

# **Westlife Development Ltd.**

Hardcastle Restaurants Pvt. Ltd.

Q1 FY21 Earnings Presentation  
July 30, 2020



# 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.

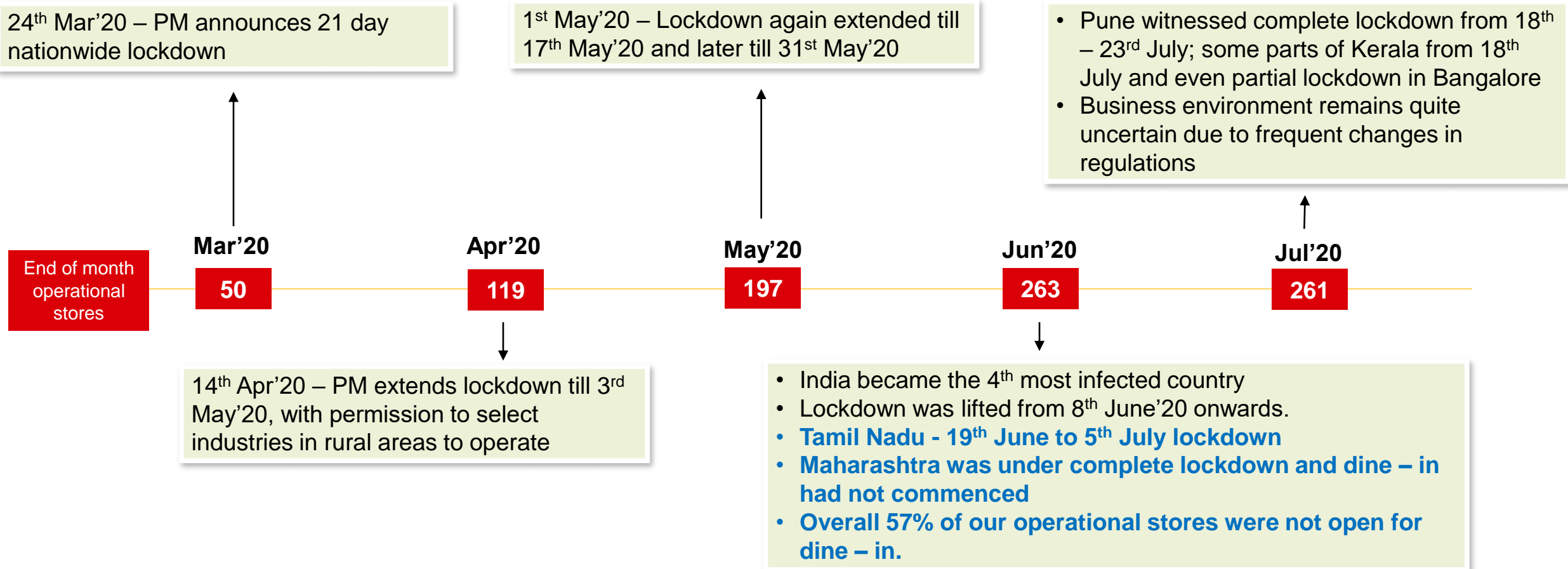


**SERVING HAPPINESS**  
— WITH —  
**EXTRA CARE**



# Q1FY21 – Sequence of Events

Uncertainty prevails as the environment remains volatile from statutory standpoint in our regions, which gives us very low predictability of the business ahead



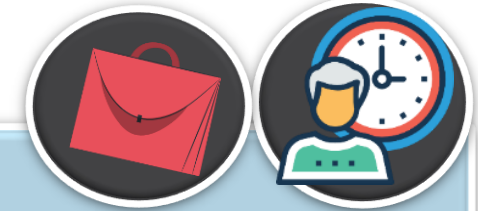
# Ensuring Business Continuity

## Restaurant



- ✓ Kept the stores operational for our convenience platform wherever the government statutes allowed
- ✓ Unique work from home policy implemented to keep our crew motivated and engaged
- ✓ Focus on business continuity

## Corporate



- ✓ Continuous support provided by the corporate office to our crew members
- ✓ No job losses

## Supply Chain



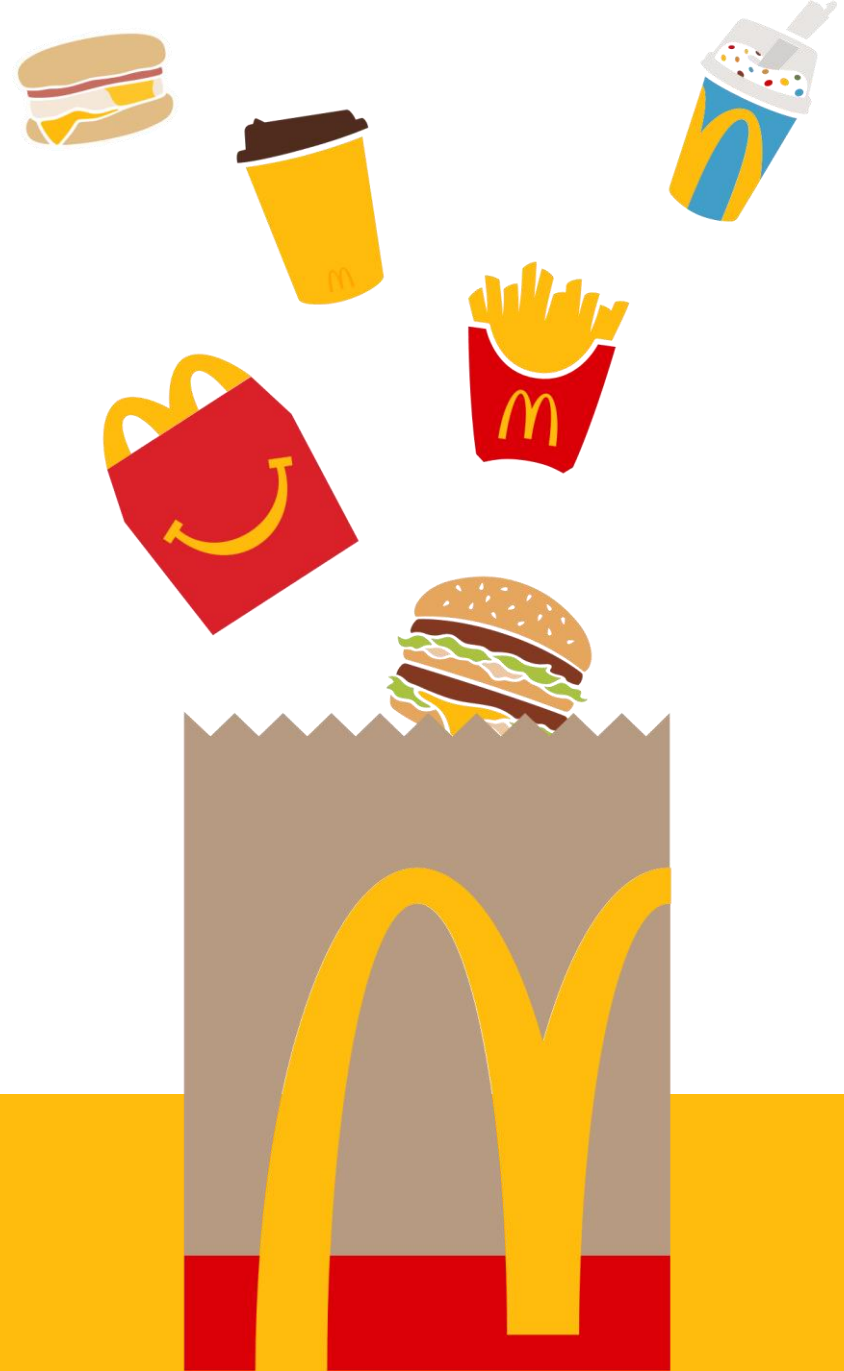
- ✓ Revisit Supply Chain
  - Optimize Inventory Management
  - Suppliers Management

