

The
Restaurant
Group plc

Full year results presentation

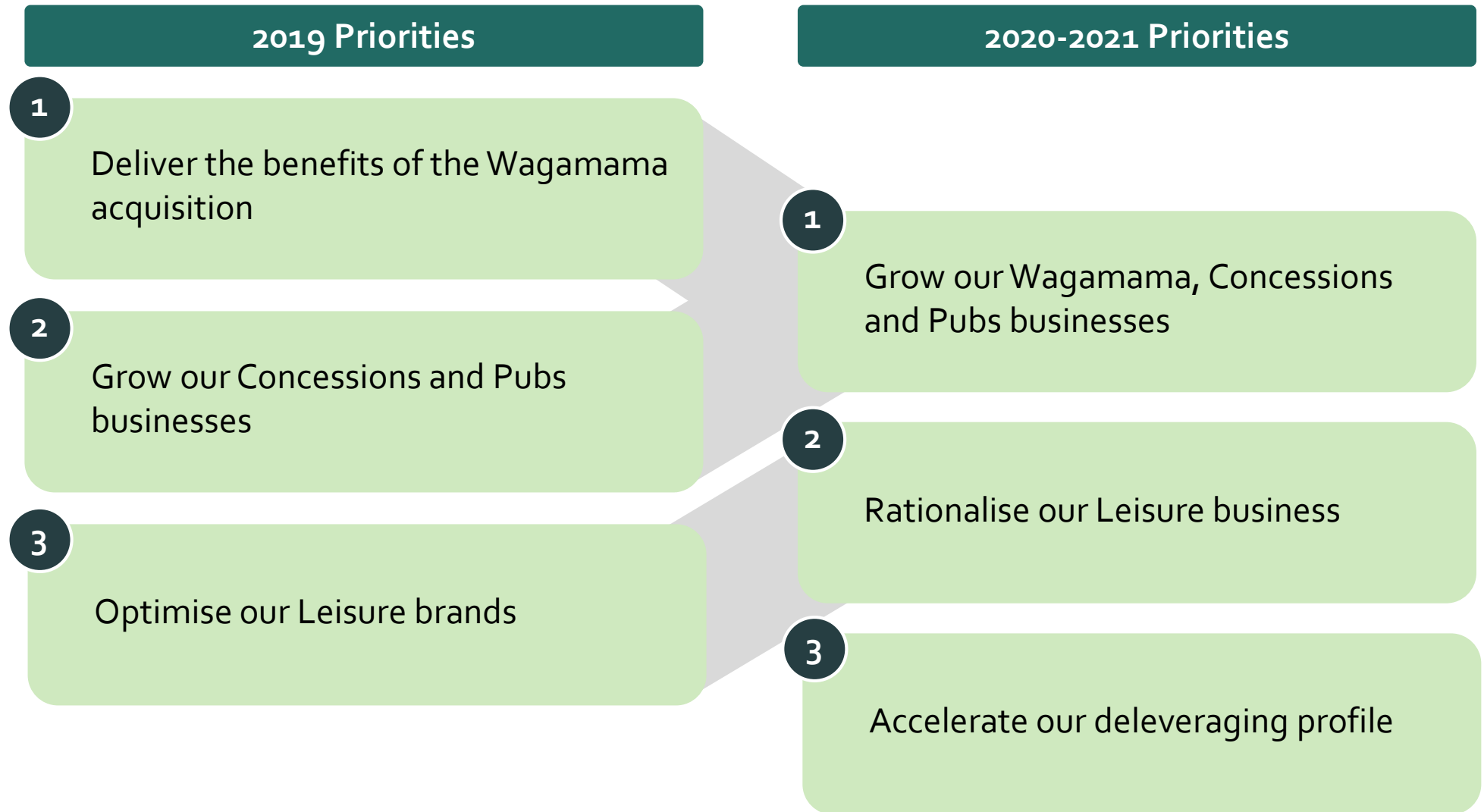
52 Weeks to 29 December 2019

FY 2019 Operational highlights

		LFL Sales	
Wagamama	<ul style="list-style-type: none"> Market leading like-for-like sales performance continues Cost synergies ahead of plan, site conversion programme well progressed Secured JV partnership to develop the US business 	+8.5%	75% Outlet EBITDA*
Concessions	<ul style="list-style-type: none"> Like-for-like sales consistently ahead of passenger growth Secured 6 sites due to open in 2020 in Manchester airport terminal development Maintained strong track record of renewals 	+4.1%	
Pubs	<ul style="list-style-type: none"> Strong like-for-like sales outperformance vs market continues 2019 openings trading well, with a healthy pipeline of expansion opportunities Customer ratings remain consistently high 	+4.0%	
Leisure	<ul style="list-style-type: none"> Like-for-like sales decline of 2.8%, representing an improvement on previous years Delivery propositions performing well 2 year estate rationalisation plan developed 	(2.8)%	25% Outlet EBITDA*

