

Domino's



Food Services Industry

- Indian food services industry size is around INR 4.5 tn and is expected to grow at 9% till FY25
- Organised space is growing faster at 15% CAGR
- Organised space is gaining market share FY10-18%, FY15-29%, FY20-38%
- Industry has gone through 3 different phases

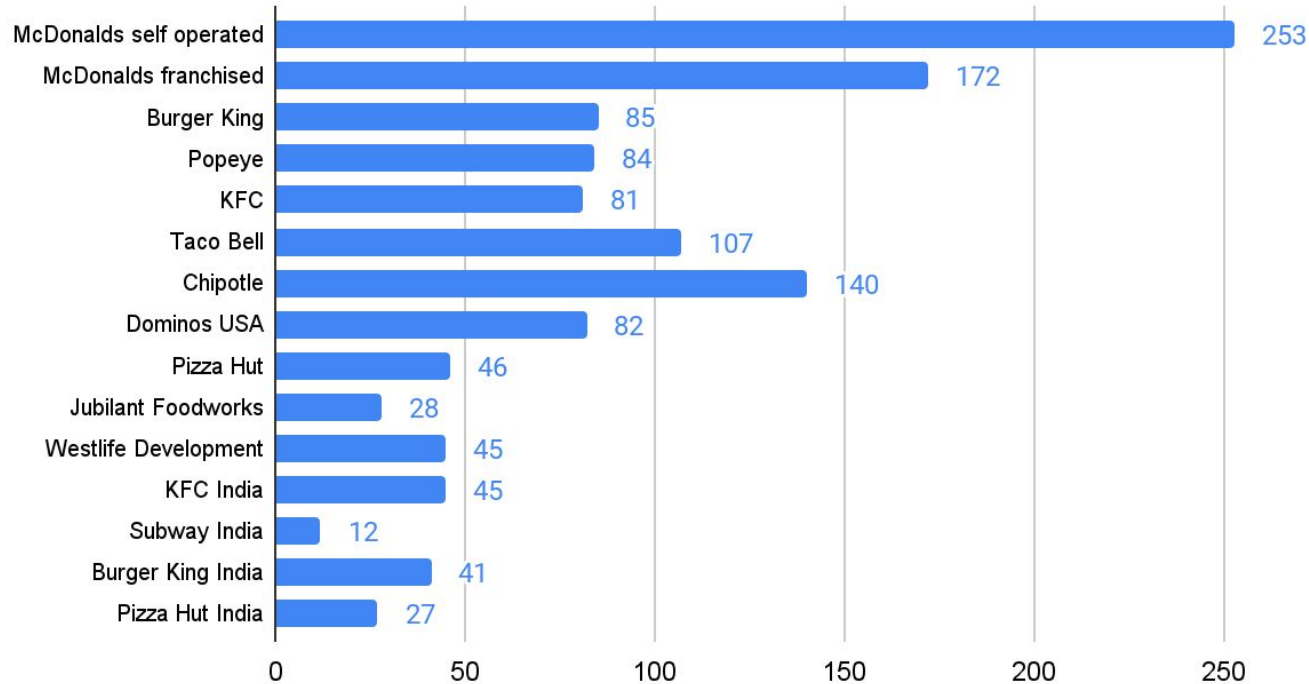
Food Services Industry

Country	Contribution of FSI to GDP	Share of Chain QSR to total FSI
US	2.6%	39.0%
China	4.3%	5.0%
Brazil	4.6%	9.0%
UK	2.7%	18.0%
India	2.1%	4.0%
Indonesia	2.9%	6.0%
Russia	0.7%	33.0%
Saudi Arabia	2.6%	15.0%
South Africa	1.3%	38.0%

Source: Technopak, Euromonitor

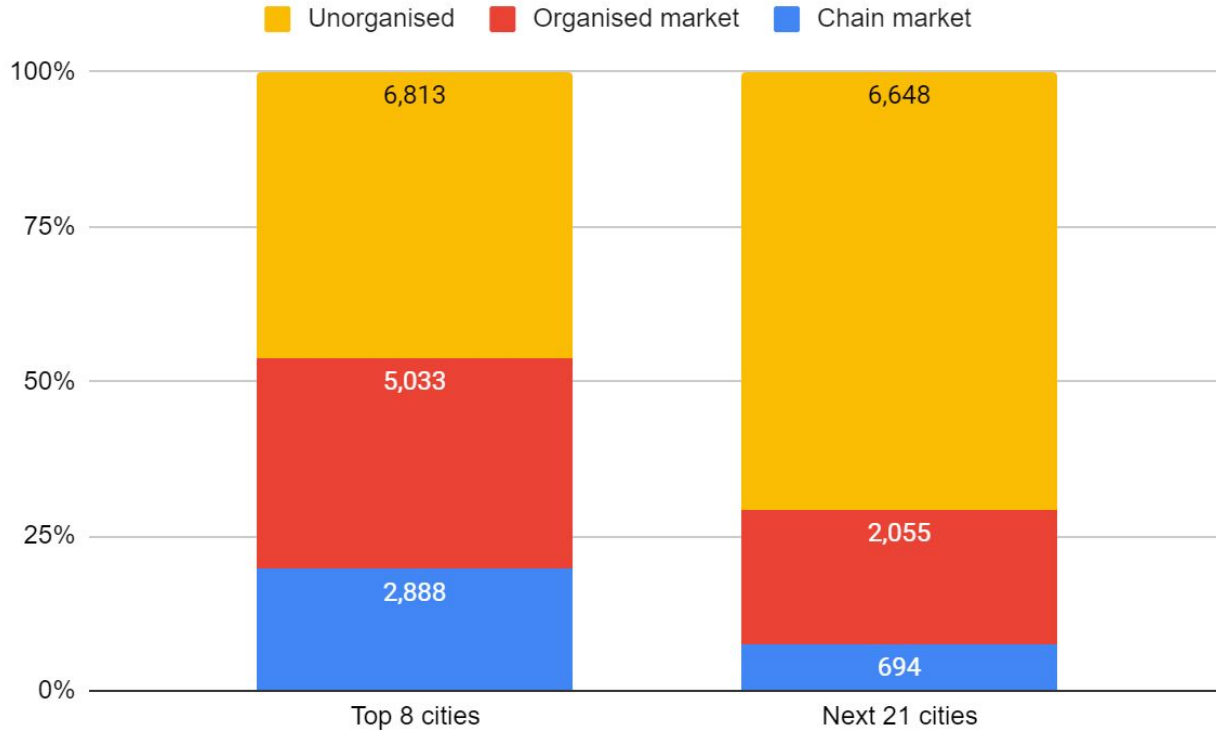
QSR (Global vs Indian)

Revenue per store (Rs in Mn)



