

31st May 2016

Luxury & Consumer Goods

Groupe SEB

Price EUR111.60

The kitchen is now bigger and well-equipped! (note out)

Fair Value EUR125 vs. EUR102 (+12%)

BUY

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	111.6 / 78.3
Market Cap (EURm)	5,599
Ev (BG Estimates) (EURm)	7,775
Avg. 6m daily volume (000)	49.60
3y EPS CAGR	25.1%

We are revising up our assumptions following the M&A fever that marked SEB over the last two weeks, with the acquisition of two German groups: EMSA (2015 sales of EUR92m) and WMF Group (2015 sales of EUR1.061bn). Considering limited risks surrounding these deals (excellent track record with M&A, very low cost of financing) and significant accretive impacts expected in 2017, we are clearly confident on the group's outlook! Buy recommendation confirmed and FV raised to EUR125 vs. EUR102.

ANALYSIS

- **With WMF SEB enters a new era!** Thanks to its largest acquisition in its history (EV: EUR1.710bn), first and foremost, SEB takes over the undisputed **global leader in Professional Coffee Machines** (~28% market share), which is a fast-growing (sales CAGR 13-15 of 10.4%) and very profitable product category. Secondly, SEB strengthens its **leadership in cookware** as WMF held the #1 position in the German market, and thanks to the addition of EMSA, this country will become one of the group's top 3 markets in Small Domestic Equipment by 2017.
- **Significant accretive impact on our 2017 estimates.** Should WMF be consolidated from Q4 16, it should bring: **(i)** a positive scope effect of ~21% on top line, **(ii)** an accretive impact of ~24% on the adjusted EBITDA and ~20% on EPS. We are all the more comfortable with these assumptions that they are based on a cautious synergy plan: no sales growth acceleration (+3-4%) and limited synergies of EUR10m in 2017e (BG ests) and EUR40m p.a. by 2020 (SEB and BG ests).
- **What else? Still a robust sales and earnings momentum for SEB stand-alone.** The nice start to the year illustrated the group's proven business model: a proactive innovation policy drives the price-mix and the premiumisation of the market, whilst SEB's presence in every product category and its multichannel strategy enable the group to constantly benefit from the main drivers that fuel the global SHA market (e.g.: online sales, Home Care, Home Comfort, etc.). Consequently over 2016-18 SEB stand-alone should maintain a mid single-digit organic growth and improve its profitability thanks to "self-help" tailwinds (volume impact, pricing power, efficiency gains, etc.) that should more than offset the adverse FX impact.

VALUATION

- In our view the 2017e multiples (EV/EBIT of 12.2x and P/E of 15.5x) are not stretched given an EPS CAGR 2015-18 of 25.1%. Buy recommendation confirmed and FV raised to EUR125 vs. EUR102 previously.

NEXT CATALYSTS

- Groupe SEB will report its H1 16 results on 25 July.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	14.0%	30.6%	15.1%	18.0%
Consumer Gds	3.5%	4.5%	-5.9%	-1.4%
DJ Stoxx 600	2.5%	4.9%	-9.2%	-4.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	4,770	5,333	6,414	6,729
% change		11.8%	20.3%	4.9%
EBITDA	428	509	664	713
EBIT	396.6	474.3	622.0	669.0
% change		19.6%	31.1%	7.6%
Net income	205.9	258.1	357.1	403.5
% change		25.3%	38.4%	13.0%

	2015	2016e	2017e	2018e
Operating margin	8.3	8.9	9.7	9.9
Net margin	4.3	4.8	5.6	6.0
ROE	13.2	17.6	20.5	19.7
ROCE	12.8	8.6	10.7	11.4
Gearing	16.5	120.7	100.4	75.4

(€)	2015	2016e	2017e	2018e
EPS	4.14	5.19	7.18	8.12
% change	-	25.3%	38.4%	13.0%
P/E	26.9x	21.5x	15.5x	13.7x
FCF yield (%)	5.7%	3.9%	4.6%	7.2%
Dividends (€)	1.54	1.65	1.80	2.00
Div yield (%)	1.4%	1.5%	1.6%	1.8%
EV/Sales	1.2x	1.5x	1.2x	1.1x
EV/EBITDA	13.8x	15.3x	11.5x	10.3x
EV/EBIT	14.9x	16.3x	12.2x	10.9x



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