

Casino Guichard

Price EUR42.68

We are cautious ahead of Q3 (report to follow)

Fair Value EUR57 (+34%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	56.5 / 35.2
Market Cap (EURm)	4,778
Ev (BG Estimates) (EURm)	9,309
Avg. 6m daily volume (000)	423.5
3y EPS CAGR	8.6%

1/ Despite forex tailwinds, we have reduced our 2016/18 EPS estimates by 7,4% on average (we expect 2016 underlying operating profit to reach EUR1,130m vs EUR1,216 BBG consensus). 2/ Given the mitigated Q3 on the cards (October 13th), right now and as insurance, we would favour Carrefour (Buy / Q4 top-pick, FV @EUR30) vs Casino (Buy, FV @EUR57).

ANALYSIS

- **We believe there is no point when it comes to franchises.** Some operators unconsciously started carrying out a short read-across between Dia and Casino, arguing that the transfer of 200 FP/LP stores to franchise has no other aim than to boost margin at the expense of pressured franchisees. We question this because franchisors are master franchisors who know the risks and already benefit from critical mass.
- **At first sight, the group's valuation is attractive.** The SOTP stands at EUR54 (NB: for a Rallye share price at EUR14.6 as of 30th September, Casino is implicitly valued at EUR60.5 / i.e. reversed NAV) when taking into account 2016 holding company net debt of EUR3.011bn, an amount that does not include the non-cash items to which Casino refers in its latest corporate presentation (link).
- **Short-term question marks...** Casino's share price on 30th September shows a 20% discount to the EUR54 SOTP (vs. a 5-year average of 15%). This discount could be reduced to 10% if non-cash items (neither defined nor quantified by the group at this stage) reach EUR500m. Admittedly, this may create a zone of doubt.
- **... but longer term incentives.** We believe short-term uncertainties should not wipe out longer-term incentives linked to a potential reorganisation of LatAm (i.e. buyback of minorities - see: "With hindsight: a real Catch-22!"), a premise for which could be the recent real estate operation in Colombia (23rd September).

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.9%	-15.5%	-13.7%	0.6%
Food Retailing	-2.8%	0.0%	-4.2%	-2.9%
DJ Stoxx 600	-2.1%	3.3%	3.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,145	41,860	45,300	47,261
% change		-9.3%	8.2%	4.3%
EBITDA	2,343	1,943	2,301	2,543
EBIT	968.0	596.8	1,362	1,503
% change		-38.3%	128.3%	10.4%
Net income	412.0	233.1	364.3	435.1
% change		-43.4%	56.3%	19.4%

	2015	2016e	2017e	2018e
Operating margin	3.1	2.7	3.0	3.2
Net margin	0.9	0.6	0.8	0.9
ROE	NM	NM	NM	NM
ROCE	5.2	4.9	6.0	6.5
Gearing	48.9	30.0	28.8	29.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	1.65	2.94	3.58
% change		-40.9%	78.0%	21.8%
P/E	15.3x	25.8x	14.5x	11.9x
FCF yield (%)	NM	NM	15.7%	11.0%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	7.3%	7.3%	7.3%	7.3%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.4x	4.8x	4.3x	4.1x
EV/EBIT	13.2x	15.6x	7.3x	6.9x

VALUATION

- Casino's SOTP currently stand at EUR54 per share

NEXT CATALYSTS

- Q3 sales figures on October 13th

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