



**General Retail**  
Equity – Greece

**Overweight**

Target price (EUR)	19.70
Share price (EUR)	13.38
Potential return (%)	47%

Reuters	BABr.AT
Bloomberg	BELA GA
Market cap (USDm)	2,141
Market cap (EURm)	1,820
Enterprise value (EURm)	1,383
Free float (%)	81



**17 September 2021**

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# Jumbo

Buoyant H1, but concerns over freight rates remain high

- ▶ **H1 net profit up 35% to EUR67m (22% beat), on 1.1pp gross margin gains, cost savings and solid Romania/Bulgaria ops**
- ▶ **End-June net cash jumps 28% y-t-d at EUR459m (EUR92m FCF to equity), on working capital improvements**
- ▶ **At 9.9x its 2022e EPS and 4.8x EV/EBITDA, the stock appears excessively attractive. Buy rating reiterated**

Against all odds (ie surging freight rates and rising raw material prices), Jumbo gross margin came in unexpectedly strong in H1, edging 1.1pp up y-o-y to 53.1% (2.5 pp above PSe), driving net income 35% higher to EUR67.2m, beating a wide margin (ie 22%) our EUR54.8m call. This admittedly impressive earnings growth (standing 5% ahead of pre-pandemic levels) mirrors also high double-digit revenue increases in Romania and Bulgaria, jumping 35% and 18% y-o-y (sales pre-announced on 6 July), 39% and 2% above 1H19 respective readings, owing also to cost savings.

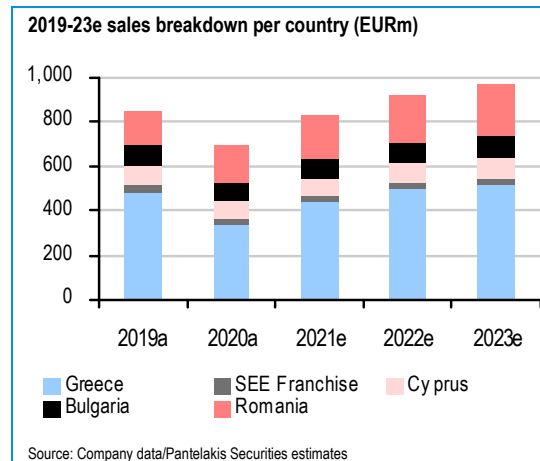
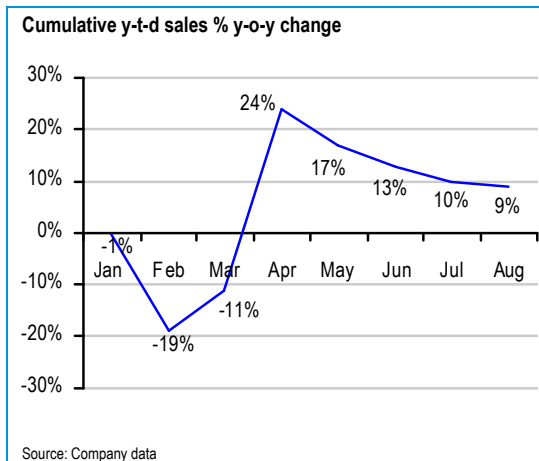
Actually, leased stores, which represent 50% of domestic network, saw monthly rental fees in Greece being cut by 80/100%, while sharply reduced marketing & advertising spend provided extra help on the cost containment front, down 3% y-o-y to EUR68.1m (PSe EUR69.4m). Having said that, other operating income (most welcome) 6.6x y-o-y spike to EUR4.9m (PSe EUR0.1m) played also a crucial role in Jumbo's H1 forecast-beating at the bottom-line.

**Importantly, end-June net cash jumped 28% y-t-d to EUR458.9m** (after including EUR97.1m lease liabilities), making up 25% of market cap (or EUR3.4/sh). This, in turn, intrinsically relates to robust FCF (to equity) of EUR91.6m, thanks to upbeat earnings momentum and working capital improvements, down 19% y-t-d to EUR175.2m (on EUR36.5m lower inventories to EUR194.2m).

