



Jumbo

Company Update
2H/FY16/2017 Results Preview

27 July 2017

Improved risk profile for Greece and expansion in Romania should pay off - Buy on Weakness

Investment Case

Following the FY 2016/17 sales preannouncement that slightly missed our top line estimate by 1.1%, as well as the provided FY 2017/18 guidance, which calls for increased sales in the area of 6-9%, with flat earnings and decreased gross profit margin, we proceed with minor changes in our estimates to incorporate Group's new openings in Romania and Greece for FY 2017/18 and the investment plan for Romania that calls for 25 stores in the country during the next five years from the current eight stores. We raise our target price to EUR 17.00 from EUR 15.20 with an implied upside potential of 17.4% from current levels. We reiterate an Outperform rating that is based on: i) increased weight of foreign operations due to increased penetration in Romania and Bulgaria, ii) reduced domestic country risk that led us to decrease our risk free rate to 5% from 6% before and iii) Group's strong FCF generation that should come in at EUR 97.2mn, with the Net OCF standing at EUR 142.7mn, recording a high conversion rate to EBITDA (OCF/EBITDA at 67%) for FY 2017/18, iii) Group's strong Net Cash position that is estimated at EUR 270.2mn at the end of FY 2016/17 period, or EUR 2.00/share.

Valuation / Three-Year Outlook

We stand at the top end of Company's guidance for FY 2017/18 period; our estimates call for increased sales by 9% at EUR 742.4mn, with slightly decreased gross profit margin of 28bps; however, increased operating leverage and efficiency should lead to increased EBITDA by 8.3% at EUR 212.4mn, while Net Profit should come in at EUR 143.6mn, up 9.3%. We are modeling Sales, EBITDA and NI CAGRs of 8.5%, 7.5% and 8.1%, respectively, in the 2017/18-2019/20 period. We expect the EBITDA margin to stabilize in the area of 28-28.5% benefited from increased operating efficiency. We are now modeling an effective tax rate of 24.7%. Our DCF-P/E derived target price reflects a targeted P/E of 16.0x the Group's FY 2017/18 projected earnings, above Group's pre-crisis historical average of 13.6x. The 17% premium is justified in our view due to the increased penetration of Jumbo into foreign markets; we remind that back in 2009 Greece accounted for 90% of Jumbo's sales vs. 69% in 2017.

A good end for FY 2016/17

We are looking for a good 2H16/17, with sales shaping at EUR 279.5mn, up 5.2%, while EBITDA should come in at EUR 78.9mn increased by 0.8%, with the relevant margin shaping at 28.2% vs. 29.4% the year ago period and Net profit of EUR 49.9mn, up 2.4% y-o-y. We expect a proposed dividend of EUR 0.35/share, with an implied dividend yield of 2.2% at current levels. However, taking into account Group's rich cash position and strong FCF generation, we point out that there is room for additional dividends by year-end. Jumbo will announce its detailed FY 2016/17 set of results at some point in September.

Fundamentals (€ m)	2015/2016	2016/2017F	2017/2018E	2018/2019E
Sales	637.56	681.43	742.45	808.61
EBITDA	183.71	196.11	212.42	228.85
Net Profit	121.26	131.34	143.62	155.31
EPS (€)	0.89	0.97	1.06	1.14
DPS (€)	0.54	0.35	0.38	0.41
FCF yield (%)	4.8%	4.2%	4.9%	5.4%
Net Cash (€)	250.36	270.21	329.27	394.43
Valuation ratios	2015/2016	2016/2017F	2017/2018E	2018/2019E
P/E (x)	13.22	16.57	13.72	12.69
EV/Sales (x)	2.12	2.80	2.21	1.95
EV/EBITDA (x)	7.36	9.72	7.72	6.89

Ratios are computed on recurring earnings, average prices until 2015/16 and last close thereafter

Rating: **Outperform**

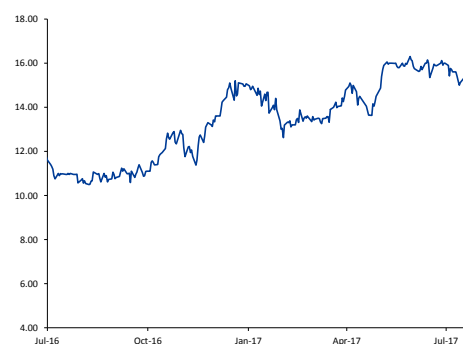
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Target Price: **€17.00**
(from €15.20)

Last closing Price (26 July): **€14.48**

Total Expected Return: **19.6%**

Company data				
RIC	BABr.AT			
Market Cap.	1,970.15			
Shares Outstanding	136.06			
Free float	73.24%			
Average daily volume	174,603			
Absolute performance over				
	1m	6m	12m	y-t-d
	-9.5%	0.6%	32.2%	-3.9%
Relative to the Athens General Index				
	1m	6m	12m	y-t-d
	-10.7%	-20.0%	-9.8%	-25.5%



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Note: Jumbo's fiscal year ends in June

Changes to Estimates

Following the FY 2016/17 sales preannouncement, we proceed with minor changes to our estimates to incorporate i) continuous market share gains in Greece, ii) Increased weight of the foreign markets that account for c. 30% of Group's sales, iii) a gross profit margin contraction that should stand at 14bps for the current FY, and iv) the opening of three new stores in Romania and one in Greece for the current FY, as well as three new openings in Romania for each year onwards.

The following table summarizes the changes to our estimates.

