

Casino Guichard

Price EUR40.62

Trading statement Q4 2015: more patience needed**Fair Value EUR54 vs. EUR69 (+33%)****BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	87.3 / 40.1
Market Cap (EURm)	4,597
Ev (BG Estimates) (EURm)	15,052
Avg. 6m daily volume (000)	670.6
3y EPS CAGR	-11.9%

If we are really convinced by what has been done in France in terms of price repositioning (and ultimately the FCF guidance), one needs to wait for the consensus figures to have bottomed before the stock is able to regain momentum. This is not the case and hence, one has to be patient.

What happened over the last few weeks

Casino's share price was strongly punished over the last month following a report by Muddy Waters that stated Casino is worth only EUR7 per share. Numbers can be made to say anything... We finally noticed that 3/4 of the report raised issues that have been discussed over and over again (including the geographical averaging of debt and cash flow, the sustainability of the dividend that Casino pays to its shareholders, Rallye, property development revenues etc...). But in the end, one has to retain that this report is probably a reflection of the latent exasperation of the financial community (notably regarding the debt and the complexity of Casino). Casino has to break this vicious circle.

Management got the grip on the leverage issue

There is notably an emergency to deleverage the group, an issue that is obviously addressed through a forecasted EUR2bn (minimum) deleveraging programme, the outcome of which will be decisive for Casino's share price. Following the announcement of this programme, we commented ([link to the comment](#)) that one of the options selected (i.e. outright disposal of Vietnam) was rather radical and, hence, that investors could end up wondering if the degradation of the situation in Brazil would not be such that the group would have to deal with an emergency by making a big concession (i.e. the disposal of Vietnam). Such an interpretation, good or bad, would be a drag to the momentum building.

But consensus figures have not bottomed yet

And therein lies the rub, at this stage. Indeed, ahead of the FY results we have no choice but to adjust again our 2015 underlying operating income estimates from EUR1,778m to EUR1,513m, precisely on account of: 1/ a further deterioration in the forex environment and 2/ a difficult end to the year at both Cnova and Via Varejo in Brazil. In the end, we have cut again our 2015/17 EPS estimates by 17% on average. If we are really convinced by what has been done in France (in 2016, Casino expects a FCF after financial expenses and dividends above EUR200m in France), one needs to wait for the consensus figures to have bottomed, which is not the case, before the stock is able to regain momentum.

Q4 2015 trading statement (January 14th) should be reassuring for France but not for Brazil

Even if Q4 2015 was penalised by: 1/ the events in Paris and 2/ weather that was unfavourable to clothing notably, Q4 15 (January 14th) should be rather reassuring as to Casino's commercial recovery and FCF prospects in France. On the contrary, the picture will be gloomy at the international level, especially in Brazil where the end of the year seems to have been particularly difficult at both Via Varejo (-20% LFL) and Cnova (-6% LFL), given a difficult economic backdrop and company-specific issues. LatAm Retail as a whole (+1.5% LFL) should be supported by a resilient Cash & Carry business. Asia sales growth should remain in line with Q3 (-5.5% LFL), with significant price investments.

LFL excl. fuel and calendar	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15 e
Géant	-0,1%	1,1%	-3,9%	-2,3%	-1,5%	1,0%	3,5%	2,5% e
Casino	-2,5%	-2,1%	-4,6%	-2,9%	-1,4%	-2,3%	0,7%	0,0% e
FP/LP	-4,4%	-4,3%	-8,7%	-5,9%	-5,6%	-3,5%	1,7%	0,0% e
Monoprix	-0,8%	-1,2%	-2,7%	-1,4%	0,3%	0,5%	2,2%	0,5% e

Sources: Company, Bryan Garnier's estimates

Rightly or wrongly, the SOTP remains a drag

As a reminder, the consensus traditionally lays the emphasis on the SOTP which corresponds to the theoretical value of a company's assets in the event of a disposal. Calculating this intrinsic value on the basis of the market value of listed stakes is a mutilated stance. It is tantamount to believing that an investor aiming to get his hands on GPA or the bricks & mortar business of Via Varejo (i.e. excl. the 22% stake owned by the banner in Cnova) would offer and obtain a multiple of ~0.25x sales for the first and a negative ratio for the second... In the end, it seems difficult to build a valuation solely according to this methodology. Our own Fair Value is the average between this SOTP (EUR 41) and a DCF (EUR 68). Following our latest adjustments, it thus works out at EUR54 vs EUR69.



