

Burger King India (BURGERKI IN)

Rating: BUY | CMP: Rs168 | TP: Rs250

Strong recovery, growth plans on track; BUY

August 16, 2021

Q1FY22 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	250		250	
Sales (Rs. m)	10,329	14,253	10,329	14,253
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,527	2,547	1,527	2,547
% Chng.	-	-	-	-
EPS (Rs.)	(1.1)	0.3	(1.1)	0.3
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	8,412	4,945	10,329	14,253
EBITDA (Rs. m)	1,040	149	1,527	2,547
Margin (%)	12.4	3.0	14.8	17.9
PAT (Rs. m)	(722)	(1,613)	(424)	122
EPS (Rs.)	(2.6)	(4.2)	(1.1)	0.3
Gr. (%)	80.0	61.9	(73.7)	(128.9)
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	(27.5)	(34.0)	(6.5)	1.9
RoCE (%)	(3.0)	(19.6)	1.2	12.2
EV/Sales (x)	5.7	12.3	6.0	4.4
EV/EBITDA (x)	46.3	408.9	40.6	24.4
PE (x)	(64.6)	(39.9)	(151.8)	525.0
P/BV (x)	16.9	9.5	10.1	9.9

Key Data

BURG.BO | BURGERKI IN

52-W High / Low	Rs.219 / Rs.108
Sensex / Nifty	55,583 / 16,563
Market Cap	Rs.64bn/ \$ 867m
Shares Outstanding	384m
3M Avg. Daily Value	Rs.1494.92m

Shareholding Pattern (%)

Promoter's	52.62
Foreign	17.16
Domestic Institution	4.95
Public & Others	25.27
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.4)	16.7	-
Relative	(4.8)	9.4	-

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Quick Pointers:

- 5 stores opened during 1Q22, 34 stores under execution
- BK App downloads 1mn, sales up 130% QoQ, aims for 33% sales contribution
- BK cafe seed launch preponed to 3Q22, design, equipment orders underway
- July sales recovery at 92%, August 95%, new movies releases will boost recovery in mall based restaurants (55% of total)

Burger King Story is on track as it is sustaining strong recovery of 92% in July and 95% in August, Delivery ADS is sustaining despite Dine in coming back, good initial response to stunner menu and Preponing launch of seed BK Café to 3Q22 will strengthen offering between lunch and dinner. BK App with new features is likely to improve customer experience with 1mn downloads and aim for 33% delivery through App. BK is also experimenting with own delivery though E-bikes to improve brand experience.

Burger chains as a whole are well placed for strong growth given 1) Closure of ~25-30% eateries due to Pandemic 2) Increased consumer focus towards health and hygiene measures and 3) Low penetration. We believe Burger king has huge competitive advantage to capitalize on emerging growth opportunities given 1) Sharp focus on store opening with target of 320 stores by FY22 and 700 by CY26 (270 as on 1QFY22), 2) Launch of Stunner Menu to drive volumes and focus on Whooper to increase premiumization, 3) fixed royalty at 5% 4) Renewed focus on the BK App resulting in 1+mn download 6) Launch of BK café from 3QFY22 to help improve margins and snacking options. We expect PAT breakeven by FY23 and strong profit growth post FY24. Maintain Buy with DCF based target price of Rs266 (Rs250 earlier).

July21 ADS Recovery at 92% to FY20 ADS: Net sales increased ~4x to Rs1.49bn. Gross margins at 65.1% expanded 290bps YoY. EBITDA at Rs15mn vs loss of Rs291mn. Restaurant EBITDA came at Rs.160.7mn; 10.7% for Q1 FY22 vs negative Rs181.9mn in 1Q21. Loss came at Rs443mn vs Rs804mn in 1Q21.

Concall Takeaways: 1) 272 stores as on 16th Aug, 2021 and guidance to have 320 stores by FY23, 470 stores by FY24 2) All new stores will have BK café incorporated along with additions of same in existing stores 3) Store size would be 1800-2400 sq.ft. 4) BK Café would have high ROI as GMs higher than usual business and incremental capex required would be low. 4) Payback period for BK café ~3-6months, for a BK Store ~5-6yrs 5) 55% of stores in malls and hence have not yet contributed significantly to dine in revenues due to lockdown restrictions 6) In July Delivery/ Dine in recovery in ADS 173% /43% vs 123%/37% in April 21, signifying healthy recovery in dine in despite very high recovery in delivery. Both channels are expected to grow robustly as situation normalizes.

