restaurant brands asia

May 21, 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.: Investor/ Analyst Call Transcript

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 the transcript of the Investor/ Analyst call w.r.t. the Audited Financial Results of the Company for the quarter and financial year ended March 31, 2024, held on May 17, 2024 at 10:00 a.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)

SUMIT PUSHKAR ZAVERI
Digitally signed by SUMIT PUSHKAR ZAVERI
Date: 2024.05.21 11:46:39 +05'30'

Sumit Zaveri
Group Chief Financial Officer and Chief Business Officer

"Restaurant Brands Asia Limited

Q4 & FY'24 Earnings Conference Call"

May 17, 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 – GROUP CHIEF FINANCIAL OFFICER AND CHIEF BUSINESS 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 Q4 and FY '24 Earnings Conference Call. 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 from Motilal Oswal. Thank you, and over to you, sir.

Naveen Trivedi: Yes, thank you so much. So on behalf of Motilal Oswal, I would like to welcome you all to the Restaurant Brand Asia's Q4 FY '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, Group CFO and Chief Business Officer; Mr. Kapil Grover, Chief Marketing Officer; and Mr. Prashant Desai, Head of Strategy and Investor Relations.

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

Rajeev Varman: Good morning, everyone. This is Rajeev Varman, CEO of RBA. First of all, thank you for joining this morning. Really appreciate it. Today, actually, this year, November 9, as a company, we will complete 10 years in India, which is -- again, we keep saying this, but extremely young, if you look at the industry, which has been here for about 3 decades.

We are just going to be completing 1 decade at the end of November or at November 9. So that as a company and the plan for the 10-year, what we kind of put together and move forward, those plans continue, and then we continue to kind of take them forward.

See, last year was a tough headwind year for most of the industry. In this environment, I think our work in India at least continued to deliver positive same-store sales, every single quarter. Every single quarter, we delivered positive sales, and we ended up being 2.9% positive, which, if you look at our guidance initially in the first quarter or so, our feeling was, we would be somewhere around the number of 8% to 10%. And if you look at the industry, which was sitting at about negative 4% or negative 4.5% and with a 3% guidance, if the industry was even flat, we would have probably been close to where our guidance was.

So having said that, we continue to kind of talk about few pillars of what we are doing here in India and then what are we doing in Indonesia. So I'll first address India. So last time we told you that we are going to continue to be laser focused on profitability. So we have continued to do that in the stock environment. We have doubled our company-level EBITDA from previous year, and Sumit will talk all through the numbers.

But even in this tough environment, where we did not see sales rises as much, we have doubled our company level EBITDA. And that's through focus on our line level P&L integrity, right? So we have been very focused on that. We will continue to be focused on that, as we continue into the next year. So profitability, not just in the dine-in business, but now we have taken up several steps to move the profitability on our delivery business as well. So combined effort in moving from profitability forward.

And you will see that in both here in India as well as in Indonesia, and I'll talk Indonesia in a minute. Now if you look at our growth pillar, we continue to grow. We've built 75 restaurants last year with 11 closures. That's about 64 NRG, net restaurant growth. So we continue to do that. We continue to do that along with cafes, and we continue to build the cafe business and a rounded business from every opportunity, every restaurant that we build.

Now one of the things that we keep talking about is traffic, right? When you look at the same-store sales that we have delivered last year, it is on top of increased traffic. So for those that are wondering whether traffic is moving away from QSR or we had a headwind on traffic, traffic continued to grow in RBA this entire last year and into this year as well.

So on the top of traffic, we are driving this. And how are we doing this? We have always talked about 2 leadership positions that Burger King has taken. One is product leadership: to make sure that our products stand tall in the industry, it's one of the best received products, it's one of the best tasting products, quality-wise, quantity-wise, value for money, all those things we have always held that our product will be superior in this industry, and we continue to hold that and we continue to work on that, and we continue to test that theory every year.

The second pillar that we have always spoken about is value for money. And you've seen that since our inception in 2014, we have continued to provide value, whether it was 2 for INR50, 2 for INR59 , the INR99 menu. Now we are at 2 for INR79 menu. We continue to provide a gateway for consumers to enter into our business. That gateway will continue.

Kapil will talk more to it in a few minutes. But that value pillar of ours will continue to get energy from us, and we'll continue to grow in that direction. Digital is the other thing that we started this last year. Digital, as in, complete experience of a consumer in our restaurant, from walking into the restaurant and leaving the restaurant will completely be digital very soon in all our restaurants. We have already got in the neighborhood of about 100 restaurants that are doing this.

We call this table ordering. We call this kiosk ordering. We call this app or digital-driven ordering. Table service, where people can just walk in and sit on their table, place the order from there, get their food over there. This is something that we are very serious about, and we continue to push that. And you will find that very soon, all our restaurants will be delivering a digital experience to our consumers.

This helps in many ways. It helps in growing business. It helps in understanding the consumer. It helps in our checks. It helps in the money going directly to the banks, cash handling and everything else. It is just purely a very good route that the industry is taking. We are definitely taking a leadership position in there.

The other pillar is talking about product and menu. We continue to build menu that is relevant to India, right? For example, we launched nuggets. Now we did not launch nuggets that are sold industry or worldwide by Burger King, but very specific, relates to India. And they've got raving reviews back, saying these are really good nuggets and they're very specific to our Indian audience, and they're really working well.

We also introduced the Wraps. We have just got the Puffs off the ground. Those are rolling out. We continue our improvements on the premium menu, and then our focus on the Whopper. So Whopper, you might have seen our commercials last year. Kapil will again speak to that. But our continued focus and emphasis on building the flagship of our business to Whopper.

