in October 2014 provides a good summary of the reasons why Samsonite entered India with *American Tourister*. (<http://www.outlookbusiness.com/printarticle.aspx?292244>)
 - The company had engaged in a market research and business consultancy firm with respect to the Indian market in 2006. The findings presented both good news and bad news for the company.
 - The good news was that in the premium segment of the Indian market (priced over Rs 6,000 or over ~US\$100), Samsonite held 100% market share.
 - The bad news was that the mid segment (starting at Rs 3,000 or ~US\$50) was dominated by VIP and this was the segment of the market showing accelerated growth. At the time, VIP practically accounted for the entire organised luggage market in India.
 - Current Samsonite CEO Ramesh Tainwala (then COO of Samsonite India) suggested to the then CEO of Samsonite Group to sell luggage in a lower price band. He was uncomfortable with the idea of stretching the *Samsonite* brand and had quietly got two brand names registered.
 - However, he realised that there was no need. In 1993, Samsonite had acquired the *American Tourister* brand. It was a brand that was only sold in the US and in which the company had no actual interest in growing. In the US, both *American Tourister* and *Samsonite* were selling in the same price band and at the time Samsonite acquired *American Tourister* to kill competition. In India, Samsonite wanted to extend its price points and decided to reposition the *American Tourister* brand as an affordable brand and launch it in India.

- The company then worked hard to ensure that it created a product that was cheap enough but did not compromise on quality. Concurrently, the growth of *American Tourister* was supported by a trend of hard luggage moving to soft luggage as well as quick adaptation of bright colours such as orange and pale green.
- The company positioned the brand as an international brand that was durable. The word “American” also allowed the company to command a ~10% premium over competition.
- The effect was that in 2006, Samsonite was a ~Rs 50-crore company (~US\$8m) in India. In 2008, Samsonite India grew to ~Rs 200-crore in turnover (~US\$33m), with *American Tourister* ~75% of sales. By 2013, Samsonite India grew to ~Rs 647-crore in turnover (~US\$110m) business, with *American Tourister* ~77% of revenues. India has since grown to ~US\$127m business for Samsonite in FY14.
- Tainwala has been quoted as saying that: “*American Tourister* helped us to understand the potential of a value product”. We expect Samsonite to continue to focus on growth of *American Tourister* in Asia given the emerging nature of the consumer and current purchasing power. Given Tainwala’s experience with *American Tourister* in India, we believe it is likely that he sees similar opportunities for the brand in other parts of Asia.
- We believe there is opportunity for *American Tourister* to grow from ~40% of Asian revenues to over 60% by 2019/2020.

We also believe there is significant opportunity for Samsonite to increase penetration in Japan

- Based on 2010 data, the Japanese luggage market represented ~46% of the entire Asia luggage market. We estimate Samsonite only has ~1.7% market share in this market.

Figure 10: Samsonite - Japan Market Share



Source: J.P. Morgan estimates, Company data. December year end.

- Prior to 2005, the company’s Japanese business was operated by a licensee (ACE, one of Japan’s top luggage makers). ACE had entered into a licence affiliation with Samsonite Corporation in 1964. Samsonite took its licence back in 2004 and at the time, it had a significant impact on ACE’s revenues in Japan.
- Samsonite is now rebuilding its distribution footprint in Japan. Given the company’s long history in Japan, historic success and associated brand

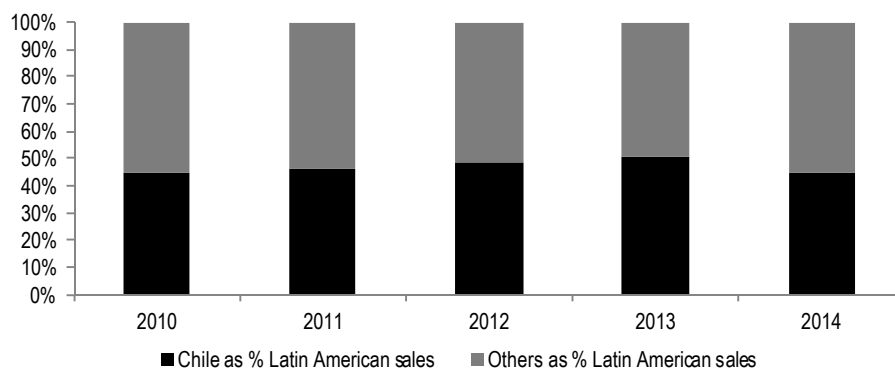
recognition, we believe there is significant opportunity for Samsonite to rebuild its business in Japan and gain market share.

Driver #5 – Expansion in Latin America

Chile represents ~45% of Samsonite’s Latam business with population of only ~18m

- While the Latin American market is diverse for Samsonite, Chile is the company’s largest region in Latin America and represents ~45% of Samsonite’s current Latin American business.

Figure 11: Samsonite Latin America Breakdown



Source: Company data. December year end.

- Based on World Bank data, Chile only has a population of ~18m people. The population of Samsonite’s top four Latam regions combined is ~382m, implying significant upside if the company can replicate its Chilean business in other Latam regions.

Table 4: Population for Top Four Latam Regions for Samsonite (2013)

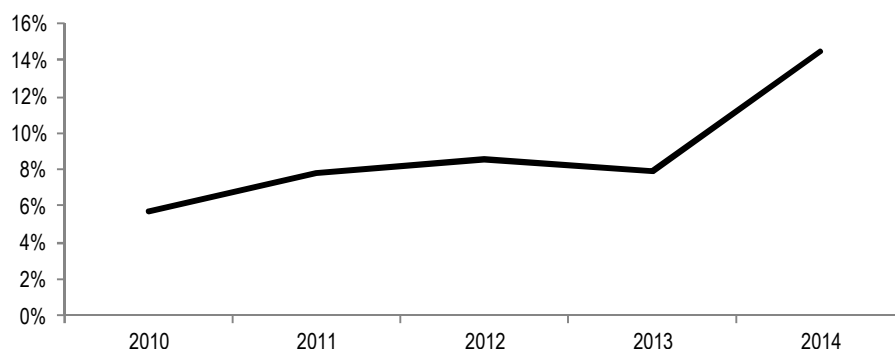
Chile	17.6
Mexico	122.3
Argentina	41.5
Brazil	200.4
Total	381.8

Source: World Bank.

We think there is significant opportunity for Samsonite in Brazil

- Brazil has historically been a relatively small part of the Samsonite business in Latin America. Brazil sales in 2008 were US\$10m. This number has grown somewhat to US\$19m in 2014. In the figure below, we detail a historic chart of Brazilian sales as percentage of total Latin American sales.

Figure 12: Brazilian Sales as a Proportion of Total Latin American Sales



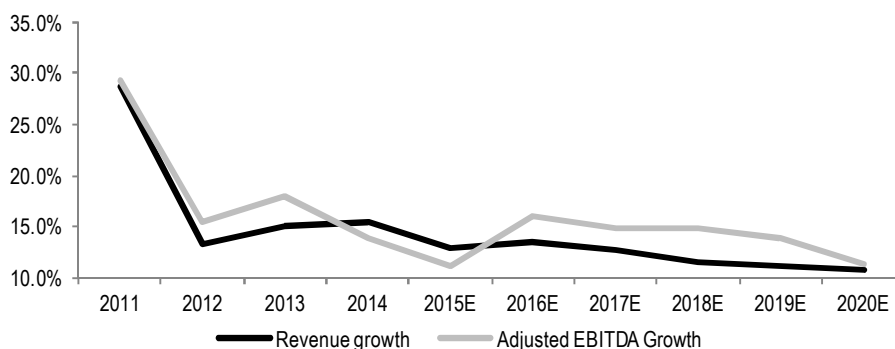
Source: Company data. December year end.

- Samsonite shifted its business model in Brazil from a distributor model to a direct import and sales model in 2H13. After purchasing its distributor’s business in Brazil, this business is now undergoing a period of transition. The company expects to sort issues associated with the business over the course of 1H15.
- Given the size of the Brazilian market from a population perspective, we believe there is significant opportunity in this market.
- Nevertheless, we expect Brazil is not without its challenges. Currently distribution of bags/luggage is still done primarily through small family-owned specialty stores. To grow market share in Brazil, Samsonite will likely need to build out its own distribution network, which will take time, resources and investment.

Positive driver #2 – We expect earnings to grow faster than sales over the medium to long term

- Samsonite has historically been able to generate some operating margin expansion as it has been able to achieve operating leverage as sales have grown.
- We expect the company to be able to continue to generate operating leverage over the medium to long term. For both FY14 and FY15, however, we note that Samsonite’s adjusted EBITDA margins have been slightly negatively impacted by recent acquisitions. After adjusting for the impact of acquisitions, adjusted EBITDA margins actually increased ~20bps in FY14.

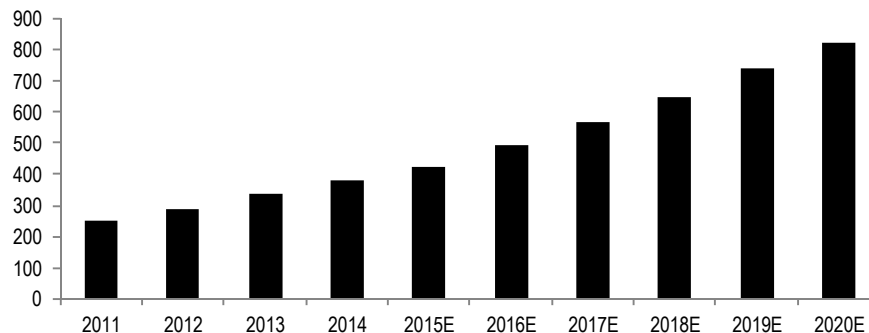
Figure 13: Samsonite - Revenue Growth v Adjusted EBITDA Growth



Source: J.P. Morgan estimates, Company data.

- As such, we forecast underlying adjusted EBITDA to grow ~14% p.a. from 2014 to 2020 and expect underlying adjusted EBITDA in 2020 to be more than double that of 2014 levels.

Figure 14: Samsonite - Historical and Forecast Adjusted EBITDA (US\$m)



Source: J.P. Morgan estimates, Company data.

- We note that relative to its closest listed peer, Tumi (TUMI US, Covered by J.P. Morgan US Broadlines Retailing, Apparel & Footwear Analyst Matthew Boss), Samsonite does have room to expand margins. A comparison of the financials of both companies is detailed in the table below.

Table 5: Tumi v Samsonite Financials

	Tumi			Samsonite		
	FY12	FY13	FY14	FY12	FY13	FY14
Revenue (\$ m)	398.5	467.4	527.2	1,771.7	2,037.8	2,350.7
Gross margin	57.3%	57.5%	58.0%	53.7%	53.4%	52.9%
EBITDA margin	20.9%	21.5%	21.2%	15.9%	16.0%	14.9%
EBIT margin	18.0%	18.5%	17.7%	13.6%	13.8%	12.7%
Return on assets	8.0%	11.2%	10.8%	8.8%	9.4%	9.2%
Return on equity	22.3%	16.1%	14.6%	14.6%	15.2%	14.7%

Source: Company reports. December year end.

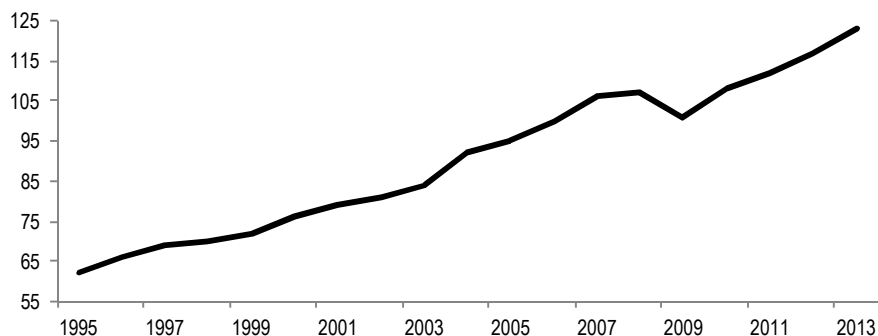
Positive driver #3 – Exposure to growth in global travel

Global tourism has grown ~4% p.a. since 1995

Historic international tourism arrival growth

- International tourism arrival has grown 3.9% p.a. since 1995. In the figure below we detail the index for international tourist arrivals since 1995 (as reported by the World Tourism Organisation).

Figure 15: International Tourist Arrival Index



Source: World Tourism Organisation. 2006 = 100.

In 2014, international tourism growth was ~5%

- In 2014, international tourism growth grew 4.7%. In the figure below, we detail tourism growth by region.

