

Company Update

Reason: Company Results

23 October 2017

Buy

Recommendation unchanged

Share price: EUR 13.82

closing price as of 20/10/2017

Target price: EUR 17.80

from Target Price: EUR 17.30

Upside/Downside Potential 28.8%

Reuters/Bloomberg BABR.AT/BELA.GA

Market capitalisation (EURm) 1,880

Current N° of shares (m) 136

Free float 59%

Daily avg. no. trad. sh. 12 mth 175

Daily avg. trad. vol. 12 mth (m) 816.79

Price high/low 12 months 11.37 / 16.30

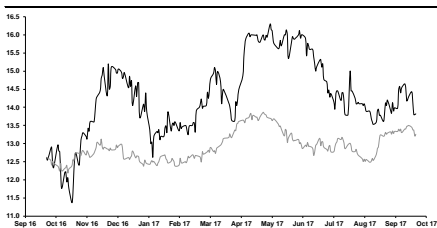
Abs Perfs 1/3/12 mths (%) -2.12/-9.08/9.51

Key financials (EUR)

	06/17	06/18e	06/19e
Sales (m)	681	742	821
EBITDA (m)	195	210	239
EBITDA margin	28.6%	28.3%	29.1%
EBIT (m)	172	184	211
EBIT margin	25.2%	24.8%	25.7%
Net Profit (adj.)(m)	131	139	160
ROCE	14.8%	14.9%	16.0%
Net debt/(cash) (m)	(207)	(269)	(321)
Net Debt Equity	-0.2	-0.2	-0.3
Net Debt/EBITDA	-1.1	-1.3	-1.3
Int. cover(EBITDA/Fin.int)	(107.9)	1,454.5	(454.7)
EV/Sales	2.9	2.2	1.9
EV/EBITDA	10.0	7.6	6.5
EV/EBITDA (adj.)	10.0	7.6	6.5
EV/EBIT	11.4	8.7	7.3
P/E (adj.)	16.6	13.5	11.8
P/BV	2.3	1.7	1.6
OpFCF yield	3.3%	4.6%	5.5%
Dividend yield	2.6%	2.7%	3.1%
EPS (adj.)	0.96	1.02	1.17
BVPS	7.07	7.91	8.70
DPS	0.36	0.38	0.43

Shareholders

Vakakis Apostolos-Evangelos 23%; FMR LLC 13%; Capital Group Companies Inc 5%;



Analyst(s)

Dimitris Birbos

dbirbos@ibg.gr

+30 210 81 73 392

Success story continues

We raise our target price at EUR 17.80/share (vs. EUR 17.30/share previously) on the back of a robust earnings potential in the medium-term, as well as the positive impact of the new convertible bond on the risk profile of Jumbo. Our new target price points to a 29% upside potential from current price levels, thus we re-affirm our 'Buy' rating on the name. Jumbo trades at a 13x prospective p/e versus 20x for European retailers (a nearly 40% discount).

- ✓ **Positive outlook on strong foreign markets:** Management has guided for sales growth between 6% and 9% driven by the dynamic momentum in Romania and Bulgaria and new store additions. Traditionally, the company remained very cautious in relation to the bottom line, forecasting flat y-o-y net profits on the back of FX headwinds that will negatively impact gross margin and increased opex.
- ✓ **Forecast revision:** Following the strong start to FY18 (sales up 12% y-o-y in 1Q18), we feel comfortable with our assumption for revenue growth of 9% in this financial year. We have lowered our EBITDA forecasts by 3% following the downward revision of our assumption on gross margin (120bps y-o-y drop at 51.0%; previous call for 51.5%). We look for revenues of EUR 743m (+9% y-o-y), EBITDA of EUR 210m (+8% y-o-y) and net profits of EUR 139m (+6% y-o-y). We maintain our optimistic stance on sales evolution in FY19 due to improving macros in Greece and the Balkans and additional selling capacity, leading to strong earnings growth. We forecast revenues of EUR 821m (+10.6% y-o-y), EBITDA of EUR 239m (+14% y-o-y) and net profits of EUR 160m (+15% y-o-y).
- ✓ **Dividend policy to remain conservative:** Despite the solid 8% y-o-y increase in FY17 net profits, management remained conservative on the dividend front proposing the same ordinary dividend versus last year, i.e. EUR 0.36/share (remaining DPS EUR 0.18, ex-dividend: 19.12.2017), pointing to a 37% payout ratio. Accordingly, we have set the dividend payout ratio at 37% of group's net profits, leading to FY18e DPS of EUR 0.38. Given our projections for solid FCF generation in the medium-term, we view that there is room for a more generous dividend strategy going forward.
- ✓ **Issue of a convertible bond:** In an unexpected move, management has decided the issue of a EUR 250m convertible bond. Chairman Vakakis stated that through this move, group's cost of debt will be reduced, offering extra liquidity for the implementation of the investment plans in Romania and the support of cash flow. Given that Jumbo closed FY17 with net cash position of EUR 207m, dividend policy remained cautious and management has ruled out any acquisitions, we understand that the scope of this exercise is to achieve a more balanced capital structure without the involvement of domestic banks.
- ✓ **Investment case** remains attractive on the back of: a) a healthy balance sheet with an ample liquidity (> EUR 200m post dividend payments), b) a robust earnings momentum (12% EPS CAGR over 2017-2021) that will lead to solid FCF generation (above EUR 100m from FY19 onwards), c) increased geographical diversification (Greece to account for 50% of sales by FY21), d) management's proven experience to tackle business headwinds by adjusting its product proposition to the new conditions and e) strong potential of further expansion by attaining presence in new markets.



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Overview of FY17 results

Success story continued in FY17: Jumbo delivered solid results for the fiscal year 2016/2017 (1.7.2016 – 30.6.2017, hereafter FY17), falling short of our and consensus EBITDA forecasts on lower than expected gross margin. In particular, Jumbo reported revenues of EUR 681.4m (+6.9% y-o-y, management has announced group's annual sales in July), EBITDA of EUR 194.8m (+6% y-o-y, 1% below consensus and 2% below our call) and net profits of EUR 131m (+8% y-o-y, in line with our and consensus estimates). In 2H17 (1.1.2017-30.6.2017), sales came in at EUR 279.5m (+5.2% y-o-y), EBITDA shaped at EUR 77.5m (-0.9% y-o-y), while net profits stood at EUR 49.6m (+1.7% y-o-y).

Pressure in gross margin on FX headwinds: Gross profit margin dropped by 150bps y-o-y in 2H17 at 53.6% driving group's annual gross margin at 52.2% (-80bps y-o-y; IBG call for 52.6%). On a full-year basis, Jumbo reported gross profits of EUR 355.5m (+5% y-o-y), while 2H17 gross profit was up by 2.3% y-o-y at EUR 150m. Management attributed the pressure on gross margin to EUR/USD exchange rate (stronger USD) and the deflation policy applied in the Greek market.

Modest opex increase: Operating expenses grew by 4% y-o-y at EUR 182.5m (in line with our estimates), pointing to an opex/sales ratio of 26.8% (-60bps y-o-y), indicating the positive effect of operational leverage.

Other P&L items: Other expenses (net) reached EUR 1.2m in FY17 (we were expecting zero other income/expenses) reflecting an unforeseen EUR 3.5m expenses relating to the write-down of obsolete inventories. Depreciation expenses were slightly increased in FY17 at EUR 23m, driving group's EBIT at EUR 172m (+7% y-o-y, 2% below our call). Net finance income shaped at EUR 1.6m (in line with our estimates), while the effective tax rate shaped at 24.5% in FY17, below our assumption for 25.5%, driving net profits close to our and consensus estimates.

FY17 P&L results

EUR m	FY16	FY17	y-o-y	2H16	2H17	y-o-y
Revenues	637.6	681.4	6.9%	265.8	279.5	5.2%
COGS	-299.6	-325.9	8.8%	-119.5	-129.8	8.6%
Gross Profit	337.9	355.5	5.2%	146.3	149.8	2.3%
Gross Margin	53.0%	52.2%	-80bps	55.1%	53.6%	-150bps
Other Income	4.3	4.5	5.6%	2.5	1.3	-48.1%
Administrative Expenses	-22.1	-21.6	-2.7%	-8.7	-8.2	-6.4%
Distribution Costs	-152.7	-160.9	5.4%	-71.1	-75.1	5.8%
Other Expenses	-6.4	-5.7	-11.0%	-2.3	-1.9	-19.5%
EBIT	161.0	171.8	6.7%	66.7	65.9	-1.3%
EBIT Margin	25.3%	25.2%	-10bps	25.1%	23.6%	-150bps
Depreciation	22.7	23.0	1.1%	11.5	11.6	1.4%
EBITDA	183.7	194.8	6.0%	78.2	77.5	-0.9%
EBITDA margin	28.8%	28.6%	-20bps	29.4%	27.7%	-170bps
Net Financial Results	4.1	1.6		1.6	0.6	
EBT	165.1	173.5	5.0%	68.3	66.5	-2.7%
Income Tax	-43.9	-42.5	-3.2%	-19.6	-16.9	-13.8%
Effective tax rate	26.6%	24.5%		28.6%	25.4%	
Net profit	121.3	131.0	8.0%	48.7	49.6	1.7%
% margin	19.0%	19.2%	20bps	18.3%	17.7%	-60bps

Source: The Company, IBG Research

Dividend policy: The company announced the distribution of a gross ordinary dividend of EUR 0.36/share (before 15% dividend tax) for FY17, which stood below our more optimistic call of EUR 0.40/share. However, the proposed DPS points to a 37% payout ratio on consolidated net profits, which is in line with the company's target to return at least 1/3 of annual profits to shareholders. We remind that the company distributed an interim dividend of EUR 0.18/share last March, thus shareholders will receive the remaining DPS of EUR 0.18 (ex-dividend date: 19.12.2017).

1Q18 sales & Guidance: According to management, first-quarter sales grew by approximately 12% y-o-y driven by the single digit increase of sales in Greece and Cyprus, while the stores in Bulgaria and Romania continue to record double digit growth. Despite the strong start to FY18, management maintained its guidance for sales growth rate between 6%-9% (IBG call for +9% y-o-y) and flattish net earnings (we forecast net profits of EUR 139m, up 6% y-o-y).

