

Westlife Development Ltd Reports Fourth Quarter and Fiscal Year 2014 Results

Mumbai, May 9, 2014: Westlife Development Limited (WDL), a company listed on the Bombay Stock Exchange (BSE: 505533), today announced its audited financial and operating results for the fiscal ending March 31, 2014.

WDL recorded a revenue growth of 8.2 per cent to ₹7,403.0 million Y-o-Y (year-over-year) basis, riding on the restaurant operations of its subsidiary, Hardcastle Restaurants Pvt. Ltd. (HRPL), a master franchisee for west & south India operations of McDonald's Restaurants.

The results were taken on record by the Board of Directors at a meeting held in Mumbai, today.

Amid a challenging economic environment through FY14, the company continued to pursue its long-term trajectory of expanding its market share by investing in the business to build upon the solid foundation and drive future profitable growth and value for the shareholders.

WDL's outstanding brand and an aligned system coupled with sound financial strength makes the company well positioned and serves as a critical framework for future growth.

Commenting on the financial results for the fourth quarter and fiscal ended March 31, 2014, Mr. Amit Jatia, Vice-Chairman of Westlife Development Limited said, *"Despite the challenging conditions; including a contracting IEO market and lower discretionary consumer spends, we strengthened our market share. Our growth has been competitive and the results are a reflection of how we dynamically managed the business.*

We focussed on taking several initiatives and stepped up investment behind our brand and product innovations, whilst driving cost savings and operational efficiencies. These measures have reflected in margin expansion of ~195 bps in FY14. Additionally, we expanded our restaurant base by ~20% over the previous year.

Looking ahead, we are confident that our strategies and the adjustments we have made in response to the current headwinds will drive sustainable and profitable long-term growth.

FINANCIAL HIGHLIGHTS FOR FISCAL ENDED MARCH 31, 2014:

- **Revenue growth of 8.2 per cent year-over-year to ₹7,403.0 million**
- **Operating EBIDTA stood at ₹531.6 million**
- **Profit After Tax (PAT) stood at ₹9.5 million**
- **Cash Profit stood at ₹487.6 million**
- **Total Restaurant network at 184; Y-o-Y gross additions at 29; 05 new restaurant openings in Q4FY14**

Q4 & FY14 RESULT ANALYSIS:

- WDL reported 8.2 per cent increase in total revenues for the fiscal year to ₹7,403.0 million from ₹6,842.7 million Y-o-Y riding on restaurant expansion. The Company witnessed 0.7 per cent decrease in Total revenues for the fourth quarter to ₹1,790.6 million from ₹1,803.3 million in the same quarter of previous year.
- Y-o-Y gross additions stood at 29; 05 new restaurant openings in Q4FY14; total network of 184 restaurants across west and south India.
- System-wide comparable sales (SSSG) for the fiscal year was (6.4) per cent compared to 6.2 per cent in FY13. Fourth quarter SSSG slipped to (10.5) per cent as against a 7.2 per cent in the same quarter in the previous year against a backdrop of tepid consumer sentiment
- Overall gross margin was ₹4,210.5 million compared to ₹3,759.6 million in FY13. As a percentage of total revenues, gross margin improved ~195 bps Y-o-Y; driven by efficiencies in product management and menu pricing. Gross margins expanded by ~300 bps in Q4 FY14 against the same quarter in the previous year.
- Restaurant operating margin declined by ~170bps Y-o-Y in FY14, due to increased occupancy and utility costs. 85 of our total 184 restaurants form a part of the new restaurant base which are less than 3 years old. As these 85 new restaurants mature over the coming years, they will contribute positively to the cash flow.
- Operating EBITDA in FY14 stood at ₹531.6 million compared to ₹655.1 million Y-o-Y, representing a margin decline from 9.6 per cent to 7.2 per cent. Operating EBITDA for Q4FY14 stood at ₹101.0 million as against ₹178.5 million Y-o-Y representing a margin decline from 9.9 per cent to 5.6 per cent.
- General and administrative expenses in FY14 increased to ₹423.9 million compared to ₹355.8 million Y-o-Y due to investment in people and resources over the year to drive business growth
- WDL reported positive cash profit of ₹487.6 million in FY14

Further commenting on the financial results Mr. Amit Jatia said, “During the fiscal, we diligently focused on accelerating growth across all dayparts with everyday affordability, locally-relevant menu items, expanded conveniences and new restaurant openings to enhance the overall customer experience.

We continued to prioritize our efforts around the restaurant experience - offering the best food and beverage options and delivering exceptional service. We took a holistic approach to build demand with a combination of reinvigorated value offerings and compelling limited-time menu choices served in contemporary surroundings. We strengthened our product portfolio with the launch of the Masala Grill, Saucy Chipotle Wraps and the premium Royale burgers. Furthermore to engage with families and build newziness, we introduced several limited time offers with the McSpicy Feast, Doubles and McFloat Twisters and Piri-Piri McNuggets™ in our restaurants.

