

May 9, 2023

Q4FY23 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		BUY	
Target Price	800		806	
Sales (Rs. m)	26,616	31,534	26,790	31,856
% Chng.	(0.6)	(1.0)		
EBITDA (Rs. m)	4,654	5,746	4,756	5,790
% Chng.	(2.1)	(0.8)		
EPS (Rs.)	9.2	12.7	10.5	13.9
% Chng.	(12.7)	(8.4)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	15,760	22,782	26,616	31,534
EBITDA (Rs. m)	1,888	3,740	4,654	5,746
Margin (%)	12.0	16.4	17.5	18.2
PAT (Rs. m)	(17)	1,116	1,429	1,983
EPS (Rs.)	(0.1)	7.2	9.2	12.7
Gr. (%)	(98.4)	(6,797.5)	28.1	38.8
DPS (Rs.)	-	-	-	2.5
Yield (%)	-	-	-	0.3
RoE (%)	(0.4)	21.7	22.4	24.5
RoCE (%)	7.7	30.9	32.9	35.4
EV/Sales (x)	7.6	5.3	4.5	3.7
EV/EBITDA (x)	63.6	32.2	25.6	20.5
PE (x)	(7,191.2)	107.4	83.8	60.4
P/BV (x)	25.9	21.2	16.9	13.2

Key Data

WEST.BO | WLDL IN

52-W High / Low	Rs.816 / Rs.402
Sensex / Nifty	61,761 / 18,266
Market Cap	Rs.120bn / \$ 1,460m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.101.72m

Shareholding Pattern (%)

Promoter's	56.53
Foreign	9.61
Domestic Institution	24.14
Public & Others	9.72
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.7	(1.6)	76.9
Relative	3.4	(2.7)	56.0

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Westlife Foodworld (WLDL IN)

Rating: ACCUMULATE | CMP: Rs768 | TP: Rs800

On track but expect back ended returns

Quick Pointers:

- Dine-in sales momentum remains strong up 38% in 4Q23
- WFL to add 40-45 new stores in FY24 and 580-630 by CY27

We cut our FY24/25 EPS estimates by 12.7%/8.4% and rating to Accumulate on account of 1) 9/14 lesser stores than estimates in FY24/25 2) 30bps lower margin expansion in FY24 and 3) 50/120bps higher tax rates in FY24/25. WFL's reported strong 14% SSSG in a challenging operating environment for discretionary/QSR spends. Gross margins have moved up with pass through of price hikes (7% for 12 months) coupled with sourcing benefits. WFL continues to gain market share across territories with menu innovations like Fried Chicken (South India), Gourmet Burgers and limited time offerings like Big Mac, Piri Piri McSpicy range. On-Premise continues to gain momentum with 38% higher sales with off-premise holding up with 5% higher sales.

We remain positive on the structural story for Westlife given 1) guidance of 580-630 stores by CY27 (40/45 in FY24) 2) excitement created with limited time launches (Big Mac, Piri Piri McSpicy range) 3) increased traction on fried chicken & new launches like chicken wings (additional Rs10mn of AUV/store) 4) strong start in Tier2/3 with growth being 1.5x than metros and 5) likelihood of gradual increase in royalty beyond 5% after FY26. We estimate Sales/EPS CAGR of 17.7%/33.3% over FY23-25. We rollover and assign DCF based target price of Rs800 (Rs806 earlier). Accumulate for LT Gains although near term upside seems capped post sharp run up recently.

