

April 2017 US Same-Store Sales

	Net Sales (USD Mil.)		Same-Store Sales (%)		
	April 2017	April 2016	April 2017 Actual	April 2016	April 2017 Est.
Mass Merchants					
Costco Wholesale	9,420.0	8,980.0	3.0	0.0	4.2
Costco US			4.0	0.0	
Costco Canada			(1.0)	2.0	
Costco International			2.0	(3.0)	
Costco Wholesale (ex fuel)			3.0	3.0	
Costco US (ex fuel)			3.0	2.0	
Costco Canada (ex fuel)			3.0	7.0	
Costco International (ex fuel)			5.0	1.0	
Specialty Apparel Stores					
Buckle	62.6	65.2	(3.5)	(13.2)	(6.3)
Cato	80.6	81.9	(2.0)	(3.0)	N/A
Fred's	159.1	163.9	1.2	0.3	1.5
L Brands	719.6	737.5	(5.0)	1.0	(2.5)
Victoria's Secret			(12.0)	(1.0)	
Bath & Body Works			10.0	5.0	
Zumiez	56.5	51.2	7.8	(6.0)	4.3

Source: Company reports

Key Takeaways

- 1) Comps for the group were generally in-line in April, compared to March.
- 2) This year's April sales reflect one fewer sales day due to the timing of Easter, which negatively impacted Costco's sales by 1.5%–2%.
- 3) L Brands' comps were down 5% in April. The merchandise margin rate was up versus April of last year.

US Comps Excluding Gas and FX Roughly In-Line for Costco

- This year's April sales reflect one fewer sales day due to the timing of Easter, which negatively impacted Costco's sales by 1.5%–2%.
- Traffic at Costco was up a little over 2% in April.
- The average transaction value was up 0.75%, and was positively impacted by foreign exchange and gas inflation.
- The average gas price per gallon was up 12% from last April.
- Within the US, the strongest sales regions were the Midwest and Texas. Internationally, Mexico, the UK, Korea and Canada were the better-performing countries, in local currencies.



FLASH REPORT

- Cannibalization negatively impacted other international markets by 85 basis points.
- Food and sundries comps increased by low single digits. Better-performing categories were sundries and deli.
- Hardline comps increased by low to mid single digits. Better-performing categories were tires, hardware and sporting goods. Consumer electronics comps were negative.
- Softline comps were up by mid single digits. Better-performing categories included plastics, apparel and housewares.
- Within the ancillary businesses, better-performing categories were gasoline and hearing aids.

L Brands' Lingerie Business Remains Challenging, Partially Offset by Bath and Body Works Performance

- L Brands' comps were down 5% in April. At Victoria's Secret, comps were down 12% and at Bath & Body Works, comps were up 10%. Total comps were impacted by the late Easter by about 3 percentage points.
- The exit of the swim and apparel categories negatively impacted total company comps by six points and negatively impacted Victoria's Secret's comps by 10 points.
- The merchandise margin rate was up versus April of last year. Inventories per square foot were down 12%.
- At Victoria's Secret, comps were down 12% for the month and down 2% excluding the non-go-forward categories of swim and apparel. Growth in PINK was offset by a decline in the lingerie business.
- At Bath & Body Works, comps were up 10% driven by growth in the direct channel and the positive impact of the later Easter, which had a positive impact of five points for the month.
- L Brands now expects 1Q EPS of about \$0.30 versus prior guidance of \$0.20–\$0.25. Consensus was \$0.25. Comps for the quarter are down 9%, with a six-point negative impact from the exit of the swim and apparel categories.

Buckle Comp Trends Improve in April

- Teen retailer Buckle saw overall comps decline by 3.5% in April. Units per transaction were up 2.5%. Average transaction value was down 4.5%.
- The women's segment accounted for 52.5% of total monthly sales versus 54.5% last April. Total sales for the women's segment were down 11.5%. Price points were down 8.5%.
- Sales for men's categories were down 4.0% and men's represented 47.5% of total sales versus 45.5% in the same month last year. Price points were down 5.5%.
- Accessories and footwear represented 8.5% and 7.0% of sales, respectively, versus 8.5% and 7.0%, respectively, in the year-ago period. The average accessory price point was down 4.0% and the average footwear price point was down 7.5%.



FLASH REPORT

Fred's Benefits from Double-Digit Growth in Easter Categories

- Fred's reported a total sales decline of 2.9% in April, to \$159.1 million. Same-store sales for the month increased by 1.2%. Comparable store sales for April included a (1.0%) impact as a result of the sale of low productive discontinued inventory versus April of last year.
- The company closed 39 underperforming stores in the quarter.

Cato Continues to Be Hurt by Merchandise Assortment Issues

- Cato reported April sales of \$80.6 million, down 2% from the same month last year. Same-store sales declined by 2%.
- April sales were impacted by the shift of Easter from March last year to April this year. Sales and comps for the combined March and April period declined 13%.
- Management expects current sales headwinds to continue, as the company works through its merchandise assortment missteps.
- 1Q earnings are expected to be significantly lower than the prior-year period.

Zumiez Comps Better than Expectations

- Zumiez reported April sales of \$56.5 million, up 10.3% from the same month last year. Same-store sales increased by 7.8%.
- 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, accessories and juniors posted positive comps, while hard goods and footwear posted negative comps.
- The company now expects 1Q EPS to be at the low end of the prior range of (\$0.17) – (\$0.21) based on a higher-than-expected tax rate.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Shoshana Pollack

Senior Research Associate

Hong Kong:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

London:

242-246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com