

JUMBO

Sector:	Retail, non food
Issue Date:	March 16, 2009
New Target Price	7€(from 8.44€)

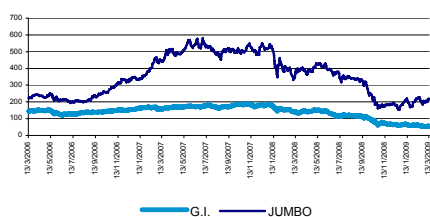
Rating	Outperform
Target Price	7.00 €
Of which Expected Dividend 09e (gross)	0.23 €
Last Price	5.26 €
Total Expected Return	33.1%

Stock Data

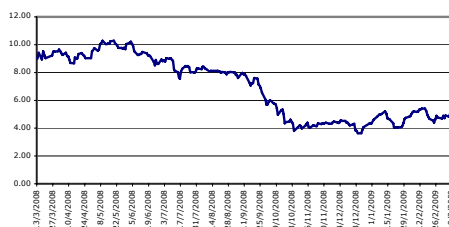
Bloomberg Code	BELA GA
Reuters Code	BABR.AT
52 week high	10.28 €
52 week low	3.64 €
1m performance	-2.59%
YTD performance	-57.69%
Number of shares	121,234,716
Market Capitalization	637,694,606 €
Average Daily Volume (52w)	209,016
Free Float	71.00%

Performance	Jumbo	GI
1m performance	-2.59%	-9.85%
6m performance	-32.22%	-49.92%
3m performance	24.91%	-13.95%
12m performance	-41.45%	-59.98%
YTD performance	-57.69%	-69.92%

Jumbo Relative Performance



Jumbo Performance - 52 week



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Jumbo remains resilient despite the economic downturn

Jumbo's first half solid but not unexpected

Jumbo's sales for the first half of the current fiscal year amounted to €276m from €238.5m in the respective period last year, marking a 15.72% increase and net profit increased by 15%, achieving once more the 15% top and bottom line increase that was guided by the management before the recent financial turbulence. Note that H1 results were pre-announced as the management revealed during a road-show in Frankfurt in early February an above 15% y-o-y growth in sales and a 15% growth in net profit (instead of 12% pre-announced early January).

H1 profit in line with our estimates

Although Jumbo's actual sales for this year's first half came 8.4% lower compared to our estimates, lower than estimated SGAs led to a smaller gap in our EBITDA estimations, with reported EBITDA standing 1.4% lower than our estimates. Lower financial expenses and taxes led finally actual net profit of €55.40m to meet our estimates of €55.01m. We think Jumbo posted a satisfactory set of financial results given the difficult second quarter, positively affected by the earlier opening of its three stores.

Roll-out plan

Be reminded that for the current fiscal year Jumbo accelerated the execution of its investment plan and launched in the previous quarter the 3 new stores that were already programmed to operate in the first half of the current fiscal year. The earlier launching of the 3 stores had a positive impact on this year's results, managing to sustain growth despite the economy turbulence and the decline in consumer spending and retail sales. The management repeated at its press release that its investment plan continues despite the crisis and stated that Cholargos store (1,000sqm) was closed in January 2009 to be replaced in the second half of this fiscal year by a new one in Aspropyrgos (9,200sqm). Concerning Bulgaria, where Jumbo owns already six plots, the management moves forth with the necessary actions in order to open two more stores at the next financial year (July 2009 - June 2010).

New Estimates

We updated our roll-out plan and CAPEX needs for the next fiscal years to incorporate the 2 Bulgarian openings in the next fiscal year, which we did not expect up until 2011. Furthermore, we cut this year's L-F-L growth but improved gross profit margin. Finally, we updated our working capital assumptions in terms of inventory days.

Valuation

We value Jumbo using a 3-staged DCF exercise. We raised our estimates for equity risk premium to reflect higher risk amid the worsening macro-economic environment. Our model currently incorporates a WACC that ranges from 10.12% to 10.94% and a 1.5% perpetuity growth.

We reiterate the "Outperform" rating and reduce the target price to 7.00 €

The company proved resilient in Q2 2009, despite this difficult business environment and we expect it to generate solid growth during the following years despite adversities. We re-iterate our "Outperform" rating for the share but decrease the target price to 7.00 €. Note that changes in our WACC estimates trimmed €1.03 of our target price, other things being equal.

Risks

The main risk Jumbo faces is the FX risk derived from its large dependence on Asian purchases, as the company pays its orders in dollars and does not hedge its FX exposure. We remained to the conservative side and assumed conservative gross profit margins for the next years (265bp – 444bp below last three fiscal years' margins).

