

# Jumbo

# Buy

Upgraded from Hold

Price: EUR 13.9

Price target: EUR 16.8

(From EUR 12.1)

## No more “boring good”, simply good...

We upgrade Jumbo to BUY from Hold, with our price target (PT) increased to EUR 16.8 from EUR 12.1. A year ago, we downgraded the stock to a Hold as we saw limited space for a further rerating from its 1YF P/E of 12x, for a company growing at a three-year EPS CAGR of 8% in a country with the 10-year sovereign bond rate in double-digit territory. Now, however, we see a different situation. First, after years of (overly) cautious expansion in Romania, Jumbo's management has decided to triple the rollout. Combining this with the 13% USD weakness ytd, we now see a three-year EPS CAGR of 10%. At the same time, Greek bond yields have compressed to c.5.5%. In this light, we believe the company's 1YF P/E of 14x is attractive again.

**Romania – key growth driver, at last in use.** Historically, we have argued that Jumbo is underutilising its expansion potential in Romania, its most prospective market. Indeed, four years after entering the market, Jumbo operates only four stores in the country, responsible for 8% of its consolidated revenues. However, things have changed recently, with management guiding for a store count of 25 in Romania within the next five years. As a result, we now expect the Romanian operations to exceed 20% of total sales by 2021E, and account for 54% of the top-line growth in the same period.

**Greece recovering; Romania rallying.** After 10 years of contractions, real GDP in Greece stabilised last year and we expect a c.1.5% recovery over 2017/18E. At the same time, 10-year sovereign bond yields have compressed from low-double-digit levels in early-2016 to c.7.5% at the beginning of this year and to c.5.5% now. Moreover, going forward, we expect a further drop to 4.0% in 2018E. The macro environment looks even more rosy in European growth champion, Romania, where we forecast GDP growth of 5.5% in 2017E and 4.5% in 2018E, fuelled mainly by private consumption rallying 7.0% and 8.0%, respectively.

**We have increased our earnings forecasts by 3-11%.** Given the continued macro recovery in Greece and the guidance of tripling the rollout pace in Romania, we have increased our revenue forecasts for Jumbo by 1-8% for the next three years. With our updated 2017/18E sales estimate of EUR 686m, +8% yoy, we are at the upper end of the company's guidance of 6-9% sales expansion. We have also increased our 2017-19E earnings estimates for Jumbo by 3-11%. Our 2017/18E net earnings forecast of EUR 131m is 8% ahead of the company's (cautious) guidance.

**2017/18E P/E of 13.7x, 7% above the five-year average.** Despite the recent c.15% share price correction, we still see Jumbo trading above its historical average levels. However, given the major yield compression we have witnessed in Greece, and management eventually shifting growth in Romania up a gear, we see such a premium as fully justified. The stock is also trading at single-digit discounts to its peers' average.

**Risks:** Greek macro/political developments; FX/transportation cost fluctuations; Romanian expansion; and competitive threats (also online).

### Expected events

FY16/17 results 10 October 2017 (TBC)

### Key data

Market Cap	EUR 1.9bn
Free float	73%
Shares outstanding	136.1m
Average daily volume	EUR 2.7m
Major shareholders	Vakakis Apostolos-Evan (27%)
Bloomberg code	BELA GA
ASE Index	823

### Price performance

52-w range (EUR)	10.5-16.5
52-w EUR performance	+31%
Relative EUR perf. (vs. ASE)	-8%

Jumbo: 12M price performance



Year (to June)	Sales (EUR m)	EBITDA (EUR m)	Adj. Net (EUR m)	Adj. EPS (EUR)	EPS growth	P/E (x)	EV/ EBITDA	ROE (%)	DPS (EUR)	Divid. yield (%)
2014	542	146.5	101.2	0.74	37%	18.3	11.3	15%	0.18	1.3%
2015	583	159.2	104.8	0.77	3%	16.6	9.7	14%	0.34	2.4%
2016	638	183.3	121.3	0.89	16%	15.0	8.4	14%	0.00	0.0%
2017E	686	190.6	130.6	0.96	8%	13.7	7.6	13%	0.34	2.4%
2018E	745	208.3	144.7	1.06	11%	12.4	6.7	13%	0.37	2.7%
2019E	807	226.2	159.6	1.17	10%	11.3	5.9	13%	0.41	3.0%

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## Closing Prices as of 01 September 2017

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# Company snapshot – BUY, PT EUR 16.8

