

# **Westlife Development Ltd.**

Hardcastle Restaurants Pvt. Ltd.

Q2 FY22 Earnings Presentation

Oct 28, 2021



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# New stronger normal established, heading towards accelerated H2

## Key Highlights

- **SSSG at 83.7% YoY**
- **84% YoY growth** with sales at Rs 3854 mn
- **Sep'21 recovery at 103% vs Sep'19**, despite regulatory headwinds



- Accelerated growth in **Convenience<sup>2</sup>**, grew **+77% YoY**
  - Robust performance of **Delivery – 107% YoY growth; 9% sequential growth**
- **Dine in sales witnessed strong growth of 93% YoY**
- **Opened 5 new restaurants** during the quarter; **6 stores under ground break – back on growth path to open 25-30 stores in FY22**
  - Reinvestments and reimaging of stores with **8 EoTF & 6 McCafes** added during the quarter
- **McSpicy Fried Chicken** trending towards achieving incremental sales of **Rs 50 lacs / store annually**

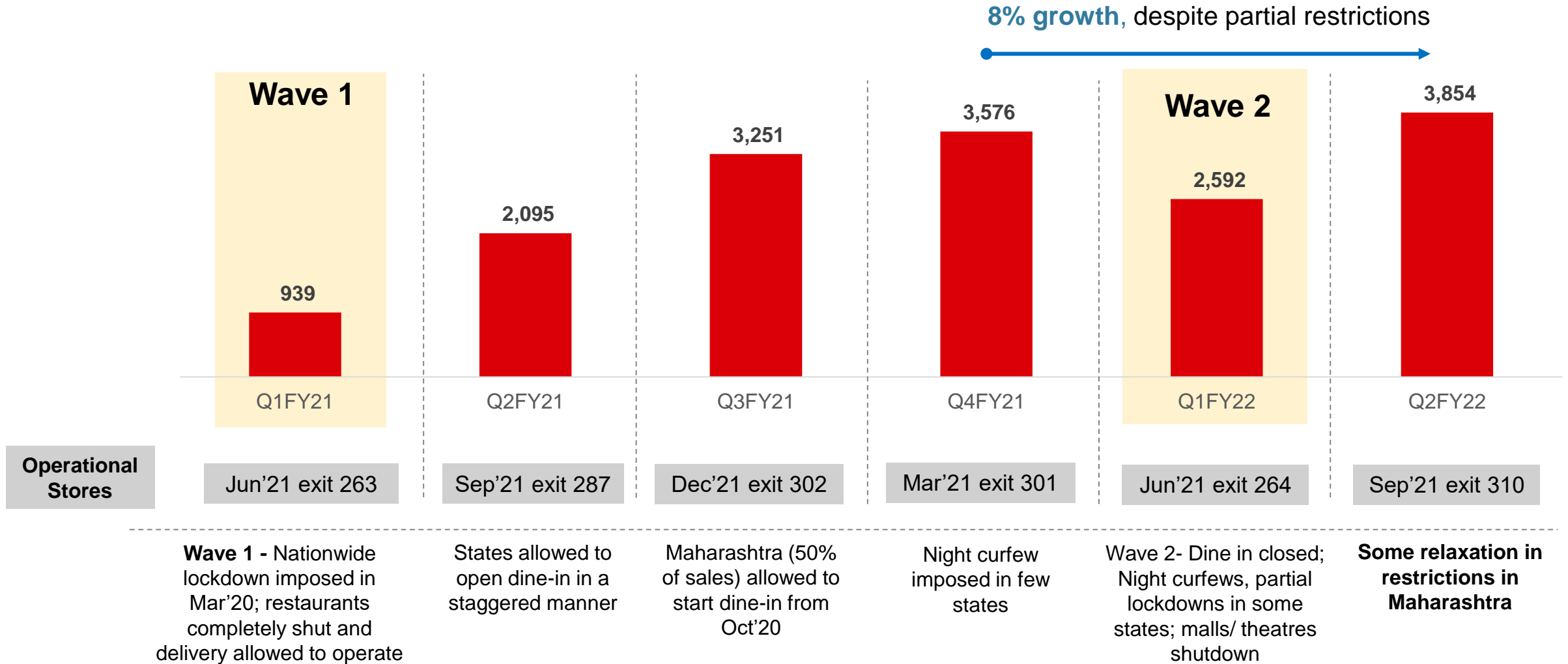


- **Gross margins at 64.7%, improvement of 121 bps YoY & 87.5% YoY growth**
- **685 bps YoY jump in ROM at 17.4% (203.5% YoY growth)**
- **11x YoY jump in Op. EBITDA** from Rs 42 mn to a **profit of Rs 457 mn [11.9% Op EBITDA Margin]**
- Committed Capex investment for Stores Expansion



