

## JUMBO

<b>Sector:</b>	Retail, non food
<b>Issue Date</b>	July 23, 2008
<b>Initiation of Coverage</b>	Outperform

## Rating

<b>Rating</b>	Outperform
Previous Rating	-
Target Price	25.32 €
Of which Expected Dividend 08e	0.42 €
Last Price	16.80 €
Total Expected Return	50.7%

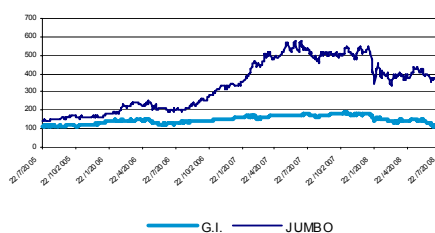
## Stock Data

Bloomberg Code	BELA GA
Reuters Code	BABR.AT
52 week high	26.00 €
52 week low	15.06 €
1m performance	-5.83%
YTD performance	-32.26%
Number of shares	60,617,358
Market Capitalization	1,018,371,614 €
Average Daily Volume (52w)	125,325
Free Float	71.00%

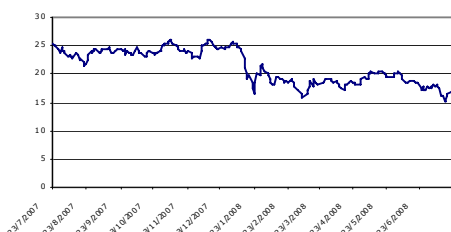
## Performance

	Jumbo	GI
1m performance	-5.83%	-1.59%
6m performance	-20.00%	-22.41%
3m performance	-11.49%	-19.68%
12m performance	-34.53%	-30.12%
YTD performance	-32.26%	-34.64%

## Jumbo Relative Performance



## Jumbo Performance - 52 week



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## Solid growth potentials despite adversities

### Sustainable growth

Jumbo started its operations as a toy retailer and holds still a dominant position in the domestic toys market. In order to face persisting low birth rates that cause toy market to stagnate, Jumbo diversified successfully during the last years into Stationery and Home/Seasonal Products. Furthermore, having established its presence in Greece and Cyprus, the company decided to expand in Southeastern Europe (SEE), more specifically in Bulgaria and, at a second stage, in Romania. The new, higher value-added segments managed to sustain sound double-digit growth in both top and bottom line financial figures while the group's aggressive expansion is expected to strengthen further the group's financial results.

### FY 2007/2008 sales up 17.88% - New plot purchased in Bulgaria

The company announced that sales for the fiscal year ending June 30, 2008 grew 17.88% y-o-y. The management had already upward revised current fiscal year's sales and profit estimate to 17.39% and 21.42% respectively overshooting the 15% growth target it has guided for the period FY08 - FY10 (top - bottom line). This above than expected performance was achieved despite the unfavorable events that occurred in Q4: the extended strike of trucks of public use in May, the continuing "white strike" of the main harbours of the country and the Euro in June (football event).

Along with the announcement of the FY2007/08 sales' growth, the company announced that after the warm acceptance of the Bulgarian consumers, it proceeded to the purchase of one more plot of 33,757sqm in Sofia, the third plot it now possesses in the Bulgarian capital. We believe that Bulgaria's pilot-testing with the first Jumbo store in Sofia will be successful and that the company will focus on the SEE roll-out, with 2 more stores opening by FY2011 and a significantly higher mid to long term target.

### Initiation of coverage with an "outperform" rating and a target price of 25.32 €

We believe that despite the recent deterioration in the economic climate and the decline in disposable income and thus personal consumption, Jumbo offers still excellent sales and earnings growth potential, due to a) its strong brand name, b) its know-how, c) the enrichment of its product range, d) the continuous store expansion, both in Greece and in the Balkans and e) its good value-for-money product portfolio.

We initiate coverage for Jumbo with an "outperform" rating and a target price of 25.32 €, which gives an upside potential of 50.7% from the share current levels (including the expected dividend yield). The company trades 12.1 times its FY2008e EPS and has posted y-t-d losses of 32.26% against losses of 34.64% for the Athens General Index.

### Risks and catalysts

The main risks evolved concern:

- Delays in the store roll-out with negative short-term effects on the P&L,
- A possible slowdown in L-F-L stores sales growth that may result from a) the diminishing purchasing power of consumers due to the recent economic slowdown, b) the intensifying competition (chain stores, super-markets, hypermarkets) and c) unfavorable Greece's and SEE's demographics,
- Currency risks, as Jumbo pays its orders in US dollars and does not hedge its FX risk,
- Key person risks, due to the company's heavy reliance on the main founder and CEO / President, Mr Vakakis,
- The political, economic and social uncertainties associated with SEE,
- Overhang & dilution concerns due to the convertible bond loan.

We consider the further development of the store network, especially in the Southeastern Europe as well as the increasing exposure to the Home/Seasonal line as the main catalysts to the company's future prospects.

### Fundamentals

(million €)	FY06a	FY07a	FY08e	FY09f	FY10f	FY11f
Sales	281.3	342.7	403.9	486.3	568.6	644.1
EBIT	74.4	96.7	116.2	134.3	153.9	174.2
EBIT Margin	26.4%	28.2%	28.8%	27.6%	27.1%	27.0%
EBITDA	82.8	105.6	125.7	145.5	167.5	190.3
EBITDA Margin	29.4%	30.8%	31.1%	29.9%	29.5%	29.5%
Net profit	49.4	67.9	83.9	97.3	111.5	128.2
EPS (€) (reported)	0.83	1.12	1.38	1.61	1.84	2.11
DPS (€)	0.23	0.32	0.42	0.53	0.64	0.74

### Valuation Ratios

	FY06a	FY07a	FY08e	FY09f	FY10f	FY11f
P / E (x) (reported)	20.1	15.0	12.1	10.5	9.1	7.9
P / BV (x)	5.9	4.6	3.6	2.8	2.3	1.9
EV / Sales (x)	3.8	3.1	2.7	2.2	1.9	1.6
EV / EBITDA (x)	13.0	10.2	8.5	7.5	6.5	5.5

Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

**FINANCIAL DATA SUMMARY**

<i>(million €)</i>	<b>FY06a</b>	<b>FY07a</b>	<b>FY08e</b>	<b>FY09f</b>	<b>FY10f</b>	<b>FY11f</b>
<b>P&amp;L</b>						
Turnover	281.3	342.7	403.9	486.3	568.6	644.1
Gross Profit	148.1	182.4	214.9	248.0	284.3	322.1
EBITDA	82.8	105.6	125.7	145.5	167.5	190.3
EBIT	74.4	96.7	116.2	134.3	153.9	174.2
EBT	69.5	91.8	111.4	129.2	148.2	169.5
EAT&M	49.4	67.9	83.9	97.3	111.5	128.2
<b>Balance Sheet</b>						
Net Fixed Assets	170.1	206.6	249.0	310.1	369.6	407.5
Cash & Cash Equivalents	21.8	52.1	56.8	41.8	37.7	75.7
Other Current Assets	150.8	178.7	212.3	262.7	310.5	344.6
<b>Total Assets</b>	<b>342.7</b>	<b>437.4</b>	<b>518.0</b>	<b>614.6</b>	<b>717.8</b>	<b>827.8</b>
ST Bank Debt	16.9	22.4	0.0	0.0	0.0	0.0
LT Bank Debt	75.1	96.0	118.4	118.4	118.4	118.4
ST Liabilities	77.4	92.4	108.2	132.2	155.6	176.0
LT Liabilities	5.1	4.9	5.2	5.6	6.0	6.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Equity	168.2	221.8	286.3	358.4	437.8	527.0
<b>Total Liabilities</b>	<b>342.7</b>	<b>437.4</b>	<b>518.0</b>	<b>614.6</b>	<b>717.8</b>	<b>827.8</b>
<b>Net Debt</b>	<b>70.2</b>	<b>66.3</b>	<b>61.6</b>	<b>76.6</b>	<b>80.7</b>	<b>42.7</b>
<b>Cash Flow Statement</b>						
EBIT	74.4	96.7	116.2	134.3	153.9	174.2
Adjustments	(11.4)	(17.0)	(23.2)	(22.7)	(24.6)	(26.9)
Δ Working Capital	(28.9)	(13.7)	(20.1)	(31.7)	(30.2)	(19.3)
<b>Cash Flow from Operations</b>	<b>34.1</b>	<b>66.1</b>	<b>73.0</b>	<b>79.9</b>	<b>99.0</b>	<b>128.0</b>
CAPEX	(31.5)	(46.1)	(51.8)	(72.4)	(73.2)	(54.0)
<b>Cash Flow from Investing</b>	<b>(30.9)</b>	<b>(44.3)</b>	<b>(48.9)</b>	<b>(69.7)</b>	<b>(71.0)</b>	<b>(50.9)</b>
Dividends paid	(11.1)	(13.9)	(19.4)	(25.2)	(32.1)	(39.0)
Δ Bank Debt	(5.6)	22.6	0.0	0.0	0.0	0.0
<b>Cash Flow from Financing</b>	<b>(12.8)</b>	<b>8.7</b>	<b>(19.4)</b>	<b>(25.2)</b>	<b>(32.1)</b>	<b>(39.0)</b>
<b>Net change in cash</b>	<b>(9.6)</b>	<b>30.3</b>	<b>4.7</b>	<b>(15.0)</b>	<b>(4.1)</b>	<b>38.0</b>
<b>Per Share Data</b>						
EPS (Reported)	0.83	1.12	1.38	1.61	1.84	2.11
EPS (Normalised for one-off items)	0.83	1.12	1.38	1.61	1.84	2.11
EPS (Diluted)	0.83	1.06	1.32	1.53	1.75	2.00
DPS	0.23	0.32	0.42	0.53	0.64	0.74
BV per share	2.84	3.66	4.72	5.91	7.22	8.69
Year end number of Shares (mil. €)	60.6	60.6	60.6	60.6	60.6	60.6
Weighted number of shares (mil. €)	59.2	60.6	60.6	60.6	60.6	60.6
<b>Valuation Data</b>						
P/E (x)	20.1	15.0	12.1	10.5	9.1	7.9
P/E (normalised) (x)	20.1	15.0	12.1	10.5	9.1	7.9
P/BV (x)	5.9	4.6	3.6	2.8	2.3	1.9
Dividend Yield (%)	1.37	1.90	2.47	3.15	3.83	4.41
EV / Sales (x)	3.84	3.14	2.66	2.24	1.92	1.64
EV / EBITDA (x)	13.05	10.21	8.53	7.48	6.52	5.54
FCF Yield (%)	-0.14	2.58	0.94	2.70	7.48	12.88
<b>Growth Rates (%)</b>						
Turnover	-	21.8	17.9	20.4	16.9	13.3
EBITDA	-	27.4	19.1	15.8	15.1	13.6
EBIT	-	30.1	20.2	15.6	14.5	13.2
EBT	-	32.1	21.3	16.0	14.7	14.4
EAT&M	-	37.4	23.6	15.9	14.6	14.9
<b>Profitability Ratios</b>						
Gross Profit Marfin (%)	52.6	53.2	53.2	51.0	50.0	50.0
Net Profit Margin (%)	17.6	19.8	20.8	20.0	19.6	19.9
ROE (%)	29.4	30.6	29.3	27.2	25.5	24.3
ROA (%)	14.4	15.5	16.2	15.8	15.5	15.5
<b>Debt Ratios</b>						
Liabilities / Assets (%)	50.9	49.3	44.7	41.7	39.0	36.3
Bank Debt / Assets (%)	26.9	27.1	22.9	19.3	16.5	14.3
Interest Coverage (x)	17.0	21.5	26.0	28.4	29.8	40.5
<b>Liquidity Ratios</b>						
Inventory Days	277	277	277	277	270	270
Trade Receivable Days	20	20	20	20	20	20
Trade Payable Days	114	114	114	114	114	114
Current Ratio (x)	1.8	2.0	2.5	2.3	2.2	2.4
Quick Ratio (x)	0.8	1.0	1.2	0.9	0.8	1.0

Source: Company &amp; Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

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## INVESTMENT HIGHLIGHTS

### Evolved from a domestic toy store to a regional specialty retailer

Jumbo is currently the leading specialty retailer in Greece, holding a market share of 33% in Toys, 31% in Baby Products, 20% in Stationery and 23% in Home/Seasonal products.

Jumbo focused its interest up until recently on toys and baby apparel, holding the leading market share in the Toys market. However, the management foresaw in time the stagnation in the toys and baby market, attributed to the gradual deterioration of demographics in Greece and decided to diversify into Stationery and Home/Seasonal Products.

Home/Seasonal Products' line was initiated in 2004 and its contribution to total sales has improved significantly during the last years. In June 2007 it contributed 44% of the group's total revenue compared to a 35% and a 21% contribution in the previous two years. This product line has proven very profitable for Jumbo and managed to strengthen top and bottom line financial results. We believe Home/Seasonal Products will continue to be one of the company's "growth drivers", considering the fast-growing and high-margin characteristics of these products.

In order to maximize the positive effects of the diversification of its product portfolio, the company is moving towards the direction of closing old small stores, which are unable to accommodate the new larger product range and has been opening new bigger stores (hyperstores). Hyperstores will not only increase the shopping basket but will also attract more visitors by expanding Jumbo's target group due to the bigger and diversified product portfolio.

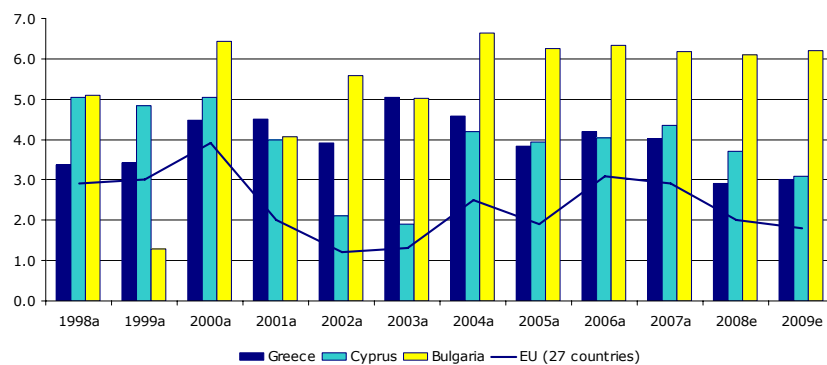
### Geographic Expansion

Besides successful diversification, we consider Jumbo's aggressive expansion, both in Greece and abroad, as another strong "growth driver" for the company, and we expect that it will further sustain significant top and bottom line growth. The company's long-term expansion plans involve 25 new stores over the next 7-8 years (Romania excluded), 12 in Bulgaria, 3 in Cyprus and approximately 10 in Greece, which will add a 60% additional capacity to the group.

Bulgaria is currently one of the company's main priorities and the management aims to capture a significant market share in the local market. In the short term, the management plans to open 3 stores (by FY 2011) as an attempt to test the market. In case the pilot-testing gives positive results, 5 other stores are expected to open in the mid to long term.

We believe that Bulgaria expansion will prove a challenge and that it has the potential to boost Jumbo's financial figures in the long-term. Growth rates in Bulgaria are currently among the highest in the E.U., in terms of retail sales projections, GDP, disposable income and spending per capita. Furthermore, customers in Bulgaria focus especially on the value-for-money segment while Jumbo will also benefit from the absence of any large and organized toy retailer.