JUMBO							COMPANY DESCRIPTION						
BUY				SHARE PRICE PERFORMANCE			COMPANY DESCRIPTION						
Bloomberg ticker	BELA GA						Jumbo S.A. retails toys, baby products and stationery items. The company operates a chain of retail stores, and imports and wholesales toys to other retailers. Jumbo is present in four countries (Greece, Cyprus, Bulgaria and Romania), and has franchise agreements for Jumbo stores in FYROM, Albania and Kosovo.						
Closing price (EUR)	13.9												
Price target (EUR)	16.8												
Upside to PT	21.1%												
Shares outstanding (m)	136.1												
Market cap (EURm)	1,890												
Free float	73.0%												
Average daily turnover (EURm)	2.7												
52 Week performance	31.0%												
52 Week relative performance	-7.9%												
52 Week Range (EUR)	10.5-16.5												
RATIOS													
PER SHARE RATIOS							VALUATION RATIOS						
	2014	2015	2016	2017E	2018E	2019E	2014	2015	2016	2017E	2018E	2019E	
EPS	0.74	0.77	0.89	0.96	1.06	1.17	EV/EBITDA	11.3x	9.7x	8.4x	7.6x	6.7x	5.9x
BVPS	5.47	5.86	6.73	7.69	8.42	9.22	P/E	18.3x	16.6x	15.0x	13.7x	12.4x	11.3x
DPS (year of payout)	0.18	0.34	0.00	0.34	0.37	0.41	P/BV	2.5x	2.4x	2.1x	1.8x	1.7x	1.5x
FINANCIAL RATIOS							EV, EURm	1,761	1,727	1,632	1,546	1,493	1,436
Gross profit margin	53.1%	53.2%	53.0%	52.1%	52.1%	52.0%	Net debt, EURm	-122	-152	-250	-336	-389	-446
EBITDA margin	27.0%	27.3%	28.8%	27.8%	28.0%	28.0%	FCF, EURm	69	69	110	80	92	100
EBIT margin	23.5%	23.7%	25.3%	24.4%	24.7%	24.9%	FCF yield	3.7%	3.7%	5.8%	4.2%	4.8%	5.3%
Net margin	18.7%	18.0%	19.0%	19.0%	19.4%	19.8%	Dividend yield	1.3%	2.4%	0.0%	2.4%	2.7%	3.0%
ROE	14.6%	13.6%	14.2%	13.3%	13.2%	13.3%	FCF BREAKDOWN						
Adjusted ROE	14.6%	13.6%	14.2%	13.3%	13.2%	13.3%	2014	2015	2016	2017E	2018E	2019E	
Asset Turnover	0.6x	0.5x	0.6x	0.5x	0.5x	0.5x	EBIT	127	138	161	167	184	201
Equity Multiplier	1.4x	1.4x	1.3x	1.3x	1.3x	1.3x	NOPAT	99	106	121	125	138	151
Adjusted Net Margin	18.7%	18.0%	19.0%	19.0%	19.4%	19.8%	Depreciation	19	21	22	23	25	25
ROIC	15.5%	16.0%	17.5%	17.3%	17.9%	18.4%	Change in WC	-13	1	1	-15	-17	-18
							Capex	-36	-59	-35	-54	-53	-58
							FCF	69	69	110	80	92	100
COMPANY FINANCIALS													
INCOME STATEMENT, PLNm							BALANCE SHEET, PLNm						
	2014	2015	2016	2017E	2018E	2019E	2014	2015	2016	2017E	2018E	2019E	
Revenues	542	583	638	686	745	807	PPE	446	498	499	529	558	591
Greece	426	438	459	474	502	528	Investment in associates	7	10	8	8	8	8
Cyprus	67	75	79	82	84	85	Total non-current assets	481	532	530	560	589	621
Bulgaria	40	45	52	59	62	63	Inventories	186	198	197	212	230	249
Romania	9	24	48	71	97	130	Trade accounts receivable	31	16	33	35	38	41
COGS	-254	-273	-300	-329	-357	-387	Cash and cash equivalents	288	299	395	480	533	591
EBITDA	146	159	183	191	208	226	Total current assets	552	558	680	783	857	937
EBIT	127	138	161	167	184	201	Shareholders equity	745	797	916	1,046	1,145	1,254
PBT	130	137	165	174	193	213	LT Debt	144	144	144	144	144	144
Tax	-29	-32	-44	-44	-48	-53	Other LT liabilities	8	20	14	14	14	14
Net profit	101	105	121	131	145	160	Total non-current liabilities	156	170	165	165	165	165
CASH FLOW STATEMENT, PLNm							Trades payables	52	51	39	42	46	49
	2014	2015	2016	2017E	2018E	2019E	Tax liabilities	39	40	51	51	51	51
CF from operations	133	168	161	176	191	208	ST loans	21	3	0	0	0	0
Depreciation & amortisation	19	21	22	23	25	25	Total current liabilities	133	123	129	132	135	139
WCR change	-13	1	1	-15	-17	-18	Total equity and liabilities	1,034	1,090	1,209	1,343	1,446	1,558
CF from investments	-16	-63	-35	-54	-53	-58							
Capex	-36	-59	-35	-54	-53	-58							
CF from fin. activities	17	-64	-3	0	-46	-51							
Dividends to shareholders	0	-46	0	0	-46	-51							
OPERATIONS													
	2014	2015	2016	2017E	2018E	2019E		2014	2015	2016	2017E	2018E	2019E
Store count	66	72	72	78	82	87	Rev per avg sqm (EUR)	970	944	974	992	994	1,008
Greece	52	53	51	53	54	55	Greece	1063	1073	1100	1166	1201	1237
Cyprus	4	5	5	5	5	5	Cyprus	1816	1745	1488	1547	1578	1610
Bulgaria	8	8	8	9	9	9	Bulgaria	360	403	452	479	488	498
Romania	2	6	8	11	14	18	Romania	606	578	552	591	621	652
	2014	2015	2016	2017E	2018E	2018E							
Total Selling space (sqm)	582,700	651,700	657,700	726,700	771,700	828,700							
Greece	402,200	411,200	393,200	411,200	420,200	429,200							
Cyprus	41,000	53,000	53,000	53,000	53,000	53,000							
Bulgaria	112,500	112,500	112,500	127,500	127,500	127,500							
Romania	27,000	75,000	99,000	135,000	171,000	219,000							

## Earnings forecasts for 2017-19E increased by 3-11%

Given the continued macro recovery in Greece and management's guidance of tripling the rollout pace in Romania, we have increased our revenue forecasts for Jumbo by 1-8% for the next three years. With our updated 2017/18E sales estimate of EUR 686m, up 8% yoy, we are at the upper end of the company's guidance of 6-9% sales expansion. We have also increased our earnings estimates for the next three years for Jumbo by 3-11%. Our 2017/18E earnings forecast of EUR 131m comes in 8% ahead of the company's (cautious) guidance.

### Jumbo: financial forecasts update (EUR m)

Year-end June	2017/18E			2018/19E			2019/20E		
	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.
Sales	686.3	678.2	1	744.6	711.8	5	806.6	746.3	8
Gross profit	357.6	363.2	(2)	387.7	381.0	2	419.8	399.3	5
EBITDA	190.6	184.7	3	208.3	195.2	7	226.2	205.3	10
EBIT	167.1	161.3	4	183.7	170.6	8	200.9	180.0	12
Net profit	130.6	126.2	3	144.7	134.9	7	159.6	143.9	11
Gross margin	52.1%	53.5%	-1.4%	52.1%	53.5%	-1.4%	52.0%	53.5%	-1.5%
EBITDA margin	27.8%	27.2%	0.5%	28.0%	27.4%	0.6%	28.0%	27.5%	0.5%
EBIT margin	24.4%	23.8%	0.6%	24.7%	24.0%	0.7%	24.9%	24.1%	0.8%
Net profit margin	19.0%	18.6%	0.4%	19.4%	19.0%	0.5%	19.8%	19.3%	0.5%

