EGNATIA SECURITIES

GREECE
June 1, 2001

JUMBO

BUY

Specialised Retailer — **€ 3.20 / Grd 1,090**

Reuters: BABr.AT — **Target price: € 3.80 / Grd 1,296**

	Sales (Grd m)	Sales (€ m)	EBITDA (Grd m)	EBITDA (€ m)	Net Earnings (Grd m)	Net Earnings (€ m)	EPS (Grd)	EPS (€)	PER (x)	P/BV (x)	ROE (avg.)	EV EBITDA
1999A	21,310	62.5	3,507	10.3	1,003	2.9	27	0.08	41.0	9.7	24.1%	13.7
2000A	28,360	83.2	5,344	15.7	1,703	5.0	43	0.13	25.3	4.3	23.1%	9.2
2001F	37,148	109.0	6,668	19.6	3,878	11.4	89	0.26	12.2	3.7	33.0%	8.0
2002F	41,957	123.1	7,674	22.5	3,696	10.8	84	0.25	13.1	3.1	26.1%	7.2
2003F	50,012	146.8	8,337	24.5	4,035	11.8	91	0.27	12.0	2.7	24.3%	6.3

Although operating in a static market, Jumbo is well placed to deliver growth and gain market share by focusing on and executing its business strategy. The company is the leading toys & babies apparel retailer in the Greek market, enjoying a market share of 24%. Going forward, Jumbo's business plan calls for aggressive store expansion both in Greece and abroad and development of new concepts. Discounting satisfactory top and bottom line performance for the next three years, we initiate coverage for the stock with a BUY recommendation.

Gaining market share

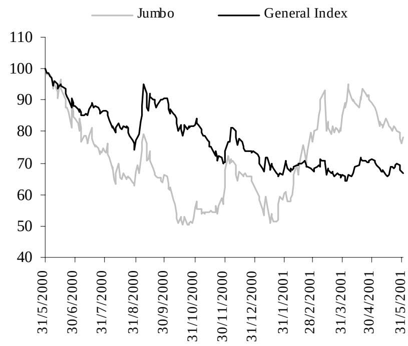
- **Jumbo's 9-month 2001 results exceeded market expectations.** Group EBT rose by a strong 232% on turnover growth of 34%. Bottom line performance was boosted by net extraordinary gains of €3.61m referring to insurance benefits on the back of last year's fire at Jumbo's offices and a warehouse.

- **For the future, we expect Jumbo to grow faster than the domestic toy market.** Group sales are reckoned to grow by a 20% CAGR in the 2000-2004 period and EBT by 30% on the back of store expansion and expansion in the bookstore & stationery business segment.

- **Jumbo in August 2000 issued a convertible bond.** Proceeds amounted to €11.77m, to be used to finance the company's investment program. Following a very conservative approach and assuming the full conversion of the 2.8m bonds into shares in 2001, fiscal 2001 EPS would be diluted by 4%.

- **The Greek toy market is static, expecting to grow in line with inflation.** The main demand determinants for toys are: 1. The country's population, 2. Demographics, 3. Disposable income and 4. Advertising spend. We believe that the Greek toy market will follow the trend prevailing in the international market, with professional retailers gaining market share against small stores.

- **Valuation:** From a valuation standpoint, our DCF exercise points to a target price of €3.80 per share, indicating 19% upside from current market levels. We are positive on the group's prospects based on the aggressive store expansion, capable management, good track record and the dominant position in the Greek toy market and thus we rate the stock BUY setting a target price of €3.80/share.



Key Statistics (31/05/2001):

Price range (52wks):
High: Euro 4.33 / Grd 1,475
Low: Euro 2.01 / Grd 685

Relative Performance:
1M: -6.45%
3M: 3.24%
12M: 16.73%

Avg. Daily Volume (shares):
1M: 94,627
3M: 181,355
12M: 113,608

M. Cap. (Euro m): 132.71
(Grd bn): 45.22
(US$ m): 112.54

No. of shares: 41,472,000

ASE Index: 3,088.66
Euro / US$: 0.8480

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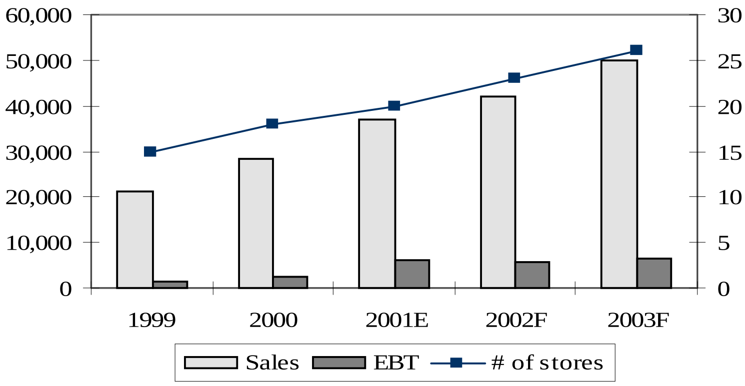
INVESTMENT OUTLOOK

Jumbo is the leading retailer of toys & babies apparel products in Greece …

Jumbo's business plan and marketing techniques have proved efficient in achieving significant size, making it today the leading toys & babies apparel retailer in the Greek market with 19 stores, enjoying a market share of around 24%. The company's portfolio of products includes some of the strongest brands of international reputation in the toy industry, while its ability to generate growth in a static market lies at the root of its success. Going forward, the group is well placed to gain market share and prevail in the specific market by focusing on and executing its business strategy.

