TORTILLA

Real California Burritos & Tacos

2022 Interim Results
October 2022

PRESENTING TEAM

RICHARD MORRIS – CEO

ANDY NAYLOR – CFO

AGENDA

01 INTRODUCTION & HIGHLIGHTS – Richard Morris, CEO

02 FINANCIAL REVIEW – Andy Naylor, CFO

03 STRATEGIC & OPERATIONAL REVIEW – Richard Morris, CEO

04 Q&A

INTRODUCTION & HIGHLIGHTS
RICHARD MORRIS, CEO

HIGHLIGHTS – H1 FY22

Strategic & operational

- Acquired Chilango in May, strengthening presence in Central London
- Great progress achieved on new site roll-out, adding five sites and one delivery kitchen – all outside of London bar the delivery kitchen
- Commenced franchise partnership with Compass Group and added Bristol Airport to the SSP franchise. Fantastic performance during summer in travel hubs proves suitability of busy travel locations
- Signed deal and commenced partnership with Uber Eats in July FY22
- Strong pipeline – confident of exceeding original target of 45 sites over five years
- Launched new loyalty scheme: more than 200k people signed up in total and has driven a 29% increase in visit frequency

Financial

- Revenue increased by 30% to £26.9m (H1 FY21: £20.8m)
- Adjusted EBITDA (pre-IFRS 16) of £2.5m (H1 FY21: £4.9m)
- Strong balance sheet, with net cash of £3.2m (H1 FY21: £0.9m), reflecting cash generative model and a capital structure to support future growth

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FINANCIAL REVIEW
Andy Naylor, CFO

INCOME STATEMENT

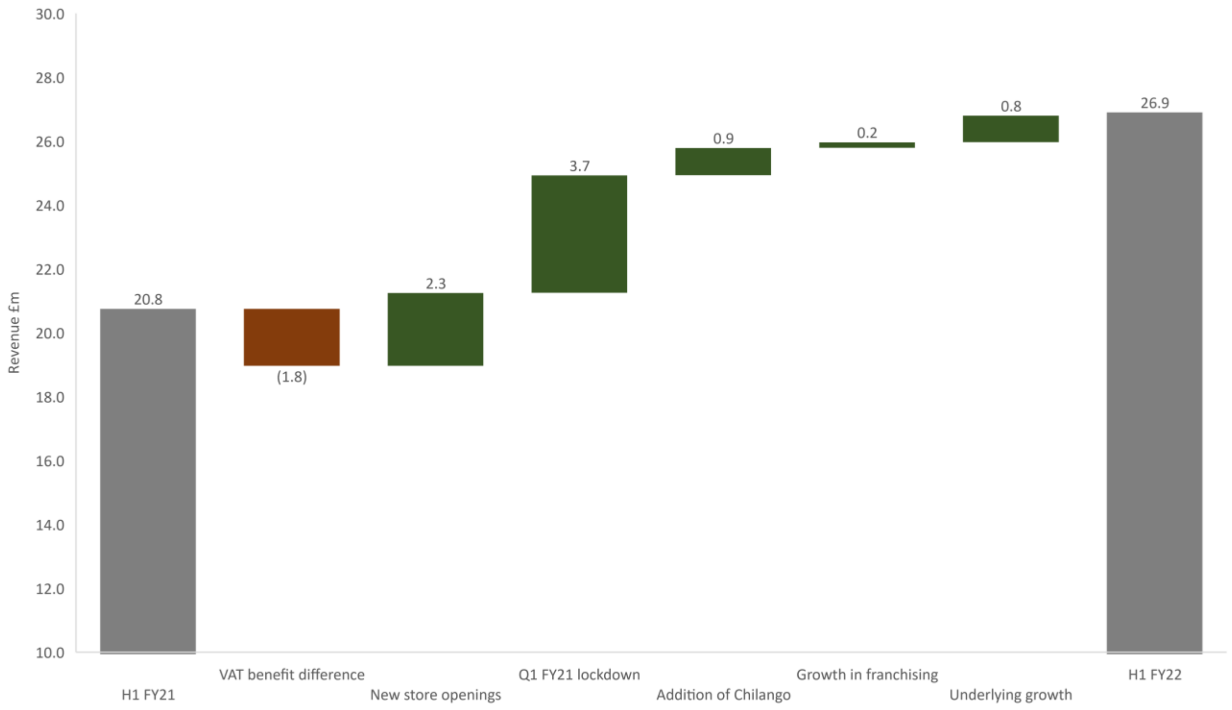
- Revenue increased by 30% to £26.9m (H1 FY21: £20.8m), driven by less lost trading weeks due to the COVID-19 pandemic, the addition of 6 new stores and continued sales growth of the estate
- Gross profit margin was 77%, 360 basis points lower than H1 FY21, mainly due to change in VAT rates
- Administrative expenses increased by 31% to £20.0m, in line with revenue growth
- Adjusted EBITDA[1] (pre-IFRS 16) of £2.5m which decreased by £2.4m due to increases in VAT rates (£1.8m) and less Government support from restart grants/business rates (£1.8m). The underlying increase of £1.2m is due to the growth of the existing estate and the addition of new sites
- Profit before tax totalled £0.3m

