Event: BIC Full-Year 2016 Results

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Misprints and repetitions have been corrected.

Bruno Bich: Good afternoon, and welcome to our meeting for the full-year 2016 results. Thank you for joining us, either face to face or in the conference call. Our agenda for today is Jim, Gonzalve and myself I will review the group results, with the main highlights by category. We will share with you our perspectives for this year by category, as well as our long-term strategic priorities. And then, of course, we will open to the Q&A.

The 2016 results we feel were solid, although my personal view is that it is not for us to characterise the result, but for you. They're further testimony to the quality and to the strength of our business model in a world which is evolving ever faster. There is no doubt that 2016 was, particularly in the shaver in the US, a period of transforming event. And I believe that 2017 and going forward will also be periods of evolving categories or government policies which we will have to adapt to, and therefore the importance of our agility in front of new events will be paramount.

Our consumer net sales grew 5.3% at constant currency, and it was pretty much constant across all consumer categories. Despite the increase in operational investment, in R&D and brand support, that we had mentioned a year ago, our margin remained healthy at 18.9% – that is to say, our normalised income from operation. We also maintained, as you know, strong cash generation. Last week, we announced a partial completion of the review we initiated a year ago for BIC Graphic, our advertising and promotional product activity. As you know, we have decided to retain the European as well as selected developing markets operations, subject to the implementation of a sustainable business model, which I believe at least in Europe. Strategic alternative discussion regarding BIC Graphic in North America and the Asian sourcing operation are still on-going. We should be able to communicate more to you on the outcome in the coming weeks.

As a result of the BIC Graphic reviews, we have to account North America and Asian sourcing as net asset held for sales and discontinued operation in our 2016 consolidated result. For the sake of transparency, we have released both as published and restated for discontinued operation, and because it is the way we have been communicated since the beginning of 2016, we will focus on the figures restated for discontinued operation during this presentation.

So let's quickly go through those figures, before Jim goes into more details. As published, total net sales reached €2,025.8 million, a 4.9% increase on a constant basis – constant currency basis. Restated for discontinued operation, total net sales reached €2,272.4 million, a 4.2% increase on a constant currency basis, in line with the objective we gave you a year ago. The consumer business, as I said, grew 5.3% on a constant currency basis, and it was well balanced across all regions. BIC Graphic net sales decreased by 1.9% on a constant currency basis.

As published, the normalised IFO for the full year 2016 was €409.1 million. This margin, normalised, excluding the impact of the special employee bonus, was 20.6%, compared to 20.9% last year, for 2015. Restated for the discontinued operation, our normalised IFO for 2016 was €418.9 million. The normalised IFO margin reached 18.9, excluding the impact of the special employee bonus, or 40 basis points less than in 2015. Our consumer business normalised IFO margin stood at 21.4% for the year, down 0.5 or 50 basis points, excluding the impact of the special employee bonus. This is attributable to the increased investment in research and development and brand support I mentioned earlier. The normalised IFO margin of BIC Graphic was 3.3%, excluding the impact of the special employee bonus.

So net income for the group share reached €249.7 million, down 23.2%. Excluding the depreciation of BIC Graphic North America and the Asia sourcing operation, the net income would have decreased by 12%. Our earning per share was €5.32, compared to € 6.89 in fiscal year 2015, down by 22.8%. The normalised EPS, which excludes notably the BIC Graphic, North America and Asian sourcing depreciation, decreased by 7.8%, from €6.77 to €6.24 last year.

Maintaining a strong cash operation remains one of our group key objectives for the future. As you can see, our cash generation remained a solid, at €120 million, even with an increase of €60 million in

CapEx. Our cash position at the end of December 2016 was €222.2 million. Jim will explain later in more details the evolution of our net cash position compared to the previous year.

The solid 2016 performance was achieved without sacrificing our investments in CapEx and brand support. The CapEx reached €181 million as planned, as announced a year ago, of which 53% were really development CapEx – capacity CapEx, land – a 79% increase to the level of 2015. In the stationery category, we invested in additional factory in Samer, near Boulogne in France. We expanded our factory in Tunisia. We increased production capacity in Evolution pencil in two production sites: Samer and in Manaus, Brazil. Finally, we added production capacity for Velocity ball pen in Marne-La-Vallée.

In the lighter category, we invested in capacity in our three main factories, that is to say in Redon in France, in Tarragona in Spain and in Milford in the United States. In the shaver category, we began construction of our new R&D shaving – R&D center in Athens. We increased capacity in Saltillo in Mexico in order to accelerate our evolution of moulding and assembly operation. And we increased the capacity of our production in Manaus in Brazil. As planned, as announced, we reinforced our brand support to accompany the launch of new product and strengthen our position in all three categories. We did this through classic TV advertising, innovative digital and social media campaign, as well as in-store displays as part of our 360° marketing strategy.

Confident in our group financial situation, and consistent with our policy of cash utilisation, the board of director will propose to pay an ordinary dividend of €3.45 per share, representing a 1.5% increase.

Jim will now comment in more details the sales performances by category and by consolidated account. Jim?

Jim DiPietro: Thank you, Bruno. I'll start by reviewing the segment performance, and then go through the consolidated financial accounts.

