

Some Financial Aspects of the Corporate Groups that Operate in Food Distribution and Specialized Retail in the COVID-19 Pandemic. Outline of the Determined Financial Indicators of Jerónimo Martins, SGPS, S.A.

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Abstract:

The paper regards the selected financial indicators of the Jerónimo Martins, SGPS, S.A.: LFL Growth, Employment, Net Sales and Services, EBITDA Mg, Long Term Borrowings, Short Term Borrowings, and Total Borrowings. The fundamental aim of the paper is the assessment of the selected financial indicators of the Jerónimo Martins, SGPS, S.A. in terms of the COVID-19 pandemic. The following research problems were put forward: What is the diversification of the financial indicators of the Jerónimo Martins, SGPS, S.A. as a Portuguese corporate group that operates in food distribution and specialized retail? Which of the researched financial aspects of the Jerónimo Martins, SGPS, S.A. has the highest, the middle, and the lowest level in 2017-2021? In the theoretical part of the paper was depicted the portfolio of Jerónimo Martins, SGPS, S.A.

The studies were carried out: documentation, statistical, comparative, and dynamics analysis. The results showed that the Jerónimo Martins, SGPS, S.A. in terms of the COVID-19 pandemic as a Portuguese corporate group that operates in food distribution and specialized retail had different tendencies. The inference process took place in a deductive way.

Keywords: Jerónimo Martins; financial indicators; COVID-19; pandemic.

JEL Classification: G39; F39; F65; J89; J80.

Introduction

Jerónimo Martins, founded in 1792, is a worldwide corporation established in Portugal that engages in the food, distribution, industry, and services sectors. Its major business is food distribution, which it does through supermarket chains (Pingo Doce), cash&carry (Recheio) in Portugal, as well as adjacent food shops in Poland (Biedronka) and Colombia (Ara) (JMTe 2022, JMTh 2022). Marketing Services, Representations, and Restoration are all included in the company's portfolio (BIG 2022; JMTc 2022, OECDa 2020).

The situation in Ukraine adds to the ongoing uncertainty associated with the evolution of the Covid-19 pandemic. In the second week following the Russian Federation's invasion of Ukraine, it is still too early to understand the full ramifications for the region, Europe, and the world. Meanwhile, the rapid rise in food, energy, and transportation prices are being exacerbated by the military conflict and increased bottlenecks in international supply chains. Furthermore, there is a visible depreciation of Eastern European currencies, particularly the zloty (BBNB 2022, JMTd 2022).

Flexibility and agility in responding to particularly challenging circumstances will continue to be core attributes of the company's teams, which have demonstrated remarkable mobilization to aid refugees thus far. With rising food inflation, maintaining price competitiveness and creating savings opportunities through promotional activity are becoming increasingly important on the agendas of all businesses (MSC 2022). Biedronka is aware of the additional challenges that come with balancing sales growth with profit protection. In the current situation, its top priority is to stand by Polish consumers and live up to the banner's claim during a period of declining disposable income. As a result, and despite the lack of visibility at this time regarding the impact of recent events in Ukraine, particularly on the extension of cost inflation, Biedronka is willing to invest further in prices to maintain competitiveness, putting pressure on margins (JMTff 2022).

At this point, Biedronka hopes to be able to keep to its year-long expansion strategy of opening around 130 stores and a new distribution center, as well as remodeling approximately 350 sites in 2022. Having said that, the current scenario necessitates further greater surveillance and increased adaptation (JMTgg 2022). It will constantly

review requirements and priorities to ensure that its number one aim in Poland is met: cooperating with its suppliers to overcome potential food chain obstacles and continue to be Poles' favorite grocery store, while also supporting the Polish effort to assist Ukrainians. Hebe's objective is to open around 30 locations by 2022 while continuing to focus on its online business (MB 2022). Pingo Doce will focus its expansion in Portugal on the fresh-food category. The focus will be on ready-to-eat options, using the competitive advantages of two central kitchens and professional dedicated staff. The banner's investment plan is for the opening of around ten stores this year, as well as the remodeling of approximately thirty sites in 2022. Recheio will benefit from the HoReCa channel's revival, which should gain traction with the probable resumption of certain touristic flows. The brand plans to establish a flagship store in Cascais this year. Ara began 2022 with a pricing advantage and an offer customized to Colombian consumers' demands (JMTg 2022, JMTj 2022).

