

## November 2017 US Same-Store Sales

	Net Sales (USD Mil.)		Same-Store Sales (%)		
	Nov 2017	Nov 2016	Nov 2017 Actual	Nov 2016	Nov 2017 Est.
<b>Mass Merchants</b>					
<b>Costco Wholesale</b>	<b>11,260</b>	<b>9,950</b>	<b>10.8</b>	<b>1.0</b>	<b>7.9</b>
Costco US			10.2	1.0	
Costco Canada			13.8	1.0	
Costco International			11.1	(2.0)	
<b>Costco Wholesale (ex fuel)</b>			<b>7.9</b>	<b>1.0</b>	
Costco US (ex fuel)			8.4	0.0	
Costco Canada (ex fuel)			6.3	5.0	
Costco International (ex fuel)			7.2	0.0	
<b>Specialty Stores</b>					
<b>Buckle</b>	<b>78.3</b>	<b>81.5</b>	<b>(3.6)</b>	<b>(15.5)</b>	<b>(3.0)</b>
<b>Cato</b>	<b>62.2</b>	<b>68.2</b>	<b>(8.0)</b>	<b>(10.0)</b>	<b>N/A</b>
<b>L Brands</b>	<b>1,267</b>	<b>1,264</b>	<b>(1.0)</b>	<b>4.0</b>	<b>(3.1)</b>
Victoria's Secret			(6.0)	5.0	
Bath & Body Works			6.0	4.0	

Source: Company reports

### Key Takeaways

- 1) Same-store sales for the specialty retail group generally declined in November, while mass-merchant Costco saw comps beat expectations and increase by 10.8% year over year.
- 2) L Brands reported a 1% decline in comps in November, with improved margins, while Buckle reported a 3.6% 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 November same-store sales were up 10.8% year over year, beating the consensus estimate of 7.9%.
- Traffic at Costco was up 5.9% in November worldwide and was up 5.5% in the US.
- The company's average transaction value was up 5.0%, including gas price inflation and foreign exchange.
- Gas price inflation added 160 basis points to monthly comps, while foreign exchange added 125 basis points.
- Within the US, the strongest sales regions were the Midwest, Southeast and Texas. Internationally, the UK, Japan and Canada were the better-performing countries, in local currencies.



## FLASH REPORT

- 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 in November. Better-performing categories were tobacco, candy and cooler. Fresh foods comps were also up by mid-single digits.
- Hardline comps were up by low double digits. Better-performing categories were tires, automotive, office and sporting goods.
- Softline comps were up by high single digits for the month. Better-performing categories included jewelry, domestics and apparel.
- E-commerce sales were up 39% year over year in November.

**L Brands' Victoria's Secret Business Continued to Be Challenged; Margins Improved**

- L Brands' comps were down 1% in November. Victoria's Secret's comps were down 6% and Bath & Body Works' comps were up 6%.
- The exit of swim and apparel categories negatively impacted total company comps by 100 basis points and negatively impacted Victoria's Secret's comps by 100 basis points.
- L Brands' merchandise margin rate was up versus the same period last year. Inventories per square foot were down 4%.
- At Victoria's Secret, comps were down 6% for the month, driven by the exit of swim and apparel categories and aggressive promotional activity. In dollar terms, margins were about flat compared with last year and in line with expectations.
- At Bath & Body Works, comps were up 6% in November. The merchandise margin rate was down slightly. Sales exceeded the company's expectations.
- L Brands expects total comps to be flat to low single digits in December, including a negative impact of 100 basis points from the exit of swim and apparel.

**Buckle's Declining Comps Trend Continued to Improve in November**

- Teen retailer Buckle saw overall comps decline by 3.6% in November, which was an improvement from previous months. Units per transaction increased slightly and average transaction value was down 6%.
- The women's segment accounted for 50% of total monthly sales versus 47% last November. Total sales for the women's segment were down 20.5%. Price points were down 8.0%.
- Sales for men's categories were down 10% and men's represented 50% of total sales versus 53% in the same month last year. Price points were down 4.5%.
- Accessories and footwear represented 9.0% and 6.0% of sales, respectively, versus 8.5% and 6.5%, respectively, in the year-ago period. The average accessory price point was down 8% and the average footwear price point was down 19%.

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

- Cato reported November sales of \$62.2 million, down 8.0% from the same month last year. Same-store sales declined by 8% in November. Year to date through November, comps were down 13%.



# FLASH REPORT

- In November, the negative sales trend Cato has seen in recent months continued.
- 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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**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

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**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](http://FungGlobalRetailTech.com)**