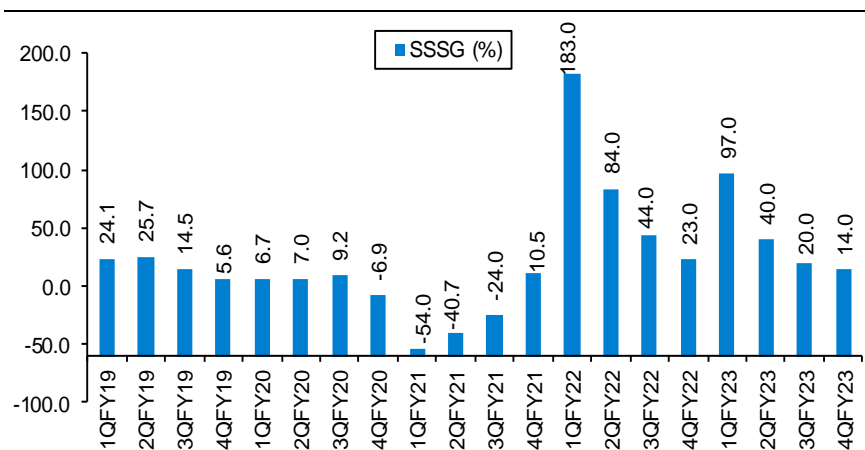
Revenue grew by 22.3%, SSSG at 14%: Revenues grew by 22.3% YoY to Rs5.6bn (PL: Rs5.5bn). On-Premise/Off-Premise channels grew by 38%/5% YoY. SSSG at 14%; 16 store additions. Total store count of 357 restaurants with 311 McCafe's. Gross margins expanded by 371bps YoY/176bps QoQ to 71.9% (PL: 67.2%). EBITDA grew by 40.9% YoY to Rs887mn (PL: Rs952mn); Margins expanded by 211bps YoY to 15.9% (PL: 17.2%). Restaurant EBITDA margins at 24.5%. Adjusted PAT grew by 31.2% YoY to Rs201mn (PL: Rs283mn); Pre-IND AS PAT at Rs201mn.

Concall Takeaways: 1) Management focus would be towards its own offerings to mitigate any demand weakness. 2) New stores in small towns see better response and catch up to system avg quite fast. 3) Own delivery sales growing ahead of 3POs. 4) GM would be in similar range +/- 100bps. 5) No price hikes taken in 4Q. Co takes between 2-3% in a year. May go upto 4% in inflationary scenarios. 6) McBreakfast present in 130 restaurants; some stores in malls open late which does not enable the option. 7) Chicken offerings would primarily be for South markets 8) Expect high single-digit SSSG in FY24. 9) All new store openings will be in EOTF format. 10) Capex budgeted for FY24 would be in the range of Rs2-2.5bn. 11) Board has approved a dividend policy with 25% dividend payout.

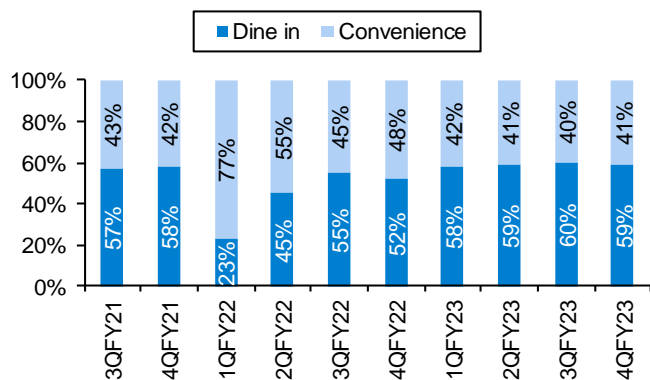
Exhibit 1: 4QFY23 Results - Net Sales up 22.3%, Gross Margins up 371bps YoY/176bps QoQ

Consolidated	4QFY23	4QFY22	YoY gr. (%)	3QFY23	FY23	FY22	YoY gr. (%)
Net Sales	5,564	4,551	22.3	6,115	22,782	15,765	44.5
Gross Profit	4,002	3,104	28.9	4,290	15,922	10,635	49.7
% of NS	71.9	68.2	3.7	70.2	69.9	67.5	2.4
Other Expenses	3,115	2,475	25.9	3,268	12,181	8,743	39.3
% of NS	56.0	54.4	1.6	53.5	53.5	55.5	(2.0)
EBITDA	887	629	40.9	1,022	3,740	1,892	97.7
Margins %	15.9	13.8	2.1	16.7	16.4	12.0	4.4
Depreciation	412	346	19.0	386	1,522	1,364	11.6
Interest	253	209	21.4	234	927	826	12.2
Other Income	56	131	(57.4)	78	203	277	(26.7)
PBT	277	205	35.0	480	1,495	(21)	
Tax	76	52	46.1	116	379	(4)	
Tax rate %	27.5	25.4		24.2	25.3	19.4	
Adjusted PAT	201	153	31.2	364	1,116	(17)	

