Company Focus

12 March 2009 | 13 pages

Carrefour SA (CARR.PA)

Estimate change

Too Soon To Tell

- **Lars Olofsson first presentation was a good start** – Although his plan contained few numerical targets or detail, the overall message was clear, and we doubt the market expected much more given he has only been CEO for c.3 months.
- **Pricing strategy the key to rejuvenating sales growth in France -** Carrefour has suffered in France in the last 10 years due notably to a fluctuating strategy on prices. Hence, despite strong price investment since 2004, price perception among consumers has barely budged. Oloffson has earmarked €600m for improving sales dynamic – of which a chunk is likely to be invested in price.
- **€600m investment to be partially financed by €500m cost savings** – There is also likely to be some gain on buying terms (the result of the reduction in payment days) which should also help. €500m is over 3x the savings made in 2008 - we would like to see more concrete evidence of how it will be delivered.
- **We expect a further decline in French hypers LFL in 2009** – We have tweaked our operational estimates after Olfosson's presentation. We expect 3.9% FY09 organic sales growth vs. +5.8% in 2008 but remain cautious on French hypermarkets, expecting further deterioration in LFL to -2.3% vs. -1.2% in 2008. Overall our EPS have inched down (-3.3% in '09E, -1.1% in 10E).
- **A good start from Olofsson, but we await better visibility on the nuts and bolts** – We feel it is still too early to turn positive on the stock despite the solid strategy ideas outlined today. Improving Carrefour's price image is likely to take time (and potentially more margin pain in France) and it will be a tough job to grow organic sales at a higher pace in the face of reduced capex.

Hold/Medium Risk	2M
Price (12 Mar 09)	€26.07
Target price	€29.00
Expected share price return	11.3%
Expected dividend yield	4.5%
Expected total return	**15.7%**
Market Cap	€18,373M
	US$23,571M

Price Performance (RIC: CARR.PA, BB: CA FP)

Carrefour SA (EUR)

Year to 31 Dec	2007A	2008A	2009E	2010E	2011E
Sales (€M)	83,297.2	88,225.1	90,304.8	95,468.6	101,971.8
Net Income (€M)	1,867.1	1,609.4	1,723.7	1,873.8	2,091.3
Diluted EPS (€)	2.67	2.34	2.50	2.72	3.04
Diluted EPS (Old) (€)	2.67	2.51	2.59	2.75	na
PE (x)	9.8	11.2	10.4	9.6	8.6
EV/EBITDA (x)	4.3	4.2	4.0	3.7	3.3
DPS (€)	1.08	1.08	1.16	1.26	1.41
Net Div Yield (%)	4.1	4.1	4.5	4.8	5.4

See Appendix A-1 for Analyst Certification and important disclosures.

