July 27, 2011

ACTION

Buy

Samsonite International SA (1910.HK)

Return Potential: 27%

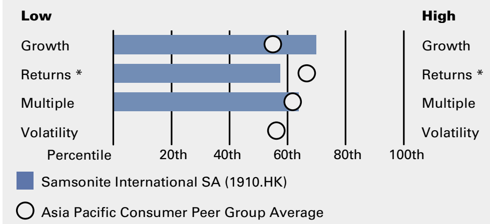
Equity Research

Strong growth visibility, undemanding valuation; initiate with Buy

Source of opportunity

We are initiating coverage of Samsonite with a Buy rating. Our 12-month HK$20 price target, based on 18X 2012E P/E, offers 27% potential upside (July 26 close). While we expect Samsonite's Asia sales to deliver 30% CAGR over 2010-2013E, we believe the market may be underestimating the strength of its recovery in the US and Europe. In these developed markets, we see still sizable opportunities for Samsonite to build market share in a multi-year time frame, given the significant improvement made to the cost structure, management team and product offerings in the last few years.

Investment Profile



* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Catalyst

We see two key catalysts on the horizon for Samsonite: (1) market share gain may be sustained longer than we currently expect, driving further potential earnings upgrade and multiple re-rating; (2) with strong topline growth, operating leverage could kick in stronger and faster than we expect and deliver earnings upside.

Valuation

The stock is now trading at 18X 2011 P/E and 14X 2012 P/E on our recurring EPS estimate. We use 18X 2012E P/E to value the stock, in line with the current P/E of other global consumer companies with similar exposure to growth markets. Both Samsonite's growth and return profile compare favorably with this universe.

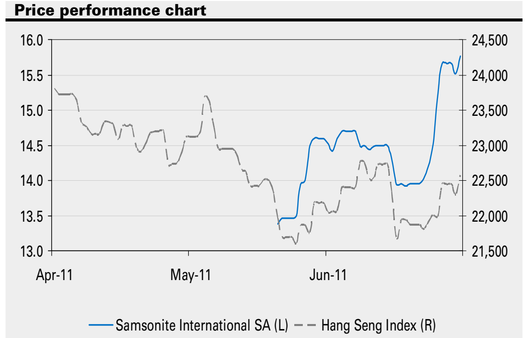
Key risks

(1) US/Europe demand may decelerate faster than we expect; (2) Faster-than-expected SG&A pickup, especially in labor and A&P; (3) Any big shocks to air travel could impact demand.

Key data	Current
Price (HK$)	15.76
12 month price target (HK$)	20.00
Market cap (HK$ mn / US$ mn)	22,176.5 / 2,846.1
Foreign ownership (%)	--

	12/10	12/11E	12/12E	12/13E
EPS (HK$)	2.15	0.58	1.11	1.38
EPS growth (%)	(70.5)	(73.2)	92.4	23.6
EPS (diluted) ($)	0.28	0.07	0.14	0.18
EPS (basic pre-ex) ($)	0.28	0.07	0.14	0.18
P/E (X)	7.3	27.2	14.2	11.4
P/B (X)	3.5	2.7	2.4	2.1
EV/EBITDA (X)	NM	9.8	7.9	6.1
Dividend yield (%)	0.0	0.8	2.1	2.6
ROE (%)	62.7	11.3	18.0	19.6
CROCI (%)	36.7	32.3	38.5	49.9

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	--	--	--
Rel. to Hang Seng Index	--	--	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 7/26/2011 close.

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Coverage View: Neutral

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Samsonite International SA: Summary Financials

Profit model ($ mn)	12/10	12/11E	12/12E	12/13E
Total revenue	**1,215.3**	**1,547.0**	**1,841.5**	**2,091.1**
Cost of goods sold	(525.6)	(692.7)	(817.4)	(920.6)
SG&A	(521.6)	(625.8)	(729.8)	(812.2)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**188.9**	**253.9**	**322.8**	**389.6**
Depreciation & amortization	(20.7)	(25.3)	(28.5)	(31.3)
EBIT	**168.1**	**228.6**	**294.2**	**358.3**
Interest income	1.6	1.4	3.0	6.1
Interest expense	(30.7)	(39.7)	(4.0)	(4.0)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	375.5	(25.5)	0.0	0.0
Pretax profits	**514.6**	**164.8**	**293.3**	**360.5**
Income tax	(147.8)	(47.8)	(73.3)	(90.1)
Minorities	(11.8)	(16.6)	(19.1)	(22.0)
Net income pre-preferred dividends	**355.0**	**100.4**	**200.9**	**248.4**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**355.0**	**100.4**	**200.9**	**248.4**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**355.0**	**100.4**	**200.9**	**248.4**
EPS (basic, pre-except) ($)	0.28	0.07	0.14	0.18
EPS (basic, post-except) ($)	0.28	0.07	0.14	0.18
EPS (diluted, post-except) ($)	0.28	0.07	0.14	0.18
DPS ($)	0.00	0.02	0.04	0.05
Dividend payout ratio (%)	0.0	22.5	30.0	30.0
Free cash flow yield (%)	NM	0.3	4.3	8.0

Growth & margins (%)	12/10	12/11E	12/12E	12/13E
Sales growth	18.1	27.3	19.0	13.6
EBITDA growth	367.1	34.4	27.1	20.7
EBIT growth	843.1	36.0	28.7	21.8
Net income growth	(70.5)	(71.7)	100.2	23.6
EPS growth	(70.5)	(73.1)	92.6	23.6
Gross margin	56.7	55.2	55.6	56.0
EBITDA margin	15.5	16.4	17.5	18.6
EBIT margin	13.8	14.8	16.0	17.1

Cash flow statement ($ mn)	12/10	12/11E	12/12E	12/13E
Net income pre-preferred dividends	355.0	100.4	200.9	248.4
D&A add-back	20.7	25.3	28.5	31.3
Minorities interests add-back	11.8	16.6	19.1	22.0
Net (inc)/dec working capital	(78.2)	(60.2)	(39.4)	(36.0)
Other operating cash flow	(274.9)	(30.0)	(47.1)	0.0
Cash flow from operations	**34.4**	**52.1**	**162.1**	**265.6**
Capital expenditures	(29.6)	(44.9)	(40.5)	(37.6)
Acquisitions	0.0	0.0	0.0	0.0
Divestitures	0.0	0.0	0.0	0.0
Others	0.1	0.0	0.0	0.0
Cash flow from investments	**(29.5)**	**(44.9)**	**(40.5)**	**(37.6)**
Dividends paid (common & pref)	0.0	(22.6)	(60.3)	(74.5)
Inc/(dec) in debt	(21.3)	(223.7)	0.0	0.0
Common stock issuance (repurchase)	0.0	225.0	0.0	0.0
Other financing cash flows	11.6	0.0	0.0	0.0
Cash flow from financing	**(9.7)**	**(21.4)**	**(60.3)**	**(74.5)**
Total cash flow	**(4.7)**	**(14.1)**	**61.3**	**153.5**

Balance sheet ($ mn)	12/10	12/11E	12/12E	12/13E
Cash & equivalents	285.8	271.7	332.9	486.4
Accounts receivable	214.0	268.6	315.1	352.6
Inventory	222.7	278.8	329.0	370.6
Other current assets	0.0	0.0	0.0	0.0
Total current assets	**722.5**	**819.0**	**977.0**	**1,209.5**
Net PP&E	124.8	152.6	172.9	187.5
Net intangibles	781.5	773.2	764.9	756.6
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	36.2	36.2	36.2	36.2
Total assets	**1,665.0**	**1,781.1**	**1,951.0**	**2,189.9**
Accounts payable	330.5	381.0	438.3	481.4
Short-term debt	12.0	0.0	0.0	0.0
Other current liabilities	74.2	74.2	74.2	74.2
Total current liabilities	**416.8**	**455.2**	**512.6**	**555.6**
Long-term debt	246.7	35.0	35.0	35.0
Other long-term liabilities	238.7	208.7	161.6	161.6
Total long-term liabilities	485.4	243.7	196.6	196.6
Total liabilities	**902.1**	**698.9**	**709.1**	**752.1**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**740.2**	**1,043.0**	**1,183.6**	**1,357.5**
Minority interest	22.6	39.2	58.3	80.3
Total liabilities & equity	**1,665.0**	**1,781.1**	**1,951.0**	**2,189.9**
BVPS ($)	**0.58**	**0.74**	**0.84**	**0.96**

Ratios	12/10	12/11E	12/12E	12/13E
CROCI (%)	36.7	32.3	38.5	49.9
ROE (%)	62.7	11.3	18.0	19.6
ROA (%)	25.3	5.8	10.8	12.0
ROACE (%)	69.2	18.2	24.7	27.8
Inventory days	116.6	132.1	135.7	138.7
Receivables days	56.8	56.9	57.8	58.3
Payable days	204.7	187.5	182.9	182.3
Net debt/equity (%)	(3.5)	(21.9)	(24.0)	(31.4)
Interest cover - EBIT (X)	5.8	6.0	317.4	NM

Valuation	12/10	12/11E	12/12E	12/13E
P/E (analyst) (X)	7.3	27.2	14.2	11.4
P/B (X)	3.5	2.7	2.4	2.1
EV/EBITDA (X)	NM	9.8	7.9	6.1
EV/GCI (X)	NM	5.2	4.6	3.9
Dividend yield (%)	0.0	0.8	2.1	2.6

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

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The prices in the body of this report are based on the market close of July 25, 2011, unless otherwise specified

Strong growth visibility, inexpensively valued

We are initiating coverage of Samsonite with a Buy rating and a 12-month price target of HK$20, offering 27% potential upside to the July 26th closing price. We expect the company to deliver OP CAGR of 29% over 2010-2013E, and recurring earnings CAGR of 41% over the same period.

Exhibit 1: Our net profit and EPS forecast on Samsonite, recurring vs. reported

Income statements	2008	2009	2010	2011E	2012E	2013E
Net profit/(loss) attributable to equity holders (US$ mn)	(1,434)	1,202	355	100	201	248
Net profit/(loss) attributable to equity holders - recurring, incl Lacoste & Timberland (US$ mn)	139	70	89	151	201	248
EPS - reported basic (HK$)	(8.70)	7.29	2.15	0.58	1.11	1.38
EPS - recurring basic (HK$)	0.84	0.42	0.54	0.87	1.11	1.38

Source: Company data, Goldman Sachs Research estimates.

In our view, Samsonite offers an attractive investment opportunity at current price level for the following 2 key reasons:

1. We see strong sales growth in all key markets of Samsonite. Global companies operating around the world typically see strong growth in Asia Pacific, but much lower growth in developed markets. In the case of Samsonite, we are seeing strong growth, driven by market share gains, in all key markets (Exhibit 3). While we expect Samsonite's Asia sales to deliver 30% CAGR over 2010-2013E, we expect North America/Europe sales to grow at 14% CAGR each (Exhibit 2). In 1H11, Asia sales went up around 50% yoy, and North America/Europe topline up by 40+%/c.30% respectively. In the mid-price global consumer segment, Samsonite's growth is one of the fastest in the world.

Exhibit 2: Samsonite's growth is broad-based around the world

Asia sales growth yoy	2009	2010	2011E	2012E	2013E
Samsonite	**-1.0%**	**45.1%**	**39.2%**	**28.9%**	**21.5%**
Nike*	1.4%	4.8%	12.1%	18.5%	11.6%
Adidas	-1.8%	13.7%	10.3%	16.3%	15.7%
Coach*	10.2%	18.3%	13.5%	22.6%	NA
Yum! Brands*	20.0%	21.4%	29.3%	17.4%	14.7%
North America sales growth yoy	**2009**	**2010**	**2011E**	**2012E**	**2013E**
Samsonite	**-18.6%**	**7.7%**	**23.8%**	**11.2%**	**6.6%**
Nike	-2.5%	6.5%	12.9%	6.6%	5.0%
Adidas	-6.3%	18.8%	7.3%	14.2%	13.2%
Coach	9.5%	18.4%	11.9%	10.9%	NA
Yum! Brands	-12.8%	-7.9%	-10.1%	-15.5%	-8.7%
Europe sales growth yoy	**2009**	**2010**	**2011E**	**2012E**	**2013E**
Samsonite	**-25.0%**	**5.7%**	**22.3%**	**13.5%**	**7.9%**
Nike	-18.5%	-2.0%	5.2%	13.6%	5.5%
Adidas	-6.9%	12.4%	11.0%	10.3%	10.1%
Total sales growth yoy	**2009**	**2010**	**2011E**	**2012E**	**2013E**
Samsonite	**-17.6%**	**18.1%**	**27.3%**	**19.0%**	**13.6%**
Nike	0.5%	5.3%	11.4%	10.9%	8.6%
Adidas	-3.9%	15.5%	12.3%	14.3%	13.4%
Coach	6.6%	12.9%	14.0%	12.7%	NA
Yum! Brands	-3.7%	4.4%	7.2%	4.3%	6.9%

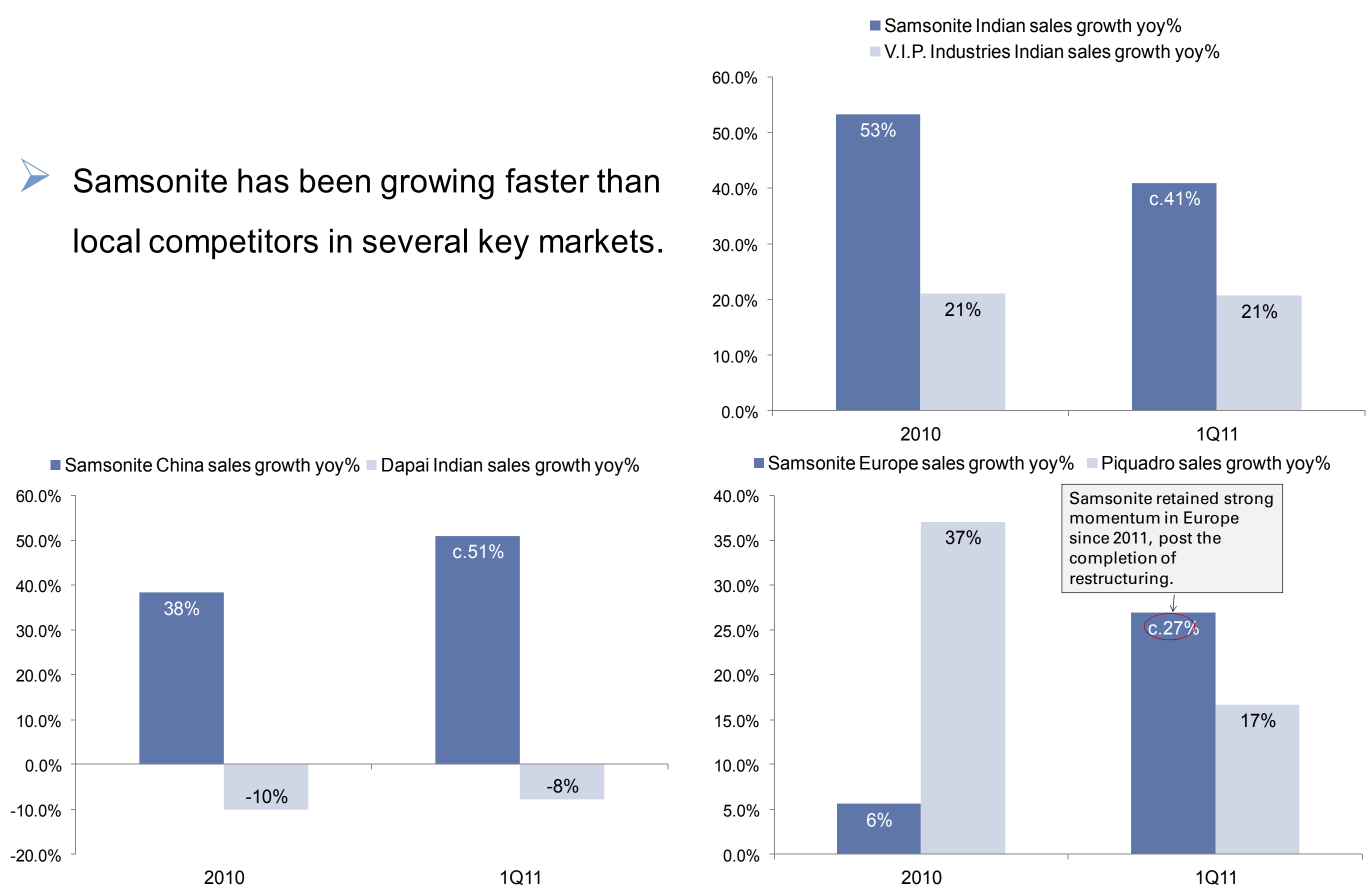
**Nike Asia sales and Coach Asia sales include China and Japan; Yum! Brands Asia sales include China.*

Growth is calculated based on calendarized sales figures.

Source: Company data, Goldman Sachs Research estimates.

