



**Westlife Development Limited**  
**Analyst Meet**  
**30 March 2016**



# Disclaimer



Some of the statements herein constitute “forward-looking statements” that do not directly or exclusively relate to historical facts. These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view with caution all forward-looking statements contained herein. Westlife Development Limited does not undertake any obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise. In addition, some of the information and estimates quoted in this document have been obtained from external sources, and the same have not been independently verified by Westlife Development Limited.

# Investor day



The purpose of the meeting is to help provide you with a deeper understanding of the business by deep diving into our business drivers and by giving an overview of the strategic direction of the Company

Intention is to conduct an investor day once in two years. Shall evaluate the frequency moving forward

The data provided in the presentation will not be shared during our regular interactions and quarterly earnings calls. Updates will be provided in future investor day meetings

# Agenda



Presenters/Speakers	Title
Ankit Arora	Welcome, introductions, disclaimer & today's agenda
Amit Jatia	<ul style="list-style-type: none"><li>- Overview of the industry</li><li>- Introduction to McDonald's India and Hardcastle Restaurants</li></ul>
Smita Jatia	Strategic pillars to grow average unit volume (AUV)
Amit Jatia	Resetting unit economics to support growth
Executive Leadership Team	Q&A

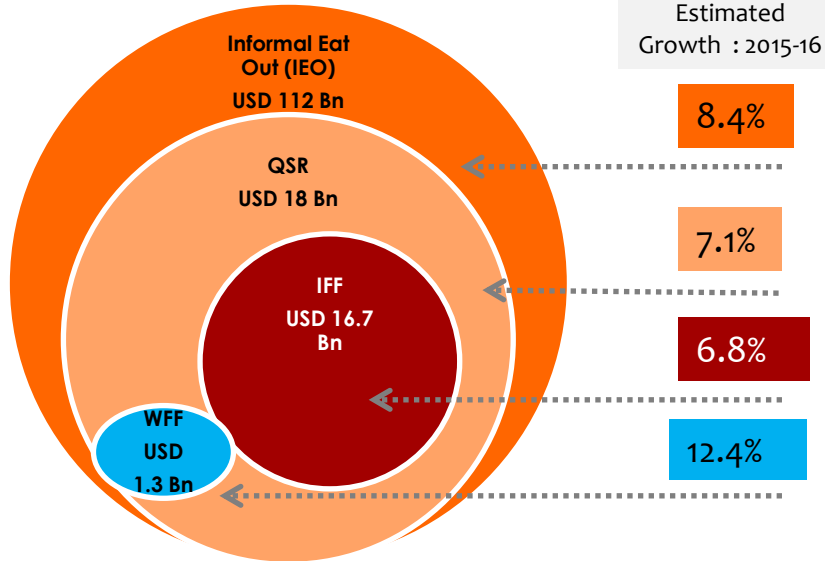


## Western Fast Food (WFF) in India

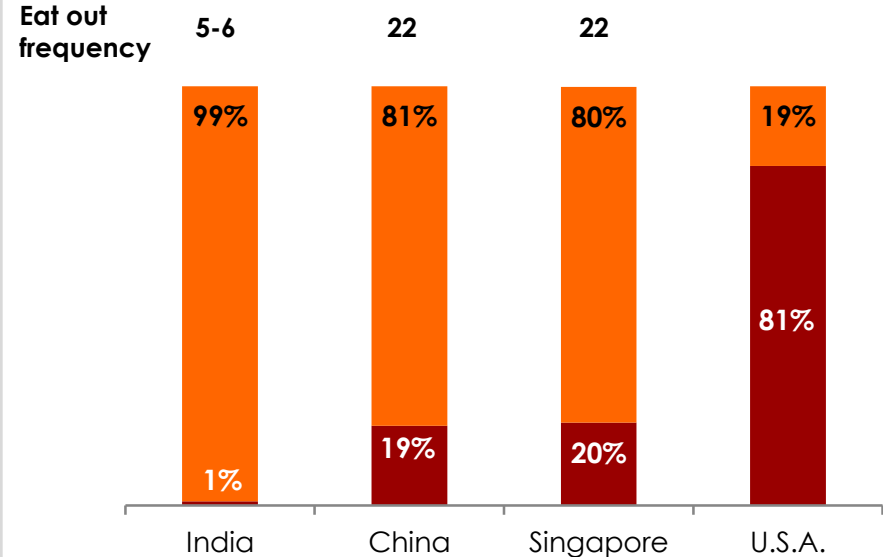
Presented by :  
Amit Jatia, Vice Chairman



# WFF – A nascent but rapidly growing category



WFF constitutes just 1% of IEO and has tremendous scope to grow<sup>1</sup>



■ Share of Western Fast Food in IEO

■ Other segments' share in IEO

Market share of WFF and eat out frequency in India is low. Recovering economy and future growth in disposable income to help drive growth







Who We Are & Our Opportunities



# McDonald's in India



**INDIA'S LEADING BURGER COMPANY  
BASED ON SALES AND UNITS**

**380+** Restaurants across India

**0.8%<sup>1</sup>** Market share in the QSR  
industry

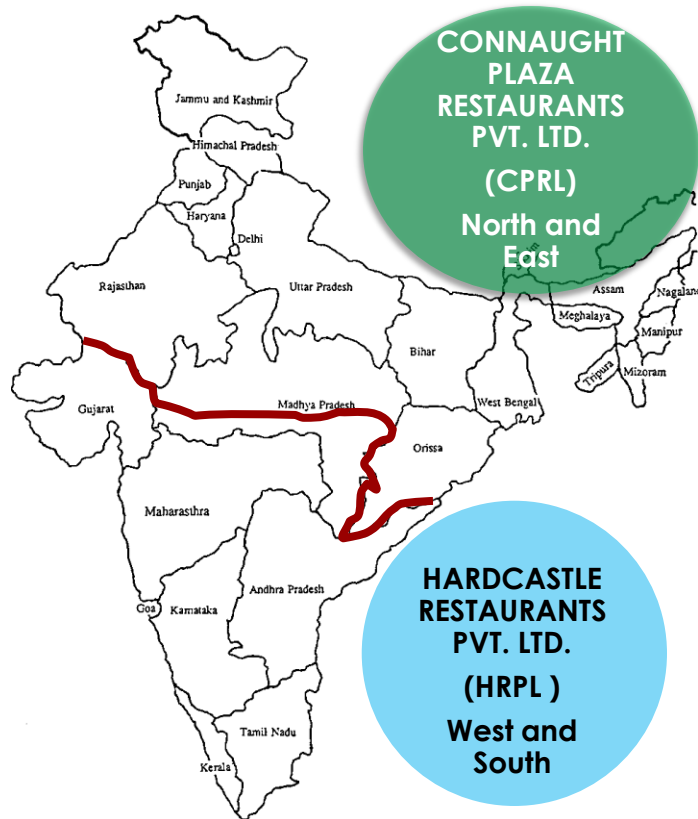
OVER **10,000** Employees

**300+** million customers served pan  
India annually

\* As of 31 March 2016



# Westlife Development Limited in India



**CONNAUGHT  
PLAZA  
RESTAURANTS  
PVT. LTD.  
(CPRL)  
North and  
East**

**HARDCASTLE  
RESTAURANTS  
PVT. LTD.  
(HRPL)  
West and  
South**

Promoter  
group  
ownership

62.2%

Westlife  
Development  
Ltd (WDL)  
(BSE : 505533)

100%

Hardcastle  
Restaurants Pvt.  
Ltd. (HRPL)

## WEST AND SOUTH INDIA

**236** Restaurants

**75** McCafés

**124** Delivery hubs

**125** Breakfast restaurants

**180+** million customers

\* As of 31 March 2016

# Solid foundation – A competitive advantage



## Strong supply chain

Unique “**farm to fork**” **cold supply chain** including delivery of fresh produce & buns every alternate day

Provides economies of scale, high food safety standards, product consistency & innovation

Continuously work with farmers on an extensive agronomy program



## Real estate

**Diverse portfolio** of restaurants built through **intelligent market planning and penetration**

**Long term deals** (normally 20 years vs. industry average of 9-12 years)

**Strong unit economics that helps deliver a cash on cash ROI of 20%+ within 30 months**



## People

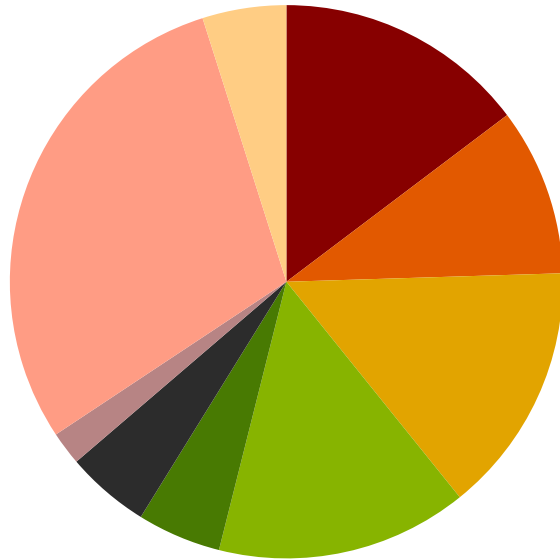
**One of the most experienced management team in QSR industry** with deep knowledge of the business

**Strong people development and management processes** in place

**Strong knowledge transfer** from McDonald's Corp



# Servicing multiple segments – A competitive advantage



- Chicken
- Burger
- Pizza
- Beverages
- Desserts
- Delivery
- Breakfast
- Indian fast food
- Others



McDonald's globally has the highest average unit volume of \$2.4 million<sup>1</sup>

McDonald's India has wide exposure to the different segments in QSR

McDonald's India has many iconic products that record sales of over Rs 1 billion/ year

