



“Restaurant Brand Asia Q2 & H1 FY '26 Earnings Conference Call”

October 31, 2025



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*Restaurant Brands Asia Limited
October 31, 2025*

Moderator: Ladies and gentlemen, good day, and welcome to Restaurant Brands Asia Q2 & H1 FY '26 Earnings Conference Call, hosted by Motilal Oswal Financial Services 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 “*” then “0” on your touch-tone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call.

I now hand the conference over to Mr. Naveen Trivedi from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

Naveen Trivedi: Yes. Hi. Good morning, everyone. On behalf of Motilal Oswal, I, Naveen Trivedi, would like to welcome you all to the Restaurant Brands Asia Q2 FY '26 earnings conference call.

From the management today we have, Mr. Rajeev Varman – Whole-Time Director and Group CEO; Mr. Sumit Zaveri – Group CFO and Chief Business Officer; Mr. Kapil Grover – Group CMO; Mr. Sandeep Dey – Brand President (Indonesia); and Mr. Gaurav Ajjan – Head (Corporate Development & IR).

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

Rajeev Varman: Thank you, Naveen, and thank you, Iqra. Good morning to everyone. I hope you guys had a wonderful Diwali and the Holiday Season that comes with it. So, good morning. And let's start this with some overview on where we are. Then Sumit will carry you through the finance, and then Kapil will carry you through the marketing functions. And then, finally, we will have Sandeep speak about Indonesia and then we will close the call with the Q&A led by Gaurav.

So, key priorities for India. So, priorities for India haven't changed. We are set on our goal, just, which we shared with you at least two years ago. And now we continue in that path. So, on the dine-in side, our sheer focus and laser focus is on continuing to grow our traffic in our dine-in. And now after 10 consecutive weak quarters of positive traffic SSSG, I think we should be confident that this strategy of ours is continuing to work. We continue to drive more and more traffic into our dine-in restaurants and dine-in sales.

This basically we have done with our barbell strategy. We started this strategy with great value offering. We continue to do that value offering and continue to bring people into the business with that strategy. And on the other hand, a quarter ago we spoke to you about this premium launch with the Korean Fest, as well as the King's Collection. So, these were two launched a quarter ago.

And then this last quarter, the one we are talking about, we launched Deluxe Whopper as well, which is the core. So, while we were on the value side with the two for Rs. 79 and two for Rs. 99, and also, we bought in for four weeks Rs. 99 cafe. That was the first effort on the cafe. After instilling cafe in literally 90% of our restaurants, this was the first campaign. It was a four-week campaign. It was offering our cafe drinks at Rs. 99.

So, that value strategy continues to work. We will continue to further work that strategy into the coming years. Then the premium strategy with Korean and the King's Collection, and now the core strategy in the middle with the Whopper Deluxe. So, this is what's driving our traffic into the restaurant. We continue to be true to that and continue to push that.

We also spoke about 'Digital-First' brand as we go into the digital era with AI. So, today, 91% of our transactions at our restaurant are all digital. And we continue to push that, we continue to build on that. Once this CRM is activated, we have now got a team in place for CRM. We have vendors and partners that are all put together on CRM. We will start taking that over the next few quarters. And what CRM really does is build frequency of existing base of customers.

And that effort will come in the next few quarters as you will see it. But just 70% growth in monthly activity over the previous year on the app downloads. So, the app downloads, we are doing upwards of between 80 to 100 transactions on our app on a daily basis per restaurant. And that effort will continue and it will continue to project into the future years as well.

Profitability focus, I told you last time, we are laser focused on, well, our P&L in the restaurant, of course, through the utilities program that we are working on. We have a new broiler that we have launched. It will be in all restaurants by the end of this year. That brings the utility savings significantly down. We have put e-coolers that cool the air before it goes into the AC system. So, all these efforts that we are putting in, we expect a 1 point reduction in our utility cost. We are starting to see that now as we have rolled this out in several restaurants, but you will see the major impact of this next year as all the restaurants are done. But then the profitability focus was also on delivery side.

On the delivery side, our focus was very simple. As we will grow the delivery sales, but we will grow it now with additional profitability margins on it. So, happy to report that we have improved our margins on that business by 1 percentage point. And there's a significant growth as well in revenues in that business, and we will share those numbers with you as we kind of go into the numbers. So, a lot of effort in making sure that the delivery business, the menu that we offer on delivery, the relationships that we have with our aggregators, all those that we have been working on is to bring some efficiency in that respect.

Gross margin, we continue to be true to our numbers. We have shared our forward path on that, and you will see that today Sumit will report some very good progress on gross margins as well. So, that continues to be a focal point for us, and we continue to kind of move ahead on that.

So, these are the key priorities of India, and then Sumit will share the numbers as we get into it.

Now Indonesia. Indonesia, there's two businesses over there, we have the Burger King business as well as the Popeyes business.

The Burger King business is moving steadily, not as fast as we wanted because we have had some, even in September we had some activity there in the country which kind of penalized a few days of sales, it was a week and a week and a half, and Sandeep will speak about that when he gets on the call. But we had some challenges in September, but October we are out of it and we are back on track moving forward. But if you look at our ADS, 12 out of the last 13 months we have been higher on ADS, right? So, if you take the ADS over the previous year, we continue to drive more ADS each month in our Burger King business.

Popeyes business has been a challenge for us, and we are kind of working on it. We have a full team put together, laser focused on what we need to do with the 25 restaurants that we have in Popeyes. And you will start hearing some progress in there as we go ahead.

