

13th July 2016

Food retailing

**Casino Guichard**

Price EUR51.01

**Q2 sales (first take): rather reassuring against a backdrop of poor consumption in France****Fair Value EUR57 (+12%)****BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	71.8 / 35.2
Market Cap (EURm)	5,739
Ev (BG Estimates) (EURm)	10,368
Avg. 6m daily volume (000)	621.9
3y EPS CAGR	6.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.9%	-1.5%	28.0%	20.3%
Food Retailing	0.1%	-6.7%	0.9%	-3.5%
DJ Stoxx 600	-0.1%	0.0%	-2.2%	-9.0%

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	18.2x	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	0.2x	0.2x
EV/EBITDA	5.8x	5.0x	4.8x	4.5x
EV/EBIT	14.2x	8.2x	8.0x	7.5x

Total sales were down 7.0% to EUR9.96bn (up 3.8% organically and 1.8% on a LFL basis) vs EUR9.84bn expected due to a negative scope effect (-1.3%) and the impact of forex in LatAm (-8.3%). **1/ 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. 2/ At this stage, given circumstantial events which took a sharp toll on consumption in June notably, we believe that it is too early for Casino to be able to reassure investors on its ability to deliver guidance. But it does seem that Casino's rather resilient performances deserve to be enhanced in a circumstantially poor consumption environment in France in Q2. 3/ Moreover, outside France, we see positive signs in LatAm both at Via Varejo (which should have bottomed out) and Food Retail. On the whole, Buy.**

**1/** As far as the domestic market (47% of sales) is concerned (+0.2% LFL excl. fuel and calendar effects vs +0.4%e), Q2 was in line with our expectations in absolute terms (EUR4716m vs EUR4695m e). Figures proved rather "reassuring" considering the gloomy environment in which retailers are currently evolving. Both hypermarkets (+2.2% vs +2.0% e / non-food sales were up +2.7%) and FP/LP (~0.4% vs +0.3% e / -0.6% at LP and +1.1% at FP) showed fairly decent figures. Supermarché Casino (+1.2% vs 0.5%e) proved to be fairly resilient. Proximity and others were below expectations in LFL terms (-1.1% vs +0.5%). As expected, Monoprix was under pressure (-2.1% vs -2.1% e), notably because of very poor weather, which was evidently detrimental to the seasonal apparel products, and the decline in tourist activity in Paris. Hopefully circumstantial.

**2/** Rather good news overseas (GPA, Via Varejo and Cnova already released its statement yesterday). Commercial trends in Latam Retail (35% of sales) turned out to be fairly solid (+7.1% LFL vs +3.0%e and +3.7% in Q1) while Latam electronics (11% of sales) showed a sequential improvement (+2.6% vs 0.0%e). Of course we will pay attention to margin, because the topline performance may have been achieved at the expense of the bottom line. Anyway, the focus on commercial performances seems rather healthy to us. Unsurprisingly, Cnova (7% of sales) remains under pressure with -13.5% LFL (vs -15%e) due to Brazil (-19.3% growth in net sales vs -25% in Q1), while France is decelerating (+9.1% growth in net sales vs 15% in Q1). On the whole, it appears that Via Varejo has bottomed out.

**LFL excl. fuel and calendar**

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16 e	Consensus	Q2 16 p
Géant	-1.5%	1.0%	3.5%	2.8%	3.8%	2.0%	2.0%	2.2%
Casino	-1.4%	-2.3%	0.7%	0.0%	0.2%	0.5%	0.5%	1.2%
FP/LP	-5.6%	-3.5%	1.7%	1.9%	2.7% e	0.4%	0.3%	~0.4%
Monoprix	0.3%	0.5%	2.2%	0.1%	-0.4%	-1.5%	-1.5%	-2.1%

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16 e	Consensus	Q2 16 p
LatAm retail	2.6%	2.40%	2.4%	1.3%	3.7%	2.9%	3.0%	7.1%
LatAm electronics	-2.7%	-23.6%	-24.7%	-15.2%	-11.8%	0.0%	0.0%	2.6%
Cnova	17.0%	15.7%	7.7%	-8.1%	-8.3%	-15%	NA	-13.5%

Sources: Casino, Bryan Garnier

**ANALYSIS**

- 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 H2 2016 results publication will be key.

**VALUATION**

- At current levels, Casino shares are trading at a 6% 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 EUR16.3, Casino is implicitly valued at EUR62 (i.e. reversed NAV calculation).

**NEXT CATALYSTS**

- H1 2016 on July 29<sup>th</sup>



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