

We upgrade Westlife to BUY (from Add), as it offers an improving growth/margin trajectory at an attractive entry point. Q3 EBITDA came at a marginal 4-5% miss on higher marketing spends, but strong initiatives toward enhancing its Value (meals), Chicken (South), and Café offerings should drive better growth/margins here-on. The company's strategy is seeing initial signs of success, as Q3 SSG of ~3% was a mix of strong traction across specific regions and a lull across the rest, where it is taking corrective actions. Despite a muted FY24/25, the company upheld its 5-Y Vision 2027 which implies topline CAGR of 17-22%, along with annual margin gain of 150-200bps over FY25-28. Given historical precedents of strong turnarounds, we currently factor in the lower end of the outlook (35% EBITDA CAGR) and upgrade to BUY. We make no material earnings revision, and maintain TP at Rs875 (33x Dec-26 EBITDA).

#### Westlife Foodworld: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	22,775	23,918	25,197	29,069	34,233
EBITDA	3,815	3,757	3,432	4,677	6,021
Adj. PAT	1,116	692	148	843	1,593
Adj. EPS (Rs)	7.2	4.4	0.9	5.4	10.2
EBITDA margin (%)	16.7	15.7	13.6	16.1	17.6
EBITDA growth (%)	93.1	(1.5)	(8.6)	36.3	28.7
Adj. EPS growth (%)	0.0	(38.0)	(78.6)	469.4	88.9
RoE (%)	21.7	12.0	2.5	13.5	22.9
RoIC (%)	36.7	25.6	19.4	30.7	44.0
P/E (x)	100.3	161.8	756.0	132.8	70.3
EV/EBITDA (x)	29.5	30.0	32.9	24.1	18.5
P/B (x)	19.8	19.0	18.8	17.3	15.1
FCFF yield (%)	0.8	1.1	1.3	1.9	2.7

Source: Company, Emkay Research

**SSG turnaround on expected lines; growth trajectory to improve further:** WESTLIFE saw topline growth revival to 9% in Q3 (vs flat growth in H1) – in line with our estimate. Growth was largely led by ~3% SSG, with the rest via network expansion (10.5%). Among channels, 'On-premise' recovered with 9% growth (vs 3% drop in Q2) and growth for 'Off-premise' channel improved to 9% (vs 6% in Q2). Westlife added 13 net stores in Q3 (vs 5-6 stores in Q1/Q2), and expansion pace is expected to further accelerate in Q4, as FY25 guidance to add 45-50 stores was maintained (vs 24 additions in 9MFY25). McCafé's/EOTF penetration improved to 95%/81% of its network at Q3-end vs 90%/72% YoY. Despite inflationary trends, gross margin dipped by only 20bps to 70.1%, helped by a 50bps price hike at the portfolio level and smart management of check size. However, higher marketing spends (#ShordaarCrunch campaign) and lower fixed-cost absorption more than offset the 40bps royalty (yearly incentive) and caused a ~230bps dip in EBITDA margin to 9.1%.

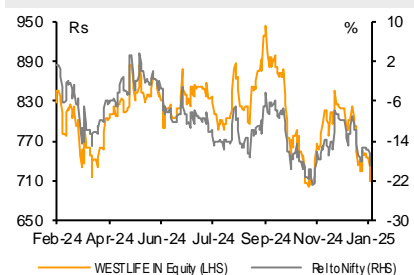
**Earnings-call KTAs:** 1) Focus on digital-led sales (SOK/App mix at over 70% vs ~55% pre-Covid) is aiding better understanding/reaching-out to customers which should drive higher throughputs via increase in frequency/cross-/up-selling, and improve business predictability. 2) Westlife is focused on delivering a strong value proposition across price points, along with best-in-class quality and superior omni-channel experience. 3) IEO consumption trends are muted, but the branded fast-food industry has seen better trends, supported by value-push. Trends during festive (Dec-end) were not too encouraging, but have revived in Jan-25. Encouragingly, there is a growth divergence across regions, and Westlife is taking corrective actions to revive growth in the impacted regions. 4) Westlife has taken multiple initiatives toward strengthening its value platform, with launch of *McSaver* combos at Rs69 and launched big-bang campaigns for affordable *McCrispy* premium offering. For the South (~160 stores), it has improved its chicken platform with strong presence across bone-in (Fried/Crispy/Wings), burger (*McCrispy*), and sides (Nuggets) which gives an incremental consumption occasion. Café is also seeing increase in trials and frequency, and remains a strong medium-term growth driver. 5) ADS contribution of the chicken portfolio is largely stable, while salience of Café is increasing. 6) Westlife expects annual price hike of 2-4% to return ahead. 8) Growth in own app is not lagging the overall growth in the off-premise business. 9) Westlife has retained its Vision 2027, to deliver 18-20% EBITDA margin, and targets improving margins sequentially hereon. 10) Royalty dip in Q3 (3.6% vs 5.6% in Q2) was due to annual reconciliation of expansion-linked incentives from *McDonald's*.

