

# Westlife Development Ltd. Hardcastle Restaurants Pvt. Ltd.

## Q4 & FY2016 Earnings Update May 6, 2016

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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

## Financial Performance

- Comparable sales (SSSG) at 8.4%; highest level in last 13 quarters and third consecutive quarter of positive SSSG this year
- 13 restaurants opened in Q4; strong Y-o-Y revenue growth of 17.6%
- Significant gross margin improvement; expansion of ~260 bps Y-o-Y
- Restaurant Operating Margin (RoM) expanded by ~450 bps Y-o-Y

## Menu innovation

- Introduction of Maharaja Mac – tallest burger in the menu; meeting consumer needs for filling product

# FY2016 Results & Highlights



## Financial Performance

- SSSG at 1.8% compared to (5.9%) in FY15
- System-wide restaurants at 236; revenue growth of 9.0%\* Y-o-Y
- Continued momentum on gross margin expansion; expanded by ~160 bps Y-o-Y
- Restaurant Operating Margin (RoM) & Operating EBITDA margin expansion of ~320 bps Y-o-Y

## Brand Extensions

- 75 McCafé's along with restaurant re-imaging initiatives yielding strong traction around SSSG & operating margins growth
- McDelivery continuing to be robust growth driver; grew by 20%+

\* Excludes exceptional gain amounting to ₹ 234.0 Million, recognized in Q2 FY16



# Broadening Accessibility



**Brand penetration  
...driving consumer accessibility**



# New Restaurants







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McDonald's

McCafé





# Broadening Accessibility

## Restaurant Operating Platform 2.0



ROP 2.0  
disciplines –  
Restaurant design,  
Equipment  
options &  
Operating Costs

Optimisation &  
localisation to  
reduce capex &  
opex

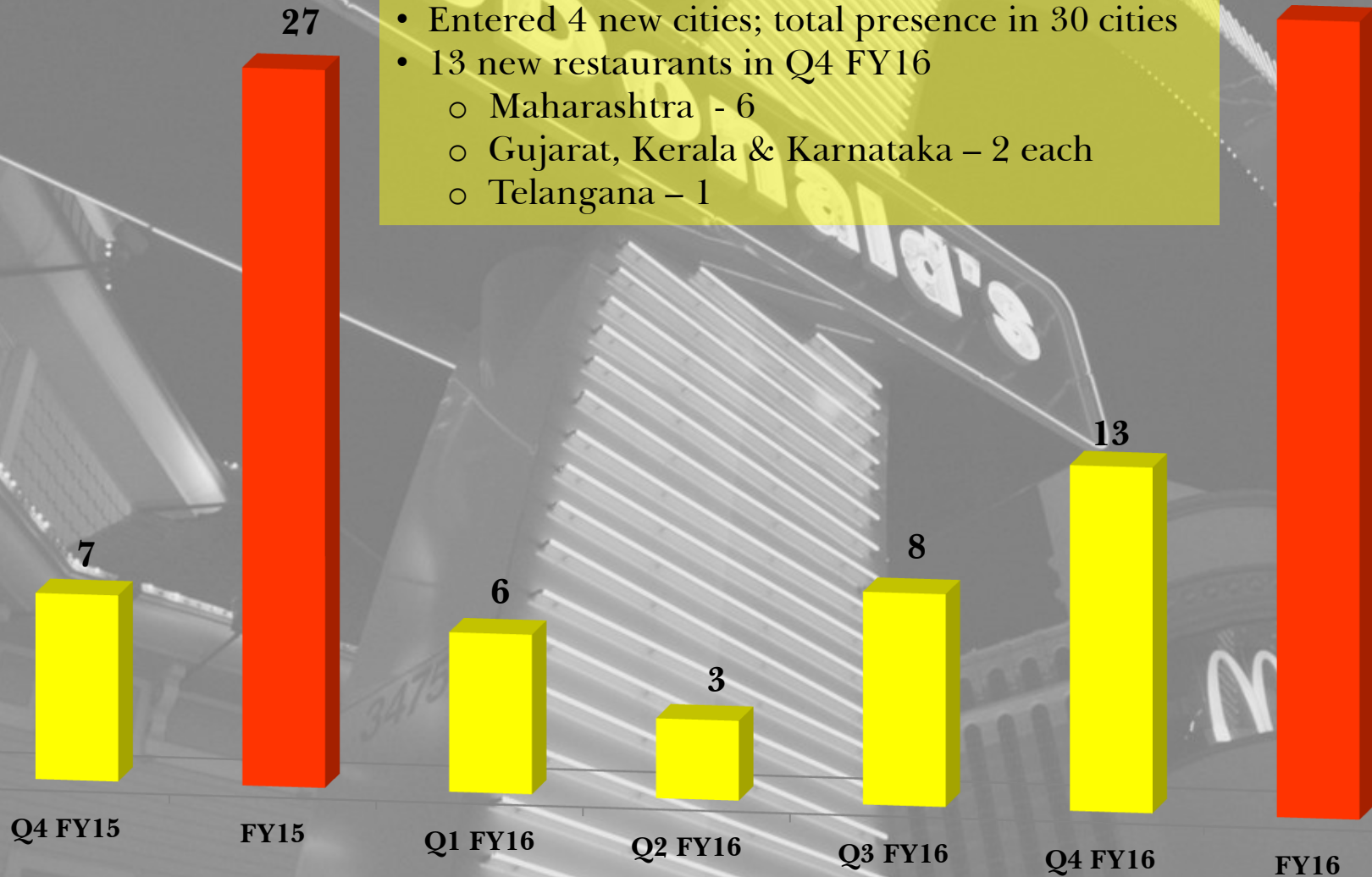
Design changes  
& innovation to  
reduce opex

