

July 27, 2023

Q1FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	932		800	
Sales (Rs. m)	26,617	31,534	26,616	31,534
% Chng.	-	-	-	-
EBITDA (Rs. m)	4,731	5,777	4,654	5,746
% Chng.	1.7	0.5	-	-
EPS (Rs.)	9.2	12.2	9.2	12.7
% Chng.	0.6	(4.2)	-	-

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	15,760	22,782	26,617	31,534
EBITDA (Rs. m)	1,978	3,740	4,731	5,777
Margin (%)	12.6	16.4	17.8	18.3
PAT (Rs. m)	74	1,116	1,438	1,900
EPS (Rs.)	0.5	7.2	9.2	12.2
Gr. (%)	(107.1)	1,411.1	28.9	32.1
DPS (Rs.)	-	-	3.5	3.7
Yield (%)	-	-	0.4	0.4
RoE (%)	1.6	21.7	22.5	23.6
RoCE (%)	9.0	30.9	33.8	35.9
EV/Sales (x)	8.9	6.2	5.2	4.4
EV/EBITDA (x)	70.9	37.6	29.5	23.9
PE (x)	1,896.6	125.5	97.4	73.7
P/BV (x)	30.3	24.7	19.7	15.6

Key Data

WEST.BO | WESTLIFE IN

52-W High / Low	Rs.942 / Rs.511
Sensex / Nifty	66,267 / 19,660
Market Cap	Rs.140bn / \$ 1,709m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.138.62m

Shareholding Pattern (%)

Promoter's	56.53
Foreign	9.70
Domestic Institution	24.13
Public & Others	9.64
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.0	26.0	75.0
Relative	0.5	12.8	47.4

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Harish Advani

harishadvani@plindia.com | 91-22-66322242

Vishwa Solanki

vishwasolanki@plindia.com | 91-22-66322244

Westlife Foodworld (WESTLIFE IN)

Rating: ACCUMULATE | CMP: Rs898 | TP: Rs932

Beats peers, enters dividend list; Accumulate

Quick Pointers:

- Dine-in sales momentum remains strong with 18% YoY growth in 1Q24.
- WFL to add 40-42 stores in FY24 with target of total 580-630 stores by CY27.

We retain 'Accumulate' rating on WFL given 1) sustained traction in their menu with 7% SSG in tough operating environment 2) strong financials with 70bps post IND AS (down 10bps Pre IND AS) margin expansion YoY, despite 60bps royalty increase and 3) menu adjustments with launch of Mcsaver Meals to attract new customers. Medium term growth story remains intact with Burger, chicken and Coffee combos in our view.

We remain constructive on WFL's structural story given 1) guidance of 580-630 stores by CY27 (40/45 in FY24) 2) menu innovations and limited edition launches from time to time 3) increased traction on fried chicken (June had highest ever chicken sales) and 4) flexibility of format with relevance across Metros, Tier 1, Mid-tier towns and Highways. We estimate Sales/EPS CAGR of 17.7%/33.3% over FY23-25. Maintain 'Accumulate' at DCF based TP of Rs932 (Rs800 earlier) for LT gains, although incremental gains will be back ended post sharp run up in the recent stock price.

