The Restaurant Group plc

Half year results presentation

26 Weeks to 1 July 2018

2018 H1 highlights

- Resilient performance in Leisure in spite of severe weather impacts
- Accelerated growth in Pubs and Concessions creating a more balanced Group

Leisure

- Good momentum despite challenging market conditions
- Continued improvements to customer proposition
- Optimising digital capability to improve customer experience
- Developing new 'off-trade' channels

Pubs

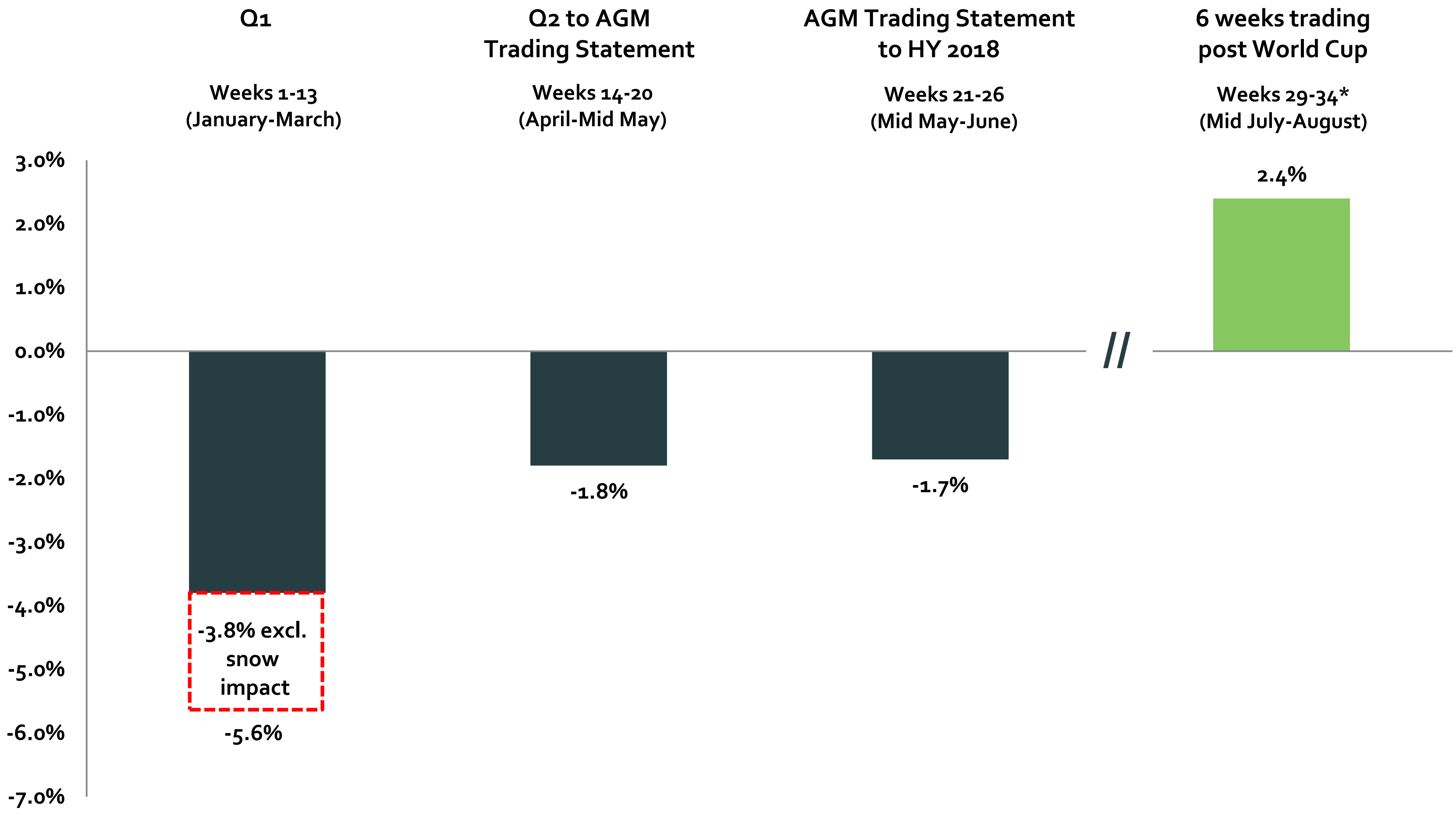
- Outperformance versus market continues
- Organic pipeline further strengthened
- Expansion accelerated through complementary acquisitions