Exhibit 3: Samsonite is gaining market share in its key markets

Growth comparison: Samsonite vs. rivals in different markets

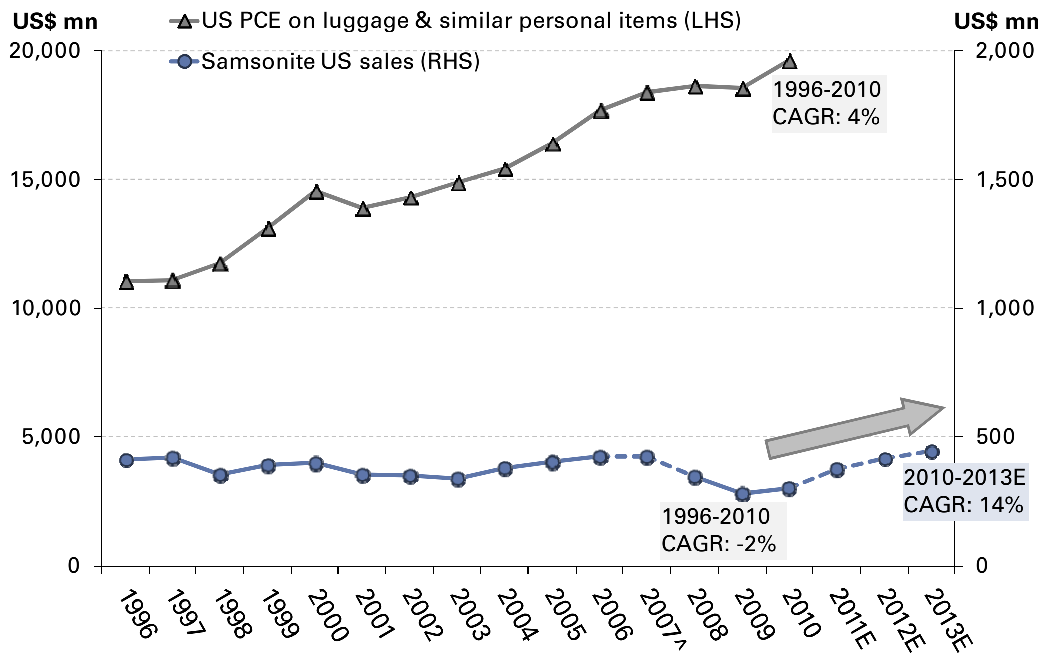


Source: Company data, Bloomberg, Goldman Sachs Research estimates.

US offers significant low hanging fruit, we believe

From mid-1990s to 2010, Samsonite's US revenue stayed flat while the overall US market doubled. An uncompetitive cost structure – 55% of production was in-house as recently as 2002 – was a major factor. A series of restructuring operations have been done over the past decade: in-house production is now down to 6%, products have been revamped, and overhead costs significantly reduced. We believe the company is now in a better shape to compete and regain market share. As such, we see the US offering low hanging fruit for the company. While many mature domestic companies struggle to deliver double digit growth rates, we believe Samsonite is well-positioned to deliver faster growth vs. peers and as it catches up in rebuilding its market share.

Exhibit 4: Future high growth in the US is not a tough goal, in our view



*We use Samsonite Americas sales as a proxy of its U.S. sales for 1996-2006, and North America sales as a proxy for US sales for 2008-2013E

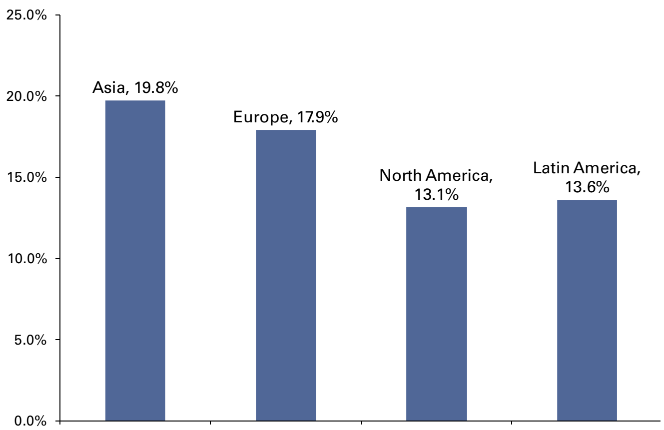
^2007 sales was GS estimate as the Company did not report 2007 financials

Source: Company data, Bloomberg, CEIC.

3. We see the company's margin and return profile continuing to improve. Post the 2009 restructuring, Samsonite has significantly reduced its cost structure in North America and Europe. As demand rebounds, we expect the company to continue to keep costs under control as the majority of SG&A are fixed costs in western markets given its wholesale nature, and thus enjoy operating leverage. The increasing contribution from the Asia market, the most profitable region, should also help lift the company's overall margin, in our view. Asia accounted for 42% of group EBITDA in 2010, but we expect that ratio to reach 49% of the total by 2013E. As such, we expect the company's operating margin to increase to 17.1% by 2013E, from 13.8% in 2010.

Meanwhile, as Samsonite primarily operates on a wholesale model, its capex investment to develop its business does not need to grow in proportion to its earnings growth. Therefore, Samsonite's return profile could see quick improvement, on the back of high earnings growth, in our opinion.

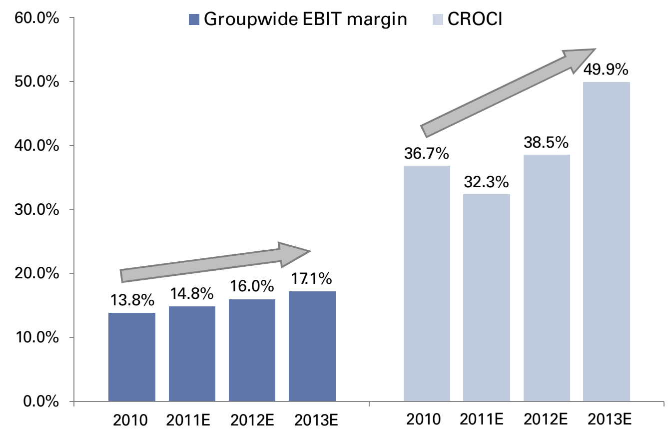
Exhibit 5: Asia has the highest adjusted EBITDA margin
Adjusted* EBITDA margin by region (2010)



* adjusted for non-operating expenses/income

Source: Company data.

Exhibit 6: Samsonite's margin and return upside potential look attractive



Source: Company data, Goldman Sachs Research estimates.

Valuation

Our 12-month price target of HK$20 is based on 18X 2012E EPS. Samsonite has no direct listed competitors, but considering its business model, geographical exposure and listing location, we believe the closest peers are: (1) global footwear and accessories operating in the mid-price segment: **Nike, Adidas, and Coach**; and (2) HK-listed footwear and accessories companies, excluding sportswear companies that are affected by issues specific to their industry: **Belle, Daphne, L'Occitane and Hengdeli**.

Exhibit 7: Valuation comps – Samsonite vs. global brands with meaningful Asia exposure, and HK-listed consumer discretionary stocks

Company	GS/GH	Ticker	Pricing	Price	12-m PT	Upside/	Mkt cap	P/E Calendarized (X)			PEG (X)	EV/EBITDA (X)			Div yield		P/B (X)		ROE	
	Rating		ccy	7/25/2011	GS	Downside	(US$ mn)	10	11E	12E	11E	10	11E	12E	10	11E	10	11E	10	11E
Samsonite International SA	Buy	1910.HK	HKD	15.52	20.00	29%	2,803	28.6	17.9	13.9	0.7	14.9	10.0	7.5	0%	1%	3.5	2.8	47%	9%
Global footwear and accessories operating in the mid-price segment																				
Nike, Inc.	Neutral	NKE	USD	90.93	85.00	-7%	34,994	21.4	19.3	16.5	1.2	11.0	10.0	8.7	1%	1%	4.5	4.2	21%	22%
adidas	Buy	ADSGn.DE	EUR	55.63	64.80	16%	16,687	20.5	16.0	12.3	0.6	10.5	8.7	6.8	1%	1%	2.5	2.2	12%	14%
Coach, Inc.	Neutral	COH	USD	66.32	60.00	-10%	19,472	25.1	20.8	17.7	1.2	13.9	12.0	10.5	1%	1%	12.2	9.8	49%	47%
							Median	**21.4**	**19.3**	**16.5**	**1.2**	**11.0**	**10.0**	**8.7**	**1%**	**1%**	**4.5**	**4.2**	**21%**	**22%**
HK-listed footwear and accessories companies, excl. sportswear																				
Belle International Holdings	Buy	1880.HK	HKD	16.58	18.50	12%	17,947	35.6	25.5	20.8	1.2	25.2	17.2	12.8	2%	3%	7.0	6.1	20%	25%
Daphne International Holdings	Buy	0210.HK	HKD	8.78	10.00	14%	1,846	27.5	20.0	16.5	1.0	13.0	10.1	8.2	1%	2%	4.6	3.9	18%	21%
L'Occitane International SA*	NC	0973.HK	HKD	20.75	NA	na	3,933	28.9	23.7	17.9	0.8	16.4	NA	NA	1%	1%	5.2	4.4	28%	20%
Hengdeli Holdings Ltd*	NC	3389.HK	HKD	4.18	NA	na	2,359	27.2	22.0	16.2	0.7	18.4	NA	NA	1%	2%	3.7	3.0	15%	16%
							Median	**28.2**	**22.8**	**17.2**	**0.9**	**17.4**	**13.7**	**10.5**	**1%**	**2%**	**4.9**	**4.1**	**19%**	**21%**

*L'Occitane and Hengdeli are not covered by Goldman Sachs Research; Bloomberg consensus estimates are used for the two names.

Source: Company data, Datastream, Bloomberg, Goldman Sachs Research estimates.

Among global peers, we view Nike as its closest competitor, as, of all global companies, Samsonite shares a similar sales breakdown by geography with Nike (Exhibit 8).

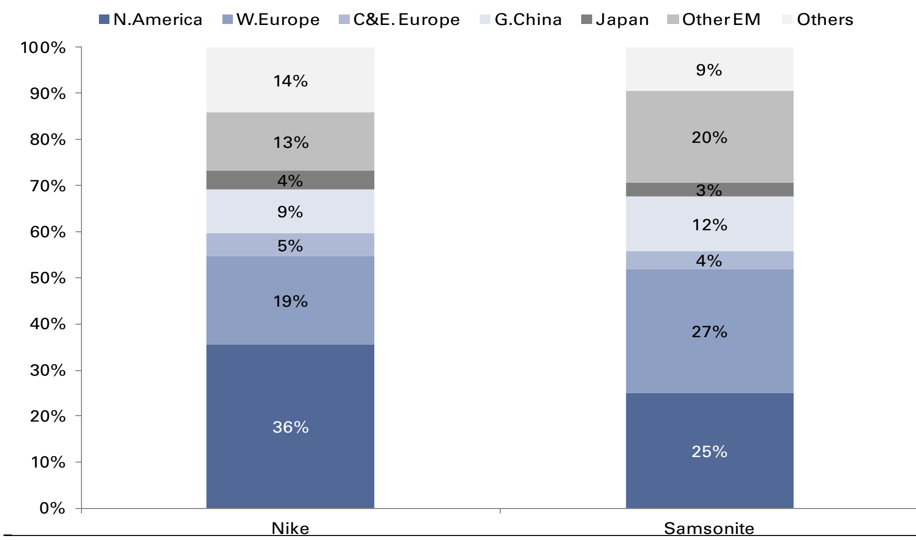
Our choice of 18X P/E multiple is based on the following considerations:

1) The global peer group's current 12-m forward P/E of 18X. As shown in Exhibit 2 and 12, both Samsonite's growth and return profile compare favorably vs. this global peer group.

2) Nike's historical average forward P/E of 18X (Exhibit 9).

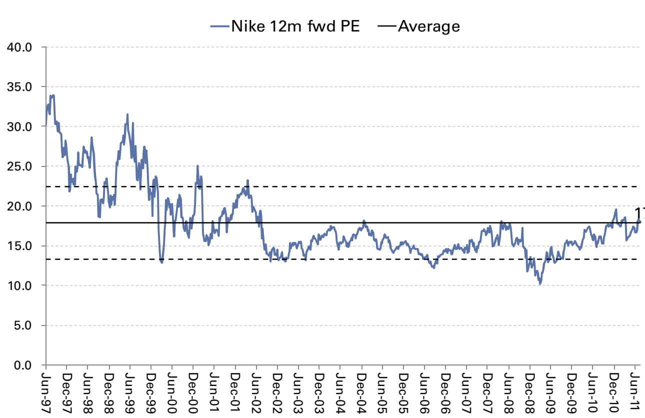
3) China peer group's current 12-m forward P/E of 20X.

Exhibit 8: Samsonite's sales breakdown by region is similar to Nike's
Geographical breakdown of sales, 2010



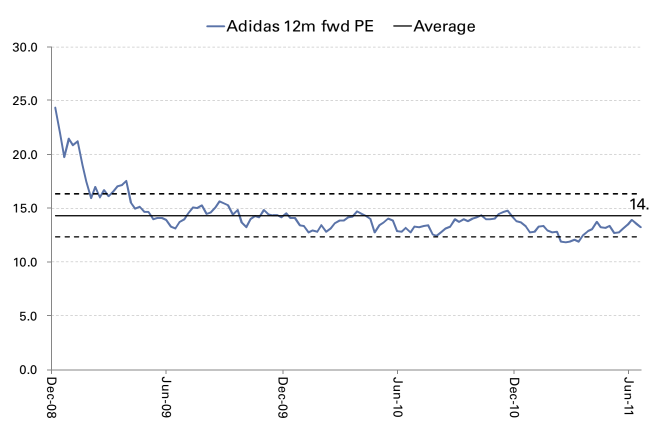
Source: Company data, Nike annual report, Goldman Sachs Research.

Exhibit 9: Historical average P/E of Nike is 18X



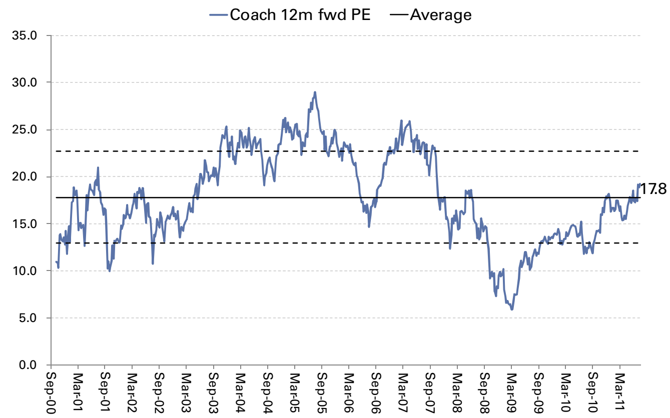
Source: Company data, Datastream, Goldman Sachs Research estimates.

Exhibit 10: Historical average P/E of Adidas is 14X



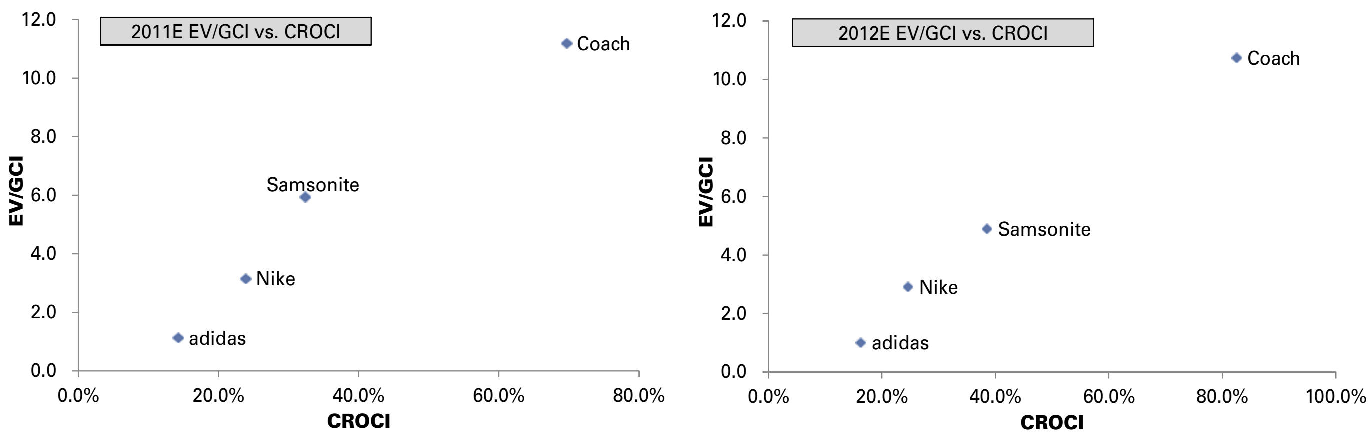
Source: Company data, Datastream, Goldman Sachs Research estimates.

Exhibit 11: Historical average P/E of Coach is 18X



Source: Company data, Datastream, Goldman Sachs Research estimates.

