

August 2017 US Same-Store Sales

	Net Sales (USD Mil.)		Same-Store Sales (%)		
	August 2017	August 2016	August 2017 Actual	August 2016	August 2017 Est.
Mass Merchants					
Costco Wholesale	9,800	8,900	7.3	0.0	6.1
Costco US			7.4	0.0	
Costco Canada			8.2	4.0	
Costco International			6.0	0.0	
Costco Wholesale (ex fuel)			5.9	2.0	
Costco US (ex fuel)			6.1	2.0	
Costco Canada (ex fuel)			4.3	4.0	
Costco International (ex fuel)			6.7	0.0	
Specialty Stores					
Buckle	80.3	87.2	(7.9)	(14.8)	N/A
Cato	498.9	584.1	(10.0)	(8.0)	N/A
Fred's	153.0	159.7	(0.5)	(3.0)	N/A
L Brands	842.1	852.1	(4.0)	2.0	(4.1)
Victoria's Secret			(7.0)	0.0	
Bath & Body Works			4.0	7.0	

Source: Company reports

Key Takeaways

- 1) The specialty retail group generally struggled in August in terms of same-store sales, but Costco's comps beat expectations and were up 7.3% year over year.
- 2) L Brands reported a 4.0% decline in comps, while Cato reported a 10.0% decline in comps.
- 3) Costco continues to report strong traffic trends.

Costco's US Comps Continued to Beat Expectations; Strong Traffic Trend Continued

- Costco's August same-store sales were up 7.3% year over year, beating the consensus estimate of 6.1%. The company saw improvements in online sales due to recent initiatives in merchandising, website awareness and improved delivery time. Costco has eight locations in areas affected by Hurricane Harvey.
- Traffic at Costco was up 3.9% in August worldwide, and up 4.3% in the US.
- The average transaction value was up 3.3%, including foreign exchange and gas inflation.
- The average gas price per gallon was up 12.2% from last August, at \$2.44.



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- Within the US, the strongest sales regions were the Midwest, San Diego, the Northwest and the Southeast. Internationally, the UK, Japan, Australia and Mexico were the better-performing countries, in local currencies.
- Cannibalization negatively impacted other international markets by 100 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 cooler, liquor, deli and candy.
- Hardline comps were also up by mid-single digits. Better-performing categories were garden, tires, hardware and sporting goods.
- Softline comps were up by high single digits for the month. Better-performing categories included housewares, small appliances, home furnishings and apparel. Fresh foods were up by mid-single digits.

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

- L Brands' comps were down 4% in August, beating the consensus estimate of a 4.1% decline. Victoria's Secret's comps were down 7% and Bath & Body Works' comps were up 4%.
- The exit of swim and apparel categories and a decline in the lingerie business negatively impacted total company comps. The exit of swim and apparel categories had a negative impact of 200 basis points on L Brands' comps and a negative impact of 500 basis points on Victoria's Secret's comps.
- The merchandise margin rate was up versus the same period last year, driven by less clearance and promotional activity this August. Inventories per square foot were down 7%.
- At Victoria's Secret, comps were down 7% for the month, driven by the exit of swim and apparel categories and weak performance in the lingerie business.
- At Bath & Body Works, August comps were up 4%. The merchandise margin rate was down, driven by increased promotions and product mix.
- L Brands expects total comps to be down by low single digits in September, including a negative impact of 200 basis points from the exit of swim and apparel.

Buckle Comps' Declining Trend Improved in August

- Teen retailer Buckle saw overall comps decline by 7.9% in August, which was an improvement from the 8.4% decline the company registered in July. Units per transaction were up 1.5% and average transaction value was down 5.5%.
- The women's segment accounted for 49% of total monthly sales versus 51.5% last August. Total sales for the women's segment were down 13.5%. Price points were down 7.5%.
- Sales for men's categories were down 3.0% and men's represented 51% of total sales versus 48.5% in the same month last year. Price points were down 6.5%.



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- Accessories and footwear represented 10.0% and 2.5% of sales, respectively, versus 8.5% and 5.0%, respectively, in the year-ago period. The average accessory price point was up slightly and the average footwear price point was down 1.5%.

Fred's Comps Continued to Decline; Front-Store Business Was Challenged by Consumables Sales

- Fred's reported a comp decline of 0.5%, which was greater than the 0.1% decline the company reported in July. The August figure included a (0.5)% impact related to the sale of low-productivity discontinued inventory versus August of last year and a continued increase in the generic dispensing rate.
- The company commented that August comp results showed improvement from trends in the past 12 months. Its front-store business still faces headwinds in consumables.

Cato Expects Sales Declines and Pressures on Profitability to Continue

- Cato reported August sales of \$498.9 million, down 15% from the same month last year. Same-store sales declined by 10%.
- August sales continued the negative sales trend seen in recent months, which puts severe pressure on merchandise margin and profitability.
- The company expects the difficult situation to continue in the second half.



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