

# Westlife Development Ltd. Hardcastle Restaurants Pvt. Ltd.

## Q2 FY2016 Earnings Update November 6, 2015

# Disclaimer

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.

# 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

# Q2 FY2016 Results & Highlights



## Restaurant Expansion & Operating Performance

- Positive comparable sales growth and strong operating EBITDA margin expansion
- System-wide restaurants at 216; revenue growth (normalized) of 8.4% Y-o-Y
- Comparable sales at 1.7% compared to -8.1% in Q2 FY15; first quarter of positive SSSG after 8 quarters of flat or declining SSSG trend
- Gross margins (normalized) expanded by ~165 bps Y-o-Y
- Operating EBITDA margin (normalized) improved by ~425 bps Y-o-Y

## Brand Extensions

- Re-imaged restaurants along with McCafé continues to outperform systemwide average (comparable sales & margins)
- McDelivery continues to be robust growth driver

## Brand marketing campaign & menu innovation

- Driving everyday value and various new introductions on the menu during the quarter

**Cash and cash equivalents at ~INR 1,592.9 million**

# Broadening Accessibility



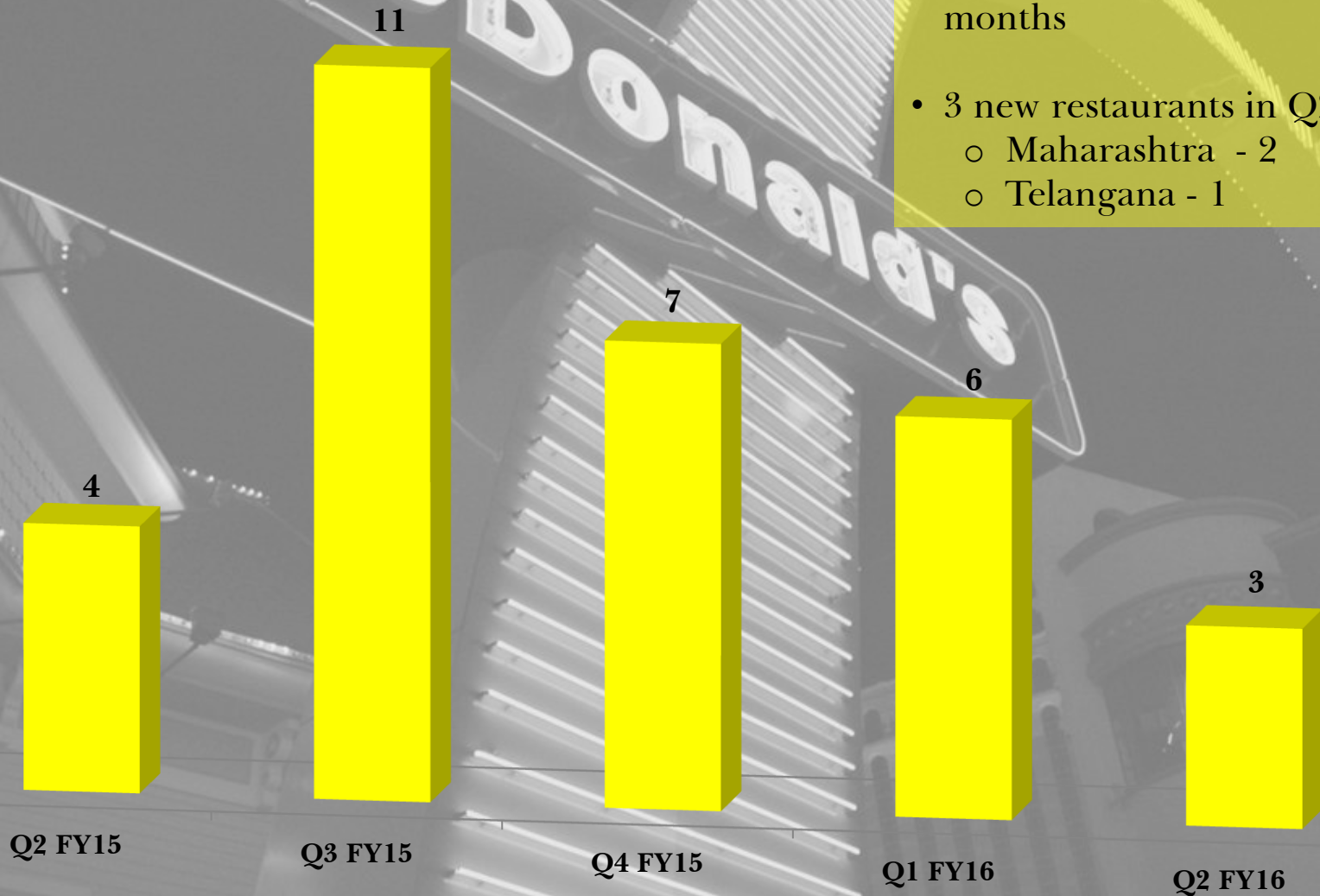
Brand penetration  
...driving consumer accessibility