The reduction in corporate overheads, we have been talking about it, that exercise is almost to its end point. We have saved almost Rs. 15 crores, and then subsequently Rs. 4.5 crores on top of that, so approximately Rs. 20 crores in saving on G&A. And we will continue looking at other aspects of controlling G&A, but we have brought that down significantly from where it used to be when we took over the business.

So, the focus of here will be continue to increase our revenues through same store sales by bringing in more traffic into our dine-in, similar to what we are doing in India. Second laser focus will be on Popeyes to eliminate any losses on Popeyes, and bring that business to a neutral. We will continue to focus also on the reduction in corporate overheads.

The optimization of restaurants, we have kind of finished that now. We still have a few restaurants we are looking at, but we will continue to kind of work on that to optimize that. Rent reduction is a big one in Indonesia. We continue to work with our landlords to bring the rent down. And that will not stop. That's an ongoing thing we do every year, and we will continue to do that. So, those are the top-lines on India and the top-lines on Indonesia.

With that said, I am going to move it over to Sumit Zaveri to kind of walk you through the numbers.

Sumit Zaveri:

Thank you. Thank you, Raj. I will just kind of complete the discussion on Indonesia, which is slicing. As Raj was mentioning, that having completed the store rationalization that we were working on, substantially reducing corporate overheads, our current focus is, how do we bring overall ADS in the business better or higher than where we were last year.

We have been continuing that journey through various value initiatives. We have kind of listed those various initiatives out here clearly. It is led by chicken as well as burgers. And then there are a few new product launches that we have done recently on the whole chicken side, which has only helped get better over the last year.

We were higher by around Rs. 1 million over the last year in early part when we started this journey, as you could see from November to May, June also. When we kind of did the second round for hot and cheesy and the whole chicken, we could improve the gap over last year to almost around Rs. 1.5 million. October, the number seems better, closer to almost around Rs. 2 million.

So, trajectory-wise, we are steadily on the positive side. At the same time, we should also kind of share that the numbers where we want to be versus where we are. Obviously, there is still a gap. We would want the numbers to be at least higher by another Rs. 1.5 million or so from the current trajectory trend that we have as far as Indonesia is concerned, which is what we are currently working on as far as the Burger King side of the business.

Now, coming back to our overall performance on the India side and Indonesia side, from finance perspective. One is, obviously, we are strongly growth focused in terms of dine-in restaurants on an annual basis. Our target, we have always mentioned that we would grow at a pace of 60 to 80 restaurants on annual basis. We so far opened 14 restaurants, and we are at 533 restaurants. We expect the year to end at 580 restaurants as we spend.

A substantial part of these restaurants are already under construction as well. So, you could see that number being achieved earlier than later as we progress into our financial year. As far as revenue is concerned, we did a revenue of Rs. 568 crores, an overall growth of 15.6%, out of which, almost 2.8% came in through same-store sales growth and the balance came in through addition of new stores into the portfolio.

ADS wise, yes, trajectory wise we have been remaining now in the band of Rs. 115,000 to Rs. 120,000. This quarter as well we were at Rs. 120,000, but we feel good about that number because one is that, this number of Rs. 120,000 is at the back of a consistent growth in traffic across our dine-in side of the business. And while it is also coming at the back of growth in delivery side of the business, but delivery side of business had a much better margin profile as well. And Raj covered that.

Our focus on improving profitability for the gross margins on the delivery side is also working in our favor when we look at the margin numbers included in the subsequent slide. As far as the restaurant EBITDA is concerned, we stand at Rs. 59 crores for the quarter and similar number on a company EBITDA, cash basis on pre-IndAS at Rs. 28.4 crores.

Now just a quick dovetail to gross profit and I just want to take a little bit of movement on restaurant EBITDA trends as well. So, I am on Slide #9.

As we have always been saying that we would want to take the overall gross margin journey to 70%. We have always been saying that it may not necessarily move unilaterally in any direction. And you will see, as some of the initiatives that we continue to work on, you might see these quick improvements in margins, which is what you could see clearly happening in Q2. We moved from 67.7% in Q1 to 68.3% in Q2, almost 0.6% growth.

And this growth is coming at the back of efficiencies brought in by the supply chain team and the entire initiative of improving overall profitability on the delivery side of the business. Those are the two key reasons why we have been able to improve the overall margins. We feel very good about it. And the number that we have always been seeing in terms of wanting to get to 70% over the next few years certainly seems in sight as we continue our journey on the gross margin side.

On the restaurant EBITDA side, we are at 10.4% as compared to 10.6% last year. And I am sure a lot of you might have the question in terms of gross margins remaining or the restaurant EBITDA margins at 10.4%. Just want to kind of bring one fact out here, is that whenever we have done major initiative rollout at the restaurant levels, we have always consciously put a little more people into the restaurant so that the customer experience or the customer understanding of the new initiative is well-received at the restaurant level.

Some of you who have been here with us long would have seen a similar kind of practice that we followed even when we launched Cafe a couple of years back. We are following a similar practice even now when we have rolled out and completed our digital initiative rollout this year. So, we consciously make sure that we have sufficient staff to interact with the customer as we make changes to the service.

Typically, what happens is that as the staff or as the crew at the restaurant level gets into the efficiency mode of new way of working, we should be able to kind of realign the costs or the labor headcount back to where we were a couple of quarters back. And while it could have impacted us in this quarter at that point, and you see that the improvement in gross margin kind of did not translate into or meet the restaurant EBITDA to be at the flat level. But that's more a conscious decision. And you could kind of see that that's how we have done it during Cafe launch, we have kind of done that as a digital roll out, not just then.

