

January 25, 2022

Q3FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	220		242	
Sales (Rs. m)	13,995	18,462	14,506	19,010
% Chng.	(3.5)	(2.9)		
EBITDA (Rs. m)	2,063	3,112	2,252	3,466
% Chng.	(8.4)	(10.2)		
EPS (Rs.)	(1.0)	-	(0.3)	1.4
% Chng.	279.9	(99.8)		

Key Financials - Standalone

Ye Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	4,945	9,833	13,995	18,462
EBITDA (Rs. m)	150	997	2,063	3,112
Margin (%)	3.0	10.1	14.7	16.9
PAT (Rs. m)	(1,662)	(929)	(381)	1
EPS (Rs.)	(4.3)	(2.4)	(1.0)	-
Gr. (%)	66.9	(44.1)	(59.0)	(100.3)
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	(35.0)	(14.8)	(6.8)	0.0
RoCE (%)	(19.6)	(5.6)	7.7	17.5
EV/Sales (x)	9.6	5.0	3.6	2.8
EV/EBITDA (x)	317.4	49.7	24.5	16.6
PE (x)	(30.7)	(54.9)	(133.9)	NA
P/BV (x)	7.6	8.8	9.4	9.4

Key Data

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52-W High / Low	Rs.190 / Rs.126
Sensex / Nifty	57,858 / 17,278
Market Cap	Rs.51bn/ \$ 683m
Shares Outstanding	384m
3M Av g. Daily Value	Rs.233.43m

Shareholding Pattern (%)

Promoter's	52.52
Foreign	17.35
Domestic Institution	4.34
Public & Others	25.79
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.1)	(25.4)	(1.6)
Relative	(8.3)	(31.7)	(17.8)

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Recovery on, Impending dilution an overhang

Quick Pointers:

- 20 stores opened in 3Q22, 9 stores under execution and 65 in pipeline.
- 3Q ADS at 104% of FY20 Nos. Delivery/Dine-in ADS recovery at 160%/78%
- Dine-in contribution up to 53% in 3Q. To return to 60-65% by FY23.
- FastTrack launch of BK Café, opened 18 stores in 3Q, 8 under construction

Burger King reported encouraging performance with ADS recovery at 104% over FY20 ADS (Dec21 ADS at 111%). Recovery in Delivery ADS sustained its momentum at 160% (Dec21 at 166%), while 78% recovery in Dine-in ADS (Dec21 at 86%) remains a positive. With opening up of markets, management expects Dine-in share to revert back to pre-pandemic ratio of 65% in FY23. FastTrack launch of BK Café during 3Q22 (opened 18 stores) will increase occasions to breakfast and non-peak hours. BK App based delivery ecosystem continues to strengthen with 2.35mn cumulative installs (422k MAUs), 41% QoQ grown in app sales and own fleet of 177 e-delivery bikes.

We expect Burger king to capitalize on emerging growth opportunities on account of strong competitive advantage like 1) Sharp focus on store opening with target of 320/390 stores by FY22/FY23 and 700 by CY26 (294 as on 3QFY22), 2) consumer acceptance of Stunner Menu with 39% volume growth and Whooper to drive premiumisation, 3) fixed royalty at 5% 4) Renewed focus on the BK App resulting in 2.35+mn download 5) Success of BK café with wide menu options. We shall incorporate Indonesia numbers and revise our estimates and target prices post QIP. We expect turnaround in FY24 and tweak our estimates/DCF based target price of Rs220 (Rs241 earlier).

3Q ADS Recovery at 104% of FY20 ADS Revenues grew by 71.5% YoY to Rs2.8bn (PLe: Rs2.8bn). Gross margins expanded by 219bps YoY to 66.1% (PLe: 65.6%). EBITDA grew by 115.9% YoY to Rs 328.2mn (PLe: Rs361mn). Margins expanded by 241bps YoY to 11.7% (PLe:13%). Restaurant EBITDA grew by 25.9% YoY to Rs 481.2mn while Margins contracted by 620bps YoY to 17.2% (Adjusting for lease concessions in both 3Q21/22, margins improved by 220bps). Loss came at Rs 152mn (PLe: Rs150mn) Vs loss of 290mn in 3QFY21.