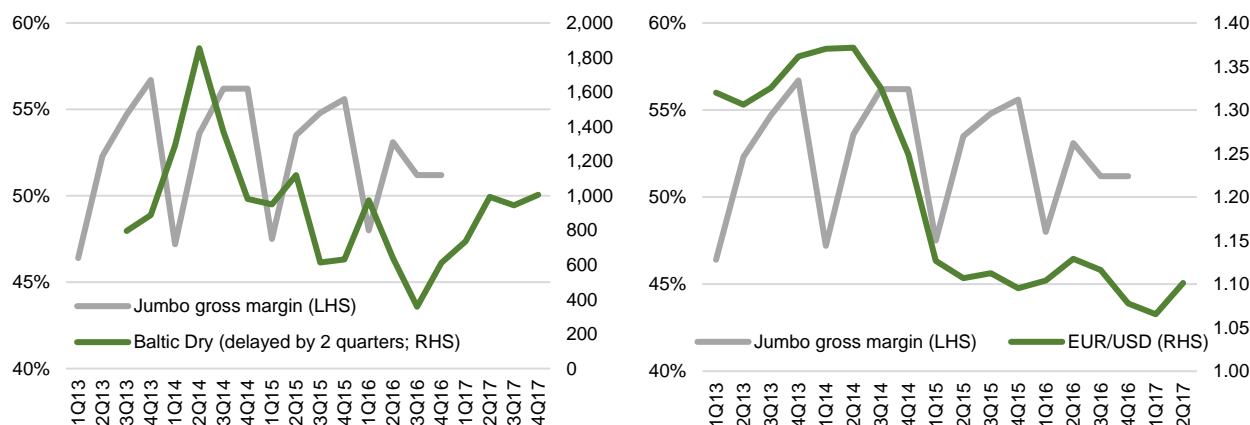
Source: Company data, WOOD Research

**Revenue forecasts up 1-8%.** Historically, we have argued that Jumbo is underutilising its expansion potential in Romania, its most prospective market. Indeed, four years after entering the market, Jumbo operates only four stores, responsible for 8% of its consolidated revenues. However, things have changed recently, with management guiding for a store count of 25 in Romania within the next five years. As a result, we now expect the Romanian operations to exceed 20% of total sales by 2021E, and account for 54% of the top-line growth in the same period. On top of this, we highlight the continued recovery of the Greek economy. To account for the improved growth potential, we have increased our sales forecasts by 1% to EUR 686m for 2017/18E, 5% to EUR 745m in 2018/19E and another 8% to EUR 807m in 2019/20E. Our updated 2017/18E sales expansion forecast of 8% is at the upper end of management's guidance of 6-9% growth.

**Gross margin trimmed by 140-150bps.** Jumbo's management expects gross margin erosion due to increased freight costs. Within the past five quarters, the Baltic Dry index has almost tripled from its trough in early-2016. On top of that, we underline that the growing share within the company's total sales of the Romanian operations is likely to have a dilutive effect on the company's trade margin. On the upside, we highlight that the USD weakness vs. the EUR of 8% ytd is a positive development for the retailer, which imports virtually all of its goods from China. Overall, we have trimmed our 2017-19E gross margin estimates for Jumbo by 140-150bps to 52.0-52.1%.

### Jumbo: gross margin vs. Baltic Dry index...

### ...and the EUR/USD FX rate



Source: Bloomberg, WOOD Research

**Earnings forecasts increased by 3-11%.** Taking the operating leverage into account, we have effectively increased our EBITDA forecasts by 3% to EUR 191m for 2017/18E, 7% to EUR 208m for 2018/19E and 10% to EUR 226m in 2019/20E. Accordingly, we have increased our net earnings forecasts by 3% to EUR 131m for 2017/18E, 7% to EUR 145m in 2018/19E and 11% to EUR 160m in 2019/20E. Our 2017E net profit estimates are 8% above management's guidance for a flat result; however, given the company's track-record of overly-cautious forecasts, we feel fully comfortable with that.

## Valuation update – upgraded to BUY again

We have increased our 12M PT for Jumbo to EUR 16.8/share from EUR 12.1, due to our higher growth forecasts and the compression in Greek yields. Our new PT offers 23% total return potential. As a result, we see the almost 15% correction from the May highs as an opportunity to BUY on weakness. We use a blended approach, with DCF and peer group valuation weights of 50% each: 1) our DCF 12M PT rises to EUR 18.9/share (from EUR 11.5); and 2) our peer valuation outcome is EUR 14.9 (from EUR 12.7), reflecting our 2017/18E-2018/19E forecasts revisions.

### Jumbo: valuation summary

	Weight	Equity value EURm	Per share EUR	Upside/ downside
DCF	50%	2,548	18.9	34%
Peer group valuation	50%	2,094	14.9	5%
P/E multiple	50%	2,278	15.0	6%
EV/EBITDA	50%	1,880	14.6	3%
<b>Weighted average target value</b>		<b>2,314</b>	<b>16.8</b>	
Current price (EUR)			13.9	
<b>Upside/downside</b>			<b>21%</b>	
Expected dividend yield			2%	
<b>Total return potential</b>			<b>23%</b>	

Source: WOOD Research

### Peer valuation

In our peer group valuation, we have applied the average sector multiples to our 2017/18E-2018/19E estimates to value Jumbo. Moreover, seeing the Greek macro stabilisation and the company's growth prospects improving, we have dropped the 20% discount that we applied previously.

### Jumbo: P/E valuation

	2017E	2018E
Adjusted EBIT (EUR m)	167.1	183.7
Interest	7.0	9.2
Tax	-43.5	-48.2
Tax rate	25.0%	25.0%
Minorities	0.0	0.0
<b>Net income (EUR m)</b>	<b>138.8</b>	<b>153.3</b>
<b>Growth %</b>	<b>9.6%</b>	<b>10.5%</b>
Average no. of shares (fully-diluted)	136.2	136.2
<b>Normalised EPS</b>	<b>1.02</b>	<b>1.13</b>
<b>Peer group multiple</b>	<b>15.1</b>	<b>12.9</b>
<b>Retained multiple</b>	<b>15.1x</b>	<b>12.9x</b>
<b>Implied premium/discount</b>	<b>0%</b>	<b>0%</b>
Target equity (EUR m)	2,099	1,980
<b>Value per share (EUR)</b>	<b>15.4</b>	<b>14.5</b>

Source: WOOD Research

### Jumbo: EV/EBITDA valuation

	2017E	2018E
EBITDA (EUR m)	201	219
EBITDA growth %	7.1%	8.9%
<b>Peer group multiple</b>	<b>8.0</b>	<b>7.2</b>
<b>Retained multiple</b>	<b>8.0x</b>	<b>7.2x</b>
<b>Implied premium/(discount)</b>	<b>0%</b>	<b>0%</b>
<b>Implied EV</b>	<b>1,603</b>	<b>1,565</b>
Net (debt)/cash	366	422
Associates	8	8
Minority interests	0	0
<b>Target equity (EUR m)</b>	<b>1,977</b>	<b>1,995</b>
Number of shares (m)	136.2	136.2
<b>Value per share (EUR)</b>	<b>14.5</b>	<b>14.6</b>

