Tortilla Mexican Grill plc
2022 Annual Results Presentation
March 2023

TORTILLA
Real California Burritos & Tacos

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 – FY22

Strategic & operational

- Year of **record growth** for the Group (net 18 sites added to the portfolio)
- Strategic acquisition of Chilango in May 2022
- Bolstered the Board and Executive team with several key appointments
- Launched new franchise partnership with Compass Group
- Re-launched multi-platform delivery offer

Financial

- Revenue growth of 20.0% vs FY21
- LFL revenue growth (vs FY19) of 16.4%
- Adjusted EBITDA* of £4.0m (FY21: £8.7m)
- Net debt* of £0.6m (FY21: net cash: £6.7m)

*Stated on a pre-IFRS 16 basis

GROWTH

FY22 was a **record year of growth** for the Group taking the total number of sites to 82

	2 Jan 2022 (FY21)	Opened	Closed	Acquired	1 Jan 2023 ("FY22")
Own stores - Tortilla	46	10	(2)	5	59
Own stores - Chilango	-	-	-	3	3
Delivery kitchens	5	3	(5)	-	3
Franchise stores - UK	3	6	-	-	9
Franchise stores - Overseas	10	-	(2)	-	8
Total	**64**	**19**	**(9)**	**8**	**82**

Total number of stores reconciliation FY21 vs FY22

Openings:

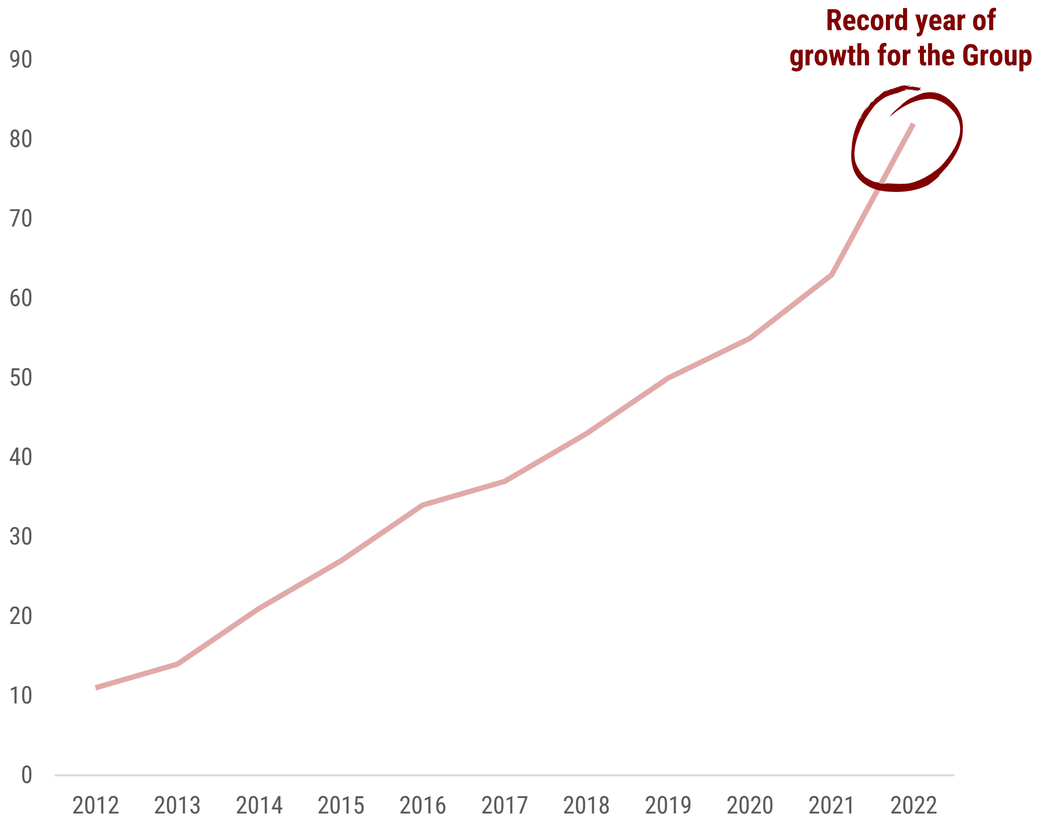
- 10 UK Tortilla sites
- 3 delivery kitchens
- 6 franchise stores (5 Compass, 1 SSP)

Closures:

- 5 delivery kitchens closed as part of the return to non-exclusivity with Deliveroo
- 2 planned closures in Chessington World of Adventures and Bankside

Acquired:

- Chilango business acquired in May 2022
- Five sites converted to Tortilla and three retained as Chilango



Total number of stores, last ten years

FRANCHISING

Excellent franchising proposition due to simplicity of operating model and flexible store formats

Franchise stores delivered a very strong sales performance with overall franchise income growing by 112% in FY22. A great result considering the material impact that Covid-19 and multiple rail strikes have had on our UK air and rail businesses throughout much of last year

UK

- Six new stores opened – five in university locations with Compass/Chartwells and a second airport location with SSP
- In discussions for new franchise locations in higher education, major UK travel hubs (rail and air), along with exciting new opportunities the Group is pursuing in the healthcare sector and motorway service areas

International

- Overseas franchise stores also had a great year, with double digit LFL growth providing appetite to accelerate new store growth over the next few years
- The Board is busy exploring new European markets as there is an exciting opportunity to capitalise on our position as the largest burrito business in Europe

