Jubilant FoodWorks

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Weak revenue/store persists in Q2; Store adds impressive

CMP	Target Price
Rs 613 as of (November 8, 2022)	Rs 595 (■) 12 months
Rating	**Upside**
HOLD (■)	(2.9) %

JUBI's Q2 PAT was 10-14% lower than Street/our estimates, led by a 1-3% miss on topline, a 40-70bps miss on EBITDA margin and higher depreciation on stronger store additions at 76 for Domino's in Q2. The topline miss was owing to a weaker growth in revenue-per-store, and margin miss was on account of higher gross-margin decline of ~200bps, led by elevated prices of cheese. Factoring-in the accelerated expansion and the lower SSG, we largely retain FY24/25E revenue, albeit reduce our EPS estimates by 3-4% due to new-store investments and higher depreciation. The new CEO indicated the need for refining processes vs. complete overhaul. CEO's focus appears to be on expediting ramp-up of new formats like Popeyes/Hong's/Ekdum, acquiring/retaining consumers through promotions, loyalty programs & faster deliveries as well as digitizing the back-end. However, we await unfolding of early trends before turning constructive on JUBI; maintain HOLD with Dec-23 TP of Rs595 (based on 48x Dec-24E EPS vs. 49x Sep-24E EPS earlier). Multiple revision is due to 3M rollover.

Results summary: JUBI saw 3Y revenue CAGR of 9.2% in Q2, led by a healthy 9.5% average-store-count CAGR and largely-flat revenue-per-store CAGR. Despite double-digit price hikes YoY, the 3Y LFL (which adjusts for the impact of split stores) CAGR was also low, at 4.4% in Q2. Among channels, Dine-in/Takeaway witnessed strong growth, while Delivery registered growth on a high base. Store addition for Domino's was impressive, at 76 stores in Q2, taking total additions to 134 in H1. Additions for Popeyes, Hong's and Ekdum were muted during Q2, but JUBI expects to end FY23 with ~20 Popeyes stores in 3 cities vs. 8 stores in Bangalore currently. Digital traction continued in Q2, with 9mn app downloads, thus taking the cumulative downloads to 104.4mn. Despite double-digit price hikes, gross margins fell by 200bps to 76.2% vs. our expectations of a 70bps decline. Impacted GM led to EBITDA margin falling short of our expectations by ~70bps. The inflationary trend continues and JUBI expects to maintain current margin trends, unless RM costs normalize.

Earnings-call KTAs: 1) Input inflationary pressures continued and price of the key input cheese reached an all-time high in the past decade. 2) After two price hikes, in Dec-21 and Apr-22, JUBI indicated no further hikes in the near term, as focus is on improving productivity for mitigating the inflation impact. 3) JUBI has launched its regional pizza innovations, inspired by flavors of East-India and the 'no onion & garlic' range in Gujarat. JUBI indicated more such innovative launches in Nov-22. 4) With good traction in own app and increasing repeat rates, JUBI plans to step up store expansion for Popeyes and partner with aggregators in H2. 5) Total FY23 capex is expected to be ~Rs7bn, of which ~Rs2bn has been invested in the Bangalore commissary, with part of it targeted as digital investments and the balance for network expansion. 6) Loyalty rewards are accounted as discounts in the P&L, based on an assumed redemption ratio, and later adjusted in the balance sheet on redemption.

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	32,689	43,311	53,204	63,264	73,841
EBITDA	7,666	11,046	13,161	16,111	19,108
EBITDA Margin (%)	23.5	25.5	24.7	25.5	25.9
APAT	2,337	4,448	5,276	6,864	8,630
EPS (Rs)	3.5	6.7	8.0	10.4	13.1
EPS (% chg)	(27.0)	90.4	18.6	30.1	25.7
ROE (%)	17.4	24.7	24.4	27.7	28.2
P/E (x)	173.0	90.9	76.6	58.9	46.8
EV/EBITDA (x)	52.0	36.0	30.4	24.6	20.4
P/BV (x)	27.0	19.2	18.2	14.8	11.9

Source: Company, Emkay Research

Change in Estimates	
EPS Chg FY23E/FY24E (%)	-8/-4
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

