

May 8, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	815		820	
Sales (Rs. m)	27,236	32,240	27,857	32,975
% Chng.	(2.2)	(2.2)		
EBITDA (Rs. m)	4,395	5,548	4,606	5,803
% Chng.	(4.6)	(4.4)		
EPS (Rs.)	5.9	8.9	6.3	9.7
% Chng.	(7.4)	(7.9)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	22,775	23,909	27,236	32,240
EBITDA (Rs. m)	3,734	3,684	4,395	5,548
Margin (%)	16.4	15.4	16.1	17.2
PAT (Rs. m)	1,110	692	916	1,392
EPS (Rs.)	7.1	4.4	5.9	8.9
Gr. (%)	(6,759.0)	(37.6)	32.4	51.9
DPS (Rs.)	-	3.4	2.1	3.1
Yield (%)	-	0.4	0.2	0.4
RoE (%)	21.6	12.0	14.9	20.3
RoCE (%)	30.8	23.3	27.6	35.1
EV/Sales (x)	6.0	5.7	5.0	4.2
EV/EBITDA (x)	36.5	37.1	31.1	24.5
PE (x)	122.3	196.0	148.1	97.4
P/BV (x)	24.0	23.1	21.2	18.6

Key Data

WEST.BO | WESTLIFE IN

52-W High / Low	Rs.1,025 / Rs.701
Sensex / Nifty	73,466 / 22,303
Market Cap	Rs.136bn/ \$ 1,624m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.159.08m

Shareholding Pattern (%)

Promoter's	56.28
Foreign	11.60
Domestic Institution	23.01
Public & Others	9.11
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.9	6.8	9.3
Relative	7.7	(5.5)	(8.1)

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Westlife Foodworld (WESTLIFE IN)

Rating: HOLD | CMP: Rs870 | TP: Rs815

Not out of woods yet

Quick Pointers:

- SSG declined by 5% amidst poor sentiment in 4Q, expect slow recovery with normalization only after 2HFY25
- WFL to add 40-45 stores in FY25 with target of total 580-630 stores by CY27

We cut FY25/26 EPS estimates by 7.4%/7.9% following decline of 5% in SSG, miss on margins and benign growth outlook in 1H25. Sales were impacted by sustained poor sentiments in some geographies (70-80 stores) led by external issues (Geopolitical/cheese issues), situation is improving but at a slower rate. We expect WFL to return to positive SSG by fag end of 2Q/3Q only, which along with higher overheads on new stores and accelerated store openings will affect margins and profitability in 1H25. WFL does not have any inflationary pressures, however reversal in demand trends are a key monitorable in near term.

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 FY25) 2) menu innovations in café & value burgers with limited edition launches and offers from time to time 3) increased traction in fried chicken and 4) flexibility of format with relevance across Metros, Tier 1, Mid-tier towns and Highways. We estimate EPS CAGR of 42.2% over FY24-26E. We assign DCF based target price of Rs815 (Rs820 earlier) Retain 'Hold'.

Revenue up 1.1%, SSSG at -5%: Revenues grew by 1.1% YoY to Rs5.6bn (PLe: Rs5.6bn) SSSG at -5%. Gross margins contracted by 176bps YoY to 70.2% (PLe: 71.1%). EBITDA declined by 15.5% YoY to Rs749mn (PLe: Rs796mn); Margins contracted by 261bps YoY to 13.3% (PLe:14.1%). Adjusted PAT declined 96.2% YoY to Rs8mn (PLe: Rs73mn). Total store count reached to 397 in Q4FY24

Concall Takeaways: 1) WDL SSG declined by 5% led by tepid demand with external issues still impacting the footfalls in 70-80 stores 2) Demand is expected to remain soft for 1H25 as external issues still remain around, however sequential improvement is being observed in affected stores 3) RM prices are expected to remain stable with no major inflation issue 4) Gross margin is expected to remain stable with improving terms with vendors 5) Delivery & drive thrus continue to outperform dine-in 6) On-premise declined by 2% led by lower footfalls however off-premise grew 8% YoY 7) higher store openings & rise in marketing spends dragged margins in Q4 8) Value menu continue to see traction with its share increasing. WFL plans to give offers and discount on mc veggie and mc chicken in 1Q25 9) As of now no price hikes are expected but WFL usually takes hike of 3%-5% every year. 10) WFL to add 40-45 stores in FY25 with 30-35% incremental stores as drive thrus (earlier 25%-27%) 11) Menu innovation with focus on café will further drive growth 12) Digital sales grew 15% YoY, now contributing 70% to overall business 13) FY25 capex expected to be of Rs2bn-Rs2.5bn.

