



Jumbo

Greece | General Retail

Outperform

Target Price EUR16.00

A unique investment case

20 November 2017

Maintain our Outperform rating; new TP at EUR16.00

We maintain our positive view on Jumbo due to its solid fundamentals which incl. a strong business model, leading market position, high margins and return ratios, and strong management track record. We expect Jumbo to increase its retail network by adding 20 more stores (17 in Romania) and to deliver a 2017-22e revenue CAGR of 9% and an avg. 2018-22e FCFF yield of 7%, despite declining gross margins given the low disposable income in countries that Jumbo is expanding. Taking into account the performance that Jumbo has exhibited so far, 1/ we have adjusted our estimates accordingly, now assuming for 2017-22e EPS CAGR of c.11% and 2/ have rolled our model forward with new 12-month TP standing at EUR16.00 per share. The main risks to our investment case are related to potential underperformance in the delivery of the investment plan due to 1/ a renewed economic crisis in Greece, 2/ pressure in gross margins, 3/ any potential decline in the economic activity of the remaining countries that Jumbo is active in, and 4/ currency and freight rate fluctuations.

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Stock Data & Performance

Rating	Outperform
Previous	[unchanged]
Target price (12-month)	EUR16.00
Previous	EUR15.30
Last Price (17-Nov-17)	EUR13.00
Upside to target price	23%
52-week range	EUR12.40-16.30
Market cap.	EUR1,769m
Reuters / Bloomberg	BABr.AT/BELA GA
3m avg. trading volume	EUR1.6m
Free float	55%
Abs performance ytd	-12%
Rel. performance ytd (to ASE)	-21%

Source: FactSet, NBG Securities Research

FY17/18e revenue expected to gain further momentum

Jumbo's performance remained robust in FY16/17: The company posted sales +6.9% y/y to EUR681m (Greece +2.5%, Cyprus +2.3%, Bulgaria +24.5%, Romania +37.0%), EBITDA of EUR195m, +6.1% y/y with margin at 28.6% vs. 28.8% a year ago, and a net profit of EUR131m, +8.0 y/y. The company's management guided for FY17/18 revenue to accelerate at c.6%-9% and flattish profit y/y due to higher freight rates. While the company posted a 12% sales growth y/y in 1Q17/18 with Greece improving during Jun- mid Aug, sales growth contracted from 20 August onwards as it was not sustainable in Greece. We should note however that Jumbo has traditionally beat management guidance and assuming for a softer USD sentiment which will turn into lower total costs for the group, we assume for FY17/18e revenue and net profit growth of c.8% and c.8% y/y respectively.

EPS Estimate Changes (NBG Securities)

	New	Old	% Chg.
2018e	1.04	0.94	12%
2019e	1.17	1.03	13%
2020e	1.31	1.31	0%

Source: NBG Securities Research

Valuation

We value Jumbo through a DCF model deriving a 12-month TP of EUR16.00 per share which offers a 23% upside potential. We do not use peer multiples in our valuation because of the company's unique business model. Following its substantial stock outperformance in 2016 (abs. +61.8%, rel. to ATHEX Index +58.7%), Jumbo's shares have underperformed the Greek stock market so far in 2017 (abs. -12.5%, rel. -20.9%). Lower private consumption in an environment characterised by increased tax obligations which have led to lower disposable income for Greek households has driven the aforementioned relative performance, in our view. We do however believe that Jumbo's shares should be priced higher due to 1/ the company's solid fundamentals including a strong business model, 2/ leading market position, 3/ strong management track record and 4/ high growth opportunities in the region (e.g. Romania).

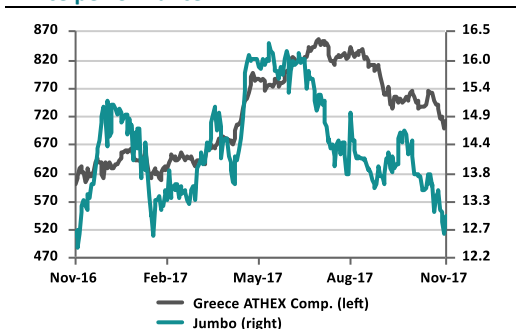
Key Financials & Valuation

(in EUR m)	2017	2018	2019e	2020e
Sales	681	739	813	896
EBITDA	195	211	233	257
Net Income	131	142	159	178
EPS (EUR)	0.96	1.04	1.17	1.31
P/E	16.6	12.5	11.1	9.9
EV/EBITDA	10.1	7.2	6.2	5.4
EV/Sales	2.9	2.0	1.8	1.5
Div. Yield	2%	2%	3%	3%

Note: Fiscal year ends 30 June.

Source: Company data, NBG Securities Research

Price performance



Source: FactSet, NBG Securities Research

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Investment Summary

Leading position in Greece

Jumbo is a leading retailer of toys, baby products, stationery, seasonal, haberdashery and home products in Greece. The company operates an extensive retail network of 73 stores (51 in Greece, 5 in Cyprus, 9 in Bulgaria, 8 in Romania), 1 e-shop and signed franchise agreements for 11 stores to 5 non-EU countries (e.g. 3 in FYROM, 2 in Albania, 3 in Kosovo, 2 in Serbia and 1 in Bosnia). Despite domestic market volatility, Jumbo has continued to differentiate itself through delivering decent growth and solid margins through market share gains and continued network expansion/refurbishment.

Continues to be strong

Group revenues have accelerated (at a high single digit) over the last 6 years with 1/ Greece moderately increasing (i.e. 2011-17 CAGR +2%), 2/ Cyprus gaining significant momentum (i.e. 2011-17 CAGR +8%) and 3/ Romania (2013-17 CAGR +95%) and Bulgaria (2011-17 CAGR +22%) showing an impressive performance. Additionally, Jumbo's retail network significantly grew reaching 73 stores in 2017 from 52 in 2011. Going forward, we expect Jumbo to increase its retail network with 20 more stores (17 of which in Romania) and to deliver a 2017-22e revenue CAGR of 9% and an avg. 2018-22e FCFF yield of 7%, despite declining gross margins given the low disposable income in countries that Jumbo is expanding in.

Greece – to remain the main market

As far as the macroeconomic environment is concerned, Greek GDP increased by 0.8% y/y in 2Q17 from 0.4% y/y in 1Q17 courtesy of robust growth in net exports of goods and services (ELSTAT) while private consumption growth decelerated to +0.7% y/y in 2Q17 vs. +1.2% y/y in 1Q17 on fiscal and liquidity pressure and the drop in disposable income (NBG Economic Research). However, with high bank debt, low disposable income and higher tax obligations expected to take a toll on private consumption, we expect Jumbo to open 2 stores until 2021 and assume for 2017-2022e revenue CAGR of c.2% with Greece remaining its major market.

