

## Groupe SEB

Price EUR88.87

Reassuring top line trends and strong operating result performance in Q1 (+50% LFL)

Fair Value EUR102 (+15%)

BUY

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	96.9 / 78.3
Market Cap (EURm)	4,459
Ev (BG Estimates) (EURm)	4,817
Avg. 6m daily volume (000)	50.10
3y EPS CAGR	13.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	1.2%	-5.3%	-6.1%
Consumer Gds	2.3%	3.0%	-4.1%	-2.7%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	4,770	4,949	5,200	5,459
% change		3.8%	5.1%	5.0%
Op result	428	470	504	549
EBIT	396.6	437.6	470.2	513.4
% change		10.3%	7.5%	9.2%
Net income	205.9	248.9	273.7	301.8
% change		20.9%	10.0%	10.3%

	2015	2016e	2017e	2018e
EBIT margin	8.3	8.8	9.0	9.4
Net margin	4.3	5.0	5.3	5.5
ROE	13.2	15.8	15.7	15.5
ROCE	12.8	13.9	14.8	15.8
Gearing	16.5	19.1	9.1	0.0

(€)	2015	2016e	2017e	2018e
EPS	4.14	5.01	5.51	6.07
% change	-	20.9%	10.0%	10.3%
P/E	21.5x	17.7x	16.1x	14.6x
FCF yield (%)	7.1%	5.8%	6.3%	6.9%
Dividends (€)	1.54	1.65	1.80	2.00
Div yield (%)	1.7%	1.9%	2.0%	2.3%
EV/Sales	1.0x	1.0x	0.9x	0.8x
EV/EBITDA	11.2x	10.2x	9.2x	8.1x
EV/EBIT	12.0x	11.0x	9.9x	8.7x

Q1 sales came in at EUR1.115bn (+2.3%), matching the CS of EUR1.121bn. LFL growth amounted to 5.1% and was also in line with CS (+5.2%) against a weak North America (-12.4%) and a demanding comparison base (Q1 15: +9.4%). Operating profit reached EUR93m, 12% above expectations despite a huge EUR45m negative impact (Q1 15: -EUR15m), such that the margin remained almost stable (-10bp to 8.3% vs. CS: 7.4%). Based on current exchange rates, management now expects the adverse FX impact to total around EUR120m vs. EUR130-140m previously. We have made minor adjustments to our top line forecasts. Buy recommendation and FV of EUR102 confirmed.

## ANALYSIS

- **Reported Q1 sales up 2.3% to EUR1.115bn (CS: 1,121m).** While LFL growth was in line with CS estimates (+5.2%), the group sustained a higher-than-expected FX impact (-3.6pp vs. BG ests at -3pp). It is worth noting that OBH Nordica had made an 80bp contribution over Q1.
- **Solid growth in EMEA (+5.3% LFL).** Western Europe was up 4.3%: SEB delivered its 11th consecutive quarter of growth in France (+5% LFL) in both SDA and cookware. Sales grew in double-digits in Germany and MSD in Spain and Italy, but trends were softer in the UK. In Other Countries (+7.4% LFL), sales in Russia were almost flat LFL stripping out two significant loyalty programmes (LPs) which were not renewed this year, while growth in Turkey and in the Middle-East was buoyant.
- **Sales in the Americas were down 12.4% LFL, bumpy start to the year in North America.** Indeed the robust trends in Mexico were not enough to offset the double-digit sales in the US and Canada, due to some destocking in the US (in cookware) and difficult market conditions in Canada. Management expects the destocking phase to soften gradually throughout the remainder of the year. In Latin America (+4.3% LFL), the group registered a slight decline in Brazil which was compensated by good performances in other countries, especially in Colombia.
- **Double-digit growth in Asia-Pacific (+10.1% LFL).** This development was largely driven by Greater China where revenue was up 12.5%, with a balanced performance between SDA and cookware. Supor continued to gain market share. Japan and South Korea also grew above 10% this quarter. On the opposite, Thailand was in the negative territory due to a subdued consumption.
- **Op result (EUR93m) topped expectations by 16% (CS: EUR83m).** Consequently the reported op margin was almost flat (-10bp to 8.3%), well above the CS forecast (7.4%). This operating result grew by an impressive rate of 50% LFL to EUR138m, boosted by a very favourable price-mix effect which has more than offset the negative EUR45m FX impact. The group also benefited from a positive raw material effect, without forgetting the contribution from efficiency gains.
- **FY negative impact now expected at EUR120m vs. EUR130-140 previously.** As the group does not entirely hedge its short positions in USD and CNY, the recent weakening of these two currencies is favourable for SEB, in addition of the recent rebound of the RBL and the BRL. The JPY has also strengthened vs. the EUR.
- **Then we do we leave our FY16 margin assumptions unchanged?** We nudge up our LFL growth forecast to 5% vs. 4.5%, which we consider as a good performance after +8% achieved in 2015 (o/w 1pp stemmed from LPs). CFO Vincent Leonard declared that the month of April was "a continuation of Q1". However the retain a more harmful FX effect on top line (-2pp). As for the operating result outlook, SEB has an agile pricing strategy: it might take the opportunity of this less adverse FX environment to either reduce prices/make promotions in some regions, or to increase marketing expenses like in Q1. Therefore we leave our estimates unchanged: we anticipate 50bp-improvement to 9.5% (CS: 9.4%). We recall that SEB is characterized by a highly seasonal business, as H2 accounts for ~56% of FY sales and ~70% of FY operating profit (3Y average).

## VALUATION

- Despite the rebound over the last two days (+3.2%), the share price has dropped 7% since April 19th. In our view, this correction was due to fears over the negative FX impact. We believe that yesterday's publication will reassure investors about SEB's capacity to more than offset this FX headwind. Buy recommendation and FV our EUR102 confirmed.

## NEXT CATALYSTS

- AGM on 19th May // H1 16 Results on 25th July.

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### Q1 sales by region (new reporting):

EURm	Q1 15	Q1 16	% change	LFL growth
EMEA – Western	336	359	6.9	4.3
EMEA – Others	147	149	1.2	7.4
<b>Total EMEA</b>	<b>482</b>	<b>508</b>	<b>5.2</b>	<b>5.3</b>
North America	117	100	-14.2	-12.4
South America	83	65	-21.6	4.3
<b>Americas</b>	<b>200</b>	<b>165</b>	<b>-17.3</b>	<b>-5.5</b>
China	304	336	10.5	12.5
Rest of Asia	103	106	3.2	3.1
<b>Asia-Pacific</b>	<b>407</b>	<b>442</b>	<b>8.6</b>	<b>10.1</b>
<b>Total Groupe SEB</b>	<b>1,089</b>	<b>1,115</b>	<b>2.3</b>	<b>5.1</b>

Source: Company Data



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