

# Investor Presentation

7<sup>th</sup> September, 2016  
Quarter 1 FY 2017



# Disclaimer

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## Forward-looking statements

This presentation includes forward-looking statements. All statements other than statements of historical facts included in this presentation, including those regarding the group's financial position, business and acquisition strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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## Use of non-FRS 102 financial information

This document contains references to certain non-FRS 102 financial measures. For definitions of terms such as "ebitdar", "rent expense", "ebitda", "ebitda margin", "adjusted ebitda", "restaurant 4-wall adjusted ebitda", "adjusted ebitda margin", "new site capital expenditures", "maintenance capital expenditures", "other capital expenditures", "total capital expenditures" and "like-for-like sales growth" and a detailed reconciliation between the non-FRS 102 financial results presented in this document and the corresponding FRS 102 measures, please refer to appendix a. Certain financial and other information presented in this document has not been audited or reviewed by our independent auditors.

Certain numerical, financial data, other amounts and percentages in this document may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

## **Original<sup>1</sup> Investment | Highlights**

- **An attractive market**
- **A well established brand**
- **In a category of one**
- **Stable and resilient business model**
- **Well-invested restaurant portfolio**
- **Highly cash generative**
- **Experienced management, committed staff**

<sup>1</sup> At time of bond issue: January 2015

# Overview

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## 1. Credit ratings upgraded

- I. Both Moody's and Standard & Poor's upgraded

## 2. Strong Q1 2016/17<sup>1</sup> with continued progress on all key metrics

- I. Traded ahead of the competition for over 2 years – 120 consecutive weeks<sup>2</sup>
- II. Q1 adjusted EBITDA up by 18.6% to £12.1m, adjusted EBITDA margin % improving
- III. Deleveraging since bond issue continues to 2.8x, cash conversion continues at >100%

## 3. AUV<sup>3</sup> and UK restaurant 4-wall<sup>4</sup> Adj. EBITDA driven by active management of owned estate

## 4. 2016/17 development on track, further building iconic international restaurant brand

## 5. Brexit : no discernible impact to date, opportunities in short and medium term

<sup>1</sup> Q1 2016/17 is the 16 weeks to 14 August 2016 in comparison to Q1 2015/16, the 16 weeks to 16 August 2015

<sup>2</sup> wagamama actual LFL sales growth % versus peer group restaurants reported sales growth % for 120 weeks to 04 September 2016

<sup>3</sup> AUVs: Average Unit Volumes as measured by sales

<sup>4</sup> UK 4-wall adjusted EBITDA – adjusted EBITDA excluding any allocations of general and administrative expenses, franchise net income and USA adjusted EBITDA. See Appendix B for reconciliation of Adjusted EBITDA and UK 4-wall adjusted EBITDA

# 1. Credit ratings upgraded

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## 1. Credit ratings upgraded: both Moody's and Standard & Poor's upgraded

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**B2 positive outlook**



**B2 stable**



**B flat stable**



**B- stable**

# 1. Credit ratings upgraded: wagamama leads peer group

## Credit agency published quotes

"We have changed our outlook on Wagamama to positive to reflect the company's improved leverage resulting from strong top line growth and improved EBITDA generation over the last 24 months. We also expect it to keep reducing its leverage in the next 12 to 18 months."

"Despite the UK's increasingly competitive casual dining market, Wagamama has outperformed its peers by delivering double digit percentage like-for-like sales growth in the last two financial years and in last four quarters. It also continues to expand organically through the opening of new restaurants in the UK and internationally."

**MOODY'S, 30 Aug 2016**

"Wagamama exhibited very strong like-for-like sales growth alongside new site openings and restaurant refurbishments."

"Relative to other rated restaurant peers, we consider that Wagamama's scale of operations still has significant room to expand."