Table 6: World International Tourist Arrival Growth by Region

	2009 Full year	2010 Full year	2011 Full year	2012 Full year	2013 Full year	2014 Full year	2015F Full year
World	-3.9%	6.5%	5.1%	4.1%	4.7%	4.7%	~+3-4%
Europe	-5.0%	3.1%	6.6%	3.7%	4.9%	3.9%	~+3-4%
Asia Pacific	-1.6%	13.1%	6.5%	6.9%	6.8%	5.3%	~+4-5%
Americas	-4.7%	6.5%	3.5%	4.4%	3.5%	7.4%	~+4-5%
Africa	3.4%	8.9%	-0.1%	5.2%	4.8%	2.3%	~+3-5%
Middle East	-5.4%	13.1%	-3.5%	-5.6%	-3.4%	4.4%	~+2-5%

Source: World Tourism Organisation.

The World Tourism Organisation expects 1.8bn international tourist arrivals in 2030

- Going forward, the World Tourism Organisation expects international tourist arrivals to reach 1.8bn in 2030, up from ~1.1bn in 2013. The WTO therefore expects ~3% CAGR going forward.

Figure 16: International Tourist Arrival Projection

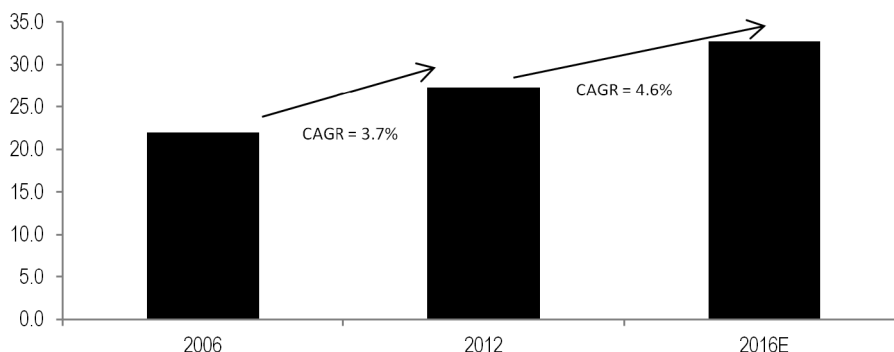


Source: World Tourism Organisation.

The global luggage industry has growth ~4% p.a. since 2006

- The global luggage industry has grown 3.7% p.a. since 2006. Over the same period, international tourist arrivals have grown 2.7% p.a. In 2012, the industry was a US\$27.3bn industry.
- The global luggage industry is expected to grow at a CAGR of 4.6% from 2012 to 2016.

Figure 17: Global Luggage Industry Growth (US\$bn)



Source: J.P. Morgan estimates, Company data.

Positive driver #4 – Strong competitive position in fragmented luggage industry

- The global luggage industry is relatively fragmented, with combined market share for the top 10 players ~30%. Samsonite is the largest player in the luggage industry with ~15% market share.

Table 7: Global Luggage Industry Market Share (2013)

Top 10	30.3%
Samsonite	15.2%

Source: Euromonitor.

- Part of the reason for the fragmented nature of the market is due to the fact that a majority of players in the luggage industry actually serve national markets as opposed to multiple countries. In the table below, we detail luggage companies with a substantial presence in key luggage markets globally. While the data is slightly dated (2010 data), we believe it does provide reasonable indication of the relative size of key competitors.

Table 8: Major Luggage Companies by Region (2010 data)

	North America	Europe	Latin America	Asia	India	China
Samsonite Group	X	X	X	X	X	X
VF Corp	X	X				
Targus	X					
Tumi	X	X				
Delsey	X	X				
VIP Industries				X	X	
Antler		X				
Rimowa		X				
Crown				X		X

Source: Company reports. X denotes over US\$100m of retail sales value in the region in 2010.

Positive driver #5 – Recent acquisitions represent growth driver

Acquisitions since listing

- Since listing, Samsonite has made six acquisitions for a combined purchase price of ~US\$365m cash. Details of acquisitions are listed below.

Table 9: Samsonite - Acquisitions Since Listing

Brand	Date announced	Purchase consideration	Financial details
High Sierra	18-Jul-12	US\$108m cash	US\$64m net sales in 2011 with 90% from US. 2013 net sales US\$89m
Hartmann	02-Aug-12	US\$34m cash	US\$23m net sales in 2011. 2014 net sales ~US\$17.5m
Lipault	01-Apr-14	€20m cash (~US\$28m)	US\$7.6 pro-forma net sales in 2014 with over 90% from France
Speck	29-May-14	US\$85m cash	US\$137m pro-forma net sales in 2014
Gregory	19-Jun-14	US\$84m cash	US\$31m pro-forma net sales in 2014
Rolling Luggage	17-Feb-15	£15.75m cash	£26.7m sales for year ended Jan-15

Source: Company reports, J.P. Morgan estimates.

We see organic growth opportunities for recently acquired businesses

- We believe these acquisitions do fill gaps within the Samsonite portfolio. We believe these businesses are positioned well in their respective market segments and there is opportunity for organic growth for these businesses:
 - *High Sierra/Gregory* – Growth on the back of expected strong growth in the global backpack market.
 - *Speck* – Growth on the back of ongoing expectation of strong shipments in the tablet and smartphone market.
 - *Lipault* – Growth on back of ongoing growth in luggage market and appeal to the female customer.
 - *Hartmann* – Growth on back of strong brand heritage.
 - *Rolling Luggage* – Exposure to travel retail.

We also see revenue synergies available

- For each business that has been acquired, Samsonite management sees significant opportunity to use Samsonite resources to expand each these businesses and hence, we believe revenue synergies are available. We detail Samsonite’s strategy for each brand in the table below.

Table 10: Samsonite – Strategy for Acquired Brands

Brand	Strategy/rationale	Progress since acquisition
High Sierra	Gives Samsonite foothold in North American casual bag market Leverage Samsonite's global distribution network to expand High Sierra to other markets	Sourcing, distribution and back-office operations/systems fully integrated since 1H13 Increased advertising spend since acquisition (spent ~US\$10m in 2014) Brand has launched in Asia and Europe where sales have been able to increase Will look to further expand in Asia/Europe wholesale accounts and license brand for other outdoor products as well as launch apparel
Hartmann	Positions Samsonite in the high-end luxury market Company sees good potential to introduce brand to other markets such as Asia and Europe	Sourcing, distribution and back-office operations/systems fully integrated since 1H13 Initial product redesign completed Global retail expansion underway Increased advertising spend since acquisition (with ~US\$8m spent in 2014) Key future initiatives include further retail expansion, substantiation of global brand identity, extension of product assortment into accessories, business/casual lifestyle
Lipault	Extend Samsonite brand portfolio to engage in wider base of fashionable female customers Use Samsonite's global distribution network to expand brand in France and additional markets in Europe, while evaluating opportunities to expand further in Asia and Americas	N/A
Speck	Extends brand portfolio beyond traditional travel luggage to fast growing market for protective cases for electronic devices Utilise Samsonite resources to strengthen Speck's business in US and expand presence across Asia, Europe and Latin America	N/A
Gregory	Extends brand portfolio into premium segment of outdoor bag segment to complement <i>High Sierra</i> (which is a mid-market brand) Gregory's lifestyle products are widely popular in Japan, implying opportunity to replicate success in other Asian markets Leverage Samsonite's marketing and distribution capabilities to further expand in US and internationally	N/A
Rolling Luggage	Allows Samsonite to expand into multi-brand retail and roll out its brand portfolio in the travel retail segment. Provides Samsonite with retail expertise	N/A

Source: Company reports.

Nevertheless, we believe the majority of opportunity to increase operating margins for recently acquired companies have essentially been factored into purchase price

- One question raised is whether Samsonite will be (or has been) able to increase the operating margins for recent acquired businesses and more importantly, whether the purchase price already factors in Samsonite's ability to increase the operating margin for the acquired business.
- In the table below, we detail our thoughts as to whether Samsonite has/will be able to achieve operating margin expansion for recent acquisitions and whether these cost synergies have been factored into the purchase price.
- In general, we think there may be some opportunities for Samsonite to expand the EBITDA margins of recently acquired businesses. However, our analysis suggests that most of the acquisitions (all acquisitions with exception of *Speck* and *Rolling Luggage*) made have been priced at a similar acquisition multiple to the Samsonite trading multiple at the time of these acquisitions (~10x EV/EBITDA) **while concurrently** factoring in an EBITDA margin structure similar to Samsonite's current margin structure. In our mind, this suggests that potential opportunity for EBITDA margin expansion for an acquired company has essentially been factored into the purchase price.

Table 11: Samsonite - Acquisitions Since Listing

Brand	Opportunity for margin expansion	Was cost synergy in purchase price?
High Sierra	In FY12, High Sierra contributed US\$17.6m revenue and US\$1.2m profit, implying net margin of 6.8%. Samsonite group net margin was 8.4% for FY12, implying some opportunity for operating margin expansion	US\$64m net sales in 2011. Assuming US\$68m net sales in 2012 and ~16% EBITDA margins, implies EBITDA for FY12 of US\$10.9m. This implies EV/EBITDA of ~10x, in line with Samsonite's current one year forward EV/EBITDA. Suggests majority of operating margin expansion opportunity was factored into acquisition price
Hartmann	In FY12, Hartmann contributed US\$8.0m revenue and US\$0.1m profit, implying net margin for 1.3%. Samsonite group net margin was 8.2% for FY12, implying some opportunity for operating margin expansion	US\$23m net sales in 2011. If Hartmann made ~16% EBITDA margins (in line with Samsonite group average), this would price Hartmann at EV/EBITDA of ~10x. However, we note Hartmann's sales have subsequently declined as Samsonite has engaged in restructuring. Suggests majority of operating margin expansion opportunity was factored into acquisition price
Lipault	In 1H14, Lipault contributed US\$1.5m of revenue and US\$0.3m of profit, implying ~20% net margin. Samsonite group net margin was 8.8% in 1H14, suggesting no significant opportunity for operating margin expansion through back-end integration	€6.5m net sales in 2013. Assuming ~16% EBITDA margins, this implies EV/EBITDA ~20x. Suggests Lipault's margin structure is very high or that the company is forecasting significant revenue growth
Speck	From date of acquisition to Dec-14, Speck contributed US\$91.6m of revenue and profit for US\$1.6m implying net margin of 1.7%. At the time of acquisition, Speck was loss-making	US\$105m net sales in 2013. Assuming ~16% EBITDA margins, this implies EV/EBITDA ~5x. Suggests company factoring EBITDA margin expansion to ~8% and hence full potential of margin expansion opportunity not factored into purchase price
Gregory	From date of acquisition to Dec-14, Gregory contributed US\$12.6m of revenue and profit of US\$0.2m, implying net margin of 1.6%.	US\$35m sales in 2013. Assuming ~16% EBITDA margins, this implies EV/EBITDA ~15x. Suggests Gregory's margin structure is very high or that the company is forecasting significant revenue growth and purchase price already factors into account high margin structure
Rolling Luggage	No financial performance data yet disclosed	£26.7m revenues for year ended Jan-15. Assuming ~16% EBITDA margins, this implies EV/EBITDA ~3.7x. Suggests purchase price is low enough such that if Samsonite can achieve EBITDA margin expansion, that the margin expansion opportunity has not been factored into price

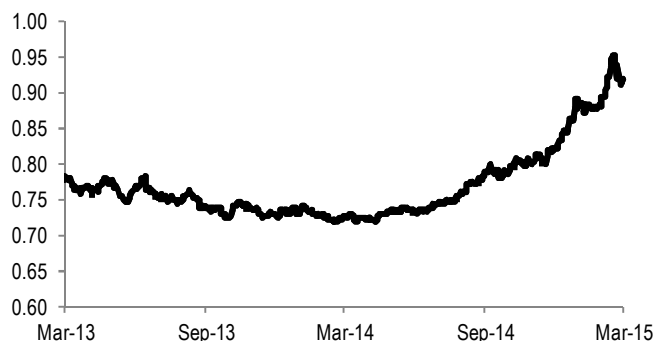
Source: Company reports; J.P. Morgan estimates.

Negative driver #1 – Negative FX pressure likely in the short term

The USD has generally appreciated against most currencies over the past ~12 months

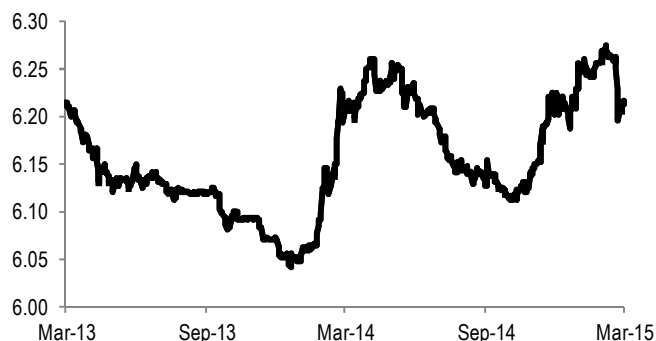
- The USD has generally appreciated against most currencies over the past ~12 months.

