The Restaurant Group plc

Interim Results

27 Weeks to 03 July 2016

Debbie Hewitt

Chairman

Overview

Chairman’s introduction

- Trading in line with 52 week guidance
  - LfL growth in Concessions and Pubs
  - LfL decline in Leisure
- Catch-up action on underperforming sites – 33 to close
- Operating strategy review update – issues are fixable
  - Strong stable of brands
  - But significant errors made
- New executive team appointed
- Confidence in the future

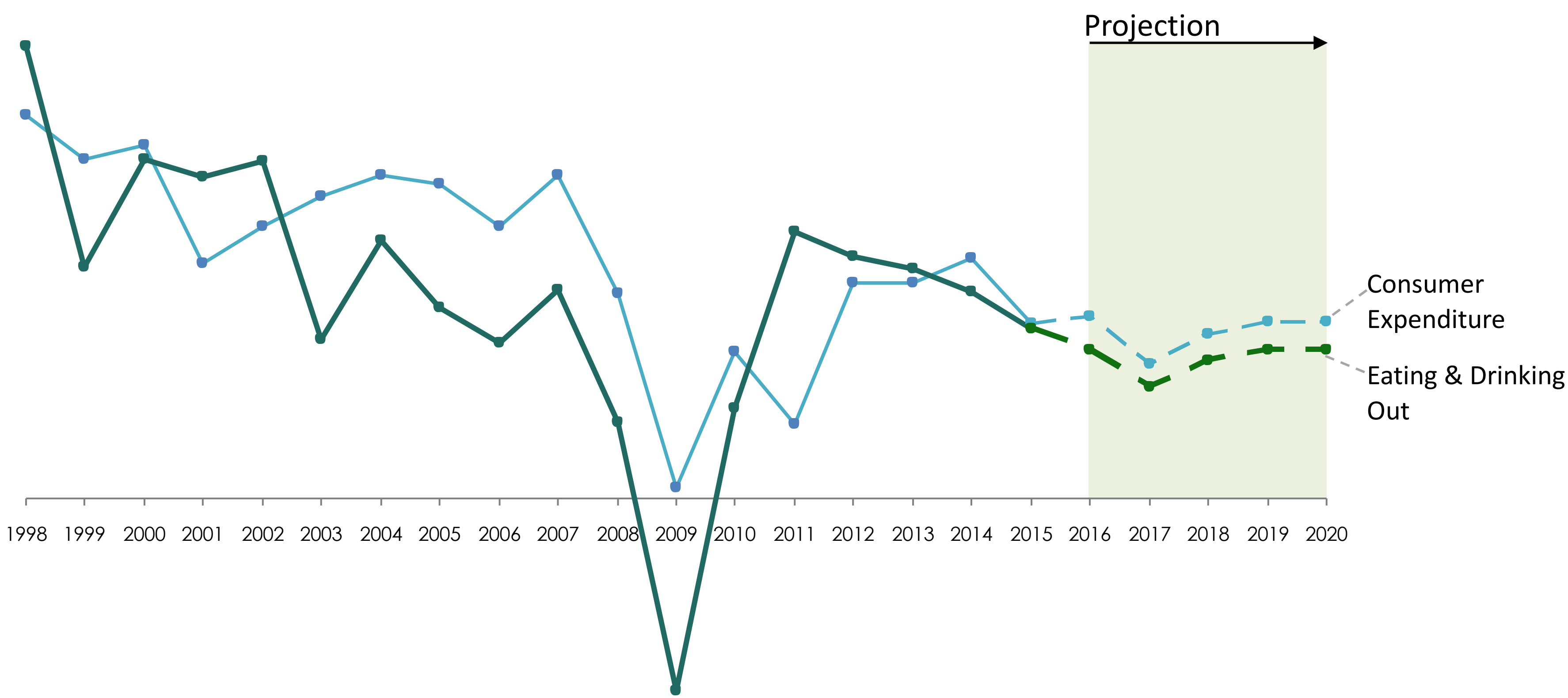
Operational Strategy Review

Our approach to the review

- Led by the Board
- Input from external consultants
- Extensive, data-driven review underpinned by consumer research
- Focus to date primarily on Frankie & Benny's
- Now in "Test and Learn" phase
- Next phase: other Leisure brands

