Q3 & 9 Months 2018 Results

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Operator: Ladies and gentlemen, welcome to the third quarter 2018 Results of BIC Conference Call. I now hand over to Mrs Sophie Palliez. Madame, please go ahead.

Welcome

Sophie Palliez

External and Investor Relations Director, BIC

Sophie Palliez: Thank you. So good morning and good afternoon for those in Europe. Welcome to Q3 Nine Months BIC Results Presentation. This call will be hosted by Gonzalve Bich, Chief Executive Officer, and Jim DiPietro, Chief Financial Officer. We will have a formal presentation and then go through the usual Q&A session. Let me hand over to Gonzalve.

Q3 & 9M Highlights and Category Spotlights

Gonzalve Bich

Chief Executive Officer, BIC

Thank you, Sophie. Good morning and good afternoon everyone. I'll begin with a summary of our third quarter and nine months 2018 results; then I'll hand it over to Jim to take you through our consolidated results and financial performance. Finally, I'll conclude by going through our Q4 trends and full year outlook.

9 Months 2018 Key Messages

First and foremost, in line with our expectations, we delivered solid results in the third quarter across our three categories. As we see encouraging signs from impactful actions and start to get our teams aligned.

From a macro perspective, our businesses remain exposed to numerous headwinds, including raw material price increases, transportation strikes in both Brazil and India, import issue in the Middle East and Africa, not to mention this week's upcoming Brazilian elections.

In this context, third quarter Stationery net sales grew by 6.8% with outstanding performance in ecommerce, both in the United States and Europe. Back to School sell out was good. We gained share in the UK, the US and Mexico and delivered an excellent performance in France for the 15th consecutive year. Lighters third quarter net sales increased 5.8% driven by expanded distribution in Mexico and the positive impact of the April price increase in the United States. Our Shaver business grew 4.1% in the third quarter despite overall market softness, as we saw positive impact from new product launches in Europe. In line with our full year objectives, we continue to invest in our operations.

Dealing with a Changing Trading Environment

Before walking you through our results in more detail, let me share a few things on my mind. As I'd mentioned, our trading environment is changing quickly, impacting us across our business. First, our historical mass production model is being challenged by rising input costs, including raw materials. If we want to continue to deliver the highest quality at the lowest unit cost, we must enhance our industrial processes, including purchasing, production and supply chain. Next, we have to find a way to become the disruptor we were in 1950 when we launched the Bic Crystal, in 1973 when we launched our first pocket Lighter and in 1975 when we invented the one-piece Shaver. Third, with ecommerce expanding at a relentless pace, a revolution is underway in our distribution channels. Online players continue to grow quickly and our historical customers are also having to reinvent their business models. We will therefore adapt our route to market to become a genuine Omni channel specialist. Lastly, consumers are more diverse and sophisticated. The decision journey of today's consumer is complex. Their relationships with brands differs from that of previous generations, and it is something we must address proactively to maintain our leading consumer brand. This is not only about marketing channels, this is about the essence of our brand.

Addressing these Challenges

To address these challenges and adapt to this new normal, we have to be more integrated, more innovative, more consumer-centric and above all, more agile. This is a short-term prerequisite to continue to deliver long-term growth, sustained profitability and healthy cash generation. Decisions have to be made now, not tomorrow, and we have begun to execute.

Acquisition of Kenyan partner

At the end of August, we announced the acquisition of our historical Kenyan partner, inclusive of the manufacturing facility and distribution assets, therefore strengthening our footprint in Africa for a more efficient route to market.

Infringement complaint

Last week, we filed an infringement complaint with a European commission for a lack of surveillance of Lighter safety compliance in both France and Germany. Although repeatedly notified by BIC over the last ten years, these countries have failed to take the appropriate actions that would prevent the marketing of non-compliant Lighters to consumers. While this issue has been resolved in many countries around the world, the lack of effective market surveillance in Europe poses a real threat to consumer safety.

Operational efficiency

We've also started to enhance our operational efficiency. In January, we reorganised our operations in Asia to better address our challenges and opportunities in this region. In July, we implemented several affective changes in our US Lighter facility, and in early 2019 we'll inaugurate our new Stationery facility in Gujarat in India.

