restaurant brands asia

August 2, 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 Unaudited Financial Results of the Company for the quarter ended June 30, 2024, held on July 30, 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)

SHWETA SUNIL MAYEKAR
Digitally signed by SHWETA SUNIL MAYEKAR
Date: 2024.08.02 15:19:17 +05'30'

Shweta Mayekar
Company Secretary and Compliance Officer
(ACS No. 23786)

"Restaurant Brands Asia Limited

Q1 FY '25 Earnings Conference Call"

July 30, 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. GAURAV AJJAN – HEAD, STRATEGY & INVESTOR RELATIONS – RESTAURANT BRANDS ASIA LIMITED

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

Moderator: Good morning, ladies and gentlemen. Good day and welcome to Restaurant Brands Asia Limited Q1 FY '25 Conference Call hosted by Motilal Oswal Financial Limited. 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: Good morning, everyone. On behalf of Motilal Oswal, I would like to welcome you all to the Restaurant Brands Asia Q1 FY '25 Earnings Conference Call. From the management today, we have Mr. Rajeev Varman, CEO, 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 Gaurav Ajjan, the Head of Investor Relations.

Now I hand over the call to the management for the opening remarks.

Rajeev Varman: Thank you. Good morning to everyone. This is Rajeev Varman, CEO of RBA. We also have today, in addition to the members already called out, Cicily Thomas, who's the President of Burger King India; we have Namrata Tiwari, who is our Chief People Officer; Dr. Sudhir Tamne, who's a Food Technology's -- Head of Technology in food. And we also have Madhuri Shenoy, who is our Head of Quality.

So let me take you back 10 years. On November 9 of this year, we would have completed 10 years as a brand in India. We opened our first restaurant on November 9, 2014. So this November, we will complete 10 years. This 10 years has taken our journey to -- today, we sit at 456 restaurants in 107 cities. That's almost 10 cities every year that we have grown in. And as Sumit will go into the numbers today, you will find that all our numbers that we will report today will be in the green area. Growth in the green area, SSSG, same-store sales growth, will be green. SSTG will be green.

You will find that revenues will be in the green. Gross margins will be in the green. Restaurant level profitability will be in the green. Company level profitability will be in the green. So the strength of brands and companies is visible in tough times. You're aware that the market has kind of slowed down a little bit in the last few quarters. And in this environment, RBA continues to deliver positive same-store sales growth. In fact, if you look at the last 9 quarters, we have continuously reported positive same-store sales growth.

So let me first take you through the 10 years that we have been as a brand, what we have done. It's a very auspicious year for us, completing the 10th year. So I just wanted to kind of walk you through the brand it has been and the brand it is going to be in the future.

So initially, as you remember, we had established this in 2014 by building a menu that was -- Sandeep Dey present in Indonesia. So it's familiar discovery, which has built a brand that was Western but taste of India, right, very, very Indian taste in nature.

Our brand that had menu items which were very strong in the veg focus areas, veg value variety. I think you heard Kapil say this in the initial years of our brands that we built the menu on veg value and variety. So we did that. We did the largest taste test ever done in India on food, which was over 3,000 people that we tested. We built the products around that. And then we launched the brand with Whopper in focus, which is our flagship burger.

Now we continue that by bringing in a value strategy, which is fulcrum for the Burger King brand across the world that we believe in driving trials and getting people into our brand, into our business from the value sector. So we did 2 For INR50, which has graduated today. Last year, you saw us do INR99 meal. And this year, you have seen us do 2 for INR79, so those strategy and value continues to be strong. It's a 10-year-old strategy. It will continue to build, it will continue to evolute as we move into the future.

We also then started building restaurant footprints. Creating awareness, marketing, advertisement, all these things create awareness, but also building restaurants create awareness. So we have built 456 restaurants as we stand today, in 107 cities. In addition to that, we have built 351 cafés inside of these restaurants, so -- which has been a ramp-up in less than 2 years, actually slightly over 2 years because we started in FY '22. Now we are going into FY '24, and we have literally 351 cafés. There's about 100 restaurants that don't have cafés, which will start now getting cafés. All the new restaurants are opening with cafés.

So a very strong menu strategy, graded into a very good value strategy, build up strong footprints, added day part menu or specifically by building cafés, and then we are graduating now as we move forward into the digital era where we are now establishing SOKs, self-ordering kiosks in all our restaurants. So we have completed close to around 180 new restaurants that are already running itself or in kiosks, and they will continue to do that by the end of this year, fiscal year, we should be at 100% of SOKs as well.

So in March of '22, we acquired the business in Indonesia, which is Burger King and then we further on started to build Popeyes there in August '22. We have built our first Popeyes. Sandeep will kind of bring focus on our results and how we're moving forward in Popeyes and Burger King in Indonesia and all that challenges, the geopolitical challenges over there and so forth. So that's basically the last 10 years in India and RBA as we graduated into the Indonesian market.