*FY 2019 (Jan—Dec) Pro-forma outlet EBITDA

Evolution of our strategic priorities



2020-2021 Priorities

2020-2021 Priorities

1

Grow our Wagamama, Concessions and Pubs businesses



- Maintain like-for-like sales outperformance versus respective benchmarks
- Continue selective approach to new sites which generate strong returns

2

Rationalise our Leisure business



- Accelerate rationalisation of the estate from 350 sites today to a target of 260-275 sites by the end of 2021
- Optimise delivery opportunity and improve food credentials

3

Accelerate our deleveraging profile



- Target a reduction in net debt / EBITDA leverage * from 2.1x today to below 1.6x by the end of 2021

To support these priorities, we have decided to temporarily suspend the dividend

* Pre IFRS 16 Adjustment

Financial review

Group financial summary

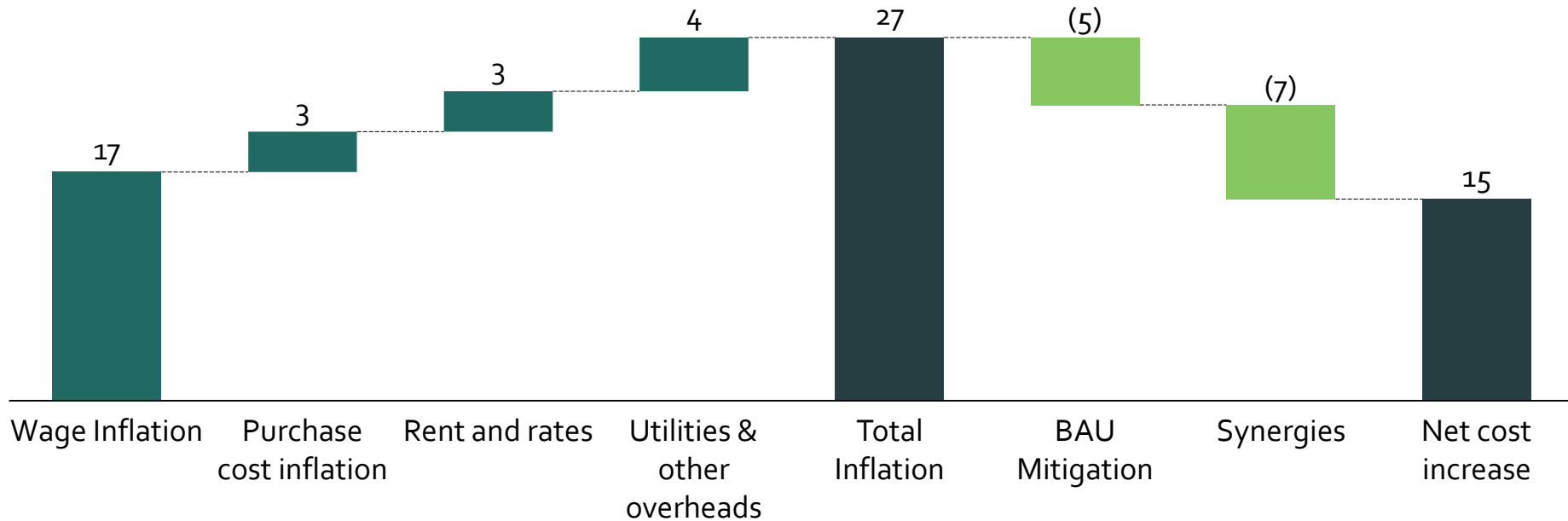
	2019 FY £m	2018 FY £m	% Change
Revenue	1,073.1	686.0	+56.4%
Like-for-like %			+2.7%
EBITDA*	136.7	87.9	+55.6%
<i>EBITDA margin %*</i>	12.7%	12.8%	
EBIT / Operating profit*	91.1	55.4	+64.4%
<i>Operating margin %*</i>	8.5%	8.1%	
PBT*	74.5	53.2	+40.2%
Earnings per share*	11.9p	14.7p	(19.1%)

* Adjusted (pre-exceptional charge)

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

FY2020 expected cost headwinds and mitigation

£'m



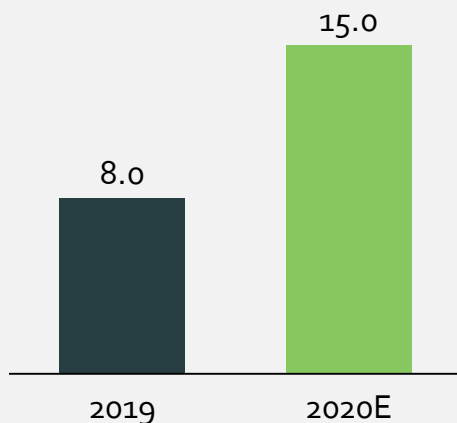
- Mitigating c.45% of £27m cost headwinds (including Wagamama synergies):
 - Consolidating supply through vertical integrated suppliers and strategic sourcing
 - Rigorous negotiations with landlords for rent reviews and continual appeals with local councils on business rates
 - Operational efficiency in site-level overheads
 - Wagamama cost synergy programme

