



Jumbo

Greece | General Retail

Outperform

Target Price EUR17.20

Strong 1H17-18 performance – We keep our Outperform rating

6 March 2018

Maintain our Outperform rating; new TP at EUR17.20

Jumbo recorded a strong performance in 1H 2017-18, broadly in line with our expectations, along with the positive surprise of an interim dividend. We maintain our positive view on the company due to its solid fundamentals incl. a strong business model, leading market position, high margins and return ratios, as well as its strong management track record. We expect Jumbo to increase its retail network with an additional 18 stores (15 in Romania) and to deliver a 2017-22e revenue CAGR of 8.7% and an avg. 2018-22e FCF yield of 6.5%. We have fine-tuned our estimates, in line with company guidance which calls for sales growth of 6-9% with net profit rising at a rate close to that of the group's turnover. Additionally, we have lowered our domestic risk-free rate assumption to 4.5% from 5.5% previously, which has led to the increase of our TP to EUR17.20 per share. The main risks re. our investment case are related 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.

Strong profitability in 1H 2017-18

Jumbo posted 1H 2017-18 EBITDA of EUR129m, +10% y/y, with the related margin remaining flat at 29.2%, while net profit reached EUR90m, +11% y/y, both broadly in line with our estimates. Note that the company had pre-announced that 1H17-18 sales increased by 10.2% y/y to EUR443m (Greece +c.2%, Cyprus +c.5%, Bulgaria, Romania 2-digit). Furthermore, Jumbo announced that it recently opened an additional store in Romania (following the store that commenced operations at the end of October 2017), reaching a total network of 75 stores currently in operation (Greece 51, Cyprus 5, Bulgaria 9, Romania 10), as well as an online store. While the gross margin declined by 85bps y/y to 50.2%, on the back of increased transportation costs, the EBITDA margin managed to sustain last year's level, as a result of contained operating costs (as a % of sales). Net cash position was robust at EUR334m (vs. EUR207m in FY 2016-17) on the back of solid FCF generation (>EUR150m). Finally, the company's management decided to distribute an interim DPS of EUR0.1728 from the current fiscal year's profits, equalling a yield of 1.2% based on yesterday's closing price.

Valuation

We still value Jumbo through a DCF model, deriving a 12-month TP of EUR17.20 per share. The latter offers a 20% upside potential, mainly due to the decrease of our domestic risk-free rate assumption (now at 4.5% from 5.5% previously). Note that we do not use peer multiples in our valuation because of the company's unique business model. Jumbo's shares have underperformed the Greek stock market so far in 2018 (abs. -4%, rel. -3%), yet we believe that the stock should be priced higher due to its solid fundamentals, leading market position, strong management track record and high growth opportunities in the region (e.g. Romania).

Vangelis Piliou, CFA

+30 210 7720251

vangelis.piliou@nbgsecurities.com

Stock Data & Performance

Rating	Outperform
Previous	[unchanged]
Target price (12-month)	EUR17.20
Previous	EUR16.00
Last Price (05-Mar-18)	EUR14.30
Upside to target price	20%
52-week range	EUR12.63-16.32
Market cap.	EUR1,946m
Reuters / Bloomberg	BABr.AT/BELA GA
3m avg. trading volume	EUR2.1m
Free float	77%
Abs performance ytd	-4%
Rel. performance ytd (to ASE)	-3%

Source: FactSet, NBG Securities Research

EPS Estimate Changes (NBG Securities)

	New	Old	% Chg.
2018e	1.02	1.04	-2%
2019e	1.15	1.17	-2%
2020e	1.28	1.31	-2%

Source: NBG Securities Research

Key Financials & Valuation

(in EUR m)	2017	2018	2019e	2020e
Sales	681	733	811	891
EBITDA	195	208	232	255
Net Income	131	138	156	175
EPS (EUR)	0.96	1.02	1.15	1.28
P/E	16.6	12.8	11.3	10.1
EV/EBITDA	10.1	7.2	6.2	5.3
EV/Sales	2.9	2.1	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

