

January 31, 2023

## Q3FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	852		854	
Sales (Rs. m)	27,216	32,359	26,924	32,015
% Chng.	1.1	1.1		
EBITDA (Rs. m)	4,896	5,957	5,060	6,168
% Chng.	(3.2)	(3.4)		
EPS (Rs.)	11.2	14.7	11.5	15.1
% Chng.	(2.7)	(2.6)		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	15,760	23,127	27,216	32,359
EBITDA (Rs. m)	1,888	3,881	4,896	5,957
Margin (%)	12.0	16.8	18.0	18.4
PAT (Rs. m)	(17)	1,224	1,747	2,296
EPS (Rs.)	(0.1)	7.9	11.2	14.7
Gr. (%)	(98.4)	(7,447.4)	42.7	31.4
DPS (Rs.)	-	-	-	2.9
Yield (%)	-	-	-	0.4
RoE (%)	(0.4)	23.0	25.3	25.7
RoCE (%)	7.7	32.4	35.4	36.1
EV/Sales (x)	7.3	4.9	4.1	3.4
EV/EBITDA (x)	60.9	29.2	22.9	18.5
PE (x)	(6,882.8)	93.7	65.7	49.9
P/BV (x)	24.8	19.0	14.7	11.4

### Key Data

WEST.BO | WLDL IN

52-W High / Low	Rs.816 / Rs.402
Sensex / Nifty	59,550 / 17,662
Market Cap	Rs.115bn/ \$ 1,400m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.213.34m

### Shareholding Pattern (%)

Promoter's	56.48
Foreign	10.12
Domestic Institution	23.68
Public & Others	9.72
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(6.9)	25.9	47.3
Relative	(4.8)	21.7	43.5

**Amnish Aggarwal**

amnishaggarwal@plindia.com | 91-22-66322233

**Harish Advani**

harishadvani@plindia.com | 91-22-66322242

**Anushka Chhajed**

anushkachhajed@plindia.com | 91-22-66322244

# Westlife Foodworld (WLDL IN)

Rating: BUY | CMP: Rs735 | TP: Rs852

## Big Mac beats slowdown blues

### Quick Pointers:

- Sales momentum strong as on premise sales up 23% from pre covid levels
- WFL on track to add 35-40 stores in FY23 and 580-630 by CY27

**We cut our FY23/24/25 EPS estimates by 1.9%/2.7%/2.6% on account of 1) milder GM expansion in FY24/25 and 2) higher overheads from faster refurbishment of non-EOTF stores. WFL's results remain encouraging in a challenging environment for discretionary/QSR names. RM basket appears to have stabilized with ~2% blended price hike across the portfolio (7% for 12 months). WFL continues to gain market share across territories with menu innovations like Fried Chicken (South India) and Gourmet Burgers. On-Premise continues to gain momentum with 23% higher sales while off-premise remains strong at 85% higher sales than pre covid levels.**

**We remain positive on the structural story for Westlife given 1) guidance of 580-630 stores by CY27 (35/40 in FY23) 2) increased traction on fried chicken & new launches like chicken wings yielding additional Rs10mn of AUV/store (Rs5mn earlier) 3) strong start in Tier2/3 with growth being 1.5x than metros and 4) likelihood of gradual increase in royalty beyond 5% after FY26. We estimate Sales CAGR of 27.1% over FY22-25 with an EPS of Rs7.9/Rs11.2/Rs14.7 in FY23/24/25. We maintain DCF based target price of Rs852 (Rs854 earlier). Buy for LT Gains given huge scope to scale up a strong brand with clear focus.**

