

General Retail  
Equity – Greece

## Overweight

Target price (EUR)	20.00
Share price (EUR)	17.35
Potential return (%)	15.3

Reuters	BABr.AT
Bloomberg	BELA GA
Market cap (USDm)	2,598
Market cap (EURm)	2,361
Enterprise value (EURm)	1,990
Free float (%)	77

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Disclosures

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## Jumbo

Retail at its finest

- **FY19 net income hits new record, up 8% y-o-y to EUR162.9m (2% beat) on soaring Romania and sales upswing in Greece**
- **End-June 2019 net cash at EUR296m (FCFY 3.3%), EUR28m below our call, on WC deterioration due to heavy stock-up**
- **1Q20 sales grew 8% y-o-y; Final DPS +29% y-o-y to EUR0.28; Attractively priced at 13.6x 2020e P/E and 8.0x EV/EBITDA**

Demonstrating solid retail skills, Jumbo hit a new net income record for a sixth consecutive year, rising 8% y-o-y to EUR162.9m in FY19, driven by booming Romania, strong Bulgaria and a domestic sales uptrend in the six-month period ending 30 June 2019, coming in 2% ahead of our EUR160.2m call. This small net income beat stems from a) less-than-feared gross margin decline in H2 (on particularly tough base effects along with the USD strengthening vs euro), down 1.3pp y-o-y to 54.2%, but, take note, 0.6% higher vs our expectations, and b) a tight grip on the distribution cost front, rising 1% to EUR73.8m in H2 (5% below PSe), compared to +11% in H1 and +7% in FY19.

Surprising to the upside, Jumbo lifted FY19 final DPS by 29% y-o-y to EUR0.28 (vs PSe of EUR0.25), implying a 1.6% yield on Tuesday's close (already paid-out a EUR0.19 interim DPS last May, while the ex-date is set for 11 November). On the flip side, end-June 2019 net cash shaped at EUR295.8m, EUR28m short of our expectations, owing to WC deterioration (FCF eased to EUR78m vs EUR129m in FY18, implying 3.3% FCFY down from 5.5%). The latter largely mirrors an increase of 17% in inventories (WC now at 35.4% of sales from 31.8% in FY18) as Jumbo most likely stocked up heavily ahead of new store openings and a potential stronger Christmas period in Greece this year.

Looking ahead, Jumbo said that fiscal 1Q20 sales were up by a good 8%-plus y-o-y, ie at slightly stronger growth rate compared to 2H19, paving the way for a strong 2020e. In fact, we expect FY20e group sales, EBITDA and net income to expand by 8%, 5% and 7% y-o-y to EUR880.3m, EUR249.9m and EUR173.m, respectively.

Jumbo Fiscal 2H/FY 2019a group results (30 June, EURm)

	FY18a	FY19a	y-o-y ch.	FY19e	vs PSe	2H18a	2H19a	y-o-y ch.	2H19e	vs PSe
<b>Total Sales</b>	<b>753.3</b>	<b>812.2</b>	<b>8%</b>	<b>812.2</b>	<b>0%</b>	<b>310.3</b>	<b>335.4</b>	<b>8%</b>	<b>335.5</b>	<b>0%</b>
Greece	489.0	505.9	3%	506.1	0%	205.7	214.5	4%	214.6	0%
Cyprus	85.7	87.6	2%	87.4	0%	36.2	37.1	2%	36.9	1%
Bulgaria	78.1	85.6	10%	85.1	1%	28.8	31.9	11%	31.4	1%
Romania	100.6	133.1	32%	133.7	0%	39.6	52.0	31%	52.5	-1%
<b>Gross Profit</b>	<b>395.1</b>	<b>423.8</b>	<b>7%</b>	<b>421.8</b>	<b>0%</b>	<b>172.2</b>	<b>181.7</b>	<b>6%</b>	<b>179.7</b>	<b>1%</b>
Gross Margin	52.5%	52.2%	(27bps)	51.9%	26bps	55.5%	54.2%	(131bps)	53.6%	62bps
<b>EBITDA</b>	<b>221.3</b>	<b>238.2</b>	<b>8%</b>	<b>232.5</b>	<b>2%</b>	<b>90.6</b>	<b>97.8</b>	<b>8%</b>	<b>92.1</b>	<b>6%</b>
EBITDA Margin	29.4%	29.3%		28.6%		29.2%	29.2%		27.5%	
<b>EBT</b>	<b>197.9</b>	<b>211.3</b>	<b>7%</b>	<b>208.8</b>	<b>1%</b>	<b>80.2</b>	<b>84.8</b>	<b>6%</b>	<b>82.3</b>	<b>3%</b>
EBT Margin	26.3%	26.0%		25.7%		25.8%	25.3%		24.5%	
<b>Net Profit</b>	<b>151.1</b>	<b>162.9</b>	<b>8%</b>	<b>160.2</b>	<b>2%</b>	<b>60.7</b>	<b>64.1</b>	<b>6%</b>	<b>61.4</b>	<b>4%</b>
Net Margin	20.1%	20.1%		19.7%		19.6%	19.1%		18.3%	

Source: Company data/Pantelakis Securities estimates

On our numbers, Jumbo appears attractively priced trading 13.6x 2020e P/E and 8.0x EV/EBITDA, while sitting on a massive EUR350m net cash at end-June 2020e (representing 15% of market cap or EUR2.6/sh), leaving plenty of room for extra dividends/capital returns, we believe.

