

Beiersdorf

Price EUR81.92

Uncertainties remain despite H1 almost in line!

Fair Value EUR80 (-2%)

NEUTRAL

Bloomberg	BEI GY
Reuters	BEIG.DE
12-month High / Low (EUR)	90.0 / 71.1
Market Cap (EURm)	18,579
Ev (BG Estimates) (EURm)	16,830
Avg. 6m daily volume (000)	0.80
3y EPS CAGR	5.5%

H1 Beiersdorf results are in line with market expectations despite some slowdown in Q2 for Consumer and low quality in the P&L (hence yesterday's 3.5% share price decline). Management has reiterated its FY 2016 guidance for 3-4% organic sales growth with a "slight" EBIT margin improvement. We keep our Neutral recommendation with an unchanged EUR80 FV.

ANALYSIS

- In H1, sales came at EUR3.36bn, up 2.8% organically, implying +3.3% in Q2 alone** following +2.4% in Q1. The Q2 acceleration was driven by Tesa (+3.8% in Q2 vs -3.2% in Q1) while the Consumer division slowed during the last quarter (+3% vs +3.6% in Q1). **Nivea** sales remained buoyant in H1 with 4.2% growth (no slowdown in Q2), but **La Prairie** did particularly well (+6.2% in H1 vs +6.9% in Q1). At this point, we recall L'Oréal's 4% organic sales increase in Q2 in the consumer Products division which seems to us the most comparable figure. The higher increase for the French group is, in our view, partly attributable to a more diversified portfolio and especially to make-up which accounts for more than 20% of L'Oréal's sales and enjoyed double-digit growth.
- This move is due to Europe, with sales up no more than 1.5% in Q2 after +3.2% in Q1** and particularly in Western Europe (respectively +0.7% and +2%). This poor Q2 performance in WE is due to negative weather conditions (which hit sun products), price wars at retailers notably in France and globally poor macro conditions aggravated by terrorists attacks. Even if East European sales remained dynamic in Q2 (+5.4%), they nevertheless slowed vs Q1 (+8.5% due to Russia market, despite market share gains). In **Americas**, revenues increased 1.5% in H1 of which +4.4% in Q2 thanks to a rebound in Latin America (+6.2%). L'Oréal also registered an acceleration there during this last quarter. Lastly, in Asia, sales grew 6.3% in H1 despite a slight slowdown in Q2.
- H1 EBIT reached EUR513m, implying a 15.3% EBIT margin (+40bp)**. Profitability improvement comes from Consumer division with a 70bp gain to 15.2% while Tesa margin declined 110bp to 15.9%, consequence of sales stability and a very challenging environment in China for electronics. It is worth noting also that Group H1 Gross margin declined 30bp to 59.1% (despite lower input costs), but mainly due to negative forex impact (despite some hedging) while the weight of marketing & selling expenses fell 40bp to 36.2% of sales. Such investments have been adapted to a less dynamic environment, but shares of voice were up over the half-year.
- Beyond H1 results, during yesterday's call, **the German group's management reiterated its FY 2016 guidance** and does not expect major market trend in H2. Group and Consumer sales should grow by 3 to 4% (consensus is at 3.1%) and EBIT margin is expected to improve "slightly". Consensus and ourselves anticipate an EBIT margin at 14.8% (+40bp vs 2015).

VALUATION

- BDF share price has been down 5% YTD vs +10% for L'Oréal**. We maintain our Neutral recommendation with a EUR80 FV. We still favour L'Oréal given its more diversified brand portfolio involved in many segments (skin care but also make-p, perfumes, hair colour...) and in many distribution networks (mass, prestige, hair salon...) and not mostly only on skin care (body and face) and on mass market as it is the case of Beiersdorf.

NEXT CATALYSTS

- Q3 sales to be reported

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	3.9%	-0.5%	-3.3%
Pers & H/H Gds	0.3%	4.5%	5.5%	1.6%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	6,686	6,715	7,020	7,350
% change		0.4%	4.5%	4.7%
EBITDA	1,132	1,164	1,235	1,328
EBIT	962.0	995.0	1,060	1,145
% change		3.4%	6.5%	8.0%
Net income	659.0	679.0	728.0	777.0
% change		3.0%	7.2%	6.7%

	2015	2016e	2017e	2018e
Operating margin	14.4	14.8	15.1	15.6
Net margin	9.9	10.1	10.4	10.6
ROE	16.7	15.8	15.4	15.0
ROCE	26.9	26.0	25.8	25.9
Gearing	-49.1	-38.7	-39.5	-40.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.91	2.99	3.21	3.41
% change	-	3.0%	7.1%	6.3%
P/E	28.2x	27.4x	25.5x	24.0x
FCF yield (%)	1.8%	2.1%	2.3%	2.6%
Dividends (EUR)	0.70	0.75	0.75	0.75
Div yield (%)	0.9%	0.9%	0.9%	0.9%
EV/Sales	2.5x	2.5x	2.4x	2.2x
EV/EBITDA	15.0x	14.5x	13.4x	12.3x
EV/EBIT	17.7x	16.9x	15.7x	14.3x



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