

## Groupe SEB

Price EUR85.25

FY 2015 results in line with expectations but very solid!

Fair Value EUR105 (+23%)

BUY

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	96.9 / 65.3
Market Cap (EUR)	4,277
Ev (BG Estimates) (EUR)	4,700
Avg. 6m daily volume (000)	59.10
3y EPS CAGR	17.4%

Groupe SEB has released 2015 results with recurring operating result up 16.3% to EUR428m, fairly in line with market expectations (CS: EUR430m), representing a first margin expansion (+30bp to 9%) since 2010, despite another significant FX headwind of EUR100m. Although this pressure is set to worsen in 2016 (EUR130-140m), SEB expects to increase its recurring operating result further. Buy recommendation and FV of EUR150 reiterated. Analysts' meeting today at 2.30pm (Paris time).

## ANALYSIS

- 2015 sales, pre-announced on 19th January, came in at EUR4,770m (+12.1% and +8% LFL) or 2% above expectations.** In Q4 alone, LFL growth amounted to 7.2% (CS: +5.5%), boosted by a double-digit increase in **Western Europe** (+15.8%) and in **Asia-Pacific** (+11.8%) while business remained quite resilient in **LatAm** (-0.8% o/w mid single-digit decline in Brazil) and in **Central & Eastern Europe** (+2.1% with a slight decrease in Russia).
- 2015 recurring operating result (EUR428m) matched estimates.** After a EUR94m negative FX impact in 2014, SEB had to cope with another significant adverse currency effect in 2015 (EUR100m), representing a negative 210bp impact on the op margin! The group also increased marketing expenses by 16% FX-n (vs. +8% FX-n for the top line) but enjoyed some tailwinds such as a positive volume effect, a favourable price-mix and savings from sourcing and operating efficiency programmes. Consequently operating margin widened 30bp to 9%.
- 2015 net debt stood at EUR316m vs. EUR453m the previous year** thanks to solid FCF generation of EUR257m (+47%), leading to net gearing of 17% vs. 26% the previous year. **The proposed dividend for 2015 is EUR1.54 (+7%).**

## Groupe SEB 2015 results:

EURm	2014	2015	% change
Sales	4,253	4,770	12.1
Recurring Op result	368	428	+16.3
In % of sales	8.7	9.0	+30pb
Group net income	170	206	21.2

Source: Company Data

- Analysts' meeting today at 2.30pm: adverse currencies to again focus investor attention.** At the 2015 sales conference call in January, CFO Vincent Leonard confirmed that currencies will remain a challenge, mainly due to the stronger USD (+1% in the EUR/USD => -EUR5m gross impact). As such, he guided for a higher headwind to EUR130-140m (2015: EUR100m). On the positive side, Mr Leonard already declared that it should be entirely offset by the same successful initiatives as those implemented in 2015 (i.e. price hikes, efficiency gains, procurement savings, etc.).
- Why is management so confident? 1/** SEB has adapted its cost structure to this adverse FX environment which represented an aggregated negative impact of EUR262m over the last four years! **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 on some price hikes in many countries recently (Russia, Brazil, etc.) and **3/** SEB maintains significant pricing power given its powerful and successful brands and its strategy based on innovation.
- FY16 outlook: minor adjustments to our FY16 assumptions.** We maintain our relatively cautious LFL growth forecast of 4.5% given demanding comps (+8% in 2015) and our scope effect (integration of OBH Nordica: ~1%) but we have factored in a higher negative FX impact (-1.1% vs. -0.5% initially). As for the profitability, we stick to our margin forecast (+50bp to 9.5%).

## VALUATION

- Although these results matched expectations, we expect a positive reaction today in light of a strong operating performance stripping out the significant FX headwind and the reassuring outlook for 2016. Buy recommendation and FV of EUR105 maintained.

**NEXT CATALYSTS:** Analysts' meeting today at 2.30pm (Paris time) // Q1 16 Sales on 28th April 2016.

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**Analyst:**  
Cédric Rossi  
33(0) 1 70 36 57 25  
crossi@bryangarnier.com

**Consumer Analyst Team:**  
Nikolaas Faes  
Loïc Morvan  
Antoine Parison  
Virginie Roumage

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BUY ratings 63%

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Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
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