

Westlife Development Ltd.

Hardcastle Restaurants Pvt. Ltd.

Q1 FY20 Earnings Presentation
July 25, 2019

Disclaimer

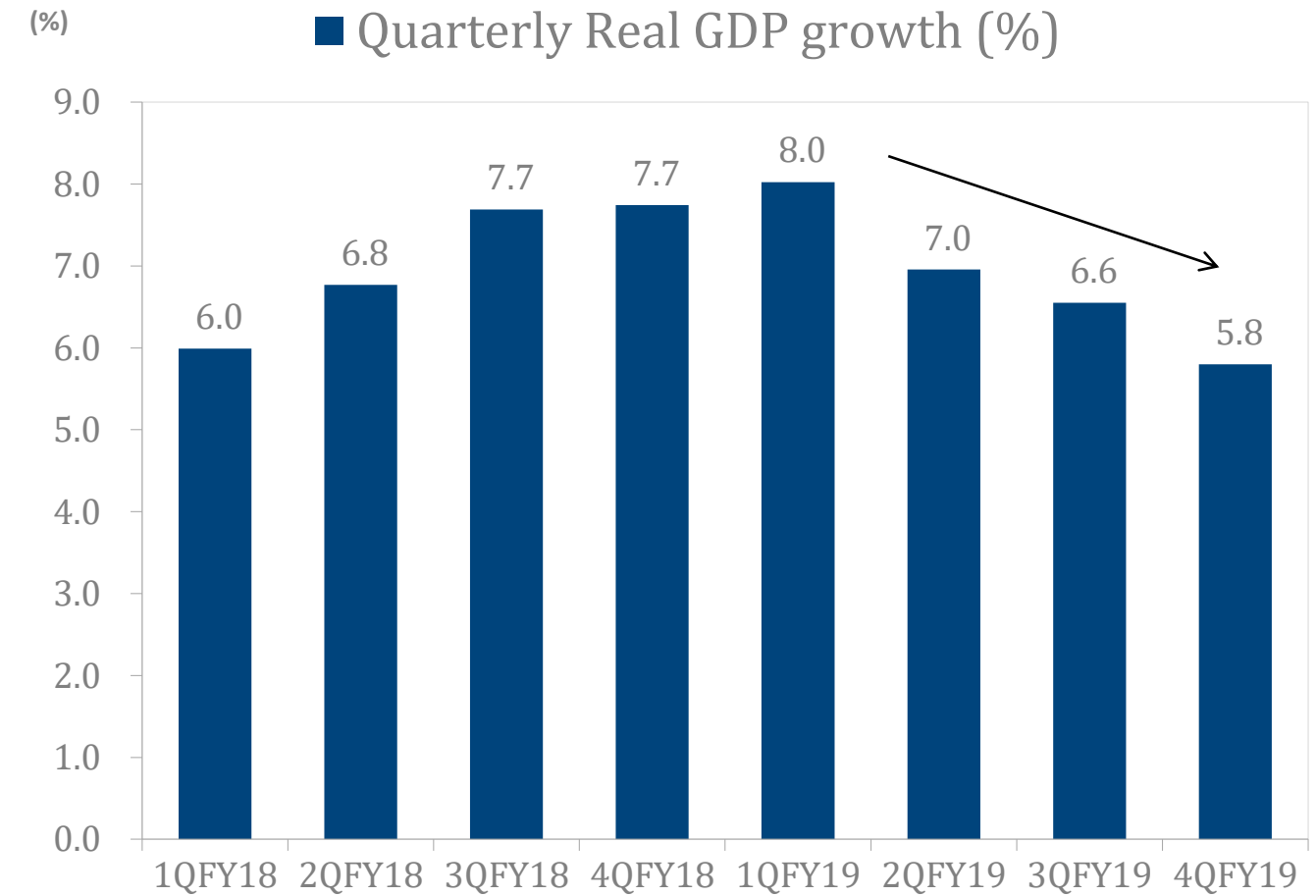
This presentation contains forward-looking statements that represent our beliefs, projections and predictions about future events or our future performance. Forward-looking statements can be identified by terminology such as “may,” “will,” “would,” “could,” “should,” “expect,” “intend,” “plan,” “anticipate,” “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

- Fitch reduced India's GDP growth forecast for FY20 to 6.6% from 7% earlier — as a result of slowdown across sectors
- Growth in the FMCG sector slowed to 13.6%* in the first three months of 2019, compared to almost 16% growth recorded in the last three months of 2018.
- India's consumption engine is slowing down as the cash crunch caused by crisis in the shadow-banking sector is impacting spending across categories

Despite of witnessing some market headwinds, WDL has clocked a healthy **SSSG of 6.7% for Q1FY20**

Note: *Nielsen data



Q1 FY2020 Results & Highlights



GROW MARKET SHARE & MARGIN

Revenue at **INR 3,818.6 Mn**;
strong revenue growth of **11.8%**

Op. EBITDA at **INR 327.2 mn**;
margin at **8.6%**

Gross margin at **64.3%**;
RoM at **13.5%**;

Q1 PAT at **INR 57.7 Mn**
Cash profits at **INR 282.1 Mn**

=



GROW BASELINE SALES

Positive SSSG performance for
16th quarter in a row;
Q1 FY20 comps at **6.7%**

300 restaurants;
4 new additions
during the quarter

+



BROADENING ACCESSIBILITY OF BRAND McDONALD'S

Menu Innovations &
Brand extensions continue to
propel growth.

