

August 8, 2023

Q1FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	142		146	
Sales (Rs. m)	19,180	24,359	19,180	24,359
% Chng.	-	-	-	-
EBITDA (Rs. m)	2,446	3,485	2,779	3,677
% Chng.	(12.0)	(5.2)	-	-
EPS (Rs.)	(1.2)	(0.5)	(0.7)	(0.1)
% Chng.	NA	NA	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	9,437	14,397	19,180	24,359
EBITDA (Rs. m)	902	1,654	2,446	3,485
Margin (%)	9.6	11.5	12.8	14.3
PAT (Rs. m)	(929)	(718)	(572)	(251)
EPS (Rs.)	(1.9)	(1.5)	(1.2)	(0.5)
Gr. (%)	(56.5)	(23.0)	(20.4)	(56.1)
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	(7.1)	(3.7)	(3.1)	(1.4)
RoCE (%)	(3.5)	(0.8)	1.3	4.4
EV/Sales (x)	5.6	3.9	3.0	2.4
EV/EBITDA (x)	58.3	34.0	23.4	16.6
PE (x)	(62.1)	(80.6)	(101.3)	(230.8)
P/BV (x)	3.0	3.1	3.2	3.2

Key Data

RESR.BO | RBA IN

52-W High / Low	Rs.138 / Rs.84
Sensex / Nifty	65,847 / 19,571
Market Cap	Rs.58bn/ \$ 699m
Shares Outstanding	495m
3M Avg. Daily Value	Rs.298.29m

Shareholding Pattern (%)

Promoter's	40.80
Foreign	27.37
Domestic Institution	9.69
Public & Others	22.14
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.0	9.9	(5.3)
Relative	5.1	1.3	(15.4)

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Restaurant Brands Asia (RBA IN)

Rating: ACCUMULATE | CMP: Rs117 | TP: Rs142

India on course; Indonesia shows green shoots

Quick Pointers:

- Mature store ADS at Rs126k, BK café neutralizes impact of value offering (100bps) on GM, FY24 GM guidance at 67%
- Indonesia expected to be cash breakeven in FY24, supported by rising traction in Burger menu and focus on desserts

Restaurant Brands Asia (RBA) remains on a path to profitability in India with domestic business parameters improving in ADS, gross margins & profitability, while business restructuring in Indonesia is showing initial gains with expected cash breakeven by FY24. BK India saw revamp of value range with Rs99 meal, which led to higher transaction growth (10%+) and an increase in ADS to Rs126k (reported ADS – Rs120k). RBA reported stable EBITDA margins despite increase in marketing spends to support value meal offering and innovations. Indonesia operations is on a turnaround path with strategic focus to improve ADS with 1) relaunch/innovation in Whopper range 2) new range of chicken offerings 3) launch of desserts with global/local players and 4) focus on FSDT format & store rationalization.

We believe RBA India operations are on track and should report low single digit pre IND AS EBITDA in FY24 with meagre profits in FY26. We believe Indonesia business will take time to turnaround with corrective measures implemented in BK across menu architecture & improved operations. We value the company at Rs 142 (Rs146 earlier) on SOTP basis. Accumulate.

1Q24 SSSG of 3.6%: India revenues grew 25.3% YoY to Rs4.2bn (PLe: Rs4.3bn). Gross margins expanded 12bps YoY to 66.5% (PLe: 66.7%). EBITDA grew 45.9% YoY to Rs484.7mn (PLe: Rs539mn); Margins expanded 162bps YoY to 11.5% (PLe:12.5%). Loss stood at Rs221.5mn in 1Q24 vs 227mn in 1Q23 (PLe: Rs-166mn). SSSG stood at 8.3%; ADS at Rs120kin 1Q24. Added 5 stores in 1Q24, total store count at 396. Added 11 BK Café in 1Q24, total BK Café count at 286. **Indonesia** revenues grew 23.9% YoY to Rs1.9bn. Gross margins contracted 128bps YoY to 58.6%. EBITDA loss stood at Rs1.6mn vs Rs40mn in 1Q23, Margins expanded 254bps YoY to -0.1%. Loss stood at Rs319mn vs Rs282mn in 1Q23.