Eating out market growth expected to continue

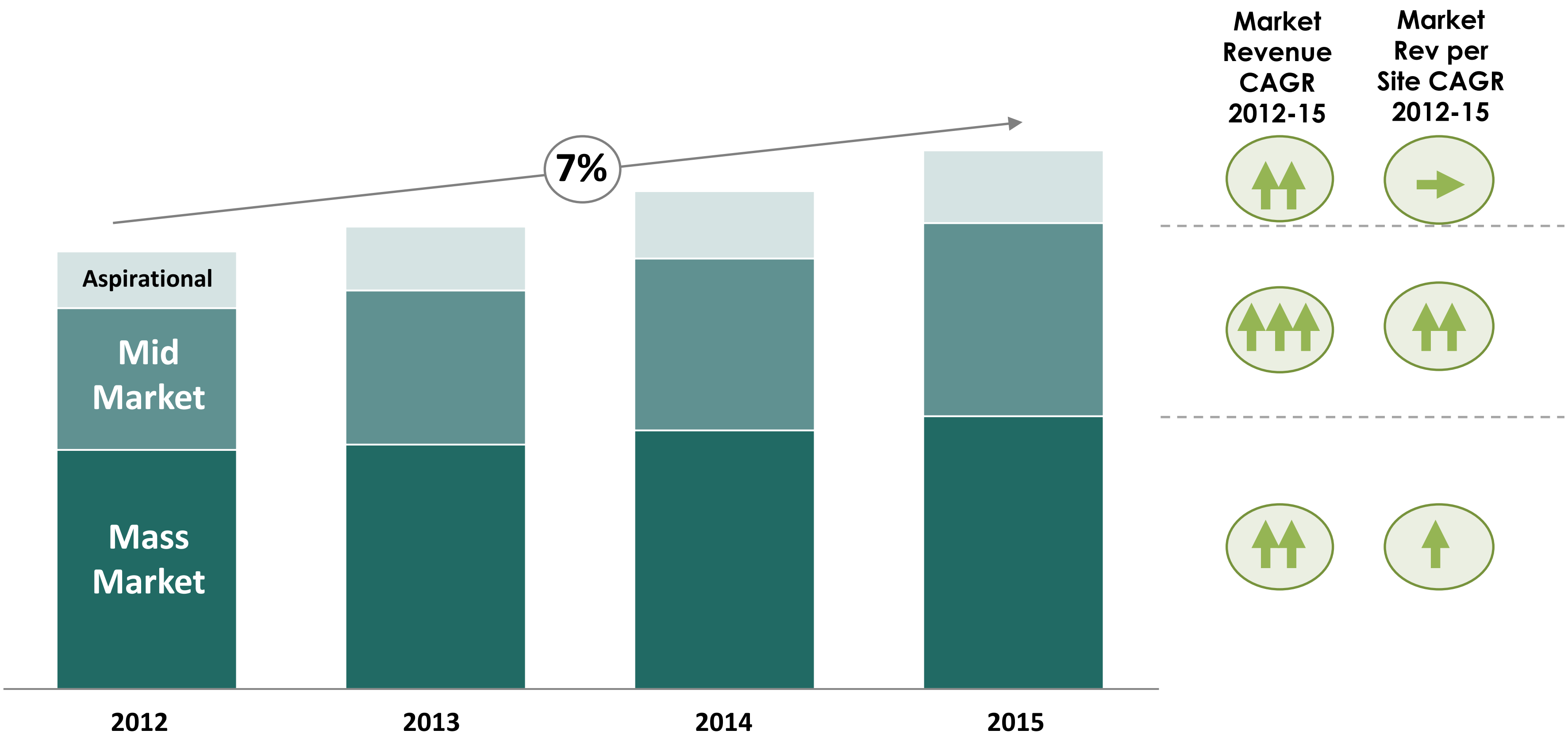
Year-on-Year Growth Rate



Source: OC&C analysis

Casual Dining outperforming overall eating-out market

Casual Dining & Branded Pubs Market



Source: OC&C analysis

Drivers of our underperformance

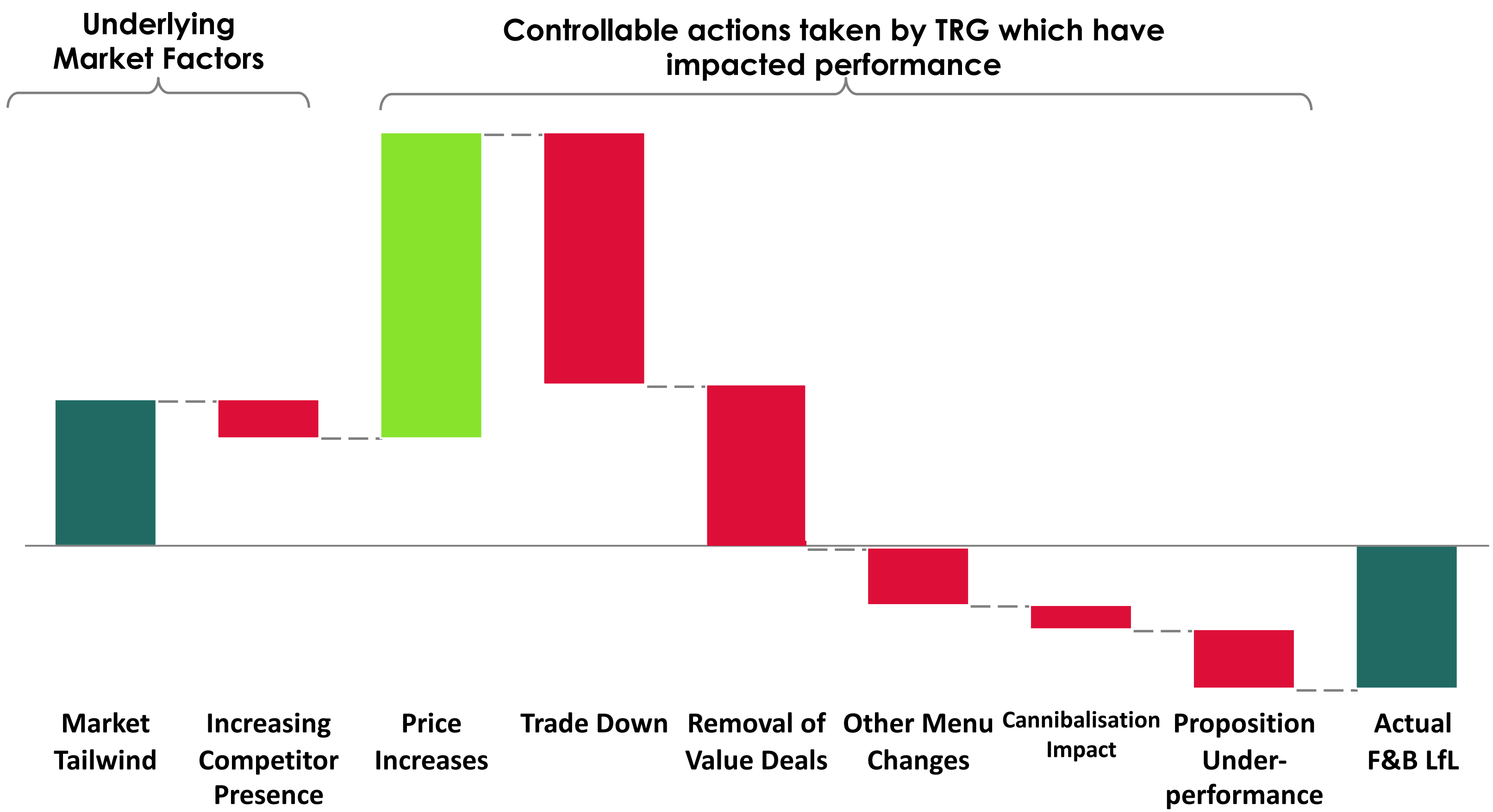
- Competition has been growing – but not the major driver

