

hollywood bowl
group plc

INTERIM RESULTS PRESENTATION

Half year ended 31st March 2019

B O W L I N G

★ ★ ★ FOOD & DRINK ★ ★ ★

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Let the good times roll!



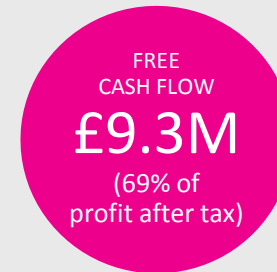
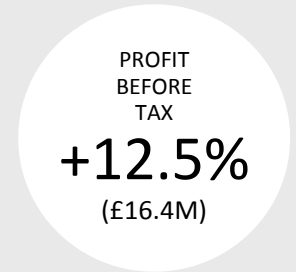
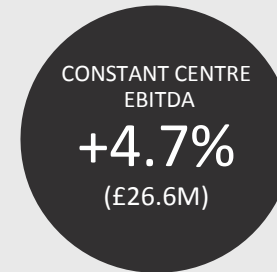
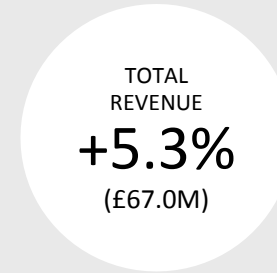
WELCOME

FY2019 H1 HIGHLIGHTS

- H1 total revenue +5.3%, LFL revenue +4.4%
- All revenue lines in LFL growth
- Total revenue growth driven through core estate, investments and new centre openings

- Record Christmas and New Years Eve party bookings
- Increased average spend per game up from £9.20 to £9.79
- 2 new centres opened, with 7 exchanged for openings before the end of FY2023 including Belfast
- 2 mini-golf centres signed for FY2020 opening

- Free cash flow of £9.3m
- Earnings per share 8.92 pence
- Interim dividend 2.27 pence



SECTOR UPDATE

- 311 centres in market
- Hollywood Bowl Group remains clear market leader with 60 centres having opened 4 and closed 1 since 2018
- TEG occupy the number 2 position with 44 centres having acquired 5 centres (independent and MFA) since January 2018
- Remainder of sector ownership consists of other smaller branded multiples and independents
- MFA Bowling closed 10 centres, sold 12, leaving 6 centres
- New entrant has moved into sector – Disco Bowl (night club operator) acquired 9 MFA centres, since disposed of 1
- QLP Superbowl opened 2 centres with plans for more
- Lane 7 (sub 10 lane bowls) now operates 4 with 4 due to open

	Adult 1 Game	Child 1 Game
Hollywood Bowl	£ 6.25	£ 5.23
TEG	£ 8.25	£ 6.75
QLP Superbowl	£ 7.05	£ 6.05
Namco	£ 7.31	£ 6.42
Disco Bowl	£ 5.70	£ 4.65

Prices shown are average gross online Saturday prices (pre dynamic pricing)