Chart 1: Jumbo's Turnover, EBT and number of stores projections



Source: Jumbo, Egnatia Securities Estimates

… forecasted to deliver 2000-2003E sales and EBT CAGR of 21% and 37% respectively

Jumbo has showed healthy financial performance in the past years with consolidated sales and EBT growing by a 1997-2000 CAGR of 34% and 58.5% respectively. In the 9-month period ending March 31, 2001, Jumbo showed group sales and EBT up by a robust 34% and 232% respectively, (see relevant paragraph below), above market expectations. For the future, we expect Jumbo to continue growing faster than the domestic toy market. We expect consolidated sales to grow by 31% to €109.02m in fiscal year ending June 31, 2001 and EBT by 142% to €17.89m. However, we should mention that fiscal 2001 bottom line performance is boosted by a net extraordinary gain of €3.23m referring to insurance benefits associated with the fire that was caused at Jumbo's headquarters and central warehouse in July 2000. Total damages from the fire totalled €12.17m. The company has received so far €12.59m from the insurance company, which allows for a net extraordinary gain of €3.23m as mentioned above. Further growth for Jumbo is translated to a 2000-2003 sales and EBT CAGR of 21% and 37% respectively. Growth is expected to be fuelled by the following:

1. **Expansion of its outlets network both in Greece and abroad.** The management is considering expansion plans that would add around 3 new stores per year, targeting the operation of 11 new stores by 2004. As a result, Jumbo's market share is expected to grow to 32% by 2004. The company's plans also call for expansion in Cyprus through its subsidiary Jumbo Trading Limited and the Balkans, with the same philosophy of big stores.
2. **Development of new concepts.** Capitalizing on its experience and excellent market positioning, Jumbo is expanding into the market of bookstores and stationeries. In this way, the company reduces dependency on toys and babies apparel sales, as well as expanding its product range and creating significant synergies.

3. **Expansion and upgrade of the warehouse infrastructure** to better manage inventories and upgrade of Jumbo's information system, leading to cost reductions. The company is currently operating a new warehouse in the Attica region.

In August 2000, Jumbo issued a convertible four-year bond. Proceeds amounted to €11.77m (2,764,800 bonds at €4.26 each) and will be used to finance the company's investment program. A way to see the full impact from the bond on the company's financial performance and EPS dilution is to assume full conversion of the bonds in the current fiscal year. In this case, 2000/2001 EPS would be diluted by 4%.

Table 1: Terms of the convertible bond

Number of bonds	2,764,800
Nominal value	Grd 1,450 / €4.26
Exercise price	Grd 1,450 / €4.26
Proceeds	Grd 4,008.96m / €11.77m
Coupon	0.50%
Duration	4 years
Exchange ratio	1-for-1
Conversion periods	End of each quarter starting from March 31, 2001
# of shares before the bond	41,472,000 common registered

Source: Jumbo

Jumbo shares have risen by 23% since the beginning of the year, outperforming the market that has posted losses of 8.9% in the same period. Jumbo participates in a new FTSE/ASE Small Cap 80 Index, recently announced by the ASE, effective as of June 1, 2001. We are positive on the group's prospects based on the aggressive store expansion, capable management, good track record and the dominant position in the Greek toy market. Valuation wise, the stock looks attractive based on a DCF valuation methodology. We therefore initiate coverage for the stock with a BUY recommendation.

9-MONTH RESULTS

9-month results exceeded market expectations

Jumbo group sales rose by 34% to €85.13m in 9M01 (July 1, 2000 – March 31, 2001) on the back of the company's store expansion strategy and EBT after minorities grew by an impressive 227% to €16.01m. At parent level, EBT rose 256.3% to €15.46m on a 34.7% turnover growth to €81.72m. Results exceeded expectations.

Table 2: Nine-month results

INCOME STATEMENT	*(Grd m)*			*(€ m)*	
Jumbo (cons.)	**9M00**	**9M01**	***ch.***	**9M00**	**9M01**
Sales	**21,643**	**29,007**	*34.0%*	**63.52**	**85.13**
Cost of sales	(12,007)	(16,528)	*37.6%*	(35.24)	(48.50)
Gross Profit	9,636	12,479	*29.5%*	28.28	36.62
Other income	75	126	*68.0%*	0.22	0.37
Administration expenses	(1,583)	(1,720)	*8.6%*	(4.65)	(5.05)
Selling & distribution expenses	(4,020)	(5,303)	*31.9%*	(11.80)	(15.56)
EBITDA	**4,108**	**5,582**	*35.9%*	**12.06**	**16.38**
Depreciation charge for the year	(896)	(1,071)	*19.6%*	(2.63)	(3.14)
Operating profit	3,212	4,511	*40.4%*	9.43	13.24
Extraordinary results, net	(918)	1,231	*-234.0%*	(2.70)	3.61
EBIT	**2,294**	**5,742**	*150.3%*	6.73	16.85
Financial, net	(628)	(208)	*-66.8%*	(1.84)	(0.61)
EBT	**1,666**	**5,534**	*232.1%*	**4.89**	**16.24**
Minority interest	(0.19)	(80)	*42679.2%*	0.00	(0.24)
EBT after minorities	**1,666**	**5,454**	*227.4%*	**4.89**	**16.01**

With regard to the consolidated results, a few things worth mentioning:

(a) The amount of €6.95m which refers to the value of the inventory losses at cost prices from last year's fire at Jumbo's warehouse has been included in turnover as well as in the cost of goods sold. As a result, gross margin dropped to 43% from 44.5% in 9M00. However, excluding the €6.95m from turnover and CoGS, we see that group gross margin improves in 9M01 to 46.8%.