- Three key drivers

1. Loss of value credentials
2. Poor menu changes
3. Lack of operational discipline

These factors explain much of F&B's LfL under-performance

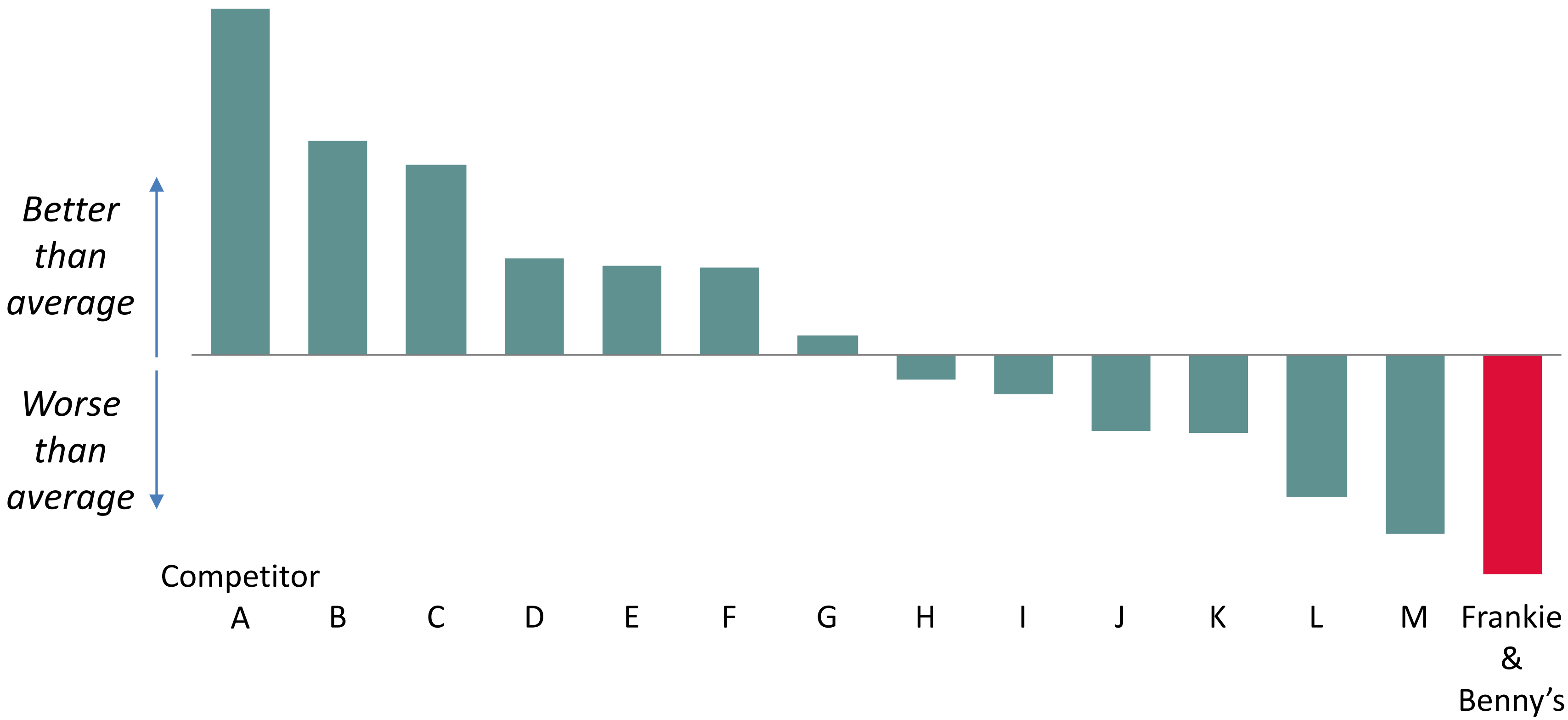
F&B's % LfL Sales, 2012-2016 YTD



Source: OC&C analysis

Lack of operational discipline led to inconsistent customer experience

Customer Rating on Consistency of Experience – vs Market Average Rating

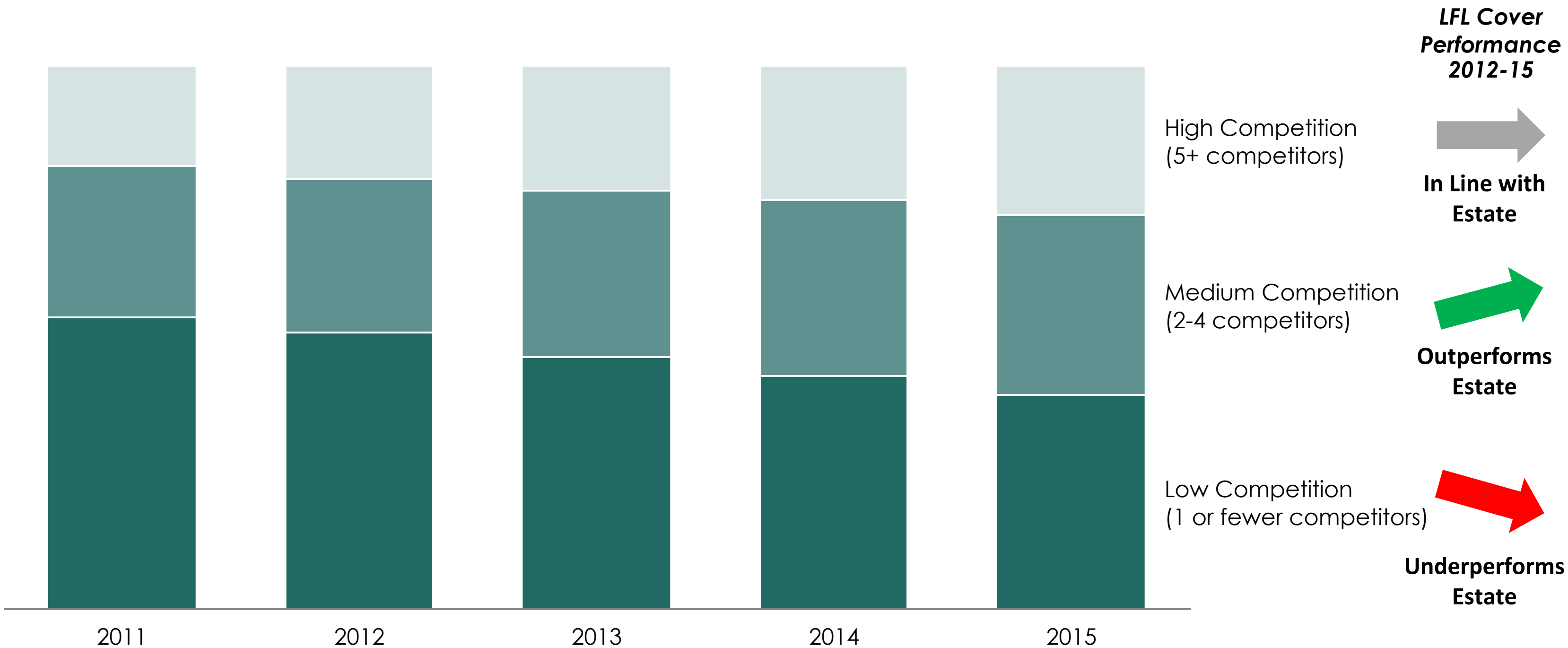


Source: OC&C analysis

Increasing competition not the major factor in F&B's LfL performance

Number of F&Bs by Level of Competition within 500m

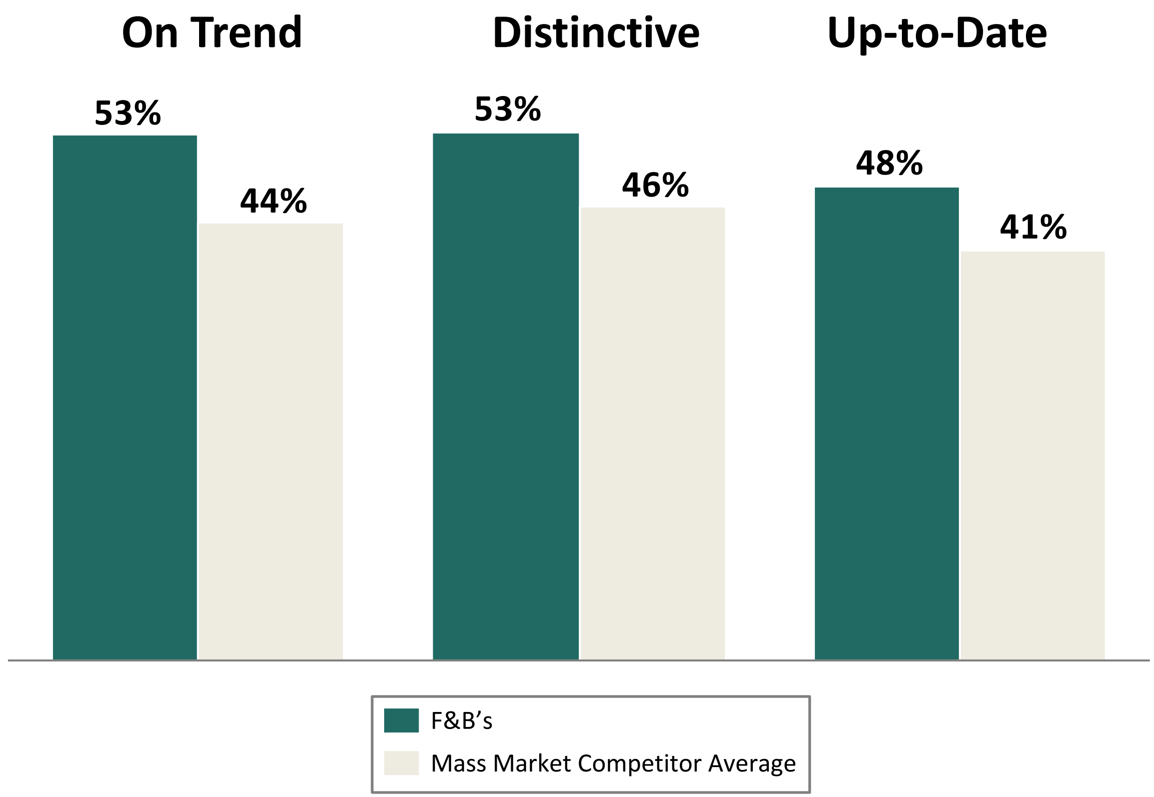
