

A large, stylized leaf graphic in the top-left corner, composed of overlapping green, purple, and blue segments.

Westlife Development Ltd. Hardcastle Restaurants Pvt. Ltd.

Q2 FY2018 Earnings Update

Nov 6, 2017

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Four Strategic Levers

Broadening Accessibility

- Growing the restaurant footprint
- Business unit economics
- Market planning

Growing Baseline Sales

- Value
- Menu
- Brand extensions
- Re-imaging & restaurant experience

Margin Expansion

- Gross Margin
- Operating leverage

Growth through People

- Training, learning & development

Key Messages for FY18

Growth remains
a key priority

Continued
focus on brand
extensions

Significant
menu
innovation &
platform based
approach

Drive
operational &
sustainable
profitability

Q2 FY2018 Results & Highlights



Total sales stand at INR 2,646.7 Mn; sales growth of 12.8%

SSSG at 8.4%; strongest for 2nd consecutive quarter; consistent show for 9 quarters

Gross margins improved by ~220 bps; led by product mix & distribution efficiencies

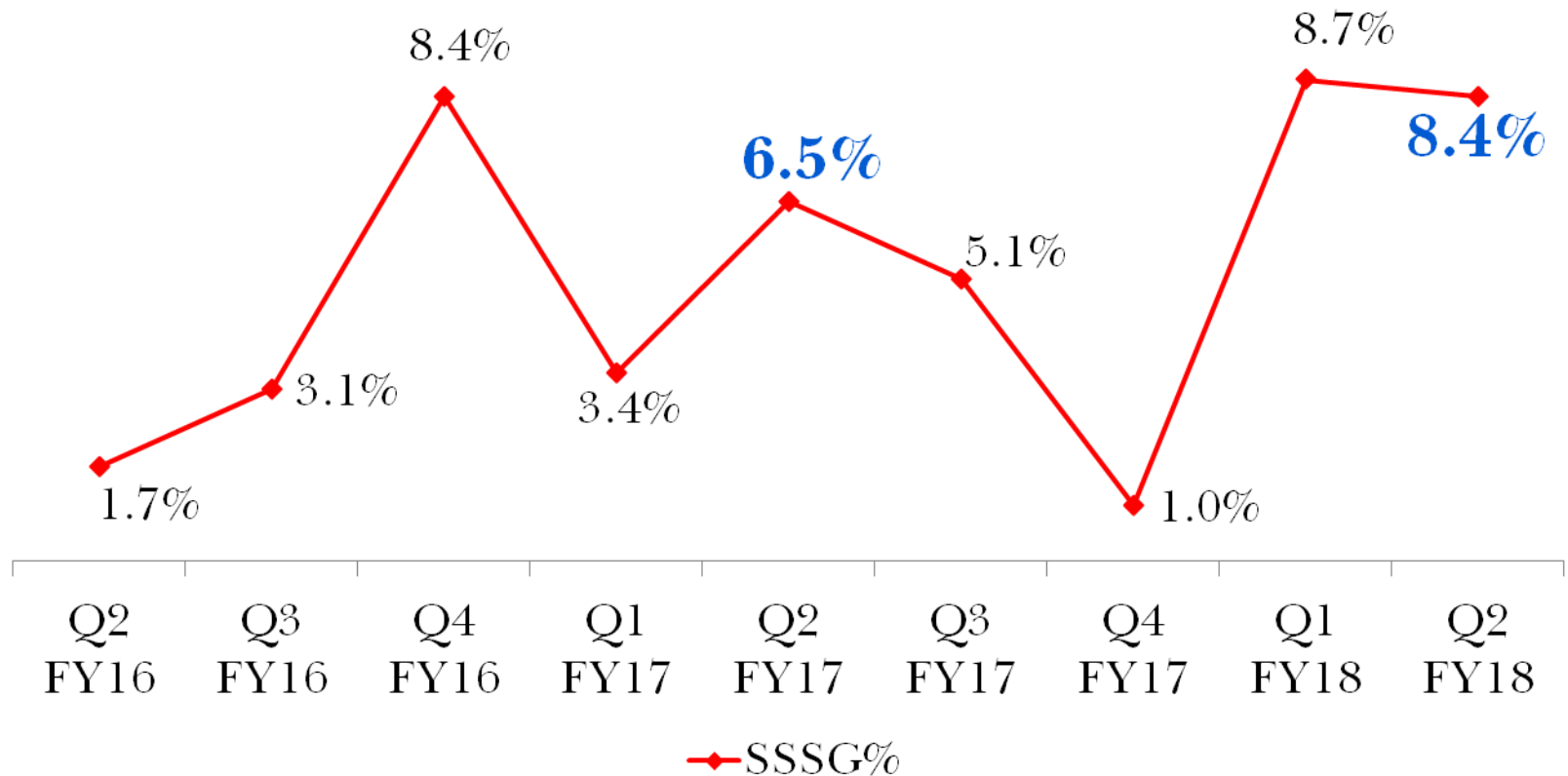
Op. EBITDA margins expansion of ~210 bps Y-o-Y to 7.3%

