



Jumbo

Greece | General Retail

Outperform

Target Price EUR16.90

Strong 1H18-19 performance – keeps on over performing

13 March 2019

Maintain our Outperform rating; new TP at EUR16.90

Jumbo recorded a strong performance in 1H18-19, broadly in line with our expectations. We maintain our positive view on the company due to its solid fundamentals incl. its strong business model, leading market position, high margins and return ratios, as well as its strong management track record, setting a higher target price of EUR 16.90 (previous 16.00), as the 1H18-19 results exceed mgmt. guidance. We expect Jumbo to deliver a 2019-23e revenue CAGR of 7.7% and an avg. 2019-23e FCF yield of 6.5%. We have fine-tuned our estimates, slightly above company guidance which calls for sales growth of 5-7%, while we expect net profits to increase by +5% (mgmt. guided for negative to zero bottom line growth). The main risks re. our investment case are related to 1/ large exposure to the Greek Market which remains stagnant, 2/ any potential decline in the economic activity of the remaining countries that Jumbo is active in, and 3/ currency and freight rate fluctuations.

Strong profitability in 1H2018-19

The company has already announced 1H18/19 increased sales +7.6% y/y to EUR476.7m, (Greece +c.2.9%, Cyprus +c.2%, Bulgaria c.+9%, Romania >+30%), slightly higher than the company's initial guidance, which called for sales growth of 5-7%. Jumbo posted 1H18-19 EBITDA of EUR140m, +9% y/y, with the related margin increasing by 20bps reaching 29.6%, while net profit reached EUR98.7m, +9% y/y, both broadly in line with our estimates. Moreover, the gross margin increased by 50bps y/y to 50.8% despite the increase in transportation costs and the continuing deflationary environment in the Greek market. Furthermore, Jumbo announced last September that it opened one additional privately-owned hyper-store in Romania (approximately of 13.600 sq.m.), and a second self-owned 12,900 sq.m. store in Bacau, which opened its doors on November 12th. According to the Group's expansion plan, an additional store is expected to open in Braila, Romania (approximately 12,000 sq.m.) by late March, while by June 2019 another branch in Northern Greece is planned to start operating, reaching a total network of 79 stores currently in operation (Greece 52, Cyprus 5, Bulgaria 9, Romania 13), as well as an online store. It should also be noted that the group has a presence through collaborations in 5 additional countries (Albania, Kosovo, Serbia, Northern Macedonia and Bosnia Herzegovina). Net cash position was robust once again, reaching EUR392m vs. EUR334m in 1H18/19, as the company continues to generate strong cash flows. In August 2018, the company issued an 8-year bond loan of up to EUR200m with an interest margin of 275bps, to refinance the existing common bond loan of EUR145m, as well as finance the company's capex; however, to date, total funds borrowed remain unused, while only interest payments are made. Finally, the company's management will propose the distribution of a EURO.19 (gross) interim dividend per share, which is c.10% higher than the previous year's interim dividend of EURO.1728.

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Stock Data & Performance

Rating	Outperform
Previous	[unchanged]
Target price (12-month)	EUR16.90
Previous	EUR16.00
Last Price (12-Mar-19)	EUR14.88
Upside to target price	14%
52-week range	EUR10.90-15.72
Market cap.	EUR2,025m
Reuters / Bloomberg	BABr.AT/BELA GA
3m avg. trading volume	EUR2.0m
Free float	77%
Abs performance ytd	17%
Rel. performance ytd (to ASE)	2%

Source: FactSet, NBG Securities Research

EPS Estimate Changes (NBG Securities)

