

Sapphire Foods India Limited

Q1 FY23 Earnings Presentation

11 AUG 2022



SAFE HARBOR

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HIGHLIGHTS OF Q1 FY23

- 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.

- 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).

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

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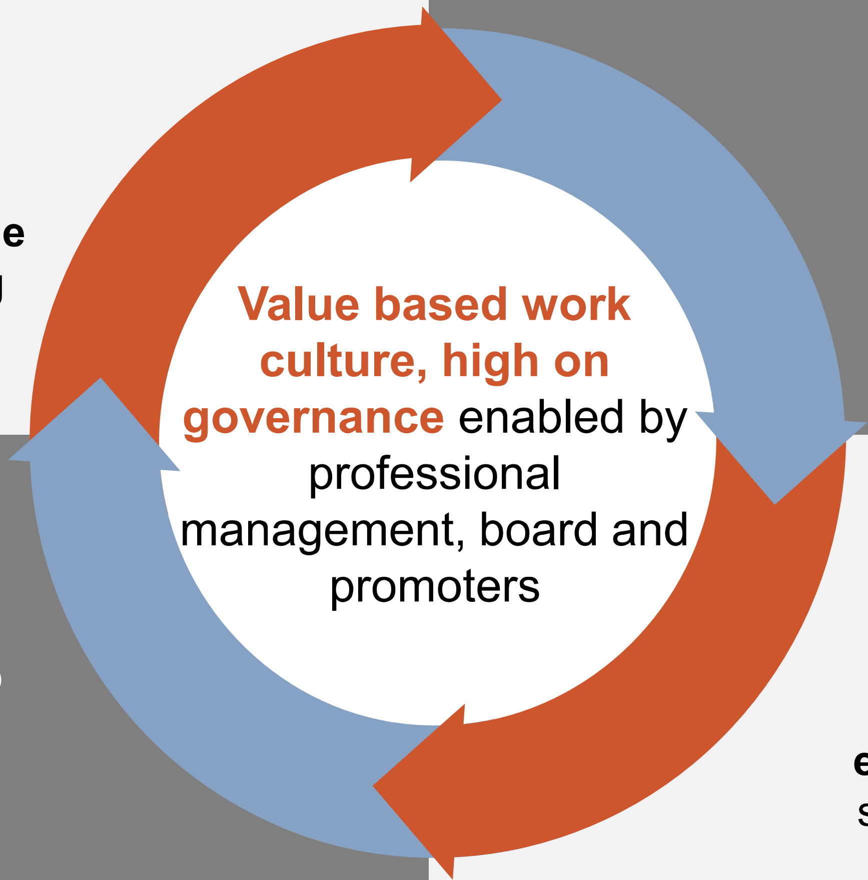
THE SAPPHIRE STORY

Two global brands (KFC & Pizza Hut) with **Scale & PAT profitability among Top 3 QSR operators**

Execution Mindset
Great Customer experience along with Superior Back-end operational excellence



Capability and capital to rapidly drive organic and inorganic growth plans

Optimal capital allocation drives new restaurant expansion model - focus on smaller sized **omni-channel restaurants**

Q1 FY23

CONSOLIDATED FINANCIAL HIGHLIGHTS

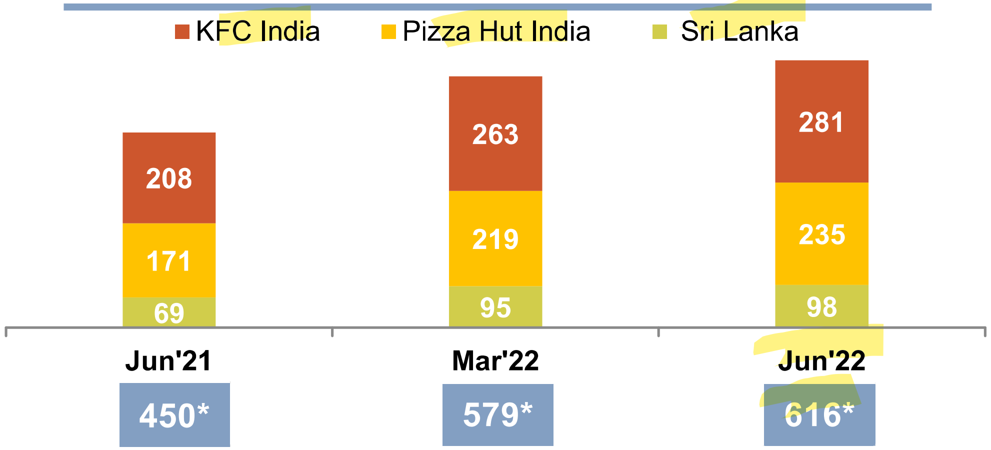
SUMMARY CONSOLIDATED FINANCIALS

Q1FY23

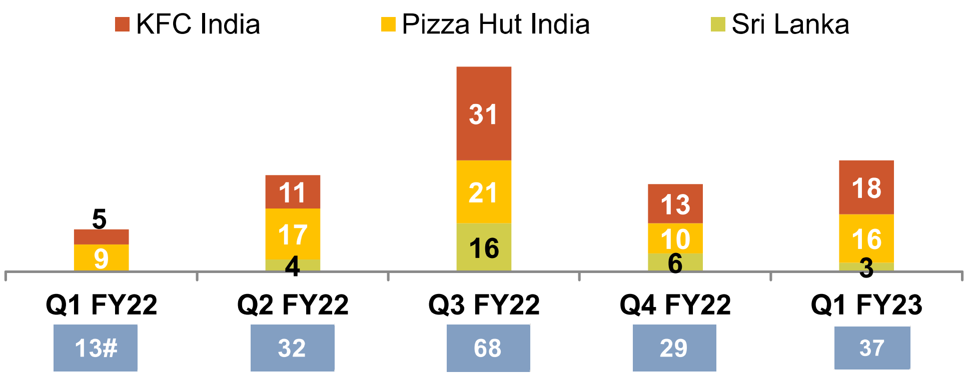
	FY22	Q1 FY22	Q1 FY23	Change YoY
Restaurant Sales ₹ mn	17,154	3,027	5,436	▲ 80%
Adj. EBITDA ₹ mn	1,808	93	722	▲ 676%
Adj. EBITDA %	10.5%	3.1%	13.3%	▲ 1020 bps
EBITDA ₹ mn	3,248	427	1,114	▲ 161%
EBITDA %	18.9%	14.1%	20.5%	▲ 640 bps
PAT ₹ mn	460	-264	381	N.M.
PAT %	2.7%	-8.7%	7.0%	▲ 1570 bps
Restaurant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