PAT margin at 0.8%; PAT of INR 20.7 Mn

Cash profit increased by 44.3% compared to Q2 FY17

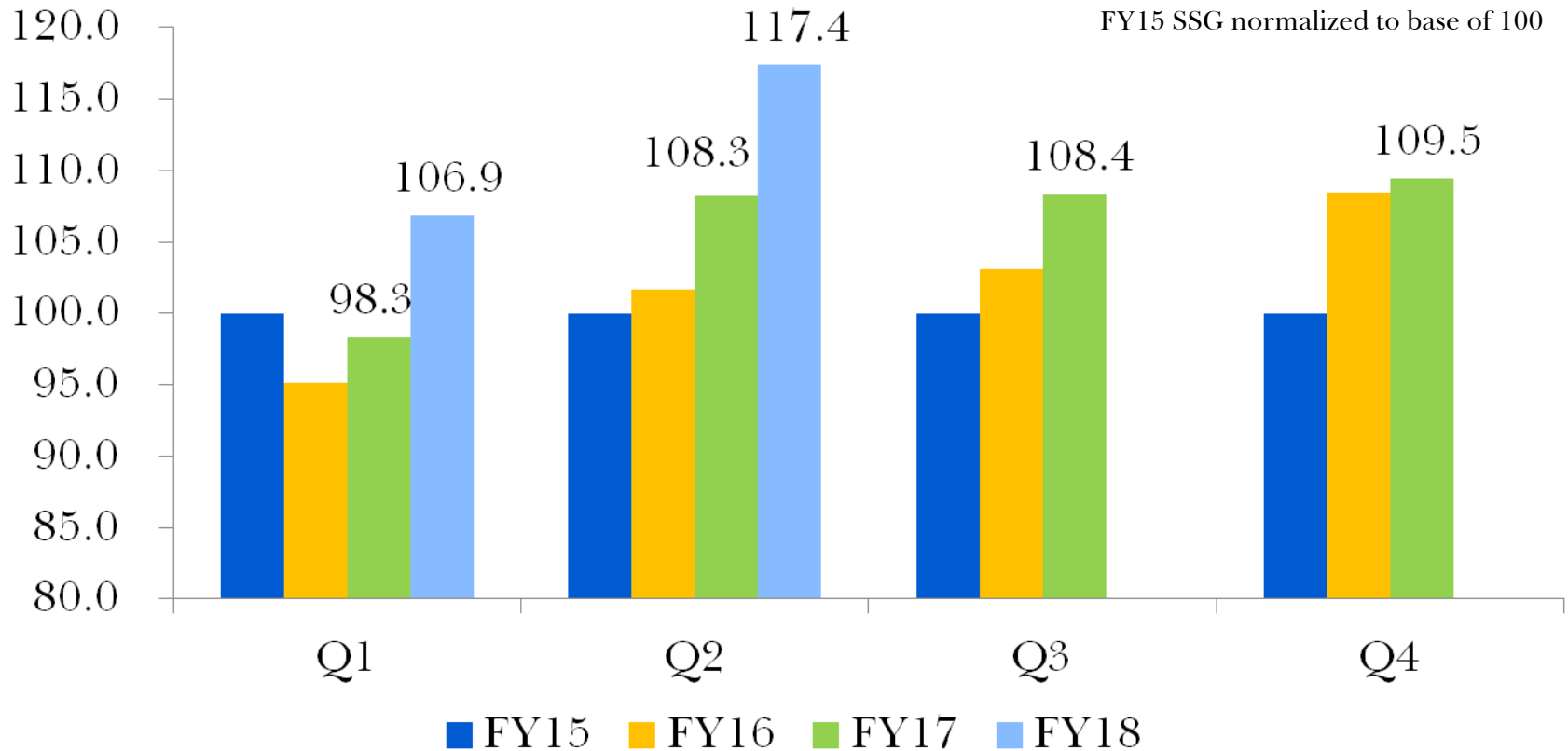
SALES GROWTH & DRIVERS

