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Groupe Casino (EPA: CO) 1H17 Results: Strong Growth in Revenues Lifts Full-Year Trading Profit Target

Figure 1. Groupe Casino 1H17 Key Metrics

	FY17	FY16	YoY Change
Revenues (EUR Mil.)	€18,598	€16,950	9.7%
EBITDA Margin	4.4%	3.5%	90 bps
Operating Margin	1.0%	(0.8)%	N/A
Diluted EPS (EUR)	0.05	0.03	66.7%

Source: Company reports/FGRT

- **Casino reported 1H17 revenues of €18,598 million, up by 9.7% from 1H16 and up by 3.1% on an organic basis, and slightly below the consensus estimate of €18,875 million.**
- **The EBITDA margin rose by 90 basis points to 4.4% and the operating margin returned to positive from (0.8)% in 1H16 to 1.0% in 1H17.**
- **Diluted EPS jumped 66.7% to €0.05, but was below the consensus estimate of €0.10. Casino raised its outlook for FY17, and now expects to achieve 15% growth in food retail trading profit in France and up to 20% growth in group trading profit.**

Note: Casino completed the sale of its Thailand and Vietnam businesses in 1H16 and began the process to sell Via Varejo and its subsidiary Nova Brazil in November 2016. Considering these events, Casino has restated its statements from 1Q15 to 4Q16, to exclude their impact.

1H17 Results

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The EBITDA margin rose by 90 bps to 4.4% and the operating margin returned to positive territory, from (0.8)% in 1H16 to 1.0% in 1H17.

Diluted EPS jumped 66.7% to €0.05, but was below the consensus estimate of €0.10. Casino raised its outlook for FY17, and now expects to achieve 15% growth in food retail trading profit in France and at least 20% growth in group trading profit.

Performance by Segment

France Retail

- Net sales in France, excluding online banner Cdiscount, were flat, but grew by 0.1% on an organic basis. Comps improved by 0.9%, with particularly strong performance in food retail sales, which accelerated by 1.9%.
- Comps at the Monoprix, Casino Supermarkets and Franprix banners accelerated during the period, and comps at the franchise stores under the convenience segment “rose sharply,” Casino said.

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- Operating performance was strong under the Monoprix and Franprix banners and “improved” under the Casino Supermarkets, Géant and Leader Price banners. This contributed to a 9.5% increase in EBITDA and a 27-bps increase in the EBITDA margin, to 3.2%, in France.

Latin America Retail

- Net sales in Latin America, excluding e-commerce, jumped by 23.8% during the period. Food retail sales advanced by 7.1% on an organic basis, led by growth in sales under the Éxito banner, the success of the hypermarket transformation program in Brazil and strong progress in cash-and-carry.
- Robust performance at Multivarejo and Assaí in Brazil led to a 139-bps increase in the EBITDA margin, to 6.2%.

E-Commerce

- Cdiscount grew net sales by 2.5%. The banner grew comps grew by 10.5%, adjusted for special items, such as the sale or closure of specialized sites in 2016, the planned reduction of B2B sales, which was initiated in 3Q16, and others.
- EBITDA margin was (0.8)% as a result of strategic investments undertaken to create a larger assortment, improve the multichannel strategy and upgrade the website’s technology.

Outlook

Groupe Casino lifted its outlook for the rest of FY17 and now expects:

- Group trading profit to grow by up to 20% at current exchange rates.
- Trading profit for the food retail business in France to grow by 15%.

For the year ended December 2017, analysts expect:

- Total revenues to increase by 8.5%.
- EBITDA to grow by 13.0%.
- Underlying diluted EPS to be €3.08 versus €2.56 in FY16.



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