



Groupe Casino (EPA: CO) 3Q17 Trading Update: Sales Beat Consensus, but Growth Stymied by Inflation in Brazil

- Groupe Casino reported that 3Q17 revenues were up 1.9% from the year-ago period and ahead of the consensus estimate. Comparable sales increased by 2.2%.
- Comps in France grew by 0.6% and comps in Latin America were up 2.0%.
- Cdiscount comps grew by an impressive 18.4%.

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

3Q17 Update

French retailer Groupe Casino reported revenues of €9,216 million, ahead of the consensus estimate of €9,104 million and up 1.9% year over year, for the third quarter ended September 30, 2017. Organic revenue growth (which is growth at constant scope of consolidation and exchange rates, excluding oil and calendar effects) was 3.4%. Comps increased by 2.2%.

Total sales growth in 3Q17 was hampered by a negative currency effect of 1.5% and a negative fuel effect of 0.1%, versus a positive currency effect of 4.3% and a positive fuel effect of 0.1% in 2Q17.

Latin America was the stronger segment once again, with sales up 2.4% in the region. Sales in France edged up by 0.1%. E-commerce business Cdiscount's gross merchandise volume (GMV) growth was 14.9% and comparable sales growth came in at 18.4%.

Performance by Segment

France Retail

- After an impressive performance in 2Q17, Groupe Casino's business in France was subdued in the third quarter. Total sales crept up by 0.1% and comparable sales growth was 0.6%, versus 2Q17's sales growth of 0.9% and comps of 1.9%.
- Monoprix drove performance in France, with total sales expanding by 3.7% and comps up 3.1%, helped by the rollout of a new loyalty card at the start of the year and the development of services such as one-hour delivery and click-and-collect.
- Groupe Casino's performance at hypermarkets was also strong, with sales up 1.2% and comps up 0.5%. Leader Price posted strong total sales growth of 2.1%, but comparable sales dropped by 0.2%.
- The positive performance by the above banners was partially offset by Casino Supermarkets, which saw total sales decrease by 3.2% comps increase by 0.5%.
- Convenience and other stores also hindered overall performance in France, as sales dropped by 4.3% and comps dropped by 1.4%.
- Sales growth under the Franprix banner was flat, while comps were down 0.5%.



FLASH REPORT

Latin America Retail

- Latin America comparable sales grew by 2.0%; the rate was slower than 2Q17's 3.7% and 1Q17's 4.6%. Total sales in the region grew by 2.4% and organic growth was 6.1%, versus 17.7% and 6.4%, respectively, in 2Q17.
- Latin America performance was impacted by a strong deceleration in inflation in all countries, particularly in Brazil, where food price inflation was (4.5)% against a strong, 16.3% comparative in 3Q16.
- Under the GPA Food banner, organic growth was 8.2% and comps were 3.3%.

Cdiscount

- Groupe Casino's French e-commerce website, Cdiscount, posted GMV growth of 14.9%, amounting to €842 million.
- Comparable sales jumped 18.4% after adjustment for special items, such as the consolidation of group businesses, the sale or closure of specialized sites in 2016, and the planned reduction of B2B sales that was initiated in 3Q16.

Outlook

Groupe Casino did not provide guidance in its latest statement. In its 1Q17 update, the company maintained its outlook for the rest of FY17, namely:

- Group operating profit growth of 10% at current exchange rates.
- Operating profit growth of 15% for the food retail business in France.

For the year ending December 2017, analysts expect:

- Total revenues to increase by 7.0%.
- EBITDA to expand by 15.5%.
- Underlying diluted EPS to be €2.87 versus €2.56 in FY16.



FLASH REPORT

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:

2nd Floor, Hong Kong Spinners Industrial Building Phase 1&2
800 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