Our consumer business increased 5.3% on a constant currency basis in 2016. Europe showed solid sales performance with a sales increase of 6.5%, and North America grew 2.7%. Developing markets net sales grew 7.5%, with Latin America up high single digits. Stationery full-year 2016 net sales increased by 5.2% on a constant currency basis, with volumes up 1.5%. Net sales registered – high-single-digit growth in Europe, and we gained market share in most countries. Despite a very competitive environment in North America, net sales registered low-single-digit growth. We continued our effective expansion in Latin America. In Brazil, reinforced our position with strong market share gains. In Middle East/Africa, BIC delivered strong growth, along with an outstanding performance in South Africa. In India, Cello Pens domestic sales were flat in the competitive environment. We continue to streamline our portfolio and focus on higher-value-added items.

Fourth quarter 2016 net sales are up 7.8% on a constant currency basis, with mid-single-digit growth in Europe and solid performance in North America. In developing countries, net sales increased high single digit, as back-to-school sell-in showed good results, notably in Brazil and South Africa. In India, Cello Pens registered an improved performance in domestic sales. Full-year 2016 stationery normalised IFO margin was 9.2%, compared to 11.5% in 2015. Excluding the impact of special employee bonus, normalised IFO margin for stationery would have been 9.6%. The year-on-year drop is based on the impact of an increase in operating expenses, as well as significant investment in brand support in Europe and North America. Fourth quarter 2016 normalised IFO margin was 5.4%, compared to 2% last year. A strong increase in net sales, favourable impact of currency during the fourth quarter and the favourable phasing of brand support compared to 2015 led to the change.

Full-year 2016 net sales of lighter grew 5.6% on a constant currency basis, and volumes were up 2.3%. In Europe, growth was driven by Western Europe and distribution gains in Eastern Europe. North America achieved mid-single-digit growth, driven by the success of added-value sleeves. In Latin America, net sales growth was in the high single digits. In Middle East/Africa, growth was driven by

North African region. In the fourth quarter, net sales were up 5.2% on a constant currency basis, with a solid performance in North America and strong growth in Middle East and Africa.

Full-year 2016 normalised IFO margin for lighters was 39.8%, compared to 38.2% in 2015. Excluding the impact of special employee bonus, the normalised margin for lighters would have been 40.2%, compared to a higher – reflecting a higher gross profit margin. In the fourth quarter, normalised IFO margin was 39.1%, compared to 33.7% in the fourth quarter of 2015, benefiting mostly from favourable cost of production.

Full-year 2016 net sales of shaver grew 7% on a constant currency basis, and volumes were up 0.6%. In 2016 we continued to reinforce our positions, especially in Latin America and Eastern Europe. In Europe, net sales achieved high-single-digit growth and solid performances in Eastern regions. In North America, the total US wet shave market declined 5% at the end of December. In this context, net sales were stable and we gained 1.5 – 1.4 points market share to 28% in value. In Latin America, the increase in sales was driven by the success of all product ranges. In Middle East and Africa, it benefited from good performance across all regions. Fourth quarter 2016, sales were up 6.6% on a constant currency basis, driven by good performance in Europe and developing markets, especially in Latin America. Full-year 2016 normalised IFO for shavers was 14.9%, compared to 18.5% in 2015. Excluding the impact of the special employee bonus, normalised IFO margin for shavers would have been 15.4%. This year-on-year decrease was due to planned increase in research and development and brand support investments. Fourth quarter normalised IFO margin was 15.5%, compared to 16.5 % last year, due to a negative FX impact on gross profit and continued investment in research and development.

BIC Graphic full-year 2016 net sales decreased by 1.9% on a constant currency basis. In fourth quarter, net sales declined, mainly due to timing impact in calendars and, as we benefited, earlier shipments in the third quarter of this year. Full-year 2016 normalised IFO margin for BIC Graphic was at 2.4%, compared to 3.3% in 2015. Excluding the impact of a special employee bonus, the normalised IFO margin would have been a positive 3.3%.

To conclude on BIC Graphic, Bruno already explained the status of BIC Graphic. BIC Graphic Europe operations will report to the European consumer product business, and a plan will be implemented to develop a sustainable business model. In developing markets, BIC Graphic operations that have a sustainable business model will be retained and will report to the local consumer businesses as well. Strategic alternative discussions regarding BIC Graphic North America and the Asian sourcing operations are still on-going, and we expect to be able to communicate the outcome of these discussions in the coming weeks. The review has led to the account – to us to account for BIC Graphic North America and Asian sourcing operations, assets and liabilities as non-current assets held for sale and discontinued operations as of 31st December 2016, in accordance with IFRS 5. As we reassessed BIC Graphic North America and Asian sourcing operations carrying value, the reassessment negatively impacted group net income by €36.4 million.

Full-year 2016 net sales of other consumer products decreased 9% on a constant currency basis. BIC Sport registered double-digit decline in its full-year net sales on a constant currency basis due to an increasing competitive market in the US. Full-year 2016 normalised IFO for other consumer products was a negative €2.7 million. Excluding the impact of the special employee bonus, normalised IFO margin would have been a negative €2.5 million.

In reviewing the key elements of the summarised P&L results, as published full-year 2016 net sales were up 4.9% on a constant currency basis. As restated for discontinued operations, net sales grew 4.2% on a constant currency basis. When we look at normalised IFO, it's important to highlight that it was impacted by the special premium booked in the first quarter. Excluding this impact, normalised IFO would have decreased 0.4 percentage points. The €63.9 million difference in 2016 between normalised IFO and IFO is mainly composed of impairment for BIC Graphic North America and the Asian sourcing operation.

