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## Burger King Research Report

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### About the company:

- As the name itself suggests, Burger King is a specialized ‘Burger’ fast food franchise. Burger King India is a fast-food franchise operating in various parts of India. It is one of the fastest growing international QSR chains in India during the first five years of our operations based on number of restaurants.
- The globally recognised Burger King brand, also known as the “**HOME OF THE WHOPPER®**”, was founded in 1954 in the United States and is owned by Burger King Corporation, a subsidiary of Restaurant Brands International Inc., which holds a portfolio of fast food brands that are recognized around the world that include the BURGER KING®, POPEYES® and TIM HORTONS® brands.
- The Burger King brand is the second largest fast food burger brand globally as measured by the total number of restaurants, with a global network of over 18,000 restaurants in more than 100 countries and U.S. territories as at June 30, 2019.

- It has started operation in India with first restaurant opened up in November 2014, with the aim of growing quickly, consistently and efficiently into a pan-India QSR chain and capitalising on the growing market opportunity in India for QSR restaurants. As at June 30, 2019, they have 202 restaurants, including seven Sub-Franchised Burger King Restaurants, across 16 states and union territories and 47 cities across India.

### **Restaurant Growth Since Inception**

<b>Restaurants</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>30 June'19</b>
<b>Company Owned</b>	12	48	85	121	181	195
<b>Sub-Franchised</b>	0	1	3	6	6	7

- The company is planning to do an IPO for INR 400 Crores to expand its operations by opening new stores and increase its brand awareness.

### **Management Team**

- **Sumit P. Zaveri**, the Chief Financial Officer, who was associated with Natures Basket Limited; Srinivas Adapa, our Marketing Officer, who was associated with Kellogg India Private Limited.
- **Abhishek Gupta**, Chief of Business Development and Operations Support Officer, who was associated with Tata Starbucks Limited.
- **Namrata Tiwari**, Chief People Officer, who was associated with Kaya Limited.

- Sandeep Dey, Supply Chain Officer, who was associated with Yum! Restaurants (India) Private Limited.
- Dr. Sudhir Tamne, NPD, Quality and Regulatory Officer, who was associated with Yum! Restaurants (India) Private Limited;

### **Factors contributing to growth:**

- Change in consumption preferences from traditional foods to western fast foods, primarily in the millennial population. According to the study by Tecnopak, approximately 60% of Indian eating out are millennials, which represent the age group from 15 to 34 years old. India has a large number of millennials, and the millennial population in India has grown from 418 million in Fiscal Year 2011 to 444 million in Fiscal Year 2019. This represents a huge growth opportunity.
- Urbanisation, connectivity and mobility together shifted people to prefer fast food restaurants, further the atmosphere of these restaurants are conducive to casual ‘hangouts’, and for conducting meetings, amongst other activities.
- Technological advancements with apps like Uber Eats, Swiggy are contributing to the increasing sales of these companies.

### **Promoters**

‘QSR Asia’ owns ‘Burger King India’ and its franchise rights. Everstone Capital owns the holding company, QSR Asia. The promoter owns around 99.39% of the shares.

### **Growth Plans:**

Burger King India is obligated to open and operate at least ‘700’ restaurants by 2025, pursuant to the ‘Master Franchise and Development Agreement’. The

company itself should own 60% of the total restaurants. With the net proceeds from the IPO, the company plans to use 75% to opening new stores.

### **Financials:**

**Revenue:** The Company has increased its revenues from INR 140 crores in FY 15-16 to INR 644 crores in FY 18-19. A stellar CAGR of 46% for the past 5 years. The company has doubled its revenue in the past two years!

**Net Profit (Loss):** The company is still in the ‘investment’ and ‘expansion’ phase. The company is still making losses because of advertising expenses, increasing brand awareness and opening up of new stores. EBITDA for the year FY 2018-19 is INR 80 crores. Nevertheless, the company has turned positive in ‘Net operating Cash Flow’ in the FY 18-19.

### **Gross Margins:**

One of the indicators of the robustness in profitability is the gross margins. Gross Margin averaging 60% for the past 4 years.



