The Restaurant Group PLC

By Morgan Fourdrigniez

Consumer Discretionary; Restaurants

- **Fast Food Chains**
  - Burger Chains, Beverage Snacks, Sandwich Chains, Pizza Chains, Chicken.
- **Full Service Chains**
  - Casual Dining, Family Restaurants
- **Fine Restaurants**
  - Usually these are local, family owned or LLPs.

Full Service Chains

Full Service Ranking

TABLE 2.1.11 TOP 20 BRANDED CASUAL RESTAURANTS, MARKET SHARE BY UK STORE NUMBERS AND TURNOVER, 2013E

Branded Chains	Outlets	Outlets Mid 2013 Market Share of Total Branded Casual Market	Turnover Est 2013	
			Est. Turnover/£m	Market Share %
Pizza Hut	650*	16.7%	£468	10.9%
PizzaExpress	406	10.4%	£369	8.6%
Nando's	294	7.5%	£424	9.9%
Frankie & Benny's	225	5.8%	£273	6.4%
Harvester	210	5.4%	£296	6.9%
Prezzo	198	5.1%	£163	3.8%
Zizzi	130	3.3%	£119	2.6%
Café Rouge	130	3.3%	£110	2.8%
ASK Italian	109	2.8%	£93	2.2%
Bella Italia	89	2.3%	£72	1.7%
Wagamama	86	2.2%	£141	3.3%
Little Chef	78	2.0%	£48	1.1%
Carluccio's	77	2.0%	£115	2.7%
Chiquito	73	1.9%	£69	1.6%
Strada	68	1.7%	£66	1.5%
Gourmet Burger Kitchen	66	1.7%	£43	1.0%
YO! Sushi	66	1.7%	£62	1.5%
T.G.I. Friday's	60	1.5%	£169	3.9%
Giraffe	52	1.3%	£42	1.0%
Côte	43	1.1%	£64	1.5%
Overall Total	**3,896**		**£4,258**	

Note: *Includes take-away stores; Source: Allegra Strategies Research and Analysis, Restaurant Brand Portal, 2013

- 600% Return to shareholders since 2009.
- 2015 Annual report shows Like for like slow down in Q4 2015.
- Q1 2016 shows continued like for like sales weakness (2.7% SSS drop)
- CFO resigns in March – stock drops 65% in total from its peak.
- Director Dealings: The board starts dumping shares end of 2015.

Buy Thesis

- Trading at EV/EBITDA of 7.5, vs Industry Average of 12.
- Like for Like Sales drop of 2.7% at F&B has been addressed by management through menu revamping and introduction of technology (albeit management problems issues at restaurant level haven't).
- At a a Current EV of 660, and valuation of 840 we have over a 25% margin of safety + 4% yield on dividend.
- High PE activity in the restaurant sector could act as a catalyst.

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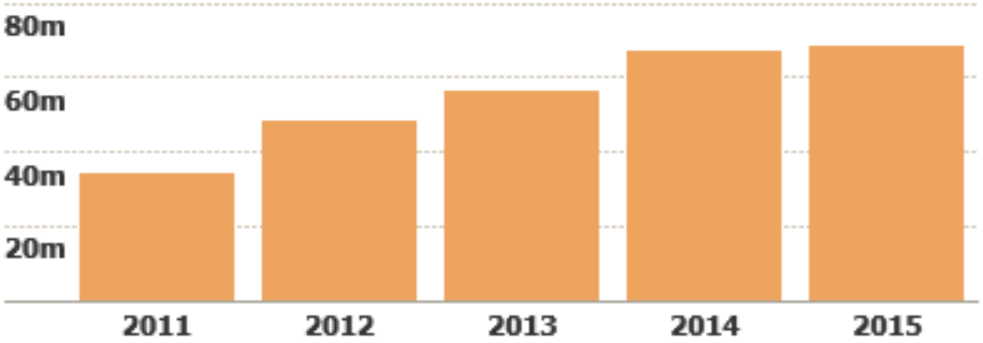
Chains	Restaurant Syle	Restaurants	News	Location
Frankie & Benny's	"New York State of Mind" American & Italian syle food (pizza, burgers, spaghetti..) Families	261	New Menu, less Items and more "Fresh. Deserts will be new, new app initiative. New managing operator	Leisure and Retail locations, stand alones and 6 airports - around the UK. (20 years)
Chiquito	Mexican & Tex Mex dishes (nachos, burritos, enchiladas..) Young adults	86	Major changes introduced into this brand years ago, results continue to appear.	Leisure and Retail locations, stand alones - around the UK. (25 years)
Coast to Coast	American Restaurant and Bar. (Burgers, steaks, bacon, seafood, beers, cocktails...) Adults, "more premium"	21	Only 4 years old, is expected to grow	
Brunning & Price	Pub Restaurant with local brews	54	Performed extremly well	
trg concessions	Catering	61 (sites)		
Joe's Kitchen	World menu, regular dishes..	3		
Garfunkel's	British Café Restaurant serving porridge in morning, fish n chips etc..	13		