Target Price – 12M	Dec-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	ADD
Upside/(Downside) (%)	21.9
CMP (29-Jan-25) (Rs)	718.0

Stock Data	Ticker
52-week High (Rs)	960
52-week Low (Rs)	674
Shares outstanding (mn)	155.9
Market-cap (Rs bn)	112
Market-cap (US\$ mn)	1,294
Net-debt, FY25E (Rs mn)	796
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	150.9
ADTV-3M (US\$ mn)	1.7
Free float (%)	43.0
Nifty-50	23,163
INR/US\$	86.6
<b>Shareholding, Dec-24</b>	
Promoters (%)	56.3
FPIs/MFs (%)	13.9/21.2

Price Performance			
(%)	1M	3M	12M
Absolute	(12.4)	(4.5)	(11.9)
Rel. to Nifty	(10.0)	0.9	(17.3)

#### 1-Year share price trend (Rs)



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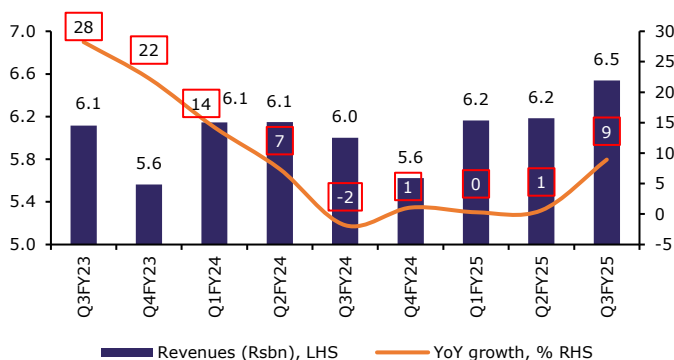
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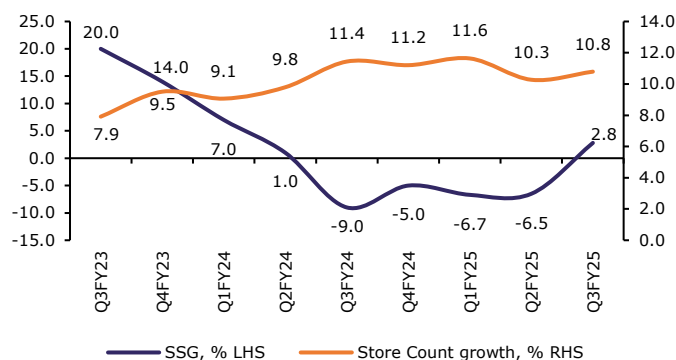
## Story in Charts

**Exhibit 1: Topline up 9%, in line with street/our estimates**



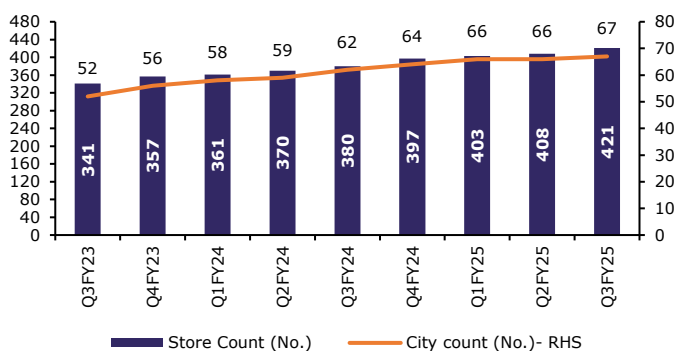
Source: Company, Emkay Research

**Exhibit 2: SSG improved to 2.8% (vs -6.5% in Q2), helped by growth in the number of transactions, as ticket-size was stable**



