

December 1, 2022

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	847		847	
Sales (Rs. m)	26,924	32,015	26,924	32,015
% Chng.	-	-	-	-
EBITDA (Rs. m)	5,087	6,168	5,087	6,168
% Chng.	-	-	-	-
EPS (Rs.)	11.5	15.0	11.5	15.0
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	15,760	22,971	26,924	32,015
EBITDA (Rs. m)	1,888	4,066	5,087	6,168
Margin (%)	12.0	17.7	18.9	19.3
PAT (Rs. m)	(17)	1,298	1,797	2,333
EPS (Rs.)	(0.1)	8.3	11.5	15.0
Gr. (%)	(98.4)	(7,892.5)	38.4	29.8
DPS (Rs.)	-	-	-	3.0
Yield (%)	-	-	-	0.4
RoE (%)	(0.4)	24.2	25.7	25.7
RoCE (%)	7.7	34.2	36.9	37.4
EV/Sales (x)	7.1	4.8	4.1	3.3
EV/EBITDA (x)	59.5	27.2	21.5	17.4
PE (x)	(6,728.8)	86.4	62.4	48.1
P/BV (x)	24.3	18.4	14.2	11.0

Key Data

WEST.BO | WLDL IN

52-W High / Low	Rs.812 / Rs.402
Sensex / Nifty	63,284 / 18,813
Market Cap	Rs.112bn/ \$ 1,380m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.193.82m

Shareholding Pattern (%)

Promoter's	56.57
Foreign	9.80
Domestic Institution	24.13
Public & Others	9.50
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.1)	57.4	31.9
Relative	(6.4)	37.7	20.2

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Game on with Vision 2027

Quick Pointers:

- WFL guides for 580-630 stores, Rs45bn sales and Pre IND AS margins of 15-17% with ROE of 25%, Dividend Payout of 15-25%
- Menu Innovation, Network expansion, Omni channel and cost optimisation to be key drivers

We attended WFL's Strategy Day which outlined Vision 2027 and progress on Vision 2022. WFL has fulfilled the earlier target on most fronts, despite covid impact for 2 years. By end of CY27, WFL has indicated 580-630 stores, sales of 40-45bn, 15-17% Pre IND AS margins, 25% ROE, 40% ROCE, Rs14bn capex and dividend payout of 15-25%. We note that most of the guidance numbers are in line with our estimates. We believe WFL is well placed to capitalise on growth opportunity in the QSR space given 1) strong Menu innovations like Gourmet Burgers, Fried chicken, McCafe 2) strong store format with EOTF stores 3) rising salience of McDelivery and Digital sales 4) more focus on South with 60% of incremental stores given higher AUV & chicken sales and 4) accelerated store expansion plans in coming years. WFL guidance of 5% Royalty till FY26 and gradual increase thereafter is positive.

We believe WFL has high probability to surpass Vision 2027, given strong growth momentum post covid. We estimate Sales CAGR of 27.3% over FY22-25 with an EPS of Rs8.3/11.5/15 in FY23/24/25. We assign DCF based target price of Rs847 (no change). We maintain Buy and expect more calibrated returns incremental post sharp run up in past 6 months.

Vision 2027 - 2x sales, 300bps margin expansion

- Targets sales of Rs40-45bn with SSSG between 7-9%
- Pre IND AS/Post IND AS margins of 15-17%/18-20%.
- 65-70% sales via digital channels
- Focus on Gourmet/Premium burgers, Fried Chicken and McCafe.
- Dividend payout of 15-20% to reward shareholders
- Rs18bn generated in cash flow from operations