Last quarter, I told you the focus areas which haven't changed, which continue to be the focus areas for this company as we move into the next few quarters. One is to continue driving value. You have seen -- and you'll see the value promotion that Kapil will be launching and has worked with in the last few quarters. So he will kind of bring that to life in this piece. 2 for INR79 and 2 for INR99 has been on our communication now for several quarters, and it's doing very well.

We also went into new locations, not only with Café but launching the BK Pizza Puff, which is doing very well, which also addresses our snacking location -- occasion. And in addition to that, in the past, we have launched nuggets, we have launched wraps. So there's a lot of new items, innovation that Kapil keeps bringing into the business and he will address that as he speaks, but basically to kind of build and grow traffic. So our focus moving forward, continuing to bring in traffic.

So these 9 quarters that I told you that we were positive same-store sales, we were also positive same-store traffic. So it is important to bring SSSG with traffic. And we continue to build on that and growing traffic, which has been predominantly our focus for the last 10 years, will continue to be our focus for the next 10 years.

Digital brand, a brand that is accessible digitally, not only in front of the counter where the guests are but also behind the counter, where Cicily Thomas and she'll speak more next time when we do the next quarter meeting about how she is taking the brand digitally inside the kitchen as well, making sure that all our processes and systems are digitally to bring efficiency, #1, and also to reduce the number of mistakes that we can make on delivery of our orders. So that will continue as well.

The last piece, which is the most important piece that we took upon a few quarters ago is to have a laser focus on profitability. But yes, one of the biggest attributes of inputs to good margins at the restaurant level is sales, and we will continue to drive traffic and sales but also to manage our line items so that we continue to deliver a solid restaurant-level profitability.

That focus has been now split into 2 pieces. One is to focus on dine-in, which we have continuously spoken about in the last few quarters, which is continued laser focus on delivering restaurant dine-in profits. But in the last quarter, we have also started this journey of increasing our profitability of the delivery business. So you will see and you will hear more and more as we move forward to bring the margins on our delivery business higher and higher and we will continue that focus as we move forward. So that's on India, and then Sumit will kind of share the results on all the items on India as we move forward.

Now Indonesia. So Indonesia, we kind of went into this business in 2022. And since taking this over in March of 2022 and launching Popeyes in August '22, what we have done and where are we as a brand over there. So initially, as I've said in the past, we took over the business and we went back to basics, which is what we do as a company, again, went back to menu. The menu was not up to our standards. It was not to the market standards. We got the menu up. Every single burger, every single item, every entree was measured and tested and reevaluated and build up with the new sauces and new patties and new toppings. So we did that and suddenly build a fantastic menu for Popeyes as well at the same time fixing the Burger King menu over there. So we did that.

We also then went into doing the menu architecture for both the brands. So there is a value core and premium layer that was established. All this work was done.

And then we started a journey to move -- actually establish and start moving sales in the right direction, which we -- as you can see in Slide #6 that the red line is current year and you will see that we have moved the sale significantly higher than the previous year, and we were well on our way until this geopolitical headwinds started in late October. And this is a big challenge for the Indonesian market for all the QSR that their American brands they all suffered from retail down to food, down to cafés. Everyone got the hit on that, and we were no different. We saw that the line that was way above the green line suddenly dipped below the green line.

Now we then took the next couple of months to reestablish -- start our business growth in our delivery business, and we did an affective job of that as we climbed from January onwards between November to January to reach back the previous year's sales. And we did that very effectively. And then in May, we had another challenge when there was a second bombing in Gaza. And there's other geopolitical wind that kind of took a toll on all the businesses there.

So we have had challenges. We have set the business right. We have set the menu right. We have rationalized the restaurants. We have closed about 46 restaurants that were nonprofitable, which were in the low areas or areas with no growth. We have cleaned that out.

We also did the same with our overheads. We brought it down. We rationalized our total G&A count. We brought it down by 25%. So we have a very effective machine now in Indonesia, a very effective team, very effective assets that are ready to grow and become all they can, as these geopolitical winds kind of go behind us.

I think the reflection of the community there, the business community is that post-October, there is going to be upbeat -- uptick of this traffic back into the business. So we are hoping that, that is true, and we are working towards that, getting the business ready to kind of deliver on those numbers. So that's basically the Indonesia, and Sandeep will speak a little more about it, and you will get the flavor of where we are in terms of numbers and so forth.

With that said, I will turn it over to Sumit so that he can carry you into this green page of our green numbers. Over to you, Sumit.

Sumit Zaveri: Thank you, Raj. I'll kind of choose Slide #10 to take you through the overall performance that we have for the quarter. It also reflects some of the positive trends that we have seen, what Raj was talking about as we go through these numbers.

