

UAE Consumer Staples Sector

Cost reduction strategies expected to enhance profit margins

Sector Weighting:
MARKET WEIGHT

We prefer Americana over Agthia post-price correction. The current share price of Agthia appears to already reflect most of the potential upside from improvements in its financial performance. Americana's sales are affected due to the boycott of Western brands in the Middle East due to geopolitical conflicts. Thus, Americana recorded a decline in average revenue per store due to a fall in LfL sales. It added 91 new stores in 1H24 and further plans to add 175-185 new stores in 2024. The Company is taking various initiatives both on the revenue and cost front to revive growth despite difficult market conditions. Besides, Americana is also focusing on product innovation and introducing new products across its multiple brands to boost sales growth. Furthermore, the Company is working to augment its supply chain efficiency and raw material sourcing to reduce operating expenses in addition to negotiating favorable lease rates with landlords. AGTHIA recorded a healthy growth in revenue and EBITDA in 2Q24, despite inflationary pressures, currency devaluation in Egypt, and challenges in Jordan. Agthia is focusing on productivity enhancement measures and prioritizing product innovation in all segments. It also launched a marketplace and Al Ain app, aligned with its aim to integrate digitalization into the business to improve customer experience. Furthermore, the Company launched several products across multiple segments and increased its glass bottle capacity in UAE to triple its production in the medium term. Besides, Agthia plans to turn Egypt into an export hub leveraging its low-cost location, geographical proximity, and free trade agreements. Moreover, Americana and Agthia are set to benefit from the supportive business conditions in the MENA region by leveraging their strategy to promote sales growth.

Stock	Target P	CMP	Gain	Rating	P/E ¹	EV/EBITDA ¹	Dividend Yield ¹
Agthia	8.00	7.60	5.3%	HOLD	17.1	9.6	2.9%
Americana Restaurants (USD)	3.40	2.42	40.5%	BUY	30.2	10.4	2.8%

Source: FABS Estimate

¹Data refers of FY2024

Key Developments in the Consumer Sector

Inflation rises in KSA and Egypt while it softens in the UAE

UAE's Consumer Price Index headline inflation fell from 0.55% in August 2024 to 0.01% in September 2024. The MOM decline can be attributed to a fall in prices of Food and beverages, Clothing and footwear, Housing, water, electricity, gas and other fuels, transport, Recreation, sport and culture group, and Insurance & financial services partially offset by a rise in prices of Furnishings, household equipment and routine household maintenance, Information and communication, Restaurants and accommodation services, Education, and Personal care, social protection and miscellaneous goods and services. The Central Bank of UAE revised UAE's 2024 inflation forecasts from 2.3% to 2.2% owing to softening inflation trend in food & beverages. For FY2025, CBUAE lowered its inflation forecasts from 2.3% to 2.2% driven by declining energy prices and US Dollar exchange rate volatility. Saudi Arabia recorded an increase in annual inflation from 0.1% in August 2024 to 1.7% in September 2024 mainly due to a YOY increase in the prices of Food & Beverages, Housing, Water, Electricity, Gas & other fuels, Education, Restaurants & hotels, and Personal Goods & Services partially offset by a YOY decline in Tobacco, Clothing & Footwear, Furnishings household equipment & maintenance, Health, Transport, Communications, and Recreation & Culture. Egypt's annual urban consumer inflation rose marginally from 26.2% YOY in August 2024 to 26.4% YOY in September 2024 mainly due to an increase in non-food item prices, seasonal patterns of education products, and pharmaceutical products coupled higher electricity prices partially offset by a slowdown in food prices owing to easing of shocks and favorable base effect as a result of peak food inflation in September 2023. In addition, annual core inflation edged down slightly from 25.1% in August 2024 to 25.0% in September 2024.