Source: WOOD Research

## Jumbo: peer group valuation table

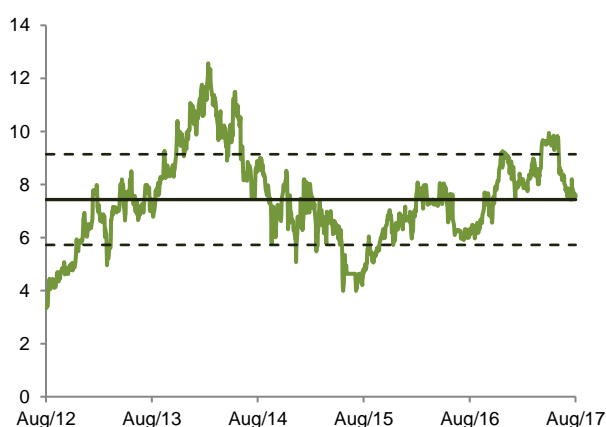
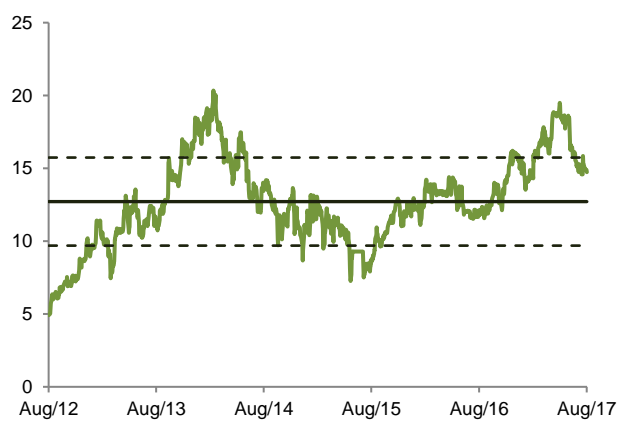
	Curr.	Last (LCU)	Mkt cap (USD m)	EV/EBITDA (x)			P/E (x)			PEG
				2016	2017E	2018E	2016	2017E	2018E	
<b>Jumbo (Wood est.)</b>	EUR	13.9	2,278	8.4	7.6	6.7	15.0	13.7	12.4	1.5
<b>Developed</b>										
Debenhams	GBp	40	638	3.0	3.2	3.3	5.4	6.4	7.1	n/m
Dunelm	GBp	574	1,500	8.1	8.9	8.1	11.5	13.4	11.9	n/m
Stockman	EUR	6.3	546	9.8	12.7	10.3	12.2	9.5	7.1	1.3
WH Smith	GBp	1,845	2,411	11.9	11.3	10.8	19.3	17.9	16.8	2.5
Mothercare	GBp	98	199	4.1	4.1	3.9	10.8	10.2	9.5	1.6
<b>Emerging</b>										
Ramayana	IDR	985	532	7.4	7.1	6.1	17.1	16.0	14.2	1.6
Mitra	IDR	7,200	905	11.0	8.6	7.6	59.3	32.5	23.8	0.6
Grupo Famsa	MXN	10.3	331	7.7	na	na	na	na	na	n.a.
<b>Average</b>										
Developed				7.4	8.0	7.3	11.8	11.5	10.5	1.8
Emerging				8.7	7.9	6.8	38.2	24.3	19.0	1.1
<b>All</b>				<b>7.9</b>	<b>8.0</b>	<b>7.2</b>	<b>19.4</b>	<b>15.1</b>	<b>12.9</b>	<b>1.5</b>
<b>Premium/discount</b>				<b>7%</b>	<b>-5%</b>	<b>-6%</b>	<b>-23%</b>	<b>-10%</b>	<b>-4%</b>	<b>-2%</b>

Source: Bloomberg, WOOD Research

**1YF consensus P/E 16% above the five-year average.** Despite the recent correction, Jumbo is still trading at a 1YF consensus-based P/E of 14.7x, 16% (or two-thirds of its standard deviation) above its five-year average. At the same time, trading at a 1YF consensus-based EV/EBITDA of 7.5x, Jumbo is just a notch above its five-year average.

## Jumbo: consensus 1YF P/E estimates...

## ...and 1YF EV/EBITDAs



Source: Bloomberg, WOOD Research

## DCF

Our DCF yields a 12M PT of EUR 18.9/share, based on our explicit operating forecasts for 2017-24E and a 9.1% WACC (down from 11.9% previously).

## WACC

Our main WACC assumptions are:

- ✓ A risk free rate (RFR) of 5.5% (vs. 8.0% previously).
- ✓ An equity risk premium of 5.0%.
- ✓ A beta of 1.0x.
- ✓ An equity weight of 86%.

## Jumbo: WACC calculation

[A] Debt/capital ratio (%)	14%
[C] Equity/capital ratio (%)	86%
<b>Cost of debt:</b>	
Marginal cost of debt (%)	0.08
x Marginal tax rate (%)	25.0%
<b>[B] Cost of debt (post tax) (%)</b>	0.06
<b>Cost of equity:</b>	
Beta	1.00
x Equity risk premium (%)	5.00
+ Risk free rate (%)	5.50
<b>[D] Cost of equity (%)</b>	10.50
<b>[A x B] + [C x D] = WACC:</b>	9.1%

Source: WOOD Research

## Jumbo: DCF

EURm	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
<b>Sales</b>	<b>583</b>	<b>638</b>	<b>686</b>	<b>745</b>	<b>807</b>	<b>876</b>	<b>936</b>	<b>983</b>	<b>1,026</b>	<b>1,069</b>
EBIT	138	161	167	184	201	220	237	249	261	274
<i>EBIT margin</i>	23.7%	25.3%	24.4%	24.7%	24.9%	25.1%	25.3%	25.4%	25.5%	25.6%
- Tax	-32	-40	-42	-46	-50	-55	-59	-62	-65	-68
<i>Tax rate (%)</i>	23.4%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<b>NOPAT</b>	<b>106</b>	<b>121</b>	<b>125</b>	<b>138</b>	<b>151</b>	<b>165</b>	<b>177</b>	<b>187</b>	<b>196</b>	<b>205</b>
+ Depreciation & provisions	21	22	23	25	25	26	27	26	25	25
- Capex	-59	-35	-54	-53	-58	-60	-48	-30	-32	-33
- WC change	1	1	-15	-17	-18	-21	-18	-14	-13	-13
= FCF to the firm	69	110	80	92	100	110	138	169	177	184
Discount factor	1.00	0.0	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5
<b>Discounted FCF</b>	<b>69</b>	<b>1.00</b>	<b>0.96</b>	<b>0.88</b>	<b>0.80</b>	<b>0.74</b>	<b>0.68</b>	<b>0.62</b>	<b>0.57</b>	<b>0.52</b>