TORTILLA

Real California Burritos & Tacos

FINANCIAL REVIEW
Andy Naylor, CFO

INCOME STATEMENT

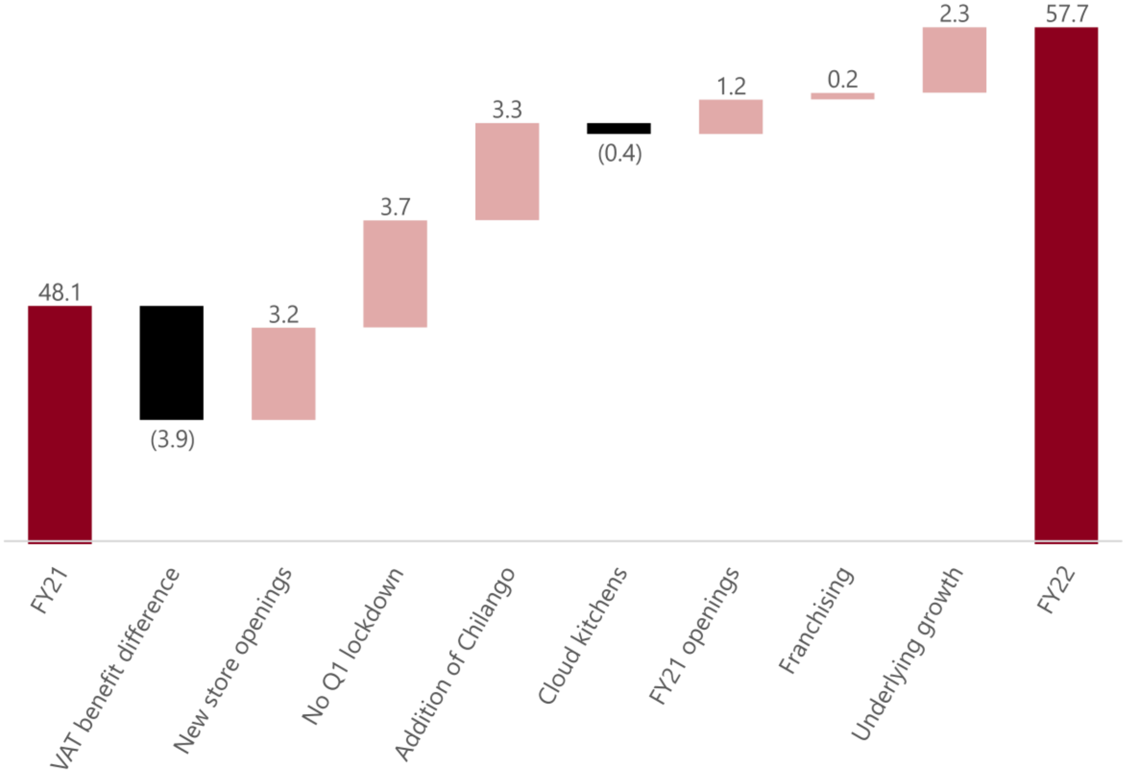
TORTILLA
Real California Burritos & Tacos

- Revenue increased by 20.0% to £57.7m (FY21: £48.1m), driven by the addition of ten new stores, the acquisition of Chilango and the absence of a COVID lockdown which impacted Q1 FY21
- Gross profit margin was 76.4%, 3.2 percentage points lower than FY21, mainly due to the change in VAT rates and Ukraine-war linked inflation
- Administrative expenses increased by 19.3% to £43.7m, in line with revenue growth
- Adjusted EBITDA[1] (pre-IFRS 16) of £4.0m which decreased by £4.7m mostly due to the expected removal of the beneficial VAT rate (£3.9m). Compared to target, food and utilities cost pressures impacted margin by 4.8 percentage points (see later bridge)
- Loss after tax totalled £0.6m (FY21 profit of £1.4m)

	FY22	FY21
	£m	£m
Revenue	57.7	48.1
Cost of sales	(13.6)	(9.8)
Gross profit	**44.1**	**38.3**
% of revenue	*76.4%*	*79.6%*
Other operating income	-	1.9
Administrative expenses	(43.7)	(36.5)
Profit from operations	**0.5**	**3.6**
Adjusted EBITDA (pre-IFRS 16)	**4.0**	**8.7**
Pre-opening costs	(0.8)	(0.1)
Share option expense	(0.4)	(0.1)
Depreciation and amortisation	(6.2)	(6.3)
Reversal of impairment	0.2	-
Exceptional items & non trading costs	(0.5)	(2.1)
IFRS 16 adjustment	4.3	3.5
Profit from operations	**0.5**	**3.6**
Finance expense	(1.4)	(1.3)
(Loss)/Profit before tax	**(0.9)**	**2.3**
Tax	0.3	(0.9)
(Loss)/Profit after tax	**(0.6)**	**1.4**

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: FY22 vs FY21



Revenue £m, FY22 vs FY21

FY22 revenue was £9.6m (20%) higher than FY21:

- FY22 benefitted from three months of reduced VAT (12.5%) whereas FY21 benefitted for the full 12 months (5% VAT rate until Sep FY21 then 12.5% VAT rate until end of FY22) resulting in £3.9m less revenue in FY22
- FY22 new store openings generated revenue of £3.2m
- Q1 FY21 was negatively impacted by a Government lockdown and no restrictions in Q1 FY22 resulted in a £3.7m uplift
- Chilango contributed £3.3m of sales in FY22 following acquisition
- Cloud kitchens generated less revenue due to the changing sales mix arising from customers coming back to store plus the closure of our Deliveroo kitchens
- £1.2m of extra revenue from the annualisation of the FY21 openings
- Franchise revenue grew by c60%

