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2022 Full Year Results

For the 52 weeks ended 1 January 2023

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Agenda

- CEO introduction
- 2022 financial results
- Business review
- Growth initiatives
- Corporate governance
- Current trading and outlook

Introduction – CEO

- Joined Hostmore as Chief Operating Officer in February 2022
 - Previously Brand Director at Las Iguanas
- Since appointment as Interim CEO in January 2023, taken time to evaluate our business
 - Challenges
 - Opportunities
- People
 - Strengthening the leadership with purpose for continuous improvement
- Strategic planning
 - Align our organisation
 - Unlocking potential (team, guest and investor)

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Financial Results

Results Summary

- Revenue +23% principally reflects post-pandemic recovery
- EBITDA benefitted from
 - Adaptable supplier relationships
 - Hedging of utilities
 - Landlord concessions
- EBITDA negatively impacted by
 - Increased overhead expenditures
 - Trading from new store openings
- Loss after tax driven by non-cash impairments
 - Property £31.2m
 - Goodwill £70.9m
- Increase in net debt in part due to
 - Settlement of prior year accruals £9.9m
 - New store openings (CapEx & trading)⁽²⁾ £8.8m

	FY22	FY21	FY20	FY19
Total revenues	£195.7m	£159.0m	£129.1m	£214.8m
EBITDA (IFRS 16)	£31.1m	£34.5m	£23.5m	£46.7m
EBITDA (FRS 102)	£11.3m	£13.0m	£1.5m	£25.5m
EBITDA margin (FRS 102)	5.8%	8.2%	1.1%	11.9%
Group loss after tax (IFRS 16)	(£97.5m)	(£1.5m)	(£17.3m)	(£7.9m)
Adjusted basic earnings per share ⁽¹⁾	3.6p	7.2p	(14.8p)	(14.8p)
Net cash/(bank debt) (FRS 102)	(£27.7m)	(£12.2m)	(£28.6m)	(£39.7m)
Bank Net Debt / EBITDA (FRS 102)	2.5x	0.9x	19.5x	1.6x

Cash Flow⁽¹⁾

- Stable cashflow from operating activities
- Negative working capital due to settlement of prior year accruals
 - Listing costs £6.8m
 - HMRC and landlord £3.1m
- CapEx included new store openings of £6.5m
 - TGI Fridays: Chelmsford, Barnsley & Durham
 - Fridays and Go: Dundee
 - 63rd+1st: Edinburgh
- Financing activities includes
 - Term loan repayment £6.0m
 - Revolving Credit Facility repayment £1.5m
 - Lease liabilities⁽²⁾ £22.4m

	FY22	FY21	FY20	FY19
Cashflow from operating activities	£28.8m	£29.7m	£22.0m	£47.4m
Movements in working capital	(£8.1m)	£1.9m	£2.7m	£2.5m
Cash generated from operations	£20.7m	£31.6m	£24.7m	£49.9m
Net cash from operating activities	£20.0m	£32.9m	£23.8m	£48.5m
Net cash used in investing activities	(£10.2m)	(£4.1m)	(£3.6m)	(£11.3m)
Net cash used in financing activities	(£32.8m)	(£33.9m)	(£10.1m)	(£27.7m)
Net cash (decrease)/increase	(£23.0m)	(£5.1m)	£10.1m	£9.5m
Cash at beginning of period	£32.1m	£37.2m	£27.1m	£17.6m
Cash at end of period	£9.1m	£32.1m	£37.2m	£27.1m

Net Debt & Liquidity

- Cash holdings used to
 - Amortise gross bank debt
 - Offset debt service costs as base interest rates increased from 0.25% (Dec 21) to 3.50% (Dec 22)
 - Fund new store openings
- Lease liabilities reflects
 - Exit from more expensive leases (Guildford)
 - Extension of profitable existing leases (Meadowhall)
 - Entry into less expensive new leases
- Revolving credit facility (“RCF”) drawn £7.5m at year end
 - £22.5m remained available

	FY22	FY21	FY20	FY19
Gross bank debt ⁽¹⁾	(£36.8m)	(£44.3m)	(£65.8m)	(£66.9m)
Cash & cash equivalents	£9.1m	£32.1m	£37.2m	£27.2m
Net debt	(£27.7m)	(£12.2m)	(£28.6m)	(£39.7m)
Lease liabilities	(£148.6m)	(£151.0m)	(£160.2m)	(£160.2m)
Net debt inc. lease liabilities	(£176.3m)	(£163.2m)	(£188.8m)	(£199.9m)
Net Debt / EBITDA (FRS 102)	2.5x	0.9x	19.5x	1.6x

Banking Update

- Amended covenant package agreed with banks on 28 April 2023
- Principal revised terms
 - Maturity extended to 1 January 2025 (from 1 October 2024)
 - Financial covenant tests relaxed from Q1 2023 through Q4 2023
 - Currently compliant with all terms of the facility
 - Revolving credit facility reduced from £30.0m to £21.5m
 - Hostmore suggestion due to idle unused capacity
 - Adequate to fund business requirements
- Expect to commence refinancing process mid-2023
 - May include appointment of debt advisor