To support these decisions, we're making important new hires and appointments in critical positions and we're actively strengthening our ecommerce capabilities. For the balance of the year, we remain committed to our full year outlook as we continue to invest in growth opportunities and drive operational effectiveness.

Q3 and 9M Financial Performance

A few comments now on our third quarter and nine months financial performance. Nine months net sales were up 0.3% on a comparative basis, reaching €1,436.8 million. Normalised IFO margin was 18.4%, down 1.1 points versus prior year, while normalised EPS group share decreased 3.4% to €4.3. In the third quarter, net sales were up 5.2% on a comparative basis, while normalised IFO margin was 16.1%, down 1.5 points versus prior year. Our net cash position at the end of September was €144.8 million. Later, Jim will take us through our consolidated figures in more detail.

Category Spotlights

Stationery

We'll now take a closer look at our three categories. Beginning with Stationery, our nine month net sales increased 2% and our third quarter net sales increased 6.8 on a comparative basis. Despite a soft market in Europe, nine months net sales were up low single digits, with a strong Back to School sell up. In France, for the 15th consecutive year, BIC gained share thanks to the launch, the successful launch of BIC Gelocity Illusion pen. In the UK, the continued success of the Bic Four Colour enabled us to gain significant share. Stationery performance in Southern Europe was also a highlight because we expanded distribution and delivered strongly during back to school, notably in Spain.

In North America, nine months net sales increased low single digit. Ecommerce performance was a high point where sales grew 39% versus the same period last year. Growth was propelled by a good Back to School season along with ongoing success of the BIC Gelocity Quick Dry pen.

In Latin America, our nine months net sales increased mid-single digits boosted by solid performance in Mexico. Our Ball Pen and Colouring segments helped us outperform a highly competitive Mexican market during the Back-to-School season.

In India, Cello's nine months domestic sales grew low single digits on a comparative basis. Cello's portfolio streamlining strategy was offset by new product launches in the third quarter, such as the Cello One pen. Our market share increased in the gel segment, consistent with our strategy to focus on our added-value products. Stationery's nine month normalised IFO margin was driven by cost efficiency and lower brand support, which offset increasing raw material costs.

Lighters

Now let's shift to Lighters, where nine months net sales were flat, while the third quarter's net sales were up 5.8% both on a comparative basis. In Europe, distribution gains in Eastern Europe, particularly in Russian and Ukraine drove a low single-digit increase in nine months net debt. In Western Europe, performance continued to be impacted by the adjustment in route to market, notably with some distributors in France.

North America nine months net sales increased slightly. In the third quarter, especially, we benefitted from impacts to the price increase. BIC outperformed a declining non-refillable pocket Lighter market in the US, down 0.3% in value year to date ending in September. Gaining 0.3 points thanks to additional distribution gains.

In Latin America, nine months net sales decreased low single digits. In Brazil, our performance continued to be negatively impacted by the transportation strike in May in addition to the inventory adjustments by customers. However, in the third quarter, our efforts drove low single-digit growth in Brazil, thanks to strong consumer demand in our products. Mexico performance was solid, fuelled by ongoing distribution gains, particularly in the third quarter in convenience stores.

Lighters nine months normalised IFO margin reflected unfavourable fixed cost absorption as well as an increase in raw materials and brand support.

Shavers

Lastly, in Shavers, nine months net sales decreased 0.9%, while our third quarter net sales increased 4.1%, both on a comparative basis. In Europe, our nine month net sales increased low single digit, mainly driven by growth in Eastern Europe. In Russia, specifically BIC outperformed the one-piece market, thanks to ongoing distribution gains and continued momentum for the BIC Flex 3 Hybrid. Also, in Russia we launched our new product, the BIC Flex 5 Hybrid during the third quarter. In Western and Southern Europe, the one-piece market continued to decline by 2.6% in value year to date September. That said, in France, BIC regained market share thanks to female disposable growth driven by Miss Soleil, which performed particularly well during the summer season. In the UK, BIC also regained market share thanks to both male and female product lines.