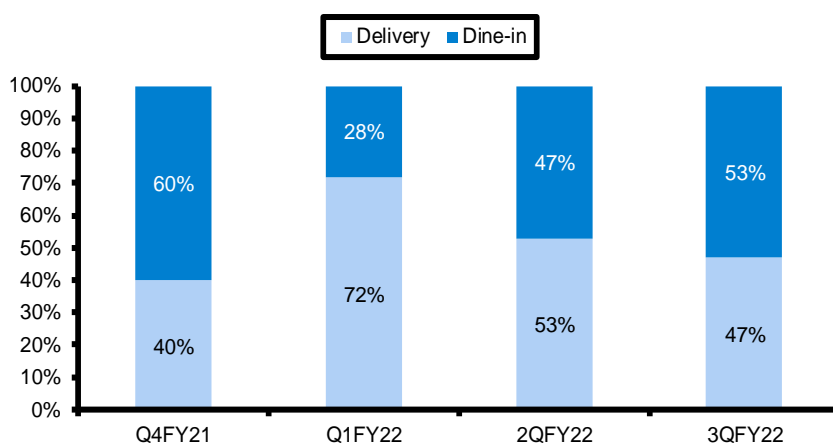
Concall Takeaways: 1) Revenue growth to be driven by both SSSG and new store expansion in next year. To open 320/ 390 stores in FY22/FY23 2) ADS surpassed precovid levels. Expect dine-in to delivery ratio to return back to 65:35 in FY23. 3) Entry level stunner menu is gaining traction; volume grew by 39% since launch. 4) All new stores are designed to incorporate BK cafe in them. 5) BK App delivery revenue growth >41% QoQ. 6) Believe current GRMs are sustainable and likely to improve 7) Price differentiation in Dine in/Delivery to keep GM at similar range. 8) Royalty fixed at 5% for till FY39.

Exhibit 1: Q3FY22 Results- Net sales up 71.5%, Margins improved 240 bps

Consolidated	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Net Sales	2,799	1,632	71.5	2,454	6,750	2,984	126.2
Gross Profit	1,849	1,042	77.4	1,605	4,430	1,903	132.8
<i>% of NS</i>	66.1	63.9	2.2	65.6	65.6	63.8	1.9
EBITDA	328	152	115.9	256	599	(135)	(542.9)
<i>Margins %</i>	11.7	9.3	2.4	8.9	8.9	(4.5)	13.4
Depreciation	344	335	2.7	334	1,006	956	5.2
Interest	168	234		167	502	658	
Other Income	32	127	(74.9)	43	111	291	(61.7)
PBT	(152)	(290)	(47.8)	(202)	(797)	(1,458)	(45.3)
Tax	-	-		-	-	-	
<i>Tax rate %</i>	0.0	0.0	-	0.0	0.0	0.0	-
Adjusted PAT	(152)	(290)	(47.8)	(202)	(797)	(1,458)	(45.3)