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Business Review

Customer Relevance⁽¹⁾

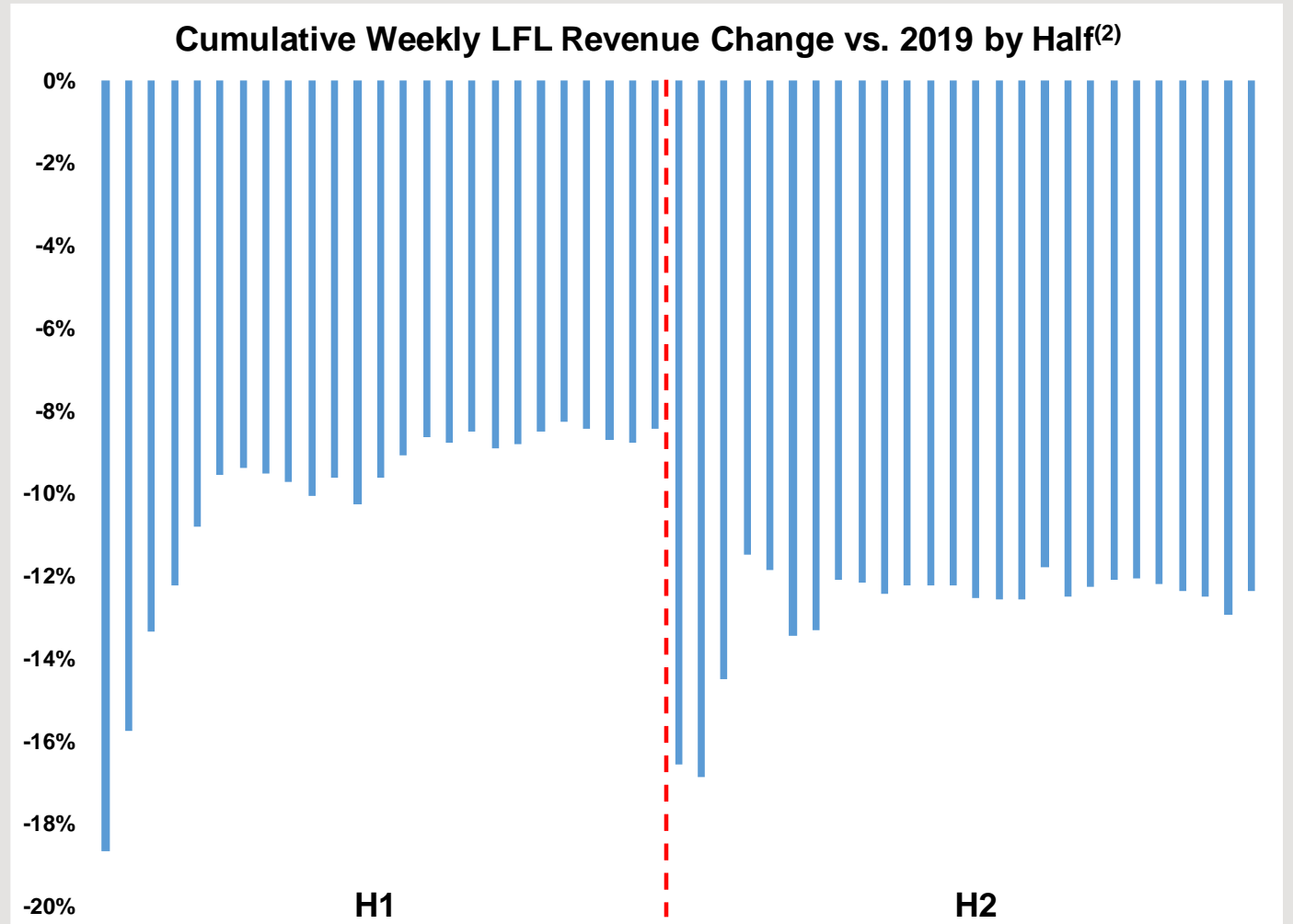
- TGI Fridays continues to be a desired destination for “occasions”
 - Birthdays
 - Stag / Hen nights
 - Dates
 - Nights out on the town
- Customer awareness of TGI Fridays’ brand remains very high
 - 94% awareness
 - Ranked 4th among casual dining brands
- Customers maintain a positive view of the brand
 - 40% for the overall population (range from 0% to 60%)
 - 54% for millennials

Consumer Spending⁽¹⁾

- Economic issues experienced during the year clearly impacted consumers' spending

(% change)	2022 Revenue	
	H1	H2
LFL vs. 2019	(10%)	(14%)

- Sales pattern reset and plateaued



Underlying Free Cash Flow

- Statutory 2022 cash outflow of £23.0m included material non-recurring items and impact from new store openings (“NSOs”)
- Underlying free cash flow £6m
 - After the investment of c.£3.5m in routine maintenance capex

