Société BIC SA ENXTPA:BB

FQ3 2021 Earnings Call Transcripts

Wednesday, October 27, 2021 6:30 AM GMT

S&P Global Market Intelligence Estimates

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Presentation

Operator

Hello, and welcome to BIC Q3 2021 Results. My name is Molly, and I'll be your coordinator for today's event. Please note that this call is being recorded. [Operator Instructions] I will now hand you over to Sophie Palliez to begin today's conference. Thank you.

Sophie Palliez-Capian
Vice President of Corporate Stakeholder Engagement

Thank you, Molly, and good morning, everyone, and welcome. The call this morning will be hosted by Gonzalve Bich, Chief Executive Officer; and Chad Spooner, Chief Financial Officer. We'll start by a short presentation and then move as usually to the Q&A session. Let me give the floor to Gonzalve.

Gonzalve Bich
CEO & Director

Thanks, Sophie. Welcome, everyone, and thank you for being here with us today. I'll start the presentation by providing an overview of our strong operational performance and then handing over to Chad for the financials. We delivered solid third quarter and 9-month results. In fact, I'm thrilled to say we exceeded our own expectations once again despite the current challenges we're experiencing in this post-pandemic environment. This has led us to update our full year 2021 net sales guidance once more, and we now expect to achieve above 14% net sales growth at constant currencies versus in the range of 9% to 11% previously communicated.

Net sales on a comparative basis are back up to pre-COVID levels globally, and we're seeing the continued tangible results of the strategic choices we made 18 months ago. Let me share a few high points of our 9 months results, and then I'll provide more details about each.

All key regions contributed to the growth in our Flame for Life division, which grew double digits on a comparative basis. In the U.S., our outstanding performance continued to be supported by the growth in value of the pocket lighter market in the third quarter, although at a reduced pace. Our performance was fueled by the ongoing success of the BIC EZ Reach Utility Lighter, and I'm excited to see that the Pass It campaign featuring Snoop Dogg and Martha Stewart drew more than 5.6 billion media impressions in the U.S. and many, many more around the world.

In our 2 key Latin American markets, net sales grew over 40%, while Europe saw solid post-COVID rebound across traditional channels and the modern mass market and benefited from new listings with more fueled momentum. In our Human Expression division, I'd like to highlight the robust double-digit growth from our recent acquisitions. In digital writing, Rocketbook net sales were up an impressive 70% versus 2020.

In Nigeria, Lucky Stationery's continued strong net sales performance since the beginning of the year convincingly illustrates the strength and resilience of our route-to-market strategy in Africa. We also continued to gain market share in our strategic coloring segment across countries like the U.K., South Africa and India, again, consistent with our Horizon plan.

Finally, the 2021 back-to-school season was solid, driven by a rebound in consumption and the reopening of schools. Our sell-out performance was good globally with robust share gains in both the U.K. and Mexico, especially in the strategic growth segments of Art and Creativity. In our Blade Excellence division, the continued success of our added-value products drove performance. Here, it's worth mentioning our 5-blade products in the U.S. and our successful trade-up strategy to 3-blade offerings in Latin America. This performance was achieved despite the challenges of an intensely competitive environment in both regions that created strong headwinds in the Disposable Shavers segment.

I'm also excited to see the continued positive momentum of our new B2B innovation business called BIC Blade Tech, as we've recently signed larger agreements with some of our existing customer base. We continue to make progress in our transformation journey with Horizon serving as our North Star. First, total e-commerce sales are up 25% year-on-year and more than doubled in developing markets like India, Latin America and the Middle East and Africa. We continue to build capabilities everywhere by investing in exceptional digitally native talent in both global processes and platforms, all of which to accelerate growth.

Since 2019, our headcount in e-commerce has increased by more than 50%, foundational strength we will continue to build on. Second, as I think about how our invest-to-grow countries are progressing, we're seeing solid high single-digit growth since the beginning of the year in Turkey, Russia and Poland. This is momentum on which we can build into 2022.

Thirdly, at BIC, we continue to put sustainability into practice, which I believe is on everybody's mind today. So far this year, we've launched several innovative products while also maintaining the quality that BIC's consumers enjoy. The latest example is our new Bamboo shaver, launched successfully online in May in Sweden. It's been supported by retailers with exceptional offline distribution, which we were not expecting to happen so quickly.

Our Invent the Future plan continues to deliver improved manufacturing efficiencies and further cost savings. Looking ahead, I'm sure we'll face our share of challenges and external headwinds beyond our control, but I remain convinced of our ability to deliver profitable growth and value for all our stakeholders. We continue to remain focused on the factors we can control, like working to mitigate adverse input costs and operational execution. We're also moving forward along our transformation journey with the launch of new innovative and sustainable products.

