

AUGUST 2016 US SAME-STORE SALES

Key Takeaways

- Overall, August comps were underwhelming across the group. Most companies reported comp declines or flat results with the exception of L Brands, where the performance at Bath & Body Works offset the challenges at Victoria's Secret.
- At Costco, comps came in below expectations, flat versus the prior year, despite the tailwind to sales from improved traffic and foreign exchange (FX), the first time since early 2013. Gas deflation remains a headwind.
- Banana Republic and Gap brand continue to weigh on Gap Inc.'s comps, down 10% and 5%, respectively, during the month. Old Navy posted positive comps at up 1% and showed progress in the period.

	Net Sales (USD Mil.)		Same-Store Sales (%)		
	August 2016	August 2015	August 2016 Actual	August 2015	August 2016 Est.
MASS MERCHANTS					
Costco Wholesale	8,900.0	8,700.0	0.0	(2.0)	1.4
Costco US			0.0	1.0	
Costco Canada			4.0	N/A	
Costco International			0.0	(11.0)	
Costco Wholesale (excl. fuel)			2.0	5.0	
Costco US (excl. fuel)			2.0	5.0	
Costco Canada (excl. fuel)			4.0	N/A	
Costco International (excl. fuel)			0.0	7.0	
SPECIALTY APPAREL STORES					
Buckle	87.2	101.4	(14.8)	(3.3)	(7.5)
Cato	62.0	67.0	(8.0)	4.0	(6.0)
Gap Inc.	1,170.0	1,200.0	(3.0)	(2.0)	(2.0)
Gap			(5.0)	(8.0)	
Old Navy			1.0	6.0	
Banana Republic			(10.0)	(11.0)	
L Brands	852.9	826.0	2.0	6.0	0.3
Victoria's Secret			0.0	6.0	
Bath & Body Works			7.0	5.0	

Source: Company reports

Lackluster Sales Performance as Costco Comps Below Expectations

- US traffic was up a little over 2.33% in August.
- Average transactions were down roughly 2%, including the negative impact related to foreign exchange and gas deflation of almost 2.25%.
- Gas deflation negatively impacted comps by about (2.25%); the average price of a gallon was down about 21% at \$2.17 from \$2.74 last year.
- FX impacted sales positively and was a tailwind for the first time since early 2013.



MONTHLY BRIEFING

- Cannibalization negatively impacted sales by roughly (0.5%).
- Regions with the strongest results were Texas and Northern California.
- The strongest international results were in the UK, Mexico and Spain.
- Food and sundries comparable sales for the month were slightly negative. Better categories were sundries, liquor and deli. Tobacco remained the weakest category. Food deflation in the US is a little more than (1%).
- Hardlines' comp sales were up low single-digits. Better performing departments were hardware, health and beauty aids, and tires. Consumer electronic comps were positive low single-digits.
- Softlines comps were up low to mid-single-digits. Better-performing departments within softlines included jewelry, media, home furnishings and apparel.
- Fresh foods comps were up low to mid-single-digits. Better categories were produce and service deli. Meat was deflationary, and bakery and produce were inflationary.

Bath & Body Works Continues to Outperform Victoria's Secret

- August comps were up 2% at L Brands including direct sales, while store-only comps were flat.
- At Victoria's Secret, comps were flat. Excluding discontinued categories, comps were up 2%. Strength in PINK was offset by declines in swim and apparel as well as the beauty business. The merchandise margin rate at Victoria's Secret was down significantly, primarily due to a decline in beauty because the category is repositioned and incremental promotional activity designed to drive trial in key categories including beauty, sport and bralettes.
- Bath & Body Works comps were up 7% and outperformed Victoria's Secret's flat performance.
- L Brand expects September sales will be flat.

Old Navy Shows Progress in August

- August comps at Gap were down 3%, compared to expectations for a 2% decline. Total sales were down 2% from last year.
- Comps for the Gap brand were down 5%, compared to a decrease of 8% last year. Banana Republic comps were down 10%, compared to a decrease of 11% for the same month last year, and Old Navy comps were up 1%, compared to a 6% increase last August.
- Gap Inc. is assessing the impact from a recent fire at its distribution center in Fishkill, New York. The company activated contingency plans to help mitigate the impact to the business, including leveraging its North American network of distribution centers and ship-from-store capabilities.



MONTHLY BRIEFING

Buckle's Challenges Continue in August

- The men's side of Buckle's' business was down 7% and the women's side was down 19%, compared to last year's total sales.
- The men's part of the business accounted for 48.5% of total July sales, compared to last year's 44.5%.
- The women's part of the business totaled 51.5% of sales, compared to last year's 55.5%.
- In both the men's and women's business combined, accessories' comparable sales were down 11.5% and footwear was down 14.5%.

Negative Momentum and Poor Sales Continue at Cato

- Cato reported sales of \$62 million for August, down from \$67 million in August last year.
- Comp sales were down 8% this year, compared to a year ago when they were up 4%.



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