BRYAN, GARNIER & CO

INDEPENDENT RESEARCH

19th February 2016

Casino Guichard

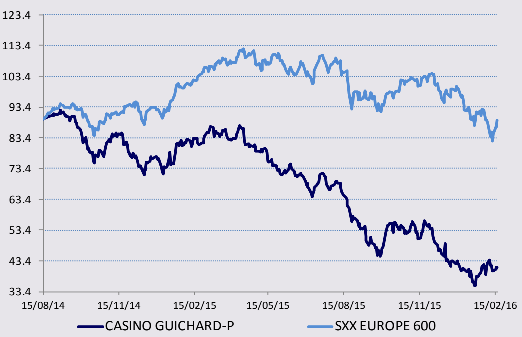
With hindsight: a real Catch-22!

Food retailing

Fair Value EUR57 vs. EUR54 (price EUR41.40) **BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	87.3 / 35.2
Market capitalisation (EURm)	4,686
Enterprise Value (BG estimates EURm)	15,040
Avg. 6m daily volume ('000 shares)	774.2
Free Float	49.1%
3y EPS CAGR	-12.7%
Gearing (12/14)	37%
Dividend yields (12/15e)	7.54%

YE December	12/14	12/15e	12/16e	12/17e
Revenue (EURm)	48,492	46,145	43,171	45,457
Curr Op Inc. EURm)	2,231	1,504	1,477	1,594
Basic EPS (EUR)	2.22	3.34	2.97	3.48
Diluted EPS (EUR)	4.43	2.36	2.43	2.95
EV/Sales	0.36x	0.33x	0.33x	0.32x
EV/EBITDA	5.5x	6.2x	6.2x	5.7x
EV/EBIT	10.0x	9.5x	9.8x	9.2x
P/E	9.3x	17.5x	17.0x	14.0x
ROCE	7.1	4.7	4.6	5.0



Admittedly, the current psychosis does contain elements of truth and maintaining the investment grade is evidently key to us (the investor base would be largely reduced if Casino is downgraded, while the potential return to the sacrosanct rating would come at a very high price). But what is most regretful in such a situation is that the current market's "credit noise" leaves little room for management to explore all the potential strategic options which it could otherwise consider in order to maintain the necessary conditions for long-term growth.

- **In light of the crisis in Brazil, detractors**, scaring the cat out of the bag which was already open for some time, have fed a viscous circle (i.e. widening CDS spread as the stock weakens). In order to break such a spiral, Casino announced disposals to deleverage the Holdco. Ultimately, detractors may find it easy to criticise management for selling jewels in the crown. But who is going to come out on top? A real Catch-22.

- **The cherry on the cake, S&P unexpectedly reviewed** (January 15th) the position it took post the Exito deal (it should make a decision by mid-April regarding a potential downgrade). Was it influenced by detractors' attacks or was it purely a way to protect itself from any criticism of negligence? Post disposals, which would dramatically improve its proportional credit ratio, could a downgrade really be justified?

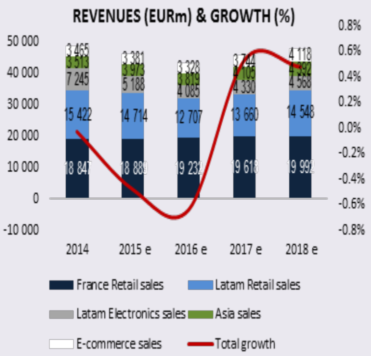
- **From that moment onwards**, a rather obvious option for Casino would be to transfer the rest of Casino's GPA voting ordinary shares to Exito (thus improving the proportionate credit ratios). But Casino may also do what is generally expected from a wise asset manager: sell high at 1.7x sales (Big C Thailand already done) and buy low at 0.2x sales.

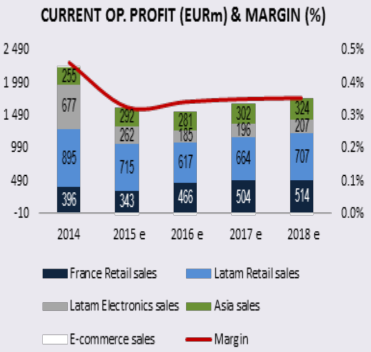
- **The strategy might be that Exito bids for all the GPA shares** (incl. Casino's remaining voting stake and minorities). Ultimately, Casino could buy back the minorities of Exito. Both Exito and GPA would be taken private and Casino would be the sole shareholder of LatAm (this would improve the flow of the cash within the company!). By doing so, we estimate that Casino would maintain decent proportionate debt ratios.

- **In another scenario, by announcing a post-disposals (~EUR4bn) return of cash to shareholders** (up to EUR700m buy-back), Casino would not only benefit from another squeeze of short positions but, on unchanged dividend liabilities (i.e. EUR350m), Rallye would also benefit from an increased source of cash to help balance its financial equation at least.

Analyst:
Antoine Parison
33(0) 1 70 36 57 03
aparison@bryangarnier.com

Sector Analyst Team:
Nikolaas Faes
Loïc Morvan
Cedric Rossi
Virginie Roumage





Company description

Casino is a long-standing player in France. So far, it also derives over 50% of consolidated its sales in fast-growing countries, in Latin America (mainly Brazil and Columbia) and Southeast Asia (Thaïland and Vietnam). Casino has successfully applied its dual (retail+real estate), multi-format, multi-banner, and multi-channel model all around the world.

Simplified Profit & Loss Account (€m)	2012	2013	2014	2015e	2016e	2017e
Revenues	41,971	48,646	48,492	46,145	43,171	45,457
Change (%)	*22.1%*	*15.9%*	*-0.3%*	*-4.8%*	*-6.4%*	*5.3%*
EBITDA	2,853	3,337	3,191	2,418	2,332	2,552
Current operating income	2,002	2,363	2,231	1,504	1,477	1,594
Exceptionals	377	261	(494)	74.0	0.0	0.0
EBIT	2,379	2,624	1,737	1,578	1,477	1,594
Change (%)	*71.0%*	*10.3%*	*-33.8%*	*-9.2%*	*-6.4%*	*8.0%*
Financial results	(499)	(719)	(678)	(550)	(540)	(530)
PBT	1,880	1,905	1,059	1,028	937	1,064
Tax	(323)	(401)	(310)	(319)	(309)	(351)
Profits from associates	(21.0)	21.0	77.0	60.0	61.8	63.7
Income from discontinued activities	(2.0)	(2.0)	(2.0)	0.0	0.0	0.0
Minority interests	(470)	(672)	(573)	(391)	(354)	(383)
Net profit / group share	1,064	851	251	378	335	394
Restated net profit	564	618	556	327	335	394
Change (%)	*-0.2%*	*9.6%*	*-10.0%*	*-41.2%*	*2.5%*	*17.4%*
Operating cash flows	1,620	2,054	1,893	1,690	1,553	1,745
Capex, net	(1,394)	(1,603)	(1,529)	(1,061)	(842)	(1,136)
Change in working capital	837	530	328	(184)	(118)	186
FCF	1,063	981	692	445	593	794
Financial investments	(130)	(32.0)	(15.0)	0.0	0.0	0.0
Dividends	(835)	(552)	(502)	(539)	(550)	(561)
Capital increase	(6.0)	1,248	(7.0)	0.0	0.0	0.0
Assets disposal	288	218	67.0	200	0.0	0.0
Other	(386)	(2,140)	(393)	0.0	0.0	0.0
Increase in net debt	(6.0)	(277)	(158)	105	43.1	233
Net debt	5,385	5,662	5,820	5,715	5,672	5,439
Tangible fixed assets	8,681	9,470	9,643	9,591	9,578	9,757
Intangibles assets	14,593	14,891	15,298	15,298	15,298	15,298
Cash & equivalents	7,764	5,529	7,395	7,500	7,543	7,776
Other assets	11,775	11,278	12,945	12,513	11,851	12,248
Total assets	42,813	41,168	45,281	44,902	44,270	45,079
Shareholders' funds	15,202	15,426	15,608	15,838	15,977	16,193
L & ST Debt	12,180	11,139	13,748	13,748	13,748	13,748
Provisions	1,037	1,178	1,180	1,180	1,180	1,180
Others liabilities	14,394	13,425	14,745	14,136	13,365	13,958
Total Liabilities	42,813	41,168	45,281	44,902	44,270	45,079
WCR	(2,948)	(3,478)	(3,806)	(3,622)	(3,504)	(3,689)
Capital employed	20,326	20,883	21,135	21,267	21,372	21,365
Operating margin	4.77	4.86	4.60	3.26	3.42	3.51
Tax rate	17.18	21.05	29.27	31.00	33.00	33.00
Normative tax rate	33.00	33.00	33.00	33.00	33.00	33.00
Net margin	1.34	1.27	1.15	0.71	0.78	0.87
ROCE (after tax)	6.60	7.58	7.07	4.74	4.63	5.00
WACC	9.00	9.00	7.68	7.68	7.68	7.68
Gearing	35.42	36.70	37.29	36.08	35.50	33.59
Net debt / EBITDA	1.89	1.70	1.82	2.36	2.43	2.13
Pay out ratio	31.63	41.40	141	93.29	105	89.61
Number of shares, diluted	112	113	113	113	113	113
EPS	9.49	7.54	2.22	3.34	2.97	3.48
Restated EPS	4.85	5.32	4.43	2.36	2.43	2.95
% change	*-0.5%*	*9.7%*	*-16.7%*	*-46.7%*	*3.1%*	*21.2%*
Operating cash flows	14.44	18.19	16.75	14.95	13.74	15.44
FCF	9.48	8.69	6.12	3.93	5.25	7.03
Net dividend	3.00	3.12	3.12	3.12	3.12	3.12

Source: Company Data; Bryan, Garnier & Co ests.