With that in mind, let's take a look at a snapshot of our financial performance in the first 9 months of 2021, which Chad will take us through in more detail later on during the call. Net sales for the first 9 months were EUR 1.4 billion, up 19.8% at constant currencies. Adjusted EBIT was EUR 248.6 million with a 17.8% margin. Adjusted earnings per share were EUR 3.80, up 30% versus last year. Free cash flow before acquisitions and disposals was EUR 232.3 million.

Let's now take a closer look at our top line performance. On this slide, we can see that BIC's net sales grew on a comparative basis in almost all of our top countries. In Europe, for example, where we grew net sales by 9.6% versus 2020, we performed strongly in both stationery and lighters in Italy, France and U.K. In North America, we added 12.3% to net sales growth versus last year. We delivered these results thanks to an improved market trend since January in U.S. Lighter, but also through solid execution of our revenue growth management strategies, and I'll say more on this in a moment.

Latin America came roaring back with 42.3% net sales growth versus 2020 as we performed strongly across our 3 categories in both Brazil and in Mexico. India experienced a strong rebound in net sales, which were up double digit in the first 9 months. However, the country has yet to catch up to 2019 levels. Since the beginning of the year, performance is getting a boost from domestic market conditions and post-pandemic shifts in consumption patterns are also delivering impressive e-commerce numbers on the subcontinent. Indeed, sellers' online sales more than doubled since the beginning of the year.

I'm also proud to say that net sales have caught up to pre-COVID levels in the majority of our geographies with total group net sales up 0.7% on a comparative basis versus 2019. This gives us confidence as we enter 2022, and we will continue to focus on execution while building capabilities to prepare for future growth.

Let me now give you some key takeaways on the market environment of our 3 divisions and on BIC sell-out performance. In Human Expression, most of BIC's key markets like the U.S., U.K., France and Mexico rebounded well notably driven by a good back-to-school season, but Brazil remained tough. It's worth noting that we gained share almost everywhere except in the U.S. Advancing our ambition to become an omnichannel specialist on- and off-line, in Europe, we outperformed and gained market share in e-commerce stationery markets. We picked up 1.3 points in Germany, 3 points in the U.K. and 0.5 point in France, where we ranked #1 with close to 25% market share.

Our Flame for Life category saw a rebound of the lighter markets globally. Our move towards a more value-driven model in lighters is on track with our utility lighter sales, including EZ Reach, growing by 2 points versus the same period last year. Likewise, we continue to grow and outperform in decorated lighters or what we call sleeve lighters, gaining 30 basis points market share in the U.S.

Turning to Blade Excellence. Our key markets are still very challenging with headwinds stemming from intense competition, notably in the disposable razor segment. However, in some of our Invest To Grow countries like Russia and Poland, we maintained our gain share triggered by the success of our added-value hybrid shavers. In the U.S., the in-store disposable segment declined 1.5%, mostly from aggressive promotional strategies and new value products. We chose to balance our focus on promotional support visibility and profitability. Our continued strategic focus on premium segments delivered 70 basis points of share gains and value in the 4 and 5-blade segments. Despite the challenging retail environment, we continued to outperform the U.S. market online, another priority, picking up 70 basis points of share. We're ranked #3 amongst the players in the online market.

Now I'd like to take a little bit of time to focus on the 2021 back-to-school season. We're thrilled to see that the season this year experienced tailwinds from a rebound in consumption and the reopening of schools. After 18 long months of mobility constraints, consumers began to return to stores. This is an important positive trend and a good sign for the future of BIC's Human Expression division. In the U.S., the total market saw double-digit growth, a great indication for a consumer appetite perspective. However, product availability constraints prevented BIC from taking its natural share of the market increase.

In Europe, looking on bottom half of the slide, we maintained our leadership position in France. As a highlight, our Intensity felted pens grew over 20%. In the U.K., we successfully gained 2.5 points in market share, driven mainly by coloring and markers as well as increased distribution. In Mexico, we successfully gained 1.9 points of market share with strong growth in ball pens and coloring pencils on the back of significant improvements in in-store visibility. From a product perspective, this back-to-school season highlighted evolving customer and consumer trends, and it's satisfying to see that these compare to core tenets of our Horizon strategy.

First, the importance of Art and Creativity. This year's back-to-school sell-in performance in added value segments like coloring and gel confirms our strategic choices. Second, sustainability. On this topic, BIC and France leaned in with an innovative advertising campaign that highlights our circular economy initiative, BIC Ubicuity. This program transforms the pens we collect to recycling points into outdoor furniture. And in the U.S., despite the market share loss I mentioned, BIC's new eco-friendly stationery line, BIC Revolution, proved a success. Azs consumers' priority shift, a broad array of eco-friendly products is emerging as a key competitive advantage. And thanks to our strong push to use non-virgin petroleum plastic, we're poised to lead the stationery on this important topic.

