The **Restaurant Group plc**

Full year results presentation

52 Weeks to 30 December 2018
2018 FY highlights

- Acquisition of high quality business in Wagamama which has continued to outperform the sector
- Concessions business opened 21 new units and entered 4 new airports
- Pubs business increasingly outperformed the market and opened a record 21 pubs
- Leisure business improved like-for-like sales momentum in every quarter in 2018
- Group delivered like-for-like sales growth since the World Cup
A diversified business aligned to structural growth trends

Wagamama
- UK leader in pan-Asian cuisine
- Significant and consistent outperformance in core UK market
- Well aligned to key structural trends; speed, convenience, delivery and healthy options

Concessions
- Market leader in UK airports
- Strong brand and operational capabilities create high barriers to entry
- Consistent track record of growth and site renewals

Pubs
- Market leading premium food-led pub restaurants
- Attractive market dynamics
- Healthy pipeline of new openings
- Freehold asset base in excess of £90m

Leisure
- Casual dining restaurants spanning the UK across multiple brands
- Optimising performance but exposed to structural headwinds
- Capitalising on “off-trade” opportunities

- 141 sites / 58 franchised
- 71 sites
- 82 sites
- 367 sites

70% Outlet EBITDA*
30% Outlet EBITDA*

*FY 2018 (Jan-Dec) Pro-forma outlet EBITDA
Financial review
## Financial summary

<table>
<thead>
<tr>
<th></th>
<th>2018 FY 52 weeks £m</th>
<th>2017 FY 52 weeks £m</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>686.0</td>
<td>679.3</td>
<td>+1.0%</td>
</tr>
<tr>
<td><strong>Like-for-like</strong></td>
<td></td>
<td></td>
<td>(2.0%)</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>87.9</td>
<td>95.8</td>
<td>(8.3%)</td>
</tr>
<tr>
<td>EBITDA margin*</td>
<td>12.8%</td>
<td>14.1%</td>
<td></td>
</tr>
<tr>
<td>EBIT / Operating profit*</td>
<td>55.4</td>
<td>59.5</td>
<td>(6.9%)</td>
</tr>
<tr>
<td>Operating margin*</td>
<td>8.1%</td>
<td>8.8%</td>
<td></td>
</tr>
<tr>
<td>PBT*</td>
<td>53.2</td>
<td>57.8</td>
<td>(8.1%)</td>
</tr>
<tr>
<td>Earnings per share*</td>
<td>14.7p</td>
<td>16.7p</td>
<td>(11.9%)</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>8.27p</td>
<td>17.4p</td>
<td></td>
</tr>
</tbody>
</table>

* Adjusted (pre-exceptional charge)

Note: Earnings per share adjusted for bonus element following the rights issue in both financial years
Exceptional charges FY 2018

<table>
<thead>
<tr>
<th></th>
<th>Onerous lease provisions</th>
<th>Impairment of property, plant &amp; equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exited sites</td>
<td>(5.2)</td>
<td>-</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Distressed/closure sites</td>
<td>15.2</td>
<td>14.0</td>
<td>29.2</td>
</tr>
<tr>
<td>Acquisition and refinancing</td>
<td>-</td>
<td>-</td>
<td>15.2</td>
</tr>
<tr>
<td>2018 Exceptional charge</td>
<td>10.0</td>
<td>14.0</td>
<td>39.2</td>
</tr>
</tbody>
</table>

- Successfully exited 34 out of the original 41 closure sites (closed in 2016 and 2017) at lower than expected onerous lease cost
- Following disciplined management reviews during 2018, 18 leisure sites in total have closed or are marked for closure
- £2.3m impairment due to trading conditions in specific locations; £11.7m impairment following changes to accounting policy
Group cost headwinds expected FY 2019

