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PRESENTATION

Operator

Hello and welcome to BIC Q3 and 9 Months 2020 results. My name is Val, and I will be your coordinator for today's event. Please note, this conference is being recorded. (Operator Instructions)

I will now hand you over to your host, Sophie Palliez, to begin today's conference. Thank you.

Sophie Palliez-Capian - *Société BIC SA - VP of Corporate Stakeholder Engagement*

Thank you. Good morning, and good afternoon, everyone, and thanks for joining. Our agenda for today, as usual, will be the following: Gonzalve Bich, BIC's Chief Executive Officer, will give an overview of our operational performance during the first 9 months of the year; and then our Chief Financial Officer, Chad Spooner, will take you through our consolidated results in more details. Gonzalve will conclude and open for the Q&A session. Gonzalve, I'll leave you the floor.

Gonzalve Bich - *Société BIC SA - CEO & Director*

Thank you, Sophie. Good day, everyone, and thank you for joining us. We hope you and your loved ones are staying healthy and safe during these challenging times.

Before I start our business review, I wanted to note how grateful I am for the resilience and grit our teams have demonstrated in what continues to be a challenging and volatile environment.

We remained focused on those elements that we can control. Most importantly, the well-being of our team members, business continuity, including, keeping production running in our factories, providing the best possible service to our customers, gaining market share and ensuring solid return on our investments. A huge thank you to the BIC team for their laser focus on these elements and the agility and commitment demonstrated through this unprecedented time.

Now on to our business review. While we're facing significant headwinds right now, I'm encouraged by our third quarter results. We are weathering current conditions and seeing progress in areas where we have put substantial focus. First, we regained momentum in Europe and North America, primarily fueled by our Lighter business. In Europe, we saw robust growth, notably in Russia, Germany and France as in-store traffic picked up during the summer.

More importantly, our Lighter net sales grew double digits in the U.S., boosted by replenishment orders from convenience stores and a target mid-single digit price adjustment. We also continued to outpace the Utility Lighter market in the U.S., gaining 3.8 points value share, putting us at nearly 60% of total value market share for this year.

This strong performance is a result of our determination to leverage consumer loyalty and love for the BIC brand. We have seen resilience in Shavers as well. In the U.S., we are seeing consistent share gains this year, and in Brazil, we are hitting new record market share highs. Stationery was more difficult with mixed results for the Back-to-School season across our geographies, driven by the uncertainty around the timing of the start of the school year and prevalence of hybrid and remote learning models. Bright spots were in the U.K., where we moved up to the #1 position in Stationery; and in France and Spain, where we maintained our lead as the top stationery brand in these markets. This success was the result of great visibility in stores, driven by efficient merchandising and displays. In contrast to the U.S. market, where merchandising was more limited due to COVID constraints in store. E-commerce, we're happy with our results. We have achieved 15% growth in Net Sales year-to-date, driven by pure players, marketplaces and direct-to-consumer channels for Lighters and Shavers. We continue to accelerate. This is a 6% improvement in our growth trajectory versus last quarter. So overall, I'm pleased with our ability to outperform our markets by gaining or maintaining share across all categories.

This is good progress, but I recognize that we have a lot more to do. We operate in many challenging markets like India, Mexico and other markets where the pandemic is still in full force and factors like mobility restrictions, lockdown periods and high unemployment sharply affect the economy and buying power of their citizens.

And on our Stationery category has seen dramatic shifts in consumer habits, which has driven down demand. These are steep hills to climb, but I am confident that our new operating model will enable us to work in a way that helps offset these challenges.

I'd like to walk you through a few elements of our operating model that will help us to build on our momentum. The first is consumer centricity. From product development to packaging and promotion, we're increasing our focus on what the consumer wants through deeper investments in innovation, research and insights.

A good example of this is our EZ Reach Utility Lighter, which was launched in the U.S. in June. Keeping the consumer in mind, we created the ultimate lighter for all lighting occasions to solve the biggest complaint we heard in the category about noncompliant lighters, burnt fingertips. Our EZ-Reach lighter combines a new optimal wand length of a multipurpose lighter with the convenient size of a pocket lighter, making hard to reach places, a thing of the past.

