

Jubilant FoodWorks

Estimate changes



TP change



Rating change



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Bloomberg	JUBI IN
Equity Shares (m)	660
M.Cap.(INRb)/(USDb)	373.5 / 4.7
52-Week Range (INR)	915 / 452
1, 6, 12 Rel. Per (%)	-1/-14/-31
12M Avg Val (INR M)	2599

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	44.0	51.7	61.2
Sales Gr. (%)	32.7	17.6	18.4
EBITDA	11.1	13.0	15.6
EBITDA Margin (%)	25.2	25.2	25.4
Adj. PAT	4.4	5.2	6.7
Adj. EPS (INR)	6.6	7.9	10.1
EPS Gr. (%)	89.1	19.6	27.6
BV/Sh.(INR)	29.5	32.0	37.7

Ratios

RoE (%)	22.4	24.7	26.7
RoCE (%)	16.0	15.9	18.3
Payout (%)	36.3	40.5	43.6

Valuation

P/E (x)	85.7	71.7	56.2
P/BV (x)	19.2	17.7	15.0
EV/EBITDA (x)	32.5	27.6	22.9
Pre-IND AS 116 EV/EBITDA (x)	46.2	39.3	32.6

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	41.9	41.9	41.9
DII	17.3	15.7	10.8
FII	30.0	32.1	41.9
Others	10.7	10.2	5.4

FII Includes depository receipts

CMP: INR566

TP: INR720 (+27%)

Buy

Strong performance; well on track to meet its store expansion guidance

- JUBI's 1QFY23 result was broadly in line with our estimates on all fronts. With 58 stores added in 1Q, the management is well on track to meet its 250 store opening guidance for FY23.
- Delivery sales continued to deliver healthy growth, despite a higher base, with dine-in reviving to nearly 100% of pre-COVID levels.
- The management stated that price increases taken in 3QFY22 and subsequently in 1QFY23 are enough to combat input cost inflation.
- With its remarkable track record, strong moats built around delivery, technology, value, and healthy cash flows to finance store expansion, JUBI remains our top pick in the QSR space. We maintain our **Buy** rating.

Inline earnings, operating metrics remain robust

- JUBI reported a sales growth of 41.1% YoY to INR12.4b (in line), with LFL growth at 28.7% YoY (est. 27%).
- Store network:**
 - Dominos:** It opened 58 new Domino's Pizza stores, resulting in to 1,625 stores at the end of 1QFY23. It expanded its reach to 12 new cities in 1QFY23, taking its total reach to 349 cities across India.
 - Dunkin' Donuts:** It closed three stores of Dunkin' Donuts, taking the total store count to 25 at the end of 1QFY23.
 - Hong's Kitchen and Ekdum!** It added two restaurants of new cuisine stores (Hong's Kitchen and Ekdum!) and closed six stores, taking its total store count for the two brands to 20.
 - Popeyes:** JUBI opened two new Popeyes stores in 1QFY23.
- Gross margin fell 50bp YoY to 76.7% (est. 77.2%).
- EBITDA grew 44% YoY to INR3b (in line).
- Lower staff cost (-230bp YoY) and higher other expenses (+130bp YoY), resulted in a **50bp YoY expansion in EBITDA margin to 25%** (in line).
- Adjusted PAT grew 87.3% YoY to INR1.3b (est. INR1.1b).

Highlights from the management commentary

- Dine-in delivered strong sales, led by growth in the order book and improvement in the ticket size. The channel is currently near 100% of pre-COVID levels.
- The management raised prices in the first week of Apr'22. It does not see a need for further price increases in the current environment.
- With JUBI's new loyalty program, customers can earn points and redeem the same against a free pizza after making six eligible orders, either online or at a store. However, the program only works on JUBI's own assets (i.e. the offer is not applicable on aggregator platforms). This is aimed at driving additional traffic to JUBI's own app.
- The political and macro environment in Sri Lanka remains challenging. However, JUBI's local Domino's team has continued to maintain operations without any interruptions.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- There is no material change to our EPS forecasts.
- Outlook on growth and margin for the QSR sector remains attractive, unlike the rest of the Consumption space, where uncertainty prevails on either or both fronts. JUBI remains our top pick in this space, given: a) it has the best Balance Sheet to fund expansion; b) its proven track record of managing both store expansion and healthy SSSG; and c) its technological edge over peers. The experience of the new CEO from Amazon India will further augment JUBI's clear leadership on the technology front.
- We maintain our **Buy** rating with a TP of INR720 per share (40x Jun'24 pre-Ind AS 116 EV/EBITDA). Premium multiples are assigned for the best-of-breed operating and financial metrics in a high-growth category.