Network Expansion - South, EOTF, Digital key areas

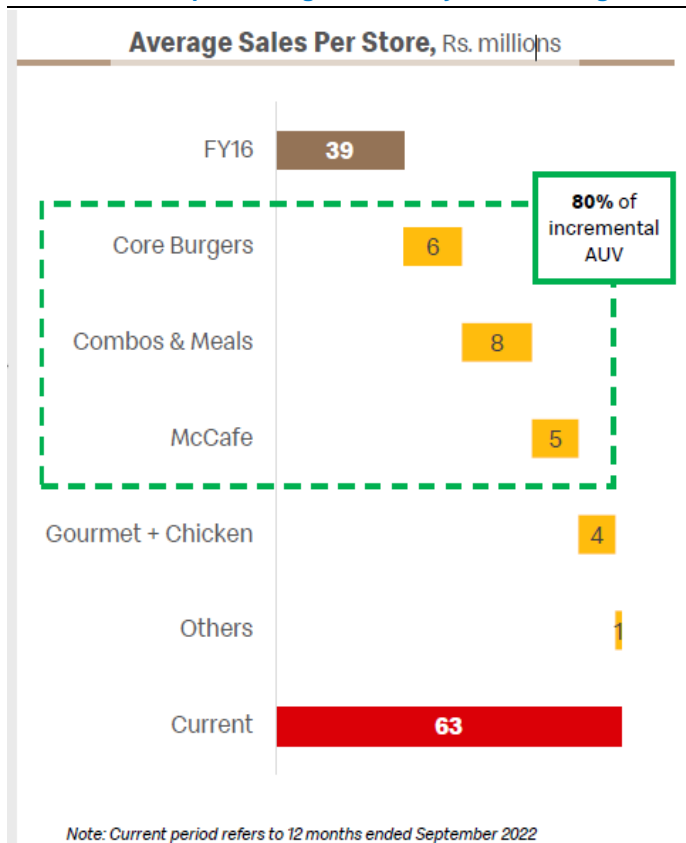
- Targets store network of 580-630 by CY27; long term potential of 1000+
- Capex of Rs14bn to be funded through internal accruals with 30% store returns
- 100% EOTF stores to deliver superior consumer experience
- 100% McCafe penetration across stores.
- 60% stores to be launched in South markets

Exhibit 1: WFL has delivered on most parameters in Vision 2022

Particulars	Vision 2022	Actual	Vision 2027
Sales (Rs bn)	20-25	20.4	40-45
Op. EBITDA (%)	Low-mid teens	12.8	18-20
SSSG (%)	High single	8.5	7-9
McCafe	300-350 (70-75%)	274 (81%)	100%
McDelivery	300-325 (65-75%)	292 (87%)	100%
EOTF	80-100	138 (48%)	100%
Restaurants	400-500	337	580-630
Cities	45+	52	NA
Capex (Rs bn)	5	5.2	14
AUV	60	63	78
Cash Return (%)	20+	30	NA
Drive Through	NA	68	30-35%
Store Split (South:West)	60:40	60:40	50-55:45-50

