

Casino Guichard

Price EUR51.49

H1 (first take): Food Retail in France in line / some caution in the wording of the guidance?

Fair Value EUR57 (+11%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	69.3 / 35.2
Market Cap (EURm)	5,793
Ev (BG Estimates) (EURm)	9,283
Avg. 6m daily volume (000)	553.2
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.3%	0.0%	31.3%	21.4%
Food Retailing	9.4%	-3.6%	0.6%	-1.7%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

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	18.4x	24.6x	17.0x	14.7x
FCF yield (%)	NM	2.2%	9.7%	8.1%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.1%	6.1%	6.1%	6.1%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.9x	4.6x	4.4x	4.2x
EV/EBIT	14.2x	7.8x	7.4x	7.1x

Most of Casino's subsidiaries have already released their own statement. Hence, today's focus is more on France where underlying operating margin was up 150bp (vs +131bp expected by the consensus), resulting in operating profit of EUR85m (vs EUR67m e / but in line when excluding profit from property development). On the whole, underlying net loss worked out to EUR3m vs a EUR20m loss expected by the consensus. The group confirmed the EUR500m target for annual trading profit in France in 2016 (vs ~EUR460m for the consensus), "subject to consumption trends remaining intact" (stay tuned...). Ahead of the analysts' meeting we maintain our Buy recommendation.

1/ France (~27% of EBIT in H1 / +0.9% LFL excl. fuel and calendar 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), underlying operating profit worked out at EUR85m (vs EUR67me), which translated into a 150bp increase in margin (vs +131bpe) to 0.9%. Excluding property development (EUR49m vs EUR81m in 2015), trading profit from the food retail business worked out to EUR36m (+EUR170m vs 2015), i.e. +186 bp increase in margin.

2/ LatAm retail (~67% of EBIT in H1 / +5.4% LFL in H1): strong price investments in Brazil had quite a significant impact on current EBIT, which reached EUR212m (vs EUR205me) and triggered a 73bp decline in margin (-84bpe) to 3.1%. However, we do not view this performance negatively insofar as the group's focus on the topline seems quite healthy to us.

3/ LatAm electronics (~32% of EBIT in H1 / -5.6% LFL in H1): Latam electronics showed a sequential improvement (+2.6% in Q2 vs -11.8% in Q1 16) which, along with strong cost cutting moves, limited margin erosion to 195bp vs -239bp e (underlying EBIT of EUR100m vs EUR90m e). **4/ E-Commerce (~25% of EBIT in H1 / -10.8% LFL):** unsurprisingly, given poor commercial performances (-10.8% LFL in H1) in Brazil especially, losses at Cnova remained significant at -EUR80m (vs EUR72m e).

In terms of outlook, in France, the group will pursue sales growth and profitability improvement. The group confirmed the EUR500m target for annual trading profit in France in 2016, subject to ongoing consumption trends (doomsayers may identify a kind of reservation in the wording). At this stage of the year, it seems that the consensus has taken ~EUR460m into account in its estimates.

ANALYSIS

- Casino's rather resilient 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 criticised for not doing enough in the past.
- Today, the key issue is whether the group is objectively able to deliver its full year guidance. The group confirmed the EUR500m target for annual trading profit in France in 2016, subject to consumption trends remaining intact. Detractors may identify some caution in the wording.

VALUATION

- At current levels, Casino shares are trading at a 9% discount vs spot SOTP (EUR55) **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.

NEXT CATALYSTS

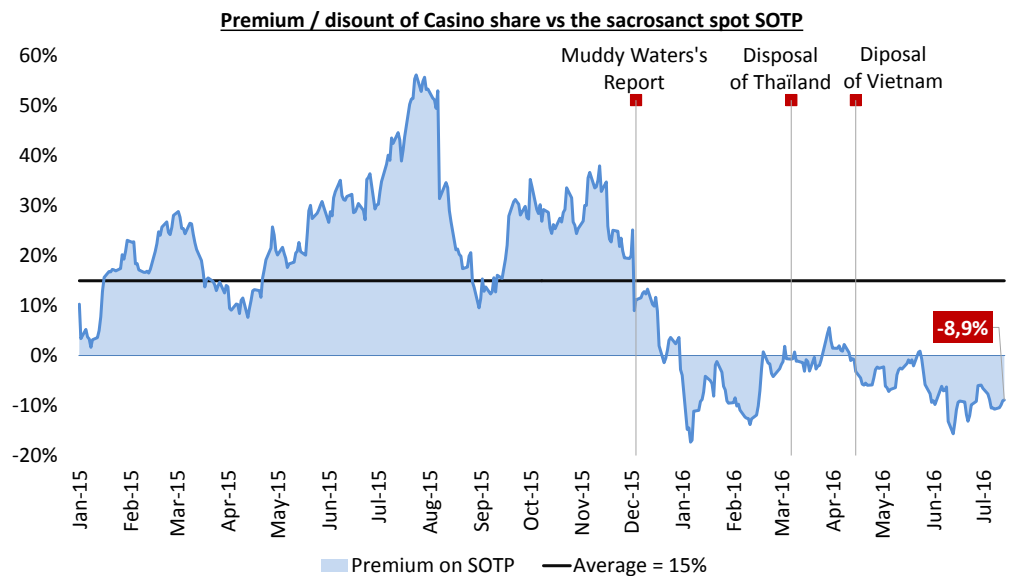
- Guidance achieved in France in 2015



H1 results

	H1 2015	H1 2016	Consensus
Sales			
France Retail	9 136	9 264	9 264
LatAm Retail	7 803	6 836	6 836
LatAm Electronics	2 924	2 182	2 182
E-commerce	1 719	1 391	1 391
Group	21 582	19 673	19 673
ROC			
France Retail	-53	85	67
<i>Excl. Property</i>	-134	36	37
LatAm Retail	299	212	205
LatAm Electronics	191	100	90
E-commerce	-50	-80	-72
Group	387	317	290
Margin			
France Retail	-0,6%	0,9%	0,7%
<i>Excl. Property</i>	-1,5%	0,4%	na
LatAm Retail	3,8%	3,1%	3,0%
LatAm Electronics	6,5%	4,6%	4,1%
E-commerce	-2,9%	-5,8%	-5,2%
Group	1,8%	1,6%	1,5%
Margin evolution			
France Retail	-175 bp	150 bp	131 bp
<i>Excl. Property</i>	na	186 bp	na
LatAm Retail	-78 bp	-73 bp	-84 bp
LatAm Electronics	-141 bp	-195 bp	-239 bp
E-commerce	-253 bp	-284 bp	-227 bp
Group	-138 bp	-18 bp	-32 bp

Sources: Casino, Bryan Garnier estimates



Source: Casino, Datastream, Bryan Garnier estimates

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