restaurant brands asia

February 1, 2024

**BSE Limited**
**Corporate Relations Department**
Phiroze Jeejeeboy Towers
Dalal Street, Fort,
Mumbai- 400 001
**Scrip Code: 543248**

**National Stock Exchange of India Limited**
**Listing Department**
Exchange Plaza, 5th Floor, Plot no. C/1,
G Block, Bandra Kurla Complex, Bandra (E)
Mumbai- 400 051
**SYMBOL: RBA**

**Sub.: Transcript of Investor/Analyst Call**

**Ref.: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** *('SEBI Listing Regulations')*

Dear Sir/Madam,

Pursuant to the aforesaid SEBI Listing Regulations, please find enclosed herewith the transcript of the Investor/Analyst call w.r.t. the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2023, held on January 29, 2024 at 05:30 p.m. IST.

The same is being made available on the website of the Company viz. www.burgerking,in.

You are requested to take note of the same and disseminate to all concerned.

Thanking You,

**For Restaurant Brands Asia Limited**
(Formerly Known as Burger King India Limited)

MADHULIKA VIPIN RAWAT
Digitally signed by MADHULIKA VIPIN RAWAT
Date: 2024.02.01 16:16:09 +05'30'

**Madhulika Rawat**
**Company Secretary and Compliance Officer**
**Membership No.: F8765**
*Encl.: As above*

"Restaurant Brands Asia Limited

Q3 FY '24 Earnings Conference Call"

January 29, 2024

**MANAGEMENT:** **MR. RAJEEV VARMAN – WHOLE TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – RESTAURANT BRANDS ASIA LIMITED**
**MR. SANDEEP DEY – BRAND PRESIDENT INDONESIA – RESTAURANT BRANDS ASIA LIMITED**
**MR. SUMIT ZAVERI – CHIEF FINANCIAL OFFICER – RESTAURANT BRANDS ASIA LIMITED**
**MR. KAPIL GROVER – CHIEF MARKETING OFFICER – RESTAURANT BRANDS ASIA LIMITED**
**MR. PRASHANT DESAI – HEAD OF STRATEGY AND INVESTOR RELATIONS – RESTAURANT BRANDS ASIA LIMITED**

**MODERATOR:** **MR. NAVEEN TRIVEDI – MOTILAL OSWAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Restaurant Brands Asia Limited Earnings Conference Call for 3Q FY '24. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Naveen Trivedi. Thank you, and over to you, sir.

**Naveen Trivedi:** Yes. Thank you. On behalf of Motilal Oswal, I would like to welcome you all to the Restaurant Brands Asia's Q3 F '24 Earnings Conference Call.

From the management today, we have Mr. Rajeev Varman, CEO and Whole-Time Director; Mr. Sandeep Dey, Brand President, Indonesia; Mr. Sumit Zaveri, Chief Financial Officer; Mr. Kapil Grover, Chief Marketing Officer; and Mr. Prashant Desai, Head of Strategy and Investor Relations.

I would now hand over the call to the management for the opening remarks. Over to you, sir.

**Rajeev Varman:** Yes. Good evening, guys. This is Raj. Thank you for joining the call this evening. Just to give you a rundown, we reported a 3.6% positive same-store sales in Q1 and then 3.5% in the last quarter in Q2. And we continue that positive trend. Again, today, we are going to report 2.6% positive in same-store sales. The good thing about this is we are driving this positive sales by driving traffic into our restaurants. So, we continue to maintain between a 6.5%, 7% kind of a positive traffic into our restaurants. That is the effort that we wanted to put this year, which is to drive more people into our restaurants, especially into our dine-in business. And we continue to do that, and we have not missed a beat on that. So that's the great good news.

The market, at large, is a value market right now, and we have -- and Kapil will walk you through the promotion that we are doing, which is now national all across the country, and it's doing very well for us and continues to drive traffic into our restaurants. So that's the opening remarks on how we are faring in Q3 as we did in Q2 and Q1.

So, the sales revenues were INR445 crores, grew 20% year-over-year, same quarter and 23% up if you take the 9 months that we have operated in this year. SSSG, as I said, was 2.6% positive, and I'm talking about only the Indian numbers right now, driven primarily through traffic. So, traffic was up quite a bit. So, thanks to all the effort by the operations and the marketing team. They continue to drive more people into the business.

Again, some very good profitability numbers, thanks to all the work that we have done in the last year and now into this year. The highest-ever company EBITDA, I'll give you post-Ind AS numbers, and then I'll give you pre. So INR70 crores was delivered in Q3, which is 48% up year-over-year. And if you take pre-Ind AS, we delivered INR30 crores. Again, that's double what we delivered last year, same quarter. So very good profitability numbers. Last year -- last semester, last quarter, I told you that the entire company continues to be focused on unit level economics. That is not going to change. We will continue to work on those. And then now we are seeing the results of that.

PBT, again, this is the second quarter we have breakeven for a brand-new company that's hardly 8, 9 years into operations. We have started breaking even on PBT. So that's again 2 quarters in a row.

We built 38 restaurants this quarter, bringing us to 441 restaurants. And as we sit today, we are actually crossed our target for this year, as we had set it up at 450 for the fiscal year. We are at 452 restaurants as we sit today. So, congratulations to Cicily Thomas, her team and the entire construction and projects team that they've pulled this target ahead, 3 months ahead of where we were. And then the cafes, we continue to build cafes, as you know. And today, we have 334 Burger King Cafes as of December 31.

Now the digital exercise that Kapil and Cicily both are running across our business. Today, they have built 68 restaurants -- or they have 68 restaurants that are on the King's Journey. Again, reminding you, King's Journey, obviously, Kapil will kind of give you the details of it, but really, this is about the kiosks, about table ordering, about the app, ease to order, the entire experience that customers actually go and place the order on the kiosk or on their mobile app or on a QR code scan and go into the website, place an order there.