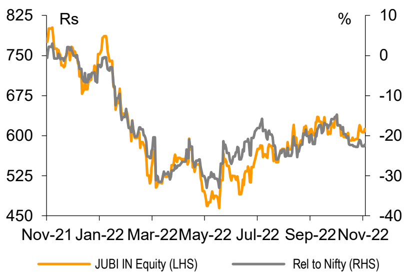
Emkay vs Consensus		
EPS Estimates		
	FY23E	FY24E
Emkay	8.0	10.4
Consensus	8.7	14.3
Mean Consensus TP (12M)		Rs 665

Stock Details	
Bloomberg Code	JUBI IN
Face Value (Rs)	2
Shares outstanding (mn)	660
52 Week H/L	816 / 451
M Cap (Rs bn/USD bn)	404 / 4.94
Daily Avg Volume (no. of)	35,42,838
Daily Avg Turnover (USD mn)	26.2

Shareholding Pattern Sep '22	
Promoters	41.9%
FIIs	28.7%
DIIs	19.9%
Public and Others	9.5%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	(1)	6	23	(19)
Rel. to Nifty	(6)	2	11	(20)

Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Actual vs. Estimates (Q2FY23)

Rs mn	Actual	Estimates		Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues	12,868	13,257	12,970	-2.9%	-0.8%	Lower due to lower SSG
EBITDA	3,125	3,314	3,203	-5.7%	-2.4%	Lower due to gross margin decline despite price hikes
EBITDA Margin	24.3%	25.0%	24.7%	-71%	-41%	
Reported PAT	1,192	1,389	1,321	-14.2%	-9.8%	Lower EBITDA and higher depreciation led to lower PAT

*Source: Company, Emkay Research, ***Margins are Post-indAS116***

Exhibit 2: Revision in estimates

Y/E, Mar (Rs mn)	FY23E			FY24E			FY25E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	53,651	53,204	-0.8	62,913	63,264	0.6	72,855	73,841	1.4
EBITDA	13,488	13,161	-2.4	16,072	16,111	0.2	18,917	19,108	1.0
EBITDA Margin (%)	25.1	24.7	-40 bps	25.5	25.5	-10 bps	26.0	25.9	-10 bps
APAT	5,716	5,276	-7.7	7,167	6,864	-4.2	8,888	8,630	-2.9
EPS (Rs)	8.7	8.0	-7.7	10.9	10.4	-4.2	13.5	13.1	-2.9
SSG (%)	11.4	9.6	-180 bps	5.5	5.5	0 bps	5.5	5.5	0 bps

*Source: Company, Emkay Research, ***Margins are Post-indAS116***

Exhibit 3: Quarterly Performance (Standalone)

Y/E Mar (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)	FY22TD	FY23TD	YoY (%)
Total income	**11,007**	**11,935**	**11,579**	**12,403**	**12,868**	**16.9**	**3.7**	**19,797**	**25,270**	**27.6**
Gross Profit	**8,613**	**9,262**	**8,905**	**9,514**	**9,811**	**13.9**	**3.1**	**15,401**	**19,325**	**25.5**
Employee expenses	1,915	1,957	1,992	2,041	2,257	17.9	10.6	3,565	4,298	20.6
as % of sales	*17%*	*16%*	*17%*	*16%*	*18%*			*18%*	*17%*	
Rent	115	102	154	254	265	130.3	4.2	197	519	164.0
as % of sales	*1%*	*1%*	*1%*	*2%*	*2%*			*1%*	*2%*	
Other expenses	3,723	4,030	3,862	4,173	4,165	11.9	-0.2	6,665	8,338	25.1
as % of sales	*34%*	*34%*	*33%*	*34%*	*32%*			*34%*	*33%*	
EBITDA	**2,860**	**3,174**	**2,897**	**3,045**	**3,125**	**9.2**	**2.6**	**4,975**	**6,170**	**24.0**
Depreciation & Amortization	902	1,006	1,031	1,050	1,123	24.5	6.9	1,792	2,173	21.3
EBIT	**1,958**	**2,168**	**1,865**	**1,995**	**2,002**	**2.2**	**0.3**	**3,183**	**3,997**	**25.6**
Interest cost	416	446	450	459	485	16.6	5.7	834	945	
Other income	93	109	124	106	103	10.9	-2.8	173	209	20.6
Exceptional items	13	1	4	266	0			68	266	
PBT	**1,622**	**1,830**	**1,536**	**1,375**	**1,619**	**-0.2**	**17.7**	**2,454**	**2,995**	**22.0**
Tax	407	457	374	366	428	5.1	16.9	613	793	
Net Profit	**1,215**	**1,373**	**1,161**	**1,010**	**1,192**	**-1.9**	**18.0**	**1,841**	**2,201**	**19.6**
Adj Profit	**1,228**	**1,374**	**1,165**	**1,276**	**1,192**	**-2.9**	**-6.6**	**1,909**	**2,468**	**29.3**
EPS (Rs)	1.9	2.1	1.8	1.9	1.8	-2.9	-6.6	2.9	3.7	29.3