Concessions

- Sales continue to outpace growth in passengers
- Further success in winning new space with at least 17 new units expected to open in FY18
- High proportion of existing space renewed on attractive terms

Improving sales momentum

Group like-for-like sales



* H2 8 week LFL's to 26 August (including last 2 weeks of the World Cup) were flat

Financial review

Financial summary

	2018 HY 26 weeks £m	2017 HY 26 weeks £m	% Change
Revenue	**326.1**	333.1	(2.1%)
Like-for-like %			**(3.7%)**
EBITDA*	**38.1**	44.3	(14.0%)
*EBITDA margin %**	***11.7%***	*13.3%*	
EBIT / Operating profit*	**20.9**	26.5	(21.0%)
*Operating margin %**	***6.4%***	*7.9%*	
PBT*	**20.1**	25.5	(21.0%)
Earnings per share*	**7.8p**	10.0p	(21.9%)

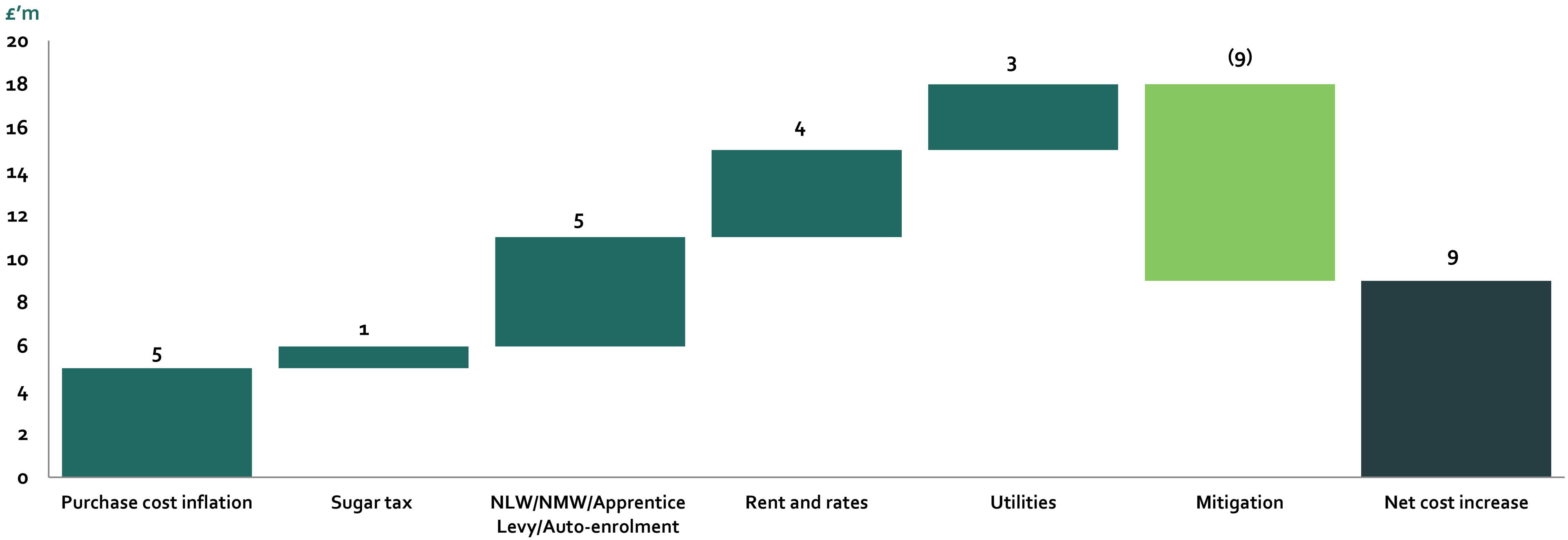
* Adjusted (pre-exceptional items)

Exceptional charges HY 2018

	Onerous lease provisions £m	Impairment of property, plant & equipment £m	Total £m
Closed sites	(3.5)	-	**(3.5)**
Distressed/closure sites	5.8	6.2	**12.0**
HY 2018 Exceptional charge	**2.3**	**6.2**	**8.4**

- Successfully exited 29 out of 41 closed sites at a lower than expected cost
- 12 sites identified for closure in 2018 following disciplined management review
- 12 sites identified for impairment due to trading conditions in specific locations

