



**General Retail**  
Equity – Greece

**Overweight**

|                      |       |
|----------------------|-------|
| Target price (EUR)   | 20.00 |
| Share price (EUR)    | 15.94 |
| Potential return (%) | 25.5  |

|                         |         |
|-------------------------|---------|
| Reuters                 | BABr.AT |
| Bloomberg               | BELA GA |
| Market cap (USDm)       | 2,579   |
| Market cap (EURm)       | 2,169   |
| Enterprise value (EURm) | 1,772   |
| Free float (%)          | 77      |

**16 September 2020**

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# Jumbo

Plenty to cheer about in the midst of Covid-19 turmoil

- ▶ **H1 net income down 22% y-o-y to EUR50m, on lockdown-driven 17% sales plunge and gross margin slump**
- ▶ **Worst is behind us, as solid post reopening 12% y-o-y rebound softens 8-month sales drop to 10%, improving outlook**
- ▶ **H1 net cash eases to EUR292m, 12% below FY19 levels, on hefty EUR37m dividend payout and slightly higher WC needs**

Bloodied but unbowed, this pretty much describes Jumbo first-half performance during the pandemic outbreak. True, net income for the six-month period to 30 June fell 22% y-o-y EUR49.8m (-20% to EUR51.1m excluding the new accounting standard impact), severely hit by a c2-month store shutdown, coupled with a sharp gross margin deterioration. Still, the company deserves respect for maintaining a strong profitability in midst of the coronavirus-induced lockdown that ran from 14 March to 10 May, leading to a revenue loss of EUR106m, on our calculations, with e-commerce providing little top-line help – now representing a relatively poor 5% against 2.5% in FY19.

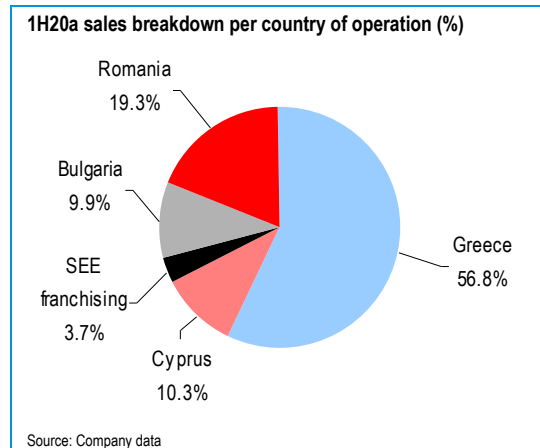
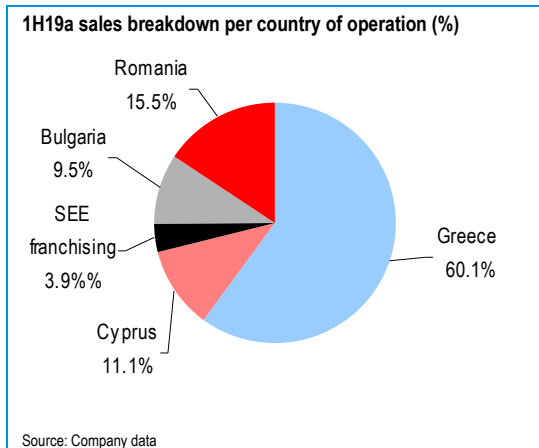
Happily, Jumbo enjoys a solid post lockdown rebound of 12% y-o-y, softening 8-month sales decline to 10%, vs -36% prior to stores reopening. In fact, sales in June expanded by a good 6% y-o-y, after soaring 58% y-o-y for the three-week period starting 11 May (largely relating to pent-up demand), up 8% in July. Alas, August sales fell 2% y-o-y adversely affected by battered inbound tourism numbers in Greece, more so in the case of (holiday destination) Cyprus, interrupting an impressive stores restart rebound.

