

## Americana Restaurants International PLC (AMR)

Strong LFL growth, product innovation, and store expansion boosted profit

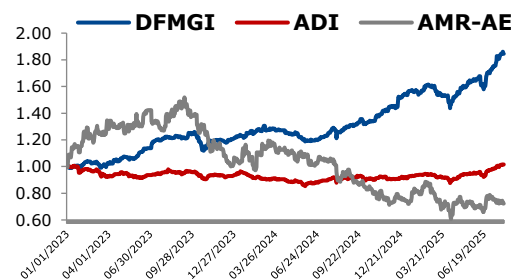
**Current Price**  
AED 2.15

**Target Price**  
AED 2.95

**Upside/Downside (%)**  
+37.2%

**Rating**  
BUY

- Integrated 46 additional restaurants into Pizza Hut Oman, in addition to 36 gross openings across 1H25. Plans to add 150-160 net new stores in 2025.
- Signed a franchise agreement with Carpo, securing exclusive rights to build and operate Carop stores in Kuwait and Qatar.
- Launched the Customer Data Platform, which unifies data from an extensive active customer record into one platform.
- Ongoing digital transformation saw strong results, with self-service kiosk revenue mix improving from 5.3% in 1H24 to 14.0% in 1H25.
- LFL sales increased 12.4% YOY in 1H25.



### Stock Information

Market Cap (USD, Mn)	18,279.28
Paid Up Capital (Mn)	8,398.63
52 Week High	3.08
52 Week Low	1.78
3M Avg. daily value (AED)	6,962,620

### 2Q25 Result Review (USD, Mn)

Total Assets	1,542
Total Liabilities	1,178
Total Equity	361
EBITDA	153
Net Profit	60

### Financial Ratios

Dividend Yield (12m)	2.6
Dividend Pay-out (%)	80.37
Price-Earnings Ratio(x)	32.16
Price-to-Book Ratio (x)	12.92
Book Value (AED)	0.17
Return-on Equity (%)	38.08

### Stock Performance

5 Days	-0.92%
1 Months	-4.44%
3 Months	-4.44%
6 Months	-8.51%
1 Year	-30.42%
Month to Date (MTD%)	0.00
Quarter to Date (QTD%)	-4.44%
Year to Date (YTD%)	-2.71%

### 2Q25 Net Profit in line with our estimate

Americana Restaurants' (Americana/ the Company) net profit increased 15.2% YOY to USD 60 Mn in 2Q25, in line with our estimate of USD 61 Mn. The growth in net profit is primarily driven by solid revenue growth, driven by a healthy momentum in LFL sales and contribution from new store openings, partially offset by an increase in direct cost, operating expenses, net finance cost and higher zakat charge.

### P&L Highlights

Americana restaurant's revenue grew 15.1% YOY to USD 644 Mn in 2Q25, primarily driven by a strong growth in LFL sales, opening of new stores, and product innovation strategy. Revenue from the Power Brands portfolio, including KFC, Hardee's, Pizza Hut and Krispy Kreme, contributed 94% of total revenue in 1H25. All power brands recorded double-digit revenue growth in 2Q25, except Krispy Kreme. Americana's ongoing digital transformation saw strong results, with self-service kiosk revenue mix improving from 5.3% in 1H24 to 14.0% in 1H25. The Company's cost of goods sold rose 14.9% YOY to USD 297 Mn in 2Q25, with the cost of inventory increasing from 28.9% in 2Q24 to 29.2% in 2Q25. Thus, gross profit increased 15.2% YOY to USD 347 Mn in 2Q25. Gross margin improved 6 bps YOY to 53.9% in 2Q25. Selling & marketing expenses increased 15.2% YOY to USD 224 Mn in 2Q25, while G&A expenses remained flat. Thus, total operating expenses rose 12.7% YOY to USD 272 Mn in 2Q25. Moreover, Americana's EBITDA increased 18.4% YOY to USD 153 Mn in 2Q25, whereas the EBITDA margin expanded 67 bps YOY to 23.8% in 2Q25. Operating profit rose 25.2% YOY to USD 75 Mn in 2Q25 with a margin of 11.7%, growing 94 bps YOY. However, the Company's finance income fell 1.5% YOY to USD 4 Mn in 2Q25, and finance costs rose

26.4% YOY to USD 10 Mn in 2Q25. Americana's zakat expenses almost doubled from USD 5 Mn in 2Q24 to USD 9 Mn in 2Q25 due to growth in profit before tax and additional tax impact attributable to Pillar 2.

