Equity Research report
AMERICAN AB Equity
19 May 2025

Target Price: SAR2.70/share
Current Price: SAR2.21/share
Upside: ~21.8% (+Div. Yield: 2.0%)
Rating: Overweight

Americana Restaurants International

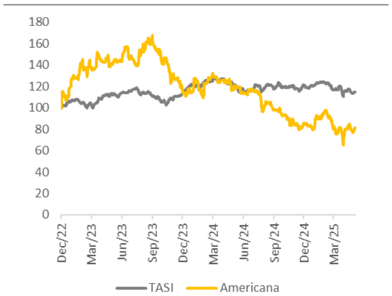
Focusing on core markets with a slow recovery in LFL sales

- 1Q25 earnings miss on higher-than-expected S&M cots, and increased net finance costs, offsetting top-line growth.
- We cut our top-line and earnings estimates by 3-4% and 18-28% for 2025e and 2026e, respectively on slower-than-expected yield per outlet and higher finance costs.
- Our revised blended 1-year forward TP stands at SAR2.7/sh (SAR3.3/sh earlier), with an Overweight rating and an upside of 21.8%.

Stock data	
TASI ticker	6015
Mcap (SARmn)	18,616
Trd. Val (3m) (SARmn)	65.4
Free float	15.1%
QFI holding	4.4%
TASI FF weight	0.29%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

1Q25 results: Americana reported broadly in line 1Q25 revenue at USD573mn, rising 16.2% y/y, driven by LFL sales growth, and store expansion. The top-line growth is despite softening consumer demand in certain markets, alongside Ramadan seasonality, and currency devaluation impact. Furthermore, gross profit (+19.2% y/y) outpaced revenue growth and came in at USD303mn (in line), primarily due to enhanced supply chain and procurement efficiencies and decrease in commodity prices by 0.4% y/y. However, operating (+33.7% y/y; USD46mn) missed our estimate of USD56mn with operating margin coming at 7.9%, ~2.02ppts below our estimated margin due to higher-than-expected S&M costs. This, along with higher-than-expected net finance costs and income tax/zakat provision capped the earnings growth. Accordingly, net profit rose by 16.5% y/y to USD32.6mn (including +USD7.4mn one off item), missing our (USD45mn) and consensus (USD38mn) estimates.

Focused execution in core markets: Americana is strategically focusing its footprint expansion mostly on less impacted geographies (include KSA, UAE, Kuwait, and Iraq) to accelerate its recovery. Consequently, the company aims to open 150-160 net stores openings throughout 2025e (GIBCe: 140 NSOs on a conservative basis), with 14 new stores already launched by 1Q in addition to the acquisition of 46 Pizza Hut Oman stores in Jan25, reaching a store count of 2,630 as of 1Q25 (40 net addition q/q). Additionally, the company has a total store pipeline of 141, driven by i) 40 stores that are currently under construction, ii) 51 sites that are already secured and iii) 50 approved feasibility study sites.

Recovery is unfolding, though slower than anticipated: Despite the seasonality impact of Ramadan, Americana delivered healthy performance in 1Q25, including a 9% y/y rise in yield per store and a 13.9% y/y increase in like-for-like (LFL) sales. Breaking down performance by brand: KFC saw a 14.8% rise (LFL sales +12.6%), Hardee's surged by 26.6% (LFL sales +22.7%), Pizza Hut rose 24.5% (LFL sales +17.9%), and Krispy Kreme recorded 0.7% rise (LFL sales +3.1%).

Figure 1: Key financial metrics

US$mn	2023a	2024a	2025e	2026e
Revenue	2,413	2,197	2,447	2,659
Revenue growth	*1.5%*	*-9.0%*	*11.4%*	*8.7%*
Gross Profit	1,262	1,167	1,306	1,443
Gross Profit margin	*52.3%*	*53.1%*	*53.4%*	*54.3%*
EBITDA	544	470	542	620
Op. income	291	192	244	309
Net profit	262	151	193	253
Net profit margin	*10.9%*	*6.9%*	*7.9%*	*9.5%*
EPS (cents)	3.1	1.9	2.3	3.0
P/E	19.1x	31.2x	25.7x	19.6x

Source: Company data, GIB Capital

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Geographically, Kuwait led the recovery with a ~20% y/y increase in revenue per store, followed by Egypt at ~10% y/y. The UAE and other markets experienced an ~8% y/y rise, while KSA, being the least affected, remained relatively stable with a 3% y/y increase. In contrast, Oman's Pizza Hut operations showed lower profitability compared to other regions, signaling a significant opportunity for improvement.