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Fiscal year end 31-Dec	2007	2008	2009E	2010E	2011E
Valuation Ratios					
P/E adjusted (x)	9.8	11.2	10.4	9.6	8.6
EV/EBITDA adjusted (x)	4.3	4.2	4.0	3.7	3.3
P/BV (x)	1.7	1.8	1.4	1.3	1.2
Dividend yield (%)	4.1	4.1	4.5	4.8	5.4
Per Share Data (€)					
EPS adjusted	2.67	2.34	2.50	2.72	3.04
EPS reported	3.29	1.85	2.50	2.72	3.04
BVPS	15.23	14.75	18.17	19.63	21.25
DPS	1.08	1.08	1.16	1.26	1.41
Profit & Loss (€M)					
Net sales	83,297	88,225	90,305	95,469	101,972
Operating expenses	-80,006	-84,925	-86,971	-91,911	-98,105
EBIT	**3,292**	**3,300**	**3,333**	**3,558**	**3,867**
Net interest expense	-526	-562	-613	-578	-525
Non-operating/exceptionals	521	-456	57	63	69
Pre-tax profit	**3,287**	**2,282**	**2,778**	**3,043**	**3,411**
Tax	-807	-743	-789	-864	-969
Extraord./Min.Int./Pref.div.	-180	-267	-265	-305	-350
Reported net income	**2,300**	**1,272**	**1,724**	**1,874**	**2,091**
Adjusted earnings	1,867	1,609	1,724	1,874	2,091
Adjusted EBITDA	5,017	5,161	5,240	5,589	6,044
Growth Rates (%)					
Sales	5.5	5.9	2.4	5.7	6.8
EBIT adjusted	1.0	0.3	1.0	6.7	8.7
EBITDA adjusted	3.5	2.9	1.5	6.7	8.1
EPS adjusted	1.9	-12.4	7.1	8.7	11.6
Cash Flow (€M)					
Operating cash flow	**4,110**	**4,298**	**3,911**	**4,699**	**5,230**
Depreciation/amortization	1,725	1,861	1,907	2,031	2,178
Net working capital	-88	964	-49	443	547
Investing cash flow	**-4,015**	**-3,108**	**-2,741**	**-2,915**	**-3,208**
Capital expenditure	-3,259	-2,918	-2,476	-2,610	-2,858
Acquisitions/disposals	-377	506	0	0	0
Financing cash flow	**236**	**-1,401**	**-867**	**-1,476**	**-1,708**
Borrowings	1,050	-462	-117	-589	-752
Dividends paid	-828	-939	-750	-887	-956
Change in cash	**331**	**-211**	**303**	**308**	**315**
Balance Sheet (€M)					
Total assets	**51,931**	**52,082**	**54,465**	**55,970**	**57,759**
Cash & cash equivalent	4,164	5,562	5,562	5,562	5,562
Accounts receivable	3,424	2,919	2,784	2,949	3,153
Net fixed assets	15,420	14,809	15,379	15,958	16,638
Total liabilities	**40,162**	**41,131**	**40,389**	**40,672**	**41,076**
Accounts payable	17,077	17,276	16,802	17,803	19,040
Total Debt	11,750	12,215	11,852	11,017	10,020
Shareholders' funds	**11,770**	**10,952**	**14,076**	**15,298**	**16,683**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	6.0	5.8	5.8	5.9	5.9
ROE adjusted	18.5	15.5	15.2	14.4	14.9
ROIC adjusted	18.7	18.9	18.1	17.5	18.6
Net debt to equity	64.5	60.7	44.7	35.7	26.7
Total debt to capital	50.0	52.7	45.7	41.9	37.5

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Encouraging Strategy but Lack of Details

During his first presentation to the market after the FY08 results, Olofsson presented his priorities for Carrefour. Although there was no detailed plan for the strategy, this should not surprise the market too much given that the new CEO has been at the helm of Carrefour for less than three months. We hope to get more concrete figures sometime around next June when Olofsson is due to give a new update to the market

France is the key priority

The main priority that Olofsson set out for the group is naturally France, given its contribution to sales and EBIT (respectively 43.7% and 45.8% in 2008) and the ongoing problems (declining market share, margin erosion since 2003...)

Lars Olofsson presented the three main levers to revive sales and margins and make Carrefour “the preferred retailer”:

- **Client-oriented culture –** know customers better
- **Transformation** – gain in agility (go back to centralization?)
- **Innovation –** regain initiative

The ‘brand’ is one of Carrefour’s priorities as it has been one of the main problems over the last few years and with Olofsson’s marketing expertise he is well placed to succeed in reinvigorating the brand.

The revamp of the Carrefour brand has already started with the decision to convert all Champion supermarkets into Carrefour market as well as the ongoing test of ‘Carrefour City’ and ‘Carrefour Contact’ convenience store formats. Overall this sounds familiar. However, the **decision to enlarge the private label offer by 40%** is new. It remains to be seen how the new balance between national brands and private labels will work, and whether Carrefour will be able to reduce the number of SKUs in stores without a negative impact on client perception.

