

October 26, 2023

Q2FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	844		958	
Sales (Rs.m)	25,544	30,011	26,303	31,486
% Chng.	(2.9)	(4.7)		
EBITDA (Rs.m)	4,216	5,156	4,573	5,672
% Chng.	(7.8)	(9.1)		
EPS (Rs.)	6.7	8.7	8.5	11.3
% Chng.	(20.8)	(23.3)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	22,782	25,544	30,011	35,675
EBITDA (Rs. m)	3,740	4,216	5,156	6,451
Margin (%)	16.4	16.5	17.2	18.1
PAT (Rs. m)	1,116	1,044	1,350	1,949
EPS (Rs.)	7.2	6.7	8.7	12.5
Gr. (%)	(6,796.8)	(6.4)	29.3	44.3
DPS (Rs.)	-	3.5	3.0	4.4
Yield (%)	-	0.4	0.3	0.5
RoE (%)	21.7	17.7	20.4	25.4
RoCE (%)	30.9	29.6	34.9	41.6
EV/Sales (x)	6.1	5.4	4.6	3.8
EV/EBITDA (x)	36.9	32.8	26.7	21.2
PE (x)	123.4	131.8	102.0	70.6
P/BV (x)	24.3	22.3	19.5	16.6

Key Data

WEST.BO | WESTLIFE IN

52-W High / Low	Rs.1,025 / Rs.639	
Sensex / Nifty	63,148 / 18,857	
Market Cap	Rs.138bn/ \$ 1,654m	
Shares Outstanding	156m	
3M Avg. Daily Value	Rs.168.03m	

Shareholding Pattern (%)

Promoter's	56.22
Foreign	10.44
Domestic Institution	23.66
Public & Others	9.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.7)	19.3	17.7
Relative	(6.8)	13.9	11.0

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Westlife Foodworld (WESTLIFE IN)

Rating: HOLD | CMP: Rs883 | TP: Rs844

Poor sentiment hits demand, LT drivers intact

Quick Pointers:

- SSG growth slows amidst poor sentiment and high base, 3Q outlook better, however significant uptick to take time
- WFL to add 40-42 stores in FY24 with target of total 580-630 stores by CY27.

We cut FY24/25 EPS estimates by 20.8/23.3% following disappointing SSG of 1% and 7.1% decline in PAT in 1H24. While a bit of slackness can be attributed to high base but the impact of poor consumer sentiment and high inflation has resulted in a shift of consumer preference to other eating out options, which has impacted WFL. While WFL does not any inflationary pressures, reversal in demand trends will take some time.

Long term growth drivers remain intact with focus on 1) Burger, chicken and Coffee combos and Mcsaver meals 2) 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 and 4) flexibility of format with relevance across Metros, Tier 1, Mid-tier towns and Highways. We estimate Sales/EPS CAGR of 16.1%/20.4% over FY23-26E., we expect back ended returns linked to improved consumer sentiment and demand recovery. Maintain 'Hold' with DCF based TP of Rs844 (Rs958 earlier).

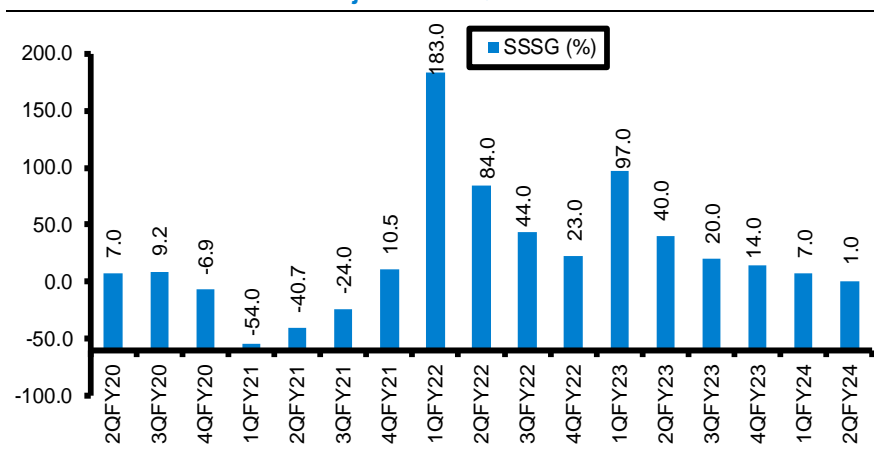
Revenue grew by 7.4% and SSSG at 1%: Revenues grew by 7.4% YoY to Rs6.1bn (PLe: Rs6.4bn) SSSG at 1% V/S 7% in 1Q Gross margins expanded by 464bps YoY to 70.1% (PLe: 70.5%) EBITDA grew by 2.4% YoY to Rs982mn (PLe: Rs1092mn); Margins contracted by 78bps YoY to 16% (PLe:17.0%) Adjusted PAT declined by 29.1% YoY to Rs224mn (PLe: Rs325mn). Added 9 stores in Q2 taking total store count to 370.