Wagamama synergy programme to deliver at least £22m in 2021

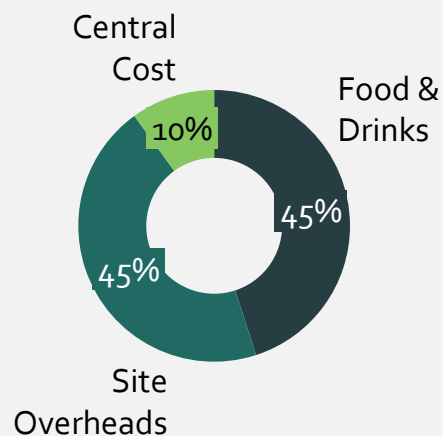
Cost Synergies

Realised Synergies

Total (£'m)



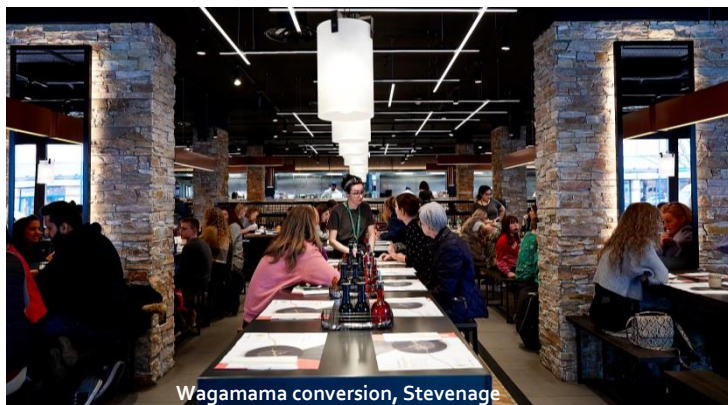
2019 Allocation



On track to deliver £15m of cost synergies in 2020

- Food and drink purchase efficiency opportunities implemented
- Shared operational expertise in maintenance and energy efficiency delivering site overheads savings
- Central cost savings in consolidating IT systems and professional services

Site Conversion Synergies



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

- 8 conversions completed in 2019:
 - Average weekly sales uplift of c.120%
 - Tracking at over 40% ROIC*
- 5-6 planned for 2020
- Scope for further conversions in 2021 and 2022

* Return on Invested Capital (ROIC): 12 months rolling outlet EBITDA/initial capex investment

Group acquisitions and capital expenditure

	2019 FY £m	2018 FY £m
Development expenditure	29.8	33.0
Leisure site conversions to Wagamama	9.0	-
Refurbishment and maintenance expenditure	34.5	20.3
Acquisitions of Ribble Valley and Food & Fuel	-	15.2
Total capital expenditure (excluding Wagamama acquisition)	73.3	68.5
Acquisition of Wagamama	-	349.0
Total capital expenditure (including Wagamama acquisition)	73.3	417.5

- We opened 4 Concessions and 4 Pubs sites in the year
- Wagamama development expenditure included 8 leisure site conversions, 3 new Wagamama sites*, 2 delivery kitchens and one "Mamago" site
- Refurbishment and maintenance expenditure in the year included 5 transformational refurbishments of Wagamama sites

*Includes one site in the US

Group cash flow

	2019 FY £m	2018 FY £m
Adjusted operating profit*	91.1	55.4
Working capital & non-cash adjustments	3.8	0.4
Depreciation & amortisation	45.6	32.5
Cash inflow from operations	140.5	88.3
Net interest paid	(14.5)	(1.0)
Tax paid	(10.3)	(7.4)
Refurbishment and maintenance capital expenditure	(34.5)	(20.3)
Free cash flow	81.2	59.6
Development capital expenditure	(38.8)	(33.0)
Movement in capital creditor	(5.0)	5.8
Dividend paid	(17.5)	(34.9)
Utilisation of onerous lease provisions	(12.6)	(11.2)
2018 acquisitions net of cash acquired**	-	(324.9)
Debt acquired on acquisition of Wagamama	-	(225.0)
Integration costs	(11.2)	-
Acquisition and refinancing costs	(17.3)	(10.1)
Proceeds from issue of share capital	-	305.8
Proceeds from disposals	27.3	
Other items	-	(0.1)
Cash movement	6.1	(268.0)
Group net debt at start of period	(291.1)	(23.1)
Non-cash movement in net debt	(1.6)	-
Group net debt at end of period	(286.6)	(291.1)

* Adjusted (pre-exceptional items)

** Relates to Wagamama, Food and Fuel and Ribble Valley Inns acquisitions

Commentary

- Net debt / EBITDA is 2.1x
- Analytical review:
 - Working capital inflow relates to improved debtor management
 - Onerous lease provision included £2.8m of one-off costs to exit sites early
 - Acquisition and refinancing costs related to the one-off costs associated with the Wagamama transaction

Group exceptional charges

	<i>Period in consideration</i>		
	FY 2019 £m	H2 2019 £m	H1 2019 £m
Impairment of property, plant & equipment	108.4	6.4	102.1
Onerous lease provision	7.5	(3.2)	10.7
Integration costs	11.2	8.2	3.0
Profit on disposal	(17.2)	(17.2)	-
Loss on assets held for sale	2.0	2.0	-
Exceptional charge	111.8	(3.9)	115.7