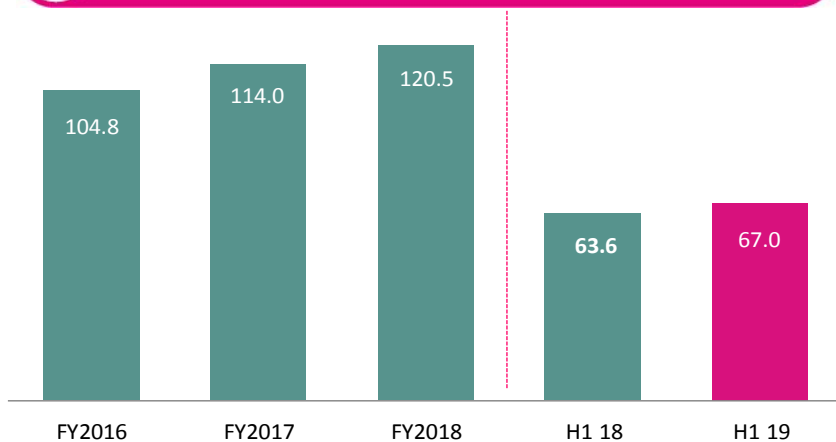


UK CENTRE OWNERSHIP 31/3/19

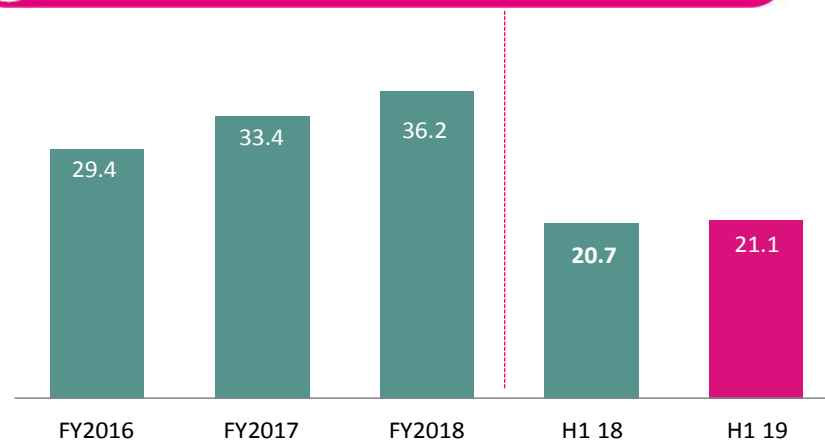
FINANCIAL HIGHLIGHTS



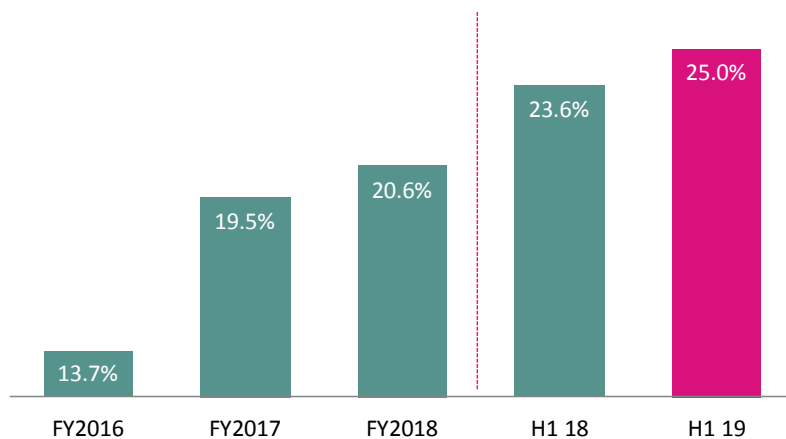
Revenue (£m): +5.3%



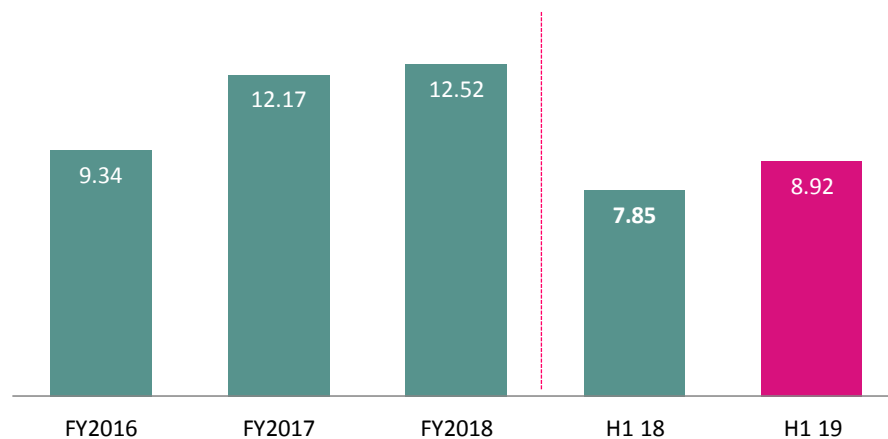
Group Adjusted EBITDA (£m): +2.3%



Operating Profit Margin %: +1.4%pts

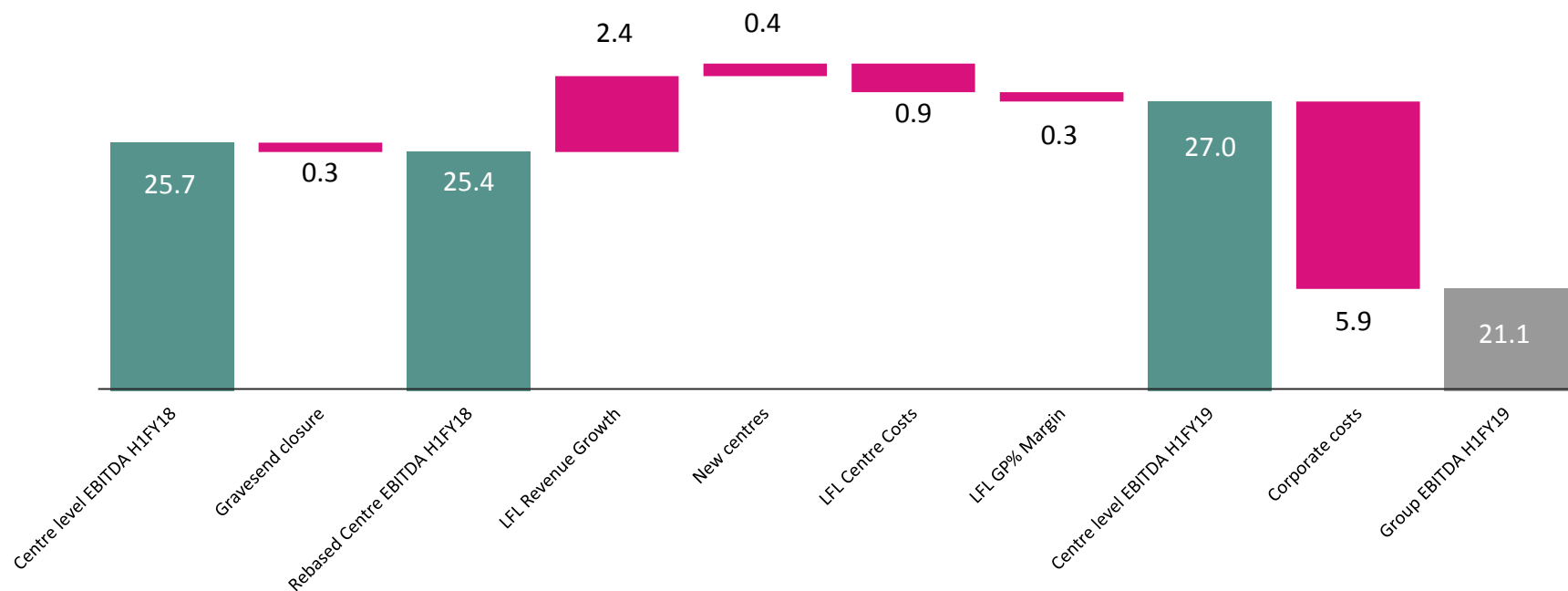


Earnings Per Share (pence): +13.6%



LFL CENTRE EBITDA GROWTH +4.7%

- LFL revenue growth of 4.4%
- Closure of Gravesend in July 2018
- LFL centre EBITDA up 4.7%
- New centre performance in line with management expectations
- Effective cost control throughout the year



INCOME STATEMENT

(£m)	H1 FY2019	H1 FY2018	Movement
Revenue	67.0	63.6	+5.3%
Gross profit	57.5	54.9	+4.7%
Gross profit%	85.9%	86.3%	-0.4%pts
Administrative expenses / other income	(40.8)	(39.9)	+2.2%
Operating profit	16.8	15.0	+11.4%
Operating profit margin %	25.0%	23.6%	+1.4%pts
Depreciation	4.2	5.3	
Amortisation	0.3	0.3	
Fixed asset disposal	0.3	0.1	
Exceptional items	(0.4)	—	
Adjusted EBITDA	21.1	20.7	+2.3%
Adjusted EBITDA margin %	31.6%	32.5%	
Finance expenses	(0.4)	(0.5)	
Movement financial instruments		—	
Profit before tax	16.4	14.6	+12.5%
Tax expense	(3.0)	(2.8)	
Profit after tax	13.4	11.8	+13.6%
Statutory EPS (pence)	8.92	7.85	