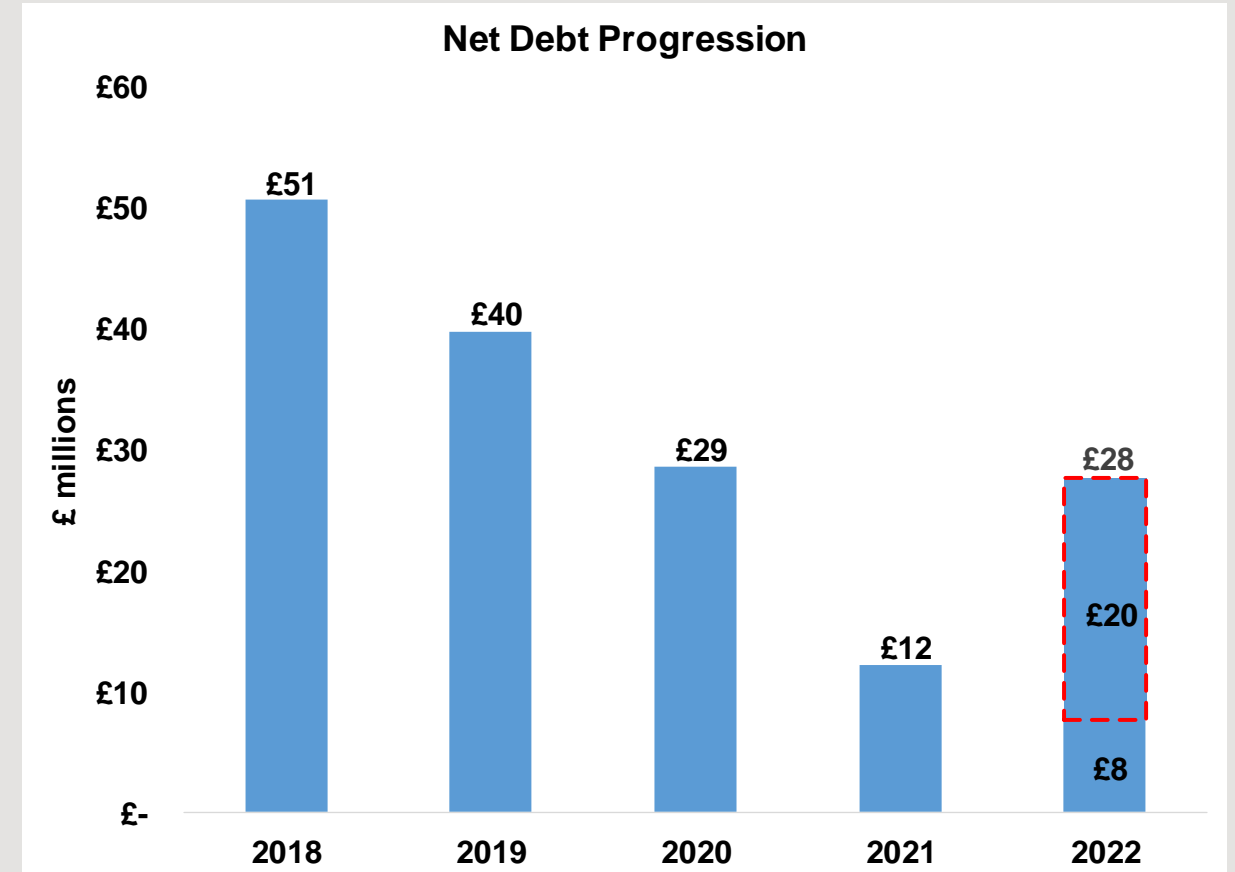
<i>(£ millions)</i>	2022
Reported Change in Cash	(23.0)
Debt Principal Repayment, net	7.5
Interest Expense Paid	2.3
Implied Change Before Financing	(13.2)
NSOs Impact (Buildout & Trading) ⁽¹⁾	8.8
Implied Change in Cash from Operations	(4.4)
Non-Recurring Items	
Settlement of Listing Costs from FY 2021	6.8
Contractual Pandemic-Period Deferrals ⁽²⁾	3.1
Purchase of EBT Shares	0.5
Redundancy Expense	0.3
Subtotal Non-Recurring Items	10.7
Implied Underlying Free Cash Flow	6.3
Maintenance CapEx	3.5
Implied Underlying Operating Cash Flow	9.8

Net Debt Analysis

- 2022 ending net debt of £27.7m
 - Term loan £29.3m outstanding
 - RCF drawn £7.5m at year end
 - Cash holdings of £9.1m
- Net debt position improving over time
 - 2022 reflects impact of paying £20m of non-recurring items and NSOs⁽¹⁾
- Net debt in-line with most significant industry peer⁽²⁾

<i>(End FY 2022)</i>	<u>Net Debt / EBITDA</u>
Restaurant Group	2.2x
Hostmore	2.5x

- Equivalent to 1.5x on a pro forma basis⁽³⁾



Revised Capital Allocation Policy

Policy to prioritise debt reduction and shareholder returns over new store growth

- Anticipate no NSOs until 2025
 - Franchisor supportive and agreed to defer all NSOs in 2023 and 2024
- Manage cost base more proactively and efficiently
- Focus on high ROI organic growth initiatives
 - Trialled
 - Diversified approach
 - Attractive cash conversion
 - Scalable
- Dedicate all free cash flow towards full repayment of borrowings⁽¹⁾
 - Cash generation during 2023 and 2024
 - Annual free cash flow of >£10m becomes fully available to shareholders
- Evaluate shareholder distributions after borrowings repaid
 - Prioritise dividends
 - Share buybacks as appropriate

Cost Reduction Programme

- Significant overhead expense has been added since 2019
 - Facilitate multi-brand platform and new store rollout
 - PLC expense
 - Efficient operations deprioritised
- Recently completed exercises reduce annualised expenses £5.9m

<i>(£ millions)</i>	<u>Annualised</u>	<u>2023 Saving</u>
Cost of Sales	(1.8)	(0.8)
Staff	(2.7)	(2.0)
Contract Services	(1.1)	(1.0)
Other	(0.3)	(0.2)
Total Savings	(5.9)	(4.0)

- Cash cost of completion £0.6m, principally severance
 - Substantially all affected staff have now left the business
 - Savings largely began accruing Q2 2023 and expected to benefit the year £4.0m
- Further opportunities currently being evaluated
 - Cost reductions
 - Store rationalisation