Exhibit 1: Chng in Est.	OLD	NEW	OLD	NEW	OLD	NEW
P&L (in Euro m)	Jun-17 e	Jun-17 e	Jun-18 e	Jun-18 e	Jun-19 e	Jun-19 e
Turnover	688.73	681.43	759.45	742.45	797.15	808.61
% chng	na	-1.1%	na	-2.2%	na	1.4%
EBITDA	196.40	196.11	215.27	212.42	224.60	228.85
% chng	na	-0.1%	na	-1.3%	na	1.9%
EBIT	172.23	171.94	189.60	186.75	197.43	201.68
% chng	na	-0.2%	na	-1.5%	na	2.2%
Net Profit	131.56	131.34	145.84	143.62	152.93	155.31
% chng	na	-0.2%	na	-1.5%	na	1.6%
EPS	0.97	0.97	1.07	1.06	1.12	1.14
% chng	na	-0.2%	na	-1.5%	na	1.6%

Source: Piraeus Securities

Valuation

We value Jumbo by employing a Discounted Cash Flow model, using explicit forecasts for the 2017/18-2019/20 period. Our risk free rate stands at 5% (from 6% before) that incorporates a potential improvement of the prospects of the Greek economy, after the recent agreement achieved with creditors. We maintain our equity risk premium at 5.5% and as a result our total market return stands at 10.5%. Our leveraged beta for the Group stands at 0.8, with our Cost of Equity shaping at 9.6%. Our WACC stands at 8.6%.

Our 10-year sales CAGR stand at 6.6% (8.5% for the explicit period's CAGR and 6.0% for the non-explicit period). In terms of Operating Profitability, our 10-year CAGR stands at 4.6% (7.8% for the explicit period and 3.1% for the non-explicit period).

We use a combination of DCF method and P/E multiples to derive our target price. Our DCF model generates a target price of EUR 18.21/share with the implied P/E ratio for 2017/18 standing at 17.2x, above Group's 5-year pro-crisis historical average of 13.6x. Our targeted P/E ratio for 2017/18 projected earnings stands at 15.0x (again above Group's 5-year pro-crisis historical average) with a derived target price of EUR 15.78/share. The average of the two methods derives a target price of EUR 17.00/share with a targeted P/E of 16.0x Group's 2017/18 earnings. Our target price implies an upside potential of 17.4% from current levels.

A summary of our assumptions of the DCF valuation method can be found in the following table.

Exhibit 2: DCF / Multiples Valuation

Year	Jun-18f	Jun-19f	Jun-20f	Jun-21f	Jun-22f	Jun-23f	Jun-24f	Jun-25f	Jun-26f	Jun-27f	Jun-28f	TV
After tax EBIT	141	152	162	179	191	202	213	219	222	222	221	221
Less: Working Capital additions	21	24	23	23	24	24	24	23	22	21	19	0
Plus: depreciation	26	27	29	32	34	36	38	39	39	39	39	0
Less: Cap ex	46	46	46	46	46	46	46	46	46	46	46	0
Free Cash Flow	99	109	122	142	155	168	181	189	193	195	196	221
Discounted Free Cash Flow	99	101	103	111	111	111	110	106	100	93	85	0
WACC	8.6%											
Sum of PV of Cash Flows (Jun19e-June28e)	1,031											
Perpetuity Growth	0.00%											
PV of Residual Value	1,118											
Firm Value	2,149											
Less: Net debt June 2018	-329											
Less: Minority rights 2018 (P/BV)	0.00											
Plus: Participations 2018	0.00											
Equity Value	2,478											
DCF 12M Target Price	18.21											
Targeted P/E multiple at 15.0x	15.78											
Average	17.00											
Upside Potential	17.4%											
Dividend yield	2.2%											
Total Investors' Return	19.6%											

Increased diversification of revenues and Op. Profitability should lead Jumbo to trade at premium vs. Group's pre-crisis historical avg P/E of 13.6x

At current levels and based on our 2017/18 estimates, Jumbo trades in line with Group's pre-crisis historical average P/E of 13.6x, while it trades at a 6.7% discount, when compared with 2018/19 P/E of 12.7x, as per our estimates. In our view, taking into account Group's increased penetration in SEE and especially the investment program in Romania, where the Group plans to operate 25 stores during the next five years, this should lead the stock to trade at higher multiples vs. the current 13.7x. We remind that back in 2009 foreign markets accounted for 10% of Group's top line while they now account for more than 30%. As a result and based on Group's recent stock weakness we would be buyers at current levels.

In the following graph, we present Jumbo's 10-year historical avg P/E, including the one before crisis.

Exhibit 3: Jumbo's 10-year historical avg P/E



Jumbo Trades at 24% Discount vs. Eurostoxx Retail Index, slightly below the average discount over the last 10 years

In our view there is no global peer group for Jumbo due to the Company's unique business model and diverse product portfolio. Since Jumbo could be classified as a hyper-store, we use as proxy the Eurostoxx Retail Index. At current levels Jumbo trades at a 24% discount vs. the Eurostoxx Retail Index based on FY 2018 projected earnings, slightly below its average 28% discount over the last 10 years. In our view, Jumbo should further close the discount over Eurostoxx due to the increased weight of its foreign operations; as a result, we remain buyers on the stock.

The following table shows how Jumbo compares to large retail Groups and Eurostoxx Retail Index.