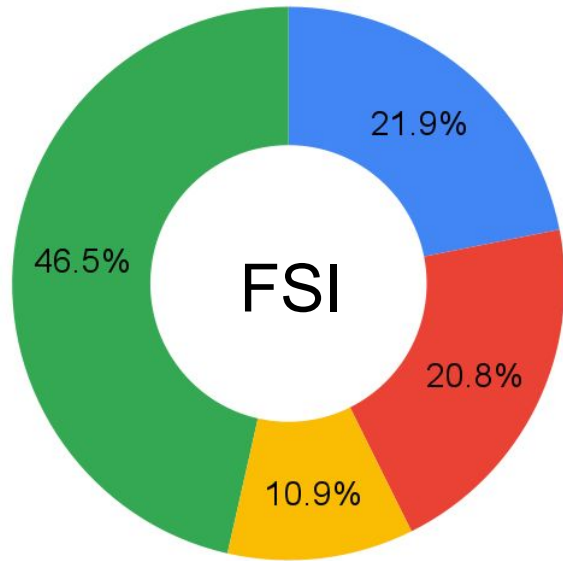
Source: Technopak,
Company data

Annual Spend per person (INR)

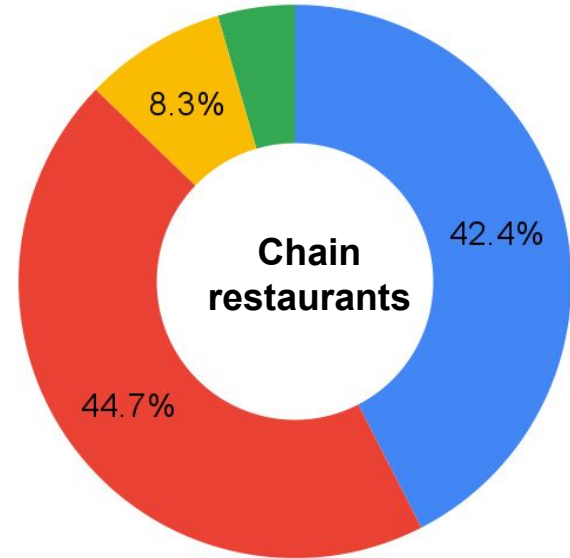


Source: Company data

QSR Market is still urban centric....



- Mega Metros
- Next 6 cities
- Next 21 cities
- Rest of India



Demographics will help drive QSR growth

Age Group	Eating out frequency/ month	Ordering in frequency/ month	Average spend per outing (Rs)	Average spend per order (Rs)
15-24 years	2.3	0.9	230	124
25-34 years	1.9	0.7	225	118
>35 years	1.5	0.3	303	107

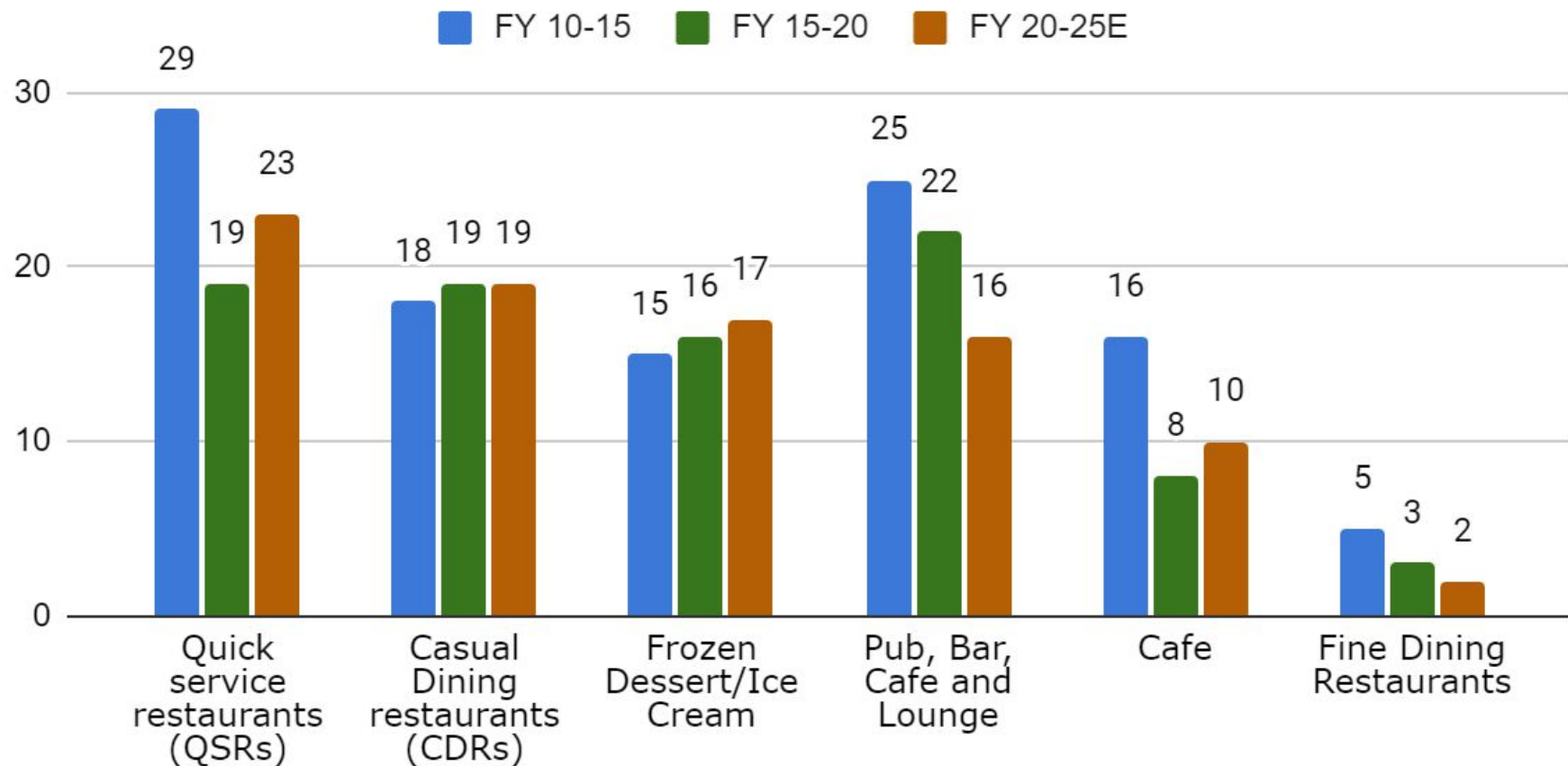
Different formats

- **Fine dining restaurants (Rs 29 bn)** : Full service restaurants with high quality interiors, specific cuisine speciality and a high standard of service. Model typically involves high average sales per cover.
- **Casual dining restaurants (Rs 885 bn)** : Restaurants service moderately priced food in an ambience oriented towards affordable dining with table service.
- **Pub, Bar, Club and Lounge (Rs 176 bn)** : Outlets that majorly serve alcohol and related beverages and include night clubs & sports bars.

