

Burger King India (BURGERKI IN)

Rating: BUY | CMP: Rs152 | TP: Rs250

May 27, 2021

Q4FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	250		221	
Sales (Rs. m)	10,329	14,253	11,486	14,667
% Chng.	(10.1)	(2.8)		
EBITDA (Rs. m)	1,527	2,547	1,784	2,493
% Chng.	(14.4)	2.2		
EPS (Rs.)	(1.1)	0.3	(0.2)	0.6
% Chng.	NA	(42.0)		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	8,412	4,945	10,329	14,253
EBITDA (Rs. m)	1,040	149	1,527	2,547
Margin (%)	12.4	3.0	14.8	17.9
PAT (Rs. m)	(722)	(1,613)	(424)	122
EPS (Rs.)	(2.6)	(4.2)	(1.1)	0.3
Gr. (%)	80.0	61.9	(73.7)	(128.9)
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	(27.5)	(34.0)	(6.5)	1.9
RoCE (%)	(3.0)	(19.6)	1.2	12.2
EV/Sales (x)	5.2	11.1	5.4	3.9
EV/EBITDA (x)	42.1	368.1	36.6	22.0
PE (x)	(58.5)	(36.1)	(137.5)	475.4
P/BV (x)	15.3	8.6	9.1	8.9

Key Data

BURG.BO | BURGERKI IN

52-W High / Low	Rs.219 / Rs.108
Sensex / Nifty	51,115 / 15,338
Market Cap	Rs.58bn / \$ 803m
Shares Outstanding	384m
3M Avg. Daily Value	Rs.802.62m

Shareholding Pattern (%)

Promoter's	53.88
Foreign	14.69
Domestic Institution	8.27
Public & Others	23.16
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	15.9	-	-
Relative	11.0	-	-

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A Whopper in making; BUY

Quick Pointers:

- SSSG at -4.9%, Net 5 stores closed in 4Q. Likely to add 55 stores in FY22.
- BK cafe to be launched in 4Q22, 75 cafes by FY23
- Dine in sales at 57%, convenience platforms at 43% of total sales in 4Q

We are increasing our DCF based target price to Rs250 (Rs221 earlier) as we factor in 1) BK Café launch by Jan-22 (75 cafés by FY23) and 2) superior margin delivery and upgraded guidance 3) success of BK App (200% growth) and 4) sustained innovations with launch of stunner Menu at price point of Rs50 and Rs70. We believe that 1Q would be impacted as Burger king as 55% stores in malls and another 15% in transit locations (Metros, IT parks etc.), however situation is far better than 1Q20 given building traction with convenience channel.

Burger chains as a whole will emerge stronger from the Pandemic given 1) Closure of more than 25-30% eateries due to Pandemic 2) Increased consumer focus towards health and hygiene measures and 3) Low penetration. Burger king has huge competitive advantage to capitalize on emerging growth opportunities given 1) Target to open 320 stores by FY22 and 700 by CY26 (265 as on FY21), 2) Launch of Value proposition strategy, 3) fixed royalty at 5% 4) cluster based approach with faster scalability and operating leverage 5) Launch of BK café by end of FY22. We estimate CAGR of 34.5% in sales over FY21-23. We estimate PAT breakeven by FY23 and strong profit growth post FY24. We believe margin guidance can see upside if BK café is a success. Maintain Buy with DCF based target price of Rs250 (Rs221 earlier).

Net sales up 2.3%, SSSG at -4.9%: Net sales increased 2.6% to Rs 1.96bn. March exit dine in at 57% of revenues while delivery at 43%. Gross margins at 65.6% expanded 220bps YoY on account of revenue recovery and supply chain cost initiatives. EBITDA increased 17.1% to Rs 245mn. Margins expanded 150bps YoY to 12.5%. Excluding Ind AS 116 impact Restaurant Operating Margin stood at 0.2% while Op EBITDA grew 85.6% YoY to Rs 4.6mn. Loss came at Rs 259mn vs Rs 374mn in Q4FY20.

