

General Retail
Equity – Greece

Overweight

Target price (€)	21.00
Share price (€)	13.89
Potential total return (%)	51
RIC	BABr.AT
Bloomberg	BELA GA
Market cap (\$m)	1,890
Market cap (€m)	2,148
Enterprise value (€m)	1,451
Free float (%)	77

Institutional Investor

2021 EUROPE RESEARCH

#1 Best Broker in Greece
#1 Best Firm in Greece Sales

PANTELAKIS SECURITIES

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Spiros Tsangalakis

Analyst

Pantelakis Securities SA

+30 210 6965 212

spiros.tsangalakis@pantelakis.gr

Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

Jumbo

Re-rating warranted

- ▶ **Net income set for €180m record high in FY21e, as mitigating actions more than offset a 130% (vs 2019) shipping costs hike,...**
- ▶ **...flat in 2022e, despite surging freight rates (on full-blown effect) taking a big bite out of the gross margin (-3.2pp y-o-y)**
- ▶ **OW with higher €21.0/sh TP; Attractively priced at 8.2x ex-cash P/E, offering untapped growth potential and defensive profile**

Impeccable credentials for battling the pandemic and shipping costs hike. Defying this double-whammy, FY21e net profit is expected to surge 30% y-o-y to a record €180m, thanks to 20% higher sales and (more importantly) a remarkable 0.3pp gross margin expansion (just 0.2pp shy of 2019 reading), despite a 130% freight rates spike and rising input costs. Oddly enough, the stock lost 11% in 2021 (shedding 35% from its €19.46 highs), down 20% vs the Athens GI, due to investor angst over a potential painful gross margin slide.

In our view, the market has seemingly mispriced Jumbo's ability to weather soaring shipping costs (through a combination of mix-effects, product re-engineering & sourcing optimisation, focusing on smaller items of lower mass, beefing-up container utilisation), choosing to ignore an array of clear signs: 9M EBIT +27% y-o-y (16% above 2019 score), H1 net income +35% on 1.1pp higher gross margin. And while gross margin risks loom large (given further spikes in container rates), 2022 kicked-off in a fine manner, with the stock (now on a re-rating path) bouncing back 10% y-t-d, on enhanced earnings visibility/less risky profile.

Net income seen flattish at €177m in 2022e, before rising 12% to €198m next year. This year's profits flattening out relates, first and foremost, to a sharp gross margin contraction of 3.2pp y-o-y to 48.4% (with shipping costs now representing 28% of COGS vs 18% in 2021 on PSe), but also a higher cost-base, more than offsetting a solid 11% top-line growth. The latter should be fuelled by the lack of an 11-week lockdown in Greece, less tough coronavirus restrictions in Romania/Bulgaria, two store openings (vs 3 guided) and better consumption trends. As we have low-balled our domestic L-F-L sales, seen flat y-o-y this year (after adjusting also for the 2021 €46m lockdown impact), we see upside risks here.

Overweight, TP raised to €21.0/sh (from €19.7) offering a bulky 51% upside. Despite the explosive rise of container shipping rates, Jumbo's business model remains largely unscathed. Besides weathering the pandemic in a fine manner, Jumbo seems to get a firm grip on the shipping chaos as well. The stock looks undervalued at 10.7x 2022e P/E (8.2x ex-cash) and 5.6x EV/EBITDA, in our view. High 2022-23e FCF yields of 5.8% to 8.4%, coupled with 5.6% and 6.2% DY, further burnish valuation appeal. What is more, on our calculations at current levels the market prices-in a massive EBITDA margin decline to 12.1% vs 32% in FY21e.

Strong freight rates defensive qualities, greatly benefiting from post Covid recovery.

Wide product assortment and a value-for-money proposition, all work miracles also during the downturn as consumers trade-down. Sitting on a pile of cash, Jumbo should emerge stronger from the dual crisis (Covid-19/soaring freight rates), with a large number of small/medium sized firms being forced out of the market. A growing SEE footprint, stronger sales densities (on improved macro backdrop and enhanced brand awareness) and space additions (Romania network: optimum size of 30 outlets vs 15 currently) should bolster growth outlook.



Financials & valuation

Financial statements

Year to	12/2020a	12/2021e	12/2022e	12/2023e
Profit & loss summary (€m)				
Revenue	694.0	831.9	920.7	973.0
EBITDA	215.2	266.2	261.3	289.7
Depreciation	(36.9)	(37.6)	(38.8)	(42.0)
Operating profit/EBIT	178.3	228.6	222.5	247.7
Net interest	(4.3)	(3.0)	(2.3)	(2.2)
PBT	174.0	225.6	220.2	245.5
Clean PBT	174.0	225.6	220.2	245.5
Taxation	35.3	(45.3)	(43.2)	(47.6)
Net profit	138.7	180.3	177.1	197.9
Clean Net profit	138.7	180.3	177.1	197.9

Cash flow summary (€m)

Year to	12/2020a	12/2021e	12/2022e	12/2023e
Cash flow from operations	184.0	204.2	163.5	219.3
Capex	(26.8)	(51.2)	(54.2)	(49.6)
FCF	162.8	151.4	118.6	168.0
Dividends	(122.0)	(130.6)	(52.4)	(102.7)
Change in net debt	(27.9)	(17.4)	(62.6)	(52.9)
FCF equity	151.6	141.4	109.1	158.5

Balance sheet summary (€m)

Year to	12/2020a	12/2021e	12/2022e	12/2023e
Tangible Assets	866.7	917.9	972.1	1,021.6
Right-of-use Assets	111.8	101.3	101.3	101.3
Current assets	972.1	1,003.1	1,122.0	1,208.6
Cash & others	665.1	673.2	735.8	788.8
Total assets	1,699.6	1,709.2	1,845.4	1,940.5
Operating liabilities	128.0	129.2	138.3	137.4
Gross debt	305.8	296.6	296.5	296.5
Net debt	(359.3)	(376.7)	(439.3)	(492.3)
Shareholders funds	1,219.5	1,267.0	1,393.5	1,488.9
Invested capital	951.3	990.2	1,046.4	1,091.3

Ratio, growth and per share analysis

Year to	12/2020a	12/2021e	12/2022e	12/2023e
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Y-o-y % change

Revenue	-18.2	19.9	10.7	5.7
EBITDA	-16.9	23.7	-1.8	10.8
Operating profit	-21.7	28.2	-2.6	11.3
PBT	-22.8	29.7	-2.4	11.5
Clean EPS	-21.9	30.0	-1.8	11.7

Ratios (%)

Revenue/IC (x)	0.7	0.8	0.9	0.9
ROIC	15.6	18.9	17.6	18.7
ROE	11.4	14.5	13.3	13.7
ROA	7.3	9.3	8.7	9.2
EBITDA margin	31.0	32.0	28.4	29.8
Operating profit margin	25.7	27.5	24.2	25.5
EBITDA/net interest (x)	49.6	88.8	112.9	133.4
Net debt/equity	-29.5	-29.7	-31.5	-33.1
Net debt/EBITDA (x)	-1.7	-1.4	-1.7	-1.7
CF from operations/net debt	-65.4	-64.4	-48.1	-53.8

