

Westlife Development Ltd. Hardcastle Restaurants Pvt. Ltd.

Q4 & FY2018 Earnings Update May 11, 2018

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Four Strategic Levers

Broadening Accessibility

- Growing the restaurant footprint
- Business unit economics
- Market planning

Growing Baseline Sales

- Value
- Menu
- Brand extensions
- Re-imaging & restaurant experience

Margin Expansion

- Gross Margin
- Operating leverage

Growth through People

- Training, learning & development

Key Messages

Q4 FY18

1. Positive shift in consumer sentiment & footfalls continue
2. Significant SSG momentum continues & total sales growth hitting record-high
3. Improvement in gross margins & operational profitability
4. Cash profit doubled during the quarter on Y-o-Y basis

FY18

1. Strong SSG & overall growth outperforming industry benchmarks
2. Surpassed our financial targets leading to significant change in profitability metrics
3. Remarkable progress in driving higher average sales per restaurant
4. Huge shareholder wealth creation

Q4 FY2018 Results & Highlights

Total sales stood at **INR 3,026.9 Mn**; Y-o-Y sales growth at multi-quarter high of **34.6%**

SSSG at record high of **25.1%**

Gross margins improved by **~220 bps** Y-o-Y to **63.6%**

Op. EBITDA up **97%**; margin expansion of **~235 bps** Y-o-Y to **7.4%**

PAT margins at **2.2%**; PAT of **INR 66.1 Mn**

Cash profit up **103.4%** compared to Q4 FY17

FY2018 Results & Highlights



Total sales stood at **INR 11,348.7 Mn**; strongest growth in over 5-years at **21.9%**

SSSG at multi-year high of **15.8%**; continues industry leadership

Gross margins improved by **~190 bps**; largely driven by product mix & innovation

Op. EBITDA up **71.1%**; Op. Margin at **7.5%**; expansion of **~215 bps** Y-o-Y

PAT margin at **1.1%**; PAT of **INR 128.6 Mn**

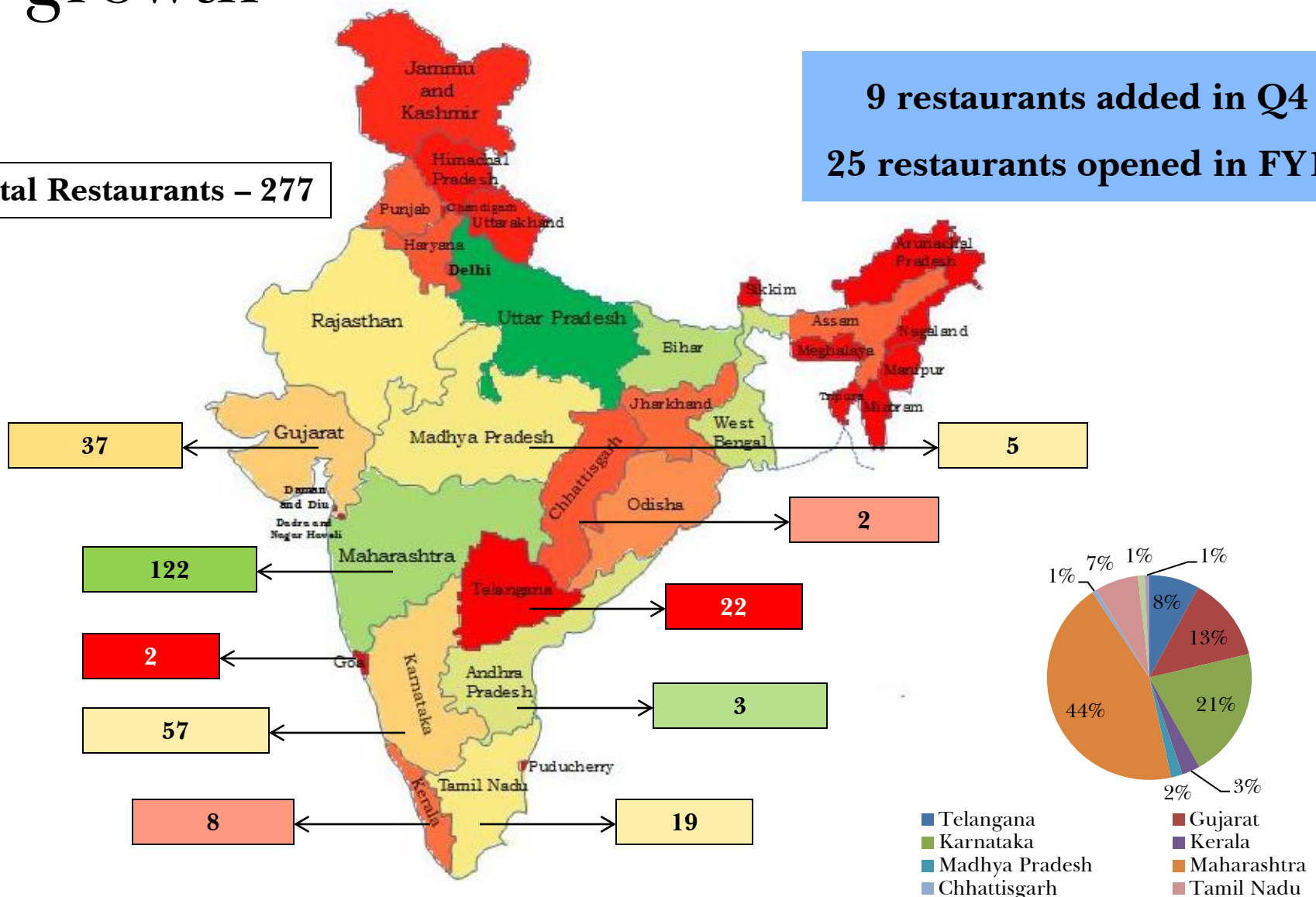
Cash profit increased by **58.8%** Y-o-Y to **INR 889.0 Mn**