Concall Takeaways: 1) 4Q21 revenue recovery at 103% and ADS recovery at 92%. Exit ADS recovery in Mar-21 at 111%. 2) Will launch BK by Jan-22, ramp up to 75 cafes by FY23. 3) Soft launched Value Proposition (Value 2.0) at accessible price points of Rs 50-70 across Burgers, Wraps, Rice, Volcano. National launch in 3Q22. 4) BK app is witnessing massive traction, delivery revenue growth of >200%. 5) 265 stores as on Mar-21 of which 55% are in malls, 35% in high street and 15% are drive thru and transit locations. Incrementally, only 10-15% stores will be in malls. 6) April month dine-in channel witnessed robust growth but again shut due to localized lockdowns. 7) Target to open 55 stores, flat SSSG over FY20 and GRMs of 66% in FY22.

Exhibit 1: Q4FY21 Results- Net sales up 2.6%, SSSG at -4.9%

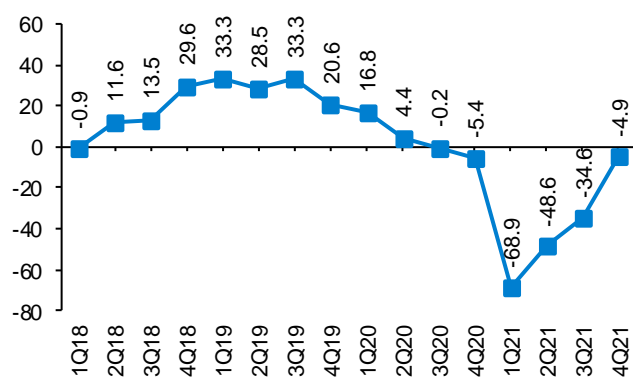
Consolidated	4QFY21	4QFY20	YoY gr. (%)	3QFY21	FY21	FY20	YoY gr. (%)
Net Sales	1,961	1,910	2.6	1,632	4,945	8,413	(41.2)
Gross Profit	1,285	1,209	6.3	1,042	3,188	5,398	(40.9)
% of NS	65.6	63.3	2.2	64.5	64.5	64.2	0.3
EBITDA	245	209	17.1	152	150	1,040	(85.6)
Margins %	12.5	10.9	1.5	3.0	3.0	12.4	(9.3)
Depreciation	319	343	(7.0)	335	1,275	1,164	9.6
Interest	163	216		234	821	655	
Other Income	34	20	73.8	127	285	56	409.4
PBT	(204)	(331)	(38.4)	(290)	(1,662)	(722)	130.2
Tax	-	-		-	-	-	
Tax rate %	0.0	0.0	-	0.0	0.0	0.0	-
Adjusted PAT	(204)	(331)	(38.4)	(290)	(1,662)	(722)	130.2

Source: Company, PL

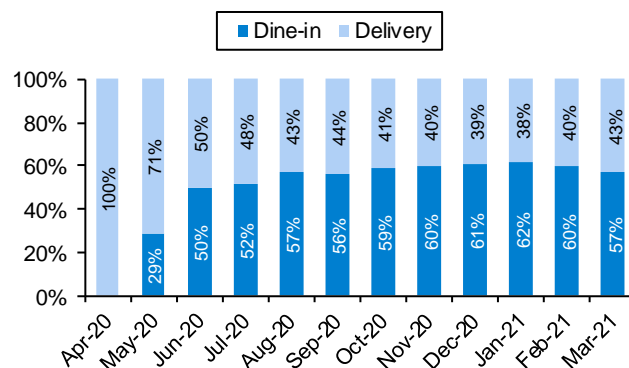
Exhibit 2: Restaurant EBITDA at Rs 141m vs Company EBITDA at Rs 5m, Reported EBITDA at Rs 245m