Concall Takeaways: 1) SSSG was led by focus on dine-in (SSTG – 10%+) & value offerings 2) BK Café adds Rs8k to overall ADS; ex-cannibalization ADS at Rs15k 3) India mature store ADS at Rs126k vs reported Rs120k. 4) India GM's stable despite no price hikes in 1Q with 100bps impact of value meal offering due to higher GM in café business. Expect GM to be at 67% for FY24 5) BK India FY24/FY25 SSSG expected at 10%/8% 6) Indonesia QSR chain market to grow at 16% CAGR over the next 5 years 7) Indonesia store count at 325 (200 BK/125 Popeyes) by FY27. Popeyes to open 15 new stores in FY24 8) Indonesia store rationalization for FY24 maybe in single-digits 9) Popeyes ADS expected to stabilize at IDR 40mn 10) BK chicken offering contribution at 30%; working towards 50% mix 11) BK Indonesia expects to breakeven in FY24 as a result of improved menu architecture, new chicken and dessert offerings

Exhibit 1: 1QFY24 Results – India Net sales up 25.3%, EBITDA margins expand by 162bps YoY

(Rs mn)	1QFY24	1QFY23	YoY gr. (%)	4QFY23	FY23	FY22	YoY gr. (%)
Net Sales	4,221	3,369	25.3	3,649	14,397	9,437	52.6
Gross Profit	2,806	2,236	25.5	2,422	9,555	6,206	54.0
% of NS	66.5	66.4	0.1	66.4	66.4	65.8	0.6
EBITDA	485	332	45.9	423	1,654	902	83.5
Margins %	11.5	9.9	1.6	11.6	11.5	9.6	1.9
Depreciation	507	461	10.1	481	1,802	1,357	32.8
Interest	264	196		274	896	680	
Other Income	65	97	(32.8)	86	325	205	58.5
PBT	(222)	(227)	2.6	(246)	(718)	(929)	(22.7)
Tax	-	-		-	-	-	
Tax rate %	0.0	0.0	-	0.0	0.0	0.0	-
Adjusted PAT	(222)	(227)	2.6	(246)	(718)	(929)	(22.7)

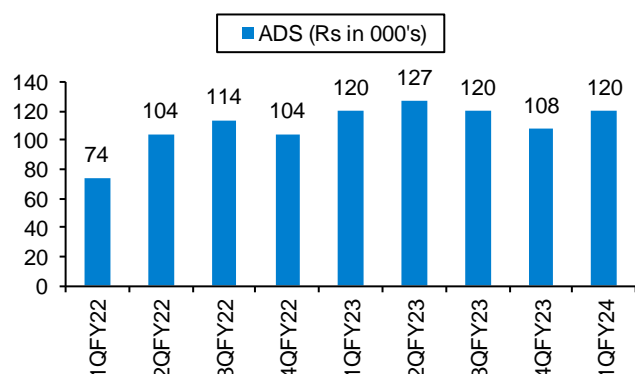
Source: Company, PL

Exhibit 2: 1QFY24 Results – Indonesia Net Sales up 23.9%, EBITDA margins expanded by 254bps YoY, up 990bps QoQ

