

Half year results presentation

26 Weeks to 2 July 2017

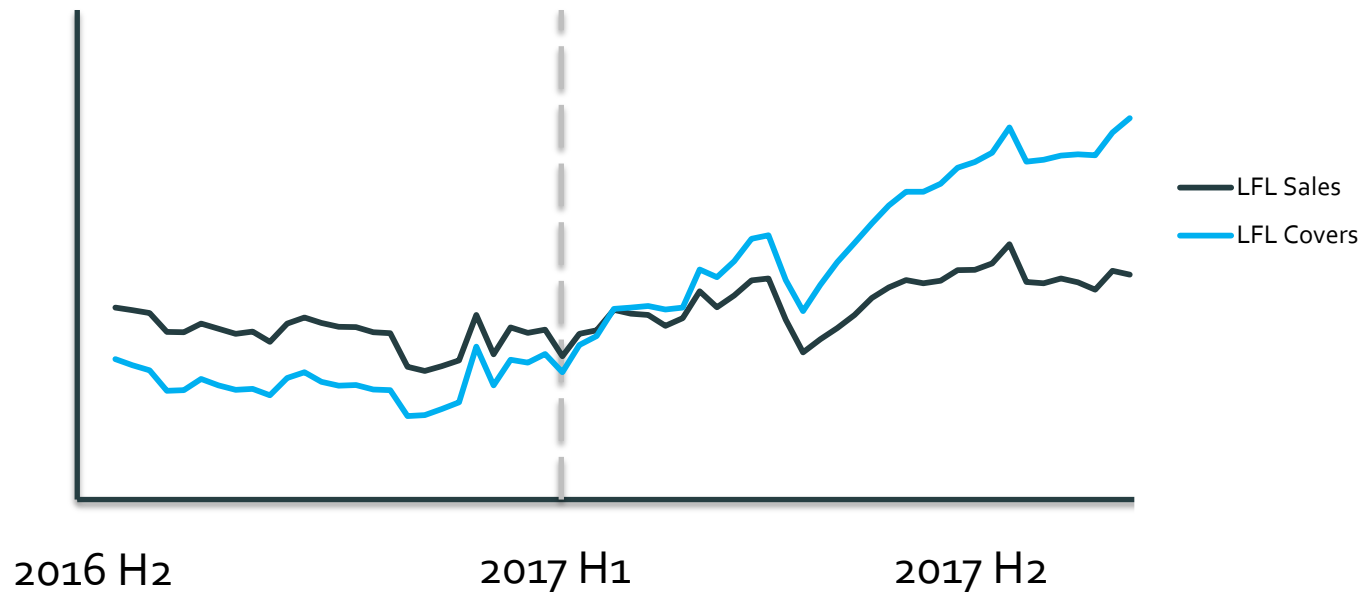
Good progress on strategic initiatives

- Fundamentally improved value positioning and food offer in Frankie & Benny's
- Restaurant technology roll-out complete, facilitating serving customers better
- Healthy pipeline of opportunities to advance growth in Pubs and Concessions
- Good progress on cost reduction
- Team strengthened

Early signs of improved volume momentum within our Leisure business

Leisure business

YoY, 6 month moving average



Financial review

Financial highlights

	2017 HY 26 weeks £m	2016 HY 27 weeks £m	% Change
Revenue	333.1	358.7	(7.1%)
Like-for-like %			(2.2%)
EBITDA*	44.3	59.6	(25.7%)
<i>EBITDA margin %*</i>	13.3%	16.6%	
EBIT / Operating profit*	26.5	37.5	(29.5%)
<i>Operating margin %*</i>	7.9%	10.5%	
PBT*	25.5	36.6	(30.4%)
Earnings per share*	10.0p	14.3p	(30.0%)

* Adjusted (pre-exceptional charge)

Total sales decrease on a 26 week basis is (1.9%)

- FY 2017 COGS margin expected to be between 1.5% to 1.8% adverse to FY16 reflecting impact of new menus and promotional activity