Cost headwinds FY2018



- Mitigating at least 50% of 2018 cost increases:
  - Improved purchasing through better group buying offsetting some commodity inflation
  - Better labour deployment via continuous refinement of labour models and improved scheduling accuracy
  - Successes in challenging landlords on rent reviews
- We expect continued cost headwinds in 2019 primarily through purchase costs, labour inflation, rent, business rates and utilities

Capital expenditure and development

	2018 HY £m	2017 HY £m
Development expenditure	**11.3**	11.2
Refurbishment and maintenance expenditure	**8.9**	8.7
Total fixed asset additions	**20.2**	19.9
Number of new units	**16**	12

- Expect to open at least 39 new sites in FY18 with capital expenditure of £45m - £50m:
  - 21 pubs including the acquisition of "Food & Fuel Ltd" and "Ribble Valley Inns Ltd"
  - 17 Concessions sites
  - 1 Leisure site
- 2018 refurbishment and maintenance capital expenditure expected to be between £20m to £25m
- Openings in 2019 expected to be between 10 and 15 and will be predominately within Pubs and Concessions

Cash flow

	2018 HY £m	2017 HY £m
Adjusted operating profit*	**20.9**	26.5
Working capital and non-cash adjustments	**(12.5)**	1.7
Depreciation	**17.2**	17.8
Cash inflow from operations	**25.6**	46.0
Net interest paid	**(0.4)**	(0.3)
Tax paid	**(2.1)**	(1.7)
Maintenance capital expenditure	**(8.9)**	(8.7)
Free cash flow	**14.2**	35.3
Development capital expenditure	**(11.3)**	(11.2)
Movement in capital creditor	**1.7**	(2.2)
Utilisation of onerous lease provisions	**(5.7)**	(7.0)
Exceptional restructuring costs	**-**	(5.5)
Other items	**(0.1)**	(0.4)
Cash inflow	**(1.2)**	9.0
Net bank debt at start of period	**(21.6)**	(28.3)
Net bank debt at end of period	**(22.8)**	(19.3)

** Adjusted (pre-exceptional items)*

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Balance sheet and key ratios

Balance Sheet	As at 1 July 2018 £m	As at 31 December 2017 £m
Net assets	188.9	201.9
Net bank debt	(22.8)	(21.6)

- Revolving £140m credit facility committed to June 2020
- EBITDA interest cover (6 months): 65x (2017: 60x), covenant >4x
- Fixed charge cover (6 months): 1.9x (2017: 2.1x)
- Net debt to EBITDA (rolling 12 months): 0.3x (2017: 0.2x), covenant <3x

Dividend	2018 HY	2017 HY
Interim dividend	6.8p	6.8p

- Interim dividend maintained reflecting the Board's continued confidence in progress against the plan

Business review

Strategic overview

Pubs | **Concessions** | **Leisure**

51% 2018* Group outlet EBITDA

- **Pubs:**
  - Attractive market dynamics
  - Market leading proposition and operations
  - Healthy organic pipeline
  - Potential for bolt-on acquisitions in premium sector
- **Concessions:**
  - Robust passenger growth
  - Airports investing in terminals, capacity and food and beverage offer
  - Capability strength creates high barriers to entry
  - Potential for non-airport UK growth and international airports

49% 2018* Group outlet EBITDA

- Exposure to structural retail decline
- Market overcapacity in a number of schemes
- Property costs out of synch with market conditions

↓

- Focused on developing differentiated propositions
- Increasing proposition exposure to healthy and convenient options
- Capitalising on "off-trade" as a disrupter / structural growth driver

****H1 2018 Outlet EBITDA***

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-establishing competitiveness of Frankie & Benny's: Case study

Value

- Re-established competitive pricing
- Value menus reintroduced
- Stronger affiliate presence driving reappraisal

Product

- Upgraded every menu
- Broader healthier range
- Increased vegetarian and vegan options

Brand

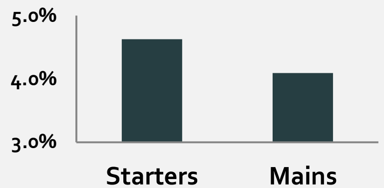
- Improved service proposition
- Improved apps, social media and CRM
- New brand visual identity

Environment

- Modern, brighter environment
- More seating flexibility to appeal to small and big groups