Most important part of the new strategy is to sort out the price perception of the chain

Oloffson also outlined his ideas for the pricing shape of the group going forwards. Carrefour has suffered in France in the last 10 years due to a fluctuating strategy on prices with no consistency. This was partially solved from 2004 and accelerated by José-Luis Duran when he became Carrefour’s CEO. However this faltered again in 2H07 when Carrefour’s prices once again crept up vs. competitors.

Prices fell again in 2008. As a result of this inconsistency Carrefour’s price image has not improved, despite all the money invested in prices in the last 6 years (more than €1bn in France?). We believe improving price perception will be Olofsson’s main priority for Carrefour France and globally, and it will not be an easy job.

Transformation could mean more centralization and significant cost savings

The second announcement, which was not picked up on much during the meeting, was what Lars Olofsson called “transformation” - making Carrefour more flexible and reactive to clients needs. We believe it implies more centralization and less autonomy given to the shop floor. This could be a more important change than it appears. Finally Olofsson highlighted the potential costs savings that could arise from logistics and supply chain.

FY08 results – In-line, apart from non-recurring items

Activity Contribution (clean EBITA) came in at €3,300m (+0.3%) vs. €3,340m expected. After a €524m non recurring charge (of which €396m was for impairments in Italy linked to a dozen underperforming stores), net profit came in at €12,56m, -32.8% below our forecasts. Excluding the non recurring items, FCF of c€1.5bn was in line with previous guidance.

Figure 1. Carrefour – Summary P&L 1H08-FY08 (in Euros millions)

	1H08A	2H08A	FY08A	2H08E	FY08E
Sales					
France	**18,351**	**19,617**	**37,968**	**19,580**	**37,931**
Growth	1.2%	0.6%	0.9%	0.4%	0.8%
Europe	**15,677**	**16,741**	**32,418**	**16,962**	**32,639**
Growth	8.3%	2.3%	5.1%	3.7%	5.8%
Americas	**4,936**	**5,569**	**10,505**	**5,449**	**10,385**
Growth	41.8%	17.7%	27.9%	15.2%	26.5%
Asia	**2,984**	**3,092**	**6,076**	**3,097**	**6,081**
Growth	8.1%	13.7%	10.9%	13.9%	11.0%
Group retail sales	**41,948**	**45,019**	**86,967**	**45,088**	**87,036**
Growth	8.0%	4.0%	5.9%	4.1%	5.9%
Group other sales	578	681	1,258	711	1,289
Growth	18.1%	3.5%	9.7%	8.1%	12.4%
Group total sales	**42,526**	**45,699**	**88,225**	**45,799**	**88,325**
Growth	8.1%	3.9%	5.9%	4.2%	6.0%
Activity Contribution (AC)					
France	**695**	**816**	**1,510**	**792**	**1,487**
AC margin	3.79%	4.16%	3.98%	4.05%	3.92%
AC Growth	(0.8%)	(4.6%)	(2.9%)	(7.4%)	(4.4%)
Europe	**443**	**710**	**1,153**	**771**	**1,213**
AC margin	2.83%	4.24%	3.56%	4.54%	3.72%
AC Growth	1.6%	(9.0%)	(5.2%)	(1.2%)	(0.2%)
Americas	**147**	**248**	**395**	**251**	**398**
AC margin	2.99%	4.45%	3.76%	4.60%	3.83%
AC Growth	75.0%	14.4%	31.4%	15.7%	32.3%
Asia	**119**	**122**	**242**	**123**	**242**
AC margin	4.00%	3.96%	3.98%	3.96%	3.98%
AC Growth	8.1%	12.9%	10.5%	13.1%	10.6%
Total AC	**1,404**	**1,896**	**3,300**	**1,936**	**3,340**
AC margin	3.35%	4.21%	3.79%	4.29%	3.84%
AC Growth	5.5%	(3.3%)	0.3%	(1.2%)	1.5%
Non-recurring items	85	(610)	(524)	0	85
EBIT	**1,490**	**1,286**	**2,776**	**1,936**	**3,426**
Interest	(280)	(283)	(562)	(319)	(598)
Pre-tax profit	**1,210**	**1,004**	**2,214**	**1,617**	**2,827**
Tax	(319)	(424)	(743)	(485)	(804)
Tax rate	26%	42.2%	33.6%	30.0%	28.5%
Equity income	16	36	52	43	59
Net income	**907**	**615**	**1,523**	**1,175**	**2,082**
Minority interest	(158)	(109)	(267)	(136)	(293)
Net attributable income	750	506	1,256	1,039	1,789