Consolidated	4QFY21	4QFY20	YoY gr. (%)	3QFY21	FY21	FY20	YoY gr. (%)
Gross Profit	1,285	1,209	6.3	1,043	3,188	5,398	(40.9)
Employee Benefit Exp	223	270	(17.4)	209	735	1,025	(28.3)
Occupancy & Other Exp	922	936	(1.6)	690	2,558	3,707	(31.0)
Restaurant EBITDA	141	4	3,830.9	144	-105	666	(115.7)
Restaurant EBITDA %	7.2%	0.2%	7.0	8.8%	-2.1%	7.9%	(10.0)
General and Admin exp	137	31	344.6	141	514	464	10.9
Company EBITDA	5	-27	(117.0)	2	-619	203	(405.4)
Company EBITDA %	0.2%	-1.4%	1.7	0.2%	-12.5%	2.4%	(14.9)

Source: Company, PL

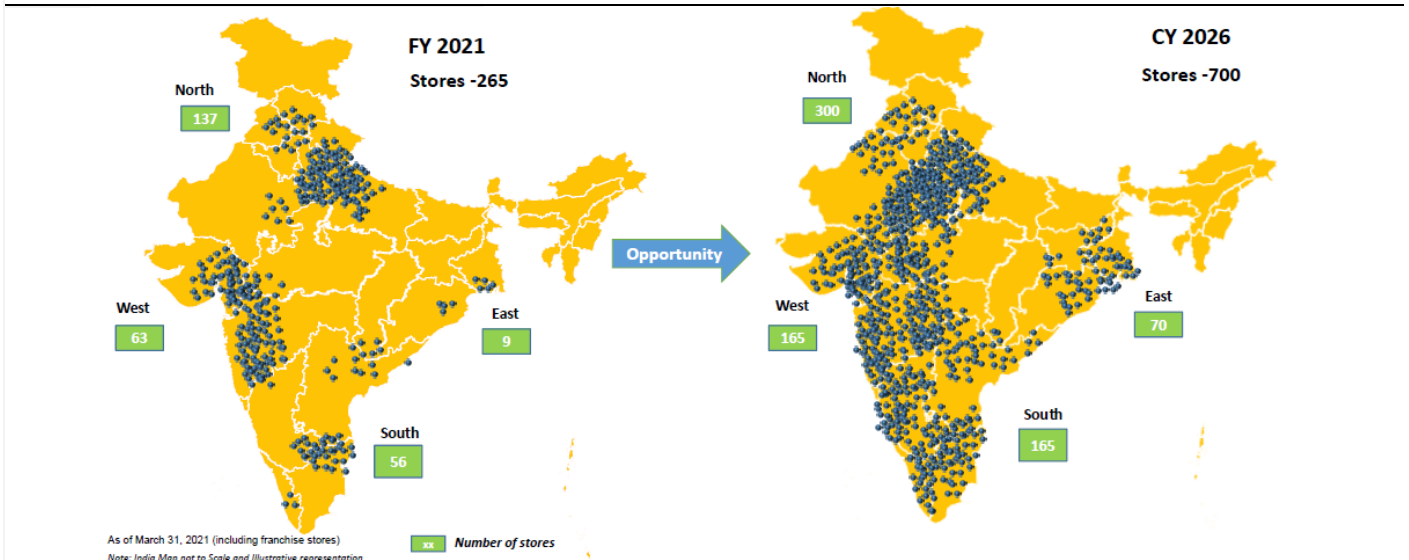
Exhibit 3: SSSG at -4.9% in 4Q


Source: Company, PL

Exhibit 4: Delivery revenues at 43% in 4Q


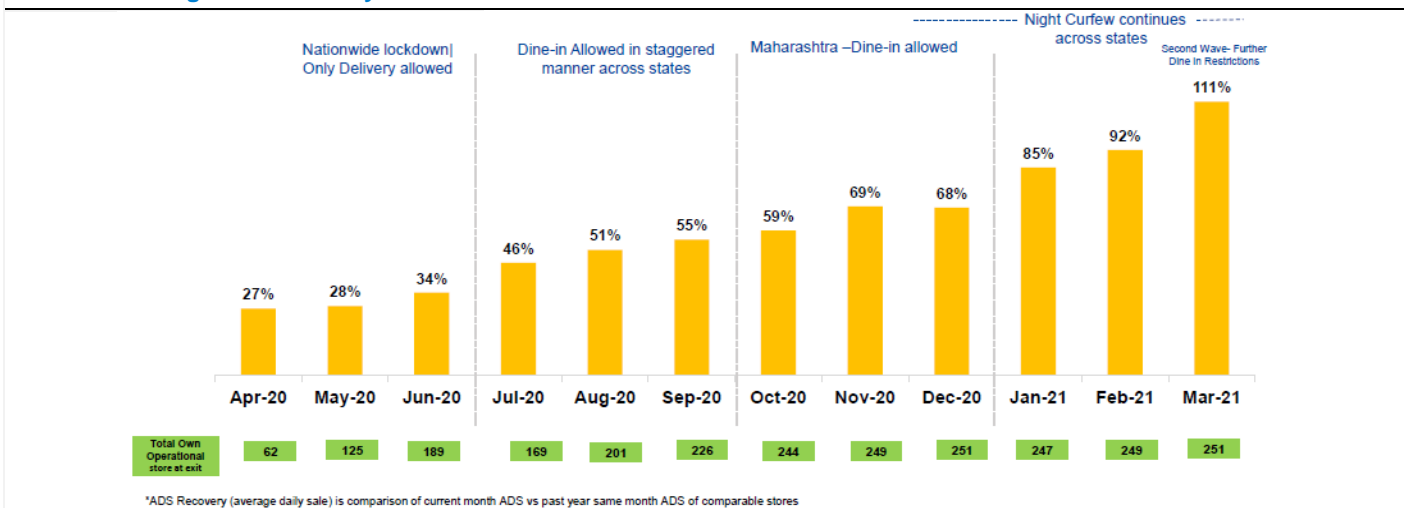
Source: Company, PL

Exhibit 5: Total stores to reach 700 by CY26



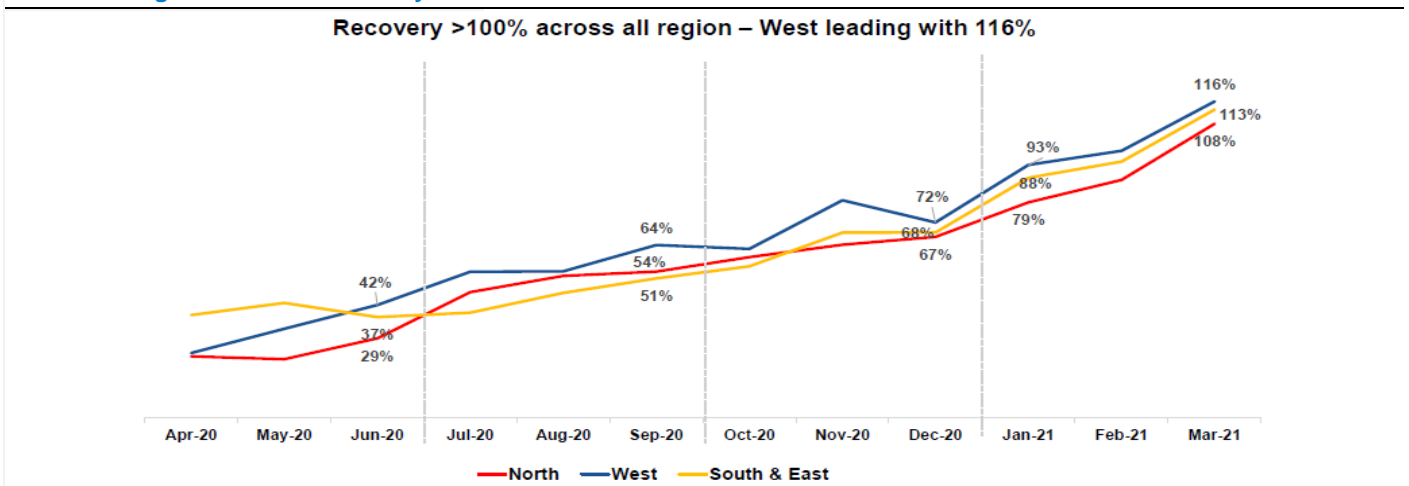
Source: PL, Company

Exhibit 6: Strong MoM Recovery



Source: PL, Company

Exhibit 7: Region wise ADS recovery



Source: Company, PL

Exhibit 8: Burger King Launches Stunner Menu at attractive price points



Source: Company, PL

Exhibit 9: Burger King announces launch of BK Cafe



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	8,412	4,945	10,329	14,253
