

Company Update

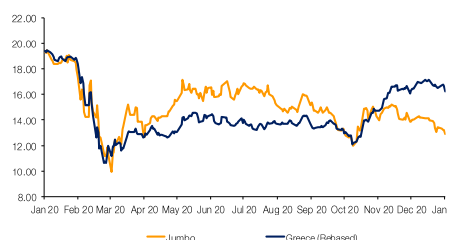
Recommendation

| | |
|---------------------|----------------|
| Rating | BUY |
| from | NEUTRAL |
| Target Price | € 18.40 |
| from | € 16.00 |
| Share Price | €12.91 |
| Price date | 22/1/2021 |
| Upside/Downside | +42.5% |
| Bloomberg ticker | BELA GA |
| Reuters ticker | BABr.AT |

Statistics

| | |
|---------------------------|---------|
| Mkt Cap (EUR m) | €1,757 |
| Shares out (m) | 136.1 |
| Free float | 58.5% |
| Daily avg shares 12mths | 199,947 |
| Price high 12mths | €19.46 |
| Price low 12mths | €9.94 |
| ABS. PERF. YtD | -9.1% |
| ABS. PERF. 12mths | -33.5% |
| ABS. PERF. 3mths | -1.5% |
| ABS. PERF. 1mth | -7.0% |

Graph | indexed vs. ASE index | 12mths



Research department

Analyst | Dimitris Birbos
 E: dbirbos@optimabank.gr
 T: +30 210 81 73 392

An 'all weather' stock! Upgrade to 'Buy'

Valuation | We raise our target price on Jumbo to **EUR 18.40/share** (vs. EUR 16.00 previously), which reflects: a) the positive revision of our earnings forecasts for the period 2022-2024 due to the expected (gradual) restoration of the normal course of business for the retail sector following the implementation of the mass vaccination campaigns against Covid-19 disease in EU and b) the reduction of the discount rate used in our DCF model on better visibility about group's earnings performance in the mid-term. Our target price indicates an upside potential of 43% from current levels, thus we raise our rating to '**Buy**' from 'Neutral'. On our numbers, the stock trades on a 5.3x EV/EBITDA (22e) vs. an 11x multiple for European retailers (50% discount). Historically, the stock has been trading at a discount against European peers (10-yr avg discount of 30%), meaning that a narrower pricing gap closer to the long-term average, justifies a solid re-rating, in our view.

A coronavirus-proof business model | Admittedly, management has successfully coped with the effects of coronavirus crisis on the company's financial stance so far, rewarding the shareholders for their trust at the same time. It is noteworthy that the company returned a total amount of EUR 122m (i.e. EUR 0.897/share) to its shareholders last year, while it preserved its cash position (Optima estimate for net cash of EUR 312m in Dec-20 vs. EUR 331m in Dec-19). To achieve this, the company implemented a very prudent working capital strategy and halted its investment plans for 2020 (opening of 3 new stores). Despite the potential turbulences that could arise in the first half of 2021, Jumbo is eyeing the post-Covid19 era with increased optimism based on its healthy capital structure, attractive product proposition and well-tested business strategy.

Investment case | Jumbo has adopted a unique business model, offering a wide assortment of products at low prices. The company is currently expanding its presence in Romania, while it is examining its entry in other EU countries in the medium-term. For 2021, the company is expected to record sales of EUR 800m (+15% y-o-y), EBITDA of EUR 228m (+20% y-o-y) and net profits of EUR 147m (+18% y-o-y), while revenues and net profits could exceed the milestones of EUR 1bn and EUR 200m respectively by 2024. Cash flow generation is steady and predictable, enabling: a) the execution of the business strategy without the need for external financing and b) the distribution of satisfactory dividends. For 2021, we forecast free cash flows of EUR 107m (6% MCAP). On the dividend front, the ample liquidity and the solid earnings growth could lead to DPS of EUR 0.65/share for FY21 and EUR 0.77/share for FY22, based on a 60% payout ratio. Currently, Jumbo operates 80 stores in 4 countries and 26 franchise stores in Western Balkans, as well as online stores in Greece, Cyprus and Romania, achieving increased geographical diversification (40% of total revenues originates from foreign markets). Currently, the stock trades at a deep discount versus European retailers, indicating an attractive entry point, in our view. We remind that the stock recorded its all-time high price of EUR 19.46 exactly a year ago, indicating the upside potential in a Covid-free environment.

| Forecasts | 2018 | 2019 | 2020e | 2021e | 2022e | 2023e |
|-------------------|--------|--------|--------|--------|--------|--------|
| Revenues | 787.1 | 847.9 | 693.6 | 800.0 | 897.8 | 964.2 |
| EBITDA | 234.7 | 259.2 | 189.6 | 228.2 | 264.4 | 282.9 |
| Comparable EBITDA | 234.7 | 259.2 | 189.6 | 228.2 | 264.4 | 282.9 |
| Net profit | 159.4 | 177.6 | 125.0 | 147.1 | 173.8 | 187.2 |
| Net profit adj. | 159.4 | 177.6 | 134.4 | 147.1 | 173.8 | 187.2 |
| EPS adj. | 1.17 | 1.31 | 0.99 | 1.08 | 1.28 | 1.38 |
| DPS | 0.39 | 0.75 | 0.62 | 0.65 | 0.77 | 0.83 |
| Valuation Ratios | 2018 | 2019 | 2020e | 2021e | 2022e | 2023e |
| P/E adj. | 10.9x | 14.2x | 15.5x | 12.3x | 10.4x | 9.7x |
| EV/EBITDA adj. | 5.7x | 8.5x | 8.6x | 6.3x | 5.3x | 4.8x |
| P/BV | 1.6x | 2.1x | 1.6x | 1.4x | 1.3x | 1.2x |
| DY | 3.1% | 4.0% | 4.3% | 4.9% | 5.8% | 6.2% |
| Net Debt/EBITDA | (1.7x) | (1.3x) | (1.6x) | (1.7x) | (1.6x) | (1.6x) |

