

# Jubilant FoodWorks

Refer to important disclosures at the end of this report

## Popeyes - a new growth driver

<b>CMP</b>	<b>Target Price</b>
<b>Rs 2,869</b> as of (March 24, 2021)	<b>Rs 2,750 (■)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (■)</b>	<b>(4.2) %</b>

- JUBI has entered into an exclusive master franchise and development agreement with PLK APAC Pte. Ltd., a subsidiary of Restaurant Brands International, to develop and operate the Popeyes brand restaurants in India, Bangladesh, Nepal and Bhutan. The Popeyes brand has a strong presence in the fried chicken market in the US, and it has been growing faster with entry into new markets.
- In our view, Popeyes can substantially increase the addressable market size for JUBI. The Chain QSR Chicken market size is estimated at more than Rs30bn, in which KFC is a major player with ~Rs20bn in revenues. Recently, Westlife Development has also entered into this space in South India.
- Founded in 1972, Popeyes is famous for its iconic chicken sandwich and other chicken offerings, such as spicy chicken and chicken tenders. It has a strong presence in the US (~2,500 stores) but currently has a smaller network of stores globally (at ~3,500 stores vs. 24,000+ restaurants of KFC). It has average revenue/store of USD1.4mn vs. USD1.2mn for KFC (based on CY19 global system-wide sales). Popeyes operates at 16-17% store-level margins in the US (CY18 data) and has a payback period of 4-5 years there.
- Popeyes offers JUBI a new growth driver with a relatively young brand and a large addressable market. However, we believe Popeyes is smaller and lesser known outside the US, and JUBI would need to invest strongly to establish the brand and scale up the franchise in India. Management expects that Popeyes, along with four other brands – Domino's, Dunkin' Donuts, Hong's Kitchen and Ek dum - would offer cost synergies and higher bargaining power for rentals/store locations at food courts, etc.
- JUBI's recent aggression with the launch of new formats/brands offers better growth outlook over the medium term. Though the scale-up plans for Popeyes are not yet indicated, we believe the expansion is likely to be reasonably aggressive and may drive some upsides to our revenue forecasts. The stock currently trades at 53x FY23E EPS. We have a Buy rating on the name. **Key risk:** Lack of success in new formats/brands can be margin-dilutive.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail](#)

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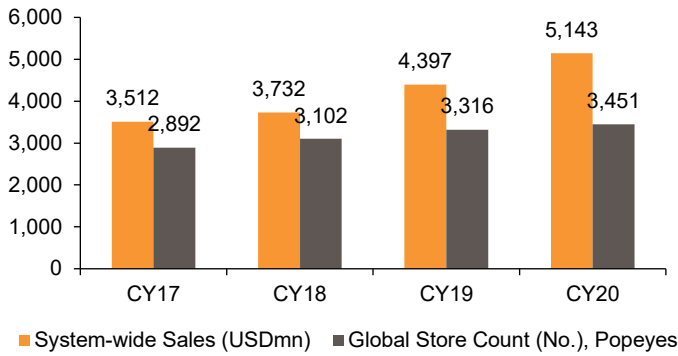
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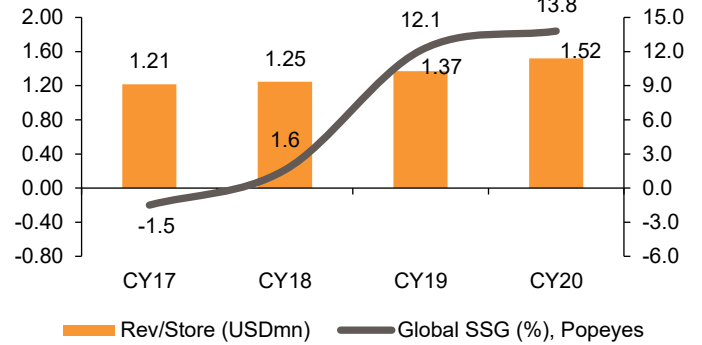
## Story in Charts

**Exhibit 1: Popeyes has been growing fast with system-wide sales of USD5bn and ~3,500 store network**



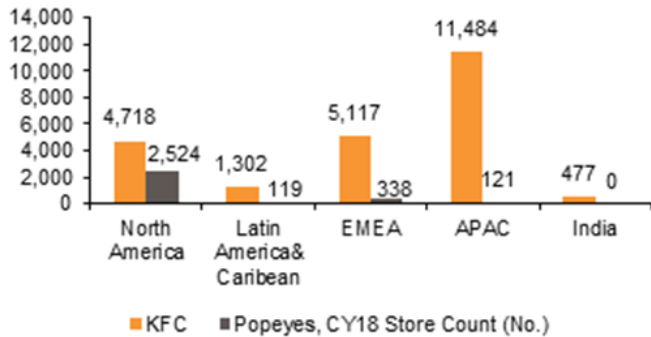
Source: RBI Annual/Quarterly reports, Emkay Research

**Exhibit 2: Popeyes has delivered strong SSG growth of 12-14% over the last two years and has higher unit revenues than KFC**



Source: RBI Annual/Quarterly reports, Emkay Research

**Exhibit 3: Opportunity for expansion remains in APAC region with huge store count differential vis-à-vis KFC**



Source: RBI CY19 investor day PPT, Emkay Research

**Exhibit 4: Per-unit metrics are attractive and Rev/store is better than KFC global average**

Particulars	US Unit Metrics- Popeyes, CY18
Avg. Rev/Store (USD mn)	1.4
4-Wall (Store) EBITDA (USD mn)	0.23
4-Wall Margins (%)	16.4
Average Payback	4-5 Years

Source: RBI CY19 investor day PPT, Emkay Research

**Exhibit 5: Popeyes' crispy chicken variants; similar to KFC**

**US Comparable Sales Drivers**

Bone-In

Boneless

Delivery

Source: RBI CY19 investor day PPT, Emkay Research

**Exhibit 6: Chicken sandwich which has been very successful driving strong SSG**



Source: RBI CY19 investor day PPT, 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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Sources for all charts and tables are Emkay Research unless otherwise specified.

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