(b) EBITDA margin posted a marginal increase to 19.2% in 9M01 from 19% in 9M00 due to lower SG&A expenses as a percentage of sales. Selling & distribution expenses as a percentage of sales eased from 18.6% to 18.3% on the back of the company's business plan concerning the upgrade of the warehouse infrastructure. Moreover, administrative expenses as a percentage of sales dropped to 5.9% from 7.3% in 9M00.

(a) Bottom line performance was boosted by a net extraordinary gain of €3.61m referring to insurance benefits arising from last year's fire.

VALUATION

Our DCF model indicates a target price of €3.80 per share

Our DCF exercise is based on the following assumptions:

- A long term risk free rate of 5.3%, an equity risk premium of 3.5% and a beta of 1.1 to calculate the cost of equity
- A target capital gearing of 20% to derive the WACC rate
- We also take into account our estimates for free cash flows for the 2001-2006 period which are based on the following assumptions:

I. Advancing EBIT margin in 2001 to decline thereafter, improving in 2005

II. The opening of one Jumbo store per year in the 2005-2006 period

- A conservative 0.5% growth to perpetuity rate in calculating the terminal value of FCF

Thus, we derive a fair value of €168.2m for Jumbo, or a target price of €3.80 per share for the next 12 months, indicating a 19% upside potential from current market values.

Table 3: FCFF Valuation

	2001		2002		2003		2004		2005		2006	
	(Grd)	(€)	(Grd)	(€)	(Grd)	(€)	(Grd)	(€)	(Grd)	(€)	(Grd)	(€)
Net cashflow from operating activities	**7,839**	**23.01**	**6,534**	**19.18**	**7,597**	**22.30**	**8,026**	**23.55**	**9,131**	**26.80**	**9,920**	**29.11**
Income Tax paid before interest	(1,179)	(3.46)	(2,832)	(8.31)	(2,088)	(6.13)	(2,412)	(7.08)	(2,738)	(8.03)	(2,952)	(8.66)
Net cash used in investment activities	(7,010)	(20.57)	(4,010)	(11.77)	(1,500)	(4.40)	(1,500)	(4.40)	(800)	(2.35)	(1,000)	(2.93)
Free Cashflow to the firm	**(350)**	**(1.03)**	**(308)**	**(0.90)**	**4,009**	**11.76**	**4,113**	**12.07**	**5,594**	**16.42**	**5,968**	**17.52**

Source: Egnatia Securities Estimates

Table 4: DCF Valuation Summary

	Grd m	**€ m**
PV of FCFF from 2001 to 2006	13,128	38.5
PV of terminal value	49,459	145.1
Enterprise Value	62,588	183.7
Net Debt (2001)	5,259	15.4
Equity Value	57,329	168.2
Value per share	1,296	3.80
Assumptions:		
Long term risk free rate	5.3%	
Estimated beta	1.1	
WACC	8.1%	
Perpetuity growth	0.5%	

Source: Egnatia Securities Estimates

Valuation multiples compare favorably to the market averages

Further supporting our case is that Jumbo shares trade at 12.2x its 2000/2001E EPS, assuming full conversion of the 2,764,800 bonds into shares in fiscal 2001, indicating a 32% discount to the domestic market's PER (01E) average of 18.1x. In case we assume a gradual conversion of bonds into shares, then Jumbo shares trade at 11.8x its 2000/2001 EPS, showing an even bigger discount to the market's average. Moreover, Jumbo shares trade at 13.1x its 2001/2002F EPS, indicating a 9% discount to the market's PER (02F) average of 14.3x. On an EV/EBITDA (01E) basis, Jumbo trades on a 12% discount compared with the market's 2001 average of 9.09x.

Table 5: Comparable valuation with the domestic market

	PER (01E)	PER (02E)	EV/EBITDA (01E)
Jumbo	**12.2**	**13.1**	**8.02**
Domestic market	18.1	14.3	9.09
Jumbo (discount)/premium to the market	*-32.4%*	*-8.7%*	*-11.7%*

Source: Egnatia Securities

BUSINESS DESCRIPTION

Jumbo operates in the sector of retail trading of toys, babies apparel and recently stationery, as well as engaging in importation of foreign brands and wholesale activities, i.e. the exclusive representation of foreign brands in the domestic market. Approximately 94% of total Jumbo sales derive form retail business while the remaining 6% refers to wholesale activities.

Retailing is Jumbo's main activity

Retail activities

The company operates 19 'Jumbo' superstores throughout Greece (translating to a total selling area of more than 60,850 m^2 and warehouse area of 19,500 m^2), and 1 superstore in Cyprus, (55% of branches are owned). Jumbo's philosophy is focused on establishing giant, kid-friendly, hands on and easy-to-shop stores. The average selling area per store exceeds 3,100 m^2, while the average warehouse area exceeds 1,100 m^2. Jumbo offers a wide range of products, approximately 10,000-12,500 different codes, including some of the strongest brands in the global toy industry.