Graph 1: GDP, Real (YoY)



Source: EIU

Despite our positive stance towards Bulgaria expansion, we find it premature to include in our valuation the potential of a large network, so we incorporate only 3 Bulgarian stores, one already operative (since December 2007) while we assume the opening of other two in FY2011.

Concerning the network within Greece and Cyprus, the management is moving to the direction of closing old, small stores, unable to offer full product range due to limited floor area and replacing them with hyperstores. The company guided for 3 new openings in FY2009 (2 in the Attica Region and 1 in the Greek Provinces) and 3 more in FY 2010 (2 in Attica and 1 in the provinces). We find this guidance feasible and fully adopt it in our valuation, while for FY2011, except from the 2 afore-mentioned openings in Bulgaria, we assume the operation of a new store in Cyprus.

### Valuation

We value Jumbo using a 3-staged DCF model. The first high growth stage includes explicit forecasts until FY2011, in the second stage we assume a stable growth rate of 4% and in the third stage we use a terminal growth of 2.00%. We discount the cashflows with a variable WACC of 7.96% to 8.62% (8.36% average) on the following assumptions: risk free rate at 5.10%, equity premium at 5.00%, beta at 0.80, deriving thus a cost of equity at 9.1%. Our valuation gives a fair value of 1,509,583,478€ corresponding to an equity value of 24.90 €. Given the expected dividend for the fiscal year 2008, the target price is set at 25.32 € with a total expected return of 50.7%.

## VALUATION

### Valuation

We value Jumbo using a 3-staged DCF exercise, which we believe best reflects the company's growth potential.

In the first high growth stage we incorporate explicit forecasts until FY2011.

In the second stage (FY12-FY16) we assume a stable growth rate of 4%, higher than Greece's, Cyprus' and Bulgaria's average GDP growth of 2.9% during that period, as we believe the previous year's rollout will have positive effects on earnings.

In the third stage (perpetuity stage) we use a terminal growth of 2.00%, reflecting the company's solid growth potentials.

Table 1 : GDP Growth, Real (YoY)

	2012f	2013f	2014f	2015f	2016f
Greece	3.2	2.7	2.2	1.9	1.6
Cyprus	3.5	3.2	2.7	2.3	2.1
Bulgaria	5.4	4.3	3.5	3.0	2.6
<b>Average per year</b>	<b>4.0</b>	<b>3.4</b>	<b>2.8</b>	<b>2.4</b>	<b>2.1</b>
<b>Average 5-year period (2012-2016)</b>					<b>2.9</b>
<b>Average next 14-year period (2017-2030)</b>					<b>2.1</b>

Source: EIU

We discount the cashflows using a variable WACC on the following assumptions: a risk free rate of 5.10%, an equity premium of 5.00% and a beta of 0.80, deriving thus a cost of equity of 9.1%. Our 8 year forecast yields a present value of 500,608,427€, or 8.26 € per share while the present value of the terminal value accounts for 68.0% of the enterprise value and stands at 1,063,383,963€ or 17.54 € per share.

Our valuation model yields a fair value of 1,509,583,478, corresponding to an equity value of 24.90 €. Summing the expected dividend for the FY08, we derive a target price of 25.32 € and a total expected return of 50.7%.

Table 2 : DCF Valuation	FY09f	FY10f	FY11f	FY12f	FY13f	FY14f	FY15f	FY16f
<b>EBIT</b>	<b>134,334,405</b>	<b>153,853,224</b>	<b>174,227,443</b>	<b>176,862,238</b>	<b>179,427,066</b>	<b>182,059,713</b>	<b>184,613,796</b>	<b>186,919,066</b>
Notional Taxation on EBIT	(31,875,213)	(36,601,258)	(40,798,710)	(43,114,833)	(43,740,077)	(44,381,854)	(45,004,479)	(45,566,450)
<b>NOPAT</b>	<b>102,459,192</b>	<b>117,251,966</b>	<b>133,428,733</b>	<b>133,747,405</b>	<b>135,686,989</b>	<b>137,677,859</b>	<b>139,609,317</b>	<b>141,352,616</b>
Depr. & Amortization	11,215,111	13,686,980	16,099,774	17,661,417	17,485,482	17,344,010	17,237,428	17,166,249
Capital Expenditure	(72,390,250)	(73,168,930)	(53,987,680)	(11,750,000)	(12,455,000)	(13,202,300)	(13,994,438)	(14,834,104)
Change in Working Capital	(31,729,538)	(30,244,268)	(19,331,108)	(8,531,712)	(8,872,980)	(9,227,900)	(9,597,016)	(9,980,896)
<b>Free Cash Flow</b>	<b>9,554,514</b>	<b>27,525,749</b>	<b>76,209,720</b>	<b>131,127,110</b>	<b>131,844,491</b>	<b>132,591,669</b>	<b>133,255,291</b>	<b>133,703,865</b>
<b>WACC</b>	<b>7.96%</b>	<b>8.12%</b>	<b>8.26%</b>	<b>8.36%</b>	<b>8.45%</b>	<b>8.51%</b>	<b>8.57%</b>	<b>8.62%</b>
Discounted Cash Flows	8,849,853	23,544,762	60,057,897	95,096,208	87,903,743	81,211,378	74,937,679	69,006,907

Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

Table 3 : Valuation Results	DCF	Per Share
PV of Cash Flows	500,608,427	8.26 €
PV of Terminal Value	1,063,383,963	17.54 €
<b>Enterprise Value (EV)</b>	<b>1,563,992,389</b>	<b>25.80 €</b>
Plus: Investments & Associates (FY08e)	9,140,059	0.15 €
Minus: Net debt (FY08e)	(61,612,321)	(1.02)
Minus: Minority interests (FY08e)	0	0.00
Minus: Pension provisions (FY08e)	(1,936,649)	(0.03)
Equity value	1,509,583,478	24.90 €
Equity value per share	24.90 €	
Expected Dividend per share (FY08e)	0.42 €	
Target Price	25.32 €	
Current Price	16.80 €	
Total Expected Return	50.7%	
<b>Key DCF Assumptions</b>		
Risk Free rate	5.1%	
Equity Risk Premium	5.0%	
Beta	0.80	
Cost of Equity	9.1%	
Growth to Perpetuity	2.0%	

Source: Company & Prelium Research Estimates

Our main model assumptions are the following:

- We incorporate for the 3-year period FY09 - FY11 9 new openings: 4 in the Attica Region, 2 in the Greek Provinces, 1 in Cyprus and 2 in Bulgaria. We prefer to be conservative and include no further store openings thereafter.
- Sales grow by a CAGR of 16.9% for the 4-year period FY08 - FY11. For the 5-year period FY12 - FY16 we assume a stable growth rate of 4%, as financial results could be hurt by slowing consumption. Finally, we assume a perpetuity growth of 2.00%.
- We gradually decrease gross profit margin from 53.2% in FY07 to 50.0% in FY11 (and keep it stable by FY16) in order to incorporate a slight deterioration in the Euro / Dollar rate.
- CAPEX requirements remain high by FY11, while from FY12 onwards we incorporate only maintenance CAPEX.

