

Westlife Development Ltd.

Hardcastle Restaurants Pvt. Ltd.

Q1 FY22 Earnings Presentation

Aug 13, 2021



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SERVING HAPPINESS
— WITH —
EXTRA CARE




Staying strong & agile through tough times

Q1FY22 – Key Highlights

- **Q1 SSSG at 183% YoY**
- **Overall Qtr growth at 176% YoY**; with sales at Rs 2,592 mn
- **Faster and Stronger recovery** despite high volatility in operating environment due to Covid restrictions



- 
- Accelerated growth in **Convenience²**, grew **+202% YoY**
 - Robust performance of **Delivery** - sales tripled YoY; **Highest ever MDS sales in June'21**
 - Continued growth in **Drive thru** - sales doubled YoY
 - Company is on an expansion mode with **5 stores under ground break**
 - Reinvestments and reimaging of stores with **11 EoTF & 7 McCafes** added during the quarter
 - **Rashmika Mandanna** onboarded for McSpicy Fried Chicken & **BTS Meals** campaign witnessed overwhelming response
 - **100% 1st dose vaccination completed & Covid relief package for all employees**

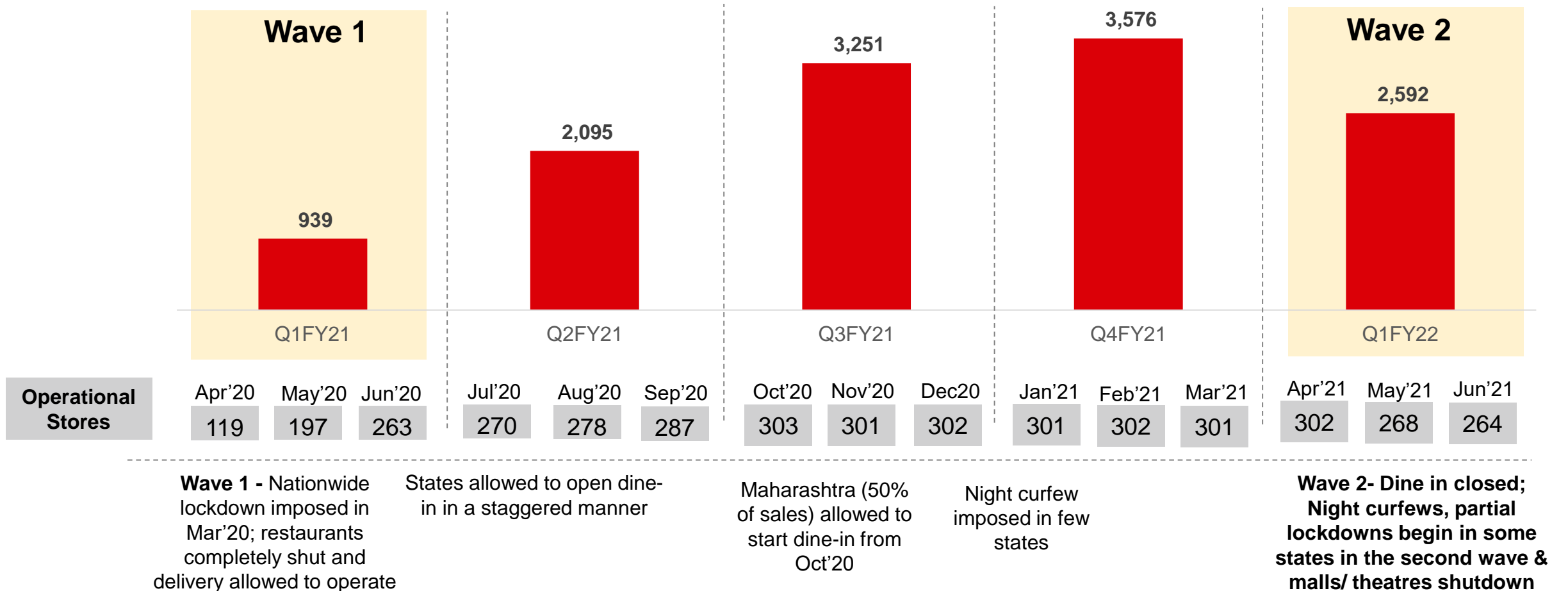
- **Gross margins at 65.4% (+218% YoY growth)**
- ROM at 9.8% (**200%+ YoY growth**)
- **A significant jump in Op. EBITDA** from a loss of Rs 422 mn to a profit of **Rs 51 mn** [2% Op EBITDA], despite margins being impacted by volumes
- Committed Capex investment for Stores Expansion



Note: 1) Q1FY22 numbers are including adjustments arising out of IND AS 116 impact; 2) Convenience Platform includes MDS, OTG & Drive Thrus

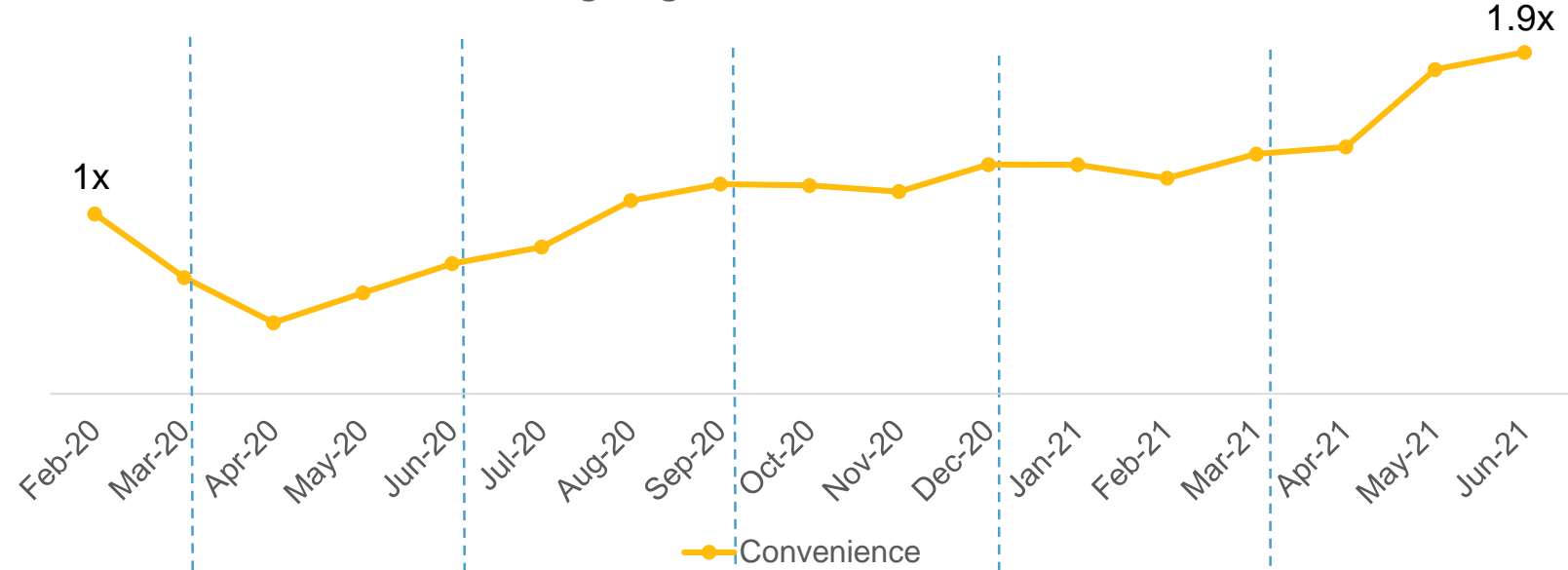
Q1 recovery quicker, bolder and stronger vs Wave 1 last year

