



Jumbo

General Retail

Equity – Greece

Overweight

Target price (EUR)	20.00
Share price (EUR)	12.56
Potential return (%)	59

Reuters BAbR.AT
Bloomberg BELA GA

Market cap (EURm) 1,709
Free float (%) 77

16 October 2018

Spiros Tsangalakis

Analyst

+30 210 696 5212

spiros.tsangalakis@pantelakis.gr

Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

Earnings beat on gross margin surprise

- **FY net income grows 15% y-o-y to EUR151m (PSe EUR142m) thanks to solid SEE and a 1.9pp gross margin hike in H2...**
- **... as Jumbo weathers well the erratic freight rates moves and the EUR/USD fluctuations**
- **Net cash jumps 39% y-o-y to a staggering EUR287m (or EUR2.1/sh) on robust EUR110m FCF generation (6.4% FCFY)**

Retail at its finest! Jumbo once again brilliant as FY (to June 30) net income hit a new record rising 15% y-o-y to EUR151.1m (vs PSe EUR142.8m). The earnings beat mostly mirrors an impressive gross margin recovery of 191bps y-o-y to 55.5% (smashing our call of 52.5%) in fiscal H2, vs -85bps in H1, despite burdened by higher freight costs (which account for 20-25% of COGS). This gross margin rebound, along with robust growth rates in Romania and Bulgaria, drove H2 net up 22% y-o-y to EUR60.7m, 16% ahead of PSe.

Looking ahead, Jumbo said 1Q19 sales growth decelerated to a modest 6% y-o-y, held back by downbeat domestic sales momentum on worsening market conditions owing to tough y-o-y comps (+5% in 1Q18 vs +1% in 2Q18). Jumbo sees FY19e sales up 5% to 6% y-o-y at EUR791-798.5m, underpinned by high double-digit growth rates in Romania, 11% rise in Bulgaria, with Cyprus ops growing at single-digits. Despite a still frail consumer confidence in Greece, Jumbo FY19 sales guidance seems overly cautious (as ever), in our view. We stick to our forecasts calling for 8.7% y-o-y sales increase to EUR818.5m (see table on page 3), as we pencil-in (prudently enough) a marginal growth of 0.4% in Greece (ex-SEE franchise) compared to +3% in FY18, with net income rising 5% y-o-y to EUR158.6m. This leaves Jumbo trading at a decade-low **10.8x PE and 6.0x EV/EBITDA**.

Following a store opening (13,600 sq. m. in Romania) in 1Q19, Jumbo plans three additional rollouts in FY19 - 2 in Romania and 1 in Northern Greece. Hence, Jumbo should count 79 outlets: Greece 52, Romania 13, Bulgaria 9 and Cyprus 5 vs 75 currently.

Jumbo FY/H2 2018 at a glance (Twelve months ending 30 June, EURm)

Key P&I items	FY17a	FY18a	y-o-y ch.	FY18e (a)	vs (e)	2H17a	2H18a	y-o-y ch.	2H18e (a)	vs (e)
Sales	681.4	753.3	11%	753.3	0%	279.5	310.3	11%	310.4	0%
Gross Profit	355.5	395.1	11%	386.9	2%	149.8	172.2	-250%	163.9	5%
Gross Margin	52.2%	52.5%	29bps	51.4%	110bps	53.6%	55.5%	191bps	52.8%	267bps
EBITDA	194.8	221.3	14%	212.2	4%	77.4	91.9	19%	82.9	11%
EBITDA Margin	28.6%	29.4%		28.2%		27.7%	29.6%		26.7%	
EBT	173.5	197.9	14%	190.4	4%	66.5	80.2	21%	72.7	10%
EBT Margin	25.5%	26.3%		25.3%		23.8%	25.8%		23.4%	
Taxation	(42.5)	(46.8)	10%	(47.6)	-2%	(16.9)	(19.5)	16%	(20.4)	-4%
Effective Tax Rate	24.5%	23.6%		25.0%		25.4%	24.3%		27.9%	
Net Profit	131.0	151.1	15%	142.8	6%	49.6	60.7	22%	52.4	16%
Net Margin	19.2%	20.1%		19.0%		17.7%	19.6%		16.9%	