SALES GROWTH & DRIVERS

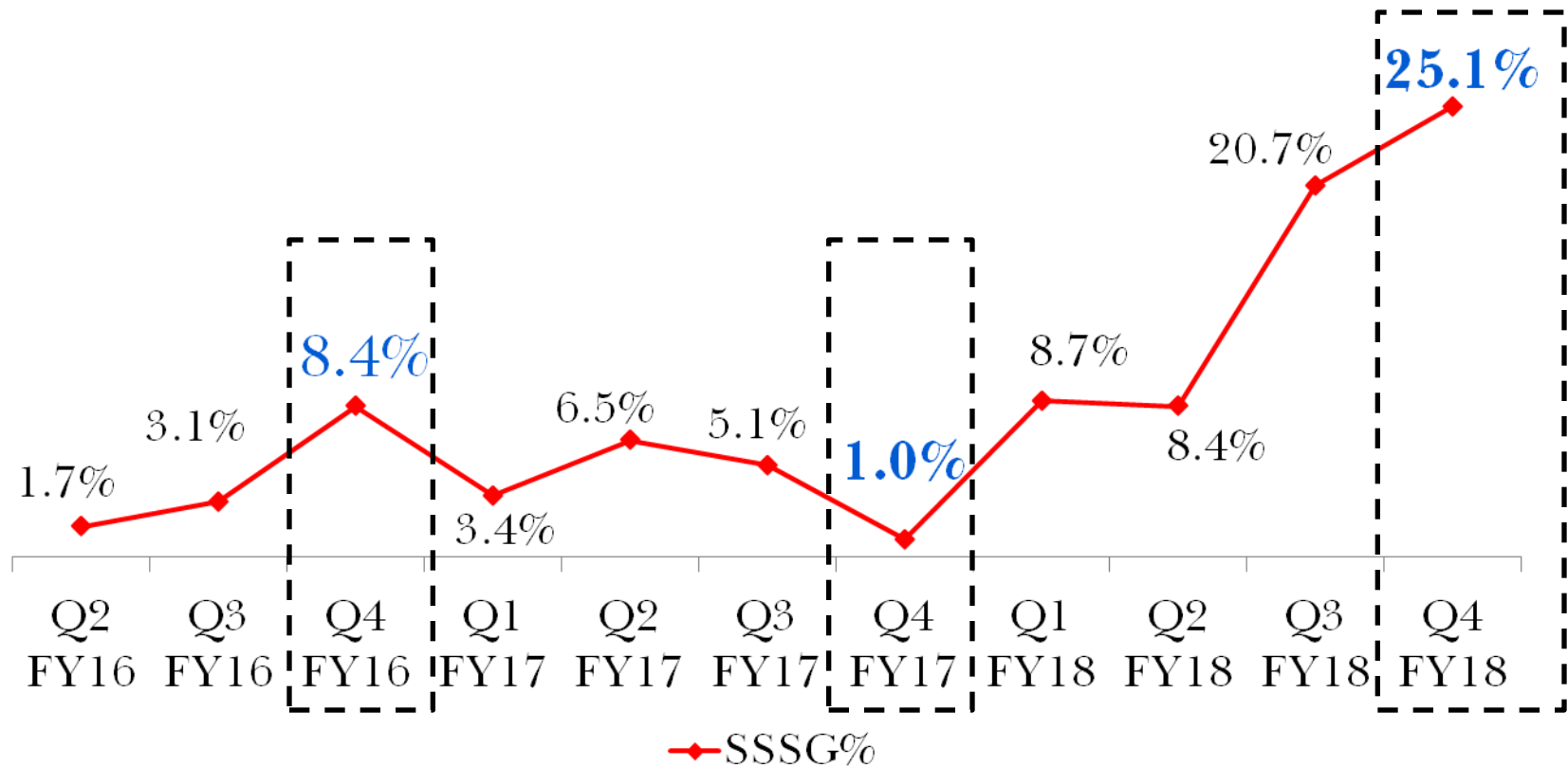
Restaurant footprint driving sales growth