Exceptional charges

	Property provisions £m	Impairment of property, plant & equipment £m	Restructuring costs £m	Total £m
Closed sites	(0.7)	0.4	-	(0.3)
Distressed/closure sites	5.1	3.9	-	9.0
Change in discount rate assumption	9.8	-	-	9.8
Restructuring	-	-	4.2	4.2
2017 HY Exceptional charge	14.2	4.3	4.2	22.7

- 3 sites identified for closure

Cost headwinds

2017 cost headwinds

	£m
NLW / NMW / Apprentice levy	4
Rent and rates	5
Purchase cost inflation	6
Utilities	2
Total	17

2018 statutory/contractual cost headwinds

	£m
NLW / NMW / Apprentice levy/Auto-enrolment	5
Rent and rates	4
Sugar tax	1
Utilities	3
Total	13

- Underlying purchase cost inflation for 2018 currently anticipated to be c.£4m
- 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

	2017 HY £m	2016 HY £m
Development expenditure - opened sites	9.7	6.3
Development expenditure - H2 openings spend to date	1.5	6.5
Refurbishment and maintenance expenditure	4.4	15.7
Technology investment	4.3	-
Total fixed asset additions	19.9	28.5
Number of new units	12	7

- Full year expectations are for 18 to 20 new openings with development capital expenditure of £18m to £20m
- 2017 refurbishment and maintenance expenditure (including technology) of c.£20m
- Openings in 2018 expected to be between 10 and 20

Cash flow

	2017 HY £m	2016 HY £m
Adjusted operating profit*	26.5	37.5
Working capital and non-cash adjustments	1.5	1.3
Depreciation	17.8	22.1
Cash inflow from operations	45.8	60.9
Net interest paid	(0.3)	(0.4)
Tax paid	(1.7)	(9.0)
Maintenance capital expenditure	(8.7)	(15.7)
Free cash flow	35.1	35.8
Development capital expenditure	(11.2)	(12.8)
Movement in capital creditor	(2.2)	(10.5)
Utilisation of property provisions	(7.0)	-
Restructuring costs	(5.5)	-
Other items	(0.2)	1.6
Cash inflow	9.0	14.1
Net bank debt at start of period	(28.3)	(28.4)
Comparable net bank debt at end of period	(19.3)	(14.3)
Dividend paid	-	(21.3)
Net bank debt at end of period	(19.3)	(35.6)
* Adjusted (pre-exceptional charge)		

Balance sheet and key ratios

Balance Sheet	As at 2 July 2017 £m	As at 1 January 2017 £m
Net assets	190.5	209.4
Net bank debt	(19.3)	(28.3)

- Revolving £140m credit facility committed to June 2020
- Fixed charge cover (6 months): 2.1x (2016: 2.4x)
- EBITDA interest cover (6 months) : 60x (2016: 68x), covenant >4x
- Net debt to EBITDA (rolling 12 months): 0.2x (2016 0.1x), covenant <3x

Dividend	2017 HY	2016 HY
Interim dividend	6.8p	6.8p

- Interim dividend maintained reflecting the Board's confidence in 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 our Leisure brands

Progress to date

Next steps



- New core menu rolled out – highly competitive value positioning, improved food offer
- More competitive £9.95 two course fixed price menu
- Distinctive new kids' menu rolled out
- Improved marketing and affiliate presence



- Further menu improvements
- Innovative new product development on trial
- Marketing re-launch towards end of year
- Piloting restaurant 'capital refresh'



- Two-tier value menu launched
- Trial menu launched in 20 sites
- Affiliate partnerships launched
- Increased delivery penetration
- Change of leadership



- Roll-out of adapted menu to further 20 sites in September
- National roll-out thereafter
- Further delivery roll-out



- Improved recent trading momentum via discounting
- Opened pilot site for a new concept