▪ Sensitivity Analysis

WACC	8.50%			8.36%			9.50%		
	1.50%	2.00%	2.50%	1.50%	2.00%	2.50%	1.50%	2.00%	2.50%
Terminal Growth									
PV of cash flow (FY 2009f - 2016f)	500,319,985	500,319,985	500,319,985	503,776,746	503,776,746	503,776,746	476,892,313	476,892,313	476,892,313
plus: PV of terminal value	1,009,425,005	1,092,428,122	1,189,265,092	1,041,256,442	1,128,679,176	1,231,026,439	820,742,766	879,771,557	947,233,031
<b>Enterprise value</b>	<b>1,509,744,990</b>	<b>1,592,748,107</b>	<b>1,689,585,077</b>	<b>1,545,033,188</b>	<b>1,632,455,921</b>	<b>1,734,803,185</b>	<b>1,297,635,080</b>	<b>1,356,663,870</b>	<b>1,424,125,344</b>
Plus: Investments & Associates (FY08e)	9,140,059	9,140,059	9,140,059	9,140,059	9,140,059	9,140,059	9,140,059	9,140,059	9,140,059
Minus: Minority interests (FY08e)	0	0	0	0	0	0	0	0	0
Minus: Pension provisions (FY08e)	(1,936,649)	(1,936,649)	(1,936,649)	(1,936,649)	(1,936,649)	(1,936,649)	(1,936,649)	(1,936,649)	(1,936,649)
Minus: Net debt (FY08e)	(61,612,321)	(61,612,321)	(61,612,321)	(61,612,321)	(61,612,321)	(61,612,321)	(61,612,321)	(61,612,321)	(61,612,321)
<b>Equity value</b>	<b>1,455,336,079</b>	<b>1,538,339,196</b>	<b>1,635,176,166</b>	<b>1,490,624,277</b>	<b>1,578,047,010</b>	<b>1,680,394,274</b>	<b>1,243,226,169</b>	<b>1,302,254,959</b>	<b>1,369,716,433</b>
Equity value per share	24.01	25.38	26.98	24.59	26.03	27.72	20.51	21.48	22.60
DPS (FY08e)	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Target Price	24.42	25.79	27.39	25.01	26.45	28.14	20.92	21.90	23.01

Source: Prelium Research Estimates

▪ Valuation Multiples at Target Price

Table 4: Jumbo's Multiples at Target Price	2008e	2009f
P / E (x)	18.0	15.5
P / BV (x)	5.3	4.2
EV / Sales (x)	3.9	3.2
EV / EBIT (x)	13.5	11.6
EV / EBITDA (x)	12.4	10.7
Dividend Yield (%)	1.67	2.13

Source: Prelium Research Estimates

## INVESTMENT RISKS

We focus mainly on the following risk factors:

- **Delays in the store roll-out plan, mainly due to regulatory constraints**  
Building approvals delays or difficulties in finding suitable store locations may delay store expansion in the short – term, especially in the Southeastern Europe countries.
- **Potential price pressure from suppliers**  
More than 80% of the goods sold are imported from China (low cost country) meaning that any pressure from the suppliers could reduce profit margins.
- **Currency risk**  
Jumbo pays its orders in US dollars and has benefited during the last years from the upward move in the Euro / Dollar rate. Since the company does not hedge its FX risk, any reversal in the Euro / Dollar rate will have an adverse effect on its gross profit margins.
- **The diminishing purchasing power of consumers**  
Decelerating GDP, rising interest rates and increasing oil prices have recently established an unfavorable economic environment. Economic slowdown may have a negative effect on disposable income and personal consumption, slowing the pace of the group's sales.
- **Political, economical and social uncertainties associated with Southeastern Europe**
- **Key - person risks**  
The company relies heavily on the main founder and CEO / President, Mr Vakakis. Any change in the management may affect the company's ability to grow or may hurt investors' confidence on the company's excellent track record.
- **Stock overhang & dilution concerns**  
The company has issued a €42m convertible bond loan with a strike price of €9.52. In case of full conversion, c. 4.5 million new shares will be issued resulting in a c. 7% dilution for existing shareholders.
- **Intensifying competition**  
Chain stores, super-markets and hypermarkets may increase their share in the market.

**COMPANY DESCRIPTION**

- **General:** The company was incorporated in 1986 and it engaged initially in toy sales in Greece under the name Babyland Toys Ltd. In 1991 it expanded in Cyprus and in 1997 it was listed in the Athens Stock Exchange. The company changed its name in 2000 to Jumbo Commercial Ltd. In December 2007 it opened its first hyper-store in Sofia, Bulgaria (15,000 sqm), while the new subsidiary in Bucharest, Romania, was founded in August 2006.
- **Products:** Jumbo has gradually diversified its business from children toys to baby products, seasonal products and books / stationery, in order to face the unfavorable demographics of Greece and neighboring countries (declining birthrates). It currently offers more c. 18,000 codes at an average selling price of €4.99.
- **Network:** Jumbo currently operates a total of 41 shops, 17 of which located in Athens, Greece, 21 in the Greek provinces, 2 in Cyprus and 1 in Bulgaria. The Group holds a leading market share of 33% in Greece and Cyprus, which it plans to expand in the medium-term to above 38%, through the pre-announced €150m CAPEX for the FY2007/2009 period. In H1 2008/2009 the company is expected to open three new hyper-stores in Greece (Renti, Maroussi and Promahonas), while other three new stores will open in FY2009/2010.

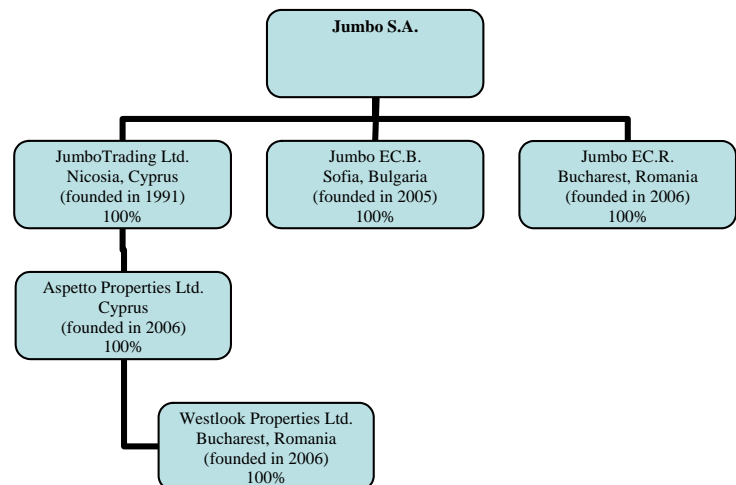
▪ **Group Structure**

Jumbo S.A. The Parent company was founded in 1986 with current headquarters in Moschato of Attica, Greece. It has been listed since 1997 in Athens Stock Exchange and trades currently in the High Capitalization category and in the FTSE/ASE MID-40 index.

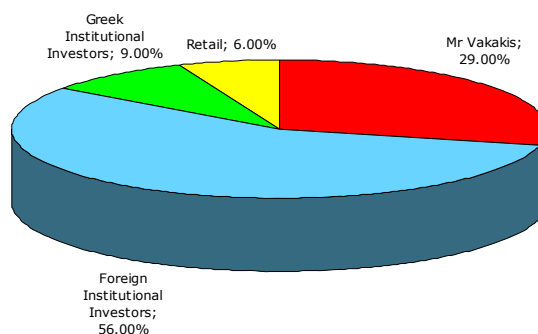
Jumbo Trading Ltd. It is a Cypriot subsidiary, founded in 1991 with headquarters in Nicosia of Cyprus. The parent company holds 100% of the shares and the voting rights.

Jumbo EC.B. It is the subsidiary company in Bulgaria, founded in 2005. Its headquarters are in Sofia, Bulgaria. The parent company holds 100% of the shares and the voting rights.

Jumbo EC.R. The subsidiary company in Bulgaria was founded recently, in 2006 and its headquarters are in Bucharest, Romania. The parent company holds 100% of the shares and the voting rights.



▪ **Shareholder Structure**



Source: Company Data (as of 31/12/07)

## STRATEGY OUTLINE & KEY FINANCIAL PROJECTIONS

Jumbo's future growth will rely mainly on the following:

**Further Diversification:** Demographics of Greece and neighboring countries are not so promising, as birthrates are following a downward trend during the last years. It is therefore necessary that the company keeps on diversifying its products. Especially considering seasonal products the company aims to maintain and strengthen this segment's contribution to total sales, as it has proved to be a fast-growing and highly profitable business unit.