Table of contents

Before we go any further, we would like to stress that **1/** forex and lower than expected profits from associates in 2015, **2/** partly compensated by lower financial costs, were the main factors in lowering our 2015/17 EPS estimates by 3% on average. Moreover, at this stage, **3/** Big C Thailand is still consolidated in our accounts (the transaction, ~10% EPS dilutive, is expected to be completed by 31st March 2016). **4/** **Our Fair Value (EUR57) is the average between a spot SOTP (EUR45) and a DCF (EUR68).** **4/**All the share prices we use in this report are as of 16/02/2016.

1. Valuation: something of a mismatch between Casino and Rallye?

1.1. The sacrosanct mark-to-market SOTP turned against its creator

Rallye is Casino's parent company. The economic interest it has in Casino, namely 50.01% along with with 61.7% of voting rights, represents 90% of its gross assets. Hence, Rallye has traditionally been a means of gaining exposure to Casino with a leverage effect associated with debt. Changes in the Casino share price (market capitalisation of EUR4.7bn) and that of Rallye (market capitalisation of EUR617M) have been massive (-46% and -56% respectively since the beginning of 2015). These have gone hand in hand with a disconnection in valuations (Rallye's spot NAV is worth –EUR7.4 per share and is however trading at EUR12.8) which has been a subject of debate over the last few months.

Fig. 1: NAV of parent company Rallye (as of 16/02/2016)

Financial assets (EUR)	Valuation
Casino ordinary shares	2 337
Groupe Go Sport	102
Financial investments portfolio (net book value)	127
Others	40
(A) RESTATED ASSETS	**2 606**
(B) 2015 ESTIMATED NET DEBT (holding)	**2 970**
Restated net asset value	-364
(A)-(B) = RESTATED NET ASSET VALUE PER SHARE	**-7.4**

Source: Company Data; Bryan, Garnier & Co ests.

The way it works is by plugging Casino's share price into Rallye's NAV, a spot price which obviously depends on the mark-to-market SOTP (which currently stands at EUR45). Yet, one can only cry when seeing the change in this spot SOTP (down ~50% since the beginning of 2015). This decline can naturally be justified by the downturn in share performances by its listed subsidiaries outside France (-57% for GPA, -77% for Via Varejo, -54% for Exito, +5% for Big C and -71% for Cnova since 31/12/2014). However, this approach seems somewhat simple.

1.2. But the debate cannot be reduced to this single mark-to-market SOTP

The SOTP corresponds to the theoretical value of the company's assets in the event of a disposal by Casino. Calculating this intrinsic value on the basis of the market value of listed minority stakes which do not carry voting rights (i.e. preferred shares) is an inappropriate stance. It is tantamount to believing that an investor aiming to get his hands on the unlisted voting shares of GPA or that of the bricks & mortar business of Via Varejo (i.e. excl. the 22% stake owned by the banner in Cnova) would offer and obtain from Casino a multiple of ~0.25x sales for the first and a negative ratio for the second. By contrast, it would be much more conceivable, for example, that Casino takes GPA's minority non-voting shares on low multiples (see. Fig. 3).

Similarly, we believe it is not appropriate to value the French assets solely on the basis of the EBIT they generate and which, for circumstantial reasons, is temporarily depressed (i.e. switch from a value-destructive margin rate policy to a more appropriate cash margin strategy). We are in a fixed-cost industry and the commercial challenge is to dilute invariable costs. Valuation is therefore based on the sales potential, which primarily increases depending on the quality of the stores' locations. If this were not the case, Carrefour would never have paid 0.35x sales for a loss-making Dia banner in France!

Fig. 2: Mark-to-market SOTP (as of 16/02/2016)

EV of French activities (Retail and Cafeterias)	2016 Sales	EV/Sales	Stake	EV	Per share
- Geant Casino	4 848	0,20X	100%	970	9
- SM Casino	3 229	0,40X	100%	1 292	11
- Monoprix	4 156	0,69X	100%	2 850	25
- FP/LP	4 323	0,40X	100%	1 729	15
- Others	2 677	0,40X	100%	1 071	9
EV FOR FRANCE RETAIL & CASINO CAFETERIA	**19 232**	**0,41X**	**100%**	**7 911**	**70**
Net debt holdco				5 900	52
EQUITY FOR FRANCE				**2 011**	**18**

Equity value of Casino's direct stake in its subsidiaries	Direct stake	Equity value	Per share
France Retail & Casino Cafétéria	100%	2 011	18
Casino Bank	50%	100	1
REIT (Mercialys)	40,3%	703	6
Brazil (GPA)	22,5%	561	5
Colombia (Exito)	54,8%	860	8
Thailand (Big C)	58,6%	3 100	27
Vietnam (Big C)	100%	750	7
E-commerce (Cnova)	43,3%	398	4
(A) TOTAL EQUITY		**8 482**	**75**
Seasonality of net debt		(1 200)	(11)
Perpetual bonds		(590)	(5)
Hybrid bond issue		(750)	(7)
Convertible bond Monoprix		(420)	(4)
Put included in NFD		132	1
Pensions and other provisions		(516)	(5)
(B) OTHER RESTATEMENTS		**(3 344)**	**(30)**
(A)+(B) = NET EQUITY VALUE		**5 139**	**45**

Source: Datastream; Company Data; Bryan, Garnier & Co ests.

1.3. There is a time value but, so far, time has been playing against Casino

We can look at the issue from a less conventional viewpoint, Rallye, for which analysts' coverage is far less comprehensive than for Casino. The price of the retailer's controlling holding company currently shows a negative NAV (i.e. –EUR7.4 vs a EUR12.8 share price whereas, historically, it instead shows a discount of around 20% to its NAV)! In order to better assess this anomaly, we can undertake a reversed NAV calculation in order to establish how, based on Rallye's current share price (EUR12.8), the market implicitly values Casino's share price. The exercise is purely factual and is not biased by any subjective factor. In conclusion, for a Rallye share price at EUR12.8, Casino is implicitly valued at EUR58.5 (i.e. vs a Fair Value at EUR57)

In the end, it is possible to regard a glass as either half full or half empty. The fierce opponents would say that Rallye's NAV purely and simply overvalues Casino and that the share should simply be got rid of, while continuing to bash Casino. However, isn't the unmovable holding company considered as a long-term call option for Casino? This would explain why, during particularly depressed market episodes (i.e. today), the discount naturally transforms into a premium reflecting the time value offered by Rallye (as a reminder and as a matter of comparison, Artemis was worth minus EUR3bn in 2009 according to its spot NAV). **There is a time value but, so far, time has been playing against Casino.**

2. Casino is presumed guilty of playing cute

2.1. Detractors' questionable valuation was intended to create panic…

As a reminder, some detractors computed a EUR7 SOTP valuation per Casino's share (vs EUR45e in our SOTP). This figure was notably based on a EUR490m LTM (i.e. Last Twelve Months) retail EBITDA for French activities to which they applied an 8x EV/EBITDA multiple. Thus, the EV worked out at EUR3.9bn (i.e. 0.2x 2016 EV/sales multiple vs 0.4x in our SOTP). Of course, they retained the worst possible picture because this takes into account only H2 2014 and H1 2015 (i.e. LTM), during which Casino massively invested in prices.

Why not take 2016's number which could benefit from the recovery in volumes, especially at Géant? Our own estimate is around EUR866m for 2016. If we adjusted for property development revenues (let's say EUR140m), the difference between our EBITDA estimate (EUR866m) and that of detractors (EUR490m) would represent EUR17 per Casino's share at a constant multiple (i.e. 8.0x EV/EBITDA). Numbers can be made to say anything!

