Electra Private Equity PLC
2021 Half Year Report – Supplementary Information

21 May 2021

Important notice

This document has been prepared by Electra Private Equity PLC (the "Company"). The information and opinions contained in this document and any other material discussed verbally in connection with it are provided as at the date of this document and no person undertakes to update or correct them. The information includes forward-looking statements and statements of opinion which are based on the Company's current expectations and projections about future events, but are subject to various risks and assumptions, and actual events or circumstances may differ materially from those indicated in these statements; none of these statements should be taken as forecasts or promises. No representation or warranty, express or implied, is made or given by or on behalf of the Company or any other person as to the accuracy, completeness, fairness or correctness of the information or opinions contained in this document or any other material discussed verbally; no reliance should be placed on such information and no responsibility or liability is accepted for it.

This document does not constitute, or form part of, any offer to sell or issue, or invitation to sell, purchase or subscribe for, or any solicitation of any offer to sell, purchase or subscribe for, any securities of the Company or of any other entity. Neither this document nor any part of it should be relied on in connection with any contract or investment decision, nor does it constitute a recommendation regarding the securities of the Company or any other investment advice. Shareholders and prospective investors should make their own independent evaluation of any investment in the Company.

The securities of the Company have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state in the United States and may not be offered or sold in the United States, except in reliance on an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

By attending the presentation or meeting to which this document relates or by being in possession of this document you accept and agree to comply with the contents of this notice.

Chairman's Quote

"With the recent sale of Sentinel, we enter the final stage of our strategy with confidence, having returned over £2 billion to shareholders since October 2016. The new management teams at our two remaining larger portfolio assets, Fridays and Hotter, have performed admirably through the pandemic, not just sustaining their businesses in the most difficult circumstances, but also transforming them. In light of this, and their potential for further significant longer term value creation, the Board has decided that the optimal outcome for shareholders is likely to lie in a capital market solution for both businesses. It is our intention to demerge Fridays onto the FTSE Main Market late in the third quarter of this year and, subsequently, in the fourth quarter, to bring Hotter on to AIM through reclassification of the Electra entity. Plans are well advanced for both listings."

Composition of Net Asset Value

As at	31 March 2021		30 September 2020	
	£m	p/share	£m	p/share
Fridays	146.2	381.9	106.6	278.5
Sentinel	22.2	58.0	10.9	28.5
Hotter	19.2	50.2	5.8	15.2
SPC	1.1	2.9	1.0	2.6
Other	4.0	10.5	4.3	11.2
Cash and cash equivalents	4.5	11.9	6.9	18.0
Other net liabilities	(0.4)	(0.1)	(0.2)	(0.5)
Total NAV	**196.9**	**514.3**	**135.3**	**353.4**

Key Investments

		Impact on valuations from movements in				
	Sep-20	**EBITDA**	**Market Multiples**	**Discount**	**Net Debt**	**Mar-21**
£m						
TGI Fridays	106.6	(1.7)	63.2	-	(21.9)	146.2
Hotter	5.8	20.8	5.0	(17.4)	5.0	19.2
	112.4	**19.1**	**68.2**	**(17.4)**	**(16.9)**	**165.4**

ELECTRA

TGI Fridays ("Fridays")

Fridays is emerging from lockdown a much stronger and more rounded business.

The challenges facing the casual dining sector over the last year have been on a scale never before contemplated. Many good businesses will not reopen after lockdown and a significant number of skilled workers have left the industry due to lack of job security. Whilst estimates vary over the percentage of Fridays' competitors that will not re-open, we consider the initial number is likely to be in the scale of 21%*. The utilisation of empty space over time remains to be seen, however the expectation is that other restaurants will fill some of it. Fridays is well positioned to capitalise on this opportunity, having built a pipeline of new store opportunities from those sites that best match our business, both for Fridays and for "63rd + 1st''. These new sites come with fit-out and occupation costs significantly below pre-pandemic levels.

Over the last year Robert Cook and his newly assembled management team have worked tirelessly to operate economically at every opportunity, generating cash and serving new and existing customers. They have significantly improved the quality and consistency of delivery of Fridays' core dine-in product whilst developing new channels, new products and new development plans – including for the new brands "63rd+1st" and "Jailbreak Chicken". With skills brought in from outside the industry, the team has also transformed the Fridays infrastructure including the utilisation of technology and data to support both customer experience and the optimisation of performance through yield management.

