

# Restaurant Group PLC

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## RBC initiates Restaurant Group at 'outperform' as Wagamama acquisition "materially improves" growth profile

RBC has initiated coverage of Restaurant Group PLC (LON:RTN) with an 'outperform' rating and 200p target price, saying the group's acquisition of Wagamama "materially improves" its growth profile.

In a note, analysts at the Canadian bank said over 80% of the FTSE 250 chain's underlying earnings (EBITDA) was exposed to "growth segments of Wagamama, pubs & concessions".

**READ:** Restaurant Group shares slide as sales dip in 2018

"Previously, investors would have paid 14x [price earnings ratio] for a business where 50% of the EBITDA was exposed to the challenged leisure operations given 57% of these sites are retail based. However, post acquisition, the stock trades at 9.6x 2020e P/E with significantly enhanced growth prospects and a 4% yield."

The bank added that the acquisition had reduced RTN's struggling leisure business to less than 20% of its EBITDA while also demonstrating Wagamama's "high like for like sales growth with its leading market position in Asian food".

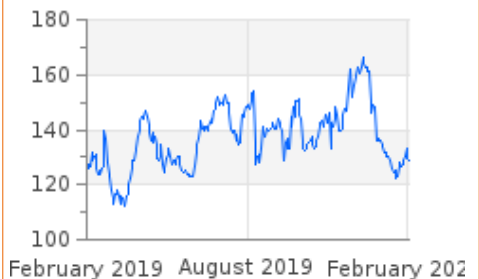
Analysts also said that they expected "synergies and expertise in delivery" to generate £22mln of incremental EBITDA by 2021.

In late-morning, Restaurant Group shares were flat around 151.5p.

**Price:** 128.5

**Market Cap:** £631.57 m

### 1 Year Share Price Graph



### Share Information

**Code:** RTN

**Listing:** LSE

**52 week High Low**  
167.7 110.1

**Sector:** Food & drink

**Website:** [www.trgplc.com](http://www.trgplc.com)

### Company Synopsis:

The Restaurant Group Plc (TRG) is a significant player in the UK casual dining market, operating over 500 restaurants and pubs which include Frankie and Benny's, Chiquito, Coast to Coast, Garfunkel's, Firejacks, Brunning & Price and Joe's Kitchen. We also operate a concession business which trades over 60 outlets across more than 30 brands, primarily in UK airports.

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