The company's stores offer educational, traditional, electronic, specialty and collectible, preschool toys as well as babies clothes & related items and stationery, all strategically located within the stores at prices generally competitive within the industry. Toys currently account for around 75% of Jumbo retail sales, infantile products for 20% and the remaining 5% refers to stationery products. It is obvious that infantile products have increased their contribution to total Jumbo retail sales over the years; a trend which is expected to remain in the future with infantile products enjoying higher growth rates than toys. Stationery products are also expected to increase their contribution to total sales.

Table 6: Jumbo retail sales breakdown (parent, € m)

Sales breakdown	**1996/97**	*% of total*	**1997/98**	*% of total*	**1998/99**	*% of total*	**9M 1999/00**	*% of total*
Toys	31.7	*91%*	39.6	*88%*	50.0	*84%*	51.4	*84.76%*
Infantile products	3.1	*9%*	5.4	*12%*	9.2	*16%*	9.2	*15.24%*
Total	**34.8**	*100%*	**45.0**	*100%*	**59.3**	*100%*	**60.7**	*100%*

Source: Jumbo

In the table 7 below we see Jumbo's main toy categories.

Table 7 & 8: Jumbo's sales breakdown (toy division) & EU toy market breakdown by product category (1998)

Jumbo Toy categories	'96/97	'97/98	'98/99	9M '99/00
Preschool toys	12%	13%	13.5%	14.5%
Dolls	13%	13%	13%	13%
Board games/puzzles	10%	9%	10%	9%
Teddy bears & related	9%	11%	12.5%	12.5%
Wheels category	8%	8%	7%	7%
Bicycles	8%	9%	9%	9%
Collectible toys	10%	10%	8%	7%
Activity toys	15%	13%	13%	15%
Other	15%	14%	14%	14%
Total	**100%**	**100%**	**100%**	**100%**

Source: Jumbo

	Including video games	Without video games
Video	21.5%	
Activity Toys	13.0%	16.0%
Infant/Pre-school	11.0%	14.0%
Games/Puzzles	10.5%	13.5%
Dolls	10.5%	13.5%
Vehicles	9.0%	11.0%
Ride-ons	4.0%	5.0%
Action figures	5.0%	6.0%
plushes	5.0%	6.5%
Other Toys	10.5%	14.5%
Total	**100%**	**100%**

Source: Eurotoys/The NPD Group Worldwide

Jumbo's business is highly seasonal, with approximately 40% of retail sales being generated during the December holiday season, 10% during Easter holiday season and another 10% during September schooltime. The company continually assesses trends and demands in the industry, refines its store formats as needed and analyses and evaluates markets for future store openings and marketing strategies.

Wholesale activities

Jumbo's wholesale activity to shrink in the future on the back of strong store expansion

Jumbo is the major toy supplier in the Greek market after Hasbro, Mattel and AS Company. Approximately 44% of imported products are absorbed by the company's retail activity. Jumbo's wholesale customers could be distinguished into three categories: (a) supermarkets (absorbing 20%-25% of wholesale sales), (b) small toy stores (absorbing 50%-55% of wholesale sales) and (c) department stores which absorb 13% of wholesale sales. Jumbo purchases its products from approximately 250 manufacturers / suppliers, minimising the dependency on any of them. Among them, we refer to the most important: Mattel (15% of sales), Hasbro (12%), Nintendo (4%) and Sony (4%). The company's wholesale activity is expected to further shrink in the years to come on the back of Jumbo's aggressive store expansion.

STRATEGY – GROWTH DRIVERS

Store expansion

Jumbo business plan calls for a strong stores expansion …

Expansion is Jumbo's winning formula, the one word that best describes its mission going forward. The company's plans call for the establishment of around 3 new stores per year in the 2001-2004 period, to a total of 29 stores in Greece and Cyprus by 2004. Having achieved a strong presence in the wider Athens area as well as avoiding sales cannibalism, Jumbo has started to focus on geographical expansion, aiming to cover smaller Greek cities. The company is opening a super-store of 19,000 m^2 in Thessaloniki, Northern Greece, while similar moves are expected to follow in Northern Greece. Jumbo has also reached co-operation agreement with Veropoulos, one of the largest super market chains in Greece operating 164 super markets countrywide. The agreement involves the operation of Jumbo shops within Veropoulos' stores. Moreover, Jumbo along with listed companies GEK and Hermes participates in a project aiming at the construction and operation of a commercial centre in Thessaloniki which will house a Jumbo superstore. The project is expected to have been completed by mid 2002. For the future, we would not rule out the possibility of Jumbo introducing the method of franchising in a way to rapidly expand its sales network and further strengthen its position in smaller Greek cities. Assuming the successful implementation for the company's aggressive outlet expansion program, Jumbo's market share is projected to improve to around 32% by 2003/2004.

Expansion in the Balkans

... both in Greece and the Balkans to fuel growth

Jumbo aspires to replicate Greece's success abroad. Apart from Cyprus, the company's next steps are in the Balkans, starting from FYROM with the establishment of big stores targeting a population of 1.9m as well as aiming to become the leading toy retailer in this market. Prospects seem bright in these countries due to the lack of well-organized toy retail chains. The expected economic turnaround in Balkan countries is definitely good news for Jumbo however, the still unstable economic and political conditions remain a risk factor.