Jumbo

<Outperform, 12m TP EUR17.20>

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	535	554	574
Other Non-Current Assets	29	26	26	26	26	26
Current Assets	557	679	713	847	949	1,061
Equity	797	916	962	1,051	1,166	1,294
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	1,409	1,529	1,661
Net Debt Position	-152	-250	-207	-261	-328	-404
Sales	583	638	681	733	811	891
EBITDA	159	184	195	208	232	255
EBIT	138	161	172	184	206	228
Pre-Tax Profit	137	165	173	182	205	227
Net Profit	105	121	131	138	156	175
EPS	0.77	0.89	0.96	1.02	1.15	1.28
DPS	0.00	0.27	0.36	0.31	0.34	0.38
BVPS	5.86	6.73	7.07	7.73	8.57	9.51
Operating Cash Flow	136	118	109	145	153	173
(-) Capex & Acquisitions	-63	-35	-29	-40	-44	-48
Free Cash Flow (Firm)	80	83	72	105	109	124

Activity Ratios	2015	2016	2017	2018e	2019e	2020e
Avg Receivables / Turnover	10	19	19	19	19	19
Avg Credit / Purchase Days	69	48	45	45	45	45
Avg Inventory / Purchase Days	265	240	268	262	257	253

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%	5%	6%	6%
Dividend Yield	0%	2%	2%	2%	2%	3%
EBITDA Margin	27%	29%	29%	28%	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	-1.3	-1.4	-1.6

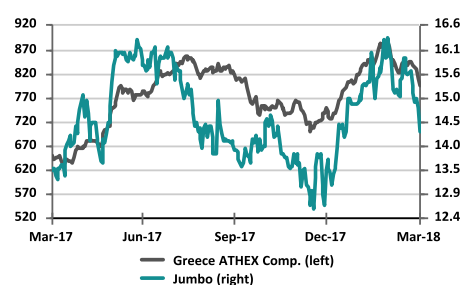
Liquidity	2015	2016	2017	2018e	2019e	2020e
Current Ratio	4.5	5.3	5.3	6.1	6.6	7.2
Acid Test	2.9	3.8	3.5	4.3	4.7	5.1

Valuation Method: We value Jumbo at EUR17.20 per share through a DCF model, in which we apply a WACC of 8.2%, explicit forecasts in 2018-22e (CAGR of 8.7% in sales and 9.9% in NOPAT), a terminal year implied EV/EBITDA of 7.4x and 1% growth in perpetuity.

Company Profile: Jumbo is a leading retailer of toys, baby products, stationery, seasonal and home products in Greece. It operates an extensive retail network of 75 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 10 in Romania, as well as an e-shop. The company's major shareholder is also its founder Mr. Apostolos Vakakis, who owns a 23.2% stake.

Valuation	2018e	2019e	2020e
P/E	14.1	12.5	11.1
EV/EBITDA	8.1	7.0	6.0
EV/EBIT	2.3	2.0	1.7

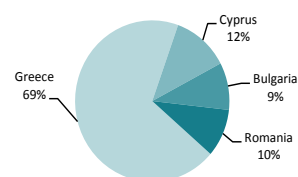
Share price performance



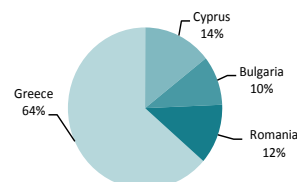
Credit Ratings

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

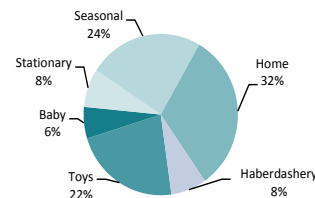
Sales Breakdown by Country (2016/17)



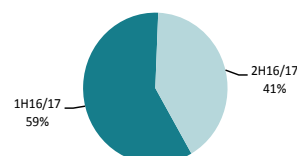
EBITDA Breakdown by Country (2016/17)



Sales Breakdown by Product (2016/17)



Sales Seasonality (2016/17)



Source: Company data, FactSet, NBG Securities Research



Appendix

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Company Name	Bloomberg / Reuters	Rating	Price	Price date / time	Disclosure
Jumbo	BABR.AT/BELA.GA	Outperform	EUR14.30	05 Mar 2018/Official Close	2

Source: NBG Securities

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Date	Rating	Price	12m Target price	Date	Rating	Price	12m Target price
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
29 Feb 2016	Outperform	EUR10.09	EUR13.30	20 Nov 2017	Outperform	EUR13.00	EUR16.00

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

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NATIONAL SECURITIES S.A.

Athens, Greece: 66 Kifissias Ave. (Building A'), 15125 Maroussi

T: +30 210 77 20000, F: +30 210 77 20001-2 | E: info@nbgsecurities.com | BB: NBGS<GO>