SAPPHIRE FOODS CURRENT PRESENCE

RESTAURANT COUNT

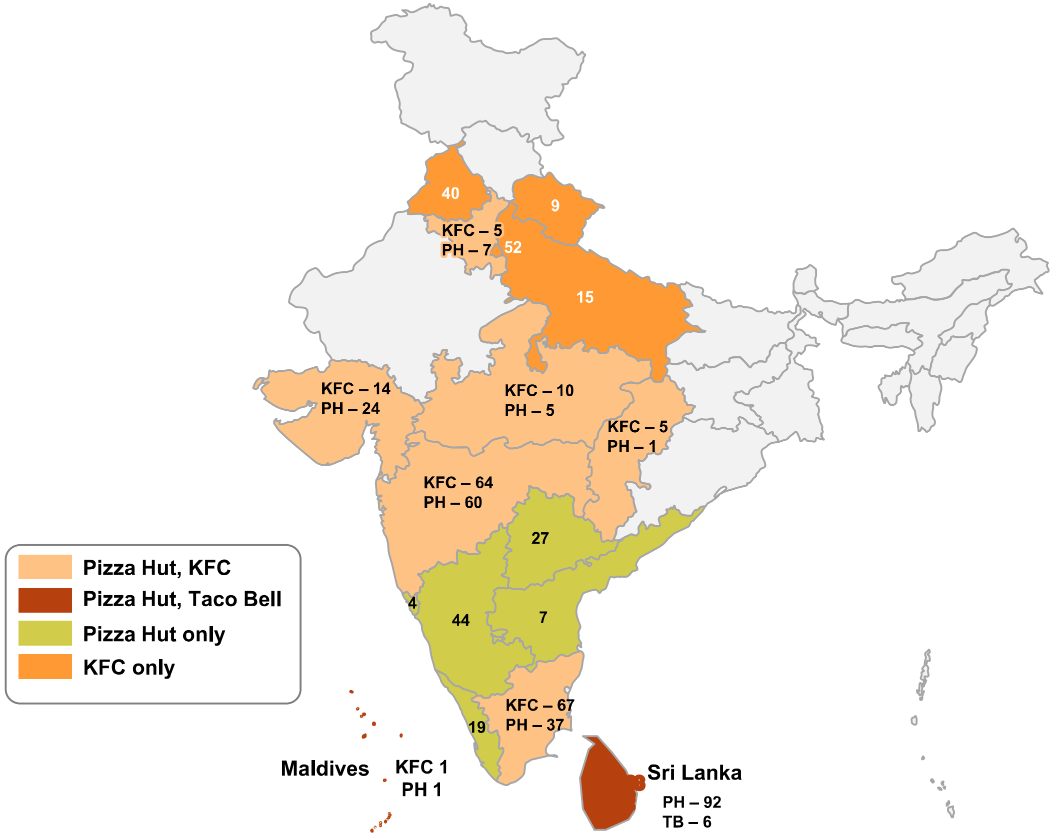


RESTAURANT ADDITION

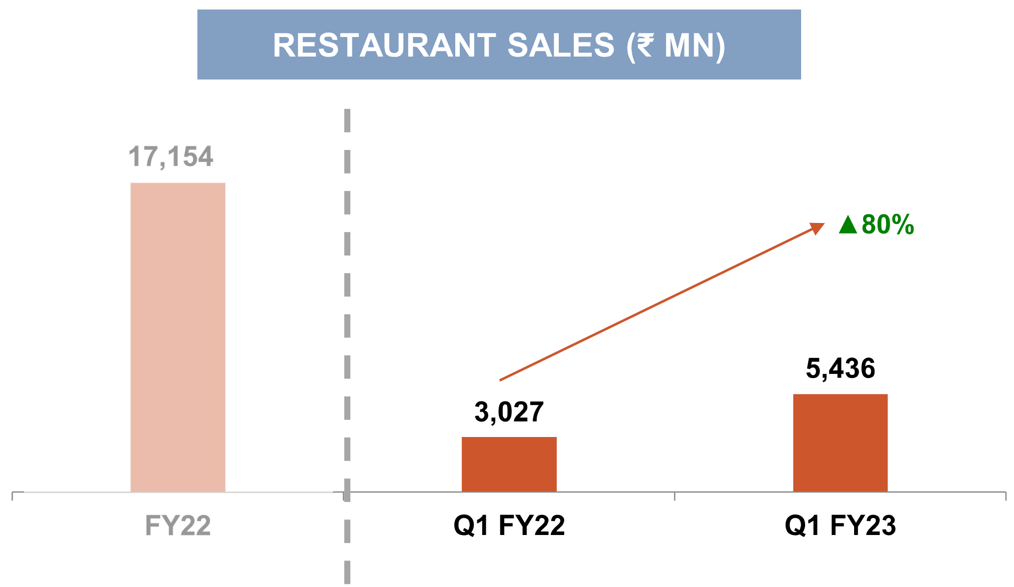


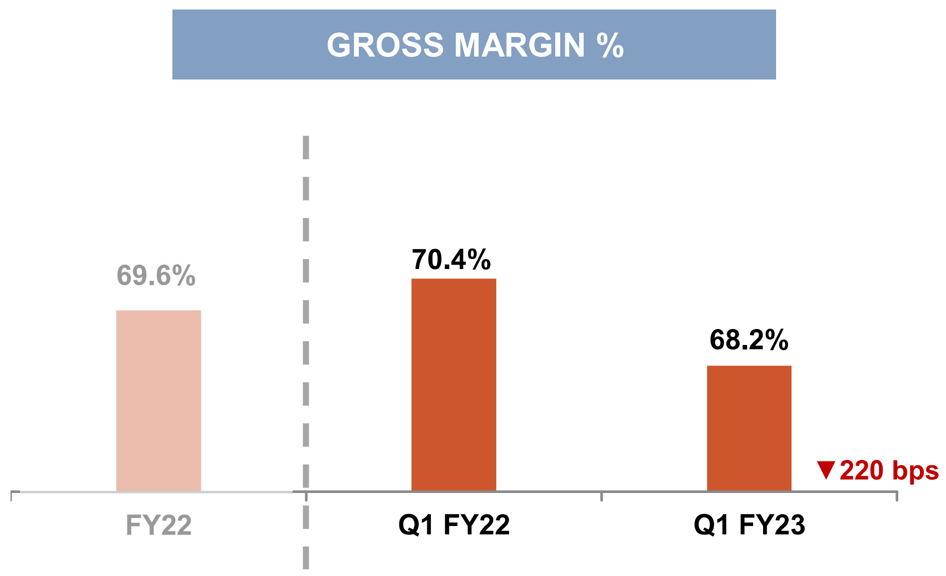
* Includes 2 restaurants in Maldives
\# Net of 1 restaurant closure in Sri Lanka in Q1 FY22

RESTAURANT DISTRIBUTION ACROSS INDIAN SUBCONTINENT



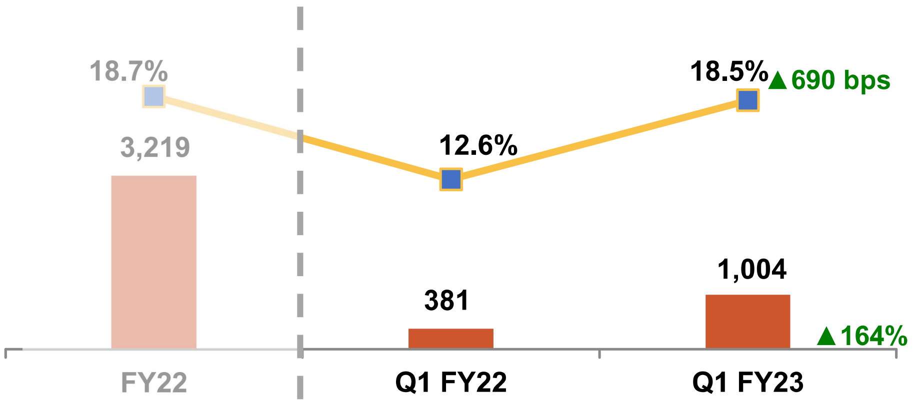
CONSOLIDATED FINANCIAL HIGHLIGHTS
Q1 FY23