Quarterly standalone performance

(INR m)

Y/E March	FY22				FY23				Consol.	Consol.	FY23E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY22	FY23E	1QE	
No. of stores (Dominos)	1,380	1,435	1,495	1,567	1,625	1,685	1,745	1,817	1,567	1,817	1,617	
LFL growth (%)	120.4	29.4	7.5	5.8	28.3	8.0	6.0	7.0	26.4	8.0	27.0	
Net Sales	8,790	11,007	11,935	11,579	12,403	12,768	13,606	12,916	43,961	51,693	11,866	4.5%
Change (YoY %)	131.1	36.6	12.9	12.9	41.1	16.0	14.0	11.5	32.7	17.6	35.0	
Gross Profit	6,788	8,613	9,262	8,905	9,514	9,832	10,504	10,052	34,062	39,901	9,161	3.9%
Gross margin (%)	77.2	78.2	77.6	76.9	76.7	77.0	77.2	77.8	77.5	77.2	77.2	
EBITDA	2,115	2,860	3,174	2,897	3,045	3,179	3,497	3,323	11,088	13,044	2,967	2.7%
EBITDA growth (%)	778.7	33.2	13.9	16.2	44.0	11.2	10.2	14.7	43.8	17.6	40.3	
Margin (%)	24.1	26.0	26.6	25.0	24.6	24.9	25.7	25.7	25.2	25.2	25.0	
Depreciation	890	902	1,006	1,031	1,050	1,150	1,210	1,273	3,931	4,683	1,080	
Interest	418	416	446	450	459	460	465	466	1,761	1,850	450	
Other Income	80	93	109	124	106	105	125	122	414	458	100	
PBT	887	1,635	1,831	1,539	1,642	1,674	1,947	1,706	5,810	6,969	1,537	6.8%
Tax	206	407	457	374	366	422	491	478	1,452	1,756	387	
Rate (%)	23.2	24.9	25.0	24.3	22.3	25.2	25.2	28.0	25.0	25.2	25.2	
Adjusted PAT	681	1,228	1,374	1,165	1,276	1,252	1,456	1,228	4,358	5,213	1,149	11.0%
Change (YoY %)	L/P	59.6	9.8	11.7	87.3	2.0	6.0	5.4	89.1	19.6	68.7	

E: MOFSL estimates

Interim numbers are standalone, while annual numbers are on a consolidated basis

Key performance indicators

Y/E March	FY22				FY23			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
Two-year CAGR (%)								
LFL (two-year average)	29.5	5.3	3.7	9.8	74.4	18.7	6.8	6.4
Sales	-3.3	5.5	6.1	13.6	80.6	25.9	13.4	12.2
EBITDA	-1.7	10.3	11.9	30.7	255.7	21.7	12.0	15.5
PAT	-4.5	17.8	15.1	60.5	-	27.6	7.9	8.5
As a percentage of Sales								
COGS	22.8	21.8	22.4	23.1	23.3	23.0	22.8	22.2
Operating Expenses	53.2	52.3	51.0	51.9	52.2	52.1	51.5	52.1
Depreciation	10.1	8.2	8.4	8.9	8.5	9.0	8.9	9.9
YoY change (%)								
COGS	139.5	40.1	16.5	15.7	44.3	22.7	16.1	7.1
Operating Expenses	71.4	37.0	10.9	10.1	38.4	15.6	15.1	12.0
Other Income	-36.7	-70.2	-29.8	13.0	31.9	13.1	14.4	-2.0
EBIT	L/P	75.3	13.5	14.2	62.9	3.6	5.5	9.9

E: MOFSL estimates

Highlights from the press release and investor presentation

- Dine-in and takeaway channels combined witnessed strong sequential growth while momentum continued in the delivery channel.
- Exceptional items include a non-cash impairment charge of INR266m on investments made in the Sri Lanka subsidiary due to significant changes in the country's economic environment.
- JUBI launched its first-ever loyalty program – Domino's Cheesy Rewards in India. The customer will get rewarded with a free pizza after six eligible orders.
- **International business:** During the quarter, in Sri Lanka, JUBI registered system sales growth of 83% and opened a new store taking the network strength to 36 stores. In Bangladesh, system sales grew by 49%. With the opening of a new outlet, the store count in Bangladesh has reached 10 stores.
- The Domino's app downloads stood at 8.2m in 1QFY23.



