MASTER OF SCIENCE IN
FINANCE

MASTERS FINAL WORK
PROJECT

EQUITY RESEARCH:
JERÓNIMO MARTINS SGPS SA

BERNARDO MARQUES VIDEIRA FONSECA

OCTOBER 2021

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SUPERVISOR:
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Abstract

The Following Equity Research report was written in accordance with the CFA Institute Equity Research recommended format and considers the public information available for Jerónimo Martins until the 8th of September 2021, any available information after this date was not considered.

Jerónimo Martins is an international Portuguese based Group in the food retail business, primarily engaged in food distribution, with over 225 years of existence and a leading position in the Polish market.

As a finance enthusiast, my motivations on choosing this company are related to JMT being an iconic Portuguese Group for many years, with a strong legacy and history, and due to my wish for valuing a PSI20 company.

This report begins with a business description to present the company, analyse its segments and strategies, and provide a brief history. Moreover, the governance is described including an ESG section describing the company's increasing given importance in this area. In addition, an Industry overview of the Food Retail & Distribution Industry, including Industry analysis, trends, economic outlooks, demand and supply and drivers of revenues and costs. Also, the competitive positioning was analysed with a SWOT analysis, PESTEL and porter´s 5 forces

To perform a valuation on JMT, both absolute and relative valuation methods were considered. According to Free Cash Flow to the Firm (FCFF) method, the price target for 2020YE is €20.86 meaning an upside potential of 16% against the closing price on September 8, 2021. To support the valuation, other methods were used such as the Free Cash Flow to Equity (FCFE), Adjusted Present Value (APV), Dividend Discount Model (DDM) and Relative valuation with multiples from the selected peer group.

Finally, the risks to the price target were assessed through a risk matrix, scenario analysis for changes in growth rates of revenues, sensitivity analysis to the Weighted Average Cost of Capital (WACC) and the terminal growth rate (g) and lastly, a Monte Carlo simulation using the Oracle Crystal Ball add-in.

Considering a price target of €20.86 with an upside of 16%, the solid Poland business, future expansion projects and good outlook for Ara´s (JMT Colombian banner), the recommendation for JMT is BUY with medium risk.

JEL classification: G10; G32; G34.

Keywords: Equity Research; Valuation; Mergers & Acquisitions; Corporate Finance; Discounted Cash-Flow; Dividend Discount Model; Relative Valuation; Jerónimo Martins; Food Retail & Distribution; Supermarkets.

Resumo

O presente relatório Equity Research foi escrito em linha com o formato recomendado pelo CFA Institute e considera a informação pública disponível para a Jerónimo Martins até ao dia 8 de Setembro de 2021, qualquer informação posterior não foi considerada.

O Jerónimo Martins é um grupo internacional de retalho alimentar baseado em Portugal, principalmente na área da distribuição alimentar, conta com mais de 225 anos de existência e uma posição líder no mercado da Polónia.

As motivações que me levaram a escolher esta empresa tiveram a ver com a Jerónimo Martins ser um grupo icónico no meu ponto de vista, com um forte legado e história, e também devido à minha vontade em avaliar uma empresa pertencente ao PSI20.

Este relatório inicia-se com uma descrição do negócio e apresentação do grupo, também uma análise aos segmentos e estratégias e uma breve história do grupo. Seguidamente, a gestão do grupo é descrita incluindo uma secção dedicada a ESG. Posteriormente, uma análise da indústria do retalho e distribuição alimentar, incluindo tendências, cenários económicos, procura e oferta, custos e receitas. Adicionalmente, a posição competitiva da indústria é analisada através recorrendo à análise SWOT, Pestel e 5 forças de Porter.

De forma a proceder à avaliação, foram utilizados métodos de avaliação de empresas absolutos e relativos. Segundo o Free Cash Flow to the Firm, o preço alvo estimado para o final do ano de 2021 foi de €20.86 representando um potencial de 16% relativamente ao preço de fecho do dia 8 de Setembro de 2021. Para suportar a avaliação, outros métodos fora usados tais como o Free Cash Flow to Equity (FCFE), Adjusted Present Value (APV), Dividend Discount Model (DDM) e a avaliação relativa com a utilização de múltiplos calculados através do grupo de empresas comparáveis.

Por fim, os riscos associados ao preço alvo foram analisados através de uma matriz de risco, criação de cenários para as taxas de crescimento das receitas, análises de sensibilidade para a taxa de custo de capital médio ponderado (WACC) e a taxa de crescimento de longo-prazo (g) e por último, uma simulação Monte Carlo usando o add-in Oracle Crystal Ball.

Tendo em conta um preço alvo de 20,86 € com um potencial de 16%, uma atividade sólida na Polónia, projetos de expansão futuros e boas projeções para o negócio do grupo na Colômbia, a recomendação para a Jerónimo Martins é de Comprar com médio risco.

Classificação JEL: G10 ; G32; G34;

Palavras-Chave: Equity Research; Avaliação de Empresas; Fusões e Aquisições; Finanças Corporativas; Jerónimo Martins; Retalho e Distribuição Alimentar; Supermercados.

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To my family, for giving me the possibility to enroll in this masters in finance degree and for all their support and encouragement during my studies at ISEG.

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Abbreviations

APV - Adjusted Present Value
Bn – Billions
Bps - basis points
CAGR - Compounded Annual Growth Rate
CAPEX - Capital Expenditure
CAPM - Capital Asset Pricing Model
CCC – Cash Conversion Cycle
CFO – Cash Flow from Operations
COGS - Cost of Goods Sold
CPI - Consumer Price Index
CRP - Country Risk Premium
D – Debt
D&A – Depreciation & Amortization
DCF - Discounted Cash Flow
DDM – Dividend Discount Model
DIO – Days of Inventory Outstanding
DPO – Days Payable Outstanding
DPS - Dividends Per Share
DSO – Days Sales Outstanding
E – Equity
EBIT - Earnings Before Interest & Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS – Earnings Per Share
EUR – Euro
EV – Enterprise Value
F - Forecast
FCFF - Free Cash Flow to the Firm
FX - Foreign Exchange
FY - Fiscal Year
g - Terminal Growth Rate
GDP - Gross Domestic Product
GPM – Gross Profit Margin
GVR - Grand View Research
HY - Historical Year
IMF - International Monetary Fund
ITS – Interest Tax Shield
JMT - Jerónimo Martins
Kd – Cost of Debt
Ke – Cost of Equity

LFL - Life-for-Like
M – Millions
M&A – Mergers and Acquisitions
MRP - Market Risk Premium
NPM – Net Profit Margin
NWC - Net Working Capital
OECD/FAO - Collaborations between Organization for Economic Co-operation and Development and the Food and Agriculture Organization
PLN – Polish Zloty
RFR – Risk-free Rate
ROA – Return on Assets
ROE – Return on Equity
sqm - Sales per square meter
SWOT – Strengths, Weaknesses, Opportunities and Threats
Tn – Trillions
TP - Target Price
TV - Terminal Value
USD – US Dollar
V – Value
WACC – Weighted Average Cost of Capital
YE - Year End
YoY – year on year growth

Lisbon School of Economics & Management
Universidade de Lisboa

JMT: Solid Poland and new expansions on the way

(2022YE Price Target of €20.86; recommendation is to BUY with Medium Risk)

1. Research Snapshot

We issue a **BUY** recommendation for Jeronimo Martins S.G.P.S., SA (**JMT**) with a 2022YE price target of **€20.86** using a DCF model, meaning a **16% upside potential** from September 8th 2021 closing price of €18.00, with **medium risk**. In a challenging economic environment, JMT largest business, Biedronka, has shown resilience and capacity to deal with a pandemic keeping the company on track during 2020FY. In addition, JMT has new upcoming geographical expansion plans and expected growth in Colombia to start yielding significant added value.

Continued solid performance in Poland: Biedronka again released a set of strong earnings in Poland, despite pandemic impacts, with revenues yielding a 7% increase in 2020FY compared to the previous year. JMT is leader in the Polish market with a solid market share of over 25% and keeps increasing the number of stores with 100 new stores to come by 2021YE. Revenues are expected to maintain a strong momentum, driving the Group for a sustainable growth.

Expansion Plans: JMT is planning to expand Biedronka to Romania, which represents an opportunity to increase future sales, by using its largest and established brand to a nearby country. To boost e-commerce, JMT wants to expand beyond borders its Polish specialized retail largest unit, Hebe, more specifically, to Slovakia and Czech Republic, in order to come on board with market trends upon ecommerce recent increased visibility with the pandemic.

Colombia on track to reach breakeven: despite the effects from the pandemic on delaying Ara´s growth from previous top-line momentum, breakeven is expected to be achieved during this year. Ara is expected to become a strong unit in the future with continued investment as more than 100 new stores are expected for 2021FY.

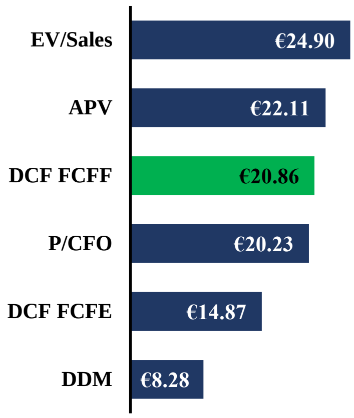
Table 1 – Market Profile
Source: Reuters, Author

Market Profile	
Exchange	Euronext Lisbon
Bloomberg ticker	JMT:PL
Market cap	11.06B
Shares	629M
High	18.42
Low	7.32
52 Week Range	12.50 - 18.42
Avg. Volume	934,494

Table 2 – Financial highlights
Source: Author

€M / %	2020	2021F	2026F
Revenues	**19 293**	**20 490**	**25 796**
EBIT	1 423	1 409	1 773
EBIT Mg.	3.3%	3.4%	3.8%
Net Profit	**312**	**387**	**552**
NPM	1.6%	1.9%	2.1%
CFO	**1 434**	**1 311**	**1 643**
CAPEX	479	818	1 030
ROE	**13.9%**	**16.3%**	**14.6%**
ROIC	8.6%	7.8%	8.2%
ROCE	13.6%	14.2%	14.6%

Figure 1 – JMT Price Targets
Source: Author



2. Business Description

Jerónimo Martins, SGPS, SA. (“**JMT**”) is a Portuguese based international group of food distribution and specialized retail, primarily focused on food distribution. Founded in 1792 with over **225 years of experience** in the food business, JMT is currently present in **3 countries** (Poland, Portugal, and Colombia) with 118,210 total employees. The group´s purpose is to address the daily needs of millions of customers, providing a quality shopping experience of quality food at competitive prices. JMT went public in November 1989 and is currently quoted in Euronext Lisbon since 2002. In 2020HY, JMT had a **market capitalization** of €11.06Bn (more than 30x its initial value).

JMT **Business Structure** operates in 3 different business areas: Food distribution, Specialized Retail and Agribusiness.

FOOD DISTRIBUTION

Food Distribution is JMT´s core business representing about 95% of total sales. In this area, the group operates under 4 different banners in 3 different countries (**Table 4**). JMT commitment in this area focus on delivering the high-quality food solutions at competitive prices. Having competitive prices is one of JMT´s strengths on having significant market shares, aligned with two main strategies: frequent and attractive **discounts** and partnerships (**private brands**) with suppliers to decrease prices. Overall, JMT business model for food distribution for the 3 countries that the Group is present, focuses on having a large number of small to medium sized stores with close proximity between them, belonging to the supermarkets segment, and by having competitive prices driven by frequent discounts in products.

Poland (Biedronka)

JMT operates in Poland under the **Biedronka** banner, the largest banner of the Group. Biedronka is a chain of food stores that focuses on the variety of products, pleasant environment stores, proximity of stores and most important, selling quality products at low prices, primarily driven by a **hard discount policy** with frequent discounts. Biedronka is JMT´s **leading revenue driver (Figure 3)**, which is **leader in the Polish market** being the biggest Food Distribution chain in the country, with over 3,115 stores spread across 1,000 locations throughout Poland and 17 distributions centers.

In 2020FY, Biedronka´s **sales** amounted to €13.5Bn (+7% vs €12.3Bn in 2019HY), representing 69.8% of JMT total sales, where 40% of those sales corresponded to private brands. **Sales area** of €2.1Bn, **LFL** growth of 7.1% (vs 5.8% in 2019HY), an 1.6% increase in **market share** and around 4.1M daily visits, showing Biedronka´s solid contribution for JMT **(Figure 4)**.

Portugal (Pingo Doce & Recheio)

In Portugal, JMT currently operates under two banners: Pingo Doce and Recheio. With **Pingo Doce**, JMT holds a position in the supermarket segment with 453 supermarkets spread across 300 locations in Portugal, offering customers quality food products at competitive prices. In 36 of its stores, Pingo Doce has a restaurant

Figure 2 – JMT 20FY major figures
Source: Author

Leader in Poland

225 years of experience

118 210 Employees

€ 19.3Bn in Revenues

€ 11.06Bn Market Cap.

Table 3 – JMT Business DNA
Source: Author

JMT Business DNA
1| Food Solutions
2| Competitive Prices
3| Proximity of Locations
4| Operational Efficiency
5| Expertise in Fresh Products
6| Quality Private Brands

Table 4 – JMT country banners
Source: Author

Food Distribution	
Poland	Biedronka
Portugal	Pingo Doce & Recheio
Colombia	Ara
Specialised Retail	
Poland	Hebe
Portugal	Jeronymo and Hussel

Figure 3 –Sales by banner (in %)
Source: Author

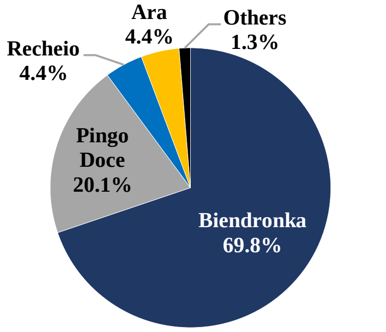
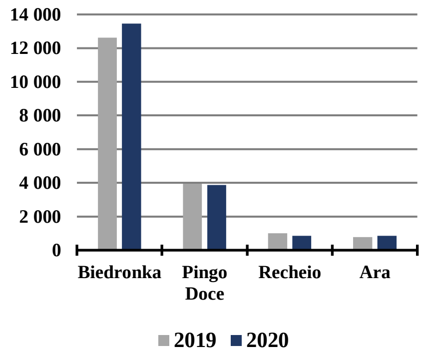


Figure 4 – Sales by banner (€ millions).
Source: AR2020, Author



area designated to sell meal solutions to customers. Complementing the food retail business, Pingo Doce banner is also associated to the drugstore area with “Bem-Estar” concept as a small store in petrol stations. Pingo Doce has 40 years of activity, in 2020FY **sales** amounted to € 3,869M (vs €3,945M), **sales area** of €523,136M, **LFL** growth of -3.4% (vs 2.3% in 20219YE) mainly due to pandemic restrictions imposed in Portugal.

Pingo Doce has some differentiation drivers such as: the Pingo Doce private brand, the first to obtain a quality certification; unique store environment to reflect a traditional market and competitive pricing policies with frequent discounts. JMT holds 51% of Pingo Doce where the other 49% belong to Ahold Delhaize (a retail Belgian-Dutch company) as a joint venture.

JMT is also the Cash & Carry leader in Portugal under **Recheio** banner. Recheio has 38 stores, 4 platforms, over 45 years of activity, a disperse geographical coverage in the country and focus on offering food solutions with its private brands (Masterchef, Gourmes and Amanhecer) for traditional retailers as well as hotels, restaurants, and catering services. In 2020FY Recheio **sales** were €847M (vs €1bn in 2019HY), **sales area** of around €134M, **LFL** growth of -15.8% (vs 3.2% in 2019HY), again mainly driven by COVID19 restrictions in Portugal.

Colombia (Ara)

Started in 2013HY, Ara is JMT´s most recent business and it is often referred to JMT´s “start-up” due to its early stage with break-even at the EBITDA level expected to be achieved during 2021FY. It is a food distribution chain located in Colombia in three different areas of the country: The Coffee Growing Region, the Caribbean Coast and Bogota. Ara follows a similar business model to the Biedronka, it has proximity of stores (most stores are set up in residential neighborhoods) and again, with focus on delivering quality food products at the competitive prices.

In 2020YE Ara was operating 663 stores and 4 distribution centers, private brands were around 700 (in which 45% of Ara´s sales correspond to sales from private brands) and about 7,343 employees. **Sales** were €854m (vs €784m in 2019YE), sales area were around €224m and the LFL growth was 10.2% (vs 17.4% in 2019YE).

SPECIALISED RETAIL

Poland (Hebe)

Hebe is the major specialised retail business in JMT. It is a retail chain of Health and Beauty Stores with a concept of offering quality services at competitive prices where its main business is focused on cosmetics and skincare solutions. Hebe has 266 stores and also an e-commerce platform launched in 2019 with more than 1M orders placed in 2020YE. It has a loyalty cards program with 4.4M cards, 340 private brands and 4,250 exclusive brand products. In 2019YE, Hebe reached breakeven on EBITDA. In 2020YE, Hebe made €245M in **sales** (vs €259m in 2019YE), €69k in **sales area**, **LFL** growth of -10.3% (vs 7.4% in 2019YE).

Portugal (Jeronymo & Hussel)

Jeronymo is a chain of coffee shops created in 2002. Currently with 22 stores and a purpose of replicating the spirit of old neighborhoods coffee shops. **Hussel** is a chain that sells chocolates and confectionery with 23 stores.

Figure 5 – EBITDA by banner (in %)
Source: Author

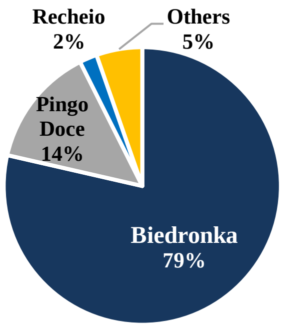


Figure 6 – Store Network in 2020YE (number of stores)
Source: Company data, Author

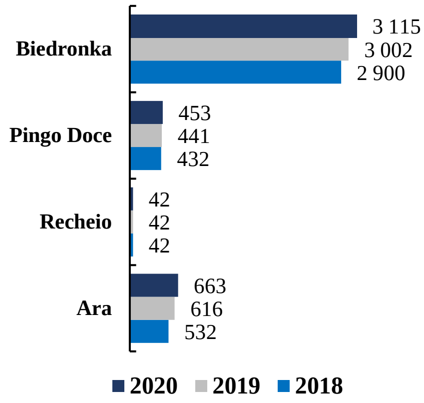


Figure 7 – sqm by banner (in millions €)
Source: AR2020, Author

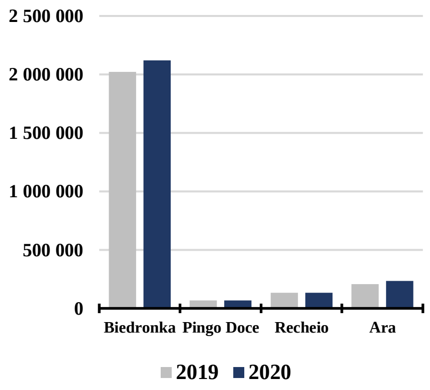
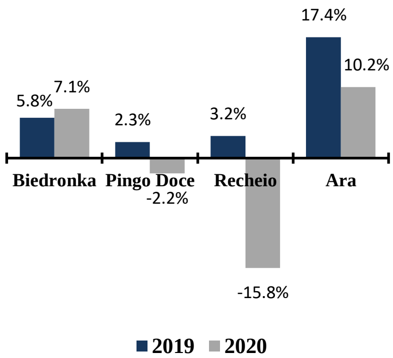


Figure 8 – LFL growth
Source: AR2020, Author



AGRIBUSINESS

In 2014HY JMT launched this new area which was made primarily to support the food distribution area in Portugal, with Jerónimo Martins Agro-Alimentar, in terms of direct access of supply resources for the Group companies.

