The Restaurant Group plc

Full Year Results Presentation

53 Weeks to 01 January 2017

Progress to date

- Actioned learnings from the Frankie & Benny's strategic work
- Completed the strategic reviews of the other brands
- Thoroughly assessed our cost base
- Reviewed our property pipeline
- Strengthened the team

TRG strengths

- Diversified portfolio
- Significant scale
- Strong Leisure brand awareness
- Highly cash generative with strong balance sheet

Group improvement areas: Leisure businesses

Leisure LFL sales

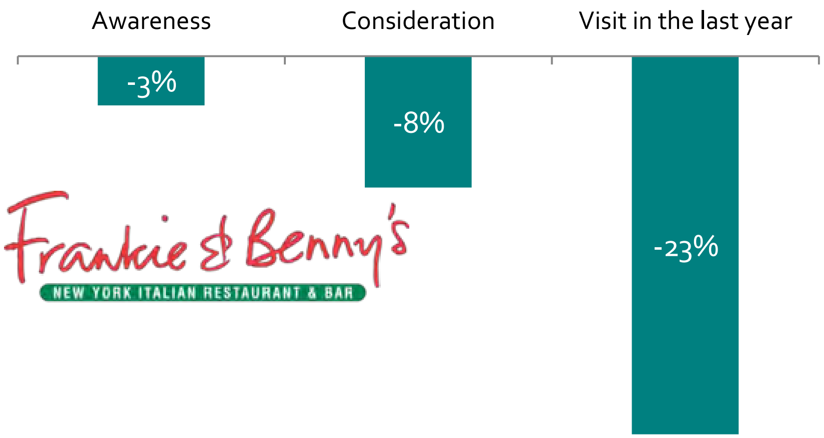
Change YoY, 6 month moving average

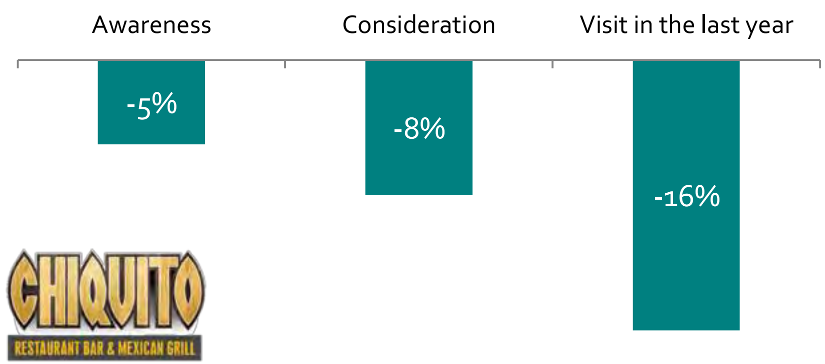
	Extent of underperformance to market	Duration of underperformance to market
Frankie & Benny's NEW YORK ITALIAN RESTAURANT & BAR	◕	4 years
CHIQUITO RESTAURANT BAR & MEXICAN GRILL	◑	1-2 years
COAST TO COAST AMERICAN RESTAURANT & BAR	●	3 years

Group improvement areas

Weakening brand positioning

% change in brand metrics: **2016 vs 2012**





Source: Morar Consulting

Capability gaps

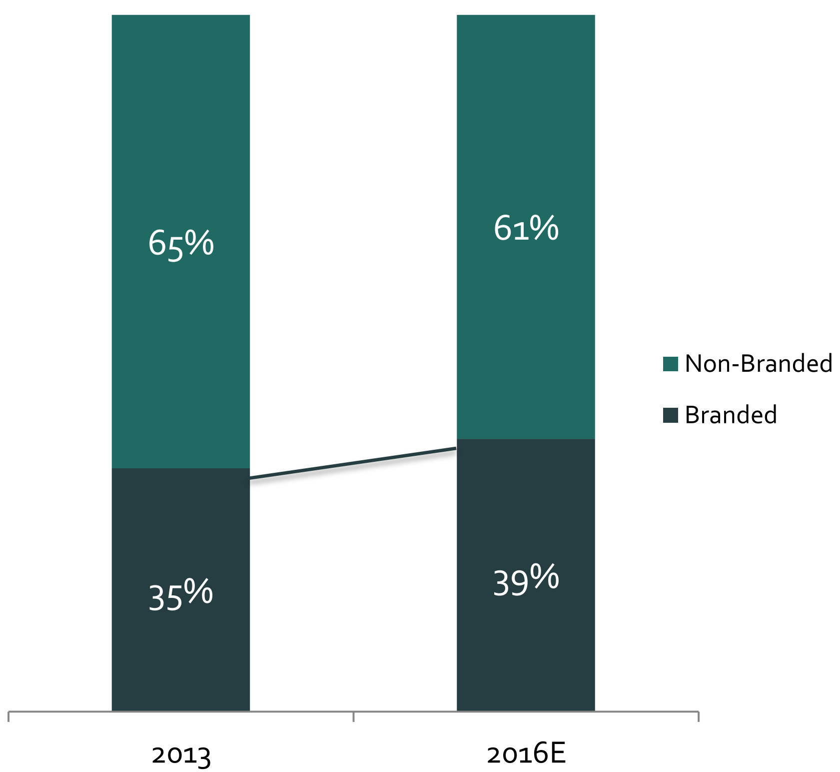
- Lacking robust operating processes
- Under-invested marketing capabilities
- Limited data-driven insight