Overall presence in
41 cities

Note: Q1FY20 numbers are excluding adjustments arising out of IND AS

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

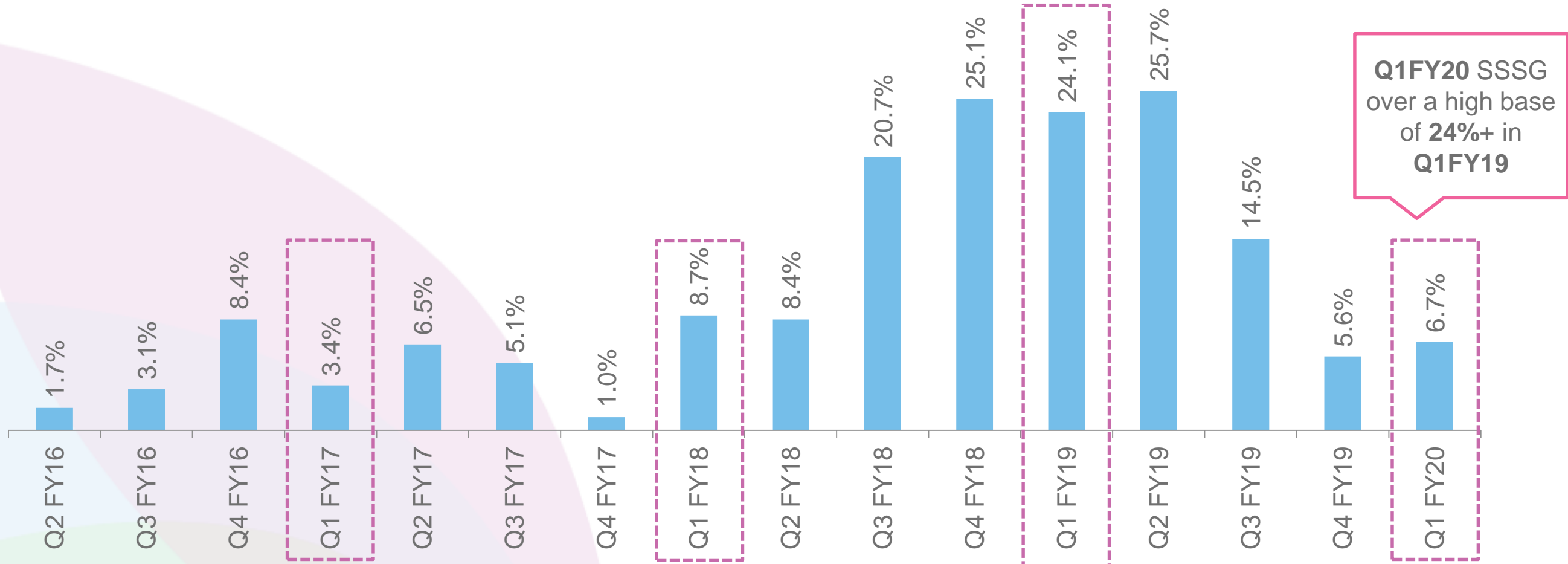
Training and Development

Financial Discipline



OUR RESTAURANTS

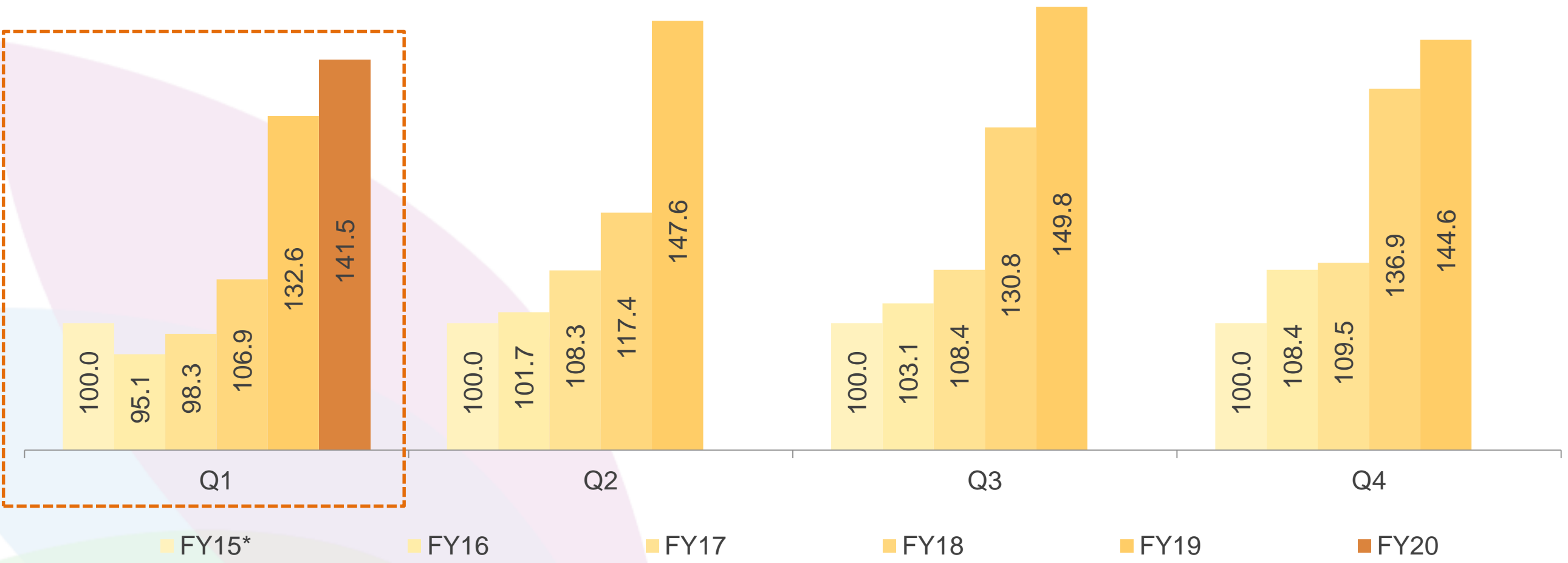
Positive SSSG momentum continues



Q1FY20 SSSG over a high base of 24%+ in Q1FY19

Consistently registering positive and healthy SSSG for 16 consecutive quarters by focusing on delivering great customer experience, menu innovation and growth across Delivery, McCafe and Breakfast

