

July 28, 2022

Q1FY23 Result Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	700		710	
Sales (Rs. m)	52,826	66,592	52,826	66,592
% Chng.	-	-	-	-
EBITDA (Rs. m)	13,035	16,894	13,035	16,894
% Chng.	-	-	-	-
EPS (Rs.)	8.1	11.7	8.1	11.7
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	32,689	43,311	52,826	66,592
EBITDA (Rs. m)	7,666	11,046	13,035	16,894
Margin (%)	23.5	25.5	24.7	25.4
PAT (Rs. m)	2,337	4,375	5,324	7,738
EPS (Rs.)	3.5	6.6	8.1	11.7
Gr. (%)	(27.0)	87.2	21.7	45.4
DPS (Rs.)	1.2	1.2	3.2	4.6
Yield (%)	0.2	0.2	0.6	0.8
RoE (%)	17.4	24.3	24.4	30.5
RoCE (%)	29.8	40.1	39.4	46.2
EV/Sales (x)	11.2	8.5	6.9	5.4
EV/EBITDA (x)	47.8	33.1	27.9	21.2
PE (x)	159.4	85.1	70.0	48.1
P/BV (x)	24.9	17.7	16.5	13.2

Key Data

JUBI.BO | JUBI IN

52-W High / Low	Rs.918 / Rs.451
Sensex / Nifty	56,858 / 16,930
Market Cap	Rs.372bn/ \$ 4,670m
Shares Outstanding	660m
3M Avg. Daily Value	Rs.1850.22m

Shareholding Pattern (%)

Promoter's	41.94
Foreign	29.80
Domestic Institution	17.20
Public & Others	11.06
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.4	(14.6)	(22.9)
Relative	(1.4)	(14.1)	(28.9)

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Management change and new ventures key to rerating

Quick Pointers:

- Opened 58 Domino's and 2 Popeyes stores
- Broad based growth across cities with T2/3 faring better than T1 markets.

JUBI's 1Q results were in line on a covid impacted base. JUBI opened 58 Domino's stores which is the highest number of stores opened in 1Q and remains on course to open 250-300 stores in FY23. Popeyes has seen favourable consumer feedback with repeat consumption and remains on course to open 20-30 stores in FY23, However, we expect long road to profitability for this new chain. Loyalty programme – Cheesy Rewards will employ a milestone model to increase order frequency, bring in new users to the brand & enable customer stickiness but its impact on profitability depends upon increase in throughput. We believe newer ventures like Dunkin Donuts, Hong's Kitchen and Ekdum are not likely to scale up in near term.

We remain constructive on JUBI's strength in Pizza market but its strategy to emerge as a multi-brand, multi-cuisine food tech company is on crossroads with little visibility in near term. We estimate 33.0% PAT CAGR over FY22-24 and maintain our BUY rating with a DCF based target price of Rs 700 (Rs 708 earlier). We believe returns might be back ended given impending management change and rising competition.

Revenues in-line, LFL growth at 28.3%: Revenues grew by 41.1% YoY to Rs12.4bn (PLe: Rs12.3bn). LFL growth stood at 28.3%. Gross margins declined 52bps YoY to 76.7%. EBITDA grew by 44% YoY to Rs3bn; Margins expanded by 49bps YoY to 24.6% (PLe:24.5%). Adj PAT grew by 87.3% YoY to Rs1.3bn (PLe: Rs1.1bn). Dominos store count stands at 1,625 in 1Q23 with 58 new stores added & entry into 12 new cities during the quarter. Dunkin Donuts store count stands at 25 in 1Q23. New businesses – Hong's Kitchen/Ekdum/Popeyes store count at 14/6/6. OLO to Delivery sales ratio stands at 97.7% in 1Q23 vs 98.9% in 1Q22. App downloads in 1Q23 was 8.2mn. **International:** Sri Lanka system sales grew 83% while Bangladesh's system sales grew 49%.