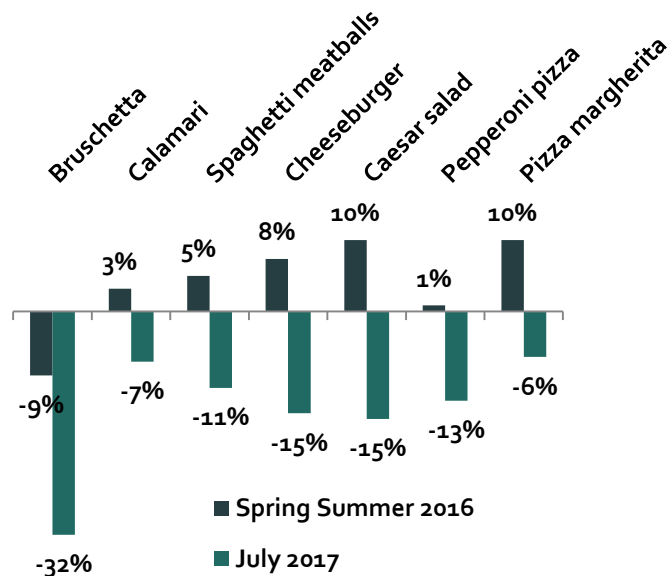
- Apply learnings from pilot
- Potential reformatting of further sites

Re-establishing competitiveness of Frankie & Benny's

Restored value credentials

- Mains entry prices reduced by 22%
- LFL mains prices reduced by 7% / volume up by 7%
- Fixed price £9.95 menu continues to perform well

Pricing relative to casual dining competitors



Competitor Set: Bella Italia, Pizza Express, Zizzi, Prezzo, TGIF
Sources: MCA, company websites

Improved food offer

Old menu



New menu



New sharing options



New dishes introduced



Marketing to attract back lapsed customers



Frankie & Benny's case study: Kids' menu

Old kids' menu

Juniors Menu £7.75

For younger diners with a larger appetite!
Includes soft drink and dessert.

SPAGHETTI BOLOGNESE PLATTER
A generous bowl of spaghetti, topped with our special meaty bolognese sauce. Served with toasted garlic ciabatta and your choice of vegetables, baked beans or salad.

WRAP IT UP CHICKEN
Build your own way with crispy fried chicken bites with diced tomato, cucumber, carrot and baby gem lettuce, served with a warm tortilla, pot of cheddar cheese and BBQ sauce on the side - get creative!

RIBS & FRIES
A half rack of juicy pork ribs glazed with our special BBQ sauce, and a side of golden fries. Served with your choice of vegetables, baked beans or salad.

MARGHERITA PIZZA & 3 TOPPINGS
A delicious pizza topped with creamy mozzarella and special pizza sauce with your choice of 3 extra toppings: pepperoni, bacon, chicken, ham, red onion, roasted red pepper, mushrooms, sweetcorn, pineapple or diced toad.

SKETCH'S HOT DOG
A tasty hot dog in a toasted bun served with golden and a pot of fried red onions. Served with your choice of vegetables, baked beans or salad.

CHICKEN PASTA
Penne pasta and grilled fresh chicken breast pieces, with your choice of tasty Neapolitan or creamy cheese sauce. Served with toasted garlic ciabatta and your choice of vegetables, baked beans or salad.

Have you received your FREE activity pack?

BUILD-A-BURGER! FRESH CHICKEN BREAST or DOUBLE BEEF BURGER
Pick a sauce!
* Mayo • BBQ Sauce • Ketchup

Add as many toppings as you like:
• Baby Gem Lettuce • Cheese • Tomato • Pineapple • Bacon

Pick a free side order of vegetables, baked beans or salad.

Turn to the back for yummy desserts and drinks

- New menu rolled out in June following customer testing
 - Better value
 - Much improved food offer
 - Easier / more impactful navigation

New kids' menu

NEW KIDS' MEAL BUNDLE

CHOOSE A MAIN, 2 SIDES, DESSERT & DRINK

SMALLER 4.45 OR BIGGER 7.45

STARTERS

95P EACH

MINI GARLIC BREAD ☺
TOMATO SOUP ☺
Served with cheese balls

3 DOUGH BALLS ☺
Served with a garlic dip

VEGGIE SKEWERS ☺
Cherry tomato, cucumber and pepper

BABY FOOD Ella's Foodies

1.95 EACH

From 7 months +
CHICK-CHICK-CHICKEN CASSEROLE WITH RICE

From 10 months +
LIP-SMACKING SPAG BOL

1 SMALLER MAINS OR **BIGGER MAINS**

CRISPY BATTERED COD/ GOULIONS
100% chicken breast

MINI GRILLED CHICKEN SKEWERS
100% chicken breast

CHEESY TOMATO PIZZA DUO
OZZO, TWO TOPPINGS: Pepperoni • Pineapple • Sweetcorn • Chicken • Ham • Bacon

PICCOLO SPAGHETTI & MEATBALLS ☺
Our delicious pork & beef meatballs!

