

France's Casino to overhaul Latam holdings, GPA shares soar

Written by Administrator

Wednesday, 26 June 2019 19:20 -

SAO PAULO/PARIS (Reuters) - Casino Guichard Perrachon ([CASP.PA](#)) on Thursday unveiled a plan to simplify the complex shareholding structure for its Latin American operations, sending shares in its Brazilian and Colombian units soaring.

FILE PHOTO: A customer shops in a Casino supermarket in Nice, France, January 15, 2019.
REUTERS/Eric Gaillard/File Photo

The restructuring would result in Casino controlling its Latin American business in Brazil, Colombia, Uruguay and Argentina through a 41.4% stake in Brazilian unit Grupo Pao de Acucar (GPA) ([PCAR4.SA](#)).

Casino, which has been grappling with high debt, has been trying to address investor criticism over the complex and sometimes opaque structure of its business.

Casino's Chief Financial Officer David Lubek told Reuters the move would "help improve the value of the Latin American assets."

This could thus make it easier for Casino to later sell GPA shares to investors, added analysts.

Latin America, and particularly Brazil, is a key contributor to Casino's sales and profit, helping offset weaker performance in France where the retailing group has faced price wars among supermarket companies.

Last month Casino's parent companies including Rallye ([GENC.PA](#)) were placed under protection from creditors in an effort to save the indebted French group from collapse.

GPA will use cash to acquire all shares in Almacenes Exito with a potential purchase price of

France's Casino to overhaul Latam holdings, GPA shares soar

Written by Administrator

Wednesday, 26 June 2019 19:20 -

16,000 to 18,000 Colombian pesos (\$5.03 to \$5.66) per share. Casino would acquire all controlling shares in GPA indirectly owned by Exito.

By 1437 GMT, Casino shares were up 4.7% as investors welcomed the long-awaited move, which Jefferies analysts said “could allow the French group a greater monetization of the re-rated equity” and “help the deleverage process.”

GPA's shares would migrate to the Novo Mercado segment of Brazil's stock exchange as part of the overhaul, a move that requires it to comply with stricter governance standards.

GPA's shares soared 10.5% on the Sao Paulo stock exchange while those of Colombia's Almacenes Exito SA IMI.CN were up more than 12% after the proposal by GPA to buy out its shareholders.

Analysts at BTG Pactual said the new structure “improves corporate governance” for GPA. Bradesco BBI analysts raised their target price for GPA from 110 to 112 reais, saying the migration to the Novo Mercado segment may increase earnings per share by 11% through next year.

Earlier this month, GPA sold its 36% stake in Brazilian appliance and electronics seller Via Varejo ([VVAR3.SA](#)) in an auction, raising 2.3 billion reais (\$598 million).

FRENCH REGULATOR INVESTIGATION

Investors have long lamented the complexity of various holding company structures set up by Casino Chairman and CEO Jean-Charles Naouri and have urged him to simplify them.

In 2015, short-seller Muddy Waters criticized Casino's structure and accounting practices, saying it was “dangerously leveraged” and managed for the short-term.

Casino has consistently rejected Muddy Waters' accusations.

France's Casino to overhaul Latam holdings, GPA shares soar

Written by Administrator
Wednesday, 26 June 2019 19:20 -

French market regulator AMF launched a probe into the criticism in early 2016 and the investigation, which is looking into both Casino and Muddy Waters, is expected to reach a conclusion soon.

Muddy Waters has already rejected the preliminary findings of the AMF probe after Le Monde newspaper said the regulator suspected Muddy Waters of “deception” regarding Casino, whose shares have been hurt by Muddy Waters’ comments.

A customer shops in a Casino supermarket in Nice, France, January 15, 2019. REUTERS/Eric Gaillard

On Thursday, French paper Les Echos said the AMF preliminary report also criticized Casino’s financial communication.

Casino said it would not comment on an “ongoing procedure”

An AMF spokeswoman said on Thursday that the regulator regretted “the release in the press of elements that are presented as being part of the investigation, a release which hurts the measured process of the investigation procedure.”

Reporting by Paula Laier and Alberto Alerigi in Sao Paulo, Jake Spring in Brasilia and Dominique Vidalon, Inti Landauro, Sudip Kar-Gupta in Paris Editing by Sandra Maler, Jonathan Oatis, Sherry Jacob-Phillips, Keith Weir and Cynthia Osterman

Read more <https://www.reuters.com/article/us-casino-latam-restructuring/french-retailer-casino-restructures-latam-operations-to-boost-value-idUSKCN1TR3AH>