Source: Company, PL

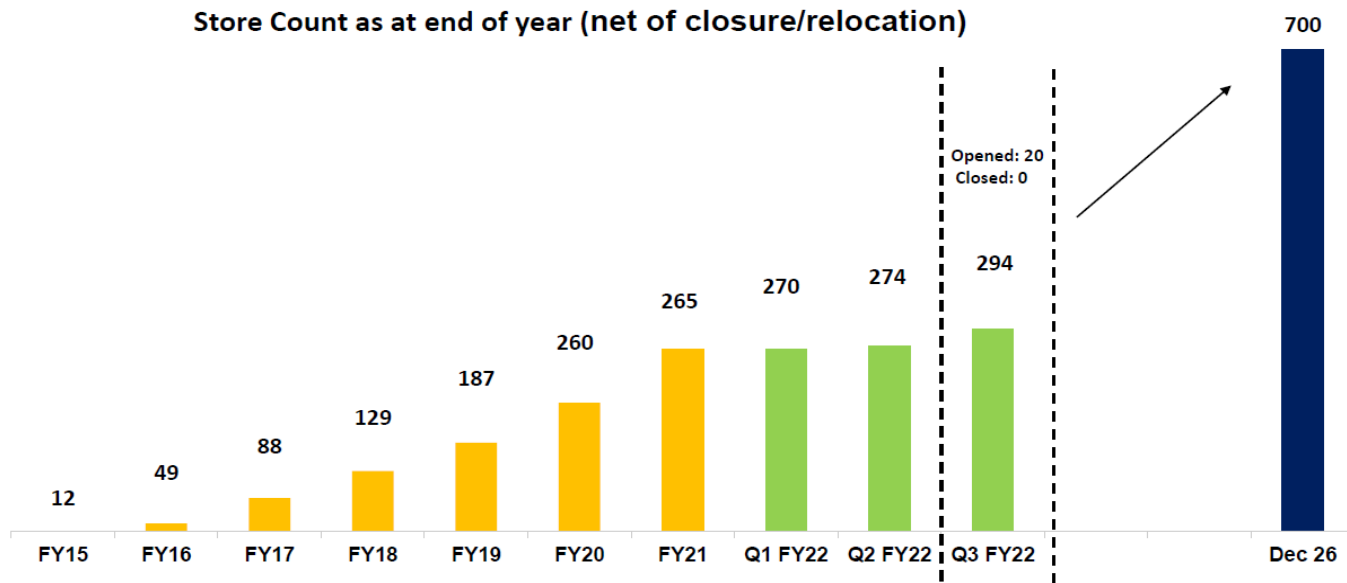
Exhibit 2: Dine-in Sales at 53% during 3QFY22



Source: Company, PL

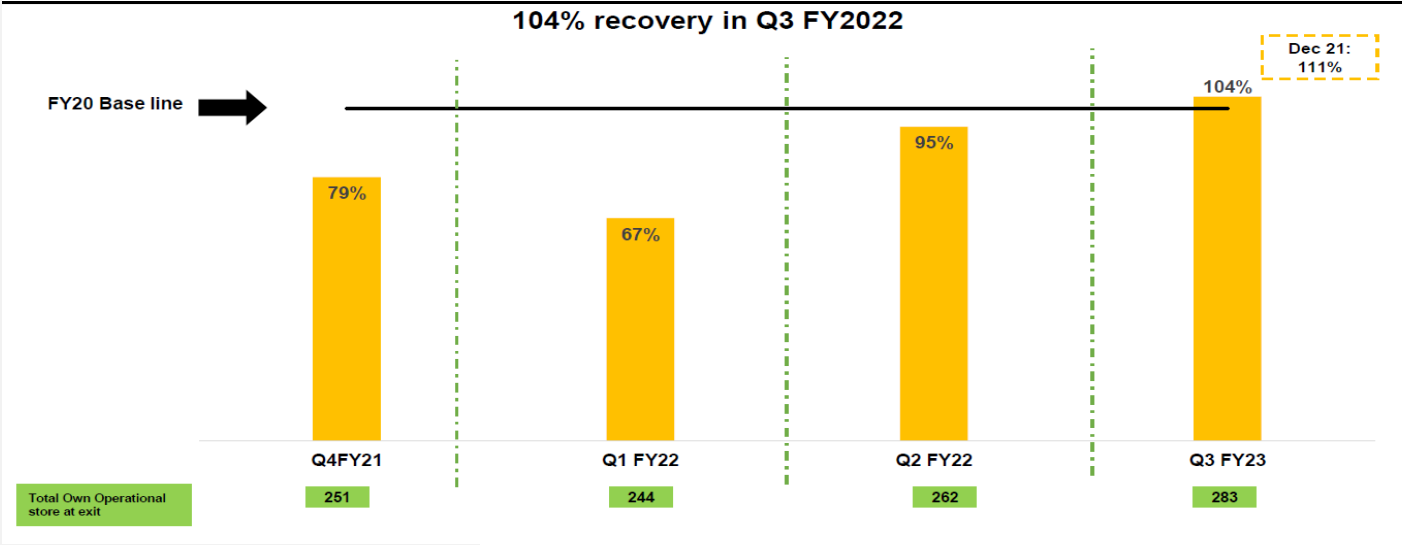
Exhibit 3: Total store count at 294 in Q3FY22 and to reach 700 by Dec'26