Firstly, talking about growth. Obviously, growth has been one of our key drivers. In the current quarter, we opened 1 store. It's not that we've really kind of gone back in any manner. It's just that it is by design. We had opened a fairly large number of stores, almost close to 40 stores towards last quarter of the calendar year, which is kind of allowing some time to settle down.

Our target to get to 510 by end of financial year is on track. Currently, as we speak, almost close around 19-odd stores are under construction. So we are kind of now phasing it out over the balance part of the period, making sure that we get to 510 being the target. As Raj mentioned, our focus is driving traffic and then driving SSSG through that route of driving traffic.

We're really happy to announce that we've been positive, as while you are seeing here for last 5 quarters that we are really positive in expansion over the last 9 quarters. And this -- to be positive in a market scenario, which is challenging, at the same time, being positive as we are adding a reasonable amount of stores in the portfolio, which will be adding close to around 80 stores on an annual basis. We feel really we've been able to kind of manage the growth, balance the growth and the same-store sales growth really in a balanced manner without really focusing the balance on the focus, on either of the sites.

Having said that, effectively, our revenues for the quarter, which was just a little shy INR10 crores -- shy of INR500 crores, achieved of 490 crores of revenue, 16% sales growth on a year-on-year basis, slightly favored by way of a higher delivery mix moving from 39% to 42%, which we believe that this is a broad range from 38% to 40%, that's the kind of range that it will remain as we go along, as we continue to focus on bringing more traffic into our dining part of the business.

If you really look at it from the perspective of gross profit, we've always been focused improving our overall profitability through focus on gross profit to various initiatives on the supply chain side. Over the last 1 year, we've been able to improve our margins by almost close to 1.2%. As far as this current quarter is concerned, we are flat at 67.6% as we had reported last quarter.

We must assure you that this is not a break in the journey to go to 69% that we've said we will achieve, which is that in the current quarter, we really wanted to aggressively pursue growth through traffic. And that's why it's a conscious call to remain at these levels of margins. And then now -- and Raj mentioned about that we will very strongly focus on the delivery side of profitability, so we will see the journey coming back as we go along later part of the year, taking us to 69% target that we've spoken earlier.

As far as overall profitability is concerned, we achieved 8.9% store level EBITDA and a 3.6% company level EBITDA growing by -- growing to INR43.5 crores in the current quarter at the restaurant level. If you look at it from the company perspective, we grew to INR17.5 crores from roughly INR10 crores that we got year-on-year or if you look at it sequentially, it's almost close to 70% growth in EBITDA.

We did see some kind of -- some challenges with respect to the cost line. It was more -- because of the external environment of the seasonality side, extreme heat did impact us on the utility side, which is why we see some of the translation on gross profits didn't materialize as far as restaurant EBITDA is concerned and a slight shift in delivery mix from 39% to 42%. So the translation gain or the improvement we had on gross profit, we did lose a little bit of PAT on the restaurant EBITDA side.

We've always been talking about getting the leverage benefit as we grow on the G&A side. In the current quarter, as we've grown revenue by almost close to INR68 crores, the corporate G&A has reduced as a percentage of revenue, almost close to 5.3%. So that's the journey that we will continue to see as we go along going forward. So that's the India business part of the journey. Quickly going through Indonesia, and I'll just talk a little bit and build on to what Raj was saying.

Our priority is to get to a position where we are not losing cash in Indonesia, as far as what we believe, what we've done is that we have rationalized the portfolio, we have done to 149 stores. It's a portfolio which is more balanced and based on this portfolio, at the store level, we did report positive EBITDA.

As far as and effectively at an IDR19.4 million for the quarter. We -- it is showing 5.4% negative SSSG. We believe that as we continue to pursue the brand from the perspective of sales side, as we continue to remain focused on our product delivery, we should be able to reach the cap as we -- and go and improve over it, as we have seen in early part of the year last year.

As far as Popeyes is concerned, we are currently at 25 stores, and average daily sales of IDR17.9 million. It looks like a drop, but that's more like IDR39.4 million was just representing 10 store, and it was the launch period, the quarter immediately after the launch period of the brand. So really speaking about comparable. But having said that, it's not that we feel that IDR17.9 million is a good number. We would really want to bounce back from this number.

We are currently kind of waiting for some of the headwinds to start -- really kind of been feeling it, then we will start putting money behind this brand and grow sales.

At these levels, though you must admit that we are not losing any money at Popeyes level. So we are at sustenance levels as part of ADS as far as of Popeyes is concerned. Overall, our revenue In Indonesia was around IDR302 million -- billion, drop of 11% Y-o-Y, largely because of store closures. And at an EBITDA level, we lost around IDR17.3 billion. While we are at an EBITDA level, we have IDR17.3 billion.

The way some of the lease constructs are built in Indonesia, actual cash outflow is almost close to IDR4 billion less as compared to EBITDA because in Indonesia, the rent structures are built in such a way that a substantial part of rent gets paid in advance. So there is no cash outflow to that effect in the current financial year. So EBITDA -- looks IDR17.3 billion EBITDA. The actual cash is IDR4 billion less.

