Tortilla Mexican Grill warns over £2.3m hit from protein and energy cost hikes

R

estaurant group Tortilla Mexican Grill said it is facing a full-year hit of more than £2 million from soaring protein and energy costs.

Shares in the FTSE-listed chain tanked after it warned over a “material” impact on profits over the second half of the year from inflation cost pressures that have hit the business.

Its share price plummeted by nearly a quarter in early Monday trading.

Protein costs, which account for around a third of Tortilla’s costs on products sold, will surge by about 40%, it said.

Times remain tough across the industry at large, reflecting the extent of recent cost pressures. However, we remain confident in our ability to successfully navigate our way through these industry-wide challenges whilst continuing to deliver against our ambitious growth strategy

Read More

- FTSE 100 crashes to 14-month low as Government stands by growth plan
- Made.com shares soar after upturn in sales
- Heatwave and rail strikes disrupt trade at All Bar One owner M&B
- SPONSORED

  The out-of-this world event Marvel fans need to know about

This is likely to drive down its gross profit margin by about £1.8 million, along with a further £500,000 hit from increased utility costs.

But, in a bid to prevent customer dissatisfaction and protect its value for money proposition, the Mexican fast food chain said it will avoid significantly increasing or heavily discounting its menu prices.

Slower summer sales have also impacted the group's results, with train strikes and the heatwave leading to an estimated £250,000 in lost sales.

It posted half-year pre-tax profits of £300,000, a substantial drop from the £2.6 million it brought in a year ago.

This is despite seeing its revenue surge by 30% over the same period, rising from £21 million to £27 million after the pandemic shut down its stores for several weeks last year.

Our long-term progress will continue to be underpinned by a firm focus on consistent operational excellence, ensuring a great value proposition and the continued broad appeal of our offer. The board is highly confident in achieving the group's exciting long-term growth potential

Tortilla said it had completed its acquisition of Mexican food chain Chilango for £2.75 million, taking its total UK stores to 84. It also plans to open five new stores in the second half of the year before aiming for 12 to 15 new openings a year from 2023.

Sales in central London had almost returned to pre-pandemic levels, the chain said, in a positive sign for its Chilango takeover.

Richard Morris, Tortilla's chief executive, said: "Times remain tough across the industry at large, reflecting the extent of recent cost pressures.

“However, we remain confident in our ability to successfully navigate our way through these industry-wide challenges whilst continuing to deliver against our ambitious growth strategy.

“Our long-term progress will continue to be underpinned by a firm focus on consistent operational excellence, ensuring a great value proposition and the continued broad appeal of our offer.

“The board is highly confident in achieving the group’s exciting long-term growth potential.”