



Americana Restaurants International Initiation Report

Eyeing for a larger bite with extensive store rollout plan

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Americana Restaurants International (Americana): Initiate with “Overweight” rating and a TP of SAR 4.64/share

Americana is the leading out-of-home dining (OOHD) and quick service restaurant (QSR) across the 12 markets of its presence in the MENA region and Kazakhstan. The company's operating market has potential to grow in double digits over the next few years. To tap this opportunity, the company has laid out an extensive plan to add 250-300 stores each year in the medium term. The company's topline growth is expected to be robust in coming years driven by its expansion plan and growing demand supported by macroeconomic tailwinds. The company has financial strength and sector expertise to execute the expansion plans, and benefit from the market potential. Additionally, we expect gross margin expansion of around 230 bps during FY23-27E on account of healthy LFL sales growth and maturing of newly added stores. Thus, we are positive about the prospects of the company. We initiate our coverage on the stock with an “Overweight” rating and a TP of SAR 4.64/share

An attractive market to operate in: Americana's operating market consist of 12 countries including 11 from MENA region and Kazakhstan. The size of this market stood at SAR 56.0bn in FY21 and is expected to double by FY26. The economic and demographic structure of these markets indicate a high growth potential. Moreover, these regions have lower penetration of QSR, FSR and other OOHD segments compared to other developed and developing markets. Thus, providing room for expansion and growth for OOHD players like Americana. Americana, with the leading market share in the market and being the only player with a pan-regional presence, is placed well to make most of this growth opportunity.

Robust topline growth led by store expansion and LFL growth: Americana is adding new stores across the brands it operates. The company's power brands continue to generate very healthy revenue growth. We forecast revenue to record a CAGR of 11.7% during FY23-27E driven by strong growth across all the power brands. The company's topline is anticipated to be boosted by an increase in store count, which we forecast to increase to 3,189 by FY27E from current 2,277. Moreover, we expect LFL growth for existing stores to range between 5-7% across the brands over the next few years. The expansion of the top line is expected to translate into strong earnings growth with a CAGR of 20.3% during FY23-27E.

Margins pressure relieving, improvement expected H2-23 onwards: Higher cost of inventory amid an increase in raw material cost impacted the company's margins negatively in H2-22 and Q1-23. The pressure started relieving in Q2-23 due to decrease in high cost inventory. Moreover, the recent decline in prices of key raw materials supported margins. Starting H2-23, the cost of inventory is likely to ease further and thus would support the gross margins. We expect the gross margin to widen to 52.3% in FY23. The gross margins are expected to expand from 51.7% in FY22 to 54.0% in FY27E driven by healthy LFL sales growth and maturing of newly added stores. Operating margin is forecast to expand from 13.3% in FY22 to 16.8% in FY27E, while EBITDA margin would widen from 22.4% in FY22 to 28.6% in FY27E. The EBITDA margin would also be helped by the efforts to control operating costs.

Valuation: Americana's expansion strategy is the backbone of the company's growth story. The expansion plan is supported by the company's current market position, financial ability to invest in new stores and industry growth potential. The company has a well-established operating model, which it can replicate in new stores. Thus, Americana has potential to record robust growth in topline as well as bottom line over the next few years. We value the stock with 50% weightage each to DCF (WACC=8.2%, terminal growth rate=2.5%), and P/E (24.4x) multiple applied to our FY24 estimates. Based on the combined valuation, we arrived at a TP of SAR 4.64/share. The TP indicates a 19.9% upside potential from the current market price. Thus, we assign an “Overweight” rating to the stock.

Recommendation	Overweight
Target Price (SAR)	4.64
Upside / (Downside)*	19.9%

Source: Tadawul *prices as of 12th of October 2023

Key Financials

USDmn (unless specified)	FY22	FY23E	FY24E	FY25E
Revenue	2,379	2,640	3,003	3,422
Growth %	15.9%	11.0%	13.8%	13.9%
Gross Profit	1,230	1,382	1,588	1,820
Net Profit	259	324	383	463
Growth %	27.1%	25.1%	18.2%	20.8%
EPS	0.03	0.04	0.05	0.05

Source: Company reports, Aljazira Capital

Key Ratios

	FY22	FY23E	FY24E	FY25E
Gross Margin	51.7%	52.3%	52.9%	53.2%
Net Margin	10.9%	12.3%	12.8%	13.5%
ROE	88.9%	82.5%	76.5%	74.2%
ROA	19.6%	17.8%	18.2%	18.9%
P/E (x)	26.4	29.3	24.8	20.5
P/B (x)	24.1	24.9	19.4	15.5
EV/EBITDA (x)	15.1	17.6	14.1	11.6

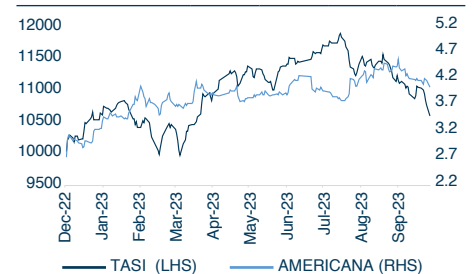
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (SAR bn)	35.6
YTD Change	38.7%
52-week (High)/(Low)	4.35/2.63
Share Outstanding (mn)	8,423.6

Source: Company reports, Aljazira Capital

Americana's price performance



Source: Bloomberg, Aljazira Capital

Company Overview

Americana Restaurants International Plc (Americana) is a leading out-of-home-dining (OOHD) and quick service restaurant (QSR) operator in USD 56.1bn total OOHD market across the 12 markets of operations in MENA region and Kazakhstan for almost 50 years. Americana caters to customers across 11 brands and multiple on-premises and off-premises channels. Its main QSR segments comprise of Chicken, Pizza and Burger and the Group also operates in Indulgence and Casual Dining and Coffee Shops. The company is a preferred franchise for iconic global brands such as KFC, Pizza Hut, Hardee's, Krispy Kreme and TGI Friday's. As of June 2023, Americana had a footprint of 2,277 stores across 12 markets.

Operational Overview

Americana is the largest franchise operator across its 12 markets of operation in terms of total number of outlets and value sales in the four key OOHD categories (QSR, FSR and casual dining, coffee shops and indulgence outlets). The company's Power Brands are KFC, Hardee's, Pizza Hut, and Krispy Kreme. These four brands together contribute 93.0% of the total revenue. KFC is the highest contributor at 61.2%, followed by Hardees with 16.9% contribution. As of June 2023, Americana had 968 KFC stores and 400 restaurants Hardees stores. Pizza Hut store count stood at 341, while Kripsy Kreme reached 316.