BRIEF HISTORY

In **1792** a young entrepreneur named Jerónimo Martins opened a small shop called "Jerónimo Martins & Filhos" in the center of Lisbon. Since then, the store kept growing over the years becoming one of the most famous stores in the capital. Despite the success the company almost went bankrupt during World War I´s recession in Portugal, this is where the Soares dos Santos family comes in, where in **1921** Francisco Manuel dos Santos (Alexandre Soares dos Santos grandfather) bought the establishment.

Alexandre Soares dos Santos assumed the family business in **1968** after his father death, and his vision, audacity and leadership have grown Jerónimo Martins from a Medium Family Enterprise into an International Group of businesses.

STRATEGIES

The Group is committed on growing its business with continuous store openings, in which 26% of investment allocation is for expansions (**Figure 10**). JMT plans to expand Biedronka to **Romania,** likely through an acquisition. Due to the recent pandemic, this expansion has been delayed and will be performed whenever the Group understands that the required stability in the economy exists and according to the CEO, it will happen in the short-term. Also, **Hebe´s digital expansion to Czech Republic and Slovakia** has been similarly delayed due to the pandemic situation. It is clear that the Group wants to keep its international expansion, however, uncertainty brought by the pandemic is questioning the appropriate timing of such expansions.

The Group has been doing its business with focus on 4 core competences (**Table 5**): having a wide range of **strong brands** allows JMT to attract customers and increase market share; the Group adapts its **business model** to the market and consumer trends, being able deliver to customers their needs; the **focus on efficiency** stands on the continuous improvement of efficiency and productivity, taking advantage of economies of scale and synergies. Last, **management capacity,** based in the overall guidance of the company, setting priorities and goals to achieve.

JMT operates towards **value creation**, seeking for a competitive position in every business with a strategy of offering quality food at competitive prices. To achieve value creation and JMT´s strategic objectives (**Table 5**), the Group follows **4 Strategic Guidelines**: 1- Continuous strengthening of the balance sheet; 2- Risk management in asset value preservation; 3- Maximization of economies of scale and synergies and 4- Promotion of innovation and pioneering spirit; and **4 Lines of Action**: 1- Increasing price competitiveness and the value proposition; 2- Improving operational efficiency; 3- Incorporating technology updates and 4- Identifying opportunities for profitable growth.

Figure 9 – Hebe & Others Sales
Source: AR2020, Author

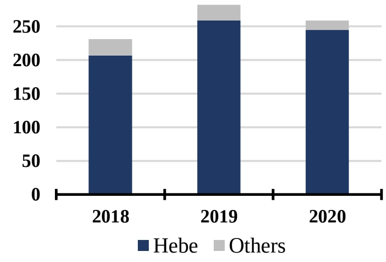


Figure 10 – Investment Allocation (%)
Source: AR2020, Author

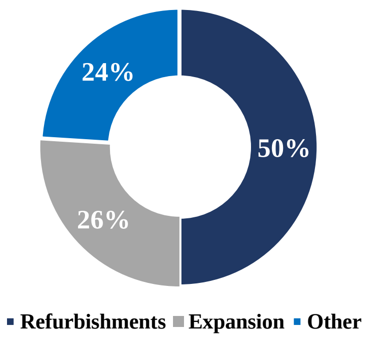


Figure 11 – CAPEX distribution (%)
Source: AR2020, Author

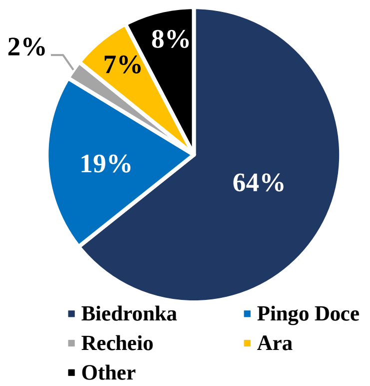


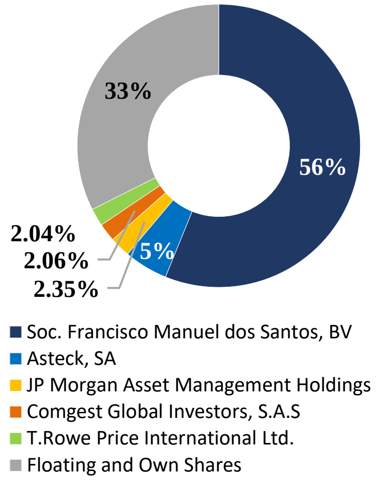
Table 5 – Business Strategies
Source: JMT Website, 2021

Core Competencies
Strong brands
Business models
Focus on efficiency
Management capacity
Strategic Objectives
Market leading positions
Strong brands and chains
Balanced growth

3. Management and Corporate Governance

Soares dos Santos family owns **56.14%** of JMT´s capital through Sociedade Francisco Manuel dos Santos, BV, being JMT´s major shareholder. This society was created by Alexandre Soares dos Santos (JMT previous CEO) in order to manage Soares dos Santos family participation in JMT. **Free float** is currently 32.41% of current shares outstanding in the market. The remaining shareholders can be seen in (**Figure 12**). Since 2007, JMT follows the **Anglo-Saxon** governance model in which the group considers on being the most appropriate within the interests of shareholders. JMT´s model of governance is composed by **4 Corporate Bodies** (**Table 6**) which are elected for three years 'term of office, the current cycle began in 2019 and is ending in 2021YE. In 2010, the BoD decided to set up 5 **specialised committees (Table 6)** to monitor and supervise certain areas.

Figure 12 – Shareholder Structure
Source: JMT Website 2021, Author



CORPORATE BODIES

Board of Directors (BoD): Currently the BoD has 10 members (**Table 7**) and is chaired by the CEO, Pedro Soares dos Santos. It is composed with members from different nationalities and 60% of them are **independent**. The BoD must have a minimum of 7 members and a maximum of 11, including the chairman. The BoD meets at least 4 times a year and during 2020HY met 7 times. Among a wide range of duties entitled to the BoD (legal and internal), there is the overall conduct of the company, its management, guidance, and performance.

CEO: Pedro Soares dos Santos is the CEO of JMT since 2010. He joined the group in 1983 and has been a member of the BoD since March 1995. In 2010, the BoD has chosen to entitle the daily management of the corporate business to the CEO.
In the course of its functions on managing the company, the CEO is assisted by the **managing committee**, a body of senior management from the group which is appointed by the BoD. The managing committee meets at least 2 times a month and the respective term of office is equal to the BoD who elected it.

The Audit committee: Is responsible for the supervision in the Group´s management and ensures that all audit activities are accurately managed. The Audit committee has 3 members, in which, Sérgio Tavares Rebelo is the Chairman.

SPECIALISED COMMITTEES

Ethics Committee: Created to monitor, impartially, the code of conduct of the group in all its activities. This committee is composed by 3 to 5 members, appointed by the BoD.

Internal Control Committee: The Internal Control Committee is responsible for the process of preparing the financial statements as well as to ensure compliance with laws and regulations. Reports to the Audit Committee and has a total of 5 members which are appointed by the BoD, none of which is an Executive Director.

Table 6 – JMT Governance Model
Source: JMT Website 2021, Author

Corporate Bodies
The Board of Directors
CEO
Shareholders´ Meeting
Audit Committee
Specialised Committees
CCGCR
Ethics Committee
Managing Committee
Internal Control Committee
Remuneration Committee

Table 7 – JMT BoD
Source: JMT Governance report 2020, Author

Board of Directors		
Name	**Indp.**	**Nat.**
Pedro S. dos Santos (CEO)	no	PT
Andrzej Szlęzak	no	PL
António Viana-Baptista	yes	PT
A. Stefan Kirsten	no	GER
Clara C. Streit	yes	USA
Elizabeth Ann Bastoni	yes	USA
Francisco Seixas da Costa	yes	PT
José Soares dos Santos	no	PT
María Ángela Holguín	yes	COL
Sérgio Tavares Rebelo	yes	PT

Table 8 – CEO Remuneration
Source: AR20, Author

CEO Remuneration
Fixed Component **(27%)**
Variable Component **(54%)**
Retirement Pension Plan **(19%)**

CCGCR – Committee on Corporate Governance and Corporate Responsibility: Collaborates with the BoD in advising and submitting proposals of corporate responsibility matters. Its members are appointed by the BoD and currently CCGCR has 5 members.

Remuneration Committee: Elected by the Shareholders meeting for a 3-year period, this committee has responsibilities on setting the remuneration of members of the BoD. Regarding **remuneration**, the CEO´s total direct compensation (**TDC**) is composed by a Fixed Remuneration (**FR**), a Variable Remuneration (**VR**) and a Retirement Pension Plan (**RPP**). The **FR**, a monthly remuneration considering the duties and responsibilities of the CEO. The **VR** is an annual amount attributed to the CEO by the Remuneration Committee based on annual individual performance. This remuneration is calculated based on quantitative indicators and qualitive indicators with equal weights, 50% each. The Quantitative indicators are related with financial performance whereas the qualitative are related to long-term sustainability of the group. If the individual performance does not meet any of the set targets (quantitative and qualitative), there will be no VR for the year. If yes, the VR payment will range between 50% to 100% its maximum (twice the FR). The remaining members of the BoD, the audit committee, Directors with non-executive duties earn a FR only, no subject to VR.

Environmental, Social and Governance (ESG)

JMT recognizes climate change as one major risk for companies nowadays and has been actively committed to adopt and develop sustainable principles which are based in 5 responsibility pillars (**Table 9**). In 2020, the group started to follow the **TCFD recommendations**[1] and also, every three years the group defines environmental goals and associated strategies (examples: fight food waste and reduce plastic usage). For the current period (2021-2023): the group reduced its carbon footprint by at least 40% in comparison to 2017HY and is expected to achieve **carbon neutrality by 2050**; 85.8% of waste from operations is sent for recovery; 58% of distribution centers and manufacturing units with environmental certification; water consumption decreased 4.8% (comparing to 2019HY) and single-use plastics (SUP) decreased 5.9% against 2019HY. Also, in 2020FY, the group prevented from entering the market 2,468 tonnes of sugar and 58 tonnes of salt, by reformulating their products. JMT is widely engaged with **ESG** analysts as it is listed in more than **90 International Sustainability Indices**. Some of them are the **Morgan Stanley Capital International Index** which represents companies with high performance in terms of ESG with a corresponding rating of AA (one level away from the top rating - AAA). Since 2012HY, JMT is being evaluated by the **ISS**, one of the main global rating agencies in ESG where in 2017 and 2019, the group got the "Prime" classification, which distinguishes JMT as a leading company from its sector in ESG. **Sustainalytics** placed JMT´s ESG risk rating in 7th out of 180 companies from the food retail industry, moreover, JMT´s ESG risk rating is classified as "low", indicating low risk on potential negative financial impacts from ESG factors

Table 9 – JMT Responsibility Pillars
Source: JMT Website 2021, Author

JMT Responsibility Pillars
#1 Promote health through food
#2 Environment respect
#3 Sourcing responsibly
#4 Support local communities
#5 Benchmark employer

Figure 13 – JMT workforce by country
Source: AR20, Author

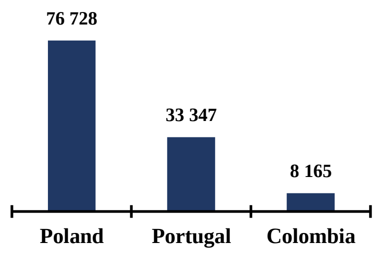
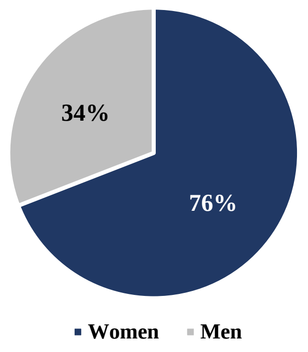


Figure 14 – Gender distribution (%)
Source: AR22, Author



[1] **TCFD (Task Force on Climate-related Financial Disclosures)** is an initiative promoted by the financial sector that helps business quantify and disclose climate-related financial risks and opportunities and their respective action plans. Source: JMT 2020 Annual Report.

4. Industry Overview and Competitive Positioning

INDUSTRY OVERVIEW

The industry of Food Retail & Distribution provides an essential service to people, it is one of the oldest and largest industries worldwide. This industry consists in the transaction of food goods between a seller and a buyer, satisfying the needs of the end user.

In 2019HY, the global food and grocery retail market was valued at $11.7Tn and is expected to reach $17.3Tn in 2027 at a 5% CAGR from 2020 to 2027 (GVR, 2020). The reasoning around this projection includes an increased level of disposable income and a solid middle-class base in developing countries, as well as brand awareness in important markets such as China and India. The Industry is mature and highly competitive, and most markets are structured as an Oligopoly, composed by a small set of large players that dominate regional markets with low prices, efficiency of logistics and economies of scale. The global food & grocery retail market value is dominated by the Asia-Pacific region with market share of 46% as of 2019FY (China, India, Japan, and Indonesia as the main markets) followed by the US market with a market share of 22% (**Figure 16**).

Market Segmentation

The industry is mainly composed by 4 types of products: **food** (packaged and unpackaged), **drinks**, **tobacco** and **households' products**. Food products represent 72.8% of the total market and drinks 16.50% (**Figure 17**).

There are different types of distribution channels with different dimensions: **hypermarkets**; **supermarkets** and **hard discounters**; **convenience stores** and **gas stations**; **value discount** and **general merchandise retail**; **clubs** and **others**. Supermarkets and hypermarkets have higher market share followed by convenience stores and online (**Figure 18**).

Key drivers of Revenues

The industry of food retail & distribution is inherently linked to the evolution of worldwide economies. Three important drivers that support growth in revenues are **spending power**, **population growth** and **inflation**. As spending power increases, consumption is expected to grow, even though food goods are essential, savings tend to diminish in reality as budgets become less restrictive. With a growth in population, more demand becomes available to fulfill by companies and low inflation tends to keep prices lower and therefore, increase demand and consumption levels.

Also, in line with emerging consumer trends the increase of investment in e-commerce platforms with competitive prices is giving strength to companies with higher market shares. The food retail business is expected to keep growing as the purchase of food is essential to the day-to-day living and the world´s population has been growing over the years.

Key drivers of Costs

Most relevant types of costs in this industry are **labor costs** and **property rental expenses**. Food retailers' resort to advertising strategies to attract new customers and increase sales, where **advertising costs** are required and considered to be expensive.

Figure 15 – Global Food and Grocery retail market size (in trillions USD)
Source GVR (2020), Author.

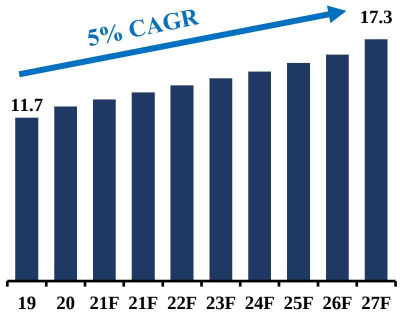


Figure 16 – Global Food & grocery retail market distribution
Source MarketLine (2020).

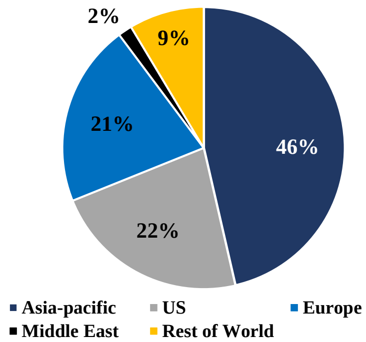


Figure 17 – Global Food & grocery retail market category segmentation.
Source MarketLine (2020).

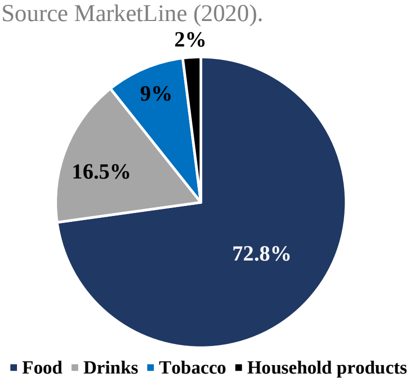
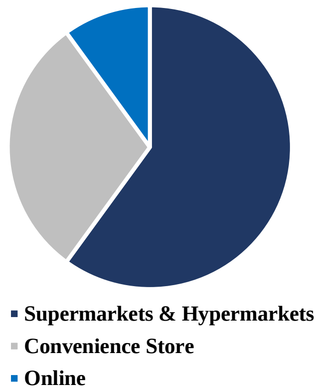


Figure 18 – Global Food and Grocery retail market share, by distribution channel.
Source GVR (2020), Author.



When considering major players with businesses in different markets, these companies are exposed to **exchange rates risk and commodities prices,** which can lead to costs when poorly managed (derivatives are often used to hedge this risk). Also, **taxes**, **government regulations** and **inflation** can increase costs and lead to price changes.

In **JMT**, the major costs are **distribution costs** (**Figure 19**). These costs are related with the retail main activity in store, logistics and warehousing whereas administrative costs are related the support of central offices activities.

ECONOMIC OUTLOOK

The COVID-19 pandemic has brought uncertainty into the economy and froze part of the economic activity. Despite the downturn, the latest IMF forecast on global growth is projected at 6% for 2021 (**Figure 20**). For the Euro area the projected growth is at 4.6% and for the Latin America and the Caribbean area at 5.8%. This economic recovery reflects measures from the regulatory authorities and governments, with stimulus taken in terms of monetary and fiscal policies. Projections for 2022 indicate stability in terms of future growth.

Macroeconomic Environment

In **Poland**, an economy less dependent on tourism and more settled on industry, was in 2020FY an economy that showed overall resilience to the negative effects of the pandemic, when compared to Portugal and Colombia. The polish measures implemented to fight the pandemic weren't as harmful for JMT as the Portuguese ones, where in some cases, stores were allowed to stay opened for 24h to prevent overcrowded situations. The Group was able to adapt with agility and ended increasing revenues. For 2020HY, the Polish **GDP** fell 2.8% vs the growth of 4.5% in 2019FY at constant prices, the **unemployment rate** increased to 5.9% (vs 5.4% in 2019FY), the polish **population** has been decreasing over the years, the **CPI** increased to 3.4% from 2.3% in 2019FY due to the general increase in food prices and **consumption** decreased due to preventive saving measures from buyers. Nevertheless, the government has been making efforts to support the polish economy, such as increasing the minimum wage.

In **Portugal**, an economy more dependent on tourism was dominated by the effects of the pandemic due to a decline in the economic activity, reflected by a drop in domestic demand and tourism. The Portuguese measures to fight the pandemic impacted JMT causing Pingo Doce and Recheio to decrease in revenues, mostly due to restrictions on allowed store opening times. In 2020FY, the Portuguese **GDP** fell by 7.6% (vs 2.2% growth in 2019FY), **private consumption** estimated to have dropped 7%, the **unemployment rate** increased to 6.8% from 6.5% in 2019FY and **inflation** was nearly zero (vs 0.3% in 2019FY).

In **Colombia**, the country is constrained financially which has impact on spending habits as well as pandemic measures and restrictions, which still have an impact today since the virus spread occurred later to EU countries. Unlike Poland, the communities are not supported by governmental subsidies. The **GDP** fell 7% (vs 3.3% in 20219FY) in 2020FY, the **unemployment rate** increased to historical levels of 16.1% (vs 10.5% in 2019FY) and **inflation** stood at 2.5% (vs 3.5% in 2019FY) in line with the Colombian Central Bank´s objective, which lowered the reference interest rate 7 times during 2020FY.

Figure 19 – JMT Cost Distribution (%)
Source AR20, Author.

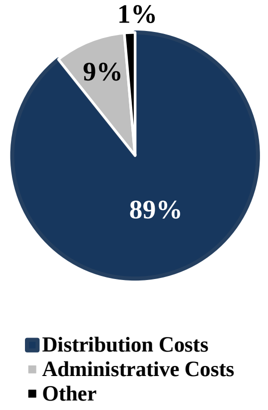


Figure 20 – GDP growth (%)
Source: IMF 2021, Author.

