



Jumbo

Company Update / FY2019 Results Review

Safe Play in the Post COVID-19 Era

08 July 2020

Resilient Business Model that should outperform the market in post COVID-19 era

The pandemic of COVID-19 and the measures taken by the Governments in the countries where Jumbo operates resulted in the suspension of Jumbo's operations in all of its geographical segments for a two (2) months period; even now after the reopening of the stores in most of the countries, as of 11-May-2020, there were still disruptions in Group's operations, since two (2) stores in Cyprus remained closed until June, due to their location in shopping malls. Due to the negative impact of the pandemic, we proceed with a downgrade of our estimates for Jumbo for FY 2020-2022 period, while we reduce our target price at €18.50/share vs. €21.50, before; despite the limited upside potential to our target price we believe that due to the resilience of Group's business model, Jumbo should swiftly recover from the crisis; as a result, we retain an Outperform rating on the stock. In our view Jumbo's business model may be proved to be partially immune into the crisis due to i) strong Net Cash position that came in at €331mn at the end of December 2019, ii) during the 10-year crisis in Greece, Jumbo constantly outperformed the market recording market share gains, iii) as of 2021 Jumbo could reinitiate its expansion program thus enhancing its store network, especially in Romania, which should allow the Group to return in a strong growth momentum and iv) management's guidance that the largest part of Group's rental costs are directly related to turnover, which partially safeguards Group's EBITDA margin.

Valuation / Three-Year Outlook

We are modelling decreased sales by 12.8% for FY 2020 period taking into account the loss of 46 trading days in Greece and assuming an outperformance compared to the rest of the market for the seven (7) months of 2020. Our DCF-P/E derived target price reflects a targeted 2021E P/E of 14.6x broadly in line with Group's 10-years historical average of 14.0x. We are modeling Sales, EBITDA (pre-IFRS 16) and NI CAGRs of 2.7%, 2.4% and 3.9%, respectively, in the 2020-2022 period. We do not include in our estimates any new openings in Group's markets, as of 2021, but we retain our Capex at c. €45mn/year, since the crisis creates opportunities for potential acquisitions of real estate in countries like Romania; on the gross profit margin front we are modeling gross profit margin contraction of 50bps for the current FY. Pre-IFRS 16, we expect the EBITDA margin to stand at circa 25.6% for FY 2020 returning to FY 2019 levels, as of 2021. We are modelling an effective tax rate of 20.6% for FY 2020.

Strong Set of FY 2019 (01/07-31/12) results – FY 2020 DPS of €0.47

Jumbo announced a strong set of FY19 (6M) results in line with estimates with better EBITDA due to implementation of IFRS 16 accounting standards. FY 19 (6M) sales came in at €512.5mn up 7.5%, y-o-y. EBITDA came in at €161.3mn, up 15%, beating our estimate by 4.2%. Net Profit for the period stood at €113.5mn, increased by 14.9%, y-o-y, in line with our estimate; Back in September the Group proposed the payment of a final dividend amounting to EUR 0.28/share, out of which €0.22/share was paid in 2019; the remaining amount of €0.062/share was paid in June 2020 (x-date 01-June-2020). During the recent EGM, management guided for a proposed FY 2020 DPS of €0.47, out of which €0.235/share was already paid as interim dividend for FY 2020 (x-date 30-June).

Fundamentals (€ m)	2018/2019	2020F	2021E	2022E
Sales	812.18	739.15	827.31	879.65
EBITDA (pre-IFRS 16)	238.19	189.57	239.69	255.59
Net Profit	162.87	129.13	171.45	182.63
EPS (€)	1.20	0.95	1.26	1.34
DPS (€)	0.47	0.47	0.56	0.65
FCF yield (%)	3.2%	2.8%	5.3%	5.9%
Net Cash (€) – pre-IFRS 16	307.70	308.69	380.24	450.21
Valuation ratios	2018/2019	2020F	2021E	2022E
P/E (x)	14.20	17.98	13.54	12.71
EV/Sales (x)	2.73	2.72	2.35	2.13
EV/EBITDA (x)	9.30	10.62	8.10	7.32

Ratios are computed on recurring earnings, closing prices until 2018/19 and last close thereafter

Rating:	Outperform (unchanged)
Target Price:	€18.50 (from €21.50)
Last closing Price (07 July):	€17.06
Total Expected Return:	11.3%

Company data				
RIC	BABr.AT			
Market Cap.	2,321			
Shares Outstanding	136.06			
Free float	73.24%			
Average daily volume	196,200			
Absolute performance over				
	1m	6m	12m	y-t-d
	3.8%	-7.1%	-9.3%	-8.0%
Relative to the Athens General Index				
	1m	6m	12m	y-t-d
	10.1%	33.3%	26.0%	30.9%



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Note: Jumbo's fiscal year ended in June until 2019 – FY matches CY as of 2020

CC Highlights for FY 2019 (6M) Results, AGM & Latest Developments

Back on 5-May-2020, Jumbo's management held a CC on FY19 (6M) results, while it informed the investment community on the key issues related to Covid-19 impact on Group's operations. An AGM followed on 27-May-2020. Key highlights are the following:

- **Jumbo announced the payment of an interim dividend payment of €0.235/share** (x-date on 30-June) which accounts for a total amount of €31.97mn; the interim dividend was approved by the EGM that will take place on 25-June-2020; in addition, management announced that the FY 2020 dividend will shape at €0.47/share, which implies a final dividend for FY 2020 of €0.235/share.
- **Jumbo's stores in Greece opened their gates on 11-May-2020** with the exemption of one (1) store at Avenue Mall; 3 out of the 5 stores in Cyprus opened their gates, as of 04-May-2020; all stores in Greece/Cyprus, as well as in the Balkans are currently open; during the crisis Romanian/Bulgarian stores posted decreased sales by c. 45%
- **Current Trading:** After the lockdown, Greek stores posted increased sales in the double digit; all stores in Romania are open at the moment recording similar growth rates to Greece; in Cyprus 3/5 stores opened, since 4-May posting flat sales y-o-y, implying significant increase on a l-f-l basis vs. last year period when all five (5) stores were up and running. At the moment all stores in Cyprus are fully operational. **All in all during May 2020, Jumbo's sales posted an impressive double digit growth (13.6%) y-o-y, especially taking into account that Greek stores were closed until 11-May; during the 5M period, Group's sales were decreased by c. 23% y-o-y; the Group has recently announced that June's sales were increased by 5.8% y-o-y, while during the 1H2020 sales stood at €278.8mn decreased by 16.9% y-o-y. Jumbo started the year well posting increased sales of 13% and 23% in January and February, respectively; during the lockdown, Jumbo posted decreased sales by 51% in March and by 86% in April**
- **In terms of top line taking into account 6M sales pre-announcement and assuming that there will be no new outbreak of the pandemic during the autumn period, our estimates indicate that 2H2020 sales should come in at €460.35mn implying a decrease of 10.2% y-o-y; all in all for the FY 2020 period, we estimate that FY sales should shape at €739.15mn decreased by 12.8% y-o-y**
- **All in all management considers 2020 as a lost year and remains extremely cautious for the remainder of the year taking into account that we have not yet seen the full impact in consumption**
- **Capex:** The Group did not provide any guidance on Capex, since its investment program may experience delays/cancellations in 2020; however, it reiterated its intention for the opening of fifteen (15) stores in Romania during the next 5 years. It also highlighted that the crisis creates opportunities in the real estate market of Romania that could be exploited by the Group through the acquisition of new stores at reasonable prices. The Group has recently completed the acquisition of a logistics center at Thebes, Greece, with an estimated value of €25mn.
- **Cost Base:** Management highlighted that large part of personnel wages were subsidized by the Greek State, while in terms of rents, in 80% of rented stores rental cost is variable, since it is paid as % of revenues; the Group operates c. 35 rented stores and as a result in 28 of them rent is related to revenues; in the other 7 stores the Management intends to renegotiate the rental fee
- **In terms of cost base we notice the following:** In the period from 01/07/2018 until 30/06/2019 the Group reported SG&A expenses of 217mn with €106mn classified as payroll expenses, €17.2mn as rental fees and €10mn as advertising; assuming that payroll expenses and rental fees were largely subsidized by the Government during the lockdown and that advertising costs were effectively eliminated, the remaining amount of €94mn can be classified as fixed cost, which implies a total burden of €15.6mn for the two months of the closing period, as per our estimates
- **Online: Pre-Covid 19 e-commerce generated c. 2.5% of sales in Greece; during the pandemic e-commerce raised at c. 5% of Greek sales; the Group plans to retain e-commerce in Greece at these levels, while it will expand its online offerings to Cyprus and by early 2021 in Romania, which has great potential with an initial target to generate c. 10% of Group's sales in the country, due to the still limited physical presence in the country. e-store posted increased sales by 120% y-o-y during the lockdown, while after the lockdown its run rate stands at 30% y-o-y; All in all, we point-out that overall Jumbo's strategy is to service its customers on stores and to maximize revenues through the increase of the avg basket size**
- **Competition:** Management does feel that competition will evaporate due to COVID-19; In terms of consumer behavior Jumbo remains popular in Greece, since it continues to enjoy its previous success
- **Supply Chain Management:** Current trading indicates that large part of summer inventories will be sold to the final consumers, thus allowing the Group to proceed with new orders towards the end of the year. We also point out that at the moment, there is no disruption in the supply chain from China and orders proceed as they were originally planned.

Changes to estimates

Following the outbreak of the pandemic, Jumbo's stores suspended their operations in all the geographical segments of the Group; Jumbo's stores opened their gates in Greece, as of 11-May and as of 4-May in Cyprus. We point out that the seasonally important period for the Group lies in December that accounts for 28% of Group's FY sales. We are modeling Sales, EBITDA (pre-IFRS 16) and NI CAGRs of 2.7%, 2.4% and 3.9%, respectively, in the 2020-2022 period. We do not include in our estimates any new openings in Group's markets, as of 2020; on the gross profit margin front we are modeling gross profit margin contraction of 50bps for the current FY

The following table summarizes the changes to our estimates.

Exhibit 1: Chng in Est.	OLD	NEW	OLD	NEW	OLD	NEW
P&L (in Euro m)	FY-20 e	FY-20 e	FY-21 e	FY-21 e	FY-22 e	FY-22 e
Turnover	872.42	739.15	931.97	827.31	1,030.19	879.65
% chng	na	-15.3%	na	-11.2%	na	-14.6%
EBITDA (pre-IFRS 16)	251.55	189.57	269.75	239.69	297.31	255.59
% chng	na	-24.6%	na	-11.1%	na	-14.0%
EBIT	223.84	161.87	240.54	210.99	249.60	223.88
% chng	na	-27.7%	na	-12.3%	na	-10.3%
Net Profit	180.18	129.13	196.42	171.45	203.33	182.63
% chng	na	-28.3%	na	-12.7%	na	-10.2%
EPS	1.32	0.95	1.44	1.26	1.49	1.34
% chng	na	-28.3%	na	-12.7%	na	-10.2%

Source: Piraeus Securities

Valuation

We value Jumbo by employing a Discounted Cash Flow model, using explicit forecasts for the 2020-22 period. Our risk free rate stands at 4%, with our equity risk premium at 5.5%; as a result our total market return stands at 9.5%. Our leveraged beta for the Group stands at 1.0, with our Cost of Equity shaping at 9.7%. Our WACC stands at 8.6%.

Our 10-year sales CAGR stand at 5.6% (2.7% for the explicit period's CAGR and 4.5% for the non-explicit period). In terms of Operating Profitability, our 10-year CAGR stands at 6.1% (1.8% for the explicit period and 3.1% for the non-explicit period).

We use a combination of DCF method and P/E multiples to derive our target price. Our DCF model generates a target price of EUR 19.39/share with the implied P/E ratio for 2021 standing at 15.2x, above Group's 10-years historical average of 14.0x. Our targeted P/E ratio for 2021 projected earnings stands at 14.0x (in line with Group's 10-years historical average) with a derived target price of EUR 17.20/share. The average of the two methods derives a target price of EUR 18.50/share with a targeted P/E of 14.6x Group's 2021 projected earnings. Our target price implies an upside potential of 8.5% from current levels.

A summary of our assumptions of the DCF valuation method can be found in the following table.