Concall Takeaways: 1) First quarter without store restrictions saw sequential improvement in footfalls, dine-in and delivery sales. 2) Price hikes have been well accepted by market & no further hikes are required. 3) Loyalty programme to increase order frequency, recruit new customers and increase customer LTV. 4) New businesses – Hong's/Ekdum requires further work on unit economics, format etc. 5) Company will continue to work with food aggregators & migrate users to own assets. 6) Hong's to expand outside Delhi-NCR towards FY24. 7) Pilot of B2B food services business to leverage commissaries. 8) Rebrand of Dunkin Donuts as Dunkin and focus on coffee & food pairings. 9) Introduced new pizza offering – Paratha Pizza which has been well accepted by consumers. 10) EBITDA Margins are expected to remain in the 24-25% band in FY23. 11) Strategic acquisition of 40% stake in Roadcast Tech Solutions is expected to help improve efficiencies & monitor fleet and personnel on real-time basis.

Exhibit 1: Net Sales grew 41.1%, EBITDA margins expanded by 49bps YoY

Y/e March	1QFY23	1QFY22	YoY gr. (%)	4QFY22	FY22	FY21	YoY gr. (%)
Net Sales	12,403	8,790	41.1	11,579	43,311	32,689	32.5
Gross Profit	9,514	6,788	40.2	8,905	33,569	25,539	31.4
<i>% of NS</i>	<i>76.7</i>	<i>77.2</i>	<i>(0.5)</i>	<i>76.9</i>	<i>77.5</i>	<i>78.1</i>	<i>(0.6)</i>
EBITDA	3,045	2,115	44.0	2,897	11,046	7,666	44.1
<i>Margins %</i>	<i>24.6</i>	<i>24.1</i>	<i>0.5</i>	<i>25.0</i>	<i>25.5</i>	<i>23.5</i>	<i>2.1</i>
Depreciation	1,050	890	18.0	1,031	3,830	3,672	4.3
Interest	459	418	9.9	450	1,730	1,606	7.7
Other Income	106	80	31.9	124	407	704	(42.2)
PBT	1,642	887	85.0	1,539	5,893	3,091	90.6
Tax	366	206	77.6	374	1,444	754	91.5
<i>Tax rate %</i>	<i>22.3</i>	<i>23.2</i>	<i>(0.9)</i>	<i>24.3</i>	<i>24.5</i>	<i>24.4</i>	<i>0.1</i>
Adjusted PAT	1,276	681	87.3	1,165	4,448	2,337	90.4

