



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

Wagamama

- Market leading like-for-like sales performance continues
- Addressing strong pipeline of growth opportunities
- Site conversion and cost synergy programmes on track

Concessions

- Like-for-like sales consistently ahead of passenger growth
- Further development of brand portfolio with partnerships
- Advanced discussions on adjacent market opportunities

Pubs

- Strong like-for-like sales outperformance vs market continues
- Customer ratings remain consistently high
- Healthy pipeline of new site opportunities

Leisure

- On-going initiatives to improve food offering, service standards and brand proposition
- Progress in brand perception and employee engagement
- Estate management discipline continues

> 70%
Outlet
EBITDA*

< 30%
Outlet
EBITDA*

*H1 2019 (Jan—June) Pro-forma outlet EBITDA

Financial review

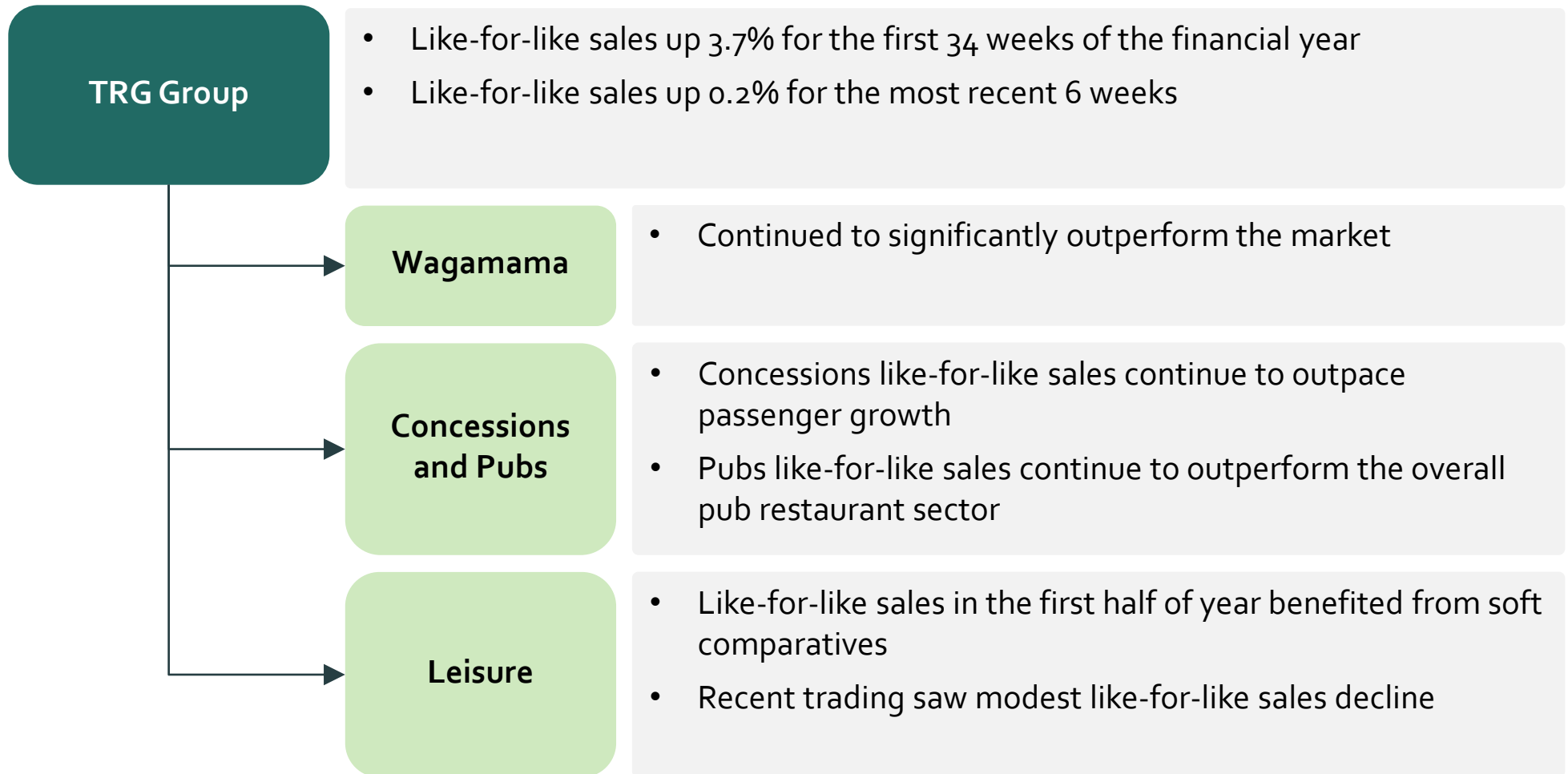
Group financial summary HY2019

	2019 HY £m	2018 HY £m	% Change
Revenue	515.9	326.1	+58.2%
Like-for-like %			+4.0%
EBITDA*	61.4	38.4	+60.1%
EBITDA margin %*	11.9%	11.8%	
EBIT / Operating profit*	36.5	21.3	+70.8%
Operating margin %*	7.1%	6.5%	
PBT*	28.1	20.7	+35.6%
Earnings per share*	4.5p	5.9p	(23.4%)
* Adjusted (pre-exceptional charge)			

- Interim dividend of 2.1p, in line with policy

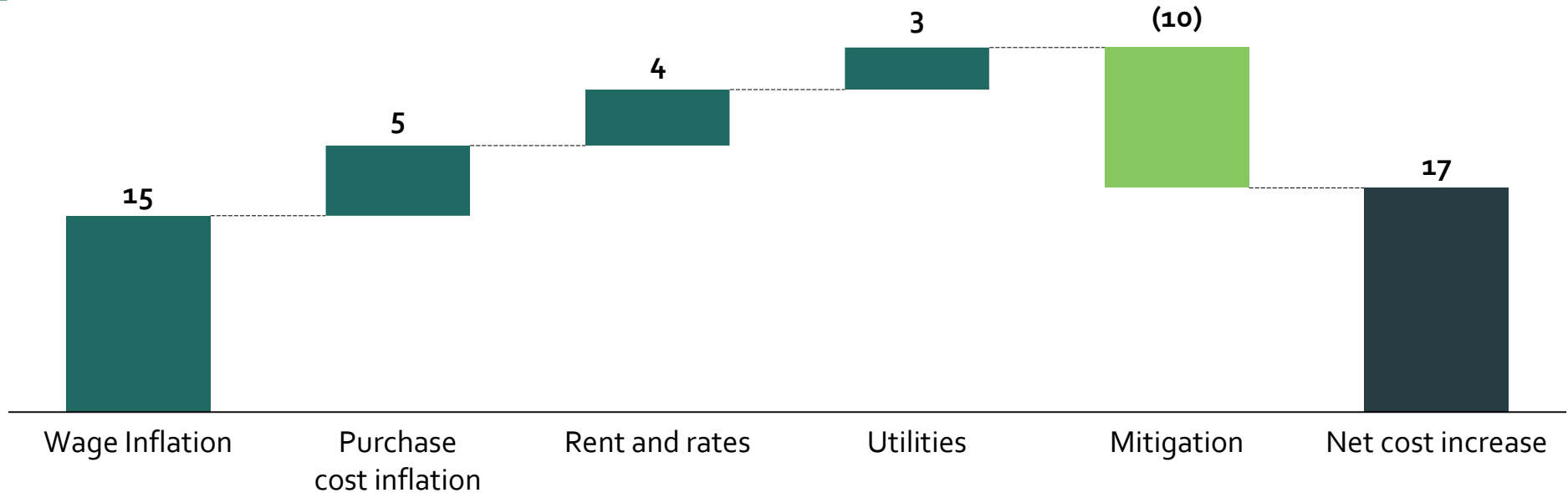
Note: Earnings per share adjusted for bonus element following the rights issue in both financial years