And the food actually comes to the table. That's the King's Journey kind of thing, which is doing so well globally and here as well in India. We moved to 68 restaurants doing that. And next year, we will complete the 100% of the restaurant on King's Journey.

Now a little bit of Indonesia. Again, Sandeep Dey is on the line. Sandeep Dey runs our business in Indonesia, both Popeyes and Burger King. And Sandeep will give a detailed update on Indonesia while Sumit will kind of give you the overall financial of both the countries. Kapil will walk you through the India marketing strategy that we are so proud that we are moving in the right direction.

So Indonesian numbers. Now one of the things that I don't know if you're following the Indonesian market, there's been some geopolitical forces once this war started in Israel versus the Hamas. There's some anti-sentiments in Indonesia towards the U.S. brands. That's kind of easing off a little bit, but it has taken a significant role in the last couple of months, predominantly while customers are trying to stay away from the U.S. brands. Again, like I said, it's starting to ease, and we are hoping that this will eradicate over time period.

So anyway, Q3, the ADS was IDR 17.8 million. Again, I'm giving you IDR numbers here. This was a lower than IDR 18 million, which was the previous year, same quarter, down about 1% year-over-year. Now however, the good news of here is Sandeep put together a fantastic strategy a few months back with the help of the same program that we have here in India. We put the strategy up in Indonesia.

And the quarter-on-quarter growth on delivery sales, again, we are aligning the business so that we start doing start doing business. We used to do 50 or 60 transactions. We have moved that to north of 100 transactions on delivery, and we continue to push that. That has been the saving grace because brands have seen a significant pull-on traffic going into the restaurants as the industry, right? But our saving grace is we have now started driving traffic into our delivery business. So, some good news there as we kind of wait for the market to recover as a whole.

ADS IDR on Popeyes, which is a business today with 25 restaurants open as of December 31, that was at IDR 23.3 million. Revenues in the Popeyes business, IDR 35 billion versus IDR 27 billion in the previous quarter, grew about 28%. So, some good news on the Popeyes end. We continue to build that business in a very strong economic business over there.

Profitability, restaurant-level EBITDA, this was a breakeven for us in Q3, and this was driven predominantly by cost optimization, a lot of work going in that direction. It's not complete. We have another 2 quarters of work to do and completely cost-optimizing our economic model there, but significant improvement in that as well. We have 162 restaurants -- working restaurants in Indonesia and 25 Popeyes restaurants in Indonesia. We added 13 new Popeyes restaurants this semester -- last quarter.

Again, the strategy in marketing both markets continues to be driven through value and to bring in traffic and to grow traffic business. So, we continue with that traffic over there as well. And you will find that Sandeep will talk more towards that.

So, with just those highlights, and I'm obviously here for the rest of the call to answer questions and so forth. I will turn it over to Sumit Zaveri to kind of walk you through the numbers as we see it. Over to you.

**Sumit Zaveri:** Thank you, Raj. I'll just take you through our performance for the quarter and 9 months. Starting quickly with India, how we performed; Indonesia, on a consolidated basis at the back of closing December at 441 stores, 452 as we speak today. And continue to show positive SSSG on an average of around – might be upwards of around 3%.

We delivered a revenue of INR445 crores, a growth of 20% over last year. So, it is actually at the back of SSSG and the new store opening that we've been able to achieve 20% growth. We've always been talking about taking our gross margins forward and continue to kind of work towards that. We had set our targets, and we will look at that later as well.

We've always been saying that we want to get to the number of 67%. We've got to 67.1% for the quarter FY '24, and we strongly believe that we should be able to hold on to this as we go along. So, a very clear shift that we've been able to achieve this year over the last 3 quarters. And a strong shift is what we strongly believe we've been able to get to.

As far as store appetite is concerned, we delivered 12.2% for the quarter. And if you really look at it from the perspective of 9 months as well, for 9 months, we are now on early double digits at 10.3% for the quarter as far as restaurant EBITDA on a pre-Ind AS is concerned.

As far as company EBITDA is concerned, we're continuing our journey to show improvement quarter-on-quarter. This quarter, we've got to a company EBITDA on a pre-Ind AS basis of INR30 crores, 6.8%. And if you look at it on a 9-month basis, almost close to 5%, INR65 crores on India basis. So, we feel very strong about where we stand on India on what as far as our performance for the quarter and 9 months is concerned.

Raj did mention about some of the headwinds that we faced in Indonesia. In view of that, our revenue for quarter three stood at INR158 crores, in line with what we had achieved last year in quarter three. The only difference is last year, we were close to 180 stores, whereas this we achieved with 162 stores, so lesser number of stores but achieved very similar revenues. The issue impacted us in November. So, November and December is where we literally got -- it was fairly muted.

Our target was to at least ensure that we continue to improve our performance at the restaurant level. And as you could see with difficult situations as well, we've been able to at least get to break even at a company EBITDA level, which if you look at it last year same quarter, we were negative INR18 crores in the reported company EBITDA level. And company EBITDA pre-Ind AS level as well from a negative INR28 crores, we've been able to move the needle to negative INR13 crores. So, there is progress, but yes, we really wanted to move farther than what we've moved in this quarter or this nine months as far as Indonesia is concerned.

If we're looking at consolidated operating performance, the revenue for the quarter stood at INR604 crores. At a consolidated company EBITDA level, INR17.2 crores or 2.8% company-level EBITDA, which was minus INR13 crores last year. So again, INR13 crores shift compared to last year. And similarly, if you look at nine months FY'24, INR1,840 crores revenue as compared to INR1,540 crores, which is 20% growth, with INR25 crores of company EBITDA, 1.3% as compared to a negative 2.5% that we had.

So overall, it means we have very clearly shown improvement in India as well as in Indonesia. And our journey would be a very strong focus upon profitability in addition to driving revenue at the top line is what we will continue our journey going forward. So that's actually how we're going to focus.

