

The Restaurant Group plc

Full Year Results Presentation

53 Weeks to 2 January 2022

Agenda

1.	**Introduction**	Andy Hornby (CEO)
2.	**Financial Review**	Kirk Davis (CFO)
3.	**Business update**	Andy Hornby
4.	**Q&A**	Andy Hornby and Kirk Davis

FY21 Highlights

Operational highlights

- Strong like-for-like sales outperformance versus market
- Good progress on Wagamama and Pubs pipeline
- Established ESG Strategy with clear targets

Financial highlights

Adjusted EBITDA*

FY21: £81m

FY20: £9m

Adjusted PBT*

FY21: £17m

FY20: LBT (£48m)

Net debt*

FY21: £172m

FY20: £340m

Pre IFRS 16 Adjustment and exceptional charges

Group portfolio delivered a strong trading outperformance

LFL sales (%) vs 2019 comparable for the 33 weeks since dine-in trading recommenced (17 May 2021 to 2 January 2022)

	TRG LFL Sales	*Coffer Peach* LFL sales*	Outperformance
Wagamama	**+15%**	+7%	***+8%***
Pubs	**+9%**	(2%)	***+11%***
Leisure	**+14%**	+7%	***+7%***

	TRG LFL Sales	*Airport passenger volumes***	Outperformance
Concessions	**(41%)**	(59%)	***+18%***

*Coffer Peach tracker for restaurants (Wagamama and Leisure benchmark), Coffer Peach tracker for pub restaurants (TRG Pubs benchmark)
Coffer peach LFL sales represent the weighted average of weekly LFL sales reported (internal calculation)

** UK air passenger growth used as market benchmark for Concessions

Delivering long-term sustainable growth for all stakeholders

Strategic Priorities	Objectives
1 Maintain like-for-like sales outperformance versus market	• Targeted reinvestment in customer offer • Focus on employee retention and recruitment
2 Deliver against key financial targets	• Deliver good sustainable returns on invested capital(ROIC)* • Target net debt / EBITDA** below 1.5x in medium term
3 Accelerate selective expansion opportunities	• Wagamama and Pubs new sites • Selectively consider inorganic growth opportunities
4 Drive forward our ESG agenda	• Develop detailed plan to deliver on 2035 carbon net zero ambition • Positive contributions to our communities and colleagues

** ROIC= outlet EBITDA/capital investment*

*** Pre IFRS 16 Adjustments and exceptional charges*

Financial review

Group financial summary

	2021 FY £m (Pre-IFRS 16)	2020 FY £m (Pre-IFRS 16)	2021 FY £m (IFRS 16)	2020 FY £m (IFRS 16)
Revenue	**636.6**	459.8	**636.6**	459.8
EBITDA*	**81.2**	8.7	**115.2**	53.4
*EBITDA margin %**	***12.8%***	*1.9%*	***18.1%***	*11.6%*
EBIT / Operating profit/(loss)*	**42.8**	(30.5)	**37.1**	(49.7)
*Operating margin %**	**6.7%**	(6.6%)	**5.8%**	(10.8%)
PBT/(LBT)*	**16.6**	(47.9)	**(8.0)**	(87.5)

