9 April 2024

Tasty plc

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

Trading Update, Proposed Restructuring Plan and Loan Agreement

Tasty (AIM: TAST), the owner and operator of restaurants in the casual dining sector, announces the following update on trading and a loan agreement and restructuring plan.

Key Points

- Subject to audit, the Group expects to report FY 2023 revenue of approximately £46.9m (FY 2022: £44.0m) and an EBITDA loss of approximately £0.9m (FY 2022: loss of £2.7m).
- Reasonable progress since the year end despite difficult recent trading conditions - management continue to navigate through challenging times to mitigate cost rises and lower trading performance.
- Cost of living crisis and interest rate rises continued to significantly impact FY23 revenue and inflationary pressure on labour, food and utilities continue to adversely affect profitability.
- Group financial performance continues to be inhibited by a tail of underperforming sites, despite efforts at improving operational performance.
- The use of a Restructuring Plan is considered the most effective means to reorganise the Group to return it to profitability and secure its long-term future which should change the financial viability, profitability profile and long-term prospects of the Group.
- Loan Agreement (“Loan Agreement”) for a loan of up to £750,000 to the Company (the “Loan”) to fund the implementation of the Restructuring Plan and provide additional working capital, to stabilise the Company in FY 2024 and to meet new opportunities in the sector in FY 2025 beyond existing operations.
- The proposed Restructuring Plan, if sanctioned, should enable significant EBITDA improvement of £2.1m between FY 2023 to FY 2025 through site rationalisations and other tangible cost savings.
- Discussions with stakeholders likely to be affected by the potential Restructuring Plan will commence in the coming days.

FY 2023 Final Results and Trading Update

For the 53 week period ended 31 December 2023 (“FY 2023”), subject to audit, the Company expects to report revenue of approximately £46.9m (unaudited) (FY 2022: £44.0m (audited)), gross profit of approximately £34.1m (unaudited) (FY 2022: £31.4m (audited)) and an EBITDA loss of approximately £0.9m (unaudited) (FY 2022: loss of £2.7m (audited)). Cash at bank as at 31 December 2023 was £4.2m (unaudited) (FY 2022: £7.0m (audited).

The Group’s audit is progressing well, and subject to the sanctioning of the Restructuring Plan detailed below, the Company expects to announce FY 2023 results and publish its FY 2023 annual report and accounts in June 2024.

The Group has made reasonable progress since the year end and despite difficult recent trading conditions, management continue to navigate through challenging times to mitigate cost rises and lower trading performance. As previously reported, the cost-of-living crisis, transportation strikes, and interest

rate rises continued to significantly impact FY23 revenue and inflationary pressure on labour, food and utilities continue to adversely affect profitability. The Group's financial performance has been inhibited by a tail of underperforming sites, despite efforts at improving operational performance. H2 2023 like-for-like revenue was +6.6% compared to +1.4% in H1 2023. However, trading has been challenging in FY 2024 and current like-for-like revenue is –2.1%.

The Group has driven operational efficiencies by menu engineering, reducing staffing levels, amending opening hours and temporary closures during quieter periods. The Group has reduced overhead costs and cash outflows throughout the business, including significant redundancies during the pandemic, in addition to also reducing capital expenditure.

Restructuring Plan

Following a period of external challenges which have impacted the Company's business and trading performance, the Board has explored strategic and restructuring options available to it. The Board has concluded that it is in the best interests of the Group to propose a restructuring plan (via a newly formed Deed Poll company) alongside a number of additional measures to be implemented across the Group, to restructure the Group to return it to profitability and secure its long-term future, in order to deliver the best outcome for stakeholders ("Restructuring Plan" or "RP").

In order to fund the potential Restructuring Plan and provide additional working capital for the Group, the Board has concluded, having undertaken a detailed review of the Group's financial forecasts and expected trading performance, to proceed with the Loan. Without the additional funding provided pursuant to the Loan Agreement and without the restructuring and cost savings delivered through the proposed Restructuring Plan (including exiting lossmaking sites), the Board anticipates that the Group would need to raise additional funding by September 2024 which is expected to be very difficult to achieve given the anticipated lossmaking performance under the Group's current structure.

The Group has agreed a Time to Pay arrangement with HMRC in relation to PAYE and VAT arrears of £2.1m which are expected to be paid in full by April 2025. HMRC is excluded from the Restructuring Plan and continues to be paid in the normal course of business.

The Restructuring Plan, if implemented, will affect the Group, which holds 54 sites comprised of 43 Wildwood, 6 dim-t branded sites, 2 non trading sites and 3 sub-let sites. The current expectation is that the implementation of the Restructuring Plan[1] would enable the Company to (i) exit the leases of certain loss making sites (currently anticipated to be 20 loss making sites, of which 2 are currently closed) and (ii) compromise the claims of a number of non-critical unsecured trade creditors.

The Board expects the RP to enable a significant EBITDA improvement of up to £2.1m between FY 2023 to FY 2025 through site rationalisations and other tangible cost savings, including head office savings of £0.6m per annum and expected lease savings from exited sites in FY 2024 of £2.1m. The Loan and RP are expected to stabilise the Company in FY 2024 and ensure transformation to meet new opportunities in the sector in FY 2025 beyond existing operations, including exploring new audiences, new concepts and potential partnerships. Following completion of the Loan Agreement and RP, the Board expects the Group to be operating 30 profitable restaurants with FY 2024 EBITDA expected to be £0.3m. Revenue of approximately £33.4m and cash generation of approximately £1.3m is expected in FY 2025, with the loss in FY 2023 of £0.9m expecting to improve to a £1.2m profit in FY 2025.