	H1 FY22	H1 FY21
	£m	£m
Revenue	26.9	20.8
Cost of sales	(6.2)	(4.1)
Gross profit	**20.7**	**16.7**
% of revenue	*77.0%*	*80.6%*
Other operating income	0.2	1.9
Administrative expenses	(20.0)	(15.3)
Profit from operations	**0.9**	**3.3**
Adjusted EBITDA (pre-IFRS 16)	**2.5**	**4.9**
Pre-opening costs	(0.3)	(0.1)
Share option expense	(0.2)	-
Depreciation and amortisation	(1.5)	(1.3)
Exceptional items	(0.3)	(0.1)
IFRS 16 adjustment	0.7	(0.1)
Profit from operations	**0.9**	**3.3**
Finance expense	(0.6)	(0.7)
Profit before tax	**0.3**	**2.6**
Tax	(0.1)	(0.3)
Profit after tax	**0.2**	**2.3**

1 Adjusted EBITDA represents the Group's main Adjusted Performance Measure ("APM") and is calculated as statutory operating profit/(loss) before interest, tax, depreciation and amortisation and is stated before application of IFRS 16 and exceptional costs

REVENUE

Revenue: H1 FY22 vs H1 FY21



Revenue: LFL analysis

H1 FY22 LFL vs 2019*	% Actual	% Adj. VAT **
All sites		
Sales LFL	18.7	15.3
Volume LFL	(3.9)	(3.9)
All sites ex. Zone 1 Central London		
Sales LFL	25.9	21.9
Volume LFL	1.6	1.6
CGA Peach benchmark		
Sales LFL	5.9	4.9***

**Compared to FY19, excluding Chilango*
***Removing the impact of the VAT benefit (12.5% during H1 FY22)*
****Estimated*

REVENUE: SALES CHANNELS

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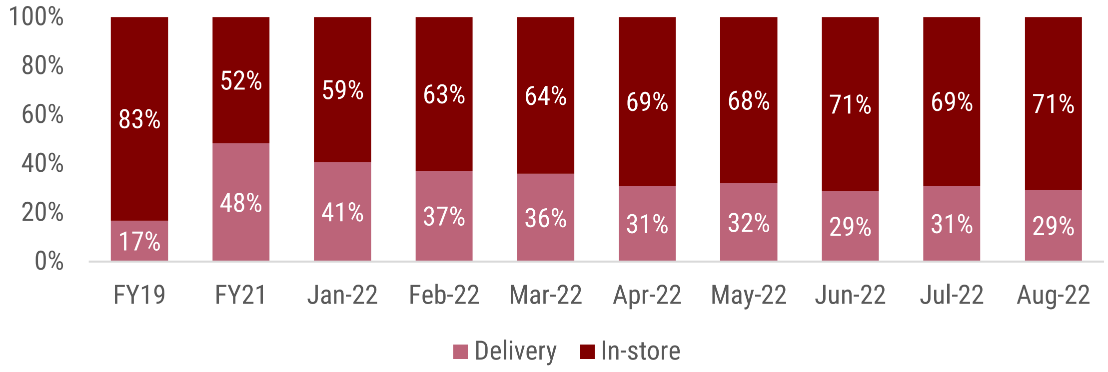
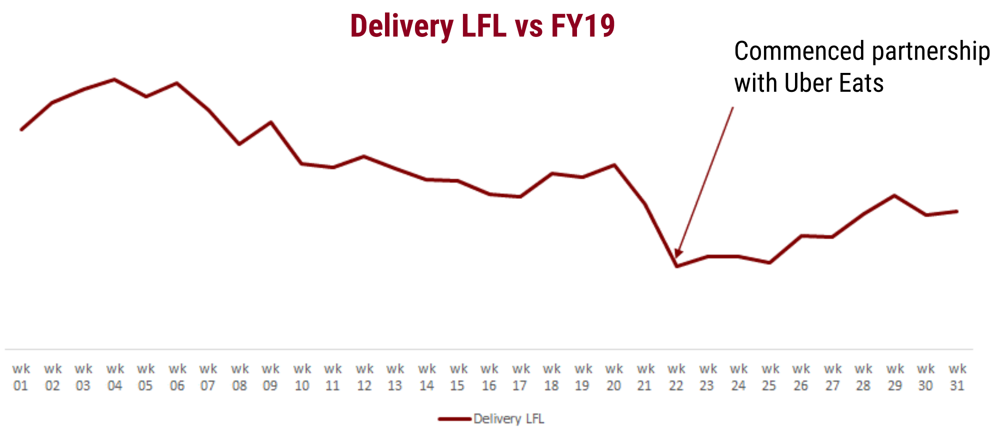
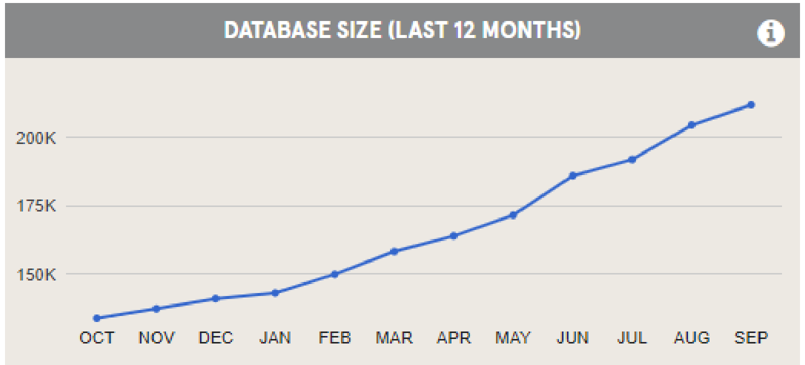




- Great to see consumers returning to our stores, same trend as our peers[1]
- In-store channel has been bolstered by the launch of new loyalty scheme "Tortilla Club" which has increased customer monthly visitation by 29%[2] and increased our loyalty population from 134k to 212k in the last 12 months