North America, nine month net sales were relatively flat as the US one-piece market declined 4% in value year to date September, with continued competitive pressure on price and promotion. As a result, BIC was down 0.8 points due to having fewer promotional displays. Our third quarter net sales increased thanks to effective changes in brand support strategy and the continued success of our new products, BIC Soleil Balance, BIC Flex 3 Hybrid and BIC Soleil Bella Click.

In Latin America, nine months net sales were stable. In Brazil, BIC outperformed the declining one-piece market, gaining 2.4 points in value on a year-to-date August basis to reach 21.2% market share in value. This was driven by distribution expansion and product mix, with trade up to two and three blades both on male, with BIC Comfort 3 and BIC Flex 3, and on female with BIC Soleil franchise. In Mexico, the one-piece market grew 5.8% in value, also on a year-to-date August basis and BIC continued to outperform the market, gaining 0.3 points in value.

Shavers nine months normalised IFO margin was impacted by a lower sales performance and an increase in cost to production, partially offset by lower brand support versus last year.

I'll now turn it over to Jim to take you through our consolidated results.

Consolidated Results

Jim DiPietro

Chief Financial Officer, BIC

Net Sales Evolution

Thank you Gonzalve. I will begin by reviewing the net sales evolution for both the third quarter and the nine months for 2018. Regarding the third quarter, on an as-reported basis, third quarter net sales were up 1.2% versus last year. On a comparative basis, our net sales were up 5.2%. There was an unfavourable impact of currency fluctuations of 3.9%, mainly due to the changes with the Brazilian real. For the nine months, net sales totalled €1,436.8 million, down 6.9% as reported and up 0.3% on a comparative basis. There was an unfavourable impact of currency fluctuations of 6.3%, which was mainly due to the US dollar and the Brazilian real.

From Net Sales to IFO

On slide 8, we see the summarised results for nine months 2018 compared to last year. Gross profit margin was 52.3% compared to 51.9% in 2017. And the nine month normalised IFO margin was €265 million compared to €301.4 million in 9M2017, with the normalised margin this year at 18.4% compared to last year at 19.5%.

In reviewing the key components of the change of normalised IFO margin versus last year for both the third quarter and nine months, starting with the third quarter, you see cost of production was unfavourable by 0.7 points versus last year. As we experienced in the first half, our third quarter cost of production was negatively impacted by raw material costs, absorption and appreciation. As expected, unlike the first half, the third quarter was not fully offset by favourable variances.

Brand support was lower by 0.8 points in the third quarter. Our brand support investments were lower due to timing of advertising and brand support campaigns, which will be occurring in the fourth quarter of this year. Operating expenses were higher by 1.6 points versus the third quarter of 2017.

Looking at the nine months of 2018, we see cost of reduction was favourable 0.4 points versus a year ago. This favourable cost of production was despite an increase of raw materials and depreciation. The negative impacts of raw materials, absorption and depreciation became more significant in the third quarter, which had a less favourable offset. Total brand support investments were slightly lower by 0.1 points. We also continued to increase operating expenses as expected, with an increase of 1.6 points versus nine months of 2017.

To conclude, as we expected in the third quarter, cost of production was no longer offset by favourable impacts from manufacturing variances and other costs. We would expect this trend to continue in the fourth quarter of this year.

From NIFO to Group Net Income

Slide 10 shows a normalised IFO margin to net income for nine months 2018. Income before tax was €204.3 million compared to €275.9 million last year. Net finance revenue was €8 million in nine months 2018. The nine month 2018 amount was positively impacted in the second quarter by the fair value adjustments of financial assets denominated in US dollar when compared to December 2017.

Nine month 2018 net income group share was €127.6 million, a 31.5% drop as reported and was €196.3 million, increasing 5.4% before the Cello goodwill impairment. The effective tax rate was 37.5% and 28.1%, excluding the impact of the Cello goodwill. EPS group share was €2.79 compared to €3.99 last year, down 30.1%. Normalised EPS group share decreased 3.4% to €4.30 compared to €4.45 in nine months of 2017.

