Americana Restaurants International PLC - Foreign Company **Investment Update**

Absolute and LFL sales are still below pre-middle east crisis levels while opex pressures persist; we cut estimates and downgrade to "Neutral"

After recording double-digit decline in revenues for four consecutive quarters (Y/Y basis), Americana posted 14.1/16.2% Y/Y increase in topline in Q1-25/Q4-24, respectively. However, recent improvement in revenue metrices come off a low base; LFL sales are still below precrisis level and are likely to remain so in the medium term. Margins are robust at gross level because of lower commodity prices and other cost initiatives, but operating margins have contracted sizably compared to pre-crisis average due to higher depreciation and home delivery charges. We expect the 333bps Y/Y decline in operating margins seen in 2024, to be recouped gradually over the medium term. We expect restaurant additions to continue at a much slower pace than past guidance with focus on market's less effected by boycott. Healthy cash generation and debt free balance sheet should allow capex to be fully funded internally while maintaining healthy stream of dividends. Incorporating the impact of boycott we cut our 2025/2026/2027 earnings estimates by 53.6/53.4/53.6% to USD 192/243/286mn respectively. Trading at 2025/26E PE of 25.7/20.3x, we downgrade to "Neutral" rating with revised price target of SAR 2.45/share.

Americana posted underwhelming results in Q1-25, variation is mainly owed lower than expected sales, higher operating expenses and effective tax rate: Americana posted net income of USD 32.6mn in Q1-25 up 16.5% Y/Y (down 21.1% Q/Q). The result was sizably lower than our and consensus estimate of USD 52mn and USD 43.9mn, respectively. The deviation is mainly owed to lower than expected sales (due to stronger Ramadan effect), higher SG&A expenses and above expected effective tax rate. Revenues grew by 16.2% Y/Y (-2.6% sequentially) in Q1-25 (-2.7% deviation), driven by 174 branch additions and 13.9% Y/Y improvement in LFL sales, owed to the low base of the corresponding year. Gross profit improved by 19.1% Y/Y (-3.9% sequentially) to USD 303mn, while gross margins expanded by 132bps Y/Y to 52.8% due to commodity price decline, staff cost control, and addition of more local suppliers. Operating income for Q1-25 expanded by 33.7% Y/Y (-8.5% Q/Q) to USD 45.6mn, thanks to 104bps Y/Y expansion in operating margins to 7.9%. At net level earnings were affected by higher effective tax rate of 18.9% vs 12.6% in the same period last year. Overall, the company expanded its net store count by 40 Q/Q in Q1-25, with increase mainly attributable to Pizza hut acquisition in Oman (+41 stores Q/Q). Power brands contributed 94% of total sales in Q1-25 compared to 93% in same period last year. Management guided net 150-160 store openings in 2025 with focus on UAE, Saudi and Kuwait; 40 new stores are currently under construction. According to the company gross margins are likely to expand in 2025 on Y/Y basis, however the effective tax rate for 2025 is likely to stay at Q1-25 level.

Recent improvement in revenue metrices come off a low base; LFL sales are still below precrisis level and are likely to remain so in the medium term: After recording four consecutive quarters of Y/Y decline in revenues, Americana posted double digit revenue growth in Q1-25 and Q4-24, however this was mainly due to low base effect as corresponding periods were amongst the most effected by the post conflict boycott. Similarly, LFL sales grew by 13.9% Y/Y in Q1-25 (adjusted for Ramadan season), but were still 8.5% below pre-crisis levels seen in Q1-23. Despite the launch of loyalty program, new deals & offers, product innovation, acquisitions (acquired 46 branches of Pizza hut Oman in Jan-2025) and net addition of ~149 new restaurants (Q4-23 till Q1-25 excluding Pizza hut Oman), both absolute and per store revenues remain below pre-crises levels. We don't see normalization of consumer sentiment in the medium term, we expect LFL sales to improve Y/Y in 2025/26 but remain below pre-crisis levels. We estimate revenue to grow by 13.1% Y/Y in 2025 on the back of increase in LFL sales and 204 net additions in number of restaurants. We forecast topline to grow at a medium term CAGR of 10.6% over 2024-2028, driven by 5.0% CAGR in per restaurant sales and 5.3% CAGR in new restaurant.