## Financials



- ✓ Cash Conservation
- ✓ Reduce Fixed Costs
- ✓ Rebates & Deferments

# Q1FY21 UPDATE

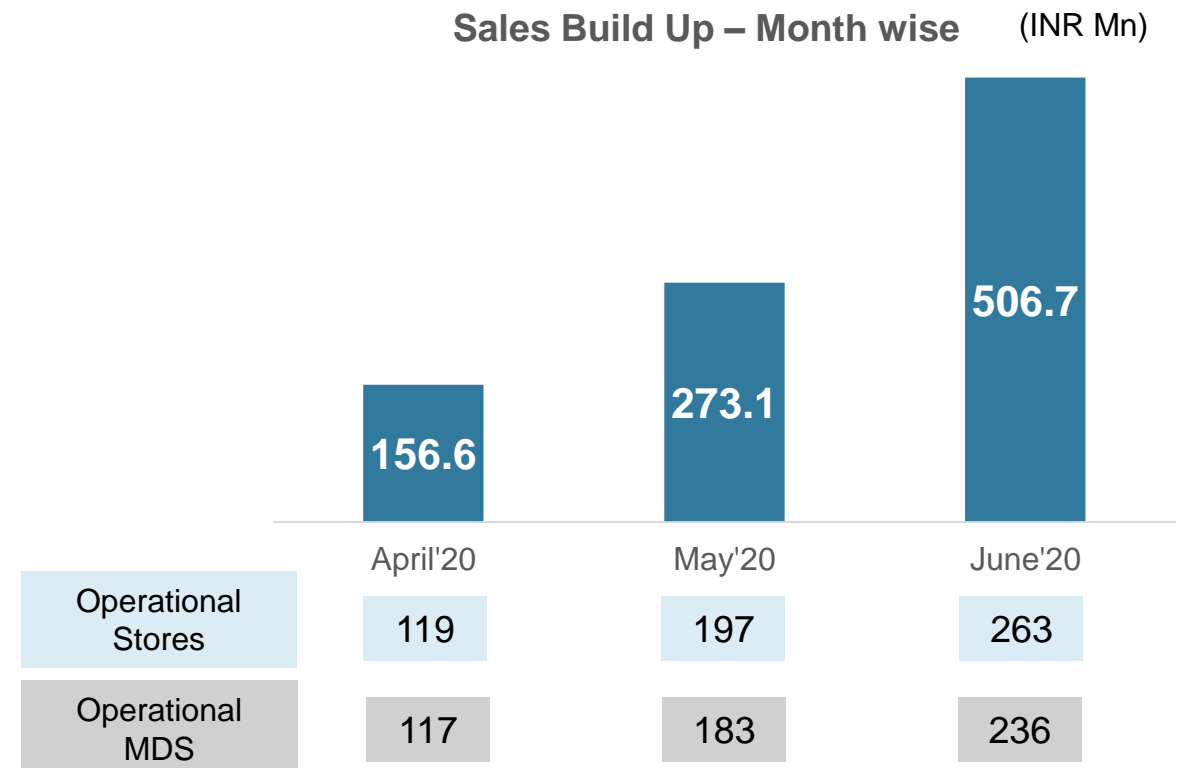


# Q1FY21 – Lockdown impacts business

- 74% of total stores located in 6 key cities (Mumbai, Pune, Ahmedabad, Chennai, Bangalore & Hyderabad)
- 36% of total stores faced complete lockdown during entire Q1FY21 due to the increasing number of Covid-19 cases

Particulars (Rs in Mn)	Q1FY21
<i>SSSG%</i>	<i>(54.0%)</i>
Sales	938.9
<i>YoY Sales Growth %</i>	<i>(75.4%)</i>
<i>Gross Margins %</i>	<i>56.8%</i>
<i>ROM %</i>	<i>(42.7%)</i>
Op. EBITDA (Rs)	(576.8)
<i>Op. EBITDA Margins %</i>	<i>(61.4%)</i>
<i>PBT Margin %</i>	<i>(81.8%)</i>
PAT (Rs)	(575.1)
<i>PAT Margin %</i>	<i>(61.3%)</i>
Cash Profits	(550.4)
New stores opening	1

Q1FY21 saw the opening of stores in a phased manner due to country wide lockdown on account of Covid-19



# Convenience Platform Sales – Better than pre – Covid levels

## Positive Trends observed in June'20

Convenience Platform sales in June'20 is back to pre Covid levels for operational stores

MDS per day per store in June'20 is ~70% of pre Covid levels for operational stores



Convenience platform sales in June'20 are back to pre Covid levels for operational Drive Thru stores

Take out sales at 120%+ in June'20 vis a vis pre Covid levels, despite only 70% of stores being operational

Note: Convenience Platform includes MDS, Takeout & Drive Thrus



# Q1FY21<sup>1</sup> Results & Highlights

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

Introduced **On The Go** operations across the stores

Entered fried chicken market with **McSpicy Fried Chicken** and launched **Schezwan Burgers**

**30-35%** reduction in Fixed costs (FC) on account of operating efficiencies & FC optimisation

**(75.4%)**  
Sales Growth @  
Rs 938.9 Mn  
**SSSG at (54.0%)**

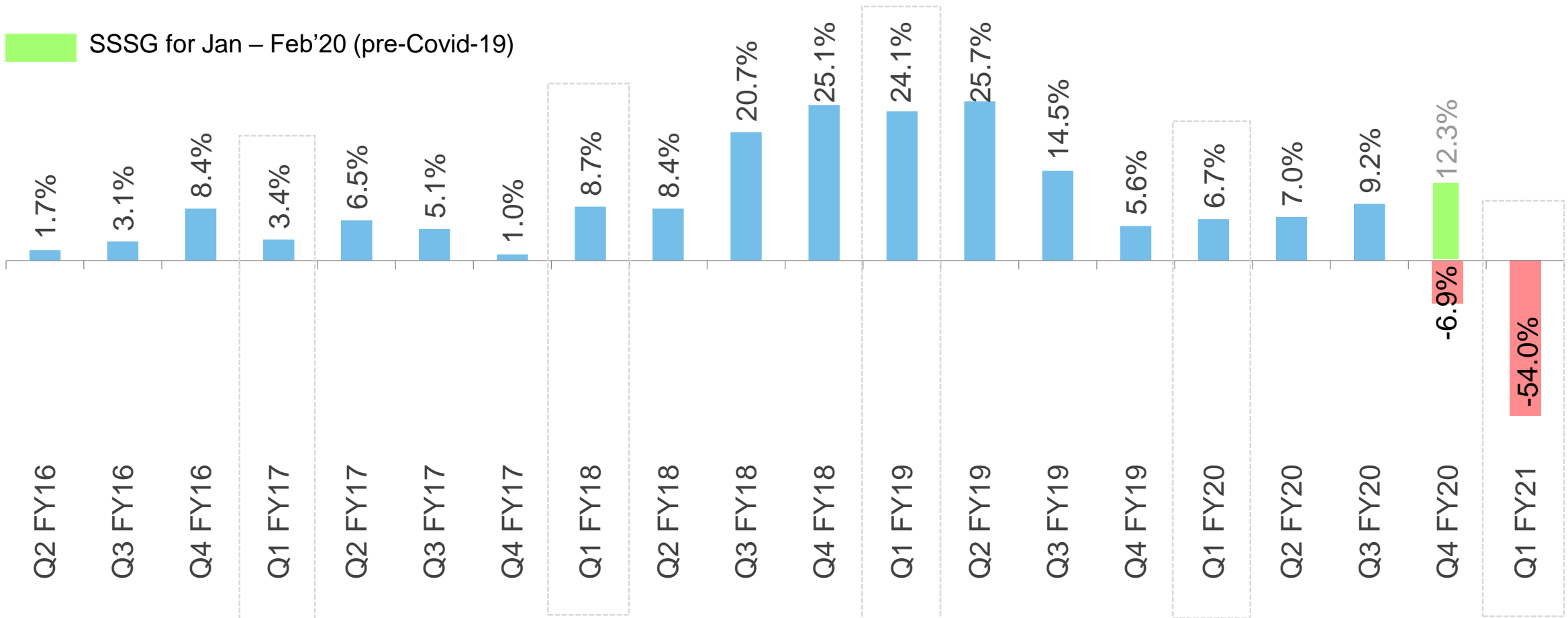
**56.8% (719 bps)**  
Gross Margin

**(Rs 576.8 Mn) / (61.4%)**  
Op. EBITDA /  
Op. EBITDA Margin

**(Rs 575.1 Mn) / (61.3%)**  
PAT/ PAT Margin

Note: 1) Q1FY21 numbers are excluding IND AS impact

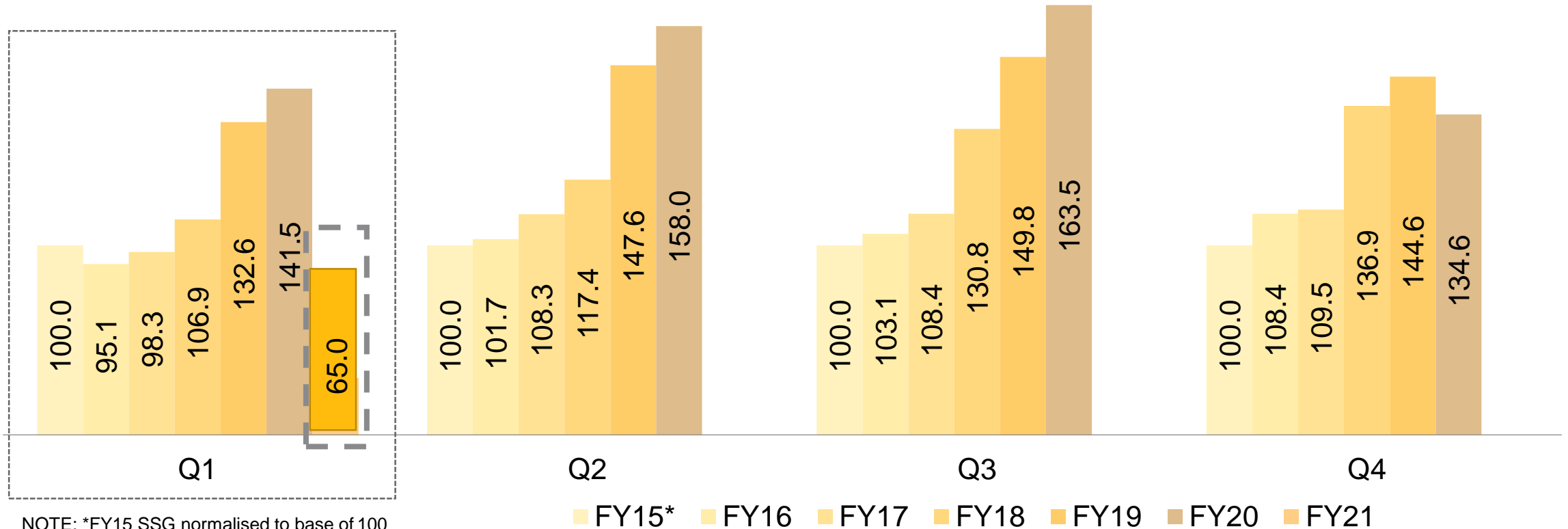
# 18 quarters of strong SSSG (impacted only in Covid-19 period)



Registered **positive and healthy SSSG for 18 consecutive quarters** (excluding Q4FY20 & Q1FY21 which were impacted due to Covid -19) by focusing on delivering great customer experience and growth across brand extensions