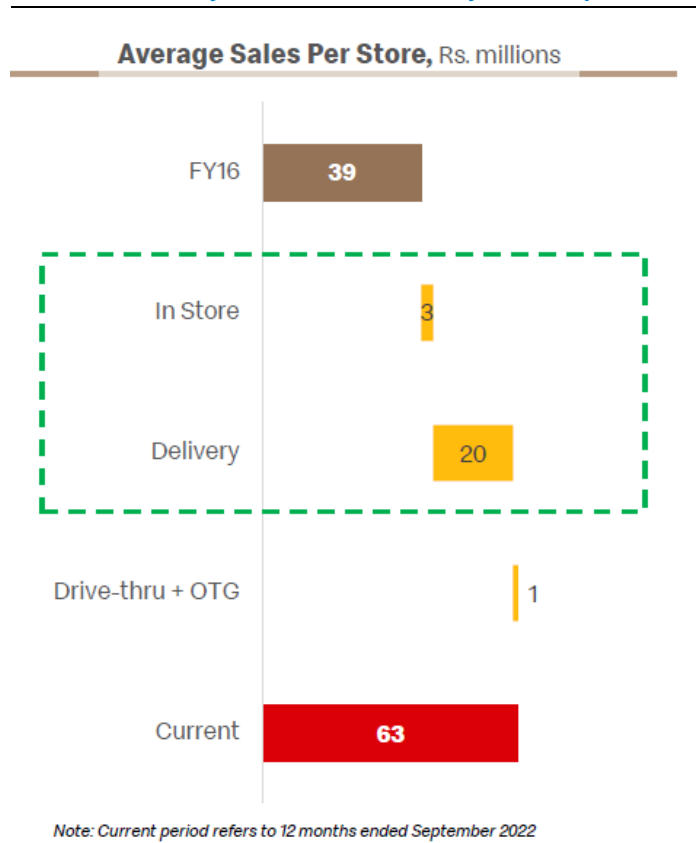
Source: Company, PL

Exhibit 2: Sales per store growth led by core offerings



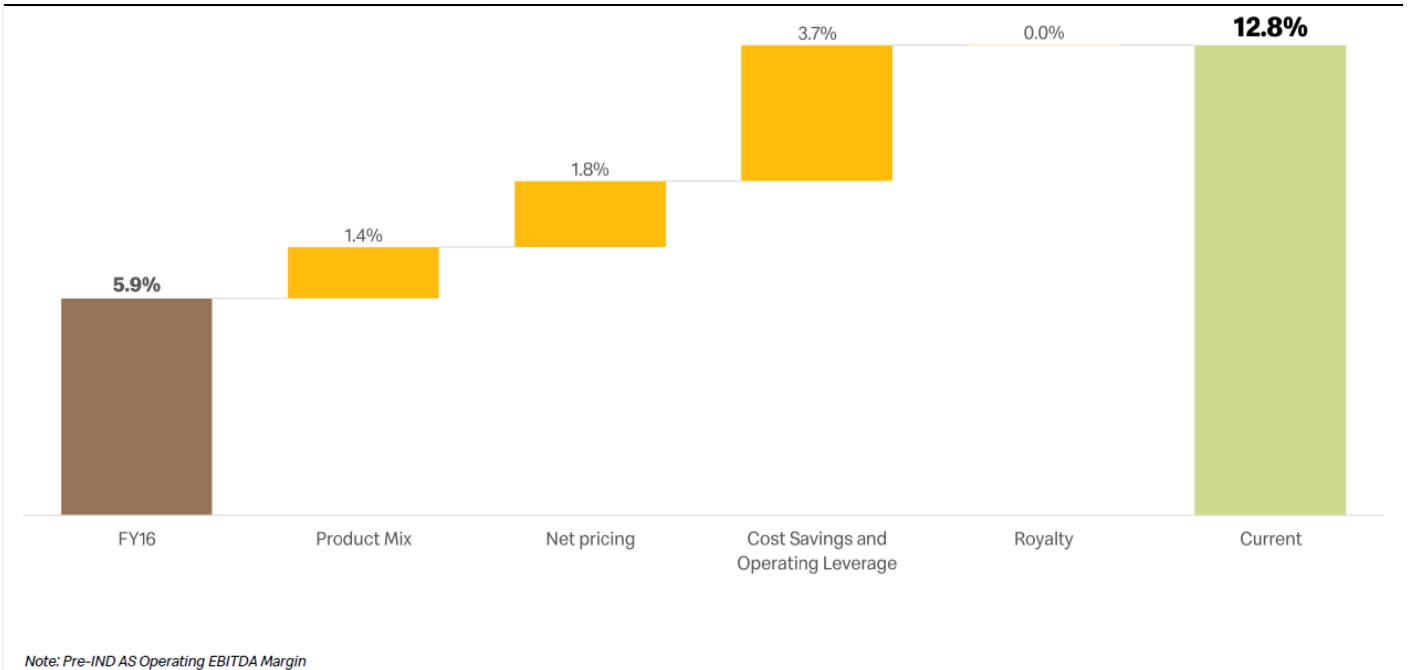
Source: Company, PL

Exhibit 3: Delivery contributes massively to sales per store



Source: Company, PL

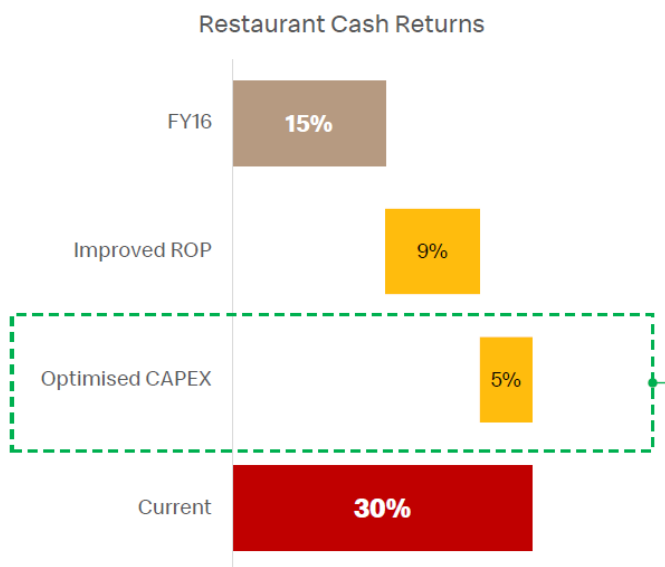
Exhibit 4: Profitability improvement across all line items delivered low teens Op EBITDA (Pre IND AS)