Acceleration of investment plans in FY18: Management is planning to open 4 new stores within the current financial year, 3 stores in Romania and 1 in Northern Greece (city of Katerini with 60,000 population). In more detail, a new owned store will commence operation in Suceava (105,000 population) until November, while the other 3 stores are scheduled to open their gates by June 2018. During FY17, the company opened its 9th store in Bulgaria (Stara-Zagora, total surface: 11,000sqm, 140,000 population) and its 8th store in Romania (Constanta, total surface: 16,000sqm, 300,000 population), while 2 new franchise stores were opened in FYROM and Bosnia. Jumbo currently operates 73 stores (51 stores in Greece, 5 in Cyprus, 9 in Bulgaria and 8 in Romania), as well as 11 franchise stores in Western Balkans (FYROM 3 stores, Albania 2 stores, Kosovo 3 stores, Serbia 2 stores, Bosnia 1 store).

Increased WC needs put pressure on OpCF in FY17: Operating cash flow settled at EUR 104m in FY17 compared to EUR 112m in the same period of previous financial year, reflecting higher working capital needs (i.e. EUR 42m in FY17 vs. EUR 23m in FY16) on increased inventories. In our view, the material increase in inventories should be attributed to the opening of 4 new stores in the coming months and management's positive outlook for FY18 sales. Capex shaped at EUR 38m compared to EUR 35m in FY16, while interest income has been reduced to EUR 6.5m vs. EUR 7.5m a year ago on reduced cash balances. However, the EUR 8.0m one-off inflow from the maturity of the ELPE bond supported group's free cash flow in FY17. On a recurring basis, Jumbo's free cash flow shaped at EUR 72m in FY17, down by EUR 12m from previous year. Group net cash position has been contained to EUR 207m in FY17 from EUR 250m in FY16, following the payment of EUR 125m in the form of dividends and capital return to shareholders during FY17.

Cash flow statement

EUR m	FY16	FY17	Delta
Net profit before taxation	165.1	173.5	8.3
Depreciation	22.7	23.1	0.4
Change in working capital	-23.1	-41.6	-18.5
Income taxes	-42.8	-44.7	-1.8
Interest expenses	-6.2	-5.1	1.1
Other	-3.9	-1.2	2.7
OpCF	111.7	103.9	-7.8
Capex	-34.7	-38.0	-3.3
Interest received	7.5	6.5	-1.0
Other	0.1	9.1	9.1
Cash flow before financing needs	84.6	81.5	-3.1

Source: The Company, IBG Research

Strong momentum in the Balkans offset the subdued performance of domestic operations: Revenues from Greek operations rose by a mere 0.7% y-o-y to EUR 450m in FY17, pointing to a 1% y-o-y turnover decline in 2H17 as a result of a fragile consumer sentiment in the home country. Jumbo stores in Cyprus generated revenues of EUR 81m (+2% y-o-y) maintaining their mediocre momentum. On the flip side, Jumbo stores in the Balkans maintained their dynamism for another year. In particular, sales from Bulgaria grew by 24.5% y-o-y to c. EUR 65m in FY17, partially aided by the new store in Stara-Zagora that commenced operation in November 2016, but also strong underlying growth (same-store sales increased by 16% y-o-y). Romania posted a 37% y-o-y turnover increase at EUR 65.6m on the back of market share gains (like-for-like sales were up 30% y-o-y).

Finally, franchise stores in Serbia, Bosnia, FYROM, Albania and Kosovo recorded revenues of EUR 20.9m in FY17 (+67% y-o-y). On the whole, sales from foreign markets grew by 21% y-o-y to EUR 232m in FY17, accounting for 34% of consolidated revenues. On the EBITDA front, Greek operations remain the key contributor generating 64% of total EBITDA; however, we highlight the beyond expectations performance of Romanian activities that currently displays the highest EBITDA margin, even surpassing Cyprus.

Performance per country division

EUR m	FY16	FY17	y-o-y
Greece	446.4	449.6	0.7%
Other (Franchise stores)	12.5	20.9	67.4%
Greece & Other	458.9	470.5	2.5%
% of total sales	72.0%	69.0%	
Cyprus	78.9	80.7	2.3%
% of total sales	12.4%	11.8%	
Bulgaria	51.9	64.7	24.5%
% of total sales	8.1%	9.5%	
Romania	47.9	65.6	37.0%
% of total sales	7.5%	9.6%	
Group Sales	637.6	681.4	6.9%
Greece & Other	246.2	248.1	0.8%
% margin	53.7%	52.7%	-90bps
Cyprus	40.7	41.2	1.2%
% margin	51.7%	51.1%	-60bps
Bulgaria	26.3	32.5	23.6%
% margin	50.6%	50.2%	-40bps
Romania	24.7	33.8	36.5%
% margin	51.6%	51.5%	-20bps
Group Gross profits	337.9	355.5	5.2%
% margin	53.0%	52.2%	-80bps
Greece & Other	123.9	124.1	0.1%
% margin	27.0%	26.4%	-60bps
Cyprus	27.4	28.0	1.9%
% margin	34.8%	34.7%	-10bps
Bulgaria	16.1	19.3	20.2%
% margin	31.0%	29.9%	-110bps
Romania	16.2	23.5	44.8%
% margin	33.9%	35.8%	190bps
Group EBITDA	183.7	194.9	6.1%
% margin	28.8%	28.6%	-20bps

Source: The Company, IBG Research

Turning into a home product retailer: Per product category, home products expanded their portion on total sales by 70bps y-o-y to 32.0% in FY17 with the turnover of this category growing by 9% y-o-y to EUR 218m in 1H17. High-margin seasonal products accounted for 24.1% of total sales, posting a moderate 4% y-o-y sales increase, while stationery sales also grew by 4% y-o-y. On the flip side, toy sales shrank by 11% y-o-y in FY17 with their contribution to group's top line being reduced to 22.4% (down 440bps y-o-y), while baby apparel category maintained its declining sales performance (-3% y-o-y) on less favorable demographics in Greece.

The new product category 'Haberdashery & similar items' generated revenues of EUR 51m in FY17 compared to EUR 13m in FY16, accounting for 7.4% of total sales. It has become more evident now that Jumbo is gradually being transformed into a home equipment retailer, as its traditional product categories (toys, baby items) are persistently losing their steam.

Sales analysis per product category

EUR m	FY16	FY17	y-o-y
Toys	170.7	152.7	-10.5%
% of total	26.8%	22.4%	-440bps
Baby apparel	44.6	43.1	-3.4%
% of total	7.0%	6.3%	-70bps
Stationery	50.7	52.8	4.1%
% of total	7.9%	7.7%	-20bps
Seasonal / Other	158.4	164.0	3.6%
% of total	24.8%	24.1%	-80bps
Home products	199.8	218.2	9.2%
% of total	31.3%	32.0%	70bps
Haberdashery & similar*	13.4	50.7	277.4%
% of total	2.1%	7.4%	530bps
Total Sales	637.6	681.4	6.9%

Source: The Company, IBG Research, * "Haberdashery and similar items" was included in the category "Toys" previously

Management Presentation to Greek investors

Clarifications on FY17/18 guidance: The company has guided for sales growth in the range of 6%-9% and flattish net profits (i.e. revenues between EUR 722m-742m; net profits of EUR 131m). Chairman Vakakis explained that this guidance is based on the following assumptions: a) zero sales growth in Greece, b) 4%-5% sales accretion in Cyprus, c) 50% revenue growth in Romania, d) 25% sales growth in Bulgaria, e) a modest decline in gross margin and f) increased opex.

Gross margin: Management guided for lower gross margin in the medium-term, but in a controlled manner. Its estimates on FY18 gross margin are based on the following assumptions: a) EUR/USD rate between 1.12-1.15, b) a small pressure on transportation costs after the very good agreement achieved in the previous financial year. We understand that the company is expecting a moderate decrease in gross margin this year.

Opex: The company noted that there is little room for further cost containment, adding that there are increases in indirect costs and taxes.

Capex/Store openings: The company guided for capex of EUR 45-50m in the current fiscal year, while on average capex is seen between EUR 50m and EUR 60m. The company will open 1 new store in Romania next month (November 2017) and 2 new stores in Romania until June 2018. One new store will open in Greece (city of Katerini) within 2017/2018, while the company is planning to open 1 more store in Greece in the next 3 years (either in Crete or Lesvos island) and a new store in Bulgaria in the next 2 years (not included in our numbers). In Romania, management is targeting a network of 25 stores, while it is monitoring the entry to neighboring countries without specifying which one(s) (we understand that Hungary could be a potential candidate).

1Q18 trends: Trading figures (sales) in Greece displayed a material improvement at the end of June – mid-August, possibly reflecting the positive impact of the conclusion of the 2nd review of the bailout program on consumer confidence. However, the positive trends were reversed in the second part of August and remained weak in September, driving to flat sales in Greece in the period July-October.

Dividend: Management reiterated its target to pay 1/3 of PBT to the Greek State, use 1/3 of PBT for capex needs and return the remaining 1/3 to shareholders.

Convertible bond: Chairman Vakakis stated that ultimate goal of the EUR 250m bond issue is the reduction of group's cost of debt (i.e. Jumbo has a bond loan of EUR 145m with a 3.25% interest rate). Practically, the company will utilize the proceeds of the bond for the implementation of its investment plans and the support of cash flow.

Inventory: The significant increase in inventories in FY17 was in line with management's planning and it would be continued this financial year as the company wants to invest in products.

Competition: Despite the intense competition in the Greek market, Jumbo has maintained its market shares during the school opening period securing a satisfactory level of profitability. Mr. Vakakis stated that competition will bleed to gain market shares from Jumbo.

E-commerce: The company has completed its investments in infrastructures that will support its online shop. That said, 24,000 products will be available through its online store compared to 10,000 previously. Management said that e-commerce is expected to generate revenues equal to 2 stores in Greece, i.e. 4%-5% of total sales in Greece in the medium-term.

Romania: Management expects that its Romanian stores will generate 50% of group's turnover in Greece in the next 5 years. Assuming broadly flattish sales in Greece, Romania is expected to generate revenues of EUR 230-250m by FY22 from EUR 65m in FY17.