Fundamentals

(million €)	FY06a	FY07a	FY08a	FY09e	FY10f	FY11f
Sales	281.3	342.7	404.0	473.6	541.6	595.5
EBIT	74.4	96.7	116.1	127.3	130.9	144.1
EBIT Margin	26.4%	28.2%	28.7%	26.9%	24.2%	24.2%
EBITDA	82.8	105.6	125.6	137.5	142.7	157.2
EBITDA Margin	29.4%	30.8%	31.1%	29.0%	26.4%	26.4%
Net profit	49.4	67.9	82.5	91.3	95.4	107.8
EPS (€) (reported)	0.42	0.56	0.68	0.75	0.79	0.89
DPS (€) (gross)	0.12	0.16	0.20	0.23	0.24	0.28
Valuation Ratios						
P / E (x) (reported)	12.6	9.4	7.7	7.0	6.7	5.9
P / BV (x)	3.7	2.9	2.2	1.8	1.5	1.3
EV / Sales (x)	2.6	2.1	1.8	1.6	1.4	1.2
EV / EBITDA (x)	8.7	6.8	5.9	5.3	5.2	4.5

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

FINANCIAL DATA SUMMARY

(million €)	FY06a	FY07a	FY08a	FY09e	FY10f	FY11f
P&L						
Turnover	281.3	342.7	404.0	473.6	541.6	595.5
Gross Profit	148.1	182.4	219.9	251.0	270.8	297.7
EBITDA	82.8	105.6	125.6	137.5	142.7	157.2
EBIT	74.4	96.7	116.1	127.3	130.9	144.1
EBT	69.5	91.8	110.7	121.3	124.7	138.7
EAT&M	49.4	67.9	82.5	91.3	95.4	107.8
Balance Sheet						
Net Fixed Assets	170.1	206.6	249.0	294.1	329.2	350.7
Cash & Cash Equivalents	21.8	52.1	30.5	53.4	51.1	88.7
Other Current Assets	150.8	178.7	245.3	289.6	345.2	379.2
Total Assets	342.7	437.4	524.8	637.2	725.6	818.6
ST Bank Debt	16.9	22.4	42.5	0.0	0.0	0.0
LT Bank Debt	75.1	96.0	76.2	138.7	138.7	138.7
ST Liabilities	77.4	92.4	115.4	140.3	160.3	174.6
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	419.7	497.9
Total Liabilities	342.7	437.4	524.8	637.2	725.6	818.6
Net Debt	70.2	66.3	88.2	85.3	87.6	50.0
Cash Flow Statement						
EBIT	74.4	96.7	116.1	127.3	130.9	144.1
Adjustments	(11.4)	(17.0)	(22.8)	(19.8)	(26.4)	(24.0)
Δ Working Capital	(28.9)	(13.7)	(36.3)	(27.0)	(34.9)	(21.5)
Cash Flow from Operations	34.1	66.1	57.1	80.6	69.6	98.6
CAPEX	(31.5)	(46.1)	(59.0)	(55.3)	(46.9)	(34.6)
Cash Flow from Investing	(30.9)	(44.3)	(57.6)	(53.4)	(44.6)	(31.4)
Dividends paid	(11.1)	(13.9)	(19.4)	(24.2)	(27.4)	(29.6)
Δ Bank Debt	(5.6)	22.6	(1.7)	20.0	0.0	0.0
Cash Flow from Financing	(12.8)	8.7	(21.0)	(4.2)	(27.4)	(29.6)
Net change in cash	(9.6)	30.3	(21.6)	22.9	(2.3)	37.6
Per Share Data **						
EPS (Reported)	0.42	0.56	0.68	0.75	0.79	0.89
EPS (Normalised for one-off items)	0.42	0.56	0.68	0.75	0.79	0.89
EPS (Diluted)	0.83	1.06	1.30	1.44	1.50	1.69
DPS (Gross)	0.12	0.16	0.20	0.23	0.24	0.28
DPS (Net) *	-	-	-	0.20	0.22	0.26
BV per share	1.42	1.83	2.35	2.90	3.46	4.11
Year end number of Shares (mil. €)	121.2	121.2	121.2	121.2	121.2	121.2
Weighted number of shares (mil. €)	118.5	121.2	121.2	121.2	121.2	121.2
Valuation Data						
P/E (x)	12.6	9.4	7.7	7.0	6.7	5.9
P/E (normalised) (x)	12.6	9.4	7.7	7.0	6.7	5.9
P/BV (x)	3.7	2.9	2.2	1.8	1.5	1.3
Dividend Yield (%) (Gross)	2.19	3.04	3.80	4.30	4.64	5.41
Dividend Yield (%) (Net) *	-	-	-	3.87	4.17	4.87
EV / Sales (x)	2.55	2.09	1.82	1.55	1.36	1.18
EV / EBITDA (x)	8.67	6.77	5.86	5.34	5.16	4.45
FCF Yield (%)	-0.22	0.24	3.93	4.92	11.04	16.65
Growth Rates (%)						
Turnover	-	21.8	17.9	17.2	14.4	10.0
EBITDA	-	27.4	19.0	9.5	3.8	10.1
EBIT	-	30.1	20.0	9.7	2.8	10.1
EBT	-	32.1	20.6	9.5	2.8	11.2
EAT&M	-	37.4	21.5	10.7	4.4	13.1
Profitability Ratios						
Gross Profit Margin (%)	52.6	53.2	54.4	53.0	50.0	50.0
Net Profit Margin (%)	17.6	19.8	20.4	19.3	17.6	18.1
ROE (%)	29.4	30.6	29.0	26.0	22.7	21.7
ROA (%)	14.4	15.5	15.7	14.3	13.1	13.2
Debt Ratios						
Liabilities / Assets (%)	50.9	49.3	45.8	44.8	42.2	39.2
Bank Debt / Assets (%)	26.9	27.1	22.6	21.8	19.1	16.9
Interest Coverage (x)	17.0	21.5	23.4	22.7	23.0	29.1
Liquidity Ratios						
Inventory Days	276	277	328	330	330	330
Trade Receivable Days	25	20	29	26	26	26
Trade Payable Days	121	114	131	131	131	131
Current Ratio (x)	1.8	2.0	1.7	2.4	2.5	2.7
Quick Ratio (x)	0.8	1.0	0.7	1.0	0.9	1.1