Robust tourism activity in UAE and KSA likely to benefit the consumer sector

According to the Central Bank of the UAE (CBUAE), airports in UAE witnessed a 14.2% YOY rise in passenger traffic to 71.7 Mn in 1H24. Dubai International Airport (DXB) experienced an 8% YOY increase in the number of passengers in 1H24 attributed to robust travel demand. Abu Dhabi's Zayed International Airport welcomed more than 13.7 Mn passengers in 1H24, marking a 33.8% YOY growth in the number of passengers, solidifying the emirate's status as a key transportation hub. The total number of international visitors in Dubai during January to August 2024 reached 11.93 Mn, compared to 11.10 Mn in the same period during 2023. The hospitality sector also witnessed strong occupancy rates and achieved growth in average daily rates as well as revenue per available room. As a result, the Average Occupancy levels of hotels in Dubai reached 76.2% during January to August 2024 compared to 75.5% during the same period in 2023. The opening of Season 29 in Global Village is likely to drive a number of visitors to Dubai. The Department of Culture and Tourism (DCT) of Abu Dhabi announced a partnership with Sphere Entertainment Co. to develop Sphere Abu Dhabi, an entertainment destination. The partnership is in line with the Tourism Strategy 2030, under which DCT aims to transform Abu Dhabi into a hub for culture and innovation. Sphere, boasting 20,000-capacity is anticipated to drive tourists from around the world, throughout the year. Saudi Arabia surpassed its Vision 2030 tourism target of welcoming 100 million visitors annually by FY2023 mainly driven by non-religious tourism including leisure travel and robust demand from international visitors. KSA's major giga projects like Red Sea Global and Diriyah Gate align with its aim to diversify its economy away from oil by focusing on luxury tourism. Moreover, in line with this aim, Saudi Arabia is planning to invest SAR 7.5 Bn (USD 2 Bn) in new tourism projects.

UAE and KSA's PMI stood in the expansionary territory while Egypt's PMI represented a contraction in June 2024

The S&P Global UAE Purchasing Managers Index (PMI) declined from 54.2 in August 2024, to 53.8 in September 2024. The Companies witnessed a decline in new orders, lower employment, an increase in average prices, a sharp rise in input costs, and an increase in new business. Growth in new business is mainly driven by robust growth in exports coupled with solid local market conditions. Business activity increased at a slower pace despite an increase in demand which resulted in output growth. Besides, solid competition impacted sales and developed a cautious business outlook. The employment levels recorded the weakest rise since the end of FY2022 while new input purchases climbed sharply to complete the work backlog that increased to a four-month high in September 2024. The improvement in supplier delivery time during September 2024 slowed down compared to August 2024 due to custom duties causing a delay in input deliveries. Increase in sales and purchase prices lead to a rise in average prices charged. In addition, input costs increased due to price pressure from labour, petrol, technology, transportation, and machinery. Dubai PMI expanded significantly owing to a growth in overall business activity partially offset by a slowdown in new business volumes. As a result, businesses increased staffing as well as inventory levels in September 2024 compared to August 2024. Customer delays led to a slower improvement in Supplier performance. The Riyad Bank Saudi Arabia non-oil PMI remained in the expansion territory and rose for the second consecutive month from 54.8 in August 2024 to 56.3 in September 2024. The expansion of the non-oil sector is mainly driven by robust growth in sales and new orders along with tight supply conditions. The growth in new orders is attributable to new clients, promotional activities, and a higher domestic demand. Businesses hired employees to reduce workload but faced a shortage of skilled workers candidates and heatwave-related disruption in September 2024. However, competitive pressure increased concerns about weakening future activity and reduction in sales prices. Businesses witnessed an increase in input costs and operating expenses. Additionally, inventories increased at a sharp rate while delivery times improved marginally in September 2024. On the other hand, Egypt's Purchasing Managers' Index (PMI) dipped from 50.4 in August 2024 to 48.8 in September 2024, attributable to a decline in output and new orders owing weaker demand. Customer demand from domestic markets fell significantly owing to rising prices while new orders from international clients rose for the fifth consecutive month. The rising input cost inflation led to higher output prices. Businesses witnessed a sharp rise in input prices due to higher raw material cost and currency differences. Employment levels climbed for the third consecutive month, especially in the construction, wholesale & retail sectors. Purchasing activity increased in September 2024 as businesses-built stocks with hopes of demand recovery.