So relevant menu continue to grow on that, continue to focus, spend money and energy around that, that will continue. And the last piece of what we started a couple of years ago was the BK Café. And we continue to grow that BK Café. We continue to grow that in terms of menu, in terms of locations. We continue to grow that business, and we will continue to be focused on that to widen the experience of our consumers coming into the restaurants. So these are the top pillar.

And between Sumit and Kapil, they will address all the results as well as what we are doing under each of these pillars. But overall, in India, if you ask me, what is the company going to focus going into the next year is basically a great emphasis, a focused emphasis on profitability and to continue growth through traffic, responsible growth through traffic.

We want more people to come in to the restaurant, not grow through check. So you will continue to see those 2 focuses as we go into this next year, as we have gone into this next year. Now a little bit about Indonesia. And Sandeep Dey is here. He's a brand President for our business in Indonesia, and he will go into the details of what our laid out plan is. Now I've shared this plan with you. It's nothing new. It's just an update on status and where we are on this plan. So I'll first talk about menu, right?

So we were running this business when we acquired this business on the back of just burgers in a market that was driven by chicken, right? So we did, as I've told in the past, and the investment in our assets, which has brought our restaurants up to good standard, whether it was air conditioning, whether it's furniture, whether it was paint, whether it was signage, we invested money in the last 2 years on bringing our assets to a very good level. So that exercise has been completed.

We continue to improve on it. We will then, in the future years, get that also on speed on digital. And so the entire experience will continue to be to improve our assets so the assets are more relevant in the environment they are in. So that focus will continue.

Now on chicken. So we -- obviously, we took all our menu items on the burger range, and we improved every single -- not just 1 item, every single item on the menu was improved. It was tested and then relaunched with training of all the crew. And that was done in the last 2 years. And this last year was specifically heavy on training and the execution of the product. But the introduction of the chicken was a big one, right?

So we started selling chicken where we were decimal, very small quantities of chicken. We have now built that portfolio. In fact, Sandeep will talk to you about the introduction of the spicy chicken as well, which is a phenomenal work that he has done with his team. And those 2 products are now kind of driving additional traffic into those restaurants. So you will hear more on that.

And then the last piece is something that he's passionate, Sandeep is passionate about, which is co-branded desserts. And he will tell you how he's working on how that is moving the entire experience forward, right?

Now with the Indonesian business, we had planned to break even last year in terms of cash profitability. And we spoke about this at every call, and we were well in line to kind of move in that direction to be at or about kind of a breakeven number even up till about October, when this geopolitical headwind hit certain countries, Indonesia being one of them, which was kind of strapped in the geopolitical environment. And there was some anti-U.S. brand sentiments that kind of grew. I think we're kind of leaving that behind as we go into May and June. I think those are more or less kind of leveled out.

But what does that do is, it gave us a lot of headwinds in both Q3 and Q4. And instead of kind of gaining momentum, which we had reached ADS level in October as per plan to go over 20 million IDRs per restaurant, 20 million IDR per restaurant per day. But that got reversed in the Q3 and Q4. It's not coming back, and we feel good about it moving forward. It might take another couple of quarters to kind of completely eliminate that, but we feel good about that.

But while we were sitting in doing that, kind of working on the products and getting everything in line, we also took 2 steps which are very prudent. And now looking back, these 2 steps will define our results in next year. One is, we went around and look at our portfolio and closed 26 nonperforming restaurants. And that has significantly impacted the profitability moving forward of our business.

And the second is we also looked at our G&A and we rationalized it to the tune of about 20%. So these 2 steps that we have taken, which are concrete steps, which are not relying on potential market improvements in the future, but concrete steps today that we have taken that will have a positive impact on our business next year are already taken in place.

So as we go into next year in Indonesia, Sandeep will again carry you through that, we continue to build our delivery sales over there, which has significantly improved and he will address that as well. And we continue to drive traffic into our restaurants through better products, increased product portfolio, better assets to walk into and then in the future, going into the digital mode. So with that said, I'm going to turn it over to Sumit who's going to actually carry you through the numbers for this last year and as well as the Q4 quarter. So over to you, Sumit.

Sumit Zaveri: Thank you, Raj. What I'll do is I'll just kind of continue from where Raj left. Raj clearly laid out our focus areas. And if you really kind of look at it and reflect back into what we've achieved during the year, Raj focused about saying that growth is one of the key pillars. And we've kind of added around 64 stores net of closures during the entire year. We focus on value strategy, which kind of in short, that we deliver positive SSSG. And if you really look at it quarter-on-quarter, we've been in the range of 2% to 4% positive SSSG all across each other quarters there.

So on the back of very strong focus on growth, very strong focus on value strategy, value leadership introduction of new categories, we've been positive at 2.9% of SSSG for the full year.

Both those factors put together, we grew revenue at a pace of 22% for the year, leading to an overall revenue of INR1,760 crores for India.

If you look at it from the perspective of EBITDA, our EBITDA for the full year was closer to 10%, 9.7%, to be precise for the year. One of the other key drivers, which we've always been talking, we've been also been talking in our guidance, that we will continue to focus on our margins. We will not let the ball on the margin drop while we continue to push the value strategy forward.

For the full year, now we reported 67% gross margins. Quarter 4 was marginally higher at 67.7%. It had a one-off, but we should be able to improve for the coming years. We would continue our journey forward, and we will see it in the later part as well. As promised, 2% improvement over the next 3 years is something which we will continue to kind of focus on. We will see on a year-on-year basis improvements going forward.

So that's actually the broad summary as far as India is concerned. If I really go into the Indonesia part of the business. Indonesia did kind of see, we started seeing the recovery in October, and Sandeep will cover a little in more detail as well and kind of get into details of it.

But right up to October, we got to an ADS of 19.5 million. And then with further investments that we had planned on chicken and all, we felt positive that we would have got to what we had been talking about to cash breakeven towards quarter 3, quarter 4 in Indonesia, but external factors really kind of pulled us back.