Highlights from management commentary

Performance and outlook

- JUBI's omnichannel model, store network, and cost management helped deliver strong results in 1QFY23. The increase in revenue was driven by strong LFL growth of 28.3%.
- This was the first quarter where all stores operated without disruption.
- Dine-in delivered strong sales led by order growth and improvement in ticket size. The channel is now at nearly 100% of pre-COVID levels.
- Delivery channel delivered robust order-led growth, despite a strong base.
- Tier II/III/IV towns witnessed higher growth as compared to Tier I towns.

Store network and operating metrics

- Domino's opened 58 stores and entered 12 new cities in 1QFY23. This was the highest store opening count historically in any first quarter.
- The management is confident of reaching its 250 Domino's store opening target in FY23.
- It continues looking at driving unit economics for Hongs Kitchen and Ekdum!
- JUBI experimented with a 'delco' model where one store location had Dunkin' Donuts, Hongs Kitchen and Ekdum! It opened a handful of such stores and some of these stores have not done well. Closed three such stores in 1QFY23, resulting in the net closure of nine brand restaurants overall.
- The management aims to create better awareness in Hongs Kitchen with ATL campaigns. There are currently 14 stores across NCR. It is confident of fine-tuning the model and being able to scale up in coming quarters.
- Dunkin' Donuts is pivoting to a 'coffee first' strategy. JUBI rejigged its portfolio and launched a range of new coffees and food offerings.
- Popeyes is seeing healthy repeat customer growth across stores with high ratings for delivery and dine-in. Management retained its 20-30 store opening guidance for FY23. There is a large opportunity in fried chicken and a significant white space with just one entrenched player in India.

Input costs and margin

- Took price hikes in the first week of Apr'22. Do not see a need for further price increases in the current environment.
- High material prices affected input costs, but cost efficiencies and product innovation helped deliver growth while maintaining margins.
- Everyday value pricing remains at nearly the same level since its launch in FY18 and this gives JUBI more headroom to take price hikes in difficult situations.
- Despite the price hikes, Domino's remains the most affordable pizza brand in India.
- Margin outlook remains unchanged.

Loyalty program

- With JUBI's new loyalty program, customers can earn points towards a free pizza with six eligible orders, either online or at the store.
- However, the program only works on JUBI's own assets (not applicable on aggregator platforms) thus, aimed at driving more traffic to JUBI's own app.
- There is a similar global Domino's loyalty program and it has been tested extensively in India to suit Indian customer requirements.
- JUBI expects to retain overall discount levels to the past, despite the new program. It expected the program to help acquire new customers and increase frequency which will offset the discount offered in terms of a free pizza after six orders.

International business

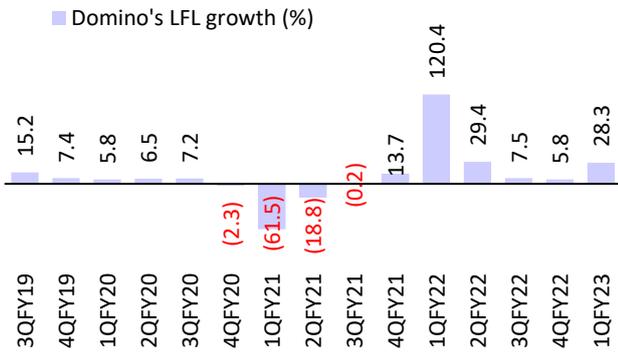
- The political and macro environment in Sri Lanka (SL) remains challenging. However, JUBI's local Domino's team has continued to maintain operations uninterrupted.
- Online ordering to delivery sales has been growing steadily in SL and Bangladesh.
- Management took an impairment charge given the deterioration in SL macros.
- It is seeing large order-led growth in the country and the long-term prospects of the SL market remain intact.

Other points

- There has been no change in the commercial arrangements with any aggregator platform so far.
- JUBI has continued to offer menu localization with launches like Paratha pizza, which is a value offering and acts as a recruitment product to the brand.
- The management will continue looking at new innovations and has the line of sight for innovations over three-four quarters. It is considering regional innovations as well.