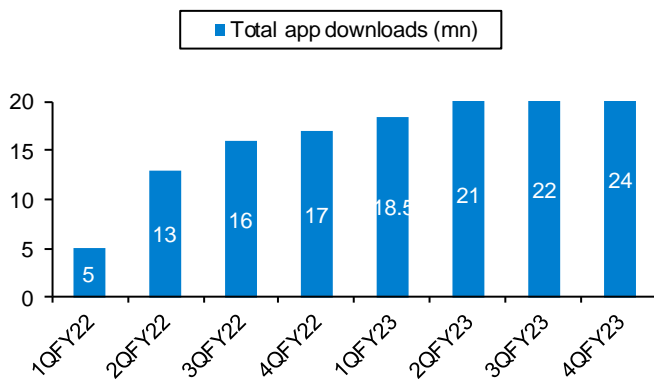
Source: Company Data, PL Research

Exhibit 2: SSSG stood at 14%


Source: Company, PL

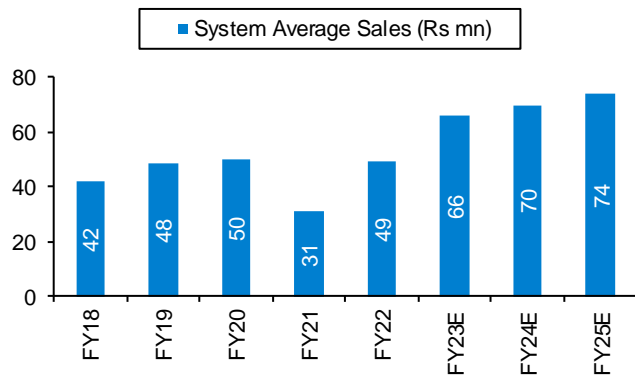
Exhibit 3: Off-premise sales stabilizing at ~40-42%