Fig 1. Share of revenue by brands (FY22)

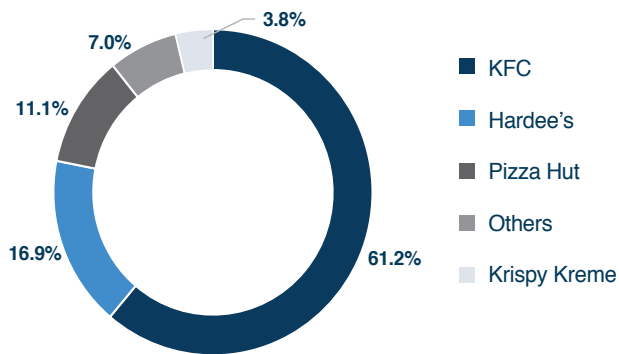
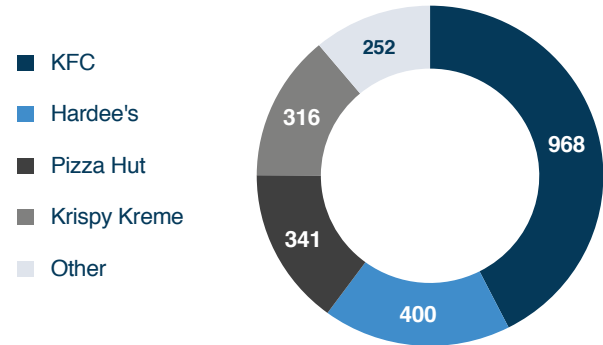


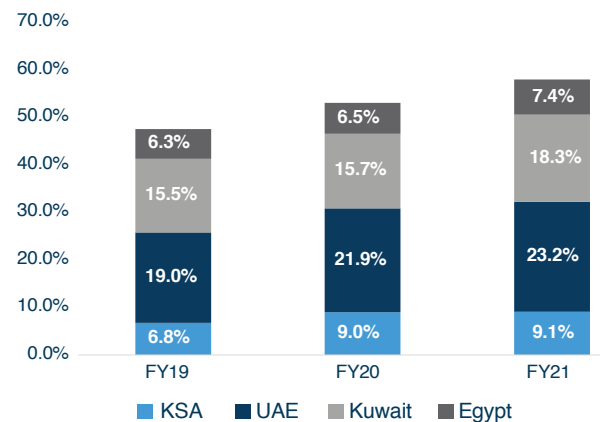
Fig 2. Number of restaurants by brands (June 2023)



Source: Company reports, Aljazira Capital

The OOHD market is highly fragmented in the Group's markets of operation, with no player in KSA, the UAE or Egypt controlling more than 10.0% of the OOHD sector in value terms during FY21. Americana Restaurant ranks first in terms of OOHD market share in its 12 markets of operation, holding a 2.6% share in FY19, which gradually increased to 3.2% in FY20 and 3.6% in FY21. The Group is the number 1 QSR operator, both in terms of number of outlets and value sales, in the total of its 12 markets of presence. In its four core markets (KSA, UAE, Kuwait and Egypt), it has a larger restaurant footprint than the combined operations of the next four largest QSR competitors.

Fig 3. QSR sales market share in 4 core markets of operation



Source: Company reports, Aljazira Capital

A leading player in a growth market with high potential

Higher growth rate expected in Americana's operating market

The OOHD market in the 12 countries (MENA and Kazakhstan) where Americana operates holds a very high growth potential. This market has gained pace in the last decade with increasing urbanization, a higher proportion of the young population and the growing influence of western food culture. The average growth rate in Americana's key markets such as KSA, UAE and Egypt outperformed most of the developed markets. The OOHD market catered by Americana is still in its early stages and there is further scope for penetration. The size of this market is expected to double from USD 56.1bn in FY21 to 112.4bn in FY26, growing at CAGR of 13.8%. Which is higher than expected global growth rate of 8.4% and significantly higher than 2.9% in developed countries.

Fig 4. OOHD market size (USD bn, Americana's operating markets)

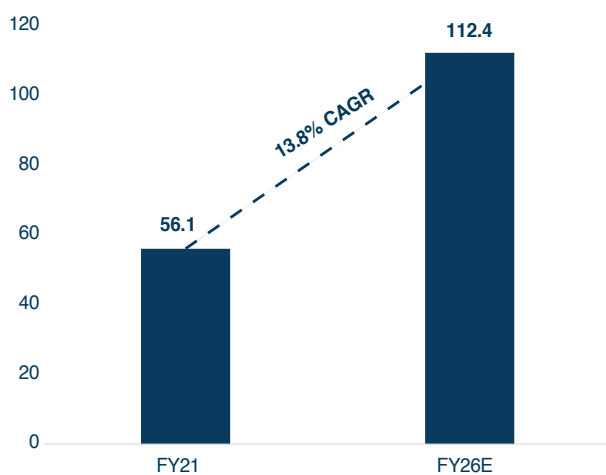
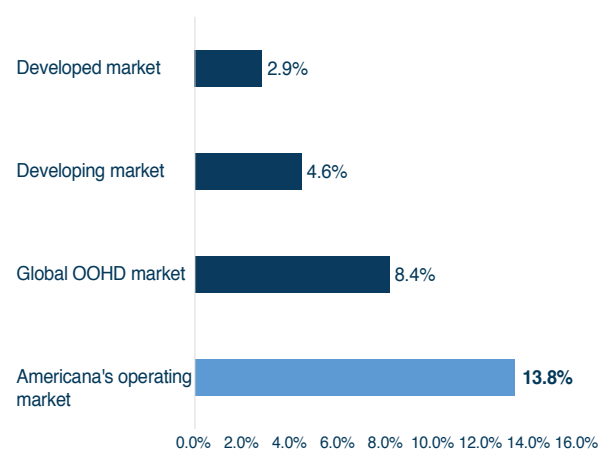


Fig 5. Growth expectations for different OOHD markets



Source: Euromonitor, Company reports, Aljazira Capital

Macroeconomic factors support healthy growth prospects



The average disposable income of the company's 12 markets of operation is expected to grow by a CAGR of 8.2% during FY22-26 in comparison to 4.7% in developed markets.



A CAGR of 12.2% in consumer expenditure on OOHD is also expected. This is much more than the CAGR of developed countries at 4.7% and developing countries at 6.9%.



Demographics of four core markets such as young, and growing populations in KSA and Egypt, large expat communities in KSA, UAE and Kuwait, rising women participation in the workforce are expected to positively affect demand for OOHD.



KSA and UAE have a growing tourism sector with the number of visitors expected to grow in coming years. KSA attracts 8.0mn religious tourists annually and the country targets to 30.0mn by FY30. Higher tourist arrivals, attracted by large events or religious pilgrimages are also expected to drive growth in OOHD.