Concall Takeaways: 1) Demand remains tepid as eat out category/consumer spending remains under pressure, though Q3 outlook looks better given festive season 2) Market share improved across geographies 3) Rising RM price to have minimal effect on gross margin with right cost optimization techniques & price hikes (taken in earlier quarters). 4) 2Q24 saw 1% SSG growth led by weak consumer sentiments & high base of Q2FY23 5) Menu innovation as per occasion and geography to further fuel the growth 6) Shravan special menu saw good amount of traction and brought incremental footfalls to 7) Fried chicken is doing exceptionally well in south region with high customer recall. 8) Beverages and desserts are gaining traction led by menu innovation such as Oreo softies 9) All stores to be in EOTF format by 2027 except drive-through. 10) Westlife to add 40-45 stores in FY24, with no major closure & 580-630 store by 2027.11) Better mix & cost optimization techniques led to higher GM in Q2, similar trend is expected to continue in 2H 12) Digital sales are 67% of the total led by strong kiosk sales 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. 14) Store expansion to majorly come from south region followed by western markets 15) FY24 capex expected to be of Rs2bn-Rs2.5bn.

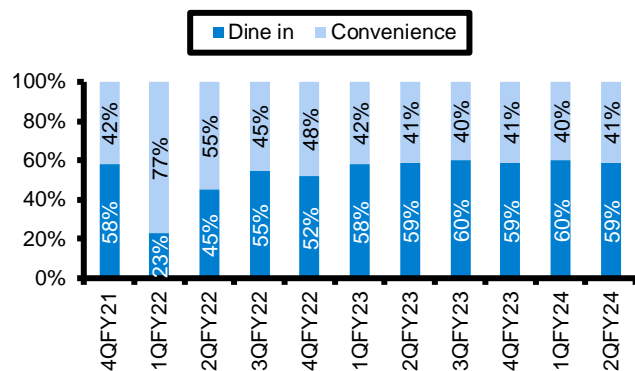
Exhibit 1: 2QFY24 Results - Net Sales up 7.4%, higher royalty impacts EBITDA Margins

Consolidated	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	H1FY24	H1FY23	YoY gr. (%)
Net Sales	6,147	5,724	7.4	6,145	12,293	11,104	10.7
Gross Profit	4,310	3,748	15.0	4,337	8,647	7,418	16.6
% of NS	70.1	65.5	4.6	70.6	70.3	66.8	3.5
Other Expenses	3,328	2,789	19.3	3,295	6,623	5,586	18.6
% of NS	54.1	48.7	5.4	53.6	53.9	50.3	3.6
EBITDA	982	959	2.4	1,042	2,024	1,832	10.5
Margins %	16.0	16.8	(0.8)	16.9	16.5	16.5	(0.0)
Depreciation	439	366	19.9	428	868	724	19.8
Interest	274	225	21.5	260	534	441	21.2
Other Income	33	52	(36.5)	53	86	70	22.5
PBT	302	419	(28.0)	406	708	737	(4.0)
Tax	78	104	(24.7)	118	196	186	5.3
Tax rate %	26.0	24.8		29.0	27.7	25.2	
Adjusted PAT	224	315	(29.1)	288	512	551	(7.1)