Source: the Company, Optima bank research

UPDATED FORECASTS

The company has recently announced that its sales dropped by 18.2% y-o-y in FY20, implying total revenues of EUR 694m, while 2H20 turnover stood at EUR 415m, down 19% y-o-y. On our estimates, group's sales shrank by 35% y-o-y in 4Q20, due to the suspension of operation of the entire network (52 stores) in Greece, 2 stores in Cyprus (out of 5) and 1 store in Bulgaria (out of 9) from mid-November to December. This rapid decrease in Jumbo's annual turnover is the result of to the restrictive measures against the spread of Covid-19 epidemic that led to the total suspension of the Greek stores for 3 months, including the seasonally important periods of Orthodox Easter and Christmas. On the positive side, the government of Romania and Bulgaria took milder actions against the pandemic, a fact that was mirrored on 2020 turnover. In more detail, we see Greek sales at EUR 330m (-32% y-o-y), while Cypriot turnover is estimated at EUR 80m (-11% y-o-y) in 2020. On the flip side, we forecast revenues of EUR 168m (+11% y-o-y) from Romania and a modest decrease of 3% y-o-y in the turnover of Jumbo stores in Bulgaria. Given the fact that Greek operations carry a higher gross margin in 4Q20 versus the foreign activities, we have factored in a 180bps y-o-y decrease in 2H20 gross margin, which drives our projected gross profits to EUR 205m (-22% y-o-y) for 2H20 and EUR 349m (-21% y-o-y) for the full year. Group's EBITDA is seen at EUR 190m (-27% y-o-y) in 2020, pointing to a 27.4% profitability margin (-330bps y-o-y). We have assumed a 9% y-o-y reduction in operating expenses at the level of EUR 198m, reflecting cost cutting efforts and the benefits from the use of the supportive measures provided by national authorities in Greece and the Balkans. Finally, we forecast net profits of EUR 125m (-30% y-o-y) for FY20, assuming depreciation expenses of EUR 37m, net financial expenses of EUR 4m and an 16% effective tax rate.

Moving to 2021, the visibility regarding Jumbo's financial performance should be better in our view, due to the implementation of mass vaccination campaigns in EU Member States that will gradually allow the relaxation of the restrictive measures regarding citizen mobility and the operation of retail stores. Still, we do not rule out part of the restrictions to remain in place in the first half of the year, affecting consumer spending accordingly. In any case, the economies of the countries in which Jumbo has direct presence are expected to grow in 2021 and especially the Greek economy for which EC forecasts a 5.0% GDP growth (see table below), laying the grounds for a solid rebound of Jumbo's revenues this year.

Table 1 | Real GDP (% change)

| EUR m | 2019 | 2020e | 2021e | 2022e |
|----------|------|-------|-------|-------|
| Greece | 1.9% | -9.0% | 5.0% | 3.5% |
| Cyprus | 3.2% | -6.2% | 3.7% | 3.0% |
| Romania | 4.1% | -5.2% | 3.3% | 3.8% |
| Bulgaria | 3.4% | -5.1% | 2.6% | 3.7% |

Source: EC Autumn Forecasts 2020

In addition, the company is anticipated to conclude the opening of 3 new stores in Romania, Greece and Cyprus within 2021, whose the operation has been delayed due to the pandemic and the slow progress in bureaucratic procedures, meaning that the number of Jumbo stores will increase to 83 by the end of the year, pointing to a 4% increase in selling capacity.

Having these in mind, we expect a dynamic increase in same-store sales in 2021 driven by: a) the material improvement of the macro environment in the region and especially in Greece, b) the absence of a nationwide lockdown in Greece and abroad in the next months, and c) the positive contribution of the new stores and the newly established e-commerce channel in Romania. Still, we expect that Jumbo's sales will end the year below the 2019 levels, as market conditions have not stabilised yet.

In particular, we forecast revenues of EUR 800m (+15% y-o-y) for 2021, which stand 6% below 2019 turnover. Per country, we look for a 22% y-o-y turnover increase from the Greek operations reflecting a low comparison base, double-digit sales growth in Romania (+12% y-o-y) supported by the new store in Craiova and the online store and a modest turnover accretion in Cyprus (+7.5% y-o-y) and Bulgaria (+5% y-o-y).

We have assumed the improvement of the gross margin at the level of 51.5% in 2021 (+110bps y-o-y), leading to gross profits of EUR 412m (+18% y-o-y). Despite the current increase in freight rates, we expect that the company has already agreed the transportation contracts for the year achieving better prices, while the appreciation of the euro against the USD should positively weigh on gross margin in the coming quarters (80% of the product is USD-denominated). Operating expenses are seen up 13% y-o-y at EUR 223m in 2021 reflecting a normalized business environment and the new store openings, while we look for other operating income/costs of EUR 1.5m. Accordingly, FY21e EBITDA is estimated at EUR 228m (+20% y-o-y), standing 12% below 2019 reported figure. Our EBITDA projection implies a profitability margin of 28.5%, up 120bps y-o-y.

Below the EBITDA line we have assumed: a) depreciation expenses of EUR 38m (+3% y-o-y), b) net interest expenses of EUR 4.2m and c) an effective tax rate of 21%, leading to FY21e net profits of EUR 147m, up 18% y-o-y. Assuming the opening of 2-3 new stores for the period 2022-2024 and the steady improvement of the macro conditions in the region, we expect Jumbo to display healthy earnings growth in the medium-term.

Table 2 | P&L forecasts 2020-2024

| EUR m | 2019 | 2020e | 2021e | 2022e | 2023e | 2024e |
|-------------------------|--------------|---------------|--------------|--------------|--------------|----------------|
| Greece | 485.8 | 330.3 | 401.5 | 455.3 | 478.1 | 493.7 |
| y-o-y | 3.7% | -32.0% | 21.5% | 13.4% | 5.0% | 3.3% |
| Romania | 150.8 | 167.6 | 187.8 | 215.2 | 243.9 | 274.2 |
| y-o-y | 24.9% | 11.1% | 12.0% | 14.6% | 13.3% | 12.4% |
| Cyprus | 90.1 | 80.0 | 86.1 | 91.7 | 94.4 | 97.2 |
| y-o-y | 4.0% | -11.2% | 7.5% | 6.5% | 3.0% | 3.0% |
| Bulgaria | 89.3 | 86.3 | 90.6 | 95.8 | 102.2 | 105.3 |
| y-o-y | 8.2% | -3.4% | 5.0% | 5.8% | 6.6% | 3.0% |
| Franchise stores | 31.9 | 29.4 | 34.1 | 39.7 | 45.6 | 51.7 |
| Sales | 847.9 | 693.6 | 800.0 | 897.8 | 964.2 | 1,022.1 |
| % change | 7.7% | -18.2% | 15.3% | 12.2% | 7.4% | 6.0% |
| Cost of sales | -404.1 | -344.2 | -388.0 | -439.9 | -477.3 | -505.9 |
| Gross profit | 443.8 | 349.4 | 412.0 | 457.9 | 486.9 | 516.1 |
| % margin | 52.3% | 50.4% | 51.5% | 51.0% | 50.5% | 50.5% |
| SGA | -217.2 | -198.0 | -223.0 | -235.0 | -247.0 | -259.0 |
| SGA/sales | 25.6% | 28.5% | 27.9% | 26.2% | 25.6% | 25.3% |
| Other income / expenses | 1.2 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| EBIT | 227.8 | 152.9 | 190.5 | 224.4 | 241.4 | 258.6 |
| % margin | 26.9% | 22.1% | 23.8% | 25.0% | 25.0% | 25.3% |
| Depreciation | 31.4 | 36.6 | 37.7 | 40.0 | 41.5 | 42.9 |
| EBITDA | 259.2 | 189.6 | 228.2 | 264.4 | 282.9 | 301.6 |
| % change | 10.4% | -26.9% | 20.4% | 15.9% | 7.0% | 6.6% |
| margin | 30.6% | 27.3% | 28.5% | 29.5% | 29.3% | 29.5% |
| Net financials | -2.5 | -4.1 | -4.2 | -4.3 | -4.4 | -4.5 |
| EBT | 225.3 | 148.8 | 186.2 | 220.0 | 237.0 | 254.1 |
| Income taxes | -47.7 | -23.8 | -39.1 | -46.2 | -49.8 | -53.4 |
| Effective tax rate | 21.2% | 16.0% | 21.0% | 21.0% | 21.0% | 21.0% |
| Net profit | 177.6 | 125.0 | 147.1 | 173.8 | 187.2 | 200.7 |
| % change | 11.4% | -29.6% | 17.7% | 18.1% | 7.7% | 7.2% |