Let's now take a closer look at what we've been driving our strong growth in the U.S. for our Lighter division. Over the first 9 months of the year, BIC's sell-in performance grew over 30% and was fueled by 3 main factors: Strong market growth contributed close to 19 points, driven by improved market trends and value; the total U.S. pocket lighter market grew 4.5% year-to-date September, and BIC grew 6% in value, which is good news. In the U.S. utility lighter market, however, our performance continued to be affected by product availability issues due to shipping challenges and longer lead times. That said, we remain the leader with over half the market in value.

Distribution delivered 6 points across both convenience stores and modern mass market. As you can see on the bottom right, our EZ Reach Utility lighter has been a large contributor to growth. In fact, we've received extremely positive feedback on this product from both customers and consumers, and I'm pleased to see it reach close to 5% share on a quarterly basis in under a year. And lastly, positive pricing impact accounted for around 6% of growth. Thanks to pricing strategy efficiency and positive impact from price increases implemented in May this year.

As we've already communicated, increased raw materials market prices and current disturbances in overall freight and distribution are affecting our overall cost base for the year. Pressure from raw material price inflation is ongoing. At the 9-month mark, plastics were up 60% on average compared to 2020, impacting our 3 divisions. Metal market prices soared 37% over this period as well, as have energy prices. Like many, we're feeling the effects of the current global sea freight disruptions, notably the container shortages. Shipping prices have risen since the beginning of the year, accelerating in the third quarter. In addition to price, lead times from port to port are affected by bottlenecks. While Asia was the initial pain point, overall disruption has spread and now affects BIC's overall intercontinental flows.

While we expect this situation to weigh on our fourth quarter gross margin, we are actively building plans to mitigate the impact of this environment. Our procurement, supply and delivery teams are hard at work finding solutions to secure shipments and keep the effects of cost increases to a minimum. Thanks to the improved operating model, we've been building -- with our Invent the Future plan, we have the discipline and determination to weather these headwinds in the medium term.

I'll now hand it over to Chad, who will walk us through the financials in more detail.

Chad J. Spooner
Chief Financial Officer

Thanks, Gonzalve.

I'll begin by reviewing the net sales results for the first 9 months of 2021. On an as-reported basis, net sales for the first 9 months of 2021 totaled EUR 1.395 billion, up 14.6% versus last year. On a comparative basis, our net sales were up 16.1%, mainly explained by a strong performance in North America and Latin America lighter, as well as BIC stationery business rebound in India and Latin America. Currency fluctuations had a negative impact of 4.5 points, excluding the foreign exchange impact from Argentina. This was mainly due to the continuing decline of the U.S. Dollar, the Brazilian Real against the Euro. The perimeter impact adjustments include mainly the acquisitions of Rocketbook for 2.7 points and Djeep 0.7 points, partially offset by the Pimaco divestiture and the Asian business closure.

On an as-reported basis, third quarter net sales totaled EUR 478.4 million, up 8.2% versus last year. On a comparative basis, our net sales were up 5.0%, mainly explained by BIC Stationery business rebound in Latin America and India. Currency fluctuations had a positive impact of 0.2 points. The perimeter impact adjustment include mainly the acquisition of Rocketbook at 2.5 points. As a reminder, due to Argentina's hyperinflation, we are excluding Argentina from our net sales on a comparative basis. As Gonzalve already commented on our net sales performance by category, let me give you a quick overview on the change in adjusted EBIT margin in each of our divisions.

In Human Expression, 9 months 2021 adjusted EBIT margin was 7.6% compared to 7.4% in 2020. This increase was driven by higher net sales, including Rocketbook, and manufacturing and raw material procurement efficiencies, partially offset by unfavorable Forex from Latin American currencies versus U.S. Dollar and higher freight and distribution costs. In Flame for Life, 9-month 2021 adjusted EBIT margin was 39.8% compared to 34.8% in 2020, driven by the strong increase in net sales and the favorable impact of the price adjustments in U.S. Lighters. This was partially offset by the higher Brand Support investments compared to the same period last year and higher Freight and Distribution costs.

Finally, looking at Blade Excellence performance, 9 months 2021 adjusted EBIT margin was 16.7%, compared to 13.0% in 2020, impacted positively by operating leverage from net sales growth and manufacturing and raw material procurement efficiencies.

