Jubilant Foodworks' Q4 and FY21 Earnings Conference Call Transcript

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Management Speakers: Mr. Shyam S Bhartia, Chairman
Mr. Hari S Bhartia, Co-Chairman
Mr. Pratik Pota, CEO
Mr. Ashish Goenka, CFO

Moderator: Ladies and gentlemen, good day and welcome to the Jubilant Foodworks' Q4 and FY21 Earnings Conference Call. 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 touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you, sir.

Siddharth Rangnekar: Thank you, and welcome to Jubilant Foodworks' Q4 and FY21 Earnings Conference Call for Investors and Analysts. We are joined today by senior members of the management team, including Mr. Shyam Bhartia – Chairman of Jubilant Foodworks, Mr. Hari Bhartia – Co-Chairman of Jubilant Foodworks, Mr. Pratik Pota – CEO of Jubilant Foodworks and Mr. Ashish Goenka – CFO of Jubilant Foodworks.

We will commence with key thoughts from Mr. Bhartia. Thereafter, we will have Mr. Pota sharing updates on JFL's progress and his perspectives on the strategic imperatives. After the opening remarks from the management, the forum will be opened for question and answers.

A cautionary note, some of the statements made on today's call could be forward-looking in nature, and the actual results could vary from these statements. A detailed statement in this regard is available in Jubilant Foodworks' Q4 and FY21 results release and earnings presentation, both of which are available on the Company's website under the Investor Relations section.

With that, I would now like to invite Mr. Hari Bhartia to share his views with you. Thank you, and over to you, sir.

Hari Bhartia: Thank you. A very good evening to everyone. I hope you and your loved ones are continuing to stay safe and healthy.

The external environment in Q4 for the most part saw a sustained improvement over the previous quarter.

After Q3 FY21, we had recovered 100% of our previous year's revenue. Q4 FY21 saw a healthy return to growth. This was driven by strong growth in delivery and takeaway channels, though the dine-in channels still trailed the pre-COVID levels.

Continuing our focus on aggressive store expansion, we opened 53 new stores during the quarter. This included opening 50 new stores of Domino's. As a result, we opened a total of 134 new Domino's stores in FY21 against our initial plan of 100. We also opened 4 new stores in our international markets, which is 3 in Sri Lanka and 1 in Bangladesh.

During the quarter, we announced an investment in DP Eurasia through the acquisition by our wholly owned subsidiary - Jubilant Foodworks Netherland B.V. – of Fides Food Systems Coöperatief U.A., Netherlands - for approximately GBP 24.80 million. Fides is the beneficial owner of 32.81% equity in DP Eurasia, one of the largest Domino's franchisees, which is a category leader in Turkey and a strong challenger in Russia. With this investment, the Company intends to try and replicate its best practices in the new geographies of Turkey, Russia, Azerbaijan and Georgia, through active Board participation.

The Company also acquired exclusive master franchise rights to operate and sub-license the iconic Popeyes brand in India and in the neighboring countries. Popeyes will be an exciting addition to the Company's portfolio of brands and is expected to become one of the key drivers of growth for us in the coming years.

As the quarter was coming to a close, as you know, the country saw a sudden surge in COVID cases from the second half of March. The Company and the group mounted a series of initiatives to support our employees and their families through this unprecedented crisis. A cross functional task force was prepared across the group that extended medical and other assistance 24*7 to all those who were in need. We set up several COVID isolation centers across the country and also established oxygen concentrator banks in key towns. Swift action in arranging for hospital beds and oxygen, helped save many lives. We also rolled out a set of ex-gratia benevolence benefits for the families of employees that we lost to the pandemic. This included up to two years of salaries as a payout, continued medical cover for the families and support to the children's education.

We also mounted a massive vaccination drive for our employees and their dependent family members in partnership with leading hospitals. More than 14,500 employees have been vaccinated with the first dose already. More than 480 store teams across 50 towns have been 100% vaccinated with the first dose, thus ensuring enhanced safety for themselves, their families and of course our customers.

As the COVID caseloads increased significantly in April and May, various state Governments started responding by localized lockdowns and allied restrictions. However, despite the reduction in operating hours and the impact of restrictions in dine-in, as you must have seen, our sales recovery in Domino's in April and May was strong, led by delivery in growth and of course, we expect June to be better.

Finally, before I end, I must say that we have been truly inspired by the way our team members have - despite all the challenges - managed to keep the business going through the pandemic and continue to serve our customers and our communities. They have truly done us proud.

With this, I would now request our CEO – Pratik Pota to continue this discussion by sharing his perspectives.

Pratik Pota: Thank you, Mr. Bhartia. Good evening to all of you joining us today. I hope and pray that all of you and your families have been safe through these really trying times.

I am pleased to report on our performance for Q4 FY21 wherein we continued to improve sequentially and delivered a growth over the previous year.

Revenue from operations was at Rs. 10,259 million, a growth of 14.3%. Domino's delivered a 14.8% sales growth during the quarter, backed by continued growth momentum in delivery and take away channels, which grew by 28.7% and 76.9% respectively. Dine-in recovery improved sequentially over the previous quarter but was still significantly lower versus the previous year at 64.4%.

EBITDA at Rs. 2,492 million, grew by 47% and EBITDA margin at 24.3%, increased by 542 basis points year-on-year. Profit after tax at Rs. 1,043 million, grew by 395.5% and profit margin at 10.2% was up 782 basis points year-on-year.

The Company had liquid funds equivalent to Rs. 6,024 million by the end of Q4 FY21, in the form of cash and cash equivalents, bank deposits and investments.

I will now share some of the highlights of last quarter:

We opened 50 new Domino's stores consecutively for the second quarter and added 8 new cities, taking our city count to 293. As a result, we entered FY22 with a larger and more optimized store network than we started last year.

