

Westlife Development Ltd- Update on COVID-19 impact to our business, and the way forward

(Westlife Development Limited, herein referred to as 'the Company' or 'WDL' or 'we' or 'us')

As you are all aware, the COVID-19 pandemic has brought economies, businesses and lives around the world to a standstill, and our country is no exception. In view of potentially delayed release of our Q4FY20 and FY20 results, we are sharing a brief business update. We uphold the highest standards of transparency and governance, and thus, in the best interest of all our stakeholders, we are sharing this business update.

Impact on our business

The Company has delivered strong financial growth quarter after quarter during the pre Covid-19 period in FY20. We entered CY2020 in a strong position with our January and February SSSG at 12.3%. However, India started witnessing growing spread of COVID-19 starting March, and as a result, the business started feeling the heat. Sales began to markedly decline due to blanket restaurant closures done as a result of lockdowns announced by the State and the Central Governments. Despite witnessing this black swan event in March, the Company delivered a robust FY20 performance. We opened 24 new restaurants during the year. Additionally, 5 new restaurants were ready, but not operationalised at the time due to mandatory lockdown.

Delivered strong quarter after quarter performance in pre Covid-19 period of FY20

Particulars	Q1FY20	Q2FY20	Q3FY20	Jan – Feb'20 (2 months)	YTD Feb'20 (11 months)
SSSG	6.7%	7.0%	9.2%	12.3%	8.3%
Sales Growth YoY%	11.8%	13.3%	16.8%	20.3%	15.1%

Financial Performance (including Covid-19 impact)

Particulars	FY20	Q4FY20
SSSG	4.01%	(6.9%)
Sales Growth YoY%	10.3%	(1.5%)

Note: FY20 and Q4FY20 numbers as also the other numbers from Jan'20 onwards, are all unaudited

Our response to the crisis

While this disruption means our business is faced with immediate challenges, we believe our agility has positioned us strongly to adapt and continue to serve customers. We entered this crisis with a robust balance sheet and business foundation. The company also has strong cash reserves, with Rs. 156 cr of investments in various Mutual Funds and other instruments that can be converted to cash, at short notice. Additionally, the Company has more than Rs 225 Crs of free debt lines available. We believe we have the firepower to navigate the crisis and hope to emerge stronger from this situation. Here are some of the initiatives we are undertaking.

Taking global learnings

There are some Asian markets that are ahead of us in the COVID-19 curve and are closer to a cycle of recovery. We are constantly taking learnings from these markets and studying the evolving consumer behaviour in what may be the new normal. We are proactively

incorporating these learning in our plans as we gear up for to serve our customers in the post COVID-19 world.

Serving our customers through Contact-less delivery (maintaining social distancing)

We have already launched innovative solutions such as contact-less delivery to be able to serve our customers safe and hygienic food through 100+ McDelivery hubs and expect to add more stores gradually. Our diversified portfolio of real estate (drive thrus, high street, malls and food-courts) has enabled us to service our customers extensively, across all parts of various cities. We are creating more awareness about contactless delivery and all the safety and hygiene practices we are deploying to ensure the safety of our customers and employees. We are ready to expand this to other channels such as store pick-up and on-the-go, as the lock-down starts easing out.

Unwavering focus on safety and hygiene

The Company has further heightened its world-class safety and hygiene practices across all operational restaurants. We are ensuring that all those working at the restaurants have the necessary protective gears, are observing social distancing and that the restaurant is frequently sanitised. We have also disabled all bio-metric attendance systems across all restaurants.

A robust supply chain

We are pleased to state that even during this challenging time, **we have had no interruptions in supply for any food, packaging, toys or equipment.** Our quality checks have always been top notch and have in fact been raised a level up to maintain our superior level of hygiene. We have adopted stringent scanning methods for all suppliers and we ensure that all suppliers continue to have food safety management systems at their plants. We are working closely with our suppliers to ensure that we have continuous supply of safe and fresh ingredients to ensure business continuity.

Strong community outreach

As a result of the pandemic and the consequent lock-down, there are many local communities which are struggling, economically and otherwise. We are proud to share that to help our local communities in our small way, we have reached out to over 10,000 frontline workers, daily wagers and slum-dwellers, and delivered to them safe and hygienic McDonald's meals in a contact-less manner. We are immensely proud of how all our crew have rallied in support of our people, customers and communities. We are also tying up with many NGOs and corporates to further increase our community outreach and impact.

Our way-forward

The current situation is very unpredictable and evolving daily. These truly are unprecedented time. However, we continue to operate with a long-term mind-set. We are confident of our resilience, but we are not complacent. So while it is difficult to anticipate what a post Covid-19 world will look like, we are taking definitive steps to preserve our financial strength so we are well-prepared for the challenges ahead.

- **Rationalising costs** – We are taking a disciplined approach to all decision-making, including reviewing all investments and reducing expenditures, wherever possible. For

example, our long-term rental agreements, variable rent as a percentage of sales deal etc will help us rationalise rental costs, wherever feasible. Similarly, we are looking at the entire business cost structure to rationalise cost not just for now, but for the long term as well.

- **Curtailling discretionary expenses** - We are working on managing all the costs and reducing expenses that are not critical for business continuity currently.
- **Reviewing capital expenditures** – Once the lockdown is lifted, we will focus on projects that were underway and were halted due to the lockdown. We will continue calibrated re-investment in and re-imaging of some of the restaurants. While we have strong cash reserves, conservation of cash remains our biggest priority right now. Hence, we will reduce our store expansion guidance for FY21, but it is difficult to provide an exact guidance on the same as the situation is evolving daily, and we will update you once we have more clarity.
- **Other Q4FY20 Items** - The Company expects cost impacts such as write offs, wastage, G&A etc to be included in Q4FY20

The world is going through a historic event, with profound consequences for McDonald's, for the restaurant industry and for humanity at large. We're learning more about this situation by the day, and over the coming weeks and months, we'll better understand the enduring consequences it presents. While we're not sure what a post COVID-19 world looks like yet, one thing we do know for certain is that we will keep innovating to elevate the experience of our customers and our crew. Against that backdrop, our purpose remains unwavering: to feed and foster communities.