JUMBO

Continuing to over-deliver

On track for 9-10% profit growth – Jumbo's H1 reaffirmed ongoing operational execution, with the usual mix of better-than-anticipated gross margin evolution and operating efficiencies helping Jumbo grow H1 EBITDA and net profit in the low-teens. Given historic seasonality, we estimate Jumbo is on track to deliver FY17 EBITDA >€200m, vs. consensus of €192m prior to the results' release. Our sales estimates have been left broadly unchanged but we have increased our FY17-18e EBITDA by c2-3% on the back of more resilient gross margins (-50bps in FY17e from -130bps envisaged previously) and ongoing tight monitoring of costs. We have raised our FY17e net profit accordingly, also factoring in the reduction of the financing cost of the common bond loan. We now expect net profits +10% in FY17e vs. flat embedded in mgt's budget as communicated in October 2016. Our EBITDA stands c5% above consensus for both FY17 and FY18. Note that our estimates conservatively imply a slowdown in H2'17e (EBITDA +8% yoy from +11% in H1).

Visible top line… – The low ticket nature of the offering has been instrumental in helping Jumbo navigate through the tough domestic macro and is likely to drive a low to mid single-digit increase in Greek organic sales. Coupled with LFL growth at the international operations in sync with GDP growth (c3%) and a further boost from new capacity, we believe Jumbo is well placed to deliver c7% annual sales growth in the next 3 years trending down to c5% in the medium term.

… + gross margin resilience + operating efficiencies = margin expansion – On the cost side, Jumbo's gross margins have demonstrated impressive resilience, partly due to mgt's negotiating ability vis-à-vis its suppliers and partly as a result of the negative correlation between the oil price (transport costs) and the USD (sourcing cost). Product mix has also been supportive for gross margins given the superior margin of higher-growth seasonal/home products. Looking ahead, we believe that continuing mix improvements are likely to offset freight cost pressures, enabling Jumbo to sustain gross margins above 52%. On the opex front, we expect tight monitoring of costs to continue and be underpinned by positive leverage driving further EBIT margin improvements.

Valuation – Limited history of downgrades, consistent cash generation and healthy balance sheet make up an attractive investment case. With Jumbo at >25% 2017 PE discount to the EU retail sector and well below its peak valuation, we find the case quite compelling. Mgt's decision to propose an interim DPS of €0.18 is indicative of the ample scope for increasing shareholder returns given the 6-7% FCF yield. We still base our PT on a blended methodology, effectively placing the stock at <16x CY2017e PE, namely still c15% discount to the current valuation of EU retailers.

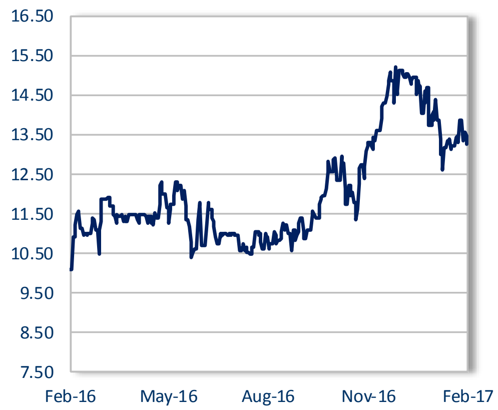
Estimates					
EUR mn	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Revenues	582.5	637.6	684.2	733.8	785.2
EBITDA - adj.	159.3	183.7	200.7	217.2	235.1
Net profit - reported	104.9	121.3	133.2	145.9	160.2
Net profit - adj.	106.9	119.6	133.2	145.9	160.2
EPS - adj.	0.79	0.88	0.98	1.07	1.18
DPS	0.18	0.63	0.40	0.44	0.48

Valuation					
(Calendar Year)	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
P/E	10.1	14.3	12.9	11.8	10.9
EV/EBITDA	5.8	8.1	7.6	6.7	6.0
EBIT/Interest expense	NM	NM	NM	NM	NM
Dividend Yield	2.1%	4.7%	3.0%	3.3%	3.6%
ROE	13.9%	14.2%	14.6%	14.8%	14.7%

Note: Financial year ends in June

Recommendation	**BUY**
Target Price	**€16.10**
Prior Target Price	**€16.00**
Closing Price (28/02)	€13.35
Market Cap (mn)	€1,816.4
Expected Return	20.6%
Expected Dividend	3.0%
Expected Total Return	23.6%

Jumbo Share Price



Stock Data

Reuters RIC	BABr.AT
Bloomberg Code	BELA GA
52 Week High (adj.)	€15.36
52 Week Low (adj.)	€9.75
Abs. performance (1m)	2.7%
Abs. performance (YTD)	-11.4%
Number of shares	136.1mn
Avg Trading Volume (qrt)	1.6k
Est. 3yr EPS CAGR	10.2%
Free Float	73%

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Investment case

Fundamental growth story…

Jumbo is one of the largest retailers in Greece, with its product offering covering almost all retail sub-segments except for food. Return of Greece (72% of sales) to positive LFL (sales per store +5.5% in calendar H2'16) and further share gains in a fragmented market ought to help Jumbo's Greek sales grow in the mid-single digits. Romania, Cyprus and Bulgaria are additional growth levers, but will not account for more than c34% of the sales mix in the foreseeable future on our numbers. Assuming domestic sales per store grow c3% post FY18 and international LFL growth is in sync with GDP growth, our estimate for c6.5% group sales CAGR through to 2021 looks underpinned. On the cost side, deflationary pressures and a recovery in freight rates are likely to weigh on gross margins in H2'17 but this is likely to be offset by mix management and tight cost control. Overall, we believe Jumbo is on track to deliver 8-9% EBITDA growth in FY17-19e, translating to EPS CAGR of c10%.

…with scope for increasing cash returns

Jumbo's cash generating track record is impressive (OCF consistently greater than 60-65% of EBITDA). With EBITDA ranging between EUR201m and EUR235m over 2017-19e, we estimate Jumbo's FCF is set to surpass EUR140m post FY18 as capex trends down below EUR30m (assuming 1 new store per annum). Mgt has committed to continue distributing one third of profits as ordinary dividend, which would point to DPS EUR0.30-0.40 per share in the coming years, on our numbers. That being said, there is clearly scope for further returns to shareholders in the form of special dividends, similar to the EUR0.27 per share distributed in Aug 2016 (to compensate investors for the zero distribution in the previous year). Against this background, mgt's decision to propose a EUR0.18 interim dividend (payable in March) points to its intention to increase cash returns to shareholders, we believe.

… property backing

Jumbo has significant property asset holdings, owning the freehold of around half of its outlets. The BV of Jumbo's owned property assets (land and buildings) as of end Dec 2016 was cEUR462m, namely c25% of the current market cap. With such a significant asset base and an under leveraged balance sheet, we believe that Jumbo has numerous options to extract value from its property portfolio at some point in the future (though this is not part of mgt's near-term plans). In any case, the property-backing should provide valuation support to the stock even in periods of high risk attached to Greek equities.

… and resilient margins

Jumbo's gross margins have remained broadly unchanged over FY14-16 despite deflationary pressures from fiscal consolidation in Greece and more expensive sourcing of goods as a result of the appreciation of the USD. In this report we show that Jumbo's gross margins have actually demonstrated impressive resilience in the entire last decade, partly due to the fact that the overriding drivers – namely transport costs and the USD – tend to exhibit negative correlation. Although transport costs look set to increase in the rest of FY17, we believe that Jumbo's self-help ability (negotiations with suppliers, mix management) will mitigate the gross margin contraction to 50bps yoy in the whole year. In addition, we show that Jumbo's staff costs have recently entered on a downward trajectory as % of sales, fact that is likely to continue thanks to Jumbo's focus on labour scheduling and better employee utilization. Overall, we believe Jumbo is on track to deliver c10% net profit growth, vs. flat profits targeted by mgt. We remind investors that mgt's budget has in the past proved too pessimistic and that mgt's main underlying assumption (Greek LFL ranging between slightly negative to slightly positive) is not in sync with GDP macroeconomic projections (e.g. +2.7%).

Valuation

Jumbo recently set new highs in terms of absolute price levels but the shares have retreated recently (c7% below the peak). However, we note that on valuation terms (EV/EBITDA) the discount vs. the all-time high valuation is quite pronounced (>35%). Jumbo also trades at >25% PE discount vs. EU retailers, despite offering a comparable (or in some cases superior) growth profile and a stronger balance sheet. Later in the report, we show that Jumbo's PE valuation relative to the EU retail index has in the past been driven by margin expectations, and in this respect, forward margin expectations are likely to underpin a re-rating of the stock if its margins remain on an upward path. We still base our PT on a blended methodology (DCF and target multiples), effectively placing the stock at <16x CY2017e PE, not too demanding in our view given the long-term growth profile and short-term profit resilience.

Valuation

Jumbo does not really have any direct peers given the unique product mix. The European retail sector itself is quite diverse, comprising of stocks with different growth prospects, margin trends, degree of maturity etc. As a result, the following table is presented solely to put Jumbo's valuation into some context within the broad European retail space.

