



# Results presentation

Hollywood Bowl Group plc

Half Year Results FY2023





- H1 2023 highlights
- Financial review
  - » Refurbishments
  - » New centre pipeline
- UK growth strategy
  - » Product
  - » Technology
  - » ESG
  - » Puttstars
- Canadian expansion
- Summary and outlook



# H1 FY2023 financial highlights

Total revenue

**£110.2m**

(H1 FY2022: £100.2m)

LFL average spend per game<sup>1</sup>

**£10.82**

(H1 FY2022: £10.52)

Adjusted profit after tax

**£21.9m**

(H1 FY2022: £20.4m excluding TRR of VAT benefit)

Interim ordinary dividend (per share)

**3.27 pence**

(H1 FY2022: 3.0 pence)

LFL sales growth<sup>1</sup>

**+3.5%**

(H1 FY2022: +26.8%)

Group adjusted EBITDA pre-IFRS 16<sup>2</sup>

**£35.1m**

(H1 FY2022: £34.0m)

Adjusted earnings per share

**12.80 pence**

(H1 FY2022: 11.96 pence excluding TRR of VAT benefit)

Net cash

**£44.1m**

(H1 FY2022: £49.6m)





# H1 FY2023 operational highlights

HBG

Capital invested in technology  
and the estate

**£18.9m**

(H1 FY2022: £11.1m)

New UK centres opened

**2**

Average refurbishment ROI

**55%+**

Best Big companies To Work  
For

**Top 25**



UK centres  
refurbished/rebranded

**8**

Centres acquired in Canada

**3**

LFL spend per game increase

**2.8%**

UK centres with solar installs

**38%**

UK centres using Pins on Strings

**75%**

Waste diverted from landfill to recycling

**81%**



# Exciting and significant long term growth potential

- Clear market leading position in UK competitive socialising market
- Now the largest multi-centre bowling operator in Canada
- Wide demographic appeal of bowling offer
- Remain on track to deliver an average of three new centre openings a year by the end of FY2025
- Significant runway for long term sustainable growth in both markets over next ten years