There is scope to build more categories

<sup>1</sup> – Fortune India 2011

\* Graphs not to scale, for representational purpose only

# Brand extensions add more occasions – A competitive advantage



In-store for celebrations, bonding and hanging out



McDelivery, Drive Thru and breakfast for convenience



McCafé for experience and indulgence

As we add brand extensions to each restaurant, the results are greater as a whole than the individual parts resulting in

$$1+1+1=5$$

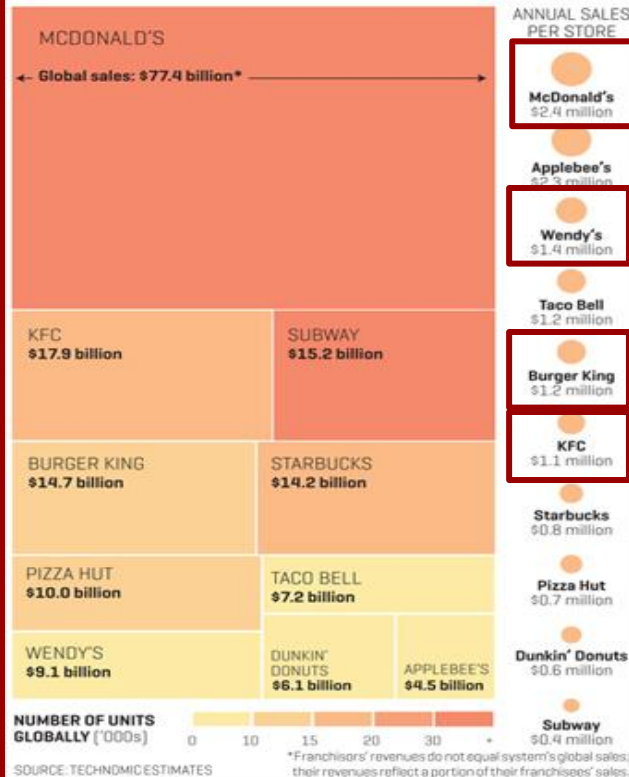
With just incremental capital expenditure and minimal increase in operating costs, brand extensions provide significant operating leverage as they scale

# McDonald's Corporation – The Big Mac of fast food



## *The Big Mac of Fast Food*

SUBWAY HAS MORE LOCATIONS, BUT BY EVERY OTHER MEASURE MCDONALD'S RULES.



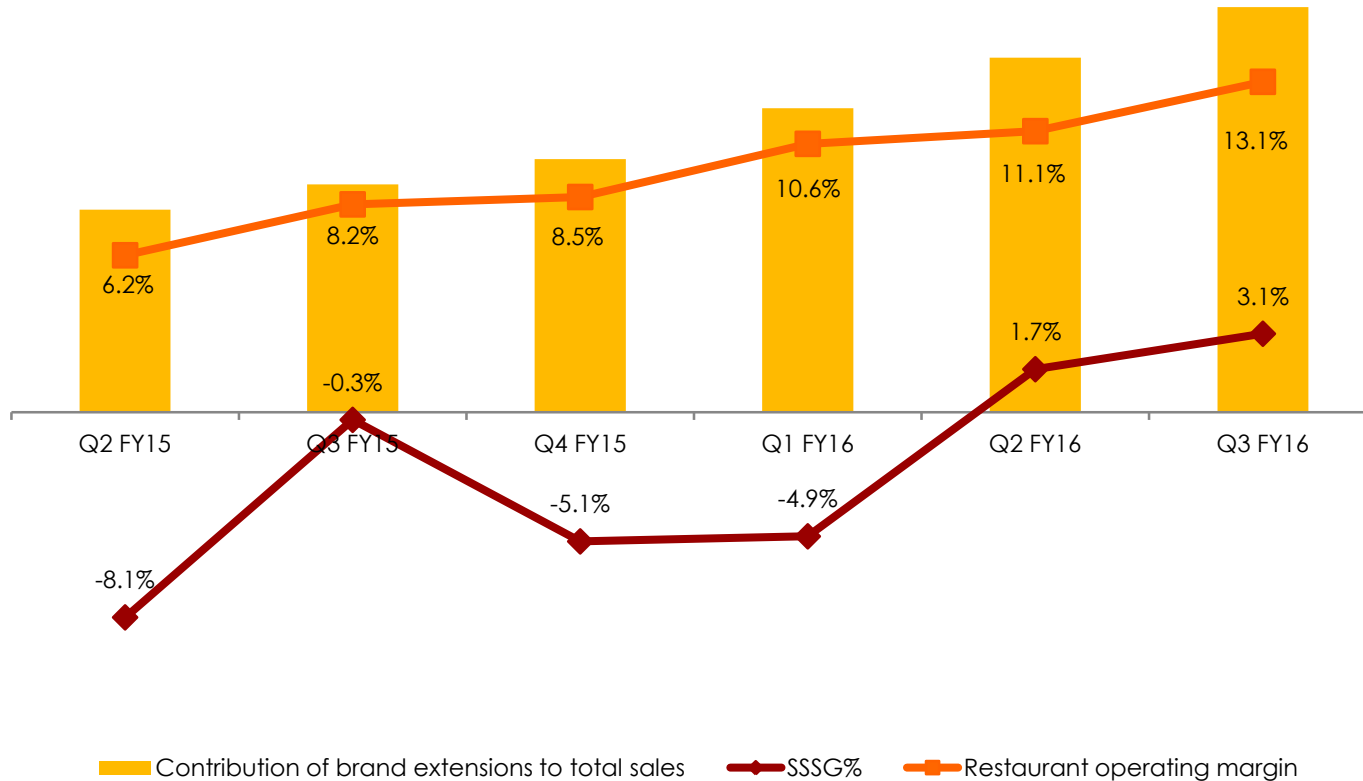
Highest Annual Sales Per Store  
Fortune India 2011

Rank	Brand
#1	Apple
#2	Microsoft
#3	Google
#4	Coca-Cola
#5	IBM
#6	McDonald's
#7	Samsung
#8	Toyota
#9	General Electric
#10	Facebook

Forbes 2015  
Brand Ranking  
World's 6<sup>th</sup> most  
valuable brand



# Brand extensions - drives SSSG and operating margin



**Leveraging McCafé, McDelivery and menu further in recent times has accelerated speed of recovery of SSSG**

**Operating leverage because of "store in store format" has helped improve restaurant operating margins**

\* Graphs not to scale, for representational purpose only

# Westlife Development Ltd Vision : 2022



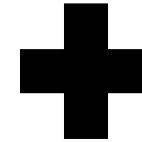
Targets



GROW BASELINE SALES



Grow average unit volume



BROADENING ACCESSIBILITY  
OF BRAND MCDONALD'S



Grow restaurant base

Building blocks



Brand extensions, menu  
introductions and brand  
differentiation



## Strategic pillars to grow AUV – McDelivery

Presented by :  
Smita Jatia, Director



# Food tech industry overview



foodpanda



SWIGGY  
FOOD DELIVERY APP



Launch of several “food tech” companies in India has caused a boom in the food delivery market

They have **raised \$350+ million** in the last 2 years resulting in many of them having multimillion dollar valuations

# Vision for McDelivery



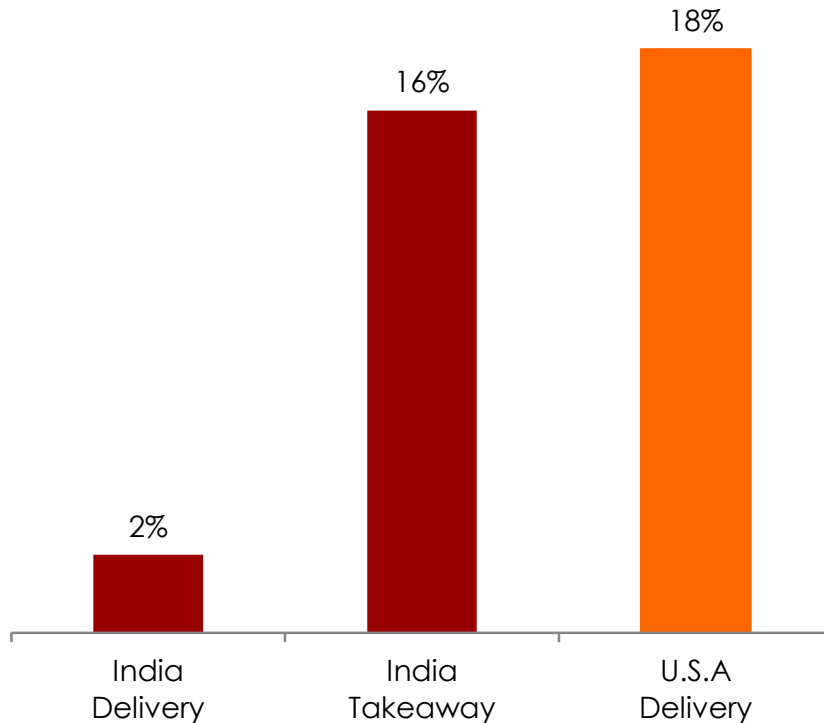
**McDonald's will grow the western fast food eat out market by providing the convenience of "eating out at home" through cutting edge technology and operational excellence**



# Role of McDelivery – Another occasion to grow AUV



## Share of Eat Out Market



McDelivery is another strategic pillar for growth

Enables McDonald's to service one more eat out occasion

**Big opportunity for McDelivery to grow as the existing \$1+ billion delivery industry grows**

# Role of McDelivery – Increases addressable base



## Total market segment exposure for McDonald's



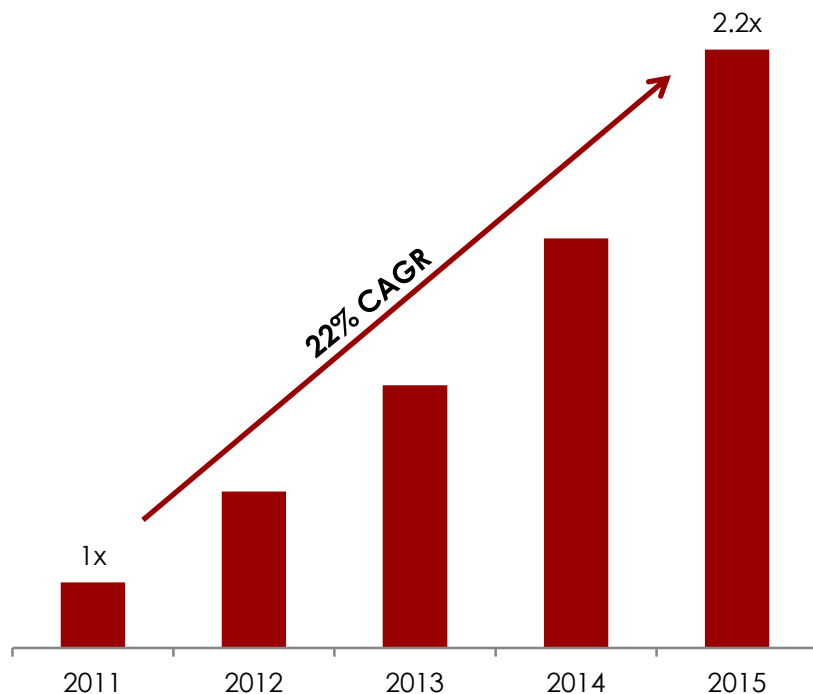
Source : Euromonitor International - QSR Food Service Market, HRPL proprietary third party market segmentation study  
Past market segment – Chicken, burger, pizza, other cuisine fast food + Ice cream parlors



