

Westlife Development Ltd.

Hardcastle Restaurants Pvt. Ltd.

Q2 FY21 Earnings Presentation

Nov 6, 2020



Disclaimer

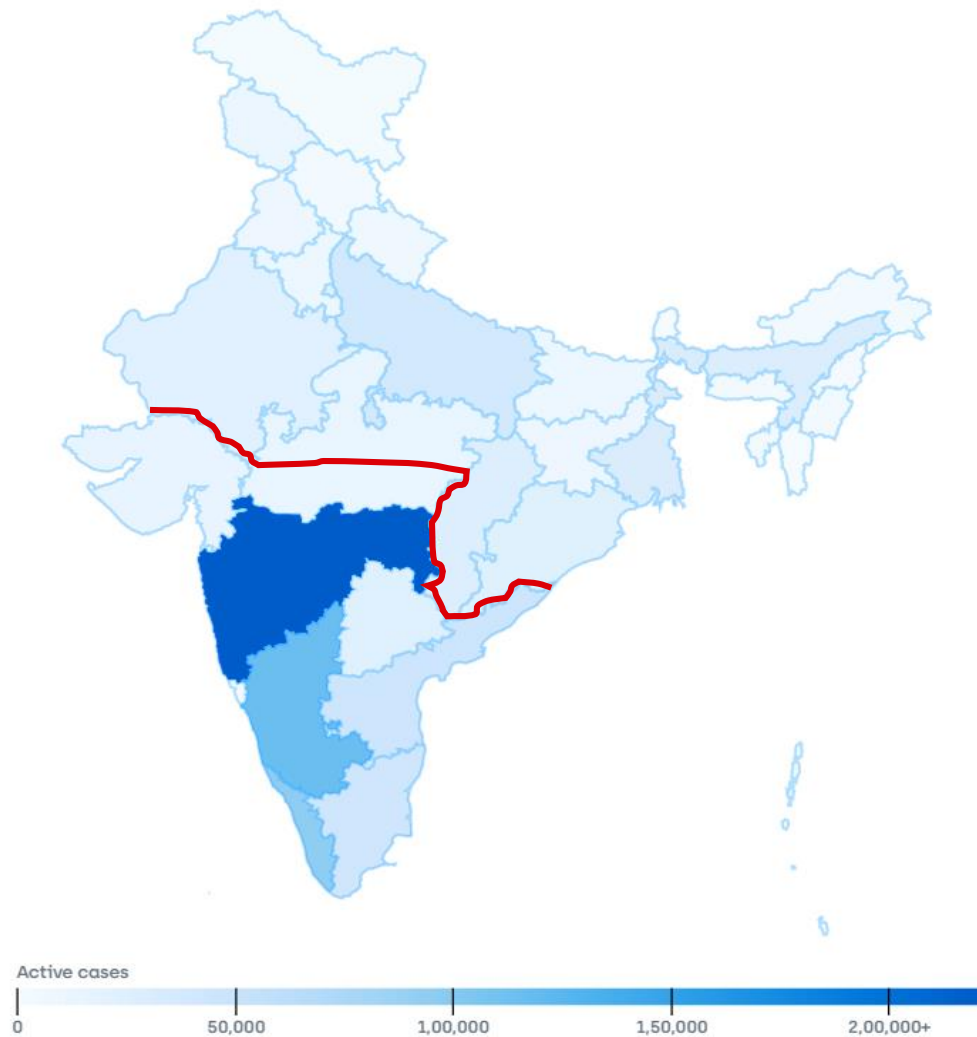
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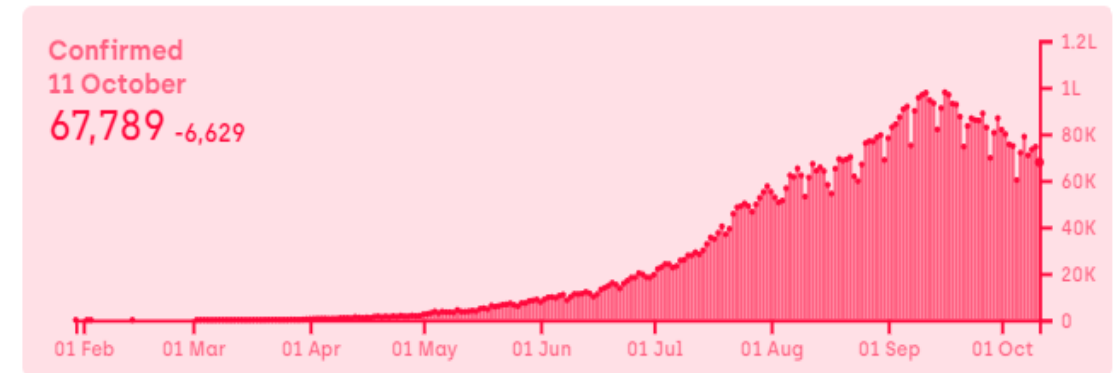
SERVING HAPPINESS
— WITH —
EXTRA CARE



Covid-19 impact has been devastating on the region we operate in..



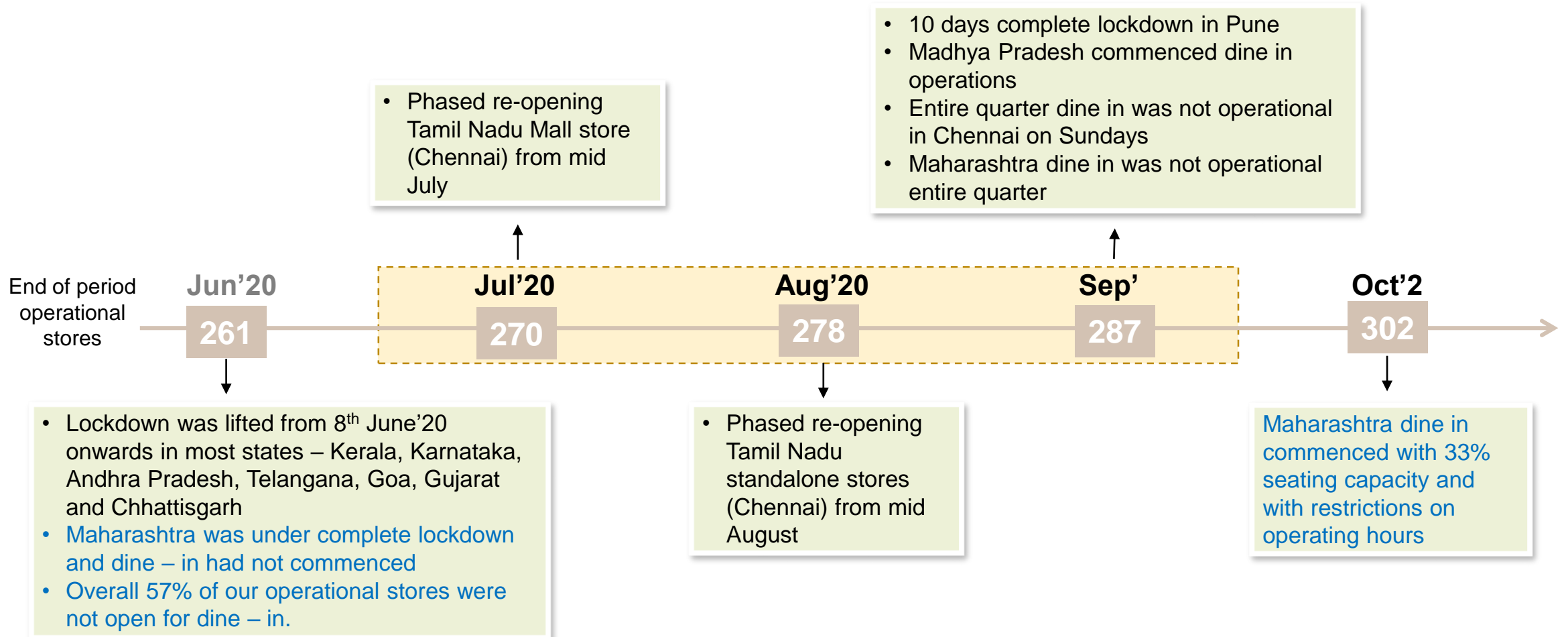
- India has the 2nd highest cases globally with a total of 7.1 million infections
- The curve has just started flattening out in the last 2-3 weeks



- 65% of all cases are in West and South India
- India was the country with the longest nationwide lockdown globally

Though phased relaxations started in Q2; 50% of our stores were not allowed to operate dine-in until October...