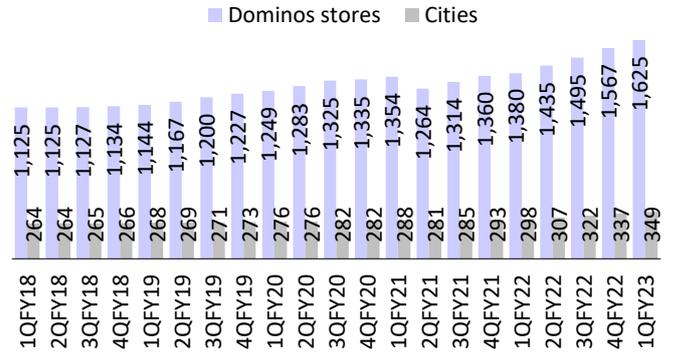
Key exhibits

Exhibit 1: LFL growth at 28.3% in 1QFY23



Source: Company, MOFSL

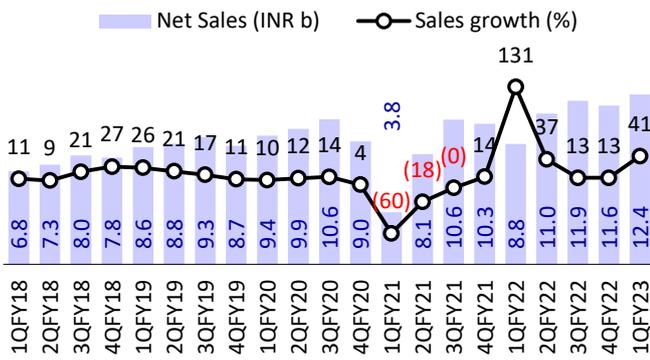
Exhibit 2: Adds a net 58 Domino's stores in 1QFY23



Source: Company, MOFSL

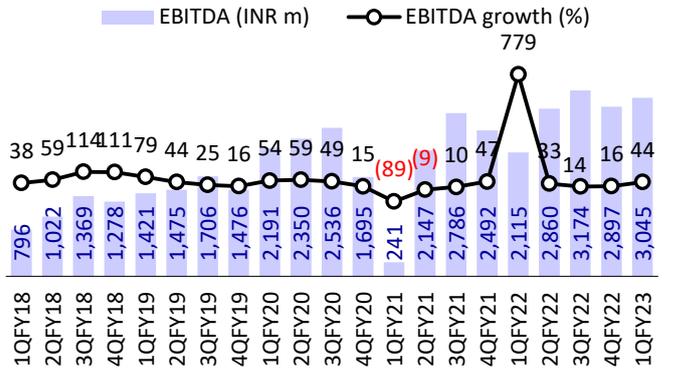
- The total store count for Domino's stood at 1,625, with 58 store openings (58 stores opened and no store closures) in 1QFY23.