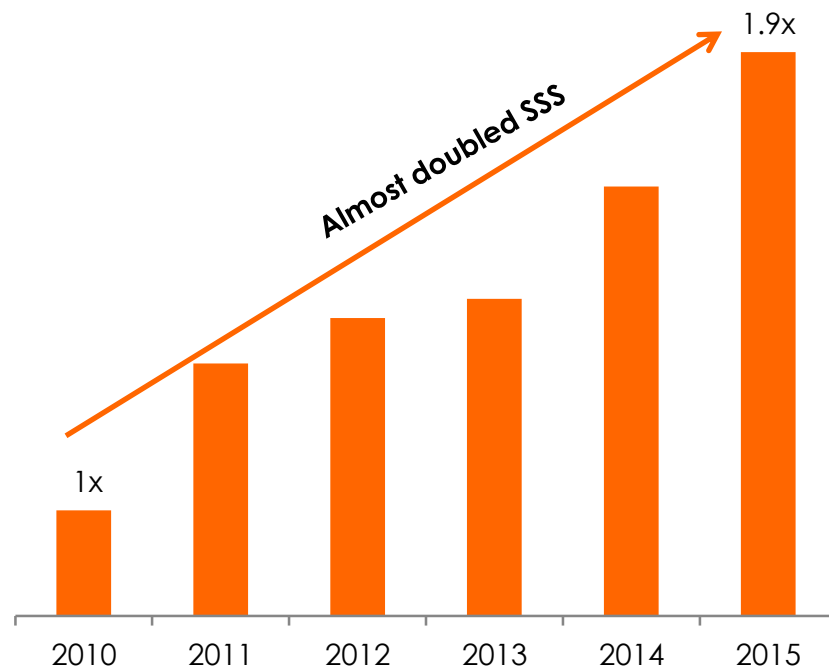
# McDelivery – Strong baseline growth



## Growth in McDelivery sales



## Same store delivery sales



**Strong baseline growth through same store delivery sales growth and addition of delivery hubs**

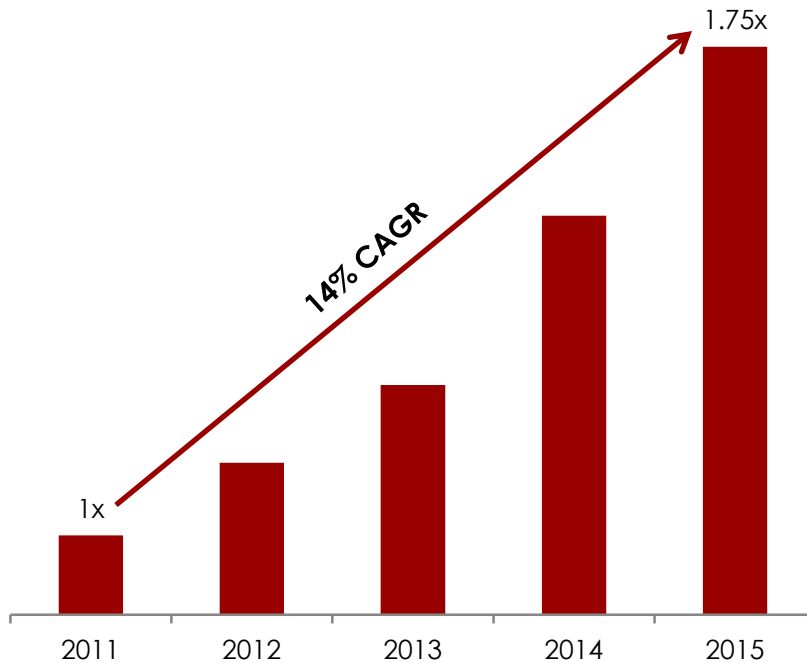
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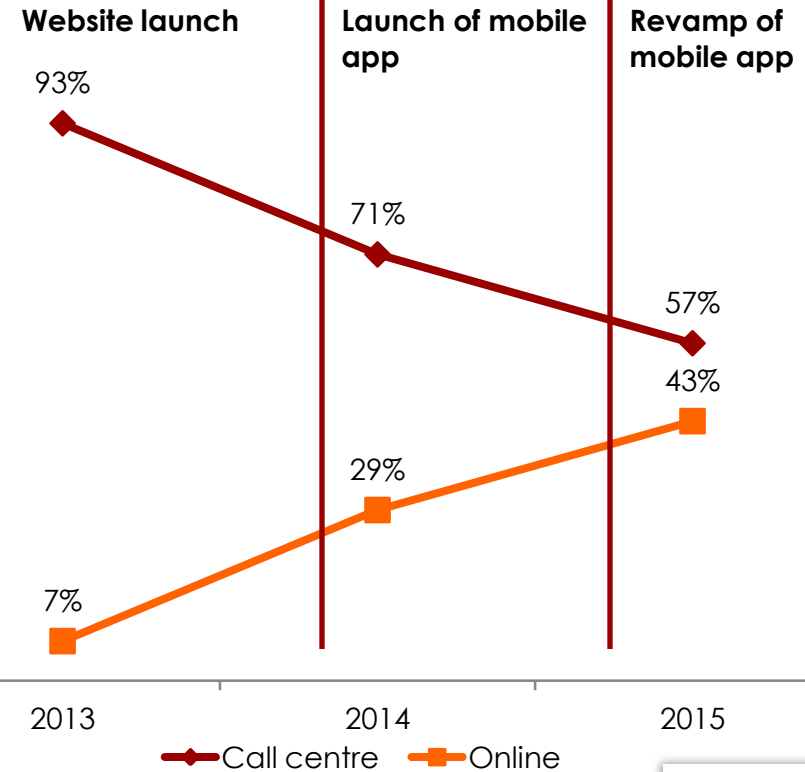
# McDelivery – Technology driven customer growth



Growth in McDelivery orders



Source of delivery orders



# Solid foundation for growth



**125 hubs in over 9 cities**



**Strong operational processes  
and systems**



**Strong backend with 500+  
bikes and 600+ riders**  
(including outsourced riders)



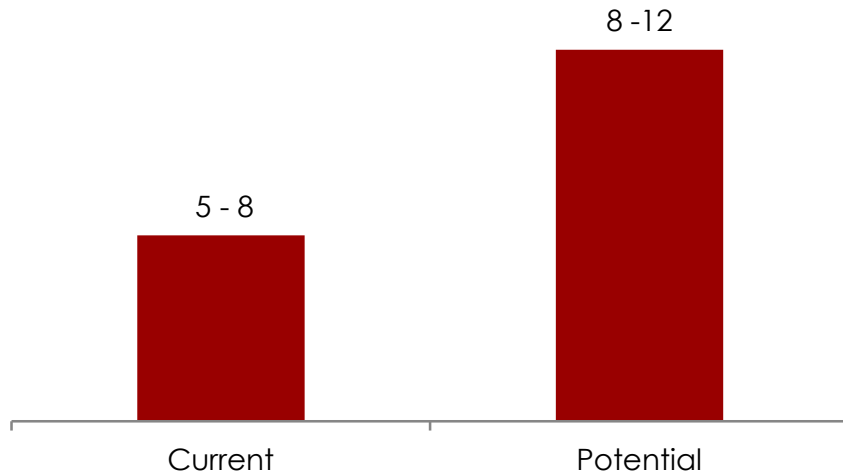
**Evolving customer interface and  
digital enablement**



# Potential for McDelivery

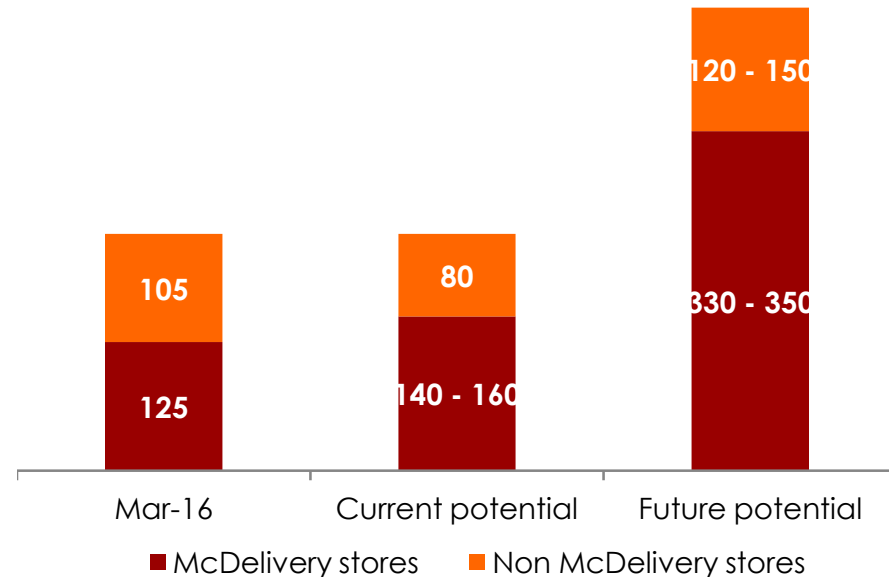


Average annual sales/ McDelivery hub  
(Rs in millions)



Will be driven by improvement in technology platforms, digital enablement and McDelivery specific promotions

Number of delivery hubs



McDelivery is in **55% of restaurants**. Delivery network can be **easily expanded** as **minimal capital expenditure** is required

# Potential for McDelivery



Average annual sales/ McDelivery hub  
(Rs in millions)

Number of delivery hubs

Future sales potential as restaurant base doubles : Rs 3.25 – 3.50 billion

YoY 100 bps ROM growth with an 18% - 22% CAGR in McDelivery sales

Current

Potential

Will be driven by improvement in technology platforms, digital enablement and McDelivery specific promotions