Source: Company & Prelium Research Estimates

Notes:

* Net of tax for Greek residents

** Adjusted for the distribution of bonus shares (1 new for 1 old)

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H1 2008/09 FINANCIAL RESULTS REVIEW

Jumbo posted another strong set of quarterly results given the challenging macroeconomic environment which mainly consists of a downturn in consumer spending and an appreciation of the Dollar against the Euro. Note however that these results did not come as a surprise as the above 15% growth in sales and the 15% growth in net profit were pre-announced during a road-show in Frankfurt last month.

- **Sales:** H1 2008/09 sales reached €276m, up 15.72% y-o-y. Attica region sales increased by 24.8% to €106.06m, Greek provinces sales amounted to €140.5m, up 7.9% and Eurozone sales (Cyprus and Bulgaria) advanced by 26.4% to €29.5m. Attica region's sales outperformed the other two in Q2 2008/09, posting a 26.9% increase y-o-y compared to a 21.5% increase recorded in Q1 on a yearly basis, proving the management's decision to accelerate this year's new openings successful (note that out of the three new openings this year, two of them opened in Attica as early as in August 2008, boosting the region's sales). Greek provinces performance for the second quarter 2008/09 was below expectations and advanced by merely 2.1%, despite the new opening in Serres in July. Finally, Eurozone Q2 sales advanced by 24% compared to a 31.3% increase recorded in Q1 y-o-y.
- **Gross profit margin** for the second quarter of the current fiscal year reached 53.40%, matching the gross profit margin reported in last year's Q2. H1 2008/09 gross profit margin rose to 51.7% from 49% reported in Q1 2008/09. Note that despite the upward move of the Dollar against the Euro, the company was cautious enough to pre-stock on favourable currency terms, which sustained margins at high levels.
- **Operating expenses** increased by 20.7% for the first half and settled at €70.7m (vs €58.6m in H1 2007/08) as a result of the continuous development of the company (higher payroll and advertisement expenses).
- **EBIT** amounted to €73.3m in H1 2008/09 compared to €67.7m in H1 2007/08, posting a 8.2% increase. **EBITDA** totalled €78.7m versus €72.4m in last year's first half, up 8.7%. Note however that other income was significantly lower from the respective period last year (€1.3m vs €3.5m) as the company received last year €1.9m as part of insurance compensation amount concerning damages from fire in Kolonos store and had also a gain of €0.45m from the sale of real estate. If it weren't for the above €2.35m, the increases compared to last year's EBIT and EBITDA figures would reach 12.1% and 12.4% respectively. Both **EBIT and EBITDA margins** lost some basis points as a result of rising operating expenses along with last year's one-off revenue mentioned above. In particular, EBIT margin fell to 26.5% from 28.4% (down 1.85bps) and EBITDA margin stood at 28.5% compared to 30.4% in the respective period last year (-1.84bps). If it weren't for the €2.35m one-off revenue, EBIT and EBITDA margins would lose 0.85bps and 0.87bps respectively.
- **Interest expenses** grew by 9.3% to €3.1m (vs €2.8m in H1 2007/08) due to higher debt and increasing cost of money.
- **Net profit** advanced by 15% to €55.4m from €48.2m at the same period last year with net profit margin settling at 20.1%, matching that of H1 2007/08 (20.2%). Note that net profit margin was sustained despite EBIT and EBITDA margins' small deterioration as bottom line figures benefit from a significantly lower effective tax rate. Note that previous year's first half tax was burdened with an €1.4m extraordinary taxation regarding reserves the company had formed in 2004. If we exclude the effect of last year's €2.35m extra-ordinary gains along with the additional €1.4m taxes, H1 2007/08 net profit would stand at €47.2m and this year's first half would have increased by 17.3%.
- **The company kept inventory** at high levels, at c. €170m at the end of December, which according to our estimations should be enough to cover this fiscal year's second half and next year's first quarter sales. Given the dollar's appreciation against the Euro since December (Jumbo pays its orders in US dollars), such a move will sustain gross profit margins in the short run.
- **All in all**, Jumbo proved resilient in terms of sales and managed to generate solid growth despite declining December retail sales (Note that Greece's retail sales index fell by 4% in December on a yearly basis).