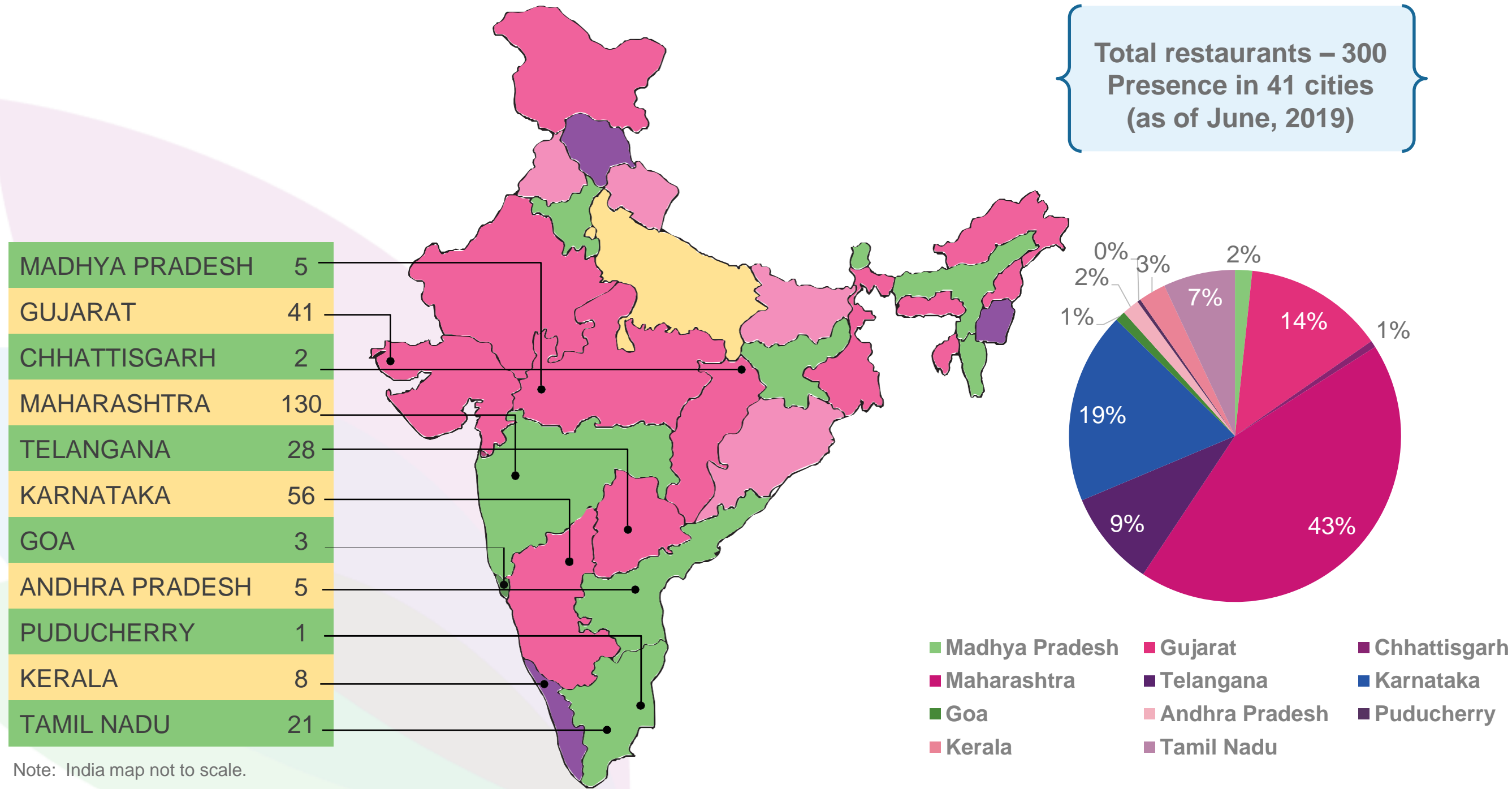
Leading to strengthening of baseline



NOTE: *FY15 SSG normalised to base of 100

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

Q1 FY2020 Results & Highlights



300th Restaurant Milestone

23 years ago, we brought the iconic McDonald's Golden Arches to India.
It has been an incredibly delicious journey ever since.



