

**Equity Research**

Oct 16, 2019

Companies Mentioned**Jumbo****Rating: Outperform****Target Price: €25.4****FY'18/19 Results Review**

Jumbo released its FY'18/19 results, with profitability standing in line with our estimates.

In more detail: Jumbo posted FY'18/19 EBITDA of €238mn, up 6.5% yoy (in line with Afe), mirroring top-line growth, while net profit reached €163mn, up 7.8% yoy (in line with our call). Gross margin eased by 30bps, standing at 52.2%, while EBITDA margin retreated by c40bps, mainly due to the strengthening of the USD against the EUR in our view (EUR/USD rate stood at 1.14 on average in FY'18/19, vs. 1.20 a year ago). Recall that Jumbo had pre-announced the sales figure, which came in 7.8% higher yoy at €812mn (Greece incl. exports and online +3.5%, Cyprus +c2%, Bulgaria +c9% and Romania >30%).

Net cash position rose further to €308mn, from €287mn in FY'17/18, despite the higher working capital requirements (mainly inventories). Hence, the company's management decided to distribute a total dividend of €0.47/share (2.7% yield / 20% higher yoy), which stands 12% above our forecast of €0.42. Note that Jumbo has already distributed an interim dividend of €0.19 per share, thus the remaining DPS stands at €0.28 (1.6% yield).

Moreover, Jumbo announced that sales in Q1'19/20 rose by 8.2% yoy, which stands above our full year estimates of 6.3% growth and management's guidance of 5%.

Presentation to analysts/fund managers highlights: In the presentation that Jumbo held this morning the management noted that it has already commenced investing in its distribution network towards a simpler and more efficient structure by 2021-22. Regarding Romania, they mentioned that consumption has not presented any signs of deterioration, with the disposable income still growing, however the rising inflation consists a drawback. As for Q1'19/20, Greece retained its previous quarters' growth rate, however, its contribution to full year results is not large, with Q2 being the most important. Finally, the management stated that transportation costs are hedged for 2020.

Our View: Jumbo reported strong FY'18/19 results with Greek operations presenting positive performance, despite the challenging macro environment. We believe that this is mainly attributed to the successful product mix in domestic stores, as well as to the increased penetration of e-commerce. At the same time, the company's international expansion plan is well on track with main focus in Romania, supporting growth. Note that Jumbo opened three new stores in Romania and one in Greece during 2018-19, while it aims to open another two stores in Romania, as well as one in Greece and one in Cyprus in 2019-20e. We remain positive on the stock, based on a) the company's growth outlook stemming from its increasing international exposure and b) its solid fundamentals that lead to considerable net cash position.

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P&L (€mn)	2017/18a	2018/19a	2018/19e	Δ. vs. AFe
Greece	489.0	505.9	505.9	
<i>yoy (%)</i>	<i>3.9%</i>	<i>3.5%</i>	<i>3.5%</i>	
Bulgaria	78.1	85.6	85.6	
<i>yoy (%)</i>	<i>20.8%</i>	<i>9.6%</i>	<i>9.6%</i>	
Cyprus	85.7	87.6	87.6	
<i>yoy (%)</i>	<i>6.2%</i>	<i>2.3%</i>	<i>2.3%</i>	
Romania	100.6	133.1	133.1	
<i>yoy (%)</i>	<i>53.3%</i>	<i>32.3%</i>	<i>32.3%</i>	
Revenues	753.3	812.2	812.2	
<i>yoy (%)</i>	<i>10.5%</i>	<i>7.8%</i>	<i>7.8%</i>	
Gross Profit	395.1	423.8	423.1	0.2%
<i>yoy (%)</i>	<i>11.2%</i>	<i>7.3%</i>	<i>7.1%</i>	
<i>margin (%)</i>	<i>52.5%</i>	<i>52.2%</i>	<i>52.1%</i>	
Greece	130.9	135.5	133.1	
<i>yoy (%)</i>	<i>5.5%</i>	<i>3.5%</i>	<i>1.7%</i>	
<i>margin (%)</i>	<i>26.8%</i>	<i>26.8%</i>	<i>26.3%</i>	
Bulgaria	24.0	26.1	25.4	
<i>yoy (%)</i>	<i>24.2%</i>	<i>8.7%</i>	<i>5.6%</i>	
<i>margin (%)</i>	<i>30.8%</i>	<i>30.5%</i>	<i>29.8%</i>	
Cyprus	30.3	30.8	30.5	
<i>yoy (%)</i>	<i>8.2%</i>	<i>1.6%</i>	<i>0.7%</i>	
<i>margin (%)</i>	<i>35.3%</i>	<i>35.1%</i>	<i>34.9%</i>	
Romania	36.1	45.9	46.5	
<i>yoy (%)</i>	<i>53.7%</i>	<i>26.9%</i>	<i>28.6%</i>	
<i>margin (%)</i>	<i>35.9%</i>	<i>34.4%</i>	<i>34.8%</i>	
EBITDA	223.6	238.2	235.4	1.2%
<i>yoy (%)</i>	<i>14.7%</i>	<i>6.5%</i>	<i>6.4%</i>	
<i>margin (%)</i>	<i>29.7%</i>	<i>29.3%</i>	<i>29.0%</i>	
PBT	197.9	211.3	210.9	0.2%
<i>yoy (%)</i>	<i>14.1%</i>	<i>6.8%</i>	<i>6.6%</i>	
Net income	151.1	162.9	162.4	0.3%
<i>yoy (%)</i>	<i>15.3%</i>	<i>7.8%</i>	<i>7.5%</i>	