Revenue performance



Group cost headwinds expected FY2019

£m

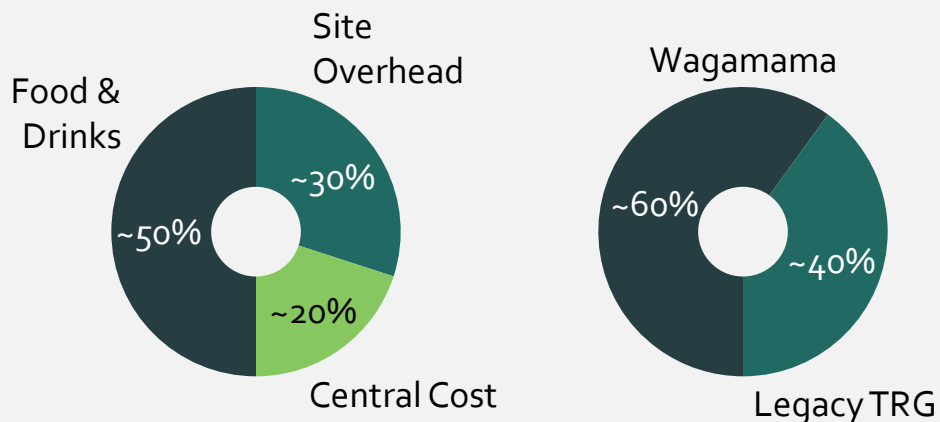


- Mitigating c.40% of 2019 cost increases (excluding Wagamama synergies):
 - Consistent progress in managing and optimising the supplier base
 - Continued focus on labour scheduling with peer group analysis
 - Improved terms obtained in negotiations with landlords for rent reviews
 - On-going appeals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

Wagamama synergy programme on track to deliver £22m in 2021

Cost Synergies

Planned Synergies Allocation (circa %)



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

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

Site conversion Synergies



On track to deliver £7m of site conversion synergies in 2021

- 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)

Group acquisitions and capital expenditure HY2019

	2019 HY £m	2018 HY £m
Development expenditure - opened sites	10.3	8.4
Development expenditure - H2 openings	9.1	2.9
Leisure site conversions to Wagamama	0.9	0.0
Refurbishment and maintenance expenditure	14.0	8.8
Total fixed asset additions	34.3	20.1
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