**New Store Concept:** In order to accommodate Jumbo's wider product portfolio, the management moves toward the direction of closing old, small stores and opening bigger stores (hyperstores). Hyperstores will increase the penetration rate and thus sales per sqm will improve considerably. The company has already successfully developed a hyperstore network in the Greek provinces and its focus is shifting to the greater area of Athens (Attica region) where it plans to launch 4 new ones by the end of FY 2010.

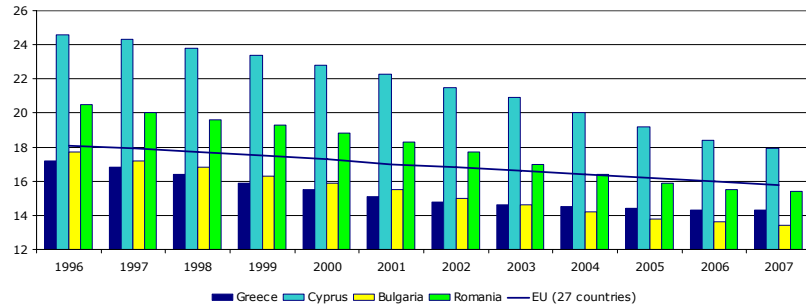
**Geographic Expansion:** Jumbo plans to expand further in South-Eastern Europe, particularly in Bulgaria and Romania, which have both joined the European Union on January 1<sup>st</sup>, 2007. The Group has already acquired three plots in the Bulgarian capital, two big plots (of 32,400sqm and 33,757sqm respectively), aiming at the construction of two more hyper-stores, and a third plot of 7,834sqm for the construction of one more store. According to the management, 25 new stores will be launched over the next 7-8 years (Romania excluded), 12 in Bulgaria, 3 in Cyprus and approximately 10 in Greece. This will add 60% additional capacity to the group. For the FY08-09 the company guided for the opening of 3 new stores, while other 3 will open in FY09-10. Regarding Romanian expansion, the company stated recently that the realization of the business plan is transferred after 2013.

▪ SALES ANALYSIS & PROJECTIONS

**Sales Breakdown by Product Category**

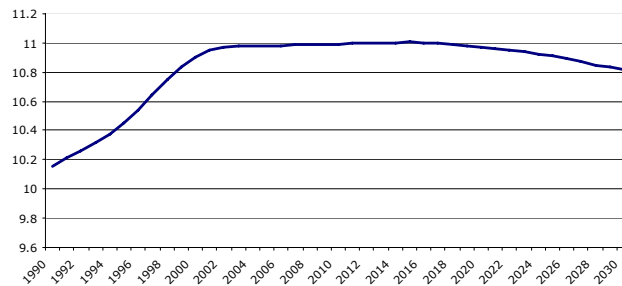
Toys - Stable market: The sector is considered as very sensitive to demographics and external trends such as fashion and the gradual shift of the children interest from toys to high-tech products. Regarding demographics, we observe a gradual deterioration of the population mix, as the number of children under 14 to the total population decreases during the last years, as shown in the graph below. Similarly negative is the evolution of Total Population, which is expected to decrease the following years. The management foresaw in time this development and took the strategic decision to enrich its product portfolio. Despite this diversification, the company's current market share stands at 33% (as of June 2007), up 100 b.p. compared to the FY05/06 and up 260 b.p. compared to the FY 04/05 market share.

**Graph 2: Proportion of population aged 0 - 14**



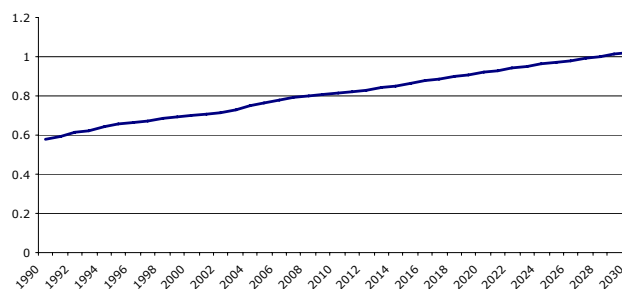
Source: Eurostat

**Graph 3: Greece Total Population**



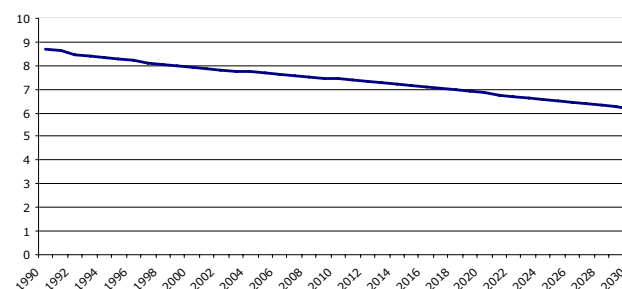
Source: EIU

**Graph 4: Cyprus Total Population**



Source: EIU

**Graph 5: Bulgaria Total Population**



Source: EIU

Note also that toy market presents high seasonality, with the 28% of total revenue realized in December (during Christmas), a 10% is observed in April (Easter season) and a 10% in September (the beginning of school period). The company's strategic decision to diversify, except from the shift in more profitable lines will lead also to a reduction in seasonality associated with toys.

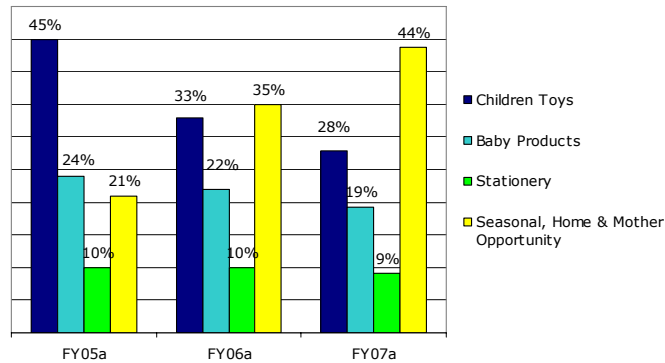
Stationery - High Growth market: Jumbo expanded in Stationery in 2000, as its first attempt to move away from being just a toy retailer. The Company holds a 23% market share in this market (as of June 2007).

Seasonal products – High Growth market: Jumbo diversified into Seasonal Products in 2004 aiming to expand its target group beyond children and to further diversify its portfolio. Market share in this market stands at 20% (as of June 2007).

Baby Products - Slow Growth market: Baby Products were added in 2006 and represent a 31% of the total Baby Products market (as of June 2007).

In FY 2006/2007 toys were for the first time the second contributor to the total sales after Seasonal, Home & Mother Opportunity products. More specific, toys share in total sales slipped from 33% (FY05/06) to 28% (FY06/07) while Seasonal/Home & Mother Opportunity products contribution boosted from 35% (FY05/06) to 44% (FY06/07), strengthening bottom line results.

**Graph 6: Evolution of Sales (%) per Product Category**

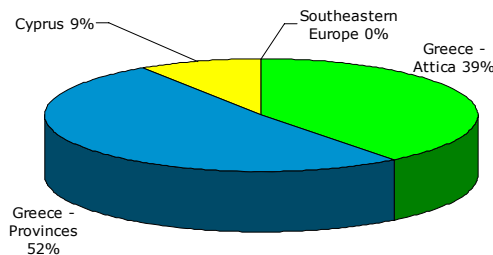


Source: Company

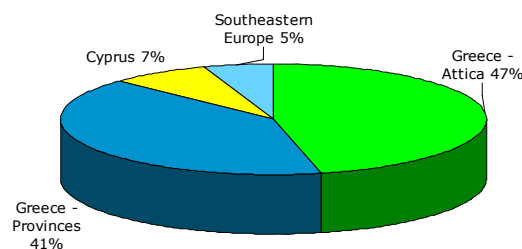
**Sales Breakdown by Region**

Greece contributes currently the majority of total revenue, 39% of sales stemming from Athens and 51% stemming from the provinces. Cyprus contributes a 9% while Bulgaria’s first store opened recently, in December 2007. By FY11 we estimate that Bulgaria revenue will count up to 5% of total revenue, having assumed in our valuation 3 stores operative by FY 2011.