**S&P, 6 Sept 2016**

## Comparable credit agency ratings

Restaurant	Moody's rating	S&P's rating
OSI Restaurant Partners	Ba2/Stable	BB/Stable
Yum! Brands Inc.	Ba3/Negative	BB/Stable
Arcos Dorados	B1/Negative	Not rated
Seminole Hard Rock Entertainment	B1/Stable	BB/Stable
wagamama	B2/Positive	B/Stable
Focus Brands	B2/Stable	B/Stable
Landry's	B2/Stable	B/Stable
NPC International	B2/Stable	B-/Stable
Steak n Shake Operations	B2/Stable	B/Stable
Stonegate Pub Company	B2/Stable	B/Stable
TGI Friday's	B2/Stable	B+/Stable
Wendy's	B2/Stable	B/Stable
California Pizza Kitchen	B3/Positive	B-/Stable
Carrols Restaurant Group	B3/Positive	B/Stable
CEC Entertainment	B3/Stable	B/Stable
Financiere Quick	B3/Stable	B-/Negative
Nathan's Famous	B3/Stable	B-/Stable
PizzaExpress	B3/Stable	B/Stable
Portillo's Holdings	B3/Stable	B-/Stable
Red Lobster	B3/Stable	B-/Stable
Ruby Tuesday	B3/Stable	B-/Stable
Big Jack Holdings	B3/Stable	B/Stable
P.F. Chang's China Bistro	B3/Negative	B-/Negative
Restaurant Holding Company	Caa1/Stable	Not rated
Soho House & Co	Caa2/Negative	CCC/Stable

UK peer companies

## 2. Strong Key Metrics

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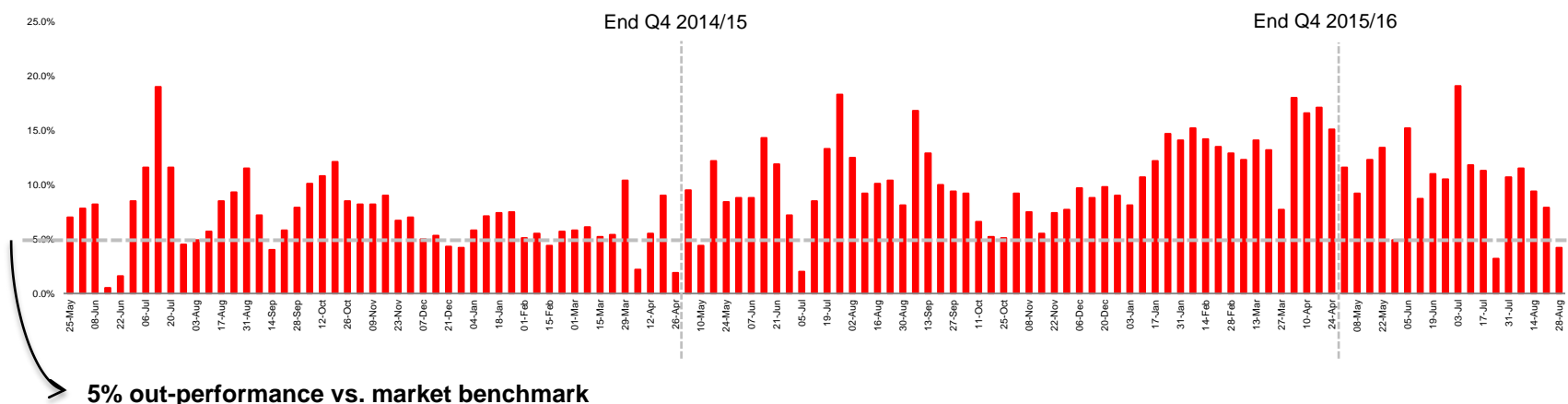


## 2.1 Strong key metrics: ahead of competition for 120 consecutive weeks<sup>1</sup>

### Continued LFL<sup>2</sup> outperformance

- Growth driven by covers and average spend per head
- Strong performance inside and outside London

### UK LFL sales growth: percentage point difference ahead of peer group<sup>3</sup>



<sup>1</sup> to 04 September 2016

<sup>2</sup> Like for like sales growth defined as sales from our restaurants which traded for at least 17 full four week periods

