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Speakers: Sophie Palliez, Bruno Bich, Gonzalve Bich and Jim DiPietro

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Misprints and repetitions have been corrected

Operator: Ladies and gentlemen, welcome to the second quarter and first-half year 2017 results BIC conference call. I now hand over to Mrs. Sophie Palliez. Madame, please go ahead.

Sophie Palliez: Thank you. Good afternoon and good morning. This call will be hosted by Bruno Bich, Chairman and Chief Executive Officer; Jim DiPietro, Chief Financial Officer and Gonzalve Bich, Chief Operating Officer. We will start with a short presentation that includes the main highlights by category and then go through the usual Q&A session. Let me give the floor to Bruno.

Bruno Bich: Thank you, Sophie. So good morning or good afternoon where you are. Let me do things a little bit differently where I think I would like to cover at the beginning both the quarter, the half-year and our objective for the year. As we all know we had a disappointing first quarter and we had a good second quarter. Our sales reached €1,062.9 million, an increase of 0.3% for the first-half. In the first quarter we were down 4.1%, disappointing to us. Second quarter we were up 3.9%. If we look by category, in Stationery, first quarter we were down 5.1%. Second quarter we were up 9.1% and therefore reached an increase of 3.3%. In the Lighters, we were down 0.5% in the first quarter, up 2% in the second quarter and we reached an increase of 0.8% for the first-half. In the Shavers in the first quarter we were down 7.7%. In the second quarter, down 0.9% and therefore finished or are now at -4.3%.

If we look by continent in Europe we were up 2.3% in the first quarter, 4.8% in the second quarter, 3.7% in the six months. North America, we were down in the first quarter, up in the second quarter 0.7% and now down 3.7%. In developing markets, we are down the first quarter 3.4% and in the second quarter up 7.9% for 2.3% increase at the first-half. So based on those numbers and based on everything that we are looking at today as things evolved and things are very volatile. We talk about it during this call. We are in particular looking at the recent signs of low consumption in Brazil. We now expect the trend, our trend to be between 3% and 4% on a full-year organic net sales growth.

Our normalized income from operations was €219.4m or 20.6%. In the first quarter it was 17.4%, in the second quarter 23.3%. our Stationery in the first quarter was 3.6%, second quarter 16% and we stand at 11.3%. Lighters were at 37.4% in the first quarter, 41.7% in the second and we reached 39.6% at the half-year. Shavers 12.6% in the first quarter, 14.1% in the second quarter and we're at 13.4%.

So we will continue to invest for the long-term growth of the company and I will come back to this throughout the presentation but we are adjusting our 2017 brand support to reflect and to react to the market dynamics. Therefore, we expect the decrease in our 2017 normalized income from operation margin to be less than the 100-basis point reduction that we had originally told you. Our EPS was 2.78, down 6.7%. Our normalized EPS which excludes restructuring costs that were mainly related to BIC Graphic, reached €3.23, a 3.6% growth. Our net cash position at the end of June was €87.2 million compared to €222.2 million at the end of December. Jim will explain in more detail the evolution of our cash position.

I now give the floor to Gonzalve who will comment in many more details our performance by category.

Gonzalve Bich: Thank you, Bruno, and good morning everyone. As presented in slide six the Stationery market as a total category in the US continued to struggle in the first half of the year. Year-to-date June the total market was down 1.3% however on a 52-week rolling basis performance was positive with 0.9% growth. Examining the market by channel we see that with the exception of e-commerce channel, which grew at 15.6%, performance elsewhere could be described as lacklustre. The Food & Drug market channel underperformed during the first half of the year, as did Office Supply where product sales performance was soft with fewer customers visiting stores and further store closures. Meaning there were fewer stores for customers to visit. Overall BIC organic net sales for Stationery category including both Consumer and BIC Graphic increased by 3.3%.