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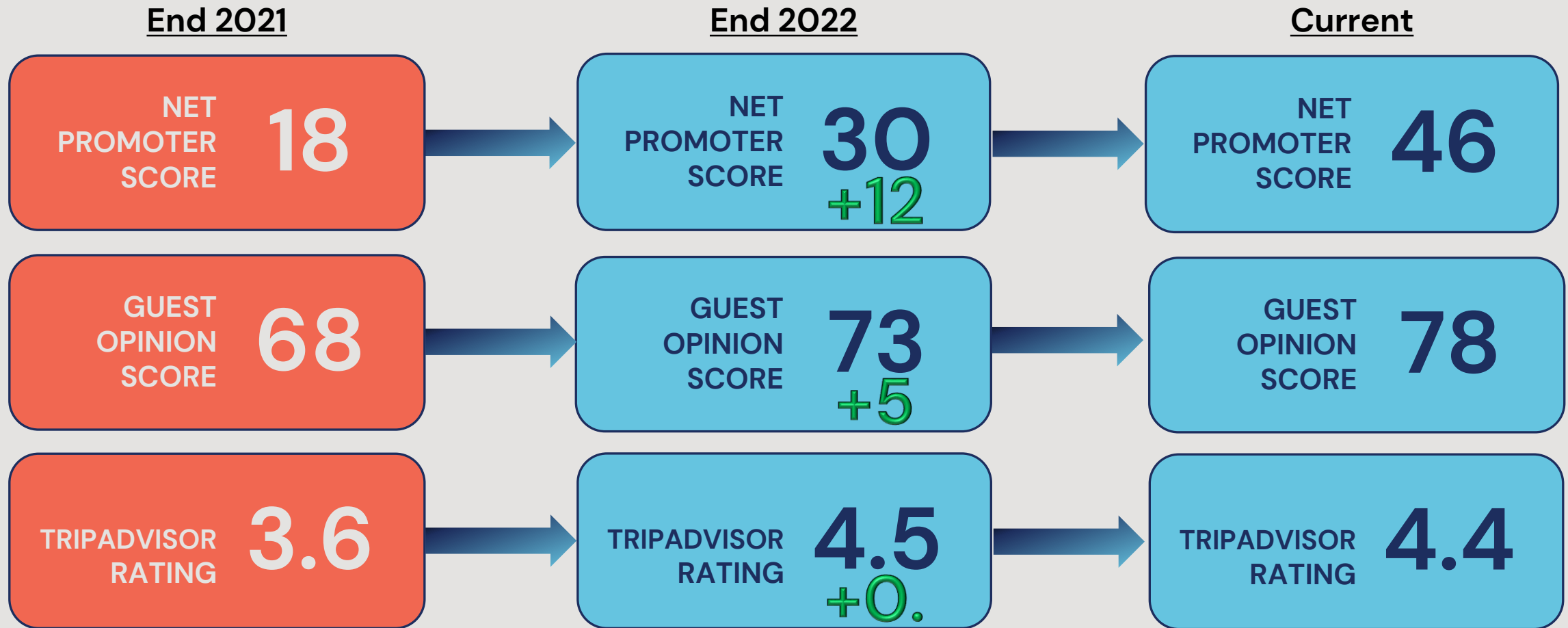
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Growth Initiatives

Customer Experience⁽¹⁾

A strong improvement in the guest satisfaction metrics in late FY22 creates momentum for FY23



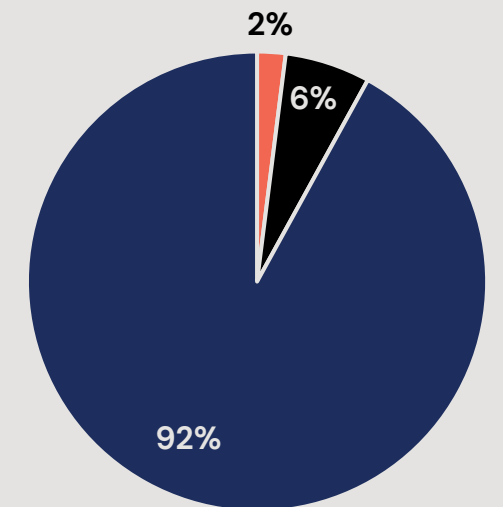
TGI Fridays Brand Awareness

- In early 2020 TGI Fridays' UK brand name was changed to 'Fridays'
 - Objective of giving the brand a refresh to help appeal to a new, younger audience.
- Experience now shows that 'Fridays' has lower awareness and recognition than the heritage brand name of 'TGI Fridays'

Brand Name	Awareness	Usage
TGI Fridays	75%	11%
Fridays	50%	7%

- Principally affects web keyword search which drives traffic for covers
 - Rebrand back to 'TGI Fridays' on website and internal POS from April 2023 at no incremental cost
- Only 8 newest stores branded as 'Fridays'
 - Reversion to 'TGI Fridays' for minimal cost with a high return
- Electronic media (website, social and email URL) was never changed from TGI Fridays, so no changes required