We saw a strong recovery in the delivery and takeaway channels. Within delivery, our own assets grew significantly faster than aggregators. Delivery growth was strong across all town classes, with the smaller towns growing faster than the Tier-1 towns.

Investments in digital and technology remains central to our strategy and during the quarter, we introduced a machine learning based model of Personalized Ranking to substantially enhance the pre-order experience. A host of other improvements during the quarter were made to our digital assets to further minimize time taken to order, enhance user experience, reduce friction, and target higher conversion. Our app installs were 6.1 million last quarter.

Our international business saw a strong performance with both countries being EBITDA positive last quarter. Having turned the business around in Sri Lanka, we opened 3 new stores in the country and have now equaled our earlier high number of stores in the country at 26. We rolled out an updated set of digital assets, including the app in Sri Lanka that is already leading to an increased conversion and a significantly higher online ordering contribution to delivery sales. We opened one new store in Bangladesh. We remain very positive on the opportunity for profitable growth and network expansion in both these markets.

We opened one store each for Hong's Kitchen and 'Ekdum!' during the quarter. These were both small delivery carry-out focused stores. We were pleased to see the Hong's Kitchen orders grow at a healthy pace in Q4 and revenues return to pre-COVID levels. It was still early days, and we were focused on refining our product, pricing and the overall proposition based on customer feedbacks, as also on strengthening our store level operating processes and workflows. We remained committed to scaling up both these brands in a calibrated manner.

We announced two significant investments during the quarter. DP Eurasia is a large Domino's business in Turkey and Russia and our investment and consequent board presence will allow us to transfer our learnings and share our best practices to these markets. We also signed an agreement with Restaurant Brands International for the master franchise rights of Popeyes for India, Bangladesh, Bhutan, and Nepal. The chicken category is underpenetrated, and we believe that Popeyes will create excitement and help drive market expansion.

As the Company continues to grow and expand both organically and inorganically, we are building organizational bandwidth and capacity to drive these aggressive growth objectives.

Towards that, we have created a new role of Chief Business Officer for Domino's India. This role will have end-to-end responsibility for Domino's in India from strategy to execution. I am delighted to announce that Mr. Rajneet Kohli – the erstwhile Head of Operations has moved into this new role as President and Chief Business Officer for

Domino's India. Rajneet's replacement as Head of Operations for Domino's has also been promoted and selected internally. Mr. Amit Maheshwari takes charge as Operations Head for Domino's India. We have also promoted Mr. Avinash Kant Kumar as the President of Integrated Supply Chain Network for JFL.

We are fortunate to have an extremely capable talent pool that is the right combination of organic talent groom from within and top talent onboarded from outside. I am happy to announce another such addition to our leadership team. Please join me in welcoming our new CFO – Mr. Ashish Goenka, who has replaced Mr. Prakash Bisht. Ashish comes to us with a rich experience and proven track record from Hindustan Unilever and Airtel.

We are also pleased to welcome Mr. Gaurav Pandey as the new Business Head for Popeyes. Gaurav has come from HUL, where he spent more than 16 years and he has already begun building a strong team for Popeyes in India.

While we are pleased with our performance of last quarter, what has given us even more energy and inspiration is the manner in which our employees came together in response to the savage second wave of COVID. Teams of volunteers worked 24/7 selflessly and tirelessly in providing help to employees and families in need and to them, we owe a huge debt of gratitude.

As Mr. Bhartia said earlier, we have initiated a pan India Company funded vaccination drive for all our employees and their dependents and are happy with the progress made so far.

Owing to the second wave and the localized restrictions that were imposed, operating hours reduced considerably in the months of April and May. Despite a very challenging operating environment, the system sales recovery for Domino's in April and May was 94.4% and 87.7% respectively when compared to the respective months of FY20. The strong delivery recovery helped mitigate a large part of dine-in and takeaway downside. Dine-in was shut pretty much in the month of May.

In summary, we are happy with our all-round performance in Q4 FY21. We look forward to driving an even stronger performance and aggressive growth in the quarters and the year ahead.

With that, I would like to call upon the moderator to initiate the question-and-answer session.

Moderator: Thank you very much. The first question is from the line of Abneesh Roy from Edelweiss Securities.

Abneesh Roy: Congrats on numbers and the acquisition. My first question is on the recent data leak which happened. You are an expert in delivery and OLO has been increasing. My question is, was there any temporary impact of this in terms of apps getting deleted or customers getting a bit weary on ordering online? And any learnings from this, why this has happened, any learnings on how this can be prevented and what's the way forward?

Pratik Pota: Thank you Abneesh for the question. And I hope you have been well. I think the data breach incident that happened to us in the month of March wherein a hacker attacked one of our servers and was able to extract data. I think we moved quickly to contain the attack, contain the breach, and avoid the spread and therefore we were able to prevent any operational impact on the business, nor was any customers PII compromised. We moved immediately to have a global forensic agency on boarded, very quickly and they did a deep dive to identify possible causes and also recommend mitigation and strengthening plan. We also moved very quickly to file a complaint with CERT and also with the Cyber Crime Cell. When the data leak happened, we also got an injunction from the Delhi High Court to ensure that ISP blocks the URL where this data had been posted. We are also working with leading security firms from across the world to do a complete scan and a comprehensive assessment of our security environment, and also that of our partners. And we will be implementing a world-class security solutions and systems. And more importantly, we will be ensuring that we stay updated through a benchmarking periodically. Like I said earlier, there was no impact on our business or on operations, either during the period of the data leak nor subsequently. We haven't seen any impact in terms of either app deletions or customers moving away from delivery. And as you saw in the month of April and May we have seen if anything, improved delivery growth led by online. But you can be sure that this is a moment of learning for us. We have not taken this lightly and we will be ensuring that we implement the most rigorous security systems to prevent from recurring ever in the future.