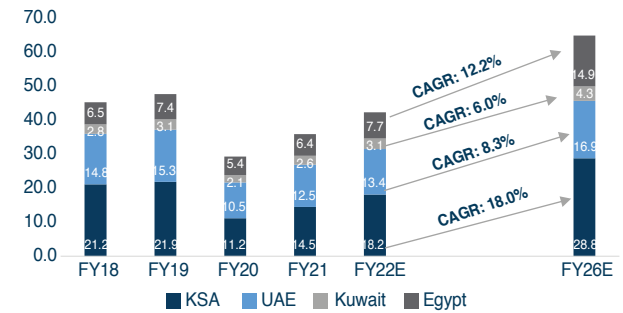


Amid changing consumer behavior, the availability of sound digital infrastructure and more than 95% mobile penetration (in FY21) is expected to support demand through online channels. Hence, there is room for growing the home delivery and takeaway channels in markets such as KSA, the UAE and Egypt.

Resilient and promising core markets assure persistent demand

KSA, UAE, Kuwait and Egypt represent core markets of Americana. KSA accounted for the largest share of OOHD sales among the company's core markets, with OOHD sales value of USD 14.5bn in FY21, followed by the UAE with USD 12.5bn, Kuwait with USD 2.6bn and Egypt with USD 6.4bn. KSA's market is expected to expand at CAGR of 18.0% until FY26, while a strong annual growth of 12.2% is expected in UAE as well during the same period. Total OOHD market size in core markets is expected to reach USD 64.9bn in FY26 from an estimated USD 42.3bn in FY22, representing a CAGR of 11.3%.

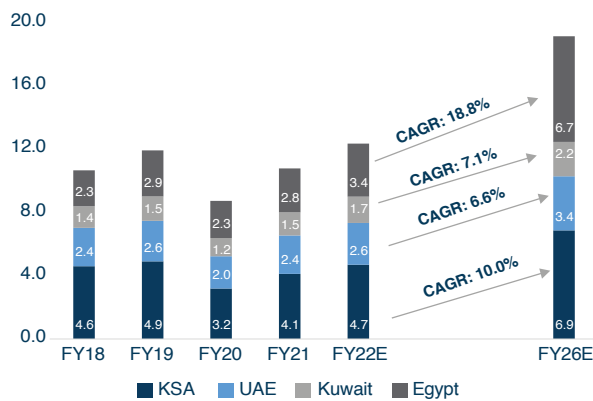
Fig 6. OOHD market size for core markets



Source: Euromonitor, Company reports, Aljazira Capital

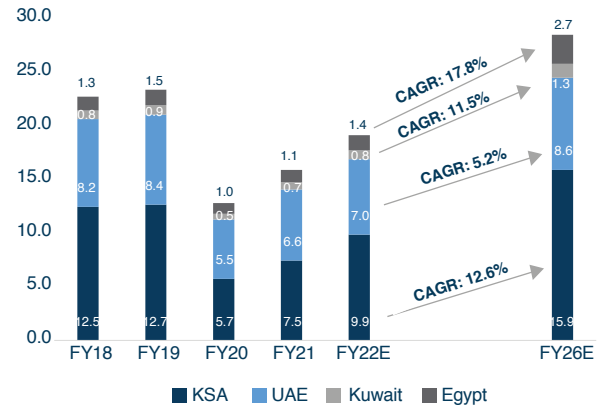
In KSA, FSR and casual dining and QSR market expected to grow with CAGRs of 12.6% and 10.0%, respectively, during FY22- FY26. In the UAE, FSR and casual dining represented 53.1% of total OOHD value sales in FY21 and is expected to grow by a CAGR of 5.2% in US dollar terms over FY22-FY26. In Kuwait and Egypt, QSR held the largest share of OOHD value sales in 2021. Egypt is expected to record CAGRs of 18.8% for QSR and 17.8% for FSR and casual dining, in US dollar terms over during the same period driven by an increase in outlets, greater penetration of international franchises and population growth.

Fig 7. QSR market size – core markets (USD bn)



Source: Euromonitor, Company reports, Aljazira Capital

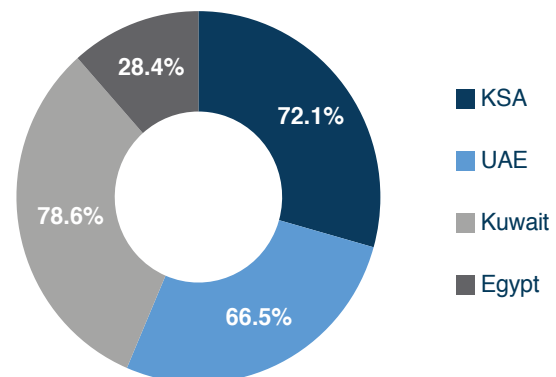
Fig 8. FSR market size – core markets (USD bn)



Chained QSR from international brands largely dominate the core market

The well-established QSR chains in the core markets are mostly franchise operators of international brands with a strong foundation in the market, benefiting from large-scale suppliers and logistics. Going forward, the growth in chained QSR is expected to be higher. In KSA, UAE and Kuwait chained QSR are dominant forming estimated 72.1%, 66.5% and 78.6%, respectively, of the total QSR market sales in FY22. In Egypt, chained QSRs are less prominent with 28.4% market share.

Fig 9. Share of chained QSR in total QSR (core markets, FY22 estimates)

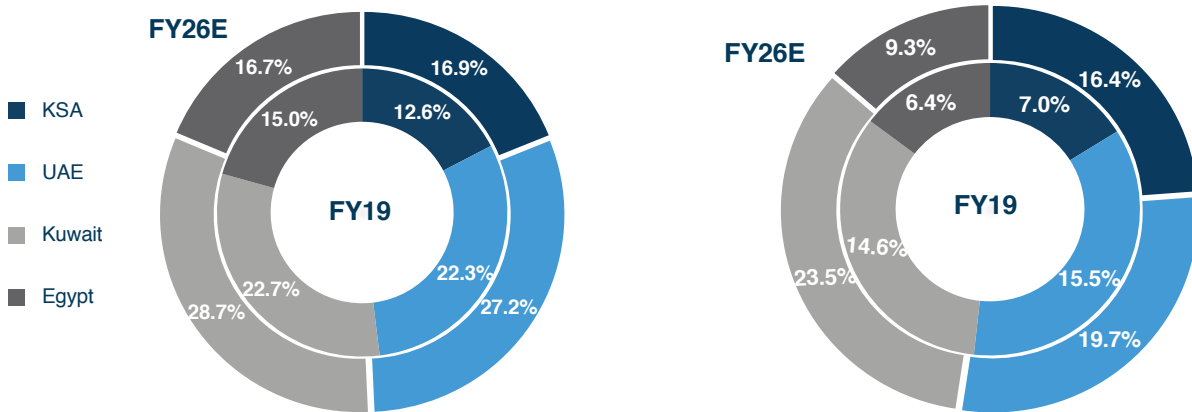


Source: Euromonitor, Company reports, Aljazira Capital

Share of home deliveries to remain above pre-COVID levels

The home delivery channel gained prominence during Covid-19, as many QSR and FSR and casual dining outlets relied on this channel to service customers. This channel's share of sales is expected to remain above pre-pandemic levels over FY22-FY26, due to the increased reach and popularity of food delivery apps.

