The Restaurant Group plc

Half year results presentation

26 Weeks to 30 June 2019
### 2019 H1 Highlights - A diversified business aligned to structural growth trends

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wagamama</strong></td>
<td>• Market leading like-for-like sales performance continues</td>
</tr>
<tr>
<td></td>
<td>• Addressing strong pipeline of growth opportunities</td>
</tr>
<tr>
<td></td>
<td>• Site conversion and cost synergy programmes on track</td>
</tr>
<tr>
<td><strong>Concessions</strong></td>
<td>• Like-for-like sales consistently</td>
</tr>
<tr>
<td></td>
<td>• Addressing strong pipeline of growth opportunities</td>
</tr>
<tr>
<td></td>
<td>• Further development of brand portfolio with partnerships</td>
</tr>
<tr>
<td></td>
<td>• Advanced discussions on adjacent market opportunities</td>
</tr>
<tr>
<td><strong>Pubs</strong></td>
<td>• Strong like-for-like sales outperformance vs market continues</td>
</tr>
<tr>
<td></td>
<td>• Customer ratings remain consistently high</td>
</tr>
<tr>
<td></td>
<td>• Healthy pipeline of new site opportunities</td>
</tr>
<tr>
<td><strong>Leisure</strong></td>
<td>• On-going initiatives to improve food offering, service standards and brand proposition</td>
</tr>
<tr>
<td></td>
<td>• Progress in brand perception and employee engagement</td>
</tr>
<tr>
<td></td>
<td>• Estate management discipline continues</td>
</tr>
</tbody>
</table>

*H1 2019 (Jan—June) Pro-forma outlet EBITDA*
Financial review
**Group financial summary HY2019**

<table>
<thead>
<tr>
<th></th>
<th>2019 HY £m</th>
<th>2018 HY £m</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>515.9</td>
<td>326.1</td>
<td>+58.2%</td>
</tr>
<tr>
<td><strong>Like-for-like %</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA*</td>
<td>61.4</td>
<td>38.4</td>
<td>+60.1%</td>
</tr>
<tr>
<td>EBITDA margin %*</td>
<td>11.9%</td>
<td>11.8%</td>
<td></td>
</tr>
<tr>
<td>EBIT / Operating profit*</td>
<td>36.5</td>
<td>21.3</td>
<td>+70.8%</td>
</tr>
<tr>
<td>Operating margin %*</td>
<td>7.1%</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>PBT*</td>
<td>28.1</td>
<td>20.7</td>
<td>+35.6%</td>
</tr>
<tr>
<td>Earnings per share*</td>
<td>4.5p</td>
<td>5.9p</td>
<td>(23.4%)</td>
</tr>
</tbody>
</table>

* Adjusted (pre-exceptional charge)

- **Interim dividend of 2.1p, in line with policy**

*Note: Earnings per share adjusted for bonus element following the rights issue in both financial years*
Revenue performance

TRG Group

- Like-for-like sales up 3.7% for the first 34 weeks of the financial year
- Like-for-like sales up 0.2% for the most recent 6 weeks

Wagamama

- Continued to significantly outperform the market

Concessions and Pubs

- Concessions like-for-like sales continue to outpace passenger growth
- Pubs like-for-like sales continue to outperform the overall pub restaurant sector

Leisure

- Like-for-like sales in the first half of year benefited from soft comparatives
- Recent trading saw modest like-for-like sales decline
Group cost headwinds expected FY2019

• Mitigating c.40% of 2019 cost increases (excluding Wagamama synergies):
  – Consistent progress in managing and optimising the supplier base
  – Continued focus on labour scheduling with peer group analysis
  – Improved terms obtained in negotiations with landlords for rent reviews
  – On-going appeals with local councils on business rates
Wagamama synergy programme on track to deliver £22m in 2021

**Cost Synergies**

- **Main opportunities** in food, drink and consumables expenditure
  - Rate equalisation
  - Economies of scale
- Shared operations expertise
- Consolidation of professional services

**Site conversion Synergies**

- Stevenage and Bletchley opened late August
- 6 sites to convert between Sep - Nov
- Expect c.50% ROIC*
- At least 7 more sites in 2020

*Return on Invested Capital (ROIC)*

---

**Planned Synergies Allocation (circa %)**

- **Food & Drinks**
  - Central Cost: ~30%
  - Site Overhead: ~20%
  - ~50%

- **Wagamama**
  - Legacy TRG: ~40%
  - ~60%

**On track to deliver at least £15m of cost synergies in 2021**

- **On track to deliver £7m of site conversion synergies in 2021**
# Group acquisitions and capital expenditure HY2019