In Europe, our back-to-school sell-in was strong. New products, particularly our Intensity Fine Writing Pen and our 4-colour 3+1 – which includes a mechanical pencil function – were well-received by the trade and have strong visibility in stores as a result.
In North America, our impactful product portfolio combined with our value-for-money positioning led to reinforced leadership in the ball pen, mechanical pencil and correction segments. Also, our new products – Gelocity Quick-Dry and Velocity Max mechanical pencil – are enjoying a positive trade and consumer response.
In Latin America, we recorded low single-digit growth. In Brazil, we continued to gain market share thanks to a strong performance with our core ranges. As well as new products like Cristal Fashion and the Cristal Up pens. We also secured incremental distribution as we continued to implement strong and compelling sales and marketing plans in store. In Mexico, back-to-school sell-in was strong with increased sell-in on our flagship products.
In the Middle East and Africa sales increased double-digits and in South Africa a successful back-to-school not only ensured that we remained the number one brand but also meant that we increased share.
Cello pens domestic sales increased mid-single digit thanks to our champion brand strategy which included the successful new product launches within the ButterFlow and GelTech ranges. Cello consolidated its market leadership further with market share gains in four writing instruments sub-segments, notably ball pen, gel, roller and fountain pens. In addition, effective and targeted brand support investments resulted in increased in-store visibility and displays in both traditional and mass market channels.
As a result, our first-half 2017 normalized IFO margin for the first-half was 11.3% compared to 13.6% which excludes the impact of the special employee bonus. The decline is explained by the reinforcement of our brand support investment plan in line with our strategy, particularly in developing markets and the increase in Opex.

In Lighters net sales increased by 0.8% on a constant currency basis. Europe delivered mid-single digit growth in net sales. Increased distribution across the region resulted in a good performance in both western and eastern geographies and specifically in France, Russia and Turkey. Although net sales performance in North America suffered from a slow start in the first quarter due to phasing performance in the second quarter recovered sufficiently to ensure a recovery by the end of June. Also, a continued emphasis on selling innovative, added value lighter sleeves coupled with deeper levels of distribution meant that our market share in the US increased.
Our business in Latin America had good performance in Mexico, while in the Middle East and Africa we continued to gain share.
By the end of the first-half 2017, normalized IFO margin was 39.6% as compared to 40.0% which excludes the impact of the special employee bonus. The slight decrease is explained by a lower gross profit while the increase in operating expenses was more than offset by lower brand support investment.

In the US, the shaver market continued to reflect the highly competitive and disruptive nature of the category. At the end of the first half of the year the total shaver market contracted by 9.5% with the one-piece segment finishing in decline, -4.5%. Increased competition from shave clubs followed by various market pricing adjustments and heightened levels of promotional activity has had a significant impact on the performance of the total category. Such an increase in market competition in the refillable segment has therefore led to unprecedented levels of pricing and promotional pressure in the one-piece segment. In addition, private labels continue to grow. As we anniversary the second half of 2016 however, a period last year that saw much less promotional activity and far fewer pricing reductions in the one-piece segment, we expect that performance on a comparable basis for the second half of this year could be more favourable.

In Shavers, our net sales decreased by 4.3% in the first-half, as Bruno mentioned earlier, on a constant currency basis. In Europe net sales grew mid-single digit in the same period with growth accelerating in the second quarter. Eastern Europe delivered a solid performance and both core and added value products were instrumental in driving growth across the whole of Europe. BIC 3, BIC Flex 3 Hybrid and

BIC Miss Soleil shavers continued to sell well. And BIC Shave Club, launched at the end of March, continues to post encouraging results.
In North America, we recorded a double-digit decline in net sales. Although we did regain momentum in the second quarter. Our market share declined by 2.1 points to 26.9% as compared to 29% recorded – our record market share last year. Our established and trusted brand reputation means that we remain well-positioned for the long-term as we continue to focus on our value and performance positioning. The relevance of this strategy in North America is confirmed by further market share gains in the five-blades men one-piece segment. The launch of the BIC Hybrid 5 shaver recorded a market share of 34.8%, up 6.4 points versus a year ago.
In Latin America, high single digit growth was driven by all product ranges. In the Middle East and Africa order phasing from Q1 to Q2 meant that the semester closed solidly.
Normalized IFO margin for the first-half was 13.4% compared to 13.3% in the first half of 2016, excluding again the impact of the special employee bonus. Margin change was impacted by the decline in North American net sales along with higher opex including continued investments in R&D which were offset by lower cost of production and brand support compared to the first half of 2016.

I'll now hand over to Jim who'll present the Q2 and H1 consolidated results for 2017.

Jim DiPietro: Thank you, Gonzalve. As we review the key elements of the summarised P&L we see the first half 2017 net sales were up 3% as reported and 0.3% on a comparative basis. Gross profit increased 4% and normalized IFO increased 2.7%.

