

# Westlife Development Ltd. Hardcastle Restaurants Pvt. Ltd.

## Q1 FY2016 Earnings Update August 7, 2015

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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

# Q1 FY2016 Results & Highlights



## Restaurant Expansion & Operating Performance

- System-wide restaurants at 213; revenue growth of 3.2% Y-o-Y
- Drive-thru (DT) portfolio continues to expand
- Comparable sales down to -4.9% compared to -9.0% in Q1 FY15
- Gross margins expanded by ~40bps Y-o-Y
- Operating EBITDA margin improved by ~45bps Y-o-Y; ~240bps expansion Q-o-Q

## 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 #KuchPalOffline

- Driving everyday value and strong brand connect with consumers

**Cash and cash equivalents at ~INR 1,587.4 million**



# Broadening Accessibility

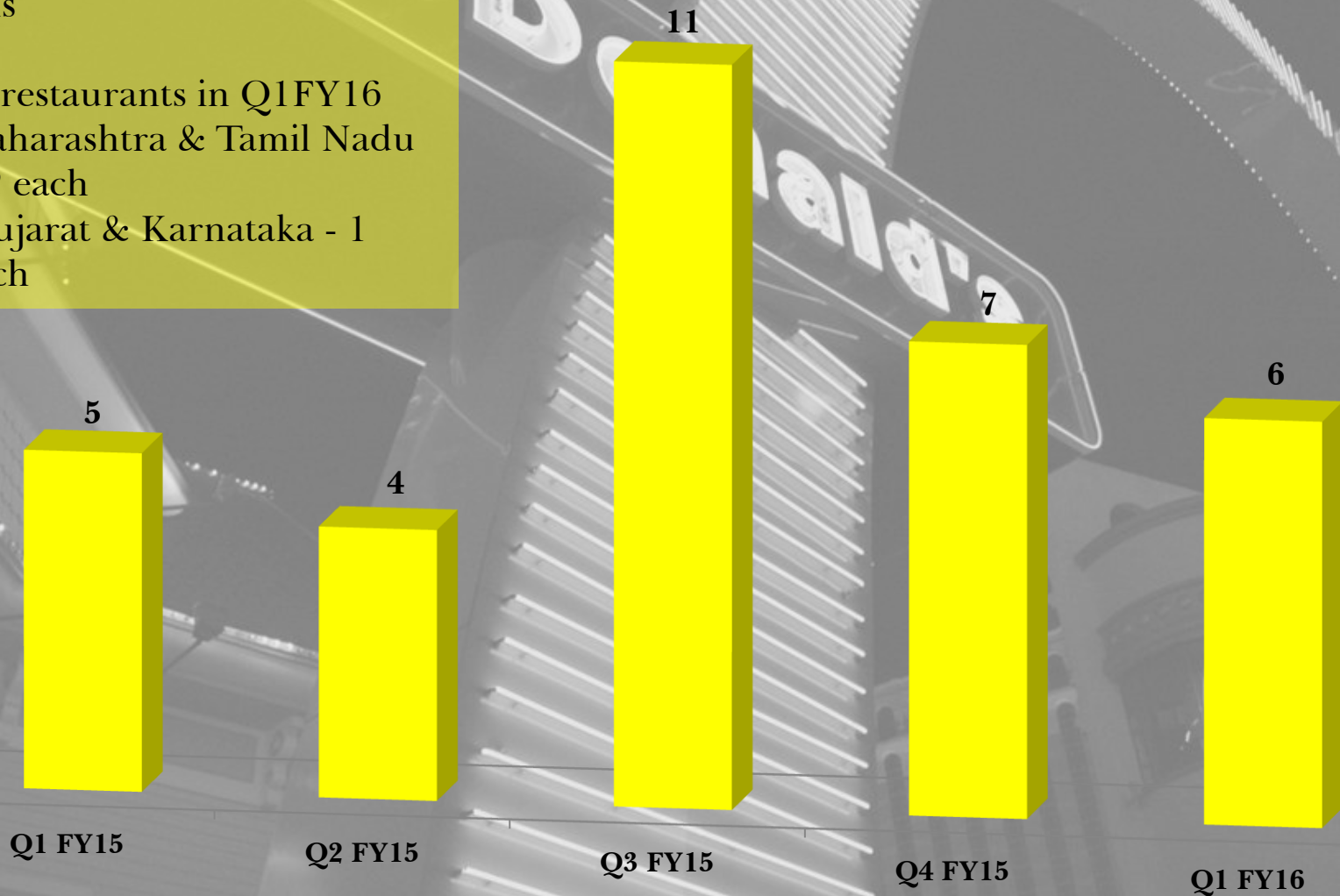
**Brand penetration driving consumer accessibility**



