

May 18, 2023

Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	132		121	
Sales (Rs. m)	19,191	24,373	19,332	25,095
% Chng.	(0.7)	(2.9)		
EBITDA (Rs. m)	2,661	3,527	2,815	4,004
% Chng.	(5.5)	(11.9)		
EPS (Rs.)	(0.9)	(0.4)	(0.5)	0.8
% Chng.	NA	NA		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	9,437	14,397	19,191	24,373
EBITDA (Rs. m)	902	1,654	2,661	3,527
Margin (%)	9.6	11.5	13.9	14.5
PAT (Rs. m)	(929)	(718)	(442)	(194)
EPS (Rs.)	(1.9)	(1.5)	(0.9)	(0.4)
Gr. (%)	(56.5)	(23.0)	(38.5)	(56.2)
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	(7.1)	(3.7)	(2.4)	(1.1)
RoCE (%)	(3.5)	(0.8)	2.2	4.6
EV/Sales (x)	5.9	4.1	3.1	2.5
EV/EBITDA (x)	61.3	35.6	22.5	17.2
PE (x)	(64.9)	(84.4)	(137.2)	(312.9)
P/BV (x)	3.1	3.2	3.3	3.4

Key Data

RESR.BO | RBA IN

52-W High / Low	Rs.138 / Rs.84
Sensex / Nifty	61,432 / 18,130
Market Cap	Rs.61bn/ \$ 734m
Shares Outstanding	495m
3M Avg. Daily Value	Rs.107.85m

Shareholding Pattern (%)

Promoter's	40.81
Foreign	27.51
Domestic Institution	9.93
Public & Others	21.75
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	28.9	9.1	26.0
Relative	25.4	9.5	11.2

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Restaurant Brands Asia (RBA IN)

Rating: ACCUMULATE | CMP: Rs123 | TP: Rs132

India remains steady; Indonesia set to improve

Quick Pointers:

- Targets 450 stores for BK India in FY24
- Indonesia expected to breakeven supported by corrective measures in FY24

Restaurant Brands Asia (RBA) Mgt has given an optimistic outlook as domestic business parameters are improving in terms of ADS & profitability and business restructuring in Indonesia should provide breakeven by FY24. RBA reported EBITDA margin slippage of 136bps QoQ due to increase in operating expenses and demand slowdown which resulted in ADS dropping to Rs108k. Indian unit has seen launch of Rs99 value meal, new variants in Whopper and Masala Chai in BK Café which is expected to increase throughput in coming years. Indonesia operations continue to have lower ADS vs pre COVID; new strategy is expected to improve ADS with 1) relaunch/innovation in Whopper range 2) increased focus on chicken offering 3) launch of desserts and 4) focus on FSDT format & store rationalization.

We believe RBA India operations are on track and should report low to mid-single digit pre IND AS EBITDA in FY24 with meagre profits in FY26. We believe Indonesia business will take time to turnaround despite corrective measures implemented in FY23 given initial losses in Popeyes (25 stores in FY24). We value the company at Rs 132 (Rs121 earlier) on SOTP basis. Maintain ACCUMULATE.

4Q23 SSSG of 8.3%: India revenues grew by 35.8% YoY to Rs3.6bn. Gross margins expanded by 27bps YoY to 66.4%. EBITDA grew by 39.8% YoY to Rs422.7mn; Margins expanded by 33bps YoY but contracted 136bps QoQ to 11.6%. Loss stood at Rs245.9mn vs Rs132.1mn in 4Q22. SSSG stood at 8.3%; ADS at Rs108kin 4Q23. Added 12 stores in 4Q23, total store count at 391. Added 23 BK Café in 4Q23, total BK Café count at 275. **Indonesia** revenues grew by 13.7% YoY to Rs1.5bn. Gross margins expanded by 21bps YoY/153bps QoQ to 58.7%. EBITDA Loss for 4Q23 stood at Rs148.9mn vs loss of Rs100mn; Margins contracted by 236bps YoY but improved 159bps QoQ to -10%. Loss stood at Rs553.6mn vs Rs431.4mn in 4Q22.

