

Westlife Development Ltd Reports Strong Sales Growth for Second Quarter 2016

**WDL unveils Sales Growth of 8.4 per cent;
Reports positive Comparable Sales of 1.7 per cent after eight quarters
Delivers Operating EBITDA margin expansion**

Mumbai, November 6, 2015: Westlife Development Limited (WDL), a company listed on the Bombay Stock Exchange (BSE: 505533), today announced its unaudited financial and operating results for the quarter ending September 30, 2015. The results were taken on record by the Board of Directors at a meeting held in Mumbai.

WDL reported 20.9 per cent revenue growth of ₹2,260.9 million Y-o-Y (year-over-year), aided by one time positive gain of ₹234.0 million. This growth was led by the restaurant operations of its subsidiary, Hardcastle Restaurants Pvt. Ltd. (HRPL), a master franchisee for west & south India operations of McDonald's Restaurants.

Commenting on the financial results for the quarter ended September 30, 2015, Mr. Amit Jatia, Vice-Chairman of Westlife Development Limited said, *"I am encouraged by our operating performance for the quarter. Despite a weak consumer environment, we are happy to have beaten the trend and record strong top line sales from our strategies flowing through to revenue growth of 20.9 per cent, Y-o-Y and positive comparable sales of 1.7 per cent. This robust growth is a vote of confidence from our consumers.*

During the quarter we advanced on some of the key elements of our long term strategy, impactful brand marketing coupled with a range of organic initiatives; delivered through disciplined execution, while continuing to reduce expenses and expand operating margins which has contributed to our growth in Q2FY16. We made meaningful headway on our long-term strategy to improve profitability and shareholder value, having delivered substantial gross margin expansion of ~580 bps in the second quarter."

FINANCIAL HIGHLIGHTS FOR FISCAL ENDED SEPTEMBER 30, 2015:

- Revenue growth of 20.9 per cent year-over-year to ₹2, 260.9 million
- Operating EBIDTA stood at ₹351.6 million
- Profit After Tax stood at ₹140.0 million
- Cash Profit stood at ₹ 318.6 million
- Total Restaurant network at 216; Y-o-Y gross additions at 27; 03 new restaurant openings in Q2FY16

Q2FY16 RESULT ANALYSIS:

- WDL reported 20.9 per cent increase in total revenues for Q2FY16, aided by one time positive gain of ₹234.0 million, to ₹2,260.9 million from ₹1,870.2 million Y-o-Y riding on its restaurant expansion. Topline performance growth was driven by restaurant network expansion in the existing & new cities and by significant increase in accruals from new formats & brand extensions like McCafé and McDelivery and innovative menu additions
- WDL expanded its restaurant base to 216; Y-o-Y gross additions stood at 27; 03 new restaurant openings in Q2FY16
- System-wide comparable sales (SSSG)^[1] grew 1.7 per cent, breaking the deadlock of negative comparable sales growth for the last eight quarters. System-wide comparable sales stood at 1.7 per cent as against (8.1) per cent in the same quarter of the previous year
- Relentless focus on reduction in food, paper and distribution costs along with increased efficiency in product management and menu pricing helped in expanding our gross margins by ~580 bps Y-o-Y, as against the corresponding quarter in the previous fiscal
- Restaurant operating margin^[2] expanded by ~1,400 bps Y-o-Y on account of various cost optimization initiatives.
- Operating EBITDA in Q2FY16 stood at ₹351.6 million compared to ₹29.2 million Y-o-Y; representing a margin expansion from 1.6 per cent to 15.6 per cent
- General and administrative expenses in Q2FY16 increased marginally to ₹114.1 million compared to ₹110.5 million Y-o-Y as a result of our investment in people and resources
- WDL reported cash and cash equivalents of ₹1,592.9 million in Q2FY16

WDL continued its efforts on long term growth, offering relevant locations to its customers. The Company added 03 new restaurants during the quarter taking the total count to 216 restaurants in the quarter ended September 30, 2015. 02 restaurants in Maharashtra and 01 in Telangana were added. The Company is well on track to deliver its stated goal of 175-250 restaurants in 5 years.

WDL sustained its investment in actively building the Brand Extensions portfolio with strategic investments in expanding the online capabilities for McDelivery, increasing its McCafé footprint and reimaging the restaurants to remain relevant to its customers.

WDL added 07 McCafé locations in Q2FY16, taking the total count to 52 as against a total of 15 in the previous year. McCafé has been a key driver in optimizing the use of our restaurants at all hours of operation thereby providing a higher profit margin and adding value to the customers' experience. WDL achieved its stated goal of establishing 50-75 McCafé's by December 2015 and is on track to double the base in the next 12-18 months across west and south India.