Ara's goal is to be the consumers' favorite shop with a strategy of competitive pricing, well-planned promotions, and a selection geared to promote a higher share of wallets. The banner intends to conclude 2022 with more than 1,000 outlets in its network and to capitalize on its strong sales momentum to boost profitability (FINCH 2022, Forbes 2022). The solidity of Ara's financial sheet is critical, especially in these unpredictable times. Although present conditions do not support speeding steps toward new future development routes, the firm retains the necessary financial flexibility to do so while fulfilling the planned investment plan for the year (c.850 million euros) and paying the dividend recommended to the AGM (JMTii 2022). The occupancy capacity of cinemas, theaters, restaurants, and hotels became increasingly limited. The limitations for stores larger than 100 square meters were reinstated at the start of the year, with a maximum of one person per 15 square meters. Because of the necessity to contain the new variety, several constraints were imposed in Portugal in mid-December 2021, specifically a maximum of one person per 5 sqm permitted within commercial areas and necessary remote work. In Colombia, as in Q3, there were few containment measures in place (ARA 2022).

1. Research Questions

The paper regards the selected financial indicators of the Jerónimo Martins, SGPS, S.A.: LFL Growth, Employment, Net Sales and Services, EBITDA Mg, Long Term Borrowings, Short Term Borrowings, and Total Borrowings. The fundamental aim of the paper is the assessment of the selected financial indicators of the Jerónimo Martins, SGPS, S.A. in terms of the COVID-19 pandemic.

The author presents the following research problems:

- What is the diversification of the Jerónimo Martins, SGPS, S.A. as a Portuguese corporate group that operates in food distribution and specialized retail?
- Which of the researched financial aspects of the Jerónimo Martins, SGPS, S.A. as a Portuguese corporate group that operates in food distribution and specialized retail has the highest, the middle, and the lowest level in 2017-2021?

The theoretical part of the paper depicted the literature review. The studies were carried out within documentation, statistical, comparative, and dynamics analysis. The paper was prepared based on print, digital and electronic sources: reports, databases, books, textbooks, academic, trade journals, and scientific papers.

2. Theoretical Analysis

Portfolio of Jerónimo Martins, SGPS, S.A.

Jerónimo Martins, SGPS, S.A. (JMT) is a multinational conglomerate headquartered in Portugal with over 230 years of experience in the food industry. JMT consists of the Biedronka, Hebe, Pingo Doce, Recheio, Ara. JMT meets the everyday requirements of millions of consumers in three countries by providing a value offer based on high-quality food at reasonable rates. JMT's principal operation is food distribution, which accounts for more than 98,00% of the Group's consolidated revenues (WBA 2022, CH 2022). JMT's major business is the Polish grocery store chain Biedronka. Pingo Doce leads the supermarket category in Portugal, whereas Recheio leads the cash and carry market. JMT owns the Ara discount retail chain in Colombia. JMT will also establish an agriculture operation in Portugal to secure direct access to important product supply sources. JMT is the owner of the Hebe beauty shop chain in Poland. JMT works in the Food Distribution and Specialised Retail industries. Food Distribution is its major business, accounting for more than 95% of total JMT Group's sales. JMT is dedicated to the creation of high-quality food items and easy meal solutions at reasonable pricing (ZACKS 2022, CMC 2022, JMTk 2022, OECDb 2020).

Biedronka is a company with over 3,250 stores spread across more than 1,000 locations, scattered throughout Poland. As of 31/Dec/2021, Biedronka reached sales at the level of 14.5 billion euros. The sales areas

are estimated 2,241,56Sqm. Biedronka is the undisputed food retail leader in Poland, offering quality, differentiation, and innovation in food products, with big discounts every day. At Biedronka, it upholds a clear commitment to quality on various levels: prices, products, staying close to the company's consumers, always improving, and growing just for potential customers (JMT_{hh}, 2022). The company invests in a policy of everyday low prices, linked to big discounts. Biedronka provides high-quality perishable and non-perishable products, to address the daily needs of Polish households. Over 90% of the products sold are of Polish origin. Biedronka seeks to permanently assess and analyze the operation, looking for areas that can be improved to satisfy its consumers. The recognition and trust consumers place in Biedronka encourages the company to increase the store network and constantly refine the current company to provide an ever-better service to the consumer (JMTI 2022, Bakalis and Valdramidis *et al.* 2020).