Concall Takeaways: 1) Management to focus on increase of India dine-in. 2) India ADS is expected to increase with increase in number of mature stores. 3) To open BK Café in all possible store locations. 4) No price hikes taken in 4Q. 5) India GM expansion due to better sourcing rates & higher store network. 6) India EBITDA margin expansion supported by GM gains and cost efficiencies (utilities, manpower & corporate overheads). 7) BK India FY24/FY25 SSSG expected at ~10%/~8%. 8) Indonesia store count at 325 over the next 5 years (200 BK/125 Popeyes). Popeyes to open 15 new stores in FY24. 9) Management expects BK Indonesia to breakeven in FY24 at ADS 21-21.5mn IDR as a result of improved menu architecture, enhanced chicken & dessert offering. 10) BK Indonesia had a gap in dessert menu which has been resolved with tied up with Nestle to launch KitKat Fusion dessert.

Exhibit 1: 4QFY23 Results – India Net sales up 35.8%, EBITDA margins expand by 33bps YoY, down 136bps QoQ

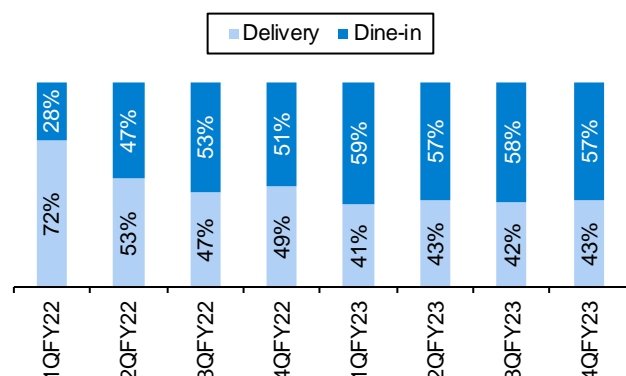
Y/e March (Rs mn)	4QFY23	4QFY22	YoY gr. (%)	3QFY23	FY23	FY22	YoY gr. (%)
Net Sales	3,649	2,687	35.8	3,698	14,397	9,437	52.6
Gross Profit	2,422	1,776	36.4	2,454	9,555	6,206	54.0
% of NS	66.4	66.1	0.3	66.4	66.4	65.8	0.6
EBITDA	423	302	39.8	479	1,654	902	83.5
Margins %	11.6	11.3	0.3	12.9	11.5	9.6	1.9
Depreciation	481	351	37.2	434	1,802	1,357	32.8
Interest	274	178		220	896	680	
Other Income	86	94	(8.1)	63	325	205	58.5
PBT	(246)	(132)	86.2	(112)	(718)	(929)	(22.7)
Tax	-	-		-	-	-	
Tax rate %	0.0	0.0	-	0.0	0.0	0.0	-
Adjusted PAT	(246)	(132)	86.2	(112)	(718)	(929)	(22.7)

Source: Company, PL

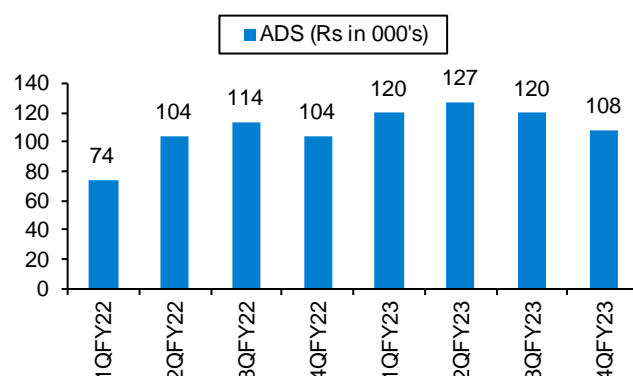
Exhibit 2: 4QFY23 Results – Indonesia Net Sales up 13.7%, EBITDA margins contract by 236bps YoY, up 159bps QoQ

Y/e March (Rs mn)	4QFY23	4QFY22	YoY gr. (%)	3QFY23	FY23	FY22	YoY gr. (%)
Net Sales	1,490	1,311	13.7	1,566	6,146	5,466	12.5
Gross Profit	875	767	14.1	895	3,630	3,199	13.5
% of NS	58.7	58.5	0.2	57.2	59.1	58.5	0.5
EBITDA	(149)	(100)	48.9	(181)	(540)	64	(948.3)
Margins %	(10.0)	(7.6)	(2.4)	(11.6)	(8.8)	1.2	(9.9)
Depreciation	315	240	31.4	243	1,038	979	6.1
Interest	46	93	(50.1)	39	156	274	(43.0)
Other Income	(43)	2	(2,709.1)	16	34	19	79.5
PBT	(554)	(431)	28.3	(447)	(1,700)	(1,170)	45.3
Tax	-	-		-	-	-	
Tax rate %	0.0	0.0	-	0.0	0.0	0.0	-
Adjusted PAT	(553.6)	(431.4)	28.3	(447)	(1,700)	(1,170)	45.3

