

Carrefour drops after Galeries Lafayette owner buys stake

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By Bloomberg; Andrew Roberts

Carrefour SA fell in Paris trading, snapping a five-day winning streak, after the family owners of department store chain Galeries Lafayette acquired a 6.1% stake in France's biggest retailer.

Motier SAS, the Moulin family's holding company, said it purchased 44.2 million Carrefour shares, according to a statement after European markets closed yesterday. The "strategic" stake, valued at 1.3 billion euros (RM5.9 billion) at yesterday's close, reflects its confidence in Carrefour's growth potential, Motier said.

Under chief executive officer Georges Plassat, Carrefour's business in France is reviving as the retailer focuses on price and convenience. That, plus moves to strengthen sales in the rest of Europe, Latin America and China, helped send the stock up almost 50% last year. The shares fell as much as 2.1% today after closing at the highest in three years yesterday.

"The announcement helps explain the recent strength" in Carrefour's share price, said John Kershaw, an analyst at Exane BNP Paribas in London. He said it's "difficult" to assess the Moulin family's strategy, though Motier could acquire more shares by taking on debt.

The stock traded 2% lower at 28.57 euros as of 11:17am in Paris.

Playing Brazil

Motier has no intention of increasing the stake, which was purchased on the open market, said a person familiar with the matter, declining to be identified as the plans aren't public.

Boulogne Billancourt, France-based Carrefour said last month it may sell a stake in its Brazil unit in 2015 to give operations greater local control.

The Moulin family “should understand French retail and Carrefour offers an interesting way to ‘play’ Brazil,” Kershaw also said.

The Moulins, descendants of Galeries Lafayette’s founder, acquired a majority stake in the retailer in 2005 and bought the rest in 2009. They plan to rejuvenate the 120-year-old department-store chain by buying brands in cosmetics and other categories to distribute alongside third-party labels, as well as expand it internationally, CEO Philippe Houze told Bloomberg in an interview last year. The family is also seeking to dispose of Galeries Lafayette’s share of consumer-credit business Laser.

The retailer raised 1.18 billion euros from the sale of its 50% stake in Monoprix to Carrefour rival Casino Guichard- Perrachon SA in a deal reached in 2012. The purchase of a stake in Carrefour follows failures by Galeries Lafayette in the past year to acquire department stores Printemps and House of Fraser Plc.

Moulin Strategy

“Motier’s rationale for the move is not obvious,” wrote Michael Romer, an analyst at J Safra Sarasin, in a note to investors. “It should be received positively for Carrefour. It will bring even more expertise in the group as it is highly likely that Motier will ask for a board seat.”

Motier, based in Lille, France, said it is “actively pursuing its strategy of developing its core activity of department stores and will devote the necessary resources in the course of the coming years.” The holding company declined to comment on a board seat.

Today’s share price decline wiped out Carrefour’s gain this year, giving it a market value of about 20.7 billion euros. Bernard Arnault, France’s richest man, controls about 14% of the company in concert with Blue Partners and Colony Capital, France’s market regulator said in Sept 2013.

Spokeswomen for Carrefour and Colony Capital declined to comment on the purchase. A spokesman for Groupe Arnault couldn’t immediately be reached for comment.

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