- Strategic decision made to partner with Uber Eats in July FY22, in addition to Deliveroo, which has arrested the slow down in LFL sales growth
- Our business is well suited to higher delivery volumes due to the assembly nature of the proposition (rather than being cooked to order)



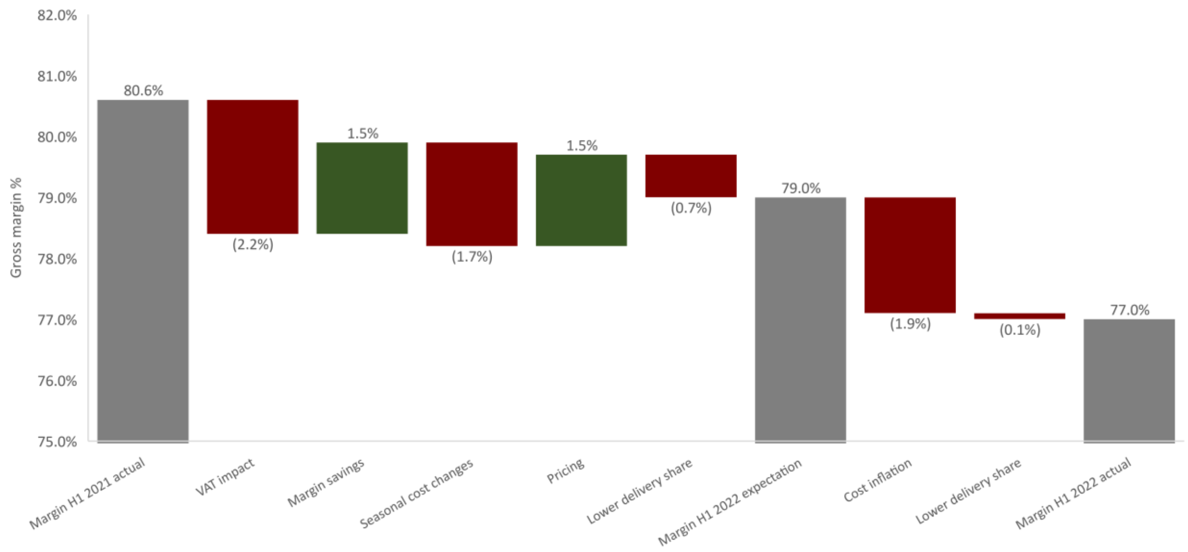
Loyalty scheme – "Tortilla Club" image

[1] *As reported by the Hospitality at Home tracker*
[2] *Per data gathered from the new loyalty system, based on c18k loyalty transactions during period 8 Aug 22 – 18 Sep 22*

GROSS MARGIN & UTILITY COST PRESSURES

Profitability has been impacted by unprecedented pressure on input costs, most acutely on proteins and utility costs

Gross margin



- H1 FY22 gross margin 2.0% lower than expected due to protein costs which increased by c40% in Q2. Protein costs are circa 1/3 of cost of goods sold
- For FY22, gross margin impact is expected to be 3ppts (c.£1.8m EBITDA)
- Priced less than inflation, only 6% this year. Important to resist making short term gains through pricing so as not to undermine the offer

Utility costs

- Utility costs heavily impacted by price increases
- Chose not to hedge in Nov 2021 due to the market which has remained elevated
- Utility cost increases will cost an extra £0.5m in FY22 compared to FY21 (equating to a c40% increase in prices) despite Govt support
- Strategy of continuing to buy spot has saved c£0.1m in H1 FY22 (vs buying forward each month)
- Due to the simple set up of stores, with minimal kit required, the impact of the utility cost increase is comparatively less significant for the Group

NEW STORES – OPENING FINANCIALS

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Fantastic performance of recent store openings, already at 110% of sales hurdle required to hit 30% ROCE investment case

FY21, FY22 openings	Weekly sales % of mature target [1]	Date opened
Edinburgh	148%	Jun 21
Exeter	133%	Jun 21
Windsor	88%	Aug 21
Bath	121%	Mar 22
Cheshire Oaks	89%	Mar 22
Bournemouth	106%	May 22
Portsmouth	88%	May 22
Average	**110%**	

Comments

- All FY21, FY22 openings profitable in first full month of trade
- Great strength outside of London, underpinned by strong value for money proposition
- Shortened maturation for new store openings as Mexican cuisine penetration increases
- Provides increased strong confidence over UK white space opportunity

UK property market still favourable, with lower rents and improved landlord contributions

Cohort[2]	Avg rent % of sales[3]	Avg landlord contribution £
Pre-FY20	10.4%	~nil
FY20 opening[4]	13.8%	£55k
FY21 openings	9.7%	£150k
Chilango sites	9.2%	n/a
FY22 openings	8.5%	£70k

Comments

- Great conditions for continued roll-out; eager to secure as many favourable units as possible during this period.
- Increased roll-out target for FY23 to 12-15 sites
- A recession period is an ideal time for expansion due to less demand for property. Intend to capitalise on this, signing 10–15-year leases
- Continue to leverage advantage of flexible new site criteria and ability to take former retail units without the need to install expensive extraction (6 of our openings this year will be former retail units)

1 Mature target defined as the average weekly sales required to hit 30% ROCE target, actual sales taken from last two months (May->Jun)
2 Excluding delivery kitchens which have different economics
3 Based on most recent management info, July FY22
4 One new store opening only

BALANCE SHEET

- Acquisition of Chilango in May generated goodwill of £2.6m
- Net cash of £3.2m, with debt of £3m drawn from a total available facility of £10m (at 3 July 2022)
- Strong liquidity provides platform for future growth – highly cash generative nature of business enables self-funded roll-out
- A reconciliation of the opening and closing net cash position for H1 FY22 is as follows:

Opening balance	**£6.7m**
Adjusted cash generated from operations (pre-IFRS 16)	£3.2m
Consideration paid for acquisition of Chilango	(£2.5m)
One-off fees incurred for Chilango acquisition	(£0.2m)
Capital expenditure for new stores	(£2.0m)
Maintenance capital expenditure	(£0.8m)
Payment of FY21 rent	(£1.2m)
Closing balance	**£3.2m**

	At 3 Jul 2022 £m	At 4 Jul 2021 £m
Non-current assets		
Intangible assets	2.6	-
Right of use assets	29.6	25.0
Property, plant and equipment	10.9	9.4
Current assets		
Inventories	0.4	0.3
Trade and other receivables	2.4	1.9
Cash and cash equivalents	6.1	12.9
Total assets	**52.0**	**49.5**
Current liabilities		
Trade and other payables	9.0	5.9
Lease liabilities	5.3	5.8
Loans and borrowings	-	1.2
Corporation tax liability	1.0	0.3
Non-current liabilities		
Lease liabilities	29.6	25.3
Loans and borrowings	2.9	10.7
Total liabilities	**47.8**	**49.2**
Net assets / (liabilities)	**4.2**	**0.3**
Equity	4.2	0.3

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STRATEGIC & OPERATIONAL REVIEW
Richard Morris, CEO

CHILANGO ACQUISITION

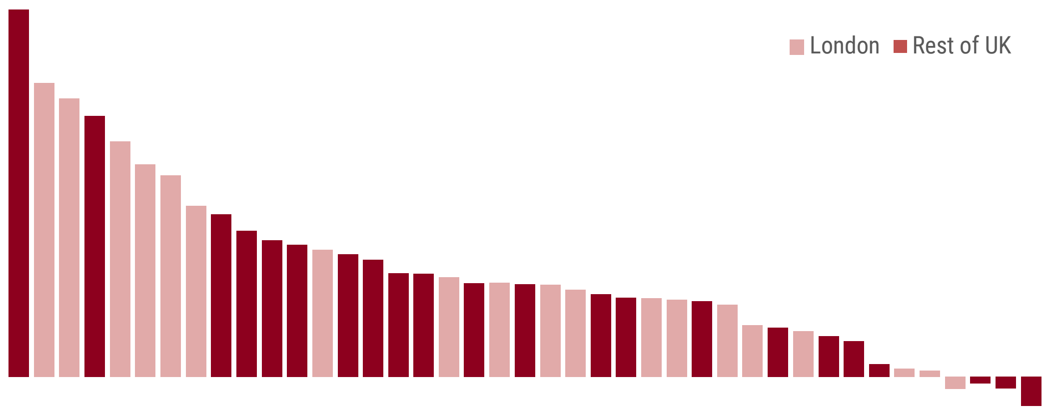
Strategic acquisition provides several opportunities

- Acquired eight bricks and mortar locations and retained one of the delivery-only kitchens
- Five of the locations converted to Tortilla, the remaining three locations will be retained as Chilango due to proximity to existing Tortilla units. Integration progressing in line with expectations
- Commenced a trial of the brand as a virtual concept in some delivery-only kitchens, with a focus on protein/keto boxes, along with a specialism in alternative vegan products
- Early signs of sales performance are strong, with the majority of the conversions already above pre-conversion levels
- The Chilango sites are in great locations with exciting potential to grow these businesses as the recovery of London continues

Tortilla London Spitalfields Market (Chilango conversion)

GEOGRAPHICAL STRENGTH

Very healthy spread of profits across all parts of the UK with comparable profits both within London and across the rest of the UK

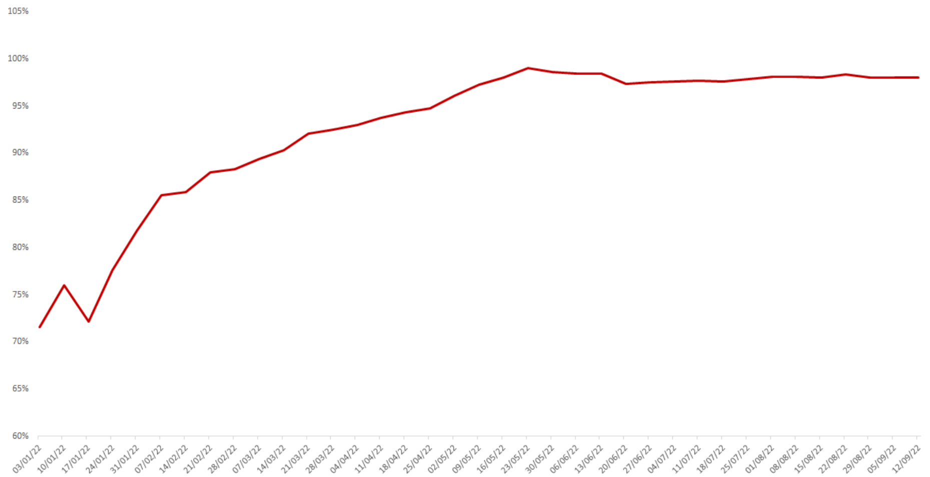


H1 FY22 Store EBITDA by site, within London vs Rest of UK (excluding Bankside which has remainded closed since the start of the COVID pandemic and the lease has now been surrendered)

Average EBITDA H1 FY22:

London:	£ 95k
Rest of UK	£115k

- Favourable spread of profits across the UK
- Provides considerable confidence continuing to roll out across the country



Across 8 Zone 1 central London Tortilla units, % of pre-COVID (FY19) sales on a cumulative basis

