

## Company Flash Note

Reason: Company results (post view)

6 March 2018

### Buy

Recommendation unchanged

**Share price: EUR 14.30**

closing price as of 05/03/2018

**Target price: EUR 17.00**

from Target Price: EUR 19.00

**Upside/Downside Potential 18.9%**

Reuters/Bloomberg BABR.AT/BELA GA

**Market capitalisation (EURm) 1,946**

Current N° of shares (m) 136

**Free float 59%**

Daily avg. no. trad. sh. 12 mth 190

Daily avg. trad. vol. 12 mth (m) 2,676.30

Price high/low 12 months 12.63 / 16.32

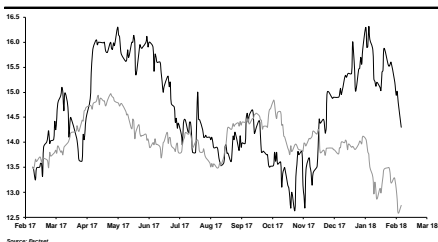
Abs Perfs 1/3/12 mths (%) -9.72/5.85/6.24

**Key financials (EUR)**

	06/17	06/18e	06/19e
Sales (m)	681	746	827
EBITDA (m)	195	212	249
EBITDA margin	28.6%	28.4%	30.1%
EBIT (m)	172	188	222
EBIT margin	25.2%	25.1%	26.9%
Net Profit (adj.)(m)	131	144	172
ROCE	14.8%	15.3%	16.9%
Net debt/(cash) (m)	(207)	(278)	(359)
Net Debt Equity	-0.2	-0.3	-0.3
Net Debt/EBITDA	-1.1	-1.3	-1.4
Int. cover(EBITDA/Fin.int)	(107.9)	(179.7)	(100.6)
EV/Sales	2.9	2.2	1.9
EV/EBITDA	10.0	7.8	6.3
EV/EBITDA (adj.)	10.0	7.8	6.3
EV/EBIT	11.4	8.8	7.1
P/E (adj.)	16.6	13.5	11.3
P/BV	2.3	1.8	1.6
Op/FCF yield	3.3%	4.9%	5.8%
Dividend yield	2.5%	2.8%	3.4%
EPS (adj.)	0.96	1.06	1.26
BVPS	7.07	7.95	8.98
DPS	0.36	0.40	0.48

### Shareholders

Vakakis Apostolos-Evangelos 23%; FMR LLC 13%; Capital Group Companies Inc 5%;



### Analyst(s)

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## Excellent 1H18 results but elevated country risks in Greece drag valuation down; 'Buy' remains on valuation grounds

Jumbo reported solid 1H17/18 results, in line with consensus estimates. More specifically, revenues came in at EUR 443.0m (+10.2% y-o-y), EBITDA shaped at EUR 129.2m (+10.2% y-o-y), while net profits stood at EUR 90.4m (+11% y-o-y). Free cash flow shaped at EUR 153m in 1H18 compared to EUR 101m in 1H17 driving group's net cash position at EUR 334m.

- ✓ **Distribution of interim dividend:** To our pleasant surprise, the company announced the distribution of an interim dividend of EUR 0.1728/share (net amount of EUR 0.1469/share; cut-off date: March 26<sup>th</sup>). Recall that last year, the company had paid an interim dividend of EUR 0.18/share.
- ✓ **Pressure on gross margin as expected:** Gross profit margin dropped by 90bps y-o-y in 1H18 at 50.3% (IBG call for an 80bps margin contraction), leading to gross profits of EUR 223m (+8% y-o-y). Management attributed the pressure on gross margin in 1H18 to increased transport costs and its strategy of sustaining prices at competitive levels.
- ✓ **Higher opex on the back of new store openings:** Operating expenses grew by 6.5% y-o-y at EUR 106m (above our call for EUR 104m), while other expenses (net) reached EUR 0.4m in 1H18 (lower than our call for net expenses for EUR 2m). Distribution costs shaped at EUR 93m (+8% y-o-y) reflecting the expansion of store network, while administrative expenses decreased by 4% y-o-y at EUR 12.7m. On the whole, SGA/sales ratio stood at 23.8% in 1H18, down by 80bps y-o-y.
- ✓ **Store openings:** The company announced the opening of the 10th store in Romania (Bucharest; total surface of 11,800sqm) at the end of February. Currently Jumbo operates 75 stores (Greece: 51, Cyprus: 5, Bulgaria: 9, Romania: 10). The management is planning to open 3 new stores in Romania, 1 new store in Greece and 1 new store in Bulgaria by Christmas 2018.
- ✓ **IBG view:** Jumbo's solid earnings performance in 1H18 was accompanied by a very strong FCF generation and the distribution of an interim dividend that came out of the blue for us. We stick to our assumptions for revenues of EUR 746m (+9.4% y-o-y) and EBITDA of EUR 212m (+9% y-o-y), while we slightly raise our net profit estimates to EUR 144m (+10% y-o-y, 1% above our previous call). We remind that the management has guided for sales and net earnings growth in the range 6%-9% in FY18. We cut our target price to **EUR 17.00/share** as we have raised the discount rate used in our DCF model to take into account the uncertainties surrounding Greece's macro outlook at present, as well as Jumbo's very low gearing ratios. We re-affirm our **'Buy'** rating on valuation grounds (19% upside potential from current levels) and Jumbo's solid business model, expecting that the soft consumer sentiment in Greece will weigh on stock performance in the short-term. The stock trades on a 13x FWD p/e compared to 19.5x for European retailers (32% discount), which implies a fat upside potential from current levels when investor confidence for the prospects of the Greek economy will restore.