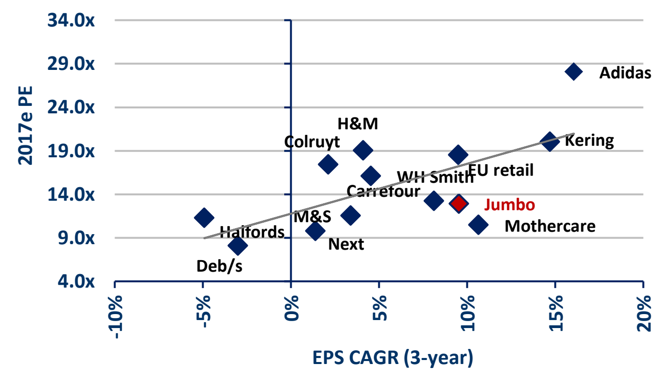
Jumbo broad peer group	PE		EV/EBITDA		Div. yield	ROA	EPS	EBITDA
							3-year	3-year
Company	**CY17e**	**CY18e**	**CY17e**	**CY18e**	**CY17e**	**2018e**	**CAGR**	**CAGR**
Adidas	28.1x	23.6x	15.8x	13.6x	1%	8%	16%	13%
Carrefour	13.3x	12.0x	6.3x	5.9x	3%	3%	8%	4%
Casino	15.2x	12.9x	9.4x	8.5x	6%	1%	3%	1%
Colruyt	17.4x	17.0x	8.3x	8.1x	3%	9%	2%	2%
Debenhams	8.1x	8.5x	4.1x	4.2x	6%	3%	-3%	2%
Dixons Carphone	9.5x	8.9x	5.5x	5.3x	4%	5%	0%	0%
Halfords Group	11.3x	11.1x	6.7x	6.5x	5%	8%	-5%	2%
H&M	19.0x	17.1x	10.9x	9.8x	4%	20%	4%	6%
Kering	20.0x	17.8x	13.4x	12.2x	2%	7%	15%	12%
M&S	11.6x	11.5x	6.0x	5.9x	6%	6%	3%	3%
Metro	14.2x	12.8x	4.0x	3.8x	4%	3%	10%	2%
Mothercare	10.5x	9.1x	4.4x	3.8x	0%	5%	11%	8%
Next	9.8x	9.8x	7.6x	7.7x	5%	25%	1%	-1%
Puma	42.9x	31.4x	16.1x	13.0x	0%	6%	41%	25%
WH Smith	16.1x	15.5x	10.2x	9.8x	3%	24%	5%	4%
European Retail	**17.8x**	**16.5x**	**8.3x**	**7.9x**	**3%**	**8%**	**10%**	**7%**
Jumbo	**12.9x**	**11.8x**	**7.6x**	**6.7x**	**3%**	**11%**	**10%**	**8%**

Source: Eurobank Equities Research, BBG

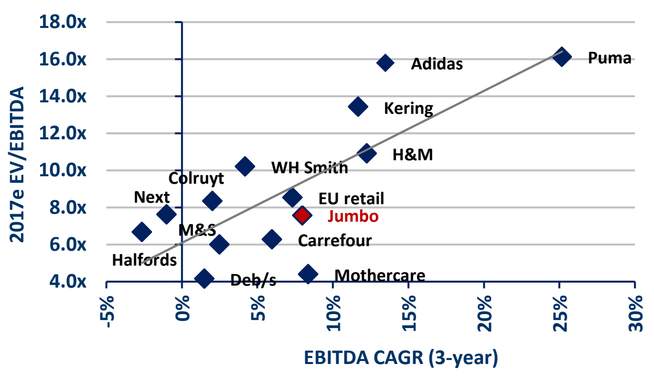
Jumbo's relative valuation has become more attractive recently, taking into account its growth profile

Compared to the peer group, Jumbo is currently trading at >25% 2017e PE and c10% EV/EBITDA discount while offering a similar earnings growth profile with the sector average. Note that given its underleveraged balance sheet position, Jumbo could theoretically further enhance its EPS growth profile by gearing up the balance sheet once credit conditions in Greece normalize. On the contrary, most peers' net leverage is in excess of 1x EBITDA (1.6x on average).

2017e PE and expected 3-year EPS CAGR



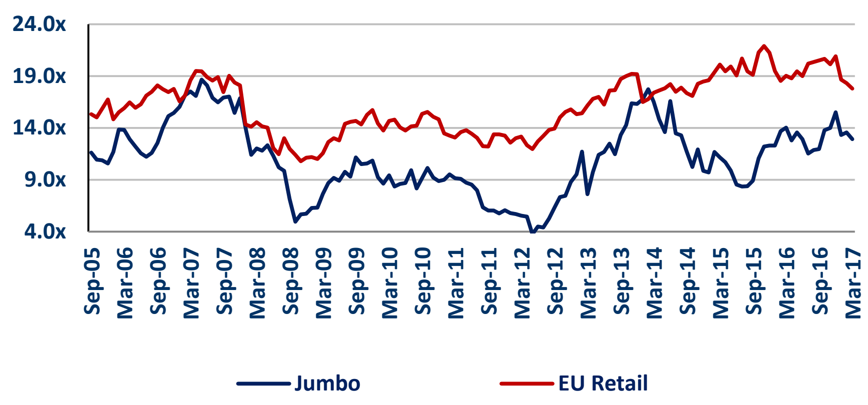
2017e EV/EBITDA and expected 3-year EBITDA CAGR



Source: Bloomberg, Eurobank Equities Research

From a historical viewpoint, Jumbo has traded within a wide range, mainly reflecting investors' risk perception vis-à-vis Greek assets. On average, Jumbo has traded at c30% PE discount vs. EU retailers, but the discount has at times narrowed substantially or even disappeared (e.g. in 2007-08 and in 2013). In November 2016, Jumbo's relative discount widened to >40% but the stock staged a comeback in the end of 2016. Year-to-date, the stock has lost some ground, again as a result of investor concerns regarding the timing of an agreement between the Greek govt and the institutions over the pending 2nd program review.

Jumbo PE history vs. EU retailers

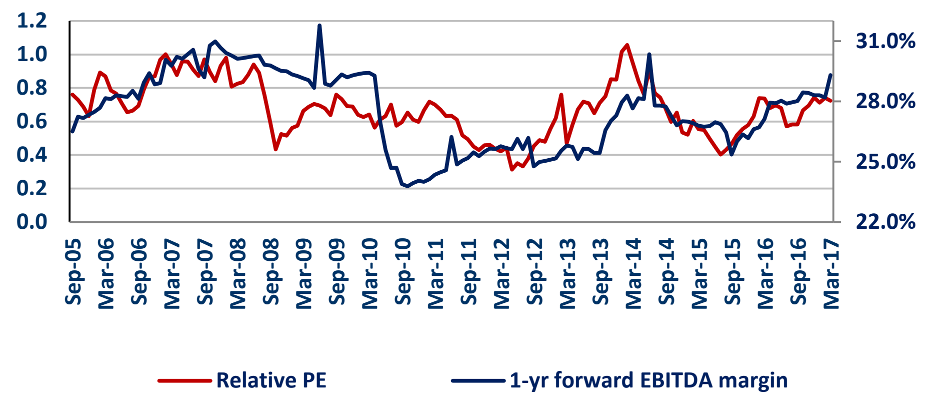


Source: Eurobank Equities Research, Bloomberg

Margin expectations have been a pertinent driver of Jumbo's valuation relative to the EU retail sector

Besides the Greek risk embedded in Jumbo's valuation, we show that Jumbo's PE valuation relative to the EU retail index has also been driven by margin expectations. As can be easily seen in the following chart, although Jumbo's expected EBITDA margin did not correlate well with relative PE prior to 2010, this correlation has become quite close in the last 6 years. Viewed in this light, forward margin expectations are likely to underpin a potential re-rating of the stock relative to the EU retail index if Jumbo's margins remain on an upward path.

Jumbo's relative PE valuation has correlated with expectations for forward margins



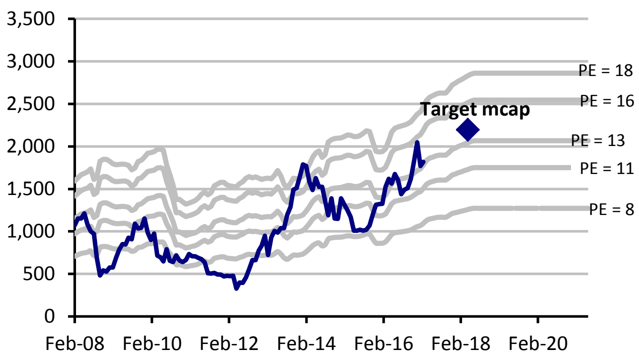
Source: Eurobank Equities Research, Bloomberg

Our PT values Jumbo at recent peak EV but on >30% higher forecast EBITDA

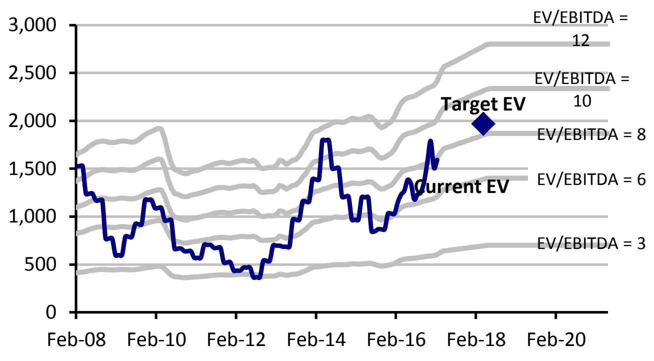
In absolute terms, the peak for Jumbo's market cap and EV has been close to €2bn and €1.8bn respectively and has translated to c16-18x PE and c10-12x EV/EBITDA. Given Jumbo's c9-10% EBITDA and EPS growth, assigning a similar multiple (c16x PE and c10x EV/EBITDA) on 1-year forward earnings would point to a price in excess of €18 per share. We believe that placing Jumbo on a near-peak valuation could be justified by: 1) the fact that EU retail stands on substantially higher PE valuation; 2) Retail stocks with double-digit EBITDA CAGR normally trade on EV/EBITDA multiples in excess of 9x; 3) Jumbo enjoys a far superior financial position than most EU retailers; and 4) Jumbo has a successful track record of growing sales and profits, even in a recessionary environment.

Against this background, the chart on the right hand side shows that the EV implied by our price target is only slightly higher than Jumbo's EV at the most recent peak in absolute terms but on >35% higher 1-year forward EBITDA.

Jumbo market cap (in EURmn) and PE (1-year forward)



Jumbo EV (in EURmn) and EV/EBITDA (1-year forward)



Source: Bloomberg, Eurobank Equities Research

We retain the same valuation methodology – namely a combination of DCF and target multiples – and have edged up only slightly our PT to EUR16.1 (from EUR16.0 previously) as a result of the minor upgrades to our FY17-19e EBITDA (partly offset by the higher assumed dividend). We summarise our methodology below. Our PT effectively places the stock at <16x CY2017e PE, still a c15% PE discount to EU retailers.

