



Giving an update on Vision 2022, Westlife's management in the analyst meet highlighted that the company remains on track to expand to 450-500 restaurants, 300-350 McCafes and 300-325 McDelivery hubs by FY22.

Giving an update on Vision 2022, Westlife's management in the analyst meet highlighted that the company remains on track to expand to 450-500 restaurants, 300-350 McCafes and 300-325 McDelivery hubs by FY22. It revised the FY22 sales target for McCafe and McDelivery combined, as they outperformed the earlier sales target. It was also more confident on meeting EBITDA margin of 13-15% by FY22, underpinned by better-than-expected performance of ROP2.0. We see Westlife to continue to benefit from uptick in consumer sentiment, more so in wake of innovation and improving customer experience during slowdown years.

We estimate strong YoY comps driven by (i) menu innovation, (ii) traction in brand extensions like McCafe, McDelivery and (iii) enhanced customer experience through store innovations. Maintain BUY; DCF-based TP at Rs 450. Westlife remains on track to achieve its Vision 2022 (laid out in FY16), with 277 restaurants, 149 McCafe's and 165 McDelivery hubs as of March 2018. Management highlighted that market mapping activities show potential to grow South and East markets to 800-850 restaurants in long term. Company targets Average Unit Volume (AUV) of 30% over FY18-22 to R6 crore per store, supported by 7-9% same store sales growth (SSSG). Throughput expansion will be driven by

continued traction in brand extensions, menu innovations and enhanced customer experience.

Management stated company is likely to improve margin through (1) rising share of higher-margin coffee and delivery businesses, (2) increasing gross margin through menu innovation, (3) greater operational efficiencies through ROP2.0 and (4) positive operating leverage. Westlife's sales throughput (average sales per restaurant) grew 13% YoY at R4.2 crore in FY18 driven by 16% SSSG. Management added another target to the Vision 2022 – reaching R6 crore average sales throughput by FY22. The level, as per the management, will be on the back of 7-9% SSSG on the top of expansion targets mentioned earlier. Food delivery market in India is expected to grow 3x to \$2.5 billion by 2021 (vs. \$700 mn in 2017) with six key cities (Mumbai, Delhi, Bangalore, Hyderabad, Chennai and Kolkata) to constitute 87% of market.

Get live [Stock Prices](#) from BSE and NSE and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).