Let me now review the adjusted EBIT margin change for the first 9 months of 2021 versus 2020. The 9-month gross profit margin increased by 3.3 points at 51.4% compared to 48.1% in 9 months 2020. Excluding 2020, under absorption of fixed costs due to the COVID-19 pandemic and Rocketbook, gross profit margin increased by 0.8 points. The improvement was driven by the strong increase in North America lighter sales, a decrease in brand support above net sales and from manufacturing and raw material cost savings. This was partially offset by adverse Forex from Latin America currencies against the U.S. Dollar.

Favorable raw material cost impact was driven by procurement efficiencies from the second half of 2020, deferred to the first half of 2021 gross profit. The adjusted EBIT margin has been favorably impacted by 5.8 points from operating leverage from net sales growth. The increase in overall freight and distribution costs was driven by the acceleration of customer demand. Brand support and operating and other expenses were higher by respectively 0.7 points and 1.2 points, mainly driven by the net sales rebound versus last year. The adjusted EBIT margin has been favorably impacted by 0.1 points from Rocketbook.

Let me now review the adjusted EBIT margin change versus prior year for the third quarter of 2021. The third quarter gross profit margin increased by 2.4 points at 50.8% compared to 48.4% in Q3 of 2020. Excluding 2020 under absorption of fixed costs due to the COVID-19 pandemic and Rocketbook, the gross profit margin decreased by 0.7 points. This decline is mainly explained by 0.6 points negative impact from higher raw material costs and unfavorable mix, mainly due to higher stationery net sales performance. This unfavorability is partially offset by favorable Forex Euro to U.S. Dollar.

Note that the 2022 hedge rate for the Euro Dollar should be around 1.2. As of today, we're hedged around 65% of commercial flows. As previously communicated, we expect raw materials to negatively impact Q4 and full year gross profit margin. Although it's too soon to provide precise numbers, we expect raw material headwinds to persist in 2022, notably in the first half of the year. As you can see on this slide, the other drivers of the third quarter adjusted EBIT margin are similar to the 9-month trend, leading to a decrease in adjusted EBIT margin by 1.7 points versus last year.

On Slide 15, you can see the key elements of the summarized P&L results. As just mentioned in the previous slide, the gross profit margin for 9 months 2021 increased by 3.3 points at 51.4% compared to 48.1% in the 9 months of 2020. Adjusted EBIT for 9 months 2021 was EUR 248.6 million compared to EUR 176.2 million last year. With an adjusted EBIT margin of 17.8% this year versus 14.5% for the 9 months in 2020.

As we look at the EUR 166.5 million of nonrecurring items in the 9 months of 2021, we had EUR 167.7 million net gain for the sale of our Clichy headquarters, EUR 3.0 million net gain from the Pimaco divestiture and EUR 4.2 million related to transformation plan costs. 9 months 2021 income before tax was EUR 410.4 million compared to EUR 139.3 million in 2020 with a 29.9% tax rate.

Net finance revenue was negative EUR 4.7 million compared to a positive EUR 7.1 million for the same period in 2020. This is explained by the strong favorable impact of the fair value adjustments to financial assets denominated in U.S. Dollar versus the Brazilian Real and Mexican Peso in the 9 months of 2020. Net income group share was EUR 287.5 million as reported for the first 9 months of 2021 compared to EUR 90.1 million for the first 9 months of 2020. Adjusted net income group share was EUR 170.4 million compared to EUR 131.2 million last year for the same period.

EPS group share for the 9 months of 2021 was EUR 6.40 compared to EUR 2.00 in the 9 months of 2020. Adjusted EPS group share for 9 months of 2021 increased 30%, EUR 3.80 compared to EUR 2.92 last year. In the first 9 months of 2021, we invested EUR 44 million in CapEx. As we move towards more efficient capital allocation, the greatest focus was in Lighters, which accounted for 36% of the total. For the full year, we now expect to invest approximately EUR 80 million total CapEx, which is lower than our initial forecast.

On Slide 17, we see the main elements in working capital. Inventories ended the period at EUR 441.8 million. Trade and other receivables ended at EUR 483.7 million. Trade and other payables were EUR 148.1 million at the end of the first 9 months of 2021.

This next slide summarizes the evolution of our net cash position between December of 2020 and September of 2021. Net cash from operating activities was EUR 276.6 million, including EUR 336.3 million in operating cash flow and EUR 59.7 million of negative impact from the change in working capital and others. Among the drivers of the working capital were the increase of accounts receivables of EUR 65 million compared to December of 2020 due to the strong Q3 sales. Inventory contributed by EUR 54 million and was partially offset by an increase in accounts payable of EUR 48 million. We received cash proceeds of EUR 177.7 million, EUR 173.9 million for the sale of our headquarter building in Clichy, and EUR 3.8 million for the Pimaco divestiture.