Store Count as at end of year (net of closure/relocation)



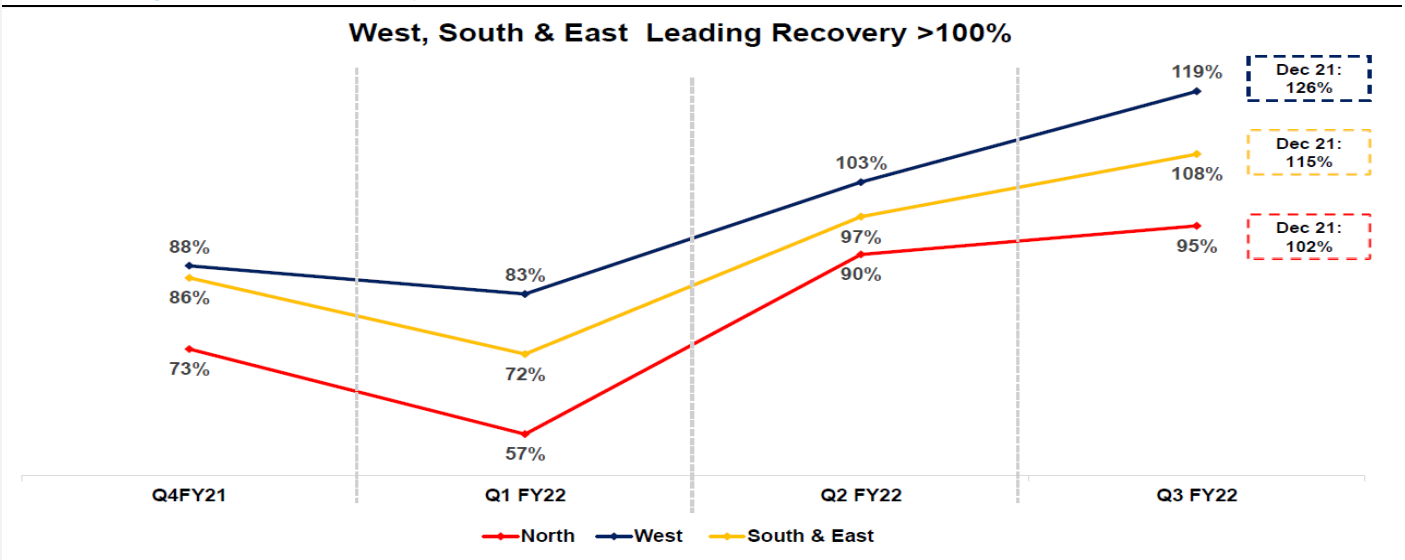
Source: PL, Company

Exhibit 4: 104% ADS recovery in 3QFY22. Dec'21 ADS at 111%:



Source: PL, Company

Exhibit 5: Region wise ADS recovery >100% on FY20 baseline



Source: Company, PL

Exhibit 6: Opened 18 BK Café in 3Q22

- 18 BK Café in Q3'21
- 8 BK Café under construction
- Mix of trade areas to assess potential
- High Visibility Inputs in Café Trade Areas
- Exciting sweet and savoury café food menu