Figure 18: USDEUR Movement



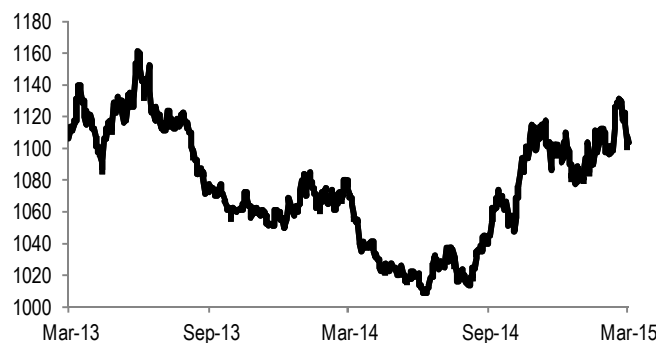
Source: Bloomberg.

Figure 19: USDRMB Movement



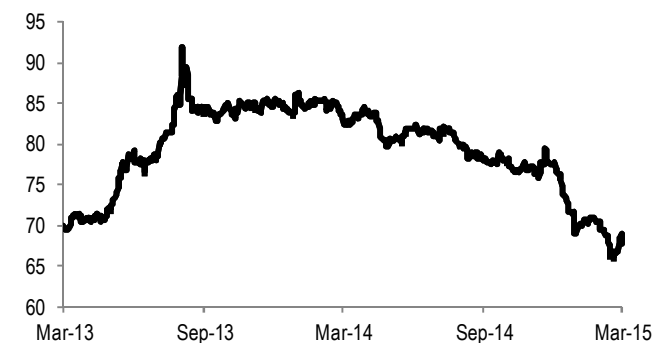
Source: Bloomberg.

Figure 20: USDKRW Movement



Source: Bloomberg.

Figure 21: USDINR Movement



Source: Bloomberg.

Negative impact from appreciating USD on Samsonite

- An appreciating USD has the following impact on Samsonite:
 - **Translation impact.** The company reports its sales in USD. A strengthening USD implies that sales and profits from foreign countries are reduced in USD terms. The company does not hedge against this translation impact and cannot really mitigate against this translation impact.
 - **Sourcing cost impact.** Around 80% of the company's product is sourced from Asia. Asian suppliers generally accept payment in USD terms. Hence, when the USD rises and the company sells in a foreign currency, gross margins will be negatively impacted. The biggest issue for the company in this context is gross margins with respect to sales in Europe, although we note that ~50% of sales in Europe is now domestically produced in Europe.
- The company can partially mitigate against the impact of adverse FX movements on its gross margins in a few ways:
 - The company can look to raise prices in local currency terms in order to offset the higher sourcing cost in local currency terms. The company believes it is not as hindered by competition in this regard as its competitors are faced with a similar situation.

- The company can look to change the design of its products in order to reduce the cost of the product.
- Around 1/3rd of the company's products get refreshed every year. This does allow the company to make price adjustments less conspicuous.
- The company hedges its currency exposure ~6 months in advance primarily in Europe. This does provide the company with some more time to make changes with respect to pricing and product design.
- We detail the company's historic NPAT sensitivity to FX movements in the table below.

Table 12: Samsonite - Historic NPAT Sensitivity to FX Movements

	FY11	FY12	FY13
EURUSD			
+10%	+US\$3.2m	+US\$3.3m	+US\$4.7m
-10%	-US\$3.2m	-US\$3.3m	-US\$4.7m
RMBUSD			
+10%	+US\$1.1m	+US\$2.1m	+US\$2.2m
-10%	-US\$1.1m	-US\$2.1m	-US\$2.2m
INRUSD			
+10%	ND	+US\$0.5m	+US\$0.6m
-10%	ND	-US\$0.5m	-US\$0.6m

Source: Company reports.

We are forecasting ~7% headwind from FX movements in FY15

- Assuming spot FX movements into perpetuity, we are forecasting the recent FX movements to have ~7% headwind on sales in FY15 and ~1% headwind on sales in FY16. Our forecasts are detailed in the table below.

Table 13: Samsonite - Reported & Forecasted Sales Growth

	1H13	2H13	2013	1H14	2H14	2014	1H15E	2H15E	2015E
Asia									
China	10.3%	5.8%	7.9%	8.3%	27.8%	18.4%	28.5%	18.9%	23.2%
South Korea	38.0%	25.4%	31.1%	20.2%	15.2%	17.6%	9.6%	10.0%	9.8%
India	2.0%	15.1%	8.0%	12.6%	16.6%	14.6%	12.3%	17.4%	14.8%
Hong Kong	17.2%	19.1%	18.2%	14.7%	10.0%	12.2%	20.0%	20.0%	20.0%
Japan	0.2%	-5.4%	-2.8%	13.6%	28.2%	21.3%	22.1%	14.9%	18.1%
Australia	5.0%	4.8%	4.9%	22.7%	7.2%	13.9%	7.6%	10.0%	8.9%
Other Asia	16.7%	6.3%	11.2%	12.5%	12.6%	12.6%	23.0%	23.0%	23.0%
Total Asia	14.0%	10.7%	12.3%	13.8%	18.3%	16.1%	18.6%	16.7%	17.6%
North America									
US	31.4%	20.1%	25.5%	10.6%	34.0%	22.2%	35.0%	7.5%	20.0%
Other North America	8.8%	4.8%	6.5%	27.3%	25.5%	26.3%	-25.0%	-0.1%	-11.0%
Total North America	30.2%	19.1%	24.4%	11.4%	33.5%	22.4%	31.9%	7.1%	18.4%
Europe									
Germany	13.8%	16.6%	15.2%	11.1%	9.2%	10.1%	-5.4%	-1.7%	-3.5%
France	8.6%	16.0%	12.5%	16.1%	9.7%	12.6%	-1.3%	-1.7%	-1.5%
Belgium	-2.7%	9.7%	3.7%	22.3%	-3.4%	8.1%	-13.6%	-10.2%	-12.0%
Italy	-3.5%	9.8%	3.2%	18.5%	7.2%	12.4%	-5.4%	-1.7%	-3.5%
Russia	29.7%	20.4%	24.3%	-0.9%	-18.0%	-10.4%	-41.7%	-22.3%	-31.8%
Spain	-7.8%	13.4%	3.1%	16.3%	7.3%	11.2%	-7.1%	-3.4%	-5.1%
UK	15.1%	35.3%	25.9%	19.5%	16.9%	18.0%	13.5%	14.6%	14.1%
Other Europe	8.8%	8.5%	8.6%	7.1%	5.2%	6.1%	10.0%	10.0%	10.0%
Total Europe	7.0%	14.0%	10.7%	12.7%	4.6%	8.3%	-3.3%	0.2%	-1.5%
Latin America									
Chile	20.2%	7.0%	13.7%	-4.6%	-7.4%	-5.8%	-4.3%	2.4%	-1.3%
Mexico	6.7%	0.4%	3.6%	9.0%	15.8%	12.3%	5.3%	8.3%	6.8%
Argentina	-35.9%	-27.3%	-31.8%	-74.0%	-66.5%	-70.2%	80.4%	91.3%	86.7%
Brazil	-42.5%	50.7%	1.4%	207.0%	45.4%	93.9%	61.1%	35.6%	47.7%
Other Latam	118.0%	145.7%	134.9%	51.6%	2.9%	20.6%	18.0%	18.0%	18.0%
Total Latin America	8.1%	11.5%	9.8%	8.9%	2.5%	5.7%	10.1%	12.5%	11.2%
Total Sales	16.9%	14.0%	15.0%	12.4%	18.1%	15.4%	16.9%	9.4%	12.9%

Source: J.P. Morgan estimates, Company data.

Table 14: Samsonite - Constant FX Sales Growth

	1H13	2H13	2013	1H14	2H14	2014	1H15E	2H15E	2015E
Asia									
China	8.1%	2.8%	5.3%	8.1%	28.9%	18.7%	30.0%	20.0%	24.5%
South Korea	33.7%	23.0%	27.9%	14.6%	11.1%	12.8%	15.0%	15.0%	15.0%
India	7.3%	30.7%	18.3%	24.6%	15.5%	19.9%	15.0%	20.0%	17.5%
Hong Kong	17.2%	19.1%	18.2%	14.6%	10.1%	12.2%	20.0%	20.0%	20.0%
Japan	19.5%	17.8%	18.6%	22.9%	40.7%	32.3%	42.0%	25.0%	32.3%
Australia	7.0%	19.6%	14.1%	35.2%	10.4%	21.2%	25.0%	25.0%	25.0%
Other Asia	14.3%	12.6%	13.4%	18.6%	15.1%	16.8%	25.0%	25.0%	23.0%
Total Asia	15.5%	15.7%	15.6%	16.9%	19.0%	18.0%	23.5%	20.5%	21.9%
North America									
US	31.4%	20.1%	25.5%	10.6%	34.0%	22.2%	35.0%	7.5%	20.0%
Other North America	10.1%	10.3%	10.2%	36.5%	33.9%	35.0%	35.0%	35.0%	35.0%
Total North America	30.2%	19.5%	24.6%	11.8%	34.0%	22.9%	35.0%	9.0%	20.8%
Europe									
Germany	13.0%	10.9%	11.9%	6.2%	13.6%	10.1%	15.0%	15.0%	15.0%
France	7.5%	10.4%	9.0%	11.1%	13.9%	12.6%	20.0%	15.0%	17.3%
Belgium	-3.4%	4.3%	0.6%	16.8%	0.9%	8.0%	5.0%	5.0%	5.0%
Italy	-4.0%	4.3%	0.2%	13.1%	11.6%	12.3%	15.0%	15.0%	15.0%
Russia	32.0%	24.9%	27.9%	11.2%	1.3%	5.7%	5.0%	5.0%	5.0%
Spain	-8.7%	7.6%	-0.3%	11.3%	11.3%	11.3%	13.0%	13.0%	13.0%
UK	18.1%	36.4%	27.8%	10.2%	13.7%	12.2%	25.0%	25.0%	25.0%
Other Europe	8.9%	8.3%	8.6%	7.7%	11.9%	9.9%	20.0%	20.0%	10.0%
Total Europe	6.9%	11.3%	9.2%	10.3%	10.5%	10.4%	15.6%	15.2%	15.4%
Latin America									
Chile	15.9%	15.5%	15.7%	10.2%	5.7%	8.1%	8.0%	8.0%	8.0%
Mexico	1.0%	0.0%	0.5%	13.1%	19.7%	16.3%	20.0%	20.0%	20.0%
Argentina	-25.2%	-9.6%	-17.7%	-59.9%	-60.3%	-60.1%	100.0%	100.0%	100.0%
Brazil	-41.0%	63.9%	8.4%	236.7%	48.6%	105.0%	100.0%	80.0%	89.2%
Other Latam	115.0%	150.9%	136.8%	53.6%	9.6%	25.6%	25.0%	25.0%	18.0%
Total Latin America	5.2%	18.3%	11.7%	20.4%	11.0%	15.7%	26.4%	26.2%	26.3%
Total Sales	16.5%	15.7%	16.1%	13.8%	20.6%	17.3%	25.3%	15.7%	20.2%

Source: J.P. Morgan estimates, Company data.

Negative driver #2 – Short term operating margin unlikely to rise

- Samsonite has been able to achieve ~20-40bps in adjusted EBITDA margins (excluding the impact of acquisitions) over the past three years, with this mainly a function of operating leverage.

Table 15: Samsonite - Historical Summary Financials

	2011	2012	2013	2014
Revenue	1,565	1,772	2,038	2,351
Revenue growth	28.8%	13.2%	15.0%	15.4%
Adjusted EBITDA	248	287	338	384
Adjusted EBITDA margin	15.9%	16.2%	16.6%	16.4%
Adjusted EBITDA Growth	29.4%	15.4%	17.9%	13.8%
NPAT	87	148	176	186
NPAT Growth	-75.6%	71.1%	18.6%	5.8%

Source: Company reports.

- Over the short-to-medium term, we do not expect Samsonite to expand adjusted EBITDA margins due to a number of reasons:
 - Recent FX movements.
 - Some greater investment in A&P spend for *American Tourister* and other brands within the Samsonite portfolio.

- Margin dilution drag from smaller brands in the Samsonite portfolio.