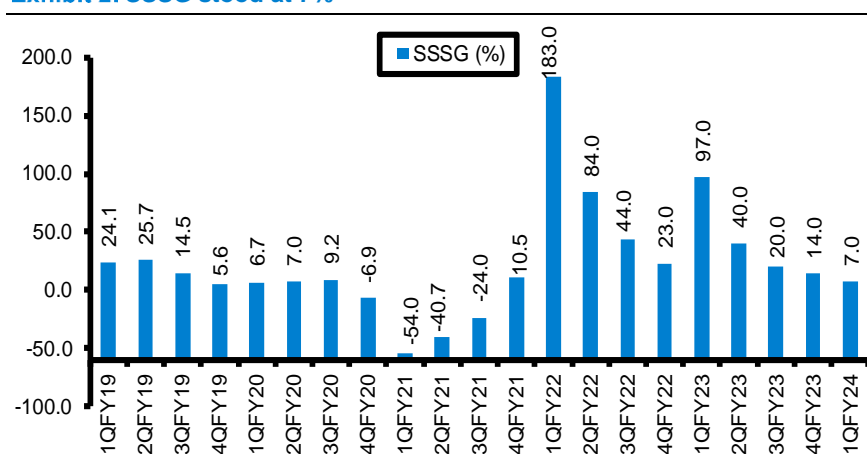
Revenue grew by 14.2% and SSSG at 7%: Revenues grew by 14.2% YoY to Rs6.1bn (PLe: Rs6.2bn). On-Premise/Off-Premise channels grew by 18%/9% YoY. SSSG at 7% was driven by increased guest counts. Gross margins expanded by 235bps YoY/-135bps QoQ to 70.6% (PLe: 71.5%). EBITDA grew by 19.4% YoY to Rs1042mn (PLe: Rs1030mn); Margins expanded by 73bps YoY/101bps QoQ to 16.9% (PLe:16.5%). Adjusted PAT grew by 22.3% YoY to Rs288mn (PLe: Rs287mn); Pre-IND AS PAT was at Rs368mn. Declared interim dividend of Rs3.45/share.

Concall Takeaways: 1) Demand remains tepid but right strategy, robust footfalls along with menu innovation will help clock healthy growth in FY24. 2) Rising RM price to have minimal effect on gross margin with right cost optimization techniques & price hikes (took in earlier quarters) 3) 1Q24 saw healthy SSG growth led by robust growth across delivery channels with Mcdelivery outperforming other channels. 4) Metro sales grew ahead of small town in 1Q24. 5) There were price cuts in Mc chicken & McFlurry, while there was some price hike in other menu items making net price hike to zero in 1Q24. 6) Expect high single-digit SSSG in FY24. 7) All stores to be in EOTF format by 2027 except drive-through. 8) Westlife to add 40-42 stores in FY24, with no major closure & 580-630 store by 2027.9) Royalty to remain at 4.5% excluding GST for FY24. 10) Board has approved an interim dividend of Rs3.45/share 11) Digital sales are 64% of the total; kiosk sales have however grown by 3x 12) WFL is looking at adding 40-50 stores under EOTF in FY24, however drive- thru and food court based stores will not have EOTF.

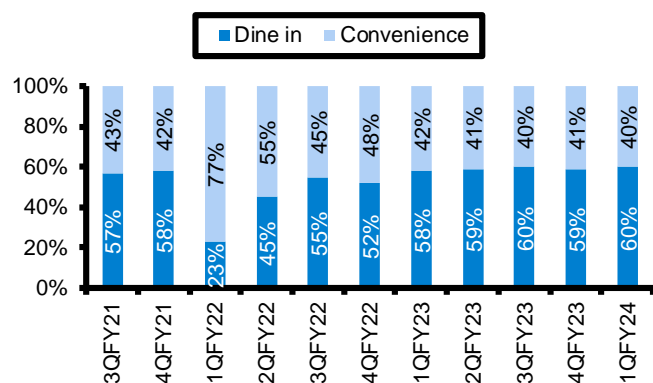
Exhibit 1: 1QFY24 Results - Net Sales up 14.2%, Gross Margins up 235bps YoY

Consolidated	1QFY24	1QFY23	YoY gr. (%)	4QFY23	FY23	FY22	YoY gr. (%)
Net Sales	6,145	5,379	14.2	5,564	22,782	15,765	44.5
Gross Profit	4,337	3,670	18.2	4,002	15,922	10,635	49.7
% of NS	70.6	68.2	2.4	71.9	69.9	67.5	2.4
Other Expenses	3,295	2,797	17.8	3,115	12,181	8,743	39.3
% of NS	53.6	52.0	1.6	56.0	53.5	55.5	(2.0)
EBITDA	1,042	873	19.4	887	3,740	1,892	97.7
Margins %	16.9	16.2	0.7	15.9	16.4	12.0	4.4
Depreciation	428	358	19.7	412	1,522	1,364	11.6
Interest	260	215	20.9	253	927	826	12.2
Other Income	53	18	192.1	56	203	277	(26.7)
PBT	406	318	27.8	277	1,495	(21)	
Tax	118	82	43.6	76	379	(4)	
Tax rate %	29.0	25.8		27.5	25.3	19.4	
Adjusted PAT	288	236	22.3	201	1,116	(17)	