H1 2021a at a glance (30 June, EURm)

Key P&L items	1H19a	1H20a	1H21a	y-o-y	vs 1H19	1H21e	vs PSe	FY21e	y-o-y	vs FY19
Greece sales	214.8	168.8	175.3	4%	-18%	175.4	0%	461.4	26%	-11%
% of total sales	63.9%	60.5%	55.9%			55.9%		55.7%		
International sales	121.0	110.0	138.5	26%	15%	138.5	0%	367.2	12%	11%
% of total sales	36.1%	39.5%	44.1%			44.1%		44.3%		
<b>Total Group Sales</b>	<b>335.4</b>	<b>278.8</b>	<b>313.8</b>	<b>13%</b>	<b>-6%</b>	<b>313.8</b>	<b>0%</b>	<b>828.6</b>	<b>19%</b>	<b>-2%</b>
<b>Gross Profit</b>	<b>181.7</b>	<b>145.0</b>	<b>166.5</b>	<b>14%</b>	<b>-8%</b>	<b>158.6</b>	<b>5%</b>	<b>427.6</b>	<b>19%</b>	<b>-4%</b>
Gross margin	54.2%	52.0%	53.1%	1.1pp		50.5%	2.5pp	51.6%	(0.2pp)	
<b>EBITDA</b>	<b>97.8</b>	<b>75.2</b>	<b>103.2</b>	<b>37%</b>	<b>6%</b>	<b>89.3</b>	<b>16%</b>	<b>233.7</b>	<b>12%</b>	<b>-10%</b>
EBITDA margin	29.2%	27.0%	32.9%			28.5%		28.2%		
<b>EBT</b>	<b>84.8</b>	<b>54.9</b>	<b>82.2</b>	<b>50%</b>	<b>-3%</b>	<b>68.3</b>	<b>20%</b>	<b>192.5</b>	<b>15%</b>	<b>-15%</b>
EBT margin	25.3%	19.7%	26.2%			21.8%		23.2%		
<b>Net income</b>	<b>64.1</b>	<b>49.8</b>	<b>67.2</b>	<b>35%</b>	<b>5%</b>	<b>54.8</b>	<b>22%</b>	<b>154.3</b>	<b>11%</b>	<b>-13%</b>
Net margin	19.1%	17.9%	21.4%			17.5%		18.6%		

Source: Company data/Pantelakis Securities estimates Note: 1H21 sales figures pre-announced on 6 July



Overall, H1 stronger-than-expected performance strengthens our confidence that Jumbo will meet our FY21e estimates calling for group sales, EBITDA and net income of EUR828.6m, EUR233.7m and EUR154.3m, up 19%, 12% and 11% y-o-y, respectively. Actually, on our numbers suggest H2 EBITDA and net income both falling 3% y-o-y to EUR130.4m and EUR85.9m (on c1pp gross margin decline vs +1.1pp in H1), despite 24% higher sales to EUR514.8m (Greece +46% vs International ops 4% growth).

**And while near-term outlook remains weak** (as container demand frenzy sends freight rates to new highs, up 5x y-o-y (>80% on a q-o-q basis), Jumbo seems well placed to meet gross margin challenges by mitigating to a large extent strong pressures arising from latest spike in shipping transportation costs. After dropping 21% vs its 13 April peak levels of EUR16.92, the stock now looks excessively attractively at 9.9x 2022e P/E, 4.4x EV/EBITDA and high 7.6% FCFY (to equity), in our view. Moreover, on our calculations at current levels the market prices-in a massive EBITDA margin decline to 10.6% vs 28.2% in FY21e and 30.1% a year earlier.