London recovery continues:

- Sales across London Tortilla sites are at c98% of pre-COVID levels
- Provides great confidence in acquisition of Chilango
- Secured some favourable rent deals to capitalise on subdued rent levels which further aid profitability

NEW STORES – 100+ SITE TARGET- DEC FY23

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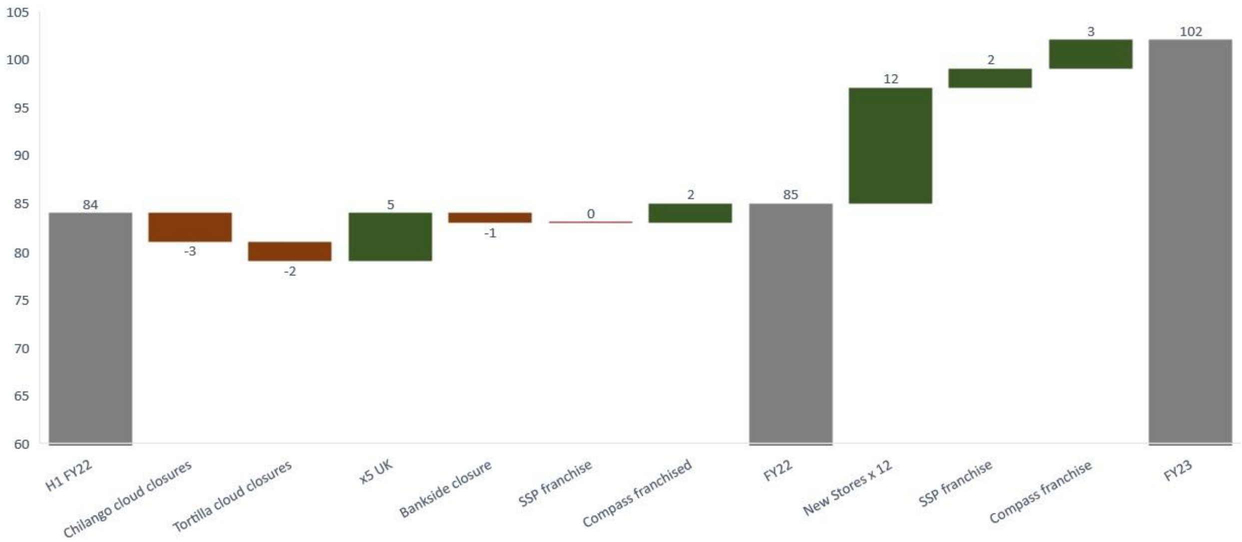

Property plan and white space opportunity

- Plan to increase new site opening rate to 12-15 sites per year, starting in FY23, to take advantage of: (1) the depressed property rental levels; (2) our excellent performance outside of London; and (3) the considerable "white space" opportunity identified in a recent report produced by CACI
- CACI is a leading business consultancy firm with a specialism in restaurant property analytics and have performed a very detailed piece of data analysis which identified another 200 potential locations for Tortilla in the UK

FY22

- On track to deliver 11 new stores for Tortilla this year (6 in H1, 5 in H2) – one of these openings is a delivery kitchen in Maida Vale and has since been closed along with a site in Brent Cross which opened last year. This was a condition of our non-exclusive trading relationship on delivery
- 5 in H2 are all full stores and located in Lincoln, Leicester, Coventry, Durham and Canterbury
- Bankside lease surrendered – site has not traded since start of pandemic and wasn't commercially viable due to Southwark site only 0.3miles away
- 3 Chilango cloud kitchen closures planned as part of the acquisition (i.e. never intended to be traded)

FY23

Already well progressed for at least 12 sites next year:

- 3 Exchanged London/South East
- 1 HoTs agreed Midlands
- 1 HoTs agreed Northern Ireland