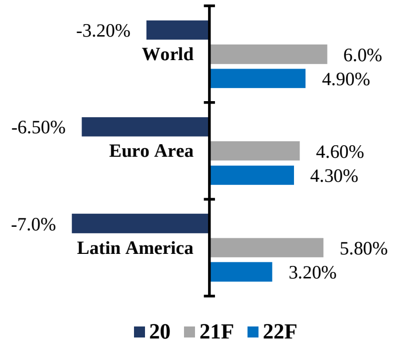


Figure 21 – Real GDP growth by country
Source: IMF 2021, Author.

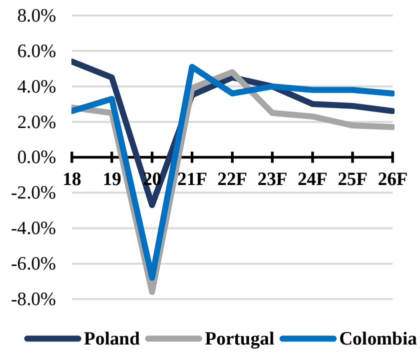
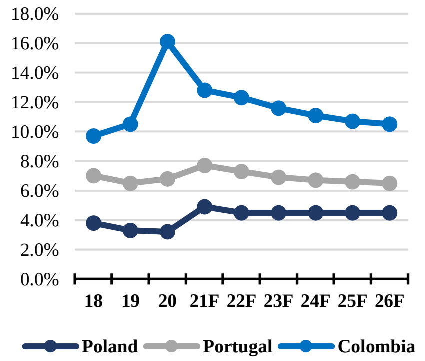


Figure 22 – Unemployment rate by country
Source: IMF 2021, Author.



The **economic outlook for 2021** is intrinsically linked to the evolution of the pandemic, particularly, with the effectiveness of the vaccination plan.

Demand Drivers

There are several elements that drive and shape the demand for food around the world, such as, population dynamics, urbanization, disposable income, consumer preferences and prices. Economic development and population growth are leading to increases in food consumption with a growing middle-class demanding for variety and quality.

World population rose at 1.12% CAGR between 2009 and 2019, from 6,775M in 2009FY to 7,575M in 2019FY (**Figure 24**). The emerging markets and developing economies were the major drivers to the growth in population with a CAGR of 1.236% vs a 0.46% CAGR in advanced economies. This disparity in population growth across different regions is likely to shape the global demand for food.

Population is a key driver of total food use, with an expected 11% expansion in global population until 2029, which translates for about 842M people, associated with a general increase in per capita income across the globe. Globally, aggregated food consumption (in kcal) is projected to increase 3% until 2029, reaching 3,000 kcal/day per person, in which half of the additional calories come from fats and staples. Regarding high income countries (per-capita income above $13k), food consumption is likely to remain at current levels until 2029, whereas for upper-middle income countries (per-capita income between $3.9k and $13k), food consumption is expected to grow 4% by 2029, with 38% of additional calories coming from animal products and 26% coming from fats and other foods (OECD-FAO Agricultural Outlook 2020-2029).

The level of **income** has relevancy when considering demand factors in this industry. Economic development will impact per capita income and consequently impact per capita food expenditure across all income groups, with an expected increase in the consumption of resource-intensive items, with impacts on the environment and agriculture. As income rises, the propensity to spend the extra income on food declines in favor of discretionary items, so that the food expenditure share in total disposable income falls. For higher-income countries, is expected to fall from about 8% in the base period to 6% by 2029 (**Figure 25**). In 2022, the middle-class could be consuming about $10 trillion more than in 2016, where $8 trillion of this increase in spending comes from Asia, mostly from China and India (Kharas, 2017). With growing populations and prosperity, agricultural production will need to increase by 70% to feed the world´s people by 2050 (source: PwC).

SUPPLY OUTLOOK

Agricultural Output Growth

Global agricultural is projected to increase over the coming decade with productivity improvements such as technological innovations, despite the increasing constraints on expanding agricultural land in some regions. Asia Pacific region gives the major contribution to global agricultural production, accounting almost half of global output, whereas Europe, Central Asia, and North and South America are responsible for another 45% (**Figure 26**). For developed regions, including Europe and North America, the agricultural productivity is already at high levels, despite the constraints from policies such as environmental and animal welfare policies.

Figure 23 – Inflation rate by country
Source: IMF 2021, Author.

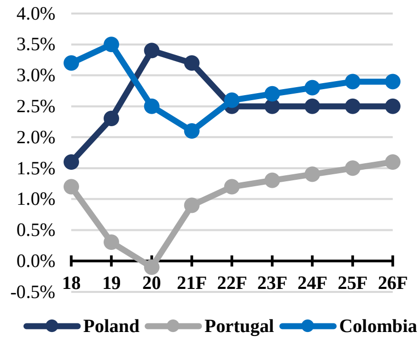


Figure 24 – World population (millions)
Source: IMF 2021, Author.

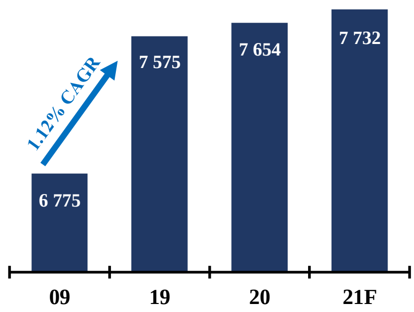


Figure 25 – Food as share of household expenditures by income group.
Source: OECD/FAO (2020), Author.

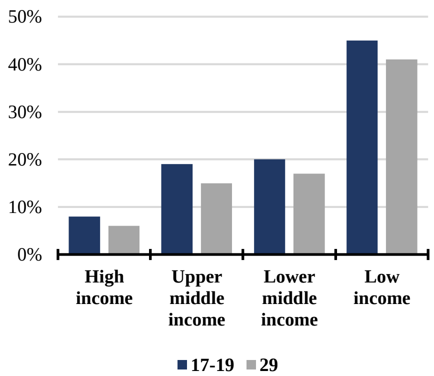
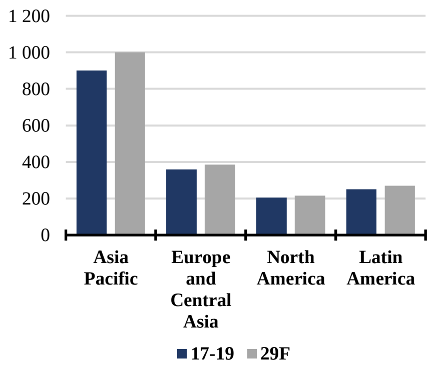


Figure 26 – Agricultural regional production trends (in billions USD)
Source: OECD/FAO (2020), Author.



Supply Chain

The 3 fundamental parts of the supply chain are: **production** (farmers and ranchers), **processing** (processing of raw materials) and **retail** (selling final goods). Each stage contributes for the price formation that final consumers pay for their products. Backward Integration is common in this industry and most players use it to improve efficiency and competition. With thin margins, most companies source their products from low-cost suppliers around the world. JMT holds partnerships with local suppliers in order to increase efficiency and save in transportation costs, as well as reducing carbon emissions and to promote the communities where the Group operates. In 2020YE, JMT food purchases were 90% sourced from local suppliers.

Figure 27– JMT Supply of perishables in Portugal
Source: JMT website 2021, Author.

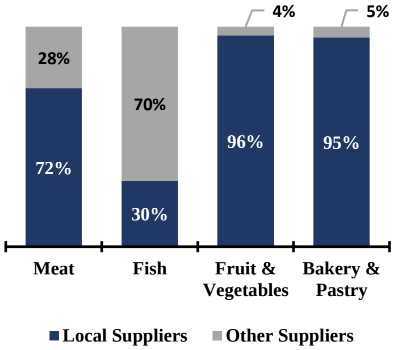
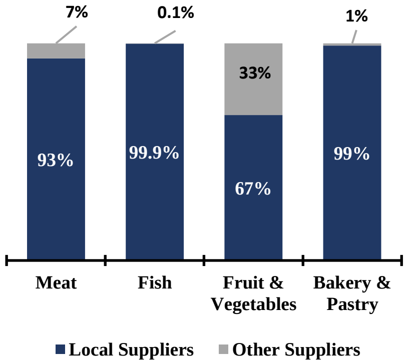


Figure 28 – JMT Supply of perishables in Poland
Source: JMT website 2021, Author.



INDUSTRY TRENDS

E-commerce

E-commerce has been a trend in the food industry over the years and as the pandemic strikes, it has been growing at a much higher pace (**Table 10**). With the pandemic accelerating the search for online channels, companies adjusted their strategies to create a multichannel approach and invest in the online shopping area to increase sales.

According to Statista, e-commerce is expected to grow to nearly 14% of overall sales by 2021, becoming essential for companies to engage in this trend. E-commerce brings advantages for buyers, as they can easily compare prices between different shops as well as the convenience of the whole online shopping experience. The regions Asia-Pacific and North America lead the e-commerce market with $2,448.3bn and $749bn, respectively.

Pingo Doce has a Click & Collect service in partnership with Mercadão, where customers can make their shopping online and then collect it in certain available locations. In Poland, Hebe´s accelerated growth via online is notable with more than 1M orders placed. In JMT, **online sales** had a weight of 9% post-pandemic vs 3% pre-pandemic and is expected to increase more as the group is investing in this channel.

Table 10 – Food Industry Global Trends
Source: PwC website 2021, Author.

Food Industry Global Trends	
1	Globalization of food supply chains
2	Integration of supply chains
3	Scandals and increasing scrutiny
4	Rising regulatory standards
5	Shift in global economic power
6	Tech. and scientific breakthroughs
7	Changing food demand
8	Empowered consumers
9	From compliance to comp. advantage
10	Pop. growth and resource scarcity

Sustainability

Sustainability importance is notable, and consumers have a huge impact on driving companies to adopt sustainable practices, as more consumers choose to support businesses that care about sustainability. Environmental policies such as the reduction of plastic usage, reduction of emissions, reduction of food waste, can be a decisive driver for companies in the long-term. According to ADM, 65% of consumers want their daily actions to positively affect the environment. JMT has been actively increasing the number of sustainability certificates in its products over the years (**Figure 30**).

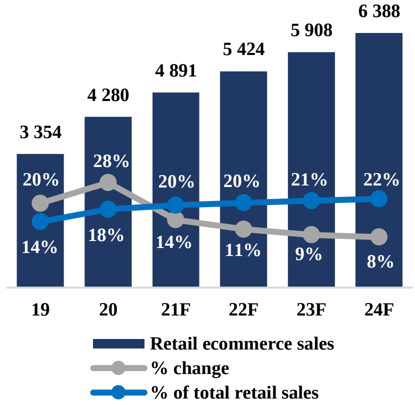
In terms of food waste, according to the UN, about 1.6bn tonnes of primary product equivalent food is wasted, while 28% of the world´s agricultural food producing land is wasted. These two combined, create an impact of around $750Bn/year.

Health

Health and Wellness is an important trend and one of the main drivers on shifting the quality of the products sold in the food industry.

Information available about food and health is vast and easy to obtain. Consumers are more aware about the benefits of healthier food choices and retailers are answering to this increase in demand, with healthier products such as no sugar, protein based and organics. Therefore, transparency is essential to gain trust from customers, aligned with quality, which is not only demanded by certain regulations, but specially, by the modern-day consumer.

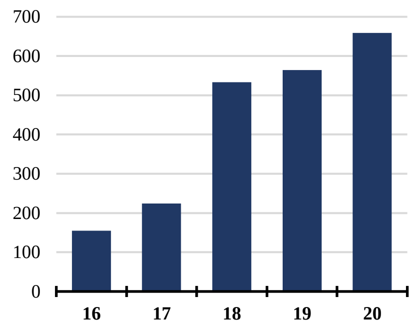
Figure 29 – Retail ecommerce sales worldwide
Source: eMarketer (2018), Author.



M&A ACTIVITY

In 2020FY there was an overall reduction in M&A activity compared to previous years. Despite the decrease, the deals made were still significant, as companies found ways to grow their businesses and expand operations, especially larger companies looking for new growth opportunities, such as small or mid-sized assets, potentially coming from companies facing difficulties with the pandemic. Expectations for 2021 inhere an increase in M&A activity and according to Kearney, 2021Q1 is already showing a strong sign of growth, yielding $58B in announced M&A deals. JMT has done M&A transactions to gain exposure to new markets and new types of retail. Currently, JMT is planning to expand Biedronka to Romania by acquiring a local chain of retail.

Figure 30 – Number of products with sustainability certificates
Source: JMT website 2021, Author.



COMPETITIVE POSITIONING

SWOT analysis

Strengths	Opportunities
- Leader in Poland; - Reputation and experience; - Shareholder stability and management; - Low prices and product diversity; - Economies of scale and synergies; - High number of stores; - Fast store expansion and refurbishments; - Private brands;	- Biedronka expansion to Romania; - Hebe expansion to Czech Republic and Slovakia; - E-commerce; - Business diversification; - Increase in the purchasing power; - Trending consumer habits (Health);
Weaknesses	**Threats**
- High dependence on Biedronka; - Portuguese Banking System fragility; - Currency risk exposure;	- Industry saturation; - Increasing labor and operational costs; - Economic downturn; - Intense competition; - Polish demographic decrease; - Geopolitical Events; - Poland Retail Tax.

Table 11 – 2020HY Top 5 M&A transactions.
Source: Author

2020HY Top 5 M&A Transactions		
Target	**Acquirer**	**Value ($B)**
Kind	Mars	5 (estimate)
Rockstar Energy	PepsiCo	3.85
Kraft Heinz	Lactails	3.2
Aimmune Therap.	Nestlé	2.6
Freshly	Nestlé	0.95

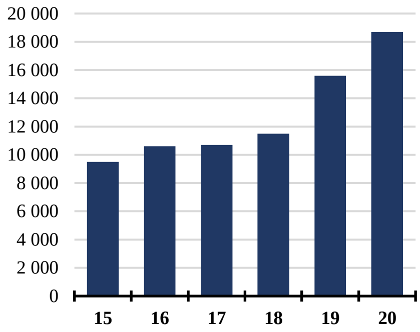
PESTEL Analysis

Political & Economic

Political/Economic issues impact the overall state of the global economy and in the case of JMT, the group has presence in 3 countries being exposed to geopolitical events, trade wars, diplomatic issues amid others.

In Poland, the Sunday trading ban, where trading is forbidden on Sundays since 2018, is having a negative impact in retail sales, resulting in 40 days per year of closed stores in 2020HY. Nevertheless, the polish government establishes policies to increase consumption levels such as, economic incentives and by increasing the minimum wage.

Figure 31 – JMT Food donations (in tonnes)
Source: JMT website 2021, Author



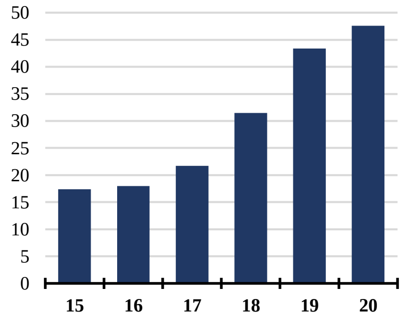
Social

The rising in global population represents a key factor for the future of the food industry, as revenues are expected to increase due to the respective rise in demand.

JMT plays an important role when it comes to stimulating local economies and improving the quality of life in the communities where the group is currently present. JMT is a benchmark employer with bonuses to employees of €189M in 2020HY, where the group strives to promote balanced and competitive wages, and policies for professional development. In Poland, the internal JMT minimum wage was set up to 10% above the national minimum wage, in Portugal above 2% to 26% and in Colombia, 30%.

The group supports the communities where businesses are located, not only through their products but with initiatives such as, food donations, monetary donations, social initiatives, promotion of a healthy lifestyle and internal campaigns. In 2020HY, 18K tonnes of food were donated (**Figure 31**), €261K raised to support Colombian families, €770K raised to support social institutions and at the end, €47.6M was donated to needy people and institutions (**Figure 32**).

Figure 32 – JMT Direct support (€M)
Source: JMT website 2021, Author



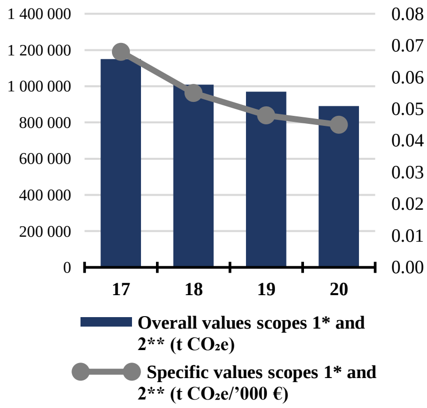
Technological

As the world heads into the digital transformation, the food industry is not an exception with industrial innovations and consumer acceptance of new technology emerging.

Fast delivery and processing are challenges when trying to take advantage of the e-commerce opportunity and with the right strategy, logistics and technology, could be a sign of gains in terms of market share in the future. Most companies are adopting business models into e-commerce. In the case of JMT, several investments are being made in the Hebe banner.

Technological innovations can also lead to new innovative ways on food processing, improving efficiency, safety and contribute for environmental concerns.

Figure 33 – JMT carbon footprint
Source: JMT website 2021, Author



Environmental

The concept of sustainability is more than a trend nowadays as companies are adopting more and more ESG-related initiatives to improve society´s well-being. Companies in the food industry face some environmental challenges that impact their businesses and operations, such as the scarcity of raw material, deforestation, emissions, plastic usage, food waste, amid others.

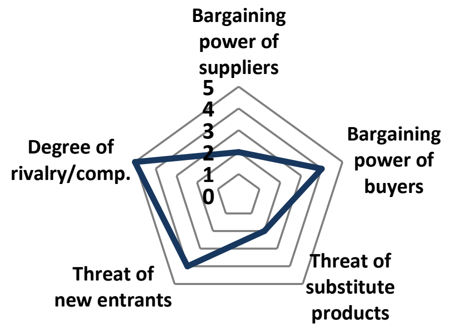
JMT top environmental priorities are preserving biodiversity, fighting climate change, waste management and properly choosing packaging material. The group inaugurated the first eco-friendly outlet in Poland and started home delivering of products using eco-friendly transportation.

Legal

The food industry is significantly regulated where companies must comply with several requirements in the fields of quality, safety environment and others.

In 2020HY, JMT was fined in Poland on €161.7m for exploiting contractual advantages with suppliers. In question, are practices that make suppliers support the discounts, driven by the fear of losing cooperation with JMT, resulting in bigger losses. However, JMT opposes and is resorting the case to courts.
Also, during 2020HY, in Portugal, Pingo Doce was fined on €91m for antitrust violations. The group is also contesting the decision.

Figure 34 – Porter´s 5 Forces
Source: Author analysis



Porter´s 5 Forces Analysis

Bargaining power of suppliers: Medium Low (2)

Bargaining power of suppliers is considered to be medium low due to a wide range of supplier's sources available, which secure stability and protect retailers from price fluctuations. Big international suppliers dominate, and companies join forces to negotiate and reduce costs. Large retail players are generally supplied with large orders that have a considerable weight in suppliers' earnings, causing suppliers to chase these types of contracts and compete between them, which makes it hard to affect the industry. Also, backward integration is possible and creates private brands, as it can be an advantage for retailers.

Bargaining power of buyers: Medium High (4)

With buyers low switching costs, bargaining power of buyers is considered to be medium high, as buyers can easily switch between retailers. The concentration of retailers in the market influences the buyer's power and consumers choose based on the better quality-price option. As the industry is shifting into a discount-based business model, the bargaining power of buyers plays key role on it.
Also, with the emergence of e-commerce, it becomes easier for buyers to compare prices and will increase the bargaining power of buyers.

Threat of substitute products: Medium Low (2)

Substitute products are considered to be low, therefore, small stores, online services from independent brands selling DTC (direct-to-customer) and grocery delivery services can be considered as threats. Smaller retail stores lack in diversity, number of stores and prices are higher. As food products are essential for everyone, the threat of substitution is low.