20-25% saving  
in capex  
helping reduce  
capex per  
restaurant to Rs  
23 – 25 million

# Broadening Accessibility

## Restaurant Openings

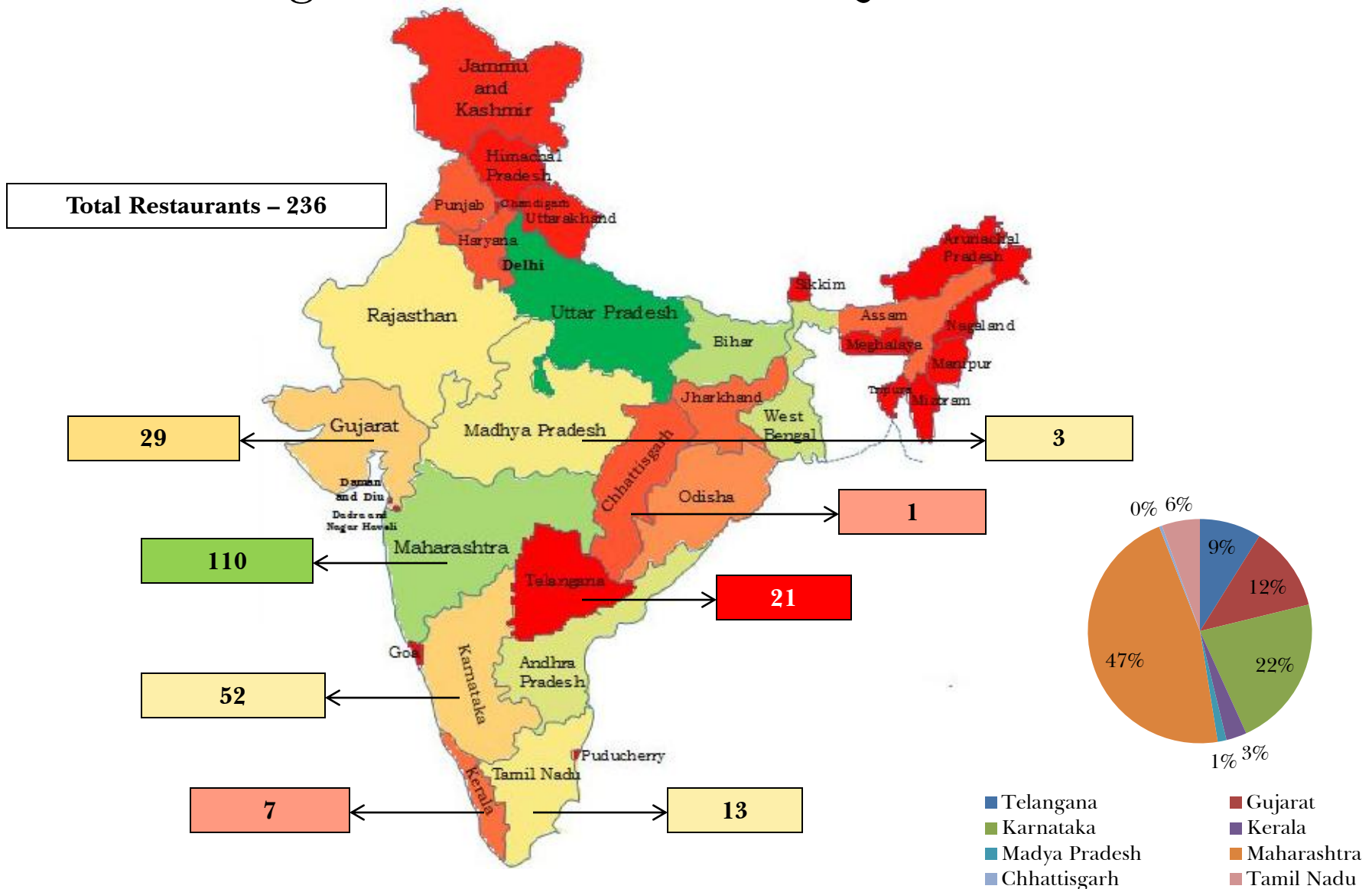
- 30 new restaurants in last 12 months
- Entered 4 new cities; total presence in 30 cities
- 13 new restaurants in Q4 FY16
  - Maharashtra - 6
  - Gujarat, Kerala & Karnataka – 2 each
  - Telangana – 1





