



Université Libre de Bruxelles

Carrefour or Boots ?¹

In early July 2003, Laurence Dubuis was facing an important decision : which job to accept. She had just graduated from a well known business school and was considering the various job offers that she had just received.

During her MBA studies, Laurence had caught a strong interest for marketing. She was herself surprised by this new passion since her previous experience in information technology had not prepared her for this line of activity. She had sent her resume to a few large European distribution firms and had found in her mail two letters inviting her for an interview: one from Carrefour, a French firm, the other from Boots, a British firm.

Laurence was excited at the idea of working for one of these companies and she wished to impress favorably on the people that she would meet. Following the advices that she had received during her MBA, she thought that she would need to do some research on the companies and their competitors before going to the interviews.

Although finance was not her preferred topic, she considered that she needed to have some rough understanding of the financial situation of merchandising firms in Europe and in the United States. So, she downloaded the ranking of the 1,000 largest company in the world published by Business Week (July 14, 2003) (<http://www.businessweek.com>) Since her time was limited, she decided to limit her analysis to Belgium, Britain, France, the Netherlands and the largest US companies in the retail industry.

She remembered her first finance class during which the instructor had explained how to do some « quick and dirty financial analysis » based on the Dupont system. This was exactly what she needed. She was hoping to get answers to the following questions:

¹ Professor André Farber prepared this case as a base for class discussion. Revised October 27, 2003

1. How profitable are the two companies compared to others?
2. Are returns on equity due to superior operating margin? asset utilization? financing mix?
3. Which companies create the most value for their shareholders?
4. How do financial markets assess the prospects of the companies ?
5. Should she wait and try another company in the business ? Which one?

Appendix

Carrefour or Boots 2003

			MktValue	M/B	P/E	Sales	Profit	Assets	ROE
Wal-Mart	US	5	232,219	5.7	28.4	244,524	8,039	94,685	20.2%
Home Depot	US	26	75,564	3.6	20.2	58,247	3,664	30,011	17.8%
Carrefour	F	8	32,066	4.8	19.8	80,836	1,616	45,781	24.1%
Tesco	UK	14	24,150	2.3	14.5	43,149	1,614	27,034	15.6%
Gap	US	136	15,026	4.1	30.9	14,455	477	9,902	13.3%
Kingfisher	UK	31	10,946	2.0	15.3	17,573	579	15,257	12.9%
Marks & Spencer	UK	32	10,717	2.2	14.7	13,329	759	11,783	14.8%
Pinault-Printemps Redt	F	24	10,156	1.4	12.9	32,198	791	35,312	10.9%
Metro	G	18	10,109	2.1	19	60,485	521	26,961	11.2%
J.Sainsbury	UK	39	8,593	1.1	12	29,828	672	18,138	8.8%
Boots	UK	40	8,574	2.5	12.7	8,730	721	6,309	19.6%
Casino	F	29	7,812	2.4	15.4	26,884	524	18,365	9.9%
Koninklijke Ahold	NL	14	6,986	1.2	3.8	78,323	1,748	37,914	31.8%
Average									16.22%

Source: Business Week, July 14, 2003