2.2. … while putting the finger where it hurts and at the worst moment…

The reports by detractors raised issues that are certainly not to be taken lightly, including the geographical averaging of debt and FCF (LatAm currencies along with macro headwinds reduced Casino's consolidated FCF while the EUR-denominated debt tended to increase), the sustainability of the dividend, Rallye, property development revenues, etc... However, we insist, "3/4trs" of the report raised issues that have been discussed over and over again (and Casino has already been strongly punished for that).

Proportionate (vs consolidated) credit ratios & capitalisation of leases: nothing new and we are here in the appreciation of the standard

One of the main topics notably addressed in these reports regards Casino's consolidated credit ratios which, obviously, do not objectively reflect the economic interest of the retailers in each of its international listed assets (thus stigmatising a circulation of the cash that remains constrained), namely GPA in Brazil (32.8% directly and indirectly equity owned), Big C (58.6% equity owned), Exito (54.8% equity owned) and Cnova (55.1% directly and indirectly equity owned). This is not new!

Indeed, consolidating 100% of the EBITDA and 100% of the cash position of a subsidiary which is only 50% equity owned is favourable from a consolidated viewpoint. The picture is less glorious when adopting a proportional approach. This very true observation has nonetheless already been discussed on many occasions in the past (notably in 2009 and 2011, when Exito and Big C made capital increases that allowed Casino to consolidate full cash proceeds well above Casino's contribution effort to the said capital increases, thus improving the consolidated credit ratios in greater proportions than for proportional ratios).

Fig. 3: Shareholding structure of Casino group

Casino's direct and indirect economic interest in each of subsidiaries it controls	%
GPA	32,8
Via Varejo	14,2
Cnova	55,1
Exito	54,8
Big C	58,6
Vietnam	100,0

Detail of shareholding by subsidiary	%
GPA	
- Casino	22,5
- Exito	18,8
- Minorities	58,7
Via Varejo	
- GPA	43,4
- Klein Family	27,3
- Minorities	29,3
Cnova	
- GPA	26,2
- Via Varejo	22,0
- Casino	43,3
- Management	1,8
- Exito	0,1
- Minorities	6,6
Exito	
- Casino	54,8
- Minorities	45,2
Big C	
- Casino	58,6
- Chirathivat	~20??? (reported by the press)
- Minorities	~21,4
Vietnam	**100**
- Casino	100

Shareholding GPA	Millions	%
Casino direct	**59.7**	**22.5**
Ordinary shares (unlisted voting shares)	49.8	18.8
Preferred shares (listed non-voting shares)	9.9	3.7
Exito	**49.8**	**18.8**
Ordinary shares (unlisted voting shares)	49.8	18.8
Preferred shares (listed non-voting shares)	0.0	0.0
Total group	**109.5**	**41.3**
Ordinary shares (unlisted voting shares)	99.6	37.5
Preferred shares (listed non-voting shares)	9.9	3.7

Source: Company Data; Bryan, Garnier & Co ests.

In Fig.4, we show both the consolidated and proportionate credit ratios which have increasingly become kind of catch-all ratios (i.e. with all or part of debt like equity, seasonality of debt, TRS MtM, property revenues, etc…). But if there are as many ways to calculate them as there are analysts (i.e. one can capitalise leases according to S&P's methodology or by multiplying annual leases' liabilities by eight, or by six…), the consolidated ratios evidently remain much more flattering than proportionate ones. Everyone is looking out for himself and we are here in the appreciation of the standard. Thereafter, we believe it is most important to see how ratios are expected to evolve over the upcoming disposals. Herein, we find it hard to understand S&P's recent U-turn.

Fig. 4: Cumulated impact on estimated 2015 credit ratios should Casino deliver on 1/ disposals and 2/ net FCF in France

	2015e	Disposal of Thailand (EUR3.1bn)	Disposal of Vietnam (EUR760m)	Net FCF Guidance Reached in France (EUR200m)
Basic: ND / EBITDA	2,5x	1,2x	0,9x	0,7x
Basic: ND / EBITDA - proportional	4,6x	2,6x	2,0x	1,6x
Fully loaded*: ND / EBITDA consolidated	3,1x	2,0x	1,6x	1,4x
Fully loaded*: ND / EBITDA - proportional	5,7x	3,9x	3,3x	2,8x
Basic: Lease-adjusted: ND / EBITDAR	3,3x	2,4x	2,2x	2,0x
Basic: ND / EBITDAR - proportional	5,0x	3,6x	3,2x	2,8x
Fully loaded*: adjusted ND / EBITDAR consolidated	3,8x	3,0x	2,8x	2,5x
Fully loaded*: adjusted ND/ EBITDAR proportional	5,8x	4,5x	4,1x	3,6x

** **We take the following into account to adjust debt: 1/** operating leases which are capitalised by multiplying the estimated annual rents by 6; **2/** hybrid bonds which are considered as 50% equity (+EUR670m) and convertible bond Monoprix at 100% (+EUR420m); **3/** TRS MtM (+EUR400m); **4/** put included in NFD (-EUR132m); **5/** pension provisions (+EUR160m)*

Source: Company Data; Bryan, Garnier & Co ests.

Real estate: a full-fledged business to amortise the switch from a value-destructive margin rate policy to a more appropriate cash margin strategy in France

In another register, Casino sells commercial areas to Mercialys (with a yield of let's say 5.1%). First, the REIT implements a restructuring programme (i.e. real estate promotion) and hence, second, it is able to sell a 49% interest in the vehicle to real estate collective investment schemes (the so-called "OPCIs") at a revalued price (OPCIs, on their side, are rather content with a rental yield of 4.8%!). In the end: **1/** both Casino and Mercialys record a gain, **2/** the REIT keeps control of the vehicle, and even **3/** receives management fees. These revenues from real estate promotion are included in EBIT/EBITDA.

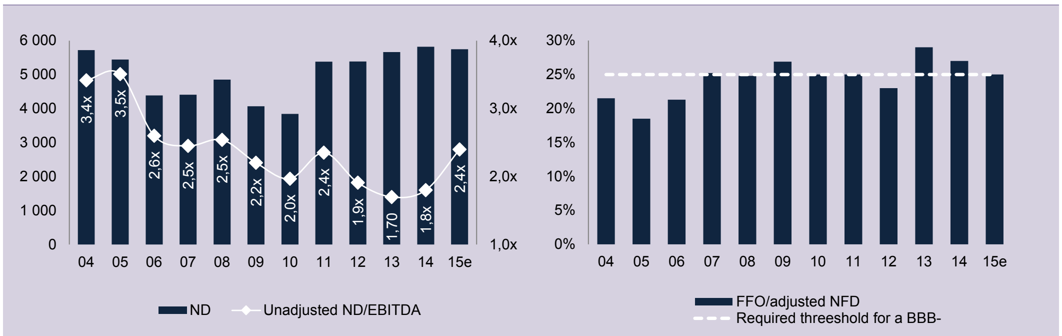
In this configuration, the market has already been wondering for a while until what point Mercialys's strategy is dependent on the parent company's imperatives, as if the REIT were the swing factor for Casino's EBIT. This contribution effort is reminiscent of the days when Mercialys had no debt and, therefore, could not benefit from any potential leverage effect in an already low rates environment (i.e. why not take a loan at 3% to acquire an asset that could yield 5%?). Certainly because one euro debt at Mercialys would have implied an additional one euro debt in Casino's account (as the REIT was fully consolidated) at a moment when the group was under pressure.

Once again, this issue is not new and, indeed, many retailers use the same strategy. Metro AG, for instance, included EUR150m revenues from real estate promotion in its 2015 EBITDA. It seems rather difficult to have two weights and two measures (not to mention the fact that Casino has always emphasised its dual model - retail / real estate - as being the very heart of its strategy)… Even though these revenues had effectively allowed the deterioration in Casino's French retail business to soften (or more accurately, to amortise the switch from a value-destructive margin rate policy to a more appropriate cash margin strategy thanks to real estate which is a full-fledged business), management anticipates that they will be roughly flat in 2016 vs 2015 (**management should disclose these revenues when it releases its FY earnings**).

2.3. … thus feeding a self-fulfilling prophecy which is very difficult to reverse

One of the biggest challenges for Casino has always been to secure the support of rating agencies, and hence of the market, over its capacity to meet its debt commitments. Indeed, its credit ratios have always been stretched (since 2007 the adjusted FFO/ND ratio has only been comfortably within the range set by the credit rating agencies on very rare occasions) and were probably saved several times in the past thanks to opportunistic asset disposals, often convoluted (i.e. capital increases in subsidiaries rather than outright disposals for example).