Google Search



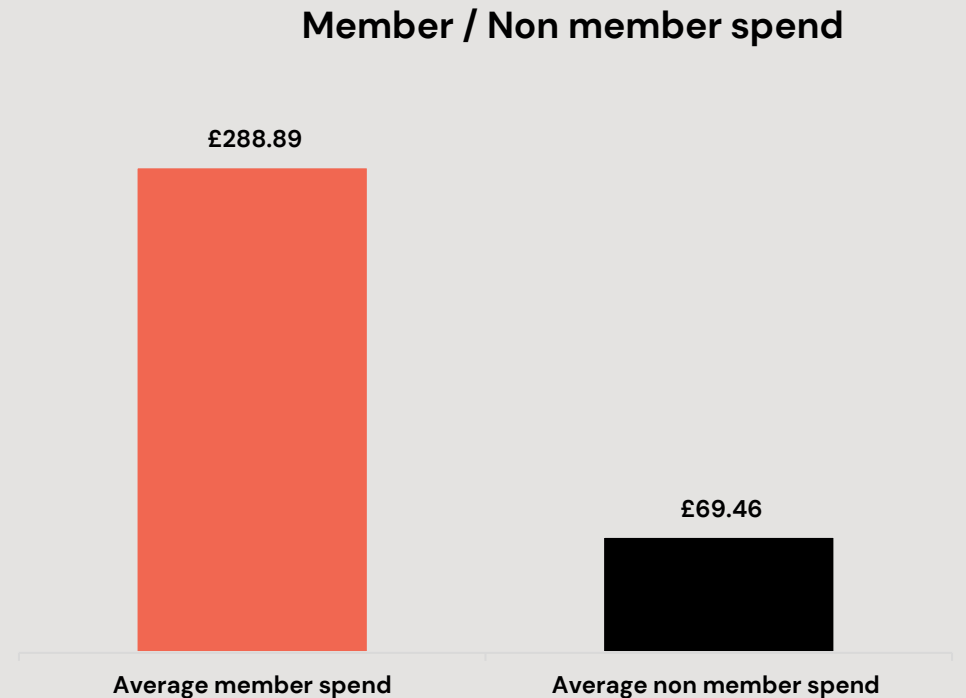
■ Fridays ■ TGI ■ TGI Fridays

“Raising the Bar”

- Brand was known for its cocktails, but drinks as a share of revenue declined from c.26% in FY19 to c.14% in 2022
- Drinks revenue highly attractive
 - Encourages guests to stay longer and spend more
 - High profit margin
 - Less labour intensive than food revenue
- Marketing of cocktails has been moved from a “2 for £12” basis to a “2 for 1” basis which is neutral to margins due to a combination of pricing and menu engineering
- “2 for 1” pricing was trialled at 6 stores in early 2023
 - Trial stores’ drinks revenue comprised 25% of revenues vs. 14% at non-trial stores
- Roll out to the full estate occurred in week 7, with results similar to the trial stores
- Opportunity for c.£2.8m of incremental revenue to be delivered per annum
- Further bar-focused revenue opportunities of c.£1m
 - Masterclasses
 - Bottomless brunch

CRM & Loyalty

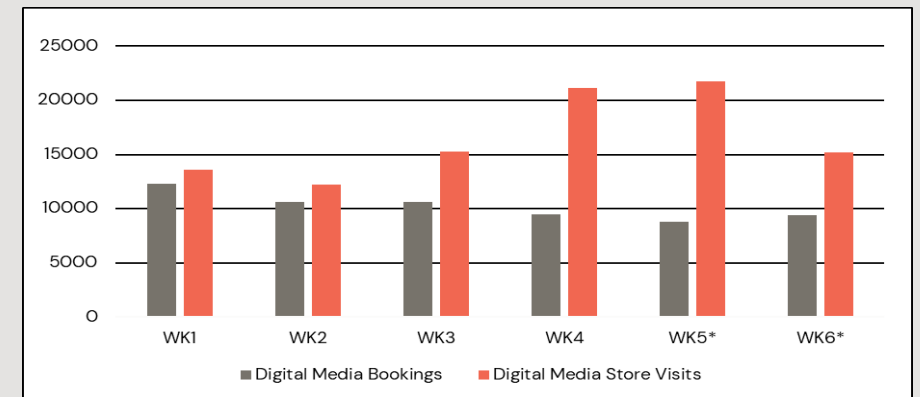
- TGI Fridays currently has 700k total app users
 - 13% of YTD sales have been to app users (9% of sales to app users in FY22)
 - 1.5m opted in to receive emails
 - 395k opted in to receive push notifications
- App users are highly attractive customers
 - Annual visits 2.2x vs. 1.4x for a non-user
 - Average spend per booking £66 vs. £54 for a non-user
 - Annual spend 3x more than a non-member
- Early performance signs are strong, showing £4.1m sales YTD
 - +20% Total CRM Sales vs 2022
 - +17% Total visits vs 2022
 - +41% Sign ups vs 2022



Digital Marketing

- Growth plan implemented through a reallocation of resource within the marketing budget
 - Revised digital media strategy to invest in more targeted audiences and digital channels to deliver more online bookings
 - Optimisation of keyword search criteria
 - “Call to action” marketing
- Delivered £15.3m revenue YTD on media spend of £272k
 - Cost per table booking of £1.23
- Introduced new digital revenue streams
 - UNiDays (£848K revenue YTD)
 - Launch of partnership with AWIN, a network of 200K publishers
- Combined Digital, CRM and UNiDays revenue has delivered £20.3m

Using Wifi technology we are able to track visits to store of guests we have targeted with our digital media advertising. The chart here shows our total visits to store exceed the volume of bookings suggesting we are driving traffic to store over and above what we have captured as an online booking



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Conclusion

Corporate Governance

- CEO appointment announced 2 May 2023
 - Julie McEwan, acting Interim CEO, chosen as permanent candidate
 - Formal process with many highly qualified candidates
- Board composition
 - Currently 5 directors and 5 directors will remain following AGM
 - Gavin Manson retirement
 - Julie McEwan appointment
 - Expectation to add 2 independent NEDs in short-term
 - Following AGM, 2 NEDs will be independent
 - Objective to improve the balance of the board's skillset and diversity
 - Search process well underway
 - Ambition to announce at least one appointment by the AGM

Current Trading & Outlook

- Results for first 16 weeks of year (to 23 April)
 - Gross revenues +2% versus 2022⁽¹⁾
 - LFL revenue flat versus 2022⁽¹⁾
- Inflationary pressures contained and further future impact appears manageable
 - Utilities expense expected c.£6m higher in 2023 versus 2022⁽²⁾
 - Improvement from 31 December 2022 internal forecast of £11m increase
 - Food and drinks pricing c.9% increase from 2022
 - Compared to 24% across the industry
 - Mitigated by price increases and extending purchase commitments
 - National minimum wage increase raising labour expense c.£4.8m in 2023 versus 2022
 - Mitigated by more efficient staffing and cost reductions
- Anticipate H1 ending net debt similar to recent net debt of £32.2m (ending 2022: £27.7m)
 - Less profitable half seasonally
 - Includes payment of Q4 2022 payables
 - Recognises £0.9m outflow from all exceptional actions