Sandeep will take us through some of the [trends] in the Indonesia side, but before that, handing it over to Kapil to take us through some of the initiatives that we did on the marketing side that helped us to our performance in quarter three. Over to you, Kapil.

**Kapil Grover:** Thanks, Sumit, and good evening, everyone. As always, we'll just remind ourselves of the focus areas that the team is working on and then update everyone on the progress.

Number one, being the value strategy as a key driver of growth in traffic to our stores and innovation on core burger platform. And last quarter, we also added a new popular chicken side, moved some of the existing products to improve the adoption of these ideas and then share more details on that.

The third focus area is building the digital experience for our consumers in our stores and synchronizing all touch points for a seamless experience for our consumers. Last but not the least, building a very strong engaging brand for the Gen Z and millennials.

On Slide 12, our value proposition is focused on satiating meals platforms, Tasty Meals at INR99. We spoke about it last couple of quarters. We consistently built this platform over the last nine months, and we continue to focus on this. The campaign has helped us sustain dine-in traffic growth despite seasonality impact of whether there was Shardiya Navratri in October or there are some headwinds. Whatever there is, we've been able to sustain traffic growth, as Raj mentioned in his opening remarks, on the back of this campaign, especially towards dine-in restaurants. And this will continue to be our focus area as we go forward.

The next layer I want to talk about is the Whopper. Last quarter, we came up with a new campaign on the Whopper also, which was to sustain the platform. And it's not an idea for a quarter. It's an idea for many quarters to come. The insight behind this campaign was -- based on the feedback we heard from our guests that they want the taste of the Whopper to be more closer to their Indian palate expectations. And we had made that change in the product a couple of years ago, but we could not communicate it because of COVID disruption and other priorities.

This quarter, we crafted a new insightful campaign. It was a multilingual campaign. We shot in three different languages with a unique cast to become a much deeper connect with our guests. Now just to give you a little anecdote, the protagonist here is trend setter, someone who's not sure, and then a Whopper fan urges her to try the Whopper. And then they discover the fantastic taste of the product, and they get converted. So, this idea is deeply rooted in our deep cultural insights, and we continue to use this over long term to build the Whopper trials and Whopper love.

Slide #14 is about how we continue to build BK Café as a concept and generate trials. We continue to promote on social media because we promote through influencers and drive trials of that program.

On the innovation side, I spoke about the popular chicken snacks that we've added. We've launched Crunchy Nuggets. It's nuggets with a twist. Typically, what you get in the category as Tempura-coated soft nuggets, but we understand the Indian consumer loves multi-textural snacking. And we've built this product based in that insight. It's got a crunchy texture and a very juicy, flavourful chicken inside, and we're getting very good response. And it's early days, but only hearing good response from our consumers, and it will help us build the chicken snacking portfolio over time.

We also relaunched the BK Chicken burger with 50% more chicken in the same price, and this will now offer consumers even better value for money in our classic burger range. The second product is the premium wraps. And now this premium, very soft, paneer wrap and the fiery chicken wrap is available nationally across our stores. These premium wraps have been launched at a price point of INR199. So now the King's collection menu, as we've been talking about the last four quarters, is now consisting of four burgers and two wraps at the same price point, and consumers can pick any of those items through their taste and likability at that price point of INR199.

The third product relaunched was the new improved softer and fluffier muffins. These are now available across all our cafes, and we are already seeing improvement in uptake as we build the cafe layer in 334 stores across the country.

Now I'll move to Slide #16. The Burger King social feed continues to drive engaging content. We are always having a conversation with our guests on trending moments, on festivals like Diwali, Halloween, movie releases, and we stay connected with the loyal BK fan base through our social media handles.

Last but not the least, and Raj mentioned in his opening conference, is the update on the King's Journey rollout. Now this King's Journey rollout that we have -- the platform that we've created is a platform where our guests are offered fantastic experience through digital ordering, app-based ordering from the table without queuing up at the counter and then getting their food served at the table. So, this will significantly improve our customer service and our customer experience at our stores.

As we speak, we have 68 stores that offer kiosks ordering to our guests. And we have a very good adoption on the same with almost 32% of orders being placed using the kiosk interface. The BK app continues to grow with exclusive offers, and we have seen significant growth in orders and users on the BK app in the last quarter.

And finally, table service, the initiative has been rolled out across 244 stores and continues to expand every week. As I mentioned, this should significantly help us further improve our guest experience over time.

So that's from my side. I will now hand over to Sandeep to share an update on the Indonesia business.

**Sandeep Dey:** Thank you, Kapil, and a very good evening to all of you once again. The last quarter has been quite challenging for us. End of October onwards, the entire industry kind of witnessed a major setback due to the geopolitical crisis, which Raj was mentioning in the beginning of the call. Of course, our business also suffered, and sales started to decline since then.

We were delivering a very strong performance for the first two quarters. Even in the month of October, we were 17% higher in sales compared to the same period last year, which is when, unfortunately, this crisis hit us, and our dine-in business got massively impacted by more than almost 30%, 32%.

However, as Raj was mentioning, we quickly figured out our strategy to drive sales through delivery channels and compensate a large part of the dine-in drop through a very strong performance on the delivery side. The entire operations team also did a fantastic job in tightening all the controllable cost lines and, thereby, making sure that we break even at a store level despite such a significant drop in sales.

Now before I move forward, let me quickly recap what are our three strategic pillars for the Burger King business. First, continue to build credibility in chicken; second, establish and retain our leadership in burgers; and third, building a comprehensive desserts menu and drive incremental locations through that. And most importantly, the bedrock for all the strategies are having a very solid op skills and continue to provide a very strong value proposition to our guests across the many layers and across all channels.