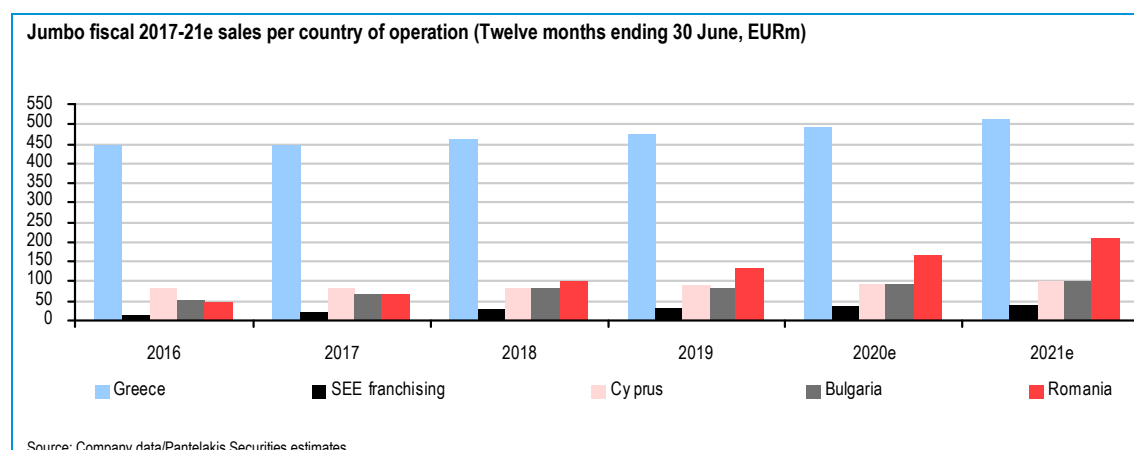
Note that FY top-line (pre-announced on 15 July) grew almost 8% y-o-y to EUR812.2m, reflecting a 32% jump in Romania (to EUR133.1m), on the back of three store rollouts, enhanced brand awareness and higher sales densities, but also good growth in Bulgaria (+10% to EUR85.6m), aided by booming consumer sentiment. Sales generated in Greece – ie excluding the franchise activity in SEE (Albania, Kosovo, North Macedonia, Bosnia Herzegovina and Serbia - set to expand to Montenegro this year), which grew 15% y-o-y to EUR29.9m – advanced nearly 3% to EUR476m, up c4% in 2H19 (outpacing the Greek retail sales index by a wide margin) vs +2.1% in 1H19, on the back of a consumer confidence uplift.

Meanwhile, FY group EBITDA posted a growth of 8% y-o-y to EUR238.2m, 2% stronger vs PSe of EUR232.5m, with the respective margin settling slightly lower 0.1pp y-o-y to 29.3%, 0.7pp above our forecasts. This means Jumbo **H2 2019** group EBITDA and net income advanced 8% and 4% y-o-y to EUR97.8m and EUR64.1m, beating our estimates of EUR92.1m and EUR64.1m by 6% and 4%, respectively.

At the group level, 2019 L-F-L sales deceleration to a good +4.2% y-o-y (compared to +7.1% a year before) comes as no surprise since it is due to exceptional demanding y-o-y comps, which mainly relate to Romania's stellar 53% growth in fiscal 2018. In greater detail, FY19 average group sales/sq. m. grew 2.7% y-o-y to EUR1,619, with Greece, Cyprus, Romania and Bulgaria sales/sq. m. shaping at EUR1,798 (+3.3%), EUR2,380 (+2.3%), EUR1,317 (+1.7%) and EUR1,039 (+9.6%), respectively.

Moreover, Jumbo guides for four new store launches over the next 18 months: two in Romania (the first to open its doors in Brasov in November 2019, with Craiova store rollout following up – both company owned), one in Greece and one in Cyprus (Nicosia). As a result, Jumbo's network should count 84 outlets by end- December 2020: Greece 53, Romania 15, Bulgaria 9 and Cyprus 6 vs 79 currently.

On a final note, as of 2020 Jumbo will swift its financial accounting year to 31 December instead of 30 June previously.