## UK centres

Targeted first year EBITDA  
per new centre - £0.5m



Existing

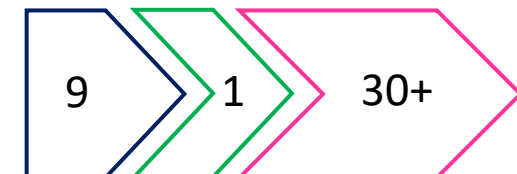
Signed pipeline

Potential



## Canadian centres

Targeted first year EBITDA per new  
centre - CAD 850k





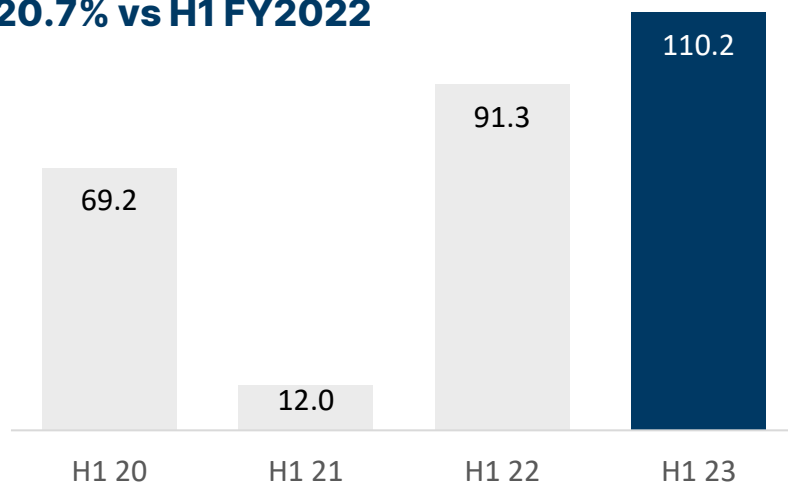


# Financial review

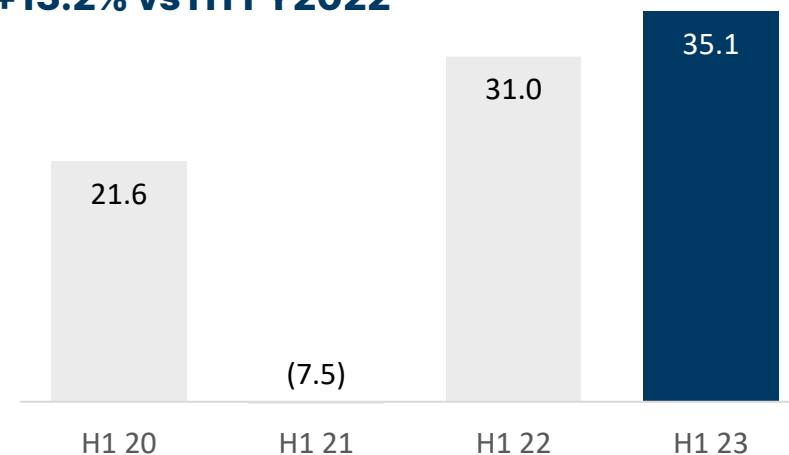


# Record revenue and earnings growth

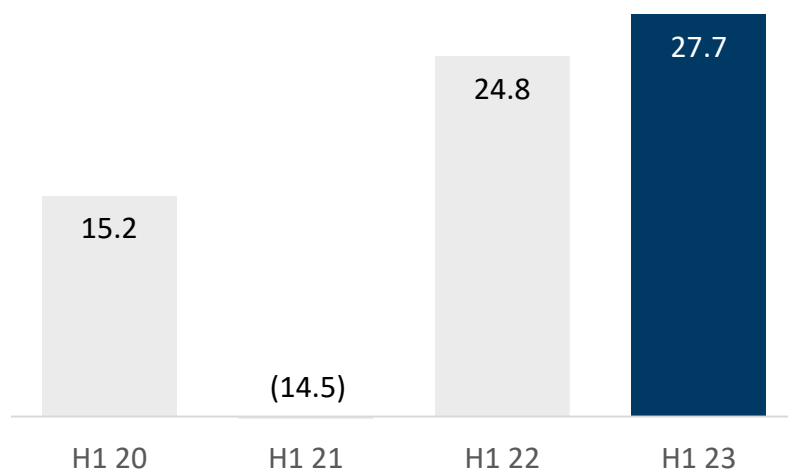
**Revenue<sup>1</sup> (£m)**  
**+20.7% vs H1 FY2022**



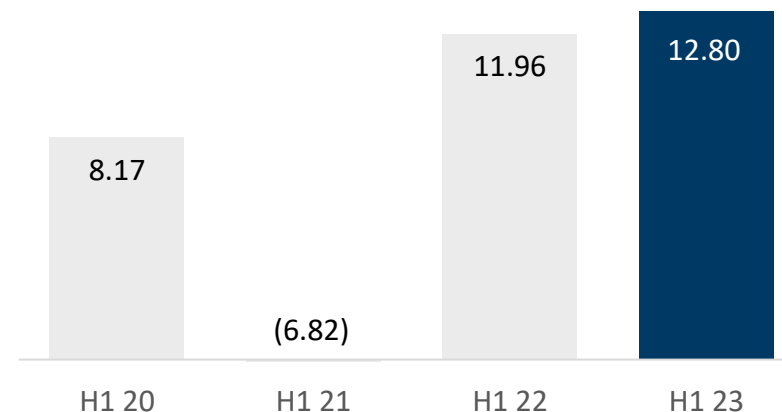
**Group Adjusted EBITDA<sup>2</sup> pre-IFRS 16 (£m)**  
**+13.2% vs H1 FY2022**



**Adjusted profit before tax<sup>3</sup> (£m)**  
**+11.7% vs H1 FY2022**



**Adjusted Earnings Per Share<sup>3</sup> (Pence)**  
**+7.0% vs H1 FY2022**



<sup>1</sup> Total revenue is calculated as statutory revenue less the £8.8m incremental revenue impact from the reduced rate (TRR) of VAT on bowling (prior periods and H1 FY2022 benefit).