Sustained Gross Margins & positive ROM for Q1FY22 despite regulatory headwinds



Recovery backed by continued acceleration in Convenience; setting new benchmarks ... **June'21 sales are 2.6x of June'20 sales**

Stronger growth in Convenience



- Convenience sales have doubled over pre Covid levels
- Convenience channels are growing at a faster and stronger pace. This growth is here to stay.
- Hence, once dine-in recovers completely, we will be pegged for exponential growth

YoY Recovery					
Convenience	60-65%	90-95%	105 - 110%	140-145%	300-305%
Total Sales	25-30%	50-55%	75 - 80%	105-110%	275-280%

Convenience sales almost doubled vs pre Covid

+ 33% QoQ growth in Convenience during the quarter

**MDS sales +36% QoQ;
1.5x vs pre Covid**

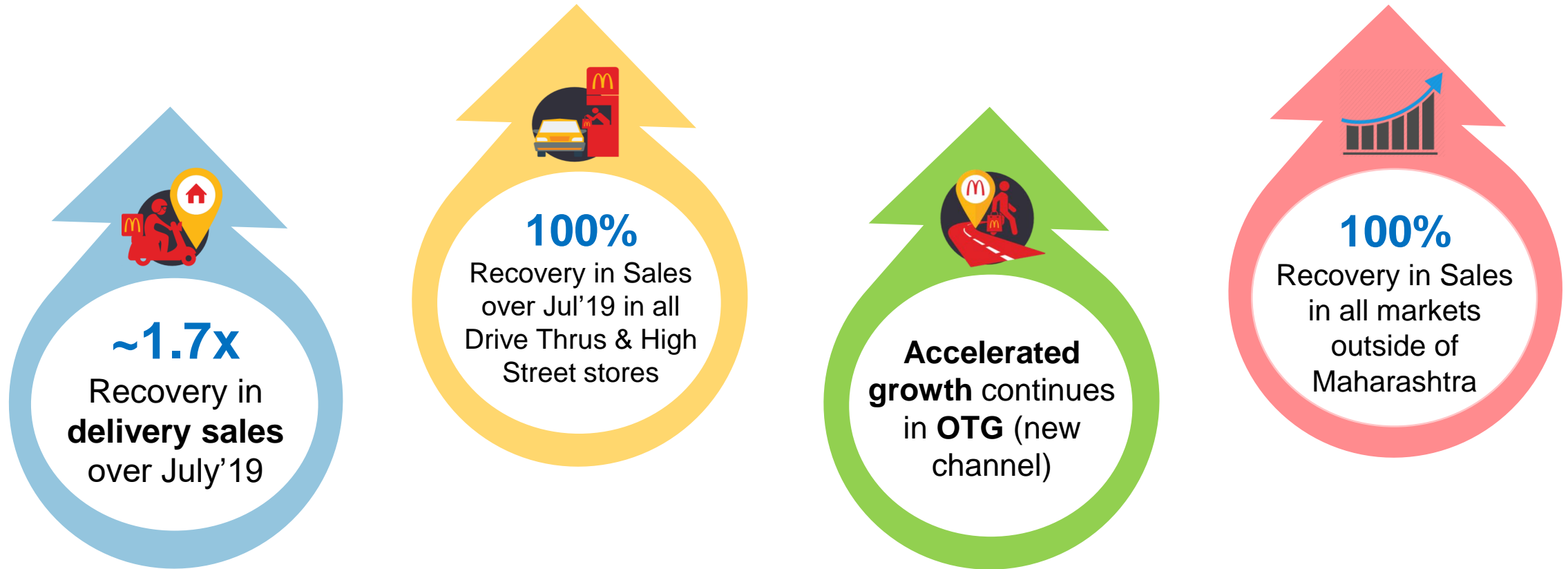


**Continued acceleration in
On The Go**

**Drive Thru sales +52% QoQ;
2.6x vs pre Covid**

July'21 Updates

- 100% recovery vs Pre covid
- Jul'21 sales almost equals Jul'19 sales, despite regulatory headwinds



Exponential business growth = Accelerated Convenience + Strong Dine in recovery

Continued cost leadership to sustain strong financial performance

Operating Efficiencies - Rationalised supply chain costs (zero base budgeting, reducing wastages, optimizing distribution costs) and store operating costs (M&R, utilities, crew labour etc)

Positive landlord negotiations - constructive ongoing negotiations with landlords to secure rent relief and deferrals, together with revised contractual terms

Headoffice rationalization – renegotiating office rentals, reducing discretionary expenses like travel, shifting some services from annuity to need based.