Same store sales growth trend



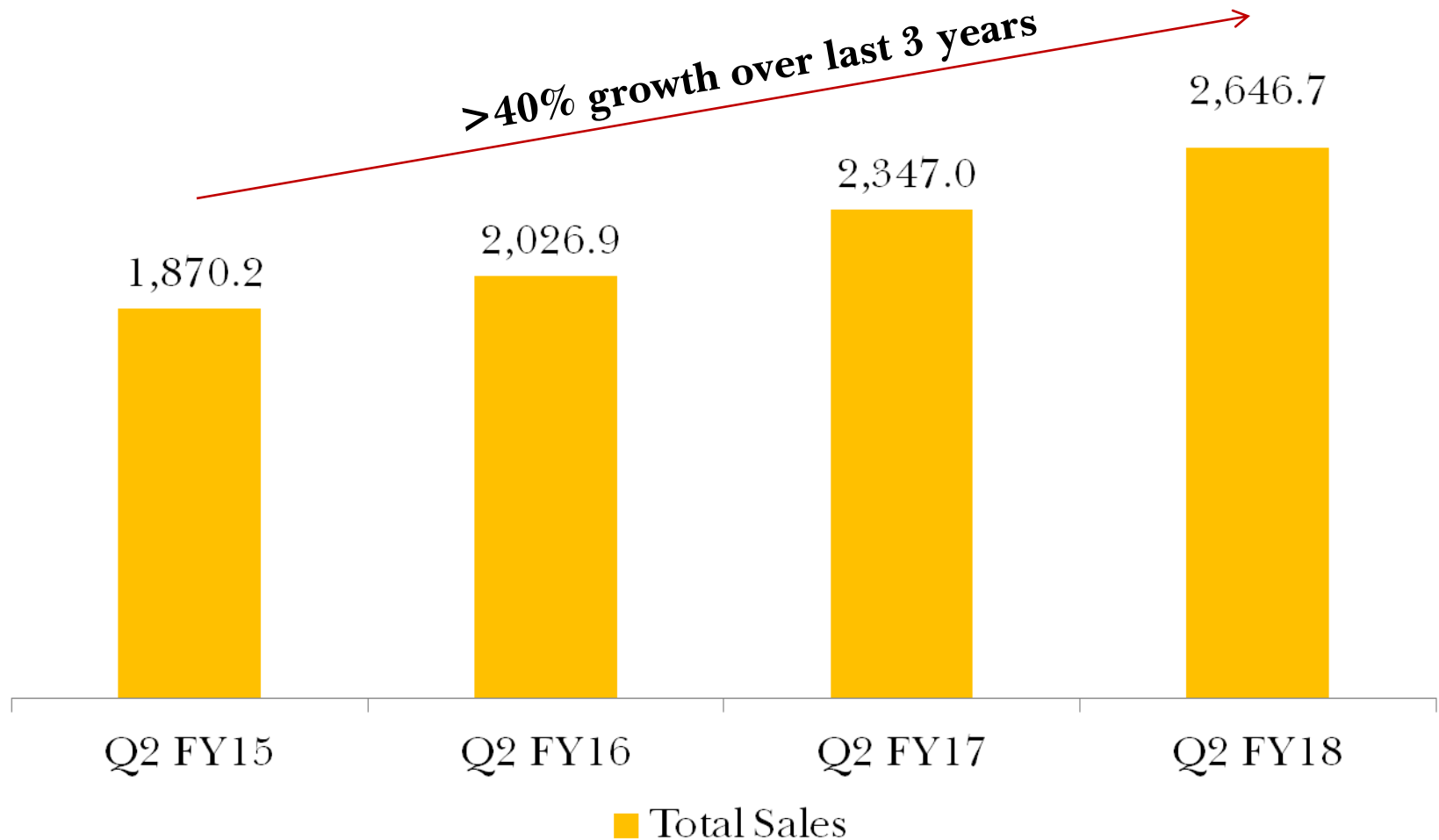
Steady growth on account of brand advertising, value platform led menu innovation & brand extensions