Cyprus – medium term economic growth subject to various reforms

Cyprus' ytd economic performance is impressive with GDP growth accelerating to 3.6% y/y in 1H17 from a post-crisis high of 3.0% in 2016 courtesy of the strong recovery in domestic demand and booming tourism sector (NBG Economic Research). While NPL stock is also declining, standing at EUR18.3bn or 97.7% of GDP, measures should be taken so as to accelerate the NPL recovery. In addition, the strong growth in the medium term is subject to the completion of various reforms in the judicial system and public administration, privatization of major state-owned companies, reforming the electricity market and the creation of a sovereign wealth fund. So with that being said, we assume for no additions to Jumbo's stores network in Cyprus and for a 2017-2022e revenue CAGR of c.3%.

Bulgaria – private consumption to lose further momentum

Private consumption in Bulgaria was weak in 2Q17 (NBG Economic Research) and is expected to lose further momentum on the back of slower employment growth due to structural issues in the labour market. Against this backdrop, we expect Jumbo to open only one new store in FY18/19e with the total number of stores standing at 10 in FY21/22e and deliver a 2017-2022e revenue CAGR of 12%.

Romania sales to reach c.50% of Greece in the next 5 years

According to Eurostat, Romania was the EU's fastest growing economy in 2Q17 with GDP growth shaping in at 5.7% y/y vs. the expected 4.8%-5.1%. Despite this impressive performance, there are increased risks of economy overheating. Taking the aforementioned into consideration, we forecast Jumbo's total number of stores to reach 25 in FY21/22e from 8 in FY16/17 and 2017-2022e revenue CAGR of 38% with Romania sales reaching c.50% of Greece's in the next 5 years.

Valuation

We value Jumbo through a DCF model deriving a 12-month TP of EUR16.00 per share which offers a 23% upside potential, and do not use peer multiples in our valuation because of the company's unique business model. Following its substantial stock outperformance in 2016 (abs. +61.8%, rel. to ATHEX Index +58.7%), Jumbo's shares have underperformed the Greek stock market so far in 2017 (abs. -12.5%, rel. -20.9%). Lower private consumption, in an environment characterised by increased tax obligations which led to lower disposable income for Greek households, has driven the aforementioned relative performance, in our view. We do however believe that Jumbo shares should be priced higher due to 1/ the company's solid fundamentals including a strong business model, 2/ leading market position, 3/ strong management track record and 4/ high growth opportunities in the region (e.g. Romania).

Main risks

The main risks to our investment case are related to any potential underperformance in the delivery of the investment plan due to 1/ the renewed economic crisis in Greece, 2/ pressure in gross margins, 3/ the potential decline in the economic activity of the remaining countries that Jumbo is active in, and 4/ currency and freight rate fluctuations.

Valuation
Maintain Outperform rating, new TP at EUR16.00

We value Jumbo through a DCF model using a WACC of 8.7% (4.7% risk-free rate, 5% risk premium, 0.90 beta (FactSet)), explicit forecasts in 2018-2022e, and 1.0% growth in perpetuity to end up with a 12-month TP of EUR16.00 per share which offers a 23% upside potential. We also assume for a c.16% FCF CAGR (2018-2022e) and c.EUR258m net cash position (Exhibit 1). We do not use peer multiples in our valuation because of the company's unique business model.

Exhibit 1: DCF model (in EUR m)	2017/18e	2018/19e	2019/20e	2020/21e	2021/22e
EBIT	186.8	207.0	229.7	249.7	275.1
Tax on EBIT	-43.7	-47.1	-51.0	-54.4	-58.9
NOPAT	143.1	159.8	178.7	195.3	216.2
Depreciation	24.4	25.8	27.3	29.0	30.8
Net capex	-39.9	-43.9	-48.4	-52.6	-56.7
(Increase) / Decrease in WC	-40.3	-22.7	-28.3	-29.0	-30.6
FCFF	87.3	118.9	129.3	142.5	159.7
Discount factor	1.00	0.92	0.85	0.78	0.72
PV (CFs)		109.4	109.4	110.8	114.2
Sum of PV(CFs)					443.8
TV					1,475.1
EV					1,918.8
Net debt (2017/18e)					-257.9
Minorities					0.0
Investments in associates					0.0
Equity					2,176.8
Shares outstanding (m)					136.1
Equity/share					16.00
Current market price					13.00
Upside potential					23.1%

Source: NBG Securities Research

Jumbo's stock has underperformed the Greek stock market so far in 2017

Following its substantial stock outperformance in 2016 (abs. +61.8%, rel. to ATHEX Index +58.7%), Jumbo's shares have underperformed the Greek stock market so far in 2017 (abs. -12.5%, rel. -20.9%) (Exhibit 2). Lower private consumption in an environment characterised by increased tax obligations which have led to lower disposable income for Greek households has driven the aforementioned relative performance, in our view. We do however believe that Jumbo shares should be priced higher due to 1/ the company's solid fundamentals including a strong business model, 2/ leading market position, 3/ strong management track record and 4/ high growth opportunities in the region (e.g. Romania).

Exhibit 2: Jumbo stock performance vs. ATHEX index


Source: FactSet, NBG Securities Research

Exhibit 3: Jumbo absolute share performance ytd.


