

**SELL** Jubilant FoodWorks

Your success is our success

**Acquisition at a bargain; macro risks remain**Retail ▶ Company Update ▶ **November 28, 2023****TARGET PRICE (Rs): 380**

**JUBI has announced its intention to increase its stake to 100% in DP Eurasia vs. 49% currently. The 51% stake (balance) would be acquired for a consideration of Rs6.6bn at Rs88.5/share (EUR0.97/share). On successful completion, JUBI will have acquired the entire stake for ~Rs11bn (~Rs74/sh), at attractive H1 annualized EV/sales and EV/adj. EBITDA of ~1x and 8x, respectively. Further, JUBI plans to delist DP Eurasia, as its investors are concerned about geopolitical/currency risks (while JUBI sees it as a long-term investment). DP holds leadership share in Turkey and has recently exited Russia, which was its weaker market. While this acquisition gives JUBI access to a new market at attractive valuations, adverse currency movements and hyper-inflation in Turkey remain a risk. TRY has depreciated ~79% vs the INR, in the last five years. Given the volatile operating environment, we remain conservative and see the consistent delivery in DP as a potential upside. We have a SELL rating on JUBI, with TP of Rs380/share (45x Dec-25E EPS).**

**Jubilant FoodWorks: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	43,311	50,960	54,661	63,732	74,350
EBITDA	11,046	11,592	11,726	14,617	17,379
Adj. PAT	4,448	4,028	3,194	4,601	5,912
Adj. EPS (Rs)	6.7	6.1	4.8	7.0	9.0
EBITDA margin (%)	25.5	22.7	21.5	22.9	23.4
EBITDA growth (%)	44.1	4.9	1.2	24.7	18.9
Adj. EPS growth (%)	90.4	(9.4)	(20.7)	44.1	28.5
RoE (%)	24.7	19.0	14.1	18.1	20.1
RoIC (%)	142.0	73.7	43.8	49.1	59.8
P/E (x)	80.8	89.2	112.5	78.1	60.8
EV/EBITDA (x)	32.0	30.7	30.5	24.2	20.1
P/B (x)	17.1	16.8	15.2	13.2	11.4
FCFF yield (%)	1.3	0.4	1.0	2.3	3.0

Source: Company, Emkay Research

**JUBI intends to acquire balance ~51% stake in DP Eurasia for Rs6.6bn**

JUBI has announced its intention to raise its stake to 100% in DP Eurasia. It already owns 49% stake in DP, which was purchased in a staggered manner for Rs4.3bn (avg. price: Rs60/share). The balance 51% stake would be acquired in an all-cash deal for Rs6.6bn@Rs88.5/sh (Eur0.97/sh). Provided the stake purchase is successful, JUBI would have acquired 100% stake in DP Eurasia for Rs10.9bn (~Rs74/share). Business is currently at a comparable System sales/EBITDA/PAT annual run-rate of Rs15/1.5/1.3bn, and has net debt of Rs2bn (TRY/INR conversion of 2.88). The remnant stake acquisition is expected to be funded by availing a long-term loan by the Netherlands subsidiary. Parent JUBI would provide additional corporate guarantee amounting to EUR60mn for the subsidiary, in addition to the existing guarantee of ~EUR46mn.

DP Eurasia is listed on the London Stock Exchange and is an exclusive master franchisee of the Domino's Pizza brand in Turkey, Azerbaijan and Georgia. It operates 694 Domino's pizza stores (678/10/6 stores in Turkey/Azerbaijan/Georgia) and 67 COFFY (owned coffee brand) stores, as of end Oct-23. The company follows an asset-light model, with 88%/78% stores franchised under the pizza/coffee format. H1CY23 system sales stand at ~Rs7.5bn, with EBITDA of Rs0.8bn and net debt of Rs2bn.

**Strong traction in region for the pizza category; CY23 outlook upgraded**

DP Eurasia upgraded its guidance to a high-teens inflation-adjusted LFL growth for CY23 (from the earlier low-teens visibility), on the back of the strong demand environment. Organic and LFL sales momentum is expected to sustain, largely led by network expansion, volume growth and price adjustments. It also upgraded capex guidance to ~Rs576mn from ~Rs461mn earlier (TRY/INR conversion of 2.88) owing to higher investments in COFFY, largely owing to the currency depreciation impact. DP Eurasia opened 20/22 Domino's/COFFY stores in H1CY23 and expects 15-20/28-38 store openings, respectively, in H2CY23. Key focus remains on improving profitability and reducing debt. While current focus on developing business in existing markets sustains, likely expansion to other underpenetrated regions is still viewed as a future lever.

Target Price – 12M	Dec-24
<b>Change in TP (%)</b>	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(30.2)
CMP (28-Nov-23) (Rs)	544.7

Stock Data	Ticker
52-week High (Rs)	559
52-week Low (Rs)	412
Shares outstanding (mn)	659.8
Market-cap (Rs bn)	359
Market-cap (USD mn)	4,313
Net-debt, FY24E (Rs mn)	-2,234
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	1,432.7
ADTV-3M (USD mn)	17.2
Free float (%)	58.0
Nifty-50	19,890
INR/USD	83.3
<b>Shareholding, Sep-23</b>	
Promoters (%)	41.9
FPIs/MFs (%)	26.1/22.4

**Price Performance**

(%)	1M	3M	12M
Absolute	7.9	11.9	(1.5)
Rel. to Nifty	3.3	8.4	(8.3)

**1-Year share price trend (Rs)****Devanshu Bansal**devanshu.bansal@emkayglobal.com  
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**Exhibit 1: Details of the DP Eurasia acquisition**

Year	Stake Consideration (Rs mn)	% of stake acquired	No. of shares acquired	Avg. price per share (Rs)
FY21	2,527	32.81	47,779,187	53
FY22	1,222	8.51	12,392,590	99
FY23	532	7.72	11,242,162	47
FY24	6,563	50.96	74,209,917	88
Total	10,845	100.00	145,623,856	74

Source: Company, Emkay Research

**Exhibit 2: TRY has depreciated ~79% vs the INR, in the last five years**

Turkish lira to Indian Rupee



Source: Google Finance

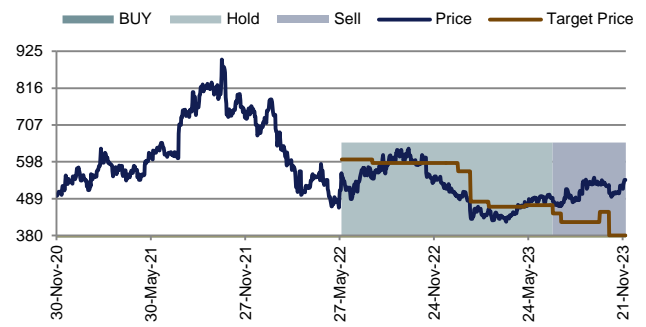


**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
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	480	445	Sell	Devanshu Bansal
21-May-23	468	470	Hold	Devanshu Bansal
18-May-23	474	470	Hold	Devanshu Bansal
09-Mar-23	459	465	Hold	Devanshu Bansal
02-Feb-23	435	480	Hold	Devanshu Bansal
09-Jan-23	498	570	Hold	Devanshu Bansal
08-Nov-22	611	595	Hold	Devanshu Bansal
21-Aug-22	595	595	Hold	Devanshu Bansal
29-Jul-22	549	595	Hold	Devanshu Bansal
31-May-22	548	605	Hold	Devanshu Bansal

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Company, Bloomberg, Emkay Research

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