Strong growth in baseline sales



Consistent compounding growth in same store sales resulting in higher average sales per restaurant

Organic Sales Growth



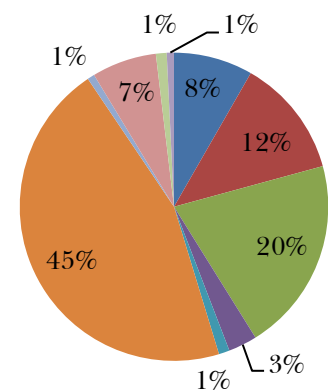
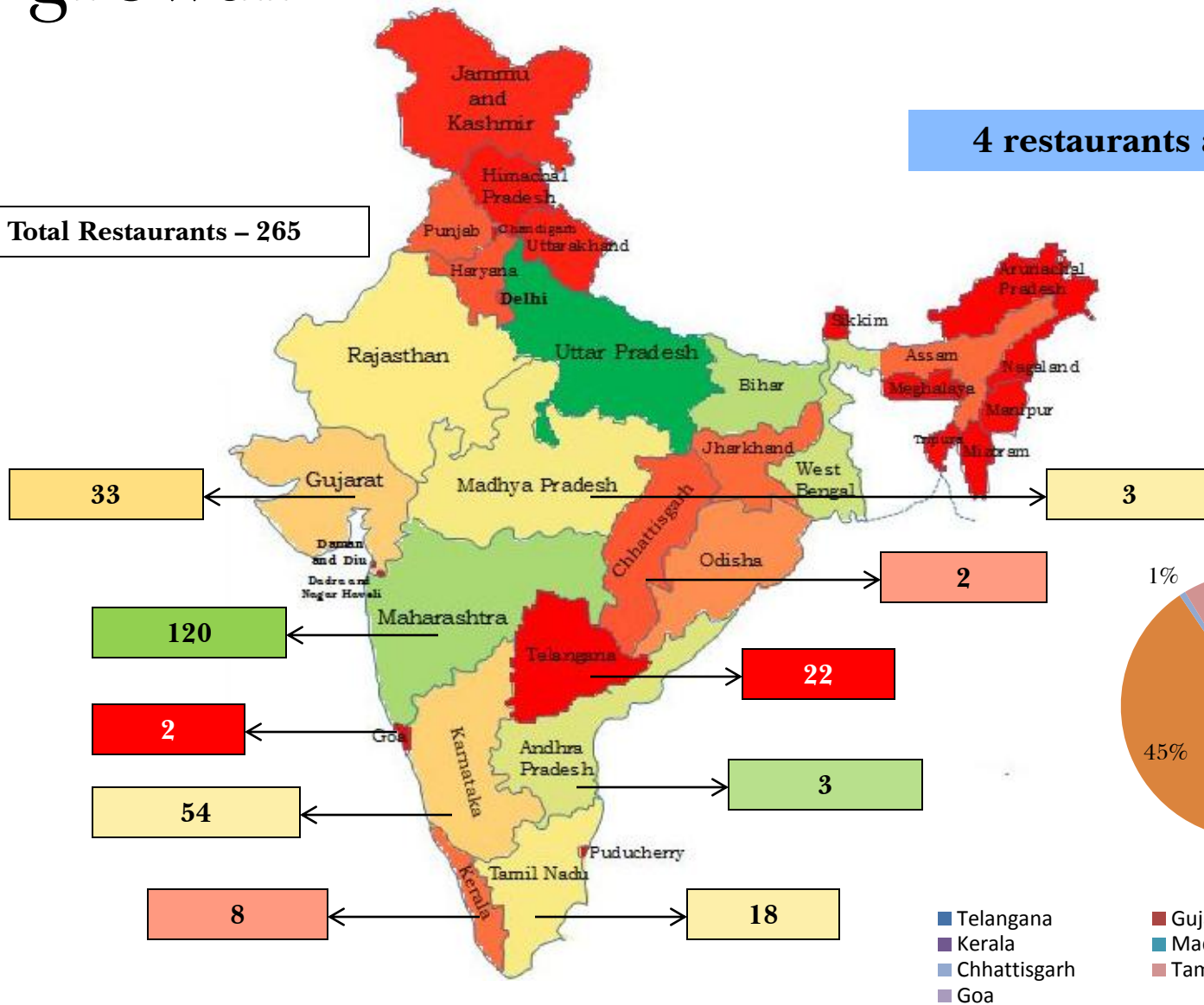
Figures in INR Mn

