

# **Westlife Development Ltd.**

Hardcastle Restaurants Pvt. Ltd.

Q3 FY21 Earnings Presentation

Jan 21, 2021



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This presentation contains forward-looking statements that represent our beliefs, projections and predictions about future events or our future performance. Forward-looking statements can be identified by terminology such as “may,” “will,” “would,” “could,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue” or the negative of these terms or other similar expressions or phrases. These forward-looking statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results to differ materially from any future results, performance or achievement described in or implied by such statements. The forward-looking statements contained herein include statements about the business prospects of Westlife Development Ltd (‘Westlife Development’), its ability to attract customers, its affordable platform, its expectation for revenue generation and its outlook. These statements are subject to the general risks inherent in Westlife Development’s business. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, Westlife Development’s business and operations involve numerous risks and uncertainties, many of which are beyond the control of Westlife Development, which could result in Westlife Development’s expectations not being realized or otherwise materially affect the financial condition, results of operations and cash flows of Westlife Development. Additional information relating to the uncertainties affecting Westlife Development’s business is contained in its filings with various regulators and the Bombay Stock Exchange (BSE). The forward-looking statements are made only as of the date hereof, and Westlife Development does not undertake any obligation to (and expressly disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date such statements were made, or to reflect the occurrence of unanticipated events.



**SERVING HAPPINESS**  
— WITH —  
**EXTRA CARE**



# Q3FY21<sup>1</sup> – Promising recovery in sales & profitability

- Sales at Rs 3,250.6 mn, with 55% sequential growth
- 100% stores operational during Q3FY21
- 85-90% recovery compared to pre Covid<sup>2</sup> levels; 75% YoY recovery
- Growth led by Convenience platform at 120% of pre Covid levels (MDS & DT exceeding 100% recovery)
- Faster recovery in dine in at 75% of pre Covid levels, despite regulatory headwinds



- Opened 3 new restaurants and 3 McCafés during the quarter taking the total count to 304 and 227 respectively
- OTG now operational in 255 stores
- Implemented planned closure of 10 restaurants (YTD 19 closures)



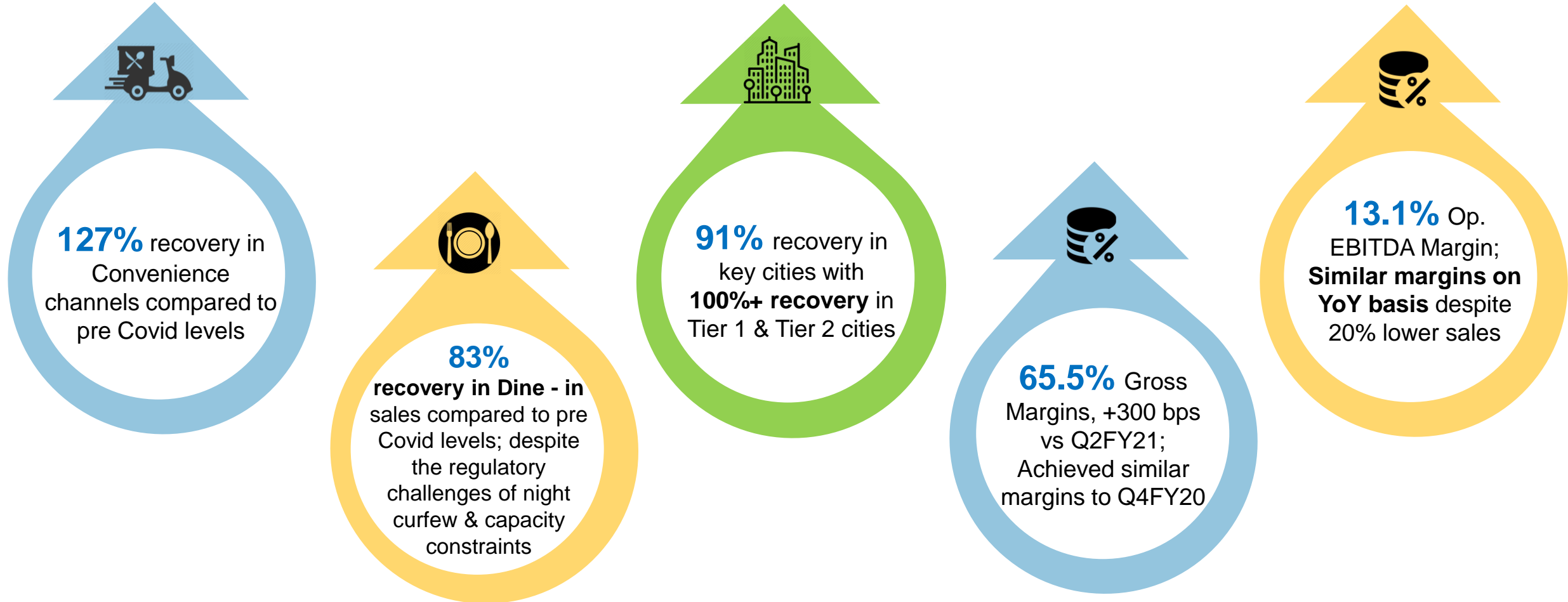
- Op. EBITDA at Rs 331 mn @ 10.2% despite 25% lower YoY sales, led by strong delivery in gross margin and continued cost leadership
- Continued reduction in Q3FY21 fixed costs by 25 - 30%
- Quarter positive PAT at Rs 81.9 mn
- Cash Profits at Rs 345.8 mn recovering 50%+ of H1FY21 cash loss in Q3FY21 itself
- Stronger balance sheet end of Q3FY21 with almost zero net debt



Note: 1) Q3FY21 numbers are excluding IND AS 116 impact; 2) Pre Covid levels – February'20 levels; 3) Note: Convenience Platform includes MDS, OTG & Drive Thrus

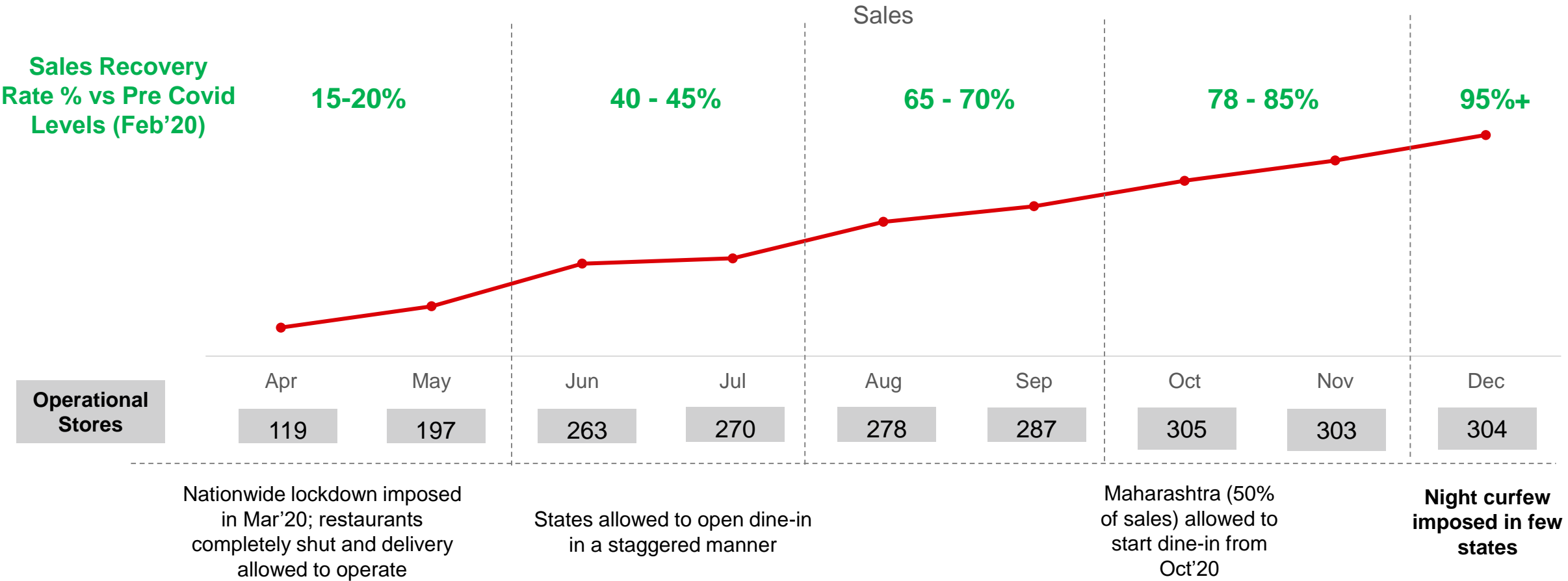
# Dec'20 – Setting up confidence for the performance ahead