The pillars of the company's strategy are carefully selected products of the highest quality, offered at low prices every day. In 2020 Biedronka cooperated with over 1000 Polish suppliers, from whom 92% of the products in the chain's offer came from. Jeronimo Martins Polska S.A., employing about 70,000 people, is the largest private employer in Poland and the second-largest Polish company. The company is a strategic partner of the Responsible Business Forum. The value of the Jeronimo Martins Group's investments in Poland since 1995 is over PLN 14 billion. In Poland, the consumer environment remained favorable throughout the year, as the pandemic crisis was brought under control and restrictive measures were eased as a result. Biedronka profited from increased in-store visitation as a result of a strong marketing program that included promotions and creative in & out campaigns (Biedronka 2022, JMT_a 2022).

Hebe's story begins in 2011, when the Jerónimo Martins group decided to build the first store under the Hebe brand, at Al. Jerozolimskie in Warsaw. Hebe quickly won Polish women thanks to quick availability, attractive prices, exceptional price, and service. In addition, since the online store hebe.pl was launched, even more customers from all over Poland have gained access to unique products and cosmetic trends, a total of 18,000 products from around the world. Hebe's revenues totaled 278 million euros as of December 31, 2021. The sales area is anticipated to be 75,164 square meters. Hebe is a retail network of specialized Health and Beauty stores with over 290 places of sale, whose business model is built on providing high-quality services at extremely reasonable pricing. The service quality is based on the combination of a pleasant store environment, competent assistance, and an assortment based on a selection of the best items from famous companies, as well as the sale of Private Brand and Exclusive Brand products, which already account for about 20,00% of Hebe's sales. The brands "Hebe Cosmetics" (soaps and shower gel), "Hebe Professional" (make-up and accessories for feet and hands), and "By hebe" are highlighted by the corporation (accessories) (JMT_b 2022, ILO 2020).

In 2021, Hebe launched a store under the domain hebe.com. Now women and men from all over Europe can enjoy the cosmetic kingdom of Hebe without any problems. All products in Hebe are 100% original and come only from trusted suppliers. Hebe was one of the first Polish drugstores to market Korean cosmetics. They include care masks, face creams, body lotions, and products for hand and foot care. Seeing the growing demand for Asian cosmetics, new brands are constantly being introduced. The Hebe chain is also successively developing the range of natural cosmetics, taking care of their highest quality and the necessary certificates. Among them, there are also products intended for vegans. Hebe is a wide selection of the highest quality cosmetics, recognized and liked by millions of women around the world. All, even the most demanding cosmetics lovers will find here the necessary products for make-up, hair, body, and nail care. Hebe helps you not only take care of your beauty but also your health. Hebe drugstores offer a wide selection of dermo-cosmetics and professional products used in beauty salons. Company develops its passion for beauty by creating its brands: Hebe Professional, Hebe Cosmetics, Hebe Basic. Among them are accessories and cosmetics for make-up and body care, including its unique brushes for the face, eyes, and lips (Hebe 2022).

Pingo Doce is the top supermarket network in Portugal, with over 460 shops scattered over 300 sites around the nation, delivering high-quality food goods at cheap rates. 40 years of activity Pingo Doce had revenues of 3,869 million euros as of 31/Dec/2021. The sales area is anticipated to be 523,136 sqm. What makes Pingo Doce unique. The company invests in distinctiveness on several levels: its perishables, its Pingo Doce private brand, its meal solutions, its price strategy, its unique retail atmosphere, and consumer proximity. Pingo Doce provides a one-of-a-kind shopping experience akin to that of conventional municipal markets. The perishables produced by the company are well-known for their great quality and diversity. The quality/price ratio is one of the Pingo Doce brand's primary differentiators (DUNB_b 2022). Enterprise was the first company to be awarded quality accreditation for its development process. Furthermore, the firm strives to adapt to changing customer eating patterns by providing easy solutions such as Ready to Cook, Ready to Heat, and Ready to Eat alternatives. Pingo Doce offers a diverse food and non-food selection, as well as a very competitive price strategy with the potential for instant savings. The

company strives to recreate a one-of-a-kind shopping experience in the market, with the perishables section resembling a traditional market and enhanced by lively in-store events (Pingodoce 2022, JMTf 2022, Bendeković and Naletina *et al.* 2015).