Frankie & Benny's Sites Opened pre 2012 Only



Average # Competitors	3.0	3.4	3.8	4.1	4.5

F&B's brand and concept remain well loved

How Customers see F&B's vs Mass Market Competitors[1]
% who agree / strongly agree about Brand

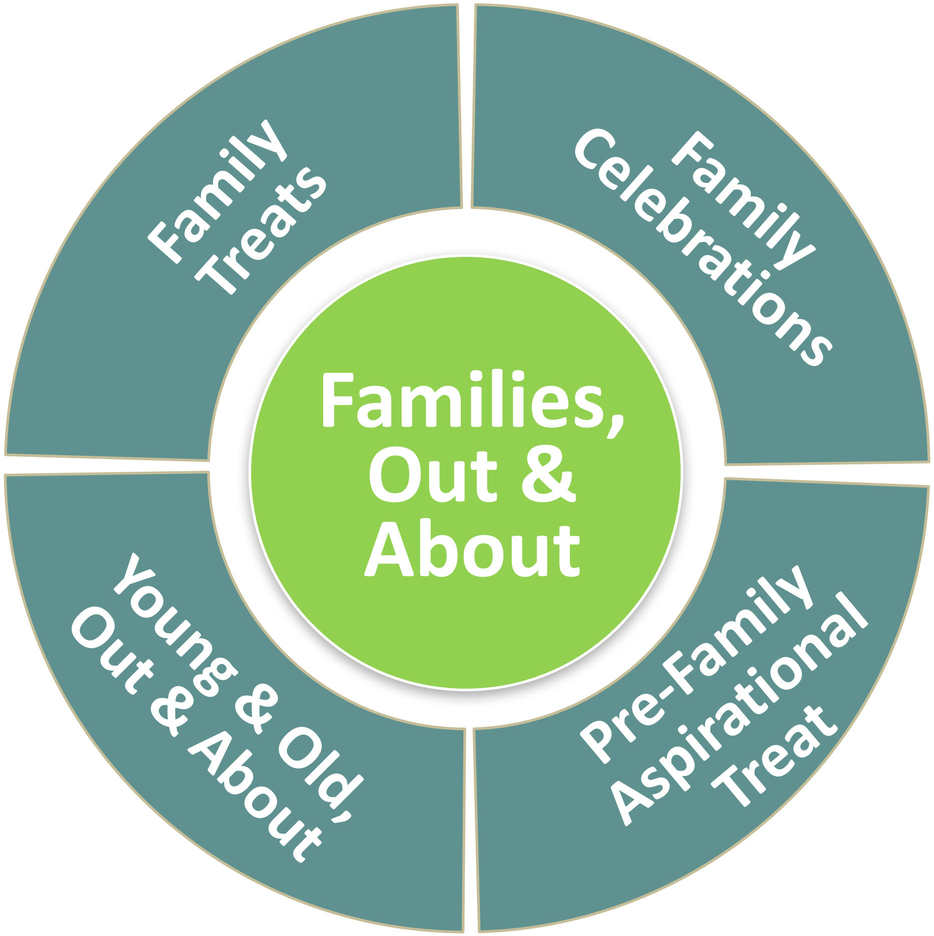


Brand continues to be relevant and distinctive vs the competition

1. Q: To what extent do you agree that about the following with regards to these brands? (n=736, F&B), (n=3,732, Mass Market)

Source: OC&C analysis

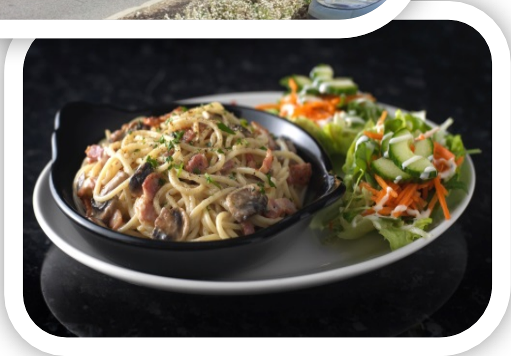
Greater clarity on our target customers & occasions



- Trialling
- Learning

So what next for F&B's?