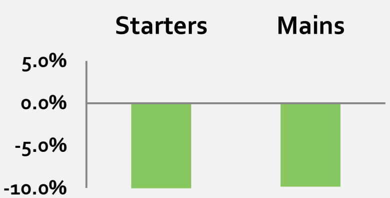
2 years ago

Pricing: Frankie & Benny's vs competitors*



Today

Pricing: Frankie & Benny's vs competitors*



Source: MCA menu tracker , company websites

**Basket of dishes compared to Bella Italia, Pizza Express, Zizzi, Prezzo, Ask Italian, TGI Fridays*

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Re-establishing competitiveness of other Leisure brands

CHIQUITO
RESTAURANT BAR & MEXICAN GRILL

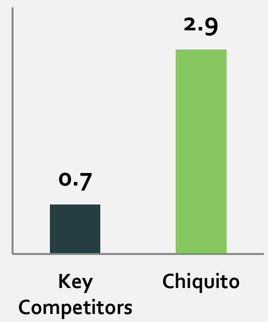
Activity

- New core menu launched at the end of January
- Improved operational talent
- Introduction of midweek value "taco" offer
- Rolled out significantly improved kids offering

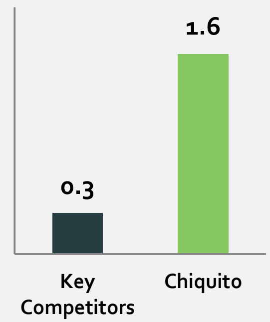
Progress to date

- Delivering better value and service to customers

Value for money improvement (out of 100)*



Quality of service improvement (out of 100)*



- Midweek value taco offer driving increased frequency

FIREJACKS
MEAT | FIRE | FRIENDS

Activity

- Now trading in 5 units following the conversion of a further 4 Coast- to-Coast sites during July

Progress to date

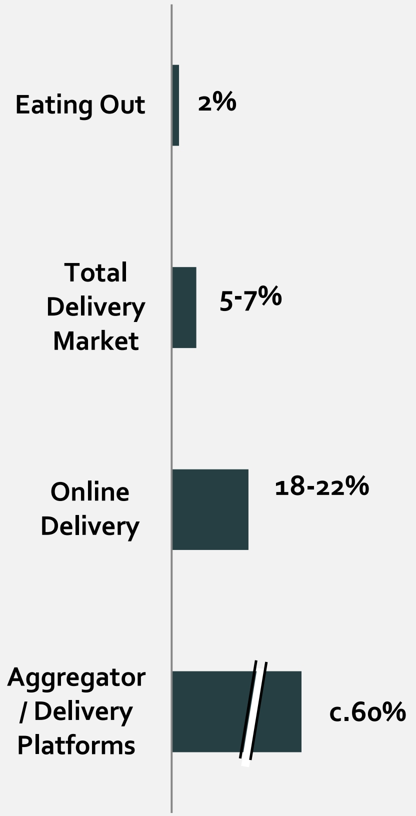
- **Encouraging customer response to converted sites**
  - Aggregate Trip advisor rating of 4.5/5
  - Aggregate covers uplift in excess of 30%

Source: Morar/Brandvue, % pts change between Q2 2018 and H2 2017*
Key Competitors = Wagamama, Nandos, Wahaca, Las Iguanas, TGI Fridays

Serving customers better and more efficiently via strong "off-trade" propositions

Delivery- Structurally growing market

Estimated Market Growth by Key Segment
CAGR 2014 - 2017, %



Well-developed relationships with delivery platforms

Development of new off-trade channels

Source: MCA/OC&C/Internal company analysis

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Serving customers better and more efficiently with enhanced digital capability

Tech-enabled improved customer experience

Progress to date

- **Rolled out convenient customer solutions in Leisure division:**
  - Pay with app functionality rolled out in April with good initial take-up
  - New 'real-time' guest-feedback app rolled out in May providing higher quality and increased volume of customer insight

Upcoming Activity

- Launch of order ahead mobile functionality
- Digital ordering and 'top-up' within restaurant
- Development of kiosk functionality

Better targeted customer communications

Progress to date

- Built and launched enhanced CRM capability
- Expanded partner network
- Launched 1st TV campaign through Sky's targeted Adsmart product

Upcoming Activity

- Optimising CRM Platform:
  - Tailored offers based on behaviour and buying patterns
  - Convert back lapsed customers
  - Drive incremental customer missions

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Growing our Pubs business

Robust business model continuing to outperform the market

- Defensible, well invested locations
- Locally tailored offering with strong execution
- Consistently high returns on capital