So, we really feel positive with the number at 10.4% restaurant EBITDA level. And at a company EBITDA level, we are at 5% with Rs. 28.4 crores at the company EBITDA margin for the quarter. Rs. 4 crores higher than what we have done last year same quarter, and almost Rs. 6 crores higher than the previous quarter numbers that we had.

Quickly, I am going on to Slide number 10. I just want to kind of quickly run you through what's happening as far as Burger King is concerned. These numbers are on IDR billion basis there. So, we have been rationalizing the portfolio on the Burger King side. We have so far 136, we do not expect any substantial shift now on the portfolio side. Normally, as business that we would take calls, in case if they have to take calls to shut down restaurants, we will take but really not anything as a part of the portfolio rationalization.

IDR, in terms of average daily sales, it stands at IDR 18 billion in local currency, with a translation revenue of more than IDR 25 billion. And gross profit, there as well there is a focus on improving the gross profit. So, there is an improvement in gross profit at 56.8%. And we are working on various other initiatives on the delivery side there as well in order to improve the overall gross profits better.

In the store EBITDA, the numbers are looking negative at minus 3%, so that is also in order to kind of now work towards the marketing spend. There was an incremental marketing spend over and beyond the 5% that we spent in Indonesia, which kind of led to the store EBITDA numbers looking negative. But if we adjust for that, that number is marginally higher on the positive side for the quarter. So, we kind of still continue to remain in that trajectory. Our concern, as Raj mentioned, is Popeyes, and we really need to kind of find answers to see how do we improve the overall sales and build some more efficiencies in the P&L there.

Some of the learnings that we have in the Burger King side, especially on the product innovation side, we are kind of also implementing those in Popeyes side of the business as well. And then as we shared earlier, we are working on different service model trials in Popeyes in order to reduce the levels of pains that we have in Popeyes.

At Indonesia consolidated level, we are at a company EBITDA loss of Rs. 33 billion as compared to Rs. 21 billion. A part of it is obviously because of the conscious call of investing, I think, almost incrementally around Rs. 6 billion during the quarter in Burger King on the marketing side. So, that's there. And then the balance, as you could see, is because of Popeyes.

So, that's the broad summary on the overall India and Indonesia financial performance side. I will just hand it over to Kapil to take us through the overall marketing initiatives that we undertook in India.

Kapil Grover:

Thanks, Sumit. And good morning, everyone. While you have heard Sumit and Raj talk about how we have had consistent traffic growth, we have had good sales growth with 2.8% in this quarter, and also continue to improve profitability.

The strategic initiatives behind this growth, I will talk about three things. One is our focus on driving more growth through burgers. This last quarter, in addition to the Korean program in the

Q1 and the King's Collection relaunch, we added Whopper Deluxe. Now, this is an extension of the Whopper brand into the core menu at around the price point of Rs. 140, Rs. 150.

Whopper, as you are aware, is a much loved product of ours. It's a very differentiated product. Consumers see great value for money in the Whopper because it offers you seven layers of taste compared to sort of basic meals available otherwise. It adds back to the brand equity because it's an ownable proposition. It is a unique product available only at Burger King. And now we have extended the range of proteins by offering a fried chicken, a paneer, and a cheese patty in the Whopper Deluxe build, which extends our portfolio to now six burgers in the core menu and makes it a lot more stronger. So, that's a long-term strategic initiative that we continue to sort of build over time to build our taste equity with our guests and fans.

The second initiative is value. It continues to be our core pillar for a long time. We continue to build traffic. We have had 10 quarters of consistent SSTG in dine-in, the two for Rs. 79 and 99 proposition continues to be the most attractive offer in the market. The second dimension of value that we offer is the app. App is now close to about 35% of our dine-in traffic, and we offer great value to the consumers who use BK app and log in and follow sort of the BK app like a fan base and drive frequency through that.

With these three initiatives, we have been able to build sales on the dine-in side. The delivery side, we made corrections on pricing, we made promotion changes which have helped us drive sales growth along with profitability growth.

Obviously, in addition to that, we continue to drive strong consumer connect. Our social media pages are all organic growth. We have seen tremendous growth in our fan base through the Korean and the Deluxe programs. This year, we continue to integrate a lot more deeply into regional festivals. You see examples on Page 17 of a lot of activations we did on ground during Onam, Navratri, Pujo, and recently in Diwali. So, we continue to focus on dine-in traffic, we continue to focus on innovation, and we continue to focus on driving delivery sales profitably.

With that, I will hand over back to Gaurav.

Gaurav Ajjan:

Thanks, Kapil. Good morning, everyone. Our outlook remains unchanged from the last quarter.

We intend to open 60 to 80 stores every year till FY '29, which will bring us closer to a number of about 800. If you recall, we finished last year with 513 stores. We have added a net of 20 stores in H1. You will see the pace of growth increasing in the second-half of the year as we look to add another 45 to 50 stores in the remainder of the year. This will bring us closer to a number of about 580.

On gross margins, our gross margin for FY '25 was 67.7%. We have witnessed a margin improvement of 60 basis points this quarter to 68.3%. This has been on the back of changes in

the menu mix and on supply chain and distribution efficiencies. We intend to continue this journey of margin improvement, and this will bring us to a number closer to 70% by FY '29.

Thank you all for joining in the call. I would request the moderator to please open up the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kiran Gadge from Knightstone Capital Management, LLP. Please go ahead.

Kiran Gadge: Hello. Good morning. So, in Q4 FY '25, we were discussing that in one, two quarters, we will monitor the Indonesia business closely to make a decision on what to do with it. So, what are you thinking about it right now?