Threat of new entrants: Medium (3)

Due to low entry and exit capital requirements, we consider the threat of new entrants as medium. However, dominant large scaled companies benefit from economies of scale and have the ability to take aggressive pricing strategies that cannot be matched by smaller companies, and also due to large retailers' schemes to difficult the entrance of new companies.
As a consequence of competition, the food industry is generally characterized for having low margins, compared to other industries, potentially making this industry not so attractive to new players. For new companies to gain market share, some barriers exist, and strategies require actions like advertising, strategic geographical locations of stores and the quality of the products.

Degree of rivalry/competition: High (5)

Competition in this industry is significantly high due to the insignificance off switching costs incurred by buyers.

Companies compete on offering quality products at low prices, and they mainly do it via discounts as the industry shifts into this business model, resulting in diminishing margins. As most products are considered to be similar, consumers choose the better quality-price option, making retailers adapting their pricing strategies to increase revenues.

PEER COMPANIES

In Poland, Dino Polska is the main competitor. Competition comes from Dino´s fierce on discounts and fast expansion which can affect Biedronka´s market share in the future. For 2020HY, Dino Polska had a growth in **revenues** of 32.4% vs Biedronka's 6.7%, **LFL** growth of 12.6% vs 7.8%, **EBITDA margin** of 10.2% vs 9.3%. However, Dino´s sales volume is significantly lower and market share is small compared to more than 25% attributed to Biedronka (**Figure 35**). Also in the Polish market, Auchan, Eurocash and Lidl have their concepts of discount stores, however, are not considered threats to Biedronka now.

Sonae MC is the major competitor in **Portugal**, which is the owner of Continente store chain. Sonae is leader in the hypermarket segment whereas JMT in the supermarket. However, when comparing total sales from Sonae MC to Pingo Doce and Recheio, Sonae MC recently became leader in Portugal last year, due to JMT´s Portugal Retail sales decline during 2020HY (**Figure 36**). Both adopt similar strategies such as increasing the number of stores in which Continente has more stores than Pingo Doce (Sonae with 603 vs JMT´s 453). For 2020HY, Sonae MC had a revenue growth of 10.3% vs -1.9% for Pingo Doce, LFL growth was 6.6% vs -2.2% and EBITDA margin was 10.2% vs 5.1%. Sonae is a diversified company and Sonae MC increasing growth in the online field, where the company is leader, could be a threat for JMT´s future market share in Portugal. Other players in Portugal are Auchan and Lidl with smaller market shares and recently the Spanish retailer, Mercadona, which entered the market in 2019HY, potentially affecting market shares in the long run.

In Colombia, D1 is Ara´s main competitor, a strong established brand with focus on discount stores also engaged in fast expansion of stores. Due to D1 not being a publicly traded company and not having public financial statements, it was not included in the peer group.

The **peer group** was selected considering the peer companies lists from Bloomberg and Reuters platforms. However, the considered final peer group was adjusted as some companies were excluded. Only European based companies were considered given that JMT business in terms of volume is mostly located in Europe for now. Other criteria used to select the peer group was the type of business model, considering companies operating with mainly supermarkets and hypermarkets. Finally, after removing significant outliers in terms of profitability, the final peer group is composed with 12 peer companies (**Table 12**).

Table 12 – Peer group
Source: Author

Company	Country
Carrefour SA	FR
J Sainsbury PLC	UK
Tesco PLC	UK
Ahold Delhaize NV	BE-NL
Casino Guichard Perrachon SA	FR
Colruyt	BE
Sonae SGPS SA	PT
Dino Polska SA	PL
Axfood AB	SE
Kesko Oyj	FIN
Wm Morrison Supermarkets PLC	UK
ICA Gruppen AB	SE

Table 13 – Global Powers of Retailing 2021
Source: Deloitte Global Powers of Retailing 2021 report, Author

Rank	Company
#10	Tesco PLC
#12	Ahold Delhaize NV
#27	Casino Guichard Perrachon SA
#30	J Sainsbury PLC
#48	Wm Morrison Supermarkets PLC
#50	**JMT**
#87	ICA Gruppen AB
#120	Colruyt
#130	Kesko Oyj
#158	Sonae SGPS SA

Figure 35 – JMT sales vs Dino Polska sales in Poland (in millions €)
Source: JMT AR20, Dino Polska AR20, Author.

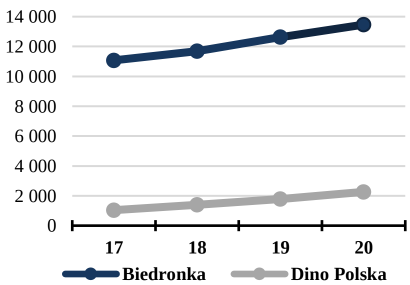
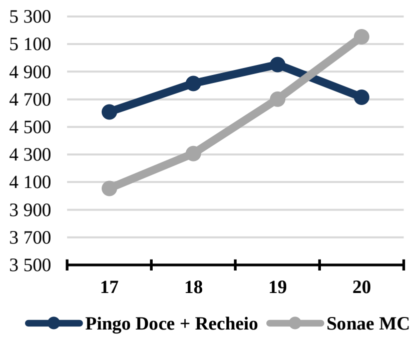


Figure 36 – JMT sales vs Sonae MC sales in Portugal (€M)
Source: JMT AR20, Sonae MC AR20, Author



5. Investment Summary

With a 2022YE price target of **€20.86** and an upside potential of **16%** against the closing price of €18.00 on September 8th, 2021, the recommendation stands for **BUY** on JMT with medium risk. The current undervaluation of JMT share price is mainly driven by the pandemic impacts along with uncertainty and pessimistic expectations on economic growth. With the economic downturn, on 2020YE, JMT had a significant decrease of 0.5% in terms of Net Profit Margin compared to 2019YE. Also, Portugal resulted on a sales drop and Ara´s delay on previous high momentum growth in sales.

Key drivers

According to IMF estimates on **GDP growth** for the 3 countries that JMT operates, an economic rebound is expected. During economic growth, the disposable income tends to increase, leading to a consumption recovery and consequently, an opportunity to increase revenues with favorable economic scenarios. The Polish economy is expected to grow at a 6.5% CAGR between 2020YE and 2026. For the same period, the Portuguese economy at a CAGR of 4.9% and Colombia at a 5.7% CAGR.

JMT is currently **leader in the polish market**, holding a solid position in the market. As JMT has been increasing its stores over the years in Poland, it is expected a strong set of earnings for the forecast period in which revenues are expected to grow at a 4.54% CAGR between 2020YE and 2026YE.

With **Ara´s** breakeven expected to be achieved during FY2021, a positive earnings trend and improvements on profitability are expected, where the Colombian GDP projections indicate a favourable economic scenario.

The expansion of the JMT´s biggest banner, Biedronka, to **Romania**, as an opportunity for the group to increase revenues in the long run, as well as other expansion projects for Hebe to **Slovakia** and **Czech Republic**, in the ecommerce area which importance has becoming even more with the emergence of the pandemic. Given that the company is taking a defensive approach by delaying expansion timing due to COVID-19 uncertainty could be a sign of risk management consideration. Despite this, according with JMT CEO, expansion plans will take place in the short-term.

Finally, **profitability** is expected to improve as NPM is expected to recover from the impacts of COVID-19, increasing 27bps in 2021YE.

Valuation methods

The valuation methods used to value JMT, comprise both absolute and relative valuation methods. For absolute valuation methods, the DCF was applied using FCFF and the equity approach using FCFE. Also, the APV was computed to measure the net effects from debt and a DDM. In terms of relative valuation, it was performed considering the selected peer group and both EV and Price multiples were calculated.

Different estimates were obtained through different valuation models, where the selected method to reach the price target of JMT for 2022YE is the DCF using FCFF (more details in the following chapter).

Table 14 – DCF with FCFF approach
Source: Author

DCF (FCFF)	
EV	**14 792**
Debt	2 907
Net debt	1 354
Minority Interest	313
Equity	**13 125**
#Shares Outstanding	629M
22YE Price Target	**20.86 €**
Share Price (8 Set. 21)	18.00 €
Upside Potential	16%

Table 15 – DCF with FCFE approach
Source: Author

DCF (FCFE)	
Equity Value	**9 359**
#Shares Outstanding	629M
22YE Price Target	**14.87 €**
Share Price (8 Set. 21)	18.00 €
Downside Potential	-17%

Table 16 – APV method
Source: Author

APV	
EV	**13 020**
PV ITS	893
#Shares Outstanding	629M
22YE Price Target	**22.11 €**
Share Price (8 Set. 21)	18.00 €
Upside Potential	23%

Table 17 – EV/Sales valuation
Source: Author

EV/Sales	
JMT 22F Sales	21 673
Average Peers EV/S	0.79x
JMT EV	**17 025**
JMT Net Debt	1 354
JMT Equity	**15 671**
#Shares Outstanding	629M
22YE Price Target	**24.90 €**
Share Price (8 Set. 21)	18.00 €
Upside Potential	38%

6. Valuation

To value JMT, the consolidated financials were used as JMT does not publish its segmented financial statements. For the valuation period, the considered forecast period was 6 years, from 2021YE to 2026YE and the last 3 HY (2017HY to 2020HY) were considered to perform the forecast. Both **absolute** and **relative valuation** methods were used. In the absolute valuation, 3 methods were used to estimate JMT share price: the **Discounted Cash Flow (DCF)**; the **Adjusted Present Value (APV)** and the **Dividend Discount Model (DDM)**.

The DCF method is considered to be most reliable to value JMT, as it considers a large number of relevant information such as the changes in capital structure and other company´s fundamentals. Both **Free Cash Flows to Firm (FCFF)** and **Free Cash Flows to Equity (FCFE)** were used to reach JMT´s Enterprise Value and consequently estimate the 2022YE price target. Using the forecasted FCFF for each year and TV period, discounted at WACC, the price target obtained was €20.86. For the equity approach using the FCFE, discounted at the Ke, €14.87 was the price target obtained. Regarding the **APV** method, in order to consider the net effect of debt, computed on an interest tax shield base which then, is summed to the unlevered firm value, this method yielded a price target of €22.11. For **DDM**, it was applied as a 2-stage DDM model and for the TV the H-model was used. This valuation method resulted in a price target of €8.28 for 2022YE. This method did not yield reliable estimates and considering JMT volatility in previous payout ratios, which were close to 100% in 2017HY and 2018HY, future payout ratios could be irregular.

In terms of **market-based valuation**, using a selected group of peer companies from the Food Retail & Distribution industry (**Appendix 18**), both EV and Price multiples were calculated as the average of the peer companies' multiples, which were collected from the Reuters platform. For the EV multiples, **EV/Sales** yielded a price target of €24.90, **EV/EBITDA** reached €19.29, and **EV/EBIT** resulted in a price target €17.91. Concerning Price Multiples, the **P/CFO** considering the operational cash flow as a proxy for cash flow, yielded a price target of €20.23, the **P/Sales** a TP of €20.35, **P/E** a TP of €11.93 and **P/B** a TP of €12.91. According to Reuters in **Appendix 15**, the most accurate multiples for JMT are the EV/Sales and P/Cash Flow. Therefore, an average of these 2 was computed, resulting in a price target of €22.57 (**Table 22**). An average of every multiple with upside potential resulted in a price target of 21.19€ and the average of every calculated multiple yields a price target of 18.22€.

Considering the existence of high competition in the Food Retail & Distribution industry, reflected in the number of companies in the peer group, valuation through multiples is a reliable method to value JMT. However, according to Reuters platform, it is possible to see in **Appendix 16** that observed prices and prices from multiples sometimes have significant divergences, leading to a respective lower model score. Since the price target is for 2022YE and there is no forecast for Relative Valuation model accuracy in Reuters, relative valuation was used to support the DCF estimates.

Table 18 – EV/EBITDA valuation
Source: Author

EV/EBITDA	
JMT 22F EBITDA	1 490
Average Peers EV/EBITDA	9.05x
JMT EV	**13 491**
JMT Net Debt	1 354
JMT Equity	**12 136**
#Shares Outstanding	629M
22YE Price Target	**19.29 €**
Share Price (8 Set. 21)	18.00 €
Upside Potential	7%

Table 19 – EV/EBIT valuation
Source: Author

EV/EBIT	
JMT 22F EBIT	772
Average Peers EV/EBIT	15.42x
JMT EV	**11 899**
JMT Net Debt	1 354
JMT Equity	**11 269**
#Shares Outstanding	629M
22YE Price Target	**17.91 €**
Share Price (8 Set. 21)	18.00 €
Downside Potential	-0.5%

Table 20 – P/CFO valuation
Source: Author

P/CFO	
JMT 22F CFO/share	2.29
22YE Price Target	**20.23 €**
Share Price (8 Set. 21)	18.00 €
Upside Potential	12%

Table 21 – P/Sales valuation
Source: Author

P/Sales	
JMT 22F Sales/share	34.44
22YE Price Target	**20.35 €**
Share Price (8 Set. 21)	18.00 €
Upside Potential	13%

Table 22 – Multiples Averages
Source: Author

Multiples Averages	
Average	**Price Target**
EV/S and P/CFO	22.57 €
Upside Multiples	21.19 €
All Multiples	18.22 €
EV Multiples	20.70 €
P Multiples	16.36 €

FORECAST ANALYSIS

Revenues

As revenues are disclosed by segment, it was possible to forecast revenues between the 5 segments and have a detailed view in the performance of JMT´s business units. Segments composition is based on the geographical distribution in which **Poland Retail** corresponds to Biedronka and Hebe, **Portugal Retail** to Pingo Doce, **Portugal Cash & Carry** to Recheio, **Colombia Retail** to Ara and **Others** include the remaining business units (agribusiness, coffee shops etc.).

For the revenues forecast, we used the Hybrid Approach, combining both Top-Down and Bottom-Up approaches and it was assumed that segments follow the expected **GDP growth** and **population growth** of the corresponding country. Thus, using IMF estimates[2] for GDP and population growth for Poland, Portugal, and Colombia, it was applied a growth rate assuming a weight of 70% for GDP growth in order to highlight more relevancy and 30% for population growth. By using GDP at current prices, inflation effects are captured and considered for the forecast.

Total Revenues are expected to grow from €19,293M in 2020HY to €25,796M in 2026YE at a 4.24% CAGR (**Figure 37**).

For **Poland Retail**, revenues are expected to grow at a 4.5% CAGR between 2020YE and 2026YE, from €13,710M to €18.898M respectively, with an average of the computed annual growth rates for the forecast period of 5.31%. In **Portugal Retail** and **Portugal Cash & Carry**, despite the impact of covid-19 with a 1.93% revenue decrease in 2020HY, revenues are projected to grow at a 3.36% CAGR from 2020YE to 2026YE. For Retail, from €3,869M in 2020HY to €4,875M 2026YE and €847M to €1,068M for Cash & Carry, both yielding an average annual growth rate of 3.95% for the forecast period. Regarding **Colombia Retail**, revenues are estimated to grow at a 4.22% CAGR between 2020YE and 2026YE, from €854M to €1,141M where the average annual growth rate stands at 4.95%. Lastly, the **Others** segment was assumed to be equal to equal to 2020HY (€14M) due to its reduced volume in comparison to the main segments. For more details on Revenues see **Appendix 9**.

Figure 37 – Forecasted Revenues (€M)
Source: Author

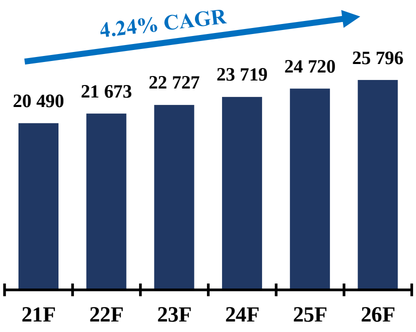
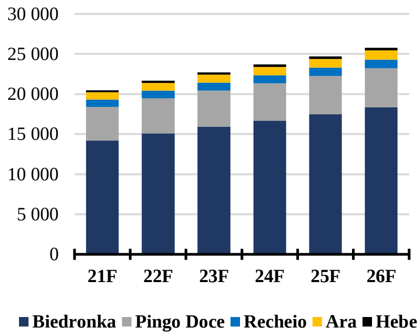


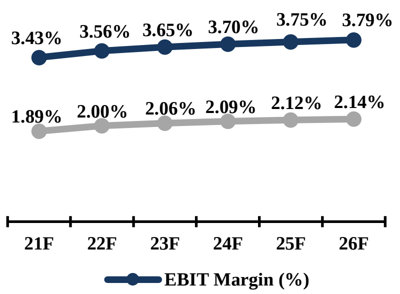
Figure 38 – JMT Revenues Forecast by banner (€M)
Source: Author



Margins

GPM and **EBITDA** margins were assumed to remain constant over the forecast period at 21.82% and 6.86% respectively, given that costs until the EBITDA level were forecasted based on the average historical rate between 2018HY and 2020HY. The EBIT margin is expected to increase for 48bps from 2020HY to 2026F and the forecasted NPM resulted in an increase of 52bps for the same period (**Figure 39**). For more details on margins, see **Appendix 8**.

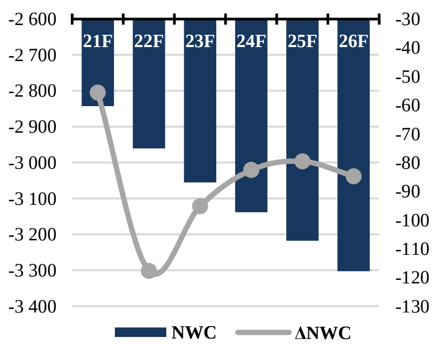
Figure 39 - EBIT margin and NPM (%)
Source: Author



NWC

The levels of NWC are expected to increase and to remain negative over the forecast period. Negative NWC is typical in the retail industry, as companies receive cash from customers upon selling products before paying to suppliers (orders to suppliers are typically high in volume). Therefore, payables are higher than the sum of

Figure 40 – JMT net working capital (€M)
Source: Author

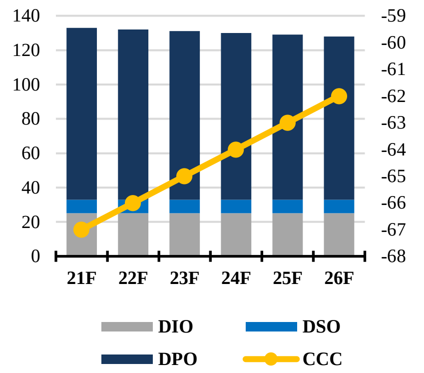


[2] Consulted on the 10th of August 2021.

inventories with current receivables, leading to a negative NWC which means, that suppliers are financing companies operations.

The days approach was used in order to forecast NWC as can be consulted in **Appendix 10**. For **DIO** and **DSO**, using the revenues approach, it was assumed to return at pre pandemic levels over the forecast period, to 25 and 8 days respectively. On the other way, for **DPO** using the COGS approach, it was assumed to decrease in a constant way of 1 day per year, in order to follow the decrease trend brought by the pandemic, in which suppliers will demand earlier terms due to the existent uncertainty. Still, the company requires more time to pay for suppliers than to sell its inventory and receive cash. Therefore, **CCC** resulted in a negative value of -67 days in 2021YE and is expected to yield -62 days in 2026YE (**Figure 41**).

Figure 41 – CCC (days)
Source: Author



CAPEX

JMT has CAPEX as top priority in terms of capital allocation and has been actively investing on expanding new stores and on refurbishments. For 2021FY, 100 new Biedronka stores are expected, 10 new of Pingo Doce and more than 100 new stores of Ara. Besides number of stores expansion, as mentioned in chapter 2, the company is also planning on expanding to new markets such as Romania, Slovakia, and Czech Republic. In 2020HY, the group planned CAPEX of around €750M and with the emergence of COVID-19 and the associated uncertainty of the impacts, CAPEX was reduced to €479M, 29% less than the previous year. For the forecast period it was assumed that the group will increase its CAPEX as expansions in new stores and new markets are in the group´s future outlook.

