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Société BIC

Shaodong Makes the Lighters, BIC Makes the Money: Initiating at Overweight

A Shaodong lighter sells for a yuan, and its maker keeps one fen. The popular lesson is that no rival can survive inside a margin that thin. BIC has competed inside it for three decades, and its lighter division earned €216M of adj. EBIT in 2025. Shaodong makes the lighters; BIC makes the money. The Hunan cluster turns out more than 15bn lighters a year, about 70% of world output, at a profit of 1-4 fen (0.15-0.6 US cents) each. BIC makes at most ~2.2bn, a seventh as many, yet earned at least €0.10 of adj. EBIT on each: ~74 times a Shaodong maker's fen, and 3-11 times the profit of the whole cluster. The gap is set by the rulebook, not the factory: safety standards, brand and shelf space, and since 24 July a 24% US duty on Chinese pocket lighters against 10% on BIC's European-made ones. The shares are up 28% this year, yet at ~8.6x NTM adj. EBIT, with net cash and a ~7% FCF yield, they still price the lighter franchise as a melting asset. We initiate at Overweight with a Dec-27 price target of €72.

- **Initiating at Overweight, Dec-27 PT €72.** Our PT blends three Dec-27 scenarios (Table 1). Base (50%): 8.5x FY28E adj. EBIT of €319M, in line with today's ~8.6x NTM, plus YE27E net cash of €346M less €84M of leases, or €74/share. Bull (25%): the compliance gap widens and the 2030 plan lands early; 10.0x on €343M, or €93. Bear (25%): low-cost lighters take share outside the US, as in Mexico in 2025; 6.5x on €261M, near the 2025 trough, or €48. **We weight the bull (+41%) and bear (-27%) cases equally; the PT implies +9% plus a ~3.7% dividend yield.** Consensus is €68.47 from six analysts (range €62-74).
- **The moat is the rulebook, not the factory.** Shaodong exports a lighter for ~9 US cents, and its leading makers have automated labour down to ¥0.015 a unit; no Western plant can match that, and BIC does not try. A BIC lighter costs a US retailer \$1.00-1.16 from a cash-and-carry tray against \$0.35-0.45 for a generic, and Flame for Life earned a 29.9% adj. EBIT margin in FY25 and 31.9% in 1H26. **Lighters were 35% of FY25 sales but 59% of divisional adj. EBIT.** The spread holds where safety rules are enforced and erodes where they are not (Figure 5).
- **The fifteen-cent story, corrected.** What holds: Shaodong's scale (more than 15bn lighters a year, not 10bn), sub-cent profits, and a cost edge built on automation and a 20 km parts cluster rather than wages. What does not: 15 US cents is the ¥1 Chinese retail price point, not a landed price after tariffs and middlemen; most output is sold in China and the rest of Asia, with Africa the fastest-growing export market, not shipped across the Pacific; and compliance is not universal (29% of 5,228 models inspected in an EU joint action failed). Thin margins did not drive BIC out; they confined low-cost makers to the markets where the rules are weakest (Figure 4).

Overweight

BB.PA, BB.FP
 Price (23 Oct 26): €65.90
 Price Target (Dec-27): €72.00
 Initiation of coverage

Household Products & Lighters

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Quarterly Forecasts (FYE Dec)

Net sales (€ mn)	2025A	2026E	2027E
Q1	478	453	483
Q2	598	586	604
Q3	519	522	524
Q4	495	497	501
FY	2,090	2,059	2,112

Lighter Economics Snapshot

Per lighter	US\$	x 1 fen
Shaodong profit (1 fen)	0.0015	1x
China export value	0.094	63x
US duty at 24.0%	0.023	15x
US generic wholesale	0.35-0.45	269x
BIC, US cash-and-carry	1.00-1.16	726x
BIC Flame adj. EBIT	0.110	74x

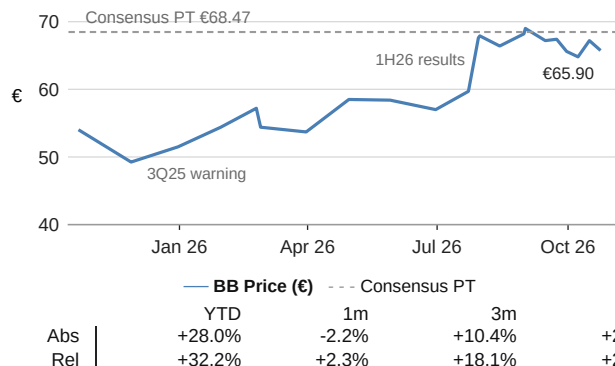
Export value: Hunan, Jan-Jul 2025 (¥0.63). Duty: 4% MFN + 7.5% s.301 (2020) + 12.5% s.301 (from 24-Jul-26). BIC per-lighter EBIT: FY25 Flame for Life over ≤2.19bn units, a lower bound. Q1-Q2 2026 actual; quarters may not sum to FY due to rounding. ¥6.72/\$.

