



# Jumbo

Greece | General Retail

# Outperform

Target Price EUR19.90

## Cash is King

22 September 2020

### New TP at 19.90; Maintaining the rating at Outperform

We lower our target price to EUR19.90, which offers a 32% upside potential to the current share price. We fine-tuned our model and revised our estimates to reflect the downside on the sales' growth front as the pandemic will halt, at least for a year, the momentum that has been constant, for at least five years. We reiterate our Outperform rating as we believe Jumbo has solid fundamentals and a resilient net cash position. In our base scenario where we don't foresee a second round of lockdown, we maintain that Jumbo could smoothly recover sales during the last months of the year and register a clear rebound in the year ahead.

### 1H20 results

Jumbo had pre-announced that 1H20 sales dropped by 17% y/y to EUR278.2m. Gross profit came in at EUR144.9m, -20.2% y/y, with the related margin now standing at 52.0% from 54.2% in 1H19. The significant contraction in the gross profit margin is due to the 2.5 month lockdown in Greece and Cyprus as well as the very serious restrictions regarding the movement of citizens in all of the Balkan countries. EBITDA shaped in at EUR75.2m vs. EUR97.8m in the corresponding semester last year, while profit after tax settled at EUR49.8m, -22.3% y/y. The company stated that the total amount that will be distributed as a dividend to shareholders for the current year will be equal to that of the 12m financial year (July 1, 2018 to June 30, 2019) standing at EUR0.47/share.

### Sales front

According to the figures released by the company, sales in May, June and July registered a positive momentum at +13.6% y/y, +5.8% y/y and +8.0% y/y, respectively. Conversely, August showed a 3% sales contraction with the company underlining that this is as an excellent result given the significant decline in tourist flows. Overall, the eight month performance saw a drop of 10.9% y/y in terms of sales. It should also be noted that during the lockdown period there was an explosive increase in demand for products through the online store in Greece.

### We revise our estimates

The restrictions applied by national governments so as to limit the spread of the coronavirus directly impacted the company as it halted stores' operations at both domestic and international level. Going forward, we anticipate 5year CAGR sales of +4.5% (from 7.8% y/y previously), with sales standing at EUR756m at year end 2020. In 2021 and 2022, we anticipate sales to rebound registering a +7.6% y/y (from 7.7% y/y) and +7.9% y/y (from 8.2% y/y) in 2021 and 2022, respectively. Gross profit margin narrowed by c.218bps as of 1H20, while given the re-opening of stores, we estimate the margin for the current year-end to stand at c.50%, rising to c.51% in 2021 and 2022. Re. net profit, we expect it to contract to EUR137m in 2020, and to rebound in 2021. We positively assess the recent announcements made by the Greek PM at the Thessaloniki International Forum (TIF) both in terms of savings (with the reduction in insurance contributions for employers and employees) as well as in the private consumption stimulus front, effectively from Jan. 2021.

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### Stock Data & Performance

Rating	Outperform
Previous	[unchanged]
Target price (12-month)	EUR19.90
Previous	EUR20.50
Last Price (21-Sep-20)	EUR15.13
Upside to target price	32%
52-week range	EUR9.94-19.46
Market cap.	EUR2,059m
Reuters / Bloomberg	BABr.AT/BELA GA
3m avg. trading volume	EUR2.3m
Free float	77%
Abs performance ytd	-18%
Rel. performance ytd (to ASE)	13%

Source: FactSet, NBG Securities Research

### EPS Estimate Changes (NBG Securities)

(in EUR)	From	To	% Chg.
2020e	1.32	1.00	-24%
2021e	1.44	1.14	-20%
2022e	1.58	1.31	-17%

Source: NBG Securities Research

### Key Financials & Valuation

(in EUR m)	2019*	2020e	2021e	2022e
Sales	812	756	813	878
EBITDA adj. (AL)	238	210	235	260
Net Income adj.	163	137	155	178
EPS adj. (EUR)	1.20	1.00	1.14	1.31
P/E adj.	14.2	15.8	14.0	12.2
EV/EBITDA adj.	8.4	8.1	6.8	5.8
EV/Sales	2.5	2.2	1.9	1.7
Div. Yield	3%	3%	3%	4%