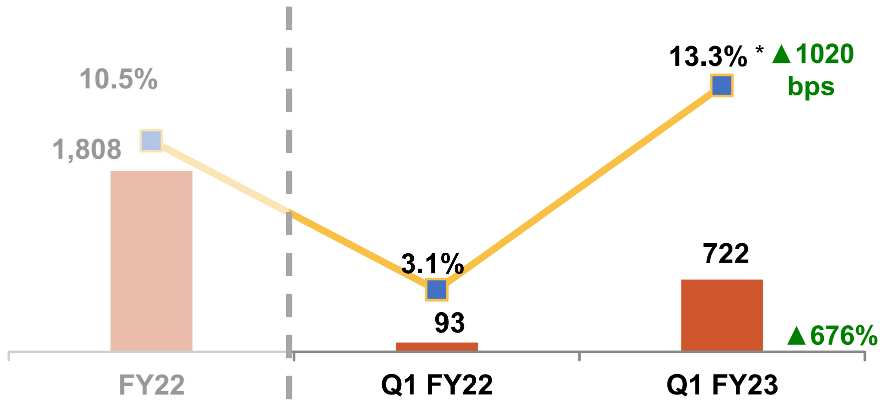


CONSOLIDATED FINANCIAL HIGHLIGHTS
Q1 FY23

RESTAURANT EBITDA (₹ MN / %)#

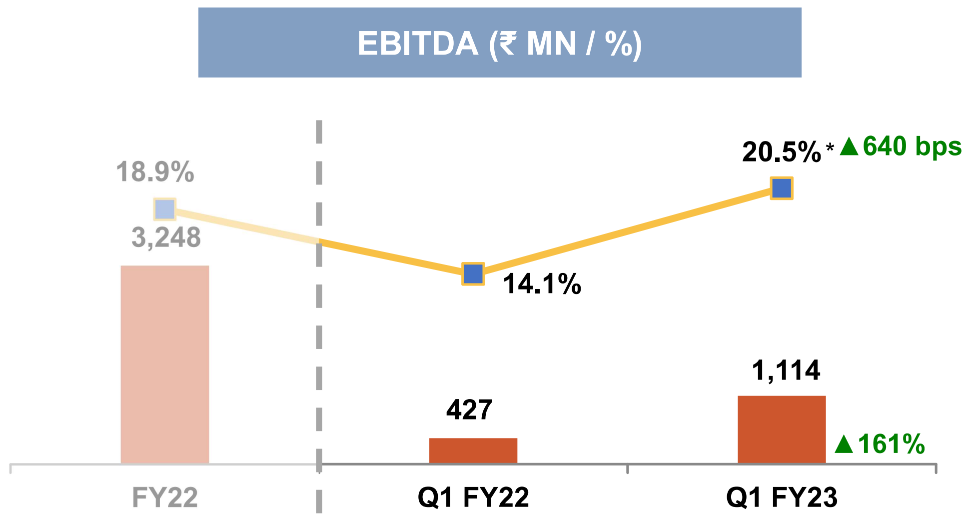


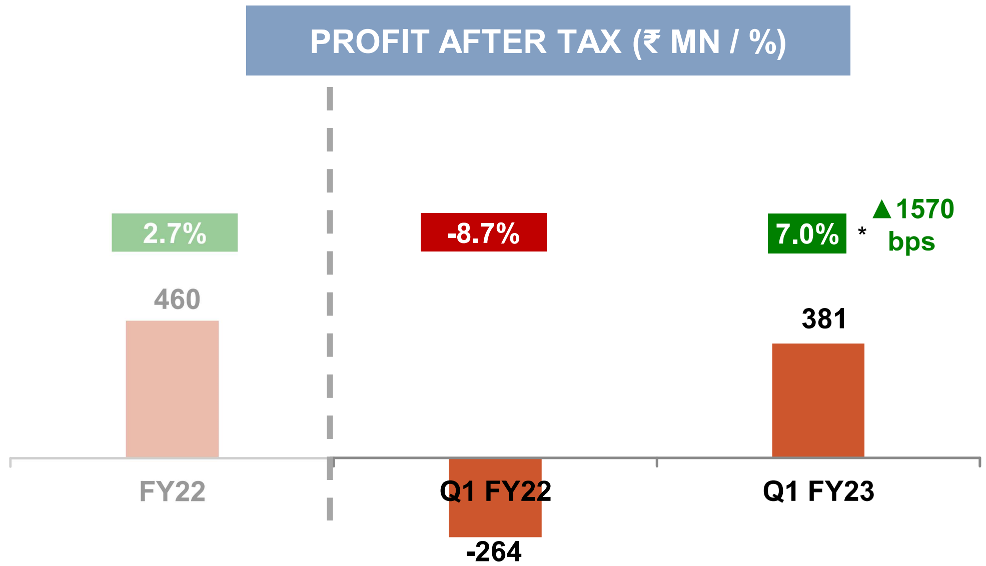
ADJ. EBITDA (₹ MN / %)#



Restaurant EBITDA and Adj. EBITDA is before Ind-AS 116 adjustments
* Adj. EBITDA includes ESOP cost of 0.4%