الحزيرة للأسواق المالية ALJAZIRA CAPITAL

Recommendation	Neutral
Target Price (SAR)	2.45
Upside / (Downside)*	11.2%
Source: Tadawul *prices as of 21st May 2025	

Key Financials

in USD mn, (unless specified)	FY23	FY24	FY25E	FY26E		
Revenue	2,413	2,197	2,485	2,766		
Growth %	1.5%	-9.0%	13.1%	11.3%		
Gross Profit	1,262	1,167	1,330	1,484		
EBIT	291	192	261	323		
Net Profit	259	159	192	243		
Growth %	0.1%	-38.8%	21.0%	26.5%		
EPS (cents)	3.08	1.88	2.28	2.89		
DPS (cents)	2.10	1.50	1.70	1.80		
Source: Company reports Al Jazira Capital Besearch						

urce: Company reports, AlJazira Capital Research

Fig 1: Revenue (USD mn) and GP Margin



Source: AlJazira Capital Research, Company reports

Kev		

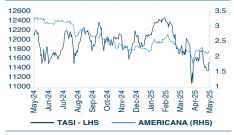
	FY23	FY24	FY25E	FY26E	
GP Margin	52.3%	53.1%	53.5%	53.7%	
EBIT Margin	12.1%	8.7%	10.5%	11.7%	
Net Margin	10.8%	7.2%	7.7%	8.8%	
P/E (x)	27.8	32.3	25.7	20.3	
P/B (x)	16.4	13.0	11.2	9.1	
EV/EBITDA (x)	13.5	11.5	9.4	8.0	
Dividend Yield	2.5%	2.6%	2.9%	3.0%	
Source: Company reports, Aljazira Capital Research					

Key Market Data

Market Cap (bn)	18.9
YTD%	-3.5%
52 weeks (High)/(Low)	3.36/1.78
Share Outstanding (mn)	8,423

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

Senior Equity Analyst Fahad Qureshi, CFA +966 11 2256315 f.irfan@aliaziracapital.com.sa



May 2025

Americana Restaurants International PLC - Foreign Company Investment Update

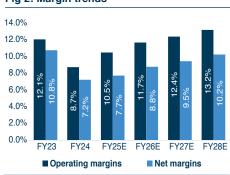
الجزيرة كابيتال ALJAZIRA CAPITAL الجزيرة للأسواق المالية Ared Fig 2: Margin trends

Margins are robust at gross level, but operating margins have shrunk sizably compared to pre-crisis average due to depreciation & delivery charges; expect gradual recovery: Despite the weakness in sales, gross margins remain robust, expanding by 86bps Y/Y in 2024 and 132bps Y/Y in Q1-25 (+185bps vs Q1-23). The improvement was driven by decline in commodity prices, optimization of raw material sourcing, diversification of supplier base, reduction in staff costs and addition of more local suppliers. However, margins have shrunk sizably at operating level as compared to pre-crisis average, down 333bps Y/Y in 2024 and down 327bps in Q1-25 as compared to Q1-23. The aforementioned pressure at operating levels is mainly owed to higher depreciation charge (driven by new restaurant additions) and increase in home delivery & transportation charges (thanks to changing channel mix). Note that revenue share of home delivery has increased from 41% in Q1-24 to 46% in Q1-25, while dine-in and takeaway have seen their shares decline from 19% and 24% in Q1-24 to 13% and 17% in Q1-25, respectively. We highlight that aggregators are discounting on delivery fees which are impacting margins. Management has guided gross margins to see some improvement in 2025, we see margins to improve by 36bps Y/Y in 2025. We expect the 333bps Y/Y decline in operating margins seen in 2024, to be recouped gradually over the medium term, +176/118/72bps Y/Y in 2025/26/27 respectively.

Branch expansions will continue but at a much slower pace than past guidance, with focus on markets less effected by boycott: Americana has added 195 restaurants since start of crisis in Q4-23. The company is expanding more in geographies that were less effected by the boycott, such as Saudi, UAE and Kuwait, where it added 64, 41 and 15 restaurants (Q4-23 till Q1-25), respectively. The company increased its foot print in Oman from 65 restaurants to 106 restaurants by acquiring the Pizza hut Oman branches. Egypt, Jordan and Lebanon on the other hand have seen net 5, 5 and 1 store closure since the start of conflict (Q4-23), respectively. Brand wise Pizza hut has seen the largest increase (19%) in branches, followed by Krispy crème at 8.5%. Management has guided 150-160 net branch additions (apart from 46 pizza hut branches) in 2025. We expect net 204/155 branch additions in 2025/2026 respectively.

Healthy cash generation and debt free balance sheet to allow capex to be fully funded internally while maintaining healthy stream of dividends: In terms of capex, we see intensity to increase in 2025 and 2026 to USD 169mn and US 140mn (6.8/5.1% in terms of sales respectively) from USD 98mn in 2024 (4.4% of sales), however with healthy operating cash flow of USD 530mn and USD 636mn in 2025E and 2026E we see outlay being entirely funded through internal cash generation. The operating cash flows along with a debt free balance sheet shall allow the company to make healthy payouts despite the restaurant expansions. Overall, we see Americana paying out DPS of US Cents 1.7/1.8 per share in 2025/2026, which corresponds to dividend yield of 2.9/3.0%, respectively.