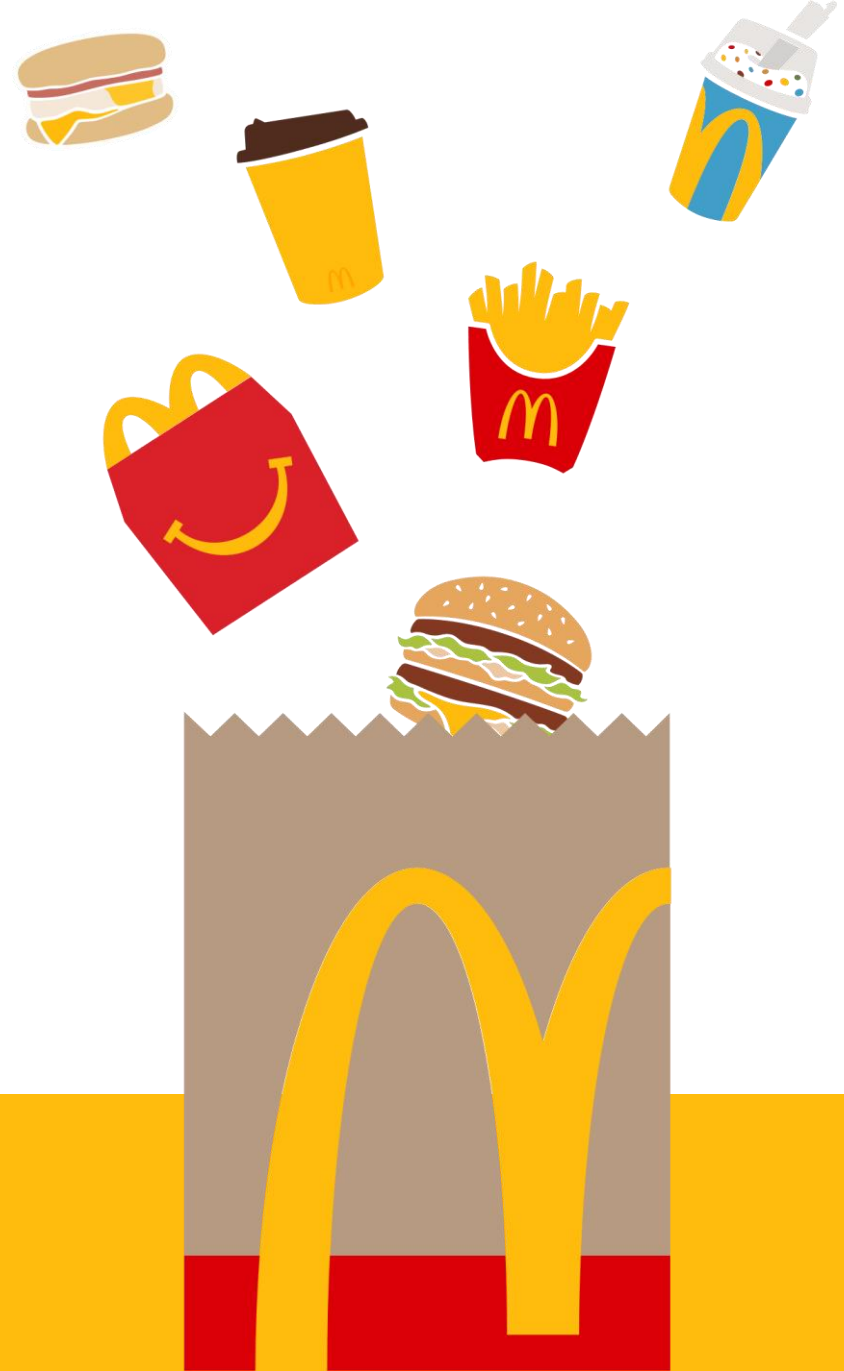
# Growth of AUV Q-o-Q (impacted only in Covid-19 period)

60%+ growth in AUV over the past 5 years (excluding Q4FY20 & Q1FY21 due to Covid-19)



Sustained momentum in same store sales resulted in higher average sales per restaurant (AUV) in every quarter, except in Q4FY20 & Q1FY21, which was impacted due to Covid - 19

# Q1FY21 BUSINESS UPDATE

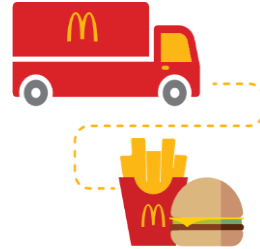


# Q1FY21 - Key Focus Areas



## Assurance

- ✓ Quality
- ✓ Service
- ✓ Cleanliness



## Convenience

- ✓ MDS
- ✓ Drive Thru
- ✓ Take Out
- ✓ On The Go



## Access

- ✓ Store Operations
- ✓ Value Platform
- ✓ Global McDonald's App

# Assurance

- Golden Guarantee Promise
- Creating a safe environment for dine in
- Delivering happiness with extra care










# Building Customer Confidence by Introducing Golden Guarantee Promise & Other Initiatives

McDonald's India ushers in the era of dining with its  
**'Golden Guarantee' of 100% Safe, 100% Delicious brand experience**



Implemented a **42-point checklist across dine-in, delivery and take-out** to ensure highest standards of food safety and hygiene across all channels

# Dine – in - Ensuring Safety at Every Step of Customer Journey

						
ENTER	ORDER	PAY	RECEIVE	CONSUME	DISPOSE & FACILITIES	FAREWELL
<ul style="list-style-type: none"><li>• Temperature Check</li><li>• Hand Sanitization</li><li>• Entry Management</li><li>• Social Distancing</li></ul>	<ul style="list-style-type: none"><li>• Greeting with NAMASTE</li><li>• Social Distancing</li><li>• EDC sanitized before every use</li><li>• QR code scanning to view menu</li></ul>	<ul style="list-style-type: none"><li>• Encourage contactless payments</li></ul>	<ul style="list-style-type: none"><li>• Table service in EOTF</li><li>• Trays, Tables &amp; Chairs sanitized after every use</li></ul>	<ul style="list-style-type: none"><li>• No reusable cups/glasses to be used</li><li>• Customer needs to be addressed quickly</li><li>• Solicit feedback</li></ul>	<ul style="list-style-type: none"><li>• No reusable cups/glasses to be used</li><li>• Customer needs to be addressed quickly</li><li>• Solicit feedback</li></ul>	<ul style="list-style-type: none"><li>• Staff to thank each customer for visiting &amp; repeat business</li></ul>

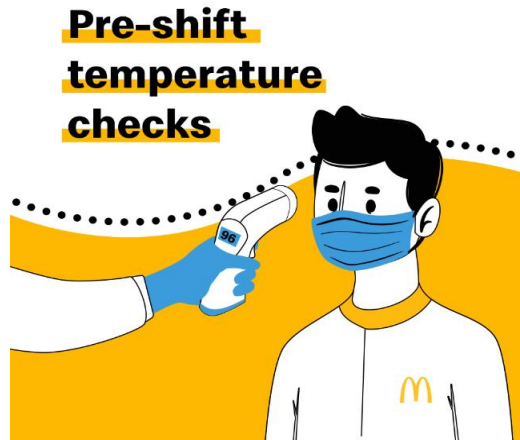
Paved the way for the future of dining by **implementing a 42-pointer checklist** that ensures that our people and our customers are safe with us, every step of the way



# Delivering Happiness with extra care

## Safety comes first!

We're monitoring key health parameters of our entire crew



**Hands thoroughly washed every hour**



**Sanitized McDelivery bags**



**Masks and gloves on at all times**



**Contactless Delivery**



### Our Safety Checklist

- ✓ Food untouched by bare hands
- ✓ Masks and gloves, always on!
- ✓ Thorough hand washing every hour
- ✓ Sanitized McDelivery bags
- ✓ Taped delivery bags



**McDelivery™**

**Safe and contactless delivery**

Also available on



# Convenience

- MDS
- Take Out
- Drive Thrus
- On the Go
- Key Takeaways



# McDelivery – A Strong Convenience Driver



MDS contributed 60%+ revenue to Convenience Platform during the quarter



Expanded our total delivery network through 269 delivery hubs



Introduced innovative business model of providing contact-less delivery in difficult times of Covid-19



Strong relationship with third party aggregators



Acceleration from digital channels and tie up with aggregators

# Providing Convenience through Take outs

## Take out

- **Per day per store sales of operating stores increased 1.7x in June'20** vis a vis pre-Covid levels
- Initiatives taken to activate take – outs through mobile branding, deployed lookwalkers, kiosk outside stores, standees, flyers, gate arches, newspaper inserts among others



## Drive - Thru

- **Convenience platform sales are back to pre Covid levels in for operational Drive Thru stores**
- Initiatives taken to activate drive - thrus through kiosks, city OOH targeting on road traffic, metro / railway branding, pole branding etc



# Effectiveness of Convenience Channels

**Convenience channels** leads the sales in some of our stores in smaller towns such as **Bharuch, Nadiad, Anand, Aurangabad** etc which are back to pre-COVID levels

**We are seeing bigger orders and AC has increased by ~35%+**

## Convenience Channels



**McDelivery**



**Drive Thru**



**Takeout**



**On The Go**

# Revamped digital experience to provide convenience with the launch of 'On The Go'

A new point of sale added – McDonald's On the Go  
Operational in 170+ restaurants as at June'20



*With On The Go, we virtually converted all our restaurants into drive-thru stores, at minimal cost*

**Access**





# Operational Stores

**263** restaurants operational by the end of June'20 which were gradually opened in a phased manner during the quarter



Presence in **320** restaurants across **42** cities (as of June, 2020)



# Focus on occasion led value campaigns

## Ramzan Special Value Campaigns

**RAMZAN SPECIAL OFFER** 

STARTING AT  
**₹44** ~~₹70~~  
GST INCLUSIVE

**Schezwan Grilled Chicken now at the price of McAloo Tikki!**

Valid only on takeaway & store pickup orders



**McSaver Mubarak**

**7-in-1 Special Offer**

- 1 McALOO TIKKI BURGER + 2 SMALL COKE™ + 1 SCHEZWAN CHICKEN BURGER + 4 PIECE McNUGGETS + 1 SMALL FRIES + 1 SOFT SERVE (NOT FOR DTH/COMBOS)

**AT FLAT ₹299**  
GST INCLUSIVE



**McSPICY MUBARAK COMBOS** 

**McSPICY™ CHICKEN COMBO**  
**₹499**  
GST INCLUSIVE

- 2 McSPICY™ CHICKEN BURGER
- 2 COKE™ (SMALL)
- McSPICY™ FRIED CHICKEN 2 PCS.