Exhibit 1: Q1FY22 Results- Net sales up 4x, SSSG 120%

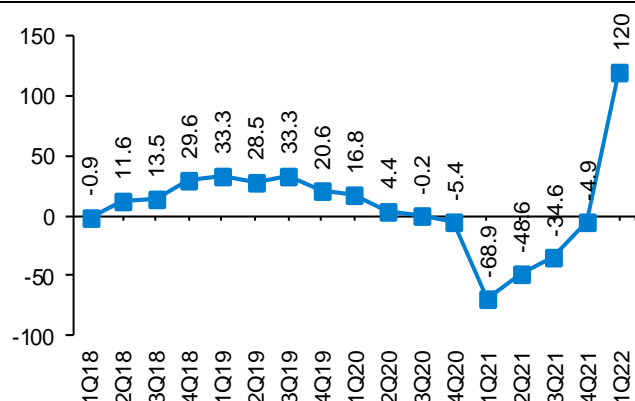
Consolidated	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY21	FY20	YoY gr. (%)
Net Sales	1,497	385	288.9	1,961	4,945	8,413	(41.2)
Gross Profit	976	240	307.0	1,285	3,188	5,398	(40.9)
% of NS	65.2	62.3	2.9	64.5	64.5	64.2	0.3
EBITDA	15	(291)	(105.3)	245	150	1,040	(85.6)
Margins %	1.0	(75.5)	76.5	3.0	3.0	12.4	(9.3)
Depreciation	329	313	5.0	319	1,275	1,164	9.6
Interest	167	213		163	821	655	
Other Income	37	25	45.7	34	285	56	409.4
PBT	(444)	(791)	(43.9)	(204)	(1,662)	(722)	130.2
Tax	-	-		-	-	-	
Tax rate %	0.0	0.0	-	0.0	0.0	0.0	-
Adjusted PAT	(444)	(791)	(43.9)	(204)	(1,662)	(722)	130.2

Source: Company, PL

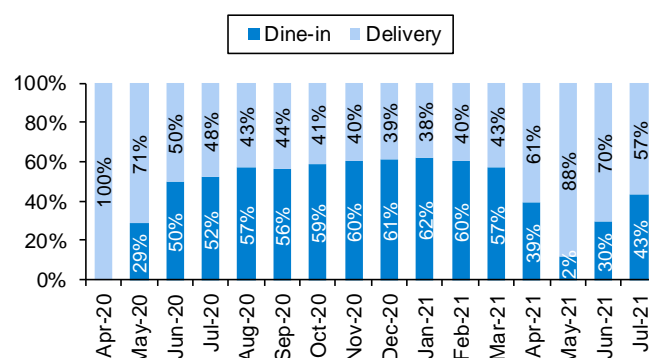
Exhibit 2: Q1FY22 Results (Pre IND AS116)

Consolidated	Q1FY22	*Q1FY21	Q4FY21	FY21	FY20	YoY gr. (%)
Gross Profit	976	NA	1,285	3,188	5,398	(40.9)
Restaurant EBITDA	-9	NA	141	-105	666	(115.7)
Restaurant EBITDA %	-0.6%	NA	7.2%	-2.1%	7.9%	(10.0)
General and Admin exp	15	NA	137	514	464	10.9
Company EBITDA	-23	NA	5	-619	203	(405.4)
Company EBITDA %	-1.6%	NA	0.2%	-12.5%	2.4%	(14.9)
Reported EBITDA	15	NA	246	327	1,040	(68.6)
Reported EBITDA%	1.0%	NA	12.5%	6.6%	12.4%	(5.8)

Source: Company, PL *Note: Information Not available as company was not listed then,