### Balance Sheet Highlights

Americana's cash & cash equivalents and short-term deposits increased from USD 337 Mn in 1Q25 to USD 286 Mn in 2Q25. Consequently, the Company generated USD 78 Mn in free cash flow during 2Q25 compared to USD 33 Mn in 1Q25, while maintaining a strong balance sheet with zero leverage and robust cash reserves. Net working capital stood at negative 9.2% in 2Q25, compared to negative 8.9% of total revenue in 1Q25. Additionally, gross capex amounted to USD 22 Mn in 2Q25, down from USD 28 Mn in 1Q25.

### Target Price and Rating

We maintain our BUY rating on Americana Restaurants with a revised target price of AED 2.95. Americana demonstrated resilience amid significant geopolitical uncertainty. The Company's performance in 2Q25 is mainly influenced by solid momentum in LFL sales, solid expansion strategy, continuous cost discipline, and product innovation. Americana integrated 46 additional restaurants into Pizza Hut Oman, in addition to 36 gross openings across 1H25. Consequently, the Company is further expected to add 150-160 net new stores in 2025. Americana signed a franchise agreement with Carpo, a premium lifestyle brand from Athens. Carpo is known for its premium nuts, refined coffee, and artisanal chocolates. The deal gives exclusive rights to Americana for building and operating Carop stores in Kuwait and Qatar. Americana carried out personalized engagement and offers, along with advanced segmentation through the launch of the Customer Data Platform (CDP), which unifies data from an extensive active customer record into one platform. The Company witnessed early signs of success of the CDP, with a 10% rise in first-time orders in KFC UAE and 8% lower cost per install in KFC Saudi Arabia. On the other hand, the Company is actively working to improve its performance in KSA, amid a challenging environment marked by fierce competition and weaker consumer spending. Americana has strategic plans for the LFL sales recovery to September 2023 levels, but currently focuses on restoring transaction levels to previous highs. The Company implemented continuous cost-cutting measures to enhance operational efficiency and reduce expenses, maintaining a flat inventory cost at 29.2% in 1H25 compared to 1H24. Additionally, Americana completed its IT setup in India, which will further streamline its operations. Thus, based on our analysis, we maintain our BUY rating on the stock.

### Americana - Relative valuation

(at CMP)	2022	2023	2024	2025F
PE	19.04	19.02	31.06	23.76
PB	17.34	11.23	12.50	11.31
EV/EBITDA	8.70	8.29	9.65	8.04
DPS	0.093	0.078	0.055	0.071
Dividend yield	4.3%	3.6%	2.6%	3.3%

FABS Estimates & Co Data

**Americana–P&L (USD, Mn)**

	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch.	QOQ Ch.	2024	2025F	Change
Revenue	559	573	644	654	-1.6%	15.1%	12.2%	2,197	2,535	15.4%
COGS	-258	-270	-297	-294	0.8%	14.9%	9.7%	-1,029	-1,184	15.0%
<b>Gross Profit</b>	<b>301</b>	<b>303</b>	<b>347</b>	<b>360</b>	<b>-3.5%</b>	<b>15.2%</b>	<b>14.5%</b>	<b>1,167</b>	<b>1,351</b>	<b>15.7%</b>
S&M Expenses	-195	-212	-224	-235	-4.7%	15.2%	5.5%	-785	-892	13.7%
G&A Expenses	-47	-48	-47	-50	-4.9%	1.0%	-2.0%	-185	-198	7.0%
Other Income	2	6	2	6	-60.8%	NM	-60.0%	7	17	125.0%
<b>Total Operating Expense</b>	<b>-241</b>	<b>-256</b>	<b>-272</b>	<b>-279</b>	<b>-2.7%</b>	<b>12.7%</b>	<b>6.0%</b>	<b>-976</b>	<b>-1,077</b>	<b>10.4%</b>
<b>EBITDA</b>	<b>129</b>	<b>123</b>	<b>153</b>	<b>146</b>	<b>4.9%</b>	<b>18.4%</b>	<b>24.8%</b>	<b>484</b>	<b>578</b>	<b>19.4%</b>
<b>EBIT</b>	<b>60</b>	<b>47</b>	<b>75</b>	<b>80</b>	<b>-6.3%</b>	<b>25.2%</b>	<b>61.1%</b>	<b>192</b>	<b>274</b>	<b>42.9%</b>
Financing income	4	4	4	3	24.1%	-1.5%	-3.6%	16	16	0.7%
Financing cost	-8	-10	-10	-9	14.0%	26.4%	3.2%	-36	-41	14.3%
<b>Profit Before ZAKAT</b>	<b>56</b>	<b>40</b>	<b>68</b>	<b>74</b>	<b>-7.6%</b>	<b>23.1%</b>	<b>69.2%</b>	<b>172</b>	<b>249</b>	<b>44.9%</b>
Zakat	-5	-7	-9	-14	-36.7%	95.0%	18.6%	21	45	NM
<b>Net Profit</b>	<b>51</b>	<b>33</b>	<b>60</b>	<b>60</b>	<b>-0.8%</b>	<b>16.7%</b>	<b>80.7%</b>	<b>151</b>	<b>204</b>	<b>35.0%</b>
Non-controlling interest	-1	-1	0	-1	-74.5%	-73.7%	-67.6%	-7	-3	-58.3%
<b>Net profit attributable</b>	<b>52</b>	<b>34</b>	<b>60</b>	<b>61</b>	<b>-1.9%</b>	<b>15.2%</b>	<b>77.5%</b>	<b>159</b>	<b>208</b>	<b>30.7%</b>