Source: Company data/Pantelakis Securities estimates

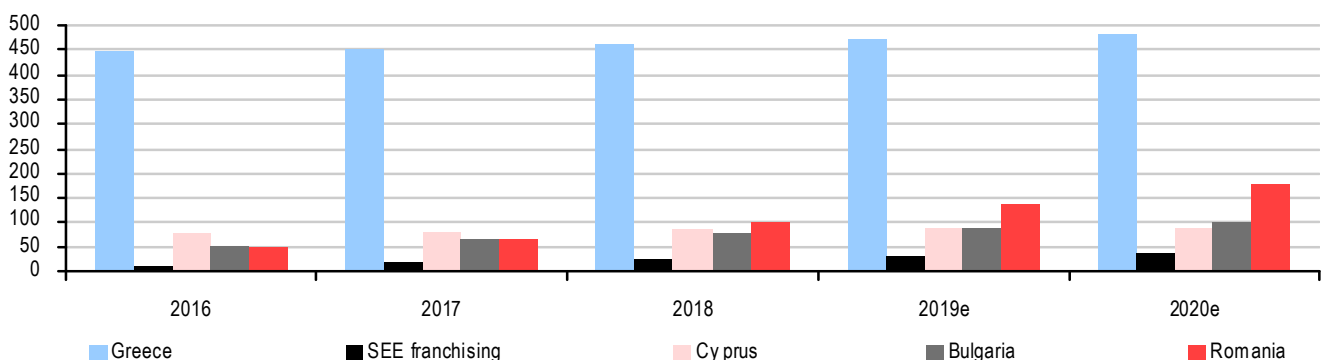
The stock will trade **ex-remaining DPS of EUR0.2172** (PSe 1 cent below our call) for FY18 on 13 December (already paid EUR0.1728 as interim dividend last March).

Recall that best-in-class Romania ops grew by a whopping 53% y-o-y to EUR100.6m (FY sales pre-announced on 10 July), now making up 13% of group total against less than 10% a year ago, courtesy of two new store openings, strong macro backdrop, growing brand equity and higher average ticket. Bulgaria, in turn, soared 21% to EUR78.1m solely on booming consumer sentiment. Sales in Greece - ie ex-SEE franchise business (Albania, Kosovo, FYROM and Serbia) which rose 25% y-o-y to EUR26m - advanced 3% to EUR462.9m (c62% of total), up 4.3% to EUR194m vs +2% in 1H18. Likewise, Cyprus ops gained momentum in the second half as well, +8% y-o-y to EUR36.2m, pulling FY sales 6% higher to EUR85.7m. In this context, FY18 average sales per sq. m. picked up to EUR1,564 (+5.5% y-o-y), reflecting increases of c3% in Greece (EUR1,647), 6% in Cyprus (to EUR2,328), 15% in Romania (to EUR1,295) and 17% in Bulgaria (to EUR904), respectively.

Surprising to the upside, FY gross margin appeared remarkably resilient, inching up 29bps to 52.5%, coming 110bps above our expectations. Bucking the trend, Jumbo weathers well the erratic freight rates movements and the EUR/USD fluctuations (given time-lags involved), defending gross margin nicely, thanks to a six-month-plus stock-up cushion period, cash-rich position and strong bargaining power over suppliers. In fact, freight rates, on average, surged 53% y-o-y through July-December 2017, up by a lesser 25% over January-June 2018, rising further in the past three months, indicating a rather bleak, *ceteris paribus*, transportation cost outlook for Jumbo in the coming quarters. Moreover, FY18 group EBITDA posted a growth of 14% y-o-y to EUR221.3m (PSe EUR212.2m) owing also to some overheads containment - opex +9% to EUR174.3m (in line) easing at 23.1% of sales compared to 23.4% a year ago - stemming from a steady progress at the staff expenses level, as network expansion in Romania (lower wages) reduces average payroll cost. In H2 terms, group EBITDA advanced 19 y-o-y EUR91.9m (11% better than expected), on 11% sales growth to EUR310.4m

End-June 2018 net cash jumped 39% y-o-y to EUR287.3m from EUR206.8m a year ago, representing 17% of market cap (or EUR2.1/sh), on the back of a solid EUR109.9m FCF (implying FCFY 6.4% vs 2.5% in FY17) aided by WC improvements (down to 31.8% of sales vs 34.3% in the previous year).