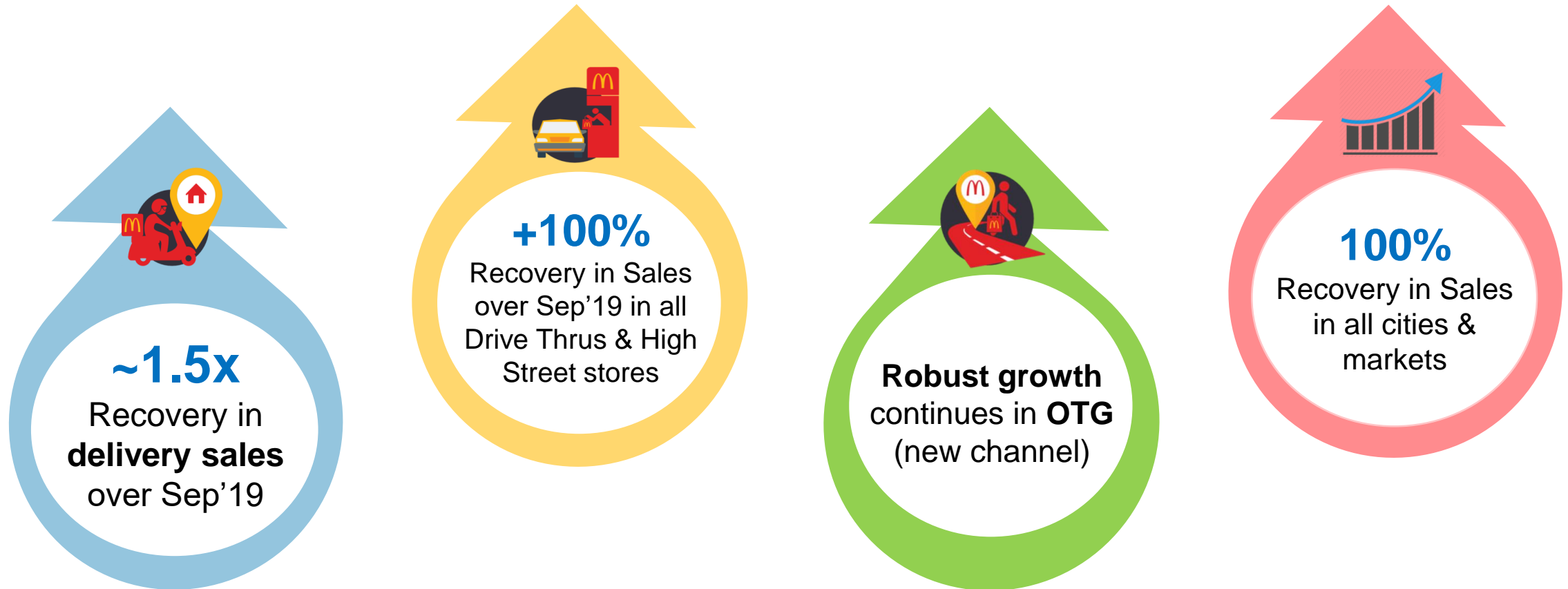
Note: 1) Q2FY22 numbers are reported numbers including adjustments arising out of IND AS 116 impact; 2) Convenience Platform includes MDS, OTG & Drive Thrus