Working Capital

Slide 11, we look at working capital. When comparing September 2018 versus last year, we see the following changes in the main elements of working capital. Inventories increased to €460.4 million. Trade and other receivables increased to €498.1 million. The trade and other payables were €123.8 million. On a year-to-year comparison, total inventories were up €15 million. This was driven primarily by the Stationery category, with €209.5 million in the inventory at the end of September.

Net Cash Position

The net cash position, we can see the evolution from September versus December 2017. Net cash from operating activities was €237.5 million with €284.1 million in operating cash flow. The negative €46.6 million is the change in working capital and other, versus the main driven by accounts receivable and inventory increases compared to December of 2017. Net cash was also impacted by investments in CAPEX, as we invested €82.6 million in the nine months of this year. The dividend payment was €157.8 million and we bought back €54 million of shares for the first nine months of this year. Our net cash position at the end of September was €144.8 million.

This ends the review of our third quarter and nine month consolidated results and I give the floor back to Gonzalve.

Looking Ahead

Gonzalve Bich

Chief Financial Officer, BIC

2018 Objectives

Thank you, Jim. As mentioned in my introduction and based on our current trading environment assumptions, our 2018 outlook remains unchanged. Looking at our forecast for the fourth quarter, we expect net sales to continue to recover across our three categories.

In Stationery, we expect continued growth in ecommerce in both Europe and in the US, supported by strong holiday season. In India, the launch of the new Cello One pen should continue to drive volume increases in the sub-10 rupee segment.

Lighter growth in the fourth quarter will be driven by developing markets, notably Latin America, with continued distribution gains in convenience stores in Mexico. We also expect a good performance in Eastern Europe as we expand distribution.

Turning to Shavers. In Europe, we should benefit from positive impact of recent product launches, such as BIC Flex 5 Hybrid in Russia and in the Nordics, as well as BIC Flex 5 in Italy and Iberia. We will also continue to expand distribution in Russia. In the US, performance will be driven from pipe fill of 2019 new product launches, such as BIC Flex 2 Hybrid and Soleil Click 5. Finally, in Latin America, we should continue to see growth in both Mexico and Brazil thanks to targeted promotion and increasing volumes.

Looking at our margin profile going forward, as Jim already mentioned, our gross profit and margins will continue to be impacted by higher raw material costs and depreciation. Moving forward, our teams continued to engage effectively with customers and consumers to deliver our short-term goals in line with our long-term vision.

This ends our third quarter 2018 results review. With that, we'd be happy to take your questions.

Sophie Palliez: Any questions?

Operator: Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. We have a first question coming from Nicolas Langlet. Sir, please go ahead.

Nicolas Langlet (Exane BNP Paribas): Hello. Good afternoon, everyone. I've got four questions, please. The first one on Lighters. Of the 5.8% like-for-like in Q3, can you give us the split between the volume and price mix? And just on price, have you planned any price increase already for next year that's not happened[?] in the US?

The second question, still on Lighter, looking at the margin in Q3, how it comes that the margin has deteriorated so much in Q3 versus H1, despite improving sales trend and the full benefit of the price increase? And how should we look at the margin in Q4 for the Lighter division?

Third question, on the brand support, so you have this 80 basis point benefit in Q3. And so first, which division benefited from this reduction? And secondly you mentioned the timing impact, does it mean that the 80 basis point benefit will fully reverse in Q4?

And last question on the CAPEX, your guidance until now was €150 million for the full year, you were at €83 million for the nine months. Is the €150 million still valid for the full year? Thank you.

Jim DiPietro: So Nicolas, on Lighter volumes, we'll give out in February. So we'll look at the full volumes at the end of that year. To your point, the price increase of earlier first/second quarter this year, obviously it has had an impact on the sales growth as well as the margin for the nine months for 2018. 2019 price increase, obviously it is a bit early to get into 2019 discussions but again, we'll address that as we move into 2019.