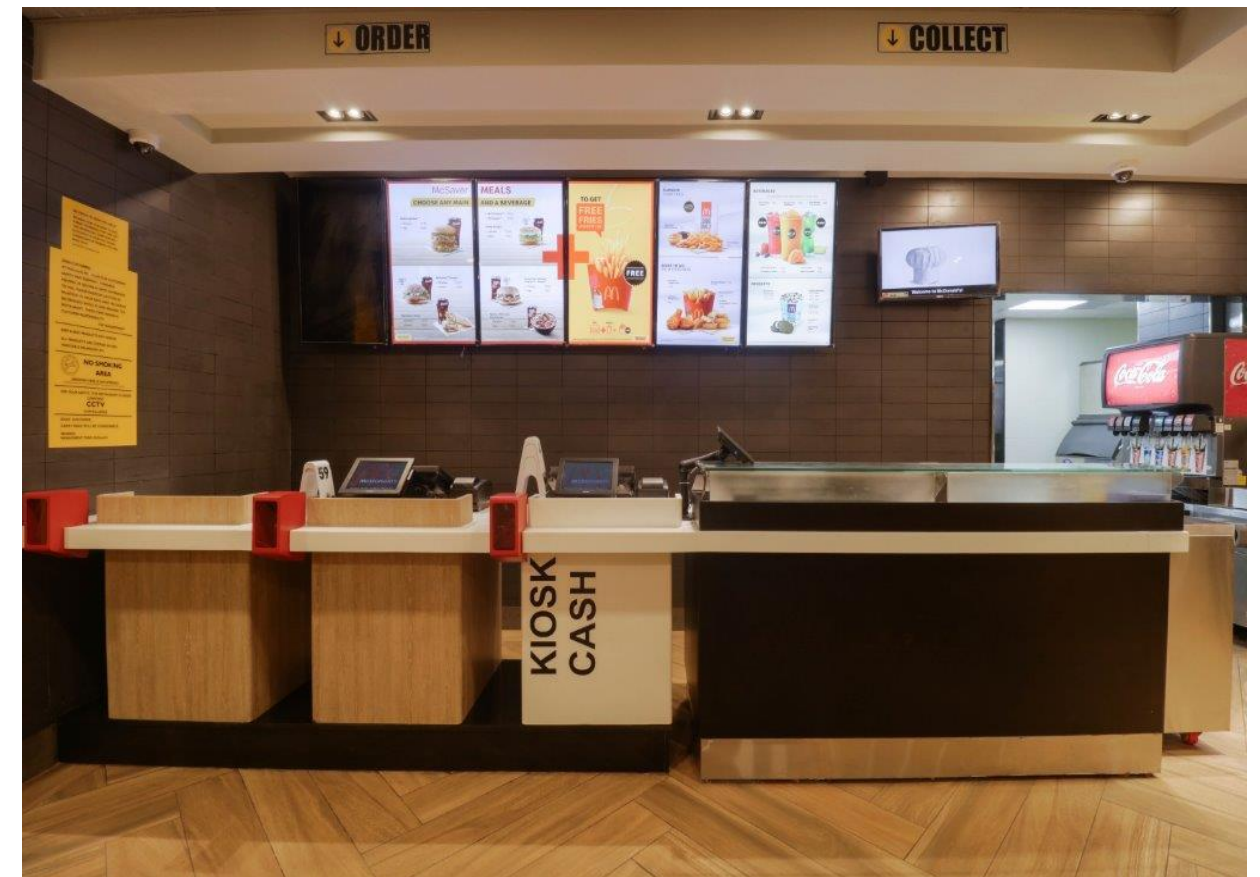
Reimagining our Stores

Modern and Contemporary Restaurant Designs



Continuous investments made in restaurants to make it modern and contemporary

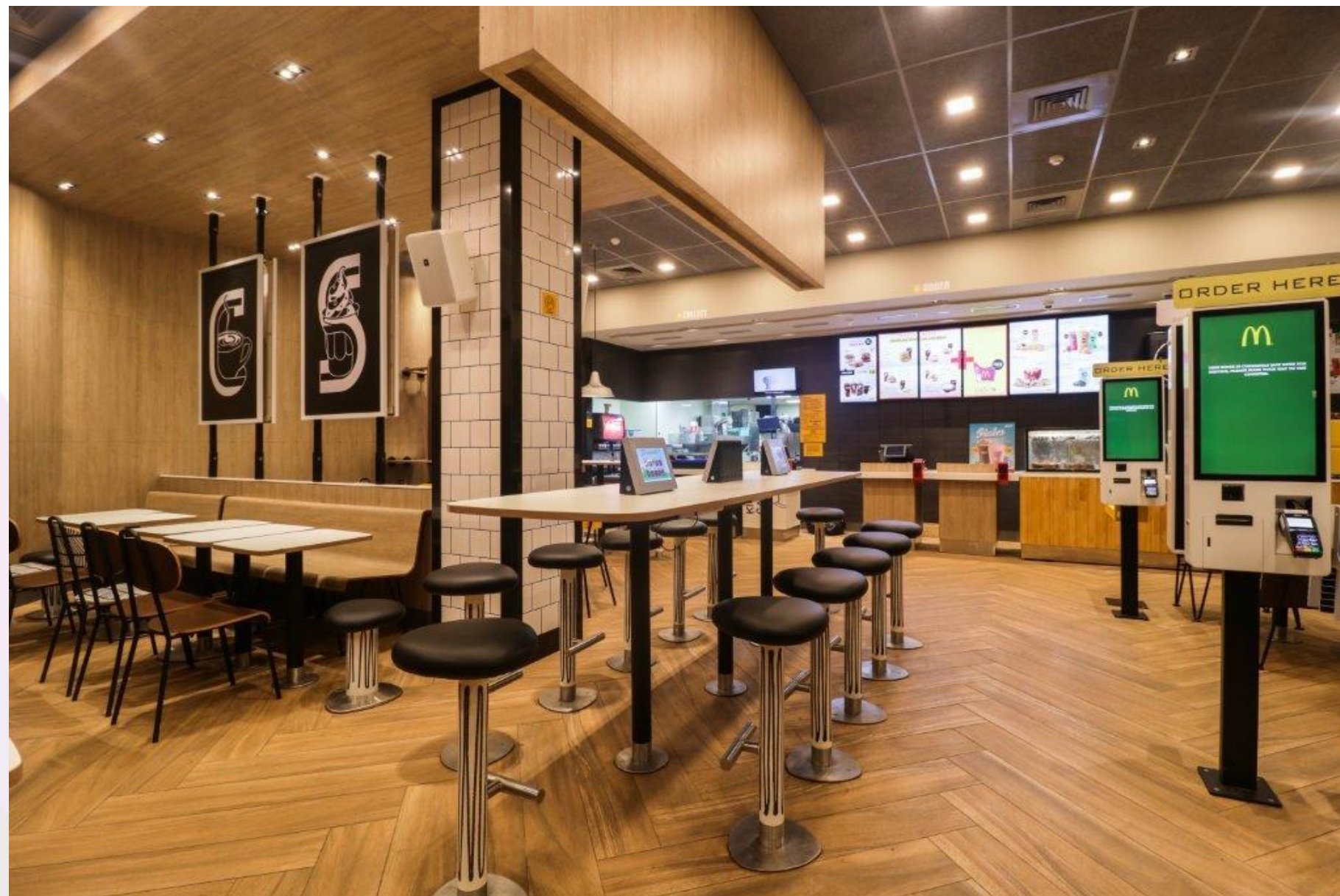
90% of our restaurants are now of modern and contemporary design



Experience of the Future Stores

EoTF design enhancing customer experience

- ✓ Providing digital experience and table service to our customers through EOTF stores is receiving good traction
- ✓ EOTF stores expansion increased from 25 in FY19 to 46 in Q1FY20





OUR BRAND

Building loyalty through McDonald's App

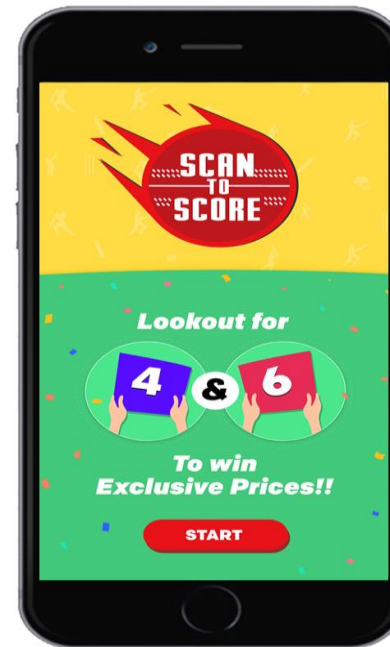
~2 mn total downloads since the launch in Jan 2019, having a healthy redemption rate

Average Check of orders through McDonald's App is higher than in-store

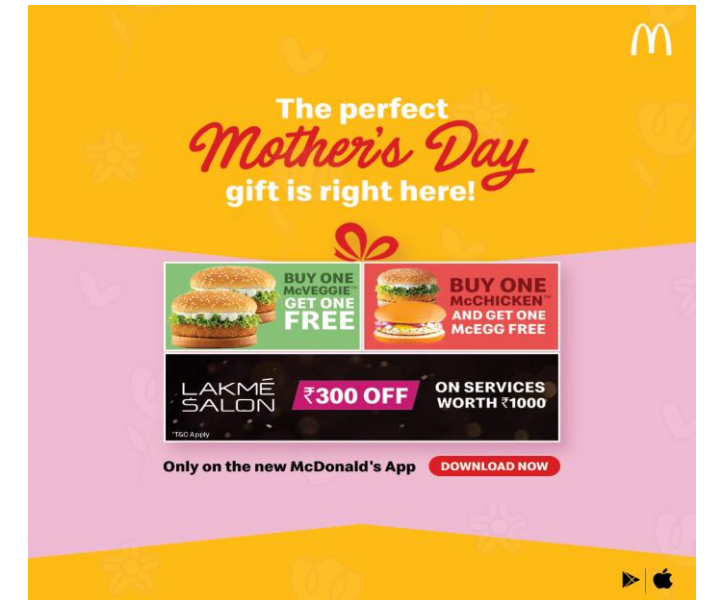
Promotions around World Cup and IPL to unlock amazing offers

~50,000 redemptions in 10 days for the Mix n Match @ Rs 49 offer

Scan to Score Game



Mother's Day – Tie up with Lakme



Mix n Match @ Rs 49



BOGO Offer



Strengthening our Value Platform



McSaver Meals Combo



McSaver Breakfast Combos



Providing Brand + Value





Launched Berry Lemonade



Muffin Campaign



Introduced McCafé Rewards



- Introduced McCafé Rewards program, with attractive successive offers to encourage frequency
- Added 7 McCafés during the quarter, taking the total count to 197 McCafés at the end of Q1
- Introduced new fruit cooler – Berry Lemonade
- Continued the food and flavour festival across all McCafes – pairing hot coffee and muffin

Fan's favourites, swinging by your doorstep.

Your McDonald's favourites, delivered.

50% off | Code 50MCDONALDS | Free Delivery

This cricket season, be it the royal McMaharaja, the crispy McFries or the evergreen McAloo Tikki, get all your McDonald's favourites at flat 50% off, without any delivery fee.

Just use code 50MCDONALDS and we will swing by your doorstep.



