

27 September 2023

Tasty plc

("Tasty", the "Group" or the "Company")

Unaudited Interim Results for the 26 weeks ended 25 June 2023

Tasty (AIM: TAST), the owner and operator of restaurants in the casual dining sector, announces its interim results for the 26 week period ended 25 June 2023.

Key Points:

- Revenue of £21.7m (H1 2022: £21.5m); increase of 0.9%
- Adjusted EBITDA¹ of £1.1m (H1 2022: £2.7m)
- Impairment charge of £4.0m (H1 2022: £1.6m)
- Loss after tax for the period of £6.2m (H1 2022: loss £2.7m)
- Cash balance of £2.8m (H1 2022: £8.0m)
- 52 of 54 restaurants traded through the period
- Like-for-like sales compared with 2022 up 1.4%
- Staff retention improving despite challenges
- Cost of living crisis and interest rate increases expected to further impact revenue in H2 2023
- Inflationary pressure on labour, food and utilities continues to adversely affect profitability

¹ Adjusted for depreciation, amortisation and share based payments.

Chairman's statement

Introduction

2023 traded ahead of 2022 for the corresponding period with like-for-like sales up 1.4% against the first half of 2022. The first quarter performed strongly, with like-for-like sales up 3.1% against the previous year which was impacted by Omicron, which unfortunately was not matched by the second quarter which disappointed with like for like sales down 0.3%. However, summer trading exceeded the Board's expectations.

Nonetheless, the casual dining market continues to face inflationary pressures on food, labour and utility costs. The cost-of-living crisis and interest rates are at their worst for many years, directly reducing the discretionary spend of our customers. We continue to navigate through challenging times and although this is expected to continue through H2 2023 we are continuing to adapt the business to mitigate the cost increases and reduced trading performance.

We have focused on optimising the current estate by selling or surrendering leases in the tail of the estate and seeking to turn around the underperforming sites. One under-performing restaurant was returned to the landlord after the period end in August 2023.

The Board was pleased to welcome Gordon Browne as Finance Director (currently a non-Board appointment) in May 2023. Gordon formerly held senior finance roles at Oakman Group plc, Chopstix Group and Park Chinois.

People

Labour costs have continued to increase; however, staff shortages have been alleviated to a certain extent as the hospitality sector has shrunk and our recruitment, training and people engagement has significantly improved. As a result, staff retention and labour shortages are not as challenging as previously experienced. However, with a competitive labour market, we continue to motivate and develop our teams and ensure that we are competitive through regular training, progression and pay reviews.

Inflationary costs

Despite food inflation continuing to rise we have improved our food margin by 1.5% compared to H2 2022 by constantly refreshing our offer and menu choice, whilst still delivering good value through close analysis of market trends and competitive pricing including, a set price two and three course lunch offer.

Environmental, social and governance

The wellbeing and safety of our employees and customers is at the centre of everything we do. We have also retained our focus on sustainability and the environmental impact of the business, and we remain an equal opportunity employer.

Results

Revenue increased by 0.9% to £21.7m (H1 2022: £21.5m). Q1 performed ahead of the Board's expectations, however, the second quarter slowed and was flat against 2022. Delivery sales continue to decline as expected, in line with the market as customer habits swing back to dine-in

customer market swing back to dine in.

The adjusted EBITDA for the period was £1.1m (H1 2022: £2.7m).

The main reasons for the reduction in EBITDA are due to Covid related support falling away in terms of VAT reductions, rent and rate concessions as well as utility price increases.

Operating loss before highlighted items was £1.0m (H1 2022: profit £0.4m).

We have reviewed the impairment provision across the right-of-use-assets and fixed assets and have made a net provision of £4.0m allowing for a number of poorly performing sites (H1 2022: £1.6m).

After taking into account of all non-trade adjustments, the Group reports a loss after tax for the period of £6.2m (H1 2022: loss £2.7m).

Cash flows and financing

Cash outflow from operations was £1.5m (H1 2022: inflow £0.9m). Our bank loan of £1.25m was fully repaid in H1 2022 and the Company remains debt free.

Overall, the net cash outflow for the period was £4.2m (H1 2022: outflow £3m). As at 25 June 2023, the Group had net cash of £2.8m (H1 2022: net cash of £8.0m).