Mar-16

Current potential

Future potential

■ McDelivery stores ■ Non McDelivery stores

McDelivery is in **55% of restaurants**. Delivery network can be **easily expanded as minimal capital expenditure is required**





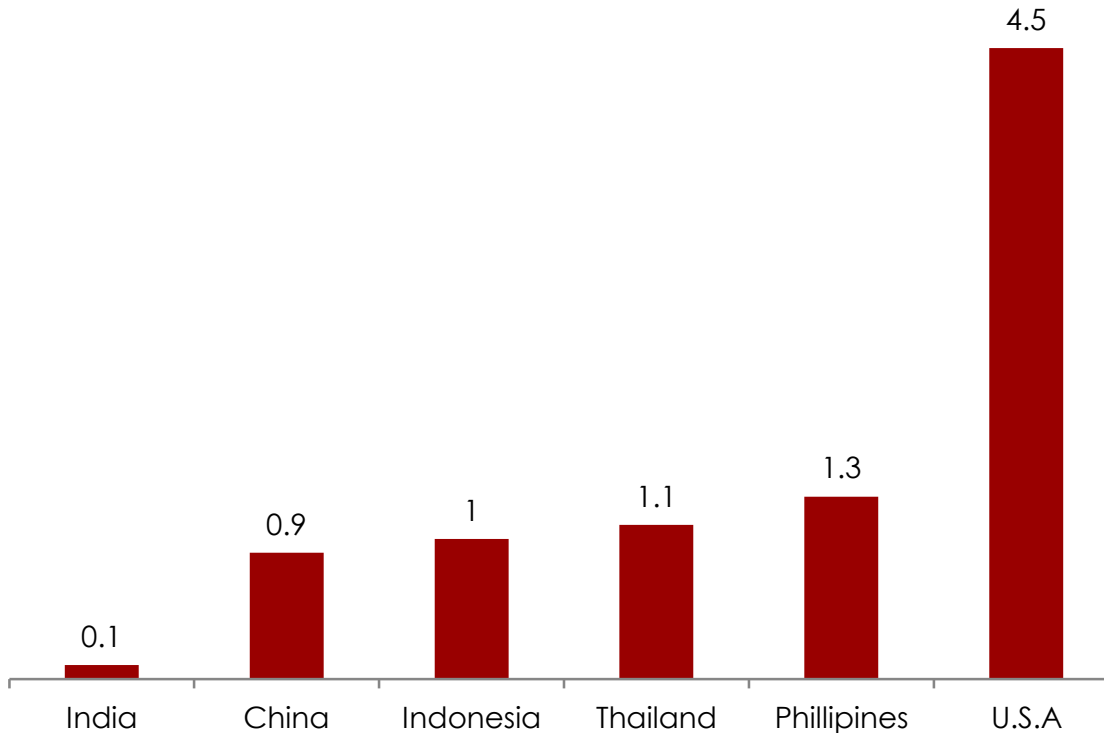
**Strategic pillars to grow AUV – McCafé**



# Overview of the coffee industry



## Annual per capita consumption of coffee (in kgs)



The retail coffee industry is **underdeveloped** in India as there is a **low per capita consumption of coffee**

The industry is estimated to **grow at a CAGR of 20%** taking the industry size from **Rs 20 billion to Rs 50 billion by 2020**

# Vision for McCafé



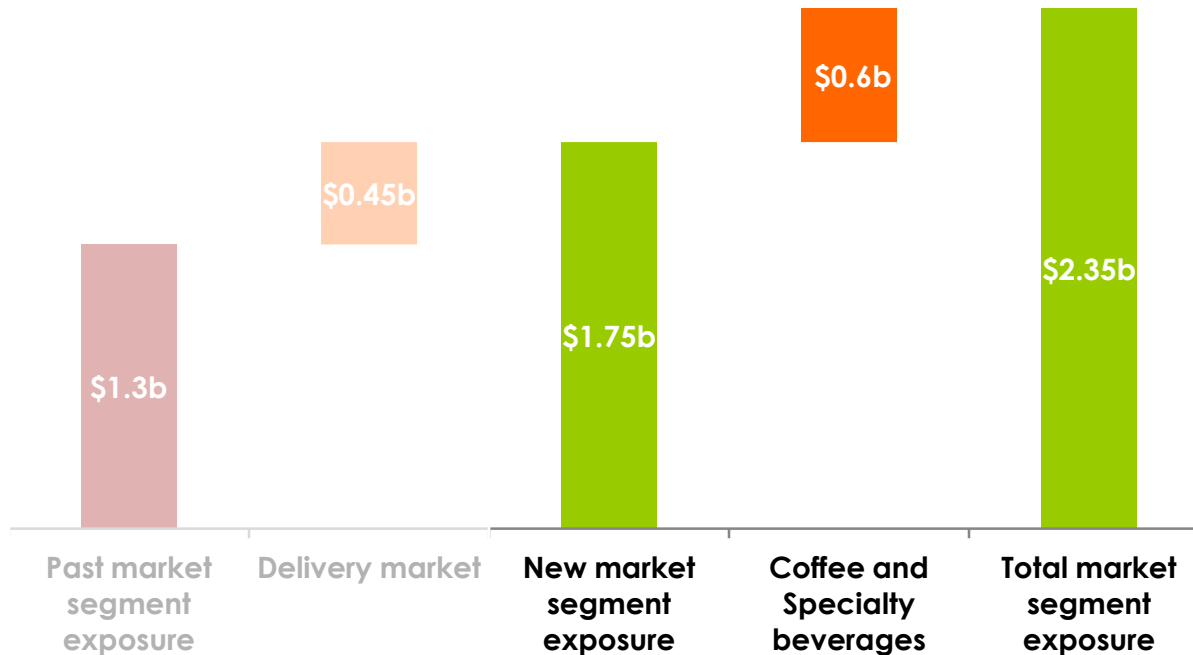
**McDonald's will bring premium coffee to the mass market in India and accelerate the growth of coffee and specialty beverages in India like it did with Western Fast Food in the early 2000s**



# Role of McCafé – Increases addressable base further



Total market segment exposure for McDonald's



McCafé is a **strategic pillar** for growth

Enables McDonald's to **compete in the coffee and specialty beverages arena**, broaden it's opportunity beyond the QSR industry and **grow baseline sales**

McDonald's already has a base **180+ million customers to target**

# McCafé – Premium hand crafted coffee adding new occasions



**Hand made barista coffee** makes the brand more **premium, aspirational and personalized**



**Added occasion** for customers to visit McDonald's, **improves experience**



**Presence in high footfall retail locations**, makes coffee and specialty beverages more accessible



**Grow average unit volume**

# McCafé – People, the key differentiator



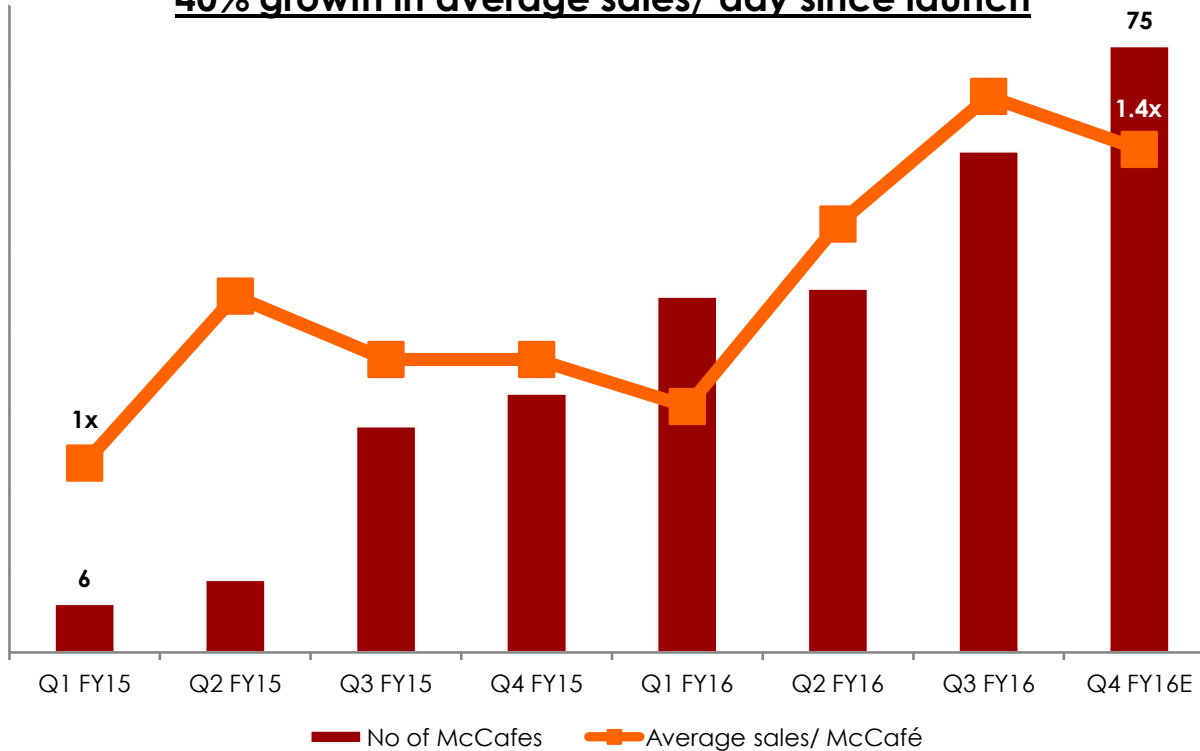
**4 of the 6 top Baristas in India in 2016 are from McCafé**  
**100% baristas are internally recruited and trained**



# McCafé – Sound unit economics, rapid expansion and growing AUV



40% growth in average sales/ day since launch



By developing a **low capex model of Rs 2.0 – 2.5 mn /** McCafé, McDonald's is already the **#2 player in Mumbai** in terms of units

Aim is penetrate other key markets intelligently and **become a leading player in the industry by doubling restaurant count over the next 12-18 months**

