

Strong April trends a confidence booster for Street's optimism

Retail ▶ Company Update ▶ May 7, 2024

TARGET PRICE (Rs): 420

JUBI is up ~10% over the last 1 week. Our channel checks indicate considerable pick up in order growth for Domino's in Apr-24 and continued traction should help it deliver a low-to-mid-teen topline growth in FY25E (vs. 5-6% in FY24E). Initiatives such as free delivery (for order value >Rs149), a 4-course meal @Rs99, and loyalty program (cheesy rewards) are likely to propel this order growth albeit at the cost of a single-digit decline in bill-size. In our view, the gross-margin impact of the delivery waiver could be partially or fully offset by operating leverage on fixed expenses (employee costs, rentals, etc) and by gross-margin gains from the new Bangalore commissary (Exhibit 1). Though we do not see much scope for increase in Street estimates, the growth revival phase should drive a ~15% re-rating, in our view. Given the sustaining trends, there is ~30% upside to our TP, but we remain conservative for now. Faster expansion for Hong's and better traction in DP Eurasia hold potential upside.

Jubilant FoodWorks: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	43,311	50,960	53,746	59,530	68,595
EBITDA	11,046	11,592	11,281	12,968	15,148
Adj. PAT	4,448	4,028	2,865	3,497	4,438
Adj. EPS (Rs)	6.7	6.1	4.3	5.3	6.7
EBITDA margin (%)	25.5	22.7	21.0	21.8	22.1
EBITDA growth (%)	44.1	4.9	(2.7)	15.0	16.8
Adj. EPS growth (%)	90.4	(9.4)	(28.9)	22.1	26.9
RoE (%)	24.7	19.0	12.8	14.1	16.0
RoIC (%)	142.0	73.7	40.4	39.4	45.9
P/E (x)	71.2	78.7	110.6	90.6	71.4
EV/EBITDA (x)	28.1	27.0	27.9	24.2	20.5
P/B (x)	15.1	14.8	13.5	12.1	10.8
FCFF yield (%)	1.4	0.5	0.9	2.0	2.6

Source: Company, Emkay Research

Delivery waiver, the Rs99 meal, loyalty rewards likely driving growth revival

Our channel checks suggest a low-to-mid-teens order growth for Domino's in Apr-24, likely enabled by the launch of initiatives such as free delivery (order value above Rs149), a 4-course meal @Rs99, and loyalty program (cheesy rewards). However, waiver of delivery charge (Rs35/order) and promotions have led to decline in the average bill size, which is likely resulting in a low double-digit growth for Domino's. While the delivery waiver entails a margin implication, we believe the operating leverage corresponding to order-count increase and gross-margin benefits from commissioning of the new Bangalore commissary would partially or fully offset the impact. Notably, JUBI expects payback period of four years for its Rs2.5bn investment in the commissary.

Growth in the Pizza category encouraging; Domino's doing better vs. Pizza Hut

Revival of growth in the Pizza category comes as a positive development, as the overall listed QSR space has seen 10% growth in 9MFY24 vs. ~15% CAGR over FY20-23, amid inflation-led demand woes. Listed Pizza players (Domino's/Pizza Hut) logged even slower growth, of ~4%, due to high competition in the category and higher price hikes. Within the listed Pizza category, Domino's has performed better even in an uncertain environment and recouped ~50bps of lost share in 9MFY24 vs. Pizza Hut (Exhibit 5).

Faster expansion of new formats (Hong's/Dunkin') a potential upside

After seeing slow network expansion over a long time-period now, new formats (Hong's/Popeyes/Dunkin') are seeing encouraging signs of accelerated network expansion. JUBI has added 4/9/19 stores for Dunkin'/Hong's/Popeyes in 9MFY24. While Popeyes too has entered multiple cities (10), Hong's is still restricted to the Delhi-NCR region, with faster expansion and entry into new cities remaining a potential upside.

Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(12.6)
CMP (07-May-24) (Rs)	480.3

Stock Data	Ticker
52-week High (Rs)	587
52-week Low (Rs)	421
Shares outstanding (mn)	659.8
Market-cap (Rs bn)	317
Market-cap (USD mn)	3,795
Net-debt, FY24E (Rs mn)	-1,914
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	1,466.8
ADTV-3M (USD mn)	17.6
Free float (%)	58.0
Nifty-50	22,303
INR/USD	83.5
Shareholding, Mar-24	
Promoters (%)	41.9
FPIs/MFs (%)	23.2/26.1

Price Performance			
(%)	1M	3M	12M
Absolute	4.3	0.9	3.3
Rel. to Nifty	5.3	(0.8)	(16.3)

1-Year share price trend (Rs)



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Exhibit 1: Sustained growth trends are likely to lead to 5-7% increase in our EBITDA/EPS estimates; continuation of these trends would help JUBI deliver a mid-teens topline growth in FY25E; gross-margin impact of the delivery waiver is likely to be partially or fully offset by operating leverage on fixed expenses (employee costs, rentals, etc) and by gains from the new Bangalore commissary

JUBI (Standalone); Rs mn	FY24E	FY25E Existing	FY25E Potential	YoY (%)	Change (%)
Orders (no. of)	1.00	1.11	1.20		
ABS	100	100	96		
Revenue	100	111	115	15.2	4.0
COGS	23.6	25.8	28.3		
Commissary/RM benefit			-1.0		
Gross Profit	76.4	85.0	87.9	15.0	3.4
Gross Margin (%)	76.4	76.7	76.3		
Order linked expenses*	9.7	10.0	11.6		
% of sales	9.7	9.0	10.1		
Non-order linked expenses*	38.8	43.5	43.5		
% of sales	38.8	39.2	37.7		
Variable expenses*	14.6	16.0	16.6		
% of sales	14.6	14.4	14.4		
EBITDA	13.3	15.6	16.1	21.8	3.8
EBITDA margin (%)	13.3	14.0	14.0		
PAT	5.3	6.5	7.0	30.4	6.8
Margin (%)	5.3	5.9	6.0		

Source: Emkay Research; Note: *Order linked expenses include packaging, delivery, etc; non-order linked expenses include Employee costs, Rentals, etc; variable expenses include Advertisement, Royalty, etc

Exhibit 2: JUBI waives delivery fees for orders > Rs149



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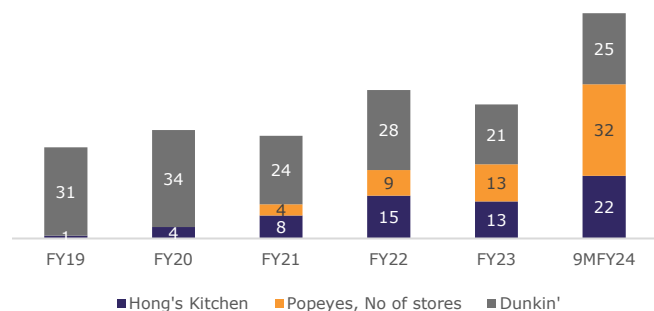
What's even cheesier? Get free delivery on a minimum order of ₹149 🍕👉

Source: Social media platform, Emkay Research

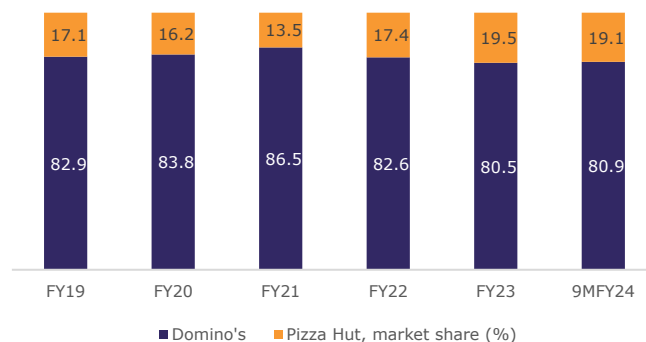
Exhibit 3: Domino's introduces 4-course meal @Rs99