Sources for: Lighter Economics Snapshot: Changsha Customs via People's Finance; Hunan provincial media and The Paper (profit per lighter); US HTS and USTR (duties); Closo and Costco Business Centre listings (US prices); BIC; K2 Capital calculations. All other tables are company data and K2 Capital estimates.

See page 9 for analyst certification and important disclosures.

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Price Performance



Company Data

Shares O/S, net of treasury (mn)	40.55
52-week range (€)	69.50-46.20
Market cap (€ mn)	2,672
Exchange rate (EUR/USD)	1.12
Net cash ex. leases, 30-Jun-26 (€ mn)	189
Lease liabilities, 30-Jun-26 (€ mn)	84
Free cash flow, FY25 (€ mn)	222
Volume, 23-Oct-26 (shares)	34,409
Next results	28 Oct 2026 (3Q26 sales)
Consensus rating (6 analysts)	Outperform
Consensus PT, mean high low (€)	68.47 74 62

Key Metrics (FYE Dec)

€ in millions	FY25A	FY26E	FY27E
Financial Estimates			
Net sales	2,090	2,059	2,112
Adj. EBIT	283	292	302
Adj. EBITDA	402	410	422
EBIT (reported)	156	272	262
Adj. net income	195	200	210
Adj. EPS (€)	4.74	4.92	5.25
DPS (€)	2.40	2.46	2.63
Free cash flow	222	222	195
Margins and Growth			
Net sales growth Y/Y (reported)	(4.9%)	(1.5%)	2.6%
Gross margin	48.8%	50.3%	50.0%
Adj. EBIT margin	13.5%	14.2%	14.3%
Adj. EBITDA margin	19.2%	19.9%	20.0%
Flame for Life adj. EBIT margin	29.9%	31.0%	30.9%
Net margin (reported)	4.1%	9.0%	8.6%
Ratios			
Net cash ex. leases (€ mn)	234	315	346
Payout (DPS / adj. EPS)	51%	50%	50%
Capex / Net sales	4.2%	4.5%	4.3%
ROE (reported)	5.0%	10.8%	10.1%
Valuation			
Adj. P/E	13.9x	13.4x	12.6x
EV / Adj. EBIT	8.9x	8.4x	8.0x
EV / Adj. EBITDA	6.2x	6.0x	5.7x
FCF yield	8.3%	8.3%	7.3%
Dividend yield	3.6%	3.7%	4.0%

Summary Investment Thesis and Valuation

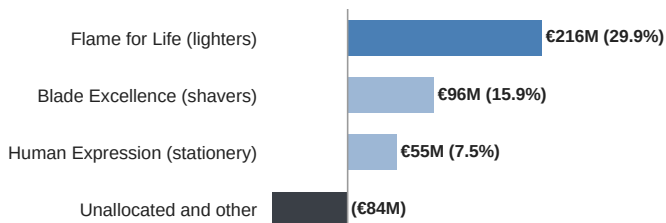
Investment Thesis

BIC is the leading branded lighter maker outside Asia and a mid-sized stationery and shaver business; lighters were 35% of FY25 sales and 59% of divisional adj. EBIT. The bear case for the lighters is the Shaodong one: a cluster that makes 15bn lighters a year on a fen of profit each must in the end crush a branded incumbent. History says otherwise. Chinese makers took most of the US low end in the early 1990s, and BIC's lighters still earn ~30% margins because regulation, brand and distribution, not unit cost, set the price of a compliant lighter. In the US, Chinese pocket lighters now pay 24% duty against 10% for BIC's European-made ones, and in July BIC raised its FY26 guidance. The risk is enforcement, not demand: where rules are weak, as in Mexico in 2025, cheap lighters win. We rate shares Overweight.

Valuation

Our €72 Dec-27 PT is a probability-weighted blend of three scenarios. Base (50%): 8.5x FY28E adj. EBIT of €319M, in line with the ~8.6x NTM the shares trade on today, plus YE27E net cash of €346M less €84M of leases, on 40.0M diluted shares, for €74. Bull (25%): 10.0x on €343M for €93. Bear (25%): 6.5x on €261M for €48, close to the ~5.9x trough of late 2025. A DCF of our free cash flow (8.5% discount rate, 1% terminal growth) gives ~€87, so the PT does not lean on the 2030 plan. We rate shares Overweight.

