

Friday, July 26, 2019 | special comment

## AmRest - Preliminary Sales Figures for Q2 2019

Rating: buy | target price: PLN 48.00 | current price: PLN 39.85

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

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- AmRest increased sales by an estimated 32.5% in Q2 2019 relative to the same year-ago period, indicating revenues outpaced our estimate by 2% owing to faster-than-anticipated expansion in Spain and in 'Other' sales (we suspect the main driver here was the Polish food delivery Website pizzaportal.pl). Given the minor beat in topline, we keep our Q2 EBITDA growth estimate intact at 28%.**
- Second-quarter sales totaled EUR 482.8m after a y/y rebound of 32.5%,** and after adjustment for acquisitions the comparable topline figure showed 18.3% growth at EUR 430.9m. AmRest experienced fast-paced expansion across all of its key divisions in Q2, with the strongest momentum registered in Western Europe (consolidation of Sushi Shop), the 'Other' category (pizzaportal.pl), Russia (acquisitions), and China (more new openings).
- Average revenue per restaurant in Q2 was up 2.8% on the year at EUR 0.223m.** By division, sales per location increased the most in Western Europe (consolidation of KFC France, improved efficiency) and Spain (organic rise in efficiency), but registered declines in Russia (consolidation of franchise restaurants) and China (due to a large number of new openings). CEE restaurants as well experienced small contraction in average sales (development of lower-sales formats).

### Preliminary 2019 Q2 revenue by division

(EUR m)	Q2'19	Q2'18	y/y change	
			PLN	LCU
CEE	203.3	172.3	18.0%	19.1%
WE	195.7	125.1	56.5%	56.5%
Spain	68.0	56.8	19.8%	
Russia	52.0	42.4	22.6%	19.9%
China	24.3	20.1	21.2%	22.3%
Other	7.5	4.4	68.8%	69.6%
<b>Total</b>	<b>482.8</b>	<b>364.3</b>	<b>32.5%</b>	<b>32.8%</b>
<b>Total*</b>	<b>430.9</b>	<b>364.3</b>	<b>18.3%</b>	

Source: AmRest, Dom Maklerski mBanku; \*After adjustment for acquisitions

### Restaurant count by geographic division and revenues per restaurant (EUR)

	Restaurants		y/y	Sales/restaurant		y/y
	Q2'19	Q2'18		Q2'19	Q2'18	
CEE	903	765	18.0%	0.227	0.228	-0.5%
WE	961	698	37.7%	0.205	0.181	13.7%
Spain	333	286	16.4%	0.206	0.201	2.5%
Russia	253	193	31.1%	0.209	0.288	-27.5%
China	64	49	30.6%	0.383	0.418	-8.4%
<b>Total</b>	<b>2,181</b>	<b>1,705</b>	<b>27.9%</b>	<b>0.223</b>	<b>0.217</b>	<b>2.8%</b>

Source: AmRest, Dom Maklerski mBanku

**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

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market  
**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**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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