Jumbo valuation		
EURmn		**comment**
EV/EBITDA		
EBITDA 2017e	201	
Multiple	9.0x	High growth EU retailers normally trading >9x
Target EV (mid 2017e)	**1,806**	
Minus adj. net debt (plus net cash) – 2017e	(225)	
Equity value – mid 2017e	**2,031**	
12-month equity fair value	**2,165**	
Number of shares (mn)	136	
12-month equity fair value (EUR)	**15.9 €**	
PE		
EPS 2017e (EUR)	0.98	
Multiple	16.0x	c10% discount vs. EU retailers
2017e fair price	15.7	
12-month equity fair value (EUR)	**16.4 €**	
DCF		
PV of FCF	1,895	See below
Minus adj. net debt (plus net cash)	(259)	
Equity Value	2,154	
12-month equity fair value	**2,167**	
Number of shares (mn)	136	
DCF fair-value per share (EUR)	**15.9 €**	
12-month Price Target	**16.1 €**	

Source: Eurobank Equities Research

Below we present an overview of our DCF methodology. This is predicated on a 10% WACC, medium term EBIT CAGR of 4.9% and long-term growth rate of 1%. It still incorporates sustainable NOPAT margins of c18% from c19.8% in 2019e, as we expect gross margins to fade towards c50% (albeit still above management's long-term guidance of 48%). Our DCF assumes cash conversion (OCF/EBITDA) of c75% in the medium term, in sync with levels delivered in the recent past. A summary of our DCF can be seen below:

Jumbo DCF valuation

EURmn (FY to end June)	2017	2018	2019	2020	2021	2022	2023	2024	...	2028
NOPAT	130.8	142.4	155.1	165.6	175.1	182.8	193.5	195.2	...	192.0
NOPAT margin	19.1%	19.4%	19.8%	19.9%	20.1%	20.0%	20.2%	19.5%	...	17.8%
Depreciation	23.2	24.7	26.0	26.9	27.4	28.7	30.4	30.7	...	30.2
Working Capital change (increase)	(19.2)	(7.2)	(7.5)	(5.9)	(4.8)	(6.0)	(6.0)	(6.0)	...	(6.0)
Capex	(49.5)	(49.5)	(36.9)	(20.0)	(19.6)	(27.3)	(30.4)	(30.7)	...	(30.2)
Unlevered FCF (UNFCF)	**85.3**	**110.4**	**136.7**	**166.5**	**178.2**	**178.2**	**187.5**	**189.2**	**...**	**186.0**
PV of UNFCF	85.3	100.4	113.0	125.1	121.7	110.6	105.9	97.1	…	65.2
Sum of PV of UNFCF	1,171.0									
PV of Terminal Value	724.2									
Enterprise Value	**1,895.2**									
Net cash (debt) – 2016	258.5									
Equity value	**2,153.7**									
Number of shares (mn)	136.1									
Value per share (FY end)	15.8 €	16.3 €	17.3 €	18.3 €	19.3 €					
12-month fair value ex div.	**15.9 €**									

Source: Eurobank Equities Research

DCF – sensitivity to perpetuity growth and WACC assumptions

		Perpetuity growth						
	€/share	**-3.0%**	**-2.0%**	**-1.0%**	**0.0%**	**1.0%**	**2.0%**	**3.0%**
WACC	**7.0%**	18.3	19.0	20.0	21.2	22.8	25.1	28.5
	8.0%	16.6	17.2	17.9	18.7	19.9	21.3	23.4
	9.0%	15.3	15.7	16.2	16.9	17.6	18.6	20.0
	10.0%	14.2	14.5	14.9	15.4	**15.9**	16.6	17.5
	11.0%	13.2	13.5	13.8	14.1	14.6	15.1	15.7
	12.0%	12.4	12.6	12.8	13.1	13.4	13.8	14.3
	13.0%	11.7	11.8	12.0	12.2	12.5	12.8	13.1

Source: Eurobank Equities Research

Top line outlook

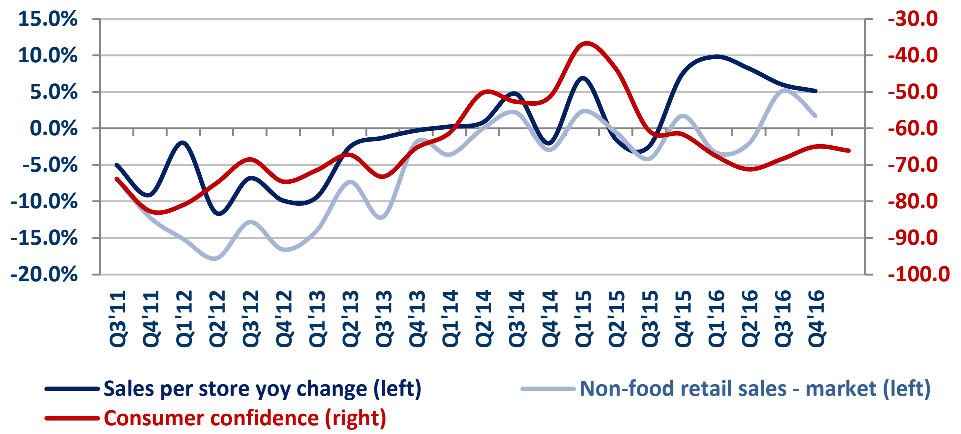
I. Greece:

Consumer confidence has stabilized but remains relatively subdued

As mentioned previously, Jumbo generates >70% of its sales from Greece, so its performance hinges primarily on the situation of the Greek consumer. In this respect, consumer confidence is a useful indicator, although we would stress that in some cases periods of subdued economic activity and weak consumer confidence have actually seen Jumbo's sales accelerate (e.g. calendar 2016). The reason for this robust performance is the defensive nature of the product offering, trading-down benefits and struggling competitors (not only small mom-and-pop toy stores but also hypermarket chains).

Against this background, the recent stabilisation of consumer confidence is in sync with Jumbo's reported 1.5% domestic sales growth in calendar H2'16 and bodes well with a low single-digit increase in sales/store over the coming quarters. In our view, although Greek consumers will be faced with further tax burdens in 2017, we believe that consumer spending will be cushioned by money sitting under the mattress, while Jumbo ought to continue outperforming the market given the low-ticket nature of the proposition.

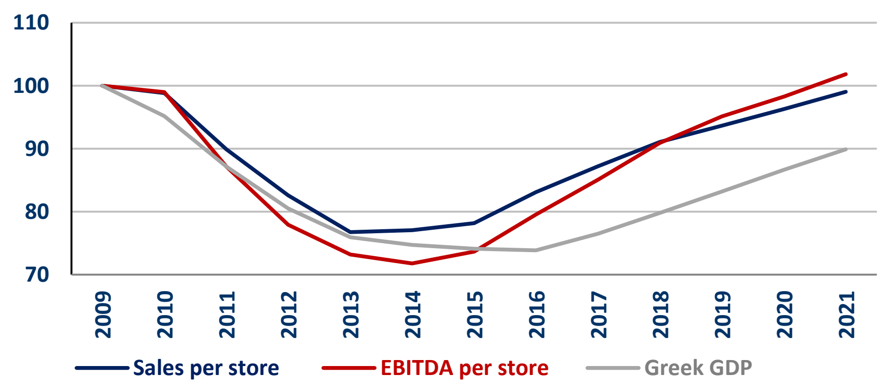
Jumbo Greece – sales per store and consumer confidence (calendar quarters)



Source: IOBE, Company data, Eurobank Equities Research

Beyond 2017, we believe that Jumbo can sustain at least 3% growth in store densities, further propelled by c2% capacity growth (effectively 1 additional store per year by 2021) giving a reported 5-6% domestic sales growth. Given these assumptions, we estimate Jumbo's sales per Greek store will return to the 2009 level in 2021.

Jumbo Greece – sales and profit per store against GDP (rebased)



Source: Eurobank Equities Research

II. International

International operations account for c28% of sales, with Romania providing the main avenue for growth

As far as other markets are concerned, these accounted for 28% of sales in 2016 from c9% in 2007. Cyprus was Jumbo's first foreign expansion move, with the first store rolled-out as soon as 1991. The group entered the Bulgarian market in 2007 and has now reached a network of 9 stores. Its latest focus market is Romania, where Jumbo established its footprint in 2014, having now reached a total network of 7 stores in just 3 years. Note that Jumbo had in the past postponed its Romanian expansionary plans due to the tough macroeconomic environment prevailing in 2009-2011 but its patience bore fruit as sales densities and profitability have exceeded those of the Bulgarian operations.

Macroeconomic outlook for Jumbo's international markets looks quite positive

Looking ahead, the macroeconomic environment in all three international countries looks quite supportive. Despite some short-term headwinds, including political noise in Romania (parliamentary elections in December) and Bulgaria (snap elections scheduled for end March) and high NPE ratios in Cyprus, growth prospects look quite healthy (3-3.5% GDP growth envisaged in all three countries). In addition, unemployment remains on a downward trajectory while wage growth is likely to outpace inflation, paving the way for an increase in disposable income. This bodes well for an increase in discretionary consumption, providing an underpinning to Jumbo's organic sales growth. Our estimates are predicated on LFL growth 2-3% in all three international markets over 2018-2021e.