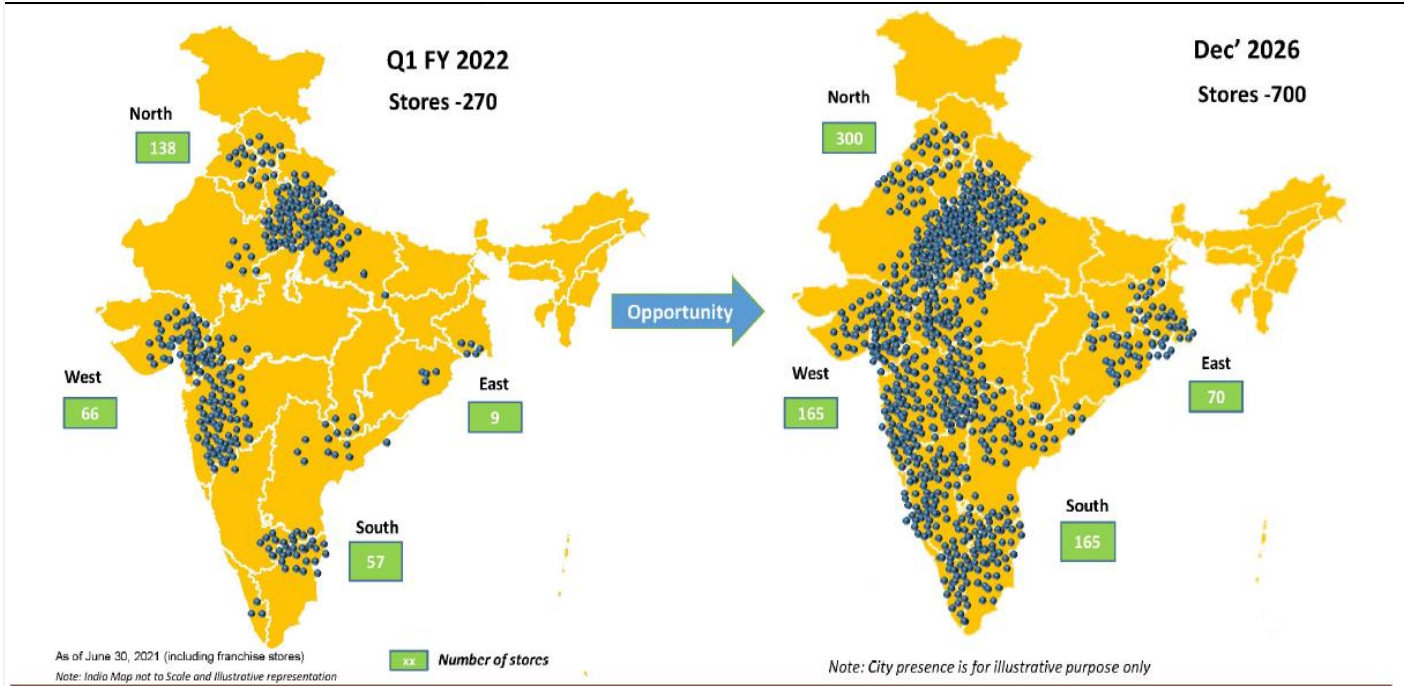
Exhibit 3: SSSG at 120% in 1Q


Source: Company, PL

Exhibit 4: Delivery sales at 61%88%70% in April/May/June


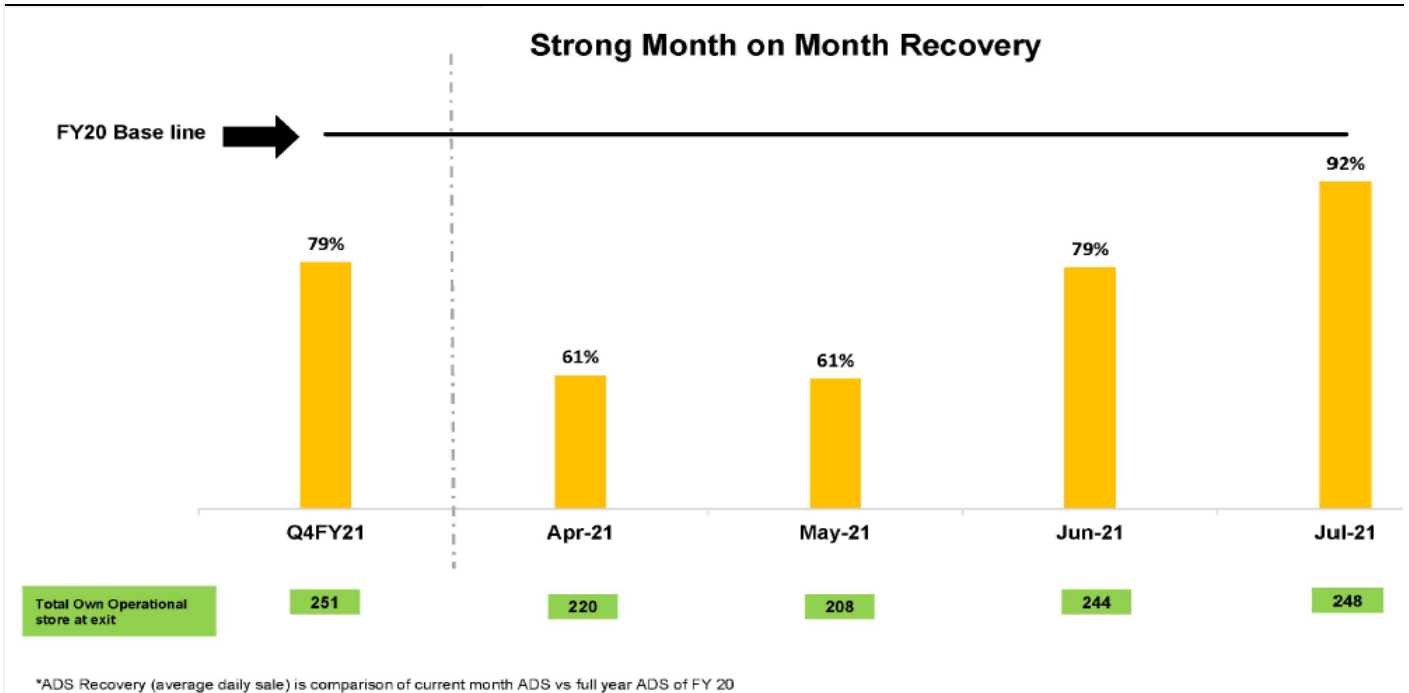
Source: Company, PL

Exhibit 5: Total store count at 270 in Q1FY22 and to reach 700 by CY26



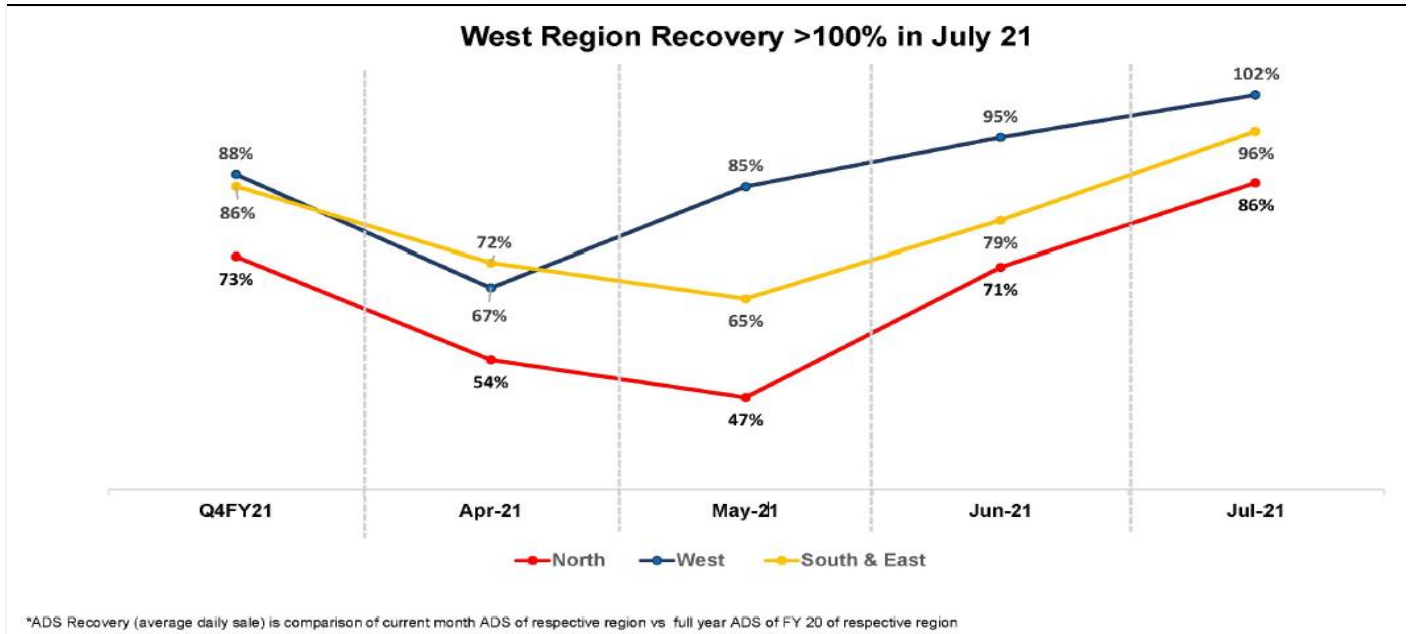