REVENUE: LFL GROWTH AND CHANNEL MIX

Real California Burritos & Tacos

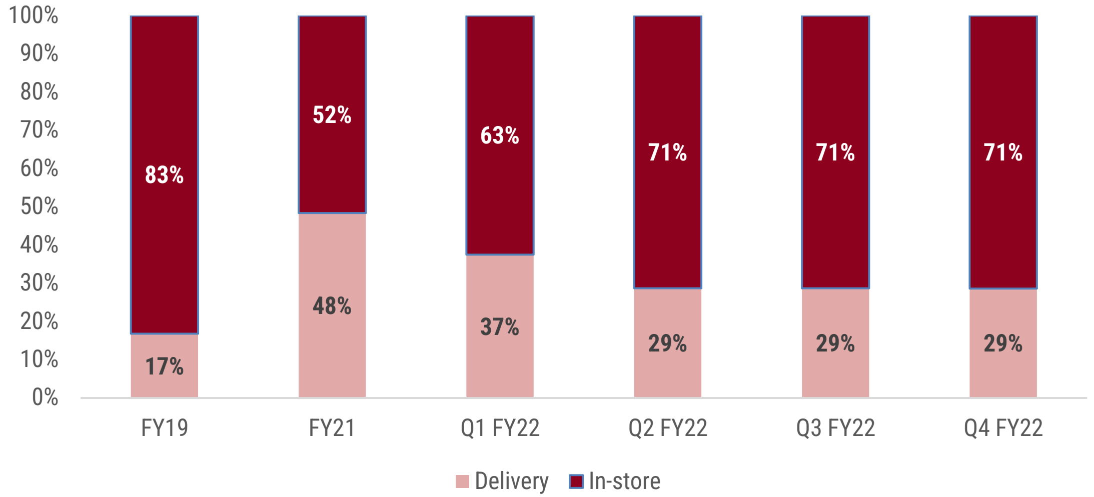
LFL growth

- LFL sales growth of +16.4% (vs FY19) achieved for the full year
- Fairly consistent through the year despite challenges around "cost-of-living" crisis, strikes etc which built as the year developed, albeit H1 LFL slightly higher at +18.7% due to the VAT benefit in Q1

FY22 LFL vs 2019*	%	%
	Actual	Adj. VAT **
All sites		
Sales LFL	16.4	14.8
Benchmarks		
CGA Peach*** sales LFL	5.0	N/A
Wagamama sales LFL	8.0	N/A

*Compared to FY19, excluding Chilango
**Removing the impact of the VAT benefit (12.5% during Q1 FY22)
***CGA Peach industry benchmark
**** Wagamama comparative reported in FY22 results. No other restaurant group numbers known or stated for a comparable period.

Channel mix



- Delivery sales have stabilised at c29% of sales following a return to non-exclusive trading arrangements with delivery providers: great result for Tortilla which is possible due the Group's strong delivery channel operational ability (assembled, not cooked to order)
- Expect FY23 to be circa 31-33% as this channel continues encouraging growth

NEW STORES – OPENING FINANCIALS

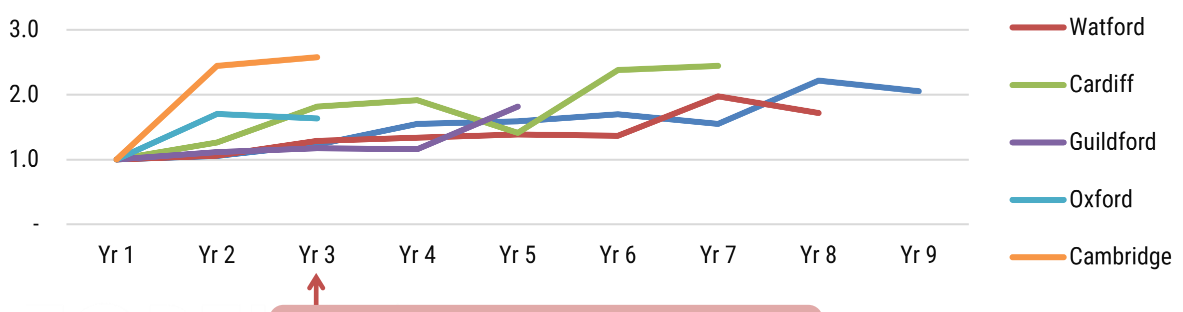
FY21 openings

- All three openings in FY21 (Edinburgh, Exeter and Windsor), collectively returned a 56% ROCE based on FY22 EBITDA

FY22 openings

- Ten openings in FY22, starting March 2022
- Encouragingly, average weekly sales of the new locations is already at c83% of investment case mature sales level
- On average, this cohort is expected to achieve maturation by the end of FY24. Some locations will take slightly longer to mature as they represent areas with lower brand awareness and the cuisine is less well understood (Lincoln, Coventry, Leicester etc). In new cities over the years, Tortilla has taken a little longer to mature, as shown by the graph below

Average weekly sales, rebased to zero



+55% (average weekly sales Year 3 vs Year 1)
NB – sites selected as examples of older sites which took a little longer to reach maturity as he proposition built up a fanbase locally

CAPEX

- In anticipation of rising building costs, the Group recognised the challenge and worked hard to obtain capital contributions to keep new store CAPEX costs as low as possible
- Average new store CAPEX cost for the FY21-22 openings was c£350k

Progress in FY23

- Two sites opened so far this year: Derby and Greenwich (London)
- Great strength outside of London, underpinned by strong value for money proposition
- Provides increased strong confidence over UK white space opportunity
- Great conditions for continued roll-out; eager to secure as many favourable units as possible during this period
- Expect to open c.10 sites for FY23 plus 3-5 franchise sites
- 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 the 10 FY22 openings are former retail units)
- Targeting returns of >30% ROCE (ratio of mature EBITDA/CAPEX)

FY23 NEW STORE OPENINGS (2 OPENINGS TO DATE)

TORTILLA
Real California Burritos & Tacos

Derby

- Opened in Feb 2023
- Average weekly sales since opening: £16.6k
- Investment case maturity sales[1]: £13.7k
- CAPEX to build: £305k