Macro data			
Bulgaria	**2015**	**2016e**	**2017e**
Real GDP (%)	3.6	3.5	3.0
Inflation	-0.1	-0.7	0.6
Unemployment rate	9.2	7.7	7.1
Wage growth	8.8	8.1	7.4
Cyprus	**2015**	**2016e**	**2017e**
Real GDP (%)	1.7	2.8	3.0
Inflation	-1.5	-1.1	0.5
Unemployment rate	15.1	12.5	11.1
Wage growth	-1.0	1.2	1.5
Romania	**2015**	**2016e**	**2017e**
Real GDP (%)	3.7	5.0	3.5
Inflation	-0.6	-1.8	1.5
Unemployment rate	6.7	6.5	6.3
Wage growth	8.4	12.5	5.0

Source: EC, IMF, Eurobank Research

We factor in organic growth in sync with GDP growth rates in all three international markets

On the supply front, Romania provides the main avenue for growth given the favourable demographic trends and urbanisation profile. Naturally, Jumbo has identified Romania as its focus market for expansion, with mgt aiming to increase the store network to 20 points-of-sale in the next 5 years from 7 currently (2 stores will be added in FY17). Our numbers assume that Jumbo adds another 3 stores in Romania in FY18 (it has already reached an agreement for the purchase of 5 stores and the leasing of 1 more store) following the opening of 2 more stores in FY17. We conservatively assume 1 opening per annum in FY2020-21, with Jumbo reaching a network of 16 stores in Romania by 2021 (i.e. below the 20 POS targeted by mgt). We assume no more additions in Cyprus/Bulgaria. The space expansion along with a c3-4% organic growth per annum will enable Jumbo sustain double-digit growth rates in Romania over 2018-2021, we estimate.

Below we lay out our divisional estimates across Jumbo's geographic segments.

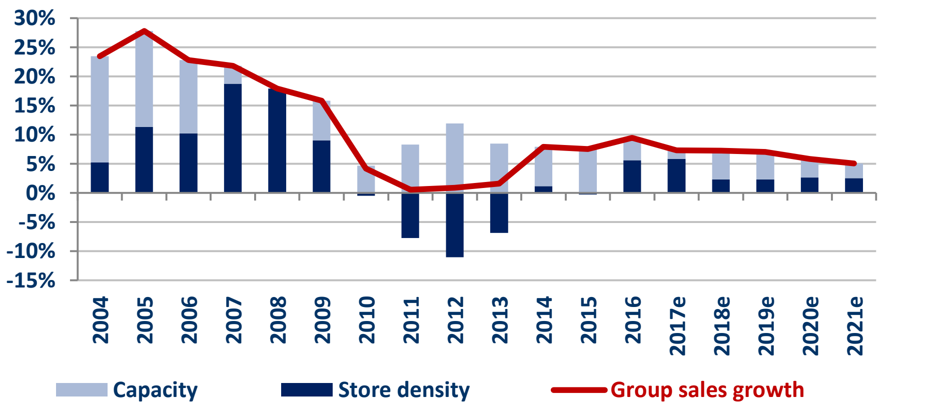
Jumbo estimates by country					
EURmn	**FY'15**	**FY'16**	**FY'17e**	**FY'18e**	**FY'19e**
Greece					
Sales	437.9	458.9	472.3	498.2	522.1
% change	*2.9%*	*4.8%*	*2.9%*	*5.5%*	*4.8%*
Number of stores	53	51	51	52	53
EBITDA	133.2	142.4	149.3	161.1	171.9
Cyprus					
Sales	75.0	78.9	81.4	83.8	85.5
% change	*12%*	*5%*	*3%*	*3%*	*2%*
Number of stores	5	5	5	5	5
EBITDA	29.3	31.5	32.4	33.7	34.5
Bulgaria					
Sales	45.3	51.9	63.2	68.7	70.8
% change	*12%*	*15%*	*22%*	*9%*	*3%*
Number of stores	8	8	9	9	9
EBITDA	14.5	17.6	21.5	23.7	24.8
Romania					
Sales	24.3	47.9	67.3	83.1	106.8
% change	*175%*	*97%*	*40%*	*23%*	*29%*
Number of stores	6	7	9	12	14
EBITDA	6.7	16.2	23.2	26.5	35.6
Unallocated costs	-24.3	-24.0	-25.8	-27.8	-31.7
Group EBITDA	**159.3**	**183.7**	**200.7**	**217.2**	**235.1**
Group EBITDA margin	*27.3%*	*28.8%*	*29.3%*	*29.6%*	*29.9%*

Source: Company, Eurobank Equities Research. EBITDA is pre-central costs.

Our estimates for 5-7% group sales growth over 2018-2021 are hardly over-ambitious

Overall, taking into account the store-rollout plan, which provides for the opening of 3 POS in Greece in the next 2 years, 1 new Bulgarian store in FY17 (already opened) and 4 stores in Romania by H1'18, we estimate capacity-led growth of 3-5% per annum. The c2% organic growth implied in our numbers at group level is hardly over-ambitious given Jumbo's well-established brand name in Greece, the imminent domestic macroeconomic recovery, the fragmented nature of the domestic retail market and the improving macroeconomic environment in all three international markets where Jumbo is present.

Jumbo sales growth breakdown

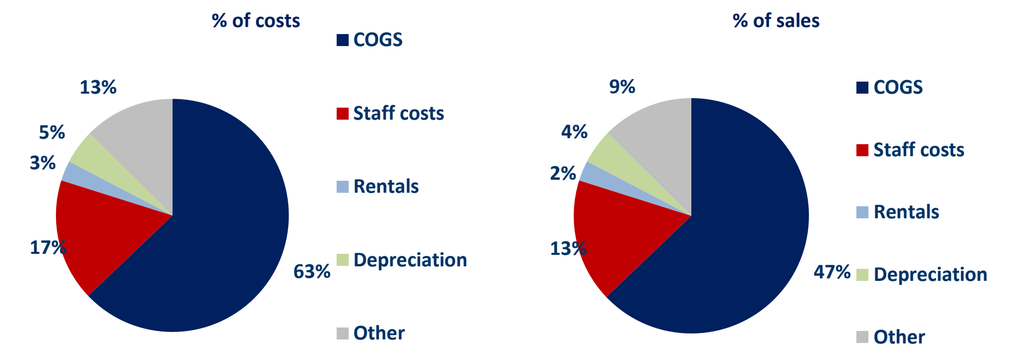


Source: Company data, Eurobank Equities Research

Cost outlook

Some 63% of Jumbo's total cost base relates to raw materials and cost of sales, including transport costs. Another c17% of total costs relate to labour costs. The remaining cost base of c€100m (20% of total costs) is a mixture of rents (3%), depreciation (5%), and other administrative/third party expenses.

Jumbo cost base (% of costs and sales)



Source: Bloomberg, Eurobank Equities Research

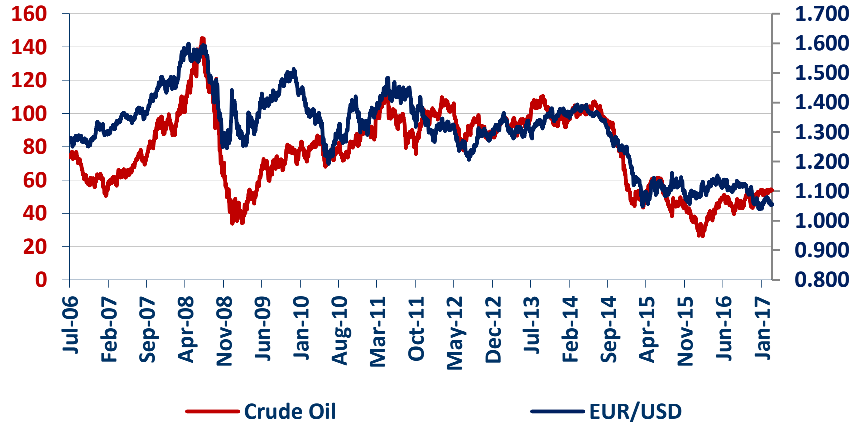
Impressive gross-margin resilience over the last decade, underpinned by mgt's actions…

Focusing on the gross margins, these have demonstrated impressive resilience ranging between 52% and 54.4% since 2007. Given that Jumbo sources the bulk of its products from China and other "cheap markets", it enjoys quite healthy margins but the fact that these have not exhibited substantial variation over the course of the last decade can be attributed – to some extent – to mgt's negotiating ability. The shift of the product mix towards the higher-margin seasonal/home products (see page 14) has also been instrumental in offsetting headwinds outside of mgt's control.

… and the inverse relationship of EUR/USD vs. the oil price

Looking at the history of the factors which mgt does not control, namely FX and transport costs, it is quite interesting to point out that, historically, these have tended to move in opposite directions, with FX gains offsetting headwinds from rising transport costs (driven by the higher oil price) or the other way around. The main reason for this is that a big chunk of Jumbo's cost base is related to the USD, which – as is widely known – has historically exhibited an inverse relationship with commodity prices. On its turn, the reason for this negative relationship is the fact that the USD is the benchmark pricing mechanism for most commodities, including oil. This negative correlation has faded in the last couple of years as other factors have pushed the oil price in opposite direction relative to what the USD move would suggest (e.g. OECD production and supply data, US inventory data, US shale oil producer production dynamics).

Strong USD usually related with low oil price



Source: Eurobank Equities Research, Bloomberg

FX and transport costs have tended to move margins in opposite directions in most years

The following table is illustrative of the offsetting dynamics between transport costs (as driven by the oil price) and FX. One can also see that FX and transport costs have both acted as headwinds in just a limited number of years (2011, 2012). In those particular cases, Jumbo suffered a c90bps gross margin decline in 2011 but managed to sustain margins in 2012. 2017 is set to be a year of mild double cost headwinds (FX and transport costs in H2'17), but we note that the mild FX headwind will be mitigated by the depreciation of the CNY against the USD.