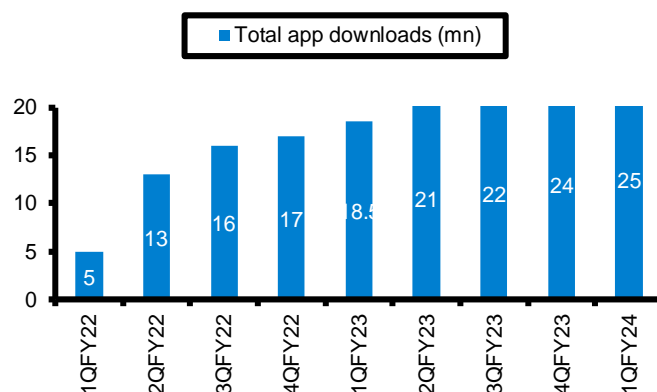
Source: Company Data, PL Research

Exhibit 2: SSSG stood at 7%


Source: Company, PL

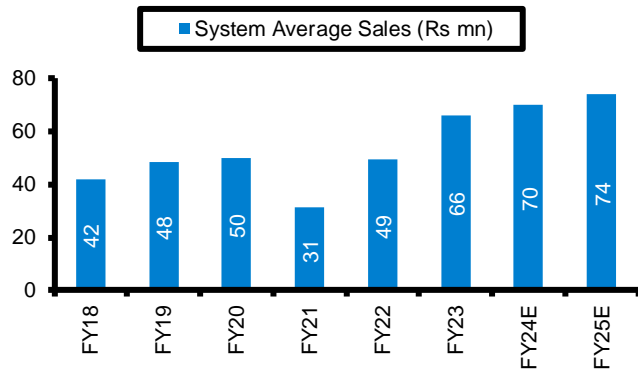
Exhibit 3: Off-premise sales stabilizing at ~40-42%