# Broadening Accessibility

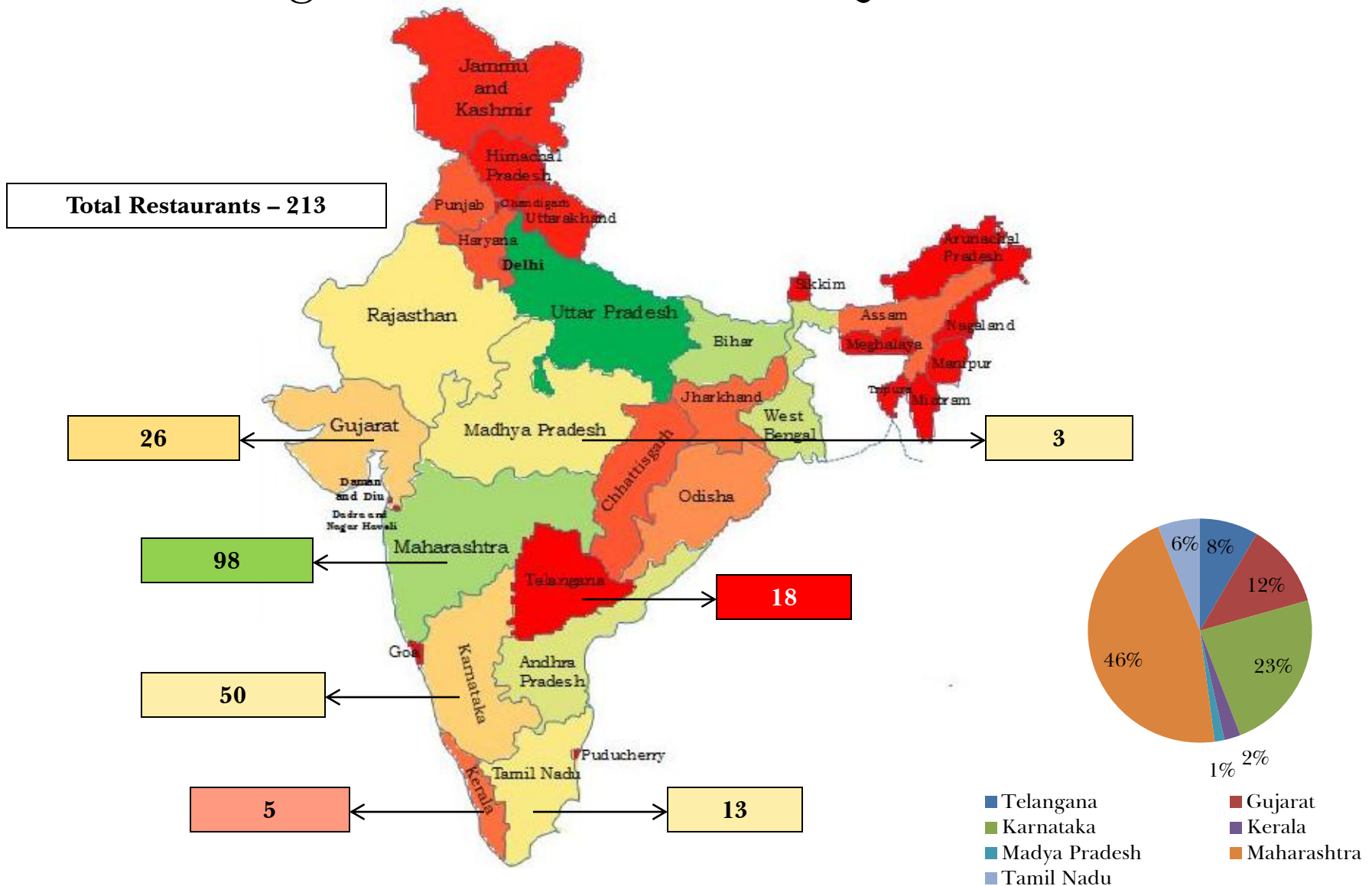
## Restaurant Openings

- 28 new restaurants in last 12 months
- 6 new restaurants in Q1FY16
  - Maharashtra & Tamil Nadu – 2 each
  - Gujarat & Karnataka - 1 each



# Broadening Accessibility

## Region-wise Presence – Q1 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 signs on the wall.

Opened **6** restaurants;  
total restaurants  
at 213

Market  
planning  
helping new  
restaurants  
performance

Positive  
momentum  
around new  
restaurants unit  
economics

Drive-Thru  
(DT) portfolio  
continues to  
build



# Growing Baseline Sales



**#KuchPalOffline to build strong connect with consumers**

# Growing Baseline Sales



**Driving shareability & everyday value among consumers  
through brand campaign**



**UPGRADE YOUR  
FAVOURITE BURGERS.**

**NEW**

**FOCACCIA BUN**  
FOR JUST ₹ **15**



CONTAINS

**OREGANO | ROSEMARY | OLIVE OIL**

Terms & Conditions apply. All taxes extra as applicable. Images are representational.