We would continue to endeavor to get to breakeven levels or cash yield to the position as far as Indonesia is concerned, as we go progress further into this current financial year. So that's literally from my side on India and Indonesia financial performance. Overall, performance on the consolidated stand-alone is already shared and available. So I'm not getting into that. I just thought I'll talk a little bit more for explaining the numbers to you.

So I'll just put you to Kapil, who will take us through the marketing initiatives on the India side.

Kapil Grover: Okay. So thank you. Thank you, Sumit, and good morning, everyone. Just before I start the India sort of marketing update, I'll just recap the numbers that Sumit mentioned earlier. Our growth story continues. We have year-on-year added 60 stores to the base. So we are now at have 456 stores. We delivered an ADS of INR119,000 last quarter and with this, was a 3.1% same-store sales growth over last year's same quarter. And as Raj mentioned, this is the 9th straight quarter of same-store sales growth.

With the revenue at almost INR491 crores, this was a 16% improvement in revenues over the same quarter last year. And this is our highest quarterly revenue above -- since we started the business. Margins improved by 110 basis points and they now stand at 67.6% compared to last -- same quarter last year. And restaurant EBITDA, as Sumit mentioned, INR43.5 crores, which is a 29% improvement over the same quarter last year.

At a company level, with INR17.5 crores of EBITDA, we are 72% better than same quarter last year. So that's been the summary of what Sumit mentioned to you in terms of our results in the India business, right?

Now to talk to the market initiatives, which sort of helped us in some parts to deliver this number. We've continued to focus on our value strategy and offer consumers better value than the market. Our lead dine-in marketing program for this quarter was 2 Crispy Veg at INR79 and 2 Crispy Chicken Burgers at INR99. Now this is a model which has given us great results in the past, it has given us good dine-in traffic growth, and it continues to be a strong platform of driving traffic into our restaurants.

In addition to the 2 For model, we continue to offer the 99 meal. The meal that we promoted all of last year, is still available on the BK APP, right? There are another suite of new and add-on offers which are also available on BK APP as a platform for our guests who are seeking more deals and coupons in restaurants.

While these are the price-pointed offers of 2 For and 99 Meal, we also continue to offer great value in shareable meals. Given the season we have the monsoon meal deals for 2 people available for dine-in guests to help them share a meal with their family and friends.

Now I'm on Slide 17. This is about BK Café concept meals, spoken about extension, today, we stand at 352 cafés, which is almost 80% of our portfolio, and this will continue to expand as we open new stores and go back and retrofit in some of our older stores. But it's more important now. See in future, we started to now drive innovation on the left. We've added iced coffee to the menu recently, Iced Cappuccino, Iced Americano and Iced Latte have been added to the menu. These will help us grow incidence of the layer. And you will see a lot more work on the Café business in the coming 2, 3 quarters to grow awareness and penetration of this category in our business, right?

During the course of the year, we also continue to innovate. Raj mentioned on the innovations we've done last year in recent quarters. Our most recent launch, the BK Pizza Puff is a favorite vegetarian snack. The product has done very well on blind product test. And it was sold out in the northern markets. About 8 weeks ago, we've got very encouraging results on the product, and it's now become a part of the 2 for X platform at 2 for INR59. And you will see more on this program as we go forward in the future quarters.

Now while we continue to drive traffic to our dine-in restaurants to all these promotions on value, we now have 143 stores. And as we speak, it's grown to about 180 stores, which offers the fantastic King's journey experience to all our guests. The guests are offered digital ordering to self-ordering kiosks, BK APP based-ordering or a QR code on the table, which you can scan to avoid the queue at the kiosk, and then your food will be served on the table.

And thanks to some fantastic execution by our digital and operational teams, 92% of dine-in sales in these 143 stores is coming from digital channels like kiosks, app or the mobile side, and our guests are loving the new experience in our stores.

On the next slide, in continuation to the point on BK APP, we're now building this as a platform and a foundation for our CRM programs in the future. The BK APP has the most of dine-in offers, which helps us drive acquisition, and we've seen our installs grow by 70% over quarter 1 of last year. Even app usership has grown from by about 2.7x over quarter 1 of last year. And this work on the app will go a long way in establishing strong loyalty with our BK clients.

Last but not the least, we continue to be one of the most engaging brands on social media with a focus on youthful and very authentic conversations with our clients. So that's it from my side. I will now hand over to Sandeep to share the Indonesia update.

Sandeep Dey: Thank you, Kapil, and it is always inspiring to see some of the fantastic work India is doing, and it definitely helps us with some of the best practices for our business here. Good morning to all of you. You've heard both from Raj as well as Sumit that the environment here continues to be challenging due to the geopolitical crisis.