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	4,945	9,833	13,995	18,462
YoY gr. (%)	(41.2)	98.9	42.3	31.9
Cost of Goods Sold	1,756	3,392	4,688	6,139
Gross Profit	3,188	6,441	9,307	12,323
Margin (%)	64.5	65.5	66.5	66.8
Employee Cost	1,176	1,676	2,112	2,646
Other Expenses	191	491	699	922
EBITDA	150	997	2,063	3,112
YoY gr. (%)	(85.6)	565.3	106.9	50.9
Margin (%)	3.0	10.1	14.7	16.9
Depreciation and Amortization	1,275	1,348	1,620	2,009
EBIT	(1,126)	(351)	443	1,103
Margin (%)	(22.8)	(3.6)	3.2	6.0
Net Interest	821	718	870	1,130
Other Income	285	140	46	28
Profit Before Tax	(1,662)	(929)	(381)	1
Margin (%)	(33.6)	(9.4)	(2.7)	0.0
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(1,662)	(929)	(381)	1
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(1,662)	(929)	(381)	1
YoY gr. (%)	130.1	(44.1)	(59.0)	(100.3)
Margin (%)	(33.6)	(9.4)	(2.7)	0.0
Extra Ord. Income / (Exp)	(77)	-	-	-
Reported PAT	(1,739)	(929)	(381)	1
YoY gr. (%)	127.1	(46.6)	(59.0)	(100.3)
Margin (%)	(35.2)	(9.4)	(2.7)	0.0
Other Comprehensive Income	1	-	-	-
Total Comprehensive Income	(1,738)	(929)	(381)	1
Equity Shares O/s (m)	383	383	383	383
EPS (Rs)	(4.3)	(2.4)	(1.0)	-

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	14,178	17,029	20,772	25,437
Tangibles	13,845	16,663	20,369	24,994
Intangibles	332	366	402	443
Acc: Dep / Amortization	4,322	5,670	7,289	9,299
Tangibles	4,255	5,580	7,176	9,159
Intangibles	67	89	113	140
Net fixed assets	9,856	11,359	13,482	16,138
Tangibles	9,591	11,083	13,193	15,835
Intangibles	265	277	289	303
Capital Work In Progress	301	350	400	560
Goodwill	-	-	-	-
Non-Current Investments	290	352	429	518
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	39	61	69	71
Current Assets				
Investments	1,243	-	-	-
Inventories	100	130	141	185
Trade receivables	60	81	115	152
Cash & Bank Balance	2,161	1,438	696	715
Other Current Assets	163	226	307	387
Total Assets	14,282	14,075	15,726	18,820
Equity				
Equity Share Capital	3,830	3,830	3,830	3,830
Other Equity	2,905	1,950	1,579	1,590
Total Network	6,735	5,780	5,409	5,420
Non-Current Liabilities				
Long Term borrowings	-	-	300	1,500
Provisions	209	209	209	209
Other non current liabilities	8	9	10	11
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,140	818	1,284	1,706
Other current liabilities	596	742	878	1,057
Total Equity & Liabilities	14,282	14,074	15,726	18,820