- Mitigating c.40% of 2019 cost increases (excluding synergies):
  - Continued focus on labour scheduling and optimising deployment
  - Continuing to leverage our purchasing scale across the wider group
  - Further site-level overhead savings identified
  - Ongoing negotiations with landlords on rent reviews and appeals with local councils on business rates
### Acquisitions and capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>2018 FY £m</th>
<th>2017 FY £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development expenditure</td>
<td>33.0</td>
<td>18.4</td>
</tr>
<tr>
<td>Acquisitions of Ribble Valley and Food &amp; Fuel</td>
<td>15.2</td>
<td>-</td>
</tr>
<tr>
<td>Refurbishment and maintenance expenditure</td>
<td>20.3</td>
<td>14.9</td>
</tr>
<tr>
<td><strong>Total capital expenditure (excluding Wagamama)</strong></td>
<td><strong>68.5</strong></td>
<td><strong>33.3</strong></td>
</tr>
<tr>
<td>Number of new units (excluding Wagamama)</td>
<td>43</td>
<td>17</td>
</tr>
<tr>
<td>Acquisition of Wagamama</td>
<td>349.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total capital expenditure (including Wagamama)</strong></td>
<td><strong>417.5</strong></td>
<td><strong>33.3</strong></td>
</tr>
<tr>
<td>Number of new units (including Wagamama)</td>
<td>183</td>
<td>17</td>
</tr>
</tbody>
</table>

- Core development expenditure in FY18 primarily relates to 21 new Concessions sites and 6 single site Pub acquisitions
- The acquisitions of “Ribble Valley Inns Ltd” and “Food & Fuel Ltd” added 15 pubs to our portfolio
- Refurbishment and maintenance expenditure increased in FY18 due to Frankie and Benny's capital refreshes and Firejacks conversions
Cash flow

<table>
<thead>
<tr>
<th></th>
<th>2018 FY £m</th>
<th>2017 FY £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating profit*</td>
<td>55.4</td>
<td>59.5</td>
</tr>
<tr>
<td>Working capital and non-cash adjustments</td>
<td>0.4</td>
<td>12.0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>32.5</td>
<td>36.3</td>
</tr>
<tr>
<td><strong>Cash inflow from operations</strong></td>
<td><strong>88.3</strong></td>
<td><strong>107.8</strong></td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(1.0)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(7.4)</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Refurbishment and maintenance expenditure</td>
<td>(20.3)</td>
<td>(14.9)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>59.6</strong></td>
<td><strong>85.1</strong></td>
</tr>
<tr>
<td>Development expenditure</td>
<td>(33.0)</td>
<td>(18.4)</td>
</tr>
<tr>
<td>Acquisitions of Ribble Valley Inns and Food &amp; Fuel net of cash acquired</td>
<td>(14.8)</td>
<td>-</td>
</tr>
<tr>
<td>Movement in capital creditor</td>
<td>5.8</td>
<td>(5.9)</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>(11.2)</td>
<td>(12.7)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>-</td>
<td>(6.8)</td>
</tr>
<tr>
<td>Acquisition of Wagamama net of cash acquired</td>
<td>(310.1)</td>
<td>-</td>
</tr>
<tr>
<td>Debt acquired on acquisition of Wagamama</td>
<td>(225.0)</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition and refinancing exceptional costs</td>
<td>(10.1)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issue of share capital</td>
<td>305.8</td>
<td>-</td>
</tr>
<tr>
<td>Other items</td>
<td>(0.1)</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Cash inflow</strong></td>
<td><strong>268.0</strong></td>
<td>6.9</td>
</tr>
<tr>
<td>Net debt at start of period</td>
<td>(23.1)</td>
<td>(30.0)</td>
</tr>
<tr>
<td><strong>Net debt at end of period</strong></td>
<td><strong>(291.1)</strong></td>
<td><strong>(23.1)</strong></td>
</tr>
</tbody>
</table>

* Adjusted (pre-exceptional charge)

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**Capital structure**

- **£220m Group RCF facility:**
  - TRG £200m RCF until December 2021
  - Wagamama £20m RCF until December 2021

- **Wagamama bond:**
  - £225m bond nominal value
  - 4.125% coupon rate
  - Matures July 2022

- **Leverage:**
  - Pro-forma net debt / EBITDA is 2.2x
  - Anticipate net debt / EBITDA to be below 2.0x by December 2020
FY19 Guidance

• 2019 development capital expenditure – £55m to £60m
  – At least 7 new Pubs
  – Between 5 to 10 new Concessions sites in 2019, and initial expenditure on units in Manchester terminal redevelopment
  – At least 6 new Wagamama sites (3 UK, 1 airport, 2 US)
  – 8 Leisure site conversions to Wagamama
  – Roll-out of delivery kitchens and pilot of Wagamama Grab & Go concept

