

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

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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