



# Jumbo

## Company Flash Note

February 2, 2018



### Overweight

Previous Rating: Overweight

Share Price: €16.32 (close of February 1)

**12M Price Target: €21.00**

Previous Target: €18.00

Expected Total Return: 31%

#### Estimates

|                  | 2016/17 | 2017/18e | 2018/19e | 2019/20e |
|------------------|---------|----------|----------|----------|
| Sales (€m)       | 681     | 746      | 822      | 893      |
| EBITDA (€m)      | 195     | 214      | 238      | 260      |
| Net profit (€m)  | 131     | 145      | 162      | 177      |
| EPS New (€)      | 0.96    | 1.07     | 1.19     | 1.30     |
| EPS New chng (%) | 8.0%    | 10.7%    | 11.8%    | 9.4%     |
| EPS Old (€)      | -       | 1.00     | 1.08     | 1.15     |
| New vs. Old (%)  | -       | 6.6%     | 10.1%    | 13.5%    |
| DPS / Cap. Ret.* | 0.36    | 0.43     | 0.48     | 0.52     |
| chng (%)         | -42.9   | 18.5%    | 11.8%    | 9.4%     |

Note: 2016/17 includes interim-DPS of €0.18, paid on 28Mar'17 and remaining DPS of €0.18 paid on 28Dec'17  
Source: Jumbo, Euroxx Research

#### Ratios

|               | 2016/17 | 2017/18e | 2018/19e | 2019/20e |
|---------------|---------|----------|----------|----------|
| P/E (x)       | 16.9x   | 15.3x    | 13.7x    | 12.5x    |
| EV/EBITDA (x) | 10.3x   | 9.0x     | 7.9x     | 7.0x     |
| EV/EBIT (x)   | 11.7x   | 10.1x    | 8.9x     | 7.9x     |
| EV/Sales (x)  | 3.0x    | 2.6x     | 2.3x     | 2.0x     |
| Div Yield (%) | 2.2%    | 2.6%     | 2.9%     | 3.2%     |
| P/BV (x)      | 2.3x    | 2.1x     | 1.9x     | 1.7x     |

Source: Jumbo, Euroxx Research

#### Stock Performance

|                  | 3M    | 6M    | 12M    | YTD   |
|------------------|-------|-------|--------|-------|
| Absolute         | 19.8% | 17.0% | 25.2%  | 9.5%  |
| Difference (ATG) | 4.3%  | 8.6%  | -18.0% | -0.9% |

#### Stock Data:

|                        |                   |
|------------------------|-------------------|
| Market Cap (€m)        | 2,220             |
| Outstanding shares (#) | 136,059,759       |
| Daily volume (#)       | 177,923           |
| Low / High 52 w (€)    | 12.58 – 16.50     |
| Free float             | 77%               |
| Bloomberg / Reuters    | BELA GA / BABr.AT |

#### Company Description:

**Jumbo** is the leading toy retailer in Greece having expanded its product mix to offer seasonal and home goods, toys, books & stationery and baby apparel. It has developed a very successful, high-margin business model based on variety and low price with more than 70% of inventory sourced from Asian low cost producing countries. After establishing its presence in Greece, the company has expanded its geographical footprint to the wider SEE region with hyper-stores in Bulgaria, Cyprus and Romania.

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## Never-ending Growth Story

**Strong H1'17/18 Leads to Guidance Upgrade** – as sales grew by 10% y-o-y and c120-420bps above the 6-9% management guidance for the full year. In our view, this was a function of a sound c25/50% y-o-y top-line growth in Bulgaria/Romania, and despite the poor, yet resilient, c2/5% y-o-y sales increase in Greece/Cyprus. On top, Jumbo raised its 2017/18e net profit guidance to €139-143m, up 6-9% y-o-y vs. flattish previously, mostly reflecting the € strength against the US\$ (70% of COGS is in US\$).