Source: Optima bank research

Table 3 summarizes the changes in our forecasts regarding key P&L figures. As it is obvious, we have cut our estimates for the years 2020 and 2021 as national governments (especially in Greece and Cyprus) have prioritized the containment of the spread of Covid-19 epidemic through the imposition of a second lockdown for the November 2020 – January 2021. However, we have modestly raised our projections for the period 2022-2024, as we expect that the conclusion of the mass vaccination of EU population will allow the return to the normal course of business for retailers next year.

Table 3 | Forecast changes

| EUR m | 2020e | 2021e | 2022e | 2023e | 2024e |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales - New | 693.6 | 800.0 | 897.8 | 964.2 | 1,022 |
| Sales - Old | 765.2 | 830.0 | 886.2 | 943.2 | 993.7 |
| <i>New vs. Old</i> | -9% | -4% | 1% | 2% | 3% |
| EBITDA - New | 189.6 | 228.2 | 264.4 | 282.9 | 301.6 |
| EBITDA- Old | 210.0 | 244.6 | 260.1 | 274.4 | 285.4 |
| <i>New vs. Old</i> | -10% | -7% | 2% | 3% | 6% |
| Net profits - New | 125.0 | 147.1 | 173.8 | 187.2 | 200.7 |
| Net profits - Old | 135.8 | 161.3 | 171.6 | 181.9 | 189.5 |
| <i>New vs. Old</i> | -8% | -9% | 1% | 3% | 6% |

Source: Optima bank research

Successful cash preservation strategy

As indicated in the corporate announcement dated 14 December 2020, Jumbo's management has achieved to preserve group's cash by halting the investment plans and attempting to contain the inventory at year-end levels. In more detail, group's net cash in Sep-20 remained broadly stable compared to FY19 level (i.e. EUR 326m in Sep-20 vs. EUR 331.4m in Dec-19), despite the fact that the company returned EUR 70m to its shareholders during Jan-Sep 20. We expect that group's net cash will settle to EUR 312m in FY20, which includes the payment of an interim dividend of c. EUR 52m in Dec-20.

In a nutshell, we anticipate Jumbo to display free cash flows of EUR 96m for 2020. For 2021, we expect higher capex needs but lower working capital needs, because the main part of the Christmas and Easter-related inventory remained unsold in 2020 due to the lockdowns in Greece. We forecast FCF of EUR 107m for 2021, which will support the distribution of a generous dividend this year. Assuming a 60% dividend payout ratio, we forecast DPS of EUR 0.65/share for FY21, implying a dividend yield of 5% at current levels.

Table 4 | Projected cash flows

| EUR m | 2019 | 2020e | 2021e | 2022e | 2023e |
|---|--------------|--------------|--------------|--------------|--------------|
| EBITDA | 259.2 | 189.6 | 228.2 | 264.4 | 282.9 |
| Income taxes | -49.9 | -23.8 | -39.1 | -46.2 | -49.8 |
| Interest expenses (net) | -0.6 | -4.1 | -4.2 | -4.3 | -4.4 |
| Change in Working Capital | -48.1 | -32.5 | -24.6 | -35.0 | -35.2 |
| Other | 1.9 | 0.2 | 0.0 | 0.0 | 0.0 |
| Operating cash flows | 162.4 | 129.4 | 160.2 | 178.9 | 193.5 |
| Capex | -45.4 | -25.0 | -45.0 | -45.0 | -45.0 |
| Other investments | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Free cash flows | 117.7 | 104.4 | 115.2 | 133.9 | 148.5 |
| Repayment of leases | -5.7 | -8.0 | -8.0 | -8.0 | -8.0 |
| Free cash flows -(after leases) | 112.0 | 96.4 | 107.2 | 125.9 | 140.5 |
| Net cash position (incl. leases) | 331 | 312 | 383 | 421 | 461 |

Source: Optima bank research

VALUATION

We value Jumbo with a 2-stage DCF model, developing explicit forecasts for the period 2021-2024. We have cut the discount rate (WACC) to 9.0% from 10.0% previously to take into account the reduction of 10-year GGB yields, as well as the recent progress regarding the implementation of mass vaccination programs against Covid-19 pandemic in Greece and other EU countries. Specifically, we have assumed: a) cost of equity of 10.2% (vs. 11.4% previously), b) an after-tax cost of debt of 2.1% (unchanged) and c) an optimal gearing ratio of 15% (unchanged). We stick to our assumption for a terminal growth rate of 2.0%. In addition, we have used group's projected net cash position at the end of December 2020, including the extra lease liabilities of EUR 107m recognized after the application of IFRS 16.

Following the changes in our P&L forecasts, cash flow estimates and valuation assumptions, our DCF model returns a fair price of **EUR 18.40/share** (vs. EUR 16.00/share previously) for Jumbo. Our target price indicates an upside potential of 43% from current price levels, thus we raise our recommendation on the stock to **'Buy'** from **'Neutral'**. On our numbers, the stock trades on a 5.3x EV/EBITDA (22e) (the first year of normal market conditions) vs. an 11x multiple for European retailers and a 10-year average of 6.5x. Historically, the stock has been trading at a huge discount (10-yr avg. discount of 30%) against European peers in terms of EV/EBITDA. In terms of p/e, Jumbo trades on a 10.4x multiple on our estimates, compared to a 10-year average multiple of 11.3x and 3-year average of 12.5x.

