

Food retail

BUY: 12M TP @ 3.90

Upside +11.6%

Valuation Summary (TTM)

Price (SAR)	3.49
PER TTM (x)	28.0
P/Book (x)	16.3
P/Sales (x)	3.1
EV/Sales (x)	3.1
EV/EBITDA (x)	13.8
Dividend Yield (%)	2.4
Free Float (%)	32%
Shares O/S (mn)	8,424
YTD Return (%)	8%
Beta	1.0

	(mn)	SAR	USD
Market Cap	29,398	7,839	
Total Assets	29,924	7,979	
Price performance (%)	1M	3M	12M
Americana Restaurants	4%	13%	-7%
Tadawul All Share Index	2%	8%	22%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR)	66,603	75,992	63,793
Avg Daily Volume (,000)	23,698	22,912	18,860
52 week	High	Low	CTL*
Price (SAR)	4.65	2.93	19.1

* CTL is % change in CMP to 52wk low

Major shareholders

Adeptio AD Investmen	66%
Vanguard Group Inc/T	1.4%
BlackRock Inc	0.7%
Others	32.0%

Other details

Exchange	Saudi Arabia
Sector	Food Retail
Index weight (%)	0.4%

Key ratios	2021	2022	2023
EPS (USD)	0.02	0.03	0.03
BVPS (USD)	0.02	0.04	0.05
DPS (USD)	0.01	0.01	0.02
Payout ratio (%)	40%	39%	68%



Americana – normalcy expected soon

Americana is the largest food retail chain in the region with nearly 2,400 outlets across the MENA and central Asia. The company reported 2023 revenue at USD 2.4bn higher than the previous year by 1.5% but lower than our estimate by 6.9%. The company was impacted by the recent geo political conflict in the region and the resultant boycott of foreign goods that took place from Oct 2023. During the 4Q23, the company witnessed an unprecedented decline in revenue of 15% YoY and net profit by 55% YoY which dragged the otherwise linear growth lower. KFC which is the primary brand of the company contributed 61.3% of the topline in 2023. However, it was also the worst affected due to the boycott and declined by 18.8% YoY during 4Q23. Hardees the second most important brand declined by 18.4%, while the world famous Pizza hut fell by 9.9% during the quarter. The revenue of Krispy Kreme fared relatively better with a decline of 4% YoY during 4Q23. Like for Like (LFL) revenue declined by 21.8% in the 4Q23 resulting in a decline in overall LFL by 1.3%. It is pertinent to note that LFL growth till 9M23 was 6%, which we believe is the normalized rate that can be expected. Despite the rather difficult external environment, the company added 97 outlets during the quarter taking the total gross addition for the year to 300 and net addition to 252. Americana currently manages 2,435 outlets in the MENA region and Kazakhstan. The most affected countries were Egypt, Oman and Jordan where the revenue share was only 10-15%. The management has reiterated that things are getting back to normal with the average daily sales in 2024 (YTD) inching towards the previous year levels. The gross margins have been maintained at a steady level of 52% all through the year with robust cost control. The major cost item of inventory has remained at 31%, while staff cost stood at 5.5% of revenue. Selling, general and admin expenses which together contributed to the main operating expense remained at 40% of the revenue despite the vagaries that took place in the 4Q23. EBITDA margin held at 22.5% in 2023 higher by 100bps compared to the same period previous year. The higher finance income partially offset the marginal increase in leasing and borrowing cost during the year. Net profit for 2023 was reported at USD 262mn which was the same level as 2022. The net profit missed our estimate by 20.7% on account off the events that took place in the 4Q23. The company has decided to distribute a dividend of USD 0.0213 per share which included a special dividend of USD 0.0059 per share.

Valuation and outlook: The management has guided another 200-225 net new outlet to open in 2024 which will have a positive impact on the revenue. We remain optimistic on the current portfolio of brands that the company manages and we believe normalcy will revert by 2H24. Based on the current results we revise our 2024 revenue estimate downwards to USD 2.66bn (vs. earlier USD 2.98bn) and net profit to USD 271mn (vs USD 391mn). While we are confident that in the long run the company will overcome the current crisis, we believe in the near term the growth might remain volatile affecting the stock price. We arrive at a revised target of SAR 3.90 per share which is 11.6% higher than current price. Hence we retain our BUY rating for Americana.