Different formats

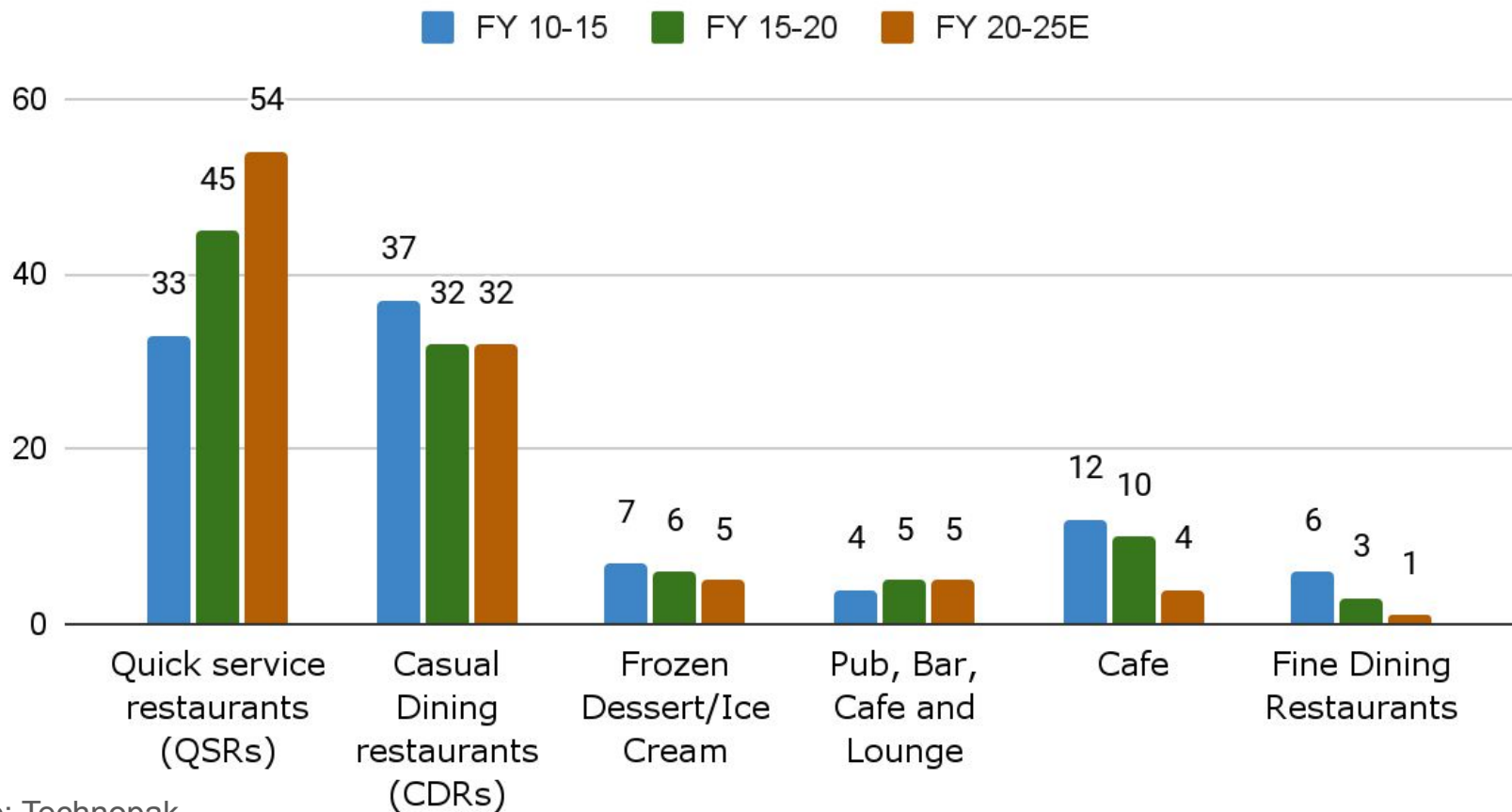
- **Quick Service restaurants (Rs 336 bn)** : Restaurants focus on speed of service, affordability and convenience. They include the dine-in, takeaway delivery sub-formats.
- **Cafes (Rs 97 bn)** : They include coffee bars and parlors. They are mostly casual restaurants and emphasize on serving beverages and food incidental to those beverages.
- **Frozen Desserts (Rs 43 bn)** : Small kiosk outlets of ice cream brands, frozen yogurt etc.

Growth rates



Source: Technopak

Market Share (%)



Different type of franchise agreements

- **Master Franchise**
- **Company owned + Franchise**
- **100% company owned**
- **Joint venture**

Partners of Global QSR's in India

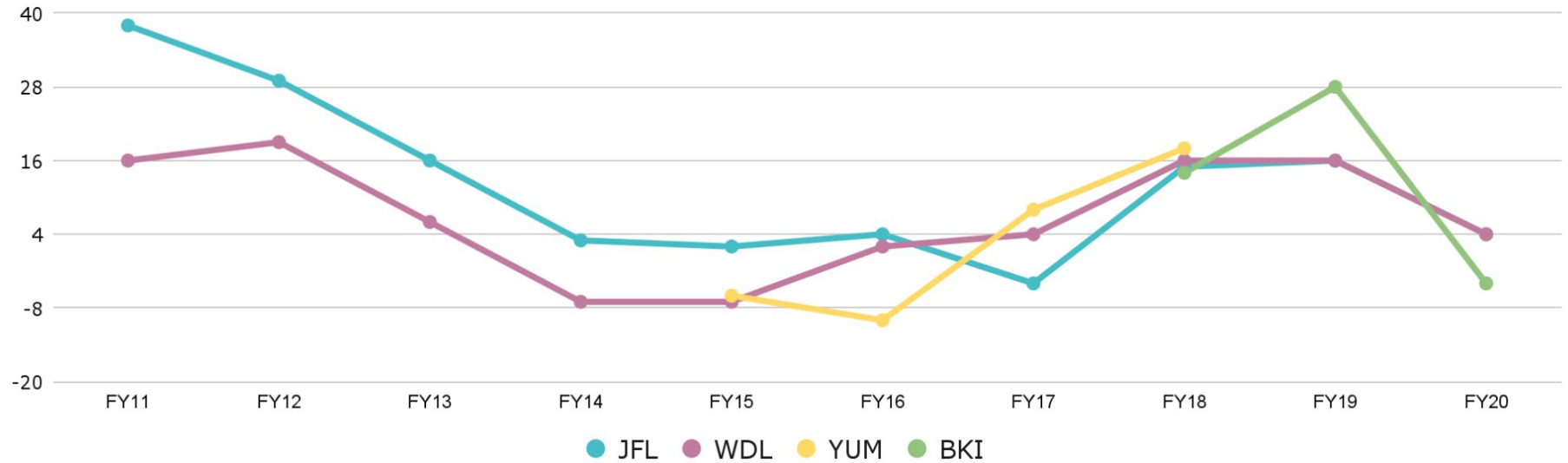
Brand	Global Company	India Company	Agreement	Royalty
Domino's	Domino's Pizza Inc	Jubilant Foodworks	Master Franchisee	3-4%
Mcdonald's	McDonald's Corporation	North and east:MM Agarwal group South & West:Westlife Development	Master Franchisee	4-5%
Pizza Hut	Yum Brands Inc	Devyani International -Sapphire foods	Multiple Franchisee	7-8%
KFC	Yum Brands Inc	Devyani International -Sapphire foods	Multiple Franchisee	7-8%
Subway	Subway Group	Multiple franchisee partners	Micro Franchisee	7-8%
Burger King	Restaurant Brand International	Burger king India Ltd	JV	4-5%
Chilli's	Brinker International	North and east: Stellar Concepts South & West: TexMex Cuisine India	Regional Franchisee	5-6%

Growth drivers for the industry (very well known)

- Rising income levels
- Urbanisation and nuclearisation
- Increasing youth population
- Working women
- Higher convenience and busy lifestyles
- Higher internet penetration
- Growth of online food delivery and food tech