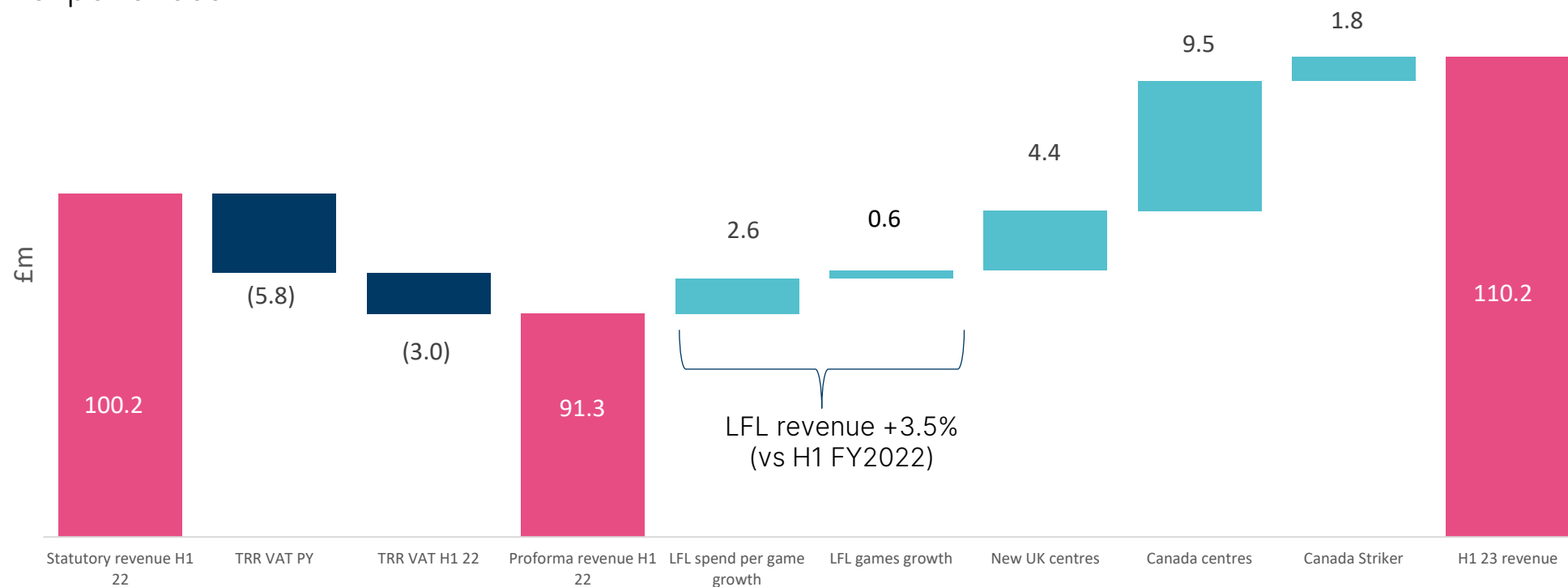
<sup>2</sup> Group adjusted EBITDA is calculated as statutory profit plus depreciation, amortisation, loss of disposal of property, ROU assets, plant and equipment and software and any exceptional costs or income, and the current year impact of TRR of VAT, and is shown on a pre-IFRS 16 basis.

<sup>3</sup> Adjusted profits are calculated as group profits, adding back the acquisition fees of £0.5m (H1 FY2022: nil), the non-cash expense of £0.7m (H1 FY2022: nil) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022 and removing the TRR of VAT benefit on bowling of £0.2m (H1 FY2022: £8.4m pre tax, £6.6m post tax).

# Record breaking H1 revenue performance



- Record H1 revenue of £110.2m up 20.7% vs proforma H1 FY2022 revenue
- LFL revenue growth of 3.5% (vs H1 FY2022) driven by growth in number of games played and spend per game
- Games LFL spend per game increase of 2.8% supported by strong customer satisfaction and pent-up demand for quality, value for money leisure experiences
- H1 FY2022 - TRR of VAT bowling benefit of £3.0m and PY £5.8m
- All ancillary revenues in LFL revenue growth
- New centre performance above expectations
- Canadian business trading ahead of expectations
- Maintained strong value for money offer