WDL's marketing activities in the quarter were focused on brand building through the award winning brand campaign #KuchPalOffline. Positive consumer response to multiple menu, service and value initiatives contributed to the revenue growth. The introduction of exciting limited time menu offerings like the Chilli Paneer Pockets in the affordability platform and



Banana Oreo McFlurry kept us ahead in the QSR Industry and helped us navigate the tepid consumer environment. Additionally, in the quarter, the Happy Meal benefited from strong properties such as Minions, reaffirming the Company's focus on the family business.

Commenting further on the financial results, Amit Jatia said, *“Going forward, we will continue to be focused on and committed to better address the consumer needs. We will focus on becoming leaner and more efficient, creating clutter breaking and consumer meaningful marketing programs while investing in enhanced organization capabilities that help deliver the plans. In the quarters to come, we expect to improve our performance and financial position, and be at the forefront of a cyclical recovery in a challenging economic environment.*

~ends~

NOTE TO THE EDITORS: *Westlife Development Limited and Hardcastle Restaurants follow an April-March fiscal year. The results reported are for the second quarter ended September 30, 2015.*

THE FOLLOWING DEFINITIONS APPLY TO THESE TERMS AS USED THROUGHOUT THIS RELEASE:

^[1] *Comparable sales (SSSG) represent sales at all restaurants operated by the Company, in operation at least thirteen months excluding those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction and natural disasters. The number of weekdays and weekend days, referred to as the calendar shift/trading day adjustment, can impact comparable sales. In addition, the timing of holidays also can impact comparable sales.*

^[2] *Restaurant Operating Margin represents the total revenue of company operated restaurants less the operating costs of these restaurants (including royalty etc.) before depreciation and corporate overheads; expressed as a percent of total revenue.*

WESTLIFE DEVELOPMENT LIMITED		
Consolidated Financial Performance		
<i>(₹ in millions)</i>		
Particulars	For the Quarter ended September 30, 2015	For the Quarter ended September 30, 2014
REVENUES		
Sales	2,014.9	1,857.5
Other Operating Income ^[1]	246.0	11.5
Other Trading Revenues	-	1.2
TOTAL REVENUES	2,260.9	1,870.2
OPERATING COSTS AND EXPENSES		
Restaurant Operating Cost and Expenses		
Food & Paper	818.8	786.4
Payroll and Employee Benefits	222.1	234.1
Royalty	74.3	79.0
Occupancy and Other Operating Expenses	688.1	654.2
General & Administrative Expenses	114.1	110.5
Other (Income)/Expenses, (net)	(8.1)	(23.2)
Other Trading Operating Cost and Expenses	-	-
TOTAL OPERATING COSTS AND EXPENSES	1,909.3	1,841.0
OPERATING EBIDTA	351.6	29.2
Extra-ordinary Expenses ^[2]	27.1	14.9
Financial Expense (Interest & Bank Charges)	37.8	21.1
Depreciation	146.5	125.9
PROFIT/LOSS BEFORE TAX	140.2	(132.7)
Taxes	0.2	0.2
PROFIT/LOSS AFTER TAX	140.0	(132.9)
CASH PROFIT	318.6	14.3

^[1] Includes the recognition of additional credit in respect of indirect taxes paid on inputs up to March 31, 2015, amounting to ₹234.0 Million

^[2] One-time expenses on account of assets written off pertaining to restaurants relocation/re-build

About Westlife Development:

Westlife Development Limited (BSE: 505533), focuses on putting up and operating Quick Service Restaurants (QSR) in India through its subsidiary Hardcastle Restaurants Pvt. Ltd. (HRPL). The Company operates a chain of McDonald's restaurants in west and south India, having a master franchisee relationship with McDonald's Corporation USA, through the latter's Indian subsidiary. Marquee investors such as Arisaig India Fund Ltd, Vontobel Fund and Tree Line Asia Master Fund (Singapore), Ward Ferry Fund, SBI Mutual Fund among others are stakeholders in WDL and the company will continue to broad base its investors over the coming years.

About Hardcastle Restaurants:

Hardcastle Restaurants Pvt Ltd (HRPL) is a McDonald's franchisee with rights to own and operate McDonald's restaurants in India's west and south markets. HRPL has been a franchisee in this part of India since its inception in 1996.

HRPL serves approximately 185 million customers, annually, at its 216 (as of September 30, 2015) McDonald's restaurants across 26 cities in the states of Telangana, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Kerala and parts of Madhya Pradesh, and provides direct employment to over 7,500 employees. McDonald's operates through various formats and brand extensions including standalone restaurants, drive-thru's, 24/7, McDelivery, dessert Kiosks. The menu features Burgers, Finger Foods, Wraps, Hot and Cold Beverages besides a wide range of desserts. Several of the McDonald's Restaurant feature in-house McCafé.

The pillars of the McDonald's system – Quality, Service, Cleanliness and Value – are evident at each of the restaurants where HRPL operates.

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