

**JUMBO**

<b>Sector:</b>	<b>Retail, non food</b>
<b>Issue Date:</b>	<b>October 7, 2008</b>
<b>Review Changes:</b>	<b>Target Price reduced</b>
	21.72 € vs 25.32

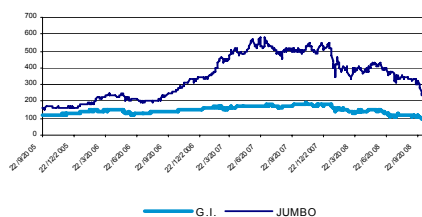
<b>Rating</b>	<b>Outperform</b>
Previous Rating	Outperform
Target Price	21.72 €
Of which Expected Dividend 09e	0.45 €
Previous Target Price	25.32 €
Last Price	11.56 €
Total Expected Return	87.9%

**Stock Data**

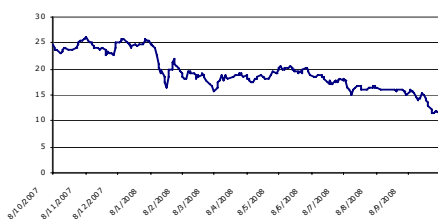
Bloomberg Code	BELA.GA
Reuters Code	BABR.AT
52 week high	26.00 €
52 week low	11.34 €
1m performance	-23.75%
YTD performance	-53.39%
Number of shares	60,617,358
Market Capitalization	700,736,658 €
Average Daily Volume (52w)	111,600
Free Float	71.00%

Performance	Jumbo	GI
1m performance	-23.75%	-16.00%
6m performance	-37.45%	-35.68%
3m performance	-35.78%	-20.04%
12m performance	-52.23%	-49.20%
YTD performance	-53.39%	-49.01%

**Jumbo Relative Performance**



**Jumbo Performance - 52 week**



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**FY2007/08 results review**

**FY 2007/08 financial results in line with our estimates and company guidance**

Jumbo announced on September 24 a good set of financial results for the fiscal year that ended in June 2008. Sales reached €403.9m (+17.88%), as was already communicated by the management in July, EBITDA totalled €125.6m (+19.02%) and net profit amounted to €82.5m (+21.50%). Net earnings were in line with the company's renewed guidance that followed the release of the 9 months financial results, which called for an increase of 21.42% or more.

The management will propose at the AGM on December 3, 2008, a €0.40 dividend (+25% vs previous year), as well as the distribution of bonus shares (1:1).

**Jumbo accelerated this year's investment program**

Jumbo accelerated the execution of its investment plan for the current fiscal year and announced the earlier launching of the 3 new stores (in July and in August), which were programmed to operate in the first half of the current fiscal year. We had assumed the 3 new stores to be operative as of December 2008. Their earlier operation will have a positive effect on this year's sales, as Jumbo will benefit from the school opening period (c. 10% of the company's sales).

Furthermore, the management announced the opening of a 4<sup>th</sup> store in Aspropyrgos, Attica (9,200sqm), which will replace a small store in Cholargos (1,000sqm). Despite the fact that this new store will replace an old one and that our estimates for the number of stores remains intact, the difference in the selling surface will improve significantly the group's capacity and top and bottom line figures, especially in the next fiscal year that it will operate on a full year basis.

**Management communicated strong Q1 09 financial results – Keeps guidance**

Jumbo's management communicated that Q1 2009 financial results are very strong, as sales grew by at least 19%-20%, despite the recent economic crisis and Q1 gross profit margin improved slightly. The management noted however that this is not indicative for the full fiscal year results and investors should wait for the second quarter before they jump to conclusions for the full year performance. Finally, the company reiterated the guidance for a 15% top and bottom line sales CAGR for the FY07-FY10 period.

**Estimates change:** Following the release of FY08 financial results, we made some changes in our valuation model:

- We revised LFL growth for our explicit forecast period: new LFL growth rates stand at lower levels than our previous estimates as we try to keep a conservative stance due to the recent economic slowdown. Furthermore, instead of a single LFL growth estimate across all Greece & Cyprus, we incorporated separate LFL growth rates in order to reflect the difference in the regional performances spotted in FY08.
- We trimmed sales growth estimates for our stable growth forecast period (FY12-FY16) to 3% versus our initial estimates of 4%.
- We reduced the perpetuity growth to 1.5% vs 2%.
- We adjusted Jumbo's taxation to the new tax law that was voted recently by the Greek Parliament (notional tax rate slips gradually, by 1% per year, from 25% in 2009 to 20% in 2014).
- We reduced the company's payout ratio, in view of the economic slowdown.

**Valuation:** We value Jumbo using a 3-staged DCF exercise. We discount the cashflows using a variable WACC (risk free rate=4.65%, equity risk premium=5%, beta=0.83, cost of equity=8.8%).

**We reiterate the "Outperform" rating for the stock but lower the target price to 21.72 €** which implies a 87.9% total expected return from the current levels.

