Full year results presentation

52 Weeks to 31 December 2017
Continued good progress on strategic initiatives

• Proposition enhancements in Frankie & Benny’s are improving volume momentum

• Good progress across other Leisure brands

• Pubs business continues to outperform the market and pipeline of new opportunities further strengthened

• Concessions business expanding into new infrastructure hubs, and with relevant new brands

• Cost reduction programme of £10m delivered ahead of plan, enabling reinvestment in Leisure business

• Enhanced senior leadership team in place
Progressively improving volume momentum in our Leisure business

Leisure business

YoY, 6 month moving average
Financial review
## Financial highlights

<table>
<thead>
<tr>
<th></th>
<th>2017 FY 52 weeks £m</th>
<th>2016 FY 53 weeks £m</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>679.3</td>
<td>710.7</td>
<td>(4.4%)</td>
</tr>
<tr>
<td>Like-for-like %</td>
<td></td>
<td></td>
<td>(3.0%)</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>95.1</td>
<td>121.0</td>
<td>(21.4%)</td>
</tr>
<tr>
<td>EBITDA margin %*</td>
<td>14.0%</td>
<td>17.0%</td>
<td></td>
</tr>
<tr>
<td>EBIT / Operating profit*</td>
<td>58.6</td>
<td>79.2</td>
<td>(26.0%)</td>
</tr>
<tr>
<td>Operating margin %*</td>
<td>8.6%</td>
<td>11.1%</td>
<td></td>
</tr>
<tr>
<td>PBT*</td>
<td>56.7</td>
<td>77.1</td>
<td>(26.4%)</td>
</tr>
<tr>
<td>Earnings per share*</td>
<td>22.3p</td>
<td>30.0p</td>
<td>(25.7%)</td>
</tr>
</tbody>
</table>

* Adjusted (pre-exceptional charge)

Total sales decrease on a 52 week basis is (1.8%)
## Exceptional charges FY 2017

<table>
<thead>
<tr>
<th></th>
<th>Onerous lease provisions £m</th>
<th>Impairment of property, plant &amp; equipment £m</th>
<th>Restructuring costs £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed sites</td>
<td>(2.7)</td>
<td>0.4</td>
<td>-</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Distressed/closure sites</td>
<td>6.9</td>
<td>3.8</td>
<td>-</td>
<td>10.7</td>
</tr>
<tr>
<td>Restructuring</td>
<td>-</td>
<td>-</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>2017 Exceptional charge</strong></td>
<td><strong>4.2</strong></td>
<td><strong>4.2</strong></td>
<td><strong>4.8</strong></td>
<td><strong>13.2</strong></td>
</tr>
</tbody>
</table>

- Successfully exited 21 out of 41 closed sites in FY2017
- Restructuring costs in line with expectations
- Additional onerous lease and impairment provision due to specific trading in certain locations
Cost headwinds expected FY 2018

<table>
<thead>
<tr>
<th>Cost Headwind</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>NLW / NMW / Apprentice levy/Auto-enrolment</td>
<td>4-5</td>
</tr>
<tr>
<td>Rent and rates</td>
<td>4-5</td>
</tr>
<tr>
<td>Purchase cost inflation</td>
<td>4-5</td>
</tr>
<tr>
<td>Sugar tax</td>
<td>1</td>
</tr>
<tr>
<td>Utilities</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16-19</strong></td>
</tr>
</tbody>
</table>

- Continue to focus on cost efficiencies and expect to mitigate c.50% of 2018 cost increases via:
  - Continuing to leverage purchasing scale
  - Improved labour scheduling and deployment
  - Overhead savings
Capital expenditure and development

- Maintenance capital expenditure decreased year-on-year due to:
  - £7m bars to covers conversion programme in 2016
  - Re-phasing of major refurbishment projects into 2018
- Openings in 2018 will be between 16 to 20, and will predominantly be within Pubs and Concessions
- 2018 development capital expenditure – £24m to £30m
- 2018 refurbishment and maintenance capital expenditure – £20m to £25m