The tax related to the HQ sale, which will be EUR 46 million, will be paid in Q4. In the first 9 months of 2021, we invested EUR 7.2 million related to Haco Industries, Djeep and Rocketbook acquisitions. Net cash was also impacted by investments in CapEx as we invested EUR 44.3 million in the first 9 months of this year. The dividend payment was EUR 80.9 million, and we bought back EUR 31.2 million worth of shares in the first 9 months of 2021. Our net cash position at the end of September of 2021 was EUR 475.4 million. This ends the review of our first 9 months of 2021 consolidated results.

Now let me give the floor back to Gonzalve.

Gonzalve Bich
CEO & Director

Thanks, Chad.

I'll now focus on how we see the shape of the balance of 2021 from a market perspective, starting with our global market assumptions, which we've slightly revised based on the market dynamics observed since the beginning of the year. These numbers are based on Euromonitor and internal estimates.

First, Europe remains unchanged. In North America, we now expect a high single-digit increase in stationery driven by a strong back-to-school season. In Lighter, we now expect the pocket lighter market to grow low to mid-single digits. And in Shaver, the disposable market should decrease to low single digits. In Latin America, most of our assumptions are unchanged, with the exception of stationery in Mexico, where we now expect the market to be flat. Finally, the Indian stationery market could be slightly better than initially expected.

Full year operational and financial performance drivers are unchanged. Growth at constant currencies will continue to benefit from higher volumes, positive pricing and new businesses. In light of the ongoing global supply chain challenges that everyone is experiencing, we expect fourth quarter net sales to increase low single digits compared to last year. This takes into account our stronger-than-expected third quarter, which we believe benefited from customers increasing their own strategic inventories in anticipation of further market supply challenges in the run up to Christmas.

Among year-end potential headwinds, the U.S. lighter market growth could slow down as well as our sell-in performance. Let's remember that the fourth quarter last year was fueled by stimulus checks, which we do not expect to repeat this year. In Brazil, customer stationery inventories are higher than last year, which could potentially delay the back-to-school shipping into 2022. Finally, the disruption of global seafreight could affect our shaver and lighter shipments to the U.S. Potential tailwinds are expected in Europe and India, notably in e-com.

Full year gross profit margin should be flat and adjusted EBIT margin will increase compared to last year despite adverse input costs. Raw material costs will weigh on fourth quarter margins as well as freight and distribution, which we expect to increase more than 20% compared to the fourth quarter of 2020. In light of our strong performance over the last 9 months, we've further upgraded our full year 2021 guidance and now expect to achieve above 14% net sales growth at constant currencies. Our free cash flow target for the year remains above EUR 200 million.

Operator

Please stand by while we connect your host.

[Technical Difficulty]

Gonzalve Bich
CEO & Director

I'll pick up where I left off. In light of our strong performance over the last 9 months, we further upgraded our full year 2021 guidance and now expect to achieve above 14% net sales growth at constant currencies. Our free cash flow target for the year remains above EUR 200 million. And before we move on to Q&A, I'd like to share 3 final takeaways that I believe support both our strong 9-month results and our upgraded net sales guidance.

First, growth. Our business has returned to pre-COVID levels almost everywhere. This is very important as it demonstrates the resilience of our operating model built on strong fundamental capability builds and a team focused on investing in growth, paving the way for future accelerated growth.

Second, the consumer. Our results clearly demonstrate that the ambitious consumer-oriented choices we made in our Horizon strategy are driving results, namely, our pivot to value, our focus on e-commerce and our commitment to sustainability that makes us all the more determined to stay the course.
Third, discipline. The hard work we've put into our Invent the Future plan through tight control of costs and operational efficiencies give BIC an edge in addressing the headwinds of rising costs across materials, energy and transport.
Finally, I'd like to give a special shout out to our teams for their commitment to stay the course. They've done a great job delivering operational excellence. Thank you, and I'll now open the floor up to your questions.

Question and Answer

Operator

[Operator Instructions] The first question comes from the line of Nicolas Langlet calling from Exane BNP Paribas.

Nicolas Langlet
Exane BNP Paribas, Research Division

I hope you can hear me. I've got 3 questions, please. The first 1 on the guidance for Q4, the like-for-like sales guidance. So you expect on a single digit while the current guidance is pretty good. Can you tell us what are the plusses and minuses you expect for Q4 in terms of top line and where we could see potentially some upside potential? And also, so far, how October developed compared to the trend in Q3?

Second question, on the raw material and freight cost. So based on current price, what headwind could you expect for 2022? And do you think you will be able to pass some price adjustment and are trying to generate further savings notably on procurement to offset that?

And finally, on your free cash flow guidance, can you tell us what the level of the strategic inventories you mentioned in the press release. How big could it be for this year?