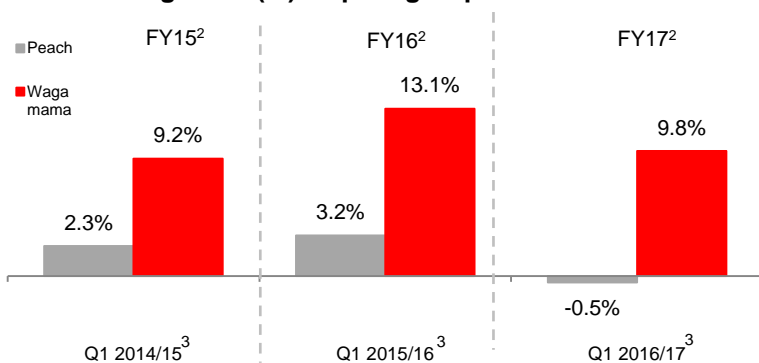
<sup>3</sup> wagamama actual LFL sales growth % versus peer group restaurants reported sales growth %

Source: Data from Coffey Peach business tracker (as of 04 September 2016) which monitors sales performance across the following major restaurant operators: Pizza Hut, Pizza Express, TGI Fridays, Casual Dining Group (Café Rouge, Bella Italia, Las Iguanas, La Tasca), Azzurri Restaurants (Zizzi, ASK), Wagamama, YO! Sushi, Carluccio's, Living Ventures, Strada, Giraffe, Byron, Gaucho and Le Bistrot Pierre, Prezzo, The Restaurant Group (Chiquito, Frankie & Benny's, Coast to Coast, Garfunkel's), M&B (Browns, Miller & Carter).

## 2.2 Strong key metrics: Third year of LFL growth, increasing performance versus market

### UK LFL<sup>1</sup> growth continues to lap strong prior years

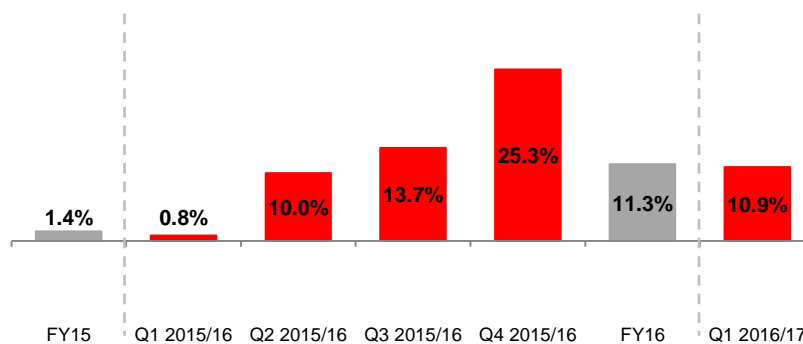
#### UK LFL<sup>1</sup> sales growth (%) vs peer group<sup>4</sup>



Differential vs. market	+6.9%	+9.9%	+10.3%
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### USA LFL<sup>1</sup> continues in double digit growth

#### Boston LFL<sup>1</sup> sales growth (%)



<sup>1</sup> Like for like sales growth defined as sales from our restaurants which traded for at least 17 full four week periods

<sup>2</sup> FY15 is 52 weeks to 26 April 2015 and FY16 is 52 weeks to 24 April 2016 and FY17 is the 52 weeks to 23 April 2017

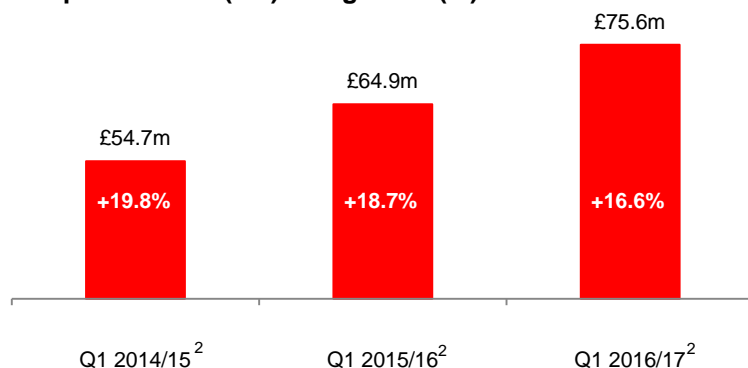
<sup>3</sup> Q1 2014/15 is 16 weeks to 17 August 2014, Q1 2015/16 is 16 weeks to 16 August 2016, Q1 2016/17 is 16 weeks to 14 August 2016.