# Record EBITDA performance



(£m)	H1 FY2023	H1 FY2022 (statutory)	H1 FY2022 (excluding VAT bowling benefit)	Movement vs H1 FY2022 (excluding VAT bowling benefit)
Revenue	110.2	100.2	91.3	+20.7%
Gross profit	91.3	86.5	77.7	+17.5%
Gross profit %	82.8%	86.4%	85.1%	-230bps
Administrative expenses	44.5	34.8	34.8	+23.2%
Corporate costs	11.7	11.9	11.9	-1.7%
<b>Group adjusted EBITDA pre-IFRS 16</b>	<b>35.1</b>	<b>34.0</b>	<b>31.0</b>	<b>+13.2%</b>
<b>Group adjusted EBITDA % pre-IFRS 16</b>	<b>31.8%</b>	<b>33.9%</b>	<b>34.0%</b>	<b>-220bps</b>
Add back Property Rent	8.8	8.2	8.2	+7.3%
<b>Group adjusted EBITDA post-IFRS 16</b>	<b>43.9</b>	<b>42.2</b>	<b>39.2</b>	<b>+12.0%</b>
Exceptional items	0.9	(5.6)	-	n/a
Depreciation and interest on ROU assets	9.9	8.7	8.7	+13.8%
Depreciation and amortisation	6.5	5.5	5.5	+22.6%
Net finance expenses / (income)	(0.2)	0.1	0.1	n/a
Profit before tax	26.7	33.4	24.8	+7.7%
Adjusted profit before tax	27.7	33.4	24.8	+11.7%
Adjusted profit after tax	21.9	27.0	20.4	+7.5%
Adjusted earnings per share (pence)	12.80	15.82	11.96	+7.0%

- Total revenue up 20.7% on H1 FY2022 excluding the benefit of TRR of VAT on bowling
  - » Statutory revenue +10.0% vs H1 FY2022
- Gross profit margin 82.8% in line with management expectations
  - » UK GP margin at 83.8%
  - » Canadian GP margin at 73.6%
- Administrative expenses up 23.2% with UK up 9.9% vs H1 FY2022
  - » Business rates in UK account for 2.9%pts of increase
- Record adjusted EBITDA pre-IFRS 16 of £35.1m
  - » UK EBITDA pre-IFRS 16 £32.0m
  - » Canada EBITDA pre-IFRS 16 £3.1m
- Adjusted profit after tax of £21.9m
  - » Adjusted EPS of 12.80 pence

# Input inflation under control



## Themes

## Cost as a % to revenue

## H2 inflation pressure

## Mitigation

Labour market pressure

18 – 18.5%

7-8%

Low payroll ratio, incentive and development schemes

Food and drink inflation

8.5%

10%

Food cost represents 3.5% of revenue. Modest price rise

Utilities inflation

1.4%

Nil (hedge to end FY2024)

Close to agreeing FY2025 strategy

Property costs

16%

2-3%

Rental costs increasing as forecasted, with rates reducing

Capital goods inflation

N/A

15%

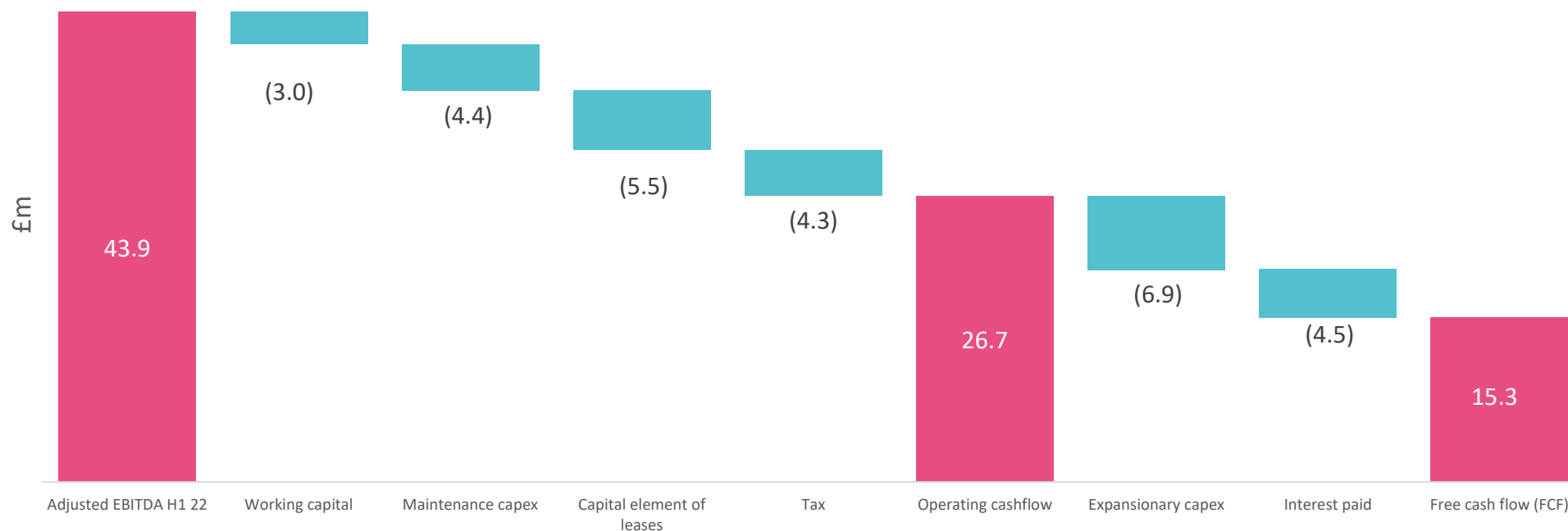
Increased capital costs continue - looking to pre-order and store