Source: Company Reports, Citi Investment Research & Analysis

By region, France was slightly better, Europe weaker and both Latam and Asia were in line — The -16bps decline in French operating margin was slightly better than forecast, at 4.0% vs. 3.92%e, but Europe was worse than feared, with -38bps due notably to deterioration in the other European countries. Spain was not as bad as it could have been, with a relatively limited decline of 4% (the same decline as in 1H08) while Italy AC was down by 7%.

Non recurring items amounted to €524m, of which €396m was for impairments on the underperforming southern Italian stores. The other negative items were tax provision (€126m) and €76m of integration costs that offset the capital gain on a Turkish shopping mall.

New Estimates 2009-11

Unsurprisingly given the difficult environment, not much guidance has been given for 2009 – this has been the general trend in the sector from those companies which have reported FY results so far. The company has guided that the focus will be on sales dynamics, operating cost savings and limiting Capex to €2.5bn (vs. €2.9bn in 2008), which is just c2.8% of net sales.

Olofsson intends to boost sales globally by injecting €600m. Although we are not sure what precise fraction of this will be dedicated to price cuts. We feel the challenge identified by the new CEO is more about the price *image* rather than the price *positioning* in France.

The €600m investment in sales will be split between the following areas:

- **Price competitiveness**
- **Price image**
- **Offer, increasing number of private label by 40%**
- **Advertising and marketing.**

The €600m will be partially financed by €500m savings on operating costs

The €600m will be partially financed by €500m savings on operating costs (3.75% of SG&A 2008) and some expected gains on supplier's conditions (notably coming from the reduction of payment terms). The €500m costs targeted savings are very encouraging – at roughly 3 times the amount of savings delivered in 2008 - but we would like to see more concrete evidence of how it will be delivered.

Despite the negative impact of payment terms in France and Spain, Carrefour expect to improve its NWC in 2009 thanks notably to better inventory management (Carrefour expects a c2 day improvement).

Our summary P&L is shown in Figure 2.

Figure 2. Carrefour – Summary P&L, 2004 – 2011E (Euros in million)