We are back on track as far as Indonesia is concerned and we've started at least going back to higher ADSs than what we did last year during quarter 4. So this kind of just gives us confidence early days, but we will continue to build on to that factor.

So we, as far as the year is concerned, we did a revenue of INR677 crores as against INR615 crores. These numbers will get base line a little bit because we have shut down some stores during the year. On BK side, we are at 150 stores. And when we really look at it from the perspective of other cost lines on depreciation and all, we will see -- you will see the impact of that appearing in Indonesia financials for the year.

Our focus, again, like in India, is going to be value strategy, drive more traffic, focus on delivery, and that is also one of the reasons why we've seen a drop in gross margins as far as Indonesia is concerned. But this is -- we strongly believe that this is for the group to make sure that we are able to drive more people into the stores.

Overall, at the company level, excluding some of the costs that we took on account of closure of stores, we were positive at a restaurant EBITDA level and substantially reduced cash loss at the company EBITDA level.

Last year, we were -- we had a loss of almost around INR95 crores. We brought that down by INR40 crores to INR54 crores or INR55 crores. Our endeavor is to make sure that if this improvement of journey that we are taking, we do believe that we should be able to achieve what we plan to achieve this year, in the coming financial year or the ongoing financial year. So that's broadly from my side on the overall performance, and then we'll take more on the Q&A side. So I'll just hand it over to Kapil to take -- take us through the key priorities on the business side and then Sandeep can talk about Indonesia.

Kapil Grover: Thanks. Thanks, Sumit, and good morning, everyone. So today, as we discuss the quarter 4 performance of FY, let me just give you the full year perspective. There are 4 things that I've always shared with you in every call that we focused on that help us deliver a positive comps here.

First and foremost, our value proposition. This is what we launched in April of '23. We focused on satiating meals platform, the Tasty Meals at 99. This really helps us gain momentum and attracted more guests into our lobby, which is evident in our traffic, as Raj mentioned.

While the industry saw some headwinds on the discretionary spends in the last couple of quarters, we continue to offer our guests great value and kept them coming back to our brand. It's not just value that we focused on, as Raj mentioned, we also continue to focus on Whopper, which is a signature product. Last year, we came up with a new campaign on Whopper.

The insight behind the campaign, was that our guests have given us feedback that they want the product to taste closer to their palate expectations. And we have made that change in the recipe, right? And we then crafted the insight into a multilingual campaign, which was shot in 3 different languages, with a unique cost for every language to make a deeper cultural connect with our guests.

The idea of Swaad Aisa, India Jaisa! is rooted in a very deep culture insight. And we will continue to use this platform over the long term to build a Whopper love amongst our fan base. During the course of the year, we also continue to innovate and offer our guests exciting new products. We launched the chicken snacking favorite nuggets. Now it's a crunchy nugget. It's got a twist on a typical nugget that we've seen in QSR.

We also relaunched the BK chicken burger with 50% more chicken. So it's not just about new products, we go back and improve our existing products also based on customer feedback, right? And that's now available at 50% more chicken at the same price, so even better value for the consumer.

We also added premium wraps with the soft paneer and the fiery chicken. Now these premium wraps have been nationally launched at the INR199 price point and as a part of the cheese collection menu. Lastly, we also relaunched the softer, fluffier muffins, which have now been added to all our BK Café outlets.

Now on Slide #18. Now BK Café experience is now available at 351 restaurants across the country. It continues to sort of offer consumers more choices on beverages with coffee-based beverages, shakes, now muffins. So it's a great new addition to our menu, and we continue to innovate. Like recently, we've added the Iced Americano to our menu, and we'll continue to build this layer over time and gain more occasion share.

So while we drive traffic through the value proposition, while we build Whoppers, while we offer new innovation to our guests and while we continue to build Cafe, we are continuously engaging with our guests on every occasion, whether it's a trending movement, it's festivals, it's movie releases, it's crickets. Any moment marketing, we make sure that we are always in touch with our guests and keep having the conversation to engage them with the brand.

Last but not the least, I want to share an update on the King's journey rollout, where our guests are offered a fantastic experience through digital-ordering kiosks, through BK app-based ordering, through QR code ordering on the table. And eventually, they don't need to queue up for the food. We serve the food on the table, right?

So that's the new experience we're rolling out. As of today, we have almost 100 stores that offer 100% digital experience. So you can order on the kiosk or on the app or on the table, and your food will get served on the table. And we're expanding this as we speak, the table service is available at across almost 250 stores, which are all our dine-in locations now offer table service to our customers.

This will certainly help us improve our guest experience over time. And just in the end, I also want to share the brand got recognized at several sort of global platforms. This only encourages us to strike harder and do a better job in the future. So that's it from my side. I'll now hand over to Sandeep to share the Indonesia update.

Sandeep Dey: Thank you, Kapil. A very good morning to all of you. Well, this year actually has been an absolute roller coaster for us. We started the year on a great note. The first 2 quarters, we delivered double-digit growth. In quarter 1, we were 10% higher. Quarter 2, we were 13% higher. But the third quarter actually has been quite challenging for us.

Even in the month of October, as Sumit and Raj was mentioning, we were 17% higher in sales compared to same period last year, which is unfortunately, when the entire industry witnessed a major setback due to the geopolitical crisis, our business also suffered and guests stopped coming to our restaurants.

The dine-in business actually dropped more than 30%. However, we quickly pivoted our strategy to drive sales through delivery channels and covered a large part of the drop through a very strong performance in the delivery side. As a result of which, the quarter 4, we again bounced back and delivered 11% year-on-year growth in ADS.

During the year, as Raj was also mentioning, we took some calls and closed some of the underperforming stores and as a result of which, our ADS also improved further by another 0.8 million. So the average has gone up from 18.5 million to 19.3 million.