Source: Company, PL

Exhibit 5: Store returns have improved 2x

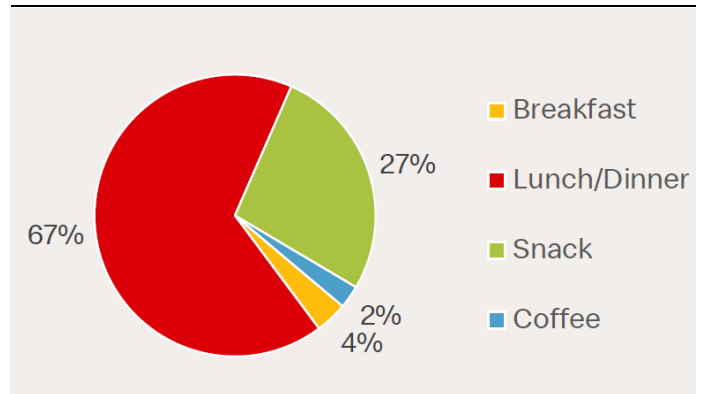
5 | Capital Efficiency



Note: Current period refers to 12 months ended September 2022

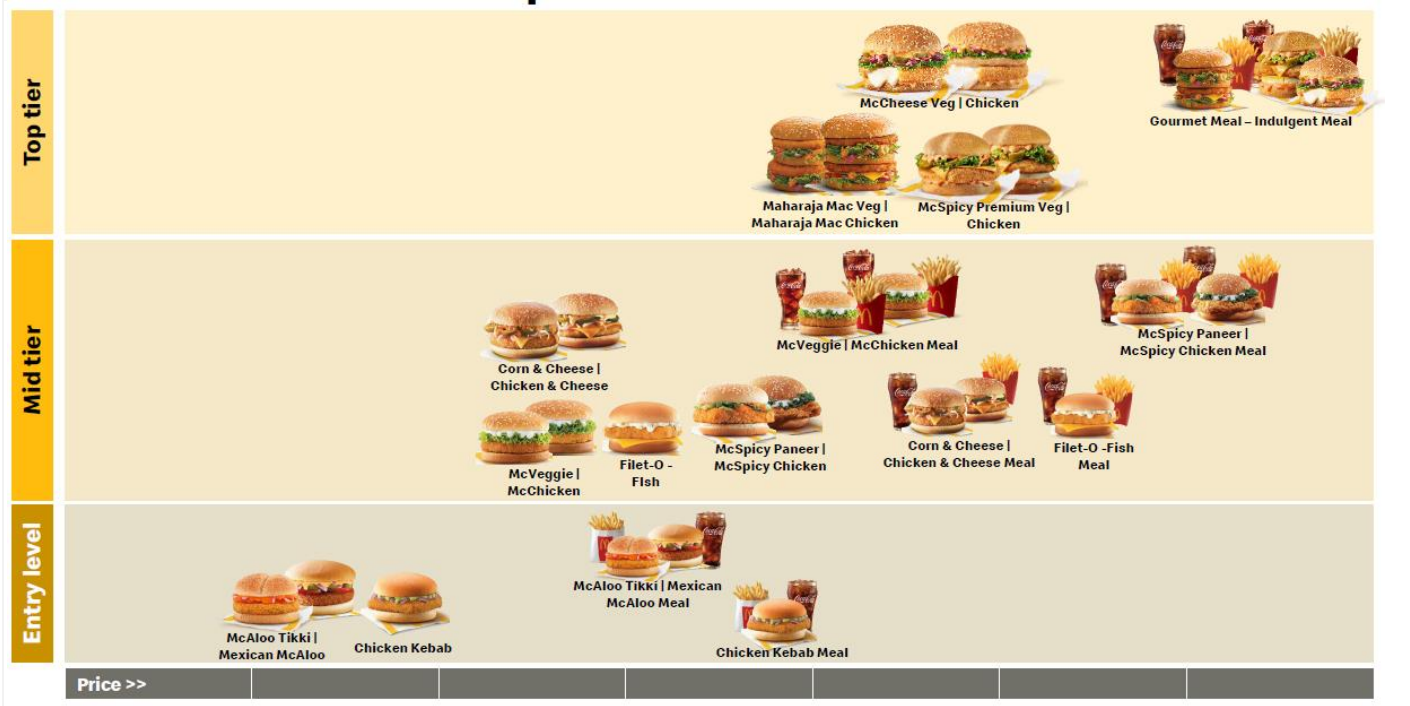
Source: Company, PL

Exhibit 6: Meals & snacking to remain as focus areas



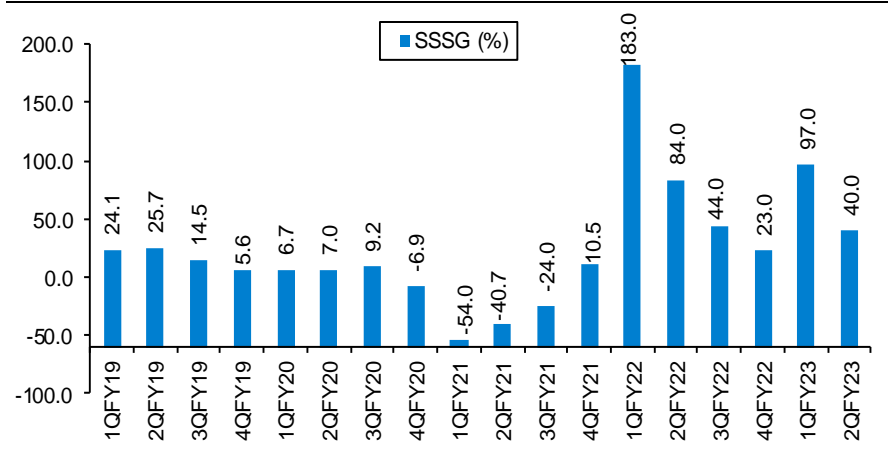
Source: Company, PL

Exhibit 7: Pricing ladder catering to all segments



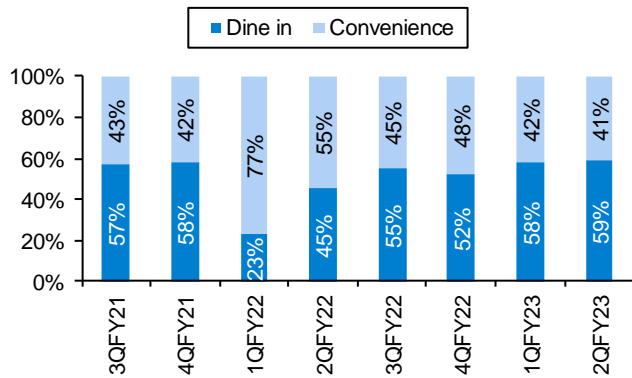
Source: Company, PL

Exhibit 8: 2Q23 SSSG stood at 40%



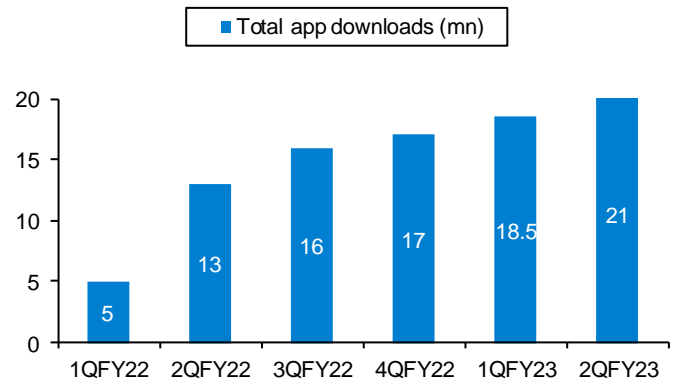
Source: Company, PL

Exhibit 9: Dine in channel mix stabilizes as COVID wanes



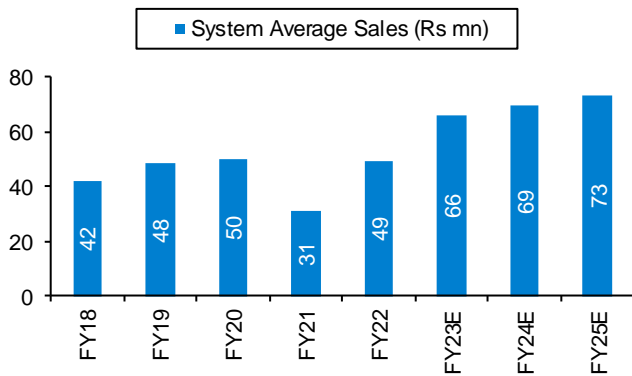
Source: Company, PL

Exhibit 10: App installations move up steadily



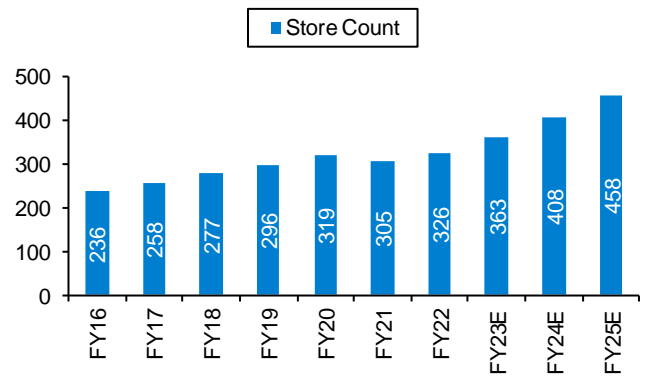
Source: Company, PL

Exhibit 11: System avg sales to grow 14.2% over FY22-25



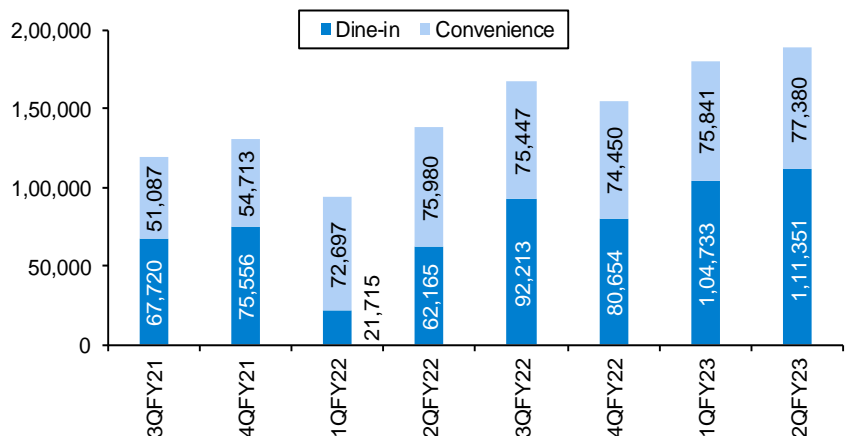
Source: Company, PL

Exhibit 12: Store openings to see acceleration from FY23



Source: Company, PL

Exhibit 13: ADS growth led by Convenience channel at 3-year CAGR of 18.6%