# ~50% growth QoQ, despite partial restrictions



# New Stronger Normal – 103% sales recovery vs Sep'19

## Sept'21 Highlights

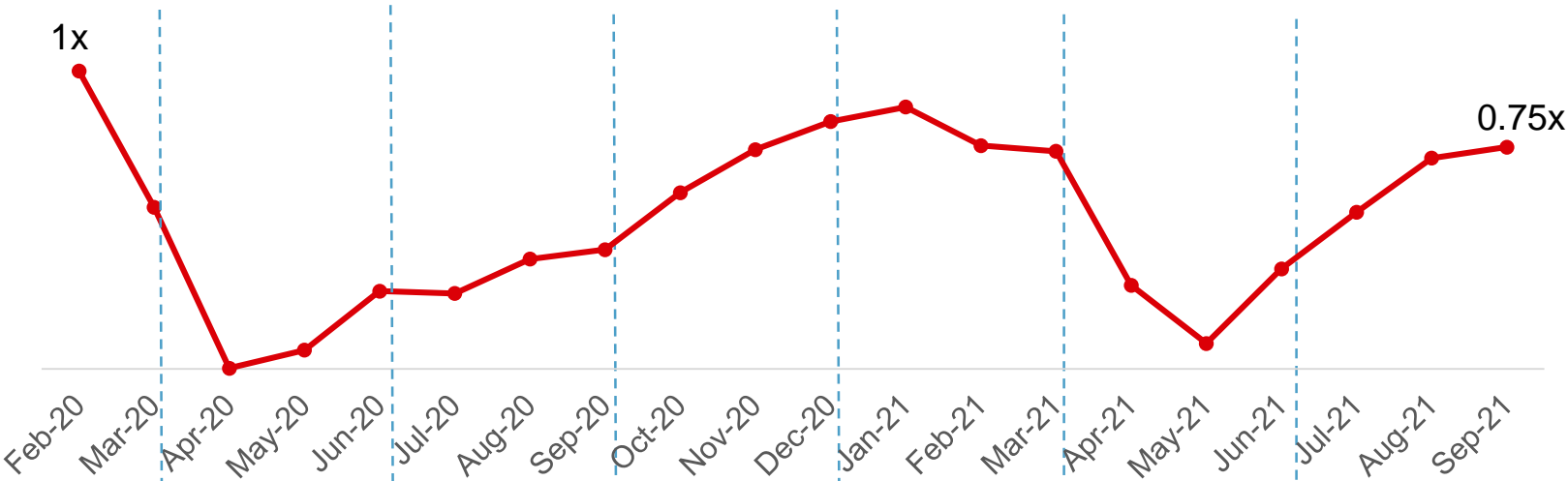


**Exponential business growth = Accelerated Convenience + Strong Dine in recovery**

# Strong recovery in Dine-in

## Sep'21 sales at 186% of Sep'20 sales, despite certain restrictions

Quicker Recovery in Dine In

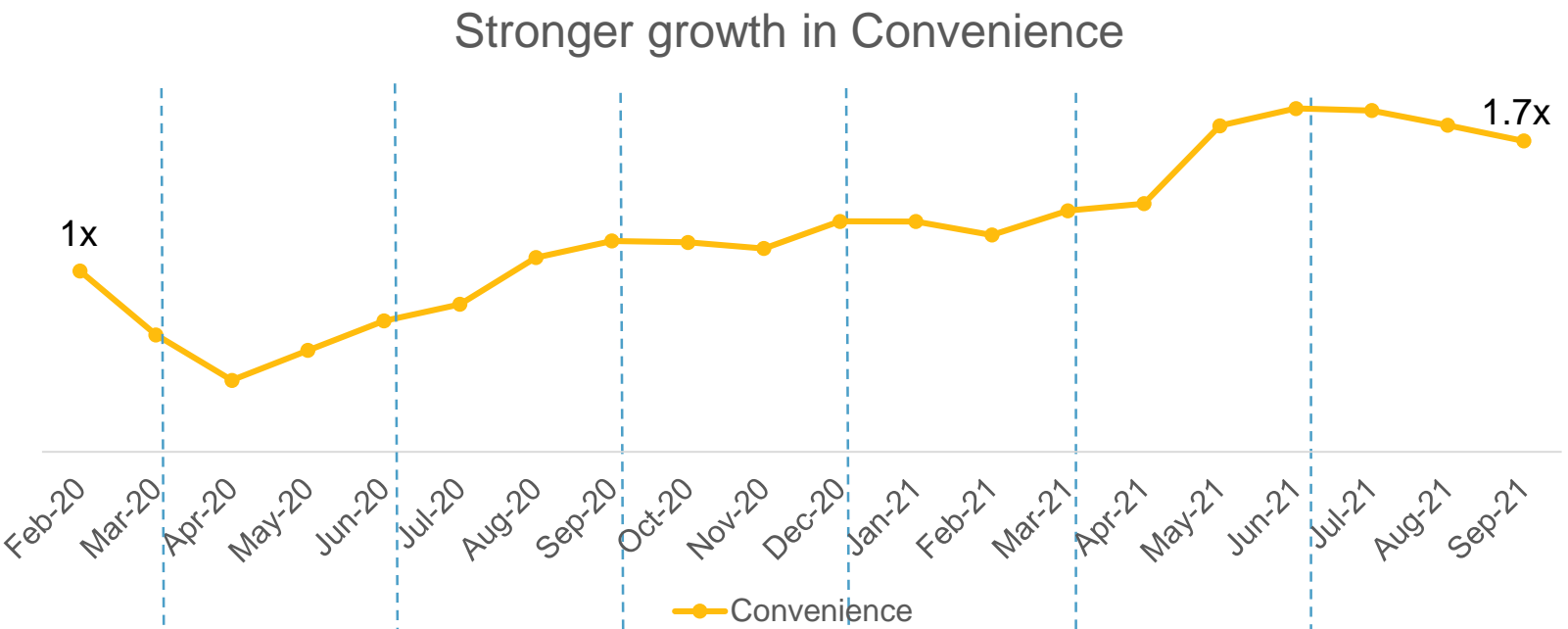


- Q2 Dine-in sales at 60-65% of Q2FY20 and 80 - 85% of Q4FY21 levels
- As expected, faster and stronger recovery in dine-in post 2<sup>nd</sup> wave vis a vis 1<sup>st</sup> wave

YoY Recovery						
Dine In	10-15%	30-35%	60 - 65%	85-90%	210-215%	190 - 195%
Total Sales	25-30%	50-55%	75 - 80%	105-110%	275-280%	180-185%

# Continued Acceleration in Convenience; despite dine-in recovering

Sep'21 sales are ~150% of Sep'20 sales



- ~70% growth in Convenience sales over Q2FY20
- Convenience channels are growing at a faster and stronger pace. This growth is here to stay.
- Post normalization we believe both dine in and convenience together will be pegged for exponential growth

YoY Recovery						
Convenience	60-65%	90-95%	105 - 110%	140-145%	300-305%	175-180%
Total Sales	25-30%	50-55%	75 - 80%	105-110%	275-280%	180-185%



# Update on Key Focus Areas

## Accelerated Growth



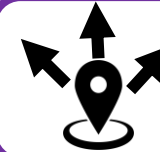
### Menu Innovation & Product Leadership

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



### Omni Channel & Digital Acceleration

- ✓ Delivery
- ✓ Accelerating other convenience channels
- ✓ Digital Marketing Initiatives
- ✓ Stronger partnerships with e-commerce players
- ✓ Accelerating app downloads



### Network Expansion & Reimagining

- ✓ 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



# Chicken Leadership

## Update on one of the Star Product



Establishing monthly run rate towards  
**achieving our annual sales target of Rs  
50 lacs/ store** incremental from  
McSpicy Fried Chicken



Aggressive TV promotions  
with **Rashmika Mandanna**

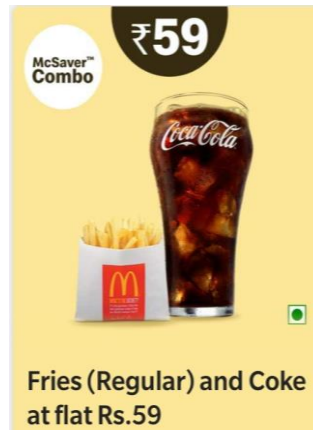
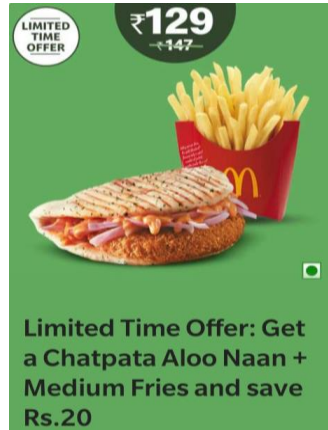


Product differentiation established  
in customers' mind of  
**'Spicy to the Last Bite'**

# Burger Leadership

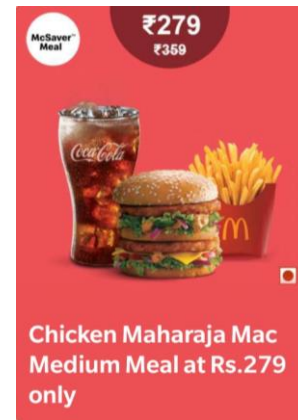
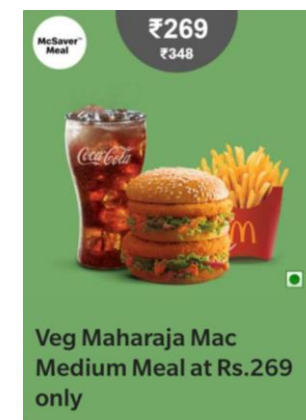
To become the Go To Burger destination by providing relevant great tasting burgers at great value

## 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 than 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



# Q2FY22 New Product Launches



**McCafe**

**THE HERBAL BREW**  
COLLECTION

Tastes good, naturally.