Compilation of Changes

- Compilation of material changes

(£ millions)

2022 Reported EBITDA (FRS102 Basis)	£	11.3
Plus: 2021 & 2022 NSOs Losses		2.3
Plus: Effect of NSOs Stabilisation		3.4
Plus: Annualised Cost Reduction Programme		5.9
Less: 2022 VAT Benefit		(4.1)
2022 Pro Forma EBITDA	£	18.8
Plus: 2023 Price Increases ⁽¹⁾		13.0
Less: 2023 Increased Food/Drink Expense ⁽¹⁾		(6.7)
Less: 2023 Increased Utilities Expense ⁽¹⁾		(6.0)
Less: 2023 Increased Labour Expense ⁽¹⁾		(4.8)
EBITDA Pro Forma for 2023 Items	£	14.3

- Growth initiatives incremental to pro forma EBITDA
 - Changes in revenue convert to EBITDA at c.50% rate
 - 1% change in covers equivalent to c.£1m EBITDA
- 2023 bonus scheme begins to accrue only when EBITDA exceeds £20m

Illustrative Debt Reduction

- Pro Forma EBITDA suggests borrowings largely repaid by end-2024

<i>(£ millions)</i>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Beginning Net (Debt)/Cash	(27.7)	(18.5)	(8.7)
Illustrative Pro Forma EBITDA	14.3	14.3	14.3
Maintenance Capital Expenditures	(3.5)	(3.5)	(3.5)
New Store Openings CapEx	-	-	(4.0)
Interest Expense, gross	<u>(1.6)</u>	<u>(1.0)</u>	<u>(0.4)</u>
Ending Net (Debt)/Cash	(18.5)	(8.7)	(2.3)

- Free cash flow of >£10m becomes fully available to shareholders

Summary

- TGI Fridays remains a relevant brand that resonates with consumers
- Robust underlying cash flow supporting all maintenance, growth, and financing requirements
- Revised capital allocation policy focusing on full debt repayment and distributions to shareholders
 - >£10m free cash flow becomes available to shareholders
- Inflationary pressures reducing and being offset by proactive responses
- Significant cost reductions implemented to lower breakeven level
 - Further cost reductions being evaluated
- Diversified array of growth initiatives beginning to impact results
- 2023 trading to date reflects stabilised business as a platform for future growth

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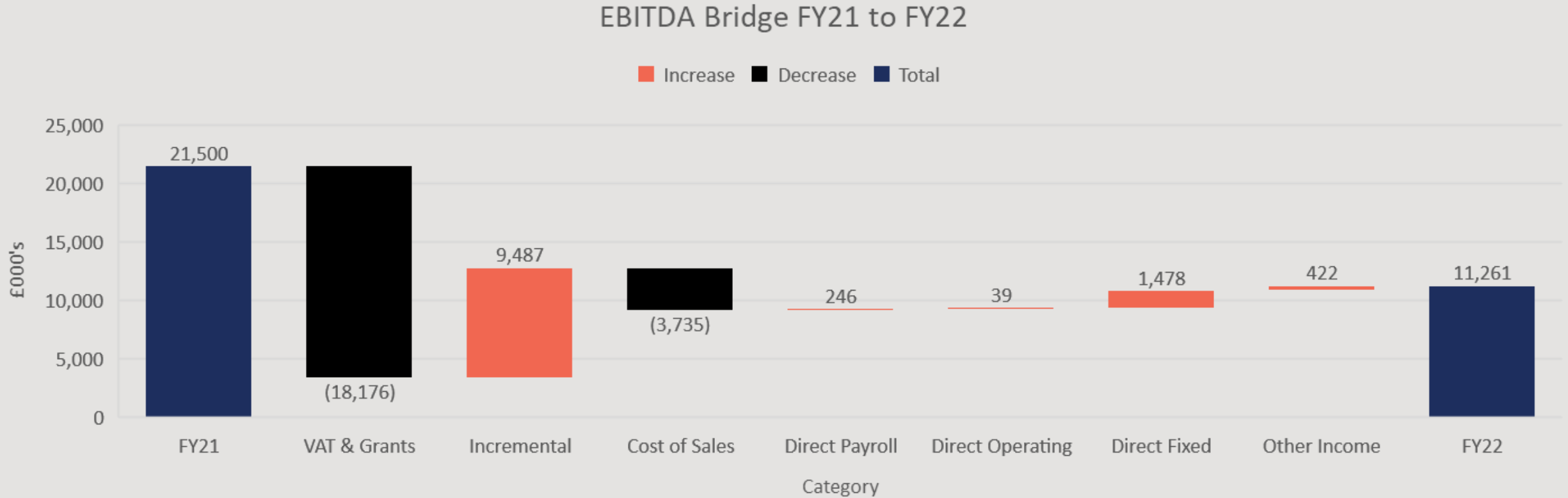
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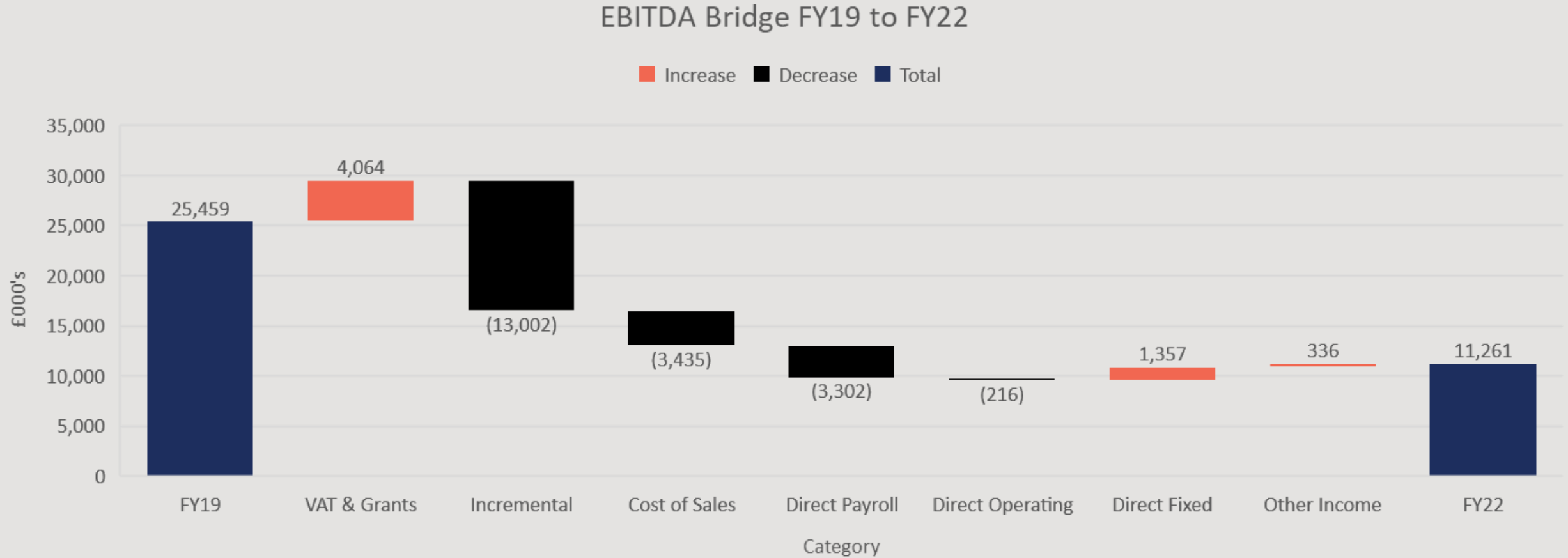
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Appendix