CAPEX was then estimated as the historical average % of sales from 2017YE to 2020YE. To this average historical %, it was added 0.4% due to the company expansion plans and intentions to increase CAPEX, which yielded a final % of sales of around 4%, applied to the forecast period (**Appendix 11**).

Figure 42– Forecasted CAPEX (€M)
Source: Author

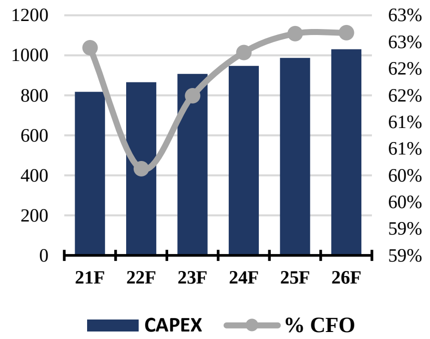
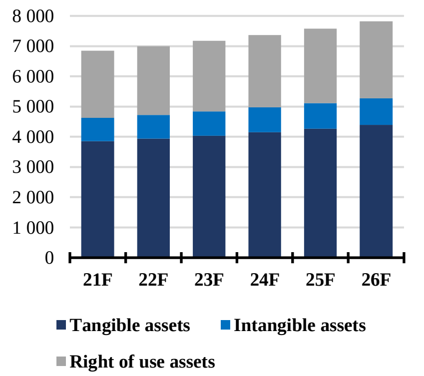


Figure 43– Fixed assets distribution (€M)
Source: Author

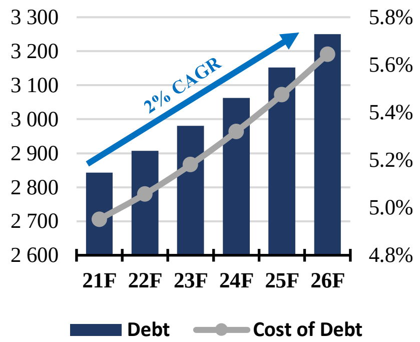


Cost of Capital

The **cost of equity (Ke)** was estimated using the CAPM model considering a Country Risk Premium (**CRP**) and is assumed to be constant over the forecast period. For the **RFR**, the German 10Y Bond yield was used as benchmark and due to current negative yields, the RFR was normalized using the last 5Y data average yield, reaching a RFR of 0.14%, constant during the forecast period. Regarding **Beta**, it was calculated based on a regression with PSI20 using the corresponding returns for the past 5years, reaching a Raw Beta of 0.84. Furthermore, after applying the Blume Adjusted Beta formula, an Adjusted Beta of 0.89 was obtained, which corresponds to the Beta used for the valuation. For the **CRP** and **MRP,** it was collected from Damodaran database for the 3 countries that JMT operates, yielding 1.60% and 6.13% respectively. Applying the CAPM model, a cost of equity of 7.24% was reached. For more details on cost of capital estimates see **Appendix 13**.

For the **Cost of Debt (Kd)** it was calculated by interest expense divided by total debt, yielding a cost of debt ranging between 4.95% to 5.64% in the forecast period.

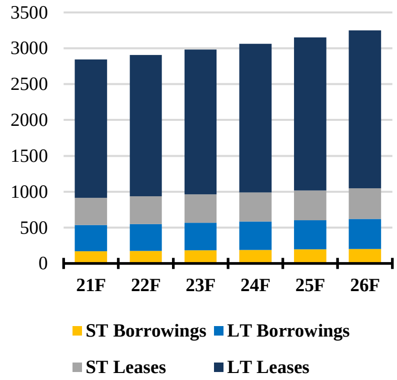
Figure 44– Debt forecast (€M)
Source: Author



Debt

JMT does not follow a target capital structure approach, instead, seeks to maintain its capital structure at appropriate levels to ensure the continuity and development of its business, but also to provide appropriate returns for shareholders and optimize the cost of capital. Given the information disclosed on JMT´s borrowings and since JMT did not issue any bonds in the past years, the forecast of borrowings, which do not include lease liabilities, was computed based on Accounts Payable and CAPEX. For **short-term borrowings**, it was assumed to be equal to the % of Accounts Payable in 2020YE, as the company had a significant decrease of short-term borrowings in this year, from €424M in 2019YE to €160M in 2020YE. Regarding **long-term borrowings**, it was assumed to be equal to the historical average % of CAPEX from 2018YE to 2020YE. For **lease liabilities**, as JMT does not disclosure lease terms and discount rates, 2 variables were considered to reach the respective closing balance of each year in the forecast period, increases (new contracts) and payments. For increases, it was assumed to be equal to the corresponding CAPEX for Right-of-use assets, and for payments, a historical rate was calculated, concerning the available information of 2 payments occurred in 2019YE and 2020YE. Debt resulted to increase at a stable pace over the forecast period, specifically at a 2% CAGR, driven by JMT not having a target capital structure and considering future expansion plans for the company (**Appendix 12)**.

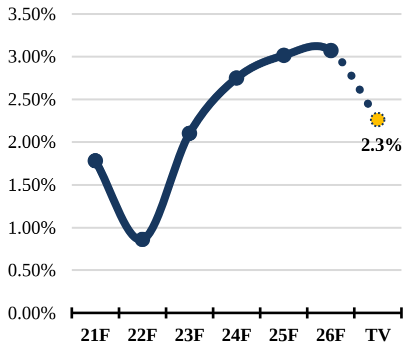
Figure 45– Debt distribution (€M)
Source: Author



Terminal Growth Rate (g)

The method used to estimate the terminal growth rate (**g**) was ROE multiplied by Reinvestment Rate (**Appendix 14**). After getting figures for each of the forecasted period, an average of these values was calculated resulting in a 2.3% growth rate (**Figure 46**). An alternative method was calculated to compare, using the GDP growth per country adjusted by the respective weight of sales, reaching a growth rate of 2.4% which supports the initial obtained perpetuity growth rate of 2 %.

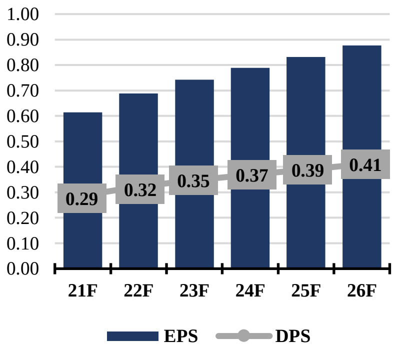
Figure 46– Terminal growth rate (%)
Source: Author



Payout Policy

JMT payout policy states a **dividend payout ratio** between 40% to 50% of net earnings and the group has been paying dividends every year. According to the 2020 annual report, the BoD will propose €181M in dividends for 2021YE, meaning a dividend per share of 0.29 and a corresponding dividend payout ratio of 48%. For the forecast period, it was assumed a constant dividend payout ratio equal to the 48% expected in 2021FY (**Figure 47**).

Figure 47– Dividends per share forecast
Source: Author

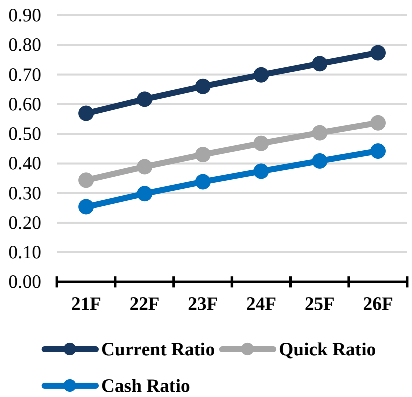


7. Financial Analysis

Liquidity

JMT´s overall liquidity is expected to improve in comparison with historical years, primarily due to the increasing levels of cash over the forecast period, as a result of a solid operating cash flow generation (**Figure 48**). The **Current Ratio** is foreseen to increase from 0.51 in 2020YE to 0.77 in 2026YE. This ratio is not expected to exceed figures above 1, meaning that current assets are higher than current liabilities, due to the nature of retail business, where high payables to lower receivables and inventories, lead to a negative NWC, implying current assets to be lower than current

Figure 48– Liquidity Ratios
Source: Author



liabilities. Regarding **Quick Ratio**, is expected to improve from 0.3 in 2020YE to 0.54 in 2026YE. Furthermore, the **Cash Ratio** is expected to double from 0.22 in 2020YE to 0.44 in 2026YE at a 10.5% CAGR hence, supporting the improvements in liquidity observed for JMT over the forecasted period.

Solvency

In terms of solvency, the **D/E** ratio is expected to decrease from 1.24 in 2020YE to 0.83 in 2026YE, as debt was forecasted to grow at a stable pace whereas equity is expected to grow at an 8.3% CAGR for the same period, driven by increases on net income (**Figure 49**). Concerning **Equity Multiplier**, expected to increase from 0.24 in 2020YE to 0.31 in 2026YE. For the **Debt Ratio,** it is expected to decrease from 0.29 in 2020YE to 0.26 in 2026YE. **Debt to EBITDA** is foreseen to show improvements over the forecast period, more specifically from 1.97 in 2020YE to 1.83 in 2026YE.

Regarding **Interest Coverage Ratio**, is expected to increase from 4.31 in 2020YE to 5.5 in 2026YE, meaning improvements in the capacity on paying interest with EBIT growth of 6.3% CAGR for the same period (**Figure 50**).

During the forecast period, JMT solvency outlook is expected to improve over future years, motivated by a solid equity growth and stable levels of debt in the forecast period.

Profitability

Both **GPM** and **EBITDA** margins are expected to be constant at the historical average rate between 2018YE and 2020YE, based on our income statement forecast assumptions. The **EBIT Margin** is expected to increase 48bps in 2026YE vs 2020YE, associated with a growth in EBIT of 2% CAGR. Furthermore, **NPM** is expected to yield an increase of 52bps in 2026YE vs 2020YE, reflecting along with EBIT margin, improvements of profitability in terms of margins.

Regarding return ratios, **ROE** (using the DuPont Formula) is expected to increase 71bps in 2026YE vs 2020YE, however, in 2022YE is expected to increase 263bps vs 2020YE, reaching its maximum value over the forecast period. **ROA** yields an expected increase over the forecast years to 120bps in 2026YE vs 2020YE. **ROIC** is foreseen to decrease 36bps in 2026YE vs 2020YE, however, for every forecasted year, ROIC is higher than JMT´s WACC, meaning that value is being created with the investment in profitable projects (**Figure 51**).

Efficiency

Asset Turnover is expected to grow at 0.5% CAGR between 2020YE and 2026YE (**Figure 52**). For the same period, **Inventory Turnover** is expected to decline slightly over the forecast period at a -0.1% CAGR (**Figure 53**). **DIO** and **DSO** were assumed to remain constant over the forecast period, while for **DPO**, it was assumed to decrease by 1 day each year. Therefore, the **CCC** was reduced by the respective day each year over the forecast period, from -69 days in 2020YE to -62 days in 2026YE. A negative CCC means that suppliers are financing JMT´s operations, where the company takes more time to pay for their inventory than to sell it, hence, making JMT operations efficient.

Figure 49– Debt to Equity ratio
Source: Author

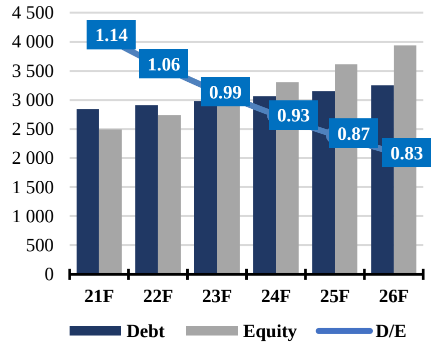


Figure 50– Interest Coverage Ratio
Source: Author

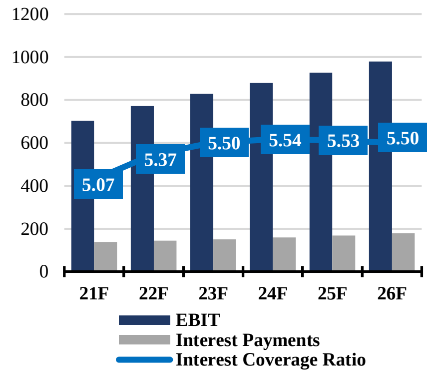


Figure 51– WACC vs ROIC (%)
Source: Author

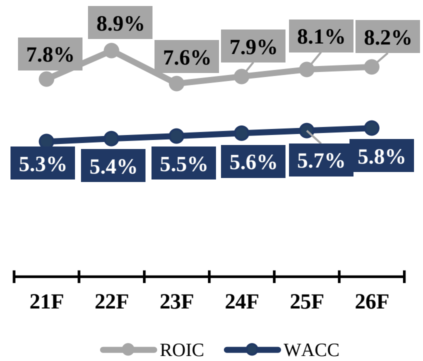
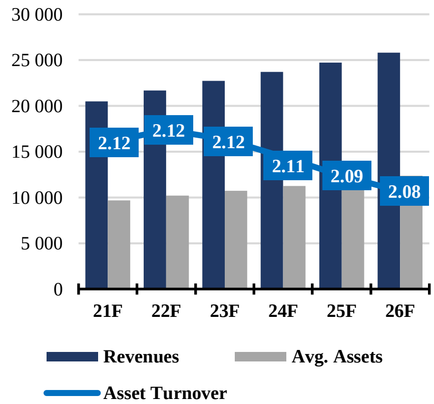


Figure 52– Asset Turnover
Source: Author



8. Investment Risks

Operational Risks | Food quality and safety (OP1)

JMT aims to provide healthier products and high-quality food, and it strives to ensure and uphold product security measures in strict accordance with food safety standards (**Figure 55**). JMT holds a Quality and Food Safety Department in each of its business units, to ensure quality control by supervising products throughout the entire logistics flow. Additionally, each business unit is monitored by quality control technicians, to guarantee the implementation of procedures and to assess the effectiveness of training and the adequacy of facilities and equipment. Ensuring product safety measures is essential as it can damage the Group reputation.

Operational Risks | Supply Chain (OP2)

In this industry, having an efficient supply chain is crucial, as companies are highly dependent on their suppliers. Hence, a wide network of suppliers that ensures desired inventory levels, sales, and selling prices, is essential to the operations well-being. As a result, companies need to select their suppliers carefully to achieve their goals and the needs of customers. JMT maintains partnerships with local suppliers for around 90% of its total food purchases, which allows the Group to be more efficient as products are sourced and sold in the same country.

Operational Risks | Cyber-attacks (OP3)

Cybersecurity attacks have become a major threat worldwide, with companies owning large amounts of data and valuable information, these attacks can cause significant damage to companies and their clients. Also, with the trend of online shopping that increased significantly post-covid times, e-ecommerce cybercrimes are also in rise, requiring firms to improve their IT systems to protect their businesses.

Operational Risks | Brand Reputation (OP4)

It takes years for a company to build its reputation and seconds to damage it. The Food Retail industry is a branded business, where customers look for the best prices and their favorite brands. With the rise of social media, customers giving online opinions and rankings products, among others, makes it more challenging for firms to manage its brand reputation, requiring special attention to this factor which impacts sales and customer perspective. Therefore, having a strong brand reputation is important to gain trust and loyalty from customers, and grant a positive impact on sales.

Operational Risks | Talent Retention (OP5)

The loss of key human resources will impact companies and their business results, requiring companies to improve on salaries and benefits, work-life balance, professional education, and others. Also, more recently with the pandemic, remote work has become a reality, forcing firms to adapt their organizational structure to overcome the new rising challenges.

Figure 53– Inventory Turnover
Source: Author

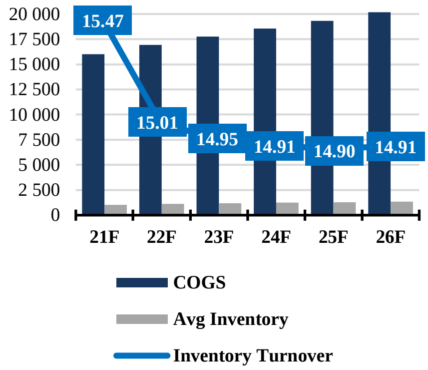


Figure 54 – Risk Matrix

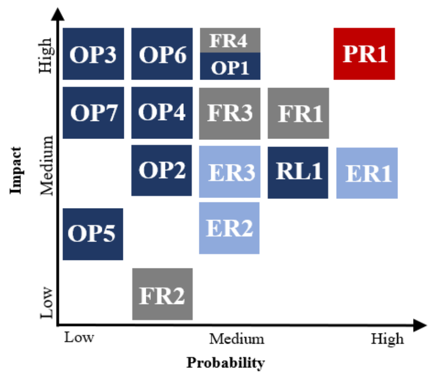


Figure 55– Group´s food safety audits (in units)
Source: JMT website (2021), Author

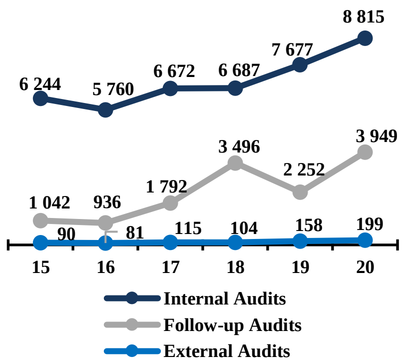
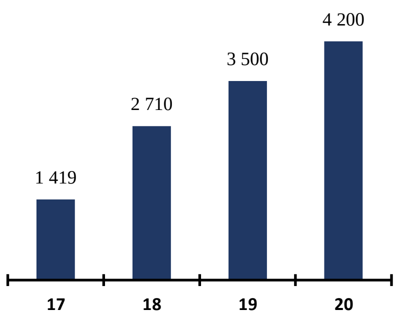


Figure 56– Cybercrime monetary damage (in millions USD)
Source: Statista, 2021



Operational Risks | Environmental Risks (OP6)

Ensuring efficiency in managing resources, while promoting environmental preservation, is crucial for the sustained growth of JMT businesses. The Group is mainly exposed to environmental risks in terms of regulations, physical factors and reputational matters. For regulations, can result in heavy costs if environmental legislation is not followed. Regarding physical factors, negative impacts may result in a reduction of natural resources which can negatively impact the Group´s supply chain. Concerning reputation, as awareness of climate issues has been significantly increasing in societies as well as the Group´s shareholders expectations of reducing carbon emissions and contribute to reduce deforestation, it is crucial for JMT to act on climate issues.

Operational Risks | Governance Risks (OP7)

Governance issues affect the guidance and management of companies. In JMT, as Sociedade Francisco Manuel dos Santos, the holding company of Soares dos Santos family, holds more than half of the Group´s shares, it is expected that the family will keep managing JMT throughout generations. Until today, there are no signs of governance issues with the current BoD, but potentially some shareholders may question the ability of governance of the CEO in future years, yet with low probability.

Economic Risks | Market Competition (ER1)

The industry of Food Retail & Distribution is characterized for its intense competition, where diverse retailers compete on a basis of prices and quality. Hence, JMT seeks to offer quality food at competitive prices, having the capacity to innovate and adapt to market changes, in order to achieve improvements in terms of market share. The recent entrance of Mercadona in the Portuguese market can be seen as a threat in the long run, which is expected to impact the competition in the Portuguese food retail sector, which until now, was mostly with Sonae MC with Continente.

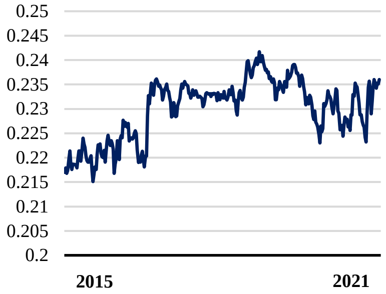
Economic Risks | Taxation (ER2)

As JMT is currently operating in Portugal, Poland and Colombia and is planning to expand into other countries, is exposed to multiple tax codes. Increases in the tax rates will lead to decreases in profits. For the forecast period, it is expected that the corporate income tax rate will remain constant.