Exhibit 2: DCF / Multiples Valuation

Year	2020 e	2021 e	2022 e	2023 e	2024 e	2025 e	2026 e	2027 e	2028 e	2029 e	2030 e	TV
After tax EBIT	130	171	181	192	204	210	215	220	227	233	238	238
Less: Working Capital additions	43	28	26	26	27	27	26	25	23	21	18	0
Plus: depreciation	28	29	32	34	36	37	38	38	40	41	42	0
Less: Cap ex	44	44	44	44	44	44	44	44	44	44	44	0
Free Cash Flow	69	127	143	155	168	176	182	189	199	209	217	238
Discounted Free Cash Flow	69	117	121	121	121	116	111	106	103	100	95	0
WACC	8.6%											
Sum of PV of Cash Flows (2021-2030)	1,112											
Perpetuity Growth	0.00%											
PV of Residual Value	1,218											
Firm Value	2,330											
Less: Net debt June 2020	-309											
Less: Minority rights 2020 (P/BV)	0.00											
Plus: Participations 2020	0.00											
Equity Value	2,639											
DCF 12M Target Price	19.39											
Targeted P/E multiple at 13.6x	17.62											
Average	18.50											
Upside Potential	8.5%											
Dividend yield	2.8%											
Total Investors' Return	11.2%											

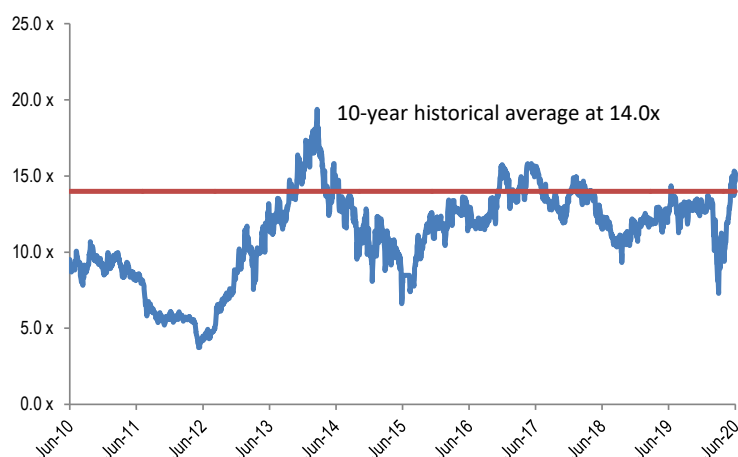
Source: Piraeus Securities

Jumbo trades at 4% discount vs. Group's 10-years historical average based on our 2021 P/E estimate

At current levels and based on our 2021 estimates, Jumbo trades at 4.0% discount vs. Group's 10-year historical average of 14.0x. Taking into account that the Group will restart its investment program by adding new stores in 2021, we could see Jumbo trade even above the Group's historical average since the market will factor in the Group's healthy balance sheet, the increased penetration into foreign markets and more importantly its strong position in the Greek market due to continuous market share gains. As a result we remain buyers at current levels.

In the following graph, we show Jumbo's historical 12-month forward P/E.

Exhibit 3: Jumbo's Next 12 Months Forward P/E



Jumbo Trades at 46.4% Discount vs. Eurostoxx Retail Index, above the average discount over the last 10 years

In our view there is no global peer group for Jumbo due to the Company's unique business model and diverse product portfolio. Since Jumbo could be classified as a hyper-store, we use as proxy the Eurostoxx Retail Index. At current levels Jumbo trades at a 46.4% discount vs. the Eurostoxx Retail Index based on FY 2021 projected earnings, which stands above its average 24% discount over the last 10 years. Since Jumbo trades at deep discount over Eurostoxx Retail Index and taking into account the possibility for a sharp recovery in 2021, we retain our Outperform rating on the stock.

The following table shows how Jumbo compares to large retail Groups and Eurostoxx Retail Index.

Exhibit 4: Jumbo vs. Large Retail Chains/Eurostoxx

Company	Company's Market Cap	change y-t-d	P/E 2020	P/E 2021	P/E 2022	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBITDA 2022
Jumbo S.A.	2,321.2	-8.03%	17.2 x	13.3 x	11.9 x	8.8 x	6.7 x	6.0 x
Carrefour SA	11,172.8	-8.60%	11.2 x	10.1 x	9.3 x	3.0 x	2.7 x	2.4 x
Marks and Spencer Group plc	2,047.7	-58.32%	12.7 x	7.3 x	6.0 x	5.7 x	5.0 x	4.2 x
Next plc	7,073.7	-35.76%	44.9 x	13.9 x	11.9 x	17.0 x	9.1 x	8.4 x
Kingfisher Plc	5,290.3	-2.10%	13.9 x	12.1 x	10.6 x	4.3 x	4.0 x	4.5 x
Wal-Mart Stores, Inc.	318,565.0	6.25%	25.4 x	23.4 x	21.8 x	12.2 x	11.9 x	11.4 x
Eurostoxx Retail Index			33.7 x	24.7 x	20.7 x			
Average discount/premium vs. Index			-48.9%	-46.4%	-42.7%			
Source: Factset, Piraeus Securities								

FT 2019 Results (01/07-31/12) – Key Highlights

Jumbo announced a strong set of FY19 (6M) results in line with estimates with better EBITDA due to implementation of IFRS 16 accounting standards

The following table summarizes FY 2019 results (sub-twelve period) vs. our estimates:

Exhibit 5: FY 2019 (sub-twelve period) Results vs. Estimates

Jumbo Estimates	1H18/19	FY 2019 (6M)	FY 2019 (6M)	Act vs Pir
Turnover (€ m)	476.8	512.5	512.5	0.0%
% Change	7.6%	7.5%	7.5%	
Gross Profit	242.1	262.1	261.9	0.1%
% Change	8.6%	8.2%	8.1%	
% margin	50.8%	51.1%	51.1%	
EBITDA(€ m)	140.3	161.3	154.8	4.2%
% Change	7.5%	15.0%	10.3%	
% margin	29.4%	31.5%	30.2%	
Net Profit (€ m)	98.7	113.5	112.8	0.7%
% Change	9.2%	14.9%	14.2%	
% margin	20.7%	20.7%	20.7%	
EPS	0.73	0.83	0.83	

Source: Company Reports, Piraeus Securities

FY Sales – Strong growth across all geographical segments

For FY 2019 (sub-twelve period), sales came in at €512.5mn up 7.5%, y-o-y. For the FY (6M) period, sales in Greece came in at €303.3mn up 4.1%, while sales in Cyprus stood at €53mn up 5.0%. Sales in Bulgaria reached €57.4mn increased by 6.9%, while Romania continued to advance, recording sales of €98.8mn, increased by 21.8%. We point out the increased weight of Romanian sales that reached 19.3% of Group's sales vs. 17% the year ago period.

The following table shows FY 2019 sales on per country basis.

