

Not Rated

PT Sarimelati Kencana (PZZA IJ)

Driving Growth: PZZA's Ristorante Strategy and Cost Management Success

- PZZA showed encouraging sales performance in Nov-Dec24, signaling a recovery that is expected to result in a net profit for 4Q24.
 - Strategic store adjustments to the Ristorante format yielded positive results, driving a higher revenue generation.
 - Amid challenging market conditions, PZZA reduced its break-even point by 20%, demonstrating effective cost management.
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- We met with PZZA and observed that monthly sales in Nov and Dec24 showed encouraging growth, reaching Rp240bn in Nov24 and Rp300bn in Dec24 (vs. Rp205bn in Nov23). Mgmt. expects this performance to enable PZZA to report a net profit in 4Q24, compared to a net loss of Rp96.7bn in 9M24.
 - As of Jan25, daily sales have maintained solid growth. The company remains optimistic to achieve its FY25 revenue growth guidance of 7% yoy with positive earnings. In early Jan25, PZZA introduced a new pizza variant, Musang King, which was well received and contributed to revenue growth.
 - By the end of Oct24, the company had transitioned approximately 30 outlets (out of total 595 outlets) to the Ristorante format. These outlets experienced less impact from the boycott, resulting in faster recovery and higher revenue generation. For FY25, the company plans to continue this strategy by converting several Pizza Hut Restaurant (PHR) outlets to Ristorante format and closing underperforming PHR and Pizza Hut Delivery (PHD) outlets.
 - Amidst challenging conditions and intermittent boycotts, PZZA focused on cost management, successfully lowering its break-even point by 20% to Rp240bn/month. This was mainly achieved from labor efficiency.
 - From a geographic perspective, stores in Sulawesi, Bali and Kalimantan demonstrated strong growth, whereas those in Sumatera and Java continued to underperform.

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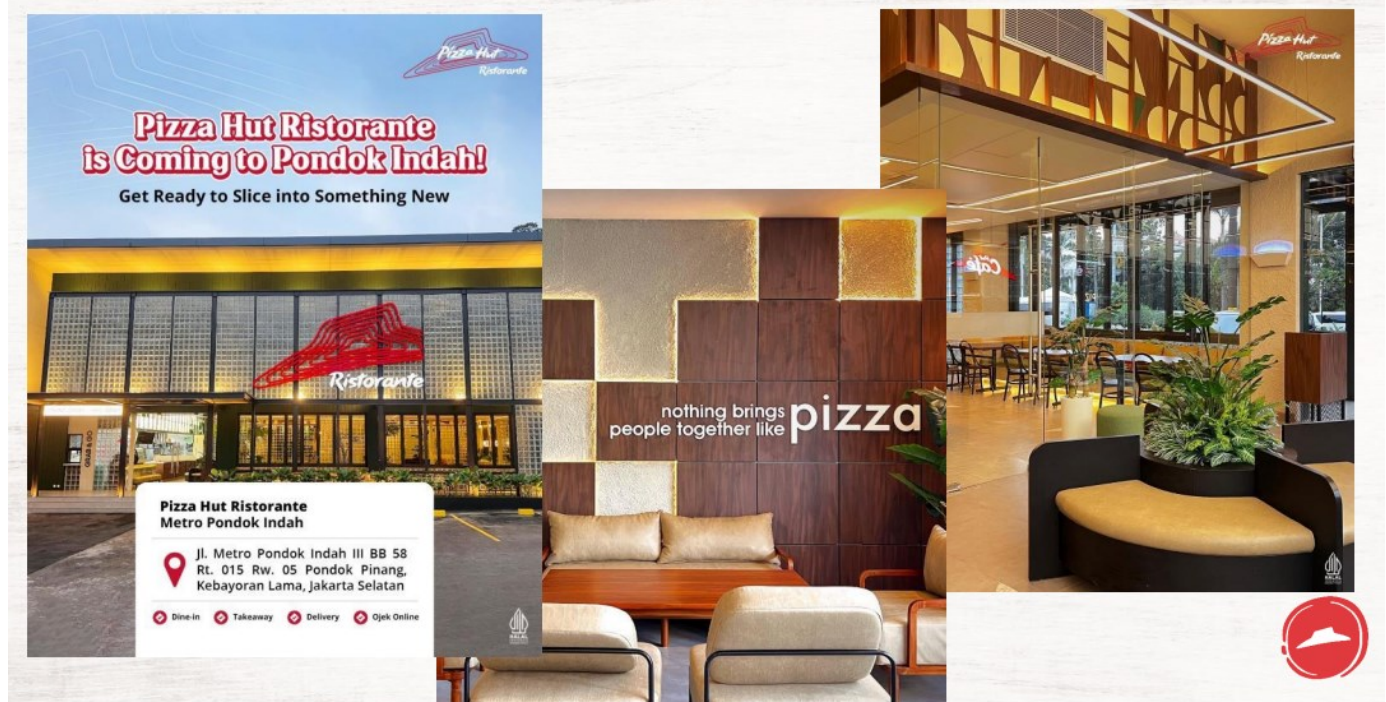
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Exhibit 1. New Menu Launched in 1Q25 – Musang King



Source: Company

Exhibit 2. Ristorante by Pizza Hut



Source: Company

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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