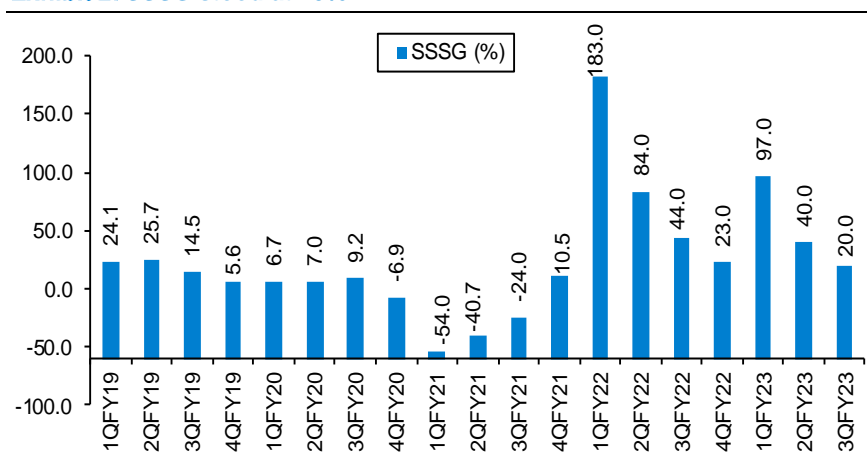
**Revenue grew by 28.2%, SSSG at 20%:** Revenues grew by 28.2% YoY to Rs6.1bn (PLe: Rs6.1bn). On-Premise/Off-Premise channels grew by 42%/12% YoY. SSSG at 20%. 6 store additions. Total store count of 341 restaurants with 288 McCafe's. Gross margins expanded by 52bps YoY/141bps QoQ to 66.9% (PLe: 66.4%). EBITDA grew by 28.8% YoY to Rs1022mn (PLe: Rs1082mn); Margins expanded by 7bps YoY to 16.7% (PLe:17.8%). Restaurant EBITDA margins at 23.8%. Adjusted PAT grew by 74.7% YoY to Rs364mn (PLe: Rs367mn); Pre-IND AS PAT at Rs363mn.

**Concall Takeaways:** 1) Demand momentum in 3Q was led by festive/celebratory occasions & saw higher guest counts. 2) Non Metro towns continue to grow at 1.5x of metros on pre-COVID base 3) Inflation had peaked out in prior quarters and remains under control. 4) The company had totally taken a ~7% hike in LTM. 5) Delivery sales continues to be led by 3POs 6) Store openings guidance for FY23 maintained at 35-40 stores. 7) All new stores will be in EOTF format and existing non-EOTF stores will be converted within 12-24 months. 8) Management remains confident of 6-9% SSSG growth in the medium term. 9) McBreakfast is present in 35% of stores primarily in Mumbai & Bengaluru. 10) New launches in 4Q includes McSpicy Wings in Hyderabad and 3-4 select restaurants across West & South India 11) Chicken Big Mac launched in Jan'23 across the system will be limited time offering. 12) The company will remain focused on Burgers (incl meals), Chicken offerings and Coffee (McCafe).

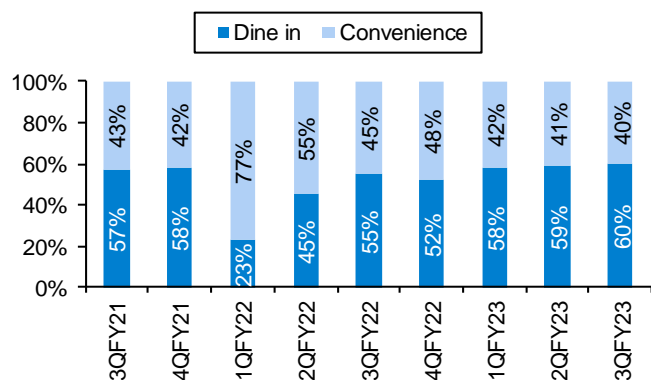
**Exhibit 1: 3QFY23 Results - Net Sales up 28.2%, Gross Margins up 52bps YoY/141bps QoQ**