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

		2017a	2018a	2019a	2020e	2021e
Greece	Sales (EURm)	470.5	489.0	505.9	525.9	548.2
	y-o-y ch.	2.5%	3.9%	3.5%	3.9%	4.2%
	Ex-franchise sales (EURm)	449.6	462.9	476.0	491.9	509.7
	y-o-y ch.	0.7%	3.0%	2.8%	3.3%	3.6%
	Number of stores	51	51	52	52	53
	Selling space (sq. m.) year-end	281,003	281,003	289,669	289,669	295,669
	Selling space (sq. m.) weighted average	281,003	281,003	281,364	289,669	290,919
	Sales per sq. m. (EUR)	1,674	1,740	1,798	1,815	1,884
	y-o-y ch.	3.5%	3.9%	3.3%	1.0%	3.8%
	Ex-franchise sales per sq. m. (EUR)	1,600	1,647	1,692	1,698	1,752
	y-o-y ch.	1.7%	3.0%	2.7%	0.4%	3.2%
Cyprus	L-F-L sales growth y-o-y	3.2%	3.9%	3.4%	1.8%	3.9%
	Ex-franchise L-F-L sales growth y-o-y	1.4%	3.0%	2.7%	1.2%	3.3%
	Sales (EURm)	80.7	85.7	87.6	93.5	102.7
	y-o-y ch.	2.3%	6.2%	2.3%	6.7%	9.9%
	Number of stores	5	5	5	6	5
	Selling space (sq. m.) year-end	36,800	36,800	36,800	42,800	42,800
	Selling space (sq. m.) weighted average	36,800	36,800	36,800	39,050	42,800
	Sales per sq. m. (EUR)	2,192	2,328	2,380	2,393	2,401
	y-o-y ch.	2.3%	6.2%	2.3%	0.6%	0.3%
	L-F-L sales growth y-o-y	2.3%	6.2%	2.3%	2.3%	3.0%
Bulgaria	Sales (EURm)	64.7	78.1	85.6	92.8	99.9
	y-o-y ch.	24.5%	20.8%	9.6%	8.4%	7.7%
	Number of stores	9	9	9	9	9
	Selling space (sq. m.) year-end	82,333	82,333	82,333	82,333	82,333
	Selling space (sq. m.) weighted average	79,583	82,333	82,333	82,333	82,333
	Sales per sq m (EUR)	812	948	1,039	1,127	1,213
	y-o-y ch.	17.3%	16.7%	9.6%	8.4%	7.7%
	L-F-L sales growth y-o-y	20.1%	18.3%	9.6%	7.7%	6.5%
Romania	Sales (EURm)	65.6	100.6	133.1	168.3	208.1
	y-o-y ch.	37.0%	53.3%	32.3%	26.4%	23.7%
	Number of stores	8	10	13	16	19
	Selling space (sq. m.) year-end	68,667	86,200	111,867	135,200	156,533
	Selling space (sq. m.) weighted average	58,444	77,658	101,086	122,006	146,089
	Sales per sq. m. (EUR)	1,123	1,295	1,317	1,379	1,425
	y-o-y ch.	30.5%	15.4%	1.7%	4.7%	3.3%
	L-F-L sales growth y-o-y	33.5%	29.7%	10.3%	11.3%	9.3%
Group	Sales (EURm)	681.4	753.3	812.2	880.3	958.9
	y-o-y ch.	6.9%	10.5%	7.8%	8.4%	8.9%
	Ex-franchise sales (EURm)	660.5	727.2	782.3	846.3	920.5
	y-o-y ch.	5.7%	10.1%	7.6%	8.2%	8.8%
	Number of stores	73	75	79	84	87
	Selling space (sq. m.) year-end	468,803	486,336	520,669	550,003	577,336
	Selling space (sq. m.) weighted average	455,830	477,794	501,583	533,058	562,142
	Sales per sq m (EUR)	1,495	1,577	1,619	1,651	1,706
	y-o-y ch.	5.8%	5.5%	2.7%	2.0%	3.3%
	Ex-franchise sales per sq. m. (EURm)	1,449	1,522	1,560	1,588	1,637
	y-o-y ch.	4.6%	5.0%	2.5%	1.8%	3.1%
	L-F-L sales growth y-o-y	6.1%	7.1%	4.2%	3.8%	4.9%
	Ex-franchise L-F-L sales growth y-o-y	4.9%	6.7%	4.0%	4.6%	4.8%

Source: Company data/Pantelakis Securities estimates

# Disclosure appendix

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<b>Neutral (Hold)</b>	16%	(0% of these provided with Investment Banking Services)
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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
15/01/2019	Rating: Overweight	Price: EUR13.80	Target Price: EUR20.00
13/03/2019	Rating: Overweight	Price: EUR14.88	Target Price: EUR20.00
17/07/2019	Rating: Overweight	Price: EUR17.92	Target Price: EUR20.00

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