	New	Old	% Chg.
2019e	1.21	1.13	7%
2020e	1.28	1.25	2%
2021e	1.40	1.36	3%

Source: NBG Securities Research

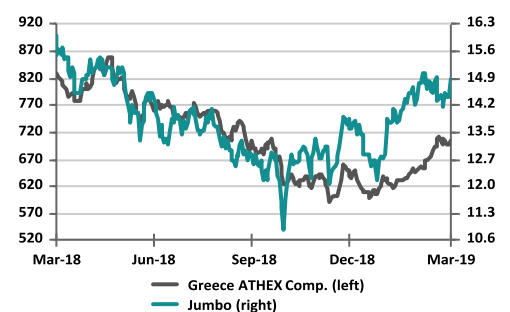
Key Financials & Valuation

(in EUR m)	2018	2019e	2020e	2021e
Sales	753	812	896	975
EBITDA	221	242	255	276
Net Income	151	164	175	191
EPS (EUR)	1.11	1.21	1.28	1.40
P/E	12.7	11.7	11.0	10.1
EV/EBITDA	7.4	6.5	5.9	5.2
EV/Sales	2.2	1.9	1.7	1.5
Div. Yield	3%	3%	3%	3%

Note: Fiscal year ends 30 June.

Source: Company data, NBG Securities Research

Price performance



Source: FactSet, NBG Securities Research

Exhibit 1: Interim results	FY15/16	H1 16/17	H2 16/17	FY16/17	H1 17/18	H2 17/18	FY17/18	H1 18/19
No. of stores	71	72	73	73	75	75	75	79
Total revenue	637.6	401.9	279.5	681.4	443.0	310.3	753.3	476.8
% y/y	9.4%	8.1%	-42.0%	6.9%	10.2%	11.0%	10.5%	7.6%
Greece	458.9	275.0	195.5	470.5	283.3	205.7	489.0	291.4
% y/y	4.8%	3.7%	-43.3%	2.5%	3.0%	5.2%	3.9%	2.9%
Cyprus	78.9	47.0	33.6	80.7	49.4	36.2	85.7	50.5
% y/y	5.1%	2.7%	-44.6%	2.3%	5.1%	7.8%	6.2%	2.1%
Bulgaria	51.9	40.1	24.5	64.7	49.3	28.8	78.1	53.7
% y/y	14.6%	24.3%	-39.0%	24.5%	22.7%	17.5%	20.8%	9.0%
Romania	47.9	39.7	25.9	65.6	61.0	39.6	100.6	81.1
% y/y	97.1%	39.5%	-29.4%	37.0%	53.6%	52.9%	53.3%	33.1%
Gross profit	337.9	205.7	149.8	355.5	223.0	172.2	395.1	242.1
% y/y	9.1%	7.4%	2.3%	5.2%	8.4%	15.0%	11.2%	8.6%
% mrg	53.0%	51.2%	53.6%	52.2%	50.3%	55.5%	52.5%	50.8%
EBITDA	183.7	117.4	77.5	194.9	129.2	92.0	221.3	140.4
% y/y	15.4%	11.2%	-0.8%	6.1%	10.1%	18.7%	13.5%	8.6%
% mrg	28.8%	29.2%	27.7%	28.6%	29.2%	29.7%	29.4%	29.4%
Greece	123.9	72.2	51.8	124.1	72.3	58.6	130.9	75.4
% y/y	-6.9%	-9.4%	17.2%	0.1%	0.1%	13.1%	5.5%	4.4%
% mrg	27.0%	26.3%	26.5%	26.4%	25.5%	28.5%	26.8%	25.9%
Cyprus	27.4	16.7	11.3	28.0	17.0	13.2	30.3	17.7
% y/y	-6.3%	-10.4%	27.8%	1.9%	2.1%	17.1%	8.2%	4.0%
% mrg	34.8%	35.4%	33.6%	34.7%	34.4%	36.5%	35.3%	35.1%
Bulgaria	16.1	13.1	6.3	19.3	16.3	7.8	24.0	17.5
% y/y	10.9%	10.9%	45.4%	20.2%	24.5%	23.6%	24.2%	7.4%
% mrg	31.0%	32.6%	25.6%	29.9%	33.0%	26.9%	30.8%	32.5%
Romania	16.2	15.4	8.1	23.5	23.7	12.4	36.1	29.8
% y/y	144.0%	47.8%	39.4%	44.8%	53.8%	53.4%	53.7%	25.7%
% mrg	33.9%	38.8%	31.3%	35.8%	38.9%	31.4%	35.9%	36.7%
Net profit	121.3	81.4	49.6	131.0	90.4	60.7	151.1	98.7
% y/y	15.7%	12.3%	1.7%	8.0%	11.1%	22.4%	15.3%	9.2%
% mrg	19.0%	20.3%	17.7%	19.2%	20.4%	19.6%	20.1%	20.7%
Gross cash flow	141.1	108.2	42.4	150.6	120.0	54.7	174.7	146.0
(Increase)/Decrease in WC	-28.0	11.6	-51.9	-40.3	57.6	-63.7	-6.1	29.2
Operating cash flow	117.9	117.5	-8.5	109.0	176.8	-7.3	169.5	174.3
Capex	-34.6	-18.4	-18.4	-36.8	-24.4	-16.9	-41.3	-22.3
FCFF	83.3	99.1	-26.9	72.2	152.5	-24.2	128.3	152.0