High cost base

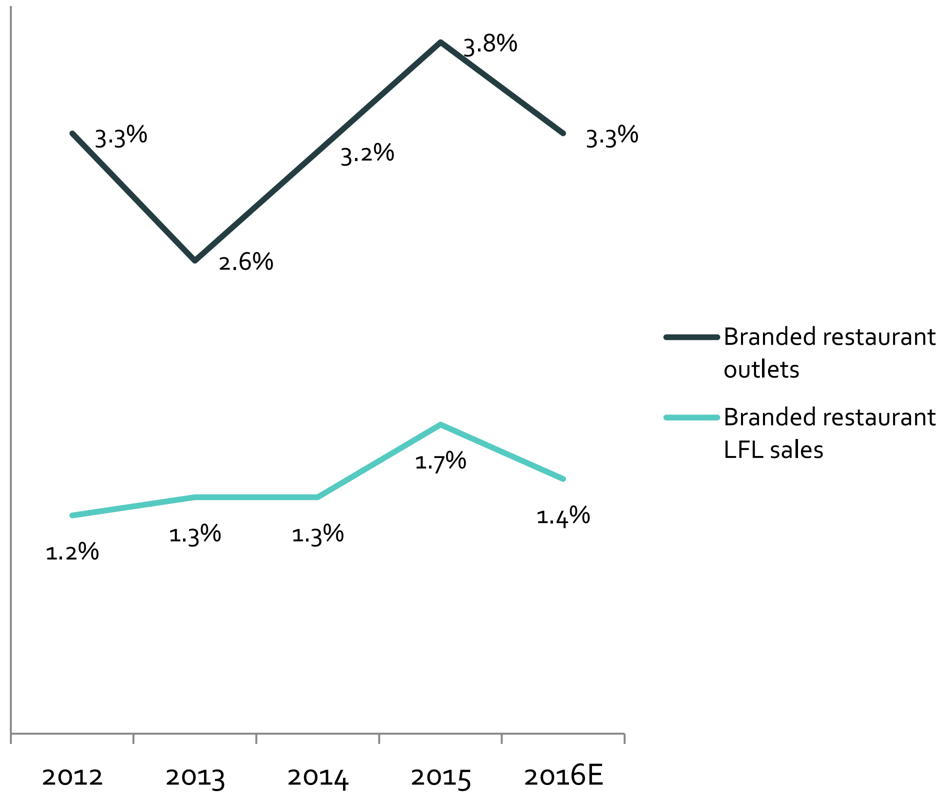
- Heavy organisational spans and layers
- Over-reliance on manual systems
- Not utilising full scale potential of the group

Market remains attractive

UK restaurant market (by value)



UK branded restaurant LFL sales and outlets



Sources: MCA market restaurant report 2016

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Financial Review

Financial highlights

	2016 FY £m	2015 FY £m	% Change
Revenue	**710.7**	685.4	+3.7%
Like-for-like %			**(3.9%)**
Profit before taxation*	**77.1**	86.8	(11.2%)
Exceptional charge	(116.7)	-	
Profit before taxation	(39.5)	86.8	
Earnings per share*	**30.0p**	33.8p	(11.2%)
Dividend per share	**17.4p**	17.4p	
Free Cash Flow	**78.9**	95.3	(17.2%)

- The data presented is on a 53 vs 52 week basis

* Adjusted (pre-exceptional charge)

Income statement

	2016 FY £m	2015 FY £m	% Change
Revenue	**710.7**	685.4	+3.7%
EBITDA*	**121.0**	128.0	(5.5%)
*%**	***17.0%***	*18.7%*	
EBIT / Operating profit*	**79.2**	88.9	(11.0%)
*Operating margin %**	***11.1%***	*13.0%*	
PBT*	**77.1**	86.8	(11.2%)
*%**	***10.9%***	*12.7%*	
PAT*	**60.1**	67.4	(10.8%)
*%**	***8.5%***	*9.8%*	
EPS*	**30.0p**	33.8p	(11.2%)
• The data presented is on a 53 vs 52 week basis			
*Adjusted (pre-exceptional charge)			