Source: PL, Company

Exhibit 6: 92% ADS recovery in July 21



Source: PL, Company

Exhibit 7: Region wise ADS recovery on FY20 baseline



Source: Company, PL

Exhibit 8: Growing the Whopper Franchise with Indian consumer

- Trials and Volumes continue to grow QoQ
- 1 in every 3 orders today have a Whopper
- Healthy pipeline of Limited Time Whopper focusing on new and emerging Taste profiles to drive frequency

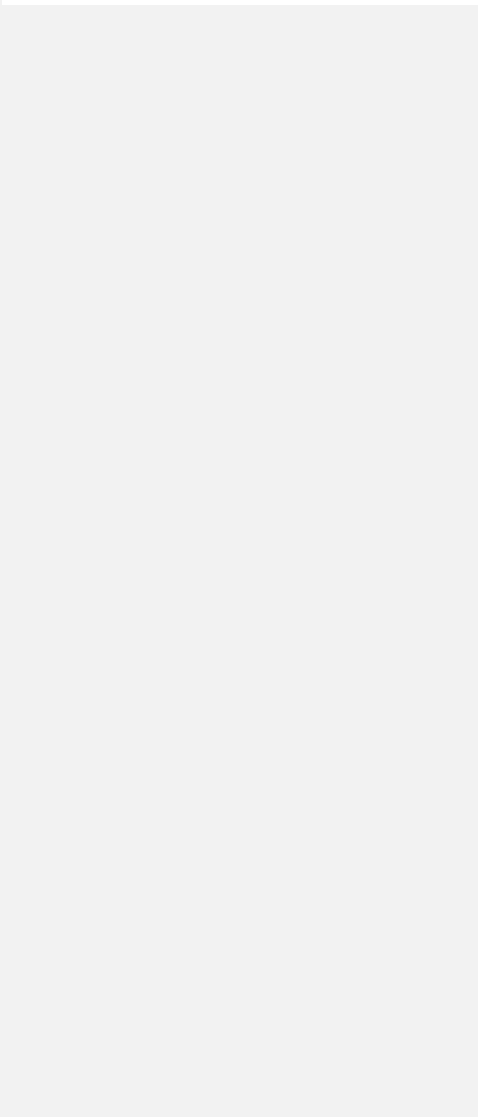
Source: Company, PL

Exhibit 9: 75 BK Café by FY23



- Developing Best in Class café expertise
- Consumer Research kicked off on recipes / menu
- Planned Launch in Q4 FY22
- 75 Nos BK Café by March 2023