**Impressive Expansionary Strategy** – Since the onset of the crisis (2009) that reduced domestic economic output by c25%, Jumbo has invested c€320m in expanding its retail network by 30 stores (or c199k m<sup>2</sup> of net retail space) entering Romania and enhancing its domestic dominance. This was supported by a staggering avg gross cash balance of €250m (avg net cash at c€100m), with avg OCF at c€100m (c70% of EBITDA over 2008/09-16/17). We continue to argue that with a leading c40% market share in Greece, Jumbo is one of the best ways of investing in the anticipated recovery of the domestic economy and consumer demand.

**2017/18-19/20e EPS Upgrades of 7-14%** - to reflect mainly (a) the 13-44% top-line upgrades in Bulgaria (market share gains) & Romania (enhanced brand awareness on the back of an aggressive network expansion), and (b) our c74-109bps OpEx/sales downgrades, as the Romanian expansion (now at 17 stores by end-2019/20 vs. 18 previously) should come with lower payroll levels when compared to Greece. These more than offset our downward revisions in Greek ops, which mirror the rather poor operating performance during the late-Sept – Nov'17 period. All in all, keeping our previous gross margin estimates unchanged at 51.9% on average, this leads into 79-102bps EBITDA margin enhancements, underlying once again Jumbo's strong operating leverage.

**Balkan Operations Drive Growth:** We still see healthy growth potential, with 3-year sales, EBITDA & EPS CAGRs of 9-11%, fueled by the Balkan ops, which account for €147/75m or 69/70% of the total incremental sales/gross profit over the same period. We also identify c10% upside potential to our EPS estimates (post 2018e), should Greek l-f-l sales/m<sup>2</sup> return to the peak pre-crisis levels. Mitigating catalysts of a potential negative FX impact remain the group's (a) strong bargaining power with its Chinese suppliers, (b) best in-place product mix, and (c) flexibility to capture the timing element over a favourable €/€ parity and proceed with pre-buying of inventory.

**Remains at O/W; TP Raised to €21.00 (31% Total Upside)** – from €18.0, due to the lower WACC of 7.5% (from 8.5%, owing to the Greek spreads decline) and our earnings upgrades. Jumbo currently trades at a c29-41% premium over its historic 10yr average EV/EBITDA (7.0x) & P/E (10.9x), but we believe this could be justified by the group's solid earnings growth potential, strong B/S and market positioning in Greece and abroad. The business model remains highly cash generative, with average FCF of c€100m p.a. (>45% of EBITDA over 2017/18-19/20e). This leaves Jumbo with a net cash position of €2.5/share by June'19e, suggesting upside risk on capital returns. On the downside, as Greece accounts for c60% of total sales, potential delays in the return of the Greek economy to strong growth rates would weigh on domestic economic sentiment/consumer demand and adversely affect domestic retail sales.

Please refer to important disclosures in the Disclosure Appendix.