Well placed to weather the virus crisis, Jumbo appears attractively priced at 12.4x 2021e P/E, 6.6x EV/EBITDA and highish 6.8% FCFY, we believe. What's more, on our calculations at current levels the market prices-in a massive EBITDA margin decline to 15.3% vs 26% in FY20e and 30.5% a year earlier.

**Jumbo: H1 2020a group results (30 June, EURm)**

| Key P&L items                | 1H19a        | 1H20a        | y-o-y ch.   | 1H20e        | vs PSe     |
|------------------------------|--------------|--------------|-------------|--------------|------------|
| Greece sales                 | 214.5        | 168.8        | -21%        | 165.1        | 2%         |
| International sales          | 121.0        | 110.0        | -9%         | 113.7        | -3%        |
| <b>Group Sales</b>           | <b>335.4</b> | <b>278.8</b> | <b>-17%</b> | <b>278.8</b> | <b>0%</b>  |
| <b>Gross Profit</b>          | <b>181.7</b> | <b>145.0</b> | <b>-20%</b> | <b>146.4</b> | <b>-1%</b> |
| Gross Margin                 | 54.2%        | 52.0%        | (218bps)    | 52.5%        | (51bps)    |
| <b>EBITDA</b>                | <b>97.8</b>  | <b>75.2</b>  | <b>-23%</b> | <b>71.8</b>  | <b>5%</b>  |
| EBITDA Margin                | 29.2%        | 27.0%        |             | 25.7%        |            |
| <b>Comparable EBITDA</b>     | <b>97.8</b>  | <b>70.0</b>  | <b>-28%</b> | <b>67.5</b>  | <b>4%</b>  |
| EBITDA Margin                | 29.2%        | 25.1%        |             | 24.2%        |            |
| <b>Net Profit</b>            | <b>64.1</b>  | <b>49.8</b>  | <b>-22%</b> | <b>41.7</b>  | <b>19%</b> |
| Net Margin                   | 19.1%        | 17.9%        |             | 15.0%        |            |
| <b>Comparable Net Profit</b> | <b>64.1</b>  | <b>51.1</b>  | <b>-20%</b> | <b>42.7</b>  | <b>20%</b> |
| Net Margin                   | 19.1%        | 18.3%        |             | 15.3%        |            |

Source: Jumbo/Pantelakis Securities estimates Note: H1 2020 accounts incorporate the adoption of IFRS 16 on leases



Putting things into perspective, H1 net earnings beat of 19% vs our call of EUR41.7m is primarily linked to Jumbo making use of a favourable measure allowing 25% discount on regulated tax liabilities for lump sum payment at the due date for firms affected by the Covid-19, resulting in a EUR6.2m tax credit.

And while the gross margin erosion was greater-than-anticipated, shedding 2.2pp y-o-y to 52% H1 (vs PSe of 52.5%) due to negative mix effects (ie missing-out Easter season revenues), obsolete inventory and extra strain in sourcing goods from China, Jumbo covered the lost ground thanks to cost savings (ie in selling expenses), as total opex fell 16% to EUR70.5m (6% below our forecasts). This, in turn, largely relates to some EUR3.5m government payroll subsidies, but also, take note here, EUR2.4m less rental costs since 30 outlets (out of a total of 80) enjoy rental clauses based on actual sales generation (ie no rental fees as far as store closures are concerned).

As a result, H1 EBITDA posted a decline of 23% y-o-y to EUR75.2m, coming 5% above our estimates, down 28% to EUR70m on a comparable basis, ie excluding the IFRS 16 impact. Remember that Jumbo first implemented the new lease accounting standard in the July-December 2019 period, therefore, the adoption of IFRS 16 on leases boosted EBITDA by EUR5.2m in the first half. Furthermore, group EBIT settled 33% lower y-o-y to EUR56.8m, held back by a spike of 43% to EUR18.4m in depreciation.

Preannounced on 2 July, recall, H1 group sales dropped 17% y-o-y to EUR278.8m, driven by unprecedented plunges in Greece and Cyprus, down 21% and 23% to EUR158.5m and EUR28.6m, respectively, with Bulgaria falling 13% to EUR27.7m. Bucking the trend, Romania sales grew by a good 3% y-o-y to EUR53.7m on no store additions in H1.