Table 1 : Quarterly Results

(million €)	3m 09a	y-o-y (%)	6m 09a	y-o-y (%)
Sales	107.5	20.3%	276.0	15.7%
Gross Profit	52.7	22.2%	142.7	16.2%
Gross Profit Margin	49.0%		51.7%	
EBIT	22.1	17.2%	73.3	8.2%
EBIT Margin	20.5%		26.5%	
EBITDA	24.7	16.5%	78.7	8.7%
EBITDA Margin	22.9%		28.5%	
Net profit	15.6	18.1%	55.4	15.0%
EPS (€) (reported)	0.13		0.46	
DPS (€)				

(million €)	Q1 09a	y-o-y (%)	Q2 09a	y-o-y (%)
Sales	107.5	20.3%	168.5	13.0%
Gross Profit	52.7	22.2%	90.0	12.9%
Gross Profit Margin	49.0%		53.4%	
EBIT	22.1	17.2%	51.2	4.7%
EBIT Margin	20.5%		30.4%	
EBITDA	24.7	16.5%	54.1	5.5%
EBITDA Margin	22.9%		32.1%	
Net profit	15.6	18.1%	39.8	13.9%
EPS (€) (reported)	0.13		0.33	

Source: Company

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

3m 08a	y-o-y (%)	6m 08a	y-o-y (%)	9m 08a	y-o-y (%)	2008a	y-o-y (%)
89.4	18.3%	238.5	17.4%	307.7	14.2%	404.0	17.88%
43.1	19.0%	122.8	20.1%	162.0	17.6%	219.9	20.53%
48.2%		51.5%		52.6%		54.4%	
18.8	22.8%	67.7	21.3%	83.1	16.7%	116.1	20.03%
21.1%		28.4%		27.0%		28.7%	
21.2	21.1%	72.4	20.3%	90.3	16.3%	125.6	19.02%
23.7%		30.4%		29.4%		31.1%	
13.2	23.9%	48.2	21.4%	58.7	18.0%	82.5	21.50%
0.11		0.40		0.49		0.68	
						0.20	

Q1 08a	y-o-y (%)	Q2 08a	y-o-y (%)	Q3 08a	y-o-y (%)	Q4 08a	y-o-y (%)
89.4	18.3%	149.1	16.9%	69.2	4.5%	96.3	31%
43.1	19.0%	79.7	20.8%	39.2	10.2%	57.9	30%
48.2%		53.4%		56.6%		60.2%	
18.8	22.8%	48.9	20.7%	15.4	0.2%	33.0	29%
21.1%		32.8%		22.2%		34.3%	
21.2	21.1%	51.2	20.0%	17.9	2.3%	35.3	27%
23.7%		34.4%		25.9%		36.7%	
13.2	23.9%	34.9	20.5%	10.5	4.7%	23.8	31%
0.11		0.29		0.09		0.20	

H1 KEY FINANCIAL FIGURES AND PRELIUM RESEARCH ESTIMATES

- Roll-out Plan:** Based on the management's statement that they are moving forth with the necessary actions in order to open two more Bulgarian stores at the next financial year (2009/2010), we re-arranged our roll-out plan. According to our previous estimations, we expected 3 new openings in 2009/10, all three in Greece while we assumed that the first two Bulgarian stores would open in 2010/2011. Our new roll-out plan for 2009/2010 calls still for 3 new openings, 2 of them in Bulgaria, as recently stated and 1 in the Greek Provinces. We keep our rollout assumptions for the following years unchanged as Jumbo's expansion plan has not seen yet any signs of delay while the company has already secured the spots for the development of the new points of sales for the next three years.

	FY06a	FY07a	FY08a	FY09e	FY10f	FY11f
Year start number of stores	37	41	39	41	44	47
Additions	4	0	2	4	3	3
Stores Closed	0	-2	0	-1	0	0
Year end number of stores	41	39	41	44	47	50
Weighted number of stores	40.25	40.28	40.17	43.50	46.67	49.17
Net sqm added	-	5,992	11,950	29,615	29,638	22,996
Total selling space (seasonally adj.)	179,396	185,387	197,337	226,952	256,589	279,585
Δ (%)	-	3.3%	6.4%	15.0%	13.1%	9.0%
Total sales	281,313,141	342,682,592	403,951,752	473,583,237	541,556,502	595,473,284
Δ (%)	-	21.8%	17.9%	17.2%	14.4%	10.0%
Total sales/sqm (seasonally adj.)	1,568	1,848	2,047	2,087	2,111	2,130
Δ (%)	-	17.9%	10.7%	1.9%	1.1%	0.9%

Source: Company & Prelium Research Estimates

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

- Capex:** following the management's update on the expansion plan we revised our Capex needs' estimations. The management's next two years' focus is to strengthen the Bulgarian network. Given the two new Bulgarian openings in the next fiscal year instead of two Greek stores we had assumed translates into significantly lower capital expenditure as Bulgarian stores cost less than Greek stores.
- Sales estimates:** Although Jumbo's actual sales for this year's first half came 8.4% lower compared to our estimates, lower than estimated SGAs led to a smaller gap in our EBITDA estimations, and reported EBITDA stood 1.4% lower than our estimates. Lower reported financial expenses and taxes led finally actual net profit of €55.40m to meet our estimates of €55.01m.