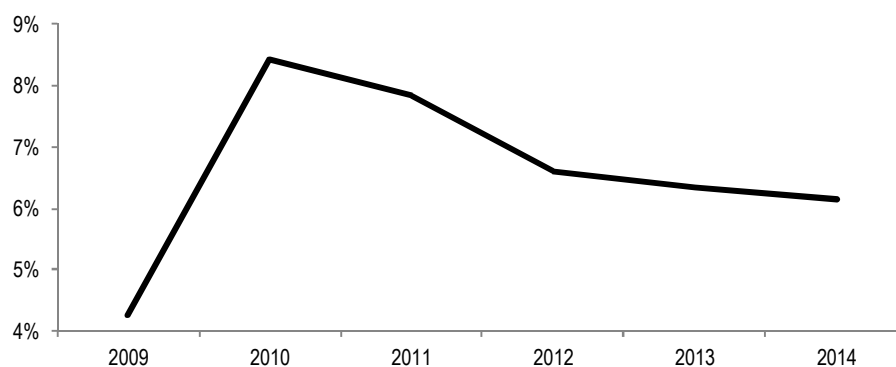
Pressure #1 – Recent FX movements potential negative for operating margins

- As highlighted above, FX movements do have a negative impact on Samsonite from the perspective of increasing sourcing costs.
- We recognise that the company does have a number of levers that it can pull in order to mitigate the negative impact from the recent move in FX. In particular, the company believes there is opportunity to mitigate rising sourcing costs through a combination price increase and product input adjustments. Furthermore, especially with respect to the EUR, the company is hedged for FY15, which provides the company with more time to make relevant adjustments.
- However, we note that recent FX movements have been extremely volatile. As such, we are uncertain as to whether Samsonite would be able to fully mitigate rising input costs through changes to pricing, especially beyond FY15.
- At the very least, there is risk that significant price change could negatively impact demand volume, which in turn could negatively impact gross profit dollar generation and operating leverage (although we recognise the recent movements in oil prices may positively impact demand for luggage).
- Furthermore, we note that given that a significant amount of head office cost is located in the US, the proportion of USD-denominated operating cost is bigger than the proportion of USD-denominated revenue for Samsonite. In turn, a rising USD has a negative impact of decreasing Samsonite's revenue base in USD terms relative to its cost base and hence, causing operating de-leverage.

Pressure #2 – Greater investment in A&P spend

- In FY14, Samsonite spent 6.2% of its sales on A&P. The trend in Samsonite's A&P spend is detailed in the figure below.

Figure 22: A&P Spending as % of Sales Trend



Source: Company reports.

- Over the short-to-medium term, we expect the company to dedicate some more investment into A&P (as % of sales) for the following reasons:
 - Start-up investment into the *American Tourister* brand in Europe and Asia in order to grow into the low-mid end segment of the market.
 - Start-up A&P expenditure to promote newly acquired brands *Lipault*, *Speck* and *Gregory*.

- Ongoing investment in *Hartmann* and *High Sierra*.

Pressure #3 – Margin drag from smaller brands

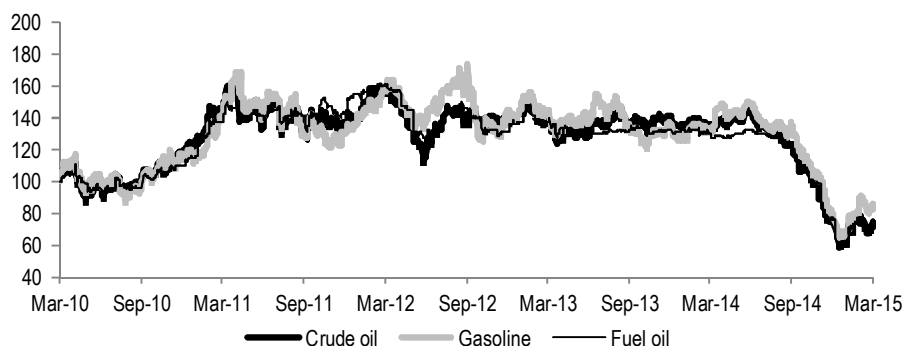
- We also expect some of the smaller brands within the company's portfolio to cause some slight margin headwind for Samsonite in the short-to-medium term. In turn, this may negatively impact any operating leverage that the company generates. In particular:
 - *Speck* – Although this acquisition is the company's largest acquisition to date in revenue terms, *Speck* was loss making when it was first acquired. From a mathematical perspective, we expect *Speck* to cause an operating margin headwind until it earns an operating margin at similar levels to Samsonite group. Management indicated that it will spend FY15 to continue to bed down the *Speck* acquisition.
 - *Hartmann* – At the time *Hartmann* was acquired, it was roughly breakeven. Given the revenue decline experienced since breakeven, we suspect *Hartmann* operating margins are also below group levels and hence margin dilutive in the short-to-medium term. We expect the company will continue to invest in the *Hartmann* business in the short-to-medium term, which will likely represent a slight headwind for operating margins.

While the oil price fall is a positive, we do not expect any benefits to be passed through to Samsonite until 2H15 at earliest (with greater impact likely for FY16 rather than FY15)

The recent fall in the oil price should be beneficial for Samsonite from a sourcing cost perspective

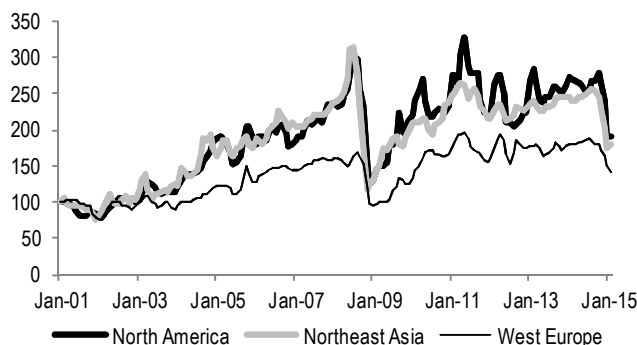
- Samsonite outsources ~80% of its production and purchases these items as finished goods from suppliers. We estimate that the cost of raw materials represents ~65% of Samsonite's cost of sales. Samsonite's soft luggage is made primarily using fabrics such as nylon and polyester and its hard luggage is made primarily from polypropylene and various combinations of polycarbonate. As these raw materials are petroleum-based, any reduction in crude oil prices should result in reduction in raw material costs.

Figure 23: Oil and related petroleum prices



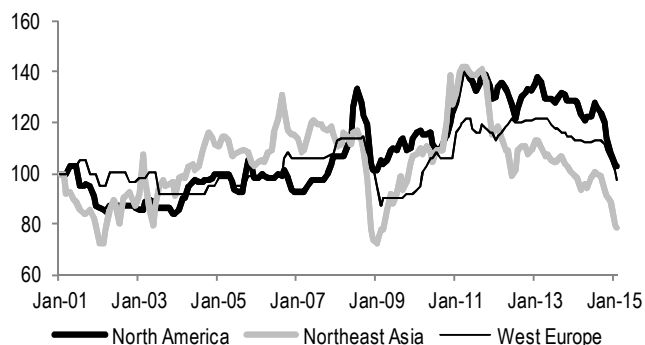
Source: Bloomberg. Crude: CO1 Brent oil generic 1st; Gasoline: New York market wholesale no.91 spot price; Fuel oil: Singapore fuel oil, 360-centistoke.

Figure 24: Polypropylene Price Trend



Source: CMAI. Index rebased to 100

Figure 25: Polyester Price Trend



Source: CMAI. Index rebased to 100

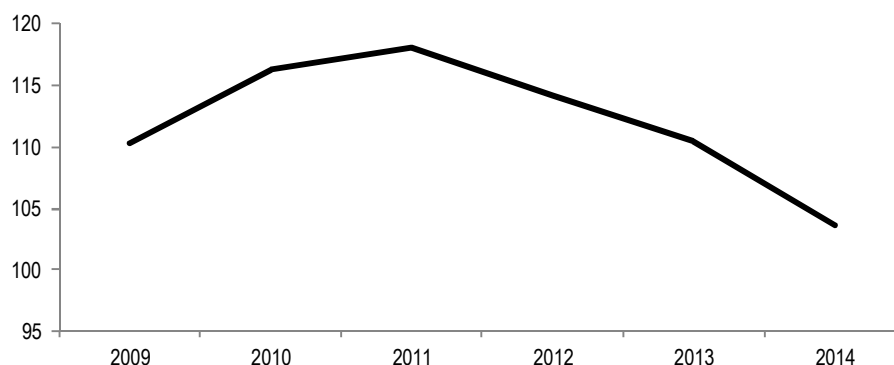
However, we are uncertain as to the extent of raw material cost reductions

- Nevertheless, we are uncertain as to whether Samsonite's COGS will be reduced as substantially as recent raw material market prices:
 - There are multiple intermediaries involved in the supply chain for luggage and each intermediary may not be willing to pass on the full cost-benefit derived from reduced raw material costs.
 - Each link within the supply chain has its own supply and demand dynamics.
 - The finished goods that Samsonite purchases from its suppliers are also impacted by other factors such as production capacity and factory labour costs. Labour costs continue to be rising double-digits in Asia and hence, a significant amount of the saving in raw material costs may be utilised by Samsonite's suppliers in offsetting other cost pressures.
- As such, we believe the magnitude of any COGS reduction for Samsonite is unlikely to be as high as that implied by recent crude oil or bulk petrochemical price reductions.

In any event, we think reduced raw material costs will likely be of greater benefit in FY16 as opposed to FY15

- From a timing perspective, we also do not believe reduced raw material costs will be able to positively impact Samsonite's financials significant until 2H15 at earliest with greater likelihood that the positive impact will start closer to FY16. We believe this for the following reasons:
 - As there are a number of layers within the supply chain, it will likely take some time before reduced raw material costs are passed through the supply chain (given the need for negotiation time). This is not helped by the fact that oil prices are currently very volatile.
 - We also note that each layer within the supply chain holds inventory. Hence, existing high-cost inventory needs to be sold first before any low-cost inventory can positively impact Samsonite's gross margins. Samsonite currently runs ~110 days of inventory. Hence, even if we assume product purchased by Samsonite in 2H15 incorporates the cost of lower-priced raw materials, it will likely take another four months before Samsonite sells the product.

Figure 26: Samsonite Inventory Turnover Days



Source: Company data.

Nevertheless, we think headwinds associated with the company’s operating margins have largely been factored into consensus forecasts

- While both JPMf and consensus are forecasting for reported EBITDA margin expansion in FY15, the company’s FY14 reported EBITDA was negatively impacted by a number of non-recurring items. We are forecasting for some slight adjusted EBITDA margin contraction in FY15. Although consensus adjusted EBITDA margins are not available, we expect consensus forecasts to be similar to JPMf. We detail our forecasts relative to consensus in the table below.

Table 16: Samsonite - JPMf and Consensus Forecasts

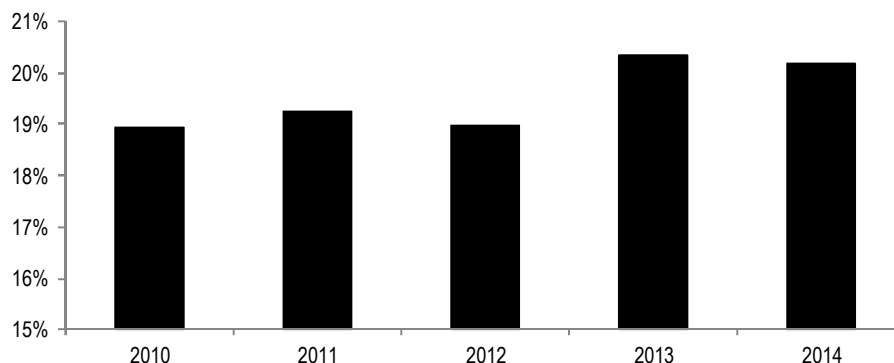
	Actual 2014A	JPMf 2015E	JPMf 2016E	Consensus 2015E	Consensus 2016E
Revenue	2,351	2,655	3,011	2,623	2,926
Revenue growth	15.4%	12.9%	13.4%	11.6%	11.6%
Reported EBITDA	351	407	473	412	467
Reported EBITDA margin	14.9%	15.3%	15.7%	15.7%	16.0%
Reported EBITDA growth	7.5%	15.8%	16.4%	17.4%	13.4%
Adjusted EBITDA	384	427	495	NA	NA
Adjusted EBITDA margin	16.4%	16.1%	16.4%	NA	NA
Adjusted EBITDA Growth	13.8%	11.0%	15.9%	NA	NA
Reported NPAT	186	232	274	232	273
NPAT Growth	5.8%	24.5%	18.2%	24.6%	17.7%

Source: Company reports, J.P. Morgan estimates; Bloomberg.

Negative driver #3 – Expansion in company-owned retail will likely pose risks

- Company-owned retail currently represents ~20% of Samsonite’s business (~15-16% bricks-and-mortar retail; ~4% e-commerce). The company is targeting company-owned retail to grow to ~33% of its business within the next ~5 years.

Figure 27: Retail Chanel Sales as % of Total Net Sales



Source: Company reports.