Exhibit 6: Sales per Country

Sales Country Mix	1H18/19	1H19/20
Greece	291.4	303.3
% Change	2.9%	4.1%
% total	61.1%	59.2%
Cyprus	50.5	53.0
% Change	2.1%	5.0%
% total	10.6%	10.3%
Bulgaria	53.7	57.4
% Change	9.0%	6.9%
% total	11.3%	11.2%
Romania	81.1	98.8
% Change	33.1%	21.8%
% total	17.0%	19.3%
Total	476.8	512.5
% Change	7.6%	7.5%

Source: Company Reports, Piraeus Securities

Increased Gross Profit margin for the FY period

During the FY period, gross Profit came in at €262.1mn, up 8.2%, in line with our estimate, while it recorded gross profit margin expansion by 30bps benefited by lower freight rates. We point out the pressure on the gross profit margin front in the Balkans, which was more than offset by increased gross profit margin by c. 100bps in Greece. This along with the increased weight of Greece led to a gross profit margin expansion by c. 30 bps y-o-y.

The following graph show the gross profit margin development on a per country basis.

Exhibit 7: Gross Profit per Country

Country Mix - Gross Profit	1H17/18	1H18/19	1H19/20
Greece	141.7	148.1	157.2
% Change	0.7%	4.5%	6.2%
% Gross margin	50.0%	50.8%	51.8%
Cyprus	25.1	25.6	26.9
% Change	4.0%	2.2%	4.7%
% Gross margin	50.7%	50.8%	50.7%
Bulgaria	24.7	27.1	28.5
% Change	22.6%	9.6%	5.2%
% Gross margin	50.2%	50.5%	49.7%
Romania	31.4	41.3	49.5
% Change	51.4%	31.3%	19.9%
% Gross margin	51.5%	50.9%	50.0%
Total	223.0	242.1	262.1
% Change	8.4%	8.6%	8.2%
% Gross margin	50.3%	50.8%	51.1%

Source: Company Reports, Piraeus Securities

Higher than expected EBITDA due to IFRS 16

EBITDA came in at €161.3mn, up 15%, beating our estimate by 4.2%. The beat to our estimate is attributed to higher than expected depreciation charges due to the implementation of IFRS 16 accounting standards

Strong bottom line

Net Profit for the period stood at €113.5mn, increased by 14.9%, y-o-y, in line with our estimate; bottom line was benefited by increased EBITDA and a lower effective tax rate that shaped at 19.2% vs. 22% the year ago period, due to a lower corporate tax rate in Greece (24% vs. 28% before); this was partly offset by higher financial expenses by c. €1.5mn attributed to IFRS 16

Net Cash Position of €331mn

The Group recorded a strong Net Cash position of EUR 331.41mn that accounts for 15.2% of Group's current market cap. OCF for the period came in at €195.122mn, vs. €157.87mn the year ago period, benefited by increased operating profitability; this was reflected in strong FCF generation for the period that stood at €171.89mn vs. €135.61mn the year ago period, while Capex requirements remained broadly flat y-o-y at €23.7mn

New store openings transferred for 2021

In November 2019, the Company opened a new store at Brasov, Romania (14,000 square meters) reaching a total network of 80 stores in four countries (52 stores in Greece, 5 in Cyprus, 9 in Bulgaria and 14 in Romania). The Group did not provide any guidance on Capex, since its investment program may experience delays/cancellations in 2020; however, it reiterated its intention for the opening of fifteen (15) stores in Romania during the next 5 years. It also highlighted that the crisis creates opportunities in the real estate market of Romania that could be exploited by the Group through the acquisition of new stores at reasonable prices.

Macro Data: Jumbo is well positioned to take the full benefit from a V-shape recovery in 2021

IMF's latest macro projections point out to a V-shape recovery for FY 2021 in most of the countries after a deep recession in 2020. We point out that these projections incorporate the effective containment of the pandemic this summer, which will not lead to a new lockdown, as of autumn 2020. The V-shape recovery is clearer in the Balkans and Cyprus, while GDP growth in Greece for FY 2021 lags the rate of recession expected for FY 2020. While social distancing could have a negative effect in the number of visitors in Jumbo's stores, we believe that Jumbo's vfm approach should more than offset this problem, thus leading Jumbo to Outperform the market.

The following table present the main macro indicators as projected by the IMF in the markets, where the Group activates.

Exhibit 8: Macro Data for Group's core markets

Macro Data	GDP growth projections (% change)			CPI projections (% change)		
	Year	2020	2021	2022	2020	2021
Greece	-10.0	5.1	1.3	-0.5	1.0	1.4
Cyprus	-6.5	5.6	2.6	0.7	1.0	2.0
Bulgaria	-4.0	6.0	2.8	1.0	1.9	2.2
Romania	-5.0	3.9	3.0	2.2	1.5	2.5

Source: IMF, Factset, Piraeus Securities

Lockdown period accounted for c. 20% of Group's annual sales

Following the lockdown in Greece and Cyprus due to COVID-19, management guided that each month of the lockdown accounts for c. 5% annual sales, bringing the total negative impact at 20% of annual sales (incl. Easter period that accounts for 10% of annual sales). Measures to restrict circulation of citizens in Romania and Bulgaria, along with the closing of stores located in shopping malls also affected sales in these countries.

Jumbo announces that in the 6M period sales decreased 16.9% y-o-y – Positive signs after the re-opening of the stores with strong May and normalized June