As we look at IFO to group net income, we'll focus on the restated for discontinued operations section. We can see net finance revenue decreased to a negative €0.8 million, compared to a positive €26.8 million in 2015. This is due to favourable full-year 2015 fair value adjustments to US dollar denominated financial assets when compared to the rates of 2014. Also on this page, it's important to note that 2016 effective tax rate was 29.5%, consistent with the 2015 level. Finally, normalised EPS group share for 2016 was €6.24, compared to €6.77 in 2015.

Now reviewing the change of normalised IFO margin restated for discontinued operations in the fourth quarter, compared to fourth quarter of 2015, we can see favourable variance of 2.5 points in cost of production, and total brand support decreased 0.5 point as we began strongly investing in the fourth quarter of last year across all categories. OpEx and other expense grew 0.5 point, which included planned investment in R&D. And in summary, the normalised IFO margin shows plus 2.5 points increase versus the fourth quarter of 2015.

Now reviewing the change of normalised IFO as restated for discontinued operations for the full year compared to 2015, we can see a decrease of one point in cost of production. As planned, total brand support, which includes consumer and business development support, accounted for above net sales. Advertising, consumer and trade support increased 0.7 or 70 basis points. OpEx and other expenses grew 0.7 or 70 basis points, which includes the planned increase in R&D investments. Without the impact of the special bonus, normalised IFO margin shows a reduction of 0.4 points versus 2015. Most of the decrease is related to the higher planned investments in brand support, R&D and the operating structure to support those investments.

Now we'll look at CapEx investments for 2016. We can see that, for the full year, we invested €181 million; restated for discontinued operations, it was 176 million – would have been – I'm sorry. €176 million invested as published. As we look at 2017, we would estimate the investment level to be in the range of €180 million-200 million.

Now, on this slide, we can see at the end-of-year change in our working capital, as restated for discontinued operations. As a percent of sales, working capital is 30.2% in 2016, compared to 27% in 2015. Inventories increased €40.5 million and 1.5 points to 22.8 as a percent of sales. This increase is mainly due to stationery and lighter. As we experience – we also experience an increase in accounts receivable year to year in 2016 compared to 2015.

This slide summarises the evolution of our net cash position between December 2015 and December 2016. The net cash from operating activities was €298.7 million, with €417 million in operating cash flow. The impact of the change in working capital was €118.5 million, mainly related to the inventory in trade receivables we spoke about on the earlier page. We invested €180.8 million in CapEx as a result of the expected investment and planned investments in CapEx – and development CapEx, especially. Cash generation before dividend and share buyback remained strong, and the dividend payment, including the special dividend, was €277 million, and the share buyback, net of exercise of stock options, was €79.1 million.

This ends the review of our 2016 consolidated results. Now I'll give the floor to Gonzalve.

Gonzalve Bich: Thank you, Jim.

The stationery market continued to show positive momentum in 2016, with mid-single-digit growth in value terms, which was well balanced between developed and developing markets. Despite an increasingly competitive environment, we maintained or grew share in most geographies, especially in developing markets, notably in Brazil, the Middle East and Africa. In the US, we maintained market share, supported by a steady performance during the back-to-school season. These results were achieved thanks to the success of our focus on depth, breadth and quality of our distribution, as well as fueled by the introduction of new products, continued investments in brand support and sustained investment in our geographic expansion.

Our champion brands strategy, which we've talked about these last three years, was particularly successful. New product launches enabled us to better meet new consumer trends and demand across different markets. The incorporation of growing consumer trends into our new product design – for example, more colours and differentiated designs – means that new products now represent a healthy 27% of sales. In addition to – and as you can see on the slide, champion brands represented 46% of total sales last year, compared to 36% in 2010. The key drivers of our successful year were the continued growth of our four key champion brands, namely Cristal, Atlantis, Evolution and 4-Colors, as well as the successful introduction of a new champion brand, BIC Gelocity, and a strong performance of our new products, especially 4-Color Neon, Gelocity Original, Cristal Bicolor and the Conte range of adult colouring. These champion brands are building scalable portfolios with the critical mass in consumer awareness that drives long-term loyalty.

In 2016 we enhanced our marketing support by developing and deploying targeted and innovative campaigns that drove audience and reach, both on and offline. In Europe, we ran TV advertising featuring our iconic 4-Color Shine in France, the UK, Italy and Belgium, with strong results. Bridging the gap between colouring and the world of digital, we launched in Europe the BIC Kids DrawyBook app, a fun and clever app designed for children between the ages of five and 10 that brings drawings to life, combined with an interactive story and educational games. In Latin America, the team devised a creative and highly emotional video that went viral, which focused on the special bond between children, school work and their parents. The campaign for BIC Evolution Graphite was ranked in the top five YouTube videos during the back-to-school season in Brazil. These results, and development of such campaigns, are further demonstration of our increased agility and our ability to support and drive brand awareness effectively, both on- and offline.

Our on-going increased investments in research and development will continue to drive growth, with several major new product launches planned in 2017. Our BIC Gelocity quick dry, with super-vivid and fast-drying gel ink; our 4 Colors 3+1 – the iconic product now available with an inbuilt mechanical pencil; the BIC Atlantis extra smooth, for super-smooth and fluid writing, available on premium Atlantis ball pens; BIC Gelocity Illusion, with thermochromic erasable gel ink, for a perfect erase and rewrite experience; BIC Velocity Max, a super-comfortable mechanical pencil with a new silicone grip and large eraser for better erasability, which consumers have really wanted these last years; and finally BIC Intensity, a full range of high-quality fine liners, coming in 12 colours, addressing a fast-growing segment in Europe.