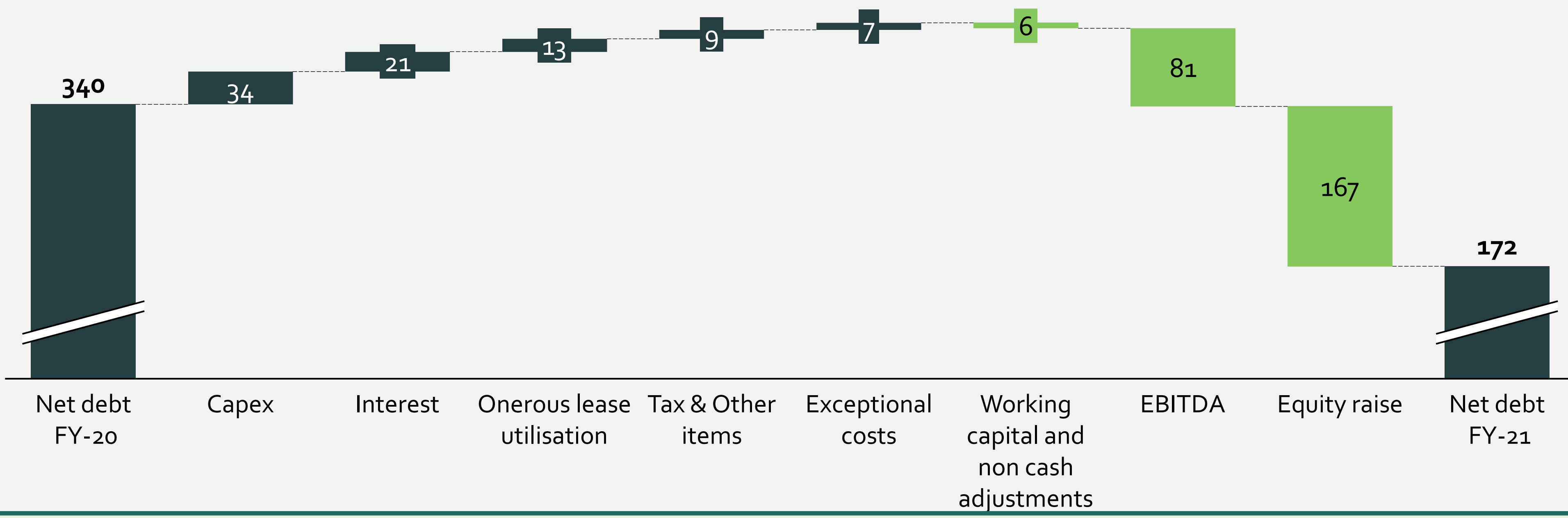
* Adjusted (pre-exceptional charges)

- Q1 2021 (whilst in lockdown): £60.1m of Revenue and an EBITDA loss (on a pre-IFRS 16 basis) of £18.1m
- Good trading versus the market since re-opening leading to a strong recovery in EBITDA
- Covid related rent deals and onerous lease provisions driving significant difference in PBT under IFRS 16 in FY21

Good progress towards bringing leverage below 1.5x

Net debt (Pre-IFRS 16) movements FY21 vs FY20

Cashflow items (£'m)



Significant cash headroom:

– >£200m of cash headroom* on total debt facilities

– Increased flexibility for investment in selective growth opportunities

– **Net debt to EBITDA** 2.1x**

Subject to £40m minimum liquidity covenant

*****Pre IFRS 16 Adjustments and exceptional charges***

Key inflationary themes FY22

Themes	Inflationary impact post mitigation (FY22 vs FY21)
1 Labour market pressures	6%+
2 General food and drink inflation	5%+
3 Utilities* inflation	£6m-£7m incremental

Mitigating actions

- Revised labour deployment model for increased delivery sales mix
- Leverage economies of scale in procurement
- c.95% of utilities* now hedged for 2022
  - c.75% hedged for 2023 and 2024

** Utilities relate to Electricity and Gas*

Capital allocation framework

Priorities	Parameters
1 Reinvest in customer offer	Maintenance and refurbishment capex between £25m to £35m
2 Maintain a strong balance sheet	Target net debt/EBITDA* below 1.5x in the medium term
3 Wagamama and Pubs new site expansion	Deliver against targeted returns criteria – Wagamama >40% ROIC – Pubs >20% ROIC
4 Selectively consider inorganic growth opportunities	Deliver long-term shareholder value

