



**General Retail**  
Equity – Greece

**Overweight**

Target price (EUR)	20.00
Share price (EUR)	14.29
Potential return (%)	40

Reuters	BABr.AT
Bloomberg	BELA GA
Market cap (USDm)	2,115
Market cap (EURm)	1,944
Enterprise value (EURm)	1,604
Free float (%)	77

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# Jumbo

Well placed to weather the virus crisis

- ▶ **Jul-Dec 2019 comparable net profit +16% y-o-y to EUR115m (7% beat), on solid Romania and gross margin expansion**
- ▶ **FCF up 16% y-o-y to EUR168m, but end-2019 net cash eases 13% to EUR340m burdened by EUR106m lease liabilities**
- ▶ **Blurred 2020 outlook since 2-month store closure sales blow alone could push net profit 17% lower y-o-y to EUR148m**

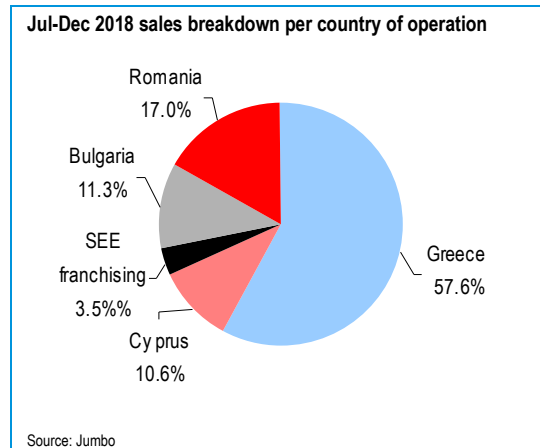
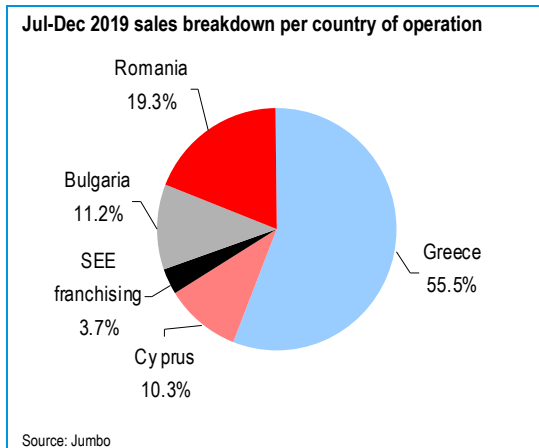
An impeccable July-December 2019 performance, as comparable net income (ex-IFRS 16) grew 16% y-o-y to EUR114.6m, coming 7% above our EUR107.5m call thanks mostly to a surprisingly solid gross margin (+35bps to 51.1%, almost 0.1pp stronger vs PSe). Despite deteriorating WC needs (+16% y-o-y to EUR267m, ie at 53.1% of sales from 48.3% at end-December 2018), FCF (after EUR5.7m financial leases capital/interest payments) jumped 25% y-o-y to EUR168.6m. Incorporating EUR106.6m lease liabilities, end-December net cash eased 13% y-o-y to EUR339.8m from EUR392m a year ago (and EUR287.3m in FY19 to 30 June), now making up >17% of market cap (or EUR2.5/sh). Actually, adjusting for ex-IFRS 16 impact, July-December 2019 net cash grew 14% higher y-o-y to EUR446.5m vs our estimates of EUR406.6m.

In the midst of Covid-19 turmoil, FY20 outlook is as blurred as ever on thin earnings visibility. And while Jumbo is gearing up to open its domestic retail network on 11 May, the 2-month store shutdown, which started on 13 March in Greece (a bit later regarding foreign ops), dealt a severe EUR107m blow of group sales, we estimate. This alone, not to mention a likely scenario of declining y-o-y sales for the remainder of the year (as suggested by management in this new Covid-19 era), on worsening macro backdrop, could alone drive, *ceteris paribus*, FY20e net earnings 17% lower y-o-y to EUR148.1m.