**NEW**  
MASALA KADAK CHAI  
₹99

**NEW**  
TURMERIC LATTE  
₹140

**Turmeric**

- Helps provide relief from cough & cold
- Helps sore throat
- Aids in improved blood circulation

**Black Pepper**

- Detoxifies your body
- Anti-inflammatory properties
- Promotes gut health

**Ginger**

- Fights infection
- Helps in settling upset stomach
- Combats inflammation

Images shown are representational. All prices are inclusive of GST. Cess (wherever applicable) shall be charged extra. Available across select McDonald's™ stores in West and South India. Turmeric latte contains 0.35 gm turmeric & 0.05 gm ginger per serving of 150ml. Masala kadak chai contains 0.34 gm black pepper, 0.03 gm ginger and 0.02 gm turmeric per serving of 150 ml. ©2021 McDonald's®

**McCafe – Masala Kadak Chai & Turmeric Latte**



**McBreakfast**  
Exclusive Menu from 7am-12pm

Make way for your  
**New Breakfast Favourites!**

Double Cheese McMuffin

Spicy Egg McMuffin

**Breakfast – Double Cheese McMuffin & Spicy Egg McMuffin**

# Omni Channel & Digital Acceleration

- ✓ Delivery
- ✓ Accelerating other convenience channels
- ✓ Digital Marketing Initiatives
- ✓ Stronger partnerships with e-commerce players
- ✓ Accelerating app downloads