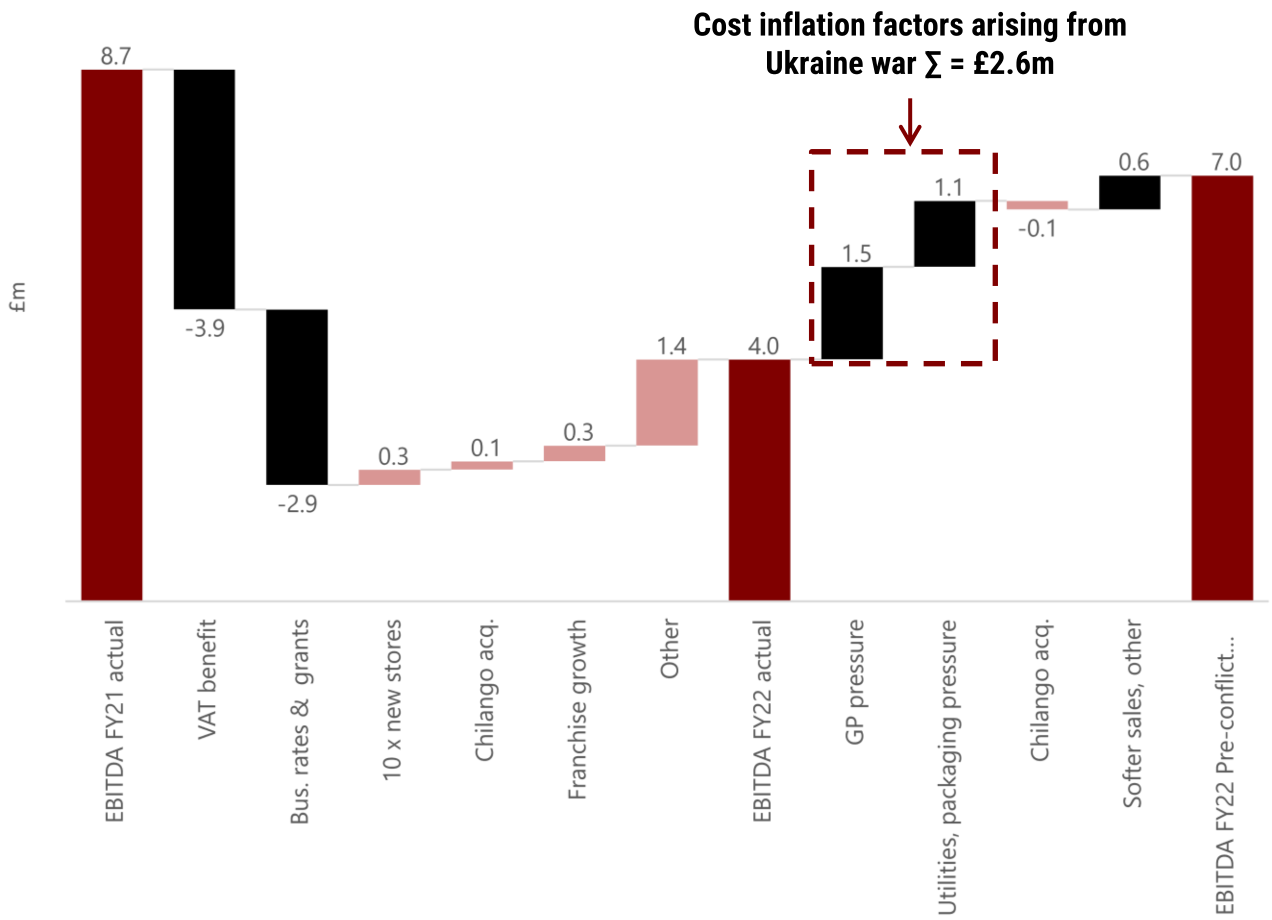
Greenwich

- Opened in Mar 2023
- Average weekly sales since opening: £16.3k
- Investment case[1] maturity sales: £17.2k
- CAPEX to build: ~£475k

[1] Investment case sales required to hit 30% ROCE hurdle

PROFITABILITY

Profitability impacted by external factors; unprecedented pressure on input costs, most acutely on proteins and utility costs



Adjusted EBITDA £m reconciliation:
FY21->FY22->FY22 prior to start of Ukraine war

Comparing FY22 actual vs expectation pre-conflict:

£2.6m of the gap relates to cost pressures arising from the Ukraine war:

- Biggest impact (£1.5m) was experienced on gross profit due to cost increases across all goods purchased but most acutely on protein costs. Impact of this was a 2.8 percentage point decrease in gross profit margin
- Increases in utility and packaging costs resulted in a further 2.0 percentage point decline in EBITDA margin (£1.1m). The Group was unhedged at the start of the war in Ukraine. Hedge secured until Sep 2023 now that forward prices have cooled off

Other differences:

- Add back the profits from Chilango which were not expected (£0.1m)

BALANCE SHEET

- Acquisition of Chilango in May 2022 generated goodwill of £2.6m
- Closed FY22 with cash balances of £2.4m, with an unchanged debt position of £2.9m. Total debt facility available is £10m
- Strong liquidity provides platform for future growth – highly cash generative nature of business helps to fund expansion plans
- A reconciliation of the opening and closing cash position for FY22 is as follows (N.B bank debt was unchanged year on year):

Opening balance at 3 Jan 2022	**£9.7m**
Adjusted EBITDA (pre-IFRS 16)	£4.0m
Consideration paid for acquisition of Chilango	(£2.5m)
Exceptional and pre-opening costs	(£1.4m)
Capital expenditure for new stores	(£4.8m)
Maintenance capital expenditure	(£1.5m)
Payment of bank interest	(£0.2m)
Movement in working capital	(£0.3m)
Payment of FY21 corporation tax	(£0.6m)
Closing balance at 1 Jan 2023	**£2.4m**