Exceptional charges - 2016

	H1 2016	H2 2016	FY 2016
Site closure	39.3	19.1	**58.4**
Site impairment	17.8	33.6	**51.4**
Other exceptional costs	2.0	4.9	**6.9**
Total 2016 exceptional charge	**59.1**	**57.6**	**116.7**

- Cash impact of total exceptional charge is £43.2 million
- 33 closures in FY16* and a further 8 closing in Q1 FY17
- 66 sites impaired in total in FY16
- FY17 incremental profit benefit associated with H1 2016 exceptional cost: c.£7m
- FY17 incremental profit benefit associated with H2 2016 exceptional cost: c.£3m

** 37 closures in total, 4 with no associated exceptional charge (lease expiry)*

2017 Cost headwinds

	£m
NLW / NMW / apprenticeship levy	**4-5**
Rent and rates	**5**
Purchase cost inflation	**5-7**
Energy cost inflation	**2**
Total	**16-19**

Capital expenditure & development

	2016 FY £m	2015 FY £m
Development expenditure - opened	**23.7**	50.2
Development expenditure - pipeline	**5.1**	4.9
Refurbishment & maintenance expenditure	**26.2**	19.7
Total fixed asset additions	**55.0**	74.8
Number of new units	**24**	44

- Openings in 2017 will be between 16 to 20
- 2017 development capital expenditure - £16m to £20m
- 2017 refurbishment and maintenance capital expenditure - £20m to £25m

Cash flow

	2016 FY £m	2015 FY £m
Adjusted operating profit*	**79.2**	**88.9**
Working capital & non-cash adjustments	**1.1**	5.6
Depreciation	**41.8**	39.1
Net cash flow from operations	**122.1**	133.6
Net interest paid	**(0.8)**	(1.0)
Tax paid	**(16.2)**	(17.6)
Maintenance capital expenditure	**(26.2)**	(19.7)
Free cash flow	**78.9**	95.3
Development capital expenditure	**(28.8)**	(55.1)
Movements in capital creditors	**(10.3)**	1.9
Dividend paid	**(34.9)**	(32.1)
Purchase of shares	**-**	(1.7)
Other items	**(4.8)**	1.9
Cash inflow	**0.1**	10.2
Net bank debt at start of period	**(28.4)**	(38.6)
Net bank debt at end of period	**(28.3)**	(28.4)

* Adjusted (pre-exceptional charge)

Balance sheet and key ratios

Balance Sheet	As at 1 January 2017 £m	As at 27 December 2015 £m
Non-current assets	**372.4**	430.1
Current assets	**49.8**	38.0
Total assets	**422.2**	468.1
Current liabilities	**(139.9)**	(136.4)
Non-current liabilities	**(72.9)**	(48.1)
Net assets	**209.4**	283.6
Net bank debt	**(28.3)**	(28.4)

- Revolving £140m credit facility committed to June 2020
- Fixed charge cover (12 months): 2.4x (2015: 2.7x)
- EBITDA interest cover (12 months) : 60x (2015: 63x), Covenant >4x
- Net debt to EBITDA (rolling 12 months): 0.2x (2015: 0.2x), Covenant <3x

Dividends

	2016 FY	2015 FY
Interim dividend	6.8p	6.8p
Final dividend	10.6p	10.6p
Full year dividend	**17.4p**	**17.4p**
Dividend cover (times)	1.7x	1.9x

Our Plan

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

1

Re-establish competitiveness of our Leisure brands

Brand	Key drivers of underperformance	Improvement focus
Frankie & Benny's NEW YORK ITALIAN RESTAURANT & BAR	• Severe loss of value credentials • Poor menu changes	• Restore value credentials • Deepen distinctiveness of offer to families • Marketing to attract back lapsed customers
CHIQUITO RESTAURANT BAR & MEXICAN GRILL	• Weak brand positioning • Poor menu and price changes	• Drive accessibility and frequency by simplifying menu and improving value • Marketing to attract a wider customer base
COAST TO COAST AMERICAN RESTAURANT & BAR	• Lack of brand distinctiveness • Price hikes • Radical menu changes	• Fundamental brand re-positioning • Focus on great steaks and burgers • Much improved affordability

2

Serve customers better and more efficiently

- **More efficient labour management**
  - Improve forecasting accuracy
  - More efficient scheduling
  - More flexible working practices
- **Maximise proportion of customer 'facing' time**
  - Streamline processes
  - Remove wasted effort
- **Improve the service experience**
  - Cross-sell and up-sell for those that want it
  - Help manage customers' time