Source: FactSet, NBG Securities Research

Financials

Exhibit 4: Interim results (in EUR m)	1H 14/15	2H 14/15	FY 14/15	1H 15/16	2H 15/16	FY 15/16	1H 16/17	2H 16/17	FY 16/17
No. of stores	70	72	72	73	71	71	72	73	73
Total revenue	341.1	241.4	582.5	371.7	265.8	637.6	401.9	279.5	681.4
% y/y	7.7%	7.2%	7.5%	9.0%	10.1%	9.4%	8.1%	-42.0%	6.9%
Greece	256.4	181.5	437.9	265.2	193.7	458.9	275.0	195.5	470.5
% y/y	2.8%	3.0%	2.9%	3.4%	6.7%	4.8%	3.7%	-43.3%	2.5%
Cyprus	43.4	31.6	75.0	45.8	33.1	78.9	47.0	33.6	80.7
% y/y	15.3%	8.1%	12.2%	5.5%	4.6%	5.1%	2.7%	-44.6%	2.3%
Bulgaria	28.6	16.7	45.3	32.3	19.6	51.9	40.1	24.5	64.7
% y/y	12.7%	10.9%	12.0%	12.9%	17.4%	14.6%	24.3%	-39.0%	24.5%
Romania	12.7	11.6	24.3	28.4	19.4	47.9	39.7	25.9	65.6
% y/y	196.6%	154.7%	175.1%	123.5%	68.0%	97.1%	39.5%	-29.4%	37.0%
Gross profit	173.9	135.8	309.7	191.6	146.3	337.9	205.7	149.8	355.5
% y/y	7.8%	7.4%	7.6%	10.2%	7.7%	9.1%	7.4%	2.3%	5.2%
% mrg	51.0%	56.3%	53.2%	51.5%	55.1%	53.0%	51.2%	53.6%	52.2%
EBITDA	91.5	67.6	159.2	105.6	78.1	183.7	117.4	77.5	194.9
% y/y	8.2%	9.4%	8.7%	15.3%	15.5%	15.4%	11.2%	-0.8%	6.1%
% mrg	26.8%	28.0%	27.3%	28.4%	29.4%	28.8%	29.2%	27.7%	28.6%
Greece	74.9	58.2	133.2	79.7	44.2	123.9	86.3	37.8	124.1
% y/y	1.9%	8.4%	4.7%	6.4%	-24.1%	-6.9%	8.3%	-14.5%	0.1%
% mrg	29.2%	32.1%	30.4%	30.0%	22.8%	27.0%	31.4%	19.3%	26.4%
Cyprus	17.1	12.2	29.3	18.6	8.8	27.4	19.0	9.0	28.0
% y/y	15.2%	7.6%	11.9%	8.8%	-27.6%	-6.3%	2.0%	1.7%	1.9%
% mrg	39.4%	38.6%	39.0%	40.6%	26.7%	34.8%	40.3%	26.7%	34.7%
Bulgaria	10.1	4.4	14.5	11.8	4.3	16.1	14.4	5.0	19.3
% y/y	19.0%	19.7%	19.2%	16.8%	-2.5%	10.9%	21.9%	15.4%	20.2%
% mrg	35.2%	26.5%	32.0%	36.5%	22.0%	31.0%	35.8%	20.3%	29.9%
Romania	4.3	2.4	6.7	10.4	5.8	16.2	15.2	8.3	23.5
% y/y	186.5%	197.1%	190.2%	143.1%	145.7%	144.0%	46.1%	42.4%	44.8%
% mrg	33.7%	20.5%	27.4%	36.6%	29.9%	33.9%	38.4%	31.9%	35.8%
Net profit	62.7	45.8	104.8	72.5	48.7	121.3	81.4	49.6	131.0
% y/y	6.3%	8.3%	3.5%	15.7%	6.4%	15.7%	12.3%	1.7%	8.0%
% mrg	18.4%	19.0%	18.0%	19.5%	18.3%	19.0%	20.3%	17.7%	19.2%
Gross cash flow	81.5	46.2	127.7	93.3	47.7	141.1	108.2	42.4	150.6
(Increase)/Decrease in WC	20.4	-19.1	1.3	53.7	-81.7	-28.0	11.6	-51.9	-40.3
Operating cash flow	111.4	24.6	136.0	149.1	-31.2	117.9	117.5	-8.5	109.0
Capex	-31.4	-24.9	-56.3	-19.5	-15.1	-34.6	-18.4	-18.4	-36.8
FCFF	80.0	-0.3	79.7	129.6	-46.3	83.3	99.1	-26.9	72.2

Source: Company data, NBG Securities Research

Subdued performance in 2H16/17 on contraction in gross profit margins

Jumbo's 2H 16/17 performance was subdued due to a 1.5% contraction y/y in gross profit margin which shaped in at 53.6%. EBITDA edged downwards by c.1% y/y to EUR78m with EBITDA margin shaping in at 27.7%, -1.7% y/y.

Despite the aforementioned, Jumbo's performance remained robust in FY6/17. The company posted FY16/17 sales which were up by 6.9% y/y to EUR681m (Greece +2.5%, Cyprus +2.3%, Bulgaria +24.5%, Romania +37.0%), EBITDA of EUR195m, +6.1% y/y with margin at 28.6% vs. 28.8% a year ago, and a net profit of EUR131m, +8.0% y/y, above our expectations.

The strengthening of USD vs. EUR along with the deflationary policy in Greece placed pressure on gross profit margin (-0.83% y/y to 52.2%), albeit partly counterbalanced by low transport costs adhered to for almost the entire financial year. EBITDA margin was flattish as a result of contained SG&A costs (as a % of sales). Regarding 1Q17/18 financial performance, while Jumbo posted a 12% sales growth y/y in 1Q17/18 with Greece improving during Jun- mid Aug, sales growth contracted from 20 August onwards as it was not sustainable in Greece.

FCFF dropped by c.13% y/y to EUR72m in FY16/17 due to an inventory build-up and slightly higher capex while net cash position shaped in at c.EUR207m at the end of the fiscal year. The company will distribute EURO.36 DPS, of which EURO.18 was already distributed as an interim dividend in March 2017, with the dividend yield (of remaining DPS) standing at 2.8% based on the last closing price (ex-dividend and record dates are 19/12 and 20/12 respectively).

Jumbo is set to issue a 7-yr convertible bond for the 1/ refinancing of an EUR145m, 3.5%, 5-yr bond that matures on 21 May 2019 at a lower cost, 2/ expansion in the Romanian market, and 3/ cash flow purposes.

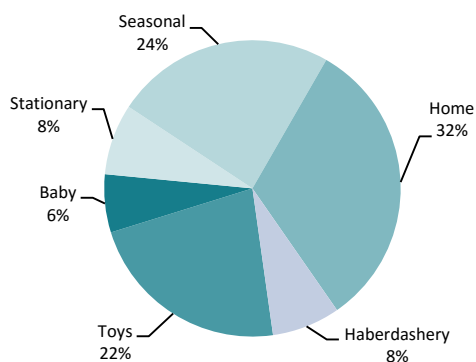
The company opened 1 rented store in Bulgaria in Nov 2016 and 1 privately owned store in Romania in Jun 2017 and presently operates a total of 73 stores (Greece 51, Cyprus 5, Bulgaria 9, Romania 8), an online store and 11 stores through partnerships under the Jumbo brand name (FYROM 3, Albania 2, Kosovo 3, Serbia 2 and Bosnia 1).