	FY22	FY21
	£m	£m
Non-current assets		
Intangible assets	2.6	-
Right of use assets	31.0	24.9
Property, plant and equipment	13.7	9.3
Current assets		
Inventories	0.4	0.3
Trade and other receivables	2.2	1.9
Cash and cash equivalents	2.4	9.7
Total assets	**52.3**	**46.1**
Current liabilities		
Trade and other payables	9.1	6.7
Lease liabilities	5.6	5.8
Loans and borrowings	-	-
Corporation tax liability	-	0.9
Non-current liabilities		
Lease liabilities	31.1	25.8
Loans and borrowings	2.9	2.9
Total liabilities	**48.7**	**42.2**
Net assets / (liabilities)	**3.6**	**3.9**
Equity	**3.6**	**3.9**

Balance sheet dates: FY22: 1 Jan 2023, FY21: 2 Jan 2022

TORTILLA

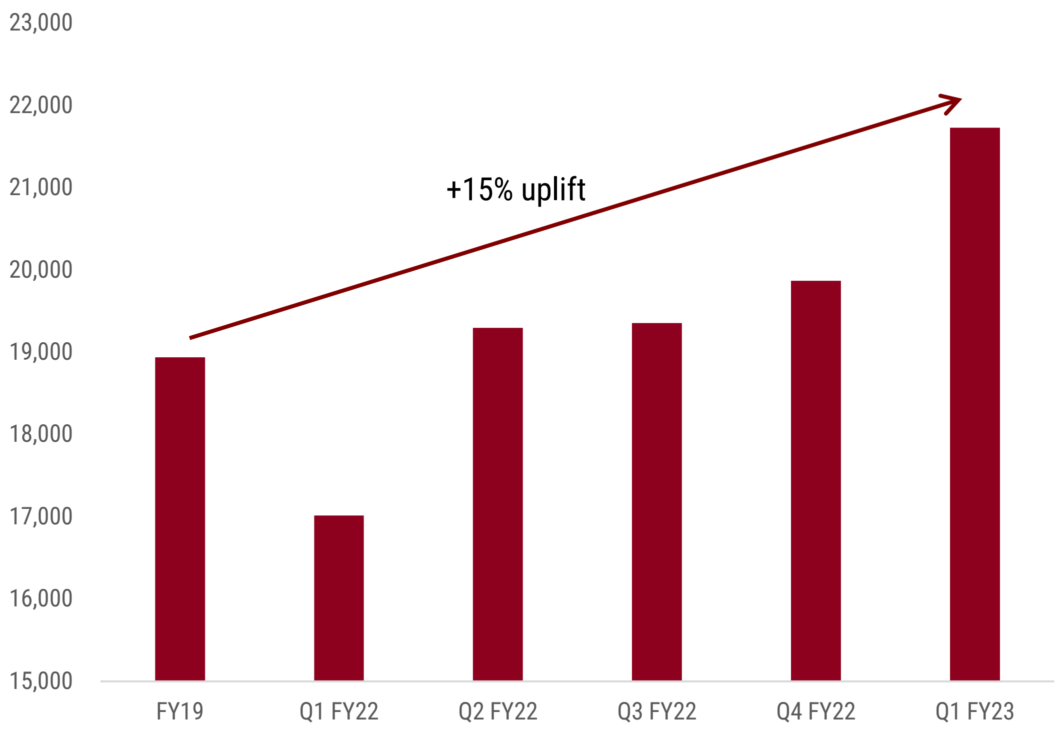
Real California Burritos & Tacos

STRATEGIC & OPERATIONAL REVIEW

Richard Morris, CEO

TORTILLA IN CENTRAL LONDON IS BOOMING

Central London is booming following a desire for people to get back to the office. This theory underpinned the acquisition of Chilango and the Board is confident there is further room for growth



Average weekly sales across Tortilla sites in zone 1 central London which are office worker led (nine site cohort)

- Great to see the London recovery continue into FY23: average weekly sales has increased by 15% compared to FY19 (13% median increase)
- Gives confidence in the Group's ability to generate increased profits from Chilango estate
- Focus is finding ways of increasing speed at lunch (during the peak hours) which is likely to be tech-led

TORTILLA
Real California Burritos & Tacos

CHILANGO ACQUISITION

Strategic acquisition provides several opportunities

- Acquired eight bricks and mortar locations
- Five of the locations converted to Tortilla sites, with the remaining three locations retained as Chilango due to proximity to existing Tortilla units. Integrated into the Group’s business systems now
- Commenced a full menu trial of the brand as a virtual concept in some delivery-only kitchens (early Mar launch)
- Chilango sites are in great locations with exciting potential to grow these businesses as the recovery of London continues

Site	%Uplift[1]
Brewer Street	27%
Brushfield Street	77%
Chancery Lane	33%
Croydon	6%
Islington	-12%
London Bridge	15%
London Wall	21%
Manchester	34%
Mean	21%
Median	24%

We are very encouraged by the sales growth across the acquired sites, achieving a **21% uplift** in average weekly sales. London is booming and we are pleased that our thesis underpinning the transaction is panning out as expected

[1] Comparing average weekly sales in first six weeks post-acquisition vs last six weeks.

OPERATIONAL AND TECHNOLOGICAL OPPORTUNITY

OPERATIONAL

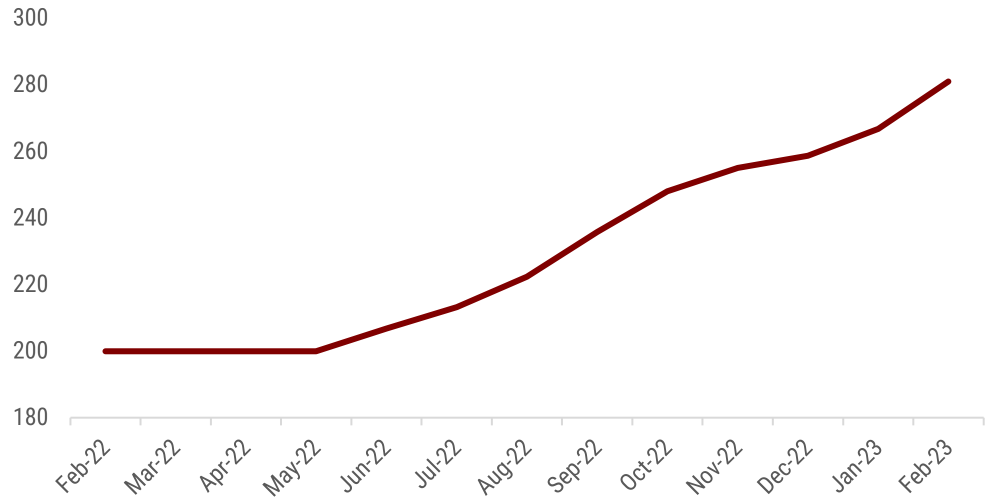
Opportunity to enhance operational and financial performance of the business through several initiatives:

- Second food assembly line installed in Brighton store. Brighton was selected as the high delivery sales were making it harder to provide a good in-store experience. Delivery sales are consequently kept separate from in-store sales and initial sign are promising
- Launched a trial of a new labour deployment tool which is in the testing phase
- Speed-of-service project launched called “fast fifteen” to really drive lunchtime speed in some throughput constrained central London sites. London Bridge is the standout success with 3 record hours achieved within one week

TECHNOLOGICAL

Various brands have improved sales and customer experience using technology. Opportunity to test kiosks within certain locations:

- Appointed Andrew Brook in the newly-created role of Head of IT, formerly Head of IT at Wholefoods and in senior IT roles at Itsu and Pod
- Since June 2022, Tortilla’s new loyalty programme has grown by over 40% to 280k members in February 2023
- Exploring various other new technology products…. watch this space!



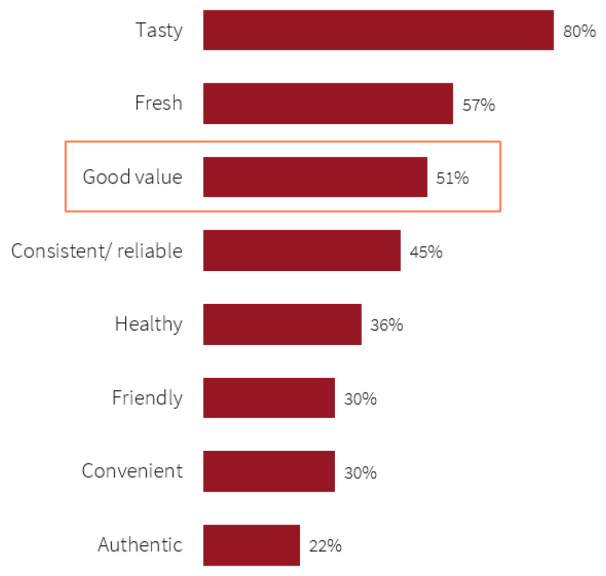
Loyalty database numbers

VALUE FOR MONEY

With the current “cost of living crisis”, Tortilla’s value for money proposition becomes increasingly important. We remain less expensive than the competition and have introduced regional pricing to reflect the higher cost base in the London region

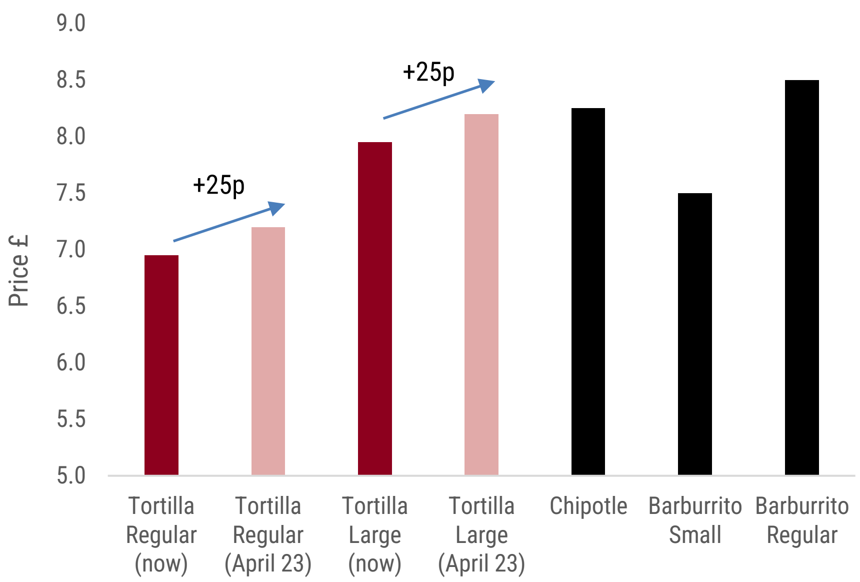
At the same time, we maintained our focus on quality and portion size

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



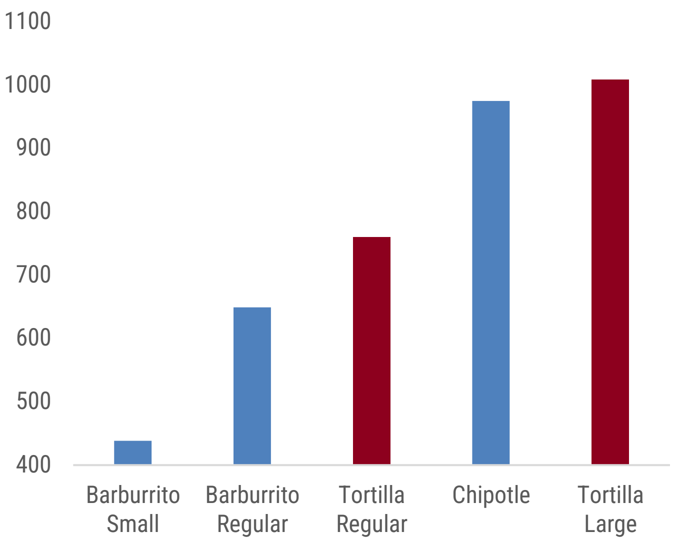
[1] Survey of 3,300 Tortilla customers, asked “what five factors would you most associate with Tortilla” – Jan 2021