3

Grow our Pubs and Concessions businesses

Brunning & Price LIMITED

- **Strong market positioning**
  - Differentiated
  - Locally tailored offerings
- **Attractive returns on investment**
- **Good growth prospects**
  - Further development of offering
  - Increased rate of openings in medium-term

trg concessions
a division of the restaurant group plc

- **Highly competitive capability set**
  - Operational capability across multiple formats
  - Strong relationships with airports and franchise partners
  - Innovative format development capabilities
- **Well positioned to win new contracts**

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4

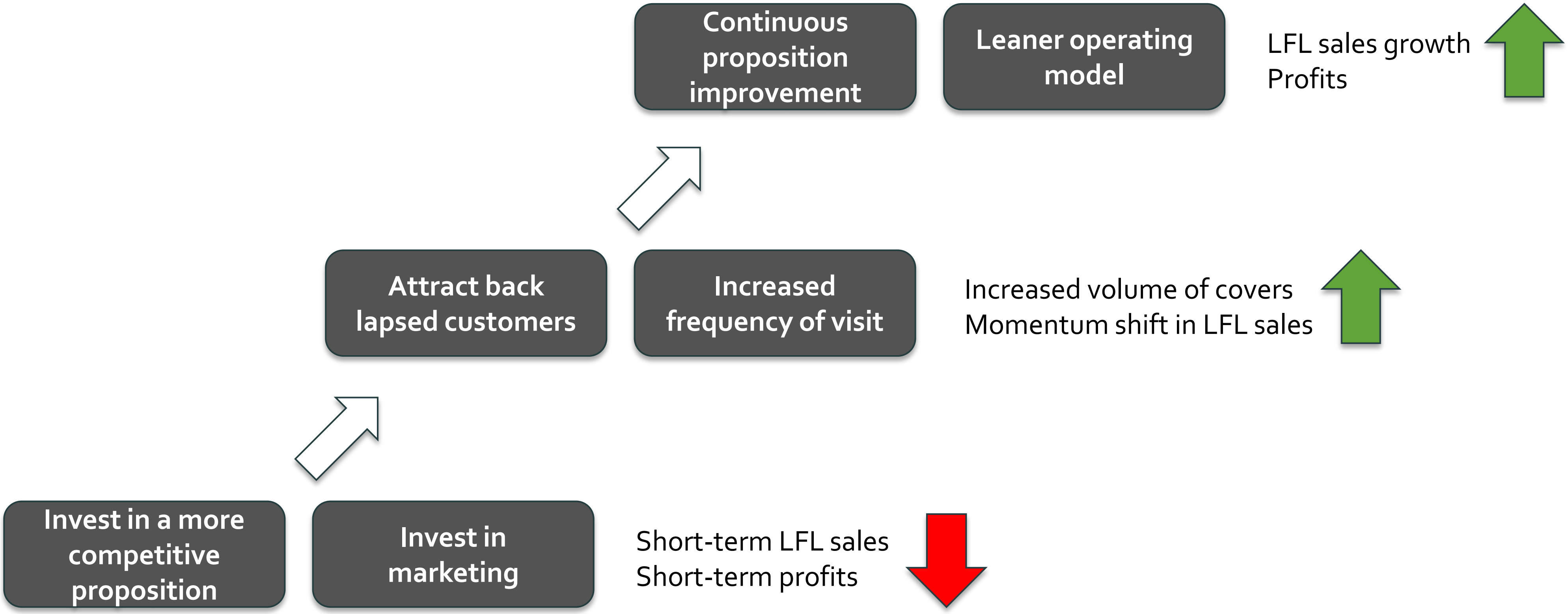
Build a leaner, faster & more focused organisation

- **Completed detailed review of cost base**
- **Cost opportunities include:**
  - Extracting more purchasing scale benefits
  - Reducing head office and operational roles
  - Automating manual processes
- **Identified c.£10m annualised savings**
  - Full benefit in 2019
  - Partial savings in 2017 and 2018 to be reinvested in price, product and marketing
  - One-off cost to extract savings c.£6m
- **Less complexity will speed up delivery of our plan**