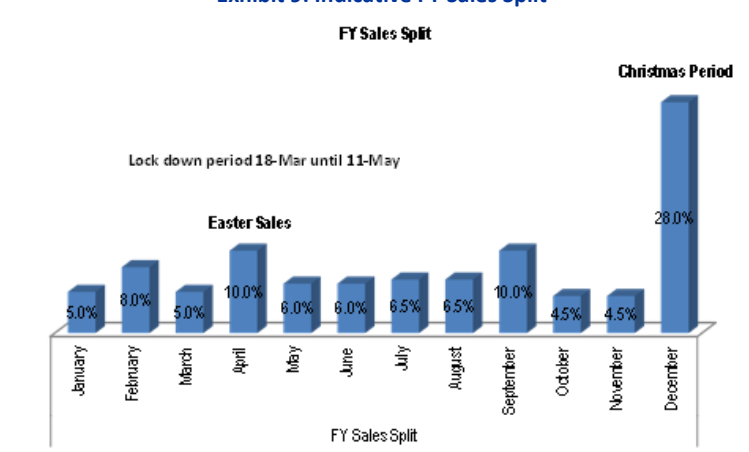
During the 6M period (January-June), including the lockdown period, Jumbo announced that 6M sales were decreased by 16.9% y-o-y. On the other hand, Jumbo announced that during **May 2020**, Jumbo's sales posted an impressive double digit growth (13.6%) y-o-y, especially taking into account that Greek stores were closed until 11-May, while Cypriot stores were closed until 4-May. During **June 2020**, the Group recorded increased sales by 5.8% y-o-y, with stores in continental Greece posting increased sales, which was partly offset by weaker y-o-y performance in the stores located in the islands due to reduced tourism movement. June's performance is currently distorted by the fact that schools remain open and reduced tourism inflows that cause delays in the sale of summer products; as a result, to have a clearer picture, we should expect additional data from July's performance. 6M sales stood at €278.8mn down 16.9% y-o-y; **taking into account 6M sales pre-announcement and assuming that there will be no new outbreak of the pandemic during the autumn period, our estimates indicate that 2H2020 sales should come in at €460.35mn implying a decrease of 10.2% y-o-y; all in all for the FY 2020 period, we estimate that FY sales should shape at €739.15mn decreased by 12.8% y-o-y**

December & September weigh on Group's performance for the FY period

We remind that 6M sales account for c. 40% of Jumbo's FY sales, while 2H accounts for the remaining 60% of FY sales. The seasonally important period lies on Christmas with December accounting for c. 28% of FY sales, while September accounts for another 10% (pre-school period). As a result and taking into account improved trends going forward and no new lockdown after September, we would expect Jumbo's FY sales to decrease by 12.8% y-o-y at €739.15mn.

The following graph shows the indicative split on Jumbo's sales for each month during the FY period.

Exhibit 9: Indicative FY Sales Split



Cost Base

Management highlighted that during the lockdown period, large part of personnel expenses were subsidized by the Greek State, while in terms of rents, in 80% of rented stores rental cost is variable, since it is paid as % of revenues, We remind that at the moment the Group operates c. 35 rented stores and as a result in 28 of them rent is related to revenues; in the other 7 stores the Management successfully renegotiate the rental fee for the lockdown period.

Jumbo's Estimates

In terms of cost base we notice that in the period from 01/07/2018 until 30/06/2019 the Group reported SG&A expenses of €217mn with €106mn classified as payroll expenses, €17.2mn as rental fees and €10mn as advertising; assuming that payroll expenses and rental fees were largely subsidized by the Government during the lockdown and that advertising costs were effectively eliminated, the remaining amount of €94mn can be classified as fixed cost, thus implying an annual burden of €7.83mn, which implies a total burden of €15.6mn for the two months period, as per our estimates

As of 01-January-2020, Jumbo changed its financial year (FY) to match with the calendar year. We remind that until 30-June-2019, Jumbo FY was from 01-July until 30-June. The following table summarizes our estimates in the period from FY 2020 until FY 2022. We point out that our EBITDA estimates are presented without the IFRS-16 impact. The following table summarizes our estimates for the 2020-2022 period.

Exhibit 10: Jumbo's Estimates

Jumbo	Jun-19	FY 2020f	FY 2021e	FY 2022e	3-Year CAGR
Sales	812.2	739.1	827.3	879.7	2.7%
% chng	7.8%	-9.0%	11.9%	6.3%	
Gross Profit	423.8	382.1	430.0	457.6	2.6%
% chng	7.3%	-9.9%	12.5%	6.4%	
margin	52.2%	51.7%	52.0%	52.0%	
Pre- IFRS 16 EBITDA	238.2	189.6	239.7	255.6	2.4%
% chng	6.5%	-20.4%	26.4%	6.6%	
margin	29.3%	25.6%	29.0%	29.1%	
EBIT	212.5	161.9	211.0	223.9	1.8%
% chng	6.8%	-23.8%	30.3%	6.1%	
margin	26.2%	21.9%	25.5%	25.5%	
EBT	211.3	161.4	211.5	225.4	2.2%
% chng	6.8%	-23.6%	31.1%	6.6%	
margin	26.0%	21.8%	25.6%	25.6%	
Net Profit	162.9	129.1	171.5	182.6	3.9%
% chng	7.8%	-20.7%	32.8%	6.5%	
margin	20.1%	17.5%	20.7%	20.8%	
EPS	1.20	0.95	1.26	1.34	3.9%

Source: Piraeus Securities

Greece: Pressure in 2020 to be offset by recovery in 2021 – Greek stores remained closed from 18-March until 11-May

IMF's projections for Greece call for GDP contraction of 10% in 2020, while the country will enter in a recovery mode during 2021 with an expected GDP expansion of c. 5.1%. We point out that the Greek Government plans to enhance the recovery in 2021 with the adoption of measures that will support economic expansion, such as the implementation of a prudent fiscal policy, with a gradual reduction of tax rates and social insurance contributions, the promotion a new framework of dealing with a high accumulated private debt, focusing on vulnerable households, a further strengthening of the banking system stability, the continuation of privatizations and exploitation of state properties. These actions along with planned investments in infrastructure with the main focus on green economy could lead to higher than the current expected growth rates in 2021.

We are modelling a 3-years sales CAGR of just 0.5% in the parent Company (Greece, franchisees and e-store) due to the low base in 2020. We believe that the expected normalisation of the Greek economy will allow the Group to leverage on its market share gains during last years and increased brand recognition in Greece. The Group plans the opening of a new logistics center close at Thebes, Greece that will allow a better management of inventories, with an estimated value of €25mn. At the moment, we do not include in our estimates any new openings in Greece in the near future.