New concepts

Jumbo diversifies its product portfolio, exploiting significant synergies

Jumbo has started to diversify its product variety, entering into the bookstores & stationery market which is estimated at around €205.43m. With this move, Jumbo targets the same consumer people, i.e. children. At the moment Jumbo operates 3 bookstores & stationeries under the name 'Bookie', in independent areas within Jumbo stores, (the shop-in-shop idea), while two more 'Bookie' stores will be added till the end of 2001. We believe that Jumbo has the necessary experience, know how and a strong name to set the basis for a successful entry in the bookstores & stationaries segment. The expansion into a new segment provides attractive opportunities for growth in the future, while it will eventually reduce the company's dependency on toys sales which account for 75% of total retail sales. Due to Jumbo's strong sales network, expansion into other retail activities through cooperation agreements could not be ruled out. Based on the past performance, we believe that Jumbo's objectives are feasible and that the company will continue playing a leading role in the sectors where it competes.

JUMBO TRADING LTD

Within the framework of geographical expansion, Jumbo in October 1998 acquired 99.99% of Jumbo Trading Limited (ex Jumbo Investments Limited) located in Nicosia, Cyprus. Since July 14, 2000, Jumbo Trading Ltd. has been listed in the Cyprus Stock Exchange, while Jumbo's stake in Jumbo Trading Ltd. has been reduced to 69.77%. Jumbo Trading has a total market capitalisation of €6.3m, translating to an unrealised capital gain of €1.78m for Jumbo.

Jumbo's subsidiary in Cyprus is expected to assist market penetration in new areas

Jumbo Trading is mainly active in wholesale trading, representing today approximately 67% of its total revenues. It is the exclusive seller in Cyprus of American brands such as Hasbro and Playmobil. The company operates one hyper-shop in Nicosia, while it aims to operate another one in an area of 9,585 m^2 in Limassol within fiscal 2002. The company's investment plan is focused on the establishment of a well-organised toys and related products retail chain of hyper-shops and the expansion of activities in other areas such as babies apparel and furniture. Jumbo Trading sales have grown by a CAGR of 6% in the July

1996-June 2000 period, while for the future we project higher growth rates on the back of the company's ambitious investment plans and promising market conditions.

The size of the toy and related item market in Cyprus is appraised around €26.41m. Demand is totally covered by imports. Prospects are bright considering the fact that there are no other organised toy-chains in Cyprus. We should also mention customers' preference for labelled goods and the improvement in the living standards of Cypriots.

THE TOYS MARKET

The Greek toy and seasonal products market is estimated at around €322.82m in retail prices. Approximately 60%-65% of the total market refers to traditional toys and games and the remaining 35%-40% to seasonal goods (e.g. Christmas season merchandises etc).

Local toy production has taken a downward turn, accounting for less than 10% of the total market. Toys of big size made of wood or paper account for the bulk of local production. The domestic toy market is covered mainly by imports, mostly from the US, Europe and Far East and this trend is expected to continue in the future. The major suppliers are Hasbro, Mattel, Nintendo, Sony and AS Company.

The toy market is static, with the population stagnancy negatively affecting demand for toys

The toy market is static and may decrease as children grow older younger, meaning that they grow out of their toys earlier. Domestic demand for toys, especially for traditional toys, has remained flat over the last years as the result of the low birthrate, while the babyhood care products and seasonal toys enjoy higher demand. The main demand determinants for toys are 1. The country's population, 2. Demographics, 3. Disposable income and 4. Advertising spend. Preschool and electronic games have gained bigger market share over the last years.

Table 9: Toy sales at retail '97-'99, child population, avg. total toy expenditure/child

	The toy market						Child population (million children)		Avg. expense / child (US$)	
	Total, including video games			Traditional, excl. video games						
(US$ m)	1997	1998	1999	1997	1998	1999	1997	1999	1997	1999
World	**66,011.7**	**67,759.8**	**71,095.0**	**54,099.2**	**53,536.6**	**55,654**	**1,601.0**	**1,619.0**	**34.63**	**34.0**
N. America	26,697.2	27,633.0	31,291.0	21,444.0	21,353.2	24,117	66.0	64.0	340.51	372.0
Europe *	16,578.2	16,875.6	17,018.0	13,793.3	13,637.4	13,378	96.0	91.0	144.25	147.0
Asia	17,040.1	17,550.1	17,179.0	13,883.0	13,618.8	13,323	1,031.0	1,059.0	13.85	13.0
Latin & S. America	2,889.5	2,807.8	2,755.0	2,630.0	2,566.2	2,515	163.0	164.0	16.03	15.0
Middle east	1,023.9	1,038.8	1,045.0	829.4	831.5	832	3.0	4.0	252.02	190.0
Oceania	1,404.0	1,430.7	1,457.0	1,181.0	1,176.0	1,163	10.0	6.0	116.81	201.0
Africa	378.8	423.8	350.0	338.5	353.5	326	232.0	231.0	1.54	1.0

** Includes Eastern countries, Source: The NPD Group Worldwide*

Great seasonality is the main feature of the rapidly changing toy market

Seasonality is the main feature of the toy market. Demand peaks during Christmas, Easter, the Carnival period, summer and schooltime. More than 40% of toy sales take place in December, 10% in April and 10% in September. Moreover, the toy industry is subject to evolution and many changes. Children's entertainment products are often characterized by fads of limited life cycles. As a result of the continually changing nature of children's consumer preferences and tastes, the success of the companies operating in this specific market is dependent on their ability to change and adapt to new trends.