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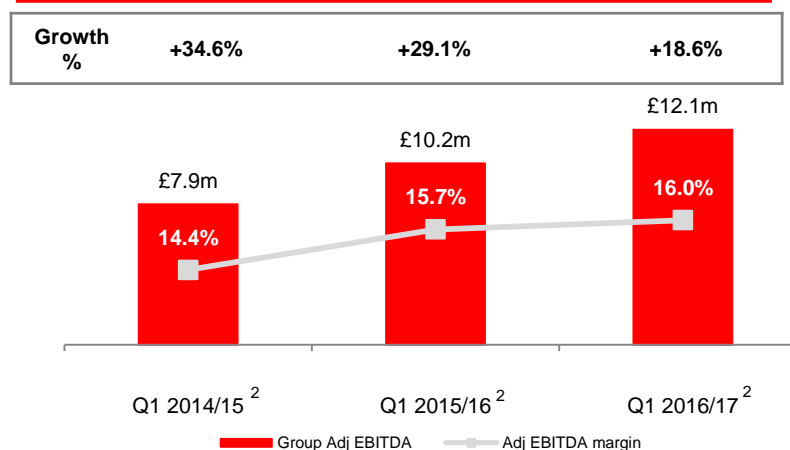
## 2.3 Strong key metrics: double digit sales growth flows to double digit Adj. EBITDA growth and improved Adj. EBITDA margin %

### Total Sales<sup>1</sup> up +16.6% vs. prior year

#### Group total sales (£m) and growth (%)



### Continuing to deliver on Adj. EBITDA<sup>3</sup> (£m, % sales)



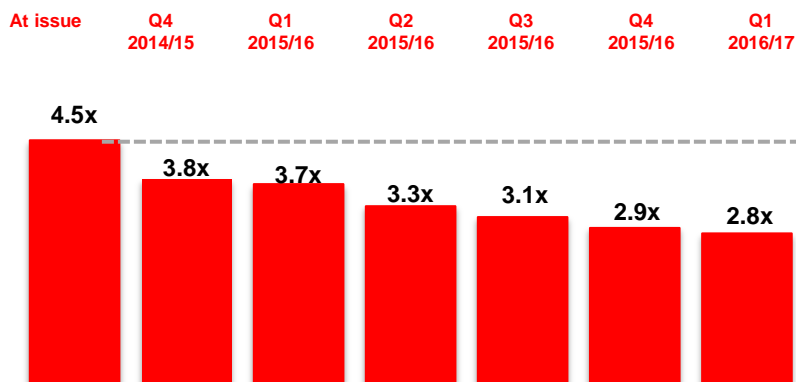
<sup>1</sup> Turnover of company-operated restaurants excluding franchise

<sup>2</sup> Q1 2014/15 is 16 weeks to 17 August 2014, Q1 2015/16 is 16 weeks to 16 August 2016, Q1 2016/17 is 16 weeks to 14 August 2016.

<sup>3</sup> See Appendix B for reconciliation of Adjusted EBITDA

## 2.4 Strong key metrics: significantly de-leveraged to 2.8x, cash conversion continues at >100%

### Leverage<sup>5</sup>



### Cash conversion

	Q1 2016/17 <sup>1</sup>
Underlying free cash flow <sup>2</sup>	£12.1m
Underlying cash conversion <sup>3</sup>	100.2%
Net debt <sup>4</sup>	down to £114.1m

<sup>1</sup> Q1 2016/17 is 16 weeks to 14 August 2016

<sup>2</sup> adj. EBITDA less maintenance capex, +/- changes in net working capital (adjusted for £0.5m of exceptional cash costs)

<sup>3</sup> underlying free cash flow / adj. EBITDA

<sup>4</sup> net debt represents total debt less cash. At the time of re-financing, Q3 2015, net debt was £121.2m