Regarding the margin for Lighter. Third quarter, as you say, we're down five points versus a year ago. Margin gross profit is roughly half of that decrease and what we've seen in the third quarter is again a continuation of raw material, depreciation and especially absorption. What we've seen is obviously with the impact of sales throughout the year, the production volumes have come down in the factories, leading to the absorption, and a greater impact of that has impacted the P&L in the third quarter. So again, half of what you see are normalised IFO levels coming out of GP, the other half is coming out of operating expenses, which is consistent with what we see at the Group level since a lot of that has been impacting all three categories. So the impacted OPEX that we've talked about at a Group level is consistent across the categories.

And then lastly, brand support. While at the Group level we're favourable with lower[?] investments in the third quarter, Lighter had an increase of investments in the third quarter. So again, against the total margin change, half of it is GP from raw materials, absorption and depreciation. And the other half is coming out of OPEX and brand support.

Regarding the fourth quarter for Lighter, we would see, again, a continuation on materials absorption and depreciation, and then also the OPEX. Now again, those points are consistent across the Group as well. So again, for Lighter, you would see the same dynamic or a similar dynamic in the fourth quarter as we have seen in the third quarter. Brand support at the Group level, as we've seen, we're favourable in the third quarter. And as we said during the presentation, we would expect a lot of that to be shifting fourth quarter based on the timing of the advertising and brand support campaigns. So right now, what we've experienced as a lower investment of brand support in the third quarter is forecasted to be invested in the fourth quarter.

And then lastly, CAPEX, again, we've invested a little over €80 million for nine months. The guidance for the year was €150 million. If you look at last year's run rate, which was the mid-50s, 53, if it's somewhere between last year's and the forecaster rate, we should end up between low €140s million and €150 million, depending on what the final plans are for this year.

Nicolas Langlet: Okay. Okay. And what CAPEX investment you are making in 2018.

Jim DiPietro: In 2018?

Nicolas Langlet: Yes.

Jim DiPietro: 2018 was the continuation of some of the investments we had mentioned and discussed over the last couple of years and coming into the year capacity. Still some expansion and the continuation of the new facility in India, and also some of the expansion in new products related when we talk about Shaver and other categories. So nothing new from what we've been discussing from the investment of CAPEX over the last three years.

Nicolas Langlet: Okay. And if I could just have one on the price increase on Lighter. So this year you had the price increase in the US, and did you pass any price increase in Latin America?

Gonzalve Bich: Nicolas, good afternoon. It's Gonzalve. As we talked about on a number of occasions, we take price where and when possible. I think we all follow the Latin American economic situation closely enough to know there's been some ups and some downs, and it remains a highly competitive market. And I think the teams are doing a good job of managing price when they possibly can.

Nicolas Langlet: Okay. So you passed price increase in Latin America?

Gonzalve Bich: Like I said, we manage it on an ongoing basis, country by country, market by market, channel by channel. I'm not going to go into the specifics.

Nicolas Langlet: Okay. Thank you.

Operator: Next question comes from Marie-Line Fort. Madame, please go ahead.

Marie-Line Fort (Société Générale): Good afternoon. I've got a question for Stationery division. Could you tell us what is the part[?] of new products in your sales? And also for all of the divisions of the Group, if there is any phasing effects that we should be aware for Q4, particularly for Stationery but also for other division. Thank you.

Jim DiPietro: Could you repeat your second question, I'm sorry.

Marie-Line Fort: Hello.

Speaker: Marie-Line.

Sophie Palliez: Marie-Line, we didn't understood very well your second question.

Marie-Line Fort: Just would like to know if there's some phasing effects in Q4 that we should be aware, like some delivery impact that we could have faced on the previous year on Q4.

Gonzalve Bich: So thank you for your questions. From new product perspective, 4% on the nine months. With regards to phasing, I think there's puts and takes all the time across quarter dates but there's nothing that we want to call out for you, and there's nothing that's on Jim or our mind. The team remains focussed on making sure that a) Back to School was strong and like I said, we gained market share in some very important markets as we continued to deliver.

And the Gel product segment is a good factor for us. It's something that I'm quite excited about. But we don't see any major phasing swing.

Marie-Line Fort: Okay.

