



Jumbo

Greece | General Retail

Outperform

Target Price EUR19.00

Well-positioned to capture recovery prospects

19 April 2021

New TP at 19.00; Maintaining the Outperform rating

Following the FY20 results release, we reviewed our estimates based on the mgmt. guidance re. the network rollout and the latest business developments. We have increased the projected CAPEX to EUR50m a year in the coming years and the expected profitability growth for the Romanian market given the sooner than expected launch of the electronic store this year (we anticipate a 3year CAGR EBITDA of 16%), while we have lowered our FY21 net cash estimate. The above changes have resulted in a new of TP of EUR19.00 (from EUR19.80 previously). The Outperform rating has been reiterated as we believe Jumbo has solid fundamentals, a healthy balance sheet, and the new TP offers a c.23% upside potential to the current share price. Through its business agility, Jumbo managed to strengthen its net cash position in 2020 despite market unfavourable conditions. Jumbo's investment story features 1/ steady stores expansion, 2/ high returns and 3/ single-digit dividend yields – i.e. room to increase dividends.

FY20 results review

The company had pre-announced that FY20 sales dropped by 18.2% y/y to EUR694m, with the sales mix standing at c.53% in Greece and c.47% overseas. The core categories (toys, baby products, stationary) still represent c.1/3 of the annual turnover (32.3% in 2020, 33.3% in 2019). In terms of profitability, FY20 EBITDA dropped by 19.3% y/y to EUR209m, with the related margin shaping in at 30.1% in 2020 vs. 30.6% last year. Gross margin contracted to 51.78% in 2020 from 52.34% in 2019. Net profit decreased by 21.9% y/y in FY20 to EUR138.7m. Cash and cash equivalents and other financial assets amounted to EUR665.2m, as of Dec. 2020, from EUR637.0m at the year-end 2019. As a result, net cash position came in at EUR359.3m, as of Dec. 2020, vs. EUR331.4m, as of Dec. 2019. Free cash flow generation (Oper.CF – Inv.CF) stood at EUR157.0m on net capex of c.EUR26.7m in FY20. At the upcoming AGM, the management intends to announce an extraordinary cash distribution of EUR0.47/per share to be paid immediately after a three-month period of uninterrupted and smooth stores operation.

Up and down trends so far on the sales front in 2021

So far in 2021, monthly sales have shown an inconsistent performance, with the last release showing that in the 1Q21 total sales were down by 11.0% y/y. However, we should highlight 1/ the sales surge is seen when some govt. restrictions are being lifted – while the Greek market reopened in Jan 18, 2021 until Jan. 30, 2021, monthly regional sales increased c.0.2% y/y vs. last Jan. when all stores in Greece operated without any restrictions and 2/ the improvement in the sales performance in the other countries Jumbo operates in and where stores were opened. Sales in March registered a positive momentum at +24.0% y/y, with Cyprus and Romania registering doubled sales y/y and Bulgaria delivering sales growth of 47% y/y. During the cc, the mgmt. stated that a positive sign should be expected for April sales since current data figures show that last April sales have already been attained.

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Stock Data & Performance

| | |
|-------------------------------|-----------------|
| Rating | Outperform |
| Previous | [unchanged] |
| Target price (12-month) | EUR19.00 |
| Previous | EUR19.80 |
| Last Price (16-Apr-21) | EUR15.41 |
| Upside to target price | 23% |
| 52-week range | EUR12.00-17.14 |
| Market cap. | EUR2,097m |
| Reuters / Bloomberg | BABr.AT/BELA GA |
| 3m avg. trading volume | EUR4.9m |
| Free float | 77% |
| Abs performance ytd | 8% |
| Rel. performance ytd (to ASE) | -3% |

Source: FactSet, NBG Securities Research

EPS Estimate Changes (NBG Securities)

| (in EUR) | From | To | % Chg. |
|----------|------|------|--------|
| 2021e | 1.07 | 1.13 | +5.6% |
| 2022e | 1.21 | 1.28 | +5.8% |
| 2023e | 1.41 | | |