Income Statement (In USD mn)	2022	2023	2024e	2025e	2026e	2027e
Revenue	2,379	2,413	2,661	3,022	3,323	3,649
Direct Costs	-1,148	-1,152	-1,277	-1,410	-1,550	-1,702
Gross profit	1,230	1,262	1,384	1,612	1,773	1,947
Selling and marketing expenses	-739	-777	-865	-967	-1,063	-1,168
General and administrative expenses	-193	-192	-223	-242	-266	-292
Other expenses	-5	-1	19	21	23	26
Operating Profit	293	291	315	425	467	513
EBITDA	512	543	624	796	907	1,028
Finance Income	4	15	15	15	15	15
Finance costs	-25	-31	-44	-49	-52	-54
Profit before Zakat (PBT)	272	275	286	391	430	474
Income Tax and Zakat	-9	-13	-14	-20	-21	-24
Net Profit (PAT)	263	262	271	371	408	450
Balance Sheet (in USD mn)	2022	2023	2024e	2025e	2026e	2027e
Property, plant and equipment	270	327	382	444	510	579
Right of use assets	418	499	572	635	677	694
Intangible assets	50	67	77	88	99	110
Other non-current assets	18	8	-	-	-	-
Non-current assets	755	908	1,031	1,168	1,286	1,384
Inventories	174	156	192	211	233	255
Trade and other receivables	107	109	133	151	166	182
Cash and cash equivalents	308	384	400	581	724	886
Current assets	585	648	725	944	1,123	1,323
ASSETS	1,341	1,557	1,756	2,111	2,409	2,707
Share capital	168	168	168	168	168	168
Reserves	-23	-22	-10	-10	-10	-10
Retained earnings	139	293	385	607	792	998
Non-controlling interest	11	12	15	21	26	32
EQUITY	296	451	558	786	977	1,188
Lease liability	275	341	391	434	463	474
Provision for employees	66	69	78	85	93	102
Trade and other payables	58	36	45	49	54	60
Other non-current liabilities	6	2	-	-	-	-
Non-current liabilities	399	448	514	568	610	636
Bank facilities	19	4	-	-	-	-
Lease liability	179	165	193	214	228	234
Trade payable and other liabilities	401	434	447	493	543	596
Other current liabilities	66	54	45	50	51	53
Current liabilities	646	657	684	757	822	883
LIABILITIES	1,045	1,105	1,198	1,325	1,432	1,519
EQUITY AND LIABILITIES	1,341	1,556	1,756	2,111	2,409	2,707
Cash Flow (In USD mn)	2022	2023	2024e	2025e	2026e	2027e
Cash from operations	453	540	561	781	895	1,017
Investing cash flow	-60	-436	-149	-170	-188	-207
Financing cash flow	-287	-307	-424	-421	-513	-542
Change in cash	131	-217	312	181	143	161
Beginning cash	174	305	88	400	581	724
Ending cash	305	88	400	581	724	885







Ratio Analysis	2022	2023	2024e	2025e	2026e	2027e
Per Share						
EPS (USD)	0.03	0.03	0.03	0.04	0.05	0.05
BVPS (USD)	0.04	0.05	0.07	0.09	0.12	0.14
DPS (USD)	0.01	0.02	0.02	0.03	0.03	0.03
FCF per share (USD)	-0.04	-0.09	-0.07	-0.07	-0.08	-0.09
Valuation						
Market Cap (USD mn)	7,028	7,346	7,938	7,938	7,938	7,938
EV (USD mn)	7,177	7,473	8,121	8,005	7,904	7,760
EBITDA	512	543	624	796	907	1,028
P/E (x)	27	28	29	21	19	18
EV/EBITDA (x)	14.0	13.8	13.0	10.1	8.7	7.5
Price/Book (x)	23.8	16.3	14.2	10.1	8.1	6.7
Dividend Yield (%)	1.5%	2.4%	1.9%	2.8%	3.1%	3.4%
Price to sales (x)	3.0	3.1	3.1	2.6	2.4	2.1
EV to sales (x)	3.0	3.1	3.1	2.6	2.4	2.1
Liquidity						
Cash Ratio (x)	0.5	0.1	0.6	0.8	0.9	1.0
Current Ratio (x)	0.9	1.0	1.1	1.2	1.4	1.5
Quick Ratio (x)	0.6	0.7	0.8	1.0	1.1	1.2
Returns Ratio						
ROA (%)	19.6%	16.9%	15.5%	17.6%	17.0%	16.6%
ROE (%)	88.9%	58.1%	48.6%	47.2%	41.8%	37.9%
ROCE (%)	37.9%	29.2%	25.3%	27.4%	25.7%	24.7%
Cash Cycle						
Inventory turnover (x)	6.6	7.4	6.7	6.7	6.7	6.7
Accounts Payable turnover (x)	2.5	2.4	2.6	2.6	2.6	2.6
Receivables turnover (x)	23	22	20	20	20	20
Inventory days	55	49	55	55	55	55
Payable Days	144	149	141	141	141	141
Receivables days	16	17	18	18	18	18
Cash Cycle	-73	-83	-68	-68	-68	-68
Profitability Ratio						
Net Margins (%)	11.1%	10.9%	10.2%	12.3%	12.3%	12.3%
EBITDA Margins (%)	21.5%	22.5%	23.4%	26.3%	27.3%	28.2%
PBT Margins (%)	11.4%	11.4%	10.7%	12.9%	12.9%	13.0%
EBIT Margins (%)	12.3%	12.1%	11.8%	14.1%	14.1%	14.1%
Effective Tax Rate (%)	3.2%	4.7%	5.0%	5.0%	5.0%	5.0%
Leverage						
Total Debt (USD mn)	453	511	583	648	690	708
Net Debt (USD mn)	149	127	183	67	-34	-178
Debt/Equity (x)	1.53	1.13	1.05	0.82	0.71	0.60
Net Debt/Equity (x)	0.50	0.28	0.33	0.08	-0.03	-0.15

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Rating Criteria and Definitions

Rating	Rating Definitions
 Strong Buy	Strong Buy This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
 Buy	Buy This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
 Hold	Hold This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
 Neutral	Neutral This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
 Sell	Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
 Strong Sell	Strong Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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