Sales recovery at **~97%** of pre Covid levels; **80%** YoY recovery



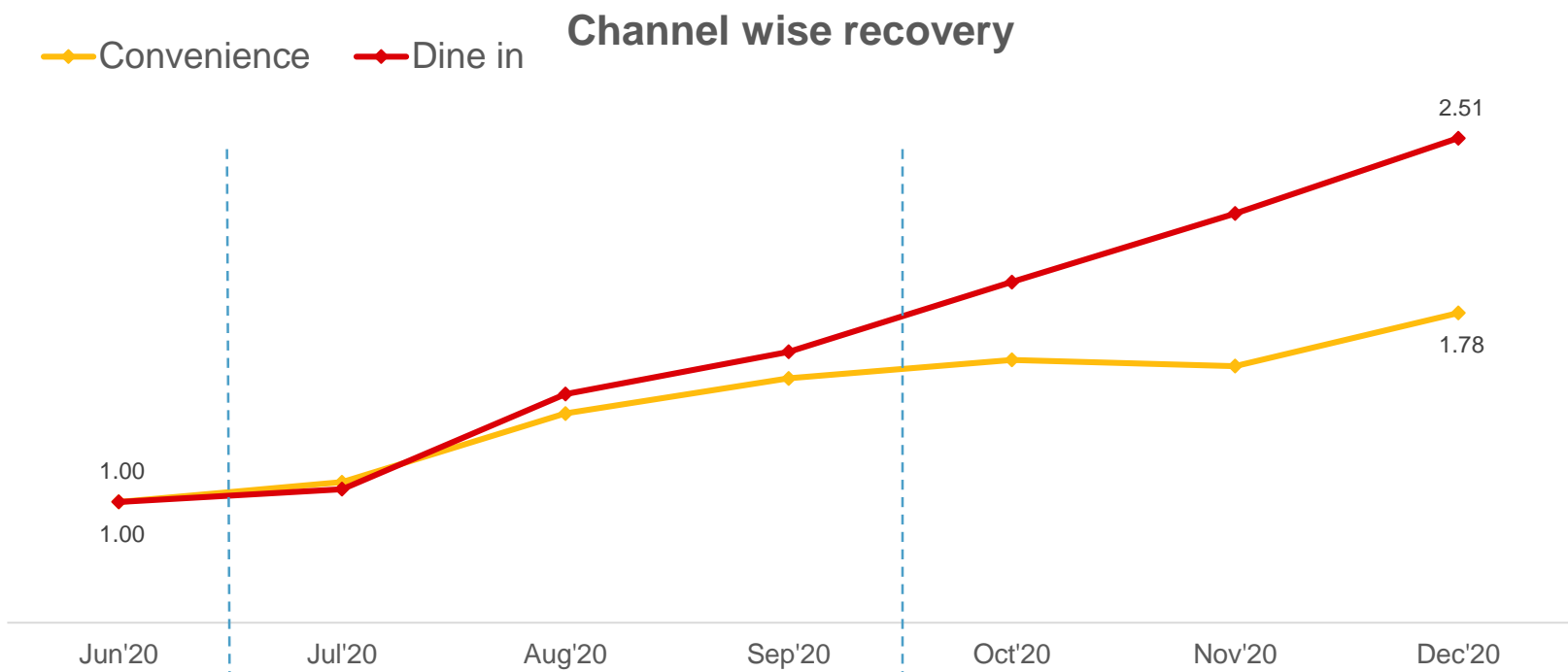
# Strong recovery continues, despite some regulatory headwinds...

WDL is back to 95%+ of sales of pre Covid levels\*



Note: \* Pre Covid levels – Feb'20

# Sequential simultaneous growth in convenience and dine in...



- Recovery is **driven by both dine in & convenience**
- Sales from convenience channels are here to stay, **it is an additional usage occasion for our consumers**
- **Expect strong growth in both channels of business in the coming quarters**

Recovery compared to pre Covid			
Convenience	55-60%	100 - 105%	120 - 125%
Dine in	10-15%	30 - 35%	70 - 75%

# Convenience continuing to deliver incremental growth

Convenience platform at 120% of pre Covid levels & 106% recovery on YoY basis

Q3FY21 MDS sales at 100% recovery compared to pre Covid levels and at 90% YoY recovery



- On the Go (OTG) has been witnessing robust growth M-o-M basis
- 3.5x growth from July to Dec'20

Q3FY21 Drive Thru sales doubled over pre Covid levels and on YoY basis

Note: \* Compared to pre Covid levels

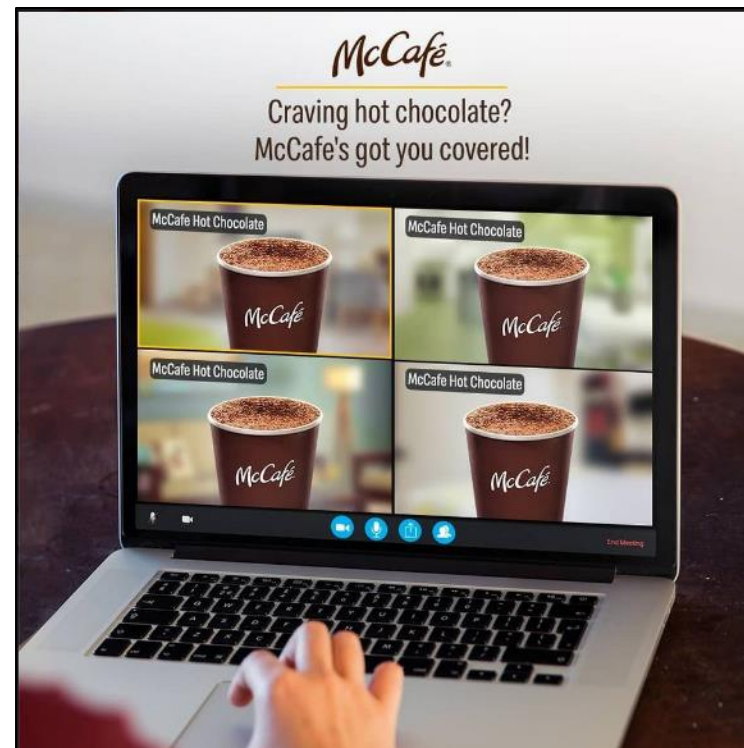


# McCafe getting back on track gradually



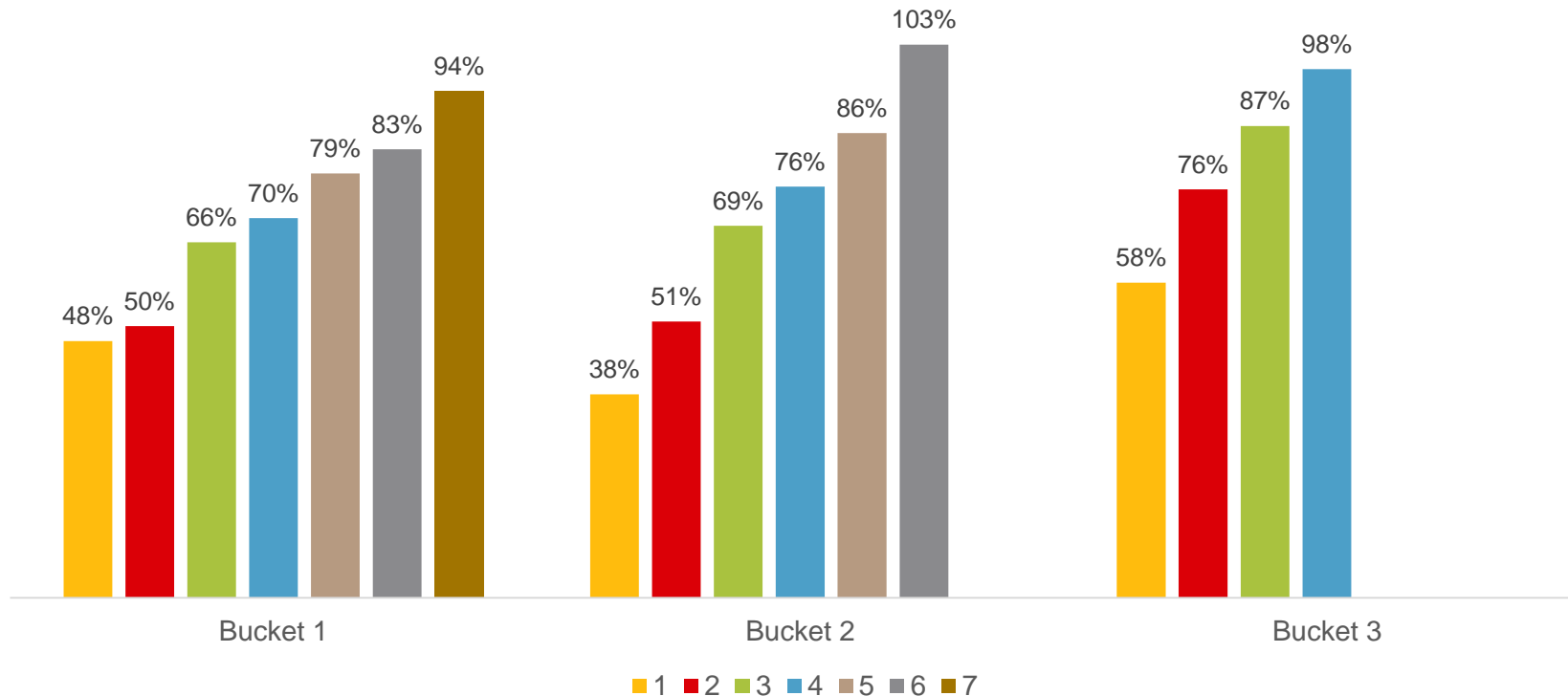
~80 - 85% recovery in McCafe sales in Dec'20 compared to pre Covid levels