Source: Company data, NBG Securities Research

### Price performance



Source: FactSet, NBG Securities Research

## Business development

The company anticipates that the three stores scheduled to open in 2020 will now open in the last quarter of 2021. In addition, the company recently announced that it signed a commercial collaboration agreement with Fox Group, giving it the exclusive right to open new stores in Israel, which will operate under the 'Jumbo' brand and trade the group's products. The first store is expected at the end of year 2022. Finally, In June 2020 the online store in Cyprus became operational.

Exhibit 1: Interim results	1H19	2H19	1H20
No of stores	79	80	80
<b>Total revenue</b>	<b>335.4</b>	<b>512.5</b>	<b>278.8</b>
% y/y	8.1%	7.5%	-16.9%
Greece	214.5	303.3	168.8
% y/y	4.3%	4.1%	-21.3%
Cyprus	37.1	53.0	28.6
% y/y	2.5%	5.0%	-23.0%
Bulgaria	31.9	57.4	27.7
% y/y	10.6%	6.9%	-13.1%
Romania	52.0	98.8	53.7
% y/y	31.1%	21.8%	3.3%
<b>Gross profit</b>	<b>181.7</b>	<b>262.1</b>	<b>145.0</b>
% y/y	5.5%	8.2%	-20.2%
% mrg	54.2%	51.1%	52.0%
<b>EBITDA*</b>	<b>97.8</b>	<b>161.1</b>	<b>75.2</b>
% y/y	6.3%	-	-
% mrg	29.2%	31.4%	27.0%
Greece	60.1	86.6	41.4
% y/y	2.5%	-	-
% mrg	28.0%	28.5%	55.1%
Cyprus	13.0	18.9	8.6
% y/y	-1.4%	-	-
% mrg	35.1%	35.7%	11.4%
Bulgaria	8.6	19.9	7.8
% y/y	11.4%	-	-
% mrg	27.1%	34.7%	10.4%
Romania	16.1	35.7	17.4
% y/y	29.2%	-	-
% mrg	30.9%	36.1%	23.1%
<b>Net profit</b>	<b>64.1</b>	<b>113.5</b>	<b>49.4</b>
% y/y	5.7%	14.9%	-23.0%

Source: NBG Securities Research

Exhibit 5: Gross and EBITDA margin (%)

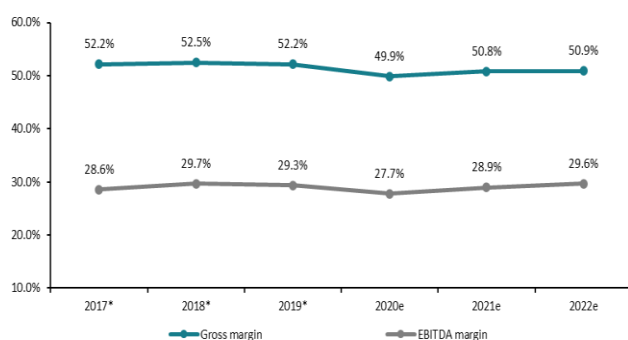


Exhibit 2: EBITDA and EBITDA margin evolution (in m EUR)