Boycott of western brands in Middle East impacted consumer sector

The ongoing boycott of western brands in the Middle East including the UAE, Saudi Arabia, and Egypt is impacting the top line of companies in consumer sector. The boycott by the citizens of these countries is a part of their protest against USA's Pro-Israeli stance. It led to reduced footfalls in Retail as well as Fast food chains in the region, pressurizing the performance of firms. The boycott started in 2H23, owing to the Israel-Hamas conflict, and is likely to go on until the geopolitical situation improves. As a result, local brands and products in the region are gaining popularity.

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3Q24 Preview: **Agthia Group**

Geographical expansion, the launch of new & innovative products will drive profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 7.60	AED 8.00	+5.3%	HOLD

3Q24 estimate

Agthia Group's (AGTHIA/the Company) is expected to report healthy growth in net profit of 21.6% YOY to AED 64 Mn in 3Q24. The rise in net profit will mainly be driven by a decline in operating expenses and an increase in net finance income partially offset by an increase in cost of sales. The Company's revenue is estimated to grow marginally 0.9% YOY to AED 1,080 Mn in 3Q24 due to a healthy growth expected in the Water and Food segment revenue partially offset by a decline in revenue from the protein and frozen segment. Agthia is in the negotiation phase within the protein and frozen food segment and is expected to report positive growth once the contracts are finalized. Besides, the Agri-Business segment is anticipated to witness marginal growth due to the commodity cycle and pricing pressure. The marginal growth in the snacking segment will be fueled by the launch of new products, as well as a rise in export volume. Cost of sales is expected to grow 5.0% YOY to AED 767 Mn in 3Q24. Thus, the gross profit is predicted to fall 7.9% YOY to AED 312 Mn in 3Q24 with a gross margin of 28.9% in 3Q24. S&D and G&A expenses are also projected to decline 10.5% and 11.2% YOY to AED 148 Mn and AED 80 Mn, respectively in 3Q24. Other income is anticipated to increase from AED 9 Mn in 3Q23 to AED 13 Mn in 3Q24. Thus, operating profit is expected to grow 4.5% YOY to AED 95 Mn in 3Q24. EBITDA is anticipated to rise 3.9% YOY to AED 152 Mn in 3Q24 with an increase in EBITDA margin from 13.7% in 3Q23 to 14.1% in 3Q24. Finance income is expected to increase 16.8% YOY to AED 8 Mn in 3Q24, and finance cost is expected to decrease 5.6% YOY to AED 26 Mn in 3Q24. Income tax and zakat expenses are anticipated to increase 27.1% YOY to AED 7 Mn in 3Q24.

2024 forecast

We estimate Agthia Group's net profit to grow 34.8% YOY to AED 352 Mn in 2024 driven by the expected increase in revenue coupled with a reduction in income tax expense partially offset by the anticipated rise in cost of sales and operating cost. The Company's revenue is expected to grow 11.6% YOY to AED 5,092 Mn in 2024 owing to global expansion of operations coupled with expansion of the product portfolio and introduction of innovative products. Moreover, the cost of sales is expected to rise 11.5% YOY to AED 3,569 Mn in 2024. As a result, the gross profit is expected to increase 11.9% YOY to AED 1,523 Mn in 2024. S&D and G&A expenses are anticipated to grow 10.2% YOY to AED 636 Mn and 7.0% to AED 377 Mn respectively in 2024. Furthermore, the finance income is anticipated to decline 6.4% YOY to AED 24 Mn in 2024 while the finance cost is expected to decline 3.2% YOY to AED 116 Mn in 2024. Income tax and zakat expenses is projected to fall 37.8% YOY to AED 51 Mn in 2024. Additionally, the share of profit attributable to the non-controlling interest holders is expected to rise 12.8% YOY to AED 43 Mn in 2024.