~70-75%+ recovery in McCafe sales in Dec'20 compared to Dec'19



# Speed of recovery improving as initiatives from H1 play out and caution around Covid-19 reduces...

Recovery from months since opening



- **10-15%** month on month increase in recovery rate once dine-in was allowed in Maharashtra
- **Tier 1 and Tier 2 cities dine in recovery have been robust**
- Metro cities growth was marginally impacted in Maharashtra & Gujarat due to night curfews in Dec'20
- **We are confident that the robust recovery will continue in Q4 FY21**

# Consistent cost management resulting in robust financials for Q3FY21

Reducing cost base & increasing liquidity by relentlessly focusing on cash conservation

**Operating Efficiencies** - Rationalised supply chain costs (zero base budgeting, reducing wastages, optimizing distribution costs) and store operating costs (M&R, utilities, crew labour etc)

**Positive landlord negotiations** - constructive ongoing negotiations with landlords to secure rent relief and deferrals, together with revised contractual terms

**Headoffice rationalization** – renegotiating office rentals, reducing discretionary expenses like travel, shifting some services from annuity to need based.



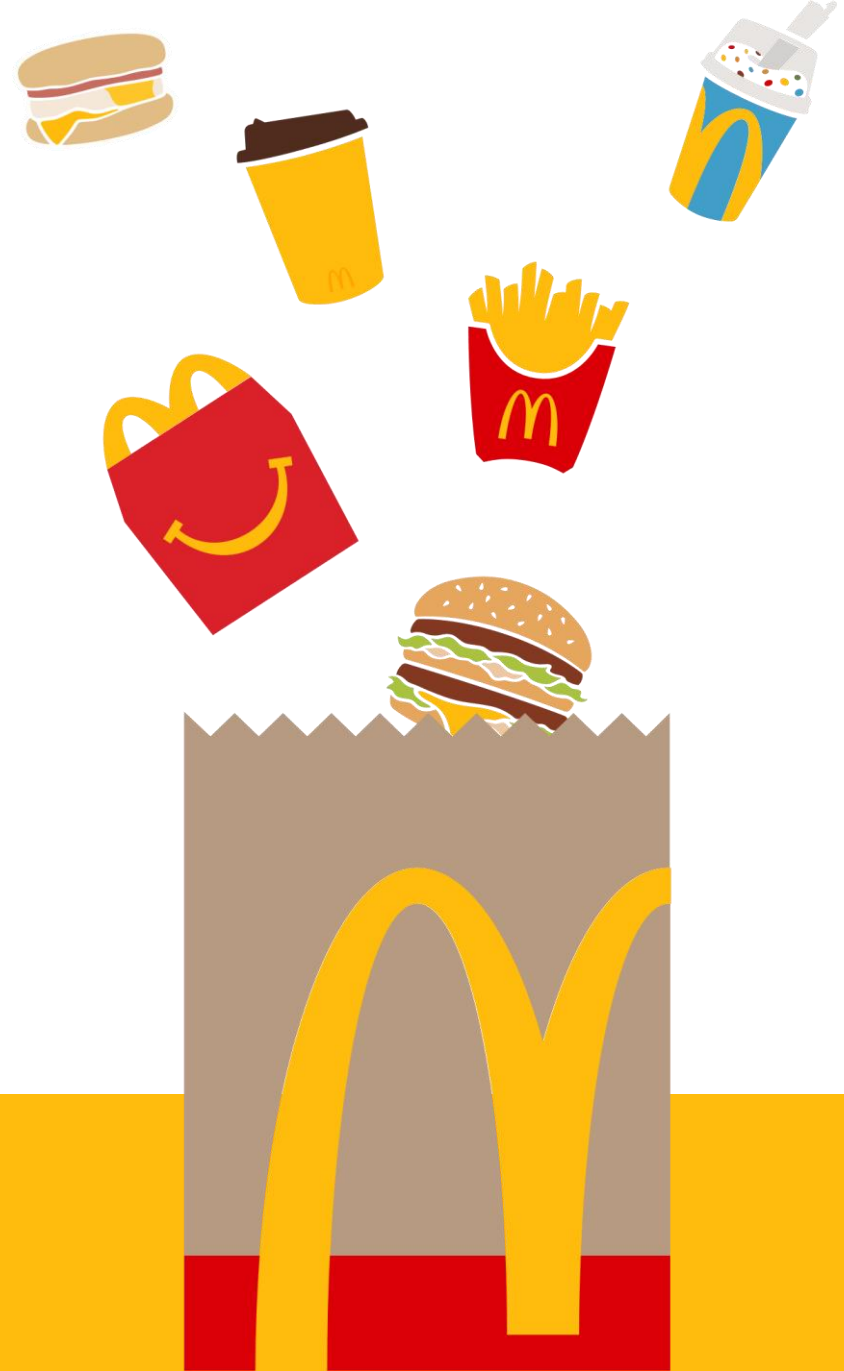
**Lender Support** - secured increase in revolving credit facility to improve liquidity, not currently utilised

**Working Capital** - renegotiated contracts with key suppliers and agreed payment plans

**Employees** – utilised furlough and flexible furlough schemes to ensure retention of majority of our employees through the pandemic

Reduction in fixed cost by ~25 - 30% and optimization of variable costs has resulted in lower restaurant break-even point as well as enabled the company to maintain enough liquidity and reduce net debt on balance sheet

# **Q3FY21 BUSINESS UPDATE**

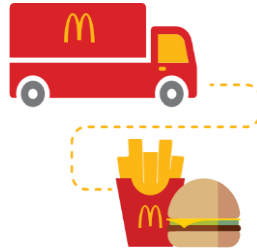


# Q3FY21 - Key Focus Areas



## Assurance

- ✓ Safety & Hygiene
- ✓ Quality
- ✓ Service



## Convenience

- ✓ MDS
- ✓ Drive Thru
- ✓ On The Go



## Access

- ✓ Store Operations
- ✓ Global McDonald's App

# Assurance

- To maintain business continuity in a safe environment
- To customers by keeping the brand alive
- To employees through team engagement activities





# Assurance

Ensuring business continuity & growth with safety as a priority

## Business Continuity

Oct - Dec'20



Open dine-in in Maharashtra



New store opening

July - Sep'20



Open dine-in in AP, Gujarat, Telangana, Karnataka & Kerala

Golden Guarantee at Restaurants



Cost Optimization

Mar – June'20



Launched contactless service

## Keeping the Brand Alive



World Chicken Day



International Coffee Day



Children's Month



Digital Ordering (OTG)