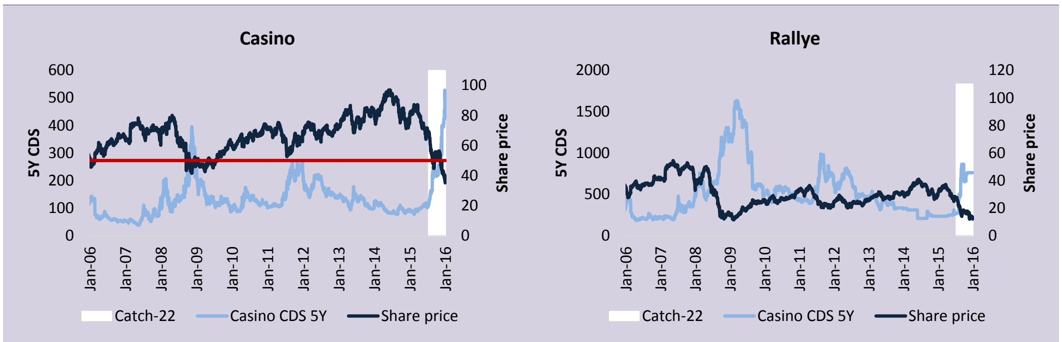
Fig. 5: ND/EBITDA and FFO/ND ratios



Source: S&P; Company Data; Bryan, Garnier & Co ests.

And as Casino has almost always found a way out of S&P's constraints, the best way for detractors to sink the retailer for good was certainly to question the standards themselves, in light of the crisis in Brazil. They fed a vicious circle in motion whereby short positions started to build-up on Casino, a natural proxy on Brazil, together with long positions on CDSs. As a result, the perversity of the process resides in the fact that CDS spreads kept widening as the stock was weakening...

Fig. 6: Casino's 5Y CDS and share price



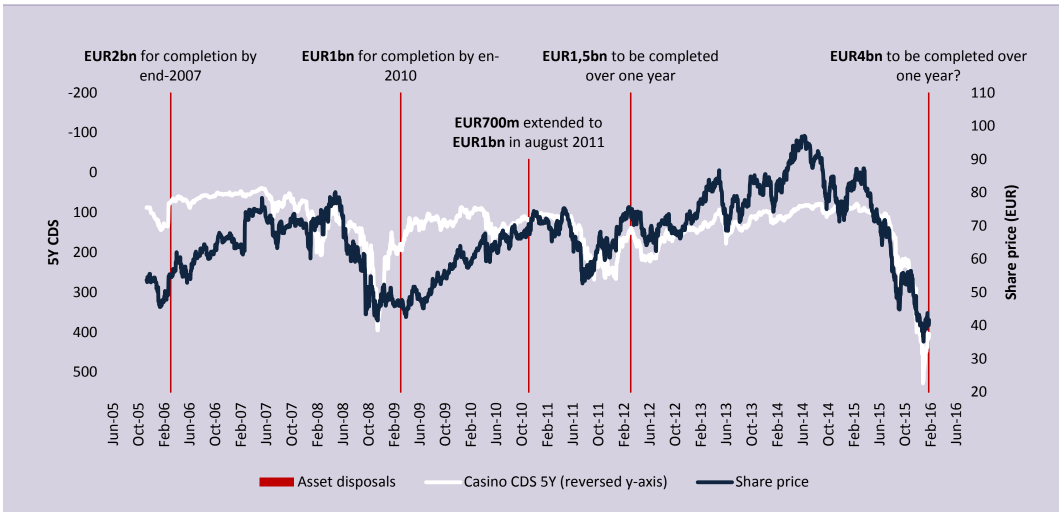
Source: Company Data; Bryan, Garnier & Co ests.

Therefore, whereas Casino would be in line with the credit ratios required by the agencies, investors are getting convinced that the company will not be able to renew its credit lines (at least on the same terms), although they were rather comforted about it only a few months ago on the occasion of the cash push-up executed with Exito (PS: another example of a convoluted contribution effort from a listed subsidiary serving the mother company). In order to break this spiral, management has announced an asset disposal programme destined to deleverage the group even if it means selling Asia, a jewel in the crown. At this stage, the detractors may find it easy to criticise management for selling some of Casino's jewels (jewels however sold on very high multiples at a time when worries about Asian commercial growth becomes more obvious)... A real Catch 22!

2.4. From now on, one has to rely on Casino's ability to sell assets (and this is very well on track)…

To understand even better what is at stake, one can make the "5Y CDS vs equity" graph more "visual". One simply needs to reverse the CDS y-axis and adjust the scale to fully realise how Casino's equity story is intimately linked to that of its CDS. From that moment, it seems rather obvious that the reversal of the momentum depends on CDS tightening and hence on the ongoing asset disposals. **<u>The issue is addressed by management through the forecasted EUR4bn deleveraging programme, the outcome of which will be absolutely decisive for Casino's share price.</u>**

Fig. 7: Let's try to make the "CDS vs equity" graph even more "visual"



Source: Bloomberg; Company Data; Bryan, Garnier & Co ests.

From the moment when Casino sought to stem the fall in its share price, the outright disposal of Asia was definitely the way to do it in the most fluid and reassuring way for shareholders and S&P. This asset disposal programme is a classic *modus operandi* at Casino and comes after those already completed over the last decade (EUR6.1bn between 2006 and 2012) and which were crucial for the group to maintain its investment grade rating while financing new strategic options in emerging zones.

***NB:** As a reminder, between 2005 and 2013, acquisitions totalled EUR8.65bn, with the group increasing its stake in stages in GPA (41.4% vs 27.4% at end-2004), Vindémia in Vietnam (100% at end-2011 vs 33% at end-2004) and Exito in Colombia (54.8% at end-2011 vs 35.6% at end-2004). Casino also acquired the minority interests in FP/LP as well as 50% of equity in Monoprix owned by Galeries Lafayette. This overall amount also includes (Casino's share) the acquisitions of Carulla Vivero by Exito, Assai and Ponto Frio by GPA and Carrefour Thailand by BIG C.*

Fig. 8: Asset disposals over the last decade

EUR2bn disposal programme announced in March 2006, for completion by end-2007	Amount (EURm)
Disposal of 11 warehouses	188
Disposal of treasury stock	48
Mercialys	240
Disposal of Saint Etienne head office	86
Unwinding Cora equity swap	253
38% of Feu Vert	90
Poland	827
Taiwan (50%)	50
Smart & Final (55%)	351
Disposal of real estate in France and La Réunion	635
Total programme 2006	**2 768**

EUR1bn disposal programme announced in March 2009, for completion by end-2010	Amount (EURm)
Super de Boer (Netherlands) /Laurus	400
Mature real estate	100
Venezuela indemnification (60%)	276
Exito capital increase/end of Carulla Vivero put	195
Total programme 2009	**971**

EUR700m disposal programme announced in November10, extended to €1bn in August 11	Amount (EURm)
Exito capital increase	430
Mature real estate / other real estate (Venezuela indemnification 40%)	370
GPA equity swap (3% of capital)	200
Total programme 2010/2011	**1 000**

EUR1.5bn programme announced in March 2012 and to be completed over one year	Amount (EURm)
Mercialys	700
Capital increase and disposals of treasury stocks	400
Disposal of financial and real estate assets	200
Total programme 2012	**1 400**

Source: Company Data; Bryan, Garnier & Co ests

There is no denying that Casino is again well on track to complete its new disposals programme. Indeed, on February 7th, the retailer announced the disposal of the 58.6% equity stake owned in its listed Thai subsidiary Big C (700 stores including 125 hypermarkets with 2015 sales of EUR3.4bn) to the TCC group for EUR3.1bn excluding debt vs EUR2.8bn previously in our SOTP (impact of EUR2.8 per share). This implies a 2015 EV/sales multiple of ~1.7x (LTM EBITDA multiple as of end-September 2015 of c.16x). This compares favourably to recent transaction multiples as shown in the table below. The disposal should allow Casino to slash its debt by EUR3.3bn (i.e. EUR3.1bn proceeds + deconsolidation of Big C's net debt). The transaction is not subject to any condition precedent and is expected to be completed by 31st March 2016.

Fig. 9: Transaction multiples in Asia

Year	Area	Nature of the deal	Transaction multiple
2011	Thailand	Carrefour's Thai BU sold to BIG C	1.2x EV/Sales
2013	Thailand	CP All increased its stake in Siam Makro	1.6x EV/Sales
2016	Vietnam	Loss-making Metro Vietnam sold to TCC*	1.3x EV/Sales
2016	Thailand	Casino is to sell is 58.6% equity stake in Big C to TCC	1.7x EV/Sales

**** Casino's BU in Vietnam is profitable***

Source: Company Data; Bryan, Garnier & Co ests.

