

Casino Guichard

Price EUR42.43

Q3 trading statement (first take): as expected, France turned out to be under pressure
Fair Value EUR57 (+34%)
BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	56.5 / 35.2
Market Cap (EURm)	4,751
Ev (BG Estimates) (EURm)	9,282
Avg. 6m daily volume (000)	412.0
3y EPS CAGR	8.6%

As expected ([We are cautious ahead of Q3 figures as of October 3th](#)) Q3 sales figures reflect a difficult environment in France, penalised by social tensions and unfavourable weather conditions. Group sales worked out at EUR10.4bn, up +2.9% on an organic basis (positive currency effect of +4.1% and a scope effect of -0.4%) vs EUR10.3bn est. Even if is somewhat "circumstantial", we have to admit that this trading statement brings the new impetus to a "halt" in France. We are looking forward to see a reorganisation in LatAm.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.1%	-16.8%	-18.1%	0.0%
Food Retailing	0.2%	0.2%	-6.5%	-3.3%
DJ Stoxx 600	-1.5%	2.2%	2.2%	-7.0%

Generally in France (46% of sales), in addition to the social environment, Casino suffered unfavourable weather conditions in July the effects of which were partly offset by better conditions in August and September. As a consequence, given a certain mismatch between the weather and the assortments, non-food activities came under pressure in Q3 at both Monoprix (-2.3% vs -2.0%e LFL excl. fuel and calendar) and Géant (+0.2% vs +0.5%e / +1.8% in the food business). Supermarché Casino (+2.8% vs +1.2%e) proved to be fairly resilient and even beat our expectations.

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%

We understand that FP/LP suffered upsets notably linked to assortment reviews. As a consequence, LFL work out at -1.5% vs -1.3%e (-0.1% and -2.7% LFL respectively for FP and LP vs 0% and -2.5%e). Moreover, the conversion of some stores under pressure as well as the closure of some unprofitable stores (282 loss-making stores) had a significant perimeter impact. Note, however, that the performance improved significantly at LP toward the end of the quarter (~+1.5%e LFL in September).

	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

There is not that much to say about LatAm (37% of sales) where trends are pretty similar (with, we guess, a very good performance in Colombia) to those of Q2 (+8.2% LFL in Q3 vs +6.0%e) with flattering figures in the food business, while the non-food business (namely Via Varejo which accounts for 11% of Casino's sales) remains somewhat under pressure (+2.0% vs +2.5%e). Unfortunately, the situation remains extremely difficult at Cnova (6% of Casino's sales / -16.4% vs -18% LFL) because of Brazil.

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	1.65	2.94	3.58
% change	-	-40.9%	78.0%	21.8%
P/E	15.2x	25.7x	14.4x	11.8x
FCF yield (%)	NM	NM	15.8%	11.1%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	7.4%	7.4%	7.4%	7.4%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.4x	4.8x	4.3x	4.1x
EV/EBIT	13.1x	15.6x	7.3x	6.9x

In France, the Group confirms the following objectives:

- Trading profit of more than EUR500m
- FCF of more than EUR550m (before 2015 dividends, coupons awarded to holders of hybrid instruments in 2015 and payment of an interim dividend in respect of 2016).
- Net capital expenditure of c.EUR350m

LFL excl. fuel and calendar effect	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16p	Q3 16e
Géant	-1.5%	1.0%	3.5%	2.8%	3.8%	2.2%	0.2%	0.5%
Supermarchés Casino	-1.4%	-2.3%	0.7%	0.0%	0.2%	1.2%	2.8%	1.2%
FP/LP	-5.6%	-3.5%	1.7%	1.9%	2.7% e	-0.4%	~-1.5%	-1.3%
Monoprix	0.3%	0.5%	2.2%	0.1%	-0.4%	-2.1%	-2.3%	-2.0%
LatAm retail	2.6%	2.40%	2.4%	1.3%	3.7%	7.1%	+8.2%	6.0%
LatAm electronics	-2.7%	-23.6%	-24.7%	-15.2%	-11.8%	2.6%	+2.0%	2.5%
Cnova	17.0%	15.7%	7.7%	-8.1%	-8.3%	-13.5%	-16.4%	-18%

Source: Company Data; Bryan, Garnier & Co ests.

ANALYSIS

- 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 of which could be the latest real estate operation (September 23th) in Colombia. This would dramatically simplify the structure, something the market has wanted for years.

VALUATION

- The SOTP (latest update on September 28th) currently stand at EUR54

NEXT CATALYSTS

- Reorganisation of LatAm activities



Analyst :
 Antoine Parison
 33(0) 1 70 36 57 03
 aparison@bryangarnier.com

Sector Team :
 Nikolaas Faes
 Loïc Morvan
 Cédric Rossi
 Virginie Roumagne

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
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Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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