Restaurant footprint driving sales growth



4 restaurants added in Q2

Total Restaurants – 265



- Telangana
- Gujarat
- Karnataka
- Kerala
- Madhya Pradesh
- Maharashtra
- Chhattisgarh
- Tamil Nadu
- Andhra Pradesh
- Goa

Factors contributing to growth

McCafé

- Launched above-the-line (ATL) campaign
- 136 McCafé's as of Q2; added 15 McCafé's during the quarter
- On track to have 140-150 McCafé's by FY18E
- Significant margin lever; consistent driver of positive shift in promix



THE HAZELNUT CRAZE

The magic of our espresso and hazelnut flavour in your McCafé favourites.

| Category | Item | Price |
|----------|----------------------|-------|
| HOT | Hazelnut Mocha | ₹ 142 |
| | Hazelnut Latté | ₹ 122 |
| COLD | Hazelnut Iced Coffee | ₹ 117 |
| | Hazelnut Share Shake | ₹ 190 |

• Images are representational. •

Factors contributing to growth



- MDS continues to be robust growth engine for sales in existing restaurants
- Tie-up with food aggregators continue to be accretive to P&L



Factors contributing to growth

Menu

- Momentum around 'everyday value' platform continued & drove significant footfalls
- Consumer led menu innovation & strategy yielding strong results



FINANCIAL PERFORMANCE DISCUSSION

Financial performance summary



As per Ind-AS

| INR Mn | Q2 FY18 | Q2 FY17 | Growth | H1 FY18 | H1 FY17 | Growth |
|-------------|---------|---------|--------------|---------|---------|--------------|
| Total Sales | 2,646.7 | 2,347.0 | 12.8% | 5,269.9 | 4,649.5 | 13.3% |

- Increase in sales largely led by
 - Higher same store sales growth aided by increased footfalls
 - Better volumes & realisation due to GST-led menu price rationalization ('What you see; what you pay' strategy)
 - Everyday value platform coupled with significant contribution from brand extensions
 - New restaurants continue to perform as per expectations

Financial performance summary



As per Ind-AS

| INR Mn | Q2 FY18 | Q2 FY17 | H1 FY18 | H1 FY17 |
|------------------|---------|---------|---------|---------|
| Gross Margins | 1,647.7 | 1,410.2 | 3,224.9 | 2,794.9 |
| % of Total Sales | 62.3% | 60.1% | 61.2% | 60.1% |

- Higher gross margins primarily on account of
 - Strong product mix improvement led by McCafé & related ATL marketing campaign, product line extensions & menu innovation driven by new value platform
 - And, GST-led distribution network synergies

| INR Mn | Q2 FY18 | Q2 FY17 | H1 FY18 | H1 FY17 |
|------------------|---------|---------|---------|---------|
| RoM | 345.5 | 249.7 | 615.6 | 493.9 |
| % of Total Sales | 13.1% | 10.6% | 11.7% | 10.6% |