On slide 13, we can see the evolution of net sales between second-quarter of 2016 and second quarter of 2017. On an as-reported basis, net sales were up 5.6% versus last year. On a comparative basis, our net sales were up 3.9%. Foreign currency translation impact was favourable 2 points and the favourable currency impact is mainly coming from the resilient Brazilian real as well as the US dollar.

Slide 14 shows the evolution of net sales for the first half of this year compared to last year. On a as-reported basis, net sales up 3% versus last year. On a comparative basis, net sales increased 0.3 points. Foreign currency translation again favourable for the first half, 2.9% and similar to the second quarter, the first half favourable impact is coming both from Brazil and the US dollar.

Now reviewing the change in the second quarter normalized IFO margin compared to 2016 second quarter. Cost of production was higher in the second quarter of this year by 0.3 points. We also had lower brand support investments compared to last year by 0.5 points. Opex and other expenses increased by 0.4 points which includes the planned increase in R&D and operating structure.

Now we are reviewing the change for the first half normalized IFO margin 2017 compared to 2016. For the first-half cost of production was favourable 0.3 points while our brand support investments increased 0.1 points. Opex and other expenses increased 1.2 points which includes the planned increase in R&D.

Slide 17 explains the elements of IFO to net income. We see net finance revenue and costs were neutral compared to the negative €0.8m last year. The effective tax rate remains consistent at 30% for continued operations in the first-half. Net income from discontinued operations was a loss of €6.7 million in the first half of this year compared to €5.8m loss last year. The €6.7 million includes the €4 million loss related to the sale of BIC Graphic North America and the sourcing operation in Asia. Net income Group share declined 7.5% to €129.6 million. Finally, EPS Group share decreased to €2.78 million compared to €2.98 million in the first half of 2016.

On slide 18 we see the key components of working capital. The increase in working capital was mainly related to seasonality of trade receivables in a few of our regions.

Moving to net cash position on slide 19 we can see the evolution of our net cash position between December 2016 and June 2017. Net cash from operating activities was €77 million with €198.1 million in operating cash flow. The increase in working capital was negative €121 million mainly related to the seasonality of trade receivables. We invested €74.7 million in capex in the first half of this year. The dividend payment was €161 million and the share buyback net of exercise of stock options and liquidity contract was negative €17.4 million. The proceeds from the sale of BIC Graphic North America and the Asian sourcing operation were €55.7 million in the first-half. The negative €14.6 million in Other is mainly related to FX negative translation impacts in the first half of this year.

This ends the review of the first half consolidated results and I'll give the presentation back to Bruno.

Bruno Bich: Thank you, Jim. So, you have on slide 21 the summary of our presentation. Before answering your questions. I would like to make three comments. The first one is to reiterate, which I have before, is my confidence in the leadership team that we have, management team that we have under the responsibility of Gonzalve and that the transition our responsibility is going very well.

I would like to make two comments, also regarding our long-term strategy. In regard to our growth in the developed countries, I confirm that we believe that our philosophy of manufacturing high quality product and I would even say ever so higher quality product that we have improvements in the writing instrument which are quite high this year and going forward and then there's the Shaver business.

So this concept of manufacturing very high quality products and selling them at the correct price – that would be considered at a fair price – is a very sound basis to grow vis a vis evolution of the consumers who want high quality, but do not want to pay excessive price for "image" brands.

The second comment is that regarding the developing countries, I believe that we have a brand very well established in Latin America, Middle East/Africa, growing very nicely into Eastern Europe, and with Cello, we have a great brand for India. So, we have the brand. We also have the products which are adapted to the population in those continents, and we are working on developing new products specifically designed for the developing markets. We will now answer your questions.

Operator: Ladies and gentlemen, the Q&A session starts now. If you wish to ask a question please press 01 on your telephone keypad. Thank you.

We have a question from Steve Levy, Natixis. Please go ahead.

Steve Levy: Good afternoon, good morning everyone. Just three questions. The first one is, can you explain a bit the raw material impact? The second question is, can you give us a bit more colours about how – what is the percentage of your sales sold through internet or through a distributor selling to internet. And if you can give us your feeling about what is going on the traditional retail sector in the US? And if I may correct – if I correctly see your statement of the cash flow – the cash flow statement, you borrow something like €250 million. Am I correct? And if yes, what's the purpose of this borrow? Thank you very much.