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

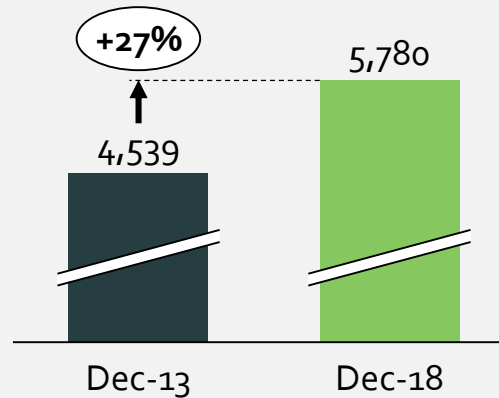
Impairment of Leisure sites

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



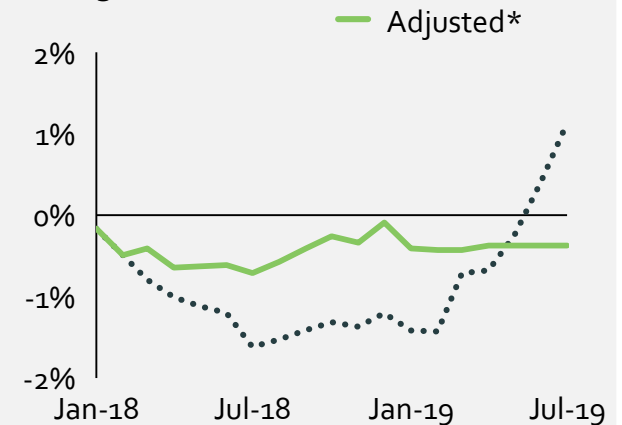
Source: CGA/Alix Partners

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

Casual Dining Market remains challenged

Restaurant LFL Sales

Rolling 12 months



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

Source: Peach Tracker

Group exceptional charges HY2019

	Impairment of property, plant & equipment £m	Onerous lease provisions £m	Integration costs £m	Total £m
Exited sites	-	(0.4)	-	(0.4)
Distressed/closed sites	102.1	11.1	-	113.2
Integration costs	-	-	3.0	3.0
HY 2019 Exceptional charge	102.1	10.7	3.0	115.7

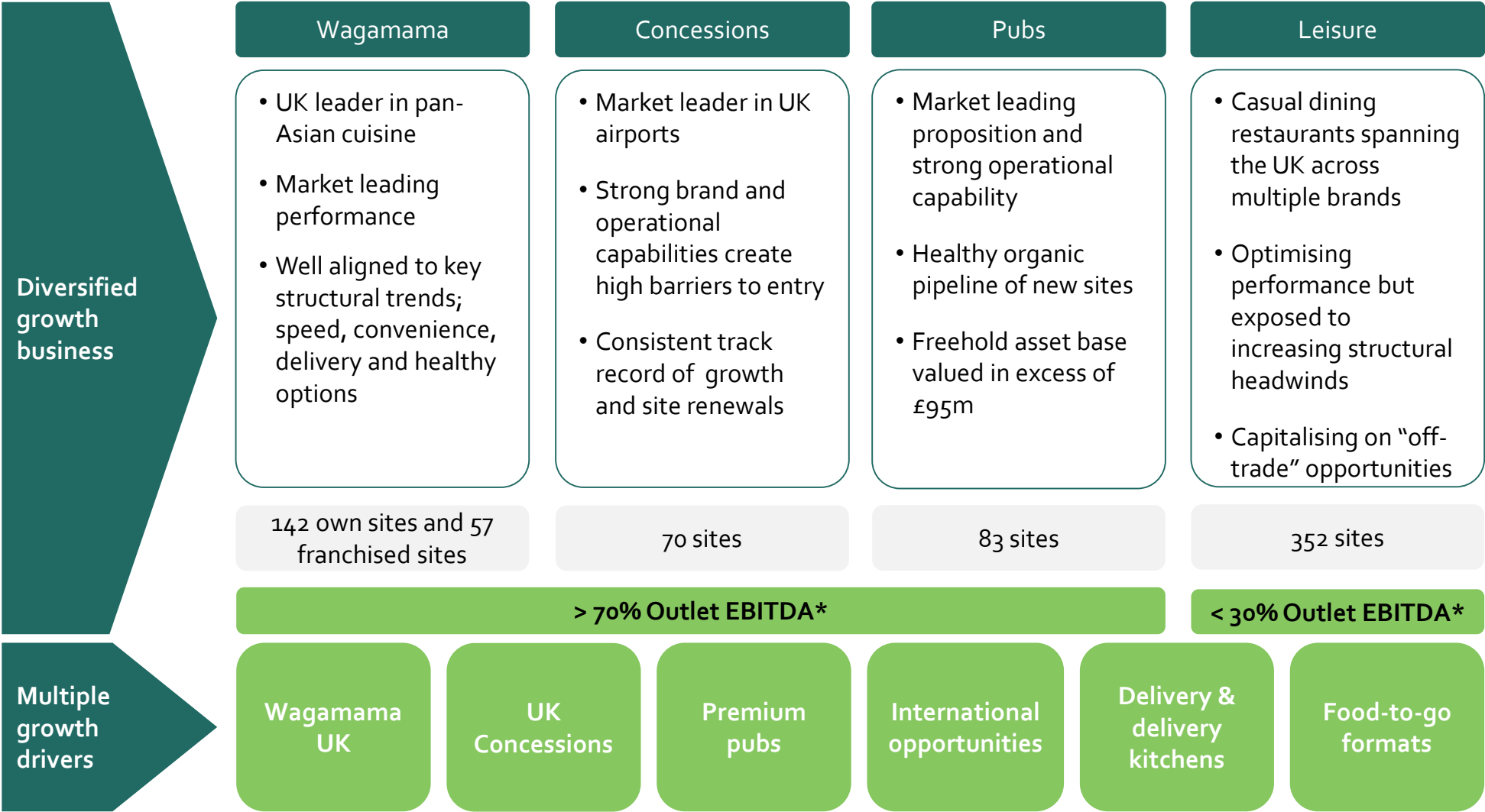
- Impairment charge relates to sites within our Leisure business that were identified as structurally unattractive and a more cautious view on the medium-term outlook for our Leisure business
- £5.7m of the onerous lease provision related to newly identified sites and £5.4m relates to an increased charge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