## Overview of 1H18 results

**Excellent 1H18 results, in line with market estimates:** Jumbo reported solid 1H17/18 results, in line with our and consensus estimates. Revenues came in at EUR 443.0m (+10.2% y-o-y, management had announced group's 1H18 sales in January), EBITDA shaped at EUR 129.2m (+10.2% y-o-y, in line with market estimates), while net profits stood at EUR 90.4m (+11% y-o-y, 1% above consensus and 2% above our call). The positive surprise against our net earnings forecasts should be attributed to the lower than we had expected effective tax rate i.e. 23.1% vs. our assumption for 24.5%.

### 1H18 P&L results

EUR m	1H17	1H18	y-o-y
<b>Revenues</b>	<b>401.9</b>	<b>443.0</b>	<b>10.2%</b>
COGS	-196.2	-220.0	12.1%
<b>Gross Profit</b>	<b>205.7</b>	<b>223.0</b>	<b>8.4%</b>
<b>Gross Margin</b>	<b>51.2%</b>	<b>50.3%</b>	<b>-90bps</b>
Other Income	3.2	3.7	14.6%
Administrative Expenses	-13.4	-12.8	-4.2%
Distribution Costs	-85.8	-92.8	8.1%
Other Expenses	-3.8	-4.1	5.9%
<b>EBIT</b>	<b>105.9</b>	<b>117.0</b>	<b>10.4%</b>
<b>EBIT Margin</b>	<b>26.4%</b>	<b>26.4%</b>	<b>10bps</b>
Depreciation	11.3	12.2	8.1%
<b>EBITDA</b>	<b>117.3</b>	<b>129.2</b>	<b>10.2%</b>
<b>EBITDA margin</b>	<b>29.2%</b>	<b>29.2%</b>	<b>0 bps</b>
Net Financial Results	1.1	0.6	
<b>EBT</b>	<b>107.0</b>	<b>117.6</b>	<b>9.9%</b>
Income Tax	-25.6	-27.2	6.4%
<b>Effective tax rate</b>	<b>23.9%</b>	<b>23.1%</b>	
<b>Net profit</b>	<b>81.4</b>	<b>90.4</b>	<b>11.1%</b>
<b>% margin</b>	<b>20.3%</b>	<b>20.4%</b>	<b>20bps</b>

Source: The Company, IBG Research

### 1H18 P&L results vs. consensus forecasts

EUR m	1H17a	1H18	% YoY	consensus	actual vs. consensus
Sales	401.9	443.0	10.2%	443.0	0.0%
EBITDA	117.3	129.2	10.2%	129.6	-0.3%
Net earnings	81.4	90.4	11.1%	89.7	0.7%

Source: The Company, IBG Research

**Strong free cash flow generation:** Operating cash flow settled at EUR 174m in 1H18 compared to EUR 115m in 1H17, reflecting the material improvement of working capital needs (i.e. reduction of EUR 57m in 1H18 vs. reduction of EUR 9m in 1H17) on the back of lower inventories (EUR 23m reduction vs. an increase of EUR 11m in 1H17). Capex shaped at EUR 25m compared to EUR 19m in 1H17. Free cash flow shaped at EUR 153m in 1H18 compared to EUR 101m in 1H17. Group's net cash position reached EUR 334m on 31 December 2017 compared to EUR 251m a year ago and EUR 207m in June 2017.

#### Cash flow statement

EUR m	1H17	1H18	Delta
Net profit before taxation	107.0	117.6	10.6
Depreciation	11.4	12.2	0.8
Change in working capital	9.3	56.9	47.6
Income taxes	-9.4	-9.6	-0.1
Interest expenses	-2.7	-2.6	0.1
Other	-0.8	-0.4	0.4
<b>OpCF</b>	<b>114.8</b>	<b>174.3</b>	<b>59.5</b>
Capex	-19.1	-24.8	-5.8
Interest received	4.3	2.9	-1.4
Other	0.7	0.5	-0.2
<b>Cash flow before financing needs</b>	<b>100.7</b>	<b>152.8</b>	<b>52.1</b>

Source: The Company, IBG Research

#### Strong momentum in the Balkans more than offset soft performance in Greece:

Revenues from Greek operations rose by 2.0% y-o-y to EUR 269m in 1H18, as the downward trends during the school period that were persisted in October and November, were reversed during the Christmas Season. Revenues from Cyprus grew by 5% y-o-y to EUR 49.4m, posting a material acceleration compared to the previous financial year (+2.3% y-o-y in FY16/17). Bulgaria maintained its robust growth momentum with revenues growing by 23% y-o-y to EUR 49.3m on the back of market share gains and incremental revenues from the new store in Stara-Zagora that commenced operation in November 2016. Revenues from Romania posted an impressive 54% y-o-y sales growth at the level of EUR 61.0m in 1H18, on the back of market share gains and the contribution of new stores. Finally, group's franchise stores in Serbia, Bosnia, FYROM, Albania and Kosovo recorded revenues of EUR 14.4m in 1H18 (+25% y-o-y).

On the whole, sales from foreign markets grew by 26% y-o-y to EUR 174m in 1H18, accounting for 39% of consolidated revenues versus 34% in 1H17. On the EBITDA front, Greek operations remain the key contributor generating 56% of total EBITDA, albeit at a fast declining pace (Greece accounted for 61.5% of group's EBITDA in 1H17). We highlight the beyond expectations performance of Romanian activities (1H18 EBITDA up 54% y-o-y, EBITDA margin of 39%), the continuation of the solid momentum in Bulgaria (EBITDA up 25% y-o-y in 1H18), as well as the soft performance of Greek operations (including franchise stores).