The toy industry in the European Union invested more than €500m in advertising in 1998. Most of this investment is made during the last three months of the year. The main media used are television, followed by the press, billboards and radio. In addition, the average budget per child in the EU is € 210 per year (including video games).

The toy market is highly competitive. Companies compete as to price, personnel, service, speed of delivery and breadth of product line. Within the international environment, margins are dictated by the type of the product, what the competitors are selling it for and how much it is hyped. Margins to strive for are around 40% to ensure the company covers overheads and allow for modest growth, but a TV hyped product might bring in 20%-sometime less. There is a large number of small companies operating in the sector. Apart from the toy specialists, hypermarkets/super markets and department stores are also active in the market. The structure of the EU toy market is depicted in the following table.

Table 10: Regional toy sales by channel of distribution (1999)

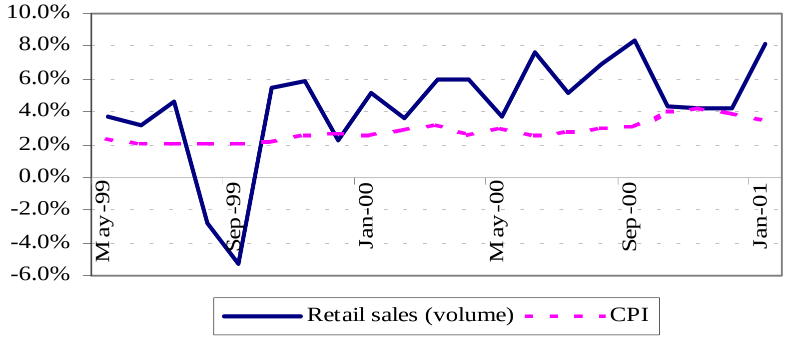
% value	Toy Chains	General Merchandise (including Hypers & Discounters)	Toy, Hobby & Game Retailers	Department Stores	Food, Drug & Misc. Outlets	Catalogue sales	E-Tailers
World	25%	35%	10%	8%	17%	4%	1%
N. America	21%	40%	4%	3%	25%	6%	1%
Europe *	30%	30%	15%	12%	10%	3%	0%
Asia	25%	24%	29%	13%	9%	0%	0%
Latin & S. America	16%	41%	19%	16%	8%	0%	0%
Oceania	15%	50%	20%	6%	7%	2%	0%

Source: Toys Associations - The NPD Group Worldwide ** Includes Eastern countries*

We expect the Greek toy market to grow in line with inflation

We expect the Greek toy market to grow in line with inflation. However, our estimate lies on the conservative side, considering the fact that Greece's retail sales have been moving above inflation as seen in chart 2. Retail sales rose 13.2% in February 2001 from a year earlier, up from 11.8% a month earlier, while the CPI increase for the same period was 3.5%. In the January-February period, retail sales advanced by 12.5% on the back of a 11.1% rise in supermarkets, 8% in department stores and a 10.8% rise in books, stationery and related products. We believe that the Greek toy market will follow the trend prevailing in the international market, with only professional retailers with big, well-organised stores and business acumen gaining market share against small, financial weak and poorly organised stores. In general, the international pattern for small companies is either to be bought out or fail. Capitalising on its excellent market position, Jumbo sets to be the player to benefit most from the sector's ongoing changes.

Chart 2: Greece's retail sales (volume) and CPI



Source: Bank of Greece

Jumbo's position in the domestic toys market

Despite intense competition, Jumbo has little to fear. It is the largest toy retailer in Greece enjoying a market share of 24%, while no other competitor operates with more than four stores and generates sales in excess of €5.87m. Meanwhile, the potential of new comers is little due to the high entry costs. Jumbo's competitive advantages could be summarised as follows:

- strong outlet network
- capable management
- strong brand name
- wide range of products and the ability to change and adapt to new trends
- huge experience and knowledge of the domestic and international toy market
- excellent organisation of stores and warehouses
- ambitious business plan

Risks

- Possible weakness in economic conditions both domestically and internationally which may affect disposable income and Jumbo sales in extent.

PROJECTIONS

Sales

Sales model

Our sales model is based on the following assumptions:

- strong outlet expansion, 3 new stores to be opened per year up to 2004 and 1 store per year in the 2005 - 2006 period
- Jumbo's philosophy of giant stores, meaning that the average selling and warehouse area per store will increase by a rate of around 7% per year decreasing going forward
- Price increases in line with inflation
- Sales growth at same square meter at around 4%, gradually declining going forward.
- New shops need three years to reach maturity. New stores tend to deliver faster growth than mature stores. Hence, the Jumbo shops opened in 1999, 2000 and this year should have a bigger sales impact until 2003 than the stores that have reached maturity. At present, Jumbo has 4 shops in their first year of operation and 3 shops in their second year.