Source: Company, PL

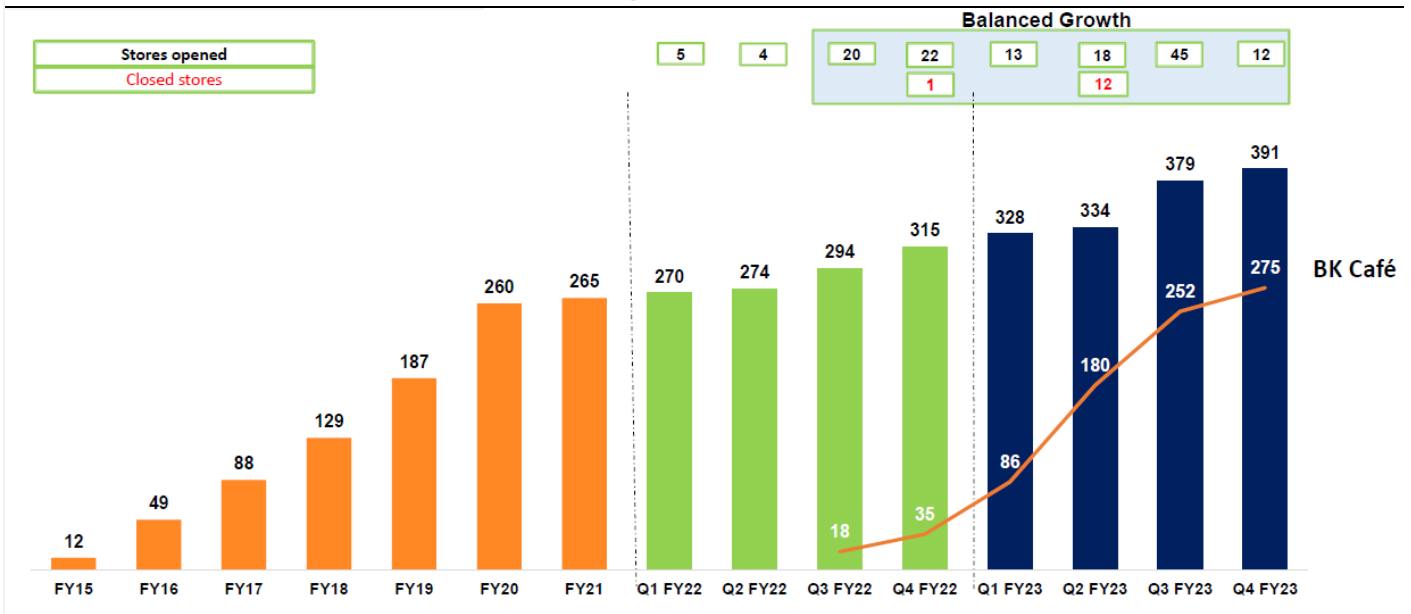
Exhibit 3: India dine-in sales at 57% in 4Q23


Source: Company, PL

Exhibit 4: India ADS weakens to Rs 128k in 4Q23


Source: Company, PL

Exhibit 5: Total store count at 391 in 4QFY23; FY24 target at 450 stores



Source: PL, Company

Exhibit 6: Limited time whoppers to create a differentiated menu across the year



Source: PL, Company

Exhibit 7: BK continues to strengthen value range with meals at Rs99



Source: PL, Company

Exhibit 8: We assign target price of Rs132 for overall business

SOTP	Basis	X	EV	Value/Share
India	DCF			105
Indonesia	BV		28	28
Total Value/share				132

Source: Company, PL

Exhibit 9: Strengthening foundations in Indonesia to drive better guest experience



