

20th January 2016

Luxury &amp; Consumer Goods

**Groupe SEB**

Price EUR93.62

2015 sales top expectations, optimistic outlook for 2016

Fair Value EUR105 (+12%)

BUY

|                            |             |
|----------------------------|-------------|
| Bloomberg                  | SK FP       |
| Reuters                    | SEBF.PA     |
| 12-month High / Low (EUR)  | 96.9 / 59.0 |
| Market Cap (EURm)          | 4,697       |
| Ev (BG Estimates) (EURm)   | 5,120       |
| Avg. 6m daily volume (000) | 61.60       |
| 3y EPS CAGR                | 17.9%       |

|                | 1 M   | 3 M   | 6 M    | 31/12/15 |
|----------------|-------|-------|--------|----------|
| Absolute perf. | 1.2%  | 8.1%  | 2.6%   | -1.0%    |
| Consumer Gds   | -6.2% | -5.0% | -10.6% | -7.2%    |
| DJ Stoxx 600   | -7.8% | -8.6% | -17.9% | -9.0%    |

| YEnd Dec. (€m)    | 2014  | 2015e | 2016e | 2017e |
|-------------------|-------|-------|-------|-------|
| Sales             | 4,253 | 4,770 | 5,028 | 5,281 |
| % change          |       | 12.2% | 5.4%  | 5.0%  |
| Recur. Op. profit | 368.0 | 430.2 | 477.7 | 509.2 |
| EBIT              | 334.7 | 401.2 | 447.1 | 477.1 |
| % change          |       | 19.9% | 11.4% | 6.7%  |
| Net income        | 170.0 | 208.7 | 256.2 | 278.7 |
| % change          |       | 22.8% | 22.8% | 8.8%  |

|                  | 2014 | 2015e | 2016e | 2017e |
|------------------|------|-------|-------|-------|
| Operating margin | 7.9  | 8.4   | 8.9   | 9.0   |
| Net margin       | 4.0  | 4.4   | 5.1   | 5.3   |
| ROE              | 11.9 | 14.9  | 15.5  | 15.3  |
| ROCE             | 11.0 | 12.9  | 14.0  | 14.7  |
| Gearing          | 26.2 | 23.5  | 14.0  | 5.2   |

| (€)           | 2014  | 2015e | 2016e | 2017e |
|---------------|-------|-------|-------|-------|
| EPS           | 3.46  | 4.24  | 5.21  | 5.67  |
| % change      | -     | 22.8% | 22.8% | 8.8%  |
| P/E           | 27.1x | 22.1x | 18.0x | 16.5x |
| FCF yield (%) | 4.7%  | 3.6%  | 5.4%  | 6.0%  |
| Dividends (€) | 1.44  | 1.57  | 1.75  | 1.95  |
| Div yield (%) | 1.5%  | 1.7%  | 1.9%  | 2.1%  |
| EV/Sales      | 1.2x  | 1.1x  | 1.0x  | 0.9x  |
| EV/EBITDA     | 14.0x | 11.9x | 10.4x | 9.4x  |
| EV/EBIT       | 15.4x | 12.8x | 11.1x | 10.1x |



Yesterday Groupe SEB reported FY 2015 sales of EUR4.770bn (+12.1% reported and +8% LFL), or 2% above CS expectations (EUR4.676bn). This deviation stemmed mainly from better-than-expected LFL growth in Q4 (+7.2% vs. CS at +5.5%) driven by double-digit increases in western Europe (+15.8%) and in Asia-Pacific (+11.8%). Ahead of FY 2015 results (25th February), SEB is already guiding for op result of "around EUR430m" close to expectations (CS: EUR432/BG: EUR435m). As for 2016, management is forecasting a higher negative FX impact than in 2015 (i.e. EUR130-140m) but the latter should be fully offset by price increases, savings on sourcing and efficiency gains. Buy recommendation and FV of EUR105 confirmed.

**ANALYSIS**

- **Satisfactory growth in almost all developed markets in Q4.** France posted a 10th consecutive quarter of growth (+2.6%) and the slight deceleration vs. Q3 (+3.2%) was explained by the non-occurrence of "loyalty programmes" (LPs) which boosted last year's Q4 (+9.2% vs. 2.6% in 9M 14). In contrast, **Europe** accelerated with a 15.8% increase thanks to a significant LP in Germany, LFL growth would have been 5% stripping out this LP. SEB experienced good performances in all key European markets. Activity in **North America** grew by 3.5% given softer trends in Canada (price hikes) but they remained well oriented in the U.S and in Mexico.
- **Some good surprises in emerging markets.** We highlight the 11.8% growth in **Asia-Pacific**, mainly driven by Supor in **China** (~17% LFL in Q4 and 2015) in a flattish Chinese market, but SEB also enjoyed a strong end of year in Japan and in South Korea. The group also held up quite well in **Brazil** (mid single-digit decline LFL in Q4), which was partly offset by good growth in Colombia. This resiliency also occurred in **central & eastern Europe** (+2.1%), especially in **Russia** where the sales contraction is limited in the light of very challenging market conditions, whilst Turkey and Poland were quite good.

**LFL sales growth by region:**

| LFL sales growth (%)          | H1 15      | Q3 15      | 9M 15      | Q4 15      | 2015       |
|-------------------------------|------------|------------|------------|------------|------------|
| France                        | 10.5       | 3.2        | 7.8        | 2.1        | 5.6        |
| Europe (excl. France)         | 3.3        | 12.4       | 6.3        | 15.8       | 9.7        |
| North America                 | 8.4        | 8.3        | 8.3        | 3.5        | 6.7        |
| South America                 | 3.5        | 7.7        | 5.2        | -0.8       | 3.4        |
| Central & Eastern Europe/ RoW | 7.1        | 0.5        | 4.8        | 2.1        | 3.9        |
| Asia-Pacific                  | 14.0       | 11.5       | 13.2       | 11.8       | 12.8       |
| <b>Total</b>                  | <b>8.7</b> | <b>7.8</b> | <b>8.4</b> | <b>7.2</b> | <b>8.0</b> |

Source: Company Data

- **FY15 guidance confirmed.** The negative FX impact for 2015 amounted to EUR100m, at the top end of the EUR90-100m range communicated at the Q3 sales call (end October). However the group enjoyed some tailwinds such as a positive volume effect, a favourable price-mix and savings (operating efficiency programmes), enabling management to guide on an op. result of approx. EUR430m vs. CS at EUR432 and BG at EUR435m, implying a margin expansion of 30bp to 9%
- **Management intends to fully absorb the EUR130-140m negative FX impact expected for 2016!** Why is management so confident? **1/** SEB is to benefit from the same successful initiatives launched in 2015 (efficiency gains, procurement savings, price-mix, etc.), **2/** the stronger USD is affecting the whole industry and particularly SEB's competitors, creating more favourable market conditions for price increases. As such the group passed some price hikes in many countries recently (Russia, Brazil, etc.); **3/** SEB maintains significant pricing power given its powerful and successful brands and its strategy based on innovation.

**VALUATION**

- We have only made minor adjustments to our 2015 op result given the fine-tuned guidance, while our FY16 and FY17 forecasts remain unchanged. Buy recommendation and FV of EUR105 confirmed.

**NEXT CATALYSTS**

- Groupe SEB is to report its FY15 Results on 25th February 2016.



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|         |   |
|---------|---|
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