CONSOLIDATED FINANCIAL HIGHLIGHTS
Q1 FY23





** EBITDA & PAT includes ESOP cost of 0.4%*

CONSOLIDATED PROFIT & LOSS STATEMENT

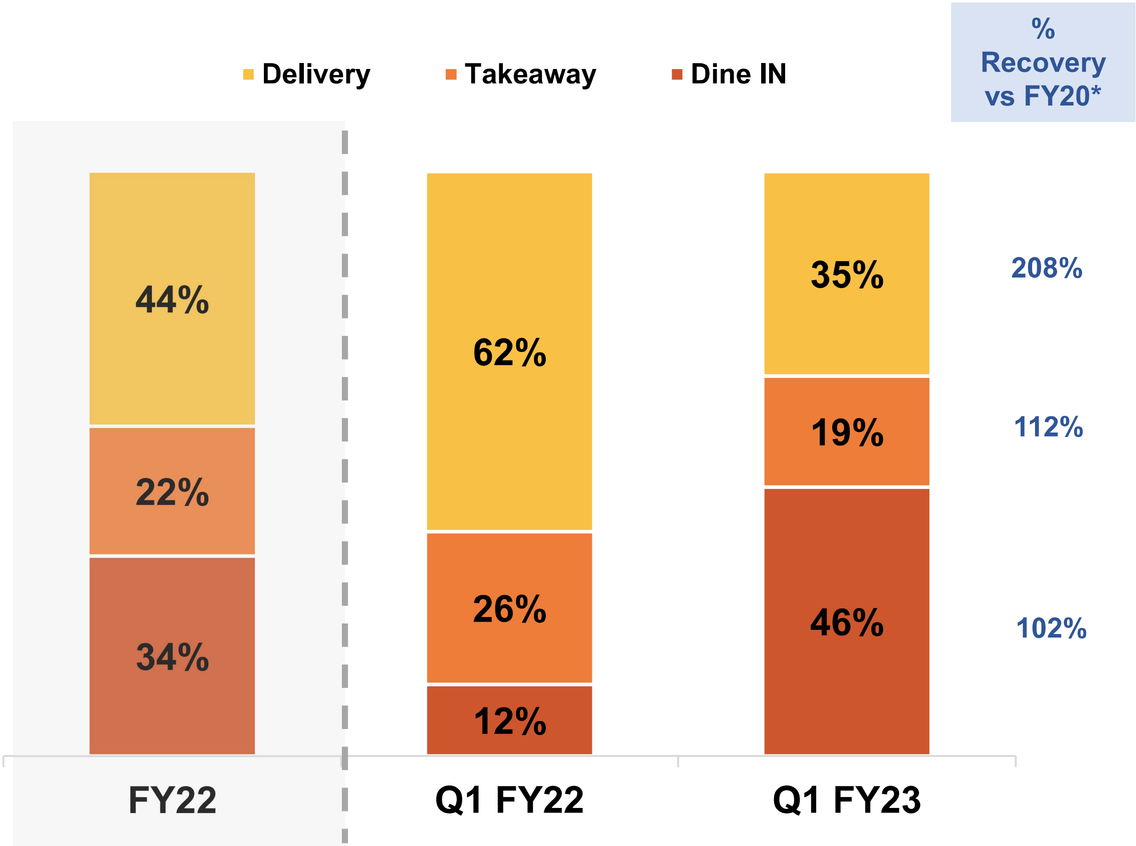
S No.	Particulars (In Rs mn)	FY22	Q1 FY22	Q1 FY23	YoY %
A)	**Restaurant Sales**	**17,154.46**	**3,026.60**	**5,435.53**	***80%***
B)	Other operating income	61.26	3.9	27.14	
C)	COGS	5,277.97	900.16	1,756.16	
D)	**Gross Profit**	**11,937.75**	**2,130.34**	**3,706.51**	***74%***
E)	**Gross Margin%**	***69.6%***	***70.4%***	***68.2%***	
F)	Employee Expenses	2,739.94	559.38	683.65	
G)	Other Expenses	5,950.27	1,143.79	1,908.55	
H)	**EBITDA**	**3,247.54**	**427.17**	**1,114.31**	***161%***
I)	**EBITDA Margin %**	***18.9%***	***14.1%***	***20.5%***	
J)	Depreciation	2,135.21	533.57	609.41	
K)	Finance Cost	780.93	172.43	197.19	
L)	Other Income	182.45	22.39	48.57	
M)	**PBT**	**513.85**	**-256.44**	**356.28**	***N.M.***
N)	Tax Expense	54.00	7.59	(25.15)	
O)	**PAT**	**459.85**	**-264.03**	**381.43**	***N.M.***
P)	**PAT Margin %**	***2.7%***	***-8.7%***	***7.0%***	

