

Casino Guichard

Price EUR52.54

Preview H1 2016: quid of the FY guidance in France?

Fair Value EUR57 (+8%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	71.8 / 35.2
Market Cap (EUR)	5,911
Ev (BG Estimates) (EUR)	9,401
Avg. 6m daily volume (000)	578.6
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.7%	-1.0%	43.9%	23.9%
Food Retailing	4.3%	-6.0%	4.7%	-2.1%
DJ Stoxx 600	3.5%	-3.4%	1.3%	-7.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,145	41,237	42,725	44,156
% change		-10.6%	3.6%	3.4%
EBITDA	2,343	1,997	2,204	2,403
EBIT	968.0	1,195	1,319	1,432
% change		23.5%	10.4%	8.6%
Net income	412.0	284.3	379.5	433.0
% change		-31.0%	33.5%	14.1%

	2015	2016e	2017e	2018e
Operating margin	3.1	2.9	3.1	3.2
Net margin	0.9	0.7	0.9	1.0
ROE	NM	NM	NM	NM
ROCE	5.2	5.3	5.9	6.3
Gearing	48.9	20.2	20.5	21.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	2.09	3.04	3.51
% change	-	-25.1%	44.9%	15.8%
P/E	18.8x	25.1x	17.3x	15.0x
FCF yield (%)	NM	2.1%	9.5%	7.9%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	5.9%	5.9%	5.9%	5.9%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.9x	4.7x	4.5x	4.3x
EV/EBIT	14.3x	7.9x	7.5x	7.2x

Ahead of H1 2016, adjustments to financial costs (-) and minority interests (+) were the main reasons why we adjusted our 2016/17 EPS (-9.8% for 2016, -0.2% in 2017 and -2.1% in 2018). On the whole, we expect the underlying operating profit to reach EUR1,188m in 2016 (EUR301m in H1). 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 (EUR470m in our own estimates). In this regard, the publication of H1 2016 results will be a key first step. At this stage, our preview will not reassure readers all that much. Stay tuned.

1/ France (~26% of EBIT in H1): taking into account the impact of the so called "Tascom" (tax on selling area) which, from now on, will be spread over the FY vs H1 previously (i.e. impact of around EUR10-15m in H1 2016), we expect the underlying operating profit to work out at EUR77m (margin up +141bp to 0.8%). **2/ LatAm retail (~68% of EBIT in H1):** we expect strong price investments in Brazil to have quite a significant impact on the current EBIT which should reach EUR204m (margin down 84bp to 3.0%). But we do not stigmatize this performance insofar as the focus of the group on the topline seems rather healthy to us. **3/ LatAm electronics (~31% of EBIT in H1):** Latam electronics (11% of sales) showed a sequential improvement (+2.6% vs -11.8% in Q1 16 / -5.6% overall in H1) which, along with strong cost cuttings, should limit the margin erosion to -230 bp (underlying EBIT of EUR92m e). **4/ E-Commerce (~24% of EBIT in H1):** unsurprisingly, given very poor commercial performances (-10.8% LFL in H1) in Brazil especially, losses at Cnova remain very significant and should work out at EUR72m (margin down -200 bp).

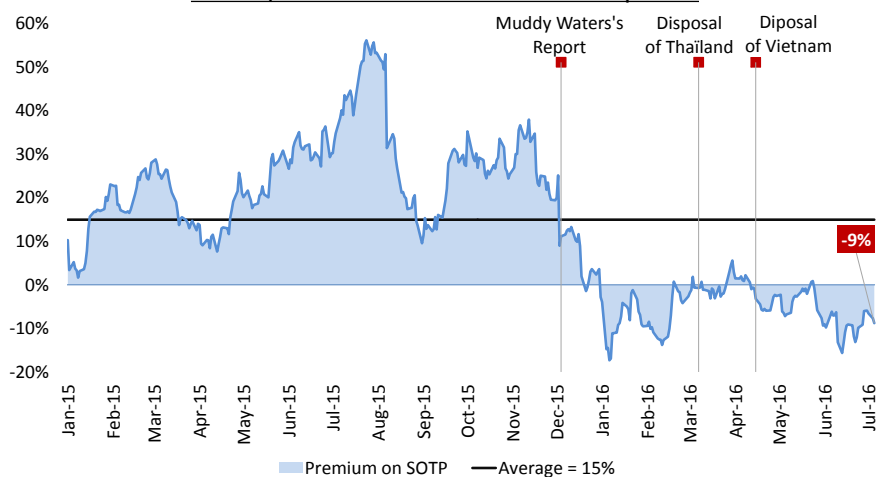
ANALYSIS

- It does seem that Casino's rather resilient commercial performances deserve to be emphasized in a circumstantially poor consumption environment in France. Moreover, outside France, we see positive signs in LatAm both at Via Varejo (which seems to have bottomed out) and Food Retail.
- Obviously, these commercial performances have been achieved at the expense of margins. But in the end, we appreciate management's wise focus on topline, something it has been criticized for not doing enough in the past.