# Broadening Accessibility

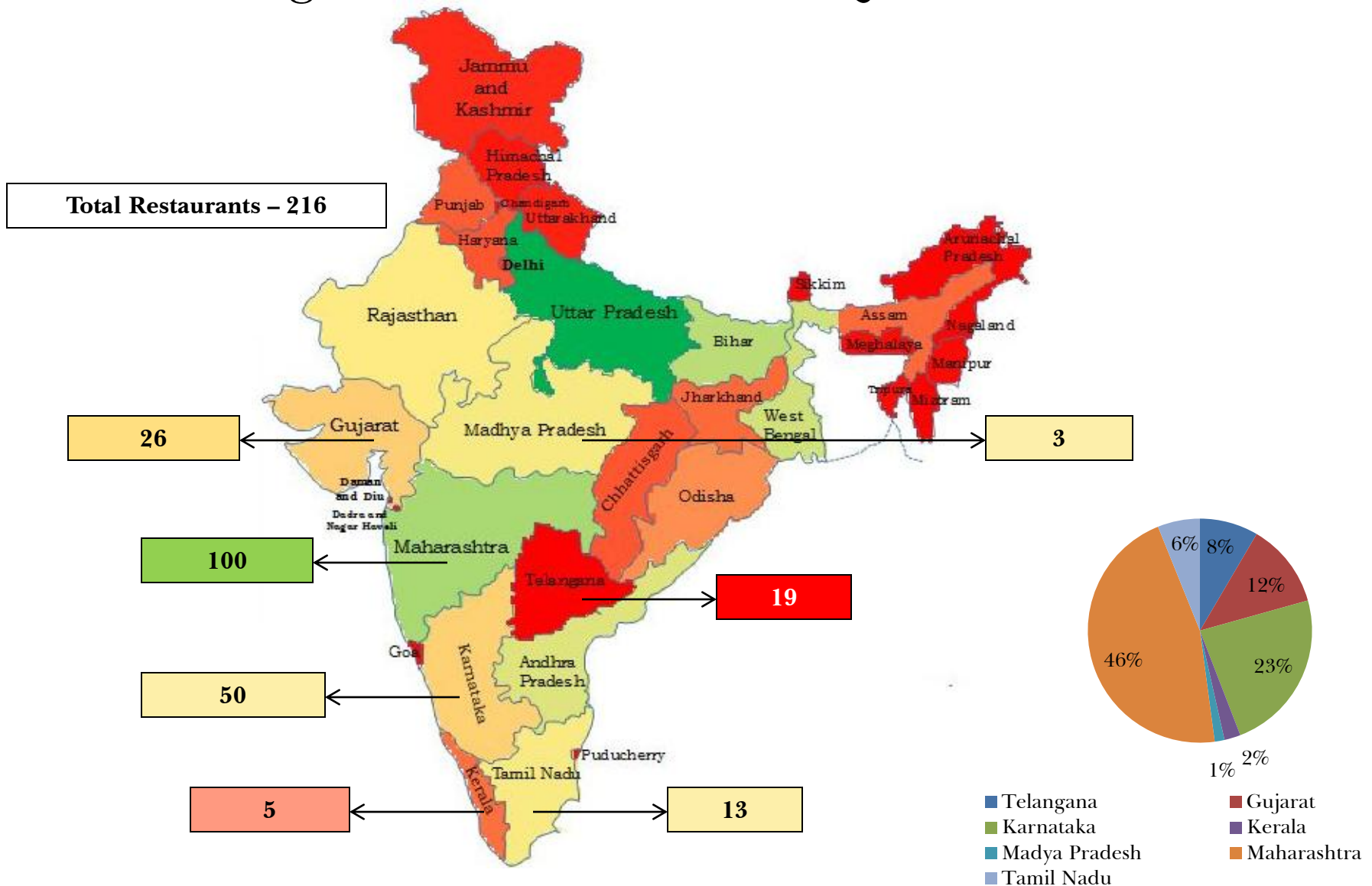
## Restaurant Openings

- 27 new restaurants in last 12 months
- 3 new restaurants in Q2 FY16
  - Maharashtra - 2
  - Telangana - 1



# Broadening Accessibility

## Region-wise Presence – Q2 FY16



## Broadening Accessibility

Invested in 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 grid of lights. The floor is tiled. There are some promotional items on the counter.

Opened **27**  
restaurants over  
last 12 months;  
total restaurants  
at 216

New restaurants  
performance  
encouraging;  
market  
planning  
yielding results

Continued  
momentum  
around new  
restaurants unit  
economics

Focus on Drive-  
Thru (DT)  
continues



# Growing Baseline Sales ....through Value

INTRODUCING  
**SHARING  
PACKS**  
FOR 2, 3 & MORE

Driving everyday value to build strong consumer connect

# NEW CHILLI PANEER POCKETS

Pack of 2  
**₹35**

Pack of 3  
**₹50**

Pack of 4  
**₹65**

## Growing Baseline Sales ....through Menu

- Add-on purchase
- Increased average spend
- Gross Margin expansion



Like a Taste of India

All taxes extra as applicable. Images are representational.

### Offering more to consumers – Introduction of new sides



# Go BANANAS

WITH OUR CREAMY, CRUNCHY, YUMMY  
BANANA DESSERTS.