(Rs mn)	1QFY24	1QFY23	YoY gr. (%)	4QFY23	FY23	FY22	YoY gr. (%)
Net Sales	1,887	1,523	23.9	1,490	6,146	5,466	12.5
Gross Profit	1,106	912	21.3	875	3,630	3,199	13.5
% of NS	58.6	59.9	(1.28)	58.7	59.1	58.5	0.5
EBITDA	-2	-40	95.9	-149	(540)	64	(948.3)
Margins %	(0.1)	(2.6)	2.5	(10.0)	(8.8)	1.2	(9.9)
Depreciation	280	239	17.2	315	1,038	979	6.1
Interest	43	36	21.7	46	156	274	(43.0)
Other Income	6	33	(82.0)	-43	34	19	79.5
PBT	(319)	(282)	(13.3)	(554)	(1,700)	(1,170)	45.3
Tax	-	-		-	-	-	
Tax rate %	0.0	0.0	-	0.0	0.0	0.0	-
Adjusted PAT	(319.0)	(281.5)	(13.3)	(554)	(1,700)	(1,170)	45.3

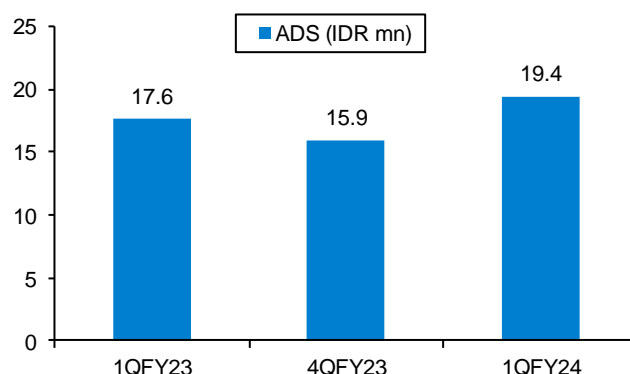
Source: Company, PL

Exhibit 1: India ADS flat YoY, grew by 11.1% QoQ



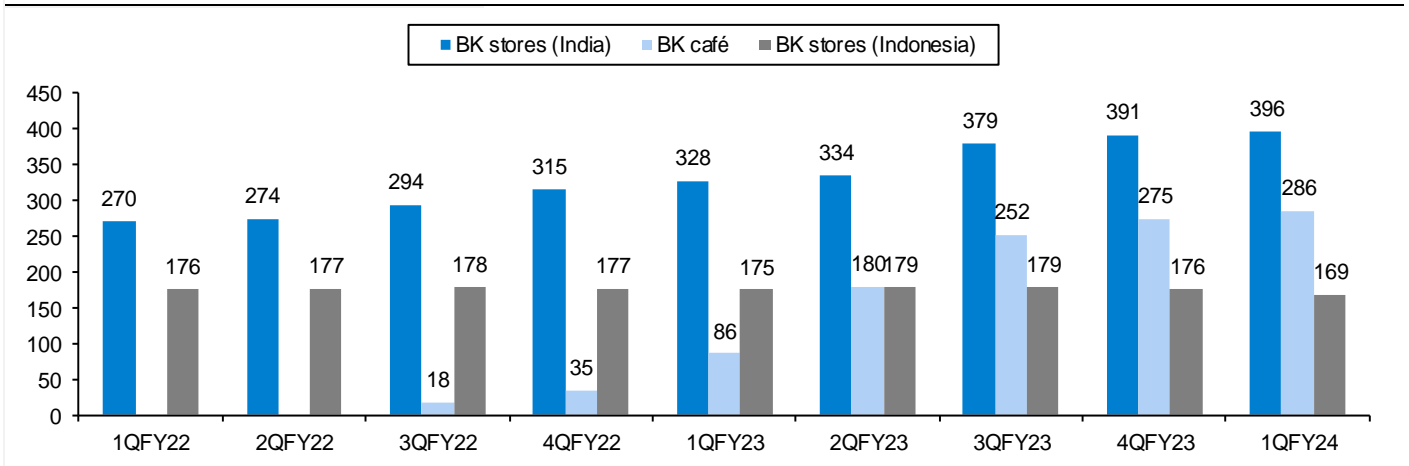
Source: Company, PL

Exhibit 2: Indonesia ADS up 10.2% YoY/22.0% QoQ



Source: Company, PL

Exhibit 3: India store count at 396 in 1QFY24; FY24/FY27 target at 450/700 stores



