



General Retail
Equity – Greece

Overweight

Target price (EUR)	20.00
Share price (EUR)	14.88
Potential return (%)	34

Reuters	BABr.AT
Bloomberg	BELA GA
Market cap (EURm)	2,025
Free float (%)	74

Jumbo

Sweet taste of success

- ▶ **Fiscal H1 net profit grew 9% y-o-y to EUR98.7m, a tad stronger vs expectations thanks to gross margin beat**
- ▶ **Fully on track to meet our FY19e net profit call of EUR161m (+7%); Interim DPS upped 10% to EUR0.19 (1.3% DY)**
- ▶ **Despite deteriorating WC needs, end-2018 net cash climbed 17% y-o-y to EUR392m (EUR2.9/sh) on EUR135m FCF**

Earnings growth continues unabated for Jumbo as fiscal H1 2019 (01/07/18-31/12/18) group net rose 9% y-o-y to EUR98.7m from EUR90.4m over the same period a year ago, 2% ahead of our estimates. This, in turn, is mostly due to the gross margin surprising to the upside, up 45bps y-o-y to 50.8%, beating our (admittedly conservative) call by 65bps, thanks to positive mix-effects, stronger bargaining power over suppliers and, perhaps more importantly, relatively stable transportation costs on less erratic freight rates movements.

In light of Jumbo's solid H1 performance, we grow more confident over our FY19e net income call of EUR160.9m, up by almost 7% y-o-y, underpinned by a growth recovery in Greece and robust Romania ops, more than offsetting weakening trends in Cyprus and Bulgaria. This in spite yesterday's announcement that 8-month (to Feb 28) group sales decelerated to +7% y-o-y, against +8.8% in the all-important 2Q19, implying a growth of around 5.5% for January-February, as this largely relates to the late arrival of the Carnival season (boosts demand in Q3) this year. Despite bouncing back 37% vs October lows, the stock remains attractively priced **at 12.6x 2019e** (to 30 June) **P/E, 7.3x EV/EBITDA** and **5.2% FCFY**. On top, towering end-June 2019e **net cash pile of EUR322.3m** (16% of market cap) leaves ample space for extra dividends (not in our forecasts).

Jumbo Fiscal 2Q/H1 2019a group results (31 January, EURm)

	1H18a	1H19a	y-o-y ch	1H19e	vs PSe	2Q18a	2Q19a	y-o-y ch	2Q19e	vs PSe
Sales	443.0	476.7	7.6%	476.7	0%	252.3	274.6	8.8%	274.6	0%
o/w Greece (ex-franchise)	268.9	274.6	2.1%	271.6	1%	152.5	159.3	4.5%	156.3	2%
o/w SEE franchise	14.4	16.9	17%	19.9	-15%	7.5	8.9	20%	12.0	-25%
o/w Romania	61.0	81.1	33%	81.1	0%	33.5	45.1	35%	45.1	0%
o/w Bulgaria	49.3	53.7	9%	53.7	0%	31.4	33.8	8%	33.8	0%
o/w Cyprus	49.4	50.4	2%	50.4	0%	27.5	27.5	0%	27.4	0%
Gross Profit	223.0	242.1	9%	238.9	1%	n/a	n/a			
Gross margin	50.3%	50.8%	+45bps	50.1%	+68bps					
EBITDA	130.7	140.4	7%	137.6	2%	n/a	n/a			
EBITDA margin	29.5%	29.4%		28.9%						
EBT	117.6	126.5	8%	125.5	1%	n/a	n/a			
EBT margin	26.4%	26.5%		26.3%						
Taxation	(27.2)	(27.8)	2%	(28.6)	-3%					
Effective Tax Rate	23.1%	22.0%		22.8%						
Net Income	90.4	98.7	9%	96.8	2%	n/a	n/a			
Net margin	20.4%	20.7%		20.3%						

Source: Jumbo, /Pantelakis Securities estimates

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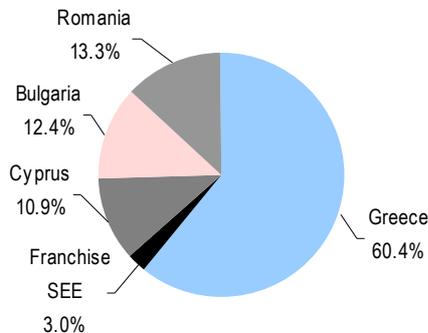
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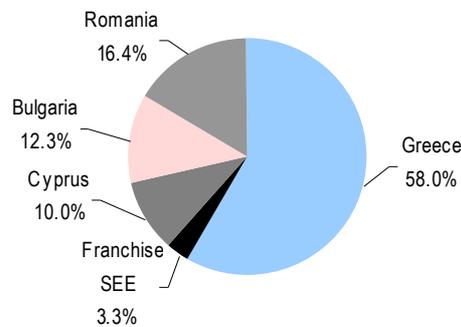
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Fiscal 2Q18a sales breakdown per country of operation



Source: Jumbo

Fiscal 2Q19a sales breakdown per country of operation



Source: Jumbo

First-half total opex grew 10% y-o-y to EUR101.5m (spot on), rising to 21.3% of sales compared to 20.8% a year earlier. Considering Jumbo's tight grip on costs, at first glance this sudden opex increase appears somewhat disturbing. Not so, we argue, since it largely relates to Jumbo's prudent move to proceed with high-single digit (in our view) employee pay raises in a proactive manner ahead of Greek government's c11% minimum wage hike (effective as of 1 February 2019)

In this context, H1 EBITDA posted a growth of 7% y-o-y to EUR140.4m, while pre-tax profit increased 8% to EUR126.5m (both marginally higher vs our estimates), held back by EUR12.8m depreciation (+4%) and EUR1m net financial expenses (+42%), far off vs PSe net financial income of EUR0.9m.

