

## JustKitchen Holdings Corp. (JK-V) First International Expansion into Hong Kong

May 10, 2021

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- JustKitchen announced this morning that it has entered into an agreement to open its first ghost kitchen location in Hong Kong. We believe Hong Kong is an ideal market into which to expand given its:
  - High Density:** With a population of 7.5 million, HK has a very high population density. While the "official estimates" are ~7000 people per square kilometre, if one just looks at the developed areas of HK, it is closer to 66,000 people/Km, which is more densely populated than Taipei. JK will initially focus on the North Point area in the Eastern District that is populated with residential high-rise buildings and office towers.
  - Culture of Delivery:** Perhaps because of its high density, as well as its culture, Hong Kong has a culture of dining-out/delivery that is similar to Taiwan. Even better than Taiwan, however, is that alcohol delivery is permitted in Hong Kong and will be included in JK's product offering.
  - Expansion of Distribution Relationships:** JK is expected to extend its current distribution relationships to Hong Kong. As we noted, in Taiwan, Foodpanda and UberEATS are by far the most prominent delivery apps. In Hong Kong, it is similar with Foodpanda (DHER – DE, NR) holding the #1 position, followed by Deliveroo (ROO – UK, NR) and UberEATS (UBER – US, NR). With the right partners, we believe JustKitchen should establish itself quickly in the Hong Kong market.
- In terms of roll-out, the company noted that it expects to open its first ghost kitchen in mid-June and anticipates that the HK market can support 6-8 locations. Note that opposed to the hub-spoke model of Taiwan, each of the locations in HK are expected to be standalone units providing the full preparation for delivery.
- Management has indicated it expects a basket size of ~\$20, larger than the \$15 being realized in Taiwan, in part due to the positive impact of alcohol sales. At similar other metrics, ie. 250 order per day, open 360 days per year, each ghost kitchen should be able to generate ~\$1.8 million of annual revenue upon maturity (ie. approximately 4 months). A full roll-out, therefore, of 8 ghost kitchens would add ~\$15 million to our revenue forecasts.
- Based on the move into Hong Kong, we are increasing our sales forecast. In particular, we have made the following assumptions for HK:
  - FY21:** 1 kitchen contributing for ~1 quarter. Revenue contribution of ~\$0.3 million;
  - FY22:** Exiting FY22 with 4 ghost kitchens with an average of 2.5 open for the year and contributing \$3.6 million in revenue;
  - FY23:** Exiting FY23 with 6 kitchens contributing \$7.3 million in revenue.
- Based on such metrics, we have increased our FY21-FY23 revenue forecast to \$12.7m, \$37.2m and \$55.2m respectively (from \$12.3m, \$33.4m and \$47.9m). We have maintained our EBITDA forecasts under the assumption that the segment profit at the HK kitchens will be offset by the increase in overhead associated with both the HK and other international expansion opportunities. **Maintain Buy and raise our target price to \$3.40** (was \$3.00) based on 4x our upwardly revised FY23 sales forecast of \$55 million.

### Hong Kong Expansion

**BUY** (Unch) **\$3.40** (was \$3.00)

Recent/Closing Price	\$1.50
12-month Target Price	\$3.00
Potential Return	100%
52 Week Price Range	\$0.88 - \$1.99

#### Estimates

YE: Sept 30	FY21e	FY22e	FY23e
System Sales (\$MMs)	\$12.7	\$37.2	\$55.2
Adj EBITDA (\$MMs)	(\$5.0)	\$3.7	\$6.1

#### Valuation

	FY21e	FY22e	FY23e
EV/Sales	6.6x	2.3x	1.5x
EV/EBITDA	n/a	22.6x	13.8x

#### Stock Data

Shares Outstanding (MM)	
Basic	59.2
FD	78.9
Market Cap (\$MM)	
Basic	\$88.8
FD	\$118.4
Net Cash (\$MM)	\$5.0
EV (\$MM)	\$83.8

#### About the Company

JustKitchen operates a network of ghost kitchens in a unique hub and spoke model, allowing its proprietary delivery-only food brands and partner restaurant brands to reduce production and overhead costs, maximize efficiency, reach more customers and increase sales volume. Currently operating in Taiwan and preparing to expand throughout Asia and North America, JustKitchen combines underutilized real estate, algorithm-driven supply chain optimization and last-mile food delivery apps to reach underserved markets.

All prices in C\$ unless otherwise stated

#### Stock Performance



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As at April 30th, 2021	#Stocks	Distribution
BUY	67	76.1%
Speculative Buy	19	21.6%
Hold	1	1.1%
Sell	0	0.0%
Under Review	1	1.1%
Tender	0	0.0%
<b>Total</b>	<b>88</b>	<b>100%</b>

BUY Total 12-month return expected to be > 15%  
 Speculative Buy Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss  
 Hold Total 12-month return is expected to be between 0% and 15%  
 Sell Total 12-month return is expected to be negative  
 Under Review  
 Tender Clients are advised to tender their shares to a takeover bid or similar offer

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