<sup>5</sup> leverage: net debt / LTM adj. EBITDA

### 3. Driving AUVs<sup>1</sup> and Adj. 4-wall EBITDA<sup>2</sup>



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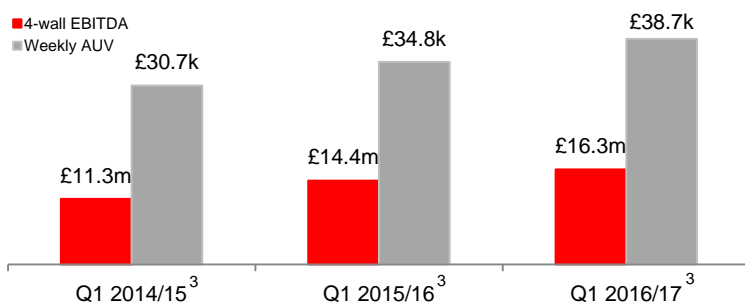
<sup>1</sup> AUV: average unit volume as measured by sales

<sup>2</sup> UK 4-wall Adj. EBITDA – adjusted EBITDA excluding general and administrative expenses, franchise net income and USA adjusted EBITDA. see appendix B for reconciliation of Adj. EBITDA and UK 4-wall Adj. EBITDA

# 3.1 Driving AUVs<sup>1</sup> & 4-wall EBITDA<sup>2</sup> : active management of estate

## UK AUVs and 4-wall Adj. EBITDA robust and growing

### UK AUV (£k) and 4-wall (£m) and growth (%)



Growth %:			
AUV	+4.1%	+13.3%	+11.2%
4-wall	+35.0%	+27.9%	+12.7%

## Key initiatives at end Q1

- 3 UK openings: see below
- 3 UK managed exits at no/minor cost, or loss of EBITDA
- 24 UK sites now kaizen refurbished
- Heathrow T5 rebuilt,
  - 3 company weekly sales records
- US managed exit at no cost/loss of EBITDA
  - Current focus urban not suburban
- 3 Franchise openings
  - Ayia Napa, Cyprus; Gibraltar; Rotterdam, Netherlands

**Bromley: opened 04/07/16, 120 covers<sup>4</sup>**



**Staines: opened 11/07/16, 144 covers<sup>4</sup>**



**Bankside: opened 22/08/16, 160 covers<sup>4</sup>**



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<sup>4</sup> Including external covers

4.  
2016/17  
development  
on track

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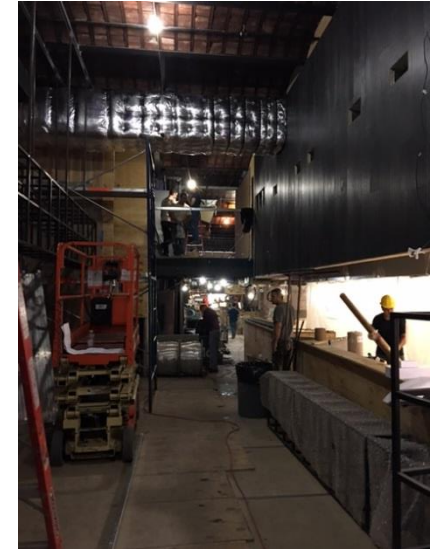
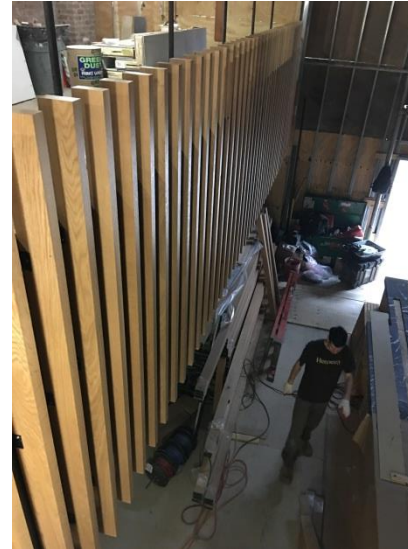
## 4.1 2016/17 development on track: UK, USA and franchise moving forward

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### Strong developments in the pipeline