Lender Support - secured increase in revolving credit facility to improve liquidity, not currently utilised

Working Capital - renegotiated contracts with key suppliers and agreed payment plans

Employees – utilised furlough and flexible furlough schemes to ensure retention of majority of our employees through the pandemic

Reducing cost base and focusing on capital efficiency to result in ROM optimisation as well as stronger balance sheet

Key Focus Areas

Moving from Defence to Building Confidence



Menu Innovation & Product Leadership

- ✓ Trust
- ✓ Burger Leadership
 - ✓ Meals
 - ✓ Snacking
- ✓ Chicken Leadership



Omni Channel & Digital Acceleration

- ✓ Delivery
- ✓ Accelerating other convenience channels
- ✓ Offers led digital sales
- ✓ Stronger partnerships with e-commerce players
- ✓ Accelerating app downloads



Network Expansion & Reimaging

- ✓ Network Expansion in Tier 1 & 2 cities
- ✓ Increase in drive thrus
- ✓ Modernisation of stores

Cost leadership & operating efficiencies

To be a modern, relevant & progressive food company delivering long term prosperity and well being for our customers, our people, our communities and our shareholders

Menu Innovation & Product Leadership

Building Blocks to Unlock Growth

- ✓ Trust
- ✓ Burger Leadership
 - Meals
 - Snacking
- ✓ Chicken Leadership



Effective Marketing & Brand Campaigns

Association with celebrities to increase awareness, affinity & resonance towards the brand



Leveraging Brand Association with Rashmika Mandanna



Premium Burger Promotion

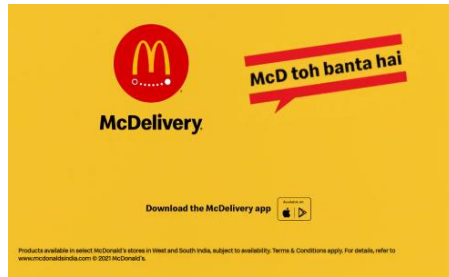


Launched BTS Meals in June'21

Burger Leadership

To become the Go To Burger destination by providing relevant great tasting burgers at great value

Snacking



- Establish McDonald's as the **ultimate snacking choice**
- To launch a **wide range of snacking options** at McDonald's
- Safer and tastier equivalents of snacking options available at the roadside vendors

Meals



- Premium range of burgers easily accessible wherever you are, with uncompromised product experience
- Meals daypart offering
- New range of indulgent burgers for any kind of craving

Chicken Leadership



- Onboarded Rashmika Mandanna as the brand ambassador for McSpicy Fried Chicken
- Chicken is a Rs 5,000 Crs market in South

Launched Sharers and Chicken Meals



Omni Channel & Digital Acceleration

- ✓ Delivery
- ✓ Accelerating other convenience channels
- ✓ Offers led digital sales
- ✓ Stronger partnerships with e-commerce players
- ✓ Accelerating app downloads



Accelerating convenience channels

Effectiveness of Convenience Channels through digital & brand leadership

Q1FY22 - **202%+** YoY growth in Convenience platform; **33%** sequential growth



McDelivery

- **Highest ever sales in June'21**
- Offered exclusive combo offers, Deal of the day, Free Treats, Free delivery, late night deliveries, smart discounting basis consumer cohorts on our app for recruitment and retention



Drive Thru (DT)

- **Highest ever sales in June'21** (over 3x of pre Covid levels)
- Focusing on DT VIP club program, creating more brand visibility for drive thrus through out of home activities



On the Go (OTG)

- McDonald's OTG platform is operational in 85%+ of restaurants and witnessing robust growth
- Building brand value and increasing awareness / visibility through out of homes activities; offering exclusive combo offers on OTG

Offers led digital sales

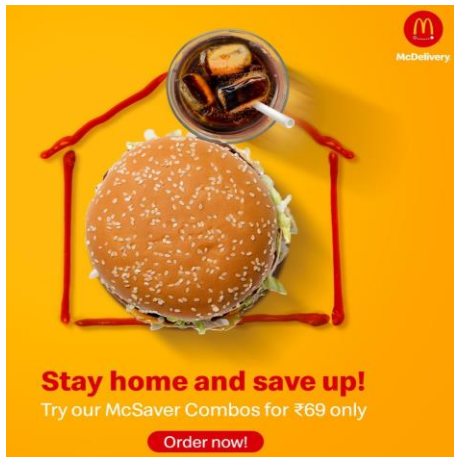
Effective convenience channels campaign



Midnight Delivery



McDelivery



McSaver Combo Offers



On The Go



Delivering delicious offers straight to your inbox!

Try the new **McSAVER COMBOS** at ₹69, ₹99 and ₹129. Make your own snack and save up to Rs. 100!

ORDER NOW!

₹69 McAloo Tikki + Coke
ORDER NOW!

₹99 Mexican McAloo Tikki + Coke
ORDER NOW!

₹129 McVeggie + Cappuccino
ORDER NOW!

