

FLASH REPORT

Dia (BME: DIA) 1H17 Results: Strong Performance in Emerging Markets Lifts Sales

Figure 1. DIA 1H17 Key Metrics

	1H17	1H16*	YoY Change
Revenues (EUR Mil.)	€4,288	€4,148	3.4%
Gross Margin	23.3%	22.9%	40 bps
Adjusted EBITDA Margin	6.5%	6.5%	0 bps
Underlying EPS (EUR)	0.173	0.165	4.8%

* The results of DIA China are presented as discontinued operations in 1H17, in accordance with accounting standard IFRS 5, as the group "has initiated a process to explore strategic options for its activities in the region." DIA did not publish the restated results for 1H16, so its figures are inferred from growth rates.

Source: Company reports/FGRT

- **DIA reported 1H17 sales of €4,288 million, below the consensus estimate of €4,316.9 million, up by 3.4% as reported, and by 1.0% excluding currency effects.**
- **Gross margin improved by 40 basis points and the EBITDA margin remained stable. Underlying EPS improved by 4.8% to €0.173.**
- **DIA reaffirmed that it is on track to meet its targets for FY17.**

1H17 Results

Spanish supermarket chain Distribuidora Internacional de Alimentación (DIA) reported an increase of 3.4% (up 1.0% excluding currency effects) in net sales, to €4,288 million in 1H17. Net sales were behind the consensus estimate of €4,316.9 million. Excluding calendar effects, comparable sales were up 4.3%. Net sales in DIA's emerging markets grew by 18.9%, and declined by 3.9% in Iberia (which comprises Spain and Portugal).

Gross margin improved by 40 bps and the EBITDA margin remained stable. Underlying EPS grew by 4.8% to €0.173.

In 2Q17, net sales increased by 0.8% as reported, and fell by 0.1% excluding currency effects. Comps were 4.6%.

Performance by Geographic Segment

Iberia

Iberia is the company's largest segment, contributing nearly 63.4% of net sales. In this region, 1H17 net sales fell by 3.9%. Comps were up 0.9%. The company attributed the net sales decline to three factors:

- 1) The closure of several stores under the El Arbol and Dia banners, which contributed to a 3% reduction in selling space.
- 2) The closure of several high-traffic stores in order to upgrade them.
- 3) A highly negative impact of the calendar effect in Spain.

Emerging Markets

Emerging markets comprise DIA's operations in Brazil and Argentina, and formerly included China, too. DIA has accounted for business in China as discontinued operations starting from 1Q17, and did not provide additional information other than stating that it is exploring strategic options for it.



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In the emerging markets, 1H17 net sales leapt 18.9% as reported, primarily due to an average appreciation of 7.5% of Brazil's and Argentina's currencies. Stripping out currency effects, sales bounced 11.4%.

DIA grew comparable sales in emerging markets by 10.4% during the half, including calendar effects.

Outlook

DIA stated that the contraction of selling space in Spain is set to ease in 2H17, and it expects low inflation rates in the emerging markets to continue in the coming months. The company reaffirmed its full-year financial targets for FY17. During the release of its FY16 statement, DIA reiterated the targets it had laid out for the 2016–2018 period, of:

- €750 million of accumulated cash from operations.
- Organic gross sales, excluding currency effects, to grow by 7%.

For FY17, analysts expect net sales to grow by 4.3% to €9,455.6 million and adjusted EBITDA to rise by 2.5% to €640.7 million. The consensus estimate for FY17 adjusted EPS is €0.43, indicating 2.4% growth. These estimates are based on DIA's reported figures for FY16 and not on restated figures.



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Deborah Weinswig, CPA

Managing Director
FGRT
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Swarooprani Muralidhar
Research Assistant

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, 18th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com