- Within the company's growth plans for increased company-owned retail penetration, the company sees the following drivers:
 - Increase e-commerce penetration for ~4-5% today to ~10-12% going forward.
 - Remainder of growth driven by increased bricks-and-mortar penetration.
- We believe there are a number of very valid reasons as to why Samsonite is and should increase own-retail penetration. In particular:
 - Opportunity to better control brand image and customer communication.
 - Opportunity to develop greater ownership of the customer relationship (and hence, allow the company to better control its destiny).
 - Ensure the brand continues to remain relevant. For example, we believe those brands not innovating online will likely lose market share.
 - Allows for entry into some more developing regions (e.g. Latin America) as retail infrastructure is relatively under-developed in these regions and opening own-retail represents one of the only routes to market.
 - Defensive strategy in sense that in some parts of the world, specialty retail penetration is declining as owners of these businesses are independent and face succession and/or cash flow issues. In Europe, for example, ~60% of luggage sold is through the specialist channel and there is a view that the department store channel will not be able to offset the decline in the specialist channel. Hence, there is greater urgency to grow retail penetration faster in Europe than in the rest of the World.
- While we do not dispute the rationale supporting increased company-owned retail penetration, we do highlight risks. In particular, we believe risks exist with respect to:
 - Increased operating and capital investment required to support e-commerce growth.
 - Increased lease and rental expenses associated with operating company-owned retail.
 - Execution risk with respect to the operation of company-owned retail e-commerce and multi-brand stores.

Increased investment required to support e-commerce growth

- We note that internationally retailers are committing a significant amount of both opex and capex into e-commerce investment. This can be seen in the table below.

Table 17: International Department Store E-commerce Capex

Kohl's	Expect 2014 capital expenditures to be ~US\$725m. Indicated largest percentage total investments in capex are in technology with largest percent by far in omni-channel and personalization (comments at Feb 2014)
Debenhams	Guiding to £130m capex for FY15. Of this, ~33% relates to group systems investment and ~3% to logistics (comment at Oct 2014)
Macy's	Historically spent ~20% of capex into online investment. Will increase investments on online and omnichannel infrastructure with its annual US\$1 billion plus capex budget (comment at Aug 2014)
M&S	The transformation programme has completed after capex hikes in recent years (£738m in FY12, £821m in FY13). Noted that ~50% capex spent on infrastructure development and ~25% spent on initiatives to support the company's multi-channel strategy. Planned capex is £500m to £550m per annum over the next three years. (comment at Nov 2014)
Nordstrom	Plan to spend US\$3.9bn in capex over next five years. Of this 31% relates to e-commerce and technology investments, including initiatives to improve e-commerce delivery and fulfillment, online and mobile experience and personalization (comments at Dec 2014)
Sak's	Expect to spend C\$320m p.a. over three years for Hudson's Bay and Sak's. Sak's planned to spend ~C\$70m to develop omnichannel in 2013 (comments at Apr 2014)
Walmart	Investments in e-commerce and digital initiatives are expected to range between \$1.2 and \$1.5 billion in FY16 (12 months ended Jan-16), up from approximately \$1.0 billion estimated for FY15 (comments at Oct 2014)

Source: Company reports; Bloomberg.

- For Samsonite to support its own growth towards double-digit e-commerce penetration, we worry whether the company will also need to invest substantial amounts of upfront investment in order to ensure the customer shopping experience is on par with that of competitors. We are particularly worried about investment given the bulky nature of luggage and hence, the cost of last-mile delivery.
- In turn, we worry this will have a negative impact on the company's margin structure and/or return on capital metrics.

Increased fixed costs

- Increasing exposure into company-owned retail (regardless of e-commerce or physical retail) requires fixed cost investment.
 - In e-commerce, this requires IT staff, platform costs, warehouses etc
 - In physical retail, this implies increased rental costs and shop-front staff.
- We worry that increased fixed costs burdens the company with greater levels of operating risk in the form of operating leverage/de-leverage.
- In turn, the company could suffer adversely if there is a downturn in sales.

Execution risk associated with operation of company-owned retail

- We note that operating more company-owned retail requires different skills relative to wholesale (both in the world of e-commerce and physical retail).
- Furthermore in the physical retail space, Samsonite sees significant opportunity in opening a multi-branded luggage format.
- We believe the complexity of managing and executing in retail increases hugely once introducing multiple brands and SKUs into the mix.

- Hence, we worry whether greater levels of exposure to retail leads to greater levels of execution risk.
- We note that its interesting Tumi President and CEO Jerome Griffith made the following comment regarding Samsonite and its *Hartmann* strategy:

“... I’m assuming you’re referring to Hartmann and the article that was in WWD today. We’re aware of what Samsonite is doing and what their strategy is, and they are going to follow a store strategy, if they can, with Hartmann.

One of the things that I don’t worry about is that they’re not a retailing company. They don’t have a lot of retail expertise there...” (Jerome Griffith, President & CEO of Tumi, 3Q14 Earnings Call, November 2014)

Negative driver #4 – Risk of overexpansion

- While Samsonite has exhibited strong growth since listing, we worry about the risk of overexpansion.
- We highlighted some potential risks associated with the company’s expansion into company-owned retail above.
- We also believe there is risk the company over-expands as it looks to fill potential gaps within its business. Some risks we highlight:
 - Increasing diversity in brand portfolio making business more complicated to manage.
 - New acquisitions/brands distracting management attention from core business.
 - Focus on growth in adjacent areas distracting management attention from core competencies.
 - New acquisitions increasing financial leverage.

Increasing diversity in brand portfolio complicating business

- Since listing, Samsonite's brand portfolio has increased dramatically and the business is moving away from being an essentially mono-branded business (predominantly *Samsonite*, with *American Tourister* only representing ~13% of the Samsonite business in 2010) to being a multiple-brand business across multiple categories.
- In turn, we suggest the complexity associated with the management of the Samsonite business has also increased, which in turn creates greater levels of operating risk.

New businesses distracting management attention

- Although recent acquisitions have increased the diversity of the Samsonite’s revenue base, the company’s core luggage business still represents a majority of earnings.
- We worry that as the company expands into new categories/brands, this will distract senior management from the management of its core business, and could in turn, negatively impact the performance of the company’s core luggage business.

Growth in adjacent areas may distract attention from core competencies

- As the company looks to fill in the logical gaps within its portfolio, we believe there is a risk that slow expansion into what seemingly are adjacent areas could lead the company to expand too far away from its core competency.
- We are seeing some initial signs of this risk. For example, Samsonite management has disclosed that the company has initially engaged in testing for *High Sierra* apparel. Although apparel does seem like an adjacent area for growth, we believe the apparel category may be too far away from Samsonite's core competency. We believe it involves a different set of skills and is a market that has a completely different set of competitors relative to luggage/bags. Hence, we are cautious with respect to this area of growth.

New acquisitions could potentially increase financial leverage

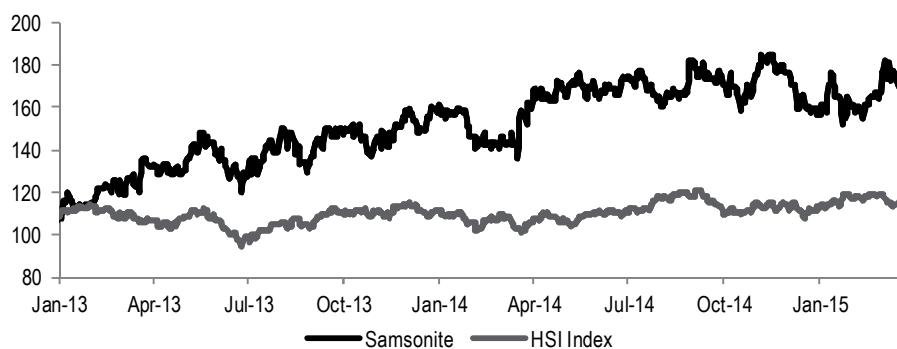
- Since listing, Samsonite has made six acquisitions for combined purchase consideration of ~US\$365m. Consequently, the company has moved from a ~US\$130m net cash position at Dec-12 to ~US\$75m net cash position at Dec-14.
- While the company is still in a strong financial position, we highlight risk that the company could finance future acquisitions with debt. In turn, this does raise the financial risk profile for the company, especially in a rising interest rate environment.

Share Price Analysis and Valuation

Share price analysis

- Samsonite's share price performance is detailed below. The Samsonite share price has outperformed the broader Hang Seng index since Jan-13. We believe this is a function of consistently strong top line and earnings growth reported by the company.

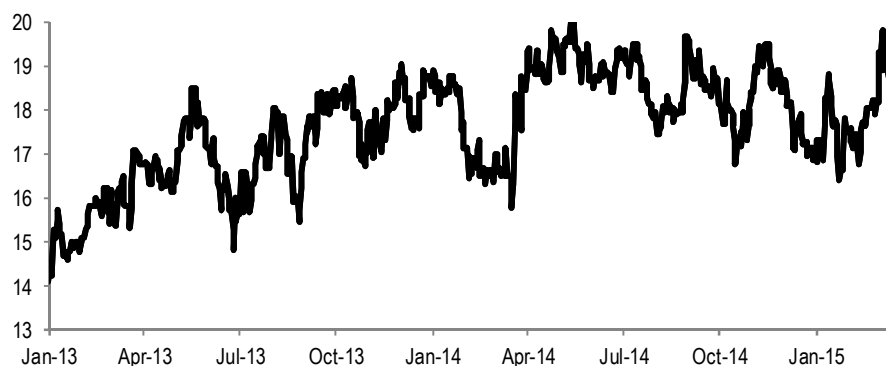
Figure 28: Samsonite - Share Price Performance



Source: Bloomberg.

- Share price outperformance has been a function of both earnings growth and multiple expansion.

Figure 29: Samsonite - Trend in One Year Forward P/E



Source: Bloomberg

- We note, however, that recent share price performance has been somewhat volatile. We believe weak share price performance from Nov-14 to Feb-15 was a function of market concerns about (1) adverse impact of recent FX movements; (2) risk of operating margin compression given company's recent acquisitions and need to invest in A&P to support growth for *American Tourister* as well as recently acquired brands. We think the strong share price performance in Mar-15 is a function of investor rotation into Samsonite following a relatively positive outlook guidance provided by management at the company's FY14 result as well as recently more favourable FX movements.

Valuation

Relative valuation analysis

- We compare the trading multiples of Samsonite relative to international listed luggage, accessories, apparel, sportswear and luxury companies. At its current share price, Samsonite is trading on a one-year forward P/E multiple of ~21x JPMf. This is ~2-3 pt discount relative to global peers. Samsonite is currently trading on one-year forward EV/EBITDA of ~12x, which is also at a ~1-2pt discount relative to global peers.