Table 5 | DCF Model

| EUR m | 2021f | 2022f | 2023f | 2024f |
|-----------------------------------|--------------|--------------|--------------|--------------|
| EBIT | 190 | 224 | 241 | 259 |
| Notional tax @ 21% | -40 | -47 | -51 | -54 |
| Depreciation & Provision | 38 | 40 | 41 | 43 |
| CAPEX | -45 | -45 | -45 | -45 |
| Δ(WC) | -25 | -35 | -35 | -35 |
| Free Cash Flow to the Firm | 118.6 | 137.3 | 152.0 | 167.6 |
| WACC | 9.0% | 9.0% | 9.0% | 9.0% |
| PV of FCFF 2021-2024 | 108.8 | 115.6 | 117.4 | 118.8 |
| Sum of PV of FCFF 2021-2024 | 461 | | | |
| Terminal Growth Rate (Perpetuity) | 2.0% | | | |
| Terminal Value (Perpetuity) | 1,733 | | | |
| Enterprise Value | 2,193 | | | |
| Plus: FY 20e Net Cash | 312 | | | |
| Equity value | 2,505 | | | |
| No of shares | 136.1 | | | |
| Target price | 18.40 | | | |

Source: Optima bank research

We provide below a sensitivity analysis of our valuation results with respect to the discount rate and the perpetuity growth rate. Our sensitivity analysis returns an indicative price range of EUR 17.00- 20.10 for the stock.

Table 6 | Valuation sensitivity – WACC and perpetuity rate

| | | Discount Rate (WACC) | | |
|---------------------------|------|----------------------|--------------|-------|
| | | 8.0% | 9.0% | 10.0% |
| Growth rate to perpetuity | 1.5% | 18.00 | 17.50 | 17.00 |
| | 2.0% | 19.00 | 18.40 | 17.90 |
| | 2.5% | 20.10 | 19.50 | 18.90 |

Source: Optima bank research

RISKS & SENSITIVITY

1) **Macro conditions in the home country:** Since domestic operations account for 55% of total sales and EBITDA, our P&L forecasts are vulnerable to the economic conditions in Greece, especially amidst Covid-19 epidemic.

2) **FX risks:** Jumbo imports 70% of its products from China, while 80% of its COGS is USD-denominated. That said, group's earnings performance is quite sensitive to currency fluctuations (EUR/USD and USD/CHN) due to their immediate impact on gross margin, as well as any disruptions in the Chinese supply chains. In the past, the company has achieved to override FX headwinds through early stocking practices, negotiations with Chinese suppliers and smart pricing.

3) **Transportation costs** account from 20% to 35% of group's COGS, which means that any increase in freight rates could exert additional pressures on group's gross margin.

4) **Working capital volatility:** Group's working capital needs display high volatility from time to time, reflecting increased selling capacity, launch of e-commerce channels and early stocking practices. It is noteworthy that the inventory days have increased from 240 in 2016 to 273 in 2019, implying a total increase of EUR 120m in the last 4 financial years. Management's decision to adopt a 'last-minute delivery' policy is expected to normalize inventory days going forward.

5) **Entry in new markets:** The company has successfully built its distribution network in Greece, Bulgaria and Cyprus, while it is planning to complete its investment plans in Romania (opening of 11 new stores) by 2024. The company has disclosed its intention to expand its presence in new markets after the completion of its store network in Romania (indicatively Hungary and Croatia), a scenario that is not included in our P&L forecasts.

Table 7 | SWOT Analysis

| Strengths | Weaknesses |
|---|---|
| <ul style="list-style-type: none"> • Solid cash flow generation (5% of MCAP) • Healthy balance sheet (net cash) • Strong brand name • Successful business model (competitive pricing / wide assortment of products) • Market leadership in Greece • Satisfactory geographical diversification | <ul style="list-style-type: none"> • Vulnerable to consumer spending trends • 70% of the product originates from China • 80% of the product is USD denominated • The company is a pure importer • Low contribution of e-commerce • High dependence on Mr. Vakakis' management abilities |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • Entry in new EU markets (Croatia, Hungary) • Improved macro conditions in Greece and the Balkans from 2021 onwards • Launch of e-commerce in Romania • Market share gains | <ul style="list-style-type: none"> • A second wave of Covid-19 pandemic to affect consumer behaviour • Competitive pressures in Greece • Possible supply chain disruption in China • FX volatility and increase in transportation costs |

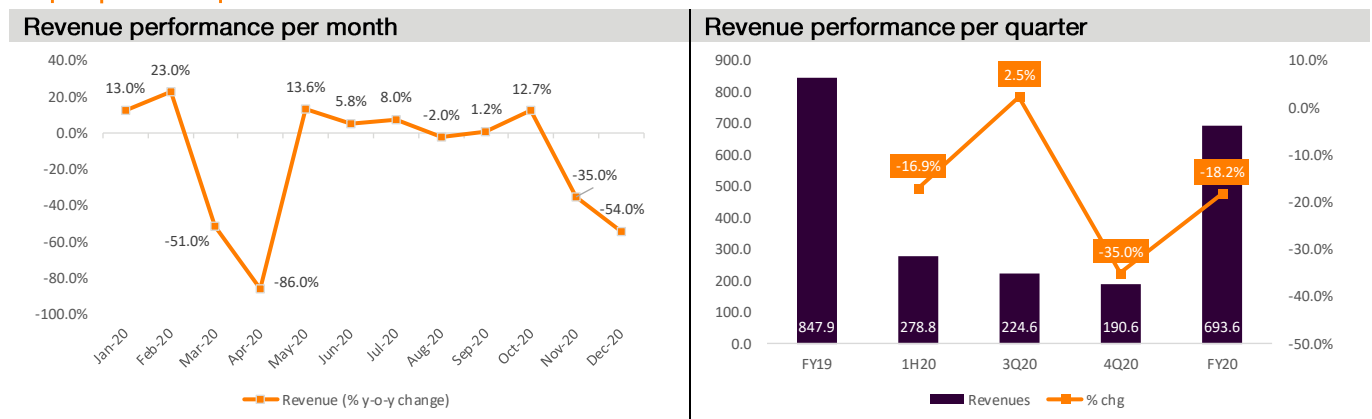
Source: Optima bank research

RECENT DEVELOPMENTS

Sales down 18% y-o-y in FY20

On January 11, Jumbo announced that its FY20 sales dropped by 18.2% y-o-y, implying a level of EUR 694m, while group's turnover -in December tumbled 54% y-o-y as the entire store network in Greece (i.e. 52 stores) remained closed, as well as two stores in Cyprus and one in Bulgaria. In mid-December, the company has revealed that its 3Q20 sales stood at EUR 224.6m (+2.5% y-o-y), driving 9M20 revenues to EUR 503m (-9% y-o-y). 9M20 EBITDA shaped at EUR 151m (-7.4% y-o-y), following the positive performance in 3Q20 (EBITDA up 16.6% y-o-y to EUR 75m), partially offsetting 1H20 EBITDA contraction (-23% y-o-y). Importantly, the company displayed a net cash position of EUR 326m as at 30 September 2020, a bit lower versus last year.