** Pre IFRS 16 Adjustment and exceptional charges*

Selected FY22 Guidance

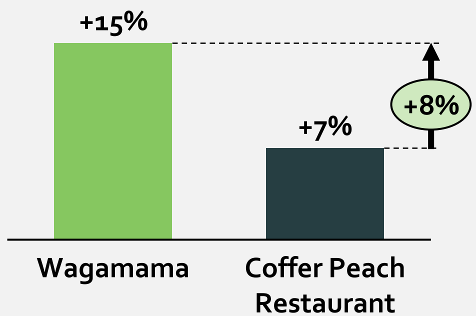
- Proactive negotiations with landlords and airport partners on renewing Leisure and Concession sites approaching lease expiry/break
  - Achieved extensions/renewals on 32 sites representing 60% of sites at risk of expiry
  - Potential remaining exposure of £2m-£3m EBITDA on 9 sites
- c.95% of utilities now hedged for 2022
- Total capital expenditure approximately £55m-£60m
  - Maintenance and IT investment of c.£20m
  - Refurbishment capex of c.£10m includes:
    - 3-5 Wagamama transformational refurbishments
    - 10-15 targeted capital refreshes in Frankie & Benny's estate
  - Expansionary capex of £25m-£30m
- Repaid £45m of term loan on 15 March, flexibility to pay a further £44m at par before November 2022
- Further guidance on depreciation, interest and IFRS 16 charges in the appendix

Business update

Wagamama: Continued market outperformance

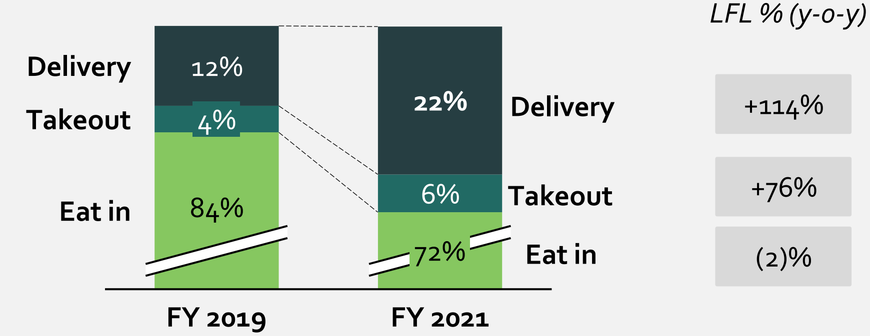
Clear market outperformance

FY21 LFL Sales (33 weeks to 2nd January 22) vs market (vs 2019 comparable)



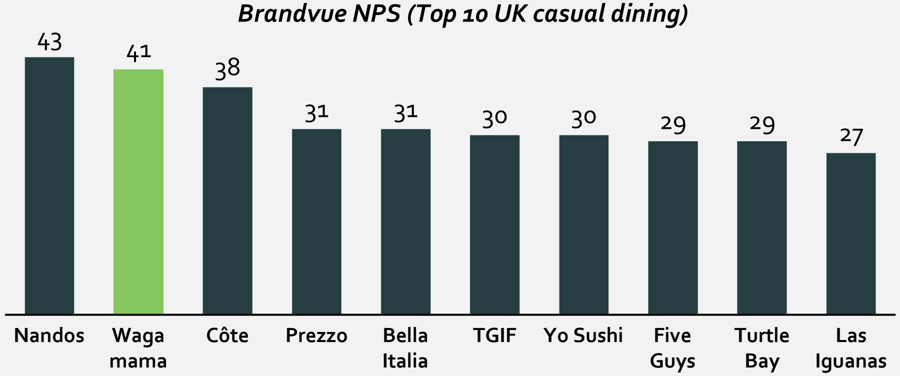
Increased delivery mix

Channel Mix – FY 2021 vs 2019 (33 weeks to 2nd January 22)



Strong customer ratings

Brandvue NPS (Top 10 UK casual dining)