All these delicious combos are delivered safely with the McDonald's

GOLDEN GUARANTEE
EXTRA SAFE • GREAT TASTE

Regular test for all employees

Ensure contactless cooking, packing and delivery

Food quality and hygiene controlled from farm to fork

DOWNLOAD THE APP

McDelivery

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Accelerating app downloads

Driving frequency and guest count



Value offers for promoting customer frequency

Achieved 5 mn+ total no. of downloads, increased 45% YoY

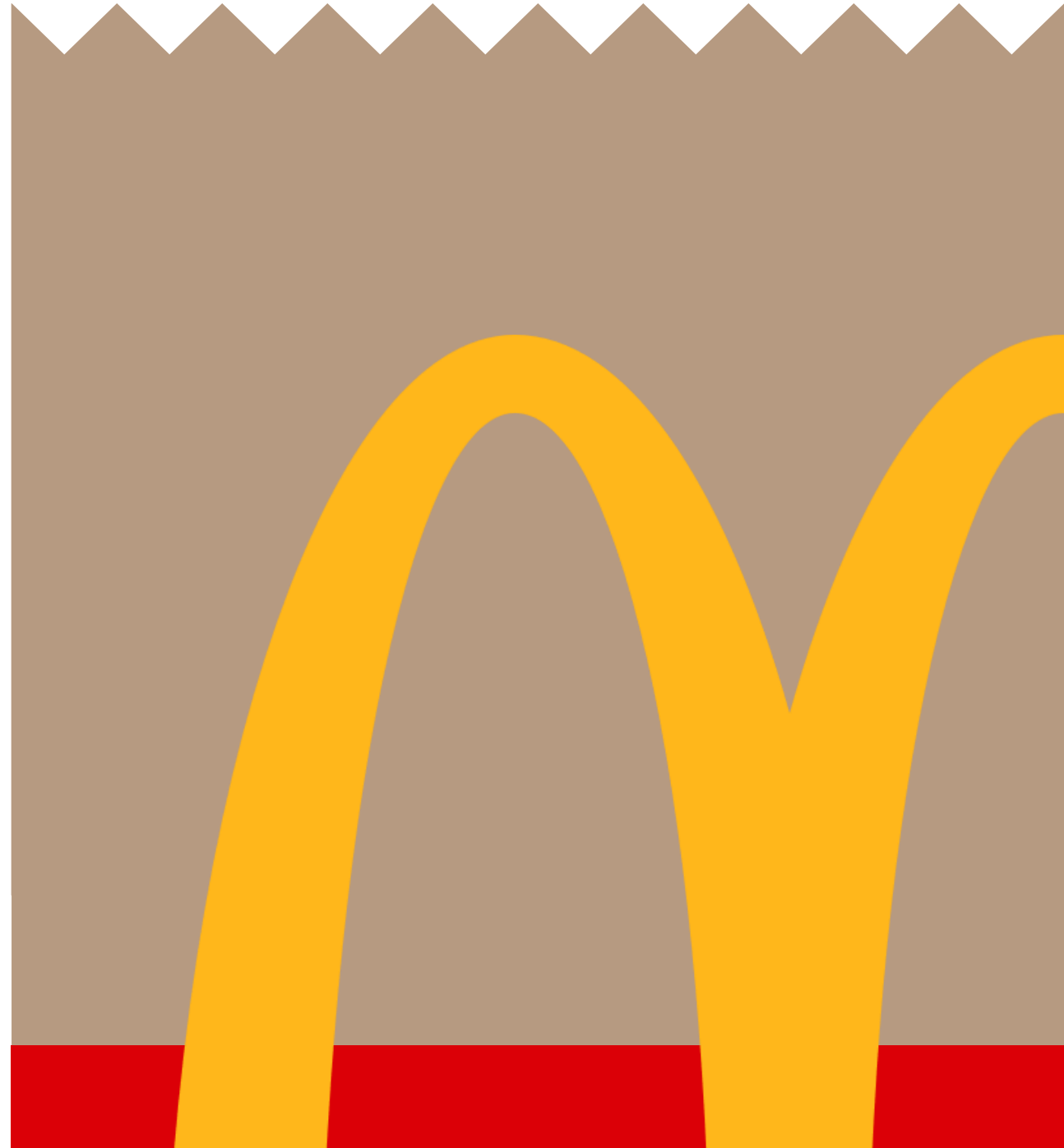
Q1FY22 total guest count on our app more than tripled YoY and average check improved 9% YoY

Conducting various consumer centric activities with attractive combo offers. Optimized Offer Playbook for Acquisition and Reengagement

Note: Total downloads are cumulative downloads since inception of the App

Network Expansion & Reimaging

- ✓ Network Expansion in Tier 1 & 2 cities
- ✓ Increase in Drive Thrus
- ✓ Modernisation of stores



Network Expansion & Reimaging



Presence in 305 restaurants across 43 cities (as of June, 2021)

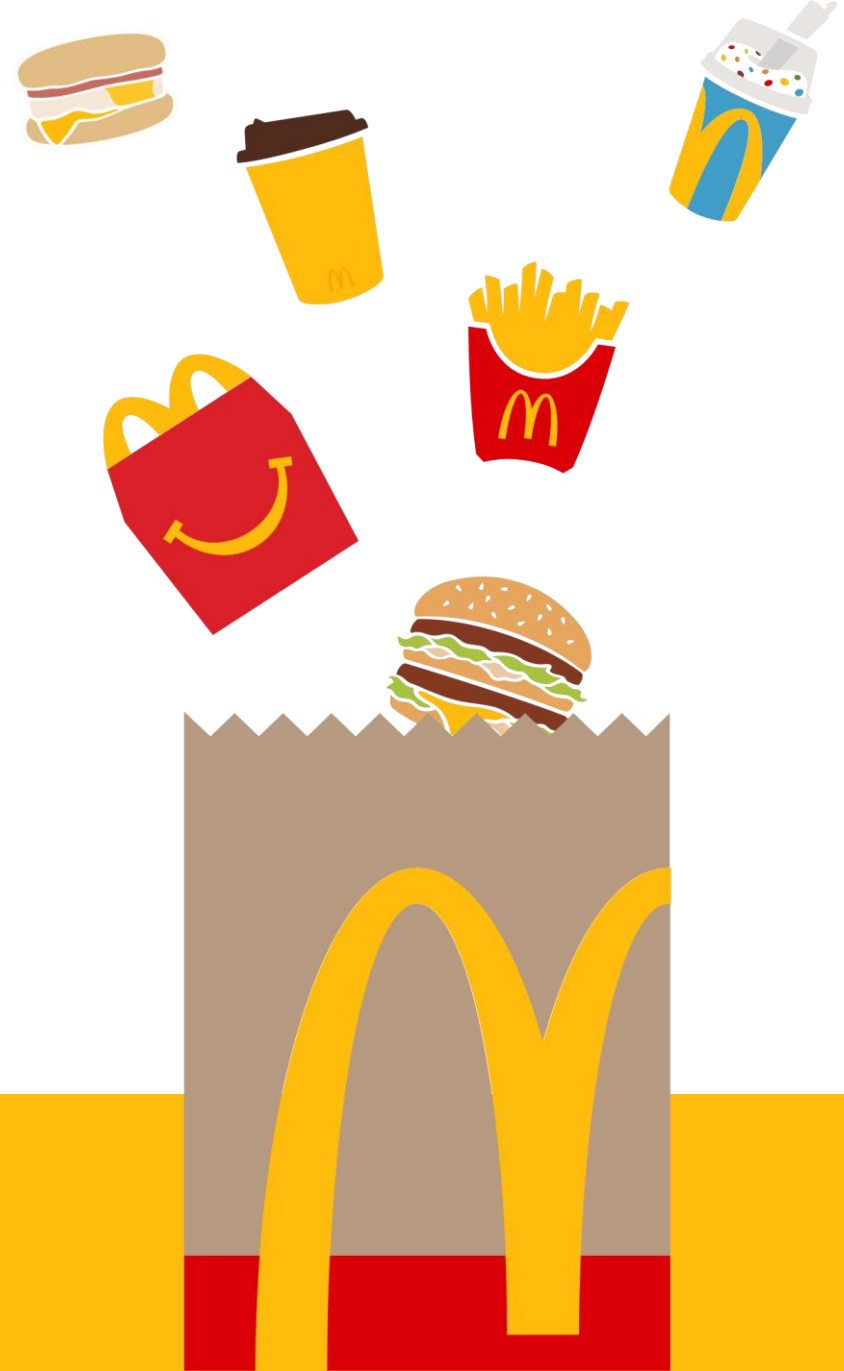
5 stores ready to open during Q1 (opened 2 stores in July'21)