The next few minutes, I'm going to share with you the work we have done this year and also our go-forward plans with respect to our strategic pillars. So let me first quickly recap what are those strategic pillars. First, build relevance and credibility of our chicken menu. Second, established leadership in burgers. And third, building a comprehensive dessert menu and drive incremental operations through that. And most importantly, we will continue to provide strong value propositions to our guests across the menu layers and across all the channels.

See, Indonesia, as a market, is a very strong fried chicken market. Having a winning product is a key motivator in this category. We identified that gap in our menu, both with regard to the taste as well as with regard to variety. And as Raj mentioned, the team worked very hard, improved the quality and classic of the classic crisp chicken, and we also developed a spicy variant.

Both these variants performed very well in consumer research, and then we launched those 2 variants, June of last year. We also supported that with a comprehensive 360 degree marketing campaign, including TV, digital, influencers, outdoor mall branding. We also, in fact, offered, at a very aggressive, trial price of IDR25,000 for a meal. Basically, a piece of fried chicken, rice and drink at a price of approximately INR140.

The results are phenomenal. The volume grew by 50%. It's so good to see that the results have sustained over the last 3 quarters, and now it has become a part of our everyday value offer. But that was Phase 1. We also understand the market has a demand for 2 types of spicy chicken. One is dunked version, if you're going to take this crispy chicken and dunk in a spicy sauce, which is what we have been selling now.

But there's a market for a breaded spicy version as well, right? And that is where we have worked hard now in the last few months and developed that product, and we are going to launch that in the next couple of months' time. And through that, we are going to strengthen the chicken portfolio even further.

Our next strategic priority is to establish burger leadership. And we continue to focus on a two-pronged strategy here. First, we call it as a value LTO strategy, where we offer some of our flagship and preferred products like Whopper Junior at a very attractive price, and that is helping us drive trials, helping us drive frequency and building the Whopper equity.

The second part of the strategy is to actually provide new excitement through taste innovation and branded collaboration. Like last year, we launched a co-branded Whopper as Mexican Whopper. That was a branded collaboration with Heinz. Then we also launched something called a Cheese Dunk Whopper, which was inspired by local favorites.

The volume growth for this burger was more than 35%, and the result is sustained over the last couple of quarters. And we stay committed in continuing to build the Whopper equity going forward.

Anyway, this is a very strong cold dessert market as well, and we see a big opportunity to gain share in this category. Our strategy has been to offer our guests new and indulgent dessert every quarter. And we have done that work consistently throughout the last year, and we have seen a volume growth of dessert almost 2.5x. And our ambition is to actually double that volume next year.

Now I'm on the next slide, which is Slide #25, and I'll give a quick update on Popeyes. This year, we opened 15 stores, and now we have a total of 25 stores portfolio. So what is our going forward plan? Number one, we want to ensure that we provide elevated guest experience through delivering great quality product consistently and provide 100% table service.

Number two, building awareness of our brand, building awareness of our products and then generate track. Each of our stores actually have kiosk, which is used for primarily ordering. And we are using the digital mini board as our ad board and building product awareness through various video assets. Every store has a video wall also which runs brand videos, which runs product videos.

Number three, we are, by the way, the only QSR to have a grilled chicken in our portfolio, and that is a unique differentiator. Just love this product, and it almost contributes 30% of our overall chicken, bone-in chicken portfolio. So going forward, we are going to strengthen this layer by adding further products into our menu offering.

And number four, continue to provide digital-first experience to our guests. 95% of our dine-in transactions are through kiosks. And we are also going to launch our own app in the next couple of months' time. This is going to help us driving a very strong CRM program in the times to come.

So that's from my side on the Indonesia business, and I will now hand it back to India.

Gaurav Ajjan: Hi, I am Gaurav. I'll just run you through the guidance. Our guidance for FY '24 for restaurants was 450. We've beaten that guidance. We have 455 as of March 31, and our outlook for FY '27 continues to remain the same. We are targeting to open 700 restaurants.

For gross profit, we had given a guidance of 67%. We've achieved that for the full year. For FY '24, our gross profit is 67%. And over the next 3 years, we want to take this up by 2 percentage points to 69% approximately.

For Indonesia, as Sumit mentioned, we were targeting a cash breakeven for FY '24. Unfortunately, this recovery has been delayed due to the geopolitical headwinds that we've spoken about extensively. And now with the current situation, we expect them to be cash breakeven in FY '25.

So with that, I'd like to open out for Q&A, and please ask us whatever questions that you may have.

Moderator: The first question is from the line of Dhiraj Mistry from Antique Stock Broking.

Dhiraj Mistry: Congrats on good set of number and improving profitability. So my first question was on what Rajeev highlighted, that you are working a lot on improving profitability on delivery channel as well. So I would like to know what kind of measures you are taking delivery channel to improve profitability?

Kapil Grover: This is Kapil. I will take that question. There are a couple of things that we're doing. It's a combination of product mix. You make sure that the menu that you offer on delivery is designed in a manner that it is a profitable proposition for the company, while offering great value to the guests as well.

Number two, we have recently taken some price hikes on our delivery offerings. These are keeping in line with where the industry is. And we are making sure that there are still value for money for our consumers. And these measures are helping us drive better profitability despite offering great value and continue to grow our traffic on delivery.

Dhiraj Mistry: Okay, okay. And historically, you have seen that in Ind AS and post Ind AS, EBITDA margin has always in the range of 10%. And the difference between both of them. How we should look forward once you start focusing more on profitability now?

Sumit Zaveri: So Sumit here. So as far as we are concerned, when we look at profitability, our focus would continue to be on generating cash. That's literally how -- that is going to be our key metrics. We are -- that is what we've literally been talking about.