**ENJOY OUR VEG SPECIALS THIS RAMZAAN**

**ORDER NOW ONLY ON McDELIVERY**

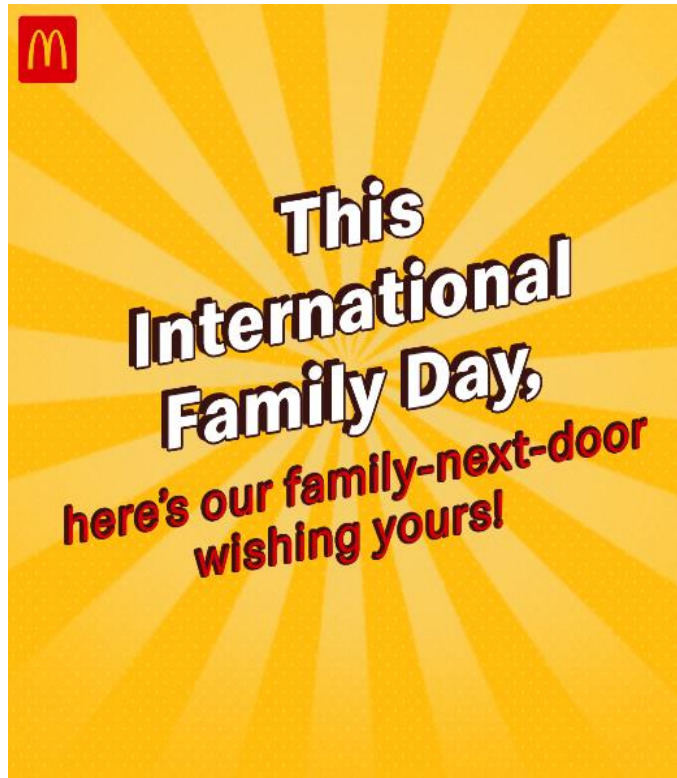
**Only at ₹850**

**10 PCS IN ONE**

**NEW Schezwan Aloo Burger**



# Creating more occasions to celebrate



International Family Day



Happy Hours



Take-out Thursdays

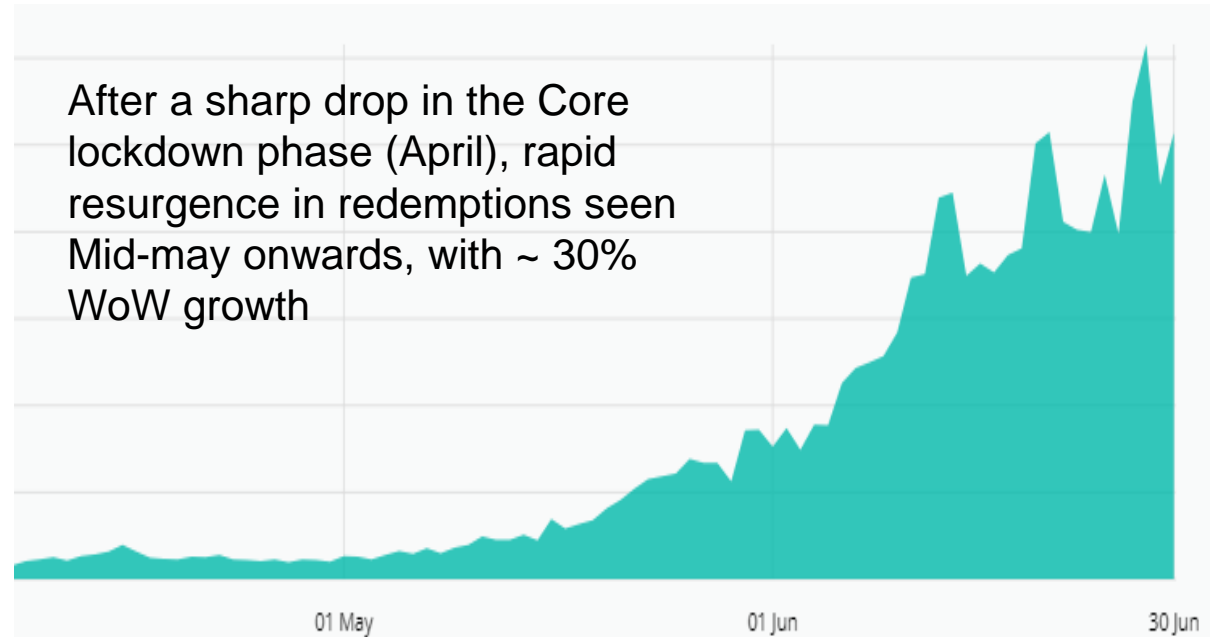
# Building loyalty through McDonald's App

Grown to contribute 18% of total In-store business vs 15% pre-COVID – showing loyal customer base with high retention

Takeout established as a strong channel for GMAL with AC driving value offers

Launched Drive-Thru VIP Program offers to capitalize on growing use case

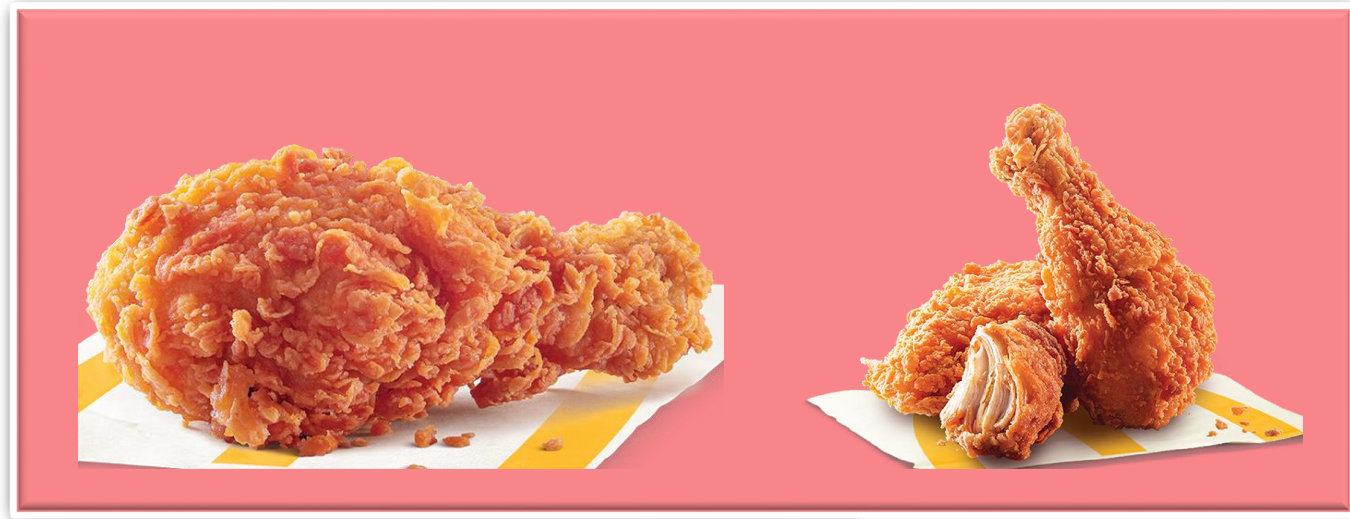
After a sharp drop in the Core lockdown phase (April), rapid resurgence in redemptions seen Mid-May onwards, with ~ 30% WoW growth





# New Product Launches

Entered Fried Chicken Market  
**McSpicy Fried  
Chicken**



**Schezwan Aloo Double  
Patty Burger  
Grilled Schezwan Chicken  
Double Patty Burger**

# McCafé - Building a Coffee Destination

McCafé is the second largest coffee player in India in terms of number of units sold