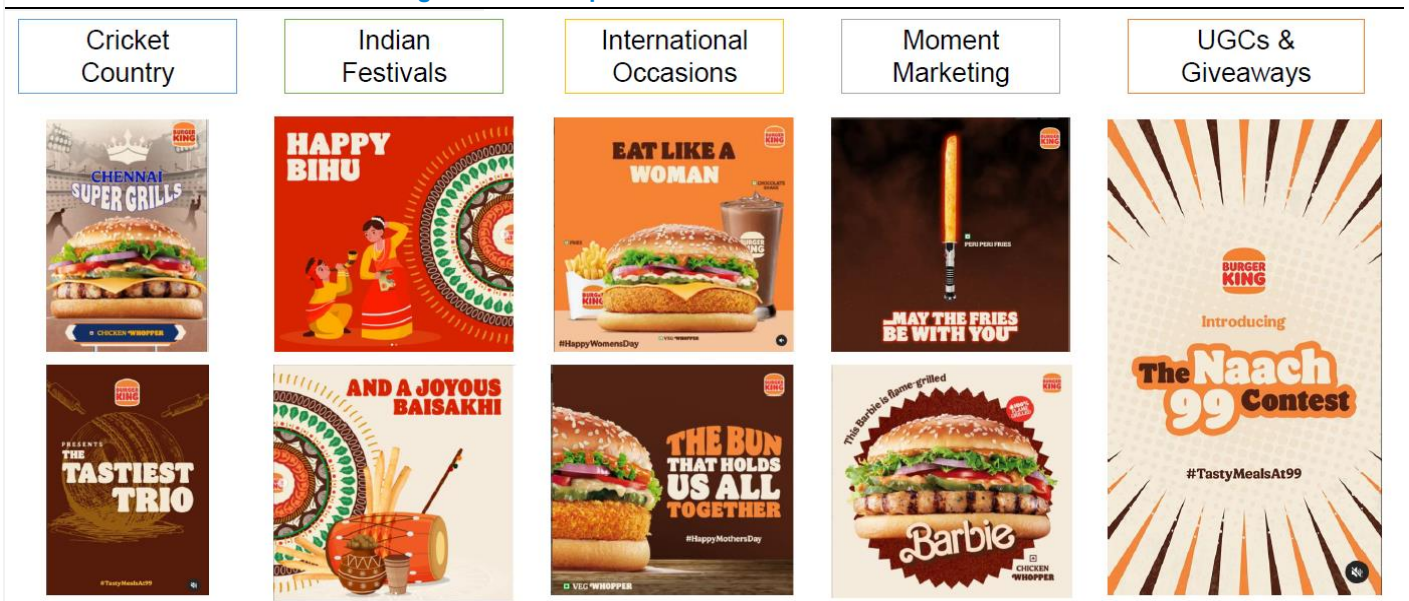
Source: PL, Company

Exhibit 4: New launches under wraps



Source: PL, Company

Exhibit 5: BK 's innovative marketing initiatives as per occasion



Source: PL, Company

Exhibit 6: Introduces value offerings to drive transaction in Indonesia



Source: PL, Company

Exhibit 7: We assign target price of Rs142 for overall business

SOTP	Basis	X	EV	Value/Share
India	DCF			114
Indonesia	BV			28
Total Value/share				142

