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# Westlife Development Ltd. Hardcastle Restaurants Pvt. Ltd.

## Q4 & FY2014 Earnings Update May 9, 2014



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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.

# Strategy – Pillars of growth

**Broadening  
Accessibility**




**Modernizing  
the  
Experience**



**Food Image**



**Energizing  
the People**



# Strategic Pillars – FY14 Highlights

## ✓ **Broadening accessibility**

- Continued restaurant expansion – added 29 restaurants during the year
- Launched new online web delivery platform – McDelivery

## ✓ **Food image**

- Strengthened product portfolio during FY14 across all day-parts
- Limited time offers

## ✓ **Modernizing the Experience**

- Re-imaging of the restaurants to make more relevant to today's customers
- Successful launch of McCafé brand
- Investments in technology to engage more with our consumers

## ✓ **Energizing the crew**

- Various training, learning & development programs for staff and crew

# FY14 Results & Highlights

## ✓ **Restaurant expansion**

- Total restaurants at 184; gross addition of 29 new restaurants to drive long-term growth
- Entered new markets with Drive-Thru restaurants in Rajkot and Palakkad

## ✓ **Restaurant relocation / closure**

- Relocated 6 restaurants during FY14
- Increased focus on profitability and adapting to changes across markets and trading patterns

## ✓ **Revenue growth of 8.2% Y-o-Y**

- Comparable sales down to -6.4% compared to 6.2% in FY13
- Continued weak environment coupled with lower discretionary spending

## ✓ **Gross margins expanded by ~195 bps**

- Continued focus on reduction in food, paper & distribution costs
- Efficient product mix and menu pricing

## ✓ **Cash profit at INR 487.6 million during FY14**

# New Restaurants



Mumbai



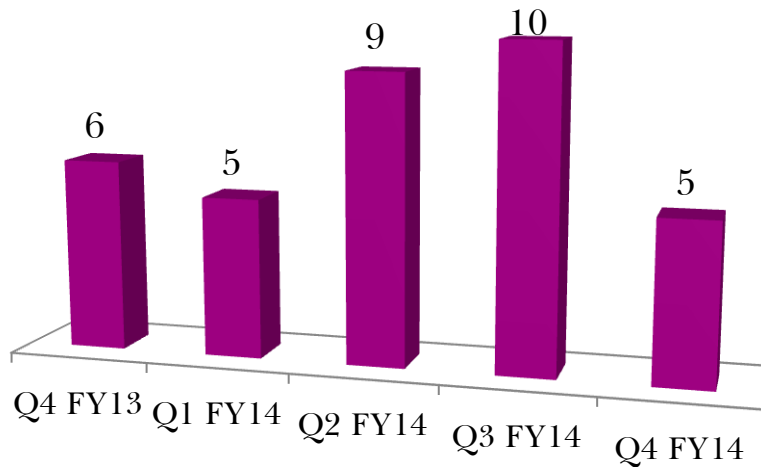
Gujarat



Tamil Nadu



# Restaurant Openings



Gujarat



Kerala



- ✓ 29 new restaurants added in FY14
- ✓ Continued focus on Drive-Thru's during last 12 months, for competitive differentiation
- ✓ 5 new restaurants opened in Q4 FY14 – 3 in Karnataka and 2 in Gujarat

# Region-wise Presence – FY14

Total Restaurants – 184

22 Restaurants

86 Restaurants

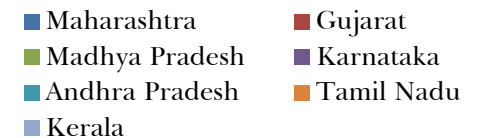
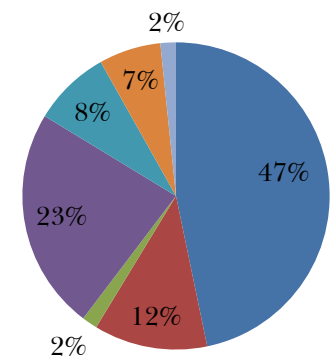
43 Restaurants