Abneesh Roy: Thanks, that is helpful. My last question is on DP Eurasia. We have not seen many Indian consumer companies build scalable large successful businesses in Turkey and Russia. So, what was the thought process here? Second, what happens to the balance stake, you have bought around 33% stake? And any key learnings or any key success practices which you have already identified which can be taken there?

Pratik Pota: I think we talked about this in our media communication as well, the rationale for our investment in DP Eurasia and Mr. Bhartia spoke about in his opening remarks as well. DP Eurasia is one of the largest master franchisees of Domino's Pizza globally. They have a very strong leadership business in Turkey and an exciting challenger brand position in Russia. And on account of 32.8% investment that we made in DP Eurasia, we have 3 board seats in the Company, and we have been using and we intend to use our board presence to offer our insights, to offer our learnings and to share our best practices from India with them. We will, of course, use the opportunity to learn from them in turn and bring some of those learnings into the Indian market. And it's a very exciting business. They of course, are an independent listed Company. So, I would invite you to look at their published results, to look at their performance. But we are happy with our stake in DP Eurasia and no plans to increase it further as of now.

Abneesh Roy: Just one follow up, are there synergy benefits in terms of sourcing any meaningful opportunity available?

Pratik Pota: Probably it just still early days yet. Like I said we have a board position, we will not get involved in operations, so it is early to comment on whether there are any operating synergies as of now. But in case there are, of course we will look at leveraging those.

Moderator: The next question is from the line of Manoj Menon from ICICI Securities.

Manoj Menon: Great performance in times like this. I got just two questions, not necessarily related to the current business environment or anything of that sort. One Pratik, I just wanted your longer-term perspectives on the relevance of Popeyes brand for India. While I completely get the chicken opportunity, but when I look at the global experience as well, is that what Popeyes is known for, just wanted to hear your thoughts, because in my understanding the brand stands for multiple things and not necessarily just chicken, correct me if I am wrong. I am just maybe speaking as a consumer, so that's one. What is the longer-term realistic opportunity for a brand which is just a few thousand outlets globally, so that's one, in India. The second, there are some chatter concerns at a global level on the gig work, the employee policies, etc., which happened about six months back which had a certain ESG connotation to it and it had definitely affected some of the European companies and some of the global companies. There are two ways of looking at it. One, when I look at Jubilant given the fact that most of employees are on your rolls, it may not be necessarily applicable for you, but just wanted to get your thoughts on both these aspects, a twenty thousand feet view currently.

Pratik Pota: Let me answer the first one to begin with on Popeyes. I think the way to look at the Popeyes opportunity is through size and look at the chicken opportunity in the country. Within the Western QSR market, chicken is one of the largest segments after the pizza category. Chicken is more than a Rs. 4,000-crore segment in India, and it has been growing very-very strongly. And if you look at the last 7-8 years, there was strong double-digit CAGR, a more like 17%-18%. And we believe looking at all the consumer data points that there is even now a significant opportunity to grow the category much faster and to much larger size, given that India is a largely non-veg market and poultry contributes to two-thirds of the meat consumption in the country. Despite that, actually, the per capita consumption in India of poultry is far lower than even peer markets like Indonesia or like Thailand or any other market in the neighborhood. So, that is the market opportunity. Now, coming to your question on Popeyes, Popeyes is a brand that is focused on chicken and the last couple of years has disrupted the biggest segment in the US on account of its aggressive innovation and very-very standout digital marketing. The chicken sandwich that they launched shook up the entire category and established Popeyes actually as a thought leader in the market. Basically, our partnership with Popeyes will help us build a large profitable and a vibrant business both in India and South Asia. And of course, we believe and as Mr. Bhartia also said in his remarks, it will become a very important engine of growth for us in the future. Yes, that's your first question Manoj.

The second question on the gig work and what are the implications for us as JFL? I think two or three things. Like you rightly said, a dominant part of our workforce are people who are on our roll, we converted them from being full-time or part-time to being completely variable last year as you are aware. So, bulk of our workforce, a dominant majority is our own employees and therefore this doesn't apply to us. But that said, I think using a gig talent pool remains an option for anybody whose revenue model is variable. It also serves to cater to an employee cohort, to a talent cohort who prefers to be on gig. So, that remains an opportunity for us to evaluate and leverage. And as you are aware, the new proposed labor code that's been in circulation, also proposes some fall back and some social security for gig workforces there. So, I think there is a middle ground here where we can potentially work with gig workforce and good in a way that's sustainable and that's been there.

Manoj Menon: Understood. Just an observation or just a quick follow up if I may on the second aspect was, the new labor codes are more conducive for the gig work. In India, honestly given what the riders earn much more than their restaurant counterparts, etc., probably they are much more satisfied. So, I don't think there is an issue in India per se. But only context was, maybe there is an ESG angle there which you may want to take it back to the management board, etc., to just look at it from a medium-term point of view. And the second aspect also here is that maybe this is a competitive advantage. That was my observation there, because given that you are the only large player who actually employs most of the riders on your rolls, but at the same time, just one comment from your side is that I do remember in June last year you actually variablizing some of your costs. So, that is the only reason I asked that. Is there any implication for you because is there a thought process to let's they move away from the current equilibrium? That's all I just wanted to ask.

Pratik Pota: Just one response that I would like to give on your comment about our workforce and you are absolutely right, the fact that we have a strong operational talent pool in our stores, who are our employees and who have groomed with us over the years, that's a big source of strength for us and we do not intend to dilute that in anyway. So, even as we have switched to a variable model, we have ensured that we increase if anything in our systems for engaging our employees, ensure that we are able to groom our talent from stores, so our riders who intend to build a longer career with us, we groom them, we get them inside the store, we train them on our store processes, on the make line, and they grow to be shift managers and store managers and further on. That's a big talent pool for us and that's a big source of growth for our talent and we intend to make sure we strengthen that. There is no way we are going to compromise on that. So, you are absolutely right. That's a big source of advantage for us. We are cognizant of it, and we will be doing whatever we can to strengthen that even as we drive efficiencies in the way we manage our workforce.