For the next few minutes, I'm going to share with you some of the work we have done to move forward the strategic pillars. So, Indonesia is a very strong fried chicken market, and having a winning product is a key motivator in this category. Last time, in our previous call, I spoke about launching two variants of chicken, the regular crispy and spicy variant, at aggressively trial price of IDR25,000 for a meal, which in the Indian context is approximately INR135 for a piece of chicken, rice and a drink.

And we also supported the launch with a comprehensive 360-degree marketing campaign. The results were quite positive. The incidence of chicken improved by more than 30%. Volume grew by more than 50%. In fact, it's still now three quarters, and we are seeing a sustained result, and this has become a part of our everyday value offer.

I'm now moving to the next slide, which is Slide #22. The next strategic priority is to establish the burger leadership, and we continue to focus on two-prong strategy here. First is the value LTO strategy. This is where we offer some of our flagship and preferred products at extremely aggressive price of IDR17,000. It is continuing to drive trials, continuing to drive frequency and delivering sustained results and also helping us building the Whopper equity.

The second part of the strategy is where we continue to provide new excitement through taste innovation and branded collaboration. Last quarter, we partnered with Heinz and launched a Mexican Whopper. And this means, as we speak, as a part of our LTO strategy, we launched a new variant, which is inspired by a local favourite called Cheese Dunk Whopper.

Now as a part of the business strategy, which is the third pillar, we continue to drive innovation every quarter. Last quarter, our collaboration was with Ferrero and launched a Nutella Fusion. And that is also witnessing a sustained volume growth of almost 2.5x.

Now on Slide #24. On the delivery side of the business, which is what both Raj and Sandeep was mentioning, we picked up some of the best practices from India and crafted a single-price menu. This was a collection of a bunch of products, about 18, 20 products, preferred by our guests at a very attractive pricing. And we also increased our visibility in the platform.

So, this combination of attractively designed single-price menu and an increased visibility is driving significant growth. As Raj was mentioning, our traffic in the delivery channels has increased by almost 40%, and we will continue to drive this strategy as this is going to give us a steady and sustainable growth.

Now let me quickly give you an update on the popeyes side of the business. This quarter, we opened 13 stores, and we are now a 25 store business. As a part of our asset strategy, most of the growth has been FSDT-led. So out of 25, 21 is fees standing drive-thru.

Now that we have 25 stores and operation is getting stabilized, our single-minded focus is to build awareness of our products and generate trials. And we are doing that by using the digital menu board as an ad board, and we are building product awareness through various video assets. In fact, every store has a video wall which runs brand videos and product videos.

Other than building the product awareness, we are also generating trials through entry price value, generating trials through digitized coupons and also a single-price menu strategy on the delivery side. We are building this brand with a digital-first experience. And I mentioned in our previous call that every single restaurant has kiosks, and our ambition is to have 100% non-diners.

And we have made a significant progress in that journey. In quarter one, 37% of our dine-in sales was through kiosk, which increased to 70%, and by the end of quarter three, it has gone up to 90%. This is definitely going to help us in driving a very strong CRM program in the times to come.

Now that is from the Indonesia side. And now I hand it over to Prashant to share the overall outlook for the business.

**Prashant Desai:** Thanks, Sandeep. So, guys, no major change if you would look from FY'24 guidance perspective. As far as the number of stores were concerned, Raj mentioned, we've already delivered our entire FY'24 guidance in January itself. On the same-store side, [inaudible] the headwinds that the industry is facing, we still continue to believe that Burger King will deliver a positive same-store growth. We expect a 3% positive same-store growth for the current year.

As Sumit mentioned, we've already delivered on our promise of a 67% gross margin. So that's also one thing that we've been able to deliver. On the Indonesia business, we were hoping to breakeven by March of this next coming month, March '24, the Indonesia business. But given the challenges that Sandeep mentioned extensively at the geopolitical front, we went to take a little bit of a setback there, and we are pushing the Indonesia business cash breakeven from this year now to next year.

Our long-term guidance continues to remain where it is from an FY'27 standpoint, no change there. So that's on the outlook side. I guess with this, we'll open up the floor for questions. Happy to take any questions that you would have. Thank you.

**Moderator:** The first question is from the line of Nihal Mahesh Jham from Nuvama. Please go ahead.

**Nihal Mahesh Jham:** So, my first question was on the India business. Just looking at our employee and opex spend despite the aggressive store addition, I see that it's remained flat or even seen a slight moderation versus the last quarter. So just some feedback on what led to this kind of movement in these two line items?

**Sumit Zaveri:** So, Nihal, thank you for the question. We've been very tightly monitoring our costs at the store level. And as I mentioned, when I was talking, our focus in addition to improving the overall revenue is going to be how do we constantly get better with our flow-through at the store level. And that is something why we've been able to maintain the overall costs at the employee-related expense at store level within a very tight range in spite of some more store openings that we have done during the quarter.

And that is something which philosophically, we will continue to be in that zone where we tightly control the needle out of P&L. So that's not -- we can see the improvement at the restaurant EBITDA level as well as we go along.

**Nihal Mahesh Jham:** Understood. And on the opex side, any adjustment to the marketing spends? Because in the first three quarters, there was an absolute expand.

**Sumit Zaveri:** So that part, if I may refer to Slide 6, our commitment has always been that we will spend around 5% on an annual basis. It does get kind of differentiated -- differentially spent through the quarter. This quarter, it was 4%, whereas if you would see last quarter of 5%. But on a 9-monthly basis, we are now at 5% for the full year as far as marketing spend is concerned.

So -- which is where also I was highlighting that one should also very closely look at how the 9 months number look like that are only single -- only double digits at 10.3%. So -- and that's literally where we believe that we will build from here on.

**Nihal Mahesh Jham:** Understood that. The second question was that the traffic growth is healthy. To get a sense, would it be fair to say that maybe the value strategy, based on, say, the data you have is driving majority of these incremental footfall that are happening? And just one last question to conclude. Would be that possible to get a sense of how you would look at the SSSG performance, excluding cafe, which has now been in the base for more than a year? That will be it from my side.