Fig 10. Share of home delivery channel in QSR and FSR & casual dining (core markets)



Source: Euromonitor, Company reports, Aljazira Capital

Underpenetrated market provides scope for expansion

The penetration level of OOHD segment in the regions where Americana operates is low compared to most other developed and developing countries. For e.g., in the US there are 0.12 KFC outlets per 10,000 population, the penetration rate in Malaysia is as high as 0.24. However, in Americana's 4 core markets there are only 0.04 KFC outlets per 10,000 population and it is even lower at 0.03 outlets per 10,000 population for overall markets of operations. As the OOHD culture is growing in these regions, there is sufficient room for more outlets to cater to growing demand and reach penetration levels of developed markets.

Table 1. No. of restaurants per 10,000 population

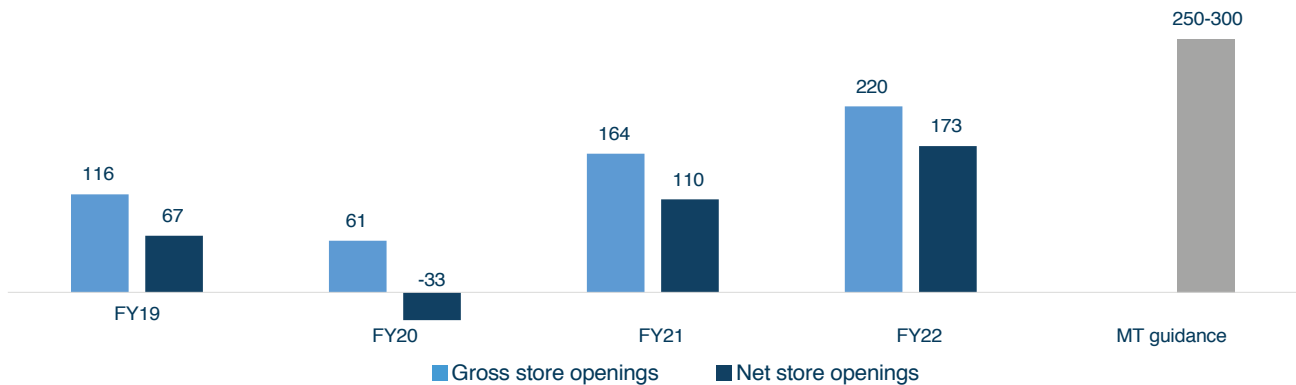
Brand	KSA	UAE	Kuwait	Egypt	4 core markets	Markets of operations
KFC	0.06	0.20	0.16	0.02	0.04	0.03
Hardee's	0.04	0.09	0.13	0.00	0.02	0.02
Pizza Hut	-	0.16	-	0.01	0.02	0.02
TGI Friday's	0.01	0.01	0.03	0.00	0.00	0.00
Krispy Kreme	0.04	0.00	0.04	0.00	0.01	0.01
Costa Coffee	-	-	-	0.01	0.00	0.01

Source: Euromonitor, Company reports, Aljazira Capital

Americana's ambitious expansion plan seems promising; to be a key growth driver in the medium term

Americana, to reap the benefits from an underpenetrated and growing OOH market, has laid out an aggressive expansion plan. The company targets a net addition of 250-300 new stores in the medium term. The company has increased gross store openings in the past two years, while closures have decreased, leading to a rise in net additions. We expect this trend to continue further.

Fig 11. Gross and net store openings



On track to achieve targeted annual net store opening rate

On LTM basis, the company's net store openings stood at 227 as of June 2023. In H1-23, 108 new stores were opened (gross) compared to 66 in H1-22. The pipeline for the rest of FY23 stands at 186, out of which 84 are already under construction and 31 restaurant sites have been acquired. As more store openings are expected in H2-23, the target of 250-300 net store additions looks achievable this year. Based on the ability shown by the company to execute the plans until now, supported its financial capacity to support the expansion and its expertise into the business, we are positive on the company to deliver its target in the medium term. Moreover, we expect the store closure rate to decrease going forward, as the majority of legacy stores with low AuVs are already closed. This will help reach net store addition in the targeted range. Thus, we expect net store addition to be around the lower end of the targeted range in the next few years. We forecast total store count to increase to 3,189 by the end of FY27E from 2,183 by the end of FY22.

Fig 12. FY23 restaurants pipeline

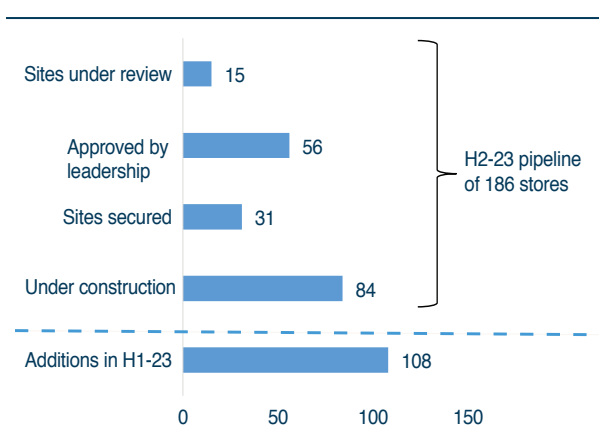
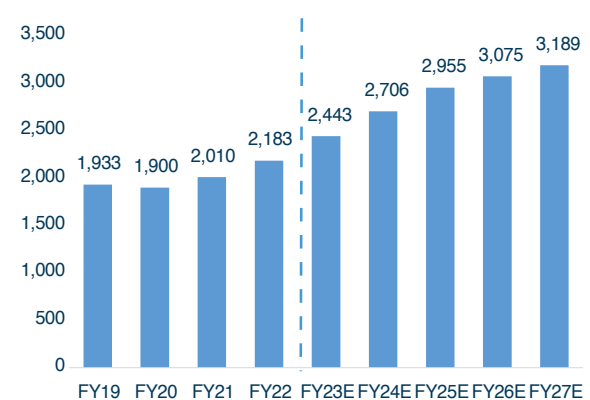