Turning now to lighters, our lighter business continues to go from strength to strength, benefiting from the tremendous success of our sleeve trade-up strategy. We continue to strengthen our international expansion, notably in Latin America and Eastern Europe, focusing again on our motto, 'A BIC seen is a BIC sold.' We continue to invest in "boots on the ground" to ensure that BIC lighters are prominently displayed in shops globally. As you can see, our sales of BIC sleeve pocket lighters are outperforming the growth of the total category, with a compounded annual growth rate of nearly 11%, now representing 21% of category net sales in 2016.

On this slide, you can see that our lighter sleeve range continues to develop right around the globe. And here are just a few examples that will come to market in 2017. Each year we launch more than 300 decorated series globally. In 2017 we will continue to leverage our proven safety and quality product benefits for all classic and added-value products. For developed markets, we'll focus on driving sales with new added-value sleeve designs, whilst in developing countries we will consolidate our footprint and enhance BIC brand awareness.

Turning now to shavers, you can see that the one-piece segment market in Europe was driven by Eastern Europe. BIC gained market share thanks to line extensions and premium shavers such as BIC 3 Action and BIC Flex 3 and Flex 4 comfort range. In the US, the one-piece segment declined. Despite this market situation, we gained market share, thanks in part to our value and quality positioning across our entire product range, including our new products, BIC Flex 5 and BIC Soleil Shine. At a total category level worldwide, it is this positioning and the development of our added-value product pipeline that enables us to increase the weight of added-value products on our total shaver net sales from 49% in 2011 to 62% in 2016.

In the US market, the industry continues to face disruptive challenges, and the shaving market remains highly competitive due to better performance of private labels, a decrease in promotional activities in the one-piece segment, price reductions implemented by some competitors and online players such as Harry's and Dollar Shave Club. BIC continued to outperform the market in both the male and female one-piece segments, gaining market share. This performance is driven by our strong high-quality, high-performance at a great value positioning and strong market distribution. Despite this disruption and market turbulence, we gained market share. BIC's success continued to be driven by our expanded distribution and shelf presence, the strength and foundation of our core value products, the Soleil franchise, the solid growth of our added-value portfolio and our continued pipeline of premium products such as Soleil Shine and BIC Flex 5. Our marketing support efforts focused on year two of the BIC Flex 5 'Men, it's time to smooth up' campaign, executed 100% digitally in the US. Our women's shave strategy focused on refreshed creative for the BIC Soleil 'Make your own sun' campaign featuring BIC Soleil Shine, activated in both traditional and digital media.

In Eastern Europe, growth was underpinned by the successful new product launches, such as BIC Flex 3 hybrid for men and BIC Simply Soleil for women. We gained two points of market share in Russia, supported by TV campaigns, notably for the Flex range, as well as increased distribution.

As Jim mentioned earlier, our performance in Latin America was driven by the success of all product ranges, improvements in distribution and increased brand support investment. In Brazil, our growth was delivered across the entire portfolio. We noted an increase in household penetration, putting us in good stead for continued growth in 2017. A regional campaign for BIC Comfort 3 was launched in Brazil to support the brand. Starting with a packaging revamp of the line which provided a more modern and masculine feel, the campaign focused on the 18-to-35-year-old consumer demographic. We communicated Comfort 3's shaving performance in a light-hearted yet effective manner. The TV campaign was complemented with a strong digital media plan. With this, we grew market share. The Soleil range continued to deliver solid performance, supported by 'All shine with Soleil' TV and digital campaigns.

In 2017, we will continue to both enhance product performance and position ourselves at an affordable price. Thanks to increased research and development investment, our growth will be boosted by major new product launches. The BIC Hybrid 5 shaver will be launched in North America. This shaver offers the best technology, including five flexible blades, a heavy ergonomic handle with balancing sphere, and precision edging blade for ultimate shaving performance. Consistent with our value positioning, this shaver is priced below the main competitor online and the direct competitor in offline channels. Comprehensive promotional campaigns will be conducted to support the important launch of this product.

In 2017, we forecast continued growth in Latin America and Eastern Europe, with the upcoming launch of BIC Flex 3 and the Soleil line extensions. We will capitalise on BIC's strong shaver momentum in these important regions. The BIC Soleil Sensitive shaver will be launched in Latin America. It's a three-blade shaver with protective comfort shield to reduce irritation, including an ergonomic handle adapted to women, providing consumers with an excellent shave at an affordable price. Both the BIC Flex 3 and BIC Soleil Sensitive shavers will be priced below the direct competitor, consistent with our value positioning.

Since its inception, and whatever the product category, BIC has always aimed to offer simple, high-quality and affordable solutions for everyone everywhere. It's our brand DNA. This year, consistent with this DNA, I am delighted to confirm that we will launch the BIC Shave Club. This is a subscription service where consumers will receive directly at their home a high-quality refillable shaver. This offer will be available online only and will be initially tested in France in the spring of 2017. The subscription will be monthly. In month one, the consumer receives the starter kit with a free handle and a set of blades, with top up deliveries of refills sent according to usage, depending on the frequency set by the consumer. The test BIC Shave Club offer has been developed to fit the needs of many refillable users, to simplify the purchase of blades and offering the best shaving performance at a BIC price.

With that, let me pass it back over to Bruno.