Economic Risks | Geopolitical Risks (ER3)

With operations in 3 different countries, JMT is directly exposed to political events in these countries. In addition, other events taken place in powerful economies can also indirectly impact the Group, such events can be Brexit, US-China trade war, among others. Recent political tensions were taken place in Venezuela, which borders Colombia, where Ara responded to requests for food support and distributed food donations to vulnerable people. Political tensions can lead to market disruptions, economic crisis, and other factors causing a negative impact on businesses. Therefore, these impacts affect countries GDP levels which are expected to result in decreases in sales, consisting of a major risk for JMT. To mitigate this risk, JMT ensures an adequate risk management process aligned with the preservation of cash during turbulent times, as it did during the financial crisis.

Figure 57– PLN/EUR
Source: Investing (2021), Author



Financial Risks | Foreign exchange risk (FR1)

JMT is exposed to foreign exchange risk primarily with Poland and also with Colombia, given that the Group´s subsidiaries operations are denominated in local currency rather than in the functional currency (EUR). In the commercial activities, the Group purchases merchandise in foreign currency, mainly zloty and USD for the Polish operations, and EUR and USD for the Portuguese and Colombian operations. The exposure is managed through natural hedges whenever possible, using loans denominated in local currency. If natural hedges are not possible, hedging is done through derivatives such as swaps, forwards or options. With the pandemic, in 2020YE, the zloty devaluated 7% against EUR compared to 20219YE and the Colombian peso with a devaluation of 14% vs EUR for the same period. This devaluation in currencies led to a loss of ~€62M and the net impact, considering the hedging performed, yielded for ~€28M in 2020YE.

Financial Risks | Credit Risk (FR2)

Exposure to credit risk on bank deposits, derivatives contracted with financial institutions and short-term investments is managed on a basis of selecting institutions based on the received ratings from independent benchmark rating agencies. There is a minimum accepted rating and also, a maximum exposure to financial institutions. In the customer side, this risk is mostly limited to the Cash & Carry business, as other businesses are paid with cash or bank cards. This risk is managed with credit insurance, credit limits and based on the type of customer and experience. In 2020YE, 90% of Accounts Receivables corresponded to customers without default indicators or whose credits had insurance associated.

Financial Risks | Interest rate (FR3)

All financial liabilities are directly and indirectly indexed to a reference interest rate, resulting in exposure to cash flow risk, in which, JMT is mainly exposed to the interest rate curves of the euro, zloty and the Colombian peso. Exposure to interest rate risk is monitored on a continuous basis, and the risk is managed using derivatives contracted at zero cost at inception, mostly through interest rate swaps.

Financial Risks | Liquidity Risk (FR4)

To manage liquidity risk, which is crucial in this industry, JMT seeks to maintain adequate cash balances and by negotiating credit lines to ensure the regular ongoing of operations as well as to provide flexibility upon the occurrence of external shocks to the company activities. By doing this, JMT expects to satisfy all of its treasury needs by using operating cash flows and available cash, and if necessary, using the available credit lines

Regulatory and Legal Risks (RL1)

Regulations in the Food Retail industry are mostly focused on consumer protection, market competition, price control, environmental protection, among others. Acting in compliance with regulations is crucial for companies, as they can incur in severe costs and penalties that would damage their businesses and associated reputation. JMT is having some regulatory and legal issues. In 2020YE, Biedronka was fined for around €200M in total by the Polish competition authority, with allegations of abuse of power against suppliers. In Portugal, also in 2020YE, Pingo Doce was fined for €90M by the Portuguese competition authority, with suspicious for cartel pricing in which, Sonae MC is also included with the highest fine of €122M. Since JMT will challenge these fines in court, these values are not certain.

Pandemic Risk (PR1)

Despite the pandemic risk is most likely included directly or indirectly in previously mentioned risks, it was still considered due to its impact. With the emergence of COVID-19, Pingo Doce and Recheio were without doubts the most affected business units. The Portuguese measures to fight the pandemic along with a significant decline in tourism, damaged the Portuguese operations. In 2019YE Recheio broke the €1B barrier in sales for the first time, which ended up on bouncing back in sales the year after. Overall, COVID-19 resulted in a slower growth and margin declines for JMT.

PRICE TARGET RISKS

Scenario analysis was performed by creating 2 scenarios, Pessimistic and Optimistic, in order to complement our estimates (**Table 23**). Given the weight of sales in terms of performance, the scenarios created result from changes in the level of sales growth rates which were calculated primarily based on the evolution of GDP. The valuation method considered to reach different price targets for each scenario was the selected model, the DCF using FCFF. Starting with the **Pessimistic Scenario** with a decrease of 100bps, yielded a price target of €19.89, which corresponded to an upside potential of 10.5% (Hold recommendation) and a decrease in price of 4.9% vs the Base Case Scenario. The **Optimistic Scenario**, this time with an increase of 100bps resulted in a price target of €21.78 corresponding to a 21% upside and a 4.7% increase in price vs the Base Case Scenario. By looking at the price target changes, for every increase/decrease of 100bps in JMT sales growth rate, the price target is expected to increase/decrease for around 1€.

Table 23 – Scenario Analysis
Source: Author

Scenario	Δ Sales growth rate	Price Target
Pessimistic	- 1%	19.89 €
Base Case	**0%**	**20.86 €**
Optimistic	+ 1%	21.78 €

Regarding **Sensitivity Analysis**, it was performed to **EBIT margin and Net profit Margin** as GPM and EBITDA margins were assumed to be constant over the forecast, and for **WACC** and **Terminal growth Rate**. The price target is highly sensitive to changes in the EBIT margin as can be seen in **Table 24** and less sensitive to changes in NPM (**Table 25**).

Table 24 – Sensitivity Analysis to EBIT margin
Source: Author

Δ EBIT Mg.	Price Target
- 0.4%	18.77 €
- 0.2%	19.82 €
0%	**20.86 €**
+ 0.2%	21.88 €
+ 0.4%	22.89 €

WACC and g are important variables when applying a DCF model, therefore, their changes affect our recommendation. Increases in WACC tend to decrease the EV, vice versa. **Table 26** and **Table 27** show the impacts in the Price Target and EV respectively, by changing WACC and g for 20bps from the original value.

Table 25 – Sensitivity Analysis to net profit margin
Source: Author

Δ NPM	Price Target
- 0.4%	20.59 €
- 0.2%	20.72 €
0%	**20.86 €**
+ 0.2%	21.00 €
+ 0.4%	21.14 €

Price Target 20.86 €		WACC									
		5.04%	5.24%	5.44%	5.64%	5.84%	6.04%	6.24%	6.44%	6.64%	6.84%
	1.3%	20.19	19.05	18.01	17.07	16.21	15.43	14.71	14.04	13.43	12.86
	1.5%	21.35	20.08	18.94	17.91	16.97	16.12	15.34	14.62	13.96	13.35
	1.7%	22.63	21.22	19.96	18.83	17.80	16.87	16.03	15.25	14.54	13.88
	1.9%	24.08	22.50	21.10	19.85	18.72	17.70	16.78	15.94	15.16	14.46
	2.1%	25.73	23.94	22.37	20.98	19.73	18.61	17.60	16.68	15.84	15.08
g	2.3%	27.61	25.58	23.81	22.24	**20.86**	19.62	18.50	17.50	16.59	15.75
	2.5%	29.79	27.45	25.43	23.67	22.12	20.74	19.50	18.40	17.40	16.49
	2.7%	32.33	29.62	27.29	25.29	23.53	21.99	20.62	19.39	18.29	17.30
	2.9%	35.34	32.14	29.45	27.14	25.14	23.40	21.86	20.50	19.28	18.19
	3.1%	38.96	35.14	31.96	29.28	26.98	25.00	23.26	21.74	20.38	19.17
	3.3%	43.40	38.74	34.94	31.78	29.11	26.83	24.85	23.13	21.61	20.27

Table 26 – Sensitivity Analysis to Price Target with changes in g and WACC.
Source: Author

EV 14 792		WACC									
		5.04%	5.24%	5.44%	5.64%	5.84%	6.04%	6.24%	6.44%	6.64%	6.84%
	1.3%	14 375	13 654	13 002	12 410	11 871	11 377	10 923	10 505	10 118	9 760
	1.5%	15 100	14 302	13 584	12 936	12 348	11 812	11 321	10 870	10 454	10 070
	1.7%	15 910	15 022	14 228	13 515	12 871	12 286	11 753	11 265	10 817	10 403
	1.9%	16 823	15 828	14 945	14 156	13 447	12 807	12 225	11 695	11 210	10 764
	2.1%	17 858	16 735	15 746	14 868	14 084	13 379	12 743	12 165	11 638	11 155
g	2.3%	19 043	17 765	16 648	15 665	**14 792**	14 013	13 312	12 679	12 104	11 580
	2.5%	20 412	18 943	17 672	16 562	15 584	14 717	13 942	13 245	12 616	12 044
	2.7%	22 012	20 304	18 844	17 580	16 477	15 504	14 642	13 871	13 179	12 553
	2.9%	23 907	21 895	20 197	18 745	17 489	16 392	15 425	14 568	13 801	13 113
	3.1%	26 186	23 779	21 779	20 091	18 647	17 398	16 307	15 346	14 494	13 732
	3.3%	28 980	26 045	23 652	21 664	19 985	18 550	17 308	16 224	15 268	14 421

Table 27 – Sensitivity Analysis to Enterprise Value with changes in g and WACC.
Source: Author

Monte Carlo Simulation

To complement the analysis on assessing risks to the price target, a Monte Carlo simulation was performed with 50,000 trials, reaching a mean price target for 2022YE of €21.57 and an associated upside potential of 20% against the closing price of 8th September 2021, meaning a Buy recommendation. The input variables used to perform this analysis consist of revenues growth rates for the 3 countries, WACC and the terminal growth rate (g). This method supported the Buy recommendation with 55% certainty, displayed in **Figure 58** as blue bars whereas light red bars stand for Hold and Sell recommendations, and 93% certainty corresponded to Hold and Buy recommendations.

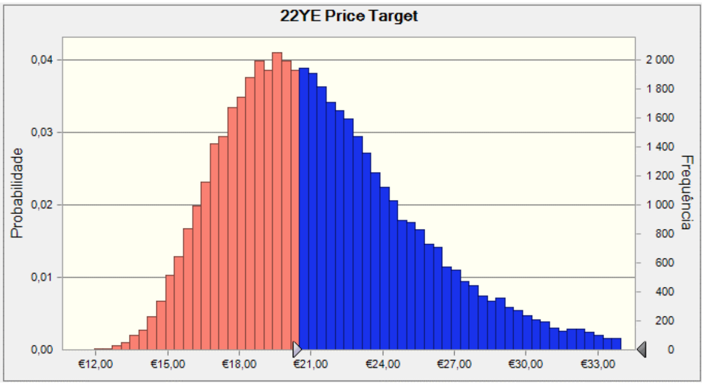


Figure 58 – Monte Carlo Simulation graph
Source: Oracle Crystal Ball, Author

Table 28 – Monte Carlo Simulation
Source: Oracle Crystal Ball, Author

Monte Carlo Simulation Statistics	
#Trials	50 000
Base Case	€ 20.86
Mean	**€ 21.57**
Median	€ 20.86
Standard Deviation	€ 4.43
Min.	€ 11.16
Max.	€ 77.28
10th percentile	€ 16.76
90th percentile	€ 27.16

Appendices

Appendix 1: Income Statement

In millions €	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	CAGR 20-26F
Revenues	**17 337**	**18 638**	**19 293**	**20 490**	**21 673**	**22 727**	**23 719**	**24 720**	**25 796**	**4.2%**
Poland	11 898	12 880	13 710	14 481	15 350	16 197	16 990	17 807	18 698	**4.5%**
Portugal	4 815	4 952	4 716	5 085	5 359	5 520	5 673	5 808	5 943	**3.4%**
Colombia	599	784	854	910	951	995	1 041	1 091	1 141	**4.2%**
COGS	(13 577)	(14 563)	(15 067)	(16 019)	(16 944)	(17 768)	(18 543)	(19 326)	(20 167)	**4.3%**
Gross Profit	**3 760**	**4 076**	**4 227**	**4 471**	**4 729**	**4 959**	**5 175**	**5 394**	**5 629**	**4.2%**
Distribution costs	(2 511)	(2 316)	(2 469)	(2 712)	(2 869)	(3 008)	(3 139)	(3 272)	(3 414)	**4.7%**
Administrative costs	(289)	(322)	(334)	(350)	(371)	(389)	(406)	(423)	(441)	**4.0%**
EBITDA	**960**	**1 437**	**1 423**	**1 409**	**1 490**	**1 562**	**1 630**	**1 699**	**1 773**	**3.2%**
Depreciation & Amortization	(364)	(715)	(734)	(707)	(718)	(734)	(752)	(772)	(795)	**1.1%**
Other operating profits/losses	(9)	(16)	(50)	-	-	-	-	-	-	**-**
EBIT	**587**	**706**	**639**	**702**	**772**	**829**	**879**	**927**	**978**	**6.3%**
Net financial costs	(25)	(159)	(180)	(138)	(144)	(151)	(159)	(168)	(178)	**-0.2%**
Gains/losses in joint ventures	0	(0)	0	-	-	-	-	-	-	**-**
Gains /losses in other investments	-	2	0	-	-	-	-	-	-	**-**
EBT	**562**	**549**	**459**	**564**	**628**	**678**	**720**	**759**	**801**	**8.3%**
Income tax	(132)	(128)	(136)	(153)	(168)	(182)	(193)	(204)	(215)	**6.8%**
Profit before non-controlling interests	**430**	**421**	**323**	**410**	**459**	**496**	**527**	**556**	**586**	**8.9%**
Minority Interest	29	31	11	(24)	(27)	(29)	(30)	(32)	(34)	**-218.05%**
Net Income	**401**	**390**	**312**	**387**	**433**	**467**	**496**	**524**	**552**	**8.5%**

Basic and diluted EPS	**0.64**	**0.62**	**0.50**	**0.61**	**0.69**	**0.74**	**0.79**	**0.83**	**0.88**	**8.5%**
DPS	**0.61**	**0.34**	**0.35**	**0.29**	**0.32**	**0.35**	**0.37**	**0.39**	**0.41**	**2.3%**

Appendix 2: Common-Size Income Statement

% sales	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
Revenues	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Poland	68.63%	69.11%	71.06%	70.67%	70.82%	71.27%	71.63%	72.04%	72.48%
Portugal	27.77%	26.57%	24.45%	24.82%	24.73%	24.29%	23.92%	23.50%	23.04%
Colombia	3.46%	4.21%	4.43%	4.44%	4.39%	4.38%	4.39%	4.41%	4.42%
COGS	-78.31%	-78.13%	-78.09%	-78.18%	-78.18%	-78.18%	-78.18%	-78.18%	-78.18%
Gross Profit	**21.69%**	**21.87%**	**21.91%**	**21.82%**	**21.82%**	**21.82%**	**21.82%**	**21.82%**	**21.82%**
Distribution costs	-14.48%	-12.43%	-12.80%	-13.24%	-13.24%	-13.24%	-13.24%	-13.24%	-13.24%
Administrative costs	-1.67%	-1.73%	-1.73%	-1.71%	-1.71%	-1.71%	-1.71%	-1.71%	-1.71%
EBITDA	**5.54%**	**7.71%**	**7.38%**	**6.87%**	**6.87%**	**6.87%**	**6.87%**	**6.87%**	**6.87%**
Depreciation & Amortization	-2.10%	-3.84%	-3.80%	-3.45%	-3.31%	-3.23%	-3.17%	-3.12%	-3.08%
Other operating profits/losses	-0.05%	-0.08%	-0.26%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EBIT	**3.38%**	**3.79%**	**3.31%**	**3.43%**	**3.56%**	**3.65%**	**3.70%**	**3.75%**	**3.79%**
Net financial costs	-0.14%	-0.85%	-0.94%	-0.68%	-0.66%	-0.66%	-0.67%	-0.68%	-0.69%
Gains/losses in joint ventures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gains /losses in other investments	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EBT	**3.24%**	**2.95%**	**2.38%**	**2.75%**	**2.90%**	**2.98%**	**3.04%**	**3.07%**	**3.10%**
Income tax	-0.76%	-0.69%	-0.70%	-0.75%	-0.78%	-0.80%	-0.81%	-0.82%	-0.83%
Profit before non-controlling interests	**2.48%**	**2.26%**	**1.67%**	**2.00%**	**2.12%**	**2.18%**	**2.22%**	**2.25%**	**2.27%**
Minority Interest	0.17%	0.17%	0.05%	-0.12%	-0.12%	-0.13%	-0.13%	-0.13%	-0.13%
Net Income	**2.31%**	**2.09%**	**1.62%**	**1.89%**	**2.00%**	**2.06%**	**2.09%**	**2.12%**	**2.14%**

Appendix 3: Statement of Financial Position

In millions €	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	CAGR 20-26F
Tangible assets	3 687	3 970	3 817	3 856	3 939	4 037	4 147	4 267	4 400	**2.0%**
Intangible assets	793	794	757	768	785	804	826	850	876	**2.1%**
Right-of-use assets	-	2 335	2 167	2 228	2 276	2 332	2 396	2 466	2 542	**2.3%**
Investment property	12	9	9	9	9	9	9	9	9	**0.0%**
Biological assets	3	3	3	3	3	3	3	3	3	**0.0%**
Investments in joint ventures and associates	3	5	6	6	6	6	6	6	6	**0.0%**
Other financial investments	1	1	1	1	1	1	1	1	1	**0.0%**
Trade debtors, accrued income and deferred costs	85	87	70	70	70	70	70	70	70	**0.0%**
Deferred tax assets	115	138	163	163	163	163	163	163	163	**0.0%**
Total non-current assets	**4 699**	**7 342**	**6 994**	**7 105**	**7 252**	**7 426**	**7 621**	**7 836**	**8 071**	**2.1%**
Inventories	971	1 039	974	1 097	1 161	1 217	1 270	1 324	1 381	**5.1%**
Biological assets	4	6	5	5	5	5	5	5	5	**0.0%**
Income tax receivable	5	11	17	17	17	17	17	17	17	**0.0%**
Trade debtors, accrued income	436	425	393	449	475	498	520	542	565	**5.3%**
Derivative financial instruments	0	-	4	4	4	4	4	4	4	**0.0%**
Cash and cash equivalents	546	929	1 041	1 261	1 553	1 825	2 089	2 354	2 629	**14.1%**
Total current assets	**1 961**	**2 410**	**2 434**	**2 834**	**3 214**	**3 566**	**3 905**	**4 245**	**4 602**	**9.5%**
Total Assets	**6 660**	**9 752**	**9 428**	**9 939**	**10 467**	**10 992**	**11 526**	**12 081**	**12 673**	**4.3%**
Share capital	629	629	629	629	629	629	629	629	629	**0.0%**
Share premium	22	22	22	22	22	22	22	22	22	**0.0%**
Own shares	-6	-6	-6	-6	-6	-6	-6	-6	-6	**0.0%**
Other reserves	-77	-67	-129	-137	-145	-152	-158	-165	-172	**4.2%**
Retained earnings	1 209	1 396	1 491	1 697	1 927	2 176	2 440	2 718	3 012	**10.6%**
Equity	1 778	1 975	2 008	2 206	2 428	2 670	2 927	3 199	3 486	**8.2%**
Non-controlling interests	238	254	249	284	313	344	377	412	449	**8.8%**
Total shareholders' equity	**2 016**	**2 229**	**2 257**	**2 490**	**2 741**	**3 014**	**3 305**	**3 612**	**3 935**	**8.3%**
Borrowings	288	309	364	366	374	383	394	405	418	**2.0%**
Lease liabilities	-	1 999	1 897	1 931	1 971	2 019	2 074	2 134	2 201	**2.1%**
Trade creditors, accrued costs and deferred income	1	1	1	1	1	1	1	1	1	**0.0%**
Derivative financial instruments	0	0	0	0	0	0	0	0	0	**0.0%**
Employee benefits	65	70	70	70	70	70	70	70	70	**0.0%**
Provisions for risks and contingencies	27	28	33	33	33	33	33	33	33	**0.0%**
Deferred tax liabilities	76	71	66	66	66	66	66	66	66	**0.0%**
Total non-current liabilities	**456**	**2 477**	**2 430**	**2 466**	**2 514**	**2 572**	**2 637**	**2 709**	**2 788**	**2.0%**
Borrowings	351	424	160	169	177	183	189	195	202	**3.4%**
Lease liabilities	-	385	377	378	386	395	406	417	430	**1.9%**
Trade creditors, accrued costs and deferred income	3 794	4 182	4 154	4 389	4 596	4 770	4 928	5 083	5 249	**3.4%**
Derivative financial instruments	0	3	0	0	0	0	0	0	0	**0.0%**
Income tax payable	42	52	50	47	52	57	61	65	69	**4.6%**
Total current liabilities	**4 187**	**5 046**	**4 741**	**4 983**	**5 211**	**5 406**	**5 584**	**5 761**	**5 950**	**3.3%**
Total Liabilities	**4 644**	**7 523**	**7 171**	**7 449**	**7 725**	**7 978**	**8 221**	**8 470**	**8 738**	**2.9%**
Total shareholders' equity and liabilities	**6 660**	**9 752**	**9 428**	**9 939**	**10 467**	**10 992**	**11 526**	**12 081**	**12 673**	**4.3%**

