

## Americana Restaurants International PLC (AMR)

End of regional boycotts and active consumer engagement supported revenue growth

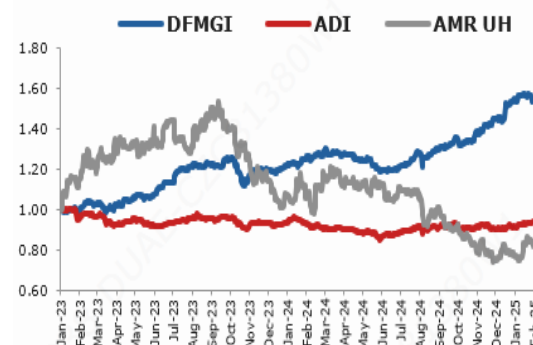
**Current Price**  
AED 2.60

**Target Price**  
AED 3.15

**Upside/Downside (%)**  
+21%

**Rating**  
BUY

- By the end of 2024, Americana expanded its total portfolio to 2,590 restaurants, opening 213 gross new stores and 155 net new stores, with 183 of these dedicated to power brands (KFC, Pizza Hut, Hardee's).
- Americana expanded into new markets like Kazakhstan, Morocco, and Iraq during FY2024.
- Despite geopolitical challenges, the Company showed a significant recovery in the latter part of FY2024, with a 14.1% YOY revenue growth in 4Q24, signalling positive momentum across key markets.
- The Company plans to open 150-160 new stores in FY2025, focusing on key growth markets and has a strong pipeline of new store openings. In January 2025, Americana acquired Pizza Hut Oman, adding 47 stores to its portfolio.
- Proposed USD 127 Mn dividend which is equivalent to AED 0.056 per share for FY2024, subject to shareholder approval in the AGM.



### Stock Information

Market Cap (AED, Mn)	21,901.45
Paid Up Capital(AED, Mn)	614.93
52 Week High	3.62
52 Week Low	2.09
3M Avg. daily value (AED)	16,737,720

### 4Q24 Result Review (USD, Mn)

Total Assets	1,507
Total Liabilities	1,109
Total Equity	398
EBITDA	134
Net Profit	41

### Financial Ratios

Dividend Yield (12m)	3.01
Dividend Pay-out (%)	79.99
Price-Earnings Ratio(x)	37.52
Price-to-Book Ratio (x)	15.12
Book Value (AED)	0.05
Return-on Equity (%)	38.08

### Stock Performance

5 Days	1.96%
1 Months	9.24%
3 Months	16.07%
6 Months	-5.80%
1 Year	-19.95%
Month to Date (MTD%)	10.64%
Quarter to Date (QTD%)	17.65%
Year to Date (YTD%)	17.65%

### 4Q24 Net Profit slightly lower than our estimate

Americana Restaurants' (Americana/ the Company) net profit increased 26.3% YOY to USD 41 Mn in 4Q24, lower than our estimate of USD 43 Mn. The growth in net profit is mainly attributable to higher revenue owing to the expansion of the restaurant network and LFL growth, improved gross margins supported by favourable commodity prices and effective management and procurement strategies partially offset by higher depreciation expense due to the addition of new stores and the introduction of corporate tax in UAE.

### P&L Highlights

Americana restaurant's revenue increased by 14.1% YOY to USD 589 Mn in 4Q24 primarily driven by LFL growth and newly opened stores during FY2024. Revenue from the Power Brands portfolio, including KFC, Hardees, Pizza Hut, and Krispy Kreme, rose substantially by 16.4% YOY to USD 553 Mn in 4Q24. The Company's cost of goods sold rose 11.3% YOY to USD 274 Mn in 4Q24. Thus, Americana's gross profit increased 16.7% YOY to USD 315 Mn in 4Q24 due to favorable commodity price trends, successful inventory management and various procurement initiatives. Gross profit margin improved 119 bps YOY to 53.5% in 4Q24. Americana's total operating expenses rose 14.1% YOY to USD 252 Mn in 4Q24, owing to higher G&A expenses coupled with lower other income. Selling & marketing expenses rose 14.1% YOY to USD 209 Mn, and G&A expenses marginally reduced 0.9% YOY to USD 45 Mn in 4Q24. On the other hand, other income fell from USD 8 Mn in 4Q23 to USD 2 Mn in 4Q24. Thus, Americana's EBITDA increased 28.2% YOY to USD 134 Mn in 4Q24. EBITDA margin expanded 249 bps YOY basis to 22.7% in 4Q24 due to favorable gross margins. EBIT also rose 40.6% YOY to USD 50 Mn in 4Q24.

