

Westlife Development Ltd.

Hardcastle Restaurants Pvt. Ltd.

Q3 FY20 Earnings Presentation
January 23, 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.

Macro Economic Landscape – Slowdown Persists

- Recently IMF lowered India's GDP growth estimate for the year to **5.8% from 7.0%** earlier, on back of corporate and environmental regulatory uncertainty with concerns about the health of the NBFC sector further weighing in.

FY20 India Growth Projections Slashed

World Bank
7.5% to 6%

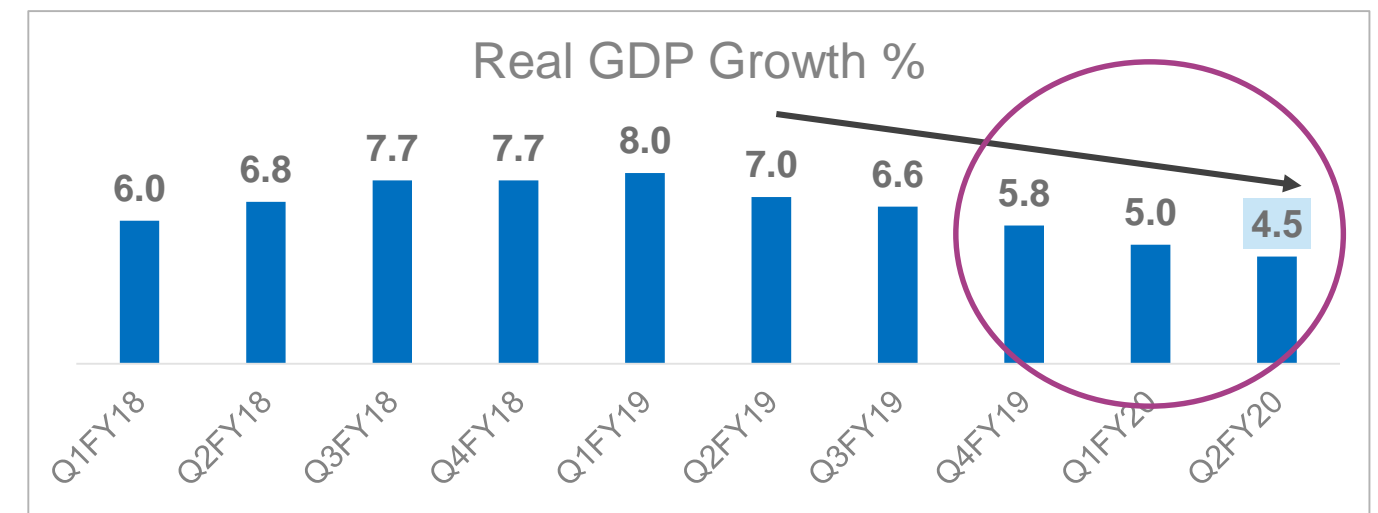
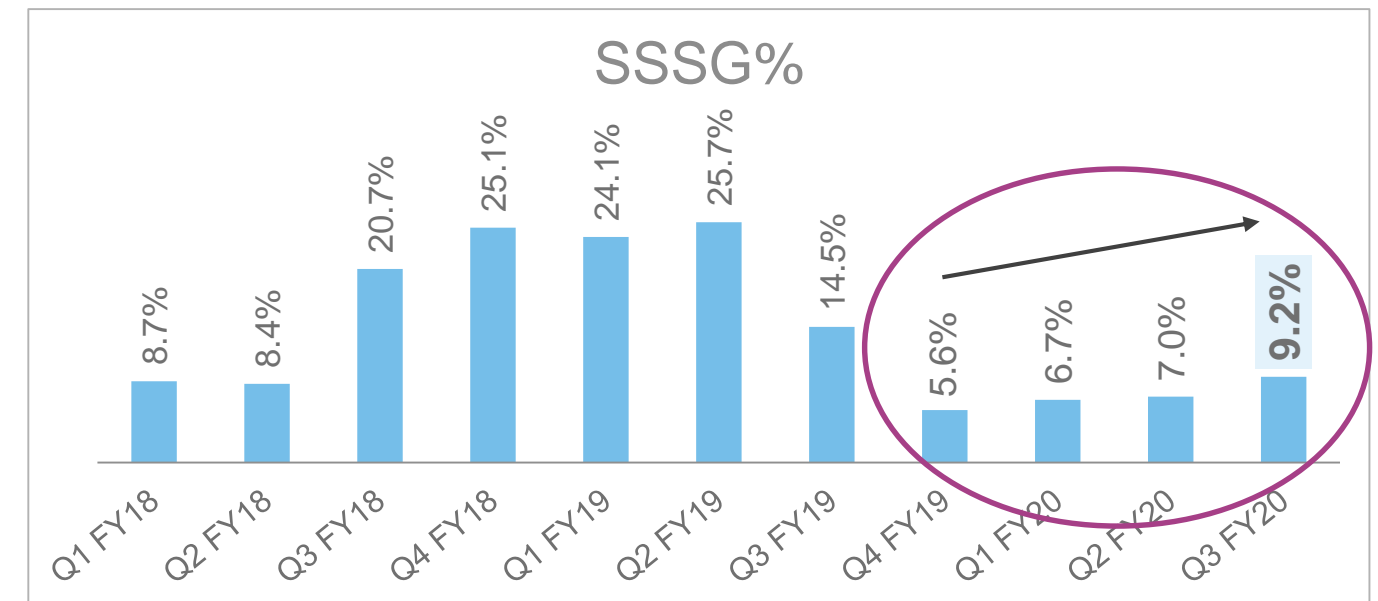
Asian Development Bank
7.2% to 6.5%

RBI
6.9% to 6.1%

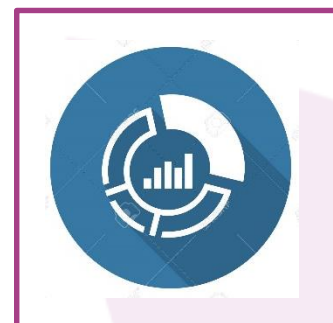
Moody's
6.2% to 5.8%

- In the last quarter, there were signs of continued slow down in consumption due to the cash crunch caused by crisis in the shadow-banking sector

Despite witnessing market headwinds, WDL has clocked a healthy **SSSG of 9.2% for Q3FY20**



Q3 FY2020 Results & Highlights



GROW MARKET SHARE & MARGIN

Revenue at **INR 4,329 Mn**; strong revenue growth of **16.8%**

Gross margin at **66.0%** (up by 248 bps); RoM at **17.5%** (246 bps expansion);

Op. EBITDA at **INR 521 mn**; margin at **12.0%** (250 bps expansion)