### Performance per country division

EUR m	1H17	1H18	y-o-y
Greece	263.6	268.9	2.0%
Other (Franchise stores)	11.5	14.4	25.2%
<b>Greece &amp; Other</b>	<b>275.0</b>	<b>283.3</b>	<b>3.0%</b>
% of total sales	68.4%	64.0%	-450bps
<b>Cyprus</b>	<b>47.0</b>	<b>49.4</b>	<b>5.1%</b>
% of total sales	11.7%	11.2%	-50bps
<b>Bulgaria</b>	<b>40.1</b>	<b>49.3</b>	<b>22.7%</b>
% of total sales	10.0%	11.1%	110bps
<b>Romania</b>	<b>39.7</b>	<b>61.0</b>	<b>53.6%</b>
% of total sales	9.9%	13.8%	390bps
<b>Group Sales</b>	<b>401.9</b>	<b>443.0</b>	<b>10.2%</b>
<b>Greece &amp; Other</b>	<b>140.7</b>	<b>141.7</b>	<b>0.7%</b>
% margin	51.2%	50.0%	-110bps
<b>Cyprus</b>	<b>24.1</b>	<b>25.1</b>	<b>4.0%</b>
% margin	51.3%	50.7%	-50bps
<b>Bulgaria</b>	<b>20.2</b>	<b>24.7</b>	<b>22.6%</b>
% margin	50.3%	50.2%	-10bps
<b>Romania</b>	<b>20.7</b>	<b>31.4</b>	<b>51.4%</b>
% margin	52.3%	51.5%	-70bps
<b>Group Gross profits</b>	<b>205.7</b>	<b>223.0</b>	<b>8.4%</b>
% margin	51.2%	50.3%	-90bps
<b>Greece &amp; Other</b>	<b>72.2</b>	<b>72.3</b>	<b>0.1%</b>
% margin	26.3%	25.5%	-80bps
<b>Cyprus</b>	<b>16.7</b>	<b>17.0</b>	<b>2.1%</b>
% margin	35.4%	34.4%	-100bps
<b>Bulgaria</b>	<b>13.1</b>	<b>16.3</b>	<b>24.5%</b>
% margin	32.6%	33.0%	50bps
<b>Romania</b>	<b>15.4</b>	<b>23.7</b>	<b>53.8%</b>
% margin	38.8%	38.9%	10bps
<b>Group EBITDA</b>	<b>117.3</b>	<b>129.2</b>	<b>10.2%</b>
% margin	29.2%	29.2%	

Source: The Company, IBG Research

**Double-digit growth for high-margin product categories:** Per product category, home products expanded their portion on total sales by 80bps y-o-y to 30% in 1H18, as the turnover of this category jumped by 13% y-o-y to EUR 133m. Seasonal products accounted for 25.9% of total sales, displaying an impressive 11.5% y-o-y sales increase, while stationery sales also increased by a modest 6% y-o-y, reflecting the soft consumer sentiment during the 'back to school' period. On top of that, 'Toys' category marked a 9.5% y-o-y sales growth in 1H18 thanks to the very good Christmas period, contributing 22.8% of group's top line. On the negative side, baby apparel category maintained its declining sales performance (-4% y-o-y in 1H18) on less favorable demographics in Greece.

Finally, the new product category 'Haberdashery & similar items' generated revenues of EUR 32m in 1H18 (+12% y-o-y), accounting for 7.3% of total sales.

### Sales analysis per product category

EUR m	1H17	1H18	y-o-y
<b>Toys</b>	<b>92.3</b>	<b>101.1</b>	<b>9.5%</b>
% of total	23.0%	22.8%	-10bps
<b>Baby apparel</b>	<b>24.1</b>	<b>23.3</b>	<b>-3.6%</b>
% of total	6.0%	5.3%	-80bps
<b>Stationery</b>	<b>36.4</b>	<b>38.7</b>	<b>6.3%</b>
% of total	9.1%	8.7%	-30bps
<b>Seasonal / Other</b>	<b>103.0</b>	<b>114.8</b>	<b>11.5%</b>
% of total	25.6%	25.9%	30bps
<b>Home products</b>	<b>117.5</b>	<b>133.0</b>	<b>13.2%</b>
% of total	29.2%	30.0%	80bps
<b>Haberdashery &amp; similar</b>	<b>28.6</b>	<b>32.2</b>	<b>12.4%</b>
% of total	7.1%	7.3%	10bps
<b>Total Sales</b>	<b>401.9</b>	<b>443.0</b>	<b>10.2%</b>

Source: The Company, IBG Research

### New set of forecasts

We have fine-tuned our P&L forecast to take into account the positive impact from the growing contribution of Bulgaria and Romania to group's effective tax rate. We forecast revenues of EUR 746m (+9.4% y-o-y), EBITDA of EUR 212m (+9% y-o-y) and net profits of EUR 144m (+10% y-o-y) for FY18, assuming an effective tax rate of 23.6% (old forecast for 24.5%). Jumbo is expected to post solid EPS accretion in the medium-term (EPS GAGR of 13% over the next 5 years) on the back of a rosy macro outlook in the Balkans and the gradual improvement of consumer sentiment in Greece.