Source: Company, PL

Exhibit 4: Backed by increase in app installations


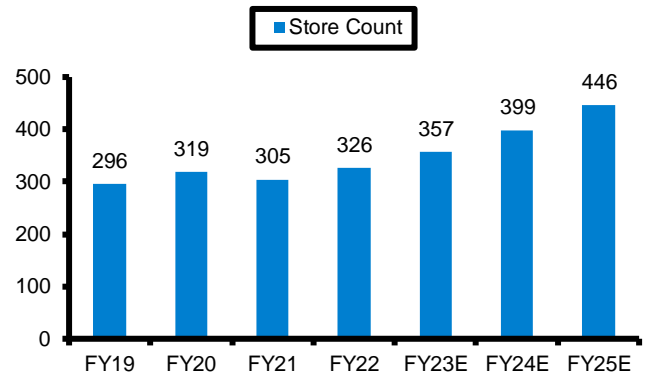
Source: Company, PL

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



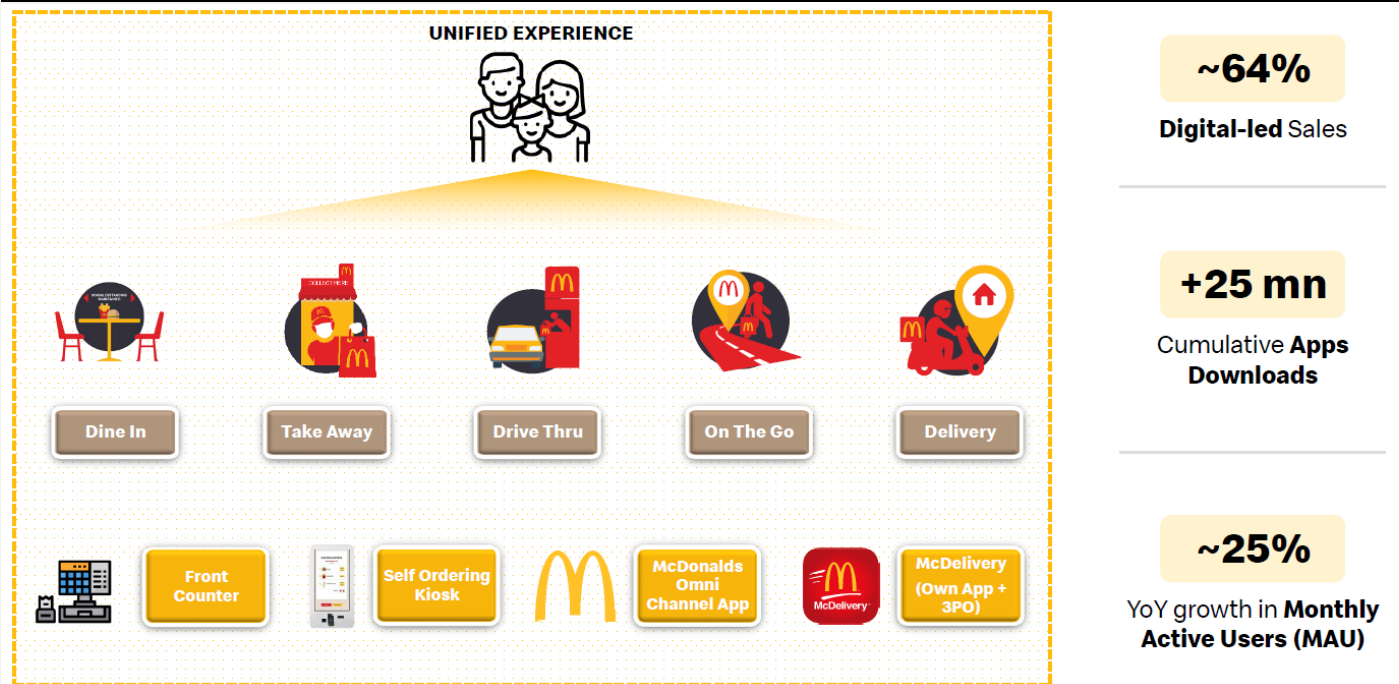
Source: Company, PL

Exhibit 6: Expect 89 stores addition over FY23-25



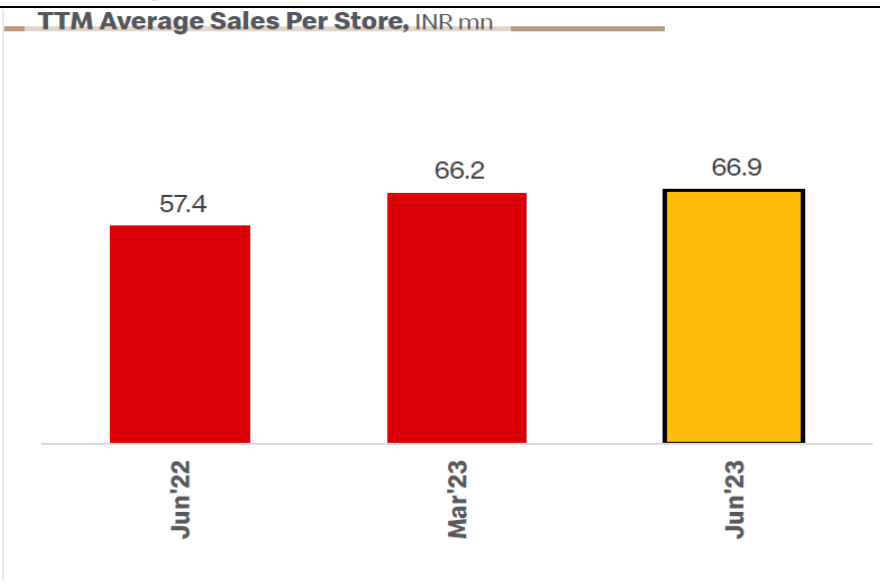
Source: Company, PL

Exhibit 7: Digital sales contribution inches up at ~64% of revenues in 1QFY24



Source: Company, PL

Exhibit 8: Avg sales/store continues to inch up



Source: Company, PL

Exhibit 9: Innovative menu offerings – launches Jain friendly menu in 1Q24

Jain Friendly Menu

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	15,760	22,782	26,617	31,534
YoY gr. (%)	59.9	44.6	16.8	18.5
Cost of Goods Sold	5,129	6,649	7,825	9,208
Gross Profit	10,631	16,133	18,791	22,326
Margin (%)	67.5	70.8	70.6	70.8
Employee Cost	2,095	3,106	3,515	3,988
Other Expenses	2,898	9,287	4,061	4,761
EBITDA	1,978	3,740	4,731	5,777
YoY gr. (%)	325.3	89.1	26.5	22.1
Margin (%)	12.6	16.4	17.8	18.3
Depreciation and Amortization	1,364	1,522	1,910	2,256
EBIT	614	2,219	2,821	3,521
Margin (%)	3.9	9.7	10.6	11.2
Net Interest	826	927	1,082	1,209
Other Income	282	203	178	245
Profit Before Tax	70	1,495	1,917	2,557
Margin (%)	0.4	6.6	7.2	8.1
Total Tax	(4)	379	479	657
Effective tax rate (%)	(5.7)	25.3	25.0	25.7
Profit after tax	74	1,116	1,438	1,900
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	74	1,116	1,438	1,900
YoY gr. (%)	(107.1)	1,411.1	28.9	32.1
Margin (%)	0.5	4.9	5.4	6.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	74	1,116	1,438	1,900
YoY gr. (%)	(107.4)	1,411.1	28.9	32.1
Margin (%)	0.5	4.9	5.4	6.0
Other Comprehensive Income	(17)	10	-	-
Total Comprehensive Income	57	1,125	1,438	1,900
Equity Shares O/s (m)	156	156	156	156
EPS (Rs)	0.5	7.2	9.2	12.2

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	429	501	576
Net fixed assets	13,623	16,229	18,381	20,811
Tangibles	12,740	15,349	17,498	19,928
Intangibles	883	880	883	882
Capital Work In Progress	355	567	567	567