And after a long spell of 4, 5 months since October, the business really started to get better. Towards the Labaran festive month, which is around April and subsequent until end of May, things got better, and we reached almost the pre-crisis level of sales. But unfortunately, as I mentioned the last week of May is when the second crisis hit us, and we got adversely impacted once again.

However, we continue to stay focused on doing things which are in our control. So in the next few minutes, I'm going to double click on some of the stuff, which Raj mentioned earlier. The first 6 months of FY '24, we did a great job on the basis of all the foundation work and delivered more than 11% growth in those 6 months compared to the previous year. Despite all the challenges we have been facing since October, we still delivered a similar sales this quarter compared to quarter 1 of last year.

We did experience a 15% drop in dine-in sales, but we successfully pivoted our strategy towards delivery and delivered a 19% growth in that channel. This kind of gives us the confidence that guests do continue to love our brand because of the great taste experience, because of the consistent product quality and a very strong value proposition, which they enjoy from our brand. And moving to the next slide, where I'll be talking about the key priorities for the Burger King brand, which is chicken, burger and winning dessert menus.

From the last few quarter calls, I've been speaking about the fact that Indonesia is an extremely strong fried chicken market, and having a comprehensive portfolio in this category is going to be a competitive edge. We have 2 winning products in our menu, the Crispy Chicken and the dunked spicy saucy version of another fried chicken. However, we also understand that there's a massive demand for a breaded version of spicy chicken, so we developed that winning products as well, did an extensive test market for almost a couple of months, and we are extremely satisfied with the results and now decided to launch it across the country in the next 2 weeks' time.

In the last 3, 3.5 quarters, our volume of chicken grew by almost 50%. And now after having the widest range of fried chicken in that QSR space, we are quite confident of taking our chicken share even further up. The second strategic priority is to establish leadership in burgers, and that will continue to do through Whopper trials and continue to do through providing taste supremacy.

We develop the Whopper based on local taste preference and then offer that product to customers at a very aggressive prices IDR17,000, which is almost a 50% discounted from the original price. But that has really helped us driving trials, driving frequency and also building the Whopper equity.

We are witnessing a sustained volume of 35% over the last 4 quarters. However, the work really doesn't end here. We are further improving the quality and taste of this product. We have developed a better buttery, softer bun, also made the patty even more juicier. We're now setting up the back end of the supply chain so that we should be able to launch this new Whopper and scale that across the country by the last quarter of this year.

Cold dessert is a massive market, and we have a big opportunity to gain share in this category. And as a part of our business strategy, which is the third growth pillar, we continue to drive new innovation around dessert category, either through a program that dessert or through products, which are inspired by local favorites, right?

And then in the last 1 year, we have witnessed a volume growth of almost about 2.5x in the last 1 year that our ambition is to double it. Most importantly, traffic continues to be our #1 priority. And hence, we will always maintain our value leadership position, whether we provide extremely strong value propositions through a permanent value layer, our dine-in business or a very attractive entry price value layer, both for à la carte as well as combos for our delivery channel.

And now I'm on the last slide, which is Slide 25. Popeyes is a new brand. We have 25 stores. So the priorities are very clear at this moment; build the product and the brand awareness, generate trials and then continue to provide a guest, a digital-first experience.

We are basically a culinary brand and not only about winning products with regard to taste but also an enormous amount of variety to address different occasions. Our ambition is to bring this brand into chicken destination. By the way, we are only QSR chain, be it local or international, who got chicken in both fried as well as grilled formats.

Grilled chicken is our unique differentiator, and it kind of contributes almost 1/3 of the total booming chicken volume. And going forward, we are strengthening this portfolio by adding more varieties like grilled wings, grilled sandwiches to our signature grilled collections. And this, we strongly believe is going to be our competitive edge. We also developed the breaded spicy version, which has performed extremely well in the consumer research, and we plan to roll it out in the third quarter of this year.

So now we have winning products and the task at hand is to build awareness. In all our stores, we have digital menu board, which we are using as an ad board to create awareness and educate our guests. We also have video walls in every store, which runs brand videos. In fact, we have also started to participate in some key strategic events, which also helps us in generating trials and generating brand awareness.

So we have implemented our menu pricing strategy also, which will help us build the value propositions and thereby help us drive trials.

We have also strengthened the digital-first experience. We launched our Popeyes app last month. And I'm also happy to report that 95% of our dine-in transactions are through self-ordering kiosks. So this will definitely help us build a pretty strong CRM program in future. And last but not the least, we will continue to provide elevated guest experience through 100% table service. So that's all from the Indonesia side, and I hand it back to Sumit to share the overall outlook.

Sumit Zaveri: Thank you Sandeep. So I will just quickly share the outlook as far as restaurant count is concerned. We are currently at 456. We endeavor to get to 510 by end of the financial year and our target for 700 stores by '27 still continues.