Consolidated	3QFY23	3QFY22	YoY gr. (%)	2QFY23	9MFY23	9MFY22	YoY gr. (%)
<b>Net Sales</b>	<b>6,115</b>	<b>4,768</b>	<b>28.2</b>	<b>5,724</b>	<b>17,218</b>	<b>11,214</b>	<b>53.5</b>
Gross Profit	4,090	3,165	29.2	3,748	11,297	7,355	53.6
% of NS	66.9	66.4	0.5	65.5	65.6	65.6	0.0
Other Expenses	3,068	2,371	29.4	2,789	8,443	6,092	38.6
% of NS	50.2	49.7	0.4	48.7	49.0	54.3	(5.3)
<b>EBITDA</b>	<b>1,022</b>	<b>793</b>	<b>28.8</b>	<b>959</b>	<b>2,854</b>	<b>1,263</b>	<b>126.0</b>
Margins %	16.7	16.6	0.1	16.8	16.6	11.3	5.3
Depreciation	386	348	11.0	366	1,110	1,018	9.1
Interest	234	210	11.2	225	674	618	9.2
Other Income	78	43	81.5	52	148	146	0.8
<b>PBT</b>	<b>480</b>	<b>279</b>	<b>72.3</b>	<b>419</b>	<b>1,217</b>	<b>(226)</b>	<b>(638.3)</b>
Tax	116	70	65.4	104	302	(56)	(637.5)
Tax rate %	24.2	25.3		24.8	24.8	24.9	
<b>Adjusted PAT</b>	<b>364</b>	<b>208</b>	<b>74.7</b>	<b>315</b>	<b>915</b>	<b>(170)</b>	<b>(638.5)</b>

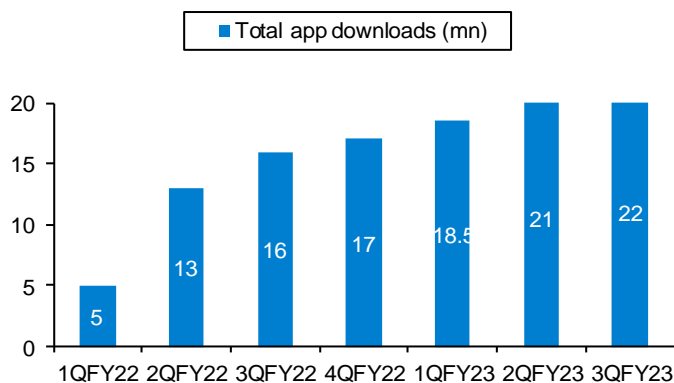
Source: Company Data, PL Research

**Exhibit 2: SSSG stood at 20%**


Source: Company, PL

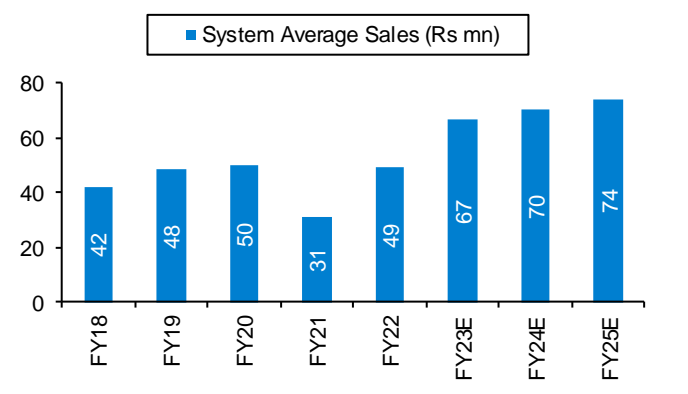
**Exhibit 3: Off-premise sales stabilizing at ~40-42%**