Bruno Bich: Thank you, Gonzalve.

As I said in the beginning, in 2017 I expect the volatility of currencies and the unpredictable global environment to require from us more agility to answer in a smart manner – in a clever manner – to the difficulties and the opportunities that will be offered by the situation. We are working on delivering mid-single-digit organic net sales growth. We will continue to launch new product, as Gonzalve just mentioned – the quick-drying erasable gel pens in stationery, the new-added sleeves in lighter, the new flexible blade with the hybrid five-blade shaver.

I'll take a second here to recall what Gonzalve said. What we are all about is to deliver very-high-quality product at the right price to the consumer around the world, and I will expand in a minute on this in our conclusion, but that is what we will continue to do in 2017 and building for the future. And we will also work hard to increase our distribution with a very interesting focus on e-commerce in France and Europe, but also to broaden our distribution in the developed country as well as in developing country, whether it's a modern mass market or whether the traditional.

One of the quotes that we have used inside for a long time, but I'm not sure we have used with you, is really this concept of 'A BIC seen is a BIC sold.' The consumer today is very much in a hurry. We know that the mother who comes to a store at back to school will decide in about 20 second what pen she buys. And therefore, the visibility – just the fact that you are in distribution in the most remote part of Africa, Brazil or even Kentucky in the United States – is of importance. Then you have the visibility, and that's why earlier I talked about our concept of 360-degree marketing.

You know, we are increasing now our brand support in TV advertising, in digital advertising, social media. But we want to continue to be seen in the stores. To enhance this long-term performance, we'll continue to invest in R&D, into brand support and CapEx, as Jim mentioned. We expect today that the total impact of this investment on the normalised income from operation margin could be a negative impact of up to 100 basis point compared to 2015 and 2016, excluding the major currency fluctuation, which more and more can have an impact on us as Latin America is growing.

Our long-term strategic priority of basically remaining the same, they well continued to create long-term value by outperforming the market, growing sales organically – I don't like the low part of the mid, I much prefer mid-single-digit – thanks to distribution, increased focus on value-added, emerging market. We will continue to grow normalised income from operations through increased productivity as we invest in our people, in the brand, R&D, with a focus on quality and innovative new products, some of which are really, truly innovative in this – close to a system shaver. And we will maintain strong cash generation to continue to invest in people and to grow the business organically and finance strategic bolt-on acquisition and sustain the total shareholder remunerations.

You know our philosophy, which is to offer simple, inventive and reliable choices to everyone, everywhere, every time. You know the phrase, 'Simple like BIC.' We do offer simple product. We simplified writing versus a fountain pen. We simplify lighting versus matches. We certainly simplified shaving. And we have done so with high-quality product. When it talks to the concept of manufacturing – of R&D and manufacturing, as you – many of you have visited our plant, we constantly search on how to improve the quality of our product. And I will say, we put safety before the quality. And that is true both for the iconic product, including the Cristal pen, to the new product. And I think when you test the new products that you have in your bag, and you test, for example, the medium ball pen – very smooth ink – you will find a product which frankly all consumers will realize as they use it is very much a translation of the improved smoothness in the medium point than we introduced last year in the fine point. When you write with the gel – with this new gel which come in I don't know how many colours – 12 colours or 16 colours?

Gonzalve Bich: Eight colours.

Bruno Bich: Only eight colours, this one? It's – not only just because of its smoothness, but the fact that it dries instantly – an improvement for consumer use. And, as you know, in our philosophy we spend an inordinate amount of time to understand how people use our products. What is what we call the function of a product? And if we became the largest seller of disposable razor in the United States in volume, it's because I think we understood very well what was the usage of people in shaving. What were they looking for? And I'm not saying that – I'm not saying that we truly matched the quality of Gillette in shaving. I say we're extremely close. The design of our handle – the design of our shaver especially for women, before Gillette did – helped us to gain the market share and get ahead of Gillette in the disposable – in the women business. So this constant attention – daily attention to how do we improve the quality of the product, both on the iconic and the new one – is a minor detail.

At the same time, then, we say we've got to reduce the cost. We've got to work to reduce the cost – is really one of our main strengths. For those of you – anyone not seen one of – one of our factory, go and see it. Because we think we're going to – in a way, to two markets. One of the market is obviously the higher-end market. No doubt, people with disposable income want to write with a writing instrument which is very smooth, where the ink colour is more vibrant, and where they have a rubberised handle. So this product, which is absolutely beautiful product – I like it. I use it. I use a violet one. But the fact of life is that it costs, per meter of writing, three or four time more than a Cristal pen. So if you have the disposable income, that's what people aspire to. But on the other hand, you have millions of people in the world who don't have the money to spend on this, and therefore continue to improve the quality of the Cristal and reduce the cost of the Cristal. And that is what we're doing across the way. So that philosophy of improving the quality and reducing the cost still apply going forward, in a different manner whether the product are designed for developed country with higher disposable income or developing countries. And that's why we're growing, for example, in Latin America or Eastern Europe.

We want product to be reliable. If we are gaining today in the stationery versus, Private Labels, it's because we deliver reliable product. You have a lot of people today who are – who are delivering to consumer across the world inventive product, attractive product, but frankly they're not reliable. And one of our strengths is, no matter what factory our product come from, they are extremely reliable. Anywhere around the world, you can ask about BIC product. They will tell you they're reliable. And we want now to offer them to everyone, everywhere, every time. Therefore, the push in Latin America, the push in Middle East/Africa, which is very successful, the push in Eastern Europe and the push in India.