## Summary of Financials

in € m, unless otherwise stated

| PROFIT & LOSS (€m)             | 2016/17     | 2017/18e    | 2018/19e    | 2019/20e    | BALANCE SHEET (€m)              | 2016/17      | 2017/18e     | 2018/19e     | 2019/20e     |
|--------------------------------|-------------|-------------|-------------|-------------|---------------------------------|--------------|--------------|--------------|--------------|
| <b>Sales</b>                   | <b>681</b>  | <b>746</b>  | <b>822</b>  | <b>893</b>  | <b>Non-current assets</b>       | <b>546</b>   | <b>571</b>   | <b>596</b>   | <b>623</b>   |
| change (%)                     | 6.9%        | 9.4%        | 10.2%       | 8.6%        | Net fixed assets                | 515          | 540          | 566          | 593          |
| <b>Gross Profit</b>            | <b>355</b>  | <b>389</b>  | <b>426</b>  | <b>463</b>  | Intangible assets               | 0            | 0            | 0            | 0            |
| change (%)                     | 5.2%        | 9.3%        | 9.8%        | 8.5%        | Other assets                    | 31           | 31           | 31           | 30           |
| Other Income                   | 5           | 6           | 7           | 7           | <b>Current Assets</b>           | <b>713</b>   | <b>806</b>   | <b>952</b>   | <b>1,048</b> |
| change (%)                     | 5.6%        | 36.1%       | 10.2%       | 8.6%        | Accounts receivable             | 105          | 111          | 123          | 134          |
| OpEx                           | 188         | 204         | 221         | 238         | Inventories                     | 239          | 262          | 289          | 313          |
| change (%)                     | 3.9%        | 8.3%        | 8.2%        | 8.0%        | Cash & cash equivalent          | 366          | 429          | 537          | 596          |
| <b>EBITDA</b>                  | <b>195</b>  | <b>214</b>  | <b>238</b>  | <b>260</b>  | Other investments               | 3            | 4            | 4            | 4            |
| change (%)                     | 6.0%        | 10.1%       | 11.1%       | 8.9%        | <b>TOTAL ASSETS</b>             | <b>1,260</b> | <b>1,376</b> | <b>1,548</b> | <b>1,671</b> |
| Depreciation & amortization    | 23          | 24          | 26          | 28          | <b>Net Debt / (Cash)</b>        | <b>(207)</b> | <b>(285)</b> | <b>(337)</b> | <b>(396)</b> |
| <b>Operating profit (EBIT)</b> | <b>172</b>  | <b>191</b>  | <b>213</b>  | <b>232</b>  | <b>Shareholders' equity</b>     | <b>962</b>   | <b>1,082</b> | <b>1,186</b> | <b>1,299</b> |
| change (%)                     | 6.7%        | 11.1%       | 11.5%       | 9.0%        | Minority interest               | 0            | 0            | 0            | 0            |
| Net financing cost             | (2)         | (2)         | (2)         | (2)         | <b>Non-current liabilities</b>  | <b>164</b>   | <b>21</b>    | <b>221</b>   | <b>223</b>   |
| Pre-tax profit                 | 173         | 193         | 215         | 234         | Long-term debt                  | 144          | 0            | 200          | 200          |
| change (%)                     | 5.0%        | 11.2%       | 11.4%       | 8.9%        | Deferred tax liabilities        | 8            | 8            | 8            | 8            |
| Tax                            | 42          | 48          | 53          | 57          | Retirement obligations          | 7            | 8            | 9            | 10           |
| % effective tax rate           | 24.5%       | 24.8%       | 24.6%       | 24.3%       | Provisions / other              | 5            | 5            | 5            | 5            |
| <b>Net profit</b>              | <b>131</b>  | <b>145</b>  | <b>162</b>  | <b>177</b>  | <b>Current liabilities</b>      | <b>134</b>   | <b>273</b>   | <b>141</b>   | <b>149</b>   |
| change (%)                     | 8.0%        | 10.7%       | 11.8%       | 9.4%        | Accounts payable                | 40           | 41           | 43           | 44           |
| <b>Recurring Net profit</b>    | <b>131</b>  | <b>145</b>  | <b>162</b>  | <b>177</b>  | Liabilities for taxes           | 49           | 56           | 62           | 66           |
| change (%)                     | 9.6%        | 10.6%       | 11.8%       | 9.4%        | Liabilities to banks            | 15           | 144          | 0            | 0            |
| <b>EPS Basic (in €)</b>        | <b>0.96</b> | <b>1.07</b> | <b>1.19</b> | <b>1.30</b> | Other liabilities               | 30           | 33           | 36           | 39           |
| EPS chng                       | 8.0%        | 10.7%       | 11.8%       | 9.4%        | <b>EQUITY &amp; LIABILITIES</b> | <b>1,260</b> | <b>1,376</b> | <b>1,548</b> | <b>1,671</b> |
| <b>EPS Recurring</b>           | <b>0.96</b> | <b>1.07</b> | <b>1.19</b> | <b>1.30</b> |                                 |              |              |              |              |
| EPS chng                       | 9.6%        | 10.6%       | 11.8%       | 9.4%        |                                 |              |              |              |              |
| <b>DPS / Capital Return</b>    | <b>0.36</b> | <b>0.43</b> | <b>0.48</b> | <b>0.52</b> |                                 |              |              |              |              |
| change (%)                     | -42.9%      | 18.5%       | 11.8%       | 9.4%        |                                 |              |              |              |              |