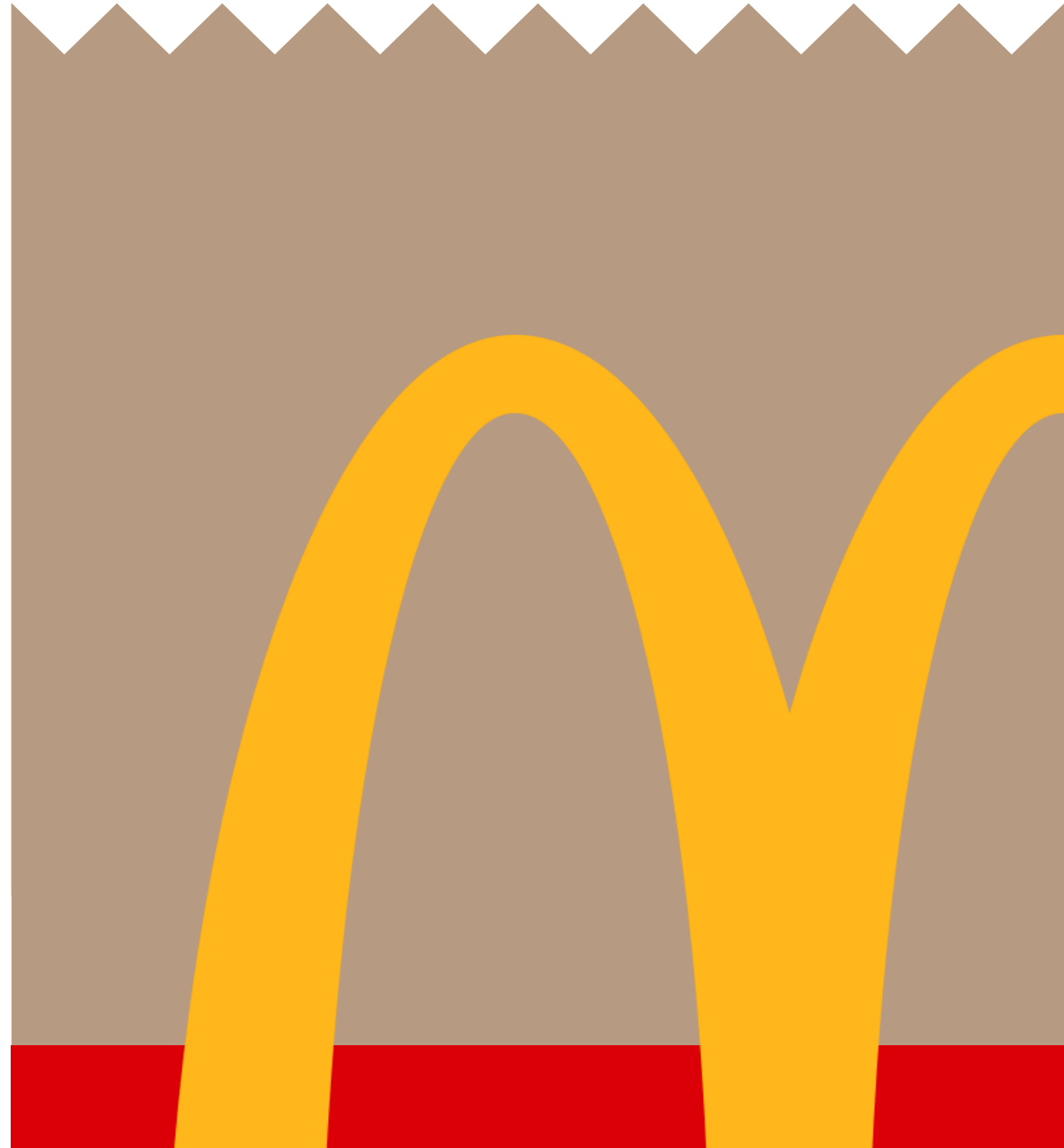
Added 1 McCafé during the quarter, taking the total count to 224 McCafés



Encouraging more trials and increase in GC by offering a great deal to drive frequency



**Our People**



# Our People, Our Asset



## Employee Training

- Employed a total of **10,000+ employees**
- **30%+** of our employees are **women**
- The Company invests lot of time and efforts in training its employees.
  - Introduced a unique **‘Work from Home’ policy** for its **Restaurant Management Team and Frontline Crew**
  - Programs like **Restaurant Leadership Practices, Business Leadership Practices** and various On-Floor and Off Floor trainings for our employees
  - **International Business Leaders workshop**, hosted in Singapore for the restaurant managers to build international exposure and best practices of other countries

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





# Awards & Recognitions





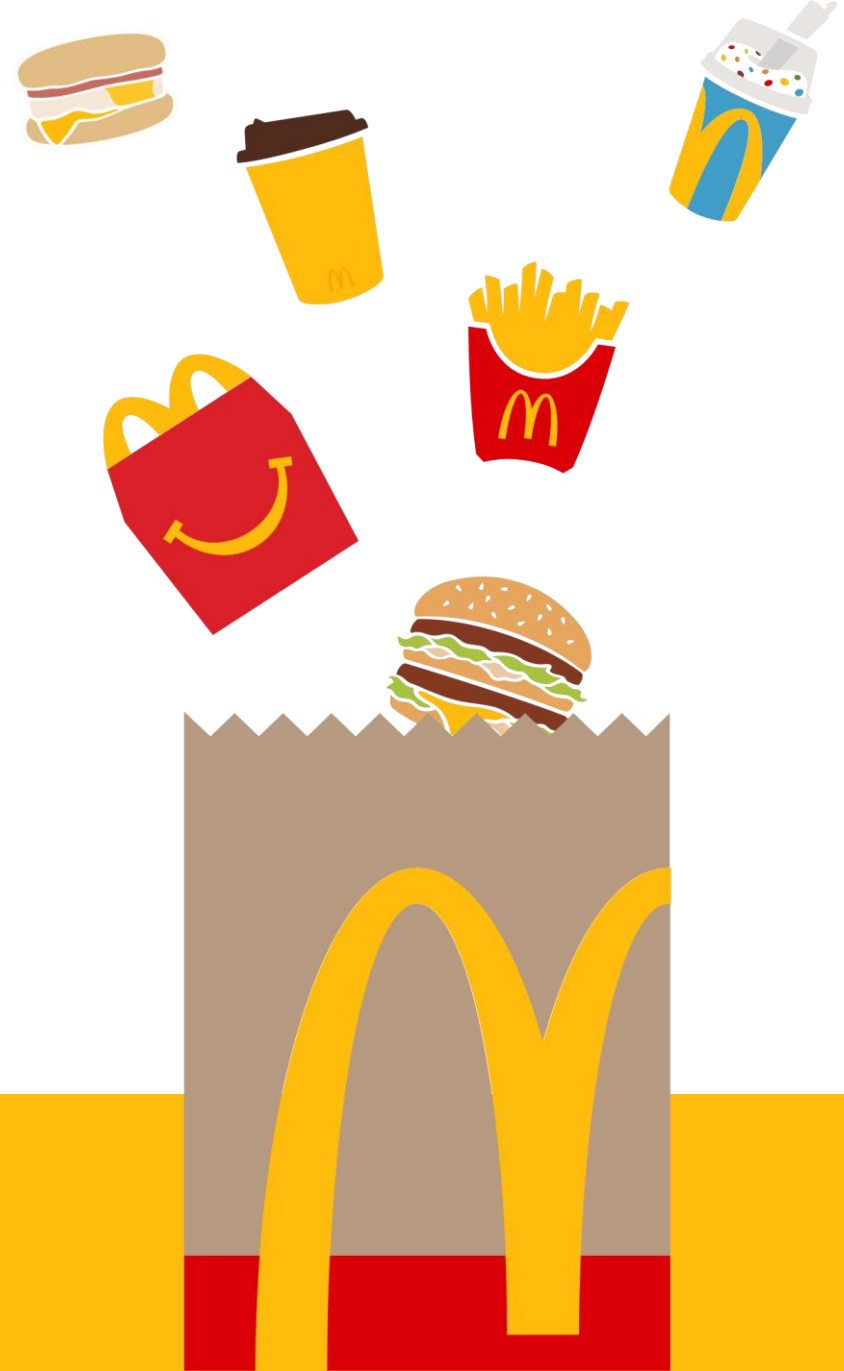
# Our Community

**#ServingTheNationWithExtraCare: Touched 60,000+ lives**

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



# Q1FY21 FINANCIALS



# Q1FY21 at a Glance

Particulars (Rs in Mn)	Q1FY21	Margins %	Q1FY20	Margins %
SSSG%	-54.0%		6.7%	
Sales	938.9		3,819.7	
YoY Sales Growth %	(75.4%)		11.8%	
Gross Profit	533.2	56.8%	2,444	64.0%
ROM	(400.9)	(42.7%)	513.7	13.5%
Op. EBITDA	(576.8)	(61.4%)	326.3	8.5%
PBT	(768.2)	(81.8%)	85.1	2.2%
PAT	(575.1)	(61.3%)	64.8	1.7%
Cash Profits	(550.4)		288.7	
New stores opening	1		4	