At the annual analysts' meeting, Jumbo's management reiterated its guidance for FY17/18 sales growth of 7%-9% y/y (Romania +50%, Bulgaria >+25%, Cyprus +4%-5%, Greece flat y/y) and flat y/y net profit. Jumbo's FY17/18 budget assumes for EUR/USD of 1.12-1.15 and slightly decreasing gross profit margin with higher transportation costs y/y.

Romania sales are expected to reach 50% of group revenue in 5 years - with the expansion being implemented at a conservative pace due to low disposal income. Gross profit margin is expected to decrease in the years to come as Jumbo is expanding into low disposable income countries; the company is also examining the acquisition of new warehouses as its management prefers to build up inventory.

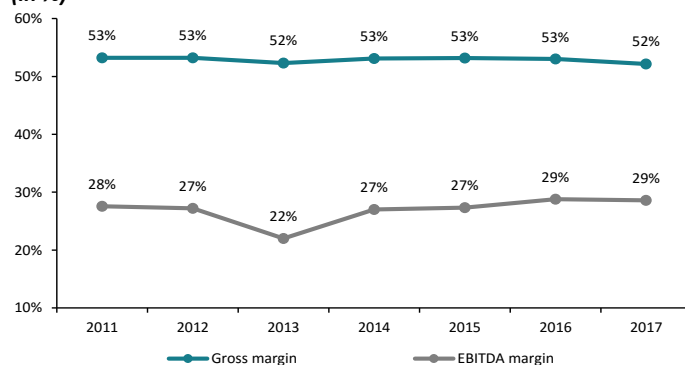
Jumbo is set to open a/ 2 new stores in Greece in the next 3 years, one of which will be in FY17/18 either in Crete or Mytilini, b/ 1 store in Bulgaria in the next 2 years and c/ expand the Romanian network to 25 stores from 8 currently (1 store is expected to open in November and 2 in FY17/18) in the next 5 years. Jumbo's management also stated that the building construction for the online store was concluded. The online store includes 24,000 SKUs, is equivalent to 2 regular stores and may expand into foreign countries in the years to come.

Exhibit 5: Revenue breakdown by product (FY16/17)
(in %)



Source: Company data

Exhibit 6: Gross profit and EBITDA margins
(in %)



Source: Company data

Assumptions

As previously stated, Jumbo's management guidance calls for 7%-9% top line growth in FY17/18e and flat y/y net profit assuming for EUR/USD1.12-1.15. Taking into account the fact that Jumbo's performance has traditionally beat management's guidance and assuming for a softer USD sentiment which will translate into lower total costs for the group, we assume for FY17/18e revenue and net profit growth of c.8% and c.8% y/y respectively.

Greece – to remain the main market According to the Hellenic Statistical Authority (ELSTAT), Greek GDP increased by 0.8% y/y in 2Q17 from 0.4% y/y in 1Q17 on the back of robust growth in net exports of goods and services, while private consumption growth decelerated to +0.7% y/y in 2Q17 vs. +1.2% y/y in 1Q17 underpinned by fiscal and liquidity pressure and drop in disposable income. Although GDP is expected to gain momentum in 2H17 courtesy of the clearance of government arrears, nevertheless, high bank debt, low disposable income and higher tax obligations are expected to take a toll on private consumption. Against this backdrop, we expect Jumbo to open one new store in Greece in FY17/18e and another one in FY19/20e with the total number of stores standing at 53 in FY21/22e, whilst also assuming for 2017-2022e revenue CAGR of c.2% with Greece remaining the major market for Jumbo.

Cyprus – medium term economic growth subject to various reforms Cyprus' ytd economic performance is impressive with GDP growth accelerating to 3.6% y/y in 1H17 from a post-crisis high of 3.0% in 2016 underpinned by a strong recovery in domestic demand and a booming tourism sector (arrivals and receipts +c.15% y/y in Jan-Jul 2017). Fiscal performance was strong as well with the fiscal surplus standing at 2.3% of GDP in Jan-Aug 2017 vs. 0.1% during the same period last year supported by increased tax revenue and strict spending control ahead of the upcoming presidential elections next February. As far as the banking sector is concerned, although NPL stock is declining and stands at EUR18.3bn or 97.7% of GDP, measures should however be taken so as to accelerate the NPL recovery. The strong growth in the medium term is subject to the completion of various reforms in the judicial system and public administration, the privatization of major state-owned companies, reforming the electricity market and the creation of a sovereign wealth fund. So with that being said, we assume for no additions to Jumbo's stores network in Cyprus and for a 2017-2022e revenue CAGR of c.3%.

Bulgaria – private consumption to lose further momentum Private consumption was weak in 2Q17 and is expected to lose further momentum on the back of slower employment growth due to structural issues in the labour market such as high long-term unemployment, skills' mismatches and poor active labour market policies. Against this backdrop, we expect Jumbo to open only one new store in FY18/19e with the total number of stores standing at 10 in 2022e and to deliver a 2017-2022e revenue CAGR of 12%.

Romania sales to reach c.50% of Greece According to Eurostat, Romania was the EU's fastest growing economy in 2Q17 with GDP growth shaping in at 5.7% y/y vs. the expected 4.8%-5.1%. Despite this impressive performance, there are increased risks of economy overheating as 1/ GDP growth is now running above its long term potential for 3 years in a row, 2/ the current account, which is forecasted at 3.2% of GDP in 2017, increased by more than 4x from its 2014 low of 0.7% of GDP, and 3/ fiscal imbalances are widening due to tax cuts and loose income policy (NBG Economic Research). National Bank of Romania (NBR) governor has stated that NBR will not proceed with an interest rate hike anytime soon as it is awaiting for the ECB's and other regional central banks' movements so as to prevent money inflow. Taking the aforementioned into consideration, we forecast Jumbo's total number of stores to reach 25 in FY21/22e from 8 in FY16/17 and 2017-2022e revenue CAGR of 38% with Romania sales reaching c.50% of Greece's in the next 5 years.

