

Americana Restaurants International PLC (AMR)

Strong LFL growth and store expansion boosted profit

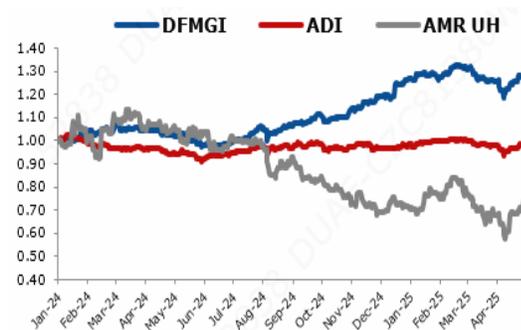
Current Price
AED 2.11

Target Price
AED 2.70

Upside/Downside (%)
+28.0%

Rating
BUY

- Plans to add 150-160 stores in 2025, including the opening of 14 stores in 1Q25.
- It ended 1Q25 with 2,630 restaurants, including the addition of 46 Pizza Hut stores in Oman.
- Americana focuses its expansion efforts on key markets including the UAE, Saudi Arabia, Kuwait, and Iraq.
- Despite geopolitical challenges, the Company delivered a strong 16.2% YOY revenue growth in 1Q25, indicating positive momentum across key markets.
- Gross margin is expected to slightly improve in 2025 compared to 2024.
- LFL sales expanded 13.9% YOY in 1Q25.
- Share of home delivery in channel mix increased from 41% in 1Q24 to 46% in 1Q25, cannibalizing the share of dine-in and takeaway.



1Q25 Net Profit lower than our estimate

Americana Restaurants' (Americana/ the Company) net profit increased 16.5% YOY to USD 33 Mn in 1Q25, lower than our estimate of USD 44 Mn. The growth in net profit is primarily driven by strong revenue growth fueled by LFL sales growth and contribution from new store openings. The company also benefited from the stable commodity cost, partially mitigated by higher selling and distribution, and tax expenses. Adjusted net profit rose 58.5% YOY to USD 33 Mn due to the positive one-off effect of marketing cost relief in 1Q24.

P&L Highlights

Americana restaurant's revenue grew 16.2% YOY to USD 573 Mn in 1Q25, primarily driven by double-digit growth in LFL and the opening of new stores, partially offset by store closures and currency devaluation in Egypt. Revenue from the Power Brands portfolio, including KFC, Hardee's, Pizza Hut and Krispy Kreme, contributed 94% of total Revenue in 1Q25, amounting to USD 539 Mn. All power brands recorded double-digit revenue growth in 1Q25, except Krispy Kreme. Americana's ongoing digital transformation saw strong results, with self-service kiosk rollout driving a 200% increase in transactions. The Company's cost of goods sold rose 13.0% YOY to USD 270 Mn in 1Q25, which is lower than the topline growth. Thus, gross profit increased 19.2% YOY to USD 303 Mn in 1Q25. Gross margin expanded 132 bps YOY to 52.8% in 1Q25 due to stable commodity costs. Total operating expenses rose 16.9% YOY to USD 257 Mn in 1Q25, owing to higher S&M expenses coupled with lower other income. Selling & marketing expenses increased 21.4% YOY to USD 212 Mn, as 1Q24 marketing costs included relief of USD 7.4 Mn. Thus, Americana's EBITDA increased 17.4% YOY to USD 122 Mn in 1Q25. EBITDA margin expanded 22 bps YOY basis to 21.2% in 1Q25.