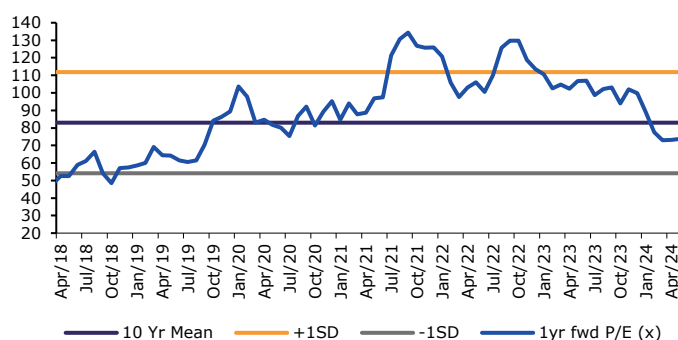
Source: Social media platform, Emkay Research

Exhibit 4: New formats (Hong's/Popeyes/Dunkin') seeing initial trends of an accelerated expansion

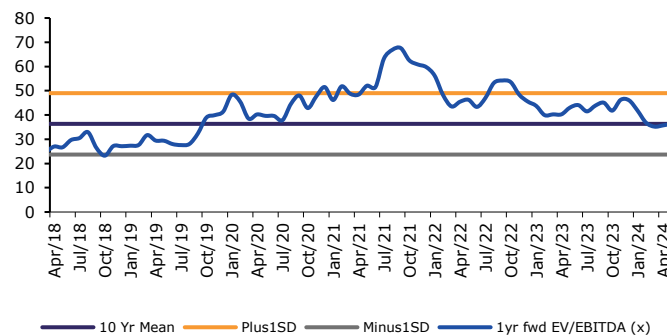
Source: Company, Emkay Research

Exhibit 5: Domino's recouping lost share vs. other pizza players; market share up by 40bps over 9MFY24 vs FY23

Source: Company, Emkay Research

Exhibit 6: One-Year forward PER

Source: Company, Emkay Research; Note: PER is based on consensus estimate

Exhibit 7: One-Year forward EV/EBITDA

Source: Company, Emkay Research; Note: EV/EBITDA is based on Pre-IndAS Emkay EBITDA

Exhibit 8: Peer Comparison

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	P/E (x)			EV/EBITDA (x) Pre IndAS-116		
					FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Jubilant FoodWorks	480	317	Sell	420	110.6	90.6	71.4	44.0	37.5	31.2
Devyani International	162	195	Reduce	165	244.5	106.7	69.7	49.4	35.8	27.0
Westlife Foodworld	885	138	Buy	900	199.4	181.0	88.7	51.5	45.8	32.2
Sapphire Foods	1,413	90	Buy	1,700	162.2	73.7	49.4	35.9	26.5	20.0

Source: Company, Emkay Research; *Pre IndAS-116 EBITDA

Jubilant FoodWorks: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	43,311	50,960	53,746	59,530	68,595
Revenue growth (%)	32.5	17.7	5.5	10.8	15.2
EBITDA	11,046	11,592	11,281	12,968	15,148
EBITDA growth (%)	44.1	4.9	(2.7)	15.0	16.8
Depreciation & Amortization	3,830	4,753	5,594	6,251	6,970
EBIT	7,216	6,839	5,687	6,717	8,178
EBIT growth (%)	80.7	(5.2)	(16.8)	18.1	21.8
Other operating income	0	0	0	0	0
Other income	407	497	310	341	375
Financial expense	1,730	1,951	2,166	2,382	2,621
PBT	5,893	5,385	3,831	4,676	5,933
Extraordinary items	(73)	(466)	0	0	0
Taxes	1,444	1,356	965	1,178	1,495
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	4,375	3,562	2,865	3,497	4,438
PAT growth (%)	87.2	(18.6)	(19.6)	22.1	26.9
Adjusted PAT	4,448	4,028	2,865	3,497	4,438
Diluted EPS (Rs)	6.7	6.1	4.3	5.3	6.7
Diluted EPS growth (%)	90.4	(9.4)	(28.9)	22.1	26.9
DPS (Rs)	1.2	1.2	1.1	1.3	1.7
Dividend payout (%)	18.1	22.2	25.0	25.0	25.0
EBITDA margin (%)	25.5	22.7	21.0	21.8	22.1
EBIT margin (%)	16.7	13.4	10.6	11.3	11.9
Effective tax rate (%)	24.5	25.2	25.2	25.2	25.2
NOPLAT (pre-IndAS)	5,448	5,116	4,254	5,024	6,118
Shares outstanding (mn)	659.8	659.8	659.8	659.8	659.8