**Banana  
Caramel Oreo  
McFlurry™**

**Banana Oreo  
Soft Serve**

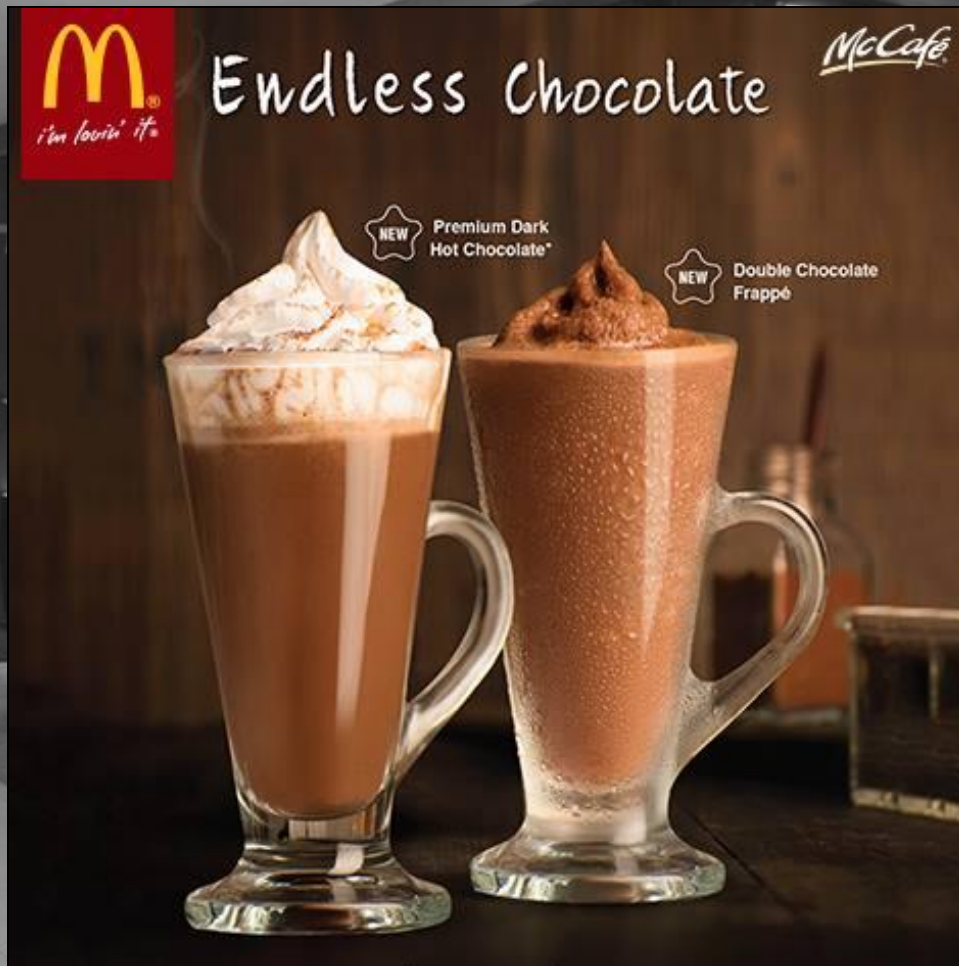


**Limited time offers to build variety**

# Growing Baseline Sales ....through Brand Extensions







Driving strong growth trajectory across the system