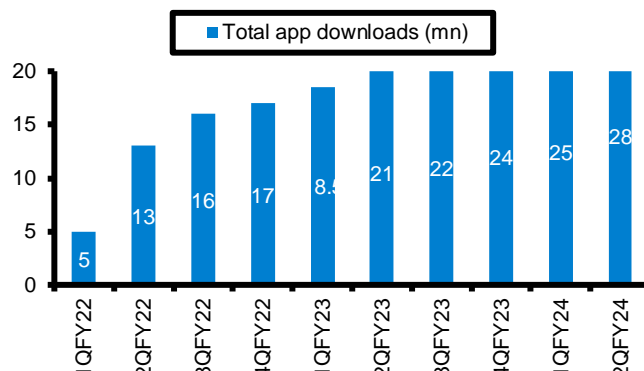
Source: Company Data, PL Research

Exhibit 2: SSSG nosedives to just 1% in Q2


Source: Company, PL

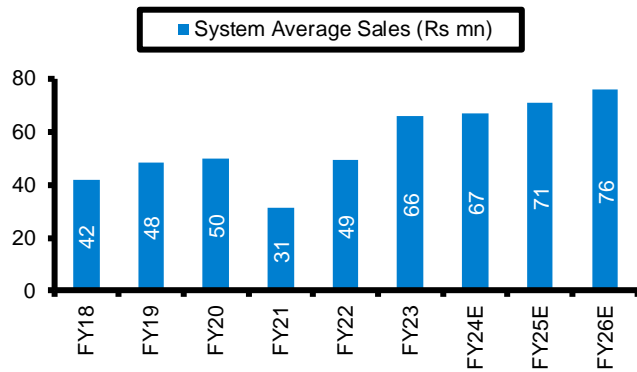
Exhibit 3: Off-premise sales stabilizing at ~40-42%


Source: Company, PL

Exhibit 4: Backed by increase in app installations


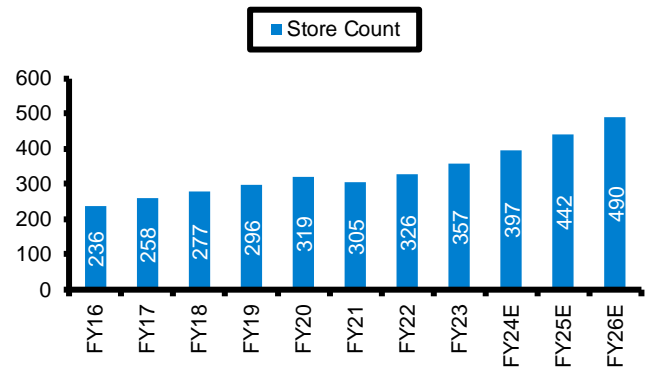
Source: Company, PL

Exhibit 5: System average sales CAGR 4.8% over FY23-26



Source: Company, PL

Exhibit 6: Expect 133 stores addition over FY23-26E



Source: Company, PL

Exhibit 7: Digital sales contribution inches up at ~67% of revenues in 2QFY24



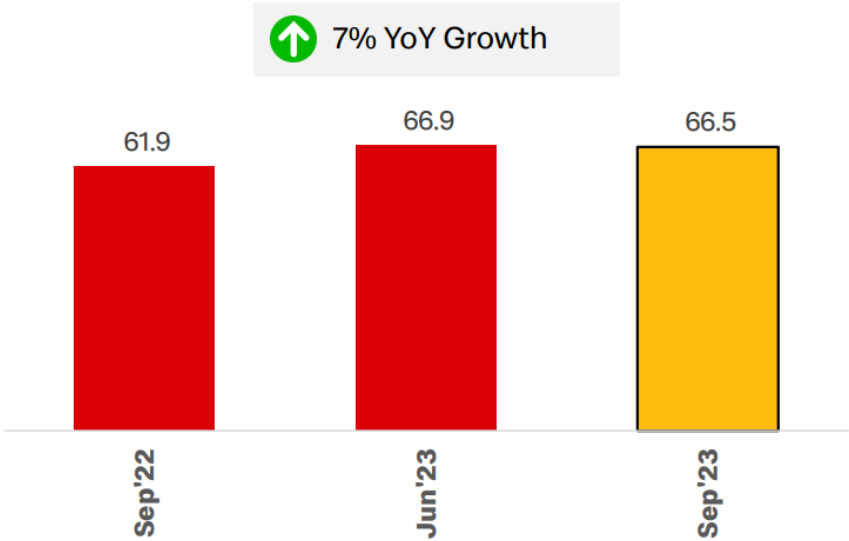
~67%
Digital-led Sales

+28 mn
Cumulative Apps Downloads

~14%
YoY growth in Monthly Active Users (MAU)