### Capital Expenditure

<table>
<thead>
<tr>
<th></th>
<th>2017 FY £m</th>
<th>2016 FY £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development expenditure</td>
<td>18.4</td>
<td>28.8</td>
</tr>
<tr>
<td>Refurbishment and maintenance expenditure</td>
<td>10.2</td>
<td>23.6</td>
</tr>
<tr>
<td>Technology investment</td>
<td>4.7</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Total fixed asset additions</strong></td>
<td><strong>33.3</strong></td>
<td><strong>55.0</strong></td>
</tr>
<tr>
<td>Number of new units</td>
<td>17</td>
<td>24</td>
</tr>
</tbody>
</table>
## Cash flow

<table>
<thead>
<tr>
<th></th>
<th>2017 FY £m</th>
<th>2016 FY £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted operating profit</strong></td>
<td>58.6</td>
<td>79.2</td>
</tr>
<tr>
<td>Working capital and non-cash adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>36.5</td>
<td>41.8</td>
</tr>
<tr>
<td><strong>Cash inflow from operations</strong></td>
<td>107.6</td>
<td>122.1</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(0.7)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(7.1)</td>
<td>(16.2)</td>
</tr>
<tr>
<td>Maintenance capital expenditure</td>
<td>(14.9)</td>
<td>(26.2)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>84.9</td>
<td>78.9</td>
</tr>
<tr>
<td>Development capital expenditure</td>
<td>(18.4)</td>
<td>(28.8)</td>
</tr>
<tr>
<td>Movement in capital creditor</td>
<td>(5.9)</td>
<td>(10.3)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(34.9)</td>
<td>(34.9)</td>
</tr>
<tr>
<td>Utilisation of onerous lease provisions</td>
<td>(12.7)</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Exceptional restructuring costs</td>
<td>(6.8)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Other items</td>
<td>0.5</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Cash inflow</strong></td>
<td>6.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Net bank debt at start of year</td>
<td>(28.3)</td>
<td>(28.4)</td>
</tr>
<tr>
<td><strong>Net bank debt at end of year</strong></td>
<td>(21.6)</td>
<td>(28.3)</td>
</tr>
</tbody>
</table>

* Adjusted (pre-exceptional charge)
Balance sheet and key ratios

**Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017 £m</th>
<th>As at 1 January 2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets</td>
<td>201.9</td>
<td>201.6</td>
</tr>
<tr>
<td>Net bank debt</td>
<td>(21.6)</td>
<td>(28.3)</td>
</tr>
</tbody>
</table>

- Revolving £140m credit facility committed to June 2020
- EBITDA interest cover (12 months): 66x (2016: 60x), covenant >4x
- Net debt to EBITDA (12 months): 0.2x (2016: 0.2x), covenant <3x
- Fixed charge cover (12 months): 2.1x (2016: 2.4x)

**Dividend**

<table>
<thead>
<tr>
<th></th>
<th>2017 FY</th>
<th>2016 FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full year dividend</td>
<td>17.4p</td>
<td>17.4p</td>
</tr>
</tbody>
</table>

- Full year dividend maintained reflecting the Board’s continued confidence in delivery of the plan
Business review
Our plan

1. Re-establish competitiveness of our Leisure brands
2. Serve customers better and more efficiently
3. Grow our Pubs and Concessions businesses
4. Build a leaner, faster and more focused organisation
Re-establishing competitiveness of Frankie & Benny’s

**Restored value credentials**

- Significant investment in core menu price:
  - Mains entry prices reduced by 26%
  - LFL mains prices reduced by 7%
- Re-introduced £9.95 two-course value menu, lowest price for six years
- Strengthened partnerships with value affiliates
- Intensified promotional activity

**Deepened the distinctiveness of offer**

- Upgraded menus to amplify appeal to core family audience
- Improved ingredients quality
- Introduced popular new dishes
- 10 sites piloted for restaurant ‘capital refresh’

**Marketing to attract back lapsed customers**

- Launched refreshed brand look and feel
- Upgraded website and app
- Improved digital listings
- Integrated online / offline media campaigns
Customers are recognising improvements

NPS*  
2016 FY 2017 FY  
Source: MCA

Value for Money*  
2016 FY 2017 FY  
Source: MCA

Kids’ menu  
(Rating Q4 2017)  
Source: Morar/BrandVue

Revisit intention scores  
(Change 2017 vs 2016)  
Source: MCA

*MCA independent results; rolling 12 months rating
Volume momentum is progressively improving