# Broadening Accessibility

## Region-wise Presence – Q4 FY16



# Broadening Accessibility Strengthened the **FOUNDATION** for future **GROWTH**

A photograph of a McDonald's restaurant interior. The counter is visible with a menu board above it. The ceiling has a wooden slat design. The floor is tiled. There are four colored boxes overlaid on the bottom right of the image, each containing a key achievement.

Opened **30**  
restaurants over  
last 12 months;  
total restaurants  
at 236

Transformed  
restaurant unit  
economics with  
**ROP 2.0**

Market  
planning  
process yielding  
significant  
results

Focus on Drive-  
Thru (DT)  
continues



# Growing Baseline Sales

**Value**

**Menu**

**Brand  
Extensions**

# Growing Baseline Sales ....through Menu



Introduced in January, 2016

Consumer insights led decision – Introduction of a filling product



# Growing Baseline Sales ....through Menu



Offering more to consumers and driving LTOs to build variety



# Growing Baseline Sales ....through Value



**Driving everyday value among consumers through brand campaign and differentiated positioning**



# Growing Baseline Sales ....through Brand Extensions



100%  
ARABICA  
BEANS

LIMITED  
TIME OFFER\*

## GREET THE HEAT!

— The Cool Coffee Fest —



Hazelnut  
Cold Coffee

Hazelnut  
Chocolate Frappé

Classic  
Iced Coffee

Q4 FY16

Total of 75  
McCafé's as of Q4

Added 12 during  
the quarter

Increase the  
number of  
McCafé's to 110-  
130 by FY17E