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

Our priorities

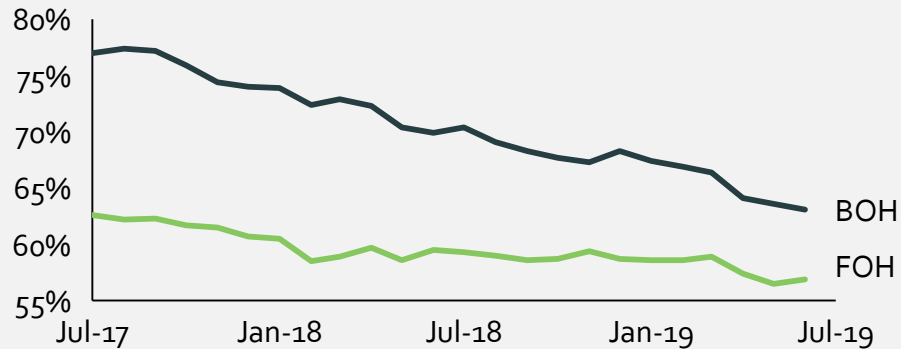
1
Deliver the benefits of the Wagamama acquisition

2
Grow our Concessions and Pubs businesses

3
Optimise our Leisure brands

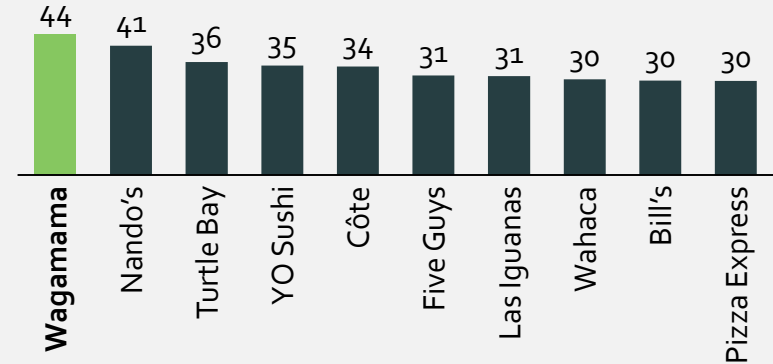
Continued positive momentum

Lowest Level of Team Turnover



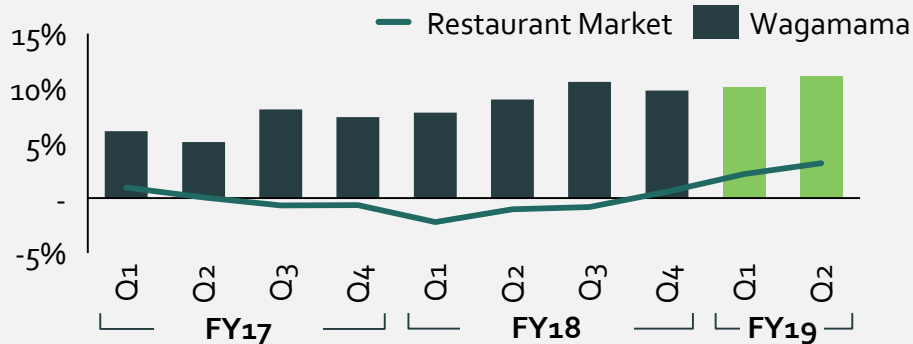
Leading Net Promoter Score

Top 10 UK casual dining NPS



Source: BrandVue NPS - June 30th, 2019

Market Leading UK LFL sales

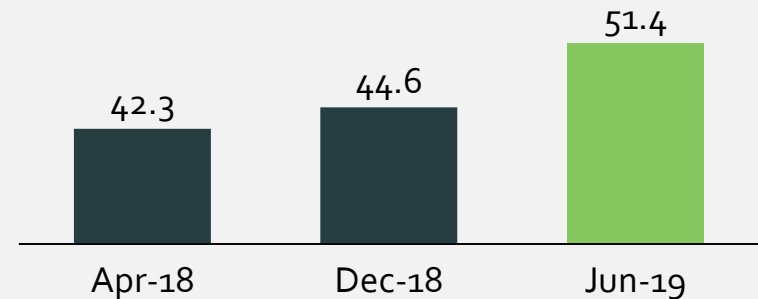


Note: Results as per TRG financial year quarters