Moderator: The next question is from the line of Percy Panthaki from IIFL Securities.

Percy Panthaki: Congrats on a good set of numbers. My question is mainly about the store opening opportunity. You have mentioned in the past that Domino's has a 3000 total store kind of opportunity, so basically almost a little more than doubling from the current level, but if you could just break that down into little bit of granularity, especially how many stores you plan to open in FY22 and also this total 3000 store opportunity approximately over what time period do you think you can realize that, that is part one.

Part two is on, Bangladesh we have been having an opportunity to open stores here since many years, but we are really sub-scale here. It's like 15% of India's population, so it's a huge opportunity. So, what really stops us from opening many more stores in this geography, that is the second part. And third part, for 'Ekdum!', see kebabs and biryani are a very-very well-known, well-established model as far as the industry is concerned, unlike QSR type of Chinese which you are doing in Hong's Kitchen and therefore there is some experimentation with the business model you have to do. With 'Ekdum!' there are other players who have already discovered and established a business model, and you just have to more or less rollout stores there. So, any reason why we cannot go very aggressive in 'Ekdum!' and open significantly large number of stores or at least open a cloud kitchen so that we can serve at least a significant large population of urban India through 'Ekdum!' in the next five years. So, these are the three sub-questions that I have on the store opening opportunity.

Pratik Pota: Let me start by responding to the first one on the Domino's store opportunity. We are very excited with the potential for Domino's in India. We believe that there is significant room for us to grow Domino's stores in existing markets, metros such as Mumbai, Bangalore, Delhi, etc., in the Tier-2 towns and small towns where we have one store, or we have two stores. We also have a clear opportunity for expansion into new markets. We entered 8 such markets last year and we believe that there is headroom for us to enter many-many more towns. There's also room for us to expand our network in channels in educational campuses, travel, and transport, etc. And therefore, the runway that we see for Domino's in the country is very-very strong and we intend to therefore grow our network aggressively over the next few years. I think it will be difficult for us to give a prognosis about the number of stores for this year because while we have the intent of rapid expansion, we also are cognizant of the constraints that we see on the ground right now and that we have experienced in the months of April and May. And therefore, given the uncertainty around COVID, we are not putting the number out right now, but it would be fair to say that we are opening at least as many stores as we opened last year in FY22, we will obviously try and open more. That's on Domino's in India.

On Bangladesh, we recognize that we have an exciting opportunity that lies ahead of us. It's a large market, like you said where we believe that Pizza category is under penetrated, there's room for us to grow the category both in terms of getting new users and also driving frequency. It's a category also where the digital ecosystem is just growing right now. It's young and it's growing, and we have got on the ground floor on that. So, we absolutely intend to open more stores in Bangladesh. Unfortunately, in the last 15 months, as you are aware, I think the expansion has been sort of stymied by COVID. But once that abates, we will go on rapid expansion in Bangladesh as well.

On 'Ekdum!', I think we are absolutely aware of the fact that the biryanis, etc., segment is a large segment,' it is growing rapidly and it's a market where we believe we have a right to succeed. So, we will be expanding and growing the network for 'Ekdum!' accordingly. Just remember that 'Ekdum!' is just under six months old in the country, of which about four months were impacted by COVID if not all. And therefore, we have to ensure that when we make haste, we make haste after taking into account all the learnings and resolving the model completely and making sure that we have the proposition right, the economics right so we can scale up quickly. You are aware from our Domino's experience that when we need to expand and grow rapidly, which we will do, but we will do that in a calibrated way, and we will do that keeping in mind the learnings that we have instilled many years ago from the Dunkin' expansion.

Moderator: The next question is from the line of Latika Chopra from JP Morgan.

Latika Chopra: Two questions from my side. First is, if you could share your store expansion or your business model for Popeyes, any targets in mind for next 3-5 years which you could share because you talked about setting up a strong team there. The second question is on the margin outlook. If you could give us some thoughts on, how are you seeing business on the raw material side, delivery charges will come in the base from June onwards. Do you see potential for margins for the core Domino's business to move up from current levels?

Pratik Pota: Let me answer your Popeyes question to begin with. In addition to what I said earlier of Popeyes being a potentially a very strong brand and a big driver of growth for us in a category that's growing rapidly and that has a long runway to grow, I think also what makes a chicken segment interesting is a fact that it also allows us to play across channels. It's a category that will have a strong play in dine-in and takeaway, also in delivery. Chicken is a food that like pizzas travels and holds up well in delivery and we believe that therefore Popeyes will also be an omni-channel business with a strong delivery bias. It will also be a digitally driven brand as all the young brands now. We intend to open our first store in this financial year and of course, we intend to scale up the network progressively over the next few years. We have an agreement with Popeyes for certain number of stores and a commitment for certain number of stores but you know from our Domino's experience that, that ends up being the minimum threshold. We end up exceeding, we are aggressive about store expansion and therefore, that number ends up being just a notional number. We will be building the network out aggressively after proving the model and making sure that we have the right store level economics established on Popeyes. That was your first question.

On the margins Latika, as you know in this quarter, we had a slight impact on food costs, the food costs increased sequentially versus last quarter, and this was the impact of inflation on our cheese prices versus Q3. We also saw an increase in edible oil prices albeit the impact of that was much lower. So, there was an impact on the food costs of these two inflationary items mitigated partly by reduction in wastage. As we look forward, we believe that between a potential inflationary headwind that we might see and our own mitigation plan, we do not expect a big headwind on food costs or indeed on inflation in the year ahead.

Latika Chopra: My question is on the EBITDA margin. These have moved up nicely over the recent years. You have basically ended the year with almost close to 3%-3.5% expansion in EBITDA margins. So, I was just wondering with such an aggressive store expansion plans for Domino's and the new investments you are doing, how do you see the overall EBITDA margins moving ahead? Do you see a scope for an improvement?