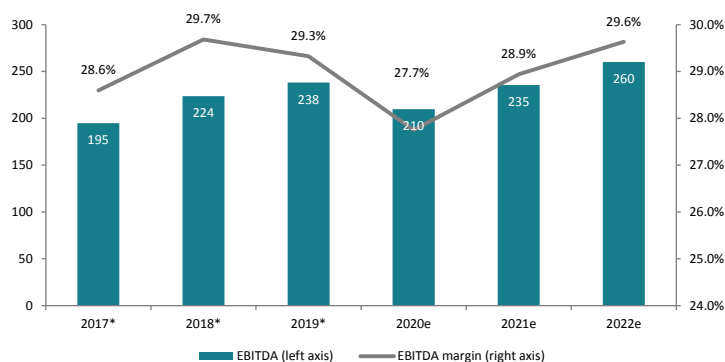


Exhibit 3: YTD performance

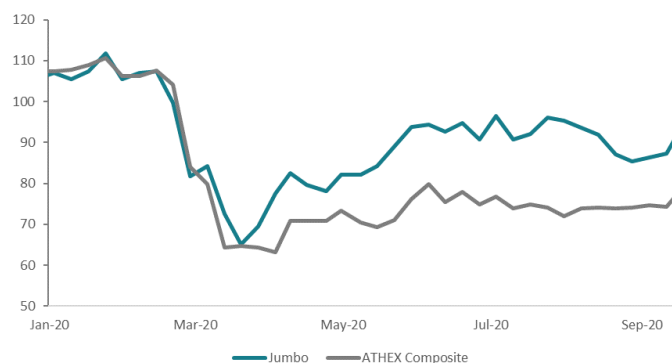
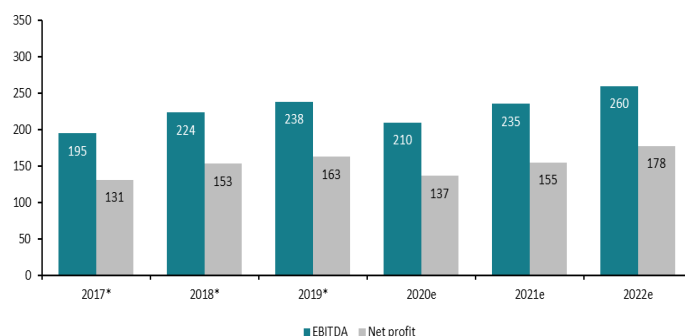


Exhibit 4: EBITDA and Net profit Evolution (in m EUR)



\*The Group proceeded to the adoption of IFRS16 'Leases' from July 1, 2019 without restating previous years. We have not readjusted past figures. In Exhibit 2,4,5 previous years refer to financial years end 30 June.

## Jumbo

<Outperform, 12m TP EUR19.90>

**Our view:** We have assigned an Outperform rating in Jumbo due to its solid fundamentals: strong business model, high margins, healthy financial position & excellent track record. Despite the domestic market's volatility, Jumbo has continued to differentiate itself through delivering decent growth and solid margins through market share gains and continued network expansion/refurbishment. Key risks are related to a second round of lockdown restrictions.

### Key Financials

(in EUR m)	2017*	2018*	2019*	2020e	2021e	2022e
Net Fixed Assets	520	547	564	570	576	585
Other Non-Current Assets	26	23	25	25	25	25
Current Assets	713	792	921	1,057	1,148	1,248
Equity	962	1,058	1,161	1,281	1,373	1,478
Long-term Debt	149	18	211	207	207	207
Short-term Debt	15	150	0	0	0	0
Total Assets	1,260	1,362	1,509	1,766	1,863	1,972
Net Debt Position	-207	-287	-308	-461	-579	-651
Sales	681	753	812	756	813	878
EBITDA	195	224	238	210	235	260
EBIT	172	199	212	174	198	221
Pre-Tax Profit	173	200	211	173	196	223
Net Profit	131	153	163	137	156	178
EPS	0.96	1.13	1.20	1.00	1.14	1.31
DPS	0.36	0.39	0.47	0.47	0.54	0.63
BVPS	7.07	7.78	8.54	9.41	10.09	10.86
Operating Cash Flow	109	172	126	116	211	192
(-) Capex & Acquisitions	-29	-41	-48	-26	-44	-47
Free Cash Flow (Firm)	72	131	82	90	167	144

Activity Ratios	2017*	2018*	2019*	2020e	2021e	2022e
Avg Receivables/Turnover	19	16	18	18	18	18
Avg Credit/Purchase Days	45	41	40	36	40	40
Avg Inventory/Purchase	268	253	273	272	272	272

Profitability	2017*	2018*	2019*	2020e	2021e	2022e
RoE	14%	15%	15%	11%	12%	12%
RoIC	15%	16%	16%	12%	13%	13%
FCF Yield	3%	7%	4%	4%	8%	7%
Dividend Yield	2%	3%	3%	3%	3%	4%
EBITDA Margin	29%	30%	29%	28%	29%	30%