Graphs | Revenue performance 2020



Source: the Company, Optima bank research

Distribution of an extraordinary dividend in December

On November 24, Jumbo announced the distribution of an extraordinary cash distribution of EUR 0.38/share (net amount after 5% withholding tax: EUR 0.3610/share), which is part of extraordinary reserves from taxable and non-distributed profits of fiscal year 01.07.2019-31.12.2019. Overall, the company returned EUR 0.897/share (gross amount) to its shareholders within 2020. We remind that Jumbo also paid: a) an extraordinary dividend of EUR 0.235/share in July, which is part of extraordinary reserves from taxed and undistributed profits of the fiscal year 2010/11, b) an ordinary dividend for FY19 of EUR 0.062/share in June and c) an extraordinary dividend of EUR 0.22/share in January, which is part of extraordinary reserves from taxable and non-distributed profits of fiscal year 2014/15. We understand that the distribution of the EUR 0.38/share dividend in December referred to the remaining ordinary dividend for FY20.

Entry in Israel through a franchise agreement

In September, Jumbo announced the signing of a commercial collaboration agreement with Fox Group regarding the opening of Jumbo stores in Israel by the latter. Given that Fox Group will have to resolve various local issues in order to implement the agreement, the first store is expected to become operational by the end of 2022. Fox Group is a leader in the retail sector in Israel, listed on the Tel Aviv Stock Exchange, with 9 own brands and 11 franchise partnerships with international retailers. For us, it is a pleasant surprise that Jumbo's successful business model has attracted the interest of retailers from other countries.

Weak 1H20 results, reflecting Covid-19 impact

Jumbo announced revenues of EUR 278.8m (-17% y-o-y), EBITDA of EUR 75m (-23% y-o-y, 4% below our estimates) and net profits of EUR 49.8m (-22% y-o-y, 11% above our estimates) for the first half of 2020. Group's EBITDA fell short of our expectations on the back of a weaker than we had expected gross margin (52.0% vs. our call for 53.0%; -220bps y-o-y). Management attributed the drop of group's gross margin to the restrictive measures against Covid-19 (i.e. 2 months of lockdown in Greece and Cyprus, serious restrictions for the movement of citizens in all Balkan countries) that mandated the sale of seasonal products (especially regarding the Easter period) at prices dramatically below cost. On the positive side, net profits surpassed our estimates due to a very low effective tax rate (i.e. 9.2% vs. our call for 21.0%).

Management also stated that the opening of the 3 new stores (1 in Greece/ 9,000sqm, 1 in Cyprus / Nicosia 11,000sqm and 1 in Romania / city of Craiova, 12,000sqm) will take place in 4Q21 instead within 2020, due to bureaucratic delays caused by the pandemic.

Per geography, Greek sales dropped by 21% y-o-y at EUR 158.5m in 1H20, while revenues from Cyprus stood at EUR 28.6m (-23% y-o-y). Sales from Bulgaria retreated by 13% y-o-y to EUR 27.7m, while revenues from Romania rose by 3% y-o-y at EUR 54m. Finally, group's franchise stores recorded revenues of EUR 10m in 1H20 (-20% y-o-y).

Operating cash flow settled at EUR 12m in 1H20 compared to negative opCF of EUR 39m in 1H19. This improvement is attributed to lower working capital needs (i.e. EUR 26m in 1H20 vs. EUR 93m in 1H19). Capex shaped at EUR 10m from to EUR 22m in 1H19, while other net cash inflows stood at EUR 3.8m (vs. EUR 3.5m in 1H19). That said, Jumbo delivered free cash flows of EUR 5.5m in 1H20 versus negative free cash flows of EUR 57.5m in 1H19. Accordingly, group's net cash position (including lease liabilities) settled at EUR 292m on 30 June 2020 versus EUR 331m as at 31 December 2020. We remind that had Jumbo paid dividends of EUR 37m in 1H20.

Table 8 | P&L results 1H20

| EUR m | 1H:19 | 1H:20 | YoY |
|--------------------------------------|--------------|--------------|----------------|
| Sales | 335.4 | 278.8 | -16.9% |
| Cost of sales | -153.7 | -133.9 | -12.9% |
| Gross profits | 181.7 | 145.0 | -20.2% |
| <i>Gross margin</i> | <i>54.2%</i> | <i>52.0%</i> | <i>-220bps</i> |
| Other income | 3.5 | 3.8 | 8.4% |
| Administrative expenses | -10.2 | -10.2 | 0.9% |
| Distribution costs | -86.6 | -78.7 | -9.2% |
| Other expenses | -3.5 | -3.0 | -12.2% |
| Operating Results (EBIT) | 85.0 | 56.8 | -33.2% |
| Plus: Depreciation | 12.9 | 18.5 | 43.2% |
| EBITDA | 97.8 | 75.2 | -23.1% |
| <i>margin</i> | <i>29.2%</i> | <i>27.0%</i> | <i>-220bps</i> |
| Interest Income | 3.8 | 3.0 | -21.7% |
| Interest Expenses | -4.0 | -4.9 | 23.2% |
| Net Profit / Loss Before Tax | 84.8 | 54.9 | -35.3% |
| Income Tax | -20.6 | -5.1 | -75.5% |
| Net Profit / (Loss) after tax | 64.1 | 49.8 | -22.3% |