Jumbo: Fiscal 2016-20e sales geographical breakdown (Twelve months ending 30 June, EURm)



Source: Company data/Pantelakis Securities estimates

Jumbo fiscal 2016-20e sales/ sq. m. per country of operation (Twelve months ending 30 June)

		2016a	2017a	2018a	2019e	2020e
Greece	Sales (EURm)	458.9	470.5	489.0	503.6	520.0
	y-o-y ch.	4.8%	2.5%	3.9%	3.0%	3.2%
	<i>Ex-franchise sales (EURm)</i>	<i>446.4</i>	<i>449.6</i>	<i>462.9</i>	<i>471.2</i>	<i>481.9</i>
	y-o-y ch.	4.5%	0.7%	3.0%	1.8%	2.3%
	Number of stores	51	51	51	52	53
	Selling space (sq. m.) year-end	281,003	281,003	281,003	287,003	293,003
	Selling space (sq. m.) weighted average	283,690	281,003	281,003	284,753	290,753
	Sales per sq. m. (EUR)	1,618	1,674	1,740	1,769	1,788
	y-o-y ch.	3.4%	3.5%	3.9%	1.6%	1.1%
	<i>Ex-franchise sales per sq. m. (EUR)</i>	<i>1,574</i>	<i>1,600</i>	<i>1,647</i>	<i>1,655</i>	<i>1,657</i>
	y-o-y ch.	3.1%	1.7%	3.0%	0.4%	0.2%
L-F-L sales growth y-o-y	3.8%	3.2%	3.9%	1.5%	3.2%	
<i>Ex-franchise L-F-L sales growth y-o-y</i>	<i>3.6%</i>	<i>1.4%</i>	<i>3.0%</i>	<i>0.3%</i>	<i>2.3%</i>	
Cyprus	Sales (EURm)	78.9	80.7	85.7	87.7	89.3
	y-o-y % ch.	5.1%	2.3%	6.2%	2.4%	1.8%
	Number of stores	5	5	5	5	5
	Selling space (sq. m.) year-end	36,800	36,800	36,800	36,800	36,800
	Sales per sq. m. (EUR)	2,143	2,192	2,328	2,384	2,427
	y-o-y % ch.	-5.4%	2.3%	6.2%	2.4%	1.8%
	L-F-L sales growth y-o-y	-2.8%	2.3%	6.2%	2.4%	1.8%
Bulgaria	Sales (EURm)	51.9	64.7	78.1	87.7	100.8
	y-o-y ch.	14.6%	24.5%	20.8%	12.4%	14.9%
	Number of stores	8	9	9	9	10
	Selling space (sq. m.) year-end	79,000	86,333	86,333	86,333	93,667
	Selling space (sq. m.) weighted average	79,000	83,583	86,333	86,333	90,917
	Sales per sq m (EUR)	658	774	904	1,016	1,109
	y-o-y ch.	14.6%	17.6%	16.9%	12.4%	9.1%
L-F-L sales growth y-o-y	14.6%	20.3%	18.4%	12.4%	11.1%	
Romania	Sales (EURm)	47.9	65.6	100.6	139.4	180.2
	y-o-y ch.	97.1%	37.0%	53.3%	38.6%	29.2%
	Number of stores	7	8	10	13	16
	Selling space (sq. m.) year-end	58,000	68,667	86,200	106,867	128,867
	Selling space (sq. m.) weighted average	55,667	58,444	77,658	96,672	118,172
	Sales per sq. m. (EUR)	860	1,123	1,295	1,442	1,525
	y-o-y ch.	13.3%	30.5%	15.4%	11.3%	5.7%
L-F-L sales growth y-o-y	43.8%	33.5%	29.7%	21.0%	13.0%	
Group	Sales (EURm)	637.6	681.4	753.3	818.5	890.3
	y-o-y ch.	9.4%	6.9%	10.5%	8.7%	8.8%
	<i>Ex-franchise sales (EURm)</i>	<i>625.1</i>	<i>660.5</i>	<i>727.2</i>	<i>786.1</i>	<i>852.2</i>
	y-o-y ch.	9.3%	5.7%	10.1%	8.1%	8.4%
	Number of stores	71	73	75	79	84
	Selling space (sq. m.) year-end	454,803	472,803	490,336	517,003	552,336
	Selling space (sq. m.) weighted average	455,156	459,830	481,794	504,558	536,642
	Sales per sq m (EUR)	1,401	1,482	1,564	1,622	1,659
	y-o-y ch.	2.0%	5.8%	5.5%	3.8%	2.3%
	<i>Ex-franchise sales per sq. m. (EURm)</i>	<i>1,373</i>	<i>1,436</i>	<i>1,509</i>	<i>1,558</i>	<i>1,588</i>
	y-o-y ch.	1.8%	4.6%	5.1%	3.2%	1.9%
	L-F-L sales growth y-o-y	4.2%	6.1%	7.2%	5.3%	4.1%
	<i>Ex-franchise L-F-L sales growth y-o-y</i>	<i>4.0%</i>	<i>4.9%</i>	<i>6.7%</i>	<i>4.7%</i>	<i>3.8%</i>