As far as gross profit is concerned, we were at 67.6%, as I mentioned, during my earlier conversation. Our target to took it to 69% by '27. We probably believe that we are on track to get to 69%. Indonesia, our immediate priority is to achieve cash breakeven at the country level, which is what we will endeavor to get to -- towards and we get to the late part of the financial year. So with that, I would open up for Q&A.

Moderator: Thank you. The first question is from the line of Dhiraj Mistry from Antique. Please go ahead.

Dhiraj Mistry: Congratulations on very good set of number of positive SSSG and improvement in profitability. So now my first question, what I understand is that you have taken some price hikes in online channel. Can you split your current quarter performance between price increase and volume increase?

Sumit Zaveri: So Dhiraj, as far as current quarter is concerned, the entire growth has literally come through the traffic growth as we -- as Raj initially mentioned as well that our focus is value-led strategy. We'll continue to remain focused on that side. So as far as dine-in part of the business is concerned, it is led by traffic.

Even on the delivery side, the growth is a combination of traffic as well as average check. But average check is something which is more trying to get customers to buy more on the platform. As we go along, we will see some correction in the pricing side and we've -- and Kapil has mentioned about it, we are kind of trying to pivot our menu slightly differently on the delivery side. So we will see some price corrections going forward. We've really not seen the impacts of that fully as far as the current quarter is concerned. So current quarter, the growth is traffic led, and that is how our overall strategy going forward will also continue to be.

Dhiraj Mistry: Got it. Got it. And second, one of the points you highlighted that going ahead, improvement of profitability will be also led by the improvement in profitability for your online channels. So can you help us with what will be the current profitability difference between online and offline channel for you?

Sumit Zaveri: So Dhiraj, we would really not be able to share the exact details of how profitability though, is concerned. But as I was saying earlier as well our endeavor to improve the overall profitability will be led over to two levers, I would say, one is reposition our delivery on the pricing side, that's one. The second is the launch of new categories that we've done, Café on one site that we've done over the last 2 years. And then the snacking product, we will also endeavor to improve overall attachment through these new categories. So that's how we are really kind of going to overall address the profitability part of the delivery channel as we go along into later part of the year.

Dhiraj Mistry: Got it. Got it. And sir, second question is on, can you highlight how the demand in India from the month-on-month perspective, whether that has been improving for you, let's say, for the quarter, you have witnessed 119,000 of average daily sales, how that has been performed on a month-on-month basis?

Rajeev Varman: Dhiraj, this is Raj. Thank you, first of all for joining this call this morning, and thank you for your questions as well. Dhiraj, we think that there is going to be a strong recovery in the second half of the year. I think that's what's visible to us. But for a brand that's been positive in traffic for the last 9 quarters, if you look at the industry, probably at about negative 4%, negative 5%, somewhere there, and we have positive 3%.

So all things being even, we would have probably been positive 7% at the market demand being a little stronger. But I think as we look into the future, we expect that this will have a stronger second half performance, and we should be able to get a higher traffic increase as well as SSSG, but we kind of stay put awaiting that positive trend to come in. It's been a tough last quarter in terms of battling it out and very good, strong value strategy is the way.

There's not only just value strategy, but the innovation that was put in place with café that was introduced, puffs that came in, nuggets that came and wraps that came in. There's a lot of work that we have done. And we think that the next 2, 3 years, you will find growth in RBA working India specifically through these items that Kapil has put in place. All these instruments are going to give growth in dayparts as well in traffic occasions. And this company will continue to grow on this basis of traffic. As I've always said, we have traffic-led kind of company, and we will continue to drive more people into our restaurants.

Dhiraj Mistry: Got it. Got it. No, we appreciate a lot in terms of your performance compared to other peers. And sir, last question, if I may, that what would this contribution of BK Café in our existing BK Café Stores? That's it from my side.

Rajeev Varman: Yes. Dhiraj, again, thank you for your question. We have said this in the past that in spite of adding almost doubling the number of cafés in the last few months, we have got now 370-odd cafés. I mean that's a lot of cafés that we have put in, in a span of very few months. In spite of that, we have maintained average daily sales on café. We think that this average daily sales of between 14,000, 15,000 will more than double, and that's our aspiration as we go into the future years. Beyond that, we don't share any specific information on that. But I think that should give you pretty much what you were looking for. Yes.

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

Mayur Gathani: Just wanted to understand or get clarity that you are saying delivery margins will come in line with your dine-in margins. And two reasons you're saying is the traffic growth and correction prices. Is that understanding clear?

Sumit Zaveri: Correction in pricing, yes, you're right. The second one is we will work towards improving the attachment to the invoices using the new category launches that we've recently done, which should cover café and some of the snacking range of puffs and chicken nuggets. So that's actually how we are going to address improving the overall profitability of the -- on the delivery side of the business.