Table 18: Consensus Trading Multiple Comparisons

	Mkt Cap US\$m	Yr end	P/E				EV/EBITDA				Dividend Yield			
			NTM	FY15	FY16	FY17	NTM	FY15	FY16	FY17	NTM	FY15	FY16	FY17
Samsonite	4,848	Dec	21.1	21.1	17.9	15.3	11.8	11.8	10.1	8.8	2.2%	2.2%	2.6%	3.1%
<u>Luggage retailer</u>														
TUMI	1,638	Dec	24.8	24.8	21.2	18.6	12.7	12.7	10.9	9.9	0.0%	0.0%	0.0%	0.0%
VIP Industries	211	Mar	21.4	28.2	19.8	15.2	12.1	16.3	11.2	9.3	2.6%	1.9%	2.8%	3.0%
Average			23.1	26.5	20.5	16.9	12.4	14.5	11.0	9.6	1.3%	1.0%	1.4%	1.5%
<u>Bags and accessories</u>														
Coach	11,640	Dec	22.8	23.5	20.1	17.1	10.8	10.9	10.0	8.5	3.3%	3.3%	3.4%	3.4%
Essilor	24,490	Dec	29.5	29.5	26.4	23.1	16.4	16.4	14.9	13.4	1.1%	1.1%	1.2%	1.4%
Kate Spade	4,211	Dec	60.5	60.5	38.4	25.7	23.1	23.1	16.5	12.1	0.0%	0.0%	0.0%	0.0%
Luxottica	30,283	Mar	32.3	32.3	28.8	25.5	15.5	15.5	14.1	13.2	1.8%	1.8%	1.9%	2.2%
Michael Kors	13,653	Dec	14.3	15.6	14.0	12.5	8.2	8.9	8.0	7.0	0.0%	0.0%	0.0%	0.0%
Pandora	10,861	Dec	17.2	17.2	14.3	12.1	13.0	13.0	11.0	9.7	2.0%	2.0%	2.4%	2.8%
Swatch	23,445	Dec	16.4	16.4	14.8	13.0	9.9	9.9	9.0	8.4	1.9%	1.9%	2.0%	2.2%
Average			27.6	28.6	22.8	18.6	13.8	14.5	12.3	10.6	1.4%	1.1%	1.3%	1.4%
<u>Apparel</u>														
Urban Outfitters	5,959	Jan	22.3	27.4	22.3	19.3	10.0	11.3	10.0	8.9	0.0%	0.0%	0.0%	0.0%
L Brands	27,219	Feb	25.2	27.4	25.2	22.4	12.0	13.0	12.0	11.0	3.2%	2.3%	3.2%	2.6%
Fast Retailing	39,546	Aug	52.8	38.8	36.1	32.4	18.5	19.0	17.3	15.4	0.9%	0.8%	0.8%	0.9%
GAP	17,798	Feb	15.3	14.9	15.3	13.7	7.2	7.0	7.2	6.6	2.1%	2.0%	2.1%	2.3%
Hennes & Mauritz	67,182	Nov	26.6	25.6	23.3	21.2	16.1	15.8	14.3	13.0	3.1%	3.0%	3.3%	3.6%
Indetix	101,524	Jan	32.1	37.0	32.1	28.6	18.7	21.5	18.7	16.9	2.0%	1.7%	2.0%	2.3%
V.F. Corporation	31,516	Dec	23.1	23.1	20.0	17.6	14.6	14.6	13.1	11.8	1.7%	1.7%	1.9%	2.2%
Average			28.2	27.7	24.9	22.1	13.9	14.6	13.2	11.9	1.9%	1.6%	1.9%	2.0%
<u>Sportswear</u>														
Adidas	15,776	Dec	21.6	21.6	18.6	16.0	11.0	11.0	9.7	8.7	2.1%	2.1%	2.3%	2.6%
Lululemon	8,656	Feb	33.1	37.2	33.1	27.2	20.0	20.1	18.9	15.8	0.0%	0.0%	0.0%	0.0%
Nike	85,521	May	26.4	28.2	25.3	21.9	16.1	17.2	15.8	14.1	1.1%	1.1%	1.2%	1.3%
Puma	2,897	Dec	30.0	30.0	22.8	17.1	10.5	10.5	8.7	7.4	0.4%	0.4%	0.5%	0.7%
Under Armour	17,119	Dec	73.1	73.1	56.5	44.5	33.6	33.6	26.2	20.7	0.0%	0.0%	0.0%	0.0%
Average			36.9	38.0	31.3	25.4	18.2	18.5	15.9	13.4	0.7%	0.7%	0.8%	0.9%
<u>Luxury / leather goods</u>														
Burberry	11,966	Mar	23.2	23.9	21.4	19.3	12.1	12.7	11.6	10.5	2.1%	1.9%	2.2%	2.6%
Christian Dior	33,738	Jun	13.3	13.3	16.4	13.9	6.8	6.8	5.7	5.4	2.2%	2.2%	2.1%	2.3%
Ferragamo	5,332	Dec	26.8	26.8	23.1	21.1	14.9	14.8	13.1	12.0	1.8%	1.8%	2.0%	2.3%
Hermès	35,758	Dec	32.4	32.4	28.6	26.1	19.1	19.1	16.8	15.4	1.1%	1.1%	1.3%	1.4%
Hugo Boss	8,722	Dec	20.2	20.2	18.4	17.0	12.3	12.3	11.2	10.4	3.6%	3.6%	4.0%	4.3%
LVMH	90,093	Dec	20.8	20.8	19.0	17.7	10.8	10.8	9.9	9.4	2.3%	2.3%	2.5%	2.7%
Prada	16,612	Jan	29.6	32.2	28.5	25.9	14.3	14.3	13.0	11.7	1.7%	1.6%	1.7%	1.9%
Ralph Lauren	11,601	Mar	18.2	16.8	17.9	15.7	9.0	8.2	8.9	8.1	1.5%	1.4%	1.5%	1.6%
Kering	25,630	Dec	17.3	17.3	15.2	13.6	12.4	12.4	11.3	10.3	2.4%	2.4%	2.6%	2.9%
Richemont	47,553	Mar	20.7	21.9	19.5	17.5	12.3	12.6	12.1	11.0	1.9%	1.8%	2.1%	2.3%
Tiffany	11,373	Jan	20.7	23.3	20.7	17.9	10.7	10.6	10.7	9.5	1.8%	1.7%	1.8%	2.0%
Tod's	2,901	Dec	23.3	23.7	21.2	19.6	12.1	12.1	11.1	10.3	2.8%	2.8%	3.0%	3.2%
Average			22.2	22.7	20.8	18.8	12.2	12.2	11.3	10.3	2.1%	2.0%	2.2%	2.5%

Source: Bloomberg; Capital IQ, J.P. Morgan estimates.. Priced as at March 30, 2015.

DCF analysis

- We have undertaken DCF analysis to obtain a better understanding of what the current share price is implying in terms of underlying earnings growth for Samsonite. The assumptions of our DCF analysis are detailed in the table below.

Table 19: Samsonite DCF Analysis - Assumptions

Sales growth over next 10 years	10%
EBITDA margin	16.10% with no EBITDA margin contraction or expansion. This figure is in line with the company's FY13 EBITDA margins
Capex	Capex ~3% of sales in line with historical average of ~2-3% of sales
Terminal growth rate	2.5% after initial 10 years
Income tax rate	26% in line with guidance
Discount rate	10%

Source: J.P. Morgan estimates.

- The assumptions above imply a DCF valuation of HK\$31.09 per share, in line with our current price target.

Table 20: Samsonite - DCF Analysis

DCF of operational business (US\$m)	5,570.2
Total net cash + financial assets	75.0
No. of shares (m)	1,408.239
USDHKD	7.7551
Value per share (HK\$)	31.09

Source: J.P. Morgan estimates.

- Sensitivity of our valuation relative to sales growth and EBITDA margin assumptions are detailed in the table below.

Table 21: Samsonite DCF Valuation (HK\$) - Sensitivity Analysis

		EBITDA Margin							
		13.00%	13.50%	14.00%	14.50%	15.00%	15.50%	16.00%	16.50%
Sales Growth	5.0%	16.0	17.0	18.0	18.9	19.9	20.9	21.9	22.8
	6.0%	17.1	18.2	19.2	20.3	21.3	22.3	23.4	24.4
	7.0%	18.4	19.5	20.6	21.7	22.8	23.9	25.0	26.2
	8.0%	19.7	20.8	22.0	23.2	24.4	25.6	26.8	28.0
	9.0%	21.1	22.3	23.6	24.9	26.2	27.5	28.7	30.0
	10.0%	22.6	23.9	25.3	26.7	28.1	29.4	30.8	32.2
	11.0%	24.2	25.7	27.1	28.6	30.1	31.6	33.0	34.5
	12.0%	25.9	27.5	29.1	30.7	32.3	33.9	35.4	37.0
	13.0%	27.8	29.5	31.2	32.9	34.6	36.3	38.0	39.7
	14.0%	29.8	31.7	33.5	35.3	37.1	39.0	40.8	42.6
	15.0%	32.0	34.0	35.9	37.9	39.9	41.8	43.8	45.7

Source: J.P. Morgan estimates.

Price target

- Our Jun-16 price target is HK\$31 per share.
- Our price target is based a target P/E of ~20x and our earnings forecasts for the year ending Dec-16.
- Our target P/E is in line with Samsonite's current one-year forward trading multiple for Samsonite.

Risks to our view

Downside risks to our view include:

- Any downturn in global luggage demand.

- Worse than expected penetration of *American Tourister* in European and Asian markets.
- Ongoing sustained loss of market share.
- Any unexpected increase in sourcing costs.
- Higher than expected operating cost and capex investment.
- Unfavourable movements in FX.
- Any significant event that negatively impacts global travel (e.g. health fears etc).

About Samsonite

Company history

- Samsonite was founded in 1910 by Jesse Shwayder in Denver Colorado and began business as a trunk manufacturing company. Over the years, the company expanded product offerings and operations. More recently, the company has transitioned from manufacturing a significant proportion of its products in-house to outsourcing most of its production to third parties.
- The company's *Samsonite* brand was first introduced in 1941. In 1993, the company acquired *American Tourister*.
- Samsonite Corporation was sold to Beatrice Foods Group in 1973. From 1973 to 1995, Samsonite Corporation was a subsidiary of various large conglomerates. In Jul-95, Samsonite Corporation merged with its former holding company Astrum International. Astrum had spun-off its last non-Samsonite operating business earlier that year and Samsonite was once again a stand-alone business.
- In July 2003, Ares Management, Bain Capital and Ontario Teachers' Pension Plan Board invested in Samsonite Corporation in connection with a recapitalisation of the Group. Prior to the recapitalisation, negative market conditions combined with a highly leverage capital structure led the Board of Samsonite Corporation to retain a financial advisor to review strategic options available to Samsonite. Ares Management, Bain Capital and Ontario Teachers' Pension Plan Board injected US\$106m cash in Samsonite Corporation through the purchase of convertible preferred stock. Following the conversion of preferred stock into common stock, the three parties owned more than 70% of Samsonite's common stock.
- In October 2007, CVC Funds acquired Samsonite Corporation. At the time, Ares Management, Bain Capital and Ontario Teachers Pension Plan Board owned 85.5% of Samsonite Corporation. The remaining 14.5% was owned by a combination of management and public investors. The transaction was valued at US\$1.7bn including the assumption of debt.
- In September 2009, the Group, with the support of then lenders and shareholders effected consensual refinancing and corporate reorganisation. Pursuant to this reorganisation, ~US\$1.5bn of existing third-party debt was written down to ~US\$240m. In addition, the holding company of the group was recapitalised through US\$110m of cash equity investments by CVC Funds, RBS (being one of the original lenders) and certain members of the management team.
- Following the appointment of Tim Parker as new CEO as part of the company's 2009 reorganisation, the company put its subsidiary Samonsite Company Stores LLC into Chapter 11 reorganisation. This enabled the company to exit a number of its underperforming retail leases, with the company closing 68 retail stores in 2009/2010.
- Samsonite subsequently listed on the Main Board of the SEHK in June 2011.
- Since listing the company has made a number of acquisitions:
 - *High Sierra* – Founded in 1978, *High Sierra*'s products are targeted at active lifestyle consumers. The acquisition has enabled the company to expand into the casual and sports segments. Acquisition was announced 18 July 2012 with Samsonite paying US\$110m cash for substantially all of the assets of *High Sierra*.

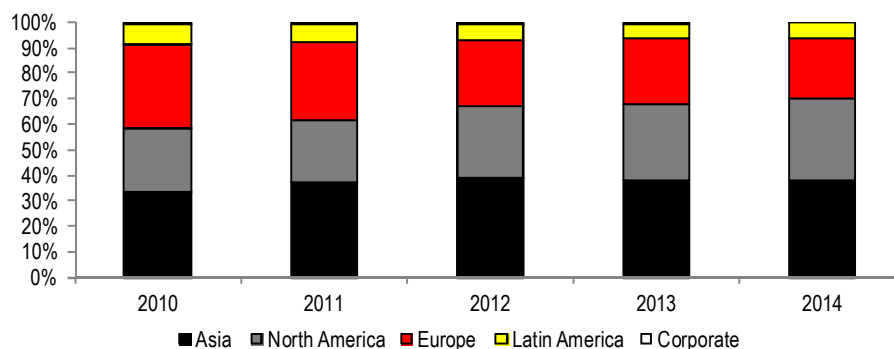
- *Hartmann* – Founded in 1877, *Hartmann* is a recognised brand among American luxury consumers. The acquisition has allowed Samsonite to expand its presence in the high end luggage and leather goods market. Acquisition was announced 2 August 2012 with Samsonite paying US\$35m in all cash merger.
- *Lipault* – Founded in 2004, *Lipault* is a youthful French luggage brand known for functional and fashionable products. This acquisition allows the company to better engage with female consumers. Acquisition was announced 1 April 2014 with Samsonite paying €20m cash for the business.
- *Speck* – Founded in Silicon Valley in 2001, *Speck* designs and distributes protective casts for personal electronic devices. This acquisition has allowed the company to expand into the market for smartphone and tablet protective cases. Acquisition was announced 29 May 2014 with Samsonite paying US\$85m cash for the business.
- *Gregory Mountain Products* – Founded in 1977, US based *Gregory* is a leading provider of premium technical backpacking, mountaineering and trail running products and accessories. This transaction will enable Samsonite group to cover the backpack market in both the premium segment with *Gregory* and the mid-market segment with *High Sierra*. Acquisition was announced 19 June 2014 with Samsonite paying US\$85m cash for the business.
- *Rolling Luggage* – Rolling Luggage is a leading airport retailer of branded luggage and travel products. Headquartered in the UK, Rolling Luggage operates 36 airport retail locations in the UK, Europe and Asia Pacific, including prime retail locations in Heathrow, Sydney, Melbourne, Frankfurt and Hong Kong airports. Acquisition announced 17 February 2015 with Samsonite paying £15.75m cash for the business.