Note: Q1FY21 numbers are excluding adjustments arising out of IND AS

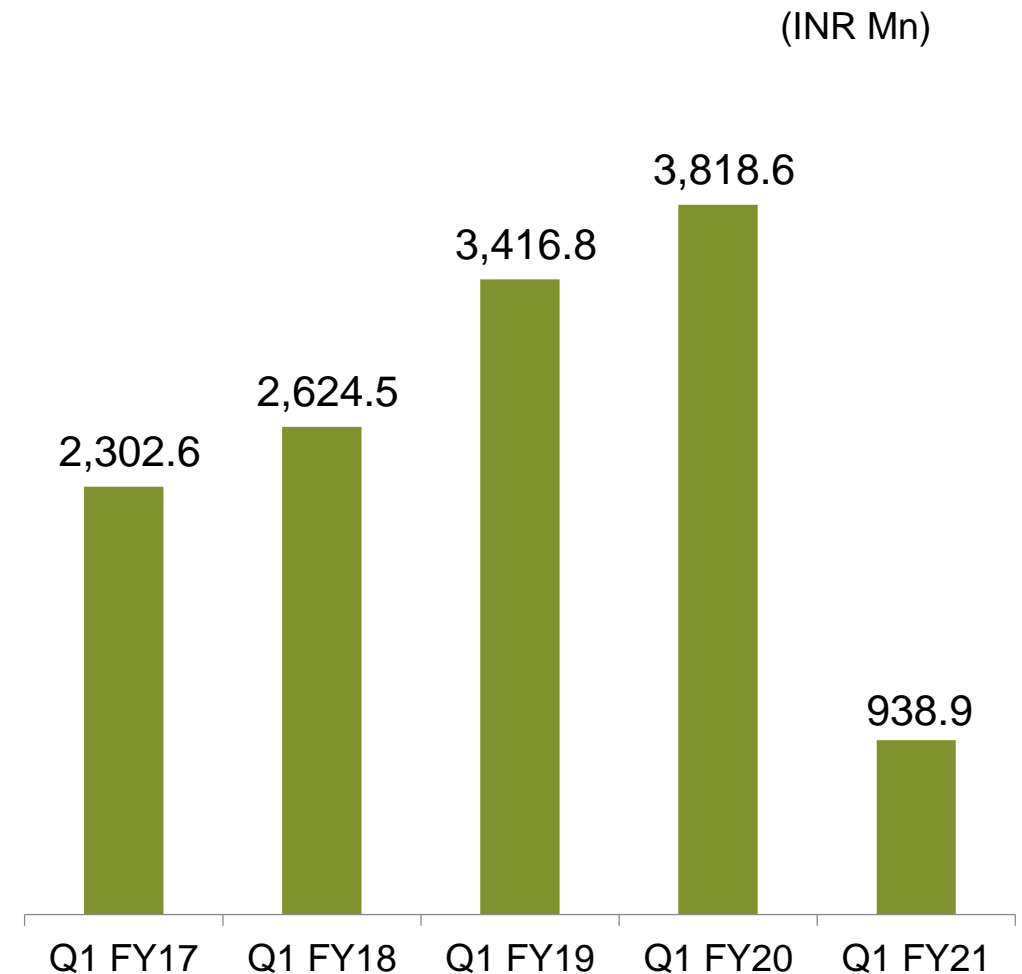
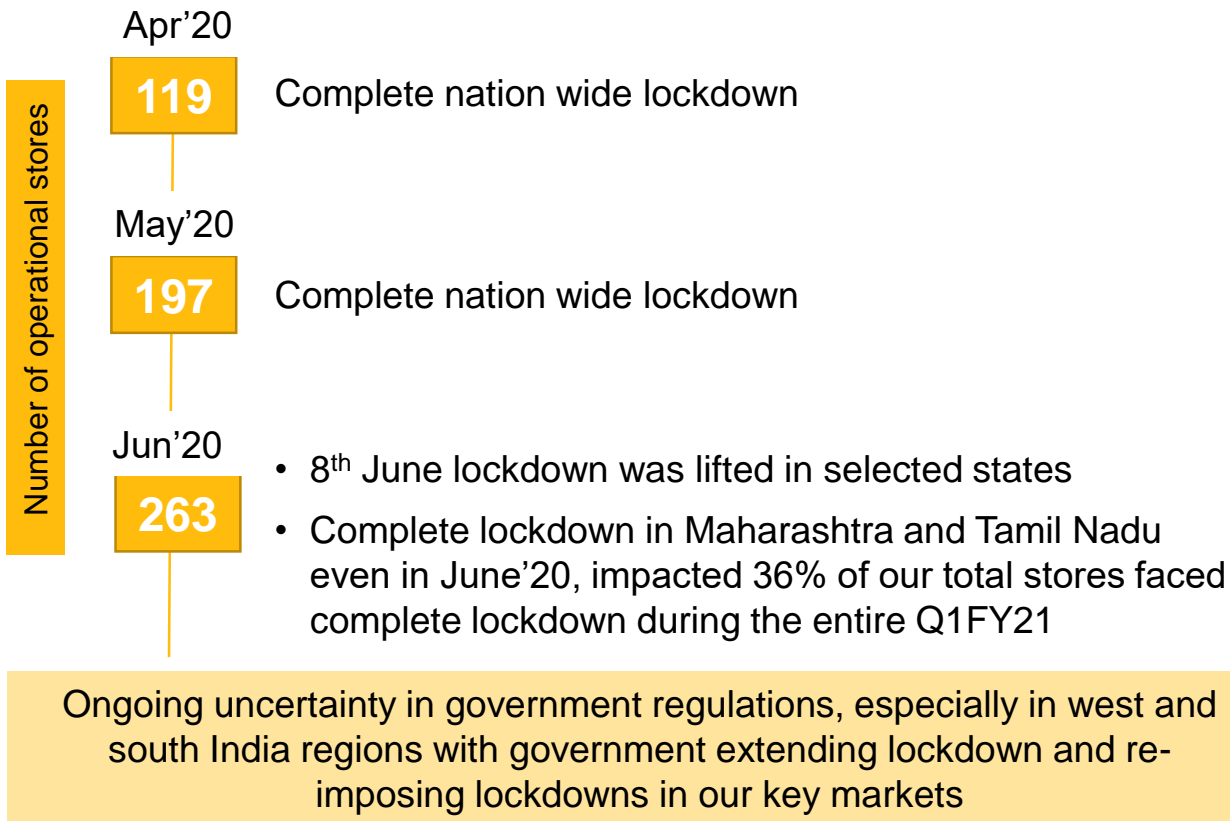
# Impact of IND AS 116

Particulars (Rs in Mn)	(A) Quarter ended June 30, 2020 (Adjusted)	(B) Changes due to Ind AS 116 increase / (decrease) **	(C) Quarter ended June 30, 2020 (Reported)	(D) Quarter ended June 30, 2019 (Adjusted)	(E) Changes due to Ind AS 116 increase / (decrease) **	(F) Quarter ended June 30, 2019 (Reported)	(A over D) YoY Growth
Occupancy & other operating expenses	639.14	-154.77	484.37	1,363.81	-178.13	1,185.69	-53%
Restaurant Operating Margin	-400.86	-154.77	-246.09	513.74	178.13	691.86	-178%
General and Administration Expenses	175.95	-	175.95	187.43	-	187.43	-6%
Operating Earnings before interest, tax and depreciation and amortisation	-576.81	154.77	-422.04	326.31	178.13	504.43	-277%
Other Income	-68.14	-113.84	-181.98	-29.10	-	-29.10	134%
Finance costs	41.03	174.39	215.42	45.97	156.92	202.89	-11%
Depreciation and amortisation expense	217.91	134.72	352.63	208.84	122.85	331.69	4%
Profit before tax	-768.21	-40.49	-808.70	85.11	-101.65	-16.54	-1003%
Deferred tax	-193.13	-10.18	-203.31	-2.61	-25.58	-28.19	7312%
Income tax	-	-	-	22.91	-	22.91	-100%
Profit after tax	-575.08	-30.31	-605.39	64.80	-76.06	-11.26	-987%
Other Comprehensive Inc. (net of tax)	0.52	-	0.52	0.46	-	0.46	14%
Total Comprehensive Income	-575.60	-30.31	-605.91	64.35	-76.06	-11.72	-995%

# Revenue Trajectory

INR Mn	Q1 FY21	Q1 FY20	Growth
Total Revenue	938.9	3,818.6	(75.4%)

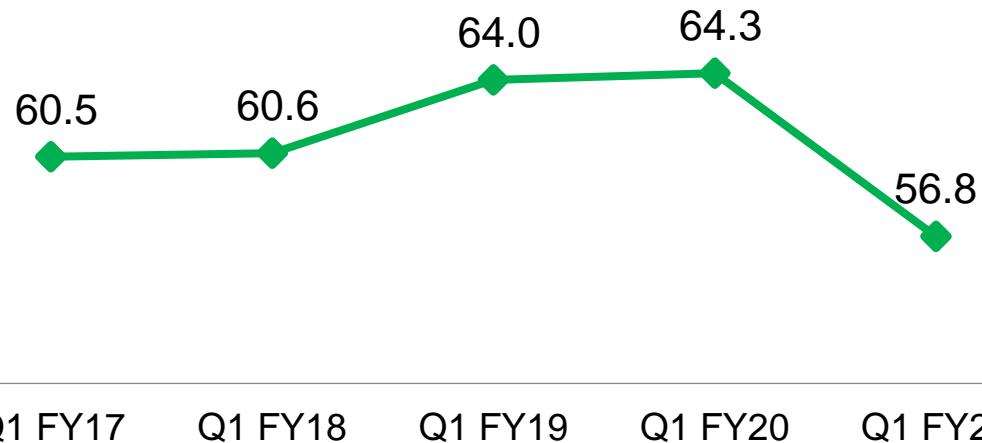
**Decrease in revenue is primarily due to:**



# Margins

INR Mn	Q1 FY21	Q1 FY20	Growth
<b>Gross Margins</b>	533.2	2,444.0	(78.2%)
% of Total Revenue	56.8%	64.0%	-

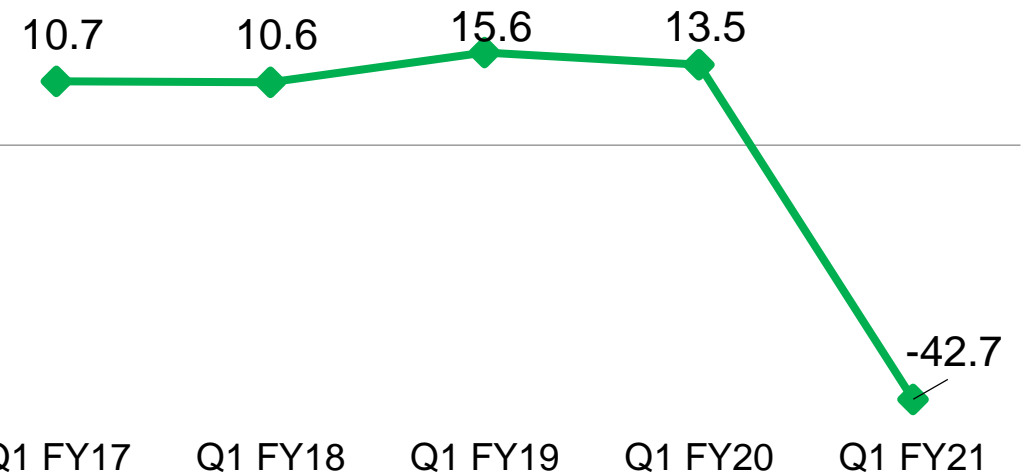
Gross margins were adversely impacted on account of lower volumes and disruption in logistics and supply chain