Exhibit 7: Key assumptions (in EUR m)	2016/17	2017/18e	2018/19e	2019/20e	2020/21e	2021/22e
Greece						
No. of stores	51	52	52	53	53	53
Revenue	470.5	479.9	489.4	499.0	508.8	513.9
% y/y	2.5%	2.0%	2.0%	2.0%	2.0%	1.0%
as a % of total	69.0%	64.9%	60.2%	55.7%	52.2%	48.9%
Cyprus						
No. of stores	5	5	5	5	5	5
Revenue	80.7	83.9	86.4	88.1	89.9	91.7
% y/y	2.3%	4.0%	3.0%	2.0%	2.0%	2.0%
as a % of total	11.8%	11.4%	10.6%	9.8%	9.2%	8.7%
Bulgaria						
No. of stores	9	9	10	10	10	10
Revenue	64.7	78.7	92.2	103.9	109.1	114.5
% y/y	24.5%	21.8%	17.2%	12.6%	5.0%	5.0%
as a % of total	9.5%	10.7%	11.3%	11.6%	11.2%	10.9%
Romania						
No. of stores	8	11	15	19	22	25
Revenue	65.6	96.4	145.1	204.9	266.9	330.4
% y/y	37.0%	46.9%	50.5%	41.2%	30.2%	23.8%
as a % of total	9.6%	13.0%	17.8%	22.9%	27.4%	31.5%

Source: Company data, NBG Securities Research

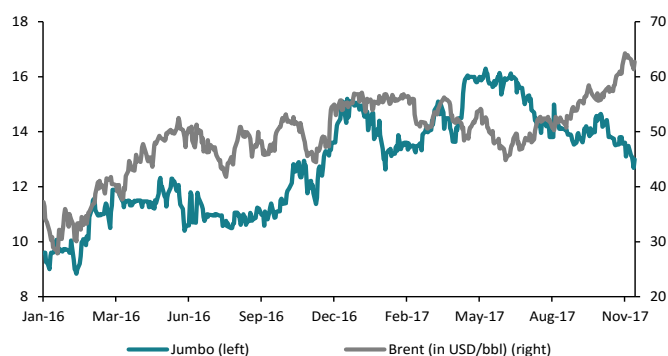
Total costs sensitive to FX and freight rates movement

Jumbo's total cost is sensitive to EUR/USD fluctuations as well as to freight rates as 80% of the product mix is acquired in USD and transportations costs account for c.15%-20% of COGS. Management stated that it has reached an agreement regarding freight rates in FY17/18e and, as noted earlier, assumes for stronger USD vs. EUR.

Given the softer USD sentiment currently established in the market, we assume for lower total costs and therefore higher profits. As far as gross profit margins are concerned, we anticipate a slight decline in 2018-2022e (avg. of c.51%) given the low disposable income in countries that Jumbo is expanding in. Furthermore, we assume for lower financial expenses given the approval of the convertible bond issue.

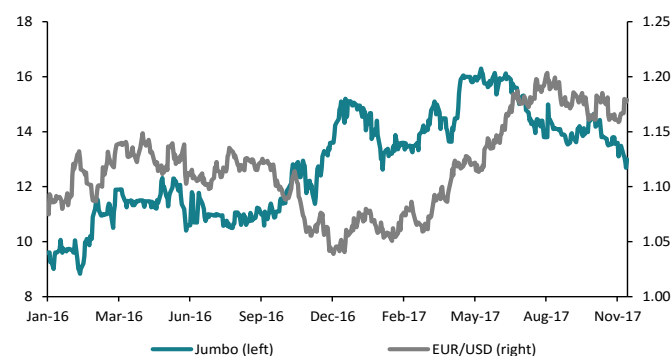
As a result, stronger EUR, 9.0% 5-yr sales CAGR, slightly declining gross profit margins and lower financing costs can be translated into 10.6% 5-yr net profit CAGR.

Exhibit 8: Jumbo stock and Brent evolution
(in EUR)



Source: Company data, NBG Securities Research

Exhibit 9: Jumbo stock and EUR/USD evolution
(in EUR)