[1] The current proposal of the Restructuring Plan is indicative only, based on management expectations and subject to change

At the first Court hearing (the "Convening Hearing") (expected to be late April 2024), the Court will consider:

- The eligibility of the Company;
- the proposed creditor classes;
- whether there are any creditors who should be excluded from voting; and
- jurisdiction before fixing a date for a vote by creditors on the proposals.

A Practice Statement Letter ("PSL") will be circulated to affected creditors shortly. Notices of meetings are circulated to the Plan Creditors along with an Explanatory Statement outlining the proposed Restructuring Plan in more detail and the RP document itself. Creditors can then submit their notices of claim and proxy voting forms in advance of the meetings.

Each class of creditors vote on the proposal, with the relevant threshold for approval being 75 per cent in value of creditors in each class. The results are summarised in the Chairperson's Report. There will be 5 classes of creditors.

A second hearing then takes place (the "Sanction Hearing") (expected to be early June 2024), at which the Court considers whether to sanction the Restructuring Plan. This will depend on the outcome of the voting in each class of creditor and, if necessary, whether the rules for imposing a cross class cram down are complied with (as further explained below).

If there is one or more classes of dissenting creditors (i.e. a class which does not approve the Restructuring Plan by the requisite majority), the Restructuring Plan can still be sanctioned by the Court if it is satisfied that the following criteria are met:

- Condition A: Creditors in the dissenting class(es) are no worse off than they would be in the most likely Relevant Alternative (see further below) scenario; and
- Condition B: The Restructuring Plan is approved by a number of creditors representing at least 75% in value of a class of creditors, present and voting (in person or by proxy) who would receive payment or have a genuine economic interest in the event of the Relevant Alternative.

The ability for the Court to 'cram down' dissenting creditors is a key feature of the Restructuring Plan, however, as set out above, it requires any dissenting class(es) to be no worse off than in the Relevant Alternative and the Court to be satisfied that the Restructuring Plan is fair. The "Relevant Alternative" is the scenario the Court considers would be the most likely to occur if the Restructuring Plan is not sanctioned, for example, an administration of the Company.

The Court will only sanction a Restructuring Plan that is capable of being implemented. As such, the Loan will provide the Company with sufficient capital to fund the Company's implementation of the Restructuring Plan, to provide additional working capital to the Group and to enable the Group to pursue its growth strategy.

Having invested significant time and resources, the Board unanimously believes that progressing the Loan Agreement and Restructuring Plan are in the best interests of the Company.

Loan Agreement

The Company has entered into the Loan Agreement with Will Roseff (the ''Lender''), a UK-based high net worth investor, Chartered Accountant, and Director and shareholder of bet365.

The Loan is required to be discharged by 31 December 2024, or later if agreed by the Company and the Lender, by either:

- payment, purchase, redemption or discharge in any other form agreed in writing between the Company and the Lender (including, subject to shareholder approval, conversion of the Loan into equity); or if not
- payment in cash in an amount equal to £2.6m.

Under the Loan Agreement, the Company must pay interest at a rate of (i) 15% per annum until such time as the Restructuring Plan is sanctioned; and (ii) 10% per annum following the sanctioning of the Restructuring Plan. All interest accrues daily and is payable on the date the Loan is discharged. The Company will draw down the full proceeds of the Loan which are expected to be received by the Company on 9 April 2024.

The Loan Agreement provides for certain market standard events of default including, but not limited to, non-payment, breach of representations and undertakings (subject to appropriate grace periods), cross default, insolvency, insolvency proceedings, creditors' process and material adverse effect.

The Company and its subsidiary Took Us a Long Time Limited (together the "Chargors"), have each entered into a composite guarantee and debenture with Mr Roseff (as security agent) on an all monies basis which therefore covers monies owing under the Loan Agreement and any other amounts owing to Mr Roseff by the Chargors from time to time.

The Company has entered into a side agreement in relation to the Loan Agreement (the "Side Agreement") relating to a potential variation to the Loan Agreement to enable conversion of the principal amount of the Loan (not any accrued interest) to ordinary shares of £0.001 each in the capital of the Company (the "Conversion Shares") at a conversion price of £0.0146 per Conversion Share, subject to and conditional on shareholder approval and any other approvals or consents as required by law, regulation or any regulatory body in order to effect such variation being obtained (the "Conversion").

The maximum number of Conversion Shares capable of being issued on Conversion of the Loan is 51,369,863. The Conversion Shares would represent approximately 25.99 per cent. of the enlarged share capital (assuming full conversion of the principal amount of the Loan) and the existing Ordinary Shares would represent approximately 74.01 per cent. of the enlarged share capital (assuming full conversion of the principal amount of the Loan).

Conversion of the Loan is conditional, *inter alia*, on the granting of the necessary share allotment authorities to the Directors in accordance with the Companies Act in order for the Directors to allot the Conversion Shares and the power to disapply statutory pre-emption rights in respect of the Conversion Shares. The Company does not currently have sufficient authority to allot all of the Conversion Shares and the Conversion is subject to, and conditional on, such authority being granted at a future General Meeting.

The Company has received irrevocable undertakings to vote in favour of the necessary share allotment authority resolutions in relation to Conversion at the relevant time from Jonny Plant, Keith Lassman, Adam Kaye, Sam Kaye, Jonathan Kaye and Phillip Kaye, representing approximately 35 per cent of the current issued share capital of the Company.

Further announcements will be made, as appropriate, in due course.

This Announcement is released by Tasty plc and contains inside information for the purposes of Article 7 of MAR, and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

For the purposes of MAR, Article 2 of Commission Implementing Regulation (EU) 2016/1055 and the UK version of such implementing regulation (as amended), the person responsible for arranging for the release of this Announcement on behalf of the Company is Jonny Plant, Chief Executive Officer.

Enquiries:

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