Source: Company data/Pantelakis Securities estimates

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), and/or strategist(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Spiros Tsangalakis

Important disclosures

Stock ratings and basis for financial analysis

Pantelakis Securities SA believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, Pantelakis Securities SA has the principal aims in its equity research to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon.

This report addresses only the long-term investment opportunities of the companies referred to in the report.

Pantelakis Securities SA believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings and other considerations. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations. Investors should carefully read the definitions of the ratings used in each research report. In addition, because research reports contain more complete information concerning the analysts' views, investors should carefully read the entire research report and should not infer its contents from the rating. In any case, ratings should not be used or relied on in isolation as investment advice.

Pantelakis Securities SA policy is to update research reports as it deems appropriate, based on developments and/or any material upcoming events.

Rating definitions

Stock ratings

Pantelakis Securities SA assigns ratings to its stocks on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the implied return must exceed the required return by at least 5 percentage points over the next 12 months. For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months. Stocks between these bands are classified as Neutral. Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

Rating distribution

As of 16 October 2018, the distribution of all ratings published is as follows:

Overweight (Buy)	61%	(0% of these provided with Investment Banking Services)
Neutral (Hold)	17%	(0% of these provided with Investment Banking Services)
Underweight (Sell)	6%	(0% of these provided with Investment Banking Services)
Under review	17%	(0% of these provided with Investment Banking Services)

Ratings history

11/10/2016	Rating: Overweight	Price: EUR11.40	Target Price: EUR12.60
25/10/2016	Rating: Overweight	Price: EUR12.85	Target Price: EUR15.00
01/03/2017	Rating: Overweight	Price: EUR13.35	Target Price: EUR15.00
21/10/2017	Rating: Overweight	Price: EUR13.70	Target Price: EUR18.30
31/01/2018	Rating: Overweight	Price: EUR16.30	Target Price: EUR20.00
11/07/2018	Rating: Overweight	Price: EUR13.56	Target Price: EUR20.00

Pantelakis Securities & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
Jumbo	BABr.AT/BELA GA	EUR12.56	15-October 2018	3

