The Restaurant Group plc

Half Year Results Presentation

26 Weeks to 3 July 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

Strong H1 performance in a challenging market

Operational highlights

- **Group portfolio continuing to outperform the market**
- **Customer ratings remain very positive**
- **Pipeline of targeted expansion opportunities**

Financial highlights

Adjusted EBITDA*	Adjusted PBT/LBT*	Net debt*
H1 22: £42m	**H1 22: £10m**	**H1 22: £158m**
H1 21: £11m	H1 21: (£20m)	FY 21: £172m

***Pre IFRS 16 Adjustment and exceptional charges**

Group portfolio continues to outperform YTD

Year to date ("YTD") LFL sales (%) vs 2019 comparable for the 33 weeks to 21 August 2022

	TRG LFL Sales	*Market* LFL sales*	Performance vs market
Wagamama	**+11%**	+5%	***+6%***
Pubs	**+9%**	(2%)	***+11%***
Leisure	**+2%**	+5%	***(3)%***
Concessions**	**(17%)**	(26%)	***+9%***

*Coffer Peach tracker for restaurants (Wagamama & 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

Robust current trading despite pressures on consumer

LFL sales % recent trends vs 2019 comparable

	AGM trading update	*AGM trading update Excl. VAT benefit**	*Trading since AGM trading update*
	Jan to Mid-May *19 weeks to 15 May 2022*	**Jan to Mid-May** *19 weeks to 15 May 2022*	**Mid-May to end August** *14 weeks to 21 August 2022*
Wagamama	+15%	+11%	**+5%**
Pubs	+10%	+6%	**+8%**
Leisure	+6%	+2%	**(4%)**
Concessions	(20%)	(22%)	**(14%)**

***VAT benefit boosted LFL sales by approximately 5 to 6% for the restaurant and pub sector in Q1 (13 weeks to 3 April 2022)**

Continued navigation of near-term sector challenges

Challenges	Management actions
1 **Consumer demand amidst cost of living pressures**	• Continue targeted investment in our brands to drive like-for-like sales outperformance
2 **Challenging cost environment**	• Focus on labour recruitment and retention • Ongoing collaboration with long-term suppliers • 100% of utilities* now hedged for 2022, 2023 & 2024
3 **Cost of debt/ interest costs expected to rise**	• Interest rate cap purchased on £125m of debt • £89m repayment of term loan

Track record of successfully adapting to challenging market conditions

** Utilities relate to Electricity and Gas. Hedging position relates to own billed and managed sites and excludes landlord billed sites at shopping centres and airport concession sites*

Remain focused on delivering long-term sustainable growth for all stakeholders

Strategic Priorities	Objectives
1 **Maintain like-for-like sales outperformance versus market**	• Targeted investment in customer offer • Focus on improved employee retention and recruitment
2 **Disciplined approach to targeted long-term growth**	• Wagamama and Pubs new sites • Selectively consider inorganic growth opportunities
3 **Deliver against key financial targets**	• Deliver good sustainable returns on invested capital (ROIC)* • Target net debt / EBITDA** below 1.5x in the medium-term
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 income statement summary

	2022 HY £m (Pre-IFRS 16)	2021 HY £m (Pre-IFRS 16)	2022 HY £m (IFRS 16)	2021 HY £m (IFRS 16)
Revenue	**423.4**	216.8	**423.4**	216.8
EBITDA*	**41.7**	11.2	**72.2**	23.6
*EBITDA margin %**	***9.8%***	*5.2%*	***17.1%***	*10.9%*
EBIT / Operating profit/(loss)*	**22.9**	(8.6)	**35.5**	(18.7)
*Operating margin %**	**5.4%**	(4.0%)	**8.4%**	(8.6%)
PBT/(LBT)*	**10.2**	(19.9)	**13.9**	(39.5)

* Adjusted (pre-exceptional charges)

- EBITDA increased due to limited Covid impact on H1 trading compared to 2021 and continued trading outperformance vs the market
- Q1 sales and EBITDA benefited from reduced VAT rate of 12.5%, contributing £9m to £10m to EBITDA

FY22 inflation trends broadly in-line with previous guidance

Themes	Inflationary impact post mitigation (FY22 vs FY21)
1 Labour market pressures	6%+
2 General food and drink inflation	9 to 10%
3 Utilities* inflation	£8m-£9m incremental

Management actions

- Focus on developing employee brand and improved retention rates
- Ongoing collaboration with suppliers to reduce inflationary pressures
- Selective price increases whilst focused on value for money for our customers
- Utilities now fully hedged**
    - Additional £2m cost relating to new openings and landlord billed sites