In our valuation model we had assumed LFL growth for the FY 2008/09 at 4.7%; 3% for the Attica Region, 6% for the Greek Provinces (given the previous quarter's outperformance), 6% for Cyprus and 10% for Bulgaria. Given the extend of Q2 drop in Attica sales versus our estimations (€20m less than our estimations) and taken in mind the increase in the sales capacity by the new openings, we believe the Group reported negative LFL growth in the Attica Region in Q2. An actual decrease in consumer spending combined with some cannibalisation effect from the opening of the two new stores might possibly be behind this decrease. We changed our remaining two quarters' estimates, as we see little chance that full year results will meet our estimates. We now estimate 1% LFL growth in the Attica region on a yearly basis, we trimmed Geek Provinces LFL growth to 4% (vs 6% previously) and left our estimations for Cyprus and Bulgaria unchanged.

Table 3: New LFL Growth Estimates

(Region Breakdown)	FY09e		FY10f	FY11f
	New	Old		
Greece, Attica	1%	3%	3%	3%
Greece, Provinces	4%	6%	6%	6%
Cyprus	6%	6%	6%	6%
Bulgaria	10%	10%	7%	7%
Total LFL growth	2.9%	4.7%	4.8%	4.9%

- Gross Profit Margin:** Taking in mind that the company has filled its warehouses with stock for at least the next 9 months, we believe gross profit margin for the next half of this year can settle at higher levels than our conservative estimates (full year estimates of 50%). We raised our gross profit margin assumptions and now expect it to stand at 53% for the full fiscal year (vs 54.4% in 2007/2008). We prefer to remain on the conservative side regarding next years' margins and make no other changes.

Table 4: New Gross Profit Margins Estimates

	FY09e		FY10f	FY11f
	New	Old		
Gross Profit Margin	53%	50%	50%	50%

- Operating expenses** for the first half of the current fiscal year came out at €70.7m, lower than our estimations of €81.8m. Be reminded that in our previous review we had proceeded to an upward revision of operating expenses after management's warning last year that opex as a percentage of sales will increase in the following two years. Despite actual SGAs settling lower than expected, we remain on our SGAs estimations (we expect year-end SGAs to count for 26.2% of sales).
- Inventories** remained at high levels at the end of December 2008, as the management over-stocked its warehouses at times it could achieve good prices and favourable terms in the Euro/Dollar rate. We assume that the management will continue this strategy, so we updated our model by increasing inventory days.

▪ **Summing up our estimate changes**

- We re-arranged our roll-out plan strengthening the Bulgarian network by adding 2 more stores in our 2010 – 2011 estimates (replacing two Greek Stores),
- We updated Capex needs to the new roll-out plan.
- We trimmed LFL growth for the current fiscal year (see Table 3).
- We raised this year's gross profit margin by 300bps (see Table 4).
- We raised inventory days to reflect over-stocking.

According to our new assumptions and despite the fact that LFL growth for the following 3-year period stands at a low single-digit, the increase in the selling space capacity supports a double-digit increase in total sales (by 2011). Selling space increased significantly this year after the opening of three new big hyperstores, the group's biggest store in Athens at Piraeus Avenue included.

According to our new estimates, 2009-2011 sales CAGR now stands at 13.8% from 14% estimated previously. Net profit CAGR for the same time period stands at 9.3%, significantly lower than the 15% guided by the management before the first signs of the credit crunch, as we assume that the profitability target will be harder to reach due to the deterioration of the company's margins on the back of the move of the FX rate and inflationary pressures faced in China. The rise in OPEX during the following years communicated by the company will prove another burden for net profit targets.

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	473.6	489.7	-3.3%	541.6	545.6	-0.7%	595.5	607.7	-2.0%
Δ (%)		17.2%	21.2%		14.4%	11.4%		10.0%	11.4%	
CAGR FY09e-11f		13.8%	14.0%							
EBIT	116.1	127.3	125.0	1.8%	130.9	133.0	-1.6%	144.1	149.3	-3.5%
Margin (%)	28.7%	26.9%	25.5%		24.2%	24.4%		24.2%	24.6%	
Δ (%)	20.0%	9.7%	7.7%		2.8%	6.4%		10.1%	12.3%	
CAGR FY09e-11f		7.5%	9.2%							
EBITDA	125.6	137.5	135.2	1.7%	142.7	145.1	-1.6%	157.2	163.4	-3.8%
Margin (%)	31.1%	29.0%	27.6%		26.4%	26.6%		26.4%	26.9%	
Δ (%)	19.0%	9.5%	7.6%		3.8%	7.4%		10.1%	12.6%	
CAGR FY09e-11f		7.8%	9.7%							
Net Profit	82.5	91.3	89.5	2.0%	95.4	96.4	-1.1%	107.8	110.9	-2.8%
Margin (%)	20.4%	19.3%	18.3%		17.6%	17.7%		18.1%	18.2%	
Δ (%)	21.5%	10.7%	8.4%		4.4%	7.7%		13.1%	15.0%	
CAGR FY09e-11f		9.3%	11.0%							

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% (June 2008). 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 3-4 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 launched in Q1 2008/09 the 3 new stores that 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 had a positive impact on this year's results, especially first quarter's sales, 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).