Re-investing and re-imaging – Added 7 McCafes and 11 EoTF during the quarter

Strengthening presence in smaller and emerging cities

Company committed towards network expansion in FY22

OUR PEOPLE



We Care - Covid Support for all our Employees

Precautionary Covid tests across all restaurants, every few weeks



Group Medical Coverage for employees



Employees under quarantine, **continue to draw regular salary**



Financial Assistance & employment opportunity to the kin incase of death of an employee due to Covid

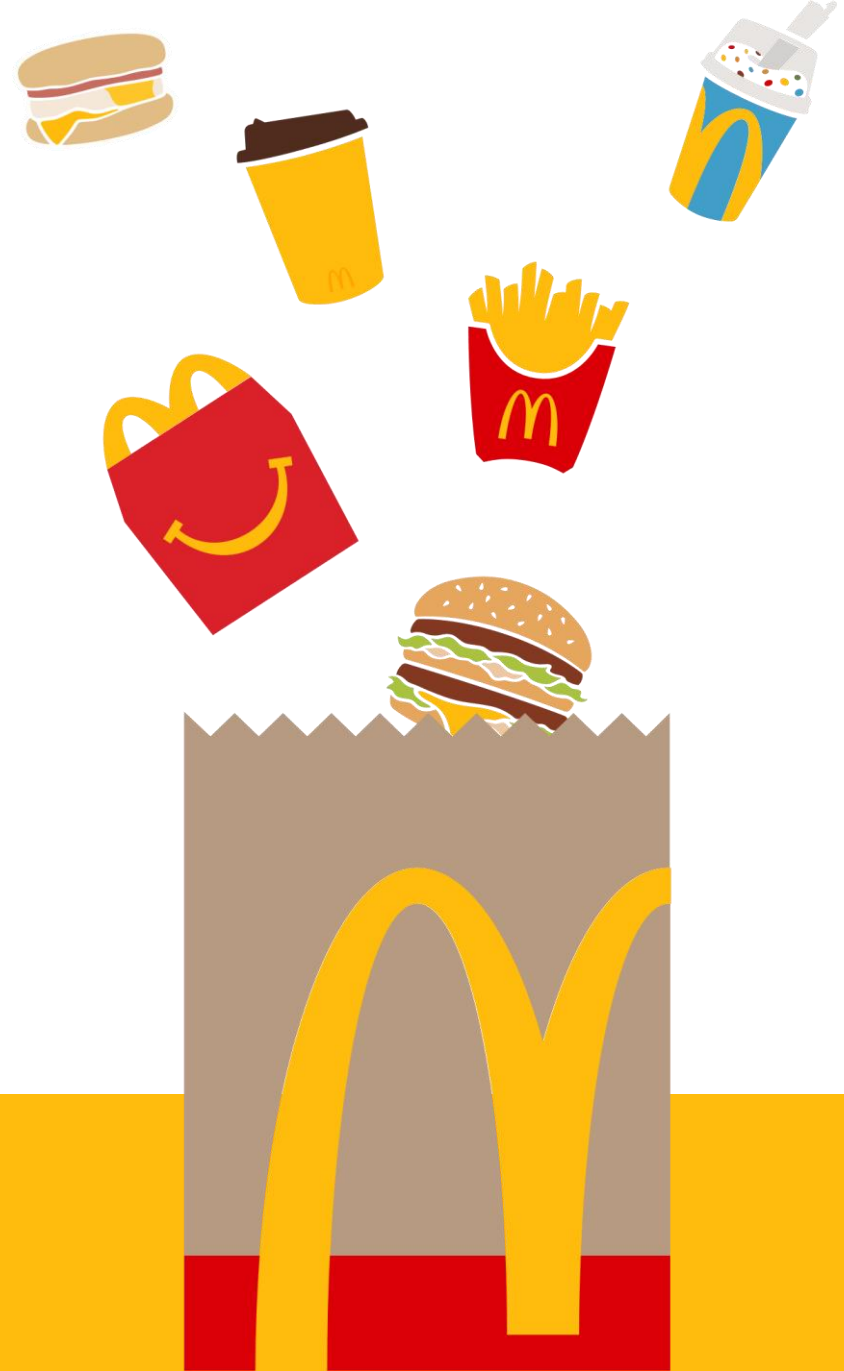


Revised leave policy



Empanelled doctors for consultation or guidance on Covid treatment or recovery for employees

AWARDS & RECOGNITION



Awards & Recognition

Kyoorius Creative Awards 2021

Received Awards in 4 categories



Recognises, honours & awards the most outstanding creative work in the Indian communications sphere