That said, 2020 started on the right foot as group sales increased 13% y-o-y in January, up by a spectacular 23% the following month. But things, unexpectedly, took a turn for the worse in March with revenues diving 51% y-o-y due to virus-induced lockdown hitting hard the second half of the month, shrinking 86% in April (on a full-blown stores closure effect) after shedding 95% in Greece/Cyprus and 55% in Bulgaria/Romania.

Finally, H1 net cash position eased to EUR292.3m, standing 12% below FY19 levels of EUR331.4m, mirroring a hefty EUR37m payout and slightly higher working capital needs (+4% y-t-d to EUR277.8m). In turn, FCF generation shaped at EUR5.5m, with capex cut in half y-o-y to EUR10.4m.

Jumbo H1 2020a results (30 June, EURm)

|   | H1 2019a      | H1 2020a      | y-o-y ch    | H1 2020a      | vs PSe      |
|---|---------------|---------------|-------------|---------------|-------------|
| <b>Greece sales</b>                       | <b>214.5</b>  | <b>168.8</b>  | <b>-21%</b> | <b>165.1</b>  | <b>2%</b>   |
| % of total                                | 63.9%         | 60.5%         |             | 59.2%         |             |
| o.w Franchise activity in SEE             | 13.0          | 10.3          | -20%        | 11.9          | -13%        |
| % of total                                | 3.9%          | 3.7%          |             | 4.3%          |             |
| Greece ex-franchising                     | 201.5         | 158.5         | -21%        | 153.2         | 3%          |
| % of total                                | 60.1%         | 56.8%         |             | 55.0%         |             |
| <b>International sales</b>                | <b>121.0</b>  | <b>110.0</b>  | <b>-9%</b>  | <b>113.7</b>  | <b>-3%</b>  |
| % of total                                | 36.1%         | 39.5%         |             | 40.8%         |             |
| Cyprus sales                              | 37.1          | 28.6          | -23%        | 28.5          | 0%          |
| % of total                                | 11.1%         | 10.3%         |             | 10.2%         |             |
| Bulgaria sales                            | 31.9          | 27.7          | -13%        | 29.9          | -7%         |
| % of total                                | 9.5%          | 9.9%          |             | 10.7%         |             |
| Romania sales                             | 52.0          | 53.7          | 3%          | 55.3          | -3%         |
| % of total                                | 15.5%         | 19.3%         |             | 19.8%         |             |
| <b>Group Sales</b>                        | <b>335.4</b>  | <b>278.8</b>  | <b>-17%</b> | <b>278.8</b>  | <b>0.0%</b> |
| Sales ex-Romania                          | 283.5         | 225.1         | -21%        | 223.5         | 1%          |
| <b>Gross Profit</b>                       | <b>181.7</b>  | <b>145.0</b>  | <b>-20%</b> | <b>146.4</b>  | <b>-1%</b>  |
| Gross Margin                              | 54.2%         | 52.0%         | (218bps)    | 52.5%         | (51bps)     |
| Other Operating Income                    | 0.0           | 0.7           |             | 0.0           |             |
| Administrative Expenses                   | (10.2)        | (10.2)        | 1%          | (9.4)         | 9%          |
| % of sales                                | 3.0%          | 3.7%          |             | 3.4%          |             |
| Selling Expenses                          | (73.8)        | (60.2)        | -18%        | (65.3)        | -8%         |
| % of sales                                | 22.0%         | 21.6%         |             | 23.4%         |             |
| Comparable Selling Expenses               | (73.8)        | (65.4)        | -11%        | (69.6)        | -6%         |
| % of sales                                | 25.0%         | 25.0%         |             | 25.0%         |             |
| <b>Total SG&amp;A Expenses</b>            | <b>(83.9)</b> | <b>(70.5)</b> | <b>-16%</b> | <b>(74.7)</b> | <b>-6%</b>  |
