

## Westlife Development Ltd Reports 3.2 per cent increase in Revenues for Quarter Ending June 30, 2015

**Mumbai, August 7, 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 June 30, 2015. The results were taken on record by the Board of Directors at a meeting held in Mumbai.

WDL's 3.2 per cent revenue growth to ₹2,072.1 million Y-o-Y (year-over-year) 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 June 30, 2015, Mr. Amit Jatia, Vice-Chairman of Westlife Development Limited said,** *"For the second year in succession the operating environment remained challenging with market growth under pressure. The demand conditions in the QSR industry continued to be muted with consumers seeking more value-for-money deals and curbing their discretionary spends.*

*Given this context, investments were sustained at competitive levels. Cost Inflation was managed through a combination of judicious pricing actions and substantial cost savings initiatives. These initiatives have helped us expand our gross margins by ~40bps to 59.1 per cent on Y-o-Y basis.*

*Looking ahead, given that the economy is at the cusp of improvement, we believe the worst is behind us and remain positive on the mid to long term opportunities available in the marketplace. We expect an uptick in discretionary spends which will further boost our growth trajectory and economies of scale will aid operating margin. We are determined to stay the course on our strategy and will continue to invest in the business for the long term. WDL is well positioned to capture the demand in the industry."*

### **FINANCIAL HIGHLIGHTS FOR FISCAL ENDED JUNE 30, 2015:**

- Revenue growth of 3.2 per cent year-over-year to ₹2,072.1 million
- Operating EBIDTA stood at ₹134.2 million
- Profit/(Loss) After Tax stood at ₹(48.6) million
- Cash Profit stood at ₹97.1 million
- Total Restaurant network at 213; Y-o-Y gross additions at 28; 06 restaurant openings in Q1FY16

### **Q1FY16 RESULT ANALYSIS:**

- WDL reported 3.2 per cent increase in total revenues for Q1FY16 to ₹2,072.1 million from ₹2,008.6 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 increase in revenues from brand extensions like McCafé and McDelivery and innovative menu additions.
- WDL expanded its restaurant base to 213; Y-o-Y gross additions stood at 28; 06 restaurant openings in Q1FY16
- System-wide comparable sales (SSSG)<sup>[1]</sup> remained under pressure due to the overall dampened economic scenario and stood at (4.9) per cent as against (9.0) 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 ~40bps to 59.1 per cent on Y-o-Y basis
- Restaurant operating margin<sup>[2]</sup> dipped by ~120 bps Y-o-Y on account of addition of headcount at the new restaurants; 43 percent of our total 213 restaurants form a part of the new restaurant base which is less than three years. These restaurants initially open with lower margins and will grow significantly over time contributing positively to the cash flows
- Operating EBITDA in Q1FY16 stood at ₹134.2 million compared to ₹121.0 million Y-o-Y; representing operating margin at 6.5 per cent in Q1FY16 as against 6.0 per cent in Q1FY15
- General and administrative expenses in Q1FY16 increased to ₹122.4 million compared to ₹115.3 million Y-o-Y due to investment in people and resources over the year to drive business growth
- WDL reported cash and cash equivalents of ₹1,587.4 million in Q1FY16

WDL sustained investments in expanding McDonald's restaurant footprint with the opening of 06 new restaurants in the existing and new markets taking the total restaurant count to 213 in the quarter ended June 30, 2015. WDL added 2 restaurants each in Tamil Nadu & Maharashtra and 1 each in Gujarat and Karnataka. The Company is on track to deliver its stated goal of 175-250 restaurants in the 5 years.

Given the soft demand conditions in the industry, WDL took a holistic approach to building demand with a combination of reinvigorated value offerings and compelling limited-time menu choices across day-parts. Tailored marketing promotions like #KuchPaOffline and 'Sharing Packs', were introduced, to remain relevant and appealing to the consumers. McDonald's grew its menu offerings with the launch of premium products like the Focaccia buns and Real Fruit Smoothies in McCafe to forge a strong connection with customers. Furthermore, in order to engage with the customers, Ginger



Lemon Fizz and MixBerry McFlurry were introduced as a limited time offers to capture seasonality. These products have received encouraging consumer response across the markets.

The company further strengthened its beverage growth strategy with the expansion of McCafe footprint. WDL added 08 McCafe locations in Q1FY16 as against 01 McCafe in the same quarter of the previous year, taking the total count to 45 as against a total of 06 in the previous year. McCafe maintained its high growth trajectory and enhanced market standing. WDL will expand its café chain across its target markets to meet its stated goal of establishing 50-75 McCafé's by December 2015 and double the base in the next 12-18 months.

To keep abreast with the customers changing style and higher need for novelty, WDL continued to make progress in its reimagining program, completing 07 restaurants reimages during the quarter. Additionally, WDL continued to capitalize on technology initiatives to provide a relevant, contemporary customer experience. Web and mobile ordering continued to drive positive results for the business. During the quarter, WDL reinforced and elevated the relationship consumers have with the brand through the McDonald's experience.

**Commenting further on the financial results, Amit Jatia said,** *“Looking ahead, while we are conscious of the uncertain macro context in the near term, we remain focused on managing the business for the long term, competitive and profitable growth, and implementing our strategy with even greater focus and rigor.”*

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

**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.*

**WESTLIFE DEVELOPMENT LIMITED**  
**Consolidated Financial Performance**
*(₹ in millions)*

Particulars	For the Quarter ended June 30, 2015	For the Quarter ended June 30, 2014
<b>REVENUES</b>		
Sales	2,041.2	1,998.7
Other Operating Income	30.9	8.6
Other Trading Revenues	-	1.3
<b>TOTAL REVENUES</b>	<b>2,072.1</b>	<b>2,008.6</b>
<b>OPERATING COSTS AND EXPENSES</b>		
<b>Restaurant Operating Cost and Expenses</b>		
Food & Paper	847.0	828.5
Payroll and Employee Benefits	217.1	189.2
Royalty	49.9	74.4
Occupancy and Other Operating Expenses	738.7	679.3
General & Administrative Expenses	122.4	115.3
Other (Income)/Expenses, (net)	(37.2)	0.9
Other Trading Operating Cost and Expenses	-	-
<b>TOTAL OPERATING COSTS AND EXPENSES</b>	<b>1,937.9</b>	<b>1,887.6</b>
<b>OPERATING EBIDTA</b>	<b>134.2</b>	<b>121.0</b>
Extraordinary expenses <sup>[1]</sup>	6.7	-
Financial Expense (Interest & Bank Charges)	38.0	15.7
Depreciation	137.9	118.5
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(48.4)</b>	<b>(13.2)</b>
Taxes	0.2	0.2
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>(48.6)</b>	<b>(13.4)</b>
<b>CASH PROFIT</b>	<b>97.1</b>	<b>105.2</b>

*[1] Onetime expenses on account of assets written off pertaining to restaurants relocation/closure*

**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 213 (as of June 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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