**Jumbo: July-December 2019a group results (31 Dec, EURm)**

Key P&L items	Jul-Dec 2018a	Jul-Dec 2019a	y-o-y ch.	Jul-Dec 2019e	vs PSe
Greece sales	291.4	303.3	4%	303.1	
Cyprus sales	50.5	53.0	5%	52.6	
Bulgaria sales	53.7	57.4	7%	57.5	
Romania sales	81.1	98.8	22%	99.3	
<b>Group Sales</b>	<b>476.8</b>	<b>512.5</b>	<b>7.5%</b>	<b>512.5</b>	
<b>Gross Profit</b>	<b>242.1</b>	<b>262.1</b>	<b>8%</b>	<b>257.4</b>	<b>2%</b>
Gross Margin	50.8%	51.1%	+35bps	50.2%	+92bps
<b>EBITDA</b>	<b>140.4</b>	<b>161.1</b>	<b>15%</b>	-	
EBITDA Margin	29.4%	31.4%			
<b>Comparable EBITDA</b>	<b>140.4</b>	<b>156.1</b>	<b>11%</b>	<b>148.3</b>	<b>5%</b>
EBITDA Margin	29.4%	30.4%		28.9%	
<b>Net Profit</b>	<b>98.7</b>	<b>113.5</b>	<b>15%</b>	-	
Net Margin	20.7%	22.1%			
<b>Comparable Net Profit</b>	<b>98.7</b>	<b>114.6</b>	<b>16%</b>	<b>107.5</b>	<b>7%</b>
Net Margin	20.7%	22.4%		21.0%	

Source: Jumbo/Pantelakis Securities estimates Note: July-December 2019 accounts incorporate the adoption of IFRS 16 on leases



Still, even on such earnings, Jumbo looks attractively priced trading 13.1x 2020e P/E and 7.5x EV/EBITDA, while sitting on a massive cash pile. On top, thanks to its defensive qualities, excellent (recession proof) track record and robust balance sheet, Jumbo seems well placed to weather the coronavirus crisis, we believe.

Switching our focus back into the six-month results ending 31 December, group sales (pre-announced on 21 January) advanced 7.5% y-o-y to EUR512.5m, compared to EUR476.8m in the same period a year ago. This suggests a marginal slowdown in the key Christmas season vs the 8%-plus top-line growth witnessed during July-November 2019. Despite tough base effects, Romania jumped 22% y-o-y to EUR98.8m (contributing 49% of incremental sales vs Greece's 27%), on the back of one new hyperstore opening (Brasov/14,000 sq. m.) last November. And sales generated in Greece – ie excluding franchising in SEE (Albania, Kosovo, Serbia, North Macedonia, Bosnia & Herzegovina and Kosovo), which expanded by 12% y-o-y to EUR18.9m – were up 4% to EUR284.3m, vs 2%-plus expansion in FY19 (01/07/18-30/06/19), mirroring a modest domestic trading improvement. In turn, July-December sales in Bulgaria grew by a good 7% y-o-y to EUR57.4m, with Cyprus picking momentum, up 5% to EUR53.5m. In this context, Greece represented 55% of total sales in the respective period with Romania making up 19%, Bulgaria 11%, Cyprus 10% and SEE franchise activity 4%.

At a reported (but not comparable) level – ie adopting the new accounting standards – group EBITDA grew 15% y-o-y to EUR161.1m, while pre-tax income rose by a lesser 12% to EUR142m due to inflated financial costs. The adoption of the new lease accounting standards (which kicked-off in January 2019) trimmed some EUR1.1m off net income. In fact, the IFRS 16 introduction inflated assets with the right-of-use assets EUR114.1m and debt levels by EUR106.6m lease liabilities, but also triggered an increase of EUR5.1m in EBITDA, which, in turn, was offset by higher depreciation charges, leaving some EUR1.5m of extra financial costs linked to interest expense on lease liabilities.

Given an uncertain 2020 outlook for both domestic and overseas operations, Jumbo seems keen to put on hold its retail network expansion programme, which called for two additional store launches this year: one in Romania (Craiova) and one Greece. This means Jumbo should continue to run a network of 80 outlets by end-December 2020: Greece 52, Romania 14, Bulgaria 9 and Cyprus 5. As a reminder, Jumbo trades ex-final DPS of EUR0.062 (a 0.4% yield) on 1 June. Total remuneration for the six months ending 31 December reached EUR0.282/share, implying a yield of 2% on Thursday's close.

Jumbo: July-December 2019a group results - IFRS 16 impact (31 December, EURm)