### Forecast Changes for financial years 2018-2022

EUR m	FY 2018f	FY 2019f	FY 2020f	FY 2021f	FY 2022f
<b>Sales - New</b>	<b>745.8</b>	<b>827.5</b>	<b>912.3</b>	<b>993.2</b>	<b>1,077.0</b>
Sales - Old	745.8	827.1	911.5	992.0	1,075.4
<b>New vs. Old</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>EBITDA - New</b>	<b>212.0</b>	<b>249.1</b>	<b>282.2</b>	<b>312.3</b>	<b>343.6</b>
EBITDA - Old	212.5	248.0	280.9	310.9	342.0
<b>New vs. Old</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Net profits - New</b>	<b>144.1</b>	<b>171.7</b>	<b>195.4</b>	<b>216.8</b>	<b>238.9</b>
Net profits - Old	142.8	168.9	192.2	213.2	235.0
<b>New vs. Old</b>	<b>1%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>

Source: IBG Research, Note: Jumbo's fiscal year ends on June 30

### P&L Forecasts 2018-2022

EUR m	FY 2017	FY 2018f	FY 2019f	FY 2020f	FY 2021f	FY 2022f	CAGR 17-22f
Greece	449.6	458.7	478.0	504.5	528.3	551.9	4%
Cyprus	80.7	84.4	87.8	91.3	94.9	98.7	4%
Bulgaria	64.7	77.5	87.6	96.2	101.0	106.1	10%
Romania	65.6	99.8	143.1	184.3	228.9	276.3	33%
Other*	20.9	25.4	31.0	36.0	40.0	44.0	16%
<b>Sales</b>	<b>681.4</b>	<b>745.8</b>	<b>827.5</b>	<b>912.3</b>	<b>993.2</b>	<b>1,077.0</b>	<b>10%</b>
<b>% change</b>	<b>6.9%</b>	<b>9.4%</b>	<b>11.0%</b>	<b>10.2%</b>	<b>8.9%</b>	<b>8.4%</b>	
Cost of sales	-325.9	-362.1	-401.8	-445.7	-488.1	-532.6	
<b>Gross profit</b>	<b>355.5</b>	<b>383.7</b>	<b>425.7</b>	<b>466.6</b>	<b>505.0</b>	<b>544.4</b>	
<b>% margin</b>	<b>52.2%</b>	<b>51.4%</b>	<b>51.4%</b>	<b>51.1%</b>	<b>50.8%</b>	<b>50.5%</b>	
SGA	-182.5	-194.6	-202.1	-212.4	-223.3	-234.2	
SGA/sales	26.8%	26.1%	24.4%	23.3%	22.5%	21.7%	
Other income / expenses	-1.2	-1.6	-1.4	-1.4	-1.4	-1.4	
<b>EBIT</b>	<b>171.8</b>	<b>187.5</b>	<b>222.3</b>	<b>252.8</b>	<b>280.3</b>	<b>308.8</b>	
% margin	25.2%	25.1%	26.9%	27.7%	28.2%	28.7%	
Depreciation	23.0	24.5	26.8	29.4	32.0	34.7	
<b>EBITDA</b>	<b>194.8</b>	<b>212.0</b>	<b>249.1</b>	<b>282.2</b>	<b>312.3</b>	<b>343.6</b>	<b>12%</b>
% margin	28.6%	28.4%	30.1%	30.9%	31.4%	31.9%	
<b>% change</b>	<b>6.0%</b>	<b>8.8%</b>	<b>17.5%</b>	<b>13.3%</b>	<b>10.7%</b>	<b>10.0%</b>	
Net financials	1.6	1.2	2.5	3.0	3.5	4.0	
<b>EBT</b>	<b>173.5</b>	<b>188.7</b>	<b>224.7</b>	<b>255.8</b>	<b>283.8</b>	<b>312.8</b>	
Income taxes	-42.5	-44.6	-53.1	-60.4	-67.0	-73.9	
<b>Effective tax rate</b>	<b>24.5%</b>	<b>23.6%</b>	<b>23.6%</b>	<b>23.6%</b>	<b>23.6%</b>	<b>23.6%</b>	
<b>Net profit</b>	<b>131.0</b>	<b>144.1</b>	<b>171.7</b>	<b>195.4</b>	<b>216.8</b>	<b>238.9</b>	<b>13%</b>
<b>% change</b>	<b>8.0%</b>	<b>10.0%</b>	<b>19.1%</b>	<b>13.8%</b>	<b>10.9%</b>	<b>10.2%</b>	

Source: IBG Research, The Company, Note: Jumbo's fiscal year ends on June 30, \* Sales from franchise stores in Western Balkans

## Dividend policy

Management has a strict rule to distribute at least 1/3 of group's net profits to shareholders. The new feature in the dividend policy is the distribution of an interim dividend for 2 consecutive years i.e. EUR 0.1728/share for FY18, EUR 0.18/share for FY17.

Despite the ample liquidity, we expect Chairman Vakakis to remain conservative on the dividend front. We have set the dividend payout ratio at 38% over our forecast period, driving our DPS projections at EUR 0.40 for FY18 and EUR 0.48 for FY19. The implied dividend yield is a mediocre 3.0-4.0% over the next couple of years.

However, we view that the company may adopt a more generous dividend policy in the next years on the back of strong free cash flow that is expected to drive Jumbo's net cash position well above the EUR 350m mark in FY19.