Recheio is the cash & carry leader in Portugal, with 38 outlets and 4 platforms, and the most geographical coverage in the country. High quality, variety, and innovation are the pillars of being a significant business partner to the company's clients. Recheio's revenues were 906 million euros as of December 31, 2021. The sales areas are anticipated to be 134,321 Sqm. What distinguishes Recheio. In Portugal, the recovery of consumption was hampered by sluggish tourism activity, which continued to wreak havoc on the economy over the year. Despite intermittent restrictions on people's movement and the normal operation of restaurants and coffee shops in the first seven months of the year, Recheio provides a distinct value proposition based on several factors, including its pricing strategy, perishables, mutual trust, and private brands (DUNBc 2022). Recheio connects the broadest selection of high-quality items and services with the best pricing. The company offers a range of the greatest perishables supplied from the best origins, as well as stringent quality control. Enterprise builds and consolidates strong and long-lasting mutual trust with its business partners daily. Recheio provides a diverse range of high-quality Private Names, each with a validated creation process and a price difference of up to 50% when compared to major market brands (DUNBa 2022).

Ara's revenues were 1,102 million euros as of December 31, 2021. The sales areas were anticipated to be 278,547 Sqm. The company's proximity food stores, which are primarily located in residential areas, combine a cheerful and colorful ambiance with the finest selection at the best price, resulting in a pleasurable shopping experience for everybody. The shop idea, was created following an in-depth examination of the market, as well as the demands and tastes of the Colombian people. The bulk of the assortment and private label items are made in the United States. The Ara brand was inspired by the country's great variety, particularly the fact that Colombia is known as the "birds' paradise". Enterprise aspires to be a neighborhood shop with a Colombian attitude, atmosphere, and flavor. What distinguishes Ara. Enterprise invests in distinctiveness on several levels, including its pricing policies, goods, private brand, and innovations (JMTi 2022, Del Rio-Chanona *et al.* 2020).

3. Quantitative Analysis

3.1. Analysis and results of the research

The research is carried out within the structure, statistical, comparative, dynamics, and documentation analysis. The time scope of the study is 2017-2021. The territorial scope of the study is Poland, Portugal, and Columbia (the operational, area scope of the Jerónimo Martins SGPS, S.A.). The documentation, structure, comparative and dynamic analysis are carried out within: LFL Growth in Jerónimo Martins SGPS, S.A. in 2017-2021 (in %); Employment in Jerónimo Martins SGPS, S.A. in 2017-2021 (in persons); Net Sales and Services in Jerónimo Martins SGPS, S.A. in 2017-2021 (in million euro); Total Borrowings in Jerónimo Martins SGPS, S.A. in 2017-2021 (in million euro); EBITDA Mg in Jerónimo Martins SGPS, S.A. in 2019-2021 (in %). The results of the carried-out studies show notable differences between the research variables in the specific research areas. Below is depicted the LFL Growth in Jerónimo Martins SGPS, S.A. in 2017-2021, in %, see Figure 1.

Figure 1. LFL Growth in Jerónimo Martins SGPS, S.A. in 2017-2021 (in %)



Source: Jerónimo Martins SGPS, S.A., (JMTII), LFL Growth in JERÓNIMO MARTINS SGPS, SA in 2017-2021, (access: 01.05.2022)

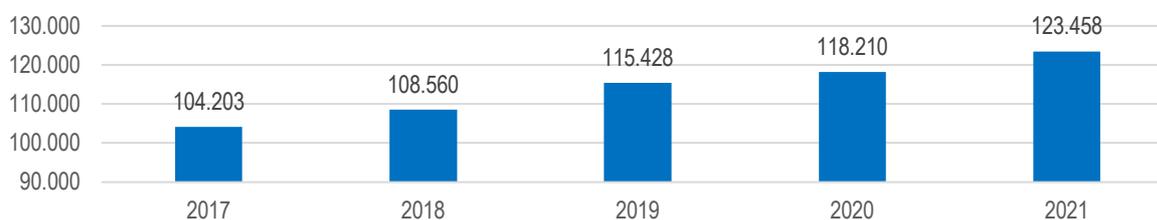
The data from Figure 1 shows that the highest increase within the LFL Growth in Jerónimo Martins SGPS, SA from 2017 to 2021 occurred in 2021 for Ara (24,30%). It should be added that a meaningful rise was recorded also in Hebe in 2021 (17,50%). The impact of Colombia's extended lockdown in 2020 slowed the country's economic recovery. Food inflation soared considerably in 2021, beginning in May and fueled in part by strikes and