YoY gr. (%)	33.0	(41.2)	108.9	38.0
Cost of Goods Sold	3,015	1,756	3,636	4,775
Gross Profit	5,397	3,188	6,693	9,478
Margin (%)	64.2	64.5	64.8	66.5
Employee Cost	1,365	1,177	1,549	2,054
Other Expenses	343	221	515	710
EBITDA	1,040	149	1,527	2,547
YoY gr. (%)	31.7	(85.7)	925.6	66.7
Margin (%)	12.4	3.0	14.8	17.9
Depreciation and Amortization	1,164	1,275	1,451	1,761
EBIT	(124)	(1,127)	76	786
Margin (%)	(1.5)	(22.8)	0.7	5.5
Net Interest	655	821	708	813
Other Income	56	335	208	149
Profit Before Tax	(722)	(1,613)	(424)	122
Margin (%)	(8.6)	(32.6)	(4.1)	0.9
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(722)	(1,613)	(424)	122
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(722)	(1,613)	(424)	122
YoY gr. (%)	88.7	123.3	(73.7)	(128.9)
Margin (%)	(8.6)	(32.6)	(4.1)	0.9
Extra Ord. Income / (Exp)	(43)	-	-	-
Reported PAT	(766)	(1,613)	(424)	122
YoY gr. (%)	100.0	110.6	(73.7)	(128.9)
Margin (%)	(9.1)	(32.6)	(4.1)	0.9
Other Comprehensive Income	(10)	-	-	-
Total Comprehensive Income	(776)	(1,613)	(424)	122
Equity Shares O/s (m)	278	383	383	383
EPS (Rs)	(2.6)	(4.2)	(1.1)	0.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	13,558	14,322	17,122	20,813