*McCafé*

**REAL FRUIT. REAL SMOOTHIES.**

Enjoy the fresh taste of our delicious smoothies



**Expanded platforms across day-parts**





₹25  
— FOR —  
HAPPINESS



NEW  
*mixberry*  
McFLURRY™  
SMALL | MEDIUM  
₹70 | ₹89



NEW  
GINGER  
LEMON  
*Free*

₹30  
ONLY



Seasonal offers to build variety





GROWING BASELINE SALES  
BRAND EXTENSIONS



Driving growth trajectory across the system

Restaurants with McCafé driving better comparable sales and margins

Total of 46 McCafé's as on date

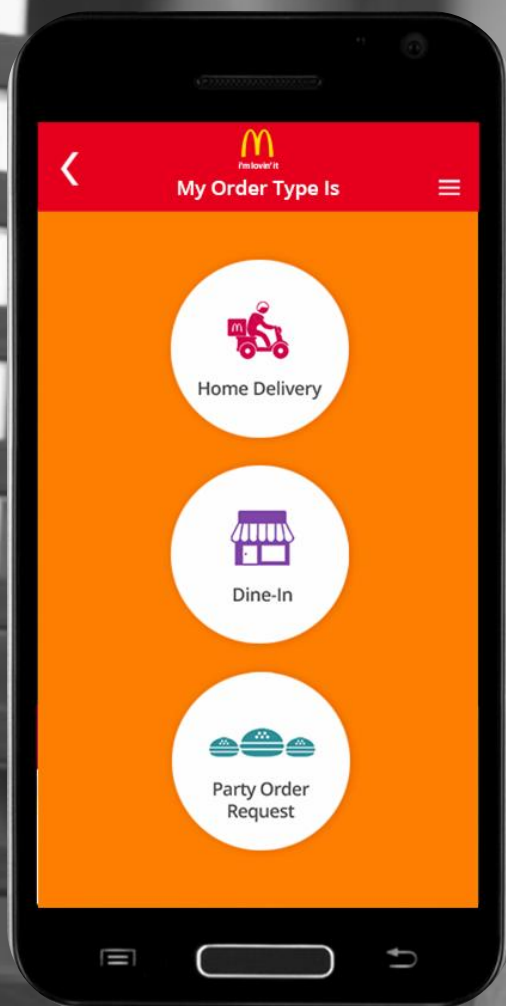
On track of stated goal: 50-75 by Dec '15

Added 8 during the quarter

Double the base in 12-18 months

Poised to be a key player in coffee & beverage market





Food e-commerce  
growing rapidly

WDL key player in the  
fast growing market;