**Fundamentals**

(million €)	FY06a	FY07a	FY08a	FY09e	FY10f	FY11f
Sales	281.3	342.7	404.0	489.7	545.6	607.7
EBIT	74.4	96.7	116.1	127.2	135.2	153.0
EBIT Margin	26.4%	28.2%	28.7%	26.0%	24.8%	25.2%
EBITDA	82.8	105.6	125.6	137.4	147.3	167.1
EBITDA Margin	29.4%	30.8%	31.1%	28.1%	27.0%	27.5%
Net profit	49.4	67.9	82.5	91.3	98.4	114.2
EPS (€) (reported)	0.83	1.12	1.36	1.51	1.62	1.88
DPS (€)	0.23	0.32	0.40	0.45	0.50	0.60

**Valuation Ratios**

P / E (x) (reported)	13.9	10.3	8.5	7.7	7.1	6.1
P / BV (x)	4.1	3.2	2.5	2.0	1.7	1.4
EV / Sales (x)	2.7	2.2	1.9	1.6	1.4	1.2
EV / EBITDA (x)	9.2	7.2	6.2	5.7	5.3	4.5

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>FY08a</b>	<b>FY09e</b>	<b>FY10f</b>	<b>FY11f</b>
<b>P&amp;L</b>						
Turnover	281.3	342.7	404.0	489.7	545.6	607.7
Gross Profit	148.1	182.4	219.9	249.8	272.8	303.9
EBITDA	82.8	105.6	125.6	137.4	147.3	167.1
EBIT	74.4	96.7	116.1	127.2	135.2	153.0
EBT	69.5	91.8	110.7	121.3	129.2	147.6
EAT&M	49.4	67.9	82.5	91.3	98.4	114.2
<b>Balance Sheet</b>						
Net Fixed Assets	170.1	206.6	249.0	303.2	356.3	396.2
Cash & Cash Equivalents	21.8	52.1	30.5	32.2	29.4	54.5
Other Current Assets	150.8	178.7	245.3	288.8	325.7	362.2
<b>Total Assets</b>	<b>342.7</b>	<b>437.4</b>	<b>524.8</b>	<b>624.3</b>	<b>711.4</b>	<b>812.9</b>
ST Bank Debt	16.9	22.4	42.5	0.0	0.0	0.0
LT Bank Debt	75.1	96.0	76.2	118.7	118.7	118.7
ST Liabilities	77.4	92.4	115.4	147.4	163.1	180.5
LT Liabilities	5.1	4.9	6.1	6.5	6.9	7.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Equity	168.2	221.8	284.6	351.7	422.7	506.3
<b>Total Liabilities</b>	<b>342.7</b>	<b>437.4</b>	<b>524.8</b>	<b>624.3</b>	<b>711.4</b>	<b>812.9</b>
<b>Net Debt</b>	<b>70.2</b>	<b>66.3</b>	<b>88.2</b>	<b>86.5</b>	<b>89.3</b>	<b>64.2</b>
<b>Cash Flow Statement</b>						
EBIT	74.4	96.7	116.1	127.2	135.2	153.0
Adjustments	(11.4)	(17.0)	(22.8)	(19.1)	(24.6)	(23.1)
Δ Working Capital	(28.9)	(13.7)	(36.3)	(19.1)	(22.2)	(22.3)
<b>Cash Flow from Operations</b>	<b>34.1</b>	<b>66.1</b>	<b>57.1</b>	<b>88.9</b>	<b>88.4</b>	<b>107.6</b>
CAPEX	(31.5)	(46.1)	(59.0)	(64.4)	(65.2)	(54.0)
<b>Cash Flow from Investing</b>	<b>(30.9)</b>	<b>(44.3)</b>	<b>(57.6)</b>	<b>(63.0)</b>	<b>(63.8)</b>	<b>(52.1)</b>
Dividends paid	(11.1)	(13.9)	(19.4)	(24.2)	(27.4)	(30.5)
Δ Bank Debt	(5.6)	22.6	(1.7)	0.0	0.0	0.0
<b>Cash Flow from Financing</b>	<b>(12.8)</b>	<b>8.7</b>	<b>(21.0)</b>	<b>(24.2)</b>	<b>(27.4)</b>	<b>(30.5)</b>
<b>Net change in cash</b>	<b>(9.6)</b>	<b>30.3</b>	<b>(21.6)</b>	<b>1.7</b>	<b>(2.8)</b>	<b>25.1</b>
<b>Per Share Data</b>						
EPS (Reported)	0.83	1.12	1.36	1.51	1.62	1.88
EPS (Normalised for one-off items)	0.83	1.12	1.36	1.51	1.62	1.88
EPS (Diluted)	0.83	1.06	1.30	1.44	1.55	1.79
DPS (Gross)	0.23	0.32	0.40	0.45	0.50	0.60
DPS (Net of tax)	-	-	-	0.41	0.45	0.54
BV per share	2.84	3.66	4.70	5.80	6.97	8.35
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)	13.9	10.3	8.5	7.7	7.1	6.1
P/E (normalised) (x)	13.9	10.3	8.5	7.7	7.1	6.1
P/BV (x)	4.1	3.2	2.5	2.0	1.7	1.4
Dividend Yield (%) (Gross)	1.99	2.77	3.46	3.91	4.35	5.21
Dividend Yield (%) (Net of tax)	-	-	-	3.52	3.92	4.69
EV / Sales (x)	2.71	2.22	1.94	1.59	1.44	1.25
EV / EBITDA (x)	9.21	7.20	6.23	5.68	5.32	4.55
FCF Yield (%)	-0.20	0.22	3.37	4.13	8.23	16.66
<b>Growth Rates (%)</b>						
Turnover	-	21.8	17.9	21.2	11.4	11.4
EBITDA	-	27.4	19.0	9.4	7.2	13.4
EBIT	-	30.1	20.0	9.6	6.3	13.2
EBT	-	32.1	20.6	9.5	6.6	14.2
EAT&M	-	37.4	21.5	10.6	7.8	16.0
<b>Profitability Ratios</b>						
Gross Profit Margin (%)	52.6	53.2	54.4	51.0	50.0	50.0
Net Profit Margin (%)	17.6	19.8	20.4	18.6	18.0	18.8
ROE (%)	29.4	30.6	29.0	26.0	23.3	22.5
ROA (%)	14.4	15.5	15.7	14.6	13.8	14.0
<b>Debt Ratios</b>						
Liabilities / Assets (%)	50.9	49.3	45.8	43.7	40.6	37.7
Bank Debt / Assets (%)	26.9	27.1	22.6	19.0	16.7	14.6
Interest Coverage (x)	17.0	21.5	23.4	23.2	24.8	30.7
<b>Liquidity Ratios</b>						
Inventory Days	276	277	328	294	294	294
Trade Receivable Days	25	20	29	29	29	29
Trade Payable Days	121	114	131	131	131	131
Current Ratio (x)	1.8	2.0	1.7	2.2	2.2	2.3
Quick Ratio (x)	0.8	1.0	0.7	0.9	0.8	1.0