| CASH FLOW (€m)                      | 2016/17     | 2017/18e   | 2018/19e   | 2019/20e   | RATIO ANALYSIS                | 2016/17 | 2017/18e | 2018/19e | 2019/20e |
|-------------------------------------|-------------|------------|------------|------------|-------------------------------|---------|----------|----------|----------|
| <b>Pre-tax profits</b>              | <b>173</b>  | <b>193</b> | <b>215</b> | <b>234</b> | Current ratio                 | 5.3x    | 2.9x     | 6.8x     | 7.0x     |
| (+) Depreciation & amort.           | 23          | 24         | 26         | 28         | Acid Test                     | 3.5x    | 2.0x     | 4.7x     | 4.9x     |
| (+) Non-cash items                  | 0           | 1          | 1          | 1          | Liabilities to equity         | 0.3x    | 0.3x     | 0.3x     | 0.3x     |
| (+) Net interest expenses           | (7)         | (8)        | (8)        | (9)        | Bank debt to equity           | 0.2x    | 0.1x     | 0.2x     | 0.2x     |
| (-) Taxation paid                   | 45          | 41         | 51         | 56         | Net debt / EBITDA             | -1.1x   | -1.3x    | -1.4x    | -1.5x    |
| <b>Gross cash flow</b>              | <b>145</b>  | <b>169</b> | <b>182</b> | <b>197</b> | Return on total assets        | 10.6%   | 11.0%    | 11.1%    | 11.0%    |
| Decrease/ (Increase) in inventories | (43)        | (23)       | (27)       | (25)       | Return on equity              | 14.0%   | 14.2%    | 14.3%    | 14.3%    |
| Decrease/ (Increase) in receivables | (1)         | (7)        | (8)        | (8)        | Return on Capital Employed    | 12.0%   | 12.4%    | 12.4%    | 12.3%    |
| (Decrease)/ Increase in payables    | 4           | 4          | 6          | 4          | Free Cash Flow yield          | 3.8%    | 4.7%     | 5.1%     | 5.7%     |
| Other                               | (1)         | -          | -          | -          | Gross Margin                  | 52.2%   | 52.1%    | 51.9%    | 51.8%    |
| <b>Operating Cash Flow</b>          | <b>104</b>  | <b>143</b> | <b>152</b> | <b>169</b> | EBITDA margin                 | 28.6%   | 28.8%    | 29.0%    | 29.1%    |
| (-) CapEx                           | 38          | 48         | 51         | 55         | Operating profit margin       | 25.2%   | 25.6%    | 25.9%    | 26.0%    |
| (+) Interest & Other Investments    | 16          | 8          | 8          | 9          | Pre-tax profit margin         | 25.5%   | 25.9%    | 26.1%    | 26.2%    |
| <b>Free Cash Flow</b>               | <b>81</b>   | <b>103</b> | <b>110</b> | <b>124</b> | Net profit margin             | 19.2%   | 19.5%    | 19.7%    | 19.9%    |
| (-) Dividends paid                  | (125)       | (24)       | (58)       | (65)       | Recurring net profit margin   | 19.2%   | 19.5%    | 19.7%    | 19.9%    |
| (+) Equity chng                     | -           | -          | -          | -          | Dividend/Capital return Yield | 2.3%    | 2.7%     | 3.0%     | 3.3%     |
| (+) Debt chng                       | 15          | (15)       | 56         | -          | Dividend payout ratio         | 37.4%   | 40.0%    | 40.0%    | 40.0%    |
| (+) Other                           | -           | -          | -          | -          |                               |         |          |          |          |
| <b>Change in Cash</b>               | <b>(28)</b> | <b>63</b>  | <b>107</b> | <b>59</b>  |                               |         |          |          |          |
| <b>Cash at End</b>                  | <b>366</b>  | <b>429</b> | <b>537</b> | <b>596</b> |                               |         |          |          |          |