Period ending December PROFIT AND LOSS ACCOUNT	2004A 52W	2005A 52W	2006A 52W	2007A 52W	2008A 52W	2009E 52W	2010E 52W	2011E 52W	*Historic CAGR*	*Forecast CAGR*
Net sales	**72,668**	**73,060**	**77,901**	**82,150**	**86,967**	**88,985**	**94,038**	**100,410**	***4.6%***	***4.9%***
Total sales growth	*na*	*0.5%*	*6.6%*	*5.5%*	*5.9%*	*2.3%*	*5.7%*	*6.8%*		
Underlying sales growth	*na*	*3.6%*	*3.8%*	*4.3%*	*5.8%*	*3.9%*	*5.7%*	*6.8%*		
Other income	1,039	989	1,043	1,147	1,258	1,320	1,431	1,561	*4.9%*	*7.5%*
Total revenue	**73,707**	**74,049**	**78,944**	**83,297**	**88,225**	**90,305**	**95,469**	**101,972**	***4.6%***	***4.9%***
Cost of goods sold	(57,053)	(57,480)	(61,203)	(64,609)	(68,709)	(70,329)	(74,351)	(79,415)	*4.8%*	*4.9%*
Gross profit	**16,654**	**16,569**	**17,740**	**18,688**	**19,516**	**19,976**	**21,118**	**22,557**	***4.0%***	***4.9%***
Gross profit margin	*22.92%*	*22.68%*	*22.77%*	*22.75%*	*22.44%*	*22.45%*	*22.46%*	*22.46%*		
Staff costs	(7,983)	(8,211)	(8,755)	(9,045)	(9,871)	(10,100)	(10,673)	(11,396)	*5.5%*	*4.9%*
Staff costs as a proportion of sales	*10.99%*	*11.24%*	*11.24%*	*11.01%*	*11.35%*	*11.35%*	*11.35%*	*11.35%*		
Other costs	(3,209)	(3,011)	(3,269)	(3,758)	(3,561)	(3,686)	(3,848)	(4,034)	*2.6%*	*4.3%*
EBITDAR	**5,462**	**5,347**	**5,716**	**5,885**	**6,085**	**6,190**	**6,598**	**7,126**	***2.7%***	***5.4%***
EBITDAR margin	*7.52%*	*7.32%*	*7.34%*	*7.16%*	*7.00%*	*6.96%*	*7.02%*	*7.10%*		
Rental payments	(696)	(765)	(871)	(868)	(924)	(950)	(1,008)	(1,082)	*7.3%*	*5.4%*
Rental costs as a percentage of sales	*0.96%*	*1.05%*	*1.12%*	*1.06%*	*1.06%*	*1.07%*	*1.07%*	*1.08%*		
EBITDA	**4,766**	**4,582**	**4,845**	**5,017**	**5,161**	**5,240**	**5,589**	**6,044**	***2.0%***	***5.4%***
EBITDA growth	*na*	*-3.9%*	*5.8%*	*3.5%*	*2.9%*	*1.5%*	*6.7%*	*8.1%*		
EBITDA margin	*6.56%*	*6.27%*	*6.22%*	*6.11%*	*5.93%*	*5.89%*	*5.94%*	*6.02%*		
Depreciation	(1,495)	(1,430)	(1,587)	(1,725)	(1,861)	(1,907)	(2,031)	(2,178)	*5.6%*	*5.4%*
Depreciation as a percentage of sales	*2.06%*	*1.96%*	*2.04%*	*2.10%*	*2.14%*	*2.14%*	*2.16%*	*2.17%*		
Activity Contribution	**3,271**	**3,152**	**3,258**	**3,292**	**3,300**	**3,333**	**3,558**	**3,867**	***0.2%***	***5.4%***
Non-recurring items	(76)	(21)	16	47	(524)	0	0	0	*62.1%*	*-100.0%*
EBITA	**3,195**	**3,131**	**3,274**	**3,339**	**2,776**	**3,333**	**3,558**	**3,867**	***-3.5%***	***11.7%***
EBITA growth	*na*	*-2.0%*	*4.6%*	*2.0%*	*-16.9%*	*20.1%*	*6.7%*	*8.7%*		
EBITA margin	*4.40%*	*4.29%*	*4.20%*	*4.06%*	*3.19%*	*3.75%*	*3.78%*	*3.85%*		
Net interest payable	(484)	(450)	(480)	(526)	(562)	(613)	(578)	(525)	*3.8%*	*-2.3%*
Underlying pre-tax profit	**2,711**	**2,682**	**2,794**	**2,813**	**2,214**	**2,720**	**2,980**	**3,341**	***-4.9%***	***14.7%***
Underlying pre-tax profit growth	*na*	*-1.1%*	*4.2%*	*0.6%*	*-21.3%*	*22.9%*	*9.5%*	*12.1%*		
Tax charge	(807)	(785)	(810)	(807)	(743)	(789)	(864)	(969)	*-2.0%*	*9.3%*
Effective tax rate	*30%*	*29%*	*29%*	*29%*	*33.6%*	*29%*	*29%*	*29%*	*3.0%*	*-4.8%*
Share of profit in joint ventures	41	51	36	43	52	57	63	69	*6.4%*	*10.0%*
Net profit	**1,944**	**1,947**	**2,020**	**2,049**	**1,523**	**1,989**	**2,179**	**2,442**	***-5.9%***	***17.1%***
Minority interest expense	(158)	(150)	(163)	(180)	(267)	(265)	(305)	(350)	*14.0%*	*9.5%*
Reported net attributable profit	**1,786**	**1,798**	**1,857**	**1,869**	**1,256**	**1,724**	**1,874**	**2,091**	***-8.4%***	***18.5%***
Result from discontinued operations	(85)	(362)	412	431	16	0	0	0	*nm*	*nm*
Adjusted net attributable profit	**1,701**	**1,436**	**2,268**	**2,300**	**1,272**	**1,724**	**1,874**	**2,091**	***-7.0%***	***18.0%***
Adjusted net profit growth	*na*	*-15.6%*	*58.0%*	*1.4%*	*-44.7%*	*35.5%*	*8.7%*	*11.6%*		
Adjusted net profit margin	*2.34%*	*1.97%*	*2.91%*	*2.80%*	*1.46%*	*1.94%*	*1.99%*	*2.08%*		
Weighted average fully diluted shares	716	699	705	700	689	689	689	689	*-1.0%*	*0.0%*
Fully diluted EPS	2.37	2.05	3.22	3.29	1.85	2.50	2.72	3.04	*-6.1%*	*18.0%*
Fully diluted adjusted EPS**	**2.57**	**2.59**	**2.62**	**2.67**	**2.34**	**2.50**	**2.72**	**3.04**	***-2.4%***	***9.2%***
Adjusted, diluted EPS growth	*na*	*1.0%*	*1.0%*	*2.0%*	*-12.4%*	*6.8%*	*8.7%*	*11.6%*		
CFPS	4.98	4.98	4.81	5.15	5.46	5.44	5.84	6.44	*2.3%*	*5.6%*
Net DPS	0.94	1.00	1.03	1.08	1.08	1.16	1.26	1.41	*3.5%*	*9.2%*
Dividend cover	2.6	2.6	2.5	2.4	2.4	2.2	2.2	2.2	*-2.2%*	*-3.1%*

