

Casino Guichard

Price EUR50.27

A mixed second quarter trading statement on the cards

Fair Value EUR57 (+13%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	71.8 / 35.2
Market Cap (EURm)	5,655
Ev (BG Estimates) (EURm)	10,285
Avg. 6m daily volume (000)	648.0
3y EPS CAGR	6.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.9%	-0.5%	25.5%	18.5%
Food Retailing	-3.8%	-5.7%	-1.2%	-3.4%
DJ Stoxx 600	-3.4%	-1.4%	-7.5%	-9.9%

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	18.0x	21.6x	18.0x	15.1x
FCF yield (%)	NM	5.2%	10.4%	11.0%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.2%	6.2%	6.2%	6.2%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.8x	5.0x	4.8x	4.4x
EV/EBIT	14.1x	8.2x	7.9x	7.4x



A mixed second quarter trading statement on the cards. At this stage, Casino could struggle to reassure investors as to its capacity to deliver its main guidance for EUR500m in underlying operating profit in France in 2016. On the other hand, we foresee positive signs at Via Varejo, which should have bottomed out. Forex (+) and a difficult momentum at Cnova (-) were the main reasons why we adjusted our 2016/17 EPS (-6.7% for 2015, +5.8% in 2017 and +3.7% in 2018).

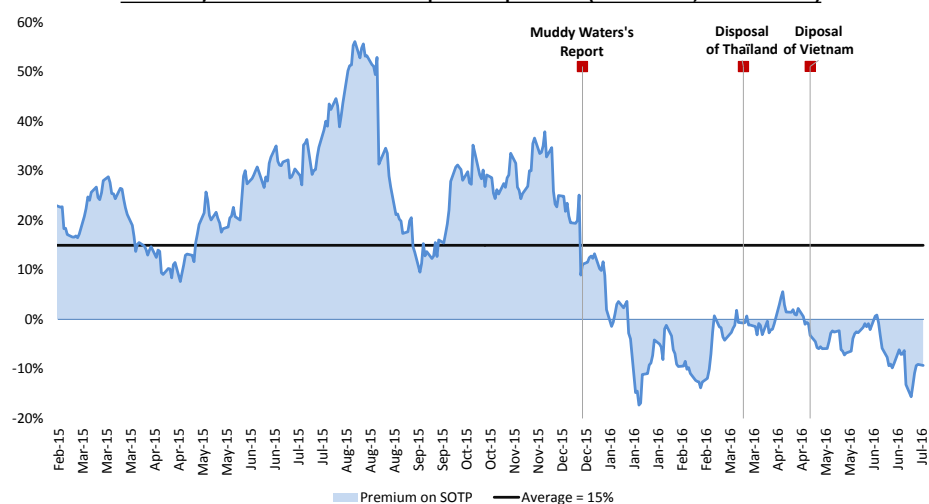
ANALYSIS

- **France (48% of sales):** momentum is likely to be somewhat under pressure, penalised by: **1/** very poor weather (which was evidently detrimental to the seasonal apparel products at Monoprix); **2/** a difficult social climate (strikes, demonstrations, floods etc...). As such (see page 2 of this report), LFL sales growth excl. fuel and calendar effects should reach 2.0% at Géant (vs +3.8% in Q1 and +1.7 in 2015), 0.5% at Casino Supermarchés (in line with Q1 and -2.3% in 2015), 0.4% at FP/LP (vs +2.7% in Q1 and -1.8% in 2015) and drop 1.5% at Monoprix (vs -0.4% in Q1 and +0.7% in 2015).
- **LatAm Retail (34% of sales):** consistent with Q1 which was already quite reassuring sequentially, LFL sales growth excl. fuel and calendar should work out at 2.9% (+3.7% in Q1 and +2.4% in 2015). The good news of the publication should come from **LatAm electronics (11% of sales)** which is obviously gaining momentum with an expected flat LFL rate (vs -11.8% in Q1 and -23.6% in 2015). On the contrary, **E-commerce (7% of sales)** is likely to show very poor momentum with an estimate LFL decline of 15% (vs -8.3% in Q1 and +15.7% in 2015).