| % of sales                                | 25.0%         | 25.3%         |             | 26.8%         |             |
| <b>Comparable Total SG&amp;A Expenses</b> | <b>(83.9)</b> | <b>(75.7)</b> | <b>-10%</b> | <b>(79.0)</b> | <b>-4%</b>  |
| % of sales                                | 28.3%         | 28.3%         |             | 28.3%         |             |
| <b>EBITDA</b>                             | <b>97.8</b>   | <b>75.2</b>   | <b>-23%</b> | <b>71.8</b>   | <b>5%</b>   |
| EBITDA Margin                             | 29.2%         | 27.0%         |             | 25.7%         |             |
| <b>Comparable EBITDA</b>                  | <b>97.8</b>   | <b>70.0</b>   | <b>-28%</b> | <b>67.5</b>   | <b>4%</b>   |
| EBITDA Margin                             | 29.2%         | 25.1%         |             | 24.2%         |             |
| Depreciation                              | (12.9)        | (18.4)        | 43%         | (17.4)        | 6%          |
| Comparable depreciation                   | (12.9)        | (13.2)        |             | (13.1)        | 1%          |
| <b>EBIT</b>                               | <b>85.0</b>   | <b>56.8</b>   | <b>-33%</b> | <b>54.4</b>   | <b>4%</b>   |
| EBIT Margin                               | 25.3%         | 20.4%         |             | 19.5%         |             |
| Net Financials                            | (0.2)         | (1.9)         | 949%        | (1.4)         | 34%         |
| Comparable net financials                 | (0.2)         | (0.3)         |             | (0.2)         |             |
| <b>EBT</b>                                | <b>84.8</b>   | <b>54.9</b>   | <b>-35%</b> | <b>53.0</b>   | <b>4%</b>   |
| EBT Margin                                | 25.3%         | 19.7%         |             | 19.0%         |             |
| <b>Comparable EBT</b>                     | <b>84.8</b>   | <b>56.5</b>   |             | <b>54.2</b>   | <b>4%</b>   |
| EBT Margin                                | 25.3%         | 20.3%         |             | 19.4%         | 4%          |
| Taxation                                  | (20.6)        | (5.1)         | -75%        | (11.2)        | -55%        |
| Effective Tax Rate                        | 24.3%         | 9.2%          |             | 21.2%         |             |
| <b>Net Profit</b>                         | <b>64.1</b>   | <b>49.8</b>   | <b>-22%</b> | <b>41.7</b>   | <b>19%</b>  |
| Net Margin                                | 19.1%         | 17.9%         |             | 15.0%         |             |
| <b>Comparable Net Profit</b>              | <b>64.1</b>   | <b>51.1</b>   | <b>-20%</b> | <b>42.7</b>   | <b>20%</b>  |
| Net Margin                                | 19.1%         | 18.3%         |             | 15.3%         |             |

Source: Jumbo/Pantelakis Securities estimates Note: H1 2020 accounts incorporate the adoption of IFRS 16 on leases

# Disclosure appendix

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|                           |     |   |
|---------------------------|-----|---|
| <b>Overweight (Buy)</b>   | 63% | (0% of these provided with Investment Banking Services) |
| <b>Neutral (Hold)</b>     | 16% | (0% of these provided with Investment Banking Services) |
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|            |                   |                |                       |
|------------|-------------------|----------------|-----------------------|
| 15/01/2019 | Rating Overweight | Price EUR13.80 | Target Price EUR20.00 |
| 13/03/2019 | Rating Overweight | Price EUR14.88 | Target Price EUR20.00 |
| 15/09/2019 | Rating Overweight | Price EUR17.92 | Target Price EUR20.00 |
| 16/10/2019 | Rating Overweight | Price EUR17.35 | Target Price EUR20.00 |
| 04/05/2020 | Rating Overweight | Price EUR14.29 | Target Price EUR20.00 |

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|---------|-----------------|--------------|-------------------|------------|
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