Financial Structure	2017*	2018*	2019*	2020e	2021e	2022e
Net Debt/Equity	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4
Net Debt/EBITDA	-1.1	-1.3	-1.3	-2.2	-2.5	-2.5

Liquidity	2017*	2018*	2019*	2020e	2021e	2022e
Current Ratio	5.3	2.9	7.6	6.8	7.1	7.5
Acid Test	3.5	2.0	5.2	5.0	5.2	5.6

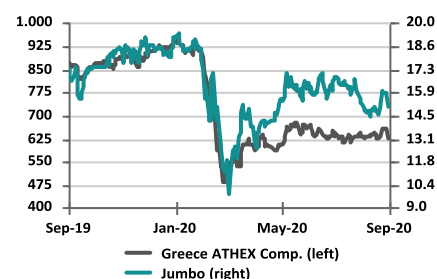
**Valuation Method:** We value Jumbo at EUR19.90 per share through a DCF model, applying a WACC of 8.1%, explicit forecasts in 2021-24e

**Company Profile:** Jumbo is a leading retailer of toys, baby products, stationery, seasonal and home products in Greece. It operates an extensive retail network of 80 stores of which 52 are located in Greece, followed by a further 5 in Cyprus, 9 in Bulgaria and 14 in Romania. Jumbo through collaborations had presence with 26 stores operating under the 'Jumbo' brand in six countries (Albania, Kosovo, Serbia, North Macedonia, Bosnia and Montenegro).

\*Fiscal Year ends 30 June

Valuation	2020e	2021e	2022e
P/E	15.8	14.0	12.2
EV/EBITDA	8.1	6.8	5.8
EV/EBIT	2.2	1.9	1.7

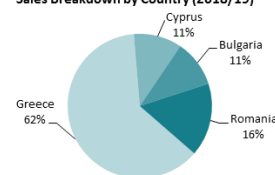
### Share price performance



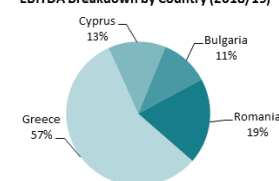
### Credit Ratings

S&P	n/a
Moody's	n/a
Fitch	n/a

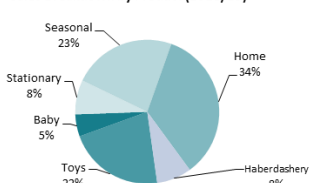
Sales Breakdown by Country (2018/19)



EBITDA Breakdown by Country (2018/19)



Sales Breakdown by Product (2018/19)



Source: Company data, FactSet, NBG Securities Research



## Appendix

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#### Disclosure checklist for companies mentioned & other price data information

Company Name	Reuters / Bloomberg	Rating	Price	Price date / time	Disclosure
Jumbo	BABr.AT/BELA GA	Outperform	EUR15.85	18 Sep 2020/Official Close	2

Source: NBG Securities

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Date	Rating	Price	12m Target price	Date	Rating	Price	12m Target price
25 May 2016	Outperform	EUR11.64	EUR13.80	6 Mar 2018	Outperform	EUR13.35	EUR17.20
15 Sep 2016	Outperform	EUR11.01	EUR14.20	22 Oct 2018	Outperform	EUR12.70	EUR16.00
13 Oct 2016	Outperform	EUR11.85	EUR14.70	13 Mar 2019	Outperform	EUR14.88	EUR16.90
1 Mar 2017	Outperform	EUR13.35	EUR15.30	7 Jun 2019	Outperform	EUR16.18	EUR17.49
20 Nov 2017	Outperform	EUR13.00	EUR16.00	22 Oct 2020	Outperform	EUR17.42	EUR20.50

Source: NBG Securities

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Greek Equity Research Coverage (25)	60%	8%	0%	8%	24%	0%
% of companies in each category that are IB clients	33%	0%	0%	50%	17%	0%

Source: NBG Securities

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