

Metro Slashes Earnings Expectations

Written by Marco Attard
10 October 2012



Metro expects 2012 earnings before interests and taxes (EBIT) and before special items to reach around €2 billion, down from €2.37bn in 2011.

Metro owns cash-and-carry stores as well as the Real hypermarket group and even the UK's Tesco earlier this month reported its first fall in profits in 20 years.

But the owner of Media Markt and Saturn electronics chain, Europe's most prominent CE chain, also warned that consumer spending has particularly slowed for electronics. Metro Group also said it would scale back its investment plans for next year and that will mean less new Media Markt and Saturn electronics outlets.

Düsseldorf-based Metro Group holds a 75% stake in Media-Saturn. In August, they forced a court order for the establishment of an Advisory Council that decides about the key business activities of MSH with a simple majority of the votes. Metro Group considers this critical for the growth strategy for Media-Saturn during this period of consumer austerity.

What must have investors worried (besides the bad news pouring out of the retail sector across most markets) is that Olaf Koch, Chairman of the Management Board of METRO AG reported at the beginning of August: "We have picked up speed despite the headwind: our focus on sustainable growth is paying off. Meanwhile, we are already seeing first positive effects on earnings. This encourages us to continue on the path taken."

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He added (and we are quoting here), "We remain convinced that we can achieve an EBIT roughly at the prior year's level."

January-June was all positive and the feeling in August was that all was OK... Then along comes August and September and the whole notion of achieving EBIT is out the window. That sounds like the world's worst Back-to-School sales period in history. And now Metro Group is talking about a whopping 15% drop in EBIT...

While around 40% of Metro sales come from Germany, a further 55% comes from the rest of the European continent. Koch describes the situation as "significantly deteriorated" in So. and Eastern Europe, regions currently hit by high unemployment and the debt crisis.

Metro Group remains the 3rd largest retailer (by sales) in Europe, following Carrefour and Tesco.

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