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	5,893	5,385	3,831	4,676	5,933
Others (non-cash items)	3,830	4,753	5,594	6,251	6,970
Taxes paid	(1,095)	(1,513)	(1,113)	(1,348)	(1,691)
Change in NWC	(431)	32	(119)	118	281
Operating cash flow	8,905	8,904	10,049	11,738	13,738
Capital expenditure	(4,166)	(7,310)	(7,000)	(5,000)	(5,000)
Acquisition of business	(3,223)	1,745	0	0	0
Interest & dividend income	407	497	310	341	375
Investing cash flow	(7,164)	(5,296)	(6,690)	(4,659)	(4,625)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	5	1	2	2
Payment of lease liabilities	(3,297)	(3,745)	(4,157)	(4,610)	(5,094)
Interest paid	0	0	0	0	0
Dividend paid (incl tax)	(792)	(790)	(716)	(874)	(1,109)
Others	2,573	(2,147)	(128)	0	0
Financing cash flow	(1,516)	(6,678)	(5,000)	(5,483)	(6,202)
Net chg in Cash	225	(3,070)	(1,641)	1,596	2,911
OCF	8,905	8,904	10,049	11,738	13,738
Adj. OCF (w/o NWC chg.)	9,336	8,872	10,167	11,620	13,457
FCFF	4,740	1,594	3,049	6,738	8,738
FCFE	3,416	140	1,193	4,697	6,492
OCF/EBITDA (%)	80.6	76.8	89.1	90.5	90.7
FCFE/PAT (%)	76.8	3.5	41.6	134.3	146.3
FCFF/NOPLAT (%)	87.0	31.2	71.7	134.1	142.8

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	1,320	1,320	1,320	1,320	1,320
Reserves & Surplus	19,715	20,135	22,156	24,779	28,107
Net worth	21,035	21,455	23,476	26,099	29,427
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(571)	(779)	(895)	(1,030)	(1,184)
Total debt	5	10	11	13	14
Total liabilities & equity	20,469	20,686	22,591	25,082	28,257
Net tangible fixed assets	10,168	13,164	17,079	18,580	19,629
Net intangible assets	597	1,346	1,544	1,741	1,939
Net ROU assets	(3,488)	(3,543)	(4,259)	(4,981)	(5,724)
Capital WIP	388	1,585	1,585	1,585	1,585
Goodwill	0	0	0	0	0
Investments [JV/Associates]	8,547	6,802	6,802	6,802	6,802
Cash & equivalents	6,397	3,556	1,914	3,510	6,422
Current assets (ex-cash)	4,954	5,479	6,171	7,003	8,059
Current Liab. & Prov.	7,094	7,702	8,244	9,159	10,454
NWC (ex-cash)	(2,140)	(2,223)	(2,074)	(2,156)	(2,395)
Total assets	20,469	20,686	22,591	25,082	28,257
Net debt	(6,397)	(3,556)	(1,914)	(3,510)	(6,422)
Capital employed	20,464	20,676	22,580	25,069	28,243
Invested capital	5,137	8,743	12,290	13,184	13,448
BVPS (Rs)	31.9	32.5	35.6	39.6	44.6
Net Debt/Equity (x)	(0.3)	(0.2)	(0.1)	(0.1)	(0.2)
Net Debt/EBITDA (x)	(0.6)	(0.3)	(0.2)	(0.3)	(0.4)
Interest coverage (x)	0.2	0.3	0.4	0.3	0.3
RoCE (%)	44.1	35.7	27.7	29.6	32.1