We have two large philosophies underpinning this strategy. One is that the centrepiece of our philosophy is people. You know, we believe in people. The only thing more important than the quality of the BIC product is the quality of the BIC people. So there is absolutely no doubt in my mind that, over the years, we have improved the quality of our management. And we have improved it across the world, but we've also improved it in categories. For example, our people in the stationery business who work in the chemistry area are much more in-depth analysis than what we did 10 or 20 years ago to further improve it, because everything is a compromise. How do you make an ink to be smoother, but at the same time you want the ink to last three years? Okay, how do you make inks which are smooth and last three years in a very humid area versus a dry area? In Europe or the United States, we produce in air-conditioned factory which we ship product from to air-conditioned warehouse, which go to air-conditioned store, which go to air-conditioned office or air-conditioned home. In Africa or India, it's not the same thing. We produce in non-air-conditioning factory, the warehouse are not air-conditioned, very few of the office air-conditioned and very few of the home are air-conditioned. So the inks are not the same. How does the chemical make-up of the ink in relation to the point design happen, to have a smooth ink which will not dry for three years? It's frankly high-tech, and this is where we have improved our technological people like we have improved the marketing people, the research people and including into the e-commerce area.

So people are the centrepiece of our philosophy. I don't believe in replacement of people. I did not replace my father he did not replaced me, and Gonzalve will not replace Mario. We are successor; we are different people. What I can tell you is that I'm highly confident that Gonzalve will do better job than me, and that for the next year or so, Jim, myself, Ed Dougherty, who came back, if you remember – the quarterback of the shaving business came back in the spring to help us to develop Gonzalve and the team, and the progress is frankly – I'm very happy with. And that is also true with the category managers, the continent managers, the finance and so on.

Our other philosophy is to honour the past and to invent the future. We have been very lucky to inherit fantastic value – the respect of the consumer. I can tell you that, whenever we discuss product, I first react as a consumer. And I have product all over my desk, and I see which one does my hand go to, which one I go back to, which one I use, which one – in my subconscious, because that's what the consumers do. So we want to honour the value of respecting the consumer across the world. We don't overcharge. Just like Georges Plassat said of Carrefour, we sell at the right price. Now, we have margins, and we want to maintain a high margin for fast-moving consumer good to invest in people, to invest in research and also because we are fighting competitors much bigger than us, and we don't want to be restrained on finance when you fight somebody much bigger than you.

But we also have an attitude of developing new ideas. We have grown internationally. We were very open to growing the world. We have grown, in truth, to be by far the largest lighter company in the world, with market share in the 70, 80%, not only in North America but Latin America. And we want to take those concepts, those values and expand them into Latin America more, in Europe, in the country where we don't perform as well as some of the others. Middle East/Africa, and into India. We have not yet found a way to enter the Chinese market.

I remember the days – and I was young then, I was a young, fit person – when Woolworths in the US said, 'Hey, if you sell Kmart, you know, we're going to delist you.' And then Kmart said, 'If you sell Walmart, we're going to delist you.' You may know that the office supply in the United States used to be controlled by about 12,000 offices supply which were under the control of 12 pen wholesalers who had split United States among themselves called. And they said to us, 'Well, you know, if you sell those modern stores like Office Depot and so on, we're going to delist you.' And we said, 'Look, we don't have the right not to sell, first of all, in the United States. Second thing, our philosophy is maximum distribution. A BIC seen is a BIC sold.' So this new venture to go into the BIC Shave Club, I think, is a tribute to our inventing the future. We will do so carefully. We will do so purposively.

Thank you. We will now entertain your questions.

Operator: Ladies and gentlemen, for any questions by phone, please press 01 on your telephone keypad.

Speaker: Thank you very much. Three questions, if I may. The first one would be on the shaver's division, if you can give us a split in term of market share gain between men and women. And regarding the initiative on BIC Shave Club, did you discuss this initiative with your main distributors, and what do they think about that?

Second question is on the stationery business and Cello. Can you come back a bit on the performance of Cello and give us a bit more details on the margin, as well?

And the last will be on lighter. We were used to getting a price increase every two to three years. We're coming to this time, so do you plan an increase for 2017? Thank you.

Bruno Bich: So let me – Jim and I will talk about Cello a bit. Cello is about inventing the future. I'll be very candid. It is the single most difficult country in which I have operated in my life – more difficult than any country in Latin America – both from understanding how they go about business and legal situation that you know about.

I'll get back to people first. Since we have controlled the company, we have hired now a general manager. We have hired a new production manager. We have a new sales manager. We have a new marketing manager. The marketing manager will be two years pretty soon. The sales manager one year. The sales manager six months. The production manager's two years. The general manager is four months. And we have one of Jim's right-hand person, Virginie Rollet, who is the CFO in India. So it's a lot of work. It's difficult work. It will take time. We are the leading brand in India. The beginning of the year was difficult, because we were switching from an old way of doing things to a new way of doing things. The last four months have shown an increase in sales, so we are the number one in ball pen, and in the gel I think we're still maybe at number two, but we are getting very close to the number one. So that I'm very happy about. I think it's going to take a while to benefit from all the work we have done – of in-depth analysis of the market, the distribution channels and how does the consumer react, into what is not a modern distribution system and I don't think will become a modern distribution system soon. Jim, can you comment on margins, please?