Source: Peach Tracker, Restaurants

Strong Adjusted EBITDA Progression

Rolling 12 months £'m



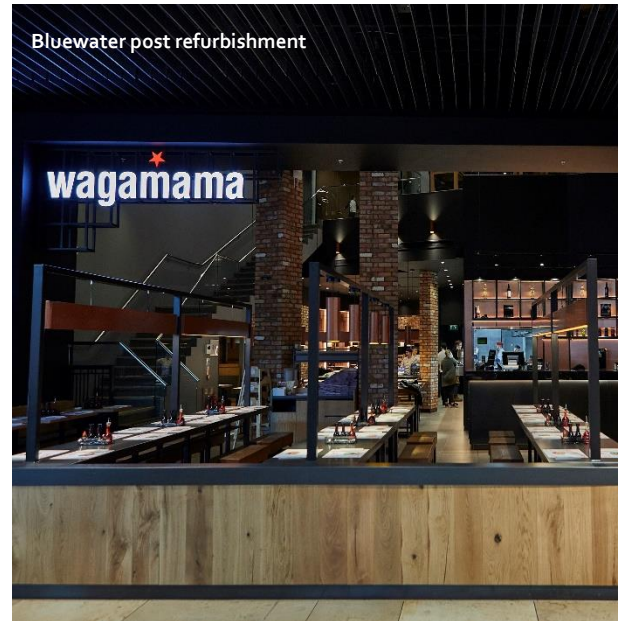
Key developments in the UK core business

Menu Developments



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

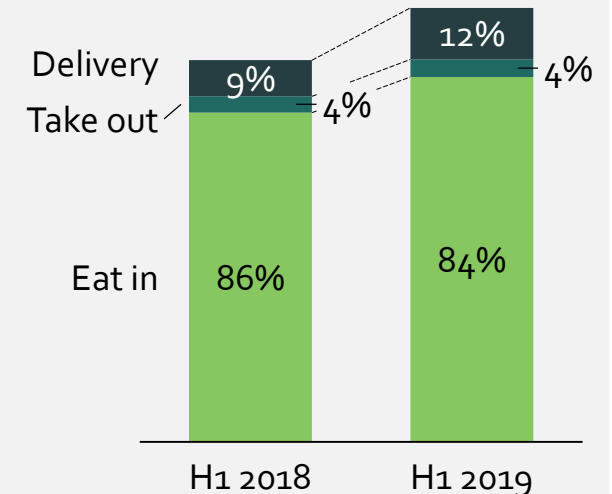
Transformational Refurbishments



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

Multi-channel Growth

Sales and Channel Participation



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

Progressing on multiple growth avenues

New Sites and Concessions (UK)