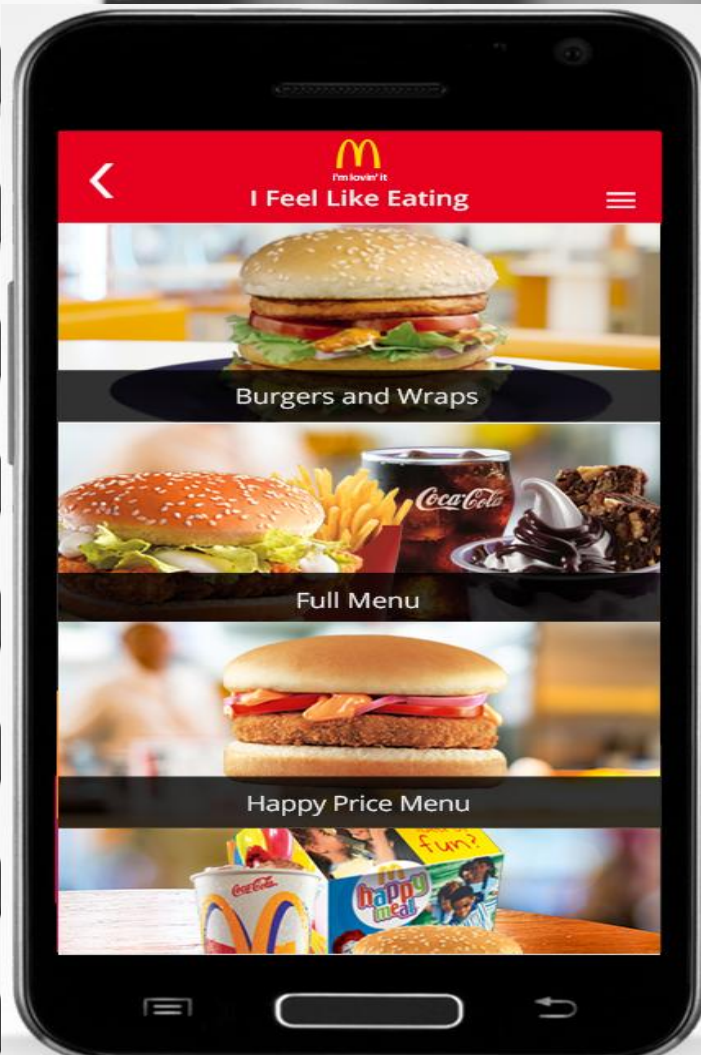
Restaurants with McCafé driving significantly better comparable sales and margins

Total of 52 McCafé's as on date

Added 7 during the quarter

Achieved target of having 50-75 McCafé's vs. plan by Dec '15; Double the base in next 12-18 months