The second element is increased efficiency. Throughout our organization, we continue to find ways to be more efficient in the way we work and operate.

In the third quarter, some meaningful examples were our shift to an indirect model in selected Latin American countries, which will help us be more effective from a selling perspective, more cost-efficient and increase overall, our return on investment in the region.

Another example is the Djeep integration, which is happening with great speed and will allow us to capitalize on synergies quickly.

Lastly, there is discipline. What I mean when I say discipline in this context is our focus on operating cash flow. We're taking a very disciplined approach to cash conversion. We improved working capital by EUR 71 million at the end of September, and through rigorous management of our operating expenses, we're on track to deliver the actions we announced back in May.

To wrap up, before I move on to our operational trends, our transformation is gaining momentum. We are becoming more agile and innovative. We are persisting despite the impacts of the pandemic, gaining or maintaining market share across our categories.

As we look ahead, we will rely on our core strengths, our brand, manufacturing efficiency and commercial excellence and solid financial position, and invest in areas of growth in our existing categories and in adjacent markets.

We look forward to sharing much more detail on how we'll do this at our upcoming Capital Markets Day on November 10.

Let me now comment in more detail our operating results for the third quarter and 9 months of 2020. 9 months 2020 net sales were down 13.2% on a comparative basis at EUR 1.2178 billion. 9 months normalized income from operations margin was 14.5%, while normalized EPS group share was EUR 2.92, down 25.7%.

Our third quarter net sales decreased 3.5% on a comparative basis, reaching EUR 441.9 million. Normalized income from operations margin was strong at 18.9%, driven by the solid performance in Lighters and OpEx reductions, in line with our cost reduction programs.

At the end of September, we generated EUR 231.3 million of net cash from operating activities, and our net cash position stood at EUR 128.1 million.

Last quarter, we discussed our approach of focusing on what we can control, which concentrated on gaining and/or maintaining market share. I'm proud to say that BIC has increased or maintained market share year-on-year in 8 out of 10 of our businesses, spanning across all categories and multiple regions.

Now let's take a closer look at our operational performance, beginning with Stationery.

Stationery continued to be negatively impacted by the COVID-19 pandemic. As I mentioned earlier, consumer habits fundamentally changed due to lockdown measures, where an increasing number of people worked from home and parents spent time with their children at home playing and learning.

We expect these new consumer habits to persist, and this will lead to long-term structural changes in the way they shop our products and the category broadly. Our customers were also significantly affected, especially superstores and office suppliers in Europe and North America. In Latin America, India and Africa, which accounted for 64% of our Stationery category year-to-date net sales decline, the traditional trade remained highly exposed to lockdowns and supply chain disruptions.

In Europe, the overall Stationery market was down mid-single-digit in value for the Back-to-School season, despite the majority of countries resuming their school year on schedule in early September.

BIC was able to outperform the market, gaining share in both France and Spain. Our teams did a tremendous job in driving continued success online, as we've doubled our Amazon business in the U.K., Italy and Spain versus last quarter.

As mentioned earlier, I'm also proud to see that BIC has become the #1 manufacturer in the United Kingdom during the Back-to-School season this year, gaining 1.9 points of value market share. Our strong focus on executional excellence is paying off.

Due to delayed school returns in North America, the Back-to-School season shifted to the second half of September. BIC showed strength, gaining share in value in our core segments and maintaining share in e-commerce through solid online performance with pure players. However, our year-to-date and third quarter net sales were impacted by lower post Back-to-School replenishment orders and the decline in the office products channel.

This was slightly offset by the success of our new products such as BodyMark Fine Tip and Kids Coloring. Latin America remained extremely disrupted by the pandemic. Mexico's Stationery market was halved in value during the Back-to-School season as schools returned purely online and are not planning to return to the classroom until March of 2021.