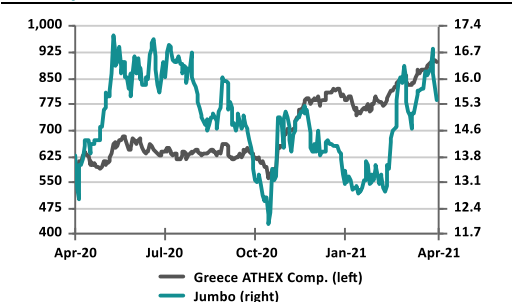
Source: NBG Securities Research

Key Financials & Valuation

| (in EUR m) | 2020 | 2021e | 2022e | 2023e |
|------------|------|-------|-------|-------|
| Sales | 694 | 797 | 862 | 933 |
| EBITDA | 209 | 238 | 264 | 287 |
| Net Income | 139 | 154 | 174 | 192 |
| EPS (EUR) | 1.02 | 1.13 | 1.28 | 1.41 |
| P/E | 13.9 | 13.6 | 12.0 | 10.9 |
| EV/EBITDA | 7.5 | 7.3 | 6.2 | 5.4 |
| EV/Sales | 2.3 | 2.2 | 1.9 | 1.7 |
| Div. Yield | 4% | 3% | 4% | 4% |

Source: Company data, NBG Securities Research

Price performance



Source: FactSet, NBG Securities Research

Conference call highlights

During the lockdown periods, the company experienced a significant increase in demand for products through its online stores. In the coming years, the mgmt. expects e-commerce contribution on the annual turnover to increase y/y at a rate of 30% - excl. 2020 performance where electronic sales substituted the physical sales in stores. The company has a strong store expansion pipeline: 11 stores will be launched in the next five years in the Romanian market, one store in Greece in 2021, one store in Cyprus in 2022 and another store addition is expected in Bulgaria in the next two years. As we have mentioned before, the electronic store in Romania will be launched in 2021. E-commerce is already available in the Greek and Cypriot markets. In the coming years, part of the yearly CAPEX will be directed towards the increase in warehouse capacity and the distribution centers. The management stated that their whole investment plan will be executed from free cash flows and not third-party financing.

| Exhibit 1: Interim results | 1H19 | 2H19 | 1H20 | 2H20 |
|-----------------------------------|--------------|--------------|--------------|--------------|
| No of stores | 79 | 80 | 80 | 80 |
| Total revenue | 335.4 | 512.5 | 278.8 | 415.2 |
| % y/y | 8.1% | 7.5% | -16.9% | -19.0% |
| Greece | 214.5 | 303.3 | 168.8 | 196.0 |
| % y/y | 4.3% | 4.1% | -21.3% | -35.4% |
| Cyprus | 37.1 | 53.0 | 28.6 | 49.9 |
| % y/y | 2.5% | 5.0% | -23.0% | -5.9% |
| Bulgaria | 31.9 | 57.4 | 27.7 | 52.9 |
| % y/y | 10.6% | 6.9% | -13.1% | 6.0% |
| Romania | 52.0 | 98.8 | 53.7 | 116.4 |
| % y/y | 31.1% | 21.8% | 3.3% | 17.8% |
| Gross profit | 181.7 | 262.1 | 145.0 | 214.4 |
| % y/y | 5.5% | 8.2% | -20.2% | -18.2% |
| % mrg | 54.2% | 51.1% | 52.0% | 51.6% |
| EBITDA* | 97.8 | 161.1 | 75.2 | 133.8 |
| % y/y | 6.3% | - | - | -16.9% |
| % mrg | 29.2% | 31.4% | 27.0% | 32.2% |
| Greece | 60.1 | 86.6 | 41.4 | 56.3 |
| % y/y | 2.5% | - | - | -34.9% |
| % mrg | 28.0% | 28.5% | 24.5% | 28.7% |
| Cyprus | 13.0 | 18.9 | 8.6 | 17.18 |
| % y/y | -1.4% | - | - | -9.2% |
| % mrg | 35.1% | 35.7% | 30.0% | 34.4% |
| Bulgaria | 8.6 | 19.9 | 7.8 | 18.47 |
| % y/y | 11.4% | - | - | -7.3% |
| % mrg | 27.1% | 34.7% | 28.1% | 34.9% |
| Romania | 16.1 | 35.7 | 17.4 | 41.83 |
| % y/y | 29.2% | - | - | 17.2% |
| % mrg | 30.9% | 36.1% | 32.4% | 35.9% |
| Net profit | 64.1 | 113.5 | 49.8 | 88.9 |
| % y/y | 5.7% | 14.9% | -22.3% | -21.7% |
| % mrg | 19.1% | 22.1% | 17.9% | 21.4% |

Source: Company data, NBG Securities

*The Group proceeded to the adoption of IFRS16 'Leases' from July 1, 2019 without restating previous years. We have not readjusted past figures.

