



Consumer, Brands & Retail

24th May 2019

CASINO GUICHARD

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

NEUTRAL

Fair Value	EUR43(+44%)
Share price	EUR29.85
EPS 3Y Cagr	18.8%

Rallye obtains the opening of safeguard proceedings

Rallye, Foncière Euris, Finatis and Euris obtain the opening of safeguard proceedings

After having requested the suspension of listing of Rallye, Foncière Euris, Finatis and Euris' shares yesterday morning, Rallye announced yesterday evening that it has obtained the opening of safeguard proceedings for a six-month period, which could be renewed up to two times. As long as Rallye and its parent companies remain in safeguard proceedings, they will be protected from repaying any debt contracted before the 23rd May 2019. Casino and Go Sport are not concerned by these proceedings.

Harsh negotiations ahead with creditors

The aim of the procedure is to renegotiate debt with creditors, mostly French banks such as BPCE, BNP Paribas, Crédit Mutuel, Crédit Agricole, and with bondholders. As a reminder, Rallye shoulders more than EUR3bn in gross debt (o/w EUR1.47bn in bonds and EURO.54bn in bank loans and private placements and EURO.95bn of drawn credit lines). The negotiations should pave the way for: 1/ debt rescheduling (over a maximum period of 10 years); 2/ a debt write-off and; 3/ conversion of debt into equity. With Foncière Euris only owning 59.5% of Rallye shares and 73.1% of voting rights, we cannot rule out the possibility of seeing Mr Naouri loose control of its whole galaxy.

Only few implications for Casino on the operating side at this stage

The fact that Rallye is temporarily protected from repaying its liabilities does not prevent Casino from continuing to pay dividends, even if the amount may be down. We believe the historic level of dividends paid by Casino now looks too high and that the group may lower it, at least during the safeguard proceedings period. Dividends have recently been a real concern as Casino's objective of FCF generation in France (i.e. EUR500m per annum) over 2019-21 was only set to cover financial charges (c.EUR145m e) and dividends (c.EUR380m e).

Likely short squeeze to come

While the vicious circle may now be broken for Rallye, it is still difficult to expect the reaction by short-sellers on Casino, which will drive the share price either upwards or downwards today. Yet, we believe short squeeze on Casino are likely over the coming months. As a reminder, 20% of Casino total capital used to be shorted.

Market Data

Bloomberg / Reuters	CO FP/CASP.PA
Market Cap.	EUR3,275m
E.V.	EUR11.027m
Free Float	0,8
Avg. Daily volume (6m)	554.8
12m high / low	47.4 / 26.5
Ytd Perf.	-17.9%

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	0.2x	0.2x
EV/EBITDA	5.9x	4.9x	4.2x	3.9x
EV/EBIT	13.2x	9.1x	7.4x	6.6x
EPS	3.68	4.71	5.60	6.16
% change		28.1%	18.9%	10.0%
P/E	8.1x	6.3x	5.3x	4.8x
Div Yield	10.5%	10.5%	10.5%	10.5%

Next Catalyst: Conference call at 08:00am CET

Last rating Change:

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

Last FV Change:

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

Last Reports:

[2019-4-26, Disappointment on Q1 growth in France](#)

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Distribution of stock ratings

BUY ratings 50,3%

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