Source: Jumbo, Euroxx Research

Table 1. 2017/18e – 2019/20e Forecast Revisions

| (in €m)                     | 2016/17     | 2017/18e    |             |             | 2018/19e    |             |              | 2019/20e    |             |              | 2016/17<br>y-o-y % | 2017/18e<br>y-o-y % | 2018/19e<br>y-o-y % | 2019/20e<br>y-o-y % | CAGR        |              |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|--------------|--------------------|---------------------|---------------------|---------------------|-------------|--------------|
|                             |             | old         | new         | chng        | old         | new         | chng         | old         | new         | chng         |                    |                     |                     |                     | old         | new          |
| Greece                      | 51          | 52          | 52          | 0           | 52          | 52          | 0            | 52          | 53          | 1            | 0.0%               | 2.0%                | 0.0%                | 1.9%                | 0.6%        | 1.3%         |
| Cyprus                      | 5           | 5           | 5           | 0           | 5           | 5           | 0            | 5           | 5           | 0            | 0.0%               | 0.0%                | 0.0%                | 0.0%                | 0.0%        | 0.0%         |
| Bulgaria                    | 9           | 9           | 9           | 0           | 9           | 10          | 1            | 9           | 10          | 1            | 12.5%              | 0.0%                | 11.1%               | 0.0%                | 0.0%        | 3.6%         |
| Romania                     | 8           | 12          | 11          | -1          | 15          | 14          | -1           | 18          | 17          | -1           | 14.3%              | 37.5%               | 27.3%               | 21.4%               | 31.0%       | 28.6%        |
| <b>Stores</b>               | <b>73</b>   | <b>78</b>   | <b>77</b>   | <b>-1</b>   | <b>81</b>   | <b>81</b>   | <b>0</b>     | <b>84</b>   | <b>85</b>   | <b>1</b>     | <b>2.8%</b>        | <b>5.5%</b>         | <b>5.2%</b>         | <b>4.9%</b>         | <b>4.8%</b> | <b>5.2%</b>  |
| Greece                      | 471         | 495         | 486         | -1.7%       | 520         | 507         | -2.4%        | 551         | 527         | -4.4%        | 2.5%               | 3.3%                | 4.3%                | 3.9%                | 5.4%        | 3.9%         |
| Cyprus                      | 81          | 85          | 84          | -1.3%       | 89          | 86          | -2.5%        | 92          | 89          | -3.3%        | 2.3%               | 4.2%                | 2.8%                | 2.6%                | 4.4%        | 3.2%         |
| Bulgaria                    | 65          | 70          | 79          | 13.7%       | 72          | 91          | 27.1%        | 74          | 102         | 37.3%        | 24.5%              | 22.6%               | 15.2%               | 11.2%               | 4.6%        | 16.2%        |
| Romania                     | 66          | 85          | 96          | 12.7%       | 110         | 137         | 24.7%        | 122         | 175         | 43.7%        | 37.0%              | 46.7%               | 42.3%               | 28.0%               | 23.0%       | 38.8%        |