Fig 13. Number of restaurants trend (historical and forecasted)

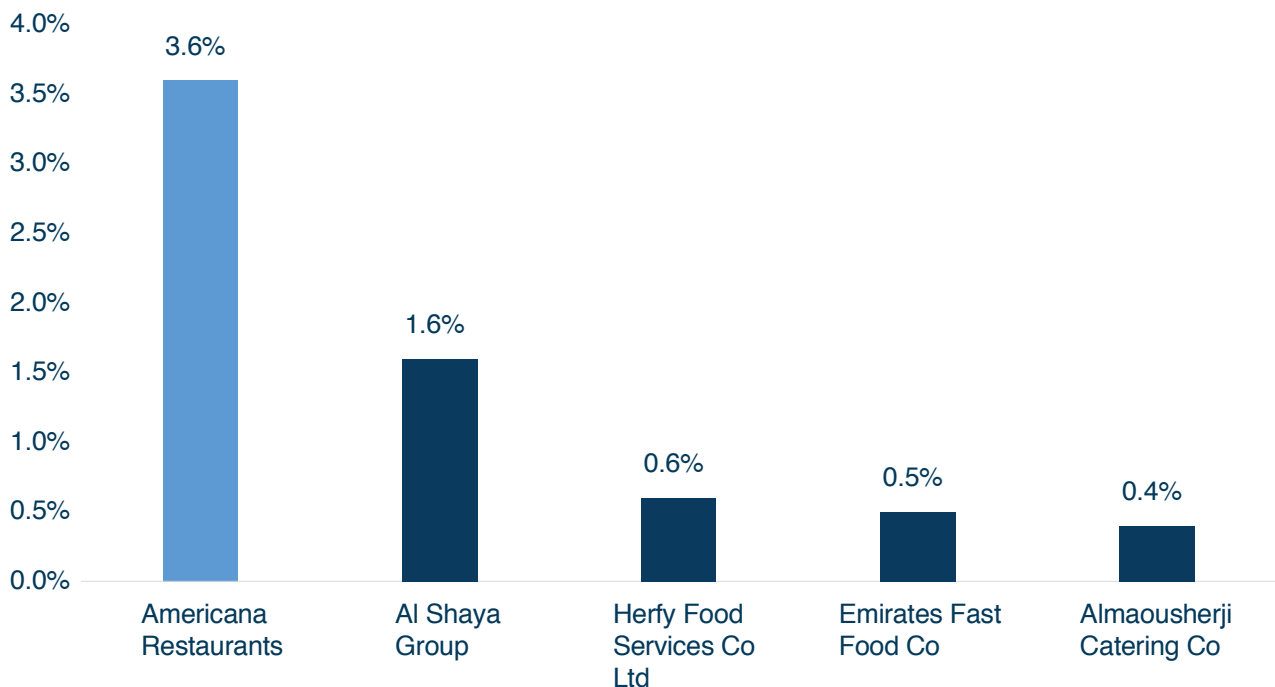


Source: Company reports, Aljazira Capital Research

Expansion strategy to leverage already existing diversified presence across the MENA region and strengthen the leadership position

Americana Restaurants is the foremost diversified player across multiple OOHD segments, by number of outlets, across its 12 markets of operation and also the largest franchise operator in terms of total number of outlets and value sales in the four key OOHD categories (QSR, FSR and casual dining, coffee shops and indulgence outlets). This presence across regions and brands in the operating market puts Americana in an advantageous position to go for a pan-regional expansion. Americana leads with 3.6% market share (FY21) in its 12 operating markets and the company's existing restaurant portfolio is bigger than combined portfolios of the next 4 largest OOHD operators. Thus, we believe it is difficult for any another existing player to match Americana's expansion strategy and compete with it across the regions. Additionally, the expansion of the portfolio would further strengthen Americana's leadership position and enable it to gain market share.

Fig. 14. Market share of leading OOHD players in Americana's markets of operation

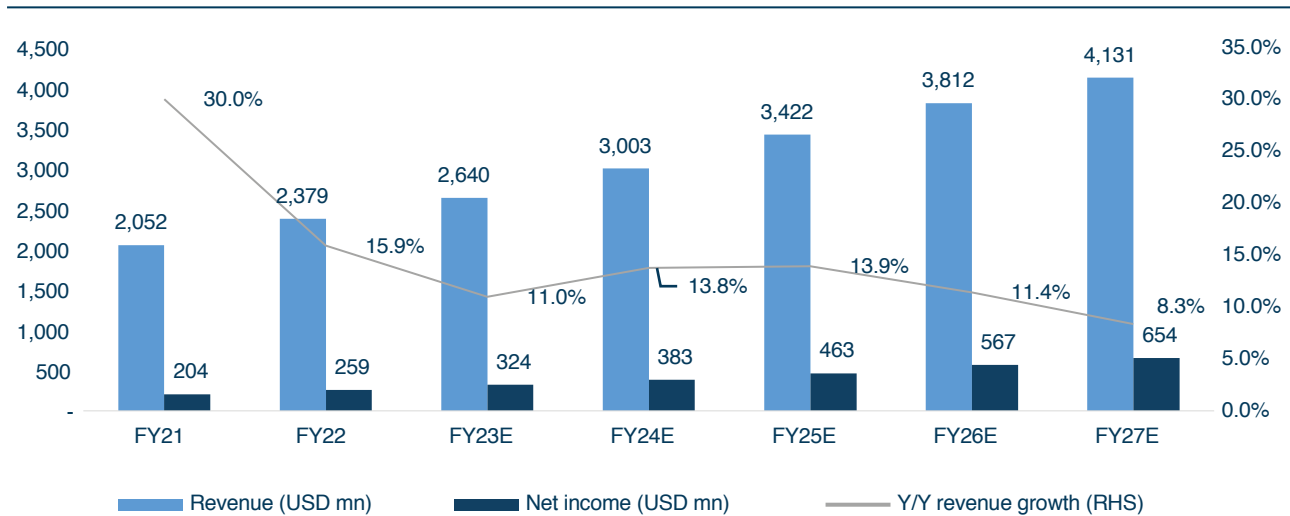


Source: Euromonitor, Company reports, Aljazira Capital Research

Store expansion and healthy LFL growth bodes well for double-digit revenue growth

As mentioned above we believe Americana's expansion plan to be on track and expect a significant rise in the company's outlets in the coming period (~46% growth in next five years). The store expansion will enable the company to cater to an untapped population and consequently boost the revenue. Additionally, we expect a healthy like-for-like sales growth in mid-single digits over the medium term driven by the increased number of transactions at each store and a rise in AuVs. Hence, additional revenue from newly opened stores each year and growth in existing store volumes are expected to translate into double-digit growth in revenue (FY23-27 CAGR 11.7%), which would subsequently reflect on growth in net income (FY23-27 CAGR 20.3%).