Launch of brand campaign - Somethings never change



Giving Back to Community

## Team Engagement



Beat Your Best Competition



The best  
Final Sprint



RGM meeting to motivate the team & set up next quarter plans



Introduction of digital engagement for recognition program of team members



Work from Home

# Assurance

Ensuring business continuity & growth with safety as a priority

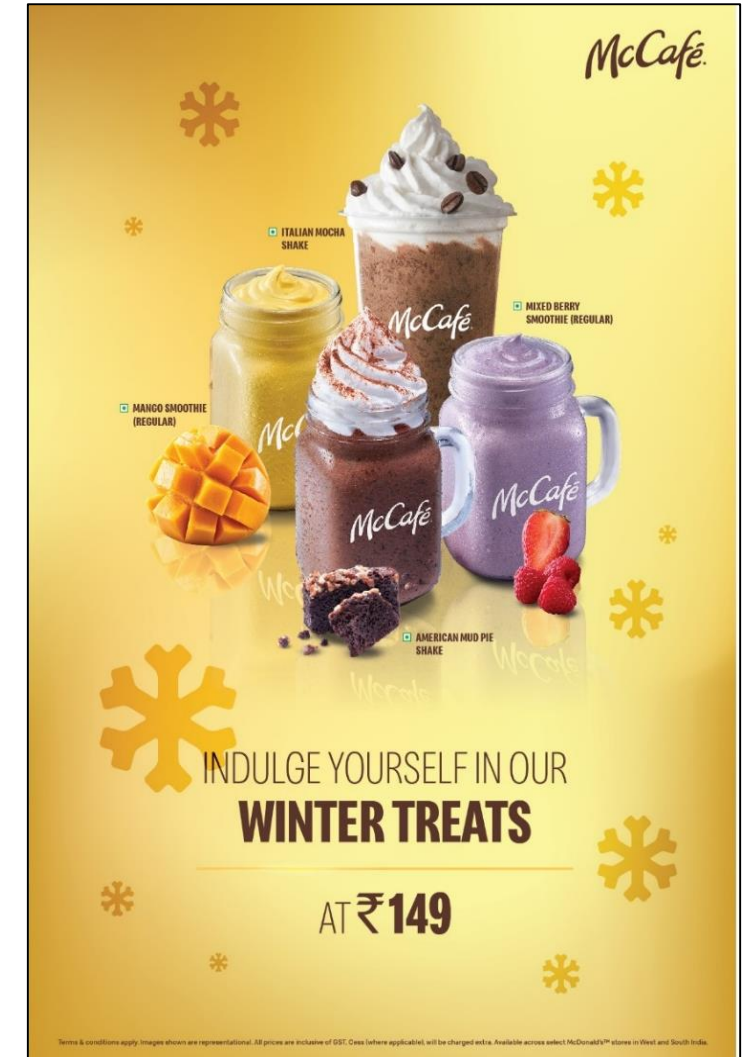
Continued '**SOME THINGS HAVEN'T CHANGED**' campaign  
*The assurance, comfort and familiarity of my favourite brand ~ McD; now accessed with ease*



**GOLDEN GUARANTEE**  
EXTRA SAFE • GREAT TASTE

-  Social distancing
-  Frequent sanitization
-  Food traceability
-  Regular health checks

Images shown are representational. Product available in Veg and Non-Veg. Available till stocks last. T&C apply. For details, refer to [www.mcdonaldsindia.com](http://www.mcdonaldsindia.com) © 2020 McDonald's



**McCafé**

ITALIAN MOCHA SHAKE  
MIXED BERRY SMOOTHIE (REGULAR)  
MANGO SMOOTHIE (REGULAR)  
AMERICAN MUD PIE SHAKE

INDULGE YOURSELF IN OUR  
**WINTER TREATS**

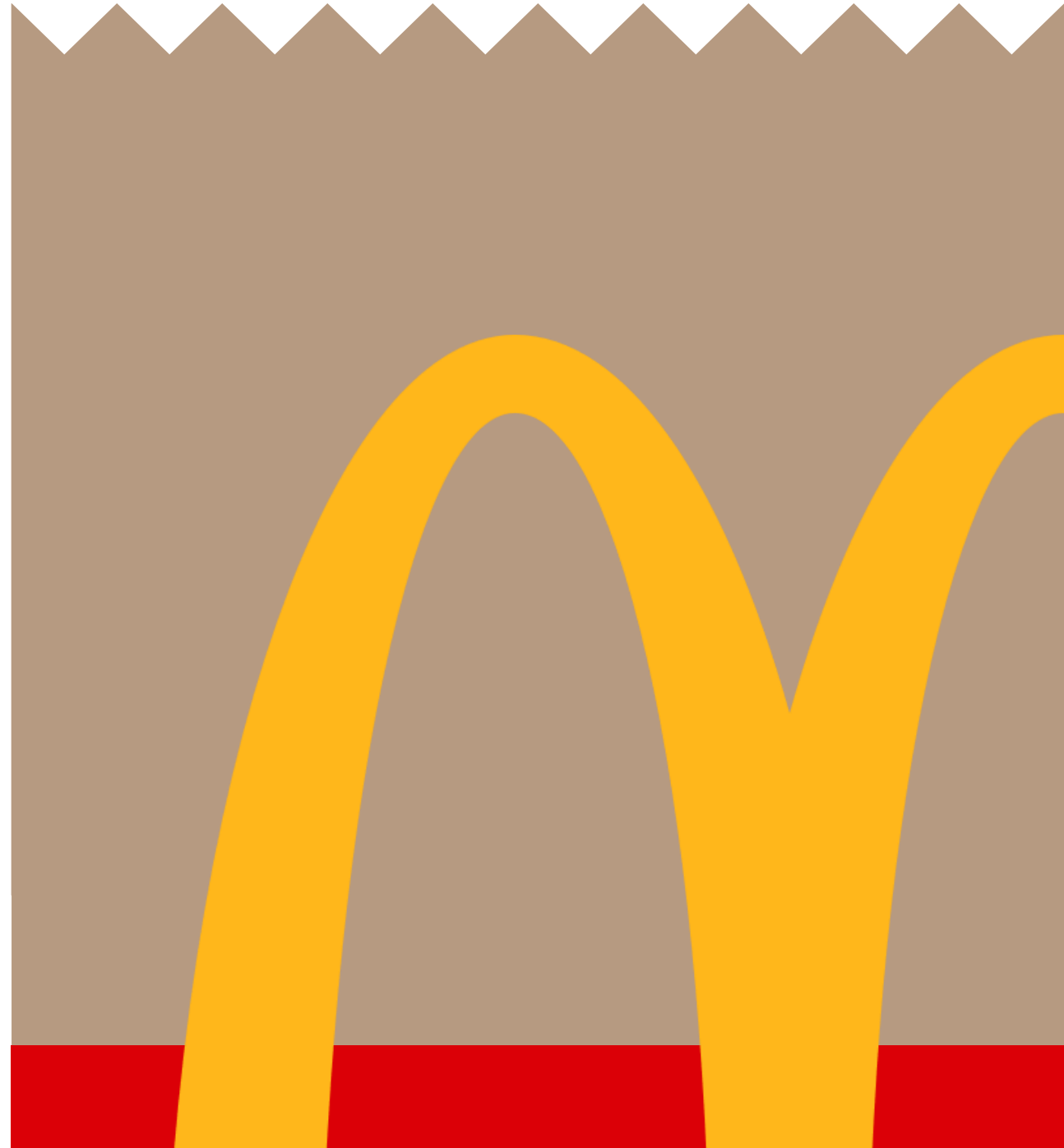
AT ₹149

Terms & conditions apply. Images shown are representational. All prices are inclusive of GST. Cess (where applicable), will be charged extra. Available across select McDonald's® stores in West and South India.



# Convenience

- MDS
- Drive Thrus
- On the Go



# Convenience

## Effectiveness of Convenience Channels through digital & brand leadership

**16%+** sequential growth in Convenience platform



### McDelivery

- Dec'20 sales recovered 110% of pre Covid levels; 90% YoY recovery
- Higher average check compared to pre Covid levels and on YoY basis
- Offered exclusive combo offers, Deal of the day, Free delivery on our app for recruitment and retention



### Drive Thru (DT)

- Sales for Dec'20 have more than doubled to that of pre Covid levels and on YoY basis
- Higher average check compared to pre Covid levels and on YoY basis
- Refreshed DT VIP club program, creating more brand visibility for drive thrus through out of home activities

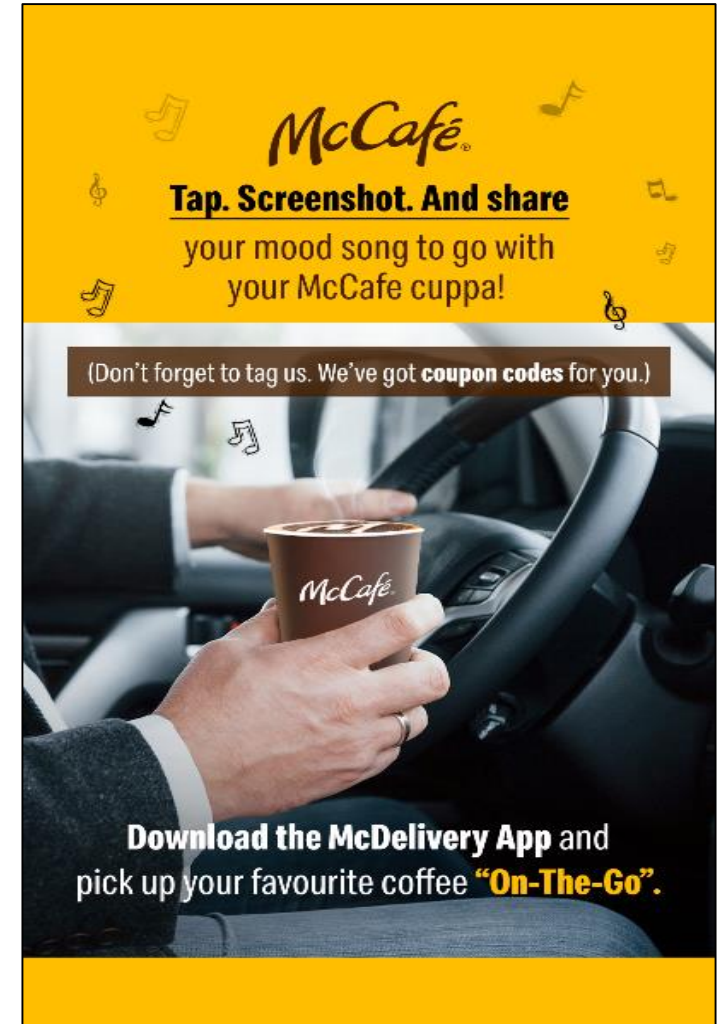


### On the Go (OTG)

- McDonald's OTG platform is operational in 80% of restaurants
- Witnessing robust growth M-o-M basis
- Building brand value and increasing awareness / visibility through out of homes activities; offering exclusive combo offers on OTG