Source: The company, Optima bank research

SUMMARY TABLES

| Jumbo | | | | | | | | Balance Sheet (EUR m) | | | | | | | |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Profit & Loss (EUR m) | 2018 | 2019 | 2020f | 2021f | 2022f | 2023f | 2024f | 2018 | 2019 | 2020f | 2021f | 2022f | 2023f | 2024f | |
| Revenues | 787.1 | 847.9 | 693.6 | 800.0 | 897.8 | 964.2 | 1,022.1 | Net Tangible Assets | 553.7 | 577.3 | 575.7 | 592.9 | 607.9 | 621.4 | 633.5 |
| YoY | 7.7% | -18.2% | 15.3% | 12.2% | 7.4% | 6.0% | | Net Intangible Assets (incl. Goodwill) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| COGS | (372.8) | (404.1) | (344.2) | (388.0) | (439.9) | (477.3) | (505.9) | Net Rights of Use Assets | 0.0 | 114.1 | 104.1 | 94.1 | 84.1 | 74.1 | 64.1 |
| SGA | (180.1) | (185.9) | (161.4) | (185.3) | (195.0) | (205.5) | (216.1) | Net Financial Assets & Other | 27.3 | 18.2 | 18.2 | 18.2 | 18.2 | 18.2 | 18.2 |
| Other Inc / (Exp) | 0.5 | 1.2 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | Total Fixed Assets | 581.1 | 709.6 | 698.0 | 705.3 | 710.2 | 713.7 | 715.8 |
| EBITDA | 234.7 | 259.2 | 189.6 | 228.2 | 264.4 | 282.9 | 301.6 | Inventories | 236.4 | 272.3 | 295.0 | 318.9 | 353.1 | 387.1 | 414.4 |
| YoY | 10.4% | -26.9% | 20.4% | 15.9% | 7.0% | 6.6% | | Trade & other receivables | 89.1 | 69.8 | 70.0 | 78.4 | 84.6 | 89.8 | 100.0 |
| EBITDA (Adj.) | 234.7 | 259.2 | 189.6 | 228.2 | 264.4 | 282.9 | 301.6 | Cash & Equivalents | 590.8 | 637.0 | 618.0 | 689.1 | 726.7 | 766.9 | 814.5 |
| YoY | 10.4% | -26.9% | 20.4% | 15.9% | 7.0% | 6.6% | | Other Current Assets | 2.9 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| EBITDA Margin (adj.) | 29.8% | 30.6% | 27.3% | 28.5% | 29.5% | 29.3% | 29.5% | Total Current Assets | 919.1 | 980.8 | 984.7 | 1,088 | 1,166 | 1,245 | 1,331 |
| D&A | (25.3) | (31.4) | (36.6) | (37.7) | (40.0) | (41.5) | (42.9) | Total Assets | 1,500 | 1,690 | 1,683 | 1,793 | 1,876 | 1,959 | 2,046 |
| EBIT | 209.4 | 227.8 | 152.9 | 190.5 | 224.4 | 241.4 | 258.6 | Long Term Debt | 198.6 | 198.9 | 199.1 | 199.1 | 199.1 | 199.1 | 199.1 |
| YoY | 8.8% | -32.9% | 24.5% | 17.8% | 7.6% | 7.1% | | LT Lease liabilities | 0.0 | 98.2 | 98.7 | 98.7 | 98.7 | 98.7 | 98.7 |
| EBIT Margin (adj.) | 26.6% | 26.9% | 22.1% | 23.8% | 25.0% | 25.0% | 25.3% | Provisions | 8.1 | 9.2 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Net Financial Inc / (Exp.) | (2.7) | (1.1) | (4.1) | (4.2) | (4.3) | (4.4) | (4.5) | Other LT Liabilities | 22.5 | 14.4 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 |
| Other & FX gains / (losses) | 0.0 | (1.5) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Total Long Term Liabilities | 229.2 | 320.6 | 321.5 | 321.5 | 321.5 | 321.5 | 321.5 |
| Equity method Inv. Inc / (Exp) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Short Term Debt | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBT | 206.7 | 225.3 | 148.8 | 186.2 | 220.0 | 237.0 | 254.1 | ST Lease liabilities | 0.0 | 8.4 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 |
| Tax | (47.3) | (47.7) | (23.8) | (39.1) | (46.2) | (49.8) | (53.4) | Trade & other payables | 44.9 | 43.2 | 37.7 | 40.4 | 45.8 | 49.7 | 52.7 |
| effective tax rate (%) | -23% | -21% | -16% | -21% | -21% | -21% | -21% | Other Current Liabilities | 128.0 | 109.8 | 105.7 | 110.7 | 110.7 | 110.7 | 110.7 |
| Net Profit After Tax | 159.4 | 177.6 | 125.0 | 147.1 | 173.8 | 187.2 | 200.7 | Total Current Liabilities | 171.1 | 161.5 | 151.8 | 159.5 | 164.9 | 168.8 | 171.8 |
| Discontinued Operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Liabilities | 400.2 | 482.2 | 473.3 | 480.9 | 486.4 | 490.2 | 493.2 |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Shareholders Equity | 1,100.0 | 1,208.3 | 1,209.4 | 1,312.4 | 1,390.0 | 1,468.9 | 1,553.2 |
| EAT | 159.4 | 177.6 | 125.0 | 147.1 | 173.8 | 187.2 | 200.7 | Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| YoY | 11.4% | -29.6% | 17.7% | 18.1% | 7.7% | 7.2% | | Total Equity | 1,100.0 | 1,208.3 | 1,209.4 | 1,312.4 | 1,390.0 | 1,468.9 | 1,553.2 |
| EAT (Adj.) | 159.4 | 177.6 | 134.4 | 147.1 | 173.8 | 187.2 | 200.7 | Total Liabilities & Equity | 1,500.2 | 1,690.5 | 1,682.7 | 1,793.4 | 1,876.3 | 1,959.1 | 2,046.4 |
| YoY | 11.4% | -24.3% | 9.4% | 18.1% | 7.7% | 7.2% | | | | | | | | | |
| EAT Margin (adj.) | 20.3% | 20.9% | 19.4% | 18.4% | 19.4% | 19.4% | 19.6% | | | | | | | | |
| Per Share Data (EUR) | | | | | | | | Cash Flow Statement (€ m) | | | | | | | |
| 2018 | 2019 | 2020f | 2021f | 2022f | 2023f | 2024f | | 2018 | 2019 | 2020f | 2021f | 2022f | 2023f | 2024f | |
| EPS | 1.17 | 1.31 | 0.92 | 1.08 | 1.28 | 1.38 | 1.48 | EBITDA | 234.7 | 259.2 | 189.6 | 228.2 | 264.4 | 282.9 | 301.6 |
| YoY | 11.4% | -29.6% | 17.7% | 18.1% | 7.7% | 7.2% | | Income taxes | (45.3) | (49.9) | (23.8) | (39.1) | (46.2) | (49.8) | (53.4) |
| EPS (adj.) | 1.17 | 1.31 | 0.99 | 1.08 | 1.28 | 1.38 | 1.48 | Interest expenses | 2.4 | (0.6) | (4.1) | (4.2) | (4.3) | (4.4) | (4.5) |
| YoY | 11.4% | -24.3% | 9.4% | 18.1% | 7.7% | 7.2% | | Change in Working Capital | (33.8) | (48.1) | (32.5) | (24.6) | (35.0) | (35.2) | (34.6) |
| DPS | 0.39 | 0.75 | 0.62 | 0.65 | 0.77 | 0.83 | 0.89 | Other | (2.7) | 1.9 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| BVPS | 8.08 | 8.88 | 8.89 | 9.65 | 10.22 | 10.80 | 11.42 | Cash Flow from Operations | 155.3 | 162.4 | 129.4 | 160.2 | 178.9 | 193.5 | 209.0 |
| | | | | | | | | Capex | (40.1) | (45.4) | (25.0) | (45.0) | (45.0) | (45.0) | (45.0) |
| | | | | | | | | Other | (3.4) | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | Cash Flow from Investments | (43.5) | (44.7) | (25.0) | (45.0) | (45.0) | (45.0) | (45.0) |
| | | | | | | | | Free Cash Flow | 111.8 | 117.7 | 104.4 | 115.2 | 133.9 | 148.5 | 164.0 |
| | | | | | | | | Dividends Paid | (53.1) | (63.9) | (122.0) | (44.1) | (96.3) | (108.3) | (116.4) |
| | | | | | | | | New loans | 200.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | Repayment of loans | (149.7) | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | Repayment of leases | 0.0 | (5.7) | (1.4) | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | Other | (1.4) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | Capital Increase & share buy backs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | Cash Flow from Financing | (4.2) | (69.7) | (123.3) | (44.1) | (96.3) | (108.3) | (116.4) |
| | | | | | | | | Net Cash Flow | 107.6 | 47.9 | (19.0) | 71.1 | 37.6 | 40.2 | 47.6 |
| | | | | | | | | FX | -0.1 | -1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | CASH AT YEAR END | 590.8 | 637.0 | 618.0 | 689.1 | 726.7 | 766.9 | 814.5 |
| Ratios | | | | | | | | Other Items | | | | | | | |
| 2018 | 2019 | 2020f | 2021f | 2022f | 2023f | 2024f | | 2018 | 2019 | 2020f | 2021f | 2022f | 2023f | 2024f | |
| ROE (avg) | 14.5% | 15.4% | 10.3% | 11.7% | 12.9% | 13.1% | 13.3% | Capital Employed | 1,298.7 | 1,513.9 | 1,515.5 | 1,618.5 | 1,696.0 | 1,774.9 | 1,859.3 |
| ROCE (adj.) | 12.3% | 12.6% | 8.2% | 9.4% | 10.5% | 10.8% | 11.0% | Net Working Capital | 280.6 | 298.9 | 327.3 | 356.9 | 391.9 | 427.1 | 461.8 |
| Net Debt / Equity | (35.6%) | (27.4%) | (25.8%) | (29.2%) | (30.3%) | (31.4%) | (32.7%) | Net Debt / (Cash) | (392.0) | (331.4) | (312.0) | (383.0) | (420.6) | (460.8) | (508.4) |
| Net Debt / EBITDA | (1.7x) | (1.3x) | (1.6x) | (1.7x) | (1.6x) | (1.6x) | (1.7x) | o/w gross debt (ex leases) | 198.8 | 198.9 | 199.1 | 199.1 | 199.1 | 199.1 | 199.1 |
| Interest Cover. (EBITDA/Fin.inter.) | 87.9x | 592.8x | 45.8x | 53.8x | 60.9x | 63.7x | 66.4x | o/w lease liabilities | 0.0 | 106.6 | 107.0 | 107.0 | 107.0 | 107.0 | 107.0 |
| Capex / Sales | 5.1% | 5.4% | 3.6% | 5.6% | 5.0% | 4.7% | 4.4% | o/w cash | 590.8 | 637.0 | 618.0 | 689.1 | 726.7 | 766.9 | 814.5 |
| WACC | 10.0% | 9.8% | 8.6% | 9.0% | 9.0% | 9.0% | 9.0% | Enterprise Value (EV adj.) | 1,339 | 2,193 | 1,621 | 1,428 | 1,390 | 1,350 | 1,303 |
| | | | | | | | | Free cash flow | 111.8 | 117.7 | 104.4 | 115.2 | 133.9 | 148.5 | 164.0 |
| | | | | | | | | Net Interest Income / (Expenses) | 2.4 | (0.6) | (4.1) | (4.2) | (4.3) | (4.4) | (4.5) |
| | | | | | | | | Free Cash Flow to Firm | 109.5 | 118.3 | 108.5 | 119.5 | 138.2 | 152.9 | 168.6 |