Exhibit 1: 3QFY24 Results - Net Sales up by 1.1%, EBITDA Margins fell ~260bps to 13.3% YoY

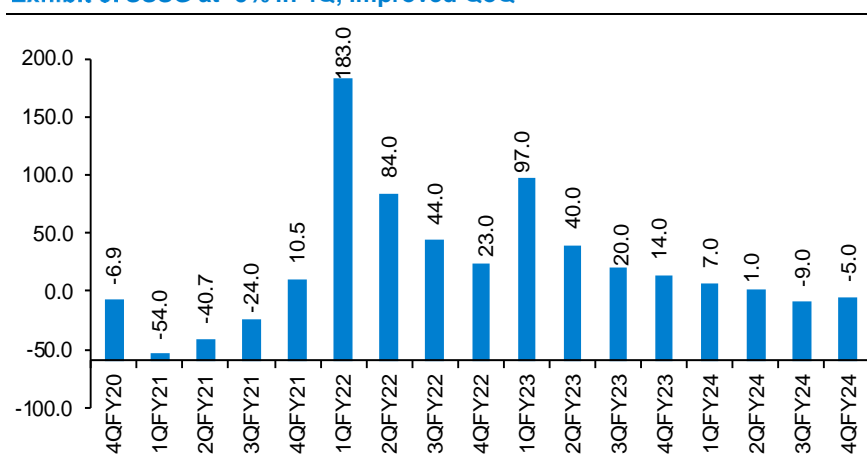
Consolidated (Post Ind AS)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	FY24	FY23	YoY gr. (%)
Net Sales	5,623	5,564	1.1	6,003	23,918	22,782	5.0
Gross Profit	3,945	4,002	(1.4)	4,219	17,234	15,886	8.5
% of NS	70.2	71.9	(1.8)	70.3	72.1	69.7	2.3
Other Expenses	3,196	3,115	2.6	3,299	13,541	12,146	11.5
% of NS	56.8	56.0	0.9	55.0	56.6	53.3	3.3
EBITDA	749.2	886.7	(15.5)	920.1	3,693.1	3,740.5	(1.3)
Margins %	13.3	15.9	(2.6)	15.3	15.4	16.4	(1.0)
Depreciation	499	412	21.2	455	1,822	1,522	19.7
Interest	282	253	11.4	281	1,097	927	18.3
Other Income	52	56	(7.2)	47	185	203	(9.2)
PBT	20	277	(93.0)	231	958	1,495	(35.9)
Tax	11.9	76.4	(84.4)	58.5	266.3	378.7	(29.7)
Tax rate %	60.9	27.5		25.3	27.8	25.3	
Adjusted PAT	8	201	-96	172	692	1,116	-38

Source: Company Data, PL Research

Exhibit 2: Avg sales/growth degrew by 9% YoY with Pre Inds AS margin at 8.7%

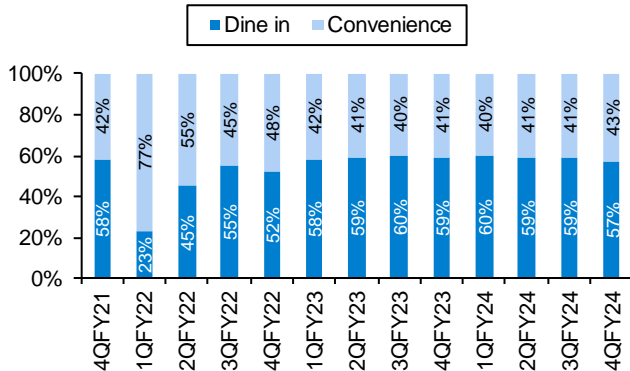
Particulars	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
No. of stores	337	341	357	361	370	380	397
Store Additions	6	4	16	4	9	10	17
System Avg. sales/store	17.1	18.0	15.9	17.1	16.8	16.0	14.5
Growth	38%	20%	14%	5%	-2%	-11%	-9%
Pre IndAS EBITDA	764	877	669	793	732	685	487
Growth				51%	-19%	-10%	-44%
Pre IndAS EBITDA margin%	13.4%	14.3%	12.0%	12.9%	11.9%	11.4%	8.7%
McCafe SIS	274	288	311	315	327	343	360
% Of total stores	81%	84%	87%	87%	88%	90%	91%