### DPS forecasts 2018-2022

EUR m	FY 2017	FY 2018f	FY 2019f	FY 2020f	FY 2021f	FY 2022f
Earnings per share	0.96	1.06	1.26	1.44	1.59	1.76
Dividend payout	37.4%	38.0%	38.0%	38.0%	38.0%	38.0%
DPS (EUR per share)	0.36	0.40	0.48	0.55	0.61	0.67
Dividend yield	2.5%	2.8%	3.4%	3.8%	4.2%	4.7%
Interim dividend (EUR per share)	0.1800	0.1728	0.2058	0.2342	0.2599	0.2864

Source: The Company, IBG Research, Note: Jumbo's fiscal year ends on June 30

## Free cash flow

We stick to our expectation for solid free cash flow generation in the medium-term driven by strong earnings potential that will more than offset higher income taxes, increased working capital needs and relatively high capex. In particular, we expect FCF of EUR 95m for FY18 and EUR 113m for FY19, assuming capex of EUR 45m and EUR 50m respectively. On our estimates, Jumbo's net cash position will reach EUR 278m in FY18 and EUR 359m in FY19, accounting for more than 18% of its current MCAP.

### Projected FCF 2018-2022

EUR m	FY 2017	FY 2018f	FY 2019f	FY 2020f	FY 2021f	FY 2022f
EBITDA	194.8	212.0	249.1	282.2	312.3	343.6
Income taxes	-44.7	-44.6	-53.1	-60.4	-67.0	-73.9
Interest expenses	1.4	1.2	2.5	3.0	3.5	4.0
Working capital needs	-41.6	-30.9	-36.5	-35.5	-35.7	-37.5
Capex	-38.0	-45.0	-50.0	-50.0	-50.0	-50.0
Other	9.7	2.6	0.5	0.5	0.4	0.5
Free cash flow	81.5	95.3	112.5	139.8	163.5	186.6
% of MCAP	3.7%	4.9%	5.8%	7.2%	8.4%	9.6%
Net cash	206.8	277.6	358.9	461.4	582.5	722.1
% of MCAP	9.5%	14.3%	18.4%	23.7%	29.9%	37.1%

Source: The Company, IBG Research, Note: Jumbo's fiscal year ends on June 30



## Valuation & Rating

We set our target price at **EUR 17.00/share** (vs. EUR 19.00/share previously) on the back of the upward revision of the discount rate (WACC) used in our DCF mode, as a result of elevated country risks (GGB yield has increased to 4.37% on March 5 versus 3.73% a month ago) and group's very low leverage. In particular, we have raised the discount rate (WACC) at 10.0% from 9.0% assuming: a) cost of equity of 11.4% (vs. 10.8% previously) based on a normalized risk-free rate of 3.5% and a market risk premium of 7.9% (vs. 7.2% before), b) a (pre-tax) cost of debt of 3.0% and c) an 85% gearing ratio (vs. 80% previously). We maintained the terminal growth rate at 2.0% due to the presence of Jumbo in the markets of Romania and Bulgaria that currently display solid growth potential.

We have used group's projected net cash position in FY18, while we have included in our valuation the book value of group's other assets (i.e. Bank of Cyprus shares) as presented in 1H18 IFRS statements. We stick to our assumptions for capex needs of EUR 50m and working capital needs of around EUR 36m over our forecast period. Our new target price stands 19% above current price levels, thus we re-affirm our **'Buy'** our rating on Jumbo.

### DCF Valuation

EUR m	2019f	2020f	2021f	2022f
EBIT	222	253	280	309
Notional tax	-53	-61	-67	-74
Depreciation & Provision	27	30	32	35
CAPEX	-50	-50	-50	-50
Δ(WC)	-36	-36	-36	-38
<b>Free Cash Flow to the Firm</b>	<b>109.8</b>	<b>136.5</b>	<b>159.7</b>	<b>182.4</b>
WACC	10.0%	10.0%	10.0%	10.0%
<b>PV of FCFF 2019-2022</b>	<b>95.1</b>	<b>107.5</b>	<b>114.3</b>	<b>118.6</b>
Sum of PV of FCFF 2019-2022	436			
Terminal Growth Rate (Perpetuity)	2.0%			
Terminal Value (Perpetuity)	1,508			
<b>Enterprise Value</b>	<b>1,943</b>			
Less: Net Debt / (Cash) FY18e	-359			
Plus: Other assets	7			
<b>Equity value</b>	<b>2,309</b>			
No of shares	136.1			
<b>Target price</b>	<b>17.00</b>			

Source: IBG Research

We have performed a sensitivity analysis of our valuation results with respect to the discount rate and the perpetuity growth rate. Our sensitivity analysis yields a price range between **EUR 15.20 – 19.30** per share and in particular a 100bps reduction in the discount rate will add **EUR 0.50/share or 3.5% to our target price** and vice-versa.

### DCF valuation sensitivity – WACC and perpetuity rate (in EUR)

	Weighted Average Cost of Capital			
	EUR/share	9.0%	10.0%	11.0%
Terminal Growth rate	1.0%	16.10	15.60	15.20
	2.0%	17.50	<b>17.00</b>	16.40
	3.0%	19.30	18.70	18.10

