



Consumer, Brands & Retail

CASINO GUICHARD (NEUTRAL, FV EUR43) | The control of the holdings cascade is not in danger (for now)

- Last Friday, the holdings above Casino (i.e. Rallye, Foncière Euris, Finatis and Euris) clarified the amount of structured financing arrangements made with banks and secured by asset pledging. Following some investors' fears that some banks find a legal loophole and try to call in the collateral they own in some holdings (as Société Générale did early in July), we believe the whole Casino-Rallye galaxy wanted to reassure on its capacity to keep the control over the whole cascade of holdings.
- In a worse case scenario (quite unlikely as this stage) where banks would find a way to call in the collateral they own as part of the structured financing arrangements (i.e. not the traditional bank loans), Euris' stake in Finatis would fall from 92.4% to 83.8%, Foncière Euris' stake in Rallye would fall from 58.1% to 40.3% (with 71.1% voting rights) and Rallye's stake in Casino from 51.7% to 43.6% (with 61.0% voting rights).
- In all, it implies no impact on the control exercised by Rallye and its holding companies over Casino, and as such, no impact on Casino's debt (early repayment could only be activated if a third party holds more than 50% of the voting rights and if this results in the downgrade by a rating agency).
- Yet, be aware that the more the holdings' participation in Casino decreases, the more difficult it will be for Casino to push up enough cash to hope one day to repay all the debt of Rallye (EUR2.9bn), Foncière Euris (EUR180m), Finatis (EUR104m) and Euris (EUR112m), which all remain in a safeguard proceedings. At this stage, we estimate that Casino needs to push up c.EUR6.6bn to repay of its holdings' debt and it could reach c.EUR10.2bn in a worse case scenario. The outcome of the safeguard proceedings is also uncertain and we don't rule out debt conversion into equity, implying a takeover of Rallye by the creditors.

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