Exhibit 2: Change in estimates	New			Old			Chg.		
	2018/19e	2019/20e	2020/21e	2018/19e	2019/20e	2020/21e	2018/19e	2019/20e	2020/21e
Revenue	811.6	895.8	974.9	800.7	878.2	950.5	1%	2%	3%
Greece	503.6	525.7	541.4	493.4	508.9	518.9	2%	3%	4%
Cyprus	89.9	93.5	96.3	89.9	93.5	95.4	0%	0%	1%
Bulgaria	85.1	95.2	105.2	85.1	95.2	105.2	0%	0%	0%
Romania	133.0	181.3	232.0	132.3	180.5	230.9	0%	0%	0%
EBITDA	241.8	254.8	275.7	228.4	250.3	269.4	6%	2%	2%
EPS	1.21	1.28	1.40	1.13	1.25	1.36	7%	2%	3%

Jumbo

<Outperform, 12m TP EUR16.90>

Our view: We have an Outperform rating on Jumbo due to its solid fundamentals: strong business model, high margins, healthy financial position & excellent track record. Despite domestic market volatility, Jumbo has continued to differentiate itself through delivering decent growth and solid margins through market share gains and continued network expansion/refurbishment. Key risks are related to economic conditions in Greece and Euro/USD evolution (bulk of products purchased in US dollars).

Key Financials (in EUR m, Fiscal Year ends 30 June)

	2017	2018	2019e	2020e	2021e	2022e
Net Fixed Assets	520	547	562	579	599	621
Other Non-Current Assets	26	23	23	23	23	23
Current Assets	713	792	891	1,006	1,129	1,268
Equity	962	1,058	1,170	1,295	1,433	1,589
Long-term Debt	149	18	18	18	18	18
Short-term Debt	15	150	150	150	150	150
Total Assets	1,260	1,362	1,476	1,608	1,751	1,911
Net Debt Position	-207	-287	-352	-414	-495	-593
Sales	681	753	812	896	975	1,057
EBITDA	195	221	242	255	276	304
EBIT	172	197	216	227	247	273
Pre-Tax Profit	173	198	216	229	249	276
Net Profit	131	151	164	175	191	213
EPS	0.96	1.11	1.21	1.28	1.40	1.57
DPS	0.36	0.39	0.36	0.38	0.42	0.47
BVPS	7.07	7.78	8.60	9.52	10.53	11.68
Operating Cash Flow	109	170	157	155	181	205
(-) Capex & Acquisitions	-29	-41	-41	-45	-49	-53
Free Cash Flow (Firm)	72	128	117	110	132	152

Activity Ratios	2017	2018	2019e	2020e	2021e	2022e
Avg Receivables/Turnover	19	19	19	19	19	19
Avg Credit/Purchase Days	48	45	41	41	41	41
Avg Inventory/Purchase	240	268	253	253	253	253

Profitability	2017	2018	2019e	2020e	2021e	2022e
RoE	15%	14%	15%	14%	14%	14%
RoIC	16%	16%	16%	16%	16%	16%
FCF Yield	6%	6%	6%	6%	7%	8%
Dividend Yield	3%	3%	3%	3%	3%	3%
EBITDA Margin	30%	28%	30%	28%	28%	29%