Strengthened team

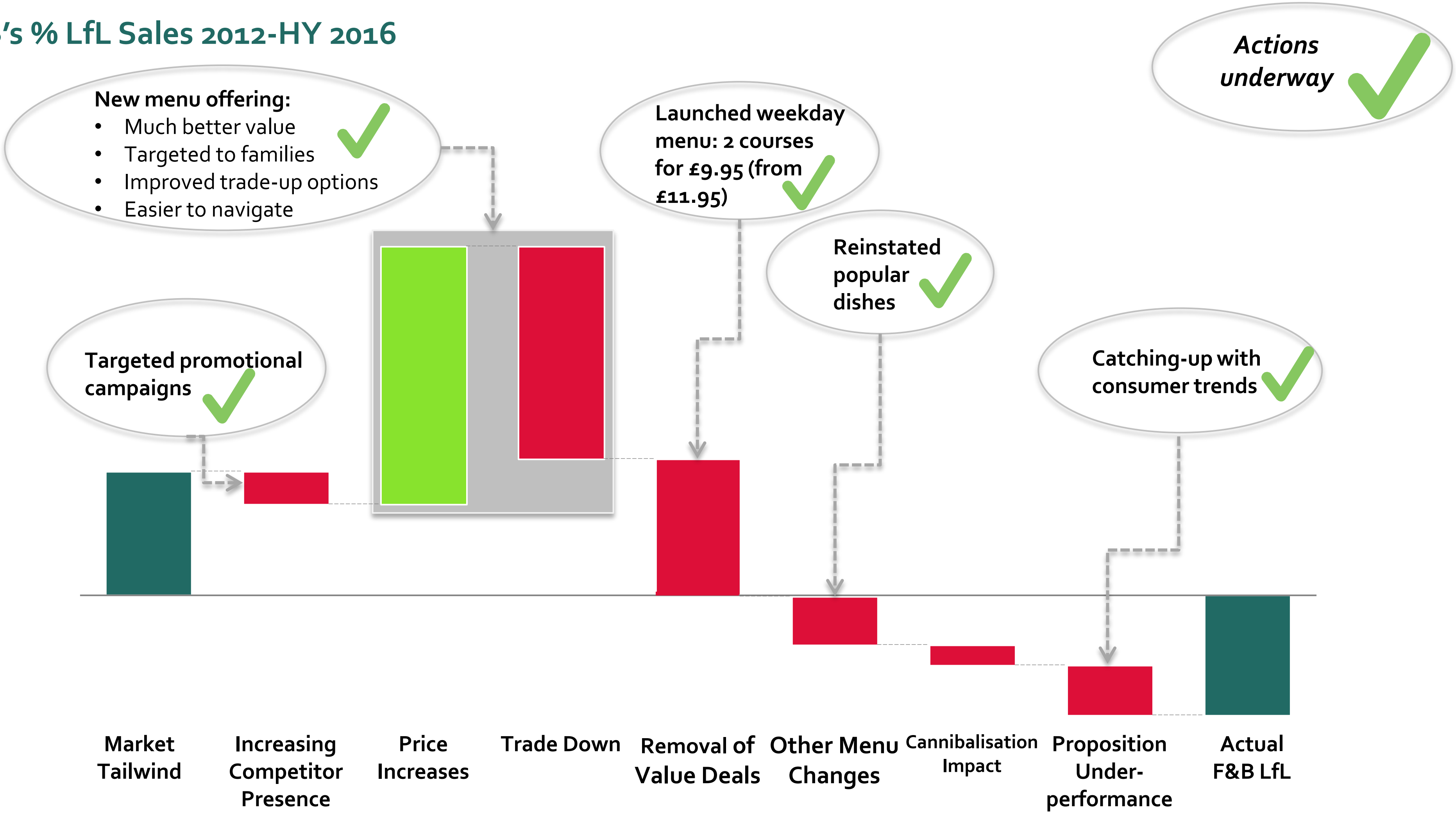
Murray McGowan (joins Jun-17)	Managing Director Leisure Business	
Lucinda Woods (joined Dec-16)	Strategy & Business Development Director	
Debbie Moore (joined Jan-17)	Group HR Director	
Keith Janes (promoted Nov-16)	Property Director	