Jumbo gross margin drivers

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017e
Gross margin	54.4%	54.4%	54.1%	53.2%	53.2%	52.3%	53.1%	53.2%	53.0%	52.5%
yoy	1.2%	-0.1%	-0.3%	-0.9%	0.0%	-0.9%	0.8%	0.0%	-0.2%	-0.5%
EUR/USD	1.47	1.37	1.39	1.36	1.34	1.29	1.36	1.20	1.11	1.09
yoy	12.7%	-6.7%	1.3%	-1.9%	-1.8%	-3.4%	4.9%	-11.4%	-7.7%	-1.9% *
Oil price (USD/bbl)	96.9	70.3	75.2	89.5	95.0	92.2	101.3	69.4	42.0	48.5
yoy	52.5%	-27.5%	7.1%	18.9%	6.1%	-2.9%	9.8%	-31.5%	-39.4%	15.3% *
CCFI				1,040.9	1,038.9	1,154.4	1,083.4	1,026.3	741.0	756.9
yoy					-0.2%	11.1%	-6.1%	-5.3%	-27.8%	2.1% *

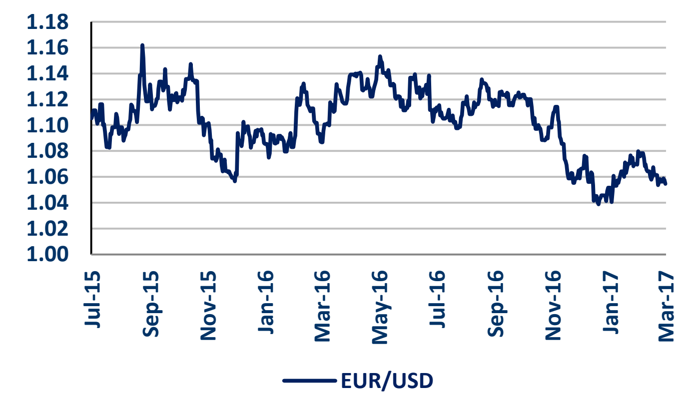
Source: Bloomberg, Eurobank Equities Research. Red shade indicates positive impact for Jumbo's margins. * year-to-date

Looking ahead into 2017, with respect to the drivers affecting Jumbo's margins, we would note the following:

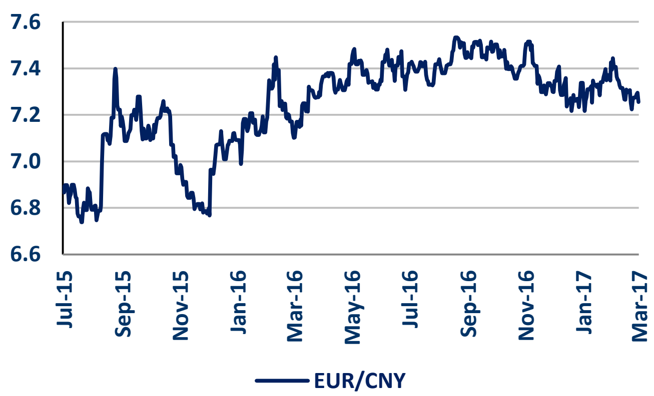
FX is less of a swing factor this year

- **FX:**
  - The depreciation of the EUR vs. the USD makes imports from China more expensive for Jumbo, with the margin pressure peaking in Q1-Q3 2015 (calendar). Although the EUR remains on a downward trajectory against the USD, it does not feature as a major swing factor for FY17 as it has been trading within a relatively narrow trading range over the last few months.
  - On the other hand, it is interesting to point out that the Chinese yuan remains on a downward trajectory (c5% vs the USD year-to-date), which is likely to have an incipient positive impact on Jumbo's negotiated prices with Chinese suppliers, thus mitigating the pressure from the small EUR depreciation in FY17.

EUR/USD – manageable headwind…



… more than offset by depreciation of CNY



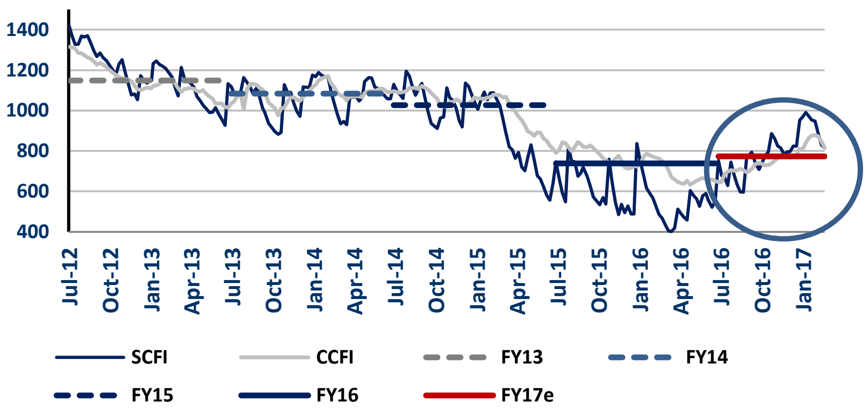
Source: Bloomberg, Eurobank Equities Research

Transport costs have turned into headwind

- **Transport costs**
  - Transport costs currently make up c19% of Jumbo's COGS, we estimate, and reflect primarily the cost of shipping products from Asia into Greece. Freight costs declined substantially in 2015 as a result of lower oil prices and overcapacity in the freight industry. This provided support to Jumbo's margins between Q3'15 and Q3'16 (financial year).

- In the following chart, we present the movement of the China Containerized Freight Index (CCFI) and the Shanghai Containerized Freight Index (SCFI), which we have been using as proxy for the movement in freight rates. The former is meant to reflect average freight rates for key trade lines between Chinese ports and other world destinations. The latter reflects spot rates of the Shanghai container market and, as a result, is more volatile (since contracted rates may be substantially different from spot) but is quite a useful leading indicator of the trends for freight costs.

Containerized freight indices point to higher transport costs in H2'17



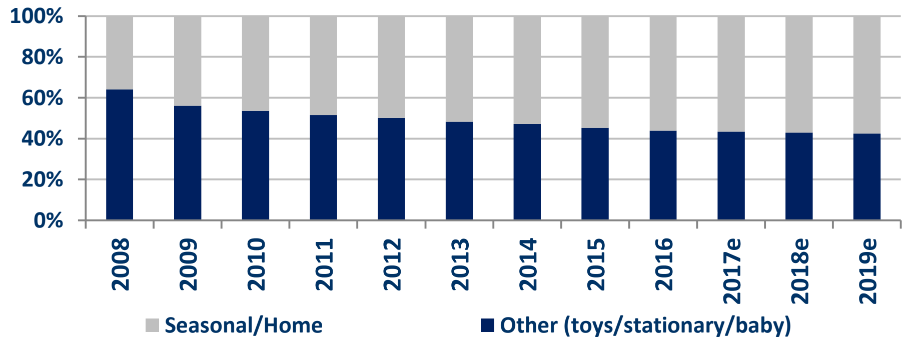
Source: Eurobank Equities Research, Bloomberg. FY13-17e are averages for the CCFI.

- As the chart shows, container liner shipping rates have recovered substantially from the record low reached in Q1 2016, as the impact from the overhang of new supply delivered in previous months not only started to abate but was followed by capacity rationalisation due to the bankruptcy of Hanjin Shipping and increased scrapping. On our understanding, the industry is now set for a moderately positive balance between demand and supply in 2017, something that would point to moderate upward pressures in freight rates.

Product mix set to add 40bps to gross margins in 2017, on our estimates

- **Product mix:**
  - We remind investors that Jumbo continues to shift the mix away from the traditional toy category to the higher-margin home/seasonal products. The margin differential between toys and home/seasonal items can be as high as 30 pps, we believe.
  - On our estimates, were we to assume that seasonal/home products increase c7% in FY17 (high-end of mgt guidance) while other products remain flat (so that group sales growth ends up at the low-end of the guided range), gross margins would increase by c40bps (ceteris paribus).

Jumbo mix by product category (% of sales)



Source: Eurobank Equities Research, Company data

10-year track record

In this section we look in more detail into the operating performance of Jumbo over the last 10 years, focusing primarily on the operating expenses' side.

Capacity-led growth over 2007-2016 with quite resilient average sales density

First, we display the group's top line performance, showing that Jumbo's sales have nearly doubled since 2007, mainly as a result of the additional capacity: Jumbo's store network increased from c40 in 2007 to c71 in 2016. That being said, the group's average store density has actually also grinded a bit higher between 2007 and 2016, which is quite an achievement given the protracted period of recession in Greece.

Operating performance – Focus on sales

EURm	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales	342.7	404.0	467.8	487.3	490.0	494.3	502.2	541.8	582.5	637.6
yoy change	21.8%	17.9%	15.8%	4.2%	0.5%	0.9%	1.6%	7.9%	7.5%	9.4%
Number of stores (year end)	39	41	44	45	52	58	62	66	72	71
Average store density	8.6	10.1	11.0	11.0	10.1	9.0	8.4	8.5	8.4	8.9
% change yoy	18.7%	17.9%	9.0%	-0.5%	-7.8%	-11.0%	-6.9%	1.2%	-0.3%	5.6%

Source: Eurobank Equities Research

Limited variation of gross margins

As for Jumbo's operating (EBIT) margins, these have declined c300bps since 2007 and c340bps since the peak of 2008. In the figure below, we break down the main components of Jumbo's cost base in order to understand the drivers of the decline. Quite interestingly, Jumbo has managed to sustain its gross margins at approximately 53% in most years, taking advantage of either favourable FX (with a strong EUR mitigating inflationary pressures from higher transport costs or the other way around) or product mix benefits which have mitigated the impact from a c5pp increase in the domestic VAT rate (2pps in early 2010, another 2pps in mid 2010 and 1pp in mid 2016).

Cost deleveraging over 2009-13 started to reverse in 2014-16…

Payroll costs (excl. admin) is the other key cost category. This amounted to c10.8% of sales in 2016, similar to the 2007 level, but in the meantime Jumbo had seen up to 2.2pps deleverage (in 2012) stemming from additional staff as a result of the store expansion. Other occupancy costs also increased on the back of a c1.1pp increase in rental costs and depreciation over 2007-2016. The remaining c1.3pps increase in other opex is most likely the result of higher utility costs etc, and although it is not clear whether all these items relate to occupancy costs, we have included them along with rentals and D&A to get to a proxy for store margin (c30% in 2016). Admin costs and advertising expenses are presented separately, as they do not directly affect store profitability, to get to the group operating profit.