EBITDA Bridge – 2021 to 2022



EBITDA Bridge – 2019 to 2022



Utilities Detail

- Hedges
 - Natural Gas (c.30% of utilities expense)
 - 100% through March 2023
 - Electricity (c.70% of utilities expense)
 - 100% through March 2023
 - 44% through December 2023
 - Commencing programme with intention to hedge 75% of 2023 gas and electric volumes by 30 June
- Cost expected to be c.£6m higher than 2022 at current spot rates
 - Down from c.£11m expected increased cost at 31 December 2022
 - Benefit from usage rates having decreased c.10% from 2019 comparables
 - Evaluating further efficiencies
- Tender for appointing FY24 and FY25 supplier near completion

WHO

WE

ARE?

- Operates a **unique collection of hospitality brands** with significant long term growth potential
- Customer proposition underpinned by **strategic investment in improving product quality**, simplifying the menu offering and focusing on brand relevance
- Employs 4,500 people

OUR BRANDS

87

TGI Fridays casual dining restaurants



3

cocktail-led restaurant bars

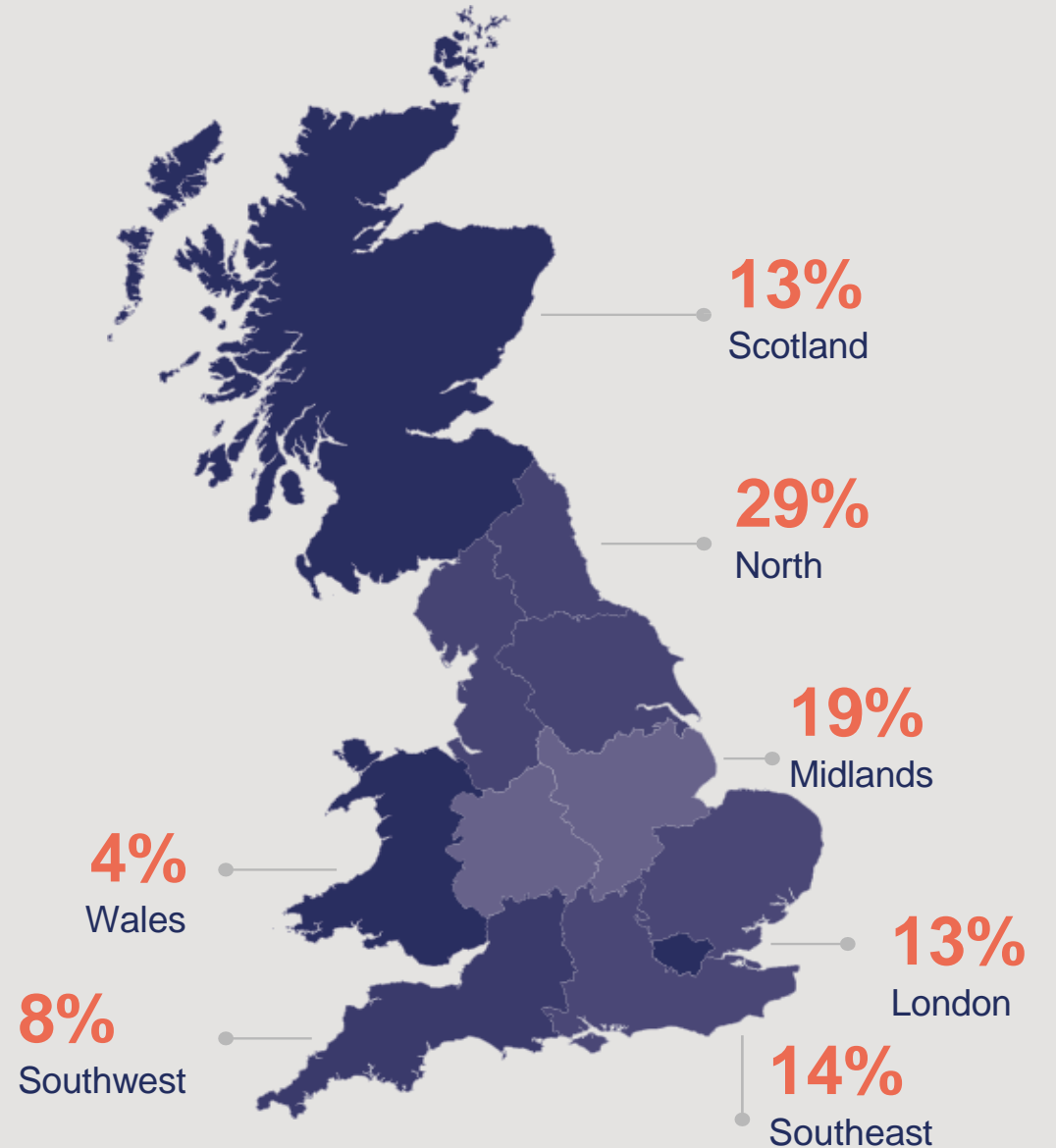
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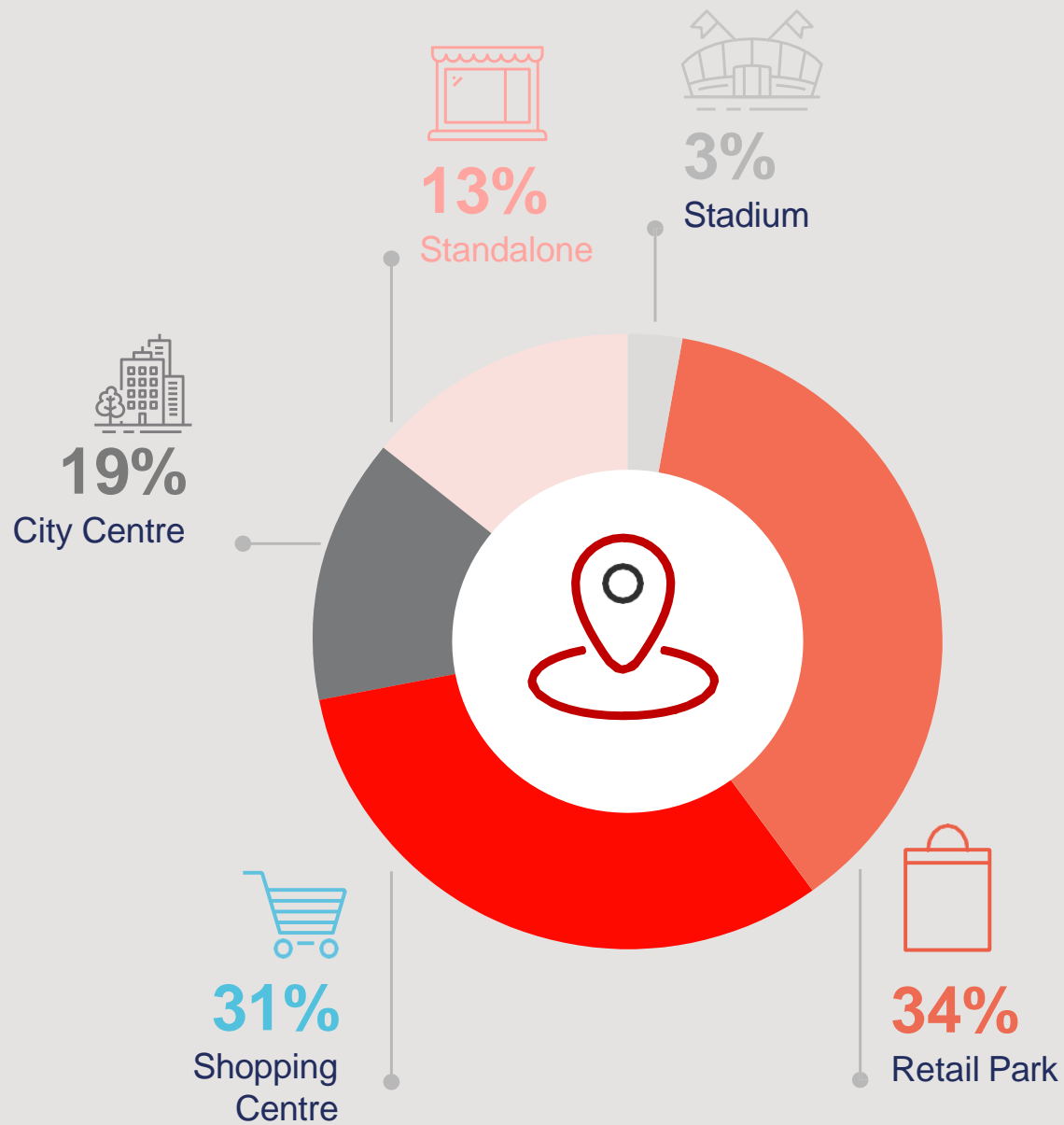
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Fridays and Go quick service restaurant



LARGE ESTATE SPREAD ACROSS 91 SITES





...MOST OF WHICH ARE IN HIGH FOOTFALL LOCATIONS

Our Portfolio



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TGI Fridays casual dining restaurants in the UK and Jersey



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Fridays and Go quick service restaurant in Dundee



3

63rd+1st cocktail-led restaurant bars in Cobham, Glasgow, and Edinburgh



4,500

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Group employees