This has dramatically impacted sell-out, prompting retailers to cancel orders. Similarly, in Brazil, key customers are faced with inventory management issues, following nearly 6 months of reduced activity. In India, the overall trading environment remains extremely volatile, as I mentioned earlier.

Cello's 9 months domestic net sales are 1/3 of last year's. Both India's modern and traditional trade channels have been negatively impacted by school and office closures as well as restrictions on selling nonessential products during the period.

Looking now at our performance in Lighters. Net sales recovered in major markets during the third quarter regardless of low in-store traffic and some convenience store closures during lockdown. The recovery was driven by robust commercial execution, ongoing distribution gains in the Modern Mass Market channel and e-commerce growth.

In Europe, strong performance in the third quarter was driven by new listings in Germany and Russia in the Modern Mass Market channels as net sales increased by over 20% in both countries.

In France, we also grew during the quarter with the end of the total lockdown period. In North America, Lighter net sales grew double-digit versus last year in the third quarter, driven by replenishment orders from both the measured and unmeasured channels and complemented by the June price adjustment.

Our new EZ-Reach lighter is already performing very well, gaining 0.5 point of total value market share since its launch, just 7 weeks ago.

In the last 3 months, The U.S. Pocket Lighter market has seen a positive trend in both the Modern Mass Market and convenience channels, driven by the return of in-store traffic during the summer and increased traditional cigarette sales due to e-cigarette restrictions.

Additionally, stay-at-home orders during the pandemic drove increases in lighting occasions like barbecues, candles and all sorts of outdoor occasions, which were a way for consumers to come together during these difficult times, resulting in increases in lighter household consumption.

In this context, BIC outperformed the market in both volume and value, gaining 1.4 points and 0.9 points, respectively. The Utility Lighter market continued to see growth as at-home cooking and grilling continues to be the trend, growing 27.4% year-to-date September in value and 31.1% during the third quarter.

The U.S. Utility Lighter gained 3.8 points in value market share year-to-date. At BIC, safety remains a top priority to ensure the well-being of all our consumers. This is why I'm pleased to note that as of July of this year, in the U.S., competitive lighter imports, which have not gone through BIC's rigorous safety checks, are down close to 30% due to our legal wins and lobbying efforts to stop the importation of imitation unsafe lighters.

In Latin America, Brazil drove the third quarter's growth, following a good recovery trend in sellout and the price adjustment executed across all channels. This was partially offset by Mexico's lockdown still negatively affecting the convenience channel and replenishment orders at traditional trade customers.

Moving to our Shaver category performance. The market reflects the pandemic consumer habit of people shaving less while at home more. We concentrated on gaining market share and succeeded in doing so in all geographies. This accomplishment can be attributed to our value proposition and the success of new products in both the female and male segments.

Despite a declining market, Shavers performed well in Europe, mainly due to the U.K., where we gained 0.7 points in value share from distribution gains. And while the U.S. one-piece market declined by 6.7% in value on a year-to-date basis, we won 1.1 point share in the U.S. one-piece Shaver market, reaching 29.2% market share in value.

This success can be attributed to the launch of new products, such as BIC Soleil Sensitive and our core range. I'm pleased to see that BIC is now #1 in one-piece shaving with 35% market share in volume.

We saw similar success in e-commerce with consumers shifting to online orders. BIC grew over 100% in net sales, thanks to Soleil collection and Flex 5 Hybrid.

Us, our new gender neutral refillable shaver, also had promising results at Dollar General.

In Latin America, I'm delighted to say, we have hit a historical record of 22.7% market share in value in Brazil, driven by our three-blade and hybrid offerings.

Additionally, we benefited from increased distribution in Argentina.

This ends the review of our operational performance, and I'll now hand it off to Chad to take you through our consolidated financial figures.

Chad J. Spooner - *Société BIC SA - CFO*

Thank you, Gonzalve. I'll begin by reviewing the net sales results for both the third quarter and the first 9 months of 2020.

Third quarter net sales on an as-reported basis were down 9.4% versus last year. On a comparative basis, our net sales were down 3.5%. Currency fluctuations had a negative impact of minus 6.4 points. This was mainly due to the continuing sharp decline of the Brazilian real and the decline of the U.S. dollar against the euro.