The following table summarizes our estimates for the parent Company:

Exhibit 11: Revenues Greece, e-Jumbo & Franchise	2019	2020 e	2021 e	2022 e	3-Year CAGR
Revenues Greece, e-Jumbo & Franchise	517.7	442.0	495.9	526.3	0.5%
% chng	na	-14.6%	12.2%	6.1%	
% of total	61.1%	59.8%	59.9%	59.8%	
Greek Stores Sales (incl. e-Jumbo)	485.8	413.3	462.9	490.7	0.3%
% chng	na	-14.9%	12.0%	6.0%	
No of stores	52	52	52	52	
sales / store	9.3	8.5	9.5	10.1	
% chng	na	-9.0%	12.2%	6.1%	
y-end Square meters	264,829	264,829	264,829	264,829	
sales / square meters	1,834	1,561	1,748	1,853	
% chng	na	-14.9%	12.0%	6.0%	
effective sq meters	261,496	264,829	264,829	264,829	
sales / effective square meters (incl. wholesale)	1,858	1,561	1,748	1,853	
chng %	na	-16.0%	12.0%	6.0%	
Sales with same (previous year) sq meters (incl. wholesale)	478	402	463	491	
l-f-growth	na	-17.3%	12.0%	6.0%	
Revenues from Franchise Stores in the Balkans	31.9	28.7	33.0	35.6	3.8%
% chng	na	-10.1%	15.0%	8.0%	
No of stores	26	26	26	26	
Sales/store	1.23	1.10	1.27	1.37	
% chng	na	-10.1%	15.0%	8.0%	

Source: Piraeus Securities

Cyprus: We are modeling a 3-year sales CAGR of 1.6%

According to IMF's projections the Cypriot economy will almost match the expected GDP contraction for 2020 (-6.5%) in 2021 with the expected GDP expansion standing at 5.6%. We remind that 3/5 stores in Cyprus remained closed from the period from 18-March until 4-May, with the remaining two (2) opening their gates in June. We are modelling a 3-years sales CAGR of 1.6%. We do not include in our estimates any new openings in the island in the coming years.

The following table summarizes our estimates:

Exhibit 12: Revenues CAGR in Cyprus	2019	2020 e	2021 e	2022 e	3-Year CAGR
Revenues Cyprus	90.1	81.1	88.4	94.6	1.6%
% chng	na	-10.0%	9.0%	7.0%	
% of total	10.6%	11.0%	10.7%	10.8%	
No of stores	5	5	5	5	
sales / store	18.0	16.2	17.7	18.9	
% chng	na	-10.0%	9.0%	7.0%	
Square meters	36,800	36,800	36,800	36,800	
sales / square meters	2,449	2,204	2,403	2,571	
% chng	na	-10.0%	9.0%	7.0%	
effective sq meters	36,800	36,800	36,800	36,800	
sales /effective square meters	2,449	2,204	2,403	2,571	
chng %	na	-10.0%	9.0%	7.0%	
Sales with same (previous year) sq meters	90	81	88	95	
l-ffgrowth	2.9%	-10.0%	9.0%	7.0%	

Source: Piraeus Securities

Bulgaria: IMF's estimates call for the highest GDP expansion rate among Group's segments in 2021

IMF's estimates call for a sharp recovery in Bulgaria for 2021, with an estimated GDP expansion of 6% thus exceeding the projected GDP contraction for 2020, which is currently estimated at 4.0%. However, taking into account the lower GDP/capita in the country, we estimate a higher rate of decreased sales for FY 2020 in the country, followed by a high-single digit growth rate in 2021. We remind that only two out of the nine stores in the country remained closed in April and May, with the remaining recording decreased sales in the range of 45-50%. We do not include in our estimates any new openings in the country in the coming years; we estimate a marginally negative 3-years sales CAGR in the country of -0.5%.

The following table summarizes our estimates:

Exhibit 13: Revenues CAGR in Bulgaria	2019	2020 e	2021 e	2022 e	3-Year CAGR
Revenues Bulgaria	89.3	76.8	83.7	87.9	-0.5%
% chng	na	-14.0%	9.0%	5.0%	
% of total	10.5%	10.4%	10.1%	10.0%	
No of stores	9	9	9	9	
sales / store	9.9	8.5	9.3	9.8	
% chng	na	-9.8%	9.0%	5.0%	
Square meters	65,000	65,000	65,000	65,000	
sales / square meters	1,374	1,181	1,288	1,352	
% chng	na	-14.0%	9.0%	5.0%	
effective sq meters	65,000	65,000	65,000	65,000	
sales /effective square meters	1,374	1,181	1,288	1,352	
chng %	na	-14.0%	9.0%	5.0%	
Sales with same (previous year) sq meters	89	77	84	88	
l-ffgrowth	na	-14.0%	9.0%	5.0%	

Source: Piraeus Securities

Despite the recent setbacks, Romania remains Group's growth engine in the coming years

Management announced that most of Romanian stores remained operational during the lockdown period. However, due to traffic restrictions the Romanian stores witnessed decreased sales in the range of 45-50% during the lockdown period, while a small number of stores located in shopping malls suspended their operations for some weeks. At the moment all stores in Romania returned to normality. While management stated that they recorded low-double digit growth rates in May and June. IMF's estimates call for GDP growth in Romania for 2021, with an estimated GDP expansion of 3.9% slightly below the projected GDP contraction for 2020, which is currently estimated at 5.0%. We are modelling a 3-years sales CAGR of 4.3%, while we include in our estimates only one new opening in the country at the city of Craiova towards the end of 2020 – beginning of 2021. We remind that Group's investment program focus on the Romanian market, since it plans the opening of 15 more stores in the country during the next five (5) years.

The following tables summarize our estimates for Romania.

Exhibit 14: Revenues CAGR in Romania	2019	2020 e	2021 e	2022 e	3-Year CAGR
Revenues Romania	150.8	139.3	159.3	170.9	4.3%
% chng	na	-7.7%	14.4%	7.3%	
% of total	17.8%	18.8%	19.3%	19.4%	
No of stores	14	15	15	15	
sales / store	10.8	9.3	10.6	11.4	
% chng	na	-13.8%	14.4%	7.3%	
Square meters	114,000	122,000	122,000	122,000	
sales / square meters	1,323	1,142	1,306	1,401	
% chng	na	-13.7%	14.4%	7.3%	
effective sq meters	107,333	118,000	122,000	122,000	
sales / effective square meters	1,405	1,180	1,306	1,401	
chng %	na	-16.0%	10.7%	7.2%	
Sales with same (previous year) sq meters	135	113	154	171	
l-ff growth	na	-24.9%	10.7%	7.3%	

Source: Piraeus Securities

Management continues to reward shareholders by announcing a FY 2020 DPS of €0.47 throughout the pandemic

Despite the lockdown that should result in decreased top and bottom line for FY 2020 and taking into account Jumbo's strong Net Cash position, management decided to reward shareholders through the payment of a FY 2020 dividend of €0.47/share, equal to the dividend paid for the FY 2018/19 period. Jumbo has already proceeded with the payment of an interim dividend payment of €0.235/share (x-date on 30-June) which accounts for a total amount of €31.97mn; the interim dividend was approved by the EGM that took place on 25-June-2020; in addition, management announced that the FY 2020 dividend will shape at €0.47/share, which implies a final dividend for FY 2020 of €0.235/share.