CACI

VALUE FOR MONEY

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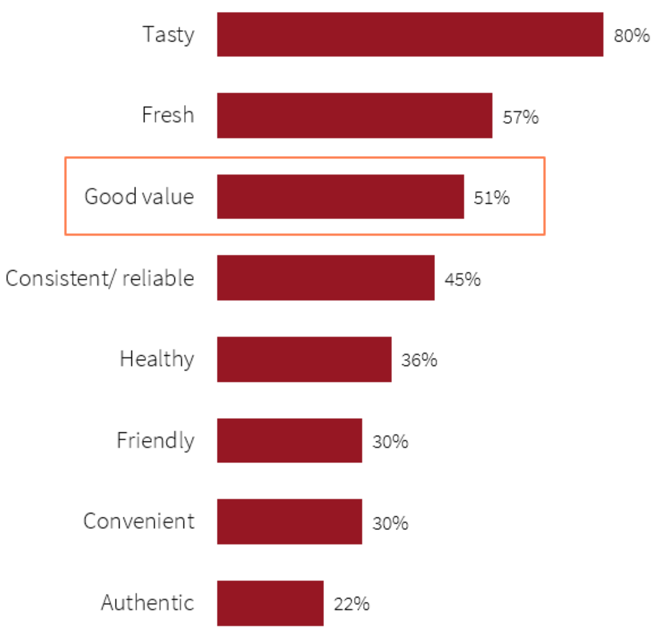
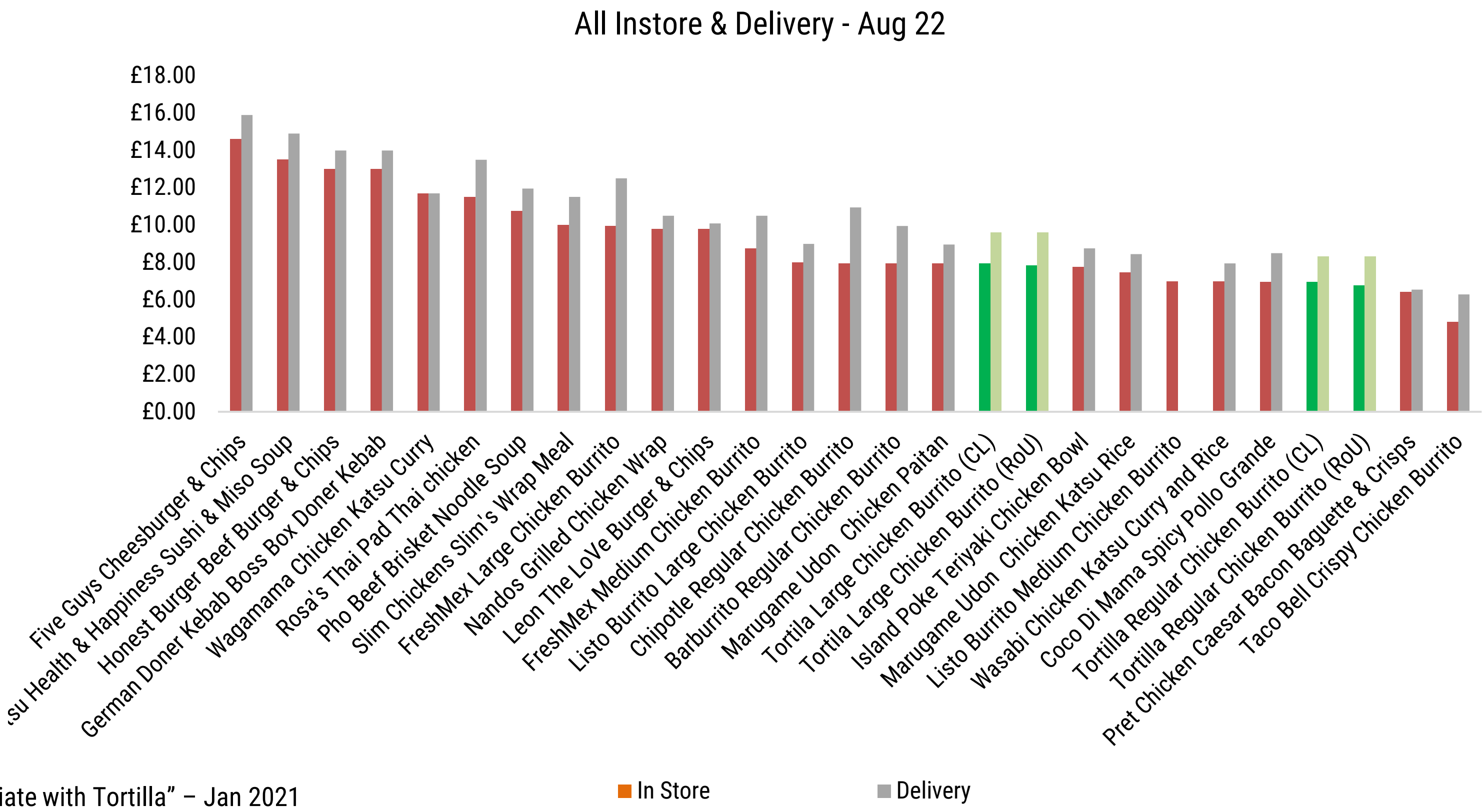
With CPI inflation already above 10%, Tortilla's value for money proposition becomes increasingly important. The Group has pricing headroom to offset these increases and expects customers to down trade from higher cost peers as the cost of living squeeze increases. So far this year, the Group has priced nationally twice: 4% in March and a further 2% in June. A regular burrito costs just £6.75[2].

We know price is important to our customers[1]…



…and we know we are well priced compared to peers



[1] Survey of 3,300 Tortilla customers, asked "what five factors would you most associate with Tortilla" – Jan 2021
[2] Regular burrito sold in-store, outside of central London

CURRENT TRADING AND OUTLOOK

New site opening outperforming expectations

- After Period end, as of 30 September:
  - Opened new sites in Lincoln and Leicester
  - Converted five Chilango units
- Q4 planned openings: Coventry, Canterbury and Durham
  - Total of 11 for the year (inclusive of one delivery kitchen)

Sales momentum well ahead of sector

- Summer sales more challenging than expected
- Despite one-off factors, LFL (vs. FY19) sales growth strong & above CGA benchmark:
  - July: 13.2% (CGA benchmark: 1.3%)
  - August: 12.3% (CGA benchmark: 2.8%)
  - September: 16.6% (after week 3 of 5) - LFLs returning to pre-summer levels
- Tortilla Club presents great potential to drive customer visit frequency

Challenging trading environment, but well placed to navigate headwinds

- Unprecedented levels of energy and food cost inflation and a more challenging labour market
- Despite H2 being seasonally stronger than H1, cost pressures will bite harder in this period:
  - FY gross margin to be c. 3% lower than expectation
  - LFL sales growth (vs FY19) expected at c.14%
- Longer-term outlook for costs remains uncertain. However, several mitigating initiatives, including:
  - Estimated savings arising from buying goods direct from producers
  - Implementation of technology solutions to drive cost efficiencies
  - Further pricing

