



26th April 2019

CASINO GUICHARD

- Consumer, Brands & Retail
- Retail & E.commerce

NEUTRAL

Fair Value	EUR43(+16%)
Share price	EUR37.17
EPS 3Y Cagr	18.8%

Disappointment on Q1 growth in France

LfL growth 40bps below expectations in France

Casino has reported 0.0% LfL growth excl fuel & calendar in Q1 in France, below the CS expectations of +0.4%. All banners were flat, Franprix came in at -0.5% and Leader Price reported the worst performance with -1.9% as management reckoned it focused on optimising the store portfolio in Q1 and not enough on commercial momentum. Admittedly, Casino faced a far tougher comparison base in Q1 across its banners and a residual negative impact from the Yellow Vests movement in city centres. But the overall performance remains disappointing as we could have hoped to see better figures in light of the recent disposal of several underperforming stores and the absence of change in pricing policy following the implementation of the EGAlim law. Management stated that the commercial performance was better in March than in January and February but the trend remains to be confirmed over Q2.

LatAm again benefits from the end to food deflation in Brazil

LatAm showed another quarter of strong growth with LfL growth of 6.0% as food inflation continues to strengthen in Brazil (+4.8% over the quarter vs. 4.2% in Q4). The performance was also partly driven by the Cash & Carry banner Assai, which showed strong LfL and expansion momentum.

Cdiscount's growth still affected by the focus on marketplace

Cdiscount reported LfL growth of -1.0%, in line with its strategy to shift its business model towards the marketplace, which implies transferring some wholesale items to the marketplace (which is dilutive to net sales as Cdiscount only book fees as sales). But GMV was up 9.2% on a LfL basis.

The disposal plan is well underway

Out of the EUR2.5bn in disposals to be made in France by Q1 2020, Casino already executed EUR1.5bn and secured this week a further EUR374m with the sale of 32 store real estate assets to the fund Apollo. Management is confident it can reach or even beat this guidance. We believe that Casino Restauration, Vindémia, the stake in Mercialys and further store real estate assets could still be viewed as non-core and be quickly sold to meet the EUR2.5bn target (which will be crucial to lower net debt/EBITDA from 3.0x to 2.1x e in France in 2019).

Neutral confirmed, FV unchanged at EUR43

We still believe Casino's guidance for EBIT (+10% per annum ex property development) is reachable despite the fact that top line in France may continue to be affected by a tougher comparison basis in Q2 and Q3 this year. Cost-savings, the Horizon purchasing alliance and the rise of new energy and data businesses will drive the margin (+20bp expected in France in 2019). However, we identify no levers that could significantly allow Casino to beat its EBIT and FCF guidance over 2019-21 and thus allow the group to be organically able to deleverage itself in France, and fully reassure investors.

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Market Data

Bloomberg / Reuters	CO FP/CASP.PA
Market Cap.	EUR4,079m
E.V.	EUR11.831m
Free Float	0,8
Avg. Daily volume (6m)	521.4
12m high / low	47.4 / 26.5
Ytd Perf.	2.3%

EURM	12/18	12/019	12/020	12/021
Sales	36,604	37,906	39,274	40,510
% Change		3.6%	3.6%	3.1%
EBITDA	1,865	2,078	2,276	2,443
% Change		11.4%	9.5%	7.3%
EBIT	834.0	1,118	1,307	1,466
% Change		34.0%	17.0%	12.2%
Net Income	398.6	502.0	597.2	657.0
% Change		26.0%	18.9%	10.0%
ROE	NM	NM	NM	NM

	12/18	12/019	12/020	12/021
EV/Sales	0.3x	0.3x	0.3x	0.3x
EV/EBITDA	6.3x	5.3x	4.6x	4.3x
EV/EBIT	14.2x	9.8x	8.0x	7.1x
EPS	3.68	4.71	5.60	6.16
% change		28.1%	18.9%	10.0%
P/E	10.1x	7.9x	6.6x	6.0x
Div Yield	8.4%	8.4%	8.4%	8.4%

Next Catalyst: H1 2019 results in July

Last rating Change:

[2019-4-18, Conquering Digital with Monoprix](#)

Last Reports:

[2019-4-18, A la conquête du digital avec Monoprix](#)

