

FLASH REPORT

chico's FAS (CHS) 1Q17 Results: Comps Disappoint

Figure 1. Chico's FAS 1Q17 Key Metrics

	1Q17	1Q16	YoY Change
Revenues (USD Mil.)	\$583.7	\$643.0	(9.2)%
Gross Margin	40.7%	40.8%	(10) bps
SG&A/Sales	31.3%	32.4%	(110) bps
Operating Margin	9.4%	8.4%	100 bps
EPS (USD)	\$0.26	\$0.25	4.0%

Source: Company reports/Fung Global Retail & Technology

- **Chico's FAS reported 1Q17 EPS of \$0.26 versus the consensus estimate of \$0.29.**
- **Total revenues were \$583.7 million, below expectations of \$624.8 million and down 9.2% year over year. The decline in sales was driven by a lower average dollar sale and a lower transaction count.**
- **Management adjusted its FY17 outlook based on the first-quarter results. Comps for the full year are now expected to decline by mid-single digits versus prior guidance for a low-single-digit decline and consensus of a 1.7% decline.**

1Q17 Results

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Comps were down 8.7% versus the consensus estimate of a 2.2% decline. Chico's brand comps were down 10.0%, while White House Black Market comps were down 9.7% and Soma comps were up 0.2%. Product issues at Chico's and White House Black Market contributed to the weaker comps.

The comp performance was consistent across the quarter as well as geographically. While comps were disappointing, management is working to reengineer its business to withstand the current retail challenges and to succeed in the long term.

FY17 Outlook

Management adjusted its FY17 outlook based on the first-quarter results. Comps for the full year are now expected to decline by mid-single digits versus prior guidance for a low-single-digit decline and consensus for a 1.7% decline. Gross margins are expected to be flat to up 30 basis points versus prior guidance for gross margin leverage. SG&A leverage is expected to be roughly flat versus prior expectations of modest leverage.



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