<table>
<thead>
<tr>
<th></th>
<th>2019 HY £m</th>
<th>2018 HY £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development expenditure - opened sites</td>
<td>10.3</td>
<td>8.4</td>
</tr>
<tr>
<td>Development expenditure - H2 openings</td>
<td>9.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Leisure site conversions to Wagamama</td>
<td>0.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Refurbishment and maintenance expenditure</td>
<td>14.0</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Total fixed asset additions</strong></td>
<td><strong>34.3</strong></td>
<td><strong>20.1</strong></td>
</tr>
</tbody>
</table>

| Number of new units | 4 | 16 |

- We opened 2 Concessions sites, 1 Pub and 1 Wagamama site in the US in the 1st half
- Refurbishment and maintenance expenditure in the half included major refurbishments of 5 Wagamama sites, 2 Pubs and 1 Concessions unit
## Group cash flow HY 2019

<table>
<thead>
<tr>
<th></th>
<th>2019 HY £m</th>
<th>2018 HY £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted operating profit</strong></td>
<td>36.5</td>
<td>21.3</td>
</tr>
<tr>
<td>Working capital</td>
<td>(8.8)</td>
<td>(13.0)</td>
</tr>
<tr>
<td>Non-cash adjustments</td>
<td>(0.4)</td>
<td>0.2</td>
</tr>
<tr>
<td>Depreciation</td>
<td>25.0</td>
<td>17.0</td>
</tr>
<tr>
<td><strong>Cash inflow from operations</strong></td>
<td>52.3</td>
<td>25.6</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(7.3)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(4.0)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Refurbishment and maintenance capital expenditure</td>
<td>(14.0)</td>
<td>(8.9)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>27.0</td>
<td>14.2</td>
</tr>
<tr>
<td>Development capital expenditure</td>
<td>(20.3)</td>
<td>(11.3)</td>
</tr>
<tr>
<td>Movement in capital creditor</td>
<td>(4.0)</td>
<td>1.7</td>
</tr>
<tr>
<td>Utilisation of onerous lease provisions</td>
<td>(6.7)</td>
<td>(5.7)</td>
</tr>
<tr>
<td>Post acquisition costs</td>
<td>(20.7)</td>
<td>-</td>
</tr>
<tr>
<td>Other items</td>
<td>(1.0)</td>
<td>(0.0)</td>
</tr>
<tr>
<td><strong>Cash outflow</strong></td>
<td>(25.7)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Group net debt at start of period</td>
<td>(291.1)</td>
<td>(23.1)</td>
</tr>
<tr>
<td><strong>Group net debt at end of period</strong></td>
<td>(316.8)</td>
<td>(24.2)</td>
</tr>
</tbody>
</table>

* Adjusted (pre-exceptional items)

**Commentary**

- **Continued focus on Leverage:**
  - Pro-forma net debt / EBITDA is 2.3x

- **Analytical review:**
  - Working capital outflow expected to be temporary reflecting seasonality of the business
  - Onerous lease provision included £1.8m of one off costs to exit sites
  - Post acquisition costs primarily relate to transaction costs
Impairment of Leisure sites

**Portfolio Analysis**

- 76 Frankie and Benny's sites identified as structurally unattractive
- A further 42 sites identified across other Leisure brands
- In total, this equates to a third of our Leisure sites

**Market overcapacity**

- *Branded Restaurants*
  - 4,539
  - 5,780
  - +27%

**Casual Dining Market remains challenged**

- *Restaurant LFL Sales*
  - Rolling 12 months
  - Adjusted*
  - Peach Tracker

- Capacity adjustment is slow
- Reduction of circa 1% over the last 12 months

* Adjust for the impact of the World Cup and extreme weather

Source: CGA/Alix Partners

Source: Peach Tracker
## Group exceptional charges HY2019

<table>
<thead>
<tr>
<th></th>
<th>Impairment of property, plant &amp; equipment</th>
<th>Onerous lease provisions</th>
<th>Integration costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exited sites</td>
<td>-</td>
<td>(0.4)</td>
<td>-</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Distressed/closed sites</td>
<td>102.1</td>
<td>11.1</td>
<td>-</td>
<td>113.2</td>
</tr>
<tr>
<td>Integration costs</td>
<td>-</td>
<td>-</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>HY 2019 Exceptional charge</strong></td>
<td><strong>102.1</strong></td>
<td><strong>10.7</strong></td>
<td><strong>3.0</strong></td>
<td><strong>115.7</strong></td>
</tr>
</tbody>
</table>

- Impairment charge relates to sites within our Leisure business that were identified as structurally unattractive and a more cautious view on the medium-term outlook for our Leisure business.
- £5.7m of the onerous lease provision related to newly identified sites and £5.4m relates to an increased charge on sites previously provided for in our Leisure business.
FY19 Guidance