Per share data (€)

EPS reported (fully diluted)	1.02	1.32	1.30	1.45
Clean EPS (fully diluted)	1.02	1.32	1.30	1.45
DPS	0.62	0.77	0.78	0.86
Book value	8.96	9.31	10.24	10.94

Key forecast drivers

Year to	12/2020a	12/2021e	12/2022e	12/2023e
Jumbo stores in Greece	52	52	53	53
o/w based in greater Athens area	21	21	21	21
o/w based in rural Greece	31	31	32	32
Jumbo stores in Cyprus	5	5	5	6
Jumbo stores in Bulgaria	9	9	9	9
Jumbo stores in Romania	14	15	16	18
Total Jumbo stores network	80	81	83	86
Greece L-F-L sales growth (%)	-30.4	32.0	10.4	3.7
Cyprus L-F-L sales growth (%)	-12.9	12.0	3.6	2.8
Bulgaria L-F-L sales growth (%)	-9.7	0.5	12.7	4.2
Romania L-F-L sales growth (%)	7.9	5.6	6.1	7.6
Group L-F-L sales growth (%)	-19.7	19.5	8.9	3.8

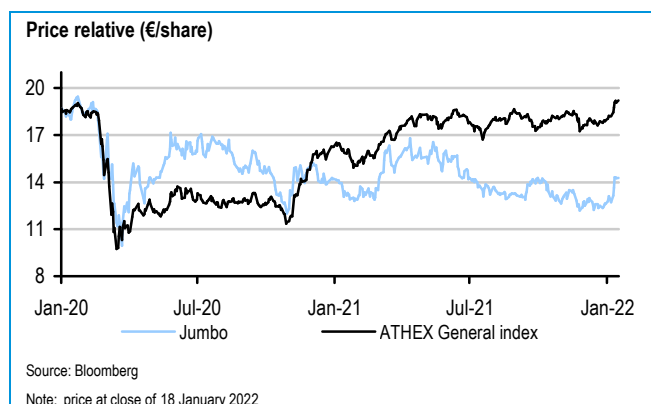
DCF (€/sh) sensitivity by flexing WACC & LT EBITDA margin

		6.8%	7.3%	7.8%	8.3%	8.8%
L-T	18.9%	21.8	20.5	19.4	18.4	17.6
EBITDA	19.9%	22.8	21.4	20.2	19.1	18.2
margin	20.9%	23.8	22.3	21.0	19.9	18.9
	21.9%	24.8	23.2	21.8	20.6	19.5
	22.9%	25.8	24.1	22.6	21.3	20.2

Valuation data (x)

Year to	12/2020a	12/2021e	12/2022e	12/2023e
EV/sales	2.2	1.8	1.6	1.4
EV/EBITDA	7.1	5.7	5.6	4.8
EV/IC	1.6	1.5	1.4	1.3
Clean* P/E	13.6	10.5	10.7	9.6
Ex-cash P/E	10.5	8.0	8.2	7.3
P/Book value	1.5	1.5	1.4	1.3
FCF yield (%)	8.0	7.5	5.8	8.4
Div yield (%)	4.4	5.5	5.6	6.2

* Clean PE adjusts for non-recurring items



Jumbo: FY/H2/H1 2021 sales vs 2019 levels (31 December, €m)

	FY21a	y-o-y chg	vs FY19	2H21a	y-o-y chg	vs 2H19	1H21a	y-o-y chg	vs 1H19
Greece sales	481.0	32%	-7%	305.7	56%	1%	175.3	4%	-18%
% of total	57.8%			59.0%			55.9%		
o/w SEE franchise	29.1	29%	-9%	15.8	30%	-16%	13.3	29%	2%
% of total	3.5%			3.1%			4.2%		
o/w Greece ex-franchise	451.9	32%	-7%	289.9	58%	2%	162.0	2%	-20%
% of total	54.3%			55.9%			51.6%		
International sales	351.0	7%	6%	212.5	-3%	2%	138.5	26%	14%
% of total	42.2%			41.0%			44.1%		
o/w Cyprus sales	87.9	12%	-2%	54.5	9%	3%	33.4	17%	-10%
% of total	10.6%			10.5%			10.6%		
o/w Bulgaria sales	81.0	0%	-9%	48.4	-9%	-16%	32.7	18%	2%
% of total	9.7%			9.3%			10.4%		
o/w Romania sales	182.0	7%	21%	109.6	-6%	11%	72.5	35%	39%
% of total	21.9%			21.1%			23.1%		
Group Sales	831.9	20%	-2%	518.2	25%	1%	313.8	13%	-6%

Source: Company data

December sales surged 95% y-o-y driving FY top-line 20% higher to €832m, just 2% below 2019, setting the stage for...

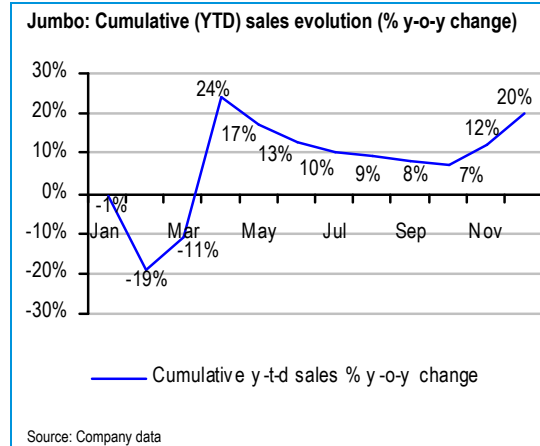
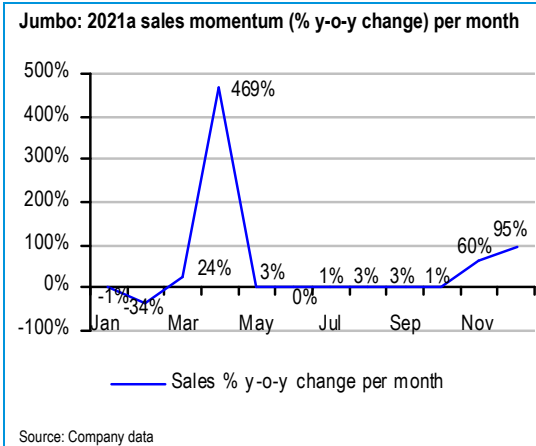
With y-o-y comparisons turning more favourable for key domestic operations (as Greece entered a nationwide lockdown on November 7, 2020, which extended well into 2021), December turnover surged 95% y-o-y, against +60% in November. As a result, FY sales posted a sound 20% growth to €832m, coming in just 2% lower vs pre-pandemic €848m record-high, after a sharp decline of 18% in 2020.

This is no small feat, since besides China's supply chain bottlenecks, stores in Greece stayed closed for 80 calendar days in 1H21, while fresh movement restrictions (kicked-off in late September triggered by a dramatic surge in new Covid cases) dealt a strong blow to Romania and Bulgaria sales (particularly painful during the crucial Christmas season) over the past four months.