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	8,412	4,945	10,329	14,253
YoY gr. (%)	33.0	(41.2)	108.9	38.0
Cost of Goods Sold	3,015	1,756	3,636	4,775
Gross Profit	5,397	3,188	6,693	9,478
Margin (%)	64.2	64.5	64.8	66.5
Employee Cost	1,365	1,177	1,549	2,054
Other Expenses	343	221	515	710
EBITDA	1,040	149	1,527	2,547
YoY gr. (%)	31.7	(85.7)	925.6	66.7
Margin (%)	12.4	3.0	14.8	17.9
Depreciation and Amortization	1,164	1,275	1,451	1,761
EBIT	(124)	(1,127)	76	786
Margin (%)	(1.5)	(22.8)	0.7	5.5
Net Interest	655	821	708	813
Other Income	56	335	208	149
Profit Before Tax	(722)	(1,613)	(424)	122
Margin (%)	(8.6)	(32.6)	(4.1)	0.9
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(722)	(1,613)	(424)	122
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(722)	(1,613)	(424)	122
YoY gr. (%)	88.7	123.3	(73.7)	(128.9)
Margin (%)	(8.6)	(32.6)	(4.1)	0.9
Extra Ord. Income / (Exp)	(43)	-	-	-
Reported PAT	(766)	(1,613)	(424)	122
YoY gr. (%)	100.0	110.6	(73.7)	(128.9)
Margin (%)	(9.1)	(32.6)	(4.1)	0.9
Other Comprehensive Income	(10)	-	-	-
Total Comprehensive Income	(776)	(1,613)	(424)	122
Equity Shares O/s (m)	278	383	383	383
EPS (Rs)	(2.6)	(4.2)	(1.1)	0.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	13,558	14,322	17,122	20,813
Tangibles	13,264	13,988	16,756	20,410
Intangibles	294	334	367	404
Acc: Dep / Amortization	3,191	4,466	5,917	7,678
Tangibles	3,142	4,398	5,827	7,564
Intangibles	49	68	90	115
Net fixed assets	10,367	9,856	11,205	13,135
Tangibles	10,122	9,591	10,929	12,846
Intangibles	245	265	277	289
Capital Work In Progress	476	301	350	400
Goodwill	-	-	-	-
Non-Current Investments	292	290	352	429
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	44	39	64	71
Current Assets				
Investments	186	1,243	-	-
Inventories	94	100	110	144
Trade receivables	32	60	85	117
Cash & Bank Balance	280	2,161	2,328	2,080
Other Current Assets	194	163	237	313
Total Assets	11,977	14,282	14,802	16,760
Equity				
Equity Share Capital	2,777	3,830	3,830	3,830
Other Equity	(23)	2,905	2,562	2,694
Total Network	2,754	6,735	6,392	6,524
Non-Current Liabilities				
Long Term borrowings	1,788	-	-	-
Provisions	187	209	209	209
Other non current liabilities	8	8	10	11
Current Liabilities				
ST Debt / Current of LT Debt	197	-	-	-
Trade payables	816	1,140	857	1,336
Other current liabilities	561	596	838	1,007
Total Equity & Liabilities	11,977	14,282	14,802	16,760

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	(722)	(1,613)	(424)	122
Add. Depreciation	1,164	1,275	1,451	1,761
Add. Interest	655	821	708	813
Less Financial Other Income	56	335	208	149
Add. Other	86	28	(24)	(6)
Op. profit before WC changes	1,182	512	1,711	2,690
Net Changes-WC	175	298	(149)	506
Direct tax	-	-	-	-
Net cash from Op. activities	1,357	810	1,562	3,196
Capital expenditures	(3,878)	(589)	(2,850)	(3,741)
Interest / Dividend Income	-	-	-	-
Others	121	(1,056)	1,181	(77)
Net Cash from Inv. activities	(3,758)	(1,645)	(1,669)	(3,818)
Issue of share cap. / premium	1,034	5,593	81	10
Debt changes	2,142	(2,057)	902	1,176
Dividend paid	-	-	-	-
Interest paid	(655)	(821)	(708)	(813)
Others	-	-	-	-
Net cash from Fin. activities	2,521	2,716	274	374
Net change in cash	120	1,881	167	(248)
Free Cash Flow	(2,522)	221	(1,288)	(544)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	(2.6)	(4.2)	(1.1)	0.3
CEPS	1.6	(0.9)	2.7	4.9
BVPS	9.9	17.6	16.7	17.0
FCF	(9.1)	0.6	(3.4)	(1.4)
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(3.0)	(19.6)	1.2	12.2
ROIC	(1.1)	(10.4)	0.6	5.4
RoE	(27.5)	(34.0)	(6.5)	1.9
Balance Sheet				
Net Debt : Equity (x)	0.6	(0.5)	(0.4)	(0.3)
Net Working Capital (Days)	(30)	(72)	(23)	(28)
Valuation(x)				
PER	(64.6)	(39.9)	(151.8)	525.0
P/B	16.9	9.5	10.1	9.9
P/CEPS	105.6	(190.6)	62.6	34.1
EV/EBITDA	46.3	408.9	40.6	24.4
EV/Sales	5.7	12.3	6.0	4.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