Tangibles	13,264	13,988	16,756	20,410
Intangibles	294	334	367	404
Acc: Dep / Amortization	3,191	4,466	5,917	7,678
Tangibles	3,142	4,398	5,827	7,564
Intangibles	49	68	90	115
Net fixed assets	10,367	9,856	11,205	13,135
Tangibles	10,122	9,591	10,929	12,846
Intangibles	245	265	277	289
Capital Work In Progress	476	301	350	400
Goodwill	-	-	-	-
Non-Current Investments	292	290	352	429
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	44	39	64	71
Current Assets				
Investments	186	1,243	-	-
Inventories	94	100	110	144
Trade receivables	32	60	85	117
Cash & Bank Balance	280	2,161	2,328	2,080
Other Current Assets	194	163	237	313
Total Assets	11,977	14,282	14,802	16,760
Equity				
Equity Share Capital	2,777	3,830	3,830	3,830
Other Equity	(23)	2,905	2,562	2,694
Total Network	2,754	6,735	6,392	6,524
Non-Current Liabilities				
Long Term borrowings	1,788	-	-	-
Provisions	187	209	209	209
Other non current liabilities	8	8	10	11
Current Liabilities				
ST Debt / Current of LT Debt	197	-	-	-
Trade payables	816	1,140	857	1,336
Other current liabilities	561	596	838	1,007
Total Equity & Liabilities	11,977	14,282	14,802	16,760