▶ LFL revenue up 4.4%

▶ Gross profit 85.9% in line with management expectations

▶ Operating profit up 11.4%

▶ Operating profit margin at 25.0%

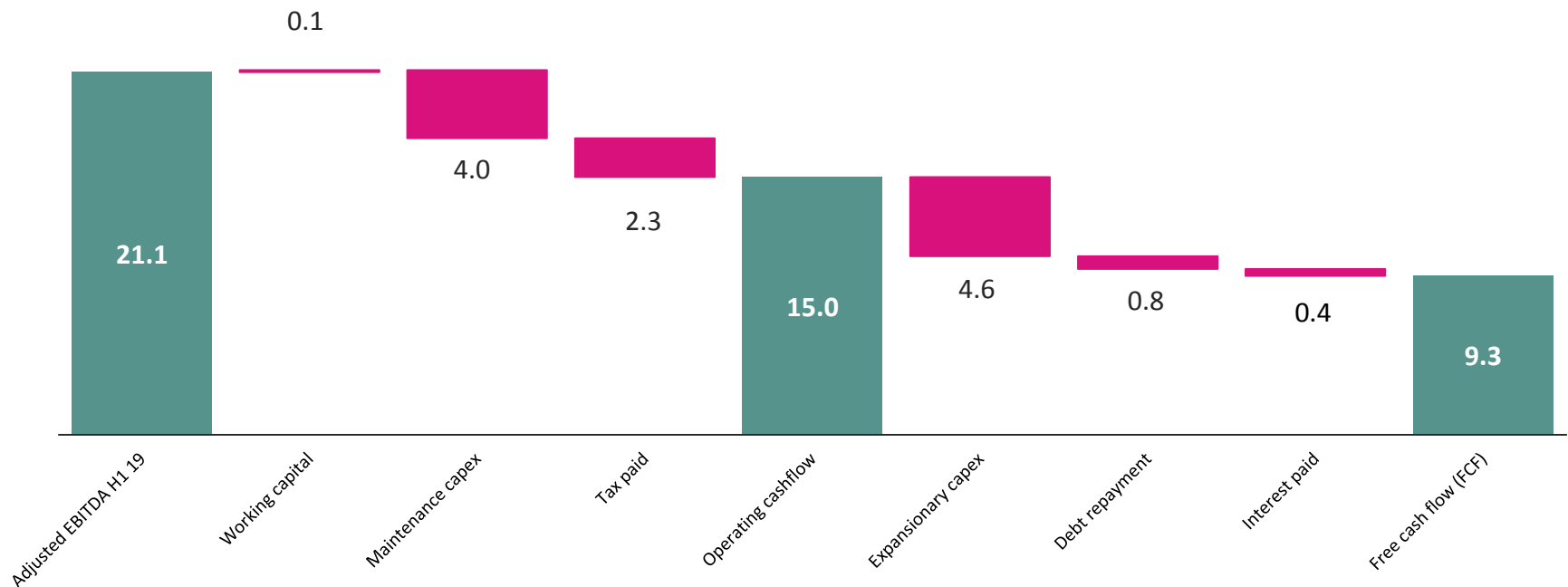
▶ Record H1 profit before tax of £16.4m

▶ Statutory EPS up 13.6%

STRONG CASH GENERATION

- Group adjusted operating cash flow of £15.0m (H1 2018: £14.9m)
- Expansionary capex includes 4 refurbishments / rebrands and net capex of 2 new centres
- Free cash flow generation of £9.3m (69% of profit after tax)

- Dividends of £12.9m paid in H1 (final ordinary and special for FY2018)
- Net debt at £5.3m (H1 2018: £7.2m)
- Interim dividend of 2.27p per share to be paid July 2019, (+11.8% on H1 2018)



FINANCIAL OUTLOOK

- 7 – 10 refurbishments / rebrands to be completed in FY2019
 - Total capital expenditure in line with FY2019 guidance
 - Total expansionary capital expenditure expected to be £6.2m - £6.5m
 - Maintenance capital expenditure expected to be £6.0m - £6.5m
 - New scoring technology £2.0m capital expenditure for continued rollout
-
- Effective tax rate expected to be 19.4% in FY2019
 - IFRS 16 adoption will be implemented in FY2020