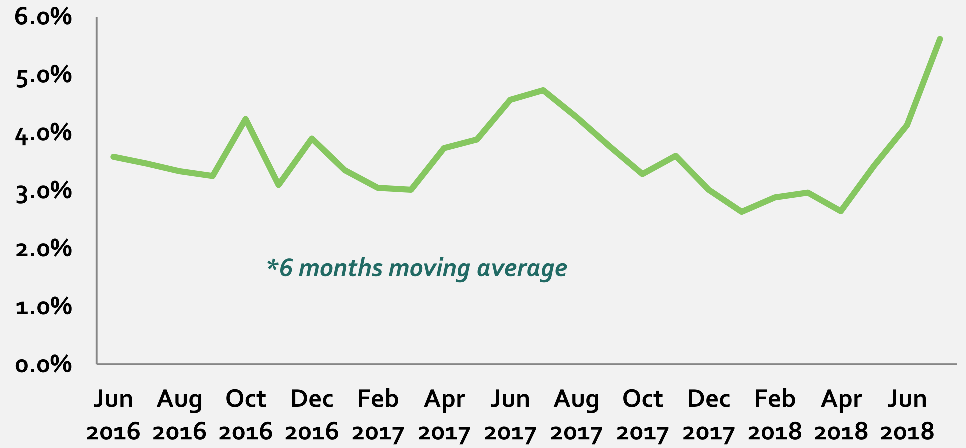
LFL business fundamentally strong

- Data driven insights to optimise business
- Customer experiences being amplified via events
- Further potential to leverage existing space

New space growth progressing well

- **21 new openings in FY18 including:**
  - Acquisition of "Ribble Valley Inns Ltd" consisting of 4 leasehold pubs
  - Acquisition of "Food & Fuel Ltd" comprising of 11 leasehold pubs
- c.10 openings anticipated for 2019
- Acquisition opportunities emerging

% LFL sales* outperformance vs Peach Pub Restaurants



Source: Peach Tracker

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Growing our Pubs business - Acquisition of Food & Fuel Ltd

Overview of business

- 11 leasehold pubs and café-bars predominately situated in affluent London neighbourhoods
- Premium offering tailored to local markets
- Consistently outperforming the London market

Strategic rationale

- Opportunity to leverage Brunning & Price capability
- Potential for further London expansion, including possible conversions of some existing TRG London assets
- Potential to further leverage "Coco Momo" brand
- Purchasing and central cost synergies

Attractive deal economics

- Consideration: **£14.9m**
- FY18* Site Level EBITDA : **£1.9m**
- Target Company EBITDA post synergies : **£2.3m**

*** Rolling 12 months to May 2018**

Queens Arms, Pimlico

Queen's Head, Holborn

The Duke, Richmond

The Roebuck, Chiswick

Grosvenor, Hanwell

The Queens, Crouch End

Lots Road, Chelsea

The Sporting Page, Chelsea

Coco Momo, Marylebone

Prince of Wales, Putney

Coco Momo, Kensington

Growing our Concessions business

trg concessions
a division of the restaurant group plc

Market leader

Current portfolio

- **Operational across:**
  - 57 sites within 14 UK Airports
  - 5 sites within 4 UK rail stations
  - 2 other sites

Unique capability set

- Operate broad variety of formats and brands
- Complexity of operating high volume with peak load bursts

Growing portfolio of brand partners

- Staying at the forefront of new brands and changes in the market
- Increased number of brand partnerships ensuring diverse portfolio to meet evolving client needs

Success in renewing space

- 85% of legacy business has received a contract extension
- Average extension is 75% of original lease term

Success in winning new space

- Expect to now trade at least 17 new units in FY18 across 5 new infrastructure hubs
- New openings a mix of multiple brands and multiple categories
- Including new wins, total sales expected to grow by over 10% next year

Luton Hawker Bar

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Build a leaner, faster and more focused organisation

Area	Initiatives
Purchasing	Continue to leverage economies of scale across the Group
Labour	Continued gains in labour deployment through: – Improved scheduling tool – More flexible staff structures – More responsive deployment
Overheads	Consolidation of supply contracts and investment in more energy efficient devices
Property	Successes in negotiating with landlords on rent reviews and local councils on business rates

2018 c. £9m savings

Summary

- Balanced Group portfolio reflecting focus on growth segments
- New growth opportunities emerging
- Momentum progressing to plan with Group LFL's in the last 6 weeks of +2.4%
- Adjusted PBT expected to be broadly in line with market expectations
- Dividend maintained reflecting the Board's continued confidence in progress against the plan

Q&A