Source: BrandVue NPS – December 2021

Key operational initiatives

Innovation in food offer

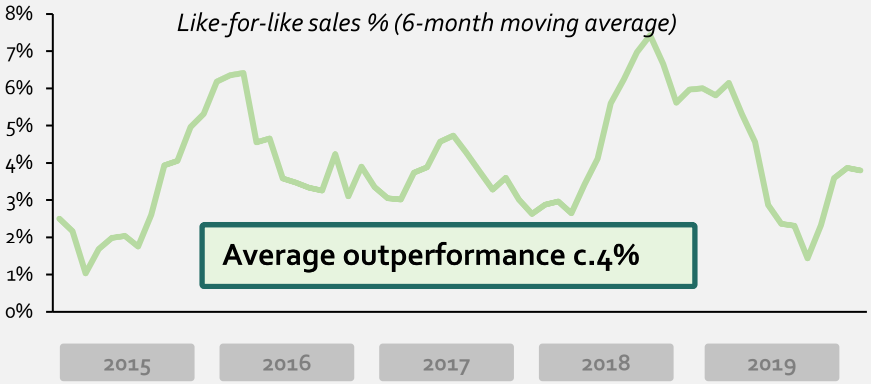
Purpose led marketing

Pubs: Consistent outperformance vs market

Pre-covid track record of market outperformance

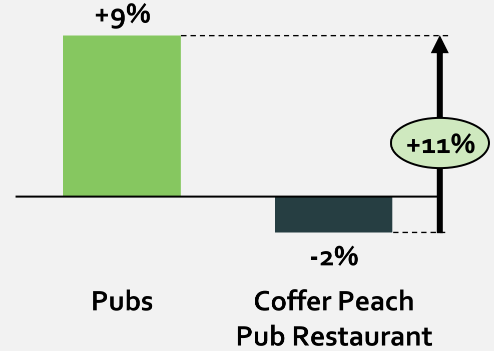
Outperformance vs Coffer Peach Pub Restaurants

Like-for-like sales % (6-month moving average)



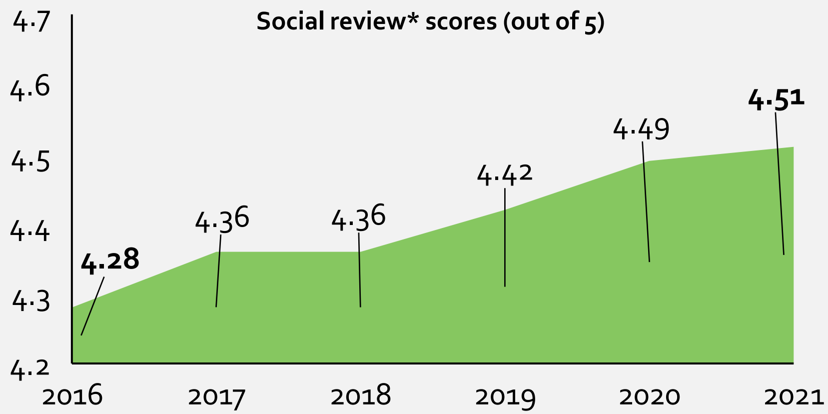
FY21 market outperformance even stronger

YTD LFL Sales (33 weeks to 2nd January 22) vs market (vs 2019 comparable)



Consistently strong customer sentiment

Social review* scores (out of 5)



** Social review scores relate to a consolidation of Facebook, Google and TripAdvisor scores*

Key operational initiatives

Enhancements to food & drink offer

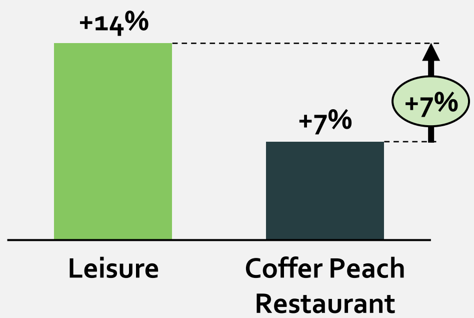
- Increased premiumisation options
- Seasonal roadshows to trial new localised menu offerings