**Graph 7: Sales per geographical area 2006/2007a**



**Graph 8: Sales per geographical area 2010/2011e**



Source: Company & Prelium Research Estimates

**Total Sales estimates**

Jumbo's top line figures have been increasing significantly during the past years, recording a 5-year CAGR of 24.03% (FY2003-2007), due to the aggressive network expansion and the improvement in product mix. We estimate sales to grow with a satisfactory, yet lower pace of c. 16.9% (FY2008-2011 CAGR), due to the recent economic slowdown prevailing in the international markets, which demands for a more conservative stance. The increase in sales will be derived both from the same stores sales growth as well as from the Group's further expansion.

Table 5 : Sales Estimates	FY05a	FY06a	FY07a	FY08e	FY09f	FY10f	FY11f
Total Sales	229,302,039	281,313,141	342,682,592	403,903,241	486,344,476	568,628,032	644,109,961
Δ (%)	-	22.68%	21.82%	17.87%	20.41%	16.92%	13.27%
CAGR FY 2008-2011f	16.9%						
Greece & Cyprus	229,302,039	281,313,141	342,594,295	398,284,574	475,697,010	553,721,578	609,366,217
SEE (Bulgaria)	0	0	0	5,618,667	10,647,467	14,906,453	34,743,744

Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

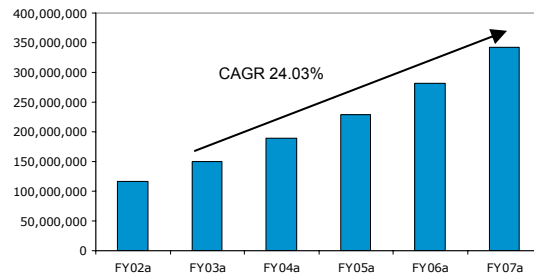
**Roll-out plan:** Jumbo's management has guided for the opening of 3 new stores in Greece in FY2008/2009 (2 in the Attica Region and 1 in the provinces) and 3 more in FY2009/2010 (2 in Attica and 1 in the provinces). In the long run, the management mentioned 25 new stores over the next 7 years (Romania excluded), half of them, allocated in Bulgaria, 2 in Cyprus and c. 10 in Greece.

We consider the next 2-years rollout plan in Greece reasonable and adopt it in our valuation model. Concerning Bulgaria expansion, we think it is premature to make long-run estimates. In the short-run, we assume the opening of 2 new stores in FY2010/2011, as the Group has already acquired the land required (32.400sqm in the Ring Road of the Bulgarian capital and two more plots of 7.834sqm and 33.757sqm inside Sofia). We include no other Bulgarian or Romanian stores in our valuation as we would rather remain on the conservative side given the international credit crisis (regarding Romania, the company mentioned recently that no stores will be opened sooner than 2013). Except from the 2 Bulgarian store openings in FY2010, we also assume a third opening in Greece & Cyprus region.

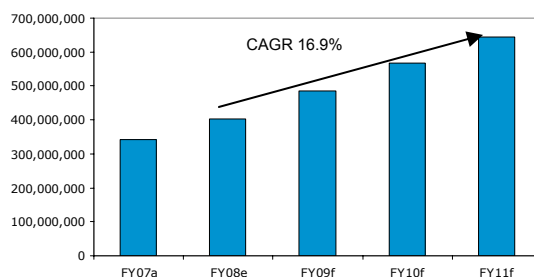
We incorporate in our model for the explicit forecast period (FY08-FY11) 3 new openings for each of the following 3 fiscal years, which will raise the number of stores to 50 at the end of FY2011 (from 41 currently).

**Like-For-Like Growth:** Growth in sales is also depended on L-F-L growth as the company will capitalize its new store concept. For Greece & Cyprus we assume L-F-L growth to slip to c.13.2%, 8.25%, 6% and 6% for FY2008, FY2009, FY2010 and FY2011 respectively. Our assumption for Bulgaria for FY2009, FY2010 and FY2011 are that L-F-L growth will stand at 10%, 7% and 7% respectively. Finally, we assume L-F-L sales for FY2012 – FY2016 to slip to 4% for all regions.

Graph 9: Sales Growth FY02-07 (actual data)



Graph 10: Sales Growth FY07-11 (actual data & estimates)



Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

**Revenue per net sqm**

Jumbo sales per net sqm (storage space excluded) have been increasing steadily during the past years, settling at 1,848 in FY2006/2007 (up by c.18% compared to the previous fiscal year figure), meaning that €1,848 revenue was generated by 1 square meter of store selling space.

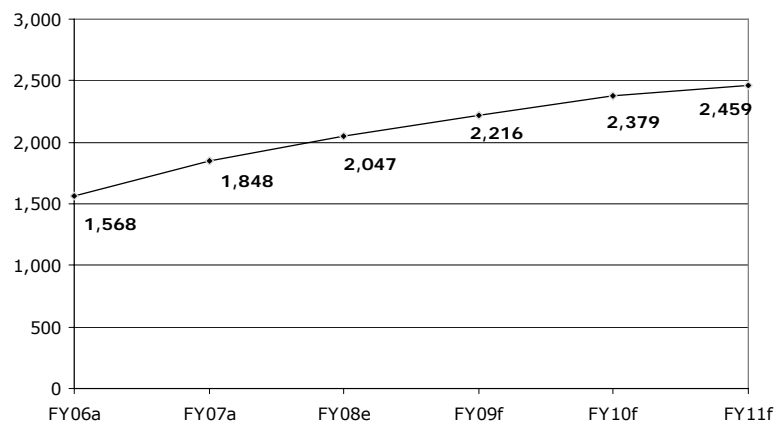
Sales/net sqm will reach 2,459 by FY2011, driven by higher selling space productivity and improved product mix. Revenue per sqm will therefore grow onwards at a lower pace than that of the last years (c. 7.4% pa), reflecting the conservative assumptions we choose to incorporate regarding the roll-out plan and L-F-L growth.

Table 6 : Roll-out plan & Sales/sqm						
Evolution	FY06	FY07	FY08e	FY09f	FY10f	FY11f
<b>Year start number of stores</b>	<b>37</b>	<b>41</b>	<b>39</b>	<b>41</b>	<b>44</b>	<b>47</b>
Additions	4	0	2	3	3	3
Stores Closed	0	-2	0	0	0	0
<b>Year end number of stores</b>	<b>41</b>	<b>39</b>	<b>41</b>	<b>44</b>	<b>47</b>	<b>50</b>
Weighted number of stores	40.25	40.28	40.17	42.75	45.75	48.75
Net sqm added	-	5,992	11,950	22,105	19,536	22,910
<b>Total selling space (seasonally adj.)</b>	<b>179,396</b>	<b>185,387</b>	<b>197,337</b>	<b>219,442</b>	<b>238,978</b>	<b>261,888</b>
Total sales	281,313,141	342,682,592	403,903,241	486,344,476	568,628,032	644,109,961
<b>Total sales/sqm (seasonally adj.)</b>	<b>1,568</b>	<b>1,848</b>	<b>2,047</b>	<b>2,216</b>	<b>2,379</b>	<b>2,459</b>
Δ (%)	-	17.9%	10.7%	8.3%	7.4%	3.4%

Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

**Graph 11: Evolution of Sales per net sqm**



Source: Company & Prelium Research Estimates

▪ **COST OF SALES**

**Low cost imports and strong negotiating power resulted in high historical gross profit margins**

Jumbo imports 85% of its total goods sold from low cost China, which along with the fact that bulk orders offer the possibility to negotiate even lower prices result in cost efficiencies and high gross margins. Note also that Jumbo has enriched its product line with semi-branded and non-branded items, also imported from China, improving further its profitability margins. For the fiscal year 2007 gross profit margin stood at 53.2% (versus 52.6% for the previous fiscal year).