Net sales for the first 9 months of 2020 totaled EUR 1.2178 billion, down 15.9% as reported and down 13.2% on a comparative basis. Here again, the negative impact of currency fluctuations of minus 2.8 points was mainly attributable to the decline of the Brazilian Real.

The COVID-19 impact on the decrease in the 9 months net sales is estimated between 10 and 11 points. The perimeter impact adjustment includes mainly our recent acquisitions of Djeep and Lucky Stationery in Nigeria. As a reminder, due to Argentina's hyperinflation, we are excluding Argentina from our net sales on a comparative basis.

On Slide 9, you can see the key elements of the summarized P&L results. Gross profit margin for the first 9 months in 2020 decreased 2.2 points at 48.1% compared to 50.3% in the first 9 months of 2019.

Normalized IFO for the first 9 months of 2020 was EUR 176.2 million compared to EUR 241.1 million last year, with a Normalized IFO margin of 14.5% this year versus 16.6% for the first 9 months of 2019.

Let me now review the NIFO margin change for the first 9 months of 2020 versus 2019. As just mentioned, the gross profit margin decreased 2.2 points to 48.1%. Excluding under absorption of fixed costs due to the COVID-19 pandemic, gross profit margin increased by 0.2 points. This was driven by favorable foreign exchange and a decrease in raw material costs. This favorability was partially offset by unfavorable manufacturing cost absorption and increase in promotions.

A decrease in brand support had a favorable impact of 0.5 points on the NIFO margin. Operating expense and other expenses were higher by 2.8 points, resulting from the sharp decline in the net sales and the cost to implement our new organization, partially offset by other reductions across all geographies as we execute our OpEx actions announced in May.

As we cover the year-to-date nonrecurring items from the left to the right, we had EUR 13.9 million of restructuring costs. The main drivers of these restructurings are the transformation plan, the closure of our Ecuador factory and recently announced Latin America commercial operations restructuring, where we're moving to an indirect model in several countries.

As discussed in the second quarter, we had EUR 41.7 million related to the Cello impairment on property, plant and equipment and trademark. This was a result of lower-than-anticipated sales resulting from the lockdowns that India has been experiencing and as a result of lower volume than initially expected, which have impacted our planned cost efficiencies.

In the third quarter, we had EUR 44.1 million of favorable pension adjustment in the United States. Our year-to-date nonrecurring items also include EUR 29.5 million in cost of goods, of which EUR 24.9 million is unfavorable manufacturing cost absorption, resulting from plant closures and lower product demand due to COVID 19.

There is also EUR 4.6 million of direct expenses related to additional employee protection implemented to fight against the spread of the coronavirus, items such as cleaning supplies, masks and sanitizers. We also had an impact of EUR 2.8 million in operating expenses and other expenses, mostly commercial force underactivity due to COVID-19.

Let me now review the NIFO margin change versus prior year for the third quarter of 2020. The gross profit margin remained broadly stable, while brand support investments were lower and had a favorable impact of 0.4 points on NIFO.

OpEx and other expenses were lower by 0.6 points, resulting from the savings across the company, partially offset by the impact of the decline in net sales and the cost to implement our new organization.

Third quarter 2020 nonrecurring items included EUR 6 million of restructuring costs, of which the transformation plan and Latin America commercial operations restructuring are among the main drivers. As just mentioned, on the year-to-date bridge, we had EUR 44.1 million of favorable pension adjustments in the U.S. And for the third quarter, we had EUR 12.4 million in cost of goods, of which EUR 11.7 million is unfavorable manufacturing cost absorption resulting from plant closures and lower production demand due to COVID-19. The impact from direct expenses related to additional employee protection implemented to fight against the spread of the coronavirus is EUR 0.7 million in the third quarter.

Slide 12 shows Normalized IFO to net income for the first 9 months of 2020. Year-to-date income before tax was EUR 139.3 million compared to EUR 212.0 million in the first 9 months of 2019.