Source: Company, PL

**Exhibit 4: Backed by increase in app installations**


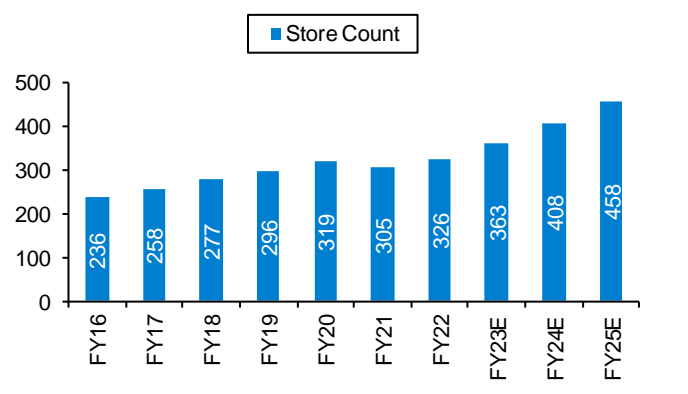
Source: Company, PL

Exhibit 5: System average sales to grow 14.6% over FY22-25



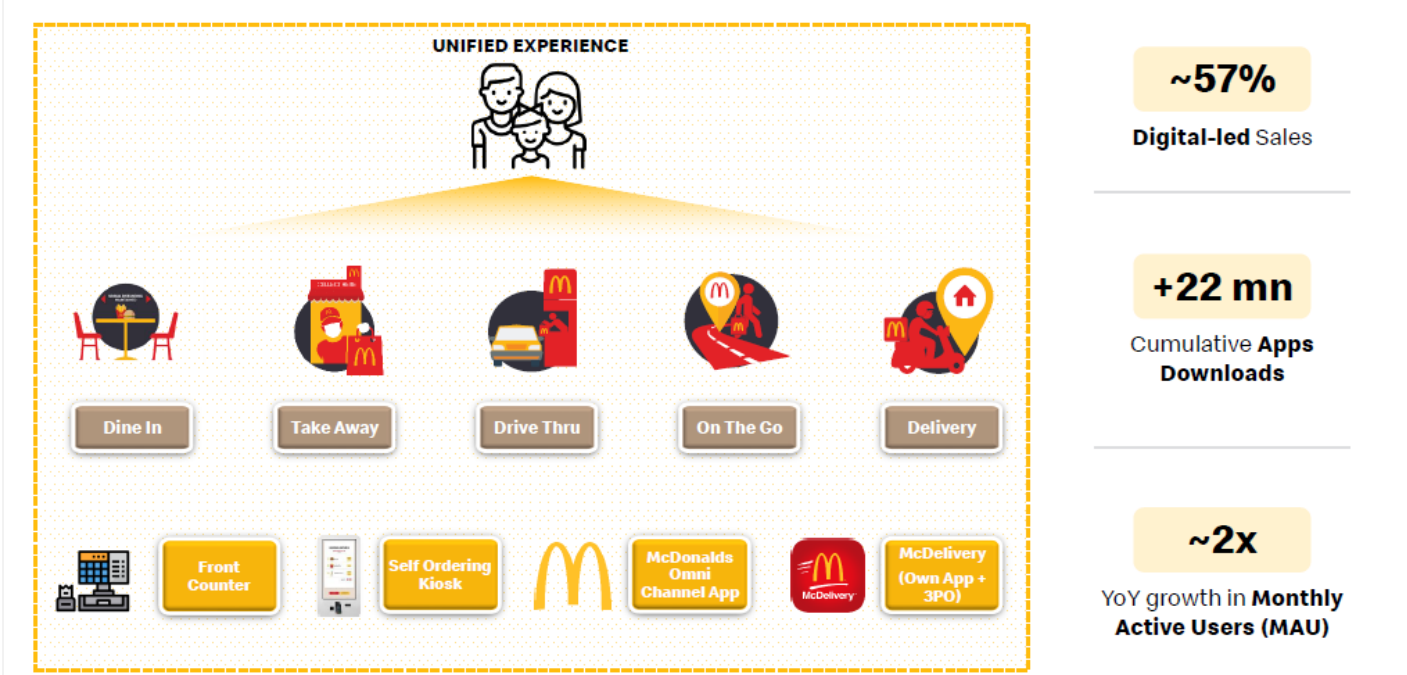
Source: Company, PL

Exhibit 6: Expect 132 stores addition over FY22-25



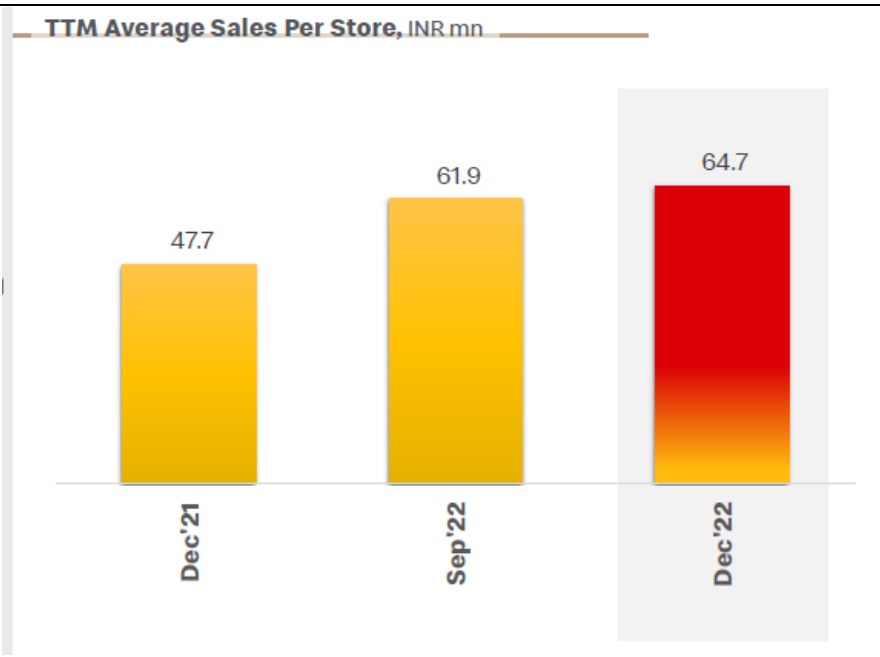
Source: Company, PL

Exhibit 7: Digital sales contribution inches up at ~57% of revenues in 3QFY23



Source: Company, PL

Exhibit 8: Avg sales/store continues to inch up



Source: Company, PL

Exhibit 9: Innovative menu offerings – McCheese Burgers & Kitkat range launched in 3Q