Source: Company, PL

Exhibit 3: SSSG at -5% in 4Q, improved QoQ


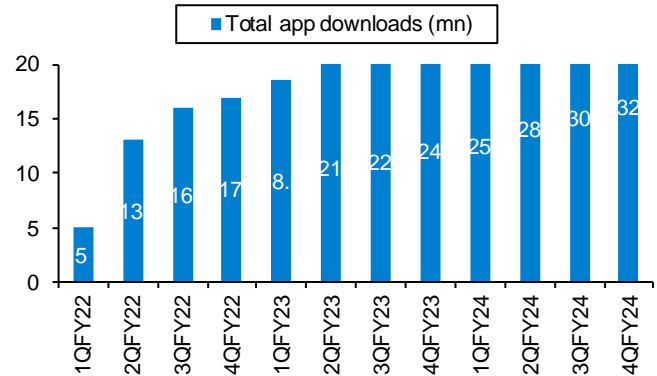
Source: Company, PL

Exhibit 4: Off-premise sales stabilizing at ~40-42%



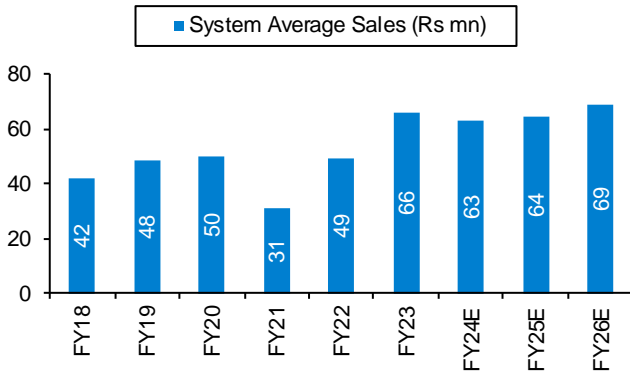
Source: Company, PL

Exhibit 5: Backed by increase in app installations



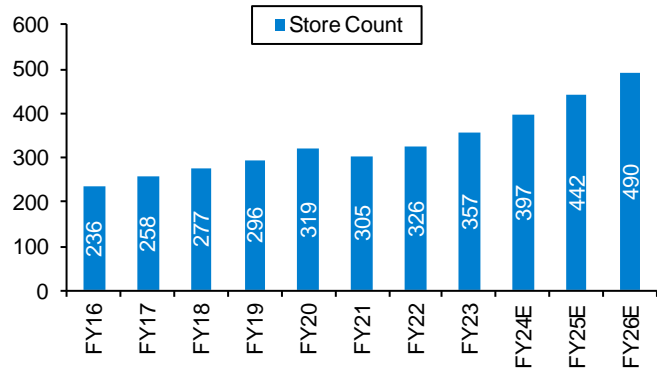
Source: Company, PL

Exhibit 6: System average sales CAGR 2% over FY23-26



Source: Company, PL

Exhibit 7: Expect 133 stores addition over FY23-26E



Source: Company, PL

Exhibit 8: Innovative menu offerings

Menu Initiatives



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	22,775	23,909	27,236	32,240
YoY gr. (%)	44.5	5.0	13.9	18.4
Cost of Goods Sold	6,649	7,107	7,953	9,269
Gross Profit	16,127	16,802	19,283	22,971
Margin (%)	70.8	70.3	70.8	71.3
Employee Cost	3,106	3,285	3,965	4,611
Other Expenses	9,287	4,053	4,254	5,000
EBITDA	3,734	3,684	4,395	5,548
YoY gr. (%)	97.8	(1.3)	19.3	26.2
Margin (%)	16.4	15.4	16.1	17.2
Depreciation and Amortization	1,522	1,822	2,066	2,406
EBIT	2,212	1,862	2,329	3,141
Margin (%)	9.7	7.8	8.6	9.7
Net Interest	927	1,097	1,255	1,415
Other Income	203	194	173	168
Profit Before Tax	1,488	958	1,247	1,894
Margin (%)	6.5	4.0	4.6	5.9
Total Tax	379	266	330	502
Effective tax rate (%)	25.4	27.8	26.5	26.5
Profit after tax	1,110	692	916	1,392
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,110	692	916	1,392
YoY gr. (%)	(6,759.7)	(37.6)	32.4	51.9
Margin (%)	4.9	2.9	3.4	4.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,110	692	916	1,392
YoY gr. (%)	(6,759.7)	(37.6)	32.4	51.9
Margin (%)	4.9	2.9	3.4	4.3
Other Comprehensive Income	10	(7)	-	-
Total Comprehensive Income	1,119	685	916	1,392
Equity Shares O/s (m)	156	156	156	156
EPS (Rs)	7.1	4.4	5.9	8.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	22,167	26,350	31,334	36,496
Tangibles	21,337	25,489	30,399	35,485
Intangibles	831	860	935	1,010
Acc: Dep / Amortization	6,404	8,646	10,711	13,118
Tangibles	5,988	8,182	10,197	12,547
Intangibles	416	463	515	570
Net fixed assets	15,763	17,704	20,623	23,378
Tangibles	15,349	17,307	20,202	22,938
Intangibles	414	397	420	440
Capital Work In Progress	567	447	447	447
Goodwill	466	466	466	466