Exhibit 3: Net sales grew 41.1% YoY to INR12.4b in 1QFY23



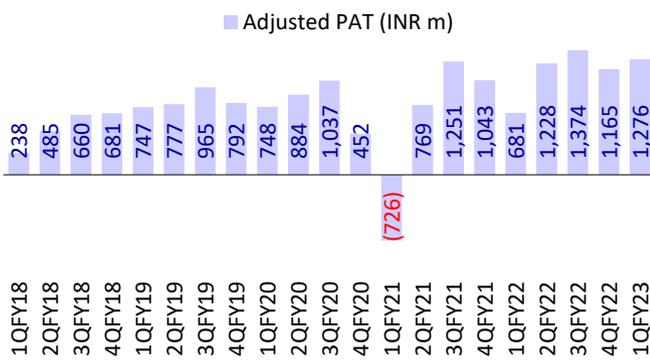
Source: Company, MOFSL

Exhibit 4: EBITDA grew 44% YoY to INR3b in 1QFY23



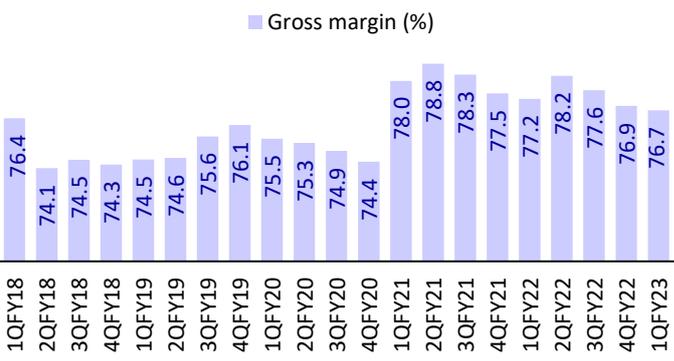
Source: Company, MOFSL

Exhibit 5: Adjusted PAT grew 87.3% YoY to INR1.3b in 1QFY23

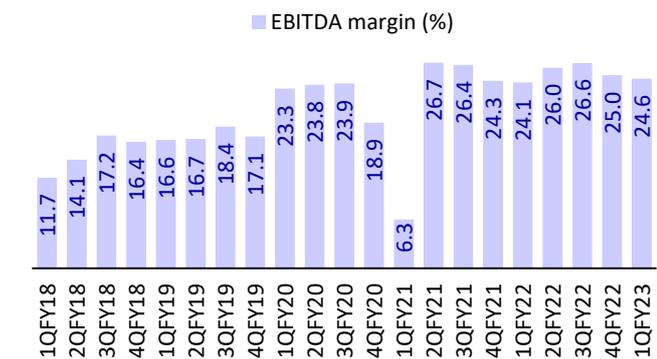


Source: MOFSL, Company

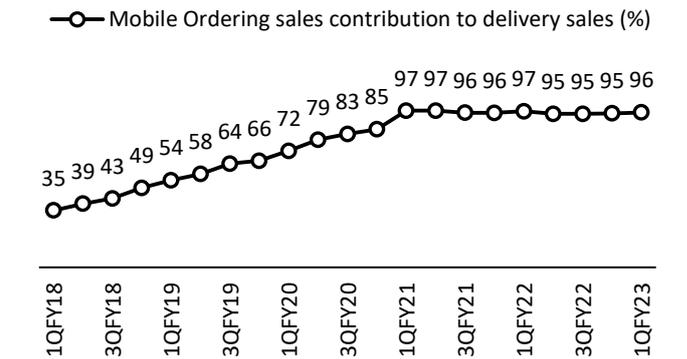
Exhibit 6: Gross margin contracts by 50bp YoY to 76.7% in 1QFY23



Source: MOFSL, Company

Exhibit 7: EBITDA margin expands by 50bp YoY to 24.6% in 1QFY23

Source: MOFSL, Company

Exhibit 8: Contribution of mobile ordering to delivery sales stood at 96% in 1QFY23

Source: MOFSL, Company

Valuation and view

Outstanding growth over the past decade

- With the number of stores increasing to 1,360 at the end of FY21 from 306 at the beginning of FY11, JUBI has expanded both successfully and profitably. It has delivered a 17%/20%/12% sales/EBITDA/PAT CAGR during this period, despite FY21 being severely affected by COVID-led lockdowns. For the 10 years ended FY20, the sales CAGR was 25% (which amounts to nearly 10x sales growth during this period), EBITDA growth was ~30% (~13x growth), and PAT CAGR was ~24% (~8x growth).
- JUBI is the largest player by far in the Indian QSR market – nearly 2x higher in terms of the number of stores v/s the next largest player. It also dominates the Pizza QSR market with over 70% market share.
- It is also the most profitable player in the Indian QSR market, with a net margin of 7% in FY21, led by strong execution in the delivery-focused business.

High valuations are justified in view of the immense opportunity and proven right-to-win

