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Carrefour shelves property sale as French chief leaves

By Stanley Pignal in Paris

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Carrefour on Thursday said it was shelving a plan to spin off its property unit, as the departure of a senior executive added to concerns about the company's turnaround strategy.

Europe's largest retailer by sales blamed poor performance for the departure of James McCann, the head of its domestic French unit who it poached from Tesco just over a year ago.

Lars Olofsson, chief executive, who is to take direct control of the unit, said the situation made it impossible to proceed with the planned listing of part of Carrefour's European real estate portfolio, which shareholders had been due to vote on next month.

The spin-off idea had been greeted coolly by shareholders and had been the subject of a pitched battle among investors over the retailer's future.

The proposal was closely associated with Carrefour's leading shareholders, real estate investment firm Colony Capital, and the private investment fund of Bernard Arnault, the luxury tycoon, who jointly own 14 per cent of the company and control 20 per cent of the voting rights.

Opposition to the spin-off was led by Knight Vinke, the activist fund that rallied investors against the new structure after taking a stake of just more than one per cent in the business.

People close to the consultations said concerns over the partial loss of control of critical real estate assets, paired with high set-up and running costs, had caused the bulk of shareholders to rally to Knight Vinke and oppose the new structure backed by Carrefour management.

However, investors will still vote on the proposed spin-off of Dia, Carrefour's hard discount unit, which had been proposed alongside the property deal. That aspect of the restructuring has been broadly welcome by shareholders. A listing in Madrid could raise €3bn-€4bn, according to analysts.

The retailer's shares were broadly unchanged at €31.85 in midday trading on Thursday as markets tried to digest Mr McCann's departure and the shelving of the property plan.

Mr McCann was well regarded by analysts following his arrival from Tesco in early 2010. "McCann was seen as a key figure in the turnaround of France and Western Europe," says Dave McCarthy, analyst at Evolution Securities.

"In particular, McCann was rolling out significant and well needed improvements to systems and infrastructure and implementing a series of operational improvements. His departure will raise serious questions about the progress of the turnaround," he added.

Sources at Carrefour said his departure was unrelated to the disagreements over the property deal, pointing instead to continuing underperformance in the French unit he oversaw.