VALUATION

- At current levels, Casino shares are trading at a 9% discount vs spot SOTP (EUR57) **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, Casino is implicitly valued at EUR62 (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 H1 2016 results publication will be key first step.

Premium / discount of Casino share vs the sacrosanct spot SOTP



NEXT CATALYSTS

- H1 2016 on July 29th

H1 2016 estimates

	H1 15	H2 15	2015	H1 16e
France Retail sales	9 135	9 754	18 889	9 264
(1) LFL excl. fuel and calendar	-0,8%	2,0%	0,6%	0,9%
(2) Expansion	0,3%	0,6%	0,4%	1,2%
(3) Calendar	-0,1%	0,0%	-0,1%	0,5%
(4) Fuel	-1,0%	-1,0%	-1,0%	-0,8%
(5) Acquisitions	0,4%	0,0%	0,2%	-0,4%
(1)+(2)+(3)+(4)+(5) = Total	-1,2%	1,5%	0,2%	1,4%
Underlying EBIT	-53	390	337	77
As a % of sales	-0.6%	4.0%	1.8%	0.8%
bps var.	-236 bp	159 bp	-32 bp	141 bp
Latam Retail sales	7 803	6 911	14 714	6 836
(1) LFL excl. fuel and calendar	2,5%	1,8%	2,1%	5,4%
(2) Expansion	3,6%	3,7%	3,6%	4,7%
(3) Calendar	0,2%	0,4%	0,3%	0,2%
(4) Fuel	0,0%	0,0%	0,0%	0,0%
(5) Acquisitions	4,6%	4,8%	4,7%	0,0%
(6) Forex	-4,0%	-25,4%	-15,3%	-22,7%
(1)+(2)+(3)+(4)+(5)+(6) = Total	6,8%	-14,8%	-4,6%	-12,4%
Underlying EBIT	299	404	703	204
As a % of sales	3.8%	5.8%	4.8%	3.0%
bps var.	-85 bp	-97 bp	-103 bp	-85 bp
Latam Electronics sales	2 924	2 264	5 188	2 182
(1) LFL excl. fuel and calendar	-13,5%	-19,6%	-16,7%	-5,6%
(2) Expansion	1,6%	1,1%	1,3%	-1,5%
(3) Calendar	0,0%	0,0%	0,0%	0,0%
(4) Fuel	0,0%	0,0%	0,0%	0,0%
(5) Acquisitions	0,0%	-0,1%	0,0%	0,1%
(6) Forex	-4,0%	-21,3%	-13,0%	-18,4%
(1)+(2)+(3)+(4)+(5)+(6) = Total	-15,9%	-39,9%	-28,4%	-25,4%
Underlying EBIT	191	80	271	92
As a % of sales	6.5%	3.5%	5.2%	4.2%
bps var.	-141 bp	-710 bp	-412 bp	-230 bp
E-commerce sales	1 730	1 651	3 381	1 391
(1) LFL excl. fuel and calendar	16,4%	-1,2%	6,5%	-10,8%
(2) Expansion	0,2%	0,0%	0,1%	0,0%
(3) Calendar	0,0%	0,0%	0,0%	0,0%
(4) Fuel	0,0%	0,0%	0,0%	0,0%
(5) Acquisitions	0,1%	-0,1%	0,0%	0,2%
(6) Forex	-3,2%	-13,5%	-9,0%	-8,8%
(1)+(2)+(3)+(4)+(5)+(6) = Total	13,4%	-14,8%	-2,5%	-19,3%
Underlying EBIT	-55	-87	-142	-72
As a % of sales	-3.2%	-5.3%	-4.2%	-5.2%
bps var.	-261 bp	-608 bp	-440 bp	-200 bp
TOTAL GROUP sales	23 667	22 478	46 145	19 673
(1) LFL excl. fuel and calendar	-0,6%	-2,1%	-1,3%	0,7%
(2) Expansion	1,7%	1,7%	1,7%	2,0%
(3) Calendar	0,0%	0,1%	0,1%	0,3%
(4) Fuel	-0,4%	-0,4%	-0,4%	-0,3%
(5) Acquisitions	1,6%	1,5%	1,6%	-1,5%
(6) Forex	-0,5%	-11,9%	-6,4%	-11,5%
(1)+(2)+(3)+(4)+(5)+(6) = Total	1,8%	-11,0%	-4,8%	-10,3%
Underlying EBIT	520	926	1 446	301
As a % of sales	2.4%	4.1%	3.3%	1.5%
bps var.	-142 bp	-122 bp	-134 bp	-84 bp

Sources: Casino, Bryan Garnier

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