

Burger King India Limited

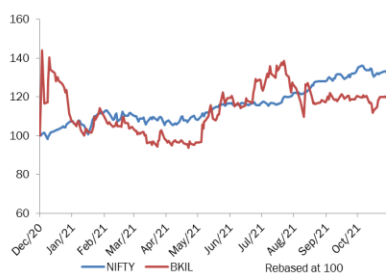
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Hunger for growth continues!

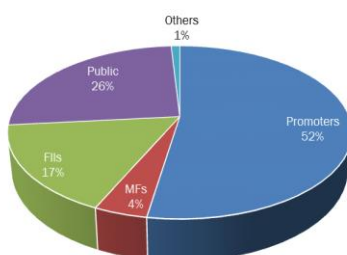
BUY

Sector	: Foodservice
Target Price	: ₹ 217
Current Market Price	: ₹ 155
Market Cap	: ₹ 5,962 crores
52-week High/Low	: ₹ 219/108
Daily Avg Vol (12M)	: 5,650,134
Face Value	: ₹ 10
Beta	: 1.20
Pledged Shares	: 0%
Year End	: March
BSE Scrip Code	: 543248
NSE Scrip Code	: BURGERKING
Bloomberg Code	: BURGERKI IN
Reuters Code	: BURG.NS
Nifty	: 17,764
BSE Sensex	: 59,636
Analyst	: Research Team

Price Performance



Shareholding Pattern



Q2FY22 – Result Update

Result Analysis

- Burger King India Limited (BKIL) witnessed good growth in its Revenues during the quarter. Revenue from operations stood at ₹ 245.4 crores (up ~154% y-o-y and 64% q-o-q).
- Ease in Covid restrictions led to increase in dine-in sales. The Dine-in: Delivery sales mix for the quarter was 47:53 as compared to 28:72 in the previous quarter. The Average daily sales (ADS) recovered by 165% and 65% for Delivery and Dine-in businesses respectively in 2QFY22. On a Pan India basis the ADS recovery for October 21 (on FY20 baseline) has been 101%. The region wise ADS recovery for 2QFY22 is 90%, 97% and 103% for North, West and South East respectively. The ADS recovery has been least in the Northern region as majority of the stores are at the Metro stations, where restrictions are not lifted completely.
- BKIL added 4 stores during the quarter, with the current store count standing at 274. The management is optimistic to deliver a total of 320 stores by FY22.
- EBITDA jumped significantly from ₹ 0.3 crores in 2QFY21 to ₹ 25.6 crores in 2QFY22 while the margins grew by ~1000 bps to 10.4%.

Outlook & Valuation

BKIL has aggressive store expansion plans in place to add 55, 70 and 80 stores by the end of FY22, FY23 and FY24 respectively. It has also launched its first BK Café in Mumbai and intends to scale up to 75 cafes by FY23. As per management's guidance the Same Store Sales Growth (SSSG) may remain flat over FY20 for FY22, and a growth of 5-7% from FY23 onwards. The BK APP delivery revenue growth has been over 65% sequentially and more than 1.5 mn APP installed in 2QFY22 (a 50% growth over last quarter). The media launch of the Stunner Value Menu with strong TV and Digital program has added to the revenue growth. The stunner menu has reported sales of 1 out of every 3 checks in 2QFY22. BKIL's binding offer to acquire 83.24% stake in Burger King Indonesia at Enterprise value of USD 183 Mn has been accepted by the seller. With sturdy store ramp-up and expansions plans in place, coupled with good Pan India ADS recovery, strong TV and digital campaign, increase in users of BK APP and a

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planned foray in Café space, BKIL may witness a robust growth in its revenues going forward. Based on our target Price-to-sales (P/S) multiple of 6x FY23E operating Revenue, We maintain our previous target price of ₹ 217, informing a BUY rating with a 40% upside.

Key Financial Metrics (Standalone)

₹ Crore	FY19A	FY20A	FY21A	FY22E	FY23E
Operating Revenue	632.7	841.2	494.5	965.8	1,384.5
Growth		33.0%	-41.2%	95.3%	43.4%
EBITDA	79.0	104.0	32.7	111.1	214.6
EBITDA margin	12.5%	12.4%	6.6%	11.5%	15.5%
PAT	(38.3)	(76.6)	(173.9)	(105.5)	(44.3)
PAT margin	-6.1%	-9.1%	-35.2%	-10.9%	-3.2%
Diluted EPS (₹)	(1.4)	(2.9)	(5.5)	(2.8)	(1.2)

Source: Company data; Khambatta Research

Financial Performance (Standalone)

₹ Crore	2QFY21	1QFY22	2QFY22	Y-o-Y	Q-o-Q
Operating Revenue	96.7	149.7	245.4	153.7%	63.9%
EBITDA	0.3	1.5	25.6	7973.2%	1567.2%
EBITDA margin	0.3%	1.0%	10.4%	1010 bps	940 bps
PAT	(38.5)	(44.4)	(20.2)	47.5%	54.4%
PAT margin	-39.8%	-29.6%	-8.2%	3158 bps	2139 bps
EPS (₹)	(1.34)	(1.16)	(0.53)	60.6%	54.4%

Source: Company data; Khambatta Research

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Guide to Khambatta's research approach

Valuation methodologies

We apply the following absolute/relative valuation methodologies to derive the 'fair value' of the stock as a part of our fundamental research:

DCF: The Discounted Cash Flow (DCF) method values an estimated stream of future free cash flows discounted to the present day, using a company's WACC or cost of equity. This method is used to estimate the attractiveness of an investment opportunity and as such provides a good measure of the company's value in absolute terms. There are several approaches to discounted cash flow analysis, including Free Cash Flow to Firm (FCFF), Free Cash Flow to Equity (FCFE) and the Dividend Discount Model (DDM). The selection of a particular approach depends on the particular company being researched and valued.

ERE: The Excess Return to Equity (ERE) method takes into consideration the absolute value of a company's return to equity in excess of its cost of equity discounted to the present day using the cost of equity. This methodology is more appropriate for valuing banking stocks than FCFF or FCFE methodologies.

Relative valuation: In relative valuation, various comparative multiples or ratios including Price/Earnings, Price/Sales, EV/Sales, EV/EBITDA, Price/Book Value are used to assess the relative worth of companies which operate in the same industry/industries and are thereby in the same peer group. Generally our approach involves the use of two multiples to estimate the relative valuation of a stock.

Other methodologies such as DuPont Analysis, CFROI, NAV and Sum-of-the-Parts (SOTP) are applied where appropriate.

Stock ratings

Buy recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) by at least 15%.

Hold recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) between 5% and 15%.

Sell recommendations are expected to improve up to 5% or deteriorate, based on consideration of the fundamental view and the currency impact (where applicable).

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