Growing base of  
restaurants strengthen  
our standing

Online and Web  
driving growth for  
the Brand Extension

Continuous  
improvement in web  
platform & online  
application

**Entrenched to take advantage in growing food-tech space**



# Contemporary brand through re-imaging

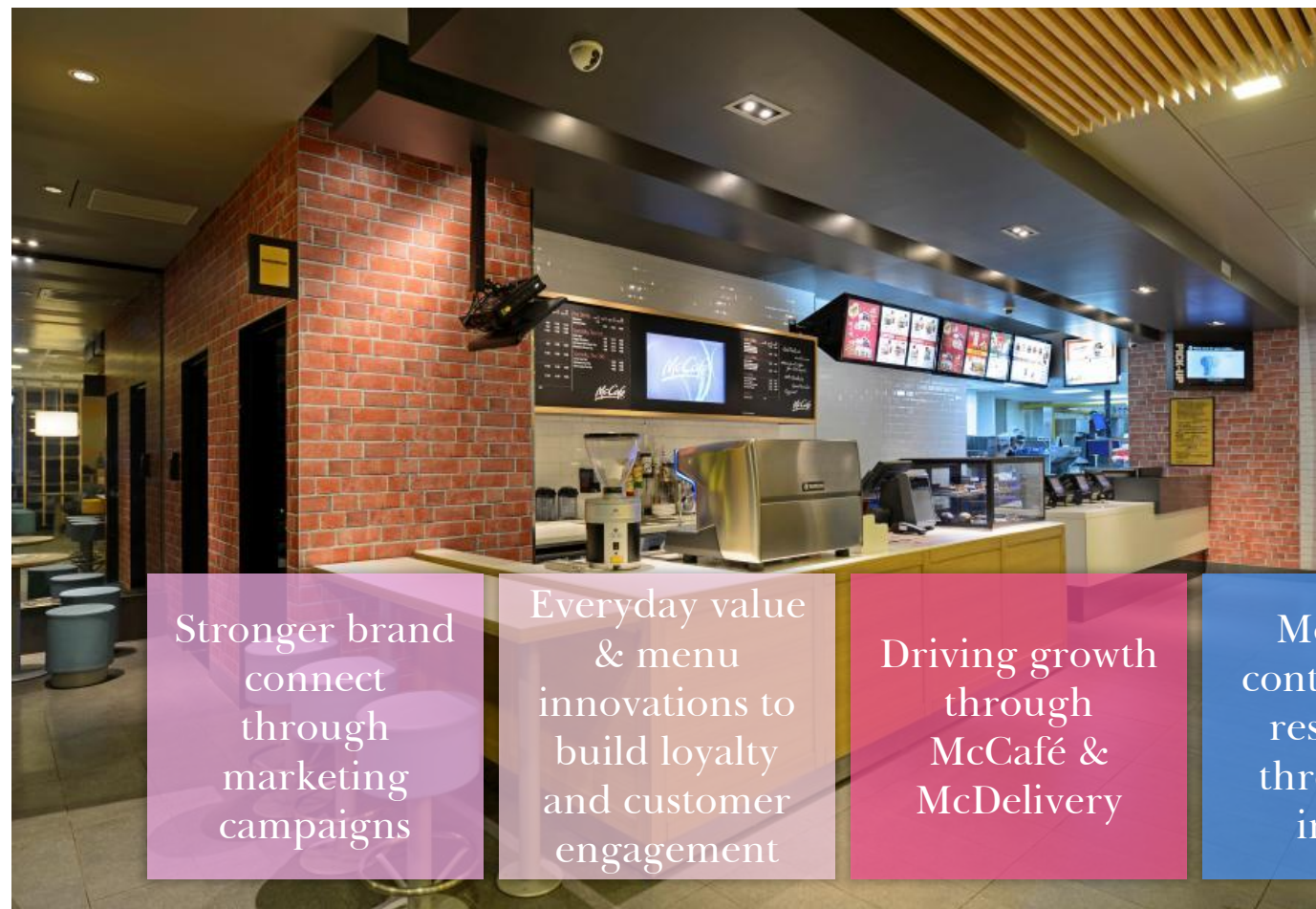


Enhanced customer experience



## Growing baseline Sales

In Q1, we sustained investment in  
**GROWING** the baseline



Stronger brand  
connect  
through  
marketing  
campaigns

Everyday value  
& menu  
innovations to  
build loyalty  
and customer  
engagement

Driving growth  
through  
McCafé &  
McDelivery

Modern &  
contemporary  
restaurants  
through Re-  
imaging

# Margin Expansion



Gross margin  
expansion in  
Q1

Expansion of  
Operating  
EBITDA  
margin on  
Y-o-Y &  
Q-o-Q basis

Steady utility  
costs

Beverage  
growth  
helping  
margin  
improvement

# Growth through people - Awards & Recognition

- Awarded for excellence in Supply Chain Management & Logistics



The Economic Times Awards

Consolidated Q1 FY16 Results

# **FINANCIAL ANALYSIS**



# Financial analysis

Particulars (INR Mn)	Q1 FY16	Q1 FY15
Total revenues	2,072.1	2,008.6
<i>Y-o-Y growth</i>	<i>3.2%</i>	
Gross Margins (GM)	1,225.1	1,180.2
<i>GM %</i>	<i>59.1%</i>	<i>58.8%</i>
Restaurant operating margin (RoM)	219.5	237.1
<i>RoM %</i>	<i>10.6%</i>	<i>11.8%</i>
Operating EBITDA	134.2	121.0
<i>Op. EBITDA %</i>	<i>6.5%</i>	<i>6.0%</i>

- Revenue growth in Q1 due to expansion of new restaurants and new menu additions
- Expanded operating margins on Y-o-Y basis; primarily due to
  - Gross margin expansion
  - Stable occupancy, utility and other costs
  - Slightly offset by, higher payroll expenses on account of restaurant additions

# OUTLOOK

# Outlook

## Revenue

- ✓ IEO growth slows down to 3.5% in 2015 (Source: Euromonitor)
- ✓ To be at higher end of 230-250 restaurants by FY16E; 50-75 McCafé's by Dec'15 (doubling that base in 12-18 months subsequently)
- ✓ 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 platforms & technology

## Profitability

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

**Building strong foundation for long term growth**

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