Figures are regrouped/reclassified for the purpose of presentation

KFC India
Business Performance

KFC INDIA

Q1 FY23 - CHANNEL SALES CONTRIBUTION



* *Recovery % are calculated for comparable stores*

KFC INDIA

NEW PRODUCT LAUNCH

KFC INDIA
BRANDING & PROMOTIONS

KFC INDIA

DIGITAL ACTIVATION

SPONSORING THE BIGGEST E-GAME IN INDIA

KFC Loot Box targeting Gamers & App

Unique Chicken Dinner Champion Award

WWCD Branded Moment

Gaming Influencers

WWCD Merch for Fan Contest

Placement On Caster's Deck

KFC INDIA

NEW RESTAURANT LAUNCHES

KFC-Phoenix Mall Lower Parel

KFC INDIA
NEW RESTAURANT LAUNCHES

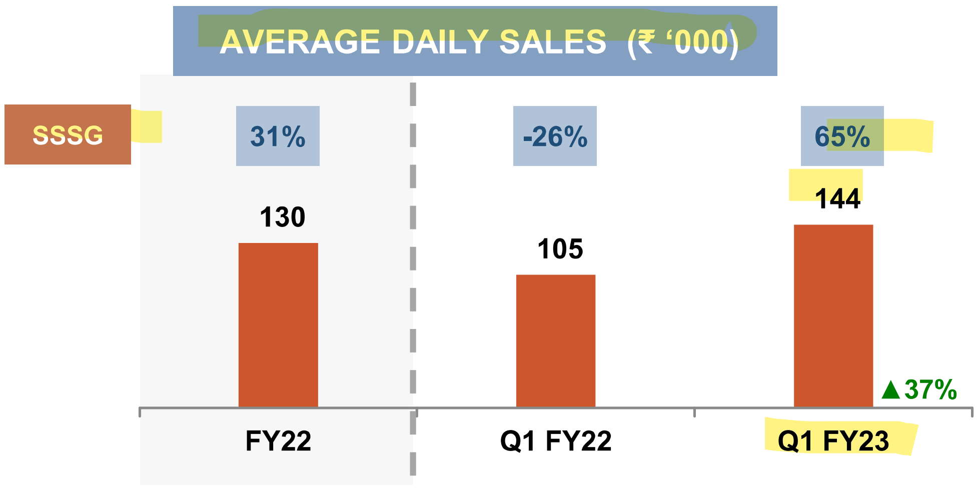
KFC CHIKALI PUNE

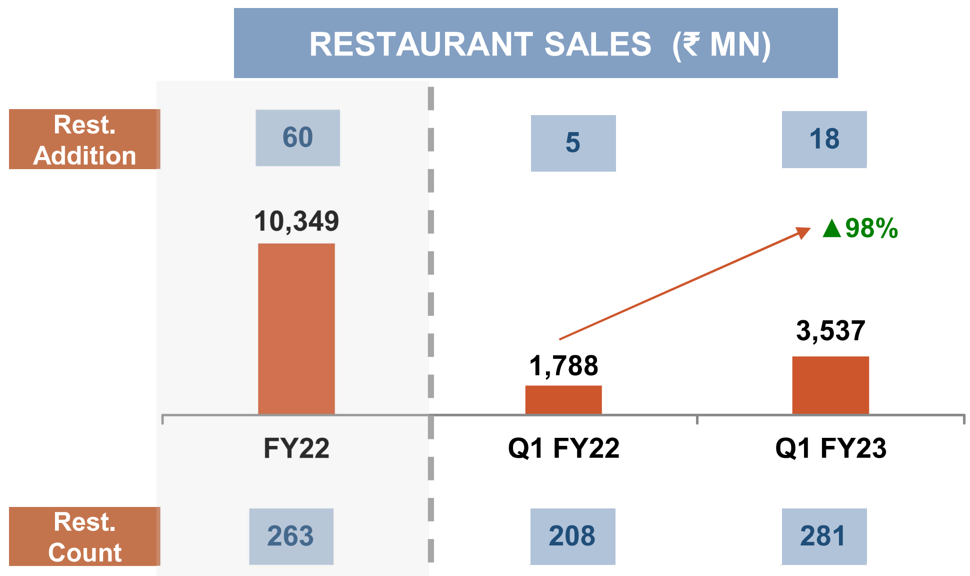
KFC SHALIMAR BAGH DELHI

KFC GERUGAMBAKKAM CHENNAI

KFC VICINO MALL MUMBAI

KFC INDIA
Q1 FY23

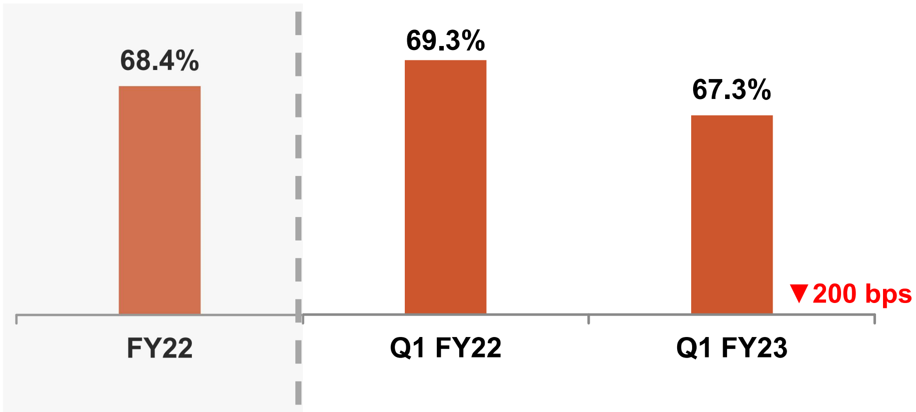




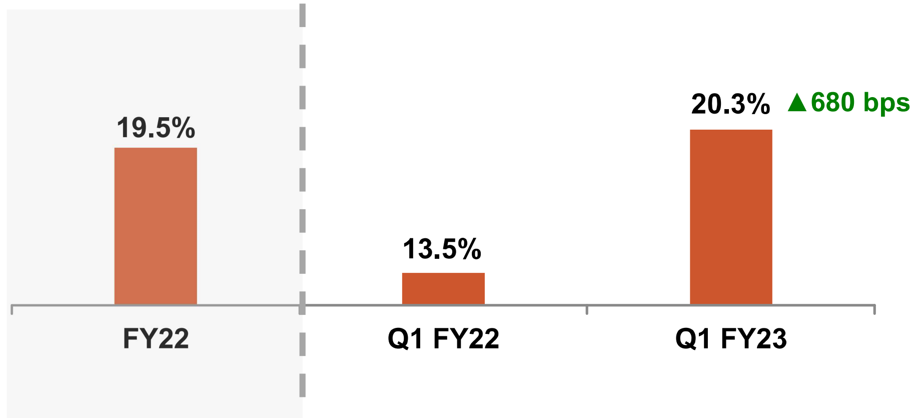
Average daily sales is for all restaurants including new additions during the period

KFC INDIA
Q1 FY23

GROSS MARGIN (%)



RESTAURANT EBITDA# (%)



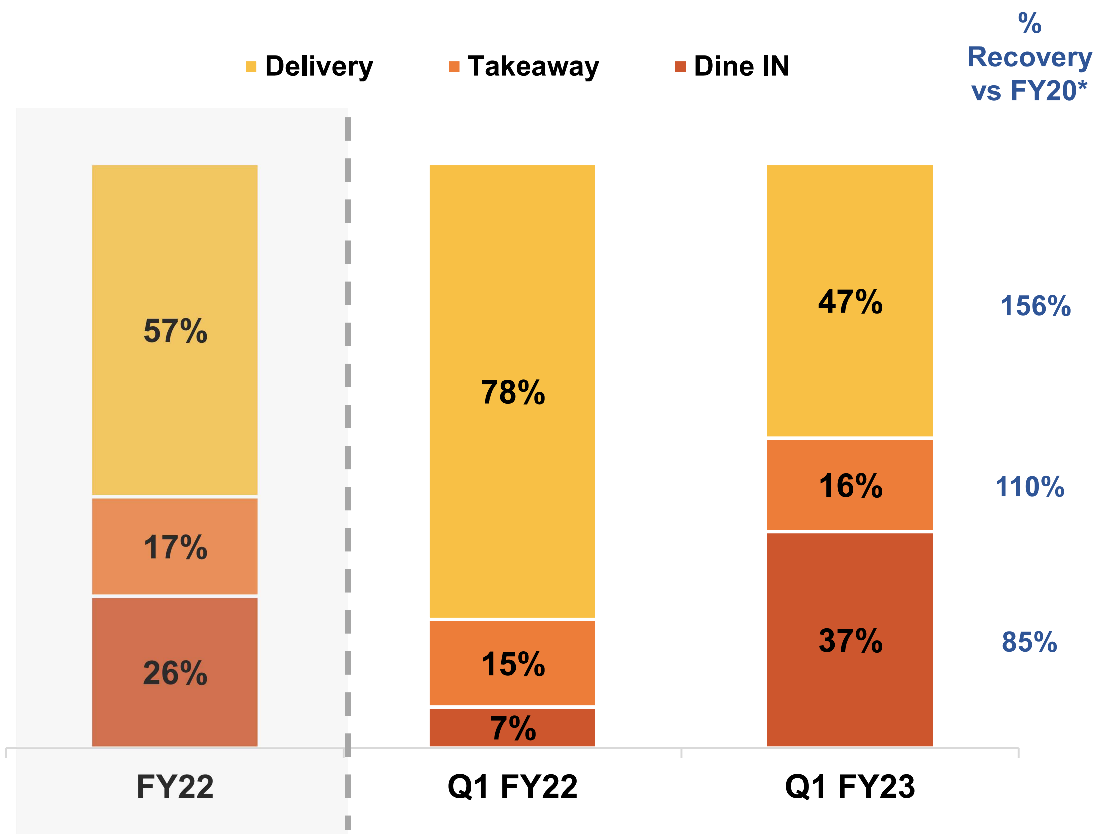
 # Restaurant EBITDA figures are Pre-IND AS 116.