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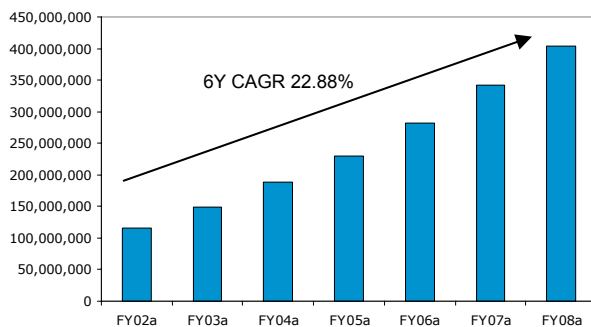
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## FY 2007/08 FINANCIAL RESULTS REVIEW

Jumbo posted a strong set of FY 2007/08 financial results, which were broadly in line with our estimates.

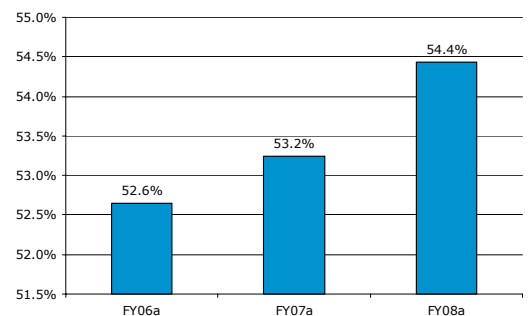
- FY 2007/08 sales reached €404m, posting an increase of a 17.88%, a number already communicated by the management in July.
- A positive surprise came from gross profit margin, which improved further to 54.4% compared to 53.2% in the previous fiscal year. We had assumed gross profit margin would remain at the same levels as last year, at 53.2%, keeping a conservative stance in case of an FX trend reversal.
- Our gross profit margin underestimation was offset by higher actual operating expenses, which settled at €108.8m compared to our estimations of €100.6m, resulting in an EBIT of €116.1m and an EBITDA of €125.6m, at the same levels as our estimations (€116.2m and €125.7m respectively).
- Finally, net profit stood at €82.5m, 1.7% lower than our estimations of €83.9m, due to an extra non-recurring €1.4m tax paid for the reserves created based on the Law 3220/2004.
- Inventories increased by c. €44m to c. €166m (June 08 vs June 07), counting up to approximately 40% of FY08 sales, which will support gross profit margins for this year's first half independently of any upward movements in the commodities prices.

Graph 1: Sales Growth FY02-08



Source: Company

Graph 2: Gross profit margin evolution



Source: Company

Table 1 : Quarterly Results

(million €)	2007a	Q1 08a	y-o-y (%)	Q2 08a	y-o-y (%)	Q3 08a	y-o-y (%)	Q4 08a	y-o-y (%)	2008a	y-o-y (%)
Sales	342.7	89.4	18.3%	149.1	16.9%	69.2	4.5%	96.3	31%	404.0	17.88%
Gross Profit	182.4	43.1	19.0%	79.7	20.8%	39.2	10.2%	57.9	30%	219.9	20.53%
Gross Profit Margin	53.2%									54.4%	
EBIT	96.7	18.8	22.8%	48.9	20.7%	15.4	0.2%	33.0	29%	116.1	20.03%
EBIT Margin	28.2%									28.7%	
EBITDA	105.6	21.2	21.1%	51.2	20.0%	17.9	2.3%	35.3	27%	125.6	19.02%
EBITDA Margin	30.8%									31.1%	
Net profit	67.9	13.2	23.9%	34.9	20.5%	10.5	4.7%	23.8	31%	82.5	21.50%
EPS (€) (reported)	1.12									1.36	
DPS (€)	0.32									0.40	