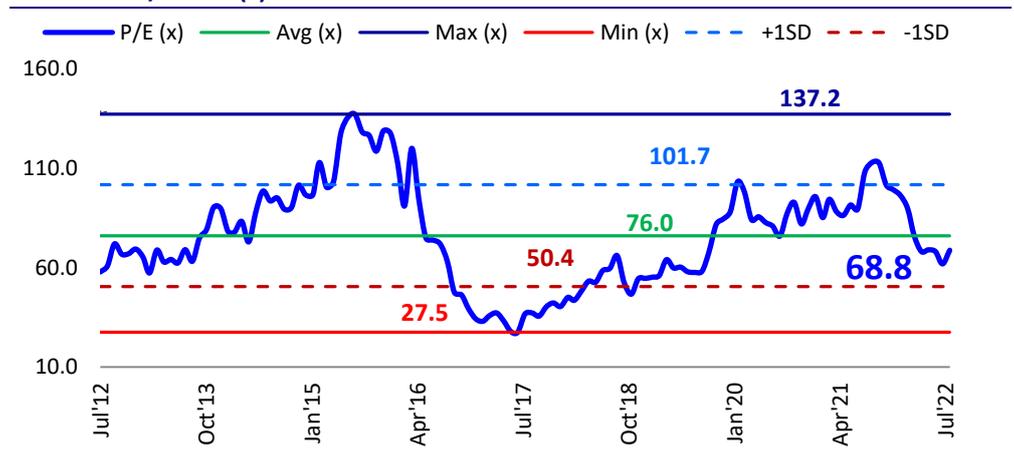
- There is no material change to our EPS forecasts.
- The outlook for the QSR sector remains attractive both on growth and margins, unlike the rest of the consumption space where uncertainty prevails on both fronts. JUBI with: a) the best balance sheet to fund expansion; b) proven track record of managing both store expansion and healthy SSSG; and c) technological edge over peers remains our top pick in this space. The experience of the new CEO with Amazon India is likely to further augment JUBI's clear leadership on the technology front.
- We maintain our Buy rating with a TP of INR720 per share (40x Jun'24 pre-Ind AS 116 EV/EBITDA). Premium multiples are assigned for best-of-breed operating and financial metrics in a high-growth category.

Exhibit 9: Revise our FY23/FY24 EPS estimate by -3.1%/2.1%

(INR m)	New estimates		Old estimates		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	51,693	61,213	51,305	60,753	0.8	0.8
EBITDA	13,044	15,553	12,894	15,372	1.2	1.2
PAT	4,946	6,652	5,104	6,512	-3.1	2.1

Source: Company, MOFSL

Exhibit 10: P/E ratio (x) for JUBI



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	30,184	35,631	39,273	33,119	43,961	51,693	61,213
Change (%)	16.8	18.0	10.2	-15.7	32.7	17.6	18.4
Material Consumed	7,660	8,861	9,835	7,262	9,899	11,791	13,944
Gross Profit	22,524	26,770	29,438	25,856	34,062	39,901	47,269
Gross Margin (%)	74.6	75.1	75.0	78.1	77.5	77.2	77.2
Operating expenses	18,123	20,773	20,682	18,144	22,974	26,857	31,715
EBITDA	4,401	5,998	8,756	7,712	11,088	13,044	15,553
Change (%)	82.5	36.3	46.0	-11.9	43.8	17.6	19.2
Margin (%)	14.6	16.8	22.3	23.3	25.2	25.2	25.4
Depreciation	1,601	1,575	3,523	3,754	3,931	4,683	5,266
Int. and Fin. Ch.	0	0	1,652	1,627	1,761	1,850	1,950
Other Non-recurring Inc.	231	474	696	731	414	458	556
PBT	3,031	4,897	4,277	3,062	5,810	6,969	8,893
Change (%)	201.7	61.6	-12.7	-28.4	89.8	20.0	27.6
Margin (%)	10.0	13.7	10.9	9.2	13.2	13.5	14.5
Tax	1,068	1,717	1,303	757	1,452	1,756	2,241
Tax Rate (%)	35.3	35.1	30.5	24.7	25.0	25.2	25.2
Adjusted PAT	1,962	3,180	2,974	2,305	4,358	5,213	6,652
Change (%)	180.5	62.0	-6.5	-22.5	89.1	19.6	27.6
Margin (%)	6.5	8.9	7.6	7.0	9.9	10.1	10.9
Non-rec. (Exp.)/Inc.	0	0	-186	0	-177	-266	0
Reported PAT	1,962	3,180	2,788	2,305	4,181	4,946	6,652