Revision of P&L forecasts

A strong revenue momentum ahead: We stick to our forecast for revenues growth of 9% y-o-y in FY18, which stands at the upper limit of management guidance for 6%-9%. We have slightly cut our assumption for Greece expecting like-for-like sales growth of 1% y-o-y and an overall increase of 2% y-o-y due to the positive contribution of the new store in Northern Greece, versus management's call for zero growth. In contrast, we have raised our sales assumptions for Cyprus, Bulgaria and Romania based on management's forecasts for revenue growth of 4%-5%, 25% and 50% respectively in FY18. On a like-for-like basis, we look for a sales growth of 18% y-o-y in Romania versus 33% in FY17.

For the next financial year (July 2018 – June 2019), we have assumed the opening of 5 new stores (3 in Romania, 1 in Bulgaria, 1 in Greece) that are expected to maintain group's sales growth rate at the level of 11% y-o-y. Apart from store expansion, we have assumed 2% y-o-y same-store sales growth in Greece (lower than our former estimate of 3.0%) on better macros (IMF forecast for 2.6% GDP growth) and continuation of the solid momentum in Romania (like-for-like sales up 12% y-o-y) and Bulgaria (l-f-l sales up 8% y-o-y) on store expansion and a rosy macro outlook (Romania's GDP to grow 4.4% and Bulgaria's GDP to increase 3% in 2018 according to IMF).

Gross margin under pressure on FX headwinds: We have also maintained our call for a material decrease in gross m in the current financial year (-120bps y-o-y) driven by FX headwinds, now looking for a margin of 51.0% for FY18 versus our former estimate for 51.5%. For FY19, we have assumed a modest 40bps margin contraction, mainly attributed to geographical mix (increased contribution of Romania and Bulgaria).

Opex on the rise on store expansion On the opex side, we have not changed our projection for SGA of EUR 193m (+6% y-o-y) in FY18 and EUR 203m (+5% y-o-y) in FY19 fuelled by new store openings. On our numbers, opex/sales ratio is seen shaping at 26.0% in FY18 and 24.8% in FY19 compared to 26.8% in FY17, indicating the positive effect of operating leverage on Jumbo's profitability.

Robust EBITDA in the medium-term: Based on these estimates, we forecast EBITDA of EUR 210m (+8% y-o-y) for FY18, which stands 3% below our previous call, while FY19e EBITDA is seen at EUR 239m (+14% y-o-y, 2% downward revision) reflecting strong revenue momentum and improved productivity. Jumbo's EBITDA margin is estimated at 28.3% in FY18 (-30bps y-o-y), rebounding to 29.1% (+80bps y-o-y) in FY19.

Key P&L assumptions

New assumptions	FY 2018f	FY 2019f	FY 2020f	FY 2021f
Sales growth – Greece l-f-l	1.0%	2.0%	2.0%	2.0%
Sales growth - Cyprus	4.0%	4.0%	4.0%	4.0%
Sales growth - Bulgaria	19.8%	13.1%	9.8%	5.0%
Sales growth - Romania	50.9%	43.3%	28.7%	24.2%
Sales growth - Group	9.0%	10.6%	10.2%	8.8%
Δ (Gross margin)	-120bps	-40bps	-30bps	-30bps
SG&A/sales ratio	26.0%	24.8%	23.6%	22.7%
Old assumptions				
Sales growth – Greece l-f-l	1.5%	3.0%	3.0%	3.0%
Sales growth - Cyprus	2.0%	2.0%	2.0%	2.0%
Sales growth - Bulgaria	11.5%	6.0%	5.0%	3.0%
Sales growth - Romania	45.0%	31.2%	24.0%	20.8%
Sales growth - Group	9.0%	9.1%	8.7%	6.8%
Δ (Gross margin)	-110bps	-30bps	-20bps	0bps
SG&A/sales ratio	25.9%	24.9%	24.0%	23.6%

Source: The Company, IBG Research, **Note:** Jumbo's fiscal year ends on June 30

Projected store roll-outs

	FY 2017	FY 2018f	FY 2019f	FY 2020f	FY 2021f
Greece	51	52	53	54	55
Cyprus	5	5	5	5	5
Bulgaria	9	9	10	10	10
Romania	8	11	14	17	20
Total	73	77	82	86	90
Net additions	2	4	5	4	4
Franchise stores	11	14	17	19	21
Total POS	84	91	99	105	111

Source: The Company, IBG Research, **Note:** Jumbo's fiscal year ends on June 30

Depreciation expenses: We have assumed a gradual increase in depreciation expenses on annual capex of EUR 45-50m, driving our projected EBIT at EUR 184m (+7% y-o-y) for FY18 and EUR 211m (+14% y-o-y) for FY19. We note that we have downward revised our D&A estimates to reflect the low depreciation rate of 3% used for buildings, which account for the lion's share of the company's annual capex.

Net interest expenses: The company has announced the issue of a EUR 250m convertible bond to replace the existing EUR 145m bond loan that carries a 3.25% interest rate. We have assumed that the interest of the new bond will be 2.75%, driving interest expenses to EUR 6.6m in FY18 and EUR 7.6m in FY19 from EUR 5.4m in FY17. Interest income is estimated at EUR 6.5m this year and EUR 8.1m in FY19 on increased net cash position.

Income taxes: Group's effective tax rate has been reduced to 24.5% in FY17 from 26.6% in FY16 reflecting the increased contribution of foreign markets to group's profitability. We remind that the corporate tax rates in the countries that Jumbo is present are as follows: Greece: 29%, Bulgaria: 10%, Romania: 16%, Cyprus: 12.5%. Accordingly, we have set the effective tax rate at 24.5% over our forecast period (previous assumption was for 25.5%) to take into account the growing contribution of Romania and Bulgaria in group's net income in the next years.

Based on our projections, we forecast net profits of EUR 139m (+6% y-o-y vs. management guidance for flattish net income) for FY18 and EUR 160m (+15% y-o-y) for FY19. We have slightly reduced our FY18-19e net earnings due to the downward revision of our EBITDA forecasts, raising our estimates from FY20 onwards on broadly flattish EBITDA and a lower than initially expected depreciation expenses and effective tax rate. On our estimates, Jumbo is set to achieve 4-year net earnings CAGR of 12% on the back of store expansion (4 new stores per annum), robust sales growth in foreign markets and operating leverage.

Forecast Changes for financial years 2018-2021

EUR m	FY 2018f	FY 2019f	FY 2020f	FY 2021f
Sales - New	742.5	821.0	904.8	984.9
Sales - Old	742.7	810.6	881.5	941.8
New vs. Old	0%	1%	3%	5%
EBITDA - New	210.4	239.2	271.3	300.6
EBITDA - Old	218.0	244.9	272.2	295.8
New vs. Old	-3%	-2%	0%	2%
Net profits - New	139.1	159.5	182.6	203.7
Net profits - Old	142.9	160.5	179.6	196.0
New vs. Old	-3%	-1%	2%	4%

Source: IBG Research, **Note:** Jumbo's fiscal year ends on June 30

P&L Forecasts 2018-2021

EUR m	FY 2017	FY 2018f	FY 2019f	FY 2020f	FY 2021f	CAGR 17-21f
Greece	449.6	457.1	476.3	502.8	526.5	4%
Cyprus	80.7	83.9	87.2	90.7	94.4	4%
Bulgaria	64.7	77.5	87.6	96.2	101.0	12%
Romania	65.6	99.0	141.9	182.7	227.0	36%
Other*	20.9	25.0	27.9	32.4	36.0	15%
Sales	681.4	742.5	821.0	904.8	984.9	10%
% change	6.9%	9.0%	10.6%	10.2%	8.8%	
Cost of sales	-325.9	-363.8	-405.6	-449.7	-492.4	
Gross profit	355.5	378.7	415.4	455.1	492.4	
% margin	52.2%	51.0%	50.6%	50.3%	50.0%	
SGA	-182.5	-192.9	-203.3	-213.4	-223.9	
SGA/sales	26.8%	26.0%	24.8%	23.6%	22.7%	
Other income / expenses	-1.2	-1.4	-1.4	-1.4	-1.4	
EBIT	171.8	184.4	210.8	240.4	267.1	
% margin	25.2%	24.8%	25.7%	26.6%	27.1%	
Depreciation	23.0	25.9	28.4	30.9	33.5	
EBITDA	194.8	210.4	239.2	271.3	300.6	11%
% margin	28.6%	28.3%	29.1%	30.0%	30.5%	
% change	6.0%	8.0%	13.7%	13.4%	10.8%	
Net financials	1.6	-0.1	0.5	1.5	2.7	
EBT	173.5	184.3	211.3	241.8	269.8	
Income taxes	-42.5	-45.1	-51.8	-59.3	-66.1	
Effective tax rate	24.5%	24.5%	24.5%	24.5%	24.5%	
Net profit	131.0	139.1	159.5	182.6	203.7	12%
% change	8.0%	6.2%	14.7%	14.5%	11.6%	

Source: IBG Research, The Company, **Note:** Jumbo's fiscal year ends on June 30, * Sales from franchise stores in Western Balkans

Free cash flow & Dividend policy

We forecast solid free cash flow generation in the medium-term driven by strong earnings potential and despite increased income taxes, working capital needs and relatively high capex per year. In particular, we expect FCF of EUR 87m for FY18 and EUR 104m for FY19, assuming capex of EUR 45m and EUR 50m respectively. We have reduced our FCF forecasts due to the reduction in our projected EBITDA and the upward revision to our working capital needs, following management's comment to Greek investors that the company favours the increase in inventories.

Projected FCF 2018-2021

EUR m	FY 2017	FY 2018f	FY 2019f	FY 2020f	FY 2021f
EBITDA	194.8	210.4	239.2	271.3	300.6
Income taxes	-44.7	-45.1	-51.8	-59.3	-66.1
Interest expenses	1.4	-0.1	0.5	1.5	2.7
Working capital needs	-41.6	-34.5	-34.8	-32.8	-32.6
Capex	-38.0	-45.0	-50.0	-45.0	-45.0
Other	9.7	0.9	0.9	0.9	0.8
Free cash flow	81.5	86.5	104.0	136.6	160.4
% of MCAP	3.7%	4.6%	5.5%	7.3%	8.5%
Net cash	206.8	268.8	321.4	399.0	491.8
% of MCAP	9.5%	14.3%	17.1%	21.2%	26.2%

Source: The Company, IBG Research, **Note:** Jumbo's fiscal year ends on June 30

On the dividend front, management has a strict rule to distribute at least 1/3 of group's net profits to shareholders. Given that the parent company (Jumbo SA) is paying dividends to shareholders, the ordinary dividend of EUR 0.36/share for FY17 points to a payout ratio of 60% on stand-alone profits and 37% on consolidated profits. We were expecting a higher DPS for FY17 to the tune of EUR 0.40/share driven by the 8% y-o-y increase in group's EPS and ample liquidity, but the management maintained its cautious stance once again. Accordingly, we have set the dividend payout ratio at 37% over our forecast period, driving our DPS projections at EUR 0.38 for FY18 (previous call: EUR 0.47/share) and EUR 0.43 for FY19 (previous call: EUR 0.59/share). The implied dividend yield is a mediocre 3% over the next couple of year.