Source: Company, PL

Exhibit 4: Backed by increase in app installations


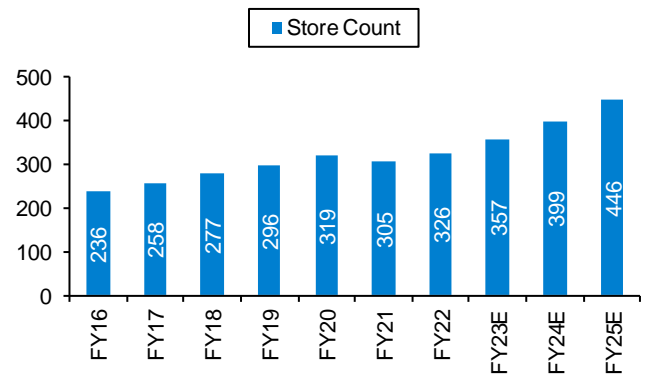
Source: Company, PL

Exhibit 5: System average sales to grow 5.9% over FY23-25



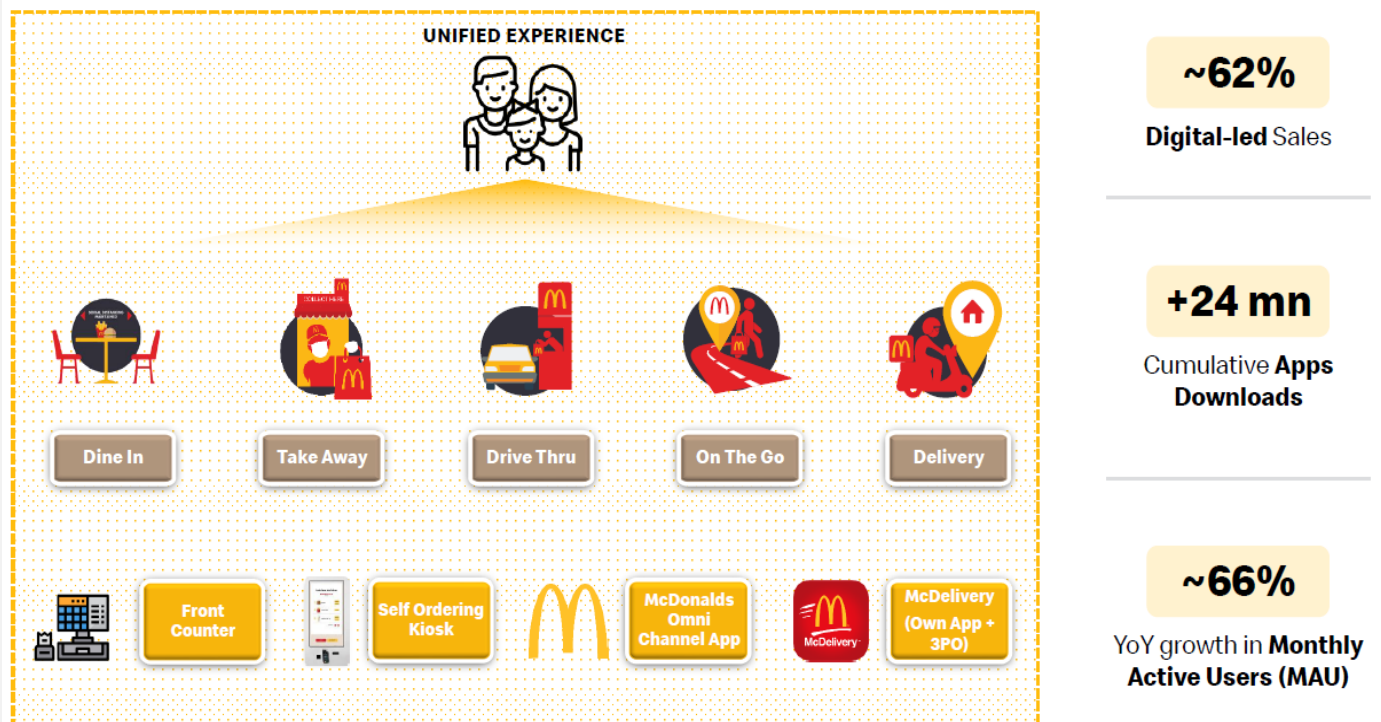
Source: Company, PL

Exhibit 6: Expect 89 stores addition over FY23-25



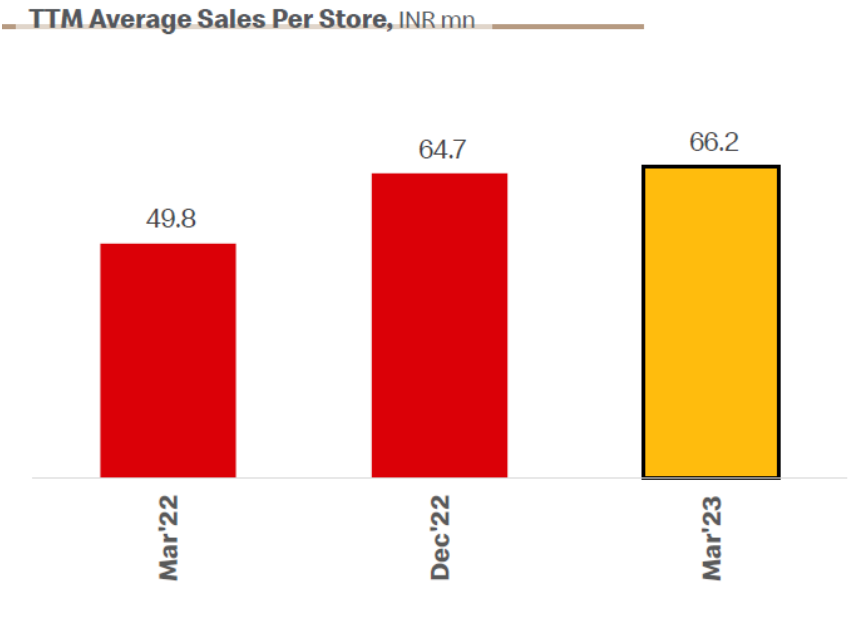
Source: Company, PL

Exhibit 7: Digital sales contribution inches up at ~62% of revenues in 4QFY23



Source: Company, PL

Exhibit 8: Avg sales/store continues to inch up



Source: Company, PL

Exhibit 9: Innovative menu offerings – Chicken Big Mac and Cheesy Nuggets launched in 4Q