(%)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	(bps)	(bps)	FY22TD	FY23TD	(bps)
Gross margin	78.2	77.6	76.9	76.7	76.2	(200 bps)	(50 bps)	77.8	76.5	(130 bps)
EBITDA margin	26.0	26.6	25.0	24.6	24.3	(170 bps)	(30 bps)	25.1	24.4	(70 bps)
EBIT margin	17.8	18.2	16.1	16.1	15.6	(220 bps)	(50 bps)	16.1	15.8	(30 bps)
PAT margin	11.0	11.5	10.0	8.1	9.3	(180 bps)	110 bps	9.3	8.7	(60 bps)
Tax rate	25.1	25.0	24.4	26.6	26.4	130 bps	(20 bps)	25.0	26.5	150 bps

*Source: Company, Emkay Research, ***Margins are Post-indAS116***

Exhibit 4: Peer comparison

Company	Price	M-Cap	Rating	TP	P/E (x)			EV/EBITDA (x) Pre-IndAS-116			EBITDA CAGR (%)	EV/E-G (x)*
	(Rs)	(Rs bn)		(Rs)	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23-25E	
Jubilant FoodWorks	**613**	**404**	**Hold**	**595**	**76.7**	**59.0**	**46.9**	**43.5**	**34.1**	**28.0**	**24.8**	**1.8**
Devyani International	186	224	Buy	225	78.5	64.4	49.1	44.1	33.6	26.8	28.3	1.6
Westlife Development	787	122	Buy	720	108.4	70.4	56.3	41.1	32.0	26.7	24.0	1.7
Sapphire Foods	1,447	92	Buy	1,650	65.4	39.8	34.9	30.4	20.9	15.9	38.0	0.8

*Source: Company, Emkay Research, *EV/E-G is ratio of FY23E EV/EBITDA to FY23E-25E EBITDA CAGR expectations*

Exhibit 5: JUBI – Growth construct of the business on the supply front

Rs bn	FY25E	FY35E	CAGR (%) FY25-35E	CAGR (%) FY35E+
Domino's stores (No. of)	2,201	3,554	4.9	2.5
SSG (%)			5.0	5.0
Domino's - Revenues	**69,060**	**1,81,643**	**10.2**	
EBITDA margin (%)	20.5	23.0		
Domino's - EBITDA	**14,157**	**41,778**	**11.4**	
Popeyes' stores (No)	105	855	23.3	2.5
SSG (%)			9.5	5.0
Popeyes' revenues	**2,290**	**46,029**	**35.0**	
EBITDA margin (%)	8.0	20.0		
Popeyes - EBITDA	**183**	**9,206**	**48.0**	
Other format stores (No. of)	100	500	17.5	2.5
SSG (%)			5.1	5.0
'Other' formats - Revenue	**2,491**	**20,512**	**23.5**	
'Other' formats - EBITDA	**-46**	**5,128**		
Total Revenue - All formats	**73,841**	**2,48,185**	**12.9**	**7.6**
Total EBITDA - All formats	**14,295**	**56,112**	**14.7**	**7.6**
Depreciation (% of EBITDA)	**21.3**	**7.0**		
Depreciation	3,044	3,928		
EBIT	**11,251**	**52,184**	**16.6**	7.6

*Source: Company, Emkay Research, *Margins are Pre-indAS116, **Other format stores include Hong's/Ekdum*

Exhibit 6: Target multiple for standalone (core) derived from a two-stage dividend growth model