Following the disposal of Thailand on very high multiples, we expect Casino to sell its Vietnamese retail operations on very good ratios as well. Based on the most recent transaction multiple (loss-making Metro Vietnam sold to TCC at 1.3x), Big C Vietnam (which is profitable!) could be worth EUR760m. Several players have more or less officially presented their candidatures, some of which are very credible purchasers. At this stage, we understand that Casino would like to sell both its Asian assets to the same buyer. Hence, TCC Group is probably in pole position for the Vietnamese deal. In a best case scenario, Casino would almost complete its EUR4bn asset disposal programme through only the disposal of the Asian operations (on top of which Casino should also get ~EUR150/200m out of the EUR300-400m proceeds from real estate in Colombia).

Fig. 10: Potential buyers who obviously expressed interest

	Thailand	Vietnam	Specific comments
TCC Group	✓	✓	TCC already agreed to buy Big C Thailand on February 7th. Berli Jucker Public, listed subsidiary of TCC, also expressed interest in Big C Vietnam after it bought Metro Vietnam.
Central Group (Tos Chirathivat)…	☒	✓	Tos Chirathivat already owns ~20% of Big C Thailand, which he founded in 1993. He initially indicated that it was purchaser of Casino's 58.6% equity share in Big C Thailand, as well as Vietnam (100%).
Dairy Farm	☒	?	Hong Kong-based Asian retailer which operates in four segments: Food, Health and Beauty, Home Furnishings, and Restaurants. Food segment consists of supermarket, hypermarket and convenience store businesses.
Lotte Shopping	☒	?	Lotte is a Korea-based company notably engaged in the operation of department stores and discount stores (Lotte discount stores and Lotte Mart).
Aeon	☒	?	Japanese holding engaged in retail. Its General Retail segment operates general merchandise stores (GMSs), supermarkets, convenience stores and department stores. It is obvious interested by the Thai retail industry.

Source: Company Data; Bryan, Garnier & Co ests.

2.5. … and deliver on the 2016 FCF guidance in France (we are reasonably optimistic)

Over the last few years, we believe Casino has dramatically slashed costs (rather obvious when one visits a Géant store) and we now estimate that Casino is a mix of low-cost hypermarkets, rather discount stores and Monoprix, with a very low SG&A basis at end 2015 (i.e. ~17% as a percentage of sales). As a comparison, one can refer to Oliver Wyman's analysis which compares the hard discount P&L with that of other grocery formats. In the far right column, we show the P&L structure which we estimate for Casino France at end 2015.

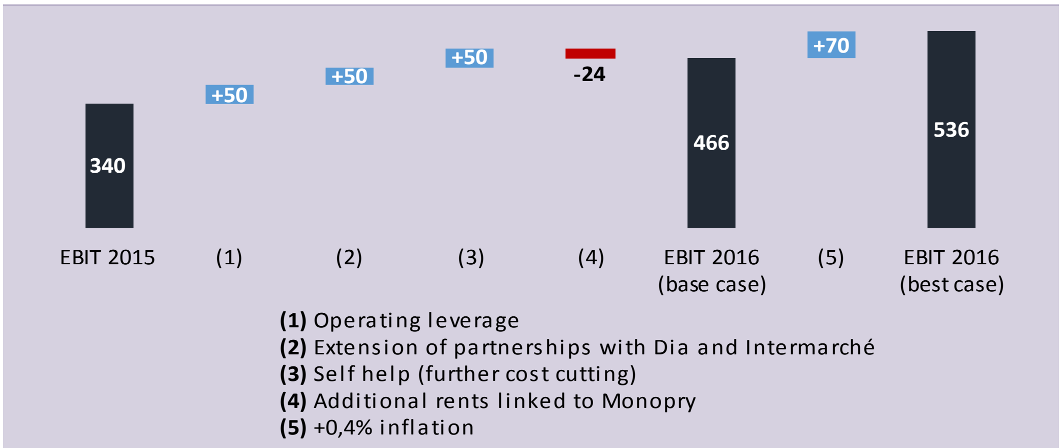
Fig. 11: Cost advantage of low-cost competitors and estimation for Casino

	Traditional supermarket	Traditional hypermarket	Low-cost hypermarket	Discount supermarket	Est. Cost structure for Casino
Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
COGS and shrink	-69.0%	-73.5%	76.0%	-81.0%	-79.9%
Gross margin	31.0%	26.5%	24.0%	19.0%	20.1%
Operating costs	-27.5%	-25.0%	-18.0%	-12.0%	-17.0%
Real estate promotion	-	-	-	-	0.7%
EBITA	**3.5%**	**1.5%**	**6.0%**	**7.0%**	**3.8%**

Source: Oliver Wyman; Company Data; Bryan, Garnier & Co ests.

Based on this very light P&L structure (assuming that operating costs are 80% fixed at Casino and that the natural cost inflation is neutralised in a general deflationary environment), we estimate that: **1/** a +1.8% growth could translate into an operating leverage of ~EUR50m at the EBIT level; **2/** on top of this EUR50m could be added related to the extension of the partnership with Dia and Intermarché (non-market goods and utilities); and **3/** ~EUR50m related to further cost reductions (central costs and closures). One the other hand, **4/** EUR24m should be deducted on account of additional rents (recent sales of Monoprix stores to Mercialys). Hence, we expect the 2016 EBIT to reach ~EUR466m (vs. a guidance of EUR500m). If inflation deigns to come back, *ceteris paribus,* a price increase of +0.4% would add a ~EUR70m bonus and allow Casino to beat its guidance. On the other hand, **in a bear case scenario (i.e. no growth and less cost cuttings/natural cost inflation neutralised to a lesser extent), we estimate that the 2016 EBIT would be limited to EUR410m.**

Fig. 12: Estimated 2016 underlying EBIT vs that of 2015 (revenue from real estate promotion being flat in our estimates)



Source: Company Data; Bryan, Garnier & Co ests.

Fig. 13: Commercial and operating performances estimated for 2016 in France

EURm	H1	H2e	2015e	2016e
France Retail sales	**9 135**	**9 754**	**18 889**	**19 232**
(1) LFL excl. fuel and calendar	-0,8%	1,9%	0,6%	1,8%
(2) Expansion	0,3%	0,6%	0,4%	0,0%
(1)+(2) = Organic excl. fuel and calendar	**-0,5%**	**2,5%**	**1,1%**	**1,8%**
(3) Calendar	-0,1%	0,0%	-0,1%	0,0%
(4) Fuel	-1,0%	-1,0%	-1,0%	0,0%
(5) Acquisitions	0,4%	0,0%	0,2%	0,0%
(1)+(2)+(3)+(4)+(5) = Total	**-1,2%**	**1,5%**	**0,2%**	**1,8%**
Underlying EBIT	-53	396	343	466
As a % of sales	-0,6%	4,1%	1,8%	2,4%
bps change	-175 bp	106 bp	-29 bp	61 bp

Source: Company Data; Bryan, Garnier & Co ests.

In the end, the stock's performance looking forward will heavily rely upon Casino's management ability to deliver on its 2016 guidance for France. As the case may be, in a worst case scenario in Brazil, Casino could not even depend on its listed subsidiaries to pay the dividend in 2016. At this early stage, in light of the most recent trends, we remain reasonably optimistic when it comes to the key guidance which is for a 2016 FCF after financial expenses and dividends "above EUR200m" in France. Management reports that "the group has good visibility for profitability in France. H2 2015 EBITDA should be significantly higher than H2 2014 EBITDA thanks to retail activities (and not thanks to massive property development revenues), with a clear trend in margin improvement starting from 2016".

Fig. 14: Breakdown of the domestic FCF based on provided guidance

2016	Based on EBITDA guidance	Based on BG estimated EBITDA
EBITDA	**900**	**866**
Financial costs	-150	-150
Tax (loss carry forward)	0	0
French CVAE	-50	-50
Capex	-300	-300
WCR improvment	75	75
Dividends paid	-350	-350
Hybrid coupons	-50	-50
Dividend received	130	130
FCF	**205**	**171**
FCF excl. dividends received from subsidiaries	**75**	**41**

Source: Company Data; Bryan, Garnier & Co ests.

3. Detractors are forcing S&P to face its hold demons

3.1. Something sounds obviously wrong in the chain of events

The circulation of cash is one of the main reserves expressed by S&P concerning Casino. It wants to see strong FCF stemming from the significant business units over which the retailer has full control and from which it can thus move the cash freely (i.e. France). Hence, on December 15th, a positive outlook for France, along with the announcement of EUR2bn of asset disposals, was probably one of S&P's main criteria in maintaining the IG rating.