**Building share in fast growing coffee & beverage market**



Refreshed  
mobile user  
interface  
more  
contemporary



Online & Web platform driving strong growth for the brand  
extension



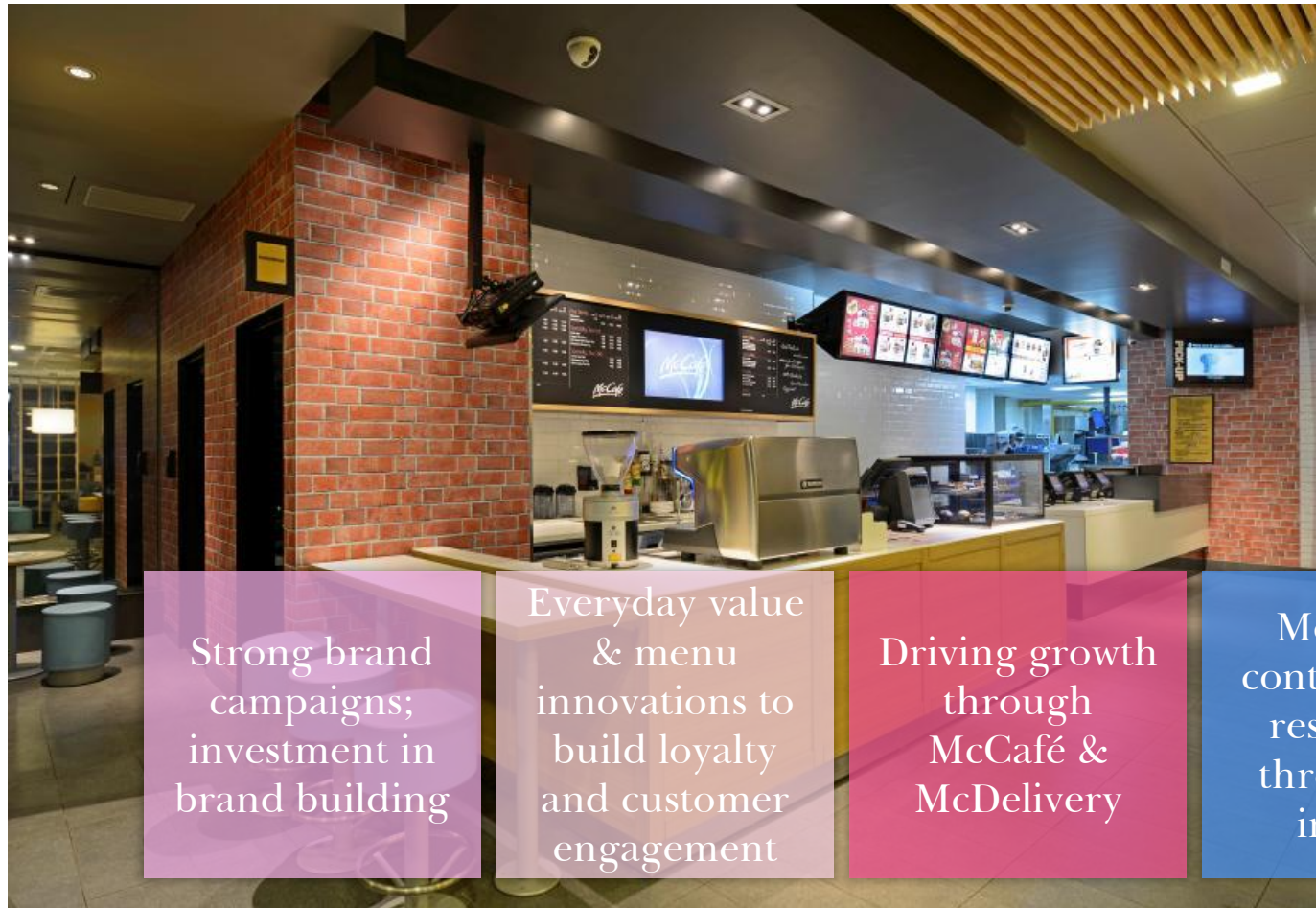
# Contemporary brand through re-imaging



Unique restaurant experience

## Growing baseline Sales

In Q2, trajectory in baseline sales trending **UPWARDS**