…and we know we are better priced compared to direct peers[2]



[2] Comparison of in-store pricing – chicken burrito, March 2023. London stores will be priced further to reflect different cost base (reg burrito: £7.70, large burrito: £8.70)

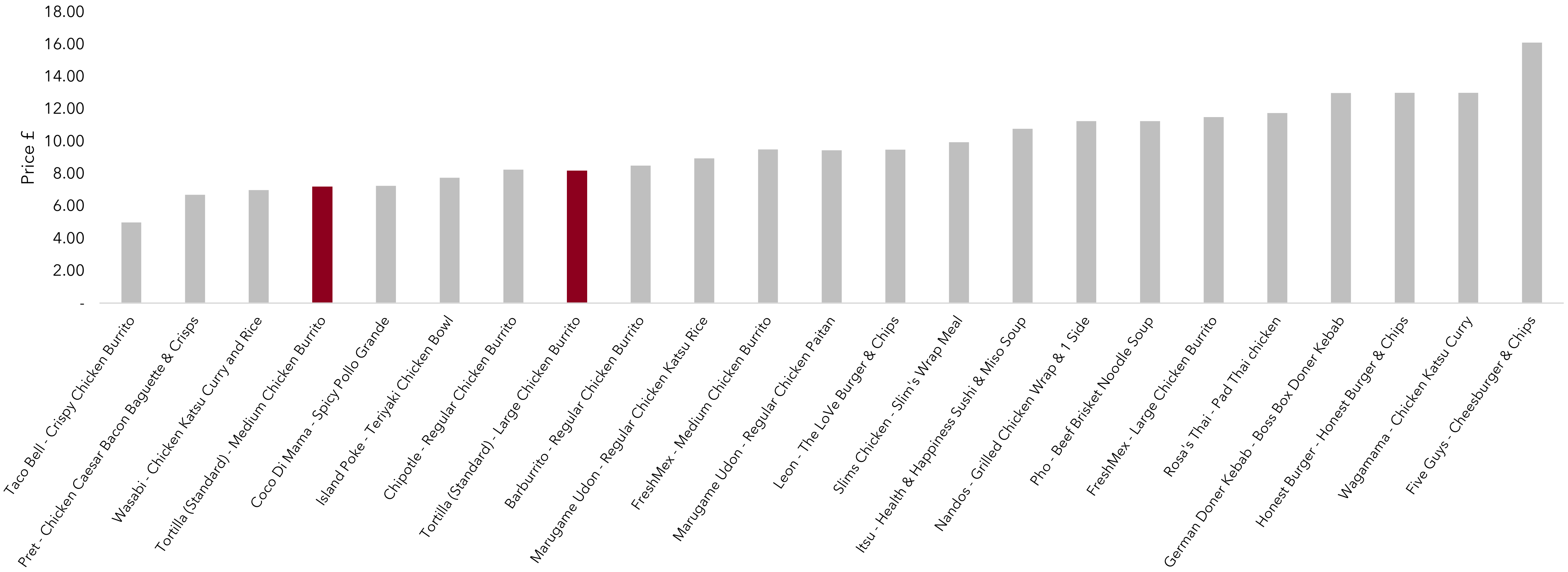
…and our product is bigger[3]



[3] Using calorie count as an estimate of portion, comparing on a same ingredient basis: white rice, black beans, chicken, pico de gallo & cheese

VALUE FOR MONEY

Comparing Tortilla to its wider peer group, the Group is very well positioned with a competitively priced proposition:



Note that the above compares our planned price (April 2023) as it remains to be seen how much pricing will be taken by others

FY23 CURRENT TRADING

TORTILLA
Real California Burritos & Tacos

Sales

- LFL sales growth (vs. FY22) for the 8 weeks to 26 Feb 2023:

	LFL sales	LFL sales (VAT adj.)
Tortilla	**+4%**	**+11%**
CGA Peach - Jan*	+10.3%	N/A
CGA Peach - Feb	+1.9%	N/A
Wagamama*	+2%	+9%

* Higher industry number as many restaurants were largely closed/partially trading in Jan 2021 due to the omicron variant

Costs

- Locked in utilities hedge (Apr-Sep 2023) which will deliver price protection beyond the end of the Government support period. Compared with the same period last year, this is a 9p/kWh saving on the commodity price with the fully delivered price remaining flat. Given the volatility over this period last year where commodity prices increased by 600% from May-Aug 2022 this provides certainty for the majority of FY23
- Switched packaging supplier, resulting in 0.2% of sales improvement in packaging costs
- Recent experience and latest market information suggest that food cost inflation has largely plateaued, with an upcoming pricing in early April expected to improve gross profit
- Employee cost inflation forecast at c.9%, driven by the increase in National Minimum Wage and pay rises given to salaried employees

SUMMARY

- FY22 was a record year of new site openings and FY23 pipeline is strong. Tortilla remains an exciting growth business
- Aside from the acquisition, all FY22 new stores were outside of London, in some smaller towns/cities, providing confidence in UK white space opportunity
- Steps taken to mitigate cost pressures which will help with longer term profitability
- Franchising remains key opportunity in UK and Europe with various conversations underway
- We remain extremely positive about the future for Tortilla:
  - Very strong food offer with cuisine-type growing in popularity
  - Incredible white space opportunity in UK and Europe
  - Strengthened Board and Executive team

Q&A

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**
- 82 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 end FY22: comprising 62 Group operated, 3 delivery kitchens, 9 UK franchise stores and 8 overseas franchise stores.