Balance Sheet							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	1,320	1,320	1,320	1,320	1,320	1,320	1,320
Reserves	8,358	11,277	9,901	12,949	18,130	19,801	23,550
Net Worth	9,677	12,596	11,220	14,268	19,450	21,121	24,869
Loans	30	9	16,711	16,205	21,061	21,272	21,484
Capital Employed	9,708	12,631	28,038	30,567	40,612	42,494	46,455
Gross Block	11,748	13,107	37,507	38,954	48,795	55,267	61,762
Less: Accum. Depn.	3,838	5,007	15,619	17,499	21,430	26,112	31,379
Net Fixed Assets	7,910	8,100	21,887	21,455	27,366	29,155	30,383
Lease Deposits	1,776	2,056	1,719	2,086	1,729	3,072	3,616
Capital WIP	124	152	412	286	465	535	616
Investments	2,631	1,808	512	5,167	9,268	11,349	12,426
Deferred tax assets	-550	-500	751	831	526	526	526
Curr. Assets, L&A	2,525	6,441	8,417	7,843	8,463	6,516	9,152
Inventory	642	771	947	1,331	1,612	1,615	1,910
Account Receivables	157	274	166	168	220	352	416
Cash and Bank Balance	1,290	4,943	6,559	5,392	5,634	3,411	5,498
Others	437	454	745	952	997	1,139	1,328
Curr. Liab. and Prov.	4,710	5,426	5,661	7,101	7,205	8,660	10,265
Other Current Liabilities	656	915	868	1,299	1,425	1,568	1,881
Creditors	3,890	4,209	4,470	5,330	5,370	6,409	7,564
Provisions	164	303	322	471	411	683	820
Net Curr. Assets	-2,184	1,015	2,757	743	1,258	-2,144	-1,113
Appl. of Funds	9,708	12,631	28,038	30,567	40,612	42,494	46,455

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	3.0	4.8	4.5	3.5	6.6	7.9	10.1
BV/Share	14.7	19.1	17.0	21.6	29.5	32.0	37.7
DPS	0.5	1.0	1.2	1.2	2.4	3.2	4.4
Payout (%)	16.8	20.8	26.6	34.3	36.3	40.5	43.6
Valuation (x)							
P/E ratio	190.4	117.5	125.6	162.0	85.7	71.7	56.2
EV/Sales ratio	12.2	10.3	9.3	11.0	8.2	7.0	5.8
EV/EBITDA ratio	84.0	61.2	41.9	47.1	32.5	27.6	22.9
P/BV ratio	38.6	29.7	33.3	26.2	19.2	17.7	15.0
Return Ratios (%)							
RoE	20.3	25.2	26.5	16.2	22.4	24.7	26.7
RoCE	22.1	28.5	20.3	12.1	16.0	15.9	18.3
RoIC	30.6	50.4	27.7	14.8	23.9	23.9	27.9
Working Capital Ratios							
Debtor (Days)	2	3	2	2	2	2	2
Inventory (Days)	8	8	9	15	13	11	11
Creditor (Days)	47	43	42	59	45	45	45
Asset Turnover (x)	3.1	2.8	1.4	1.1	1.1	1.2	1.3
Leverage Ratio							
Debt/Equity ratio (x)	0.0	0.0	1.5	1.1	1.1	1.0	0.9

Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
(INR m)							
OP/(loss) before Tax	3,031	4,897	4,028	3,062	5,633	6,969	8,893
Int./Div. Received	-120	-165	1,665	1,465	1,852	-458	-556
Depreciation and Amort.	1,601	1,575	3,523	3,754	3,931	4,683	5,266
Interest Paid	71	256	454	414	294	-1,850	-1,950
Direct Taxes Paid	1,262	1,779	1,402	869	1,410	1,756	2,241
Incr. in WC	-912	14	82	-509	410	-1,179	-1,056
CF from Operations	4,091	4,256	7,278	7,506	9,300	12,467	14,368
Extraordinary Items	0	0	0	0	0	0	0
Incr. in FA	-1,160	-1,657	-2,830	-2,427	-4,563	-6,542	-6,575
Free Cash Flow	2,931	2,600	4,448	5,080	4,738	5,925	7,794
Others	48	262	281	-2,850	-753	-1,887	441
Pur. of Investments	-1,695	958	1,502	-510	-676	-2,081	-1,077
CF from Invest.	-2,808	-437	-1,047	-5,786	-5,992	-10,510	-7,212
Issue of Shares	210	230	108	31	59	0	0
Incr. in Debt	0	0	-1,323	-2,843	-1,902	211	213
Dividend Paid	164	329	1,448	0	790	2,112	2,903
Others	-393	-68	-1,951	-75	-433	-2,279	-2,379
CF from Fin. Activity	-347	-167	-4,614	-2,887	-3,066	-4,180	-5,070
Incr./Decr. in Cash	936	3,652	1,616	-1,167	242	-2,223	2,087
Add: Opening Balance	354	1,290	4,943	6,559	5,392	5,634	3,411
Closing Balance	1,290	4,943	6,559	5,392	5,634	3,411	5,498

E: MOFSL estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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