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	9,437	14,397	19,180	24,359
YoY gr. (%)	90.9	52.6	33.2	27.0
Cost of Goods Sold	3,231	4,841	6,329	8,014
Gross Profit	6,206	9,555	12,851	16,345
Margin (%)	65.8	66.4	67.0	67.1
Employee Cost	1,540	2,280	2,920	3,703
Other Expenses	424	5,621	955	1,214
EBITDA	902	1,654	2,446	3,485
YoY gr. (%)	501.7	83.5	47.9	42.5
Margin (%)	9.6	11.5	12.8	14.3
Depreciation and Amortization	1,357	1,802	2,206	2,696
EBIT	(455)	(148)	239	790
Margin (%)	(4.8)	(1.0)	1.2	3.2
Net Interest	680	896	1,092	1,056
Other Income	205	325	281	15
Profit Before Tax	(929)	(718)	(572)	(251)
Margin (%)	(9.8)	(5.0)	(3.0)	(1.0)
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(929)	(718)	(572)	(251)
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(929)	(718)	(572)	(251)
YoY gr. (%)	(44.1)	(22.7)	(20.4)	(56.1)
Margin (%)	(9.8)	(5.0)	(3.0)	(1.0)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(929)	(718)	(572)	(251)
YoY gr. (%)	(46.6)	(22.7)	(20.4)	(56.1)
Margin (%)	(9.8)	(5.0)	(3.0)	(1.0)
Other Comprehensive Income	(7)	(4)	-	-
Total Comprehensive Income	(936)	(722)	(572)	(251)
Equity Shares O/s (m)	493	495	495	495
EPS (Rs)	(1.9)	(1.5)	(1.2)	(0.5)

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	9,930	12,626
Tangibles	5,564	7,578	9,744	12,395
Intangibles	91	146	187	231
Net fixed assets	11,574	15,414	16,284	18,669
Tangibles	11,220	14,849	15,689	18,040
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	329
Trade receivables	92	115	184	167
Cash & Bank Balance	1,063	146	350	91
Other Current Assets	92	177	401	303
Total Assets	28,860	30,898	31,375	33,160
Equity				
Equity Share Capital	4,927	4,946	4,946	4,946
Other Equity	14,576	14,000	13,272	13,021
Total Network	19,503	18,946	18,217	17,966
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	256	298	376	458
Other non current liabilities	7	5	8	8
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,319	1,391	2,295	2,751
Other current liabilities	1,096	1,316	1,253	1,498
Total Equity & Liabilities	28,860	30,898	31,375	33,160

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	(929)	(718)	(572)	(251)
Add. Depreciation	1,357	1,802	2,206	2,696
Add. Interest	680	896	1,092	1,056
Less Financial Other Income	205	325	281	15
Add. Other	(206)	17	59	20
Op. profit before WC changes	901	1,996	2,786	3,521
Net Changes-WC	669	165	474	741
Direct tax	-	-	-	-
Net cash from Op. activities	1,570	2,161	3,260	4,262
Capital expenditures	(13,965)	(7,081)	(3,104)	(5,196)
Interest / Dividend Income	-	-	-	-
Others	(2,815)	2,473	1,013	477
Net Cash from Invt. activities	(16,779)	(4,608)	(2,091)	(4,719)
Issue of share cap. / premium	13,705	164	(157)	-
Debt changes	1,086	2,262	284	1,253
Dividend paid	-	-	-	-
Interest paid	(680)	(896)	(1,092)	(1,056)
Others	-	-	-	-
Net cash from Fin. activities	14,111	1,530	(964)	197
Net change in cash	(1,098)	(917)	205	(260)
Free Cash Flow	(12,395)	(4,920)	156	(933)