Jim DiPietro: Steve, this is Jim. Let me address the raw materials and the cash flow and then I'll hand it over to Gonzalez for the ecommerce. The raw materials, consistent I think with what we were talking about earlier in the year, were trending a bit favourable for both the second quarter and the first half. And based on our inventory we would see a bit more of that for the balance of the year but then moving in towards the end of this year and next year will probably see a bit of an increase in raw material. So first half of this year slightly beneficial versus a year ago as we move towards purchases in the end of the year for production next year, we'll probably experience a slight increase.

On cash flow, I think what you're referring to is probably some borrowing that we had in mid-year which was short term, primarily based on the seasonality of getting ready for back to school, dividend payments, and now that position is being reversed, paid off, as the cash is starting to come in now as it normally does based on the seasonality of payments.

Steve Levy: Thank you.

Gonzalve Bich: As to your second and third questions, Steve, the percentage of our sales done online – again, coming back to the comments I made in the first quarter – online is divided between direct to consumer, through brick and mortar, and then the others. If we think about direct to consumer, the only sizeable direct to consumer offer that we have globally right now is the BIC shave club just in France. That having been said, in our fervent desire as we always have to be available to consumers anywhere and anyway they wish to consume, we have teams all over the world working to make sure that we are on all the ecommerce platforms. So those can be a Staples.com, a Walmart.com, a Carrefour.fr.

And then there's the pure players who only sell online and you have many of those in many developed markets and a couple of developing. I can't give you precise answers market by market or customer by customer, but know that our teams always work to be at par with market or ahead.

Your third question was about traditional retail, and by traditional retail I'm going to interpret that you mean big box stores in the US and the trends that we see there. So, in stationery as I mentioned on a rolling 52-week basis, the category is slightly positive running into back to school. Most of the major retailers are doubling down on back – the upcoming back to school, and the teams have worked hard over the last 12 months to make sure that not only are we putting great products on shelf and on display, but that we have impactful displays in stores and – that are vehicle in compelling messages to mums and dads when they come in to do that back to school sale. And then finally, both on and offline, we are compelling and impactfully messaging brand, product and value that were mentioned by Bruno in his closing comments, to drive back to school sales.

Shaver is a more disrupted category. We can talk about the introduction of direct to consumer offers over the last few years and the impact that that's had on consumption models but that's in the refillable or system segment. Disposable or one-piece sales in direct to consumer models today are not of any significant. In addition to that there's been the significant pricing action of one of the major players and manufacturers in the market, and that's led to continued disruption. All of that coupled means that it's a highly disrupted category today. But we have a strong brand and as I mentioned in my comments, the value for money positioning that continues to allow us to serve our loyal consumers and sample new customers who want to try our products has positive traction, evidenced by our number one position in five blade men's one piece in the US.

Steve Levy: Just one additional question about the fact that selling surface is reducing in the US. Does it affect or impact the strategy to gain more and more space in stores?

Gonzalve Bich: So, the comment about reduced footprint in the US is focused really around the office supply chain. Also, it's not shaver, it's stationery and then office supply. Again, our strategy is to make sure that consumers can find and buy our products everywhere all the time every day. And so the teams are very focused on making sure that we are delivering impactful messaging in store and out of store.

Steve Levy: Okay, thank you very much.

Operator: We have a question from Edouard Donoghue, One Investment. Please go ahead.

Edouard Donoghue: Good afternoon. A few questions, if I may. Just starting with the comment you're talking about the lowered brand support going forward. Can you sort of walk us through a little bit and detail the efficiencies you're getting out of the brand support and marketing programmes that you have, bearing in mind the comments you've just made about stationery in the US, the doubling down on back to school, also about shelf space. Then also in addition the overall competitive environment in the shaver market. I'm just trying to square a circle, to be honest, between a competitive environment and a reduced brand support. And I'm assuming that that is possible due to the efficiencies you're putting through. If you could explain those efficiencies, that would be most helpful to start with.

Gonzalve Bich: We have a pragmatic approach to brand support investment. And we evaluate their benefit return on a very regular basis. We talked about having gates, if you will, on how we manage those investments and where we put them. For the balance of the year we expect brand support to increase, but we're adjusting these investments due to market dynamics.

