

**Casino Guichard**

Price EUR43.76

Via Varejo

Fair Value EUR57 (+30%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	56.5 / 35.2
Market Cap (EURm)	4,899
Ev (BG Estimates) (EURm)	9,430
Avg. 6m daily volume (000)	408.5
3y EPS CAGR	8.6%

Yesterday, the Casino share price suddenly jumped 2% as Steinhoff was reported (source: Globo / the information was obviously denied) to be in talks to buy the Klein family stake in Via Varejo (Casino's electro-domestic subsidiary in Brazil / EI 14%). Beyond the modest impact on Casino's SOTP (EUR0.65), the message is the key factor. Casino had to mourn the valuation of Via Varejo (which, in 2014, was valued three times its current market cap). Today, we believe that Casino is ready to sell the asset.

As a reminder, we recently wrote ([we are cautious ahead of Q3](#)) that: "the option of a disposal of Via Varejo (43% equity owned by GPA) should not be ruled out as it would help deconsolidate ~EUR65m in net losses generated by Via Varejo and Nova Pontocom in 2015. And we believe some potential buyers exist (such as Steinhoff, owner of Conforama with whom Casino just signed a purchasing agreement in France?). With the cash proceeds, GPA could buy back its own share, thus increasing Casino's equity stake in its Brazilian subsidiary".

Yesterday, Casino share price suddenly jumped 2% as Steinhoff was reported (source: Globo / the information was obviously denied) to be in talks to buy Klein family stake in Via Varejo (Casino's electro-domestic subsidiary in Brazil / EI 14%). As a reminder, the Klein family owns 27.3% of VV's equity, a stake which would be worth BRL1.5bn (i.e. a 48% premium on yesterday's "undisturbed" share price) and which would value 100% of Via Varejo at BRL5.5bn. At this level of valuation, the impact on Casino's spot SOTP would be EUR0.65 per share.

**ANALYSIS**

- Beyond the modest impact on Casino's SOTP (EUR0.65), the message is the key factor. Casino had to mourn the valuation of Via Varejo (which, in 2014, was valued three times its current market cap). Today, we believe that Casino is ready to sell the asset.
- To compensate for the opportunity cost in terms of valuation, we also believe a buyback of undervalued Brick & Mortar assets could be on the cards. Hence, 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!"](#)).
- That said, the question is why nothing has been undertaken so far. There is an obvious window of opportunity, especially on Exito (55% equity owned by Casino), whose minority interests (worth around ~EUR1.1bn with a 20% premium) could be bought back by Casino with, as a result, a decisive simplification of the structure.
- On the whole, we are looking forward to seeing a reorganisation in LatAm (which was the subject of a big report in February). Do not understand what Casino is waiting for. And this latency may be a matter of concern. Stay tuned.

**VALUATION**

- The spot SOTP currently stands at EUR54

**NEXT CATALYSTS**

- Reorganisation in LatAm

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

**Sector Team :**  
Nikolaas Faes  
Loïc Morvan  
Cédric Rossi  
Virginie Roumage

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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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
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	resolution (ACPR)			CP 2113
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				Tel +4122 731 3263
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