Source: Company Reports, Citi Investment Research & Analysis

Our main assumptions in our estimates:

- In France, we expect 3.9% organic sales growth vs. +5.8% in 2008
  - we are cautious on French hypermarkets, expecting further deterioration in LFL to -2.3% vs. -1.2% in 2008,
  - Supermarkets LFL should slow to 0.8%, reflecting the disinflation. This figure might be distorted by the conversion of Champion into Carrefour Market. Olofsson showed determination to convert all integrated Champion stores by October 2009, three months earlier than the original plan. Most of the franchisees are also expected to be converted by then.
  - Hard discount +0.5% LFL
- In Europe, Spain is expected to remain weak. However we might start to see some improvement in Italy with some closures/disposals after the €396m impairment in Italy.
- In Asia, China will probably continue to experience a slowdown and difficult environment. In Latam, Brazil should grow at a slower pace than in 2008.

In terms of AC margins, we expect 5bp decline at the group level overall, with France declining by 16bps to 3.81% (whether our forecast decline will prove to be optimistic is difficult to say at this stage before we fully understand the extent of Olofssons price cutting plans).

Carrefour expects to improve its NWC despite impact of the French Loi de Modernisation de l'Economie (LME) on payment terms in France. Of course as we have noted previously, the negative impact of the law change should be more limited in terms of Carrefour's P&L as Carrefour is likely to be able to demand better buying conditions by paying suppliers faster.

However we forecast a slight deterioration of NWC believing that the payment terms impact might not be completely offset by improvement at the inventory level (two days expected by Carrefour).

In conclusion, Lars Olofsson's first presentation was encouraging but we feel it is too early to turn positive on the stock. We would like to see further evidence that Carrefour's price image can be improved in a short time period and some validation of the €500m costs savings. Also, we wait to see how Carrefour will be able to grow organic sales at a higher pace despite more limited Capex, and whether or not margins have reached a trough level in France after six years of decline.

The dilemma between growing top line or margin is not solved yet and we believe it is too soon to tell if Lars Olofsson will succeed in his mission.