Menu Architecture

- Rationalization of SKUs
- Standardization of builds, packaging



Winning Products

- Renovation of Core menu
- New product development



People & Training

- Adequate staffing
- Retraining



Quality & Maintenance

- Equipment calibration
- Refurbishments

BACK TO BASICS

Source: PL, Company

Exhibit 10: Building dessert range in Indonesia with KitKat Fusion



In-store

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	9,437	14,397	19,191	24,373
YoY gr. (%)	90.9	52.6	33.3	27.0
Cost of Goods Sold	3,231	4,841	6,333	8,019
Gross Profit	6,206	9,555	12,858	16,354
Margin (%)	65.8	66.4	67.0	67.1
Employee Cost	1,540	2,280	2,891	3,665
Other Expenses	424	5,621	956	1,214
EBITDA	902	1,654	2,661	3,527
YoY gr. (%)	501.7	83.5	60.9	32.5
Margin (%)	9.6	11.5	13.9	14.5
Depreciation and Amortization	1,357	1,802	2,255	2,696
EBIT	(455)	(148)	406	832
Margin (%)	(4.8)	(1.0)	2.1	3.4
Net Interest	680	896	918	1,041
Other Income	205	325	70	15
Profit Before Tax	(929)	(718)	(442)	(194)
Margin (%)	(9.8)	(5.0)	(2.3)	(0.8)
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(929)	(718)	(442)	(194)
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(929)	(718)	(442)	(194)
YoY gr. (%)	(44.1)	(22.7)	(38.5)	(56.2)
Margin (%)	(9.8)	(5.0)	(2.3)	(0.8)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(929)	(718)	(442)	(194)
YoY gr. (%)	(46.6)	(22.7)	(38.5)	(56.2)
Margin (%)	(9.8)	(5.0)	(2.3)	(0.8)
Other Comprehensive Income	(7)	(4)	-	-
Total Comprehensive Income	(936)	(722)	(442)	(194)
Equity Shares O/s (m)	493	495	495	495
EPS (Rs)	(1.9)	(1.5)	(0.9)	(0.4)

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	17,229	23,138	26,215	31,295
Tangibles	16,784	22,427	25,433	30,435
Intangibles	444	711	782	860
Acc: Dep / Amortization	5,654	7,724	9,979	12,675
Tangibles	5,564	7,578	9,792	12,443
Intangibles	91	146	187	231
Net fixed assets	11,574	15,414	16,236	18,620
Tangibles	11,220	14,849	15,640	17,992
Intangibles	354	565	595	629
Capital Work In Progress	107	297	325	440
Goodwill	-	-	-	-
Non-Current Investments	11,408	12,738	12,793	12,676
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	282	303	324	386
Current Assets				
Investments	4,023	1,469	400	40
Inventories	135	192	260	330
Trade receivables	92	115	184	167
Cash & Bank Balance	1,063	146	202	8
Other Current Assets	92	177	401	304
Total Assets	28,860	30,898	31,179	33,030
Equity				
Equity Share Capital	4,927	4,946	4,946	4,946
Other Equity	14,576	14,000	13,248	13,054
Total Network	19,503	18,946	18,193	18,000
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	256	298	377	458
Other non current liabilities	7	5	8	8
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,319	1,391	2,297	2,752
Other current liabilities	1,096	1,316	1,242	1,488
Total Equity & Liabilities	28,860	30,898	31,179	33,030

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	(929)	(876)	(442)	(194)
Add. Depreciation	1,357	1,896	2,255	2,696
Add. Interest	680	871	918	1,041
Less Financial Other Income	205	325	70	15
Add. Other	(206)	20	60	20
Op. profit before WC changes	901	1,912	2,791	3,563
Net Changes-WC	669	165	464	742
Direct tax	-	-	-	-
Net cash from Op. activities	1,570	2,077	3,255	4,304
Capital expenditures	(13,965)	(7,175)	(3,104)	(5,196)
Interest / Dividend Income	-	-	-	-
Others	(2,815)	2,473	1,013	477
Net Cash from Invt. activities	(16,779)	(4,702)	(2,091)	(4,719)
Issue of share cap. / premium	13,705	318	(311)	-
Debt changes	1,086	2,262	121	1,261
Dividend paid	-	-	-	-
Interest paid	(680)	(871)	(918)	(1,041)
Others	-	-	-	-
Net cash from Fin. activities	14,111	1,708	(1,108)	221
Net change in cash	(1,098)	(917)	56	(194)
Free Cash Flow	(12,395)	(5,098)	151	(891)