Actually, December sales in Romania dropped 10% y-o-y (despite the aid of the new Craiova store opening), against a fall of 18% in November, 2% in October and 1% in September, compared to an impressive 24% increase in the January-August period. Along the same lines, Bulgaria revenues grew marginally by 1% y-o-y, ending a three-month declining streak: down 36%, 23% and 8% in November, October and September, respectively. Note that Bulgaria and Romania are among the two least-vaccinated EU nations: 28% the former, 41% the latter, vs Greece's 66% (vs 26%, 39% and 63%, respectively, a month before).

In contrast, sales in Greece jumped 8x y-o-y to €65m (vs a 3.2x spike in November), now representing an unprecedented 63% of December's total, against 54% for FY21. Finally, Cyprus operations expanded by 15% y-o-y, compared to a growth of 23% in the previous month and 15% in October.

On a FY basis, domestic trading climbed 32% y-o-y to €452m, with Cyprus rising 12% to €88m, reversing first quarter's negative trend (-20%). At the same time, Romania sales advanced 7% y-o-y to €182m, neighbouring Bulgaria were slightly up by 0.5% to €80m, both on negative H2 impetus (down 6% and 9% y-o-y vs jumps of 35% and 18% witnessed in H1), mainly explained by tough comparisons and strict pandemic measures there.



Where do we stand vs 2019 sales? FY21 group turnover stood just 2% below pre-pandemic levels, driven by a 7% reduction in Greek operations (Cyprus also down 2%) hit by a protracted lockdown (ie government-mandated quarantine covering a large part of H1 2021). And while Bulgaria's second half upturn led to FY decline of 9%, Romania revenues shaped 21% above January-December 2019 score, leading total international sales 6% above pre-coronavirus reading.

...a net profit growth of 30% to new €180m record, on gross margin improvement, despite 130% (vs 2019) freight costs hike

For FY21, we forecast EBIT to advance 28% y-o-y to €229m, with the respective margin expanding by 1.8pp to 27.5%, while net income is seen 30% higher to €180m. Without a doubt, the most important feature of 2021 results is the gross margin increase of 0.3pp y-o-y to 52.1%, in stark contrast to investor worries over a painful gross margin slide in light of surging shipping costs. This, however, will bite into next year's gross margin, seen down 3.2pp y-o-y to 48.9% on the back of a 70% hike in (realised) freight rates to USD5.8k per container, on average, from USD3.4k in 2021 and in USD1.5k 2019, on our calculations.

In fact, we pencil-in a gross margin contraction of 1.4pp y-o-y to 51.2% in Q4 (vs +1.1pp in 9M, on PSe), as the further we move away from 2020-entangled freight rates, the bigger the hit on the gross margin. This, in turn, relates to more pronounced hikes in 1H21 vs 2H20, rendering Jumbo's six-month-plus stock-up cushion (time lags involved) to surging freight rates less effective by the month.

Jumbo: 9M/Q3 2021a key results (30 September, €m)

	Restated		9M21a	y-o-y chg	vs 9M19	3Q19a	3Q20a	3Q21a	y-o-y chg	vs 3Q19
	9M19a	9M20a								
Group Sales	554.9	503.3	542.9	8%	-2%	219.18	224.5	229.1	2%	5%
EBITDA	163.0	157.1	191.3	22%	17%	64.3	75.7	88.0	16%	37%
EBITDA Margin	29.4%	31.2%	35.2%	4.0pp	5.9pp	29.3%	33.7%	38.4%	4.7pp	9.1pp
EBIT	141.4	129.5	164.1	27%	16%	55.4	66.6	79.2	19%	43%
EBIT Margin	25.5%	25.7%	30.2%	4.5pp	4.7pp	25.3%	29.7%	34.6%	4.9pp	9.3pp

Source: Company data

Jumbo: FY/Q4 2021e key results (31 December, €m)

	FY20	FY21	y-o-y chg	vs FY19	4Q20a	4Q21e	y-o-y chg	vs 4Q19
Group Sales	694.0	831.9	20%	-2%	190.8	289.0	52%	-1%
Gross Profit	359.4	433.4			100.2	147.9	48%	n/a
<i>Gross Margin</i>	51.8%	52.1%	0.3pp	(0.2pp)	52.5%	51.2%	(1.4pp)	
Total SG&A Expenses	(157.3)	(173.4)	10%	-7%	(47.8)	(72.0)	51%	n/a
<i>% of sales</i>	22.7%	20.8%			25.1%	24.9%		
EBITDA	215.2	266.2	24%	3%	58.1	75.0	29%	-22%
<i>EBITDA Margin</i>	31.0%	32.0%	1.0pp	1.5%	30.5%	25.9%	(4.5pp)	(6.8pp)
EBIT	178.3	228.6	28%	0%	48.8	64.5	32%	-25%
<i>EBIT Margin</i>	25.7%	27.5%	1.8pp	0.6%	25.6%	22.3%	(3.3pp)	(7.2pp)
Net Profit	138.7	180.3	30%	1%	n/a	n/a		n/a
<i>Net Margin</i>	20.0%	21.7%	1.7pp	0.7%				

Source: Company data, Pantelakis Securities estimates

Take note that things (gross margin-wise) will take a turn for the worse in 2022 given that 2H21 container costs, on average, jumped 47% above 1H21 levels (implying a massive 3.6x spike on a y-o-y basis).

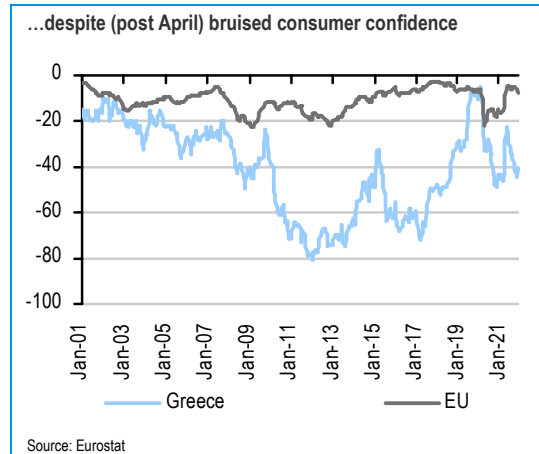
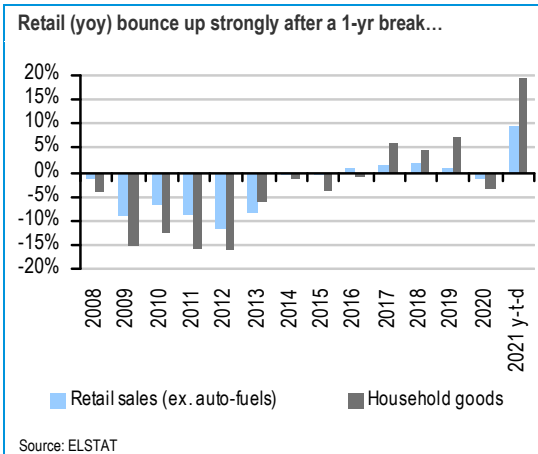
Keep in mind that 9M EBIT grew by a solid 27% y-o-y to €164m, courtesy of 8% stronger sales (4.5pp EBIT margin increase to record-high 30.2%), opex reduction and 1pp-plus gross margin increase (despite a spike in freight rates, and, to lesser extent, raw material prices). Meanwhile, while net cash was at €460m on 30 September, ie flat q-o-q but much higher than the €359m at end-2020.