2Q24 outturn

AGTHIA's revenue grew 5.7% YOY to AED 1,077 Mn in 2Q24, mainly due to healthy growth in the Water & Food segment coupled with double-digit growth in the Snacking segment, partially offset by a decline in the Protein and Frozen segment revenue. Revenue from the Protein and Frozen segment fell 1.7% YOY to AED 242 Mn in 2Q24 mainly due to a devaluation of Egyptian currency partially offset by a 2.2% YOY growth in Nabil. Snacking business revenue rose significantly by 22.6% YOY to AED 271 Mn in 2Q24 driven by robust performance of dates and coffee coupled with new product launches. Water and Food business revenue grew 4.5% YOY to AED 265 Mn in 2Q24 primarily attributable to a growth in revenue across UAE, Oman and Kuwait. In UAE, AGTHIA Al Ain bottled water brand retained its market-leading position and also increased its glass bottle water capacity

leading to triple its production of glass bottle water in the mid-term. Agri-business revenue grew marginally by 0.2% YOY to AED 299 Mn in 2Q24. The Company's direct cost grew 2.1% YOY to AED 748 Mn in 2Q24. Thus, AGTHIA's gross profit rose 14.8% YOY to AED 329 Mn in 2Q24. Gross profit margin expanded 244 bps YOY to 30.6% in 2Q24, while the EBITDA margin rose 113 bps YOY to 13.9% in 2Q24 owing to a rise in EBITDA of all segments. Snacking segment EBITDA rose by 42.0% YOY to AED 38 Mn in 2Q24. Protein & Frozen segment EBITDA also grew 32.8% YOY to AED 36 Mn, Water & Food Segment EBITDA rose 19.4% YOY to AED 38 Mn, Agri-business EBITDA increased 16.8% YOY to AED 50 Mn in 2Q24. Furthermore, the Company's finance income declined 7.0% YOY to AED 4 Mn in 2Q24, while finance cost rose 33.5% YOY to AED 36 Mn in 2Q24 owing to higher benchmark rates. Additionally, income tax and zakat expenses grew from AED 8 Mn in 2Q23 to AED 11 Mn in 2Q24 attributed to the introduction of UAE corporate tax in FY2024. Share of profit attributable to non-controlling interest holders fell 24.9% YOY to 7 Mn in 2Q24.

Target price and recommendation

We revise our rating from ACCUMULATE to HOLD on AGTHIA with a revised target price of AED 8.00. AGTHIA's share price rose 12.0% since our previous rating. AGTHIA recorded a healthy growth in revenue and EBITDA in 2Q24, despite inflationary pressures, currency devaluation in Egypt, and challenges in Jordan. The Company maintained its guidance for FY2024 and expects revenue to grow 10-12% and margins to expand in 2024. EBITDA margin is expected to expand by 40-60 bps and net margin by 30-50 bps in FY2024. AGTHIA is already taking proactive measures as it has implemented productivity enhancement measures which enabled it to save AED 63 Mn in 1H24. AGTHIA is prioritizing product innovation in all segments, and aligned with this goal, it launched several new products in the Snacking, Protein and Frozen, Water & Food as well as Agri-business Segments. It generated revenue of over AED 92 Mn through strategic product innovation in 1H24. The Company launched the Agrivita marketplace, which will enable customers to buy animal feed online, and Al Ain app to provide home delivery of water. These steps are aligned with the Company's aim to integrate digitalization into the business to improve customer experience. Agthia's Abu added 44 new stores in Egypt during 1H2024, aligned with its aim to expand its retail footprint. It also boosted its glass bottle water capacity in the UAE enabling the Company to triple its production in the medium term. Agthia plans to further expand its capacity and drive growth in the Protein segment, in line with this it opened Phase 1 of the protein manufacturing plant in Jeddah. Both phases 1 and 2 will have an average production capacity of 7,000 tons, with a capability to produce around 50 SKUs. The addition of the Phase 1 facility is likely to add a revenue of AED 50-60 Mn annually. The Phase 2 is expected to commence production by the end of 1H25. The Company plans to turn Egypt into an export hub capitalizing on its low-cost location, and geographical proximity, coupled with free trade agreements. In addition, it is also looking forward to expanding its coffee business in Egypt. Thus, considering all these factors, we assign a HOLD rating on the stock.

