

# Result Update

Q4 FY23

**Jubilant Foodworks Ltd.**

Institutional  
Research

## Margin Pressure Persists

Revenue grew 8.0% YoY to Rs. 1,269.8 crores in Q4FY23 owing to higher store additions this year along with double-digit growth in orders. However, weak consumer sentiment as showcased by the decrease in average ticket size and negative LFL growth of 0.6% curbed the company's trend of reporting double-digit revenue growth this quarter. This can be reflected by Domino's LFL ADS declining to Rs. 81,430 this quarter as compared to Rs. 85,756 in Q3FY23. The GP margin decelerated 166 bps YoY to 75.6% in Q4FY23 owing to elevated cheese prices while on a sequential basis, the company restricted this decline to 14 bps through its timely intervention on food cost line items, data-related efficiencies, and declining prices in other commodities. Due to this adverse operating leverage, the EBITDA fell 13.0% QoQ / 14.0% YoY to Rs. 249.1 crores in Q4FY23 while the EBITDA margin declined to 19.6% as against 24.6% in Q4FY22. A weak EBITDA and an impairment charge of Rs. 20 crores in its Sri-Lankan subsidiary led to the PAT declining to 28.5 crores in Q4FY23 (down 64.5% QoQ / 70.3% YoY), while its PAT margin stood at 2.3% in the quarter compared to 8.2% in Q4FY22. The board of directors recommended a dividend of Rs. 1.2 per equity share.

## Valuation and Outlook

As per our expectations, Jubilant Foodworks Ltd. reported subdued ADS and negative LFL growth of 0.6% in Q4FY23 owing to weaker consumer demand as reflected in the earlier festive quarter too. Along with this, the margins continued to remain under pressure in the near term due to high inflation in wheat and dairy prices and no further price hikes taken by the company. The EBITDA margin declined to 19.6% in Q4FY23 compared to 24.6% in Q3FY23, while the revenue failed to beat market expectations. In the QSR space, we remain cautious over the near-term, considering inflation headwinds and weak volume-driven growth owing to an overall subdued demand. Also, with the company actively increasing its local marketing activities and re-imaging its old stores, we would continue to monitor the dine-in mix of the company. However, in the long term, we remain optimistic about the business on the back of its (1) Popeyes expansion plan (highly underpenetrated category) (2) aim to bring LFL in the range of 6-8% rather than focusing on margin gains in the short term (3) focus on increasing its dine-in mix and (4) enhancing delivery time (20-minutes delivery guarantee) to increase its volume-driven growth.

## Key Highlights

Particulars (Rs. crs.)	Q4FY22	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Net Sales	1,176	1,332	1,270	8.0%	-4.7%
Gross Profit	909	1,009	960	5.7%	-4.8%
Gross Margin (%)	77.3%	75.8%	75.6%	-166bps	-14bps
EBITDA	290	286	249	-14.0%	-13.0%
EBITDA Margin (%)	24.6%	21.5%	19.6%	-503bps	-189bps
PAT	96	80	29	-70.3%	-64.5%
PAT Margin (%)	8.2%	6.0%	2.2%	-592bps	-379bps

Source: Company, BP Equities Research

## Sector Outlook

Positive

## Stock

CMP (Rs.)	469
BSE code	533155
NSE Symbol	JUBLFOOD
Bloomberg	JUBI IN
Reuters	JUBI.BO

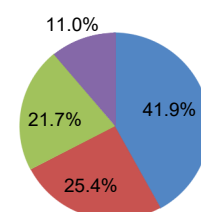
## Key Data

Nifty	18,203
52 Week H/L (Rs.)	652 / 412
O/s Shares (Mn)	660
Market Cap (Rs. bn)	309
Face Value (Rs.)	2

## Average Volume

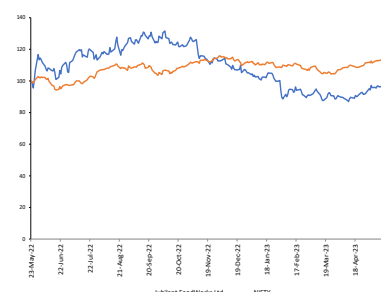
3 months	23,27,240
6 months	22,10,890
1 year	29,94,390

## Share Holding (%)



■ Promoters ■ FII ■ DII ■ Others

## Relative Price Chart



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# Jubilant Foodworks Ltd.

# Result Update Q4FY23

## Key Concall Highlights

- Margin pressure sustained in Q4FY23 due to elevated cheese and dairy prices along with weaker consumer sentiment as reflected in the previous quarter as well. The company expects the cheese prices to remain elevated in the next two quarters as well.
- Compared to pre-Covid period, cheese prices were up 40%, flour prices rose 28%, and chicken and paper box prices were up 30% in FY23.
- The management aims on strengthening its value offerings (e.g. Pizza Mania launch) and improve its LFL growth going forward. Along with this, the company is having tight control over every single line of its cost and enhancing its productivity through Project Vijay to retain its margins.
- The company added 54 net new stores in Domino's while the LFL growth declined to a negative 0.6% in Q4FY23. The company reported LFL growth and SSSG growth at 8.9% and 6%, respectively, in FY23.
- Popeyes expanded to 13 stores, with one new opening in Chennai in Q4FY23.
- The company launched 20-minutes delivery service guarantee in Bengaluru which is a first in India and also global Domino's franchisees.
- The company is on schedule to commission its Bengaluru commissary through which it would be able to serve 750+ stores in the region.
- JFL aims on opening 200-225 new Domino's stores in India and 30-35 new Popeyes stores in FY24.
- As the GP margins had a marginal hit on a sequential basis, the management remains confident on protecting its GP margin and thus indicated no further price hikes for Q1FY24.
- Capex is expected to remain on the higher side in the range of Rs. 700-800 crores on account of investing in the Mumbai commissary which like the Bengaluru commissary will be in the range of Rs. 250-270 crores.
- Other expenses were on the steeper side this quarter due to higher marketing costs and an increase in the variable manpower mix.

## Key Financials

YE March (Rs. crs.)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	3,312	4,396	5,158	5,982	6,867
Growth %		32.7%	17.3%	16.0%	14.8%
EBIDTA	780	1,117	1,152	1,391	1,651
Growth%		43.2%	3.1%	20.8%	18.7%
Net Profit	231	418	353	509	656
Growth %		81.4%	-15.6%	44.3%	28.8%
Diluted EPS	3.6	6.4	5.4	7.7	9.6

## Profitability & Valuation

EBIDTA (%)	23.6%	25.4%	22.3%	23.3%	24.0%
NPM (%)	7.0%	9.5%	6.8%	8.5%	9.6%
ROE (%)	18.2%	24.9%	17.7%	21.2%	22.8%
P/E (x)	130.2	73.3	86.9	61.2	49.1
EV/EBITDA (x)	51.1	32.7	6.9	23.8	20.1
Net Debt/EBITDA (x)	1.3	1.3	1.9	-0.3	-0.6

Source: Company, Bloomberg Estimates



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**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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