While these results are promising, Americana has not yet fully regained pre-crisis performance levels across all markets. Additionally, the company saw a rise in home delivery share (46% in 1Q25 vs 41% in 1Q24), further adding pressure on margins. Overall, Americana appears to be on a solid recovery trajectory, with a clearer outlook expected in 2Q25 as the full impact of Ramadan is reflected in 1Q25 results, unlike the split impact observed between 1Q24 and 2Q24. Overall, we conservatively expect yield per outlet to rise by 3-4% y/y (5-6% earlier) in 2025-26e, primarily driven by growth in its core markets.

Considering the store pipeline along with a gradual improvement in LFL sales and yield per outlet, we project a top-line CAGR of 8.7% (9.9% earlier) for 2024-28e, with an operating profit margin averaging 11% (12.1% earlier) for the same period. Further, we anticipate net profit will outpace revenue growth by better operating efficiency and higher other income, with a projected CAGR of 21.0% for the same period.

Change in estimates: Following a revision in our forecast, we have cut our top-line estimates by 3-4% for 2025-26e to factor in slower than expected yield per outlet. Further, we have lowered our earnings by 28% for 2025e and 18% for 2026e, factoring in increased finance costs, higher taxation, and lower-than-expected other income.

Figure 2: Revision in estimates

US$mn		2025e			2026e	
	Current	Earlier	% Change	Current	Earlier	% Change
Revenues	**2,447**	**2,528**	**-3%**	**2,659**	**2,763**	**-4%**
Gross profit	**1,306**	**1,345**	**-3%**	**1,443**	**1,470**	**-2%**
GPM %	53.4%	53.2%		54.3%	53.2%	
Operating Profit	**244**	**296**	**-18%**	**309**	**342**	**-10%**
OPM %	10.0%	11.7%		11.6%	12.4%	
Net profit	**193**	**269**	**-28%**	**253**	**310**	**-18%**
NPM %	7.9%	10.6%		9.5%	11.2%	

Source: GIB Capital

Valuation and risks: Post 1Q25 earnings miss, we revise our 1Y forward target price to SAR2.7/share (SAR3.3/share earlier) based on blended valuation using DCF and P/E (25x average 2025-26 EPS) methods, implying an upside of 21.8% and an Overweight rating. Key downside risks are the outbreak of more geopolitical tension, further currency devaluation in Egypt and Lebanon, an increase in competition leading to a decline in pricing, failure to deliver expansion targets, and an increase in inflation.

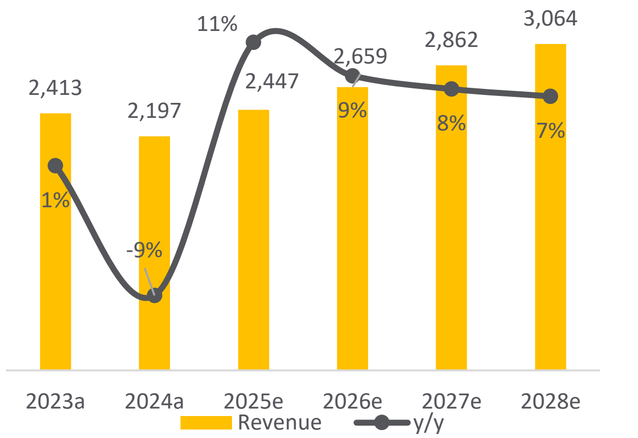
Figure 3: 1Q25 results summary

US$mn	1Q25	1Q24	y/y %	4Q24	q/q %	GIBC est.	Variance %
Revenues	**573**	**494**	**16.2%**	**589**	**-2.6%**	**563**	**1.8%**
Cost of Goods	270	239	13.0%	274	-1.1%	262	3.3%
Gross Profit	**303**	**254**	**19.2%**	**315**	**-3.9%**	**301**	**0.6%**
Opex	257	220	16.9%	266	-3.1%	245	5.0%
Operating Profit	**46**	**34**	**33.7%**	**50**	**-8.5%**	**56**	**-18.8%**
Net Income*	**33**	**28**	**16.5%**	**41**	**-21.1%**	**45**	**-26.7%**
Gross Margin	52.8%	51.5%		53.5%		53.5%	
Operating Margin	7.9%	6.9%		8.5%		10.0%	
Net Profit Margin	5.7%	5.7%		7.0%		7.9%	