Rajeev Varman: The efforts are the same. We are in the same boat, we are working towards that. So, while we continue to improve the business, the challenges on Popeyes, we have already kind of shared with you, but it's only 25 restaurants. And, of course, we have to find solutions, whether we keep the business or the next person comes in and takes over the business. The solutions need to be rolled to those people so they can continue to build it. So, the efforts remain the same.

Right now, we are pretty excited about the Burger King part of the business over there because we can see, evidently, recovery on the dine-in side of the business where people are coming in and traffic is in the positive. We have seen that over the last several months we have delivered anywhere between IDR 1 million to about IDR 2 million additional ADS every day. And that is continuing and we think that's strong. But our efforts, like I shared on the last call and even the call before, is two prong, is to continue improving the business but also look at alternative solutions in terms of potential exits from that market. So, no effort has been stopped or we continue to work on that.

Kiran Gadge: Okay. Got it. Because of SOK, we were expecting a reduction in employee costs, but this quarter it has increased. So, when do you think we can see a reduction going forward because of SOK?

Rajeev Varman: Yes. That's a very good question, Kiran. Look, we would have been at about 11.7%, 11.8% EBITDA for the restaurant level. We have taken 0.9% of that EBITDA and put it in terms of additional people in the lobby because we started table service, we started the SOKs. So, we wanted to make sure that there is ample amount of training and customer awareness of these two initiatives. So, we put that additional 0.9% labor back into the restaurant, that's why you see that EBITDA impact. But as we go into this quarter number three and four, you will find that kind of going back to its normal numbers. So, it will go back to its numbers. And then next year, you will continue to see as volume leverages, those numbers coming down further and further. So, we are intentionally doing what's the right thing for the long run for the business versus trying to build just quarterly numbers. That's the reason that 0.9% was invested last quarter.

Kiran Gadge: Okay. Got it. Thank you. All the best.

Rajeev Varman: Thank you.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Hi, sir. Good morning. Congratulations on a good execution in India business. Sir, there is some benefit of GST deduction on certain RM costs, right? So, how are we thinking in terms of either higher promotion, menu price reductions, etc. If you could throw some light on that?

Rajeev Varman: Yes. So, these came in at the tail end of the quarter, as you know, so the impact is not visible anywhere. Further on that, as a company, we have decided and as an industry, I think at large, it has been a decision that wherever, which item we found a GST benefit, we passed on that GST benefit in that item directly to the consumer. Our efforts are on the side of supply chain, on distribution cost. We just opened two more distribution centers in India. That is going to bring a reduction in distribution cost in those restaurants around those states and those cities. So, we continue to optimize our distribution. Our efforts are to make sure that the distribution cost continues to go down. That's one big one.

Second is, we continue to build restaurants, right? This year, we are going to add between 70 to 80 new restaurants net of closures. As we continue to add these restaurants, what happens is we are going in to multiple geographies and we are able to get partners, newer partners, which are closer to those geographies because we have enough restaurant density over there to actually have a local supplier over there, right?

When you have only a few restaurants, you cannot build a local supplier. But as we kind of grow those, you will find local suppliers in these geographies and a lot of those benefit. That's how we are doing our journey. We are already at the 68.3, but our journey is to go to 70. And it's not on the top of either GST or on the top of menu price increases. That's not the journey.

The journey is on clear scientific architecture of distribution cost as well as bringing in suppliers closer to the restaurants. As we continue to do these two things, our journey from this to 70, I mean, we have projected FY '29. I think we are going to achieve it much sooner than that. The only reason we are not kind of putting the date is because we just want to make sure that we are doing it properly, right? We are doing it the right way and we are getting it for the long run.

Every time we have brought the company to a GP level, we have sustained it and we have grown on it. And that's the way we want to do it. If you go back and look at from quarters-over-quarters last two years, you will find that revenues, gross margins, our effort on restaurant EBITDA, everything consistently moves in the North direction. And we want to continue doing that

scientifically and with good architecture on transportation model for our distribution centers, right?

That's how we are moving this forward. GST benefits, wherever they have come, on whichever item they have come, we have passed it on to the customers. That's the right thing to do. You want to build that, you want to make sure that, see that's our strategy even with two for Rs. 79, two for Rs. 99, our strategy is to bring more traffic into the restaurant. So, this, actually, GST passed on to the customers is consistent with that strategy to continue bringing more people into our restaurants.

Devanshu Bansal:

Fair enough, sir. Very clear. So, a follow-up to this, so it's almost 40 days now since the GST reduction, so are we seeing initial signs of pickup in SSSG? With the initiatives around promotions and price reductions? Or do you think it typically takes time to sort of start reflecting to additional growth?

Rajeev Varman:

Yes. So, Devanshu, both your answers are right, right? We have seen a very substantial benefit in October. I think we have had a very good October. We are very happy with our October sales. We are also looking forward to a decent quarter. I think we will have a good quarter this quarter, Q3. And yes, the impact will continue in the long run because this is not an impact for a month or for a quarter. I think these initiatives from the government are long-term benefits that the entire industry at large and other industries at large will benefit. And I think the consumer in the end is the main beneficiary of this. And yes, we will also, as businesses continue to drive in the forwardly direction, because more traffic will come into our restaurant. So, yes, both your points are genuine.

Kiran Gadge:

Thanks, Raj. So, just a small follow-up here. So, this improvement in SSSG is not because of the date, right? So, on a sequential basis, you are seeing some true increase in ADS levels. Is that a right takeaway?