# Accelerating convenience channels

Effectiveness of Convenience Channels through digital & brand leadership

Q2FY22 – **77%** YoY growth in Convenience platform; **7%** sequential growth



**MDS sales grew  
55% over  
Q2FY20**



**Continued  
acceleration in  
On The Go**



**Drive Thru sales  
grew 126%  
over Q2FY20**

# Digital Marketing Initiatives



Independence  
Day Offers



IPL Matchday  
Combos



Rakshabandhan  
Special

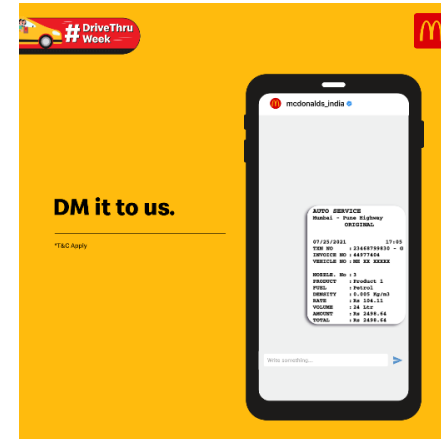




# Digital Marketing Initiatives



## Drive Thru Promotions



## Launched McDonald's Value Club Card & McCafé Coffee Card

# Achieved ~13 mn total downloads on GMAL & McDelivery App



**Q2FY22 total guest count on our app grew 33% YoY**

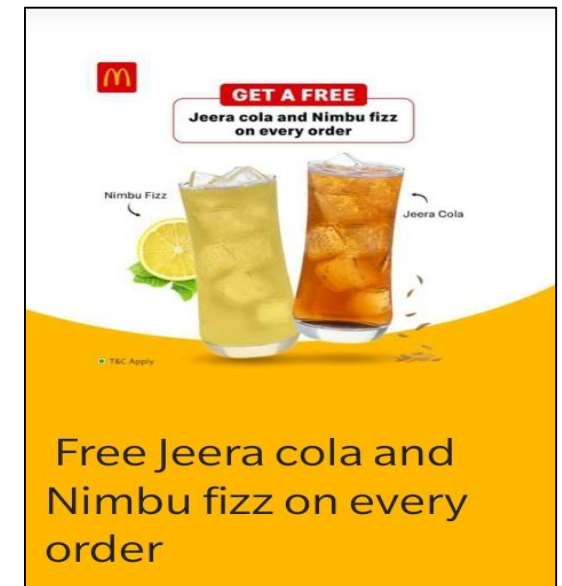


**Active users increased 18% YoY**

**Total downloads, increased 48% YoY**



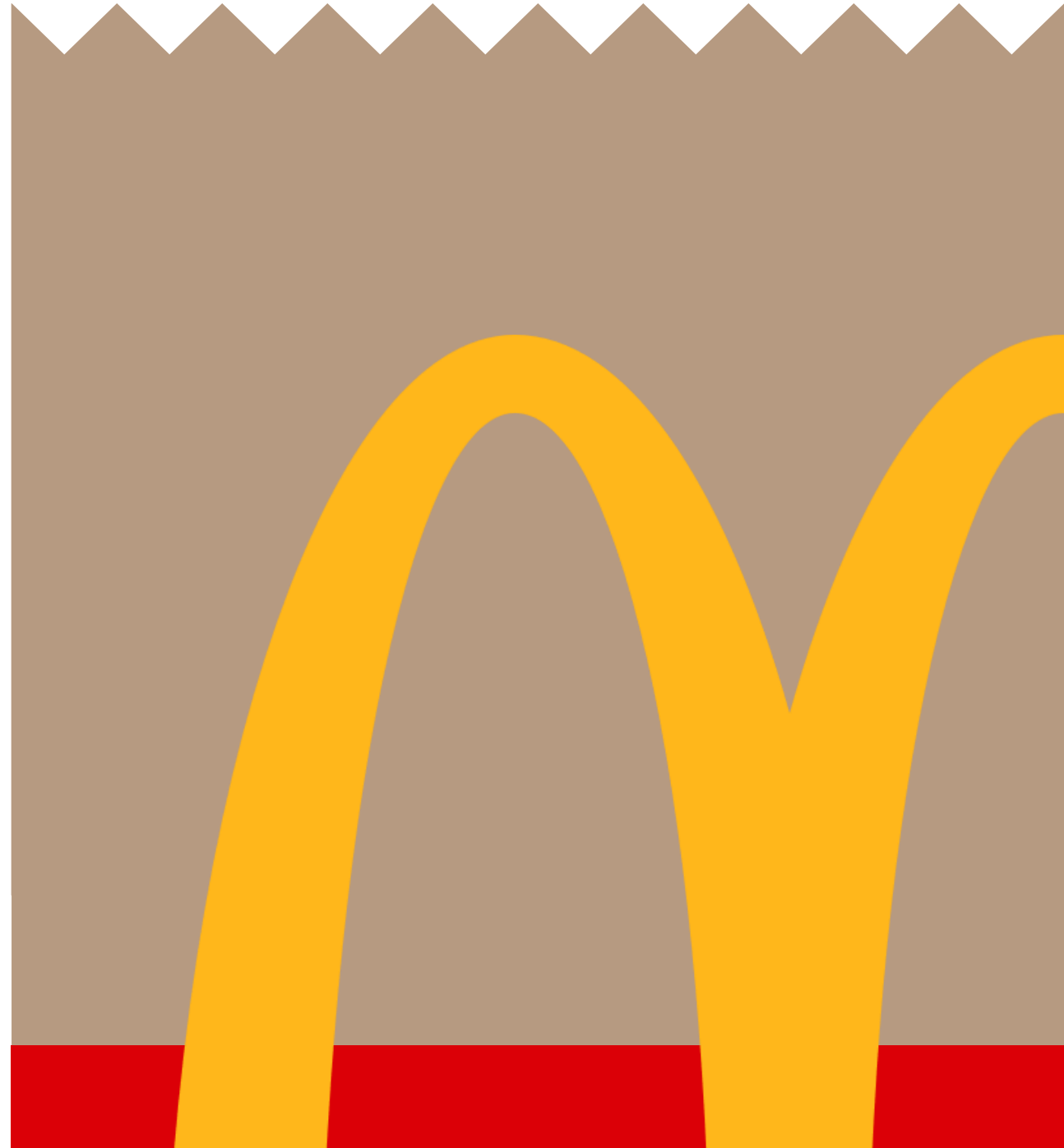
**Average check on GMAL app improved ~5% YoY**



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 310 restaurants across 43 cities (as of Sep, 2021)

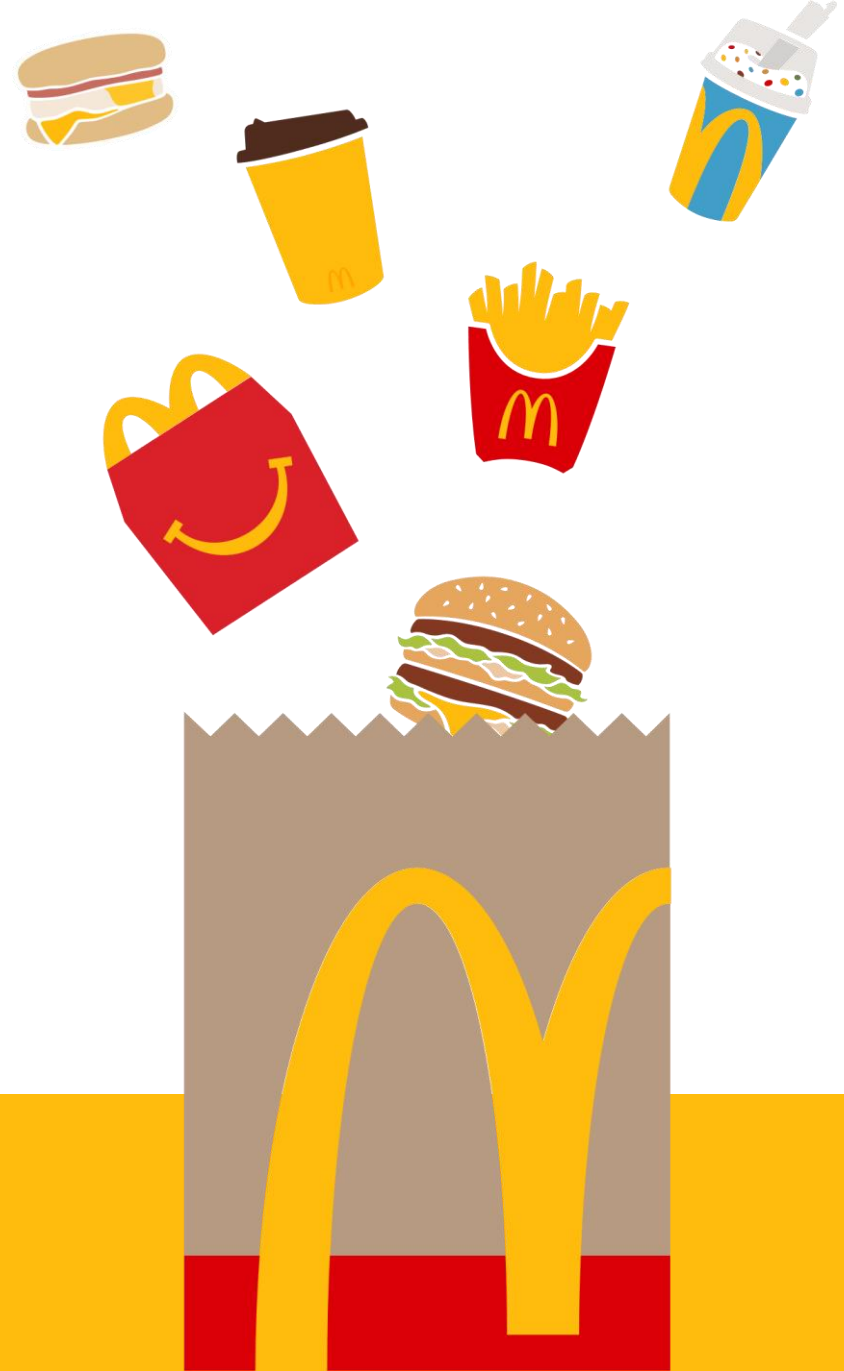


- Added 5 stores during Q2FY22 and 6 stores under ground break
- Re-investing and re-imaging – Added 6 McCafes and 8 EoTF stores during the quarter
- Strengthening presence in smaller and emerging cities