**Utilities relate to Electricity and Gas*

*****Hedging position relates to own billed and managed sites and excludes landlord billed sites at shopping centres and airport concession sites***

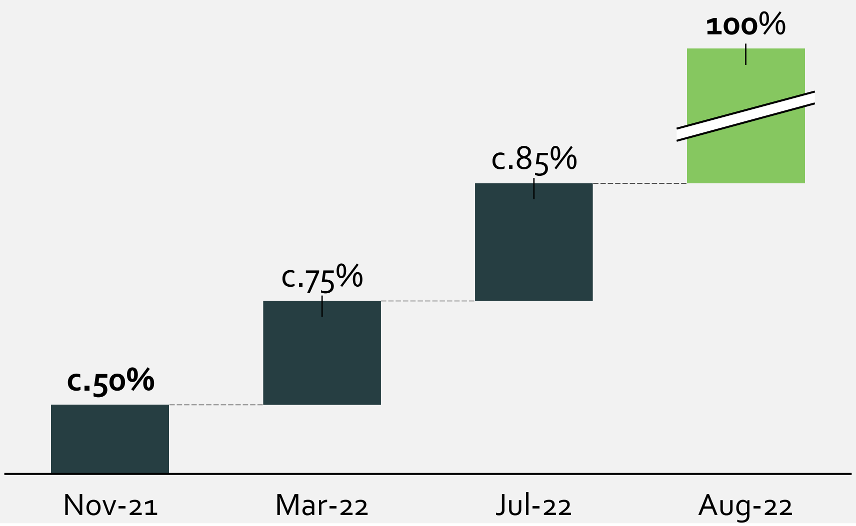
The Restaurant Group plc

Early indication of FY23 inflationary outlook

Themes	Expected inflationary impact post mitigation (FY23 vs FY22)
1 Labour market pressures	Broadly in line with FY22 inflation levels (6%+)
2 General food and drink inflation	Broadly in line with FY22 inflation levels (10%+)
3 Utilities inflation	Fully hedged for FY23 and FY24 (see next slide)

Evolution of FY23 and FY24 utilities position

% of FY23 and FY24 utilities* hedged by month**



Utilities* inflationary impact

Fully hedged for FY23 and FY24**

- **Utilities £12m higher in FY23 vs FY22**
- **Utilities £7m lower in FY24 vs FY23**

If TRG had not hedged FY23 and FY24 utilities volume, and were to hedge it's entire utilities volume in early September:

– 2023 cost would be £25m to £40m higher than our current fixed contract

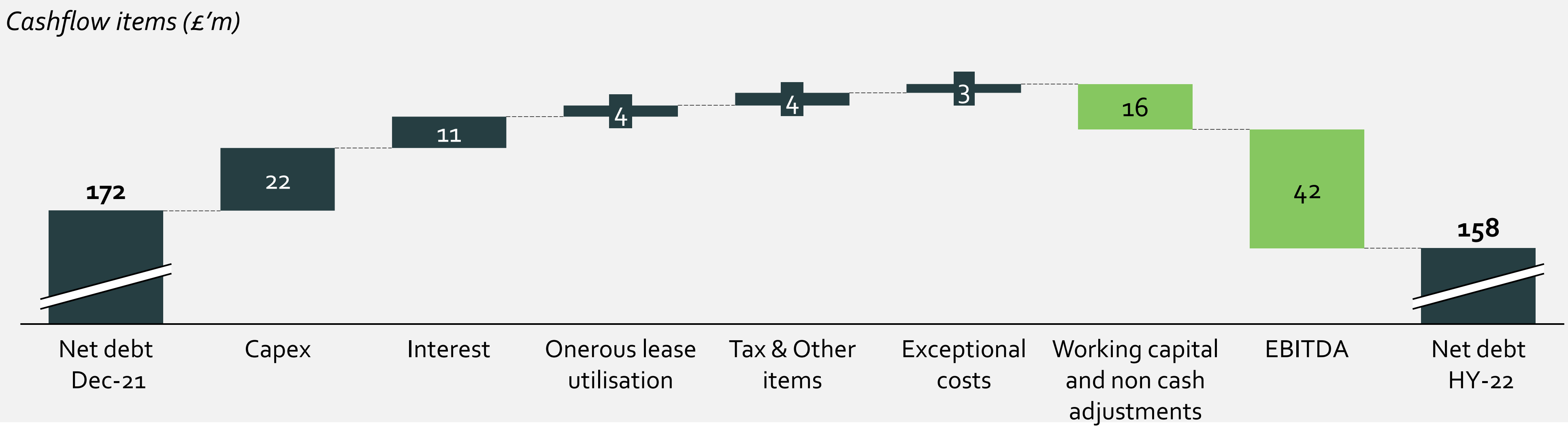
– 2024 cost would be £15m to £30m higher than our current fixed contract