Fig 15. Robust revenue growth expected



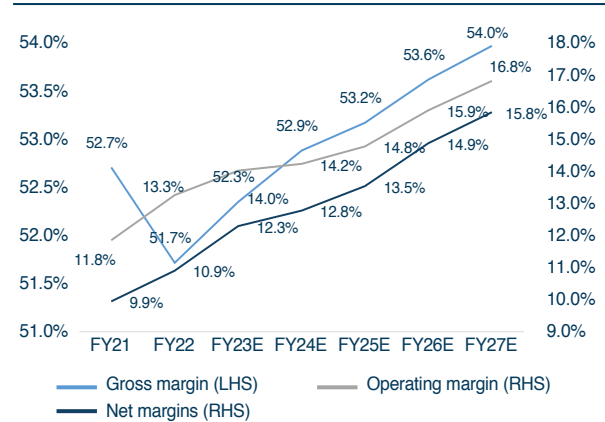
Source: Company reports, Aljazira Capital Research

Expected easing in cost of inventory to support margins in H2-23; long term margins expansion to be supported by economies of scale

Cost of inventory to ease in H2-23

Cost of inventory was high in FY22, as raw material prices started rising. The prices peaked in H2-22; however, the inventory built during H2-22 had carry over impact in Q1-23 and to some extent in Q2-23 as well. Starting H2-23, cost of inventory is likely to ease as high cost inventory would have been consumed and raw material prices have eased recently. Over the longer term, we expect margins to improve gradually as the scale increases and a greater number of stores mature, in addition to easing prices as inflation returns to normal. We expect gross margin and operating margin to increase to 54.0% and 16.8% in FY27 compared to 51.7% and 13.3%, respectively, in FY22. Net margin is forecast to improve to 15.8% in FY27 from 10.9% in FY22.

Fig 16. Margin trend



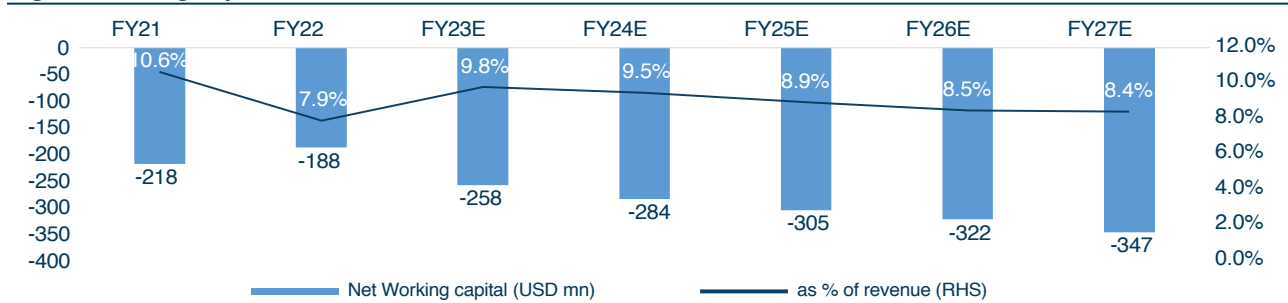
Source: Company reports, Aljazira Capital Research

Strong financials

Americana uses negative working capital to its benefit

Americana operates with negative working capital, indicating that the company is able to convert its receivables and inventories into cash faster than the time it takes to pay its suppliers. In FY22, the negative net working capital as % of revenue decreased from 10.6% in FY21 to 7.9% due to strategic inventory build-up to tackle supply chain issues. Going forward we expect the negative working capital to range between 8-10% of the revenue.

Fig 17. Working capital trend



Source: Company reports, Aljazira Capital Research

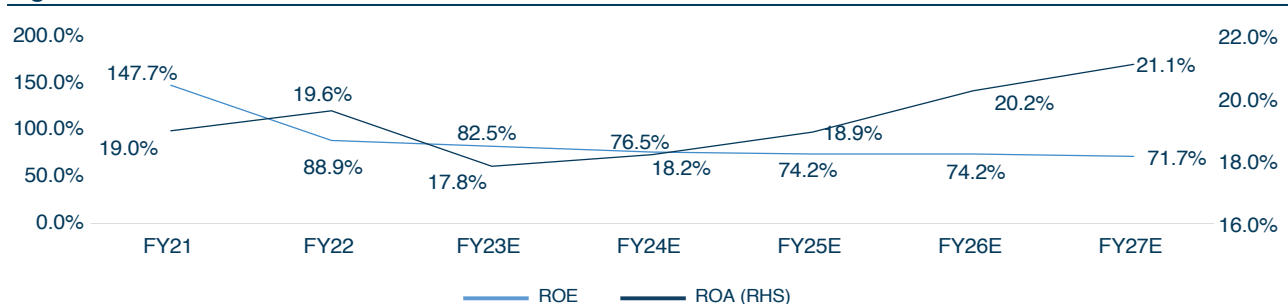
Negligible borrowings and net cash position

As of June 2023, Americana's debt excluding lease liabilities stood at USD 11.9mn and the company held net cash position of USD 114.3mn. Including lease liabilities total debt stood at USD 491.7mn, implying a debt to equity ratio of 1.5x.

High ROE and ROA

Americana has delivered very strong returns with ROA of 19.6% and ROE of 88.9% in FY22. We forecast ROA to moderate to 17.8% in FY23 and 18.2% in FY24 before improving to 21.1% in FY27E, as profitability is expected to increase as new assets start delivering earnings and asset addition is estimated to slow down in later years. ROE is also expected to remain healthy in the range of 71-83%, easing from current level as equity grows due to growth in earnings.