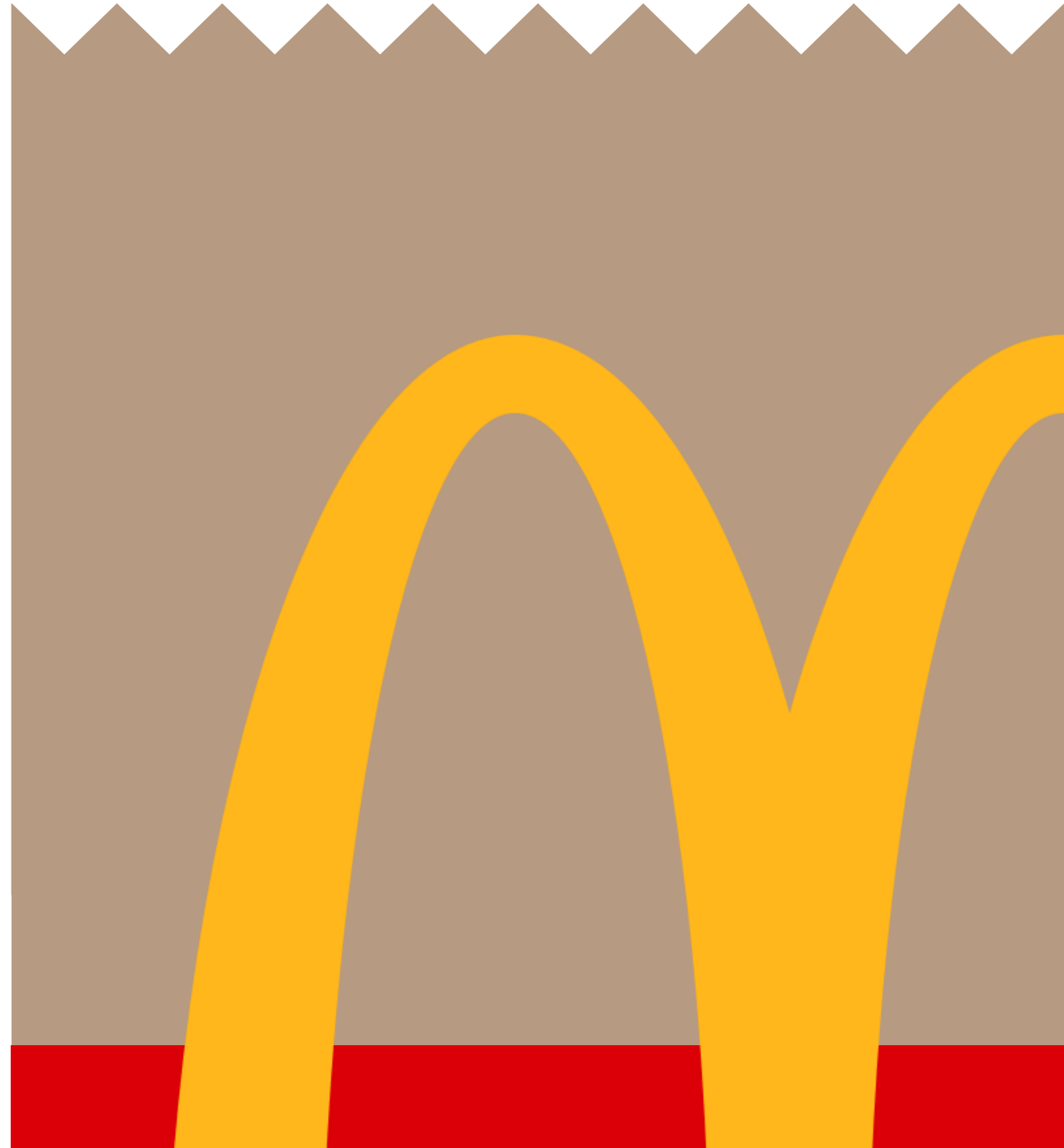
# Convenience

## Effectiveness of Convenience Channels



# Access

- New Store openings
- GMAL



# Operational Stores



Resumed new store openings with 3 new stores added in Q3FY21

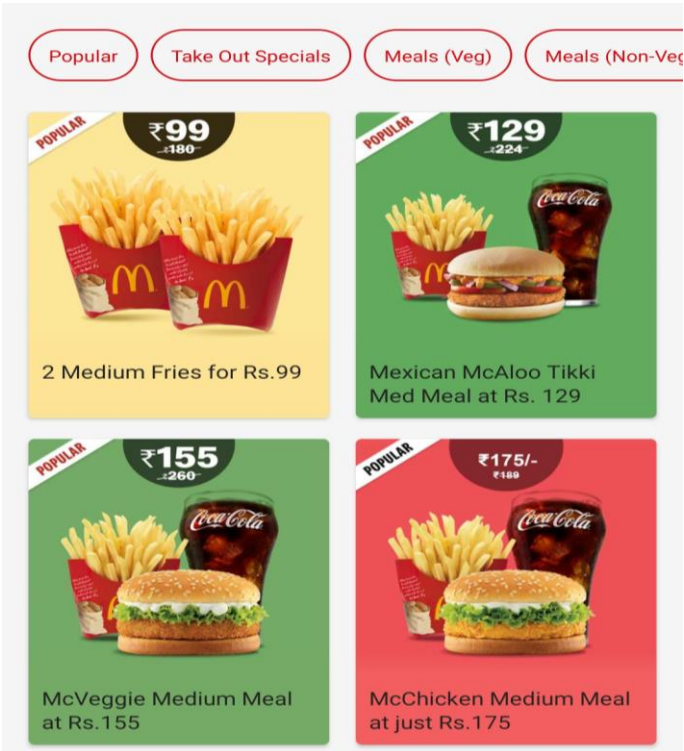
Presence in 304 restaurants across 43 cities (as of Dec, 2020)

10 restaurants closed during the quarter



# McDonald's App Campaigns

## Driving frequency and guest count



Reducing choice overload in the offer section and adding 'Popular' tags to make it easy for customers to choose a great offer

Localising the Experience for Users in Key Cities



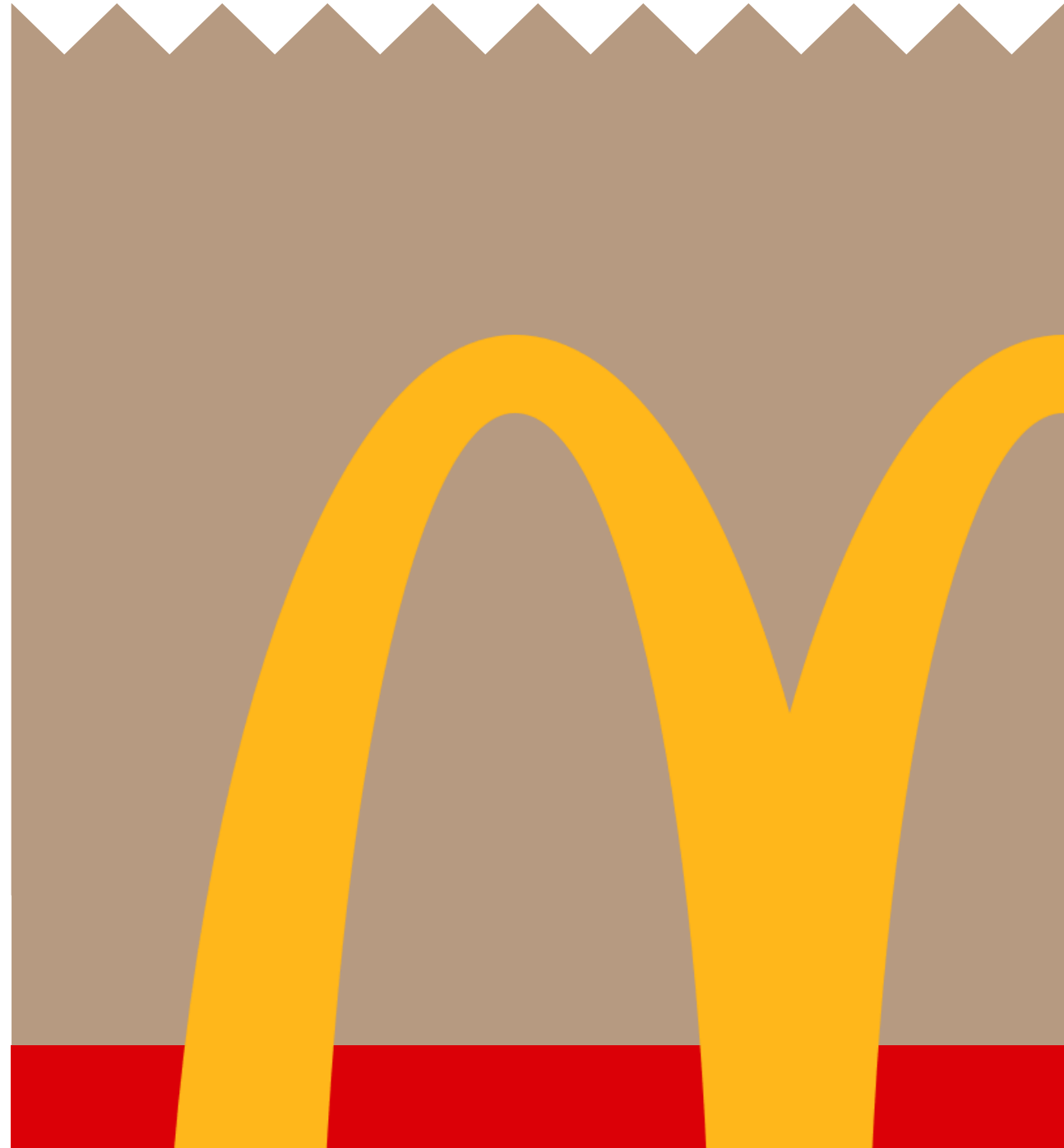
No. of downloads during the quarter increased 1.4x QoQ and the active users increased by ~20% YoY basis and marginally higher on QoQ basis