# Strong trading driving free cash flow



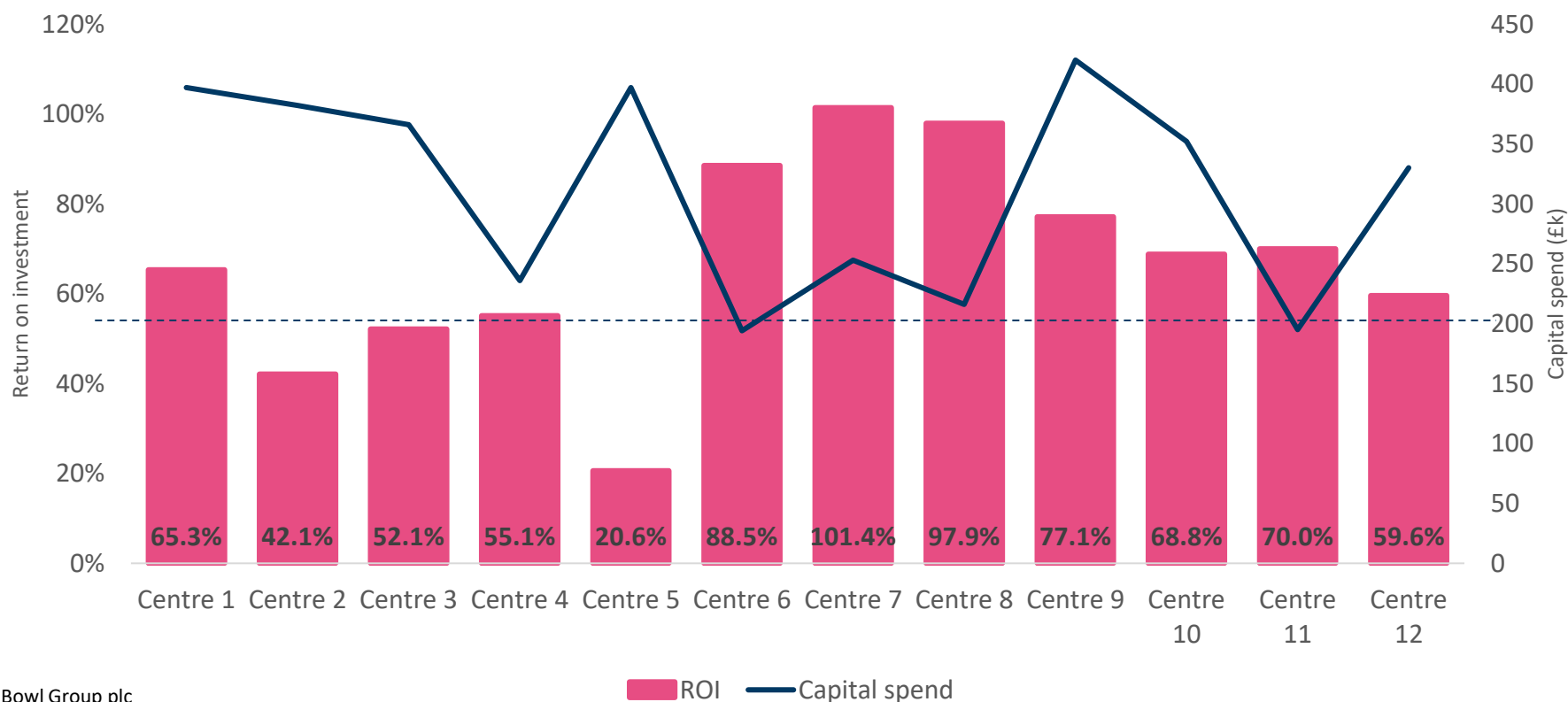
- Group adjusted operating cash flow of £26.7m
- Working capital movement due to payment of record centre management bonuses from FY2022
- Continued maintenance capital investment of £4.4m during H1
- Eight refurbishments / rebrands completed in H1 at a cost of £3.9m (55%+ ROI)
- Two new centres opened in H1, with Merry Hill on site in May 2023. Overall new centre spend of £3.8m
- Investment in solar reducing exposure to energy price increases
- Generated free cash flow of £15.3m in H1
- Final ordinary and special dividend payments of £19.7m
- Acquisition of three new centres in Calgary £7.3m
- Cash balance of £44.1m as at 31 March 2023
- Interim dividend of 3.27 pence per share for H1 FY2023