Financial Structure	2017	2018	2019e	2020e	2021e	2022e
Net Debt/Equity	-0.3	-0.2	-0.3	-0.3	-0.3	-0.4
Net Debt/EBITDA	-1.4	-1.1	-1.5	-1.6	-1.8	-2.0

Liquidity	2017	2018	2019e	2020e	2021e	2022e
Current Ratio	5.3	5.3	3.3	3.6	4.0	4.4
Acid Test	3.8	3.5	2.3	2.5	2.8	3.1

Valuation Method: We value Jumbo at EUR16.90 per share through a DCF model, in which we apply a WACC of 8.6%, explicit forecasts in 2019-23e (CAGR of 8.0% in sales and 8.4% in NOPAT), a terminal year implied EV/EBITDA of 6.8x and 1% growth in perpetuity.

Company Profile: Jumbo is a leading retailer of toys, baby products, stationery, seasonal and home products in Greece. It operates an extensive retail network of 77 stores (with an average gross retail space of >9,000 sq.m.) out of which 51 are located in Greece, followed by a further 5 in Cyprus, 9 in Bulgaria and 12 in Romania, as well as an e-shop. The company's major shareholder is also its founder Mr. Apostolos Vakakis, who owns a 23.2% stake.

Valuation	2019e	2020e	2021e
P/E	11.7	11.0	10.1
EV/EBITDA	6.5	5.9	5.2
EV/EBIT	7.3	6.6	5.8

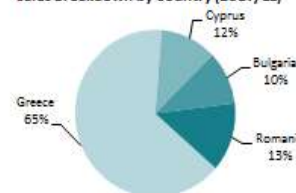
Share price performance



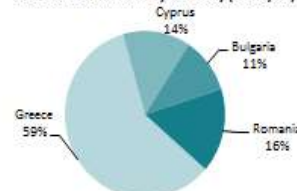
Credit Ratings

S&P	n/a
Moody's	n/a
Fitch	n/a

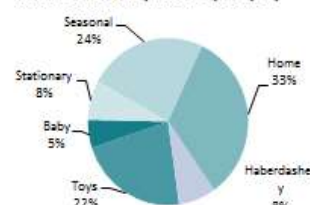
Sales Breakdown by Country (2017/18)



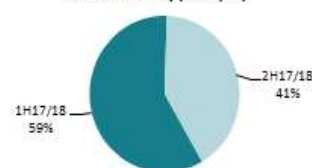
EBITDA Breakdown by Country (2017/18)



Sales Breakdown by Product (2017/18)



Sales Seasonality (2017/18)



Source: Company data, FactSet, NBG Securities Research



Appendix

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Disclosure checklist for companies mentioned & other price data information

Company Name	Bloomberg / Reuters	Rating	Price	Price date / time	Disclosure
Jumbo	BABR.AT/BELA GA	Outperform	EUR14.88	12 Mar 2019/Official Close	2

Source: NBG Securities

- NBG Securities and/or its affiliate(s) have acted as manager/co-manager/adviser in the underwriting or placement of securities of the subject(s) of this report in the past 12 months.
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Date	Rating	Price	12m Target price	Date	Rating	Price	12m Target price
24 Nov 2015	Outperform	EUR9.49	EUR11.40	13 Oct 2016	Outperform	EUR11.85	EUR14.70
13 Jan 2016	Outperform	EUR9.48	EUR12.00	1 Mar 2017	Outperform	EUR13.35	EUR15.30
29 Feb 2016	Outperform	EUR10.09	EUR13.30	20 Nov 2017	Outperform	EUR13.00	EUR16.00
25 May 2016	Outperform	EUR11.64	EUR13.80	6 Mar 2018	Outperform	EUR13.35	EUR17.20
15 Sep 2016	Outperform	EUR11.01	EUR14.20	22 Oct 2018	Outperform	EUR12.70	EUR16.00

Source: NBG Securities

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Ratings Distribution (as of today)	Outperform	Neutral	Underperform	Restricted	Not Rated	Coverage in Transition
Greek Equity Research Coverage (26)	50%	23%	0%	8%	19%	0%
% of companies in each category that are IB clients	23%	17%	0%	50%	33%	0%

Source: NBG Securities

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