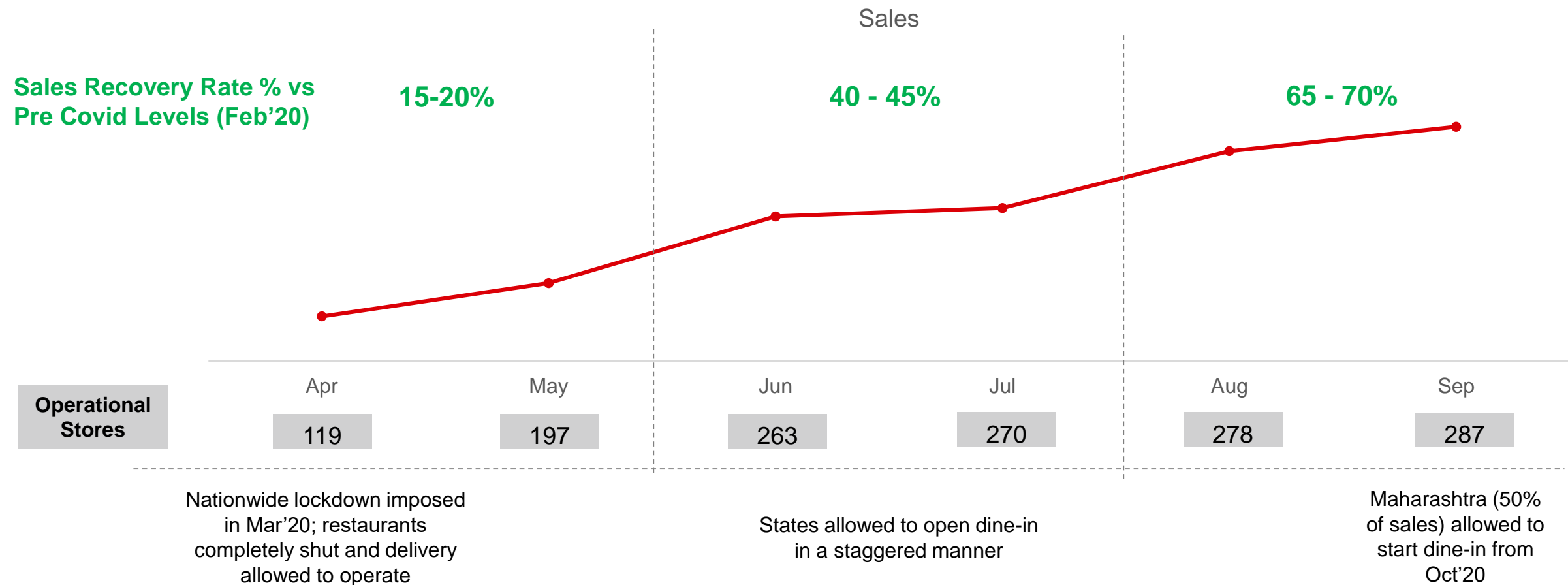
Phase-wise relaxations across different states as the cities start re-opening for business with minor interruptions



Note: Operational stores : Open on any sales channel

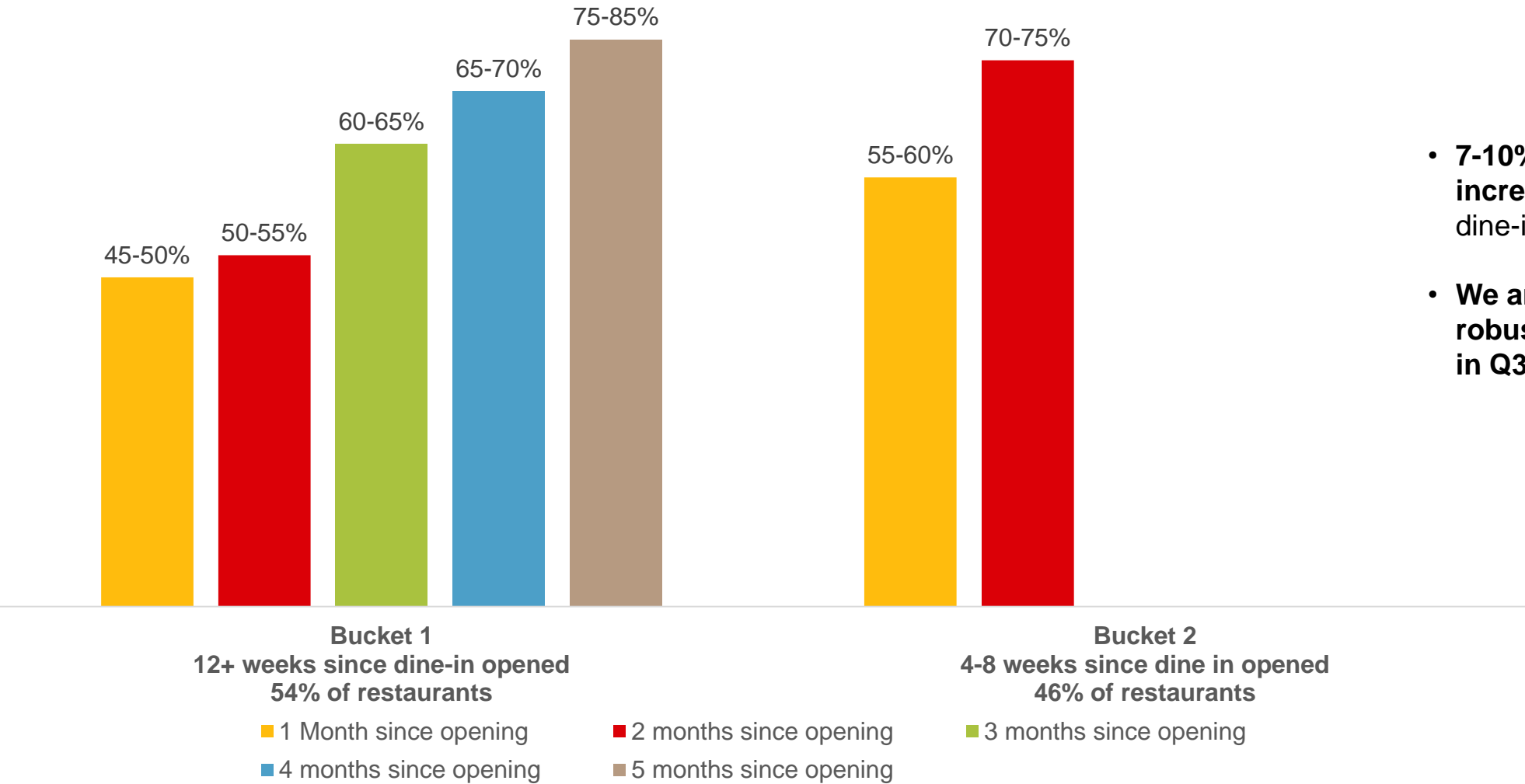
But we embraced this crisis as leadership opportunity with strong recovery month on month

WDL is back to 65 - 70% of sales of pre Covid levels



Note: Pre Covid levels – Feb'20

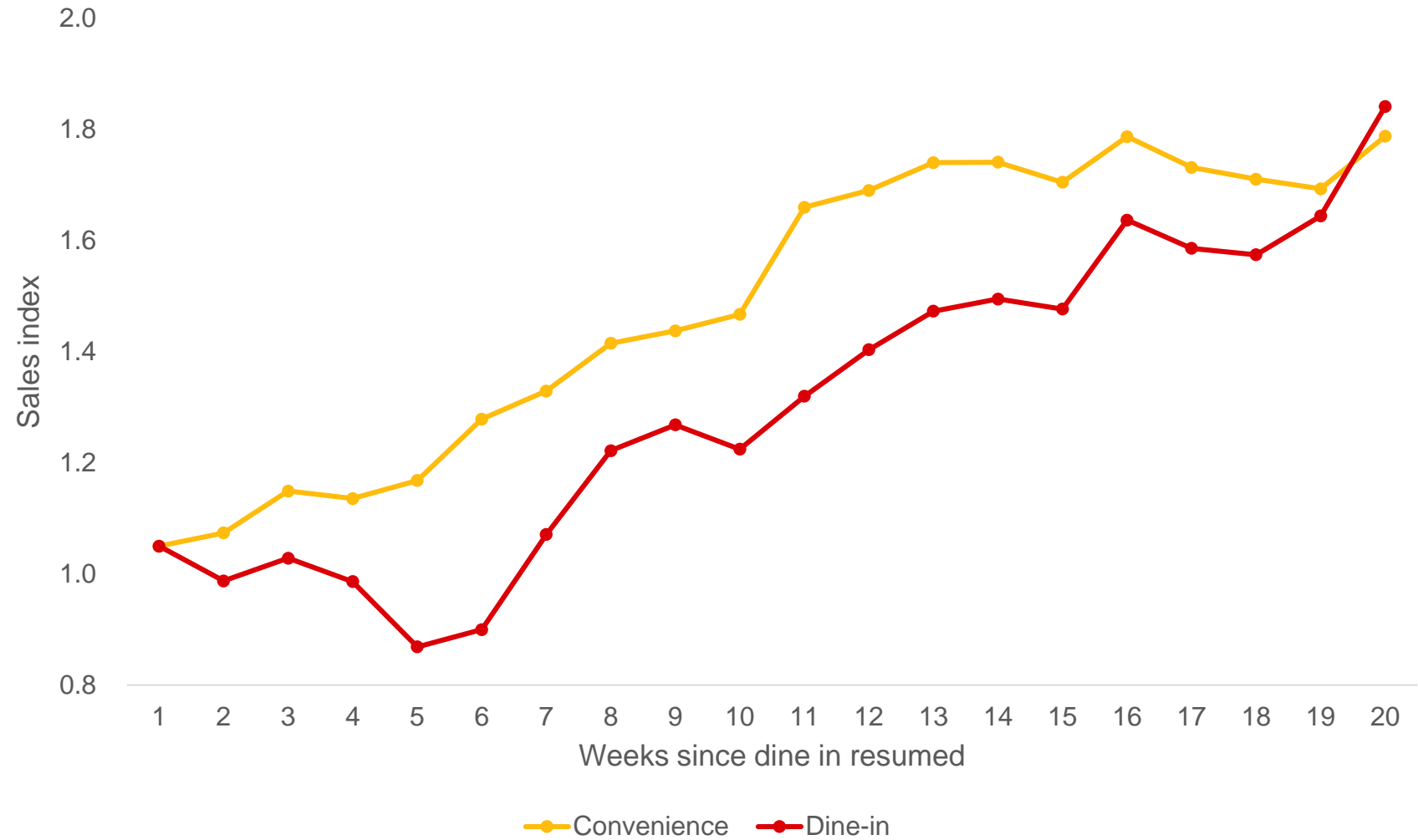
Speed of recovery improving as initiatives from Q1 play out and caution around Covid-19 reduces....