Exhibit 12: Samsonite's CROCI compares favorably to global competitors



Source: Company data, Datastream, Goldman Sachs Research estimates.

Financials: we forecast 29% operating profit CAGR over 2010-2013E

Exhibit 13: Reported Samsonite financials, 2008-2010, and forecast for 2011E-2013E
Income statement

Income statements (US$ mn)	2008	2009	2010	2011E	2012E	2013E
Total sales/revenues	**1,250**	**1,029**	**1,215**	**1,547**	**1,841**	**2,091**
Cost of goods sold	(625)	(514)	(526)	(693)	(817)	(921)
Gross profit	**624**	**516**	**690**	**854**	**1,024**	**1,170**
Total operating expense	(580)	(498)	(522)	(626)	(730)	(812)
Operating income	**44**	**18**	**168**	**229**	**294**	**358**
Net interest income/expense	(174)	(118)	(29)	(38)	(1)	2.195
Other non-operating income/expense	(1,441)	1,237	375	(26)	-	-
Profit before tax	**(1,572)**	**1,137**	**515**	**165**	**293**	**360**
Income taxes	148	72	(148)	(48)	(73)	(90)
Profit before non-controlling interest	(1,424)	1,209	367	117	220	270
Non-controlling interest	(10)	(7)	(12)	(17)	(19)	(22)
Net profit/(loss) attributable to equity holders	(1,434)	1,202	355	100	201	248
Net profit/(loss) attributable to equity holders - recurring, incl Lacoste & Timberland	**139**	**70**	**89**	**151**	**201**	**248**
EPS - basic (HK$)	**(8.70)**	**7.29**	**2.15**	**0.58**	**1.11**	**1.38**
EPS - recurring basic (HK$)	**0.84**	**0.42**	**0.54**	**0.87**	**1.11**	**1.38**
Common dividends declared	-	-	-	(23)	(60)	(75)
Effective tax rate	9.4%	(6.3%)	28.7%	29.0%	25.0%	25.0%
Margin and growth analysis	**2008**	**2009**	**2010**	**2011E**	**2012E**	**2013E**
YoY chg%						
Revenue		-17.6%	18.1%	27.3%	19.0%	13.6%
COGS		-17.8%	2.3%	31.8%	18.0%	12.6%
Gross profit		-17.4%	33.8%	23.9%	19.9%	14.3%
Operating expense		-14.3%	4.8%	20.0%	16.6%	11.3%
Operating income		-59.2%	843.1%	36.0%	28.7%	21.8%
Adjusted EBITDA		-53.2%	236.7%	31.3%	28.1%	20.7%
Pretax income		-172.4%	-54.7%	-68.0%	78.0%	22.9%
Profit before non-controlling interest		-184.9%	-69.7%	-68.1%	88.1%	22.9%
Net income		-183.9%	-70.5%	-71.7%	100.2%	23.6%
Net income - recurring, incl Lacoste & Timberland		-49.7%	27.8%	68.7%	33.2%	23.6%
Margins %						
Gross margins	50.0%	50.1%	56.7%	55.2%	55.6%	56.0%
SG&A / sales	46.5%	48.4%	42.9%	40.5%	39.6%	38.8%
Adjusted EBITDA margin	9.7%	5.5%	15.8%	16.3%	17.5%	18.6%
EBIT margin	3.5%	1.7%	13.8%	14.8%	16.0%	17.1%
Pre-tax margin	-125.8%	110.5%	42.3%	10.6%	15.9%	17.2%
Net margins	-114.7%	116.8%	29.2%	6.5%	10.9%	11.9%
Net margins based on recurring net income incl. Lacoste & Timberland	11.1%	6.8%	7.4%	9.8%	10.9%	11.9%
% of sales						
Operating expense	46.5%	48.4%	42.9%	40.5%	39.6%	38.8%
Distribution expenses	31.7%	30.9%	26.3%	24.4%	24.1%	23.9%
Marketing expenses	5.4%	4.3%	8.4%	8.8%	8.6%	8.4%
G&A expenses	9.3%	11.8%	8.0%	7.0%	6.7%	6.3%
Others	0.0%	1.4%	0.2%	0.2%	0.2%	0.2%

Source: Company data, Goldman Sachs Research estimates.

We forecast operating profit to rise 36%, 29% and 22% in the coming 3 years, driven by 20% topline CAGR over 2010-2013E and EBITDA margin improving to 18.6% in 2013E from 15.8% in 2010. At a net profit level, we forecast recurring net profit (including Timberland / Lacoste) to rise from US$89mn in 2010 to US$248mn in 2013, a CAGR of 41%. From 2011E (a more normalized basis) to 2013E, we forecast recurring net profit CAGR of 28%.

If we adjust further to exclude the impact from Timberland/Lacoste (Exhibit 18), we forecast earnings to rise from US$88mn in 2010 to US$260mn by 2013E, a CAGR of 44%, slightly higher than the CAGR of 41% of recurring earnings including Timberland/Lacoste.

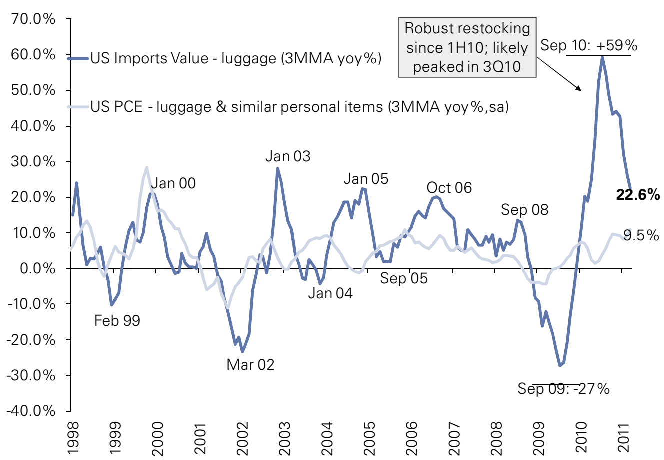
Sales

We forecast sales growth of 27.3% for 2011, 33.2% excluding the impact of Lacoste / Timberland. For 2012E and 2013E we forecast 19.0% and 13.6% topline growth for the company. We expect Asia to be the fastest growing market, with 39% sales growth in 2011E, 29% in 2012E and 21% in 2013E. For the developed markets of North America and Europe, we forecast 24%/22% topline growth in 2011E, tapering off to 11%/13% in 2012E and 7%/8% in 2013E.

Within Asia, the continued roll-out of AT is an important driver of sales. At present, we estimate AT accounts for approximately a quarter of Samsonite's sales in Asia. We forecast AT sales to rise over 60% in 2011. AT's price point is highly competitive in the market (see Exhibit 27 for our price survey in China which shows AT's price point to be significantly lower than those of leading domestic brands Crown and Diplomat). Samsonite's ability to build its brand, due to its scale, is an advantage not available to the smaller brands, in our view.

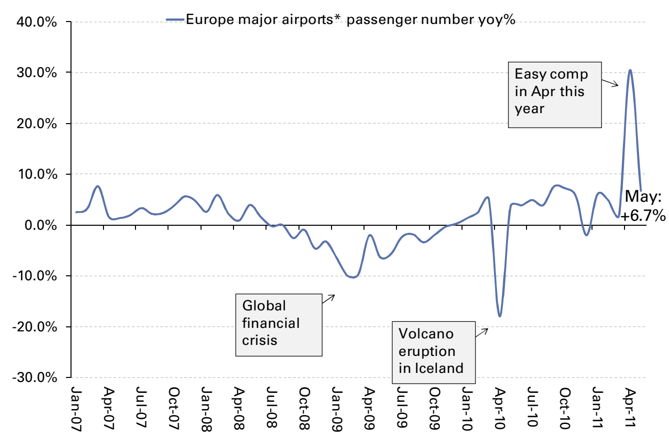
Our robust sales growth outlook is based on three drivers: 1) continued restocking from retailers; 2) healthy growth of air travel; and 3) market share gain of Samsonite.

Exhibit 14: US luggage imports grew 31% yoy Jan-May



Source: CEIC, United States International Trade Commission.

Exhibit 15: Europe major air hubs* pax grew 10% Jan-May



*incl Heathrow, CDG, Orly, Frankfurt, Schipol, Zurich and Vienna Airport

Source: Company data, Goldman Sachs Research.

As shown in Exhibit 14, US luggage imports continue to grow fast, up 23% yoy in May, and up 31% yoy Jan-May. We expect the growth rate to gradually slow down in 2H on tougher comps, but have confidence in our 24% yoy growth forecast for North America for 2011, as management guided that Samsonite's North American sales have grown over 40% yoy in 1H.

For the European business, we believe the healthy recovery of air travel is a fundamental driver. The number of passengers at major European air hubs has gone up 10% yoy Jan-May this year (Exhibit 15). With the travel season approaching, we think travel growth in Europe will continue to pick up. According to management guidance, Samsonite's Europe sales is up nearly 30% yoy in1H, well on track for our 22% growth forecast for full year 2011.

On top of the strong industrial recovery, Samsonite is gaining market share from local competitors in several key markets, as it's growing top-line faster than others (Exhibit 3). We attribute this to Samsonite's strong brand appeal. The company is growing faster than industry average, further supporting our sales growth forecast.

Margins

We expect overall gross margin to dip slightly from 56.7% in 2010 to 55.2% in 2011E, based on two factors: mix and cost increase. On mix, we expect both the loss of the Lacoste/Timberland business (discontinued in 2010) and the faster growth of American Tourister to have a slightly dilutive effect on gross margin. On cost increase, we believe ex-factor prices are rising, driven by the rising labor cost in China and increase in price of crude oil, from which more than half of the direct materials are derived. We expect this to have a small negative impact on gross margin.

At the same time, we expect operating leverage to continue to kick in. We forecast operating margin to rise to 14.8% in 2011E from 13.8% in 2010, and rise further to 17.1% in 2013E. (If excluding Lacoste & Timberland and other non-recurring items, we forecast operating margin to rise to 15.5% in 2011E from 11.6% in 2010.) For adjusted EBITDA margin, we forecast a similar rate of increase, reaching 18.6% in 2013E from 15.8% in 2010.

We do not expect AT to dilute the company's operating margin (Exhibit 16). While AT has a lower gross margin than Samsonite brand, we believe its operating margin is comparable to that of the Samsonite brand, as AT relies mainly on the wholesale channel, with significantly lower operating costs (as percentage of sales), compared to Samsonite brand, which relies more heavily in self-run counters in department stores.

Exhibit 16: We do not expect the increasing contribution from AT will dilute the company's operating margin

Wholesale: Gross margin between Samsonite and American Tourister is similar

	Original cost	Wholesaler's cost	Retail price	Samsonite's gross margin
Samsonite	20	60	100	around 65%
America Tourister	30	75	100	60-65%

Note: we assume the selling price is at 100

Retail: Samsonite's higher gross margin is offset by its channel cost

	Gross margin	Channel cost
Samsonite	75%	35%
America Tourister	65%	25%

Source: Goldman Sachs Research estimates.

Other income statement items

We expect effective tax rate to reach 29% in 2011. This is higher than our forecast of 25% for 2012E/2013E due to a number of one-time items affecting the pre-tax profit calculation in 2011E. Samsonite has a number of JVs (in which it holds majority stake; see Exhibit 48) in Asia. As such we expect minority interest (with India currently the biggest contributor) to rise in tandem with sales in those markets.

Cash flow and balance sheet

Samsonite has a wholesale-driven business model and we expect the company to generate sufficient operating cash flow to more than cover the cash required to maintain and grow the business. We forecast capex of US$45mn in 2011E as Samsonite continues to invest in Curv material technology. We expect capex to remain at US$41mn/US$38mn for 2012E/13E.

2008-2010 earnings review

Sales

Sales dropped 18% in 2009 due to the financial crisis of 2008 and retail store closures in US/Europe in 2009. Sales growth rebounded strongly by 18% in 2010. As of December 31, 2010, the company's licensed business with Timberland and Lacoste was discontinued. Excluding this, sales were up c.21% in 2010. Overall, 2010 sales grew 38% in China, 53% in India and 45% in all Asia. Europe and US saw 6%-8% topline growth, although if we strip out the impact from Timberland/Lacoste and the retail store closures, the like-for-like performance was better.

Margins

Gross margin rose from 50% in 2008/09 to 56.7% in 2010, driven by increasing contribution from Asia, which carries a higher margin structure, better products and better demand. We estimate like-for-like gross margin in Asia is around 10% higher than that of Europe and 20% higher than that of North America.

SG&A as percentage of sales dropped significantly from 48.4% in 2009 to 42.9% in 2010, with leverage on distribution expenses (from 30.9% to 26.3%) and G&A (from 11.8% to 8%) allowing the company to increase brand-building efforts. Marketing expenses went from 4.3% of sales in 2009 to 8.4% in 2010. Overall, adjusted EBITDA margin rose from 5.5% in 2009 to 15.8% in 2010. Adjusted EBIT margin rose from 1.7% in 2009 to 13.8% in 2010.

Exhibit 17: Revenue and EBITDA* by region, in US$ millions

Sales	2008	2009	2010	2011E	2012E	2013E
Asia	282	279	405	564	727	883
Europe	513	385	407	497	564	609
North America	346	281	303	375	417	444
Latin America	96	73	89	111	133	154
Corporate and other (royalty revenue)	13	11	12	-	-	-
Total sales	**1,250**	**1,029**	**1,215**	**1,547**	**1,841**	**2,091**
Sales yoy chg						
Asia		-1.0%	45.1%	39.2%	28.9%	21.5%
Europe		-25.0%	5.7%	22.3%	13.5%	7.9%
North America		-18.6%	7.7%	23.8%	11.2%	6.6%
Latin America		-23.8%	22.1%	24.3%	20.3%	15.8%
Corporate and other (royalty revenue)		-15.2%	4.3%	-100.0%	na	na
Sales contribution (%) by region						
Asia	22.6%	27.1%	33.3%	36.5%	39.5%	42.2%
Europe	41.1%	37.4%	33.5%	32.2%	30.6%	29.1%
North America	27.7%	27.3%	24.9%	24.2%	22.6%	21.3%
Latin America	7.7%	7.1%	7.3%	7.1%	7.2%	7.4%
Corporate and other (royalty revenue)	1.0%	1.1%	0.9%	0.0%	0.0%	0.0%
Total sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

EBITDA	2008	2009	2010	2011E	2012E	2013E
Asia	58	50	80	114	154	191
Europe	71	40	73	87	105	119
North America	3	4	40	49	59	70
Latin America	14	2	12	15	19	24
Corporate	(24)	(41)	(13)	(14)	(14)	(15)
Total	**122**	**56**	**192**	**252**	**323**	**390**
EBITDA contribution (%) by region						
Asia	47.7%	89.1%	41.7%	45.3%	47.8%	49.1%
Europe	58.2%	71.5%	38.0%	34.6%	32.4%	30.7%
North America	2.5%	7.3%	20.8%	19.5%	18.3%	17.9%
Latin America	11.3%	4.2%	6.3%	6.0%	6.0%	6.2%
Corporate	-19.8%	-72.1%	-6.7%	-5.4%	-4.4%	-3.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Overall EBITDA Margin by Market						
Asia	20.6%	17.9%	19.8%	20.3%	21.2%	21.7%
Europe	13.8%	10.4%	17.9%	17.5%	18.5%	19.6%
North America	0.9%	1.5%	13.1%	13.1%	14.1%	15.7%
Latin America	14.4%	3.2%	13.6%	13.6%	14.5%	15.6%
Total	**9.7%**	**5.5%**	**15.8%**	**16.3%**	**17.5%**	**18.6%**

*2008-2010 EBITDA are on an adjusted basis.

Source: Company data, Goldman Sachs Research estimates.

Exhibit 18: Samsonite adjusted income statement for 2010, and forecast to 2013, in US$ millions
Excluding Lacoste & Timberland licensing business (discontinued in 2010) and non-recurring items]

Adjusted net income - excl. Lacoste & Timberland and non-recurring, non-cash items	2010	2011E	2012E	2013E
Normalized total sales/revenues	**1,162**	**1,547**	**1,841**	**2,091**
Normalized cost of goods sold	(503)	(693)	(817)	(921)
Normalized gross profit	**659**	**854**	**1,024**	**1,170**
Total operating expense	(524)	(615)	(719)	(801)
Operating income	**135**	**240**	**305**	**369**
Net interest income/expense	2	(3)	(1)	2
Other non-operating income/expense	(0)	(2)	-	-
Profit before tax	**137**	**235**	**305**	**372**
Income taxes	(37)	(56)	(73)	(90)
Profit before non-controlling interest	99	179	231	282
Non-controlling interest	(12)	(17)	(19)	(22)
Net profit excl. Lacoste & Timberland and non-recurring, non-cash items	**88**	**162**	**212**	**260**
YoY % chg excl. Lacoste & Timberland and non-recurring, non-cash items				
Revenue	21.1%	33.2%	19.0%	13.6%
COGS	4.5%	37.6%	18.0%	12.6%
Gross profit	37.7%	29.7%	19.9%	14.3%
Operating expense	1.7%	17.3%	16.9%	11.5%
Operating income	-465.0%	77.8%	27.4%	21.0%
Pretax income	-467.6%	71.8%	29.6%	22.0%
Profit before MI	123.2%	79.8%	29.4%	21.8%
Net income	132.8%	85.0%	30.9%	22.4%
Margins % excl. Lacoste & Timberland and non-recurring, non-cash items				
Gross margins	56.7%	55.2%	55.6%	56.0%
SG&A / sales	45.1%	39.7%	39.0%	38.3%
EBIT margin	11.6%	15.5%	16.6%	17.7%
Pre-tax margin	11.8%	15.2%	16.5%	17.8%
Net margin	7.5%	10.5%	11.5%	12.4%

Source: Company data, Goldman Sachs Research estimates.