Total Restaurants – 277

9 restaurants added in Q4
25 restaurants opened in FY18



Strong compounding of SSG

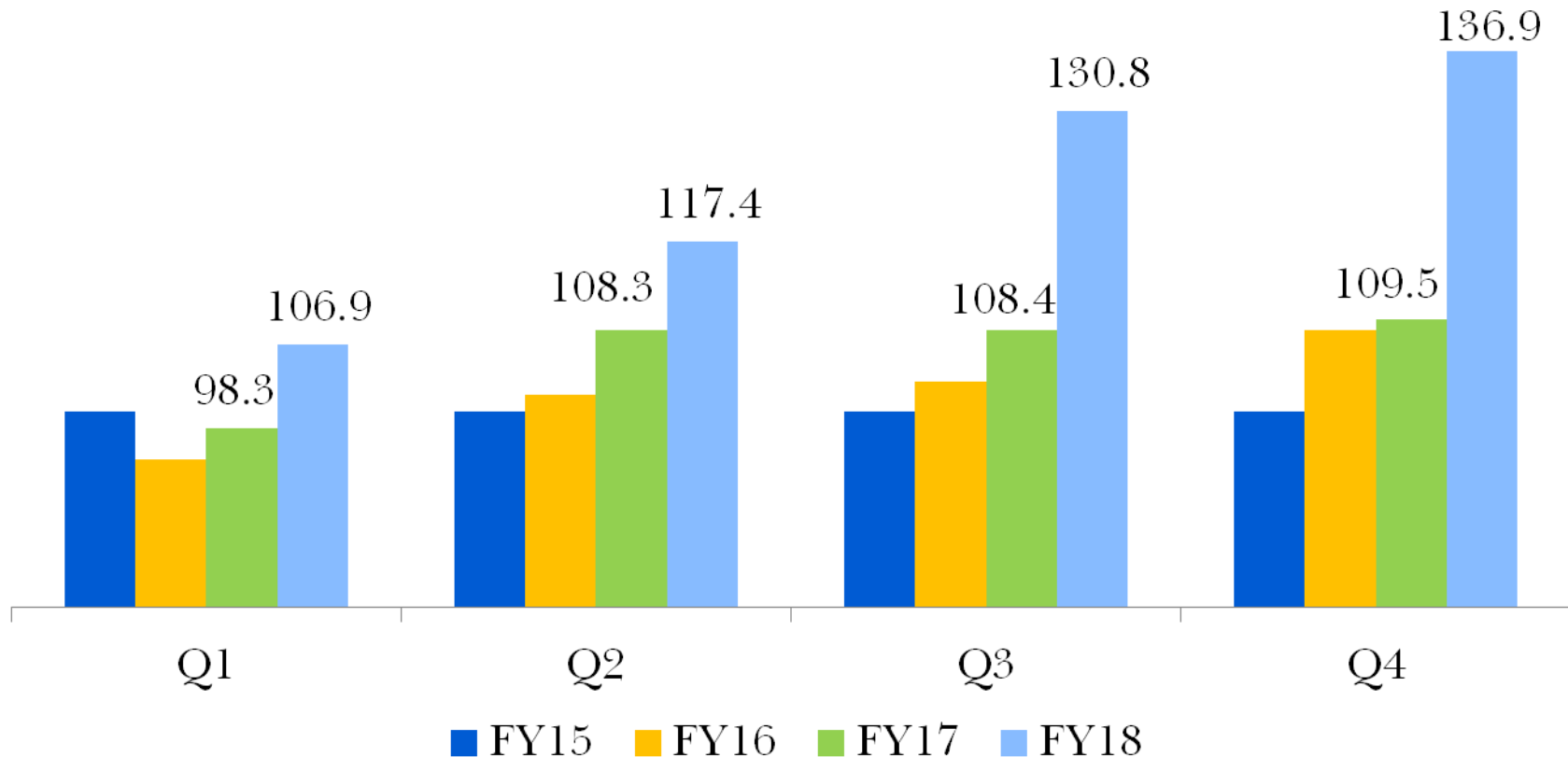


SSG at record high; footfalls momentum continues at the back of menu innovation, value platform & brand extensions

