

May 18, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

Rating	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Target Price	BUY 653		BUY 645	
Sales (Rs. m)	20,817	24,623	20,762	24,549
% Chng.	0.3	0.3		
EBITDA (Rs. m)	3,784	4,674	3,738	4,620
% Chng.	1.2	1.2		
EPS (Rs.)	6.4	9.3	6.5	9.3
% Chng.	(1.3)	(0.8)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	9,856	15,765	20,817	24,623
EBITDA (Rs. m)	465	1,892	3,784	4,674
Margin (%)	4.7	12.0	18.2	19.0
PAT (Rs. m)	(1,036)	(17)	1,003	1,444
EPS (Rs.)	(6.6)	(0.1)	6.4	9.3
Gr. (%)	(1,215.6)	(98.4)	(6,123.9)	43.9
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	(19.6)	(0.4)	19.6	22.7
RoCE (%)	(12.8)	7.8	30.4	34.3
EV/Sales (x)	7.2	4.5	3.4	2.8
EV/EBITDA (x)	152.2	37.6	18.6	14.8
PE (x)	(68.3)	(4,251.2)	70.6	49.0
P/BV (x)	14.7	15.3	12.6	10.0

Key Data

WEST.BO | WLDL IN

52-W High / Low	Rs.684 / Rs.402
Sensex / Nifty	54,209 / 16,240
Market Cap	Rs.71bn/ \$ 912m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.59.93m

Shareholding Pattern (%)

Promoter's	57.22
Foreign	9.95
Domestic Institution	22.82
Public & Others	10.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.4)	(20.6)	(1.8)
Relative	(1.2)	(12.6)	(9.1)

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Harish Advani

harishadvani@plindia.com | 91-22-66322242

Aashi Rara

aaashirara@plindia.com | 91-22-66322381

Approaching the tipping point; Buy for LT Gains

Quick Pointers:

- Pre IND AS EBIDTA Margin at 11.6% (+250bps), PAT at Rs231mn
- Convenience channel sales grew 42% v/s 15% for Dine in
- WDL to add 40 stores in FY23 and 500 stores over next 3-4 years.

WDL posted encouraging numbers with SSSG of 23%, 42% sales growth of Convenience channel and 250bps EBIDTA margin expansion Pre IND AS despite Omicron impact in Jan22. We believe WDL's menu innovations - Fried Chicken (South India), Gourmet Burgers, Meal options will continue to power growth in coming years.

We remain positive on the long term story for Westlife and expect it to emerge stronger given 1) Renewed aggression with aim of adding ~200 stores in 3-4 years 2) Increased focus on fried chicken yielding additional Rs 5mn of AUV/store (mainly in South India) 3) Pilot of fried chicken in western markets and potential launch of gourmet burgers in south markets. 5) Fading impact of COVID will drive dine in and café sales which are margin accretive 6) Additional gains in convenience channel even in post covid scenario. We estimate Sales CAGR of 25.0% over FY22-24 with an EPS of Rs6.4 and Rs9.2 in FY23/24. We assign DCF based target price of Rs653 (Rs645 earlier). Buy for LT Gains given huge scope to scale up and strong brand.

Revenue grew by 27.3%, SSSG at 23%: Revenues grew by 27.3% YoY to Rs4.6bn (PLe: Rs4.6bn). Dine-in/Convenience channels grew by 15%/ 42%. Gross margins contracted by 147bps YoY to 65% (PLe: 66.0%). EBITDA grew by 27.7% YoY to Rs629mn (PLe: Rs732mn); Margins expanded by 5bps YoY to 13.8% (PLe: 16.0%). Restaurant EBITDA margins expanded by 110bps YoY to 22.3%. Adjusted PAT grew to Rs153mn vs loss of 39mn YoY (PLe: Rs133mn); Pre-IND AS EBIDTA at Rs526mn, YoY margins expand 250bps to 11.6%. Adj PAT at Rs231mn.