• 2019 refurbishment and maintenance capital expenditure – £30m to £35m
  – 6 transformational refurbishments of Wagamama UK sites
  – Several large-scale Concessions redevelopment projects

• Depreciation expected to be between £53m to £55m

• Interest guidance:
  – Debt interest expected to be between £14.5m to £15.5m
  – Provision interest expected to be between £1m to £1.5m
Business review
Our priorities

1. Deliver the benefits of the Wagamama acquisition

2. Grow our Concessions and Pubs businesses

3. Optimise our Leisure brands
Strengths of the Wagamama business

Aligned to key structural growth trends

Experience ratings vs market (% outperformance)

Strong high-performing culture

- High quality leadership team focused on continuing growth momentum
- Strong cohesive culture well maintained as business continues as a standalone entity
- Restaurant teams motivation levels remain high and churn remains low

Source: Morar/Brandvue, Q4 2018 customer experience ratings
Strong LFL sales momentum set to continue

UK LFL revenue growth outperformance

Drivers of 2019 LFL growth

Proposition refinement

- Development of drinks range to increase participation
- Investment in local marketing and events to drive greater awareness in non-users
- Further expansion of vegan range

Further delivery growth

- Increased delivery penetration across restaurants
- Technology integration to optimise delivery capacity within and between restaurants

Benefits from refurbishments

- 300 new covers to be created from 6 transformational refurbishments
- 40% return on capital from refurbishments generated historically
## Progressing well on multiple growth avenues

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
</table>
| **UK Casual Dining** | • 3 to 4 new openings  
                          • 8 site conversions  
                          • 6 transformational refurbishments                                     |
| **UK Concessions**   | • Won tender in Heathrow T3 - opens in H2 19  
                          • Secured site in planned redevelopment of Manchester Airport  
                          • Due to open in H1 20  
                          • Exploring variety of other airport opportunities                     |
| **Delivery**         | • Delivery kitchen successfully trialled  
                          • Delivery kitchen rollout in FY19                                       |
| **International**    | • 2 new US restaurants in FY19  
                          • Initiated a review of US strategic options                              |
| **Food to go formats** | • Grab & Go concept developed to capitalise on increased customer demand for convenience  
                          • Initial pilot planned for launch in H2 19                              |

*Note: All years (i.e. FY and HY1/H2) mentioned above relate to the calendar year January-December*
## Revenue and cost synergies

### Site conversions
- 8 conversions planned for this year
- Phased openings between August and November
- Expect >50% return on capital

### Cost synergies
- Cross-functional working groups collaborating across the business
- Continued confidence in delivering at least £15m of cost synergies in 2021
- Synergies to be achieved through leveraging scale and consolidating spend across the following cost categories:
  - Procurement and logistics
  - Site level overheads
  - Central costs

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*Virtual walk-through*

*Usage Instructions - iOS users with iOS 11 or later - simply open the camera app and point it at the code. Tap the notification that pops up to follow the link. Android and older iOS users will need to download a QR Code Reader from the app store on their device.*
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Growing our Concessions business

Current portfolio
- Operational across:
  - 64 sites within 16 UK Airports
  - 5 sites within 4 UK rail stations
  - 2 other sites
  - 5 grocery counter sites

Core business successfully grown
- Sales continue to outpace passenger growth
- 21 new openings in FY2018
- Expect to open 5 to 10 new Concessions in FY2019
- Secured a number of large sites for planned redevelopment at Manchester airport

High proportion of space retained
- 85% of sites have received a contract extension
- Average extension is now 90% of original lease term

New growth opportunities
- Developed 2 counter concepts with Sainsbury’s
- Building team to support international growth in airports
Growing our Pubs business

Menu evolution

Optimising existing space

% LFL sales outperformance vs Coffer Peach Tracker*

Estate expansion progressing well

- 21 new openings in 2018:
  - Refurbished Ribble Valley sites delivering sales uplift in excess of 30%
  - Food & Fuel sites trading in line with expectations
  - 6 single site B&P acquisitions trading well