### EV (EURm)

2,064

o/w PV of Disc. FCF 2017-24E 713

o/w PV of terminal value 1,351

**Total EV 2,064**

- Net debt (end-2016) 250

+ Associates 8

- Minorities 0

**Fair value of equity (EUR m) 2,322**

Number of shares (millions) 136.1

**Fair value per share (EUR) 17.1**

**12M target (EUR) 18.9**

Source: WOOD Research

## Jumbo: DCF sensitivity tables

		LT g						
		0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%
WACC	7.6%	20.4	21.3	22.4	23.7	25.2	27.1	29.4
	8.1%	19.1	19.9	20.8	21.8	23.0	24.5	26.3
	8.6%	17.9	18.6	19.4	20.2	21.2	22.4	23.8
	9.1%	16.9	17.5	18.1	18.9	19.7	20.7	21.8
	9.6%	16.0	16.5	17.1	17.7	18.4	19.2	20.1
	10.1%	15.2	15.7	16.1	16.6	17.2	17.9	18.7
	10.6%	14.5	14.9	15.3	15.7	16.2	16.8	17.5

		LT g						
		0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%
WACC	Upside/downside to PT							
	7.6%	8%	13%	19%	26%	34%	43%	56%
	8.1%	1%	5%	10%	16%	22%	30%	39%
	8.6%	-5%	-1%	3%	7%	13%	19%	26%
	9.1%	-10%	-7%	-4%	0%	4%	10%	16%
	9.6%	-15%	-12%	-10%	-6%	-3%	2%	7%
	10.1%	-19%	-17%	-15%	-12%	-9%	-5%	-1%
10.6%	-23%	-21%	-19%	-17%	-14%	-11%	-7%	

		RFR						
		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%
Beta	0.85	24.6	23.1	21.8	20.7	19.7	18.8	18.0
	0.90	23.9	22.4	21.2	20.0	19.1	18.2	17.4
	0.95	23.2	21.8	20.5	19.4	18.5	17.6	16.8
	1.00	22.6	21.2	19.9	18.9	17.9	17.1	16.3
	1.10	21.4	20.1	18.9	17.8	16.9	16.1	15.4
	1.20	20.4	19.1	17.9	16.9	16.0	15.3	14.6
	1.30	19.5	18.2	17.1	16.1	15.3	14.5	13.9

		RFR						
		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%
Beta	Upside/downside to PT							
	0.85	30%	23%	16%	10%	4%	0%	-5%
	0.90	27%	19%	12%	6%	1%	-4%	-8%
	0.95	23%	15%	9%	3%	-2%	-7%	-11%
	1.00	20%	12%	6%	0%	-5%	-10%	-14%
	1.10	14%	6%	0%	-5%	-10%	-15%	-18%
	1.20	8%	1%	-5%	-10%	-15%	-19%	-23%
1.30	3%	-4%	-9%	-15%	-19%	-23%	-27%	

Source: WOOD Research



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## Risks

- ✓ **Dependence on economic factors.** Our base-case scenario is predicated on a certain normalisation of the macro-political context in Greece over the course of 2017, which should be supportive for an improving GDP trend from 2017E-onwards.
- ✓ **FX, transportation cost volatility.** With c.80% of purchases sourced from Asia and USD-invoiced, FX and transportation (Asia-Europe freight rates) have a meaningful impact on Jumbo's gross margin.
- ✓ **Online threat.** Jumbo launched its online store only in May 2013, and it is seen currently as a complementary sales channel for the group, selling only a limited collection of items in stationary, party and outdoor products. Should online shopping for Jumbo-type discretionary items become more widespread in Greece, the group's store densities could be at risk, and it could attract pure online specialists to the market.