Leading to strong momentum in building baseline sales



FY15 SSG normalized to base of 100

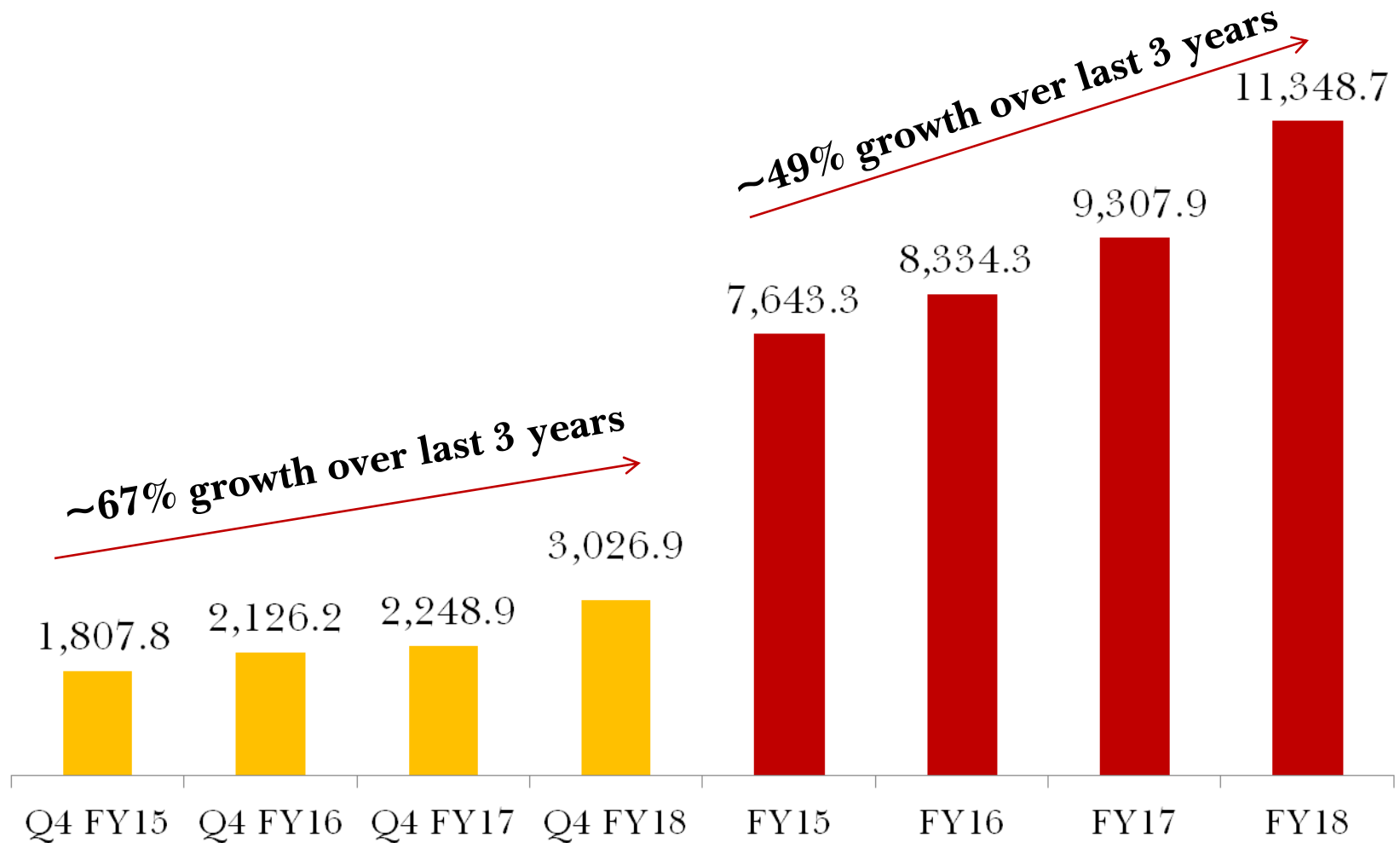


Compounding growth in same store sales drove higher average sales per restaurant (AUV) & better profitability