3 Restaurants

15 Restaurants

12 Restaurants

3 Restaurants





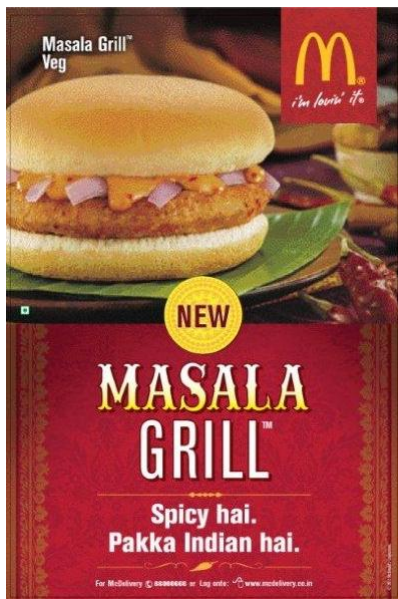
# Building menu choices across day-parts for all consumer segments



Quarter 2



Quarter 4



Quarter 1



Quarter 4

# Key Marketing Initiatives in FY14

## ✓ Driving aspiration – Brand campaign

- Aaj menu main kya hai – driving brand connect with consumers

Quarter 4



## ✓ Driving loyalty – Smile Cards

- Rewarding customers for visiting restaurants more often



Quarter 3,4

## ✓ Driving visits – Gifts festival

- To drive frequency among customers and add value to their restaurant visit

Quarter 3





# Key Marketing Initiatives in FY14

## ✓ Limited time offers

- McFloat Twisters
- Doubles burgers
- McSpicy feast
- Strawberry McFlurry



Quarter 2

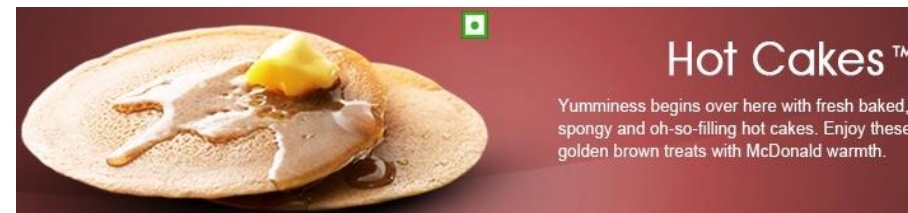
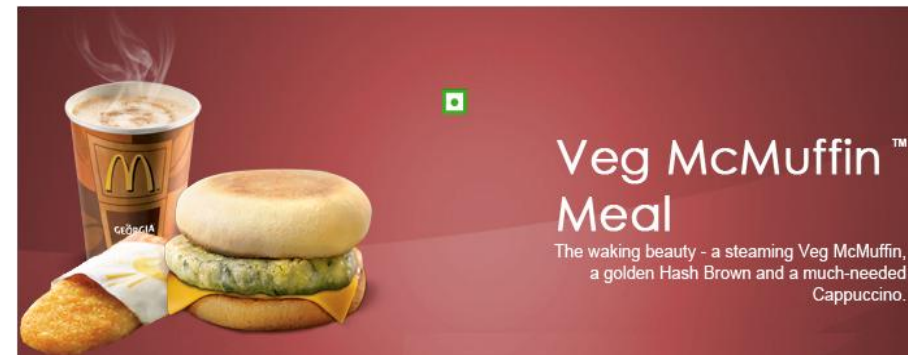


Quarter 4



Quarter 3

# New Business Channels



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# New Business Channels

- ✓ Strategy of strengthening relationship with customers
- ✓ Emphasizing and building breakfast as a significant day-part
  - 110+ restaurants are breakfast hubs across west and south India
- ✓ Advanced the McDelivery brand extension through launch of new web delivery platform
  - Offering 29 minute delivery guarantee
- ✓ Expanded McCafé footprint across Mumbai to build our beverage growth strategy
  - Build the foundation and enhance company's margin profile
- ✓ Increasing efforts and investments across all our brand extensions to accelerate growth and drive profitability