Exhibit 4: Jumbo vs. Large Retail Chains/Eurostoxx

Company	P/E 2017	P/E 2018	P/E 2019	EV/EBITDA 2017	EV/EBITDA 2018	EV/EBITDA 2019
Jumbo S.A.	15.2 x	14.1 x	13.0 x	7.4 x	9.8 x	8.9 x
Carrefour SA	13.6 x	12.0 x	11.0 x	6.2 x	5.7 x	5.1 x
Debenhams plc	6.8 x	7.6 x	7.5 x	5.1 x	4.1 x	3.6 x
Marks and Spencer Group plc	11.5 x	11.2 x	11.0 x	7.1 x	6.0 x	5.6 x
Halfords Group Plc	11.1 x	10.8 x	10.2 x	6.2 x	7.6 x	6.7 x
WH Smith PLC	16.7 x	15.7 x	14.7 x	12.5 x	10.0 x	10.5 x
Next plc	9.5 x	9.7 x	9.8 x	12.3 x	8.7 x	7.4 x
Kingfisher Plc	12.8 x	11.2 x	9.5 x	7.6 x	7.1 x	6.3 x
Wal-Mart Stores, Inc.	18.1 x	17.2 x	16.2 x	7.0 x	7.6 x	8.5 x
Eurostoxx Retail Index	20.9 x	18.6 x	18.6 x			
Average discount/premium vs. Index	-27%	-24%	-30%			
Source: Factset, Piraeus Securities						

2H/FY 16/17 Results Preview

Jumbo announced that FY 2016/17 sales stood at EUR 681.43mn, up 6.88% y-o-y, on the upper end of Company's guidance that called for increased sales in the area of 4-7% for the FY period. We note that FY 2016/17 sales stood slightly below our estimate (-1.1%) that called for increased sales of 8% at EUR 688.73mn. FY 2016/17 sales pre-announcement implies that 2H16/17 sales came in at EUR 279.53mn increased by 5.2%, y-o-y, vs. a reported growth rate of 8.1% for 1H16/17. Jumbo is expected to announce the detailed set of FY 2015/16 results during September 2017. We are looking for EBITDA of EUR 196.1mn, up 6.8% with a flat EBITDA margin of 28.8% and Net Profit of EUR 131.3mn, up 8.3% y-o-y. We expect a proposed dividend of EUR 0.35/share, with an implied dividend yield of 2.2% at current levels.

The following table summarizes our estimates for the 2H/FY 16/17 results:

Exhibit 5: 2H/FY 16/17 Results Preview

Jumbo Estimates	2H15/16	2H16/17e	FY15/16	FY16/17e
Turnover (€ m)	265.8	279.5	637.6	681.4
% Change	10.1%	5.2%	9.4%	6.9%
Gross Profit	146.3	154.5	337.9	360.2
% Change	7.7%	5.6%	9.1%	6.6%
% margin	55.1%	55.3%	53.0%	52.9%
EBITDA(€ m)	78.2	78.9	183.7	196.1
% Change	15.7%	0.8%	15.3%	6.8%
% margin	29.4%	28.2%	28.8%	28.8%
Net Profit (€ m)	48.7	49.9	121.3	131.3
% Change	15.6%	2.4%	15.7%	8.3%
% margin	18.3%	17.9%	19.0%	19.3%
EPS	0.36	0.37	0.89	0.97

Source: Company Reports, Piraeus Securities

FY Sales – Strong growth in the Balkans with both Greece and Cyprus recording good growth momentum

Based on FY 2016/17 sales preannouncement, sales in Greece (incl. e-shop, exports and wholesale) increased by more than 2%; we estimate that sales in Greece stood at EUR 471.47mn, up 2.7%. If this is the case, this implies that 2H sales came in at EUR 196.43mn, up 1.4%, vs. a reported growth rate of 3.7% for the 1H period. Sales in Cyprus stood at EUR 80.44mn, up 2% y-o-y; this implies that 2H sales came in at EUR 33.4mn, with an implied growth rate of 1% vs. a reported growth rate of 2.7% during 1H16/17. Sales in Bulgaria came in at EUR 64.42mn, up 24% y-o-y; this implies that 2H sales stood at EUR 24.28mn, up 23.6%, slightly below the growth rate reported during the 1H of 24.3%. Finally, sales in Romania stood at EUR 65.11mn, up 36% y-o-y; this implies that 2H sales reached EUR 25.42mn, up 30.8% y-o-y vs. a reported growth rate of 39.5% during the 1H16/17. The following table summarizes top line sales growth on a per country basis, as well as the implied growth rates for the 2H 16/17 period.

Exhibit 6: Sales per Country

Sales Country Mix	2H15/16	2H16/17e	FY15/16	FY16/17e
Greece	193.7	196.4	458.9	471.5
% Change	6.7%	1.4%	4.8%	2.7%
% total	72.9%	70.3%	72.0%	69.2%
Cyprus	33.1	33.4	78.9	80.4
% Change	4.6%	1.0%	5.1%	2.0%
% total	12.4%	11.9%	12.4%	11.8%
Bulgaria	19.6	24.3	51.9	64.4
% Change	17.4%	23.6%	14.6%	24.0%
% total	7.4%	8.7%	8.1%	9.5%
Romania	19.4	25.4	47.9	65.1
% Change	68.0%	30.8%	97.1%	36.0%
% total	7.3%	9.1%	7.5%	9.6%
Total	265.8	279.5	637.6	681.4
% Change	10.1%	5.2%	9.4%	6.9%

Source: Company Reports, Piraeus Securities

Management provides new guidance for FY 2017/18 with four new openings in Romania and Greece

For FY 2017/18, the Group expects stabilization in Greece and Cyprus, while Romania and Bulgaria should record double-digit growth rates. The Group guided for increased sales for the FY 2017/18 period in the area of 6-9%, with flat net earnings and decreased gross profit margin due to higher transportation costs. In terms of new openings, the Group plans the opening of three new privately owned hyper stores in Romania and one new hyper store in Northern Greece.