Back to H1 results, EBITDA climbed 37% y-o-y to EUR103.2m (16% better-off), coming 6% above 1H19, with the respective margin rising to 32.9% on a the back of a massive 5.9pp hike (rather unsustainable, we think, given government's Covid-19 relief measures EBITDA boost). Furthermore, pre-tax income soared 50% y-o-y to EUR82.2m (3% below 1H19 due to 43% higher depreciation, largely IFRS-16-related), implying a 20% beat vs our EUR68.3m expectations. Note that H1 2021 net income was held back by a 18.3% effective tax rate, compared to just 9.2% in the year before.

As a reminder, first half group sales advanced 13% y-o-y to EUR313.9m (6% lower compared to 1H19), reflecting a jump of 26% to EUR138.5m in international ops, up 26% to EUR138.5m, contributing 44% of total from less than 40% a year ago. Pretty impressive stuff, we think, considering no store additions since November 2019 (Bravov rollout in Romania). On the other hand, Greece sales (including exports to SEE) increased 4% y-o-y to EUR175.3m, after shedding 31% in Q1 due to a protracted lockdown (there stores stayed closed for 83 out of a total of 181 calendar days).



Jumbo: 2019-23e & H2 2021e group results (31 December, EURm)

	FY 2019a	FY 2020a	H2 2021e	FY 2021e	FY 2022e	FY 2023e
<b>Greece sales</b>	<b>517.7</b>	<b>364.8</b>	<b>286.1</b>	<b>461.4</b>	<b>524.2</b>	<b>547.9</b>
% change	4.1%	-29.5%	46%	26.5%	13.6%	4.5%
% of total	61.1%	52.6%	55.6%	55.7%	57.0%	56.3%
<b>o/w SEE franchise business</b>	<b>31.9</b>	<b>22.5</b>	<b>1.6</b>	<b>14.9</b>	<b>25.9</b>	<b>28.7</b>
% change	11.7%	-29.5%	-86.5%	-33.6%	73.7%	10.6%
% of total	3.8%	3.2%	0.3%	1.8%	2.8%	2.9%
<b>o/w Greece ex-franchise business</b>	<b>485.8</b>	<b>342.3</b>	<b>284.4</b>	<b>446.4</b>	<b>498.3</b>	<b>519.3</b>
% change	3.7%	-29.5%	54.7%	30.4%	11.6%	4.2%
% of total	57.3%	49.3%	55.3%	53.9%	54.2%	53.4%
<b>International sales</b>	<b>330.2</b>	<b>329.2</b>	<b>228.7</b>	<b>367.2</b>	<b>395.3</b>	<b>424.7</b>
% change	13.9%	-0.3%	4.3%	11.5%	7.6%	7.5%
% of total	38.9%	47.4%	44.4%	44.3%	43.0%	43.7%
<b>o/w Cyprus</b>	<b>90.1</b>	<b>78.5</b>	<b>51.5</b>	<b>84.9</b>	<b>89.1</b>	<b>92.7</b>
% change	4.0%	-12.9%	3.3%	8.2%	5.0%	4.0%
% of total	10.6%	11.3%	10.0%	10.2%	9.7%	9.5%
<b>o/w Bulgaria</b>	<b>89.3</b>	<b>80.6</b>	<b>56.0</b>	<b>88.6</b>	<b>93.3</b>	<b>97.9</b>
% change	8.2%	-9.7%	5.8%	9.9%	5.3%	5.0%
% of total	10.5%	11.6%	10.9%	10.7%	10.1%	10.1%
<b>o/w Romania</b>	<b>150.8</b>	<b>170.1</b>	<b>121.1</b>	<b>193.7</b>	<b>212.8</b>	<b>234.1</b>
% change	24.9%	12.8%	4.1%	13.9%	9.9%	10.0%