Source: IBG Research



## Jumbo : Summary tables

PROFIT & LOSS (EURm)	06/2015	06/2016	06/2017	06/2018e	06/2019e	06/2020e
<b>Sales</b>	<b>583</b>	<b>638</b>	<b>681</b>	<b>746</b>	<b>827</b>	<b>912</b>
Cost of Sales & Operating Costs	-423	-454	-487	-534	-578	-630
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>159</b>	<b>184</b>	<b>195</b>	<b>212</b>	<b>249</b>	<b>282</b>
<b>EBITDA (adj.)*</b>	<b>159</b>	<b>184</b>	<b>195</b>	<b>212</b>	<b>249</b>	<b>282</b>
Depreciation	-21.3	-22.7	-23.0	-24.5	-26.8	-29.4
<b>EBITA</b>	<b>138</b>	<b>161</b>	<b>172</b>	<b>188</b>	<b>222</b>	<b>253</b>
<b>EBITA (adj)*</b>	<b>138</b>	<b>161</b>	<b>172</b>	<b>188</b>	<b>222</b>	<b>253</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>138</b>	<b>161</b>	<b>172</b>	<b>188</b>	<b>222</b>	<b>253</b>
<b>EBIT (adj.)*</b>	<b>138</b>	<b>161</b>	<b>172</b>	<b>188</b>	<b>222</b>	<b>253</b>
Net Financial Interest	1.7	1.9	1.8	1.2	2.5	3.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	-2.7	2.2	-0.2	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>137</b>	<b>165</b>	<b>173</b>	<b>189</b>	<b>225</b>	<b>256</b>
Tax	-32.1	-43.9	-42.5	-44.6	-53.1	-60.4
<i>Tax rate</i>	<i>23.4%</i>	<i>26.6%</i>	<i>24.5%</i>	<i>23.6%</i>	<i>23.6%</i>	<i>23.6%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit (reported)</b>	<b>105</b>	<b>121</b>	<b>131</b>	<b>144</b>	<b>172</b>	<b>195</b>
<b>Net Profit (adj.)</b>	<b>107</b>	<b>119</b>	<b>131</b>	<b>144</b>	<b>172</b>	<b>195</b>
<b>CASH FLOW (EURm)</b>	<b>06/2015</b>	<b>06/2016</b>	<b>06/2017</b>	<b>06/2018e</b>	<b>06/2019e</b>	<b>06/2020e</b>
Cash Flow from Operations before change in NWC	130	142	152	171	199	225
Change in Net Working Capital	8.2	-23.1	-41.6	-30.9	-36.5	-35.5
<b>Cash Flow from Operations</b>	<b>138</b>	<b>119</b>	<b>110</b>	<b>140</b>	<b>163</b>	<b>190</b>
Capex	-59.1	-34.7	-38.0	-45.0	-50.0	-50.0
Net Financial Investments	-3.4	0.1	9.1	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>75.7</b>	<b>84.6</b>	<b>81.5</b>	<b>95.3</b>	<b>113</b>	<b>140</b>
Dividends	-49.0	0.0	-110	-24.5	-31.3	-37.2
Other (incl. Capital Increase & share buy backs)	2.9	13.6	-14.9	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>29.6</b>	<b>98.2</b>	<b>-43.5</b>	<b>70.8</b>	<b>81.3</b>	<b>103</b>
NOPLAT	97.9	114	122	133	158	180
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>06/2015</b>	<b>06/2016</b>	<b>06/2017</b>	<b>06/2018e</b>	<b>06/2019e</b>	<b>06/2020e</b>
Net Tangible Assets	498	499	515	535	559	579
Net Intangible Assets (incl. Goodwill)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	35.2	31.7	31.4	29.3	29.3	29.3
<b>Total Fixed Assets</b>	<b>533</b>	<b>530</b>	<b>546</b>	<b>565</b>	<b>588</b>	<b>609</b>
Inventories	198	197	239	260	292	327
Trade receivables	48.8	77.0	105	112	122	132
Other current assets	11.7	10.4	3.2	3.2	3.2	3.2
Cash (-)	-299	-395	-366	-437	-518	-621
<b>Total Current Assets</b>	<b>557</b>	<b>679</b>	<b>713</b>	<b>812</b>	<b>935</b>	<b>1,083</b>
<b>Total Assets</b>	<b>1,090</b>	<b>1,209</b>	<b>1,260</b>	<b>1,377</b>	<b>1,523</b>	<b>1,692</b>
Shareholders Equity	797	916	962	1,081	1,222	1,380
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	797	916	962	1,081	1,222	1,380
Long term interest bearing debt	144	144	144	144	144	144
Provisions	6.0	7.7	7.1	7.6	8.1	8.6
Other long term liabilities	19.9	13.6	12.7	12.7	12.7	12.7
<b>Total Long Term Liabilities</b>	<b>170</b>	<b>165</b>	<b>164</b>	<b>165</b>	<b>165</b>	<b>166</b>
Short term interest bearing debt	2.9	0.2	14.8	14.8	14.8	14.8
Trade payables	51.4	39.1	39.8	41.7	42.9	45.2
Other current liabilities	69.0	89.1	79.0	74.3	78.6	85.9
<b>Total Current Liabilities</b>	<b>123</b>	<b>128</b>	<b>134</b>	<b>131</b>	<b>136</b>	<b>146</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,090</b>	<b>1,209</b>	<b>1,260</b>	<b>1,377</b>	<b>1,523</b>	<b>1,692</b>
<b>Net Capital Employed</b>	<b>671</b>	<b>687</b>	<b>775</b>	<b>824</b>	<b>884</b>	<b>940</b>
<b>Net Working Capital</b>	<b>207</b>	<b>245</b>	<b>307</b>	<b>334</b>	<b>374</b>	<b>417</b>
<b>GROWTH &amp; MARGINS</b>	<b>06/2015</b>	<b>06/2016</b>	<b>06/2017</b>	<b>06/2018e</b>	<b>06/2019e</b>	<b>06/2020e</b>
<i>Sales growth</i>	<i>7.5%</i>	<i>9.4%</i>	<i>6.9%</i>	<i>9.4%</i>	<i>11.0%</i>	<i>10.2%</i>
<b>EBITDA (adj.)* growth</b>	<b>8.7%</b>	<b>15.3%</b>	<b>6.0%</b>	<b>8.8%</b>	<b>17.5%</b>	<b>13.3%</b>
<i>EBITA (adj.)* growth</i>	<i>8.5%</i>	<i>16.7%</i>	<i>6.7%</i>	<i>9.1%</i>	<i>18.5%</i>	<i>13.7%</i>
<i>EBIT (adj.)* growth</i>	<i>8.5%</i>	<i>16.7%</i>	<i>6.7%</i>	<i>9.1%</i>	<i>18.5%</i>	<i>13.7%</i>