Fig 18. ROE and ROA

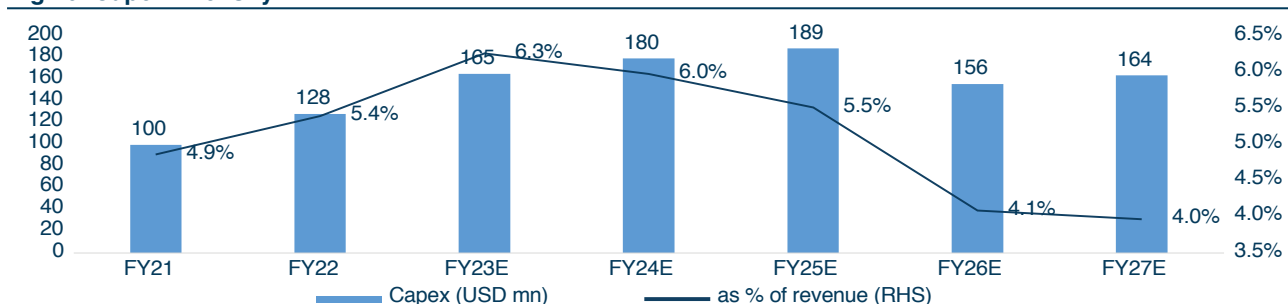


Source: Company reports, Aljazira Capital Research

Capex to be under control despite investment in store expansion

We forecast Americana's net store additions in medium term to be in line with the company guidance of 250-300 per year. However, the company's capex intensity is estimated to be at comfortable level. We expect capex to range between 4.0%-6.3% of the revenue during FY23-27E.

Fig 19. Capex intensity

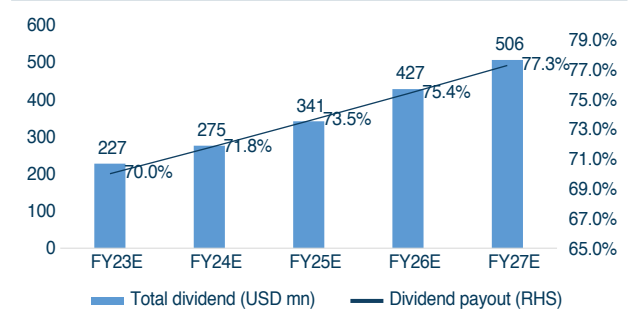


Source: Company reports, Aljazira Capital Research

A healthy dividend payout expected

Americana's low leverage level, net cash position, negative working capital and manageable CAPEX levels make a strong case for healthy dividend payout to shareholders. Additionally, with expected improvement in revenue and profitability higher payouts can be expected once expansion CAPEX moderates. The company has already paid dividend worth USD 103mn in H1-23. We forecast 70% payout in FY23 (USD 227mn) and gradual increase in payout ratio thereafter.

Fig 20. Dividend payout forecast



Source: Aljazira Capital Research

Key Risks

- Negative impact from foreign exchange rates and hyperinflation in certain markets such as Egypt and Lebanon.
- Any failure by the franchisor to protect these brands or their proprietary information may adversely affect the Group's business, results of operations and financial condition.
- Failure of suppliers to provide sufficient quality and quantities of ingredients, packaging materials and other necessary supplies.
- Any failure to maintain effective quality control systems or protocols of the Americana Restaurant's supply chain or restaurants could have a material adverse effect on its business, reputation, results of operations and financial condition.
- The operation of the Group's restaurants depends on their respective material agreements with franchisors, which impose certain restrictions, limitations and other obligations on the Group's operations that could adversely affect its ability to grow its business.
- Any failure or disruption of the Americana Restaurant's information technology systems or an inability to adapt to newer systems could adversely impact its business and operations.
- Risks related to price volatility due to fluctuation in demand and supply of food ingredients and raw materials
- Any disruption in service to the Americana Restaurant's digital ordering applications could prevent it from operating its business effectively and affect its operations and reputation.
- Shifts in consumer preferences and food habits as well as negative perception of the industry could decrease the demand for the Group's products
- The QSR industry in the MENA region is highly competitive, and the Group's business and financial results may be adversely affected by the activities of its competitors and its inability to react to competition.
- Failure to obtain or maintain or renew licenses, registrations, permits and approvals in a timely manner or at all may adversely affect the Group's business, results of operations and financial condition.
- Staff shortages and high employee turnover rates may adversely affect the Group's business.
- The Group is exposed to risks associated with inflation that could adversely affect its business, results of operations and financial condition
- The Group is exposed to risks associated with leasing real estate.
- Risks related dual concurrent Initial Public Offering, as the Group is subject to laws and regulations of Saudi Arabia and UAE

Valuation Methodologies

DCF Valuation

We performed DCF valuation based on our forecasts for the next five years. We assumed risk free rate of 3.5%, market risk premium of 5.4% and beta of 0.9 to arrive at WACC of 8.2%. Terminal growth rate is assumed at 2.5%. Our valuation of Americana based on DCF yielded an enterprise value of USD 11.2bn and fair value to equity shareholders of SAR 11.5bn, which translated into a TP of **SAR 5.11 per share**.

	FY23E	FY24E	FY25E	FY26E	FY27E
NOPAT	358	402	475	570	653
Depreciation & Amortization	103	122	139	147	149
Change in working capital	80	32	29	24	31
Capex	-165	-180	-189	-156	-164
FCFF	376	376	454	584	669
Discounting factor	0.96	0.96	0.89	0.82	0.76
Present value of FCFF	361	361	403	479	507
Sum of the PV					2,112
Terminal Value					9,065
Enterprise Value					11,176
Cash and cash equivalents					20
Debt					-329
FV to common shareholders					11,486
No outstanding shares (mn)					8,424
Fair value per share					5.11

		WACC				
Terminal growth rate		7.2%	7.7%	8.2%	8.7%	9.2%
	2.1%	5.73	5.24	4.84	4.49	4.19
	2.3%	5.93	5.41	4.97	4.60	4.29
	2.5%	6.14	5.58	5.11	4.72	4.39
	2.7%	6.38	5.77	5.27	4.85	4.50
	2.9%	6.63	5.97	5.43	4.99	4.61

Source: Euromonitor, Company reports, Aljazira Capital

Above is an illustration of sensitivity of our DCF valuation to the change assumptions of terminal growth rate (range: 2.1%-2.9%) and WACC (7.2%-9.2%). The sensitivity analysis indicates valuation in the range between a minimum of SAR 4.19 (at terminal growth rate of 2.1% and WACC of 9.2%) and SAR 6.63 per share (at terminal growth rate of 2.9% and WACC of 7.2%).

Relative Valuation

We valued Americana using the relative valuation methodology based on P/E multiple for global and domestic peers applied to our FY24 estimates.

Peer Comparison Table:

Company Name	FY24 P/E
Herfy Food Services Co	30.8
Domino's Pizza Inc	25.7
Jubilant Foodworks Ltd.	49.8
Yum China Holdings Inc	23.4
Restaurant Brands International	22.8
Yum Brands	22.9
McDonald's Corp	24.4
Median	24.4

P/E Valuation:

All figures in USD mn, unless specified	
Sector P/E	24.4
Premium/discount over peers	0%
Market value	9,349
Shares (mn)	8,424
Relative value (SAR/share)	4.16

Blended Valuation

Valuation Summary	Fair Value	Weight	Weighted Avg
DCF	5.11	50.0%	2.56
P/E	4.16	50.0%	2.08
Weighted Avg. 12-month TP			4.64
Current Market Price (SAR /share)			4.23
Expected Capital Gain			19.9%

We assigned 50% weightage each to DCF, and P/E multiples. Based on the combined valuation, we arrived at a TP of **SAR 4.64/share**. The TP indicates 19.9% upside potential from the current market price.