Exhibit 19: Reported Samsonite financials, 2008-2010, and forecast for 2011E-2013E
Balance sheet

Balance sheets(US$ mn)	2008	2009	2010	2011E	2012E	2013E
Cash and equivalents	87	291	286	272	333	486
Net receivables	189	164	214	269	315	353
Inventory/stocks	198	113	223	279	329	371
Current assets	**475**	**568**	**723**	**819**	**977**	**1,210**
Gross PP&E/Fixed assets	342	346	348	393	433	471
Less accumulated depreciation	(286)	(297)	(223)	(240)	(260)	(283)
Net PP&E/Fixed assets	**57**	**49**	**125**	**153**	**173**	**188**
Gross intangibles	809	809	809	809	809	809
Accumulated amortization	(352)	(337)	(28)	(36)	(44)	(53)
Net intangibles	**457**	**472**	**782**	**773**	**765**	**757**
Other long-term assets	44	50	36	36	36	36
Total non-current assets	**557**	**572**	**942**	**962**	**974**	**980**
Total assets	**1,031**	**1,139**	**1,665**	**1,781**	**1,951**	**2,190**
Trade & other payables	207	259	331	381	438	481
Short-term debt and current portion of long-term debt	1,425	14	12	-	-	-
Other current liabilities	575	62	74	74	74	74
Current liabilities	**2,208**	**335**	**417**	**455**	**513**	**556**
Long-term debt	2	252	247	35	35	35
Other long-term liabilities/creditors	254	143	239	209	162	162
Total long-term liabilities	**256**	**395**	**485**	**244**	**197**	**197**
Total liabilities	**2,464**	**731**	**902**	**699**	**709**	**752**
Share capital	-	22	22	247	247	247
Reserves	(1,448)	369	718	796	936	1,110
Total common equity	**(1,448)**	**392**	**740**	**1,043**	**1,184**	**1,357**
Minority interest (balance sheet)	16	17	23	39	58	80
Total shareholders funds/equity	**(1,432)**	**409**	**763**	**1,082**	**1,242**	**1,438**
Total liabilities and equity	**1,031**	**1,139**	**1,665**	**1,781**	**1,951**	**2,190**

Source: Company data, Goldman Sachs Research estimates.

Exhibit 20: Reported Samsonite financials, 2008-2010, and forecast for 2011E-2013E
Cash flow statement

Cash flow statements (US$ mn)	2008	2009	2010	2011E	2012E	2013E
Net income	**(1,434)**	**1,202**	**355**	**100**	**201**	**248**
Non-controlling interest add-back	10	7	12	17	19	22
Depreciation and amortization add-back	46	23	21	25	29	31
(Increase)/decrease in working capital :	(1)	104	(78)	(60)	(39)	(36)
Accounts receivable	12	5	(29)	(55)	(47)	(37)
Inventory	(8)	80	(112)	(56)	(50)	(42)
Accounts payable	11	11	94	50	57	43
other current assets/(liabilities)	(17)	8	(30)	-	-	-
Other operating cash flow items	1,303	(1,293)	(275)	(30)	(47)	-
Cash flow from operations	**(76)**	**42**	**34**	**52**	**162**	**266**
Capital expenditure	(45)	(15)	(30)	(45)	(41)	(38)
Other investment cash flow items	11	0	0	-	-	-
Cash flow from investing	**(34)**	**(15)**	**(30)**	**(45)**	**(41)**	**(38)**
Dividends paid (common and preferred)	-	-	-	(23)	(60)	(75)
Share repurchase/issue (change In common stock)	-	106	0	225	-	-
Increase/(decrease) in total debt	73	48	(21)	(224)	-	-
Other financing cash flow items	(91)	(5)	(5)	-	-	-
Cash flow from financing	**(18)**	**149**	**(26)**	**(21)**	**(60)**	**(75)**
Effect of foreign exchange rate changes	(9)	27	16	**-**	**-**	**-**
Total cash flow	**(137)**	**204**	**(5)**	**(14)**	**61**	**153**

Source: Company data, Goldman Sachs Research estimates.

Exhibit 21: Reported Samsonite financials, 2008-2010, and forecast for 2011E-2013E
Key ratios

Year ended December 31	2008	2009	2010	2011E	2012E	2013E
ROE Dupont analysis						
Net profit margin (%)	(114.7%)	116.8%	29.2%	6.5%	10.9%	11.9%
Turnover to asset ratio	1.2	0.9	0.9	0.9	1.0	1.0
Asset to equity ratio	-0.7x	-2.1x	2.5x	1.9x	1.7x	1.6x
Return on equity (%)	99.0%	(227.7%)	62.7%	11.3%	18.0%	19.6%
Return ratio						
CROCI	(57.0%)	63.7%	36.7%	32.3%	38.5%	49.9%
Return on asset (%)	(139.0%)	110.8%	25.3%	5.8%	10.8%	12.0%
Return on equity (%)	99.0%	(227.7%)	62.7%	11.3%	18.0%	19.6%
Working capital measures						
Inventory days (days' COGS as inventory)	123	111	117	132	136	139
Receivable days (days' sales as receivables)	55	63	57	57	58	58
Payable days (days' COGS as payables)	130	166	205	187	183	182
Cash conversion cycle days	48	8	(31)	2	11	15
Liquidity ratios						
Current ratio	0.2	1.7	1.7	1.8	1.9	2.2
Quick ratio	0.1	1.4	1.2	1.2	1.3	1.5
Super quick ratio	0.0	0.9	0.7	0.6	0.6	0.9
Gearing ratios						
Total liabilities to capital ratio (x)	2.4	0.6	0.5	0.4	0.4	0.3
Total debt to capital ratio (x)	1.4	0.2	0.2	0.0	0.0	0.0
Net debt to equity ratio (x)	(0.9)	(0.1)	(0.0)	(0.2)	(0.2)	(0.3)
EBIT interest coverage ratio (x)	0.3	0.2	5.8	6.0	317.4	NM
EBITDA interest coverage (x)	0.7	0.5	6.6	6.6	348.2	NM
Other ratios						
Capex to turnover ratio (%)	3.6%	1.5%	2.4%	2.9%	2.2%	1.8%
Working capital to turnover (%)	(138.7%)	22.6%	25.2%	23.5%	25.2%	31.3%
Depreciation to revenue ratio (%)	3.0%	1.8%	1.3%	1.1%	1.1%	1.1%
Cash and equivalents/net asset value (%)	(6.0%)	74.2%	38.6%	26.0%	28.1%	35.8%
Sales/net fixed assets	22	21	10	10	11	11
Total asset/equity ratio (x)	(1)	3	2	2	2	2
Short-term debt/long-term debt (x)	854	0	0	-	-	-

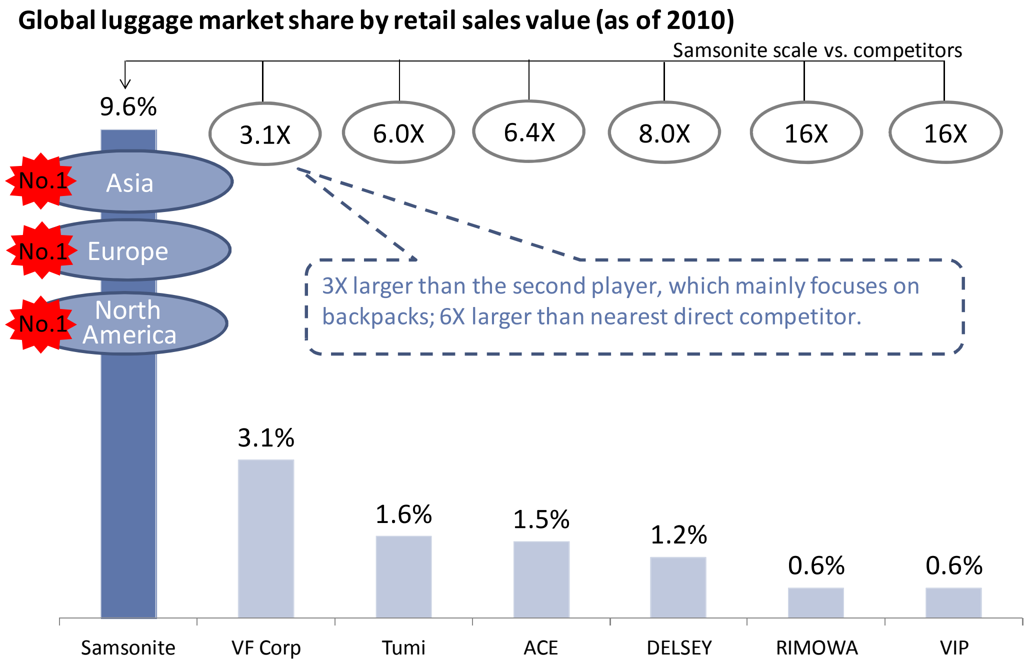
Source: Company data, Goldman Sachs Research estimates.

Competitive analysis of Samsonite

Scale leadership and brand strength create competitive advantages

Samsonite is the leader in the global luggage industry by a significant margin. In terms of retail sales value, it is more than 3 times the size of the 2nd largest player VF Corp, which owns the backpack brands of JanSport and Eastpak. Compared to its nearest direct competitor Tumi, it is approximately 6 times the size. Samsonite's 2010 marketing spend of US$102mn represents approximately one quarter of Tumi's retail sales. Tumi's retail sales = 1.6% market share *US$24744.5 mn market size = US$395.9mn.

Exhibit 22: Samsonite vs. competitors: 3X larger than the 2nd player, and 6X larger than nearest direct competitor



Source: Company data, Frost & Sullivan.

Exhibit 23: Comparison of major players in the global luggage market

Samsonite has over US$100mn retail sales value in all major markets around the globe

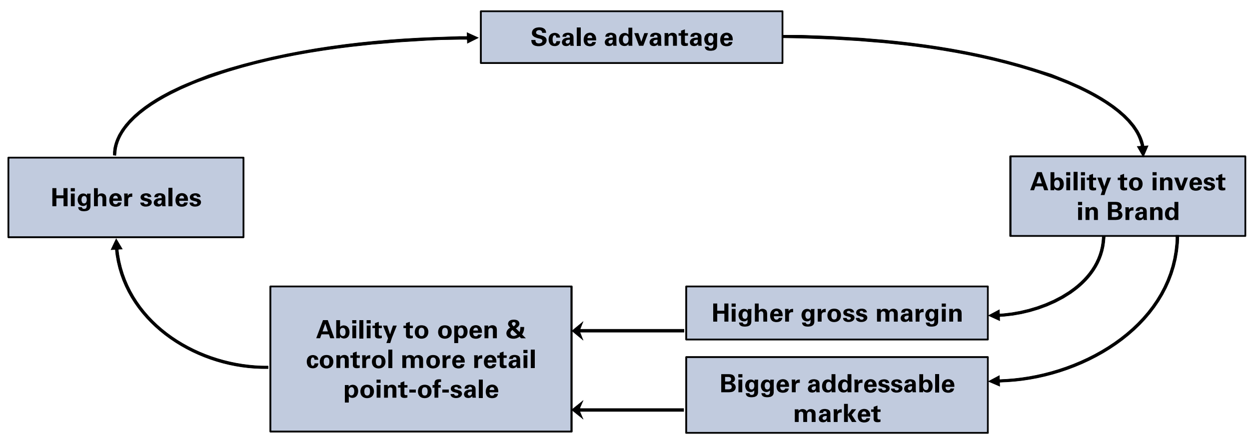
Company	Global mkt share	Production (mn units)	Focused market (retail sales value)*						Main brand	Price point^	Main luggage product	Company introduction
			China	India	Asia	NA	EU	LA				
Samsonite	9.6%	26	Y	Y	Y	Y	Y	Y	Samsonite; American Tourister	Samsonite: Premium American Tourister: Mass	Travel	World's largest marketer of luggage including suitcases, business cases, casual and garment baggage
VF Corp	3.1%					Y	Y		JanSport; Eastpak	Mass	Casual	Global apparel & footwear company with casual brands include JanSport, Eastpak, etc
Tumi	1.6%					Y	Y		Tumi	Premium/Luxury	Travel	Offer a wide range of travel goods and accessories, and operate over 50 exclusive Tumi stores worldwide
ACE	1.5%				Y				ProtecA; AceGene; PROGRES	ProtecA & AceGene: Premium PROGRES: Mass	Casual/handbag	A top-player in Japan luggage market, offering an extensive line of products including travel luggage, business luggage, and bags etc.
Delsey	1.2%	>3				Y	Y		Delsey	Mass/Premium	Casual	One of the largest manufacturers of luggage worldwide, market its products through subsidiaries, and distribution and licensing arrangements
Rimowa	0.6%						Y		Rimowa	Premium/Luxury	Travel	A leading producer and supplier of luggage bags in various collections such as Silver Integral, Salsa, Pilot, Tango, Limbo, etc.
VIP	0.6%	5		Y	Y				VIP, Alfa, Aristocrat, Skybags, Carlton, etc.	Value/Mass	Travel	The largest manufacturer of luggage in Asia, and the 2nd in the world by volume (behind Samsonite Corp); it also markets French-based Delsey luggage products in India and SAARC region
Crown	0.4%		Y		Y				Crown	Mass	Travel	Taiwan originated mid-end luggage brand with c.600 Points-of-Sale in the mainland China
Diplomat	<0.2%	>2.5	Y		Y				Diplomat	Premium	Travel	Taiwan originated luggage brand with an extensive network of airport boutique stores in China

Note:
**Samsonite, VF Corp, Tumi, ACE, Delsey, Rimowa and VIP all have over US$100mn retail sales in each of their focused markets; Crown has c.US$80mn retail sales in China, and Diplomat has over US$30mn retail sales in China.*
^Value: <US$75, Mass: US$75-150, Premium: >US$150, Luxury: >US$500
NA = North America, LA = Latin America, EU = Europe,

Source: Company data, Frost & Sullivan.

The size difference gives Samsonite a competitive advantage in brand-building. A strong brand helps the company grow in Asian markets, and also post a higher gross margin. A higher gross margin in turn allows the company to run its own retail stores in Asia. This control over its retail presence should enhance the consumer experience and help the brand differentiate itself from competition.

Exhibit 24: Samsonite's productivity cycle: ability to invest in brand is a competitive advantage
Samsonite can further benefit from its scale advantage

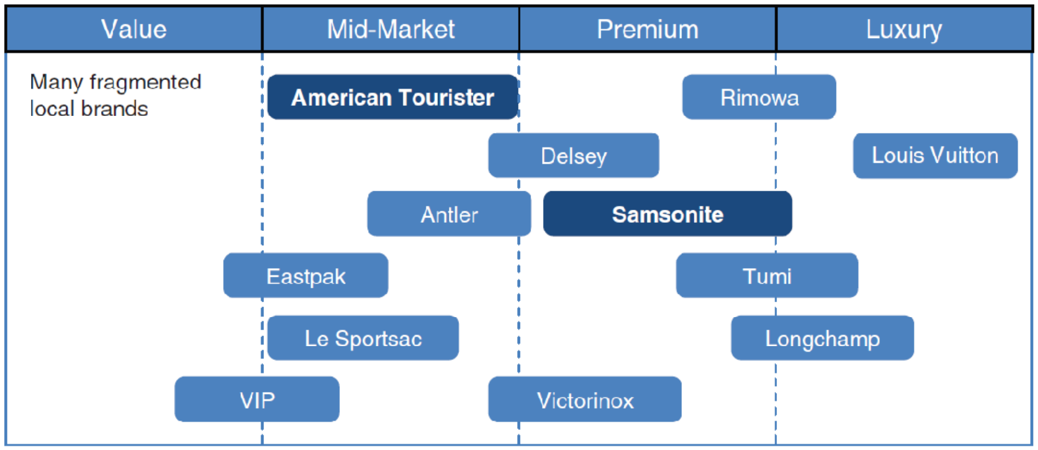


Source: Goldman Sachs Research.

