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5 MIN STOCK IDEA

JUBILANT FOODWORKS

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5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

JUBILANT FOODWORKS

WHAT WE LIKE

UNDISPUTED MARKET LEADER IN QSR SPACE

- **70% market share in pizza segment**
- **Exclusive rights** In India, Sri Lanka, Bangladesh & Nepal
- **Present in 322 cities, 1500 stores**
- Plans to open 1500 more stores in coming years as not present in 500 towns of > 1 lac population
- Economies of Scale

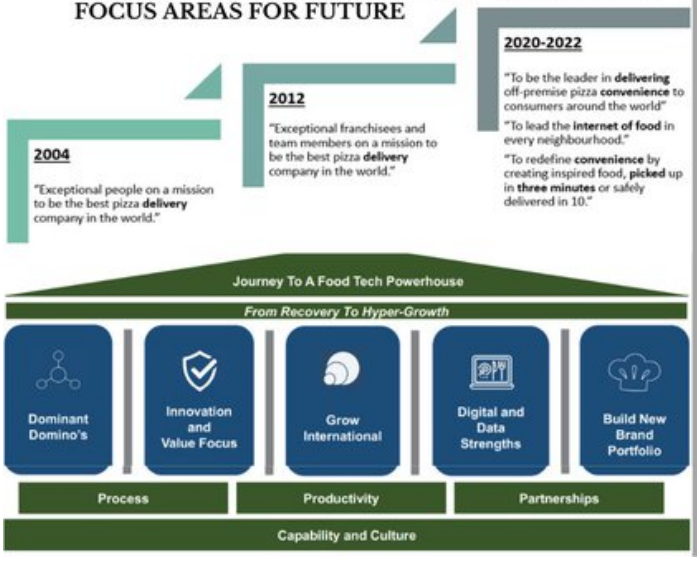
STRONG DELIVERY NETWORK & OPERATIONS

- **Strong grip on delivery and logistics**
- The **3rd most downloaded food ordering app** with More than 80 Mn downloads on the phone. Zomato & Swiggy are 100-150 Mn each.
- For orders made through Zomato & Swiggy, **Jubilant makes sure that their delivery person delivers the order.**
- **Constant investment in innovation and tech, drive better ROI on marketing.**

NEW BRANDS ADDED OVER THE YEARS

- **Dunkin' Donuts:** Serves donuts, coffee, beverages, sandwiches etc
- **Hong's Kitchen:** Serves chinese cuisine segment
- **Chefboss:** Ready to cook sauces, pastes & gravies
- **Ekdum:** Serves large range of biryanis, kebabs, etc.
- **Popeyes: 3rd largest fried chicken brand in USA. Exclusive rights** for India, Bangladesh, Nepal & Bhutan

MISSION STATEMENT STRESSING DELIVERY, LOGISTICS & CUSTOMER EXPERIENCE & KEY FOCUS AREAS FOR FUTURE



WHAT WE DON'T LIKE

RAPID GROWTH IN NEW STORES MAY DENT METRICS

ADS, SSSG & Brand contribution margins are the key metrics to measure the performance of any QSR. **However, when you are in a hyper expansionary mode, all these metrics become difficult to track as new stores take time to mature and produce the desired levels of results.**

FAST RISING COMPETITION IN PIZZA SPACE

Pizza is the hottest QSR category in India & the world. **There is stiff competition arising from regional players and also old rival Pizza-Hut. given the popularity of the segment.**

Today, the store count of Domino's is 2.5x Pizza Hut and Revenue is 6x. **But that doesn't give it a license to take it easy. Recent changes in the strategy of Pizza Hut** like focusing more on delivery segment vs dine-in makes it a far more formidable competitor than ever before.

COST PRESSURE IN INFLATIONARY ENVIRONMENT

If the inflation remains high for long, there is no denying the fact that it will lead to higher levels for almost all of Jubilant's raw material input prices. **One can expect some of the price rise can be passed on to consumers due to the Domino's brand. However, it is fair to assume that there will be sustained margin pressure in a prolonged inflationary scenario.**

CEO RESIGNATION

Pratik Pota, the CEO since 2017 & the man behind the success of Domino's in the last 5 years have resigned recently. That's not a good situation for the company given the sudden development of this situation. **However, we at SSS believe that a similar situation arose in 2016, and company eventually managed to deal with it. It's reasonable to expect something similar here.**

STRETCHED VALUATION

At Rs ~35,000 Cr market cap, Jubilant is trading at 8 times TTM Sales. However, some of its recently listed peers are trading at even higher multiples. This is one big risk of fast-growing companies trading at high valuation. **1 or 2 quarters of growth disappointment can lead to a significant de-rating. While expecting these businesses to available cheap is very difficult, it is important to differentiate between paying up and overpaying.**