- **7-10% month on month increase in recovery rate** once dine-in is allowed to open
- **We are confident that the robust recovery will continue in Q3 FY21**

Robust growth continues week on week on convenience as well as Dine In

Channel wise recovery of Bucket 1 stores



- Recovery is **driven by convenience & dine in**
- 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**

Convenience continuing to deliver exceptional & incremental growth

Convenience platform for Sep'20 is back to overall pre Covid levels (Feb'20)

New sales channel i.e. On the Go (OTG) has been witnessing robust growth M-o-M basis and grew 4x from July to Sep'20



Average Check for Sep'20 has increased by 30-35% over pre Covid levels

Robust recovery in McDelivery and Drive Thru average sales per day

Note: Convenience Platform includes MDS, OTG & Drive Thrus

Aided by Volume recovery and Proactive plan to manage and mitigate risk resulting in break even in Sept'20

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.



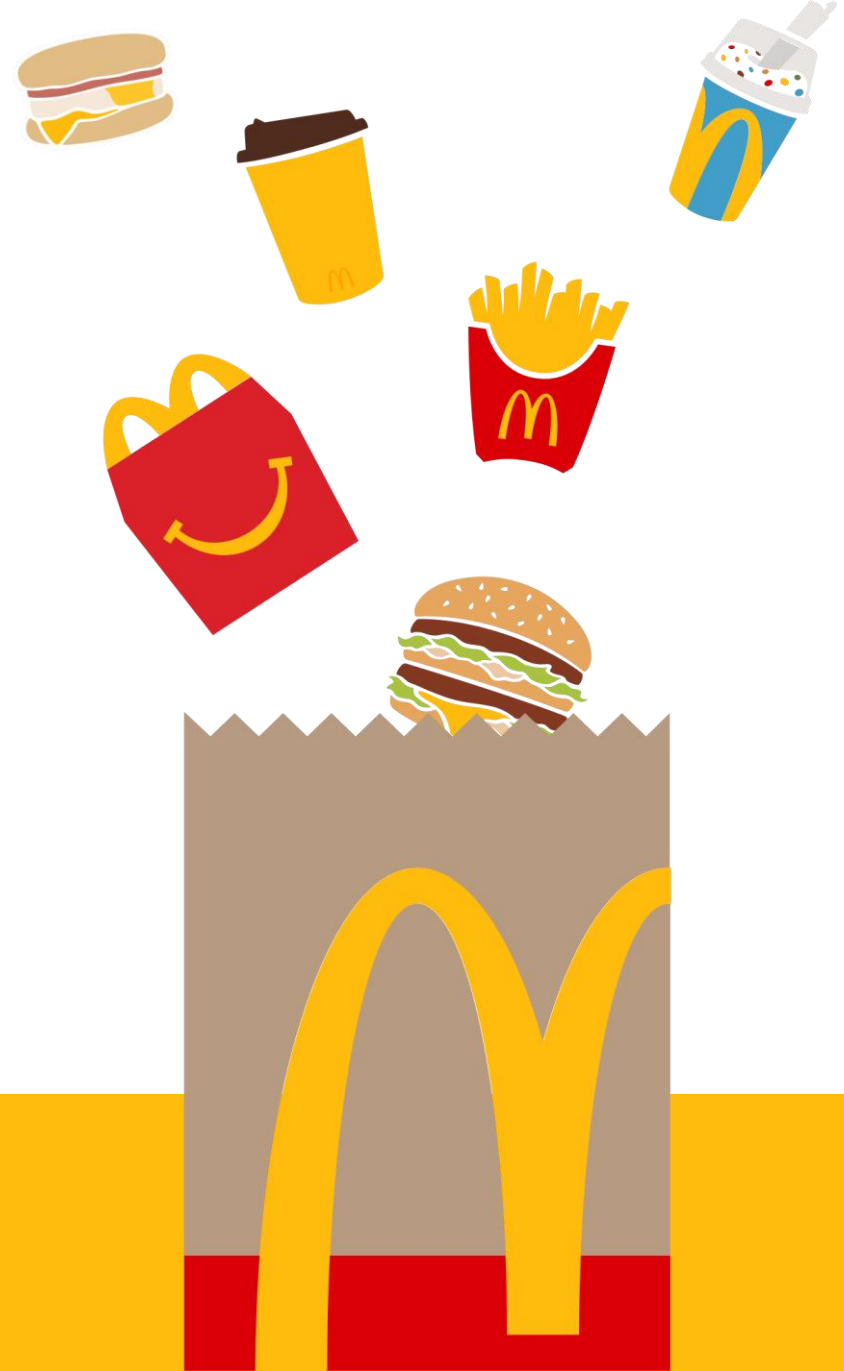
Lender Support - secured increase in revolving credit facility to improve liquidity, not currently utilised

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 ~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

Q2FY21 UPDATE



Q2FY21¹ Results & Highlights

Focus on **Golden Guarantee Promise** -
100% Safe, 100% Delicious Brand Experience