SUMMARY

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- Remain encouraged by continued excellent sales performance with industry leading LFLs
- New openings performed above expectations with a buoyant pipeline of sites for the rest of 2022 and beyond
- Importance of value-for-money proposition particularly in a recession
- Remain cash generative and in a strong financial position
- Key priorities to:
    - Mitigate cost headwinds to return profitability back to pre-war levels
    - Ramp up new site expansion rate to 12-15 sites in FY23 to capitalise on favourable property market
    - Continue to review and pursue European opportunities
- Remain highly confident in achieving the Group's exciting long term growth potential

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Q&A

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APPENDIX

ABOUT US

We are the UK’s largest and most successful fast-casual Mexican restaurant business

- **Founded in 2007**
- By Brandon Stephens with a mission of bringing authentic burritos to London from San Francisco
- Listed on AIM in October 2021

- **Leading fast-casual Mexican restaurant group in the UK**
- 84 sites worldwide[1]

- **Value-for-money proposition**
- Freshly-prepared, customisable, tasty products
- Loyal and broad customer base

- **Track record of consistent, strong financial performance**

- **Robust central kitchen infrastructure and experienced head office**
- Ensures product consistency and capacity to cover medium term growth plans

- **Future opportunities**

Significant growth prospects through:
  - Roll out of new UK sites
  - Franchising & other strategic partnerships
  - Future international expansion

[1] *At 3 July 2022, sites: 68 UK company-run (10 of which are delivery-only), 4 UK SSP franchised, 4 UK Compass franchised and 8 Middle East franchised.*

STRENGTHENED BOARD OF DIRECTORS

EMMA WOODS
Non-Executive Chair

RICHARD MORRIS
Chief Executive Officer

ANDY NAYLOR
Chief Financial Officer

BRANDON STEPHENS
Founder, Non-Executive Director

LOEIZ LAGADEC
Non-Executive Director

LAURENCE KEEN
Senior Independent Director

New Board Appointment

FRANCESCA TIRITIELLO
Non-Executive Director

Francesca brings a wealth of business development, franchise, finance and M&A experience and has been involved in the successful expansion of many branded businesses across the European QSR market, across both advisory and senior finance positions.

Francesca is currently a Partner and Co-Founder of Kikkirossi, a European boutique advisory firm specialising in international franchise and brand development.

Previously, she has held a number of director and CFO roles in European hospitality businesses, including eight years at Yum! Brands Inc., the owner and operator of household names including KFC, Pizza Hut and Taco Bell, where she held European CFO and Commercial Director positions.

FRESH, CUSTOMISABLE PRODUCT PROPOSITION

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Freshness: Our toppings and guacamole are freshly made in-house every day

Innovation: Menu regularly reviewed and refreshed to add trending fillings (e.g. chili no carne), popular add-ons (e.g. churros) and seasonal specials, often through brand collaborations

Sustainability and provenance: Continual and focus on ESG

- Recyclable packaging
- Very low wastage
- Majority plant based menu and higher welfare meats
- Increasing use of green energy

Flavour: Meat is marinated and cooked for over 24 hours in the central kitchen, providing an authentic and distinctive taste

Customisability: Dishes are made to order with a multitude of flavour combinations, allowing the customer to tailor to their specific preferences or dietary needs

Award Winning: Numerous awards for food, value, and profitability including:

Savanta:
- Third most loved fast-casual chain in the UK

ZAGAT
- Best Mexican Restaurant in London
- Best Buy List

The Observer
- Best Cheap Eats

Zolfo Cooper
- Top 10 Highest Growth UK Hospitality Businesses

Restaurant R200
- Best Value Restaurant Chain Over 20 Sites

Source 1: sourced on 23 Aug 2021, prices for smallest burrito offered at each business

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Well-defined, proven property strategy with flexibility across site locations and formats

Site Selection Criteria

- Uncompromising in site selection
- **Size:** 60 sqM – 200 sqM
- **CAPEX:** circa £350k - £425k depending on size, site condition and store front requirements
- **ROCE:** 30% minimum investment hurdle
- **Use Class:** 'E'
- **Locations:** High street, shopping centres / leisure schemes, transport hubs, motorway service stations, delivery kitchens
- **Extraction:** Optional
- **High Value:** high footfall, corner locations, lunch & dinner, 7-day trade, proximity to transport hubs