- H2 2019 impairment charge is due to trading conditions in 4 sites and a reduction in the valuation of 4 freehold sites
- H2 2019 onerous lease credit relates to exiting 6 sites ahead of expectations
- Integration costs are related to the Wagamama synergy programme
- Profit on disposal related to the sale and leaseback of our head-office

IFRS 16 indicative impact

No impact on Cash Flow

No impact on Economic model

No impact on Operations

Overview

- IFRS 16 to be implemented from 2020 Financial Year
- Elected 'Modified Retrospective' approach with no restatement of 2019 financials
- Lease liabilities based on minimum rent obligations, anticipating early lease exits where possible
- Post IFRS16 deleveraging will be slower as we grow our Wagamama, Concessions and Pubs businesses

Expected impact in FY20

Adjusted EBITDA increases between £125m and £130m

Profit Before Tax decreases between £4m to £5m

Adjusted EPS decreases between 0.6p to 0.8p

Debt increases between £850m to £890m

RoU asset increases between £760m to £800m

Net Debt to EBITDA leverage increases by 2.3x

FY20 Guidance

- 2020 development capital expenditure – £40m to £45m
 - 3-5 new Pubs
 - 8 new Concessions sites, including 6 sites in phase 1 of Manchester airport terminal redevelopment
 - 3-4 new Wagamama sites in the UK
 - 5-6 Leisure site conversions to Wagamama
- 2020 refurbishment and maintenance capital expenditure – £30m to £35m, including 5 further transformational refurbishments of Wagamama sites
- Net cost inflation expected to be £15m, which is £2m-£3m higher than previous expectations due predominately to the recently announced 6.2% increase in NMW/NLW
- Current trading is encouraging with like-for-like sales up 5.3% for the first six weeks of 2020

Business review

Our strategic priorities

1

Grow our Wagamama, Concessions and Pubs businesses

2

Rationalise our Leisure business

3

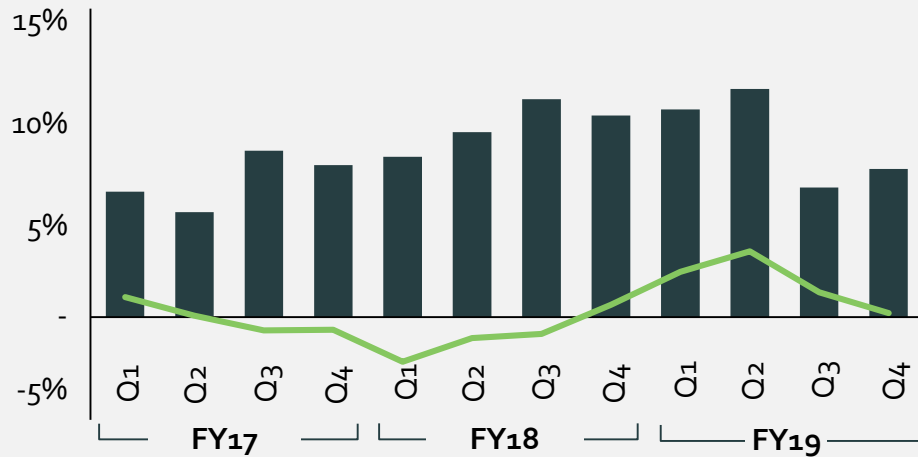
Accelerate our deleveraging profile

Wagamama: Strong financial performance

Market Leading UK LFL sales

Like-for-like sales %

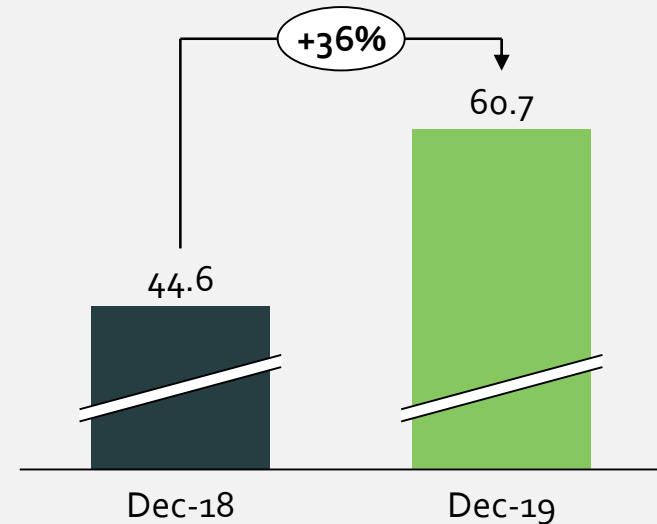
— Restaurant Market
■ Wagamama



Note: Results as per TRG financial year quarters
Source: Peach Tracker, Restaurants