Uber Eats | 

ORDER NOW



Clocked **highest sales and guest count** in both May and June



IPL and World Cup were the major drivers for growth



Introduced late night delivery during **Ramzan** to deliver orders till **3:00AM**





- Added McBreakfast in 17 stores during the quarter, taking the total count to 180 restaurants
- Exclusive combo offers at Rs 99, available in store and on delivery to increase trials and improve frequency
- Only QSR to have an exclusive wholesome nutritious breakfast rich in protein



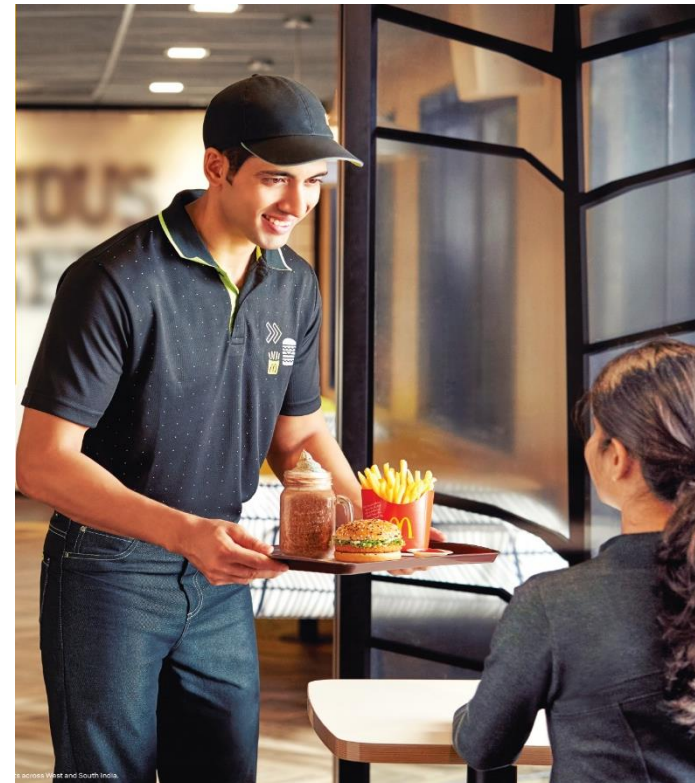
OUR PEOPLE

Our People, Our Asset



Employee Training

- Employed a total of **9,800+ employees**
- ~**30%** of our employees are **women**
- The Company invests lot of time and efforts in training its employees. In Q1 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



Great Place to Work® Award - 2019
Among Top 10 companies to work for in Retail Industry – 2019 (4th year in a row)



Asia Business Unit Award by McDonald's Corp, USA -
Top of the charts award as the top performing market across Asia for 2018

Recently signed a **MoU with Retailers Association's Skill Council of India** and **Ness Wadia College of Commerce** to create a vocational education program that shall have on-the-job training embedded in a 3 or 4 year University degree program.

This is a great recognition of our robust training program and our commitment towards skilling the youth of this country.





SCALE FOR GOOD

SUSTAINABILITY MILESTONES



Pioneered large scale
lettuce farming



Sourced **95%** ingredients
locally and
sustainably



Converted
Used Cooking Oil
to **100% bio-diesel**



**Indigenized
French fries**



Introduced
bio-degradable
cutlery



**Deployed Energy
Management System**



Sourced **Forest Stewardship
Council Certified Packaging**

Impact in 2018-19



Saved
28 lakh units
of electricity



Saved
300,000 Ltrs
of water



Saved
2,400 Gas
cylinders



Cut our
carbon
emission by
4,300 tonnes



Saved
550,000 Ltrs
of diesel

Serving the Community



CSR Activities

- Our Bangalore restaurant distributed Happy Meals to children in an orphanage



Ronald McDonald
House Charities®
Foundation India
(RMHC India)

- Aim to establish free of cost care centres and care houses for the benefit of families whose children are undergoing medical treatment.
- In Q1FY20, 1,055 patients utilized RMHC – Family Room Services.
- Carried out birthday celebrations of cancer patients and women's day celebrations among others





FINANCIAL HIGHLIGHTS

- IMPACT OF IND AS 116
- FINANCIAL HIGHLIGHTS



IMPACT OF IND AS 116

Impact of IND AS 116

What is IND AS 116:

- Introduced a **single lessee accounting model**, that replaced Ind AS 17 and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of lower value.
- Recognize **right-of-use asset** representing its right to use the underlying asset and a **lease liability** representing its obligation to make lease payments.
- Lease rent in previous periods will change to a) **amortization charge for the right-to-use asset**, and b) **interest accrued on lease liability**.
- Company will apply the standard to its leases using **modified retrospective** i.e. the right of use assets will be equal to lease liability as at the transition date and consequently there will be no impact on net worth.



Impact:

- P&L will depict an inflated Op. EBITDA and lower PBT and PAT
- Increase in right of use asset and lease liability by ~₹ 700 - 720 crores each.
- Impact of Ind AS 116 is noncash in nature, therefore, it will not affect the Company's cash flows.
- Approximate impact of ₹ 28 crores on PAT for FY20

Effective date: Annual reporting period beginning **April 1, 2019**

Impact of Profit & Loss Statement

(Rs in Mn)

Reconciliation of reported and comparable operating performance				
Particulars	Quarter ended 30th June 2019 (as reported)	Changes due to Ind AS increase/ (decrease)**	Quarter ended 30th June 2019 (comparable)	Quarter ended 30th June 2018
Total Revenues	3,818.63	-	3,818.63	3,416.79
Food and Paper	1,375.72	(14.02)	1,361.70	1,228.78
Occupancy and other operating expenses	1,185.69	189.47	1,375.16	1,157.56
Restaurant Operating Margin	690.79	175.45	515.34	531.57
General & Admin Exp	187.43	0.70	188.13	177.29
Operating EBIDTA	503.36	176.15	327.21	354.29
Other Income	30.17	(6.45)	23.72	7.43
EBIDTA	518.04	182.60	335.44	347.73
Finance costs	202.89	(156.93)	45.97	40.27
Depreciation and Amortisation expense	331.69	(122.85)	208.84	186.42
Profit before tax	(16.54)	(97.17)	80.63	121.04
Profit after tax	(11.27)	(68.98)	57.71	116.25
Cash Profit	308.19	(26.13)	282.05	317.34