Rajeev Varman: I mean, if you look at the broader part of your question, which is we build a brand through growth by footprints all across 107 cities and so forth. We build the cafés, we build a product line. All that stuff right now, it is since we are now working on the volume through traffic, we are also getting prepared and the economics of the restaurant fine-tuning those. On the dine-in side or the delivery side, both are in game, right? We want to make sure that as much efficiency is bought.

And if you look at our P&L, and we're all aware of all the P&L out in the market, if you look at our P&L, we run a tight ship. We already run very good gross margins. Our line items, below that gross margin, are all very tight. And as volume increases, those percentages will all become very positive. But we want to make it still more efficient. And we are going to take a little bit pricing over the course of the next 3 quarters, and that will be evident for you. And it's the same for delivery business as well. We want to make sure that the delivery flow through coming into the business continues to grow. And that's -- you will see those in the coming P&Ls.

Mayur Gathani: Okay. And coming to the Indonesia part, do you see more rationalization of the BK stores in there? Or at 149, we are kind of stable there?

Rajeev Varman: Yes. I think we have cleaned up. We have rationalized the whole portfolio. We are there now, and we are now kind of growing these restaurants. Like I said, initially, we have a very strong team now. It took us 1.5 years to build that strong, very strong team. They've got all the right people in place over there. We have got a clean asset. We have closed out restaurants that didn't make any sense for us. We have cleaned that portfolio down. We have cleaned the menu, and we have got everything in place now. And the market even turns a little bit to our favor with all the geopolitical behind us, which I think is going to be post October what the industry over this is kind of contemplating.

Then what will happen is you will find this business, go back to its green days then. It used to deliver significant restaurant-level profitability. We'll get back to that. So we are just kind of prepared. We've got a good asset. We've got a good team. We have got a good product line, and we're just waiting, and we are putting things in place, instruments in place, our marketing, our delivery business.

You've seen there was non-existent -- our delivery business. Now we have grown it significantly over there to multiple double-digit growth. So we have put everything in place. And as things come our way, we will make that business profitable not only just make it positive, but make it significantly profitable. And that's the whole plan when we took this over, we knew that this is where we're going to take the business.

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

Shirish Pardeshi: Starting with Slide 10, what I observed that in this quarter, despite the heat wave, our delivery mix has come down from 45% to 42%?

Moderator: Sorry to interrupt, sir. Could you come a bit close to the mic. You sound a bit distant.

Shirish Pardeshi: Yes. So on Slide 10, when I observe the delivery mix, which used to be about 45%, which has come down to 42%, I assume that, that should have gone up given the heat wave. Now the question which is coming to my mind is that we have done the dine-in menu changes, which is 2 for INR59 and 2 for INR99 in the chicken. Is that the permanent offer which is driving our dine-in mix? And is the thing which is going to be permanent SKU? And why I'm asking this because you have built on a lot of questions around traffic. So can you share if I take 1 year back, what is the 356 stores, the traffic growth we would have got?

Rajeev Varman: Yes. Very good question. Let me try to answer this for you. You're right, our traffic mix, our total percentage of delivery sales was 42%. See, our promotion, which is a national-wide promotion, which Burger King and RBA here in India is able to do because we own the brand everywhere. That national promotion was in dine-in, right? It was 2 for INR79 and 2 for INR99 in dine-in. So this is not available on delivery. So it drove a lot more people into our restaurants in this quarter to give us that boom in sales in dine-in.

Now your question about whether this is permanent, see, value strategy is permanent. We will always be driving traffic through a good value proposition, used to be 2 for INR50 in the past. It was a INR99 meal in the past. It was a INR50 stunner of menu in the past where we had 5 items at INR50. So different things that we put in place from year-to-year, quarter-to-quarter that Kapil likes to drive traffic. But also on the other side, we have built in a lot of, for example, our King's collection, those 4 burgers are very, very well like big, and they grow, they continue to grow, along with the Whopper.

Whopper, a burger with 7 layers on it, right? So we have a very stunning premium menu as well. So when you drive traffic and you don't have all that traffic end up buying the traffic menu that you've put in or the value menu that you've put in, some of them migrate and buy other items on the menu. And that's what we're seeing as we continue to do that. So yes, the value menu, the value platform will be like. What we will sell on the value platform, we will kind of change that from time to time, and you'll see that as we evolve.

Coming down to your question on profitability, look, we want the entire, all the channels to be significantly profitable than where they are today. And we will continue to endeavor to do that. There are a lot of levers there. It's not that we are kind of looking for something in the haystack, we know those levers, and we are using those levers. We are balancing our focus on value and traffic with our check and profitability. So that's a big balance that we do every month. And we make sure that we are balancing the racks as we move the business forward.

Shirish Pardeshi: That's really helpful. Just quick last question, you can answer over the course of time. In the Indonesia business, we said that cash breakeven at the country level, at what same-store sales growth, this is possible?