Stock Information

Market Cap (USD, Mn)	17,773.87
Paid Up Capital (Mn)	167.42
52 Week High	3.40
52 Week Low	1.78
3M Avg. daily value (AED)	20,058,920

1Q25 Result Review (USD, Mn)

Total Assets	1,597
Total Liabilities	1,165
Total Equity	432
EBITDA	122
Net Profit	33

Financial Ratios

Dividend Yield (12m)	2.68
Dividend Pay-out (%)	79.99
Price-Earnings Ratio(x)	29.51
Price-to-Book Ratio (x)	11.28
Book Value (AED)	0.19
Return-on Equity (%)	36.64

Stock Performance

5 Days	-8.26%
1 Months	5.50%
3 Months	-13.17%
6 Months	-5.80%
1 Year	-35.47%
Month to Date (MTD%)	-6.22%
Quarter to Date (QTD%)	-0.94%
Year to Date (YTD%)	-4.52%

Operating profit rose 33.7% YOY to USD 46 Mn in 1Q25 with a margin of 7.9%, growing 100 bps YOY. However, the Company's finance income fell from USD 5 Mn in 1Q24 to USD 4 Mn in 1Q25, and finance cost rose 17.4% YOY to USD 10 Mn in 1Q25. Americana's zakat expenses stood at USD 7 Mn in 1Q25 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 295 Mn in 4Q24 to USD 337 Mn in 1Q25. Furthermore, the Company generated USD 33.5 Mn in Free Cash Flow in 1Q25, while maintaining a strong balance sheet with zero leverage and robust cash reserves. Net working capital stood at negative 8.9% of total revenue in 1Q25, similar to 4Q24 levels. Gross capex amounted to USD 28 Mn in 1Q25, equivalent to 4.8% of total revenue.

Target Price and Rating

We maintain our BUY rating on Americana Restaurants with a revised target price of AED 2.70. Americana has demonstrated resilience despite facing significant geopolitical, macroeconomic, and operational challenges in 1Q25. The devaluation of currencies in markets like Egypt impacted the topline by USD 14 Mn in 1Q25. Despite these challenges, the Company reported a revenue growth of 16.2% YOY to USD 573 Mn in 1Q25 due to strong LFL and expansion of new stores. UAE and Kuwait are seeing robust demand among the key markets. Americana opened 14 new stores and added 46 from Pizza Hut Oman in 1Q25, totaling 2,630 stores across 12 countries, with significant expansions planned in Saudi Arabia, UAE, Iraq and Kuwait, and closely monitoring markets of Egypt and Oman for recovery and expansion opportunities. Americana Restaurants plans to open 150- 160 stores across its market in 2025 with a focus on operational efficiency. The company acquired Pizza Hut stores in Oman, adding 46 stores to its portfolio to support its growth strategy and enhance market dominance across key food brands like KFC, Pizza Hut, and Hardee's. It plans to boost the sales of Pizza Hut Oman to pre-crisis levels and is already seeing some green shoots post-acquisition. Americana plans further expansion of loyalty programs and personalization across its core brands like KFC, Pizza Hut, and Hardee's to enhance customer retention and engagement in 2025. Americana maintained disciplined capital expenditures of USD 28 Mn in 1Q25, accounting for 4.8% of revenue. Most of this investment was allocated to new store openings, digital initiatives, and purchase price consideration for the Pizza Hut Oman business. The Company implemented cost-cutting measures to enhance operational efficiency and reduce expenses. The Company enhanced store efficiency by implementing better inventory controls through AMR apps and expects a slight improvement in gross margin in FY2025 compared to FY2024, owing to stable commodity costs. However, the growing share of home delivery in the channel mix is expected to keep in check the EBITDA margins. Additionally, Americana is setting up a Center of Excellence (COE) for IT in India to further streamline operations. Thus, based on our analysis, we assign a BUY rating on the stock.