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	15,760	22,971	26,924	32,015
YoY gr. (%)	59.9	45.7	17.2	18.9
Cost of Goods Sold	5,451	7,879	8,750	10,309
Gross Profit	10,309	15,092	18,174	21,706
Margin (%)	65.4	65.7	67.5	67.8
Employee Cost	2,095	2,579	3,100	3,686
Other Expenses	2,667	3,171	3,710	4,263
EBITDA	1,888	4,066	5,087	6,168
YoY gr. (%)	305.8	115.4	25.1	21.3
Margin (%)	12.0	17.7	18.9	19.3
Depreciation and Amortization	1,364	1,579	1,869	2,215
EBIT	524	2,487	3,217	3,953
Margin (%)	3.3	10.8	11.9	12.3
Net Interest	826	955	1,090	1,234
Other Income	282	176	237	351
Profit Before Tax	(21)	1,708	2,365	3,070
Margin (%)	(0.1)	7.4	8.8	9.6
Total Tax	(4)	410	568	737
Effective tax rate (%)	19.4	24.0	24.0	24.0
Profit after tax	(17)	1,298	1,797	2,333
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(17)	1,298	1,797	2,333
YoY gr. (%)	(98.4)	(7,892.5)	38.4	29.8
Margin (%)	(0.1)	5.7	6.7	7.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(17)	1,298	1,797	2,333
YoY gr. (%)	(98.3)	(7,892.5)	38.4	29.8
Margin (%)	(0.1)	5.7	6.7	7.3
Other Comprehensive Income	(17)	-	-	-