\* Graphs not to scale, for representational purpose only



# McCafé – Growth through new platforms

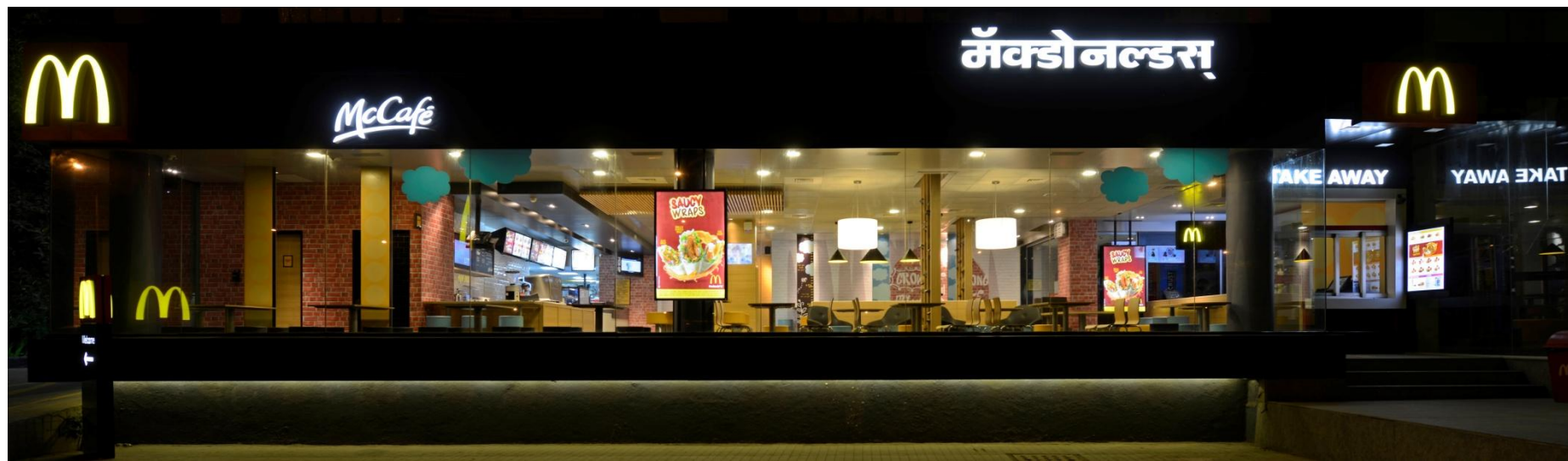


Smoothies – April 2015  
Double frappés – Aug 2015  
Iced Splashers – April 2016

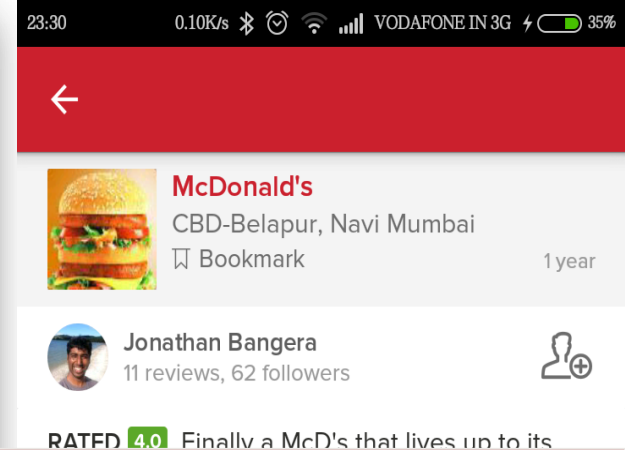
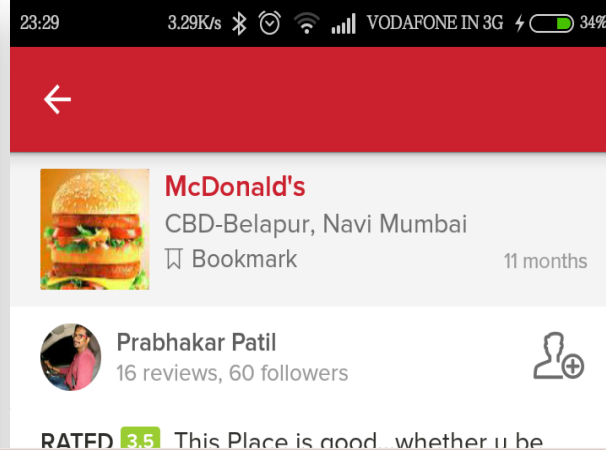
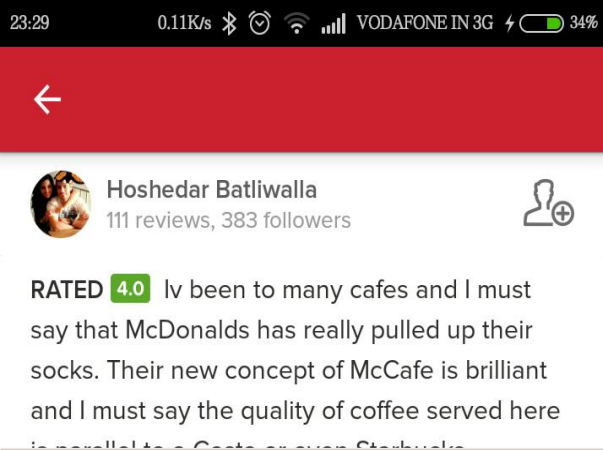
*McCafé*



Cappuccinos,  
Smoothies, Frappes, Iced teas  
& more

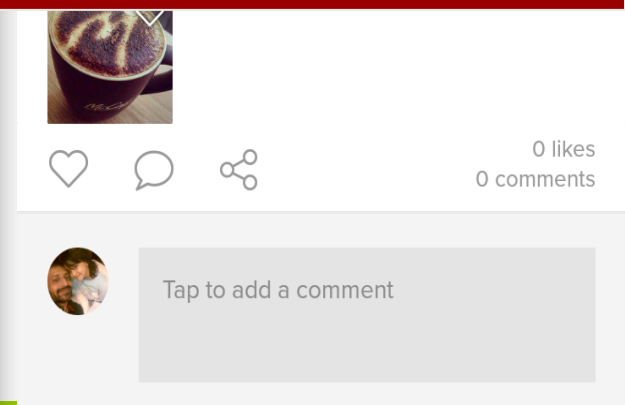
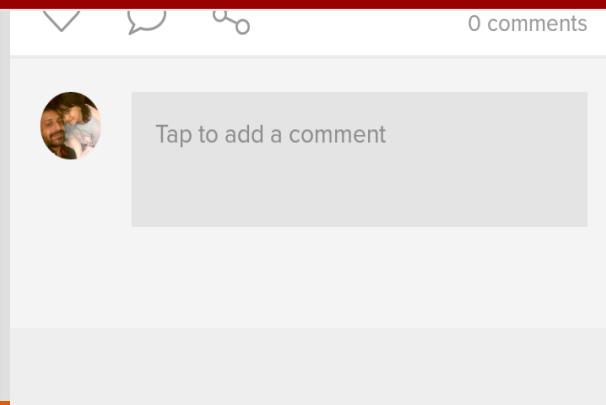
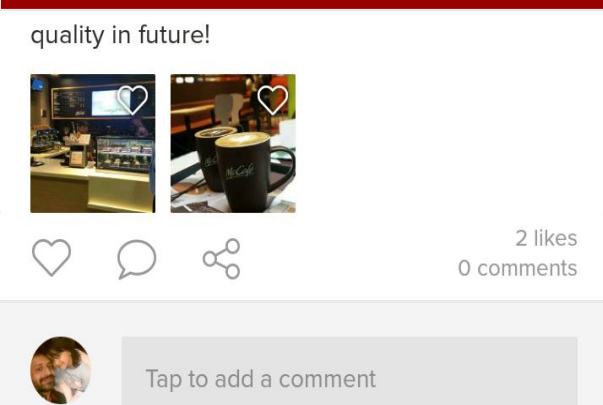






## Customer scorecard for McCafé

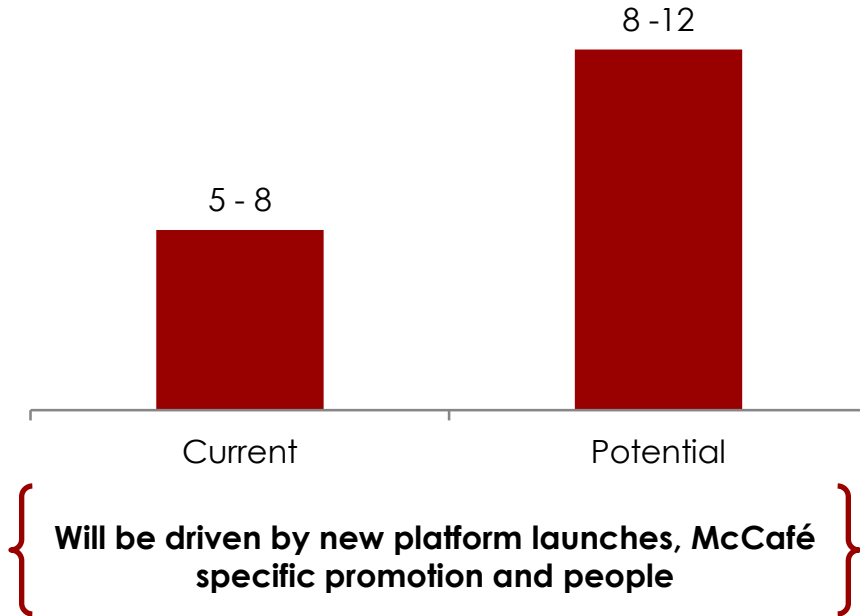
- Like the fresh look of McCafé restaurants, great place to hang out with friends or family
- McCafé offers good variety, coffee is better than Costa Coffee and Starbucks
- Service is warm and friendly
- Have been visiting specifically because of the coffee and will continue to do so in the future