Appendix 4: Common-Size Statement of Financial Position

% Total Assets	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
Tangible assets	55.4%	40.7%	40.5%	38.8%	37.6%	36.7%	36.0%	35.3%	34.7%
Intangible assets	11.9%	8.1%	8.0%	7.7%	7.5%	7.3%	7.2%	7.0%	6.9%
Right-of-use assets	0.0%	23.9%	23.0%	22.4%	21.7%	21.2%	20.8%	20.4%	20.1%
Investment property	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Biological assets	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investments in joint ventures and associates	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Other financial investments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade debtors, accrued income and deferred costs	1.3%	0.9%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%
Deferred tax assets	1.7%	1.4%	1.7%	1.6%	1.6%	1.5%	1.4%	1.4%	1.3%
Total non-current assets	**70.6%**	**75.3%**	**74.2%**	**71.5%**	**69.3%**	**67.6%**	**66.1%**	**64.9%**	**63.7%**
Inventories	14.6%	10.7%	10.3%	11.0%	11.1%	11.1%	11.0%	11.0%	10.9%
Biological assets	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Income tax receivable	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%
Trade debtors, accrued income	6.5%	4.4%	4.2%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Derivative financial instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and cash equivalents	8.2%	9.5%	11.0%	12.7%	14.8%	16.6%	18.1%	19.5%	20.7%
Total current assets	**29.4%**	**24.7%**	**25.8%**	**28.5%**	**30.7%**	**32.4%**	**33.9%**	**35.1%**	**36.3%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Share capital	9.4%	6.5%	6.7%	6.3%	6.0%	5.7%	5.5%	5.2%	5.0%
Share premium	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Own shares	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	0.0%
Other reserves	-1.2%	-0.7%	-1.4%	-1.4%	-1.4%	-1.4%	-1.4%	-1.4%	-1.4%
Retained earnings	18.2%	14.3%	15.8%	17.1%	18.4%	19.8%	21.2%	22.5%	23.8%
Equity	26.7%	20.3%	21.3%	22.2%	23.2%	24.3%	25.4%	26.5%	27.5%
Non-controlling interests	3.6%	2.6%	2.6%	2.9%	3.0%	3.1%	3.3%	3.4%	3.5%
Total shareholders' equity	**30.3%**	**22.9%**	**23.9%**	**25.1%**	**26.2%**	**27.4%**	**28.7%**	**29.9%**	**31.1%**
Borrowings	4.3%	3.2%	3.9%	3.7%	3.6%	3.5%	3.4%	3.4%	3.3%
Lease liabilities	0.0%	20.5%	20.1%	19.4%	18.8%	18.4%	18.0%	17.7%	17.4%
Trade creditors, accrued costs and deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Derivative financial instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee benefits	1.0%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%
Provisions for risks and contingencies	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Deferred tax liabilities	1.1%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%
Total non-current liabilities	**6.9%**	**25.4%**	**25.8%**	**24.8%**	**24.0%**	**23.4%**	**22.9%**	**22.4%**	**22.0%**
Borrowings	5.3%	4.3%	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%
Lease liabilities	0.0%	3.9%	4.0%	3.8%	3.7%	3.6%	3.5%	3.5%	3.4%
Trade creditors, accrued costs and deferred income	57.0%	42.9%	44.1%	44.2%	43.9%	43.4%	42.8%	42.1%	41.4%
Derivative financial instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Income tax payable	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Total current liabilities	**62.9%**	**51.7%**	**50.3%**	**50.1%**	**49.8%**	**49.2%**	**48.4%**	**47.7%**	**47.0%**
Total Liabilities	**69.7%**	**77.1%**	**76.1%**	**74.9%**	**73.8%**	**72.6%**	**71.3%**	**70.1%**	**68.9%**
Total shareholders' equity and liabilities	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Appendix 5: Cash Flow Statement

in millions €	2021F	2022F	2023F	2024F	2025F	2026F
Operating Activities						
EBIT	702	772	829	879	927	978
D&A	707	718	734	752	772	795
Income Tax	153	168	182	193	204	215
∆NWC	(56)	(118)	(95)	(83)	(80)	(85)
Cash flow from operating activities	**1 311**	**1 439**	**1 476**	**1 520**	**1 575**	**1 643**
Investment Activities						
CAPEX	(818)	(865)	(907)	(947)	(987)	(1 030)
Other Investments	0	0	0	0	0	0
Cash flow from investing activities	**(818)**	**(865)**	**(907)**	**(947)**	**(987)**	**(1 030)**
Financing Activities						
Interest paid	(138)	(144)	(151)	(159)	(168)	(178)
Dividends paid	(181)	(203)	(219)	(232)	(245)	(258)
∆Debt	47	64	74	82	90	98
Cash flow from financing activities	**(273)**	**(282)**	**(296)**	**(309)**	**(323)**	**(338)**
Cash Flow	**220**	**291**	**272**	**264**	**265**	**275**
Beginning	**1041**	**1261**	**1553**	**1825**	**2089**	**2354**
End	**1261**	**1553**	**1825**	**2089**	**2354**	**2629**

Appendix 6: Common-Size Cash Flow Statement

% Operational Cash Flow	2021F	2022F	2023F	2024F	2025F	2026F
Operating Activities						
EBIT	53.54%	53.62%	56.16%	57.81%	58.85%	59.55%
D&A	53.89%	49.91%	49.72%	49.47%	49.03%	48.37%
Income Tax	11.68%	11.71%	12.33%	12.71%	12.94%	13.07%
∆ NWC	-4.24%	-8.18%	-6.45%	-5.43%	-5.05%	-5.16%
Cash flow from operating activities	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Investment Activities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CAPEX	-62.40%	-60.12%	-61.49%	-62.31%	-62.66%	-62.67%
Other Investments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash flow from investing activities	**-62.40%**	**-60.12%**	**-61.49%**	**-62.31%**	**-62.66%**	**-62.67%**
Financing Activities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest paid	-10.56%	-9.99%	-10.21%	-10.43%	-10.64%	-10.83%
Dividends paid	-13.81%	-14.08%	-14.83%	-15.29%	-15.56%	-15.72%
∆ Debt	3.55%	4.44%	4.99%	5.38%	5.68%	5.98%
Cash flow from financing activities	**-20.82%**	**-19.63%**	**-20.04%**	**-20.34%**	**-20.52%**	**-20.57%**
Cash Flow	**16.79%**	**20.25%**	**18.47%**	**17.35%**	**16.83%**	**16.76%**
Beginning	**79.43%**	**87.65%**	**105.24%**	**120.10%**	**132.63%**	**143.26%**
End	**96.22%**	**107.90%**	**123.71%**	**137.45%**	**149.46%**	**160.02%**

Appendix 7: Key Financial Ratios

Key Financial Ratios	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
Liquidity Ratios									
Current Ratio (x)	0.47	0.48	0.51	0.57	0.62	0.66	0.70	0.74	0.77
Quick Ratio (x)	0.23	0.27	0.30	0.34	0.39	0.43	0.47	0.50	0.54
Cash Ratio (x)	0.13	0.18	0.22	0.25	0.30	0.34	0.37	0.41	0.44
Operating Cash Flow Ratio (x)	0.23	0.20	0.30	0.26	0.28	0.27	0.27	0.27	0.28
Profitability Ratios									
Gross Profit Margin (%)	21.69%	21.87%	21.91%	21.82%	21.82%	21.82%	21.82%	21.82%	21.82%
EBITDA Margin (%)	5.54%	7.71%	7.38%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%
EBIT Margin (%)	3.38%	3.79%	3.31%	3.43%	3.56%	3.65%	3.70%	3.75%	3.79%
Net Profit Margin (%)	2.31%	2.09%	1.62%	1.89%	2.00%	2.06%	2.09%	2.12%	2.14%
ROE (%)	22%	18.4%	13.9%	16.3%	16.5%	16.2%	15.7%	15.1%	14.6%
ROA (%)	6.0%	4.75%	3.25%	3.99%	4.24%	4.36%	4.41%	4.44%	4.46%
ROIC (%)	15.9%	9.8%	8.6%	7.8%	8.9%	7.6%	7.9%	8.1%	8.2%
ROCE (%)	23.7%	15.0%	13.6%	14.2%	14.7%	14.8%	14.8%	14.7%	14.6%
Solvency Ratios									
Debt to Equity	0.32	1.40	1.24	1.14	1.06	0.99	0.93	0.87	0.83
ST Debt to Equity	0.17	0.36	0.24	0.22	0.21	0.19	0.18	0.17	0.16
LT Debt to Equity	0.14	1.04	1.00	0.92	0.86	0.80	0.75	0.70	0.67
Interest Coverage Ratio	26.98	4.44	4.31	5.07	5.37	5.50	5.54	5.53	5.50
Debt Ratio	0.10	0.38	0.29	0.29	0.28	0.28	0.27	0.27	0.26
Equity Multiplier (x)	0.30	0.23	0.24	0.25	0.26	0.27	0.29	0.30	0.31
Debt to EBITDA (x)	0.67	2.17	1.97	2.02	1.95	1.91	1.88	1.85	1.83
Efficiency Ratios									
Fixed Assets Turnover (x)	3.87	2.63	2.86	2.99	3.10	3.17	3.22	3.26	3.30
Asset Turnover (x)	2.65	2.27	2.01	2.12	2.12	2.12	2.11	2.09	2.08
Inventory Turnover (x)	14.91	14.50	14.97	15.47	15.01	14.95	14.91	14.90	14.91
Receivables Turnover (x)	41.59	43.33	47.19	48.66	46.91	46.71	46.60	46.57	46.60
Payables Turnover (x)	5.82	4.67	4.63	4.80	4.82	4.85	4.89	4.94	4.99
DIO (days)	25.93	25.18	24.38	25.00	25.00	25.00	25.00	25.00	25.00
DSO (days)	8.63	8.32	7.44	8.00	8.00	8.00	8.00	8.00	8.00
DPO (days)	102.01	104.82	100.63	100.00	99.00	98.00	97.00	96.00	95.00
Operating Cycle (days)	34.56	33.50	31.81	33.00	33.00	33.00	33.00	33.00	33.00
Cash Cycle (days)	-67.44	-71.32	-68.82	-67.00	-66.00	-65.00	-64.00	-63.00	-62.00

Appendix 8: Forecasting Assumptions

Income Statement	Unit	2021F	2022F	2023F	2024F	2025F	2026F	Assumptions
Revenues	YoY	**6.20%**	**5.78%**	**4.86%**	**4.36%**	**4.22%**	**4.35%**	See **Appendix 8** for Revenues detailed forecast.
Poland Retail	YoY	5.62%	6.00%	5.52%	4.90%	4.81%	5.00%	Estimated based on the growth of GDP and population per country, applied to each business segment where for each country, a weighted growth rate was computed with 70% for GDP growth and 30% for Population growth. For "Others" unit it was assumed to be equal to 2020HY nominal value as it holds a small weight in total sales.
Portugal Retail	YoY	7.82%	5.39%	3.01%	2.76%	2.38%	2.32%	
Portugal Cash & Carry	YoY	7.82%	5.39%	3.01%	2.76%	2.38%	2.32%	
Colombia Retail	YoY	6.53%	4.49%	4.70%	4.65%	4.72%	4.60%	
Others	YoY	0%	0%	0%	0%	0%	0%	
COGS	% revenue	78.18%	78.18%	78.18%	78.18%	78.18%	78.18%	Average historical % of revenues between 2018HY and 2020HY.
Distribution costs	% revenue	13.24%	13.24%	13.24%	13.24%	13.24%	13.24%	Average historical % of revenues between 2018HY and 2020HY.
Administrative costs	% revenue	1.71%	1.71%	1.71%	1.71%	1.71%	1.71%	Average historical % of revenues between 2018HY and 2020HY.
Depreciation & Amortization	%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	Average depreciation rate between 2019HY and 2020HY corresponding to the period of IFRS 16 adoption.
Other operating profits/losses	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Hard to predict.
Net financial costs								See Debt Appendix 11.
Leases Interest	%	5.40%	5.51%	5.65%	5.80%	5.97%	6.16%	Interest expense t = Loans t * Kd t-1
Loans Interest	%	2.99%	3.08%	3.17%	3.26%	3.36%	3.47%	Interest expense t = Lease Liabilities t * Kd t-1
Gains/losses in joint ventures and associates	%	0%	0%	0%	0%	0%	0%	Hard to predict.
Gains/losses in other investments	%	0%	0%	0%	0%	0%	0%	Hard to predict.
Income tax	%	**27%**	**27%**	**27%**	**27%**	**27%**	**27%**	The Effective Tax rate is line with PwC´s projections for the corporate income tax rate. The Portugal tax rate includes a State surcharge and a Municipal tax.
Poland	%	19%	19%	19%	19%	19%	19%	
Portugal	%	32%	32%	32%	32%	32%	32%	
Colombia	%	31%	30%	30%	30%	30%	30%	
Effective	%	27%	27%	27%	27%	27%	27%	
Minority Interest	% Profit before non-controlling interests	5.78%	5.78%	5.78%	5.78%	5.78%	5.78%	Historical average % of Profit before non-controlling interests between 2017HY and 2020HY.

Balance Sheet	Unit	2021F	2022F	2023F	2024F	2025F	2026F	Assumptions
Non-Current Assets								
Tangible assets	YoY	1.0%	2.1%	2.5%	2.7%	2.9%	3.1%	See **CAPEX (Appendix 9)**.
Intangible assets	YoY	1.4%	2.1%	2.5%	2.7%	2.9%	3.1%	See **CAPEX (Appendix 9)**.
Right-of-use assets	YoY	2.8%	2.1%	2.5%	2.7%	2.9%	3.1%	See **CAPEX (Appendix 9)**.
Investment property	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Biological assets	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Investments in joint ventures and associates	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Other financial investments	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Trade debtors, accrued income and deferred costs	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Deferred tax assets	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Current Assets								
Inventories	YoY	12.7%	5.8%	4.9%	4.4%	4.2%	4.4%	See **NWC (Appendix 10)**.
Biological assets	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Income tax receivable	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Trade debtors, accrued income	YoY	14.3%	5.8%	4.9%	4.4%	4.2%	4.4%	See **NWC (Appendix 10)**.
Derivative financial instruments	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Equity								
Share capital	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No issuance of new shares expected
Share premium	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Own shares	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Other reserves	YoY	6.2%	5.8%	4.9%	4.4%	4.2%	4.4%	% of Sales 2020HY.
Retained earnings	YoY	9.8%	10.1%	10.0%	9.6%	9.3%	9.0%	**RE t = RE t-1 + NI t - Div t**
Non-controlling interests	YoY	14.2%	10.1%	10.0%	9.6%	9.3%	9.0%	Average % of Equity between 17HY and 20HY.
Non-Current Liabilities								
Borrowings	YoY	0.6%	2.1%	2.5%	2.7%	2.9%	3.1%	See **Debt (Appendix 11)**.
Lease liabilities	YoY	1.8%	2.1%	2.4%	2.7%	2.9%	3.1%	See **Debt (Appendix 11)**.
Trade creditors, accrued costs and deferred income	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Derivative financial instruments	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Employee benefits	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Provisions for risks and contingencies	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Deferred tax liabilities	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Current liabilities								
Borrowings	YoY	5.7%	4.7%	3.8%	3.3%	3.1%	3.3%	See **Debt (Appendix 11)**.
Lease liabilities	YoY	0.3%	2.1%	2.4%	2.7%	2.9%	3.1%	See **Debt (Appendix 11)**.
Trade creditors, accrued costs and deferred income	YoY	5.7%	4.7%	3.8%	3.3%	3.1%	3.3%	See **NWC (Appendix 10)**.
Derivative financial instruments	YoY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Equal to the 2020HY nominal value.
Income tax payable	YoY	-6.2%	11.3%	8.7%	6.8%	6.1%	6.3%	Assumed to increase after 2021 (AR20).

Appendix 9: Revenues

Weights	Poland	Portugal	Colombia
GDP growth rate	**70%**	**70%**	**70%**
Population Growth	**30%**	**30%**	**30%**

Growth Rates	2021F	2022F	2023F	2024F	2025F	2026F
Poland	**5.62%**	**6.00%**	**5.52%**	**4.90%**	**4.81%**	**5.00%**
Portugal	**7.82%**	**5.39%**	**3.01%**	**2.76%**	**2.38%**	**2.32%**
Colombia	**6.53%**	**4.49%**	**4.70%**	**4.65%**	**4.72%**	**4.60%**

Revenues (€M)	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	CAGR 20-26F
Poland Retail	**9 903**	**11 241**	**11 898**	**12 880**	**13 710**	**14 481**	**15 350**	**16 197**	**16 990**	**17 807**	**18 698**	**4.53%**
Biedronka	9 781	11 075	11 691	12 621	13 465	14 222	15 075	15 908	16 686	17 489	18 364	
YoY	68%	13%	6%	8%	7%	5.62%	6.00%	5.52%	4.90%	4.81%	5.00%	
Hebe	122	166	207	259	245	259	274	289	304	318	334	
YoY		36.07%	24.70%	25.12%	-5.41%	5.62%	6.00%	5.52%	4.90%	4.81%	5.00%	
Portugal Retail	**3 558**	**3 667**	**3 835**	**3 945**	**3 869**	**4 172**	**4 396**	**4 528**	**4 654**	**4 765**	**4 875**	**3.36%**
Pingo Doce	3 558	3667	3835	3 945	3 869	4 172	4 396	4 528	4 654	4 765	4 875	
YoY		3.06%	4.58%	2.87%	-1.93%	7.82%	5.39%	3.01%	2.76%	2.38%	2.32%	
Portugal Cash & Carry	**878**	**942**	**980**	**1 007**	**847**	**914**	**963**	**992**	**1 019**	**1 044**	**1 068**	**3.36%**
Recheio	878	942	980	1 007	847.46	914	963	992	1 019	1 044	1 068	
YoY		7.29%	4.03%	2.76%	-15.8%	7.82%	5.39%	3.01%	2.76%	2.38%	2.32%	
Colombia Retail	**236**	**405**	**599**	**784**	**854**	**910**	**951**	**995**	**1 041**	**1 091**	**1 141**	**4.22%**
Ara	236	405	599	784	854	910	951	995	1 041	1 091	1 141	
YoY		71.61%	47.90%	30.88%	8.92%	6.53%	4.49%	4.70%	4.65%	4.72%	4.60%	
Others	46	20	24	23	14	14	14	14	14	14	14	
YoY		-56.5%	20.0%	-4.2%	-39.1%	Constant and equal to last year (2020HY)						
Total JMT Sales	**14 622**	**16 276**	**17 337**	**18 638**	**19 293**	**20 490**	**21 673**	**22 727**	**23 719**	**24 720**	**25 796**	**4.24%**
YoY		11.31%	6.52%	7.50%	3.52%	6.20%	5.78%	4.86%	4.36%	4.22%	4.35%	

Appendix 10: CAPEX

CAPEX (in million €)	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	Average 17-20
CAPEX	**724**	**658**	**679**	**479**	**818**	**865**	**907**	**947**	**987**	**1030**	
CAPEX as % of revenues	4.4%	3.8%	3.6%	2.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	**3.6%**

Depreciations were calculated based on the average historical depreciation rate between 2019HY to 2020HY, where 2018HY was excluded due to IFRS16 not being in use. Then, to forecast depreciation figures, the depreciation rate obtained of 10.48% was multiplied to the Initial Fixed Assets of the corresponding period. As the company does not disclose CAPEX by asset class neither for depreciations, Fixed Assets were calculated using the formula: $\mathbf{Asset_t = Asset_{t-1} + CAPEX_t - Depreciations_t}$. Finally, given than historical weights for each of the 3 assets class were close to constant, to obtain figures for each asset class composing Fixed Assets, an average of historical weights between 2019HY to 2020HY was calculated and multiplied to Total Fixed Assets.