Incorporating the impact of boycott we cut our 2025/2026/2027 earnings estimates by 53.6/53.4/53.6% respectively: Due to the current challenging backdrop, we revise down our revenue, margins and earnings forecasts. We cut our 2025/2026/2027 revenue estimates by 13.2/17.1/17.7% to USD 2,485/2,766/3028mn, respectively. Our latest estimates for 2025/2026/2027 operating margins are down 5.4/5.2/5.3ppts to 10.5/11.7/12.4%, respectively. While we slash 2025/2026/2027 earnings estimates by 53.6/53.4/53.6% to USD 192/243/286mn respectively.

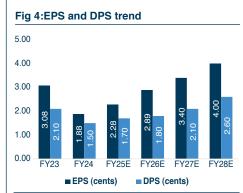


Source: Company reports, AlJazira capital Research

Fig 3: Store expansions to continue at slower pace



Source: Company reports, AlJazira capital Research



Source: Company reports, AlJazira capital Research

USD mn		Old estimates			New estimates	
	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	2,862	3,336	3,680	2,485	2,766	3,028
Net profit	414	522	617	192	243	286
Gross margin	52.6%	52.8%	52.7%	53.5%	53.7%	53.8%
Operating margin	15.9%	16.9%	17.7%	10.5%	11.7%	12.4%
Net margin	14.5%	15.6%	16.8%	7.7%	8.8%	9.5%

Source: Company accounts, Aljazira Capital Research

2



Americana Restaurants International PLC - Foreign Company **Investment Update**



AJC view and investment thesis: Americana posted underwhelming results in Q1-25, revenues grew by 16.2% Y/Y in Q1-25, driven by 174 branch additions and 13.9% Y/Y improvement in LFL sales, however the improvement in revenue metrices come off a low base; LFL sales are still below pre-crisis level and are likely to remain so in the medium term. Margins are robust at gross level because of lower commodity prices and other cost initiatives, but operating margins have contracted sizably compared to pre-crisis average due to higher depreciation and home delivery charges. We expect the 333bps Y/Y decline in operating margins seen in 2024, to be recouped gradually over the medium term. We expect restaurant additions to continue at a much slower pace than past guidance with focus on markets less effected by boycott. Incorporating the impact of boycott we cut our 2025/2026/2027 earnings estimates by 53.6/53.4/53.6% respectively.

Valuation: We have assigned 50% weight to DCF (WACC 9.1% and 2.5% terminal growth), 25% weight to 2025 PE (26x) and 25% weight to 2025 EV/EBITDA (10.0x) to value the stock. Trading at 2025E Fwd. PE of 25.7x, we downgrade to a "Neutral" rating with an updated target price of SAR 2.45/share, implying an upside of 11.2% from last close.

Downside risk: Further deterioration or expansion in the conflict in the middle east, increase in competition in Saudi market, slowdown in store roll outs and aggregator led pressure on margins.

Upside risk: Improvement in geopolitical situation, faster ramp up of new stores, change in channel mix back towards dine-in and take away.

Blended Valuation

Valuation type	Fair Value	Weight	Weighted Fair Value
DCF	2.52	50%	1.26
EV/EBITDA 2025 (10x)	2.52	25%	0.63
PE 2025 (26x)	2.23	25%	0.56
Target Price (SAR/share)			2.45
Expected Capital Gain			11.2%