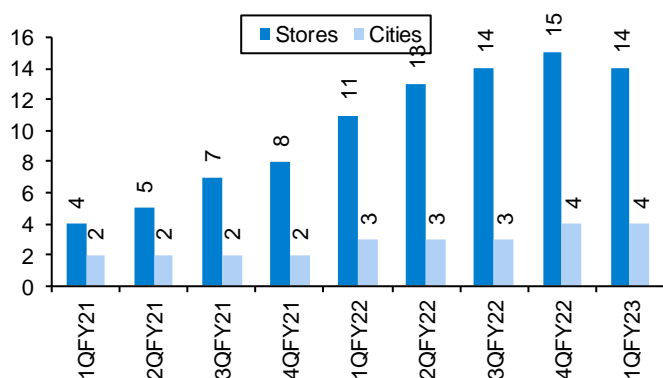
Source: Company, PL

Exhibit 2: Dominoes opened 58 new stores

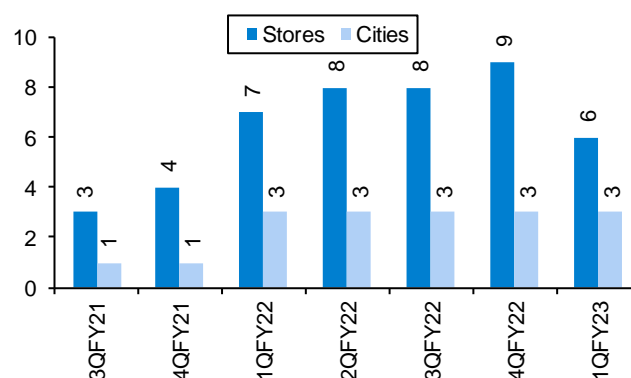

Source: Company, PL

Exhibit 3: Dunkin Donuts closed 3 stores


Source: Company, PL

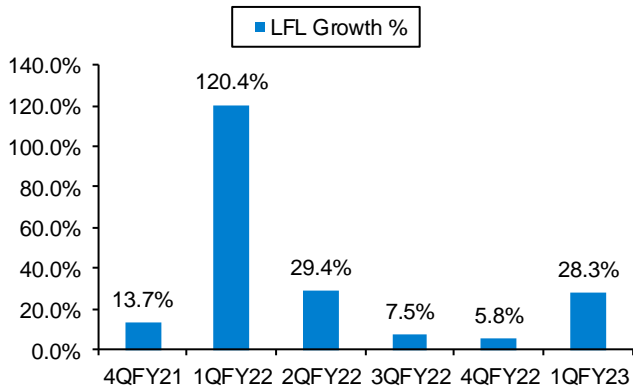
Exhibit 4: Hong's Kitchen closed 1 store


Source: Company, PL

Exhibit 5: Ekdum closed 3 stores


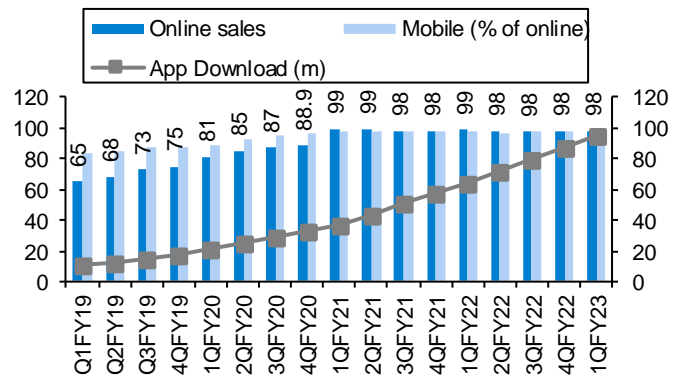
Source: Company, PL

Exhibit 6: LFL Growth at 28.3% in 1QFY23



Source: Company, PL

Exhibit 7: OLO contribution at 98%



Source: Company, PL

Exhibit 8: Launch of Cheesy Rewards loyalty to incentivize more order occasions

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Launched a first-ever Loyalty Program - Domino's Cheesy Rewards

- 🎯 **Simple Construct:**
 - Earn 100 points for every eligible order
 - Get a free pizza on accumulation of 600 points
- 🎯 **Free For All, More Value to All:**
 - The loyalty points are awarded over and above the other prevailing offers
- 🎯 **The program is aimed at:**
 - Driving frequency of existing customers
 - Welcoming new customers to our assets