Path to profit growth



Frankie & Benny's: addressing root causes of underperformance

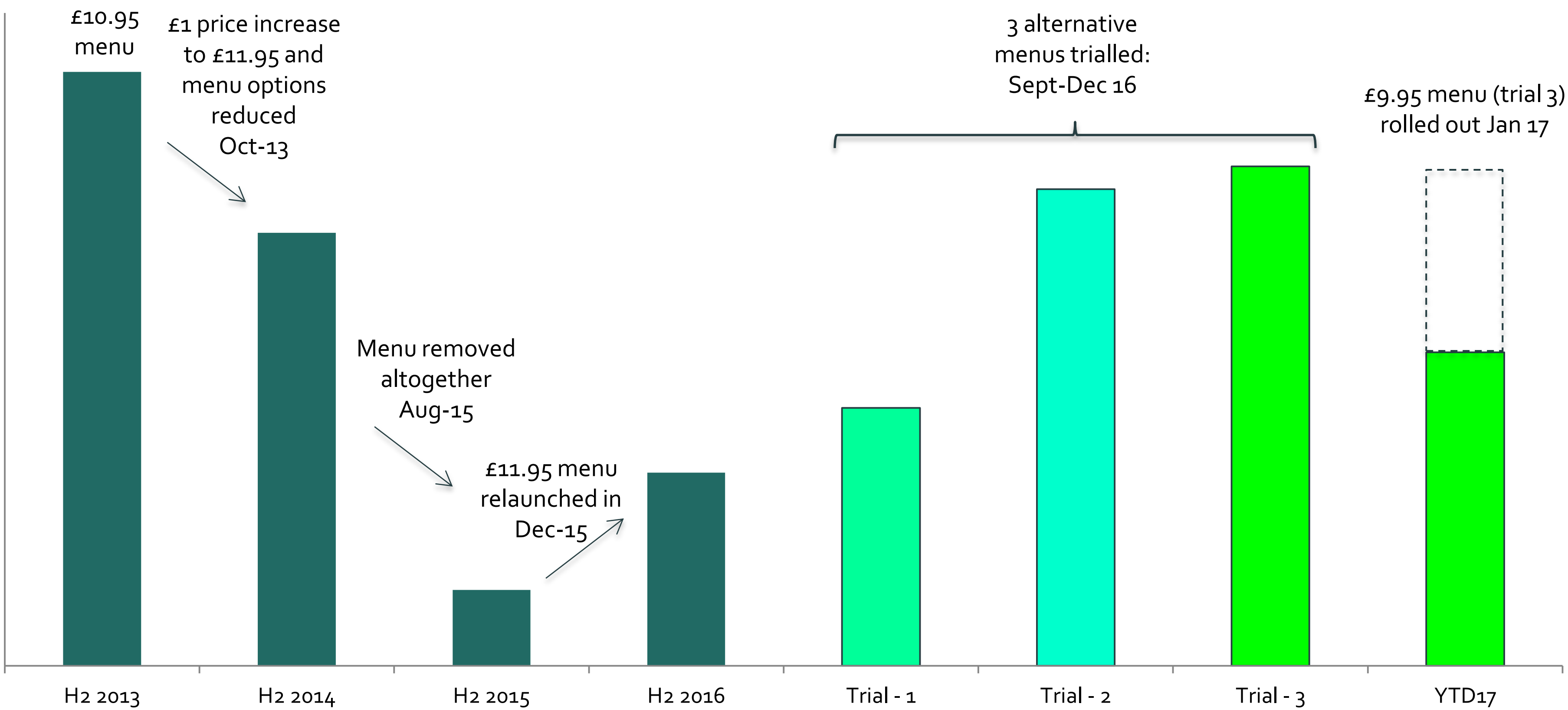
F&B's % LfL Sales 2012-HY 2016



Source: OC&C analysis

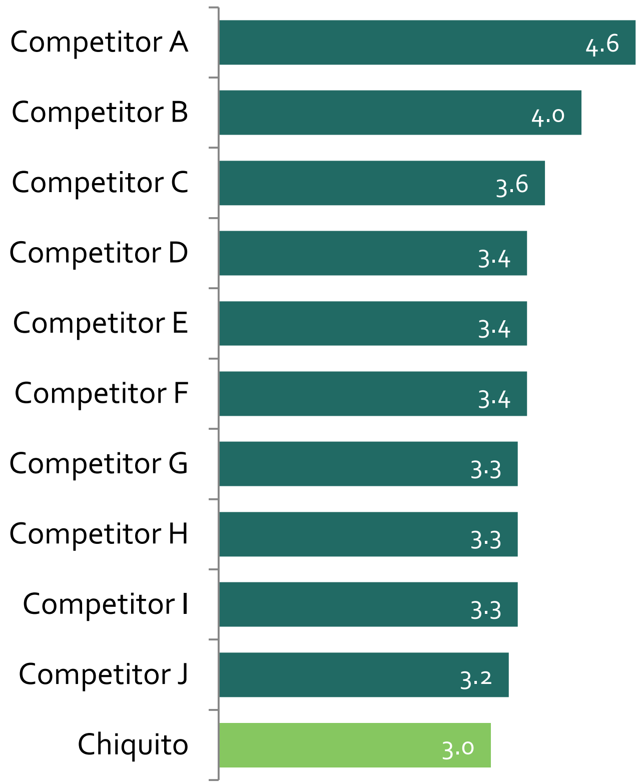
Frankie & Benny's case study: value menus