social disturbances that disrupted the national supply chain. The stability of Ara's value offers and investment in price resulted in a spectacular sales success in a relatively unfettered operating environment. The company reaffirmed its significance in the JMT Group's growth plan. In local currency, sales climbed by 36,10%, with LFL increasing by 24,30% (RME, 2022). Sales in euros hit 1.1 billion in 2021, a 29,00% increase over the previous year.

Despite lower tourism activity and restrictions imposed throughout 2021 that, while less severe than in 2020, continued to hinder top-line growth, Recheio's revenues rebounded gradually. Sales for the banner increased by 7,00% to 906 million euros, while LFL increased by 7,00%. Pingo Doce recorded solid sales performance in 2021, reaching the significant milestone of 4.0 billion euros, a growth of 4,60% vs. 2020, including LFL (excluding fuel) at 2,70% (EM 2022). Intense discounts and pricing dynamics aided this success, which led to the banner operating with negative basket inflation throughout the year. Despite being impacted by containment efforts, Hebe saw good sales growth. The Internet channel grew in popularity, accounting for 13,00% of total sales. Sales in local currency increased by 16,70%.

Excluding the pharma company (which will be closed in July 2020), revenues climbed by 23,80%, while LFL increased by 17,50% (LFL includes online sales). In euros, sales totaled 278 million, a 13,50% increase over 2020 (STATb, 2022). Biedronka's selection and store network were both expanded. In 2021, sales in local currency increased by 11,00%, with LFL increasing by 8,30%. In euros, sales totaled 14.5 billion, an increase of 8,00% over 2020. The continuous emphasis on price leadership and an aggressive promotional dynamic resulted in basket inflation of 0,60%, much lower than Poland's average food inflation of 3,20%. The increase in sales in 2021 resulted in a 1,6% increase in market share. The imposition of the retail sales tax in January 2021 exacerbated the pandemic's issues. The highest increase within the LFL Growth in Jerónimo Martins SGPS, S.A. in 2017-2021 occurred in 2021 for Ara (24,30%). It should be added that a meaningful rise was recorded also in Hebe in 2021 (17,50%). But it should be told that it was recorded also the decreases in the values, the biggest ones in Recheio in 2020 (-15,80%) and Hebe (-10,30%). This is important that the only year with the declines was 2020, caused by the COVID-19 pandemic period. Below is depicted the employment in Jerónimo Martins SGPS, S.A., in 2017-2021, in persons, see Figure 2 (HL 2022).

Figure 2. Employment in Jerónimo Martins SGPS, S.A. in 2017-2021 (in persons)

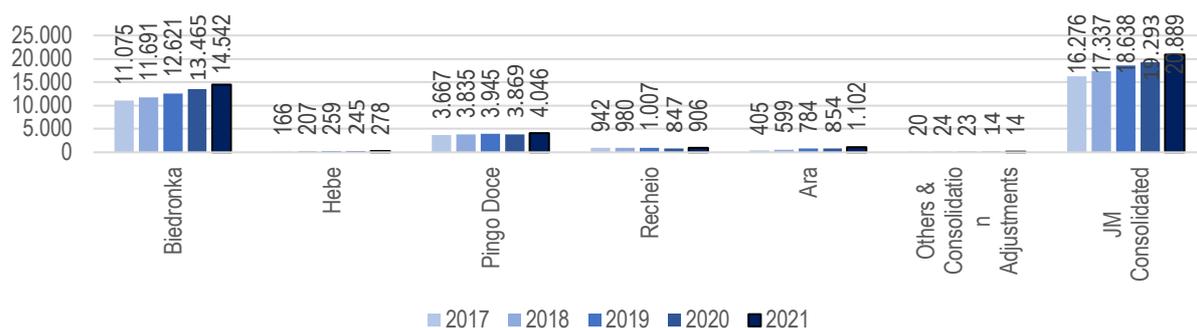


Source: Jerónimo Martins SGPS, S.A., (JMTmm), Total Employees, (access: 01.05.2022)

