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# Westlife Development Ltd. Hardcastle Restaurants Pvt. Ltd.

## Q1 FY2015 Earnings Update August 1, 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.

# Strategic Pillars – 4 Quadrants

## Broadening Accessibility

1. Growing the restaurant footprint
2. Business unit economics

## Growing Baseline Sales

1. Value
2. Menu
3. Brand extensions

Levers for  
growth

## Margin Expansion

1. Gross Margin
2. Operating Leverage

## Growth through People

1. Training, learning & development



# Q1 FY2015 Results & Highlights

- ✓ **Restaurant Expansion**
  - System-wide restaurants at 189; gross addition of 29 new restaurants Y-o-Y to drive long-term growth; Q1 addition at 5
  - Drive-thru (DT) portfolio continues to expand
- ✓ **Revenues**
  - Economic slowdown amid high inflation impact consumer spending
  - Comparable sales down to -9.0% compared to 0.5% in Q1 FY14
- ✓ **Brand extensions continue to grow**
  - McCafé
  - McDelivery – online and mobile application
- ✓ **Gross Margins expanded by ~175 bps Y-o-Y**
  - Focus on reduction in food, paper & distribution costs
  - Efficient product mix and menu pricing
- ✓ **Cash and cash equivalents at ~INR 1,691 million**