Industry leading sales growth



Figures in INR Mn



Factors contributing to growth

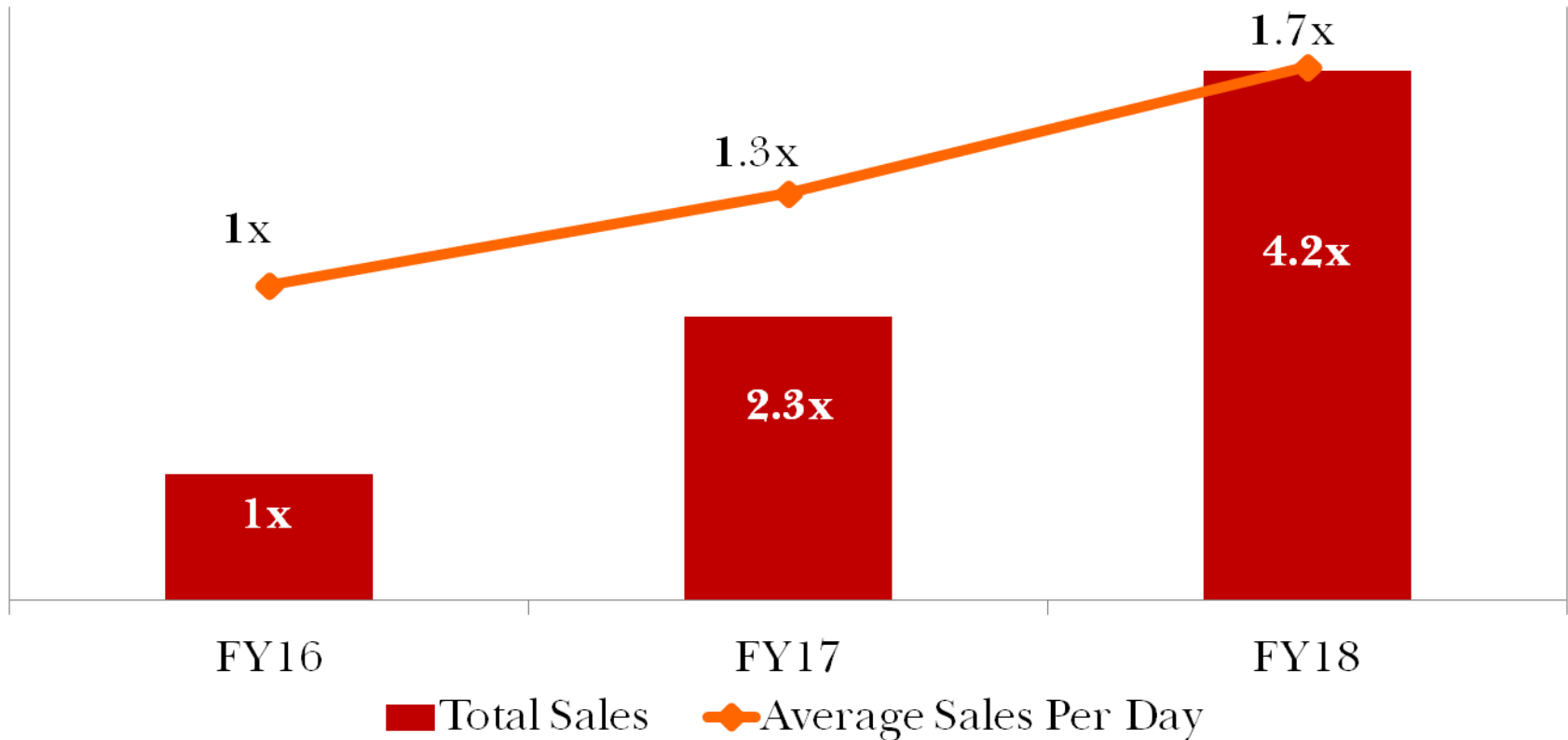
**THERE'S A McCafé FOR THAT,
THIS & EVERYTHING IN BETWEEN.**



MORE THAN
30
BEVERAGES



>4x McCafé sales in 2 years



**Doubled McCafé base of restaurants in 2 years;
149 as of Q4 FY18 and 38 additions in FY18**

Factors contributing to growth

**IMAGINE THIS
STORE AT
YOUR DOOR.**

**McDELIVERY™ IS NOW AVAILABLE
IN YOUR NEIGHBOURHOOD.**




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 **McDelivery™ App**  
Choose the 'McDonald's™ India-
West and South' App from the store.