# Menu Initiatives

**McCheese Burgers**

**Kitkat Range**

**Cheesy Dip**

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>15,760</b>	<b>23,127</b>	<b>27,216</b>	<b>32,359</b>
YoY gr. (%)	59.9	46.7	17.7	18.9
Cost of Goods Sold	5,451	7,863	8,981	10,614
Gross Profit	10,309	15,264	18,235	21,745
Margin (%)	65.4	66.0	67.0	67.2
Employee Cost	2,095	2,794	3,263	3,819
Other Expenses	2,667	3,247	3,739	4,309
<b>EBITDA</b>	<b>1,888</b>	<b>3,881</b>	<b>4,896</b>	<b>5,957</b>
YoY gr. (%)	305.8	105.6	26.2	21.7
Margin (%)	12.0	16.8	18.0	18.4
Depreciation and Amortization	1,364	1,536	1,845	2,186
<b>EBIT</b>	<b>524</b>	<b>2,345</b>	<b>3,051</b>	<b>3,772</b>
Margin (%)	3.3	10.1	11.2	11.7
Net Interest	826	935	1,065	1,203
Other Income	282	215	327	472
<b>Profit Before Tax</b>	<b>(21)</b>	<b>1,625</b>	<b>2,313</b>	<b>3,041</b>
Margin (%)	(0.1)	7.0	8.5	9.4
Total Tax	(4)	400	567	745
Effective tax rate (%)	19.4	24.7	24.5	24.5
<b>Profit after tax</b>	<b>(17)</b>	<b>1,224</b>	<b>1,747</b>	<b>2,296</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>(17)</b>	<b>1,224</b>	<b>1,747</b>	<b>2,296</b>
YoY gr. (%)	(98.4)	(7,447.4)	42.7	31.4
Margin (%)	(0.1)	5.3	6.4	7.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(17)</b>	<b>1,224</b>	<b>1,747</b>	<b>2,296</b>
YoY gr. (%)	(98.3)	(7,447.4)	42.7	31.4
Margin (%)	(0.1)	5.3	6.4	7.1
Other Comprehensive Income	(17)	-	-	-
Total Comprehensive Income	(34)	1,224	1,747	2,296
<b>Equity Shares O/s (m)</b>	<b>156</b>	<b>156</b>	<b>156</b>	<b>156</b>
<b>EPS (Rs)</b>	<b>(0.1)</b>	<b>7.9</b>	<b>11.2</b>	<b>14.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>18,837</b>	<b>22,133</b>	<b>26,214</b>	<b>30,893</b>
Tangibles	17,608	20,829	24,835	29,439
Intangibles	1,229	1,304	1,379	1,454
<b>Acc: Dep / Amortization</b>	<b>5,214</b>	<b>6,750</b>	<b>8,595</b>	<b>10,780</b>
Tangibles	4,868	6,337	8,110	10,220
Intangibles	346	413	484	560
<b>Net fixed assets</b>	<b>13,623</b>	<b>15,384</b>	<b>17,619</b>	<b>20,113</b>
Tangibles	12,740	14,492	16,724	19,219
Intangibles	883	891	895	894
Capital Work In Progress	355	355	355	355
Goodwill	-	-	-	-
Non-Current Investments	507	557	617	684
Net Deferred tax assets	520	504	481	450
Other Non-Current Assets	361	379	399	420
<b>Current Assets</b>				
Investments	1,504	2,313	3,538	5,177