**DELIVERING
ON OUR
GROWTH
STRATEGY**

GROWTH STRATEGY

Organic growth

Constant focus on customer experience

- Increasing dwell time through customer-focused culture and innovation

Increasing spend

- Improved F&B and amusement offering

Leveraging technology to unlock growth

- Increasing ecommerce sales and yield performance

Broadening the appeal to new customers

- Maximising engagement through targeted marketing

Investment led growth

Maintaining a high quality, profitable estate

- Rolling refurbishment / rebrand programme of 7-10 centres per year

Development of new centres and acquisitions

- Target of 2 new centres per year on average on retail / leisure parks - with landlord contributions

Growing market share through customer engagement

- Refocusing the proposition towards family leisure, improving ancillary product offerings

Strategic profit enhancing acquisitions

- Opportunities that suit the Group's locations and demographic criteria

FOOD AND DRINK ENHANCEMENTS

Menu development



- Food SPG up 6.3% and margin % flat despite cost inflation
- New food initiative on trial in 4 centres reflective of wider estate
- Features simplified menu with complex products removed and pizza trial introduced
- Driving improved speed of service customer scores and encouraging kitchen team feedback
- Bar SPG up 8.3%

FOOD SPG

+6.3%

iServe



- iServe fully operational across the estate following capital investment of £71k and annual £43k to P+L
- Paid back in less than 6 months
- Future opportunities to improve customer payment experience

BAR SPG

+8.3%

Expanded offer



- Increased space allocation in refurbishments and new centres
- Extended amusement product offer
- Play for Prizes now in 51 centres
- Spend per game up from £1.90 to £2.14
- No further roll out planned for VR following trial

Amusement
SPG

+12.8%

Sheffield case study



- Sheffield centre refurbishment included diner relocation to combine with bar area
- Increased amusement footprint created
- Expanded offer including Play for Prizes
- Spend per game up from £2.71 to £3.81
- Expected payback in under 1 year

Sheffield
Amusement
SPG

+40.7%

EXTENDING THE DIGITAL CUSTOMER JOURNEY

In centre



Online



BOWLING AT HOLLYWOOD BOWL

- Digital merchandising replacing static advertising in new centres and refurbishments - including leader boards and data capture totems
- New scoring system rollout continues - now in 12 centres with excellent customer and team feedback
- Driving increased revenue performance from associated CRM programme in line with expectations
- New front end website has improved the presentation of our offering and mobile usability and reflects new brand creative
- New booking engine in development to improve mobile conversion levels
- Print budget re-allocated to targeted digital acquisition activity with reducing CPA and digital content creation

HOLLYWOOD
Leaderboard

★ TODAY'S TOP SCORES ★
LAKESIDE

1	BENJAMIN JONES-HUNT	300
2	THOMAS HANK	290
3	AMY SEIZER	289
4	DAVID MONOPOLY	276
5	LUIS SUAREZ	275
6	HARRY KANE	268
7	ANNE WHITTON	255
8	LUCY PINDER	240
9	IVY HILLY JONES	220
10	MICHAEL KANE KOE	219