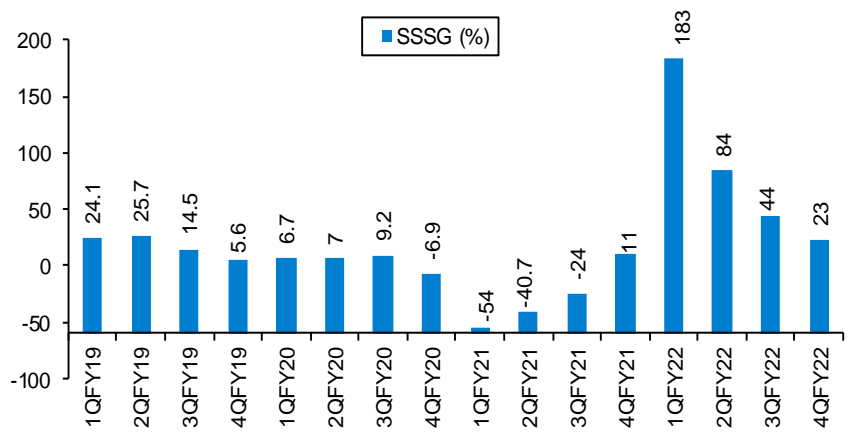
Concall Takeaways: 1) Growth momentum from 3Q carried into 4Q22, however Jan'22 was lost due to Omicron impact. 2) Convenience channels grew by 42% YoY versus 15% growth in Dine in 3) Omni channel strategy has helped provide increased business predictability 4) Metros/T2-3 contribution at 70:30, may change to 65:35 in coming few years. 6) Presence in 44 cities; 60 more cities yet to be penetrated. Company to aggressively expand presence in smaller cities. 7) Price hike in the range of 3-5% taken during 1Q23 to mitigate the impact of inflation 8) WDL confident of mitigating inflation through product mix, pricing and sourcing efficiencies 9) All south stores (130) offer fried chicken which can add incremental sales of Rs5mn/store. 10) Pace of store expansion to increase over the years as WDL targets to cross 500 stores over next 3-4 years. 11) Royalty rate for FY23 would be 4%. 12) WDL aims to become leaders in meals & maintain leadership in snacking. 13) Gourmet burgers has helped to recruit new customers towards the brand 14) EOTF increased to 118 (36% of stores) and 80% of stores have café's

Exhibit 1: 4QFY22 Results- Net Sales up 27.3%, EBITDA Margins flat YoY

Consolidated	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Net Sales	4,551	3,576	27.3	4,768	15,765	9,860	59.9
Gross Profit	2,959	2,378	24.4	3,165	10,314	6,377	61.7
% of NS	65.0	66.5	(1.5)	66.4	65.4	64.7	0.7
Other Expenses	2,330	1,885	23.6	2,371	8,422	5,768	46.0
% of NS	51.2	52.7	-	49.7	53.4	58.5	-
EBITDA	629	493	27.7	793	1,892	610	210.2
Margins %	13.8	13.8	0.0	16.6	12.0	6.2	5.8
Depreciation	346	342	1.2	348	1,364	1,396	(2.3)
Interest	209	204	2.5	210	826	845	(2.2)
Other Income	131	33	299.1	43	277	443	(37.4)
PBT	205	(20)	(1,117.3)	279	(21)	(1,189)	(98.3)
Tax	52	19	173.5	70	(4)	(293)	(98.6)
Tax rate %	25.4	(94.6)	-	25.3	19.5	24.7	-
Adjusted PAT	153	(39)	(489.8)	208	(17)	(896)	(98.2)