Gonzalve Bich
CEO & Director

Nicolas, so to talk about Q4, which we've guided to low single-digit increase, there's headwinds and tailwinds. The headwinds, I think the first 1 we need to talk about is the U.S. Lighter market, which remains hard to predict. We think that growth could slow down in the fourth quarter, and that will weigh on our own performance, although we're very focused on maintaining the quality, depth, breadth and distribution of both the core products as well as EZ Reach and making sure that, that stays strong and into 2022.

Also, we have the upcoming back-to-school season in Brazil in the first quarter of '22. Normally, that's sold in, in the fourth quarter of the prior year. But as I said, there's still some high level of inventory in the customers in Brazil due to the relative weakness of the market year-to-date, which has been down double digits. So those sales could shift from the fourth quarter of this year into the first quarter of next year or even be a bit lower, and that's a headwind that we're conscious of.

Also in South Africa, again, an upcoming back-to-school season, they're having a potential fourth COVID wave as well as negative impacts from strike actions that have been happening over the last couple of months. And finally, we see potential shipment delays in overall international freight that could affect some shaver and some lighter shipments to the U.S. But we also have some tailwinds. In India, we've seen schools starting to reopen, and we could see acceleration in e-commerce. We also have robust performance in Rocketbook and fourth quarter and the holiday season is absolutely key for them. I think we could also expect some very solid performance in Europe in the fourth quarter.

Chad J. Spooner
Chief Financial Officer

Nicolas, this is Chad. I'll jump on your question for number 2 about raw material for 2022 and the additional price. So the first thing I want to remind everyone is about our raw materials, right? It's a key component of our costs, and they account for about 40% of the total cost of goods in 2020. Of that, plastics was about 46%, followed by cardboard packaging 18%, and metals was about 16%, to give you a flavor for the composition. And don't forget that there is the lag that we've talked about, which is 5 to 6 months between market price increases or decreases. So that's when we buy the products and the impact on BIC's P&L, which is when we sell them. And you've heard this from many other companies. So as we've mentioned during the call, raw materials weighed about 60 basis points on gross profit margin in Q3, and we're expecting about 200 to 300 basis points of negative impact during Q4, and this will be driven by the cost increases that we saw in Q2, right?

We do not expect to get into 2022, the market prices to decline in Q4 or in Q1 of 2022 due to the high demand and the current high price of gas and electricity. So this will hit our 2022 P&L at least during the first half. Both plastics and metals have been impacted since the beginning of the year. More recently, we've seen packaging prices come under pressure due to the strong demand, and we don't expect this to ease in Q4, which is a strong quarter for packaging because of e-commerce.

So when we talk of raw materials, that's where we see the headwind pressures for 2022. Also, what I want to touch on, what we're talking about is seafreight, which is another element you need to take in mind that price increases have accelerated in Q3 and their market remains very volatile. So the ocean freight has multiplied anywhere from 3 to 5x this year and the disruption started in China, but it's now extended, and we're seeing this across all the shipping routes that are being impacted. It's China, it's the U.S., it's Europe and Central America regions that are the most impacted.

But we don't expect the situation to improve either in the coming months as global demand still remains very high. So this will impact our costs in Q4 and in 2022, along with raw materials. Now as you can imagine, our procurement team has done a fabulous job in the past, and they continue to work exceptionally hard to work to offset these type of things, increases, but we will continue to see this pressure, obviously, in 2022. We will be taking price increases, but it obviously will not be able to fully offset the impacts that we're seeing from raw material and seafreight.

And before you ask, we'll come back to the market with more appropriate timing after we've talked to our customers as to what those price increases will look like probably at the end of the year.

And then on your third question, you asked about the level of strategic inventory. What I'll say is that as the market continues to evolve, we continue to ensure that we have the right levels of inventory to set us off for success with Back-to-School in 2022. That being said, regardless of the level we build to, we will still commit to making sure that we deliver over EUR 200 million of free cash flow.

Nicolas Langlet
Exane BNP Paribas, Research Division

Okay. Perfect. If I can add a quick one. So you said 200 to 300 basis point headwind related to raw material in Q4 and on the freight? What sort of impact are you expecting in Q4?

Chad J. Spooner
Chief Financial Officer

So on freight, we're expecting -- so let me give a full picture since we're talking about the Q4 margins. Based upon the 9 months results and our current estimates, we're going to confirm that we will grow our adjusted EBIT margin for the full year, right? But the main drivers for Q4 will be several things. We're going to have less favorable operating leverage for net sales in Q4, because we're at a low single-digit increase as expected. The 200 to 300 points of raw materials will be inclusive of the benefits from procurement activities we have. But that will be partially offset by 150 basis points from favorable fixed cost absorption and manufacturing efficiencies. So the net there is less than the 200 to 300. We're going to have approximately about 100 basis points from freight and distribution, and we'll have approximately 150 basis points from brand support because we think that there's some positive timing impact from Q3. So that gives you a more holistic picture, Nicolas, for the Q4.