Two courses value menu, % of sales

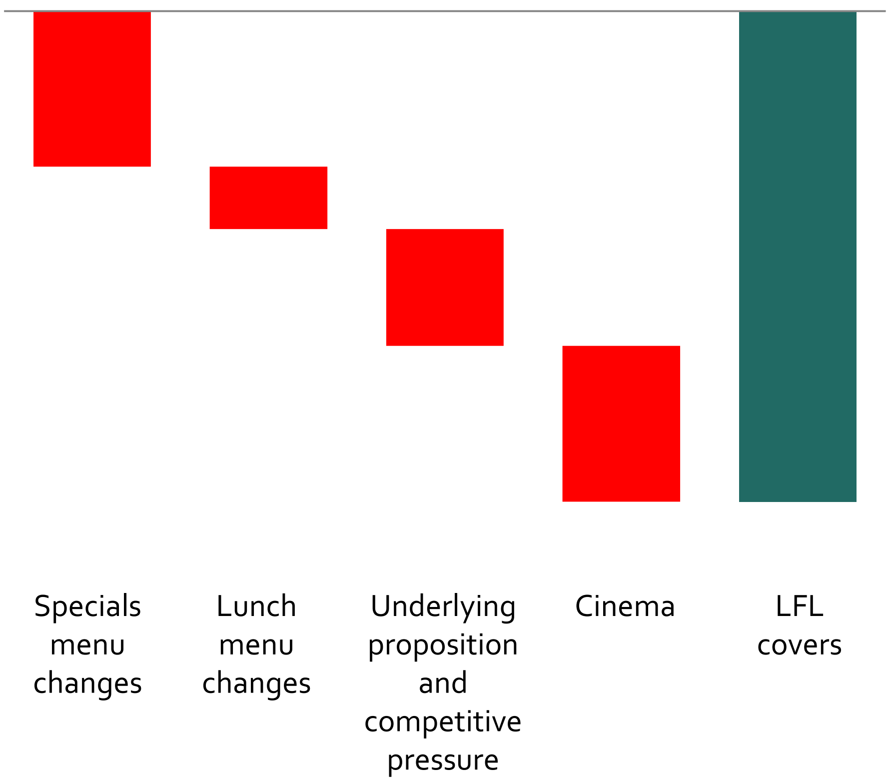


Chiquito: drivers of underperformance

Frequency of visit, 2016



Drivers of 2016 LFL covers underperformance



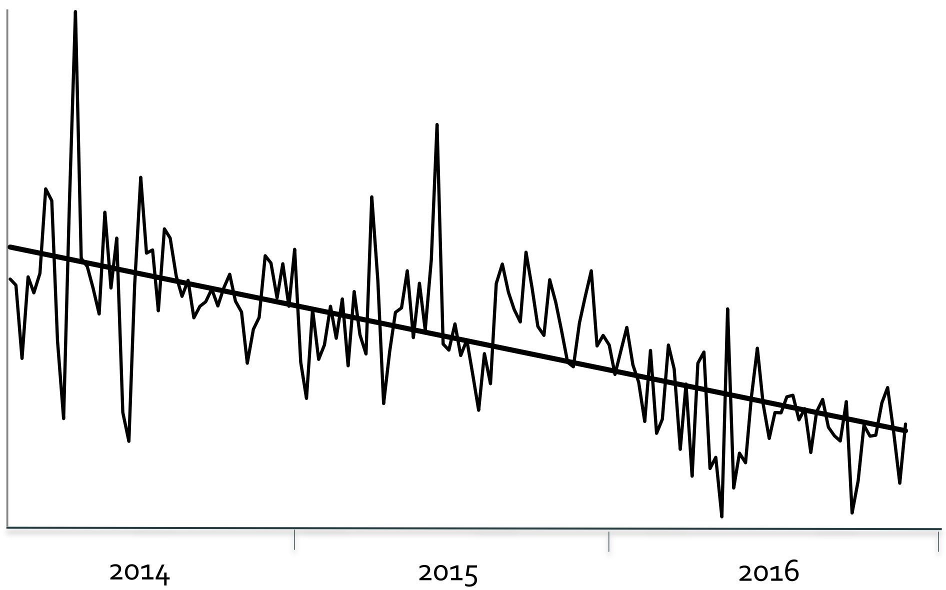
Sources: MORAR 2016 Report, OC&C analysis

Chiquito: next steps

- **Re-launched value offer with £10.95 2-course week-day menu**
- **Phased roll-out of a broadened proposition to make it more accessible**
  - Mexican + influences from US border states
  - Easier to understand
  - Customisable
- **Re-architecting menu to:**
  - Provide better value options
  - Improve speed of service
- **Supporting marketing campaign**