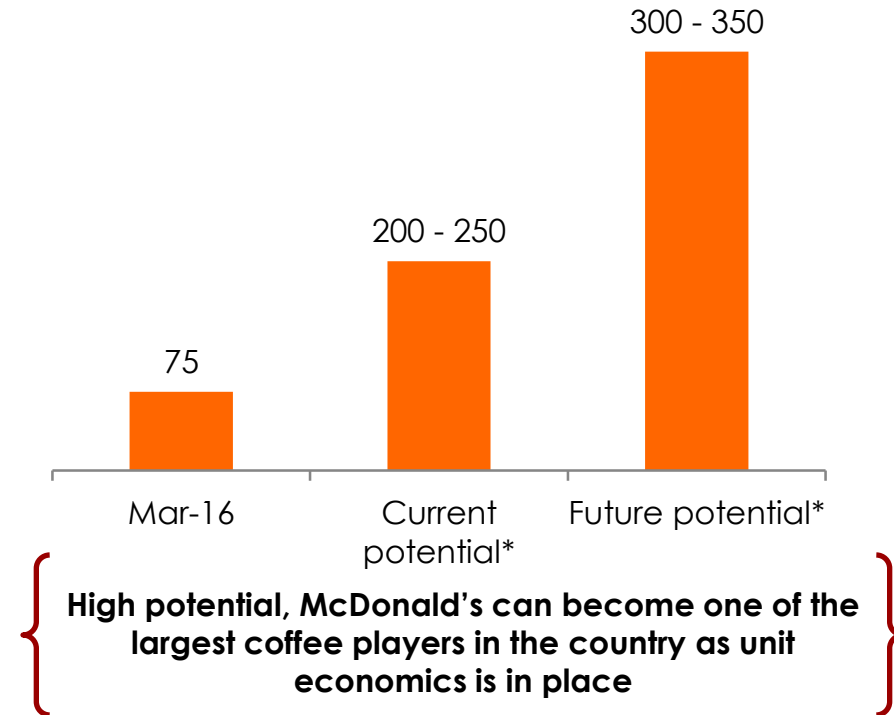
# Potential for McCafé



**Average annual sales/ McCafé hub  
(Rs in millions)**



**Number of McCafés**



\* Graphs not to scale, for representational purpose only

\* Assuming 100% penetration of McCafé



# Potential for McCafé



**Average annual sales/ McCafé hub  
(Rs in millions)**

**Number of McCafés**

300 - 350

**Potential sales with addition of McCafe in all existing restaurants : Rs1.5 – 1.75 billion**

**Future sales potential as restaurant base doubles : Rs 3.25 – 3.5 billion**

**Growth in Restaurant Operating Margin on addition of a McCafe to a restaurant: 200 – 250 bps**

Current

Potential

**Will be driven by new platform launches, McCafé specific promotion and people**

Mar-16

Current potential\*

Future potential\*

**High potential, McDonald's can become one of the largest coffee players in the country as unit economics is in place**

\* Graphs not to scale, for representational purpose only

\* Assuming 100% penetration of McCafé





Menu

westlife

# Launched strong product platforms



McAloo Tikki  
2004

Breakfast  
2009

Chicken  
McNuggets  
2010

McSpicy  
2011

McFlurry  
2011

Spice Fest  
2012

McEgg  
2012

Masala Grill  
2013

Veg Pops  
2013

Royale  
2014

CWT  
2014

CPP  
2015

Indi McSpicy  
2015

westlife



# Robust supply chain drives product innovation



**Extensive global  
supplier network with  
local production**

**Strong cold chain and  
distribution  
infrastructure**

**Direct linkage to the  
farms**



# Menu has driven SSSG and GM expansion in FY16



**NEW CHILLI PANEER POCKETS**

STARTING FROM ₹35

AVAILABLE TILL 30<sup>TH</sup> SEPTEMBER

**McSPICY**

THE INTERNATIONAL FAVOURITE

**BATTLE OF SPICY**

ONLY ONE WILL SURVIVE

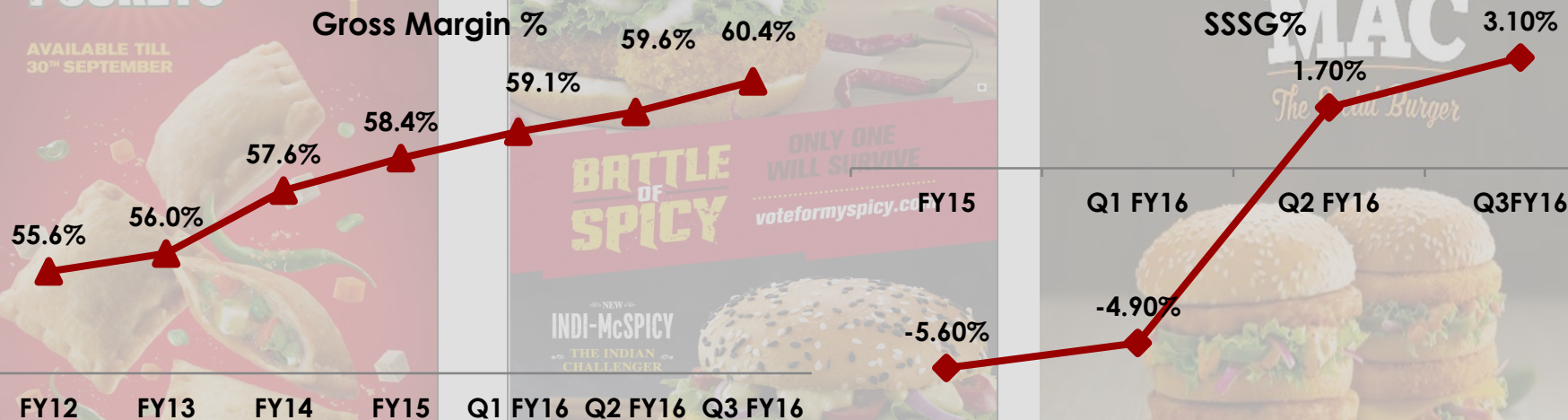
[voteformyspicy.c](http://voteformyspicy.c) FY15

**INDI-McSPICY**

THE INDIAN CHALLENGER

**Introducing MAHARAJA MAC**

The Great Burger



Q2 FY16

Q3 FY16

Q4 FY16



# Multiple QSR segments captured through menu



## Burgers

Over 10 products with many **burgers that record annual sales of Rs 1+ billion**



## Wraps

5 wraps



## Sides

Strong sides offering



## Desserts

\$130 million dollar category



## Breakfast

Only organized WFF player in this space  
\$2+ billion dollar market



## Beverages

WFF player with the widest variety in this space  
\$4+ billion dollar market

# Building a contemporary menu to address new consumer needs



Contemporary bun options like Focaccia bun



60% reduction calories of sauces leading to a 8% - 10% reduction in calories of burgers



Grilled choices like Chicken McGrill



Steamed product options like McEgg



10% - 20% reduction in sodium content of French fries and McNuggets



< 3% fat in dairy products



# Menu & Brand – A winning combination



Focus on brand and strengthening customer connect vs. industry approach of focusing on low prices and discounts  
Started the journey with the award winning #KuchPalOffline campaign in April 2015



# Westlife Development Ltd Vision : 2022



Targets



=

GROW BASELINE SALES



Grow average unit volume

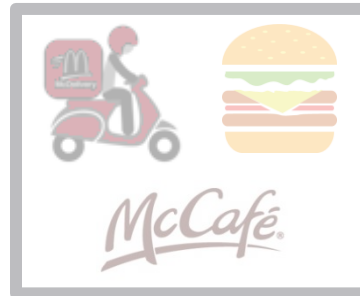
+

BROADENING ACCESSIBILITY  
OF BRAND MCDONALD'S



Grow restaurant base

Building blocks



Brand extensions, menu  
introductions and brand  
differentiation



Profitable and sustainable  
unit economics and  
market planning



**Resetting unit economics to support growth**  
**Restaurant Operating Platform 2.0**

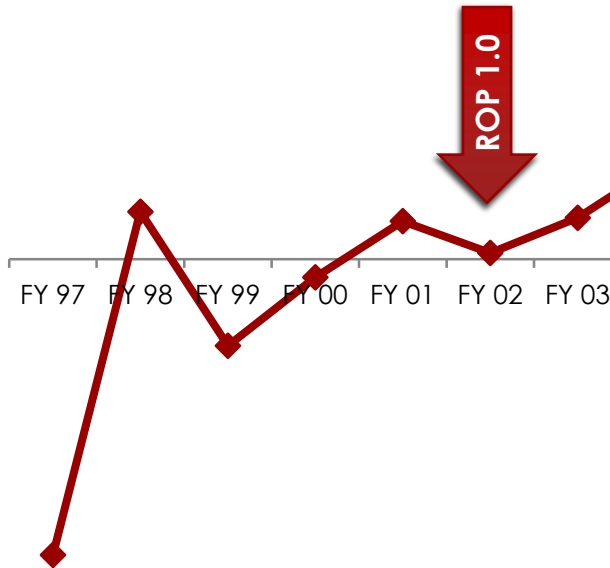
**Presented by:**  
**Amit Jatia, Vice Chairman**



# Why did we need ROP 1.0?



## Restaurant Operating Margin%

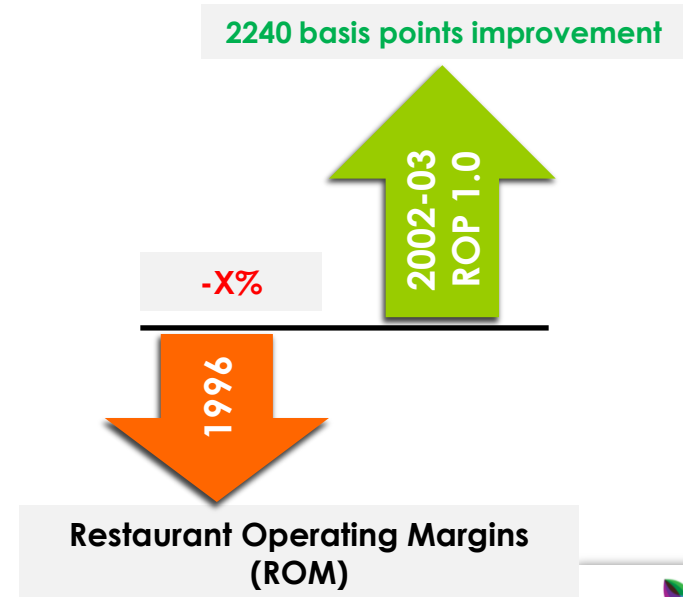
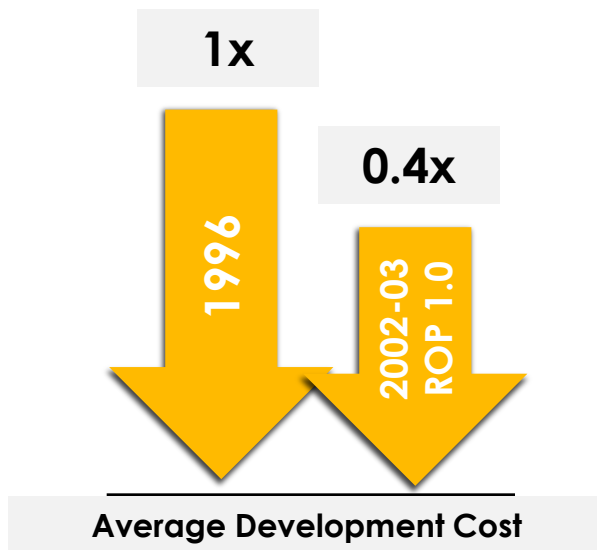