Divisional Profit Engine: Adj. EBIT, FY25A (margin)



Division (€ mn)	Sales FY25A	Margin FY24A	Margin FY25A	Margin FY26E
Human Expression	736	7.6%	7.5%	8.6%
Flame for Life	723	33.2%	29.9%	31.0%
Blade Excellence	602	18.6%	15.9%	15.5%
Group (adj. EBIT)	2,090	15.6%	13.5%	14.2%
Cash returns (€ mn)				
	FY24A	FY25A	FY26E	FY27E
Free cash flow	271	222	222	195
Dividends paid	178	127	98	99
Share buybacks	56	40	38	40
Net cash ex. leases, year end	189	234	315	346
K2 vs. consensus (€ mn)				
	FY26E K2	Cons.	FY27E K2	Cons.
Net sales	2,059	2,055	2,112	2,106
Adj. EBIT / consensus EBIT	292	287	302	296
Net income (reported)	185	192	182	199
EPS, reported (€)	4.57	4.71	4.56	4.82
Net cash ex. leases, year end	315	264	346	392

Consensus EBIT is on BIC's adjusted basis. Our FY27E reported EPS sits below consensus because we book c.€40M of transformation costs below adj. EBIT; our FY27E adj. EBIT is 2% above consensus.

Source: Company reports, Euronext via ABC Bourse, MarketScreener (consensus), stockanalysis.com and Yahoo Finance (prices), K2 Capital estimates. Rel. performance vs SBF 120; SBF 120 bases derived from ABC Bourse data, 3m approximated with the CAC 40. Price history: month-end closes to Jun-26, selected daily closes thereafter. Margins are adj. EBIT / division net sales. Net cash is BIC's definition, excluding lease liabilities; FY26E-FY27E are K2 estimates.

- **Rules and Tariffs Update. (1)** On 20 February the US Supreme Court struck down the IEEPA tariffs; BIC's 1H26 included refunds worth 1.5pts of group adj. EBIT margin and €0.30 of adj. EPS, which we treat as one-off. **(2)** Section 301 forced-labour duties replaced the expiring Section 122 surcharge on 24 July. A Chinese pocket lighter now pays 24% (4% MFN, 7.5% from 2020 and 12.5%), against a 10% floor for one made in France or Spain and nothing for one made in BIC's US plant. **(3)** In Europe, anti-dumping duties on Chinese flint lighters (from 1991; €0.065 a lighter from 1995) expired in December 2012; protection now rests on safety rules, which the General Product Safety Regulation has applied to online marketplaces since December 2024. **(4)** Where enforcement is thin, price wins: BIC cited strong low-cost competition in Mexico in 3Q25 and a tougher Brazil in 1H26. **(5)** The US pocket-lighter category is stable: +2.1% in value to March and -1.4% in 2Q (Circana, BIC), with BIC holding share. **All told, a Chinese lighter now pays 14pts more US duty than a European-made BIC, while Europe still relies on market surveillance.**
- **1H26 Summary.** Net sales fell 3.5% to €1,040M (+1.7% organic); gross margin rose 260bp to 51.1%; adj. EBIT rose 12.6% to €166M, a 16.0% margin (14.5% excluding tariff refunds). Flame for Life sales were €351M (+1.7% organic) and adj. EBIT €112M, a 31.9% margin (28.6% in 1H25). Adj. EPS was €2.81 (+19.6%), FCF €64M and net cash €189M. Guidance was raised (modest organic growth, an adj. EBIT margin slightly above 14.0%, stable FCF), with a tougher second half. The 2030 plan targets c.3% organic growth, a margin above 15.5% and FCF above €250M. 3Q26 sales are due 28 October. See Figure 1.

Table 1: Société BIC Dec-27 PT Methodology

€ in millions, except per share

	Bull	Base	Bear
FY28E Net sales	2,230	2,167	2,040
Adj. EBIT margin	15.4%	14.7%	12.8%
FY28E Adj. EBIT (NTM at Dec-27)	343	319	261
x EV / NTM Adj. EBIT	10.0x	8.5x	6.5x
Implied Enterprise Value	3,430	2,712	1,696
Plus: YE27E Net Cash (ex. leases)	358	346	323
Less: Lease Liabilities	(84)	(84)	(84)
Target Equity Value	3,704	2,974	1,935
Shares Outstanding, YE27E (M)	39.68	39.68	39.68
Free & Performance Shares (M)	0.30	0.30	0.30
Total Diluted Shares (M)	39.98	39.98	39.98
Value per Share	€92.65	€74.39	€48.40
Scenario Probability	25%	50%	25%
Dec-27 Price Target (probability-weighted)		€72.00	
Return Potential		+9%	

Source: Company reports, K2 Capital estimates. Net cash is BIC's definition (cash and current financial assets less borrowings excluding leases); lease liabilities (€84M at 30-Jun-26, derived from the balance sheet) are deducted separately. Bull and bear net cash reflect their free cash flow. Diluted shares add 0.3M of free and performance shares (K2 estimate) to YE27E shares after buybacks of €40M a year.