TRG has also hedged c.80% of utilities volume for Q1 to Q3 2025

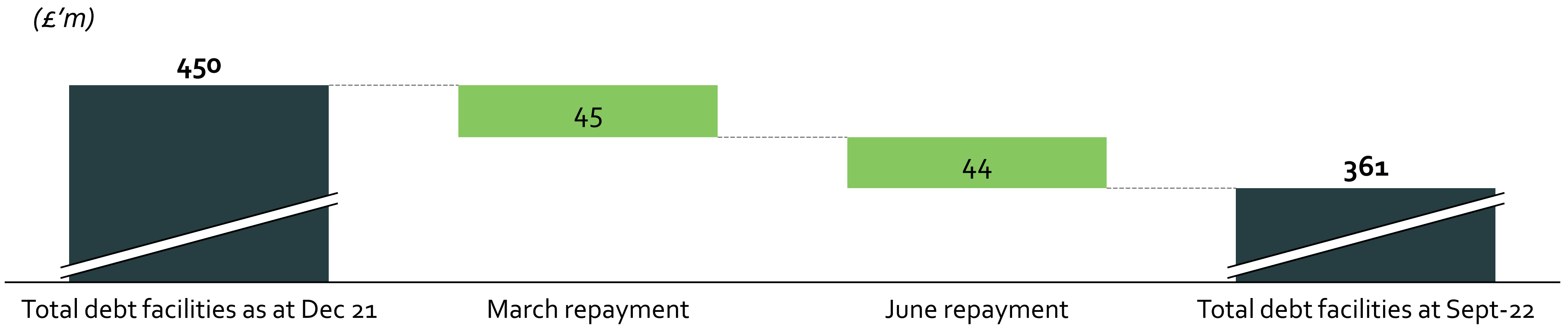
**Utilities relate to Electricity and Gas*
***Hedging position relates to own billed and managed sites and excludes landlord billed sites at shopping centres and airport concession sites*

Robust cash generation enabling debt reduction

Net debt movements HY22 vs FY21



Significant reduction of term-loan facilities in HY22



Strong financial position enables Group to navigate near-term challenges

	FY22 expected out-turn	FY23 guidance
Disciplined and flexible capex programme	£55m to £60m	£45m to £50m
Cash interest costs	£21m to £22m	£18m to £19m
Reduced onerous lease exposure	£9m to £10m	£6m to £7m
Substantial liquidity	H1 Cash Headroom* of over £180m	

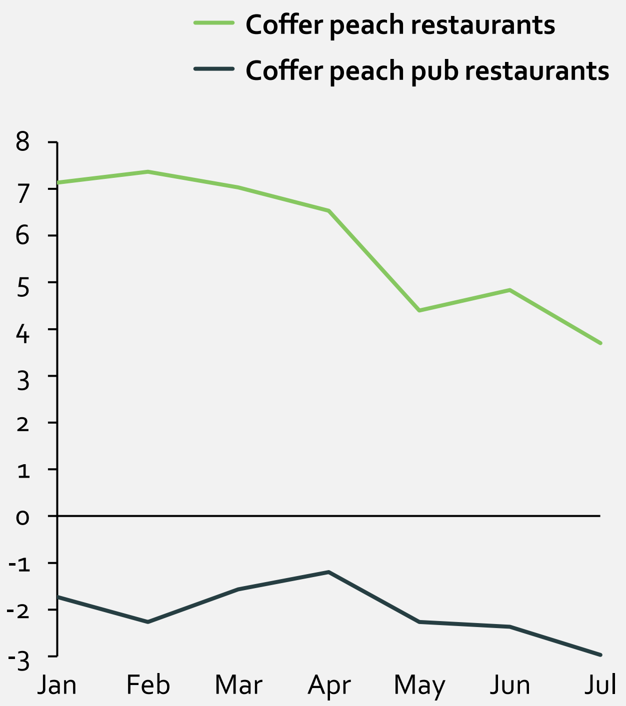
** Cash headroom as at H1 22 net debt position against total current debt facilities of £361m. Minimum liquidity requirement of £40m*