Source: Company

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

Table 2 : Full Year Performance vs Prelium Estimates

(million €)	Actual Figures			Prelium Estimates		Actual figures vs Prelium Estimates (%)
	FY07a	FY08a	y-o-y (%)	FY08e	y-o-y (%)	
Sales	342.7	404.0	17.88%	403.9	17.87%	0.0%
Gross Profit	182.4	219.9	20.53%	214.9	17.78%	2.3%
Gross Profit Margin	53.2%	54.4%		53.2%		
EBIT	96.7	116.1	20.03%	116.2	20.16%	-0.1%
EBIT Margin	28.2%	28.7%		28.8%		
EBITDA	105.6	125.6	19.02%	125.7	19.11%	-0.1%
EBITDA Margin	30.8%	31.1%		31.1%		
Net profit	67.9	82.5	21.50%	83.9	23.60%	-1.7%
EPS (€) (reported)	1.12	1.36	21.50%	1.38	23.60%	-1.7%
DPS (€)	0.32	0.40	25.00%	0.42	29.82%	-3.7%

Source: Company & Prelium Research Estimates

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

## INVESTMENT HIGHLIGHTS

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

Jumbo is currently the leading specialty retailer in Greece, holding a market share of 38%. The management focused its interest up until recently on toys and baby apparel but decided to diversify into Stationery and Home/Seasonal Products as it foresaw in time the stagnation in the toys and baby market, attributed to the gradual deterioration of demographics in Greece.

Home/Seasonal Products' line was initiated in 2004 and its contribution to total sales has improved significantly during the last years. In June 2008 it contributed 36% of the group's total revenue compared to a 44%, 35% and a 21% contribution in the previous three 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.

### Healthy network expansion sets the ground for ongoing solid growth

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.

For the fiscal year that ended in June 2008, Jumbo opened 2 new stores, one in Varibobi and the first store in Sofia, Bulgaria. Bulgaria's pilot-testing proved successful, despite the fact that the company made no advertising expenses.

For the current fiscal year, Jumbo accelerated the execution of its investment plan and announced the launching of 3 new stores, which were already programmed to operate in the first half of the current fiscal year. In particular, the company launched one new hyperstore in the Greek provinces in July (at Promahonas, Serres) while other two were opened in August, one at Marousi and one at Piraeus Avenue, in Athens. The earlier launching of the 3 stores will have a positive impact on this year's results as September's sales count for 10% of the group's total sales compared to 5.78% of a normal month.

The management also communicated a fourth opening in the current fiscal year. The new store (9,200sqm total space) will open in Attica (Aspropyrgos) and will replace the close of Cholargos store, a "first generation" store (1,000sqm).

Table 3 : Roll-out plan	FY06a	FY07a	FY08a	FY09e	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	4	3	3
Stores Closed	0	-2	0	1	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	43.92	45.75	48.75
Net sqm added	-	5,992	11,950	31,200	14,550	22,689
<b>Total selling space (seasonally adj.)</b>	<b>179,396</b>	<b>185,387</b>	<b>197,337</b>	<b>228,537</b>	<b>243,087</b>	<b>265,775</b>

Source: Company & Prelium Research Estimates

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

Jumbo's expansion plan moves in line with guidance and our estimates, thus we keep our basic rollout assumptions unchanged. Despite the fact that the management communicated satisfying results from Bulgaria and repeated its plans for 8 – 12 stores in the next 7-8 years, we continue to retain a conservative stance and do not include a big Bulgarian network in our estimates.

For the next fiscal year we anticipate the opening of 1 new store in the Attica region (Pikermi) and 2 in the Greek provinces (Preveza and Komotini) while for FY11 we expect the strengthening of the network abroad, with 2 new additions in Bulgaria and 1 in Cyprus.

According to our assumptions, Jumbo will operate by the end of fiscal year 2011 a total of 50 stores, 20 stores of which in Attica, 24 in the Greek Provinces, 3 in Cyprus and 3 in Bulgaria. We continue not to include any Romanian network, trying to remain conservative due to the higher economic uncertainty and rather adopt a wait and see stance in order to have a clear vision of Bulgaria's performance. Besides, despite the fact that the management buys plots in Romania, it communicated recently that expansion in Romania will most probably start after FY11, waiting for the Bulgarian network to count up to at least 4-5 stores.

## NEW ESTIMATES

### We revised LFL growth estimates for our explicit forecast period (FY09-FY11),

In our initiation we had assumed a 13.2% FY08 LFL growth for Greece and Cyprus, which according to our estimations proved in line with actual data.

However, actual financial figures showed that Attica region underperformed our estimates. We believe Attica posted a merely c. 7% LFL growth while provinces did better than expected, reporting LFL growth of c. 17%. In particular, the Greek Provinces performed 3.4% above our expectations, recording sales of €206.6m compared to our estimations of €200m. Cyprus did better than expected as well (+6% vs our estimates), with sales amounting to €34m versus estimates of €32.2m. On the other hand, Attica region sales underperformed by 4.4% our estimates of €166m, settling at 158.8m.

As a result, we proceeded to a change in LFL growth estimates trying to incorporate in our valuation separate, higher LFL growth in Cyprus and Greek provinces compared to those in the Attica region.

Apart from LFL growth restructuring, we trimmed our overall estimates due to the deterioration of the economic climate worldwide. Despite the fact that diminishing consumer spending might not necessarily result in a substantial slowdown of the group sales due to its "low cost" and "value for money" retail profile, we wish to keep a more conservative stance and incorporate in our valuation overall lower LFL growth rates.