Risks to valuation

Upside risks

- Higher/faster than expected addition of stores
- Early easing of inflation leading to lower costs
- Stronger economic growth in operating markets
- Less fierce competition from peers that would provide Americana an opportunity gain market share
- Better than expected consumer demand the company's brands

Upside risks

- Delay in expansion plan
- Prolonged inflationary pressure on costs.
- Economic slowdown impacting consumer spending and OOH demand
- Increase in local competition or entry of global players in Americana's operating markets
- Shifting of consumers away from the brands operated by Americana



Financial summary

Amount in USD mn, unless otherwise specified	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E
Income statement									
Revenue	1,890	1,578	2,052	2,379	2,640	3,003	3,422	3,812	4,131
Y/Y		-16.5%	30.0%	15.9%	11.0%	13.8%	13.9%	11.4%	8.3%
Cost of Revenue	(903)	(774)	(970)	(1,148)	(1,258)	(1,415)	(1,603)	(1,768)	(1,902)
Gross Profit	987	804	1,081	1,230	1,382	1,588	1,820	2,044	2,229
Y/Y		-18.6%	34.5%	13.7%	12.3%	14.9%	14.6%	12.3%	9.1%
Sales and marketing expenses	(646)	(579)	(680)	(739)	(819)	(945)	(1,071)	(1,168)	(1,243)
General & Administrative Expense	(165)	(158)	(177)	(193)	(211)	(236)	(265)	(294)	(318)
Operating profit	189	115	243	315	370	427	505	606	694
Y/Y		-39.1%	111.2%	29.7%	17.4%	15.5%	18.3%	19.9%	14.6%
Finance income	1	1	2	4	6	13	16	20	25
Finance costs	(28)	(30)	(23)	(25)	(31)	(32)	(29)	(23)	(24)
Profit before zakat	161	86	222	272	345	408	493	603	696
Zakat	(9)	(6)	(16)	(9)	(21)	(24)	(30)	(36)	(42)
Net profit for the year	152	80	206	263	324	383	463	567	654
Non – controlling interests	(1)	1	(2)	(4)	-	-	-	-	-
Net income	151	81	204	259	324	383	463	567	654
Y/Y		-46.5%	152.3%	27.1%	25.1%	18.2%	20.8%	22.4%	15.4%
EPS	0.02	0.01	0.02	0.03	0.04	0.05	0.05	0.07	0.08
Balance sheet									
Assets									
Cash and cash equivalents and Short term Investment	170	196	174	305	652	809	1,002	1,269	1,533
Trade receivables	90	96	94	104	110	124	140	155	167
Inventories	94	97	107	174	147	149	168	185	198
Other current assets	2	1	16	3	3	3	3	3	3
Total current assets	355	390	391	585	912	1,085	1,313	1,612	1,901
Property Plant and equipment	244	208	222	270	330	385	433	441	455
Right of use assets	460	372	362	418	506	564	626	672	670
Intangibles	33	38	43	50	52	54	57	57	58
Other	8	9	70	18	18	18	17	17	16
Non-current assets	745	626	697	755	906	1,021	1,133	1,187	1,199
Total assets	1,101	1,016	1,088	1,341	1,818	2,106	2,446	2,799	3,101
Liabilities									
Accounts payable - trade	314	322	352	401	452	493	549	598	648
Bank facilities	14	25	7	19	19	19	19	19	19
Short term lease liabilities	149	140	136	160	217	259	301	318	267
Other	38	53	70	66	293	341	407	493	572
Total current liabilities	515	539	566	646	981	1,112	1,275	1,428	1,505
Long term lease liabilities	319	264	248	275	312	353	399	451	517
Other	132	127	134	124	133	139	149	157	167
Total liabilities	965	930	948	1,045	1,425	1,605	1,823	2,036	2,189
Shareholders' Equity									
Share capital	-	-	-	168	168	168	168	168	168
Accumulated net contribution from parent	120	90	149	-	-	-	-	-	-
Retained earnings	-	-	-	139	236	345	467	607	756
Total shareholders' equity	119	77	129	285	382	490	613	752	901
Minority interest	17	10	11	11	11	11	11	11	11
Total liabilities and shareholders' equity	1,101	1,016	1,088	1,341	1,818	2,106	2,446	2,799	3,101
Cashflow statement									
Operating activities	511	284	469	454	721	800	929	1,067	1,171
Investing activities	(71)	(45)	(162)	(60)	(159)	(167)	(173)	(136)	(139)
Financing activities	(377)	(223)	(308)	(287)	(215)	(477)	(563)	(665)	(769)
Ending cash balance	156	172	167	286	652	809	1,002	1,269	1,533
Key fundamental ratios									
Liquidity ratios									
Current ratio (x)	0.7	0.7	0.7	0.9	0.9	1.0	1.0	1.1	1.3
Liabilities to Assets	87.7%	91.5%	87.2%	77.9%	78.4%	76.2%	74.5%	72.7%	70.6%
Profitability ratios									
GP Margin	52.2%	51.0%	52.7%	51.7%	52.3%	52.9%	53.2%	53.6%	54.0%
Operating Margins	10.0%	7.3%	11.8%	13.3%	14.0%	14.2%	14.8%	15.9%	16.8%
Net Margins	8.0%	5.1%	9.9%	10.9%	12.3%	12.8%	13.5%	14.9%	15.8%
ROE	112.3%	92.1%	147.7%	88.9%	82.5%	76.5%	74.2%	74.2%	71.7%
ROA	13.8%	7.8%	19.0%	19.6%	17.8%	18.2%	18.9%	20.2%	21.1%
Leverage ratios									
Debt / equity (x)	4.1	5.6	3.0	1.6	1.4	1.3	1.2	1.0	0.9
Valuation ratios									
P/E (x)	NA	NA	NA	26.4	29.3	24.8	20.5	16.8	14.5
P/B (x)	NA	NA	NA	24.1	24.9	19.4	15.5	12.6	10.5
EV/EBITDA (x)	NA	NA	NA	15.1	17.6	14.1	11.6	9.7	8.1

Source: Company reports, Aljazira Capital Research



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TERMINOLOGY

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2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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