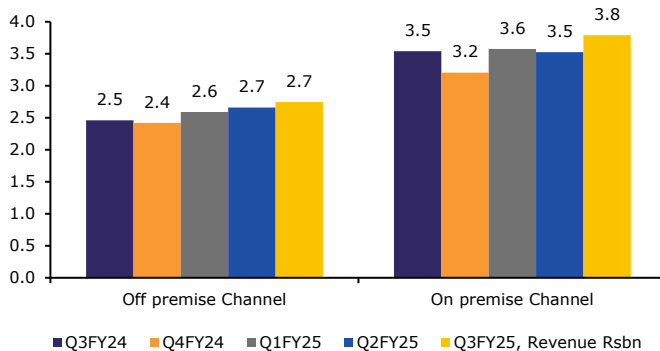
Source: Company, Emkay Research

**Exhibit 3: WLDL added 13/24 stores in Q3/9MFY25, taking the total to 421 stores; guidance to add 45-50 stores in FY25 intact**



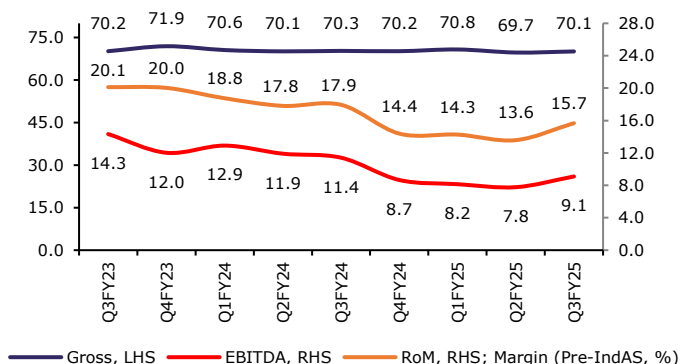
Source: Company, Emkay Research

**Exhibit 4: Both On-premise and Off-premise channels witnessed a 9% growth in Q3**



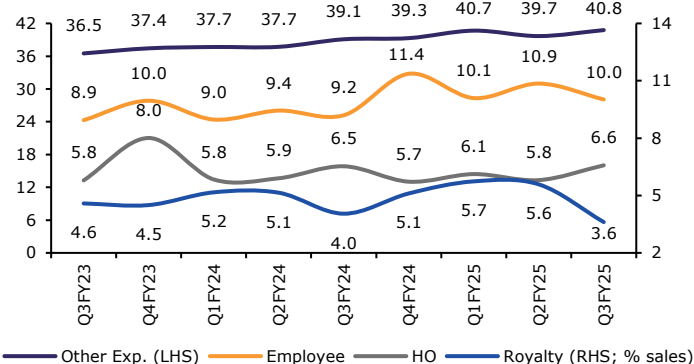
Source: Company, Emkay Research

**Exhibit 5: Despite inflationary trends, gross margin improved QoQ, helped by a 50bps price hike; negative leverage and higher marketing impacted EBITDA margin**