Maximising opportunities from external trading areas

Leisure: Encouraging trading performance

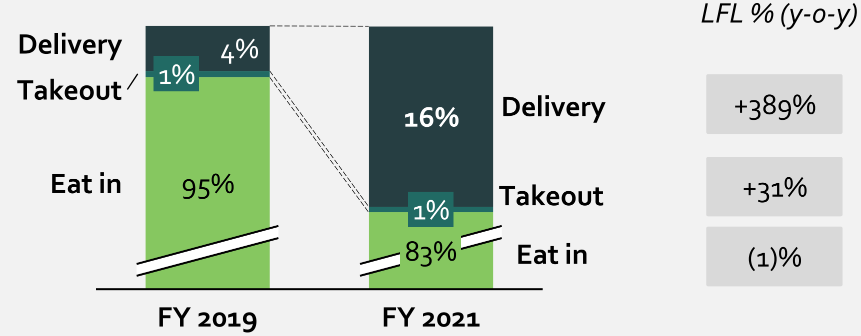
Clear market outperformance

FY21 LFL Sales (33 weeks to 2nd January 22) vs market (vs 2019 comparable)

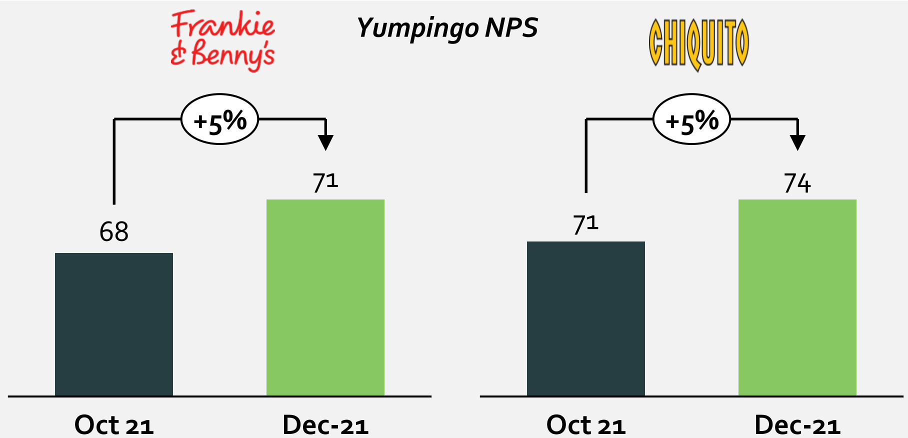


Increased delivery mix

Channel Mix – FY 2021 vs 2019 (33 weeks to 2nd January 22)