Sales at Rs 2,095 Mn;
123% growth over Q1FY21

60% SSSG recovery for Q2FY21;
65-70% recovery in Sep'20

Growth led by Convenience platform;
Gradual recovery in dine in

+673 bps in GM over Q1FY21 at 63.5%;
Sep'20 at 65.5%

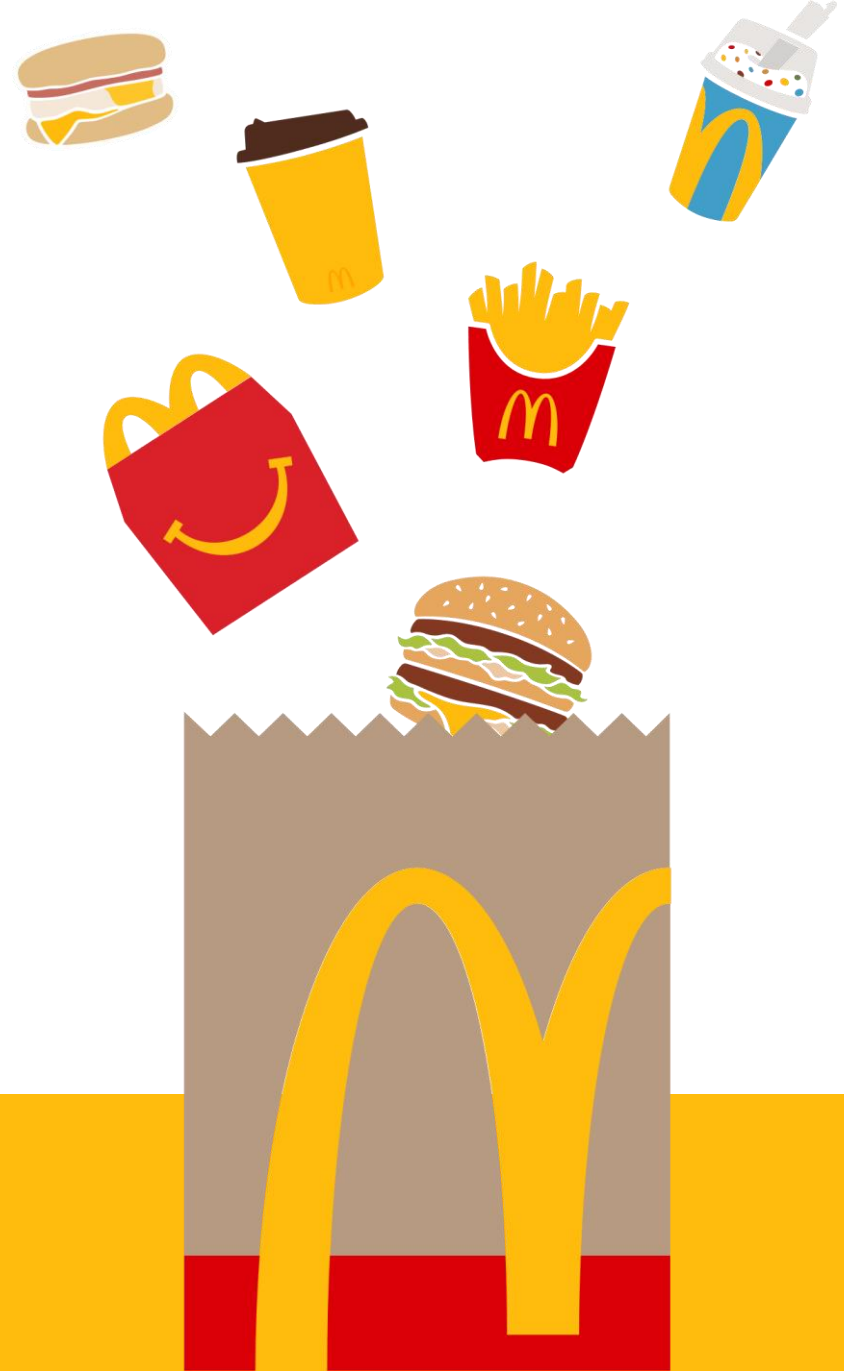
~30% optimisation in Fixed costs (FC) continued for Q2FY21

Break even Op. EBITDA in Sep'20

Net debt reduced by ~Rs 17 Crs vs Q1FY21

Note: 1) Q2FY21 numbers are excluding IND AS impact

Q2FY21 BUSINESS UPDATE

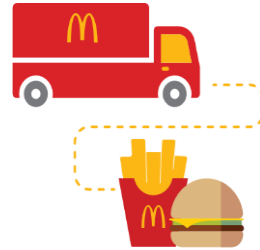


Q2FY21 - Key Focus Areas



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 & phased re-opening with safety as a priority

Business Continuity

Mar – June'20



Setting up contactless service

July'20



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

Aug'20



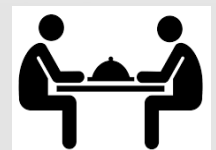
Golden Guarantee at Restaurants

Sep'20



Cost Optimization

Oct'20



Open dine-in in Maharashtra

Keeping the Brand Alive



Giving Back to Community



Digital Ordering (OTG)



Celebrating occasions - Friendship Day, World Photography Day



Launch of brand campaign - Somethings never change



World Chicken Day; International Coffee Day

Team Engagement



Work from Home



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



Introduction of digital engagement for recognition program of team members



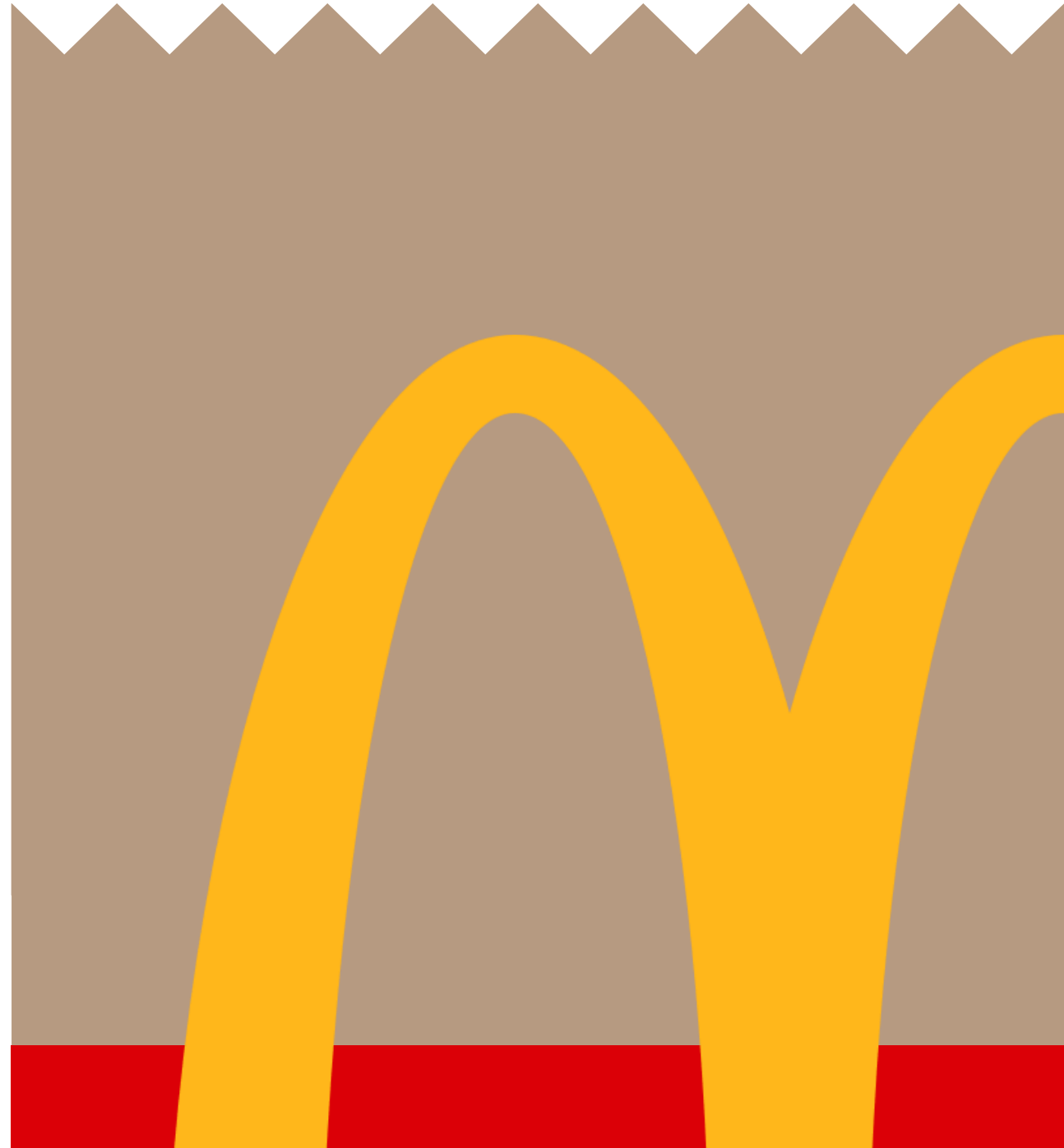
Beat Your Best Competition



Beat Your Best Competition

Convenience

- MDS
- Drive Thrus
- On the Go



Convenience

Effectiveness of Convenience Channels

Drive Thru

- Sales for Sept'20 reached 75-80% of pre Covid levels
- Q2FY21 Sales are at 275%+ over Q1FY21
- Sep'20 average check is at ~134% of pre Covid levels



Convenience Platform



McDelivery

- Sept'20 sales was at ~90% of pre Covid levels
- Q2FY21 Sales are at 156% over Q1FY21
- Sep'20 average check is at 131% of pre Covid levels

On the Go

- Created a new sales channel keeping the customer needs at the forefront and can help to create a habit for customers
- Witnessing robust growth M-o-M basis

Free Delivery, Stay Home Combos, Buy 2 Get 1 campaigns to drive frequency

We are seeing bigger orders and AC has increased by 30-35%

Why On the Go?

