



MORRISONS (LSE: MRW) 3Q17 TRADING UPDATE: 4TH CONSECUTIVE QUARTER OF POSITIVE COMPS

- The UK's fourth-largest grocery chain posted 3Q17 comps of 1.6%. This marked a slight sequential weakening from 2.0% growth in 2Q17, but met consensus and was the fourth consecutive quarter of positive underlying growth.
- Total sales fell 1.2%, due to store closures and the disposal of Morrisons' convenience-store chain later in 2015.
- For FY17, analysts expect total sales to fall by 0.4%, but EPS to climb by 8.1%.

3Q17 TRADING UPDATE

Like most British companies, Morrisons reports sales growth each quarter and updates on profits only at the half-year and full-year.

For 3Q17, ended October 30, Morrisons posted comparable sales growth ex fuel of 1.6%. Total sales ex fuel were down 1.2%, impacted by the closure of some supermarkets and the disposal of its convenience-store chain in September 2015.

Morrisons met the consensus estimate of 1.55% comparable sales growth recorded by S&P capital IQ. 3Q17 marked the fourth consecutive quarter of positive comparable sales growth, although comps were down sequentially from 2.0% in 2Q17.

NONFINANCIAL METRICS

- Morrisons' transaction numbers increased by 4.1%, versus a 4.3% increase in 2Q17.
- The average number of items per basket fell by 5.5%, versus a fall of 5.0% in 2Q17.
- Morrisons noted price deflation of 1.0% in the quarter.
- The company launched "The Best," a premium own-brand range of foods.
- Seasonal Halloween sales rose by 20% year over year.

OUTLOOK

The company did not provide any full-year guidance, beyond noting that it is committed to further strengthening its balance sheet and lowering debt; its net debt target remains around £1.2 billion by year-end.

For the full year, analysts expect total sales to decline by 0.4%, EBIT to climb by 6.4% and GAAP EPS to rise by 8.1% to 10.24 pence.

The company will update on Christmas-period trading on January 10.



FLASH REPORT

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