Table 11: Jumbo sales projections

(€ m)	1999/2000	2000/2001	% ch.	2001/2002	% ch.	2002/2003	% ch.
Retail sales	77.8	96.3	*23.7%*	116.9	*21.5%*	140.2	*19.9%*
% of total	*93.5%*	*94.3%*		*95.0%*		*95.5%*	
Inventory loss		6.95					
Wholesale sales	5.4	5.8	*7.0%*	6.2	*7.0%*	6.6	*6.0%*
% of total	*6.5%*	*5.7%*		*5.0%*		*4.5%*	
Total	**83.2**	**109.0**	*31.0%*	**123.1**	*12.9%*	**146.8**	*19.2%*

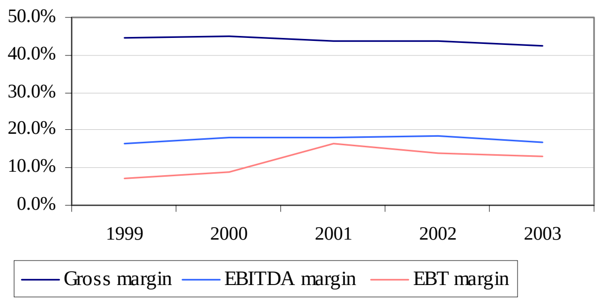
Source: Egnatia Securities Estimates

We expect group retail sales to grow by a 20% CAGR in the July 2001/ June 2004 period. The contribution of retail sales to total Jumbo sales is seen increasing over the years on the back of the aggressive store network expansion. As a result, sales from wholesale activities are expected to decrease their contribution to total Jumbo sales over the years to 5.7% in fiscal ending June 2001 from 6.5% in 1999/2000 and 8% in 1998/1999. Wholesale sales are reckoned to grow by a 6.7% CAGR over the 2000-2003 period. Total Jumbo sales are expected to reach €109.02 (+31%) in current year, growing by a 16.6% CAGR over the July 2001-June 2004 period. At this point however, we should mention that an amount of €6.95m is included to both fiscal 2001 turnover and cost of goods sold. This amount refers to the inventory losses stemming from last July's fire at cost prices. Fire damages totaled €12.17m. The company has received so far €12.59m from the insurance company, which allows for an extraordinary gain of €3.23m in fiscal 2001.

Margins

Although high fragmentation leads to intense competition, threatening margins, Jumbo has enjoyed several competitive advantages, which allow it to operate against the industry's trend. The robust sales expansion on the back of the aggressive store expansion has created significant economies of scales and increased bargaining power against suppliers, allowing for improved profitability at gross level. Gross margin has improved from 41.2% in fiscal 1997 to 45.1% in 2000. Gross margin is reckoned to decline to 43.6% in fiscal 2001, however, excluding the €6.95m insurance compensation for last year's fire from turnover and CoGS, we see gross margin improving to 46.6% in 2000/2001. From 2002 onwards, gross margin is expected to post a decline settling at 42.3% in 2003 on the back of price adjustments and the company's expansion into new products. EBITDA is seen reaching €19.57m in current fiscal year, growing by a 16% CAGR in the 2000-2003 period on the grounds of prudent increases on SG&A, in line with top line growth. SG&A expenses as a percentage of sales are reckoned to post a decline from this fiscal year onwards, settling at 26.1% in current year from 26.6% a year ago.

Chart 3: Jumbo's margins



Source: Egnatia Securities estimates

EBT

EBT to grow at a 37% CAGR in the 2000-2003 period

Pre tax profit is expected to grow by a 37% CAGR in the 2000-2003 period reaching €17.89m in the fiscal year ending June 2001, an 142% improvement against 1999/2000. Fiscal 2001 bottom line performance is strengthened by net extraordinary gains of €3.23m referring insurance benefits from last July's fire. Bottom line performance is also supported by lower financial expenses against 1999/2000. EPS is reckoned to grow by 28% in the 2000-2003 period assuming full conversion of bonds into Jumbo shares in 2001. Excluding extraordinaries, pre-tax profit is expected to grow by a 2000-2003 GAGR of 22%, reaching €14.7m in 2000/2001, a 42% increase against a year ago.

INCOME STATEMENT Fiscal year ending June (€ m)	1999A	2000A	2001F	2002F	2003F
Sales	**62.54**	**83.23**	**109.02**	**123.13**	**146.77**
Gross profit	27.84	37.54	47.55	54.05	62.08
Other income	0.54	0.31	0.45	0.48	0.54
Operating expenses	(18.09)	(22.17)	(28.43)	(32.01)	(38.16)
EBITDA	**10.29**	**15.68**	**19.57**	**22.52**	**24.47**
Depreciation	(3.31)	(3.48)	(4.12)	(4.62)	(5.01)
Exceptional items, net	(0.82)	(2.94)	3.23	-	-
EBIT	**6.16**	**9.26**	**18.68**	**17.90**	**19.45**
Financial net	(1.74)	(1.88)	(0.80)	(0.63)	(0.59)
Pre-tax profit	**4.42**	**7.39**	**17.89**	**17.27**	**18.86**
Tax	(1.48)	(2.39)	(6.26)	(6.04)	(6.60)
Minorities	0.00	(0.00)	(0.24)	(0.38)	(0.42)
Net profit	**2.94**	**5.00**	**11.38**	**10.85**	**11.84**

