

1st December 2016

Luxury & Consumer Goods

Groupe SEB

Price EUR129.85

WMF acquisition now finalised: Herzlich Willkommen bei Groupe SEB!

Fair Value EUR140 (+8%)

BUY

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	134.1 / 81.9
Market Cap (EURm)	6,514
Avg. 6m daily volume (000)	54.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.8%	9.1%	17.8%	37.3%
Consumer Gds	-2.8%	-5.6%	-5.0%	-6.6%
DJ Stoxx 600	0.0%	-0.7%	-2.5%	-6.8%

	2015	2016e	2017e	2018e
P/E	31.3x	24.3x	18.1x	15.9x
Div yield (%)	1.2%	1.3%	1.4%	1.6%

ANALYSIS

- Following the unconditional clearance delivered by the European Commission last week (22 November), Groupe SEB yesterday finalised the acquisition of German group WMF that was announced on 24th May.
- The total amount spent for this operation is EUR1,585m (o/w EUR125m in pension liabilities) but there is also an additional payment of EUR70m to KKR in compensation for Groupe SEB retaining WMF's results from 1st January 2016. The Group specifies that its 2016 pro forma sales will be approximately EUR6bn (vs. ~EUR5bn stand-alone), implying a fairly stable sales performance (on a reported basis) from WMF this year after sales of EUR1,061m in 2015.
- This operation is 100% financed by debt. The French Group had already obtained a EUR1.3bn bridge loan and its refinancing is at an advanced stage. In May, management confirmed that the cost of financing was below 2%, hence, very limited financing risks in our view.
- As a reminder, Groupe SEB sees significant potential for synergies, particularly in costs (sourcing, improve manufacturing best practices in cookware, distribution) but also in sales (cross-selling opportunities in Germany and abroad). Though, we feel that the EUR40m synergy plan by 2020 is cautious given the group's proven track record in terms of integration acquisitions, but admittedly, the Group had no access to WMF's P&L prior to the finalisation of the acquisition.

VALUATION

- The successful integration of WMF will clearly be one of the major catalysts for 2017 in order to achieve the significant accretive impact (BG ests: +23% on 2017 EPS).

NEXT CATALYSTS

- Groupe SEB will report its FY17 Sales and Results on 21st February 2017.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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