Source: Company data, NBG Securities Research

Exhibit 10: Key P&L items <i>(in EUR m)</i>	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18e	FY 18/19e	FY 19/20e
Revenue	494.3	502.2	541.8	582.5	637.6	681.4	738.9	813.1	896.0
<i>% y/y</i>	<i>0.9%</i>	<i>1.6%</i>	<i>7.9%</i>	<i>7.5%</i>	<i>9.4%</i>	<i>6.9%</i>	<i>8.4%</i>	<i>10.0%</i>	<i>10.2%</i>
COGS	231.3	239.4	254.0	272.8	299.6	325.9	358.4	398.4	439.0
<i>% y/y</i>	<i>0.9%</i>	<i>3.5%</i>	<i>6.1%</i>	<i>7.4%</i>	<i>9.8%</i>	<i>8.8%</i>	<i>9.9%</i>	<i>11.2%</i>	<i>10.2%</i>
<i>as % of sales</i>	<i>46.8%</i>	<i>47.7%</i>	<i>46.9%</i>	<i>46.8%</i>	<i>47.0%</i>	<i>47.8%</i>	<i>48.5%</i>	<i>49.0%</i>	<i>49.0%</i>
Gross profit	263.0	262.8	287.8	309.7	337.9	355.5	380.5	414.7	456.9
<i>% y/y</i>	<i>0.9%</i>	<i>-0.1%</i>	<i>9.5%</i>	<i>7.6%</i>	<i>9.1%</i>	<i>5.2%</i>	<i>7.0%</i>	<i>9.0%</i>	<i>10.2%</i>
<i>% mrg</i>	<i>53.2%</i>	<i>52.3%</i>	<i>53.1%</i>	<i>53.2%</i>	<i>53.0%</i>	<i>52.2%</i>	<i>51.5%</i>	<i>51.0%</i>	<i>51.0%</i>
S,G&A	147.0	146.8	159.0	169.3	174.8	182.5	192.2	206.1	225.5
<i>% y/y</i>	<i>5.5%</i>	<i>-0.2%</i>	<i>8.4%</i>	<i>6.5%</i>	<i>3.2%</i>	<i>4.4%</i>	<i>5.3%</i>	<i>7.2%</i>	<i>9.4%</i>
<i>as % of sales</i>	<i>29.7%</i>	<i>29.2%</i>	<i>29.4%</i>	<i>29.1%</i>	<i>27.4%</i>	<i>26.8%</i>	<i>26.0%</i>	<i>25.3%</i>	<i>25.2%</i>
Other operating income/(expense)	1.0	-24.4	-1.6	-2.4	-2.1	-1.2	-1.5	-1.6	-1.8
<i>as % of sales</i>	<i>0.2%</i>	<i>-4.9%</i>	<i>-0.3%</i>	<i>-0.4%</i>	<i>-0.3%</i>	<i>-0.2%</i>	<i>-0.2%</i>	<i>-0.2%</i>	<i>-0.2%</i>
EBIT	117.0	91.6	127.1	137.9	161.0	171.8	186.8	207.0	229.7
<i>% y/y</i>	<i>-2.4%</i>	<i>-21.7%</i>	<i>38.8%</i>	<i>8.5%</i>	<i>16.7%</i>	<i>6.7%</i>	<i>8.7%</i>	<i>10.8%</i>	<i>11.0%</i>
<i>% mrg</i>	<i>23.7%</i>	<i>18.2%</i>	<i>23.5%</i>	<i>23.7%</i>	<i>25.3%</i>	<i>25.2%</i>	<i>25.3%</i>	<i>25.5%</i>	<i>25.6%</i>
D&A	17.4	18.9	19.4	21.2	22.7	23.1	24.4	25.8	27.3
<i>% y/y</i>	<i>13.8%</i>	<i>8.3%</i>	<i>2.7%</i>	<i>9.7%</i>	<i>6.7%</i>	<i>1.7%</i>	<i>5.7%</i>	<i>5.7%</i>	<i>5.9%</i>
EBITDA	134.4	110.5	146.5	159.2	183.7	194.9	211.2	232.7	257.0
<i>% y/y</i>	<i>-0.5%</i>	<i>-17.8%</i>	<i>32.6%</i>	<i>8.7%</i>	<i>15.4%</i>	<i>6.1%</i>	<i>8.4%</i>	<i>10.2%</i>	<i>10.4%</i>
<i>% mrg</i>	<i>27.2%</i>	<i>22.0%</i>	<i>27.0%</i>	<i>27.3%</i>	<i>28.8%</i>	<i>28.6%</i>	<i>28.6%</i>	<i>28.6%</i>	<i>28.7%</i>
Net financial income / (expense)	2.4	4.1	2.9	-1.0	4.1	1.6	-1.4	-1.4	-0.7
<i>% y/y</i>	<i>70.5%</i>	<i>67.9%</i>	<i>-30.4%</i>	<i>-134.5%</i>	<i>-519.2%</i>	<i>-60.1%</i>	<i>-185.9%</i>	<i>-0.8%</i>	<i>-47.8%</i>
PBT	119.5	95.7	130.0	137.0	165.1	173.5	185.4	205.6	229.0
<i>% y/y</i>	<i>-1.5%</i>	<i>-19.9%</i>	<i>35.8%</i>	<i>5.4%</i>	<i>20.6%</i>	<i>5.0%</i>	<i>6.9%</i>	<i>10.9%</i>	<i>11.4%</i>
<i>% mrg</i>	<i>24.2%</i>	<i>19.1%</i>	<i>24.0%</i>	<i>23.5%</i>	<i>25.9%</i>	<i>25.5%</i>	<i>25.1%</i>	<i>25.3%</i>	<i>25.6%</i>
Income tax expense	22.2	21.7	28.7	32.1	43.9	42.5	43.4	46.8	50.8
<i>effective tax rate</i>	<i>18.6%</i>	<i>22.7%</i>	<i>22.1%</i>	<i>23.4%</i>	<i>26.6%</i>	<i>24.5%</i>	<i>23.4%</i>	<i>22.8%</i>	<i>22.2%</i>
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit a.m.	97.3	74.0	101.2	104.8	121.3	131.0	142.0	158.7	178.1
<i>% y/y</i>	<i>2.9%</i>	<i>-24.0%</i>	<i>36.9%</i>	<i>3.5%</i>	<i>15.7%</i>	<i>8.0%</i>	<i>8.4%</i>	<i>11.8%</i>	<i>12.2%</i>
<i>% mrg</i>	<i>19.7%</i>	<i>14.7%</i>	<i>18.7%</i>	<i>18.0%</i>	<i>19.0%</i>	<i>19.2%</i>	<i>19.2%</i>	<i>19.5%</i>	<i>19.9%</i>
Basic EPS	0.75	0.54	0.74	0.77	0.89	0.96	1.04	1.17	1.31
<i>% y/y</i>	<i>2.8%</i>	<i>-27.3%</i>	<i>36.8%</i>	<i>3.5%</i>	<i>15.7%</i>	<i>8.0%</i>	<i>8.4%</i>	<i>11.8%</i>	<i>12.2%</i>

Source: Company data, NBG Securities Research

Change in estimates

Taking into consideration the performance that Jumbo has exhibited so far in 2017 and management's comments during the annual analysts' meeting, we have adjusted our estimates accordingly.

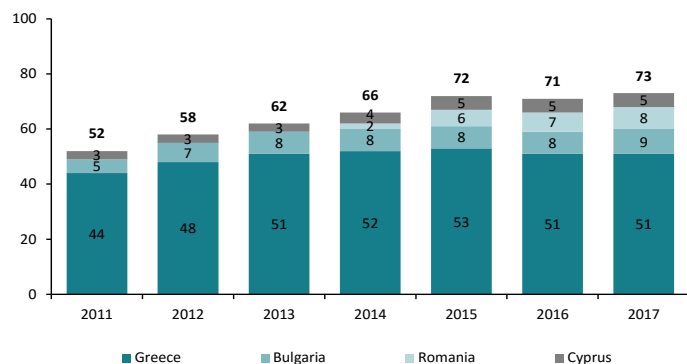
Exhibit 11: Change in estimates <i>(in EUR m)</i>	New			Old			Chg.		
	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e
Revenue	738.9	813.1	896.0	747.6	821.8	896.0	-1%	-1%	0%
Greece	479.9	489.4	499.0	492.5	514.4	499.0	-3%	-5%	0%
Cyprus	83.9	86.4	88.1	86.1	89.6	88.1	-3%	-4%	0%
Bulgaria	78.7	92.2	103.9	80.1	94.7	103.9	-2%	-3%	0%
Romania	96.4	145.1	204.9	88.9	123.2	204.9	8%	18%	0%
EBITDA	211.2	232.7	257.0	193.9	211.5	257.0	9%	10%	0%
EPS	1.04	1.17	1.31	0.94	1.03	1.31	12%	13%	0%

Company Description

Leading retailer of baby products, stationery, seasonal, haberdashery and home products in Greece