**Assumption of a slight deterioration in gross profit margin**

Taking in mind the possibility of an FX rate reversal, we assume in our valuation a gradual deterioration in gross profit margin, from 53.2% in FY2008 to 50.0% in FY2011.

Table 7 : Gross Profit & Gross Profit Margin						
	FY06a	FY07a	FY08e	FY09f	FY10f	FY11f
Sales	281,313,141	342,682,592	403,903,241	486,344,476	568,628,032	644,109,961
Gross Profit	148,106,788	182,443,086	214,876,524	248,035,683	284,314,016	322,054,980
Δ(%)	-	23.2%	17.8%	15.4%	14.6%	13.3%
Margin (%)	52.6%	53.2%	53.2%	51.0%	50.0%	50.0%

Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

▪ OPERATING EXPENSES

**Employee Expenses**

Average number of employees per store for the FY2007 equaled 51, while in our model we assume 60 new store average employees in Greece, as we expect more hyper-stores openings in the future. For Bulgaria, we assume 70 employees per store.

**Marketing Expenses**

According to Jumbo's guidance, marketing expenses count for 2% of the total revenue in Greece & Cyprus, an assumption we incorporate in our model. For Bulgaria, the management stated it made no marketing expenses for the FY08, we make however an assumption that marketing expense will count up €1,000,000 for the first years of operation and 1,500,000 thereafter.

**Administrative and all other expenses**

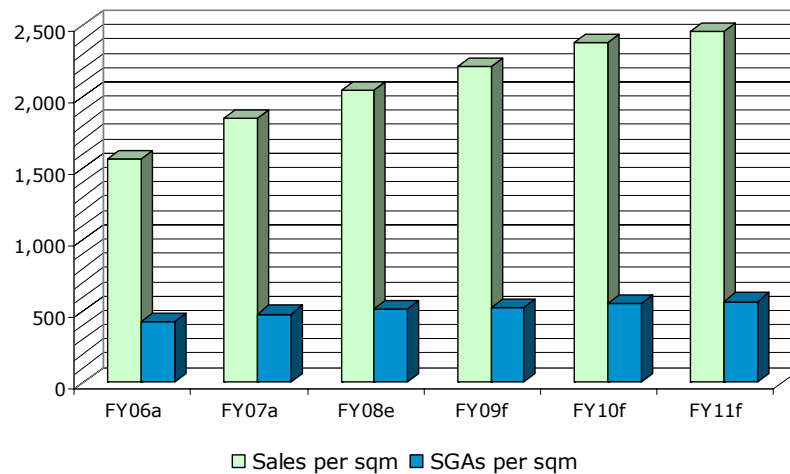
We assume that Administrative and Other Expenses will stabilize at approximately 10% of the Group total sales.

Table 8 : SGAs						
	FY06a	FY07a	FY08e	FY09f	FY10f	FY11f
Employee Expenses	35,686,994	42,398,246	43,546,525	48,072,067	54,846,545	61,073,624
Marketing Expenses	3,868,450	5,077,497	7,965,691	10,513,940	12,074,432	13,687,324
Administrative and other Expenses	37,418,341	41,287,892	46,140,572	52,444,241	58,654,317	63,363,981
<b>Total SGAs</b>	<b>76,973,785</b>	<b>88,763,635</b>	<b>100,652,788</b>	<b>115,701,278</b>	<b>131,460,791</b>	<b>148,827,537</b>
(%) of Sales	27.36%	25.90%	24.92%	23.79%	23.12%	23.11%
Sales Growth	-	21.82%	17.87%	20.41%	16.92%	13.27%
SGAs Growth	-	15.32%	13.39%	14.95%	13.62%	13.21%

Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

Graph 12: Sales & SGA's per sqm



Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

▪ **PROFITABILITY MARGINS**

**EBIT**

Our assumptions on sales, gross profit margin and SGAs derive an EBIT CAGR of 15.7% for our explicit 4-year forecast period FY08-11. EBIT margin deteriorates slightly from 28.2% in FY2006/07 to an average of 27.6% for this 4-year period.

**EBITDA**

Our valuation derives an EBITDA CAGR of 15.8% for our explicit forecast period FY08-11. EBITDA margin remains at the same levels, at an average of 30.0% for our explicit forecast period compared to 30.8% in FY07.

**Net Profit**

Net profit will report a CAGR of 16.9% while net profit margin will stabilize at an average of 20.1%, pretty much in line with FY07 net profit margin.

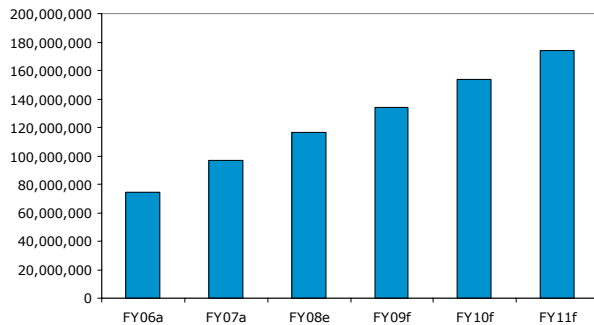
**Table 9 : EBIT, EBITDA & Net Profit Margin**

	FY06a	FY07a	FY08e	FY09f	FY10f	FY11f
Sales	281,313,141	342,682,592	403,903,241	486,344,476	568,628,032	644,109,961
<b>EBIT</b>	<b>74,361,069</b>	<b>96,725,936</b>	<b>116,223,736</b>	<b>134,334,405</b>	<b>153,853,224</b>	<b>174,227,443</b>
Margin (%)	26.4%	28.2%	28.8%	27.6%	27.1%	27.0%
Δ (%)	-	30.1%	20.2%	15.6%	14.5%	13.2%
CAGR FY08-11	15.7%					
<b>EBITDA</b>	<b>82,841,612</b>	<b>105,550,158</b>	<b>125,722,766</b>	<b>145,549,516</b>	<b>167,540,205</b>	<b>190,327,217</b>
Margin (%)	29.4%	30.8%	31.1%	29.9%	29.5%	29.5%
Δ (%)	-	27.4%	19.1%	15.8%	15.1%	13.6%
CAGR FY08-11	15.8%					
<b>Net Profit</b>	<b>49,440,664</b>	<b>67,911,660</b>	<b>83,938,721</b>	<b>97,315,021</b>	<b>111,547,899</b>	<b>128,200,406</b>
Margin (%)	17.6%	19.8%	20.8%	20.0%	19.6%	19.9%
Δ (%)	-	37.4%	23.6%	15.9%	14.6%	14.9%
CAGR FY08-11	16.9%					

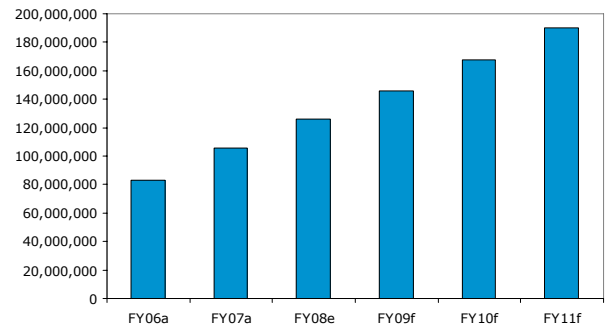
Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

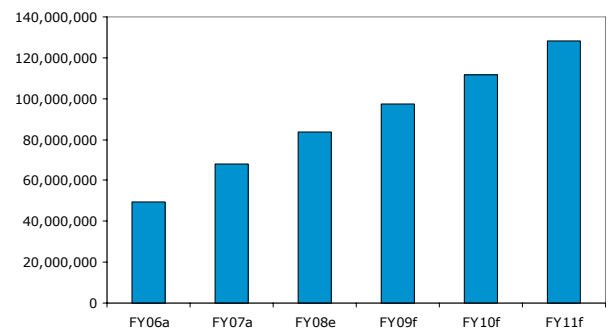
**Graph 13: EBIT Growth**



**Graph 14: EBITDA Growth**



**Graph 15: Net Profit Growth**



Source: Company & Prelium Research Estimates  
 Note: Fiscal Year ends in June 30 of the corresponding year