Total Comprehensive Income	(34)	1,298	1,797	2,333
Equity Shares O/s (m)	156	156	156	156
EPS (Rs)	(0.1)	8.3	11.5	15.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	18,837	22,133	26,214	30,893
Tangibles	17,608	20,829	24,835	29,439
Intangibles	1,229	1,304	1,379	1,454
Acc: Dep / Amortization	5,214	6,793	8,662	10,878
Tangibles	4,868	6,378	8,176	10,316
Intangibles	346	415	486	562
Net fixed assets	13,623	15,340	17,551	20,015
Tangibles	12,740	14,451	16,659	19,123
Intangibles	883	889	893	892
Capital Work In Progress	355	355	355	355
Goodwill	-	-	-	-
Non-Current Investments	507	557	617	684
Net Deferred tax assets	520	503	479	449
Other Non-Current Assets	361	379	399	420
Current Assets				
Investments	1,504	2,297	3,500	5,122
Inventories	559	734	791	876
Trade receivables	133	189	203	219
Cash & Bank Balance	232	879	870	1,143
Other Current Assets	142	100	110	110
Total Assets	17,976	21,375	24,918	29,437
Equity				
Equity Share Capital	312	312	312	312
Other Equity	4,309	5,793	7,590	9,923
Total Networkth	4,621	6,105	7,902	10,235
Non-Current Liabilities				
Long Term borrowings	2,010	1,810	1,610	1,410
