

## March 2017 US Same-Store Sales

|                                   | Net Sales (USD Mil.) |                 | Same-Store Sales (%) |               |                 |
|-----------------------------------|----------------------|-----------------|----------------------|---------------|-----------------|
|                                   | March 2017           | March 2016      | March 2017 Actual    | March 2016    | March 2017 Est. |
| <b>Mass Merchants</b>             |                      |                 |                      |               |                 |
| <b>Costco Wholesale</b>           | <b>11,640.0</b>      | <b>10,710.0</b> | <b>6.0</b>           | <b>1.0</b>    | <b>4.2</b>      |
| Costco US                         |                      |                 | 7.0                  | 1.0           |                 |
| Costco Canada                     |                      |                 | 3.0                  | 3.0           |                 |
| Costco International              |                      |                 | 4.0                  | (1.0)         |                 |
| <b>Costco Wholesale (ex fuel)</b> |                      |                 | <b>5.0</b>           | <b>4.0</b>    |                 |
| Costco US (ex fuel)               |                      |                 | 6.0                  | 3.0           |                 |
| Costco Canada (ex fuel)           |                      |                 | 3.0                  | 9.0           |                 |
| Costco International (ex fuel)    |                      |                 | 6.0                  | 5.0           |                 |
| <b>Specialty Apparel Stores</b>   |                      |                 |                      |               |                 |
| <b>Buckle</b>                     | <b>86.8</b>          | <b>96.6</b>     | <b>(10.1)</b>        | <b>(11.8)</b> | <b>(12.7)</b>   |
| <b>Cato</b>                       | <b>93.2</b>          | <b>118.8</b>    | <b>(21.0)</b>        | <b>(1.0)</b>  | <b>N/A</b>      |
| <b>Fred's</b>                     | <b>208.6</b>         | <b>214.3</b>    | <b>(0.5)</b>         | <b>1.8</b>    | <b>N/A</b>      |
| <b>L Brands</b>                   | <b>951.4</b>         | <b>1,027.0</b>  | <b>(10.0)</b>        | <b>3.0</b>    | <b>(8.9)</b>    |
| Victoria's Secret                 |                      |                 | (13.0)               | 2.0           |                 |
| Bath & Body Works                 |                      |                 | 0.0                  | 5.0           |                 |
| <b>Zumiez</b>                     | <b>71.7</b>          | <b>68.8</b>     | <b>1.1</b>           | <b>(7.8)</b>  | <b>2.5</b>      |

Source: Company reports

### Key Takeaways

- 1) Comps for the group were generally better than expected in March and, in some cases, notably Costco and Zumiez, comps accelerated sequentially from February.
- 2) The shift of the Easter holiday from March last year to April this year negatively affected most retailers (with the exception of Costco), although they expect to see a bump in April as a result.
- 3) L Brands' comps and merchandise margins were both better than expected in March, despite being negative.

### Costco's March Comps Improve, Driven by Better Traffic

- This year's March sales reflect one additional sales day due to the timing of Easter, which positively impacted Costco's sales by 1%–1.5%.
- Traffic at Costco was up a little over 3.75% in March, accelerating sequentially.
- The average transaction value was up 2.5%, and was positively impacted by foreign exchange and gas inflation.
- The average gas price per gallon was \$2.39, up 17% from \$2.04 last March.



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- Within the US, the strongest sales regions were Texas, Los Angeles and San Diego. Internationally, Mexico, the UK and Japan were the better-performing countries, in local currencies.
- Cannibalization negatively impacted other international markets by 150 basis points and negatively impacted Canada by 200 basis points.
- Food and sundries comps increased by low single digits, while tobacco was flat.
- Hardline comps increased by single digits. Better-performing categories were tires, hardware and sporting goods. Consumer electronics comps were negative.
- Softline comps were up by high single digits. Better-performing categories included furnishings, apparel, jewelry and housewares.
- Within the ancillary businesses, better-performing categories were gasoline, hearing aids and optical.

#### L Brands' Comps Better than Feared, Margins Better than Expected

- L Brands' comps were down 10% in March. At Victoria's Secret, comps were down 13% and at Bath & Body Works, comps were flat.
- The exit of the swim and apparel categories negatively impacted total company comps by seven points and negatively impacted Victoria's Secret's comps by 10 points.
- The merchandise margin rate was down versus March of last year. Inventories per square foot were down 8%.
- At Victoria's Secret, comps were down 13% for the month and up 8% excluding the non-go-forward categories of swim and apparel. Growth in PINK was offset by challenging traffic levels. The negative impact from the exit of swim and apparel was 10 points and the later date of Easter had a negative impact of about one point. The merchandise margin rate was down, primarily due to promotional activity designed to drive traffic and the impact of exiting the noncore businesses.
- At Bath & Body Works, comps were flat, driven by growth in the direct channel that was offset by the negative impact of three to four points due to the later Easter holiday. The merchandise margin rate was up versus last year.
- L Brands expects a low-single-digit decline in April comps, including a positive impact of three points from the later Easter and a negative impact of six points from the exited categories.

#### Buckle Comps Continue to Decline, Although More Moderately

- Teen retailer Buckle saw overall comps decline by 10.1% in March. Units per transaction were up 2.0%. Average transaction value was down 2%.
- The women's segment accounted for 53.0% of total monthly sales versus 54.5% last March. Total sales for the women's segment were down 12%. Price points were down 7.5%.



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- Sales for men's categories were down 6.5% and men's represented 47.0% of total sales versus 45.5% in the same month last year. Price points were down 3.0%.
- Accessories and footwear represented 8.0% and 6.5% of sales, respectively, versus 7.5% and 6.5%, respectively, in the year-ago period. The average accessory price point was down 4.5% and the average footwear price point was down 4.5%.

**Fred's Benefits from Consumers' Tax Refunds, but Gain Is Offset by a Later Easter**

- Fred's reported a total sales decline of 2.7% in March, to \$208.6 million. Same-store sales for the month decreased by 0.5%.
- March comps reflected the benefit of consumers receiving tax refunds, which were delayed from February to March this year, but the boost was offset by a later Easter, which will shift holiday sales into April.
- Fred's also reported fourth-quarter 2016 adjusted EPS of \$(0.11) versus consensus of \$(0.18).

**Cato Continues to Be Hurt by Merchandise Assortment Issues**

- Cato reported March sales of \$93.2 million, down 22% from the same month last year. Same-store sales declined by 21%.
- March sales were negatively impacted by the shift of the Easter holiday from March last year to April this year.
- Management expects current sales headwinds to continue as the company works through its merchandise assortment missteps.

**Zumiez Comps Below Expectations, but Better Sequentially**

- Zumiez reported March sales of \$71.7 million, up 4.3% from the same month last year. Same-store sales increased by 1.1%.
- March sales were negatively impacted by the shift of Easter from March last year to April this year, but the change will benefit April sales.
- The increase in comps was driven primarily by an increase in transactions that was partially offset by a decrease in dollars per transaction. The decline in dollars per transaction was primarily due to a decrease in units per transaction that was partially offset by an increase in average unit retail.
- Men's and juniors posted positive comps, while hard goods, footwear and accessories posted negative comps.



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