Q3 PAT at **INR 227 Mn**
Cash profits at **INR 450 Mn**

=



GROW BASELINE SALES

Positive SSSG performance for 18th quarter in a row; Q3 FY20 comps at **9.2%**

315 restaurants;
11 new additions during the quarter

+



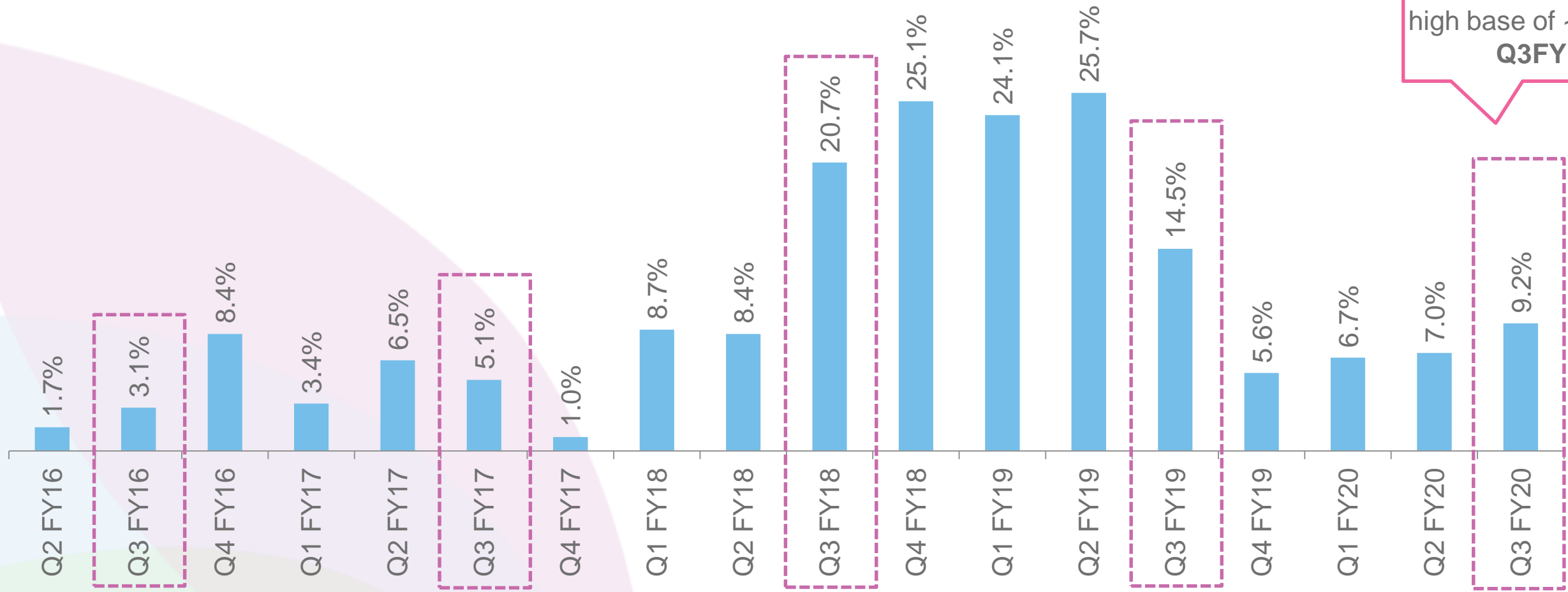
BROADENING ACCESSIBILITY OF BRAND McDONALD'S

Menu Innovations & Brand extensions continue to propel growth.

Overall presence in **42** cities

Note: Q3FY20 numbers are excluding IND AS impact

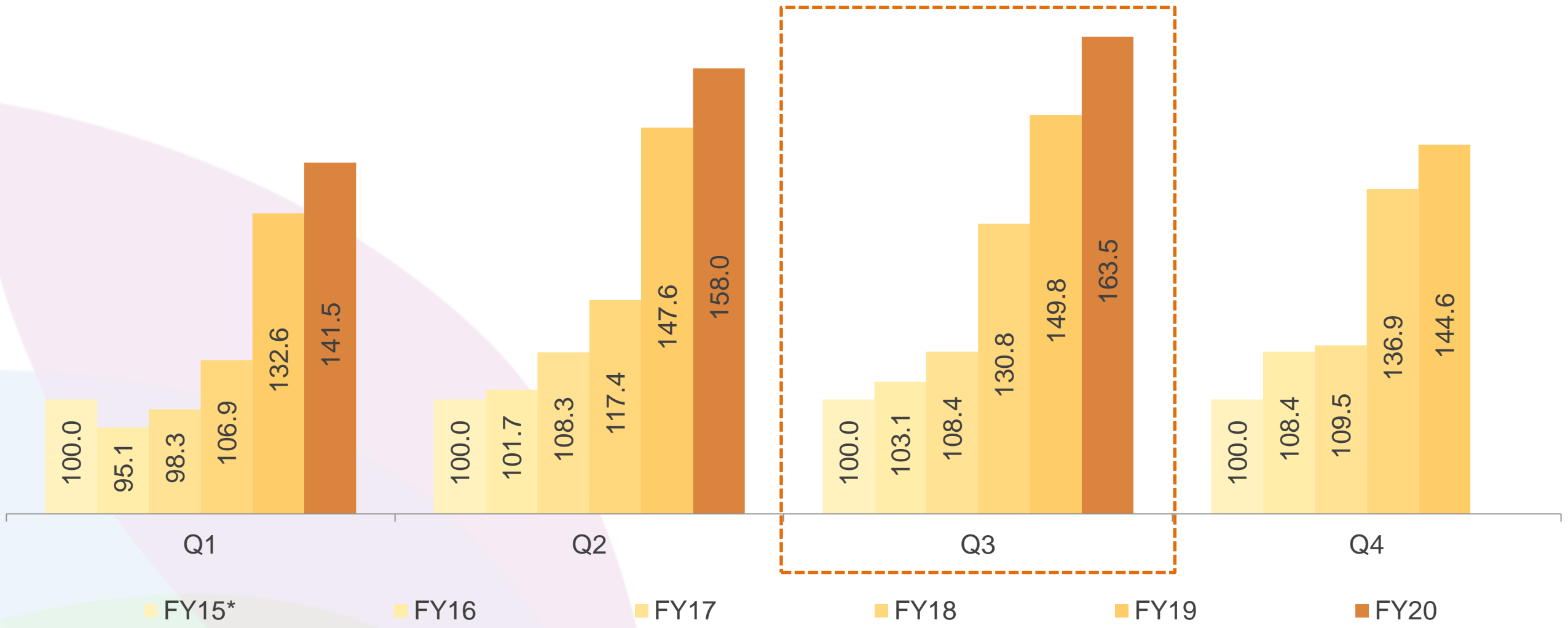
Positive SSSG momentum continues



Q3FY20 SSSG over a high base of ~14.5% in Q3FY19

Consistently registering **positive and healthy SSSG for 18 consecutive quarters** by focusing on delivering great customer experience, menu innovation and growth across Delivery, McCafe and Breakfast

Leading to strengthening of baseline



NOTE: *FY15 SSG normalised to base of 100

Sustained momentum in same store sales resulted in higher average sales per restaurant (AUV) & operational profitability

Strategic Levers



Our Restaurants

Running great restaurants

Right location & Right economics

Modern and Contemporary Design



Our Brand

Food – Menu and Value

Brand Extensions

Trust and Permissibility



Our People

Talent Management

High Performance Culture

Training and Development

Financial Discipline



OUR BRAND

Q3FY20 Business Highlights



Strengthening our value platform with the introduction of **McSaver Combo offers** for our customers at Rs 59 and Rs 89



McCafé achieved an important milestone of **10 mn cups sold** in the last 5 years.