Source: the Company, Optima bank research

* Price: Fiscal year end at historical years & Current price for current and forecast years

Company Description: Jumbo is the largest general non-food retailer in the Greek market, also with direct presence in Cyprus, Bulgaria, Romania and the Western Balkans through franchise agreements. The company has a successful business model based on its geographical sales network expansion strategy, a wide assortment of products and a competitive pricing policy. Currently, Jumbo operates 80 stores (52 in Greece, 14 in Romania, 9 in Bulgaria and 5 in Cyprus) and 26 franchise in 6 countries of Western Balkans.

DISCLOSURE APPENDIX

Optima bank Research Department | 32 Aigiáleias Str. & Paradíssou, 151 25 Maroussi, Greece • Tel: +30-210-81.73.000 • E: research@optimabank.gr

The information and opinions in this report were prepared by Optima bank, which is regulated by the Bank of Greece (License No: 52/2/17.12.99) and by the Hellenic Capital Market Commission. Optima bank has not entered any agreement with the subject companies for the execution of this analysis.

This report is for informative purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy, any security. While the information contained herein has been obtained from sources believed to be reliable, we do not represent that it is accurate or complete and it should not be relied upon as such. In producing its research reports, members of Optima bank research department may have received assistance from the subject company (ies) referred to in this report. Any such assistance may have included access to sites of the issuers, visits to certain operations of the subject company (ies), meetings with management, employees or other parties associated with the subject company (ies) and the handing by them of historical data regarding the subject company (ies) (financial statements and other financial data), as well as of all publicly available information regarding strategy and financial targets. Optima bank research personnel are prohibited from accepting payment or reimbursement of travel expenses from site visits to subject companies. It should be presumed that the author(s) of this report, in most cases, has had discussions with the subject company (ies) to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the report and are given in good faith, but are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Optima bank or one of its affiliates or persons connected with it may from time to time buy and sell securities referred herein. Although Optima bank does not set a predetermined frequency for publication, if this is a fundamental research report, it is the intention of Optima bank to provide research coverage of the subject company(ies), including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. Optima bank may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report. Optima bank does and seeks to do business with companies covered in their research reports. Thus, investors should be aware that the firms may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Securities referred to in this research report are subject to investment risks, including the possible loss of the principal amount invested. This report is intended for professional investors only and it is not to be reproduced or copied or reprinted or transmitted for any purpose without permission. We certify that this report has been published in accordance with our conflict management policy and guidelines. According to Optima bank policies, the Analysis Department of Optima bank is bound by confidentiality, with the exception of data allowed to be published in accordance with the applicable laws. Optima bank relies on information barriers to control the flow of information in one or more areas within Optima bank organization. The communication between the Analysis Department of Optima bank and the other departments of the aforementioned company is restricted by Chinese Walls set between the different departments, so that Optima bank can abide by the provisions regarding confidential information and market abuse.