| <b>Sales</b>                | <b>681</b>  | <b>735</b>  | <b>746</b>  | <b>1.5%</b> | <b>790</b>  | <b>822</b>  | <b>4.0%</b>  | <b>839</b>  | <b>893</b>  | <b>6.4%</b>  | <b>6.9%</b>        | <b>9.4%</b>         | <b>10.2%</b>        | <b>8.6%</b>         | <b>7.2%</b> | <b>9.4%</b>  |
| Gross Profit                | 355         | 383         | 389         | 1.4%        | 411         | 426         | 3.9%         | 435         | 463         | 6.3%         | 5.2%               | 9.3%                | 9.8%                | 8.5%                | 7.0%        | 9.2%         |
| Other Income                | 5           | 4           | 6           | 52.6%       | 4           | 7           | 56.3%        | 5           | 7           | 59.8%        | 5.6%               | 36.1%               | 10.2%               | 8.6%                | 0.6%        | 17.7%        |
| OpEx                        | 188         | 206         | 204         | -1.2%       | 220         | 221         | 0.2%         | 233         | 238         | 2.2%         | 3.9%               | 8.3%                | 8.2%                | 8.0%                | 7.4%        | 8.2%         |
| <b>EBITDA</b>               | <b>195</b>  | <b>206</b>  | <b>214</b>  | <b>4.3%</b> | <b>221</b>  | <b>238</b>  | <b>7.6%</b>  | <b>235</b>  | <b>260</b>  | <b>10.3%</b> | <b>6.0%</b>        | <b>10.1%</b>        | <b>11.1%</b>        | <b>8.9%</b>         | <b>6.5%</b> | <b>10.0%</b> |
| EBIT                        | 172         | 181         | 191         | 5.6%        | 195         | 213         | 9.2%         | 207         | 232         | 12.1%        | 6.7%               | 11.1%               | 11.5%               | 9.0%                | 6.4%        | 10.5%        |
| Net financial results       | 1.6         | 2.5         | 2.1         | -15.5%      | 2.9         | 2.3         | -23.6%       | 3.0         | 2.1         | -29.6%       | -60.1%             | 26.9%               | 7.7%                | -5.0%               | 22.7%       | 9.1%         |
| Pre-tax Profit              | 173         | 183         | 193         | 5.3%        | 198         | 215         | 8.7%         | 210         | 234         | 11.5%        | 5.0%               | 11.2%               | 11.4%               | 8.9%                | 6.6%        | 10.5%        |
| Net profit                  | 131         | 136         | 145         | 6.6%        | 147         | 162         | 10.1%        | 156         | 177         | 13.5%        | 8.0%               | 10.7%               | 11.8%               | 9.4%                | 6.0%        | 10.6%        |
| <b>Recurring Net Profit</b> | <b>131</b>  | <b>136</b>  | <b>145</b>  | <b>6.6%</b> | <b>147</b>  | <b>162</b>  | <b>10.1%</b> | <b>156</b>  | <b>177</b>  | <b>13.5%</b> | <b>9.6%</b>        | <b>10.6%</b>        | <b>11.8%</b>        | <b>9.4%</b>         | <b>6.0%</b> | <b>10.6%</b> |
| EPS (in €)                  | 0.96        | 1.00        | 1.07        | 6.6%        | 1.08        | 1.19        | 10.1%        | 1.15        | 1.30        | 13.5%        | 8.0%               | 10.7%               | 11.8%               | 8.1%                | 6.0%        | 10.6%        |
| <b>Recurring EPS (in €)</b> | <b>0.96</b> | <b>1.00</b> | <b>1.07</b> | <b>6.6%</b> | <b>1.08</b> | <b>1.19</b> | <b>10.1%</b> | <b>1.15</b> | <b>1.30</b> | <b>13.5%</b> | <b>9.6%</b>        | <b>10.6%</b>        | <b>11.8%</b>        | <b>8.1%</b>         | <b>6.0%</b> | <b>10.6%</b> |