McCafé sales has increased **~8x** in last 4 years



Among the **Top 5 Global McDelivery** markets for most number of deliveries achieved in 1 day in Oct 2019



McDelivery sales has increased **~7x** in last 4 years



Optimized our app usage by **recommending value offers** based on the trend of customers' past offer redemption on the app

Strengthening our Value Platform

McSaver Combo

McSAVER COMBOS

Step in to make your own combo at flat ₹59.

PICK ANY ONE

- NEW GRILLED CHATPOTA ALDO BURGER
- MASALA WEDGES (small)
- FRIES (small)
- McALOO TIKKI BURGER
- McEGG BURGER
- PIZZA McPUFF™

ADD ANY ONE

FLAT ₹59 ALL INCLUSIVE

McDonald's

McSAVER COMBOS

FLAT AT ₹89

PICK ANY ONE

- CHICKEN CHATPOTA ALDO BURGER (LPS)
- MEXICAN McALOO TIKKI™
- McEGG™ BURGER
- CHATPOTA CHICKEN KEBAB MASH
- CHICKEN McNUGGETS™ 14 PCS
- CHICKEN KEBAB MASH
- CHICKEN STRIPS 12 PCS
- FRIES (small)
- McALOO TIKKI™ BURGER
- PIZZA McPUFF™
- CHATPOTA ALDO BURGER

ADD ANY ONE

- COKE™
- FANTA™
- Sprite
- THUNDER UP™
- GEORGIA ICED TEA™
- DOKE McFLAT™
- FANTA McFLONT™
- McFLAVOR™
- PLAYNANGO COOLER
- DEEPLY COOLER
- ESPRESSO (small)
- AMERICANO (small)

McDonald's

McBreakfast

McSAVER BREAKFAST MIX & MATCH

PICK ANY ONE

- Hot Cakes
- Spinach & Corn with Whole Wheat Bun
- Belgian Waffles (2 Pcs)
- Egg & Cheese McMuffin™
- Dosa Masala with Whole Wheat Bun

ADD ANY ONE

FLAT ₹99

PICK ANY ONE

- Espresso
- Chai Latte
- Cappuccino
- Americano

SAVE UP TO ₹122

Exclusive combo offers at Rs 99, available in store and on delivery to increase trials and improve frequency

Creating More Occasions to Celebrate

McDonald's

McBreakfast
Exclusive menu till noon

• EGGSTIVAL •
7TH TO 13TH OCTOBER

Make every morning tasty with a delicious egg breakfast!
Buy 1 Get 1 FREE

Classic Scrambled Egg

Sausage & Egg McMuffin™

Masala Scrambled Egg

Egg & Cheese McMuffin™

McEgg™

Eggstival

McCafé

10 MILLION CUPS BREWED.
CELEBRATE THE MOMENTS
WITH US.

Share your McCafé® moments with us on
Twitter or Instagram, tag @mcdonaldsindia with
#10MillionCoffeeMoments.

100% ARABICA BEANS
HANDCRAFTED BY BARISTAS
FRESHLY GROUND

westlife | Terms and conditions apply. For details, refer to our website www.mcdonaldsindia.com. Available across selected McDonald's™ stores.

**Celebration of
10 mn cups brewed**

Creating More Occasions to Celebrate (contd..)



Children's Day

Family Offer Veg Meal @ Rs 499 and Non Veg @ Rs 549

Strengthening the Brand

ELECTION CAMPAIGN

We all want a government
of our choice.
But we don't want to
go out and choose.

This election,
#MakeYourChoice

TRULY INDIAN BURGER

#TRULY INDIAN BURGER

Lettuce quickly introduce you to our #TrulyIndianBurger

With hand picked potatoes from Gujarat, freshly farmed lettuce from the Nilgiris, jalapeños sourced from Karnataka and tomatoes from the local farms of India, the Maharaja Mac is the #TrulyIndianBurger.

So with every bite, savour the ingredients that are sourced from all over India. Mind blown? Know more about our other truly Indian products only on the new McDonald's app.

Scan the QR code to download now

POTATOES
Sourced from Gujarat

JALAPEÑOS
Sourced from Karnataka

LETTUCE
Freshly farmed from the Nilgiris

TOMATOES
Sourced from local farms

McDonald's

westlife

The above image showcases the Chicken Maharaja Mac. Available in Veg and Non-veg. Terms and conditions apply. For details, refer to our website www.mcdonaldsindia.com. © 2019 McDonald's. IMAGES ARE REPRESENTATIONAL.

#NOTSOSECRETSANTA CAMPAIGN

USE

#NOTSOSECRETSANTA
AND TELL US WHO NEEDS SOME CHRISTMAS CHEER

A SWEET SURPRISE AWAITS THEM!

NOT SO SECRET SANTA

McDonald's

McCafé - Building a coffee destination



McCafé achieved an important milestone of 10 mn cups sold in the last 5 years



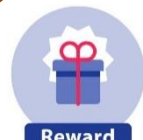
McCafé sales have increased ~8x in last 4 years



Average sales per day has more than doubled in last 4 years



Introduced McCafé Rewards program to encourage frequency



Added 13 McCafés during the quarter, taking the total count to 218 McCafés



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

McCafé Campaigns



McCafé

10 MILLION CUPS BREWED.
CELEBRATE THE MOMENTS
WITH US.



Share your McCafé® moments with us on Twitter or Instagram, tag @mcdonaldsindia with #10MillionCoffeeMoments.

100% ARABICA BEANS | HANDCRAFTED BY BARISTAS | FRESHLY GROUND

westlife | Terms and conditions apply. For details, refer to our website www.mcdonaldsindia.com. Available across selected McDonald's® stores.



McCafé

Step in to have a great conversation over coffee.

BUY 2 AT FLAT
~~₹267~~ ₹149

ICED COFFEE + CAPPUCCINO



ALSO AVAILABLE ON TWO CAPPUCCINOS AND TWO ICED COFFEES

westlife | ALL PRICES EXCLUSIVE OF GST. GST (where applicable) will be charged extra. Available across selected McDonald's® stores in West & South India. Terms and conditions apply. For details, refer to our website www.mcdonaldsindia.com. Offer valid till stock last. © 2019 McDonald's®. IMAGES ARE REPRESENTATIONAL.