Concerning expansion abroad, we continue to retain a conservative stance and do not include a big Bulgarian network in our estimates (only four Bulgarian stores included by FY2011), 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.

For the next fiscal year we anticipate the opening of 1 new store in the Greek Provinces (Preveza) and 2 in Bulgaria while for FY11 we expect a further 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, 19 stores of which in Attica, 23 in the Greek Provinces, 3 in Cyprus and 5 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.

We remain positive for the stock as we think its investment case remains strong even in this tight macro-economic environment. We believe Jumbo can increase its market share even in a declining market due to its strong brand name and its "value for money" concept.

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% and finally in the third stage (perpetuity stage) we use a terminal growth of 1.5%.

We fine-tuned our model in terms of risk free rate (6.04% vs 4.90% of our previous report, adjusting it to the current 10Y Greek Bond yield) and beta (0.79 vs 0.81). Note that we raised our risk premium assumptions to reflect higher risk amid the worsening macro-economic environment. Our model currently incorporates a weighted equity premium, which starts from 7.18% in FY10 and reaches 7.24% by FY16, reflecting the separate country risk premiums (Greece, Cyprus, Bulgaria). Our WACC ranges from 10.12% to 10.94%. Finally, we assume a 1.5% perpetuity growth.

Our valuation model yields a fair value of 821,451,492€, corresponding to an equity value of 6.78 €. Summing the expected dividend for the FY09, we derive a target price of 7.00 € and a total expected return of 33.1%.

	FY09e	FY10f	FY11f	FY12f	FY13f	FY14f	FY15f	FY16f
EBIT	127,311,872	130,887,326	144,065,264	141,150,180	137,799,676	134,247,836	130,114,887	124,927,736
Notional Taxation on EBIT	(30,203,625)	(29,528,878)	(30,680,612)	(30,004,350)	(27,914,135)	(25,852,159)	(23,755,127)	(21,558,829)
NOPAT	97,108,247	101,358,448	113,384,652	111,145,831	109,885,541	108,395,677	106,359,761	103,368,907
Depr. & Amortization	10,193,241	11,823,515	13,108,920	13,919,905	13,900,691	13,888,283	13,882,564	13,883,419
Capital Expenditure	(55,282,625)	(46,932,733)	(34,600,705)	(11,750,000)	(11,926,250)	(12,105,144)	(12,286,721)	(12,471,022)
Change in Working Capital	(26,982,602)	(34,872,341)	(21,510,022)	(7,126,896)	(7,340,703)	(7,560,924)	(7,787,752)	(8,021,384)
Free Cash Flow	25,036,260	31,376,890	70,382,845	106,188,839	104,519,278	102,617,893	100,167,852	96,759,919
WACC		10.12%	10.37%	10.53%	10.66%	10.77%	10.86%	10.94%
Discounted Cash Flows		28,493,093	57,775,954	78,637,668	69,699,348	61,538,863	53,964,772	46,796,088

Source: Company & Prelium Research Estimates

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

	DCF	Per Share
PV of Cash Flows	396,905,786	3.27 €
PV of Terminal Value	503,412,375	4.15 €
Enterprise Value (EV)	900,318,161	7.43 €
Plus: Investments & Associates (FY09e)	8,753,123	0.07 €
Minus: Net debt (FY09e)	(85,279,640)	(0.70)
Minus: Minority interests (FY09e)	0	0.00
Minus: Pension provisions (FY09e)	(2,340,151)	(0.02)
Equity value	821,451,492	6.78 €
Equity value per share	6.78 €	
Expected Dividend per share (FY09e) (Gross)	0.23 €	
Target Price	7.00 €	
Current Price	5.26 €	
Total Expected Return	33.1%	
Key DCF Assumptions		
Risk Free rate	6.04%	
Equity Risk Premium	7.1%	
Beta	0.79	
Cost of Equity	11.7%	
Growth to Perpetuity	1.5%	