Net finance revenue was a positive EUR 7.1 million compared to a positive EUR 2.8 million for the same period in 2019. The increase is explained by 2020 having a higher favorable impact from the fair value adjustments to the financial assets denominated in U.S. dollars versus Brazilian Real and Mexican Peso.

Net income group share was EUR 90.1 million as reported for the first 9 months of 2020 compared to EUR 152.6 million in 2019.

Normalized net income group share was EUR 131.2 million compared to EUR 177.3 million last year. The effective tax rate for the first 9 months of 2020 was 35.3% versus 28.0% last year.

EPS group share was EUR 2.00 compared to EUR 3.39 for the first 9 months of 2019. Normalized EPS group share decreased 25.7% to EUR 2.92 compared to EUR 3.93 last year.

On Slide 13, we see the main elements in working capital. Inventories ended the period at EUR 418.0 million and accounts receivable at EUR 481.5 million. Trade and other payables were EUR 108.7 million at the end of third quarter. The decrease in inventory days compared to the end of September 2019 was a result of management's focus on inventory reduction as the impact of the decline in sales challenged the company to be even more vigilant with inventory production and management.

Accounts receivable had a favorable impact on cash versus September 2019, as we closely monitored and drove our collection efforts in this challenging COVID environment. We had particularly strong cash collections in North America, whereas Latin America and India struggled due to the pressures in local markets.

This next slide summarizes the evolution of our net cash position between December 2019 and September 2020. Net cash from operating activities was EUR 231.3 million, including EUR 160 million in operating cash flow and EUR 71.3 million of positive impact from the change in working capital and others. Among the drivers of the working capital were the benefits from accounts receivable of EUR 28 million compared to December of 2019 and inventory, which contributed EUR 8 million.

Net cash was also impacted by investments in CapEx as we invested EUR 58.2 million in the first 9 months of 2020. The dividend payment was EUR 110.2 million, and we bought back EUR 7.4 million worth of shares in the first 9 months of 2020. The EUR 36.8 million of others is mostly related to foreign exchange. Our net cash position at the end of September was a positive EUR 128.1 million.

This ends the review of our third quarter and first 9 months 2020 consolidated results. Now let me give the floor back to Gonzalve.

Gonzalve Bich - *Société BIC SA - CEO & Director*

Thanks, Chad. For the balance of the year, we expect our overall performance to continue to be subject to macroeconomic uncertainties and consumption trends related to the pandemic, which affect our 3 categories. The associated business risks persist in Latin America and India, which are amongst the most disrupted regions. One of the biggest drags on our forecast for the fourth quarter in Stationery for net sales will be the delayed Back-to-School periods in many Southern Hemisphere countries.

In this context, we will continue to prioritize operating cash flow generation, while sustaining our momentum of share gain and operational efficiency. For the full year, we are now targeting more than EUR 20 million of operating expense reductions. Full-year normalized income from operations margin is expected to be above 13.5%.

Let me conclude now before we move on to our Q&A session. Our transformation journey is underway as we pivot towards becoming a more agile, innovative and consumer-centric company. Our 9 months results prove that the shifts we are making are working, despite challenging trading environment and business context. On November 10, our Capital Markets Day will unveil our plan to deliver accelerated and sustainable growth in response to the current trading environment, and more importantly, in response to long-term industry-wide challenges.

I will share with you my ambition to be relentlessly focused on our consumers by addressing not only the challenges faced by our own categories, but the ones faced by all consumer products companies today over the world.

From sustainability to shifting consumer shopping habits, building on our Invent the Future plan, we have a clear road map to accelerate growth for each of the 3 categories, while sustaining margins and strong cash generation. We are determined to ensure reliable returns to shareholders for many years to come. I look forward to speaking with you again on November 10. Thank you.

Thank you very much, and we're now going to open up for the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And the first question comes from the line of Nicolas Langlet from Exane BNP.