Menu Initiatives

Chicken Big Mac

Cheesy Nuggets

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	15,760	22,782	26,616	31,534
YoY gr. (%)	59.9	44.6	16.8	18.5
Cost of Goods Sold	5,451	6,860	7,985	9,381
Gross Profit	10,309	15,922	18,632	22,152
Margin (%)	65.4	69.9	70.0	70.3
Employee Cost	2,095	3,106	3,515	3,988
Other Expenses	2,667	9,076	4,141	4,872
EBITDA	1,888	3,740	4,654	5,746
YoY gr. (%)	305.8	98.1	24.4	23.4
Margin (%)	12.0	16.4	17.5	18.2
Depreciation and Amortization	1,364	1,522	1,910	2,256
EBIT	524	2,219	2,744	3,490
Margin (%)	3.3	9.7	10.3	11.1
Net Interest	826	927	1,082	1,209
Other Income	282	203	243	389
Profit Before Tax	(21)	1,495	1,905	2,669
Margin (%)	(0.1)	6.6	7.2	8.5
Total Tax	(4)	379	476	686
Effective tax rate (%)	19.4	25.3	25.0	25.7
Profit after tax	(17)	1,116	1,429	1,983
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(17)	1,116	1,429	1,983
YoY gr. (%)	(98.4)	(6,797.5)	28.1	38.8
Margin (%)	(0.1)	4.9	5.4	6.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(17)	1,116	1,429	1,983
YoY gr. (%)	(98.3)	(6,797.5)	28.1	38.8
Margin (%)	(0.1)	4.9	5.4	6.3
Other Comprehensive Income	(17)	10	-	-
Total Comprehensive Income	(34)	1,125	1,429	1,983
Equity Shares O/s (m)	156	156	156	156
EPS (Rs)	(0.1)	7.2	9.2	12.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	18,837	22,929	26,990	31,676
Tangibles	17,608	21,620	25,606	30,217
Intangibles	1,229	1,309	1,384	1,459
Acc: Dep / Amortization	5,214	6,699	8,609	10,865
Tangibles	4,868	6,271	8,109	10,289
Intangibles	346	428	500	576
Net fixed assets	13,623	16,230	18,381	20,811
Tangibles	12,740	15,349	17,498	19,928
Intangibles	883	881	884	883
Capital Work In Progress	355	567	567	567
Goodwill	-	-	-	-
Non-Current Investments	507	510	606	669
Net Deferred tax assets	520	604	585	558
Other Non-Current Assets	361	453	399	419
Current Assets				
Investments	1,504	1,299	3,460	5,045
Inventories	559	714	722	797
Trade receivables	133	107	201	216
Cash & Bank Balance	232	284	(1,029)	(1,210)
Other Current Assets	142	142	110	110
Total Assets	17,976	20,989	24,044	28,027
Equity				
Equity Share Capital	312	312	312	312
Other Equity	4,309	5,347	6,776	8,760
Total Network	4,621	5,659	7,088	9,072
Non-Current Liabilities				
Long Term borrowings	2,010	2,070	1,870	1,670
Provisions	134	130	169	212
Other non current liabilities	8,728	10,289	11,783	13,624
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,483	2,841	3,134	3,449
Total Equity & Liabilities	17,976	20,989	24,044	28,026

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	(21)	1,469	1,905	2,669
Add. Depreciation	1,364	1,485	1,910	2,256
Add. Interest	826	952	1,082	1,209
Less Financial Other Income	282	203	243	389
Add. Other	3,187	(85)	96	87
Op. profit before WC changes	5,356	3,821	4,994	6,222
Net Changes-WC	(164)	227	127	162
Direct tax	4	(362)	(476)	(686)
Net cash from Op. activities	5,196	3,686	4,645	5,697
Capital expenditures	(2,243)	(4,303)	(4,062)	(4,686)
Interest / Dividend Income	-	-	-	-
Others	480	206	(2,162)	(1,585)
Net Cash from Invt. activities	(1,763)	(4,098)	(6,223)	(6,271)
Issue of share cap. / premium	(3,350)	186	-	-
Debt changes	(142)	60	(200)	(200)
Dividend paid	-	-	-	-
Interest paid	(826)	(952)	(1,082)	(1,209)
Others	1,007	1,424	1,549	1,801
Net cash from Fin. activities	(3,311)	718	266	392
Net change in cash	122	306	(1,313)	(182)
Free Cash Flow	2,953	(618)	583	1,012