Restaurant Operating Margin represents the total revenues of company operated restaurants less the operating costs of these restaurants (including royalty etc.) before depreciation and corporate overheads; expressed as a percent of total revenue

\* Graphs not to scale, for representational purpose only

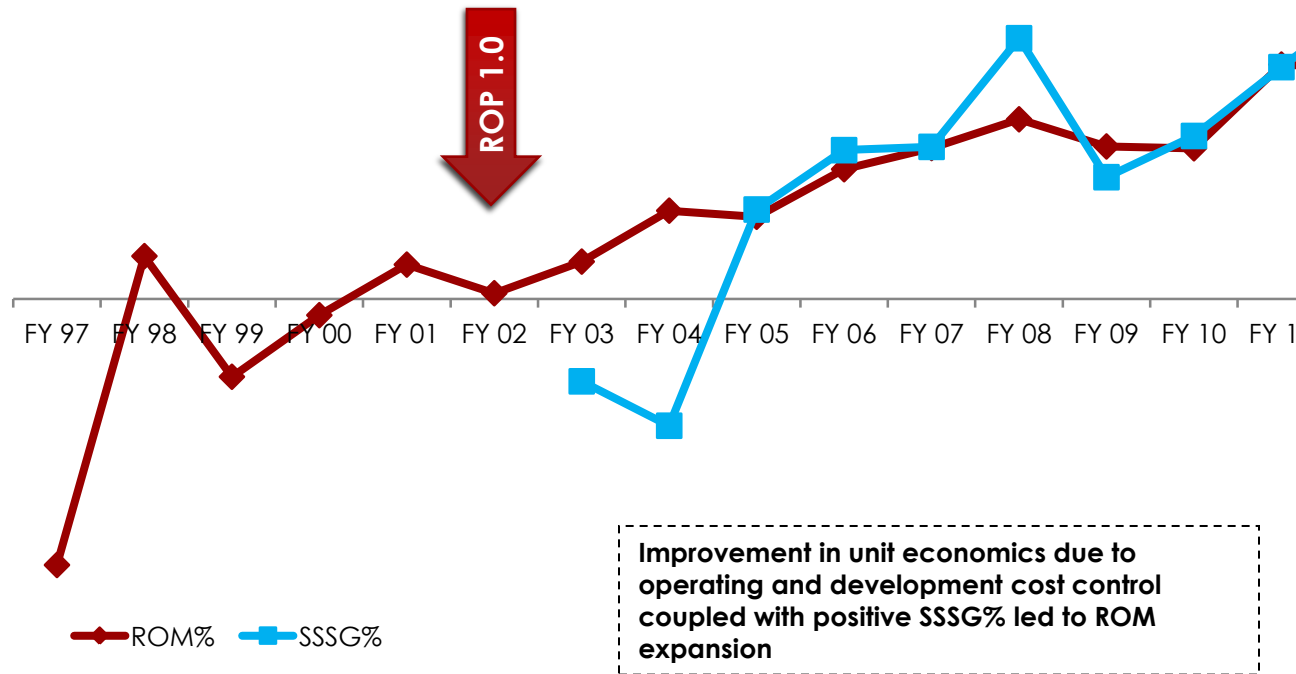


# ROP 1.0 – Foundation set for restaurant growth in 2003



\* Graphs not to scale, for representational purpose only

# Led to significant growth in ROM



Restaurant Operating Margin represents the total revenues of company operated restaurants less the operating costs of these restaurants (including royalty etc.) before depreciation and corporate overheads; expressed as a percent of total revenue

\* Graphs not to scale, for representational purpose only

# High inflation and slowing SSSG hurt ROP in 2013-14



**High double digit food inflation**



**20%+ increase in utility rates and minimum wages**



**Slowdown in GDP from 8.9% in 2011 to 4.9% in 2014**

**High inflation, rising development cost, lower consumer confidence hurts cost structure and SSSG%**

# Leading to contraction of restaurant operating margin



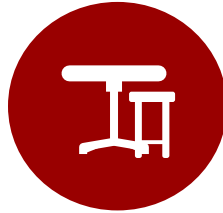
\* Graphs not to scale, for representational purpose only

# Reset foundation for restaurant growth

## Conceptualization of ROP 2.0 in 2013 and launch in 2016



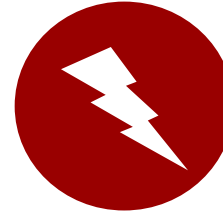
### ROP 2.0 Disciplines



**Restaurant  
design**



**Equipment  
options**



**Operating  
costs**

#### **Key to success**

- Optimisation to reduce capex and opex
- Localisation to reduce capex
- Design changes & innovation to reduce opex

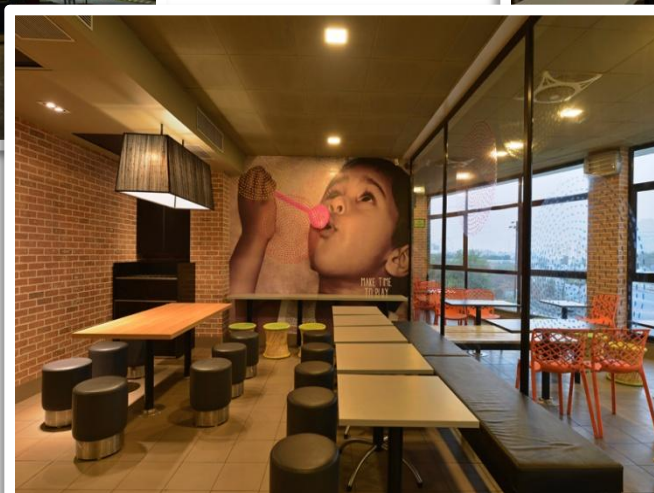
# Restaurant design changes



New external façade  
and signage  
Pre fabrication of parts  
of building structure



Seating and design  
Lower cost through  
localization  
Upgraded look



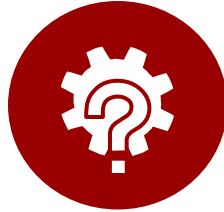
# Equipment Localization



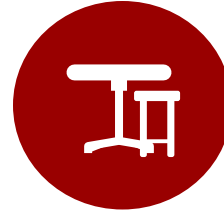
**Localization of kitchen  
equipment helped reduce  
capital expenditure**



# Leads to capital expenditure reduction



Equipment  
localisation



Restaurant  
Design

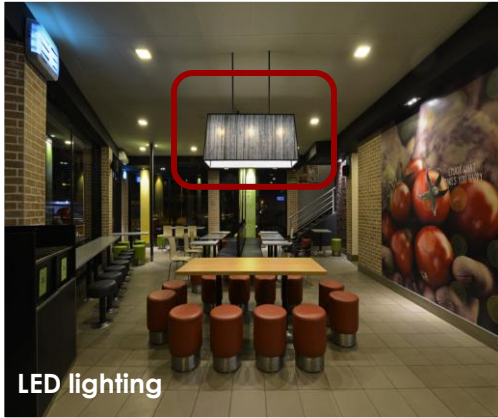
**20-25% saving** in capital  
expenditure helping  
reduce capex to **Rs 23 – 25  
million**

# Initiatives to reduce operating costs



## Utility re-design and green initiatives

## Labour productivity



LED lighting

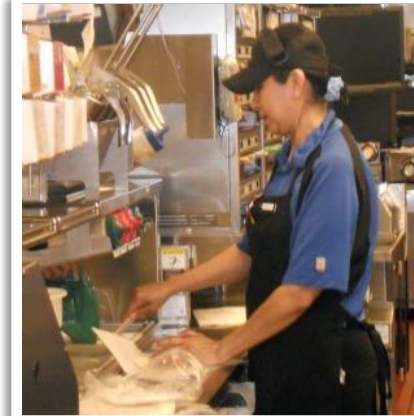
Energy saving initiatives like LED lighting



Early adopters of green initiatives like solar powered heaters and waterless urinals



Worked on heat map to redesign HVAC for lower unit consumption



Worked with productivity growth team to drive labour productivity improvements

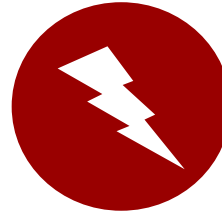
# Leading to savings in operating costs



## OPERATING COSTS



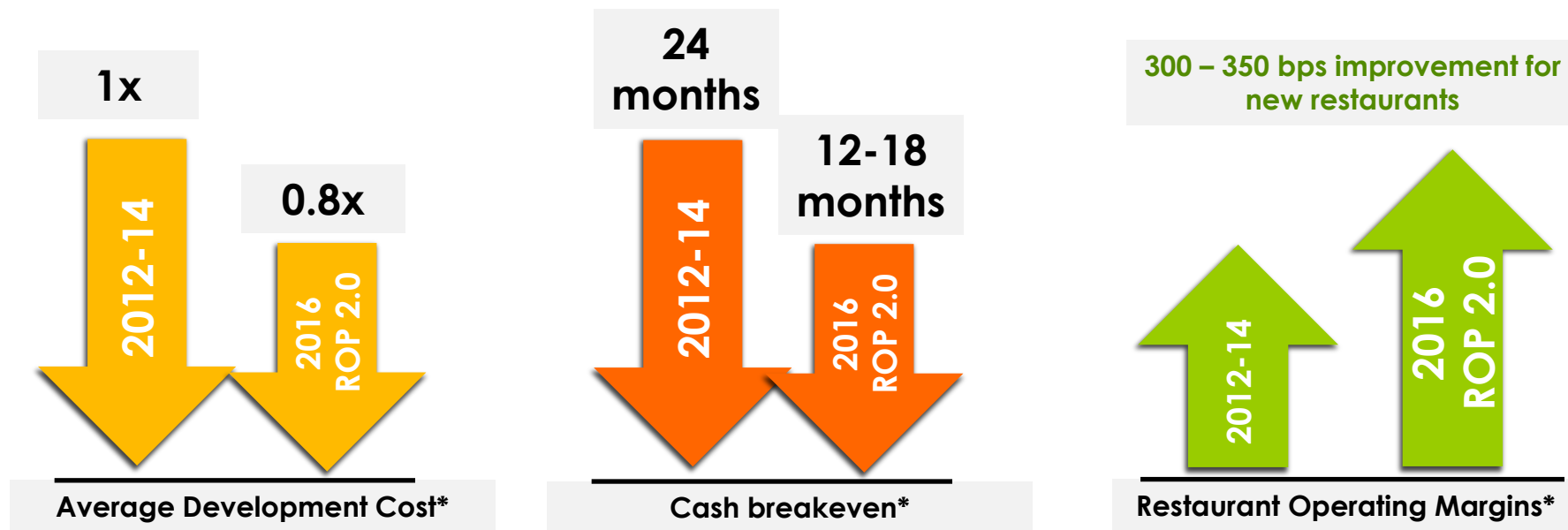
Utility re-design  
leading to  
optimisation