Coast to Coast: drivers of underperformance

LFL sales % change YoY



Burger prices

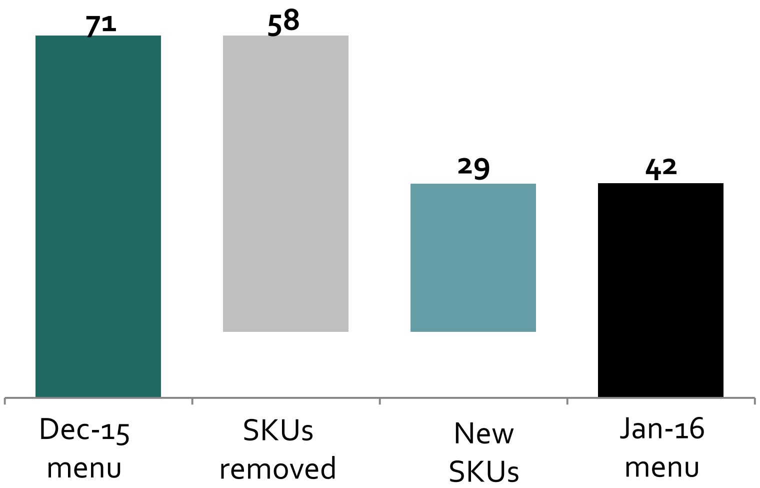
Nov-11

Most expensive burger £11.95

Oct-16

Cheapest burger £12.45

Radical menu change



Coast to Coast: next steps

- **Fundamental re-positioning of the brand to better align with out of town locations:**
  - Steaks and burgers
  - Growing segment of the market
  - Clearly differentiated
  - Stronger brand identity

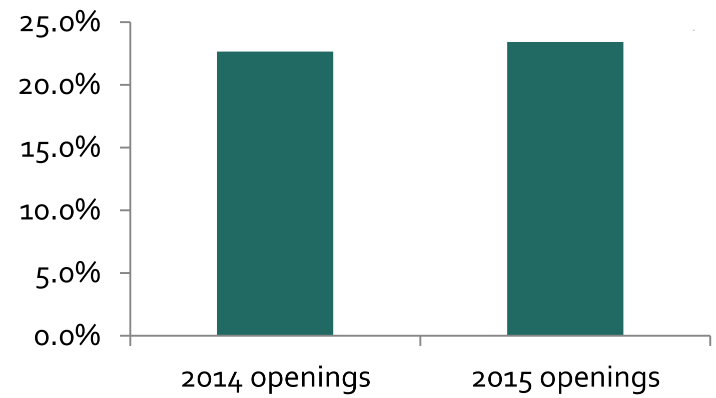
- **Launch new menu**
  - Highly competitive pricing
  - Compelling range
  - Quality ingredients

- **Some capital and marketing investment is required**

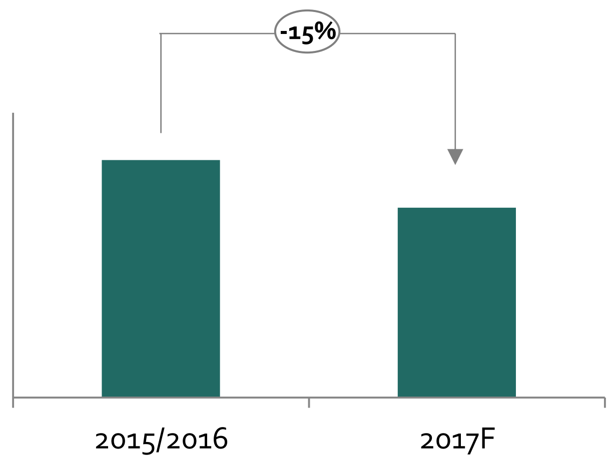
Investment discipline

- **Comprehensive review completed of property pipeline:**
  - Identified location drivers of performance
  - Reduction in number of viable prospects
- **Exiting from 6 unopened contracted Coast to Coast sites**
- **Contracted to 7 new Frankie & Benny's and 7 new Chiquito sites in 2017:**
  - Expect >25% return on capital
- **Very selectively opening new Leisure sites:**
  - Upper quartile performers
  - More flexible lease terms
- **Opportunity to accelerate pub openings**
- **Continued growth in Concessions**

2016 Leisure EBITDA returns



Capital cost per Leisure restaurant



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Summary

- Clear understanding of the drivers of Leisure decline
- Executing against a clear plan
- Strengthened capability of leadership team
- Widespread front-line support for a more competitive offering
- 2017 a transitional year
- Current trading in line with our expectations
- Maintaining the dividend reflects confidence in the plan