**Table 4: New LFL Growth Estimates**

(Region Breakdown)	FY09e		FY10e		FY11e	
	New	Old	New	Old	New	Old
Greece, Attica	3%	8.25%	3%	6%	3%	6%
Greece, Provinces	6%	8.25%	6%	6%	6%	6%
Cyprus	6%	8.25%	6%	6%	6%	6%
Bulgaria	10%	10%	7%	7%	7%	7%

### ... we cut sales growth estimates for our stable growth forecast period (FY12-FY16),

We now estimate for the 5-year period (FY12-FY16) a 3% growth in sales across all regions versus our initial estimates of 4%.

### ... we reduced the perpetuity growth to 1.5% vs 2%,

### ... we reduced the payout ratio,

Following our downward revision of net profit and in order to reflect the recent economic slowdown, we reduced Jumbo's payout ratio to 30% for the FY09 (vs 33% previous estimates), 31% for the FY10 (vs 35% previous estimates) and 32% for the following years (vs previous estimates of 35%). Note that FY08 payout ratio stands at 29.4%.

### ... and changed the effective tax rate

According to the new tax law voted recently by the Greek Parliament, notional tax rate slips gradually, by 1% per year, from 25% in 2009 to 20% in 2014.

**Table 5: Jumbo Forecasts Revision**

	FY08a	FY09e			FY10f			FY11f		
		New estimates	Old estimates	new vs old	New estimates	Old estimates	new vs old	New estimates	Old estimates	new vs old
Sales	404.0	489.7	486.3	0.7%	545.6	568.6	-4.0%	607.7	644.1	-5.7%
Δ (%)		21.2%	20.4%		11.4%	16.9%		11.4%	13.3%	
CAGR FY09-11		14.0%	16.6%							
EBIT	116.1	127.2	134.3	-5.3%	135.2	153.9	-12.1%	153.0	174.2	-12.2%
Margin (%)	28.7%	26.0%	27.6%		24.8%	27.1%		25.2%	27.0%	
Δ (%)	20.0%	9.6%	15.6%		6.3%	14.5%		13.2%	13.2%	
CAGR FY09-11		9.2%	14.4%							
EBITDA	125.6	137.4	145.5	-5.6%	147.3	167.5	-12.1%	167.1	190.3	-12.2%
Margin (%)	31.1%	28.1%	29.9%		27.0%	29.5%		27.5%	29.5%	
Δ (%)	19.0%	9.4%	15.8%		7.2%	15.1%		13.4%	13.6%	
CAGR FY09-11		9.7%	14.8%							
Net Profit	82.5	91.3	97.3	-6.2%	98.4	111.5	-11.8%	114.2	128.2	-10.9%
Margin (%)	20.4%	18.6%	20.0%		18.0%	19.6%		18.8%	19.9%	
Δ (%)	21.5%	10.6%	15.9%		7.8%	14.6%		16.0%	14.9%	
CAGR FY09-11		11.0%	15.1%							

Source: Company & Prelium Research Estimates

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

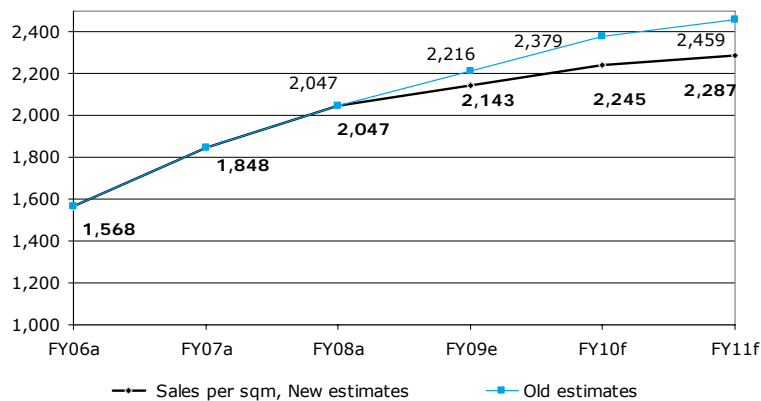
As a result of the above changes and despite our downward revisions, FY07/10 sales CAGR is estimated to settle at 16.3%, 130bp above the management's guidance. Our estimates for sales per net sqm decreased by 3.4%, 5.5% and 6.8% for the fiscal years 2009, 2010 and 2011 respectively.

Table 6 : Roll-out plan & Sales/sqm	FY06a	FY07a	FY08a	FY09e	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	4	3	3
Stores Closed	0	-2	0	1	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	43.92	45.75	48.75
Net sqm added	-	5,992	11,950	31,200	14,550	22,689
<b>Total selling space (seasonally adj.)</b>	<b>179,396</b>	<b>185,387</b>	<b>197,337</b>	<b>228,537</b>	<b>243,087</b>	<b>265,775</b>
Total sales	281,313,141	342,682,592	403,951,752	489,720,934	545,612,284	607,714,420
<b>Total sales/sqm (seasonally adj.)</b>	<b>1,568</b>	<b>1,848</b>	<b>2,047</b>	<b>2,143</b>	<b>2,245</b>	<b>2,287</b>
<b>Δ (%)</b>	-	17.9%	10.7%	4.7%	4.7%	1.9%

Source: Company & Prelium Research Estimates

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

**Graph 3: Evolution of Sales per net sqm (new vs old estimates and actual data)**



## 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 stable growth stage (FY12-FY16) we assume a sales growth rate of 3%, versus 4% of our initial forecasts, as we believe the recent economic turbulence might slow down Jumbo's growth. In the third stage (perpetuity stage) we use a terminal growth of 1.5% versus initial forecasts of 2%, trying to retain a more conservative stance in view of the recent developments but still reflecting the company's solid growth potentials.