Agthia - Valuation

	2019	2020	2021	2022	2023	2024F
(at CMP)						
P/E (x)	33.26	132.29	26.56	24.38	23.05	17.10
P/B (x)	2.33	2.40	2.18	2.14	2.07	2.14
EV/EBITDA (x)	17.01	25.89	15.80	13.13	10.28	9.60
Dividend Yield (%)	2.0%	2.2%	2.2%	2.2%	2.4%	2.7%

FABS estimate & Co Data

Agthia - P&L

AED mm	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	1,070	1,077	1,080	0.9%	0.3%	4,561	5,092	11.6%
Cost of sale	-731	-748	-767	5.0%	2.6%	-3,200	-3,569	11.5%
Gross profit	339	329	312	-7.9%	-5.1%	1,361	1,523	11.9%
S&D expense	-165	-148	-148	-10.5%	0.0%	-577	-636	10.2%
G&A expense	-90	-79	-80	-11.2%	1.3%	-352	-377	7.0%
R&D costs	-2	-2	-2	7.8%	30.1%	-8	-11	38.8%
Other (exp) / inc	9	4	13	37.4%	219.2%	48	41	-14.5%
EBITDA	146	150	152	3.9%	1.5%	702	767	9.1%
Operating profit	91	104	95	4.5%	-8.9%	471	539	14.5%
Finance income	7	4	8	16.8%	130.5%	26	24	-6.4%
Finance expense	-27	-36	-26	-5.6%	-28.7%	-113	-116	3.2%
Share of loss from invest in JV	0	1	0	NM	NM	3	0	NM
Profit before tax and zakat	71	73	77	9.1%	5.9%	382	447	16.9%
Income tax & zakat	-10	-11	-7	-27.1%	-35.2%	-83	-51	-37.8%
Profit before NCI	61	62	70	14.7%	13.0%	300	395	32.0%
Non-controlling interest	-9	-7	-6	-27.1%	-6.7%	-39	-43	12.8%
Net Profit	53	56	64	21.6%	15.4%	261	352	34.8%

FABS estimate & Co Data

Agthia - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	31.7%	30.6%	28.9%	-277	-163	29.8%	29.9%	7
Operating Profit	8.5%	9.7%	8.8%	30	-88	10.3%	10.6%	26
EBITDA	13.7%	13.9%	14.1%	40	16	15.4%	15.1%	-34
Net Profit	4.9%	5.2%	5.9%	101	78	5.7%	6.9%	119

FABS estimate & Co Data

3Q24 preview: Americana Restaurants

Weak same store sales to impact revenue

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.42	AED 3.40	+40.5%	BUY

3Q24 estimate

Americana Restaurants (the Company/ Americana) net profit is expected to decline 30.4% YOY to USD 57 Mn in 3Q24 mainly due to an estimated decline in sales, increase finance cost, and tax expense partially offset by an expected decline in direct costs and operating expenses. Revenue is expected to decline 12.4% YOY to USD 575 Mn in 3Q24 attributable to Ramadan seasonality and projected decline in same-store sales of KFC, Krispy Kreme, and other brands. The cost of sales is anticipated to fall 14.2% YOY to USD 265 Mn in 3Q24 due to a projected decline in revenue. Thus, the gross profit is expected to decline 10.7% YOY to USD 309 Mn in 3Q24. Selling and marketing expense are estimated to fall 8.4% YOY to USD 192 Mn in 3Q24 while G&A expenses are forecasted to rise 0.3% YOY to USD 49 Mn in 3Q24. Thus, total operating expenses are anticipated to decline 6.9% YOY to USD 239 Mn in 3Q24. As a result, operating profit is expected to reduce significantly 21.7% YOY to USD 70 Mn in 3Q24. EBITDA is anticipated to fall 13.8% YOY to USD 133 Mn in 3Q24. Moreover, EBITDA Margin is estimated to decline 38 bps YOY to 23.2% in 3Q24. Americana's finance income is projected to increase marginally 3.4% YOY to USD 5 Mn in 2Q24 while finance cost is anticipated to grow 17.2% YOY to USD 9 Mn. In addition, zakat expense is predicted to increase from USD 3 Mn in 3Q23 to USD 8 Mn in 3Q24 owing to the introduction of corporate tax in UAE.

