

## Sector View

## Food retailing

## Adjustments to our estimates and FV post FYs

	1 M	3 M	6 M	31/12/15
Food Retailing	-0.7%	1.3%	3.8%	1.3%
DJ Stoxx 600	-1.6%	-8.9%	-3.8%	-8.9%

\*Stoxx Sector Indices

## Companies covered

<b>AHOLD</b>	<b>BUY</b>	<b>EUR22 vs. 22.5</b>
Last Price	EUR19.71	Market Cap. EUR16,445m
<b>CARREFOUR</b>	<b>BUY</b>	<b>EUR30 vs. 31</b>
Last Price	EUR23.865	Market Cap. EUR17,624m
<b>CASINO GUICHARD</b>	<b>BUY</b>	<b>EUR57</b>
Last Price	EUR49.45	Market Cap. EUR5,598m
<b>DELHAIZE</b>	<b>BUY</b>	<b>EUR105 vs 107</b>
Last Price	EUR91.56	Market Cap. EUR9,545m
<b>DIA</b>	<b>NEUTRAL</b>	<b>EUR6.5 vs. 7.5</b>
Last Price	EUR4.48	Market Cap. EUR2,789m
<b>JERONIMO MARTINS</b>	<b>NEUTRAL</b>	<b>EUR13.5</b>
Last Price	EUR14.41	Market Cap. EUR9,068m
<b>METRO AG</b>	<b>NEUTRAL</b>	<b>EUR26</b>
Last Price	EUR26.67	Market Cap. EUR8,644m
<b>TESCO</b>	<b>NEUTRAL</b>	<b>166p</b>
Last Price	190p	Market Cap. GBP15,468m

The following main factors are behind changes to both our estimates and FV for certain retailers in the food retail panel: 1/ post full-year adjustments; 2/ forex (the Brazilian BRL and the Argentinian Pesos remaining the most unwell forex with estimated negative effects of -10% and -37% respectively for 2016); 3/ new assumptions for the risk free rate (1.6% vs 2.0%) and risk premium (7% vs 6.4%) applied for all the stocks covered by analysts at Bryan Garnier.

- **CARREFOUR** (BUY; FV EUR30 vs EUR31): on average, we have lowered our 2016/18 EPS by **-7.6%** (notably on account of higher than expected losses at both Dia and China);
- **CASINO** (BUY; FV EUR57): on average, we have lowered our 2016/18 EPS by **-7.5%** (notably on account of the deconsolidation of Big C);
- **AHOLD** (BUY; FV EUR22 vs EUR22.5): on average, we have increased our 2016/18 EPS by **+1.6%**;
- **DELHAIZE** (BUY; FV EUR105 vs EUR107): on average, we have increased our 2016/18 EPS by **+2.3%**;
- **DIA** (NEUTRAL; FV EUR6.5 vs EUR7.5): on average, we have lowered our 2016/18 EPS by **-3.3%**;
- **JM** (NEUTRAL; FV EUR13.5): on average, we have increased our 2016/18 EPS by **+7.6%**.

## ANALYSIS

As a reminder when it comes to the sector: we are witnessing a change in paradigm, which for a large number of mature retailers has meant that solid and recurring growth has sunk to a sinusoidal pace limited to just a few points (a disruptive factor in a fixed-cost industry). In this backdrop, size provides a key asset for large players who can dilute fixed costs over a far denser store network and obtain additional ammunition for nurturing their price and non-price competitiveness. Hence, we remain positive on both Ahold (BUY, FV @EUR22) and Delhaize (BUY, FV @EUR105) which are increasing in size with the merger. We are also positive on Carrefour (BUY, FV @EUR30) which is a leader in each country where it has operations. As far as Casino is concerned, beyond the special situation, we appreciate the exposure to Brazil which, for circumstantial reasons, is a highly depressed market but which remains a very attractive destination going forward.

As a reminder we already updated our numbers on Metro last Friday.

## VALUATION

- **CARREFOUR** (BUY; FV EUR30): 15.4x 2016 P/E vs 17x on average for the sector;
- **CASINO** (BUY; FV EUR57): NM / spot SOTP @EUR51;
- **AHOLD** (BUY; FV EUR22): 17.5x 2016 P/E vs 17x on average for the sector;
- **DELHAIZE** (BUY; FV EUR105): 16.6x 2016 P/E vs 17x on average for the sector;
- **DIA** (NEUTRAL; FV EUR6.5): 10x 2016 P/E vs 17x on average for the sector;
- **JM** (NEUTRAL; FV EUR13.5): 24x 2016 P/E vs 17x on average for the sector;

## NEXT CATALYSTS

- **CARREFOUR** (BUY; FV EUR30): no obvious catalyst on the agenda...;
- **CASINO** (BUY; FV EUR57): sell high (i.e. Thailand at 1.7x EV/Sales) and Buy low (i.e. Brazil at 0.3x)?;
- **AHOLD** (BUY; FV EUR22): upcoming merger with Delhaize (mid-June 2016);
- **DELHAIZE** (BUY; FV EUR105): upcoming merger with Ahold (mid-June 2016);
- **DIA** (NEUTRAL; FV EUR6.5): positive LFL in Iberia (from Q3?);
- **JM** (NEUTRAL; FV EUR13.5): very strong momentum but no obvious catalyst on the agenda...



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