Company Snapshot

Company Description

Jumbo is the largest retailer and wholesaler of toys, infant products, books & stationery and seasonal, home & mother opportunity products in Greece. It enjoys a 40% share in the domestic market. The Company’s distribution network at the end of December 2019 accounted for 80 retail stores, 52 of which will be located in Greece, 5 in Cyprus, 9 in Bulgaria and 14 in Romania with a net sales surface of ca 480,629m². It also has franchise agreements to distribute its products in the non-EU members of the Balkans through 26 stores in Serbia, Bosnia-Herzegovina, FYROM, Albania, Kosovo and Montenegro.

Investment Theme

Our view on Jumbo is based on: i) the resilience of the business model that through new store additions over the last years has helped BELA become one of the dominant retailers in the Greek market, ii) the retailer’s increased international presence through its presence in Cyprus, Bulgaria and Romania, iii) its strong balance sheet with reported Net Cash position of EUR 331mn at the end of 2019, and iv) Jumbo’s fixed assets that hide significant value and can be used to fund future expansion plans or for generous share capital returns. Based on valuation grounds our target price stands at EUR 18.50/share, 8.5% higher than current levels.

Valuation Method

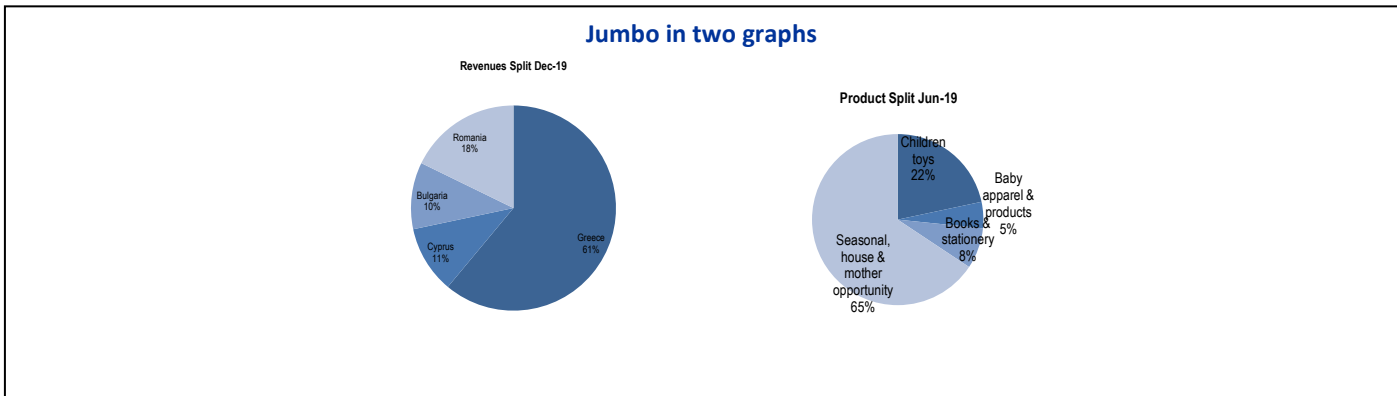
We value Jumbo by employing a combination of a DCF model/P/E multiples, using explicit forecasts for the 2020-2022 period. Our risk free rate and equity risk premium stand at 4% and 5.5%, respectively, implying a total market return of 9.5%. Our cost of equity stands at 9.7%, in view of the current economic and trading conditions, while our WACC stands at 8.6%. In terms of P/E multiple we use as proxy Group’s 10-years historical average that stood at 14.0x.

Upside risks

Apart from lower bond yields (ie lower sovereign risks), faster or more rollouts and higher-than-expected same-store sales (on improved customer visits and/or higher spending per customer) are the two main factors that could place upside risk on our estimates.

Downside Risks

Medium term, the investment case depends on domestic private consumption, the timing of new store rollouts, and the pace of expansion in Romania. Additional taxation of any form would hurt earnings and valuation. Jumbo’s management has cautioned investors over the impact from VAT hikes, COGS inflation, higher freights and a weaker Euro vis-à-vis the USD on the group’s gross profit margin. We also highlight risks associated with overdependence on Chairman Vakakis and the remote event of important injury from a non-branded product malfunction.