Improving customer ratings



Key operational initiatives

Significant investment in food quality

Trialling capital light refurbishment

10-15 refurbishments planned in FY22

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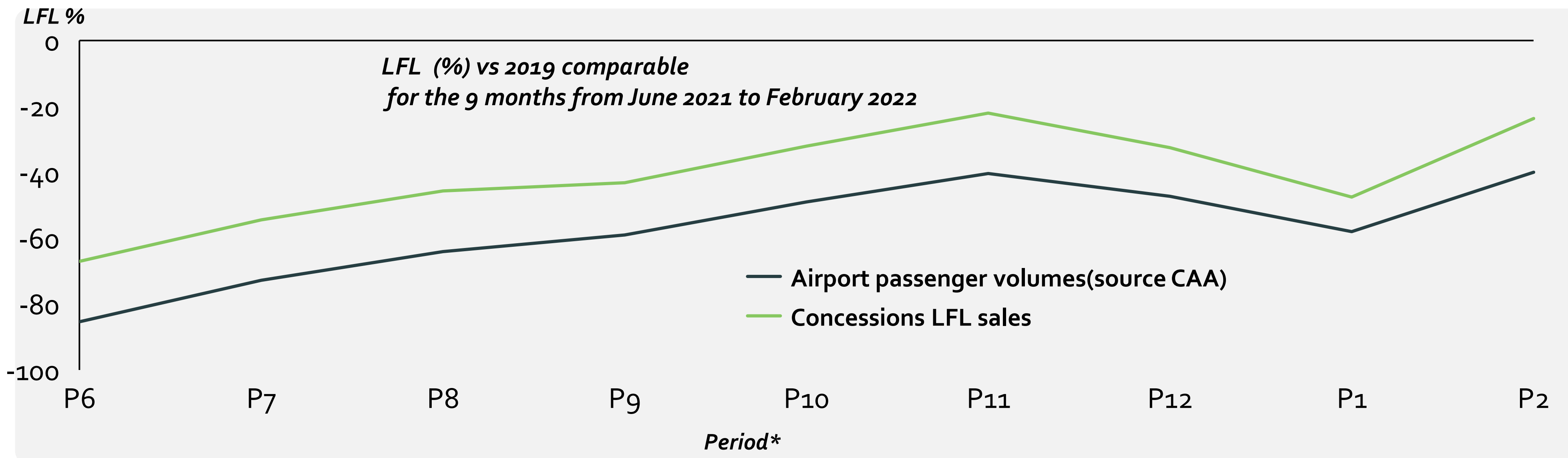
Concessions: Pace of recovery directly linked to passenger volumes

Concessions LFL sales vs UK airport passenger volumes



Operational update

- More flexible terms agreed with most airport partners regarding Minimum Guaranteed Rents
- Currently trading in 27 sites (c.60% of total estate)
- Expect to open the majority of the remaining sites by Summer FY22, dependent on passenger volumes

** i.e. P6 refers to the period of 5 weeks to 4 July 2021, P8 refers to the period of 4 weeks to 29 August 2021, P2 refers to the period of 4 weeks to 27 February 2022*

Current trading: Encouraging start to FY22

LFL sales (%) vs 2019 comparable for the 8 weeks from 3 January to 27 February 2022

	TRG LFL Sales	*Coffer Peach* LFL sales*	Outperformance
Wagamama	**+21%**	+8%	***+13%***
Pubs	**+11%**	(3%)	***+14%***
Leisure	**+11%**	+8%	***+3%***

	TRG LFL Sales	*Airport passenger volumes***	Outperformance
Concessions**	**(35%)**	(48%)	***+13%***

Market themes

- VAT benefit of 5-6% on LFL sales in Q1
- Third year of market price inflation versus 2019
- Estimate delivery contributing 10-12% to Coffer Peach restaurant LFL sales in FY22 so far

*Market refers to Coffer Peach tracker for restaurants (Wagamama and Leisure benchmark), Coffer Peach tracker for pub restaurants (TRG Pubs benchmark)
Coffer peach LFL sales represent the weighted average of weekly LFL sales reported (internal calculation)

** UK air passenger growth used as market benchmark for Concessions

Targeted organic growth plans for FY22

	Existing estate	New openings target run-rate p.a	2019+2020 openings* ROIC**	2022 planned openings
Wagamama UK restaurants	148	5-7	>45%	7-9
Wagamama UK delivery kitchens	8	4-5	>60%	4-5
Pubs	79	3-5	>20%***	3

Wagamama International

- 3-4 new US sites due to open in FY22 under JV partnership
- 5-8 new international franchise sites due to open in FY22

* Relates to 10 Wagamama UK restaurants, 5 Wagamama UK delivery kitchens and 3 Pubs. Excludes openings where the site remained shut for large periods post June 2021 i.e. Wagamama Heathrow T3 site
**ROIC refers to return on invested capital defined by 2021 outlet EBITDA/initial capex invested grossed up for 12 months. i.e. 2021 outlet EBITDA is for the 7 month period June to December 2021. Returns have also been adjusted to take out the VAT benefit and property grants received in the respective period
*** EBITDA assumed on leasehold basis at 6% interest on freehold component of investment

