

October 2017 US Same-Store Sales

	Net Sales (USD Mil.)		Same-Store Sales (%)		
	Oct 2017	Oct 2016	Oct 2017 Actual	Oct 2016 Actual	Oct 2017 Est.
Mass Merchants					
Costco Wholesale	10,020	9,110	7.5	2.0	6.4
Costco US			7.0	2.0	
Costco Canada			9.0	4.0	
Costco International			8.2	0.0	
Costco Wholesale (ex fuel)			5.6	2.0	
Costco US (ex fuel)			5.9	2.0	
Costco Canada (ex fuel)			2.8	5.0	
Costco International (ex fuel)			7.4	3.0	
Specialty Stores					
Buckle	66.1	69.1	(3.7)	(15.3)	(4.8)
Cato	62.3	68.9	(7.0)	(6.0)	(9.0)
L Brands	794.1	756.7	2.0	1.0	(1.5)
Victoria's Secret			1.0	(2.0)	
Bath & Body Works			5.0	6.0	

Source: Company reports

Key Takeaways

- 1) The specialty retail group generally continued to struggle in October, but improved slightly in terms of same-store sales. L Brands reported 2% same-store sales growth, beating expectations of a 1.5% decline. Buckle's declining sales trend continued to improve.
- 2) Mass-merchant Costco saw comps beat expectations and increase by 7.5% year over year. The company reported continued strong traffic trends.
- 3) Cato reported a 7% decline in comps in October and the company expects full-year earnings to come in significantly below last year's level.

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

- Costco's October same-store sales were up 7.5% year over year, beating the consensus estimate of 6.4%.
- Traffic at Costco was up 3.9% in October worldwide and was up 4.1% in the US.
- The average transaction value increased by 3.4%, including gas price inflation and foreign exchange impacts.
- Gas price inflation added 100 basis points to monthly comps, while foreign exchange added 110 basis points. The average selling price of gas increased by 10%, to \$2.53 a gallon, compared with \$2.29 in the year-ago period.



FLASH REPORT

- Within the US, the strongest sales regions were the Southeast, the Midwest and Texas, with all three reporting comp growth in the low double digits. Internationally, Taiwan, Japan 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 in October. Better-performing categories were tobacco, liquor, cooler and sundries. Fresh foods comps were also up by mid-single digits. The company saw strong, consistent growth in this department.
- Hardline comps were up by mid-single digits. Better-performing categories were garden, sporting goods, tires and automotive.
- Softline comps were also up by mid-single digits for the month. Better-performing categories included furniture, housewares, domestics and apparel.
- Costco's e-commerce sales were up 31% year over year in October.

L Brands' Victoria's Secret Business Continued to Be Challenged; Pink, the Beauty Category and Bath & Body Works Performed Better

- L Brands' comps were up 2% in October, beating the consensus estimate of a 1.5% decline. Victoria's Secret's comps were up 1% and Bath & Body Works' comps were up 5%.
- The exit from the swim and apparel categories negatively impacted total third-quarter company comps by 200 basis points and negatively impacted Victoria's Secret's comps by 200 basis points.
- The merchandise margin rate was down slightly versus the same period last year.
- At Victoria's Secret, comps were up 1% for the month, driven by growth in the Pink and beauty businesses that was partially offset by a negative impact of 200 basis points due to the exit of the swim and apparel categories.
- At Bath & Body Works, comps were up 5% in October. The merchandise margin rate was down and the promotional level in October was flat compared with the same month last year.
- L Brands expects total comps to be flat in November, including a negative impact of 100 basis points from the exit of swim and apparel.

Buckle Comps' Declining Trend Continued to Improve

- Teen retailer Buckle saw overall comps decline by 3.7% in October, which was an improvement from previous months and which beat expectations of a 4.8% decline. Units per transaction were up 2.0% and average transaction value was down 2.5%.
- The women's segment accounted for 51.5% of total monthly sales versus 55.0% last October. Total sales for the women's segment were down 9.5%. Price points were down 3.0%.
- Sales for men's categories were up 2.5% and men's represented 48.5% of total sales versus 45.0% in the same month last year. Price points were down 5.0%.



FLASH REPORT

- Accessories and footwear represented 8.0% and 7.0% of sales, respectively, the same percentages as last October. 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 Last Year's

- Cato reported October sales of \$62.3 million, down 10.0% from the same month last year. Same-store sales declined by 7%.
- In October, the negative sales trend Cato has seen in recent months continued, severely pressuring merchandise margin and profitability. The October sales trend was better than the year-to-date trend.
- The company expects full-year earnings to come in significantly below last year's level.



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

Jing Wang
Research Associate

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