Following detractors' attacks (December 17th), Casino gave a strong guidance (December 21th) which is for around EUR900m 2016 EBITDA, "driven by the retail business" (i.e. read that revenues from real estate should be flat in 2016), and a solid generation of FCF after financial expenses and dividends above EUR200m in France. On top of this, Casino managed to increase (January 14th) its disposal programme from EUR2bn to EUR4bn, at the same time as the CFO guided for 2015 underlying EBIT of around EUR1.5bn (vs cons. ~EUR1.7bn), pointing to a likely further deterioration in the Brazilian environment.

Simultaneously (January 15th), against this backdrop, S&P took things back and placed Casino Group's BBB- under negative credit watch. The agency fiercely reviewed its position as if, following the detractors' attacks, the French positive outlook suddenly turned out to be wishful thinking and the EUR4bn disposals remedy a sword struck into water against the negative backdrop in Brazil. All of which vindicates S&P's detractors. Catch-22!

3.2. At 3.3x 2016 NFD/EBITDAR, S&P reiterated its rating, below this it should downgrade?

However, we tend to believe that the scale of the planned asset disposals (i.e. EUR4bn) should be sufficient to maintain the investment grade rating **(but it is up to S&P now…)**. In particular, the sale of Casino's stake in Big C Thailand (58.6% equity owned by Casino) to TCC Group will represent a EUR3.3bn deleveraging for the Holdco, of which EUR3.1bn would stem from the cash proceeds and EUR0.2bn from the deconsolidation of the subsidiary's net debt.

Subsequently, based on our "methodology" (again, we believe that this is the trend which matters and not the methodology which varies from one analyst to another), we estimate that Casino's 2015 fully loaded adjusted proportional ND/EBITDAR ratio would decrease by ~166bp, following the disposal of its stakes in Thaïland (worth EUR3.1bn / i.e. 1.7x EV/Sales multiple!) and Vietnam (worth EUR760bn e / i.e. 1.3x EV/Sales multiple). Hence, if the Vietnamese operations are sold on high multiples, Casino's credit situation should dramatically improve, probably beyond what was initially hoped for by S&P (3.3/3.6x estimated ratio for 2016 vs 3.5/4.0x for 2015) when it reiterated its rating on December! Whichever way one looks at S&P's statement, something sounds wrong. Catch-22!

Fig. 15: Casino's key metrics according to S&P's methodology (December 11th)

	2014	2015e	2016e
Adjusted EBITDA margins	7.5%	7.0% / 7.25%	7.0% / 7.5%
Debt to EBITDA	2.6x	2.7x / 2.9x	2.5x / 2.7x
Proportionate Debt/EBITDA	4.0x	3.5x / 4.0x	3.3x / 3.6x

Source: S&P; Bryan, Garnier & Co ests.

3.3. What would be the impact of a downgrade to non-investment grade on both Casino and Rallye

Rallye (not rated) owns 50.01% of Casino. As the holding company's net debt (EUR2,783m at end June 2015) has not been reduced, Casino's rating will need to be maintained only if Rallye wants to continue to have access to the bond market under reasonable conditions. Moreover, 17% of the Casino shares owned by Rallye were pledged at end 2015 with the banks, versus 10% a year before. Hence, the need for Rallye's financial position to remain under control is rather strategic for Casino. Maintaining an investment grade rating at Casino is also important to avoid a substantial increase in financial costs on the outstanding bonds.

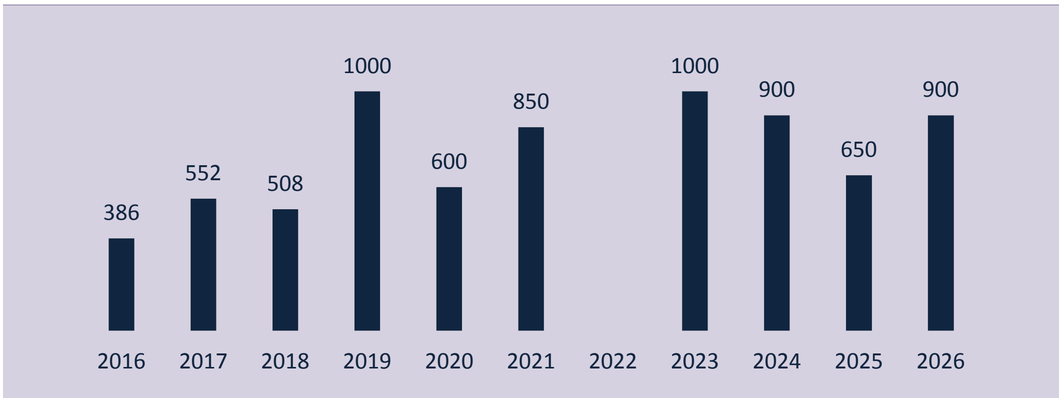
Indeed, Holdco's bonds contain a +125bp step-up up clause in case of a downgrade to junk bond status. As the case may be, the impact should be around ~EUR20m *pro rata temporis* in 2016 and ~EUR90m in 2017. However, it would be compensated by the upcoming EUR4bn deleveraging programme, EUR3.5bn of which will be used to pay debt down (i.e. ~EUR100m of savings based on a net cost assumption of 3% vs a current rate around 2.5% aided by swaps). **But the investor base for Casino would be largely reduced if it slipped below investment grade territory. Not to mention that the potential return to an investment grade rating would come at a very high price. That is what the very issue is. Hence, at this stage of the equity story, maintaining the investment grade rating seems to be a prerequisite.**

As a reminder, in November 2005, S&P downgraded Casino's rating to BBB-/stable and then its outlook from stable to negative in February 2006 (adjusted FFO/ND ratio of just 18.5% and adjusted ND/EBITDA ratio of 3.5x at end-2005). The deterioration in Casino's financial profile was due to earnings weakness in France, an aggressive acquisition policy (CBD and Vindémia), off balance sheet commitments and the risk of another injection of capital for Laurus. Casino finally took strong measures, which saw S&P stabilise the rating (adjusted FFO/ND over 25% at end-2007): **1/** a perpetual bond of EUR600m; **2/** the payment of a portion of the 2005 dividend in shares; and **3/** an asset disposal plan of EUR2bn to be carried out by end-2007.

3.4. In the immediate term, both Rallye's and Casino's liquidity profile are under control

Until the end of 2017, Casino France has EUR938m of bonds falling due, besides which one could add the EUR900m Commercial Paper Programme. The retailer would have to find EUR3.2bn to cover these commitments (the EUR500m mandatory convertible bonds issued by Monoprix will mature in December 2016; there is no disbursement associated, unless Casino exercises its call options on these bonds). Yet, Casino should report a significant 2015 cash position (EUR4.2bn on June 2015) and will have undrawn credit facilities in excess of EUR3.5bn (average maturity close to four years).

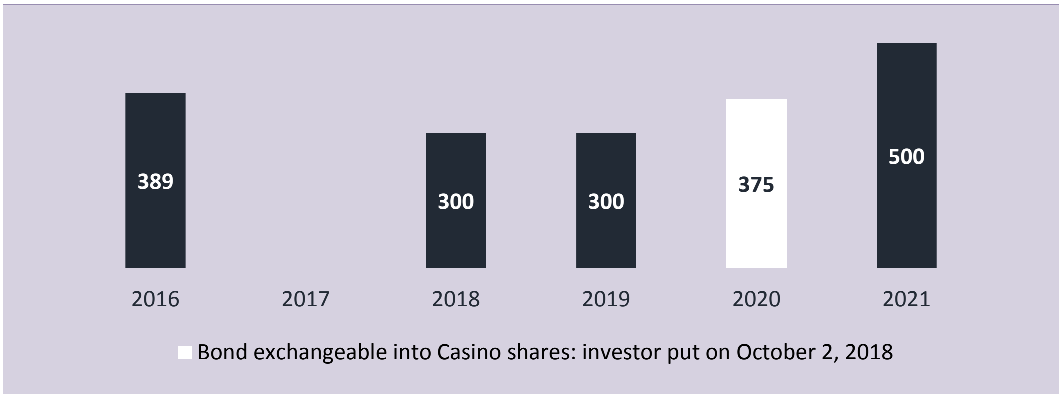
Fig. 16: Casino's bond redemption schedule (EURm)



Source: Company Data; Bryan, Garnier & Co ests.

As far as Rallye is concerned, the holding has a EUR1.9bn undrawn confirmed credit line as of 30 June 2015 (average maturity of 4.9 years), 80% of which can be subject to pledging at a ratio of 130% (i.e. for each EUR100m worth of loan, the holding has to pledge EUR130m worth of Casino shares). At end December 2015, EUR310m of outstanding loans were already required to be pledged (i.e. 9.5m Casino shares out of 56.7m owned by Rallye, at a price of EUR42 per share).