Strong Adjusted EBITDA progression

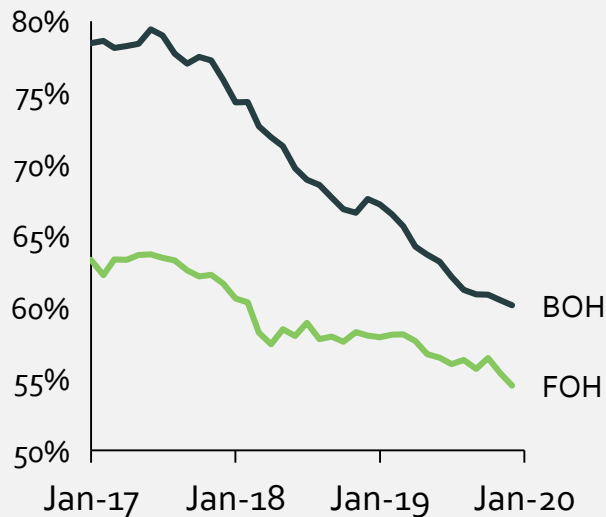
Rolling 12 months EBITDA £'m



Underpinned by operational KPIs

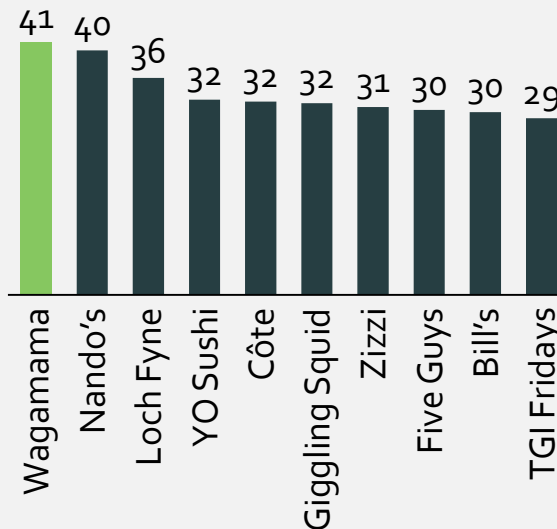
Unique cohesive culture

Team Turnover %



Leading net promoter score

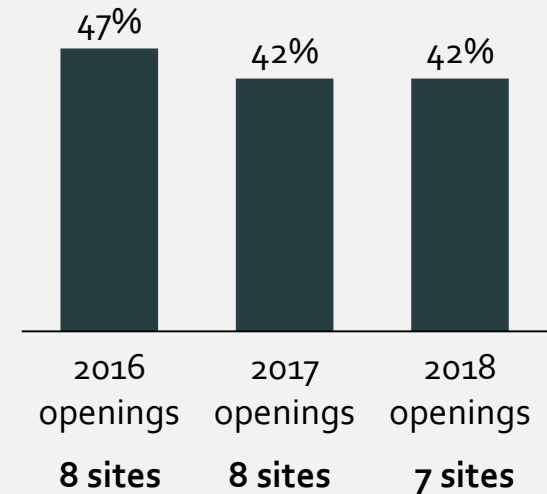
Top 10 UK casual dining NPS



Source: BrandVue NPS – December 2019

Selective site expansion criteria

Return on invested capital %*



* Rolling 12 months Outlet EBITDA to Dec 19 / invested capital

Continued progress on multiple growth avenues

New Sites (UK)



- 10 new restaurants opened in 2019:
 - 8 leisure conversions
 - 2 new sites at Old Street(London) and Heathrow T3
- Expect to open 8-10 new restaurants in 2020:
 - 5-6 leisure conversions
 - 3-4 new sites

New Formats



- Currently operate 3 delivery kitchens
 - Plan to open 3-5 more across the UK in 2020
- 1st Mamago site launched on Fenchurch street in November 2019

US

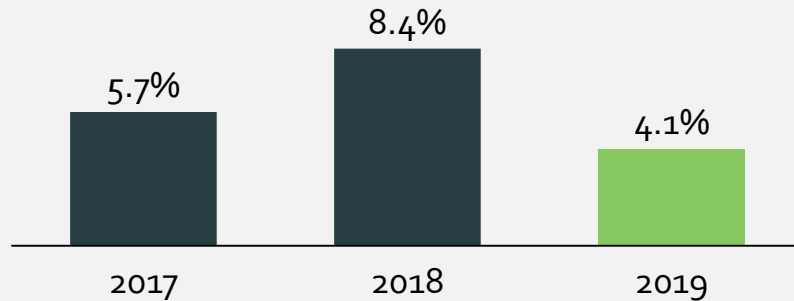


- Secured 20:80 JV partnership (with TRG as the minority investor):
 - Capital efficient means to expand the US Business
 - Minimises losses in the near-term
 - First option to repurchase remaining equity stake from 2026

Concessions: Strong multi-brand portfolio

Consistent like-for-like sales growth

Like-for-like sales %



2019 key activity

- Opened 4 new concession sites in the year including 3 sites at Gatwick airport
- 90% of legacy business has received a contract extension
- Average extension is 100% of original lease term
- Secured significant number of sites in Manchester airport terminal development

Brand Profile

Bespoke brands:



The Curator
bar & dining

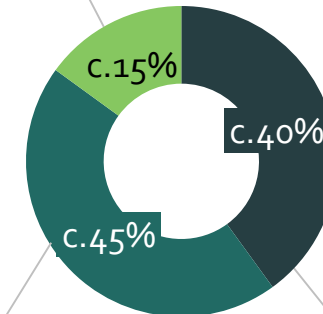
Sonoma



the
DISTILLING
HOUSE
PUB & DINING

TRG brands:

wagamama
Frankie & Benny's



Franchised brands:

BARBURRITO
MEXICAN EATERY

COMPTOIR
LIBANAIS

SHAKE SHACK®

WONDERTREE



Growing our Concessions business

2020 Planned Openings in Manchester Airport

wagamama

Apiary

- THE -
BRIDGEWATER EXCHANGE
· MANCHESTER ·
BREW PUB & KITCHEN

Archie's

BARBURRITO
MÉXICAN EATERY

BAR + EATERY

San CARLO
CICCHETTI
BAR | RISTORANTE | CAFFÈ | CICCHETTI

Pipeline of Potential Opportunities

Upcoming Terminal Developments

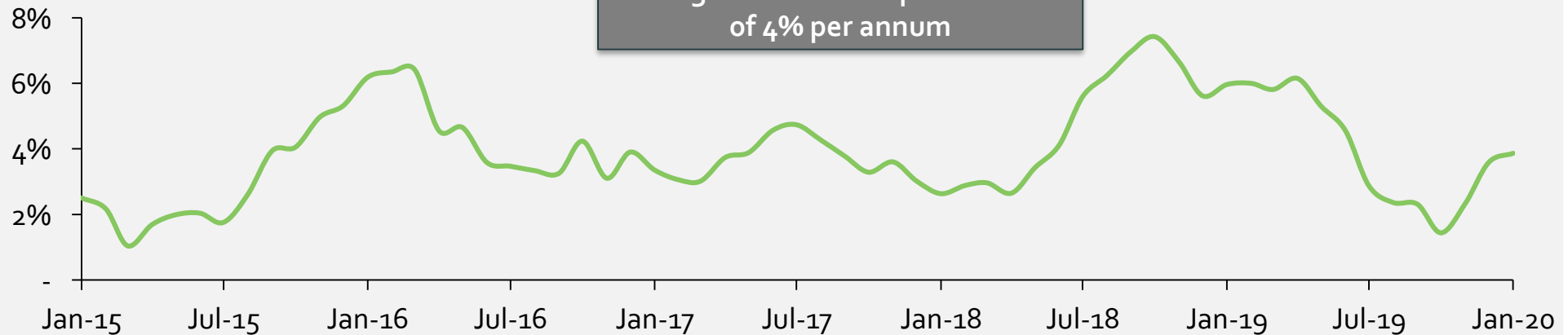


Pubs: Track record of consistent outperformance

Consistent market outperformance continues

Outperformance vs Peach Pub Restaurants
Like-for-like sales % (6 month moving average)

Average LFL sales outperformance
of 4% per annum



Source: Peach Tracker, Pub-Restaurants

Robust business model with defensible well-invested locations

- Attractive demographics
- Limited competition nearby
- Autonomy at site level on menu selection allows rapid adaptation to local trends
- Strong asset backing with freehold estate valued in excess of £150m as per Savills valuation report*