First Mover Advantage

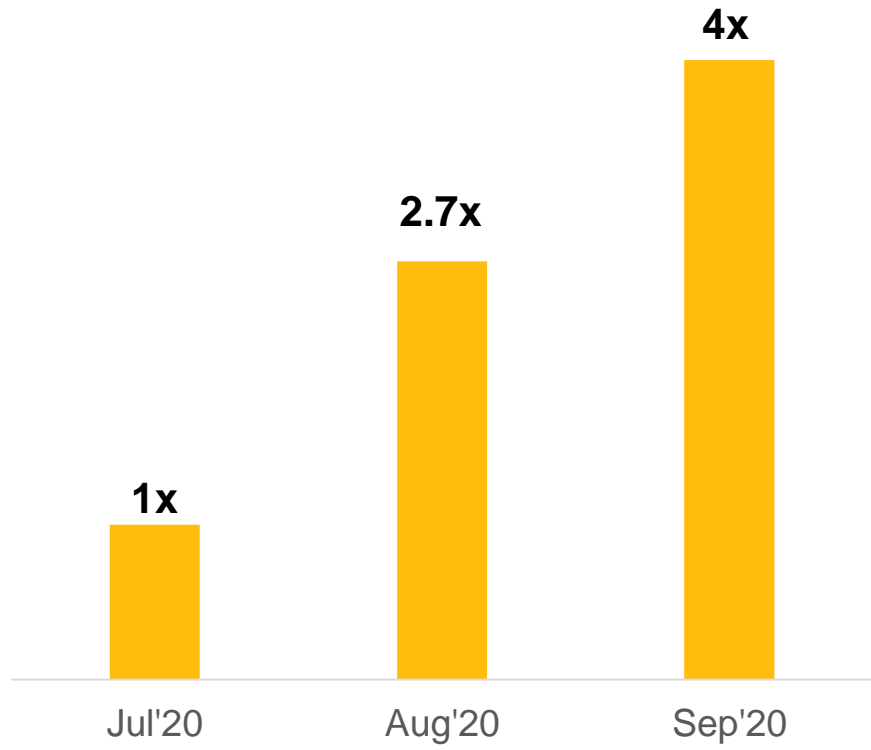
Creating virtual Drive Thrus for all restaurants

No waiting time as food is delivered to the vehicle

Acts as frequency builder and can build HABIT



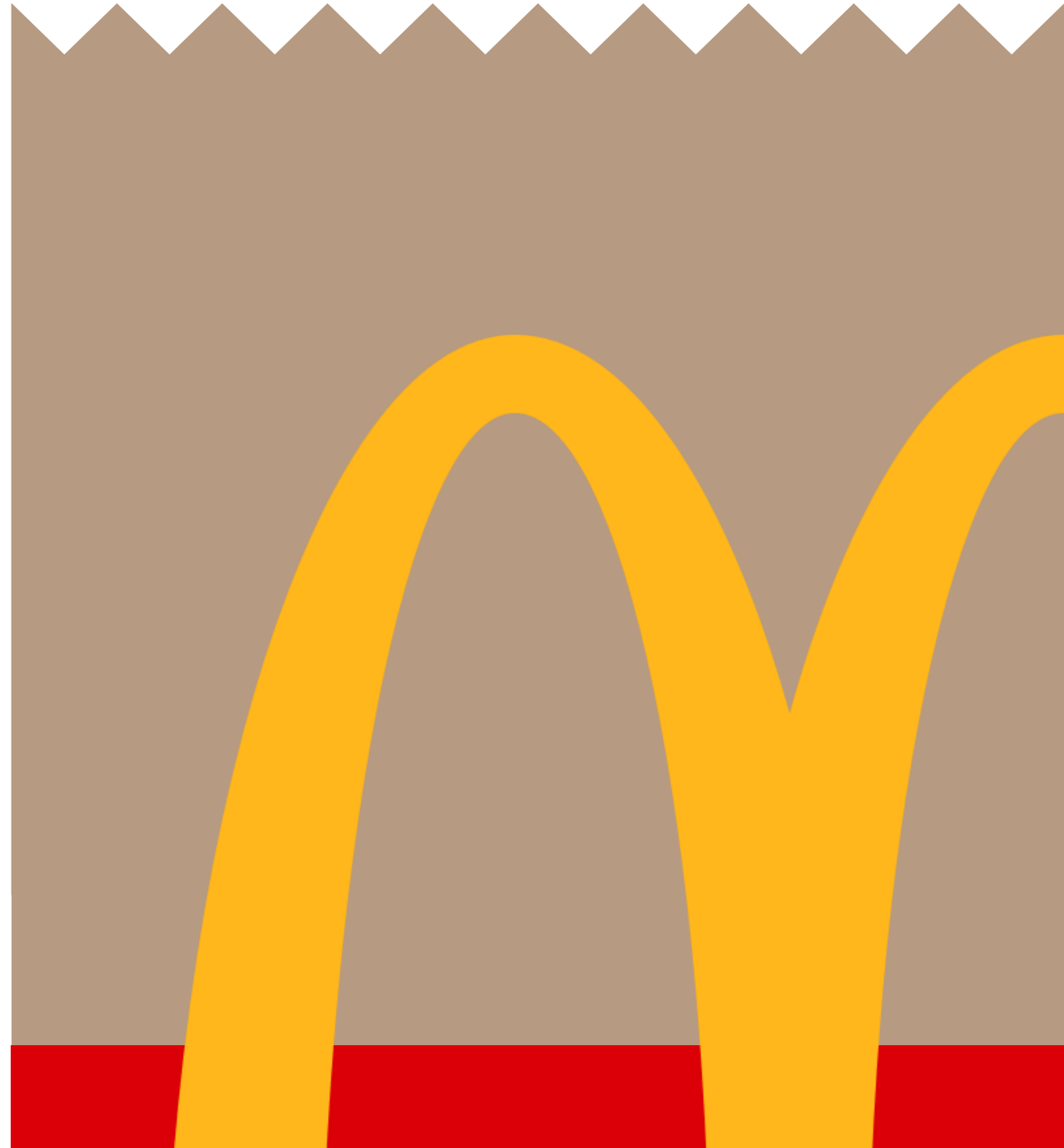
M-o-M growth in OTG Revenues



McDonald's 'On the Go' platform is operational in **254** restaurants by the end of Sep'20