McDelivery – A Strong Growth Driver



McDelivery Campaigns



Building loyalty through McDonald's App

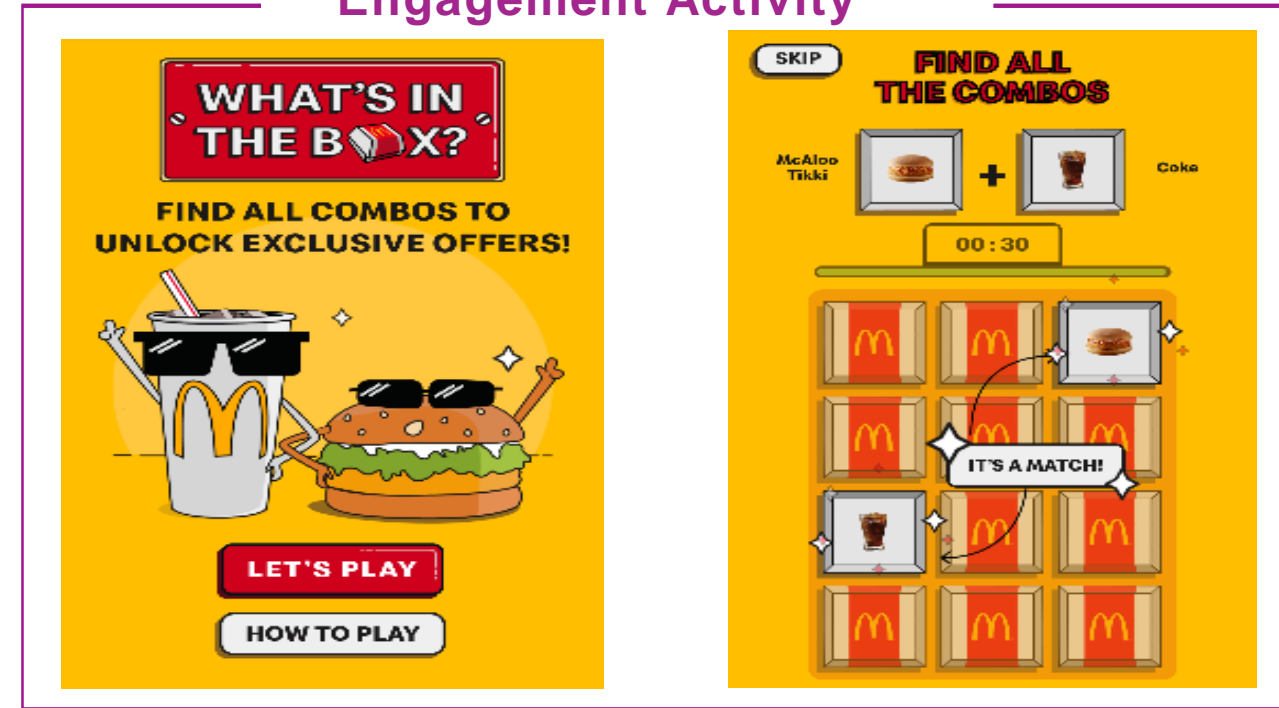
~3 mn total downloads since the launch in Jan 2019, having a healthy redemption rate

~35% QoQ increase in Active users of our App

Launched an engagement activity, where users have to play a simple memory game to unlock an exclusive offer

Optimized our app usage by recommending value offers based on the trend of customers' past offer redemption on the app

Engagement Activity



Offers on our McDonald's App



McVeggie Medium Meal at Rs.155



McChicken Medium Meal at just Rs.169



OUR RESTAURANTS

Presence in **315** restaurants across **42** cities (as of Dec, 2019)



Reimaging our Stores

Modern and Contemporary Restaurant Designs



90% of our restaurants are now of modern and contemporary design

Providing digital experience and table service to our customers through EOTF stores is receiving good traction



EoTF design enhancing customer experience



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. In Q3 the company invested 68,000+ total man-hours in training
 - 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

3 of our Restaurant Managers received the Global McDonald's Ray Croc Award, recognizing the top 1% worldwide each year for delivery superior performance and operational excellence



Hardcastle Restaurants Pvt Ltd. was recognized among the World's Best Workplace in 2019 by Great Place to Work

Our Legal Head received an award at the 75th Annual Conference, Award Function and National Seminar by AIFPA (All India Food Processors' Association) for his contributions towards the food industry





FINANCIALS

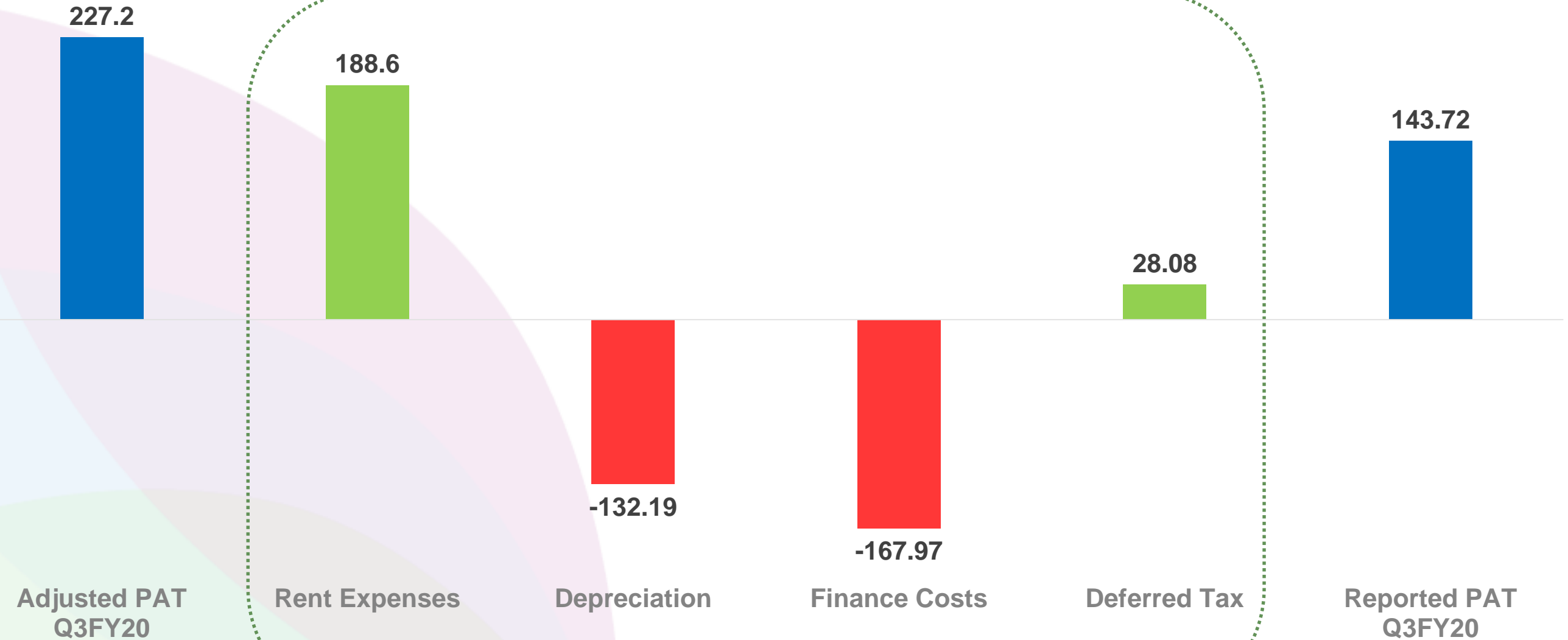
Impact of IND AS 116 on Profit & Loss Statement

