

BIC

Price EUR126.80

Good margin performance despite a softer LFL growth; FY outlook confirmed

Fair Value EUR123 (-3%)

NEUTRAL

Bloomberg	BB FP
Reuters	BICP.PA
12-month High / Low (EUR)	156.4 / 114.4
Market Cap (EURm)	6,078
Ev (BG Estimates) (EURm)	5,724
Avg. 6m daily volume (000)	57.40
3y EPS CAGR	1.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.8%	-4.4%	-6.9%	-16.4%
Consumer Gds	-2.4%	-2.3%	-0.4%	-3.5%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,242	2,286	2,400	2,508
% change		2.0%	5.0%	4.5%
NIFO	432.0	404.9	445.9	473.1
IFO	439.9	398.2	441.9	469.1
% change		-9.5%	11.0%	6.2%
Net income	325.1	286.0	317.9	340.0
% change		-12.0%	11.2%	6.9%

	2015	2016e	2017e	2018e
IFO margin	19.6	17.4	18.4	18.7
Net margin	14.5	12.5	13.2	13.6
ROE	17.3	14.9	14.5	13.7
ROCE	18.4	14.9	14.7	14.2
Gearing	-24.2	-18.2	-18.1	-18.9

(EUR)	2015	2016e	2017e	2018e
EPS	6.79	5.97	6.64	7.10
% change		-12.0%	11.2%	6.9%
P/E	18.7x	21.2x	19.1x	17.9x
FCF yield (%)	5.6%	3.6%	4.0%	4.6%
Dividends (EUR)	5.90	3.45	3.70	3.95
Div yield (%)	4.7%	2.7%	2.9%	3.1%
EV/Sales	2.5x	2.5x	2.4x	2.2x
EV/EBITDA	13.0x	14.1x	12.7x	11.8x
EV/EBIT	12.8x	14.4x	12.8x	11.9x

Q3 sales came in at ~EUR560m (+2.1%), fairly in line with CS at EUR567m even if the LFL growth (+3.8%) was below expectations (+5%e) after +5.4% in H1. On the positive side, the Q3 normalised IFO margin only contracted 20bp to 18.8% (CS: -100bp to 18%) after -170bp in H1 excl. the impact of the special employee bonus. BIC reiterates FY16 outlook: mid-single-digit LFL growth and NIFO to decline between 100-150bp (excl. the impact the special employee bonus). Conference call today at 4pm Paris time.

ANALYSIS

- **Q3 16 sales of EUR560m, fairly in line with CS' estimates at EUR567m.** The organic growth decelerated in Q3 to 3.8% (CS: +5%) from +5.4% in H1 because of a more moderate performance from the Consumer business. The Group also enjoyed a less harmful FX impact (-1.7% vs. -5.5% in H1) mainly thanks to the rebound of the BRL (~10% of Q3 sales).
- **Consumer business only grew by 3.2% LFL (CS: +5.3%e) after +5.8% in H1.** Stationery was up 2.4% LFL (H1: +5.6%), fuelled by good back-to-school sell-in trends in Europe and Emerging Markets, but they slowed down in North America. Revenue in **Lighters** increased 6.5% LFL (H1: 5.4%) driven by a DD growth in Europe and by distribution gains in Emerging Markets, also helped by an easier comparison base (+9.5% in H1 15 vs. +5.2% in Q3 15). Sales in **Shavers** faced a sharp slowdown in Q3 with +1.4% vs. +9.9% in H1, due to weaker trends in North America.
- **Promotional Products: sales up 7.2% LFL after +2.3% in H1.** This performance topped expectations (+5.6%e), boosted by a favourable timing impact (earlier shipments as last year's shipments shifted to October instead of September).
- **Q3 Normalised IFO margin contraction limited to 20bp to 18.8% (CS: 18%e).** The main headwind was the GM expansion of 150bp 51.3% (H1: -90bp), driven by a positive fixed cost absorption and raw material impacts. It enabled BIC to increase further its brand support (+140bp vs. +80bp in H1). Whilst the profitability of Stationery dropped 650bp to 3.9%, the NIFO has clearly improved in Lighters (+190bp) and more surprisingly, in Shavers (+280bp after -790bp in H1). **Group net income** decreased 3.6% to EUR73.6m. **Net cash position** at end-September 2016 was approx. EUR208.1m (-42%).

BIC Q3 16 and 9M 16 results:

EURm	Q3 16	% change	9M 16	% change
Net sales	559.6	2.1	1,692.9	0.6
Normalised IFO	105.2	0.9	313.1	-8.8
in % of sales *	18.8	-20bp	19.2	-120bp
Reported IFO	104.0	-0.2	307.7	-11.0
in % of sales	18.6	-40bp	18.2	-230bp
Group Net Income	73.6	-3.6	213.7	-15.5

* = excluding the impact from the special employee bonus paid in Q1 16

Source: Company Data

- **FY16 sales and margin outlook confirmed.** BIC expects sales to grow revenue at mid-single-digit rate (BG ests: +5.3% / CS: +5%). BIC guides for a 100-150bp decline of the normalised IFO margin, adjusted for the impact from the special employee bonus. Prior to today's publication, the CS anticipates the lower end of the range, i.e. -100bp to 18.3% (BG: 18.2%e). Conference call scheduled today at 4pm (CET).

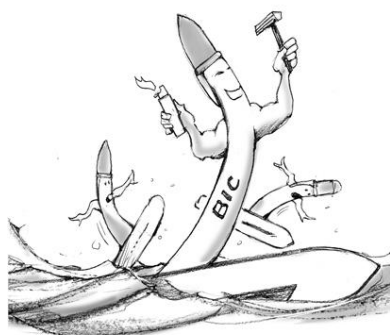
VALUATION

- Our recommendation and FV of EUR123 are still capped by demanding valuation multiples (2017e EV/EBIT of 13.8x), representing a 33% premium to the 2004-16 historical average for a CAGR 2015-18e of 3.1% for the IFO.

NEXT CATALYSTS

- BIC will release its FY16 Results on 15th February 2017.

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