What triggered the spike in freight rates and costs? Demand for goods surged in H1 2020 and into 2021, as consumers tend to spend more on products rather than services during Covid-19 lockdowns and movement restrictions, according to the UNCTAD's Review of Maritime Transport 2021 published last November. In fact, working from home, e-commerce and increased computers sales all placed unprecedented demand on supply chains.

In turn, this large swing in containerised trade flows was met with supply-side capacity constraints, including container ship carrying capacity, container shortages, labour shortages, continued on and off pandemic restrictions across port regions, as well as congestion at ports. This mismatch between soaring demand and de facto reduced supply capacity led to record container freight rates on practically all container trade routes.

Actually, the Shanghai Containerized Freight Index (SCFI) spot rate on the Shanghai-Europe route was less than \$1k per TEU (twenty-foot equivalent unit) in June 2020, rose to about \$4k per TEU by end 2020, jumping to \$7.4k at the of July 2021.

Meanwhile, container freight rates on the route from China/Eastern Asia to the Mediterranean increased more than fivefold between October 2020 and December 2021. As of December 2021, shipping a 40' container (one forty foot container is two TEUs) cost around \$14k, up from some \$2.4k in October 2020. Global freight rates have seen a similarly dramatic increase in the past months as well.



2022e EPS seen flattening out as further freight rate hikes drive the gross margin 3.2pp lower, before rising 12% next year

We see net income 2% lower y-o-y this year to €177m, on the back of a sharp gross margin compression of 3.2pp (to 48.9%) linked to the 70% hike (vs 2021) in freight costs, on a full-blown effect. Adding to the problem, we calculate a 25% y-o-y increase in container volume, ie extra routes in light of 2021 Christmas pre-stocking (on lockdown-induced 2020 season sales hit), while Jumbo's mitigating actions to curb freight rates pressures on the margin front should wear-off in 2022 (ie limited room for further container utilisation improvement).

But for 2023e, we look for a net income increase of 12% y-o-y €198m, thanks to a 1.7pp gross margin recovery to 50.6% (still down 1.5pp vs 2019 score) underpinned by a rather moderate freight rates decline of 5% to USD5.5k per container, on our estimates.

2021-23e gross margin exercise on freight rates spike (31 December, €m)

	FY19	FY21	FY22e	FY23e
Sales	848	832	921	973
Non-container COGS	343	329	338	351
Container COGS	61	70	132	130
Total COGS	404	399	471	481
Gross profit	444	433	450	492
<i>Gross margin</i>	52.4%	52.1%	48.9%	50.6%
Average cost per container (\$)	1.5k	3.4k	5.8k	5.5k
Average cost per container (€)	1.3k	3.0k	5.1k	4.8k
<i>Shipping costs as % of COGS</i>	15%	18%	28%	27%
		2021 vs 2019	y-o-y	y-o-y
Sales volume chg		-4.2%	5.0%	3.7%
Sales price chg		2.4%	5.4%	1.9%
Non-shipping (container) costs chg		0.0%	-2.0%	0.0%
Actual (realised) freight rates chg		130%	70%	-5%
Container volume chg (2021 Xmas pre-stocking)		-20%	25%	0%
Mitigating actions against freight rates hike		60%	35%	0%

Source: Company data, Pantelakis Securities estimates

Moreover, we see this year's EBITDA 2% lower y-o-y to €161m (vs +30% in 2021e), before rebounding 11% e to €290m in 2023e. Thus, we now expect 2022e EBITDA margin at 28.4%, down from 32% before (31% in FY19), recovering to 29.8% in the following year on operating leverage and the increase in the gross margin.

With 2021 EBITDA benefiting from €4.2m institutionalised rent reductions (due to stores staying closed) – booked as other operating income – this year's numbers should be burdened by c€1m extra cost given management's intention to raise employee wages in Greece by 4% (as of 1 January), adding another 2% to the government's mandated 2% increase in the minimum salary. Tellingly, we see 2022e group opex at 21% of sales, compared to 20.8% a year before, edging up at 21.2% in 2023e.

On the sales front, we forecast 2022e revenues to grow 11% y-o-y to €921m, rising 6% to €973m next year, owing to the absence of lockdown in Greece (ie 11 weeks during the January-April 2021 period), less severe restrictions in Romania/Bulgaria (becoming particularly apparent in H2 2022 sales), thanks also to five new store rollouts (two coming into play by year-end).

Having said that, far-reaching Covid-19 measures (which mostly target unvaccinated people) are expected to remain in place during Q1 2022, weighing on consumption, thus, taking a heavy toll in revenues – more pronounced effect in Romania and Bulgaria amid particularly low Covid-19 vaccine uptake.

Starting from Greece, we see 2022e sales (ex-SEE wholesale business) rising 12% y-o-y to €504m, further up 4% to €524m next year. In fact, excluding the new Mytilene store's €7m sales contribution, FY21e domestic trading is seen 10% higher y-o-y, on our expectations. Adjusting also for the €46m revenue loss linked to last year's lockdown, domestic trading is actually seen flat y-o-y.

On the other hand, we forecast Cyprus sales to advance 4% y-o-y to €91m in 2022e, looking for a growth of 7% to €97m the following year, driven by one store opening in the fourth quarter. Turning our focus on Romania, we expect sales to pick-up momentum this year, rising 11% y-o-y to 202m (vs +7% in 2021), up 6% on a L-F-L basis, expanding 10% to €223m in 2022e.

Lastly, we look for a strong 2022e top-line growth in Bulgaria, jumping 13% y-o-y to €91m (+2% vs 2019) on no store additions, vs last year's meagre +0.5%, up 4% to €95m in 2023e.

All in, we pencil-in two new store openings for 2022e (one each in Romania and Greece) – Jumbo guides for one extra rollout in Romania – and another three for next year (two in Romania, one in Cyprus). As such, we expect Jumbo to run a total network of 86 outlets by end-2023e: 53 based in Greece, 6 in Cyprus, 9 in Bulgaria and 18 in Romania

Greece: 2020 & 2021 stores shutdown periods

	-----Lockdown phases-----		Number of calendar days
2020	14 March to 10 May	7 November to 31 December	113
2021	1 January to 17 January	1 February to 2 April	80