(Rs in Mn)

Particulars (Rs. In Mn)	A Quarter ended Dec 31, 2019 (excl IND AS 116)	B Changes due to Ind AS 116 increase / (decrease)	C Quarter ended Dec 31, 2019 (Reported)	D Quarter ended Dec 31, 2018 (previous GAAP)	E YoY Growth % (A over D)
Occupancy and other operating expenses	1,473.5	-188.6	1,284.9	1,254.7	17.4%
Restaurant operating Margin	757.8	188.6	946.4	557.7	35.9%
General & Administration Expenses	237.3	-	237.3	204.9	15.8%
OPERATING EBITDA	520.5	188.6	709.1	352.9	47.5%
Depreciation	222.4	132.2	354.6	203.7	9.2%
Financial Expense (Interest & Bank Charges), net	33.8	168.0	201.8	46.6	-27.4%
Profit before tax	309.6	-111.6	198.0	102.4	202.4%
Deferred Tax	14.5	-28.1	-13.6	41.9	
Income Tax	67.9	-	67.9	-8.7	
Profit after tax	227.2	-83.5	143.7	69.2	228.3%

Reconciliation between Adjusted PAT to Reported PAT

Adjustments arising out of IND AS 116 (Rs. In Mn)





Q3 & 9MFY20 FINANCIALS

Revenue growth trajectory

(Rs. in Mn)

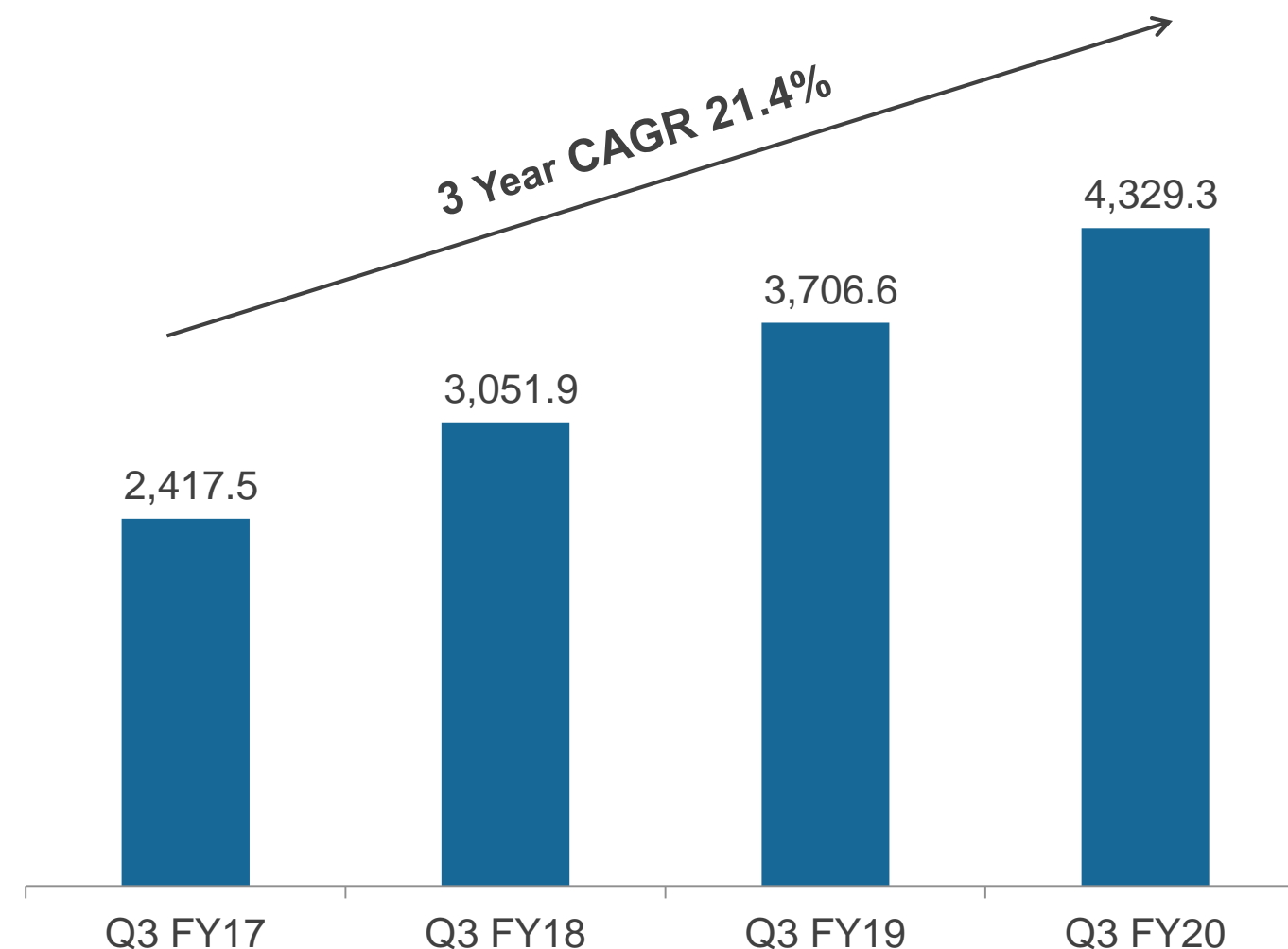
INR Mn	Q3 FY20	Q3 FY19	Growth
Total Revenue	4,329.3	3,706.6	16.8%

Increase in revenue in Q3FY20 is primarily due to:

- Continued **positive trend in same store sales growth** for **18 consecutive quarters**
- Brand extensions continues to strengthen sales contribution
- Consistently strengthening our value platform and being more relevant to our customer needs

INR Mn	9M FY20	9M FY19	Growth
Total Revenue	12,114.3	10,624.3	14.0%

(Rs. in Mn)



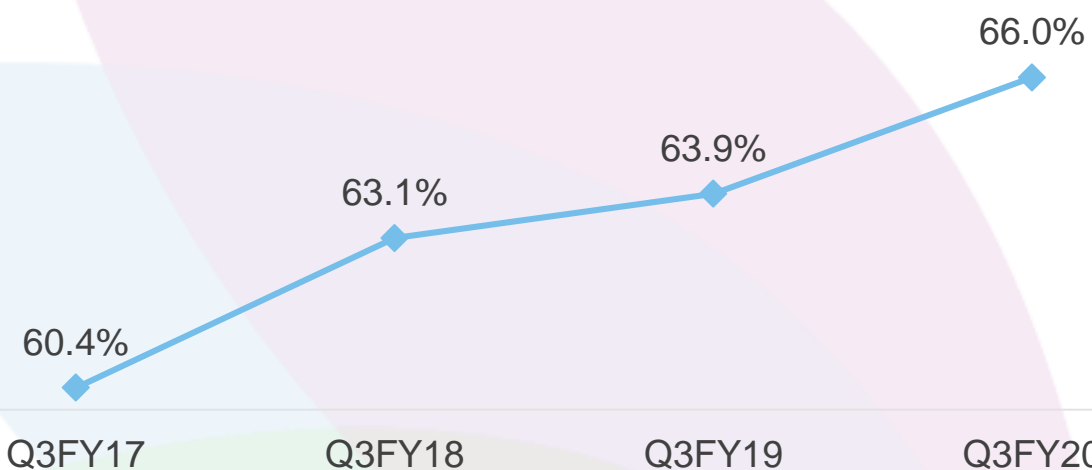
Note: Q3 & 9MFY20 numbers are excluding adjustments arising out of IND AS 116