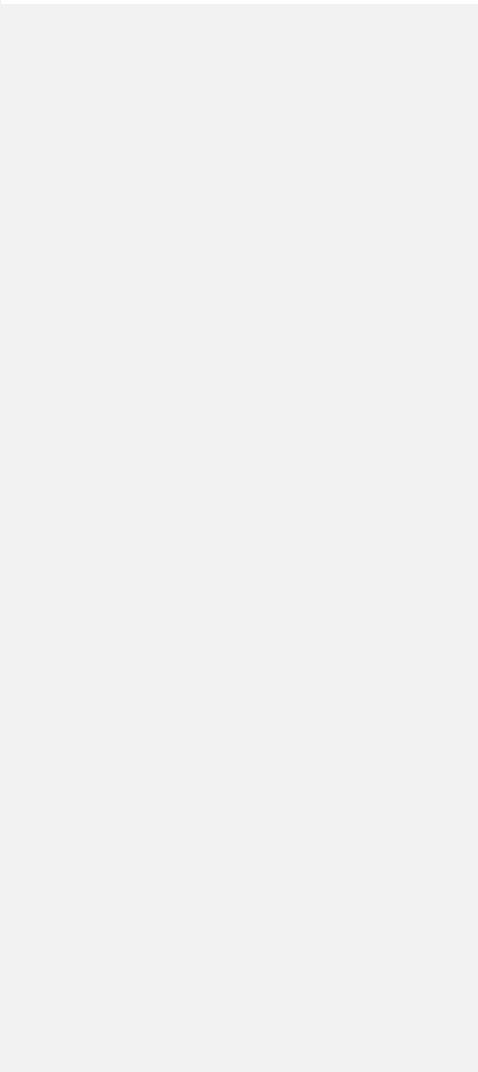
Source: PL, Company

Exhibit 9: Launch of new paratha pizza range to refresh offerings

Product Innovation: Launched Paratha Pizza Range



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	32,689	43,311	52,826	66,592
YoY gr. (%)	(15.9)	32.5	22.0	26.1
Cost of Goods Sold	7,150	9,742	12,157	15,184
Gross Profit	25,539	33,569	40,669	51,408
Margin (%)	78.1	77.5	77.0	77.2
Employee Cost	7,357	7,514	11,032	13,821
Other Expenses	3,596	15,009	7,749	9,628
EBITDA	7,666	11,046	13,035	16,894
YoY gr. (%)	(12.6)	44.1	18.0	29.6
Margin (%)	23.5	25.5	24.7	25.4
Depreciation and Amortization	3,672	3,830	4,442	5,173
EBIT	3,993	7,216	8,593	11,721
Margin (%)	12.2	16.7	16.3	17.6
Net Interest	1,606	1,730	2,133	2,330
Other Income	704	407	591	859
Profit Before Tax	3,091	5,893	7,051	10,250
Margin (%)	9.5	13.6	13.3	15.4
Total Tax	754	1,444	1,728	2,511
Effective tax rate (%)	24.4	24.5	24.5	24.5
Profit after tax	2,337	4,448	5,324	7,738
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,337	4,375	5,324	7,738
YoY gr. (%)	(27.0)	87.2	21.7	45.4
Margin (%)	7.1	10.1	10.1	11.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,337	4,375	5,324	7,738
YoY gr. (%)	(15.2)	87.2	21.7	45.4
Margin (%)	7.1	10.1	10.1	11.6
Other Comprehensive Income	781	-	-	-
Total Comprehensive Income	3,117	4,375	5,324	7,738
Equity Shares O/s (m)	660	660	660	660
EPS (Rs)	3.5	6.6	8.1	11.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	16,843	21,013	26,082	31,344
Tangibles	15,642	19,616	24,451	29,460
Intangibles	1,201	1,397	1,631	1,884
Acc: Dep / Amortization	8,310	10,418	12,668	15,370
Tangibles	7,464	9,425	11,503	14,007
Intangibles	847	993	1,165	1,363
Net fixed assets	8,533	10,697	13,414	15,974
Tangibles	8,179	10,168	12,947	15,452
Intangibles	354	528	466	522
Capital Work In Progress	267	457	200	200
Goodwill	-	-	-	-
Non-Current Investments	6,400	9,685	10,721	11,843
Net Deferred tax assets	884	571	628	691
Other Non-Current Assets	13,781	16,959	17,465	18,751
Current Assets				
Investments	815	997	1,833	1,840
Inventories	1,305	1,571	1,101	1,375
Trade receivables	179	268	434	584
Cash & Bank Balance	5,175	5,400	7,618	12,761
Other Current Assets	653	726	528	666
Total Assets	38,015	47,754	54,367	65,109
Equity				
Equity Share Capital	1,320	1,320	1,320	1,320
Other Equity	13,652	19,715	21,237	26,864
Total Networkth	14,971	21,035	22,556	28,183
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	14,500	17,653	21,332	24,673
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	5,333	5,353	6,157	7,150
Other current liabilities	3,206	3,707	4,317	5,097
Total Equity & Liabilities	38,015	47,754	54,367	65,109

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	3,091	5,093	7,051	10,250
Add. Depreciation	3,672	4,004	4,442	5,173
Add. Interest	1,606	1,827	2,133	2,330
Less Financial Other Income	704	407	591	859
Add. Other	(169)	3,857	2,930	3,053
Op. profit before WC changes	8,201	14,781	16,556	20,806
Net Changes-WC	500	(489)	1,078	1,204
Direct tax	(754)	(1,248)	(1,728)	(2,511)
Net cash from Op. activities	7,946	13,045	15,906	19,499
Capital expenditures	(7,582)	(13,211)	(7,753)	(9,915)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(7,582)	(13,211)	(7,753)	(9,915)
Issue of share cap. / premium	24	3,010	(3,010)	-
Debt changes	-	-	-	-
Dividend paid	-	(792)	(792)	(2,112)
Interest paid	(1,606)	(1,827)	(2,133)	(2,330)
Others	-	-	(1)	1
Net cash from Fin. activities	(1,582)	391	(5,936)	(4,441)
Net change in cash	(1,218)	225	2,217	5,143
Free Cash Flow	364	(166)	8,153	9,584