Going concern

The Directors have a reasonable expectation that the Group has sufficient resources to continue in existence for the foreseeable future. In reaching this conclusion the Directors have considered the financial position of the Group, together with its forecasts for the coming 12 months and taking into account possible changes in its trading performance. The going concern basis of accounting has, therefore, been adopted in preparing this interim financial report.

Outlook

In these uncertain times we continue to remain cautious in our approach. Retention of staff and cost control is a key priority, and the Board remains cautiously confident of managing current challenges.

Finally, and most importantly, we would like to thank all our people, shareholders, suppliers and other stakeholders for their continued support throughout these difficult times.

Change of Name of Nominated Adviser and Broker

The Company also announces that its nominated adviser and broker has changed its name to Cavendish Securities plc (formerly Cenkos Securities plc) following completion of its own corporate merger.

K Lassman
Chairman
Tasty plc

26 September 2023

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Certain of the information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation (596/2014). Upon publication of this announcement via a regulatory information service, this information is considered to be in the public domain.

Consolidated statement of comprehensive income for the 26 weeks ended 25 June 2023 (unaudited)

	26 weeks to 25 June 2023 £'000	26 weeks to 26 June 2022 £'000	52 weeks Ended 25 December 2022 £'000
Revenue	21,724	21,522	44,027
Cost of sales	(21,843)	(20,375)	(44,123)
Gross (loss)/profit	(119)	1,147	(96)
Other income	159	213	414
Total operating expenses	(5,184)	(2,778)	(4,370)

Operating (loss)/profit before highlighted items	(1,018)	445	(1,687)
Highlighted items	(4,126)	(1,863)	(2,365)
Operating loss	(5,144)	(1,418)	(4,052)
Finance income	62	3	41
Finance expense	(1,157)	(1,249)	(2,421)
Loss before tax	(6,239)	(2,664)	(6,432)
Loss and total comprehensive income for period and attributable to owners of the parent	(6,239)	(2,664)	(6,432)
Loss per share attributable to the ordinary equity owners of the parent			
Basic	(4.26p)	(1.89p)	(4.40p)
Diluted	(3.82p)	(1.66p)	(4.03p)

The table below gives additional information to shareholders on key performance indicators:

	Post IFRS 16 26 weeks to 25 June 2023 £'000	Pre IFRS 16 26 weeks to 25 June 2023 £'000	Post IFRS 16 26 weeks to 26 June 2022 £'000	Pre IFRS 16 26 weeks to 26 June 2022 £'000
EBITDA before highlighted items	1,133	(1,510)	2,733	101
Depreciation of PP&E and amortisation	(875)	(908)	(958)	(980)
Depreciation of right-of-use assets (IFRS16)	(1,276)	-	(1,330)	-
Operating (loss)/profit before highlighted items	(1,018)	(2,418)	445	(879)

Analysis of highlighted items	26 weeks to 25 June 2023 £'000	26 weeks to 26 June 2022 £'000	52 weeks ended 25 December 2022 £'000
Loss on disposal of property plant and equipment	-	-	(154)
Exceptional cost - restructuring	(56)	-	(14)
Impairment of right-of-use assets	(2,584)	(1,258)	(2,153)
Impairment charge of property, plant and equipment	(1,376)	(304)	(180)
Share based payments	(12)	(31)	(58)
Pre-opening costs	-	-	(51)
(Loss)/gain on lease modifications	(98)	(270)	245
Total highlighted items	(4,126)	(1,863)	(2,365)

The above items have been highlighted to give more detail on items that are included in the Consolidated statement of comprehensive income and which when adjusted shows a profit or loss that reflects the ongoing trade of the business.

Consolidated statement of changes in equity

for the 26 weeks ended 25 June 2023 (unaudited)

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Deficit £'000	Total Equity £'000
Balance at 25 December 2022	6,061	24,254	992	(33,355)	(2,048)
Total comprehensive income for the period	-	-	-	(6,239)	(6,239)
Share based payments - credit to equity	-	-	-	12	12
Balance at 25 June 2023	6,061	24,254	992	(39,582)	(8,275)

Balance at 26 December 2021 (restated)	6,061	24,254	992	(26,981)	4,326
Total comprehensive income for the period	-	-	-	(2,664)	(2,664)
Share based payments - credit to equity	-	-	-	31	31
Balance at 26 June 2022	6,061	24,254	992	(29,614)	1,693
Balance at 26 December 2021 (restated)	6,061	24,254	992	(26,981)	4,326
Total comprehensive income for the period	-	-	-	(6,432)	(6,432)
Share based payments - credit to equity	-	-	-	58	58
Balance at 25 December 2022	6,061	24,254	992	(33,355)	(2,048)