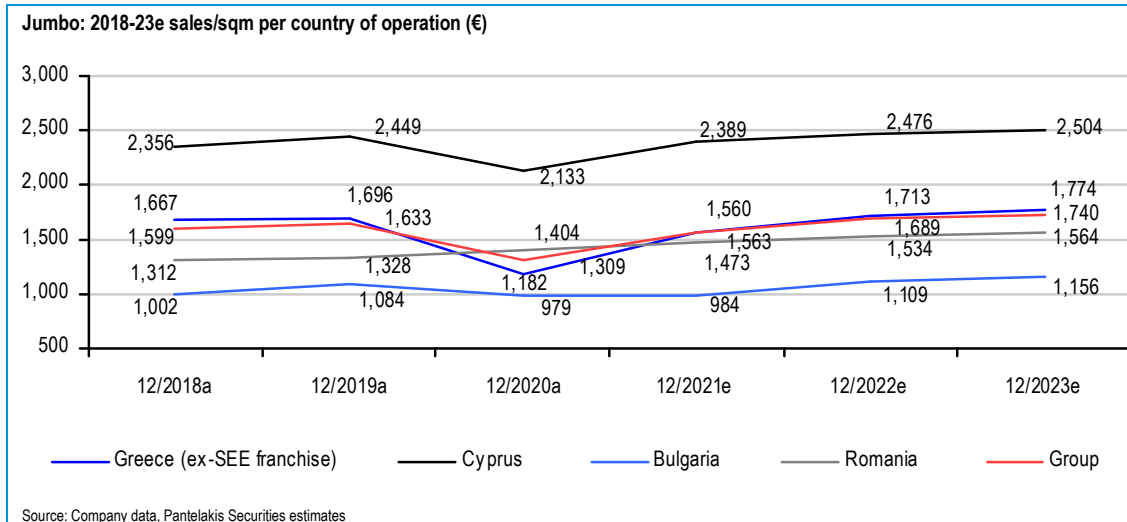
Note: In April 2021, c75% of stores in Greece reopened under strict restrictions (disproportionate relative to the stores size, ie cap on the number of customers allowed in), and only through the click inside or click away method. In turn, stores in Thessaloniki and the shopping malls stayed closed for most of the month with limited sales contribution during the critical Easter season.

Source: Company data

Jumbo: 2019-23e sales/sqm per country of operation (31 December)

	12/2019a	12/2020a	12/2021e	12/2022e	12/2023e	CAGR 2020-23e
Greece						
Sales (€m)	517.7	364.8	481.0	536.5	557.8	15%
<i>y-o-y change</i>	4.1%	-29.5%	31.8%	11.5%	4.0%	
Ex-franchise sales (€m)	485.8	342.3	451.9	504.3	524.4	16%
<i>y-o-y change</i>	3.7%	-29.5%	32.0%	11.6%	4.0%	
Number of stores	52	52	52	53	53	
Selling space (sqm) year-end	289,669	289,669	289,669	295,669	295,669	
Selling space (sqm) weighted average	286,415	289,669	289,669	294,394	295,669	
Sales per sqm (€)	1,808	1,259	1,660	1,822	1,887	15%
<i>y-o-y change</i>	2.2%	-30.3%	31.8%	9.7%	3.5%	
Ex-franchise sales per sqm (€)	1,696	1,182	1,560	1,713	1,774	15%
<i>y-o-y change</i>	1.7%	-30%	32.0%	9.8%	3.5%	
L-F-L sales growth y-o-y	2.8%	-30.4%	31.8%	10.4%	3.7%	
Ex-franchise L-F-L sales growth y-o-y	2.3%	-30.4%	32.0%	10.4%	3.7%	
Cyprus						
Sales (€)	90.1	78.5	87.9	91.1	97.4	9%
<i>y-o-y change</i>	4.0%	-12.9%	12.0%	3.6%	6.9%	
Number of stores	5	5	5	5	6	
Selling space (sqm) year-end	36,800	36,800	36,800	36,800	43,800	
Selling space (sqm) weighted average	36,800	36,800	36,800	36,800	38,886	
Sales per sqm (€)	2,449	2,133	2,389	2,476	2,504	7%
<i>y-o-y change</i>	4.0%	-12.9%	12.0%	3.6%	1.1%	
L-F-L sales growth y-o-y	4.0%	-12.9%	12.0%	3.6%	2.8%	
Bulgaria						
Sales (€m)	89.3	80.6	81.0	91.3	95.1	6%
<i>y-o-y change</i>	8.2%	-9.7%	0.5%	12.7%	4.2%	
Number of stores	9	9	9	9	9	
Selling space (sqm) year-end	82,333	82,333	82,333	82,333	82,333	
Selling space (sqm) weighted average	82,333	82,333	82,333	82,333	82,333	
Sales per sqm (€)	1,084	979	984	1,109	1,156	6%
<i>y-o-y change</i>	8.2%	-9.7%	0.5%	12.7%	4.2%	
Conversion vs Greece sales/sqm	64%	83%	63%	65%	65%	
L-F-L sales growth y-o-y	8.2%	-9.7%	0.5%	12.7%	4.2%	
Romania						
Sales (€)	150.8	170.1	182.0	201.8	222.7	7%
<i>y-o-y change</i>	24.9%	12.8%	7.0%	10.9%	10.3%	
Number of stores	14	14	15	16	18	
Selling space (sqm) year-end	121,200	121,200	129,200	137,200	153,200	
Selling space (sqm) weighted average	113,584	121,200	123,584	131,584	142,380	
Sales per sqm (€)	1,328	1,404	1,473	1,534	1,564	2%
<i>y-o-y change</i>	1.2%	5.7%	4.9%	4.1%	2.0%	
Conversion vs Greece sales/sqm	78%	119%	94%	91%	87%	
L-F-L sales growth y-o-y	8.0%	7.9%	5.6%	6.1%	7.6%	
Group						
Sales (€m)	847.9	694.0	831.9	920.7	973.0	12%
<i>y-o-y change</i>	7.7%	-18.2%	19.9%	10.7%	5.7%	
Ex-franchise sales (€m)	816.0	671.5	802.8	888.5	939.6	12%
<i>y-o-y change</i>	6.2%	-17.7%	19.5%	10.7%	5.7%	
Number of stores	80	80	81	83	86	
Selling space (sqm) year-end	530,003	530,003	538,003	552,003	575,003	
Selling space (sqm) weighted average	519,132	530,003	532,387	545,112	559,269	
Sales per sqm (€)	1,633	1,309	1,563	1,689	1,740	10%
<i>y-o-y change</i>	2.1%	-19.8%	19.3%	8.1%	3.0%	
Ex-franchise sales per sqm (€m)	1,572	1,267	1,508	1,630	1,680	
<i>y-o-y change</i>	0.7%	-19.4%	19.0%	8.1%	3.1%	
L-F-L sales growth y-o-y	3.8%	-19.7%	19.5%	8.9%	3.8%	
Ex-franchise L-F-L sales growth y-o-y	2.3%	-19.2%	19.2%	8.9%	3.9%	

Source: Company data, Pantelakis Securities estimates



In terms of sales densities, we expect €1,689/sqm at a group level for 2022e (ie 3% above pre-coronavirus levels), implying an 8% rise vs FY21, up 3% to €1,740/sqm in the following year (see table on page 8 and the chart above). Sales densities in Greece (ex-wholesale activity) should advance 8% y-o-y to €1,713/sqm this year and 3.5% to €1,774 in 2023e, Cyprus up by 3% and 1% to €2,476/sqm and €2,504, respectively, on our expectations.