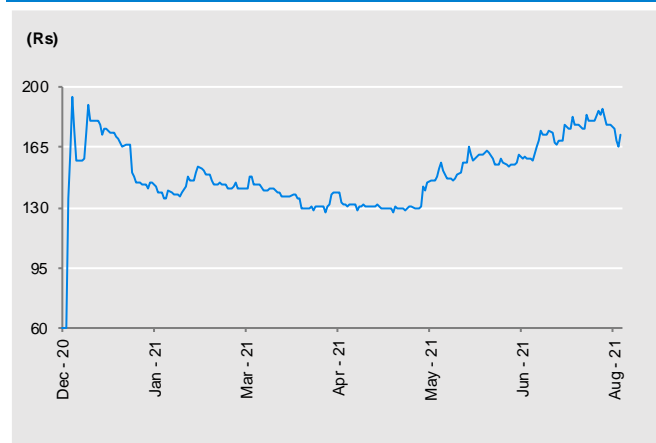
Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	967	1,632	1,961	1,497
YoY gr. (%)	-	(28.4)	-	288.9
Raw Material Expenses	347	589	675	521
Gross Profit	620	1,042	1,285	976
Margin (%)	64.2	63.9	65.6	65.2
EBITDA	3	152	245	15
YoY gr. (%)	-	(41.7)	-	(105.3)
Margin (%)	0.3	9.3	12.5	1.0
Depreciation / Depletion	309	335	319	329
EBIT	(305)	(183)	(74)	(313)
Margin (%)	(31.6)	(11.2)	(3.8)	(20.9)
Net Interest	211	234	163	167
Other Income	139	127	34	37
Profit before Tax	(377)	(290)	(204)	(444)
Margin (%)	(39.0)	(17.8)	(10.4)	(29.6)
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after Tax	(377)	(290)	(204)	(444)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(377)	(290)	(204)	(444)
YoY gr. (%)	-	33.6	-	(43.9)
Margin (%)	(39.0)	(17.8)	(10.4)	(29.6)
Extra Ord. Income / (Exp)	(8)	-	(56)	-
Reported PAT	(385)	(290)	(259)	(444)
YoY gr. (%)	-	33.6	-	(44.9)
Margin (%)	(39.8)	(17.8)	(13.2)	(29.6)
Other Comprehensive Income	(1)	(3)	4	-
Total Comprehensive Income	(386)	(293)	(255)	(443)
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-21	BUY	250	158
2	27-May-21	BUY	250	152
3	25-Feb-21	BUY	221	145

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,511	3,159
2	Avenue Supermarts	BUY	3,744	3,397
3	Bajaj Electricals	Hold	1,110	1,060
4	Britannia Industries	Accumulate	3,911	3,505
5	Burger King India	BUY	250	158
6	Colgate Palmolive	Accumulate	1,846	1,710
7	Crompton Greaves Consumer Electricals	BUY	518	468
8	Dabur India	Hold	588	614
9	Emami	Accumulate	624	573
10	Havells India	Accumulate	1,226	1,151
11	Hindustan Unilever	Accumulate	2,535	2,378
12	ITC	BUY	258	212
13	Jubilant FoodWorks	Accumulate	3,404	3,065
14	Kansai Nerolac Paints	Accumulate	661	628
15	Marico	Hold	525	547
16	Mold-tek Packaging	BUY	598	510
17	Nestle India	Accumulate	19,290	18,023
18	Pidilite Industries	Reduce	1,904	2,221
19	Titan Company	Accumulate	1,916	1,800
20	Voltas	Hold	1,014	1,025
21	Westlife Development	BUY	603	512

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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