



General Retail
Equity – Greece

Overweight

Target price (EUR)	20.00
Share price (EUR)	13.80
Potential return (%)	45

Reuters	BABr.AT
Bloomberg	BELA GA
Market cap (EURm)	1,878
Free float (%)	77

15 January 2019

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Jumbo

Strong fiscal Q2 sales trading update

- ▶ **Well on track to meet our FY19 top-line call as Q2 sales gained pace, +9% y-o-y to EUR274.6m (spot on), thanks to...**
- ▶ **...Greece's swing to positive growth and Romania's 35% jump, more than offsetting Cyprus/Bulgaria ops slowdown**
- ▶ **Compellingly priced at 11.7x 2019e P/E and 6.7x EV/EBITDA, while offering net cash of EUR321m (17% market cap)**

Picking up momentum fiscal 2Q19 (01/10/18-31/12/18) sales advanced 9% y-o-y to EUR274.6m, against a rise of 6% in the previous quarter, coming bang in line with our expectations. This Q2 group top-line acceleration reflects a domestic trading improvement on consumer sentiment rebound post August 2018 bailout exit, falling unemployment and the government's year-end fiscal handouts. In addition, Romania maintained a high double-digit growth rate despite tough base effects and solid SEE franchise expansion.

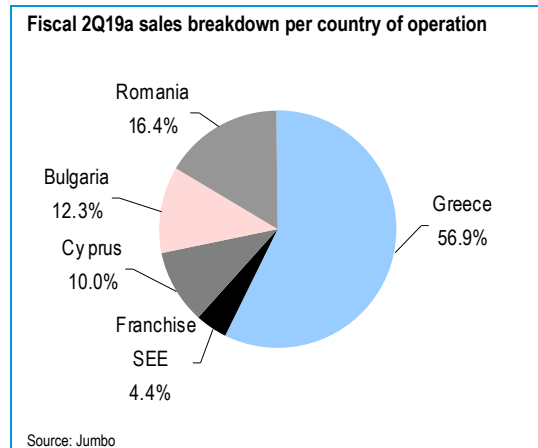
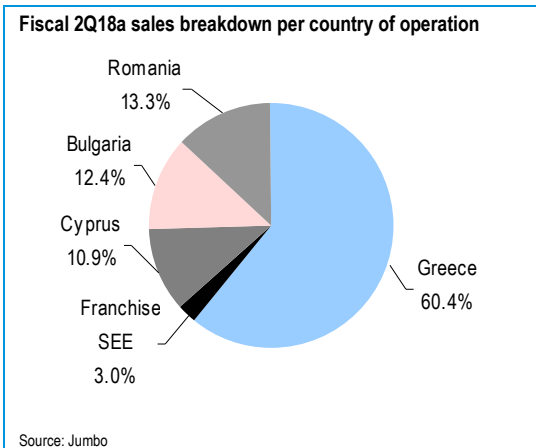
With fiscal H1 historically representing a hefty 60% of annual sales, Jumbo seems well on track to meet our FY19e top-line call of EUR817.7m, up 8.6% y-o-y (net income +6% to EUR160.3m), underpinned by a growth recovery in Greece and robust Romania ops, more than offsetting weakening trends in Cyprus and Bulgaria. The stock appears undeniably attractive at **11.7x 2019e (to June 30) P/E and 6.7x EV/EBITDA**, while offering **2018-21e EPS CAGR of 8%** and, take note here, **net cash position of EUR320.6m** (17% of market cap), which leaves plenty of room for extra dividends (beyond our estimates).

In particular, sales generated in Greece (ie ex-SEE franchise business, including e-shop) expanded by 2.5% y-o-y to EUR156.2m (spot on) vs EUR152.5m a year earlier, proving that first quarter's sudden switch to negative growth (-1% y-o-y) was short lived.