However, we view that the company may adopt a more generous dividend policy in the next years on the back of strong free cash flow that is expected to drive Jumbo's net cash position above the EUR 300m mark in FY19.

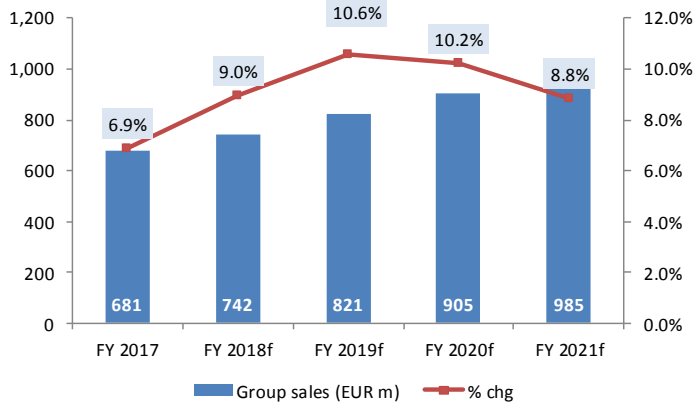
DPS 2018-2021

EUR m	FY 2017	FY 2018f	FY 2019f	FY 2020f	FY 2021f
Earnings per share	0.96	1.02	1.17	1.34	1.50
Dividend payout	37.4%	37.0%	37.0%	37.0%	37.0%
DPS	0.36	0.38	0.43	0.50	0.55
Dividend yield	2.6%	2.7%	3.1%	3.6%	4.0%

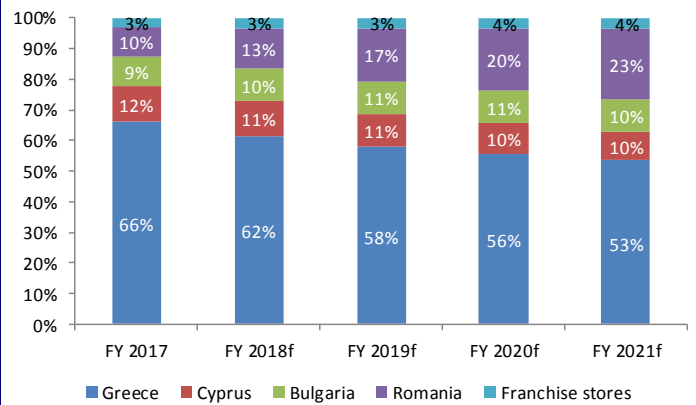
Source: The Company, IBG Research, **Note:** Jumbo's fiscal year ends on June 30



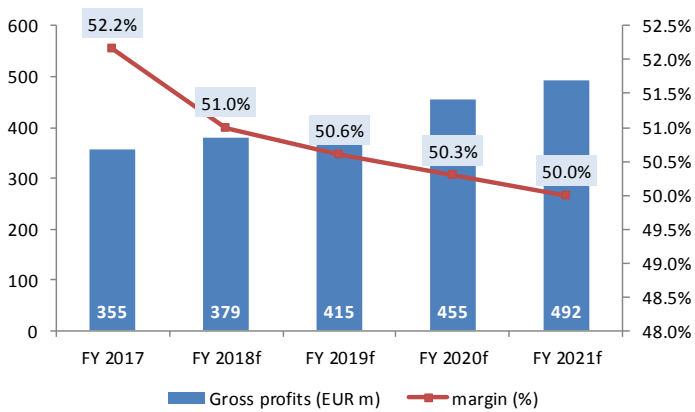
Revenue forecasts



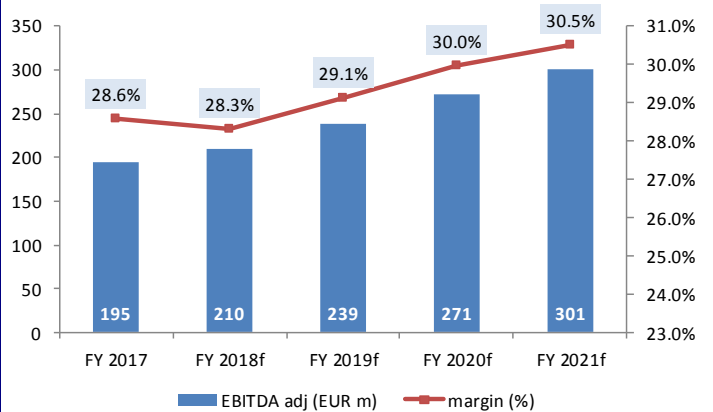
Revenue mix per geography



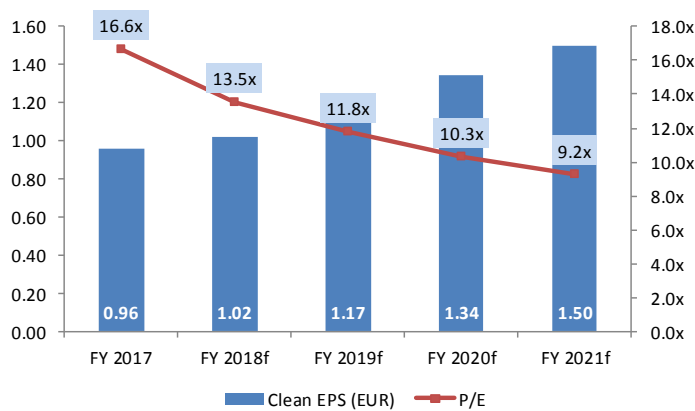
Gross profit forecasts



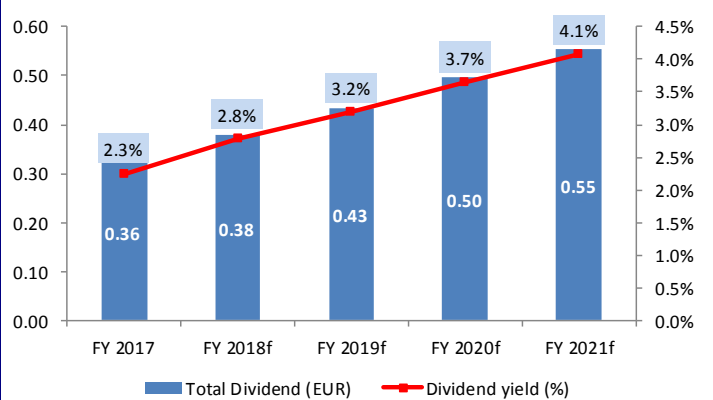
EBITDA forecasts



EPS forecasts



DPS forecasts



Source: IBG Research, The company, Note: Jumbo's fiscal year ends on June 30

Valuation & Rating

For the estimation of the fair value of Jumbo, we are using a 2-stage DCF model with explicit forecasts for financial years 2018-2022. We have reduced our discount rate (WACC) to 9.0 from 9.6% due to a lower cost of debt and higher leverage following the issue of the new convertible bond. In more detail, we have assumed: a) cost of equity of 10.7% (unchanged) based on a normalized risk-free rate of 3.5% and a market risk premium of 7.2%, b) a (pre-tax) cost of debt of 3.0% (vs. 4.0% previously) and c) an 80% gearing ratio (vs. 85% previously). We maintained the terminal growth rate at 2.0% due to the presence of Jumbo in Romania and Bulgaria that display solid growth potential.

We have used reported FY17 net cash position, excluding the cash outflow of EUR 24m associated with the remaining ordinary dividend of EUR 0.18/share (ex-dividend: 19.12.2017), while we have included in our valuation the book value of group's other assets (i.e. Bank of Cyprus shares, investment properties, trading securities) as presented in FY17 IFRS statements.

Following the changes in our valuation assumptions and P&L forecasts, our DCF model returns a target price for Jumbo of **EUR 17.80/share** (vs. EUR 17.30/share previously). Our new target price stands 29% above current price levels, thus we re-affirm our **'Buy'** our rating on Jumbo.

DCF Valuation

EUR m	2018f	2019f	2020f	2021f	2022f
EBIT	184	211	240	267	295
Notional tax	-45	-52	-59	-65	-72
Depreciation & Provision	26	29	31	34	37
CAPEX	-45	-50	-45	-45	-45
Δ(WC)	-34	-35	-33	-33	-33
Free Cash Flow to the Firm	86.6	103.6	135.5	158.3	181.5
WACC	9.0%	9.0%	9.0%	9.0%	9.0%
PV of FCF 2018-2022	79.4	87.3	104.7	112.2	118.0
Sum of PV of FCF 2018-2022	502				
Terminal Growth Rate (Perpetuity)	2.0%				
Terminal Value (Perpetuity)	1,723				
Enterprise Value	2,225				
Less: Net Debt / (Cash) FY17	-207				
Less: Ordinary Dividend	24				
Plus: Other assets	14				
Equity value	2,421				
No of shares	136.1				
Target price	17.80				

Source: IBG Research

We have performed a sensitivity analysis of our valuation results with respect to the discount rate and the perpetuity growth rate. Our sensitivity analysis yields a price range between **EUR 15.50 - 20.90** per share and in particular a 100bps in the discount rate will add **EUR 0.70 share or 4% to our target price** and vice-versa. The stock currently trades below our indicative price range, pointing to an attractive entry point. In general, Jumbo remains among our top picks on the back of its well-promising earnings potential, a healthy balance sheet structure and solid cash flow generation going forward.



