Carrefour shares fall to six-year low on weak sales

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Carrefour’s shares fell on Thursday to touch their lowest level since October 2012, after the French food retailer reported a slowdown in sales growth during the first quarter.

Carrefour shares were down 3.16 percent by 0701 GMT, the worst performer on the CAC-40 index of French blue-chip stocks.

Late on Wednesday, Carrefour had given a cautious outlook for this year after sales growth slowed in the first quarter, with continued weakness in its core French market suggesting that the supermarket chain faces a long road to recovery.

“By the equivalent stage in his tenure Dave Lewis had already had a marked impact on Tesco’s like-for-like sales performance,” said Bernstein analyst Bruno Monteyne, who kept a “market perform” rating on Carrefour.

“Mr Bompard will probably get the benefit of the doubt for now, but for his turnaround to be credible he will soon need to demonstrate a topline turnaround,” he added.

Europe’s largest retailer had in January announced plans to cut costs and jobs, boost e-commerce investment and seek a partnership in China in an effort to lift profit and revenue and help it to contend with competition from U.S. online retail giant Amazon.

“While a number of one-offs (weather, strikes), which were not quantified by management, contributed to the operational disruptions, we worry about the direction of the French margins into 1H,” wrote JP Morgan analysts, who kept a “neutral” rating on Carrefour shares.

Deutsche Bank analysts cut their 2018/2020 earnings per share estimates on Carrefour by 2 percent on average, while Barclays said it was lowering its earnings per share estimates on Carrefour by 6 percent on average.
“Although we consider that the group’s decision to streamline its cost structure and accelerate its online strategy will bear some fruit in the medium-term, we believe that earnings momentum will remain weak in the short term,” wrote Barclays.