## Jumbo : Summary tables

<b>GROWTH &amp; MARGINS</b>	<b>06/2015</b>	<b>06/2016</b>	<b>06/2017</b>	<b>06/2018e</b>	<b>06/2019e</b>	<b>06/2020e</b>
Net Profit growth	6.2%	10.7%	10.1%	10.0%	19.1%	13.8%
EPS adj. growth	6.2%	10.7%	10.1%	10.0%	19.1%	13.8%
DPS adj. growth	n.m.	n.m.	-42.9%	11.8%	19.1%	13.8%
EBITDA (adj)* margin	27.3%	28.8%	28.6%	28.4%	30.1%	30.9%
EBITA (adj)* margin	23.7%	25.3%	25.2%	25.1%	26.9%	27.7%
EBIT (adj)* margin	23.7%	25.3%	25.2%	25.1%	26.9%	27.7%
<b>RATIOS</b>	<b>06/2015</b>	<b>06/2016</b>	<b>06/2017</b>	<b>06/2018e</b>	<b>06/2019e</b>	<b>06/2020e</b>
Net Debt/Equity	-0.2	-0.3	-0.2	-0.3	-0.3	-0.3
Net Debt/EBITDA	-1.0	-1.4	-1.1	-1.3	-1.4	-1.6
Interest cover (EBITDA/Fin.interest)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/D&A	277.3%	152.7%	165.3%	183.9%	186.4%	170.3%
Capex/Sales	10.2%	5.4%	5.6%	6.0%	6.0%	5.5%
NWC/Sales	35.5%	38.4%	45.1%	44.7%	45.3%	45.7%
ROE (average)	13.9%	13.9%	14.0%	14.1%	14.9%	15.0%
ROCE (adj.)	13.9%	15.4%	14.8%	15.3%	16.9%	18.0%
WACC	9.3%	9.5%	10.3%	10.0%	10.0%	10.0%
ROCE (adj.)/WACC	1.5	1.6	1.4	1.5	1.7	1.8
<b>PER SHARE DATA (EUR)***</b>	<b>06/2015</b>	<b>06/2016</b>	<b>06/2017</b>	<b>06/2018e</b>	<b>06/2019e</b>	<b>06/2020e</b>
Average diluted number of shares	136.1	136.1	136.1	136.1	136.1	136.1
EPS (reported)	0.77	0.89	0.96	1.06	1.26	1.44
EPS (adj.)	0.79	0.87	0.96	1.06	1.26	1.44
BVPS	5.86	6.73	7.07	7.95	8.98	10.14
DPS	0.00	0.63	0.36	0.40	0.48	0.55
<b>VALUATION</b>	<b>06/2015</b>	<b>06/2016</b>	<b>06/2017</b>	<b>06/2018e</b>	<b>06/2019e</b>	<b>06/2020e</b>
EV/Sales	1.4	2.1	2.9	2.2	1.9	1.6
EV/EBITDA	5.2	7.2	10.0	7.8	6.3	5.2
<b>EV/EBITDA (adj.)*</b>	<b>5.2</b>	<b>7.2</b>	<b>10.0</b>	<b>7.8</b>	<b>6.3</b>	<b>5.2</b>
EV/EBITA	6.1	8.3	11.4	8.8	7.1	5.8
<b>EV/EBITA (adj.)*</b>	<b>6.1</b>	<b>8.3</b>	<b>11.4</b>	<b>8.8</b>	<b>7.1</b>	<b>5.8</b>
EV/EBIT	6.1	8.3	11.4	8.8	7.1	5.8
<b>EV/EBIT (adj.)*</b>	<b>6.1</b>	<b>8.3</b>	<b>11.4</b>	<b>8.8</b>	<b>7.1</b>	<b>5.8</b>
<b>P/E (adj.)</b>	<b>9.4</b>	<b>13.5</b>	<b>16.6</b>	<b>13.5</b>	<b>11.3</b>	<b>10.0</b>
P/BV	1.3	1.8	2.3	1.8	1.6	1.4
Total Yield Ratio	0.0%	6.9%	1.3%	1.6%	1.9%	2.2%
EV/CE	1.2	1.8	2.4	1.9	1.7	1.5
OpFCF yield	7.8%	5.3%	3.3%	4.9%	5.8%	7.2%
OpFCF/EV	9.5%	6.4%	3.7%	5.8%	7.1%	9.5%
Payout ratio	0.0%	70.7%	37.4%	38.0%	38.0%	38.0%
Dividend yield (gross)	0.0%	5.3%	2.5%	2.8%	3.4%	3.8%
<b>EV AND MKT CAP (EURm)</b>	<b>06/2015</b>	<b>06/2016</b>	<b>06/2017</b>	<b>06/2018e</b>	<b>06/2019e</b>	<b>06/2020e</b>
Price** (EUR)	7.42	11.78	16.00	14.30	14.30	14.30
Outstanding number of shares for main stock	136.1	136.1	136.1	136.1	136.1	136.1
<b>Total Market Cap</b>	<b>1,010</b>	<b>1,603</b>	<b>2,177</b>	<b>1,946</b>	<b>1,946</b>	<b>1,946</b>
<b>Net Debt</b>	<b>-152</b>	<b>-250</b>	<b>-207</b>	<b>-278</b>	<b>-359</b>	<b>-461</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-299</i>	<i>-395</i>	<i>-366</i>	<i>-437</i>	<i>-518</i>	<i>-621</i>
<i>o/w Gross Debt (+)</i>	<i>147</i>	<i>144</i>	<i>159</i>	<i>159</i>	<i>159</i>	<i>159</i>
<b>Other EV components</b>	<b>-22</b>	<b>-22</b>	<b>-14</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>
<b>Enterprise Value (EV adj.)</b>	<b>835</b>	<b>1,331</b>	<b>1,956</b>	<b>1,656</b>	<b>1,575</b>	<b>1,472</b>