Macro Data justify Group's decision to focus its investment program on the Romanian market in the coming years

As mentioned, the Company guided for three (3) new openings in Romania for the current FY, while it will focus its investment program in the country in the following years, where it targets 25 stores in the next five (5) years from the current eight (8) stores. Macro data seems to support Group's decision to focus its investment program in Romania over the coming years.

The following table present the main macro indicators as projected by the IMF in the markets, where the Group activates.

Exhibit 7: Macro Data for Group's core markets

Year	GDP growth projections (% change)			CPI projections (% change)		
	2017	2018	2019	2017	2018	2019
Greece	2.2	2.7	2.2	1.3	1.4	1.6
Cyprus	2.5	2.3	2.2	1.5	1.4	1.6
Bulgaria	2.9	2.7	2.5	1.0	1.8	1.9
Romania	4.2	3.4	3.3	1.3	3.2	2.9

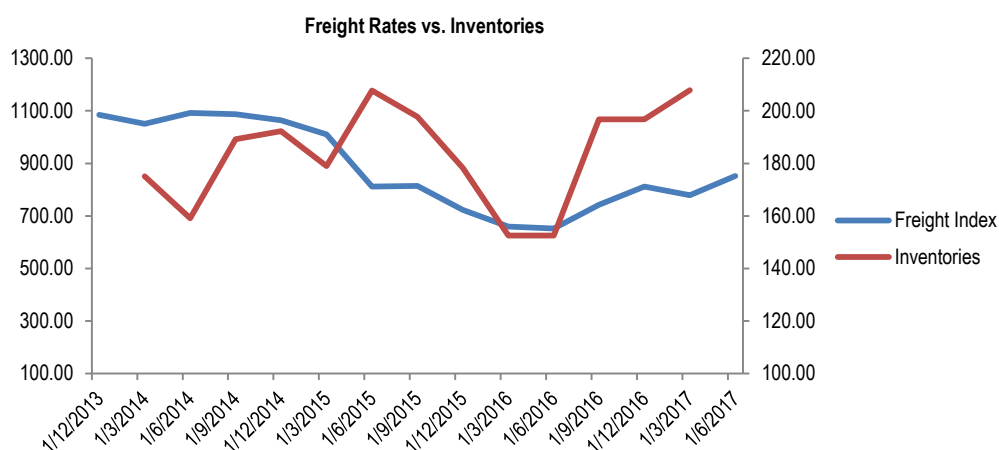
Source: IMF, Factset, Piraeus Securities

Increased freight rates should be offset by a more favourable FX rate

It seems that after April of 2016 the freight rates entered in an upward trajectory, with China's Containerised Freight Index recording its lows on 29-Apr-2016 at 632.36 units and reaching its highs on 3-Feb-2017 at 877.89 units. This should have a negative effect on gross profit margin that in our view will be fully offset by a more favourable FX rate, since during the last two months EUR slightly appreciated vs. the USD (current spot rate at 1.1720 vs. 1.0390 on 20-Dec-2016)

The following graph shows the movements of the SCFI Index vs. Group's Inventory levels during the last years. We point out that Jumbo's inventories seem to recover just after the relevant Index recorded its lows on April 2016.

Exhibit 8: SCFI Index vs. Group's Inventories



Outlook

We stand at the top end of Company's guidance for FY 2017/18 period; our estimates call for increased sales by 9% at EUR 742.4mn, with slightly decreased gross profit margin of 28bps; however, increased operating leverage and efficiency should lead to increased EBITDA by 8.3% at EUR 212.4mn, while Net Profit should come in at EUR 143.6mn, up 9.3%. We are modeling Sales, EBITDA and NI CAGRs of 8.5%, 7.5% and 8.1%, respectively, in the 2017/18-2019/20 period. We expect the EBITDA margin to stabilize in the area of 28-28.5% benefited from increased operating efficiency. We are now modeling an effective tax rate of 24.7%

The following table summarizes our estimates for the 2016/17-2018/19 period:

Exhibit 9: Jumbo's Estimates

Jumbo	Jun-15	Jun-16	Jun-17e	Jun-18e	Jun-19e	Jun-20e	3-Year CAGR
Sales	582.5	637.6	681.4	742.4	808.6	871.1	8.5%
% chng	7.5%	9.4%	6.9%	9.0%	8.9%	7.7%	
Gross Profit	309.7	337.9	360.2	390.4	421.8	450.7	7.8%
% chng	7.6%	9.1%	6.6%	8.4%	8.0%	6.8%	
margin	53.2%	53.0%	52.9%	52.6%	52.2%	51.7%	
EBITDA	159.3	183.7	196.1	212.4	228.9	243.8	7.5%
% chng	8.7%	15.3%	6.8%	8.3%	7.7%	6.5%	
margin	27.3%	28.8%	28.8%	28.6%	28.3%	28.0%	
EBIT	137.9	161.0	171.9	186.8	201.7	215.1	7.8%
% chng	8.5%	16.7%	6.8%	8.6%	8.0%	6.7%	
margin	23.7%	25.3%	25.2%	25.2%	24.9%	24.7%	
EBT	137.0	165.1	174.5	190.8	206.4	220.5	8.1%
% chng	5.4%	20.6%	5.7%	9.3%	8.1%	6.9%	
margin	23.5%	25.9%	25.6%	25.7%	25.5%	25.3%	
Net Profit	104.8	121.3	131.3	143.6	155.3	165.9	8.1%
% chng	3.5%	15.7%	8.3%	9.3%	8.1%	6.9%	
margin	18.0%	19.0%	19.3%	19.3%	19.2%	19.1%	
EPS	0.77	0.89	0.97	1.06	1.14	1.22	8.1%