Operating performance – Focus on costs

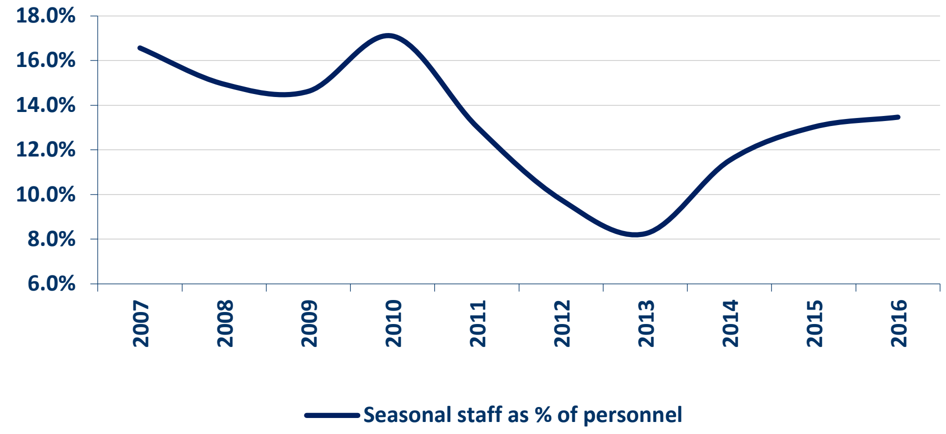
EURm	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross profit	182.4	219.9	254.3	263.6	260.7	263.0	262.8	287.8	309.7	337.9
Gross margin	53.2%	54.4%	54.4%	54.1%	53.2%	53.2%	52.3%	53.1%	53.2%	53.0%
Payroll (excl. admin)	-36.7	-45.9	-56.0	-59.2	-62.2	-63.5	-61.0	-65.8	-68.3	-69.1
% of sales	10.7%	11.4%	12.0%	12.1%	12.7%	12.9%	12.2%	12.1%	11.7%	10.8%
Occupancy costs/other	-33.6	-37.3	-47.1	-48.5	-53.3	-56.0	-61.1	-66.0	-73.3	-77.7
% of sales	9.8%	9.2%	10.1%	10.0%	10.9%	11.3%	12.2%	12.2%	12.6%	12.2%
Store contribution proxy	**112.1**	**136.8**	**151.2**	**155.8**	**145.2**	**143.5**	**140.6**	**156.1**	**168.1**	**191.1**
Store operating margin proxy	32.7%	33.9%	32.3%	32.0%	29.6%	29.0%	28.0%	28.8%	28.9%	30.0%
Admin costs and advertising	-15.4	-20.7	-23.0	-24.1	-25.3	-26.4	-25.4	-29.0	-30.1	-30.1
Group EBIT	**96.7**	**116.1**	**128.2**	**131.8**	**119.9**	**117.0**	**115.2**	**127.1**	**138.0**	**161.0**
EBIT margin	28.2%	28.7%	27.4%	27.0%	24.5%	23.7%	22.9%	23.5%	23.7%	25.3%

Source: Eurobank Equities Research

… on the back of more efficient use of personnel

So, what was Jumbo's reaction in the face of the Greek macroeconomic deterioration? Focusing on operating expenses (and not on Jumbo's sourcing efforts in order to protect its gross margins), the previous table shows that Jumbo has managed to reduce staff cost ratios from 12.9% in 2012 to 10.8% in 2016. The roll-out of larger stores has clearly helped to this end, as has the more efficient use of personnel (e.g. better scheduling, allocation of employees from one store to the other etc.). Equally important is the fact that Jumbo has increased the use of temporary staff, as exemplified in the chart below.

Jumbo re-increasing the use of seasonal staff as % of total personnel

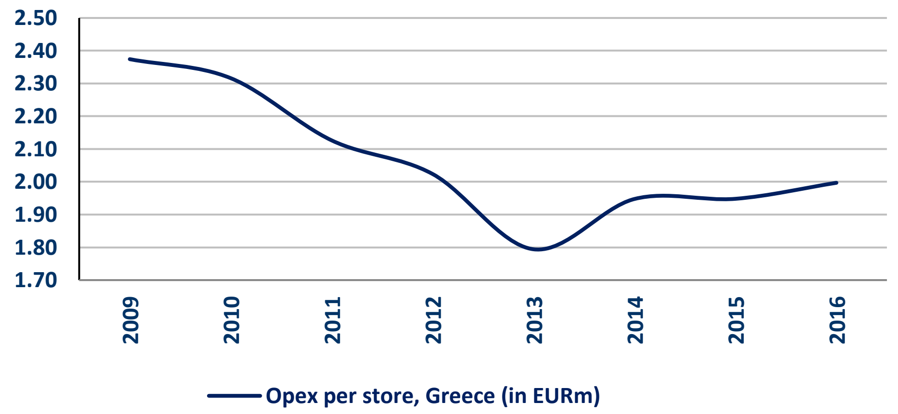


Source: Eurobank Equities Research, Company data

Opex per store (EBITDA level) have declined substantially in Greece in the last few years

With Jumbo's store network increasing >80% over 2007-2016 and with LFL sales in Greece coming under severe pressure over 2010-2014, it was only natural for Jumbo to see substantial deleverage over the same period. After the stabilisation of Jumbo's domestic LFL sales in 2015, the pendulum of operating leverage turned positive in 2016, with occupancy costs declining as % of sales. It is quite interesting, though, to look at Jumbo's performance in Greece over the same period. As the chart below showcases, Jumbo has managed to deliver substantial savings in cash opex per store in Greece (mainly driven by staff costs).

Jumbo cash opex per store – Greece



Source: Eurobank Equities Research, Company data

We expect further improvement in the staff cost ratio and positive leverage to drive margin expansion in the coming years

In short, Jumbo's EBIT margins have declined by c340bps from the peak, of which c40% is due to the "normalisation" of gross margins and c60% stems from cost deleveraging. Nonetheless, since 2014, Jumbo has actually managed to not only contain the decline but also deliver operating margin expansion in recent years, as a result of more efficient use of personnel and improved warehousing and distribution. Looking ahead, given our view for flattish gross margins (from 2018 onwards), we believe Jumbo can continue delivering EBIT margin improvement as staff costs as % of sales are likely to remain on a downward trajectory, while the occupancy cost deleveraging previously driven by falling LFL sales is likely to reverse. Note that on our understanding, part of Jumbo's rental costs are not fixed but are based on a variable rate (as % of sales), thereby protecting margins in periods of falling LFLs but, similarly, capping the upside in the event of an upturn.

Jumbo operating assumptions

EURm unless otherwise stated	2015	2016	2017e	2018e	2019e	2020e	2021e
Number of stores (year end)	72	71	74	78	81	83	85
Average store density	8.4	8.9	9.4	9.7	9.9	10.1	10.4
yoy	-0.3%	5.6%	5.8%	2.3%	2.3%	2.6%	2.5%
of which Greece	8.3	8.8	9.3	9.7	9.9	10.2	10.5
yoy	1.4%	6.3%	5.0%	4.4%	2.8%	2.8%	2.8%
Group sales	**582.5**	**637.6**	**684.2**	**733.8**	**785.2**	**831.1**	**873.0**
yoy	7.5%	9.4%	7.3%	7.2%	7.0%	5.8%	5.0%
Greece	437.9	458.9	472.3	498.2	522.1	547.1	573.1
yoy	2.9%	4.8%	2.9%	5.5%	4.8%	4.8%	4.8%
Cyprus	75.0	78.9	81.4	83.8	85.5	87.2	89.0
yoy	12.2%	5.1%	3.2%	3.0%	2.0%	2.0%	2.0%
Bulgaria	45.3	51.9	63.2	68.7	70.8	72.9	75.1
yoy	12.0%	14.5%	21.7%	8.7%	3.0%	3.0%	3.0%
Romania	24.3	47.9	67.3	83.1	106.8	123.9	135.8
yoy	175.1%	97.1%	40.5%	23.5%	28.6%	16.0%	9.6%
Gross profit	**309.7**	**337.9**	**359.2**	**385.0**	**412.4**	**436.0**	**457.4**
Gross margin	53.2%	53.0%	52.5%	52.5%	52.5%	52.5%	52.4%
Payroll costs (excl. admin)	-68.3	-69.1	-68.6	-71.5	-75.6	-79.7	-83.0
% of sales	11.7%	10.8%	10.0%	9.7%	9.6%	9.6%	9.5%
Other opex	-103.4	-107.8	-113.1	-121.0	-127.7	-133.4	-138.5
% of sales	17.8%	16.9%	16.5%	16.5%	16.3%	16.1%	15.9%
EBIT	**138.0**	**161.0**	**177.5**	**192.5**	**209.1**	**222.9**	**235.9**
margin	23.7%	25.3%	25.9%	26.2%	26.6%	26.8%	27.0%

Source: Company, Eurobank Equities Research

Estimate update

c10% EPS growth in FY17e

Our top line estimates for FY17 are still above mgt's guided range (4-7%) at 7.3%, with Jumbo sustaining similar growth rates in FY18-19. On the profitability side, we expect the freight rate headwind in H2 to dilute gross margins (-50bps yoy in FY17) but we anticipate flattish gross margins thereafter. We expect the tight monitoring of costs to help Jumbo deliver c9% EBITDA growth in FY17 followed by c8% in FY18-19.

Estimate changes

		FY17e	FY18e	FY19e
New	**Sales**	684.2	733.8	785.2
	EBITDA	200.7	217.2	235.1
	PBT	179.9	196.0	214.1
	Net profit adj.	133.2	145.9	160.2
Previous	**Sales**	687.0	732.0	775.0
	EBITDA	195.1	212.7	229.9
	PBT	173.7	192.3	211.7
	Net profit adj.	128.5	143.5	158.4
% change	**Sales**	0%	0%	1%
	EBITDA	3%	2%	2%
	PBT	4%	2%	1%
	Net profit adj.	4%	2%	1%

Source: Eurobank Equities Research

Our estimates stand c5-6% above consensus in FY17-18e

Below we contrast our forecasts with consensus estimates. As the table exemplifies, we stand 5% above consensus at EBITDA level factoring in greater opex savings on broadly similar sales. As for our net profit numbers, these are c5-6% above consensus as we also incorporate the reduction in Jumbo's financing costs, following the renegotiated terms on the €145m bond loan.