Depreciation Rate	2019	2020	Average 17-20
Initial Fixed Assets	7 099	6 741	
Depreciations	715	734	
Depreciation Rate	10.08%	10.89%	**10.48%**

Fixed Assets (€M)	2021F	2022F	2023F	2024F	2025F	2026F
Initial Fixed Assets	6741	6853	7000	7173	7368	7583
CAPEX	818	865	907	947	987	1030
Depreciations	707	718	734	752	772	795
Ending Fixed Assets	**6853**	**7000**	**7173**	**7368**	**7583**	**7818**

	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	Average Weight 19-20
Tangible assets	3 687	3 970	3 817	3856	3939	4037	4147	4267	4400	56%
Intangible assets	793	794	757	768	785	804	826	850	876	11%
Right of use assets	0	2 335	2 167	2228	2276	2332	2396	2466	2542	33%
Fixed Assets	**4 480**	**7 099**	**6 741**	**6 853**	**7 000**	**7 173**	**7 368**	**7 583**	**7 818**	

Appendix 11: NWC

Working Capital (€M)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
Inventories	**971**	**1039**	**974**	**1097**	**1161**	**1217**	**1270**	**1324**	**1381**
DIO	26	25	24	25	25	25	25	25	25
Receivables	**436**	**425**	**393**	**449**	**475**	**498**	**520**	**542**	**565**
DSO	9	8	7	8	8	8	8	8	8
Payables	**3794**	**4182**	**4154**	**4389**	**4596**	**4770**	**4928**	**5083**	**5249**
DPO	102	105	101	100	99	98	97	96	95
NWC	**-2388**	**-2719**	**-2787**	**-2842**	**-2960**	**-3055**	**-3138**	**-3217**	**-3302**
Δ NWC		**-331**	**-68**	**-56**	**-118**	**-95**	**-83**	**-80**	**-85**

Appendix 12: Debt

Borrowings	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
Non-current loans	**288**	**309**	**364**	**366**	**374**	**383**	**394**	**405**	**418**
% CAPEX	49.81%	45.47%	75.95%	47.64%	47.64%	47.64%	47.64%	47.64%	47.64%
Current loans	**351**	**424**	**160**	**169**	**177**	**183**	**189**	**195**	**202**
% Accounts payable	9.25%	10.13%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%
Total Borrowings	**639**	**732**	**524**	**535**	**551**	**567**	**583**	**600**	**619**

Lease Liabilities	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
Opening Balance	2413	2384	2273	2309	2357	2414	2480	2552
Increases (new contracts)	239	172	290	307	322	336	350	366
Payments	-264	-274	-255	-259	-264	-271	-278	-286
Transfers	0	0	0	0	0	0	0	0
Contracts change/cancel	-22	116	0	0	0	0	0	0
FX dif.	19	-124	0	0	0	0	0	0
Closing Balance	**2384**	**2273**	**2 309**	**2 357**	**2 414**	**2 480**	**2 552**	**2 631**
Payment Rate	**10.9%**	**11.5%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**

For transfers, contracts change/cancel and FX differences, it was assumed to be equal to zero as it is hard to predict future values. As weights of ST and LT in total Lease liabilities were identical in 2019HY and 2020HY, to obtain **ST and LT leases**, an average historical weight of these same years was calculated, yielding 16.4% to ST and 83.6% to LT.

Total Debt	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
ST Loans	424	160	169	177	183	189	195	202
LT Loans	309	364	366	374	383	394	405	418
Total Loans	**732**	**524**	**535**	**551**	**567**	**583**	**600**	**619**
ST leases	385	377	378	386	395	406	417	430
LT leases	1999	1897	1931	1971	2019	2074	2134	2201
Total Leases	**2384**	**2273**	**2309**	**2357**	**2414**	**2480**	**2552**	**2631**
ST Debt	**809**	**536**	**546**	**562**	**578**	**595**	**613**	**632**
LT Debt	**2308**	**2260**	**2297**	**2345**	**2402**	**2467**	**2539**	**2618**
Total Debt	**3117**	**2797**	**2843**	**2907**	**2981**	**3063**	**3152**	**3250**
Δ Debt		**-320**	**47**	**64**	**74**	**82**	**90**	**98**

For interest expenses, it was multiplied the cost of debt of t-1 to the borrowings of the year, in which the cost of debt for Leases and Borrowings each year, was calculated with the following formulas:

$$Cost\ of\ Debt\ (Lease)_t = \frac{Interest\ expense_t}{Lease\ Liabilities\ value_{t-1}}$$

$$Cost\ of\ Debt\ (Borrowings)_t = \frac{Interest\ expense_t}{Borrowings\ value_{t-1}}$$

Interest Expense	2020	2021F	2022F	2023F	2024F	2025F	2026F
Total Loans	524	535	551	567	583	600	619
Loans interest expense	21.47	15.67	16.48	17.46	18.49	19.60	20.82
Kd loans	**2.93%**	**2.99%**	**3.08%**	**3.17%**	**3.26%**	**3.36%**	**3.47%**
Leases interest expense	127	123	127	133	140	148	157
Kd leases	**5.32%**	**5.40%**	**5.51%**	**5.65%**	**5.80%**	**5.97%**	**6.16%**

Net Financial Costs	2020	2021F	2022F	2023F	2024F	2025F	2026F
Loans interest expense	21.47	15.67	16.48	17.46	18.49	19.60	20.82
Leases interest expense	126.83	122.80	127.31	133.14	140.09	148.05	157.09
Net Financial Costs	**148.30**	**138.47**	**143.79**	**150.60**	**158.58**	**167.65**	**177.91**

Cost of Debt	2020	2021F	2022F	2023F	2024F	2025F	2026F
Kd	**5.30%**	**4.95%**	**5.06%**	**5.18%**	**5.32%**	**5.47%**	**5.64%**

Appendix 13: Cost of Capital

Cost of Equity (Ke):

Cost of Equity was calculated using the Capital Asset Pricing Model (CAPM) considering a Country Risk Premium (CRP) since JMT is operating in 3 different countries. The following formula was applied:

$$Ke = RFR + (\beta * MRP) + CRP$$

For the **RFR** it was used the German 10Y bond yield as benchmark and given recent yields are negative, the yields were normalized using the last 5Y monthly average yield. For **Beta**, it was calculated from a regression with PSI20 index returns from the past 5 years and after, adjusted by the Blume Adjustment method, resulting in a beta of 0.89, constant during the forecast period. The **MRP** was collected from Damodaran data base for the 3 countries (Poland, Portugal and Colombia) and the final MRP used in CAPM, resulted from the average of the collected MRP. Lastly, CRP was calculated in the same way as MRP, also with data collected from Damodaran data base.

	CRP	MRP
Poland	0.82%	5.54%
Portugal	2.13%	6.85%
Colombia	1.84%	6.56%
JMT	**1.60%**	**6.32%**

Cost of Equity	2021F	2022F	2023F	2024F	2025F	2026F
RFR	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%
MRP	6.32%	6.32%	6.32%	6.32%	6.32%	6.32%
CRP	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%
Adjusted levered β	0.89	0.89	0.89	0.89	0.89	0.89
Ke	**7.24%**	**7.24%**	**7.24%**	**7.24%**	**7.24%**	**7.24%**

WACC:

To calculate the WACC with book values, using previously calculated Ke, Kd and tax rate, the WACC formula was used as:

$$\boldsymbol{WACC = \frac{E}{V} * Ke + \frac{D}{V} * Kd * (1 - t)}$$

WACC	2021F	2022F	2023F	2024F	2025F	2026F
Ke	7.24%	7.24%	7.24%	7.24%	7.24%	7.24%
Kd	4.95%	5.06%	5.18%	5.32%	5.47%	5.64%
D	2 843	2 907	2 981	3 063	3 152	3 250
E	2 490	2 741	3 014	3 305	3 612	3 935
V	5 333	5 648	5 995	6 367	6 764	7 185
t	27%	27%	27%	27%	27%	27%
WACC	**5.30%**	**5.42%**	**5.53%**	**5.63%**	**5.73%**	**5.84%**

Other methods to calculate the cost of equity were performed and consequently impacted the WACC results. Using the **Bloomberg's beta** of 0.75, the obtained cost of equity was 6.36%, also constant throughout the forecast period. This cost of equity led to a WACC ranging between 4.89% and 5.35% over the forecast period. Using the Levered Beta of 0.58 from **Damodaran´s**, database calculated as a simple average between the beta of 30 European companies, this beta yielded a constant cost of capital of 5.32%. This cost of equity resulted in a WACC ranging between 4.41% to 4.78%, considered to be low regarding past WACC values of more than 5%.

Appendix 14: Terminal Growth Rate (g)

The terminal growth rate was obtained by applying the following formula:

$$\boldsymbol{g = ROE * Reinvestment\ Rate}$$

Furthermore, the average of every computed growth rate resulted in 2.3% for Terminal Growth Rate (g)

g	2021F	2022F	2023F	2024F	2025F	2026F
ROE	**16.3%**	**16.5%**	**16.2%**	**15.7%**	**15.1%**	**14.6%**
CAPEX	818	865	907	947	987	1030
D&A	707	718	734	752	772	795
ΔNWC	-56	-118	-95	-83	-80	-85
EBIT*(1-t)	511	565	606	643	678	716
Reinvestment Rate	**10.9%**	**5.2%**	**12.9%**	**17.5%**	**19.9%**	**21.0%**
g	**1.78%**	**0.86%**	**2.10%**	**2.75%**	**3.01%**	**3.07%**

g	**2.3%**

Appendix 15: DCF - Discounted Cash Flow Valuation

Using FCFF – Free Cash Flow to the Firm:

$$FCFF = EBIT(1-t) \pm Non\ Cash\ Charges - CAPEX - \Delta NWC$$

$$EV_0 = \sum_{t=1}^{n} \frac{FCFF_t}{(1+WACC)^t} + \frac{FCFF_{n+1}}{(WACC-g)} \frac{1}{(1+WACC)^n}$$

FCFF	2021F	2022F	2023F	2024F	2025F	2026F	TV
EBIT*(1-t)	511	565	606	643	678	716	
Non-Cash Charges	707	718	734	752	772	795	
ΔNWC	-56	-118	-95	-83	-80	-85	
CAPEX	818	865	907	947	987	1030	
FCFF	**455**	**535**	**528**	**530**	**543**	**566**	**16 193**
Period			1	2	3	4	4
PV			500	475	460	451	12 906

FCFF Price Target	
Enterprise Value	**14 792**
Net debt	1 354
Minority Interest	313
Equity	**13 125**
Shares Outstanding	629
22YE Price Target	**€ 20.86**
Share Price on 8 September 2021	€ 18.00
Upside Potential	**16%**

Using FCFE – Free Cash Flow to Equity:

$$FCFE = Net\ Income + Non\ Cash\ Charges - \Delta NWC - CAPEX + Net\ Borrowing$$

$$Equity\ Value = \sum_{t=1}^{n} \frac{FCFE_t}{(1+Ke)^t} + \frac{FCFE_{n+1}}{(Ke-g)} \frac{1}{(1+Ke)^n}$$

FCFE	2021F	2022F	2023F	2024F	2025F	2026F	TV
Net income	387	433	467	496	524	552	
Non-cash charges	707	718	734	752	772	795	
ΔNWC	-56	-118	-95	-83	-80	-85	
CAPEX	818	865	907	947	987	1030	
Net Borrowings	47	64	74	82	90	98	
FCFE	**377**	**467**	**463**	**466**	**478**	**500**	**10 262**
Period			1	2	3	4	4
PV			431	405	388	378	7 758

FCFE Price Target	
Equity Value	**9 359**
Shares Outstanding	629
22YE Price Target	**€ 14.87**
Share Price on 8 September 2021	€ 18.00
Downside Potential	**-17%**

Appendix 16: APV – Adjusted Present Value Valuation

$$APV = EBIT(1-t) \pm Non\ Cash\ Charges - \Delta NWC - CAPEX + Interest\ Tax\ Shield$$

	2021F	2022F	2023F	2024F	2025F	2026F	TV
FCFF	**455**	**535**	**528**	**530**	**543**	**566**	**13 587**
Ku	**4.74%**	**4.84%**	**4.93%**	**5.02%**	**5.10%**	**5.17%**	
Tax rate	27%	27%	27%	27%	27%	27%	
Interest Paid	138	144	151	159	168	178	
Interest Tax Shield	**38**	**39**	**40**	**43**	**45**	**48**	**903**
Period			1	2	3	4	4
PV FCFF			505	481	468	462	11 106
PV ITS			39	39	39	39	738

APV Price Target	
EV	**13 020**
PV ITS (+)	893
Equity Value	**13 913**
Shares Outstanding	629
22YE Price Target	**€ 22.11**
Share Price on 8 September 2021	€ 18.00
Upside Potential	**23%**

Appendix 17: DDM - Dividend Discount Model Valuation

For the DDM, a two-stage model together with a H-model for the terminal period was used. In the H-model we considered for the **Short-term growth rate** an average of the YoY growth in DPS between 2022F to 2026F. Regarding the **Long-term growth rate**, it was assumed to be equal to the terminal value perpetuity growth, previously computed in Appendix 13.

DDM	2021F	2022F	2023F	2024F	2025F	2026F	TV
DPS	0.29	0.32	0.35	0.37	0.39	0.41	10.61
YoY	-18%	12%	8%	6%	5%	5%	7%
Period			1	2	3	4	4
PV			**0.33**	**0.33**	**0.32**	**0.32**	**8.29**

DDM Price Target	
Short-term growth	7%
Long-term growth	2.3%
r (Ke)	7.24%
H	4
PV DPS	1.27
PV TV	7.01
22YE Price Target	**€ 8.28**

Appendix 18: Relative Valuation

Company	Country	EV/EBITDA	EV/Sales	EV/EBIT	P/B	P/E	P/sales	P/CF
Carrefour SA	France	5.89x	0.38x	11.80x	1.06x	9.61x	0.16x	3.68x
J Sainsbury PLC	UK	5.35x	0.40x	11.02x	0.94x	12.86x	0.23x	4.69x
Tesco PLC	UK	7.10x	0.51x	13.35x	1.22x	12.12x	0.32x	6.75x
Ahold Delhaize NV	BE-NL	7.01x	0.58x	12.49x	2.09x	13.64x	0.40x	6.31x
Casino G. P. SA	France	6.54x	0.56x	14.25x	0.74x	10.68x	0.08x	1.82x
Colruyt	Belgium	7.67x	0.63x	12.83x	2.12x	15.97x	0.62x	8.76x
Sonae SGPS SA	Portugal	7.75x	0.69x	14.39x	0.81x	12.80x	0.25x	1.43x
Dino Polska SA	Poland	20.68x	2.13x	26.81x	8.12x	31.89x	2.05x	20.30x
Axfood AB	Sweden	9.92x	0.88x	17.85x	9.60x	22.85x	0.79x	13.14x
Kesko Oyj	Finland	12.94x	1.34x	19.51x	5.07x	26.89x	1.15x	20.21x
Morrisons PLC	UK	8.85x	0.55x	12.84x	1.57x	19.33x	0.38x	6.42x
ICA Gruppen AB	Sweden	8.96x	0.78x	17.89x	2.23x	19.45x	0.65x	12.66x
Average		**9.05x**	**0.79x**	**15.42x**	**2.96x**	**17.34x**	**0.59x**	**8.85x**
Median		7.71x	0.60x	13.80x	1.83x	14.80x	0.39x	6.58x
JMT	Portugal	8.09x	0.54x	15.40x	4.30x	19.86x	0.52x	8.13x

EV/EBITDA	
JMT 22F EBITDA	1490
Average Peers EV/EBITDA	9.05x
JMT EV	**13 491**
JMT Net Debt	1 354
JMT Equity	**12 136**
Shares Outstanding	629
Price Target on 31 December 2022	**€ 19.29**

EV/Sales	
JMT 22F Sales	21 673
Average Peers EV/Sales	0.79x
JMT EV	17 025
JMT Net Debt	1 354
JMT Equity	**15 671**
Shares Outstanding	629
Price Target on 31 December 2022	**€ 24.90**

EV/EBIT	
JMT 22F EBIT	**772**
Average Peers EV/EBIT	15.42x
JMT EV	11 899
JMT Net Debt	629
JMT Equity	**11 269**
Shares Outstanding	629
Price Target on 31 December 2022	**€ 17.91**

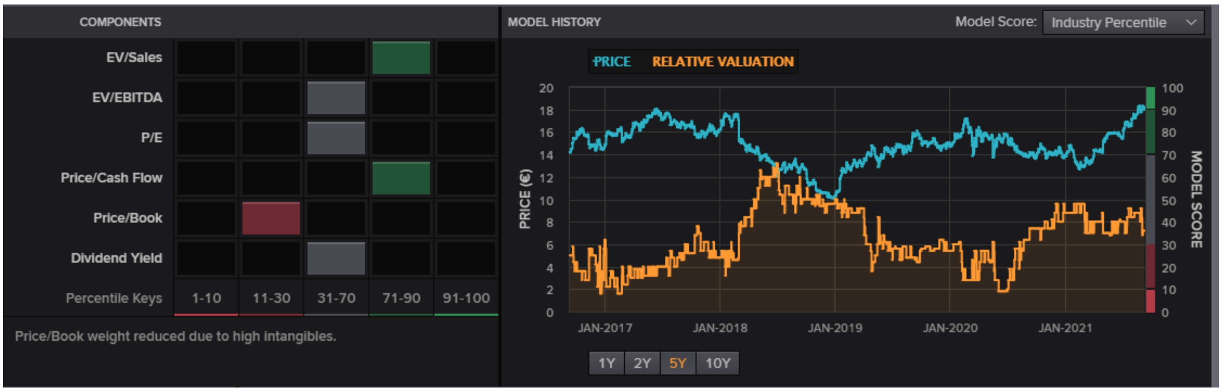
P/B	
JMT Book Value per share	**4.36**
Average Peers	2.96x
Price Target on 31 December 2022	**€ 12.91**

P/E	
JMT Book EPS	**0.69**
Average Peers	17.34x
Price Target on 31 December 2022	**€ 11.93**

P/S	
JMT Sales per share	**34.44**
Shares Outstanding	629
Average Peers	0.59x
Price Target on 31 December 2022	**€ 20.35**

P/CF	
JMT CFO per share	**2.29**
Shares Outstanding	629
Average Peers	8.85x
Price Target on 31 December 2022	**€ 20.23**

Appendix 19: Relative Valuation - Reuters overview



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Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%