Figure 1: BIC Earnings Trends by Half-Year

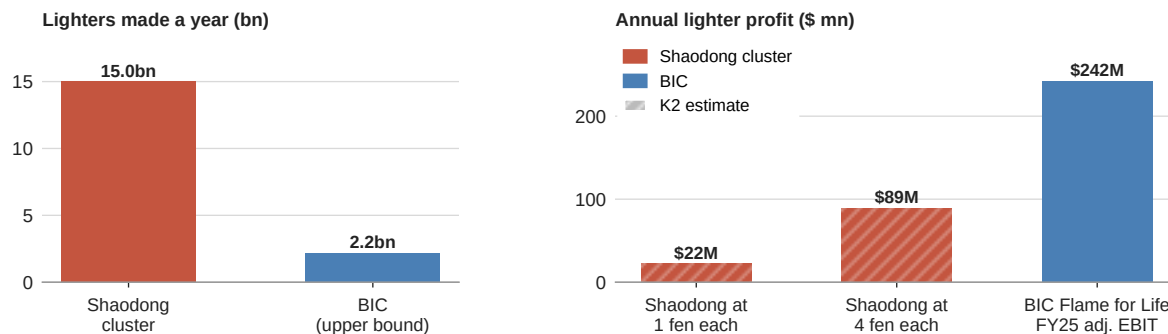
€ in millions; BIC reports profit half-yearly

	1H24	2H24	1H25	2H25	1H26
Net sales	1,139	1,058	1,077	1,013	1,040
Human Expression (stationery)	453	362	406	330	377
Flame for Life (lighters)	402	408	354	369	351
Blade Excellence (shavers, brushes)	271	272	302	300	296
<i>Gross margin</i>	<i>49.3%</i>	<i>51.1%</i>	<i>48.5%</i>	<i>49.1%</i>	<i>51.1%</i>
Adj. EBIT	170	173	147	136	166
<i>Adj. EBIT margin</i>	<i>14.9%</i>	<i>16.3%</i>	<i>13.6%</i>	<i>13.4%</i>	<i>16.0%</i>
Flame for Life adj. EBIT	127	143	101	115	112
<i>Flame for Life adj. EBIT margin</i>	<i>31.5%</i>	<i>34.9%</i>	<i>28.5%</i>	<i>31.2%</i>	<i>31.9%</i>
<i>Flame share of divisional adj. EBIT</i>	<i>58%</i>	<i>66%</i>	<i>53%</i>	<i>65%</i>	<i>54%</i>
Net income (Group share)	111	101	76	10	108
Adj. EPS (€)	2.95	3.20	2.35	2.39	2.81
Free cash flow	37	234	(14)	236	64
Net cash ex. leases, period end	262	189	21	234	189

Source: Company reports (H1 2024 Half-Year Report; FY24, FY25 and H1 2026 releases), K2 Capital calculations. Second halves are full year less first half. 1H26 adj. EBIT includes US tariff refunds worth 1.5pts of group margin. Divisions may not sum to group because of other products and rounding.

Figure 2: Shaodong Wins the Volume, BIC Keeps the Profit

Annual lighter output and lighter profit; Shaodong profit at 1-4 fen a lighter; BIC units are an upper bound (more than 6M a day from four plants)



Source: Xinhua (Apr-25), Jiemian (Mar-23), Hunan provincial media and The Paper (profit per lighter), BIC, K2 Capital estimates. BIC profit is FY25 Flame for Life adj. EBIT (€216M). Converted at ¥6.72/\$ and \$1.12/€.

Figure 3: Dec-27 Equity Value per Share: Multiple vs. FY28E Adj. EBIT

Base-case YE27E net cash (€346M) less leases (€84M), 40.0M diluted shares; red: below 75% of current price, amber: below current price

EV / NTM Adj. EBIT	€260M	€290M	€319M	€335M	€350M
6.5x	€49	€54	€58	€61	€63
7.0x	€52	€57	€62	€65	€68
7.5x	€55	€61	€66	€69	€72
8.0x	€59	€65	€70	€74	€77
8.5x	€62	€68	€74	€78	€81
9.0x	€65	€72	€78	€82	€85
9.5x	€68	€75	€82	€86	€90

Source: K2 Capital estimates. Each 0.5x turn of multiple moves equity value by ~€4/share, or ~6% of the current price; net cash cushions the downside.

The Fifteen-Cent Lighter, Fact-Checked

The viral version of the Shaodong story is mostly right about the factory and wrong about the market. Shaodong, a county-level city in Hunan, makes more than 15bn lighters a year, about 70% of world output, through 114 lighter makers and suppliers clustered within 20 km, and one local maker says it has kept a profit of one fen a lighter for two decades. Automation, not cheap labour, did most of the work: at one leading maker a workshop of 200 became 40 people producing nine times as much, and labour fell from ¥0.10 to ¥0.015 a lighter. **But fifteen cents is the Chinese retail price point, not a landed US price, and the profit pool sits outside China.** Figure 4 tests each claim; Figure 5 lists the rules that have set the price of a lighter in BIC's markets since 1991.

