

**BIC**

Price EUR120.25

**US shavers market: “traditional” brands are feeling the pressure from online players****Fair Value EUR124 (+3%)****NEUTRAL**

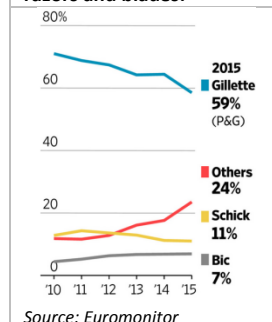
Bloomberg	BB FP
Reuters	BICP.PA
12-month High / Low (EUR)	156.4 / 114.4
Market Cap (EURm)	5,764
Avg. 6m daily volume (000)	56.60

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	-9.8%	-3.0%	-20.7%
Consumer Gds	-6.0%	-7.8%	-5.0%	-8.7%
DJ Stoxx 600	-0.9%	-1.5%	0.8%	-7.4%

	2015	2016e	2017e	2018e
P/E	17.7x	19.9x	18.1x	16.9x
Div yield (%)	4.9%	2.9%	3.1%	3.3%

**ANALYSIS**

- As highlighted in our previous [comment](#), during the Q3 16 results conference call, BIC mentioned that it was facing increasing competitive pressure, particularly from online shaving clubs such as Dollar Shave Club (acquired by Unilever) and Harry's, which are clearly gaining market share. Indeed, in 2015 online sales already accounted for ~10% of the US men's razor market (~USD3bn) and DSC had a ~6% share of this market, Harry's owned ~2%.
- Harry's is also expanding its presence offline: in August, Harry's signed a partnership with Target to put up displays in its approx. 1,800 stores. In just one month, Nielsen data showed that Harry's took a 10% share of Target's cartridge sales and 50% of razor sales, whilst Gillette sales in Target stores declined in September. Overall, the rhs graph shows that Gillette's and Schick's market shares have both tumbled to 59% and 11% respectively, in response to this online competition, Gillette has launched its own online service (Gillette Shave Club).
- What about BIC?** Over the past years, the French brand has increased its positions (7% in 2015) and this trend continued this year (ytd as of September '16: +1.9pt to 28.6% of the one-piece shaver segment) thanks to brand support, new product launches and its notorious “value-for-money” image (see below). However, this favourable momentum might be called into question by the attractive shopping experience offered by these online players (i.e. free delivery, flexible plans to adjust the frequency of automatic reorders, etc.), their aggressive pricing strategy, and new consumer shopping behaviours (buy online vs. offline) threaten the in-store traffic of traditional retailers, which are BIC's customers.

**US market share of men's razors and blades:**

The table below shows that BIC retains a very competitive offering in four to five-blade disposable razor category, matching its value-for-money positioning. It is worth noting that Gillette's disposable razors only have two or three blades, the 4+blade razors are non-disposable (e.g.: Gillette Fusion five-blade razor at USD8.99).

**4- to 5-blade disposable razors vs. Harry's razor at Target.com:**

			
<b>BIC Flex 4 (4 blades)</b> Price: USD5.39	<b>Schick Hydro 5 (5 blades)</b> Price: USD8.19	<b>BIC Flex 5 (5 blades)</b> Price: USD8.49	<b>Harry's (5 blades)</b> Price: USD9.99

Source: Target.com

**VALUATION**

- This fiercer competitive environment explains why BIC has increased brand support for its Shavers business (2016e: ~20% of sales and ~17% of NIFO). Although the Group continues to invest in marketing and innovation, it must anticipate the significant shift in consumer behaviour, from offline to online shopping.
- At 12.1x 2017e EV/EBIT, the stock trades at 17% premium to its 2004-16 historical average.

**NEXT CATALYSTS**

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

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