Energy efficient  
equipment and  
labour productivity

**20-25% reduction in  
operating costs**

# Encouraging early results delivered by ROP 2.0

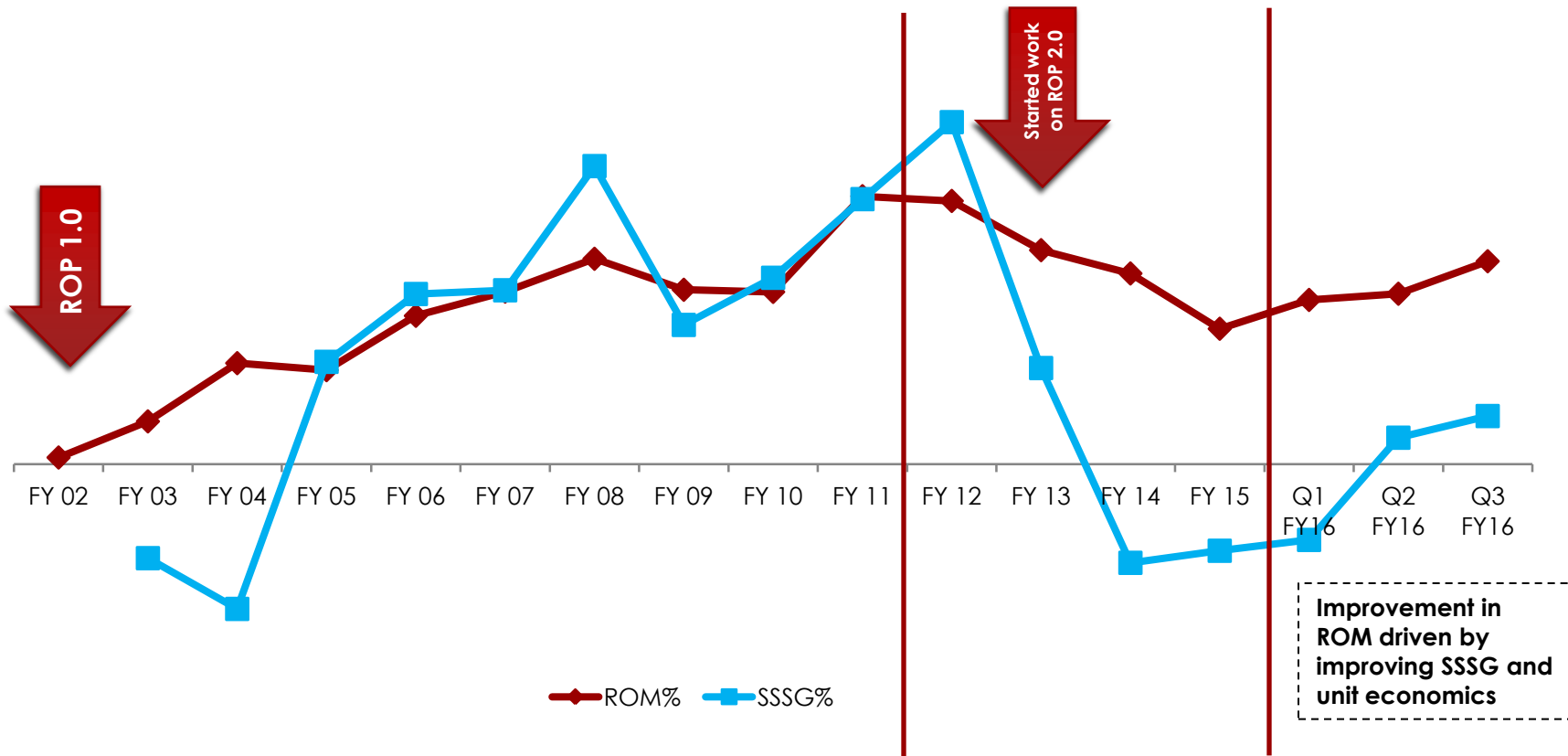


Cash on cash ROI\* to 20%+ in 24 – 30 months

\* Can vary basis restaurant type, region and presence of brand extensions

\*\* Graphs not to scale, for representational purpose only

# Improving unit economics and SSSG% leads to expansion in ROM



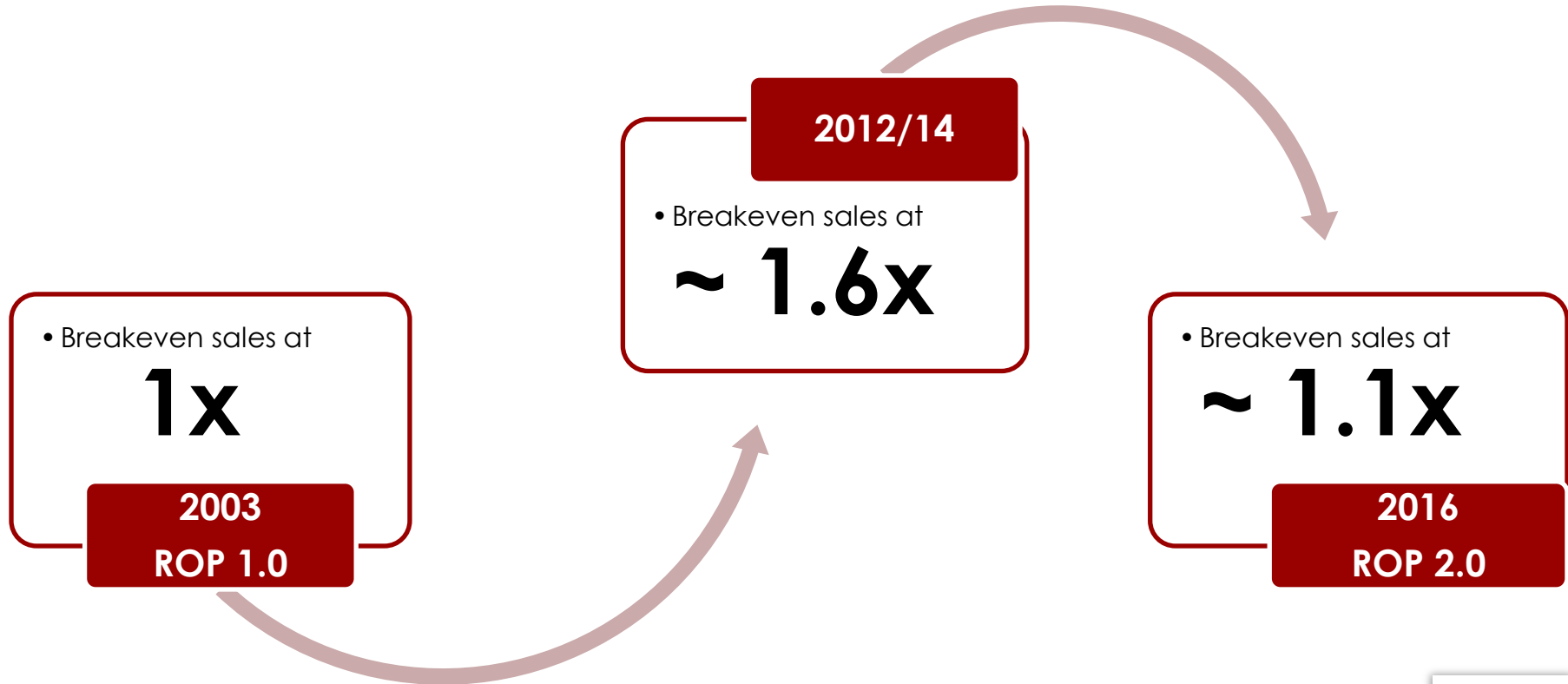
Improvement in ROM driven by improving SSSG and unit economics



\* Graphs not to scale, for representational purpose only



# ... leads to attractive breakeven sales for new restaurants



# Growth foundation in place



- Significant capital expenditure savings - approximately **Rs 1.2 – 1.5 billion** as we double the base of restaurants
- Reduction in new restaurant cash **breakeven from 18 – 24 months to 12 – 18 months**
- **Restaurant operating margins of newly opened restaurants higher by 300 – 350 bps** reducing margin drag from new restaurant openings
- **Potential opportunity in retrofitting existing restaurants with the new platform**

# Westlife Development Ltd Vision : 2022



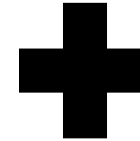
**Market  
share and  
margin  
growth**



**GROW BASELINE SALES**



**Grow average unit volume**



**BROADENING ACCESSIBILITY  
OF BRAND MCDONALD'S**



**Grow restaurant base  
with solid unit economics**

✓ Sales growth of 2.4x - 3x

✓ Take EBITDA margin to  
low to mid teens

✓ Mid to high single digit SSSG%

✓ McCafé : 75 to 300-350

✓ McDelivery: 124 to 300-325

✓ Leverage other models and  
menu in the future

✓ 450 – 500 restaurants  
Presence in 40+ cities

✓ Investment of Rs 5+  
billion



**Thank You!**