These activities have enabled Fridays to come through the last year without any additional external funding, and it can now face the future with confidence and a strong balance sheet. With the new platform now implemented and the enhanced skills brought in Fridays is well positioned for future growth and development, and is able to offer its team members exciting and rewarding careers.

Whilst consumer demand and necessary restrictions on trading over the coming months remain to be seen, the performance of Fridays on restricted opening in Scotland from 26 April 2021 has been extremely encouraging. Over the three weeks from reopening the eight Scottish stores have shown growth of 14% on total sales over the same period in 2019, despite not serving alcohol inside and closing at 8pm. This performance gives confidence over how the remaining stores will trade on wider dine-in reopening on 17 May 2021.

With the new stores in Lincoln and Cobham opening and a strong pipeline of new stores and new opportunities, we are confident that Fridays has the opportunity to grow significant shareholder value in both the short term and in the longer term as a public company.

*Source: Jefferies note on UK Leisure: 11 April 2021

Note: portfolio company data other than at period ends is unaudited and based on management information subjected to internal verification

Fridays Strategy

With the positive start Fridays will continue its strategic growth through delivery of its “4D” Strategy, all underpinned by its 5th D of Development through the addition of brands or markets utilising the Fridays platform to drive profitable growth:

1. Dine-in: the core offering of quality food and drinks in an American-themed environment within its developing Fridays and “63rd + 1st” estate;
2. Delivery: prepared food and drinks delivered to your home at the time of consumption;
3. Digital: expanding the reach of Fridays through the delivery of prepared but uncooked Fridays meals with accompanying drinks nationwide for at home dining and summer barbeques; and
4. Drive-in: opportunity for future growth in drive-through locations aligned to sustainable travel.

The sustainable development of the Dine-in offering continues with the opening of Fridays in Lincoln and the first “63rd + 1st” in Cobham immediately on reopening, resulting in a trading estate of 87 restaurants. A further three Fridays and four “63rd + 1st” are in the pipeline for opening over the coming months.

The development of Fridays’ Delivery and Digital channels was accelerated during Covid-19 disruption and will continue to form part of Fridays’ development strategy going forward. “Jailbreak Chicken”, a new delivery-only brand, was launched on a trial basis during lockdown and is now available in 19 towns and cities across the country. This builds on the growth of Fridays’ range of drinks and “cook at home” meals launched over the last year.

Fridays is also in early exploration of opportunities for future strategic expansion through:

- the development of quick service restaurants through a capital-light approach aligned to Drive-in sustainable transport infrastructure; and
- opportunities to Develop its existing brands in new markets or additional brands in the UK.

Each of the core activities and future opportunities mentioned will be built around the efficient and highly digitised Fridays’ infrastructure platform which has been implemented over the last year, and which allows the Fridays customer facing team to focus on providing great customer service and experiences.

Note: portfolio company data other than at period ends is unaudited and based on management information subjected to internal verification

Fridays Performance

Given the uncertainty of the post Covid-19 trading environment, this efficient platform will be a key factor in helping to drive future value creation. The table below indicates actual performance in 2019 and, on a pro forma basis, the performance we would expect on recovery to 2019 levels of demand and market share, reflecting the structural changes made to Fridays' cost base and portfolio (0% LFL growth). The table also indicates the estimated pro forma impact of a range of growth/market share gains reflecting the opportunity from competitor contraction, product improvement and the strategic developments outlined above. This pro forma table has been updated from that published in December 2020 to reflect the impact of the Brexit deal and other updated data.

	2019 Actual	Pro-forma Market demand at 2019 level			
Fridays LFL growth		**0.0%**	**5.0%**	**7.5%**	**10.0%**
Sales (£m)	**214.8**	**226.6**	**237.9**	**245.6**	**249.3**
EBITDA (£m)	**25.6**	**32.7**	**36.5**	**38.9**	**41.3**
EBITA (£m)	**15.0**	**21.9**	**25.7**	**28.1**	**30.5**

With Fridays' continued focus on the delivery of quality food, drinks and service we are excited by the opportunity for growth and value creation.