Pizza Hut India

Business Performance

PIZZA HUT INDIA

Q1 FY23 - CHANNEL SALES CONTRIBUTION



* *Recovery % are calculated for comparable stores*

PIZZA HUT INDIA

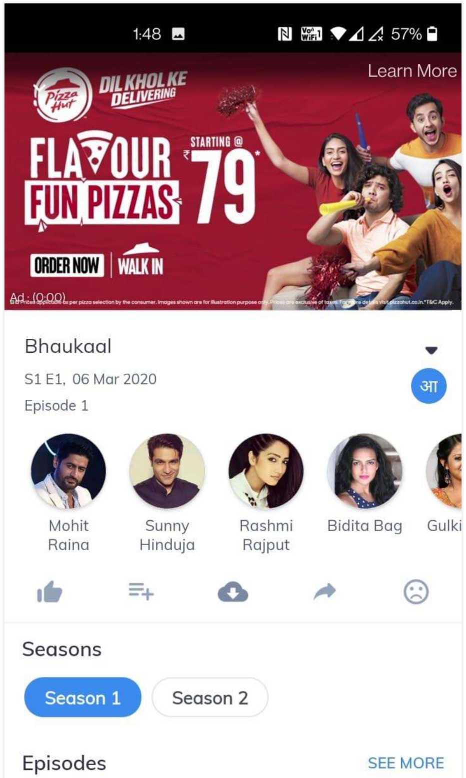
NEW PRODUCT LAUNCH

PIZZA HUT INDIA
BRANDING & PROMOTIONS

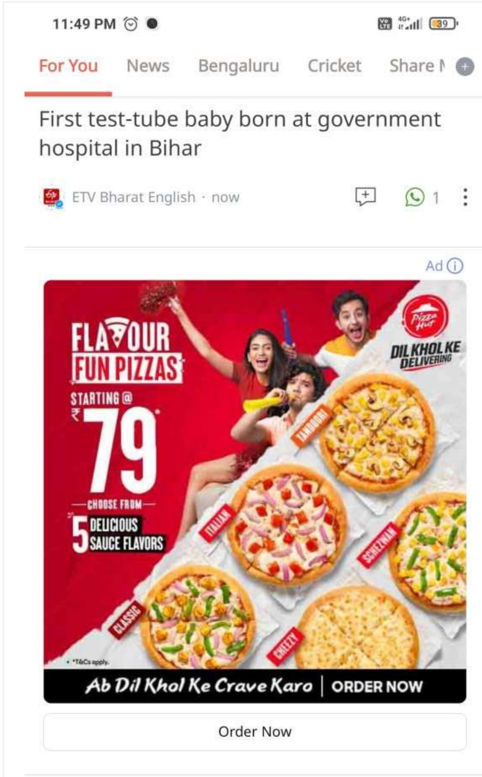
PIZZA HUT
DIGITAL ACTIVATION

FB Insta- Sust

MX Player- Sust



Dailyhunt Impact



Social Campaign

PIZZA HUT INDIA

NEW RESTAURANT LAUNCHES

PH CAPITAL MALL NALASOPARA

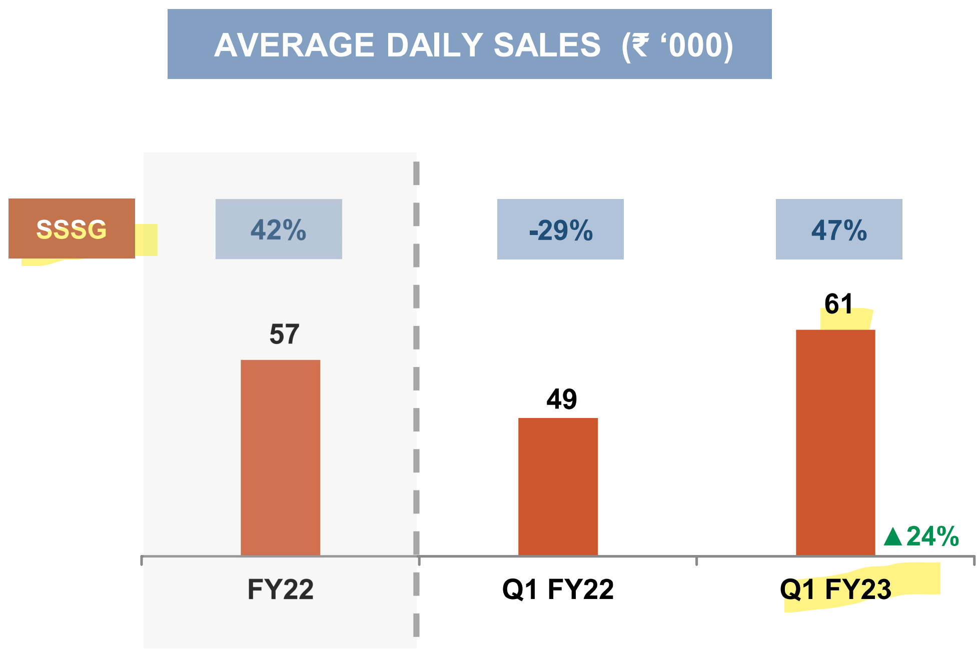
PH THODUPUZA KERALA

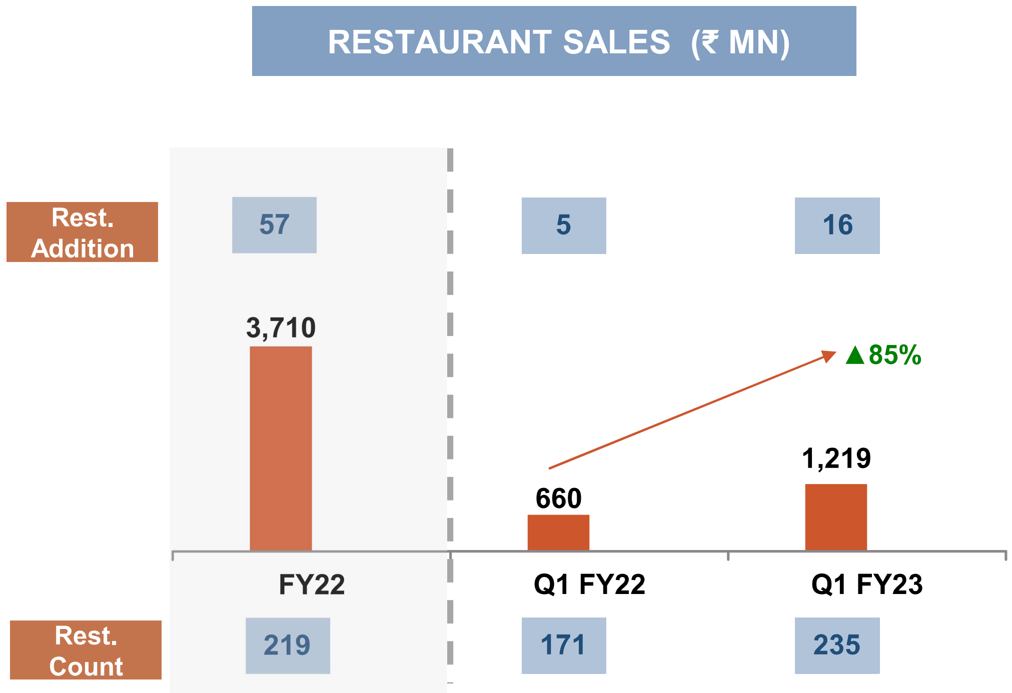
PH DB MALL BHOPAL

PH NELLORE ANDHRA PRADESH

PIZZA HUT INDIA

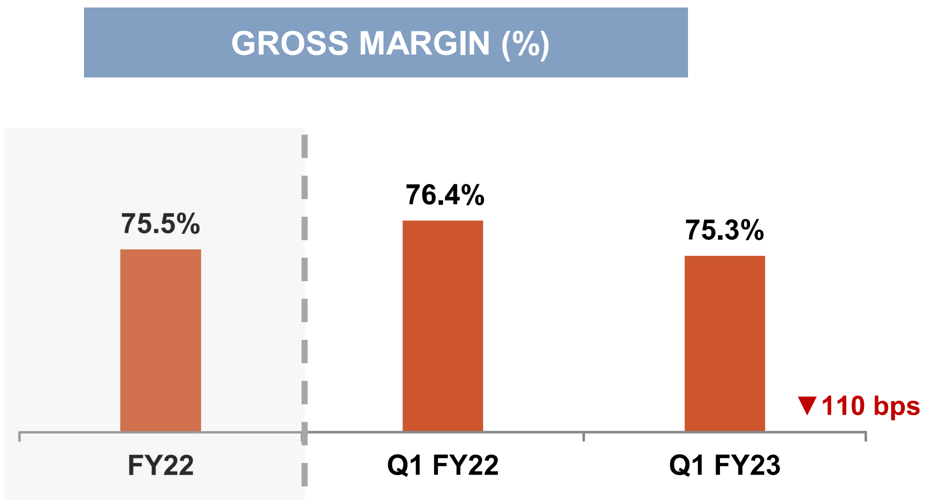
Q1 FY23

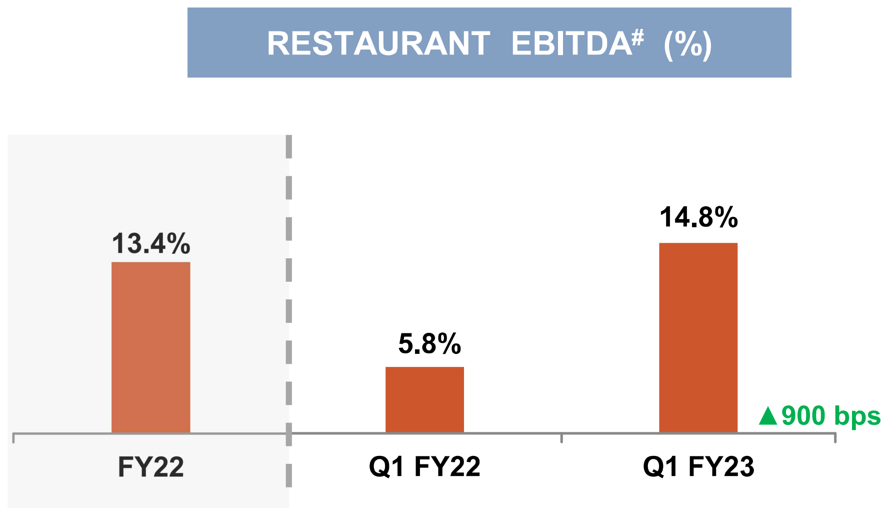




Average daily sales is for all restaurants including new additions during the period