- Brand positioning understood
- Fix pricing and menu
- Testing and trialling value offers
- Putting popular dishes back on menu
- New MD started in June
- Operational discipline
- Technology upgrade
- Confident there remains scope for roll-out



Chiquito: preliminary findings

- Well liked by customers
- Some mistakes made – similar to F&B's
- Continue to refine offer
- Confident in scope for further roll-out

Coast-to-Coast: preliminary findings

- Concept is competitive
- Some mistakes made – similar to F&B's
- Expect to refine aspects of proposition
- For now, slowing down roll-out

COAST TO COAST
AMERICAN RESTAURANT & BAR

Pubs and Concessions

Pubs

- Clear differentiation
- Strong food offer, individuality of site and local relevance

Concessions

- Brand innovation
- Expert operators

Summary

- Operating strategy review
  - Strong stable of brands
  - Clear action plan for F&B's
  - Next phase addressing other Leisure brands
- New CEO
  - Prioritise and implement action plan
  - Instil a stronger customer focus

Barry Nightingale

Chief Financial Officer

Financial highlights - 27 weeks vs 27 weeks

	2016 HY £m	2015 HY £m	% Change
Revenue	**358.7**	346.9	+3.4%
Like-for-like %			**(3.9%)**
Profit before taxation - trading	**36.6**	38.0	(3.7%)
Exceptional charge	(59.1)	-	
Profit before taxation	(22.5)	38.0	
Earnings per share*	**14.3p**	14.7p	(3.0%)
Dividend per share	**6.8p**	6.8p	-

Free Cash Flow**	**35.8**	44.3	(19.2%)
New Sites	**7**	12	

* Adjusted (pre-exceptional charge)

** 26 week period in 2015

Income statement - 27 weeks vs 27 weeks

	2016 HY £m	2015 HY £m	% Change
Revenue	**358.7**	346.9	+3.4%
EBITDA*	**59.6**	59.3	+0.5%
*%**	***16.6%***	*17.1%*	
EBIT / Operating profit*	**37.5**	39.2	(4.4%)
*Operating margin %**	***10.5%***	*11.3%*	
PBT*	**36.6**	38.0	(3.7%)
*%**	***10.2%***	*11.0%*	
PAT*	**28.5**	29.5	(3.3%)
*%**	***8.0%***	*8.5%*	
EPS*	**14.3p**	14.7p	(3.0%)
*Adjusted (pre-exceptional charge)			

Cost inflation update

- Food and beverage input costs
  - Minimal levels of inflation, 1% in 2016
  - The annualised impact of a 1% increase is £1.5m
- Labour costs
  - National Living and Minimum Wage April 2017 increase to be announced in Autumn statement
  - The annualised impact of a 1% increase in the National Living/Minimum Wage is £0.7m
- Utilities
  - Electricity contracts fixed until October 2017, main gas contract fixed until April 2018
  - The annualised impact of a 1% increase is £0.3m
- Rents
  - Continued modest upward pressure on five yearly rent reviews
  - The annualised impact of a 1% increase is £0.9m

Capital expenditure & development

	2016 HY £m	2015 HY £m
Development expenditure - opened	**6.3**	6.7
Development expenditure - pipeline	**6.5**	7.7
Refurbishment & maintenance expenditure	**15.7**	6.8
Total fixed asset additions	**28.5**	21.2
Number of new units	**7**	8

Full year expectations are for 24-28 new openings

Cash flow

	2016 HY £m	2015 HY £m
Operating Profit	**37.5**	**38.1**
Working capital & non-cash adjustments	**1.3**	2.6
Depreciation	**22.1**	19.3
Net Cash flow from operations	**60.9**	60.0
Net interest paid	**(0.4)**	(0.7)
Tax paid	**(9.0)**	(8.2)
Maintenance capital expenditure	**(15.7)**	(6.8)
Free cash flow	**35.8**	44.3
Development capital expenditure	**(12.8)**	(14.4)
Movements in capital creditors	**(10.5)**	(8.7)
Purchase of shares	**-**	(1.7)
Other items	**1.6**	1.1
Change in net debt	**14.1**	20.6
Net bank debt at start of period	**(28.4)**	(38.6)
Comparable net bank debt at end of period	**(14.3)**	(18.0)
Dividend paid	**(21.3)**	-
Net bank debt at end of period	**(35.6)**	(18.0)

Balance sheet and key ratios

Balance Sheet	As at 3 July 2016 £m	As at 28 June 2015 £m
Non-current assets	**394.8**	396.6
Current assets	**35.4**	33.2
Total assets	**430.2**	429.8
Current liabilities	**(121.2)**	(114.5)
Non-current liabilities	**(69.7)**	(42.3)
Net assets	**239.3**	273.0
Comparable net bank debt	**(14.3)**	(18.0)

- Revolving £140m credit facility committed to June 2020
- Fixed charge cover (6 months): 2.4x (2015: 2.5x)
- EBITDA interest cover (6 months) : 68x (2015: 50x), *Covenant* >4x
- Comparable net debt to EBITDA (rolling 12 months): 0.1x (2015: 0.2x), *Covenant* <3x

Restructuring & exceptional costs

	Units	Cost £m
Site closure	33	39.3
Site impairment	29	17.8
Support heads reorganisation		1.5
Operating strategy review		0.5
Total	**62**	**59.1**

The cash impact of the exceptional charge is £19m

2017 operating profit benefit is £6m-£8m

The annual sales of the closing sites is circa. £20m

Guidance

- 52 weeks adjusted PBT £74m-£80m
- 2016 is a 53 week year
- Development capital expenditure- £30m to £35m
- Maintenance capital expenditure- £28m to £32m

Debbie Hewitt

Chairman

Summary

Summary

- Good progress
- Board strengthened
- Decisive action taken on underperforming sites
- Refining and re-focusing the F&B's proposition
- Balance sheet remains strong
- Interim dividend maintained at last year's level
- Outlook:
  - Challenging trading environment
  - No change to guidance