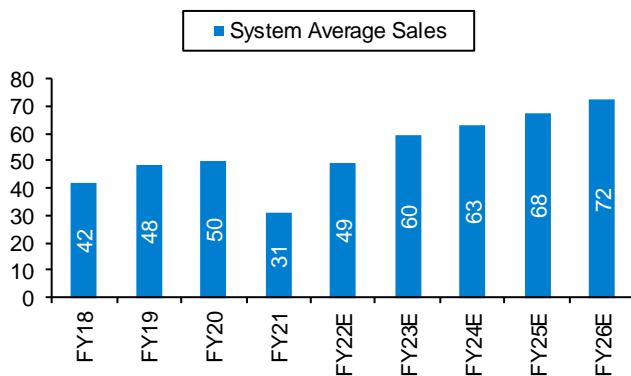
Source: Company Data, PL Research

Exhibit 2: SSSG stood at 23%



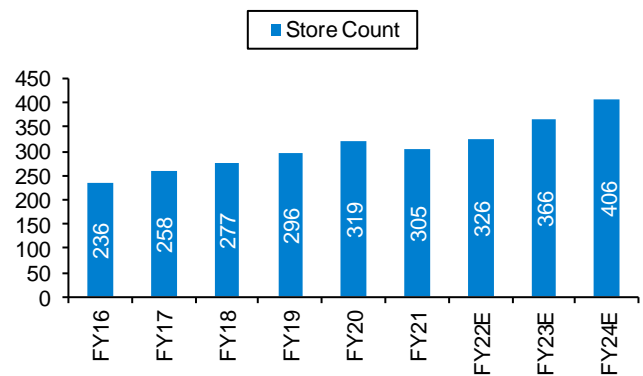
Source: Company, PL

Exhibit 3: System average sales to grow 13.1% over FY22-24



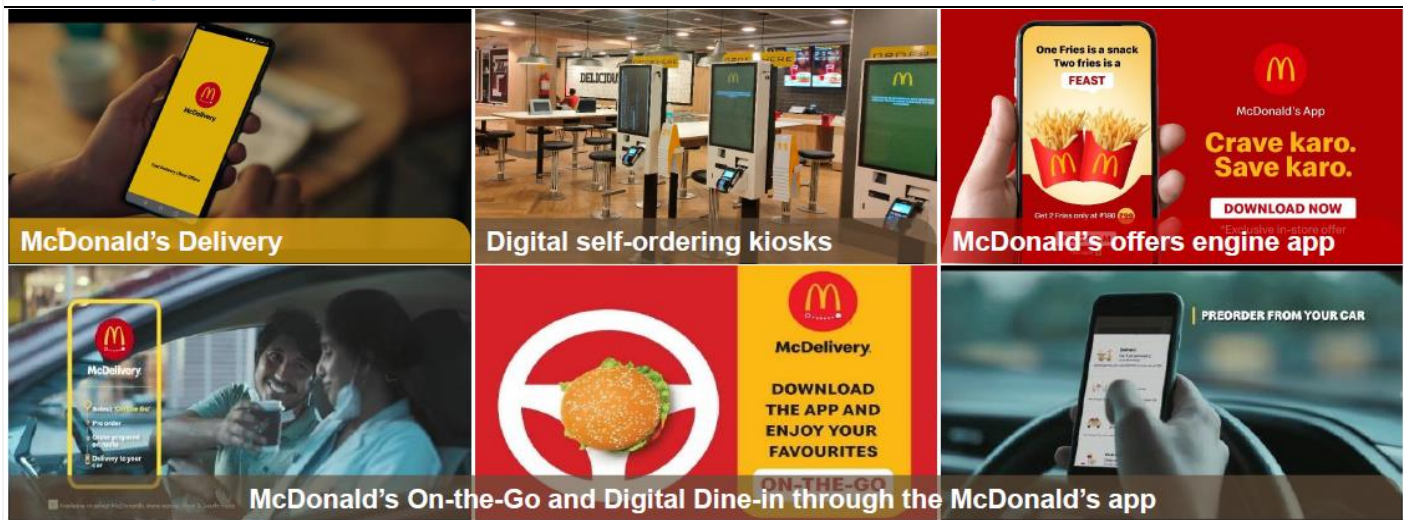
Source: Company, PL

Exhibit 4: Store openings to see acceleration from FY23



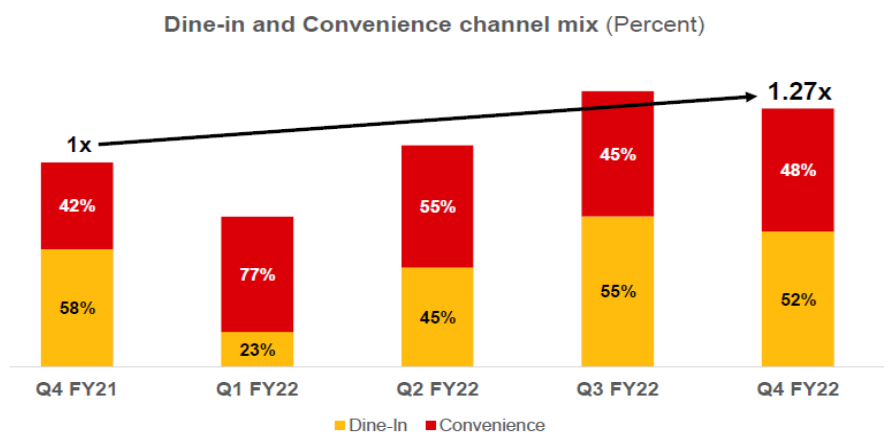