Jim DiPietro: On the margin for Cello, we finished the year low single digit. Again, that is the trend that we had been talking about throughout the year, primarily due to the volume declines that we had seen on the export business, as well as some of the softness that we had seen on the domestic side in the mid-part of the year – the June through August time frame. So right now we finished low single digit, primarily because of the volume declines.

Gonzalve Bich: To your shaver question, in men we gained 1.6 points of share, and in women we gained 1.1 points of share. For the lighter price increase question, we've taken a strategy now that we will continue to effect price increases on a regular but periodic basis, and this year we've chosen to do it in certain channels of distribution in the US market. Next year we'll do it in others, and so on and so forth. But we'll continue in our mature management of price increase. And BIC Shave – I'm sorry, could you repeat your question about BIC Shave Club?

Gonzalve Bich: Today we announced, to you all and the world, the launch of the test in France, and so we'll be talking with our trade partners in the days coming.

Operator: Ladies and gentlemen, for any question by phone, please press 01. Thank you.

Speaker: Shavers market in the US. Can you give us your outlook for 2017? Do you expect some improvement? And given the initiative you've put in place, the new product launches and the competitive environment, do you think you can continue gaining shares on the US market for next year?

The second question is on the FX impact that I just had normalised before in 2016. If you can quantify it. And, assuming the current rate prevails, what sort of impact should we expect for 2017?

And the last question is on the Eastern Europe. Can you tell us how much of sales do it represent now, and what was the Eastern Europe contribution to total Europe like-for-like trend for the full year?

Gonzalve Bich: So, I'll start with the US shaver market. I think that, as Bruno mentioned at the start, globally we're in a volatile world, and the US shaving business has been such these last couple of years. Last year was particularly tumultuous, but we're a resilient company. And, as I explained earlier, in the face of that declining one-piece segment market, we gained share. We're going to continue to fight and provide very-high-quality products like the Flex 5 hybrid product to the market, and continue to market aggressively through increased investment in brand support to defend and grow share.

Jim DiPietro: FX? Okay. So, for 2016 full year, the benefit of FX is probably around 40 basis points. Couple of things to remember – 2015, our hedge rate was 124. 2016, the hedge rate was 112. So, obviously a benefit year to year on the hedge rate with the currency movements. 2017, our hedge rate is 111. So while we had a bit of a benefit in 2016 that I just mentioned, going into 2017, based on our hedge rate we would see it being lower – probably more stable year to year, so less beneficial than what we just experienced, without any major changes to currencies that we would say ?

Speaker: In Latin America? Because I think you had a very negative impact in Q1.

Jim DiPietro: Yeah, and the amounts I've just given to you are in total, so the 40 basis points is group. Obviously the biggest component we have is Eurodollar, and then we have Brazil and obviously Mexico. Those are pretty close to being naturally hedged, but obviously – the fluctuations of those currencies obviously impact to translation.

Gonzalve Bich: To your question about Eastern Europe, Nikola, I'm going to have to get back to you.

Jim DiPietro: Please repeat the question on Eastern Europe? I'm sorry.

Speaker: What is the Eastern Europe as percentage of sales for the group in 2016, and what was the contribution of Eastern Europe in total Europe, like for like? Because you had high-single-digit like-for-like Europe.

Jim DiPietro: Yeah. I think it's – while Eastern Europe grew faster percentage-wise, small piece of the total pie, if you will. Total Europe, if you break it down between Eastern Europe and then West and South – West and South Europe is about 80% of the growth, and 20% is eastern Europe.

Bruno Bich: Maybe to your question, did we do well in Western Europe, the answer is yes. We have – there's a question over here. Sorry.

Speaker: Good morning – good afternoon sorry. I have two questions on BIC Graphic. The first on is that can – can we have the proportion of online sales of BIC graphic today? And the second is what is the remaining goodwill value in the balance sheet for BIC Graphic America?

And I also have a question on the BIC Shave Club. Where is the warehouse? Who's going to deal with the logistics? And what can be the reasonable turnover we can expect for this activity in 2017? Thank you.

Jim DiPietro: So BIC Graphic, especially in North America, that business is still a distributor based business. There are some online aspects to it but it's still distributor based. So even if it's online with our customers, they are distributors who may have online networks that are linked to ours. So it's really – it's different than the consumer side where you can a certain percentage can be done online.

The goodwill based obviously on the impairment that we just took has brought that goodwill down to zero.

Operator: Ladies and gentlemen for any question by phone please press 01. Thank you.

Gonzalve Bich: Where the warehouse is is strategic information, and today we're looking to learn, develop and grow and be successful. But I think it's way too early to give you any predictions at this time.

Speaker: So I have three questions. The first one on your guidance for 2017 you talk about minus 100 basis points of impact from extra investments, so does that mean that the margin will decline 100 basis points in 2017? And also, what's the base for that? Is it the published figures or the re-stated figures?

Second question is on BIC Graphic, how big is the US plus Asian sourcing operations in terms of revenues and profits?

And third question on BIC Shave Club, what kind of models are you going to use to – to launch the initiative? The BIC Flex 3, the BIC Flex 5?

Jim DiPietro: So on the first question, 100 basis point outlook for 2017 based on the investments, that would be a reduction of the normalised IFO margin by 100 basis points. And it would be the same 100 basis points whether it's at published or re-stated for discontinued operations.

BIC Graphic North America/Asian sourcing is roughly 80% of the total Graphic sales and in essence much higher percentage of the profitability.