% of total	17.8%	24.5%	23.5%	23.4%	23.1%	24.1%
<b>Sales</b>	<b>847.9</b>	<b>694.0</b>	<b>514.8</b>	<b>828.6</b>	<b>919.5</b>	<b>972.7</b>
% change	7.7%	-18.2%	24.0%	19.4%	11.0%	5.8%
Cost of Goods Sold	(404.1)	(334.6)	(253.8)	(401.0)	(445.1)	(469.8)
<b>Gross Profit</b>	<b>443.8</b>	<b>359.4</b>	<b>261.0</b>	<b>427.6</b>	<b>474.4</b>	<b>502.9</b>
Gross Margin	52.3%	51.8%	50.7%	51.6%	51.6%	51.7%
Other Operating Income	1.2	7.0	(4.7)	0.2	0.2	0.2
Administration Expenses	(24.5)	(23.0)	(14.3)	(24.8)	(26.4)	(28.2)
% of sales	2.9%	3.3%	2.8%	3.0%	2.9%	2.9%
Selling Expenses	(161.6)	(134.4)	(111.6)	(169.3)	(177.5)	(186.8)
% of sales	19.1%	19.4%	21.7%	20.4%	19.3%	19.2%
<b>Total SG&amp;A Expenses</b>	<b>(186.1)</b>	<b>(157.3)</b>	<b>(126.0)</b>	<b>(194.1)</b>	<b>(203.9)</b>	<b>(215.0)</b>
% of sales	21.9%	22.7%	24.5%	23.4%	22.2%	22.1%
<b>EBITDA</b>	<b>259.0</b>	<b>209.0</b>	<b>130.4</b>	<b>233.7</b>	<b>270.6</b>	<b>288.1</b>
% change	12.2%	-19.3%	-2.5%	11.8%	15.8%	6.5%
EBITDA Margin	30.5%	30.1%	25.3%	28.2%	29.4%	29.6%
Depreciation	(31.1)	(36.9)	(20.2)	(38.6)	(40.1)	(41.3)
<b>EBIT</b>	<b>227.8</b>	<b>172.1</b>	<b>110.2</b>	<b>195.1</b>	<b>230.5</b>	<b>246.8</b>
% change	10.7%	-24.4%	-4.5%	13.3%	18.2%	7.1%
EBIT Margin	26.9%	24.8%	21.4%	23.5%	25.1%	25.4%
Financial Income/(Expenses)	(2.5)	(4.3)	(1.1)	(2.6)	(2.3)	(2.1)
<b>EBT (Pretax Profit)</b>	<b>225.3</b>	<b>167.8</b>	<b>109.1</b>	<b>192.5</b>	<b>228.2</b>	<b>244.7</b>
% change	9.0%	-25.5%	-3.3%	14.8%	18.5%	7.2%
EBT Margin	26.6%	24.2%	21.2%	23.2%	24.8%	25.2%
Taxation	(47.7)	(29.1)	(23.2)	(38.2)	(44.5)	(47.7)
Effective Tax Rate	21.2%	17.4%	21.2%	19.9%	19.5%	19.5%
<b>Net Profit</b>	<b>177.6</b>	<b>138.7</b>	<b>85.9</b>	<b>154.3</b>	<b>183.7</b>	<b>197.0</b>
% change	11.4%	-21.9%	-3.3%	11.3%	19.1%	7.2%
Net Margin	20.9%	20.0%	16.7%	18.6%	20.0%	20.3%

Source: Company data/Pantelakis Securities estimates

# Disclosure appendix

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<b>Neutral (Hold)</b>	11%	(0% of these provided with Investment Banking Services)
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04/05/2020	Rating: Overweight	Price: EUR14.29	Target Price: EUR20.00
19/10/2020	Rating: Overweight	Price: EUR13.21	Target Price; EUR19.70
18/01/2021	Rating: Overweight	Price: EUR13.08	Target Price; EUR19.70
15/04/2021	Rating: Overweight	Price: EUR16.11	Target Price; EUR19.70

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Jumbo	BABr.AT/BELA GA	EUR13.38	16 September 2021	3

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