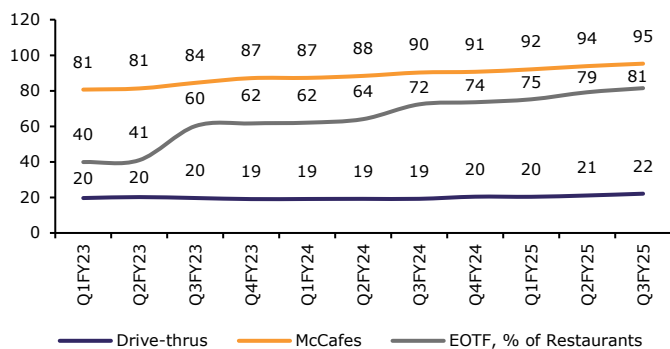


Source: Company, Emkay Research; \*Pre IndAS-116 EBITDA

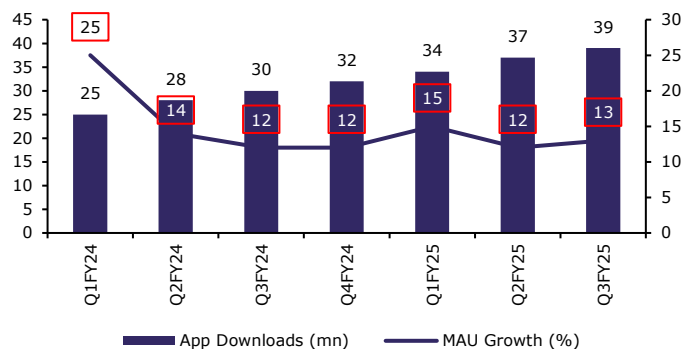
**Exhibit 6: Employee/other expenses up 80/170bps, on negative leverage and higher marketing; royalty cost lower due to annual incentives; HO cost stable**



Source: Company, Emkay Research

**Exhibit 7: Mix of Drive-thrus/McCafé outlets/EOTF stores remains on an improving trend**

Source: Company, Emkay Research

**Exhibit 8: App downloads up 30% YoY, MAU growth at 13%; own App growth is in line with the off-premise growth**

Source: Company, Emkay Research

**Exhibit 9: Westlife has taken multiple initiatives toward strengthening its value platform, with launch of entry-level *McSavers* combos at Rs69 and big-bang campaigns for its affordable *McCrispy* premium offering**

Source: Company, Emkay Research

**Exhibit 10: Actual vs Estimates (Q3FY25)**

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	6,539	6,602	6,572	-1.0%	-0.5%	Revenue growth was in line with estimates
EBITDA*	916	973	958	-5.8%	-4.4%	EBITDA miss was due to higher marketing
EBITDA margin*	14.0%	14.7%	14.6%	-73bps	-58bps	
PAT	70	125	143	-43.9%	-50.9%	PAT miss was due to lower EBITDA

Source: Company, Emkay Research; \*Post IndAS-116 EBITDA

## Exhibit 11: Summary of quarterly results

Y/E, Mar (Rs mn)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	YoY (%)	QoQ (%)	FY24TD	FY25TD	YoY (%)
<b>Revenue</b>	<b>6,003</b>	<b>5,623</b>	<b>6,164</b>	<b>6,185</b>	<b>6,539</b>	<b>8.9</b>	<b>5.7</b>	<b>18,295</b>	<b>18,888</b>	<b>3.2</b>
<b>Expenditure</b>	<b>5,042</b>	<b>4,852</b>	<b>5,364</b>	<b>5,394</b>	<b>5,623</b>	<b>11.5</b>	<b>4.3</b>	<b>15,286</b>	<b>16,381</b>	<b>7.2</b>
Consumption of RM	1,784	1,678	1,801	1,874	1,956	9.7	4.4	5,430	5,631	3.7
as % of sales	29.7%	29.8%	29.2%	30.3%	29.9%			29.7%	29.8%	
Employee Cost-Store	552	639	622	671	655	18.7	-2.4	1,684	1,949	15.7
as % of sales	9.2%	11.4%	10.1%	10.9%	10.0%			9.2%	10.3%	
Royalty	243	287	354	345	236	-2.9	-31.7	877	935	6.6
as % of sales	4.0%	5.1%	5.7%	5.6%	3.6%			4.8%	5.0%	
Other expenditure	2,072	1,927	2,210	2,144	2,346	13.2	9.4	6,182	6,700	8.4
as % of sales	34.5%	34.3%	35.9%	34.7%	35.9%			33.8%	35.5%	
HO Costs	392	322	377	359	430	9.8	19.8	1,114	1,166	4.7
as % of sales	6.5%	5.7%	6.1%	5.8%	6.6%			6.1%	6.2%	
<b>EBITDA</b>	<b>960</b>	<b>771</b>	<b>800</b>	<b>791</b>	<b>916</b>	<b>-4.6</b>	<b>15.8</b>	<b>3,010</b>	<b>2,506</b>	<b>-16.7</b>
Depreciation	455	499	494	502	517	13.6	2.9	1,323	1,513	14.3
<b>EBIT</b>	<b>505</b>	<b>271</b>	<b>306</b>	<b>289</b>	<b>399</b>	<b>-21.0</b>	<b>38.2</b>	<b>1,687</b>	<b>994</b>	<b>-41.1</b>
Other Income	44	35	51	60	27			128	138	8.2
Interest	282	283	299	316	330	16.9	4.3	816	944	15.7
<b>PBT</b>	<b>267</b>	<b>23</b>	<b>58</b>	<b>33</b>	<b>97</b>	<b>-63.8</b>	<b>193.6</b>	<b>998</b>	<b>187</b>	<b>-81.2</b>
Total Tax	58	12	13	4	-5			254	11	-95.8
<b>Adjusted PAT</b>	<b>209</b>	<b>12</b>	<b>45</b>	<b>29</b>	<b>102</b>	<b>-51.1</b>	<b>246.6</b>	<b>744</b>	<b>177</b>	<b>-76.3</b>
Extra ordinary items	36	4	13	26	32	-11.7	23.7	60	70	
<b>Reported PAT</b>	<b>173</b>	<b>8</b>	<b>33</b>	<b>4</b>	<b>70</b>	<b>-59.3</b>		<b>684</b>	<b>106</b>	<b>-84.4</b>
<b>Reported EPS (Rs)</b>	<b>1.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.5</b>	<b>-59.3</b>		<b>4.4</b>	<b>0.7</b>	<b>-84.4</b>
(%)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	(bps)	(bps)	FY24TD	FY25TD	(bps)
EBITDAM	16.0	13.7	13.0	12.8	14.0	-200	120	16.5	13.3	-320
EBITM	8.4	4.8	5.0	4.7	6.1	-230	140	9.2	5.3	-400
EBTM	4.4	0.4	0.9	0.5	1.5	-300	90	5.5	1.0	-450
PATM	3.4	0.2	0.6	0.1	1.2	-220	120	4.5	0.7	-380
Effective Tax rate	21.9	50.7	21.8	10.6	-5.5			25.5	5.8	