Access

- Phased reopening of stores
- GMAL



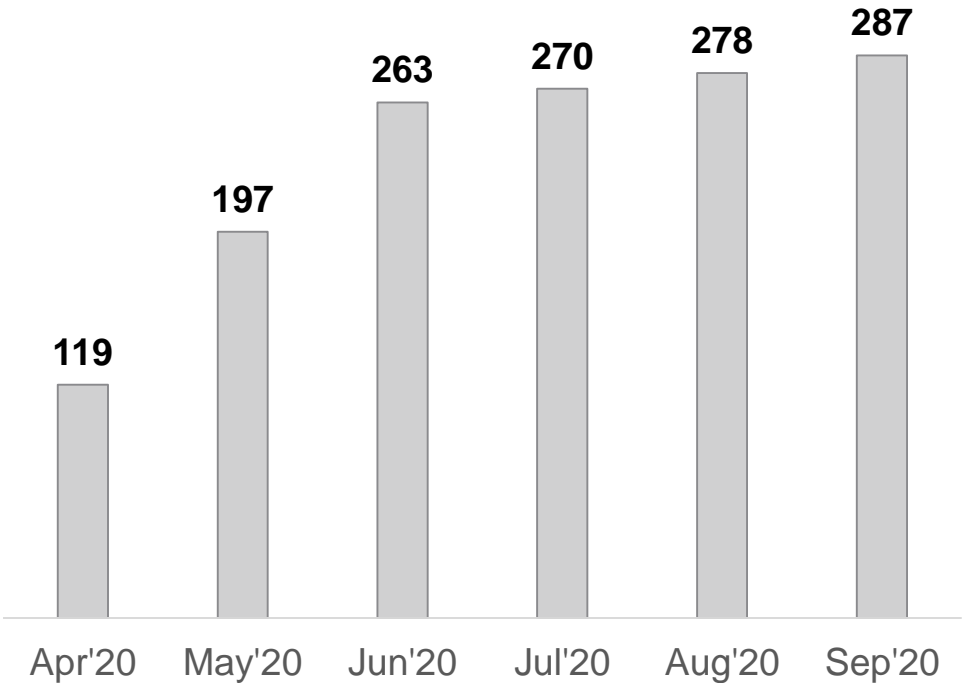
Operational Stores



**Presence in 311 restaurants across 43 cities
(as of Sep, 2020)**

9 restaurants closed during the quarter

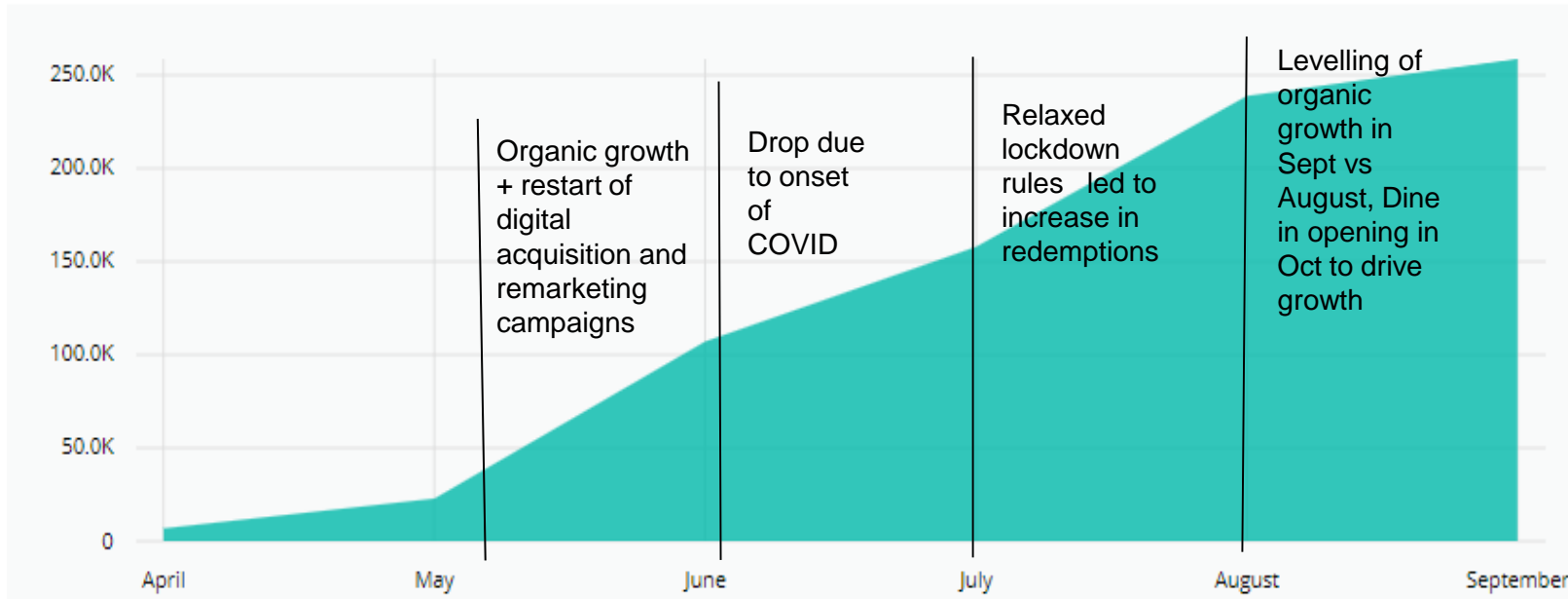
Phased re-opening of stores



McDonald's App Campaigns

Driving frequency and guest count

Offer Redemptions



No. of downloads during the quarter increased 1.7x QoQ and the active users increased by ~44% YoY basis and 11% QoQ basis

Total guest count on GMAL increased ~4x QoQ basis

Our People



Our People, Our Asset



Employee Training

- Employed a total of **~9,000 employees**
- **32%+** of our employees are **women**
- The Company invests lot of time and efforts in training its employees.
- Extended use of recognition through apps to ensure visibility and connect to motivate employees
- Extended Community involvement

Our Crew are our Superheroes, who were serving the nation with extra care during the difficult period of Covid-19 outbreak



Awards & Recognitions



HRPL recognised among
**'India's 100 Best Workplaces
for Women 2020'** by Great
Place to Work

Brand team judged as the best in
Asia Business Unit of McDonald's
Corporation for their work on **'Brand
& Convenience'** campaign



Smita Jadia gets recognised
among **"The Most Powerful
Women in Business"** by
Business Today

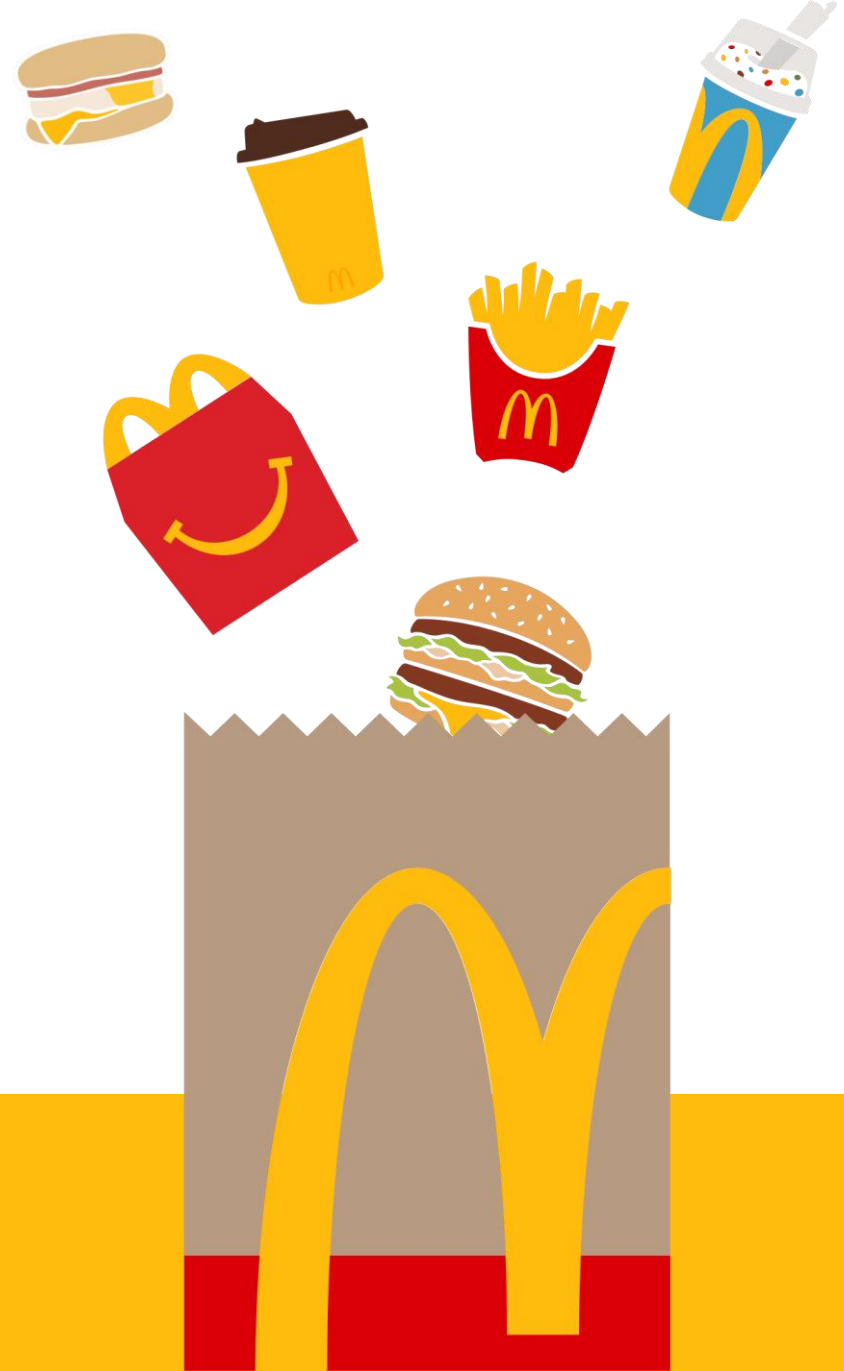
Our Community

#ServingTheNationWithExtraCare: Touched 68,100+ lives

We partnered with many NGOs and corporates to distribute safe and hygienic food to police officers, healthcare workers and daily wage earners



Q2FY21 FINANCIALS



Q2FY21 at a Glance

Particulars (Rs in Mn)	Q1FY21	Margins %	Q2FY21	Margins %	Q2FY20	Margins %
SSSG%	(54.0%)		(40.7%)		6.7%	
Sales	938.9		2,095.0		3,965.3	
YoY Sales Growth %	(75.4%)		(47.2%)		11.8%	
Gross Profit	533.2	56.8%	1,330.7	63.5%	2,588.9	65.3%
ROM	(400.9)	(42.7%)	77.1	3.7%	629.2	15.9%
Op. EBITDA	(576.8)	(61.4%)	(102.2)	(4.9%)	410.1	10.3%
PBT (w/o Exc Item)	(768.2)	(81.8%)	(366.4)	(17.5%)	180.7	4.6%
PAT	(575.1)	(61.2%)	(274.3)	(13.1%)	129.1	3.3%
Cash Profits	(550.4)		(93.1)		358.2	
New stores opening	1		0		5	