Margin Growth (%)

INR Mn	Q3 FY20	Q3 FY19	Growth
Gross Margins	2,856.9	2,354.2	21.4%
% of Total Revenue	66.0%	63.5%	248 bps

- Continued focus on increasing efficiencies aided in improvement of our gross margins

~560 bps increase in GM over last 3 years

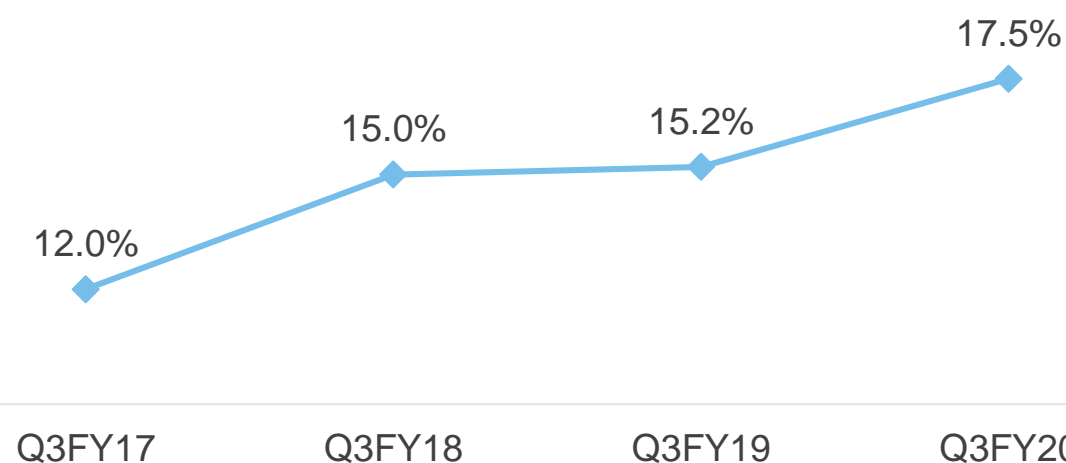


INR Mn	9M FY20	9M FY19	Growth
Gross Margins	7,889.9	6,746.9	16.9%
% of Total Revenue	65.1%	63.5%	162 bps

INR Mn	Q3 FY20	Q3 FY19	Growth
RoM	757.8	557.7	35.9%
% of Total Revenue	17.5%	15.1%	246 bps

- RoM boost was primarily on back of operating efficiencies along with favourable gross margins

~550 bps increase in RoM over last 3 years



INR Mn	9M FY20	9M FY19	Growth
RoM	1,900.7	1,556.1	22.1%
% of Total Revenue	15.7%	14.6%	104 bps

Note: Q3 & 9MFY20 numbers are excluding adjustments arising out of IND AS 116

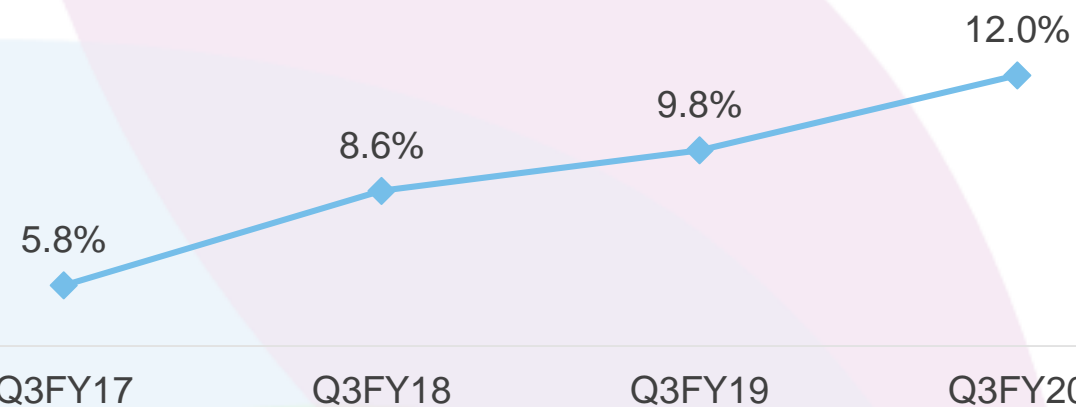
Operating Profitability

(Rs. in Mn)

INR Mn	Q3 FY20	Q3 FY19	Growth
Op. EBITDA	520.5	352.9	47.5%
% of Total Revenue	12.0%	9.5%	250 bps