**APPENDIX**

<b>Full Financial Statements</b>						
<i>(million €)</i>	<b>FY06a</b>	<b>FY07a</b>	<b>FY08e</b>	<b>FY09f</b>	<b>FY10f</b>	<b>FY11f</b>
<b>P&amp;L</b>						
Turnover	281.3	342.7	403.9	486.3	568.6	644.1
Cost of Sales	(133.2)	(160.2)	(189.0)	(238.3)	(284.3)	(322.1)
Gross Profit	148.1	182.4	214.9	248.0	284.3	322.1
Other operating income	3.2	3.0	2.0	2.0	1.0	1.0
Total SGAs	(77.0)	(88.8)	(100.7)	(115.7)	(131.5)	(148.8)
EBITDA	82.8	105.6	125.7	145.5	167.5	190.3
Depreciation	(8.5)	(8.8)	(9.5)	(11.2)	(13.7)	(16.1)
EBIT	74.4	96.7	116.2	134.3	153.9	174.2
Net interest	(4.9)	(4.9)	(4.8)	(5.1)	(5.6)	(4.7)
EBT	69.5	91.8	111.4	129.2	148.2	169.5
Income tax	(20.0)	(23.9)	(27.4)	(31.9)	(36.7)	(41.3)
EAT&M	49.4	67.9	83.9	97.3	111.5	128.2
<b>Balance Sheet</b>						
<b>Total Assets</b>	<b>342.7</b>	<b>437.4</b>	<b>518.0</b>	<b>614.6</b>	<b>717.8</b>	<b>827.8</b>
<b>Total Intangible Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Fixed Assets</b>	<b>170.1</b>	<b>206.6</b>	<b>249.0</b>	<b>310.1</b>	<b>369.6</b>	<b>407.5</b>
Tangible assets	158.1	194.8	237.1	298.3	357.7	395.6
Investments / Associates	9.2	9.1	9.1	9.1	9.1	9.1
Other assets	2.9	2.7	2.7	2.7	2.7	2.7
<b>Total current assets</b>	<b>172.6</b>	<b>230.8</b>	<b>269.1</b>	<b>304.4</b>	<b>348.2</b>	<b>420.3</b>
Inventories	100.7	121.7	143.6	181.0	216.0	238.2
Accounts receivables	19.2	19.2	22.7	27.3	31.9	36.2
Other receivables	29.4	34.6	40.8	49.1	57.4	65.0
Other ST Assets	1.4	3.1	5.3	5.3	5.3	5.3
Cash & Cash Equivalents	21.8	52.1	56.8	41.8	37.7	75.7
<b>Total equity and liabilities</b>	<b>342.7</b>	<b>437.4</b>	<b>518.0</b>	<b>614.6</b>	<b>717.8</b>	<b>827.8</b>
<b>Total equity</b>	<b>168.2</b>	<b>221.8</b>	<b>286.3</b>	<b>358.4</b>	<b>437.8</b>	<b>527.0</b>
Share capital & premium	92.5	92.5	92.5	92.5	92.5	92.5
Retained earnings & reserves	75.7	129.2	193.7	265.9	345.3	434.4
Treasury stock	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total long term liabilities</b>	<b>80.2</b>	<b>100.9</b>	<b>123.6</b>	<b>123.9</b>	<b>124.4</b>	<b>124.8</b>
Retirement benefits and similar commitments	1.3	1.6	1.9	2.3	2.7	3.2
Long term bank debt	75.1	96.0	118.4	118.4	118.4	118.4
Deferred tax liabilities	3.7	3.3	3.3	3.3	3.3	3.3
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total short term liabilities</b>	<b>94.3</b>	<b>114.8</b>	<b>108.2</b>	<b>132.2</b>	<b>155.6</b>	<b>176.0</b>
Provisions	0.4	0.2	0.2	0.2	0.3	0.3
Accounts payables	44.2	50.0	59.0	74.4	88.7	100.5
Tax payable	24.9	28.6	32.9	38.3	44.0	49.6
Short term bank debt	0.0	0.0	0.0	0.0	0.0	0.0
Short term portion of LT bank debt	16.9	22.4	0.0	0.0	0.0	0.0
Other ST liabilities	7.9	13.6	16.1	19.3	22.6	25.6
<b>Cash Flow Statement</b>						
EBIT	74.4	96.7	116.2	134.3	153.9	174.2
Depreciation and amortisation	8.5	8.8	9.5	11.2	13.7	16.1
Changes in retirement benefits	0.2	0.3	0.3	0.4	0.4	0.5
Changes in other provisions	0.2	0.3	0.0	0.0	0.0	0.0
Changes in net working capital:	(28.9)	(13.7)	(20.1)	(31.7)	(30.2)	(19.3)
Income taxes paid	(15.2)	(23.4)	(27.4)	(31.9)	(36.7)	(41.3)
Interest paid	(5.0)	(2.9)	(7.8)	(7.8)	(7.8)	(7.8)
Changes in deferred tax assets and liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Changes in prepayments and deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Forex effects	(0.0)	(0.1)	(0.1)	0.0	0.0	0.0
Other non-cash items	0.0	0.1	2.3	5.3	5.7	5.6
<b>Cash Flow from Operations</b>	<b>34.1</b>	<b>66.1</b>	<b>73.0</b>	<b>79.9</b>	<b>99.0</b>	<b>128.0</b>
CAPEX	(31.5)	(46.1)	(51.8)	(72.4)	(73.2)	(54.0)
Interest received	0.6	1.7	2.9	2.6	2.1	3.1
<b>Cash Flow from Investing</b>	<b>(30.9)</b>	<b>(44.3)</b>	<b>(48.9)</b>	<b>(69.7)</b>	<b>(71.0)</b>	<b>(50.9)</b>
Dividends paid	(11.1)	(13.9)	(19.4)	(25.2)	(32.1)	(39.0)
Equity issued	3.9	0.0	0.0	0.0	0.0	0.0
Δ Bank Debt	(5.6)	22.6	0.0	0.0	0.0	0.0
<b>Cash Flow from Financing</b>	<b>(12.8)</b>	<b>8.7</b>	<b>(19.4)</b>	<b>(25.2)</b>	<b>(32.1)</b>	<b>(39.0)</b>
<b>Net change in cash</b>	<b>(9.6)</b>	<b>30.3</b>	<b>4.7</b>	<b>(15.0)</b>	<b>(4.1)</b>	<b>38.0</b>

Source: Company & Prelium Research Estimates

Note: Fiscal Year ends in June 30 of the corresponding year

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## RATINGS HISTORY

Ratings	Date of Report	Share Price on date of issue	Target Price	Rating
1	23/07/2008	16.80 €	25.32 €	Initiation of coverage – Outperform

Ratings & Jumbo Performance



## PROCESS OF VALUATION

Our evaluation is based on a DCF model. We discount the cashflows with a variable WACC from 7.96% to 8.62%. We use a risk free rate of 5.10%, an equity risk premium of 5.00% and a beta of 0.80.

## RISKS TO OUR VALUATION

- Delays in the store roll-out plan
- Potential price pressure from suppliers
- Currency risk
- The diminishing purchasing power of consumers
- Political, economical and social uncertainties associated with Southeastern Europe
- Key - person risks
- Stock overhang & dilution concerns
- Intensifying competition

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Company name	Bloomberg	Rating	Target Price	Price / Date	Valid Disclosure
Jumbo S.A.	BELA GA	Outperform	25.32 €	16.80 € / 22.7.2008	None

Source: Prelium Investment Services

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