Fig. 17: Rallye's bond redemption schedule (EURm)



Source: Company Data; Bryan, Garnier & Co ests.

In a "worst case scenario", according to our estimates, Rallye could draw EUR792m of credit lines requiring pledges over Casino shares. Hence, until the end of 2017, for as long as Casino's share price remains above EUR18.15, i.e. (792x130%)/56.7 = 18.15 (56.7 being the number of Casino shares owned by Rallye), the holding company should be able to cover its liquidity needs thanks to the Casino shares it owns.

Fig. 18: Amount Rallye could be required to pledge in a worst case scenario

Details	Amount (EURm)
Outstanding loans	310
Bonds falling due	389
Outstanding Commercial Papers	192
Purchase of Casino's shares	126
Change in commercial papers outstanding net of cash*	175
Total consideration	**1,192**
- Facilities which are not subject to pledging	400
Total amount Rallye could be required to pledge	**792**

**PS: at the end of the fiscal year, counterparts cannot hold unrated commercial papers. Hence, they get rid of them before subscribing again at the beginning of the following year. Now, in the wake of the latest events, they probably did not do it this year and Rallye could be forced to take on new credit lines to compensate.*

Source: Company Data; Bryan, Garnier & Co ests.

4. What a positive outcome of those events could be

4.1. Why not transfer the rest of Casino's GPA voting shares to Exito?

Following the disposal of Asian assets, we expect Casino to optimise the remaining portfolio of assets. An obvious option would be for Casino to transfer the rest of its GPA voting shares (ON) to Exito (following the monetisation of its real estate, this latter should benefit from new ammunition). As a reminder, in August 2015, the French retailer had already sold half of its unlisted ordinary shares (i.e. with voting rights) to its Colombian subsidiary with a 30% premium on the spot price of listed preferred shares (i.e. without voting rights). By doing so, Casino could collect 100% of the cash proceeds, while rating agencies would retain only 54.8% of the acquisition debt through Exito, thus slightly improving the proportional adjusted NFD/EBITDAR ratio. Admittedly, the move would once again be convoluted but, in the end, it would simplify the structure.

Fig. 19: Consolidated and proportional credit ratios (excl. property development revenues) post buyback of Casino's GPA voting share by Exito

	2015e	Disposal of Thailand and Vietnam	Net FCF Guidance Reached in France (EUR200m)	Real estate in Colombia and transfer of GPA ON to Exito
Basic: ND / EBITDA	2,5x	0,9x	0,7x	0.6x
Basic: ND / EBITDA - proportional	4,6x	2,0x	1,6x	1,4x
Fully loaded: ND / EBITDA consolidated	3,1x	1,6x	1,4x	1,3x
Fully loaded: ND / EBITDA - proportional	5,7x	3,3x	2,8x	2,6x
Basic: Lease-adjusted: ND / EBITDAR	3,3x	2,2x	2,0x	1,9x
Basic: ND / EBITDAR - proportional	5,0x	3,2x	2,8x	2,6x
Fully loaded: adjusted ND / EBITDAR consolidated	3,8x	2,8x	2,5x	2,4x
Fully loaded: adjusted ND/ EBITDAR proportional	5,8x	4,1x	3,6x	3,5x

Source: Company Data; Bryan, Garnier & Co ests.

4.2. Sell high today to buy low?

The way we would love for the story to end is by closing a few portholes on the ship and keep them tight. Since the start, the Achille's heel has been the listing of all emerging market assets which worked well when GEM was driving growth but which today is the cause of most evils. Should management be able to sell more assets than it initially intended (Big C was announced as an asset for sale only a few days after the announcement of a EUR2bn package), then Casino may as well do what is generally expected from an asset manager: sell high (which he can expect given the quality of his assets and the leadership it commands) at ~1.7x sales and buy low at ~0.2x sales, which would involve buying out minorities in LatAm. Indeed, we believe Casino could take advantage of very low valuations of its LatAm assets to radically simplify its structure (something the market has been claiming for years) and take both Exito and GPA private. Once again, such a move would be convoluted (otherwise this would not be funny!).

Fig. 20: Market value of minorities and implied estimated multiples

EURm	Market Value	Var (€) since 01/01/15	Minority stakes	Valuation of minorities	EV/Sales multiple
GPA (based on non-voting preferred shares)	2 492	-69%	58,7%	1 463	0,25x
Exito	1 570	-65%	45,2%	710	0,22x
Via Varejo	456	-84%	29,3%	134	nul
Cnova	919	-68%	6,6%	61	0,22x

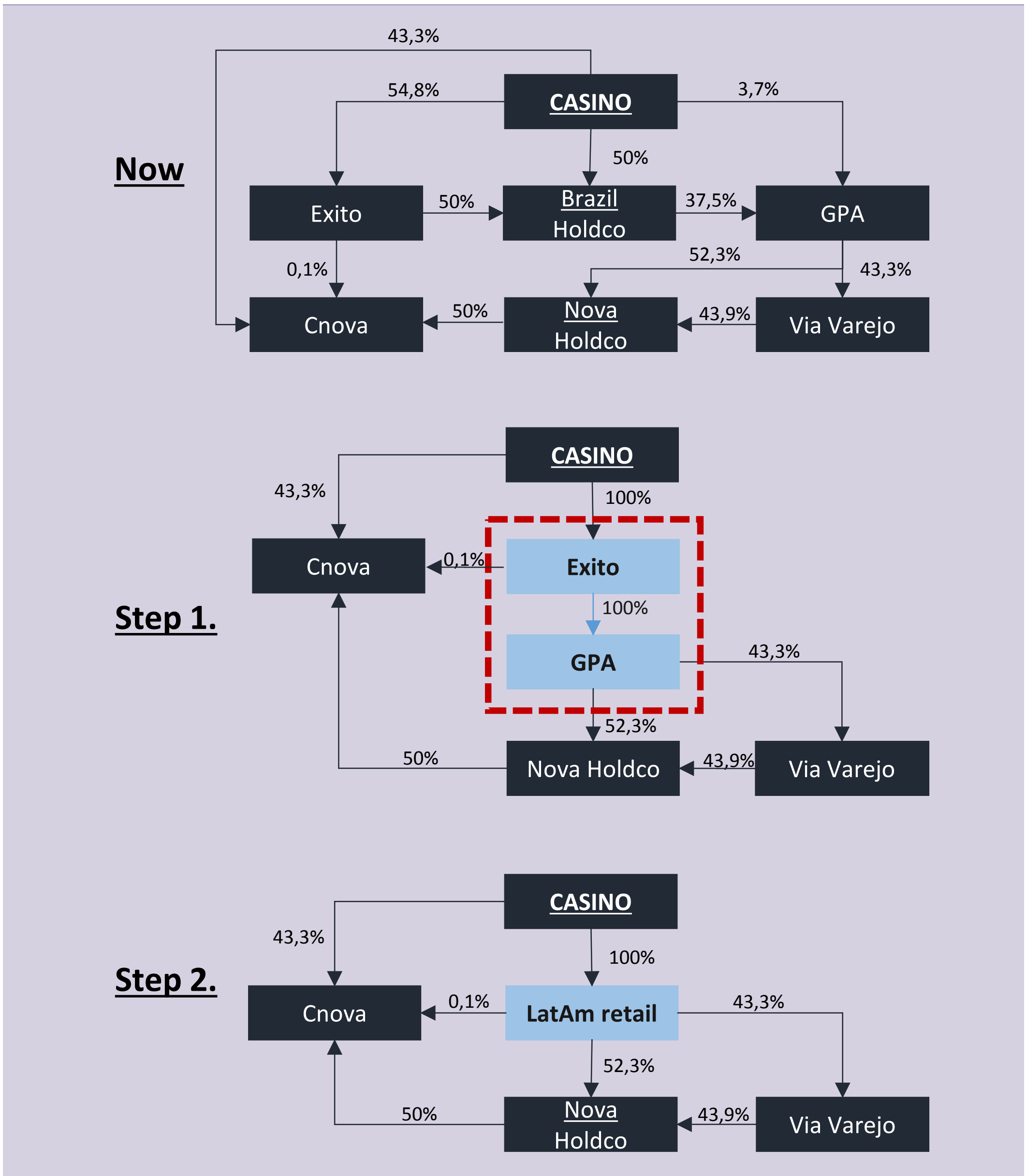
Source: Datastream; Company Data; Bryan, Garnier & Co ests.