Figure 4: The Fifteen-Cent Lighter, Claim by Claim

Claim in circulation	What the evidence shows	Verdict
"It costs 15 cents, tariffs and middlemen included"	¥1 (15 US cents at ¥6.72/\$) is the long-standing Chinese retail price point, unchanged for about two decades. Hunan's exports averaged ¥0.63 (~9 US cents) a lighter in 7M25; a Chinese pocket lighter now pays 24% US duty, ships as hazardous cargo and wholesales in the US at \$0.35-0.45	Wrong
"Shaodong makes 10 billion a year"	More than 15bn a year, about 70% of world output (Xinhua, 2025); injection-moulded output passed 10bn in 2012	Understated
"Over 30 precision-engineered parts"	Industry accounts cite 20-plus parts; the cluster supplies 200-plus part types within 20 km, each within 30 minutes	Overstated
"A profit of less than one cent a unit"	One fen (0.15 US cents), per a local maker in provincial media; 2-4 fen (0.3-0.6 US cents) per The Paper	Right, conservative
"The secret isn't cheap labour"	Automation cut labour from ¥0.10 to ¥0.015 a lighter; one workshop went from 200 to 40 people with nine times the output	Broadly right
"Shipped 10,000 miles across the Pacific"	About a third of output is exported (over 5bn of ~15bn); Asia is Hunan's main export market and Africa its fastest growing (2025), with Nigeria its largest single market in 2023. Lighters ship as Class 2.1 dangerous goods (UN 1057)	Misleading
"Reshaped to fit 100,000 more per container"	The only source we found is an uncited secondary account; no primary evidence for the figure or for the wall-thickness claim	Unverified
"Passes strict international safety tests"	An EU joint action (2010-12) found 29% of 5,228 inspected models non-compliant; BIC's 2018 complaint cited studies finding 73% of models fail ISO 9994	Not uniformly
"Inside the limit, no competitor survives"	Chinese makers took about 70% of the US low end by 1994, yet BIC's lighters earned a 29.9% adj. EBIT margin in FY25 and ~74x a Shaodong maker's profit per lighter	Wrong for the branded tier

Source: Xinhua and Hunan provincial media (Apr-25), The Paper, Jiemian (Mar-23), Changsha Customs via People's Finance (Aug-25) and Silk Road news service (Hunan exports), USTR via EY and Global Trade Alert (duties), PROSAFE Lighters II report (2013), BIC (2018 complaint), Dubai Trakhees (UN 1057), K2 Capital.

Figure 5: The Rules That Set the Price of a Lighter

Year	Rule or event
1991	EU anti-dumping duty of 16.9% on Chinese disposable flint lighters
1994	US child-resistance rule (16 CFR 1210) applies from 12 July; Chinese makers hold ~70% of the US low end
1995	EU duty converted to €0.065 a lighter; extended to Taiwan in 1999
2007	EU child-resistance requirement and ban on novelty lighters (Decision 2006/502/EC)
2010-12	EU joint market surveillance: 29% of inspected models non-compliant
2012	EU anti-dumping duty expires on 13 December
2018	BIC files a complaint over weak surveillance in France and Germany
2024	EU General Product Safety Regulation applies from 13 December
2026	US: IEEPA tariffs struck down (20 Feb); s.301 forced-labour duties from 24 Jul: China 24% all-in, EU 10%

Source: EU Regulations 3433/91, 260/2013 and 2023/988; Commission Decision 2006/502/EC; US CPSC; PROSAFE; BIC; The Paper; US Supreme Court via K&L Gates; USTR via EY.

Rules, not costs, set the floor. The lighters that undercut BIC are not cheaper to make safely; they are cheaper because safety is not always checked. The US child-resistance rule was estimated to have prevented about 3,300 fires and 100 deaths in 1998 alone, and it raised the cost of every compliant disposable lighter; Europe followed in 2007. Where inspection is thin, a one-fen margin wins: BIC reported strong low-cost competition in Mexico in 3Q25 and a more competitive Brazilian market in 1H26. **The investment question for BIC is enforcement, not efficiency.**

Shaodong Wins the Units, BIC Wins the Money

Follow one lighter from Hunan to a US counter and most of the value is added after the factory gate. Hunan exported 2.15bn lighters in the first seven months of 2025 for ¥1.36bn, or ¥0.63 (~9 US cents) each, and a Chinese pocket lighter now pays 24% US duty on that value. A US store pays \$0.35-0.45 for a generic and \$1.00-1.16 for a BIC from a cash-and-carry tray. **On our conservative unit count, BIC's Flame for Life earned at least €0.10 of adj. EBIT a lighter in FY25, ~74 times a Shaodong maker's fen, and its €216M of adj. EBIT was 3-11 times the profit of the whole Shaodong cluster on a seventh of the units (Figure 2).** The premium buys certified safety (BIC says each lighter passes more than 50 quality checks), a brand and convenience-store distribution; the duty stack in Figure 7 adds a cost wall in the US.