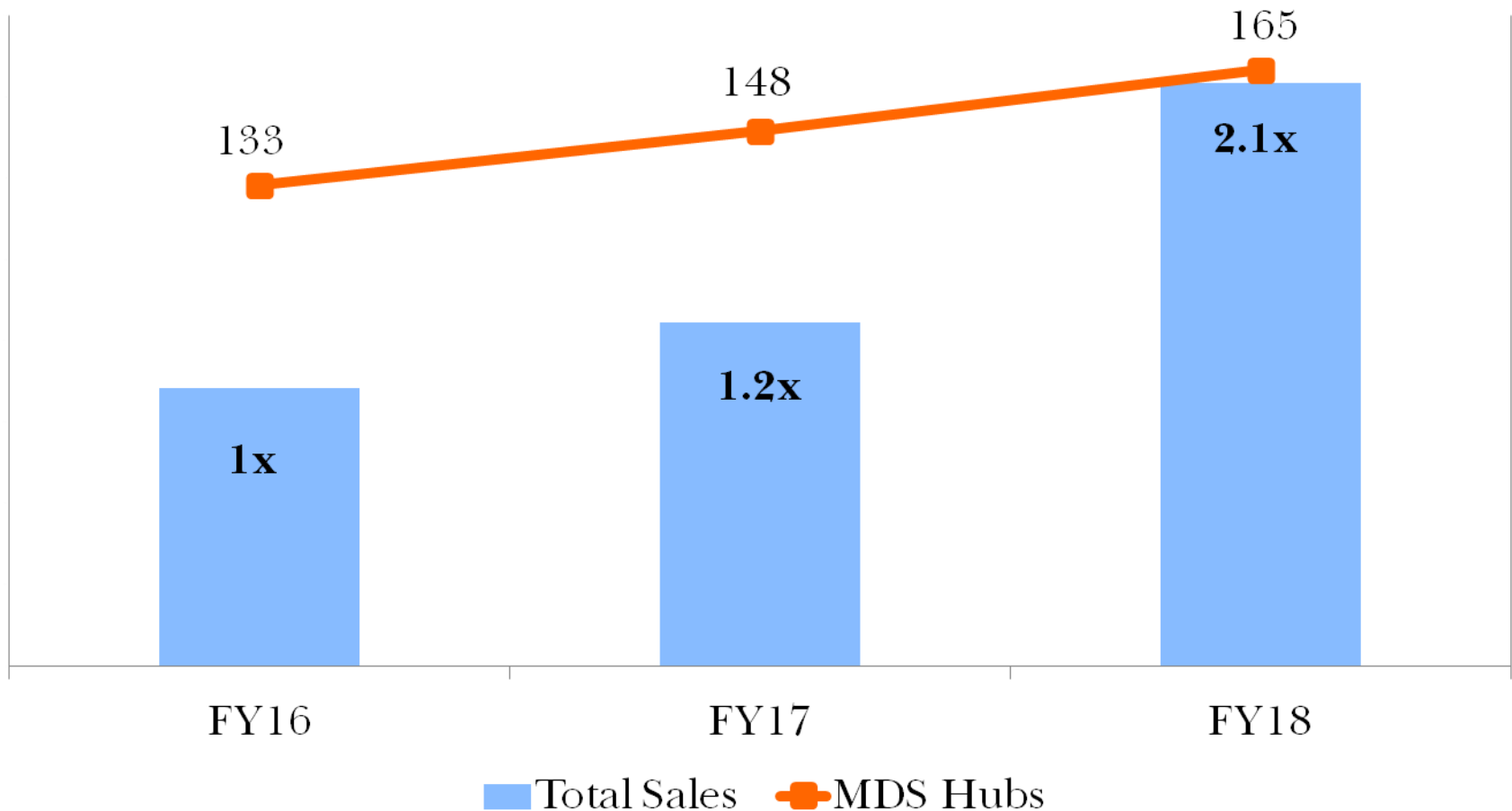
 **8879228899**
to download the McDelivery™ App.

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>2x MDS sales in 2 years



Significant growth from digital channels & tie-up with aggregators continue to be accretive