**Rajeev Varman:** Nihal, good questions, both of them. Look, the -- we have always maintained a traffic strategy through value, right? If you go back the 8 years of our existence, we have always had a value mechanism always in play, right? So that's just basically the discipline that we have in marketing. We will always have a value, whether it is -- in the past, we had a 2 for INR50 offer, now that we have an INR99 meal that Kapil has talked about.

We will always continuously have a value traffic driving kind of a strategy, right? So that's nothing different than what we did years ago and what we're going to continue doing going forward, right?

Now as far as the discipline and like -- Kapil went through several new product introductions, right? Whether it was the wraps that came in or were the nuggets that we rolled out, the cafes that we rolled out in the past and so forth, right, all these are product -- traffic-driving kind of tools, right? Cafe drives then people that add on to traffic, which is not through value. It's a product, traffic-driving kind of a mechanism.

So those will continue. So, it's not that we will only drive traffic through value. That is definitely something that is ingrained in the way we operate. But there is also this new product, NPD, as we call it, new product development, which will continue to drown new traffic into the business. Cafe is no different from that. Cafe is kind of a long term.

We think that in the first 2, 3 years, we will kind of slowly convert as we -- today, you see the conversion of people coming into a restaurant who actually buy products like combos and then add coffee to it. There will be a time in the future that this will be driven predominantly with people just coming in to have a coffee, filling in dayparts.

So, it's a slow kind of improvement that we are kind of putting good energy in terms of operations, making sure that -- we can continue to improve our cutlery, right? Our cups that we are serving this in, the products that we are testing on the food side of our cafe, all these things we continue to do. And we have a good footprint. We have 334 cafes operating right now, and we continue to open all the new restaurants with Cafes where we can, right?

So, this will be a business that will continue to build, but traffic will be driven by dayparts, which is our strategy, bringing in NPD. And it will also be driven through value, so both these things. I don't know, Kapil, if you want to add anything.

**Kapil Grover:** Pretty much on point. Traffic will continue value. We'll continue to be a key driver as a mass media communication, out-of-store communication, but there will be a lot of these new product introduction that you'd see over time, which help us build more trials and more traffic into the stores on the back of NPD.

**Rajeev Varman:** Okay. Next question.

**Nihal Mahesh Jham:** Yes. Just on the SSSG except cafe, if possible?

**Prashant Desai:** So, Nihal on that, principally, if you will see how coffee has been operating for a while now, so from an SSSG perspective, as coffee been an outperformer, underperforming, it's been in line with the overall SSSG that we have done. If your question is more towards '16 versus '14 that you see, there is a lot to do with the new cafes that came up during the quarter, which took this down.

**Nihal Mahesh Jham:** Understood, sir. Thank you so much.

**Moderator:** Thank you very much. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai:** So, my question is that we have revised our guidance on SSSG from 6% to 3%. So, if you can elaborate since last call, what has changed, what are the assumptions which we made at that point in time and what has changed for us to kind of now go back to 3%, if you can talk a bit about that?

**Prashant Desai:** Right, Dhwanil. Dhwanil, essentially every time we come every quarter, we kind of guide basis what we expect the business to do versus what we expect where the industry is going to trend from. And one of the things that RBA we have done has been very transparent with our investor fraternity and share what we feel at that point of time.

As you would notice that the industry is currently going through its share of tailwinds and the outperformance at RBA continues from our standpoint, but at the same time, because if you look at the October, November, December, where we had hoped to do a much better SSSG that did not turn up, I thought it was important to communicate that to our investor fraternity.

**Dhwanil Desai:** Okay. Okay. So, kind of a follow-up on that is that we are expecting FY'25, 8% SSSG, so are we baking in a much better market environment? And in case this kind of headwinds continue, is there a risk to downside revision to that number?

**Prashant Desai:** So no, Dhwanil. Dhwanil, we are not saying the FY'25 guidance will be 8%. What we are saying is our long-term guidance given that the country is going to grow at 6% to 7%, we believe 8% is a fair assumption from a country perspective. However, if the headwind continues, which we'll only come to know by the end of next quarter, we will come back and give you the guidance for '25. As of now, we are not guiding anything on '25. This is a broader overall long-term guidance.

**Dhwanil Desai:** Okay. Got it. Second question is on Indonesia. So, I think when we acquired Indonesia business, I think our overall aim was to take gross margin to close to 60% from, I think, mid-50s. So where are we in this journey? I think we are currently at around 57-odd percent. So, what are the things we see that will work to take it to 60%?

**Prashant Desai:** So, a lot of -- this was mentioned by Sandeep in terms of all the efforts that we are doing on the product side. That was our first phase.

Second phase, as you know, when you look at the Indonesia business, it has 2 components. First component is the Burger King side of Indonesia, which is where we are leading the 57.5%, 58-odd percent gross margin. If you look at the Popeyes side of the business, Popeyes side of the business has much stronger gross margin. As we had shared this with all of you that going forward, at least for the next 24 months, we are not opening any more Burger King Indonesia, but the capital allocation process will be more towards Popeyes Indonesia. And the contribution of Popeyes to the overall business kind of increases. That's one step where you will see the overall Indonesian gross margin moving up.

And number two, as Sandeep said, as we begin to gain more foothold on the Burger King side of the business, we will also see the Burger King /gross margin moving up. Also, just to brief you, Dhwanil, this 57% to 60% was guided over a 3- to 5-year period, which we even now feel reasonably confident to deliver.

**Sumit Zaveri:** I just want -- Sumit here. I just want to add one more thing that our current focus on Indonesia, like in India, is to really drive traffic to our stores, especially now with the current scenario more so. We've also -- as Sandeep was mentioning, we are also focusing very strongly on the delivery side of the business with a very attractive price offering.

