



PRESS RELEASE

FOR IMMEDIATE CIRCULATION

## WESTLIFE DEVELOPMENT'S REVENUE JUMPS BY 13.3%; PAT SURGES BY 217.5%

*The Company reports a healthy Same Store Sales Growth (SSSG) of 7.0% despite market headwinds*

### **FINANCIAL NUMBERS FOR QUARTER ENDED SEPTEMBER 30, 2019:**

*These numbers are excluding accounting entries arising out of IND AS 116*

- PAT jumps by 217.5% to ₹129.1 Mn
- Total revenue grows by 13.3% to ₹ 3965.3 Mn
- Both Restaurant Operating Margins and Operating EBIDTA expand by more than 200 bps
- Reports an SSSG 7.0% making it the 17<sup>th</sup> consecutive quarter of positive SSSG
- Opens 05 new restaurants taking the total restaurant count to 304 across 42 cities

**Mumbai, October 24, 2019:** Westlife Development Limited (BSE: 505533) ("WDL"), owner of Hardcastle Restaurants Pvt Ltd ("HRPL"), the Master Franchisee of McDonald's restaurants in West and South India, announced its financial results for the quarter ended September 30, 2019. The results were taken on record by the Board of Directors at a meeting held today.

Moving strong on the growth path, WDL reported a healthy Same Store Sales Growth (SSSG) of 7.0%, over a high SSSG of 25.7% same quarter, last year. The Company's revenue grew 13.3% to ₹3965.3 Mn as it continued to execute strategies to deliver unparalleled customer experience and provide everyday value to consumers. The company also maximised operational efficiencies and reported more than 200 bps jump in both Restaurant Operating margins and Operating EBIDTA. As a result, the Company's Profit Before Tax (PBT) surged by 94.8% and PAT jumped by 217.5% to ₹129.1 Mn.

**Commenting on the financial results for the quarter ended September 30, 2019, Mr. Amit Jatia, Vice-Chairman of Westlife Development Limited said,** *"We are pleased to report solid financial results despite market headwinds. Over the last few years, we have constantly anticipated our customers' needs, substantially innovated on menu, launched the Good Food journey, maximized efficiencies and integrated technology across our business. This has helped us create a solid foundation and navigate challenges effectively. We will continue to delight our customers and move ahead on our growth journey to achieve our Vision 2022."*

This quarter, HRPL undertook slew of initiatives to further strengthen its value platform – McSavers. It continued its much-loved 'Fries on us' campaign launched last quarter, that offered the signature McDonald's French fries free with every medium McSaver meal, through this quarter as well. This helped establish McDonald's as a meal destination. In addition to this, the Company also extended the value platform to its brand extensions by offering compelling value combos on coffee, delivery and breakfast, which helped boost trials and volumes.

Digitization has been a key growth pillar for HRPL. With McDelivery platform, McDonald's app and the EOTF restaurants, the company has been taking a technology-forward approach to customer convenience and delight. This quarter, it ran a host of 'app exclusive' campaigns on its McDonald's app which got great traction.



HRPL has been consistently increasing its footprint by entering new markets while adding more restaurants in cities it is already present. This quarter, the Company opened 05 new restaurants including its first ever restaurant in the Orange City of Nagpur, that has got a phenomenal response from the customers. It also expanded its McCafé and McDelivery footprint, taking their total count to 205 and 239 respectively.

Matching steps with the Government, the Company proactively eliminated all single-use-customer-facing plastic from our restaurants. This initiative has helped save close to 500 tonnes of plastic in a year.