Consolidated balance sheet

At 25 June 2023 (unaudited)

	26 weeks to 25 June 2023 £'000	26 weeks to 26 June 2022 £'000	52 weeks ended 25 December 2022 £'000
Non-current assets			
Intangible assets	32	28	25
Property, plant and equipment	15,255	17,282	17,332
Right-of-use- assets	29,184	34,639	32,875
Other non-current assets	65	65	65
Total non-current assets	44,536	52,014	50,297
Current assets			
Inventories	2,013	1,994	2,191
Trade and other receivables	2,499	2,949	1,633
Cash and cash equivalents	2,777	8,010	7,002
Total current assets	7,289	12,953	10,826
Total assets	51,825	64,967	61,123
Current liabilities			
Trade and other payables	(10,617)	(10,336)	(12,393)
Lease liabilities	(1,993)	(2,202)	(1,953)
Total current liabilities	(12,610)	(12,538)	(14,346)
Non-current liabilities			
Provisions	(342)	(335)	(339)
Lease liabilities	(47,044)	(50,273)	(48,358)
Other payables	(104)	(128)	(128)
Total non-current liabilities	(47,490)	(50,736)	(48,825)
Total liabilities	(60,100)	(63,274)	(63,171)
Total net (liabilities)/assets	(8,275)	1,693	(2,048)
Equity			
Share capital	6,061	6,061	6,061
Share premium	24,254	24,254	24,254
Merger reserve	992	992	992
Retained deficit	(39,582)	(29,614)	(33,355)
Total equity	(8,275)	1,693	(2,048)

Consolidated cash flow statement

for the 26 weeks ended 25 June 2023 (unaudited)

	26 weeks to 25 June 2023 £'000	26 weeks to 26 June 2022 £'000	52 weeks ended 25 December 2022 £'000
Operating activities			
Cash generated from operations	(1,506)	945	4,444
Net cash inflow from operating activities	(1,506)	945	4,444

Investing activities

Purchase of property, plant and equipment	(181)	(516)	(1,645)
Interest received	62	3	41
Net cash flows used in investing activities	(119)	(513)	(1,604)
Financing activities			
Bank loan repayment	-	(1,250)	(1,250)
Finance expense	(1,157)	(1,249)	(2,421)
Principal paid on lease liabilities	(1,443)	(928)	(3,172)
Net cash flows used in financing activities	(2,600)	(3,427)	(6,843)
Net increase in cash and cash equivalents	(4,225)	(2,995)	(4,003)
Cash and cash equivalents at beginning of the period	7,002	11,005	11,005
Cash and cash equivalents as at 25 June 2023	2,777	8,010	7,002

Notes to the condensed financial statements for the 26 weeks ended 25 June 2023 (unaudited)

1 General information

Tasty plc is a public limited company incorporated in the United Kingdom under the Companies Act (registration number 05826464). The Company is domiciled in the United Kingdom and its registered address is 32 Charlotte Street, London, W1T 2NQ. The Company's ordinary shares are traded on the AIM Market of the London Stock Exchange ("AIM"). Copies of this Interim Report and the Annual Report and Financial Statements may be obtained from the above address or on the investor relations section of the Company's website at www.dimt.co.uk.

2 Basis of accounting

The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the United Kingdom and accounting policies consistent with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the United Kingdom. The same accounting policies, presentation and methods of computation have been followed in the preparation of these results as were applied in the Company's latest annual audited financial statements.

The financial information for the 26 weeks ended 25 June 2023 has not been subject to an audit nor a review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Financial Reporting Council.

The financial information for the period ended 25 December 2022 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2022 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2022 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The condensed financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000).

Except when otherwise indicated, the consolidated accounts incorporate the financial statements of Tasty plc and its subsidiary, Took Us A Long Time Limited, made up to the relevant period end.

