

Casino Guichard

Price EUR49.65

Interview with Jean-Charles Naouri (CEO) in Le Figaro (first take)

Fair Value EUR57 (+15%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	79.8 / 35.2
Market Cap (EURm)	5,620
Ev (BG Estimates) (EURm)	10,249
Avg. 6m daily volume (000)	806.2
3y EPS CAGR	6.0%

Today's French daily Le Figaro has published a first interview with Jean-Charles Naouri (CEO of Casino) since 2012 (the year when Casino took full control of GPA).

- Casino's debt has stood at EUR5-6bn for several years now and this level was bearable as long as Brazil was faring well. This is no longer the case as evidenced by the strong decline in GPA's share price. As such, the group has decided to slash its debt by EUR4bn (JC Naouri stated that disposal projects were initiated well before speculation concerning Casino).
- Management looked at the portfolio from both a valuation and a growth perspective and came to the conclusion that Thailand had reached the classical inflection point in emerging countries where hypermarkets are caught in a vice between proximity and discount. As far as Vietnam was concerned, management estimated that competition had reached a similar level as that in China and that it was timely to leave the country.
- Once again, the group's CEO made it clear that EUR4bn out of the EUR4.2bn in asset disposals will be dedicated to redeeming debt. He added that the group intends to sell assets worth several EUR100m in the months to come (real Estate in Colombia in coming months). So far, the board has made no decision as to how the group could use any excess cash. At this stage however, JC Naouri stated that the group's simplification is a key priority.
- In terms of momentum in Brazil, JC Naouri is reasonably confident as to the ability of Via Varejo (brick & mortar non-food business in Brazil) to return to growth in the course of 2016. From a macroeconomic perspective, JC Naouri remains confident in prospects for Brazil, which is used to crossing large amplitude cycles. His assumption is that of a gradual recovery from 2017. The São Paulo Stock Exchange is an early indicator and has risen sharply since January.
- As far as France is concerned, JC Naouri has felt a slight tremor in consumption but nothing very specific. He added that the price war is an objective element of the economic environment, against which it is absurd to rebel and which on the contrary, should help the group build its strategy. Hence, JC Naouri reiterated his conviction regarding discount (in all forms including hypermarkets) going forward. Finally, JC Naouri seemed confident in guidance for EUR500m in current operating profit in France (the group has been gaining market share for nine months while margin mix, cost cutting, franchising... could help).

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.2%	16.4%	-11.5%	17.0%
Food Retailing	-4.8%	-1.2%	-11.0%	-3.1%
DJ Stoxx 600	0.3%	1.8%	-12.7%	-9.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,145	41,275	41,815	43,691
% change		-10.6%	1.3%	4.5%
EBITDA	2,343	2,063	2,175	2,384
EBIT	968.0	1,261	1,309	1,423
% change		30.3%	3.8%	8.7%
Net income	412.0	358.6	412.2	472.5
% change		-13.0%	15.0%	14.6%

	2015	2016e	2017e	2018e
Operating margin	3.1	3.1	3.1	3.3
Net margin	0.9	0.9	1.0	1.1
ROE	NM	NM	NM	NM
ROCE	5.2	5.6	5.8	6.2
Gearing	48.9	18.5	18.5	18.1

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	2.32	2.80	3.33
% change	-	-16.9%	20.4%	19.0%
P/E	17.8x	21.4x	17.7x	14.9x
FCF yield (%)	NM	5.3%	10.6%	11.2%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.3%	6.3%	6.3%	6.3%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.8x	5.0x	4.7x	4.4x
EV/EBIT	14.0x	8.1x	7.9x	7.4x

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