Remember that **fiscal Q2** (01/10/18-31/12/18) top-line (pre-announced on 15 January) rose c9% y-o-y to EUR274.6m, against a rise of 6% in 1Q19, spurred by a domestic sales rebound, up 4.5% to EUR159.3m vs 1% drop in 1Q19, and a 35% jump to EUR45.1m in Romania on the back of two store openings. In our view, Romania's buoyant sales growth is a function of solid economic backdrop, stronger penetration rates and enhanced brand awareness, bolstering sales densities (higher average ticket/sales per sq. m). On the other hand, despite strong macroeconomic conditions we witnessed a sales growth slowdown in Bulgaria, which points to a growing maturity in said market, we think. In H1 terms, Jumbo sales expanded by 7.6% y-o-y to EUR476.7m underpinned by a growth of 2% to EUR274.6m in Greece (ex-franchise) and 16% to EUR185.3m in international markets (generating 39% of group total): namely Romania +33% to EUR81.1m, Bulgaria +9% to EUR53.7m and Cyprus +2% to EUR50.5m.

Keeping up the tradition, Jumbo announced an **interim DPS of EUR0.19** for FY19 (PSe EUR0.20), upped 10% y-o-y (trades ex-date on 8 May). Tellingly, we pencil-in total dividend of EUR0.45 per share for fiscal 2019e (3% DY) vs EUR0.39 in FY18a.

Fiscal H1 net cash rose 17% y-o-y to EUR392m from EUR333.7m a year before (and EUR287.2m at end-FY18), now making up 19% of market cap (or EUR2.8/sh). This is despite a weakening (but still strong) FCF (-12% y-o-y to EUR134.6m) on deteriorating WC needs (+15% y-o-y to EUR230.5m - ie at 48.3% of sales from 45.3% in 1H18). Lastly, Jumbo guides for two new store openings in fiscal 2H19e: one in Braila/Romania (12,000 sq. m. by end-March) and one in Northern Greece. This means Jumbo should run a network of 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	506.1	526.0	546.2
<i>y-o-y ch.</i>	2.5%	3.9%	3.5%	3.9%	3.8%
Ex-franchise sales (EURm)	449.6	462.9	471.1	484.5	498.8
<i>y-o-y ch.</i>	0.7%	3.0%	1.8%	2.8%	2.9%
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	283,253	288,253	293,003
Sales per sq. m. (EUR)	1,674	1,740	1,787	1,825	1,864
<i>y-o-y ch.</i>	3.5%	3.9%	2.7%	2.1%	2.1%
Ex-franchise sales per sq. m. (EUR)	1,600	1,647	1,663	1,681	1,702
<i>y-o-y ch.</i>	1.7%	3.0%	1.0%	1.1%	1.3%
L-F-L sales growth y-o-y	3.2%	3.9%	2.9%	2.7%	2.6%
<i>Ex-franchise L-F-L sales growth y-o-y</i>	1.4%	3.0%	1.2%	1.6%	1.7%
Cyprus					
Sales (EURm)	80.7	85.7	88.0	90.1	92.2
<i>y-o-y ch.</i>	2.3%	6.2%	2.7%	2.4%	2.3%
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	2,391	2,449	2,505
<i>y-o-y ch.</i>	2.3%	6.2%	2.7%	2.4%	2.3%
L-F-L sales growth y-o-y	2.3%	6.2%	2.7%	2.4%	2.3%
Bulgaria					
Sales (EURm)	64.7	78.1	84.4	94.2	102.8
<i>y-o-y ch.</i>	24.5%	20.8%	8.1%	11.6%	9.1%
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	1,025	1,084	1,146
<i>y-o-y ch.</i>	17.3%	16.7%	8.1%	5.7%	5.8%
L-F-L sales growth y-o-y	20.1%	18.3%	8.1%	7.5%	6.8%
Romania					
Sales (EURm)	65.6	100.6	139.1	178.9	220.8
<i>y-o-y ch.</i>	37.0%	53.3%	38.3%	28.6%	23.4%
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	1,385	1,453	1,519
<i>y-o-y ch.</i>	30.5%	15.4%	7.0%	4.8%	4.6%
L-F-L sales growth y-o-y	33.5%	29.7%	17.2%	12.1%	10.3%
Group					
Sales (EURm)	681.4	753.3	817.6	889.2	961.9
<i>y-o-y ch.</i>	6.9%	10.5%	8.5%	8.8%	8.2%
Ex-franchise sales (EURm)	660.5	727.2	782.7	847.8	914.5
<i>y-o-y ch.</i>	5.7%	10.1%	7.6%	8.3%	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	502,805	535,142	564,780
Sales per sq m (EUR)	1,495	1,577	1,626	1,662	1,703
<i>y-o-y ch.</i>	5.8%	5.5%	3.1%	2.2%	2.5%
Ex-franchise sales per sq. m. (EURm)	1,449	1,522	1,557	1,584	1,619
<i>y-o-y ch.</i>	4.6%	5.0%	2.3%	1.8%	2.2%
L-F-L sales growth y-o-y	6.1%	7.1%	4.8%	4.1%	4.7%
<i>Ex-franchise L-F-L sales growth y-o-y</i>	4.9%	6.7%	3.9%	3.6%	4.4%

Source: Jumbo, Pantelakis Securities estimates

Disclosure appendix

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31/01/2018	Rating: Overweight	Price: EUR16.30	Target Price: EUR20.00
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16/10/2018	Rating Overweight	Price EUR12.56	Target Price EUR20.00
15/01/2019	Rating Overweight	Price EUR13.80	Target Price EUR20.00

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