*Source: Company data, GIB Capital, *Include one-offs item*

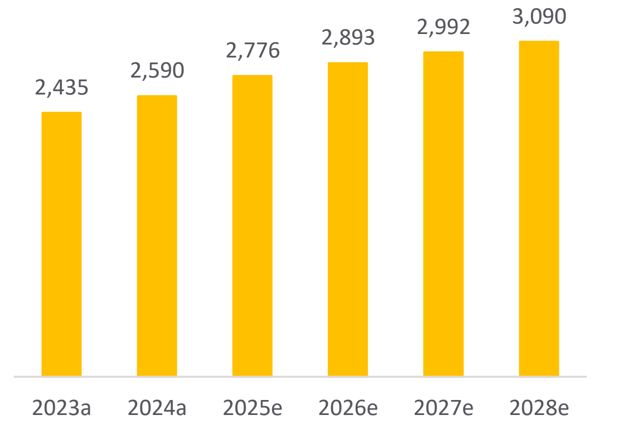
Financial analysis in charts

Figure 4: Revenue trend (US$mn)



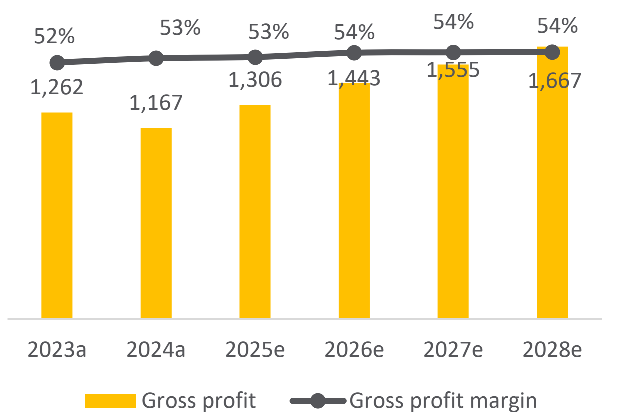
Source: Company data, GIB Capital

Figure 5: Total outlets trend



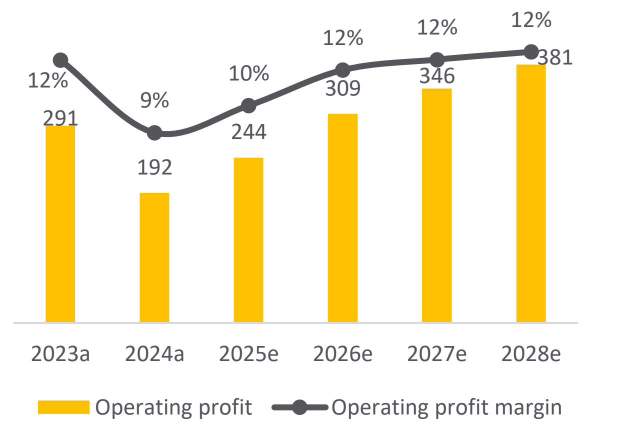
Source: Company data, GIB Capital

Figure 6: Gross profit and gross margin trend (US$mn)



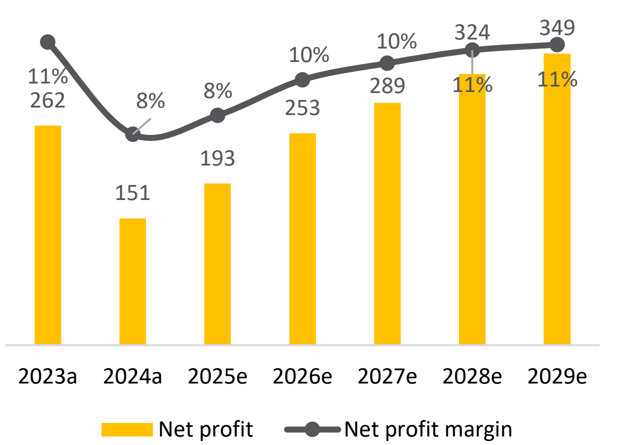
Source: Company data, GIB Capital

Figure 7: Operating profit and operating margin trend (US$mn)