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	71.2	78.7	110.6	90.6	71.4
P/CE(x)	41.4	39.0	40.5	35.2	30.1
P/B (x)	15.1	14.8	13.5	12.1	10.8
EV/Sales (x)	7.2	6.2	5.9	5.3	4.5
EV/EBITDA (x)	28.1	27.0	27.9	24.2	20.5
EV/EBIT(x)	46.6	49.6	59.9	50.5	41.1
EV/IC (x)	65.5	38.8	27.7	25.7	25.0
FCFF yield (%)	1.4	0.5	0.9	2.0	2.6
FCFE yield (%)	1.0	0.0	0.3	1.4	1.9
Dividend yield (%)	0.2	0.2	0.2	0.3	0.4
DuPont-RoE split					
Net profit margin (%)	10.3	7.9	5.3	5.9	6.5
Total asset turnover (x)	2.5	2.5	2.5	2.5	2.6
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	24.7	19.0	12.8	14.1	16.0
DuPont-RoIC					
NOPLAT margin (%)	12.6	10.0	7.9	8.4	8.9
IC turnover (x)	11.3	7.3	5.1	4.7	5.2
RoIC (%)	142.0	73.7	40.4	39.4	45.9
Operating metrics					
Core NWC days	(37.6)	(31.7)	(30.8)	(29.5)	(28.5)
Total NWC days	(18.0)	(15.9)	(14.1)	(13.2)	(12.7)
Fixed asset turnover	2.9	2.6	2.1	1.9	2.0
Opex-to-revenue (%)	52.0	53.2	55.4	54.9	54.9

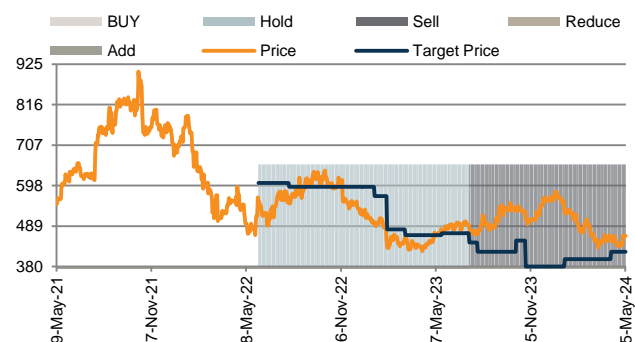
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
07-Apr-24	461	420	Sell	Devanshu Bansal
12-Mar-24	445	400	Sell	Devanshu Bansal
11-Feb-24	482	400	Sell	Devanshu Bansal
01-Feb-24	502	400	Sell	Devanshu Bansal
09-Jan-24	525	400	Sell	Devanshu Bansal
30-Nov-23	561	380	Sell	Devanshu Bansal
28-Nov-23	545	380	Sell	Devanshu Bansal
26-Oct-23	506	380	Sell	Devanshu Bansal
08-Oct-23	533	450	Sell	Devanshu Bansal
12-Sep-23	528	420	Sell	Devanshu Bansal
26-Jul-23	468	420	Sell	Devanshu Bansal
10-Jul-23	482	445	Sell	Devanshu Bansal
21-May-23	469	470	Hold	Devanshu Bansal
18-May-23	475	470	Hold	Devanshu Bansal
09-Mar-23	461	465	Hold	Devanshu Bansal
02-Feb-23	436	480	Hold	Devanshu Bansal
09-Jan-23	500	570	Hold	Devanshu Bansal
08-Nov-22	613	595	Hold	Devanshu Bansal
21-Aug-22	597	595	Hold	Devanshu Bansal
29-Jul-22	550	595	Hold	Devanshu Bansal
31-May-22	551	605	Hold	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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