  

| Margins                     | 2016/17      | 2017/18e     |              |              | 2018/19e     |              |               | 2019/20e     |              |               | 2016/17<br>chng bp | 2017/18e<br>chng bp | 2018/19e<br>chng bp | 2019/20e<br>chng bp |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------------|---------------------|---------------------|---------------------|
|                             |              | old          | new          | chng         | old          | new          | chng          | old          | new          | chng          |                    |                     |                     |                     |
| <b>Gross profit</b>         | <b>52.2%</b> | <b>52.1%</b> | <b>52.1%</b> | <b>(2)bp</b> | <b>51.9%</b> | <b>51.9%</b> | <b>(7)bp</b>  | <b>51.9%</b> | <b>51.8%</b> | <b>(4)bp</b>  | <b>(84)bp</b>      | <b>(7)bp</b>        | <b>(22)bp</b>       | <b>(4)bp</b>        |
| OpEx                        | 27.6%        | 28.1%        | 27.3%        | (74)bp       | 27.8%        | 26.8%        | (102)bp       | 27.8%        | 26.7%        | (109)bp       | (81)bp             | (28)bp              | (51)bp              | (15)bp              |
| EBITDA                      | 28.6%        | 28.0%        | 28.8%        | 79 bp        | 28.0%        | 29.0%        | 97 bp         | 28.1%        | 29.1%        | 102 bp        | (23)bp             | 17bp                | 23bp                | 9bp                 |
| EBIT                        | 25.2%        | 24.6%        | 25.6%        | 100 bp       | 24.6%        | 25.9%        | 123 bp        | 24.7%        | 26.0%        | 132 bp        | (4)bp              | 37bp                | 29bp                | 11bp                |
| Pre-tax profit              | 25.5%        | 24.9%        | 25.9%        | 94 bp        | 25.0%        | 26.1%        | 113 bp        | 25.0%        | 26.2%        | 120 bp        | (44)bp             | 41bp                | 28bp                | 8bp                 |
| Net profit                  | 19.2%        | 18.5%        | 19.5%        | 93 bp        | 18.6%        | 19.7%        | 110 bp        | 18.6%        | 19.9%        | 124 bp        | 21bp               | 23bp                | 27bp                | 14bp                |
| <b>Recurring Net Profit</b> | <b>19.2%</b> | <b>18.5%</b> | <b>19.5%</b> | <b>93 bp</b> | <b>18.6%</b> | <b>19.7%</b> | <b>110 bp</b> | <b>18.6%</b> | <b>19.9%</b> | <b>124 bp</b> | <b>47bp</b>        | <b>21bp</b>         | <b>27bp</b>         | <b>14bp</b>         |

Source: Jumbo, Euroxx Research

Table 2. DCF Valuation, TP Sensitivity and Historic Multiples

| DCF Valuation (in € m)              | 2016/17      | 2017/18e   | 2018/19e   | 2019/20e   | Terminal   |
|-------------------------------------|--------------|------------|------------|------------|------------|
| <b>Sales</b>                        | <b>681</b>   | <b>746</b> | <b>822</b> | <b>893</b> | <b>915</b> |
| EBIT                                | 172          | 191        | 213        | 232        | 238        |
| Less: Adjusted Tax                  | 42           | 47         | 52         | 56         | 58         |
| <b>NOPAT</b>                        | <b>130</b>   | <b>143</b> | <b>160</b> | <b>176</b> | <b>180</b> |
| Depreciation                        | 23           | 24         | 26         | 28         | 28         |
| Working capital delta               | 42           | 26         | 29         | 28         | -          |
| CapEx                               | 37           | 48         | 51         | 55         | 51         |
| <b>Cash Flow to the Firm (FCFF)</b> | <b>74</b>    | <b>93</b>  | <b>106</b> | <b>121</b> | <b>149</b> |
| Present Value of Cash Flows         | -            | 87         | 91         | 97         | 2,376      |
| Terminal Value % of EV              | 90%          |            |            |            |            |
| <b>Enterprise Value</b>             | <b>2,651</b> |            |            |            |            |
| Less: Net Debt (2016/17a)           | (207)        |            |            |            |            |
| <b>Value of Equity</b>              | <b>2,858</b> |            |            |            |            |
| Number of shares (in million)       | 136.1        |            |            |            |            |
| Current Price (€)                   | 16.32        |            |            |            |            |
| <b>Value of share (€)</b>           | <b>21.00</b> |            |            |            |            |
| <b>% upside potential</b>           | <b>28.7%</b> |            |            |            |            |