Carrefour SA

Company description

Carrefour is the world's second-largest retailer. It is the market leader in France and its brand is present in 28 other countries. In addition to Europe it operates in Latin America and Asia. Traditionally it has focused on hypermarkets and supermarkets, although it also has a fast-growing chain of discount stores.

Investment strategy

Historically, Carrefour was a margin-focused retailer. Experience shows us that focusing on sales invariably works better over the long term, and this influenced our generally negative view of the company in the past. The strong profit growth that Carrefour enjoyed in the years after acquiring Promodes inevitably dried up, and this was made worse by the unravelling of the Galland Law and the benign conditions that it had brought in France. From 2005, management has tried to move towards a sales-led approach, strategy that has been disrupted by the arrival of Colony Capital/Groupe Arnault in early 2007. Since 2Q07, it seems that focus has been more towards the potential for balance sheet restructuring than to grow sales at any costs. Despite the historically low valuation, we would like to see further clarification on the strategy - e.g. whether the top priority is top line or cost savings - before we would consider turning positive on the stock. We have a Hold/Medium Risk (2M) recommendation.

Valuation

We derive our €29 price target using our sum-of-the-parts valuations and DCF. Our SOTP model values each Carrefour country separately. We choose appropriate valuation multiples with reference to competitors and the unit's forecast sales growth and margins trends. We adjust the resulting enterprise value for net debt, associates and minorities. However, we do not take into account specific valuation for the property.

We retain multiples of 6.5x EBITDA for France and Europe and 7x for Latam and Asia. Hence, Europe represents 78% of the value, of which 40.7% in France.

Risks

We rate Carrefour as Medium Risk based on our assessment of industry and company-specific risk factors. The factors that could lead to the share price rising materially beyond our target price would include a strong recovery in sales and further market share gain in France as well as stability in margins. Also any radical decision taken by Colony and Arnault to relaunch the group by exiting new countries or sell some property assets or even a business unit, or another significant move in the capital structure would have a positive impact on the share price.

The factors that could lead to the share price falling materially below our target price include further pressure on margins beyond 2008 as the main assumption is that French margin will decrease again in 2009.

Around 20% of Carrefour's sales are generated outside the Eurozone, so any moves in currency rates could impact valuation.

Appendix A-1

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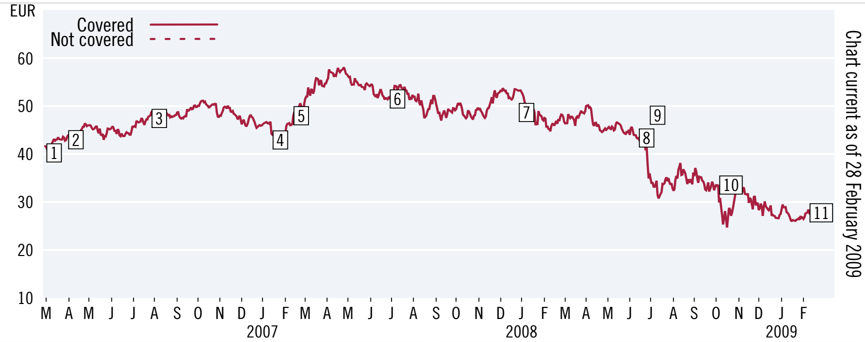
Carrefour SA (CARR.PA)

Ratings and Target Price History
Fundamental Research

Analyst: Jerome Samuel
Covered since August 24 2007



Date	Rating	Target Price	Closing Price
1 13-Mar-06	3M	*38.00	43.16
2 12-Apr-06	3M	*40.00	43.00
3 8-Aug-06	3M	*43.00	47.51
4 25-Jan-07	*2M	43.00	42.95
5 23-Feb-07	*3H	*46.00	50.06
6 10-Jul-07	*2H	*54.00	53.41
7 8-Jan-08	*2M	54.00	50.37
8 25-Jun-08	2M	*46.50	41.55
9 10-Jul-08	2M	*39.00	31.50
10 22-Oct-08	2M	*31.00	27.13
11 26-Feb-09	2M	*29.00	26.32

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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