	IAS 17 Jul-Dec'18a	IFRS 16 Jul-Dec'19a	y-o-y ch.	IFRS 16 impact		IAS 17 Jul-Dec'19e	vs PSe
				diff.	diff. %		
<b>Greece sales</b>	<b>291.4</b>	<b>303.3</b>	<b>4%</b>			<b>303.1</b>	<b>0%</b>
o/w franchise activity in SEE	16.9	18.9	12%			20.3	-7%
Greece ex-franchising	274.6	284.3	4%			282.8	1%
<b>International sales</b>	<b>185.3</b>	<b>209.3</b>	<b>13%</b>			<b>209.4</b>	<b>0%</b>
<b>Group Sales</b>	<b>476.8</b>	<b>512.5</b>	<b>7.5%</b>			<b>512.5</b>	<b>0%</b>
COGS	(234.6)	(250.4)	7%			(255.2)	-2%
<b>Gross Profit</b>	<b>242.1</b>	<b>262.1</b>	<b>8%</b>			<b>257.4</b>	<b>2%</b>
Gross Margin	50.8%	51.1%	+35bps			50.2%	+92bps
Other Operating Income	(0.3)	1.2				(0.3)	
Administrative Expenses	(13.3)	(14.8)	11%			(13.9)	6%
% of sales	2.8%	2.9%				2.7%	
Selling Expenses	(88.1)	(87.4)	-1%	5.1	-5%	-	n/a
% of sales	18.5%	17.0%					
Comparable Selling Expenses	(88.1)	(92.4)	5%	-		(94.8)	-3%
% of sales	18.5%	17.0%				18.5%	
<b>Total SG&amp;A Expenses</b>	<b>(101.5)</b>	<b>(102.2)</b>	<b>1%</b>	<b>5.1</b>	<b>-5%</b>	<b>-</b>	<b>n/a</b>
% of sales	21.3%	19.9%					
<b>Comparable Total SG&amp;A Exp.</b>	<b>(101.5)</b>	<b>(107.2)</b>	<b>6%</b>	<b>-</b>		<b>(108.7)</b>	<b>-1%</b>
% of sales	21.3%	19.9%				21.2%	
<b>EBITDA</b>	<b>140.4</b>	<b>161.1</b>	<b>15%</b>	<b>5.1</b>	<b>3%</b>	<b>-</b>	<b>n/a</b>
EBITDA Margin	29.4%	31.4%					
<b>Comparable EBITDA</b>	<b>140.4</b>	<b>156.1</b>	<b>11%</b>	<b>-</b>		<b>148.3</b>	<b>5%</b>
EBITDA Margin	29.4%	30.4%				28.9%	
Depreciation	(12.8)	(18.3)	42%	(5.1)	38%	-	n/a
Comparable Depreciation	(12.8)	(13.2)	3%	-		(13.3)	-1%
<b>EBIT</b>	<b>127.5</b>	<b>142.9</b>	<b>12%</b>	<b>0.0</b>	<b>0%</b>	<b>-</b>	<b>n/a</b>
EBIT Margin	26.7%	27.9%					
<b>Comparable EBIT</b>	<b>127.5</b>	<b>142.9</b>	<b>12%</b>	<b>-</b>		<b>135.0</b>	<b>6%</b>
EBIT Margin	26.7%	27.9%				26.3%	
Net Financials	(1.0)	(2.4)	135%	(1.5)	171%	-	n/a
Comparable Net Financials	(1.0)	(0.9)	-13%	-		(1.0)	-15%
<b>EBT</b>	<b>126.5</b>	<b>140.5</b>	<b>11%</b>	<b>(1.5)</b>	<b>-1%</b>	<b>-</b>	<b>n/a</b>
EBT Margin	26.5%	27.4%					
<b>Comparable EBT</b>	<b>126.5</b>	<b>142.0</b>	<b>12%</b>	<b>-</b>		<b>133.9</b>	<b>6%</b>
EBT Margin	26.5%	27.7%				26.1%	
Taxation	(27.8)	(27.0)	-3%			(26.4)	2%
Effective Tax Rate	22.0%	19.2%				19.7%	
<b>Net Profit</b>	<b>98.7</b>	<b>113.5</b>	<b>15%</b>	<b>(1.1)</b>	<b>-1%</b>	<b>-</b>	<b>n/a</b>
Net Margin	20.7%	22.1%					
<b>Comparable Net Profit</b>	<b>98.7</b>	<b>114.6</b>	<b>16%</b>	<b>-</b>		<b>107.5</b>	<b>7%</b>
Net Margin	20.7%	22.4%				21.0%	
Right-of-use assets	-	114.1		114.1			
Long-term lease liabilities	-	98.2		98.2			
Short-term lease liabilities	-	8.4		8.4			
<b>Net Debt/(Cash)</b>	<b>(392.0)</b>	<b>(339.8)</b>	<b>-13%</b>	<b>106.6</b>	<b>-24%</b>	<b>(406.6)*</b>	<b>*ex-IFRS 16</b>

Source: Jumbo/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
16/10/2019	Rating: Overweight	Price: EUR17.35	Target Price: EUR20.00

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Jumbo	BABr.AT/BELA GA	EUR14.29	30-April-2020	3

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