- Significant improvement in Restaurant operating margins (RoM) due to
 - Gross margins expansion alongwith ROP 2.0 led efficiencies across utility expenses and operating leverage due to higher SSSG
 - Slightly offset by higher payroll & employee expenses

Financial performance summary



As per Ind-AS

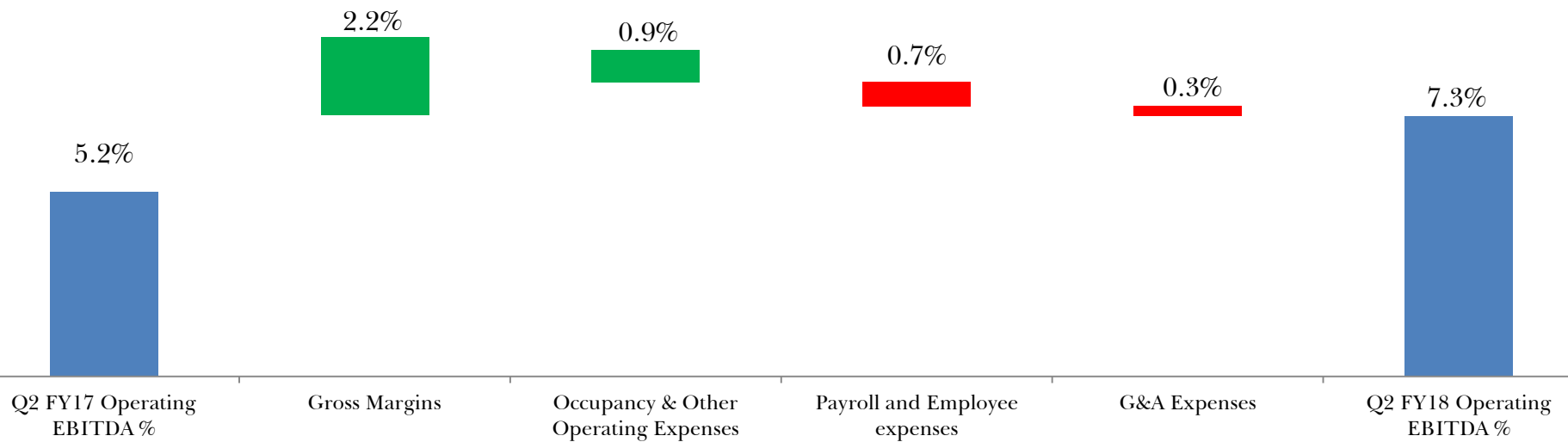
| INR Mn | Q2 FY18 | Q2 FY17 | H1 FY18 | H1 FY17 |
|-------------------------|-------------|-------------|-------------|-------------|
| Op. EBITDA | 193.5 | 121.3 | 341.5 | 230.4 |
| <i>% of Total Sales</i> | <i>7.3%</i> | <i>5.2%</i> | <i>6.5%</i> | <i>5.0%</i> |

- Huge operating EBITDA margins expansion on account of
 - Improvement in RoM
 - Slightly offset by investment in G&A for future growth

| INR Mn | Q2 FY18 | Q2 FY17 | H1 FY18 | H1 FY17 |
|-------------------------|-------------|----------|-------------|----------|
| PAT | 20.7 | (23.0) | 22.9 | (43.9) |
| <i>% of Total Sales</i> | <i>0.8%</i> | <i>-</i> | <i>0.5%</i> | <i>-</i> |

- Improvement in PAT margins led by
 - Stable depreciation on account of ROP 2.0 based restaurants coupled with operational profitability