REFURBISHMENTS AND NEW CENTRE OPENINGS

INVESTMENT LED GROWTH

Average return on investment of 46.5% for last 13 refurbishments and rebrands

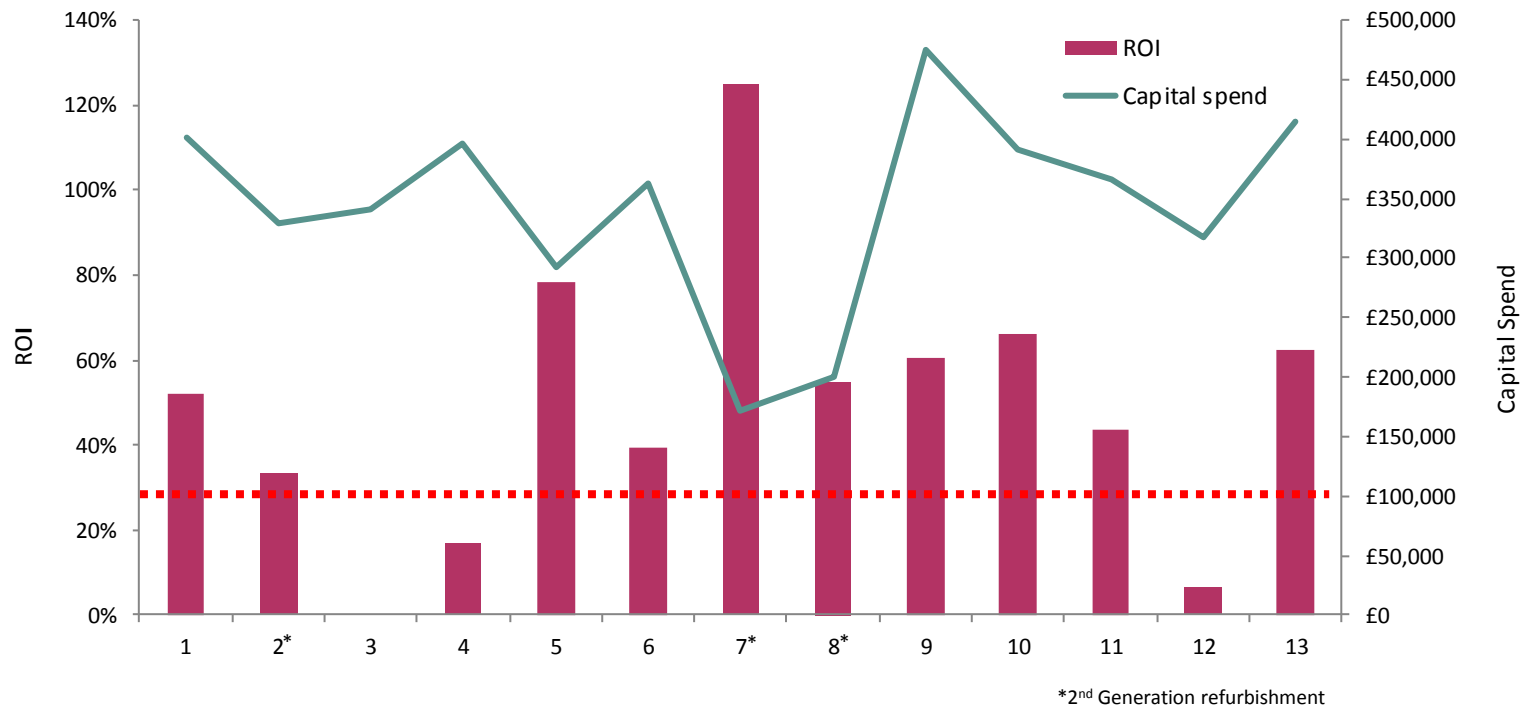
LFL revenues continue to outperform at 11.2% up vs non invested estate

Game volumes up 2.9% vs non invested estate

5 centres planned to have investment in H2

Refurbishment capital expenditure forecasted to be £2.8m - £3.0m

Creation of incremental space for amusements



INVESTMENT LED GROWTH - REFURBISHMENTS

Bristol - Longwell Green

- Final Bowlplex centre to be rebranded to Hollywood Bowl – launched November 2018
- £415k capital investment across all areas of the centre
- Game volumes up 5.6% and LFL revenue up 19% since the re-launch to the local market
- Payback expected in under 2 years



INVESTMENT LED GROWTH - NEW CENTRES

Watford Intu



- Opened December 2018
- 23,000 sq.ft. ground floor unit
- Key anchor in new Intu extension
- Top 20 UK retail destination
- Pins on strings version 2
- New scoring technology
- Trading in line with expectations since opening