Source: Piraeus Securities

Greece: Recent agreement with creditors should improve market dynamics over the coming years

We adopt the scenario of a gradual normalisation of the situation in Greece during FY2016/17 and we are now modelling a 3-year sales CAGR of 2.6%. We believe that the expected stabilization of the Greek economy will allow the Group to leverage on its market share gains during last years and increased brand recognition in Greece. The Group plans to continue the implementation of the restructuring program in the country with the replacement of small stores with large hyper-stores. We are now modelling the opening of one new hyper-store in the Greek market as of 2017/18. An additional factor that will enhance wholesale activity in Greece has to do with the extension of Group's franchise network in Bosnia-Herzegovina during the previous FY. We remind that the Group guided for stabilisation in Greece for FY 2017/18.

Exhibit 10: Revenues CAGR in Greece	Jun-15	Jun-16	Jun-17e	Jun-18e	Jun-19e	Jun-20e	3-Year CAGR
Revenues Greece	437.9	458.9	471.5	485.7	501.2	509.5	2.6%
% chng	2.9%	4.8%	2.7%	3.0%	3.2%	1.6%	
% of total	75.2%	72.0%	69.2%	65.4%	62.0%	58.5%	
No of stores	53	51	51	52	52	52	
sales / store	8.3	9.0	9.2	9.3	9.6	9.8	
% chng	0.9%	8.9%	2.7%	1.0%	3.2%	1.6%	
y-end Square meters	262,303	256,829	256,829	264,829	264,829	264,829	
sales / square meters	1,669	1,787	1,836	1,834	1,893	1,924	
% chng	0.9%	7.0%	2.7%	-0.1%	3.2%	1.6%	
effective sq meters	261,320	259,566	256,829	260,829	264,829	264,829	
sales /effective square meters (incl. wholesale)	1,676	1,768	1,836	1,862	1,893	1,924	
chng %	1.0%	5.5%	3.8%	1.4%	1.6%	1.6%	
Sales with same (previous year) sq meters (incl. wholesale)	430	462	476	478	494	509	
I-f-f growth	1.0%	5.5%	3.8%	1.4%	1.6%	1.6%	

Source: Piraeus Securities

Cyprus: We are modeling a 3-year sales CAGR of 1.5% on the back of slightly improved economic environment

According to IMF's projections it seems that the Cypriot economy is on a recovery path, with projected GDP growth rates in the area of 2-2.5% for the next three years. Jumbo's business model proved quite resilient during the crisis and managed to gain market share across all of its product categories. We remind that the management guided for relative stabilisation on the top line for FY 2017/18. We take a conservative stance and adopt Company's guidance; as per our estimates, Jumbo will post sales CAGR of 1.5% over the next three years, benefited from increased brand awareness and market share gains.

The following table summarizes our estimates:

Exhibit 11: Revenues CAGR in Cyprus	Jun-15	Jun-16	Jun-17e	Jun-18e	Jun-19e	Jun-20e	3-Year CAGR
Revenues Cyprus	75.0	78.9	80.4	81.6	82.9	84.1	1.5%
% chng	12.2%	5.1%	2.0%	1.5%	1.5%	1.5%	
% of total	12.9%	12.4%	11.8%	11.0%	10.2%	9.7%	
No of stores	5	5	5	5	5	5	
sales / store	15.0	15.8	16.1	16.3	16.6	16.8	
% chng	-10.3%	5.1%	2.0%	1.5%	1.5%	1.5%	
Square meters	36,800	36,800	36,800	36,800	36,800	36,800	
sales / square meters	2,039	2,143	2,186	2,219	2,252	2,286	
% chng	-12.2%	5.1%	2.0%	1.5%	1.5%	1.5%	
effective sq meters	34,133	36,800	36,800	36,800	36,800	36,800	
sales / effective square meters	2,198	2,143	2,186	2,219	2,252	2,286	
chng %	-12.5%	-2.5%	2.0%	1.5%	1.5%	1.5%	
Sales with same (previous year) sq meters	59	73	80	82	83	84	
I-f-f growth	-12.5%	-2.5%	2.0%	1.5%	1.5%	1.5%	

Source: Piraeus Securities

Bulgaria: We are modeling a 3-year sales CAGR of 11.6%

The Group maintained its strong growth momentum in Bulgaria recording a 24% top line growth during FY16/17. We remind that back in November of 2016, the Group proceeded with the ninth store in the country, at the city of Stara Zagora. This was be the first new opening in the country after December 2012. Bulgaria enjoys the benefits of increased marketing activity and enriched product portfolio that leads to increased brand awareness and market share gains. Management guided for double-digit growth in the country for FY 2017/18. Our estimates call for increased sales by 16.2% for the current FY, while our estimated CAGR for the three year period stands at 11.6%.