*Valuation report as at November 2019

Growing our Pubs business

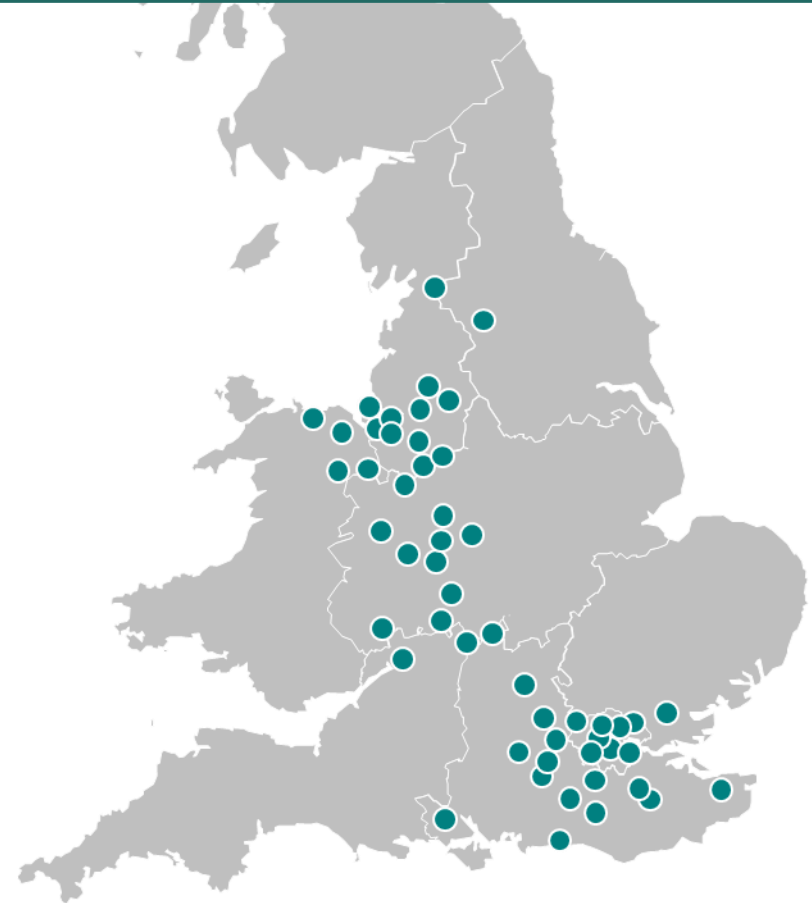
LFL Growth Drivers

- Menu development to include:
 - Further set menu occasions
 - Broader vegan range
 - Enhanced drinks range
- Continual improvement and extension of events
- Optimisation of centralised phone bookings and online bookings
- Further utilisation of existing space

Selective Site Expansion Plan

- 4 sites opened in 2019, trading ahead of expectations
- Continued selective approach to site expansion with 3 to 5 new sites planned for 2020

Existing footprint



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Rationalise our Leisure business

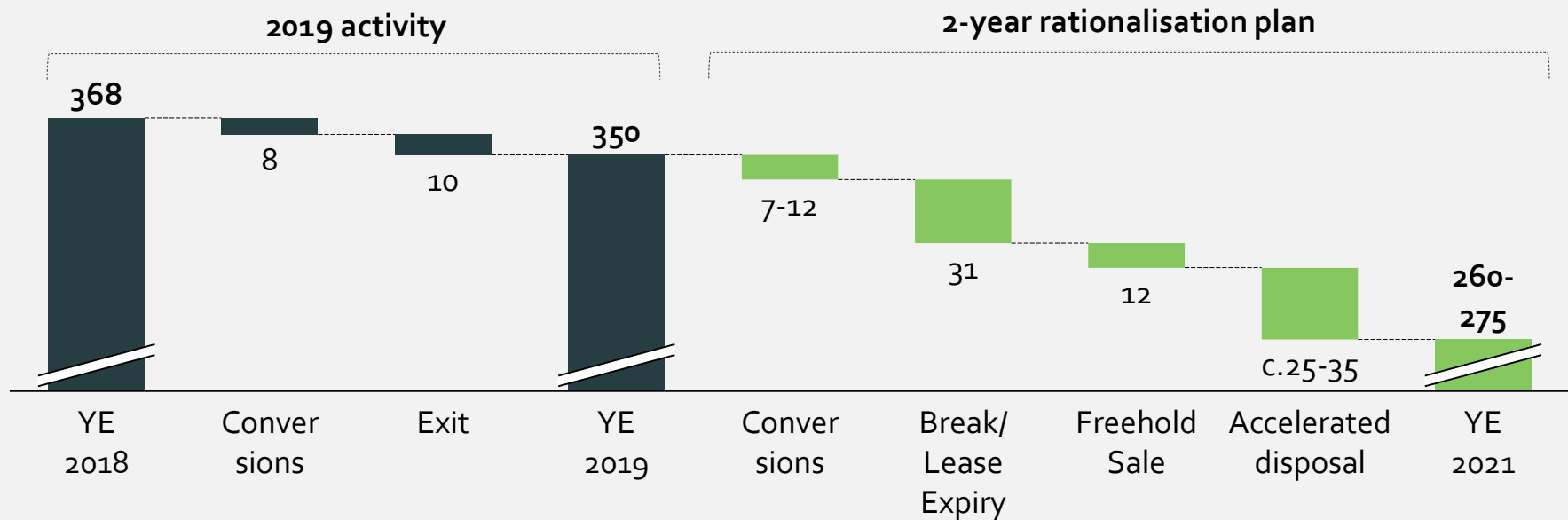
3

Accelerate our deleveraging profile

Leisure: 2 year estate rationalisation plan

Pro-active Estate Management

Number of sites



- 5-6 conversions to Wagamama planned in 2020 with scope for further sites in 2021 and 2022
- Expect to exit 31 sites at lease expiry or break clause
- 12 freehold sites currently on the market
- 35 sites marketed for accelerated disposal

Targeted operational activities

Grow our delivery business



Chicken Cartel
(Online delivery brand)

- Delivery sales in Leisure business more than doubled in FY2019
- Exit run-rate in 2019 of c.6% of total sales from delivery
- Approximately 50% of delivery sales from online-only brands

Improve our food credentials



- Targeted food quality investments in key categories
- Reduced menu complexity to improve product consistency
- Extended vegan range

New management team

Mark Chambers
CEO, Leisure
(joins March 2020)

Previous experience:

LADBROKES
CORAL
GROUP



Jacqui Mcmanus
People Director, Leisure
(joined January 2020)

Previous experience:

THE FRIDAYS

Mitchells
& Butlers

Our strategic priorities

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3 Capital Allocation: Priorities

2020-2021 Priorities

1

Grow our Wagamama, Concessions and Pubs businesses



Continue selective approach to new sites which generate strong returns

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Rationalise our Leisure business



Accelerate rationalisation of the estate with target of 260-275 sites by the end of 2021