Bruno Bich: What I would add is if you go and read the Gillette comments or release or whatever, they are very vague on what they're doing. And being a much smaller player, we don't want to really detail and I understand why you ask the question, but we don't want to really detail because it's a much bigger competitor, what we're specifically doing. And again, I encourage you to go and read the Gillette report or the Schick report, and you will see that they're doing the same. Because we're in the middle of such turmoil in the market, and things are moving so quickly that none of us want to indicate how they are changing their tactics.

Edouard Donoghue: Okay, I'll take that on board. But staying with the brand support, again, how do you balance a – you know, a reduced commitment to the brand support versus the developing markets and developed markets? Because if I understand correctly your strategy is to support, obviously develop, but also increase the penetration in the developing which is – requires a greater brand support machine, I would have thought. So, I'm just trying to – you know, are you increasing the overall spend in that direction or the weighting of that, and reducing it in the developed? And again, if you could give a bit more detail on that, that would be helpful.

Gonzalve Bich: So first let me start by saying, we're not reducing brand support versus last year. What we talked about is adjusting. And by adjusting its size of investment against different vehicles. You heard Bruno say; I'm not going to get into all the different vehicles. But if we take a macro view and we think about on and offline vehicles, if we think about how you communicate in store versus away from the store. Back to school is an intimate experience, for example; very, very frustrating for the consumer in many times. If you're providing a compelling message at the point of sale in display, for the mum or dad with that shopping list to quickly find the brand that they have trusted their entire lives and that hopefully they will impart to their children for their entire lives – those are the types of decisions that we're making. In some cases, we don't get it right and what we've talked about doing is adjusting. So, we test, we learn, we test, we learn, we adapt and we deploy. But again, we're not decreasing versus 2016; we're just adjusting.

Edouard Donoghue: Okay. Alright. Thank you very much.

Operator: We have a question from Marion Boucheron, Raymond James. Please go ahead.

Marion Boucheron: Hi, good afternoon. I have three questions please. First one is, when you say market dynamics, can you elaborate that on this which market division will you have seen the most changes recently in the dynamics leading you to adjust, so the investments? Then I was wondering about lighters which has decelerated this year compared to previous year. Is it due to the fact that you have less distribution gains or the sales mix is less favourable, or is it just less pricing? So, if you could help us with this. And finally, on the improvement in the US on shavers in Q2 versus Q1, in both statements you mentioned double digit decline. So, I was wondering if you could give us a bit more colour on the space of the improvement. Thank you.

Gonzalve Bich: Just so I answer your specific question, you talked about market dynamics. Would you like me to talk about Brazil or more generally?

Marion Boucheron: What do you mean by the market dynamics in the statement? What led you to adjust between Q1 and now your – the brand support you were initially planning to do and so and now what you will do.

Gonzalve Bich: Okay.

Marion Boucheron: Or maybe it's only Brazil but...

Gonzalve Bich: No, okay. I think I get a good or better sense of your question. Thank you so much. The main reason behind our more cautious guidance in the recent evolution of the Brazilian economy and political situation, lower GDP growth expectation, higher unemployment, and as you'll well know, as recently as a couple of months ago we have people in the streets. All this is putting pressure on overall consumption. This slowdown could affect our business for the balance of the year. In stationery, consumer income has decreased more than 10%, lowering consumers' purchasing power. Average buying rate decreased again more than 10% during the last back to school. Families could be spending less on education, putting more pressure on schools to provide writing instruments. And although BIC significantly outperformed the market, the stationery category contracted mid-single digits during the last back to school.

If we think about shavers, the shaver category is showing a mid-single digit decrease in volumes at the end June 2017 in Brazil. In addition, pricing and promotional pressures have increased this year, even more so in the last quarter, Q2, of 2017. These are the kinds of dynamics that have led us to make the statements that we have.

Marion Boucheron: So, it's linked to Brazil. It's all linked to Brazil.

Gonzalve Bich: Mostly, yes.

Operator: We now have a question from Marie-Line Fort, Société Generale.

Marie-Line Fort: Good afternoon. The first question is about lighters. Are you worried about a high cost development and could you share with us what is the impact especially in Japan where it seems to be very successful? Also on shavers, do you think your price advantage compare versus last year has significantly changed? And do you plan to adjust pricing in order to have particularly on the second on the two and three plates?
In stationery, I would like to come back on the +9% like for like growth in Q2. I would like to know if it's including phasing delivery or exceptional delivery in Q2 versus Q3, like it could happen sometimes. And lastly, could you comment at the start of the BIC shaver club in France. Are you satisfied with the first results? Could you share some feedback on that? Thank you.