Americana Restaurants International PLC - Foreign Company

Investment Update

Key Financial Data



الج	

mount in USD mn, unless otherwise specified	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Income statement							
Revenue	2,413	2,197	2,485	2,766	3,028	3,286	3,561
Y/Y	1.5%	-9.0%	13.1%	11.3%	9.4%	8.5%	8.4%
Cost of Revenue	(1,152)	(1,029)	(1,156)	(1,282)	(1,399)	(1,512)	(1,633
Gross Profit	1,262	1,167	1,330	1,484	1,629	1,773	1,928
Y/Y	2.6%	-7.5%	13.9%	11.6%	9.7%	8.9%	8.7%
GPM	52.3%	53.1%	53.5%	53.7%	53.8%	54.0%	54.1%
Sales and marketing expenses	(777)	(785)	(877)	(955)	(1,031)	(1,101)	(1,174
General & Administrative Expense	(192)	(185)	(199)	(219)	(236)	(253)	(271)
Operating profit	291	192	261	323	375	433	498
(/Y	-7.6%	-34.1%	35.9%	23.8%	16.1%	15.5%	14.9%
OPM	12.1%	8.7%	10.5%	11.7%	12.4%	13.2%	14.0%
EBITDA	544	469	566	656	730	806	887
Finance income	15	16	14	11	13	17	22
Finance costs	(31)	(36)	(42)	(45)	(48)	(50)	(52)
Profit before zakat	275	172	233	289	340	401	468
Zakat	(13)	(21)	(38)	(43)	(51)	(60)	(70)
	262					· · ·	
let profit for the year		151	194	246	289	340	398
Ion – controlling interests	(3)	7	(2)	(3)	(3)	(4)	(4)
let income	259	159	192	243	286	337	393
/Y	0.1%	-38.8%	21.0%	26.5%	17.7%	17.7%	16.8%
M	10.8%	7.2%	7.7%	8.8%	9.5%	10.2%	11.0%
EPS (Cents)	3.08	1.88	2.28	2.89	3.40	4.00	4.68
OPS (Cents)	2.10	1.50	1.70	1.80	2.10	2.60	3.10
Balance sheet							
ssets	384	295	271	056	467	596	700
Cash and cash equivalents and Short term Investment				356	467		733
rade receivables	117	118	142	156	170	184	199
nventories	156	134	149	164	177	191	204
otal current assets	656	548	562	676	815	970	1,137
roperty Plant and equipment	327	329	383	406	416	424	440
light of use assets	499	566	623	681	734	774	818
ntangibles	67	59	64	66	67	67	69
Ion-current assets	901	960	1,076	1,158	1,221	1,271	1,332
otal assets	1,557	1,507	1,637	1,834	2,036	2,241	2,469
iabilities							
Accounts payable - trade	434	392	429	478	523	567	615
Short term lease liabilities	166	190	263	281	240	250	262
otal current liabilities	658	630	742	809	814	870	931
ong term lease liabilities	341	389	356	384	466	486	509
otal liabilities	1,105	1,109	1,192	1,291	1,383	1,463	1,552
Shareholders' Equity	1,105	1,103	1,152	1,201	1,000	1,400	1,552
	100	100	100	100	100	100	100
Share capital	168	168	168	168	168	168	168
Retained earnings	293	272	319	417	527	651	790
otal shareholders' equity	439	394	442	539	650	774	913
otal liabilities and shareholders' equity	1,557	1,507	1,638	1,834	2,037	2,242	2,469
ashflow statement							
Operating activities	540	433	530	636	702	769	842
nvesting activities	(436)	(21)	(146)	(122)	(110)	(107)	(112)
inancing activities	(308)	(409)	(409)	(430)	(481)	(535)	(592)
Cey fundamental ratios							
iquidity ratios		_					
Current ratio (x)	1.0	0.9	0.8	0.8	1.0	1.1	1.2
iabilities to Assets	71.0%	73.6%	72.8%	70.4%	67.9%	65.3%	62.9%
Profitability ratios							
aP Margin	52.3%	53.1%	53.5%	53.7%	53.8%	54.0%	54.1%
Operating Margin	12.1%	8.7%	10.5%	11.7%	12.4%	13.2%	14.0%
BITDA Margin	22.5%	21.3%	22.8%	23.7%	24.1%	24.5%	24.9%
let Margins	10.8%	7.2%	7.7%	8.8%	9.5%	10.2%	11.0%
ROE	58.1%	38.0%	43.6%	45.2%	44.3%	43.8%	43.4%
IOA	16.9%	10.0%	11.9%	43.2 % 13.4%	14.2%	45.0%	16.1%
everage ratios	10.3 /0	10.0%	11.3 /0	13.4 %	14.2 /0	13.2 /0	10.1%
•	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt / equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
/aluation raios	<u> </u>						
P/E (x)	27.8	32.3	25.7	20.3	17.2	14.7	12.5
2/B (x)	16.4	13.0	11.2	9.1	7.6	6.4	5.4
EV/EBITDA (x)	13.5	11.5	9.4	8.0	7.1	6.3	5.6
YC	2.5%	2.6%	2.9%	3.0%	3.6%	4.3%	5.2%

Source: Company reports, Aljazira Capital Research





Head of Sell-Side Research - Director

Jassim Al-Jubran

+966 11 2256248 j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

RESEARCH DIVISION

RATING TERMINOLOGY AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

- 1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
- 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.

Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of securities, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but AI-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. Some securities maybe, by nature, of low volume/trades, or may become so, unexpectedly in special circumstances, and this might increase the risk on the investor. Some fees might be levied on some investments in securities. Aljazira Capital, its employees, one or more of its board members, its affiliates, or its clients may have investments in the securities or assets referred to in this report. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Investment Banking | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068