Samsonite offers the broadest range of price points

Samsonite currently sells products under two brands (Samsonite and American Tourister). This dual brand strategy lets the company capture a larger customer base than it could with the Samsonite brand alone. As shown in Exhibit 25, Samsonite covers the premium category with over US$150/unit, while American Tourister, which offers value-driven products, covers the mass market with US$75-US$150/unit. In our view, this allows Samsonite to maintain its brand image when competing with local players in the emerging market, where the mid-level price products still account for over 50% of market share. Unlike most global peers who only target high-end customers in the Asia market, Samsonite employs the strategy of using American Tourister to reach a significantly larger customer base. With these two brands, Samsonite offers the broadest range of price points compared with its peers.

Exhibit 25: Dual-brand strategy
Dual brands allow Samsonite to have a broader customer coverage than competitors



Note: Value: <US$ 75; Mass: US$ 75-150; Premium: >US$ 150; Luxury: >US$ 500

Source: Frost & Sullivan.

Exhibit 26: HK price point comparison
Samsonite and American Tourister complement one another

Brand	Product line	Features	Price (HK$)
Samsonite	Cosmolite	Hard-side	4,070
	Aero-PC	Hard-side	2,510
	B-Lite	Soft-side	1,870
	X-Pression	Soft-side	2,490
Tumi	Tumi Vapor	Hard-side	4,100
	Tumi Alpha	Soft-side	5,480
Coach	NA	Soft-side	c.6,500
Victorinox	WT Trolley	Hard-side	2,990
Delsey	Lite Gloss	Hard-side	1,880
	Kapat	Hard-side	2,480
	Keep N'pact	Soft-side	1,660
Long champ	Boxford	soft-side	2,500

Samsonite brand is priced similar to other premium brands, with some lines close to luxury positioning.

Brand	Product line	Features	Price (HK$)
American Tourister	Westlake spinner	soft-side	789 after 30% discount
	Tokyo chic	hard-side	699 after 30% discount
Antler	Liquis	Hard-side	1,600
	Flyweight	Hard-side	498 after 50% discount
Elle	Trolley bag, red be	soft-side	c.1300 after 10% discount
	NA	soft-side	c.800-900 after 40% discount
Beverly Hills Polo Club	NA	Pink, hard-side, PC material	499 after c.60% discount
	NA	Red, hard-side	739 after 40% discount
Calton (UK brand)	Oasis expandable trolley case	Soft-side	575 after 50% discount

American Tourister allows the Group to compete in mass

Source: Goldman Sachs Research.

Exhibit 27: Mainland China price point comparison
American Tourister is competitively priced in the mass market

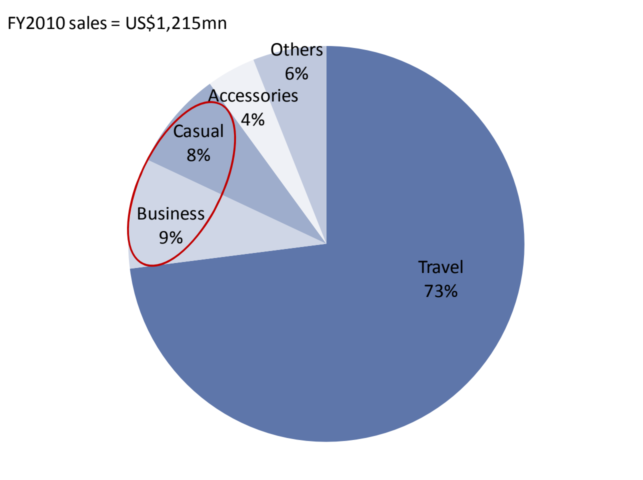
Brand	Product line	Features	Price (Rmb)
Samsonite	Cosmolite	Hard-side	3,480
	Aero-PC	Hard-side	2,150 for 2 wheels, 2,350 for 4 wheels
	B-Lite	Soft-side	1,480 for 2 wheels, 1,580 for 4 wheels
	Pro-DLX3	Soft-side	3,480
	Vintage	Soft-side	6,360
	Sky Wheeler Dlx	Hard-side	2,380
Crown	E-F1003S	Soft-side	1,280
	C-F5012	Hard-side	1,580
	E-F1052S	Soft-side	1,380
Diplomat	TA-2852	Hard-side	1,286 after 40% discount
	TS-250	Soft-side	1,699
	DE-1516	Soft-side	1,098
	TC-275	Hard-side	2,880
	DL-167A	Leather	1,868

Brand	Product line	Features	Price (Rmb)
Victorinox	WT Trolley	Hard-side	2,860
	Tourbach	Soft-side	4,759
	Mobilizer	Soft-side	3,100
	Avolve	Soft-side	2,010
	WT	Soft-side	2,160
American Tourister	Westlake spinner	Soft-side	599
	C58	Soft-side	490
	Z43	Soft-side	299, on sale
Eminent	E5500	Soft-side	756
	Stim5720	Soft-side	999
	V578	Soft-side	1,418
	KD41	Hard-side	1,248
ACE	336133	Soft-side	825
	333624301	Soft-side	1,158
	33802101	Soft-side	1,528

Source: Goldman Sachs Research.

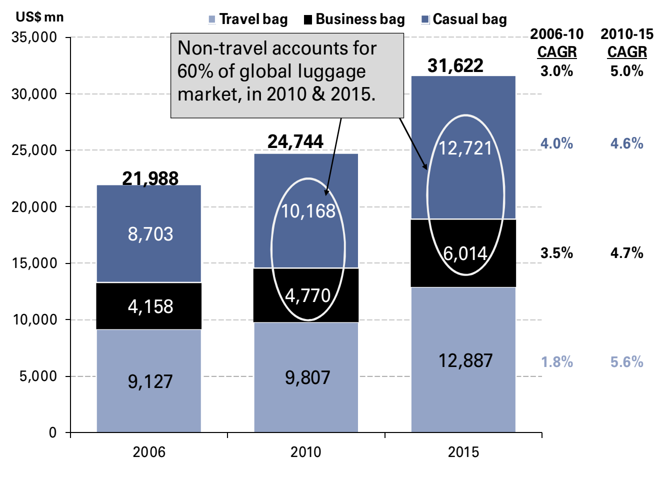
In addition, Samsonite has potential to grow its business bag and casual bag categories, in our view. The two groups contributed 17% of the company's 2010 sales (Exhibit 28). Compared to the approximately 60% share taken by business and casual bags in the global luggage industry (Exhibit 29), we think that Samsonite can grow its business and casual categories faster than its travel bag division, and improve its balance of sales between segments.

Exhibit 28: Business and Casual bags represented only 17% of Samsonite net sales in 2010 ...



Source: Company data.

Exhibit 29: ... but around 60% of the world's luggage market in 2010 and 2015



Source: Frost & Sullivan.

Well positioned to grow in China

Samsonite is already the largest luggage player in China with 12.5% market share in 2010, around 2X the size of the second player Crown. Its sales in China grew 38% in 2010, and we estimate that China accounted for around 10% of group-adjusted EBITDA that year. We forecast China sales to more than double by 2013E, representing 32% CAGR. While China represented c.10% of group EBITDA in 2010, Samsonite's sales in China are only 2.2X of its sales in HK, suggesting significant room for growth.

China's personal consumption expenditure on luggage and similar products was US$1.0 per capita as of 2010, much lower than the US$20.4 in US and US$35.7 in Japan, according to Frost & Sullivan. With GDP growth and the further development of the tourism industry, the demand for luggage in China should expand as well.

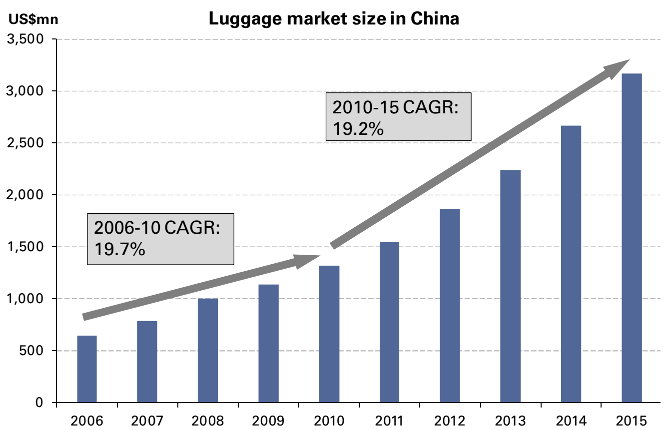
Compared with global peers, Samsonite is well-positioned in China with over 1,000 points of sales in around 100 cities. We estimate the company currently captures the bulk of its sales and earnings in fewer than half of these cities. In addition, there are around 80 tier-3 and tier-4 cities that it has yet to enter.

We estimate that Samsonite's current sales per store in China is around US$20,000-US$30,000/month, only 10%-15% of Korea's level, by our estimate. We expect sales productivity to rise as spending power continues to rise.

A unique feature is Samsonite's ability to use American Tourister (AT) as a volume brand to tap into T2-T4 cities, where the income level is not yet ready for mass volumes of Samsonite. We forecast American Tourister to grow well above 50% in China in 2011 and account for over 30% of total China sales. In a market filled with lower-priced competing products, AT is an important element in helping Samsonite maintain its price integrity and margin, without sacrificing volume.

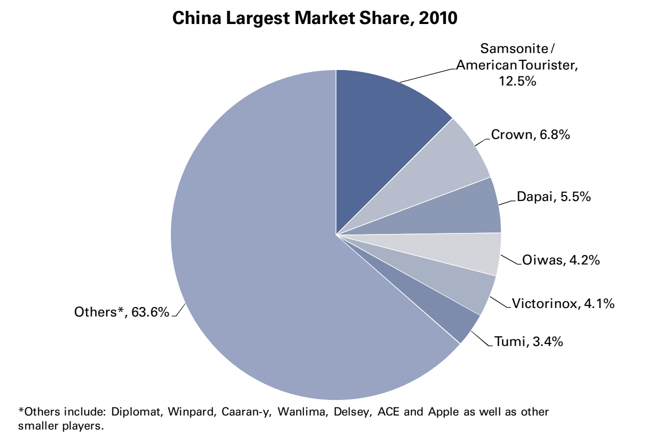
Exhibits 34-36 show Chinese consumers' awareness of the Samsonite and AT brand, based on a survey done by Frost and Sullivan. (Samsonite's Chinese name is 新秀丽, connoting "Fresh and Elegant".) Samsonite leads in all categories, whereas awareness of AT, which was only introduced three years ago, compares favorably with other leading brands such as Crown and Diplomat.

Exhibit 30: China's market growth potential
China luggage market is expected to deliver high-teens growth over the next 5 years



Source: Frost & Sullivan.

Exhibit 31: China's market share
Samsonite has the largest market share in China



Source: Frost & Sullivan.

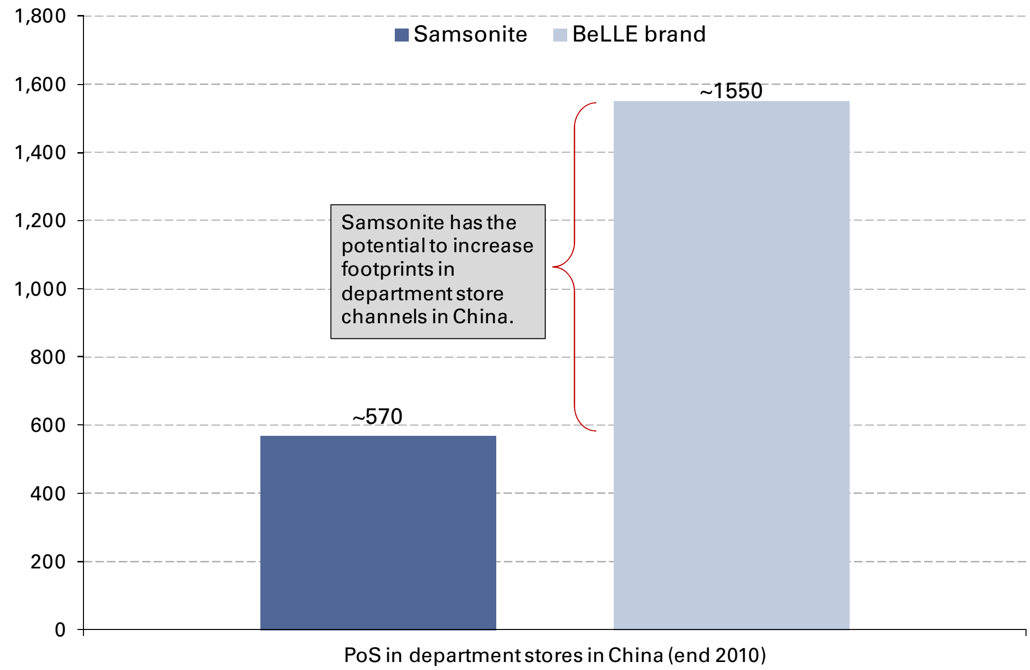
Exhibit 32: Samsonite sales breakdown by country and by brand, as well as per capita sales by country

The potential to grow per capita sales in developing countries is significant

	Sales (in US$ mn)					Per capita sales	PoS (as of Dec 31, 2010)		Sales breakdown by brand (as of 2010)		
	2008	2009	2010	YoY, 2010	% in total sales, 2010	In US$ (as of 2010)	Wholesale	Retail	Samsonite	American Tourister	Others
China	61	66	92	38%	8%	0.07					
India	49	51	78	53%	6%	0.06					
S. Korea	41	36	63	76%	5%	1.28					
HK	36	33	42	30%	4%	5.98					
Japan	20	22	37	63%	3%	0.29					
Australia	20	17	25	44%	2%	1.11					
United Arab Emirates	14	12	16	34%	1%	NA					
TW	8	6	10	56%	1%	0.43					
Philippines	2	3	2	-25%	0%	0.02					
Others	32	33	40	24%	3%	0.10					
Asia	**282**	**279**	**405**	**45%**	**34%**	**NA**	**4,765**	**474**	**66%**	**26%**	**8%**
Italy	95	70	69	-1%	6%	1.15					
Belgium	65	44	51	17%	4%	3.02					
France	53	43	48	11%	4%	0.77					
Germany	55	40	47	17%	4%	0.57					
Spain	57	41	41	1%	3%	0.89					
United Kingdom	37	28	26	-7%	2%	0.42					
Russia	23	16	22	32%	2%	0.15					
Holland	25	18	20	9%	2%	1.18					
Switzerland	15	16	17	8%	1%	2.19					
Turkey	10	10	10	8%	1%	0.14					
Austria	11	9	9	-6%	1%	0.57					
Other	67	50	47	-6%	4%	NA					
Europe	**513**	**385**	**407**	**6%**	**34%**	**NA**	**7,099**	**85**	**89%**	**2%**	**10%**
US	329	265	282	6%	23%	0.92					
Canada	16	16	21	32%	2%	0.62					
North America	**346**	**281**	**303**	**8%**	**25%**	**0.89**	**21,062**	**89**	**81%**	**14%**	**5%**
Chile	33	33	40	22%	3%	2.35					
Mexico	36	21	27	30%	2%	0.25					
Argentina	12	10	14	36%	1%	0.35					
Brazil	10	5	5	3%	0%	0.03					
Other	4	3	2	-37%	0%	NA					
Latin America	**96**	**73**	**89**	**22%**	**7%**	**NA**	**3,458**	**86**	**49%**	**9%**	**42%**
Total	**1,237**	**1,018**	**1,204**	**18%**	**100%**	**NA**	**36,384**	**734**	**76%**	**13%**	**11%**

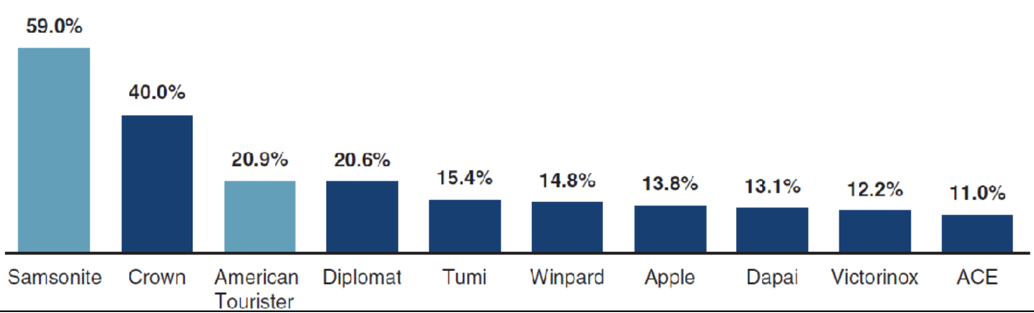
Source: Company data, Eurostat, Goldman Sachs Global ECS Research.

