

Westlife Development Ltd.

Hardcastle Restaurants Pvt. Ltd.

Q3 FY17 Earnings Update

Feb 3, 2017

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Four Strategic Levers

Broadening Accessibility

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

Growing Baseline Sales

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

Margin Expansion

- Gross Margin
- Operating leverage

Growth through People

- Training, learning & development
- Strong people processes

Q3 FY2017 Results & Highlights



Financial Performance

- Reflects strong brand positioning despite demonetization headwind during the quarter
- Comparable sales (SSSG) at 5.1%; strong traction for the 6th consecutive quarter with positive SSSG
- Total restaurants at 252; added 7 restaurants in Q3; Y-o-Y revenue growth of 14.6%
- Restaurant operating Margin (RoM) at 12.0%; Operating EBITDA at 5.8% in Q3 FY17

Menu & Brand Extensions

- Launched brand campaign around '20 Years of Lovin' It'
- McCafé & McDelivery continue to drive significant sales growth

Broadening Accessibility



Brand access
...driving consumer convenience

New Restaurants

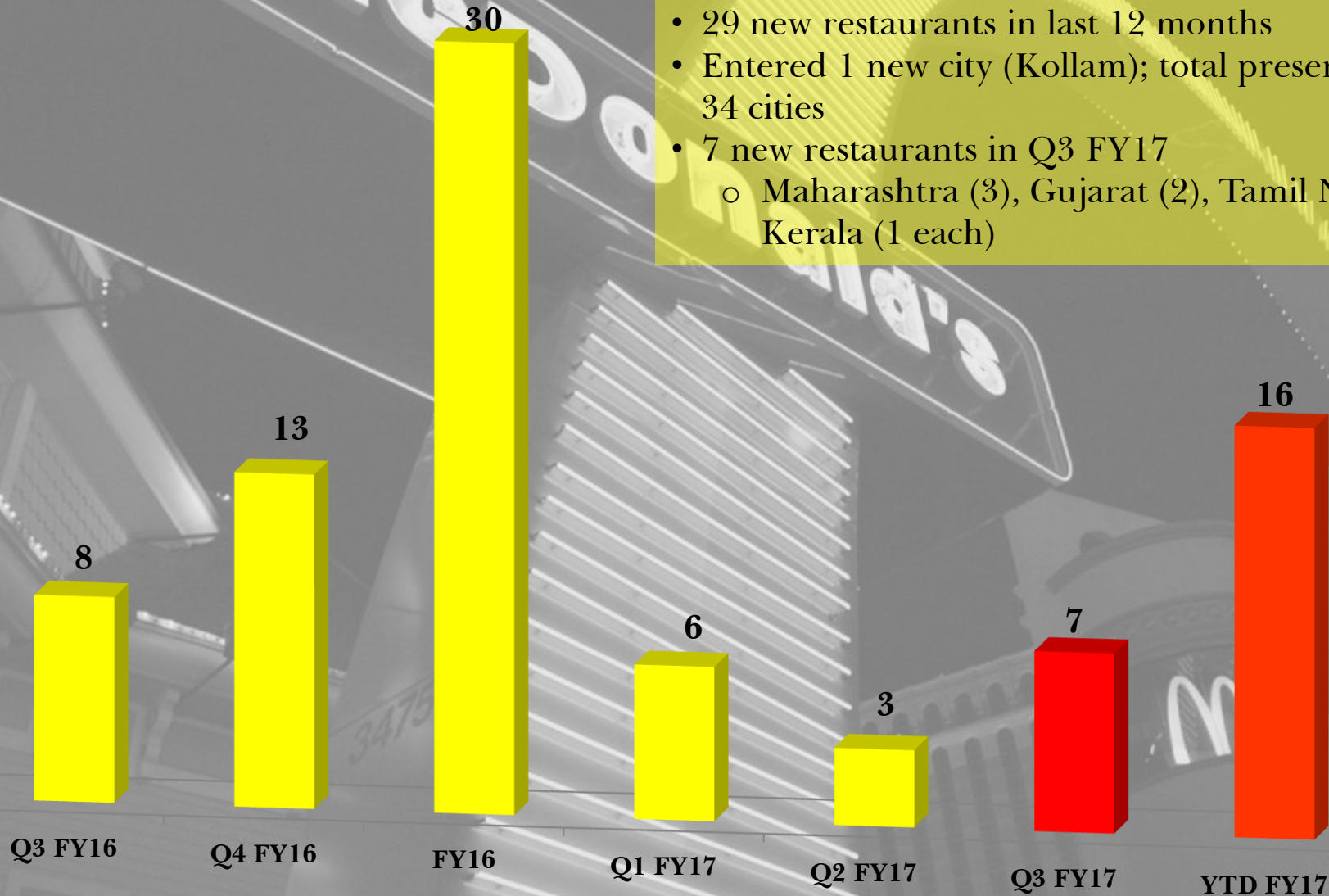




Broadening Accessibility

Restaurant Openings

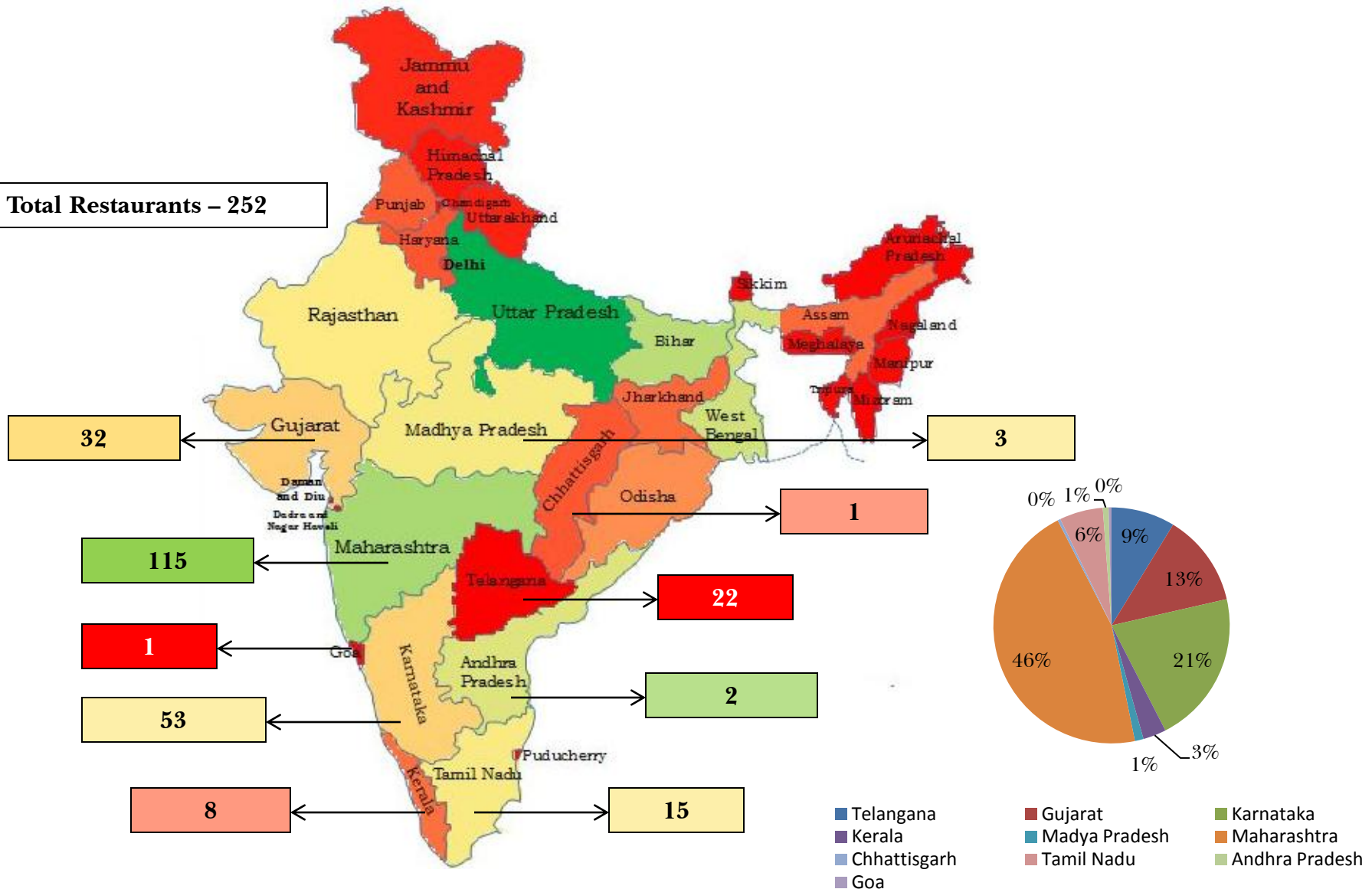
- 29 new restaurants in last 12 months
- Entered 1 new city (Kollam); total presence in 34 cities
- 7 new restaurants in Q3 FY17
 - Maharashtra (3), Gujarat (2), Tamil Nadu & Kerala (1 each)



Broadening Accessibility

Region-wise Presence – Q3 FY17

Total Restaurants – 252



Broadening Accessibility

Investment in **FOUNDATION** for
future **GROWTH** continues



Opened **29**
restaurants over
last 12 months;
total restaurants
at 252

Restaurants
opened on ROP
2.0 delivering
strong results;
reduction in
drag
encouraging

Growing Baseline Sales



Value

Menu

Brand
Extensions

Growing Baseline Sales
STRENGTHENED Brand
Positioning

20
YEARS
OF
lovin' it



A LOT
HAS CHANGED.
NOTHING HAS
CHANGED.