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Fiscal year end 31/12	2017	2018	2019e	2020e	2021e
Financial Summary					
EPS (EUR)	0.93	-0.51	2.31	3.49	4.34
Restated EPS (EUR)	3.36	3.68	4.71	5.60	6.16
% change	9.5%	9.5%	28.1%	18.9%	10.0%
Operating cash flows (EUR)	12.48	9.17	11.66	13.55	15.15
FCF (EUR)	1.87	-1.73	0.88	4.86	5.28
Net dividend (EUR)	3.12	3.12	3.12	3.12	3.12
Avg. Number of shares, diluted (m)	111	108	107	107	107
Valuation (x)					
EV/Sales	0.3x	0.2x	0.18x	0.16x	0.15x
EV/EBITDA	5.2x	4.1x	3.20x	2.75x	2.56x
EV/EBIT	8.1x	6.3x	5.96x	4.78x	4.27x
P/E	15.2x	10.5x	7.89x	6.64x	6.03x
Net dividend yield (%)	6%	8%	8.4%	8.4%	8.4%
Profit & Loss Account (EURm)					
Revenues	37,490	36,604	37,906	39,274	40,510
Change (%)	4.1%	-2.4%	3.6%	3.6%	3.1%
EBITDA	1,900	1,865	2,078	2,276	2,443
Current operating income	1,213	1,209	1,368	1,507	1,616
Current operating margin	3.2%	3.3%	3.6%	3.8%	4.0%
Exceptionals	(480)	(375)	(250)	(200)	(150)
EBIT	733	834	1,118	1,307	1,466
Change (%)	78.8%	13.8%	34.0%	17.0%	12.2%
Financial results	(445)	(465)	(410)	(390)	(385)
PBT	288	369	708	917	1,081
Tax	(48)	(204)	(234)	(303)	(357)
Profits from associates	13	17	22	27	30
Income from discontinued activities	47	(21)	0	0	0
Minority interests	(197)	(216)	(250)	(270)	(291)
Net profit / group share	103	-55	246	372	463
Restated net profit	372	399	502	597	657
Change (%)	9.1%	7.1%	26.0%	18.9%	10.0%
Cash Flow Statement (EURm)					
Operating cash flows	1,382	994	1,243	1,444	1,615
Capex. net	(1,247)	(1,185)	(948)	(982)	(1,094)
Change in working capital	72	4	(201)	56	42
FCF	207	(187)	94	518	563
Financial investments	(39)	(53)	0	0	0
Dividends	(445)	(490)	(493)	(502)	(512)
Capital increase	(11)	(103)	0	0	0
Assets disposal	315	1,272	0	0	0
Other	(523)	266	1,241	389	(64)
Decrease / (Increase) in net debt	(496)	705	842	405	(13)
Net debt	4,126	3,421	2,579	2,173	2,186
Balance Sheet (EURm)					
Tangible fixed assets	7,289	5,942	6,179	6,392	6,659
Intangibles assets	11,910	11,569	11,569	11,569	11,569
Cash & equivalents	9,984	10,791	10,392	10,408	10,459
Current assets	6,177	6,350	6,840	7,140	7,421
Other assets	2,756	2,788	2,752	2,719	2,685
Total assets	38,116	37,440	37,732	38,228	38,792
L & ST Debt	8,722	9,028	9,028	9,028	9,028
Provisions	1,045	1,014	1,014	1,014	1,014
Others liabilities	15,326	15,380	15,669	16,025	16,347
Minority interests	5,468	5,288	5,176	5,054	4,923
Shareholders' funds	7,555	6,730	6,845	7,106	7,480
Total Liabilities	38,116	37,440	37,732	38,228	38,792
WCR	(3,227)	(3,231)	(3,030)	(3,086)	(3,127)
Capital employed	15,972	14,280	14,718	14,875	15,101
Ratios					
Tax rate	16.7%	55.3%	33.0%	33.0%	33.0%
Normative tax rate	33.0%	33.0%	33.0%	33.0%	33.0%
Net margin	1.0%	1.1%	1.3%	1.5%	1.6%
ROCE (after tax)	5.1%	5.7%	6.2%	6.8%	7.2%
WACC	7.6%	7.6%	7.6%	7.6%	7.6%
Gearing	55%	51%	37.7%	30.6%	29.2%
Net debt / EBITDA	2.2x	1.8x	1.2x	1.0x	0.9x

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

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