Total guest count on GMAL increased ~1.8x on QoQ basis

Contribution to in-store guest count more than doubled on YoY basis

Conducting various consumer centric activities like restarted spike campaigns with attractive offers, offering relevant and more popular offers

**Our Community**



# Our Community - Launched Eatqual

## EatQual, a community connection initiative



**EATQUAL** is an initiative that aims to deliver on the community connection objective, by positioning the brand as an **all-inclusive brand, minimizing barriers to access**

India has over 26 million (2.2% of the Indian population) differently-abled citizens. Out of this, individuals with hand-movement disability is high at 27.9%

**EatQual** addresses upper limb disabilities challenge and ensures that the **McDonald's experience is easy, delightful and memorable for each and every customer**



# Our customers are lovin' it...



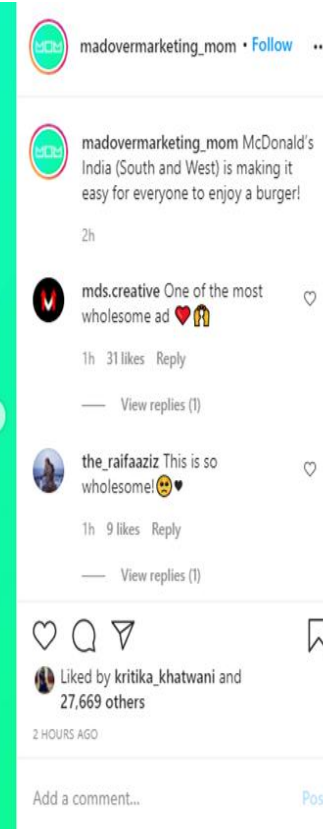
Deepa Malik | Twitter



Marketing Mind | Instagram



Mad Over Marketing | Instagram



Dhaval Khatri | Instagram

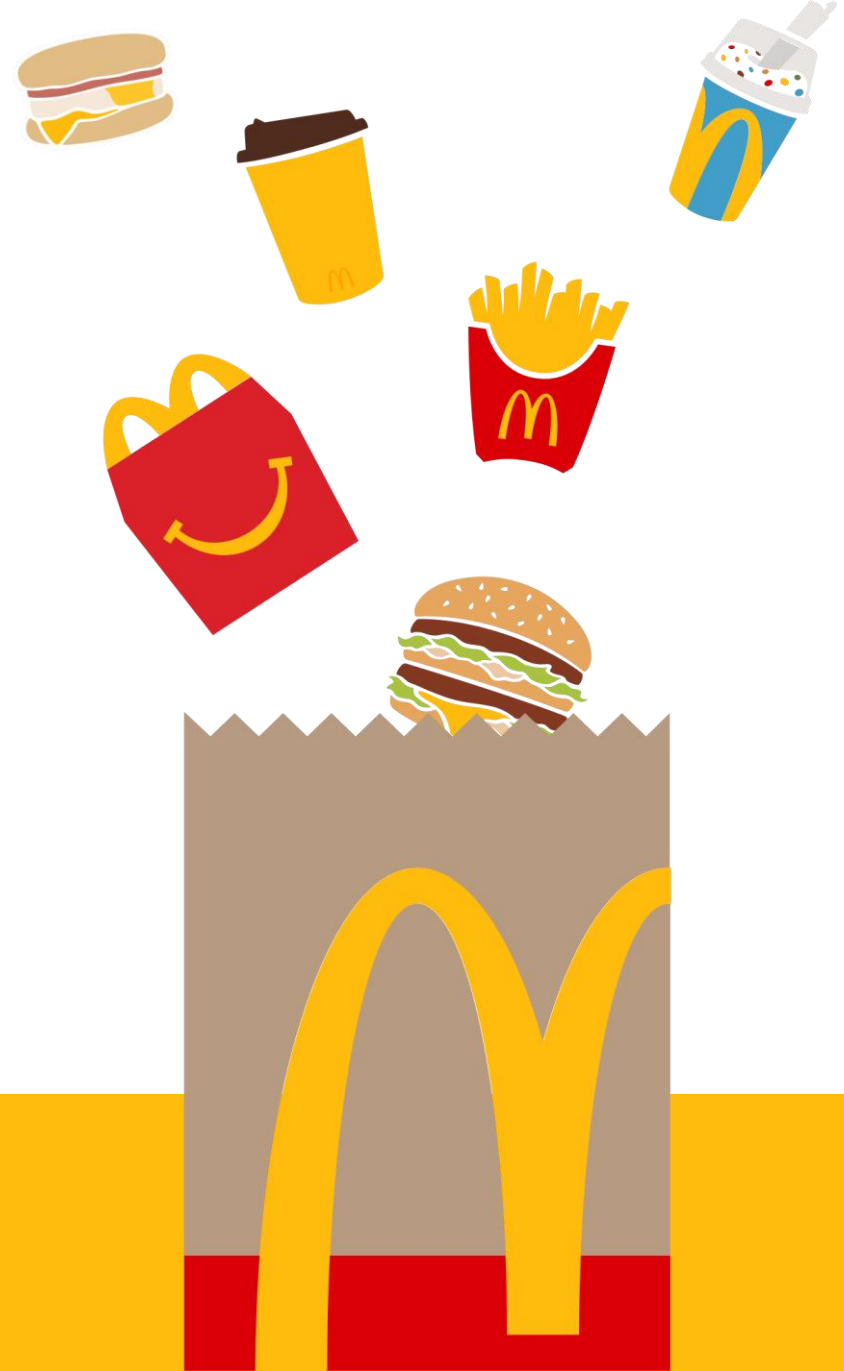
# Awards & Recognitions



Westlife bagged a 'GOLD' at the prestigious **MMA SMARTIES** award for McDonald's App **#10yearchallenge** campaign launched in Jan 2019, under the award category product/service launch.

The MMA SMARTIES India honour the most effective modern marketing using mobile as a key medium.