The data from Figure 2 shows that the highest values within the number of employees in Jerónimo Martins SGPS, S.A. from 2017 to 2021 (in persons) occurred in 2021 (123 458). It should be added that it was a steady growth throughout the all researched period. 2017 was at the level of 104 203. It is the consequence of the expanding strategy of the Group and the rising amount of the stores opening new ones. All the particular companies within the Jerónimo Martins SGPS, S.A. is extending their scope of brands and as a result, attracting more and more customers wanting to acquire their products and services. The biggest growth in the number of employees occurred in 2019 (6,33%), in comparison with 2018. It should be noted that the fluctuations within the variable were not meaningful (JMTv 2022). The lowest change was observed in 2020 (2,41%), compared with 2019. 2018 and 2021 had similar levels of modifications within the variable (JMTn 2022). Below is depicted the net sales and services in Jerónimo Martins SGPS, S.A. in 2017-2021, in million euros, see Figure 3 (HL 2022).

The data from Figure 3. shows that the net sales and services in 2017-2021 (in million euros) within the JM Consolidated was rising through the all research period. The biggest level of the variable for JM Consolidated was recorded in 2021 (20889) and it was rising beginning from 2017 when the level was (16276). The biggest increase occurred in 2019 (7,50%), in relation to 2018 (JMTw 2022). The lowest increase existed in 2020 (3,51%) and was twice lower form the 2019 (7,50%). However, there is noticeable growth of the variable from 2017 to 2021 (28,34%). Group's net sales and services increased by 8,30%, discounting the currency rate effect, while LFL increased by 8,00%.

Figure 3: Net Sales and Services in Jerónimo Martins SGPS, S.A. in 2017-2021 (in million euros)



Source: Jerónimo Martins SGPS, S.A., (JMTnn), Net Sales and Services in JERÓNIMO MARTINS SGPS, S.A. in 2017-2021, (access: 01.05.2022).

The performance across all banners led to operational leverage improvement, increasing EBITDA by 11,40%, discounting the currency rate effect). Below is depicted the total borrowings in Jerónimo Martins SGPS, SA in 2017-2021, in million euro, see Figure 4 (JMTn 2022).

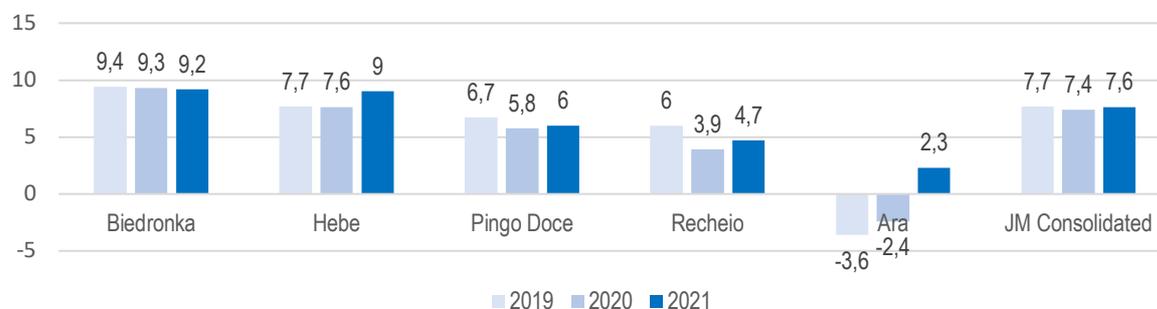
Figure 4: Total Borrowings in Jerónimo Martins SGPS, S.A. in 2017-2021 (in million euros)



Source: Jerónimo Martins SGPS, S.A., (JMTq) Total Borrowings (last 5 years), (access: 01.05.2022)