Use of judgements and estimates

In preparing these interim financial statements management has made judgements and estimates that affect the application of accounting policies and measurement of assets and liabilities, income and expense provisions. Actual results may differ from these estimates.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the Directors have considered the financial position of the Group, together with its forecasts for the next 12 months from the date of approval of these interim accounts and taking into account possible changes in trading performance. The Group monitors cash balances and the impact of inflation closely to ensure there is sufficient liquidity. Accordingly, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

IFRS 16 'Leases'

Group's accounting policies for leases are as follows:

Lessee accounting

IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset in exchange for consideration.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets, and
- Leases with a duration of 12 months or less.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

Lessor accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

Based on an analysis of the Group's operating leases as at 25 June 2023 on the basis of the facts and circumstances that exist at that date, the Directors of the Group have assessed that the impact of this change has not had any impact on the amounts recognised in the Group's consolidated financial statements.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises these payments as an expense on a straight-line basis over the lease term. Currently the Group has no low value assets or short-term leases.

Covid-19 related rent concessions

IFRS 16 defines a lease modification as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. The Group has considered the Covid-19 related rent concessions and applied the lease modifications accounting.

Impairments

All assets (ROU and fixed assets) are reviewed for impairment in accordance with IAS 36 Impairment of Assets, when there are indications that the carrying value may not be recoverable.

Assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset or a cash generating unit (CGU) exceeds its recoverable amount, i.e. the higher of value in use and fair value less costs to dispose of the asset, the asset is written down accordingly.

The Group views each restaurant as a separate CGU. Value in use is calculated using cash flows excluding outflows from financing costs over the remaining life of the lease for the CGU discounted at 9% (2022: 8%), being the rate considered to reflect the risks associated with the CGUs. A growth rate of 1.0% has been applied (2022: 2%).

An impairment review was undertaken across the ROU assets and fixed assets which resulted in a net impairment charge of £4.0m (2022: £1.6m). Where an impairment reversal is recognised, the carrying amount of the asset will be increased to its recoverable amount with the increase being recognised in the income statement. This increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The assumptions will be reviewed at year-end to ensure that the cashflow expectations are in line with the latest outlook.

3 Revenue, other income and segmental analysis

The Group's activities, comprehensive income, assets and liabilities are wholly attributable to one operating segment (operating restaurants) and arises solely in the one geographical segment (United Kingdom) that the Group is located and operates in. All the Group's revenue is recognised at a point in time being when control of the goods has transferred to the customer.

An analysis of the Group's total revenue is as follows:

	26 weeks to 25 June 2023 £'000	26 weeks to 26 June 2022 £'000	52 weeks ended 25 December 2022 £'000
Sale of goods and services: dine-in	19,401	18,862	39,004
Sale of goods and services: delivery and takeaway	2,323	2,660	5,023
	21,724	21,522	44,027

An analysis of the Group's other income is as follows:

	26 weeks to 25 June 2023 £'000	26 weeks to 26 June 2022 £'000	52 weeks ended 25 December 2022 £'000
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Sub-let site rental income	132	181	362
Other	27	32	52
	159	213	414

4 Income tax

The income tax charge has been calculated by reference to the estimated effective corporation tax and deferred tax rates of 19% (2022: 19%).

Tax charge £nil (2022: £nil).

5 Earnings per share

	26 weeks to 25 June 2023 Pence	26 weeks to 26 June 2022 Pence	52 weeks ended 25 December 2022 Pence
Basic loss per ordinary share	(4.26p)	(1.89p)	(4.40p)
Diluted loss per ordinary share	(3.82p)	(1.66p)	(4.03p)
	25 June 2023 Number '000	26 June 2022 Number '000	25 December 2022 Number '000
Loss per share has been calculated using the numbers shown below:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	146,315	141,090	146,315
Adjustments for calculation of diluted earnings per share:			
Ordinary B shares	10,451	15,677	10,451
Options	6,400	3,265	2,975
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	163,166	160,032	159,741
	25 June 2023 £'000	26 June 2022 £'000	25 December 2022 £'000
Loss for the financial period	(6,239)	(2,664)	(6,432)

The basic and diluted Loss per share figures are calculated by dividing the net loss for the period attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The diluted earnings per share figure allows for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Options are only taken into account when their effect is to reduce basic earnings per share.