With the traffic, we feel that we will try and maintain the gross margins in the current range of 56.7%, 57%. Once we kind of get a little more structural or stable with the traffic once we kind of see the traffic coming back, we'll begin our journey or restart our journey on the gross margin side. It is certainly a very strong focus area to work on, but at this point in time with the current scenario, traffic and overall revenue is going to be the key focus for us.

**Dhwanil Desai:** Got it. Thank you and all the best.

**Moderator:** The next question is from the line of Mr. Manish Poddar from Invesco Asset Management.

**Manish Poddar:** Hi [everyone]. Just had one question. So, if you look at before this quarter, you had opened roughly 25 stores in 12 months -- trailing 12 months before that. And now if you look at this quarter plus Jan, we've opened roughly 50-odd doors, whereas when you look at the guidance which you had given, let's say, at the quarter 4 last year, the SSSG for this year was 10%, which is expected. And now you're saying the SSSG is going 3%. So, I'm just trying to understand why [escalate] the pace of store expansion if the demand environment is still similar. Or are you witnessing something else on ground? Just trying to get a sense on that.

**Prashant Desai:** Thanks, Manish. So, Manish, 2, 3 parts. One, from an SSSG calculation standpoint, the store comes into SSSG after it completes 13 months. So, from that perspective, if your reference is towards SSSG and store opening in last December, the stores that would have completed 13 months would have been part of the 2.6% this quarter SSSG. That's one on the SSSG comment linked to the store openings.

Number two, the store opening process is something that happens 3 to 6 months in advance. And sometimes, you will see the bunching of store happens basis how the property is coming up, when the landlord gets clearances, etcetera. It just so happened that this year, that bunch up happened in the month of December and ends the quarter -- we ended up opening a lot many stores compared to previous year. As we said, there is an MFDA that we have signed with Burger King Global, and there are -- we have to open 700 Burger Kings by December of 2026. And the team is working towards delivering that number.

When we open a store, Manish, the life of that store, even on a store-to-store agreement that we do, is 20 years. So, when we open a store, if we find a property, which is great, we will go and open the store. It could be so that currently in this quarter, probably, there are a lot more industry headwinds, but that will not deter us from not opening the store. If the site is great, if the rent to revenue are something where we believe we'll be able to deliver a 4- to 5-year payback, we will still go ahead and open the stores because that's, essentially having spent over a decade in India, I think somewhere that will now get a sense whether this is a good property, and we would want to go with that.

So, from that perspective, our store opening targets continue to be guided by the MFDA. And so far, we've delivered on our store opening targets, Manish.

**Manish Poddar:** So effectively Prashant, if I hear you right. There's no material change in terms of demand on the ground? That -- would that be -- I understand.

**Prashant Desai:** There is, Manish, and which is where the 10% earlier same-store guidance has come down to 3%. What I was trying to tell you is that, that is a reality that there is a demand slowdown or a tailwind -- or sorry, or a headwind that we are facing as an industry. We are relatively facing this is much lesser compared to competition for a lot of reasons that I had mentioned our relentless focus on value and some of the steps we took very early starting in February of last year. But all I'm trying to mention is that as a result of this, we've not come down on our store opening targets. As and when we see a store which we believe will deliver a 4 to 5 year payback, we'll go ahead and open it.

**Rajeev Varman:** Yes, Manish, just adding to what Prashant is saying, see, building stores is a long-term strategy, right? We don't base that on 1 quarter or a slowdown in 1 quarter. We feel very strongly about the Indian market. We have very good, strong views and long-term views on how this is going to evolve, where this is going to go as a market over a year for QSR and especially for the burger business. And all our strategy is to build a long-term, strong business. So, 1 quarter here or there does not slow us down on that long-term belief and long-term strategy that we have in place.

So that's the difference. And also, you can't suddenly stop building restaurant here in a quarter and suddenly start building restaurants in the other quarter. These take a lot of planning, sometimes even 6 months to 1 year to open a restaurant. So that's -- those are all the points, including the ones that Prashant already mentioned.

**Manish Poddar:** My question was more from a perspective that has things on ground actually started improving, and that is why to capitalize on that, you are probably accelerating, but I think it's more bunching up what you're trying to say and not really any [inaudible].

**Prashant Desai:** Manish, the answer is clear. We are still not seeing on the ground significantly, things significantly improving.

**Manish Poddar:** Got it. Great. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

**Shirish Pardeshi:** Hi Prashant. Thanks. Congratulations for exceeding the number of stores and also the margin expansion. If I look at the slide number 17, where we have mentioned that 68 stores is now having a King's Journey experience. And we have also provided 244 stores with the table service. Other reading is that we also have been talking value proposition. So as a culmination of this, what is the quantitative number if you can say that because you and even Rajeev has mentioned that there is a traffic growth. So quantitatively, is there any number you will be able to place in front of us that this is the number of traffic or number of -- or the traffic growth, which we have achieved?

**Management:** Shirish, you'll appreciate there's right [no] QSR, we'll share that traffic number in terms of an absolute, more from a competitive dynamic basis. But Raj did mention a number that overall, so far, we've seen a 6% growth in traffic. I think he would probably like to answer that on a percentage basis than on an absolute basis. I hope you understand, Shirish.

**Shirish Pardeshi:** Yes. That's helpful. The other question I have, that we have been talking about value for money layer. And now we have added some more contours to that is Tasty Meals at INR99 and Chicken at INR149, so the question is that despite this attempts, we have shown the margin expansion. So, I wanted to understand from Sumit what are the levers which is actually helping us or which has surprised us positively for expansion of this margin despite our value for money strategy is intact.

**Sumit Zaveri:** Sure, Shirish. A couple of ways in which we've always been working. One is, we really kind of worked on trying to lock in prices whenever we see the price points are attractive for us to kind of go along. That's one which we've always followed.

The second one is that we've also very actively worked on expanding our vendor base. And when I say expanding vendor base, not tactically, but strategically going closer to where we opened newer clusters, that's something which really has won.