PICCOLO SPAGHETTI BOLOGNESE ☺
Have it plain if you prefer a simple tomato sauce ☺

MAC 'N' CHEESE SAIL BOAT ☺

MINI SLIDER BURGER DUO
OZZO, TWO: Chicken • Beef
Served with baby gem lettuce and tomato leaf chaps. Want to add cheese for FREE?

MINI MEATBALL BURGER DUO
Our pork & beef meatballs with grated cheese and tomato sauce

MINI HOT DOG DUO

STICKY BBQ PORK RIBS
CRISPY CHICKEN NUGGETS
100% chicken breast

MINI GRILLED CHICKEN SKEWERS
100% chicken breast

SPAGHETTI & MEATBALLS ☺
Our delicious pork & beef meatballs!

SPAGHETTI BOLOGNESE ☺
Have it plain if you prefer a simple tomato sauce ☺

BACON MAC 'N' CHEESE
MINI SLIDER BURGER TRIO
OZZO, TWO: Chicken • Beef
Served with baby gem lettuce and tomato leaf chaps. Want to add cheese for FREE?

MINI MEATBALL BURGER TRIO
Our pork & beef meatballs with grated cheese and tomato sauce

MINI HOT DOG TRIO

2 SIDES CHOOSE 1 OF EACH

VEGGIES

CORN ON THE COB ♥

BAKED BEANS ♥

PEAS ♥

FINE BEANS ♥

MIXED SALAD ♥

CARBS

FRIES

SWEET POTATO FRIES

WAFLE FRIES

BABY BAKED POTATOES

GARLIC BREAD

3 DESSERTS

MOVIE MAGIC BROWNIES
Served with vanilla ice cream, whipped cream, chocolate sauce and popcorn!

CHOCOLATE FUDGE SUNDAE
Topped with a **Curly Wurly**

FRESH FRUIT & VANILLA ICE CREAM CONE
Fresh fruit pieces perfect to dip in milk chocolate sauce

FRUIT SKEWERS WITH CHOCO DIP ♥
Fresh fruit pieces perfect to dip in milk chocolate sauce

MINI CHEESECAKE
Made with **GOAT** cookies and served with vanilla ice cream

SMOOTHIE LOLLY
Frozen mango & passion fruit yoghurt smoothie lolly

MINI STRAWBERRY BREAKSHAKE
Topped with a sugared doughnut

ICE CREAM SLIDERS
Your favourite ice cream in mini doughnuts

CHOOSE FROM:
• Vanilla
• Chocolate
• Strawberry

4 DRINKS

FRUIT JUICES - CHOOSE FROM: **ORANGE** • **APPLE** • **CRANBERRY** • **KID'S FRUITY SMOOTHIES**

FRUITY SUNRISE
Orange juice, apple juice and grenadine

APPLE TWILIGHT
Apple juice and blackcurrant

TUTTI SUNSET
Orange juice, raspberry syrup, grenadine and lemonade

MILK - CHOOSE FROM:
• **STRAWBERRY**
• **CHOCOLATE**
• **PLAIN**

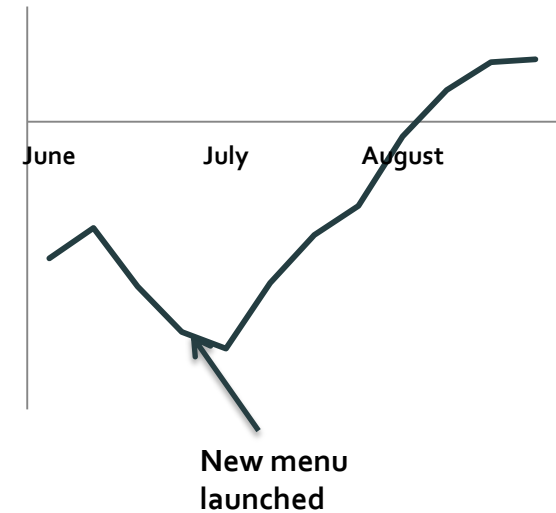
A range of sodas are available, please ask your server

