



METRO GROUP Metro Group (DB: MEO) 1Q17 Trading Update: Weak Grocery Segment Weighs on Top Line

- Metro Group reported net sales of €17.0 billion in 1Q17, down 0.6% from the same period last year, and almost in line with consensus estimates. Comps edged up by 0.1% year over year.
- Metro Cash and Carry posted sales of €8.0 billion, down 0.3% year over year, which the company attributed to sales of its operations in Vietnam and negative foreign-currency effects.
- Sales at Media-Saturn were flat at €6.9 billion, and sales at Real declined by 4.0% to €2.1 billion.

1Q17 Results

German retailer and wholesaler Metro Group reported sales of €17.0 billion in 1Q17, down 0.6% from €17.1 billion in 1Q16, and almost in line with the consensus estimate of €17.061 billion, according to preliminary and unaudited figures. Comps edged up by 0.1% year over year.

Performance by Segment

Metro Cash & Carry: Metro's wholesale business posted sales of €8.0 billion in 1Q17, down 0.3% year over year. Comps climbed by 0.7%. The company stated that sales declined in this segment due to the disposal of its Vietnam business last year. Negative foreign-currency effects from countries such as Turkey also impacted the segment's performance.

Metro noted that sales in Germany, Belgium and the Netherlands declined due to challenging market conditions and the ongoing transformation of operations.

Media-Saturn: Metro's consumer electronics arm posted flat sales, at €6.9 billion in 1Q17, and flat comps as well. The company noted that October and November saw robust sales, but consumer purchases slowed down in December, as many customers had bought in advance (such as on Black Friday). Metro added that online sales grew by more than 25%, despite the closure of five Redcoon websites, with growth driven by the in-store collection option.

Strong demand for repair and installation services and warranty extensions drove double-digit growth in sales of services and solutions, Metro said. Sales declines in entertainment, photo and IT hardware products were offset by growth in sales of smartphones, white goods and TVs, the company added.

Real: Metro's hypermarket segment saw sales decline by a substantial 4.0% to €2.1 billion and comps fall by 1.7%. An intensely competitive environment and a weak start to the quarter impacted food sales, and store closures affected the overall segment, Metro said.



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Outlook

Metro confirmed its forecast for FY17 for sales to increase slightly over the fiscal year, and the adjusted EBIT to exceed FY16's level of €1,560 million.

The consensus among analysts for FY17 is for revenue to climb by 2.3% to €59.77 billion and for GAAP EPS to rise by 9.7% to €2.01.



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