6 Reconciliation of result before tax to net cash generated from operating activities

	26 weeks to 25 June 2023 £'000	26 weeks to 26 June 2022 £'000	52 weeks ended 25 December 2022 £'000
Loss before tax	(6,239)	(2,664)	(6,432)
Finance income	(62)	(3)	(41)
Finance expense	-	30	30
Finance expense (IFRS 16)	1,157	1,219	2,391
Share based payment charge	12	31	58
Depreciation of right-of-use assets (IFRS 16)	1,276	1,330	2,641
Depreciation of property, plant and equipment	874	956	1,664
Amortisation of intangible assets	2	2	3

Impairment charge of property, plant and equipment	1,376	304	542
Impairment of Right-of-use assets	2,584	1,258	1,791
Profit from sale of property, plant and equipment	-	-	154
Dilapidations provision charge	3	38	42
Other non cash	-	-	(21)
Decrease/(Increase) in inventories	177	108	(88)
(Increase) in trade and other receivables	(866)	(1,553)	(238)
Increase/(decrease) in trade and other payables	(1,800)	(111)	1,948
Net cash (outflow)/inflow from operating activities	(1,506)	945	4,444

7 Property, plant and equipment and right-of-use assets

	Leasehold improvements	Furniture fixtures and computer equipment	Total fixed assets	ROU assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 26 December 2021	37,321	10,291	47,612	53,567	101,179
Additions	709	936	1,645	-	1,645
Lease modification	-	-	-	1,301	1,301
Disposals	(181)	(334)	(515)	(50)	(565)
At 25 December 2022	37,849	10,893	48,742	54,818	103,560
Additions	46	127	173	-	173
Lease modification	-	-	-	169	169
At 25 June 2023	37,895	11,020	48,915	54,987	103,902
Depreciation					
At 26 December 2021 (as restated)	22,057	7,529	29,586	17,562	47,148
Provided for the period	981	683	1,664	2,641	4,305
Impairments	232	(52)	180	2,153	2,333
Disposals	(75)	(307)	(382)	(51)	(433)
At 25 December 2022 (as previously stated)	23,195	7,853	31,048	22,305	53,353
Impairment reclassification	267	95	362	(362)	-
At 25 December 2022 (as restated)	23,462	7,948	31,410	21,943	53,353
Provided for the period	507	367	874	1,276	2,150
Impairments	1,187	189	1,376	2,584	3,960
At 25 June 2023	25,156	8,504	33,660	25,803	59,463
Net book value					
At 25 June 2023	12,739	2,516	15,255	29,184	44,439
At 25 December 2022 (as restated)	14,387	2,945	17,332	32,875	50,207

8 Leases

	26 weeks to 25 June 2023 £'000	26 weeks to 26 June 2022 £'000	52 weeks ended 25 December 2022 £'000
Current			
Lease liabilities	1,993	2,202	1,953
Non-current			
Lease liabilities	47,044	50,273	48,358
Total	49.037	52.475	50.311

	2023	2022	2021
Due within one year	1,993	2,202	1,953
Due two to five years	9,586	12,792	11,386
Due over five years	37,458	37,481	36,972
Total	49,037	52,475	50,311

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate of 4.5% and the Bank of England (BoE) base rate at the time of any lease modification or a new lease. The average rate used for modification in 2023 was 8.0% (2022: 5.1%).

The lease liabilities as at 25 June 2023 were £49.0m (2022: £52.5m).

The right-of-use assets all relate to property leases. The right-of-use assets as at 25 June 2023 were £29.2m (2022: £34.6m). During the period ended 25 June 2023 the Group made a provision for impairment of the right-of-use assets against a number of sites totalling £2.6m (2022: £1.3m).

Included in profit and loss for the period is £1.2m depreciation of right-of-use assets and £1.2m financial expenses on lease liabilities.

9 Reconciliation of financing activity

	Lease liabilities	Lease liabilities	Bank Loan	Bank Loan	Total
	Due within 1 year	Due after 1 year	Due within 1 year	Due after 1 year	
	£'000	£'000	£'000	£'000	£'000
Net debt as at 27 December 2020	2,904	52,219	-	-	55,123
Cashflow	(3,064)	-	313	937	(1,814)
Addition/(decrease) to lease liability	2,184	(2,062)	-	-	122
Net debt as at 26 December 2021	2,024	50,157	313	937	53,431
Cashflow	(3,172)	-	(313)	(937)	(4,422)
Addition/(decrease) to lease liability	3,101	(1,799)	-	-	1,302
Net debt as at 25 December 2022	1,953	48,358	-	-	50,311
Cashflow	(1,443)	-	-	-	(1,443)
Addition/(decrease) to lease liability	1,483	(1,314)	-	-	169
Net debt as at 25 June 2023	1,993	47,044	-	-	49,037

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