Note: Q2FY21 numbers are excluding adjustments arising out of IND AS

Impact of IND AS 116

Particulars (Rs in Mn)	(A) Quarter ended Sept 30, 2020 (Adjusted)	(B) Changes due to Ind AS 116 increase / (decrease) **	(C) Quarter ended Sept 30, 2020 (Reported)	(D) Quarter ended Sept 30, 2019 (Adjusted)	(E) Changes due to Ind AS 116 increase / (decrease) **	(F) Quarter ended Sept 30, 2019 (Reported)	(A over D) YoY Growth
Occupancy and other operating expenses	876.6	(144.0)	732.6	1,345.9	(184.9)	1,161.0	(34.9%)
Restaurant Operating Margin	77.0	144.0	221.0	629.2	184.9	814.1	(87.8%)
General and Administration Expenses	179.2	-	179.2	219.2	-	219.2	(18.2%)
Operating Earnings before interest, tax and depreciation and amortisation	(102.2)	144.0	41.9	410.1	184.9	594.9	(124.9%)
Other Income	(57.7)	(88.5)	(146.2)	(37.4)	-	(37.4)	54.4%
Finance costs	47.36	169.3	216.7	37.7	162.8	200.5	25.7%
Depreciation and amortisation expense	220.0	131.4	351.4	214.9	128.7	343.5	2.4%
Profit before tax and exceptional items	(366.5)	(68.2)	(434.7)	180.7	(106.6)	74.1	(302.8%)
Exceptional Items	-	-	-	-	-	-	100.0%
Profit before tax	(366.5)	(68.2)	(434.7)	(180.7)	(106.6)	74.1	(302.8%)
Deferred tax	(92.1)	(17.2)	(109.3)	25.1	(24.2)	0.9	(467.4%)
Income tax	-	-	-	26.5	-	26.5	(100.0%)
Profit after tax	(274.3)	(51.2)	(325.4)	129.1	(82.4)	46.8	(312.5%)
Other Comprehensive income (net of tax)	0.9	-	0.9	0.6	-	0.6	57.0%
Total Comprehensive Income	(275.3)	(51.1)	(326.3)	128.5	(82.4)	46.2	(314.2%)

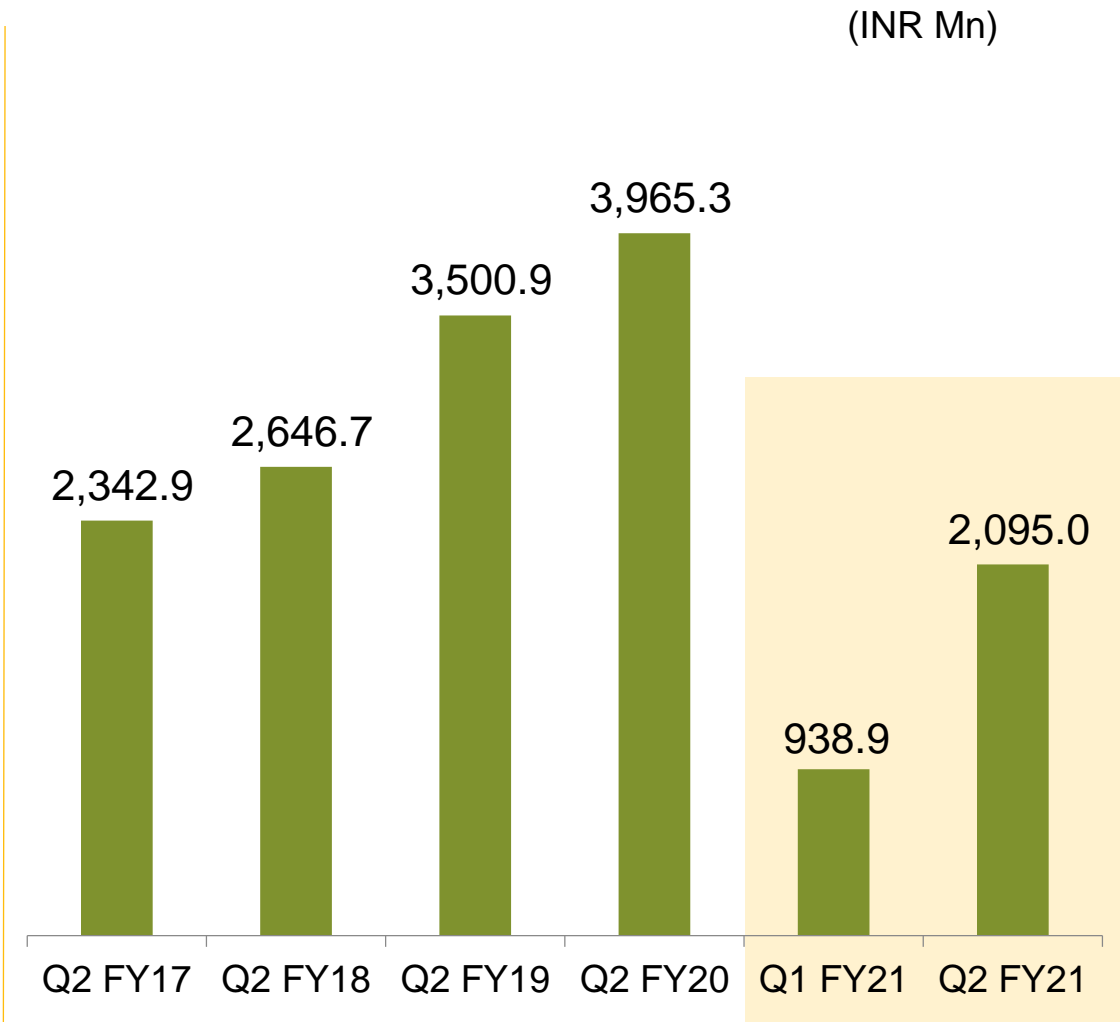
Revenue Trajectory

INR Mn	Q2 FY21	Q1 FY21	QoQ Gr %
Total Revenue	2,095.0	938.9	123.1%

INR Mn	Q2 FY21	Q2 FY20	YoY Gr %
Total Revenue	2,095.0	3,965.3	(47.2%)

Strong sales recovery in Q2FY21 over Q1FY21 on back of:

- Growth led by Convenience platform which are back to pre Covid levels
- 65-70% sales recovery in Sep'20
- Gradual improvement in dine in

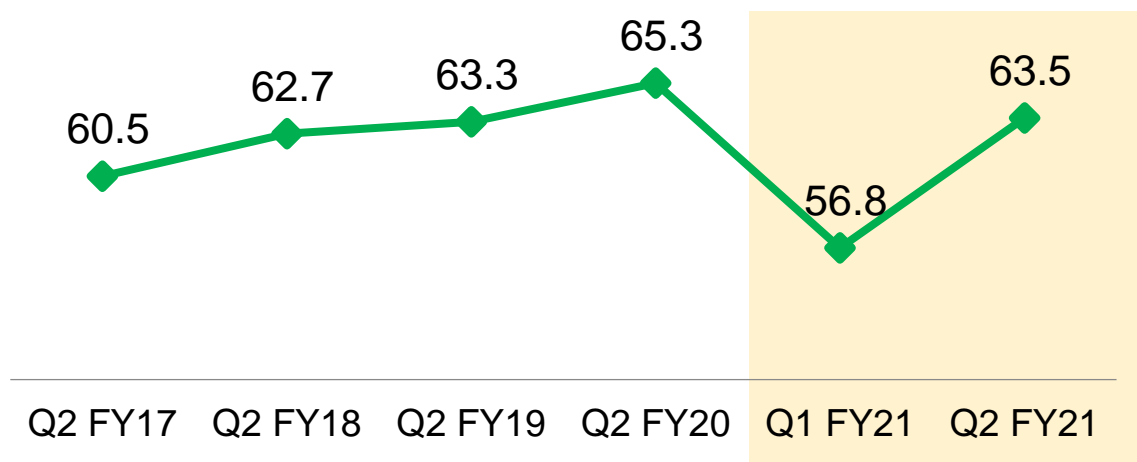


Margins

INR Mn	Q2 FY21	Q1 FY21	QoQ Gr %
Gross Margins	1,330.7	533.2	149.6%
% of Total Revenue	63.5%	56.8%	673 bps

INR Mn	Q2 FY21	Q2 FY20	Growth
Gross Margins	1,330.7	2,588.9	(48.6%)
% of Total Revenue	63.5%	65.3%	(177 bps)

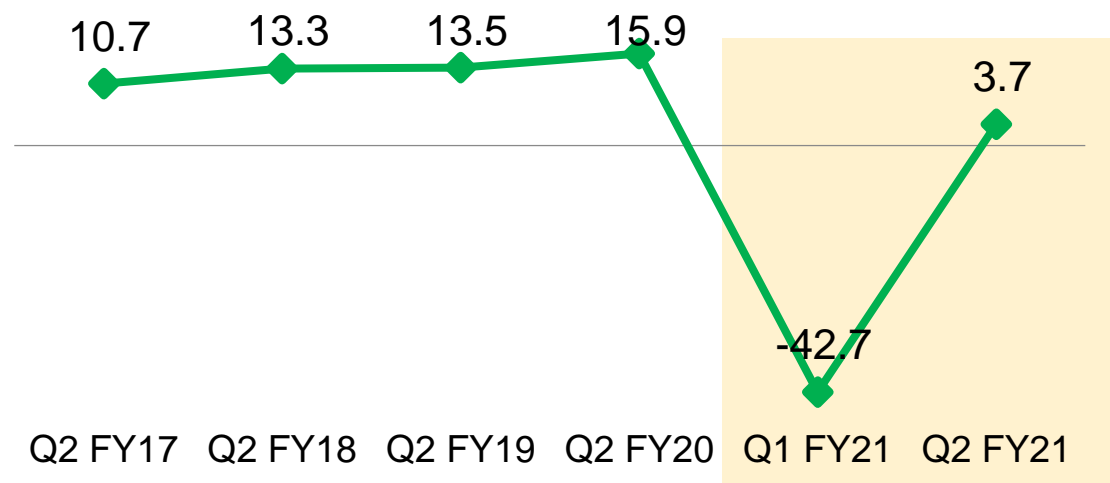
Gross margins are back to pre Covid levels on account of volume recovery, higher average check size and supply chain cost optimisation