Source: Company, PL

Exhibit 5: Digital sales contributed ~57% of revenues in 4QFY22



Source: Company, PL

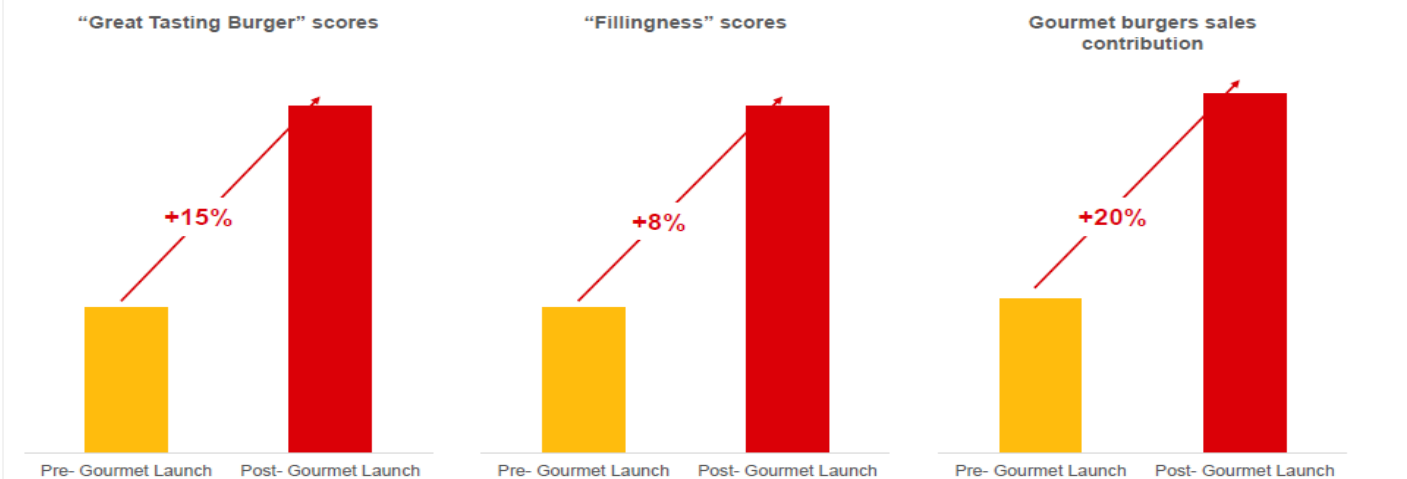
Exhibit 6: Convenience channel increased to 1.27x vs 4QFY21



Source: Company, PL

Exhibit 7: Improvement in customer scores witnessed across parameters

Burger Leadership: significant improvement in customer scores as well as sales led by Gourmet burger meals