Operator: Next question comes from Guillaume Delmas. Sir, please go ahead.

Guillaume Delmas (BoFA Merill Lynch): Good afternoon gentlemen. Couple of questions for me, please. The first one on Latin America because we saw a substantial acceleration in Q3. Just wondering what is sustainable and what was helped by one-offs in the quarter. Mexico distribution gains, should we continue to see some nice contributions from this? Similarly for Brazil, to what extent the truck driver strike in Q2 had a reversal effect in the third quarter. And also Argentina, whether you got some nice help from pricing in that country.

And then my second question. I was very interested in the comments you made, Gonzalve, about a sense of urgency that you described in adapting the company to make it more integrated and agile. So my question on this would be, are you happy with the current pace of changes, or are your comments actually signalling more drastic changes ahead and maybe a need to accelerate this transformational agenda? Thank you.

Gonzalve Bich: Thank you for your questions, Guillaume. So Latin America, the team has done a really good job and thank you for highlighting the high points of my comments on the different aspects of that. I'm going to take them in reverse order. In Argentina, we are taking price increases where and when possible, and where and when adapted to consumer consumption patterns. Argentina has been and remains a volatile situation, but our teams in place that have been there for years have managed that and will look into 2019. Brazil, the teams remain focussed on making sure that customers across the country have as much inventory as they need to be never out of stock, and to satisfy consumers at the key times, like the upcoming Back to School in the first quarter of 2019. In Mexico, the team has done an excellent job over the last few years, especially this year, but in the last years, gaining distribution in all three categories, specifically as noted in Lighter. But they've done a really good job building our distribution over the last year who has been there for decades.

To your second question, I would say to you that on my mind, there's two things. You talk about pace, I also talk about endurance. It's not a sprint, it's a marathon. And as we build, the agility, the scalability, the process that you were referring to, the teams take their time, build plans and execute against them.

Guillaume Delmas: Thank you.

Operator: Next question comes from Marion Boucheron. Madame, please go –

Marion Boucheron (Raymond James): Hi, good morning – good afternoon everyone. Three questions from me, please. One, Shavers, so in the US, I wonder if you could just give us more flavour on the differences you had between sell-in and sell-out in Q3, because if we read the charts we would see an accelerated drop in terms of market share, and on the other end you point to a positive impact on sell-in thanks to brand support. So maybe more colour on this.

And then I just wanted to dig in further to brand support phasing and what we should look for in Q4. You plan to step it up and so in – although in full year, we should have a negative impact of margin on the brand support or that wouldn't be the case.

Jim DiPietro: Yes, let me address the brand support question for the fourth quarter. As I mentioned earlier to Nicolas' question, what we had seen in the third quarter was lower investments and a lot of that is related to the phasing on the calendars and the campaign of advertising and brand support activity. And that right now is forecasted to occur in the fourth quarter. So that should be pretty much what we ended up investing less in the third quarter would be and it is expected to then be invested in the fourth quarter.

Marion Boucheron: Okay.

Gonzalve Bich: With regards to your question about market share, the brand support continues to support our on-shelf presence. As I said in the past, it's all about BIC seen, BIC sold and we need to make sure that the pegs are full of BIC products all year but also at the key times, and yeah.

Operator: Next question comes from Scotti, Charles Louis. Sir, please go ahead.

Charles Louis Scotti (Kepler Cheuvreux): Yes, hello, good afternoon. Three questions, please. The first one, has your Q3 performance been driven by some restocking effect from retailers after two relatively weak quarters? The second question is on raw materials. Can you remind us what are the key raw materials you rely on, and how these raw materials are behaving in Q3, and should we expect raw material headwinds to persist in 2019? And the last question is on the working capital swing. Can you give us a little bit more colour on that? What explains this negative plus[?] €250 million working capital impact at the end of September. Thank you.

Gonzalve Bich: Good afternoon. Thank you for your question. On the first one, as we said during our H1 result, we had negative effect from transportation strikes and different geographies with inventory adjustments from customers. So I can't tell you that there was a restocking but like I said, our teams remain focussed to ensure all customers and all geographies have the adequate levels of inventory to serve both the business and consumer demand.

