

Wednesday, January 25, 2017 | special comment

## AmRest – Restaurant Operator Buys French Pizza Hut Delivery Franchise

Rating: buy | target price: PLN 334.00 | current price: PLN 319.00

**EAT PW; EATP.WA | Retail, Poland**

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This morning AmRest announced it had acquired a 100% stake in Pizza Topco France, the exclusive master franchisee of Pizza Hut Delivery restaurants across France, for an estimated price of EUR 14m (PLN 61m). The deal covers seven equity restaurants, 123 franchise locations, and Topco's master franchise agreement with Pizza Hut Delivery with the option to add the Pizza Hut Express concept in the future. Adding a new market to AmRest's geographic portfolio, the acquisition is consistent with the Company's strategy to accelerate the expansion of the Pizza Hut franchise. Pizza Topco France generated estimated revenue of EUR 14.5m (PLN 63.4m) in 2016. Assuming zero debt and pricing at 7x EV/EBITDA, the French franchise generates EBITDA margin of roughly

14.3%. Based on the sales data and the number of restaurants sold, Topco's estimated quarterly revenue per location at PLN 568,000 is lower than the average achieved by AmRest (PLN 1,072,000 in Q4 2016). According to information provided by YUM! Brands, per our estimates, there are currently 190 KFC restaurants in business in France (52 locations owned by YUM! Brands and 138 franchise locations) which AmRest may want to acquire in the future. The acquisition of Pizza Topco does not affect much our 2017 earnings outlook for AmRest, but it does boost the Company's earnings potential in the medium term. Given the plans by YUM Brands! to sell about 2,150 owned restaurants worldwide to franchisees by 2018, we expect AmRest to continue its M&A activity in the future

#### List of abbreviations and ratios contained in the report.

**EV** – net debt + market value (EV – economic value)  
**EBIT** – Earnings Before Interest and Taxes  
**EBITDA** – EBIT + Depreciation and Amortisation  
**PBA** – Profit on Banking Activity  
**P/CE** – price to earnings with amortisation  
**MC/S** – market capitalisation to sales  
**EBIT/EV** – operating profit to economic value  
**P/E** – (Price/Earnings) – price divided by annual net profit per share  
**ROE** – (Return on Equity) – annual net profit divided by average equity  
**P/BV** – (Price/Book Value) – price divided by book value per share  
**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents  
**EBITDA margin** – EBITDA/Sales

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**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

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