Jumbo

<Outperform, 12m TP EUR19.00>

Our view: We maintain our 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.

Key Financials

(in EUR m)

| | 2018* | 2019* | 2020 | 2021e | 2022e | 2023e |
|--------------------------|-------|-------|-------|-------|-------|-------|
| Net Fixed Assets | 547 | 564 | 572 | 577 | 587 | 597 |
| Other Non-Current Assets | 23 | 25 | 14 | 14 | 14 | 14 |
| Current Assets | 792 | 921 | 972 | 1,029 | 1,131 | 1,248 |
| Equity | 1,058 | 1,161 | 1,219 | 1,304 | 1,414 | 1,531 |
| Long-term Debt | 18 | 211 | 200 | 200 | 200 | 200 |
| Short-term Debt | 150 | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 1,362 | 1,509 | 1,670 | 1,734 | 1,846 | 1,973 |
| Net Debt Position | -287 | -308 | -359 | -373 | -452 | -541 |
| Sales | 753 | 812 | 694 | 797 | 862 | 933 |
| EBITDA | 224 | 238 | 209 | 238 | 264 | 287 |
| EBIT | 199 | 212 | 172 | 200 | 225 | 247 |
| Pre-Tax Profit | 200 | 211 | 168 | 198 | 223 | 246 |
| Net Profit | 153 | 163 | 139 | 154 | 174 | 192 |
| EPS | 1.13 | 1.20 | 1.02 | 1.13 | 1.28 | 1.41 |
| DPS | 0.39 | 0.47 | 0.62 | 0.47 | 0.55 | 0.60 |
| BVPS | 7.78 | 8.54 | 8.96 | 9.58 | 10.39 | 11.25 |
| Operating Cash Flow | 172 | 126 | 184 | 140 | 199 | 218 |
| (-) Capex & Acquisitions | -41 | -48 | -27 | -50 | -50 | -50 |
| Free Cash Flow (Firm) | 131 | 82 | 157 | 90 | 149 | 168 |

| Activity Ratios | 2018* | 2019* | 2020 | 2021e | 2022e | 2023e |
|--------------------------|-------|-------|------|-------|-------|-------|
| Avg Receivables/Turnover | 16 | 18 | 16 | 16 | 16 | 16 |
| Avg Credit/Purchase Days | 41 | 40 | 49 | 40 | 40 | 40 |
| Avg Inventory/Purchase | 253 | 273 | 252 | 252 | 252 | 252 |

| Profitability | 2018* | 2019* | 2020 | 2021e | 2022e | 2023e |
|----------------|-------|-------|------|-------|-------|-------|
| RoE | 15% | 15% | 12% | 12% | 13% | 13% |
| RoIC | 16% | 16% | 12% | 13% | 14% | 14% |
| FCF Yield | 7% | 4% | 8% | 4% | 7% | 8% |
| Dividend Yield | 3% | 3% | 4% | 3% | 4% | 4% |
| EBITDA Margin | 30% | 29% | 30% | 30% | 31% | 31% |

| Financial Structure | 2018* | 2019* | 2020 | 2021e | 2022e | 2023e |
|---------------------|-------|-------|------|-------|-------|-------|
| Net Debt/Equity | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.4 |
| Net Debt/EBITDA | -1.3 | -1.3 | -1.7 | -1.6 | -1.7 | -1.9 |

| Liquidity | 2018* | 2019* | 2020 | 2021e | 2022e | 2023e |
|---------------|-------|-------|------|-------|-------|-------|
| Current Ratio | 2.9 | 7.6 | 7.2 | 7.8 | 8.4 | 9.0 |
| Acid Test | 2.0 | 5.2 | 5.5 | 5.8 | 6.3 | 6.9 |

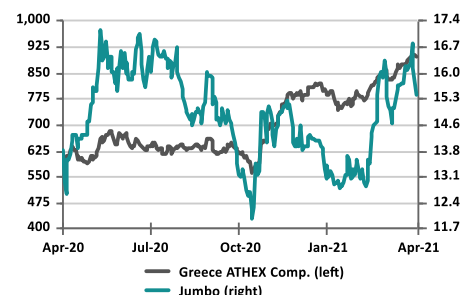
Valuation Method: We value Jumbo at EUR19.00 per share through a DCF model, applying a WACC of 7.7%, explicit forecasts in 2022-25e.