Provisions	134	162	195	236
Other non current liabilities	8,728	10,126	11,856	13,854
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,483	3,172	3,355	3,703
Total Equity & Liabilities	17,976	21,375	24,918	29,437

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	(21)	1,708	2,365	3,070
Add. Depreciation	1,364	1,579	1,869	2,215
Add. Interest	826	955	1,090	1,234
Less Financial Other Income	282	176	237	351
Add. Other	3,187	75	69	89
Op. profit before WC changes	5,356	4,317	5,393	6,608
Net Changes-WC	(164)	451	41	181
Direct tax	4	(410)	(568)	(737)
Net cash from Op. activities	5,196	4,359	4,867	6,052
Capital expenditures	(2,243)	(3,297)	(4,080)	(4,679)
Interest / Dividend Income	-	-	-	-
Others	480	(793)	(1,203)	(1,622)
Net Cash from Inv. activities	(1,763)	(4,090)	(5,283)	(6,302)
Issue of share cap. / premium	(3,350)	186	-	-
Debt changes	(142)	(200)	(200)	(200)
Dividend paid	-	-	-	-
Interest paid	(826)	(955)	(1,090)	(1,234)
Others	1,007	1,347	1,697	1,957
Net cash from Fin. activities	(3,311)	377	407	523
Net change in cash	122	647	(9)	273
Free Cash Flow	2,953	1,062	787	1,373