Rajeev Varman:

Yes. I mean, see the ADS has been hovering around that mark that Sumit just shared, Rs. 115,000 to Rs. 120,000, and so forth. And in spite of the fact that if you look back to every quarter that we come on the phone and talk to you, every quarter that we report on numbers, we continue to provide a positive same-store sales growth. And that is on top of same store sales traffic growth. It's not on the top of APC or increase in average check or increase in pricing. It is basically traffic coming in. And that's a single laser focus for our company is to build a substantial traffic base in our business.

And then, from there onwards, we will then be able to optimize it and so forth. CRM will kick in. The CRM team is in place. And the CRM team will then start building on frequency. Right now, we are building on bringing new people in. And then the second effort will be on CRM, which is to bring the existing people in more often into our restaurant. So, when we do this combined together, I think the cumulative impact will be extremely positive on the business.

So, gross margin all these line items, whether it is utilities, you will find by, I think, March or early April, we should have finished the initiative on the broilers. And that will bring our head of equipment has done a fantastic job working with Burger King International in building this new broiler, which consumes half the energy of the current broiler.

So, these benefits will kick in and you will start seeing them not just per quarter, they will be ongoing forward, right? And then the leverage that comes in from CRM and all that, that's additional on top of all this. So, this utility effort, the effort that we are making with the gross margin, these are not dependent on ADS. These will be there. So, the existing ADS, we will continue to improve our gross margin. At the existing ADS, we will continue to improve our line items like utilities. And then the leverage of going beyond the Rs. 120,000 towards Rs. 125,000 and then ultimately Rs. 135,000, which is our near-term goal of taking this business, that will, that leverage will be on top of this.

Devanshu Bansal: Very clear, Raj. Thanks for taking my questions.

Rajeev Varman: Yes, thank you.

Moderator: Thank you. The next question is from the line of Manjeet Buaria, an individual investor. Please go ahead.

Manjeet Buaria: Hi, good morning and thanks for taking my question. First, the consistency of performance in India is fantastic, given the industry background and appreciate the efforts you guys put in there. I will add just one question. In the opening comments, it was mentioned about the GM not translating into the ROM given the reinvestment in the team at restaurant levels. And it was also mentioned that in a couple of quarters, this should rationalize.

What I am not clear is, given the improvement in guest experience since these initiatives have been put in place, why are we in a hurry to rationalize it back? In the longer run, it would lead to a structurally only higher ADS and with operating leverage and at any which way. So, why worry about the short-term margin for the right reinvestments? That is the only question I had. Thank you.

Sumit Zaveri: Thank you, Manjeet, for that question. So, just to clarify, obviously we will not pull it back hurriedly. The way we do it is that we see the pace at which the efficiency in terms of work levels that improves at the restaurant level. And linked to that efficiency improvement is where we will do the adjustments. Typically, we should be able to do that adjustments over the next few quarters. So, we will obviously not pull back the headcount because we feel the numbers are higher. That's something is what we would certainly not do, Manjeet.

And absolutely, you are point on that a better service will only improve the overall repeat frequency and then result in the same side. And that's something which we will obviously keep

in focus before we take any calls in order to pull back staff. So, it will certainly not be a random reduction. It will be measured adjustments linked to efficiency improvements that we see at the store.

Rajeev Varman:

See Manjeet, Kiran on the first caller, Kiran said that, as we put these SOKs on, there's going to be a saving in cashiers, right? Because people come and place their own orders. So, there's a saving there on the previous or before the SOK era. That saving, on top of that saving we have put, so that saving was there, we moved those cashiers to the front of the lobby, and they were helping out. In addition to that, we have put in some resources of, specifically hired interns that are from good colleges that are graduates, into our lobbies to actually help with the table service as well as the SOK explanation to train not only the crew but also to train the customers.

So, that portion will be going out. The cashiers will remain for a time period, and those cashiers will become more efficient as we go into the future quarters. So, we are not making this, we are not going to bring it back, a reduction to zero level. We are actually going to be above that zero level for a very long time. We will bring it down to the zero level, that we do not need those people in the lobby, as in many western countries where the SOK has been there for several years now, right? So, that's the thing. But it's a very, very good point you are making, Manjeet is usually, companies hurry on to building quarterly results, and in the long run, it kind of backfires. That's not what we are going to do.

Manjeet Buaria:

So, appreciate this, Raj and Sumit. Thank you so much.

Rajeev Varman:

Yes. Next question, please.

Moderator:

Thank you. The next question is from the line of Anuj D., from Antique Stock Broking. Please go ahead.

Anuj D.:

Hi, team. Congratulations on sustained performance in India. One question from my side, I understand it may be a bit early to call out, but could you provide some sense on how the Whopper Deluxe is performing and are we seeing any early signs of upgradation from the two for Rs. 79, two for Rs. 99 product?

Kapil Grover:

And this is Kapil. I will take that question. Yes. So, Whopper Deluxe early days, as I said, it's a core menu offering. It is sitting at a price point of approximately Rs. 150. The two, for customer and the core customers are very different personas. There's a value-seeking customer on one end of the barbell, as Raj explained in the beginning, and there's a core customer who's driven by innovation, taste, quality, and other sort of variables.

So, this is a long-term strategic plan. We have got some initial trials. We have got some really good trials. We have seen consumers come in and try the new burgers, the new paneer cheese and the fried chicken burger. We spent about six weeks of air on it, and we have continued to

build over time. So, the interaction between the value of this layer is not much, actually. There are two very different customers to answer your question specifically.

Anuj D.: Thank you.