**~390 bps increase in GM over last 3 years pre Covid-19**

INR Mn	Q1 FY21	Q1 FY20	Growth
<b>RoM</b>	(400.9)	513.7	(178.0%)
% of Total Revenue	(42.7%)	13.5%	-

Driven by negative gross margin, RoM declined to (Rs 401 mn) offsetted by driving operating efficiencies and reducing fixed costs



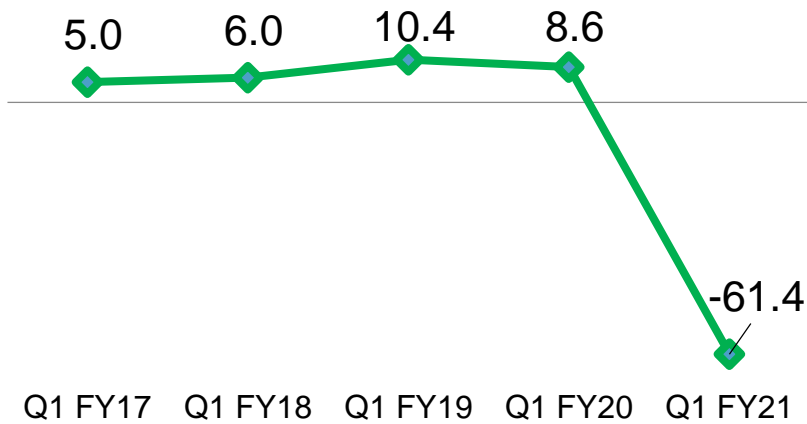
**~280 bps increase in RoM over last 3 years pre-Covid-19**

Note: Q1FY21 numbers are excluding adjustments arising out of IND AS

# Profitability

INR Mn	Q1 FY21	Q1 FY20
Op. EBITDA	(576.8)	326.3
% of Total Revenue	(61.4%)	8.5%

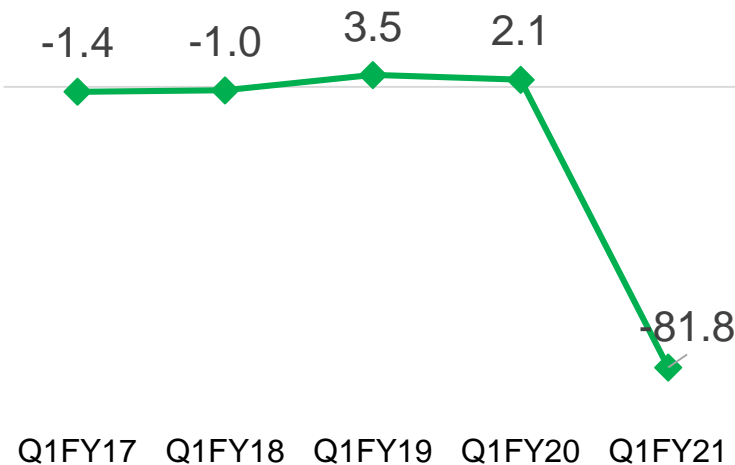
Helped by G&A optimisation upto ~20-25% in discretionary spends, Op EBITDA declined to 61.4% driven by decline in RoM.



**~360 bps increase in Op. EBITDA over last 3 years pre Covid-19**

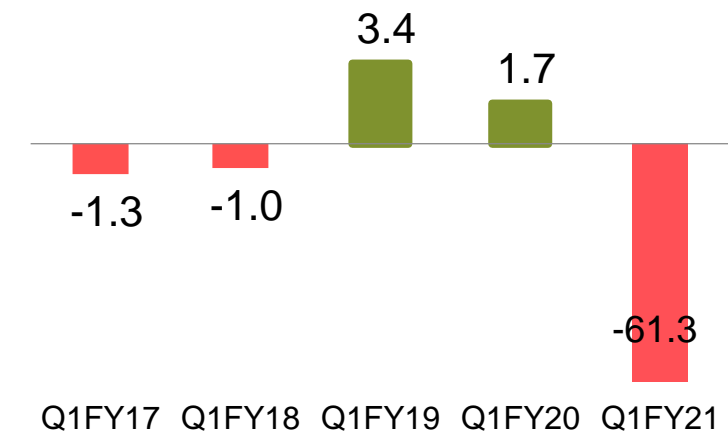
INR Mn	Q1 FY21	Q1 FY20
PBT	(768.2)	85.1
% of Total Revenue	(81.8%)	2.2%

Op EBITDA loss resulted into PBT of (Rs 768 mn) largely driven by depreciation cost.



INR Mn	Q1 FY21	Q1 FY20
PAT	(575.1)	64.8
% of Total Revenue	(61.3%)	1.7%

Sales degrowth of 75% impacted margins, which led to a PAT loss of (Rs 575 mn)



**~280 bps increase in PAT over last 3 years pre Covid-19**

Note: Q1FY21 numbers are excluding adjustments arising out of IND AS

# Strong Reduction in Fixed Costs

Negotiations with landlords ensured a rebate in rentals in Q1. Discussions continue to be underway for some more properties

Lower utility costs on account of non operation of some stores and proper utility management

Lower discretionary & judicious spends in media with rebates on fixed agency charges

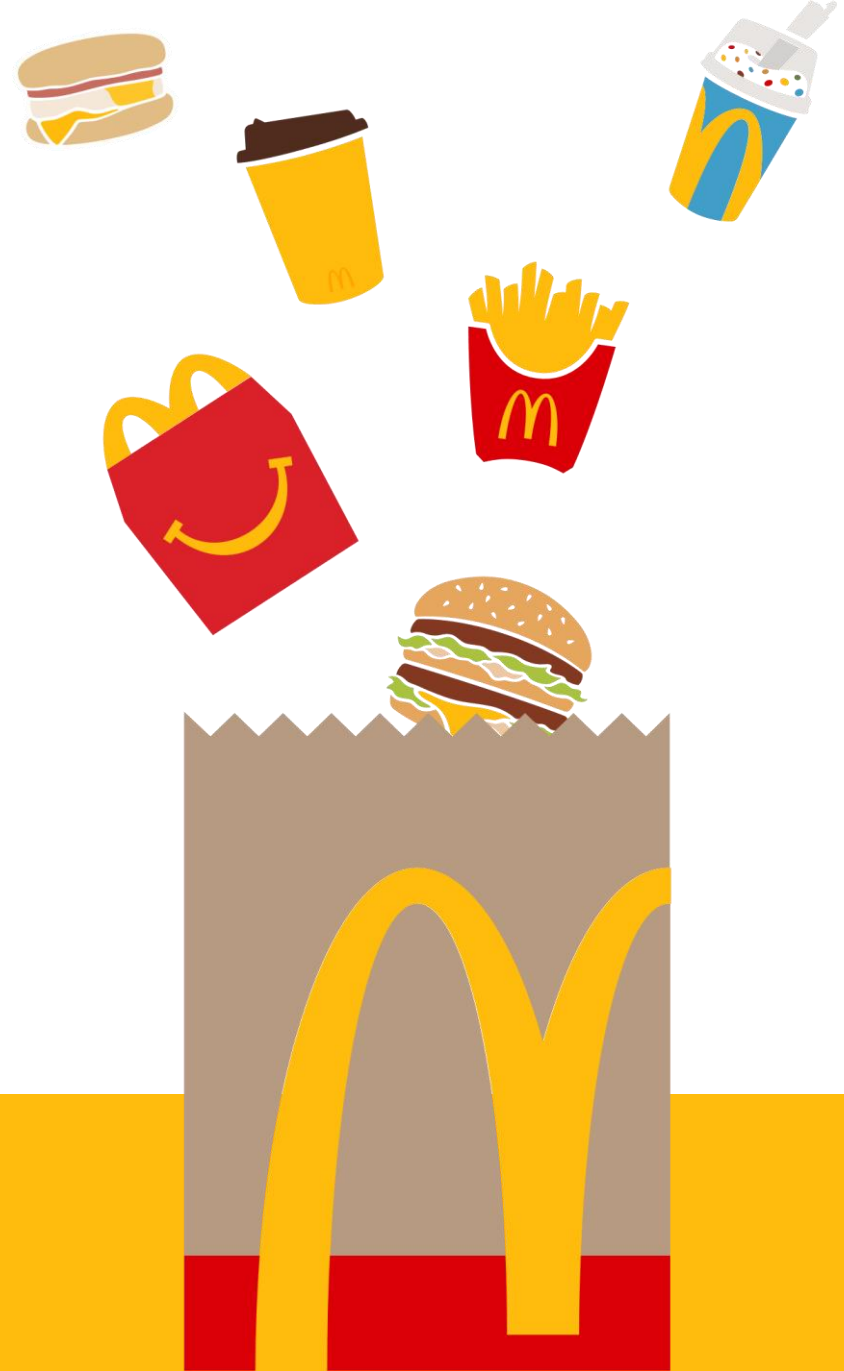
Lower travel spends, lower office maintenance expenses

Savings were also noticed in other operating expenses such as M&R, IT Expenses, Operating Supplies and Miscellaneous Expenses

Resulted into **reducing average monthly fixed costs by 30-35%** against the normal levels



**PLAN AHEAD**






# Current status of Operations

Business channel	# of stores operational
Delivery	261
Takeout	261
Dine in	144
Drive Thru	58