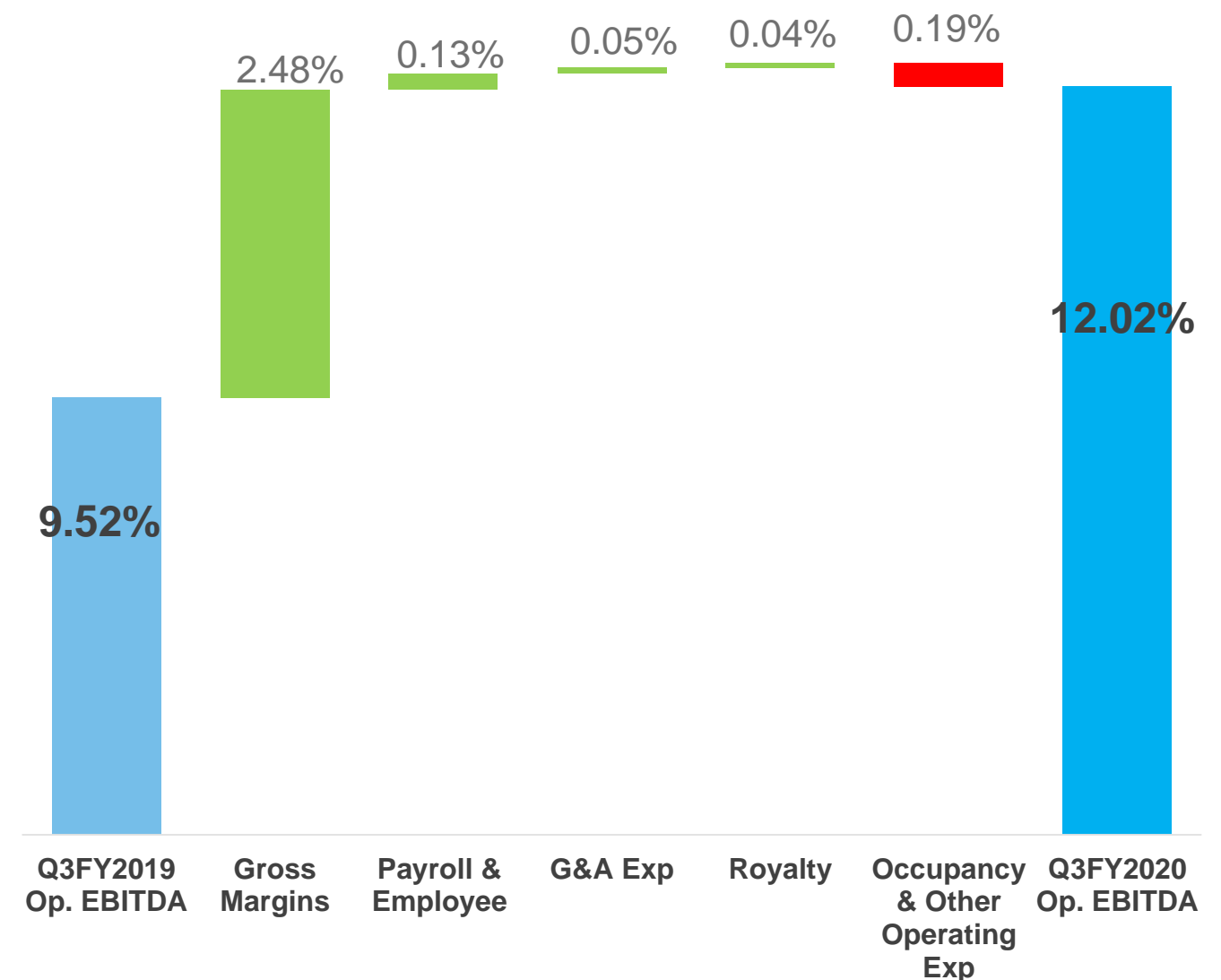
- Operating EBITDA for the quarter grew on back of higher RoM

~ 622 bps increase in Op. EBITDA over last 3 years



INR Mn	9M FY20	9M FY19	Growth
Op. EBITDA	1,256.9	974.6	29.0%
% of Total Revenue	10.4%	9.2%	120 bps

Operating EBITDA Bridge



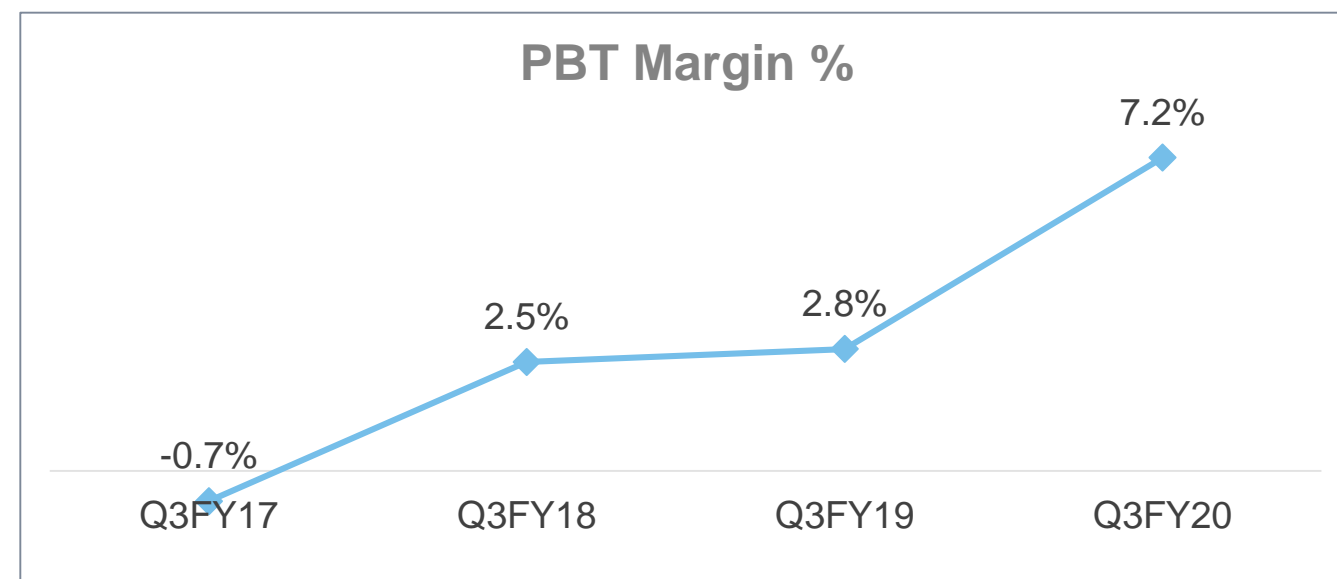
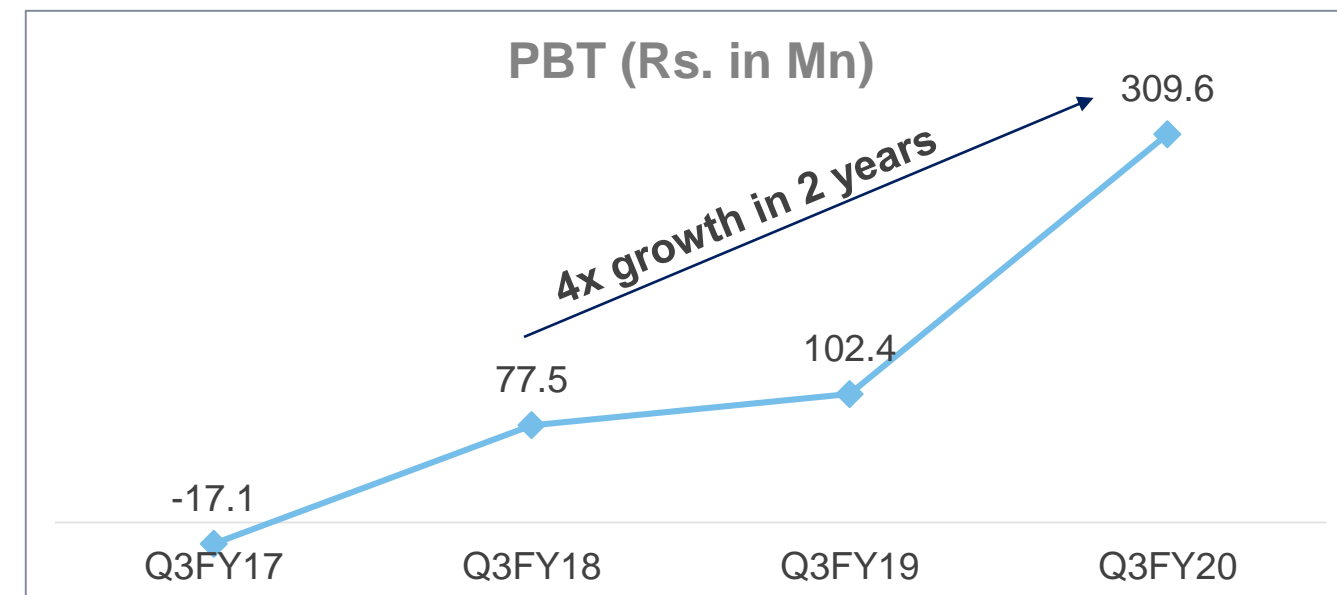
Note: Q3 & 9MFY20 numbers are excluding adjustments arising out of IND AS 116