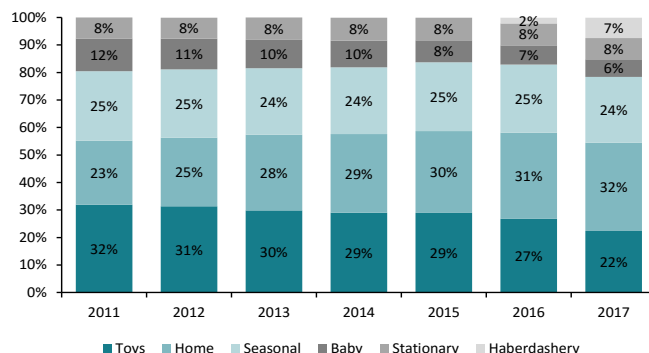
Jumbo is a leading retailer of toys, baby products, stationery, seasonal, haberdashery and home products in Greece. The company operates an extensive retail network of 73 stores (with an average gross retail space of >9,000 sq.m.) out of which 51 are located in Greece, followed by a further 5 in Cyprus, 9 in Bulgaria and 8 in Romania. Jumbo also operates an e-shop and signed franchise agreements for 11 stores in 5 non-EU countries (e.g. 3 in FYROM, 2 in Albania, 3 in Kosovo, 2 in Serbia and 1 in Bosnia). Despite domestic market volatility, Jumbo has continued to differentiate itself through delivering decent growth and solid margins through market share gains and continued network expansion/refurbishment.

Exhibit 12: No. of stores evolution



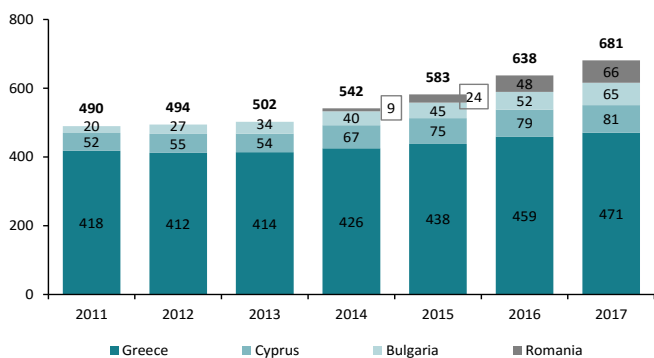
Source: Company data, NBG Securities Research

Exhibit 13: Product mix evolution



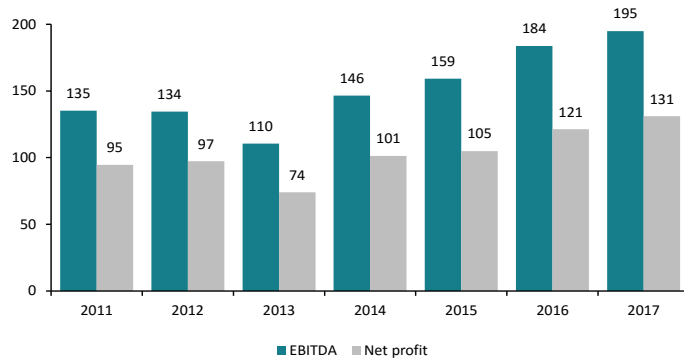
Source: Company data, NBG Securities Research

Exhibit 14: Revenue per country (in EUR m)



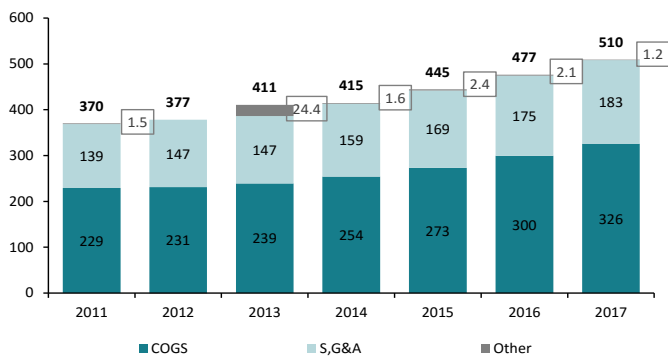
Source: Company data, NBG Securities Research

Exhibit 15: EBITDA and net profit evolution (in EUR m)



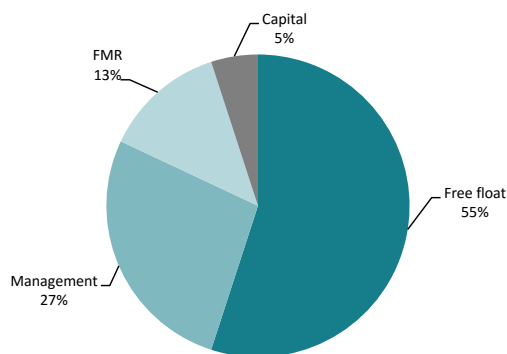
Source: Company data, NBG Securities Research

Exhibit 16: Total cost elements (in EUR m)



Source: Company data, NBG Securities Research

Exhibit 17: Shareholder structure (as at 30 June 2017)



Source: Company data, NBG Securities Research

SWOT Analysis

Strengths

- Leading market position, established brand name, rich and defensive product offering
- Extensive retail network (73 stores; >9,000sq.m avg. area), exceptional locations, strong warehousing infrastructure
- High barriers to entry for newcomers: brand name, scale, network, warehouses, suppliers
- Strong business model, high margins, robust cash flows and returns, and a healthy financial position
- Efficient management with long-term experience, an excellent track record and a clear cut strategy

Opportunities

- Growth prospects from network expansion (esp. in Romania), enrichment of product offering
- Entering new markets

Weaknesses

- Large dependence on Asian purchases (>80% of products).
- Sales vulnerable to external factors (quality scandals, weather, strikes)
- High seasonality of sales (Christmas 28%, Easter 10%, Back-to-school 10% of annual sales)
- Dependent on macro-economic conditions and consumption patterns
- Day-to-day business very reliant on the company's major shareholder, GM and Chairman

Threats

- Execution risk in the Balkans
- Adverse macroeconomic conditions
- FX and freight rates fluctuations

Jumbo

<Outperform, 12m TP EUR16.00>

Our view: We have an Outperform rating on Jumbo due to its solid fundamentals: strong business model, high margins, healthy financial position & excellent track record. Despite domestic market volatility, Jumbo has continued to differentiate itself through delivering decent growth and solid margins through market share gains and continued network expansion/refurbishment. Key risks are related to economic conditions in Greece and Euro/USD evolution (bulk of products purchased in US dollars).