The following table summarizes our estimates:

Exhibit 12: Revenues CAGR in Bulgaria	Jun-15	Jun-16	Jun-17e	Jun-18e	Jun-19e	Jun-20e	3-Year CAGR
Revenues Bulgaria	45.3	51.9	64.4	74.8	82.6	89.5	11.6%
% chng	12.0%	14.6%	24.0%	16.2%	10.4%	8.4%	
% of total	7.8%	8.1%	9.5%	10.1%	10.2%	10.3%	
No of stores	8	8	9	9	9	9	
sales / store	5.7	6.5	7.2	8.3	9.2	9.9	
% chng	12.0%	14.6%	10.2%	16.2%	10.4%	8.4%	
Square meters	57,000	57,000	65,000	65,000	65,000	65,000	
sales / square meters	796	911	991	1,151	1,271	1,377	
% chng	12.0%	14.6%	8.7%	16.2%	10.4%	8.4%	
effective sq meters	57,000	57,000	62,334	65,000	65,000	65,000	
sales / effective square meters	796	911	1,033	1,151	1,271	1,377	
chng %	12.0%	14.6%	13.4%	11.4%	10.4%	8.4%	
Sales with same (previous year) sq meters	45	52	59	72	83	90	
I-f-f growth	12.0%	14.6%	13.4%	11.4%	10.4%	8.4%	

Source: Piraeus Securities

Romania should fuel growth over the coming years – Investment plan calls for a network of 25 stores over the next five years

Management commented that the new investment program will focus in Romania over the coming years; the Group plans the opening of three (3) privately owned stores in the country for FY 2017/18. In addition the Group plans to operate a network of 25 stores in the country over the next five years that will cover all the major cities of Romania. We point out that at the end of FY 2016/17 Group's network in the country accounted for eight (8) stores.

In terms of top line management guided for a double-digit top line growth for FY 2017/18; our estimates call for increased sales by 54% during the current FY, while our estimated CAGR for the three year period stands at 42.4%.

The following table summarizes our estimates:

Exhibit 13: Revenues CAGR in Romania	Jun-15	Jun-16	Jun-17e	Jun-18e	Jun-19e	Jun-20e	3-Year CAGR
Revenues Romania	24.3	47.9	65.1	100.3	141.9	188.0	42.4%
% chng	175.1%	97.1%	36.0%	54.0%	41.5%	32.4%	
% of total	4.2%	7.5%	9.6%	13.5%	17.5%	21.6%	
No of stores	6	7	8	11	14	17	
sales / store	4.0	6.8	8.1	9.1	10.1	11.1	
% chng	-8.3%	68.9%	19.0%	12.0%	11.2%	9.1%	
Square meters	48,000	56,000	66,000	90,000	114,000	126,000	
sales / square meters	506	855	986	1,114	1,245	1,492	
% chng	-8.3%	68.9%	15.4%	12.9%	11.7%	19.8%	
effective sq meters	30,000	54,000	56,833	78,000	102,000	126,000	
sales / effective square meters	810	887	1,146	1,286	1,391	1,492	
chng %	3.9%	9.5%	29.2%	12.2%	8.2%	7.2%	
Sales with same (previous year) sq meters	9	27	62	73	109	152	
I-f-f growth	3.9%	9.5%	29.2%	12.2%	8.2%	7.2%	

Source: Piraeus Securities

Company Snapshot

Company Description

Jumbo is the largest retailer and wholesaler of toys, infant products, books & stationery and seasonal, home & mother opportunity products in Greece. It enjoys a 40% share in the domestic market. The Company’s distribution network at the end of June 2017 accounted for 73 retail stores, 51 of which will be located in Greece, 5 in Cyprus, 9 in Bulgaria and 8 in Romania with a net sales surface of ca 424,629m². It also has franchise agreements to distribute its products in the non-EU members of the Balkans namely, Serbia, Bosnia-Herzegovina, FYROM, Albania and Kosovo.

Investment Theme

Our view on Jumbo is based on: i) the resilience of the business model that through new store additions over the last years has helped BELA become one of the dominant retailers in the Greek market, ii) the retailer’s increased international presence through its presence in Cyprus, Bulgaria and Romania, iii) its strong balance sheet with projected Net Cash position of EUR 270.2m at the end of June 2017, and iv) Jumbo’s fixed assets that hide significant value and can be used to fund future expansion plans or for generous share capital returns. Based on valuation grounds our target price stands at EUR 17.00/share, 17.4% higher than current levels.

Valuation Method

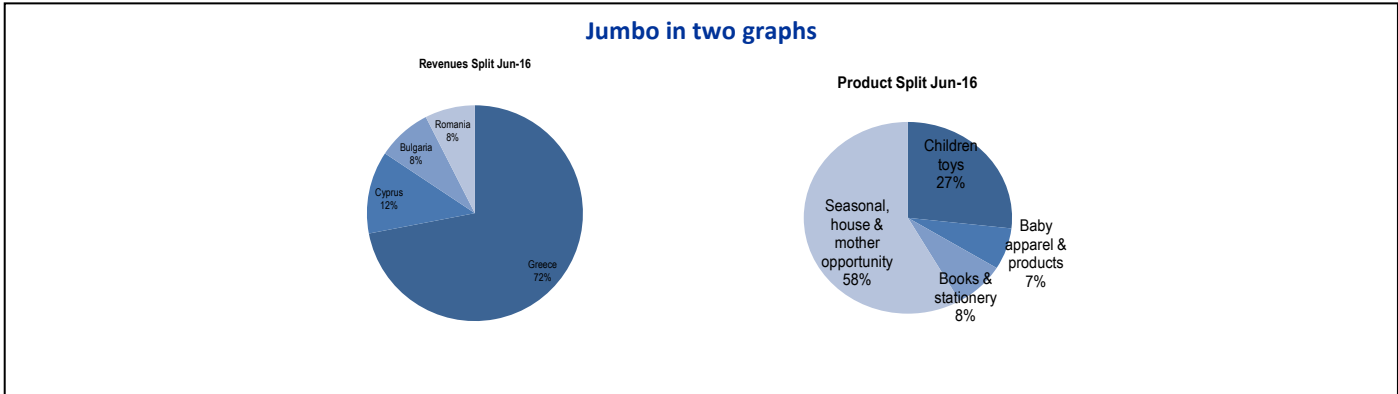
We value Jumbo by employing a combination of a DCF model/P/E multiples, using explicit forecasts for the 17/18-19/20 period. Our risk free rate and equity risk premium stand at 5% (from 6% before) and 5.5%, respectively, implying a total market return of 10.5%. Our cost of equity stands at 9.6%, while our WACC stands at 8.6%. In terms of P/E multiple we assign to Jumbo higher multiples than Group’s pre-crisis 5-year historical average that stood at 13.6x, due to the transformation of Jumbo from a domestic company to a Group with presence in SEE.