Report © Optima bank S.A., 2021. All rights reserved.

Analysts Certification

The following analysts: Dimitris Birbos hereby certify that the views about the companies and securities contained in this report accurately reflect their personal views and that no part of their compensation was or will be directly or indirectly related to the specific recommendations or views in this report.

The analysts mentioned above who prepared this report have the below mentioned financial interests in the companies covered in this report...none...

Important Regulatory Disclosures on Subject Company

The information and opinions in this report were prepared by Optima bank S.A., which is member of the Athens Exchange S.A. and regulated by the Bank of Greece (License No: 52/2/17.12.99) and by the Hellenic Capital Market Commission.

The compensation of the research analysts, strategists, or research associates principally responsible for the preparation of this research report may depend on various factors such as quality of work, stock picking, client feedback and overall firm profitability.

Stock Ratings

You should carefully read the definitions of all ratings used in the research report. Moreover, you should carefully read the entire research report to obtain a clear view of the analyst's opinions and not infer its contents from the rating alone.

Optima bank Research Department Rating Distribution | Data current as of 22/01/2021

Recommendation System is **Absolute**: Each stock is rated on the basis of a total return, measured by the upside over a 12 month time horizon

| | Buy > 10% | Neutral -5% to +10% | Sell < -5% | Under Review Suspended | Restricted |
|------------------------------------|--------------|------------------------|---------------|---------------------------|------------|
| Total Coverage | 50% | 20% | 0% | 25% | 5% |
| % of companies that are IB clients | 0% | 0% | 0% | 0% | 0% |
| Consumer Services Retailers | 0% | 100% | 0% | 0% | 0% |
| % of companies that are IB clients | 0% | 0% | 0% | 0% | 0% |

Conflict of Interest on Subject Companies

- As of the date mentioned on the first page of this report, Optima bank (or any of its affiliated companies) owns 5% or more of a class of common equity securities in the following companies mentioned in this report: None
- Optima bank acts as a market maker for the following securities of the subject companies mentioned in this report: None

3. Optima bank acts as a market maker for the following derivatives of the subject companies mentioned in this report: Alpha Bank (Futures, Options), Cenergy Holdings (Futures), CCH (Futures), Eurobank (Futures), Jumbo (Futures), LAMDA Development (Futures), Titan Cement (Futures), ADMIE Holdings (Futures), GEK TERNA (Futures), PPC (Futures, Options), NBG (Futures, Options), Ellaktor (Futures), ELPE (Futures), ATHEX Group (Futures), Intralot (Futures), MOH (Futures), Mytilineos (Futures), OPAP (Futures, Options), OLP (Futures), OTE (Futures, Options), Terna Energy (Futures), Piraeus Bank (Futures, Options).
4. Optima bank acts as a market maker for the following bonds of the subject companies mentioned in this report: HOUSEMARKET SA (a 100% subsidiary of Fourlis Holdings) due 04/2021 and GEK TERNA due 04/2025.
5. Within the last 12 months, Optima bank has offered underwriting services to Attica Group, Terna Energy Finance, GEK TERNA and OPAP relating to the issuance of their corporate bond.
6. Within the last 12 months, Optima bank has provided advisory services to the following companies mention in this report: None
7. Within the last 12 months, Optima bank had a contractual relationship or has received compensation for financial advisory services from the following subject companies mentioned in this report: No (except the abovementioned relationship described above).
8. On July 31, 2019, Motor Oil's Cyprus based wholly owned subsidiary under the legal name IREON INVESTMENTS LTD completed the acquisition of 97.08% stake in the share capital of Optima bank S.A. (former Investment Bank of Greece S.A.), 94.52% stake in the share capital of CPB Asset Management A.E.D.A.K. and 100% stake in the share capital of Laiki Factors and Forfaiters S.A.
9. Following the sale and transferring of shares from IREON INVESTMENTS LTD to numerous third parties in multiple dates since the initial acquisition, and Optima bank's subsequent EUR 80m share capital increase, in which IREON INVESTMENTS did not participate, the participation of IREON INVESTMENTS LTD in OPTIMA BANK S.A. as of January 19, 2021 was reduced to a percentage lower than 15%.

Recommendation History (12month time horizon) | Jumbo

| Date | Recommendation | TP | CP (at report date) |
|-----------|----------------|-----------|---------------------|
| 23-Jul-20 | Neutral | EUR 16.00 | EUR 16.90 |
| 10-Dec-19 | Buy | EUR 22.50 | EUR 17.82 |
| 31-Oct-19 | Buy | EUR 22.50 | EUR 17.50 |
| 17-Jul-19 | Accumulate | EUR 20.00 | EUR 17.95 |

Risks to our forecasts and valuation

- 1) A slower than expected recovery of the Greek economy in the aftermath of Covid-19 pandemic or the potential failure of the new vaccines to contain Covid-19 disease could affect consumer spending, posing a downside risk to our P&L forecasts and target price.
- 2) Group's earnings performance is sensitive to FX movements (especially the EUR/USD currency rate) and the evolution of manufacturing costs in China.
- 3) Volatility in transport costs directly affects group's gross profit margin.
- 4) A stricter competitive environment (i.e. entry of foreign companies in the Greek market, store expansion from existing players) could pose risk to group's earnings performance in the medium-term.
- 5) High dependence of the company's strategic decisions on Chairman and major shareholder of the group.

Additional Disclosures

1. Additional note to our U.S. readers: This document may be distributed in the United States solely to "major US institutional investors" as defined in Rule 15a-6 under the US Securities Exchange Act of 1934. Each person that receives a copy, by acceptance thereof, represents and agrees that he/she will not distribute or otherwise make available this document to any other person.
2. All prices and valuation multiples are based on the closing of ATHEX's last session prior to the issue of this report, unless otherwise indicated.
3. Our research reports are available upon request at www.optimabank.gr, on Bloomberg's Optima bank page and on Thomson Reuter's website.
4. Additional information is available upon request.

For U.S. persons only: This research report is a product of **Optima bank** which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by **Optima bank** only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, **Optima bank** has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.