Figure 6: One Lighter, Two Business Models

US\$ per lighter and as a multiple of a Shaodong maker's 1 fen profit

US\$ per lighter	Value	x 1 fen
Shaodong profit per lighter (1 fen)	0.0015	1x
China export value per lighter (Hunan, 7M25)	0.094	63x
US duty on that value (24.0%)	0.023	15x
Generic lighter, US wholesale	0.35-0.45	269x
BIC lighter, US cash-and-carry tray	1.00-1.16	726x
BIC Flame net sales per lighter	0.370	249x
BIC Flame adj. EBIT per lighter	0.110	74x

Source: Changsha Customs via People's Finance (Hunan exports, Jan-Jul 2025); USTR via EY (duties); Closo (US wholesale, Sep-26); Costco Business Centre listings (BIC 50-count tray, Oct-26); BIC (more than 6M lighters a day from four plants); K2 Capital. BIC per-lighter figures use FY25 Flame for Life data over ≤2.19bn units and are lower bounds. Ranges use the midpoint for the multiple. ¥6.72/\$; \$1.12/€.

Figure 7: US Duty on Pocket Lighters by Origin

HTS 9613.10.00 (gas-fuelled, non-refillable), from 24-Jul-26

Origin	MFN	s.301 List 4A	s.301 forced labour	Total
China	4.0%	7.5%	12.5%	24.0%
Vietnam	4.0%	0.0%	12.5%	16.5%
Brazil	4.0%	0.0%	12.5%	16.5%
EU (France, Spain)	4.0%	0.0%	6.0%	10.0%
United States	0.0%	0.0%	0.0%	0.0%

Source: US HTS; USTR final action of 23-Jul-26 as summarised by EY and Global Trade Alert; K2 Capital. EU: MFN plus s.301 set at a 10% combined floor. IEEPA tariffs were invalidated on 20-Feb-26; the s.122 surcharge expired on 24-Jul-26. BIC makes lighters in France, Spain, the US and Brazil.

Figure 8: DCF Cross-Check: Equity Value per Share at Dec-27

FCF 2028E €215M, 2029E €232M, 2030E €248M (plan: above €250M); terminal value on 2030E

Discount rate	g = 0.0%	g = 0.5%	g = 1.0%	g = 1.5%
7.5%	€88	€93	€99	€106
8.0%	€83	€87	€92	€98
8.5%	€78	€82	€87	€92
9.0%	€74	€78	€82	€86
9.5%	€71	€74	€77	€81

Source: K2 Capital estimates. Discounted to Dec-27; plus YE27E net cash (€346M) less leases (€84M) over 40.0M diluted shares. Green: above the current price; amber: below it.

The market is pricing decline. At €65.90 the shares trade on ~8.6x NTM adj. EBIT and 12.8x NTM adj. EPS, with a 7.3% FY27E FCF yield. A DCF on our cash flows, which fall short of the 2030 plan, gives ~€87 at an 8.5% discount rate and 1% terminal growth; it takes 9.5% and no growth to reach €71. Our €72 PT sits at the cautious end of the cash-flow evidence because we haircut the plan and weight a Mexico-style erosion case at 25%.

Figure 9: The Profit Pool: Shaodong Cluster vs. BIC Flame for Life

Latest full-year data; US\$ at ¥6.72/\$ and \$1.12/€

	Shaodong cluster	BIC Flame for Life	BIC vs. Shaodong
Lighters a year (bn)	15.0	≤2.2	0.15x
Revenue (\$ mn)	~2,975	810	0.27x
Profit per lighter (US cents)	0.15-0.60	≥11.0	19-74x
Annual lighter profit (\$ mn)	22-89	242	2.7-10.8x

Source: Xinhua (Apr-25) and Jiemian (Mar-23) for Shaodong output (more than 15bn a year) and output value (nearly ¥20bn); Hunan provincial media and The Paper for profit per lighter (1-4 fen); BIC FY25 results; K2 Capital calculations. BIC units are an upper bound (more than 6M a day from four plants, every day of the year), so BIC per-lighter values are lower bounds.

Investment Thesis, Valuation and Risks

Société BIC (Overweight; Price Target: €72.00)

Investment Thesis

BIC is the leading branded lighter maker outside Asia; lighters were 35% of FY25 sales and 59% of divisional adj. EBIT. The market treats the business as prey for China's micro-margin manufacturers. We think that contest was settled in the 1990s: Chinese makers took the US low end, and BIC kept the compliant, branded tier, where each lighter still earns at least €0.10 of adj. EBIT, ~74 times a Shaocong maker's profit. That spread depends on the enforcement of safety standards and on tariffs; in the US, Chinese pocket lighters now pay 24% duty against 10% for European-made ones. With a 2030 plan that targets margins above 15.5%, net cash and a ~7% FCF yield, we see a cash compounder priced as a melting asset. We rate shares Overweight.

Valuation

Our €72 Dec-27 PT is a probability-weighted blend of a base case (50%) at 8.5x FY28E adj. EBIT of €319M plus YE27E net cash of €346M less €84M of leases (€74/share), a bull case (25%) at 10.0x on €343M (€93) and a bear case (25%) at 6.5x on €261M (€48). We rate shares Overweight.