Growth rates have been all over the place

SSG Trends over the past decade



Impact of COVID

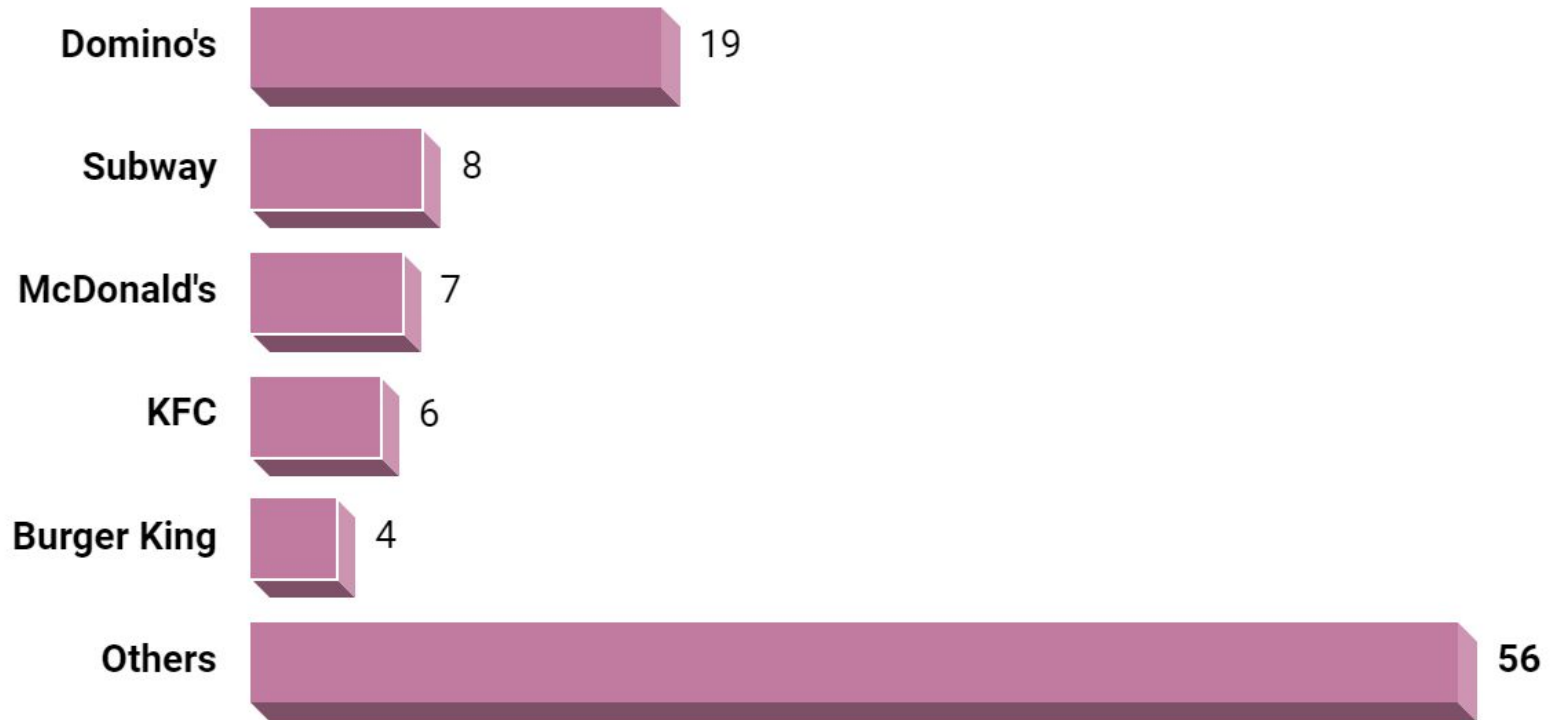
- 30-40% restaurants across India shutting down permanently in FY21
- Higher proportion of delivery orders backed by technology adoption from consumers
- Move towards branded players
- Focus on safety and hygiene
- Aggressive store expansion plans from organised players
- Increased supply of real estate due to closure of some restaurants