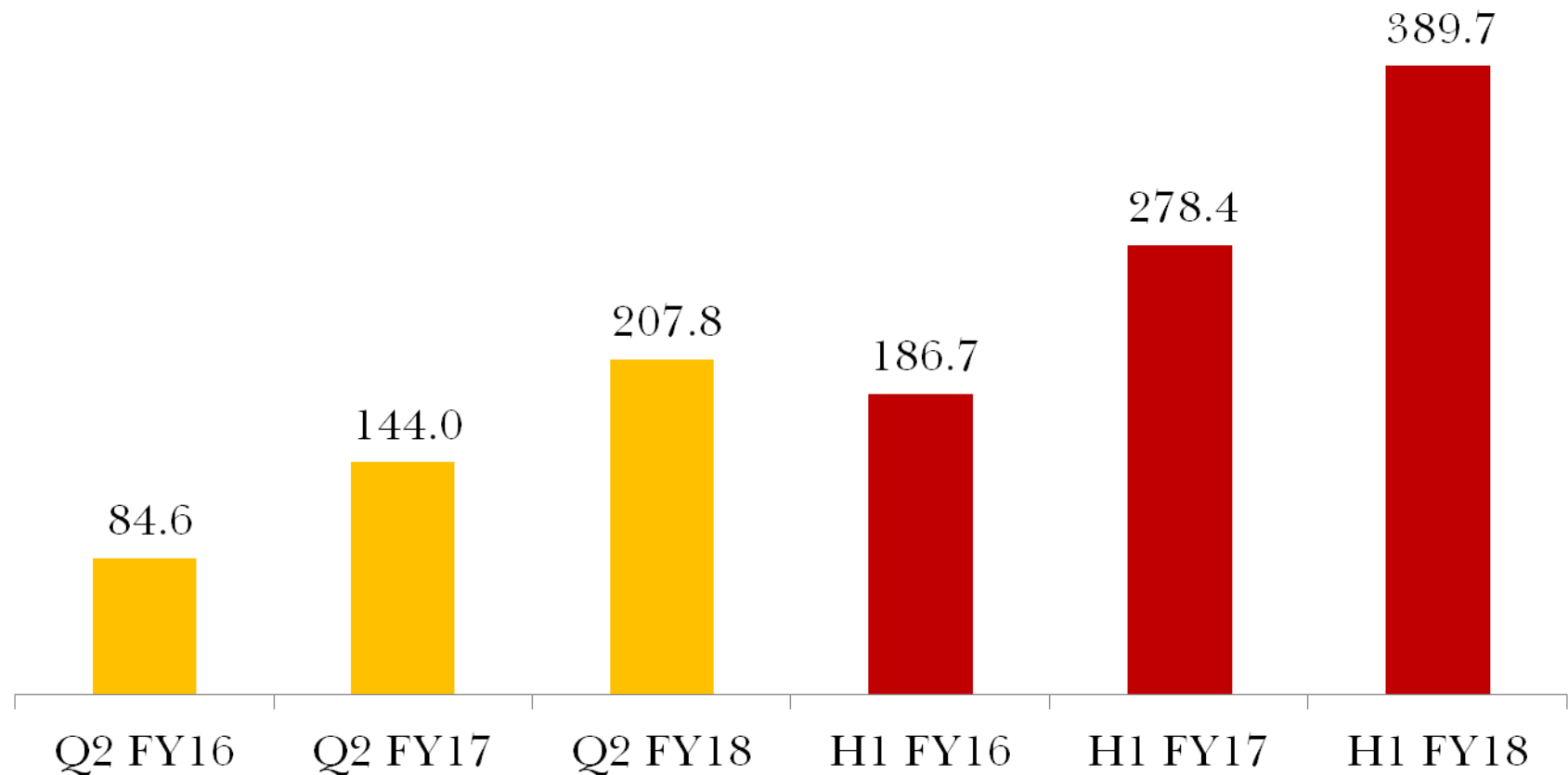
Operating EBITDA bridge



Sharper focus on profitability yielding strong results



Cash-profit more than doubled in last 24 months



Figures in INR Mn

Agenda for FY18



Sales Growth

- Add 25-30 restaurants in FY18
- Confident of delivering high-single digit SSG
- Brand extensions penetration to persist; remains key lever
- Menu innovation & brand differentiation to continue

Profitability

- SSSG to aid operating margin expansion
- Sharper focus remains on profitable growth
- ROP 2.0 restaurants continue to impact overall P&L positively
- Optimizing opportunity via continuous evaluation of restaurant portfolio

Committed to generate significant shareholder returns

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