Business update

Evolving market dynamics

Casual dining market in marginal growth

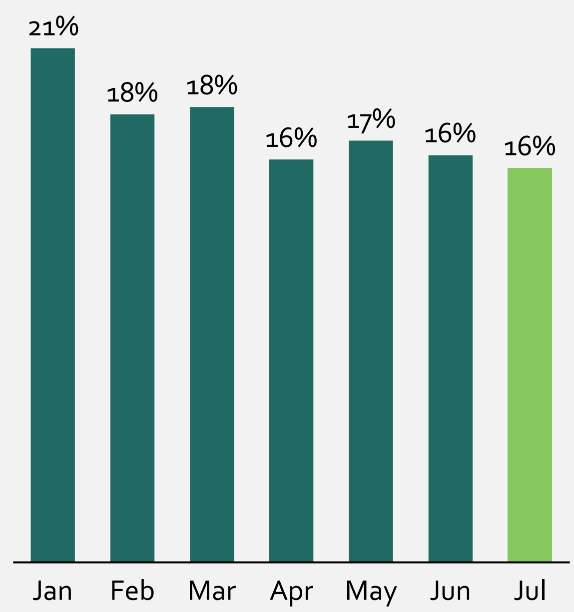
Coffer Peach tracker LFL sales (%)
2022 vs 2019 (3m rolling average)



Source: CGA Peach

Delivery mix moderating

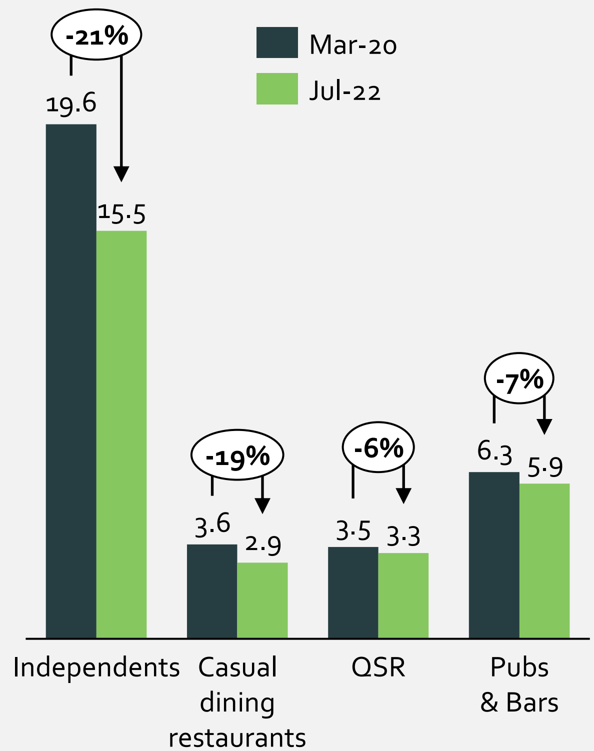
CGA Peach
Delivery sales as a % of total casual dining market sales (2022)



Source: CGA Peach

c.20% reduction in casual dining outlets

*No. of food and drink sites (in thousands) in close proximity to our sites**



Source: HDI Insights (Credit card transactions analysis)

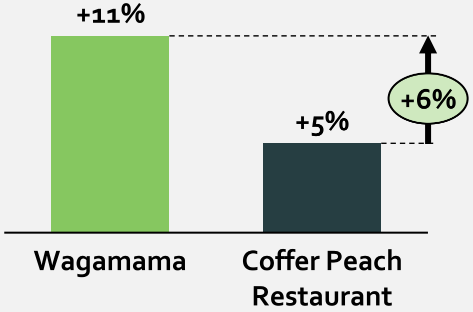
*Within 0.5 miles of each location for Wagamama and Leisure sites and within 5 miles for each Pub site, Relates to 364 sites excluding Concession and Barburrito sites

The Restaurant Group plc

Wagamama: Continued market outperformance

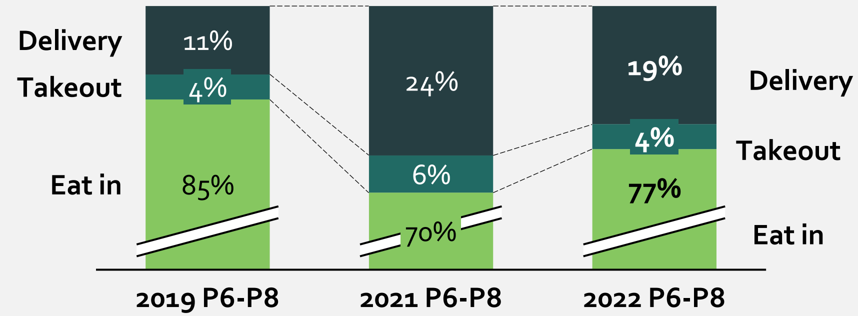
Continued market outperformance

YTD LFL Sales (33 weeks to 21 August 22) vs market (vs 2019 comparable)