# Q3FY21 FINANCIALS



# Q3FY21 at a Glance

Particulars (Rs in Mn)	Q1FY21	Margins %	Q2FY21	Margins %	Q3FY21	Margins %	Q3FY20	Margins %
SSSG%	(54.0%)		(40.7%)		(24.0%)		9.2%	
Sales	938.9		2,095.0		3,250.6		4,329.3	
YoY Sales Growth %	(75.4%)		(47.2%)		(24.9%)		16.8%	
Gross Profit	533.2	56.8%	1,330.7	63.5%	2,135.8	65.7%	2,856.9	66.0%
ROM	(400.9)	(42.7%)	77.1	3.7%	501	15.4%	757.8	17.5%
Op. EBITDA	(576.8)	(61.4%)	(102.2)	(4.9%)	330.6	10.2%	520.5	12.0%
PBT (w/o Exc Item)	(768.2)	(81.8%)	(366.4)	(17.5%)	67.5	2.1%	309.6	7.2%
PAT	(575.1)	(61.2%)	(274.3)	(13.1%)	81.9	2.5%	227.2	5.2%
Cash Profits	(550.4)		(93.1)		345.8		449.6	
New stores opening	1		0		3		11	

Note: Q3FY21 numbers are excluding adjustments arising out of IND AS 116

# Impact of IND AS 116

Particulars (Rs in Mn)	(A) Quarter ended Dec 31, 2020 (Adjusted)	(B) Changes due to Ind AS 116 increase / (decrease) **	(C) Quarter ended Dec 31, 2020 (Reported)	(D) Quarter ended Dec 31, 2019 (Adjusted)	(E) Changes due to Ind AS 116 increase / (decrease) **	(F) Quarter ended Dec 31, 2019 (Reported)	(A over D) YoY Growth
Occupancy and other operating expenses	1152.2	(170.0)	982.2	1473.5	(188.6)	1,284.9	(21.8%)
Restaurant Operating Margin	501.0	170.0	671.0	757.8	188.6	946.4	(33.9%)
General and Administration Expenses	170.4	-	170.4	237.3	-	237.3	(28.2%)
Operating Earnings before interest, tax and depreciation and amortisation	330.6	170.0	500.6	520.5	188.6	709.1	(36.5%)
Other Income	(58.7)	(23.0)	(81.7)	(45.3)	-	(45.3)	(29.5%)
Finance costs	42.5	167.1	209.6	33.8	167.9	201.8	(25.8%)
Depreciation and amortisation expense	216.2	133.8	350.1	222.4	132.2	354.6	(2.8%)
Profit before tax and exceptional items	67.5	(107.9)	(40.4)	309.6	(111.6)	198.1	(78.2%)
Exceptional Items	(41.9)	-	(41.9)	-	-	-	-
Profit before tax	109.4	(107.9)	1.5	309.6	(111.6)	198.1	(64.7%)
Deferred tax	27.5	(27.1)	0.4	14.5	(28.1)	(13.6)	89.8%
Income tax	-	-	-	67.9	-	67.9	-
Profit after tax	81.9	(80.8)	1.1	227.2	(83.5)	143.7	(64.0%)
Other Comprehensive income (net of tax)	0.7	-	0.7	0.5	-	0.5	38.2%
Total Comprehensive Income	81.2	(80.8)	0.4	226.7	(83.5)	143.2	(64.2%)



# Revenue Trajectory

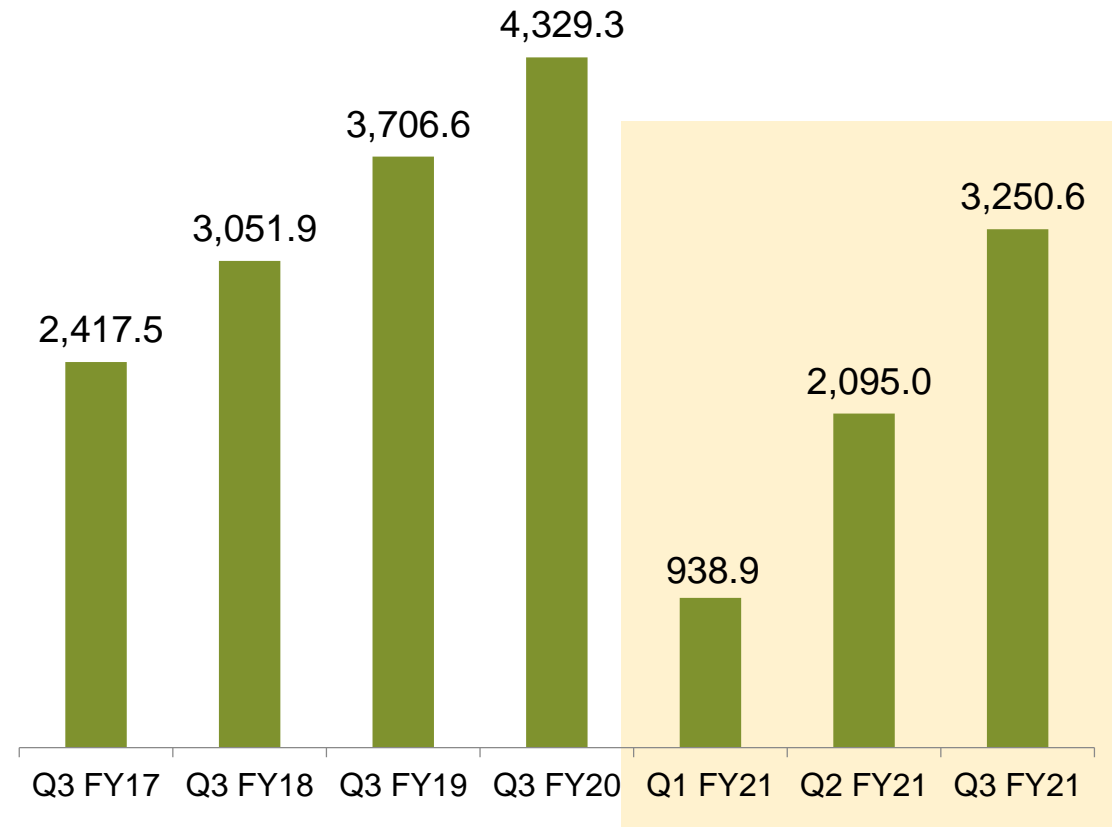
INR Mn	Q3 FY21	Q2 FY21	QoQ Gr %
Total Revenue	3,250.6	2,095.0	55.0%

INR Mn	Q3 FY21	Q3 FY20	YoY Gr %
Total Revenue	3,250.6	4,329.3	(24.9%)

Strong sales recovery in Q3FY21 over Q2FY21 on back of:

- **Growth led by strong recovery in dine in and Convenience platform**, which are at 70-75% and 120%+ of pre Covid levels respectively
- **Dec'20 sales are back to pre Covid levels**

(INR Mn)

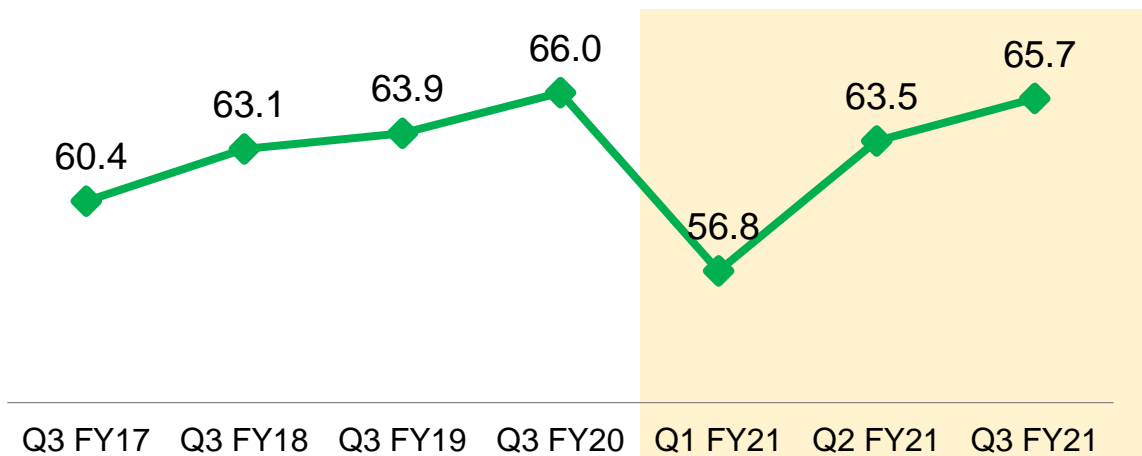


# Gross Margins & ROM Recovery

INR Mn	Q3 FY21	Q2 FY21	QoQ Gr %
<b>Gross Margins</b>	2,135.8	1,330.7	60.6%
% of Total Revenue	65.7%	63.5%	219 bps

INR Mn	Q3 FY21	Q3 FY20	YoY Gr %
<b>Gross Margins</b>	2,135.8	2,856.9	(25.0%)
% of Total Revenue	65.7%	66.0%	(29 bps)

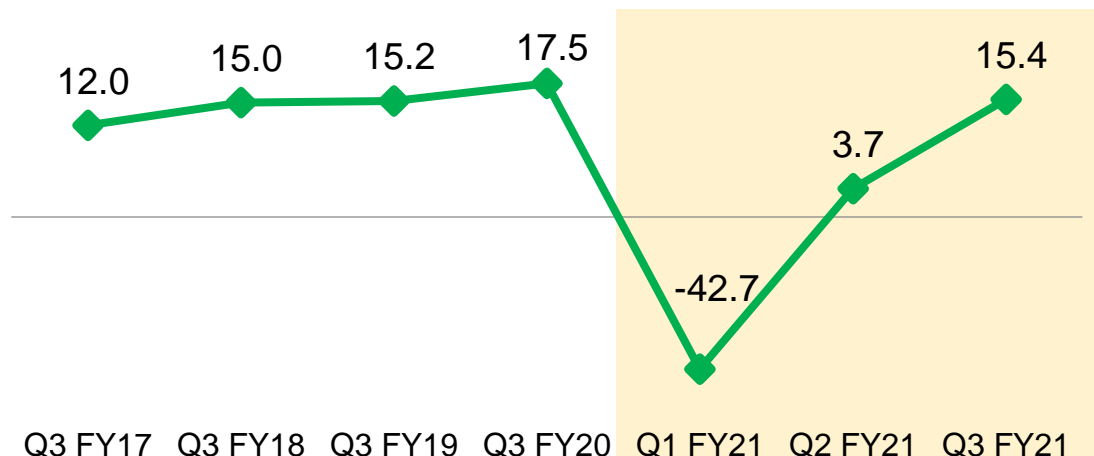
**Gross margins back to pre Covid levels** on account of volume recovery, channel optimisation and supply chain cost initiatives