2024 forecast

We estimate Americana Restaurants' net profit to decline 29.0% YOY to USD 184 Mn in 2024. The decline in net profit is mainly driven by an anticipated decline in sales coupled with a rise in zakat expense owing to the introduction of corporate tax in the UAE, partially offset by a projected decline in direct costs and rise in finance income. The Company's revenue is expected to fall 8.3% YOY to USD 2,213 Mn in 2024 owing to a projected decline in same store sales of KFC, Hardees and Krispy Kreme brands in Americana's portfolio due to the boycott of western brands in the Middle East. Moreover, the cost of sales is anticipated to decline 9.3% YOY to USD 1,045 Mn in 2024. Thus, gross profit is likely to decline 7.4% YOY to USD 1,169 Mn in 2024. On the other hand, Americana's selling and distribution expenses are estimated to decline 2.4% YOY to USD 758 Mn in 2024 while G&A expenses are projected to rise 3.9% YOY to USD 199 Mn in 2024. As a result, the Company's operating profit is likely to decline 21.2% YOY to USD 229 Mn in 2024. Furthermore, finance cost is projected to grow 14.3% YOY to USD 35 Mn in 2024 owing to high benchmark rates. On the other hand, finance income is anticipated to rise from USD 15 Mn in 2023 to USD 19 Mn in 2024. In addition, zakat expense is estimated to rise from USD 13 Mn in 2023 to USD 27 Mn in 2024 owing to the introduction of corporate tax in UAE.

2Q24 outturn

Americana restaurant's revenue declined 14.2% YOY to USD 559 Mn in 2Q24 primarily driven by lower like-for-like sales owing to demand slowdown, particularly in Saudi Arabia and Egypt, the boycott of Western brands due to geopolitical tension and higher competition partially offset by additional revenue earned through the addition of new store. Americana added 81 new stores with a portfolio of 2,477 restaurants in 1H24. Like-for-like (Lfl) sales declined 20.3% in 1H24. On the other hand, direct cost fell 16.0% YOY to USD 258 Mn in 2Q24 due to lower cost of inventory owing to supply chain optimization & procurement strategy, coupled with favourable commodity prices. As a result, the cost of inventory declined 2.7% YOY to 28.9% in 2Q24. Thus, Americana's gross profit declined 12.6% YOY to USD 301 Mn in 2Q24. However, gross profit margin grew 98 bps YOY to 53.8% in 2Q24. Moreover, Americana's selling and marketing expenses declined 1.2% YOY to USD 195 Mn in 2Q24. G&A expenses fell 4.4% YOY to USD 49 Mn in 2Q24. The Company's adjusted

EBITDA declined 21.5% YOY to USD 129 Mn in 2Q24 owing to lower revenue with an EBITDA margin of 23.1%. Total operating income declined from USD 100 Mn in 2Q23 to USD 60 Mn in 2Q24. Operating margin declined 465 bps YOY to 10.7% in 2Q24. Furthermore, the Company's finance income rose from USD 3 Mn in 2Q23 to USD 4 Mn in 2Q24 whereas finance cost increased 5.5% YOY to USD 8 Mn in 2Q24 due to higher lease costs as a result of an increase in lease liabilities. Zakat expense fell 34.3% YOY to USD 5 Mn in 2Q24 in line with a decline in profitability.