20
YEARS
OF
lovin' it



Resonated with consumers. Huge success!

Growing Baseline Salesthrough Value & Menu

**GOOD NEWS THAT
TASTES DELICIOUS.**

Topped with a lip-smacking
salsa sauce and cheese, the
world's best fries have become
even more irresistible.

We're introducing two new
international flavours of McAloo Tikki.

MEXICAN
McAloo Tikki

Topped with a tangy Mexican
sauce on your favourite
McAloo Tikki with spicy jalapenos,
between corn-meal sprinkled buns.



LEBANESE
McAloo Tikki

McAloo Tikki gets a
Lebanese twist with
"spicy Harissa sauce and gherkins,
between corn-meal sprinkled buns.



ONLY AT
₹39



Witnessed strength on the back of value & affordability
platform; drove additional footfalls in the restaurants

Growing Baseline Salesthrough Brand Extensions







Continues to strengthen position as dominant player in coffee & beverage market


Total of 104 McCafé's as of Q3

To meet our guidance of 110-130 McCafé's by FY17E

New product platforms driving robust sales growth in existing restaurants




Get 100% cashback upto ₹75 with Freecharge



USE CODE: **FC350**

Get any meal free (worth upto ₹298) on minimum purchase of ₹350

POPULAR MEALS BURGERS & WRAPS



Strawberry Oreo Whirl
₹190

Launched new mobile app with refreshed & contemporary interface

Continues to deliver strong business results over the web & mobile platforms – contributes 55% of MDS sales

McDelivery (MDS) continues to be significantly accretive to revenues

Growing baseline Sales

In Q3, baseline sales continued to **GROW**



Driving new news to the customers by innovation & product extensions

Leveraging core & value and affordability platform

104 McCafé's, with a wide array of beverages along with strong MDS sales

Innovation in restaurant platform to provide world-class customer experience

Margin Expansion



Gross margin
remained flat
Y-o-Y in Q3

Highly
encouraging
results on the
opex costs, as a
result of ROP
2.0

Muted November
coupled with
committed brand
related costs resulted
in lower RoM by ~100
bps Y-o-Y

Consolidated Q3 FY17 Results

FINANCIAL PERFORMANCE OVERVIEW

Business Performance

₹ Million	Q3 FY17	Q3 FY16	YTD FY17	YTD FY16*
Total Revenues	2,417.5	2,109.1	7,059.0	6,208.1
<i>Y-o-Y growth</i>	<i>14.6%</i>		<i>13.7%</i>	
Gross Margins (GM)	1,460.4	1,276.7	4,267.5	3,709.8
<i>GM %</i>	<i>60.4%</i>	<i>60.5%</i>	<i>60.5%</i>	<i>59.8%</i>
Restaurant Operating Margin	290.9	275.3	788.4	718.3
<i>RoM %</i>	<i>12.0%</i>	<i>13.0%</i>	<i>11.2%</i>	<i>11.6%</i>
Operating EBITDA	140.6	162.7	381.6	369.2
<i>Op. EBITDA %</i>	<i>5.8%</i>	<i>7.7%</i>	<i>5.4%</i>	<i>5.9%</i>

- Revenue growth in Q3 & 9M largely driven by addition of new restaurants, menu interventions and continuous growth in brand extensions (McCafé & MDS)
- Restaurant operating margins declined by ~100 bps Y-o-Y in Q3 FY17; primarily due to
 - Increase in payroll & employee costs
 - Marginally higher operating costs largely on account of committed brand related costs

* Excludes the recognition of additional credit in respect of indirect taxes paid on inputs up to March 31, 2015, amounting to ₹ 234.0 Million

OUTLOOK

Outlook

Revenue

- Consumer sentiment slowly seeing upward trajectory
- To add around 30 restaurants in FY17
- Focus on driving penetration by entering new markets; expansion in key cities to continue

Menu/ Innovation

- Driving strong menu innovation & product-line extensions across different consumer segments and day-parts
- Continued focus on growing McCafé and McDelivery footprint

Profitability

- ROP 2.0 restaurants continue to yield better RoI and reduction of drag on overall P&L on account of new restaurants

**Committed to drive better operating profitability
& returns for shareholders in FY17 and beyond**

IR Contact

For additional information:

Ankit Arora

Investor Relations

(+91.22) 4913.5306

ankit.arora@mcdonaldsindia.com

www.westlife.co.in