Gonzalve Bich: For BIC Shave Club, it won't be a model that you've seen before. It'll be a completely new model.

Speaker: Good afternoon. I have a few questions please. The first one on CapEx, you mentioned again a bigger month this year; can you be a bit more precise maybe by division, what are your CapEx plan by division in which country you expect to expand capacity and maybe the way of digital investment in those investments?

My second question is on the tax rates you expect for this year, and any impact you've quantified internally from the change of Trump policies in the US, as well would be interesting to share. I think that's it for the moment. Thank you.

Jim DiPietro: So as I mentioned the range of expected CapEx investments for 2017 would be between €180 million and €200 million, which again is within I would say outlook from a year ago when we said we would be investing approximately €180 million for three years. So it's pretty much in the expected forecast of what we were looking to invest in CapEx.

I would say the split by category is going to be not significantly different than what we've experienced in 2016. It could be different based in timing by category but nothing dramatic – dramatically different at this point.

Lastly the tax rate; so right now the tax rate we would estimate for 2017 is closer to 30%. We finished at 29.5 this year. We had a slight I would say tax – affected tax rate benefit because of the Graphic impairment. That wouldn't repeat itself next year so we would expect to be back to 30%. The Trump policies if you will, will be evaluated when we know what the Trump policies turn out to be.

Speaker: Hello.Just one question on BIC Graphic in the US and Asia. You've mentioned in the press releases that the normalised IFO was 9.8 million if I'm correct. Can you give us the same figure for 2015 and 2014? Thank you.

Jim DiPietro: 2015 would have been higher by about €2 million. 2015 would have been higher by €2 million. I don't have 2014 but…

Speaker: Hello. Just a question again on BIC Shave Club; can you tell us how much you are investing in this project this year? And how many subscribers do you hope to have after let's say year one or at least how much – how many subscribers would be a success for you after year one?

And third can you tell us also the percentage of your sales online both in the razor division and also the global consumer division? Thanks.

Gonzalve Bich: The number of subscribers, I think I've said it before, it's a test and we're going to learn. How much we're going to invest in brand support? We have a strong shaver business in France that we need to continue to develop in the one-piece segment. So as a percentage of the total investment package, it's not going to be vastly material but it'll be enough to hopefully carry us.

Digital sales of shaver today as they stand are nominal. We don't have a direct to consumer presence and that's why we're BIC Shave Club. Globally I'd have to get back to you. I don't have that number to hand.

Operator: Ladies and gentlemen for any question by phone please press 01. Thank you.

Speaker: About raw materials and how do you see the future and the hedging you have? Please.

Jim DiPietro: Obviously in 2016, as you know, one the main benefits we experienced in cost of production was favourable raw materials versus prior year. We would still expect maybe in the beginning of this year, based on some of the materials sitting in inventory that we'll end up producing, to see a little bit of that lower cost being used in the beginning of this year and reflected in the P&L towards the beginning and maybe mid-part of the year. And then we're going to be obviously evaluating the market towards the second half of the year.

Some of the prices seem to be inching up so I don't think we would see the same benefit year to year in raw materials in 2017 as we did in 2016.

Speaker: Just a quick question please on what percentage of your production today is made in the US?

Jim DiPietro: In the US is – it's mostly – there's very little in stationery. Lighter piece is about 30% of total lighters.

Nicolas Langlet: Nicolas Langlet, UBS. I've got two additional questions. The first one is on the BIC Graphic business you are keeping, so Europe and developing countries, what is for you the reasonable margin for the medium term for this activity post the restructuring?

And the second question on the US again, how much do the US represent within the total tax charges in 2016?

Jim DiPietro: The margin for BIC Graphic outside the US, quite honestly will be determined after we go through the plans and start to work on sustainable models going forward. So I think it's a bit premature to quote a margin right now until we go through the absolute plans. Okay. The tax question you were asking?

Nicolas Langlet: I just want to see how much the US represented within your total tax charges in 2016? And in the case we have a corporate tax cut in the US, try to quantify what could be the impact for you?

Jim DiPietro: I think it's a complicated question and it's a complicated answer because I think it goes back to what are the policies going to be. So a corporate tax rate may be a corporate tax rate but if there's going to be other import tax, some of that may offset the benefit. So I think it's again prudent to wait to see the entire piece of the policy and then we can come back and quantify and give you a better estimate as opposed to just trying to guess what the impact could be.

Speaker: Yes again – two more questions on my side. On working capital can you give us an idea of what can we expect in 2017? And will we have any improvement on this topic?

Jim DiPietro: Working capital, obviously, we've increased both receivables and inventory towards the end of 2016. With the inventory side obviously a lot of that's going to be married to the CapEx investments that we make as we build more capacity. So a lot of what we're building obviously is anticipation of sales coming into 2017.

So it was increased – percentage-wise increase should be I would say a little less as we look towards 2017 than it was 2016 versus 2015.

Receivables we had some increases towards the end of the year. That could be again timing with back to school in Brazil and other parts of South America, and then also some other increases in other receivables that should over time in 2017 be more of a phasing or timing reduction. So some of that should be offset towards the end of 2017.

Speaker: Okay thank you. And the second question on any restructuring charges that we can observe in 2017 or everything was mentioned for 2016?

Jim DiPietro: Everything that we know on 2016 has been communicated and booked on 2016. Anything to be identified afterwards will be communicated and booked afterwards.

Bruno Bich: Any other questions? thank you very much. Try our new shavers and our new pens. Thank you.