The data from Figure 4 shows that the highest level of long-term borrowings occurred in 2020 (364 million euros), in comparison with 2019. It was a hard time during the COVID-19 pandemic. JMT Group had to enlarge its financial debt. The lowest amount of the long-term borrowings was recorded in 2017 (232 million euros) when the JMT Group was not as expanded as it was in the following periods (2018-2021). More JMT Group's investments resulted in bigger spending and a higher need for liabilities. In consideration of the short-term borrowings, it should be mentioned that the largest level within that category was in 2019 (424 million euros) (JMTx 2022). It is connected with the breaking-out of the COVID-19 pandemic and associated with its effects and consequences. The lowest level of short-term borrowing was noticed in 2021 (113 million euros). Generally, from 2017 to 2019 there was a growing trend in the total borrowings reaching the highest level in 2019 (732 million euros). The situation changed, commencing from 2020 where was observed the decline in that aspect (JMTo 2022, JMTq 2022). Below is depicted the EBITDA Mg in Jerónimo Martins SGPS, S.A. in 2019-2021, in%, see Figure 5.

Figure 5: EBITDA Mg in Jerónimo Martins SGPS, S.A. in 2019-2021 (in %)



Source: Jerónimo Martins SGPS, S.A., (JMT00), EBIDTA Mg, (access: 01.05.2022)

The data from Figure 5 shows that Ara's sales increase, along with cost-cutting measures adopted in 2020, resulted in a significant improvement in Ara's profitability, which, for the first time, reported a positive EBITDA (under IFRS16) of 26 million euros (-20 million euros in 2020). With a commitment to expansion and confidence bolstered

by consistent daily success, the company concentrated on store openings and opened 157 stores (156 net), exceeding the 100-store target for the year (JMTdd 2022). Recheio's EBITDA reached 43 million euros, 30,30% higher than in 2020, and the corresponding margin climbed from 3,90% in 2020 to 4,70% in 2021, demonstrating a rebound in operational leverage. Pingo Doce opened 14 new stores (12 net additions) and renewed 15 others (JMTz 2022). Pingo Doce's EBITDA reached 244 million euros, an increase of 9,70% over 2020, thanks to sales growth driving operational leverage. Despite significant investments in price positioning, the EBITDA margin was 6,00%, up from 5,80% in 2020. Pingo Doce added 14 new locations (12 net additions) and renewed 15 others. Because of the strong sales performance, Hebe was able to regain operating leverage, increasing the EBITDA margin to 9,00% (7,60% in 2020). EBITDA reached 25 million euros in 2018, up from 19 million euros in 2020. Hebe celebrated its tenth anniversary by opening 25 new shops (JMTy 2022). Despite this, sales growth, efficient margin mix management, and efforts to improve operational efficiency helped to preserve the EBITDA margin, which reached 9,20% (9,30% in 2020) (JMToo 2022).

EBITDA grew 6,90% (+9,80% in local currency) (JMTu 2022). EBITDA grew 6,90% (+9,80% in local currency). Biedronka, which had planned to add 100 more locations to its network, ended up adding 135 new locations (net). It also established 14 micro-fulfillment centers to serve its business (e-commerce with ultra-fast delivery), which debuted in October 2021. EBITDA includes additional direct expenditures of about 17 million euros (approximately 41 million euros in 2020) attributable to the pandemic. All Companies' high operating performance demonstrates strong competitive positioning, which resulted in market share gains in all countries. The Group ended 2021 with better business models in terms of serving customers and adapting rapidly to changes (JMTbb 2022, OECD 2019). Financial results totaled -154 million euros, a drop from the -180 million euros recorded in 2020. These include the recognition of currency conversion losses of -3 million euros related to value changes in the capitalization of operational lease liabilities denominated in euros in Poland (-21 million euros in 2020). Other gains and losses were -34 million euros, reflecting, among other things, restructuring charges and the payment of a recognition award to front-line staff in the sum of c.19 million euros (JMTaa 2022).

The investment package totaled 690 million euros, with Ara and Biedronka establishing more outlets than originally intended. The investment program remained at the heart of the JMT Group's capital allocation goals, contributing to the year's growth through new shops and retail network refurbishment. Cash Flow increased to 723 million euros, up from 516 million euros in 2020. This good result represents an increase in operating profit and careful management of working capital, as well as a favorable influence from year-end shop openings. Cash generation bolstered the already excellent consolidated balance sheet, which showed a cash position (excluding capitalized operational lease liabilities) of one billion euros at the end of the year (JMTt 2022). In a context of enormous uncertainty, exacerbated by Russia's invasion of Ukraine at the end of February, the Group's outstanding growth in the first quarter of 2022 illustrates the competitiveness, quality, and aggressiveness of all banners' value offerings. When comparing Q1 22 to Q1 21, some care is required because, on the one hand, the first quarter of 2021 was distinguished by increased pandemic severity and, on the other hand, benefited from Easter season sales. However, the JMT Group's banners fared well in the face of rising and widespread cost constraints. Despite being hampered by growing prices, consumer demand in Poland remained robust at the start of the year. The war in neighboring Ukraine shattered consumer confidence in March 2022, prompting some food hoarding at first. A substantial number of Ukrainian migrants also entered Poland (JMTp 2022, Galanakis 2020).