**Industry leadership despite economic headwinds**



# New restaurants

Gujarat



Gujarat

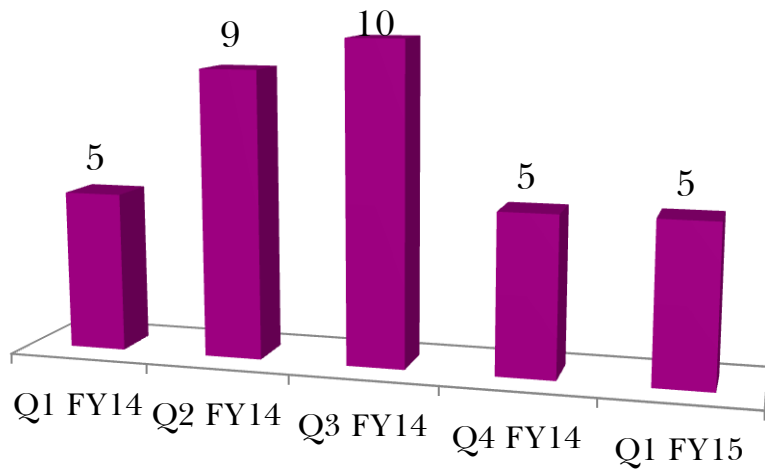
Pune



**DT portfolio growing steadily**



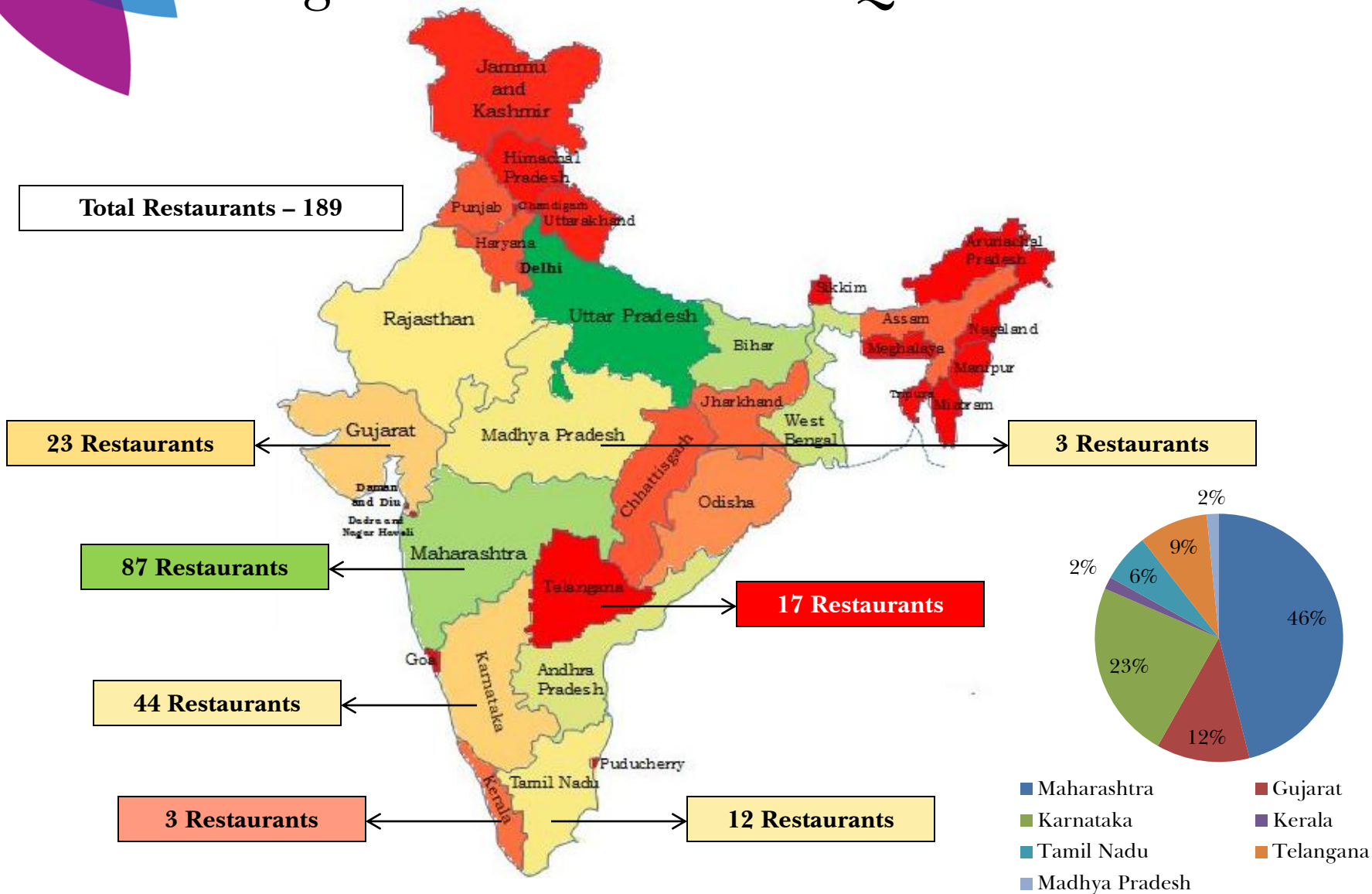
# Restaurant Openings



✓ 29 new restaurants added in last 12 months

✓ 5 new restaurants opened in Q1 FY15 – 2 in Telangana and 1 each in Maharashtra, Gujarat and Karnataka

# Region-wise Presence – Q1 FY15



# New Product Launch

- ✓ Strengthened the premium platform with the new launch – Royale in Apr'14
- ✓ Filling and indulgent product aimed to lure the older audience (YANKS and Parents)

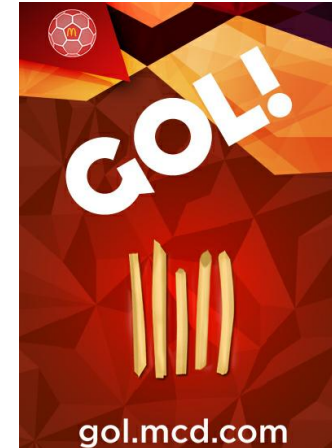




# Key Marketing Initiatives

## ✓ Fry box and GOL! program

- For the first time ever, design of our iconic fry box was changed to celebrate spirit of FIFA World Cup™ with our customers
- Unveiled an innovative and exciting new Augmented Reality (AR) game



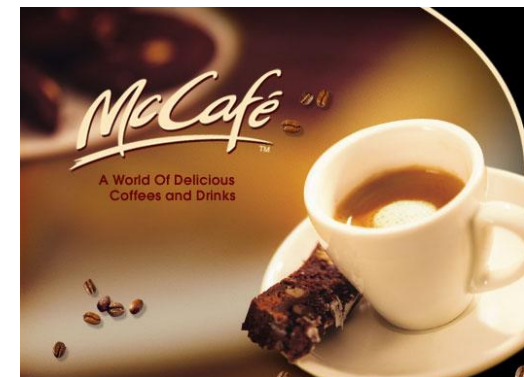
## ✓ Player Escort Program (PEP)

- First time in India launched this global program which gave one child (age of 6-10), accompanied by a parent or guardian, a chance to travel to Rio de Janeiro, Brazil to participate in FIFA World Cup™ to strengthen our equity with Parents and children



# McCafé continues to expand

- ✓ Total of 9 McCafé's currently in Mumbai
- ✓ Focus on expanding in markets across west & south India
- ✓ Steady expansion plans in H2 FY15
- ✓ Helping drive better gross margins on a consolidated basis
- ✓ Confident of achieving 75-150 McCafé's in 3-5 years