Goodwill	-	-	-	-
Non-Current Investments	507	510	606	669
Net Deferred tax assets	520	604	585	559
Other Non-Current Assets	361	453	399	419
Current Assets				
Investments	1,504	1,299	2,129	3,153
Inventories	559	714	707	782
Trade receivables	133	107	201	216
Cash & Bank Balance	232	284	280	574
Other Current Assets	142	142	110	110
Total Assets	17,976	20,989	24,007	27,905
Equity				
Equity Share Capital	312	312	312	312
Other Equity	4,309	5,347	6,785	8,685
Total Network	4,621	5,659	7,097	8,997
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	3,089	3,402
Total Equity & Liabilities	17,976	20,989	24,007	27,905

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	70	1,551	1,917	2,557
Add. Depreciation	1,364	1,522	1,910	2,256
Add. Interest	826	927	1,082	1,209
Less Financial Other Income	282	203	178	245
Add. Other	3,187	(76)	96	86
Op. profit before WC changes	5,447	3,924	5,006	6,109
Net Changes-WC	(164)	227	96	160
Direct tax	4	(379)	(479)	(657)
Net cash from Op. activities	5,287	3,773	4,622	5,612
Capital expenditures	(2,243)	(4,340)	(4,062)	(4,686)
Interest / Dividend Income	-	-	-	-
Others	480	206	(831)	(1,024)
Net Cash from Invt. activities	(1,763)	(4,134)	(4,893)	(5,710)
Issue of share cap. / premium	(3,350)	186	-	-
Debt changes	(142)	60	(200)	(200)
Dividend paid	-	-	-	-
Interest paid	(826)	(927)	(1,082)	(1,209)
Others	916	1,095	1,549	1,801
Net cash from Fin. activities	(3,402)	414	266	392
Net change in cash	122	52	(4)	294
Free Cash Flow	3,044	(567)	560	926

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	0.5	7.2	9.2	12.2
CEPS	9.2	16.9	21.5	26.7
BVPS	29.6	36.3	45.5	57.7
FCF	19.5	(3.6)	3.6	5.9
DPS	-	-	3.5	3.7
Return Ratio(%)				
RoCE	9.0	30.9	33.8	35.9
ROIC	3.8	11.4	13.1	14.6
RoE	1.6	21.7	22.5	23.6
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	(0.1)	(0.2)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	1,896.6	125.5	97.4	73.7
P/B	30.3	24.7	19.7	15.6
P/CEPS	97.4	53.1	41.8	33.7
EV/EBITDA	70.9	37.6	29.5	23.9
EV/Sales	8.9	6.2	5.2	4.4
Dividend Yield (%)	-	-	0.4	0.4