As for last year's laggard Bulgaria, sales densities are projected to gather pace in 2022e, posting a growth of 12% y-o-y to €1,109/sqm, standing 2% ahead of pre-pandemic levels, up 4% to €1,156 the following year.

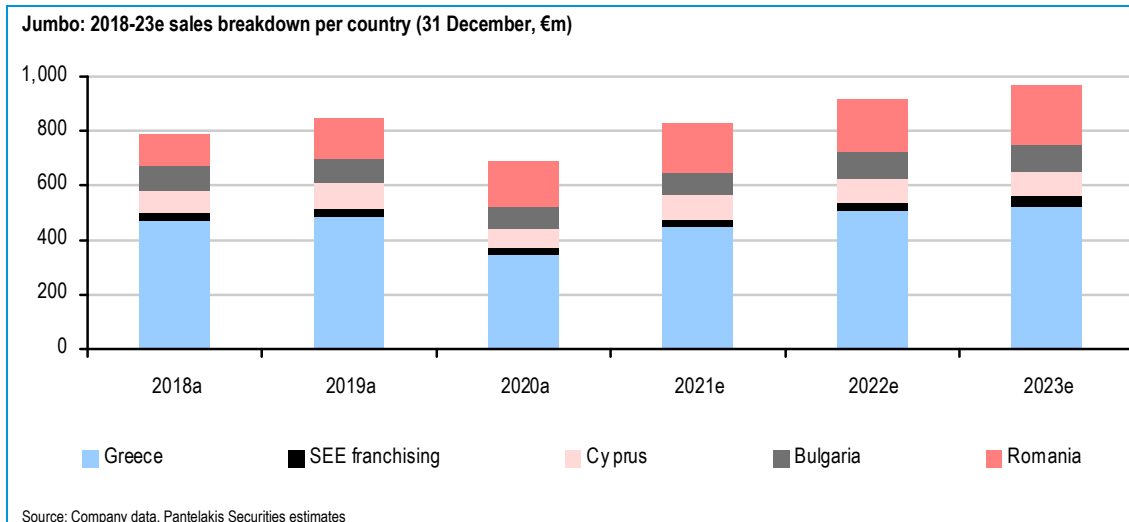
In Romania, we look for 2022-23e sales densities growths of 4% and 2% y-o-y to €1,534/sqm and €1,564, respectively, vs €1,473 a year ago, aided also by enhanced brand awareness and stronger consumption trends.

Capex should reach €54.2m this year, from €51.2m in 2021e, falling just shy of €50m the following FY, as Jumbo beefs up its network expansion programme to five (possibly six) by end-2023e, compared to one over the past two years.

That said, we see net cash picking up to €439m in 2022e (including €101m lease liabilities), vs €377m at end-2021e, climbing further to €492m in 2023e. This is intrinsically associated with robust 2022-23e FCF (to equity) generation of €109m and €159m, respectively, against €141m in the previous year, implying 5.8% to 8.4% FCF yield.

Good news also from the shareholder remuneration front, since besides the €0.385 extra DPS (cut off date: 24 January), we pencil-in a €0.395 final dividend. This means a total remuneration of €0.78 per share for the year, equalling to 5.6% vs current price levels, compared to €0.77 in FY21e: extra €0.30 DPS (traded ex-date on 22 November) and €0.47 special dividend payment last July.

For next year, we forecast a DPS of €0.86 in total (ie 6.2% dividend yield), assuming a payout ratio of 59%, against 60% in 2022e and 58% in 2021.



TP upped to €21.0 (from €19.7), on stronger near-term cash flows and a higher starting net cash position

We continue to value Jumbo through a 3-stage DCF model, using: a) a discount rate (WACC) of 7.8% unchanged vs previously: 1.1 asset beta, 2.5% risk-free rate and 5.0% ERP, b) our explicit 2022-2023e forecasts, c) an interim (2024-35e) period of fading sales growth and EBITDA margins falling to 20.9% in the long-term vs 32% in FY21e, and d) a terminal (long-term) growth rate of 1.0%.

Our base case yields a €21.0 fair value per share (from €19.7 before), implying a bulky 51% upside potential vs current levels, which would leave the stock trading on 13.7x ex-cash EPS and 9.3x EV/EBITDA for FY22e. In fact, the raise of €1.3/sh to our target price mirrors higher near-term FCF generation, as well as a stronger starting (end-2021e) net cash balance.

The stock appears lowly rated trading at 10.7x 2022e P/E (8.2x ex-cash), 5.6x EV/EBITDA and high 2022-23e FCF yield of 5.8% and 8.4%. And as Jumbo swings into a more generous remuneration policy (on towering net cash pile), ie payout ratio raised to c60% over the past two years, compared to 35/40% in the 2016-19 period, the stock now appears as a strong dividend play offering yields to the tune of 5.6% and 6.2% in 2022-23e.

What's more, on our calculations at current levels the market prices-in a massive EBITDA margin decline to 12.1% vs 32% last year and 31% in 2020.

Sensitivity of fair value (€ per share) to assumptions for WACC, L-T growth, L-T EBITDA margin

		-----Cost of capital (WACC)-----					-----Cost of capital (WACC)-----						
		6.8%	7.3%	7.8%	8.3%	8.8%			6.8%	7.3%	7.8%	8.3%	8.8%
L-T growth pa	0.0%	22.4	21.1	20.0	19.1	18.2	L-T EBITDA margin	18.7%	21.8	20.5	19.4	18.4	17.6
	0.5%	23.0	21.7	20.5	19.4	18.5		19.7%	22.8	21.4	20.2	19.1	18.2
	1.0%	23.8	22.3	21.0	19.9	18.9		20.7%	23.8	22.3	21.0	19.9	18.9
	1.5%	24.7	23.0	21.5	20.3	19.3		21.7%	24.8	23.2	21.8	20.6	19.5
	2.0%	25.8	23.8	22.2	20.9	19.7		22.7%	25.8	24.1	22.6	21.3	20.2

Source: Pantelakis Securities estimates

We present above a sensitivity analysis of our DCF valuation by flexing WACC and long-term a) growth rate and b) the EBITDA margin. In addition, our sensitivity analysis (see table at the bottom of page) suggests that a gross margin rise/decline of 1pp vs our FY22e 48.9% baseline would trigger 4% net income upgrades/cuts to €184m/€170m, respectively, compared to our €177m call.