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	9,856	15,765	20,817	24,623
YoY gr. (%)	(36.3)	60.0	32.0	18.3
Cost of Goods Sold	3,483	5,451	6,870	8,002
Gross Profit	6,373	10,314	13,948	16,620
Margin (%)	64.7	65.4	67.0	67.5
Employee Cost	1,782	2,095	2,607	3,094
Other Expenses	2,001	3,056	3,331	3,841
EBITDA	465	1,892	3,784	4,674
YoY gr. (%)	(78.2)	306.8	100.0	23.5
Margin (%)	4.7	12.0	18.2	19.0
Depreciation and Amortization	1,396	1,364	1,645	1,908
EBIT	(931)	528	2,138	2,766
Margin (%)	(9.4)	3.4	10.3	11.2
Net Interest	845	826	981	1,095
Other Income	447	277	189	266
Profit Before Tax	(1,329)	(21)	1,346	1,938
Margin (%)	(13.5)	(0.1)	6.5	7.9
Total Tax	(293)	(4)	343	494
Effective tax rate (%)	22.1	19.4	25.5	25.5
Profit after tax	(1,036)	(17)	1,003	1,444
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(1,036)	(17)	1,003	1,444
YoY gr. (%)	(1,217.0)	(98.4)	(6,123.9)	43.9
Margin (%)	(10.5)	(0.1)	4.8	5.9
Extra Ord. Income / (Exp)	42	-	-	-
Reported PAT	(994)	(17)	1,003	1,444
YoY gr. (%)	1,251.6	(98.3)	(6,123.9)	43.9
Margin (%)	(10.1)	(0.1)	4.8	5.9
Other Comprehensive Income	2	(17)	-	-
Total Comprehensive Income	(992)	(34)	1,003	1,444
Equity Shares O/s (m)	156	156	156	156
EPS (Rs)	(6.6)	(0.1)	6.4	9.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	17,043	19,202	22,677	26,232
Tangibles	15,874	17,958	21,358	24,838
Intangibles	1,169	1,244	1,319	1,394
Acc: Dep / Amortization	4,200	5,580	7,225	9,133
Tangibles	3,917	5,218	6,791	8,624
Intangibles	284	361	434	509
Net fixed assets	12,843	13,623	15,452	17,100
Tangibles	11,957	12,740	14,567	16,215
Intangibles	885	883	885	885
Capital Work In Progress	256	355	355	355
Goodwill	-	-	-	-
Non-Current Investments	469	67	451	500
Net Deferred tax assets	510	520	486	438
Other Non-Current Assets	397	361	380	401
Current Assets				
Investments	1,984	1,504	2,156	3,240
Inventories	465	559	565	658
Trade receivables	88	133	143	169
Cash & Bank Balance	110	232	171	211
Other Current Assets	75	142	100	110
Total Assets	17,236	17,976	20,762	23,708
Equity				
Equity Share Capital	312	312	312	312
Other Equity	4,501	4,309	5,312	6,756
Total Networkth	4,812	4,621	5,624	7,068
Non-Current Liabilities				
Long Term borrowings	2,152	2,010	1,810	1,610
Provisions	104	134	117	139
Other non current liabilities	7,766	8,728	10,273	11,826
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,403	2,483	2,938	3,064
Total Equity & Liabilities	17,236	17,976	20,762	23,708

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	(1,329)	(44)	1,346	1,938
Add. Depreciation	1,396	1,320	1,645	1,908
Add. Interest	845	877	981	1,095
Less Financial Other Income	447	277	189	266
Add. Other	(168)	(430)	22	63
Op. profit before WC changes	744	1,723	3,995	5,003
Net Changes-WC	389	277	98	(51)
Direct tax	297	11	(343)	(494)
Net cash from Op. activities	1,430	2,011	3,750	4,458
Capital expenditures	(184)	(2,199)	(3,475)	(3,555)
Interest / Dividend Income	-	-	-	-
Others	(414)	480	(652)	(1,084)
Net Cash from Inv. activities	(597)	(1,719)	(4,127)	(4,639)
Issue of share cap. / premium	34	0	-	-
Debt changes	315	(142)	(200)	(200)
Dividend paid	-	-	-	-
Interest paid	(845)	(877)	(981)	(1,095)
Others	(257)	1,007	1,498	1,516
Net cash from Fin. activities	(753)	(11)	316	221
Net change in cash	80	281	(61)	40
Free Cash Flow	1,246	(189)	275	903