DCF valuation sensitivity – WACC and perpetuity rate (in EUR)

		Weighted Average Cost of Capital			
		EUR/share	8.0%	9.0%	10.0%
Terminal Growth rate	1.0%	16.70	16.10	15.50	
	2.0%	18.50	17.80	17.10	
	3.0%	20.90	20.10	19.30	

Source: IBG Research

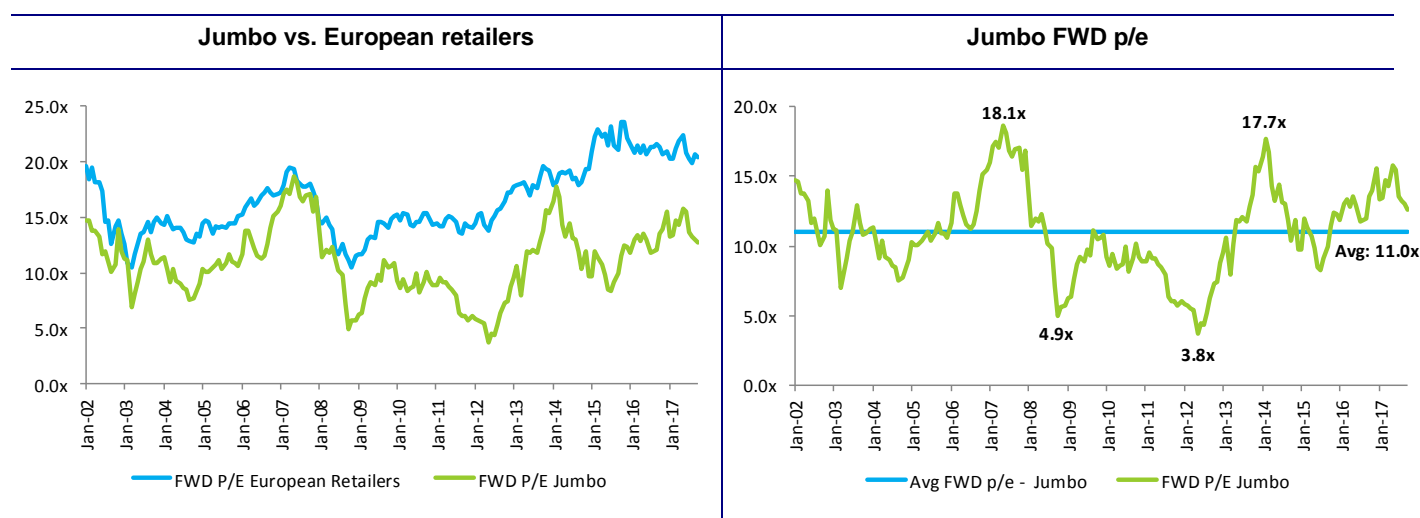
We have also run a sensitivity analysis using different levels of gross margin and discount rate, maintaining all other assumptions unchanged (revenues, capex, working capital, effective tax rate etc.). In particular, we have calculated Jumbo’s target price by adjusting our estimated gross margin over our forecast period by +/- 100bps. Every 100bps above our projected gross margin over the forecast period adds **EUR 0.80 or 4% to our target price** and vice versa, which means that our valuation results are very sensitive to any positive or negative surprises on gross margin, which in turn is heavily dependent on EUR/USD rates, transport costs, pricing policy and sales mix.

DCF valuation sensitivity – WACC and Gross margin

		Gross margin - Deviation from IBG estimates					
		EUR/share	-2.0%	-1.0%	0.0%	1.0%	2.0%
WACC	8.6%	16.90	17.70	18.50	19.30	20.10	
	9.6%	16.30	17.00	17.80	18.60	19.30	
	10.6%	15.70	16.40	17.10	17.90	18.60	

Source: IBG Research

On our earnings estimates, Jumbo trades at a ‘calendarized’ p/e multiple of 14x for 2018 compared to a 20x forward-looking p/e for European retailers (EuroStoxx Retail index). On consensus estimates, the stock trades 13.3x its 2018e net profits, also indicating a 35% discount against European peers. In the bull markets of 2017 and 2014, the stock traded on a prospective p/e of 18x compared to 13x currently, close to 20x for European peers.



Source: Factset database

Risks to our Estimates and Valuation

The main risks to our forecasts and valuation are summarized below:

On the upside:

1. Faster than expected recovery of the Greek economy that will improve consumer confidence, thus the turnover of a leading retailer such as Jumbo.
2. The strengthening of the euro against the USD will provide some relief on COGS (80% of the products are USD-denominated).
3. The company has achieved to maintain gross margin at satisfactory levels (>52% in the last 10 years) despite a quite volatile currency environment, owing to a favourable sales mix, early stocking practices and switch to new suppliers. For conservative reasons, we have assumed a moderate decrease in gross margin every year.
4. Entry in new markets in the Balkans and Eastern Europe that are best fitted to accept Jumbo's product proposition and faster than we had expected store roll-out in existing markets.

On the downside:

1. The continuation of unfavourable currency movements (i.e. stronger USD against the euro) will negatively affect group's gross margin.
2. Weak sales growth on slower than expected economic recovery and political instability in Greece.
3. Delays in the roll-out of the distribution network in Greece amid a tough economic environment in the home country.
4. Higher transport costs and inflationary pressures in China that will negatively impact inventory prices, thus group's gross margin.

Upcoming Corporate Events Calendar

Date	Event Type	Description	Period
01/12/17	AGM	Full year 2017 AGM - 3rd call {if required}	2017
20/11/17	AGM	Full year 2017 AGM - 2nd call {if required}	2017
08/11/17	AGM	Full year 2017 AGM	2017

Source: *Precise*



Jumbo : Summary tables

PROFIT & LOSS (EURm)	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
Sales	583	638	681	742	821	905
Cost of Sales & Operating Costs	-423	-454	-487	-532	-582	-634
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	159	184	195	210	239	271
EBITDA (adj.)*	159	184	195	210	239	271
Depreciation	-21.3	-22.7	-23.0	-25.9	-28.4	-30.9
EBITA	138	161	172	184	211	240
EBITA (adj)*	138	161	172	184	211	240
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	138	161	172	184	211	240
EBIT (adj.)*	138	161	172	184	211	240
Net Financial Interest	1.7	1.9	1.8	-0.1	0.5	1.5
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	-2.7	2.2	-0.2	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	137	165	173	184	211	242
Tax	-32.1	-43.9	-42.5	-45.1	-51.8	-59.3
<i>Tax rate</i>	<i>23.4%</i>	<i>26.6%</i>	<i>24.5%</i>	<i>24.5%</i>	<i>24.5%</i>	<i>24.5%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	105	121	131	139	160	183
Net Profit (adj.)	107	119	131	139	160	183
CASH FLOW (EURm)	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
Cash Flow from Operations before change in NWC	130	142	152	166	189	214
Change in Net Working Capital	8.2	-23.1	-41.6	-34.5	-34.8	-32.8
Cash Flow from Operations	138	119	110	131	154	182
Capex	-59.1	-34.7	-38.0	-45.0	-50.0	-45.0
Net Financial Investments	-3.4	0.1	9.1	0.0	0.0	0.0
Free Cash Flow	75.7	84.6	81.5	86.5	104	137
Dividends	-49.0	0.0	-110	-24.5	-51.5	-59.0
Other (incl. Capital Increase & share buy backs)	2.9	13.6	-14.9	0.0	0.0	0.0
Change in Net Debt	29.6	98.2	-43.5	62.0	52.6	77.6
NOPLAT	97.9	114	122	131	150	171
BALANCE SHEET & OTHER ITEMS (EURm)	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
Net Tangible Assets	498	499	515	534	556	570
Net Intangible Assets (incl. Goodwill)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	35.2	31.7	31.4	31.0	30.6	30.2
Total Fixed Assets	533	530	546	565	586	600
Inventories	198	197	239	294	328	361
Trade receivables	48.8	77.0	105	88.6	94.7	102
Other current assets	11.7	10.4	3.2	3.2	3.2	3.2
Cash (-)	-299	-395	-366	-534	-586	-664
Total Current Assets	557	679	713	920	1,012	1,130
Total Assets	1,090	1,209	1,260	1,484	1,598	1,730
Shareholders Equity	797	916	962	1,076	1,184	1,308
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	797	916	962	1,076	1,184	1,308
Long term interest bearing debt	144	144	144	250	250	250
Provisions	6.0	7.7	7.1	7.6	8.1	8.6
Other long term liabilities	19.9	13.6	12.7	12.7	12.7	12.7
Total Long Term Liabilities	170	165	164	270	271	271
Short term interest bearing debt	2.9	0.2	14.8	14.8	14.8	14.8
Trade payables	51.4	39.1	39.8	42.9	45.6	48.1
Other current liabilities	69.0	89.1	79.0	80.1	82.5	87.8
Total Current Liabilities	123	128	134	138	143	151
Total Liabilities and Shareholders' Equity	1,090	1,209	1,260	1,484	1,598	1,730
Net Capital Employed	671	687	775	828	884	930
Net Working Capital	207	245	307	343	380	418
GROWTH & MARGINS	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
<i>Sales growth</i>	<i>7.5%</i>	<i>9.4%</i>	<i>6.9%</i>	<i>9.0%</i>	<i>10.6%</i>	<i>10.2%</i>
EBITDA (adj.)* growth	8.7%	15.3%	6.0%	8.0%	13.7%	13.4%
<i>EBITA (adj.)* growth</i>	<i>8.5%</i>	<i>16.7%</i>	<i>6.7%</i>	<i>7.3%</i>	<i>14.3%</i>	<i>14.0%</i>
<i>EBIT (adj.)* growth</i>	<i>8.5%</i>	<i>16.7%</i>	<i>6.7%</i>	<i>7.3%</i>	<i>14.3%</i>	<i>14.0%</i>