Exhibit 33: There is space for Samsonite to further penetrate the department store channel in China, as its dept store presence is now only around 40% that of the shoe brand BeLLE



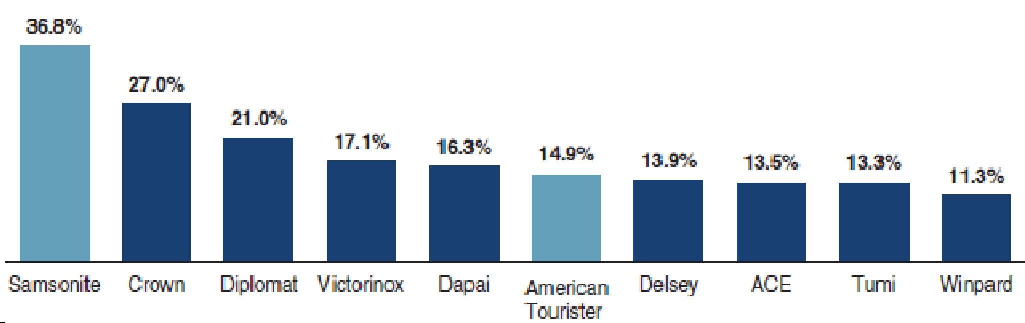
Source: Company data, Goldman Sachs Research estimates.

Exhibit 34: PRC Aided Brand Awareness Survey, 2011-Travel Bags
% of respondents recognizing the brand



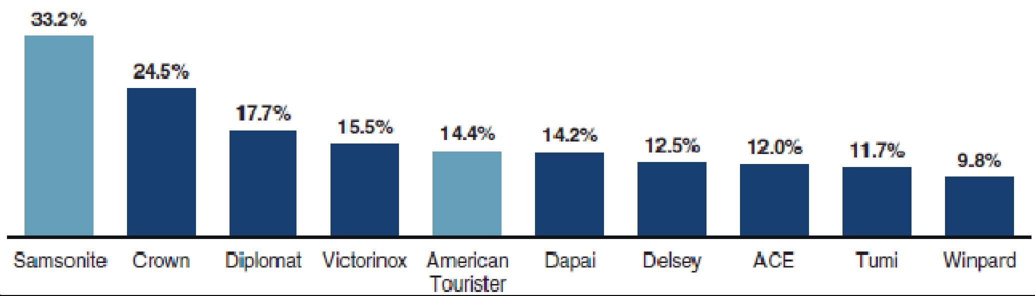
Source: Frost & Sullivan.

Exhibit 35: PRC Aided Brand Awareness Survey, 2011-Business Bags
% of respondents recognizing the brand



Source: Frost & Sullivan.

Exhibit 36: PRC Aided Brand Awareness Survey, 2011-Casual Bags
% of respondents recognizing brand



Source: Frost & Sullivan.

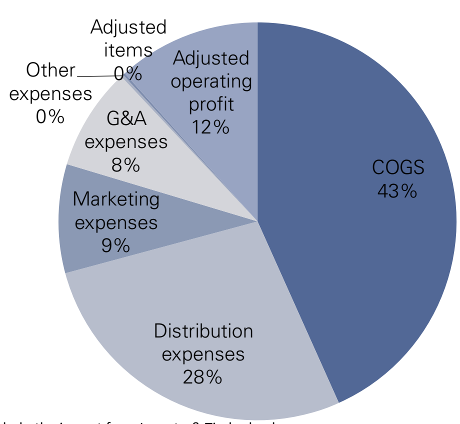
Margin upside

We expect Samsonite to gain operating leverage in the next few years as net sales continue to grow.

The company has a higher gross margin compared with most of its peers (56.7% as of 2010, vs. 34%-58% of its peers). We attribute this to its large scale, which gives it higher bargaining power against its suppliers, and also its strong brand image, especially in Asia and Europe, which allows it to charge a higher premium on its products.

Post the 2009 restructuring, the company has considerably cut down the fixed costs in North American and Europe. As demand rebounds, it should enjoy operating leverage and have better efficiency compared with its peers.

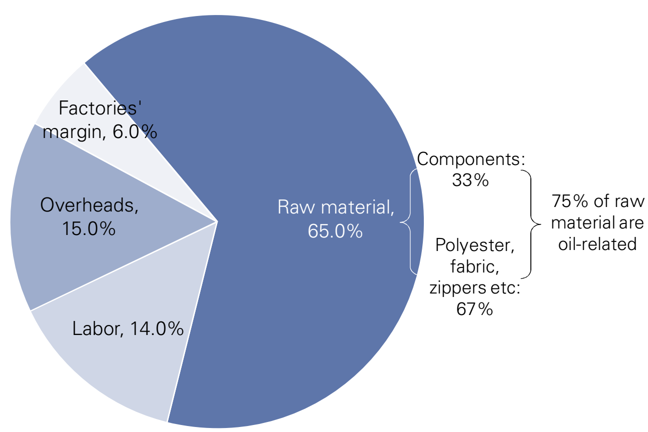
Exhibit 37: Samsonite might enjoy operating leverage in North America and Europe
Operating margin (as of 2010)



Note:
1. We exclude the impact from Lacoste & Timberland;
2. Adjusted items include "D&A not recognized on impairment asset", "L&T royalty expense" and "other expenses".

Source: Company data.

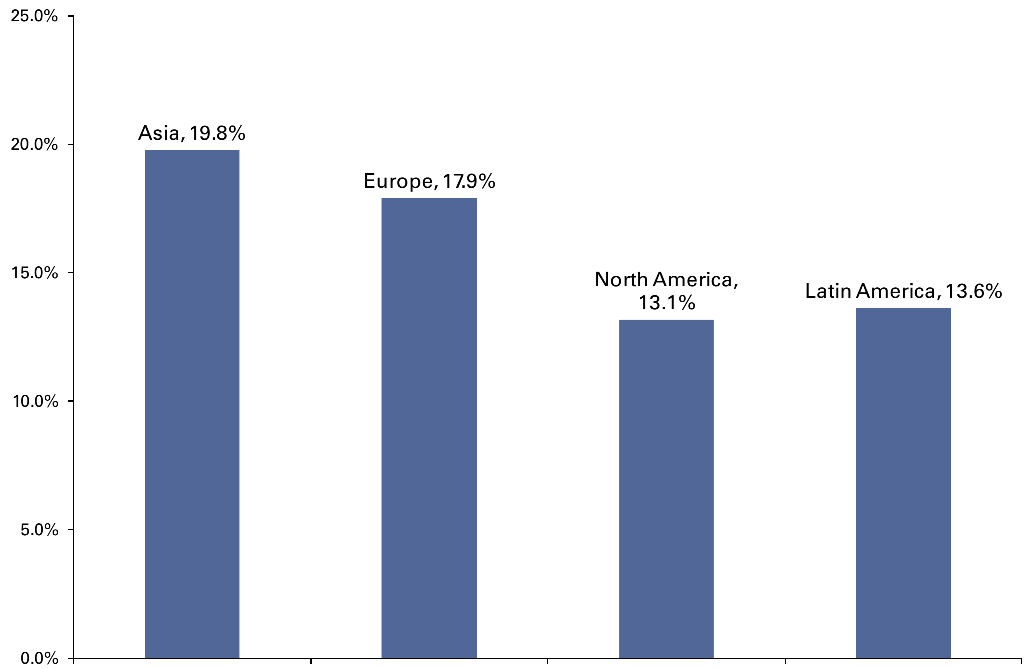
Exhibit 38: Samsonite's scale gives it larger bargaining power against its suppliers
Samsonite COGS breakdown (as of 2010)



Source: Company data, Goldman Sachs Research estimates.

The increasing contribution from the Asia market, the most profitable region, should also help lift the overall margin of the company, in our view. Samsonite's adjusted EBITDA margin in Asia was 20% in 2010, vs. 13%-18% in other regions, as the company charged a higher premium on the back of its strong brand recognition in the market.

Exhibit 39: We expect to see operating leverage in the Americas and Europe. The contribution from Asia, which has higher EBITDA margin, should increase going forward
Adjusted EBITDA margin by region (2010)



Source: Company data.

Strong cash flow generation

Samsonite now has an asset-light wholesale business model, with over 90% of its manufacturing outsourced. While it takes a more direct retail approach in its Asia expansion, given the more fragmented nature of the retail industry and the premium positioning of Samsonite brand in the market, we expect the company's free cash flow generation to be strong, similar to companies such as Nike and Adidas that employ similar business models.

Case study of Samsonite vs. other listed travel goods companies

We see three listed companies directly competing in the travel goods industry in Asia: VIP Industries, Dapai and Powerland.

- V.I.P. Industries listed in India, is the second largest luggage player in India (in terms of retail sales value, 15.8% market share), only 1% behind Samsonite (16.8% market share). This is the closest comparable to Samsonite in terms of product offering, but its business is restricted mainly to India.
- Dapai, listed in Singapore, is the third largest travel goods player in China with 5.5% market share, behind Samsonite (12.5% market share) and Crown (6.8% market share). Around 30% of Dapai's revenue comes from travel suitcases, and the remaining from backpacks (as in 2010).
- Powerland, listed in Germany, sells ladies handbags, accessories and suitcases in China under the "Powerland" brand and the "Sotto" brand.

Scale and growth comparison

Samsonite's global revenue of US$1.2bn in 2010 is 4X-8X the size of these three companies, whereas its Asia revenue of US$405mn is 1.5X-2.6X the size of the three.

Samsonite China achieved sales growth of 9.7% and 38.4% in 2009 and 2010, respectively (in US$ terms). Compared with the market size expansion of +13.4%/16.1% in 2009/10, we believe Samsonite's lower-than-industry growth in 2009 could be partially due to management transition during that period of time. Growth resumed at a strong pace in 2010, partly driven by the rapid rollout of AT. Dapai, on the other hand, saw a sales decline of 7%/9% in 2009/10 (in US$ terms). Its management attributed this to the weak consumer sentiment (in 2009) and the shortage of luggage supply from its two major suppliers (in 2010). We believe Samsonite as the industry leader enjoys more stable supply than smaller players, thanks to its diversified sourcing portfolio with over 100 third-party suppliers and more premium focus (and therefore the ability to pay suppliers above-average prices).

From a relatively small base, Powerland saw rapid sales growth, up 30% in 2010 after growing 50% in 2009.

In the Indian market, Samsonite India recorded topline growth of 3.1% and 53.3% in 2009 and 2010, respectively, vs. the total market growing at 10.8%/13.0%, and V.I.P. Industries' sales growth of 13%/23% in its FY ended Mar 10/Mar 11 (in US$). Similar to the China case, we believe that Samsonite's growth in India was partly driven by the rapid rollout of AT, which is competing well in the value-price segment of the market.

Margin comparison

The cost breakup in Exhibit 41 shows that Samsonite has a gross margin of 56.7% group-wide in 2010. In Asia, we estimate this to be higher, around 65%, as its business is more retail-driven in Asia. This is higher vs. V.I.P. and Dapai, thanks to its more premium brand positioning and greater retail contribution.

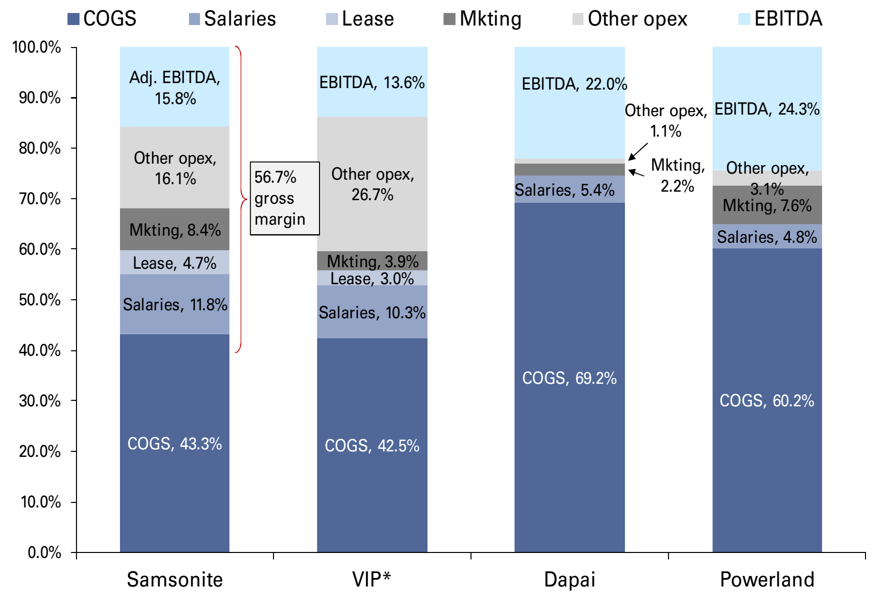
Meanwhile, Samsonite spends significantly more on marketing: 8.4% of sales vs. 3.9% of sales for V.I.P. and 2.2% for Dapai. We believe this is one of Samsonite's key competitive advantages: its higher gross margin allows for higher proportional spend on marketing, significantly larger than that of its smaller regional peers.

Exhibit 40: Financial snapshots of Samsonite, V.I.P. Industries, Dapai and Powerland

CY (in US$mn except margins)	2008	2009	2010
Sales			
Samsonite	1,250	1,029	1,215
Samsonite Asia	282	279	405
VIP Industries	122	138	169
Dapai	318	296	270
Powerland	78	117	153
Gross profit			
Samsonite	624	516	690
VIP Industries	63	78	NA
Dapai	105	86	81
Powerland	34	51	61
Operating profit			
Samsonite	44	18	168
VIP Industries	1	15	-
Dapai	72	56	57
Powerland	19	30	37
Net income attributable to shareholders			
Samsonite (recurring, incl. Lacoste & Timberland)	139	70	89
VIP Industries	(3)	10	20
Dapai	58	40	39
Powerland	15	26	31
Gross margin			
Samsonite	50.0%	50.1%	56.7%
VIP Industries	51.6%	57.0%	na
Dapai	32.8%	28.9%	30.0%
Powerland	43.7%	43.1%	39.7%
Operating profit margin			
Samsonite	3.5%	1.7%	13.8%
VIP Industries	0.6%	11.2%	na
Dapai	22.8%	19.0%	21.3%
Powerland	24.4%	25.8%	24.0%
Net profit margin			
Samsonite (recurring, incl. Lacoste & Timberland)	11.1%	6.8%	7.4%
VIP Industries	-2.6%	7.3%	11.7%
Dapai	18.3%	13.5%	14.4%
Powerland	19.8%	21.9%	20.1%

Source: Company data, annual reports of V.I.P. Industries, Dapai, and Powerland, Goldman Sachs Research.

Exhibit 41: Cost breakdown as % of total operating revenue, 2010 (sales & other operating revenue)



*V.I.P. Industries cost breakdown is based on its FY10 financials (Apr 2009 - Mar 2010), as its FY2011 detailed financials have not been released.

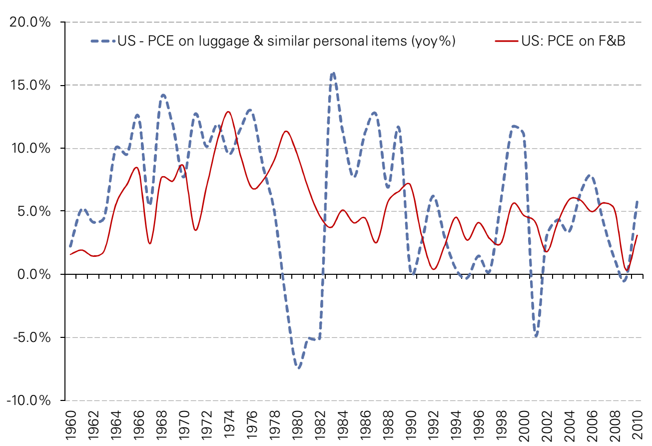
Source: Company data, annual reports of V.I.P. Industries, Dapai, and Powerland, Goldman Sachs Research.

Risks to our view

1) Exposure to macro downturns and headwinds to the travel industry

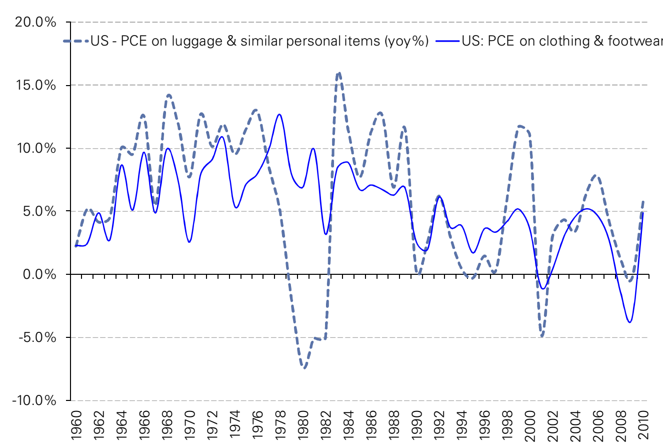
Compared to other consumer product categories such as apparel and footwear, luggage products are more durable in nature and generally have a significantly longer useful life. In addition, their demand tends to be highly correlated with the demand for air travel. As a result of these factors, luggage consumption in developed markets has shown more cyclicality than overall consumption of goods (Exhibit 42, 43). While the outlook for macro demand backdrop appears moderately positive at the moment, future cyclical downturns could negatively impact Samsonite's growth. It is also impossible to predict future shocks to the air travel industry, but such events can also negatively impact the demand of luggage goods.

Exhibit 42: Spending on luggage more volatile than on F&B



Source: CEIC.

Exhibit 43: Spending on luggage more volatile than on clothing & footwear



Source: CEIC.