1. Direct – Experience & Activations
2. Industry Craft Art Direction
3. Topical Advertising – Experience & Activation



4. Radio & Audio – Doorbell McTune

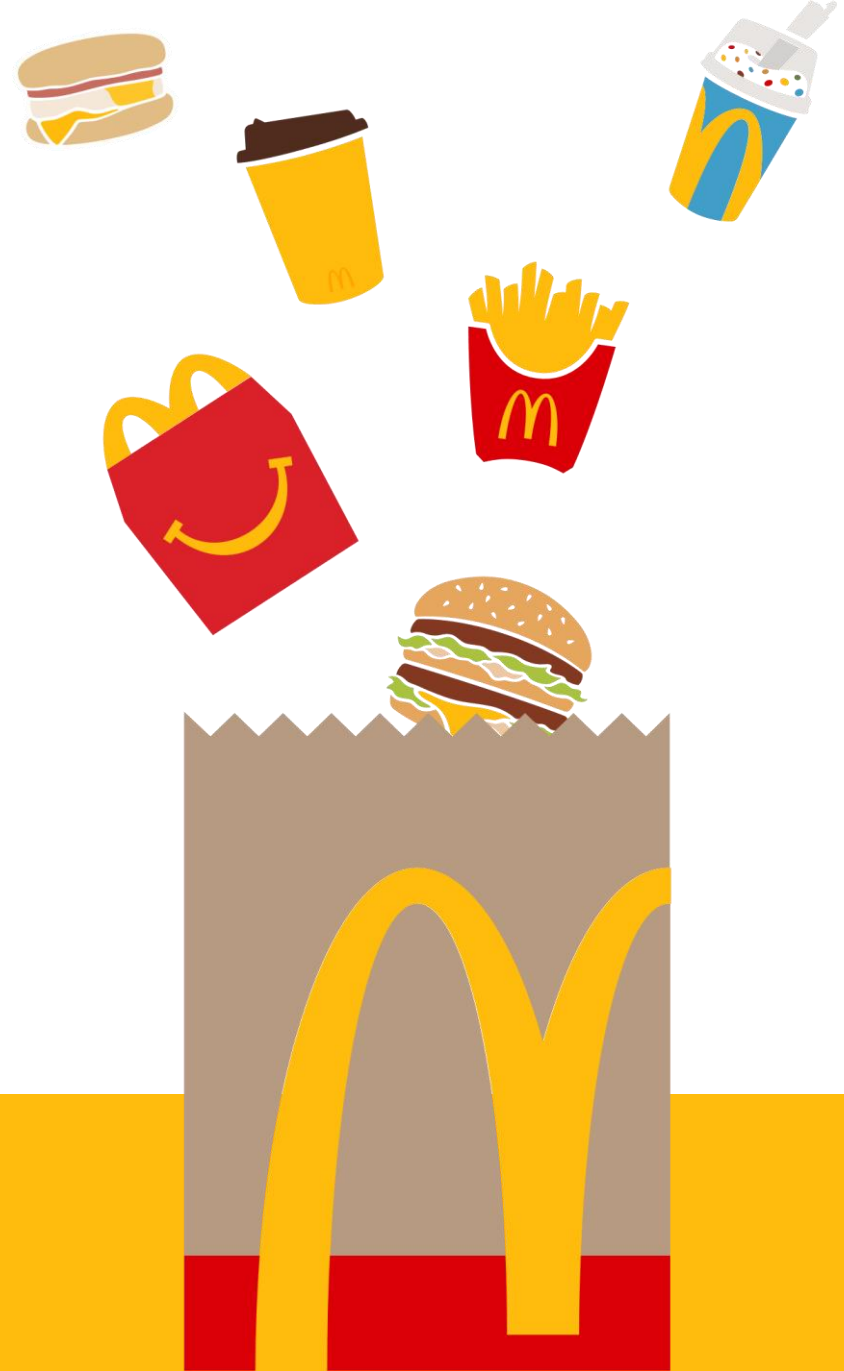
Feel Good Marketing Awards 2021

Eatqual is nominated in the category of **Brand Trust**



The Global Marketing award celebrates the best marketing communications and this year it had over 300 amazing entries from across the world, and Eatqual was shortlisted amongst the 44 finalists

Q1FY22 FINANCIALS



Q1FY22 at a Glance

Particulars (Rs in Mn)	Q1FY22	Margins %	Q1FY21	Margins %	YoY % Growth
SSSG%	182.9%		(54.0%)		
Sales	2,592		939		176.0%
Gross Profit	1,695	65.4%	533	56.8%	218.0%
ROM	255	9.8%	(246)	(26.2%)	203.6%
Op. EBITDA	51	2.0%	(422)	(44.9%)	112.1%
PBT (w/o Exc Item)	(446)	(17.2%)	(809)	(86.1%)	44.8%
PAT	(334)	(12.9%)	(605)	(64.5%)	44.9%
Cash Profits	(120)	-	(550)	-	78.2%

Note: * Financials are including adjustments of IND AS 116

Impact of IND AS 116

Particulars (Rs in Mn)	(A) Quarter ended June 30, 2021 (Adjusted)	(B) Changes due to Ind AS 116 increase / (decrease) **	(C) Quarter ended June 30, 2021 (Reported)	(D) Quarter ended June 30, 2020 (Adjusted)	(E) Changes due to Ind AS 116 increase / (decrease) **	(F) Quarter ended June 30, 2020 (Reported)	(A over D) YoY Growth (Adjusted)
Revenue	2,591.61		2,591.61	938.91		938.91	176.02%
Occupancy and other operating expenses	1,236.64	-178.13	1,058.51	639.14	-154.77	484.37	93.49%
Restaurant Operating Margin	76.85	178.13	254.98	-400.86	154.77	-246.09	119.17%
General and Administration Expenses	204.00	-	204.00	175.95	-	175.95	15.94%
Operating Earnings before interest, tax and depreciation and amortisation	-127.14	178.13	50.98	-576.81	154.77	-422.04	77.96%
Other Income	-38.55	-25.27	-63.82	-68.14	-113.84	-181.98	-43.43%
Assets written off for closure/ rebuild of restaurants	25.63	-	25.63				100.00%
Finance costs	35.42	167.79	203.21	41.03	174.39	215.42	-13.67%
Depreciation and amortisation expense	209.45	122.55	332.00	217.91	134.72	352.63	-3.88%
Loss before tax and exceptional items	-359.09	-86.95	-446.04	-768.21	-40.49	-808.70	53.26%
Exceptional Items	-	-	-	-	-	-	0.00%
Loss before tax	-359.09	-86.95	-446.04	-768.21	-40.49	-808.70	53.26%
Deferred tax	-90.24	-21.88	-112.13	-193.13	-10.18	-203.31	-53.27%
Income tax	-	-	-	-	-	-	0.00%
Loss after tax	-268.85	-65.06	-333.91	-575.08	-30.31	-605.39	53.25%
Other Comprehensive income (net of tax)	-0.52	-	-0.52	0.52	-	0.52	-198.88%
Total Comprehensive Income	-268.33	-65.06	-333.40	-575.61	-30.31	-605.92	53.38%

