

12th May 2016

Food retailing

Casino Guichard

Price EUR51.02

Intention to launch a voluntary cash tender offer on Cnova shares (first take)

Fair Value EUR57 (+12%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	79.5 / 35.2
Market Cap (EURm)	5,775
Ev (BG Estimates) (EURm)	10,405
Avg. 6m daily volume (000)	803.0
3y EPS CAGR	6.0%

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Casino has just announced its intention to launch a voluntary cash tender offer on the outstanding share of Cnova currently held by public shareholders at an offer price of USD5.5 (i.e. a maximum consideration of USD196). As a reminder, the price of the IPO (end 2014) was USD7 per share. The tender offer price would represent an 82% premium to the last undisturbed share price (USD3.03 as of 27 April 2016) and 62% on the spot share price.

The prospective tender offer is conditional on the proposed transaction between Via Varejo and Cnova being completed. This latter would consist of a possible combination of Cnova Brazil with Via Varejo, the Brick & Mortar non-food business of Casino. In the end, Cnova would exclusively own Cdiscount France. Via Varejo would merge with Cnova Brazil and would no longer be a shareholder of Cnova.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.5%	27.5%	-3.4%	20.3%
Food Retailing	-5.9%	4.6%	-9.2%	-2.7%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

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%

ANALYSIS

- This operation has the merit of unravelling a financial package whose consistency has never appeared in the eyes of the market (transcontinental synergies being far from obvious). This will help simplify the structure, a simplification which is the key priority of Casino along with debt redemption. From this perspective, we see the move as positive for Casino.
- It is worth remembering that Cnova Brazil is currently facing huge difficulties in Brazil, which explained not only by the macro-economic environment but also by company-specific issues (employee misconduct related to inventory management in distribution centres). Of course, these circumstantial difficulties obviously weigh on Cnova perception as a whole and may wipe out the rather good commercial performances at Cdiscount in France.
- Based on the notion that a pure player is probably far more valuable than a patchwork of very different business units, this deal would make sense. The question, however, is whether or not this could lead to a rerating of Cdiscount France given that, from now on, Cdiscount will be embedded in France BU... Moreover, we believe that Cdiscount is buying market share in France (so that it can maximise the flow on its core website and attract people to the market place) which raises the key question of the profitability in a valuation perspective.

	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	18.3x	22.0x	18.2x	15.3x
FCF yield (%)	NM	5.1%	10.3%	10.9%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.1%	6.1%	6.1%	6.1%
EV/Sales	0.3x	0.3x	0.3x	0.2x
EV/EBITDA	5.9x	5.0x	4.8x	4.5x
EV/EBIT	14.2x	8.3x	8.0x	7.5x

VALUATION

- The sacrosanct spot SOTP currently stands at EUR51

NEXT CATALYSTS

- Buyback of minorities in LatAm

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

Sector Team :
Nikolaas Faes
Loïc Morvan
Cédric Rossi
Virginie Roumage

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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