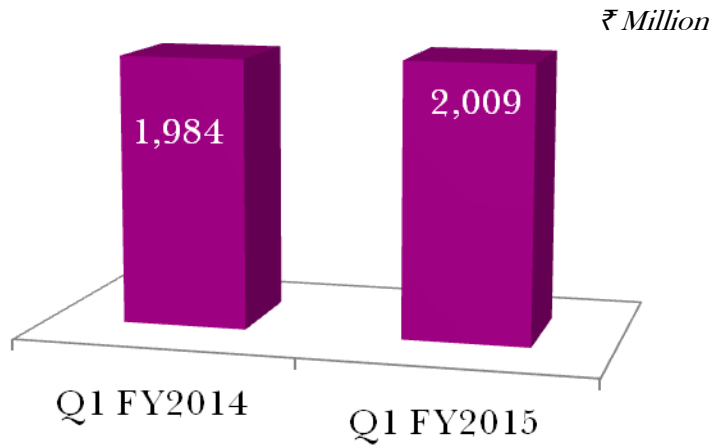


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Consolidated Q1 FY15 Results

# **FINANCIAL ANALYSIS**

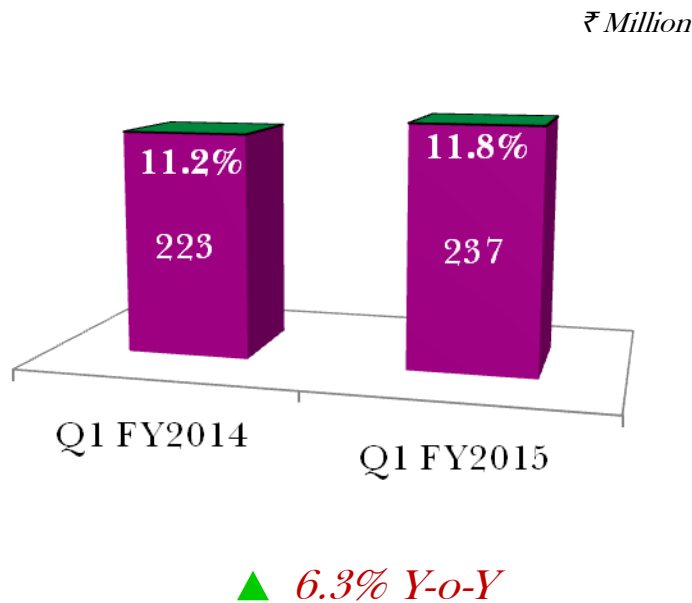
# Revenue growth



▲ *1.3% Y-o-Y*

- ✓ Increase in revenue due to new restaurants openings
- ✓ Total restaurants network at 189

# Restaurant operating margin (RoM)\*

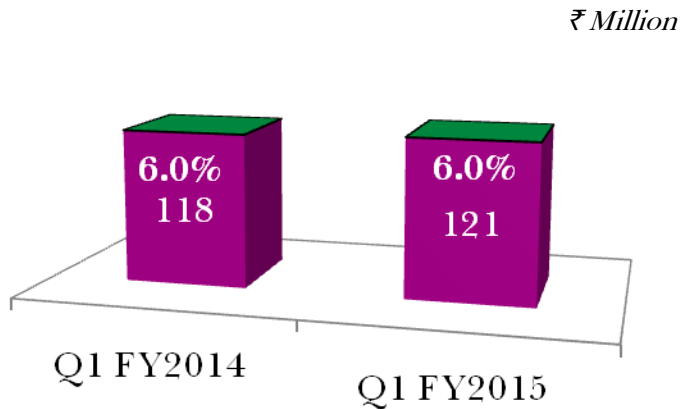


- ✓ Continued focus on reduction in food, paper & distribution costs along with efficiency in product management and menu pricing, helped in improved gross margins by ~175 bps
- ✓ Partly offset by opening of 29 new restaurants leading to higher occupancy and utility costs
- ✓ Expansion in RoM by ~55 bps Y-o-Y

\* RoM = Total revenues from company-operated restaurants less operating cost of these restaurants (incl. royalty etc.) before depreciation and corp. overheads



# Operating EBITDA



▲ 2.3% Y-o-Y

- ✓ Increase in G&A by ~40 bps Y-o-Y due to investment in people and resources over the year to drive business growth
- ✓ Flat operating EBITDA margin Y-o-Y

# 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
- ✓ Consumer focus through free Wi-Fi, cashless, digital enablement

## Profitability

- ✓ Continuing efforts around gross margin improvement
- ✓ Drive initiatives around efficient business unit economics
- ✓ Optimizing opportunities through continuous evaluation of restaurant portfolio
- ✓ Monsoon deficit may pose risk to supply chain costs

**Expect consumer confidence to return over next 9-12 months**  
**Committed to add 175-250 restaurants over next 5 years**

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