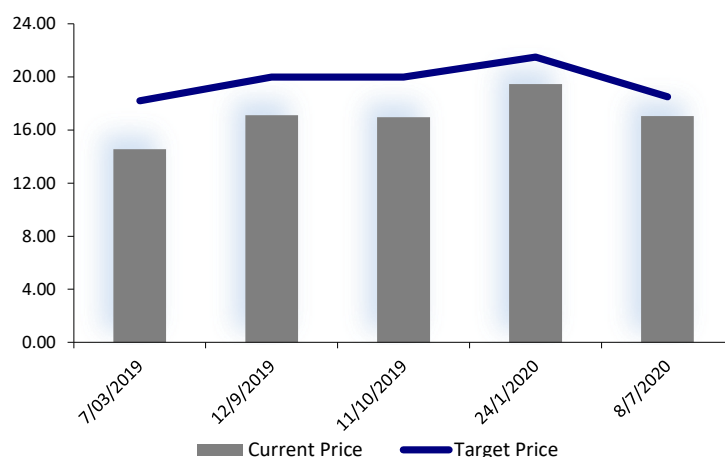


Jumbo consolidated accounts

<i>in mn unless otherwise stated</i>	Jun-17	Jun-18	Jun-19 e	Dec-20 e	Dec-21 e	Dec-22 e
	2016/17	2017/18	2018/19	2020 e	2021 e	2022 e
BALANCE SHEET						
Net fixed assets	515	542	562	579	595	608
Current Assets	713	792	921	985	1,060	1,151
Accounts receivable	105	105	121	111	125	133
Inventories	239	248	290	325	345	366
Cash	366	437	507	547	587	627
TOTAL ASSETS	1,260	1,362	1,509	1,591	1,681	1,786
Net debt position	-207	-287	-308	-309	-380	-450
Shareholders' equity	962	1,058	1,161	1,227	1,334	1,440
Minority interest on share capital	0	0	0	0	0	0
Long-term liabilities	164	34	226	227	227	228
Bank debt	144	0	199	199	199	199
Subsidies	5	6	7	8	9	10
Short-term liabilities	134	270	122	137	120	118
Accounts payable & other ST liabilities	70	71	71	64	69	72
Liabilities for taxes	49	50	51	35	42	45
Liabilities to banks	15	150	0	39	8	0
TOTAL EQUITY & LIABILITIES	1,260	1,362	1,509	1,591	1,681	1,786
RATIO ANALYSIS	2016/17	2017/18	2018/19	2020 e	2021 e	2022 e
Activity: Avg working capital to turnover days	124	126	135	176	173	174
Avg receivables to turnover days	257	257	257	257	257	257
Avg trade creditors to purchases days	159	159	159	159	159	159
Avg inventories to turnover days	121	121	121	121	121	121
Financial Structure: Bank debt to equity	0.17	0.14	0.17	0.19	0.15	0.14
Fixed to total assets	43.4%	41.9%	39.0%	38.1%	37.0%	35.5%
Profitability: Return on total assets	10.6%	11.5%	11.3%	8.3%	10.5%	10.5%
Return on equity	14.0%	15.0%	14.7%	10.8%	13.4%	13.2%
Return on capital employed	12.0%	12.8%	12.2%	8.6%	10.7%	10.7%
CASH FLOW	2016/17	2017/18	2018/19	2020 e	2021 e	2022 e
Profit after tax before minorities	130.9	151.1	161.6	127.8	170.2	181.4
Plus: Depreciation & amortization	23.1	24.7	25.7	27.7	28.7	31.7
Plus: net interest expenses	-1.6	1.0	1.2	0.5	-0.5	-1.5
Less: gain/loss on disposal of PP&E	0.0	0.0	0.0	3.0	4.0	5.0
Gross cash flow	152.3	176.8	188.5	153.0	194.4	206.5
Plus: Chng in accounts payable	0.8	0.5	1.9	-3.4	4.4	2.7
Less: Chng in accounts receivable	2.0	-1.9	7.6	-2.6	5.2	2.7
Less: Chng in inventories	42.5	8.6	42.1	34.7	20.3	21.5
Working capital chng	48.5	10.0	69.8	43.3	28.0	25.9
Operating cash flow	103.9	166.8	118.6	109.7	166.3	180.6
Less: Purchases of fixed assets	38.0	42.2	44.4	44.4	44.4	44.4
Less: Chng in investments	-1.1	-0.9	-0.6	0.0	0.0	0.0
Free cash flow	67.1	125.5	74.8	65.3	121.9	136.2
PROFIT & LOSS	2016/17	2017/18	2018/19	2020 e	2021 e	2022 e
Turnover	681.4	753.3	812.2	739.1	827.3	879.7
% chng	6.9%	10.5%	7.8%	-9.0%	11.9%	6.3%
COGS & SG&A	486.6	529.7	574.0	549.6	587.6	624.1
EBITDA	194.8	223.6	238.2	189.6	239.7	255.6
% chng	6.0%	14.8%	6.5%	-20.4%	26.4%	6.6%
EBITDA margin	28.6%	29.7%	29.3%	25.6%	29.0%	29.1%
Net depreciation	23.1	24.7	25.7	27.7	28.7	31.7
EBIT	171.8	198.9	212.5	161.9	211.0	223.9
% chng	6.7%	15.8%	6.8%	-23.8%	30.3%	6.1%
Operating profit margin	25.2%	26.4%	26.2%	21.9%	25.5%	25.5%
Net interest expenses	-1.6	1.0	1.2	0.5	-0.5	-1.5
% of avg debt	0.7%	-0.4%	-0.4%	-0.2%	0.1%	0.4%
Pre-tax profit	173.5	197.9	211.3	161.4	211.5	225.4
% chng	5.0%	14.1%	6.8%	-23.6%	31.1%	6.6%
Minority stake in profits	0.0	0.0	0.0	0.0	0.0	0.0
Minority profit/Net profit	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Income tax	42.5	46.8	48.4	32.3	40.0	42.8
% effective tax rate	24.5%	23.6%	22.9%	20.0%	18.9%	19.0%
Profit after tax	131.0	151.1	162.9	129.1	171.5	182.6
% chng	8.0%	15.3%	7.8%	-20.7%	32.8%	6.5%
Net profit margin	19.2%	20.1%	20.1%	17.5%	20.7%	20.8%
EPS after tax (in Euro)	0.96	1.11	1.20	0.95	1.26	1.34
EPS chng	8.0%	15.3%	7.8%	-20.7%	32.8%	6.5%
Dividends	49.0	53.1	63.9	63.9	76.7	88.2
Dividend policy: Payout Ratio	37.4%	35.1%	39.3%	49.5%	44.8%	48.3%
DPS (in Euro)	0.36	0.39	0.47	0.47	0.56	0.65
% chng	-33.8%	8.3%	20.5%	0.0%	20.0%	15.0%
Market cap	2,027	1,731	2,524	2,321	2,321	2,321
Diluted number of shares	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759
Basic number of shares	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759	136,059,759
EV	1,820	1,443	2,216	2,012	1,941	1,871
End-year/current stock price common shares	14.90	12.72	18.55	17.06	17.06	17.06
% chng of common stock price	-1.1%	-14.6%	45.8%	-8.0%	0.0%	0.0%
Out/under performance	-20.6%	11.7%	-2.4%	30.9%	0.0%	0.0%

Rating History

Date	Rating	Target Price	Current Price
7/03/2019	Outperform	18.20	14.56
12/9/2019	Outperform	20.00	17.12
11/10/2019	Outperform	20.00	16.97
24/1/2020	Outperform	21.50	19.46
8/7/2020	Outperform	18.50	17.06



The table above shows Piraeus Securities' continuing coverage of the stock; the current analyst may or may have not covered the stock over the entire period.
Source: Piraeus Securities

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	Weighted on Mcap	Un-weighted		
Outperform :	55.4%	57.9%	Total return (*) expected to be greater than 10% compared to the market's return (**) over a 12-month period	0.0%
Neutral:	39.2%	26.3%	Total return (*) expected to be between -10%/+10% compared to the market's return (**) over a 12-month period	-
Underperform:	0.0%	0.0%	Total return (*) expected to be below -10% compared to the market's return (**) over a 12-month period	-
Restricted:	2.2%	5.3%	In certain circumstances that Piraeus Bank S.A. policy or applicable law / regulations preclude certain types of communication and investment recommendations	-
Under Review:	3.2%	10.5%	Rating/TP may be subject to future revision	-

*) Total return = Price appreciation + Dividend

(**) Market return = Risk free rate + 5% (an approximation of equity risk premium)

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