** Adjustments arising out of Ind AS



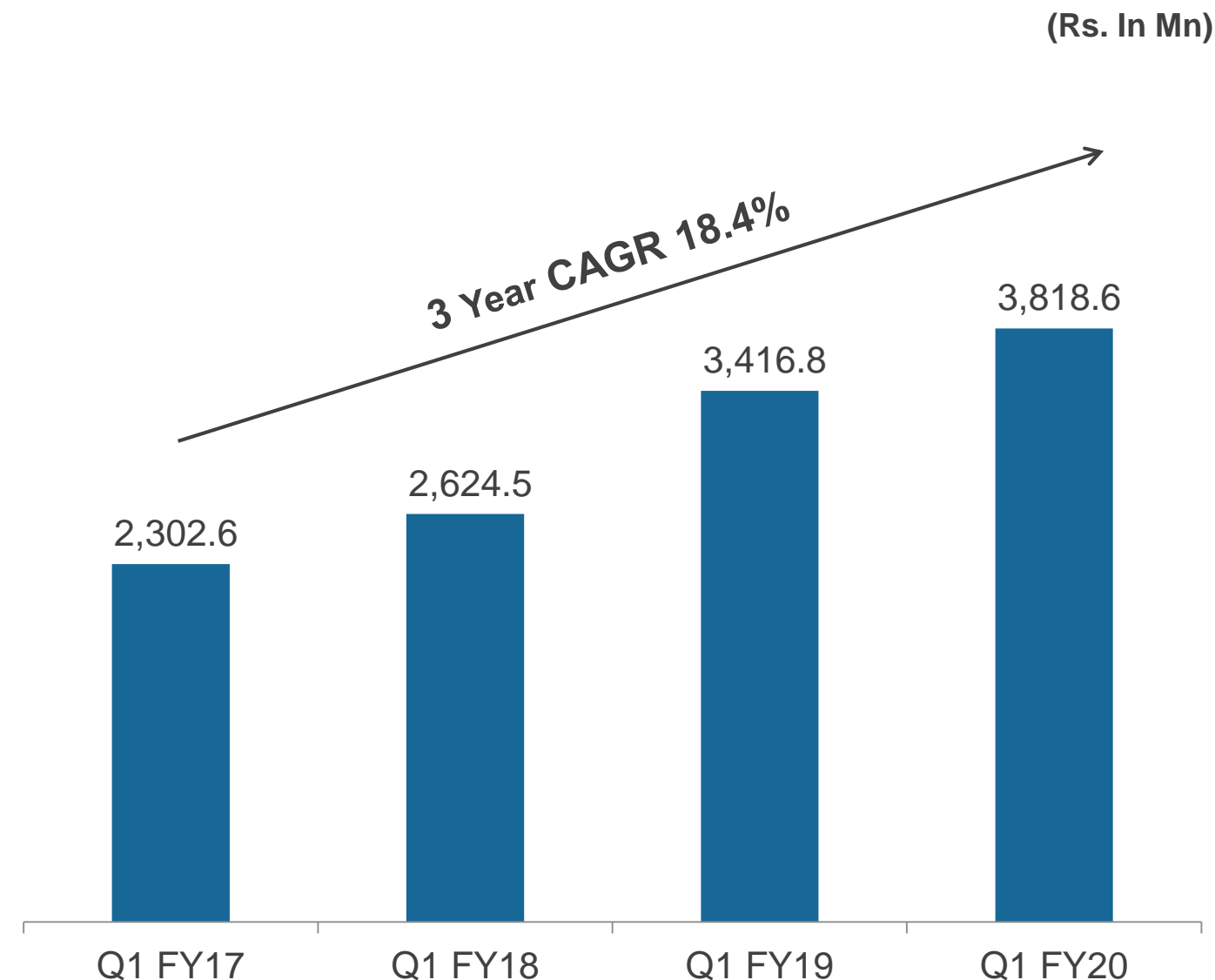
Q1 FY20 FINANCIALS

Revenue growth trajectory

INR Mn	Q1 FY20	Q1 FY19	Growth
Total Revenue	3,818.6	3,416.8	11.8%

Increase in revenue is primarily due to:

- Continued positive trend in same store sales growth for 16 consecutive quarters
- Brand extensions continues to strengthen sales contribution
- Consistent product innovation in terms of glocalising our menu and providing more value to our customers
- EOTF & modernization initiatives aiding enhanced customer experience and convenience

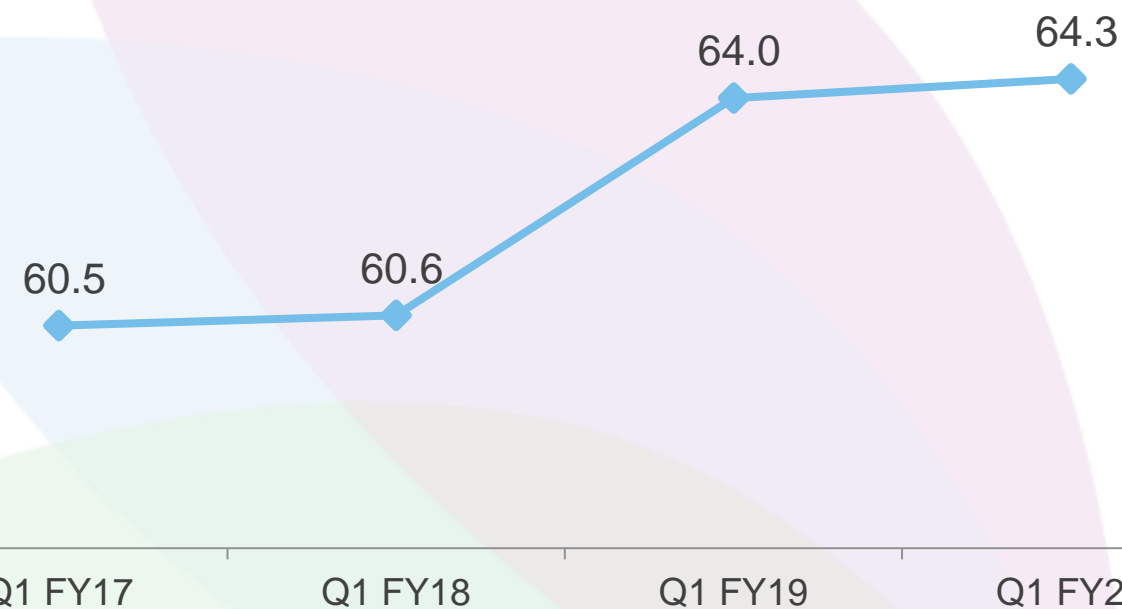


Note: Q1FY20 numbers are excluding adjustments arising out of IND AS

Margin Growth (%)

INR Mn	Q1 FY20	Q1 FY19	Growth
Gross Margins	2,456.9	2,188.0	12.3%
% of Total Revenue	64.3%	64.0%	