Source: Company, Emkay Research; \*Post IndAS-116 EBITDA

## Exhibit 12: Changes in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	25,249	25,197	-0.2	29,026	29,069	0.1	34,197	34,233	0.1
<b>EBITDA*</b>	<b>2,230</b>	<b>2,182</b>	<b>-2.2</b>	<b>3,307</b>	<b>3,273</b>	<b>-1.0</b>	<b>4,457</b>	<b>4,449</b>	<b>-0.2</b>
EBITDA margin (%)*	8.8	8.7	-20 bps	11.4	11.3	-10 bps	13.0	13.0	0 bps
Net profit	182	148	-18.7	810	843	4.2	1,499	1,593	6.3
EPS (Rs)	1.2	0.9	-18.7	5.2	5.4	4.2	9.6	10.2	6.3

Source: Company, Emkay Research\*Pre IndAS-116 EBITDA

## Exhibit 13: Peer Comparison

Company name	CMP (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	P/E (x)			EV/EBITDA (x) Pre IndAS-116		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
JUBI	691	455	Add	850	162.5	86.3	61.6	40.0	31.2	26.0
DEVYANI	169	204	Reduce	170	481.4	243.5	135.7	42.2	31.8	25.3
<b>WESTLIFE</b>	<b>718</b>	<b>112</b>	<b>Buy</b>	<b>875</b>	<b>756.0</b>	<b>132.8</b>	<b>70.3</b>	<b>51.5</b>	<b>34.3</b>	<b>25.3</b>
SAPPHIRE	290	93	Buy	410	287.3	92.6	59.9	36.0	25.2	19.0