Target price and recommendation

We maintain our BUY rating on Americana Restaurant with an unchanged target price of AED 3.40. The Company's topline was impacted due to a broader slowdown in the QSR space in KSA and Egypt owing to an overall decline in consumer spending and boycott of Western brands due to geopolitical tensions. Americana also recorded a decline in average revenue per store, largely due to negative like-for-like sales coupled with the underperformance of new stores which are yet to mature. It added 91 new stores with a portfolio of 2,477 stores in 2Q24. UAE is Americana's one of the key markets where there is no visible slowdown in demand. The Company is taking various initiatives both on the revenue and cost front to revive growth despite difficult market conditions in some markets owing to prolonged geopolitical situations and demand slowdown. Americana saw positive recovery trends in Kuwait and Qatar both in 1Q24, 2Q24 and even in July 2024. It is also focusing on product innovation and aggressive value to drive growth in transactions. The Company is focused on value offerings which is likely to benefit the business volumes and drive revenue. The company introduced new product offerings across KFC, Hardee's, and Krispy Kreme. Moreover, it introduced meal offers and combo deals in Pizza Hut and KFC to drive transactions and enhance customer satisfaction, resulting in a rise in average daily sales in July. Americana is also prudent on capital deployment and plans to add 175-185 net new stores in 2024. Amidst a decline in sales, the Company is also pursuing cost management strategies to optimize cost structure. The cost management strategy will include improving supply chain efficiency, raw material sourcing, and lead to a reduction in G&A expenses and negotiating rental release with the landlord. The management expects the gross margin to improve in 2024 mainly attributed to favourable commodity prices, supply chain optimization and proactive revenue management resulting in lower inventory cost. The Company will maintain its focus on revenue recovery strategies, including smart pricing, targeted promotions, and marketing efforts, with an emphasis on boosting transactions and increasing investment in marketing. Thus, based on our analysis, we assign a BUY rating on the stock.

Americana - Relative Valuation

(at CMP)	2022	2023	2024F
PE	21.4	21.4	30.2
PB	19.5	12.6	12.0
EV/EBITDA	9.9	9.4	10.4
Dividend Yield	3.8%	3.2%	2.8%

FABS Estimate & Co Data

Americana - P&L

(USD mm)	3Q23	2Q24	3Q24F	YOY Ch.	QOQ Ch.	2023	2024F	Change
Revenue	656	559	575	-12.4%	2.7%	2,413	2,213	-8.3%
COGS	-309	-258	-265	-14.2%	2.8%	-1,152	-1,045	-9.3%
Gross Profit	346	301	309	-10.7%	2.7%	1,262	1,169	-7.4%
S&M Expenses	-210	-195	-192	-8.4%	-1.1%	-777	-758	-2.4%
G&A Expenses	-49	-49	-49	0.3%	0.4%	-192	-199	3.9%
Other Income	3	2	2	-28.4%	6.0%	17	18	5.0%
Total Operating Exp.	-257	-241	-239	-6.9%	-0.8%	-970	-939	-3.2%
EBITDA	155	129	133	-13.8%	3.1%	551	510	-7.4%
EBIT	89	60	70	-21.7%	16.4%	291	229	-21.2%
Financing income	5	4	5	3.4%	23.5%	15	19	25.9%
Financing cost	-8	-8	-9	17.2%	6.8%	-31	-35	14.3%
Profit Before ZAKAT	86	56	66	-23.8%	18.3%	275	213	-22.5%
Zakat	-3	-5	-8	187.7%	81.1%	13	27	NM
Net Profit	84	51	58	-31.1%	12.8%	262	187	-28.9%
Non-controlling interest	2	-1	1	-63.6%	NM	3	2	NM
Net profit	82	52	57	-30.4%	9.8%	259	184	-29.0%

FABS Estimate & Co Data

Americana - Margins

	3Q23	2Q24	3Q24F	YOY Ch.	QOQ Ch.	2023	2024F	Change
GPM	52.8%	53.8%	53.8%	99	-4	52.3%	52.8%	52
EBITDA	23.6%	23.1%	23.2%	-38	9	22.8%	23.1%	23
OPM	13.6%	10.7%	12.2%	-146	143	12.1%	10.4%	-169
NPM	12.5%	9.3%	9.9%	-258	63	10.8%	8.3%	-243

FABS estimate and Co data

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