Strong brand campaigns; investment in brand building

Everyday value & menu innovations to build loyalty and customer engagement

Driving growth through McCafé & McDelivery

Modern & contemporary restaurants through Re-imaging



# Margin Expansion



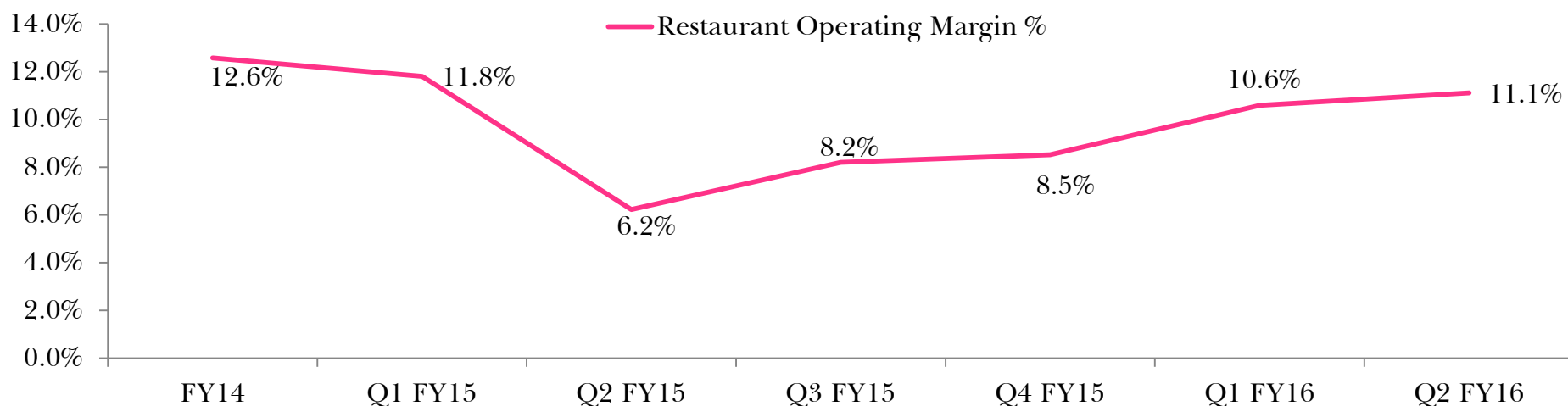
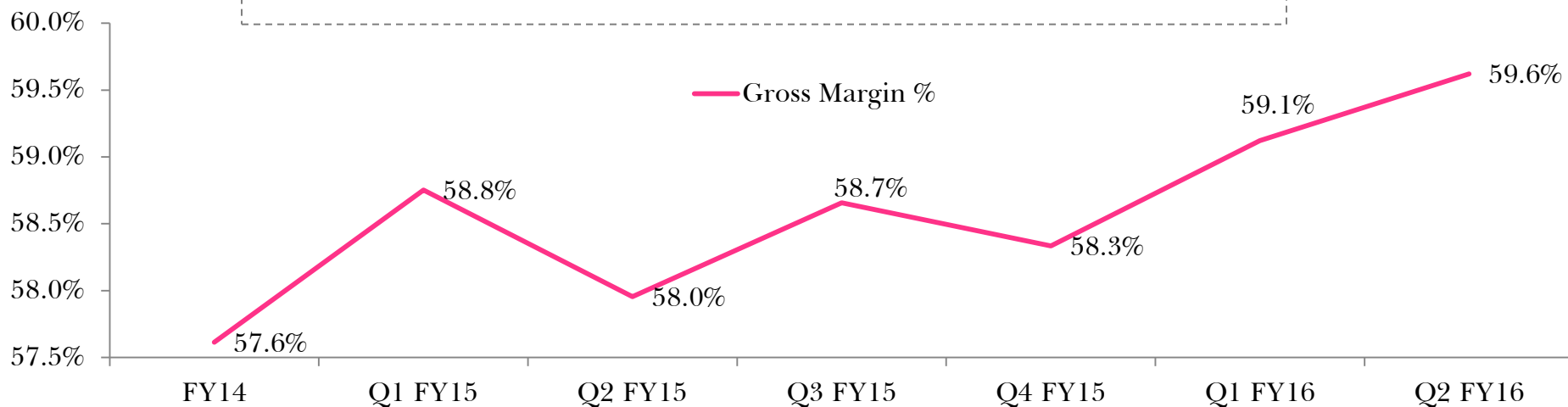
Significant  
gross margin  
expansion in  
Q2