Note: As of 26<sup>th</sup> July 2020

**We are ready to welcome you back to enjoy your delicious favourites through dine-in, delivery and takeout.**

CONTACTLESS TAKE OUT      McDELIVERY      CONTACTLESS DINE-IN

**Swipe right to see our safety measures. >>**

**WALK IN FOR SAFE, CONTACTLESS DINE-IN.**





**CONTACTLESS ORDERING:**  
KEEP SAFE DISTANCE BY STANDING ON THE MARKING.



**CONTACTLESS PAYMENT:**  
PAY VIA ANY UPI APPS / DEBIT OR CREDIT CARD.



**CONTACTLESS DINE-IN:**  
SAFETY MEASURE TAKEN TO MAINTAIN SOCIAL DISTANCING WHILE DINING.



**CONTACTLESS FOOD PREPARATION:**  
OUR FOOD IS UNTOUCHED BY BARE HANDS.



**HYGIENIC TABLE AND FOOD TRAYS**  
WE SANITIZE OUR TABLES AND FOOD TRAYS AFTER EACH USE.



**WE CONSTANTLY MONITOR OUR STAFF'S HEALTH AND THEIR TRAVEL HISTORY.**

# Q2FY21 – Key Focus Areas

## Sales

**Assurance**  
“We are Safe”

**Convenience**  
Takeout / DriveThru/  
McDelivery

**Digital - Value**

## Cost

**Cash Conservation**

**Rebates & Deferments**

**Operating Efficiencies**

**G&A Optimisation**

**Lower the Break Even**

## Resurgence

**Product - McSpicy  
Fried Chicken**

**Digital & Omni Journey**

**Convenience**  
“On The Go”

# Sales Levers



Digital campaign around “We are safe” and McDonalds standards to fight the crisis and be safe were highlighted

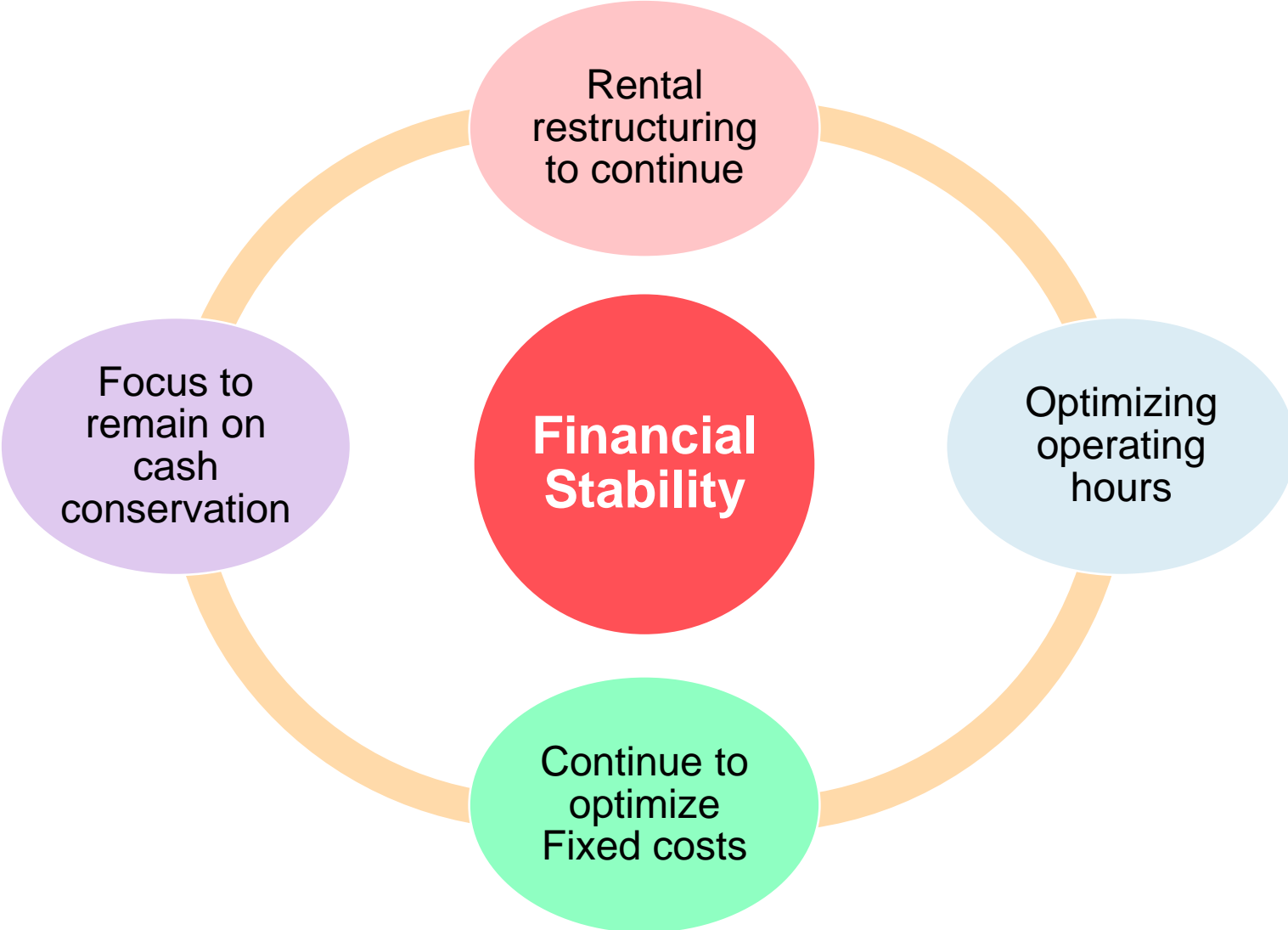


Contactless Delivery, Take out and Drive Thru was launched across the system with local trade area activations



McDonalds App had unique offers tailored for using Take out, Deliveries and DT

# Cost Savings Initiatives Planned for Q2FY21



# Resurgence

## McSpicy Fried Chicken

- ✓ McSpicy Fried Chicken was a **key lever to gaining share in the South**. It was planned for a big launch in April but had to be delayed
- ✓ We will lay the foundations by starting to communicate it from August onwards and then **increase spend allocation from October**
- ✓ We believe that this **remains a long term opportunity** for the business and the brand

## Digital & Omni-Journey

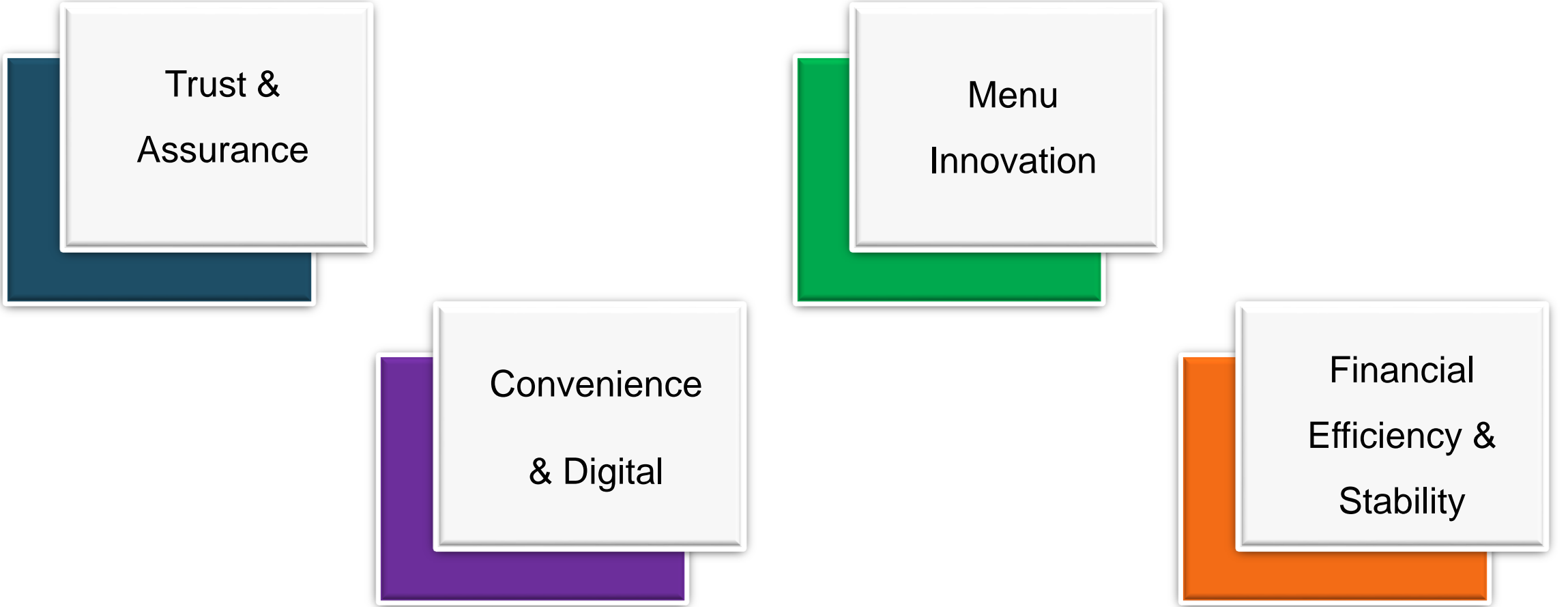
- ✓ One of the key opportunities for the brand is to **transform into an omni-channel brand** with a large chunk of the sales now starting to come from digital channels
- ✓ We are **building our consumer database** by capturing customer information at every touch point
- ✓ We will also bring in a partner to **start executing targeted marketing** campaigns basis this

## On The Go

- ✓ Added **“On The Go”** to **170+** restaurants
- ✓ Converting majority of our restaurants to a virtual **Drive Thru**
- ✓ This will be promoted through conventional digital channels and made viral through content marketing



# Outlook FY21



Trust &  
Assurance

Menu  
Innovation

Convenience  
& Digital

Financial  
Efficiency &  
Stability

**Shareholder wealth creation continues to be key priority**



# Thank you

## **IR Contact**

For additional information:

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