Source: Company & Prelium Research Estimates

Sensitivity Analysis

	10.00%			10.50%			11.00%		
	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%
Terminal Growth									
PV of cash flow (FY 2010f - 2016f)	407,774,322	407,774,322	407,774,322	400,260,637	400,260,637	400,260,637	392,943,992	392,943,992	392,943,992
plus: PV of terminal value	506,562,319	539,015,350	575,525,011	462,801,803	490,931,396	522,370,352	424,065,598	448,594,666	475,849,185
Enterprise value	914,336,641	946,789,673	983,299,333	863,062,441	891,192,033	922,630,990	817,009,589	841,538,657	868,793,177
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)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)
Minus: Net debt (FY09e)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)
Equity value	835,469,972	867,923,004	904,432,664	784,195,772	812,325,364	843,764,321	738,142,921	762,671,988	789,926,508
Equity value per share	6.89	7.16	7.46	6.47	6.70	6.96	6.09	6.29	6.52
DPS (FY09e)	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Target Price	7.12	7.39	7.69	6.69	6.93	7.19	6.31	6.52	6.74

Source: Prelium Research Estimates

Valuation Multiples at Target Price

	2009e	2010f
P / E (x)	9.0	8.6
P / BV (x)	2.3	2.0
EV / Sales (x)	1.9	1.7
EV / EBIT (x)	7.1	6.9
EV / EBITDA (x)	6.5	6.3
Dividend Yield (%) (Gross)	3.34	3.60

Source: Prelium Research Estimates

▪ **Base Case Scenario Deviations**

Our base case scenario assumes a 53% gross profit margin for the current fiscal year and 50% thereafter. We have deducted a sensitivity test to illustrate different target prices derived from our DCF model at different gross profit margins (from 2009/10 onwards), ceteris paribus.

Table 9: Gross Profit Margin Sensitivity Test		DCF					
Gross Profit Margin:	48%	49%	50%	51%	52%	53%	
PV of Cash Flows	344,121,545	370,524,959	396,905,786	423,265,501	449,605,442	475,926,828	
PV of Terminal Value	446,660,301	475,099,834	503,412,375	531,609,704	559,702,191	587,698,998	
Enterprise Value (EV)	790,781,846	845,624,793	900,318,161	954,875,205	1,009,307,634	1,063,625,826	
Plus: Investments & Associates (FY09e)	8,753,123	8,753,123	8,753,123	8,753,123	8,753,123	8,753,123	
Minus: Net debt (FY09e)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)	(85,279,640)	
Minus: Minority interests (FY09e)	0	0	0	0	0	0	
Minus: Pension provisions (FY09e)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)	(2,340,151)	
Equity value	711,915,177	766,758,124	821,451,492	876,008,536	930,440,965	984,759,158	
Equity value per share	5.87 €	6.32 €	6.78 €	7.23 €	7.67 €	8.12 €	
Expected Dividend per share (FY09e) (Gross)	0.23 €	0.23 €	0.23 €	0.23 €	0.23 €	0.23 €	
Target Price	6.10 €	6.55 €	7.00 €	7.45 €	7.90 €	8.35 €	
Current Price	5.26 €	5.26 €	5.26 €	5.26 €	5.26 €	5.26 €	
Total Expected Return	15.9%	24.5%	33.1%	41.7%	50.2%	58.7%	

Source: Prelium Research Estimates

INVESTMENT RISKS

We focus mainly on the following risk factors:

- **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.
- **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.
- **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.
- **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.
- **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