Source: Company, PL

Exhibit 8: Avg sales/store continues to inch up



Source: Company, PL

Exhibit 9: Innovative menu offerings – launches Oreo softies



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	22,782	25,544	30,011	35,675
YoY gr. (%)	44.6	12.1	17.5	18.9
Cost of Goods Sold	6,649	7,535	8,763	10,346
Gross Profit	16,133	18,008	21,248	25,329
Margin (%)	70.8	70.5	70.8	71.0
Employee Cost	3,106	3,468	4,029	4,685
Other Expenses	9,287	4,143	4,762	5,625
EBITDA	3,740	4,216	5,156	6,451
YoY gr. (%)	98.1	12.7	22.3	25.1
Margin (%)	16.4	16.5	17.2	18.1
Depreciation and Amortization	1,522	1,880	2,233	2,602
EBIT	2,219	2,336	2,923	3,850
Margin (%)	9.7	9.1	9.7	10.8
Net Interest	927	1,113	1,267	1,423
Other Income	203	198	181	225
Profit Before Tax	1,495	1,421	1,837	2,652
Margin (%)	6.6	5.6	6.1	7.4
Total Tax	379	376	487	703
Effective tax rate (%)	25.3	26.5	26.5	26.5
Profit after tax	1,116	1,044	1,350	1,949
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,116	1,044	1,350	1,949
YoY gr. (%)	(6,797.5)	(6.4)	29.3	44.3
Margin (%)	4.9	4.1	4.5	5.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,116	1,044	1,350	1,949
YoY gr. (%)	(6,797.5)	(6.4)	29.3	44.3
Margin (%)	4.9	4.1	4.5	5.5
Other Comprehensive Income	10	-	-	-
Total Comprehensive Income	1,125	1,044	1,350	1,949
Equity Shares O/s (m)	156	156	156	156
EPS (Rs)	7.2	6.7	8.7	12.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	22,633	27,161	32,145	37,307
Tangibles	21,337	25,789	30,698	35,785
Intangibles	1,297	1,372	1,447	1,522
Acc: Dep / Amortization	6,404	8,284	10,517	13,119
Tangibles	5,988	7,792	9,946	12,464
Intangibles	416	492	571	655
Net fixed assets	16,229	18,877	21,628	24,188
Tangibles	15,349	17,997	20,752	23,321
Intangibles	880	880	875	867
Capital Work In Progress	567	567	567	567
Goodwill	-	-	-	-
Non-Current Investments	534	623	684	774
Net Deferred tax assets	604	589	571	545
Other Non-Current Assets	453	488	525	565
Current Assets				
Investments	1,299	1,022	1,501	2,497
Inventories	714	785	912	1,049
Trade receivables	107	140	164	195
Cash & Bank Balance	284	229	(24)	(150)
Other Current Assets	142	110	110	110
Total Assets	20,989	23,488	26,701	30,406
Equity				
Equity Share Capital	312	312	312	312
Other Equity	5,347	5,854	6,731	7,998
Total Network	5,659	6,165	7,043	8,310
Non-Current Liabilities				
Long Term borrowings	2,070	1,870	1,670	1,470
Provisions	130	160	206	265
Other non current liabilities	10,289	12,217	14,391	16,553
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,841	3,076	3,391	3,808
Total Equity & Liabilities	20,989	23,488	26,701	30,406

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,495	1,421	1,837	2,652
Add. Depreciation	1,522	1,880	2,233	2,602
Add. Interest	927	1,113	1,267	1,423
Less Financial Other Income	203	198	181	225
Add. Other	3,141	3,234	3,264	3,291
Op. profit before WC changes	7,085	7,648	8,601	9,967
Net Changes-WC	203	75	101	159
Direct tax	(379)	(376)	(487)	(703)
Net cash from Op. activities	6,909	7,347	8,215	9,424
Capital expenditures	(4,340)	(4,527)	(4,985)	(5,161)
Interest / Dividend Income	-	-	-	-
Others	206	277	(479)	(997)
Net Cash from Invt. activities	(4,134)	(4,250)	(5,463)	(6,158)
Issue of share cap. / premium	(3,280)	(3,193)	(3,193)	(3,193)
Debt changes	60	(200)	(200)	(200)
Dividend paid	-	(538)	(473)	(682)
Interest paid	(927)	(1,113)	(1,267)	(1,423)
Others	1,424	1,893	2,127	2,106
Net cash from Fin. activities	(2,723)	(3,152)	(3,005)	(3,392)
Net change in cash	52	(55)	(253)	(126)
Free Cash Flow	2,569	2,820	3,231	4,262