Source: Jumbo, Alpha Finance estimates

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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	€7.94	Official close @	15 October 2019	none
Alpha Bank	ACBr.AT	Restricted	€1.72	Official close @	15 October 2019	4
Jumbo (Babyland)	BABr.AT	Outperform	€17.35	Official close @	15 October 2019	none
Piraeus Bank	BOPr.AT	Neutral	€3.00	Official close @	15 October 2019	3
PPC	DEHr.AT	Outperform	€3.07	Official close @	15 October 2019	none
ADMIE	ADMr.AT	Under Review	€2.05	Official close @	15 October 2019	3
Eurobank EFG	EURBr.AT	Neutral	€0.88	Official close @	15 October 2019	3
Hellenic Exchanges	EXCr.AT	Outperform	€4.45	Official close @	15 October 2019	none
Athens Water	EYDr.AT	Under Review	€7.78	Official close @	15 October 2019	none
Fourlis	FRLr.AT	Outperform	€5.32	Official close @	15 October 2019	none
Ellaktor	HELr.AT	Outperform	€1.79	Official close @	15 October 2019	none
Hellenic Petroleum	HEPr.AT	Outperform	€8.38	Official close @	15 October 2019	none
Gek	HRMr.AT	Outperform	€6.60	Official close @	15 October 2019	3
Motor Oil	MORr.AT	Outperform	€21.04	Official close @	15 October 2019	none
Mytilineos	MYTr.AT	Outperform	€9.70	Official close @	15 October 2019	none
National Bank	NBGr.AT	Outperform	€2.76	Official close @	15 October 2019	3
PPA (OLP)	OLPr.AT	Under Review	€22.45	Official close @	15 October 2019	none
TPA (OLTH)	OLTr.AT	Under Review	€27.00	Official close @	15 October 2019	none
Opap	OPAr.AT	Outperform	€9.54	Official close @	15 October 2019	3
OTE	OTEr.AT	Outperform	€13.28	Official close @	15 October 2019	3
Terna Energy	TENr.AT	Outperform	€7.25	Official close @	15 October 2019	none
Titan	TITCr.AT	Under Review	€18.00	Official close @	15 October 2019	none
Thessalonica Water	TWSr.AT	Under Review	€4.96	Official close @	15 October 2019	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. '11	6/40	15.0%	
	Neutral N	(5%) < TRP ¹ < +5%					5/40	12.5%	
	Underperform U/P	TRP ¹ < (5%)	TRP ¹ < (15%)				0/40	0.0%	
	Restricted (G) R(G)	Alpha Finance belongs to the same group of companies						1/40	2.5%
	Restricted (IB) R (IB)	Alpha Finance is currently rendering investment banking services						0/40	0.0%
	Under review UR/ Not rated NR	No rating currently available						29/40	72.5%

Source: Alpha Finance | Data as of 31.12.18 | 1: Total Return Potential (=capital return + dividend yield) | 2: except otherwise stated | 3: Percentage of companies under coverage within this category as of 31.12.18 | 4: Percentage of companies within this rating category for which investment banking services were provided over the past 12 months, as of 31.12.18. 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 50 companies accounting as of 31.12.18 for 84.9% 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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