2) Wholesale-driven business model can magnify the fluctuations in revenue

Luggage brands, like sportswear brands, are mainly wholesalers. While a wholesale business is asset-light, it is also subject to the inventory cycle of its retail customers. In an economic downturn, the destocking pursued by its retail customers can magnify the revenue decline at the brand-wholesaler level, and vice versa in an upturn (Exhibit 14). As a result, the revenue fluctuation of a brand-wholesaler in an economic cycle generally tends to be sharper than that of its retailer customers. This is more the case in developed markets than in growth markets, where a brand's store roll-out can mitigate the effect of a de-stocking cycle. In Samsonite's case, its North America business is highly correlated with this inventory cycle, as shown in Exhibit 14.

Exhibit 44: Samsonite's top 10 wholesale customers' contribution in total net sales, North America

% of regional net sales from top 10 wholesale customers, 2010	
North America	65.8%

Source: Company data.

3) Competition remains intense in both developed and growth markets

While Samsonite is the No. 1 brand (by value) in most of the markets it operates in, competition remains intense in developed and growth markets. As many competitors can access the same Asian suppliers that Samsonite sources from, the cost advantage (at the product cost level) for Samsonite is limited. In all markets, most national brands (with a few exceptions such as Tumi, Travelpro and Hartmann), private label brands, and no-name brands are positioned at lower price points compared with Samsonite. As a result, Samsonite is at risk of losing market share if consumers trade down in an economic downturn.

Furthermore, we believe Samsonite has raised its retail price point more significantly than its value-competitors in recent years, especially in growth markets. This is partly a positive outcome of the more intense and focused marketing and brand-building efforts in the last few years. At the same time, the widening price differential of Samsonite vs. its competitors may slow Samsonite's pace of market share gain.

4) Continued production cost inflation could pressure margins

The production cost will likely continue to rise in Asia due to rising wages and commodity prices. While history shows most wholesale consumer brands are able to pass on the higher input cost to consumers, a significant increase in such costs can cause the margin to shrink in the short term.

5) Fast store expansion and roll-out of American Tourister (AT) may cannibalize sales of Samsonite

We believe due to the lower GDP per capita, Samsonite's current addressable market in China is significantly smaller than that of AT, its lower price point brand. As the company expands AT's footprint faster, there is a risk that it could cannibalize Samsonite's sales.

6) A strong US dollar could negatively impact the company's reported earnings

Samsonite reports in US dollars but derives a material portion of its earnings from Europe (38% of adjusted EBITDA in 2010) and also from Asia (42% of adjusted EBITDA in 2010). A stronger US dollar against the Euro and Asian currencies will reduce the reported earnings from Europe and Asia. The company does not hedge this translational gain or loss.

7) Patent on Curv

The patents relating to the process Samsonite uses to manufacture the outer shell of its Cosmolite and Cubelite luggage (the "Curv" material) have been stayed pending the result of a lawsuit brought against the company by Lankhorst Pure Composites B.V.. Lankhorst claims it should be granted sole, or at least co-, ownership of the relevant patents, as well as unspecified damages based on breach of contract and tort claims. Although Samsonite believes that its claims for sole ownership of these patents are strong, there is no assurance that the court will rule in its favor. If the company were compelled to share ownership of these patents with Lankhorst, Lankhorst would be allowed to use these patents and to license them to others. This could diminish the competitive advantage Samsonite holds with respect to the manufacture of ultra-lightweight hard-side luggage using the Curv material (currently sold primarily in Europe and Asia). If partial ownership were awarded to Lankhorst, it would not affect Samsonite's ability to source the Curv material on an exclusive basis so long as minimum purchase amounts were maintained. If partial or sole ownership were awarded to Lankhorst, Samsonite could also be ordered to pay damages to cover Lankhorst's lost opportunity. Sales of Cosmolite accounted for approximately 0.4%, 3.4% and 7.5% of Samsonite's net sales in 2008, 2009 and 2010, respectively. Cubelite, released in 2010, accounted for less than 1% of the company's net sales in 2010.

In addition, if Lankhorst were to be awarded sole ownership of these patents, Samsonite would be forced to discontinue all manufacturing that used the Curv process and possibly negotiate a license to use the relevant patents. In the absence of such a license, Samsonite expects to use its R&D capability to quickly develop new ultra-lightweight hard-side products using different materials or different processes, to cater to the regions where Curv-based hard-side products are currently sold. However, there is no assurance that the company would be able to develop such a material or process or that it would be accepted by the market. In summary, the award of partial or sole ownership of the patents to Lankhorst could have a material adverse effect on the company's sales and profitability.

Company profile

Samsonite is the world's largest travel luggage company. Based on research by Frost and Sullivan, it had 9.6% global market share (as of December 31, 2010) and holds the largest market share in US, Europe, China, India and South Korea. It is 6 times larger than its second direct competitor in terms of retail annual sales value. The company has built a significant Asia business, having grown its Asia sales at 23% CAGR in the past 10 years. In 2010, Asia accounted for 33% of total sales and 42% of adjusted EBITDA. Samsonite's products are sold via 37,000+ points of sales around the world, over 10% of these being in Asia. The company is predominantly a wholesaler (70+% of total sales came from the wholesale channel in 2010).

Samsonite was founded by Jesse Schwayder in 1910 in Denver, USA as a manufacturer of luggage trunks. In 1941, the Samsonite brand first appeared on the *Streamlite* suitcase. The company was sold to Beatrice Foods Group in 1973, and in 1974, the first Samsonite suitcase on wheels was introduced, a milestone in the luggage industry. In 1993, the company acquired American Tourister, a competitor focusing on lower price points, and further expanded its customer base. It was listed on the Nasdaq Small Cap Market in the same year. As Asian markets became more important in the 1990s, the company acquired its formal distributor in Hong Kong in 1997 and established a JV in mainland China (this later became a wholly-owned subsidiary).

The company struggled in the late 1990s on earnings slowdown primarily due to sluggish US sales growth and high overheads there, and in 2003 it was recapitalized through investments by Ares Management LLC, Bain Capital (Europe) L.P. and the Ontario Teachers' Pension Plan board. CVC Funds became the majority shareholder in 2007.

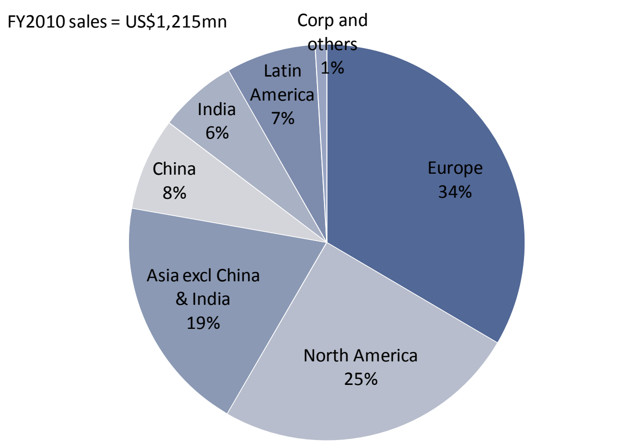
Mr. Tim Parker, who was appointed chairman of the Group in 2008, and CEO in 2009, revamped the company's business and financial structure to improve its profitability. Decision-making now resides with the four regional management teams, covering Asia, Europe, North America and Latin America, giving the company more flexibility to adopt different products and strategies catering to local markets. It also reduced its operations significantly. Samsonite today mainly outsources its products to third-party manufacturers in Asia, with over 100 third-party suppliers. In-house production accounted for 6% of its products in 2010, down from 55% in 2002, and its in-house factories are located in Belgium, Hungary, and India.

Exhibit 45: Milestones over 100 years of Samsonite's history

1910	Jesse Schwayder founded Shwayder Bros. in Denver, Colorado
1941	Samsonite brand first appeared
1956	Lightweight luggage made using magnesium and ABS
1965	Schwayder Bros. changed its name to Samsonite Corporation
1973	Samsonite Corp. was sold by the Schwayder family to the Beatrice Foods Group
1974	First wheeled suitcase as part of the Silhouette line
1986	Oyster suitcase with a three-point latching system introduced, best-selling Samsonite product at that time
1993	Acquired American Tourister; listed on Nasdaq Smallcap Market
1995	Established a JV in India;
1995	Samsonite Corp. merged with its former holding company, Astrum Int'l Corp.
1996	Established a JV in Singapore, which later became a wholly-owned subsidiary
1997	Established a JV in mainland China, which became a wholly-owned subsidiary later
1997	Established a JV in South Korea, which later became a wholly-owned subsidiary
1997	Introduced Ulltra Transporter, 1st upright case with four-wheel system that allowed the traveler to push or pull their luggage
2000	Four-wheel Samsonite Spinners introduced
2002	Delisted from the Nasdaq Smallcap Market and trading moved to the OTC Bulletin Board
2003	The Group recapitalized through investments by Ares Management LLC, Bain Capital (Europe), and Ontario Teachers' Pension Plan Board
2005	Asian sales exceeded US$100mn
2007	Acquired by CVC Capital Partners
2008	Introduced Cosmolite manufactured from Curv material, a new concept in thermoplastics, exclusive to Samsonite in the luggage history
2008	Established JVs in Indonesia and the Philippines
2009	Tim Parker appointed as Chairman and CEO;
2009	Effected a reorganization of the Corp., leading to a significant write-down of 3rd-party debt and to investment in the Group by the CVC Funds, RBS, Corelli L.P.; Tim Parker and other members of management
2010	Asian sales exceeded US$400mn
2010	Discontinued the licensing business of Lacoste & Timberland
2010	100 year anniversary; launched B-Lite, Samsonite's lightest ever, soft-side suitcase

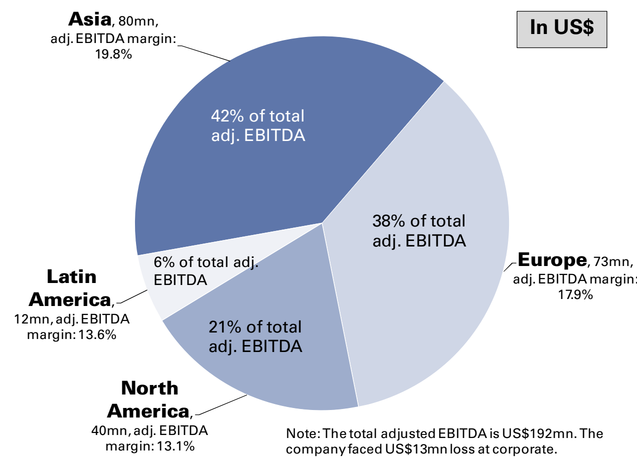
Source: Company data.

Exhibit 46: Sales breakdown by region
Asia accounted for 33% of sales in 2010



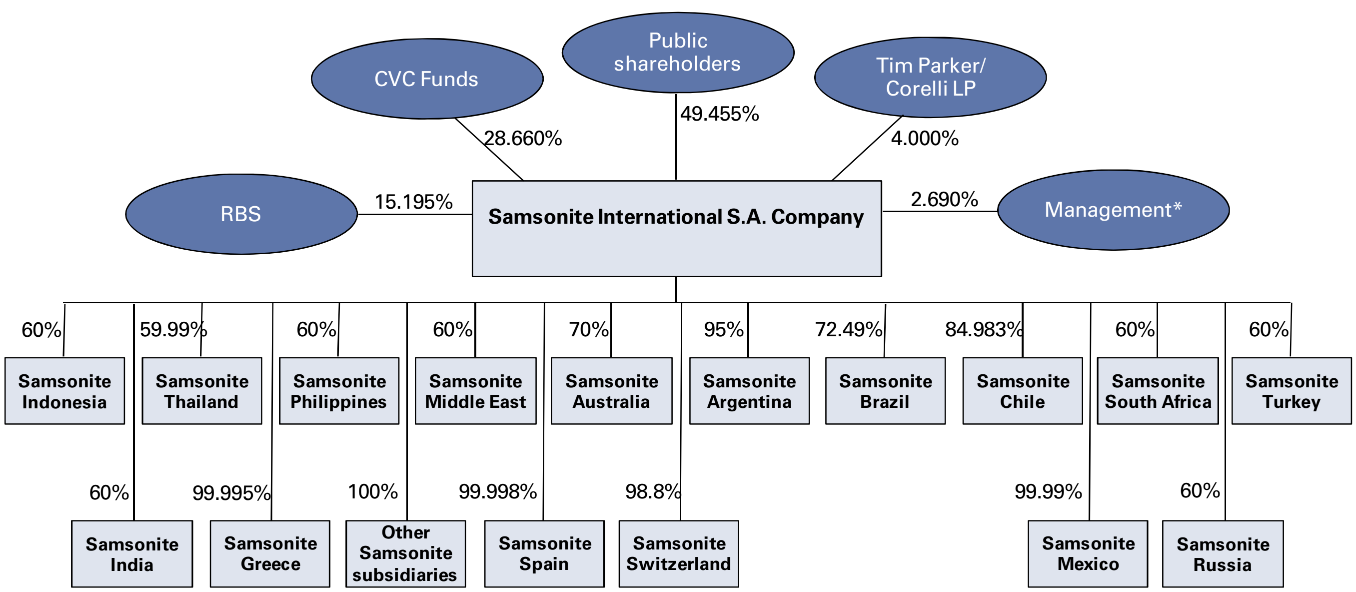
Source: Company data.

Exhibit 47: Adjusted EBITDA by region, 2010
Asia accounted for 42% of adjusted EBITDA in 2010



Source: Company data.

Exhibit 48: Samsonite corporate structure post IPO in Jun 2011, and partial exercise of greenshoe option in Jul 2011



*Excludes shares held by Tim Parker and his investment entity. Management comprises certain members of management, former directors of the Group and industry advisors to the CVC Funds.

Note: The greenshoe option allows Samsonite to sell in total 100,685,100 additional shares; in the partial exercise, 24,664,700 shares were sold, equal to around 24.5% of the total greenshoe size.

Source: Company data, Goldman Sachs Research.

Exhibit 49: Directors and senior management profiles

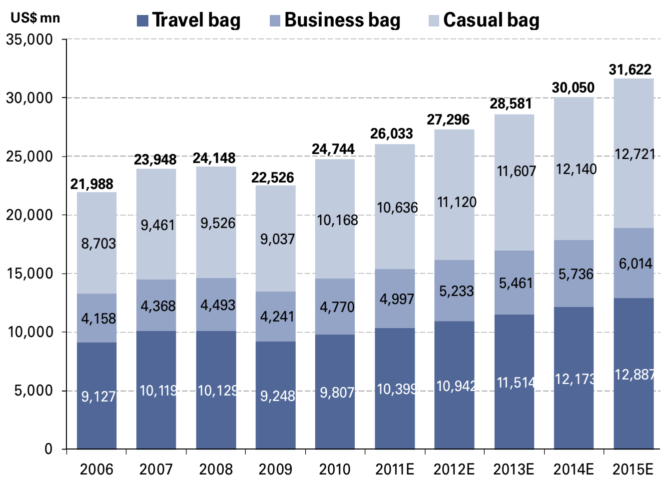
Name	Current position within Samsonite	Date of Appointment	Previous management experience	Current directorship with other parties	Education
Mr. Tim Parker	Executive Director Chairman CEO	As CEO: Jan 2009	Nov 2008-Jan 2009: Non-executive chairman of Samsonite 2004-2007: Chief executive, The Automobile Association 2002-2004: Chief executive, Kwik-Fit (car-repair firm) 1997-2002: Chief executive, Clarks (the shoemaker) 1989-1995: Chief executive, Kenwood Appliances	1) Director and Chairman, Nine Entertainment Group 2) Director and Chairman, Autobar Group 3) Non-executive director, Archive Investments	BA in Philosophy, Politics and Economics, University of Oxford (1977) Masters in Business Studies, London Graduate School of Business Studies (1981)
Mr. Kyle Gendreau	Executive Director CFO	Jan-09	Jun 2007-Jan 2009: Vice president of corporate finance and assistant treasurer, Samsonite 2000-2007: CFO and vice president of finance, Zoots Corporation (a venture capital-backed start-up company) 1997-2000: Assistant vice president of finance and director of SEC reporting, Specialty Catalog Corporation (listed) 1991-1996: Manager in the business assurance practice, Coopers & Lybrand		BS in Business Administration, Stonehill College (1991)
Mr. Ramesh Tainwala	Executive Director President, Asia-Pacific and Middle East	Feb-11	Jan 2007-Feb 2011: General manager of Middle East, Samsonite Jun 2000-Feb 2011: COO of India, Samsonite 1985-2008: Associated with Tainwala Chemicals & Plastics (India) Limited	1) Independent non-executive director, Donear Industries Limited (BSE & NSE listed) 2) Independent non-executive director, Basant Agro Tech (India) Ltd. (BSE & NSE listed)	Masters in Management Studies, Birla Institute of Technology and Science, Pilani (1982)
Mr. Tom Korbas	President, Americas		2000-2004: Vice president / general manager of US wholesale business, Samsonite 1995-2000: Vice president / general manager of sales and marketing for US non-traditional business and vice president of operations, Samsonite Pre-1994: Senior vice president of operations, vice president of sourcing, director of manufacturing, and engineering manager, American Tourister		BS in Industrial Engineering from Northeastern Univeristy (1973) MBA from Babson College, Massachusetts (1976)
Mr. Fabio Rugarli	President, Europe		2002-2009: General manager, Samsonite Italy 1996-2001: Sales director for the luggage division, Samsonite Italy		Degree in Business Administration, University Bocconi, Milan (1988)
Mr. John Henry Sullivan	President, Latin America		1985-1990 & post- 1994: Managing director for the Mexico division, vice president and general manager for the Latin America division, Samsonite Pre-1985 & 1991-1994 : Vice president for market and sales, marketing director, and other management positions at various consumer-related companies, including PepsiCo, Tenneco Automotive and General Electric Consumer Electronics		BA in Chemistry from Williams College, Massachusettes (1974) MBA from Amos Tuck School at Dartmouth College (1978)
Mr. Robert Thomas Zielinski	Chief Supply Officer		2005-2009: Global vice president for sourcing, Samsonite 2000-2005: Vice president for sourcing for the Americas, Samsonite 1992-2000: Director of production planning/supply, Samsonite 1992: Senior manager of soft-side manufacturing, Samsonite 1977-1992: Various production and distribution positions, Health-Tex Inc		BA in Political Science, Providence College, Rhode Island (1979)
Ms. Paola Tiziana Brunazzi	Vice President, global design and development	2009	2006-2009: Manager for the Lacoste brands, Samsonite 1996-2006: Senior designer, project manager and director of the design office at various fashion houses, including Tod's, Dolce & Gabbana, Sosir and Coccinelle 1991-1996: Consultant with Fontana S.r.l.		Masters in Fashion Design, Domus Academy, Milan (1984)
Mr. Andrew Wells	Chief Information Officer		2000-2008: Global chief information officer and senior vice president, Shire Plc. (a FTSE 100 pharmaceutical company) 1996-1999: Supply chain director and IT director, Bristol Myers Squibb 1986-1996: Manager of information services international, Mars		Masters of Engineering, Cambridge University (1994)

Source: Company data.