Profitability (%)

INR Mn	Q3 FY20	Q3 FY19	(Rs. in Mn) Growth
PBT	309.6	102.4	202.4%
% of Total Revenue	7.2%	2.8%	439 bps

- **PBT for Q3FY20 tripled over Q3FY19** due to higher sales and improved operating performance
- From FY20 WDL falls under the bracket of full tax rate and hence to that extent, PAT with previous years may not be comparable.
- PBT indicates the actual improvement in our profitability over Q3FY2019

INR Mn	9M FY20	9M FY19	Growth
PBT	575.4	334.3	72.1%
% of Total Revenue	4.8%	3.1%	160 bps



~790 bps increase in PBT over last 3 years

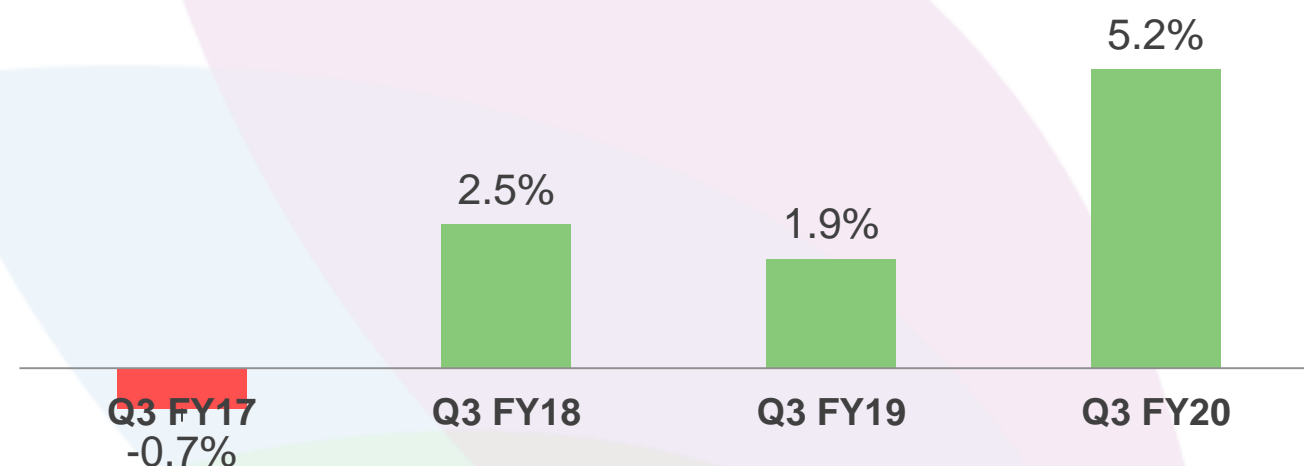
Note: Q3 & 9MFY20 numbers are excluding adjustments arising out of IND AS 116

Profitability (%)

INR Mn	Q3 FY20	Q3 FY19	Growth
PAT	227.2	69.2	228.3%
% of Total Revenue	5.2%	1.9%	338 bps

- PAT margins expanded due to higher operating EBITDA margin coupled with lower finance and depreciation cost.
- Increase in PAT despite full tax rate application from FY20**

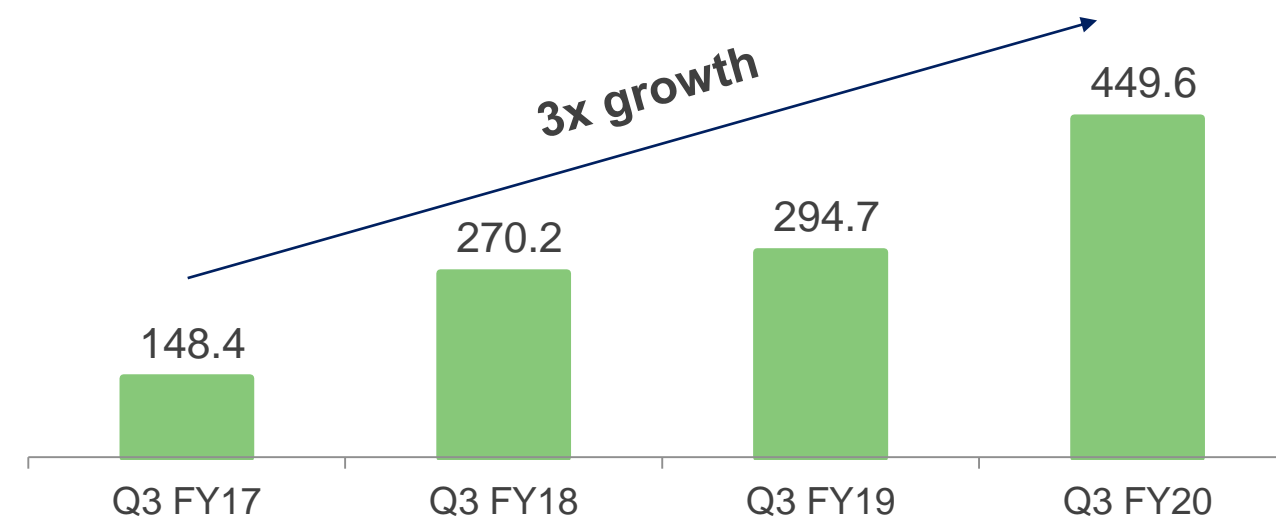
~590 bps increase in PAT over last 3 years



INR Mn	9M FY20	9M FY19	Growth
PAT	418.5	200.1	109.1%
% of Total Revenue	3.5%	1.9%	157bps

INR Mn	Q3 FY20	Q3 FY19	Growth
Cash Profit	449.6	294.7	52.5%
% of Total Revenue	10.4%	8.0%	243 bps

- Q3FY20 Cash Profit increased largely due to higher profitability



INR Mn	9M FY20	9M FY19	Growth
Cash Profit	1,094.3	834.9	31.1%
% of Total Revenue	9.0%	7.9%	118 bps

Note: Q3 & 9MFY20 numbers are excluding adjustments arising out of IND AS 116

Outlook for FY20

Revenue Growth



- ✓ On track to add ~25 – 30 restaurants in the year
- ✓ Brand extensions, menu innovation and value platform to aid AUV growth
- ✓ Building strong pipeline to propel our revenue growth going forward
- ✓ Expanding EOTF footprint and integrating digital strategy

- Continued focus on better operational profitability
- ROP 2.0 foundation increasing efficiency with better sales trajectory
- Optimizing opportunity via continuous evaluation of restaurant portfolio

Profitability



On track to achieve Vision 2022 targets and create more shareholder wealth

THANK YOU

IR Contact

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