# Financials

## Divisional model (EUR m)

Year end-June	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18E	2018/19E	2019/20E
<b>Revenues</b>	<b>494.3</b>	<b>502.2</b>	<b>541.8</b>	<b>582.5</b>	<b>637.6</b>	<b>686.3</b>	<b>744.6</b>	<b>806.6</b>
Greece	412.2	413.7	425.6	437.9	458.9	474.2	501.9	528.1
Cyprus	54.9	54.3	66.9	75.0	78.9	82.0	83.7	85.3
Bulgaria	27.2	34.2	40.5	45.4	51.9	59.2	62.2	63.5
Romania	0.0	0.0	8.8	24.3	47.9	70.9	96.8	129.7
<b>Revenue growth</b>	<b>1%</b>	<b>2%</b>	<b>8%</b>	<b>7.5%</b>	<b>9%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
Greece	-1%	0%	3%	3%	5%	3%	6%	5%
Cyprus	6%	-1%	23%	12%	5%	4%	2%	2%
Bulgaria	37%	26%	18%	12%	15%	14%	5%	2%
Romania			na	175%	97%	48%	37%	34%
<b>Contribution</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Greece	83%	82%	79%	75%	72%	69%	67%	65%
Cyprus	11%	11%	12%	13%	12%	12%	11%	11%
Bulgaria	6%	7%	7%	8%	8%	9%	8%	8%
Romania	0%	0%	2%	4%	8%	10%	13%	16%
<b>Gross profit</b>	<b>263.0</b>	<b>262.8</b>	<b>287.8</b>	<b>309.7</b>	<b>337.9</b>	<b>357.6</b>	<b>387.7</b>	<b>419.8</b>
Greece	221.2	218.9	229.7	236.6	246.2	249.7	264.3	278.1
Cyprus	28.1	27.2	33.8	38.3	40.7	42.0	42.8	43.7
Bulgaria	13.7	16.6	19.7	22.4	26.3	29.6	31.2	31.8
Romania	0.0	0.0	4.6	12.4	24.7	36.3	49.5	66.3
<b>Gross margin</b>	<b>53.2%</b>	<b>52.3%</b>	<b>53.1%</b>	<b>53.2%</b>	<b>53.0%</b>	<b>52.1%</b>	<b>52.1%</b>	<b>52.0%</b>
Greece	53.7%	52.9%	54.0%	54.0%	53.7%	52.7%	52.7%	52.7%
Cyprus	51.2%	50.2%	50.5%	51.1%	51.7%	51.2%	51.2%	51.2%
Bulgaria	50.3%	48.7%	48.7%	49.3%	50.6%	50.1%	50.1%	50.1%
Romania			52.1%	51.2%	51.6%	51.1%	51.1%	51.1%
<b>Contribution</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Greece	84%	83%	80%	76%	73%	70%	68%	66%
Cyprus	11%	10%	12%	12%	12%	12%	11%	10%
Bulgaria	5%	6%	7%	7%	8%	8%	8%	8%
Romania	0%	0%	2%	4%	7%	10%	13%	16%
<b>Store count</b>	<b>58</b>	<b>62</b>	<b>66</b>	<b>72</b>	<b>72</b>	<b>78</b>	<b>82</b>	<b>87</b>
Greece	48	51	52	53	51	53	54	55
Cyprus	3	3	4	5	5	5	5	5
Bulgaria	7	8	8	8	8	9	9	9
Romania	0	0	2	6	8	11	14	18
<b>Avg store size (sqm)</b>	<b>8,555</b>	<b>8,624</b>	<b>8,829</b>	<b>9,051</b>	<b>9,135</b>	<b>9,317</b>	<b>9,411</b>	<b>9,525</b>
<b>Selling space (sqm)</b>	<b>496,200</b>	<b>534,700</b>	<b>582,700</b>	<b>651,700</b>	<b>657,700</b>	<b>726,700</b>	<b>771,700</b>	<b>828,700</b>
Greece	364,700	391,200	402,200	411,200	393,200	411,200	420,200	429,200
Cyprus	31,000	31,000	41,000	53,000	53,000	53,000	53,000	53,000
Bulgaria	100,500	112,500	112,500	112,500	112,500	127,500	127,500	127,500
Romania	0	0	27,000	75,000	99,000	135,000	171,000	219,000
<b>Added space (sqm)</b>	<b>66,700</b>	<b>38,500</b>	<b>48,000</b>	<b>69,000</b>	<b>6,000</b>	<b>69,000</b>	<b>45,000</b>	<b>57,000</b>
<b>Space growth, yoy</b>	<b>16%</b>	<b>8%</b>	<b>9%</b>	<b>12%</b>	<b>1%</b>	<b>10%</b>	<b>6%</b>	<b>7%</b>
<b>Revenue per average sqm (EUR)</b>	<b>1,068</b>	<b>974</b>	<b>970</b>	<b>944</b>	<b>974</b>	<b>992</b>	<b>994</b>	<b>1,008</b>
Greece	1,164	1,059	1,063	1,073	1,100	1,166	1,201	1,237
Cyprus	1,772	1,750	1,816	1,631	1,488	1,547	1,578	1,610
Bulgaria	304	321	360	403	452	479	488	498
Romania			606	578	552	591	621	652
<b>Growth in rev per avg sqm</b>	<b>-15%</b>	<b>-9%</b>	<b>0%</b>	<b>-3%</b>	<b>3%</b>	<b>2%</b>	<b>0%</b>	<b>1%</b>
Greece	-11%	-9%	0%	0.9%	2.5%	6.0%	3.0%	3.0%
Cyprus	-7%	-1%	4%	-10.2%	-14.7%	4.0%	2.0%	2.0%
Bulgaria	-22%	6%	12%	12.0%	12.0%	6.0%	2.0%	2.0%
Romania				-4%	-4%	7%	5%	5%
<b>Capex (EURm)</b>	<b>49.9</b>	<b>38.3</b>	<b>33.1</b>	<b>67.1</b>	<b>59.8</b>	<b>54.1</b>	<b>53.4</b>	<b>57.8</b>
Greece			12	41	22	15	13	14
Cyprus			16	3	2	2	2	2
Bulgaria			1	1	18	2	1	2
Romania			4	22	18	35	36	40
As % of revenues	10.1%	7.6%	6.1%	11.5%	9.4%	7.9%	7.2%	7.2%
<b>Added stores</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>4</b>	<b>5</b>
Owned	3	1	1	3	3	2	2	2
Rented	3	3	3	4	-3	4	2	3

Source: Company data, WOOD Research

## Income statement (EUR m)

Year end-June	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18E	2018/19E	2019/20E
<b>Revenues</b>	<b>494.3</b>	<b>502.2</b>	<b>541.8</b>	<b>582.5</b>	<b>637.6</b>	<b>686.3</b>	<b>744.6</b>	<b>806.6</b>
<i>Revenue growth</i>	1%	2%	8%	8%	9%	8%	8%	8%
COGS	-231.3	-239.4	-254.0	-272.8	-299.6	-328.8	-356.9	-386.8
<b>Gross profit</b>	<b>263.0</b>	<b>262.8</b>	<b>287.8</b>	<b>309.7</b>	<b>337.9</b>	<b>357.6</b>	<b>387.7</b>	<b>419.8</b>
<i>Gross profit growth</i>	1%	0%	10%	8%	9%	6%	8%	8%
Gross margin	53.2%	52.3%	53.1%	53.2%	53.0%	52.1%	52.1%	52.0%
Distribution expenses	-127.7	-127.3	-137.8	-146.4	-152.7	-164.4	-176.2	-189.4
<i>yoy</i>	6%	0%	8%	6%	4%	8%	7%	7%
% of revenues	-25.8%	-25.4%	-25.4%	-25.1%	-23.9%	-23.9%	-23.7%	-23.5%
Administrative expenses	-19.3	-19.4	-21.3	-22.9	-22.1	-23.8	-25.5	-27.2
<i>yoy</i>	3%	1%	9%	8%	-3%	8%	7%	7%
% of revenues	-3.9%	-3.9%	-3.9%	-3.9%	-3.5%	-3.5%	-3.4%	-3.4%
Other operating income/(expenses), net	1.0	-24.4	-1.6	-2.4	-2.1	-2.2	-2.3	-2.4
<i>yoy</i>	-170%	-2456%	-93%	49%	-13%	5%	5%	3%
% of revenues	0.2%	-4.9%	-0.3%	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%
<b>EBITDA</b>	<b>134.4</b>	<b>110.4</b>	<b>146.5</b>	<b>159.2</b>	<b>183.3</b>	<b>190.6</b>	<b>208.3</b>	<b>226.2</b>
<i>EBITDA growth</i>	-1%	-18%	33%	9%	15%	4%	9%	9%
<b>EBITDA margin</b>	<b>27.2%</b>	<b>22.0%</b>	<b>27.0%</b>	<b>27.3%</b>	<b>28.8%</b>	<b>27.8%</b>	<b>28.0%</b>	<b>28.0%</b>
Recurring EBITDA	134.4	134.0	146.5	159.2	183.3	190.6	208.3	226.2
<i>Growth</i>	-0.5%	-0.3%	9.4%	8.7%	15.2%	4.0%	9.3%	8.6%
Recurring EBITDA margin	27.2%	26.7%	27.0%	27.3%	28.8%	27.8%	28.0%	28.0%
Depreciation & amortisation	-17.4	-18.9	-19.4	-21.2	-22.3	-23.4	-24.6	-25.3
Other	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>117.0</b>	<b>91.6</b>	<b>127.1</b>	<b>137.9</b>	<b>161.0</b>	<b>167.1</b>	<b>183.7</b>	<b>200.9</b>
Net financial result	2.4	4.1	2.9	-1.0	4.1	7.0	9.2	11.9
PBT	119.5	95.7	130.0	137.0	165.1	174.1	193.0	212.7
<b>Taxes</b>	<b>-22.2</b>	<b>-21.7</b>	<b>-28.7</b>	<b>-32.1</b>	<b>-43.9</b>	<b>-43.5</b>	<b>-48.2</b>	<b>-53.2</b>
Tax rate	19%	23%	22%	23%	25%	25%	25%	25%
Net income (100%)	97.3	74.0	101.2	104.8	121.3	130.6	144.7	159.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income shareholders' part</b>	<b>97.3</b>	<b>74.0</b>	<b>101.2</b>	<b>104.8</b>	<b>121.3</b>	<b>130.6</b>	<b>144.7</b>	<b>159.6</b>
Net income growth	3%	-24%	37%	4%	16%	8%	11%	10%
<b>Net margin</b>	<b>19.7%</b>	<b>14.7%</b>	<b>18.7%</b>	<b>18.0%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>19.4%</b>	<b>19.8%</b>
<b>Adjusted net income</b>	<b>97.3</b>	<b>97.5</b>	<b>101.2</b>	<b>104.8</b>	<b>121.3</b>	<b>130.6</b>	<b>144.7</b>	<b>159.6</b>