# Attractive returns from refurbishments



- SPG performance +6.4%
- Lineage +5.9%
- Space optimisation growing amusement spend
- Average payback over 55% for last 12 refurbishments
- NPS scores increase by over 5%pts post refurbishment
- AMF centres now all rebranded to Hollywood Bowl
- Design elements evolve in each new investment - no cookie cutter approach
- 2<sup>nd</sup> and 3<sup>rd</sup> generation refurbishments also payback
- At least four UK refurbishments will be completed in H2

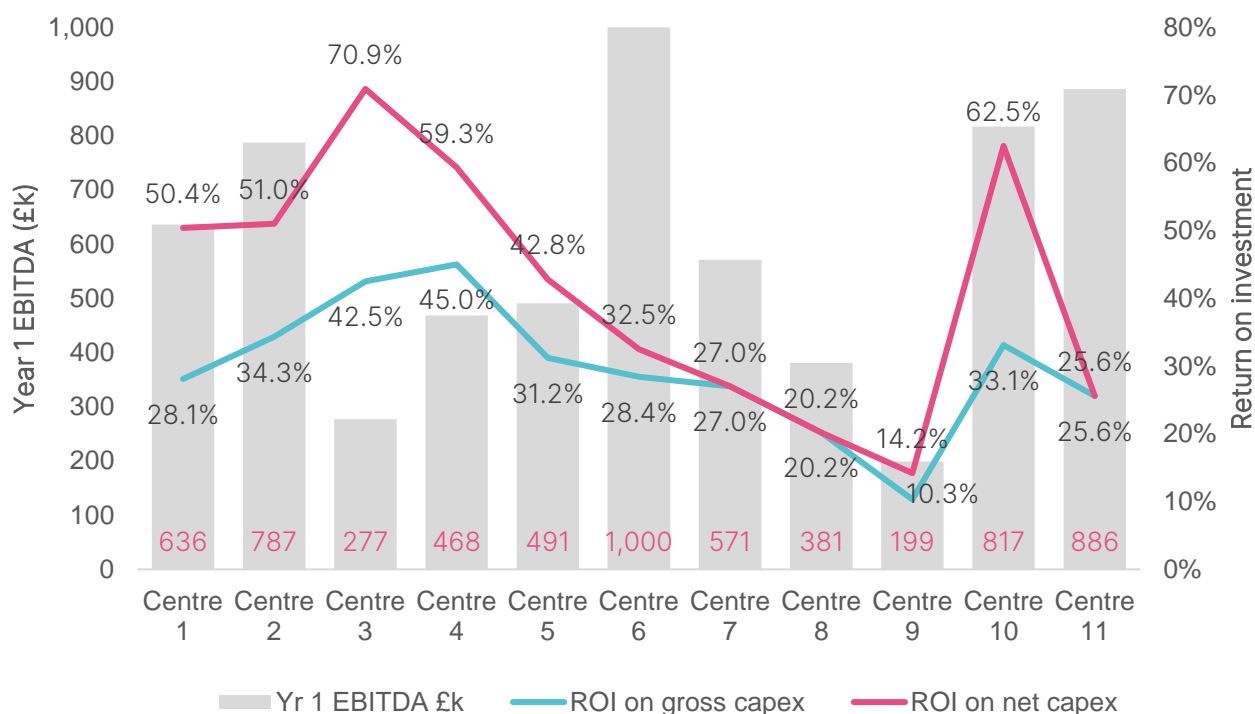




# Strong new centre UK pipeline to FY2025

## Strong performance from new centres

- Continued focus on quality locations to drive long term sustainable EBITDA
- Last four openings on track to deliver 35%+ ROI
- Average annual EBITDA of recent 11 openings is £0.6m