Upside risks

Apart from lower bond yields (ie lower sovereign risks), faster or more rollouts and higher-than-expected same-store sales (on improved customer visits and/or higher spending per customer) are the two main factors that could place upside risk on our estimates.

Downside Risks

Medium term, the investment case depends on domestic private consumption, the timing of new store rollouts, and the pace of expansion in Romania. Additional taxation of any form would hurt earnings and valuation. Jumbo’s management has cautioned investors over the impact from VAT hikes, COGS inflation, higher freights and a weaker Euro vis-à-vis the USD on the group’s gross profit margin. We also highlight risks associated with overdependence on Chairman Vakakis and the remote event of important injury from a non-branded product malfunction.

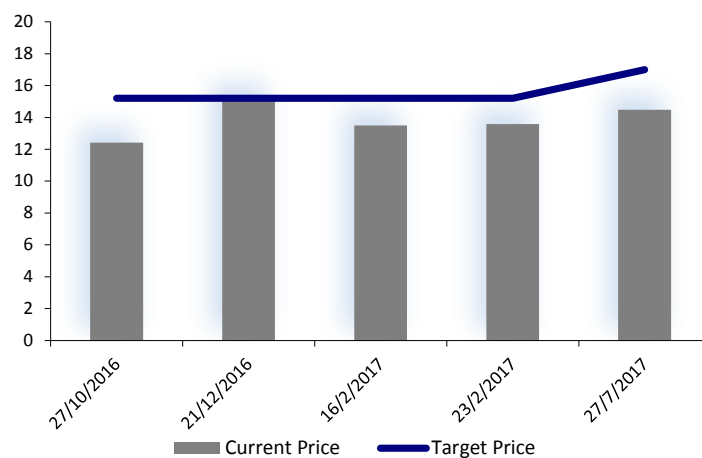


Jumbo consolidated accounts

<i>in mn unless otherwise stated</i>	Jun-14	Jun-15	Jun-16	Jun-17 e	Jun-18 e	Jun-19 e	Jun-20 e
BALANCE SHEET	Jun-14	Jun-15	Jun-16	Jun-17 e	Jun-18 e	Jun-19 e	Jun-20 e
Net fixed assets	446	498	499	521	541	560	578
Current Assets	552	557	679	738	806	901	1,004
Accounts receivable	57	49	77	82	90	98	105
Inventories	186	198	197	211	231	254	276
Cash	288	299	395	435	475	515	555
TOTAL ASSETS	1,034	1,090	1,209	1,290	1,378	1,491	1,611
Net debt position	-122	-152	-250	-270	-329	-394	-468
Shareholders' equity	745	797	916	973	1,069	1,173	1,283
Minority interest on share capital	0	0	0	0	0	0	0
Long-term liabilities	156	170	165	166	166	166	167
Bank debt	144	144	144	144	144	144	144
Subsidies	2	3	4	5	6	7	8
Short-term liabilities	133	123	129	152	142	151	161
Accounts payable & other ST liabilities	73	81	77	81	86	93	99
Liabilities for taxes	39	40	51	51	55	59	62
Liabilities to banks	21	3	0	20	1	0	0
TOTAL EQUITY & LIABILITIES	1,034	1,090	1,209	1,290	1,378	1,491	1,611
RATIO ANALYSIS	Jun-14	Jun-15	Jun-16	Jun-17 e	Jun-18 e	Jun-19 e	Jun-20 e
Activity: Avg working capital to turnover days	119	114	110	115	114	115	117
Avg receivables to turnover days	257	257	257	257	257	257	257
Avg trade creditors to purchases days	159	159	159	159	159	159	159
Avg inventories to turnover days	121	121	121	121	121	121	121
Financial Structure: Bank debt to equity	0.22	0.18	0.16	0.17	0.14	0.12	0.11
Fixed to total assets	46.7%	48.9%	43.9%	42.8%	41.5%	39.6%	37.7%
Profitability: Return on total assets	10.5%	9.9%	10.5%	10.5%	10.8%	10.8%	10.7%
Return on equity	14.6%	13.6%	14.2%	13.9%	14.1%	13.9%	13.5%
Return on capital employed	10.9%	11.4%	11.8%	11.8%	12.0%	11.9%	11.8%
CASH FLOW	Jun-14	Jun-15	Jun-16	Jun-17 e	Jun-18 e	Jun-19 e	Jun-20 e
Profit after tax before minorities	111.7	105.3	122.4	131.3	143.6	155.3	165.9
Plus: Depreciation & amortization	19.4	21.2	22.7	24.2	25.7	27.2	28.7
Plus: net interest expenses	-2.9	1.0	-4.1	-2.6	-4.1	-4.7	-5.4
Less: gain/loss on disposal of PP&E	0.0	0.0	0.0	0.0	1.0	2.0	3.0
Gross cash flow	128.2	127.5	140.9	152.9	164.2	175.8	186.2
Plus: Chng in accounts payable	-0.1	-0.8	-12.3	2.8	4.0	4.5	4.4
Less: Chng in accounts receivable	7.0	-15.2	17.0	2.2	3.1	3.4	3.2
Less: Chng in inventories	10.2	11.6	-1.0	14.2	20.2	22.8	22.0
Working capital chng	20.5	-9.3	28.6	15.5	21.4	23.9	23.2
Operating cash flow	121.0	129.0	112.3	137.5	142.8	151.9	163.0
Less: Purchases of fixed assets	35.9	59.1	34.7	45.5	45.5	45.5	45.5