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	7.2	6.7	8.7	12.5
CEPS	16.9	18.8	23.0	29.2
BVPS	36.3	39.5	45.2	53.3
FCF	16.5	18.1	20.7	27.3
DPS	-	3.5	3.0	4.4
Return Ratio(%)				
RoCE	30.9	29.6	34.9	41.6
ROIC	11.4	10.5	11.6	13.7
RoE	21.7	17.7	20.4	25.4
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.0	(0.1)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	123.4	131.8	102.0	70.6
P/B	24.3	22.3	19.5	16.6
P/CEPS	52.2	47.1	38.4	30.3
EV/EBITDA	36.9	32.8	26.7	21.2
EV/Sales	6.1	5.4	4.6	3.8
Dividend Yield (%)	-	0.4	0.3	0.5

Source: Company Data, PL Research

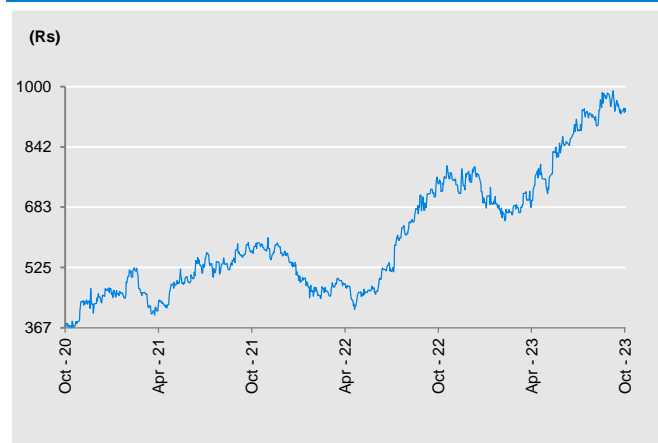
Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	6,115	5,564	6,145	6,147
YoY gr. (%)	28.2	22.3	14.2	7.4
Raw Material Expenses	1,824	1,562	1,808	1,837
Gross Profit	4,290	4,002	4,337	4,310
Margin (%)	70.2	71.9	70.6	70.1
EBITDA	1,022	887	1,042	982
YoY gr. (%)	28.8	40.9	19.4	2.4
Margin (%)	16.7	15.9	16.9	16.0
Depreciation / Depletion	386	412	428	439
EBIT	636	475	613	543
Margin (%)	10.4	8.5	10.0	8.8
Net Interest	234	253	260	274
Other Income	78	56	53	33
Profit before Tax	480	277	406	302
Margin (%)	7.9	5.0	6.6	4.9
Total Tax	116	76	118	78
Effective tax rate (%)	24.2	27.5	29.0	26.0
Profit after Tax	364	201	288	224
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	364	201	288	224
YoY gr. (%)	74.7	31.2	22.3	(29.1)
Margin (%)	5.9	3.6	4.7	3.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	364	201	288	224
YoY gr. (%)	74.7	31.2	22.3	(29.1)
Margin (%)	5.9	3.6	4.7	3.6
Other Comprehensive Income	7	2	2	(4)
Total Comprehensive Income	370	203	291	219
Avg. Shares O/s (m)	18	18	18	18
EPS (Rs)	20.2	11.2	16.0	12.4

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	Hold	958	955
2	05-Oct-23	Hold	958	958
3	27-Jul-23	Accumulate	932	898
4	06-Jul-23	Accumulate	800	864
5	09-May-23	Accumulate	800	768
6	11-Apr-23	BUY	806	728
7	16-Feb-23	BUY	852	681
8	31-Jan-23	BUY	852	735
9	06-Jan-23	BUY	854	769
10	01-Dec-22	BUY	847	719

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,571	3,196
2	Avenue Supermarts	BUY	4,724	3,920
3	Britannia Industries	Hold	4,612	4,538
4	Colgate Palmolive	Hold	1,869	1,993
5	Dabur India	Accumulate	597	547
6	Emami	Accumulate	524	527
7	Hindustan Unilever	Hold	2,786	2,548
8	ITC	Accumulate	492	450
9	Jubilant FoodWorks	Hold	505	529
10	Kansai Nerolac Paints	Accumulate	351	324
11	Marico	Hold	581	537
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	956	892
14	Nestle India	Accumulate	25,471	24,245
15	Pidilite Industries	Hold	2,610	2,454
16	Restaurant Brands Asia	Accumulate	142	125
17	Titan Company	Accumulate	3,312	3,310
18	Westlife Foodworld	Hold	958	955

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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