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

Delivery Kitchen



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

Food-to-go



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

US



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

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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



Sonoma, Gatwick Airport

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

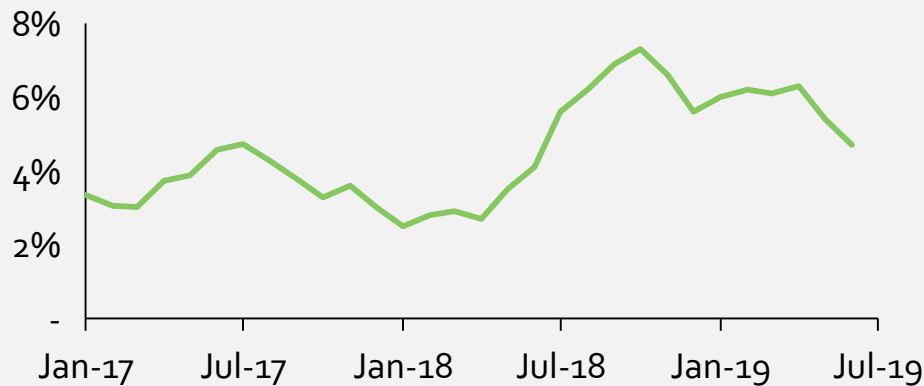
New Brand Partnerships



Growing our Pubs business

Consistent Outperformance Continues

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



Source: Peach Tracker, Pub-Restaurants

LFL Sales drivers

- 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



The Oakley Arms, Brewood

Estate expansion

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

Our priorities

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Frankie & Benny's: key initiatives