So we see an improvement in the store and the company level EBITDA as we go along. Between pre and post Ind AS, we've seen a difference of around 6%, 7% on account of rentals. That would virtually continue to be there because we continue to add stores on an annual basis. So that gap will continue. But our focus, when we talk of profitability will continue to be a company EBITDA improvement.

Rajeev Varman: I just wanted to add to that. This is Raj. If you look at the P&L from last year and this year, when you look inside the site, you will see the line items on the P&L, everything has been scrutinized, right? They've gone through and looked at all the numbers, all the services, the cost of the services.

We have rationalized everything, right? So today, even though let's not look at the percentage because percentage is driven by volumes. Once we reach those volumes, all those percentages will look fantastic, right? They will be in line with the industry. Today, as I told you in the onset, we are a company that is just going to complete 10 years in the next few months. 455 restaurants in less than 10 years, we have built, right?

So this is where the company is. And if you look at the unit cost without looking at the percentages, whether it's utilities, whether it's labor, whether it's other services. You go line by line, and I invite everyone to kind of study what's there that's sent out.

And you will find that this operation in the last year has become extremely efficient, extremely streamlined. And we continue to do that on the top of driving traffic into the restaurant, right? They're not positive 2.9% by check. We are positive 2.9% with the higher traffic growth into our restaurants. So this is -- basically, the formula is to continue driving more people in the restaurant and continue to focus laser on our P&L line items.

Dhiraj Mistry: Got it. No, we certainly appreciate that very much. And can you highlight what is the demand environment right now that sequentially, historically, if I see that Q1 versus Q4, we usually see 10% to 15% increase in average sales. Are you witnessing the same? And is there any difference which has happened?

Moderator: There is a background noise from your end. Can you please move your handset?

Dhiraj Mistry: Can you hear me now?

Rajeev Varman: Much better. I understood your question. I'll just -- to save time here. Look, the entire year last year, we have been positive on traffic. We have been positive on sales, on SSSG, right? We continue to -- on top of building new restaurants in existing markets, in many cases, we have continued to drive positive traffic into our restaurant.

More people coming to our restaurant. More people coming through our delivery system, right? That we haven't seen a dent since we started into April, May and going into June next month. We continue in the same route. There's apparently headwinds that are kind of softening. And I think you will see that -- we feel anyway that the Q1 and the Q2 numbers will reflect that.

So I think that's where we sit on. I mean we don't want to guide people because we did that last year and we learned that there are sometimes headwinds that kind of come very sharply and very quickly. But we feel good. I mean we have been positive on traffic. We continue to be positive on traffic. And we see no reason that, that would reverse in the immediate future.

Dhiraj Mistry: Got it. Got it. And last question, if I may, the post price hike. What would be the margin difference between delivery and dine-in channel? Is there an integral difference?

Rajeev Varman: Yes. We don't break up the P&L that way for competitive reasons. We kind of keep that in-house. But just what Kapil was saying, we have done a lot of data. First of all, it drives the highest number of traffic numbers in delivery in India, right? We already shared that with you every single meeting that we get on the call. we are optimizing that, right?

We are trying to make sure that, that is traffic that we are driving with profitable kind of margin numbers. So that optimization through product mix through entry-level pricing and through offers that we do, we have kind of optimize that, right? So we will continue to work on that and the gross margins and the contributions will continue to improve in that area. That is the effort of the team.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Sir, our store guidance implies about 80 stores per annum over the next 3 years. Do you foresee this addition to continue in FY '25 as well? Or there may be some moderation on this trend?

Rajeev Varman: No. Right now, we're kind of guiding 700 restaurants by FY '27. We continue to stay put on that. Look, we have always believed and we will always continue to behave like that, is that we have to responsibly grow, right? If in a particular year, we see that maybe moderation on growth rates is required, we will look at those, right?

We don't want to be those -- the company that just is cowboy approach to growth. Responsible, disciplined growth is what we believe in, and we will continue to do that. Our guidance will remain 700 restaurants FY '27, as we have began -- as Gaurav has already given to you.

Devanshu Bansal: Great. Can we follow-up to this is -- can we bake in additions in line with internal accruals and whatever cash we have on the balance sheet? Or you will be open towards capital raise to pursue growth?

Sumit Zaveri: So as far as India is concerned, we will continue to grow using the cash that we have on balance sheet plus internal accruals. As we've said in the past as well, that if there is a need to raise some short-term debt to fund any part of the growth, then we would be open to do that.

But at the same time, I'm just adding on to what Raj was saying. We would -- our end -- at the moment, our goal post is 700 stores by December '27. And that is what we are really focusing on with very clear understanding on profitability as well. So as we grow there, if we have to kind of readjust any of the targets for you, we will always keep taking that call there. But no plan for any capital raise at the moment.

Devanshu Bansal: Sumit, 2 book keeping questions. There is an increase in noncurrent liability of about INR48 crores, as well as there is other financial liability increase of another INR52 crores as well. Total, it is about INR100 crores. So what is the nature of this increase in liability? And when are these liabilities due for payment?

Sumit Zaveri: So these are largely on account of the stores that we opened during -- towards the later part of the year. So those would kind of get paid as they do, due to current in nature there. But that's something which is more like -- as you know, we are negative for the capital business. So we will always have business and expansion-related negative working capital cycles that we will continue to have. And what we are seeing is, in that sense, really normal levels lead to our levels of business.

Devanshu Bansal: Okay. So this INR100 crores will be paid out, right?

Rajeev Varman: Yes, normal growth.

Sumit Zaveri: They are current, in nature. But at the same time, as I'm saying that it's not that the levels of liabilities that we have. At the current levels, we will see a reduction. So it will cut at these levels because we are negative of capital difference.

Devanshu Bansal: What is the quantum of one-off in the gross margin that you mentioned, Sumit?