**Back on growth path to open 25-30 stores in FY22**



# Q2FY22 FINANCIALS



# Q2FY22 at a Glance

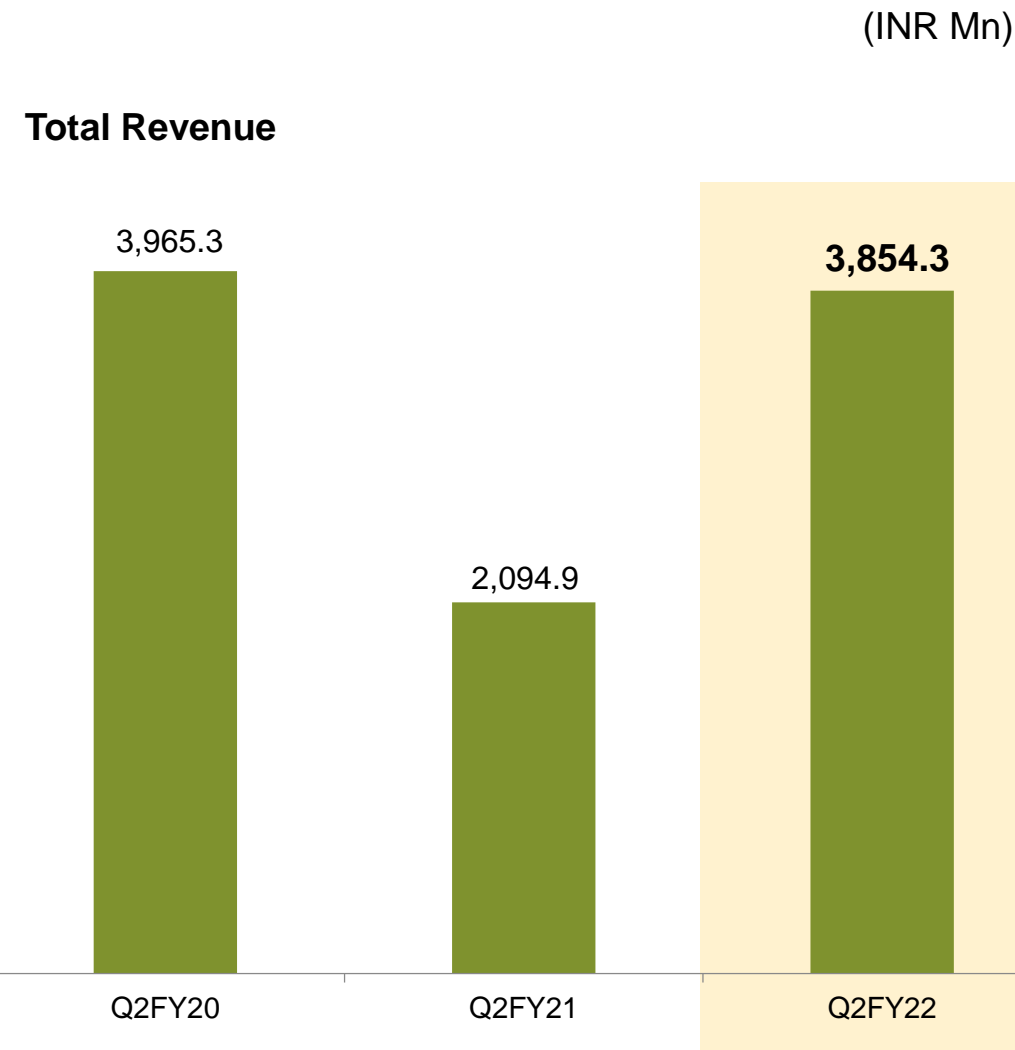
Particulars (Rs in Mn)	Q2FY22	Margins %	Q2FY21	Margins %	YoY % Growth
SSSG%	83.7%		(41.0%)		
Sales	3,854		2,095		84.0%
<b>Gross Profit</b>	<b>2,495</b>	<b>64.7%</b>	<b>1,331</b>	<b>63.5%</b>	<b>87.7%</b>
<b>ROM</b>	<b>671</b>	<b>17.4%</b>	<b>221</b>	<b>10.6%</b>	<b>203.5%</b>
<b>Op. EBITDA</b>	<b>457</b>	<b>11.9%</b>	<b>42</b>	<b>2.0%</b>	<b>994.0%</b>
PBT (w/o Exc Item)	(59)	(1.5%)	(435)	(20.8%)	-
PAT	(44)	(1.1%)	(325)	(15.5%)	-
<b>Cash Profits</b>	<b>262</b>	<b>-</b>	<b>(93)</b>	<b>-</b>	<b>-</b>

Note: \* Financials are reported numbers including adjustments of IND AS 116

# Revenue Trajectory

INR Mn	Q2 FY22	Q2 FY21	YoY Gr %
Total Revenue	3,854.3	2,094.9	84.0%

- Quicker and stronger recovery in Q2FY22 :
  - Growth led by quicker bounce back in **dine-in (93% YoY growth)** and accelerated performance of **Convenience (77% YoY growth)**
  - **Q2FY22 sales almost full recovered vis a vis Q2FY20**, despite night curfew in Maharashtra and some regulatory restrictions in few states
  - **Sep'21 sales at ~112% of Q4FY21** average monthly sales; despite certain regulatory restrictions