We discount the cashflows using a variable WACC on the following assumptions: a risk free rate of 4.65% (vs 5.10% of our previous report, adjusting it to the current 10Y Greek Bond yield), an equity premium of 5% and a beta of 0.83 (vs 0.80), deriving thus a cost of equity of 8.8%. Our valuation model yields a fair value of 1,288,953,351, corresponding to an equity value of 21.26 €. Summing the expected dividend for the FY09, we derive a target price of 21.72 € and a total expected return of 87.9%.

	FY09e	FY10f	FY11f	FY12f	FY13f	FY14f	FY15f	FY16f
<b>EBIT</b>	<b>127,197,051</b>	<b>135,178,050</b>	<b>152,998,709</b>	<b>152,439,853</b>	<b>151,754,006</b>	<b>151,233,327</b>	<b>150,520,185</b>	<b>149,176,443</b>
Notional Taxation on EBIT	(30,229,863)	(30,967,538)	(33,153,243)	(32,972,252)	(31,306,366)	(29,686,618)	(28,041,429)	(26,299,329)
<b>NOPAT</b>	<b>96,967,187</b>	<b>104,210,511</b>	<b>119,845,466</b>	<b>119,467,600</b>	<b>120,447,640</b>	<b>121,546,709</b>	<b>122,478,756</b>	<b>122,877,113</b>
Depr. & Amortization	10,193,241	12,144,351	14,062,181	15,526,452	15,457,249	15,415,033	15,400,457	15,414,239
Capital Expenditure	(64,390,250)	(65,168,930)	(53,987,680)	(11,750,000)	(12,455,000)	(13,202,300)	(13,994,438)	(14,834,104)
Change in Working Capital	(19,142,512)	(22,222,078)	(22,259,157)	(6,534,660)	(6,730,699)	(6,932,620)	(7,140,599)	(7,354,817)
<b>Free Cash Flow</b>	<b>23,627,665</b>	<b>28,963,854</b>	<b>57,660,810</b>	<b>116,709,393</b>	<b>116,719,189</b>	<b>116,826,822</b>	<b>116,744,177</b>	<b>116,102,431</b>
<b>WACC</b>	<b>7.63%</b>	<b>7.80%</b>	<b>7.94%</b>	<b>8.05%</b>	<b>8.14%</b>	<b>8.21%</b>	<b>8.27%</b>	<b>8.32%</b>
Discounted Cash Flows	21,951,965	24,925,495	45,843,977	85,622,388	78,929,135	72,762,351	66,928,404	61,240,085

Source: Company & Prelium Research Estimates

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

	DCF	Per Share
PV of Cash Flows	458,203,801	7.56 €
PV of Terminal Value	910,850,089	15.03 €
<b>Enterprise Value (EV)</b>	<b>1,369,053,890</b>	<b>22.59 €</b>
Plus: Investments & Associates (FY09e)	8,753,123	0.14 €
Minus: Net debt (FY09e)	(86,517,064)	(1.43)
Minus: Minority interests (FY09e)	0	0.00
Minus: Pension provisions (FY09e)	(2,336,598)	(0.04)
<b>Equity value</b>	<b>1,288,953,351</b>	<b>21.26 €</b>
Equity value per share	21.26 €	
Expected Dividend per share (FY09e) (Gross)	0.45 €	
Target Price	21.72 €	
Current Price	11.56 €	
Total Expected Return	87.9%	
<b>Key DCF Assumptions</b>		
Risk Free rate	4.65%	
Equity Risk Premium	5.0%	
Beta	0.83	
Cost of Equity	8.8%	
Growth to Perpetuity	1.5%	