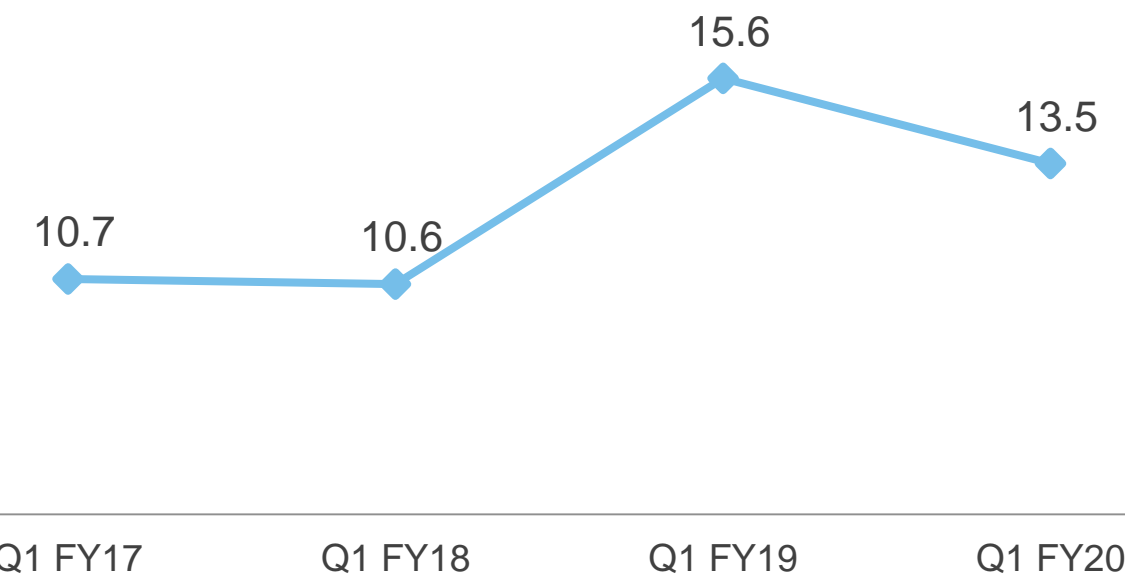
- Continued focus on improving efficiencies aided in improvement of our gross margins



~390 bps increase in GM over last 3 years

INR Mn	Q1 FY20	Q1 FY19	Growth
RoM	515.3	531.6	(3.1%)
% of Total Revenue	13.5%	15.6%	

- RoM was impacted predominantly due to higher A&P spends and marginally impacted by other operating expenses



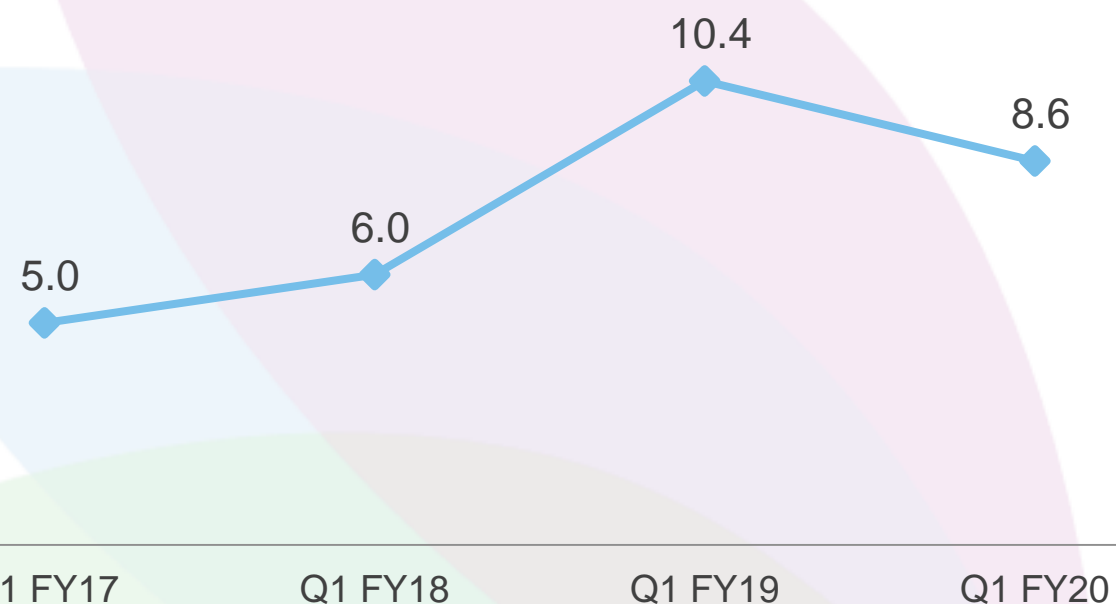
~280 bps increase in RoM over last 3 years