Eurobank Equities vs. consensus

		FY17e	FY18e	FY19e
Eurobank Equities estimates	**Sales**	684.2	733.8	785.2
	EBITDA	200.7	217.2	235.1
	PBT	179.9	196.0	214.1
	Net profit adj.	133.2	145.9	160.2
Consensus	**Sales**	681.6	731.3	785.7
	EBITDA	191.8	206.1	222.6
	PBT	171.5	185.0	200.3
	Net profit adj.	126.8	137.1	148.9
% diff	**Sales**	0%	0%	0%
	EBITDA	5%	5%	6%
	PBT	5%	6%	7%
	Net profit adj.	5%	6%	8%

Source: Eurobank Equities Research

H1’17 results overview

Jumbo results summary						
EURmn	**H1'16**	**H1'17**	**% change**	**H2'16**	**H2'17e**	**% change**
Sales	**371.8**	**401.9**	**8.1%**	**265.8**	**282.3**	**6.2%**
of which:						
Greece	*265.2*	*275.0*	3.7%	*193.7*	*197.3*	1.9%
Cyprus	*45.8*	*47.0*	2.7%	*33.1*	*34.3*	3.8%
Bulgaria	*32.3*	*40.1*	24.3%	*19.7*	*23.1*	17.6%
Romania	*28.4*	*39.7*	*39.5%*	*19.4*	*27.6*	*41.9%*
COGS	180.2	196.2		119.5	128.8	
Gross profit	**191.6**	**205.7**	**7.4%**	**146.3**	**153.5**	**4.9%**
margin	*51.5%*	*51.2%*	*-0.3%*	*55.1%*	*54.4%*	*-0.7%*
Operating costs	-83.8	-87.9	4.9%	-68.4	-68.7	0.5%
% of sales	*22.5%*	*21.9%*	*-0.7%*	*25.7%*	*24.3%*	*-1.4%*
Other income/ (expenses)	-2.3	-0.6		0.2	-0.4	
EBITDA	**105.5**	**117.3**	**11.2%**	**78.2**	**84.4**	**7.9%**
EBITDA margin	*28.4%*	*29.2%*		*29.4%*	*29.9%*	
Depreciation	-11.2	-11.3		-11.4	-11.9	
Net interest income (expense)	0.7	1.1		1.2	1.3	
PBT - adj.	**94.9**	**107.1**	**12.8%**	**67.9**	**72.8**	**7.2%**
Exceptionals	1.9	-0.1		0.4	0.1	
PBT - reported	**96.8**	**107.0**	**10.5%**	**68.3**	**72.9**	**6.7%**
Tax	-24.3	-25.6		-19.6	-21.1	
Net profit - reported	**72.5**	**81.4**	**12.3%**	**48.7**	**51.8**	**6.2%**
EPS - reported (EUR)	**0.53**	**0.60**	**12.3%**	**0.36**	**0.38**	**6.2%**
FCF	**129.7**	**100.0**		**-45.3**	**-12.3**	
Net cash	**281.2**	**258.9**		**258.5**	**224.7**	
Inventory	152.6	207.8		196.8	221.7	
Average EUR/USD	**1.10**	**1.10**		**1.12**	**1.06**	
Freight rates % change yoy (EEe)	*-27.0%*	*-6.0%*		*-28.5%*	*17.5%*	

Source: Company, Eurobank Equities Research

Jumbo managed to beat both our estimates (EEe) and consensus once again, reporting H1 EBITDA c4% above consensus on the back of more resilient gross margins (-30bps). Opex containment mitigated the modest gross margin pressure, helping Jumbo translate the 8.1% sales growth into 11.2% EBITDA growth (at €117.3m). The BoD has also decided to propose a €0.18 per share interim dividend, which ought to be well-taken by shareholders.

In more detail, gross margins contracted just 30bps in H1’17, as the subdued freight rates mitigated the deflationary pressures in Greece and the small FX headwind. Operating costs as % of sales were c60bps lower yoy, leading EBITDA 11% higher yoy to €117.3m compared with c€113m anticipated both by consensus and EEe. Net profit was up 12% coming in at €81.4m, but was up c14% on an adjusted basis, namely excluding last year’s gains from financial assets. On the cash flow front, FCF was somewhat weaker than we had anticipated at €100m vs. €130m in H1’16 due to a lower working capital inflow. The reason for this seems to have been a higher level of inventory, as Jumbo was running on ultra-low inventory levels on a per shop basis this time of last year.

Overall, given historic seasonality patterns, we believe that Jumbo’s H1 results point to FY17 EBITDA in excess of €200m compared with c€192m envisaged by consensus prior to the announcement. We thus expect upgrades of at least 4-5%. It is also worth emphasizing that Jumbo appears to have edged up its guidance for the targeted store network in Romania guiding for 20 points of sale in the next 5 years (7 stores currently). This compares with 18 stores targeted at the Analyst Day a few months ago. To this end, Jumbo has reached an agreement for the purchase of 5 stores in the country and the leasing of one extra store.

Interim results and divisional breakdown

Jumbo P&L estimates									
EURmn	**Q3'15**	**Q4'15**	**FY'15**	**Q1'16**	**Q2'16**	**H1'16**	**H2'16**	**FY'16**	**H1'17**
Sales	**105.0**	**136.4**	**582.5**	**152.6**	**219.1**	**371.8**	**265.8**	**637.6**	**401.9**
% change	11.5%	4.2%	7.5%	4.9%	12.0%	9.0%	10.1%	9.4%	8.1%
Gross profit	57.6	78.2	309.7	73.2	118.4	191.6	146.3	337.9	205.7
margin	*54.8%*	*57.4%*	*53.2%*	*48.0%*	*54.0%*	*51.5%*	*55.1%*	*53.0%*	*51.2%*
Operating costs	-37.2	-31.1	-148.0	-39.3	-44.4	-83.8	-68.3	-152.1	-86.9
% of sales	35.4%	22.8%	25.4%	25.8%	20.3%	22.5%	25.7%	23.9%	21.6%
Other income/(expenses)	0.2	-0.1	-2.4	-1.0	-1.3	-2.3	0.2	-2.1	-1.6
EBITDA	**20.6**	**47.0**	**159.3**	**32.9**	**72.6**	**105.5**	**78.2**	**183.7**	**117.3**
EBITDA margin	*19.6%*	*34.5%*	*27.3%*	*21.5%*	*33.1%*	*28.4%*	*29.4%*	*28.8%*	*29.2%*
Depreciation	-5.1	-5.5	-21.2	-5.6	-5.6	-11.2	-11.4	-22.7	-11.3
Net interest income (expense)	0.4	0.1	1.7	0.1	0.5	0.7	-1.0	-0.4	1.1
PBT	**15.5**	**40.1**	**137.0**	**29.2**	**67.6**	**96.8**	**68.3**	**165.1**	**107.0**
Tax	-3.6	-9.7	-32.1	-7.4	-16.9	-24.3	-19.6	-43.9	-25.6
Tax rate	23.4%	24.3%	23.4%	25.3%	25.0%	25.1%	28.6%	26.6%	23.9%
Net profit - adj	**12.2**	**31.5**	**106.9**	**20.5**	**50.7**	**71.1**	**48.5**	**119.6**	**81.5**
Net profit - reported	**11.9**	**30.4**	**104.9**	**21.8**	**50.7**	**72.5**	**48.7**	**121.3**	**81.4**
EPS - reported (EUR)	**0.09**	**0.22**	**0.77**	**0.16**	**0.37**	**0.53**	**0.36**	**0.89**	**0.60**
Inventory	207.8	197.8	197.8	178.3	152.6	152.6	196.8	196.8	207.8
Average EUR/USD	**1.13**	**1.11**	**1.20**	**1.11**	**1.10**	**1.10**	**1.12**	**1.11**	**1.10**
CCFI % change yoy	-5.0%	-18.0%	-5.0%	-26.0%	-28.0%	-27.0%	-28.5%	-28.0%	-6.0%

Source: Company, Eurobank Equities Research

Jumbo divisional results									
EURmn	**Q3'15**	**Q4'15**	**FY'15**	**Q1'16**	**Q2'16**	**H1'16**	**H2'16**	**FY'16**	**H1'17**
Greece									
Sales	79.1	102.4	437.9	111.7	153.5	265.2	193.7	458.9	275.0
growth	*7.9%*	*-0.5%*	*2.9%*	*-1.6%*	*7.4%*	*3.4%*	*6.7%*	*4.8%*	*3.7%*
% change in sales per store	*6.9%*	*-1.5%*	*1.9%*	*-0.6%*	*11.6%*	*2.5%*	*9.8%*	*6.3%*	*7.5%*
EBITDA	18.5	39.7	133.2	24.5	55.2	79.7	62.7	142.4	86.3
margin	*23.4%*	*38.8%*	*30.4%*	*21.9%*	*36.0%*	*30.0%*	*32.4%*	*31.0%*	*31.4%*
Cyprus									
Sales	14.3	17.3	75.0	20.0	25.8	45.8	33.1	78.9	47.0
growth	*10.5%*	*6.2%*	*12.2%*	*9.1%*	*2.8%*	*5.5%*	*4.6%*	*5.1%*	*2.7%*
EBITDA	5.4	6.8	29.3	8.4	10.2	18.6	12.9	31.5	19.0
margin	*37.7%*	*39.3%*	*39.0%*	*42.1%*	*39.4%*	*40.6%*	*39.1%*	*40.0%*	*40.3%*
Bulgaria									
Sales	7.0	9.8	45.3	12.4	19.9	32.3	19.7	51.9	40.1
growth	*15.3%*	*8.0%*	*12.0%*	*11.8%*	*13.6%*	*12.9%*	*17.4%*	*14.5%*	*24.3%*
EBITDA	1.4	3.0	14.5	4.3	7.4	11.8	5.8	17.6	14.4
margin	*20.6%*	*30.7%*	*32.0%*	*34.9%*	*37.4%*	*36.5%*	*29.4%*	*33.8%*	*35.8%*
Romania									
Sales	4.6	7.0	24.3	8.6	19.9	28.4	19.4	47.9	39.7
EBITDA	1.1	1.3	6.7	3.0	7.4	10.4	5.8	16.2	15.2
margin	*23.3%*	*18.6%*	*27.4%*	*35.1%*	*37.3%*	*36.6%*	*29.8%*	*33.9%*	*38.4%*
EBITDA - pre central costs	**26.4**	**50.8**	**183.6**	**40.2**	**80.2**	**120.5**	**87.2**	**207.7**	**134.8**
Unallocated	-5.8	-3.9	-24.3	-7.4	-7.6	-15.0	-9.0	-24.0	-17.6
Group EBITDA	**20.6**	**47.0**	**159.3**	**32.9**	**72.6**	**105.5**	**78.2**	**183.7**	**117.3**

Source: Company, Eurobank Equities Research. Geographic segment EBITDA is pre-central costs.

