



Equity Research

Oct 16, 2018

Companies Mentioned

Jumbo

Rating: Outperform

Target Price: €21

Jumbo FY17/18 Results review: Good performance in Greece combined with strong international sales growth and robust Group profitability

Jumbo's performance in a glimpse: FY17/18 revenues, gross profit, Ebitda and net income reached of €753.3mn (+10.6% y-o-y – already pre-announced), €395.2mn (+11.2% y-o-y – margin 52.46% up from 52.17% in FY16/17), €221.3mn (+13.6% y-o-y AFe €216.1mn) and €151.1mn (+15.3%, AFe €140mn) respectively. We remind you that Jumbo has pre-announced Greek sales up 2.8% y-o-y, Cyprus sales up 6% y-o-y, 20% sales growth in Bulgaria, but mostly in Romania with 50% sales growth.

In more detail for FY17/18 :

On the profitability front, we observed a 29bps gross margin increase despite the transport cost increase that affected mostly the first half of the year and the continuing deflation policy enforced in the Greek market. That was mainly a result from higher weight in total product mix of non-branded products in H2 17/18, while also from better trends in transport cost in the same period. **FCF** stood at €130mn vs. €81.4mn a year ago, mainly due to increased profitability and better working capital management (mostly due to inventories' level with +8.9mn in FY17/18 vs +42.6mn in FY16/17).

During **1Q 18/19** sales were up 6% y-o-y, with dynamic double digit growth increase of sales in Romania, +11% in Bulgaria and single digit increase of sales in Cyprus. As a result and due to stagnation in the Greek market, Jumbo **guides** sales to growth at the range of 5-6% y-o-y for the current fiscal year. One more important fact in our opinion is a **bond loan** of eight year duration and a maximum amount of up to €200mn that was signed between the parent company and a credit institution in August 2018. The issue of the Loan Bonds is expected in November 2018 with an interest margin of 2.75%. The purpose of the above loan is to refinance the existing common bond loan of €145mn, issued on 21.05.2014, as well as to finance the company's capital expenditures. Given that the old bond loan had an interest of 6m euribor+4%, we estimate that Jumbo could achieve lower annual interest expense by c. €1.5-2mn. Finally, the management has decided to propose the distribution of a €0.39/share (3.1% yield) **dividend**, with €0.1728/share of that already paid in April.

mn eu	FY 16/17a	FY 17/18e	FY 17/18a	Δ vs AFe
Revenues	681,4	744,6	753,3	8,7
% change	6,9%	9,3%	10,5%	1,3%
EBITDA	195,0	216,1	221,3	5,2
% change	6,2%	10,8%	13,5%	2,7%
Net income	131,0	140,0	151,1	11,1
% change	8,0%	6,9%	15,3%	8,5%

Source: Jumbo, AFe mn eu

Stock View: Jumbo has a unique business model with remarkable performance over the previous years, balancing a mature expansion in Greece, Bulgaria and Cyprus and an ongoing dynamic expansion project in Romania. A new owned hyper-store began to operate in October at the city of Suceava in Romania and another one in Bucharest during February. One more privately owned hyper store opened in Romania in Q1 18/19, while two more stores are expected to operate in Romania and one in N. Greece until June 2019. FY17/18 results were superb, slightly higher than our estimates with Jumbo confirming once more its strength and ability to deliver with its performance on its set targets. Overall, we remain buyers for the stock at current levels as we believe that company's fundamentals and prospects justify higher valuations.

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Company specific regulatory disclosures