### **Peer Comparison**

Quick Service Restaurants like Dominos (Jubilant Food Works), KFC, McDonald’s, Pizza Hut and Burger King are getting busier than ever. The ‘Restaurant and Food services’ industry is expected to grow at 10.4% CAGR for the next 5 years. Specifically, QSR is set to grow at an even higher rate due to its rapid investments and millennials affinity to QSRs compared to others.

## # Number of Restaurants:

- Burger King: 202
- KFC: 400
- McDonalds:770
- Dominos: 1250
- Subway:660

Mature players like Dominos (Jubilant FoodWorks) demonstrated that with good strategies for expansion in place, QSRs can be very profitable with high Returns on Invested Capital (ROIC)! The average ROIC for the last 10 years for Dominos is nearly 26%. That is remarkable.

If Burger King follows a proper strategy and achieve close to the returns achieved by Dominos, Burger King would definitely be successful.

## Peer comparison in terms of Financial performance in the last 3 years.

Company	Revenue(cr)			EBITDA(Cr)			PAT(cr)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Burger King	234	388	644	0.4	18.8	90.5	-71	-82	-38.2
Jubilant Food(Dominos)	2586	3042	3609	241	440	599	57	196	319
West-Life Foods( Macdonalds)	950	1152	1417	46	77	120	-12	12.86	40.3

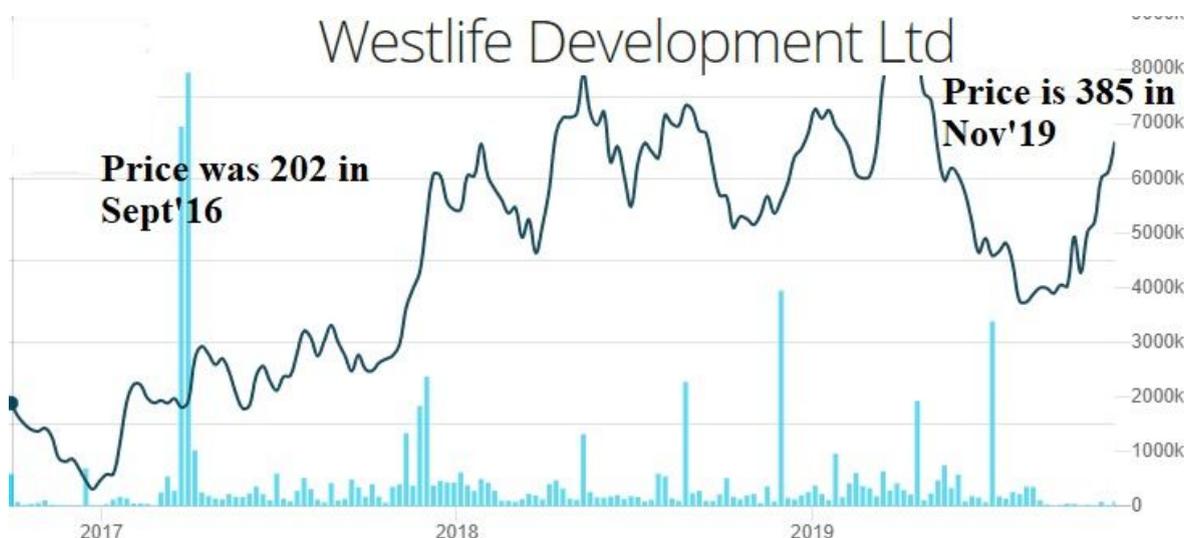
## Valuation Matrix

Company	Valuation		
	P/E	Mcap	Mcap/Revenue
Burger King	NA	NA	NA
Jubilant Food(Dominos)	66	21226	5.88
West-Life Foods( Macdonalds)	148	6023	4.25

## Returns by Peers in the last 4 years.



**The Jubilant foods has given more than 5x return after including a 1:1 bonus share in the last 4 years.**



**The Westlife Development Limited has given 2x return in the last 4 years.**

**We can conclude that despite broader flow shop by market in the last 2-3 years, both Quick Restaurant Service (QSR) has given excellent returns.**

With the ambitious growth plans Burger King India has, and the increasing popularity of fast food restaurants with a brand value like that of 'Burger King', it is set to benefit phenomenally and can be a multibagger.

**Disclaimer:** This research report is prepared for the purpose of education only and not to be construed as an investment advice.