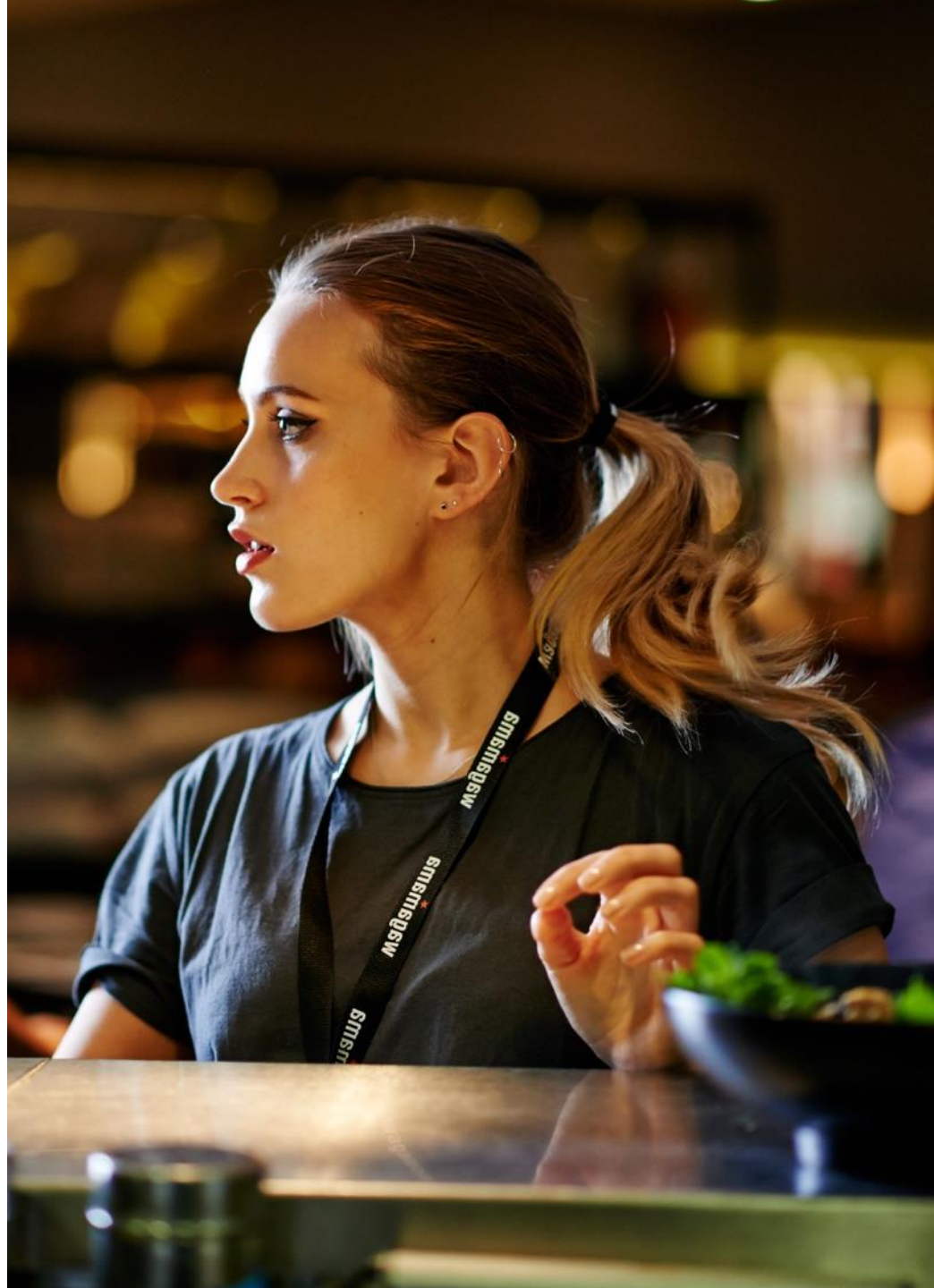
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- 3 New UK openings 'on site' and targeted for Q2
  - Peterborough, Ipswich, St Paul's (London)
  - St Paul's replaces Fleet St. lease expiry
- UK Kaizen refurbishments to continue: 10+ in Q2
- Flagship NYC restaurant in Nomad/Flatiron
  - On track for Q2 opening
- Good forward pipeline in company owned UK and US, and also franchise
- Focus on EBITDA driven, strong profile, urban biased sites