Pratik Pota: To answer your question very-very clearly and unambiguously, while we are looking at an aggressive expansion of our network and as you have seen that our margins over the last three years have held up and improved if anything, despite the fact that we haven't taken any price increases and despite the fact that we have gone back to rapid network expansion. Going forward as well, we do not expect a growth in our store network or indeed an expansion of our portfolio to other brand to lead to a margin dilution.

Moderator: The next question is from the line of Ashit Desai from Emkay Global Financial Services.

Ashit Desai: Pratik, just on the expansion opportunity and the plans, your comments mention about driving hypergrowth through innovation and portfolio innovation. You did comment on stepping up the expansion plans, but could you give any indication for next year's plans for Domino's and the other formats?

Pratik Pota: Ashit, like I said in the response to an earlier question, we are focused on driving network expansion both on Domino's and other brands aggressively. We believe that post COVID, the category structure will fundamentally change which will allow the organized sector to grow faster. It will allow for a bigger brand play to be even higher because the consumer will navigate towards trusted credible safe brands. With the category becoming truly omnichannel, delivery will become a much larger part of the mix even in smaller towns, digital channels will stay large. All of these are areas where we have a significant strength. So, we expect growth to be strong in the years to come both for the category and for our business. Towards that, we would be expanding our network. Unfortunately, given where we are right now in the environment, on ground controls and restrictions and constraints in the pace of expansion, we are not able to give a specific commitment on the number of stores right now, but like I said, we would be at least opening as many stores as what we opened last year and aiming for a higher number, subject to on-ground conditions permitting.

Ashit Desai: Could you also give out what's the minimum store opening target for Popeyes over the next 3-5 years or whatever is there in the agreement?

Pratik Pota: Ashit, Like I said, we obviously have an agreement with Popeyes, but those numbers are more like the minimum threshold. We will be going for a much more aggressive number on Popeyes because we believe in the potential of this category. So, no specific number to share as of now.

Ashit Desai: One last small question is, you can indicate if there are any price hikes you have taken or any change in delivery charges that one may look at?

Pratik Pota: There have been no changes in delivery charges or indeed any price hikes in the last quarter.

Moderator: The next question is from the line of Rahul Arora from Nirmal Bang Securities.

Rahul Arora: Thanks Pratik and Team. If we are looking out say 3 to 5 years from now, what percentage of your revenues would be non-pizza, now that we are diversifying into other aspects, what would these contribute to a percentage of our revenues three to five years from now?

Pratik Pota: I think the exciting part about our business is that we see headroom for growth across all our portfolio brands, so whether it is Domino's in India or indeed it is the new brand which obviously have a very low base and therefore we will see aggressive growth in the years to come, or if it is the Popeyes business or indeed the ChefBoss range, or our international markets, Bangladesh and Sri Lanka, all of these businesses have an exciting potential for growth and we intend to invest behind growing these, like I said earlier, in a calibrated way and in the pursuit of what we believe is in the hyper-growth opportunity. That said, it would be hard for us to put a number to how the mix will change. Domino's will obviously remain the large part of our business, but we will see the new businesses acquire critical mass and scale over the next three years.

Rahul Arora: And you would look to leverage digital in a material way for them as well as you are doing for your pizzas right now, I assume?

Pratik Pota: Absolutely. So, we have two foundational capabilities that we leverage across all brands. One of them is supply chain where we will be using our supply chain strength and a commissary network to support our new brands which allows them to grow faster and to scale up faster. And the other one is digital, like you asked, where our digital capabilities will support all our new businesses.

Rahul Arora: Just one quick one, while it might be early days yet Pratik, would you be able to throw some light on how profitable the new ventures are vis-à-vis the core pizza profitability, say the Chinese or the biryani, if you were to compare them at a gross or EBITDA margin level, how do you see the profitability scaling up vis-à-vis the pizza business? Are they pretty much in-line, more profitable? And do you see beverages playing a major role for you going forward in any way?

Pratik Pota: I think if I may reframe the question a little bit, it would be an unfair comparison given the scale difference between Domino's and the other brands and given the vintage experience that we have for Domino’s and the new brands, let me reframe the question to say that do we see the margin profile for these new brands be any different from Domino's? The answer is no. I think structurally speaking, all our new brands, whether it is Popeyes potentially or indeed Hong’s Kitchen and ‘Ekdum!’ which we are already seeing on the ground, we see them absolutely having similar margin profile to Domino's.

Rahul Arora: And would you be looking at beverages in any way, Pratik, as a push going forward?

Pratik Pota: Absolutely, beverages remain an important part of our product mix and both in delivery and in dine-in, you will see us growing and investing in beverages going forward.

Moderator: The next question is from the line of Sunita Sachdev from UBS Securities.

Sunita Sachdev: A little while ago, you just shared with us, the chicken market size opportunity. Could you also share with us the size and the growth that you have seen in the pizza market in over the last 5-6 years?

Pratik Pota: Yes, we see, as I mentioned earlier, a large opportunity for the chicken market. In the pizza category as well, we have grown the category and we have grown our market share in the last three years, and we expect that trend to continue going forward. We have retained a large share of the pizza market over the last four years, despite the growth and arrival of many more competitors, despite the addition of many new players across the country and despite the growth of delivery led by aggregators in the pizza market, so our market share has grown, our revenues have grown, and we have grown the category as well, and we expect that to continue going forward.

Sunita Sachdev: No. My question was in terms of market size, you shared the chicken market is Rs. 4,000 crore. How big is the pizza size opportunity in India? And if you could break that up into volume versus pricing in terms of what has happened in the last 5-6 years.