INR Mn	Q3 FY21	Q2 FY21	QoQ Gr %
<b>RoM</b>	501.0	77.0	550.6%
% of Total Revenue	15.4%	3.7%	1170 bps

INR Mn	Q3 FY21	Q3 FY20	YoY Gr %
<b>RoM</b>	501.0	757.8	(33.9%)
% of Total Revenue	15.4%	17.5%	(209 bps)

Driven by gross margin improvement, continued rent rebates and operating cost optimisation



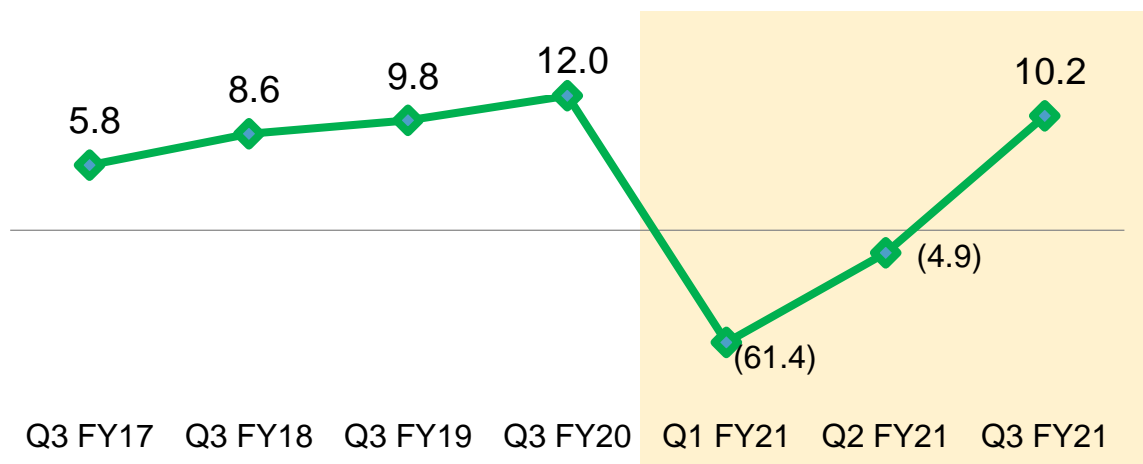
Note: Q3FY21 numbers are excluding adjustments arising out of IND AS 116

# Profitability

INR Mn	Q3 FY21	Q2 FY21
<b>Op. EBITDA</b>	330.6	(102.2)
% of Total Revenue	10.2%	(4.9%)

INR Mn	Q3 FY21	Q3 FY20
<b>Op. EBITDA</b>	330.6	520.5
% of Total Revenue	10.2%	12.0%

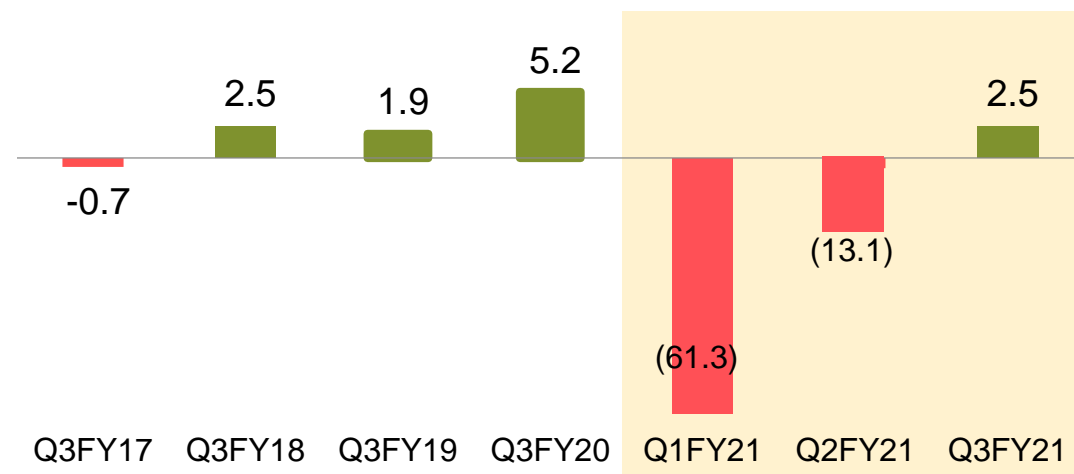
- Dec'20 margins close to Dec'19 margins
- Recovered 50%+ H1FY21 loss



INR Mn	Q3 FY21	Q2 FY21
<b>PAT</b>	81.9	(274.3)
% of Total Revenue	2.5%	(13.1%)

INR Mn	Q3 FY21	Q3 FY20
<b>PAT</b>	81.8	226.7
% of Total Revenue	2.5%	5.2%

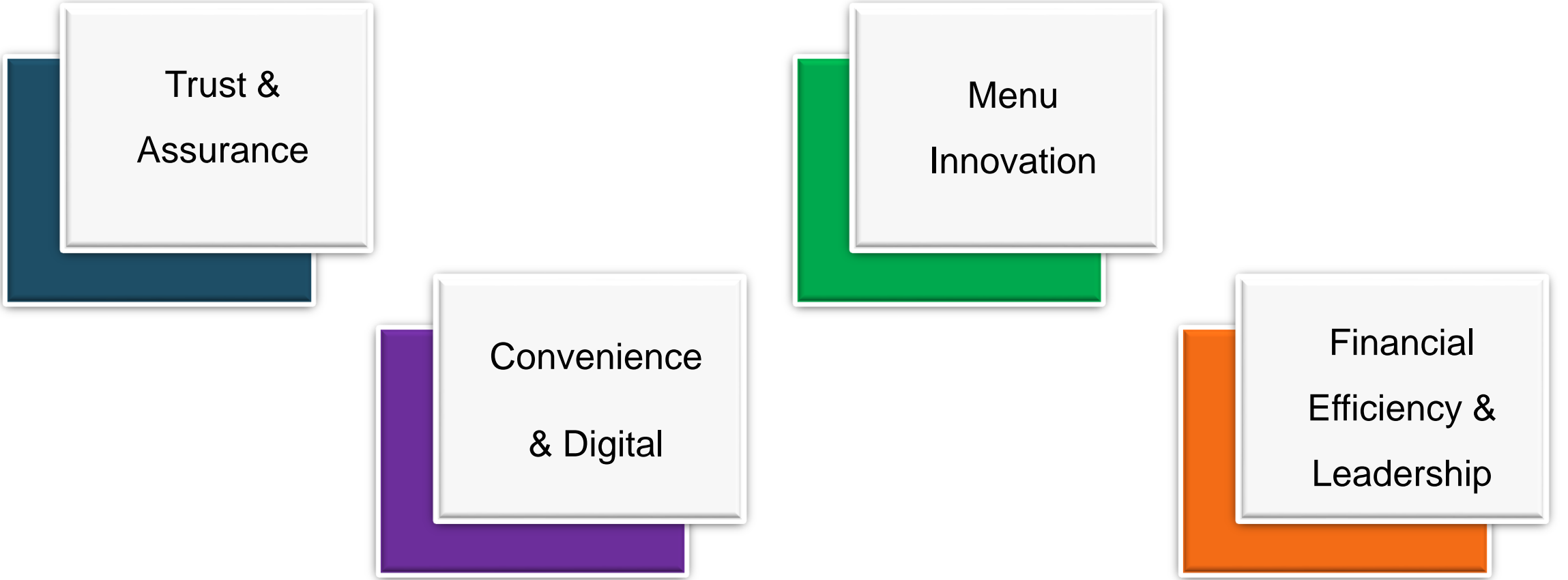
**Recovered back to positive PAT**



Note: 1) Q3FY21 numbers are excluding adjustments arising out of IND AS 116; 2) Charts are not as per scale



# Outlook FY21



Trust &  
Assurance

Menu  
Innovation

Convenience  
& Digital

Financial  
Efficiency &  
Leadership

Focusing on growth – sales, profitability and balance sheet strength



# Thank you

## **IR Contact**

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