

Casino Guichard

Price EUR43.77

Real Estate in Colombia (first take comment)

Fair Value EUR57 (+30%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	56.5 / 35.2
Market Cap (EURm)	4,901
Ev (BG Estimates) (EURm)	8,391
Avg. 6m daily volume (000)	434.8
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.4%	-14.8%	-12.5%	3.2%
Food Retailing	1.0%	-0.7%	-3.9%	-1.3%
DJ Stoxx 600	0.5%	-0.3%	1.5%	-5.6%

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	15.7x	20.9x	14.4x	12.5x
FCF yield (%)	NM	2.6%	11.4%	9.5%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	7.1%	7.1%	7.1%	7.1%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.5x	4.2x	4.0x	3.9x
EV/EBIT	13.3x	7.0x	6.7x	6.5x

Éxito, Casino's subsidiary in Colombia (54,8% equity owned), and the private equity fund Fondo Inmobiliario Colombia have signed a memorandum of understanding for the capitalisation of Viva Malls by FIC. Éxito is to hold 51% of Viva Malls, while FIC is to have a 49% stake from a total cash contribution to the vehicle of over COP\$770 billion (EUR230m). FIC is to contribute with over half its total investment to the vehicle upon closing. At this stage, we estimate that a good bet could be that Exito increases its stake in GPA (which is still trading on very low multiples of around ~0.3x EV/sales).

Éxito, Casino's subsidiary in Colombia, and the private equity fund Fondo Inmobiliario Colombia (FIC, one of the largest private equity funds in Colombia focus on commercial real estate) have signed a memorandum of understanding for the capitalisation of Viva Malls by FIC. Viva Malls is dedicated to the development and operation of commercial real estate in Colombia under the Viva brand.

By 2016, Viva Malls will hold 320,000 sqm of GLA consisting of 10 assets currently operating and two other shopping centers scheduled to open this year. With another two assets currently under development, the vehicle will have 440,000 sqm of GLA (Gross Leasable Area) out of a total portfolio of approximately COP1.6 billion by the end of 2018

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ANALYSIS

- From a proportional accounting viewpoint (first take), the impact of this operation on Casino's fully loaded proportionate Net Debt / EBITDAR ratio should be limited (less than 10 bp we believe).
- From a full consolidation viewpoint (first take), this operation should have a neutral/positive impact on Éxito's EPS: **1/** the retailer will keep consolidating 100% of EBITDA (as it will own 51% of the vehicle); **2/** the minorities line of the P&L should increase; however **2/** the cash in (EUR230m) should help reduce financial costs by ~EUR16m in 2017 (10,5% estimated cost of debt) and more than compensate for the increase in minorities.
- At this stage, we estimate that a good bet could be that Exito increases its stake in GPA (which is still trading on very low multiples around 0.3x EV/sales). On the whole, we would see this operation as a good pair trade (sell real estate which yields perhaps 10/12% in favour of GPA whose upturn could offer yields well above that hopefully), which is perhaps a premise of a wider reorganisation in LatAm (see our latest report on the subject: [With hindsight: a real Catch-22!](#)).

VALUATION

- Our SOTP currently stands at EUR53 per share (i.e. 21% premium on Casino share) when taking into account EUR3011m in holding net debt (excl. seasonality), an amount which does not include any other non-cash items which, according to slide no. 11 of the latest corporate presentation, will have an impact (the point here is that the group neither defines nor quantifies these non-cash items, thus creating an uncomfortable zone of uncertainty). Should these non-cash items reach EUR500m, our spot SOTP would work out at EUR48 (10% premium on Casino share).

NEXT CATALYSTS

- Further reorganisaiton in LatAm

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