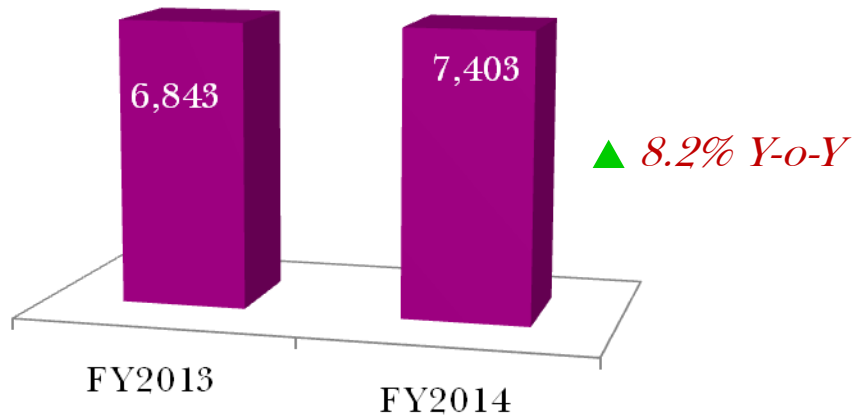


Consolidated Q4 and FY14 Results

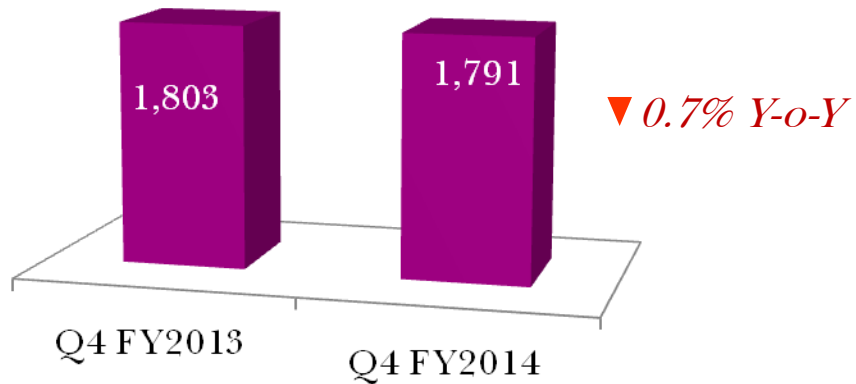
# **FINANCIAL ANALYSIS**

# Revenue Growth

₹ Million

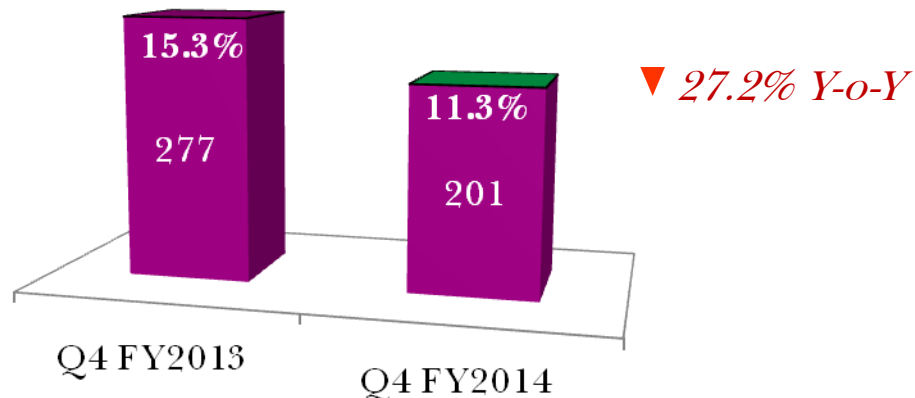
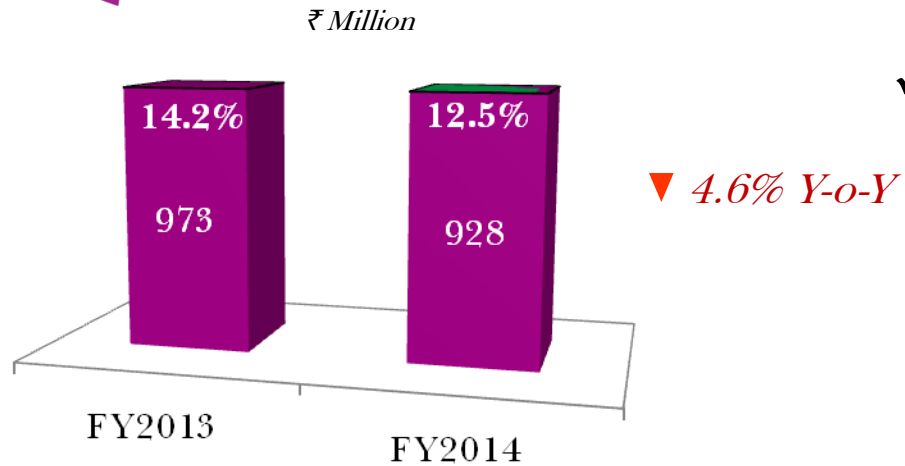