PIZZA HUT INDIA
Q1 FY23



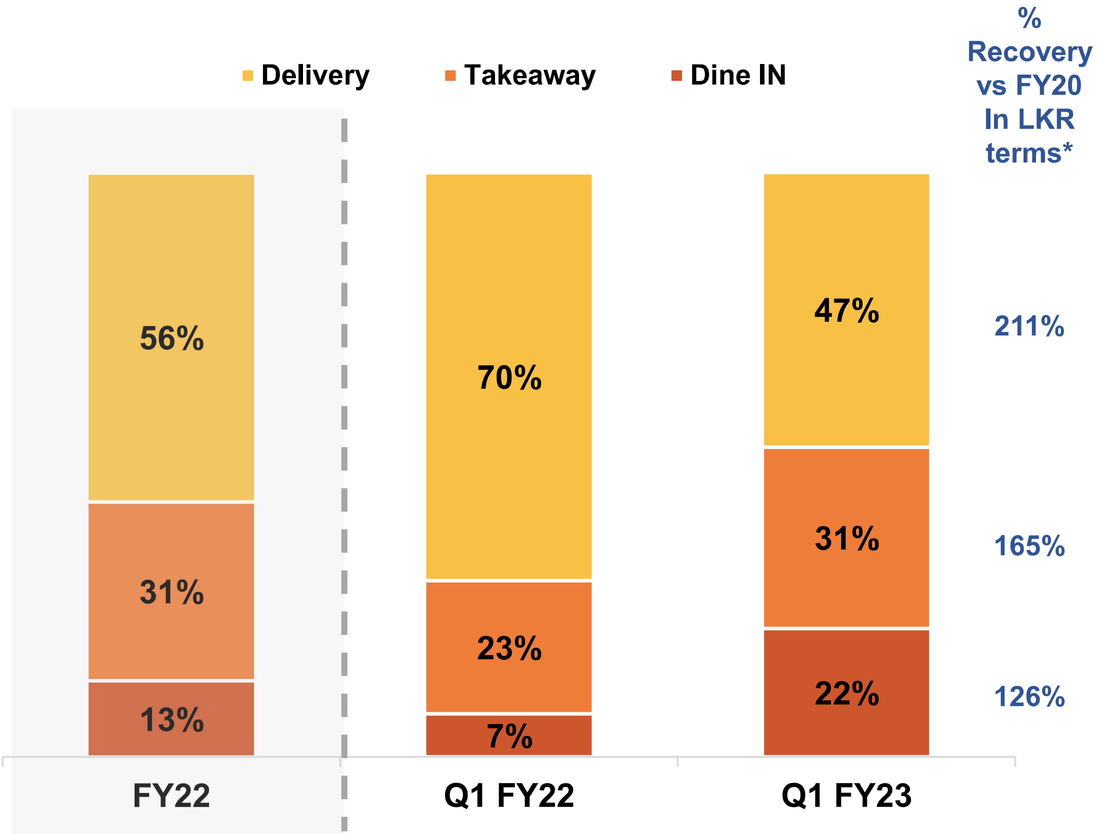


 # Restaurant EBITDA figures are Pre-IND AS 116.

Sri Lanka
Business Performance

SRI LANKA BUSINESS

Q1 FY23 - CHANNEL SALES CONTRIBUTION



* Recovery % are calculated for comparable stores

SRI LANKA BUSINESS
BRANDING & PROMOTIONS

SRI LANKA BUSINESS

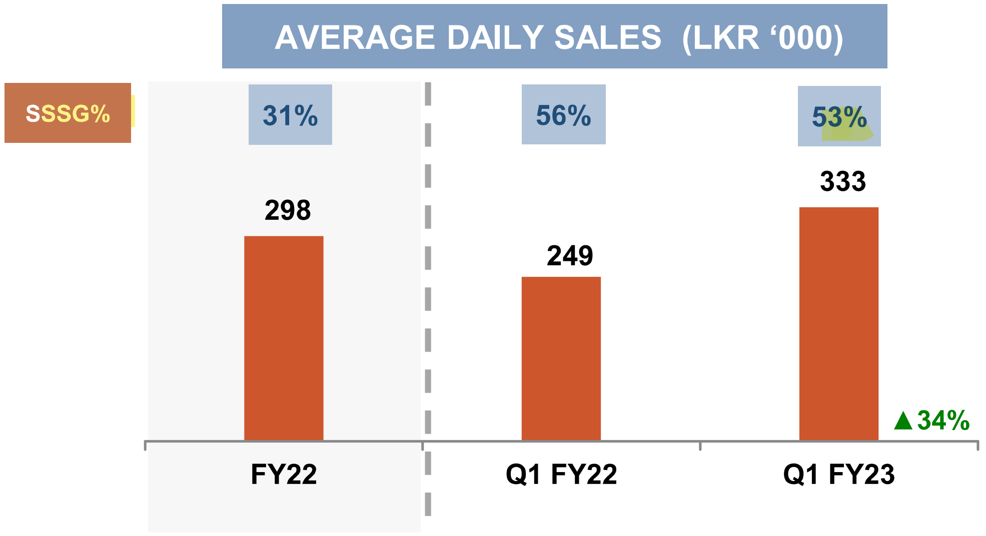
NEW RESTAURANT LAUNCHES

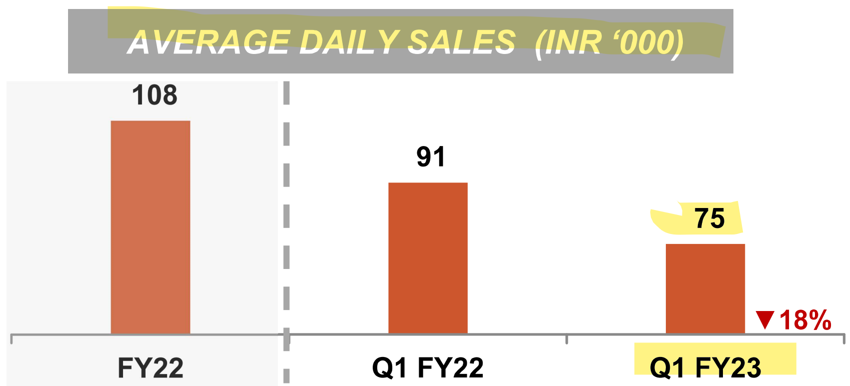
KALMUNEI

EMBULDENIYA

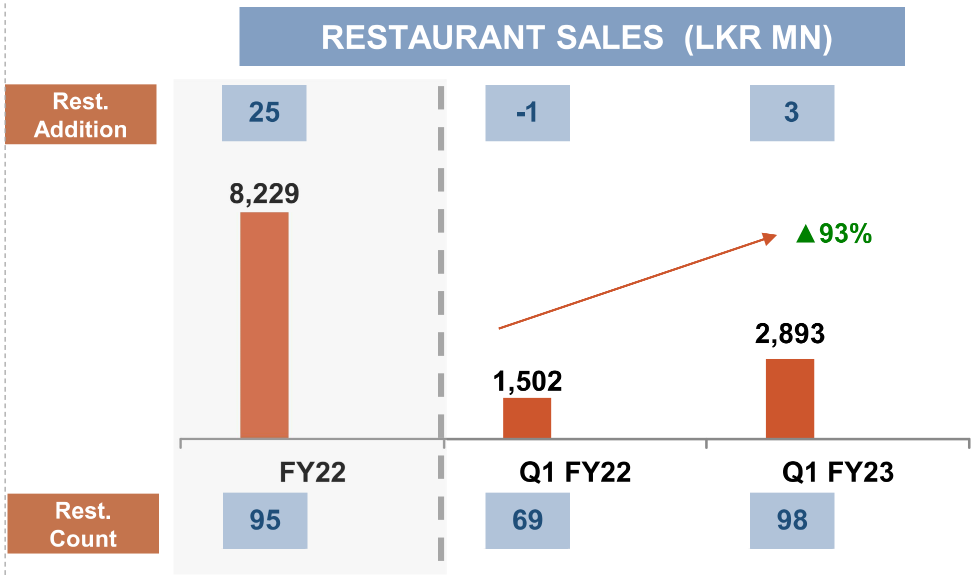