Note: portfolio company data other than at period ends is unaudited and based on management information subjected to internal verification

Hotter Shoes ("Hotter") under its New Operating Model

Coinciding with the implementation of its new operating model, in October 2020 Hotter launched its "freesole", "cushion +" and "stability +" product ranges which incorporate differentiating technology to meet customers' needs beyond the core brand promise of uncompromising comfort and fit. Hotter's product has continued to develop in 2021 with further focus on differentiating technology in the spring/summer range launched in late February.

The optimisation of its operating model improves Hotter's situation and gives it the opportunity for growth as a digital direct to consumer business serving its existing UK and US markets, supported by a small, strategic UK retail estate. This leaves it free of the significant constraints imposed previously by its large retail network and the consequential impact on product range, margin erosion across channels and working capital inefficiency.

Performance since the October operating model and product strategy launch has been highly encouraging despite the impact of Covid-19 on Hotter's remaining retail estate. In the seven months from October UK online sales have grown 30% on the prior period whilst sales from digital partnerships have grown 44%. Online sales in the UK and US contributed 68% of total sales over this period, up from 54% in the prior year on an LFL basis. The growth in online sales reflects a shift from retail sales (retained stores only) with the offline direct to consumer business unchanged at 22% of total sales.

Over the same seven-month period the impact and resilience of Hotter's new operating model is demonstrated by EBITDA being 8% ahead of the proforma for continuing operations for the year to January 2020, which (as illustrated in the table below) indicated full year proforma EBITDA of £5.4 million. This growth is[14] despite the retained retail estate and retail wholesale partners being closed for 21 out of the 30 weeks in the seven-month period. Over this period the retained retail estate had negative EBITDA of £0.3 million.

Whilst Hotter is relatively early in the demonstration of sustained growth and profitability in its new model, the resilience and performance to date give us grounds for confidence in its development as an increasingly profitable digital business serving its target demographic of over-55-year-olds in the UK, the US and beyond. The increase in its valuation as at March 2021 reflects early demonstration of the EBITDA improvement under Hotter's new operating model.

Note: portfolio company data other than at period ends is unaudited and based on management information subjected to internal verification

Hotter Performance

The table below, replicated and updated from our September 2020 annual results, shows EBITDA for the year ended January 2020 as reported, and also on a pro forma basis under the new operating model on an LFL sales basis. It also shows the pro forma impact of a range of sales growth rates through its direct channels – now contributing over 85% of sales in a “normal” period, with early growth in the seven months to April of 10%.

		Pro forma			
	Year to January 20 as reported	Year to January 20 continuing	Direct Channel Growth		
			10.0%	15.0%	20.0%
Sales (£m)	85.5	60.5	64.6	66.7	68.8
EBITDA (£m)	4.3	5.4	7.3	8.3	9.2

There remains uncertainty over the degree to which Covid-19 disruption will have an ongoing impact on Hotter’s remaining retail operations. We now estimate that a 10% reduction in retail demand from 2019 levels across a full year would reduce EBITDA contribution by approximately £0.2 million. This estimation of the impact of retail trade at reduced levels during market recovery from Covid-19 has reduced since our December full year report as a result of the demonstration of rigorous cost management within the Company.

With the significant improvements made to Hotter’s customer offering, we have confidence in the management team’s ability to drive future sales and profit growth, as a direct to consumer business.

Note: portfolio company data other than at period ends is unaudited and based on management information subjected to internal verification

Sentinel Performance Solutions ("Sentinel")

- Electra initially invested in Sentinel in 2011, but despite being the majority shareholder, did not have management control until July 2019, when we bought out a minority shareholder with retained control rights.

- We identified that the business lacked focus and had become over-complicated and quickly implemented changes.

- David Barrett, a highly experienced industry professional, was appointed CEO and under his leadership, the management team was simplified and refreshed, and significant non-productive cost was taken out of the business.

- With focus on profitable organic and new product growth combined with continued cost efficiency, EBITDA in the year to March 2020 improved by 150% to £3.0 million. Despite material disruption in each of its core UK, French and Italian markets, EBITDA in the year to March 2021 was increased further to £4.2 million.

- In April 2021, Electra led the sale of the Sentinel business to the Utrecht based global industrial products group Aalberts N.V. The net proceeds received by Electra of £22.2 million represented a return of over 13 times the £1.7 million invested in taking control for a nominal sum in 2019 and subsequently supporting the business turnaround.

Note: portfolio company data other than at period ends is unaudited and based on management information subjected to internal verification