Source: Company & Prelium Research Estimates

### Sensitivity Analysis

Terminal Growth	7.50%			8.00%			8.50%		
	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%
PV of cash flow (FY 2009e - 2016f)	473,317,386	473,317,386	473,317,386	462,170,673	462,170,673	462,170,673	451,372,601	451,372,601	451,372,601
plus: PV of terminal value	1,011,536,634	1,101,256,261	1,207,288,547	905,054,230	979,498,904	1,066,351,023	814,073,312	876,539,334	948,615,512
<b>Enterprise value</b>	<b>1,484,854,019</b>	<b>1,574,573,647</b>	<b>1,680,605,933</b>	<b>1,367,224,903</b>	<b>1,441,669,577</b>	<b>1,528,521,696</b>	<b>1,265,445,913</b>	<b>1,327,911,935</b>	<b>1,399,988,113</b>
Plus: Investments & Associates (FY09e)	8,753,123	8,753,123	8,753,123	8,753,123	8,753,123	8,753,123	8,753,123	8,753,123	8,753,123
Minus: Minority interests (FY09e)	0	0	0	0	0	0	0	0	0
Minus: Pension provisions (FY09e)	(2,336,598)	(2,336,598)	(2,336,598)	(2,336,598)	(2,336,598)	(2,336,598)	(2,336,598)	(2,336,598)	(2,336,598)
Minus: Net debt (FY09e)	(86,517,064)	(86,517,064)	(86,517,064)	(86,517,064)	(86,517,064)	(86,517,064)	(86,517,064)	(86,517,064)	(86,517,064)
<b>Equity value</b>	<b>1,404,753,480</b>	<b>1,494,473,108</b>	<b>1,600,505,394</b>	<b>1,287,124,364</b>	<b>1,361,569,038</b>	<b>1,448,421,157</b>	<b>1,185,345,374</b>	<b>1,247,811,396</b>	<b>1,319,887,574</b>
Equity value per share	23.17	24.65	26.40	21.23	22.46	23.89	19.55	20.59	21.77
DPS (FY09e)	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45
Target Price	23.63	25.11	26.86	21.69	22.91	24.35	20.01	21.04	22.23

Source: Prelium Research Estimates

### Valuation Multiples at Target Price

	2009e	2010f
P / E (x)	14.1	13.1
P / BV (x)	3.7	3.0
EV / Sales (x)	2.8	2.5
EV / EBIT (x)	10.8	10.1
EV / EBITDA (x)	10.0	9.3
Dividend Yield (%) (Gross)	2.12	2.37

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.


**APPENDIX**

<b>Full Financial Statements</b>						
<i>(million €)</i>	<b>FY06a</b>	<b>FY07a</b>	<b>FY08a</b>	<b>FY09e</b>	<b>FY10f</b>	<b>FY11f</b>
<b>P&amp;L</b>						
Turnover	281.3	342.7	404.0	489.7	545.6	607.7
Cost of Sales	(133.2)	(160.2)	(184.1)	(240.0)	(272.8)	(303.9)
Gross Profit	148.1	182.4	219.9	249.8	272.8	303.9
Other operating income	3.2	3.0	5.0	3.0	3.0	3.0
Total SGAs	(77.0)	(88.8)	(108.8)	(125.6)	(140.6)	(153.9)
EBITDA	82.8	105.6	125.6	137.4	147.3	167.1
Depreciation	(8.5)	(8.8)	(9.5)	(10.2)	(12.1)	(14.1)
EBIT	74.4	96.7	116.1	127.2	135.2	153.0
Net interest	(4.9)	(4.9)	(5.4)	(5.9)	(5.9)	(5.4)
EBT	69.5	91.8	110.7	121.3	129.2	147.6
Income tax	(20.0)	(23.9)	(28.2)	(30.0)	(30.8)	(33.4)
EAT&M	49.4	67.9	82.5	91.3	98.4	114.2
<b>Balance Sheet</b>						
<b>Total Assets</b>	<b>342.7</b>	<b>437.4</b>	<b>524.8</b>	<b>624.3</b>	<b>711.4</b>	<b>812.9</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>303.2</b>	<b>356.3</b>	<b>396.2</b>
Tangible assets	158.1	194.8	237.4	291.6	344.6	384.5
Investments / Associates	9.2	9.1	8.8	8.8	8.8	8.8
Other assets	2.9	2.7	2.9	2.9	2.9	2.9
<b>Total current assets</b>	<b>172.6</b>	<b>230.8</b>	<b>275.8</b>	<b>321.0</b>	<b>355.1</b>	<b>416.7</b>
Inventories	100.7	121.7	165.6	193.2	219.7	244.7
Accounts receivables	19.2	19.2	32.4	39.2	43.7	48.7
Other receivables	29.4	34.6	42.7	51.8	57.7	64.3
Other ST Assets	1.4	3.1	4.6	4.6	4.6	4.6
Cash & Cash Equivalents	21.8	52.1	30.5	32.2	29.4	54.5
<b>Total equity and liabilities</b>	<b>342.7</b>	<b>437.4</b>	<b>524.8</b>	<b>624.3</b>	<b>711.4</b>	<b>812.9</b>
<b>Total equity</b>	<b>168.2</b>	<b>221.8</b>	<b>284.6</b>	<b>351.7</b>	<b>422.7</b>	<b>506.3</b>
Share capital & premium	92.5	92.5	92.5	92.5	92.5	92.5
Retained earnings & reserves	75.7	129.2	192.1	259.1	330.1	413.8
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>82.3</b>	<b>125.2</b>	<b>125.6</b>	<b>126.1</b>
Retirement benefits and similar commitments	1.3	1.6	1.9	2.3	2.8	3.3
Long term bank debt	75.1	96.0	76.2	118.7	118.7	118.7
Deferred tax liabilities	3.7	3.3	4.1	4.1	4.1	4.1
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>157.9</b>	<b>147.4</b>	<b>163.1</b>	<b>180.5</b>
Provisions	0.4	0.2	0.4	0.5	0.5	0.5
Accounts payables	44.2	50.0	65.9	86.0	97.7	108.9
Tax payable	24.9	28.6	28.5	36.0	37.0	40.1
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	42.5	0.0	0.0	0.0
Other ST liabilities	7.9	13.6	20.6	25.0	27.8	31.0
<b>Cash Flow Statement</b>						
EBIT	74.4	96.7	116.1	127.2	135.2	153.0
Depreciation and amortisation	8.5	8.8	9.7	10.2	12.1	14.1
Changes in retirement benefits	0.2	0.3	0.3	0.4	0.4	0.5
Changes in other provisions	0.2	0.3	0.2	0.1	0.0	0.0
Changes in net working capital:	(28.9)	(13.7)	(36.3)	(19.1)	(22.2)	(22.3)
Income taxes paid	(15.2)	(23.4)	(28.0)	(30.0)	(30.8)	(33.4)
Interest paid	(5.0)	(2.9)	(4.8)	(7.3)	(7.3)	(7.3)
Changes in deferred tax assets and liabilities	0.0	0.0	0.9	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)	(0.0)	0.0	0.0	0.0
Other non-cash items	0.0	0.1	(1.1)	7.5	1.0	3.1
<b>Cash Flow from Operations</b>	<b>34.1</b>	<b>66.1</b>	<b>57.1</b>	<b>88.9</b>	<b>88.4</b>	<b>107.6</b>
CAPEX	(31.5)	(46.1)	(59.0)	(64.4)	(65.2)	(54.0)
Interest received	0.6	1.7	1.4	1.4	1.4	1.9
<b>Cash Flow from Investing</b>	<b>(30.9)</b>	<b>(44.3)</b>	<b>(57.6)</b>	<b>(63.0)</b>	<b>(63.8)</b>	<b>(52.1)</b>
Dividends paid	(11.1)	(13.9)	(19.4)	(24.2)	(27.4)	(30.5)
Equity issued	3.9	0.0	0.0	0.0	0.0	0.0
Δ Bank Debt	(5.6)	22.6	(1.7)	0.0	0.0	0.0
<b>Cash Flow from Financing</b>	<b>(12.8)</b>	<b>8.7</b>	<b>(21.0)</b>	<b>(24.2)</b>	<b>(27.4)</b>	<b>(30.5)</b>
<b>Net change in cash</b>	<b>(9.6)</b>	<b>30.3</b>	<b>(21.6)</b>	<b>1.7</b>	<b>(2.8)</b>	<b>25.1</b>