Industry overview

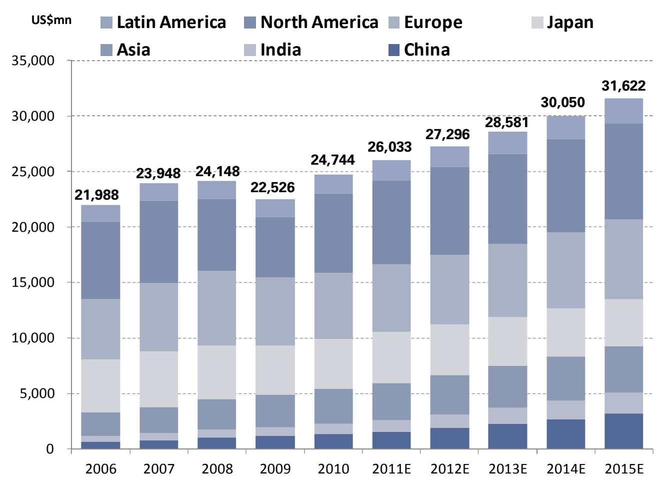
The global luggage market was valued at US$24.7bn in retail sales in 2010, having grown at 3% CAGR during 2006-2010. Asia was the largest market in 2010, comprising approximately 40%, followed by North America 29%, Europe 24% and Latin America 7%. In terms of product type, casual bags were the main segment in 2010 and accounted for 41% of the sales, vs. travel bags 40% and business bags 19%.

Exhibit 50: US$25bn market in 2010, expanding 28% by 2015, according to Frost & Sullivan....



Source: Frost & Sullivan.

Exhibit 51: ....with Asia the main growth driver



Source: Frost & Sullivan.

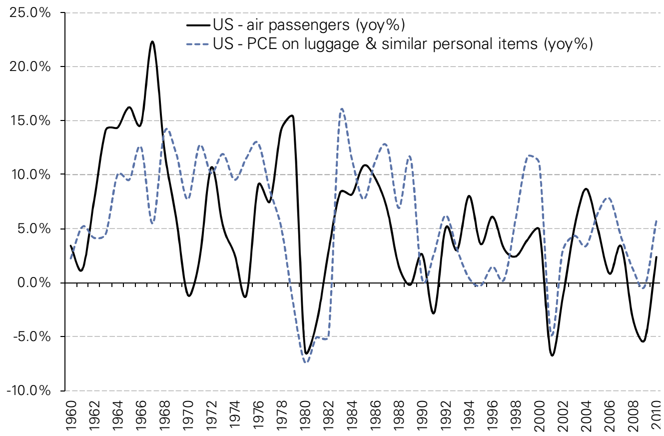
Frost and Sullivan expects the overall luggage market to grow at a 5% CAGR in the next five years, with China and India growing the most (19% and 15% CAGR respectively) due to increasing spending on travel and tourism, arising from the general increase in disposable income. For North America and Europe, which are relatively mature, the CAGR is expected to be 4% thanks to economic recovery. Among different product types, travel bags are expected to see the strongest growth of 5.6% CAGR during 2010-2015, according to Frost & Sullivan, vs. 4.7% and 4.6% for business bags and casual bags respectively.

Air travel is the fundamental driver of demand

US history suggests that consumption of luggage and similar personal items has correlated strongly with air travel, which in turn was driven by income growth and the capacity increase in airfleet and airports (Exhibit 52). Over the longer period of time, luggage spending did not outperform overall consumption on goods (6.1% CAGR vs. 5.8% CAGR during 1960-2010). However, the category outperformed overall spending noticeably during 1960s and 1980s, the decades that saw healthy air travel growth. It has been a more cyclical industry, having underperformed general consumption significantly in the late 1970s (the 1973 oil crisis) and in the years after 9/11 terrorist attacks in 2001.

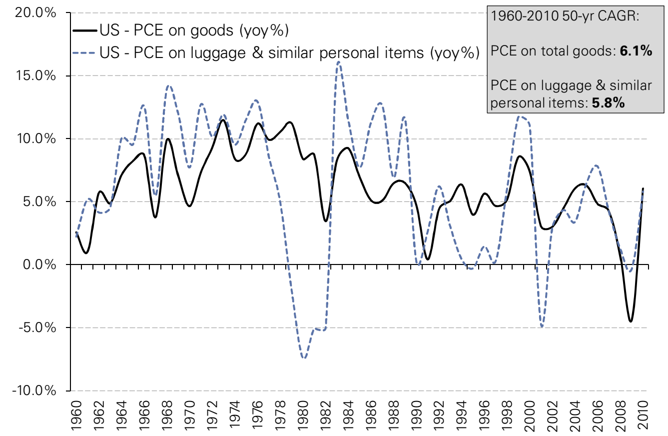
China's air passengers experienced 17% CAGR during 2003-2010 post the slowdown in 2003 (2% yoy growth) due to the impact from SARS. We believe the growth could continue to be strong on back of GDP growth and income increase, and, as a result, will amplify the demand for luggage.

Exhibit 52: US luggage buying is highly correlated with air travel



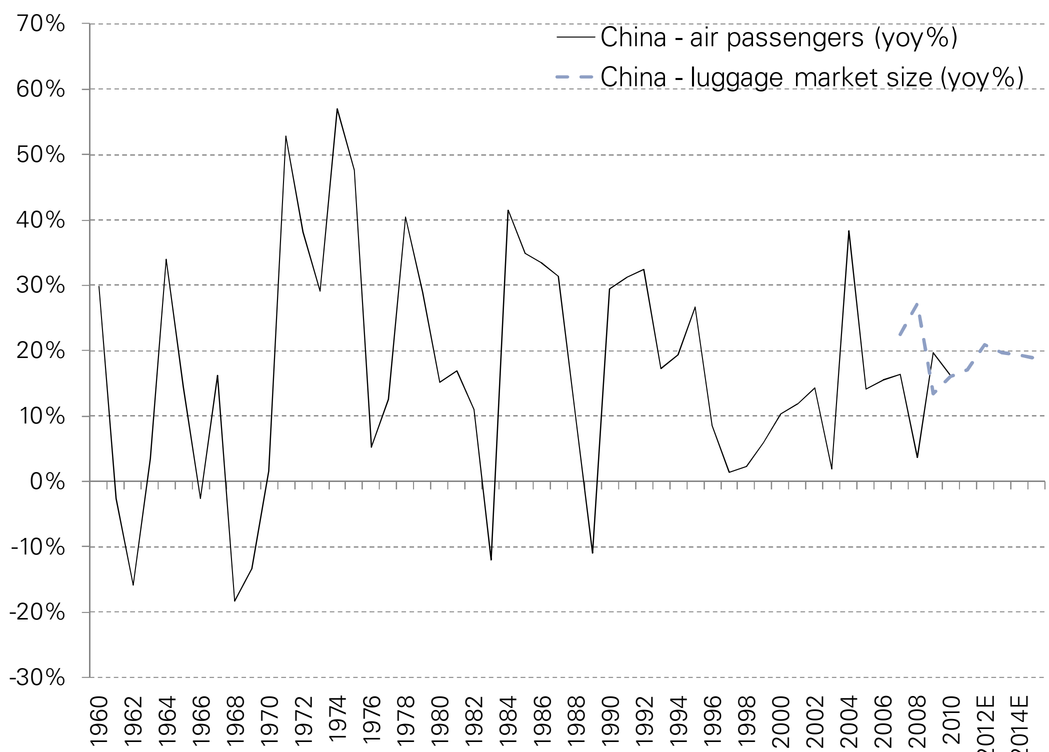
Source: CEIC, US Bureau of Transportation Statistics.

Exhibit 53: US luggage buying growth has been in line with overall personal consumption for the past 50 years



Source: CEIC.

Exhibit 54: China air passengers experienced 17% CAGR during 2003-2010. The growth could continue to be strong and amplify the demand for luggage



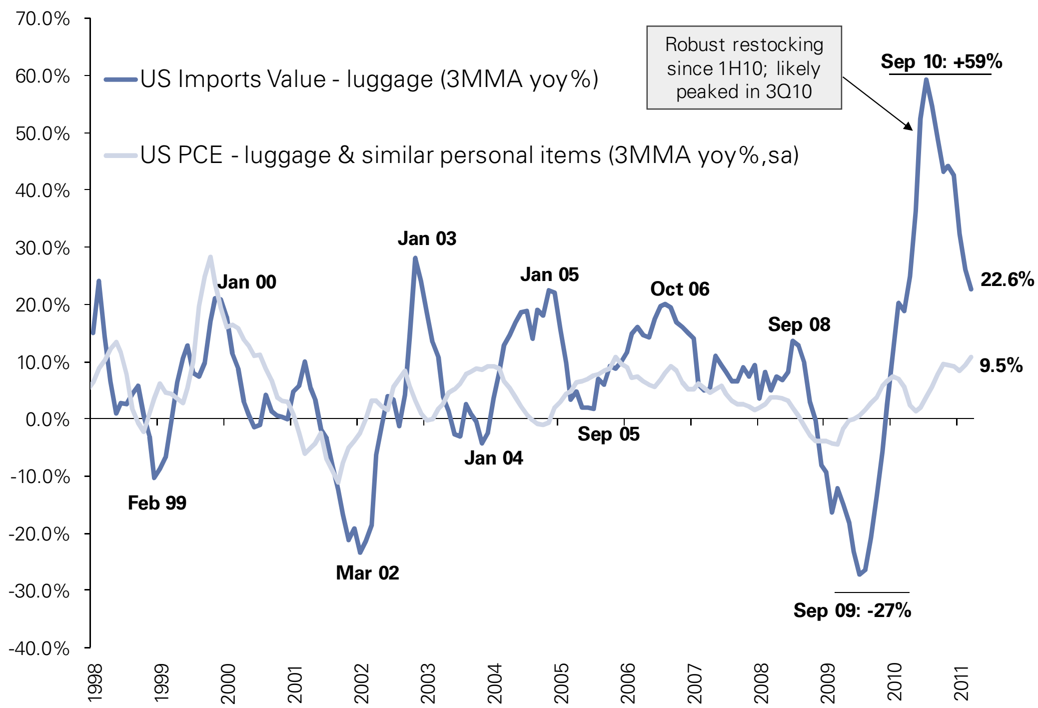
Source: CEIC, Frost & Sullivan.

Wholesale nature of the industry warrants attention to inventory cycle

Due to the niche nature of the luggage category, it is most efficiently sold in a multi-line retail format. Hence, we see most luggage players adopt a wholesale business model in the US and Europe. In 2010, 65.8% of Samsonite's net sales in North America came from its top 10 wholesale customers.

Thus monitoring retailers' sale-through and inventory levels becomes important. As the US makes very little luggage domestically, we use the yoy change in luggage import value as a proxy for the luggage inventory cycle (Exhibit 55). Over the years, the change in luggage imports has fluctuated more significantly than US PCE on luggage & similar items (both on the way up and on the way down), reflecting retailers' efforts to de-stock and re-stock at various stages of the economic cycle. We believe the sales growth of a luggage wholesaler like Samsonite will correlate strongly with this inventory cycle.

Exhibit 55: Wholesale nature of luggage industry warrants attention to inventory cycle
Change in luggage imports is more volatile compared with consumption value

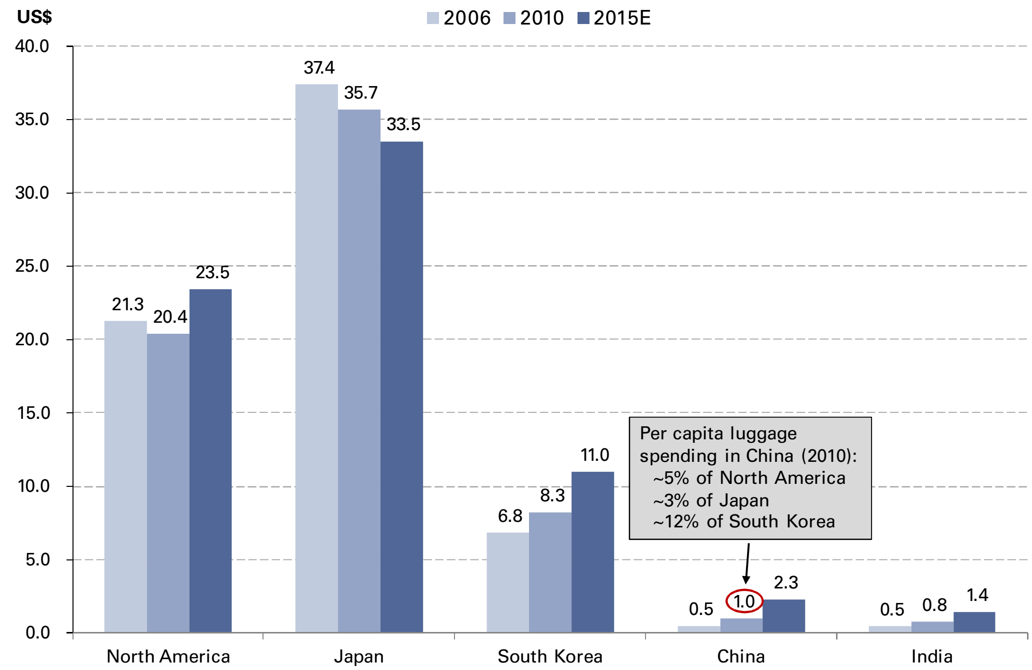


Source: United States International Trade Commission, CEIC.

Asia still has large potential to grow, especially in China

Asia accounts for 40% of the global luggage market in 2010. The emerging markets in this region, including China and India, still have large potential to grow as the current per capita expenditure on luggage is only at US$0.8-US$1.0, significantly lower than US$20-US$36 in US and Japan. With the continuing economic growth, further development of tourism industry and emergence of middle class, the personal expenditure (PCE) on travel will increase and should raise the demand for luggage as well. While for developed markets, including Japan and South Korea, the growth is very stable.

Exhibit 56: As the income level of the Chinese increases, so does their per capita expenditure on luggage



Source: Frost & Sullivan.

China's luggage market is highly fragmented at this point as 48% of sales is contributed by small/unorganized players, implying large potential for leading brands to gain share. The arising brand consciousness will encourage a customer shift toward leading players for their better quality and service. The size and nationwide network can create economies of scale and improve efficiency to better weather the impact of rising costs.

Besides, the leading players still have substantial room to expand their footprints. Samsonite is the largest brand in China with 12.5% of market share. It now has over 1,100 points of sales in the market, covering over 100 cities, much lower than the 5,000+ points of sales of Belle, the largest shoe maker in China, which is still expanding by 500+ new stores per year. Even compared to the highest-selling brand in Belle's brands portfolio, BeLLE, we still see plenty of space for Samsonite to further penetrate the department store channels (please see Exhibit 33).

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Reg AC

I, Joshua Lu, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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