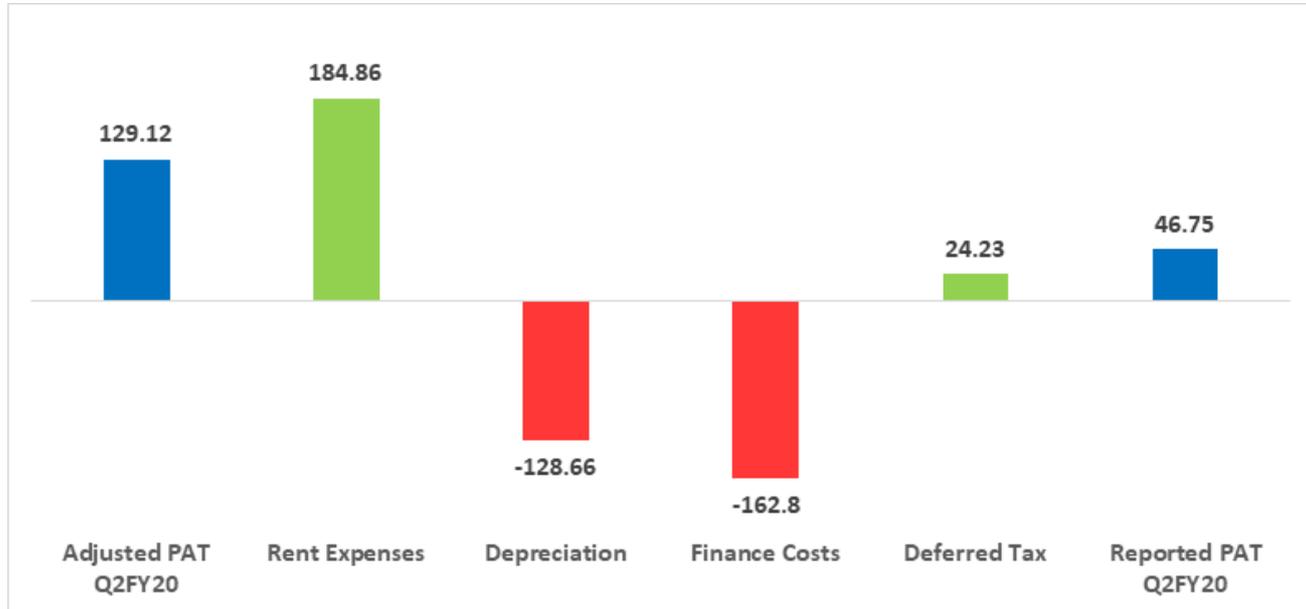
Note:

\*One-time expenses on account of assets written-off pertaining to restaurants relocation/closure

| <b>WESTLIFE DEVELOPMENT LIMITED –</b>                             |   |   |               |
|---|---|---|---------------|
| <b>Comparable Operating Performance (Consolidated)</b>            |   |   |               |
| <b>Excludes impact of IND AS 116</b>                              |   |   |               |
| <i>(₹ in millions)</i>  |   |   |               |
| Particulars   | For the quarter ended<br>September 30, 2019 | For the quarter ended<br>September 30, 2018 | YoY Growth    |
|   | Amount                                      | Amount                                      | %             |
| <b>REVENUES</b>   |   |   |               |
| Sales by company owned restaurants                                | 3,948.7                                     | 3,455.5                                     | 14.3%         |
| Other Operating Income – Restaurants                              | 16.6  | 45.4  | -63.4%        |
| <b>TOTAL REVENUES</b>   | <b>3,965.3</b>                              | <b>3,500.9</b>                              | <b>13.3%</b>  |
| <b>OPERATING COSTS AND EXPENSES</b>                               |   |   |               |
| <b>Restaurant Operating Cost and Expenses</b>                     |   |   |               |
| Food & Paper  | 1,376.4                                     | 1,286.5                                     | 7.0%          |
| Payroll and Employee Benefits                                     | 433.2                                       | 363.2                                       | 19.3%         |
| Royalty   | 180.6                                       | 159.5                                       | 13.3%         |
| Occupancy and Other Operating Expenses                            | 1,345.9                                     | 1,217.8                                     | 10.5%         |
| <b>TOTAL OPERATING COSTS AND EXPENSES</b>                         | <b>3,336.1</b>                              | <b>3,027.0</b>                              | <b>10.2%</b>  |
| <b>Adjusted Restaurant Operating Margin</b>                       | <b>629.2</b>                                | <b>473.9</b>                                | <b>32.8%</b>  |
| General & Administrative expenses                                 | 219.2                                       | 197.6                                       | 10.9%         |
| <b>Adjusted Operating EBIDTA</b>                                  | <b>410.0</b>                                | <b>276.3</b>                                | <b>48.4%</b>  |
| Other (income)/expenses, (net)                                    | (37.4)                                      | (60.8)                                      | -38.6%        |
| Assets written off for closure / rebuild of restaurants*          | 14.2  | 6.0   | 136.5%        |
| <b>EBIDTA</b>   | <b>433.2</b>                                | <b>331.1</b>                                | <b>30.9%</b>  |
| Net Financial Expense (Interest & Bank Charges)                   | 37.6  | 41.3  | -8.7%         |
| Depreciation  | 214.9                                       | 197.0                                       | 9.1%          |
| <b>Profit before Tax</b>  | <b>180.7</b>                                | <b>92.8</b>                                 | <b>94.8%</b>  |
| Deferred tax  | 25.1  | 47.9  | -47.6%        |
| Income tax  | 26.5  | 4.2   | 527.6%        |
| <b>Profit after Tax</b>   | <b>129.1</b>                                | <b>40.7</b>                                 | <b>217.5%</b> |
| <b>Cash Profit (After tax and including interest income/cost)</b> | <b>358.2</b>                                | <b>246.7</b>                                | <b>45.2%</b>  |