## Continued focus on quality of openings

- Speke and Peterborough already opened in FY2023 with Merry Hill due to open in Q4 FY2023
- Due to be on site in Colchester in Q4 with combined Hollywood Bowl and Puttstars offer
- At least four centres due to open in UK during FY2024 and FY2025

### FY2024

### FY2025

- |              |   |              |   |
|--------------|---|--------------|---|
| • South East | 1 | • West       | 1 |
| • North      | 1 | • North West | 1 |
| • East       | 1 | • South East | 2 |
| • South West | 1 |              |   |

# Financial outlook for FY2023

## Strong start to FY2023

- H1 LFL of 3.5% vs H1 FY2022
- Strong performance in Canadian business
  - » Acquisitions in February performing in line with business case
  - » Full year effect of growth in Canada
- Interim dividend of 3.27 pence per share

## Managing cost pressures

- Payroll inflation as expected for FY2023
- Electricity usage costs fixed till end of FY2024
  - » Close to signing on FY2025 option
- Food inflation offset by modest price increases

## Continued improvement in the quality of the estate

- On site at Merry Hill for FY2023 third new centre in UK
- At least four further UK refurbishments
- Continued investment into solar panels and pins on strings
- Two refurbishments in Canada due onsite June 2023
- New site in Ontario exchanged and due to open early FY2024
- Total of c. £10m capital spend in H2 (excluding acquisitions)







# Driving our growth strategy



# Continuous product improvement



## Ongoing investment in core offer

- “Pins on Strings” installed in an additional seven centres
  - » 75% of estate now completed
- Improvements in GPS in both string and freefall
- Continuous innovation of interior environments
- “World’s Best New Bowling Centre” awarded to Hollywood Bowl Speke in the Bowling Design and Architecture Awards
- Upgrades in music and lighting to enhance and vary atmosphere



## Best in class amusement offer

- Increased density of machines
- Significant investment across the estate enhancing the quality of offer
- New payment options and with increased price of play on selected machines
- Improving games area standards and reliability through our amusement training academies
- 7.1% increase in Amusements SPG



## Value, quality product, served fast

- Simplified menu content with small tweaks
- Introduced snacks and sharer menu and bundle offers - £2m revenue generated in H1
- Focus on driving penny profit and enhancing the customer experience through upsells
- New drink product range introduced
- 4.0% increase in F+B SPG



# Investment in technology to support next stage of growth

Significant investment in technology to enhance the digital customer journey

- New core reservations platform under development
  - » Scalable open technology
  - » Revenue and yield enhancements
  - » Connectivity with marketing systems
  - » Shared platform with Canadian operation
  - » Launching in FY2024
- Upgraded website and dynamic pricing improving conversions with 60% + of bowling revenue now online
- New payment platform launching in H2
- Customer Data Platform increasing customer engagement and revenue
- Continued focus on cyber security with in-house expert recruited to work alongside external agencies
- Expansion of IT development, IT operations and marketing teams



# Good progress with our ESG strategy



## Safe and inclusive destinations

### Priority issues

- Health and safety
- Accessibility and wellbeing
- Responsible food and beverage
- Community relations

### Progress

- 500k concessionary discount games bowled (+42% vs H1 FY2022)
- 55% of soft drinks sold were from our expanded sugar free range



## Outstanding workplaces

### Priority issues

- Talent attraction and retention
- Diversity and inclusion
- Training and development
- Team wellbeing

### Progress

- In UK's Top 25 Best Big Companies to Work For
- New digital employee brand launched
- 54% of management appointees from internal candidates



## Sustainable centres

### Priority issues

- Waste management
- Energy efficiency
- Greenhouse gas emissions
- Climate change

### Progress

- 81% waste recycling
- Bamboo toilet roll in all centres
- 26 centres with solar arrays
- 75% of centres with Pins on Strings
- EV scheme extended to centre managers
- Canada FY2024 target setting



## Evolution of the concept

- Customer research project informing concept and brand evolution
  - » Varying course difficulties to encourage second games
  - » Upgraded digital journey and external signage
  - » New brand communications framework launching in H2
  - » Space optimisation (Leeds duckpin, Harrow amusements)
- New look Peterborough site performing above expectations
- All centres profitable
- Estate ROI of 14.6%

## Fourth offer in selected Hollywood Bowls

- Leeds 1 course added, excellent customer feedback
- Stockton 1 course to be added in FY2024 refurbishment
- Colchester 2 level centre with 2 courses (FY2024 new centre opening)