VALUATION

- At current levels, Casino shares are trading at a 10% discount vs spot SOTP (EUR53) **1/** whereas the 5Y historical average displays a ~15% premium, and **2/** despite strong measures to restore investor confidence. It is also worth remembering that for a Rallye share price at EUR15.2, Casino is implicitly valued at EUR61 (i.e. reversed NAV calculation).
- We believe the stock deserves a re-rating once the street is convinced that FY guidance for EUR500m in underlying operating profit in France is achievable. In this regard, the publication of H2 2016 results will be key. And at this stage, the trading statement should not allow to reassure that much.

Premium / discount of Casino share price vs spot SOTP (Datastream, BG estimates)



NEXT CATALYSTS

- Trading statement (13th July) and H1 results (end of July)

BG topline estimates

	2015	Q1 16	Q2 16 e	H1 16 e
France Retail sales	18 889	4 549	4 695	9 244
(1) LFL excl. fuel and calendar	0,6%	1,6%	0,4%	1,0%
(2) Expansion	0,4%	1,4%	0,6%	1,0%
(1)+(2) = Organic excl. fuel and calendar	1,1%	3,0%	1,1%	2,0%
(3) Calendar	-0,1%	0,9%	0,1%	0,5%
(4) Fuel	-1,0%	-0,8%	-0,8%	-0,8%
(5) Acquisitions	0,2%	-0,3%	-0,7%	-0,5%
(1)+(2)+(3)+(4)+(5) = Total	0,2%	2,8%	-0,3%	1,2%
Latam Retail sales	14 714	3 338	3 347	6 685
(1) LFL excl. fuel and calendar	2,1%	3,7%	2,9%	3,3%
(2) Expansion	3,6%	1,4%	2,0%	1,7%
(1)+(2) = Organic excl. fuel and calendar	5,8%	5,1%	4,9%	5,0%
(3) Calendar	0,3%	2,8%	-2,3%	0,2%
(4) Fuel	0,0%	0,0%	0,0%	0,0%
(5) Acquisitions	4,7%	6,4%	0,0%	3,2%
(6) Forex	-15,3%	-28,0%	-17,5%	-22,7%
(1)+(2)+(3)+(4)+(5)+(6) = Total	-4,6%	-13,7%	-14,9%	-14,3%
Latam Electronics sales	5 188	1 090	1 054	2 144
(1) LFL excl. fuel and calendar	-16,7%	-11,8%	0,0%	-6,7%
(2) Expansion	1,3%	-0,9%	-2,5%	-1,6%
(1)+(2) = Organic excl. fuel and calendar	-15,3%	-12,7%	-2,5%	-8,3%
(3) Calendar	0,0%	0,0%	0,0%	0,0%
(4) Fuel	0,0%	0,0%	0,0%	0,0%
(5) Acquisitions	0,0%	0,0%	0,0%	0,0%
(6) Forex	-13,0%	-21,9%	-13,7%	-18,4%
(1)+(2)+(3)+(4)+(5)+(6) = Total	-28,4%	-34,6%	-16,2%	-26,7%
E-commerce sales	3 381	731	648	1 379
(1) LFL excl. fuel and calendar	6,5%	-8,3%	-15,0%	-11,5%
(2) Expansion	0,1%	0,0%	0,0%	0,0%
(1)+(2) = Organic excl. fuel and calendar	6,6%	-8,3%	-15,0%	-11,5%
(3) Calendar	0,0%	0,0%	0,0%	0,0%
(4) Fuel	0,0%	0,0%	0,0%	0,0%
(5) Acquisitions	0,0%	0,0%	0,0%	0,0%
(6) Forex	-9,0%	-11,0%	-6,4%	-8,8%
(1)+(2)+(3)+(4)+(5)+(6) = Total	-2,5%	-19,3%	-21,4%	-20,3%
TOTAL GROUP sales	46 145	9 708	9 744	19 452
(1) LFL excl. fuel and calendar	-1,3%	-0,9%	0,1%	-0,4%
(2) Expansion	1,7%	1,1%	0,7%	0,9%
(1)+(2) = Organic excl. fuel and calendar	0,4%	0,1%	0,7%	0,4%
(3) Calendar	0,1%	1,2%	-0,7%	0,3%
(4) Fuel	-0,4%	-0,3%	-0,3%	-0,3%
(5) Acquisitions	1,6%	-6,1%	-9,1%	-7,5%
(6) Forex	-6,4%	-13,5%	-7,8%	-10,7%
(1)+(2)+(3)+(4)+(5)+(6) = Total	-4,8%	-18,5%	-17,1%	-17,8%

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