

Americana Restaurants International PLC (AMR)

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---------------|--------------|---------------------|--------|
| AED 2.23 | AED 3.00 | +35% | BUY |

1Q25 Net income lower than our estimate

- Americana Restaurants revenue rose 16.2% YOY to USD 573 Mn in 1Q25, primarily supported by growth in like-for-like sales, and continued expansion of the store network.
- The Company reported a gross profit of USD 303 Mn in 1Q25 as compared to USD 254 Mn in 1Q24, an increase of 19.2% YOY, fueled by effective management and procurement strategies. Gross profit margin expanded from 51.5% in 1Q24 to 52.8% in 1Q25.
- Americana opex including expense on S&M and G&A expenses rose from USD 223 Mn in 1Q24 to USD 261 Mn in 1Q25.
- Americana recorded EBITDA of USD 122 Mn during 1Q25, an increase of 17.4% YOY due to revenue growth. EBITDA margin also ticked up from 21.0% in 1Q24 to 21.2% in 1Q25.
- Net profit of Americana Restaurants grew 16.5% YOY to USD 33 Mn in 1Q25, indicating ongoing business recovery. Net profit margin remained stable at 5.7% in 1Q24 compared to 1Q25. Adjusted net profit rose 58.5% YOY to USD 33 Mn due to the positive one-off effect of marketing cost relief in 1Q24.
- Generated a free cash flow of USD 33.5 Mn in 1Q25 with zero debt.
- The Company's cash balance stands at USD 110 Mn in 1Q25.

Earnings Call Summary

- Transaction recovery is higher than sales growth, owing to the continued focus on sales growth.
- Home delivery represents 46% of the total sales in 1Q25 compared to 41% in 1Q24.
- Store guidance does not include the figure from the Oman acquisition, as this is incremental.
- Oman was one of the worst countries hit by the boycott.
- The management is working to get Oman Pizza Hut revenue back to the pre-crisis level.
- UAE and Kuwait are seeing robust demand.
- Home delivery in KSA went up due to the launch of Chinese brand operations, Keeta. This is cannibalizing revenue share from some other channels.
- Home delivery grew in KSA, but pricing pressure is emerging in Saudi Arabia due to growing consumer demand for value.
- In Egypt, revenue and profit recovered, and the management is taking efforts to align with the broader portfolio level.
- In KSA, growing participation in the aggregator space raises competition, putting pressure on the industry to offer lucrative deals. The exact impact of commission and margin is hard to quantify according to the management.
- A growing share of home delivery impacted margins.
- Americana received a one-off benefit of USD 7.4 Mn on marketing cost in 1Q24. Post that, marketing spend follows contractual commitment with no further YOY distortions.
- Americana plans to mitigate margin pressure from home delivery through cost efficiency, focus on gross margin and gain from operating leverage due to strong LFL growth.
- Effective tax rate going forward will be similar to 1Q25.
- Despite value focussed strategies and discounting, FY2025 gross margin is expected to be better than FY2024.
- Overall cost of inventory is expected to improve YOY.

- Iraq operation is currently profitable and one of the most profitable geographies. There is a strong pipeline for expansion in 2025; however, due to security challenges, it remains cautiously optimistic and careful in site selection to ensure the safety of employees.

Americana Restaurants

| (USD Mn) | 1Q24 | 4Q24 | 1Q25 | 1Q25F | Var. | YOY Ch | QOQ Ch |
|---------------------------------------|-------------|-------------|-------------|-------------|---------------|--------------|---------------|
| Revenue | 494 | 589 | 573 | 577 | -0.6% | 16.2% | -2.6% |
| COGS | -239 | -274 | -270 | -268 | 0.8% | 13.0% | -1.1% |
| Gross Profit | 254 | 315 | 303 | 309 | -1.9% | 19.2% | -3.9% |
| S&M Expenses | -175 | -209 | -212 | -204 | 4.3% | 21.4% | 1.5% |
| G&A Expenses | -48 | -45 | -48 | -49 | -1.7% | 0.7% | 7.4% |
| Other Income | 3 | 2 | 6 | 3 | 83.3% | NM | NM |
| Total Operating Expense | -220 | -266 | -257 | -250 | 3.1% | 16.9% | -3.1% |
| EBITDA | 104 | 134 | 122 | 135 | -9.9% | 17.4% | -9.0% |
| EBIT | 34 | 50 | 46 | 59 | -22.7% | 33.7% | -8.5% |
| Financing income | 5 | 4 | 4 | 2 | 95.9% | -21.4% | 10.7% |
| Financing cost | -9 | -10 | -10 | -10 | 6.6% | 17.4% | 4.4% |
| Profit Before ZAKAT | 31 | 44 | 39 | 51 | -23.5% | 29.1% | -9.8% |
| Zakat | -4 | -7 | -7 | -8 | -3.4% | 93.8% | 14.1% |
| Net Profit | 27 | 37 | 32 | 44 | -27.0% | 19.8% | -14.0% |
| Non-controlling interest | -1 | -4 | -1 | -1 | 8.1% | -47.9% | -83.3% |
| Net profit from Equity Holders | 28 | 41 | 33 | 44 | -26.5% | 16.5% | -21.1% |

FABS estimate & Co Data



2025 guidance

Revenue recovery

- ✓ Continued focus on transactions recovery and average check growth

Growth

- ✓ Organic and Inorganic avenues for long term platform development

NSO guidance

- ✓ 150 – 160 net NSO rollout in 2025; continued expansion in the UAE, KSA, Kuwait and Iraq

Innovation

- ✓ Continue to maintain value leadership
- ✓ New product launches to evolve core offerings
- ✓ Target new day parts

Profitability

- ✓ Enhanced store efficiency through better controls on inventory through AMR apps
- ✓ Gross margin expected to be slightly better in 2025 than 2024
- ✓ Setting up COE for IT in India

Digital leadership

- ✓ Launch of Americana loyalty, and scaleup of loyalty across KFC, Pizza Hut and Hardee's brands
- ✓ CDP and personalization in works

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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