And thirdly, some of the scale benefits, some of the advantages of growing rapidly. We're also starting to see the results into that line as well. And we've always been saying that scale is going to be one of the key levers for us to help improve the overall margins as we go along.

So, it's a culmination of various things that has helped us on improving the margins. Yes, we very strongly follow the value strategy, but that is not necessarily equals to we diluting our margins. Whenever we run any aggressive value strategy promotions, we also parallelly think how will we also balance out our overall margin target so that all the efficiencies that we build through our entire supply chain team effort is not necessarily getting balanced out by way of promotion. So, we kind of do that balancing act really well. So far, at least for 9 months period, we've been able to demonstrate success through that strategy. That's what I would rather say.

**Shirish Pardeshi:** No, the reason why I'm asking because you have not changed the guidance on gross margin at 67%, but you are expecting a operating margin should improve from here. So that's why I want to make sure that this journey will continue.

**Management:** Yes. So, if you look at the FY27, you will see we are forecasting that we are committed towards taking this from 67% to 69% by FY27.

**Shirish Pardeshi:** And last question on when I look back, Prashant, your argument, that three months before, we were close to about 345 stores. So, if our SSSG of those 345 stores is clocking at 2.6%, so the question here is that how many stores or what percentage of stores are above 2.6% in terms of SSSG.

**Prashant Desai:** We don't share that cut, but one thing I will tell you where you are coming from. One of the interesting trends that we are seeing at our restaurant level is all the new restaurants we are opening are doing very, very well compared to what it used to be pre-COVID as well. So that's a standard that trend that we have seen that all our new store openings are doing very well for us, which is why we've been able to deliver not just a positive same store, but overall, also a very strong trajectory in terms of our ADS journey.

**Shirish Pardeshi:** Okay. All, right. All the best to you and the team.

**Prashant Desai:** Thank you.

**Moderator:** Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund, Mumbai. Please go ahead.

**Prateek Poddar:** Sorry, just one small question. Could you -- I didn't understand how is it that when you have opened 37 more during the quarter, your other expenses and neither employee related costs have not gone up. And this is also because you've also opened a higher number of BK Café's, right? So, I'm just trying to understand.

**Sumit Zaveri:** Prateek, to your question one is, yes, we opened quite a few number of stores during the quarter. But a large part of these additions came towards the second fortnight of December. So that is one of the reasons why we've not necessarily seen a substantial impact on the revenue as well as on the cost. But at the same time, Prateek, we have been very, very mindful in terms of the way we manage middle of the P&L through the quarter.

Marketing is one which we've already shared because it was 5% in quarter it's 4%. But we will continue to, in our journey, Prateek, on being tighter with our middle of the P&L. But I'm saying just to your question when you are relating it to store openings, a substantial part of the store openings have come towards the later part of December, second fortnight of December is where literally we have...

**Prateek Poddar:** So, it's mostly a timing mismatch. That's right.

**Sumit Zaveri:** Yes. It's more a timing mismatch as such, yes.

**Prateek Poddar:** Okay. Thank you.

**Sumit Zaveri:** Thanks Prateek.

**Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Yes, sir. HI, thanks for taking my question. So basically, sir, Q3 is a seasonally strong quarter where there's a healthy ADS pickup sequentially. And against this backdrop, we have seen a 6% to 7% sequential decline in ADS in India business. From a slowdown perspective also, this is sort of sustaining is now prolonging as well, and the slowdown is now in its fifth quarter. So, what are the key reasons according to you for this? And also, if you could highlight some figures that should drive an industry turnaround as per your study on the consumer.

**Rajeev Varman:** Yes. Thank you. Thank you for your question. See, we look at this yearly, right? First, we look at it this from the point of view of traffic, right? Traffic this quarter over last year's same quarter going up or down. Now consistently, over the last three quarters, we've been reporting, in fact, I think it's more than three quarters, we have been reporting positive traffic coming in, right? So that is the best news for us to continue growing, continue doing all the things that we do that we are now driving more traffic in.

You see the Q2 numbers and Q3 numbers, and that's the question you're posing. There's been some seasonality shift between the two quarters. For example, there's a movement of Navratri and Śrāddha into Q3 from Q2 from last year, right? Those are almost 20 days, 25 days, which are low volume days, predominantly because people then stop consuming non-vegetarian food as well as also, in many cases, eating outside.

So that shift has happened from one quarter to the other quarter, the trigger that you were asking that's one of those things. But also, the expectation was that we will have a strong December. We will have a long, strong week -- last couple of weeks in December because of all the sales and stuff that goes on in malls and so forth, right? That really didn't come through, right? It hasn't come through this year and it hasn't come through last year.

It's just a kind of a seasonality shift that we are understanding post-COVID and we currently need to study that what we are happy about is that even on our numbers from last year, we have improved on traffic this quarter. Even on our numbers, the last quarter, we have even improved over the previous year, all three quarters, which tells us whatever the new trend is, whether it's driven by some external factors or it's just time driven.

We continue to improve on it. And that's all that kind of we can work on. But what is the future, the next Q3, which is the next year, we will wait and see. But we will plan for it. We will make sure that we have a promotion, we will have something aggressive so that we are not sitting at a 119 kind of ADS that you see on your papers now.

The other part is, as you grow bigger and your comping restaurant become a bigger base, right? As you continue to grow, your comping restaurants become a bigger base. The impact of new restaurant openings growth that are not comping on the overall ADS becomes lesser. So, you will find that impact slowing down.

**Devanshu Bansal:** Got it, sir. And secondly, I wanted to understand what is the extra incremental capex that is associated with King stores? And what are the initial trends that we are seeing in terms of improvement in store unit matrices with this introduction?

**Sumit Zaveri:** So -- sorry Devanshu. As far as incremental capex requirement is concerned, per store would be in the region of around INR10 lakhs. But what we're also doing is that we are also simultaneously going to realign our total tech investments at the store like Kapil in his slide mentioned that we might relook at having the DMBs in the store. So, while I'm saying INR10 lakh is what we would be able to put cost if we were to not make any change or realignment, so we work towards that.