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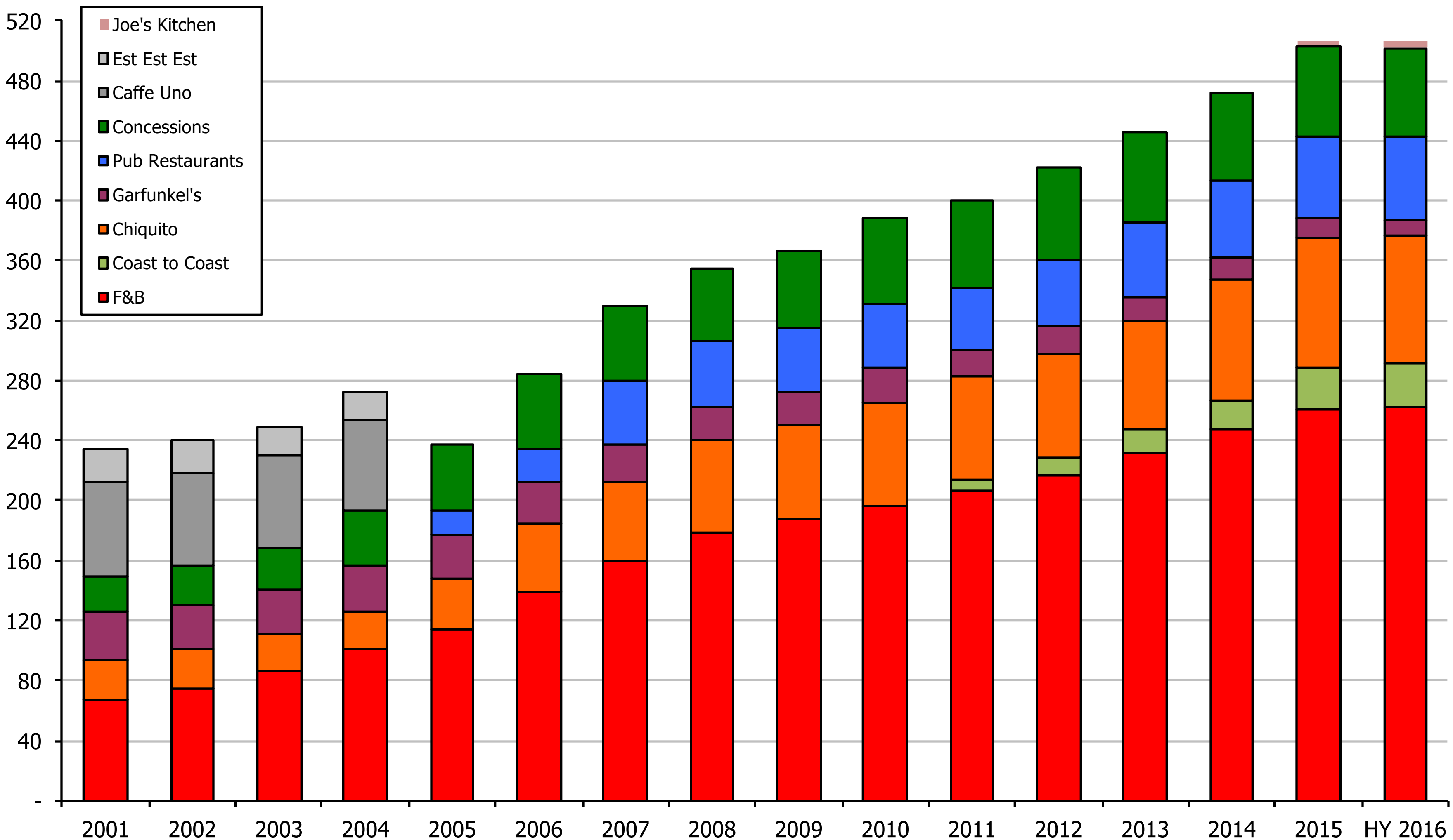
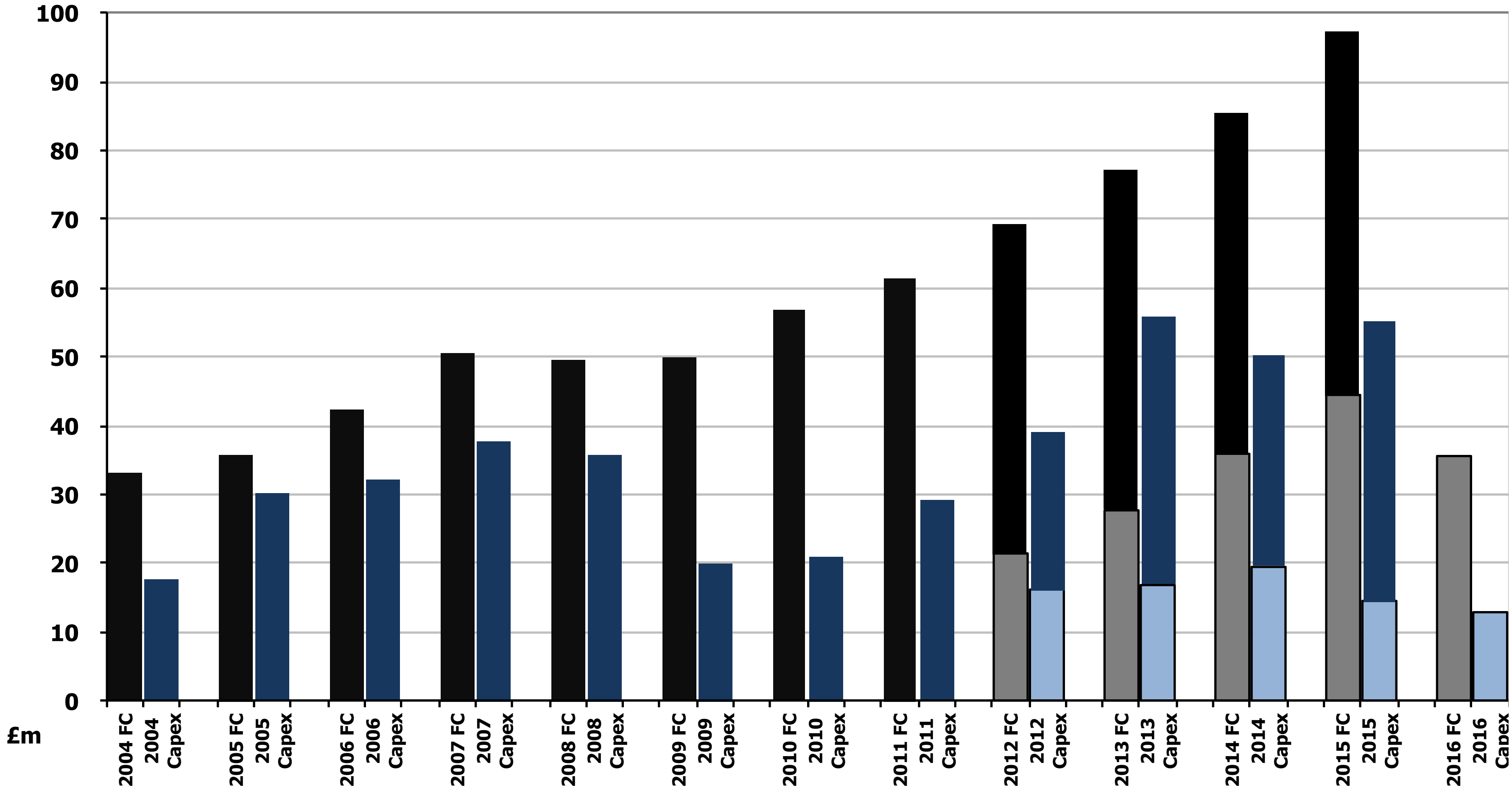
Appendices

