

General Retail
Equity – Greece

Jumbo

Embracing excellence

- ▶ **H1 net income grew 17% to €79m (33% beat), 22% above pre-Covid levels, on a remarkable 4.0pp gross margin expansion**
- ▶ **End-June cash expectedly dropped to €435m vs €549m in FY21 amid stocking up in anticipation for strong H2 sales**
- ▶ **At 9.2x 2023e EPS and 4.5x EV/EBITDA, the stock appears attractively priced. Overweight rating reiterated**

A thoroughly convincing semi-annual performance from Jumbo, as net income grew 17% y-o-y to €79m, ie 22% above pre-pandemic score, besting our and the consensus expectations by a wide margin. The massive 33% earnings beat (vs PSe of €59m) is attributed exclusively to a remarkable 4.0pp y-o-y gross margin enhancement to a record-high 57% (2.9pp stronger than 1H19), making a mockery of our 49.9% forecasts.

But why the gross margin came in so unexpectedly strong H1? Well, it seems that we underestimated, yet again, management's ability to weather the shipping costs hike and rising raw material prices via a combination of mix-effects, product re-engineering & procurement/sourcing optimisation. Shifting focus on smaller items of lower mass pays dividends, beefing-up container utilisation. Perhaps more importantly, we misread Jumbo's admittedly strong pricing power to withstand inflationary pressures.

Apparently, Jumbo switched to a bolder price adjustment policy - a common practice nowadays across the retail spectrum. As long as Jumbo maintains its highly successful value-added proposition intact, we see no risk in ticking off customers.

Good news on the remuneration front: Jumbo declared a special €0.385/sh cash distribution (vs our €0.20 hunch), implying a 2.7% yield (ex-date set for 9 December 2022). This suggests a total remuneration of €1.155/sh for the year (including €0.385 paid in January and another €0.385 DPS in June), equalling to 8.1% of current price levels.

Jumbo: H1 2022a group results (30 June, €m) and H2 figures implied by our FY forecasts

	1H21a	*1H22a	y-o-y	vs 1H19	vs PSe	2H22e	y-o-y	FY22e	y-o-y	vs FY19
Sales	313.8	354.0	13%	6%	0%	560.4	8%	914.4	10%	8%
Gross Profit	166.5	201.9	21%	11%	14%	278.1	-6%	480.0	4%	8%
<i>Gross Margin</i>	53.1%	57.0%	4.0pp		7.1pp	49.6%	(7.6pp)	52.5%	(3.2pp)	
Total SG&A exp.	(68.1)	(85.9)	26%	2%	2%	(115.2)	20%	(201.2)	23%	
<i>% of sales</i>	21.7%	24.3%		2.9pp		20.6%		22.0%		
EBITDA	103.2	115.8	12%	18%	20%	167.8	-17%	283.5	-7%	9%
<i>EBITDA Margin</i>	32.9%	32.7%	(0.2pp)	3.5pp	5.5pp	29.9%	(9.0pp)	31.0%	(5.7pp)	
EBT	82.2	96.5	17%	14%	31%	141.7	-22%	238.2	-9%	6%
<i>EBT Margin</i>	26.2%	27.3%				25.3%		26.1%		
Taxation	(15.0)	(17.9)	19%	-13%	21%	(26.9)	-14%	(44.9)	-3%	-6%
Effective Tax Rate	18.3%	18.6%				19.0%		18.8%		
Net Profit	67.2	78.6	17%	22%	33%	114.8	-23%	193.4	-11%	9%
<i>Net Margin</i>	21.4%	22.2%				20.5%		21.1%		

Source: Company data, Pantelakis Securities estimates Note: *H1 2022 sales figures pre-announced on 7 July

Overweight

Target price (€)	21.00
Share price (€)	14.18
Potential total return (%)	48
RIC	BABr.AT
Bloomberg	BELA GA
Market cap (\$m)	1,927
Market cap (€m)	1,929
Enterprise value (€m)	1,366
Free float (%)	77

20 September 2022

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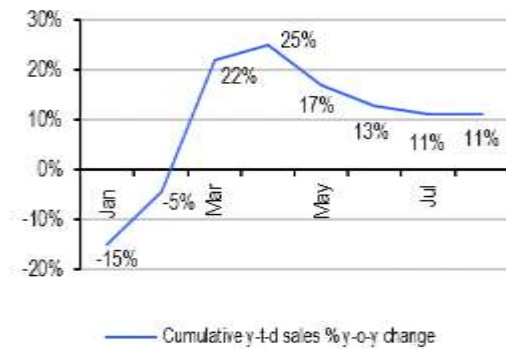
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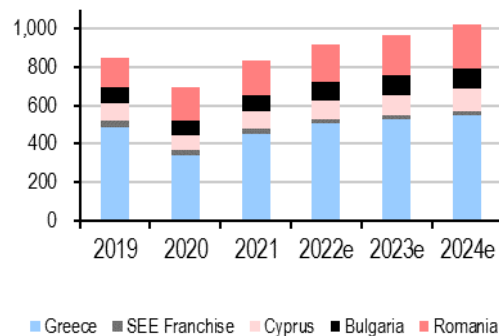
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Cumulative y-t-d sales % y-o-y change



Source: Company data

2019-24e sales breakdown per country (€m)



Source: Company data/Pantelakis Securities estimates

This compares to last year's €0.77/sh levels: extra €0.30 DPS (Nov'21) and €0.47/sh special dividend payment (Jul'21). As for FY23e, Jumbo intends to maintain the same dividend payment with 2022, ie €0.77/sh total remuneration – ex-special DPS.