During the year under review, we consistently advanced our strategy on developing newer offerings that can best fulfill existing and emerging consumer needs. We made concerted efforts across all our brand extensions - an important growth lever for us. Convenience initiatives remained in focus - we optimized our delivery business through operational efficiencies with the launch of 29 minute delivery guarantee and by building online capabilities with the launch of our new web ordering platform - McDelivery. Additionally, we also significantly stepped up investments in digital efforts – Cashless and free Wi-Fi was launched across restaurants. Furthermore, we continued to grow the McCafe footprint across Mumbai to help us accelerate our beverage growth strategy. We sharpened our focus on breakfast by building on advances that we made in FY13 through the 2nd National Breakfast Day. In the coming years, we will continue to invest in building these brand extensions to enhance the company's margin profile.

These product and consumer-facing initiatives is part of WDL's goal to become India's favourite destination for great food and beverages giving more customers more reasons to visit their favourite McDonald's more often.

We expanded our footprint with gross addition of 29 new restaurants in FY14, taking the total count to 184 in west and south India including our entry with drive-thru formats into two new markets – Palakkad and Rajkot. We added 05 new restaurants in Q4FY14 - 03 in Karnataka and 02 in Gujarat.

We recognize the consumer needs continue to evolve in this dynamic marketplace – keeping this in mind, we constantly review the evolving change in the marketplace and assess the practicability of our existing locations. In order to further enhance the organizational capabilities and remain committed to meeting the expectations of customers and stakeholders, we relocated / discontinued the business operations of 06 restaurants in the FY14.

For the long term, our major objective will be to increase consumption of the IEO sector and seize the long-term opportunities in the marketplace. We intend to enhance our results by leveraging our competitive brand advantage in convenience, menu variety and value leadership. Furthermore, we will continue to tap opportunities for efficiency improvements and cost containment across operations as also invest in the talent pool to reignite our business momentum.

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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 fourth quarter and fiscal year ended March 31, 2014.

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

Comparable sales 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. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends. 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.

WESTLIFE DEVELOPMENT LIMITED
Consolidated Financial Performance

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
REVENUES		
Sales	7,319.0	6,756.3
Other Operating Income	64.9	62.7
Other Trading Revenues	19.1	23.7
TOTAL REVENUES	7,403.0	6,842.7
OPERATING COSTS AND EXPENSES		
Store Operating Cost and Expenses		
Food & Paper	3,192.5	3,083.1
Payroll and Employee Benefits	662.4	576.0
Royalty	231.9	213.1
Occupancy and Other Operating Expenses	2,388.0	1,997.2
General & Administrative Expenses	423.9	355.8
Other (Income)/Expenses, (net)	(41.0)	(56.1)
Other Trading Operating Cost and Expenses	13.7	18.4
TOTAL OPERATING COSTS AND EXPENSES	6,871.4	6,187.6
OPERATING EBIDTA	531.6	655.1
Extra-ordinary Expenses ^[1]	43.7	2.5
Financial Expense (Interest & Bank Charges)	46.3	5.9
Depreciation	435.0	313.4
PROFIT BEFORE TAX	6.6	333.4
Taxes	(2.9)	0.8
PROFIT AFTER TAX	9.5	332.5
CASH PROFIT	487.6	655.4

[1] One-time expense due to scheme of arrangement and 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.

In July 2013, the Bombay High Court approved Westlife Development Ltd's (WDL's) scheme of arrangement for consolidation of its subsidiaries in July 2013. As a result of the consolidation, Hardcastle Restaurants Private Limited (HRPL), a Master Franchisee for west & south India operations of McDonald's Restaurants, became a direct subsidiary of Westlife Development Limited (WDL).

On August 27th, 2013, Westlife Development Ltd rang a new era with the bell ringing ceremony at the Bombay Stock Exchange. This occasion marked the increased opportunity for Indian investors to participate in the scrip following the consolidation of group companies and consequent expansion of the equity base.

The WDL Board made a preferential allotment of Equity shares to Arisaig India Fund Ltd. The company allotted a total of 54.04 lakh Fully Paid Equity Shares to Arisaig India Fund Ltd; amounting to 3.47 percent stake in the company. The Company raised Rs. 180 crore through the preferential issue.

The long-term business potential of WDL remains attractive and company is on course of its mission of responsible and profitable growth for its shareholder.

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 165 million customers, annually, at its 184 (as of March 31, 2014) McDonald's restaurants in the states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Kerala and parts of Madhya Pradesh, and provides direct employment to over 8,000 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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