As far as looking at how it is impacting from the matrices -- still early days, because you've just got 68 stores in there. What we are at this point in time concentrating on is really improving the overall customer journey and concentrating on getting more customer information through the implementation of King's Journey. And that's actually how we are looking at focusing on this.

We'll kind of share some numbers if we also gain some more information or gain some learning's out of it. But at this point in time, it is still early days. But our focus is going to be complete this entire investment towards over the next 12 months. So, March '25, we will see the overall all our stores across the portfolio, getting converted to having the King's journey.

**Devanshu Bansal:** Thanks Sumit. Thanks for the taking the questions.

**Moderator:** Thank you. The next question is from the line of Mayur Gathani from Ohm Portfolio Equi Research Private Limited. Please go ahead.

**Mayur Gathani:** Thank you for the opportunity. If I look at the Indonesia numbers, occupancy and other expenses, there is an absolute drop from INR61 crores to INR48 crores. Now what is this -- because you have added 13 stores of Popeyes, though the Burger King stores are flat. How is this number consistently dropping? Absolute number?

**Sumit Zaveri:** So, one is that we have as compared to last year quarter two, we have shut down quite a few restaurants, almost around 20 Burger King restaurants. And those were malls, high rent-to-revenue ratios as well. So that is the reason why we are very clearly seeing the occupancy and other expenses as a ratio coming down. Whereas Popeyes, yes we've added Popeyes, but rental, these are at the cities and we've, I think, shared in our earlier commentary as well as those counts are very attractive rent-to-revenue ratios as well.

So that is very clearly the reason for a drop from INR60.6 crores to INR48 crores. It's purely on account of shutting down of Burger King, almost around 20-odd stores that we've kind of shut down. And then we also are -- look very actively working with our landlord partners as well there in order to get some more further benefits or improve their rent-to-revenue ratio. So, it's purely on account of those efficiencies that we've worked on, that's one.

What are the second one? You would recollect that we had made last year during quarter two, we had made a substantial amount of marketing investments there. If you were to look at it in quarter two, last quarter two FY24, that is also now starting to kind of settle down into quarter three of FY24. It's a combination of both stores shutting downs as well as some of the investments that we had been starting to taper off.

But this journey will still continue because that's something which we are going to work towards with the current scenario that we have.

**Mayur Gathani:** My question was more on the sequential drop from INR61 crores to INR48 crores. What you explained was from quarter three last year to this year, this quarter, which is I understand because there are many store shuts, but from quarter two to quarter three, you've not shut any store in Burger King. And in spite you opened some 13 stores in other brand.

**Sumit Zaveri:** It is also on the cost of all the investments that we have done in quarter two on the marketing side. And also, we've kind of tapered some of those investments on that side. And we started rationalizing the costs quite substantially. We will share the details of those costs and plan as we go along. But the reason is because we started rationalizing the cost as well.

**Mayur Gathani:** That's great. So, can we take this as a sustainable thing that -- and what was your marketing costs? I mean in India, there's 5% that you have to spend. It is the same there in Indonesia?

**Sumit Zaveri:** So, our requirement on MFDA has always been at 5%. What I can tell you is that what we are constantly working towards as far as Indonesia is concerned, is that while headwinds really continue to impact us, our journey is that how do we really make sure that we achieve the breakeven at the -- during the challenging times as well. So that's something which is going to be our focus there.

So, while we might have said that we will get to breakeven later. But our focus is how do we get better within the current scenario. That's actually the focus why you are seeing the shift and we will only -- you will only see the continuation of this journey as we go along as well.

**Mayur Gathani:** Okay. Great. And Sumit, I heard that you not be opening any more Burger King stores for the next 24 months in Indonesia?

**Sumit Zaveri:** So, we will come back and revisit that [part per tiers].

**Management:** So, Mayur we had mentioned this, what I was sharing with, I think, Dhwanil was that this is the guidance that we had given at the beginning of the year for next two years. So at least in the next 12 months, we don't expect to add any Burger King. And if we choose to add in the scenario, as Sandeep mentioned, a lot of efforts have gone and if the economics really -- economics change in favour of Burger King, we'll come back to you. But as of now, at least for the next year, you can expect that we won't open any Burger King, but we will continue to open Popeyes.

**Mayur Gathani:** Okay. Great. I mean, fantastic job guys with the cost cutting that is happening. I mean we're just waiting for the top line to deliver and we will see margins flowing down. Great job sir. Thank you.

**Management:** Thank you, Mayur…

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Prashant Desai:** Thank you. Thank you, everybody, for joining the call. I'll wrap up by sharing two, three perspectives. Yes, the industry is facing a certain amount of headwinds, the sheer focus towards delivering -- getting more people into our stores on the dining side, journey which started early part of January, February of 2023 has consistently shown and driven our traffic growth. Traffic continues to be a very, very strong pillar for RBA in India and in Indonesia.

You will see us continue to build momentum on the traffic side. So that's a very, very strong pillar. Number two, just to add to what Raj, Sumit and Sandeep mentioned, as we continue to build traffic, both same-store growth, overall ADS will continue to grow. But our sharper focus remains to better our unit economics. As we had mentioned earlier, as our ADS continues to grow, you will see improvement on operating leverage beginning to play its role both at a restaurant EBITDA level and at a company EBITDA level.

We continue to believe -- be big believers that this is a business which is still in its infancy from a perspective of -- there is so much of demand for QSR, whereas supply is lagging behind, there are so many cities for us to go and cover and open new restaurants. So, we continue to remain extremely positive about this business over a medium to long-term perspective. And we thank each one of you for your support in this journey. Thank you.

**Moderator:** Thank you. On behalf of Restaurant Brands Asia Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.