

FLASH REPORT

Sainsbury's (LSE: SBRY) 4Q17 Update: Comps Return to Negative Territory

- The UK's second-biggest grocery retailer, Sainsbury's, reported comparable sales excluding fuel fell by 0.5% in 4Q17.
- In FY17, Sainsbury's comps fell by 0.6% excluding fuel.
- Argos 4Q17 comps were strong, at 4.3%.

4Q17 Update

Sainsbury's reported comparable sales fell by 0.5% (excluding fuel) in 4Q17, for the period ended March 11. Total sales including fuel fell by 0.3% in 4Q16, but were up 1.0% once the effects of the sale of its pharmacy business were stripped out.

The quarterly comp marked a sequential weakening from the prior quarter, when comps were up 0.1%.

For FY17, Sainsbury's reported comps fell by 0.6% (ex fuel), while total sales including fuel rose by 0.4%.

In 4Q17, the company noted that online grocery sales grew by 7%, and sales through its convenience stores increased by nearly 7%. General merchandise sales were down by 4%, impacted by a later Mother's Day and Easter this year. Sales of its Tu clothing brand were up 5%.

The figures above refer to the Sainsbury's business. Sainsbury's group also includes general merchandise chain Argos.

Argos and Group

Argos posted 4Q17 comps of 4.3%, up from 4.0% in 3Q17. Total sales at Argos were up 3.8% in the quarter. The company did not provide a figure for FY17.

Group comps, incorporating Sainsbury's and Argos, were up 0.3% ex fuel in 4Q17.

Outlook

The company offered no guidance.

For the year just ended, the consensus estimate is for Sainsbury's to post a 1.5% decline in EBIT, to £689.6 billion. It is unclear if all estimates include the impact of the Argos acquisition, which was completed in September 2016. Argos reported benchmark operating profit of £83.1 million in the year ended February 2016.

Analysts expect Sainsbury's to report that underlying diluted EPS fell by 11% to 20.23 pence in FY17. The company will announce its results on May 3.



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