✓ Increase in revenue due to opening of 29 new restaurants during the year



✓ Total restaurants network at 184

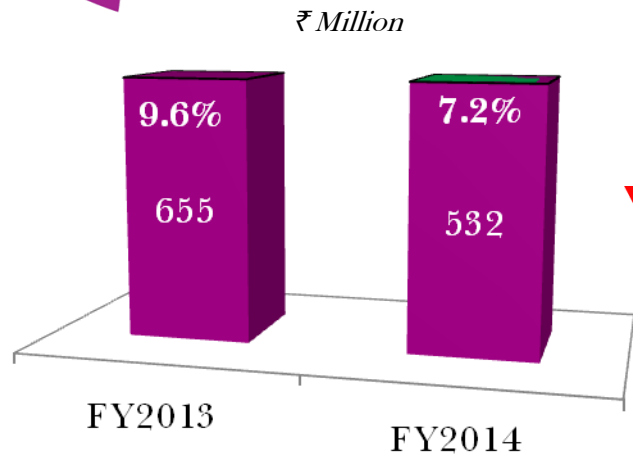
# Restaurant operating Margin (RoM)



✓ Reduction in RoM primarily due to

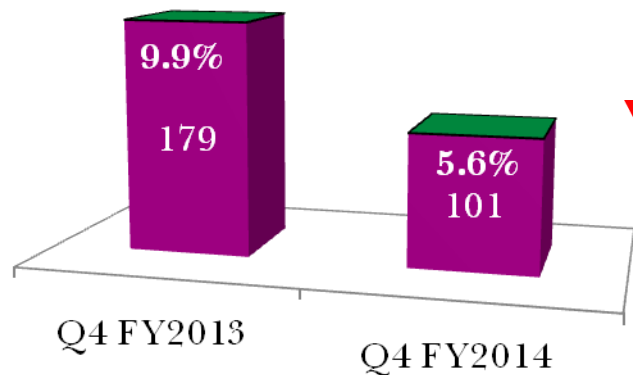
- Higher occupancy and utility costs pertaining to opening of 29 new restaurants
- Inflationary headwinds around utility unit costs and wages
- And, partially offset by
  - Gross margin expansion driven by supply chain efficiency along with better product mix and menu pricing

# Operating EBITDA



✓ Lower Operating EBITDA margin largely due to

- Increase in G&A due to investment in people and resources over the year to drive business growth



# OUTLOOK





# Outlook

## Revenue

- ✓ Taking total restaurants count to 230-250 till 2015
- ✓ Launch of 75-150 McCafé's in next 3-5 years
- ✓ Focus on driving penetration by entering new markets
- ✓ Restaurants re-imaging efforts to continue

## Innovation / Menu

- ✓ Drive innovation across menu to provide uniquely McDonald's products across all consumer segments and day-parts
- ✓ Focus on delivering high-quality and affordable food & beverages to our customers

## Profitability

- ✓ Continuing efforts around gross margin improvement
- ✓ Drive initiatives around efficient business unit economics
- ✓ Optimizing opportunities through continuous evaluation of restaurant portfolio

**Expect muted consumer sentiment over next 6-12 months**  
**Focused on driving sustainable long-term growth in sales & market share**

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# 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)