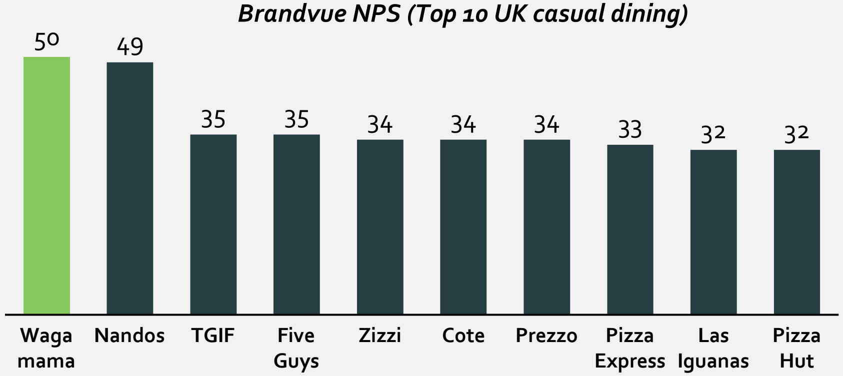
Delivery and takeaway mix evolution

Channel Mix – P6 to P8 2022 vs 2021 vs 2019*



Continued strong customer ratings

Brandvue NPS (Top 10 UK casual dining)



Source: BrandVue NPS – June 2022

Drivers of outperformance

- Continuous menu innovation
- Unique colleague culture
- Purpose-led marketing activity
- Well-invested estate

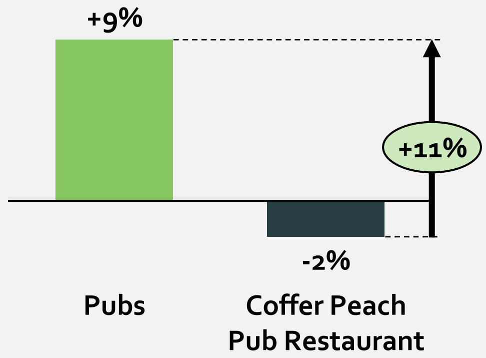
* i.e. P6 refers to the period of 5 weeks to 03 July 2022 & P8 refers to the period of 3 weeks to 21 August 2022

Pubs: Consistent market outperformance

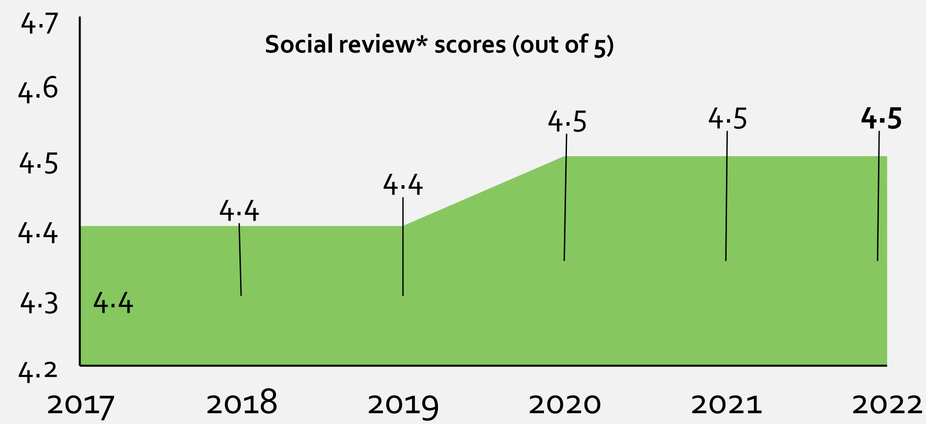
Brunning & Price LIMITED

Consistent market outperformance

YTD LFL Sales (33 weeks to 21 August 22) vs market (vs 2019 comparable)



Customer sentiment remains high



- Good customer demographics with limited competition nearby
- Expansive buildings and grounds providing multiple ancillary trading opportunities
- Continuous evolution of food and drink menu with local flexibility
- Secure asset backing with freehold estate valued at £160m**

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

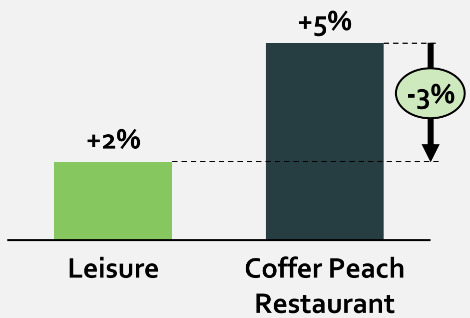
**as of August 2022, according to a third-party valuation commissioned by the Group