Jim DiPietro: So on the raw material question, if you look at the products, it is really two main types, be it plastic or metals or be it different plastics and different metals for these three categories. The increase of raw materials is again very much in the forecast we had from the beginning of the year, in the guidance we have given earlier in February in 2018. So it was something that was seen, forecasted and is materialising. And I think we're seeing it not just with us but in different markets and different industries as well. So we really anticipate this not only being 2018 but we would see this continuing as we move into 2019.

Some of that increase in materials actually, I think, answers or partially answers the next question on working capital because as those costs increased, then obviously the cost of the inventory is going to be a bit higher. So we see the higher impact of inventory based on the cost of production. We also see, as we went through in the presentation, at the end of September Stationery being a bit higher as the production in the factories increased as we get ready for the end of this year but also the beginning of next year, Back to School in different regions. So at the end, the Stationery increase of production in the third quarter, coupled with the costs of inventory, has led to the increase of inventory at the end of September versus a year ago, which is probably a more fair comparison September to September.

Charles Louis Scotti: Okay. Okay, thank you very much.

Operator: Next question comes from Christophe Chaput. Sir, please go ahead.

Christophe Chaput (Oddo): Yes. Good afternoon. Two questions for me. The first one is on the Shaver market in Europe. So it seems that since May the market has deteriorated because it was -1.1% at the end of May and now at the end of September it was -2.6%. So what are the reason why the markets drop? Is it price or volume? And do you see a shift in the competitive landscape or is it more aggressive? Can you help us to understand that?

And the last question is concerning your guidance, if I may. The spread is quite wide between 1% and 3%. So what is the uncertainties for you regarding Q4 to narrow, let's say, the guidance for the full year? Thank you.

Gonzalve Bich: Christophe, thank you for your questions. So Shaver in Europe. In France, we had -3.1% – well, the market declined 3.1% in value and 6.5% in volume on year-to-date September basis. BIC grew 0.1 points in value and 0.8 points in volume. But that's on an aggregate European level. Our performance – if I take a step back in France, we're regaining market share in the disposable market thanks to female disposable growth driven by BIC Miss Soleil that performed particularly well in the summer. So from June to September, like I said. In the UK, we're regaining market share on the disposable market thanks to the different ranges of products, both in male and in female, and relisting at some important customers.

Eastern Europe, Russia and Ukraine, I've talked about them this quarter and some quarters back, continues to do an excellent job on distribution and we're outperforming the wet shave one-piece market, gaining 0.9 points in value on a year-to-date August basis, thanks to distribution gains and continued momentum from our BIC Flex 3 range.

We've also had positive impacts from launches of BIC Flex 5 in Italy and Spain, and BIC Flex 5 hybrid in the Nordics. So all those together is a bit of a negative story from a market perspective but a positive story for BIC gaining share, growth of distribution and solid launch of new products.

Christophe Chaput: Okay, but there is no promotion, let's say, in the sector from your peers, let's say.

Gonzalve Bich: There's no promotion or promotions?

Christophe Chaput: Promotions, sale, discount.

Gonzalve Bich: I think there's – I mean, Shaver in general at a global level is a highly competitive environment and there's promotions at different trade channels and different countries with different customers all the time. Of course, during the key summer season, you can imagine, it's a very competitive market place but BIC performs well and drove sales and share gain.

Christophe Chaput: Okay.

Gonzalve Bich: On your question for the guidance, like I said a number of times in my opening and conclusion, we remain committed to our full year outlook as communicated.

Christophe Chaput: Okay.

Operator: Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad.

Sophie Palliez: Okay.

Operator: We have no more questions.

Sophie Palliez: Okay, so if there is no more questions, time to thank you. As always, the investor relations team, remains at your disposal for any follow-up questions. Short reminder, our full year results will be released on 13th February next year. Thank you.

Jim DiPietro: Thank you.

Gonzalve Bich: Thank you.

Operator: Ladies and gentlemen, this concludes the conference call. Thank you all for your participation, you may now disconnect.

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