Rajeev Varman: Anuj. These are menu gaps that we had. We wanted to make sure there's a paneer and a cheese and a crunchy fried chicken offering in the middle of the layer. We didn't have that in the past, right? But there is a market for that, and there's a desired customer that wants that at that price point of Rs. 130 to Rs. 160, and that's the gap we have covered. Look, like Kapil said, this is going to be a long-term strategy. We are looking at building this over the next two, three years. We are not expecting this to shoot up and build within the next quarter. We have made progress. We have almost put in 40% increase in that middle-layer sales, but we think that this will be substantial over the next two years.

Anuj D.: Hi. Yes, thank you for the answer. Just a small follow-up. You mentioned that the core and value customers are substantially different in their preferences, so roughly the core portfolio, I guess now you are contribute how much in terms of value percentage of our portfolio?

Rajeev Varman: No, we do not share the exact numbers outside of the company, but I can tell you this is basically a ladder menu, so you have an entry point where people come into the business at two for Rs. 79, two for Rs. 99. They experience the product, and we have got fantastic products at that entry-level point because that's the first touch of the product. You cannot have a substandard product just because you are offering it at two for Rs. 79, we actually have fantastic products. The Crispy Veg, Crispy Chicken are favorites now in India. The Crispy Veg is becoming the most favorite burger in India, so we have those two entry points, which are great value and which bring in people, and then we have a graduating ladder to kind of graduate people over time into the core menu.

And then we have this thing, the Korean burger that was launched by Kapil and team about three months ago. It was just the awareness of that, the amount of excitement around that Korean. It's the first time in India that we brought out a patty which is dunked in sauce and built it on a very premium bun and a premium build, and it did so well.

We will continue to work in that respect in bringing value customers, graduating them through the core menu, providing them indulgent, because see, even a value customer, there's a day that that value customer wants to indulge. It says promotion day or it says birthday or whatever, and they want to indulge on that day, and there's a strong, now indulging premium menu that's available, very, very strong. There was a missing gap between the premium and the value, which is the core menu. It was there, but we have just strengthened it with our addition of the Deluxe.

Anuj D.: Thank you. Thank you. That was very helpful. Looking forward to late quarters ahead.

Rajeev Varman: Thank you, Anuj.

Moderator: Thank you. The next question is from the line of Manoj Dua from Geometric. Please go ahead.

Manoj Dua: Thank you for taking my question, and I admire companies' efforts in cross-margin same-store growth, ADS, traffic, and customer experience in the product expansion. I think you have touched this point, but can you give a little bit more structure to all this effort? When can we trickle into EBITDA, and going forward, any timeframe or something like that? What is the mental model we have to use?

Rajeev Varman: Yes, you know. Like I said, there's two-fold efforts. One is about optimizing the current P&L, which is building a P&L strength based on current volumes, right, current revenues, current ADS, current traffic. Those efforts are on. We continue to show you results every quarter on that. Every quarter, you go back, look at our results, look at the results of the previous quarter of the previous year. You see a movement on that. Those movements are on the net of all the initiatives that Sumit Zaveri and his entire team in maintenance and equipment, and all the other people that are working towards reducing those line items.

They are not specific to leverage. They are not specific to volume. They are initiatives that will drive those margins in spite of no increase in volume. That's both on the gross margin line as well as on the other lines like utilities, rents, and other expenses, which include a lot of other things that we continue to contract and so forth, that we continue to optimize price. That is not dependent on increased volume.

Then there is a leverage, right. If you look at the leverage in an industry where you have seen strain in the last six, seven quarters, you have seen some very tough SSSG numbers from the industry. In that environment, we continue to drive more people in there. If the environment was much more conducive, much more positive, these numbers, which are 2.8%, would have been substantially higher. You understand that.

As that volume increases, the leverage of those volume and all these line items will be an additional impact. We think that this impact will come over due time. The first impact will come within quarters. You will see every quarter. I just told you about the broiler rollout, which is going to be done by March, maybe early April. Then you will start seeing the impact of that in Q2, Q3, Q4 of next year. You will find the gross margin impacts coming in substantially as this new DCs kick in and the optimization from that comes in.

Then the next year, we will spend the entire supply chain, Dipit who leads it, will spend time bringing in local suppliers near these DCs. That leverage will be not dependent on volumes again. All these, you will see quarterly, quarterly increases. Then volume will come with time as market improves. I like to add 6%, 7%, 8% SSSG on top of where we are, but that as the

market improves. Like I said, October was a fantastic month for us. We did some very good volumes in October.

We are projecting that we would probably have a very decent Q3. These volumes, as they keep coming in, they will provide a volume leverage to the P&L as well.

Manoj Dua:

Thank you. My last question is, we know that last two, three years has been difficult for consumption. We feel that that's a cyclical thing and the company has put all the efforts. When this consumption comes back, it will be a double rocket to everything. But one factor we are always confused, how much is the effect of the Zomato, Swiggy or any food aggregator platforms, which lead to less dine-out or the democratization of smaller chains or smaller restaurants, to take away the effect of that. Is there an effect of that, or is it just a pure consumption cycle of the two years?

Rajeev Varman:

Good question, Dua Manoj. We have a very disciplined approach to our business on delivery, a disciplined one. That is, we will continue to grow that business, and we have. By the way, when I say that we are up 2.8%, it is on top of both dine-in as well as delivery. We continue to grow that.

The discipline over there is very simple, that we will continue to grow that business as long as we continue to grow it profitably. We want to make sure that every time we bring in another rupee in sales, another percentage point increase in sales, that the sale that is coming in is more profitable, right?

And that is how we are building that business, and I think we have got some great partnerships with our aggregators, and we continue to build on that. We are also, as you know, that Kapil is working on the CRM piece over there and our app as well, so you will find those initiatives, they will come in slowly. They will not come in rapidly, they will come in slowly, but this is how we are building it, right?