Nicolas Langlet
Exane BNP Paribas, Research Division

Yes. Okay. Perfect. And Gonzalve, to come back on your comment on the Q4 like-for-like and all the key achievements we've seen, if we look at 2022 and 2023, so your midterm plan is to return to around mid single-digit like-for-like based on what you have seen in past quarters, or do you still feel comfortable with that objective? And do you think it can be achieved already in 2022?

Gonzalve Bich
CEO & Director

I love about your question, Nicolas, is you give me the answer within it. I am confident that we are on track to reach our mid single-digit trajectory as we walk into '22. When I look at the new products that we'll be launching in '22, the carried momentum that we have coming out of this year and the strength of the teams and the operating model despite the challenges that we will face and everyone will face in the market, we are confident to achieve our trajectory.

Operator

The next question comes from the line of Christophe Chaput calling from ODDO.

Christophe Chaput
ODDO BHF Corporate & Markets, Research Division

Christophe from ODDO. I hope the line is okay. Could you just repeat the figure for the Q4 you mentioned. I took minus 200 to minus 300 basis points relative to raw material, plus 150 related to better absorption, minus 100 for the OpEx, minus 150 for the brand support, that is?

Chad J. Spooner
Chief Financial Officer

That's correct. And the less favorable -- we're going to have -- the operating leverage will just be less favorable than we thought before. You got all the elements right, Christophe.

Christophe Chaput
ODDO BHF Corporate & Markets, Research Division

Then 2 questions. Coming back to the free cash flow in a certain extent. So I just would like to better understand the CapEx envelope, which is supposed to be EUR 80 million versus EUR 100 million previously assumed. Is it a question of better capital allocation or a question of phasing or to offset higher working capital? Just could you explain me that again, please?

Chad J. Spooner
Chief Financial Officer

Yes. So always with CapEx, what we're doing is looking at what the right allocation of capital is. And there are several things. So as we get through the year, we decided where we want to put the money and where we don't. So it had nothing to do with trying to hit a number, but it's just where do we probably think this year the projects need to be put in place. But also what we're coming up against is with all the global supply chain, as you can imagine, just as vendors are having difficulty to get things, we're also seeing some difficulties in terms of getting all the CapEx that we want. So that also delays and shift some of it into next year. So we adjust with the realities we're in and the best view that we see right now is about EUR 80 million.

Christophe Chaput
ODDO BHF Corporate & Markets, Research Division

Okay. So basically, the normative for the coming years should be nevertheless, 100?

Chad J. Spooner
Chief Financial Officer

Yes.

Christophe Chaput
ODDO BHF Corporate & Markets, Research Division

Yes. Good. And the last 1 for me, please, is on stationery. Could you remind us why do you lose market share in U.S.? Because you mentioned product availability for sure. But what is different in other areas? I mean, is there as well a question of mix effect or higher discounts or I don't know. Not from your pattern, but from capital...

Gonzalve Bich
CEO & Director

Yes. No. No. I'm trying to answer your question, which is on both. The category grew about, let's call it, 17% over last year, which was extremely weak, if you remember, the U.S. was particularly hit. This year, it's driven by Gel, and I think we've talked about this enough times, that's not our strength yet in the U.S. We've launched some products. They're doing quite well, but we're still very focused -- we're very anchored in ball pen, and it's part of the Horizon strategy to drive us towards those higher-growth segments, coloring, improved writing, BodyMark, and digital writing. We did lose 2 points of share. There were some product availability issues, which I think we had and many others have. It's super important to me as we look to 2022 to come roaring back in the U.S., regain that share, regain the momentum, but doing so in the segments where we think that there's future growth.

Operator

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

Charles-Louis Scotti
Kepler Cheuvreux, Research Division

Yes. Two questions from my side. Sorry to come back on the Q4 margin. I have not heard it properly. The brand support impact expected in Q4, is it a negative or positive 150 basis points?

Chad J. Spooner
Chief Financial Officer

It's a negative 150 basis points.

Charles-Louis Scotti
Kepler Cheuvreux, Research Division

It's negative 150, okay. And my second question on the profitability. You are guiding for an increase compared to last year level, excluding the impact of the pandemic. But I guess considering the comment for Q4, the profitability set to be lower than in 2019. Looking at 2022, do you think it's fair to assume that it's going to be difficult to reach the 17% EBIT margin that you posted in 2019, considering the inflationary environment? And looking at the different divisions, you have a strong pricing power in the Lighter segment. So I have no doubt that you will successfully pass through input cost inflation. But I'm a little bit more, I would say, cautious on the 2 other categories that are probably much more competitive. Do you feel confident that you will be able to offset inflation in the Shavers and Stationery divisions?