Major players in the QSR

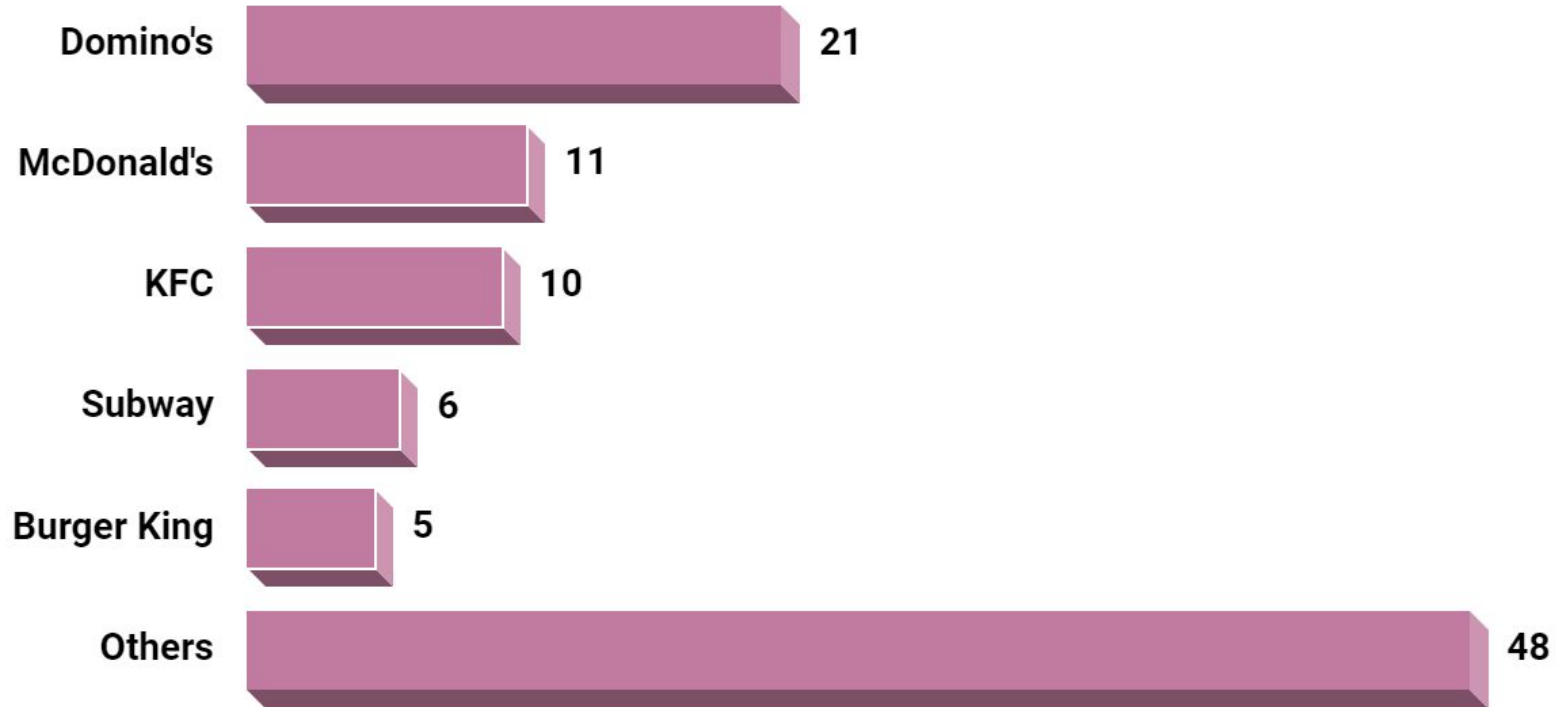
Source: Technopak

Brands	Origin	Year of entry	Core Offering	Outlets	Mega Metros (%)	Mini Metros (%)	Tier I (%)	Tier II (%)
Domino's	USA	1996	Pizza	1354	25	32	20	23
Subway	USA	2001	Sandwich	541	37	43	12	8
McDonald's	USA	1996	Burger	481	36	35	17	12
KFC	USA	2004	Chicken	454	19	37	21	23
Wow! Momo	India	2008	Momos/Chinese	317	29	59	6	6
Burger King	USA	2015	Burger	261	41	26	11	23
Jumbo King	India	2001	Vada Pav	131	83	11	6	0
La Pino'z	India	2011	Pizza	134	27	21	33	19
Haldiram	India	1937	Indian Snacks	80	79	9	7	5
Bikanervala	India	1950	Indian Snacks	82	61	9	14	16
Smokin Joe's	India	1993	Pizza	50	58	20	4	18
Taco Bell	USA	2010	Mexican Inspired foods	57	32	54	12	2
Street food by Punjab Grill	India	2008	Indian Snacks	41	47	34	12	7

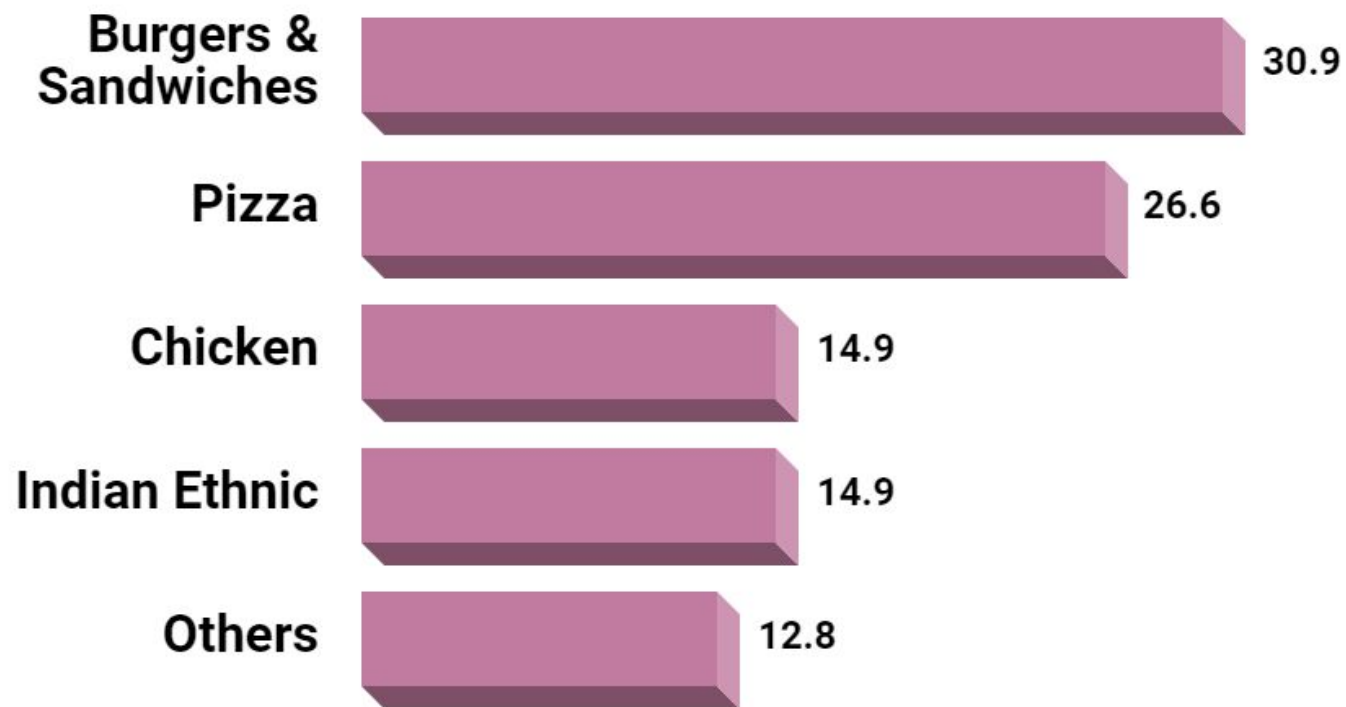
Market Share by outlet count (%)



Market Share by Revenue (%)



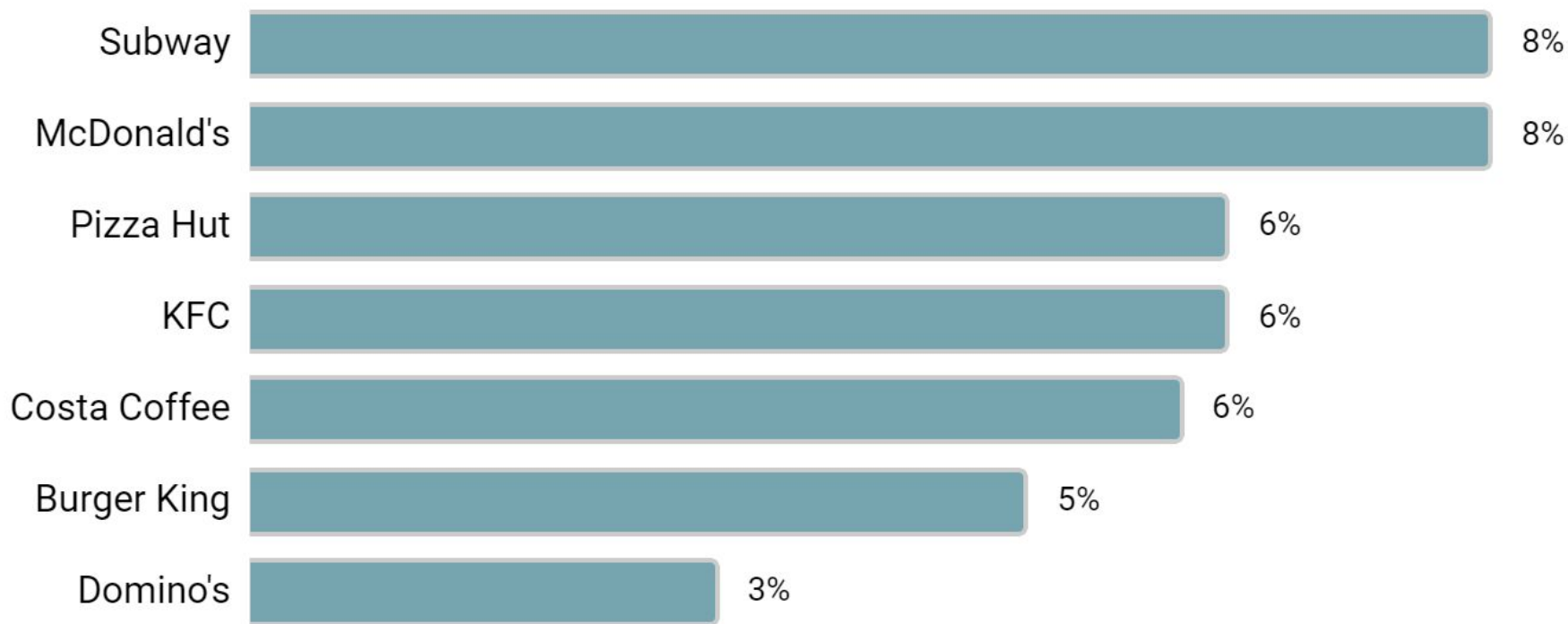
Market Share (%) by cuisines



Major store level costs

- Employee costs
- Lease rentals
- Ad spends
- Royalty

Long term royalty rate



Sourcing of raw materials and supply chain management

- Most of the brand owners have a fix tie up with the raw material providers
- Some owners like Burger King gives flexibility to the master franchisee to pick up their own partners and build the supply chain afresh