Non-Current Investments	81	6	684	774
Net Deferred tax assets	604	708	695	676
Other Non-Current Assets	453	424	525	565
Current Assets				
Investments	1,299	1,380	681	967
Inventories	714	632	828	940
Trade receivables	107	173	149	177
Cash & Bank Balance	284	141	499	528
Other Current Assets	142	157	110	110
Total Assets	20,989	22,858	25,770	29,094
Equity				
Equity Share Capital	312	312	312	312
Other Equity	5,347	5,571	6,091	6,996
Total Network	5,659	5,883	6,403	7,308
Non-Current Liabilities				
Long Term borrowings	2,070	2,390	2,190	1,990
Provisions	130	99	196	252
Other non current liabilities	10,289	11,553	13,805	16,016
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,841	2,933	3,176	3,528
Total Equity & Liabilities	20,989	22,858	25,770	29,094

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,495	958	1,247	1,894
Add. Depreciation	1,522	1,822	2,066	2,406
Add. Interest	927	1,097	1,255	1,415
Less Financial Other Income	203	194	173	168
Add. Other	2,688	2,959	3,836	3,276
Op. profit before WC changes	6,632	6,837	8,403	8,992
Net Changes-WC	656	168	(560)	123
Direct tax	(379)	(266)	(330)	(502)
Net cash from Op. activities	6,909	6,738	7,513	8,613
Capital expenditures	(3,874)	(3,643)	(4,985)	(5,161)
Interest / Dividend Income	-	-	-	-
Others	206	(82)	699	(286)
Net Cash from Invt. activities	(3,668)	(3,725)	(4,285)	(5,448)
Issue of share cap. / premium	(3,280)	(3,118)	(3,268)	(3,193)
Debt changes	60	320	(200)	(200)
Dividend paid	-	(536)	(321)	(487)
Interest paid	(927)	(1,097)	(1,255)	(1,415)
Others	958	1,275	2,174	2,159
Net cash from Fin. activities	(3,189)	(3,156)	(2,870)	(3,136)
Net change in cash	52	(143)	358	29
Free Cash Flow	3,035	3,095	2,528	3,451

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	7.1	4.4	5.9	8.9
CEPS	16.9	16.1	19.1	24.4
BVPS	36.3	37.7	41.1	46.9
FCF	19.5	19.8	16.2	22.1
DPS	-	3.4	2.1	3.1
Return Ratio(%)				
RoCE	30.8	23.3	27.6	35.1
ROIC	11.4	8.7	9.5	11.4
RoE	21.6	12.0	14.9	20.3
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.2	0.1
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	122.3	196.0	148.1	97.4
P/B	24.0	23.1	21.2	18.6
P/CEPS	51.6	54.0	45.5	35.7
EV/EBITDA	36.5	37.1	31.1	24.5
EV/Sales	6.0	5.7	5.0	4.2
Dividend Yield (%)	-	0.4	0.2	0.4