Pratik Pota: Sunita, if you look at the pizza market size, our revenues and our market share of 70% will give you the total market size. And your other question about volume versus the ticket, I think the really encouraging part about the last three years performance has been the fact that our growth has come on the back of expansion in orders, expansion in customers and growth of frequency as well. Our pricing as you know has not increased. We haven't taken price hike in the last three years, say for a very small corrections that we need. So, there has been no price hike that we have taken. And our growth has been fueled by orders, fueled by delivery within that and within that by our own assets. So, the business has fundamentally become structurally better over the last three years, and we have grown on the back of order count and new customer acquisition. But as market leaders, Sunita, we are cognizant of our responsibility of growing the category and not scrapping just for market share. And lastly, I think what's worked well for us is that we helped grow the category.

Sunita Sachdev: Sure. My second question is on delivery. I know now it's going to be in the base. Delivery obviously gets charged to revenue. So, it obviously has a job of inflating to some extent the same-store sales growth. So, going forward what really is your outlook for same-store sales growth given that the 3-4 percentage points would be lower given that delivery will be in the base?

Pratik Pota: Sunita, you are right. I think starting next month onwards we start seeing these charges come in our base. But our growth will be driven on the back of order growth coming back. If you look at our comments, we were happy to see order growth come back in Q4. After the first three quarters where our recovery was driven more by the ticket and the bill value, we were happy to see a recovery of orders in Q4 at an aggregate level. So, as we look ahead, we see strong growth continuing on delivery, we see strong growth continuing on takeaways, and we see the dine-in channel come back. Dine-in plays to a very important occasion of socializing of people, getting together and celebrating and we believe that once the immediate concerns on COVID abates, when vaccination is done at scale, dine-in will come back. So, going forward we see delivery and takeaway consumption holding up and the dine-in recovery giving us that impetus to overall order count. Therefore, we expect orders and order growth to drive our revenues going forward.

Sunita Sachdev: All right, that's a really optimistic outlook. Thank you for that. Just a small comment on the side. This is not a question. You guys do give us the number of app downloads every quarter, but I noticed your investee Company DP Eurasia provides the percentage of revenue that comes from their own apps. It would be nice if you could also provide the percentage of order value coming in from your own app. That will be really helpful. Thank you.

Pratik Pota: We will evaluate it, Sunita. Thank you.

Moderator: The next question is from the line of Tejash Shah from Spark Capital.

Tejash Shah: My question also pertains to app first. So, a lifetime addition that we would have done on apps till last March, we have actually added 70% of that users this year itself. So, what is your read on this momentum, is it more pandemic led, or you are seeing any structural change in the momentum here? And second adjacent question here is that what is the profile of the app using customer? Is he or she much more profitable than a non-app user customer of ours?

Pratik Pota: Tejash, thank you for the question. On your first question, on app downloads and on the expansion of our app install base, I think that has been an outcome of a very clear and a very concerted strategy of driving our own assets disproportionately. We have increased our investments on digital marketing and performance marketing over the last one year. And while we have had that going even earlier, post-COVID we increased that significantly. We in fact doubled that performance marketing spend last year versus the previous year, number one. Number two, we have ensured that the most attractive offers for our customers are on our own app. So, if a customer is looking for the best possible offer, he will get that on our app and not on any other platform. Number three, for a customer who is a medium or a high frequency customer of Domino's, the most intuitive and the most seamless customer experience actually comes on our own app. It's much faster, the number of steps to ordering are much lower, the friction is much lower, and that has led to a much larger segment of our high frequency and medium frequency customers ordering from our own app versus aggregators. So, this is the second part of your question. Our own asset customers and own app customers are higher frequency customers. They stay with us longer, they have a higher ticket size than aggregator customers, and therefore they have a much larger lifetime value than others. So, our most valuable customers engage with us through our own asset.

Tejash Shah: Second and last question is, owing to pandemic last year, now we are seeing many earlier dine-in only formats have also developed capabilities of deliveries in the last 12 months and now we are hearing that even NRAI is planning to launch its own food delivery app. So, post pandemic in a normalized world, how do you see competitive landscape just on delivery part versus pre-pandemic era?

Pratik Pota: I think, clearly post pandemic, the delivery market has grown faster, and I think through the course of last year, most restaurants realized that delivery as a habit was here to stay. Of course, our category in our business we know that for the longest time now, but for many other categories including casual dines, etc., I think, the penny drop moment came towards second half of last year. And I think everybody realized that this was a fundamental consumer behavior change. But even as dining would resume over time, delivery was here to stay and which is why a lot of brands are investing in driving their own assets and own digital stacks. In our case, of course, you are aware that we have been investing in digital for many years now and that's been a big reason for our success. I think that what will drive delivery, and what has always been there in delivery, is the ease of ordering, and a smooth end-to-end customer experience. Given the fact that we have our own digital assets, and we also have our own last mile delivery system that we control, we believe that we provide the best delivery experience to our customers and delivery has always been and will remain a source of competitive advantage for us.

Moderator: The next question is from the line of Prasad Deshmukh from Bank of America.

Prasad Deshmukh: Two questions. Firstly, now that you are scaling up in three new brands, what will be the new organizational structure? Looks like you guys are appointing Chief Business Officers for each one of them, so just wanted to understand what the new structure will look like?

Pratik Pota: In the new structure, we have the Chief Business Officer for Domino's India reporting into me, the Head of Operations and the Head of Marketing for Domino's India report into the Chief Business Officer of Domino's India. Other than that, there is no structural change. The Business Heads for the new brand, for Popeyes and for international and indeed the other Functional Heads report into me as they have been doing the past as well.

Prasad Deshmukh: Second question is on operational synergies. So, in terms of these two brands being added to the portfolio, that is 'Ekdum!' and Popeyes, what kind of sharing of resources is possible when they are scaled up especially from say sourcing perspective and the store operations perspective?

