

BIC

Price EUR126.80

Ongoing market share gains in a more fiercely competitive environment

Fair Value EUR124 vs. EUR123 (-2%)

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)	5,717
Avg. 6m daily volume (000)	57.40
3y EPS CAGR	1.5%

Although BIC is on track to reach its sales guidance ("mid single-digit growth"), it is striking to note the persistent outperformance of North America in Consumer Business (+1.8% LFL in 9M) vs. Europe (+7.7% LFL) and even Developing Markets (+7% LFL). Besides an unhelpful US final demand, BIC also reckoned that the competitive environment became harsher, especially in Shavers. We make minor adjustments within our FY16 assumptions leading to our new FV of EUR124 vs. EUR123, but we confirm our Neutral recommendation due to the stretched valuation.

ANALYSIS

- Consumer Business: soft North America.** After a solid year in 2015 (+7.3% LFL), this region has been continuously underperforming Europe and the Developing Markets in all categories. The Group's management has already highlighted the difficult retail environment as well as weak sell-out trends (final demand) which have also impacted other Consumer groups. But at the conference call yesterday, BIC also admitted that it was operating in a more fiercely competitive environment in **Stationery** (LSD growth in 9M) and **Shavers** (stable sales in 9M), justifying the incremental brand support that helped to gain market share.
- What's going on in the US Shavers market?** As of end September, the US shaver market was down 4.6% (vs. -4.3% end-June), o/w -5.8% for the "One piece" shavers (vs. -4.5% end-June). CEO Bruno Bich declared that the competitive pressure was the highest in years as: **(i)** some key retailers push their own private label products, **(ii)** Gillette and Schick-Wilkinson have decreased prices to regain some competitiveness after several years of market share losses and **(iii)** the increasing presence of the online shaving clubs, highlighted by the recent acquisition of Dollar Shave Club by Unilever for an estimated price of USD1bn (2016e EV/sales of ~5x), which are competing with BIC's notorious "value-for-money" positioning. Though, **BIC continued to gain market share** (+1.9pt to 28.6%) thanks to brand support and new product launches. The CFO said that **Q4 growth of the Shavers category should be close to the 9M performance** (+7.1%) after a weak Q3 (+1.4%).
- FY16 sales outlook confirmed...** BIC still expects **mid-single-digit organic sales growth**, which implies ~+5% LFL in Q4 after +4.9% in 9M. According to BIC's management, this growth would be broad-based between the three categories, hence a top line acceleration is expected in **Shavers** (+6%e vs. +1.4% in Q3 and +7.1% in 9M) as well as in **Stationery** (+4%e vs. +2.4% in Q3 and +4.6% in 9M), driven by good back-to-school trends in Latin America and Australia. We expect 5% LFL growth 2016 (vs. 5.3% previously) following the lower-than-expected LFL performance in Q3.
- ... and margin target reiterated.** BIC guides for a 100-150bp decline of the normalised IFO margin, adjusted for the impact from the special employee bonus. This guidance could have appeared cautious in light of the Q3 margin development (-20bp to 18.8% vs. CS of 18%e), but it benefited from a very favourable GM headwind (FX impact) whose positive contribution would be lower in Q4. Moreover, we believe that BIC would continue its brand support and opex investments aimed at strengthening market share (particularly in Stationery and Shavers). We nudge up our NIFO margin forecast (18.4% vs. 18.2% previously => -90bp vs. 2015), which is a touch more optimistic than the FY target.

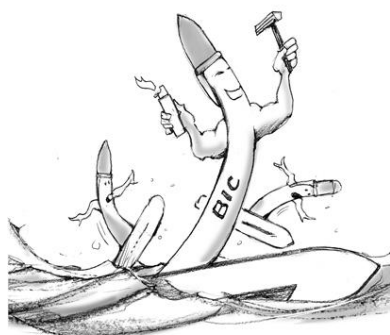
VALUATION

- Our new FV of EUR124 vs. EUR123 reflects our minor adjustments on our FY16 assumptions. At 13.8x 2017e EV/EBIT the stock trades at 33% premium vs. its 2004-16 historical average. We retain a CAGR of 3% for the NIFO over the 2015-18 period and the upside potential appears limited at this stage given the increasing competitive pressure (promotions, higher brand support). Neutral recommendation confirmed.

NEXT CATALYSTS

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

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