Reported ROM – 9.8%

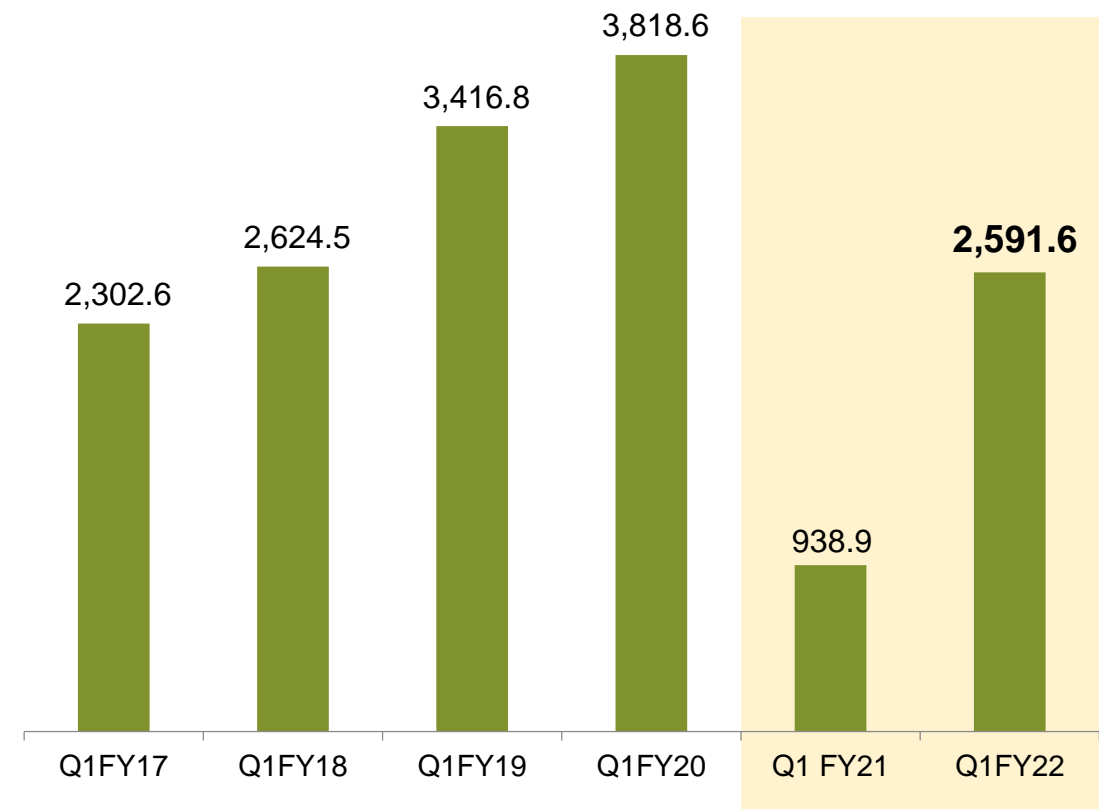
Reported Op EBITDA – 2.0%

Revenue Trajectory

INR Mn	Q1 FY22	Q1 FY21	YoY Gr %
Total Revenue	2,591.6	938.9	176.0%

- Quicker and Stronger recovery in Q1FY22 :
 - **Backed by accelerated performance of Convenience**, which grew +300% on YoY basis
 - **Q1FY22 sales are at ~75% of Q4FY21**, despite Wave 2 regulatory restrictions
 - **June'21 sales at ~88% of Q4FY21 average monthly sales**

Total Revenue



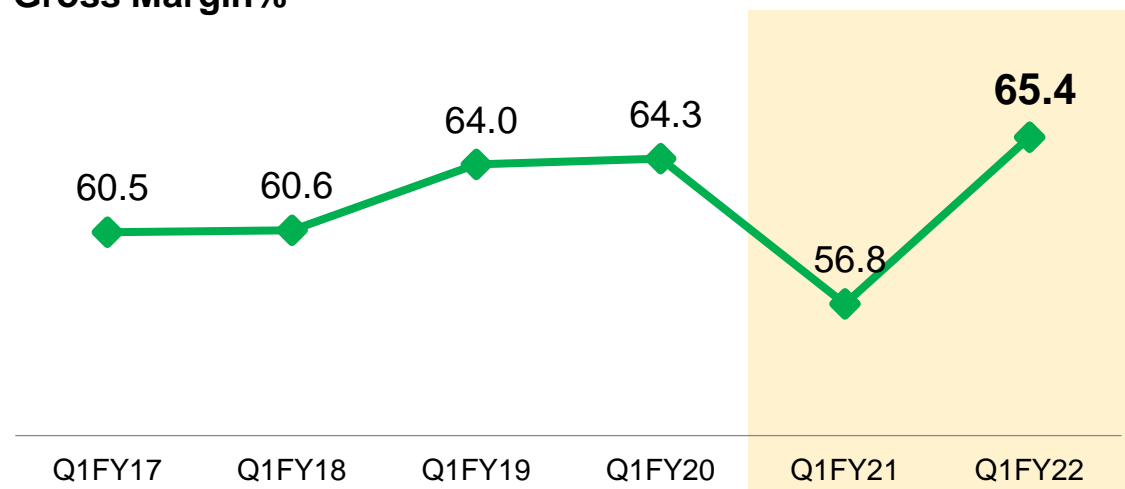
Note: Q1FY21 & Q1FY22 numbers are including adjustments of IND AS 116

Gross Margins & ROM Recovery

INR Mn	Q1 FY22	Q1 FY21	YoY Gr %
Gross Margins	1,695.3	533.2	218.0%
% of Total Revenue	65.4%	56.8%	863 bps

Gross margin continued strong performance backed by robust recovery; mix and cost leadership