Pratik Pota: Yes, I think one of the advantages that we have as Jubilant Foodworks is that we have some very basic foundational capabilities that we have developed over time on Domino's and which we can replicate to support the new brands as well. Clearly, supply chain is one area where our sourcing capability, our manufacturing and certain kitchen capabilities, our vendor partnership that has been sprawled over the years, all of these will become big sources of strength for the new brand. And of course, the new partnerships that we will tie-up and the new learnings that we will have, but the foundation of our supply chain will be something that will work well for our new brand.

Number two, the fact that we have now over the years built a very strong digital backbone with a very strong digital team and growing digital capabilities, these capabilities will also be used to support all our new brands. And again, that's an area where our legacy strength in Domino's can support growth and customer experience in our new brands.

Number three, the capabilities that we have acquired in Domino's of hiring talent at scale in our stores, deploying talent at scale, training them, supervising them, growing them, and grooming them, again that capability is something that we will replicate in the new brand. That said, we also have to grow and acquire new capabilities, learn about new categories, learn about innovation in these categories and that we will do, and we are doing by investing and building dedicated teams for these new businesses. So, the new brands going forward and the new businesses, we have a great combination of dedicated focused teams which have only that brand remit on their agenda, supported by cross-functional teams and help replicate best practices from other brands and from Domino's.

Prasad Deshmukh: Just to clarify, so these are also commissary driven brands?

Pratik Pota: That's right. They will grow over time to the commissary driven brands, absolutely.

Moderator: The next question is from the line of Jaykumar Doshi from Kotak Securities.

Jaykumar Doshi: My first question is, could you please share your thoughts on pricing lever. We have not taken any price increase in the past three years other than the introduction of delivery charges. So, how should we think of it from the next three-year perspective? Are you more open to take price increase irrespective of how RM price environment is? Because when we benchmark Domino's prices versus other pizza brands, especially on the delivery platforms, there is a significant gap, Domino's is a decent value to competition today. So, if you could share your thoughts on pricing lever?

Pratik Pota: Sure Jaykumar, thank you for your question and your observation is accurate and spot on that over the last few years, we haven't taken price increase and today our prices are lower, an advantage from a consumer point of view vis-à-vis most of the brands in our category. We believe that by not taking pricing and challenging ourselves to take costs out to drive margins has made our business model stronger, more robust, and more future ready. That's the first point.

The second point is that in the post-COVID area, where discretionary incomes have been challenged and will be challenged, we know that we will be facing an extremely value for money conscious consumer. In any case, Indians are driven by value for money and they are very-very price conscious, and we believe that going forward as well, if anything that expectation will increase. That said, we recognize that we have headroom in pricing, and we have a gap with vis-à-vis competition. So, as and when the need arises, if inflationary headwinds come our way, or if we believe there's an opportunity, pricing has been and will always remain a valid lever for us to drive revenue.

Jaykumar Doshi: I have one more question. You mentioned a couple of occasions that you can leverage digital capabilities of Domino's to replicate and support the new brands. So, are there any restrictions from Domino's end, can we use the same platforms, same framework that you are using for Domino's as for other brands as well? Some thoughts here?

Pratik Pota: Jaykumar, I think what I meant when I said lift and shift best practices is about using our knowledge of technology which is not brand specific, which is a platform knowledge about technology, about customer experience, about the UI UX, use those learnings and similar learnings on supply chain side to drive our new brand. Domino's will be walled off completely from a user experience point of view and an asset point of view, but the learnings will be used to drive our growth in the new brand.

Moderator: The next question is from the line of Aditya Soman from Goldman Sachs Asset Management.

Aditya Soman: My first question is on volumes. You indicated that in 4Q you saw some volume growth, so could this be overall volume growth for the total number of pizzas sold, any sense you can give us on that**.** You indicated that you have returned back to volume growth. So, would this be overall volume growth? Because if I think of the math obviously once we remove the delivery fee, it doesn't seem to suggest a huge amount of volume growth.

Pratik Pota: Aditya, the volumes that I was referring to was to order volume growth. We grew in orders vis-à-vis same time last year in Q4.

Aditya Soman: Thanks. Secondly, you just answered the previous question, but can you have a super app of sorts where you can on a single app have all your brands or that's not possible?

Pratik Pota: So, Aditya, I think our focus right now remains on driving a strong set of digital assets for Domino's and for each of our new brands individually. And that is a primary focus because each of these brands are distinctive unique brands with different customer franchises and we intend to therefore make sure that they have strong assets by themselves. Potentially it can be a super app, hypothetically I guess we could, but as of now our focus is on developing our own assets individually for these brands, because they are different segments with different customer cohorts, and we have to make sure that we are relevant for each one of those separately.

Hari Bhartia: And the footprint of the brand is very much different right now.

Moderator: The next question is from the line of Karan Taurani from Elara Capital.

Karan Taurani: My first question is in terms of, any kind of risks you believe are there in the new business initiatives specifically with Hong's Kitchen and 'Ekdum!' Biryani, given the kind of products they are right in terms of standardization and the kind of ingredients, sources, everything put together. So, any kind of risks you can highlight there and how do you plan to mitigate them?

Pratik Pota: As you said, each of these brands have a unique set of challenges. They have a different set of products, different processes, different set of vendors in some cases, and differential challenges in terms of standardization and ensuring consistency. Our teams are working on making sure that we have these processes put down and ironed out and we are happy to see the progress we have made already in Hong's Kitchen and more recently in 'Ekdum!'. Despite the fact that we don't have a standard set of guidelines to follow, like we do for example in Domino's, I think the team has made encouraging progress in putting down those SOPs, refining them, making sure that we are able to give a consistent experience to our customers. Do we see a risk there? No, we do not see a risk. But that's certainly a work stream that is a nuance for us and that is what we are working on.