Source: Company Data, PL Research

Key Financial Metrics

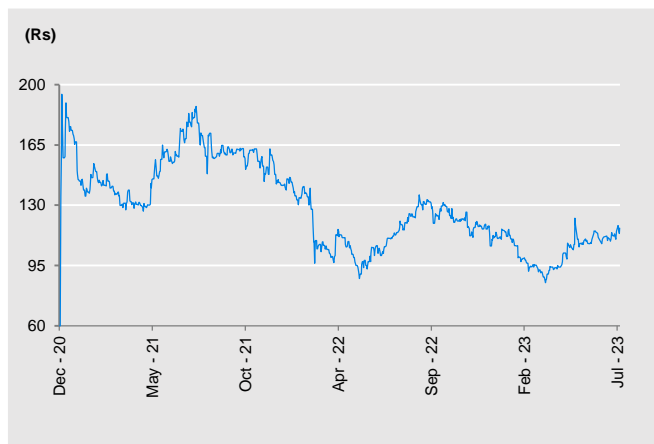
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	(1.9)	(1.5)	(1.2)	(0.5)
CEPS	0.9	2.2	3.3	4.9
BVPS	39.6	38.3	36.8	36.3
FCF	(25.2)	(9.9)	0.3	(1.9)
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(3.5)	(0.8)	1.3	4.4
ROIC	(1.9)	(0.5)	0.8	2.4
RoE	(7.1)	(3.7)	(3.1)	(1.4)
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.1)	0.0	0.0
Net Working Capital (Days)	(42)	(28)	(35)	(34)
Valuation(x)				
PER	(62.1)	(80.6)	(101.3)	(230.8)
P/B	3.0	3.1	3.2	3.2
P/CEPS	134.9	53.4	35.4	23.7
EV/EBITDA	58.3	34.0	23.4	16.6
EV/Sales	5.6	3.9	3.0	2.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	3,680	3,698	3,649	4,221
YoY gr. (%)	50.0	32.1	35.8	25.3
Raw Material Expenses	1,237	1,243	1,227	1,415
Gross Profit	2,443	2,454	2,422	2,806
Margin (%)	66.4	66.4	66.4	66.5
EBITDA	421	479	423	485
YoY gr. (%)	64.4	45.8	39.8	45.9
Margin (%)	11.4	12.9	11.6	11.5
Depreciation / Depletion	426	434	481	507
EBIT	(6)	45	(58)	(23)
Margin (%)	(0.2)	1.2	(1.6)	(0.5)
Net Interest	206	220	274	264
Other Income	79	63	86	65
Profit before Tax	(133)	(112)	(246)	(222)
Margin (%)	(3.6)	(3.0)	(6.7)	(5.2)
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after Tax	(133)	(112)	(246)	(222)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(133)	(112)	(246)	(222)
YoY gr. (%)	(34.4)	(26.0)	86.2	(2.6)
Margin (%)	(3.6)	(3.0)	(6.7)	(5.2)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(133)	(112)	(246)	(222)
YoY gr. (%)	(34.4)	(29.6)	86.2	(2.6)
Margin (%)	(3.6)	(3.0)	(6.7)	(5.2)
Other Comprehensive Income	2	(1)	1	-
Total Comprehensive Income	(130)	(113)	(245)	(222)
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	06-Jul-23	Accumulate	146	112
2	18-May-23	Accumulate	132	123
3	11-Apr-23	Accumulate	121	94
4	08-Feb-23	Accumulate	145	107
5	06-Jan-23	Accumulate	156	111
6	11-Nov-22	Accumulate	156	126
7	04-Oct-22	Accumulate	156	132
8	15-Sep-22	Accumulate	156	129
9	12-Aug-22	Accumulate	148	123

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	4,500	4,670
4	Colgate Palmolive	Hold	1,869	1,898
5	Dabur India	Accumulate	600	555
6	Emami	Accumulate	517	460
7	Hindustan Unilever	Hold	2,775	2,700
8	ITC	Accumulate	478	465
9	Jubilant FoodWorks	Hold	490	476
10	Kansai Nerolac Paints	Accumulate	351	327
11	Marico	Hold	581	574
12	Mold-tek Packaging	Hold	956	1,003
13	Nestle India	Accumulate	23,585	22,325
14	Pidilite Industries	Hold	2,664	2,649
15	Restaurant Brands Asia	Accumulate	146	112
16	Titan Company	Accumulate	3,240	2,977
17	Westlife Foodworld	Accumulate	932	898

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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