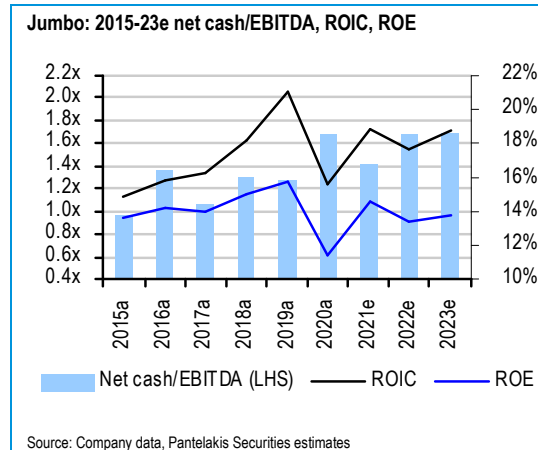
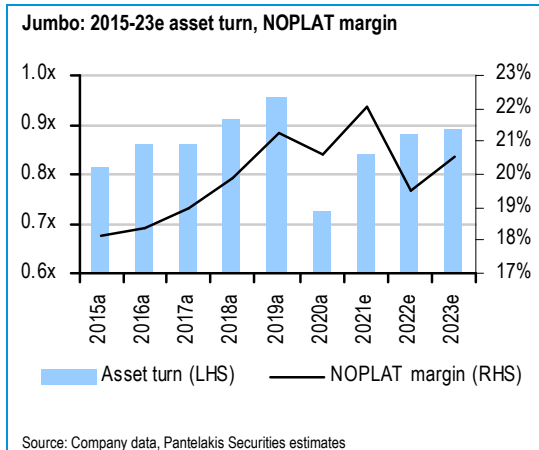
All in, Jumbo is set for a new net profit high in FY21e, courtesy of a 20% y-o-y sales recovery and (more importantly) a small, but admittedly impressive, gross margin expansion (bucking the trend), just 0.2pp shy of 2019 best ever 52.4% reading.

Oddly enough, however, the stock lost 11% in 2021 (shedding 35% from its €19.46 highs), down 20% vs the Athens GI, due to investor angst over a painful gross margin slide. In our view, the market has seemingly mispriced Jumbo's ability to weather soaring shipping costs (through a combination of mix-effects, product re-engineering & sourcing optimisation - focusing on smaller items of lower mass - all leading to improved container utilisation), choosing to ignore an array of clear signs: 9M EBIT +27% y-o-y (16% above 2019 score), H1 net income +35% on 1.1pp gross margin enhancement in 2021.

Jumbo: Sensitivity of 2022e EBITDA, EBT, EPS to various gross margins (€m)

	47.4%	47.9%	48.4%	48.9%	49.4%	50.9%	51.4%
Gross margin	47.4%	47.9%	48.4%	48.9%	49.4%	50.9%	51.4%
vs base case	(1.5pp)	(1.0pp)	(0.5pp)		0.5pp	1.0pp	1.5pp
Sales	920.7	920.7	920.7	920.7	920.7	920.7	920.7
EBITDA	247.5	252.1	256.7	261.3	265.9	270.5	275.1
EBT	206.4	211.0	215.6	220.2	224.8	229.4	234.0
Net profit	166.0	169.7	173.4	177.1	180.8	184.5	188.2
EPS	1.22	1.25	1.27	1.30	1.33	1.36	1.38
P/E (x)	11.4	11.1	10.9	10.7	10.5	10.2	10.0
EV/EBITDA (x)	8.8	8.6	8.4	8.2	8.0	7.8	7.6
vs base case							
Sales	0%	0%	0%		0%	0%	0%
EBITDA	-5%	-4%	-2%		2%	4%	5%
EBT	-6%	-4%	-2%		2%	4%	6%
Net profit	-6%	-4%	-2%		2%	4%	6%
EPS	-6%	-4%	-2%		2%	4%	6%

Source: Pantelakis Securities estimates



And while gross margin risks loom large (given further y-o-y spikes in container rates, with shipping costs representing a massive 28% of this year's COGS vs 18% in 2021 and 15% in 2019), 2022 kicked-off in a fine manner, with the stock (now on a re-rating path) bouncing back 10% y-t-d, on enhanced earnings visibility/less risky profile.

Wide product assortment and a value-for-money proposition, all work miracles also during the downturn as consumers trade-down. Sitting on a pile of cash, Jumbo should emerge stronger from the dual crisis (Covid-19/soaring freight rates), with a large number of small/medium sized firms being forced out of the market. A growing SEE footprint, stronger sales densities (on improved macro backdrop and enhanced brand awareness) and space additions (Romania network: optimum size of 30 outlets vs 15 currently) should bolster growth outlook.

Catalysts & risks to our estimates & rating

A stronger-than-anticipated consumer spending growth in heavyweights Greece and Romania would *ceteris paribus* accelerate sales momentum, bolstering profitability levels. Having low-balled 2022e domestic same-store sales, seen flattish at €451m (after adjusting for the 11-week lockdown-induced €46m loss and new Mytilini €7m sales contribution), we see upside risks here, feeding all the way to the bottom-line.

Further product mix shift, ie increasing exposure to highly profitable home/seasonal products (at the expense of slow moving toys), besides beefing up sales, should strengthen earnings outlook beyond our estimates.

Additional inroads in SEE, ie Moldavia and Croatia, or perhaps setting foot in Hungary, along with a more dynamic store expansion programme in Romania (optimum size of 30 outlets vs 15 currently) should burnish growth prospects.

Lastly, joining forces with East-Central Europe players that enjoy strong foothold, reputation and experience in the region could drastically enhance longer-term growth prospects, we think.

On the flipside, the most fundamental concern lies with further sharp increases in international freight costs and, to a much lesser extent, aggressive USD gains against the euro (as the bulk of China imports are dollar-denominated) should hit the gross margin, adversely affecting bottom-line.

Additional mobility restriction measures amid heightened health fears (in light of a new Covid-19 variant) that would extend beyond the unvaccinated people (ie current situation in SEE), should halt store visits (so important due to Jumbo's impulse-buying tilt).

It goes without saying that a potential new round of temporary store shutdowns (at a local rather than national level) would deliver a blow to Jumbo revenues, particularly painful in the case of Athens area and/or Romania.

As always, worsening macro backdrop in any country of operations (notably best-in-class Romania and key Greece), leading to disposable income decline and rising unemployment, would also affect sales. That said, we expect Jumbo's value-added proposition to cushion revenue hit with consumers scaling-down, leading to aggressive market share gains.

Final point, slower and/or costlier than expected store rollouts (ie Romania), besides raising capex requirements, should take a toll on top-line growth, while, more importantly, a potential decline in L-F-L sales, as well as a gross margin erosion, on intensified competition, will certainly harm earnings.