Inventories	559	732	812	901
Trade receivables	133	190	205	222
Cash & Bank Balance	232	724	644	820
Other Current Assets	142	100	110	110
<b>Total Assets</b>	<b>17,976</b>	<b>21,279</b>	<b>24,823</b>	<b>29,297</b>
<b>Equity</b>				
Equity Share Capital	312	312	312	312
Other Equity	4,309	5,719	7,465	9,761
<b>Total Network</b>	<b>4,621</b>	<b>6,031</b>	<b>7,777</b>	<b>10,073</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	2,010	1,810	1,610	1,410
Provisions	134	164	200	241
Other non current liabilities	8,728	10,106	11,815	13,786
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,483	3,168	3,421	3,787
<b>Total Equity &amp; Liabilities</b>	<b>17,976</b>	<b>21,279</b>	<b>24,823</b>	<b>29,297</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	(21)	1,625	2,313	3,041
Add. Depreciation	1,364	1,536	1,845	2,186
Add. Interest	826	935	1,065	1,203
Less Financial Other Income	282	215	327	472
Add. Other	3,187	77	71	90
Op. profit before WC changes	5,356	4,173	5,294	6,520
Net Changes-WC	(164)	447	89	193
Direct tax	4	(400)	(567)	(745)
<b>Net cash from Op. activities</b>	<b>5,196</b>	<b>4,219</b>	<b>4,817</b>	<b>5,968</b>
Capital expenditures	(2,243)	(3,297)	(4,080)	(4,679)
Interest / Dividend Income	-	-	-	-
Others	480	(808)	(1,225)	(1,639)
<b>Net Cash from Invt. activities</b>	<b>(1,763)</b>	<b>(4,105)</b>	<b>(5,306)</b>	<b>(6,319)</b>
Issue of share cap. / premium	(3,350)	186	-	-
Debt changes	(142)	(200)	(200)	(200)
Dividend paid	-	-	-	-
Interest paid	(826)	(935)	(1,065)	(1,203)
Others	1,007	1,327	1,674	1,930
<b>Net cash from Fin. activities</b>	<b>(3,311)</b>	<b>377</b>	<b>409</b>	<b>527</b>
<b>Net change in cash</b>	<b>122</b>	<b>492</b>	<b>(80)</b>	<b>176</b>
Free Cash Flow	2,953	923	736	1,289

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	(0.1)	7.9	11.2	14.7
CEPS	8.6	17.7	23.0	28.7
BVPS	29.6	38.7	49.9	64.6
FCF	18.9	5.9	4.7	8.3
DPS	-	-	-	2.9
<b>Return Ratio(%)</b>				
RoCE	7.7	32.4	35.4	36.1
ROIC	3.2	12.9	14.8	16.2
RoE	(0.4)	23.0	25.3	25.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.1	(0.2)	(0.3)	(0.5)
Net Working Capital (Days)	-	-	-	-
<b>Valuation(x)</b>				
PER	(6,882.8)	93.7	65.7	49.9
P/B	24.8	19.0	14.7	11.4
P/CEPS	85.1	41.5	31.9	25.6
EV/EBITDA	60.9	29.2	22.9	18.5
EV/Sales	7.3	4.9	4.1	3.4
Dividend Yield (%)	-	-	-	0.4