Food Proposition



Brand Engagement

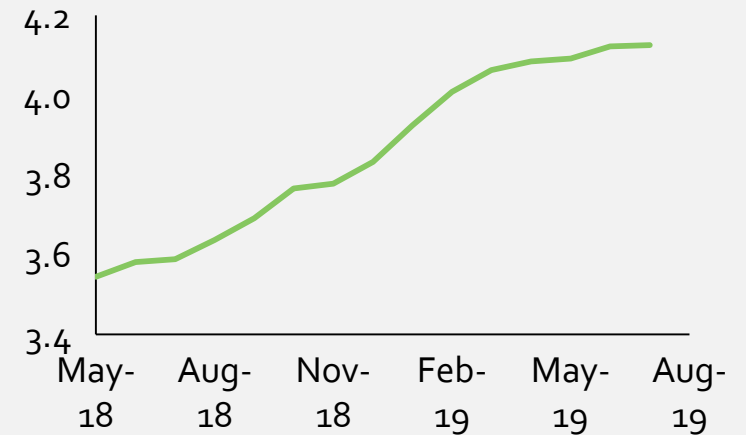


Leveraging Existing Estate



Improving Engagement

Social Media Rating*



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

Chiquito: key initiatives

CHIQUITO

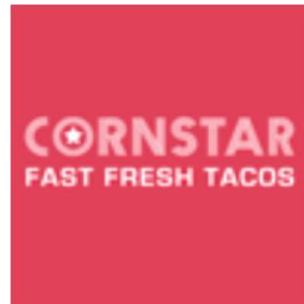
Food Proposition



Brand Refresh

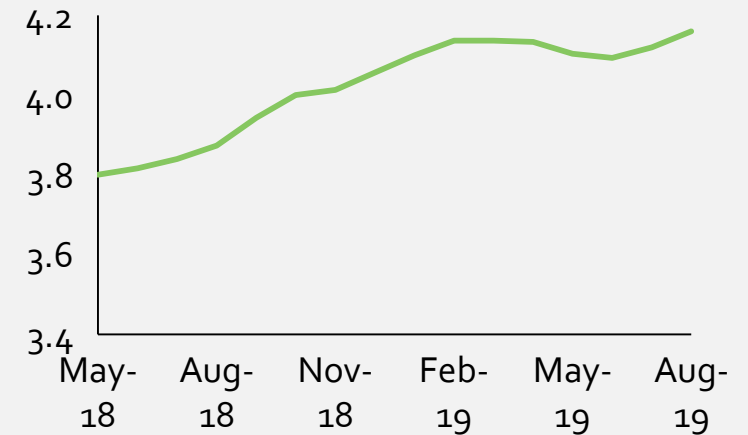


Leveraging Existing Estate



Improving Engagement

Social Media Rating*

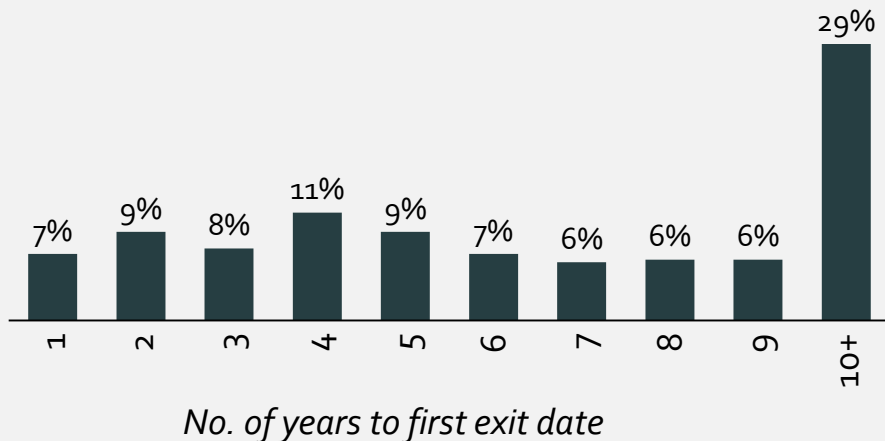


*Source: Yext Reviews – 3 month moving average (out of 5)

Leisure estate next steps

Lease Profile

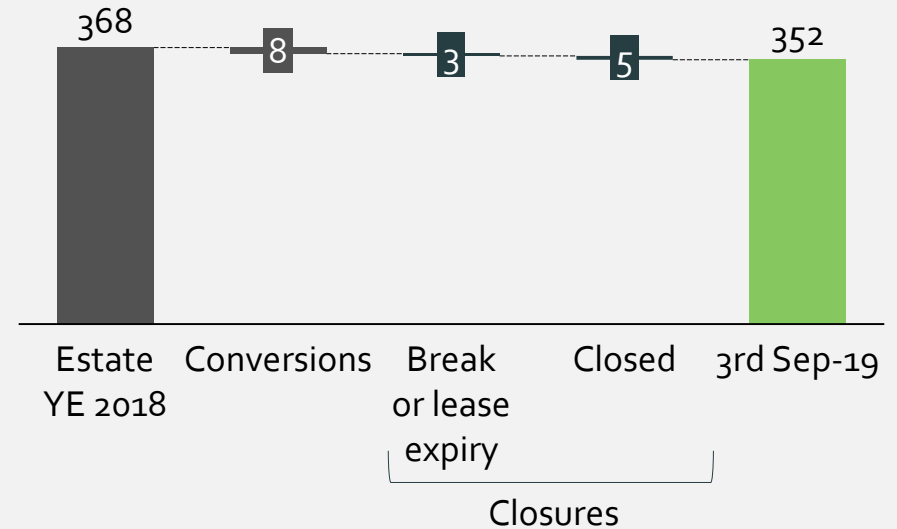
Proportion of Leisure estate as at 3rd September 2019



- 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

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