Jumbo: 2019-23e P&L (31 December, €m)

	12/2019a	12/2020a	12/2021e	12/2022e	12/2023e
Greece sales	517.7	364.8	481.0	536.5	557.8
% change	4.1%	-29.5%	31.8%	11.5%	4.0%
% of total	61.1%	52.6%	57.8%	58.3%	57.3%
o/w Franchising SEE	31.9	22.5	29.1	32.2	33.4
% change	11.7%	-29.5%	29.5%	10.4%	3.8%
% of total	3.8%	3.2%	3.5%	3.5%	3.4%
o/w Greece ex-franchising	485.8	342.3	451.9	504.3	524.4
% change	3.7%	-29.5%	32.0%	11.6%	4.0%
% of total	57.3%	49.3%	54.3%	54.8%	53.9%
International sales	330.2	329.2	351.0	384.2	415.2
% change	13.9%	-0.3%	6.6%	9.5%	8.1%
% of total	38.9%	47.4%	42.2%	41.7%	42.7%
o/w Cyprus sales	90.1	78.5	87.9	91.1	97.4
% change	4.0%	-12.9%	12.0%	3.6%	6.9%
% of total	10.6%	11.3%	10.6%	9.9%	10.0%
o/w Bulgaria sales	89.3	80.6	81.0	91.3	95.1
% change	8.2%	-9.7%	0.5%	12.7%	4.2%
% of total	10.5%	11.6%	9.7%	9.9%	9.8%
o/w Romania sales	150.8	170.1	182.0	201.8	222.7
% change	24.9%	12.8%	7.0%	10.9%	10.3%
% of total	17.8%	24.5%	21.9%	21.9%	22.9%
Sales	847.9	694.0	831.9	920.7	973.0
% change	7.7%	-18.2%	19.9%	10.7%	5.7%
Gross Profit	443.8	359.4	433.4	450.2	492.3
Gross Margin	52.3%	51.8%	52.1%	48.9%	50.6%
Other Operating Income	1.2	13.1	6.2	4.3	4.5
Administration Expenses	(24.5)	(23.0)	(23.7)	(25.7)	(28.1)
% of sales	2.9%	3.3%	2.8%	2.8%	2.9%
Selling Expenses	(161.6)	(134.4)	(149.7)	(167.6)	(179.0)
% of sales	19.1%	19.4%	18.0%	18.2%	18.4%
Total SG&A Expenses	(186.1)	(157.3)	(173.4)	(193.2)	(207.1)
% of sales	21.9%	22.7%	20.8%	21.0%	21.3%
EBITDA	259.0	215.2	266.2	261.3	289.7
% change	12.2%	-16.9%	23.7%	-1.8%	10.8%
EBITDA Margin	30.5%	31.0%	32.0%	28.4%	29.8%
Depreciation	(31.1)	(36.9)	(37.6)	(38.8)	(42.0)
EBIT	227.8	178.3	228.6	222.5	247.7
% change	10.7%	-21.7%	28.2%	-2.6%	11.3%
EBIT Margin	26.9%	25.7%	27.5%	24.2%	25.5%
Financial Income/(Expenses)	(2.5)	(4.3)	(3.0)	(2.3)	(2.2)
EBT (Pretax Profit)	225.3	174.0	225.6	220.2	245.5
% change	9.0%	-22.8%	29.7%	-2.4%	11.5%
EBT Margin	26.6%	25.1%	27.1%	23.9%	25.2%
Taxation	(47.7)	(35.3)	(45.3)	(43.2)	(47.6)
Effective Tax Rate	21.2%	20.3%	20.1%	19.6%	19.4%
Net Profit	177.6	138.7	180.3	177.1	197.9
% change	11.4%	-21.9%	30.0%	-1.8%	11.7%
Net Margin	20.9%	20.0%	21.7%	19.2%	20.3%

Note: 2019a restated to match calendar year (January-December 2019)

Source: Company data, Pantelakis Securities estimates

Jumbo: 2019-23e balance sheet (31 December, €m)

	12/2019a	12/2020a	12/2021e	12/2022e	12/2023e
Fixed Assets at Cost	848.9	866.7	917.9	972.1	1,021.6
Accumulated Depreciation	(269.2)	(295.2)	(332.8)	(371.6)	(413.6)
Net Fixed Assets	579.8	571.5	585.1	600.5	608.0
Right-of-use Assets	114.1	111.8	101.3	101.3	101.3
Participations/Other Long-Term Receivables	15.8	14.2	19.8	21.7	22.6
Current Assets:					
-Inventories	272.3	230.7	249.6	301.1	329.3
-Trade Debtors	38.7	30.8	34.1	38.7	43.8
-Cash & equivalents	637.0	665.1	673.2	735.8	788.8
-Other	32.8	45.5	46.2	46.4	47.2
Total Current Assets	980.8	972.1	1,003.1	1,122.0	1,208.6
TOTAL ASSETS	1,690.5	1,669.6	1,709.2	1,845.4	1,940.5
Share Capital	119.7	119.7	119.7	119.7	119.7
Share Premium	50.0	50.0	50.0	50.0	50.0
Reserves & Retained Earnings	1,047.9	1,062.2	1,111.9	1,236.5	1,331.7
Consolidation Differences	(9.3)	(12.4)	(14.6)	(12.7)	(12.5)
Shareholders' Funds	1,208.3	1,219.5	1,267.0	1,393.5	1,488.9
Long-Term Liabilities:					
-Retirement & termination benefit obligations	9.2	10.7	11.4	12.0	12.5
-Deferred Tax Liabilities	6.6	5.6	5.2	5.2	5.2
-Bank Loans	198.9	199.2	199.4	199.4	199.4
-Long Term Lease Liability	98.2	98.1	89.2	89.2	89.2
-Other Long-Term Liabilities	7.8	0.7	1.1	1.1	1.1
Long-Term Liabilities	320.6	314.4	306.2	306.8	307.2
Current Liabilities:					
-Bank Loans & L-T Loans payable in the next FY	0.0	0.0	0.1	0.0	0.0
-Short Term Lease Liability	8.4	8.5	7.9	7.9	7.9
-Trade Creditors	43.2	45.0	47.8	55.5	55.3
-Taxes & Social Sec. Contributions	63.0	38.5	38.7	39.8	39.0
-Dividends	0.0	0.0	0.0	0.0	0.0
-Other	46.9	43.7	41.6	41.9	42.2
Total Current Liabilities	161.5	135.8	136.1	145.1	144.4
TOTAL EQUITY & LIABILITIES	1,690.5	1,669.6	1,709.2	1,845.4	1,940.5

Source: Company data, Pantelakis Securities estimates

Disclosure appendix

Analyst Certification

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For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the implied return must exceed the required return by at least 5 percentage points over the next 12 months. For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months. Stocks between these bands are classified as Neutral. Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

Rating distribution

As of 19 January 2022, the distribution of all ratings published is as follows:

Overweight (Buy)	85%	(0% of these provided with Investment Banking Services)
Neutral (Hold)	10%	(0% of these provided with Investment Banking Services)
Underweight (Sell)	5%	(0% of these provided with Investment Banking Services)
Under review	0%	(0% of these provided with Investment Banking Services)

Ratings history

04/05/2020	Rating: Overweight	Price: €14.29	Target Price: €20.00
19/10/2020	Rating: Overweight	Price: €13.21	Target Price: €19.70
18/01/2021	Rating: Overweight	Price: €13.08	Target Price: €19.70
15/04/2021	Rating: Overweight	Price: €16.11	Target Price: €19.70
17/09/2021	Rating: Overweight	Price: €13.38	Target Price: €19.70

Pantelakis Securities & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
Jumbo	BABr.AT/BELA GA	€13.89	18 January-2022	3

- Pantelakis Securities SA has managed or co-managed a public offering or placement of securities for this company within the past 12 months.
- Pantelakis Securities SA expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
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Additional disclosures

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Disclaimer

Issuer of report

Pantelakis Securities SA

57B Ethnikis Antistaseos

152 31 Chalandri, Athens, Greece

Telephone: +30 210 69 65 000

Fax: +30 210 69 29 587

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