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 in Greece, followed by a further 5 in Cyprus, 9 in Bulgaria and 14 in Romania. Jumbo through strategic collaborations had presence in 6 countries with 28 stores.

*Fiscal Year ends 30 June

| Valuation | 2021e | 2022e | 2023e |
|-----------|-------|-------|-------|
| P/E | 13.6 | 12.0 | 10.9 |
| EV/EBITDA | 7.3 | 6.2 | 5.4 |
| EV/Sales | 2.2 | 1.9 | 1.7 |

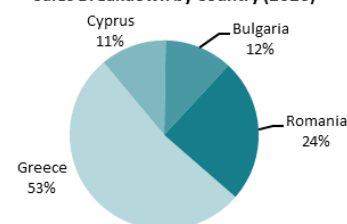
Share price performance



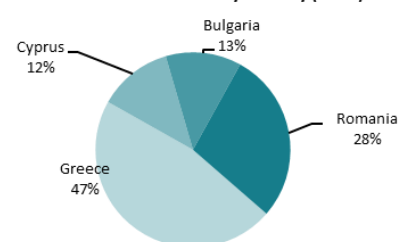
Credit Ratings

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

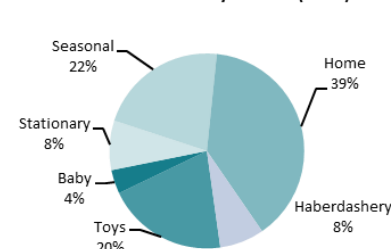
Sales Breakdown by Country (2020)



EBITDA Breakdown by Country (2020)



Sales Breakdown by Product (2020)



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 | EUR15.41 | 16 Apr 2021/Official Close | 2 |

Source: NBG Securities

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| Date | Rating | Price | 12m Target price | Date | Rating | Price | 12m Target price |
|-------------|------------|----------|------------------|-------------|------------|----------|------------------|
| 13 Oct 2016 | Outperform | EUR11.85 | EUR14.70 | 22 Oct 2018 | Outperform | EUR12.70 | EUR16.00 |
| 1 Mar 2017 | Outperform | EUR13.35 | EUR15.30 | 13 Mar 2019 | Outperform | EUR14.88 | EUR16.90 |
| 29 Feb 2016 | Outperform | EUR10.09 | EUR13.30 | 7 Jun 2019 | Outperform | EUR16.18 | EUR17.49 |
| 20 Nov 2017 | Outperform | EUR13.00 | EUR16.00 | 22 Oct 2019 | Outperform | EUR17.42 | EUR20.50 |
| 20 Nov 2017 | Outperform | EUR13.00 | EUR16.00 | 22 Sep 2020 | Outperform | EUR15.13 | EUR19.90 |
| 6 Mar 2018 | Outperform | EUR13.35 | EUR17.20 | 24 Feb 2021 | Outperform | EUR13.30 | EUR19.80 |

Source: NBG Securities

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| Ratings Distribution (as of today) | Outperform | Neutral | Underperform | Restricted | Not Rated | Coverage in Transition |
|---|------------|---------|--------------|------------|-----------|------------------------|
| Greek Equity Research Coverage (25) | 48% | 20% | 0% | 8% | 24% | 0% |
| % of companies in each category that are IB clients | 17% | 0% | 0% | 50% | 17% | 0% |

Source: NBG Securities

Definition of investment ratings

Outperform, Neutral, Underperform: Denote notional investment ratings (not recommendations) pegged to the performance of the General Index (GI), which imply a positive, neutral and negative view respectively. **Outperform:** The stock is expected to perform above the GI. **Neutral:** The stock is expected to perform in line with the GI. **Underperform:** The stock is expected to perform below the GI.

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