



20th December 2023

Tortilla Mexican Grill PLC
("Tortilla" or the "Group")

FY23 Trading Update

Tortilla Mexican Grill PLC, the largest and most successful fast-casual Mexican restaurant group in the UK, provides a Trading Update for the financial year ended 31 December 2023 to date ("FY23" or the "Period").

Financial Highlights

- Revenue for FY23 is expected to increase by 13.8% against the comparable prior year period to £65.7m (FY22: £57.7m) and reflects the positive impact of YTD UK LFL (like for like) growth of +3.7% (+5.0% when adjusted for VAT) and new site openings:
- This performance is slightly behind the Board's previous expectations due to subdued consumer confidence impacting demand across the eating out market, in particular during Q4.
- The Group's London sites, where Tortilla enjoys stronger levels of brand awareness, shopping centres and travel locations have continued to perform particularly well. However high streets have been impacted by lower footfall over the past few months and sales have been impacted here and in smaller tertiary cities and towns where the brand awareness is lower.
- FY23 delivery sales have remained stable as a proportion of revenue at approximately 31%. The Group operated across multiple delivery partners, which, whilst supporting the sales performance, impacted margins. This delivery strategy is now being reviewed.
- The Group's franchise partnerships with Compass Group plc and SSP Group plc have continued to perform outstandingly well in the UK, benefiting from encouraging LFL performances as well as one new franchise site opened during the year.
- The Group's UAE franchise business had a record year, giving confidence to explore further franchise opportunities in the Middle East and Continental Europe.
- Management has maintained focus on cost control with the benefits of multiple initiatives - in supply chain, energy, and productivity - resulting in an improved Adjusted EBITDA margin in H2 FY23 when compared to H1 FY23, in line with previous guidance. The Board anticipates that the Group will experience the full year benefit of these initiatives in FY24.
- As a result of these factors, the Board currently anticipates Adjusted EBITDA for FY23 will be in the range of £4.5m - £4.6m.

Operational and Strategic Highlights

- Continued progress on UK new store openings with seven opened in FY23 (six equity stores and one franchise) and we've rationalised the delivery-kitchen estate by closing two units, taking the Group to 87 sites at the year end. The Group remains ahead of its aim of opening 45 new sites across the five years following its IPO in October 2021.
- Strengthened leadership team with the appointment of Keith Down to the Board as a Non-Executive Director as well as the promotion of Andy Naylor, CFO, to UK Managing Director. We are delighted to announce the appointment of Maria Denny as Group Finance Director who has a wealth of experience in the food and retail sector and joins the business in February 2024.

FY24 outlook

- The Board remains excited by the Group's franchise growth opportunities both in the UK and internationally. We are delighted to confirm at least four further new store openings with SSP in FY24 as we further expand the successful partnership.
- The eating out market is expected to continue to be challenged by cost-of-living pressures, especially outside of London and therefore we expect a higher level of marketing investment to drive awareness of our brand in 2024.
- Pressures on a significant number of the Group's costs are expected to ease over the year ahead. This reflects favourable contracts negotiated with key suppliers during FY23, the hedging of key input and utility costs, and the full year benefit of cost control initiatives implemented during FY23. However, recent guidance on National Living Wage increases will impact staff costs from April 2024.
- The Group has secured an exciting pipeline of new sites in high-footfall city centre and shopping centre locations.
- The Group continues to refine its business model, marketing approach and site opening strategy to respond to the market environment whilst also ensuring it continues to capitalise on its significant long-term growth opportunities.
- The Board remains highly confident in the strength of Tortilla's customer proposition and the Group's exciting future growth opportunities. Notwithstanding the challenging trading environment, the Group is targeting robust Adjusted EBITDA growth in FY24 on the back of the full year benefit of cost initiatives, the sales growth from the marketing investment and the Group's store rollout program.

Richard Morris, Chief Executive Officer of Tortilla, commented:

"During 2023 Tortilla has made important strategic progress. We have continued to open new sites in line with our long-term growth strategy, increased like-for-like sales, and implemented several initiatives to enhance profitability during H2."

"As a management team we are taking proactive actions to adapt to the changing market environment. We know that in buoyant eating out markets where the Tortilla brand is well known, we outperform. We have a strong portfolio of new sites in high quality locations as well as additional franchise growth opportunities. In addition, we intend to increase marketing investment to improve broader consumer awareness of our brand and fresh, value for money proposition whilst also taking action to optimise the profitability and long-term potential of our delivery channel."

"We remain as confident and excited as ever about Tortilla's long-term and sizable profitable growth opportunities both in the UK and internationally."

Note - all figures are subject to FY23 audit

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

ENQUIRIES

Tortilla Mexican Grill PLC

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About Tortilla Mexican Grill plc

Tortilla is the largest and most successful fast-casual Mexican restaurant group in the UK specialising in the sale of freshly made Californian-inspired Mexican cuisine. The Group has 87 sites worldwide as of 20 December 2023, comprising 69 sites in the UK operated by the Group, five sites franchised to SSP Group in the UK, five sites franchised to Compass Group UK & Ireland and eight franchised sites in the Middle East.

The Group was founded in 2007 by Brandon Stephens, originally from California who, upon his arrival in London in 2003, found it difficult to satisfy his desire for quality burritos and tacos. As a result, Brandon established Tortilla with a mission of offering customers freshly prepared, customisable, and authentic Californian-inspired Mexican food.

The brand is synonymous with an energetic, vibrant culture, and with providing a great value-for-money proposition. It embraces fast-growing sector trends (including eating out, healthy eating, provenance, ethnic cuisine, delivery) across a variety of locations, through a differentiated product offering which is popular with a broad customer base, and a clearly defined multi-channel marketing strategy. It benefits from flexible site locations and formats, and a scalable central infrastructure.