Biedronka lived up to its market positioning by maintaining a solid commercial dynamic, assuring customer preference throughout the quarter, and producing a 15,4% increase in local currency. Hebe continues to profit from its omnichannel approach despite the pandemic-related constraints that plagued Q1 21, with good sales growth of 28% in local currency (TR 2022). Online sales for the banner rose to 16,00% of overall top-line revenue, up from 14,00% in Q1 21 (STATa 2022). Pingo Doce increased sales by 6,00% despite the first signs of inflationary pressure on actual household disposable income in Portugal. Recheio increased its revenue by 31,60%. Our wholesale banner's sales have returned to pre-pandemic levels (2019), owing to the recovery of the HoReCa channel and the resumption of tourism activities. Colombia's considerable spike in food inflation, which reached 22,90% in the third quarter, has exacerbated the country's already precarious consumer climate (JMTcc 2022). Ara executed a vigorous promotional approach that was well-received, resulting in an impressive sales increase (65,00% in local currency). The JMT Group was able to limit the consequences of cost inflation, which escalated beginning in March, thanks to strong sales growth across the board. Together with the highly favorable evolution of Ara and Recheio's EBITDA margins, this performance led to the JMT Group's EBITDA margin remaining at 6,70% in Q1 21 (MTR 2022, JMTTr 2022).

Since the beginning of the Ukrainian conflict, JMT Group concentrated its efforts in Poland on ensuring a sufficient supply chain response and supporting the incredible efforts of the whole Polish populace in greeting

Ukrainians who have crossed the border. This assistance, in the form of direct contributions and solidarity measures, amounted to about c.9 million euros in the quarter, which was recorded in other profits and losses (JMTee, 2022). The negative cash flow of 196 million euros (-21 million euros in Q1 21) was primarily attributable to three issues. First, there is business seasonality; second, there is a change in working capital relative to an exceptionally strong position in December 2021, which benefited from a large number of store openings just before the end of the year; and third, there is a higher CAPEX payment related to the aforementioned store openings. By the end of March 2022, the Group had accumulated a net cash position (excluding capitalized operating lease liabilities) of 803 million euros (REUTERS 2022, JMTs 2022, JMTkk 2022).

Conclusions

There is a great deal of confusion surrounding the events of the Ukrainian conflict and the genesis of the Covid-19 epidemic. Inflationary pressures on food, energy, and transportation have increased since the start of the armed war. Furthermore, the volatility of Eastern European currencies has grown significantly. With growing food inflation and interest rates putting pressure on real disposable family incomes, it is even more vital that price competition and the creation of savings possibilities through promotional activities remain top priorities for JMT Group's companies. This attempt to restrict pricing will be executed, even if cost inflation puts extra pressure on the percentual margins of JMT Group's banners. The tenacity of the JMT Group's staff and the continuity of the work carried out by the company's banners throughout time maintain price and quality leadership. They are the driving elements behind the Group's strong success in the first three months of 2022 (JMTjj 2022).

This work, which the employees have been honing since the beginning of the pandemic, is now even more critical in the context of rising inflation, exacerbated by the war in Ukraine, which will harm the purchasing power of consumers in general, and that of the most disadvantaged socioeconomic groups in particular. Despite the uncertainties on the horizon, JMT Group is clear that its first strategic aim is to contribute to a collaborative effort to assist reduce inflation. JMT Group will achieve this aim by protecting low pricing and investing in powerful promotional campaigns to generate excellent possibilities for families, reinforce the competitive positions of the group's banners, and safeguard volume growth. Simultaneously, JMT Group is dedicated to being good corporate citizens who react properly to the demands of our workers, suppliers, and the communities in which JMT Group operate.

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