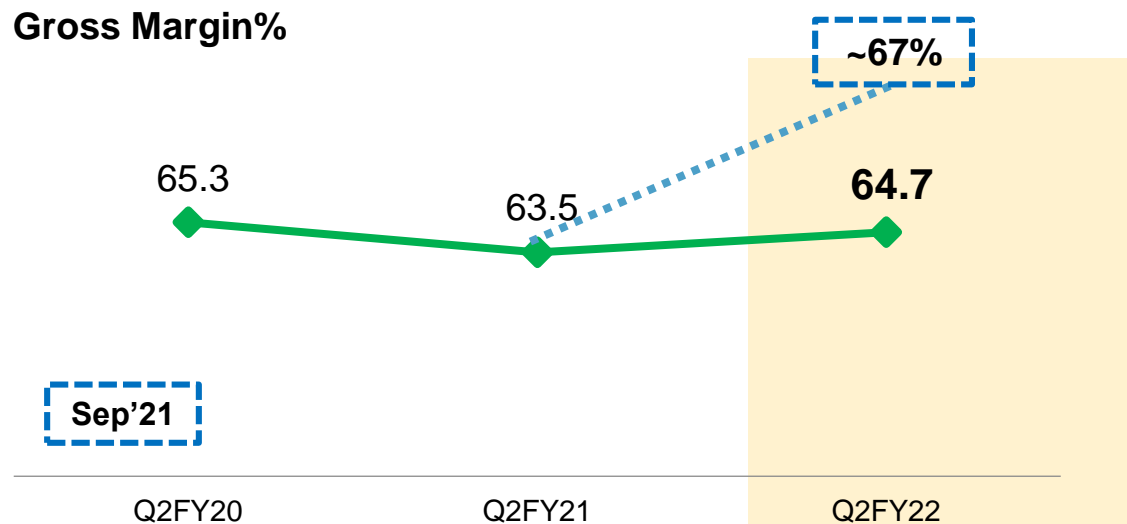


# Gross Margins & ROM Recovery

INR Mn	Q2 FY22	Q2 FY21	YoY Gr %
<b>Gross Margins</b>	2,494.7	1,330.7	87.5%
% of Total Revenue	64.7%	63.5%	121 bps

**Gross margin continued strong performance** despite inflationary trends in certain commodities, **on back of** robust sales growth; mix and cost leadership

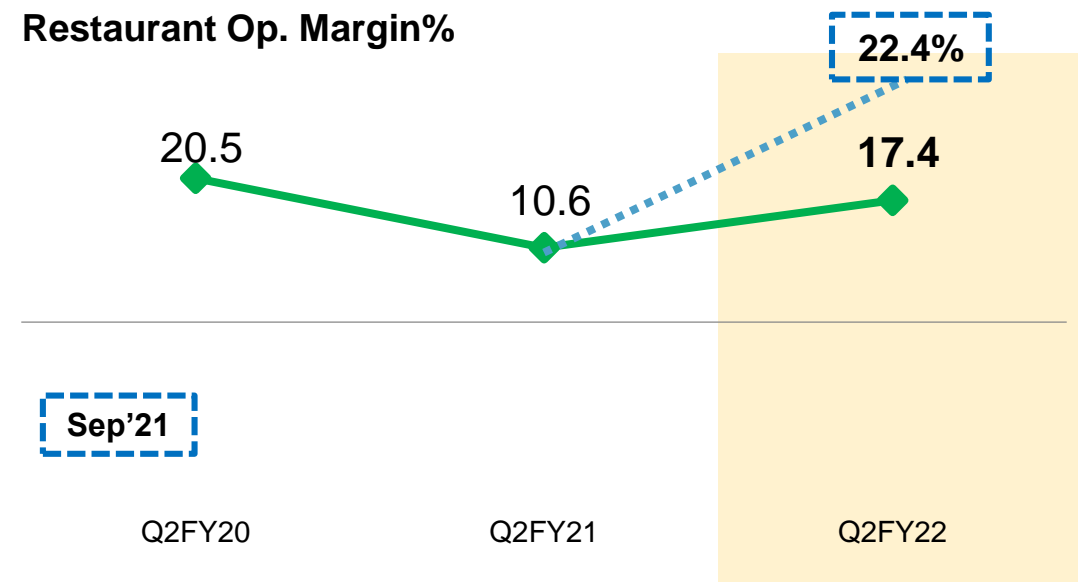
## Gross Margin%



INR Mn	Q2 FY22	Q2 FY21	YoY Gr %
<b>RoM</b>	670.9	221.0	203.5%
% of Total Revenue	17.4%	10.6%	685 bps

Significant YoY jump in ROM to 17.4% for the Qtr driven by strong gross margin performance, operating cost optimization and cost leadership initiatives