INR Mn	Q2 FY21	Q1 FY21
RoM	77.0	(400.9)
% of Total Revenue	3.7%	(42.7%)

INR Mn	Q2 FY21	Q2 FY20	Growth
RoM	77.0	629.2	(87.8%)
% of Total Revenue	3.7%	15.9%	-

Driven by gross margin improvement, continued rent rebates and operating cost optimisation, ROM improved to 4%



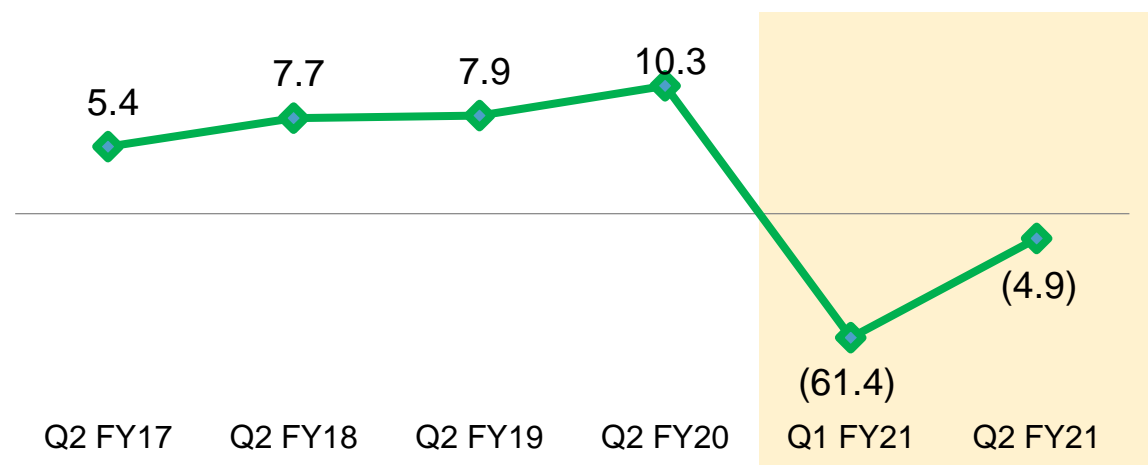
Note: Q2FY21 numbers are excluding adjustments arising out of IND AS

Profitability

INR Mn	Q2 FY21	Q1 FY21
Op. EBITDA	(102.2)	(576.8)
% of Total Revenue	(4.9%)	(61.4%)

INR Mn	Q2 FY21	Q2 FY20
Op. EBITDA	(102.2)	410.1
% of Total Revenue	(4.9%)	10.3%

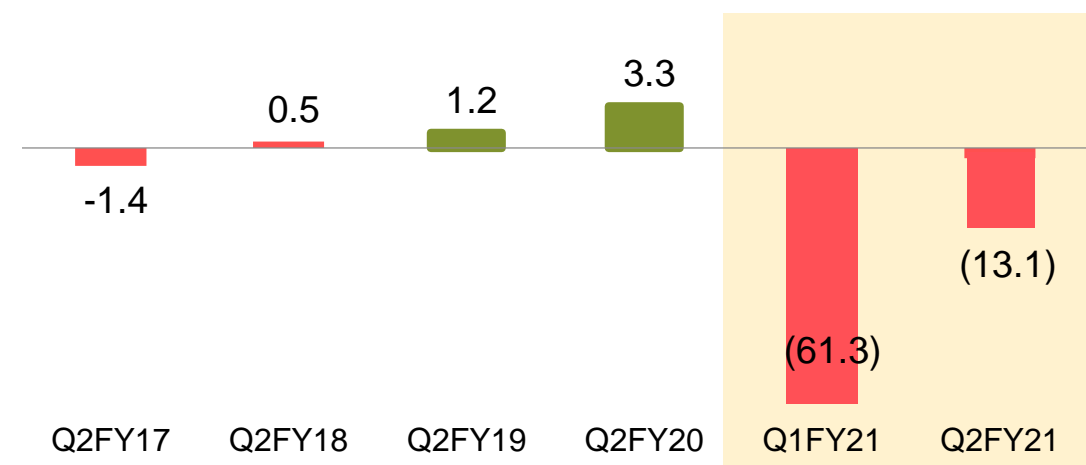
Positive RoM and fixed cost optimisation resulted in break even in Sept and ~82% reduction in cash loss for the quarter vs Q1FY21



INR Mn	Q2 FY21	Q1 FY21
PAT	(274.3)	(575.1)
% of Total Revenue	(13.1%)	(61.3%)

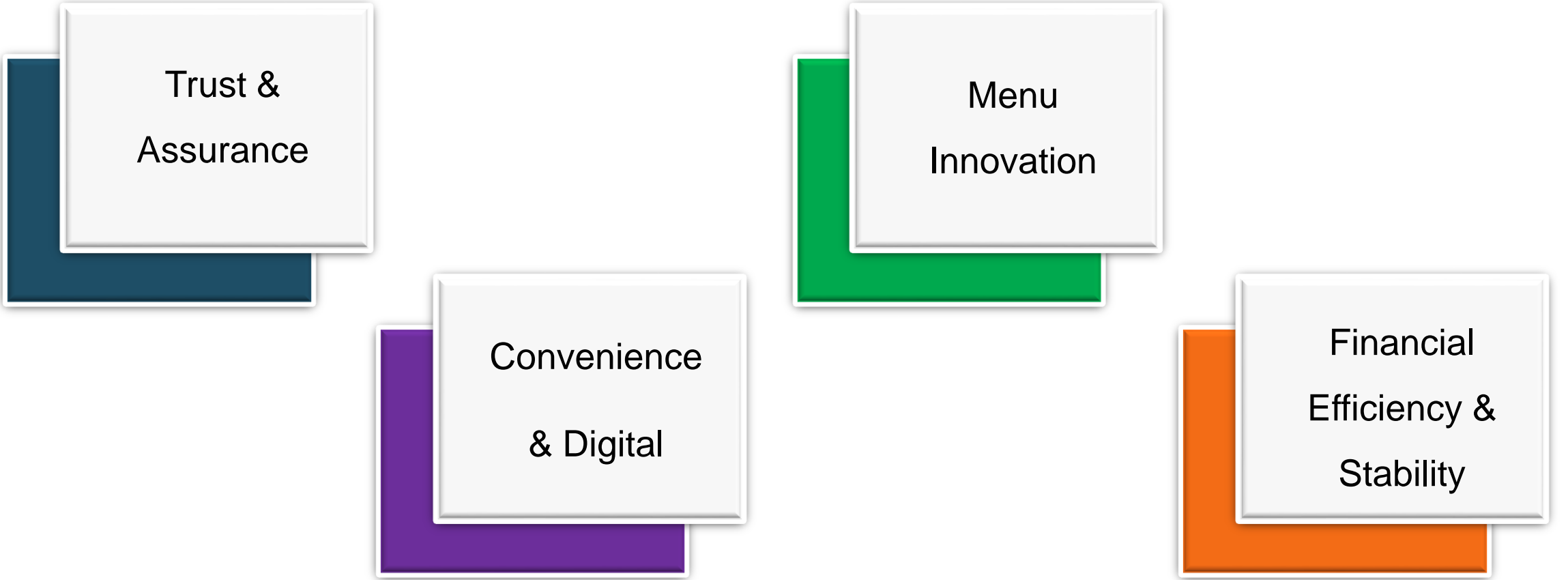
INR Mn	Q2 FY21	Q2 FY20
PAT	(274.3)	129.1
% of Total Revenue	(13.1%)	3.3%

With recovery not being at 100%, PAT resulted in a loss of Rs 274 mn



Note: 1) Q2FY21 numbers are excluding adjustments arising out of IND AS; 2) Charts are not as per scale

Outlook FY21



Trust &
Assurance

Menu
Innovation

Convenience
& Digital

Financial
Efficiency &
Stability

Focusing on stronger recovery, cash conservation and a healthy balance sheet remains our top priority



Thank you

IR Contact

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