Factors contributing to growth

Menu

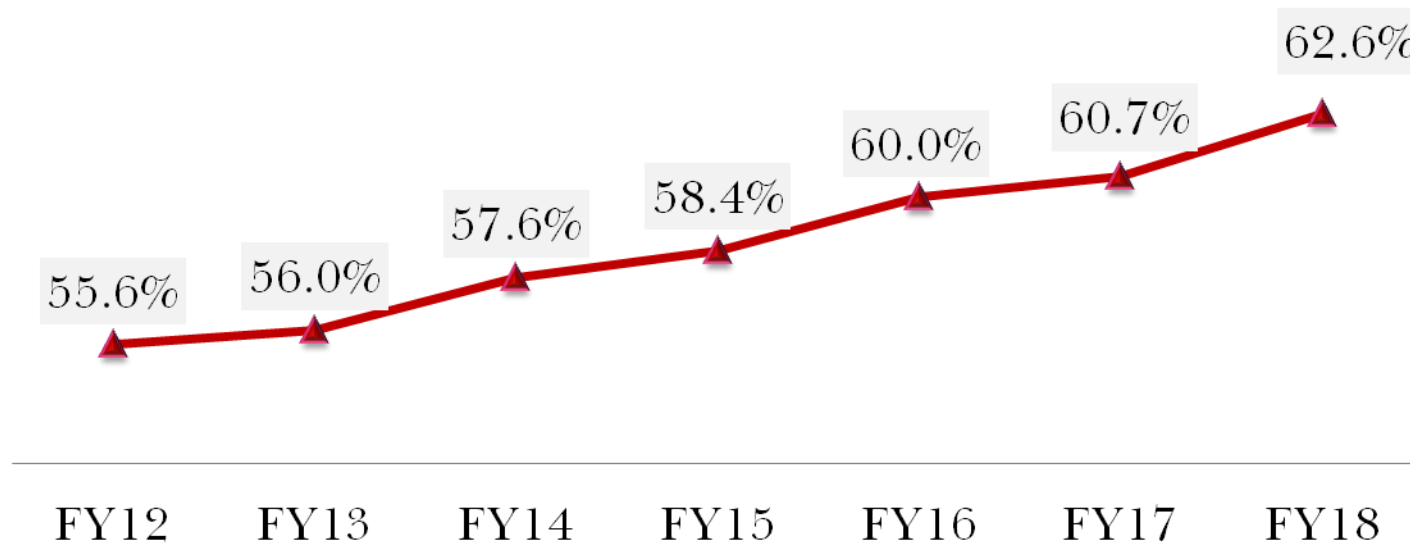
- Robust menu and product platforms built on value, helping achieve significant results
- Innovation and strong customer obsession remains key pillar for future growth



OPERATIONAL PROFITABILITY

Gross margin management

Hugely driven by efficient product mix enhancement



Significant steps for sustainable operational profitability

Highly encouraging progress around ROP 2.0 restaurants

- Majority of new restaurants opened in FY18 achieved cash-flow breakeven
- Cash-flow from basket of new restaurants in FY18 up **50%** compared to new restaurants opened in FY17



FINANCIAL PERFORMANCE DISCUSSION

Financial performance summary



As per IGAAP

INR Mn	Q4 FY18	Q4 FY17	Growth	FY18	FY17	Growth
Total Sales	3,026.9	2,248.9	34.6%	11,348.7	9,307.9	21.9%

- Increase in sales largely led by
 - Highest same store sales growth in over 5-years
 - Momentum around increased footfalls continued across the restaurants led by menu innovation and variety to consumers
 - Continued momentum around ‘everyday value’ (through Happy Price Combos) , Flavors without Borders & brand campaign
 - Brand extensions (like McCafé, MDS etc.) contribution continue to be strong
 - Re-imaging of existing restaurants & Experience Of The Future (EOTF)
 - New restaurants continue to perform as per plan

Financial performance summary



As per IGAAP

INR Mn	Q4 FY18	Q4 FY17	FY18	FY17
Gross Margins	1,923.9	1,379.3	7,099.0	5,646.7
% of Sales	63.6%	61.3%	62.6%	60.7%

- Gross margins expansion primarily on account of
 - Strong product mix improvement led by brand extensions (McCafé and MDS), menu innovation platform building approach

INR Mn	Q4 FY18	Q4 FY17	Growth	FY18	FY17	Growth
RoM	400.4	233.8	71.3%	1,486.7	1,022.2	45.4%
% of Sales	13.2%	10.4%		13.1%	11.0%	

- Significant improvement in Restaurant operating margins (RoM) due to
 - Operating leverage led by higher SSSG
 - Consistent improvement in gross margins
 - ROP 2.0 led efficiencies across utilities & labour costs
 - Partially offset by full-quarter impact of increase in costs due to denial of ITC

Financial performance summary



As per IGAAP

INR Mn	Q4 FY18	Q4 FY17	Growth	FY18	FY17	Growth
Op. EBITDA	223.5	113.5	97.0%	846.8	495.0	71.1%
% of Sales	7.4%	5.0%		7.5%	5.3%	

- High operating EBITDA margins expansion on account of
 - Improvement in RoM
 - Slightly offset by increased G&A expenses

INR Mn	Q4 FY18	Q4 FY17	FY18	FY17
PAT	66.1	(41.5)	128.6	(121.2)
% of Sales	2.2%	-	1.1%	-

- Improvement in PAT margins led by
 - Stable depreciation on account of ROP 2.0 based restaurants coupled with operating margin expansion