• 2019 development capital expenditure – £50m to £55m
  – 4 new Pubs
  – At least 5 new Concessions sites in 2019, and initial expenditure on units in Manchester terminal redevelopment (opening in 2020)
  – 5 new Wagamama sites (2 UK, 1 airport, 2 US)
  – 8 Leisure site conversions to Wagamama
  – Roll-out of delivery kitchens and pilot of Wagamama Grab & Go concept, “Mamago”

• 2019 refurbishment and maintenance capital expenditure – £30m to £35m
  – 5 transformational refurbishments of Wagamama UK sites
  – 2 Pubs and 1 Concessions refurbishment projects

• Depreciation expected to be between £47m to £49m

• Interest guidance:
  – Debt interest expected to be between £15m to £16m
  – Provision interest expected to be c.£1m

• Trading remains broadly in line with our full year expectations
Operational highlights
A diversified business aligned to structural growth trends

**Wagamama**
- UK leader in pan-Asian cuisine
- Market leading performance
- 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 proposition and strong operational capability
- Healthy organic pipeline of new sites
- Freehold asset base valued in excess of £95m

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

<table>
<thead>
<tr>
<th>Diversified growth business</th>
<th>Wagamama</th>
<th>Concessions</th>
<th>Pubs</th>
<th>Leisure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple growth drivers</td>
<td>142 own sites and 57 franchised sites</td>
<td>70 sites</td>
<td>83 sites</td>
<td>352 sites</td>
</tr>
</tbody>
</table>

*HY 2019 (Jan—June) Pro-forma outlet EBITDA*
Our priorities

1. Deliver the benefits of the Wagamama acquisition
2. Grow our Concessions and Pubs businesses
3. Optimise our Leisure brands
Continued positive momentum

Lowest Level of Team Turnover

<table>
<thead>
<tr>
<th>Month</th>
<th>BOH</th>
<th>FOH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-17</td>
<td>75%</td>
<td>65%</td>
</tr>
<tr>
<td>Jan-18</td>
<td>70%</td>
<td>60%</td>
</tr>
<tr>
<td>Jul-18</td>
<td>65%</td>
<td>55%</td>
</tr>
<tr>
<td>Jan-19</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Jul-19</td>
<td>55%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Leading Net Promoter Score

Top 10 UK casual dining NPS

- **Wagamama**: 44
- Nando's: 41
- Turtle Bay: 36
- YO Sushi: 35
- Côte: 34
- Five Guys: 31
- Las Iguanas: 31
- Wahaca: 30
- Bill's: 30
- Pizza Express: 30

Source: BrandVue NPS - June 30th, 2019

Market Leading UK LFL sales

- **Rolling 12 months £’m**
  - **Apr-18**: 42.3
  - **Dec-18**: 44.6
  - **Jun-19**: 51.4

Note: Results as per TRG financial year quarters
Source: Peach Tracker, Restaurants
Key developments in the UK core business

Menu Developments

- Launch of extended vegan range
- New, lighter ‘Kokoro’ bowls launched
- Improved drinks and desserts range

Transformational Refurbishments

- 5 completed this year creating 200 additional covers
- Anticipate at least 45% return on invested capital

Multi-channel Growth

Sales and Channel Participation

- Delivery: 9% (H1 2018), 12% (H1 2019)
- Take out: 4% (H1 2018), 4% (H1 2019)
- Eat in: 86% (H1 2018), 84% (H1 2019)

- Strong in restaurant cover growth
- Operational improvements and strong partnership with Deliveroo driving delivery growth

Bluewater post refurbishment
Progressing on multiple growth avenues

New Sites and Concessions (UK)

- The Bower, Old Street design

Delivery Kitchen

- Wagamama design

Food-to-go

- MamaGo design

US

- Nomad, New York

- Selective approach to high quality openings
  - 3 in 2019
  - 4 to 5 in 2020

- Opened own site in Hackney in late July
- Expect to open at least two further sites in 2019

- Proposition developed
- 1st site secured on Fenchurch street
- Due to open in Q4

- Improved trading momentum
- Progressing with our review of strategic options
Our priorities

1. Deliver the benefits of the Wagamama acquisition

2. Grow our Concessions and Pubs businesses

3. Optimise our Leisure brands
### Growing our Concessions business

**Existing Estate**
- Sales continue to outpace passenger growth
- 85% of sites received renewals beyond original contract term
- Further trial and rollout of technologies that enhance customer convenience:
  - Waiting time screens
  - Pay-at-table and order and pay

**New Sites**
- Expect to open at least 5 new sites in 2019
- Secured 6 sites in Manchester airport terminal redevelopment opening in 2020:
  - Expected to reach maturity in 2022
- Further development of brand portfolio with partnerships