Operating statistics

Geographic breakdown

- The historic breakdown of the company’s sales by region is detailed in the figure below.

Figure 30: Samsonite - Breakdown of Sales by Region



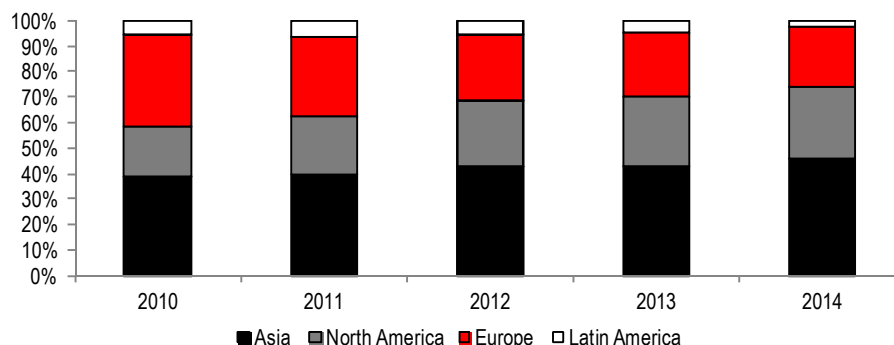
Source: Company reports.

- In FY14, breakdown of sales by region was relatively even. Asia represented the largest region for the company (~38% of sales), while North America represented

the next largest region (~32%). Europe represented ~24% of the company's sales while Latin America represented ~6% of the company's sales.

- By country, the company's largest exposure is to the US, with the US representing ~31% of the company's sales. China is the next largest country from Samsonite, representing ~10% of the company's sales.
- The breakdown of profitability by region is broadly in line with that of sales. Excluding corporate losses, Asia represented ~46% of adjusted group EBITDA, North America ~28%, Europe ~23% and Latin America ~3% for FY14.

Figure 31: Samsonite - Breakdown of Adjusted EBITDA by Region

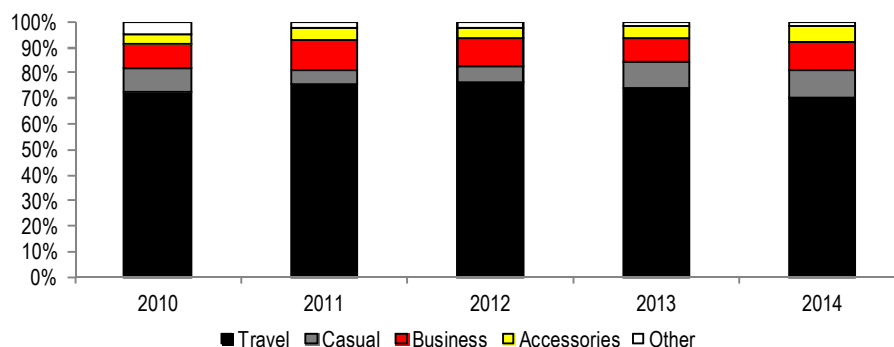


Source: Company reports. Represents adjusted EBITDA excluding corporate losses.

Category breakdown

- The historic breakdown of the company's sales by category is detailed in the figure below. The travel category represents the majority of the company's business (~70% in FY14), while casual is currently ~11% and business ~11%. Accessories represent ~6% of the company's business but will grow given the recent acquisitions.

Figure 32: Samsonite - Breakdown of Net Sales by Category

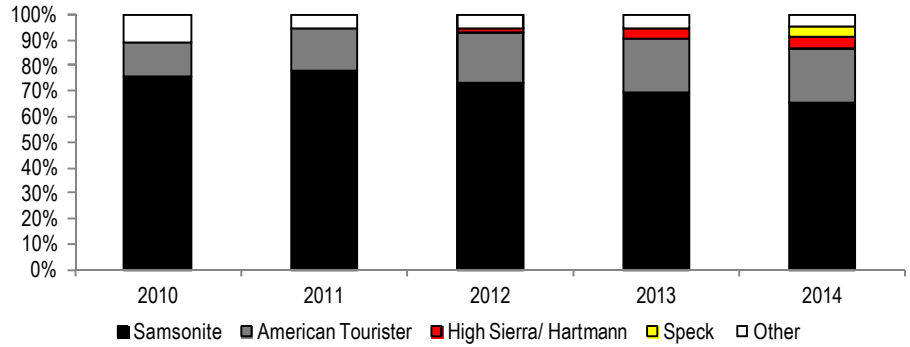


Source: Company reports.

Brand breakdown

- The historic breakdown of the company's sales by brand is detailed in the figure below. Share of *Samsonite* brand sales has reduced over time to reach ~65% in FY14. Share of *American Tourister* brand sales have increased from low teens to ~21% in FY14. Going forward, we expect other brands to represent a bigger portion of the company's business given recent acquisitions.

Figure 33: Samsonite - Breakdown of Net Sales by Brand.



Source: Company reports.

- We expect the annualisation impact of some recent acquisitions to impact various brand contributions for Samsonite in FY15.

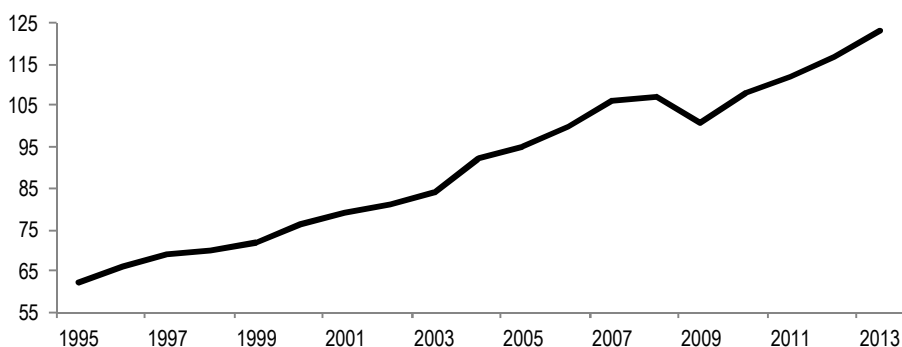
Industry Overview

Global tourism has grown ~4% p.a. since 1995

Historical international tourism arrival growth

- International tourism arrival has grown 3.9% p.a. since 1995. In the figure below we detail the index for international tourist arrivals since 1995 (as reported by the World Tourism Organisation).

Figure 34: International Tourist Arrival Index



Source: World Tourism Organisation. 2006 = 100.

In 2014, international tourism growth was ~5%

- In 2014, international tourism grew 4.7%. In the figure below, we detail tourism growth by region.

Table 22: World International Tourist Arrival Growth by Region

	2009 Full year	2010 Full year	2011 Full year	2012 Full year	2013 Full year	2014 Full year	2015F Full year
World	-3.9%	6.5%	5.1%	4.1%	4.7%	4.7%	~+3-4%
Europe	-5.0%	3.1%	6.6%	3.7%	4.9%	3.9%	~+3-4%
Asia Pacific	-1.6%	13.1%	6.5%	6.9%	6.8%	5.3%	~+4-5%
Americas	-4.7%	6.5%	3.5%	4.4%	3.5%	7.4%	~+4-5%
Africa	3.4%	8.9%	-0.1%	5.2%	4.8%	2.3%	~+3-5%
Middle East	-5.4%	13.1%	-3.5%	-5.6%	-3.4%	4.4%	~+2-5%

Source: World Tourism Organisation.

The World Tourism Organisation expects 1.8bn international tourist arrivals in 2030

- Going forward, the World Tourism Organisation expects international tourist arrivals to reach 1.8bn in 2030, up from ~1.1bn in 2013. The WTO therefore expects ~3% CAGR going forward.

Figure 35: International Tourist Arrival Projection

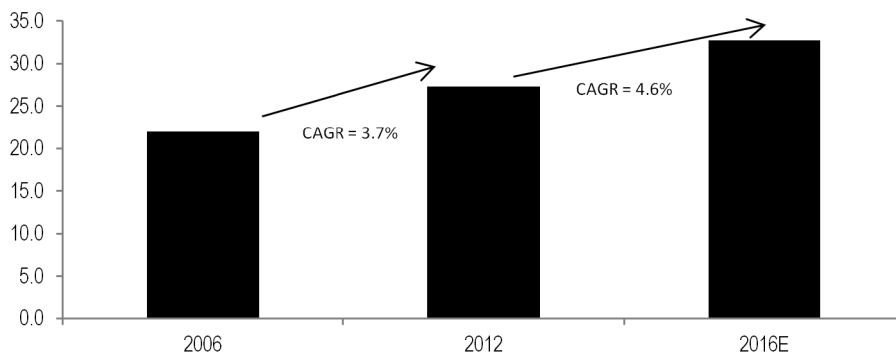


Source: World Tourism Organisation.

The global luggage industry has growth ~4% p.a. since 2006

- The global luggage industry has grown 3.7% p.a. since 2006. Over the same period, international tourist arrivals have grown 2.7% p.a. In 2012, the industry was a US\$27.3bn industry.
- The global luggage industry is expected to grow at a CAGR of 4.6% from 2012 to 2016.

Figure 36: Global Luggage Industry Growth (US\$bn)



Source: J.P. Morgan estimates, Company data.

Samsonite is the largest player in fragmented luggage industry

- The global luggage industry is relatively fragmented, with combined market share for the top 10 players ~30%. Samsonite is the largest player in the luggage industry with ~15% market share.

Table 23: Global Luggage Industry Market Share (2013)

Top 10	30.3%
Samsonite	15.2%

Source: Euromonitor.

- Part of the reason for the fragmented nature of the market is due to the fact that a majority of players in the luggage industry actually serve national markets as opposed to multiple countries. In the table below, we detail luggage companies with a substantial presence in key luggage markets globally. While the data is slightly dated (2010 data), we believe it does provide reasonable indication of the relative size of key competitors.

Table 24: Major Luggage Companies by Region (2010 data)

	North America	Europe	Latin America	Asia	India	China
Samsonite Group	X	X	X	X	X	X
VF Corp	X	X				
Targus	X					
Tumi	X	X				
Delsey	X	X				
VIP Industries				X	X	
Antler		X				
Rimowa		X				
Crown				X		X

Source: Company reports. X denotes over US\$100m of retail sales value in the region in 2010.

While Samsonite is the largest player in luggage, its market share in other bag categories is relatively low

- According to Euromonitor, luggage and backpacks only represents ~24% of the entire bags and luggage market.

Table 25: Breakdown of Bags & Luggage Market (2013)

Luggage	13.9%
Backpacks	10.3%
Business bags	7.3%
Crossbody bags	9.7%
Handbags	41.2%
Others	17.6%

Source: Euromonitor.

- While Samsonite has a leading market position in the luggage segment, its market share in other segments is relatively low.

Table 26: Samsonite Market Share in Various Luggage & Bag Segments

Luggage	15.2%
Backpacks	2.2%
Business bags	4.1%
Crossbody bags	0.2%
Handbags	0.3%

Source: Euromonitor.

Financial Analysis

Profit & loss statement

- A summary of Samsonite's profitability is detailed below.
- Although we are forecasting for reported EBITDA margins to expand in FY15, we note that this is a function of reduced non-recurring costs. At the adjusted EBITDA level, we are forecasting for some slight margin compression.

Table 27: Samsonite - Summary Profit & Loss

US\$ in millions

	2011	2012	2013	2014	2015E	2016E	2017E
Total sales	1,565.1	1,771.7	2,037.8	2,350.7	2,654.6	3,011.3	3,391.3
% Sales growth	28.8%	13.2%	15.0%	15.4%	12.9%	13.4%	12.6%
% Constant FX Sales growth	24.3%	16.8%	16.1%	17.3%	20.2%	13.6%	12.6%
Store numbers	40,024	45,025	46,043	49,000	51,100	53,180	54,740
Store growth	7.8%	12.5%	2.3%	6.4%	4.3%	4.1%	2.9%
Other revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue	1,565.1	1,771.7	2,037.8	2,350.7	2,654.6	3,011.3	3,391.3
COGS	(708.2)	(820.7)	(949.5)	(1,106.9)	(1,253.7)	(1,419.2)	(1,594.8)
Gross Margin (as % turnover)	54.8%	53.7%	53.4%	52.9%	52.8%	52.9%	53.0%
Operating expenses	(609.4)	(669.0)	(761.9)	(892.8)	(994.2)	(1,118.9)	(1,251.4)
Operating expenses as % turnover	38.9%	37.8%	37.4%	38.0%	37.5%	37.2%	36.9%
EBITDA	247.5	282.0	326.5	351.0	406.7	473.3	545.0
EBITDA Margin (as % turnover)	15.8%	15.9%	16.0%	14.9%	15.3%	15.7%	16.1%
D&A	(38.5)	(40.3)	(45.2)	(51.8)	(55.7)	(63.1)	(69.3)
EBITA	209.1	241.7	281.3	299.3	350.9	410.2	475.7
EBITA Margin (as % turnover)	13.4%	13.6%	13.8%	12.7%	13.2%	13.6%	14.0%
Goodwill Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	209.1	241.7	281.3	299.3	350.9	410.2	475.7
EBIT Margin (as % turnover)	13.4%	13.6%	13.8%	12.7%	13.2%	13.6%	14.0%
Net Interest	(70.6)	(17.0)	(11.0)	(16.9)	(6.9)	(6.1)	(5.8)
Other	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Profit before Tax	139.3	224.7	270.3	282.4	344.0	404.1	469.9
Tax expense	(35.7)	(58.1)	(72.9)	(77.0)	(91.2)	(106.3)	(122.2)
Net profit after tax	103.6	166.6	197.4	205.4	252.9	297.9	347.7
OEI	(16.9)	(18.2)	(21.3)	(19.1)	(21.0)	(23.8)	(26.8)
Significant items after tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT after significant items	86.7	148.4	176.1	186.3	231.9	274.1	321.0

Source: J.P. Morgan estimates, Company data. December year end.