Americana - Relative valuation

(at CMP)	2022	2023	2024	2025F
PE	19.48	19.46	31.79	28.13
PB	17.74	11.49	12.79	11.91
EV/EBITDA	8.92	8.50	9.89	8.77
DPS	0.09	0.08	0.06	0.06
Dividend yield	4.2%	3.6%	2.7%	2.8%

FABS Estimates & Co Data

Americana-P&L (USD, Mn)	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch.	QOQ Ch.	2024	2025F	Change
Revenue	494	589	573	577	-0.6%	16.2%	-2.6%	2,197	2,531	15.2%
COGS	-239	-274	-270	-268	0.8%	13.0%	-1.1%	-1,029	-1,195	16.1%
Gross Profit	254	315	303	309	-1.9%	19.2%	-3.9%	1,167	1,337	14.5%
S&M Expenses	-175	-209	-212	-204	4.3%	21.4%	1.5%	-785	-893	13.9%
G&A Expenses	-48	-45	-48	-49	-1.7%	0.7%	7.4%	-185	-213	15.1%
Other Income	3	2	6	3	83.3%	NM	NM	7	11	50.0%
Total Operating Expense	-220	-266	-257	-250	3.1%	16.9%	-3.1%	-976	-1,097	12.4%
EBITDA	104	134	122	135	-9.9%	17.4%	-9.0%	484	542	11.9%
EBIT	34	50	46	59	-22.7%	33.7%	-8.5%	192	240	25.1%
Financing income	5	4	4	2	95.9%	-21.4%	10.7%	16	13	-17.6%
Financing cost	-9	-10	-10	-10	6.6%	17.4%	4.4%	-36	-38	5.4%
Profit Before ZAKAT	31	44	39	51	-23.5%	29.1%	-9.8%	172	216	25.2%
Zakat	-4	-7	-7	-8	-3.4%	93.8%	14.1%	21	39	87.2%
Net Profit	27	37	32	44	-27.0%	19.8%	-14.0%	151	177	16.7%
Non-controlling interest	-1	-4	-1	-1	8.1%	-47.9%	-83.3%	-7	-3	-64.0%
Net profit attributable	28	41	33	44	-26.5%	16.5%	-21.1%	159	179	13.0%

FABS estimate & Co Data

Americana - Margins

	1Q24	4Q24	1Q25	YOY Ch.	QOQ Ch.	2024	2025F	Change
Gross Profit	51.5%	53.5%	52.8%	132	-71	53.1%	52.8%	-34
EBITDA	21.0%	22.7%	21.2%	22	-147	22.0%	21.4%	-64
Operating Profit	6.9%	8.5%	7.9%	104	-51	8.7%	9.5%	75
Net Profit	5.7%	7.0%	5.7%	2	-133	7.2%	7.1%	-14

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	2.57	70.0%	1.80
Relative Valuation (RV)	2.99	30.0%	0.90
Weighted Average Valuation (AED)			2.70
Current market price (AED)			2.11
Upside/Downside (%)			+28.0%

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)	1,300
Terminal value (USD, Mn)	4,595
FV to Common shareholders (USD, Mn)	5,895
No. of share (Mn)	8,424
Current Market Price (AED)	2.11
Fair Value per share (AED)	2.57

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	177	235	299	355	401
D&A	300	339	348	354	367
(-) Capex	-116	-122	-126	-132	-137
Change in working capital	29	21	20	46	27
Net change in debt	-171	-194	-206	-215	-227
Free Cash Flow to Equity (FCFE)	218	279	334	409	432
Discounting Factor	0.94	0.87	0.79	0.73	0.67
Discounted FCFE	206	242	265	298	289

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 13.1x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Herfy Food Services Co	445	13.7	10.4	NM	132.4
Domino's Pizza Enterprises Ltd	1,938	12.4	11.2	24.8	20.0
Yum China Holdings Inc	18,209	10.3	9.4	19.0	16.7
Restaurant Brands International	21,539	12.6	12.0	17.7	16.3
Yum Brands	41,512	18.3	17.1	24.8	22.3
Domino's Pizza Inc	16,571	22.3	20.9	28.8	27.4
Average		14.9x	13.5x	23.1x	39.2x
Median		13.1x	11.6x	24.8x	21.1x
Max		17.2x	15.8x	24.8x	26.1x
Min		12.4x	10.6x	19.0x	17.5x

Source: FAB Securities