PELAWATTA

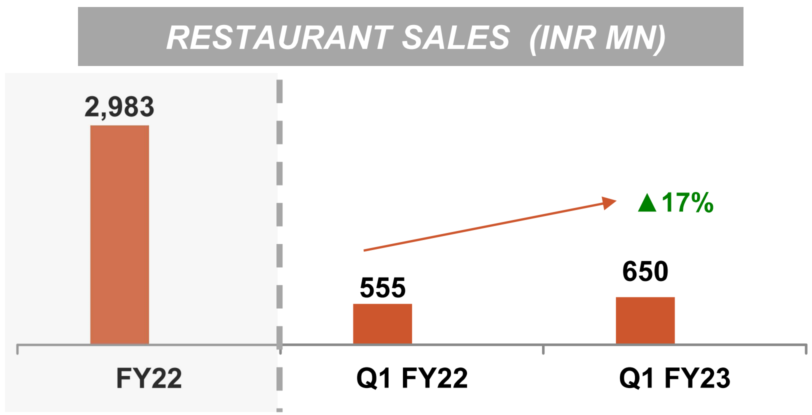
SRI LANKA BUSINESS
Q1 FY23





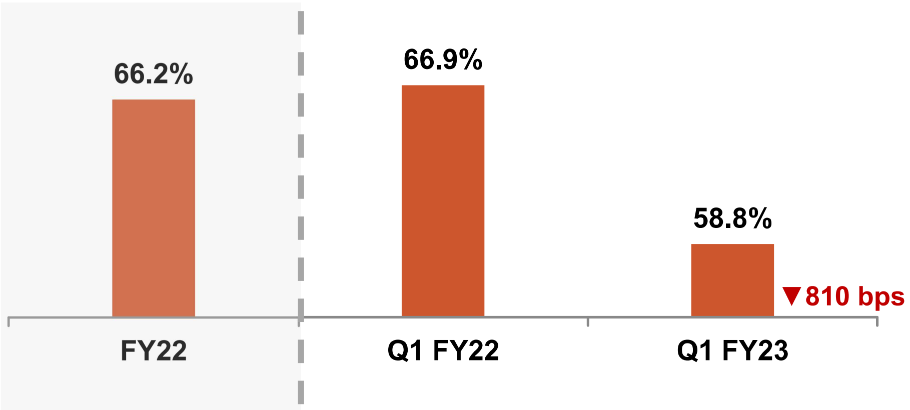
Average daily sales is for all restaurants including new additions during the period
Note: LKR to INR conversion rate of 0.2247 for Q1 FY23 and 0.396 for Q1 FY22



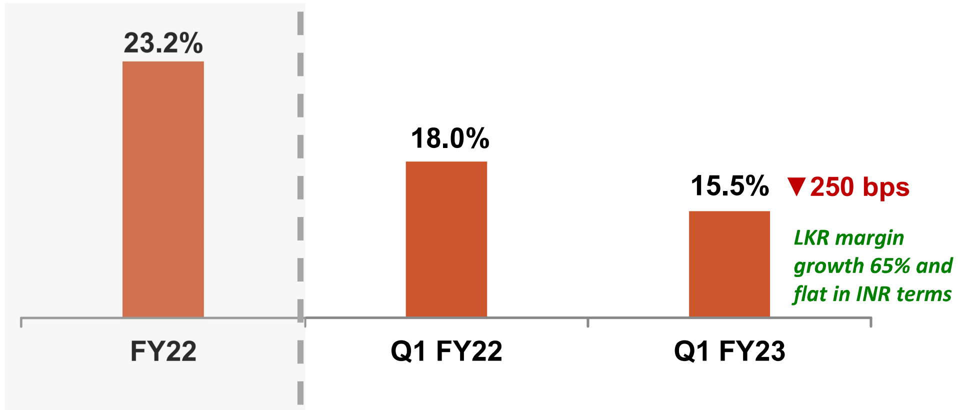


SRI LANKA BUSINESS
Q1 FY23

GROSS MARGIN (%)



RESTAURANT EBITDA# (%)



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THANK YOU