However, the Company finance income fell 29.5% YOY to USD 4 Mn in 4Q24 and finance cost rose 18.5% YOY to USD 10 Mn in 4Q24. Hence, profit before zakat rose 35.2% YOY to USD 44 Mn in 4Q24. The Company zakat expenses stood at USD 7 Mn in 4Q24 due to the introduction of corporate tax in UAE in FY2024.

### Balance Sheet Highlights

Americana's cash and cash equivalents, including short-term deposits with banks, increased from USD 274 Mn in 3Q24 to USD 295 Mn in 4Q24. Borrowings were repaid during 4Q24. Furthermore, the Company generated USD 433 Mn in cash flow from operating activities during FY2024 compared to USD 540 Mn in FY2023 due to lower profit and investment in working capital. Americana generated an adjusted free cash flow of USD 95 Mn in FY2024 compared to USD 183 Mn in FY2023. Furthermore, the Company invested USD 38 Mn in working capital during FY2024 compared to investment of USD 4 Mn in FY2023. Americana restaurants incurred a capex of USD 115 Mn in FY2024.

### Target Price and Rating

We maintain our BUY rating on Americana Restaurant with an unchanged target price of AED 3.15. Americana has demonstrated resilience despite facing significant geopolitical, macroeconomic, and operational challenges in FY2024. Americana faced disruptions due to regional geopolitical conflicts and a devaluation of currencies in markets like Egypt, resulting in a 9.0% YOY revenue decline in FY2024. Despite these challenges, the Company showed a significant recovery in the latter part of FY2024, with a 14.1% YOY revenue growth in 4Q24, signaling positive momentum across key markets. With the end of regional boycotts, consumer engagement and sales are recovering to pre-boycott levels, particularly in high-growth markets like Saudi Arabia and the UAE. This growth is expected to be sustained during FY2025. Americana opened 213 gross new stores and 155 net new stores in FY2024, with significant expansions in Saudi Arabia, UAE, and Kuwait and further entry into new markets like Kazakhstan, Morocco, and Iraq. The Company's focus on opening stores in relatively stable markets with less geopolitical risk ensures solid growth potential. Americana crossed a significant milestone of 700 stores in Saudi Arabia, including the 100th Pizza Hut, within 30 months. Americana's total portfolio grew to 2,590 restaurants by the end of FY2024, with continued expansion of its power brands (KFC, Pizza Hut, and Hardee's). The company plans to open 150-160 new stores in FY2025, focusing on key growth markets and has a strong pipeline of new store openings. In January 2025, Americana acquired Pizza Hut Oman, adding 47 stores to its portfolio to support the Company's growth strategy and enhance its market dominance across key food brands like KFC, Pizza Hut, and Hardee's. 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 115 Mn in FY2024, accounting for 5.2% of revenue. Most of this investment was allocated to new store openings, digital initiatives, and selective remodels. The Company implemented cost-cutting measures, including a USD 25 Mn reduction in people costs and optimization of marketing and maintenance expenses, while maintaining a disciplined approach to Capex by prioritizing new store openings, digital initiatives, and selective remodels to support business recovery. 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. Additionally, Americana is setting up a Center of Excellence (COE) for IT in India to streamline operations further. The management proposed a USD 127 Mn dividend for FY2024, subject to shareholder approval in the AGM. Thus, based on our analysis, we assign a BUY rating on the stock.

#### Americana - Relative valuation

(at CMP)	2022	2023	2024	2025F
PE	23.20	23.18	37.85	27.30
PB	21.13	13.69	15.24	13.61
EV/EBITDA	10.72	10.25	11.88	9.71
Dividend yield	3.5%	3.0%	2.1%	2.9%