Brief company description

Jumbo is Greece's largest retailer of toys, baby items, seasonal and decoration items, books and stationery. It operates 51 stores in Greece, 5 in Cyprus, 9 in Bulgaria and another 7 in Romania. Having started as a specialist of toy products in 1986, Jumbo has evolved into more than simply a specialist retailer of toys and baby products. The group has now become one of the biggest retail chains in Greece and is considered to be a "one-stop" destination for consumers, who can also find books and stationery as well as seasonal and household products in its shops. Jumbo generated c72% of sales in Greece in FY16, and this figure is likely to fall to c68% by 2018, on our estimates.

Risks and sensitivities

- **Macroeconomic environment:** The main risk for Jumbo is its high exposure to the Greek consumer demand with >70% of its sales being Greek-based. Therefore, any significant decline in economic activity would put pressure on consumer expenditure negatively affecting Jumbo's profitability. We estimate that each 1% movement in domestic sales is worth c1.3% on group EBITDA.
- **Seasonality:** Jumbo generates c28% of its annual turnover in December and another c10% in each of Easter and early September. This seasonality requires merchandise purchases to be made well in advance; as a result, overstocking could result in products sitting on the shelf for longer than expected, eventually leading to inventory markdowns.
- **USD cost base:** The group imports c80% of its products from China and pays for these in US Dollars (USD), so currency movements can have a significant impact on earnings. We estimate that a 5% change in the USD/EUR rate would impact the group's EBITDA by c6%.
- **Reliance on Chairman:** The Chairman Mr. Vakakis, has guided the group through its evolution from a toy retailer into a hypermarket and through its international expansion in both Cyprus and Bulgaria. Any decision on his behalf to step down could result in uncertainty about the group's future strategy. In addition, given that the Vakakis family controls c31% of the voting rights, there might be a stock overhang were a portion of this stake to be sold in the future.

Group Financial Statements

Balance Sheet					
FY to end June (EUR mn)	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Non-current Assets					
Property, Plant & Equipment	497.9	498.8	520.7	542.1	549.7
Investment property	6.1	5.7	5.7	5.7	5.7
Other Long-term assets	29.1	26.0	26.0	26.0	26.0
Total Non-current Assets	**533.1**	**530.5**	**552.5**	**573.9**	**581.4**
Inventories	197.8	196.8	221.7	237.8	254.5
Trade Receivables	15.5	32.6	35.0	37.5	40.1
Other Receivables	39.1	46.7	47.6	48.5	49.3
Cash & Equivalents	298.9	394.7	367.0	426.4	508.6
Securities	5.9	8.2	0.6	0.0	0.0
Current assets	**557.2**	**678.9**	**671.9**	**750.2**	**852.5**
Total Assets	**1,090.3**	**1,209.4**	**1,224.3**	**1,324.1**	**1,433.9**
Share Capital & Premium	169.5	119.6	119.6	119.6	119.6
Reserves	627.7	796.0	817.6	909.0	1,009.6
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**797.2**	**915.6**	**937.2**	**1,028.7**	**1,129.2**
LT Loans	143.9	144.2	142.8	0.0	142.2
Provisions	25.7	21.1	21.1	21.1	21.1
Long Term Liabilities	**169.6**	**165.3**	**163.9**	**21.1**	**163.3**
ST Loans	2.9	0.2	0.0	142.2	0.0
Trade Payables	51.4	39.1	75.3	80.7	86.4
Other Payables	69.2	89.3	47.9	51.4	55.0
Current liabilities	**123.5**	**128.6**	**123.2**	**274.3**	**141.4**
Total Equity & Liabilities	**1,090.3**	**1,209.4**	**1,224.3**	**1,324.1**	**1,433.9**

Source: Company, Eurobank Equities Research

P&L					
FY to end June (EUR mn)	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Turnover	**582.5**	**637.6**	**684.2**	**733.8**	**785.2**
change	*7.5%*	*9.4%*	*7.3%*	*7.2%*	*7.0%*
Gross Profit	**309.7**	**337.9**	**359.2**	**385.0**	**412.4**
Gross margin	*53.2%*	*53.0%*	*52.5%*	*52.5%*	*52.5%*
Selling, Administrative & Other Expenses	148.1	152.1	156.5	166.8	176.3
Other Income (net)	-2.4	-2.1	-2.0	-1.0	-1.0
EBITDA - adjusted	**159.3**	**183.7**	**200.7**	**217.2**	**235.1**
change	*8.7%*	*15.3%*	*9.2%*	*8.2%*	*8.2%*
EBITDA margin	*27.3%*	*28.8%*	*29.3%*	*29.6%*	*29.9%*
Depreciation	21.2	22.7	23.2	24.7	26.0
EBIT	**138.0**	**161.0**	**177.5**	**192.5**	**209.1**
change	*8.6%*	*16.7%*	*10.2%*	*8.5%*	*8.6%*
EBIT margin	*23.7%*	*25.3%*	*25.9%*	*26.2%*	*26.6%*
Net Financial Expense / Income	1.7	1.9	2.4	3.5	5.0
Extraordinary	-2.7	2.2	0.0	0.0	0.0
Earnings Before Tax	**137.0**	**165.1**	**179.9**	**196.0**	**214.1**
change	*5.4%*	*20.5%*	*8.9%*	*8.9%*	*9.2%*
EBT margin	*23.5%*	*25.9%*	*26.3%*	*26.7%*	*27.3%*
Recurring tax	32.1	43.9	46.7	50.1	53.9
Recurring Tax Rate	23.4%	26.6%	26.0%	25.6%	25.2%
Corporate levy	0.0	0.0	0.0	0.0	0.0
Earnings After Tax - reported	**104.9**	**121.3**	**133.2**	**145.9**	**160.2**
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit - adjusted	**106.9**	**119.6**	**133.2**	**145.9**	**160.2**
change	*5.6%*	*11.8%*	*11.3%*	*9.5%*	*9.8%*
Net Profit margin	*18.4%*	*18.8%*	*19.5%*	*19.9%*	*20.4%*
EPS - adjusted	**0.79**	**0.88**	**0.98**	**1.07**	**1.18**
DPS	**0.18**	**0.63**	**0.40**	**0.44**	**0.48**

Source: Company, Eurobank Equities Research

** DPS includes special dividend in FY15.*

Cash Flow Statement					
FY to end June (EUR mn)	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
EBIT	138.0	161.0	177.5	192.5	209.1
Depreciation and Amortization	21.2	22.7	23.2	24.7	26.0
Changes in Working Capital	8.2	-23.1	-19.2	-7.2	-7.5
Net Interest	2.3	1.3	2.4	3.5	5.0
Tax	-31.7	-42.8	-46.7	-50.1	-53.9
Other	0.2	0.2	0.0	0.0	0.0
Net Inflows (Outflows) from Operating Activities	**138.2**	**119.2**	**137.2**	**163.4**	**178.7**
Capex	-59.1	-34.7	-49.5	-49.5	-36.9
Other investing inflow (outflow)	-3.4	0.1	0.0	0.0	0.0
Net Inflows (Outflows) from Investing Activities	**-62.5**	**-34.6**	**-49.5**	**-49.5**	**-36.9**
Free Cash Flow	**75.7**	**84.6**	**87.7**	**113.9**	**141.8**
Free Cash Flow (adj.)	**79.1**	**84.5**	**87.7**	**113.9**	**141.8**
Net dividends paid	-45.8	0.0	-121.5	-54.4	-59.6
Net debt (cash)	**-158.0**	**-258.5**	**-224.7**	**-284.2**	**-366.4**

Source: Company, Eurobank Equities Research

Ratios					
FY to end June	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
P/E	10.1	14.3	12.9	11.8	10.9
P/BV	1.7	2.0	1.9	1.7	1.5
P/Sales	2.4	2.8	2.6	2.4	2.2
EV/EBITDA	5.8	8.1	7.6	6.7	6.0
EV/Sales	2.3	2.2	2.1	2.4	2.2
EBIT/Interest expense	NM	NM	NM	NM	NM
Net Debt/EBITDA (net cash)	-1.2	-1.3	-1.2	-1.4	-1.7
Dividend Yield	2.1%	4.7%	3.0%	3.3%	3.6%
ROE	13.9%	14.2%	14.6%	14.8%	14.7%
Free Cash Flow yield	5.7%	4.7%	5.5%	7.0%	8.7%
Dividend payout ratio	22.9%	71.7%	40.9%	40.9%	40.9%

Source: Company, Eurobank Equities Research

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12-month Rating History of Jumbo

Date	Rating	Stock price	Target price
01/03/2017	Buy	€13.35	€ 16.10
16/12/2016	Buy	€15.10	€ 16.00
17/10/2016	Buy	€11.94	€ 15.00
16/09/2016	Buy	€10.58	€ 14.60
26/08/2016	Buy	€ 10.61	€ 14.60
25/05/2016	Buy	€ 11.64	€ 14.60
10/03/2016	Buy	€ 11.00	€ 12.80

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Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	13	50%	1	8%
Hold	6	23%	0	0%
Sell	2	8%	0	0%
Restricted	2	8%	0	0%
Under Review	3	12%	0	0%
Total	26	100%		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
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