Interestingly, Jumbo reaffirmed its FY22 guidance, ie that group revenues grow by 2% to 5% (possibly at the high end) and net income between €174m to €195m (again more likely at the top end of the range). Doing our maths and taking as a base-line scenario the high-end of net profit guidance, ie down 10% y-o-y to €195m (vs our €193m) from €226m a year earlier, this would imply a 23% plunge to €116m in the key H2. Note that Jumbo's guidance traditionally is viewed as overly conservative, with the company making a habit of beating its own estimates by a wide margin.

End-June net cash fell to €435m (including €86m lease liabilities) from €549m in FY21, making 23% of mkt cap (or €3.2/sh). This sharp drop comes as no surprise with Jumbo stocking up in anticipation of stronger H2 sales volumes (ie peak Christmas period) and new store openings. In fact, inventories jumped 44% y-t-d €222m from the excessively low levels of €154m witnessed at end-2021, driving WC need 41% higher y-t-d to €226m.

Overweight rating reiterated, TP of €21.0/sh offers a hefty 48% upside. The stock looks attractively priced at 9.2x 2023e P/E (6.5x ex-cash) and 4.5x EV/EBITDA, in our view. Strong 2022-23e 6%-plus FCF yields, coupled generous dividend payments, further burnish valuation appeal. What is more, on our calculations at current levels the market prices-in a longer-term EBITDA margin slide to just 11% vs 36.7% in 2021 and 31.7% in 2022e

Back to semi-annual results, EBITDA posted a growth of 12% y-o-y to €116m (20% beat), standing 18% above pre-Covid reading, held back by rising opex, up 26% to €86m a tad higher vs our €84m estimates, on a selling expenses hike. With group opex now at 24.3% of sales, against 21.7% a year before, the EBITDA margin edged 0.2pp lower y-o-y to 32.7% but 3.5pp higher than 1H19. In turn, pre-tax income expanded by a higher 17% y-o-y to €96m (14% better-than-expected).

Recall that H1 group revenues sales (figures out on 7 July) advanced 13% y-o-y to €354m, ie 5% higher than 2019 score, amid supply chain disruptions and inflation angst. Quite an achievement, we think, given only three store openings since late 2019, namely in Mytilene (Greece) 6k sqm in Mar'22, Craiova 8k sqm Oct'21 and Brasov 14k sqm Nov'19 (both Romania-based) out of 82 in total.

More specifically, sales generated in Greece (ie excluding SEE export activity soared 25% y-o-y to €202m on the back of less demanding comparisons, 1% ahead of 1H19. Best performer Cyprus saw its revenues jumping 25% y-o-y to €42m, making up around 12% of group total.

On the other hand, cycling particular tough base effects, ie y-o-y growths of 35% and 18%, Romania sales declined 7% to €67m, while Bulgaria operations remained flat at €33m, standing, however, 29% and 3% above 1H19 levels, respectively.

Jumbo: H1 2019-22a sales breakdown per product type (30 June, €m)

	1H19	1H20	1H21	1H22	y-o-y	vs 1H19
Toy	69.5	56.4	65.1	69.1	6%	-1%
<i>% of total</i>	20.7%	20.2%	20.8%	19.5%		
Baby products	17.5	11.9	12.8	12.6	-1%	-28%
<i>% of total</i>	5.2%	4.3%	4.1%	3.6%		
Stationery	21.0	17.9	20.6	24.0	17%	15%
<i>% of total</i>	6.3%	6.4%	6.6%	6.8%		
Seasonal	68.9	54.8	55.8	68.3	22%	-1%
<i>% of total</i>	20.5%	19.6%	17.8%	19.3%		
Homeware	130.6	115.7	137.5	148.6	8%	14%
<i>% of total</i>	38.9%	41.5%	43.8%	42.0%		
Snacks. Candies, other mini-market	27.5	22.1	21.9	31.2	42%	13%
<i>% of total</i>	8.2%	7.9%	7.0%	8.8%		
Various other	0.4	0.1	0.0	0.2		
Total sales	335.4	278.8	313.8	354.0	13%	6%

Source: Company data.

Final point, Jumbo plans to roll out a company owned 15k hyperstore in Romania (Sibiu) by year-end, raising total network to 83 outlets. As for 2023, Jumbo guides for three additional store launches, out of which two based in Romania and one in Cyprus, but also a new Romania e-shop (not build on our model).

Disclosure appendix

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19/10/2020	Rating: Overweight	Price: €13.21	Target Price: €19.70
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