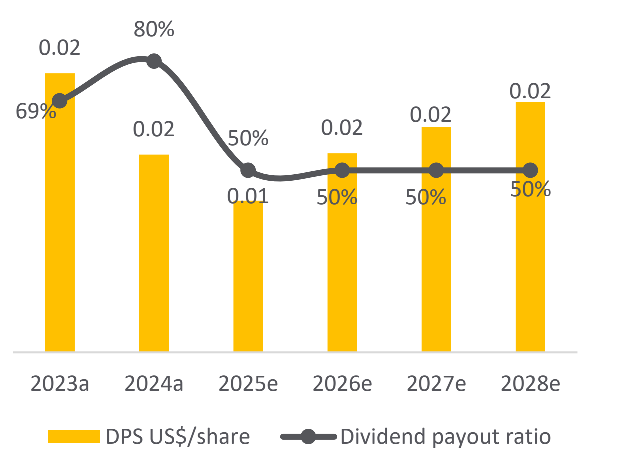
Source: Company data, GIB Capital

Figure 8: Net income and net margin trend (US$mn)



Source: Company data, GIB Capital

Figure 9: Dividend trend



Source: Company data, GIB Capital

Financials

Figure 10: Summarized basic financial statements (US$mn)

Income statement	2023a	2024a	2025e	2026e
Revenue	**2,413**	**2,197**	**2,447**	**2,659**
revenue y/y	*1%*	*-9%*	*11%*	*9%*
COGS	1,152	1,029	1,140	1,216
Gross Profit	**1,262**	**1,167**	**1,306**	**1,443**
Gross Profit margin	*52%*	*53%*	*53%*	*54%*
G&A	192	185	198	209
S&M	777	785	871	931
Operating profit	**291**	**192**	**244**	**309**
Operating margin	*12%*	*9%*	*10%*	*12%*
Finance income	15	16	15	18
Finance costs	31	36	38	37
Net income	**262**	**151**	**193**	**253**
Net margin	*11%*	*7%*	*8%*	*10%*
y/y	*0%*	*-42%*	*28%*	*31%*
EPS	**0.03**	**0.02**	**0.02**	**0.03**
DPS	0.02	0.02	0.01	0.02
Payout	69%	80%	51%	50%
EBITDA	**544**	**470**	**542**	**620**

Balance Sheet	2023a	2024a	2025e	2026e
Inventories	156	134	149	159
Trade Receivables	109	110	123	134
Other Current Assets	296	214	214	214
Cash and Equivalents	88	81	149	259
Total Current Assets	**649**	**540**	**635**	**766**
Intangible Assets	67	59	59	59
Property, Plant & Equipment	327	329	315	286
Total Non-Current Assets	**908**	**967**	**1,030**	**1,088**
Total Assets	**1,557**	**1,507**	**1,665**	**1,853**
Current Liabilities	658	630	686	723
Non-current Liabilities	448	479	515	539
Equity	451	398	464	591
Total Equity and Liabilities	**1,557**	**1,507**	**1,665**	**1,853**
BVPS	0.1	0.0	0.1	0.1

Cashflow	2023a	2024a	2025e	2026e
Cashflow from Operations	540	433	553	616
Cashflow from Investing	-436	-21	-50	-31
Cashflow from Financing	-308	-409	-435	-475
Total Cashflows	**-204**	**2**	**68**	**110**

Source: Company, GIB Capital

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Figure 2: Key ratios

Key ratios	2023a	2024a	2025e	2026e
Profitability ratios				
RoA	17%	10%	12%	14%
RoE	58%	38%	42%	43%
Sales/Assets	155%	146%	147%	143%
Net margin	11%	7%	8%	10%
EBITDA margin	23%	21%	22%	23%
Liquidity ratios				
Current Assets/ Current Liabilities	1.0	0.9	0.9	1.1
Receivable Days	17	18	18	18
Inventory Days	49	48	48	48
Payable days	138	139	139	139
Debt ratios				
Net Debt/EBITDA	0.8	1.1	0.9	0.6
Debt/Assets*	33%	38%	37%	35%
Debt/Equity	1.1	1.5	1.3	1.1
Valuation ratios				
P/E	19.1	31.2	25.7	19.6
P/B	11.0	12.5	10.7	8.4
EV/EBITDA	5.0	5.8	5.1	4.4
FCF yield	6.3%	6.3%	6.2%	10.1%
Div Yield	3.6%	2.6%	2.0%	2.5%

*Source: Company, GIB Capital, * Debt includes bank facilities taken + lease liabilities. Calculations may differ from those reported by the company*

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