**New growth opportunities**
- Exploring adjacent opportunities
- Actively exploring potential for international sites

---

![Sonoma, Gatwick Airport](image)
Growing our Pubs business

Consistent Outperformance Continues

LFL Sales vs Coffer Peach Tracker (6 month moving average)

- Continued menu evolution:
  - Extended vegan range
  - Enhanced low/no alcohol range
- Increased utilisation of the existing space:
  - Accommodation
  - Function spaces
- Multiple technology initiatives improving customer engagement
- Strong social reviews maintained at 4.4 / 5

LFL Sales drivers

Estate expansion

- On track for 4 new sites in 2019
- Continued selective approach to site expansion

Source: Peach Tracker, Pub-Restaurants

The Oakley Arms, Brewood
Our priorities

1. Deliver the benefits of the Wagamama acquisition

2. Grow our Concessions and Pubs businesses

3. Optimise our Leisure brands
Frankie & Benny’s: key initiatives

- **Food Proposition**
- **Brand Engagement**
- **Leveraging Existing Estate**

---

**Improving Engagement**

**Social Media Rating**

*Source: Yext Reviews – 3 month moving average (out of 5)*
**Chiquito: key initiatives**

- **Food Proposition**
- **Brand Refresh**
- **Leveraging Existing Estate**

### Improving Engagement

**Social Media Rating**

*Source: Yext Reviews – 3 month moving average (out of 5)*
Leisure estate next steps

**Lease Profile**

Proportion of Leisure estate as at 3rd September 2019

No. of years to first exit date

- Median 6 years to first exit date
- Expect to exit at least of 50% of sites coming up at lease expiry or break clause reflecting our cautious view of the casual dining sector

**Recent Progress**

Number of sites

- 7 further conversions planned in 2020
- Progress being made with landlords in recent lease events, achieving:
  - Increased lease flexibility
  - Rent reductions
Summary

• Enlarged group strongly orientated towards growth

• Wagamama acquisition plan on track

• Like-for-like sales growth ahead of passenger growth in Concessions with multiple opportunities ahead

• Pubs continue to outperform the market with opportunities for further growth

• Continuing challenges in Leisure business, addressed through targeted initiatives and disciplined estate management

• Trading remains broadly in line with our full year expectations
CEO Overview: only one month in but key priorities for next six months are clear

1. Deliver the benefits of the Wagamama acquisition
   - Maintain industry leading like-for-like sales growth rates
   - Build on obsession with fresh food and unique colleague culture
   - Identify next set of site conversions
   - Focused on delivering cost synergies
   - Review International opportunities

2. Grow our Concessions and Pubs businesses
   - Continue to drive Concessions like-for-like growth ahead of passenger numbers
   - Exploit new airport sites and other infrastructure hubs potential
   - Maintain Pubs like-for-like sales outperformance vs market
   - Build on strength of Pub site portfolio with selective additions

3. Optimise our Leisure brands
   - Full review of food, service and brand propositions of our Leisure brands
   - Exit at least 50% of sites at lease expiry or break
   - Rigorous site by site negotiations with landlords on leases being renewed
Q&A
Appendices
## Estate movements schedule

<table>
<thead>
<tr>
<th></th>
<th>Estate at 30/12/18</th>
<th>Openings</th>
<th>Closures</th>
<th>Conversions</th>
<th>Estate at 03/09/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frankie &amp; Benny’s</td>
<td>248</td>
<td>-</td>
<td>(7)</td>
<td>(3)</td>
<td>238</td>
</tr>
<tr>
<td>Wagamama UK</td>
<td>134</td>
<td>1</td>
<td></td>
<td>2</td>
<td>137</td>
</tr>
<tr>
<td>Pub Restaurants</td>
<td>81</td>
<td>3</td>
<td>(1)</td>
<td>-</td>
<td>83</td>
</tr>
<tr>
<td>Chiquito</td>
<td>83</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
<td>79</td>
</tr>
<tr>
<td>Concessions</td>
<td>71</td>
<td>2</td>
<td>(3)</td>
<td>-</td>
<td>70</td>
</tr>
<tr>
<td>Wagamama US</td>
<td>5</td>
<td>1</td>
<td>(1)</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Delivery Kitchen</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Other Leisure Brands</td>
<td>37</td>
<td>-</td>
<td>(1)</td>
<td>(1)</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total TRG</strong></td>
<td><strong>660</strong></td>
<td><strong>9</strong></td>
<td><strong>(13)</strong></td>
<td><strong>(6)</strong></td>
<td><strong>650</strong></td>
</tr>
</tbody>
</table>