We are building it one brick at a time, so that in the next 10 years, you will have a very healthy, strong RBA business here in India, which is, both from volume standpoint, but menu offerings, and then a very lean and clean P&L. If you really put up P&L and go through per unit consumption on electricity, per unit consumption on whatever line items you look, you will find that this team continues to work very hard to make that P&L very, very efficient, very clean, so that when we put the top-line on top, that the flow through from that top-line will be maximum to the bottom-line.

Sumit Zaveri:

And, Manoj, just to your question, I just want to add one thing. These channels, obviously, will have that overlay there, but at the same time.

Moderator:

Sorry to interrupt, Manoj. If you have a follow-up question, please rejoin the queue.

- Manoj Dua:** I am listening to the answers which their, management is giving to my question.
- Sumit Zaveri:** Talked about, so, Manoj. We will just finish this answer, you asked. So, Manoj, there will always be a customer interplay between dine-in and delivery, but what is important to really note from as far as we are concerned is that we are focused on growth and profitability on both the channels through the growth of transactions. And if you really look at the transaction growth that we have seen in dine-in as well, as well as delivery is a classic reflection of that.
- But obviously, we do not share the numbers on the transaction growth, but we can at least tell you that both these channels are growing in tandem on the transaction side, and that is the classic reflection that while yes, there can be a play between the two channels, but both these channels do grow simultaneously if we really kind of strategize it in terms of the way we want the customer interaction to happen on both the channels. And that's how actually it is working for us as well. So, that's how we see it. There is an overplay, yes, but both these channels are working positively on transaction growth, which is key for our business simultaneously.
- Manoj Dua:** Okay. Thank you and best of luck and I hope you find the solution for Indonesia, either you scale it or resell it. Thank you.
- Moderator:** Thank you. The next question is from the line of Tejas Shah from Spark Institutional Equity. Please go ahead.
- Tejas Shah:** Hi. Thanks for the opportunity. This one question, and then you partly answered the question at different points of time on the call, but just wanted to understand if we have to narrow down the problem statement for us and perhaps for the industry as well in India, is it more to do with consumer sentiment not spending enough or would you say that the competitive landscape has changed dramatically post-COVID and perhaps there are more players fighting for the same wallet share now?
- Rajeev Varman:** Look, when you are sitting on the top of, almost 10 quarters now of positive traffic into our business, I think I would say that the traffic in the business is there. What we have seen in the last several quarters is the shift is more from the premium towards value. So, if you are not a value customer, and you pretty much see that in the industry, if you look at the industry, it has moved towards value and more and more younger and college students and so forth are getting into the business through the value stream, right? So, that is the shift that you have seen in the last post-COVID, you are absolutely right, post-COVID. Those volumes will continue to pick up, right?
- And they will continue to add to the volumes of the restaurants, but the core and the premium business is not gone. I mean, we learned that when we launched the Korean, we saw that there was a traffic increase because of that Korean business. So, we think it is there. We think that consumer sentiments, especially with this GST, have started to improve. And it's a cyclical

business, as you know Manjeet was saying earlier. And I think as we kind of look at the next few years, I think the cycle will go back into it's upwards mode. And as we go there is the company ready to be in that mode, right? Is the company has its core in place, has its premium in its place? Does it have the value in place? Does it have the efficiency of the P&L in place? So, those are things that we have put in place. So, that's as we see the upward movement of these consumer sentiments, that we are leveraging those to pour it down into our EBITDA line.

Tejas Shah: Very clear. Just one follow-up there. From the collective experience that you have as a team, I just wanted to know what are the markers that you are looking for the cycle to turn around, both at the macro and micro levels, which will give us confidence that we are out of the cycle now?

Rajeev Varman: I think the Diwali shopping this year, if you have seen Diwali for the last three years, right, and if you look at what happened this year, I think that is a big ticker, right, that's a big ticker. You will see the December, which has been subdued for the last three or four years. If you see an uptick in December, I think these are the key markers. When you see Diwali going up, you see the December holiday season going up. That will tell you that that is moving in the right direction.

I think, like I already shared, we are very happy with our October traffic, and I think that was a big checkmark for us. I think such markers, as you kind of walk through into the next summer, they are well-defined. Once you start seeing those quarters going up, I think you should start feeling that this is coming back to its old days, when restaurants did anywhere from 500 to 600 traffic a day. In certain markets, they even did 800 to 900 a day. Those will come out and these are very small markers, but you have to be patient with them and kind of make a note every time you hit those markers. October is a very good marker.

Tejas Shah: Very clear. Thanks for the detailed answer and all the best for the coming quarters.

Rajeev Varman: Thank you very much, Tejas.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity. And we have been doing pretty well compared to what the industry is doing. Sir, it's been eight quarters since our ADS has been stuck in the range of around Rs. 105,000 to Rs. 119,000. Although we have ambitions to reach Rs. 125,000, Rs. 130,000, Rs. 135,000 eventually, do you think with the kind of uptick that we have seen in October and with the GST curve and hopefully the consumer cycle reviving, we can reach that number, at least Rs. 125,000 ADS number in the near term, maybe Q3, Q4, or do you think it will take some more time for us to reach that number?

Rajeev Varman:

Very good question, Ankit. Again, I will not make a forward-looking statement on my answer, but I can tell you this, that last year we ended up for the whole year at Rs. 114,000 and right now we have reported Rs. 119,000 for the previous quarter and I think it was Rs. 121,000 for the quarter before that. So, look, again, what I answered to Tejas, these small markers are coming and we are moving forward with them.