Jumbo Fiscal 2Q/H1 2019a sales geographical breakdown (31 January, EURm)

EURm	1H18a	1H19a y-o-y ch.	1H19e	vs PSe	2Q18a	2Q19a y-o-y ch.	2Q19e	vs PSe		
Greece sales	283.3	291.5	2.9%	289.0	0.9%	159.9	168.3	5.2%	165.8	2%
% of total	64.0%	61.2%		60.6%		63.4%	61.3%		60.3%	
o/w Franchising	14.4	19.9	38%	17.4	14%	7.5	12.0	60%	9.5	26%
% of total	3.2%	4.2%		3.6%		3.0%	4.4%		3.4%	
Greece ex-franchise	268.9	271.6	1%	271.6	0%	152.5	156.3	2.5%	156.3	0%
% of total	60.7%	57.0%		56.9%		60.4%	56.9%		56.9%	
International sales	159.7	185.2	16%	187.9	-1%	92.4	106.3	15%	109.1	-3%
% of total	36.0%	38.8%		39.4%		36.6%	38.7%		39.7%	
Cyprus sales	49.4	50.4	2%	51.4	-2%	27.5	27.4	0%	28.4	-3%
% of total	11.2%	10.6%		10.8%		10.9%	10.3%		10.9%	
Bulgaria sales	49.3	53.7	9%	54.8	-2%	31.4	33.8	8%	34.9	-3%
% of total	11.1%	11.3%		11.5%		12.4%	12.3%		12.7%	
Romania sales	61.0	81.1	33%	81.8	-1%	33.5	45.1	35%	45.8	-2%
% of total	13.8%	17.0%		17.2%		13.3%	16.4%		16.7%	
Total Sales	443.0	476.7	7.6%	477.0	0.0%	252.3	274.6	8.8%	274.9	-0.1%
Ex-Romania	382.0	395.6	3.6%	395.2	0.1%	218.8	229.5	4.9%	229.1	0.2%

Source: Jumbo/Pantelakis Securities estimates



In turn, Q2 reported Greece sales, ie including franchise activity (via Veropoulos and Kindzone) in Albania, Kosovo, FYROM and Serbia, were up 5% y-o-y to EUR168.3m (vs flattish sales y-o-y in 1Q19). In fact, franchise sales soared 60% y-o-y to EUR12m (comfortably beating our EUR9.5m call), courtesy of higher penetration rates, stronger brand equity and growing (wholesale) market reach in SEE, thus making up 4% of group total in Q2 2019 from 3% a year ago.

Meanwhile, international sales posted a growth of 15% y-o-y to EUR106.3m (3% below our forecasts of EUR109.1m) from EUR92.4m over the same period a year earlier, driven by an in-line with our expectations 35% jump in Romania to EUR45.1m (vs +31% in 1Q19). Apparently, Romania's upbeat sales momentum mirrors sound spending/macro outlook, brand awareness enhancement and store network expansion. Tellingly, two new outlets opened during fiscal H1 2019, based in Bucharest (13,600 sq. m. - September 2018) and Bacau (12,900 sq. m. - November 2018).

Surprising to the downside, though, Cyprus turned to flat y-o-y sales growth compared to a 5% ascent in the previous quarter, suggesting market share losses on increasing competitive pressures, we think. In similar fashion, Bulgaria sales growth decelerated further to +8% y-o-y to EUR33.8m in 2Q19, against increases of 11% in 1Q19 and 21% in FY18. In our view, this L-F-L sales slowdown signals the gradual maturity of Bulgaria's store network, despite the strong macro backdrop.

As such, domestic sales (ex-franchising) contribution eased to 61% of group total from 63% in 2Q18, with Romania, Bulgaria and Cyprus accounting for 16%, 12% and 10%, respectively, vs 13%, 12% and 11% a year before.

In fiscal H1 terms, group sales were up by almost 8% y-o-y to EUR476.7m, on the back of a 3% increase to EUR291.5m in Greece (+1% to EUR271.6m ex-SEE franchise) and 16% to EUR185.2m in foreign markets: Romania +33% to EUR81.1m, Bulgaria +9% to EUR53.7m and Cyprus +2% to EUR50.4m.

On a final note, Jumbo guides for two new store openings in fiscal 2H19e: one in Braila/Romania (12,000 sq. m. - April) and one in Northern Greece. Thereby, Jumbo should count 79 outlets by end June-2019e: Greece 52, Romania 13, Bulgaria 9 and Cyprus 5 vs 77 currently.