Estate development – 2001 to 2016

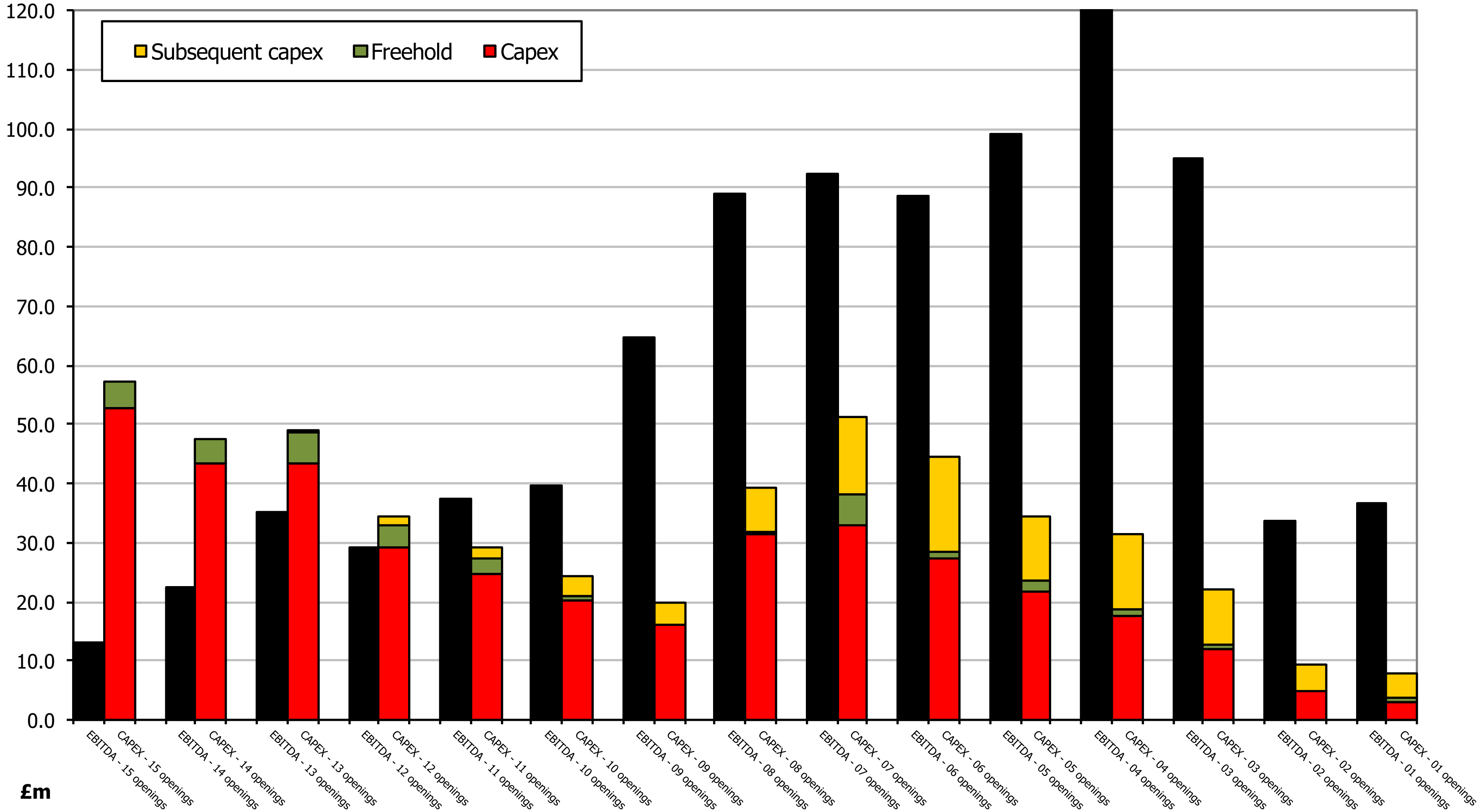


Strong cash generation

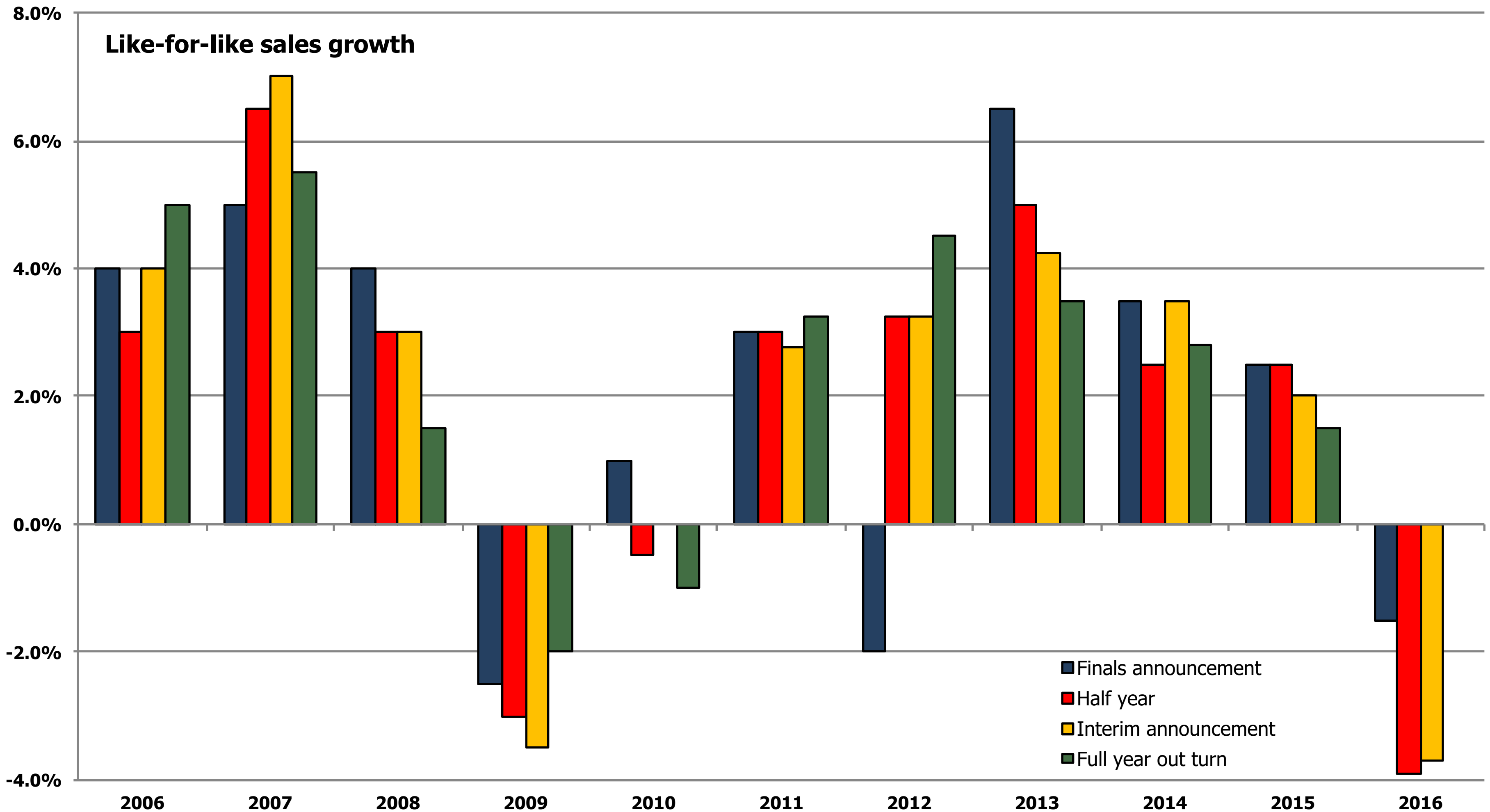
Cash generation and capital spend: 2004 - 2016