Source: Company Data, PL Research

Key Financial Metrics

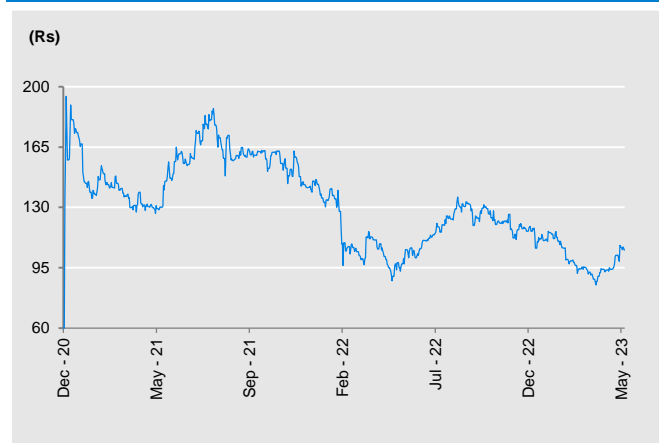
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	(1.9)	(1.5)	(0.9)	(0.4)
CEPS	0.9	2.2	3.7	5.1
BVPS	39.6	38.3	36.8	36.4
FCF	(25.2)	(10.3)	0.3	(1.8)
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(3.5)	(0.8)	2.2	4.6
ROIC	(1.9)	(0.5)	1.3	2.5
RoE	(7.1)	(3.7)	(2.4)	(1.1)
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.1)	0.0	-
Net Working Capital (Days)	(42)	(28)	(35)	(34)
Valuation(x)				
PER	(64.9)	(84.4)	(137.2)	(312.9)
P/B	3.1	3.2	3.3	3.4
P/CEPS	141.2	55.9	33.4	24.2
EV/EBITDA	61.3	35.6	22.5	17.2
EV/Sales	5.9	4.1	3.1	2.5
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	3,369	3,680	3,698	3,649
YoY gr. (%)	125.0	50.0	32.1	35.8
Raw Material Expenses	1,133	1,237	1,243	1,227
Gross Profit	2,236	2,443	2,454	2,422
Margin (%)	66.4	66.4	66.4	66.4
EBITDA	332	421	479	423
YoY gr. (%)	2,064.8	64.4	45.8	39.8
Margin (%)	9.9	11.4	12.9	11.6
Depreciation / Depletion	461	426	434	481
EBIT	(129)	(6)	45	(58)
Margin (%)	(3.8)	(0.2)	1.2	(1.6)
Net Interest	196	206	220	274
Other Income	97	79	63	86
Profit before Tax	(227)	(133)	(112)	(246)
Margin (%)	(6.7)	(3.6)	(3.0)	(6.7)
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after Tax	(227)	(133)	(112)	(246)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(227)	(133)	(112)	(246)
YoY gr. (%)	(48.7)	(34.4)	(26.0)	86.2
Margin (%)	(6.7)	(3.6)	(3.0)	(6.7)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(227)	(133)	(112)	(246)
YoY gr. (%)	(48.7)	(34.4)	(29.6)	86.2
Margin (%)	(6.7)	(3.6)	(3.0)	(6.7)
Other Comprehensive Income	-	2	(1)	1
Total Comprehensive Income	(227)	(130)	(113)	(245)
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	Accumulate	121	94
2	08-Feb-23	Accumulate	145	107
3	06-Jan-23	Accumulate	156	111
4	11-Nov-22	Accumulate	156	126
5	04-Oct-22	Accumulate	156	132
6	15-Sep-22	Accumulate	156	129
7	12-Aug-22	Accumulate	148	123
8	07-Jul-22	UR	-	111
9	31-May-22	UR	-	97

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,360	3,140
2	Avenue Supermarts	BUY	4,447	3,678
3	Britannia Industries	Hold	4,800	4,626
4	Colgate Palmolive	Hold	1,636	1,628
5	Dabur India	Accumulate	590	530
6	Emami	Accumulate	485	359
7	Hindustan Unilever	Accumulate	2,785	2,469
8	ITC	Accumulate	444	389
9	Jubilant FoodWorks	Accumulate	515	481
10	Kansai Nerolac Paints	Accumulate	486	397
11	Marico	Accumulate	550	494
12	Mold-tek Packaging	Hold	968	1,001
13	Nestle India	Accumulate	22,600	20,670
14	Pidilite Industries	Hold	2,589	2,472
15	Restaurant Brands Asia	Accumulate	121	94
16	Titan Company	BUY	2,992	2,651
17	Westlife Foodworld	Accumulate	800	768

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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