- Pantelakis Securities SA has managed or co-managed a public offering or placement of securities for this company within the past 12 months
- Pantelakis Securities SA expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- At the time of publication of this report, Pantelakis Securities SA is a Market Maker or liquidity provider in a financial instrument by the issuer.
- At the time of publication of this report, Pantelakis Securities SA beneficially owned 5% or more of a class of common equity securities of this company.
- This company was a client of Pantelakis Securities SA or had during the preceding 12 month period been a client of and/or paid compensation to Pantelakis Securities SA in respect of investment banking services.
- This company was a client of Pantelakis Securities SA or had during the preceding 12 month period been a client of and/or paid compensation to Pantelakis Securities SA in respect of non-investment banking-securities related services.
- This company was a client of Pantelakis Securities SA or had during the preceding 12 month period been a client of and/or paid compensation to Pantelakis Securities SA in respect of non-securities services.
- A covering analyst/s has received compensation from this company in the past 12 months.
- A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
- Pantelakis Securities SA is engaged in an agreement with and/or received compensation from the subject company for the preparation of this report.
- As of 16 October 2018, Pantelakis Securities SA beneficially held a net long position of more than 0.5% of this company's total issued share capital, calculated according to the SSR methodology.
- As of 16 October 2018, Pantelakis Securities SA beneficially held a net short position of more than 0.5% of this company's total issued share capital, calculated according to the SSR methodology.

Analysts, economists, and strategists are paid in part by reference to the profitability of Pantelakis Securities SA.

Additional disclosures

- This report was produced, signed off by the author and was first disseminated on 16 October 2018 at 10:15:16 at local exchange time.
- All market data included in this report are dated as at close 15 October 2018 unless otherwise indicated in the report.
- In order to find more about the valuation models used to produce this report, please contact the authoring analyst.
- For a complete list of all the independent fundamental ratings disseminated by Pantelakis Securities SA during the preceding 12-month period please contact the Research department (Email: greek-equities@pantelakis.gr, Tel.: +302106952-09/-10/-12).

Pantelakis Securities SA has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. Information Barrier procedures are in place between the other divisions of the company to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

Disclaimer

Issuer of report

Pantelakis Securities SA

57B Ethnikis Antistaseos

152 31 Chalandri, Athens, Greece

Telephone: +30 210 69 65 000

Fax: +30 210 69 29 587

This document has been issued by the Research Department of Pantelakis Securities SA for the information of its customers only. Pantelakis Securities SA accepts responsibility for the content of this research report prepared by a non-US securities firm.

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Pantelakis Securities SA has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Pantelakis Securities SA makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of the Research Division of Pantelakis Securities SA only and are subject to change without notice. Pantelakis Securities SA and their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). Pantelakis Securities SA may act as market maker or have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies. The information and opinions contained within the research reports are based upon publicly available information and rates of taxation applicable at the time of publication which are subject to change from time to time. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognised market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed.

In the UK this document is for the information of its Clients (as defined in the Rules of FSA). It is not intended for Retail Clients in the UK. This document is for distribution only to persons who (i) have professional experience in matters relating to investments or (ii) persons falling within Article 49(2) (a) to (d) (“high net worth companies, unincorporated associations, etc”) of Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or to whom it may otherwise lawfully be passed on (all such persons together being referred to as “relevant persons”). This report is directed only to relevant persons and will be engaged in only with relevant persons. This notice will not affect your rights under the Financial Services and Markets Act 2000 or the regulatory system.

All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so through a brokerage firm in the United States and not with its non-US foreign affiliate, the issuer of this report. Additional note to the U.S. readers. This document may be distributed in the United States solely to “major US institutional investors” as defined in Rule 15a-6 under the US Securities Exchange Act of 1934. Each person that receives a copy, by acceptance thereof, represents and agrees that he/she will not distribute or otherwise make available this document to any other person.

The distribution of this document in other jurisdictions may be restricted by law, and persons who come into possession of this document should inform themselves about and observe any such restrictions.

This material is intended for the sole use of the recipient and may not be further distributed in whole or in part for any purpose.

Pantelakis Securities SA follows procedures that set up Chinese Walls and restrict communication between Research and other departments inside the company in order to comply with regulations on confidential information and market abuse.

Pantelakis Securities SA is registered in Greece (No 23572/06/B/91/14) and regulated by the Hellenic Capital Markets Commission (licensed with No 59/31.10.1990, amended by 3/473/5.6.2008 HCMC decision) and is a member of the Athens Exchange and the Athens Derivatives Exchange (“market maker type A”).

© Copyright. Pantelakis Securities SA 2018, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of Pantelakis Securities SA.