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	(1,662)	(929)	(381)	1
Add. Depreciation	1,275	1,348	1,620	2,009
Add. Interest	821	718	870	1,130
Less Financial Other Income	285	140	46	28
Add. Other	(48)	(22)	(7)	(1)
Op. profit before WC changes	386	1,115	2,102	3,139
Net Changes-WC	298	(297)	467	432
Direct tax	-	-	-	-
Net cash from Op. activities	685	818	2,569	3,570
Capital expenditures	(589)	(2,901)	(3,793)	(4,825)
Interest / Dividend Income	-	-	-	-
Others	(1,056)	1,181	(77)	(88)
Net Cash from Inv. activities	(1,645)	(1,720)	(3,870)	(4,913)
Issue of share cap. / premium	5,719	(26)	10	10
Debt changes	(2,057)	922	1,420	2,481
Dividend paid	-	-	-	-
Interest paid	(821)	(718)	(870)	(1,130)
Others	(1)	1	(1)	-
Net cash from Fin. activities	2,840	179	559	1,361
Net change in cash	1,880	(722)	(742)	19
Free Cash Flow	96	(2,082)	(1,224)	(1,255)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	(4.3)	(2.4)	(1.0)	-
CEPS	(1.0)	1.1	3.2	5.2
BVPS	17.6	15.1	14.1	14.2
FCF	0.3	(5.4)	(3.2)	(3.3)
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(19.6)	(5.6)	7.7	17.5
ROIC	(10.3)	(2.8)	2.9	6.1
RoE	(35.0)	(14.8)	(6.8)	0.0
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.2)	(0.1)	0.1
Net Working Capital (Days)	(72)	(23)	(27)	(27)
Valuation(x)				
PER	(30.7)	(54.9)	(133.9)	NA
P/B	7.6	8.8	9.4	9.4
P/CEPS	(131.9)	121.8	41.1	25.4
EV/EBITDA	317.4	49.7	24.5	16.6
EV/Sales	9.6	5.0	3.6	2.8
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	1,961	1,497	2,454	2,799
YoY gr. (%)	-	288.9	153.7	71.5
Raw Material Expenses	675	521	849	950
Gross Profit	1,285	976	1,605	1,849
Margin (%)	65.6	65.2	65.4	66.1
EBITDA	245	15	256	328
YoY gr. (%)	-	(105.3)	7,973.2	115.9
Margin (%)	12.5	1.0	10.4	11.7
Depreciation / Depletion	319	329	334	344
EBIT	(74)	(313)	(78)	(16)
Margin (%)	(3.8)	(20.9)	(3.2)	(0.6)
Net Interest	163	167	167	168
Other Income	34	37	43	32
Profit before Tax	(204)	(444)	(202)	(152)
Margin (%)	(10.4)	(29.6)	(8.2)	(5.4)
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after Tax	(204)	(444)	(202)	(152)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(204)	(444)	(202)	(152)
YoY gr. (%)	-	(43.9)	(46.4)	(47.8)
Margin (%)	(10.4)	(29.6)	(8.2)	(5.4)
Extra Ord. Income / (Exp)	(56)	-	-	(8)
Reported PAT	(259)	(444)	(202)	(159)
YoY gr. (%)	-	(44.9)	(47.5)	(45.1)
Margin (%)	(13.2)	(29.6)	(8.2)	(5.7)
Other Comprehensive Income	4	-	-	(1)
Total Comprehensive Income	(255)	(443)	(202)	(160)
Av g. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	6-Jan-22	BUY	242	140
2	12-Nov-21	BUY	242	163
3	6-Oct-21	BUY	251	159
4	28-Aug-21	BUY	250	172
5	16-Aug-21	BUY	250	168
6	5-Jul-21	BUY	250	158
7	27-May-21	BUY	250	152
8	25-Feb-21	BUY	221	145

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,762	3,306
2	Avenue Supermarts	Accumulate	5,345	4,731
3	Bajaj Electricals	Accumulate	1,230	1,223
4	Britannia Industries	Accumulate	4,093	3,660
5	Burger King India	BUY	242	140
6	Colgate Palmolive	Accumulate	1,852	1,466
7	Crompton Greaves Consumer Electricals	BUY	530	441
8	Dabur India	Accumulate	647	583
9	Emami	Accumulate	624	511
10	Havells India	Accumulate	1,381	1,309
11	Hindustan Unilever	BUY	2,900	2,262
12	ITC	BUY	270	221
13	Jubilant FoodWorks	Accumulate	4,109	3,638
14	Kansai Nerolac Paints	BUY	707	596
15	Marico	Hold	544	501
16	Mold-tek Packaging	UR	725	821
17	Nestle India	Accumulate	18,723	19,936
18	Pdillite Industries	Hold	2,491	2,638
19	Titan Company	BUY	2,651	2,576
20	Titan Company	BUY	2,915	2,596
21	Voltas	Hold	1,200	1,250
22	Westlife Development	Accumulate	603	542

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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