Gonzalve Bich: Thank you Marie-Line. So, your first question about – the only country where heat not burn products have really started to pick up, as you noted, is Japan, which represents less than 1% of our global lighter sales. It's fair to say that these products are having a great success, with 15% expected market share for the end of 2017. Although two thirds of heat not burn product users remain dual smokers. So, they use that product but they also use traditional cigarettes. The impact on our consumer business today is nil. But we do have a very close eye on the evolution of this and other similar products. As was the case with the first generation of these products a few years ago, the addressable market today is limited to more mature developed countries, while BIC's lighter future growth should also be driven in developing countries like Eastern Europe, Latin America, and the Middle-East and Africa.

In shaver, to your question about whether we will take any pricing action, I think Bruno answered that question. That's a strategic point of information that we won't be discussing.

Stationery, no, there was no major phasing impact between the quarters that could affect Q3. BIC shave club, as I mentioned in my opening comments, has had initial encouraging results, and we continue to monitor the test in France.

Marie-Line Fort: Okay.

Operator: We now have a question from Mourad Lahmidi, Main First. Please go ahead.

Mourad Lahmidi: Yes, good evening. I had three questions. The first one on lighters, especially in Brazil. Your press release doesn't indicate how Brazil behaved in lighters during Q2. Can you give us some details on those trends? Second question, on Forex, if we keep those levels, what could be the Forex impact at the sales level for the full year? And finally, on share buyback, it seems that you had a bit of slowdown in H1. What is your expected cash use for the second half? Thanks.

Bruno Bich: To the lighter question, our sales in Brazil are stable over the period that you asked for. And I'll let Jim answer the other two.

Jim DiPietro: On FX, obviously with the significant change recently in the US dollar it's going to be something that everyone's going to be concerned with and evaluate as far the end points. A couple of points. Remember right now we are hedged for 2017 at a rate of 1.11. For next year we are hedged at about 60% at a similar rate close to 1.11. So, the change in currency that we're talking about primarily is translation for the balance of this year. And the US or the euro dollar impact of that translation in our case will be offset by other currencies, primarily Latin American currencies. So, while the dollar has moved significantly, if we had a look at current spot rates for the balance of the year, it's probably offset a bit – the dollar is – with some of the other currencies. So, the balance of the year margin should not be at today's rates dramatically different than what we would forecast and what we've communicated. The volatility continues; on translation, there could be a different impact. Remember, on a comparative basis, sales impact, it doesn't change, so we're talking, really, P&L translation, and the FX hedge that we have in place covers the transactional activities.

Lastly, on share buyback and to your point, year-to-date we've purchased back a little over €160,000 shares, almost €161,000 shares, at around €18 million, as an investment, and our cash and use of cash policy remains the same as we continue to invest in the business. And then we always utilise the other options, obviously the dividend being paid, which then means we'll continue to look at the opportunities ahead on share buyback.

Gonzalve Bich: Before we take the next question, I just wanted to come back to Marion because I think I didn't get to the end of your questions, I'm very sorry. You did have a question about lighter as well in the US. The non-refillable pocket lighter category is up 1% in Q2 2017 in value, and BIC is growing faster than the category, at 1.7% growth, thanks to improved distribution, to your question, and we did take some limited pricing at the beginning of the year, as we mentioned, and the continued success of our added value strategy in sleeves.

Mourad Lahmidi: I have a follow up on CAPEX, on – do you stick to your plan to spend €180 million a year for three years or do you adjust it as a result of the market dynamics you talked about?

Jim Dipietro: Yeah, a good question. And, for this year, our investment in CAPEX is still in the range of €180 to €200. As we continue similar to brand support review, as Gonzalve mentioned, the gates of brand support, the gate review process obviously is in place for CAPEX as well. So, as we continue to review, we'll adjust, if needed, if that CAPEX investment, going into 2018, needs to be adjusted in any way. And then towards the end of the year, beginning of next year, we'll obviously have a clearer view, or clearer view, and give you a little bit better answer, as far as the investment plans going forward.

Speaker: Okay, thanks Jim.

Jim Dipietro: You're welcome.