Jumbo : Summary tables

GROWTH & MARGINS	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
Net Profit growth	6.2%	10.7%	10.1%	6.2%	14.7%	14.5%
EPS adj. growth	6.2%	10.7%	10.1%	6.2%	14.7%	14.5%
DPS adj. growth	n.m.	n.m.	-42.9%	5.1%	14.7%	14.5%
EBITDA (adj)* margin	27.3%	28.8%	28.6%	28.3%	29.1%	30.0%
EBITA (adj)* margin	23.7%	25.3%	25.2%	24.8%	25.7%	26.6%
EBIT (adj)* margin	23.7%	25.3%	25.2%	24.8%	25.7%	26.6%
RATIOS	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
Net Debt/Equity	-0.2	-0.3	-0.2	-0.2	-0.3	-0.3
Net Debt/EBITDA	-1.0	-1.4	-1.1	-1.3	-1.3	-1.5
Interest cover (EBITDA/Fin.interest)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/D&A	277.3%	152.7%	165.3%	173.4%	176.1%	145.4%
Capex/Sales	10.2%	5.4%	5.6%	6.1%	6.1%	5.0%
NWC/Sales	35.5%	38.4%	45.1%	46.2%	46.3%	46.2%
ROE (average)	13.9%	13.9%	14.0%	13.7%	14.1%	14.7%
ROCE (adj.)	13.9%	15.4%	14.8%	14.9%	16.0%	17.3%
WACC	9.3%	9.5%	10.3%	9.0%	9.0%	9.0%
ROCE (adj.)/WACC	1.5	1.6	1.4	1.7	1.8	1.9
PER SHARE DATA (EUR)***	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
Average diluted number of shares	136.1	136.1	136.1	136.1	136.1	136.1
EPS (reported)	0.77	0.89	0.96	1.02	1.17	1.34
EPS (adj.)	0.79	0.87	0.96	1.02	1.17	1.34
BVPS	5.86	6.73	7.07	7.91	8.70	9.61
DPS	0.00	0.63	0.36	0.38	0.43	0.50
VALUATION	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
EV/Sales	1.4	2.1	2.9	2.2	1.9	1.6
EV/EBITDA	5.2	7.2	10.0	7.6	6.5	5.4
EV/EBITDA (adj.)*	5.2	7.2	10.0	7.6	6.5	5.4
EV/EBITA	6.1	8.3	11.4	8.7	7.3	6.1
EV/EBITA (adj.)*	6.1	8.3	11.4	8.7	7.3	6.1
EV/EBIT	6.1	8.3	11.4	8.7	7.3	6.1
EV/EBIT (adj.)*	6.1	8.3	11.4	8.7	7.3	6.1
P/E (adj.)	9.4	13.5	16.6	13.5	11.8	10.3
P/BV	1.3	1.8	2.3	1.7	1.6	1.4
Total Yield Ratio	0.0%	6.9%	1.3%	2.7%	3.1%	3.6%
EV/CE	1.2	1.8	2.4	1.8	1.7	1.5
OpFCF yield	7.8%	5.3%	3.3%	4.6%	5.5%	7.3%
OpFCF/EV	9.5%	6.4%	3.7%	5.4%	6.7%	9.3%
Payout ratio	0.0%	70.7%	37.4%	37.0%	37.0%	37.0%
Dividend yield (gross)	0.0%	5.3%	2.6%	2.7%	3.1%	3.6%
EV AND MKT CAP (EURm)	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
Price** (EUR)	7.42	11.78	16.00	13.82	13.82	13.82
Outstanding number of shares for main stock	136.1	136.1	136.1	136.1	136.1	136.1
Total Market Cap	1,010	1,603	2,177	1,880	1,880	1,880
Net Debt	-152	-250	-207	-269	-321	-399
<i>o/w Cash & Marketable Securities (-)</i>	<i>-299</i>	<i>-395</i>	<i>-366</i>	<i>-534</i>	<i>-586</i>	<i>-664</i>
<i>o/w Gross Debt (+)</i>	<i>147</i>	<i>144</i>	<i>159</i>	<i>265</i>	<i>265</i>	<i>265</i>
Other EV components	-22	-22	-14	-14	-13	-13
Enterprise Value (EV adj.)	835	1,331	1,956	1,598	1,546	1,469

Source: Company, Investment Bank of Greece estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: General Retailers/Broadline Retailers

Company Description: Jumbo is the largest toys/babies apparel/bookstore/home/seasonal products retailer in the Greek market. The company has a resilient business model based on its geographical sales network expansion strategy, a wide assortment of products and a competitive pricing policy. Today, the Jumbo network counts 73 stores (51 in Greece, 5 in Cyprus, 9 in Bulgaria and 8 in Romania), while it has attained presence in Western Balkan countries through franchise agreements.

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)	Banco Sabadell	GVC	Avantium	NIBC	Unipol Gruppo Finanziario	BAK
Airbus Se	CIC	Banco Santander	GVC	Brenntag	EQB	Wendel	CIC
Dassault Aviation	CIC	Bankia	GVC	Fuchs Petrolub	EQB	Food & Beverage	Mem(*)
Latecoere	CIC	Bankinter	GVC	Holland Colours	NIBC	Acomo	NIBC
Leonardo	BAK	Bbva	GVC	K+S Ag	EQB	Atria	OPG
Lisi	CIC	Bcp	CBI	Kemira	OPG	Bonduelle	CIC
Mtu Aero Engines	EQB	Bnp Paribas	CIC	Kws Saat	EQB	Campari	BAK
Ohb Se	EQB	Bper	BAK	Linde	EQB	Coca Cola Hbc Ag	IBG
Rheinmetall	EQB	Bpi	CBI	Siegfried Holding Ag	EQB	Corbion	NIBC
Safran	CIC	Caixabank	GVC	Symrise Ag	EQB	Danone	CIC
Thales	CIC	Commerzbank	EQB	Tikkurila	OPG	Ebro Foods	GVC
Zodiac Aerospace	CIC	Credem	BAK	Electronic & Electrical Equipment	Mem(*)	Enervit	BAK
Alternative Energy	Mem(*)	Credit Agricole Sa	CIC	Euromicron Ag	EQB	Fleury Michon	CIC
Daldrup & Soehne	EQB	Creval	BAK	Legrand	CIC	Forfarmers	NIBC
Siemens Gamesa Re	GVC	Deutsche Bank	EQB	Neways Electronics	NIBC	Heineken	NIBC
Sif Group	NIBC	Deutsche Pfandbriefbank	EQB	Nexans	CIC	Hkscan	OPG
Solaria	GVC	Eurobank	IBG	Pkc Group	OPG	La Doria	BAK
Automobiles & Parts	Mem(*)	Intesa Sanpaolo	BAK	Rexel	CIC	Lanson-Bcc	CIC
Bittium Corporation	OPG	Mediobanca	BAK	Schneider Electric Se	CIC	Laurent Perrier	CIC
Bmw	EQB	Merkur Bank	EQB	Vaisala	OPG	Ldc	CIC
Brembo	BAK	National Bank Of Greece	IBG	Viscom	EQB	Lucas Bols	NIBC
Continental	EQB	Natixis	CIC	Financial Services	Mem(*)	Massimo Zanetti	BAK
Daimler Ag	EQB	Nordea	OPG	Anima	BAK	Naturex	CIC
Elringklinger	EQB	Piraeus Bank	IBG	Athex Group	IBG	Olvi	OPG
Faurecia	CIC	Poste Italiane	BAK	Azimut	BAK	Orsero	BAK
Ferrari	BAK	Procredit Holding	EQB	Banca Farmafactoring	BAK	Pernod Ricard	CIC
Fiat Chrysler Automobiles	BAK	Rothschild & Co	CIC	Banca Generali	BAK	Raisio	OPG
Groupe Psa	CIC	Societe Generale	CIC	Banca Ifis	BAK	Refresco Group	NIBC
Hella	EQB	Ubi Banca	BAK	Banca Sistema	BAK	Remy Coitreau	CIC
Indelb	BAK	Unicredit	BAK	Bb Biotech	EQB	Suedzucker	EQB
Kamux	OPG	Basic Resources	Mem(*)	Bolsas Y Mercados Espanoles Sa	GVC	Telepizza	GVC
Landi Renzo	BAK	Acerinox	GVC	Capman	OPG	Vidrala	GVC
Leoni	EQB	Altri	CBI	Cir	BAK	Vilmorin	CIC
Michelin	CIC	Arcelormittal	GVC	Comdirect	EQB	Viscofan	GVC
Nokian Tyres	OPG	Corticeira Amorim	CBI	Coestate Capital Holding S.A.	EQB	Vranken Pommery Monopole	CIC
Norma Group	EQB	Ence	GVC	Corp. Financiera Alba	GVC	Wessanen	NIBC
Piaggio	BAK	Europac	GVC	Digital Magics	BAK	Food & Drug Retailers	Mem(*)
Plastic Omnium	CIC	Metka	IBG	Dobank	BAK	Ahold Delhaize	NIBC
Pwo	EQB	Metsä Board	OPG	Eq	OPG	Carrefour	CIC
Sogefi	BAK	Mytilineos	IBG	Eurazeo	CIC	Casino Guichard-Perrachon	CIC
Stabilus	EQB	Outokumpu	OPG	Ferratum	EQB	Ceconomy Ag	EQB
Stern Groep	NIBC	Semapa	CBI	Ffp	CIC	Dia	GVC
Valeo	CIC	Ssab	OPG	Fincombank	BAK	Jeronimo Martins	CBI
Volkswagen	EQB	Stora Enso	OPG	Grenke	EQB	Kesko	OPG
Banks	Mem(*)	Surteco	EQB	Hypoport Ag	EQB	Marr	BAK
Aareal Bank	EQB	The Navigator Company	CBI	Mlp	EQB	Metro Ag	EQB
Aktia	OPG	Tubacex	GVC	Ovb Holding Ag	EQB	Sligro	NIBC
Alpha Bank	IBG	Upm-Kymmene	OPG	Patrizia	EQB	Sonae	CBI
Banca Carige	BAK	Chemicals	Mem(*)	Rallye	CIC		
Banca Mps	BAK	Air Liquide	CIC	Tip Tamburi Investment Partners	BAK		