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	3.5	6.6	8.1	11.7
CEPS	9.1	12.4	14.8	19.6
BVPS	22.7	31.9	34.2	42.7
FCF	0.6	(0.3)	12.4	14.5
DPS	1.2	1.2	3.2	4.6
Return Ratio(%)				
RoCE	29.8	40.1	39.4	46.2
ROIC	12.5	17.4	19.1	23.2
RoE	17.4	24.3	24.4	30.5
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.4)	(0.5)
Net Working Capital (Days)	(43)	(30)	(32)	(28)
Valuation(x)				
PER	159.4	85.1	70.0	48.1
P/B	24.9	17.7	16.5	13.2
P/CEPS	62.0	45.4	38.1	28.8
EV/EBITDA	47.8	33.1	27.9	21.2
EV/Sales	11.2	8.5	6.9	5.4
Dividend Yield (%)	0.2	0.2	0.6	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	11,007	11,935	11,579	12,403
YoY gr. (%)	36.6	12.9	12.9	41.1
Raw Material Expenses	2,394	2,673	2,674	2,888
Gross Profit	8,613	9,262	8,905	9,514
Margin (%)	78.2	77.6	76.9	76.7
EBITDA	2,860	3,174	2,897	3,045
YoY gr. (%)	33.3	13.9	16.2	44.0
Margin (%)	26.0	26.6	25.0	24.6
Depreciation / Depletion	902	1,006	1,031	1,050
EBIT	1,958	2,168	1,865	1,995
Margin (%)	17.8	18.2	16.1	16.1
Net Interest	416	446	450	459
Other Income	93	109	124	106
Profit before Tax	1,635	1,831	1,539	1,642
Margin (%)	14.9	15.3	13.3	13.2
Total Tax	407	457	374	366
Effective tax rate (%)	24.9	25.0	24.3	22.3
Profit after Tax	1,228	1,374	1,165	1,276
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,228	1,374	1,165	1,276
YoY gr. (%)	59.7	9.8	11.7	87.3
Margin (%)	11.2	11.5	10.1	10.3
Extra Ord. Income / (Exp)	(13)	(1)	(4)	-
Reported PAT	1,215	1,373	1,161	1,276
YoY gr. (%)	58.0	9.8	11.3	104.0
Margin (%)	11.0	11.5	10.0	10.3
Other Comprehensive Income	725	1,045	(589)	-
Total Comprehensive Income	1,941	2,419	572	1,276
Avg. Shares O/s (m)	14	14	14	14
EPS (Rs)	87.7	98.2	83.2	91.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-22	Accumulate	710	571
2	30-May-22	BUY	708	567
3	08-Apr-22	Accumulate	3,230	2,792
4	02-Feb-22	Accumulate	3,600	3,302
5	06-Jan-22	Accumulate	4,109	3,638
6	20-Oct-21	Accumulate	4,111	3,965
7	06-Oct-21	Accumulate	4,135	3,934

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,363	3,109
2	Avenue Supermarts	BUY	4,636	3,942
3	Britannia Industries	UR	-	3,810
4	Colgate Palmolive	Accumulate	1,701	1,564
5	Dabur India	Accumulate	603	544
6	Emami	Accumulate	611	470
7	Hindustan Unilever	Accumulate	2,699	2,568
8	ITC	BUY	305	292
9	Jubilant FoodWorks	Accumulate	710	571
10	Kansai Nerolac Paints	BUY	513	396
11	Marico	Accumulate	544	499
12	Mold-tek Packaging	Accumulate	830	765
13	Nestle India	Accumulate	19,426	18,205
14	Pidilite Industries	Hold	2,389	2,237
15	Restaurant Brands Asia	UR	-	111
16	Titan Company	BUY	2,520	2,014
17	Titan Company	BUY	2,520	2,128
18	Westlife Development	BUY	653	524

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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