Disclosure checklist for companies mentioned & other price data information

	Reuters	Rating	Price	Price date/time		Disclosure
Aegean Airlines	AGNr.AT	Under review	€7,00	Official close @	15 October 2018	none
Alpha Bank	ACBr.AT	Restricted (G)	€1,17	Official close @	15 October 2018	none
Jumbo (Babyland)	BABr.AT	Outperform	€12,56	Official close @	15 October 2018	none
Piraeus Bank	BOPr.AT	Neutral	€1,16	Official close @	15 October 2018	0
PPC	DEHr.AT	Under Review	€1,24	Official close @	15 October 2018	3
ADMIE	ADMr.AT	Under Review	€1,63	Official close @	15 October 2018	0
Eurobank EFG	EURBr.AT	Neutral	€0,53	Official close @	15 October 2018	0
Hellenic Exchanges	EXCr.AT	Neutral	€4,27	Official close @	15 October 2018	none
Grivalia	GRIr.AT	Under Review	€7,77	Official close @	15 October 2018	3
Athens Water	EYDr.AT	Under Review	€5,05	Official close @	15 October 2018	none
Folli Folie	HDFr.AT	Under review	€4,80	Official close @	15 October 2018	none
Fourlis	FRLr.AT	Outperform	€4,71	Official close @	15 October 2018	none
Ellaktor	HELr.AT	Under review	€1,30	Official close @	15 October 2018	none
Hellenic Petroleum	HEPr.AT	Outperform	€6,95	Official close @	15 October 2018	none
Gek	HRMr.AT	Under review	€4,73	Official close @	15 October 2018	0
Motor Oil	MORr.AT	Outperform	€22,80	Official close @	15 October 2018	none
Mytilineos	MYTr.AT	Outperform	€7,92	Official close @	15 October 2018	none
National Bank	NBGr.AT	Neutral	€1,50	Official close @	15 October 2018	none
PPA (OLP)	OLPr.AT	Under Review	€15,80	Official close @	15 October 2018	none
TPA (OLTH)	OLTr.AT	Not rated	€23,60	Official close @	15 October 2018	none
Opap	OPAr.AT	Neutral	€8,30	Official close @	15 October 2018	none
OTE	OTEr.AT	Outperform	€9,90	Official close @	15 October 2018	none
Terna Energy	TENr.AT	Under Review	€6,01	Official close @	15 October 2018	none
Titan	TTNr.AT	Under review	€19,56	Official close @	15 October 2018	none
Thessalonica Water	TWSr.AT	Under Review	€4,24	Official close @	15 October 2018	none
Eltech Anemos	ANEMr.AT	Under Review	€1,82	Official close @	15 October 2018	none

Source: Alpha Finance

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Definitions of Fundamental and Risk Ratings and Allocations

		RISK RATING							
		Low (L)	Medium (M)	High (H)	Relative to	Horizon ²	Coverage ³	IB services ⁴	
FUNDAMENTAL RATING	Outperform O/P	TRP ¹ > +5%		TRP ¹ > +15%	ASE Index	Dec.'13	13/41	31.7%	
	Neutral N	(5%) < TRP ¹ < +5%					10/41	24.4%	
	Underperform U/P	TRP ¹ < (5%)	TRP ¹ < (15%)				0/41	0.0%	
	Restricted (G) R(G)	Alpha Finance belongs to the same group of companies						1/41	2.4%
	Restricted (IB) R (IB)	Alpha Finance is currently rendering investment banking services						0/41	0.0%
	Under review UR/ Not rated NR	No rating currently available						17/41	41.5%

Source: Alpha Finance | Data as of 31.12.12 | 1: Total Return Potential (=capital return + dividend yield) | 2: except otherwise stated | 3: Percentage of companies under coverage within this category as of 31.12.12 | 4: Percentage of companies within this rating category for which investment banking services were provided over the past 12 months, as of 31.12.12. In several occasions, subject to the analyst's view and/or due to volatility of the shares, the ratings applied may fall out of the brackets described in the table above.

The Alpha Finance universe consists of 41 companies accounting as of 31.12.12 for 87.5% of total market value

Risk ratings explained

We derive the overall risk rating for a stock by applying a 60% weight on quantitative and a 40% weight on qualitative factors. We use a scale from 1 to 3 to describe 'low', 'medium' and 'high' risk respectively. We compute two different quantitative risks namely liquidity and volatility. We assign equal weights to liquidity and volatility risks to arrive at a so-called trading or quantitative risk for the specific stock researched. Using a scale of 1-to-3 scale, each analyst also assigns a qualitative risk that is entirely up to his/her discretion to determine. Following this, we calculated the combined risk of the specific stock applying the weights mentioned earlier. All IPOs are classified 'high risk' for 12 months after their listing date.

Definitions of Risk Ratings

Quant factor	Definition	Brackets	Risk rating
Liquidity	Number of shares traded over the last 12 months as % of total shares outstanding	If less than or equal to 33% If greater than 33% but less than or equal to 66% If greater than 66%	High Medium Low
Volatility	The standard deviation of daily changes during the last 12 months. Volatility is used as a statistical measure of dispersion and indicates the propensity of a specific equity to suffer large swings in price. The stock's volatility is measured against the volatility of the ASE index	If equity volatility against the market's is greater than 2 If equity volatility against the market's is greater than 1.5 but less than or equal to 2 If equity volatility against the market's is less than or equal to 1.5	High Medium Low

Source: Alpha Finance | Data as of 31.12.12 | The quant factors are updated at the end of each calendar quarter

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