Sumit Zaveri: That's a very small number. We -- roughly around 0.2% to 0.3% impact for the quarter. And that is the reason why we feel that this will not have an impact into our journey to 69% going forward. We will continue to see improvement from the full year exit of 67% as we get into the current financial year and the couple of years from here on.

Moderator: The next question is from the line of Ram from Cycas Investment.

Ram: Congratulations on the profitability. I just want to ask 1 then. I want to understand the relationship that RBI and RBA, the International parent company and Indian, Indonesian company. As side from the master transit agreement, in obtaining the 700 outlets, so do you see any assistance from the parent company or otherwise?

Rajeev Varman: See, first of all, you have to understand that the parent company is also part of our company, right? They are shareholders in our company. They're just not a franchiser. They are also part of the company, right?

So they sit on our Board as well. We make our plans. We approve our plans together, right? So you have to have that comfort as you asked that question. So again, there will be headwinds. There will be nuances. There will be things that will happen. But I think we make decisions together. We do it for the greater good of the brand in the long run. Our focus has always been that we are not running this brand for 10 years or 15 years, we are running this in the long-term -- long-term kind of basis, right?

So we do this together. Now RBI is the franchiser. It's the biggest company that is housed outside of the continent. But it is not just a franchiser, but also participates as a shareholder in RBA, which is registered here as a public company in India. I hope that answers both the questions.

Prashant Desai: If you want to understand the nature of the relationship between RBI and RBA, we will extensively mentioned in our DRHP when we went public, it will give you further details in terms of the nature of relationship. Beyond that, there is no change from there.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Congratulations for the margin expansion story continued. I am on Slide 9, and I'm reading 4 numbers. From quarter 3 , quarter 4, our gross margin has improved almost 200 basis points. Our ADS is cut down by 2.8% Q-o-Q. SSSG has moved from 2.6% to lower, 1.9%. And when I look at our marketing expenses moved to 5.2%. So when I read these 4 numbers together and on top of it, our restaurant EBITDA has also come down about 400 basis points. So how we should think on the gross margin and restaurant margin in next 4 quarters?

Sumit Zaveri: So as I said, as far as gross margin is concerned, we exited the full year at an average of 67%. We should see an improvement in line with our gross margin journey that we want to take at 2%. Generally, we would really see a very similar equated growth on an annual basis. That's what -- how we really kind of work towards the gross margin journey is concerned.

As far as there is obviously, for us, that there will always be a direct correlation between the level set -- level of ADS versus the restaurant EBITDA. And that is why you see a drop from 12.2% or 10.7% that we did in earlier quarters around 7.8%. There partially, there is a drop because we spend higher on marketing, which will kind of come back.

And the second one is also because we opened a substantial amount of stores towards the later part of the year. It's not that we start on negative journey, but they start on a lower store level EBITDA margin. So that there is some amount of impact that we are seeing in quarter 4. We believe that as the ADS comes back, we will -- we should see the store level EBITDA numbers that we saw in quarter 2, quarter 3 levels and better.

So that's how really we see the journey, which will be -- so we will see the margin expansion continue as we've kind of seen from the 67% exit for the full year. As the ADS improves, which is through traffic, we will see going back to the early double digits in terms of store-level

EBITDA. And as far as marketing is concerned, on an average, we spend around 5%. We might see variations -- slight variations on quarter-on-quarter. But on an annual basis, you will see that it will average out at 5% of revenues.

Shirish Pardeshi: Okay. I'm just asking and trying to infer, is there any mathematical correlation 100 basis point improvement, in April we will have 250 basis point improvement in restaurant EBITDA margin, something like that?

Sumit Zaveri: No. While we would always have the leverage on account of fixed cost that will come into play but there are also, when you really try to refer it quarter-on-quarter, there are also these seasonal variations that really come in. So we won't always feel that it's always better to kind of then see on an annualized basis. So that these seasonality variations gets kind of taken care of.

Like I just give you an example, like variation a simple line of utilities between summers and winter. And I'm not getting on the details of it. But I'm just kind of explaining or marketing, for that matter, which we would decide the way we would really want to invest behind on a quarter-on-quarter basis. So we would always feel that the best way to look at finally is on a full year basis because then that takes care of the seasonality variations there.

And if you look at it from that perspective and I just kind of use the slide that we have on 8, where you will see that we moved up from 8.3% to 9.7%, while overall ADS was the same on the back of same-store sales growth that we kind of achieved. So clearly, I would urge you to look at it more on an annual basis rather than quarter-on-quarter basis.

Shirish Pardeshi: That's helpful, Sumit. My second question to Raj. Can you share what is the footfall or maybe like what is the MAU, monthly unique customers, some numbers to understand where -- I'm not asking about what, but for a full year, if you can share some qualitative improvement on the traffic and footfall?

Rajeev Varman: Yes. We actually don't share traffic numbers, so we will not share those on the call. But I can tell you that we are -- the entire FY this last year FY '23, '24, we have continued to increase SSSG numbers based on traffic improvements because it stands as a central core pillar for us and any improvements we want to do is not on the back of trying to drive more gross margin or more sales through higher pricing but more through traffic. I can tell you that we do drive one of the highest traffic numbers on delivery. And on dine-in, given our intensity of 9, 10 years total operation, if you look at the average restaurant tenure, it will be somewhere in between 4 to 5 years, right? That's the average tenure of a restaurant that has been opened.

This obviously continues to grow and you will see that from the industry itself. I don't even need to look at the burger king numbers. The traffic continues to grow. So at a given point of time, if we are driving more people average for the portfolio into the restaurant incrementally, then you will find that the whole portfolio at some point -- you just got to kind of assume that at some point, if you're not going to build any restaurants, your ADS, ADT, everything of existing portfolio keep rising dramatically, right? Because when there is no new restaurants to bring the ADS down. I think that's probably the real question underneath your question.