Gonzalve Bich
CEO & Director

So it's too early to be specific for 2022, as you can imagine. We've already said we're going to continue to face strong temporary headwinds with raw material and freight costs, right? And we will have a negative impact from our 2022 financial hedge, right, which is not the only one we talked about. Now on the positive side, we're going to continue to benefit from the increases in volume and the full impact of our Invent the Future.

Of course, we're going to do our best to protect our margins. However, what we will not do is we're not going to sacrifice our long-term growth by lowering R&D or brand support investments, and we're going to continue to invest in innovation and advertising. So we've seen the benefits of these investments in 2021 with the success of our 5-blade shavers and the performance of EZ Reach and then we'll continue to manage the input cost inflation as best we can without impeding our Horizon growth and cash objectives, which are #1.

Operator

[Operator Instructions] The next question comes from the line of Marie Fort calling from SG.

Marie-Line Fort
Societe Generale Cross Asset Research

I've got 3 questions. The first 1 is, could you explain to us why you lost market share in the French Lighter market? Is there any reason for that? The second question, could you provide us the percentage of the coloring in your Human Expression division? And lastly, could you share with us more color on your strategy for 2022 to have relays of growth? You have spoken to strategy for your developing countries, to invest in your developing countries, also new products. Could you give us more color on that side?

Gonzalve Bich
CEO & Director

I'm sorry. Can you repeat your second question? I'm not sure I captured it properly.

Marie-Line Fort
Societe Generale Cross Asset Research

Could you provide us the percentage of your coloring business in the Stationery division? What did you achieve in terms of percentage for Q3 or 9 months?

Gonzalve Bich
CEO & Director

Okay. So Michelle is going to pull that up for us for a second. In France, we grew -- I'm sorry, the market grew in Lighter in modern mass market. And we lost around 1 point of share due to some shortages in stock and we promoted less in traditional -- with the decors. But if we include the traditional market, so total measured, unmeasured, we're flat in an increasing market. Michelle is going to get you the coloring number. And while she does that, I'll talk about 2022 and the different growth relays.

So different growth relays, I think if we take a couple of steps back, first of all, there's carried momentum in all 3 businesses. There's carried momentum in Lighter, growth of distribution. EZ Reach is going to continue to roll out. It's already available in 6 European countries, including France. And over '22, you'll see that growing to build and continuing to build in the U.S. In Shave, we have a number of innovative launches that we are in the process of talking to our customers about. Well, talking to them about the different amounts of distribution that we'll get for them, and those will be rolled out, and it's the same in stationery.

What you've seen from us this year and over the last 2 years is really focusing bigger, bolder bets on things like Snoop and Martha, on sustainability, on the different axes of our Horizon strategy, on which we focus all of our operations at a global level, and therefore, deliver the significant growth vectors that we want to. I'm really excited about the work that we're doing, notably on sustainability. I think that there's tremendous future capability, not only in '22, but further on in the different products that we can deliver to consumers that not only meet the functional benefits that they expect of the BIC brand and the value that they expect of the BIC brand, but now sustainability benefits that help them make responsible choices for the future.

And then Michelle has told me that coloring represents 9.5% of our stationery sales in 9 months, and it grew 8.5% over the same period.

Marie-Line Fort
Societe Generale Cross Asset Research

Just 1 additional question. In terms of bolt-on acquisitions, is it still at the core of your strategy? And do you see potential opportunities for 2022 and probably in what field?

Gonzalve Bich
CEO & Director

It's a great question. I was looking at Michelle's number, and I should have finished with that, although, as always, I will tell you that I can't give away strategic details of the different ongoing projects. But absolutely, and it's a core part of our Horizon strategy, it's looking at the different bolt-ons, like a Djeep, like a Rocketbook, or like regional plays that we did at Lucky Stationery and Haco in Africa. We're constantly looking for those incremental growth opportunities as well as maybe some potentially more transformative opportunities at the category level. So really exciting.

Operator

[Operator Instructions] We have no further questions coming through on these phone lines at this point. So I'll hand the call back over to your host.

Sophie Palliez-Capian
Vice President of Corporate Stakeholder Engagement

Okay, thank you. So this will end our call today. And as usual, we remain at your disposal for any follow-up questions. And a short reminder, we will release our full year 2021 results on the 15th of February next year. So thank you all, and looking forward to see you in there.

Gonzalve Bich
CEO & Director

Thank you, everyone.

Operator

Thank you for joining today's call. You may now disconnect your lines. Host, please stay connected.