The Restaurant Group plc

Leisure: Trading just behind the market

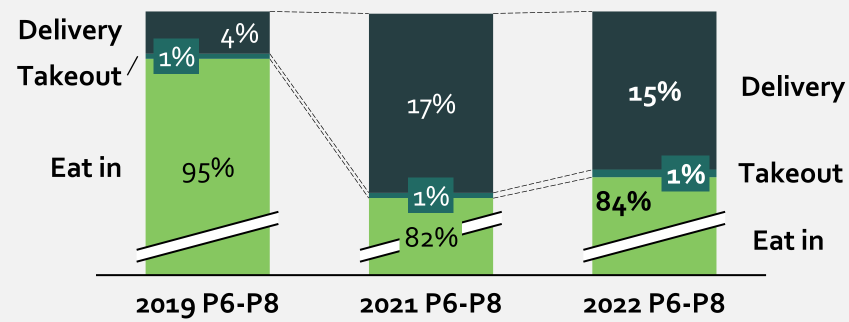
Trading just behind market

YTD LFL Sales (33 weeks to 21 August 22) vs market (vs 2019 comparable)

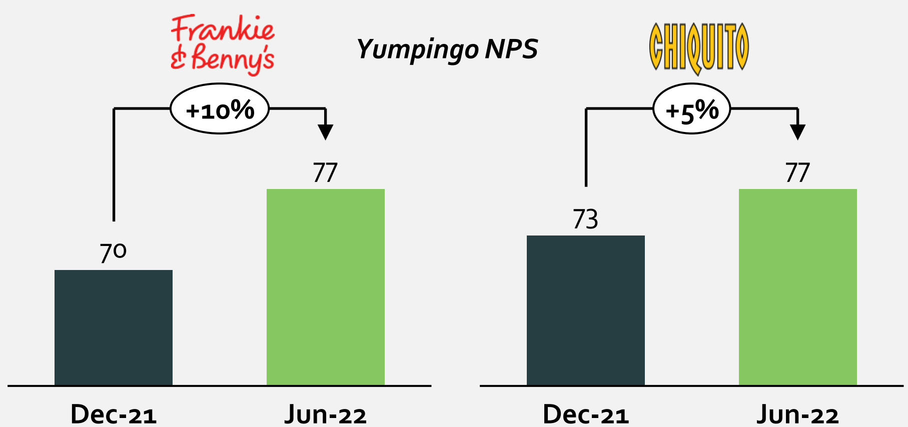


Delivery and takeaway mix evolution

Channel Mix – P6 to P8 2022 vs 2021 vs 2019*



Improving customer ratings



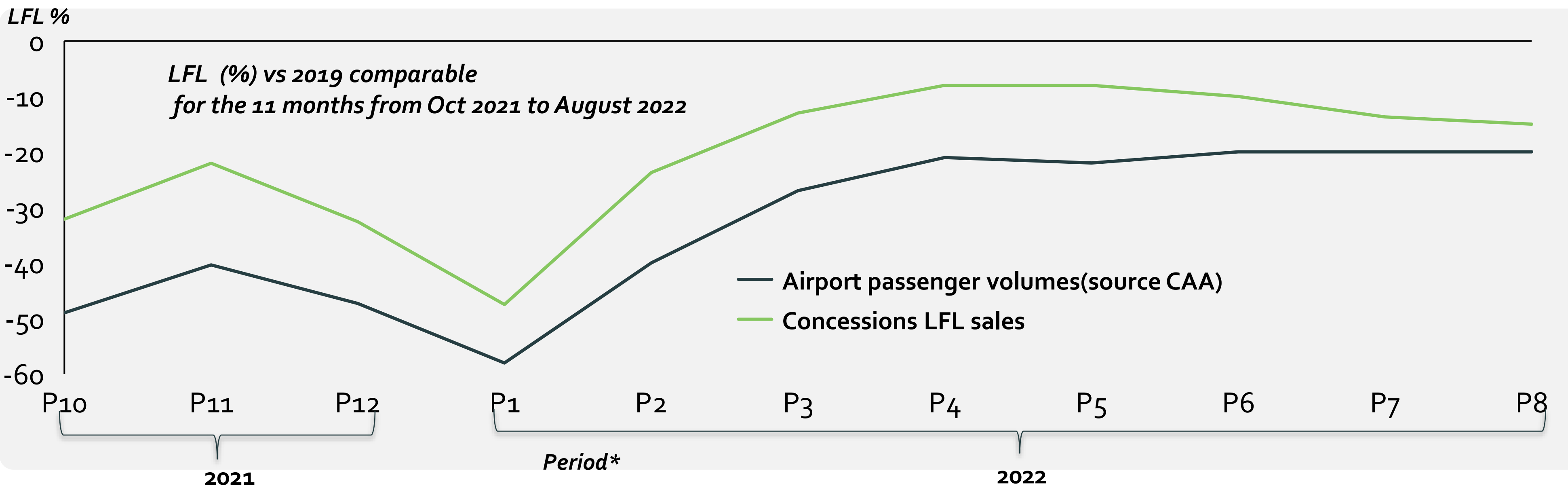
Drivers of performance

- Ongoing investment in food quality, menu simplification and our virtual brands
- Improved colleague engagement through our 'Raise the Roof' programme
- Selective refurbishments