Nicolas Langlet - *Exane BNP Paribas, Research Division - Research Analyst*

I've got 4 questions, please. The first one on the Lighters division. So you mentioned the solid momentum in the U.S., supported by the replenishment and price increase. At the end of Q3, what was the inventory level at retailer level? And do you expect further replenishment impact in Q4 or in the coming quarters?

Second question. On the Q4 margin bridge, if we put aside last year incentive benefits, are there any reason why the gross margin brand support and OpEx would change materially compared to the Q3 trend?

Third question. Of the EUR 20 million OpEx reduction you expect for the full year, how much were already generated over the curtailments?

And finally, in terms of use of cash. So you showed that you had quite a resilient cash generation over the first 9 months. Solid balance sheet. Share price is at 10 years low. What prevents you today to reactivate the share buyback?

Gonzalve Bich - *Société BIC SA - CEO & Director*

Nicolas, I'm glad to hear that you're well. I've got your first question, your fourth question. I think Chad's got your second question. Your second one and your third one, your line was breaking up. Could you repeat it?

Nicolas Langlet - *Exane BNP Paribas, Research Division - Research Analyst*

Yes, sure. So the third. Why is of the EUR 20 million OpEx optimization you expect for the full year, how much was already generated in the first 9 months?

Chad J. Spooner - *Société BIC SA - CFO*

I got it. Understood. Nicolas, thank you.

Gonzalve Bich - *Société BIC SA - CEO & Director*

Good. So thank you for that clarification. So Lighter, as I've said for many of these calls, our focus is to make sure that all of our retailers around the world, but in the U.S., specifically, also have the right levels of inventory based on the last couple of quarters of sales and the forecasted sales moving forward.

You're absolutely right. And I remember at our H1 call, you called that there would be a strong Q3 with replenishment, and that's what we saw, and I'm thrilled by it.

I think today, retailers in the U.S. have the right level of inventory. What will continue to evolve as consumption trends, and we stay very close to those to make sure that we're able to serve all the orders.

The other thing that I would remind us of, is the launch of EZ-Reach, which is so important for us. Opening up this new segment in the category, the first 7 weeks have been really positive. And in the fourth quarter, we'll get a full quarter of that launch effect. And then into 2021, hopefully, we keep gaining share.

Chad J. Spooner - *Société BIC SA - CFO*

And in regards to your second question about the Q4 OpEx, should we expect to see any material changes from what we're seeing in Q3? The answer is, no. What we'll have is, we'll have continued strength from the May actions that we're doing, continue to flow through the fourth quarter, which leads right into your third question about the EUR 20 million announced in May, how much was achieved through the first 9 months. I think I'll emphasize what Gonzalve said is that we're anticipating doing a little bit more than EUR 20 million.

So we've said we will actually surpass that EUR 20 million. And I would comment that we gave, in the second quarter, we talked about a range of EUR 7 million to EUR 9 million achieved.

Third quarter is very similar to that, and we can expect similar type of performance in the fourth quarter as well as we continue to go through, which is why we feel comfortable that we'll actually surpass the EUR 20 million.

Gonzalve Bich - *Société BIC SA - CEO & Director*

To your fourth question, Nicolas, share buyback today, we're in blackout period until our Capital Markets Day. And then as you know, we -- the Board, we made a decision earlier this year to suspend, and so that decision is still in place.

Nicolas Langlet - *Exane BNP Paribas, Research Division - Research Analyst*

Okay. And just to come back on the Q4 margin bridge and notably, on the brand support, was there anything special in Q3 in terms of timing of promotional campaign?

Or do you expect further benefit in Q4 from the brand support?

Chad J. Spooner - *Société BIC SA - CFO*

There was nothing specifically done for Q3. So Q4 will be consistent with Q3 in line. So...

Gonzalve Bich - *Société BIC SA - CEO & Director*

I would build there, saying, from a financial perspective, Chad is spot on. From an operational one, yes, I mean, let's say, it's 2 years ago, Q3 would have been made up of TV advertising and billboards and a number of other activities to drive impulse purchase in store.