## Strategy is unchanged, with rollout pace slowed

- Inflationary pressures increasing capital expenditure required for new centres
- Existing centres and brand to become more established







# Canadian expansion



# Canada strategy and trading update

## Investment rationale

- Canada is a well-established market with similarities to the UK
- Well operated, asset backed business that provides the Group with a strategic platform for growth
- Value add via our customer-led operating model and technology

## H1 financial update

- Revenues CAD 18.4m (£11.3m)
- EBITDA pre-IFRS 16 CAD 5.0m (£3.1m)

## H1 highlights

- Completed refurbishment of Richmond Hill, Ontario – now trading as biggest centre
- Customer research project completed to drive service proposition and brand development
- Started integration of three new Calgary centres
- Completed build of new senior leadership team
- Upskilling of centre managers



Existing centre



2024 new build



# Pillars of Canadian growth



## Extending reach via acquisition

- Single site and multi-site groups
- Over 190 bowling centres across Canada
- Increase density within Toronto and build out across the West

### Progress

- Purchased Kingston in July 2022 with refurbishment on site (H1 FY2023 EBITDA: CAD 0.3m)
- Purchased three centres in Calgary in February 2023 (TTM EBITDA CAD 2.9m)
- NDAs signed on four sites



## Refurbishment of core estate

- Investment to drive dwell time and spend through transformational investments
- Targeted returns of 33% on invested capital

### Progress

- Richmond Hill refurbishment completed and now tracking 105% above pre refurbishment weekly revenues
- Hamilton refurbishment on site
- Revenue generating capital investment circa CAD 1-1.5m



## Greenfield sites

- Extend reach across Canada with new centre development
- Opportunities to infill within large population areas
- Local demographics analysis to mirror UK methodology

### Progress

- Exchanged on new site in Ontario due to open early 2024
- Negotiations ongoing on further sites
- Engaged property experts and landlords to unearth more opportunities



## Supporting the industry

- Striker Bowling Solutions is a supplier and installer of Brunswick bowling equipment
- Established national network
- Unmatched insight into market trends

### Progress

- Bowling centres increasing their capital investment post Covid-19
- Striker revenues in H1 FY2023 CAD 2.9m
- Orderbook strong for H2 FY2023





# Summary and outlook





# Outlook for H2 FY2023

## Market leader with high quality, well-invested estate

- Led by experienced management team

## Continued demand for affordable leisure experiences

- Volumes still strong even when compared to a record FY2022
- Value for money offer with family of four at less than £25

## Well positioned against cost inflation elements

- 74% of revenue not subject to cost of goods inflation
- Food revenue mix less than 9%
- Payroll ratio low @ less than 20%

## Strong balance sheet and cash generative model

- Investment in customer proposition and technology enablers
- Commitment to ongoing successful refurbishment programme
- Canadian business performing strongly
- Domestic and international new centre pipeline remains strong
- Longer term opportunity to grow Group estate to 130 centres

## Capital allocation policy

- Focused on profitable growth and shareholder returns





**HBG**

# Appendices





## Stephen Burns

### Chief Executive Officer

#### Appointment

Stephen joined the Group as Business Development Director in 2011. He was promoted to Managing Director in 2012 and became Chief Executive Officer in 2014.

#### Skills and experience

Before joining the Group, Stephen worked within the health and fitness industry, holding various roles within Cannons Health and Fitness Limited from 1999. He became sales and client retention director in 2007 upon the acquisition of Cannons Health and Fitness Limited by Nuffield Health and became regional director in 2009. In 2011, Stephen was appointed to the operating board of MWB Business Exchange, a public company specialising in serviced offices, meeting and conference rooms, and virtual offices.

Stephen was appointed Chairman at the Inn Collection in 2023.

#### Top bowling score

190



## Laurence Keen

### Chief Financial Officer

#### Appointment

Laurence joined the Group as Finance Director in 2014.

#### Skills and experience

Laurence has a first-class degree in business, mathematics and statistics from the London School of Economics and Political Science. He qualified as a chartered accountant in 2000 and has been an ICAEW Fellow since 2012. Previously, Laurence was UK development director for Paddy Power from 2012. He has held senior retail and finance roles for Debenhams PLC, Pizza Hut (UK) Limited and Tesco PLC.

#### Top bowling score

191