Optimizing day-  
part & driving  
growth trajectory  
across the  
restaurants

**Strengthened our position to remain dominant player in  
coffee & beverage market**





Q1 FY16

Q2 FY16

Q3 FY16



# Continuous re-imaging initiatives across restaurants

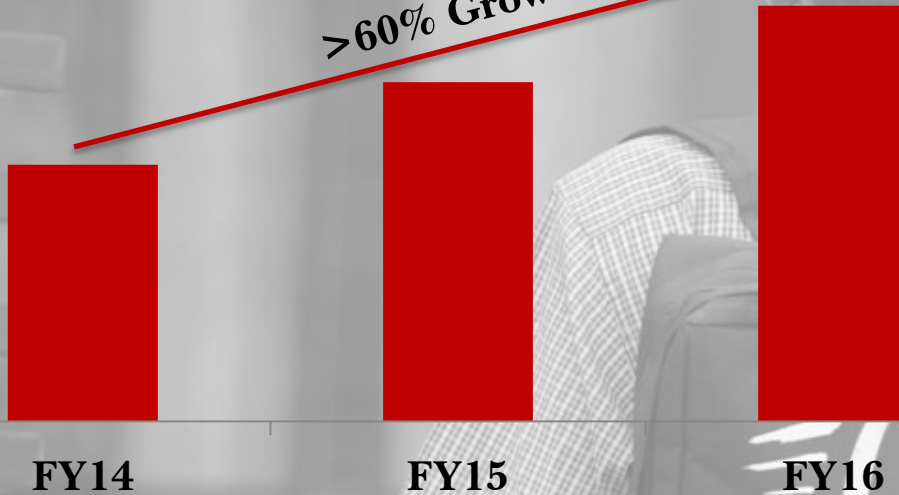


**Sharper focus on superior customer experience yielding improved restaurant performance**

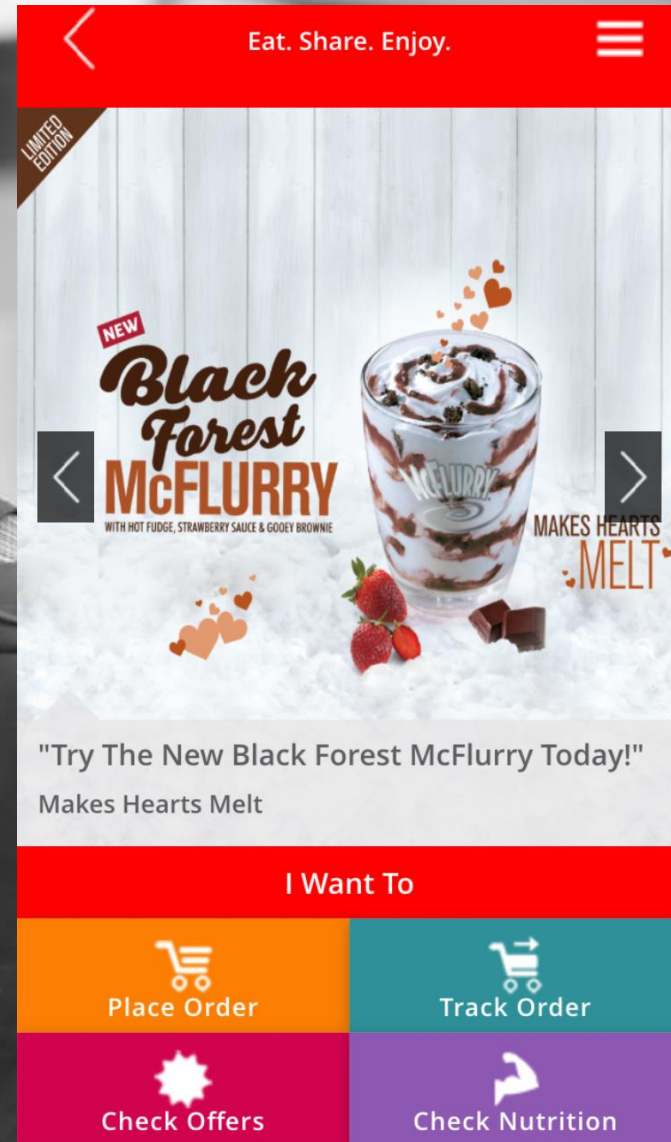


## McDelivery Sales

>60% Growth

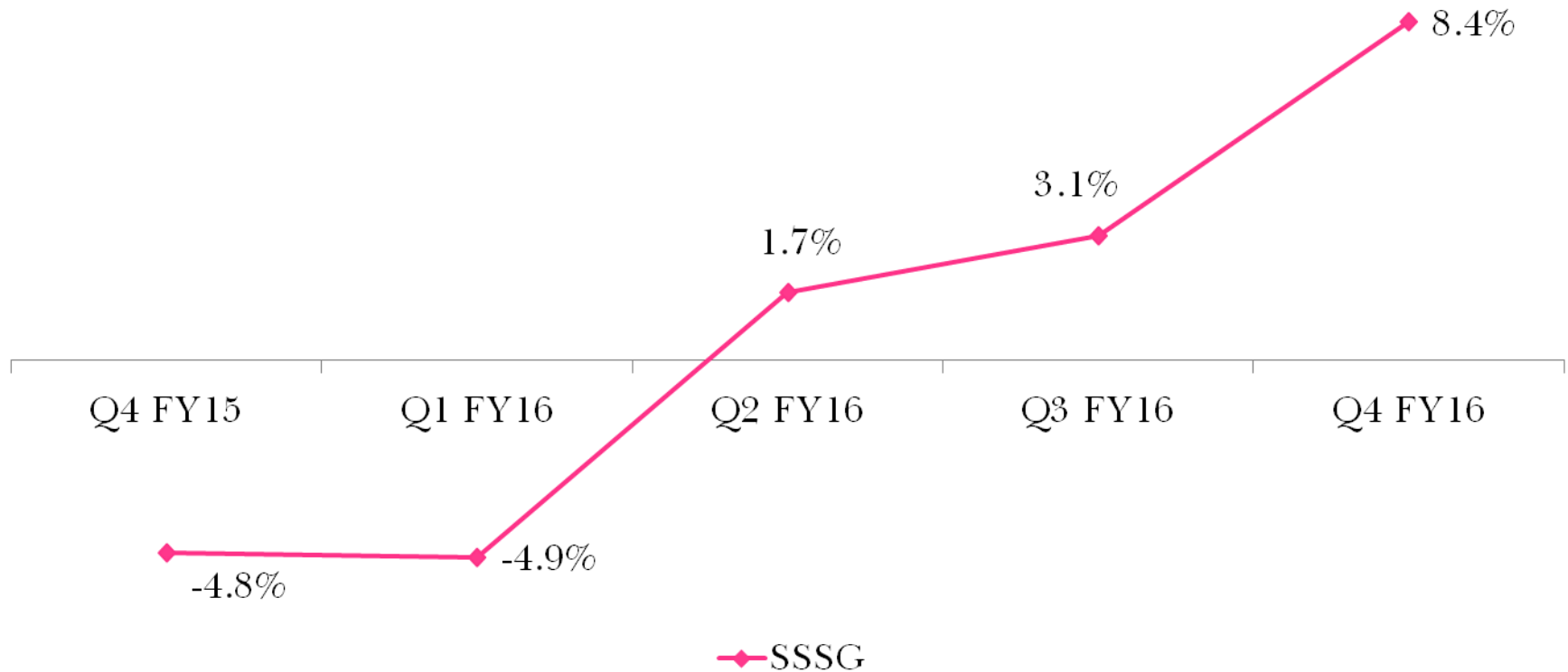


Graph for representation purposes only



Mobile & online platform continues to drive strong growth for MDS

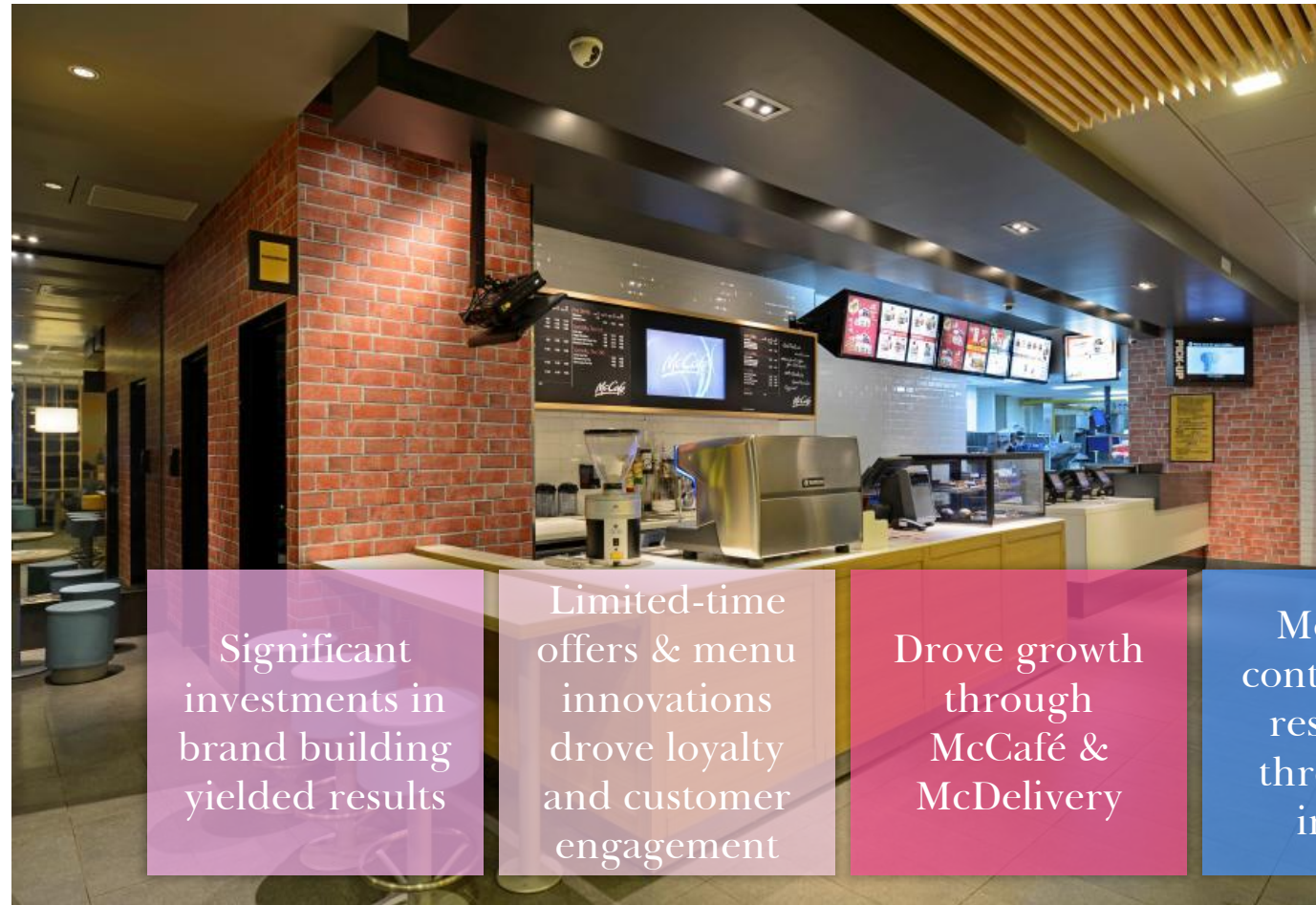
Focused work around menu & differentiated brand approach, resulted in positive **SSSG**