- Burger King partners:

Patties & Fries - HyFun Foods

Breads - Mrs Bectors

Distribution - ColdEx

Beverages - Pepsico

Sauces - Veeba

Cheese - Dynamix

Chicken - Venky's

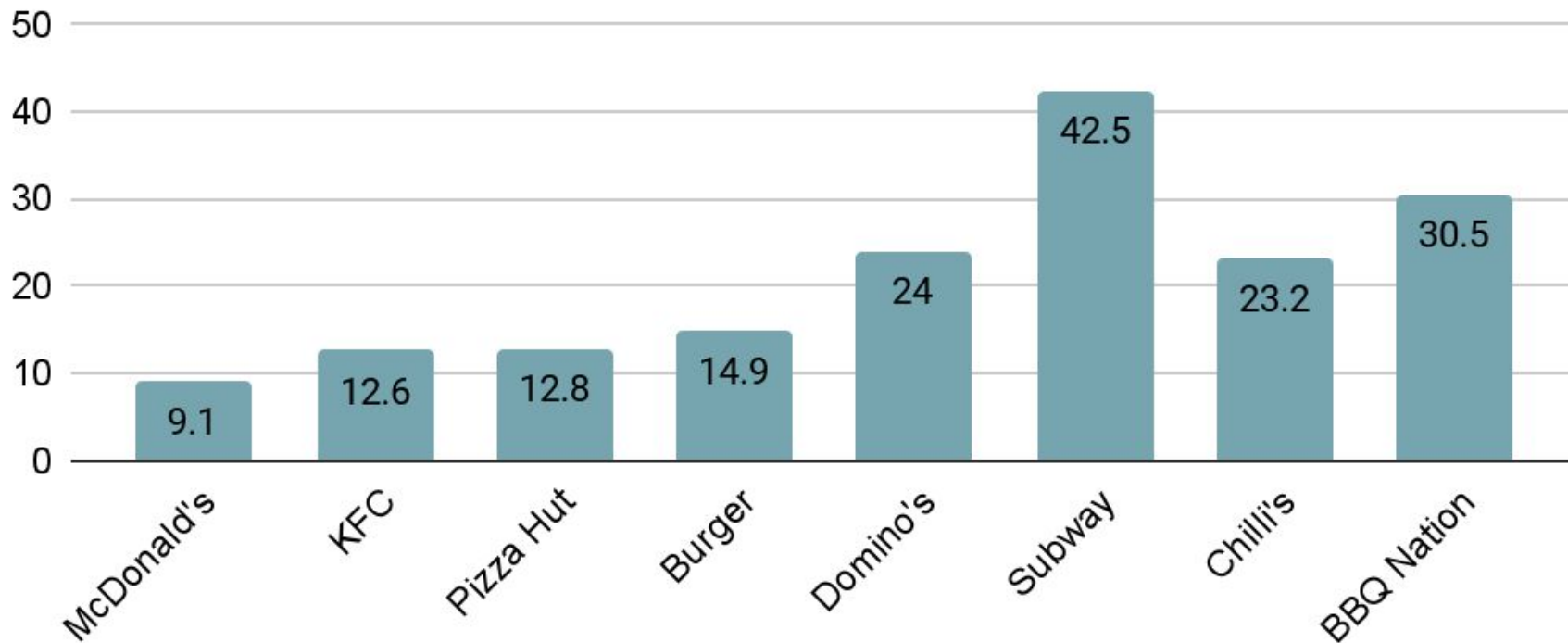
Per store economics

	Domino's	McDonald's	KFC	Subway	Burger King	Pizza Hut	Chilli's	BBQ Nation
Annual Sales/Day (INR)	77,500	125,000	125,000	32,500	115,000	75,000	145,000	155,000
Annual Sales Per Store (INR Mn)	28	45	45	12	41	27	52	56
Gross Margin (%)	77	65	65	67	65	75	70	65
Gross Margin (INR mn/Store)	21	29	29	8	27	20	37	36
Store EBITDA Margin (%)	22	14	15	21	13	18	20	20
EBITDA (INR mn/Store)	6	6	7	2	5	5	10	11
EBIT (INR mn/store)	5	4	4	2	4	3	8	9
Capex(INR mn/store)	20	40	35	5	25	25	35	30

Source: Technopak

Comparison of key metrics

Store level ROCE (%)