Jumbo fiscal 2017-21e sales/sq. m. per country of operation (Twelve months ending 30 June)

		2017a	2018a	2019e	2020e	2021e
Greece	Sales (EURm)	470.5	489.0	502.7	520.8	537.9
	<i>y-o-y ch.</i>	2.5%	3.9%	2.8%	3.6%	3.3%
	<i>Ex-franchise sales (EURm)</i>	449.6	462.9	470.2	482.7	495.3
	<i>y-o-y ch.</i>	0.7%	3.0%	1.6%	2.7%	2.6%
	Number of stores	51	51	52	53	53
	Selling space (sq. m.) year-end	281,003	281,003	287,003	293,003	293,003
	Selling space (sq. m.) weighted average	281,003	281,003	282,753	288,253	293,003
	Sales per sq. m. (EUR)	1,674	1,740	1,778	1,807	1,836
	<i>y-o-y ch.</i>	3.5%	3.9%	2.2%	1.6%	1.6%
	<i>Ex-franchise sales per sq. m. (EUR)</i>	1,600	1,647	1,663	1,674	1,691
	<i>y-o-y ch.</i>	1.7%	3.0%	0.9%	0.7%	1.0%
L-F-L sales growth y-o-y	3.2%	3.9%	2.4%	2.2%	2.1%	
<i>Ex-franchise L-F-L sales growth y-o-y</i>	1.4%	3.0%	1.1%	1.3%	1.4%	
Cyprus	Sales (EURm)	80.7	85.7	88.4	90.9	93.1
	<i>y-o-y ch.</i>	2.3%	6.2%	3.2%	2.8%	2.4%
	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)	2,192	2,328	2,402	2,469	2,529
	<i>y-o-y ch.</i>	2.3%	6.2%	3.2%	2.8%	2.4%
L-F-L sales growth y-o-y	2.3%	6.2%	3.2%	2.8%	2.4%	
Bulgaria	Sales (EURm)	64.7	78.1	87.6	100.4	110.6
	<i>y-o-y ch.</i>	24.5%	20.8%	12.2%	14.6%	10.1%
	Number of stores	9	9	9	10	10
	Selling space (sq. m.) year-end	82,333	82,333	82,333	89,667	89,667
	Selling space (sq. m.) weighted average	79,583	82,333	82,333	86,917	89,667
	Sales per sq m (EUR)	812	948	1,064	1,156	1,233
<i>y-o-y ch.</i>	17.3%	16.7%	12.2%	8.6%	6.7%	
L-F-L sales growth y-o-y	20.1%	18.3%	12.2%	10.6%	7.8%	
Romania	Sales (EURm)	65.6	100.6	139.0	178.5	220.6
	<i>y-o-y ch.</i>	37.0%	53.3%	38.2%	28.4%	23.6%
	Number of stores	8	10	13	16	19
	Selling space (sq. m.) year-end	68,667	86,200	111,867	133,867	155,200
	Selling space (sq. m.) weighted average	58,444	77,658	100,419	123,172	145,311
	Sales per sq. m. (EUR)	1,123	1,295	1,384	1,449	1,518
<i>y-o-y ch.</i>	30.5%	15.4%	6.9%	4.7%	4.8%	
L-F-L sales growth y-o-y	33.5%	29.7%	17.1%	11.9%	10.5%	
Group	Sales (EURm)	681.4	753.3	817.7	890.6	962.2
	<i>y-o-y ch.</i>	6.9%	10.5%	8.6%	8.9%	8.0%
	<i>Ex-franchise sales (EURm)</i>	660.5	727.2	785.3	852.5	919.6
	<i>y-o-y ch.</i>	5.7%	10.1%	8.0%	8.6%	7.9%
	Number of stores	73	75	79	84	87
	Selling space (sq. m.) year-end	468,803	486,336	518,003	553,336	574,669
	Selling space (sq. m.) weighted average	455,830	477,794	502,305	535,142	564,780
	Sales per sq m (EUR)	1,495	1,577	1,628	1,664	1,704
	<i>y-o-y ch.</i>	5.8%	5.5%	3.3%	2.2%	2.4%
	<i>Ex-franchise sales per sq. m. (EURm)</i>	1,449	1,522	1,563	1,593	1,628
	<i>y-o-y ch.</i>	4.6%	5.0%	2.7%	1.9%	2.2%
	L-F-L sales growth y-o-y	6.1%	7.1%	4.9%	4.1%	4.6%
	<i>Ex-franchise L-F-L sales growth y-o-y</i>	4.9%	6.7%	4.3%	3.8%	4.4%

Source: Jumbo/Pantelakis Securities estimates

Disclosure appendix

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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
16/10/2018	Rating Overweight	Price EUR12.56	Target Price EUR20.00

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