Expansion of  
Operating  
EBITDA  
margins on  
Y-o-Y basis

Stable utility  
costs & crew  
productivity  
initiatives  
yielding  
results

Menu &  
beverage  
growth  
helping  
margin  
improvement

# Margin Expansion\*



\* Normalized Gross Margin & Restaurant Operating Margin (as % of total revenues) for Q2 FY16

# Growth through people - Awards & Recognition



**All India Women Barista Championship  
– 3 McCafé baristas amongst top 5**



**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**

Consolidated Q2 FY16 Results

# **FINANCIAL PERFORMANCE OVERVIEW**



# Reported Financials

₹ Million	Q2 FY16	Q2 FY15	H1 FY16	H1 FY15
Total revenues*	2,260.9	1,870.2	4,333.0	3,878.9
<i>Y-o-Y growth</i>	<i>20.9%</i>		<i>11.7%</i>	
Gross Margins (GM)	1,442.1	1,083.9	2,667.2	2,264.0
<i>GM %</i>	<i>63.8%</i>	<i>58.0%</i>	<i>61.6%</i>	<i>58.4%</i>
Restaurant operating margin (RoM)	457.6	116.6	677.0	353.7
<i>RoM %</i>	<i>20.2%</i>	<i>6.2%</i>	<i>15.6%</i>	<i>9.1%</i>
Operating EBITDA	351.6	29.2	485.8	150.2
<i>Op. EBITDA %</i>	<i>15.6%</i>	<i>1.6%</i>	<i>11.2%</i>	<i>3.9%</i>

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

# Normalized Business Performance

₹ Million	Q2 FY16	Q2 FY15	H1 FY16	H1 FY15
Total revenues	2,026.9	1,870.2	4,099.0	3,878.9
<i>Y-o-Y growth</i>	8.4%		5.7%	
Gross Margins (GM)	1,208.1	1,083.9	2,433.2	2,264.0
<i>GM %</i>	59.6%	58.0%	59.4%	58.4%
Restaurant operating margin (RoM)	223.6	116.6	443.0	353.7
<i>RoM %</i>	11.0%	6.2%	10.8%	9.1%
Operating EBITDA	117.6	29.2	251.8	150.2
<i>Op. EBITDA %</i>	5.8%	1.6%	6.1%	3.9%

- Revenue growth in Q2 & H1 due to expansion of new restaurants, LTO's and menu additions
- Expanded operating margins on Y-o-Y basis; primarily due to
  - Gross margin expansion
  - Crew productivity initiatives yielding results
  - Operating efficiencies across occupancy and other costs

# OUTLOOK

# Outlook

## Revenue

- ✓ Consumer sentiment continues to be muted
- ✓ To be at 230-250 restaurants by FY16E; doubling current McCafé's base in next 12-18 months
- ✓ Higher penetration by entering new markets; expansion in existing markets to continue
- ✓ Restaurants re-imaging efforts to continue

## Innovation / Menu

- ✓ Strong pipeline of new products across the menu for different consumer segments and day-parts
- ✓ Focus on delivering high-quality and affordable food & beverages to our customers
- ✓ Consumer convenience through various digital enhancements & technology

## Profitability

- ✓ Significant initiatives around efficient business unit economics and lower capex per restaurant
- ✓ Optimizing opportunities through continuous evaluation of restaurant portfolio

**Committed to create long term shareholder value through profitable business growth**



# IR Contact

**For additional information:**

Ankit Arora

Investor Relations

(+91.22) 4913.5306

[ankit.arora@mcdonaldsindia.com](mailto:ankit.arora@mcdonaldsindia.com)

[www.westlife.co.in](http://www.westlife.co.in)