  

| TP Sensitivity to WACC and Long-term Growth | WACC  | Long-term Growth |       |       |       |
|---|-------|------------------|-------|-------|-------|
|   |       | 1.5%             | 2.0%  | 2.5%  | 3.0%  |
| 6.5%  | 21.92 | 23.84            | 26.23 | 29.31 | 33.40 |
| 7.0%  | 20.02 | 21.56            | 23.43 | 25.77 | 28.78 |
| 7.5%  | 18.30 | 19.53            | 21.00 | 22.80 | 25.04 |
| 8.0%  | 17.10 | 18.14            | 19.37 | 20.84 | 22.63 |
| 8.5%  | 15.96 | 16.83            | 17.85 | 19.05 | 20.49 |

Source: Euroxx Research

Source: Euroxx Research

| Historic Multiples            | 2007/08   | 2008/09   | 2009/10   | 2010/11   | 2011/12   | 2012/13   | 2013/14   | 2014/15   | 2015/16   | 2016/17   | 10yr Historic<br>Average | Current | Current vs<br>Historic |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------------|---------|------------------------|
| Period Start                  | 01-Jul-07 | 01-Jul-08 | 01-Jul-09 | 01-Jul-10 | 01-Jul-11 | 01-Jul-12 | 01-Jul-13 | 01-Jul-14 | 01-Jul-15 | 01-Jul-16 |                          |         |                        |
| Period End                    | 30-Jun-08 | 30-Jun-09 | 30-Jun-10 | 30-Jun-11 | 30-Jun-12 | 30-Jun-13 | 30-Jun-14 | 30-Jun-15 | 30-Jun-16 | 30-Jun-17 |                          |         |                        |
| Average Market Cap (€m)       | 1,417     | 787       | 966       | 690       | 487       | 734       | 1,419     | 1,301     | 1,294     | 1,809     |                          |         |                        |
| EPS (€)                       | 0.65      | 0.76      | 0.59      | 0.70      | 0.72      | 0.54      | 0.74      | 0.77      | 0.89      | 0.96      |                          |         |                        |
| Recurring EPS (€)             | 0.62      | 0.72      | 0.74      | 0.70      | 0.72      | 0.72      | 0.74      | 0.78      | 0.88      | 0.96      |                          |         |                        |
| EBITDA (€m)                   | 126       | 140       | 145       | 135       | 134       | 110       | 147       | 159       | 184       | 195       |                          |         |                        |
| Average Share Price (€)       | 10.41     | 5.78      | 7.10      | 5.07      | 3.58      | 5.40      | 10.43     | 9.56      | 9.51      | 13.30     |                          |         |                        |
| Average Enterprise value (€m) | 1,505     | 861       | 982       | 687       | 456       | 714       | 1,295     | 1,149     | 1,044     | 1,603     |                          |         |                        |
| Average P/E                   | 16.0x     | 7.7x      | 12.0x     | 7.3x      | 5.0x      | 9.9x      | 14.0x     | 12.4x     | 10.7x     | 13.8x     |                          | 10.9x   | 15.3x                  |
| Average EV/EBITDA             | 12.0x     | 6.2x      | 6.8x      | 5.1x      | 3.4x      | 6.5x      | 8.8x      | 7.2x      | 5.7x      | 8.2x      |                          | 7.0x    | 9.0x                   |

Note: Enterprise value is defined as Average Market Cap (Avg. Share Price \* no of Shares) + Net Cash/(Debt).

Source: Euroxx Research

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### Valuation Method

We value Jumbo through a two-stage DCF model. We form an explicit set of forecasts for the period up to 2019/20e, after which we assign a terminal growth of 2.5%. Our WACC has been set at 7.5% based on a market beta of 1.0, a risk-free rate of 0.68% (German 10-year Bund Yield) and a risk premium of 7.7% (weighted blended mix reflecting country risk exposure).

### Rating History

| Date            | Rating      | Share Price | Target Price |
|-----------------|-------------|-------------|--------------|
| <b>02-02-16</b> | Over weight | 9.70        | 12.50        |
| <b>10-11-16</b> | Over weight | 11.94       | 14.70        |
| <b>09-06-17</b> | Over weight | 15.85       | 18.00        |
| <b>02-02-18</b> | Over weight | 16.32       | 21.00        |

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