

Groupe SEB

Price EUR97.83

SEB increases its presence in kitchenware thanks to the acquisition of EMSA

Fair Value EUR102 (+4%)

BUY

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	99.4 / 78.3
Market Cap (EURm)	4,908
Ev (BG Estimates) (EURm)	5,266
Avg. 6m daily volume (000)	48.20
3y EPS CAGR	13.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.7%	12.5%	6.0%	3.4%
Consumer Gds	-1.6%	1.5%	-7.1%	-4.7%
DJ Stoxx 600	-1.9%	2.6%	-11.0%	-7.7%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	4,770	4,949	5,200	5,459
% change		3.8%	5.1%	5.0%
EBITDA	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
Operating 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	23.6x	19.5x	17.8x	16.1x
FCF yield (%)	6.5%	5.3%	5.7%	6.3%
Dividends (€)	1.54	1.65	1.80	2.00
Div yield (%)	1.6%	1.7%	1.8%	2.0%
EV/Sales	1.1x	1.1x	1.0x	0.9x
EV/EBITDA	12.2x	11.2x	10.1x	8.9x
EV/EBIT	13.2x	12.0x	10.8x	9.6x

Yesterday, SEB announced that it had signed an agreement to acquire EMSA for an undisclosed amount. The German-based company, which generated sales of EUR92m in 2015, is a significant player in kitchenware and accessories. Based on a possible consolidation from Q3 16, this acquisition would imply a positive scope effect of 1.1pp this year and 80bp in 2017.

ANALYSIS

- EMSA is a significant player in kitchenware & accessories.** Founded in 1949, EMSA has grown at a fast pace (sales CAGR 13-15: ~+9%) to achieve revenue of EUR92m in 2015. The German group mainly operates in the core-range segment (mid-tier) and has a strong footprint in its domestic market (~58% of total sales before intra-group restatements), in Europe and in the Middle-East. As show in the table below, EMSA focuses on three main categories: **(i)** carafes and mugs, **(ii)** kitchenware and utensils and **(iii)** food storage containers. Last but not least, the production is spread over three sites: Germany, Vietnam and China.
- Groupe SEB strengthens its footprint in cookware & kitchenware.** Whilst SEB is the leading player in the cookware market (~20% market share and ~1/3 of group sales), SEB's market share in the kitchenware/bakenware/ovenware segments is only 1-2%. Consequently, this kitchenware market harbours significant growth opportunities for the group, all the more since it is twice as large as the cookware market, it is growing in the double-digits and is highly fragmented.

Thermo mug:	Tableware:	Food storage container:
		

- Implications on our assumptions.** If we consider a consolidation from Q3 16, the integration of EMSA should represent a positive scope effect of 1.1pp in 2016 and 80bp in 2017. SEB did not communicate the profitability level of EMSA but according to its FY14 financial report, the latter was budgeting an EBIT margin between 5-7% over 2015-17 (vs. 7.8% for SEB in 2015). Hence we might expect a slight dilutive impact in the ST but we believe there is an interesting potential for synergies in the MT/LT: EMSA could rely on SEB's critical size to reduce sourcing costs as well as on its global distribution network (revenue synergies), whilst SEB could take advantage of EMSA's plants to insource a share of the production (~100% of SEB's kitchenware offering is currently outsourced).
- 2016: a busy year in terms of M&A?** The group recently admitted to bid for another German group, WMF Group, as its owner KKR considers a sale. WMF produces high-end coffee machines (professional brands for hotels and restaurants) and cookware (consumer and professional brands) and generated sales of EUR1,061m (+4%) and EBITDA of approx. EUR150m in 2015. According to some press articles, WMF Group might be valued around EUR1.5bn (10x EBITDA). In our view, SEB should be particularly interested by the coffee machine business (+13% to EUR394m), which would strengthen its presence in this fast-growing and profitable activity. The sale process should be completed in the coming months.

VALUATION

- This announcement is consistent with the group's acquisition policy (OBH Nordica last year) to increase market share in specific product categories and/or markets. We maintain our Buy recommendation and FV of EUR102.

NEXT CATALYSTS

- AGM today at 2:30pm (CET) // H1 16 Results on 25 July.

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