Shirish Pardeshi: Yes. I'm just trying to make 1 more attempt. Are you going to say that top 2 delivery platforms, your traffic has grown for FY '24 in terms of traffic line?

Rajeev Varman: Yes. I've said that 3 times now on the call. Absolutely.

Shirish Pardeshi: Okay. And just last question. On the SSSG, we have not given any aspiration number for FY '25. Is there any particular reason? Or are you in the future is one to relook the number and give us?

Rajeev Varman: Okay. We give you guidance on things. We absolutely have a hardcore belief that this is something we will deliver, and we can move forward and we have a good understanding of. And as we see that last year, the guidance was at 10% SSSG, right? We've all stood corrected as an industry at the end of the year. So we are cautious in the way we are approaching this. But look here, general guidance over the next 2, 3 years is good guidance. It really gives you because we are planning on that basis.

We are not planning restaurants on a quarterly basis. We are planning restaurants, and growth and EBITDA and sales and traffic, including delivery on the basis of the next 2 to 3 years, right? So we are giving that kind of guidance. I think that's the best way we want to interact with our investors and as well as analysts that are kind of measuring us.

Moderator: The next question is from the line of Sakshee Chhabra from Svan Investment.

Sakshee Chhabra: Congratulations on a great set of numbers. So my question was actually on the Indonesia business. I wanted to understand that what has led to the major drop in the occupancy and other expenses in this quarter versus last year and as well as last quarter?

Rajeev Varman: Yes. So we spoke about the fact that we closed and rationalized a whole bunch of restaurants, right? We closed down 26 restaurants that were not profitable, right? And as Sandeep was saying, closing these restaurants not only reduce our losses but also raise the ADS of surrounding restaurants. So not only that we have removed a chunk of restaurants that were losing money but we made the surrounding restaurants that were there more profitable. Those are 2 things that happened, which kind of factored in the P&L that you are looking at.

Sakshee Chhabra: Okay. The reason I asked is because there's an asterisk and it says that it excludes store closure expenses and loss on termination. And there is a drastic drop. I mean the closure of restaurants that happened was throughout the year, right? It's not that all the restaurants closed in the last quarter. So that is why I just wanted to understand that because last year, the number was INR484 million -- sorry, INR597 million. And last quarter, it was INR484 million, which has now gone down to 135 million. So going forward, then is this INR135 million number going to be maintained? Or how do we look at it?

Sumit Zaveri: Sure. Sakshee, I just kind of -- I'll take that. So as one is what we've excluded as far as store closure is the cash expenses that we incurred at the time of closure of stores, which included effectively severance and other related expenses, roughly around INR10 crores to INR11 crores. The reduction occupancy and other expenses like that you are seeing is largely on account of the depreciation line and realignment of all the leases that we've had, these kind of few leases that we realized. And there was a one-off onetime impact that came in into that line of occupancy and other expenses but that is impacting the post Ind AS numbers.

When we really look at it from the perspective of pre Ind AS numbers at a cash generation level, and that is the reason why we kind of segregated it and shown restaurant EBITDA and company EBITDA numbers. We are seeing a substantial shift if you see it at the company level, from INR95 crores to INR55 crores. And that's really the number that we should look at it from the perspective of seeing or how do we really benchmark it saying what would the journey begin from, I would really take the journey beginning from the INR55 crores of company EBITDA loss to trying to achieve towards the breakeven and the current financial year. So that's how I would really look at this number from that.

There is -- this is totally on account of post-Ind AS adjustment. It does not have any cash related adjustment that is sitting under occupancy and other expenses.

Sakshee Chhabra: Okay. Got that. And what is the number of stores in Popeyes that we are looking to increase in the next year?

Sumit Zaveri: So currently, we are at 25 stores. At the moment, as we've been saying that we are focused as far as Indonesia is concerned is going to be really stabilizing the entire portfolio of -- both the portfolio as far as business is concerned. So the capital allocation on both the brands is going to be literally close to nothing. We are not going to put any capital allocation on expansion at least in the current financial year as far as both the brands concerned. Because our concentration on this service really go and work towards stabilizing overall improvement of business for both the brands of BK and Popeyes. BK, we've got around 150 stores, and Popeyes, we've got 25 stores as we see.

Sakshee Chhabra: Okay. And there are no more store closures expected in BK, right?

Sumit Zaveri: No. At the moment, I think we have now taken a very hard look. So we feel that this -- at the moment this is the right scale of business that we have as far as BK is concerned.

Moderator: The next question is from the line of Mayur Gathani from OHM Portfolio Equi Research Private Limited.

Mayur Gathani: Just continuing on the previous question. Do you do not intend to open more stores of Popeyes in Indonesia?

Sumit Zaveri: Yes. At the moment, our current year's focus. So it's not that we are moving away from growth as such but our focus at the moment is going to be really stabilizing both parts of the portfolio and improve the overall performance for that. We want to also kind of look at our overall portfolio in terms of product that we offer in Popeyes and BK. We've got a reasonable size. But at the moment, 25 stores in Jabodetabek. So the concentration will be towards improving there. So it's just more like relooking at what we have on ground. And then once we've kind of made relevant improvements or changes, we go back to growth on Popeyes.

Rajeev Varman: Yes. Just if you reflect back to when we spoke about the geopolitical headwinds that came in into the industry in complete industry in Indonesia. And there was the impact of that significant to the industry, ranging anywhere from 30% to 40% decrease in some of the brands in sales and so forth.

