



## September 2017 US Same-Store Sales

	Net Sales (USD Mil.)		Same-Store Sales (%)		
	Sep 2017	Sep 2016	Sep 2017 Actual	Sep 2016	Sep 2017 Est.
<b>Mass Merchants</b>					
<b>Costco Wholesale</b>	<b>12,400</b>	<b>11,060</b>	<b>8.9</b>	<b>1.0</b>	<b>7.9</b>
Costco US			9.0	0.0	
Costco Canada			9.4	6.0	
Costco International			8.2	0.0	
<b>Costco Wholesale (ex fuel)</b>			<b>6.2</b>	<b>1.0</b>	
Costco US (ex fuel)			7.1	0.0	
Costco Canada (ex fuel)			1.4	5.0	
Costco International (ex fuel)			7.2	0.0	
<b>Specialty Stores</b>					
<b>Buckle</b>	<b>77.9</b>	<b>82.9</b>	<b>(5.7)</b>	<b>(15.5)</b>	<b>(8.5)</b>
<b>Cato</b>	<b>69.8</b>	<b>76.2</b>	<b>(11.0)</b>	<b>(9.0)</b>	<b>N/A</b>
<b>L Brands</b>	<b>981.6</b>	<b>971.4</b>	<b>(2.0)</b>	<b>1.0</b>	<b>(3.1)</b>
Victoria's Secret			(5.0)	0.0	
Bath & Body Works			4.0	7.0	

Source: Company reports

### Key Takeaways

- 1) The specialty retail group generally struggled in September in terms of same-store sales, but mass merchant Costco saw comps beat expectations and increase by 8.9% year over year.
- 2) L Brands reported a 2.0% decline in comps in September, while Cato reported an 11.0% decline in comps.
- 3) Costco continued to report strong traffic trends.

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

- Costco's September same-store sales were up 8.9% year over year, beating the consensus estimate of 7.9%.
- Traffic at Costco was up 4.7% in September worldwide and was up 5.4% in the US.
- The average transaction value was up 4.1%, including gas price inflation and foreign exchange.
- Gas price inflation added 160 basis points to monthly comps, while foreign exchange added 110 basis points.



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- Within the US, the strongest sales regions were the Midwest and Texas, with both reporting comp growth in the low double digits. Internationally, the UK, Japan and Mexico were the better-performing countries, in local currencies.
- Cannibalization negatively impacted other international markets by 155 basis points and negatively impacted the US market by 60 basis points.
- Food and sundries comps increased by mid-single digits. Better-performing categories were cooler and candy. Fresh foods comps were also up by mid-single digits.
- Hardline comps were up by low double digits. Better-performing categories were garden, tires, automotive, consumer electronics and toys.
- Softline comps were up by mid-single digits for the month. Better-performing categories included housewares, domestics and apparel.
- E-commerce sales were up 21% year over year in September.

#### L Brands' Victoria's Secret Business Continued to Be Challenged; Results Were Partially Offset by Stronger Performances from Pink and Bath & Body Works

- L Brands' comps were down 2% in September, beating the consensus estimate of a 3.1% decline. Victoria's Secret's comps were down 7% and Bath & Body Works' comps were up 4%. The September hurricanes had a negative impact of about 1% on total sales.
- The exit of swim and apparel categories negatively impacted total company comps by 200 basis points and negatively impacted Victoria's Secret's comps by 300 basis points.
- The merchandise margin rate was down slightly versus the same period last year and was below expectations. Inventories per square foot were down 9%.
- At Victoria's Secret, comps were down 5% for the month, driven by the exit of swim and apparel categories and weak performance in the lingerie business. The Pink business continued to perform strongly.
- At Bath & Body Works, comps were up 4% in September. 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 October, including a negative impact of 100 basis points from the exit of swim and apparel.

#### Buckle Comps' Declining Trend Improved in September

- Teen retailer Buckle saw overall comps decline by 5.7% in September, which was an improvement from previous months. Units per transaction were up 2.5% and average transaction value was down 4.5%.
- The women's segment accounted for 53% of total monthly sales versus 55.5% last September. Total sales for the women's segment were down 10.5%. Price points were down 7.5%.



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- Sales for men's categories were down 0.5% and men's represented 47% of total sales versus 44.5% in the same month last year. Price points were down 7.5%.
- Accessories and footwear represented 8.5% and 7.0% of sales, respectively, versus 8.5% and 6.5%, respectively, in the year-ago period. The average accessory price point was up slightly, by 2.5%, and the average footwear price point was down 6.5%.

## Cato Expects Full-Year Earnings to Come in Significantly Below Expectations

- Cato reported September sales of \$69.8 million, down 8.4% from the same month last year. Same-store sales declined by 11%.
- In September, the negative sales trend Cato has seen in recent months continued, severely pressuring merchandise margin and profitability.
- The company expects full-year earnings to come in significantly below expectations, as it is working through challenges at a slower-than-expected pace.



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