While we can build an ambition to get back to Rs. 125,000 and Rs. 135,000, hopefully even higher sales, we are disciplined right now. They are saying that can we deliver 13%, 14% restaurant-level EBITDA at current volumes. And that's the discipline of the team right now is we have a volume in front of us. At this volume, how do we optimize the business? And we continue to build the menu side of it to build to Rs. 125,000, Rs. 135,000.

But look here, do not expect one quarter to shift from one number to the other number. It will be a slow improvement and we are disciplined to understand that that's how it's going to happen. Very happy with October. I have very high hopes for this entire quarter. I am looking forward to seeing the December sales.

Ankit Gupta:

Sure. And sir, and secondly, on pre-IndAS EBITDA, after the corporate expenses. So, if you look at the gross margin improvement, of course, we have invested back the savings that we had on the gross margins during the quarter. If you look at it overall on the pre-IndAS EBITDA, last two quarters, we have been around 4%, 5%. And last year, full-year, we were around 5%. So, all this operating leverage that we have spoken about the cost-cutting measures, whether it is on the efficiency side, through broilers and all, when do you think this will actually translate into pre-IndAS EBITDA moving from let's say, mid-single rate to, let's say, 8% to 10% if not more?

Sumit Zaveri:

Ankit, just one, first, I will kind of break this up into two parts. One is, as far as the leverage is concerned, for us, and kind of, we have kind of taken this earlier in some of our earlier calls as well. What happens is that there is obviously a large, fixed cost base that we would have, and there's a particular effective inflation that we have. Being in the range of 2.5%, 3.5%, I am just ahead of doing a slightly broader range of 2.5% and 3.5% same-store sales growth range, that is currently allowing us to offset the inflation impact that we have on the fixed cost, and that is the reason why we are kind of seeing a more stable state EBITDA at the restaurant level as well as at the company level.

Two things. One is as and when we start seeing the growth in SSSG to be higher than those numbers, the leverage starts coming into play. So, that's one part. The second part of the answer in terms of our trajectory in terms of efficiency, at the moment, yes, we have kind of taken several initiatives on the efficiency side. But the large shift on the efficiency side, especially on utilities, we are expecting that to be executed in the later part of the current financial year, full-year impact that will be visible next year. We are expecting on the utility cost line, as Raj did mention that number in the beginning, to be around 1 percentage point.

So, really speaking, the way we see is that the efficiency should give us another 1.5% between utility and some of the other cost lines there, taking the improvement of the trajectory on the gross margin side into that. And then the balance leverage is going to be our ability to take the SSSG growth in excess of 3% to 3.5%. And obviously, the growth it will kind of keep expanding the overall revenue base, bringing some further efficiencies on some of our central costs. So, that's how we kind of see it. I am not drawing down in terms of the number perspective, but I thought I will at least draw down it from the perspective of understanding the interplay of margins to fixed cost investments.

Ankit Gupta:

Sure, basically, let's say it's next year, hopefully the industry revives, and with our efforts, our SSSG goes back to 4% to 5% and with this operating efficiency kicking in, FY '27 can be a year where we should see a big jump in our EBITDA margins, with SSSG of course coming back. That's an assumption.

Rajeev Varman:

Yes, Ankit, you can build your model on the principles we have shared. Very simply, there is efficiency in the P&L that we spoke about, which is that current volumes. There is going to be volume increases, which come on the top of same store sales. And then there is growth, right? New restaurants being built. So, these are three levers that will impact your company-level EBITDA line. And all three levers are working. We hope that the SSSG lever will get bigger and bigger. But there is a growth lever that we continue to do and there is a efficiency lever that we have demonstrated quarter-over-quarter-over-quarter to you that we continue to make that more efficient. So, all three levers will work there, so as you kind of build your model, make sure that you are addressing those.

Ankit Gupta:

Sure sir. And this last question on the Indonesian part --

Moderator:

Sorry to interrupt Ankit, if you have a follow-up question, please rejoin the queue. Thank you.

Ankit Gupta:

Sure.

Moderator:

Thank you. Ladies and gentlemen, due to time constraint, this was the last question for today. I now hand the conference over to the management for closing comments.

Rajeev Varman:

Thank you, Iqra. Thank you everyone for joining in. I really appreciate your confidence in the business, your appreciation and all the motivation you provide to the team over here. We are very thankful to everyone that is kind of giving us this nudge and push and asking tough questions. We like those as well.

Look, the team is completely focused on getting this business in a decent scientific and organized way over time period to grow into a very, very strong business here in India. I think we have demonstrated over the last 8 to 12 quarters how we can bring a very efficient P&L, how we can stay in a very tough environment, still stay positive on our traffic, both on delivery as well as

dine-in, and then how we can continue to grow profitably. So, we have demonstrated that we are working key on these priorities.

Indonesia is one of the most important priority for Sumit, myself and Sandeep. Sandeep is on the line. Obviously, he did not get a chance to speak today. But I can assure you that Sandeep and his team have done a fantastic job on the Burger King side. Fantastic job. Because we are seeing those greenshoots coming out and you can have a feel for someone like me who has been 30 years in this business. You can see that that business is turning around and going in the right direction.

We have a challenge with Popeyes. We understand that. We did Burger King. Now, we are looking at Popeyes. But we also have parallel streams. We have promised that. We are working on that. So, whatever works best for Indonesia, the team is on it. The team is on it. And we will share with you as we make progress in Indonesia. But we appreciate all the comments on both Indonesia as well as India. Thank you so much. And great November to all of you. Thank you.

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

(This document has been edited for readability)