UPGRADE YOUR DRINK FOR 1.45

FRUIT SHOOT
CHOOSE FROM: Orange • Apple & Blackcurrant

MVS ☺
CHOOSE FROM: Apple & Pear • Orange & Pineapple

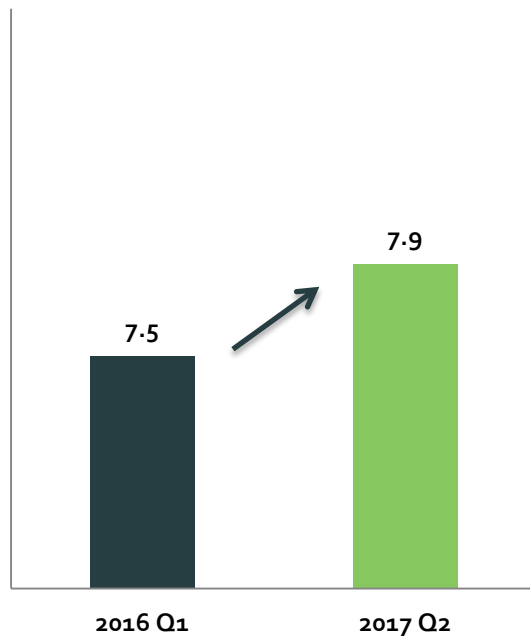
YoY LFL kids' menu covers



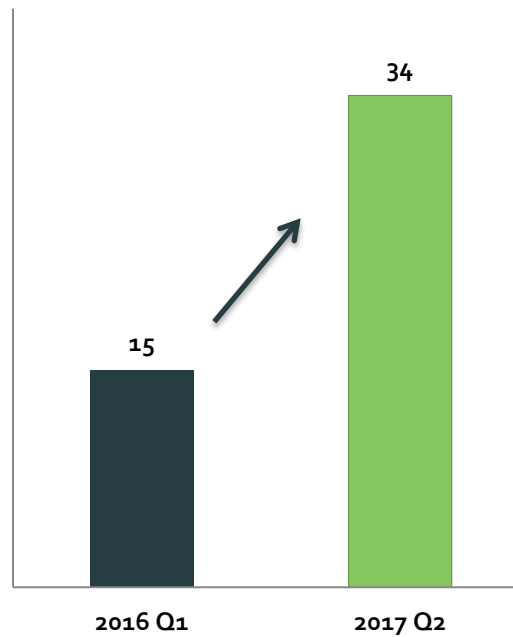
New menu launched

Early signs competitiveness is improving

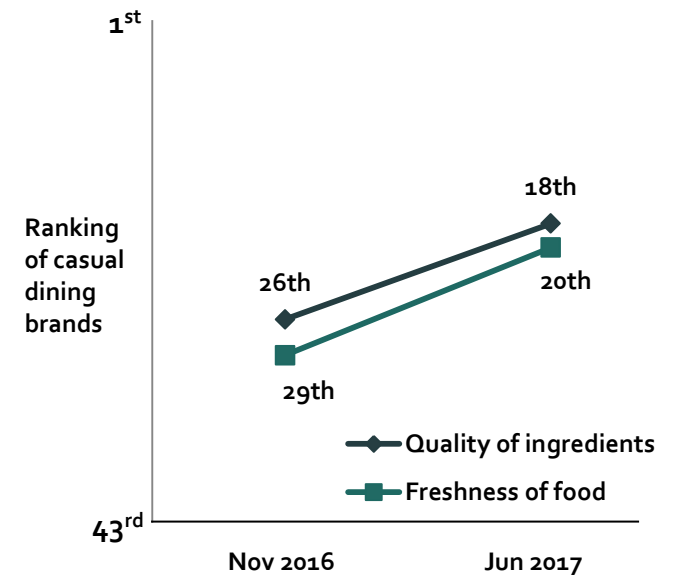
Value-for-money perception



Net promoter score



Food quality rankings



Source: MCA

Source: Morar/Brandvue
Ranked order of % satisfied with quality and freshness of food