Table 28: Samsonite - Adjusted EBITDA

US\$ in millions

	2011	2012	2013	2014	2015E	2016E	2017E
Reported EBITDA	247.5	282.0	326.5	351.0	406.7	473.3	545.0
Add: share-based comp expenses	0.2	0.0	7.0	11.0	11.0	11.0	11.0
Add back: other expenses	0.6	4.4	4.2	22.4	9.1	10.3	11.5
Other	(0.0)	0.1	0.0	(0.1)	0.0	0.0	0.0
Adjusted EBITDA	248.3	286.5	337.7	384.3	426.8	494.6	567.6
% Change	29.4%	15.4%	17.9%	13.8%	11.0%	15.9%	14.8%
Adjusted EBITDA Margin	15.9%	16.2%	16.6%	16.4%	16.1%	16.4%	16.7%

Source: J.P. Morgan estimates, Company data. December year end.

Balance sheet

- A summary of Samsonite's balance sheet is detailed below.
- Intangibles make up a significant proportion of the company's net assets with this a function of goodwill from acquisitions as well as tradenames.
- On the liabilities side, provisions are a function of employee benefits as well as tax liabilities.

Table 29: Samsonite - Summary Balance Sheet

US\$ in millions

	2011	2012	2013	2014	2015E	2016E	2017E
Current Assets							
Cash & Deposits	141.3	151.4	225.3	140.4	204.7	341.5	500.3
Receivables	171.6	222.2	246.4	290.8	334.2	380.3	428.7
Inventories	237.0	277.5	298.4	332.3	374.4	425.2	478.3
Other	61.6	62.3	65.3	71.7	71.7	71.7	71.7
Total Current Assets	611.4	713.4	835.4	835.3	985.0	1,218.6	1,478.9
Non-Current Assets							
PP&E	128.0	135.8	155.3	178.3	203.8	230.5	262.5
Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangibles	772.7	885.9	877.1	1,036.8	1,060.8	1,060.8	1,060.8
Other	32.5	78.1	67.1	80.9	80.9	80.9	80.9
Total Non-Current Assets	933.1	1,099.8	1,099.5	1,296.0	1,345.5	1,372.2	1,404.2
Total Assets	1,544.5	1,813.2	1,934.9	2,131.3	2,330.5	2,590.8	2,883.2
Current Liabilities							
Creditors	286.6	362.5	387.2	415.4	433.3	478.7	526.1
Borrowings	11.7	32.2	13.6	65.1	65.1	65.1	65.1
Provisions	85.2	98.8	100.9	123.0	134.8	152.0	169.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	383.5	493.5	501.7	603.6	633.2	695.8	761.1
Non-Current Liabilities							
Creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowings	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Provisions	215.8	233.5	202.5	220.3	224.9	232.4	240.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Current Liabilities	215.9	233.5	202.6	220.3	225.0	232.5	240.3
Total Liabilities	599.3	727.1	704.3	823.9	858.2	928.3	1,001.4
Net Assets	945.2	1,086.1	1,230.6	1,307.4	1,472.3	1,662.6	1,881.7

Source: J.P. Morgan estimates, Company data. December year end.

Cash flow statement

- The company's historical and forecast cash flow statement is detailed below.
- The significant increase in capex in FY14 was a function of acquisitions with the company completing three acquisitions in FY14 (*Lipault, Speck, Gregory*). We note FY15 capex & investments will also be impacted by the company's acquisition of *Rolling Luggage* with capex expected to be more normalised from 2016 onwards.
- Net working capital days were ~50 days in FY14. The company does see some opportunities to reduce this going forward, which we have factored into account.

Table 30: Samsonite - Summary Cash Flow Statement

US\$ in millions

	2011	2012	2013	2014	2015E	2016E	2017E
EBITDA	247.5	282.0	326.5	351.0	406.7	473.3	545.0
Change In Working Capital	(78.4)	13.0	(47.3)	(27.5)	(57.1)	(34.7)	(36.4)
Net Interest	(4.3)	(2.9)	(1.8)	(2.0)	(6.9)	(6.1)	(5.8)
Tax paid	(37.3)	(58.1)	(60.5)	(74.1)	(85.2)	(98.4)	(114.1)
Other	(66.1)	(28.2)	(24.4)	(23.5)	0.0	0.0	0.0
Cash flow from operations	61.5	205.8	192.5	223.9	257.5	334.1	388.7
Capex & Investments	(35.8)	(179.2)	(57.2)	(266.3)	(105.2)	(89.8)	(101.3)
Asset Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	3.3	(0.8)	0.0	0.0	0.0
Investing cash flows	(35.8)	(179.2)	(53.9)	(267.1)	(105.2)	(89.8)	(101.3)
Borrowings	(381.3)	21.0	(18.8)	52.6	0.0	0.0	0.0
Equity	225.3	0.0	0.0	2.8	0.0	0.0	0.0
Distributions	(5.4)	(36.5)	(45.9)	(95.1)	(88.0)	(107.6)	(128.6)
Other	(8.9)	(1.1)	0.0	(2.0)	0.0	0.0	0.0
Change in Cash Balance	(144.5)	10.1	73.9	(84.9)	64.3	136.8	158.8
Financing cash flows	(25.8)	(26.7)	(138.6)	43.3	(152.3)	(244.4)	(287.4)

Source: J.P. Morgan estimates, Company data. December year end.

Investment Thesis, Valuation and Risks

Samsonite International SA *(Overweight; Price Target: HK\$31.00)*

Investment Thesis

While Samsonite does face some FX and margin headwinds in the near term, we believe this is already factored into consensus forecasts. Overall, we like the growth prospects of the luggage industry and believe Samsonite is being led by a strong management team. Moreover, Samsonite is one of the very few companies with our coverage universe where we see clear drivers for double-digit sales and earnings growth over the foreseeable future. Samsonite is currently trading on ~21x our FY15 forecasts, which is at a ~2-3 point discount relative to global brand names.

Valuation

Our Jun-16 price target is HK\$31 per share. Our price target is based on a target P/E of ~20x and our earnings forecasts for the year ending Dec-16. Our target P/E is in line with the current Samsonite trading multiple.

Risks to Rating and Price Target

Downside risks to our view include: (1) Any downturn in global luggage demand; (2) Worse than expected penetration of American Tourister in European and Asian markets; (3) Ongoing sustained loss of market share; (4) Risk of overexpansion which leads to operating cost pressure; (5) Any unexpected increase in sourcing costs; (6) Higher than expected operating cost and capex investment; Unfavourable movements in FX; Any significant event that negatively impacts global travel (e.g. health fears etc).

Samsonite International SA: Summary of Financials

Income Statement						Cash flow statement					
\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E	\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E
Revenues	2,038	2,351	2,655	3,011	3,391	PBT	270	282	344	404	470
% change Y/Y	15.0%	15.4%	12.9%	13.4%	12.6%	Depr. & amortization	45	52	56	63	69
Gross Profit	1,088	1,244	1,401	1,592	1,796	Change in working capital	(17)	(51)	(68)	(52)	(54)
% change Y/Y	14.4%	14.3%	12.6%	13.7%	12.8%	Tax & Other	(12)	37	37	49	53
Gross margin	53.4%	52.9%	52.8%	52.9%	53.0%	Cash flow from operations	193	224	258	334	389
Other operating income	-	-	-	-	-	Capex	(57)	(70)	(81)	(90)	(101)
EBITDA	326	351	407	473	545	Sale of assets	0	-	-	0	-
% change Y/Y	15.8%	7.5%	15.8%	16.4%	15.2%	Acquisition of subsidiaries/intangibles	0	(197)	(24)	0	0
EBITDA Margin	16.0%	14.9%	15.3%	15.7%	16.1%	Other	3	(1)	0	0	0
EBIT	281	299	351	410	476	Cash flow from investing	(54)	(267)	(105)	(90)	(101)
% change Y/Y	16.4%	6.4%	17.3%	16.9%	16.0%	Equity raised/(repaid)	0	3	0	0	0
EBIT Margin	13.8%	12.7%	13.2%	13.6%	14.0%	Debt raised/(repaid)	(19)	53	0	0	0
Net Interest	(11)	(17)	(7)	(6)	(6)	Dividends paid	(46)	(95)	(88)	(108)	(129)
Share of JVs	-	-	-	-	-	Other	0	(2)	0	0	0
Other non operating income	-	-	0	0	0	Cash flow from financing	(65)	(42)	(88)	(108)	(129)
Earnings before tax	270	282	344	404	470	FX gain/(loss)	-	-	-	-	-
% change Y/Y	20.3%	4.5%	21.8%	17.5%	16.3%	Net change in cash	74	(85)	64	137	159
Tax	(73)	(77)	(91)	(106)	(122)	Ending cash	225	140	205	341	500
as % of EBT	27.0%	27.3%	26.5%	26.3%	26.0%	DPS	0.06	0.06	0.08	0.09	0.11
Minorities	(21)	(19)	(21)	(24)	(27)						
Net income (reported)	176	186	232	274	321						
% change Y/Y	18.6%	5.8%	24.5%	18.2%	17.1%						
Recurring Net Income	176	186	232	274	321						
% change Y/Y	18.6%	5.8%	24.5%	18.2%	17.1%						
EPS (reported)	0.13	0.13	0.16	0.19	0.23						
% change Y/Y	18.6%	5.7%	24.5%	18.2%	17.1%						
Recurring EPS	0.13	0.13	0.16	0.19	0.23						
% change Y/Y	18.6%	5.7%	24.4%	18.2%	17.1%						
Balance sheet						Ratio Analysis					
\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E	\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E
Cash and cash equivalents	225	140	205	341	500	Gross margin	53.4%	52.9%	52.8%	52.9%	53.0%
Accounts receivable	246	291	334	380	429	EBITDA margin	16.0%	14.9%	15.3%	15.7%	16.1%
Inventories	298	332	374	425	478	Operating Margin	13.8%	12.7%	13.2%	13.6%	14.0%
Others	65	72	72	72	72	Net margin	8.6%	7.9%	8.7%	9.1%	9.5%
Current assets	835	835	985	1,219	1,479	Recurring net profit margin	8.6%	7.9%	8.7%	9.1%	9.5%
Goodwill	214	270	294	294	294	Sales growth	15.0%	15.4%	12.9%	13.4%	12.6%
Intangible assets	663	767	767	767	767	Net profit growth	18.6%	5.8%	24.5%	18.2%	17.1%
Long term investments	-	-	-	-	-	Recurring net profit growth	18.6%	5.8%	24.5%	18.2%	17.1%
Net fixed assets	155	178	204	230	263	EPS growth	18.6%	5.7%	24.5%	18.2%	17.1%
Other assets	67	81	81	81	81	Interest coverage (x)	29.8	20.8	58.9	78.0	93.9
Total Assets	1,935	2,131	2,330	2,591	2,883	Net debt to equity	(17.2%)	(5.8%)	(9.5%)	(16.6%)	(23.1%)
Liabilities						Sales/assets	1.1	1.2	1.2	1.2	1.2
Short-term loans	14	65	65	65	65	Assets/equity	167.0%	165.1%	166.3%	164.4%	163.3%
Trade & other payables	387	415	433	479	526	ROE	15.7%	15.1%	17.3%	18.3%	19.1%
Others	101	123	135	152	170	ROCE	17.9%	17.1%	18.3%	19.4%	20.2%
Total current liabilities	502	604	633	696	761						
Long-term debt	0	0	0	0	0						
Others	111	108	108	108	108						
Total Liabilities	704	824	858	928	1,001						
Minorities	38	38	59	83	109						
Shareholders' equity	1,193	1,270	1,414	1,580	1,772						
BVPS	0.87	0.93	1.05	1.18	1.34						

Source: Company reports and J.P. Morgan estimates.

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