Karan Taurani: The second question would be in terms of trend reversal. Of course, this year you did see outperformance versus the industry because of your exposure to delivery. Now probably say, whenever unlock happens in a big way, footfalls come back in malls, Highstreet put together, do you expect maybe two or three quarters of underperformance because of the shift towards the players which are heavy in terms of dine-in, that is one. And within that also, what about the share in terms of this organized players gaining? Do you believe that is sustainable over medium to long-term as well, or these are just COVID trends then again, the numbers will basically come back stably for the smaller and the other players as well?

Pratik Pota: So, Karan, actually I would see this a little differently, your question. I think, if you look at our May performance which we have called out in our release, despite the fact that dine-in was pretty much shut completely, despite the fact that there was strong mobility restrictions which impacted the takeaway channel, we have delivered an 88% recovery, which tells us the amount of slack that delivery has picked up by itself.

Number two, we are seeing dine-in restrictions getting slowly revoked. And as the sentiment improves, as people get vaccinated, you will see that dine-in channels start coming back. That if anything, will give an incremental tailwind to our revenues rather than take away from our overall recovery. Like I said earlier, dine-in plays towards different occasions compared to delivery and as dine-in restrictions are removed, we will see that channel come back in the future. Indeed, if we look at the last quarter, in Q4, you saw the dine-in recovery play out very clearly. We had a strong recovery in Q4 at 64%. And additionally on that, March was even stronger. So, our data in the past has shown us that when supply constraints are revoked and are removed, the demand comes back and we expect the same trend to play out in the future, and that is what gives us excitement. We believe strongly that the delivery habit that has been adopted in many new towns and town classes by customers, for the larger part that delivery habit will endure, and as dine-in restrictions go away, we should see dine-in come back as well. And that gives us confidence that we will see strong growth in the future.

Number two, on your question around the organized brand share, I think it is a very fundamental trend that we are seeing and that we have seen for the last one year across multiple categories, not just in food service that the bigger brands are getting preferred and are gaining in share as a result. Because consumers want the conviction and the certainty and the safety of brands, food quality standards, safety standards they can take almost as theirs. So, that trend will continue. And we will see strong brands, big brands, credible brands have greater momentum. We don't expect that to reverse.

Karan Taurani: But just an exponential gains this year because of COVID. Because clearly standalone restaurants, smaller chains have scaled down, they still remain to be shut. About still 20% of the restaurants or even more still remain to be shut. So, just trying to get that this exponential share which you have gained this year, or maybe in the last 6 months probably organized players, is that kind of sustainable or you could see some trend pattern reversing on that as well?

Pratik Pota: No, we do not expect to see the situation normalizing in any way impacting our market share. I do not think so at all. We actually are very excited by the growth prospects that lie ahead, and we do not expect to see any impact on the market share, quite the contrary.

Karan Taurani: So, as you said, of course the market share gains would be there, but maybe you have a year wherein because of the exponential gain in one year, in that particular year, that gain would not be as compared to pre-COVID just because the other restaurants are opening up and the competitive intensity increases, something of that sort, that is not expected from organized players.

Pratik Pota: So, Karan, again I would repeat what I said which is that we do not expect the situation being normalized leading to any adverse impact for us, not at all.

Hari Bhartia: Pratik, if I can add. What we saw during the pandemic is, even in the small town, the habit of delivery has been consistently growing. Now delivery, once it grows and once people become habitual to delivery even in smaller 2nd and 3rd tier towns, it tends to stay, it is sticky. It tends to stay. It doesn't go back to the original level fully, that is what we believe. So, I think during COVID we had opportunity to show our delivery prowess to customers who were mostly coming to the stores to experience dine-in. So, I think to us, we believe it opens up more opportunities. People who were not ordering digitally, started ordering digitally in the smaller cities also. So, I think it is a good habit. Today we see, we have almost everything coming digitally to us, almost 98% orders.

Hari Bhartia: 98%, yes. So, I think post COVID environment is only giving us more opportunities.

Moderator: Ladies and gentlemen, we take the last question from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: Thank you Mr Bhartia for making the comment to the last question. Just a question there, Do you think, going ahead, from a strategy point of view, you believe that the new store additions will be more in newer cities because that is where you think that the tailwinds will be there? My question is that on an incremental basis, do you think that new cities will be the big driver of growth for Domino's?

Pratik Pota: Thank you for the question, Sheela. I think the really encouraging and exciting part of the Domino's opportunity that we see ahead of us is that we see ample headroom to grow our store network, both in existing towns and in new towns. Let me give you an example of Bangalore, just to illustrate the point. Three years ago, we had less than 100 stores and as we speak today, we have more than 150 stores in Bangalore, and Bangalore is one the fastest growing markets for us. We see the same opportunity for us in every market, market after market. Whether it is Delhi NCR, or a Mumbai, or a Kolkata, or a Hyderabad, or a Chennai, I could go on, we see a lot of headroom for growing our store network in all of these markets; in coming closer to our customers, in coming closer to our communities, reducing drive time, improving speed of delivery. So, that is a big opportunity for us. Equally like you said, we also see opportunity in opening stores in towns where we don't have a presence right now. So, for example, we have a presence in 293 towns. There are almost 700 towns in this country with a population of more than one lakh. So, clearly, we see headroom for us to grow the network, to expand the network by entering many of these towns. And that is what makes our growth prospects so exciting that we have almost so to speak a problem of plenty, we have opportunities to expand both in new towns, in new channels and existing towns.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for their closing remarks.

Pratik Pota: Thank you everyone. We appreciate the time that you spent interacting with us today. I hope that we have addressed all your questions and queries comprehensively. If you have any unanswered questions or any areas where you have a clarification that we need to provide, please get in touch with the IR team, and we will be happy to engage and to clear those doubts. Thank you so much. Stay safe and good evening.

Moderator: Thank you. On behalf of Jubilant Foodworks, that concludes this conference. Thank you all for joining, you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.