STRENGTHENED BOARD OF DIRECTORS

TORTILLA
Real California Burritos & Tacos

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

Board Appointment Sep FY22

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

TORTILLA
Real California Burritos & Tacos


57% Burritos


19% Tacos + Salads


19% Drinks + Sides


5% Evening Sharers

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

WELL-DEFINED, PROVEN PROPERTY STRATEGY WITH FLEXIBILITY ACROSS SITE LOCATIONS AND FORMATS

TORTILLA
Real California Burritos & Tacos

Site Selection Criteria

- Uncompromising in site selection
- **Size:** 60 sqM – 200 sqM
- **CAPEX:** circa £375k - £450k 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

Chilango
Islington

TORTILLA
Real California Burritos & Tacos

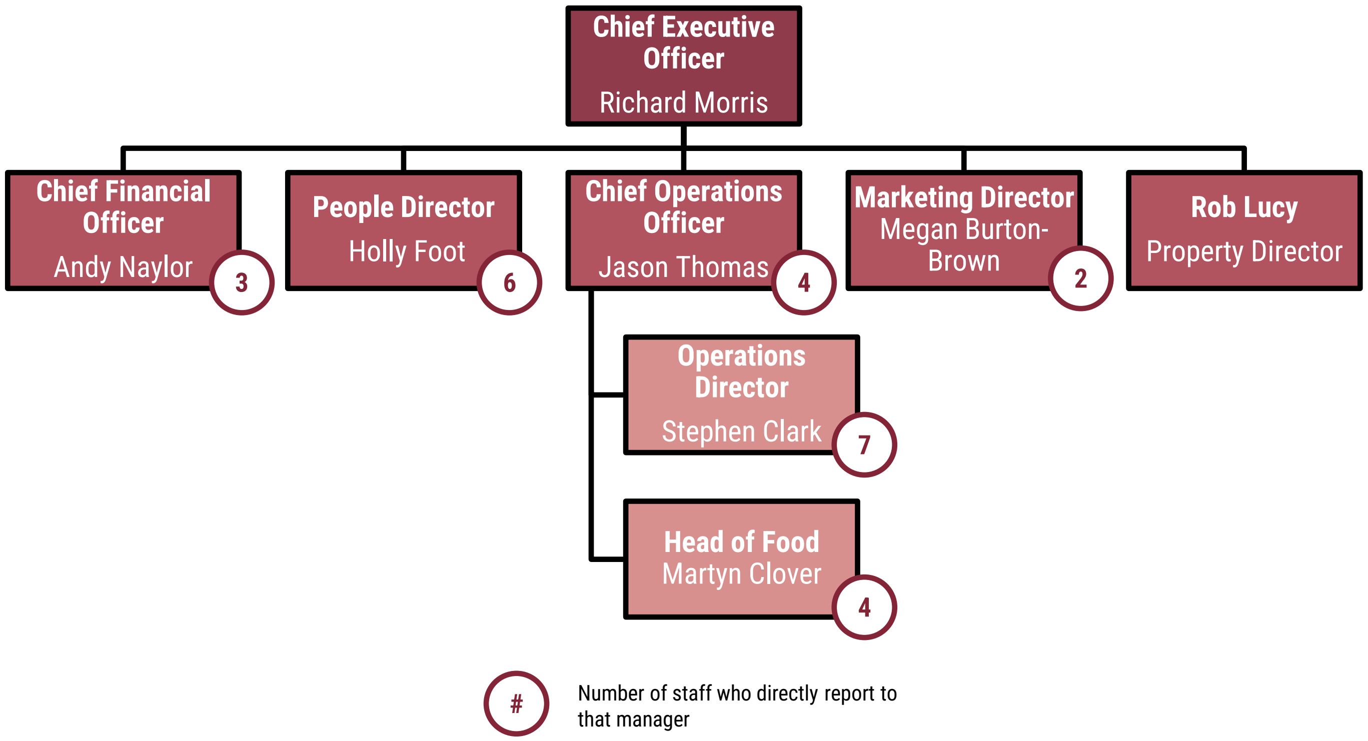
ROBUST SCALABILITY THROUGH A CENTRALISED PRODUCTION INFRASTRUCTURE AND EXPERIENCED HEAD OFFICE TEAM

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



PEOPLE & CULTURE

- Our mission is to provide high quality support that will allow us to recruit, retain and develop an exceptional team that will enable us to achieve all of our goals including our overarching aspiration of becoming the employer of choice within the fast casual sector
- We are committed to meeting and exceeding the expectations of our workforce
- Our culture is inclusive with important values such as respect, passion and authenticity
- We continue to embrace and encourage diversity:
    - Workforce is now 49% non-British national
    - 51% of our management roles are occupied by women
    - Under 25-year-olds are more than 50% 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
- Valued employees are happier and we are continuing to invest and innovate our people strategy and initiatives to ensure our workforce is developed and engaged
- 90% employee satisfaction throughout the Tortilla Group

ENVIRONMENT SOCIAL GOVERNANCE (ESG)

The Group reports on it’s environmental, social and governance targets and achievements annually, available to view here.
The Impact Report for 2022 highlights include;

OUR PEOPLE
People are the heart of our business and we’re proud to champion diversity, inclusion and mental wellbeing. Over 60% of promotions are internal and 98% of crew said they enjoy their working day

OUR CUSTOMERS
We encourage our customers to make good food choices that are also great value for money. More than 70% of our menu is plant-based, with no artificial colours or preservatives

OUR PARTNERS
For full transparency in our supply chain, we only work with a close network of like-minded, accredited partners who can assure our products are sustainably and ethically sourced. We’ve signed the Better Chicken Commitment and only ever serve higher welfare meats

OUR IMPACT
We send zero waste to landfill, source 100% renewable electricity and actively reduce food waste. Our packaging is made from recycled materials with 88% being recyclable, compostable or biodegradable

TORTILLA

Real California Burritos & Tacos