General Industrials	Mem(*)	Pihlajalinna	OPG	Logwin	EQB	Uponor	OPG
2G Energy	EQB	Recordati	BAK	Insurance	Mem(*)	Vicat	CIC
Aalberts	NIBC	Wilex	EQB	Allianz	EQB	Vinci	CIC
Accell Group	NIBC	Household Goods	Mem(*)	Axa	CIC	Yit	OPG
Ahlstrom	OPG	De Longhi	BAK	Banca Mediolanum	BAK	Media	Mem(*)
Arcadis	NIBC	Elica	BAK	Cattolica Assicurazioni	BAK	Ad Pepper	EQB
Aspo	OPG	Fila	BAK	Generali	BAK	Alma Media	OPG
Cembre	BAK	Philips Lighting	NIBC	Hannover Re	EQB	Arnoldo Mondadori Editore	BAK
Huhtamäki	OPG	Industrial Engineering	Mem(*)	Mapfre Sa	GVC	Atresmedia	GVC
Kendrion	NIBC	Accsys Technologies	NIBC	Munich Re	EQB	Axel Springer	EQB
Nedap	NIBC	Aixtron	EQB	Sampo	OPG	Brill	NIBC
Pöyry	OPG	Alstom	CIC	Talanx Group	EQB	Cairo Communication	BAK
Prelios	BAK	Ansaldo Sts	BAK	Unipolsai	BAK	Cofina	CBI
Saf-Holland	EQB	Biesse	BAK	Materials, Construction & Infrastructure	Mem(*)	Cts Eventim	EQB
Serge Ferrari Group	CIC	Caf	GVC	Abertis	GVC	Digital Bros	BAK
Tkh Group	NIBC	Cargotec Corp	OPG	Acs	GVC	Gedi Gruppo Editoriale	BAK
General Retailers	Mem(*)	Carraro	BAK	Aena	GVC	GI Events	CIC
Beter Bed Holding	NIBC	Cnh Industrial	BAK	Aeroports De Paris	CIC	Havas	CIC
Elumeo Se	EQB	Danieli	BAK	Astaldi	BAK	Impresa	CBI
Fielmann	EQB	Datalogic	BAK	Atlantia	BAK	IoI	BAK
Fnac Darty	CIC	Deutz Ag	EQB	Boskalis Westminster	NIBC	Ipsos	CIC
Folli Follie Group	IBG	Duro Felguera	GVC	Buzzi Unicem	BAK	Jcdecaux	CIC
Fourlis Holdings	IBG	Emak	BAK	Caverion	OPG	Lagardere	CIC
Hornbach Holding	EQB	Envipco	NIBC	Cramo	OPG	M6-Metropole Television	CIC
Inditex	GVC	Exel Composites	OPG	Eiffage	CIC	Mediaset	BAK
Jumbo	IBG	Fincantieri	BAK	Ellaktor	IBG	Mediaset Espana	GVC
Ovs	BAK	Gesco	EQB	Eitel	OPG	Notorious Pictures	BAK
Rapala	OPG	Heidelberger Druck	EQB	Ezentis	GVC	Nrj Group	CIC
Stockmann	OPG	Ima	BAK	Fcc	GVC	Publicis	CIC
Takkt Ag	EQB	Indus Holding Ag	EQB	Ferrovial	GVC	Rcs Mediagroup	BAK
Tokmanni	OPG	Interpump	BAK	Heidelberg Cement Ag	CIC	Relx	NIBC
Unieuro	BAK	Kone	OPG	Heijmans	NIBC	Rtl Group	EQB
Windeln.De	EQB	Konecranes	OPG	Imerys	CIC	Sanoma	OPG
YooxNet-A-Porter	BAK	Manitou	CIC	Lafargeholcim	CIC	Solocal Group	CIC
Zalando	EQB	Manz Ag	EQB	Lehto	OPG	Spir Communication	CIC
Healthcare	Mem(*)	Max Automation Ag	EQB	Lemminkäinen	OPG	Szygyy Ag	EQB
4Sc	EQB	Metso Corporation	OPG	Maire Tecnimont	BAK	Telegraaf Media Groep	NIBC
Amplifon	BAK	Outotec	OPG	Mota Engil	CBI	Teleperformance	CIC
Bayer	EQB	Pfeiffer Vacuum	EQB	Obrascon Huarte Lain	GVC	Tf1	CIC
Biotest	EQB	Ponsse	OPG	Ramirent	OPG	Ubisoft	CIC
Diasorin	BAK	Prima Industrie	BAK	Royal Bam Group	NIBC	Vivendi	CIC
El.En.	BAK	Prysmian	BAK	Sacyr	GVC	Wolters Kluwer	NIBC
Epigenomics Ag	EQB	Smt Scharf Ag	EQB	Saint Gobain	CIC	Xing Ag	EQB
Genfit	CIC	Technotrans	EQB	Salini Impregilo	BAK		
Guerbet	CIC	Valmet	OPG	Sias	BAK		
Korian	CIC	Wärtsilä	OPG	Srv	OPG		
Merck	EQB	Zardoya Otis	GVC	Tarkett	CIC		
Oriola-Kd	OPG	Industrial Transportation	Mem(*)	Thermador Groupe	CIC		
Orion	OPG	Bollore	CIC	Titan Cement	IBG		
Orpea	CIC	Ctt	CBI	Trevi	BAK		

Oil & Gas Producers	Mem(*)	Realia	GVC	Asml	NIBC	Kotipizza	OPG
Eni	BAK	Sponda	OPG	Besi	NIBC	Melia Hotels International	GVC
Galp Energia	CBI	Technopolis	OPG	Ericsson	OPG	Nh Hotel Group	GVC
Gas Plus	BAK	Wcm Ag	EQB	Gigaset	EQB	Opap	IBG
Hellenic Petroleum	IBG	Software & Computer Services	Mem(*)	Nokia	OPG	Snaitech	BAK
Maurel Et Prom	CIC	Affecto	OPG	Roodmicrotec	NIBC	Snowworld	NIBC
Motor Oil	IBG	Akka Technologies	CIC	Slm Solutions	EQB	Sodexo	CIC
Neste Corporation	OPG	Alten	CIC	Stmicroelectronics	BAK	Sonae Capital	CBI
Ogep	CBI	Altran	CIC	Suess Microtec	EQB	Trigano	CIC
Repsol	GVC	Assystem	CIC	Teleste	OPG	Utilities	Mem(*)
Total	CIC	Atos	CIC	Va-Q-Tec	EQB	A2A	BAK
Oil Services	Mem(*)	Basware	OPG	Telecommunications	Mem(*)	Acciona	GVC
Bourbon	CIC	Comptel	OPG	Acotel	BAK	Acea	BAK
Cgg	CIC	Ctac	NIBC	Bouygues	CIC	Albioma	CIC
Fugro	NIBC	Digia Plc	OPG	Deutsche Telekom	EQB	Direct Energie	CIC
Rubis	CIC	Econocom	CIC	Dna	OPG	Edp	CBI
Saipem	BAK	Esi Group	CIC	Drillisch	EQB	Edp Renováveis	CBI
Sbm Offshore	NIBC	Exprivia	BAK	Elisa	OPG	Enagas	GVC
Technipfmc Plc	CIC	F-Secure	OPG	Euskaltel	GVC	Endesa	GVC
Tecnicas Reunidas	GVC	Gft Technologies	EQB	Freenet	EQB	Enel	BAK
Tenaris	BAK	Ict Group	NIBC	Iliad	CIC	Erg	BAK
Vallourec	CIC	Indra Sistemas	GVC	Kpn Telecom	NIBC	Eydap	IBG
Vopak	NIBC	Nemetschek Se	EQB	Masmovil	GVC	Falck Renewables	BAK
Personal Goods	Mem(*)	Neurones	CIC	Nos	CBI	Fortum	OPG
Adidas	EQB	Nexus Ag	EQB	Oi	CBI	Gas Natural Fenosa	GVC
Adler Modemaerkte	EQB	Novabase	CBI	Orange	CIC	Hera	BAK
Amer Sports	OPG	Ordina	NIBC	Ote	IBG	Iberdrola	GVC
Basic Net	BAK	Psi Software Ag	EQB	Retelit	BAK	Iren	BAK
Geox	BAK	Reply	BAK	Tele Columbus	EQB	Italgas	BAK
Gerry Weber	EQB	Rib Software	EQB	Telecom Italia	BAK	Public Power Corp	IBG
Hugo Boss	EQB	Seven Principles Ag	EQB	Telefonica	GVC	Red Electrica De Espana	GVC
Luxottica	BAK	Software Ag	EQB	Telefonica Deutschland	EQB	Ren	CBI
Marimekko	OPG	Sopra Steria Group	CIC	Telia	OPG	Snam	BAK
Moncler	BAK	Tie Kinetix	NIBC	Tiscali	BAK	Terna	BAK
Puma	EQB	Tieto	OPG	United Internet	EQB		
Safilo	BAK	Tomtom	NIBC	Vo dafone	BAK		
Salvatore Ferragamo	BAK	Visiativ	CIC	Travel & Leisure	Mem(*)		
Sarantis	IBG	Support Services	Mem(*)	Accor	CIC		
Technogym	BAK	Amadeus	GVC	Aegean Airlines	IBG		
Tod'S	BAK	Asiakastieto Group	OPG	Air France Klm	CIC		
Real Estate	Mem(*)	Batenburg	NIBC	Autogrill	BAK		
Adler Real Estate	EQB	Cellnex Telecom	GVC	Beneteau	CIC		
Beni Stabili	BAK	Dpa	NIBC	Compagnie Des Alpes	CIC		
Citycon	OPG	Ei Towers	BAK	Elior	CIC		
Demire	EQB	Enav	BAK	Europcar	CIC		
Deutsche Euroshop	EQB	Fiera Milano	BAK	Finnair	OPG		
Hispania Activos Inmobiliarios	GVC	Lassila & Tikanoja	OPG	I Grandi Viaggi	BAK		
Igd	BAK	Openjobmetis	BAK	Ibersol	CBI		
Lar España	GVC	Technology Hardware & Equipm	Mem(*)	Int. Airlines Group	GVC		
Merlin Properties	GVC	Asm International	NIBC	Intralot	IBG		

LEGEND: BAK: Banca Akros; CIC: CM CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Beksa, SV, SA; EQB: equinet bank; IBG: Investment Bank of Greece, NIBC: NIBC Bank N.V.; OPG: OP Corporate Bank; as of 2nd October 2017

List of ESN Analysts (**)