Full Financial Statements						
<i>(million €)</i>	FY06a	FY07a	FY08a	FY09e	FY10f	FY11f
P&L						
Turnover	281.3	342.7	404.0	473.6	541.6	595.5
Cost of Sales	(133.2)	(160.2)	(184.1)	(222.6)	(270.8)	(297.7)
Gross Profit	148.1	182.4	219.9	251.0	270.8	297.7
Other operating income	3.2	3.0	5.0	3.0	3.0	3.0
Total SGAs	(77.0)	(88.8)	(108.8)	(126.7)	(142.9)	(156.7)
EBITDA	82.8	105.6	125.6	137.5	142.7	157.2
Depreciation	(8.5)	(8.8)	(9.5)	(10.2)	(11.8)	(13.1)
EBIT	74.4	96.7	116.1	127.3	130.9	144.1
Net interest	(4.9)	(4.9)	(5.4)	(6.1)	(6.2)	(5.4)
EBT	69.5	91.8	110.7	121.3	124.7	138.7
Income tax	(20.0)	(23.9)	(28.2)	(29.9)	(29.3)	(30.9)
EAT&M	49.4	67.9	82.5	91.3	95.4	107.8
Balance Sheet						
Total Assets	342.7	437.4	524.8	637.2	725.6	818.6
Total Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0
Total Fixed Assets	170.1	206.6	249.0	294.1	329.2	350.7
Tangible assets	158.1	194.8	237.4	282.5	317.6	339.1
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
Total current assets	172.6	230.8	275.8	343.1	396.4	467.9
Inventories	100.7	121.7	165.6	201.2	244.8	269.2
Accounts receivables	19.2	19.2	32.4	33.7	38.6	42.4
Other receivables	29.4	34.6	42.7	50.1	57.3	63.0
Other ST Assets	1.4	3.1	4.6	4.6	4.6	4.6
Cash & Cash Equivalents	21.8	52.1	30.5	53.4	51.1	88.7
Total equity and liabilities	342.7	437.4	524.8	637.2	725.6	818.6
Total equity	168.2	221.8	284.6	351.7	419.7	497.9
Share capital & premium	92.5	92.5	92.5	177.4	177.4	177.4
Retained earnings & reserves	75.7	129.2	192.1	174.3	242.3	320.5
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
Total long term liabilities	80.2	100.9	82.3	145.2	145.6	146.1
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	138.7	138.7	138.7
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
Total short term liabilities	94.3	114.8	157.9	140.3	160.3	174.6
Provisions	0.4	0.2	0.4	0.5	0.5	0.5
Accounts payables	44.2	50.0	65.9	79.8	97.0	106.7
Tax payable	24.9	28.6	28.5	35.9	35.2	37.0
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	24.2	27.6	30.4
Cash Flow Statement						
EBIT	74.4	96.7	116.1	127.3	130.9	144.1
Depreciation and amortisation	8.5	8.8	9.7	10.2	11.8	13.1
Changes in retirement benefits	0.2	0.3	0.3	0.4	0.5	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)	(27.0)	(34.9)	(21.5)
Income taxes paid	(15.2)	(23.4)	(28.0)	(29.9)	(29.3)	(30.9)
Interest paid	(5.0)	(2.9)	(4.8)	(8.0)	(8.6)	(8.6)
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)	7.4	(0.7)	1.8
Cash Flow from Operations	34.1	66.1	57.1	80.6	69.6	98.6
CAPEX	(31.5)	(46.1)	(59.0)	(55.3)	(46.9)	(34.6)
Interest received	0.6	1.7	1.4	1.9	2.4	3.2
Cash Flow from Investing	(30.9)	(44.3)	(57.6)	(53.4)	(44.6)	(31.4)
Dividends paid	(11.1)	(13.9)	(19.4)	(24.2)	(27.4)	(29.6)
Equity issued	3.9	0.0	0.0	0.0	0.0	0.0
Δ Bank Debt	(5.6)	22.6	(1.7)	20.0	0.0	0.0
Cash Flow from Financing	(12.8)	8.7	(21.0)	(4.2)	(27.4)	(29.6)
Net change in cash	(9.6)	30.3	(21.6)	22.9	(2.3)	37.6

Source: Company & Prelium Research Estimates

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

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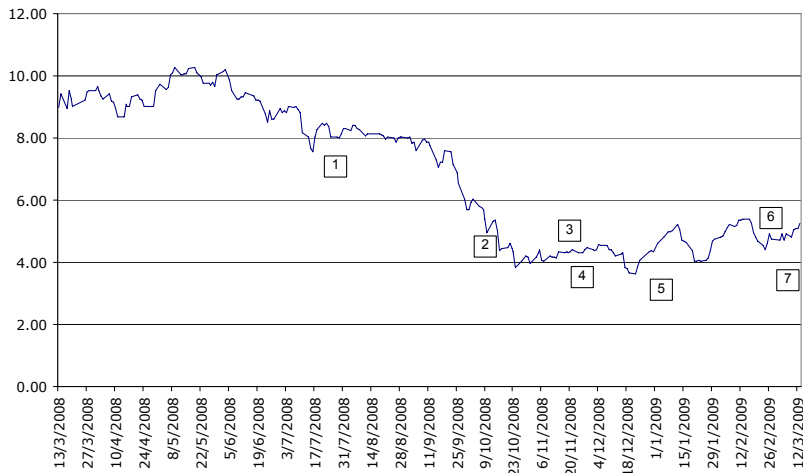
STOCK RATING DEFINITIONS

- The investors should carefully read the definitions of all ratings used in this research report.
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	Unadjusted Share Price on date of issue	Unadjusted Target Price
1	23/7/2008	8.40€	12.66€	Outperform - Initiation	16.80€	25.32€
2	7/10/2008	5.78€	10.86€	Outperform - Review	11.56€	21.72€
3	21/11/2008	4.34€	10.86€	Outperform - Flash Report	8.68€	21.72€
4	25/11/2008	4.30€	8.44€	Outperform - Review	8.60€	16.88€
5	29/12/2008	4.08€	8.44€	Outperform - TP adjustment		
6	27/2/2009	4.90€	8.44€	Outperform - Flash Report		
7	16/3/2009	5.26€	7€	Outperform - Review		

* Adjusted price due to the distribution of bonus shares (1:1)



PROCESS OF VALUATION

Our evaluation is based on a DCF model. We discount the cashflows with a variable WACC from 10.12% to 10.94%. We use a risk free rate of 6.04%, a weighted equity risk premium of 7.18% - 7.24% and a beta of 0.79.

RISKS TO OUR VALUATION

- Currency risk
- Potential price pressure from suppliers
- The diminishing purchasing power of consumers
- Delays in the store roll-out plan
- 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	7€	5.26€ / 13.03.2009	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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PRELIUM INVESTMENT SERVICES S.A. RATING DISTRIBUTION

As of March 16, 2009	Outperform	Neutral	Underperform	Under Review / Not Rated	Restricted
% distribution breakdown	50%	0%	0%	50%	0%

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