Source: Company, Investment Bank of Greece estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: General Retailers/Broadline Retailers

Company Description: Jumbo is the largest toys/babies apparel/bookstore/home/seasonal products retailer in the Greek market, also with presence in Cyprus, Bulgaria, Romania and Western Balkan countries through franchise agreements. The company has a successful business model based on its geographical sales network expansion strategy, a wide assortment of products and a competitive pricing policy. Currently, Jumbo operates 75 stores (51 in Greece, 5 in Cyprus, 9 in Bulgaria and 10 in Romania).



## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

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The following analysts: Dimitris Birbos hereby certify that the views about the companies and securities contained in this report accurately reflect their personal views and that no part of their compensation was or will be directly or indirectly related to the specific recommendations or views in this report.

*The analysts mentioned above who prepared this report have the below mentioned financial interests in the companies covered in this report.....none.....*

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You should carefully read the definitions of all ratings used in the research report. Moreover, you should carefully read the entire research report to obtain a clear view of the analyst's opinions and not infer its contents from the rating alone.

### IBG Research Rating Distribution

Data current as of 02/03/2018

	Buy	Accumulate	Neutral	Reduce	Sell	Rating Suspended
IBG Research Total Coverage	39%	30%	22%	4%	0%	4%
% of companies in each rating category that are investment banking clients	0%	0%	0%	0%	0%	0%
Retail	67%	0%	33%	0%	0%	0%
% of companies in each rating category that are investment banking clients	0%	0%	0%	0%	0%	0%

### Regulatory Disclosures on Subject Companies

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2.Investment Bank of Greece acts as a market maker for the following securities of the subject companies mentioned in this report: **None**

3.Within the last 12 months, Investment Bank of Greece has provided advisory services to the following companies mention in this report: **None**

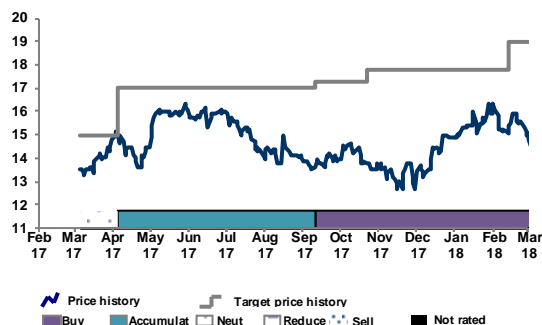
4.Investment Bank of Greece has offered underwriting services to HOUSEMARKET SA (a 100% subsidiary of **Fourlis Group**), **OPAP** and **Mytilineos Holdings** relating to the issuance of their corporate bond.

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6.Investment Bank of Greece has acted as an Advisor to **Alpha Bank** within the framework of its 2015 share Capital Increase

## Recommendation history for JUMBO

Date	Recommendation	Target price	Price at change date
06-Mar-18	Buy	17.00	14.30
13-Feb-18	Buy	19.00	15.04
23-Oct-17	Buy	17.80	13.75
11-Sep-17	Buy	17.30	13.60
05-Apr-17	Accumulate	17.00	15.00
16-Jan-17	Neutral	14.99	14.59
19-Oct-16	Buy	14.99	12.82
07-Mar-16	Neutral	12.20	10.95
20-Jan-16	Buy	11.80	9.80
30-Nov-15	Accumulate	10.60	9.65



Source: Factset & ESN, price data adjusted for stock splits. This chart shows Investment Bank of Greece continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.

## Risks to our forecasts and valuation

- Group's earnings performance is sensitive to FX movements (especially the EUR/USD currency pair) and the evolution of manufacturing costs in China.
- Challenging macroeconomic conditions in Greece that may have a negative impact in the company's financial performance, since as a retail company, Jumbo is affected by factors that influence consumer behaviour.
- Volatility in transport costs directly affects group's gross profit margin.
- A stricter competitive environment (i.e. entry of foreign companies in the Greek market, retail store expansion from existing players) could pose risk to group's earnings performance in the medium-term.
- High dependence of the company's structure from the Chairman and major shareholder of the group.
- Stock overhang concerns: Jumbo's major shareholder, Tanocerian Maritime SA which is controlled by the company's founder and Chairman Mr. Apostolis Vakakis has proceeded to a private placement in June 2017 (3.5% of total share capital) at a substantial lower price (5% discount) from the stock price at that time. We would not exclude further placements in the future.

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