Source: Company Data, PL Research

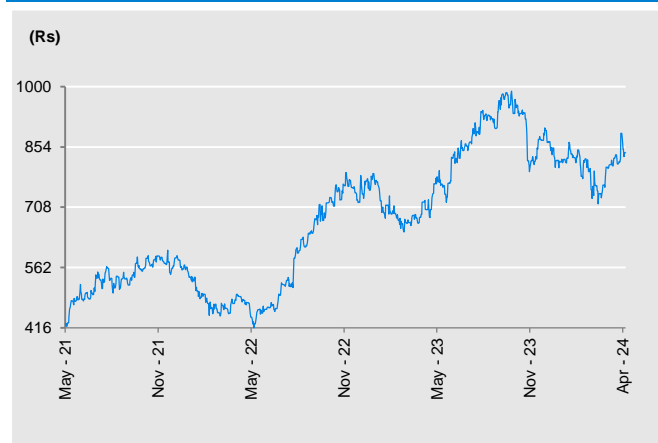
Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	6,145	6,147	6,003	5,623
YoY gr. (%)	14.2	7.4	(1.8)	1.1
Raw Material Expenses	1,808	1,837	1,784	1,678
Gross Profit	4,337	4,310	4,219	3,945
Margin (%)	70.6	70.1	70.3	70.2
EBITDA	1,042	982	920	749
YoY gr. (%)	19.4	2.4	(10.0)	(15.5)
Margin (%)	16.9	16.0	15.3	13.3
Depreciation / Depletion	428	439	455	499
EBIT	613	543	465	250
Margin (%)	10.0	8.8	7.7	4.4
Net Interest	260	274	281	282
Other Income	53	33	47	52
Profit before Tax	406	302	231	20
Margin (%)	6.6	4.9	3.8	0.3
Total Tax	118	78	59	12
Effective tax rate (%)	29.0	26.0	25.3	60.9
Profit after Tax	288	224	172	8
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	288	224	172	8
YoY gr. (%)	22.3	(29.1)	(52.6)	(96.2)
Margin (%)	4.7	3.6	2.9	0.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	288	224	172	8
YoY gr. (%)	22.3	(29.1)	(52.6)	(96.2)
Margin (%)	4.7	3.6	2.9	0.1
Other Comprehensive Income	2	(4)	-	(4)
Total Comprehensive Income	291	219	172	3
Avg. Shares O/s (m)	18	18	18	18
EPS (Rs)	16.0	12.4	9.6	0.4

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	Hold	820	814
2	02-Feb-24	Hold	825	847
3	08-Jan-24	Hold	839	828
4	26-Oct-23	Hold	844	883
5	07-Oct-23	Hold	958	955
6	05-Oct-23	Hold	958	958
7	27-Jul-23	Accumulate	932	898
8	06-Jul-23	Accumulate	800	864
9	09-May-23	Accumulate	800	768

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,698	2,857
2	Avenue Supermarts	BUY	5,031	4,612
3	Britannia Industries	Hold	5,315	5,062
4	Colgate Palmolive	Reduce	2,174	2,622
5	Dabur India	Accumulate	563	525
6	Emami	Accumulate	496	457
7	Hindustan Unilever	Accumulate	2,543	2,260
8	ITC	Accumulate	488	426
9	Jubilant FoodWorks	Hold	507	448
10	Kansai Nerolac Paints	Reduce	273	284
11	Marico	Accumulate	588	530
12	Metro Brands	Hold	1,063	1,038
13	Mold-tek Packaging	Hold	891	871
14	Nestle India	Accumulate	2,695	2,563
15	Pidilite Industries	Accumulate	2,764	3,019
16	Restaurant Brands Asia	Accumulate	137	101
17	Titan Company	Accumulate	3,767	3,534
18	Westlife Foodworld	Hold	820	814

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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