High Street
Guildford, 181 sq.m

Shopping Centre
Westfield, 100 sq.m

Transport Hub
Victoria, 116 sq.m

Baby Tortilla
Putney, 79 sq.m

Delivery Kitchen
Bermondsey, 18 sq.m

Theme Park
Chessington, 170 sq.m

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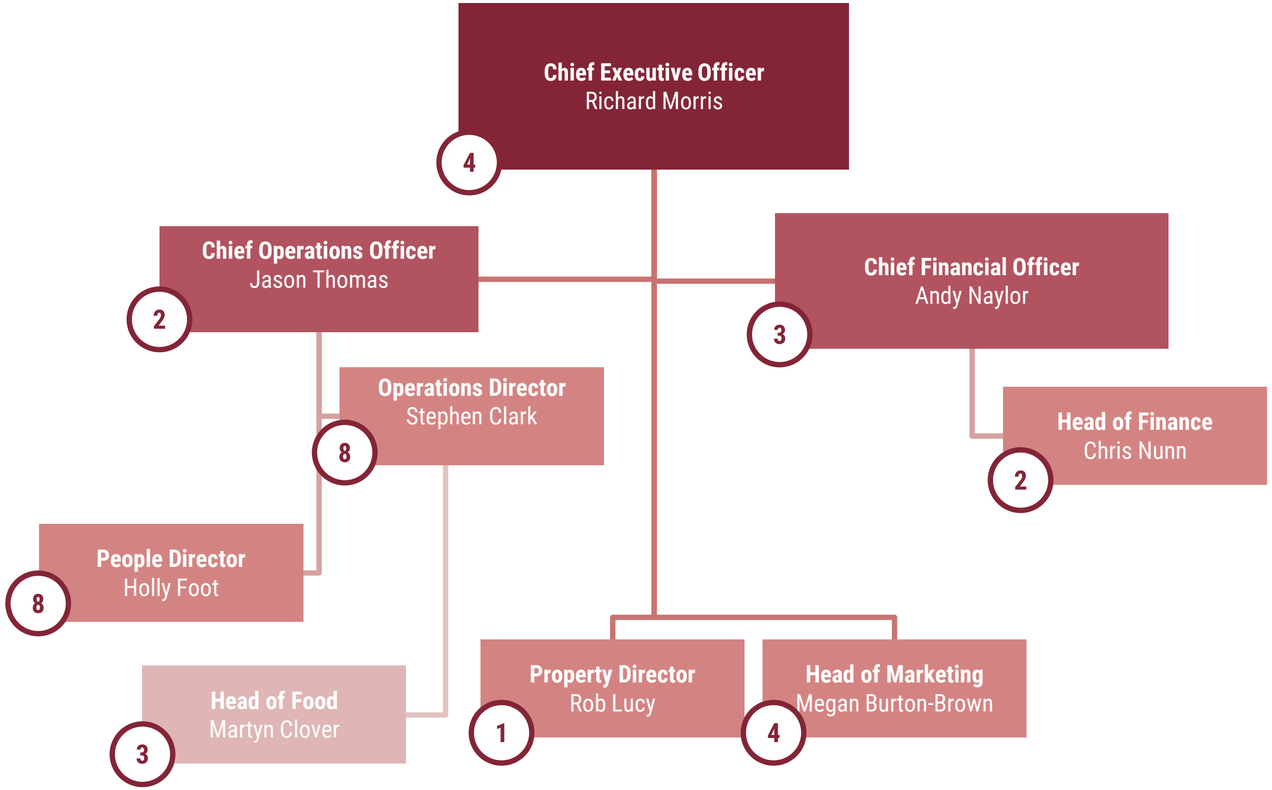
Robust scalability through a centralised production infrastructure and experienced head office team

Centralised Production Unit (CPU)

- Tortilla's 5,500 sq ft Central Production Unit (CPU) in Tottenham Hale provides the production infrastructure to double the size of the estate.
- The CPU supplies all of the menu items sold in the restaurants aside from those toppings whose flavour profiles benefit from freshness (eg, guacamole, pico de gallo salsa).
- Key CPU benefits include:
    - Consistent, higher-quality product
    - Longer shelf life
    - Margin benefits from increased scale
    - Centrally managed by Tortilla employees, not outsourced
    - Cost-neutral operation (costs covered by restaurants)
    - Capacity for estate growth with additional space available next door
    - Safeguarding of recipe IP
    - Opportunity to supply proprietary products to franchise/strategic partners

Head Office Structure

Tortilla has an established and experienced senior management team to support a business of scale



Number of staff who directly report to that manager

PEOPLE & CULTURE

- Tortilla's people, values and culture are the foundation of our success
- An inclusive culture with important values such as kindness and integrity
- Continue to embrace and encourage diversity:
    - Workforce is now 42% non-British national
    - More than half of management are women
    - Under 25-year-olds are more than 60% of our workforce - we believe in nurturing young talent through training and career development
    - Continue to fill at least half of our management roles with internal candidates
- Happy staff do the best work and have continued innovating to ensure our workforce is encouraged and engaged
- 90% employee satisfaction throughout the Tortilla Group

ENVIRONMENT SOCIAL GOVERNANCE (ESG)

As part of Tortilla ongoing commitment to ESG, the Group appointed external consultants Sustainable Advantage to assess its performance across four areas (environmental, social, governance, ESG integration) and set targets for improvements over the next 2 years, outlined below:

	Assessment highlights (as at Mar 2022)	Future targets (by Dec 2023)
Environment	• 100% renewable energy procured for 40 sites and 100% of gas offset for 14 sites • Complete carbon emissions calculations for Scopes 1 and 2, and one Scope 3 category • 88% of product packaging is recyclable, compostable or biodegradable • Signatories of the Better Chicken Commitment	• Set Net-Zero target & become carbon-neutral in the short-term for Scopes 1 and 2 emissions • Reduce general waste by 20% and trial-run of food waste segregation in restaurant areas • Ensure 50% of supply chain has had a biodiversity risk assessment and is fully traceable (incl. key ingredients)
Social	• 'Feed people well' strategy uses quality, raw, wholefood ingredients with full calorie and allergen information is available to customers • Strong supply chain traceability through Equinoxe • Comprehensive training and career development framework in place • Extensive and proactive customer engagement process	• Become a member of SEDEX and Sustainable Restaurant Association • Develop a Supplier Code of Conduct and send sustainable production practices survey to 100% of Tier 1 suppliers • 100% of relevant employee demographic data collected
Governance	• Frequent and accessible policies management in place • All policies available to employees in cloud-based system Flow • Comprehensive cyber security programme and data protection policy in place	• Appoint ESG Committee and implement ESG governance structure • Complete Cyber Essentials and become ISO 27001 certified
ESG Integration	• Energy data independently verified by third party • ESG considered and discussed by the Board • Successful campaigns promoting plant-based dining	• Align to six recommended UN Sustainable Development Goals (SDGs) • Conduct an ESG stakeholder materiality assessment • Provide a carbon footprint menu that's available in digital and print format

Tortilla's full ESG impact report is available at tortillagroup.co.uk

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