



Sainsbury's Sainsbury's (LSE: SBRY) 3Q17 Update: Modest Growth Beats Expectations

- Sainsbury's, the UK's second-largest grocery retailer, posted comps of 0.1% for 3Q17, marginally ahead of expectations of (0.8)%.
- Total sales were up 0.8%, excluding fuel and the impact of pharmacy disposals.
- Argos, which Sainsbury's acquired in 2016, saw comps of 4.0% and total sales growth of 4.1%.

3Q17 Update

Sainsbury's grew its sales by 0.1% on a comparable basis in 3Q17, comfortably ahead of the consensus of a 0.8% decline. Total sales climbed by 0.8%, excluding fuel and the impact of pharmacy disposals, and fell by 0.3% on an ex-fuel basis alone.

This marked a sequential improvement from 2Q17, when comps fell 1.1% and total sales fell 0.4%.

Sainsbury's is the second of the major UK grocery retailers to beat consensus in Christmas trading, following Tuesday's update from Morrisons. Market-leader Tesco reports results on Thursday morning.

Sainsbury's noted the following metrics for 3Q17:

- Online sales grew by more than 9% and convenience-store sales increased by more than 6%.
- Clothing sales were up 10% and general-merchandise sales were up 3%.
- The price of an average basket of Christmas groceries was 14% lower in 2016 than two years earlier.
- Sainsbury's saw positive comparable transaction growth, total volumes up and comparable volumes flat.

All of the data above refers to Sainsbury's grocery operations. The group also includes general merchandiser Argos, which was acquired on September 2, 2016. Total group comps, including Sainsbury's and Argos, rose by 1% in 3Q17.

Argos

In the quarter, Argos grew total sales by 4.1% and comparable sales by 4.0%. This marked a sequential improvement from total growth of 3.0% and comps of 2.3% in 2Q17.

Outlook

The company offered no forward commentary, other than to note that the market remains very competitive and the impact of sterling's devaluation is uncertain.

For FY17, analysts expect group revenues to climb by 11.2% to £26.14 billion, fueled by the Argos acquisition. The consensus is for EBIT to fall 2.3% to £684 million and for GAAP EPS to rise 1.3% to 22.8 pence.



FLASH REPORT

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