FABS Estimates & Co Data

Americana–P&L (USD, Mn)	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch.	QOQ Ch.	2023	2024	Change
Revenue	516	555	589	565	4.2%	14.1%	6.1%	2,413	2,197	-9.0%
COGS	-246	-258	-274	-266	2.8%	11.3%	5.9%	-1,152	-1,029	-10.6%
<b>Gross Profit</b>	<b>270</b>	<b>297</b>	<b>315</b>	<b>299</b>	<b>5.5%</b>	<b>16.7%</b>	<b>6.3%</b>	<b>1,262</b>	<b>1,167</b>	<b>-7.5%</b>
S&M Expenses	-183	-206	-209	-201	4.1%	14.1%	1.8%	-777	-785	0.9%
G&A Expenses	-45	-43	-45	-49	-8.7%	-0.9%	3.3%	-192	-185	-3.7%
Other Income	8	1	2	12	-82.7%	-73.0%	NM	17	7	-55.4%
<b>Total Operating Expense</b>	<b>-221</b>	<b>-248</b>	<b>-252</b>	<b>-238</b>	<b>5.9%</b>	<b>14.1%</b>	<b>1.5%</b>	<b>-952</b>	<b>-962</b>	<b>1.0%</b>
<b>EBITDA</b>	<b>104</b>	<b>118</b>	<b>134</b>	<b>132</b>	<b>1.5%</b>	<b>28.2%</b>	<b>13.4%</b>	<b>551</b>	<b>484</b>	<b>-12.1%</b>
<b>EBIT</b>	<b>35</b>	<b>48</b>	<b>50</b>	<b>62</b>	<b>-19.2%</b>	<b>40.6%</b>	<b>3.9%</b>	<b>291</b>	<b>192</b>	<b>-34.1%</b>
Financing income	5	4	4	5	-28.1%	-29.5%	1.8%	15	16	5.3%
Financing cost	-8	-9	-10	-9	4.6%	18.5%	6.8%	-31	-36	15.4%
<b>Profit Before ZAKAT</b>	<b>32</b>	<b>42</b>	<b>44</b>	<b>57</b>	<b>-23.8%</b>	<b>35.2%</b>	<b>3.1%</b>	<b>275</b>	<b>172</b>	<b>-37.5%</b>
Zakat	0	-6	-7	-9	-27.6%	NM	13.0%	13	21	58.9%
<b>Net Profit</b>	<b>32</b>	<b>37</b>	<b>37</b>	<b>48</b>	<b>-23.1%</b>	<b>16.3%</b>	<b>1.6%</b>	<b>262</b>	<b>151</b>	<b>-42.3%</b>
Non-controlling interest	-1	-1	-4	5	NM	NM	NM	3	-7	-356.7%
<b>Net profit attributable</b>	<b>33</b>	<b>37</b>	<b>41</b>	<b>43</b>	<b>-3.9%</b>	<b>26.3%</b>	<b>10.6%</b>	<b>259</b>	<b>159</b>	<b>-38.8%</b>

FABS estimate & Co Data

#### Americana - Margins

	4Q23	3Q24	4Q24	YOY Ch.	QOQ Ch.	2023	2024	Change
Gross Profit	52.4%	53.5%	53.5%	119	9	52.3%	53.1%	86
EBITDA	20.2%	21.2%	22.7%	249	146	22.8%	22.0%	-78
Operating Profit	6.9%	8.6%	8.5%	159	-18	12.1%	8.7%	-333
Net Profit	6.3%	6.7%	7.0%	68	28	10.8%	7.2%	-353

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	3.11	70.0%	2.17
Relative Valuation (RV)	3.25	30.0%	0.98
<b>Weighted Average Valuation (AED)</b>			<b>3.15</b>
Current market price (AED)			2.60
Upside/Downside (%)			+21%

### 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 2.0%.

Sum of PV (USD, Mn)	1,593
Terminal value (USD, Mn)	5,536
<b>FV to Common shareholders (USD, Mn)</b>	<b>7,130</b>
No. of share (Mn)	<b>8,424</b>
Current Market Price (AED)	2.60
<b>Fair Value per share (AED)</b>	<b>3.11</b>

### DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	217	306	414	502	570
D&A	318	349	372	387	408
(-) Capex	-132	-155	-163	-172	-175
Change in working capital	-15	9	29	103	35
Net change in debt	-173	-202	-222	-236	-257
<b>Free Cash Flow to Equity (FCFE)</b>	<b>215</b>	<b>306</b>	<b>429</b>	<b>585</b>	<b>582</b>
Discounting Factor	0.93	0.85	0.78	0.72	0.66
<b>Discounted FCFE</b>	<b>199</b>	<b>260</b>	<b>335</b>	<b>418</b>	<b>382</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 13.1x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Herfy Food Services Co	445	13.7x	10.4x	NM	132.4x
Domino's Pizza Enterprises Ltd	1,938	12.4x	11.2x	24.8x	20.0x
Yum China Holdings Inc	18,209	10.3x	9.4x	19.0x	16.7x
Restaurant Brands International	21,539	12.6x	12.0x	17.7x	16.3x
Yum Brands	41,512	18.3x	17.1x	24.8x	22.3x
Domino's Pizza Inc	16,571	22.3x	20.9x	28.8x	27.4x
<b>Average</b>		<b>14.9x</b>	<b>13.5x</b>	<b>23.1x</b>	<b>39.2x</b>
<b>Median</b>		<b>13.1x</b>	<b>11.6x</b>	<b>24.8x</b>	<b>21.1x</b>
<b>Max</b>		<b>17.2x</b>	<b>15.8x</b>	<b>24.8x</b>	<b>26.1x</b>
<b>Min</b>		<b>12.4x</b>	<b>10.6x</b>	<b>19.0x</b>	<b>17.5x</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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