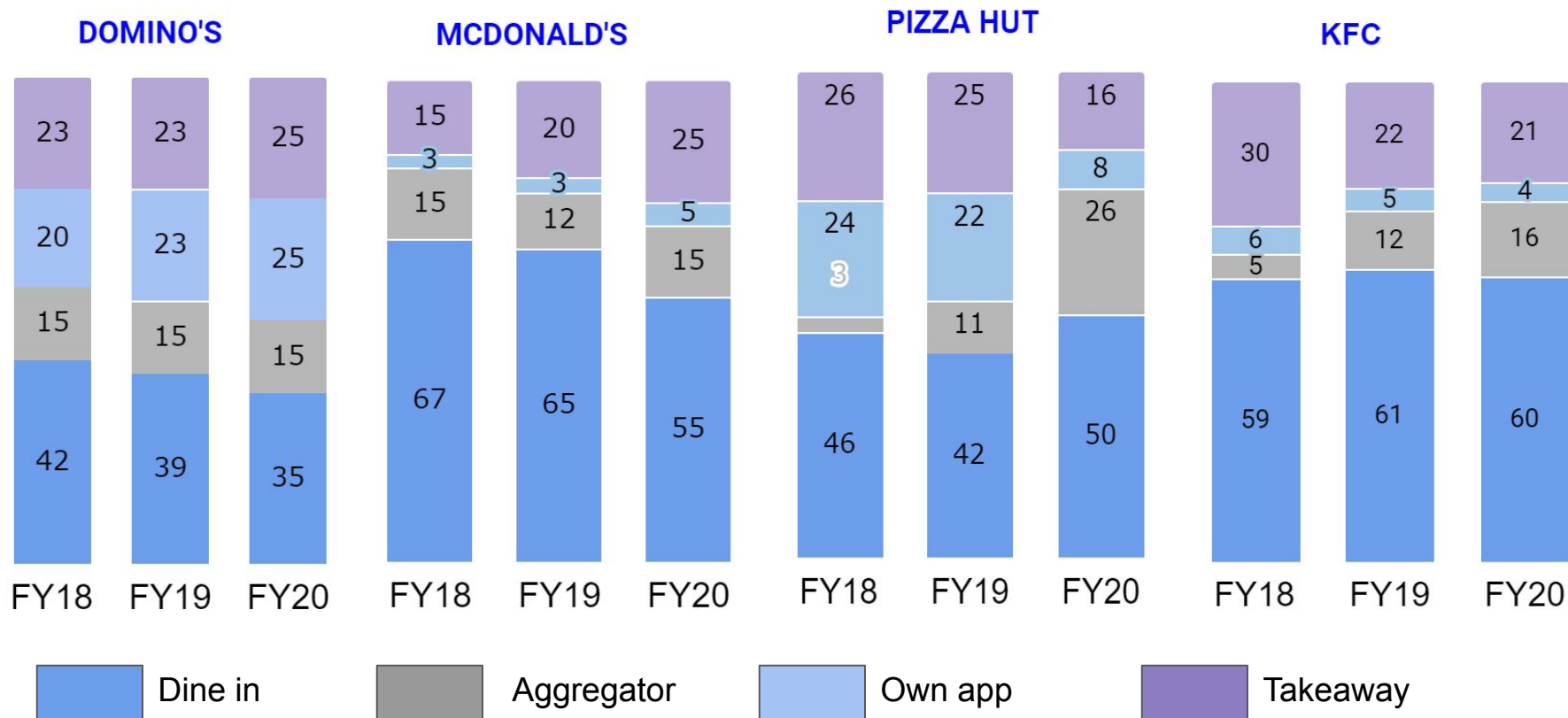


Operating leverage kickers

Adding complementary products (eg McCafe)

- McDonalds offers 45 hot and cold beverages through McCafe's
- Capex of just Rs 25-30 lakhs per store
- Helps in increasing volume and SSSG
- Price points are upwards of Rs 100, hence improves realisations and average order value
- Gross margins on beverages are 75-80% - margin accretive
- Between meals consumption - improves capacity utilisation

Convenience channels



Domino's US - A technology company selling Pizza's

Cloud Kitchens

- Helps in exploring different brands and cuisines
- Delivery only business
- Flexibility to be an all meal business
- No location boundaries
- Savings in employee cost - supervision etc
- Restaurant as a service (eg. Wendy's - Rebel Foods)

Food aggregator platforms

- Critical to create awareness
- Simplicity and usage
- Customer acquisition platform
- Eg. Swiggy operates 30 kitchens to fill in the gaps in cuisines
- Providing Cloud kitchen infrastructure through Swiggy access to help brands scale up rapidly

Key competitive advantages

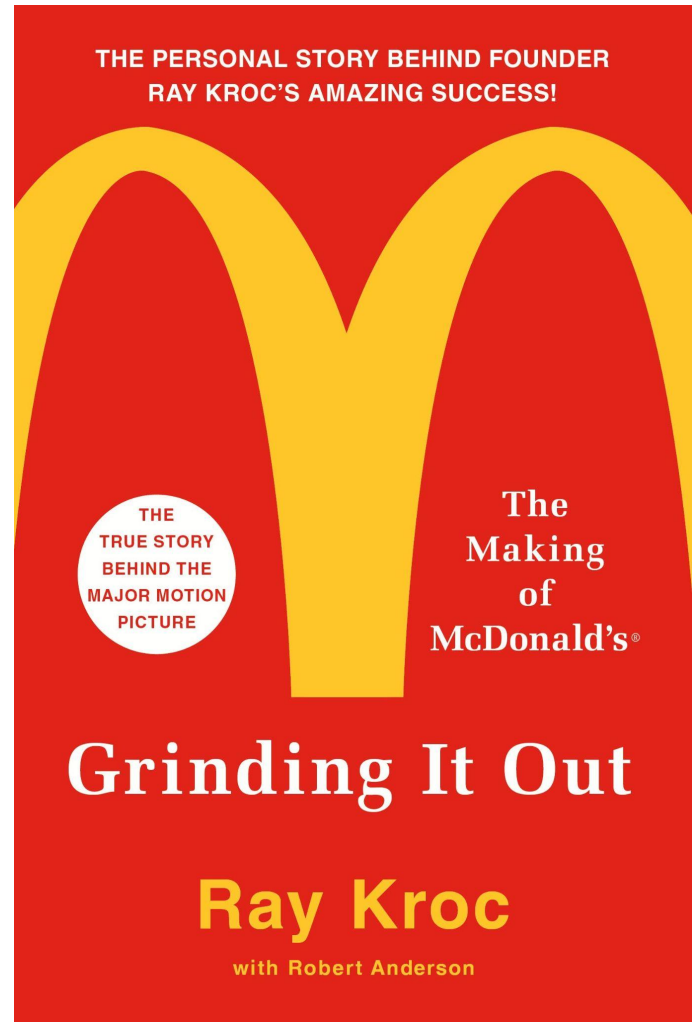
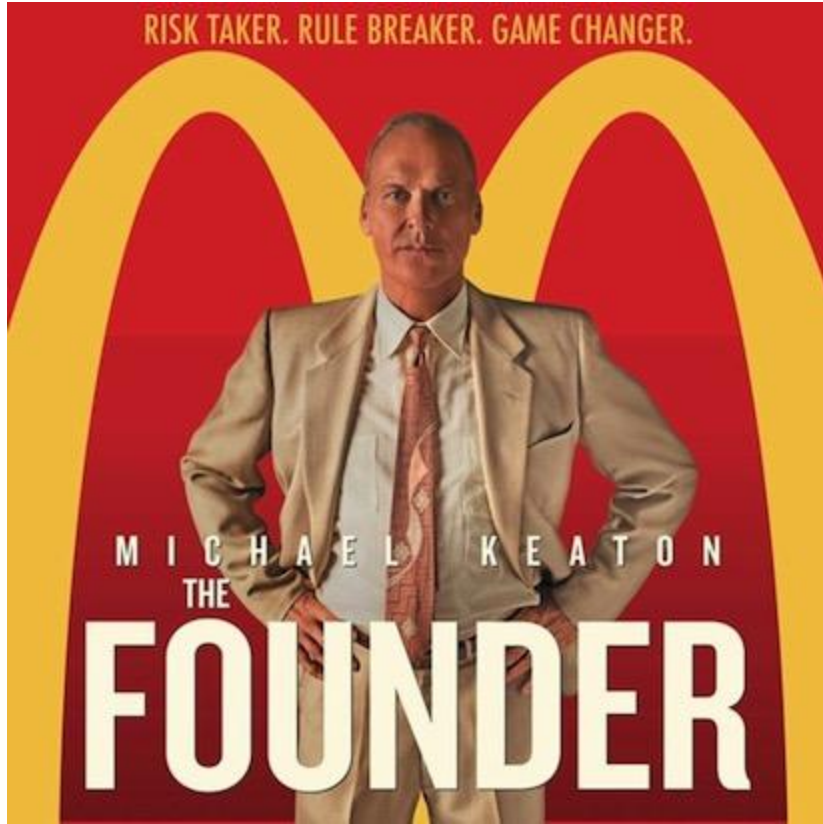
- Cultural relevance and adaptability
- Menu relevance and innovation
- Unit economics
- Supply chain
- Operating leverage