**Adjustments between adjusted PAT to Reported PAT  
(Excluding the impact of IND AS 116)**



**Note:** As a part of the Indian Accounting Standards adoption, impact of IND AS 116 is given below:

1. No economic impact on business operations
2. Rent Expenses are lowered and instead considered under additional depreciation and finance cost
3. EBITDA Increases due to lower rent expenses accounting
4. Depreciation increases due to amortisation cost of Right of Use Assets created under IND AS 116
5. Finance Cost increases due to charge on lease liability created under IND AS 116
6. IND AS 116 adjustments are not considered for Tax computation
7. Net Profit decreases due to increase in Depreciation and Finance Costs as mentioned in Note 2 above
8. Cash Profits increase due to higher depreciation charge
9. Net Impact on Cash Flow is NIL

**Reconciliation of reported and comparable operating performance excluding impact of IND AS 116**

(Rs. in millions)

| Particulars  | A<br>Quarter ended<br>September 30,<br>2019<br>(Adjusted) | B<br>Changes due to Ind<br>AS 116 increase /<br>(decrease) ** | C<br>Quarter ended<br>September 30,<br>2019<br>(Reported) | D<br>Quarter ended<br>September 30,<br>2018<br>(Reported) | (A over D)<br>YoY Growth % |
|--|---|---|---|---|----------------------------|
| Occupancy and other operating expenses                                   | 1,345.9   | (184.9)   | 1,161.0   | 1,217.8   | 10.5%                      |
| <b>Restaurant Operating Margin</b>                                       | <b>629.2</b>  | <b>184.9</b>  | <b>814.1</b>  | <b>473.9</b>  | <b>32.8%</b>               |
| General and Administrative Expenses                                      | 219.2   | -   | 219.2   | 197.6   | 10.9%                      |
| <b>OPERATING EARNINGS BEFORE INTEREST, TAX AND DEPRECIATION (EBITDA)</b> | <b>410.1</b>  | <b>184.8</b>  | <b>594.9</b>  | <b>276.3</b>  | <b>48.4%</b>               |
| Finance Costs  | 37.7  | 162.8   | 200.5   | 41.3  | (8.7%)                     |



|                                       |              |                |             |             |               |
|---------------------------------------|--------------|----------------|-------------|-------------|---------------|
| Depreciation and amortisation expense | 214.9        | 128.7          | 343.5       | 197.0       | 9.1%          |
| <b>Profit before tax</b>              | <b>180.7</b> | <b>(106.6)</b> | <b>74.1</b> | <b>92.8</b> | <b>94.8%</b>  |
| Deferred Tax                          | 25.1         | (24.2)         | 0.9         | 47.9        | (47.6)        |
| Income Tax                            | 26.5         | -              | 26.5        | 4.2         | 527.6%        |
| <b>Profit after tax</b>               | <b>129.1</b> | <b>(82.4)</b>  | <b>46.8</b> | <b>40.7</b> | <b>217.5%</b> |

\*\* Adjustments arising out of Ind AS 116

**NOTE TO THE EDITORS:** Westlife Development Limited and Hardcastle Restaurants follow an April-March fiscal year. The results reported are for the second quarter for the fiscal year 2020.

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

<sup>[1]</sup> 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 reimagining 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.

<sup>[2]</sup> 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.

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**About Westlife Development:**

Westlife Development Limited (BSE: 505533) (WDL) focuses on setting 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, SBI Mutual Fund, Bay Capital Investments and Treeline Investment Management, among others are stakeholders in WDL.

**About Hardcastle Restaurants:**

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 the region since its inception in 1996. HRPL serves over 200 million customers, annually, at its 304 (as of September 30, 2019) McDonald's restaurants across 42 cities in the states of Telangana, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Kerala, Chhattisgarh, Andhra Pradesh, Goa and parts of Madhya Pradesh, and provides direct employment to over 10000 employees. McDonald's operates through various formats and brand extensions including standalone restaurants, drive-thru's, 24/7, McDelivery and dessert kiosks. The menu features Burgers, Finger Foods, Wraps, Rice, Salads and Hot and Cold Beverages besides a wide range of desserts. Several of the McDonald's Restaurants feature an in-house McCafé.

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

**Disclaimer:**

This document by Westlife Development Ltd ('the Company') 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," "expected," "outlook," "future" or the negative of these terms or other similar expressions or phrases or their variations. 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 Company's business prospects, 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 the Company'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, the Company's business and operations involve numerous risks and uncertainties, many of which are beyond the control of the Company, which could result in the Company's expectations not being realized or otherwise materially affect the financial condition, results of operations and cash flows of the Company. The forward-looking statements are made only as of the date hereof, and the Company 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.