## Growing baseline Sales

In FY16, trajectory in baseline sales trended **UPWARDS**



Significant investments in brand building yielded results

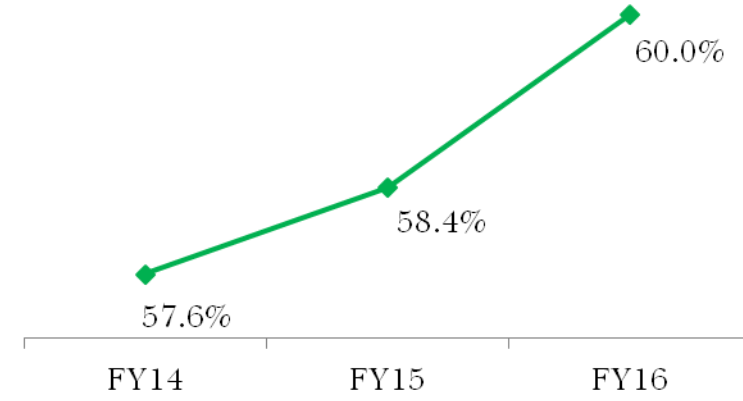
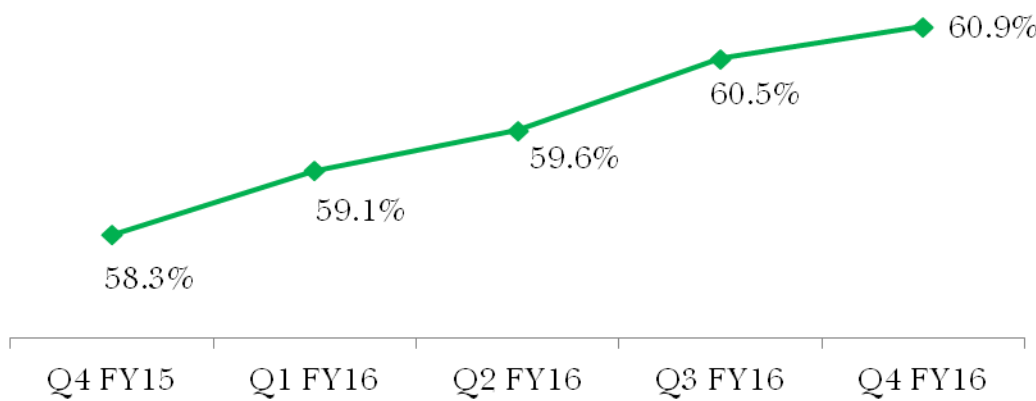
Limited-time offers & menu innovations drove loyalty and customer engagement

Drove growth through McCafé & McDelivery

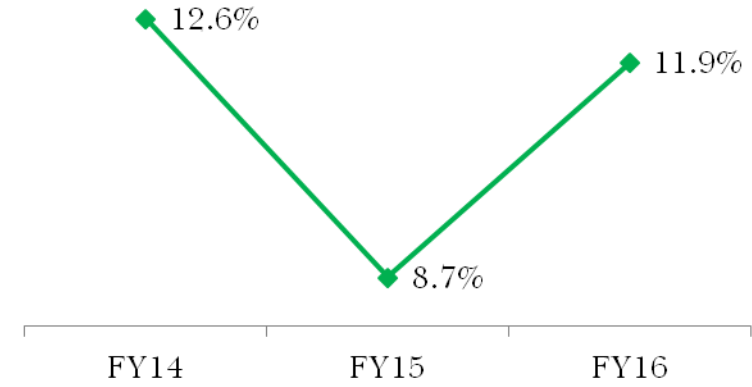
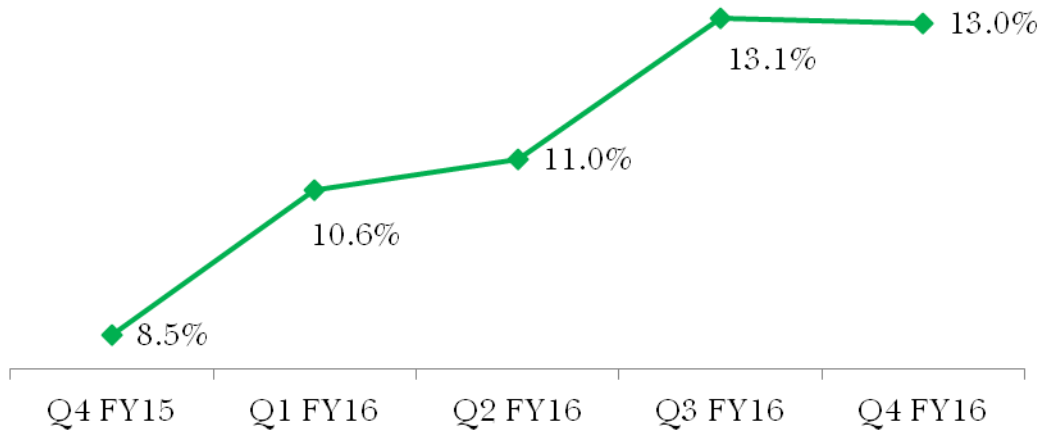
Modern & contemporary restaurants through Re-imaging