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	(0.1)	8.3	11.5	15.0
CEPS	8.6	18.5	23.5	29.2
BVPS	29.6	39.2	50.7	65.6
FCF	18.9	6.8	5.0	8.8
DPS	-	-	-	3.0
Return Ratio(%)				
RoCE	7.7	34.2	36.9	37.4
ROIC	3.2	13.7	15.7	17.1
RoE	(0.4)	24.2	25.7	25.7
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.2)	(0.3)	(0.5)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	(6,728.8)	86.4	62.4	48.1
P/B	24.3	18.4	14.2	11.0
P/CEPS	83.2	39.0	30.6	24.6
EV/EBITDA	59.5	27.2	21.5	17.4
EV/Sales	7.1	4.8	4.1	3.3
Dividend Yield (%)	-	-	-	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	4,768	4,551	5,379	5,724
YoY gr. (%)	46.7	27.3	107.6	48.5
Raw Material Expenses	1,603	1,592	1,921	1,976
Gross Profit	3,165	2,959	3,459	3,748
Margin (%)	66.4	65.0	64.3	65.5
EBITDA	793	629	873	959
YoY gr. (%)	58.7	27.7	3,382.0	115.8
Margin (%)	16.6	13.8	16.2	16.8
Depreciation / Depletion	348	346	358	366
EBIT	446	283	515	593
Margin (%)	9.4	6.2	9.6	10.4
Net Interest	210	209	215	225
Other Income	43	131	18	52
Profit before Tax	279	205	318	419
Margin (%)	5.8	4.5	5.9	7.3
Total Tax	70	52	82	104
Effective tax rate (%)	25.3	25.4	25.8	24.8
Profit after Tax	208	153	236	315
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	208	153	236	315
YoY gr. (%)	847.9	(489.8)	(170.6)	(815.9)
Margin (%)	4.4	3.4	4.4	5.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	208	153	236	315
YoY gr. (%)	18,573.3	(337.3)	(170.6)	(815.9)
Margin (%)	4.4	3.4	4.4	5.5
Other Comprehensive Income	(5)	(3)	(4)	5
Total Comprehensive Income	203	151	231	320
Avg. Shares O/s (m)	18	18	18	18
EPS (Rs)	11.6	8.5	13.1	17.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Nov-22	BUY	847	781
2	04-Oct-22	BUY	847	719
3	27-Sep-22	BUY	847	689
4	29-Jul-22	BUY	781	589
5	07-Jul-22	BUY	653	524
6	18-May-22	BUY	653	454
7	08-Apr-22	BUY	645	497
8	03-Feb-22	BUY	648	497
9	06-Jan-22	Accumulate	603	542

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,326	3,141
2	Avenue Supermarts	BUY	5,121	4,306
3	Britannia Industries	Hold	4,142	3,804
4	Colgate Palmolive	Accumulate	1,639	1,605
5	Dabur India	Accumulate	615	549
6	Emami	Accumulate	555	465
7	Hindustan Unilever	Accumulate	2,798	2,484
8	ITC	Accumulate	365	350
9	Jubilant FoodWorks	BUY	685	613
10	Kansai Nerolac Paints	Accumulate	563	465
11	Marico	Hold	543	539
12	Mold-tek Packaging	Hold	947	939
13	Nestle India	Accumulate	20,111	19,388
14	Pidilite Industries	Hold	2,737	2,656
15	Restaurant Brands Asia	Accumulate	156	126
16	Titan Company	Accumulate	2,875	2,770
17	Westlife Foodworld	BUY	847	781

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

ANALYST CERTIFICATION

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