Sumit Zaveri: So I'll just kind of answer. The way we look at it is that once we start reaching the levels of sales closer to after the portfolio rationalization, reaching an overall sales closer to around IDR20 million to IDR20.5 million is where we should start seeing the cash breakeven. So currently, we are off by around IDR2 million in terms of local Indonesian currency level. So that's what we are currently working towards as a team.

We've taken all the necessary steps from the perspective of rationalizing the overall portfolio by shutting down stores to even substantially reducing the corporate G&A from the exit levels that we had last year. So we've taken all those steps, now working towards improving the overall sales, which hopefully, as things settle down and we see that the impact of the geopolitical issue where it kind of starts to impact less as we go along, we should be able to go back and see that kind of sales spend. And we've seen the sales last year.

If you look at last quarter, 1 quarter 2, we've already seen that kind of improvement that we have done using the portfolio. So we believe it's a question of bringing the portfolio back to where it was towards quarter 1, quarter 2 last year. We should be able to get to cash breakeven.

Moderator: The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: So Raj, you started this call with highlighting your 10-year journey. And in 10-year, we have been one of the fastest when it comes to store expansion. So that, in a way, comes with a slightly cost disadvantage, so to say, in terms of lease and all. And then we are also focused on value offering. You mentioned that in this quarter, gross margin was flat because we wanted to drive more traffic, right? So my question is that now that inflation is more manageable, when do we use price levers slightly more aggressively, and what will it be dependent on?

Will it be dependent on macro conditions? Or will it depend on what competitors do? So where I'm coming from is that I want to understand how is our brand perceived in a mind of the customer? When we say value, is it primarily price-driven value? Or is it the quality of products that we offer at a particular price point so that customers will not mind even if you don't take a price hike and that will not, in a way, affect the kind of traffic growth that we have been seeing? So yes, slightly more granularity on how you see the use of price level going forward.

Rajeev Varman: Thank you for your question. The first comment I'll make is, yes, it's been 10 years, but we are just getting started, to be honest with you. It is not about all that we have done but all that we need to do and we will do over the next 10 years that I think is more stronger. Look, it's always a balanced mix, we call it menu architecture. And we don't drive our business on one tool. It's always -- a lot of people think it's binary, and they question me on the binary nature of that. It's not very binary.

It's a function of a menu architecture. You drive people in with value. You promote them with a laddered menu. You have indulgent items on the other end, right? So you have so many different occasions, different tools, the café, the snacking occasions, the late night business, the delivery business, there are so many levers. And you don't need to binarily just say, I'm going to raise this price and that's what's going to change my business. There are so many things in a business that are variable that you can keep fine-tuning as you go forward.

So I'll give you an example. As we have introduced this value platform several years ago, we have also built a very strong King's Collection, which is our premium burger range, right? And we kept on strengthening while we bought in 2 for INR79, we put in wraps on the other side. So it's a balanced way of approaching the business in long term versus doing a short-term gorilla gimmick to drive sales in any given quarter. So you can't do 9 quarters of consistent traffic growth, 9 quarters of consistent same-store sales growth without having a strategy in place that is balanced, which continues to drive people in sight, but also to prompt people going up.

These are where ADS, average daily sales, of the industry is falling, we are able to maintain that ADS in spite of putting 60 restaurants since this last year, the same quarter, so which tells you that there's a balance, there's a thought process, there's a strategy. And I'll tell you whatever you will see in the future is because of the balance, it's not just because of one lever either on the value side or one lever called café, it's going to be a balanced approach on how you approach this business in the long term.

Prolin Nandu: Let me just ask you on the similar kind of a thing where you have mentioned that you have taken a very detailed view of every line item in terms of cost, both at the gross margin and below the gross margin level. So in that journey, where are we? Have we -- most of the efficiencies in terms of every line items. Is it already there in a Q1 number? Or still, there are a lot of levers there which can see -- which we can probably use going forward as well in terms of driving cost efficiency?

Rajeev Varman: I would say that our focus on line items is about 25%, 30% there. 75%, there's a lot of structural changes that we will do in terms of how the lines, how the power is delivered and all those things are in works. And there's a lot of work ahead of us, and you will see those efficiencies over the next several months coming into our P&L.

Prolin Nandu: That's it from my side. And we appreciate the kind of outperformance that the company is showing, and all the best for the coming quarters.

Rajeev Varman: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last call for today. We have now reached the end of the question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Rajeev Varman: Yes. Again, thank you, everyone, for taking the time to join the call this morning. I want to thank our team in Indonesia that works very hard to -- in this very tough environment to deliver some magnificent turnaround results. And the team here in India that is working under leadership of Cicily and Kapil, doing a fantastic job moving the business in this very tough environment as well.

And I want to thank each one of you for cheering us on the sidelines and keeping us honest to our numbers and through our results. So we'll continue to work hard and deliver the best that we can. Thank you very much.

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

(This document has been edited for readability purpose)