Source: Company Data, PL Research

Key Financial Metrics

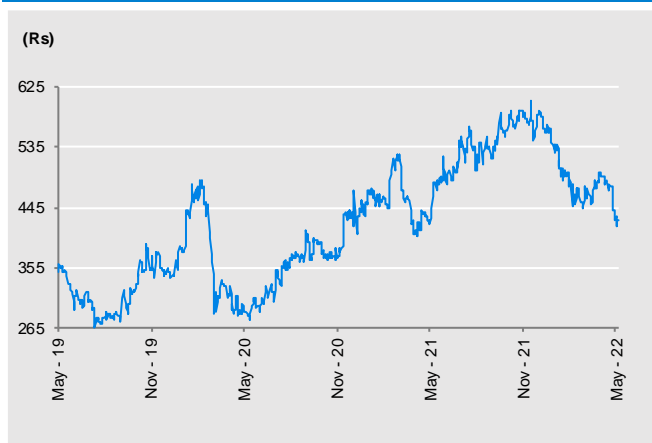
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	(6.6)	(0.1)	6.4	9.3
CEPS	2.3	8.6	17.0	21.5
BVPS	30.9	29.6	36.1	45.3
FCF	8.0	(1.2)	1.8	5.8
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(12.8)	7.8	30.4	34.3
ROIC	(6.2)	3.3	11.6	13.7
RoE	(19.6)	(0.4)	19.6	22.7
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	(0.1)	(0.3)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	(68.3)	(4,251.2)	70.6	49.0
P/B	14.7	15.3	12.6	10.0
P/CEPS	196.3	52.5	26.7	21.1
EV/EBITDA	152.2	37.6	18.6	14.8
EV/Sales	7.2	4.5	3.4	2.8
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	2,592	3,854	4,768	4,551
YoY gr. (%)	176.0	84.0	46.7	27.3
Raw Material Expenses	896	1,359	1,603	1,592
Gross Profit	1,695	2,495	3,165	2,959
Margin (%)	65.4	64.7	66.4	65.0
EBITDA	25	444	793	629
YoY gr. (%)	(105.9)	1,020.9	58.7	27.7
Margin (%)	1.0	11.5	16.6	13.8
Depreciation / Depletion	332	338	348	346
EBIT	(307)	106	446	283
Margin (%)	(11.8)	2.8	9.4	6.2
Net Interest	203	204	210	209
Other Income	64	40	43	131
Profit before Tax	(446)	(59)	279	205
Margin (%)	(17.2)	(1.5)	5.8	4.5
Total Tax	(112)	(15)	70	52
Effective tax rate (%)	25.1	24.8	25.3	25.4
Profit after Tax	(334)	(44)	208	153
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(334)	(44)	208	153
YoY gr. (%)	(44.8)	(83.9)	847.9	(489.8)
Margin (%)	(12.9)	(1.1)	4.4	3.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(334)	(44)	208	153
YoY gr. (%)	(44.8)	(86.5)	18,573.3	(337.3)
Margin (%)	(12.9)	(1.1)	4.4	3.4
Other Comprehensive Income	1	(10)	(5)	(3)
Total Comprehensive Income	(333)	(54)	203	151
Avg. Shares O/s (m)	17	18	18	18
EPS (Rs)	(19.6)	(2.4)	11.6	8.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	8-Apr-22	BUY	645	497
2	3-Feb-22	BUY	648	497
3	6-Jan-22	Accumulate	603	542
4	28-Oct-21	Accumulate	603	574
5	6-Oct-21	BUY	605	554
6	13-Aug-21	BUY	603	512
7	5-Jul-21	BUY	572	496

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,511	3,086
2	Avenue Supermarts	BUY	4,651	3,231
3	Britannia Industries	BUY	3,770	3,385
4	Colgate Palmolive	Accumulate	1,664	1,565
5	Dabur India	Accumulate	603	529
6	Emami	Accumulate	611	428
7	Hindustan Unilever	BUY	2,384	2,145
8	ITC	BUY	285	268
9	Jubilant FoodWorks	Accumulate	3,230	2,792
10	Kansai Nerolac Paints	BUY	518	398
11	Marico	Accumulate	547	520
12	Mold-tek Packaging	BUY	781	705
13	Nestle India	Accumulate	19,426	18,203
14	Pidilite Industries	Hold	2,417	2,525
15	Restaurant Brands Asia	BUY	220	113
16	Titan Company	BUY	2,701	2,092
17	Westlife Development	BUY	645	497

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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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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