# Margin Expansion

## Gross Margin %



## Restaurant Operating Margin %



# Margin Expansion



Positive  
comparable  
sales leading to  
strong  
operating  
leverage

Consistent  
gross margin  
expansion  
momentum  
continued in  
Q4

Expansion of  
Operating  
margins on  
Y-o-Y basis



# Growth through people - Awards & Recognition

**Great Place to Work®  
Award – Best company to  
work for in Retail Industry –  
2016**



**All India Women Barista Championship –  
4 McCafé baristas amongst top 6**



**International Advertising  
Associations Award in the  
retail category for our brand  
campaign #KuchPalOffline**



**Make in India  
Award –  
Excellence award  
in the QSR  
category for 2015**



**Awarded for  
excellence in  
Supply Chain  
Management &  
Logistics**

Consolidated Q4 FY16 Results

# **FINANCIAL PERFORMANCE OVERVIEW**



# Reported Financials

₹ Million	FY16	FY15
Total Revenues	8,568.3*	7,643.3
<i>Y-o-Y growth</i>	12.1%	
Gross Margins (GM)	5,238.4	4,466.3
<i>GM %</i>	61.1%	58.4%
Restaurant Operating Margin	1,228.5	668.4
<i>RoM %</i>	14.3%	8.7%
Operating EBITDA	721.7	204.6
<i>Op. EBITDA %</i>	8.4%	2.7%

\* Includes exceptional gain amounting to ₹ 234.0 Million, recognized in Q2 FY16

# Business Performance

₹ Million	Q4 FY16	Q4 FY15	FY16	FY15
Total Revenues	2,126.2	1,807.8	8,334.3*	7,643.3
<i>Y-o-Y growth</i>	<i>17.7%</i>		<i>9.0%</i>	
Gross Margins (GM)	1,294.5	1,054.6	5,004.4	4,466.3
<i>GM %</i>	<i>60.9%</i>	<i>58.3%</i>	<i>60.0%</i>	<i>58.4%</i>
Restaurant Operating Margin	276.2	154.0	994.5	668.4
<i>RoM %</i>	<i>13.0%</i>	<i>8.5%</i>	<i>11.9%</i>	<i>8.7%</i>
Operating EBITDA	118.6	22.3	487.7	204.6
<i>Op. EBITDA %</i>	<i>5.6%</i>	<i>1.2%</i>	<i>5.9%</i>	<i>2.7%</i>

- Strong revenue growth in Q4 & FY16 largely due to addition of new restaurants, differentiated brand building approach & menu innovation
- Expanded operating margins on Y-o-Y basis; primarily due to
  - Gross margin expansion
  - Crew productivity initiatives yielded results
  - Operating leverage driven by positive comparable sales and efficiencies across occupancy and other costs

\* Excludes exceptional gain amounting to ₹ 234.0 Million, recognized in Q2 FY16

# OUTLOOK



# Outlook

## Revenue

- Consumer sentiment expected to improve over next 6 months
- To add 30-40 restaurants in FY17
- Focus on driving penetration by entering new markets; expansion in key cities to continue

## Menu/ Innovation

- Driving strong menu innovation across different consumer segments and day-parts
- Continued focus on growing McCafé and McDelivery

## Profitability

- ROP 2.0 to drive better RoI and efficient P&L on newer restaurants
- Expect to deliver improved business performance on the back of strong FY16

**Maximize long term value for our shareholders**

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