Re-establishing competitiveness of Chiquito



- New fixed-price value menu performing well
- New menu:
 - Trial of new 'accessible' menu in 20 sites
 - Trial extending in September to half the estate
 - Full roll-out thereafter
- Increased penetration of delivery

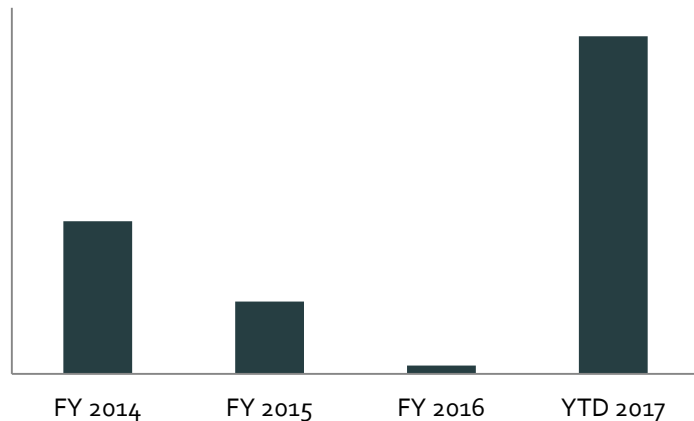
Original menu



Trial menu



Fixed-price value menu (% of sales)



Other Leisure brands



- Declining LFL sales but improved recent momentum as a result of discounting

FIREJACKS

- New brand proposition:
 - Emphasis on high quality steaks and burgers
 - Fries your way / sauce station
 - Open-fire flame grilled cooking
 - Highly competitive pricing
- Launched earlier this month in 1 pilot site, a converted Coast to Coast in Northampton



- Solid trading
- Not strategic priorities

Serving customers better and more efficiently

- **Completed deployment of new restaurant technology, enabling:**
 - Improved labour forecasting and scheduling
 - Increased bookings
 - Quicker ordering and payment processing / faster table turns (3% faster)
 - Increased attachment of side dishes (+12%)
- **Stripping out unnecessary back of house processing**
- **New service training in development for deployment in H2**
- **Upcoming trials of:**
 - Mobile order and pay
 - Click and collect
- **Planning customer facing digital upgrade for launch in 2018**

Growing our Pubs and Concessions businesses

- Strong trading performance
- Customer ratings 4.4/5
- Good success hosting community events
- 2 pubs opened
- Increased resources focused on growing the estate
- Number of prospects for new sites increasing



- Solid trading performance
- Opened new pub "The Smithfield" in Luton airport
- Secured a 7-year renewal term for one of the largest concessions at Heathrow
- Expect to secure several new concessions in H2



Build a leaner, faster and more focused organisation

Initiative

- **Central roles restructured (c.100)**
 - Head office roles reduced
 - Streamlined field ops structure
 - Investment in marketing, digital and analytical resources
- **Centralising purchasing to leverage scale of group**
 - Rationalisation of suppliers
 - Centralising logistics
- **Reduction in overheads**
 - Improved energy management
 - Improved supplier pricing

Stage of completion



2017 c.£10m savings
invested back into price,
product and marketing

Strengthened team and culture

Murray McGowan Leisure MD Joined Jun 17	Mary Willcock Pubs MD Joined 2014	Nick Ayerst Concessions MD Joined 2006	Kirk Davis CFO Joins Feb 18	Michael Healy CMO Joins Nov 17	Debbie Moore HRD Joined Jan 17	Lucinda Woods Strategy Joined Dec 16	Keith Janes Property Joined 2014
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- Analytical capability built out, enabling better and faster optimisation
- Employee engagement across the organisation is strong
- Cultural change underway towards a more customer centric and faster organisation

Summary

- 2017 a transitional year
- Progressing on track against a clear plan
- Customers are benefitting from better value and improved offering
- Early signs of improved volume momentum within our Leisure business
- Current trading in line with our expectations
- Maintenance of dividend reflects continued confidence in the plan