Source: Company data, WOOD Research

## Key ratios, per share data (EUR m)

Year end-June	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18E	2018/19E	2019/20E
Sales growth	0.9%	1.6%	7.9%	7.5%	9.4%	7.7%	8.5%	8.3%
Gross profit growth	0.9%	-0.1%	9.5%	7.6%	9.1%	5.8%	8.4%	8.3%
<b>EBITDA growth</b>	<b>-0.5%</b>	<b>-17.9%</b>	<b>32.7%</b>	<b>8.7%</b>	<b>15.2%</b>	<b>4.0%</b>	<b>9.3%</b>	<b>8.6%</b>
EBIT growth	-2.4%	-21.7%	38.8%	8.5%	16.7%	3.8%	9.9%	9.3%
Net income growth	2.9%	-24.0%	36.9%	3.5%	15.7%	7.7%	10.8%	10.2%
<b>Adjusted EPS growth</b>	<b>2.9%</b>	<b>0.3%</b>	<b>3.7%</b>	<b>3.5%</b>	<b>15.7%</b>	<b>7.7%</b>	<b>10.8%</b>	<b>10.2%</b>
Gross margin	53.2%	52.3%	53.1%	53.2%	53.0%	52.1%	52.1%	52.0%
EBITDA margin	27.2%	22.0%	27.0%	27.3%	28.8%	27.8%	28.0%	28.0%
EBIT margin	23.7%	18.2%	23.5%	23.7%	25.3%	24.4%	24.7%	24.9%
Net margin	19.7%	14.7%	18.7%	18.0%	19.0%	19.0%	19.4%	19.8%
ROCE	17.0%	14.6%	15.5%	16.0%	17.5%	17.3%	17.9%	18.4%
ROE	17.4%	15.8%	14.6%	13.6%	14.2%	13.3%	13.2%	13.3%
<b>Adjusted EPS (EUR)</b>	<b>0.72</b>	<b>0.72</b>	<b>0.74</b>	<b>0.77</b>	<b>0.89</b>	<b>0.96</b>	<b>1.06</b>	<b>1.17</b>
DPS (EUR)	0.20	0.00	0.18	0.34	0.00	0.34	0.37	0.41
Payout	28%	0%	24%	0%	0%	35%	35%	35%
BVPS (EUR)	4.36	4.70	5.47	5.86	6.73	7.69	8.42	9.22

Source: Company data, WOOD Research

## DuPont analysis (EUR m)

Year end-June	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18E	2018/19E	2019/20E
ROE	17.4%	12.0%	14.6%	13.6%	14.2%	13.3%	13.2%	13.3%
<b>Adjusted ROE</b>	<b>17.4%</b>	<b>15.8%</b>	<b>14.6%</b>	<b>13.6%</b>	<b>14.2%</b>	<b>13.3%</b>	<b>13.2%</b>	<b>13.3%</b>
Asset turnover	0.6x	0.6x	0.6x	0.5x	0.6x	0.5x	0.5x	0.5x
Equity multiplier	1.5x	1.4x	1.4x	1.4x	1.3x	1.3x	1.3x	1.3x
Adjusted net margin	19.7%	19.4%	18.7%	18.0%	19.0%	19.0%	19.4%	19.8%
<b>ROE (DuPont)</b>	<b>17.4%</b>	<b>15.8%</b>	<b>14.6%</b>	<b>13.6%</b>	<b>14.2%</b>	<b>13.3%</b>	<b>13.2%</b>	<b>13.3%</b>
<b>Average invested capital</b>	<b>560</b>	<b>611</b>	<b>641</b>	<b>659</b>	<b>689</b>	<b>726</b>	<b>771</b>	<b>820</b>
Reported EBIT	117	115	127	138	161	167	184	201
Taxes on EBIT	-22	-26	-28	-32	-40	-42	-46	-50
Effective tax rate (P&L)	19%	23%	22%	23%	25%	25%	25%	25%
<b>NOPAT</b>	<b>95</b>	<b>89</b>	<b>99</b>	<b>106</b>	<b>121</b>	<b>125</b>	<b>138</b>	<b>151</b>
<b>ROIC</b>	<b>17.0%</b>	<b>14.6%</b>	<b>15.5%</b>	<b>16.0%</b>	<b>17.5%</b>	<b>17.3%</b>	<b>17.9%</b>	<b>18.4%</b>

