

June 2017 US Same-Store Sales

	Net Sales (USD Mil.)		Same-Store Sales (%)		
	June 2017	June 2016	June 2017 Actual	June 2016	June 2017 Est.
Mass Merchants					
Costco Wholesale	12,170	11,330	6.0	0.0	3.9
Costco US			6.5	0.0	
Costco Canada			3.2	1.0	
Costco International			6.2	(3.0)	
Costco Wholesale (ex fuel)			6.5	3.0	
Costco US (ex fuel)			6.3	2.0	
Costco Canada (ex fuel)			6.8	7.0	
Costco International (ex fuel)			7.1	2.0	
Specialty Apparel Stores					
Buckle	73.6	78.3	(5.8)	(11.0)	(8.0)
Cato	74.7	88.0	(16.0)	(8.0)	N/A
Fred's	197.5	208.5	(1.6)	(1.3)	N/A
L Brands	1,213.0	1,296.0	(9.0)	6.0	(6.8)
Victoria's Secret			(17.0)	6.0	
Bath & Body Works			8.0	7.0	
Zumiez	72.2	66.6	5.3%	(4.5)	N/A

Source: Company reports

Key Takeaways

- 1) Comps for the group generally beat expectations in June. Costco's June same-store sales were up 6.0% year over year, beating expectations.
- 2) Negative sales trends continued to affect specialty retailers. In particular, L Brands reported a 9% decline in comps, while Cato reported a 16% decline in comps.
- 3) Traffic was weak overall, but Costco continues to report strong traffic trends.

Costco's US Comps Beat Expectations; Strong Traffic Trend

- Costco's June same-store sales were up 6.0% year over year, beating expectations. June comps were negatively impacted by the shift of Independence Day in the week, which was largely offset by a positive impact from a few additional promotional days in the month.
- Traffic at Costco was up over 4% in June worldwide, and up 4.5% in the US.
- The average transaction value was up 1.5%, including foreign exchange and gas inflation.
- The average gas price per gallon was up 1% from last June.



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- Within the US, the strongest sales regions were the Midwest, the Bay Area, Texas and San Diego. Internationally, the UK, Japan, Canada and Mexico were the better-performing countries, in local currencies.
- Cannibalization negatively impacted other international markets by 80 basis points and negatively impacted the US market by 50 basis points.
- Food and sundries comps increased by mid-single digits. Better-performing categories were candy and frozen foods.
- Consumer electronics comps were up by mid- to high single digits for the month. TV and tablet sales were down year over year, but the declines were offset by solid increases in appliances and computers.
- Softline comps were up by high single digits for the month. Better-performing categories included domestics, home furnishings and jewelry. Fresh foods were up by low to mid-single digits.
- The US business experienced slight inflation.

L Brands' Victoria's Secret Business Continued to Be Challenged; Results Were Partially Offset by Bath & Body Works' Performance

- L Brands' comps were down 9% in June. Victoria's Secret's comps were down 17% and Bath & Body Works' comps were up 8%.
- The exit of the swim and apparel categories negatively impacted total company comps by 70 basis points and negatively impacted Victoria's Secret's comps by 100 basis points.
- The merchandise margin rate was up versus the same period last year, driven by improvement in the lingerie business related to less aggressive semi-annual sale pricing. Inventories per square foot were down 15%.
- At Victoria's Secret, comps were down 17% for the month, driven by a decline in semi-annual sales performance and the exit of swim and apparel.
- At Bath & Body Works, June comps were up 8%, driven by strong semi-annual sales performance. The merchandise margin rate was roughly flat year over year.
- L Brands expects total comps to be down by mid-single digits in July, including a negative impact of four basis points from the exit of swim and apparel.

Buckle Comps Continued Weak Trend in June

- Teen retailer Buckle saw overall comps decline by 5.8% in June, beating expectations of an 8% decline. Units per transaction were up 2.0% and average transaction value was down 4.0%.
- The women's segment accounted for 47.5% of total monthly sales versus 49.0% last June. Total sales for the women's segment were down 10%. Price points were down 6.5%.
- Sales for men's categories were down 4.5% and men's represented 52.5% of total sales versus 51.0% in the same month last year. Price points were down 3.5%.



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- Accessories and footwear represented 11.0% and 6.5% of sales, respectively, versus 11.0% and 5.5%, respectively, in the year-ago period. The average accessory price point was down slightly and the average footwear price point was down 4.5%.

Fred's Comps Suffered from Discontinued Inventory

- Fred's reported a total sales decline of 5.3% in June, to \$197.5 million. Same-store sales for the month decreased by 1.6%. June comps included a (0.9)% impact related to the sale of low-productive discontinued inventory versus June of last year.
- The company's retail pharmacy business continues to drive momentum, and script comps continued to trend positively in June. Its front store business still faces headwinds in consumables, driven by colder-than-average weather so far this summer.

Cato Expects Earnings Decline Given Recent Negative Sales Trends

- Cato reported June sales of \$74.7 million, down 15% from the same month last year. Same-store sales declined by 16%.
- June sales continued the negative sales trend seen in recent months, which puts pressure on merchandise margin and profitability.
- Management expects second-quarter and full-year earnings to be significantly below last year.

Zumiez Narrowed 2Q17 Guidance Range Based on Comp Improvement

- Zumiez's total net sales for June were up 8.4%, to \$72.2 million, compared with \$66.6 million last June. The company's comparable sales increased by 5.3% compared with a decrease of 4.5% in the same month a year ago.
- Based on the quarter-to-date results, the company raised its guidance and now expects a 2Q17 loss per share of \$0.06–\$0.08, a change from previous guidance that called for a loss per share of \$0.06–\$0.11. This is based on anticipated comp growth of 3%–4%, versus the previously anticipated 1%–3% comp growth. Total sales are now expected to be \$189–\$191 million versus \$185–\$189 million previously.
- The June 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.
- Men's and juniors posted positive comps in June, while hard goods, accessories and footwear posted negative comps.



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