* i.e. P6 refers to the period of 5 weeks to 03 July 2022 & P8 refers to the period of 3 weeks to 21 August 2022

Concessions: Gradually recovering despite reduced summer flight schedules

Concessions LFL sales vs UK airport passenger volumes



- Full estate of 43 sites currently trading
- Reduced peak summer flight schedules
- Last 3 months passenger volumes currently trending at c.20% down vs 2019 levels
- Well positioned for further potential passenger volume recovery in 2023 and 2024

* i.e. P10 refers to the period of 4 weeks to 31 October 2021; , P1 refers to the period of 4 weeks to 30 January 2022 , P8 refers to the period of 3 weeks to 21 August 2022

Targeted capital investment: Adapting to current market dynamics

	2022 openings	2023 expected openings	Average capex investment	
Wagamama UK restaurants	8	6-8	£1.2m - £1.5m	Improved commercial terms for new UK restaurant leases
Wagamama UK delivery kitchens	3	0	£0.4m - £0.5m	Ceased rollout of delivery kitchens due to delivery market softening
Pubs*	2	2	£1.8m - £4.5m	Capping growth due to current cost of quality UK pub assets
Barburrito	N/A	3-4	£0.4m - £0.5m	Low per unit capex requirements

* Average capex investment range relates to both leasehold and freehold pubs (i.e. £4.5m capex investment relates to a freehold pub)

Long-term sustainable growth opportunities

	Expected estate as at Dec 22	Dec 2027 estate potential	*Average new site EBITDA**	*Target ROIC***
Wagamama UK restaurants	154	c.190	£400k - £600k	>40%
Pubs	80	c.90	£350k - £600k	>20%
Barburrito	16	c.30	£120k - £180k	>30%
Wagamama US JV (20% share)	9	c.30	£80k - £120k***	>25%

Wagamama International franchise

- Dec 22 estate expected to be 65 sites
- Expect 5-8 new international franchise sites per year going forward

*Based on a combination of actual returns from 2019 & 2020 openings where applicable and feasibility returns for future pipeline sites
**ROIC refers to return on invested capital defined by outlet EBITDA/initial capex invested
*** Represents TRG's 20% share of each sites EBITDA

Environmental & Social initiatives update

Scope 3 emissions reduction

Worked with specialist sustainability company to identify Scope 3 decarbonisation levers

More sustainable packaging

New packaging rolled out across c.50% of Wagamama estate

Reduce waste

SRA plate waste project trials complete, with average c.20% reduction of plate waste per cover

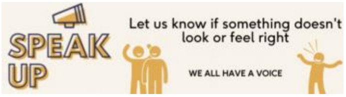
Care for our colleagues

On track for c.450 apprentices on our programmes/graduated in 2022

Care for our communities

Raised over £200,000 for charity in H1 2022

Foster a representative, diverse and inclusive environment



D&I training, engagement surveys, inclusion campaigns & events

Group well positioned despite challenging market

Portfolio of brands that are outperforming the sector

Decisive action taken to hedge utility costs and reduce our interest rate exposure

Strong balance sheet with substantial liquidity

Remaining focused on delivering long-term sustainable growth for all stakeholders

Appendices

Selected FY22 Guidance

- Total capital expenditure £55m to £60m
  - Expansionary capex of c.£25m includes:
    - 8 new Wagamama UK restaurants all due to open in FY22
    - 4 new pub restaurants , with 2 due to open in FY22
  - Maintenance and IT investment of £20m to £25m
  - Refurbishment capex of c.£10m

- Utilities increased by a further £2m
  - Unhedged volume in new sites
  - Further increase in landlord billed sites

- Wagamama and Leisure businesses sales were adversely impacted by heatwaves in July and August, Pubs benefitted from the heatwaves

The Restaurant Group plc

Other FY22 Guidance

- **IFRS 16 EBITDA add-backs (i.e., rent & other property non-cash charges) :**
  - Net add-back £54m to £58m
    - £57m to £60m for fixed rent
    - (£2m) to (£3m) for non-cash property charges

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

	Pre-IFRS 16 charge £'m	IFRS 16 impact £'m	Total charge £'m
P&L Depreciation*	41-42	35-37	76-79
P&L Interest*	24-25	17-18	41-43

* Adjusted (pre-exceptional charges)