Source: Company Data, PL Research

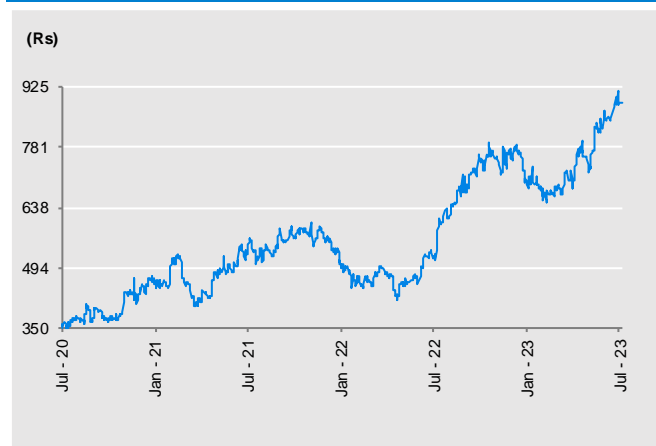
Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	5,724	6,115	5,564	6,145
YoY gr. (%)	48.5	28.2	22.3	14.2
Raw Material Expenses	1,976	1,824	1,562	1,808
Gross Profit	3,748	4,290	4,002	4,337
Margin (%)	65.5	70.2	71.9	70.6
EBITDA	959	1,022	887	1,042
YoY gr. (%)	115.8	28.8	40.9	19.4
Margin (%)	16.8	16.7	15.9	16.9
Depreciation / Depletion	366	386	412	428
EBIT	593	636	475	613
Margin (%)	10.4	10.4	8.5	10.0
Net Interest	225	234	253	260
Other Income	52	78	56	53
Profit before Tax	419	480	277	406
Margin (%)	7.3	7.9	5.0	6.6
Total Tax	104	116	76	118
Effective tax rate (%)	24.8	24.2	27.5	29.0
Profit after Tax	315	364	201	288
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	315	364	201	288
YoY gr. (%)	(815.9)	74.7	31.2	22.3
Margin (%)	5.5	5.9	3.6	4.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	315	364	201	288
YoY gr. (%)	(815.9)	74.7	31.2	22.3
Margin (%)	5.5	5.9	3.6	4.7
Other Comprehensive Income	5	7	2	2
Total Comprehensive Income	320	370	203	291
Avg. Shares O/s (m)	18	18	18	18
EPS (Rs)	17.5	20.2	11.2	16.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Accumulate	800	864
2	09-May-23	Accumulate	800	768
3	11-Apr-23	BUY	806	728
4	16-Feb-23	BUY	852	681
5	31-Jan-23	BUY	852	735
6	06-Jan-23	BUY	854	769
7	01-Dec-22	BUY	847	719
8	09-Nov-22	BUY	847	781
9	04-Oct-22	BUY	847	719
10	27-Sep-22	BUY	847	689

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,527	3,400
2	Avenue Supermarts	BUY	4,574	3,678
3	Britannia Industries	Hold	4,800	5,174
4	Colgate Palmolive	Hold	1,869	1,898
5	Dabur India	Accumulate	590	592
6	Emami	Accumulate	517	427
7	Hindustan Unilever	Hold	2,775	2,700
8	ITC	Accumulate	455	474
9	Jubilant FoodWorks	Hold	490	476
10	Kansai Nerolac Paints	Accumulate	328	320
11	Marico	Accumulate	550	528
12	Mold-tek Packaging	Hold	968	1,074
13	Nestle India	Accumulate	22,600	23,099
14	Pidilite Industries	Hold	2,664	2,649
15	Restaurant Brands Asia	Accumulate	146	112
16	Titan Company	Accumulate	3,242	3,088
17	Westlife Foodworld	Accumulate	800	864

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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