- At least 7 openings anticipated for 2019

Source*: Coffer Peach Tracker pub restaurants (6 month moving average)
Our priorities

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3. Optimise our Leisure brands
Market Overview

Over capacity

- Branded restaurants:
  - Dec-13: 4,539
  - Dec-18: 5,780 (+27%)

Weakening demand

- 2013-2018 restaurant sales:
  - Total growth
  - Like for like growth

Structural shift

- Declining retail footfall
- Growth of delivery
- Customer shift towards health, speed and convenience

Cost pressures

- c.4% wage inflation
- Electricity prices at an 8 year high
- Rent and business rates structurally high against a declining market

Responses

- Focused on developing differentiated propositions
- Increasing proposition exposure to healthy and convenient options
- Capitalising on “off-trade” as a disrupter / structural growth driver
- Disciplined approach to lease renewals

Source: CGA/Alix Partners Market growth monitor
Source: Coffer Peach Tracker restaurants
Leisure estate portfolio overview

- **Location type**
  - Standalone: 36%
  - Retail only: 27%
  - Leisure only: 8%
  - Retail & Leisure combined: 29%

- **Distribution of profits**
  - % of Cumulative EBITDA vs % of Leisure estate
  - % of Cumulative EBITDA:
    - 0%: 0%
    - 10%: 20%
    - 20%: 40%
    - 30%: 60%
    - 40%: 80%
    - 50%: 100%
  - % of Leisure estate:
    - 0%: 5%
    - 10%: 6%
    - 20%: 7%
    - 30%: 8%
    - 40%: 9%
    - 50%: 8%
    - 60%: 6%
    - 70%: 7%
    - 80%: 6%
    - 90%: 5%

- **Lease profile**
  - Proportion of Leisure estate:
    - No. of years to first exit date:
      - 1: 5%
      - 2: 6%
      - 3: 9%
      - 4: 8%
      - 5: 13%
      - 6: 6%
      - 7: 7%
      - 8: 7%
      - 9: 5%
      - 10+: 34%
Frankie & Benny’s: Portfolio analysis

- Structurally unattractive (76 sites)
- Outperforming / in-line (103 sites)
- Potential for improvement (69 sites)

Actual EBITDA vs. Model predicted EBITDA

Source: Bain & Company
### Activity in year

<table>
<thead>
<tr>
<th>Activity</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>New menu items</td>
<td>![Image of new menu items]</td>
</tr>
<tr>
<td>Marketing campaigns</td>
<td>![Image of marketing campaigns]</td>
</tr>
<tr>
<td>Service and operational focus</td>
<td>![Image of service and operational focus]</td>
</tr>
<tr>
<td>Roll-out of “order ahead” functionality</td>
<td>![Image of “order ahead” functionality]</td>
</tr>
</tbody>
</table>

### Social media ratings

<table>
<thead>
<tr>
<th>Month</th>
<th>Score out of 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 17</td>
<td>3.4</td>
</tr>
<tr>
<td>Dec 18</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: Yext

### Upcoming activity

- Continued improvement in core proposition via new menus
- Trial of simplified menu
- Marketing campaigns targeted to specific occasions, supported by limited time offers
- Service and operational focus / support for underperforming sites
- Roll-out of “order ahead” functionality
- Active management of structurally disadvantaged tail
Chiquito: Developments and focus areas

**Activity in year**

- New simplified and better value core menu launched in January
- Investment in improved operational management
- Promotional strategy centred around Mexican favourites
- Launched virtual brand “Kickass Burrito”
- Leveraging insights from guest feedback app

**Social media ratings**

**Score out of 5**

<table>
<thead>
<tr>
<th></th>
<th>Dec 17</th>
<th>Dec 18</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>3.7</td>
<td>4.1</td>
</tr>
</tbody>
</table>

*Source: Yext*

**Upcoming activity**

- New menu launching in April

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2018 Full year results
Summary

• Enlarged group now strongly orientated towards growth

• Wagamama like-for-like sales momentum is strong and we are progressing well on the growth avenues unlocked by the acquisition

• Strong growth continues in Concessions and Pubs

• Focused on optimising our Leisure brands and property portfolio

• Current trading for first 10 weeks of the year in line with expectations with like-for-like sales up 2.8%
Q&A