## Restaurant Op. Margin%



Note: Financial numbers are reported numbers including adjustments of IND AS 116

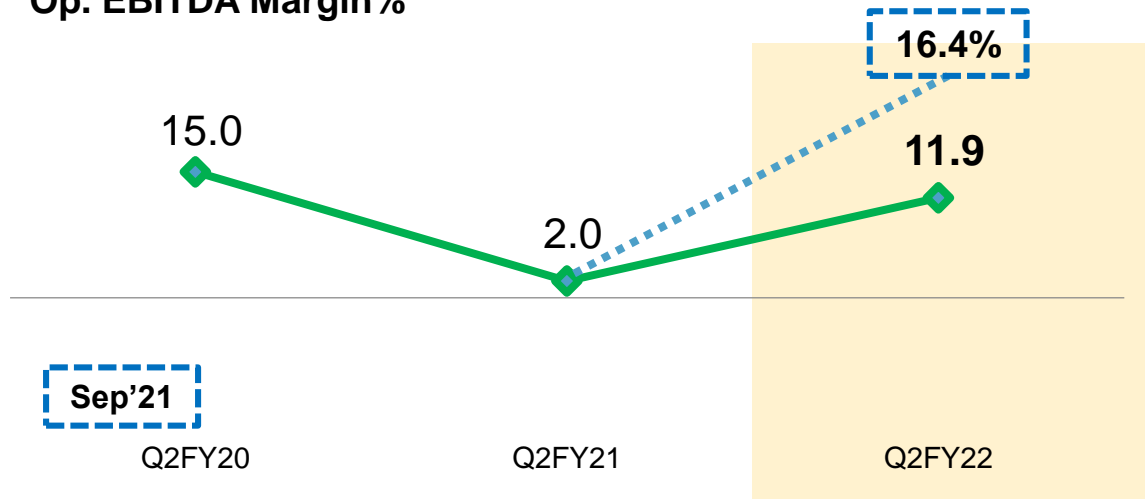


# Profitability

INR Mn	Q2 FY22	Q2 FY21
<b>Op. EBITDA</b>	457.4	41.8
% of Total Revenue	11.9%	2.0%

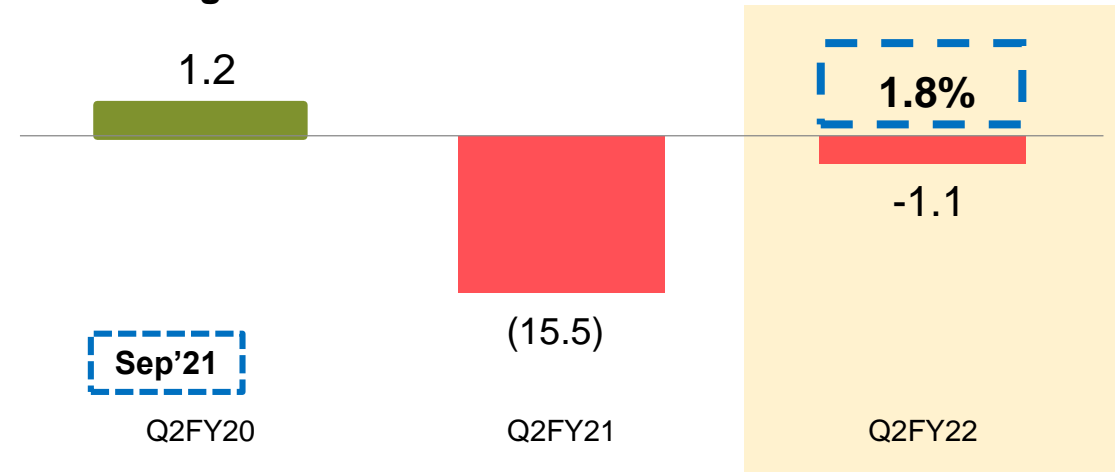
Strong YoY improvement in EBITDA on back of cost efficiencies in Utilities and M&R boosted margins for the Qtr which stood at 11.9%

## Op. EBITDA Margin%



INR Mn	Q2 FY22	Q2 FY21
<b>PAT</b>	(44.2)	(325.4)
% of Total Revenue	(1.1%)	(15.5%)

## PAT Margin%



Note: Financial numbers are reported numbers including adjustments of IND AS 116; 2) Charts are not as per scale

# Recap – Key Focus Areas & Growth Levers

Moving from Defence to Building Confidence

## Increasing AUV

Menu  
Innovation &  
Product  
Leadership

Omni Channel  
& Digital  
Acceleration

## Increasing Penetration & Improving Margins

Network  
Expansion &  
Reimaging

Cost leadership  
and Margins  
Expansion



# Thank you

## **IR Contact**

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# Annexure

Particulars (Rs in Mn)	(A) Quarter ended Sept 30, 2021 (Adjusted)	(B) Changes due to Ind AS 116 increase / (decrease) **	(C) Quarter ended Sept 30, 2021 (Reported)	(D) Quarter ended Sept 30, 2020 (Adjusted)	(E) Changes due to Ind AS 116 increase / (decrease) **	(F) Quarter ended Sept 30, 2020 (Reported)	(A over D) YoY Growth (Adjusted)
Revenue	3,854.26		3,854.26	2,094.92		2,094.92	83.98%
Occupancy and other operating expenses	1,473.54	-182.87	1,290.67	876.61	-144.02	732.59	68.10%
Restaurant Operating Margin	487.99	182.87	670.86	77.02	144.02	221.03	633.42%
General and Administration Expenses	213.43	-	213.43	179.22	-	179.22	19.09%
Operating Earnings before interest, tax and depreciation and amortisation	274.57	182.87	457.43	-102.20	144.02	41.81	443.84%
Other Income	-32.48	-6.88	-39.36	-57.69	-88.48	-146.17	-43.69%
Assets written off for closure / rebuild of restaurants	12.96	-	12.96				100.00%
Finance costs	32.26	172.10	204.36	47.36	169.31	216.67	-31.88%
Depreciation and amortisation expense	209.86	128.29	338.15	220.01	131.42	351.43	-4.61%
Loss before tax and exceptional items	51.97	-110.64	-58.67	-366.46	-68.23	-434.69	114.18%
Exceptional Items	-	-	-	-	-	-	0.00%
Loss before tax	51.97	-110.64	-58.66	-366.46	-68.23	-434.69	114.18%
Deferred tax	13.34	-27.85	-14.51	-92.12	-17.15	-109.28	-114.48%
Income tax	-	-	-	-	-	-	0.00%
Loss after tax	38.64	-82.79	-44.16	-274.33	-51.08	-325.41	114.08%
Other Comprehensive income (net of tax)	10.21	-	10.21	0.93	-	0.93	1002.13%
Total Comprehensive Income	28.43	-82.79	-54.36	-275.26	-51.08	-326.34	110.33%

\*\* adjustments arising out of Ind AS 116

Reported ROM – 17.4%

Reported Op EBITDA – 11.9%