Frankie & Benny’s LFL covers
YoY, 6 month moving average

- Improved volume momentum
- Brand is taking volume share:
  - Coffer Peach restaurants LFL –0.5% Aug 17 – Jan 18
  - 3.5% average LFL price increases over last six months by top casual dining brands
Re-establishing competitiveness of other Leisure brands

- Continued improved trading momentum via discounting
- ‘Firejacks’ new concept site trading well

- New menu rolled out across the estate in January 2018:
  - Better value
  - Improved accessibility
  - Greater customisation options
- Retrained service standards
- Strengthened operations leadership team
Serving customers better and more efficiently

- **Continued optimisation of labour management:**
  - Deployment of labour scheduling tool
  - More flexible working practices
  - 7% reduction in labour cost per cover in the Leisure business*

- **New service standards rolled out across Leisure business**

- **Increased focus on convenience solutions for customers:**
  - Increased penetration with Deliveroo
  - Trials underway with UberEats and Just Eat
  - Trialling new ‘virtual’ delivery brand
  - Click and collect functionality successfully trialled and rolling out in Q2 to Leisure business
  - Pay with app functionality, facilitating faster payment, rolling out by end of Q1
  - Integrated to OpenTable as a booking partner

* Year-on-year (H2 17 vs H2 16)
## Leisure brands: next steps

### Proposition
- New Frankie & Benny’s menu:
  - Improved healthy range
  - Extended vegetarian and vegan options
  - Innovative desserts
  - Optimised pricing
- Further delivery rollout

### Marketing
- New CRM platform enabling targeted customer contact
- Upgraded social media activity
- Extended affiliate partnerships
- Introduction of limited time offers

### Operational effectiveness
- Investment in more granular customer feedback tools
- Further optimisation of service standards

### Capital investment
- Optimisation and potential further investment in Frankie & Benny’s site refreshes
- Conversions of more Coast to Coasts to Firejacks
Growing our Pubs business

- **Leading performer in the market:**
  - 61 high quality premium food-led pub restaurants
  - Differentiated proposition

- **Attractive economics:**
  - Recent openings (2013-2016) consistently generate >20% EBITDA returns*
  - Freehold asset backed in excess of £80m

- **Further opportunities to grow LFL sales:**
  - Improved price architecture
  - Exploiting breakfast and afternoon tea
  - Improved bookings optimisation driving more volume

- **Growing our pipeline of new openings:**
  - Accelerated expansion programme
  - Extending geographic footprint
  - First foray into rooms

*EBITDA returns based on leasehold ownership at 7% yield*
Growing our Concessions business

• 57 units

• Attractive market dynamics:
  – Air passenger growth 6% CAGR over the last four years
  – Airports increasingly investing in terminals, capacity and offer quality

• Grow LFL sales:
  – Underlying trading continues to be strong
  – Improved passenger throughput with use of technology
  – Optimising use of existing space
  – Continuous menu optimisation

• Growing our business:
  – Entry into new airport and transport hubs
  – Accelerated brand portfolio development
  – Expect to open c.10 new concession sites in FY18
Build a leaner, faster and more focused organisation

• **£10m savings in 2017:**
  – Restructured central head office roles and streamlined field operations structure
  – Centralised purchasing to leverage Group scale through rationalisation of suppliers
  – Reduced overheads including improved energy management and supplier pricing

• **Strengthened team now in place:**
  – Balance of hospitality and other consumer sector experience
  – Improved analytical and customer insight capability across the organisation

• **Future initiatives:**
  – Ongoing efficiencies identified in overhead costs through continuing consolidation of suppliers
  – Further labour efficiency expected through improving labour deployment
  – Transition to new logistics partner in 2019 to maximise supply chain opportunities, including waste and recycling
Summary

- Leisure improvements are progressing on track
- Customers are responding to our changes
- Pubs and Concessions growth accelerating to plan
- Fundamentally leaner and more focused business in 2018
- Current trading broadly in line with our expectations
- Dividend maintained reflecting the Board’s continued confidence in delivery of the plan
Q&A