Less: Chng in investments	-0.6	-2.9	-0.1	0.0	0.0	0.0	0.0
Free cash flow	85.7	72.7	77.7	91.9	97.2	106.3	117.5
PROFIT & LOSS	Jun-14	Jun-15	Jun-16	Jun-17 e	Jun-18 e	Jun-19 e	Jun-20 e
Turnover	541.8	582.5	637.6	681.4	742.4	808.6	871.1
% chng	7.9%	7.5%	9.4%	6.9%	9.0%	8.9%	7.7%
COGS & SG&A	395.3	423.4	453.9	485.3	530.0	579.8	627.3
EBITDA	146.5	159.3	183.7	196.1	212.4	228.9	243.8
% chng	9.4%	8.7%	15.3%	6.8%	8.3%	7.7%	6.5%
EBITDA margin	27.0%	27.3%	28.8%	28.8%	28.6%	28.3%	28.0%
Net depreciation	19.4	21.2	22.7	24.2	25.7	27.2	28.7
EBIT	127.1	137.9	161.0	171.9	186.8	201.7	215.1
% chng	10.4%	8.5%	16.7%	6.8%	8.6%	8.0%	6.7%
Operating profit margin	23.5%	23.7%	25.3%	25.2%	25.2%	24.9%	24.7%
Net interest expenses	-2.9	1.0	-4.1	-2.6	-4.1	-4.7	-5.4
% of avg debt	4.0%	-0.7%	2.1%	1.0%	1.4%	1.3%	1.2%
Pre-tax profit	130.0	137.0	165.1	174.5	190.8	206.4	220.5
% chng	35.8%	5.4%	20.6%	5.7%	9.3%	8.1%	6.9%
Minority stake in profits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority profit/Net profit	0.0%	0.0%	0.0%	0.0%	100.0%	200.0%	300.0%
Income tax	28.7	32.1	43.9	43.2	47.2	51.1	54.6
% effective tax rate	22.1%	23.4%	26.6%	24.7%	24.7%	24.7%	24.7%
Profit after tax	101.2	104.8	121.3	131.3	143.6	155.3	165.9
% chng	36.9%	3.5%	15.7%	8.3%	9.3%	8.1%	6.9%
Net profit margin	18.7%	18.0%	19.0%	19.3%	19.3%	19.2%	19.1%
EPS after tax (in Euro)	0.74	0.77	0.89	0.97	1.06	1.14	1.22
EPS chng	31.0%	3.5%	15.7%	8.3%	9.3%	8.1%	6.9%
Dividends	49.0	0.0	74.0	47.3	51.7	55.9	59.7
Dividend policy: Payout Ratio	48.4%	0.0%	61.0%	36.0%	36.0%	36.0%	36.0%
DPS (in Euro)	0.36	0.00	0.54	0.35	0.38	0.41	0.44
% chng	na	-100.0%	n/a	-36.1%	9.3%	8.1%	6.9%
Market cap	1,627	1,010	1,603	2,177	1,970	1,970	1,970
Diluted number of shares	136,029,796	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759
Basic number of shares	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759
EV	1,505	857	1,352	1,907	1,641	1,576	1,502
End-year/current stock price common shares	11.96	7.42	11.78	16.00	14.48	14.48	14.48
% chng of common stock price	64.1%	-38.0%	58.8%	35.8%	-9.5%	0.0%	0.0%
Out/under performance	14.5%	-5.5%	133.6%	-10.6%	-10.2%	0.0%	0.0%

Rating History

Date	Rating	Target Price	Current Price
27/10/2016	Outperform	15.20	12.42
21/12/2016	Neutral	15.20	15.20
16/02/2017	Outperform	15.20	13.49
23/02/2017	Outperform	15.20	13.57
27/07/2017	Outperform	17.00	14.48



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Source: Piraeus Securities

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	Weighted on Mcap	Un-weighted		
Outperform :	54.7%	47.4%	Total return (*) expected to be greater than 10% compared to the market's return (**) over a 12-month period	10.0%
Neutral:	43.0%	36.8%	Total return (*) expected to be between -10%/+10% compared to the market's return (**) over a 12-month period	-
Underperform:	0.0%	0.0%	Total return (*) expected to be below -10% compared to the market's return (**) over a 12-month period	-
Restricted:	1.0%	5.3%	In certain circumstances that Piraeus Bank S.A. policy or applicable law / regulations preclude certain types of communication and investment recommendations	-
Under Review:	1.3%	10.5%	Rating/TP may be subject to future revision	-

*) Total return = Price appreciation + Dividend

(**) Market return = Risk free rate + 5% (an approximation of equity risk premium)

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