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Accelerate our deleveraging profile

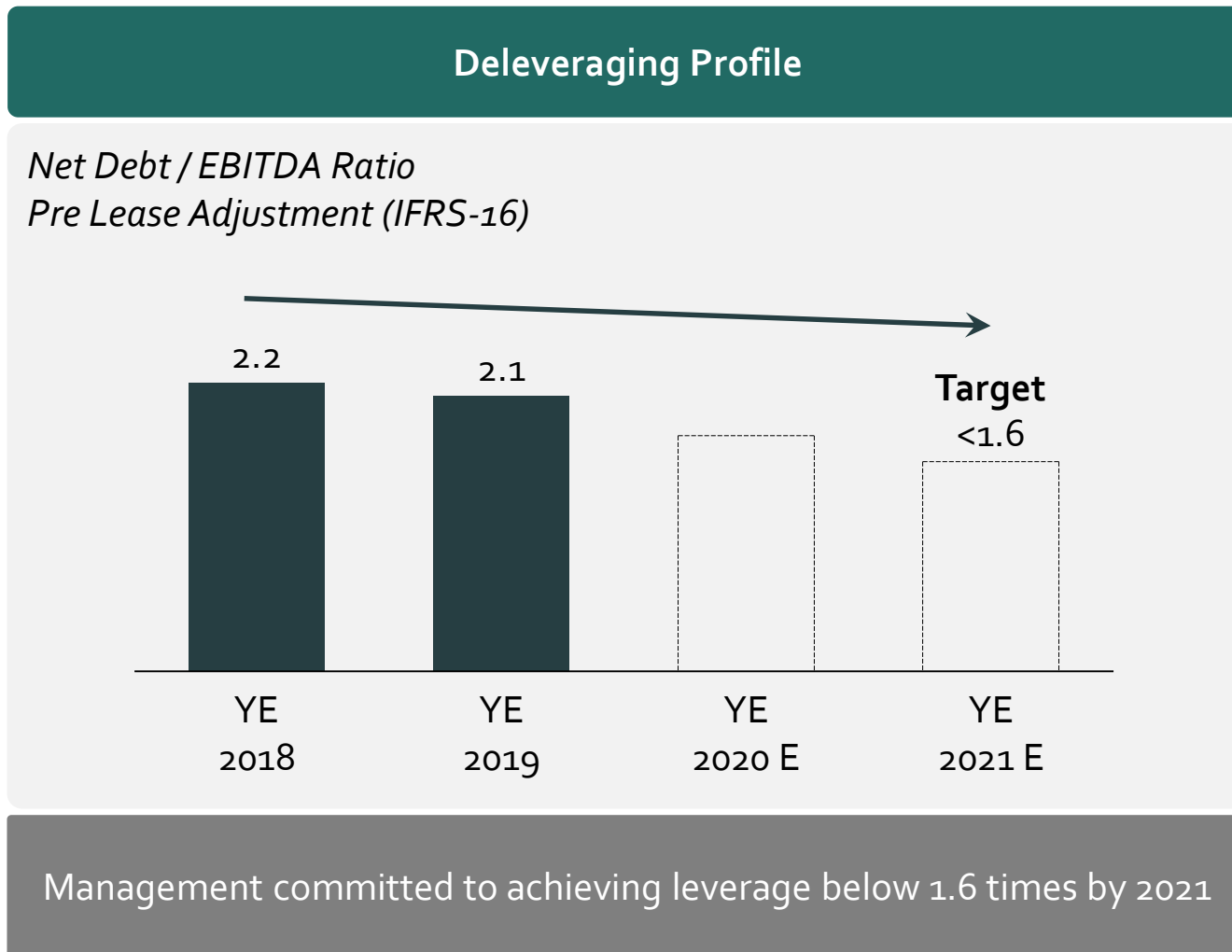


Target a reduction in net debt / EBITDA leverage * from 2.1x today to below 1.6x by the end of 2021

To support these priorities, we have decided to temporarily suspend the dividend

* Pre IFRS 16 Adjustment

3 Accelerate our deleveraging profile



Summary

- Strong financial performance by Wagamama in 2019 emphasising significant potential for future growth
- Concessions and Pubs continue to outperform their respective benchmarks with multiple opportunities for growth ahead
- Focused rationalisation plan for the Leisure business
- Temporary suspension of dividend to facilitate strategic priorities
- Current trading is encouraging with like-for-like sales up 5.3% for the first six weeks of 2020

Q&A

Appendices

Estate movements schedule

	Estate at 30/12/18	Openings	Closures	Conversions	Estate at 29/12/19
Frankie & Benny's	248	-	(9)	(3)	236
Wagamama UK	134	2	-	8	144
Pub Restaurants	81	4	(1)	-	84
Chiquito	83	-	-	(4)	79
Concessions	71	4	(4)	-	71
Wagamama US	5	1	(1)	-	5
Delivery Kitchen & Mamago	1	3	-	-	4
Other Leisure Brands	37	-	(1)	(1)	35
Total TRG	660	14	(16)	0	658

Leisure lease profile expiry chart