Source: Company, Emkay Research; \*Pre IndAS-116 EBITDA

Westlife Foodworld: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	22,775	23,918	25,197	29,069	34,233
Revenue growth (%)	44.5	5.0	5.3	15.4	17.8
EBITDA	3,815	3,757	3,432	4,677	6,021
EBITDA growth (%)	93.1	(1.5)	(8.6)	36.3	28.7
Depreciation & Amortization	1,602	1,886	2,148	2,343	2,621
EBIT	2,212	1,871	1,284	2,333	3,400
EBIT growth (%)	322.4	(15.4)	(31.4)	81.7	45.7
Other operating income	0	0	0	0	0
Other income	210	185	175	220	255
Financial expense	927	1,097	1,283	1,414	1,503
PBT	1,495	959	176	1,139	2,152
Extraordinary items	0	0	0	0	0
Taxes	379	266	28	296	560
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,116	692	148	843	1,593
PAT growth (%)	0.0	(38.0)	(78.6)	469.4	88.9
Adjusted PAT	1,116	692	148	843	1,593
Diluted EPS (Rs)	7.2	4.4	0.9	5.4	10.2
Diluted EPS growth (%)	0.0	(38.0)	(78.6)	469.4	88.9
DPS (Rs)	0.0	1.8	0.4	2.2	4.1
Dividend payout (%)	0.0	40.0	40.0	40.0	40.0
EBITDA margin (%)	16.7	15.7	13.6	16.1	17.6
EBIT margin (%)	9.7	7.8	5.1	8.0	9.9
Effective tax rate (%)	25.3	27.8	16.0	26.0	26.0
NOPLAT (pre-IndAS)	1,652	1,351	1,079	1,727	2,516
Shares outstanding (mn)	155.9	155.9	155.9	155.9	155.9

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,495	959	176	1,139	2,152
Others (non-cash items)	1,602	1,886	2,148	2,343	2,621
Taxes paid	(462)	(370)	(99)	(374)	(645)
Change in NWC	317	15	(155)	212	193
Operating cash flow	3,670	3,402	3,178	4,514	5,569
Capital expenditure	(2,799)	(2,198)	(1,714)	(2,430)	(2,529)
Acquisition of business	206	(82)	0	0	0
Interest & dividend income	210	185	175	220	255
Investing cash flow	(2,384)	(2,096)	(1,539)	(2,210)	(2,274)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	60	320	500	(100)	(100)
Payment of lease liabilities	(924)	(1,083)	(1,250)	(1,404)	(1,572)
Interest paid	(144)	(196)	(256)	(284)	(260)
Dividend paid (incl tax)	0	(277)	(59)	(337)	(637)
Others	(226)	(214)	0	0	0
Financing cash flow	(1,234)	(1,449)	(1,065)	(2,125)	(2,569)
Net chg in Cash	52	(143)	573	180	726
OCF	3,670	3,402	3,178	4,514	5,569
Adj. OCF (w/o NWC chg.)	3,352	3,387	3,333	4,302	5,376
FCFF	870	1,204	1,463	2,085	3,041
FCFE	153	291	355	891	1,793
OCF/EBITDA (%)	96.2	90.6	92.6	96.5	92.5
FCFE/PAT (%)	13.7	42.0	239.8	105.7	112.6
FCFF/NOPLAT (%)	52.7	89.1	135.6	120.7	120.8