Key Financials (in EUR m,

Fiscal Year ends 30 June)	2015	2016	2017	2018e	2019e	2020e
Net Fixed Assets	504	505	520	536	554	575
Other Non-Current Assets	29	26	26	26	26	26
Current Assets	557	679	713	850	953	1,068
Equity	797	916	962	1,055	1,171	1,301
Long-term Debt	157	150	149	205	205	205
Short-term Debt	3	0	15	15	15	15
Total Assets	1,090	1,209	1,260	1,412	1,533	1,669
Net Debt Position	-152	-250	-207	-258	-320	-392
Sales	583	638	681	739	813	896
EBITDA	159	184	195	211	233	257
EBIT	138	161	172	187	207	230
Pre-Tax Profit	137	165	173	185	206	229
Net Profit	105	121	131	142	159	178
EPS	0.77	0.89	0.96	1.04	1.17	1.31
DPS	0.00	0.27	0.36	0.31	0.35	0.39
BVPS	5.86	6.73	7.07	7.75	8.61	9.56
Operating Cash Flow	136	118	109	141	150	169
(-) Capex & Acquisitions	-63	-35	-29	-40	-44	-48
Free Cash Flow (Firm)	80	83	72	101	106	120

Activity Ratios	2015	2016	2017	2018e	2019e	2020e
Avg Receivables / Turnover	14	14	18	18	18	18
Avg Credit / Purchase Days	69	55	44	43	42	43
Avg Inventory / Purchase Days	257	240	244	256	254	256

Profitability	2015	2016	2017	2018e	2019e	2020e
RoE	14%	14%	14%	14%	14%	14%
RoIC	15%	15%	15%	15%	15%	15%
FCF Yield	8%	5%	3%	6%	6%	7%
Dividend Yield	0%	2%	2%	2%	3%	3%
EBITDA Margin	27%	29%	29%	29%	29%	29%

Financial Structure	2015	2016	2017	2018e	2019e	2020e
Net Debt / Equity	-0.2	-0.3	-0.2	-0.2	-0.3	-0.3
Net Debt / EBITDA	-1.0	-1.4	-1.1	-1.2	-1.4	-1.5

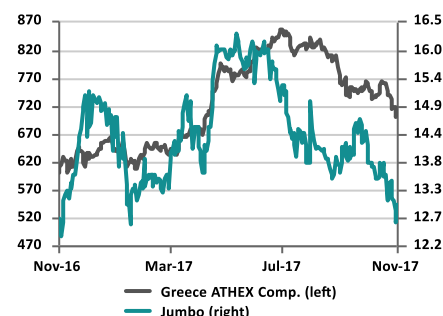
Liquidity	2015	2016	2017	2018e	2019e	2020e
Current Ratio	4.5	5.3	5.3	6.2	6.7	7.2
Acid Test	2.9	3.8	3.5	4.3	4.6	5.0

Valuation Method: We value Jumbo at EUR16.00 per share through a DCF model by applying a WACC of 8.7%, explicit forecasts in 2018-22e, a terminal year implied EV/EBITDA of 6.7x and 1% growth in perpetuity.

Company Profile: Jumbo is a leading retailer of toys, baby products, stationery, seasonal and home products in Greece. The company operates an extensive retail network of 73 stores (with an average gross retail space of >9,000 sq.m.) out of which 51 are located in Greece, followed by a further 5 in Cyprus, 9 in Bulgaria and 7 in Romania. Jumbo also operates an e-shop. The company's major shareholder is also its founder Mr. Apostolos Vakakis, who owns a c.27% stake.

Valuation	2018e	2019e	2020e
P/E	12.5	11.1	9.9
EV/EBITDA	7.2	6.2	5.4
EV/Sales	2.0	1.8	1.5

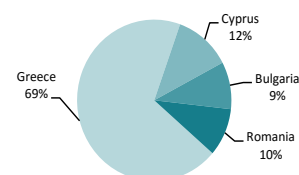
Share price performance



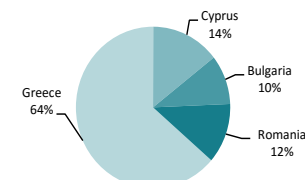
Credit Ratings

S&P	n/a
Moody's	n/a
Fitch	n/a

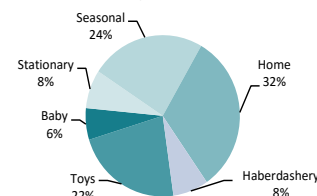
Sales Breakdown by Country (2016/17)



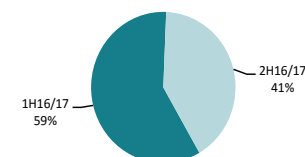
EBITDA Breakdown by Country (2016/17)



Sales Breakdown by Product (2016/17)



Sales Seasonality (2016/17)



Source: Company data, FactSet, NBG Securities Research



Appendix

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Disclosure checklist for companies mentioned & other price data information

Company Name	Bloomberg / Reuters	Rating	Price	Price date / time	Disclosure
Jumbo	BABR.AT/BELA.GA	Outperform	EUR13.00	17 Nov 2017/Official Close	2

Source: NBG Securities

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Date	Rating	Price	12m Target price	Date	Rating	Price	12m Target price
7 Sept 2015	Outperform	EUR7.37	EUR10.50	29 Feb 2016	Outperform	EUR10.09	EUR13.30
8 Oct 2015	Outperform	EUR7.98	EUR10.50	25 May 2016	Outperform	EUR11.64	EUR13.80
13 Oct 2015	Outperform	EUR8.00	EUR10.70	15 Sep 2016	Outperform	EUR11.01	EUR14.20
24 Nov 2015	Outperform	EUR9.49	EUR11.40	13 Oct 2016	Outperform	EUR11.85	EUR14.70
13 Jan 2016	Outperform	EUR9.48	EUR12.00	1 Mar 2017	Outperform	EUR13.35	EUR15.30

Source: NBG Securities

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Ratings Distribution (as of today)	Outperform	Neutral	Underperform	Restricted	Not Rated	Coverage in Transition
Greek Equity Research Coverage (27)	44%	33%	0%	7%	15%	0%
% of companies in each category that are IB clients	17%	11%	0%	0%	25%	0%

Source: NBG Securities

Definition of investment ratings

Outperform, Neutral, Underperform: Denote notional investment ratings (not recommendations) pegged to the performance of the General Index (GI), which imply a positive, neutral and negative view respectively. Outperform: The stock is expected to perform above the GI. Neutral: The stock is expected to perform in line with the GI. Underperform: The stock is expected to perform below the GI.

Restricted: The rating of the stock is restricted from disclosure owing to compliance or other regulatory/legal reasons.

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Analyst certification

The following analyst hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities and issuers and that no part of his compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report: Iana Podaru.

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