FABS estimate & Co Data

**Americana - Margins**

	2Q24	1Q25	2Q25	YOY Ch.	QOQ Ch.	2024	2025F	Change
Gross Profit	53.8%	52.8%	53.9%	6	107	53.1%	53.3%	16
EBITDA	23.1%	21.4%	23.8%	67	240	22.0%	22.8%	76
Operating Profit	10.7%	8.1%	11.7%	94	354	8.7%	10.8%	208
Net Profit	9.3%	5.9%	9.3%	1	342	7.2%	8.2%	96

FABS estimate & Co Data

## Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value Americana Restaurants. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.81	70.0%	1.97
Relative Valuation (RV)	3.28	30.0%	0.98
<b>Weighted Average Valuation (AED)</b>			<b>2.95</b>
Current market price (AED)			2.15
Upside/Downside (%)			+37.2%

### 1) DCF Method:

Americana is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 9.0%. The cost of equity is calculated using a 10-year government bond yield of 5.2%, a beta of 1.0, and an equity risk premium of 3.8%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (USD, Mn)	1,416
Terminal value (USD, Mn)	5,033
<b>FV to Common shareholders (USD, Mn)</b>	<b>6,449</b>
No. of share (Mn)	8,424
Current Market Price (AED)	2.15
<b>Fair Value per share (AED)</b>	<b>2.81</b>

### DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	204	253	342	402	448
D&A	301	341	350	357	371
(-) Capex	-121	-126	-132	-138	-144
Change in working capital	19	19	18	18	18
Net change in debt	-172	-194	-207	-215	-227
<b>Free Cash Flow to Equity (FCFE)</b>	<b>231</b>	<b>293</b>	<b>371</b>	<b>424</b>	<b>467</b>
Discounting Factor	0.96	0.88	0.81	0.74	0.68
<b>Discounted FCFE</b>	<b>223</b>	<b>259</b>	<b>301</b>	<b>315</b>	<b>319</b>

Source: FAB Securities

## 2) Relative Valuation:

We have used regional and global peers to value Americana, which is valued using the EV/EBITDA multiple. It is valued at EV/EBITDA multiple of 13.2x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Herfy Food Services Co	421	13.2	10.2	NM	133.3
Domino's Pizza Enterprises Ltd	1,141	8.7	8.4	14.6	13.6
Yum China Holdings Inc	17,111	9.9	9.2	18.5	16.2
Restaurant Brands International	22,548	13.2	12.3	18.6	17.0
Yum Brands	40,355	18.2	16.8	24.0	21.5
Domino's Pizza Inc	15,958	20.1	18.7	26.7	24.2
<b>Average</b>		<b>13.9x</b>	<b>12.6x</b>	<b>20.5x</b>	<b>37.6x</b>
<b>Median</b>		<b>13.2x</b>	<b>11.3x</b>	<b>18.6x</b>	<b>19.3x</b>
<b>Max</b>		<b>17.0x</b>	<b>15.7x</b>	<b>24.0x</b>	<b>23.5x</b>
<b>Min</b>		<b>10.8x</b>	<b>9.5x</b>	<b>18.5x</b>	<b>16.4x</b>

Source: FAB Securities

### Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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