Our ESG Strategy: "Preserving The Future"

Preserving the Future focusses on **six main areas**

Environmental			Social		
Achieve Net Zero Carbon Emissions by 2035	Reduce Waste	Improve our Packaging	Care for our communities	Care for our colleagues	Foster a representative, diverse and inclusive environment

Underpinned by strong governance framework

Environmental initiatives : Overview

FY21 activities

Scope 1 & 2 emissions: Moved to 100% renewable energy on direct* supplies

Scope 3 emissions: 70% long-term reduction target established in line with Zero Carbon Forum

Wagamama bowl return scheme trial initiated

Food plate waste reduction project in collaboration with the Sustainable restaurant association

Key focus areas for FY22

Supply chain partner engagement to build a scope 3 emissions reduction plan

New Wagamama packaging solution

* Includes electricity, gas & LPG. Where we control the specific supply point for contracting. Excludes landlord supplies

Social initiatives : Colleague recruitment and retention a key focus

Development programmes

fire up

RAISE THE ROOF

Expanding apprenticeship schemes –

Expected to double number of apprentices in 2022 to over 500

More flexible working patterns

Trialing alternative working week patterns

Working with communities

THE BURNT CHEF PROJECT

mind

Colleagues aiming to raise £0.5m for charity partners in FY22

Summary: Delivering long-term sustainable growth for all stakeholders

Strategic Priorities	Progress
1 Maintain like-for-like sales outperformance versus market	• Encouraging trading performance in FY21 • Continued investment in customer offer
2 Deliver against key financial targets	• 2019 & 2020 openings delivering good returns • Medium term leverage target on track
3 Accelerate selective expansion opportunities	• Good progress on new Wagamama and Pubs openings • Selectively consider inorganic growth opportunities
4 Drive forward our ESG agenda	• Carbon neutral in scopes 1 & 2 in FY22 • Developing scope 3 emissions reduction plan

Appendices

Group cash flow

	2021 FY £m (Pre IFRS 16)	2020 FY £m (Pre IFRS 16)
Adjusted* EBITDA (pre IFRS 16 basis)	**81.2**	8.7
Working capital and non-cash adjustments	**5.7**	(27.0)
Operating cashflow	**86.9**	(18.3)
Net interest paid	**(20.6)**	(15.5)
Tax paid/received	**(2.6)**	5.1
Refurbishment and maintenance capital expenditure	**(19.0)**	(21.9)
Free cash flow	**44.7**	(50.6)
Development capital expenditure	**(15.1)**	(17.9)
Utilisation of onerous lease provisions	**(13.4)**	(9.3)
Exceptional costs	**(7.4)**	(34.9)
Proceeds from issue of share capital	**166.8**	54.6
Other items	**(1.6)**	3.3
Cash movement	**174.0**	(54.8)
Group net debt at start of period	**(340.4)**	(286.6)
Derecognition of finance lease liabilities (IFRS16 transition)	**-**	2.6
Non-cash movement in net debt	**(5.2)**	(1.6)
Group net debt at end of period (pre IFRS 16 basis)	**(171.6)**	(340.4)
Lease liabilities (IFRS 16 basis)	**(410.4)**	**(483.8)**
Group net debt at end of period (IFRS 16 basis)	**(582.0)**	**(824.2)**

** (pre-exceptional charge)*

Commentary

Analytical review:

- Strong EBITDA recovery
- Positive working capital due to increased trading levels
- Increase in interest costs post refinancing
- Capital investment focused on maintaining and developing the estate
- Onerous lease provisions in FY21 include some one-off costs to fully exit certain sites
    - 2022 expected outflow to be £8m-£10m