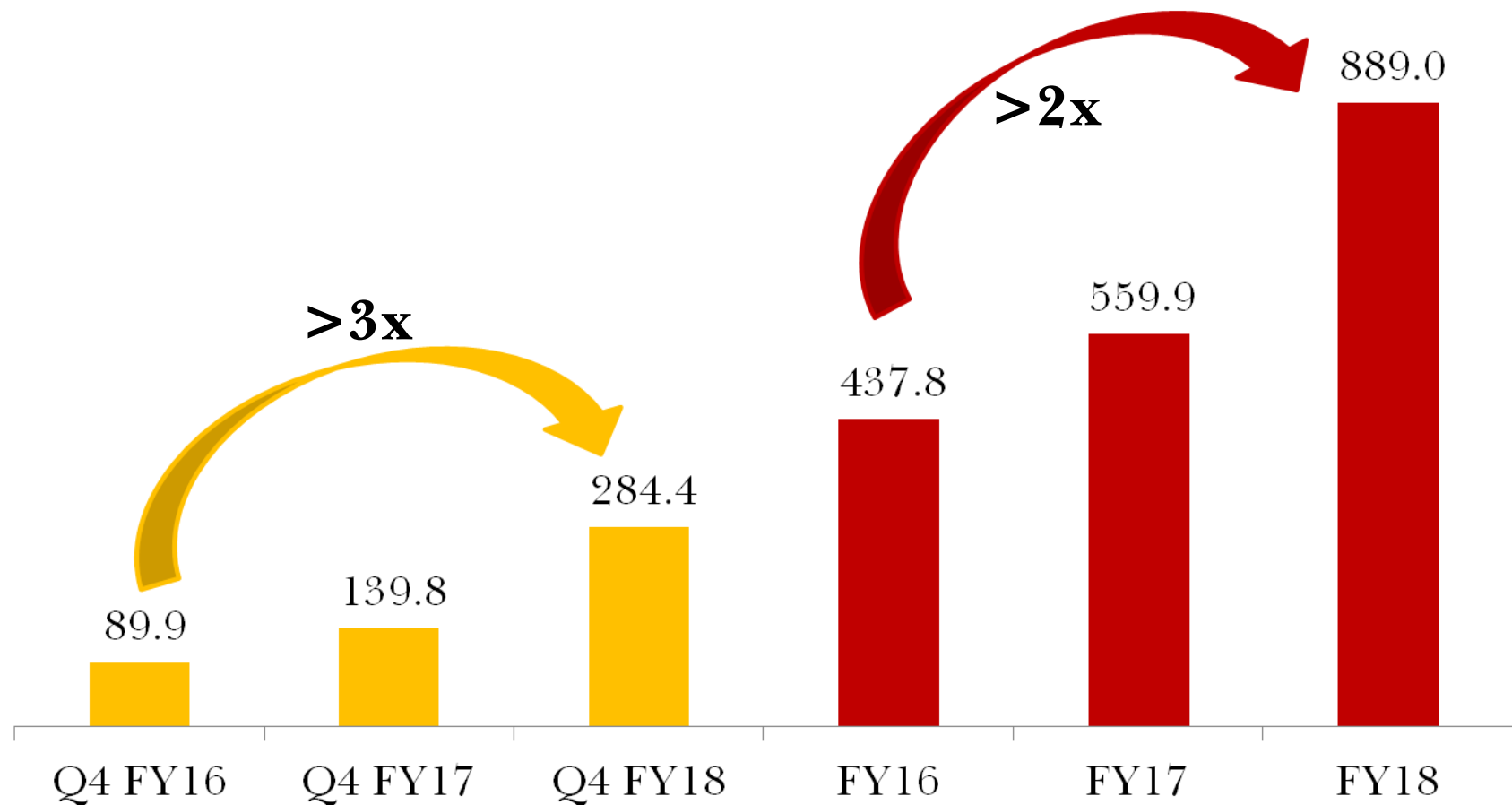
Operating EBITDA bridge



* Full-quarter impact of withdrawal of input-tax credit (ITC)

Sharper focus on profitability and operating leverage driving gains

FY18 cash-profit generation strongest in recent years



Figures in INR Mn

FY19 strategy

FY18

1. Strong SSG & overall growth outperforming industry benchmarks
2. Surpassed our financial targets leading to significant change in profitability metrics
3. Remarkable progress in driving higher average sales per restaurant
4. Huge shareholder wealth creation

FY19

1. Growth continues to be our top priority
2. Innovation & platform building to be key growth engines
3. Consistent work around brand extensions & driving customer experience
4. Sharper focus on driving operational profitability & return ratios

FY19 Outlook



Sales Growth

- Add around 25 restaurants in FY19
- Drive AUV through brand extensions, menu innovation, value and enhanced customer experience

Profitability

- Continued focus on sustaining profitable growth
- Improved profitability from ROP 2.0 restaurants
- Optimizing opportunity via continuous evaluation of restaurant portfolio

Continue on our trajectory of shareholder wealth creation

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