Source: Company Data, PL Research

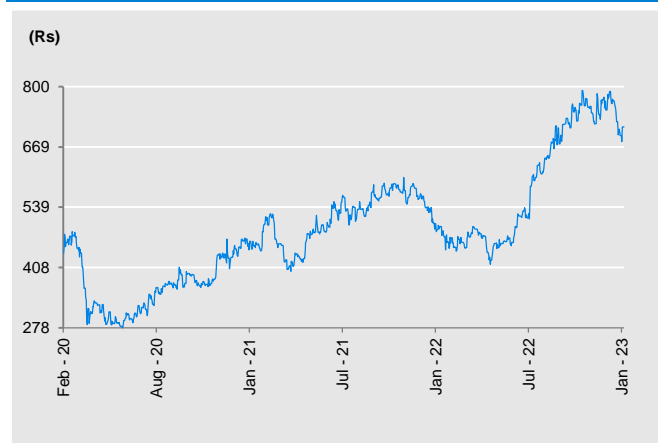
### Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
<b>Net Revenue</b>	<b>4,551</b>	<b>5,379</b>	<b>5,724</b>	<b>6,115</b>
YoY gr. (%)	27.3	107.6	48.5	28.2
Raw Material Expenses	1,592	1,921	1,976	2,025
Gross Profit	2,959	3,459	3,748	4,090
Margin (%)	65.0	64.3	65.5	66.9
<b>EBITDA</b>	<b>629</b>	<b>873</b>	<b>959</b>	<b>1,022</b>
YoY gr. (%)	27.7	3,382.0	115.8	28.8
Margin (%)	13.8	16.2	16.8	16.7
Depreciation / Depletion	346	358	366	386
<b>EBIT</b>	<b>283</b>	<b>515</b>	<b>593</b>	<b>636</b>
Margin (%)	6.2	9.6	10.4	10.4
Net Interest	209	215	225	234
Other Income	131	18	52	78
<b>Profit before Tax</b>	<b>205</b>	<b>318</b>	<b>419</b>	<b>480</b>
Margin (%)	4.5	5.9	7.3	7.9
Total Tax	52	82	104	116
Effective tax rate (%)	25.4	25.8	24.8	24.2
<b>Profit after Tax</b>	<b>153</b>	<b>236</b>	<b>315</b>	<b>364</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>153</b>	<b>236</b>	<b>315</b>	<b>364</b>
YoY gr. (%)	(489.8)	(170.6)	(815.9)	74.7
Margin (%)	3.4	4.4	5.5	5.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>153</b>	<b>236</b>	<b>315</b>	<b>364</b>
YoY gr. (%)	(337.3)	(170.6)	(815.9)	74.7
Margin (%)	3.4	4.4	5.5	5.9
Other Comprehensive Income	(3)	(4)	5	7
<b>Total Comprehensive Income</b>	<b>151</b>	<b>231</b>	<b>320</b>	<b>370</b>
Avg. Shares O/s (m)	18	18	18	18
<b>EPS (Rs)</b>	<b>8.5</b>	<b>13.1</b>	<b>17.5</b>	<b>20.2</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	BUY	854	769
2	01-Dec-22	BUY	847	719
3	09-Nov-22	BUY	847	781
4	04-Oct-22	BUY	847	719
5	27-Sep-22	BUY	847	689
6	29-Jul-22	BUY	781	589
7	07-Jul-22	BUY	653	524
8	18-May-22	BUY	653	454
9	08-Apr-22	BUY	645	497
10	03-Feb-22	BUY	648	497

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,150	2,866
2	Avenue Supermarts	BUY	4,675	3,864
3	Britannia Industries	Hold	4,297	4,359
4	Colgate Palmolive	Hold	1,578	1,459
5	Dabur India	Accumulate	609	553
6	Emami	Accumulate	521	420
7	Hindustan Unilever	Accumulate	2,800	2,650
8	ITC	Accumulate	365	335
9	Jubilant FoodWorks	BUY	610	504
10	Kansai Nerolac Paints	Accumulate	563	419
11	Marico	Hold	531	513
12	Mold-tek Packaging	Hold	940	983
13	Nestle India	Accumulate	20,201	19,890
14	Pidilite Industries	Hold	2,500	2,315
15	Restaurant Brands Asia	Accumulate	156	111
16	Titan Company	Accumulate	2,875	2,538
17	Westlife Foodworld	BUY	854	769

## 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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We/I, Mr. Amnish Aggarwal- MBA, CFA, Mr. Harish Advani- PGDM Finance, Ms. Anushka Chhajed- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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