Artur Amaro	CBI	+351 213 89 6822	artur.amaro@caixabi.pt	Konstantinos Manolopoulos	IBG	+30 210 817 3388	kmanolopoulos@ibg.gr
Stefan Augustin	EQB	+49-69-58997-430	stefan.augustin@equinet-ag.de	Katharina Mayer	EQB	+49 69 58997-432	katharina.mayer@equinet-ag.de
Helena Barbosa	CBI	+351 21 389 6831	helena.barbosa@caixabi.pt	Fanny Meindre, PhD	CIC	+33 1 53 48 80 84	fanny.meindre@cmcic.fr
Winfried Becker	EQB	+49 69 58997-416	winfried.becker@equinet-ag.de	Dario Michi	BAK	+39 02 4344 4237	dario.michi@bancaakros.it
Javier Bernat	GVC	+34 91 436 7816	javier.bernat@gvgaesco.es	Marietta Miemietz CFA	EQB	+49-69-58997-439	marietta.miemietz@equinet-ag.de
Dimitris Birbos	IBG	+30 210 81 73 392	dbirbos@ibg.gr	Henri Parkkinen	OPG	+358 10 252 4409	henri.parkkinen@op.fi
Agnès Blazy	CIC	+33 1 53 48 80 67	agnes.blazy@cmcic.fr	Victor Peiro Pérez	GVC	+34 91 436 7812	victor.peiro@gvgaesco.es
Charles Edouard Boissy	CIC	+33 01 53 48 80 81	charlesedouard.boissy@cmcic.fr	Alexandre Plaud	CIC	+33 1 53 48 80 90	alexandre.plaud@cmcic.fr
Rafael Bonardell	GVC	+34 91 436 78 71	rafael.bonardell@gvgaesco.es	Francis Prêtre	CIC	+33 4 78 92 02 30	francis.pretre@cmcic.fr
Andrea Bonfà	BAK	+39 02 4344 4269	andrea.bonfa@bancaakros.it	Francesco Previtera	BAK	+39 02 4344 4033	francesco.previtera@bancaakros.it
Jean-Baptiste Bouchet	CIC	+33 1 53 48 80 69	jeanbaptiste.bouchet@cmcic.fr	Jari Raisanen	OPG	+358 10 252 4504	jari.raisanen@op.fi
Louise Boyer	CIC	+33 1 53 48 80 68	louise.boyer@cmcic.fr	Hannu Rauhala	OPG	+358 10 252 4392	hannu.rauhala@op.fi
Christian Bruns	EQB	+49 69 58997 415	christian.bruns@equinet-ag.de	Matiias Rautionmaa	OPG	+358 10 252 4408	matias.rautionmaa@op.fi
Giada Cabrino, CIIA	BAK	+39 02 4344 4092	giada.cabrino@bancaakros.it	Eric Ravary	CIC	+33 1 53 48 80 71	eric.ravary@cmcic.fr
Niclas Catani	OPG	+358 10 252 8780	niclas.catani@op.fi	Iñigo Recio Pascual	GVC	+34 91 436 7814	inigo.recio@gvgaesco.es
Pierre Chedeville	CIC	+33 1 53 48 80 97	pierre.chedeville@cmcic.fr	André Rodrigues	CBI	+351 21 389 68 39	andre.rodrigues@caixabi.pt
Emmanuel Chevalier	CIC	+33 1 53 48 80 72	emmanuel.chevalier@cmcic.fr	John David Roeg	NIBC	+31 (0)20 550 86 46	John.David.Roeg@nibc.com
David Consalvo	CIC	+33 1 53 48 80 64	david.consalvo@cmcic.fr	Jean-Luc Romain	CIC	+33 1 53 48 80 66	jeanluc.romain@cmcic.fr
Edwin de Jong	NIBC	+312 0 5508569	edwin.dejong@nibc.com	Vassilis Roumantzis	IBG	+30 2108173394	vroumantzis@ibg.gr
Martijn den Drijver	NIBC	+312 0 5508636	martijn.den.drijver@nibc.com	Sonia Ruiz De Garibay	GVC	+34 91 436 7841	sonia.ruizdegaribay@gvgaesco.es
Christian Devismes	CIC	+33 1 53 48 80 85	christian.devismes@cmcic.fr	Zafer Rüzgar	EQB	+49 69 58 99 74 12	zafer.ruezgar@equinet-ag.de
Andrea Devita, CFA	BAK	+39 02 4344 4031	andrea.devita@bancaakros.it	Antti Saari	OPG	+358 10 252 4359	antti.saari@op.fi
Sebastian Droste	EQB	+49 69 58 99 74 34	sebastian.droste@equinet-ag.de	Paola Saglietti	BAK	+39 02 4344 4287	paola.saglietti@bancaakros.it
Enrico Esposti, CIIA	BAK	+39 02 4344 4022	enrico.esposti@bancaakros.it	Francesco Sala	BAK	+39 02 4344 4240	francesco.sala@bancaakros.it
Rafael Fernández de Heredia	GVC	+34 91 436 78 08	rafael.fernandezdeheredia@gvgaesco.es	Tim Schuldt, CFA	EQB	+49 69 5899 7433	tim.schuldt@equinet-ag.de
Gabriele Gambarova	BAK	+39 02 43 444 289	gabriele.gambarova@bancaakros.it	Cengiz Sen	EQB	+4969 58997 435	cengiz.sen@equinet-ag.de
Eduardo García Arguelles	GVC	+34 914 367 810	eduardo.garciaarguelles@gvgaesco.es	Pekka Spolander	OPG	+358 10 252 4351	pekka.spolander@op.fi
Philipp Häfner, CFA	EQB	+49 69 58997 414	philipp.haessler@equinet-ag.de	Kimmo Stenvall	OPG	+358 10 252 4561	kimmo.stenvall@op.fi
Simon Heilmann	EQB	+49 69 58 997 413	simon.heilmann@equinet-ag.de	Natalia Svyrou-Svyriadi	IBG	+30 210 81 73 384	nsviriadi@ibg.gr
Dr. Knud Hinkel, CFA	EQB	+49 69 58997 419	knud.hinkel@equinet-ag.de	Manuel Tanzer	EQB	+49 69 58997-418	manuel.tanzer@equinet-ag.de
Carlos Jesus	CBI	+351 21 389 6812	carlos.jesus@caixabi.pt	Luigi Tramontana	BAK	+39 02 4344 4239	luigi.tramontana@bancaakros.it
Mark Josefson	EQB	+4969-58997-437	mark.josefson@equinet-ag.de	Johan van den Hooven	NIBC	+312 0 5508518	johan.van.den.hooven@nibc.com
Thomas Landemaine, PhD	CIC	+33 1 53 48 80 26	thomas.landemaine@cmcic.fr	Dylan van Haften	NIBC	+312 0 611915485	Dylan.van.Haften@nibc.com
Jean-Christophe Lefèvre-Moulenq	CIC	+33 1 53 48 80 65	jeanchristophe.lefevre-moulenq@cmcic.fr				

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Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

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Data current as of 20/10/2017

	Buy	Accumulate	Neutral	Reduce	Sell	Rating Suspended
IBG Research Total Coverage	48%	13%	22%	9%	0%	9%
% of companies in each rating category that are investment banking clients	0%	0%	0%	0%	0%	0%
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Regulatory Disclosures on Subject Companies

1.As of the date mentioned on the first page of this report, Investment Bank of Greece (or any of its affiliated companies) owns 5% or more of a class of common equity securities in the following companies mentioned in this report: **None**

2.Investment Bank of Greece acts as a market maker for the following securities of the subject companies mentioned in this report: **None**

3.Within the last 12 months, Investment Bank of Greece has provided advisory services to the following companies mention in this report: **None**

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6.Investment Bank of Greece has acted as an Advisors to **Alpha Bank** within the framework of its 2015 share Capital Increase

Recommendation history for JUMBO

Date	Recommendation	Target price	Price at change date
23-Oct-17	Buy	17.80	13.82
11-Sep-17	Buy	17.30	13.60
05-Apr-17	Accumulate	17.00	15.00
16-Jan-17	Neutral	14.99	14.59
19-Oct-16	Buy	14.99	12.82
07-Mar-16	Neutral	12.20	10.95
20-Jan-16	Buy	11.80	9.80
30-Nov-15	Accumulate	10.60	9.65
02-Oct-15	Accumulate	8.60	7.59
16-Sep-15	Neutral	8.40	8.70



Source: Factset & ESN, price data adjusted for stock splits. This chart shows Investment Bank of Greece continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.

Risks to our forecasts and valuation

- Group's earnings performance is sensitive to FX movements (especially the EUR/USD currency pair) and the evolution of manufacturing costs in China.
- Challenging macroeconomic conditions in Greece that may have a negative impact in the company's financial performance, since as a retail company, Jumbo is affected by factors that influence consumer behaviour.
- Volatility in transport costs directly affects group's gross profit margin.
- A stricter competitive environment (i.e. entry of foreign companies in the Greek market, retail store expansion from existing players) could pose risk to group's earnings performance in the medium-term.
- High dependence of the company's structure from the Chairman and major shareholder of the group.
- Stock overhang concerns: Jumbo's major shareholder, Tanocerian Maritime SA which is controlled by the company's founder and Chairman Mr. Apostolis Vakakis has proceeded to a private placement in June 2017 (3.5% of total share capital) at a substantial lower price (5% discount) from the stock price at that time. We would not exclude further placements in the future.

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3. Our research reports are available upon request at www.ibg.gr, on Bloomberg's IBGR and ESNR functions and on Thomson Reuters website.
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Members of ESN (European Securities Network LLP)



Banca Akros S.p.A.
Viale Eginardo, 29
20149 MILANO
Italy
Phone: +39 02 43 444 389
Fax: +39 02 43 444 302



GVC Gaesco Beka, SV, SA
C/ Marques de Villamagna 3
28001 Madrid
Spain
Phone: +34 91 436 7813



Caixa-Banco de Investimento
Avenida João XXI, 63
1000-300 Lisboa
Portugal
Phone: +351 21 313 73 00
Fax: +351 21 389 68 98



Investment Bank of Greece
32 Aigialeias Str & Paradissou,
151 25 Maroussi,
Greece
Phone: +30 210 81 73 383



CM - CIC Market Solutions
6, avenue de Provence
75441 Paris
Cedex 09
France
Phone: +33 1 53 48 81 93



NIBC Bank N.V.
Gustav Mahlerlaan 348
P. O. Box 235
1082 ME Amsterdam
The Netherlands
Phone: +31 20 550 8500
Fax: +31 20 626 8064



equinet Bank AG
Gräfststraße 97
60487 Frankfurt am Main
Germany
Phone: +49 69 - 58997 - 212
Fax: +49 69 - 58997 - 299



OP Corporate Bank plc
P.O.Box 308
Teollisuuskatu 1, 00013 Helsinki
Finland
Phone: +358 10 252 011
Fax: +358 10 252 2703