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	312	312	312	312	312
Reserves & Surplus	5,347	5,571	5,660	6,166	7,121
Net worth	5,659	5,883	5,971	6,477	7,433
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(604)	(708)	(778)	(856)	(942)
Total debt	2,070	2,390	2,890	2,790	2,690
Total liabilities & equity	7,126	7,565	8,083	8,412	9,181
Net tangible fixed assets	6,591	7,702	7,990	8,866	9,637
Net intangible assets	415	396	426	456	486
Net ROU assets	(750)	(1,205)	(1,734)	(2,280)	(2,844)
Capital WIP	567	447	447	447	447
Goodwill	466	466	466	466	466
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	1,583	1,521	2,094	2,274	3,000
Current assets (ex-cash)	2,007	2,012	2,279	2,483	2,821
Current Liab. & Prov.	3,300	3,350	3,461	3,877	4,408
NWC (ex-cash)	(1,293)	(1,338)	(1,182)	(1,394)	(1,588)
Total assets	7,126	7,565	8,083	8,412	9,181
Net debt	487	869	796	516	(310)
Capital employed	7,126	7,565	8,083	8,412	9,181
Invested capital	4,976	5,597	5,542	5,690	5,734
BVPS (Rs)	36.3	37.7	38.3	41.5	47.7
Net Debt/Equity (x)	0.1	0.1	0.1	0.1	0.0
Net Debt/EBITDA (x)	0.1	0.2	0.2	0.1	(0.1)
Interest coverage (x)	0.4	0.5	0.9	0.6	0.4
RoCE (%)	36.6	28.0	18.7	31.0	41.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	100.3	161.8	756.0	132.8	70.3
P/CE(x)	41.2	43.4	48.8	35.1	26.6
P/B (x)	19.8	19.0	18.8	17.3	15.1
EV/Sales (x)	5.0	4.8	4.5	3.9	3.3
EV/EBITDA (x)	29.5	30.0	32.9	24.1	18.5
EV/EBIT(x)	50.8	60.3	87.8	48.2	32.8
EV/IC (x)	22.6	20.2	20.3	19.8	19.5
FCFF yield (%)	0.8	1.1	1.3	1.9	2.7
FCFE yield (%)	0.1	0.3	0.3	0.8	1.6
Dividend yield (%)	0.0	0.2	0.1	0.3	0.6
DuPont-RoE split					
Net profit margin (%)	4.9	2.9	0.6	2.9	4.7
Total asset turnover (x)	3.4	3.3	3.2	3.5	3.9
Assets/Equity (x)	1.3	1.3	1.3	1.3	1.3
RoE (%)	21.7	12.0	2.5	13.5	22.9
DuPont-RoIC					
NOPLAT margin (%)	7.3	5.6	4.3	5.9	7.4
IC turnover (x)	5.1	4.5	4.5	5.2	6.0
RoIC (%)	36.7	25.6	19.4	30.7	44.0
Operating metrics					
Core NWC days	(22.8)	(23.6)	(23.1)	(21.5)	(21.5)
Total NWC days	(20.7)	(20.4)	(17.1)	(17.5)	(16.9)
Fixed asset turnover	2.5	2.2	2.1	2.1	2.2
Opex-to-revenue (%)	49.5	54.6	56.6	54.5	53.2

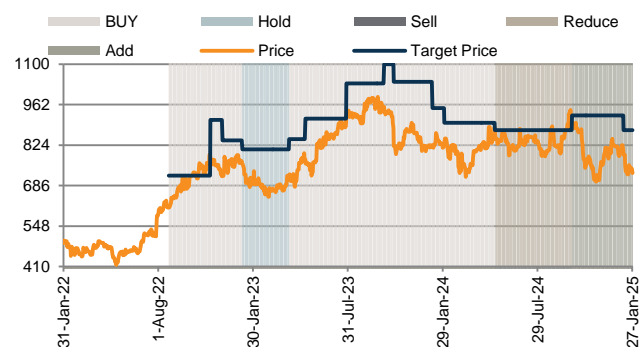
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
10-Jan-25	792	875	Add	Devanshu Bansal
24-Oct-24	802	925	Add	Devanshu Bansal
03-Oct-24	883	925	Add	Devanshu Bansal
25-Jul-24	833	875	Reduce	Devanshu Bansal
23-Jul-24	836	875	Reduce	Devanshu Bansal
07-Jul-24	854	875	Reduce	Devanshu Bansal
28-May-24	851	875	Reduce	Devanshu Bansal
08-May-24	867	875	Reduce	Devanshu Bansal
07-Apr-24	811	900	Buy	Devanshu Bansal
11-Feb-24	782	900	Buy	Devanshu Bansal
01-Feb-24	830	900	Buy	Devanshu Bansal
09-Jan-24	817	950	Buy	Devanshu Bansal
30-Nov-23	900	1,040	Buy	Devanshu Bansal
27-Oct-23	820	1,040	Buy	Devanshu Bansal
08-Oct-23	955	1,100	Buy	Devanshu Bansal
28-Jul-23	940	1,035	Buy	Devanshu Bansal
10-Jul-23	861	915	Buy	Devanshu Bansal
21-May-23	739	915	Buy	Devanshu Bansal
10-May-23	774	915	Buy	Devanshu Bansal
09-Apr-23	720	845	Buy	Devanshu Bansal
31-Jan-23	735	810	Hold	Devanshu Bansal
09-Jan-23	761	810	Hold	Devanshu Bansal
02-Dec-22	720	840	Buy	Devanshu Bansal
09-Nov-22	781	910	Buy	Devanshu Bansal
21-Aug-22	611	720	Buy	Devanshu Bansal

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research



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