Note: Q1FY20 numbers are excluding adjustments arising out of IND AS

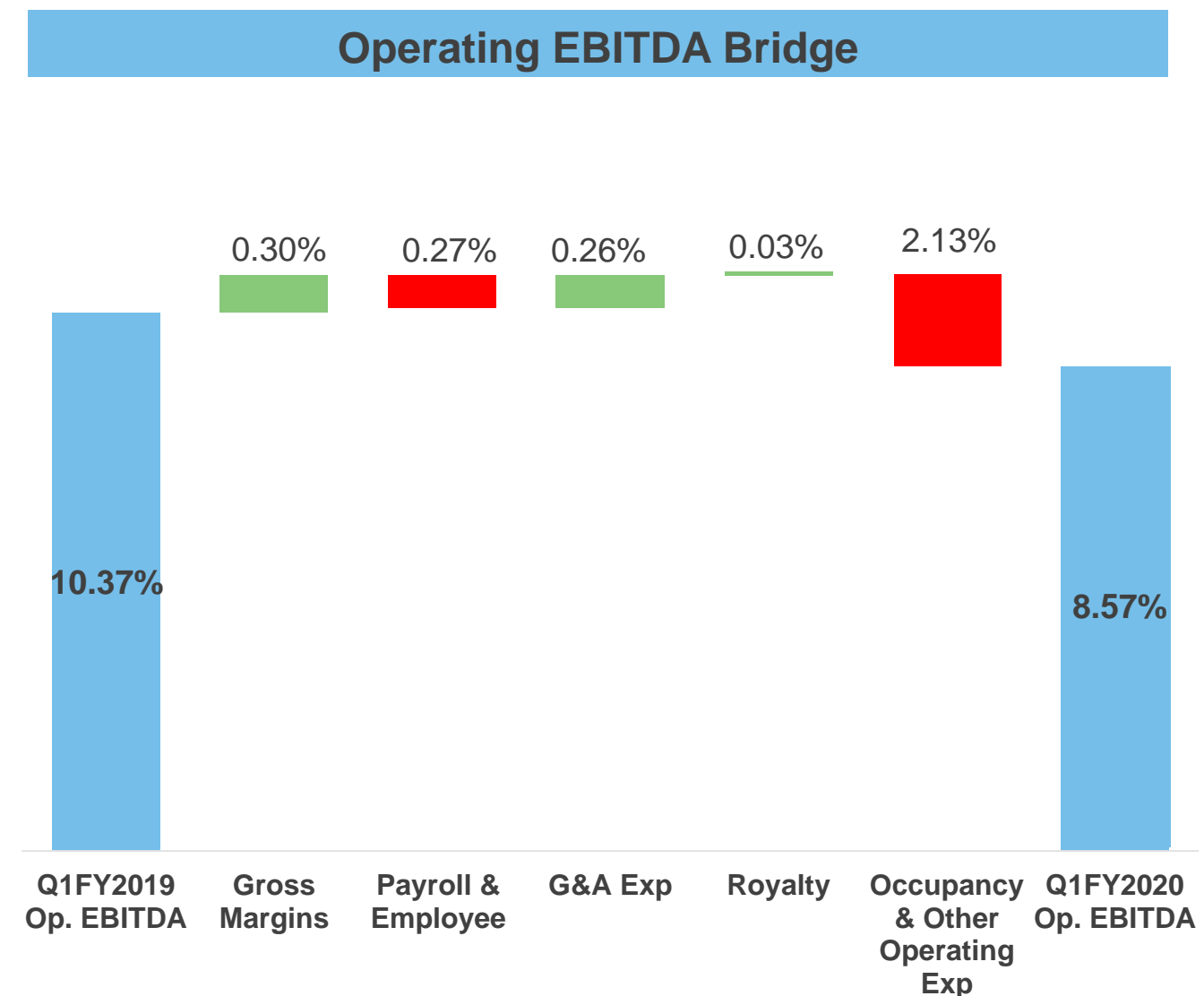
Operating Profitability

INR Mn	Q1 FY20	Q1 FY19	Growth
Op. EBITDA	327.2	354.3	(7.6%)
% of Total Revenue	8.6%	10.4%	

- Operating EBITDA for the quarter was impacted on back of lower RoM



~360 bps increase in Op. EBITDA over last 3 years

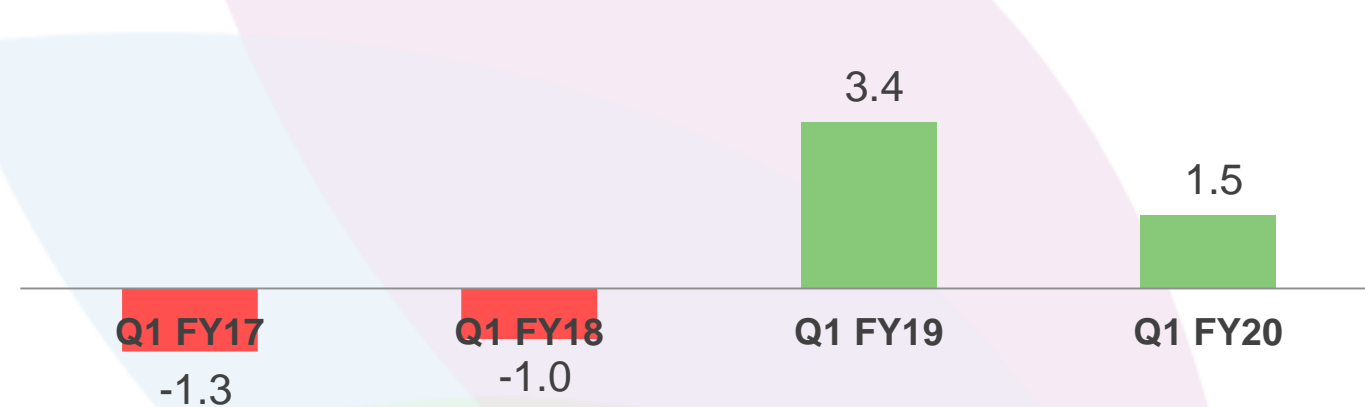


Note: Q1FY20 numbers are excluding adjustments arising out of IND AS

Profitability (%)

INR Mn	Q1 FY20	Q1 FY19	Growth
PAT	57.7	116.3	(50.4%)
% of Total Revenue	1.5%	3.4%	

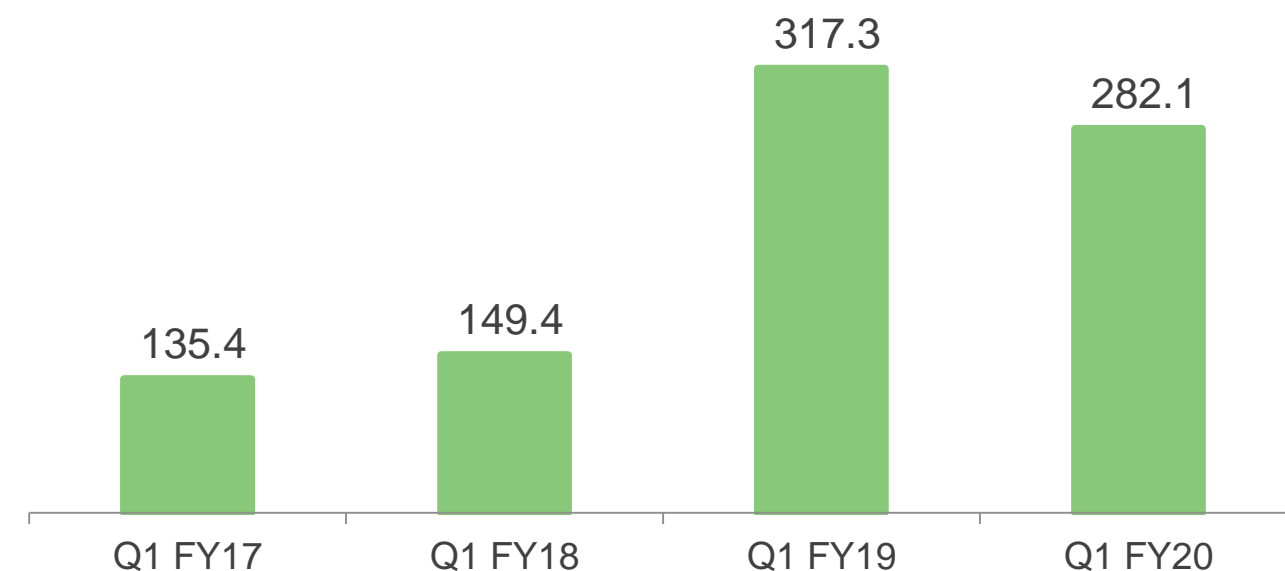
- PAT margins were impacted due to lower operating EBITDA margin coupled with incidence of tax rate



~280 bps increase in PAT over last 3 years

INR Mn	Q1 FY20	Q1 FY19	Growth
Cash Profit	282.1	317.3	(11.1%)
% of Total Revenue	7.4%	9.3%	

- Q1FY20 Cash Profit was impacted largely due to higher tax payout and also pressure on margins



Note: Q1FY20 numbers are excluding adjustments arising out of IND AS

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
- ✓ 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



Shareholder wealth creation continues to be key priority

THANK YOU

IR Contact

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