Employee training (Eg McDonalds)

- Hamburger university instructs high potential restaurant managers, mid-managers and owner-operators in restaurant management
- More than 5,000 students attend the university every year
- Till now about 2,75,000 students have graduated with a degree of Hamburgerology
- It has nine campuses around the world - Chicago, Tokyo, Sydney, Munich, Sao Paulo, Shanghai and Moscow

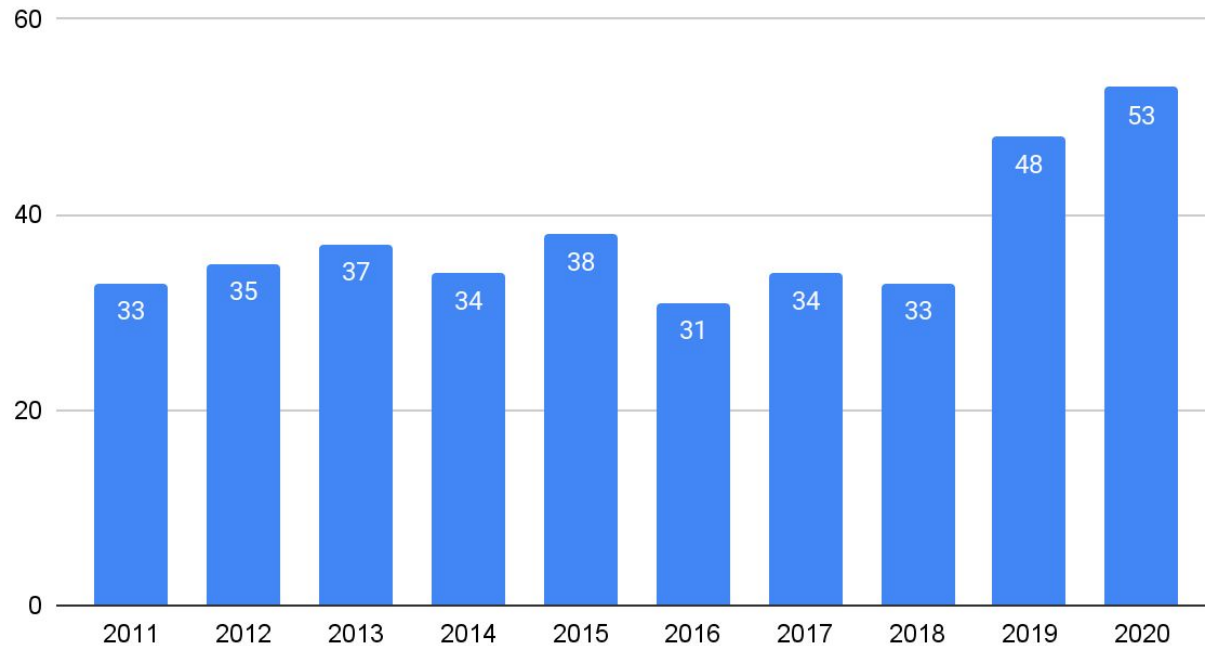
Business model of Brand owners

- Majority of their sales is from providing supply chain requirements to the franchise owners
- Some legacy stores are still operated by brand owners
- Most of the time and expertise is spent on marketing, branding, menu innovation and helping the franchise owners with the technical expertise, training and raw materials



McDonalds - a real estate company

Total assets in USD Bn



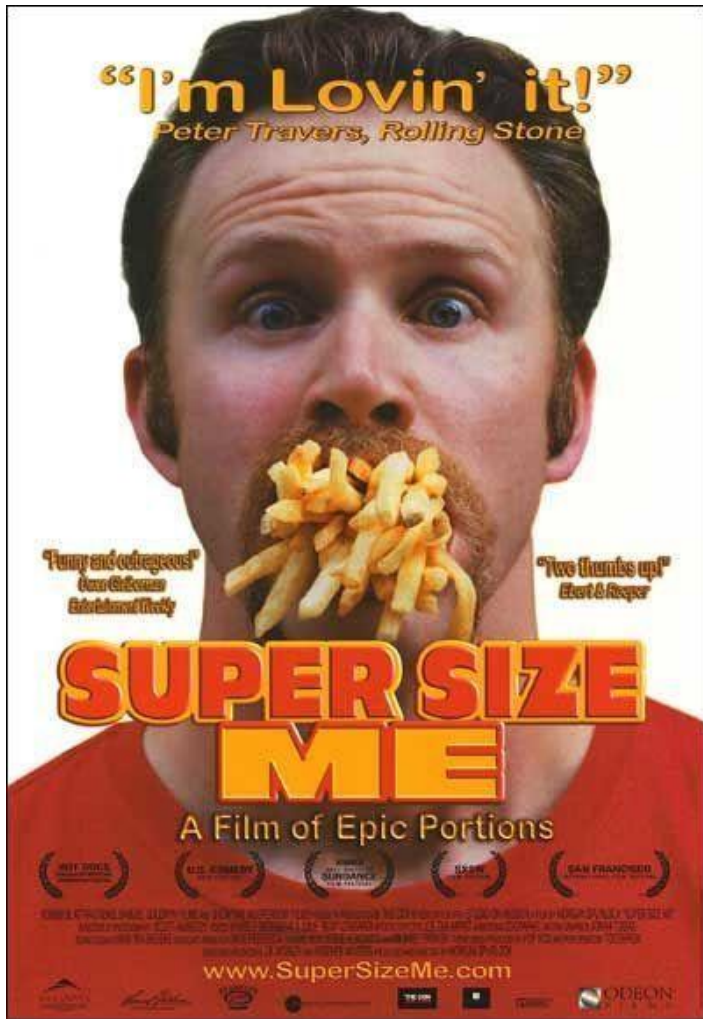
Listed players increasing in India

- Jubilant Foodworks
- Westlife Development
- Devyani International
- Burger King India
- Sapphire Foods
- Barbeque Nation

Valuations

	Jubilant	Devyani	Westlife	Burger King	Barbeque Nation	Domino's	McDonalds
EV/Sales	10.1	16	8	7.4	8.5	4.46	9.55
EV/EBITDA	43.2	80.1	168.5	-45.9	92.6	30.05	18.88
P/E	149.1	NA	NA	NA	NA	29.31	23.72

Based on FY21/CY21 numbers



Sources used

- Technopak Industry report
- Burger King, Devyani and Sapphire Foods DRHP
- Annual Reports
- Investor Presentations
- Management interviews

A word cloud shaped like the continent of Africa, composed of various question words in different colors and sizes. The words are: WHO?, WHERE?, WHAT?, HOW?, WHY?, WHEN?, WHICH?, and WHOSE?. The largest word is 'WHAT?' in the center. Other prominent words include 'HOW?' on the right side and 'WHERE?' at the top. The words are arranged to fill the outline of the continent.

A word cloud shaped like the continent of South America, composed of various question words in different colors and sizes. The words are: WHO?, WHERE?, WHAT?, HOW?, WHY?, WHEN?, WHICH?, and WHOSE?. The largest word is 'HOW?' at the bottom. Other prominent words include 'WHERE?' at the top and 'WHAT?' on the left side. The words are arranged to fill the outline of the continent.