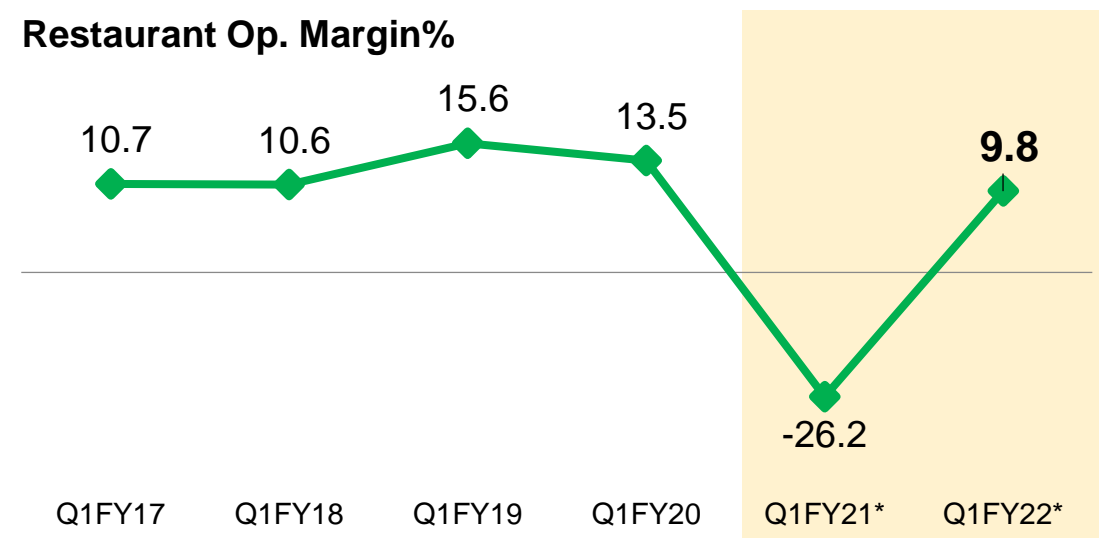
Gross Margin%



INR Mn	Q1 FY22	Q1 FY21
RoM	255.0	(246.1)
% of Total Revenue	9.8%	(26.2%)

Despite pressure on volumes, 9.8% ROM for the Qtr driven by strong gross margin performance, operating cost optimization and cost leadership initiatives

Restaurant Op. Margin%



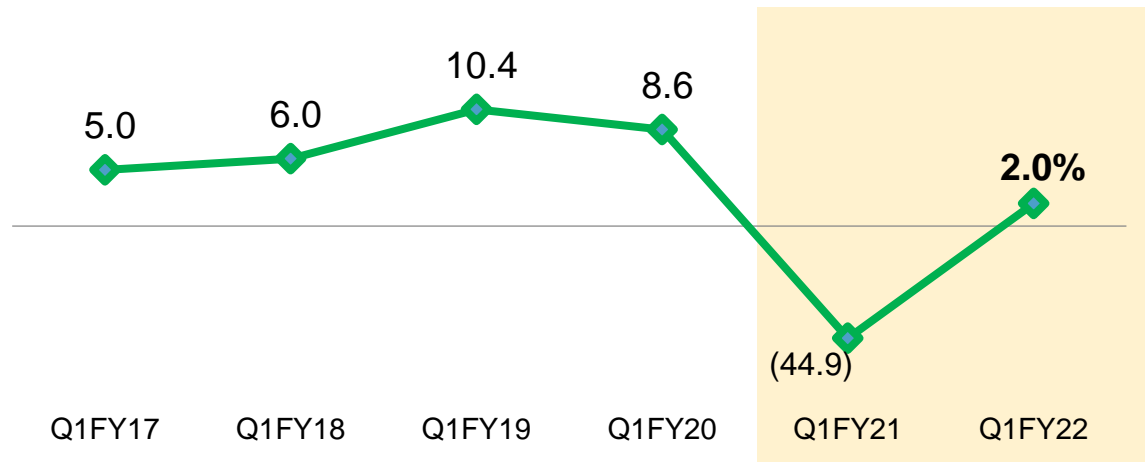
Note: * Q1FY21 & Q1FY22 numbers are including adjustments of IND AS 116

Profitability

INR Mn	Q1 FY22	Q1 FY21
Op. EBITDA	51.0	(422.0)
% of Total Revenue	2.0%	(44.9%)

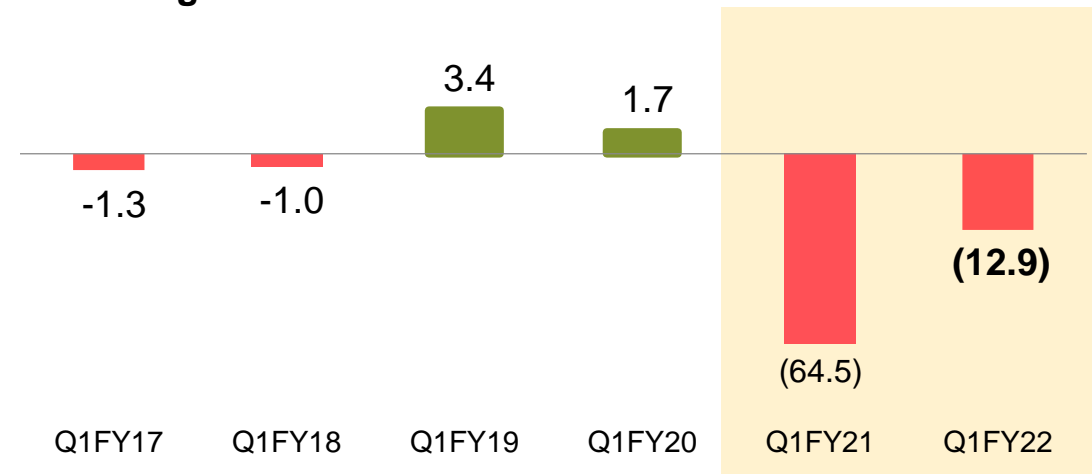
Positive EBITDA in June'21 limited further downside of margins for the Qtr which stood at 2.0%

Op. EBITDA Margin%



INR Mn	Q1 FY22	Q1 FY21
PAT	(333.8)	(605.4)
% of Total Revenue	(12.9%)	(64.5%)

PAT Margin%



Note: 1) Financial numbers are excluding adjustments arising out of IND AS 116; 2) Charts are not as per scale

Recap – Key Focus Areas & Growth Levers

Moving from Defence to Building Confidence



Menu
Innovation &
Product
Leadership

Network
Expansion &
Reimaging

Omni Channel
& Digital
Acceleration

Cost leadership
and Margins
Expansion



Thank you

IR Contact

For additional information:

Devanshi Dhruva | Investor Relations

(+91 22) 4913 5306

devanshi.dhruva@mcdonaldsindia.com