This year, I told you very on -- in the year, pivot to digital, leveraging digital communication, working the market in a very different way. But as you said, Chad, on a financial level, there is no real change.

Operator

The next question comes from the line of Charles Scotti from Kepler.

Charles-Louis Scotti - *Kepler Cheuvreux, Research Division - Research Analyst*

I have a couple of questions. The first one on your EBIT margin forecast for the year. If we assume consensus sales of EUR 1.7 billion for the year, it's implying something like a 41% year-on-year decline of the adjusted EBIT in Q4.

What explains this cautious net? And do you -- does it includes -- very cautious topline assumptions of Q4?

My second question, on the EUR 13 million COVID-19 impact in Q3, can you give us the split by divisions as you did in your half year report?

And finally, on the U.S. pensions adjustment, EUR 44 million, I guess it's noncash, but can you confirm this?

Gonzalve Bich - *Société BIC SA - CEO & Director*

I'm sorry, Charles, the last part of the last question was, can you something this...

Chad J. Spooner - *Société BIC SA - CFO*

Confirm that it is...

Charles-Louis Scotti - *Kepler Cheuvreux, Research Division - Research Analyst*

Can you confirm that the EUR 44 million U.S. pensions adjustment is noncash?

Gonzalve Bich - *Société BIC SA - CEO & Director*

Yes. No problem, I was just making sure that was the question, okay. So on your first one, I think -- and I'll let Chad complement my answer. Really, what I think about is the geographic and category mix, right?

So in the fourth quarter, you're going to have a lot of Stationery in the Southern Hemisphere, and you're not going to have that strong replenishment of Lighter in the U.S.

Chad J. Spooner - *Société BIC SA - CFO*

Correct. And as we look at -- you say Q4 cautious, what we're looking at is what happens from a Stationary standpoint will drive really the Q4, where we see the topline coming in.

So I know you have the consensus at, but what we see from a margin perspective, we still see, as we mentioned to Nicolas, a similar type of strength that we have historically ex the third quarter impact from the Lighter, right?

So you need to adjust for the fact that we had the replenishment, which drove a lot of the strength in the third quarter, and the fourth quarter will be more normalized from in terms of the mix between the different categories.

And on the second question, the COVID impact by division, it's about half is coming from Stationary, and then 1/4 from Lighter and 1/4 from Shaver.

And your third question, U.S. pension adjustment, noncash. Yes, that's a large accounting adjustment that the operating benefit will be coming over numerous years. So it's accounting adjustment, which is why we normalize, for noncash.

Operator

There are currently no further questions in the queue.

(Operator Instructions)

We do have a follow-up question coming from the line of Charles Scotti from Kepler.

Charles-Louis Scotti - *Kepler Cheuvreux, Research Division - Research Analyst*

Sorry, I have a follow-up question. I assume that Swedish Match mentioned raw materials headwind for their Lighters division.

Do you see the same trend? And can you help us to quantify when -- and to quantify and to time when this raw material will hit the P&L?

Gonzalve Bich - *Société BIC SA - CEO & Director*

So as you can imagine, all of our raw material for fourth quarter is already baked in because those have been negotiated well in advance.

So any headwinds that will be coming through from a raw material standpoint wouldn't impact us until next year. But we have not had any kind of -- as we're rolling up next year, we're looking at what that is because there are certain markets, as you know, are not as favorable this year, but we have no impact in the fourth quarter from a negative raw material.

Operator

There are no further questions in the queue.

(Operator Instructions)

And there are no questions coming through. So I'll hand the call back to our speakers to conclude today's call.

Sophie Palliez-Capian - *Société BIC SA - VP of Corporate Stakeholder Engagement*

Okay. Thank you. This is Sophie speaking. So as usual, if any questions you want to follow-up with, we are at your disposal to answer.

And as Gonzalve mentioned, we're looking forward to welcoming you to our CMD on the 10th of November. And thank you very much for your attention.

Operator

Thank you for joining today's call. You may now disconnect. Thank you.

Gonzalve Bich - *Société BIC SA - CEO & Director*

Thank you.