So it's prudent for us to make sure that, that stability comes back and the growth curve that Indonesia was pre that comes to realization before we continue to grow. Right now, it makes no sense for us to continue putting capital this year while we kind of want the business to stabilize and overcome all the losses and make sure that this becomes a profitable business, at least from the cash basis this year. I think that's the goal. The goal is to bring the business to cash flow positive or flat, and then we'll continue to investment post that.

Mayur Gathani: So you are saying that the geopolitical tensions starting from H2 of FY '25 has led you to the decision where you rather not open stores and focus more on profitability, cash profitability this year and then come back to growth. Because for quarter 2, onwards of quarter 3, we spoke about opening at least 25 stores of Popeyes every year in Indonesia.

Rajeev Varman: Yes, that's correct. So this -- what we saw was 1st October. So November, December, we started seeing a decline. We thought the decline would be very short-lived. It continued for longer than we expected, and we just are being prudent with the responsibility of allocating capital responsibly.

Mayur Gathani: And continuing previous participant's question. The occupancy and other charges have dropped significantly. So quarter-on-quarter, we should see this number from INR30.5 crores to like INR25 crores. Is that a general number that we should take forward? Because adjustment was the -- INR11 crores is what someone mentioned.

Sumit Zaveri: Yes. So on a cash basis, one-off is INR10 crores but that is not included in occupancy and other expenses. And the adjustment that has -- so there will be a reduction quarter-on-quarter because we have reduced the stores. So that's what I would see. As far as occupancy and other expenses is concerned, I would use quarter 3 as the benchmark for us to kind of look at how the numbers would look like on a state on state basis rather than looking at quarter 4 number because there is an adjustment that we have on account of -- more on account of an accounting adjustment. So stable state, I would look at as 48 -- INR45 crores to INR48 crores on a continuing basis.

Mayur Gathani: Okay. And coming back to India, the ADS has significantly fallen from INR126,000 in September to INR105,000 now. How do you see this going ahead? So you've been saying that volumes have been coming, customer flow is good for BK but ADS has been falling. Is it because of the value proposition is the reason?

Kapil Grover: This is Kapil. I take that question. It's not the value proposition. There is seasonality. Quarter 4 Jan, Feb, March typically does have low seasonality. And we do see improvements coming through in April, May, June as seasonality kicks in, school holidays, malls -- mall events, all of that. So just for seasonality, I think we continue to stay positive on book even in quarter 4, as Raj and Sumit shared, and we are hopeful that this trend on traffic will continue with us.

Moderator: The next question is from the line of Jay Doshi from Kotak Securities.

Jay Doshi: My question is on you're seeing unprecedented slowdown in mass consumption and QSR for the past 6 quarters now. Is there a possibility that you can go back to RBI, get a waiver or concession on store openings for a year, focus on profitability, try to get to 8% to 10% pre-Ind AS company level EBITDA margin in India, and then resume store growth? Because right now, your profitability, EBITDA level expansion assumptions are hinging on improvement in ADS, and which I think at this point of time, nobody in the industry has that visibility or confidence that it will improve meaningfully. So in that context, are you even considering going to RBI? And this also -- question is also from the perspective because we've seen a lot of franchisees of RBI globally struggle because of the aggressive reopening of RBI…

Moderator: Sorry to interrupt you, sir. May I request you to please use your handset.

Jay Doshi: Yes. So I was just trying to sort of have you considered this possibility? How is the Board thinking about it?

Rajeev Varman: Yes. Thank you for your question. I got your question. Look, I will not comment on the global market, RBI. I think you probably need to go to them. Look, we made a decision not to put restaurants in Indonesia this year with a prudent thought process, right? So there's a thought process. There are specific issues there. We are calling them as geopolitical reasons. It's industry driven and so forth, right. Here in India, I think we have to take a long-term view. We have -- we cannot just take a planning based on quarterly, quarterly -- quarter-over-quarter, and we have taken all these considerations.

We have had conversations. Like I said, RBI actually sits on our Board. They are investors in our business here. They're shareholders in our business. And we make good decisions based on all these factors that you're saying. All these factors were considered what you are planning in terms of FY '27 to 700 restaurants and our addition in Indonesia to kind of take a pause, not a halt, but a pause for the year in terms of growing. So all this was considered, right? We are making those decisions based on all the factors that you have just shared with us.

Jay Doshi: That's helpful. In fact, I appreciate your decision in Indonesia. My only request to you is shareholding structure has changed a lot. If you could take feedback or inputs from your key minority investors, whether they would like to see this EBITDA margin grow from 4% to 8% or another 70 stores in the next 12 months. So maybe perhaps you need a discussion with investors…

Moderator: Sorry to interrupt you, sir. Your voice is breaking. Can you repeat your question again?

Jay Doshi: Sure. I think my suggestion was, if you could take inputs from investors in terms of whether to focus on EBITDA margin improvement or store openings in India?

Prashant Desai: Great question. We consistently in every quarter do that as we get our investors. Along with that, we pass on the information to the Board and the Board can appropriately takes a decision. You've seen the first segue of that this year. We're choosing to kind of take a pause on Indonesia. But it's a fair point. And just to answer, we do that consistently.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to the management for closing comments.

Prashant Desai: Thank you, everyone. Prashant here. Thank you for the call. Just one small announcement from our side. I have been moving on from Burger King or RBA, and in my absence, Gaurav Ajjan has now joined as the new Head of Strategy and Investor Relations. So any further queries that you may have, please direct it to Gaurav.

Thank you so much for all the support that you have given to us right from the IPO till this time and I hope you'll extend the same to Gaurav and the team. Thank you.

Rajeev Varman: Gaurav, do you want to say a few words?

Gaurav Ajjan: Thanks, Prashant. Looking forward to continue on this fantastic journey. My contact details are given on the last page of the presentation. If there is anything that I could help you, please do feel free to reach out to me any time.

Prashant Desai: Thank you.

Rajeev Varman: Thank you, guys.

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