Source: Company data, WOOD Research

## Balance sheet (EUR m)

Year end-June	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18E	2018/19E	2019/20E
Cash and cash equivalents	185	170	288	299	395	480	533	591
Blocked deposits	0	21	8	1	1	1	1	1
Inventories	180	176	186	198	197	212	230	249
Receivables	19	24	31	16	33	35	38	41
Other current assets	29	37	40	45	55	55	55	55
<b>Total current assets</b>	<b>412</b>	<b>428</b>	<b>552</b>	<b>558</b>	<b>680</b>	<b>783</b>	<b>857</b>	<b>937</b>
Net PPE	415	431	446	498	499	529	558	591
Intangible assets	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0
Investment property	7	7	7	6	6	6	6	6
Investments in associates	0	5	7	10	8	8	8	8
Other non-current assets	22	23	23	18	17	17	17	17
<b>Total non-current assets</b>	<b>444</b>	<b>466</b>	<b>481</b>	<b>532</b>	<b>530</b>	<b>560</b>	<b>589</b>	<b>621</b>
<b>Total assets</b>	<b>857</b>	<b>894</b>	<b>1,034</b>	<b>1,090</b>	<b>1,209</b>	<b>1,343</b>	<b>1,446</b>	<b>1,558</b>
Trade payables	56	52	52	51	39	42	46	49
Tax liabilities	22	22	39	40	51	51	51	51
Accrued and other current liabilities	0	0	0	0	0	0	0	0
Short-term loans	2	148	21	3	0	0	0	0
Other	22	20	21	29	38	38	38	38
<b>Total current liabilities</b>	<b>101</b>	<b>242</b>	<b>133</b>	<b>123</b>	<b>129</b>	<b>132</b>	<b>135</b>	<b>139</b>
Long-term loans	152	1	144	144	144	144	144	144
Provisions	0	0	0	0	0	0	0	0
Employee benefit plans	4	4	5	6	7	7	7	7
Other non-current liabilities	6	8	8	20	14	14	14	14
<b>Total non-current liabilities</b>	<b>162</b>	<b>13</b>	<b>156</b>	<b>170</b>	<b>165</b>	<b>165</b>	<b>165</b>	<b>165</b>
Minority Interest	0	0	0	0	0	0	0	0
<b>Shareholders' equity</b>	<b>593</b>	<b>639</b>	<b>745</b>	<b>797</b>	<b>916</b>	<b>1,046</b>	<b>1,145</b>	<b>1,254</b>
<b>Total liabilities &amp; equity</b>	<b>857</b>	<b>894</b>	<b>1,034</b>	<b>1,090</b>	<b>1,209</b>	<b>1,343</b>	<b>1,446</b>	<b>1,558</b>
<b>Net debt/(cash)</b>	<b>-31</b>	<b>-21</b>	<b>-122</b>	<b>-152</b>	<b>-250</b>	<b>-336</b>	<b>-389</b>	<b>-446</b>
Net debt/equity	-5%	-3%	-16%	-19%	-27%	-32%	-34%	-36%
<b>Net debt/EBITDA</b>	<b>-0.2x</b>	<b>-0.2x</b>	<b>-0.8x</b>	<b>-1.0x</b>	<b>-1.4x</b>	<b>-1.8x</b>	<b>-1.9x</b>	<b>-2.0x</b>

Source: Company data, WOOD Research

## Cash flow statement (EUR m)

Year end-June	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18E	2018/19E	2019/20E
Pre-tax income	119	96	130	137	165	174	193	213
Depreciation & amortisation	17	19	19	21	22	23	25	25
Net financial income/expense	-2	-4	-3	-2	-4	-7	-9	-12
Associate adjustments	0	0	0	0	0	0	0	0
Other non-cash items in p&l	-2	0	0	0	0	0	0	0
WCR change	-2	-6	-13	1	1	-15	-17	-18
Other	0	0	0	10	-24	0	0	0
<b>Cash flow from operations</b>	<b>130</b>	<b>104</b>	<b>133</b>	<b>168</b>	<b>161</b>	<b>176</b>	<b>191</b>	<b>208</b>
Interest paid	-6	-6	-6	-7	-6	-7	-7	-7
Interest received	8	9	8	9	8	14	16	19
Tax paid	-29	-17	-18	-32	-43	-44	-48	-53
<b>Net operating cash flow</b>	<b>104</b>	<b>91</b>	<b>116</b>	<b>138</b>	<b>119</b>	<b>139</b>	<b>152</b>	<b>166</b>
Capex	-50	-38	-36	-59	-35	-54	-53	-58
Disposals of operating assets	0	1	1	3	0	0	0	0
Acquisitions of operating assets	0	0	0	0	0	0	0	0
Disposals of other assets	2	0	0	0	0	0	0	0
Proceeds/(acquisitions) of financial assets	0	-37	20	-6	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-48</b>	<b>-75</b>	<b>-16</b>	<b>-63</b>	<b>-35</b>	<b>-54</b>	<b>-53</b>	<b>-58</b>
Capital related movements	0	0	0	0	0	0	0	0
Debt related movements	-2	-4	17	-19	-3	0	0	0
Dividends to shareholders	-27	-27	0	-46	0	0	-46	-51
Other dividends	0	0	0	0	0	0	0	0
Other	0	0	1	0	0	0	0	0
<b>Cash flow from financing activities</b>	<b>-29</b>	<b>-31</b>	<b>17</b>	<b>-64</b>	<b>-3</b>	<b>0</b>	<b>-46</b>	<b>-51</b>
Impact of exchange/perimeter	0	0	0	0	0	0	0	0
<b>Change in cash</b>	<b>27</b>	<b>-15</b>	<b>118</b>	<b>11</b>	<b>81</b>	<b>85</b>	<b>53</b>	<b>58</b>
Free cash flow	54	52	80	79	85	85	99	109
% of sales	10.9%	10.4%	14.8%	13.6%	13.3%	12.4%	13.2%	13.5%
FCF conversion	40%	47%	55%	50%	46%	45%	47%	48%

Source: Company data, WOOD Research

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Rating		Price target	
30/04/2014	BUY - initiation of coverage	30/04/2014	EUR 14.0
		26/11/2014	EUR 13.5
		30/03/2015	EUR 11.5
		23/09/2015	EUR 10.2
24/03/2016	HOLD	24/03/2016	EUR 12.1
04/09/2017	BUY	04/09/2017	EUR 16.8

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**BUY:** The stock is expected to generate total returns of over 15% during the next 12 months as measured by the price target.

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