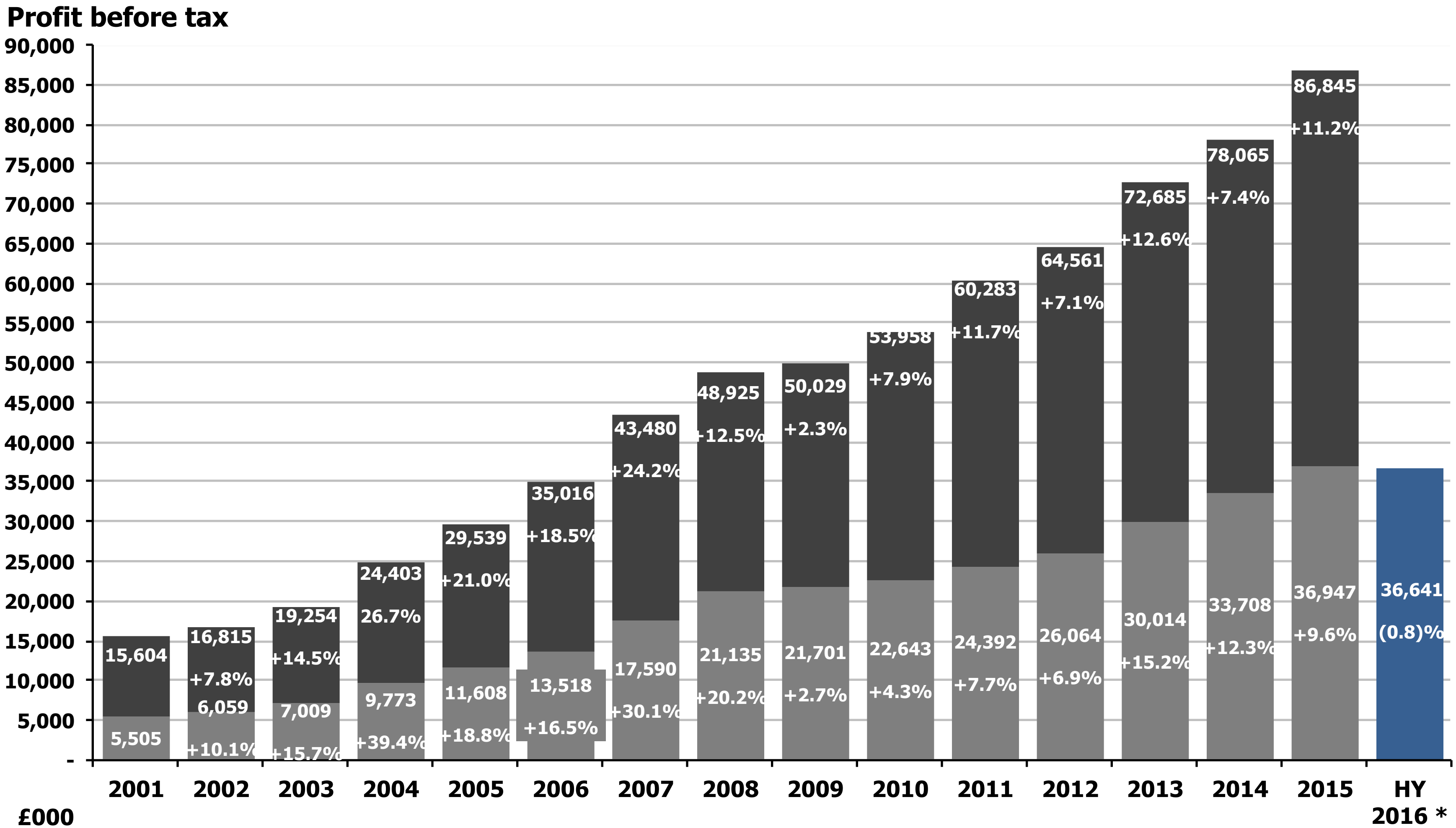
Focused on driving returns on investment



Like-for-like sales (by announcement date)



Profit track record



*HY 2016 is the 27 week statutory profit figure

Dividend track record