BALANCE SHEET At June (€ m)	1999A	2000A	2001F	2002F	2003F
Net Fixed Assets	20.91	26.47	42.90	50.02	49.41
Investments	0.26	0.30	0.33	0.36	0.36
Inventories	26.57	42.27	52.27	59.37	70.77
Accounts receivables	1.59	1.16	1.19	1.35	1.21
Other current assets	2.22	4.85	6.32	7.14	8.51
Cash & cash equivalents	4.42	11.13	12.46	6.90	14.28
Total assets	**55.98**	**86.17**	**115.47**	**125.14**	**144.54**
Shareholders funds	12.57	30.80	38.12	45.03	52.58
Minority interests	0.00	0.00	0.19	0.50	0.87
Provisions	0.15	0.07	0.16	0.12	0.11
Long-term loans	20.10	19.67	24.09	24.09	24.09
Short-term loans	3.20	3.80	3.80	3.80	3.80
Other current liabilities	14.74	22.86	30.73	34.54	42.34
Total liabilities	**55.98**	**86.17**	**115.47**	**125.14**	**144.54**

CASHFLOW STATEMENT Fiscal year ending June (€ m)	1999A	2000A	2001F	2002F	2003F
EBIT	**6.16**	**9.26**	**18.68**	**17.90**	**19.45**
Depreciation	3.31	3.48	4.12	4.62	5.01
(Increase)/decrease in working capital	(1.09)	(8.15)	0.13	(3.35)	(2.17)
Provisions	0.11	-	0.08	-	-
Net cash from operating activities	**8.49**	**4.59**	**23.01**	**19.18**	**22.30**
Taxes paid	(0.57)	(1.79)	(2.84)	(8.20)	(5.94)
Dividends paid	(0.54)	(0.90)	(1.84)	(4.07)	(3.93)
Net Interest	(1.74)	(1.88)	(0.85)	(0.69)	(0.65)
Net capital expenditure	(16.71)	(5.15)	(20.54)	(11.74)	(4.40)
(Increase)/decrease in investments	(0.04)	(0.04)	(0.03)	(0.03)	-
Increase/(decrease) in debt	11.65	0.16	4.43	-	-
Increase/(decrease) in cash & cash equivalents	4.06	6.71	1.33	(5.55)	7.38
Change in share capital	0.70	2.03	-	-	-
Cash & cash equivalents @ beginning of year	0.36	4.42	11.13	12.46	6.90
Cash & cash equivalents @ year end	4.42	11.13	12.46	6.90	14.28

Source: Company, Egnatia Securities

PER SHARE ITEMS (€)	1999A	2000A	2001F	2002F	2003F
EPS	0.08	0.13	0.26	0.25	0.27
BVPS	0.33	0.74	0.86	1.02	1.19
CFPS	0.17	0.21	0.36	0.36	0.39
DPS	0.02	0.04	0.10	0.09	0.10

PROFITABILITY	1999A	2000A	2001F	2002F	2003F
Gross margin	44.5%	45.1%	43.6%	43.9%	42.3%
EBITDA margin	16.5%	18.8%	18.0%	18.3%	16.7%
EBIT margin	9.9%	11.1%	17.1%	14.5%	13.3%
Net margin	4.7%	6.0%	10.4%	8.8%	8.1%
Interest Cover (EBIT) (x)	0.33	0.28	0.07	0.06	0.05
RoE (avg.)	24.1%	23.1%	33.0%	26.1%	24.3%
RoA (avg.)	17.7%	21.1%	32.8%	23.3%	23.8%

MOMENTUM	1999A	2000A	2001F	2002F	2003F
Sales growth	39.0%	33.1%	31.0%	12.9%	19.2%
EBITDA growth	85.1%	52.3%	24.8%	15.1%	8.6%
EBIT growth	63.1%	50.3%	101.7%	-4.2%	8.7%
Net profit growth	97.2%	69.8%	127.7%	-4.7%	9.2%

VALUATION	1999A	2000A	2001F	2002F	2003F
Market Cap (€ m)	121.65	132.71	141.56	141.56	141.56
Net debt (cash) (€ m)	18.88	12.33	15.43	20.99	13.61
Gearing	65.0%	43.2%	42.3%	38.2%	34.7%
Enterprise Value (€ m)	140.53	145.04	156.99	162.54	155.16
Mkt cap/Net revenues (x)	1.9	1.6	1.3	1.1	1.0
EV/Net revenues (x)	2.2	1.7	1.4	1.3	1.1
EV/EBITDA (x)	13.7	9.2	8.0	7.2	6.3
PER (x)	41.0	25.3	12.2	13.1	12.0
P/CF (x)	19.3	14.9	8.9	8.9	8.2
P/BV (x)	9.7	4.3	3.7	3.1	2.7
Dividend yield	0.7%	1.4%	3.0%	2.9%	3.1%

FREE CASHFLOW FOR VALUATION Fiscal year ending June (€ m)	1999A	2000A	2001F	2002F	2003F
Net cashflow from operating activities	8.5	4.6	23.0	19.2	22.3
Tax paid before interest	(0.6)	(2.4)	(3.5)	(8.3)	(6.1)
Net cash used in investment activities	(16.7)	(5.2)	(20.6)	(11.8)	(4.4)
Free cashflow to the firm	(8.8)	(6.5)	(1.0)	(0.9)	11.8

Source: Company, Egnatia Securities

Egnatia Securities Rating System:

BUY:	*expected outperformance of over 15% relative to the Composite Index.*
OUTPERFORM:	*attractive valuation for long term outperformance.*
HOLD:	*expected neutral performance relative to the Composite Index.*
UNDEPERFORM:	*expected underperformance relative to the Composite Index.*
SELL:	*expected underperformance of over 15% relative to the Composite Index.*

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