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	(722)	(1,613)	(424)	122
Add. Depreciation	1,164	1,275	1,451	1,761
Add. Interest	655	821	708	813
Less Financial Other Income	56	335	208	149
Add. Other	86	28	(24)	(6)
Op. profit before WC changes	1,182	512	1,711	2,690
Net Changes-WC	175	298	(149)	506
Direct tax	-	-	-	-
Net cash from Op. activities	1,357	810	1,562	3,196
Capital expenditures	(3,878)	(589)	(2,850)	(3,741)
Interest / Dividend Income	-	-	-	-
Others	121	(1,056)	1,181	(77)
Net Cash from Inv. activities	(3,758)	(1,645)	(1,669)	(3,818)
Issue of share cap. / premium	1,034	5,593	81	10
Debt changes	2,142	(2,057)	902	1,176
Dividend paid	-	-	-	-
Interest paid	(655)	(821)	(708)	(813)
Others	-	-	-	-
Net cash from Fin. activities	2,521	2,716	274	374
Net change in cash	120	1,881	167	(248)
Free Cash Flow	(2,522)	221	(1,288)	(544)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	(2.6)	(4.2)	(1.1)	0.3
CEPS	1.6	(0.9)	2.7	4.9
BVPS	9.9	17.6	16.7	17.0
FCF	(9.1)	0.6	(3.4)	(1.4)
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(3.0)	(19.6)	1.2	12.2
ROIC	(1.1)	(10.4)	0.6	5.4
RoE	(27.5)	(34.0)	(6.5)	1.9
Balance Sheet				
Net Debt : Equity (x)	0.6	(0.5)	(0.4)	(0.3)
Net Working Capital (Days)	(30)	(72)	(23)	(28)
Valuation(x)				
PER	(58.5)	(36.1)	(137.5)	475.4
P/B	15.3	8.6	9.1	8.9
P/CEPS	95.7	(172.6)	56.7	30.9
EV/EBITDA	42.1	368.1	36.6	22.0
EV/Sales	5.2	11.1	5.4	3.9
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	-	967	1,632	1,961
YoY gr. (%)	-	-	(28.4)	-
Raw Material Expenses	-	347	589	675
Gross Profit	-	620	1,042	1,285
Margin (%)	-	64.2	63.9	65.6
EBITDA	-	3	152	245
YoY gr. (%)	-	-	(41.7)	-
Margin (%)	-	0.3	9.3	12.5
Depreciation / Depletion	-	309	335	319
EBIT	-	(305)	(183)	(74)
Margin (%)	-	(31.6)	(11.2)	(3.8)
Net Interest	-	211	234	163
Other Income	-	139	127	34
Profit before Tax	-	(377)	(290)	(204)
Margin (%)	-	(39.0)	(17.8)	(10.4)
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after Tax	-	(377)	(290)	(204)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	-	(377)	(290)	(204)
YoY gr. (%)	-	-	33.6	-
Margin (%)	-	(39.0)	(17.8)	(10.4)
Extra Ord. Income / (Exp)	-	(8)	-	(56)
Reported PAT	-	(385)	(290)	(259)
YoY gr. (%)	-	-	33.6	-
Margin (%)	-	(39.8)	(17.8)	(13.2)
Other Comprehensive Income	-	(1)	(3)	4
Total Comprehensive Income	-	(386)	(293)	(255)
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	25-Feb-21	BUY	221	145

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,136	2,556
2	Avenue Supermarts	BUY	3,360	2,896
3	Bajaj Electricals	Hold	1,084	1,131
4	Britannia Industries	Accumulate	3,755	3,541
5	Burger King India	BUY	221	145
6	Colgate Palmolive	Accumulate	1,794	1,597
7	Crompton Greaves Consumer Electricals	BUY	454	398
8	Dabur India	Hold	531	535
9	Emami	BUY	579	500
10	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
11	Havells India	Hold	1,066	1,028
12	Hindustan Unilever	BUY	2,562	2,408
13	ITC	BUY	248	214
14	Jubilant FoodWorks	Accumulate	3,279	2,862
15	Kansai Nerolac Paints	Accumulate	620	566
16	Marico	Accumulate	452	410
17	Nestle India	Accumulate	18,450	17,096
18	Pidilite Industries	Hold	1,819	1,880
19	Polycab India	BUY	1,480	1,376
20	Titan Company	Accumulate	1,663	1,507
21	Voltas	Hold	955	999
22	Westlife Development	BUY	572	420

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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