

Investor Release

Sapphire Foods delivers highest ever Revenue and EBITDA in Q1 FY23 despite macro challenges in Sri Lanka

Mumbai, 11th August, 2022 – Sapphire Foods India Ltd, a franchisee of Yum Brands in the Indian subcontinent announces its Unaudited Financial Results for the Quarter ended 30th June 2022.

	FY22	Q1 FY22	Q1 FY23	Change YoY
Restaurant Sales ₹ mn	17,154	3,027	5,436	▲ 80%
Adj. EBITDA ₹ mn	1,808	93	722	▲ 676%
Adj. EBITDA %	10.5%	3.1%	13.3%	▲ 1020 bps
EBITDA ₹ mn	3,248	427	1,114	▲ 161%
EBITDA %	18.9%	14.1%	20.5%	▲ 640 bps
PAT ₹ mn	460	-264	381	N.M.
PAT %	2.7%	-8.7%	7.0%	▲ 1570 bps
Restaurant Additions	142	13	37	

Q1 FY23 was the first quarter since the Covid pandemic to see a full recovery in operating hours. This had a positive impact on both KFC and Pizza Hut India especially the Dine In business which saw 102% and 85% recovery respectively (highest since Mar'20).

We delivered highest ever quarterly revenue at Rs. 5,436 Mn and highest ever EBITDA of Rs. 1,114 Mn**. This stood at 20.5% (up 640 bps). Our Adj. EBITDA was Rs. 722 Mn at 13.3% (up 1020 bps) and PAT stood at Rs. 381 Mn, 7.0% (up 1,570 bps). This strong performance is despite the macro economic challenges that impacted our Sri Lanka business.

KFC had a strong quarter with 65% SSSG and 98% increase in overall revenue. To mitigate inflation we took a price increase of ~9%. Our cost efficiency programs enabled us to deliver one of our best restaurant EBITDA at 20.3%.

Our Pizza Hut performance is especially heartening and continues to validate our compact omni channel restaurant strategy. It delivered SSSG of 47% and overall revenue increased by 85%. In order to further strengthen the value proposition of the brand, price increase was limited to ~5%. However, as Dine In sales recovered, delivery sales held, along with our cost efficiency program we delivered a healthy 14.8% restaurant EBITDA.

***Note: Our previous highest EBITDA of Rs. 1084Mn was recorded in Q3FY22 (excluding additional incentive accrued in the quarter)*



A significant gap in the product price portfolio of Pizza Hut has been plugged with launch of the differentiated Flavour Fun Pizza range (starting at Rs. 79/- with 12 Pizzas in 5 sauces). This was test marketed in Chennai and Hyderabad in Q1 FY23 and after encouraging results launched nationally on 25 July 2022.

While the external environment was challenging the Sri Lanka business delivered 53% SSSG (LKR) and 93% increase in overall revenue (LKR). While restaurant EBITDA dropped to 15.5% due to lower gross margin owing to high inflationary pressures, the absolute restaurant EBITDA grew by 65% (LKR). Due to currency translation impact, in INR terms the restaurant EBITDA remained flat.

We continued our pace of new restaurant expansion with net addition of 37 restaurants (18 KFC, 16 Pizza Hut in India, 2 Pizza Hut and 1 Taco Bell in Sri Lanka).

About Sapphire Foods:

Sapphire Foods started operations in September 2015, by the acquisition of about 270 KFC and Pizza Hut Stores in India and Sri Lanka, by a group of leading Private Equity firms and is managed by a team of professionals.

Sapphire Foods is a leading YUM franchisee operator in the Indian subcontinent with presence in India, Sri Lanka and Maldives. We are the largest international QSR chain in Sri Lanka in terms of revenue and number of restaurants operated as of March 31, 2021. (Source: Technopak Report). As of Jun 30, 2022, we own and operate 281 KFC and 235 Pizza Hut restaurants in India, 92 Pizza Hut and 6 Taco Bell restaurants in Sri Lanka and 1 KFC and Pizza Hut each in Maldives.

We aspire to be India's best restaurant operator by serving customers great food with great experience at great value. We operate our restaurants in high traffic and high visibility locations in key metropolitan areas and cities across India and develop new restaurants in new trade areas in existing and new cities as part of our brand and food category expansion.

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