IFRS 16 P&L reconciliation

	Trading Pre IFRS 16 £m	IFRS 16 Depreciation £m	IFRS 16 Interest £m	Non-cash charges £'m	Fixed rent £m	Trading IFRS 16 £m
Revenue	636.6	-	-	-	-	636.6
Operating costs*	(555.4)	-	-	(13.2)	47.2	(521.4)
EBITDA*	81.2	-	-	(13.2)	47.2	115.2
Depreciation, amortisation and impairment*	(38.4)	(39.7)	-	-	-	(78.1)
EBIT / Operating (loss)/profit*	42.8	(39.7)	-	(13.2)	47.2	37.1
Interest payable*	(26.2)	-	(18.9)	-	-	(45.1)
PBT/(LBT)*	16.6	(39.7)	(18.9)	(13.2)	47.2	(8.0)

* Adjusted (pre-exceptional charge)

- FY Fixed rent is significantly reduced due to Covid related rent deals obtained from landlords and airports
- FY Depreciation and interest under IFRS 16 is higher than ongoing run-rate due to the completion of some airport concession rent deals during the year
- Non-cash related charges under IFRS 16 is due primarily to the reversal of onerous lease provisions and capital contributions, made under IAS 17
- **Once Covid related rent deals expire and onerous lease provisions unwind, we expect IFRS16 and IAS17 PBT to be broadly similar**

Other FY22 Guidance

- **IFRS 16 EBITDA add-backs (i.e., rent & other property non-cash charges) :**
  - Net add-back £47m to £53m
    - £55m to £60m for fixed rent
    - (£7m) to (£8m) for non-cash property charges

- **Depreciation and interest detailed in table below:**

	Pre-IFRS 16 £'m	IFRS 16 £'m	Total £'m
P&L Depreciation*	42-43	35-37	77-80
P&L Interest*	24-25	17-18	41-43

* Adjusted (pre-exceptional charges)

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IFRS 16 Balance sheet Reconciliation

	Pre IFRS 16 £m	IFRS 16 Adjustments £m	IFRS 16 £m
Non-current assets	**887.9**	**293.3**	**1,181.2**
Intangible assets	599.9	-	599.9
Right of use assets	-	289.4	289.4
Property, plant and equipment	282.7	2.4	285.1
Other receivables	3.2	1.5	4.7
Fair value interest rate cap	2.1	-	2.1
Current assets	**178.1**	**(5.6)**	**172.5**
Stock	6.0	-	6.0
Trade and other receivables	14.0	(0.1)	13.9
Corporation tax assets	-	-	-
Prepayments	11.6	(5.5)	6.1
Cash and cash equivalents	146.5	-	146.5
Total assets	**1,066.0**	**287.7**	**1,353.7**
Current liabilities	**(167.5)**	**(39.9)**	**(207.4)**
Trade and other payables	(157.7)	29.6	(128.1)
Provisions	(9.6)	3.6	(6.0)
Lease liabilities	-	(73.1)	(73.1)
Corporation tax liability	(0.2)	-	(0.2)
Non-current liabilities	**(405.7)**	**(300.9)**	**(706.6)**
Long-term borrowings	(318.1)	-	(318.1)
Non-current lease liabilities	-	(337.3)	(337.3)
Other payables	(9.2)	9.2	-
Deferred tax liabilities	(41.9)	-	(41.9)
Provisions	(30.3)	21.0	(9.3)
Fair value lease liabilities	(6.2)	6.2	-
Total liabilities	**(573.2)**	**(340.8)**	**(914.0)**
Net assets	**492.8**	**(53.1)**	**439.7**

Estate mix

	Estate at 27/12/20	Openings	Closures	Estate at 02/01/22
Wagamama UK	143	5	-	148
Frankie & Benny's	106	-	(10)	96
Pub Restaurants	78	1	-	79
Concessions	43	4	(3)	44
Chiquito	22	-	-	22
Other Leisure Brands	9	-	(1)	8
Wagamama Delivery kitchens	5	3	-	8
Total TRG	406	13	(14)	405

In addition to the above, the Wagamama business has a 20% stake in a JV operating five Wagamama restaurants in the US and over 50 franchise restaurants across a number of territories