Group cash flow

	2022 HY £m (Pre IFRS 16)	2021 HY £m (Pre IFRS 16)
Adjusted* EBITDA (pre IFRS 16 basis)	**41.7**	**11.2**
Working capital and non-cash adjustments	15.9	3.2
Operating cashflow	**57.6**	**14.4**
Net interest paid	(11.0)	(14.3)
Tax paid/received	(2.0)	(0.2)
Refurbishment and maintenance capital expenditure	(15.6)	(6.7)
Free cash flow	**29.0**	**(6.8)**
Development capital expenditure	(6.4)	(5.3)
Movement in capital creditors	1.0	-
Utilisation of onerous lease provisions	(3.9)	(3.6)
Exceptional costs	(3.1)	(7.8)
Proceeds from issue of share capital	-	166.8
Other items	(1.4)	-
Cash movement	**15.2**	**143.3**
Group net debt at start of period	(171.6)	(340.4)
Non-cash movement in net debt	(2.0)	(3.1)
Group net debt at end of period (pre IFRS 16 basis)	(158.4)	(200.2)
Lease liabilities (IFRS 16 basis)	(402.4)	(434.8)
Group net debt at end of period (IFRS 16 basis)	(560.8)	(635.0)

** (pre-exceptional charge)*

Commentary

- Strong EBITDA recovery to £41.7m
- Positive working capital due to increased trading levels and VAT reverting to 20%
- Restarted our targeted capital expenditure programme
- FY22 Onerous lease cash cost of £8m-£10m

The Restaurant Group plc

IFRS 16 P&L reconciliation

	Trading Pre IFRS 16 £m	IFRS 16 Depreciation £m	IFRS 16 Interest £m	Non-cash £m	Fixed rent £m	Trading IFRS 16 £m
Revenue	423.4	-	-	-	-	423.4
Operating costs*	(381.7)	-	-	1.6	28.8	(351.3)
EBITDA*	41.7	-	-	1.6	28.8	72.2
Depreciation, amortisation and impairment*	(18.9)	(17.8)	-	-	-	(36.7)
EBIT /Operating profit*	22.9	(17.8)	-	1.6	28.8	35.5
Interest payable*	(12.5)	-	(9.0)	-	-	(21.5)
PBT*	10.2	(17.8)	(9.0)	1.6	28.8	13.9

* Adjusted (pre-exceptional charge)

– Non-cash element of £1.6m benefits from £5.1m gain relating to renegotiation of some airport concession leases, all of which recognised in the period

IFRS 16 Balance sheet Reconciliation

	Pre IFRS 16 £m	IFRS 16 Adjustments £m	IFRS 16 £m
Non-current assets	**874.8**	**268.9**	**1,143.7**
Intangible assets	591.6	-	591.6
Right of use assets	-	265.9	265.9
Property, plant and equipment	271.7	0.3	272.0
Derivative financial instruments	8.8	-	8.8
Other Receivables	2.7	2.7	5.4
Current assets	**113.3**	**(5.7)**	**107.6**
Inventory	6.8	-	6.8
Trade and other receivables	17.4	(1.0)	16.4
Prepayments	15.3	(4.8)	10.5
Corporation tax debtor	1.3	-	1.3
Cash and cash equivalents	72.6	-	72.6
Total assets	**988.1**	**263.2**	**1,251.3**
Current liabilities	**(187.5)**	**(25.2)**	**(212.7)**
Trade and other payables	(185.4)	36.8	(148.6)
Corporation tax liability	-	-	-
Provisions	(2.1)	(0.4)	(2.5)
Lease liabilities	-	(61.6)	(61.6)
Non-current liabilities	**(308.2)**	**(308.7)**	**(616.9)**
Long-term borrowings	(231.0)	-	(231.0)
Deferred tax liabilities	(41.7)	-	(41.7)
Non-current lease liabilities	(8.5)	(332.3)	(340.8)
Provisions	(27.0)	23.6	(3.4)
Total liabilities	**(495.7)**	**(333.9)**	**(829.6)**
Net assets	**492.4**	**(70.7)**	**421.7**

Estate mix

	Estate at 02/01/22	Openings	Closures	Estate at 07/09/222
Wagamama UK	148	6	(2)	152
Frankie & Benny's	96	-	(1)	95
Pub Restaurants	79	1	(1)	79
Concessions	44	2	(3)	43
Chiquito	22	-	-	22
Other Leisure Brands	8	-	-	8
Wagamama Delivery kitchens	8	3	(3)	8
Barburrito*	-	16	-	16
Total TRG	405	28	(10)	423

***Barburrito acquired and consolidated into TRG results from 12th July 2022**