Revenue CAGR [FY22E-25E] (%)	19.5
EPS CAGR [FY22E-25E] (%)	24.7
Stage-1: FY25E-35E	
EPS in Yr-0 [FY25E] (Rs)	13.1
EPS in Yr-1 (Rs)	15.2
EPS CAGR (%)	**16.5**
Years of growth [n]	**10.0**
Sustainable core RoE (%)	**130.0**
CoE (%)	**11.75**
Implied DPR (%)	87
Terminal stage: >FY35E	
EPS growth (%)	**7.5**
Sustainable core RoE (%)	130.0
Implied DPR (%)	94
Fair value P/E in Mar-25E (x)	**40.4**
Fair value in Mar-25E (x)	**615**
Fair value in Dec-23E (x)	**535**
NPV of dividends in Dec-22E-25E (Rs/share)	5
Overall fair value in Dec-23E (Rs/share)	541
Dec'24E EPS (Rs)	**12.4**
Implied core P/E in Dec-23E (x)	43.6
Premium applied to FV (%) [a]	10.0
Implied core P/E in Dec-23E (x)	**48**
Dec-23E target price (Rs/share)	**595**
CMP (Rs/share)	613
Upside (%)	**-3**

Source: Emkay Research; ***[a] Revenue growth and margin expansion likely to be front-loaded, rather than assumed, *Margins are Pre-indAS116***

Key Financials (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	**32,689**	**43,311**	**53,204**	**63,264**	**73,841**
Expenditure	**25,023**	**32,265**	**40,043**	**47,153**	**54,733**
EBITDA	**7,666**	**11,046**	**13,161**	**16,111**	**19,108**
Depreciation	3,672	3,830	4,545	5,228	5,798
EBIT	**3,993**	**7,216**	**8,616**	**10,883**	**13,309**
Other Income	704	407	407	529	687
Interest expenses	1,606	1,730	2,032	2,235	2,459
PBT	**3,091**	**5,893**	**6,990**	**9,176**	**11,538**
Tax	754	1,444	1,715	2,312	2,907
Extraordinary Items	0	(73)	(266)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	**2,337**	**4,375**	**5,009**	**6,864**	**8,630**
Adjusted PAT	**2,337**	**4,448**	**5,276**	**6,864**	**8,630**

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	1,320	1,320	1,320	1,320	1,320
Reserves & surplus	13,652	19,715	20,925	26,073	32,546
Net worth	**14,971**	**21,035**	**22,245**	**27,393**	**33,865**
Minority Interest	**0**	**0**	**0**	**0**	**0**
Loan Funds	**15,992**	**19,625**	**19,679**	**19,539**	**19,185**
Net deferred tax liability	(884)	(571)	(571)	(571)	(571)
Total Liabilities	**30,080**	**40,089**	**41,353**	**46,361**	**52,480**
Net block	**21,057**	**26,897**	**31,352**	**32,624**	**33,326**
Investment	**6,139**	**9,544**	**9,544**	**9,544**	**9,544**
Current Assets	**9,692**	**10,354**	**8,401**	**13,434**	**20,268**
Cash & bank balance	5,175	5,400	2,860	7,116	13,147
Other Current Assets	668	1,139	1,253	1,378	1,516
Current liabilities & Provision	**7,052**	**7,094**	**8,332**	**9,630**	**11,047**
Net current assets	**2,640**	**3,260**	**69**	**3,805**	**9,222**
Misc. exp	0	0	0	0	0
Total Assets	**30,080**	**40,089**	**41,353**	**46,361**	**52,480**

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	**2,646**	**5,278**	**6,724**	**9,176**	**11,538**
Other Non-Cash items	0	0	0	0	0
Chg in working cap	390	(431)	677	549	645
Operating Cashflow	**6,916**	**8,592**	**11,831**	**14,319**	**16,814**
Capital expenditure	(1,937)	(4,166)	(7,000)	(4,500)	(4,500)
Free Cash Flow	**4,979**	**4,427**	**4,831**	**9,819**	**12,314**
Investments	(303)	(182)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	**(6,027)**	**(7,164)**	**(6,593)**	**(3,972)**	**(3,813)**
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	0	(792)	(1,319)	(1,716)	(2,158)
Other Financing Cash Flow	(2,106)	(273)	(6,458)	(4,375)	(4,813)
Financing Cashflow	**(2,107)**	**(1,203)**	**(7,777)**	**(6,091)**	**(6,971)**
Net chg in cash	**(1,218)**	**225**	**(2,540)**	**4,256**	**6,031**
Opening cash position	6,392	5,175	5,400	2,860	7,116
Closing cash position	**5,175**	**5,400**	**2,860**	**7,116**	**13,147**