Income Statement

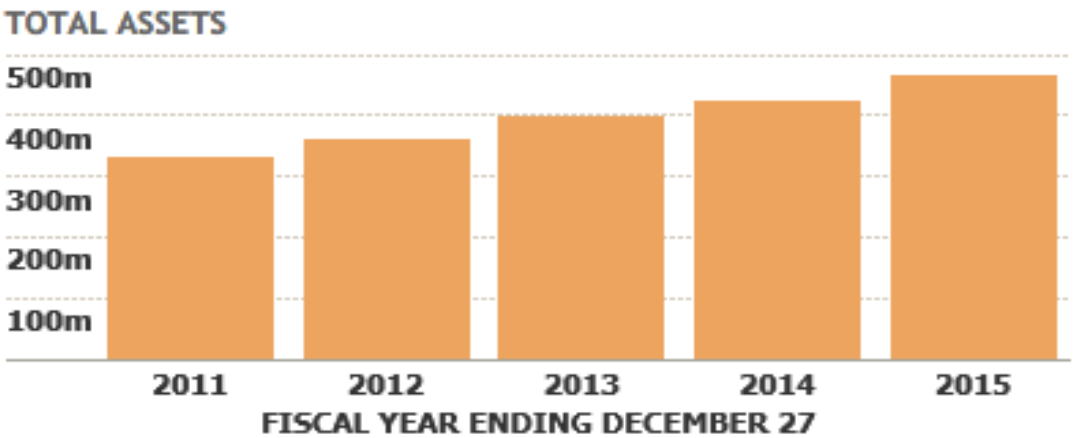
Gross margin	18.51%
Net profit margin	10.05%
Operating margin	12.97%

NET INCOME

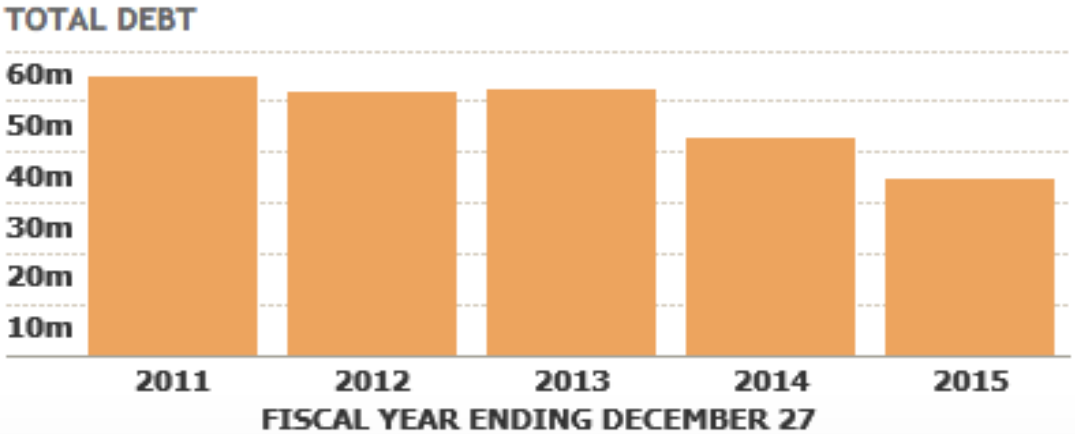


Return on assets	15.44%
Return on equity	26.09%
Return on investment	21.71%

Balance Sheet; Deleveraging



Current ratio	0.2786
Quick ratio	0.2318



Total debt/total equity	0.1223
Total debt/total capital	0.109

Management

Danny Breithaupt 3rd

CEO The Restaurant Group

London, United Kingdom | Restaurants

Current	The Restaurant Group
Previous	TRAGUS HOLDINGS LTD, Whitbread
Education	fullwood college, preston

Send Danny InMail

500+ connections

https://uk.linkedin.com/in/dannybreithaupt

Contact Info

Background

Summary

As CEO of The Restaurant Group my role is one of leadership. With an outstanding team of people working for me I am extremley proud to be leading the line in this great business. Doing my best every day and following the mantle "better never stops" is what I am all about.

GLASSDOOR; F&B

Glassdoor reviews on management are mostly terrible;

Pros

Absolutely none.

Nothing, can't think of any

Nope still nothing, let me try again

Damn still nothing.

Valuation

- Using a fairer multiple of 9x EV/EBITDA, the valuation should stand at around 800 million or 3.97 per share
- Through the use of a DCF an EV of 820 o 4.05 per share with the following parameters;
  - Drop of 5% in sales over the next three years
  - Drop in EBIT Margin over the next three years (from 13% to 12%)
  - Higher maintenance cap ex of 35 million
  - FCF fall of 2% in perpetuity
  - Discount rate of 8%
- 20% stock appreciation potential + 4% yield Dividend while you wait

Risks

- Drop in Consumer's Disposable Income
- Change in Consumer Tastes
- Increase in the Minimum Wage
- Continued Increase in Rent