# 5. Brexit

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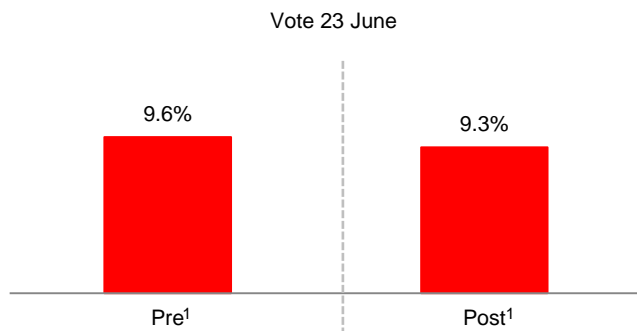


## 5. Brexit: no discernible impact to date, opportunities in short and medium term

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### wagamama sales LFL pre/post Brexit very similar

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### Focus on growing market share

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#### Strong wagamama position allows us to:

- Invest in our service training and ensure we have enough people on (while others may be cutting costs)
- Through the line marketing support, no discounting
- Loyalty tool rolling out end Q2

#### Further 2016/17 opportunities we see include

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- Use strong covenant to get better real estate
- Sell our people brand better to recruit and retain best staff in the industry

<sup>1</sup> Pre is 6 weeks to 26 June 2016, Post is 11 weeks to 04 September 2016

# Summary

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# Appendices

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## Appendix A:

(£m)	Q1 2015/16	Q1 2016/17	growth
Group revenue	65.4	76.4	16.8%
- UK	63.2	73.8	16.8%
- USA <sup>1</sup>	1.7	1.9	11.8%
- franchise	0.5	0.7	40.0%
UK lfl sales	13.1%	9.8%	-
US lfl sales <sup>1</sup>	0.8%	10.9%	-
Adjusted EBITDA	10.2	12.1	18.6%
% margin	15.7%	16.0%	+30bps

<sup>1</sup> includes impact of fluctuations in exchange rates. US LFL sales are shown on the basis of USD sales

## Appendix B: Adjusted EBITDA reconciliation

£m	Q1 2015/16 <sup>1</sup>	Q1 2016/17 <sup>2</sup>	FY16 <sup>3</sup>	LTM <sup>4</sup>
EBIT	3.5	5.3	16.7	18.5
add back: depreciation and amortisation	5.4	5.7	17.9	18.2
opening costs	1.2	0.8	2.7	2.3
exceptional costs	-	0.3	1.1	1.4
board fees	0.1	-	0.3	0.2
<b>adj. EBITDA</b>	<b>10.2</b>	<b>12.1</b>	<b>38.7</b>	<b>40.6</b>
Franchise/USA adjusted EBITDA	(0.3)	(0.7)	(1.6)	(1.9)
General and administrative expenses	4.5	4.9	15.6	15.8
<b>UK Restaurant 4-Wall EBITDA</b>	<b>14.4</b>	<b>16.3</b>	<b>52.7</b>	<b>54.6</b>

<sup>1</sup> Q1 2015/16 is 16 weeks to 16 August 2015 and FY16 is the 52 weeks to 24 April 2016

<sup>2</sup> Q1 2016/17 is 16 weeks to 14 August 2016

<sup>3</sup> last twelve months

<sup>4</sup> last twelve months

## Appendix C: Free cashflow

(£m)	LTM <sup>3</sup> adjusted EBITDA	Net debt	Ratio
as at 14 August 2016	40.6	114.1	2.8x

(£m)	Q1 2015/16	Q1 2016/17
adjusted EBITDA	10.2	12.1
maintenance capex	(1.0)	(0.7)
change in net working capital <sup>1</sup>	1.4	0.8
free cash flow <sup>2</sup>	10.6	12.1
free cash flow %	103.9%	100.2%
new site capex	3.0	4.0
refurbishment capex	0.2	3.0

<sup>1</sup> Q1 2015/16 adjusted to exclude re-financing fees £2.8m and Q1 2016/17 adjusted to exclude £0.5m cash exceptional costs

<sup>2</sup> adjusted ebitda less maintenance capex, +/- changes in working capital adjusted per <sup>1</sup> above

<sup>3</sup> last twelve months, see appendix A for reconciliation of EBIT to adjusted EBITDA