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	(0.1)	7.2	9.2	12.7
CEPS	8.6	16.9	21.4	27.2
BVPS	29.6	36.3	45.5	58.2
FCF	18.9	(4.0)	3.7	6.5
DPS	-	-	-	2.5
Return Ratio(%)				
RoCE	7.7	30.9	32.9	35.4
ROIC	3.2	11.4	12.7	14.4
RoE	(0.4)	21.7	22.4	24.5
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	(0.1)	(0.2)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	(7,191.2)	107.4	83.8	60.4
P/B	25.9	21.2	16.9	13.2
P/CEPS	88.9	45.4	35.9	28.3
EV/EBITDA	63.6	32.2	25.6	20.5
EV/Sales	7.6	5.3	4.5	3.7
Dividend Yield (%)	-	-	-	0.3

Source: Company Data, PL Research

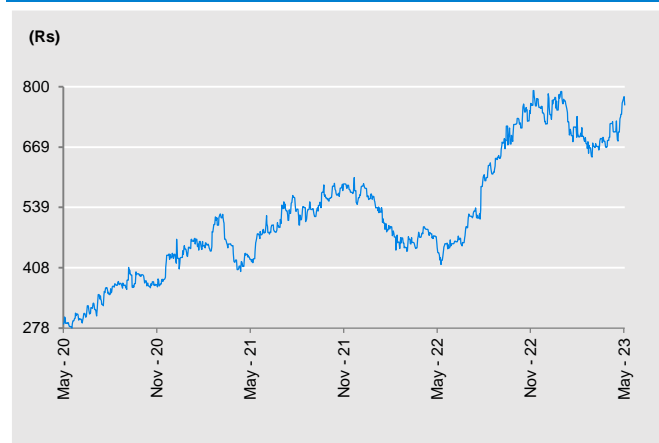
Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	5,379	5,724	6,115	5,564
YoY gr. (%)	107.6	48.5	28.2	22.3
Raw Material Expenses	1,921	1,976	1,824	1,562
Gross Profit	3,459	3,748	4,290	4,002
Margin (%)	64.3	65.5	70.2	71.9
EBITDA	873	959	1,022	887
YoY gr. (%)	3,382.0	115.8	28.8	40.9
Margin (%)	16.2	16.8	16.7	15.9
Depreciation / Depletion	358	366	386	412
EBIT	515	593	636	475
Margin (%)	9.6	10.4	10.4	8.5
Net Interest	215	225	234	253
Other Income	18	52	78	56
Profit before Tax	318	419	480	277
Margin (%)	5.9	7.3	7.9	5.0
Total Tax	82	104	116	76
Effective tax rate (%)	25.8	24.8	24.2	27.5
Profit after Tax	236	315	364	201
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	236	315	364	201
YoY gr. (%)	(170.6)	(815.9)	74.7	31.2
Margin (%)	4.4	5.5	5.9	3.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	236	315	364	201
YoY gr. (%)	(170.6)	(815.9)	74.7	31.2
Margin (%)	4.4	5.5	5.9	3.6
Other Comprehensive Income	(4)	5	7	2
Total Comprehensive Income	231	320	370	203
Avg. Shares O/s (m)	18	18	18	18
EPS (Rs)	13.1	17.5	20.2	11.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	BUY	806	728
2	16-Feb-23	BUY	852	681
3	31-Jan-23	BUY	852	735
4	06-Jan-23	BUY	854	769
5	01-Dec-22	BUY	847	719
6	09-Nov-22	BUY	847	781
7	04-Oct-22	BUY	847	719
8	27-Sep-22	BUY	847	689
9	29-Jul-22	BUY	781	589
10	07-Jul-22	BUY	653	524

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,150	2,776
2	Avenue Supermarts	BUY	4,561	3,451
3	Britannia Industries	Hold	4,800	4,626
4	Colgate Palmolive	Hold	1,565	1,537
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	BUY	500	426
10	Kansai Nerolac Paints	Accumulate	485	386
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	2,500	2,359
15	Restaurant Brands Asia	Accumulate	121	94
16	Titan Company	BUY	2,992	2,651
17	Westlife Foodworld	BUY	806	728

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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