Risks to Rating and Price Target

Downside Risks: weaker enforcement of lighter safety rules in Europe or Latin America, or a cut in US duties on Chinese lighters; a faster decline in smoking, which accounted for 34% of US flame use in BIC's 2021 consumer survey; share loss to low-cost lighters, as in Mexico in 2025; a weaker dollar and Latin American currencies (North America was 36% of FY25 sales); execution of the c.€100M transformation programme; further decline in stationery; and acquisitions that dilute returns.

What Would Make Us Wrong?

We would revisit the rating if two or more of the following occur:

1. Flame for Life organic growth is negative in both 3Q26 (28 October) and 4Q26.
2. The Flame for Life adj. EBIT margin falls below 29% in 2H26 (we model 30.1%) or below 28% for FY27.
3. US pocket-lighter sales (Circana, value) fall by more than 3% for two consecutive quarters while BIC loses share.
4. The US cuts the 12.5% s.301 duty on China to or below the EU's 10% tier, closing the duty gap.
5. Group adj. EBIT margin misses the FY26 guide of slightly above 14.0%, or is below 14.0% in FY27 (we model 14.3%).
6. FY26 year-end net cash is below €250M (we model €315M), or BIC spends more than €300M on an acquisition.

Signposts

28 Oct: 3Q26 net sales (Flame organic growth, US category, Mexico). Monthly: Circana US lighter data. 24 Feb 2027: FY26 results and 2027 outlook (date to be confirmed). Through 2027: transformation costs, progress toward €80M of annual savings and any review of the s.301 forced-labour duties.

Société BIC: Summary of Financials

Income Statement - Annual						Income Statement - Half-Yearly					
	FY24A	FY25A	FY26E	FY27E	FY28E		1H25	2H25	1H26	2H26E	
Net sales	2,197	2,090	2,059	2,112	2,167	Net sales	1,077	1,013	1,040	1,019	
Cost of goods	(1,094)	(1,071)	(1,024)	(1,056)	(1,077)	o/w Human Expression	406	330	377	322	
Gross profit	1,103	1,019	1,035	1,056	1,090	o/w Flame for Life	354	369	351	372	
Operating expenses (incl. non-recurring)	(813)	(863)	(763)	(794)	(806)	o/w Blade Excellence	302	300	296	309	
EBIT (reported)	290	156	272	262	284	Cost of goods	(555)	(516)	(509)	(515)	
o/w Non-recurring items	(53)	(127)	(20)	(40)	(35)	Gross profit	522	497	531	504	
Adj. EBIT	343	283	292	302	319	Adj. EBIT	147	136	166	126	
D&A	132	119	118	120	122	o/w Flame for Life	101	115	112	112	
Adj. EBITDA	475	402	410	422	441	Non-recurring items	(25)	(102)	(8)	(12)	
Finance result	8	(17)	(3)	2	4	EBIT (reported)	122	34	158	114	
Pre-tax income	298	139	269	264	288	Finance result	(11)	(6)	(1)	(2)	
Tax	(86)	(53)	(84)	(82)	(89)	Pre-tax income	111	28	157	112	
Net income (Group share)	212	86	185	182	199	Tax	(35)	(18)	(49)	(35)	
Adj. net income	256	195	200	210	223	Net income (Group share)	76	10	108	77	
Reported EPS (€)	5.10	2.10	4.57	4.56	5.04	Adj. net income	97	98	114	86	
Adj. EPS (€)	6.15	4.74	4.92	5.25	5.66	Adj. EPS (€)	2.35	2.39	2.81	2.11	
DPS (€)	3.08	2.40	2.46	2.63	2.83						
Shares outstanding (avg. M)	41.56	41.11	40.55	39.95	39.40						
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and equivalents	456	461	553	584	630	Gross margin	50.2%	48.8%	50.3%	50.0%	50.3%
Other current financial assets	6	18	11	11	11	Adj. EBIT margin	15.6%	13.5%	14.2%	14.3%	14.7%
Inventories	539	478	480	488	496	Flame for Life adj. EBIT margin	33.2%	29.9%	31.0%	30.9%	31.2%
Trade receivables	456	422	425	433	441	Net margin (reported)	9.6%	4.1%	9.0%	8.6%	9.2%
Other current assets	52	69	66	66	66	ROE (reported)	-	5.0%	10.8%	10.1%	10.8%
Current assets	1,509	1,448	1,535	1,582	1,644	ROCE (adj. EBIT x (1-t) / equity less net cash)	14.8%	13.6%	13.8%	14.2%	14.9%
PP&E (incl. right-of-use)	610	590	590	589	588	Payout (DPS / adj. EPS)	50%	51%	50%	50%	50%
Goodwill and intangibles	558	423	420	416	412	Adj. P/E (x)	10.7x	13.9x	13.4x	12.6x	11.7x
Other non-current assets	162	152	163	163	163	EV / Adj. EBIT (x)	7.4x	8.9x	8.4x	8.0x	7.4x
Total assets	2,839	2,613	2,708	2,750	2,807	EV / Net sales (x)	1.2x	1.2x	1.2x	1.1x	1.1x
Current borrowings (incl. leases)	167	164	176	176	176	FCF yield	10.1%	8.3%	8.3%	7.3%	8.0%
Trade payables	173	153	158	161	164	Dividend yield	4.7%	3.6%	3.7%	4.0%	4.3%
Other current liabilities	346	281	264	260	259	Net sales growth	-	(4.9%)	(1.5%)	2.6%	2.6%
Current liabilities	686	598	598	597	599	Flame for Life sales growth	-	(10.7%)	0.0%	2.1%	2.0%
Non-current borrowings (incl. leases)	168	154	157	157	157	Adj. EBIT growth	-	(17.5%)	3.2%	3.4%	5.6%
Other non-current liabilities	192	196	178	178	178	Adj. EPS growth	-	(22.9%)	3.8%	6.7%	7.7%
Total liabilities	1,046	948	933	932	934						
Shareholders' equity	1,793	1,665	1,775	1,818	1,873						
Total liabilities & equity	2,839	2,613	2,708	2,750	2,807	Divisional Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
BVPS (€)	43.53	40.93	44.11	45.83	47.91	Human Expression sales	814	736	699	706	713
Net cash (ex. leases)	189	234	315	346	392	Flame for Life sales	810	723	723	738	753
o/w Lease liabilities	62	73	84	84	84	Blade Excellence sales	543	602	605	635	667
Cash flow from operating activities	358	309	314	285	303	Other products sales	30	30	32	33	34
o/w Capital expenditure	(87)	(87)	(92)	(90)	(88)	Human Expression adj. EBIT	62	55	60	64	70
as % of sales	4.0%	4.2%	4.5%	4.3%	4.1%	Flame for Life adj. EBIT	269	216	224	228	235
Free cash flow	271	222	222	195	215	Blade Excellence adj. EBIT	101	96	94	101	108
Dividends paid	(178)	(127)	(98)	(99)	(104)	Other and unallocated	(89)	(84)	(86)	(91)	(94)
Share buybacks	(56)	(40)	(38)	(40)	(40)	Group adj. EBIT	343	283	292	302	319
Acquisitions (disposals)	(201)	14	0	0	0						