The strategy might be that **1/** Exito buys back both Casino's GPA voting (i.e. 18.8% of GPA's equity) and non-voting listed shares (i.e. 3.7% of GPA's equity) as well as the minority listed shares (i.e. 58.7% of GPA's equity). In such a scenario, we guess Exito (thenceforward sole shareholder) would not pay a high price, insofar as it already paid a premium to get the control of GPA (on July 2015) and given that minority shares have no voting rights. Based on the current share price of listed preferred shares to which we apply a 30% premium, this would represent a total amount of EUR2.6bn.

2/ Ultimately, Casino could buy back the minorities of Exito (i.e. 45.2% of the share capital) which, *ceteris paribus* (we consider that the market would shyly welcome the buy-back of GPA shares by Exito and that, from a NAV perspective, the Colombian stock has little chance to rerate), would represent a total amount of EUR923m with a 30% premium. If, contrary to what we believe, Exito gained let's say 20% following the buy-back of GPA shares, based on a 30% premium, the buy-back of Exito's minorities by Casino would instead be around EUR1.1bn.

In this scenario, both Exito and GPA would be taken private and Casino would be the sole shareholder of an unlisted LatAm Business Unit **(i.e. this would dramatically improve the circulation of the cash within the company!)**. We would then come full circle. Interestingly, a few months ago, Casino changed its reporting methodology by disclosing commercial and operating performances under the following breakdown: **1/** France, **2/** LatAm retail (Exito, GPA, Libertad, Disco & Devoto); **3/** LatAm electronics (Via Varejo); **4/** Asia (Big C Thailand and Big C Vietnam) and **5/** Cnova (Cdiscount and Nova Pontocom).

Fig. 21: How the shareholding structure might evolve in our scenario



Source: Company Data; Bryan, Garnier & Co ests.

By doing so, we estimate that Casino would keep a decent proportionate ratio while maintaining the necessary conditions for long-term growth post the disposal of Asian assets (a long-term vision which is perhaps taken insufficiently into account in S&P's statements?). Because we believe investors should not lose sight that Brazil (notably) offers: **1/** high demographic potential (200m inhabitants with a median age of 32 years, 84% of which are urban), **2/** a low penetration of modern Food Retail (less than 50%), and **3/** a rather business-friendly environment. These characteristic features are the basis of a sustainable healthy growth in a fixed costs industry (see our latest sector note – *Anorexic growth... the bigger the better!*).

Fig. 22: Consolidated and proportional credit ratios (excl. property development revenues) post buy-back of minorities in Brazil

	2015e	Disposal of Thailand and Vietnam	Net FCF Guidance Reached in France (EUR200m)	Real estate in Colombia and transfer of ON	**(1)** Buyback of Minorities (Exito and GPA)*
Basic: ND / EBITDA	2,5x	0,9x	0,7x	0.6x	1,9x
Basic: ND / EBITDA - proportional	4,6x	2,0x	1,6x	1,4x	2,4x
Fully loaded: ND / EBITDA consolidated	3,1x	1,6x	1,4x	1,3x	2,6x
Fully loaded: ND / EBITDA - proportional	5,7x	3,3x	2,8x	2,6x	3,2x
Basic: Lease-adjusted: ND / EBITDAR	3,3x	2,2x	2,0x	1,9x	2,9x
Basic: ND / EBITDAR - proportional	5,0x	3,2x	2,8x	2,6x	3,3x
Fully loaded: adjusted ND / EBITDAR consolidated	3,8x	2,8x	2,5x	2,4x	3,4x
Fully loaded: adjusted ND/ EBITDAR proportional	5,8x	4,1x	3,6x	3,5x	3,9x

Source: Company Data; Bryan, Garnier & Co ests.

** Exito bids for all GPA shares (Casino's remaining stake – voting and non-voting – and minorities). Ultimately, Casino buy backs the minorities of Exito.*

4.3. A share buy-back to give Rallye some fresh air while squeezing short positions?

Even if the buy-back of LatAm minorities would not deteriorate the fully loaded proportional credit ratios that much, the market would not necessarily immediately appreciate it (we do hope this scenario will ultimately gain momentum) insofar as the emergency in investors' minds is to deleverage the Holdco and give Rallye some fresh air and perhaps not to gain further exposure to **LatAm (which still has a difficult macro situation to cope with in 2016).** Indeed, in its corporate presentation (Investor-presentation - January 2016), Casino makes it clear that EUR3.5bn out of the EUR4bn deleveraging plan will be allocated to Casino Holdco's net debt reduction. Stay tuned.

On the other hand, assuming that Vietnam will be sold on the highest multiple (i.e. EUR760m), the EUR3.5bn debt reduction would leave a EUR400m minimum margin on top of which one could add the EUR200m net FCF after payment of the dividend in France and the proceed from real estate in Colombia (~EUR150m for Casino). Up to EUR700m (15% of Casino's current market value) could thus be used to buy back Casino shares and thus increase Rallye's equity stake (up to 59% e vs 50.01% currently). As the case may be, Casino would not only benefit from a squeeze of short positions but, on unchanged dividend liabilities (i.e. EUR350m), Rallye would also benefit from an increased source of cash (i.e. up to EUR30m e) to help balance its financial equation that has been a source of concern for years. Moreover, this buyback would compensate for the dilution (~10%) linked to the deconsolidation of Big C.

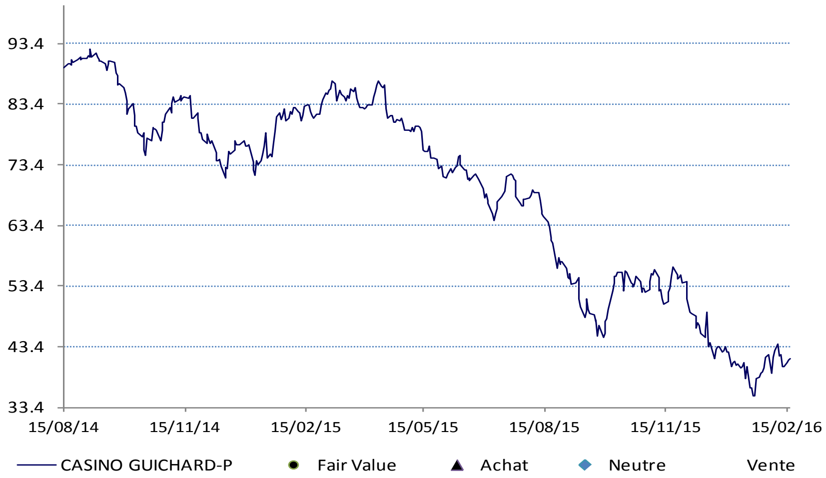
Fig. 23: Consolidated and proportional credit ratios (excl. property development revenues) post share buy-back of EUR700m

	2015e	Disposal of Thailand and Vietnam	Net FCF Guidance Reached in France (EUR200m)	Real estate in Colombia and transfer of ON	**(2)** EUR700m Casino Share Buyback
Basic: ND / EBITDA	2,5x	0,9x	0,7x	0.6x	0,9x
Basic: ND / EBITDA - proportional	4,6x	2,0x	1,6x	1,4x	1,9x
Fully loaded: ND / EBITDA consolidated	3,1x	1,6x	1,4x	1,3x	1,6x
Fully loaded: ND / EBITDA - proportional	5,7x	3,3x	2,8x	2,6x	3,2x
Basic: Lease-adjusted: ND / EBITDAR	3,3x	2,2x	2,0x	1,9x	2,1x
Basic: ND / EBITDAR - proportional	5,0x	3,2x	2,8x	2,6x	3,0x
Fully loaded: adjusted ND / EBITDAR consolidated	3,8x	2,8x	2,5x	2,4x	2,7x
Fully loaded: adjusted ND/ EBITDAR proportional	5,8x	4,1x	3,6x	3,5x	3,9x

Source: Company Data; Bryan, Garnier & Co ests.

Price Chart and Rating History

Casino Guichard



Ratings		
Date	**Ratings**	**Price**
20/07/15	BUY	EUR71.49
16/07/15	Under review	EUR68.59
30/01/15	BUY	EUR81.37

Target Price	
Date	**Target price**
12/01/16	EUR54
25/09/15	EUR69
20/07/15	EUR80
16/07/15	Under review
22/06/15	EUR82
30/01/15	EUR95

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 63,4%   NEUTRAL ratings 28,4%   SELL ratings 8,2%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

Please see the section headed "Important information" on the back page of this report.

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

BRYAN, GARNIER & CO

London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
Authorised and regulated by	Financial Conduct Authority (FCA)		Regulated by the	Fax +91 11 2621 9062
the Financial Conduct	and the Autorité de Contrôle		FINMA	
Authority (FCA)	prudential et de resolution (ACPR)			