Source: Company & Prelium Research Estimates

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

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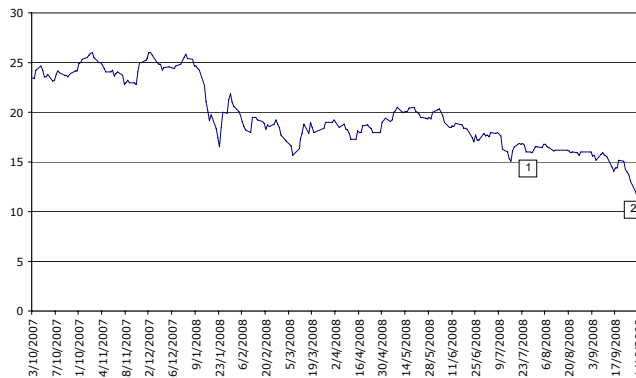
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Outperform: Total expected return (\*) is equal or greater than 10% compared to the required market return (\*\*) over the next 12 months.  
Neutral: Total expected return (\*) is between +/- 10% the required market return (\*\*) over the next 12 months.  
Underperform: Total expected return (\*) is equal or less than 10% compared to the required market return (\*\*) over the next 12 months.  
(\* ) Total expected return: Price Appreciation plus Dividend  
(\*\*) Required market return: Risk Free Rate plus Equity Risk Premium

## RATINGS HISTORY

Ratings	Date of Report	Share Price on date of issue	Target Price	Rating
1	23/07/2008	16.80 €	25.32 €	Outperform (Initiation)
2	7/10/2008	11.56 €	21.72 €	Outperform



## PROCESS OF VALUATION

Our evaluation is based on a DCF model. We discount the cashflows with a variable WACC from 7.63% to 8.32%. We use a risk free rate of 4.65%, an equity risk premium of 5.00% and a beta of 0.83.

## 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

## DISCLOSURE CHECKLIST FOR COMPANIES MENTIONED AND OTHER PRICE DATA INFORMATION

Company name	Bloomberg	Rating	Target Price	Price / Date	Valid Disclosure
Jumbo S.A.	BELA GA	Outperform	21.72 €	11.56 € / 6.10.2008	None

Source: Prelium Investment Services

1. Prelium Investment Services has acted as manager/co-manager/adviser in the underwriting or placement of financial instruments of the company mentioned in this report within the past 12 months.
2. Prelium Investment Services had a contractual relationship or has received compensation for investment banking from the company mentioned in this report within the past 12 months.
3. Prelium Investment Services acts as a market maker for the company mentioned in this report.
4. Prelium Investment Services owns five percent or more of the total share capital of the company mentioned in this report at the date of issuance of this report.
5. The company mentioned in this report owns five percent or more of the total share capital of Prelium Investment Services at the date of issuance of this report.
6. Prelium Investment Services SA has other financial interests related to the company mentioned in this report at the date of issuance of the latter.
7. The following research analysts who participate in the preparation of this report have the following financial interests related to the company covered by this report.....

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As of October 7, 2008	Outperform	Neutral	Underperform	Under Review / Not Rated	Restricted
% distribution breakdown	25%	0%	0%	75%	0%

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