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	23.5	25.5	24.7	25.5	25.9
EBIT Margin	12.2	16.7	16.2	17.2	18.0
Effective Tax Rate	24.4	24.5	24.5	25.2	25.2
Net Margin	7.1	10.3	9.9	10.8	11.7
ROCE	37.4	44.1	42.8	47.1	46.6
ROE	17.4	24.7	24.4	27.7	28.2
RoIC	15.9	25.2	24.4	28.1	33.9

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	3.5	6.7	8.0	10.4	13.1
CEPS	9.1	12.5	14.9	18.3	21.9
BVPS	22.7	31.9	33.7	41.5	51.3
DPS	0.0	1.2	2.0	2.6	3.3

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	173.0	90.9	76.6	58.9	46.8
P/CEPS	67.3	48.8	41.2	33.4	28.0
P/BV	27.0	19.2	18.2	14.8	11.9
EV / Sales	12.2	9.2	7.5	6.3	5.3
EV / EBITDA	52.0	36.0	30.4	24.6	20.4
Dividend Yield (%)	0.0	0.2	0.3	0.4	0.5

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.4)	(0.3)	(0.2)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.8)	(0.6)	(0.3)	(0.5)	(0.7)
Working Cap Cycle (days)	(28.3)	(18.0)	(19.1)	(19.1)	(19.4)

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(15.9)	32.5	22.8	18.9	16.7
EBITDA	(12.6)	44.1	19.1	22.4	18.6
EBIT	(25.3)	80.7	19.4	26.3	22.3
PAT	(15.2)	87.2	14.5	37.0	25.7

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Revenue	11,007	11,935	11,579	12,403	12,868
EBITDA	2,860	3,174	2,897	3,045	3,125
EBITDA Margin (%)	**26.0**	**26.6**	**25.0**	**24.6**	**24.3**
PAT	1,215	1,373	1,161	1,010	1,192
EPS (Rs)	**1.8**	**2.1**	**1.8**	**1.5**	**1.8**

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	41.9	41.9	41.9	41.9	41.9
FIIs	41.4	39.8	31.9	29.8	28.7
DIIs	10.9	11.4	15.6	17.2	19.9
Public and Others	5.8	6.9	10.6	11.1	9.5

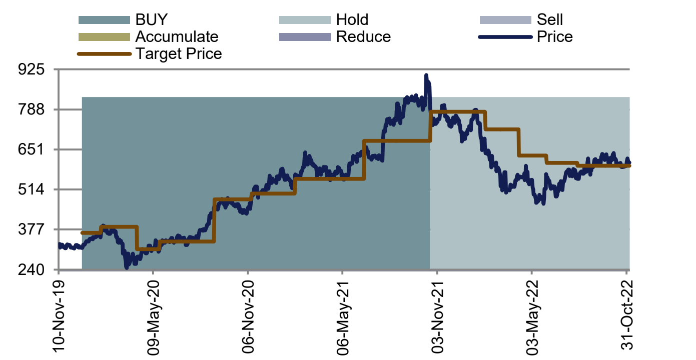
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
21-Aug-22	597	595	12m	Hold	Devanshu Bansal
29-Jul-22	550	595	12m	Hold	Devanshu Bansal
31-May-22	551	605	12m	Hold	Devanshu Bansal
08-Apr-22	558	630	12m	Hold	Ashit Desai
03-Feb-22	638	720	12m	Hold	Ashit Desai
21-Oct-21	774	780	12m	Hold	Ashit Desai
22-Jul-21	686	680	12m	Buy	Ashit Desai
16-Jun-21	646	680	12m	Buy	Ashit Desai
25-Mar-21	565	550	12m	Buy	Ashit Desai
20-Feb-21	590	550	12m	Buy	Ashit Desai
04-Feb-21	565	550	12m	Buy	Ashit Desai
13-Nov-20	496	500	12m	Buy	Ashit Desai
03-Sep-20	458	480	12m	Buy	Ashit Desai
21-May-20	314	336	12m	Buy	Ashit Desai
14-Apr-20	276	310	12m	Buy	Ashit Desai
08-Apr-20	281	310	12m	Buy	Ashit Desai
30-Jan-20	366	386	12m	Buy	Ashit Desai
25-Dec-19	314	365	12m	Buy	Ashit Desai

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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