Source: Company reports, K2 Capital estimates.

Note: € in millions (except per-share data). Fiscal year ends Dec. o/w - out of which. FY24A-FY25A and 1H25-1H26 are actuals; 2H figures are full year less first half. Adj. EBIT as defined by the company. FY26E balance sheet rolls forward from the 30-Jun-26 actual; other current liabilities is the balancing item in projections. Borrowings include lease liabilities; net cash follows BIC's definition, which excludes them. Transformation costs (c.€100M over 2027-30) are treated as non-recurring. EV uses the current market cap, period-end net cash and lease liabilities. Totals may not sum due to rounding.

Analyst Certification: The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject company and its securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific rating or views expressed in this report.

Important Disclosures

Ratings: Overweight: over the duration of the price target, we expect the stock to outperform the total return of the SBF 120. Neutral: we expect the stock to perform in line with it. Underweight: we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report.

Date	Rating	Price (€)	Price Target (€)
24-Oct-26	OW (initiation)	65.90	72.00

Positions and conflicts: K2 Capital Limited, its principals and employees may hold positions in, and may trade, the securities of the company discussed in this report or related instruments, including positions inconsistent with its rating.

Sources and methodology: Prices are as of the close on 23 October 2026 unless stated. Company data are from Société BIC's H1 2024 Half-Year Report, its FY24 and FY25 results, its Q3 2025, Q1 2026 and H1 2026 releases, its 2026 Strategic Update, its investor presentation (January 2026), factsheet and lighter websites. Market data are from Euronext via ABC Bourse, MarketScreener (including consensus), stockanalysis.com, Yahoo Finance, Investing.com and Pound Sterling Live; the CNY rate is the CFETS central parity. Lighter-industry data are from Xinhua, Hunan provincial government media and Sina Finance (April 2025), The Paper, Jiemian (March 2023), Changsha Customs via People's Finance (August 2025) and the Silk Road news service. Regulatory and trade sources include EU Regulations 3433/91, 260/2013 and 2023/988, Commission Decision 2006/502/EC, the PROSAFE Lighters II joint action report (2013), the US CPSC child-resistance study published in Injury Prevention, the US Harmonized Tariff Schedule, USTR's July 2026 Section 301 action (via EY and Global Trade Alert), the US Supreme Court's February 2026 IEEPA decision (via K&L Gates) and Dubai Trakhees on UN 1057. US price points are from Costco Business Centre listings and Closio. SBF 120 returns are derived from ABC Bourse data; the 3m figure uses the CAC 40 as a proxy. Per-lighter economics, profit-pool estimates, the DCF and lease liabilities (derived from the balance sheet and BIC's net cash reconciliation) are K2 calculations. Estimates are K2 Capital's and are subject to change without notice.

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