Operator: We have another question from Edouard Donoghue, One Investments. Please go ahead.

Edouard Donoghue: Thank you very much. Can you just talk a little bit more about Brazil and about the level of ordering that you are seeing and any changes, with regard to distribution partners, that have taken place there? Because I'm trying to square a relatively low-ticket price item with comments from other retailers and players with regard to the Brazilian economy, and if anything, there is actually a sequential improvement with regard to a number of KPIs that are coming through, and I'm just wondering why you're actually seeing a deterioration at this particular juncture and what level of visibility you have going into the second half of this year then?

Gonzalve Bich: Well, I can only about the KPIs; I'm sorry, I can only talk about the KPIs I have in front of me. And when we look at, you know, GDP growth, store openings and modern distribution and penetration it's not going in the right direction.

Edouard Donoghue: But do you see those macro – okay, that's a macro pattern which happened, which is normally a rear-view mirror, dry approach, but do you actually look at your KPIs, any significant changes that are taking place there? Because to reduce, you know, your like-for-like growth expectations with regard – purely based on your comment you made earlier, are down to Brazil it seems, or very largely down to Brazil, means that you must see a fairly significantly slowing coming, which just seems a little bit anonymous to other information, which is more real time as well, rather than just pure macro.

Gonzalve Bich: One of the challenges in Brazil is the span of that information, and so, from a channel perspective, modern distribution in Brazil, depending on the category, can be between ten on the low end and the highest number I know of is 45. So, all the rest of the market is not covered by those panels and, because of our more than 60 years in Brazil, we're very well distributed across the entire country, all the way into the further corners of the Manaus jungle. And the KPIs that we track do give us, not only that backward-looking, but the forward-looking feeling that has led us to make the comments that we have and we're taking it cautiously.

Edouard Donoghue: Right, okay, I mean, I accept that. If you look to, you know, other key geographies yourself, do you see any change in the rhythm of business, you're coming through in any way? Assuming that Brazil is not 100% of this markdown on your guidance, where the other areas which you're seeing, you know, change in the amplitude of the BIC business activity?

Gonzalve Bich: We're present in over 160 countries of the world, and I won't go down the list from Albania to Zambia, but, you know, I guess kind of, like, Canada or whatever –

Edouard Donoghue: I'm assuming Albania's not changing the dial though?

Gonzalve Bich: Yes. But Brazil is a – as you know, it's a large part of our business and it's an important growth sector for us. I don't think I would have any other substantive comments on any other geographies to provide.

Edouard Donoghue: Okay, no, that's fair enough. All right. And just with regard to, you know, the comment in Q2 with regard to stationery, have you actually seen market share gains across, you know, your markets in the stationery business?

Gonzalve Bich: Yeah, yeah. We've gained market share in Europe, we've gained market share –

Edouard Donoghue: Right.

Gonzalve Bich: in Brazil, yeah, and a slight decrease in North America year-to-date.

Edouard Donoghue: Okay, yeah, great. Thank you very much and I appreciate the answers.

Gonzalve Bich: Oh, thank you.

Operator: We have a last question from Marion Boucheron, Raymond James. Please go ahead.

Marion Boucheron: Hi. Well, it's okay, well it's because of the lighter question, but she answered it subsequently, so no question.

Gonzalve Bich: Again, my apologies.

Marion Boucheron: No problem.

Operator: We have no further questions. I will now hand over to the company for conclusions.

Bruno Bich: Well, the one thing I would add to my comments earlier about management and strategy of products in developing countries and developed countries is that our philosophy, as you know, is to honour the past and invent the future. And I would say it highly honour the values of the past, which really has to do with quality and pricing to the consumer, and consistency of quality. When it comes to honouring the past – inventing the future, various things have changed that Gonzalve is in the process of assembling, regarding digital and for e-commerce, and supply chain and so on is also excellent. And I do believe that you need to have both aspects, you know, of managing the business; to stick to your values and adapt the values to the time. But also, so a very open mind regarding the new technologies which we're using in our own factories, the new distribution systems that are available, the new advertising systems that are available, and I'm confident that that is also going well. Thank you.

Sophie Palliez: Well, thank you everyone. As usual, we are ready for any follow-up question and we're looking forward to discuss again on our Q3 results, due Wednesday, 25th October 2017. Thank you.

Jim Dipietro: Thank you.

Gonzalve Bich: Thank you.

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