

**Casino Guichard**

Price EUR45.22

**The fat Lady has not sung yet (Focus released today)****Fair Value EUR57 (+26%)****BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	56.5 / 35.2
Market Cap (EURm)	5,019
Ev (BG Estimates) (EURm)	9,550
Avg. 6m daily volume (000)	409.8
3y EPS CAGR	8.6%

**Beyond the ongoing carve-out of Cnova, we are wondering whether there might be more on the cards (finally) involving a wider reorganization of the portfolio, the outcome of which could be decisive for the share price. However, this would have to include a deep simplification of the structure (i) along with a reduction of minority interests (ii) while increasing exposure to LatAm to benefit from the expected market recovery at a minimal net cost (iii).**

We do believe that the market would only be favorable to such a reorganization if Casino complies with its commitment to retire EUR4bn worth of gross debt (iv) (wip /~50% already completed), made possible following the disposal of Asian Assets (a total of EUR4.2bn cashed-in between February and April 16). With these four conditions in mind, it is possible to imagine that Casino would pursue the logic started back in July 15 (first cash push-up) by transferring the rest of the shares (22.8% of the capital) still owned in GPA to Exito.

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.4%	0.9%	-12.3%	6.6%
Food Retailing	0.8%	3.1%	-2.2%	-2.2%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

To ease the deal vis-à-vis heated shareholders of Exito, we believe that Casino needs to improve the risk profile of GPA and trigger a rerating of the share. GPA could thus trend towards the market value reached at the moment of the first cash push-up (i.e. BRL76 / excl. control premium). Hence, a solution to achieve the right conditions for a second cash push-up would involve selling Via Varejo (and Nova Pontocom included in VV post carve-out) prior to it, which doing so, would improve the risk profile of GPA (a pure food Brick & Mortar player is more valuable than a patchwork of food, electro domestic and e-commerce activities!).

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%

The estimated potential cash-in (up to EUR1.3bn post rerating / i.e. 0.45x sales multiple for GPA Food vs 0.30x currently) would match the investment Casino would have to make in order to buy the minority interest of Exito with a 30% premium (i.e. EUR1.2bn). In the end, Casino would comply with its debt commitment (iv), the structure would be dramatically simplified (i), minority interests would decrease (the EI of Casino in GPA moving from 33.2%e to 41.6%e and Exito being 100% equity owned) (ii) while increasing the exposure to the market recovery in LatAm (iii).

	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

**VALUATION**

- The MtM SOTP currently stands at EUR55 per share

**NEXT CATALYSTS**

- ID Monoprix on November 4th
- Casino beats its 2016 EBIT guidance in France
- Reorganization of LatAm activities

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	1.65	2.94	3.58
% change	-	-40.9%	78.0%	21.8%
P/E	16.2x	27.4x	15.4x	12.6x
FCF yield (%)	NM	NM	14.8%	10.4%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.9%	6.9%	6.9%	6.9%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.5x	4.9x	4.4x	4.2x
EV/EBIT	13.4x	16.0x	7.5x	7.1x

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