Bryan Garnier's estimates	Q1	Q2	H1	Q3	Q4 e	H2 e	2015 e
FRANCE RETAIL sales	4 425	4 710	9 135	4 812	4 877	9 689	18 824
(1) LFL excl. fuel and calendar	-1.6%	0.1%	-0.8%	2.5%	1.0%	1.7%	0.5%
(2) Expansion	0.3%	0.3%	0.3%	0.1%	0.0%	0.0%	0.1%
(3) Calendar	-0.1%	-0.1%	-0.1%	0.0%	-0.1%	0.0%	-0.1%
(4) Fuel	-1.1%	-0.8%	-1.0%	-1.2%	-0.8%	-1.0%	-1.0%
(5) Acquisitions	0.5%	0.3%	0.4%	0.3%	0.0%	0.2%	0.3%
(1)+(2)+(3)+(4)+(5) = Total	-2.1%	-0.3%	-1.2%	1.7%	0.1%	0.9%	-0.1%
Underlying EBIT			-53			412	359
As a % of sales			-0.6%			4.3%	1.9%
bps var.			-236 bp			185 bp	-19 bp
LATAM RETAIL sales	3 870	3 933	7 803	3 206	3 651	6 857	14 660
(1) LFL excl. fuel and calendar	2.6%	2.4%	2.5%	2.4%	1.5%	1.9%	2.2%
(2) Expansion	3.5%	3.7%	3.6%	2.8%	3.5%	3.2%	3.4%
(3) Calendar	2.7%	-2.2%	0.2%	0.9%	-0.1%	0.4%	0.3%
(4) Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Acquisitions	0.9%	8.0%	4.6%	6.1%	3.0%	4.4%	4.5%
(6) Forex	0.5%	-8.2%	-4.0%	-27.3%	-23.8%	-25.4%	-15.3%
(1)+(2)+(3)+(4)+(5)+(6) = Total	10.2%	3.7%	6.8%	-15.1%	-15.9%	-15.5%	-4.9%
Underlying EBIT			299			413	712
As a % of sales			3,8%			6,0%	4,9%
bps var.			-85 bp			-80 bp	-95 bp
LATAM ELECTRONICS sales	1 666	1 258	2 924	978	1 184	2 162	5 086
(1) LFL excl. fuel and calendar	-2.7%	-23.6%	-13.5%	-24.7%	-20.0%	-22.2%	-18.0%
(2) Expansion	1.4%	1.8%	1.6%	1.9%	0.0%	0.9%	1.2%
(3) Calendar	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(4) Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Acquisitions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(6) Forex	0.5%	-8.2%	-4.0%	-21.5%	-21.2%	-21.3%	-13.0%
(1)+(2)+(3)+(4)+(5)+(6) = Total	-0.8%	-30.0%	-15.9%	-44.3%	-41.2%	-42.6%	-29.8%
Underlying EBIT			191			68	259
As a % of sales			6.5%			3.1%	5.1%
bps var.			-141 bp			-750 bp	-426 bp
ASIA sales	1 043	1 032	2 075	914	979	1 893	3 968
(1) LFL excl. fuel and calendar	0.3%	-2.9%	-1.3%	-4.7%	-5.5%	-5.1%	-3.3%
(2) Expansion	3.4%	1.3%	2.3%	1.8%	2.5%	2.2%	2.2%
(3) Calendar	-0.3%	0.7%	0.2%	-0.1%	0.0%	0.0%	0.1%
(4) Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Acquisitions	0.5%	-0.1%	0.2%	-0.2%	0.0%	-0.1%	0.0%
(6) Forex	21.5%	21.0%	21.2%	8.7%	5.5%	7.0%	13.9%
(1)+(2)+(3)+(4)+(5)+(6) = Total	25.4%	20.0%	22.7%	5.5%	2.5%	3.9%	12.9%
Underlying EBIT			138			154	292
As a % of sales			6.7%			8.1%	7.4%
bps var.			33 bp			0 bp	10 bp
E-COMMERCE sales	906	824	1 730	775	900	1 675	3 405
(1) LFL excl. fuel and calendar	17.0%	15.7%	16.4%	7.7%	-6.0%	-0.1%	7.2%
(2) Expansion	0.3%	0.0%	0.2%	0.0%	0.0%	0.0%	0.1%
(3) Calendar	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(4) Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Acquisitions	0.2%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%
(6) Forex	0.3%	-6.7%	-3.2%	-15.5%	-12.0%	-13.5%	-9.0%
(1)+(2)+(3)+(4)+(5)+(6) = Total	17.7%	9.0%	13.4%	-7.9%	-18.0%	-13.5%	-1.7%
Underlying EBIT			-55			-53	-108
As a % of sales			-3.2%			-3.2%	-3.2%
bps var.			-261 bp			-400	-339 bp

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