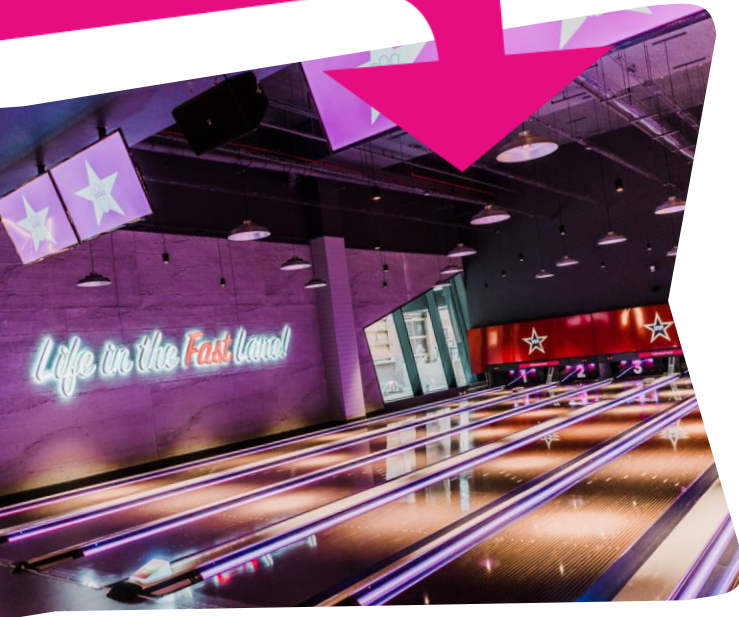
14
LANES

NET CAPITAL
SPEND

£1.8M

INVESTMENT LED GROWTH - NEW CENTRES

Lakeside



- Opened March 2019 - our 60th centre
- 34,000 sq.ft. with 24 lanes
- New Intu Quay area will also include a Nickelodeon theme park, Flip out, Putt Shack and a Vue cinema
- Top 10 UK retail destination
- Pins on strings version 2
- New scoring technology
- Largest amusement offer in estate – 80 units
- Trading in line with expectations since opening

24
LANES

NET CAPITAL
SPEND

£2.5M

STRONG NEW CENTRE PIPELINE – AVERAGE 2 NEW CENTRES PA

York – FY2020

- Leisure extension to successful York Vanguard Way scheme
- Co-located with Puttstars
- 28,000 sq. ft. / 24 lanes
- Capex requirement £1.4m

Liverpool – FY2021

- Relocation of existing centre to new developed leisure section, co-located with cinema
- 23,000 sq. ft. / 24 lanes
- Capex requirement £2.5m

Swindon – FY2022

- Large out of town leisure/ retail centre
- Trading with cinema, indoor ski, restaurants and retail
- 21,000 sq. ft. / 19 lanes
- Capex requirement £1.9m



Southend – FY2023

- New out of town leisure complex
- Empire cinema (11 screens), restaurants and hotel
- 22,000 sq. ft. / 20 lanes
- Capex requirement £1.8m

Belfast – FY2021

- First Hollywood Bowl in N. Ireland
- Leisure scheme with cinema, WM5 and Odyssey arena
- 29,000 sq. ft. / 20 lanes
- Capex requirement £1.1m

Nottingham – FY2022

- £150m refurbishment of Broadmarsh
- 13m annual footfall
- 19,500 sq. ft. / 16 lanes
- Capex requirement £1.7m

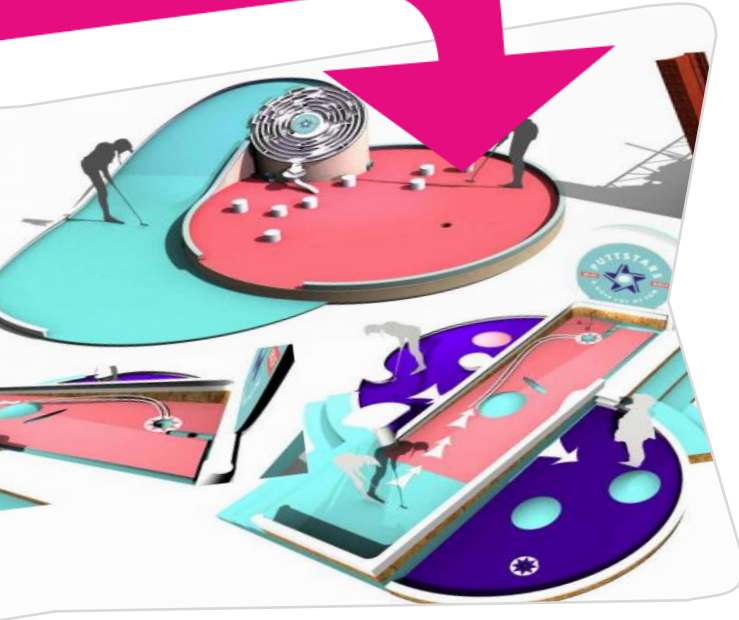
Colchester – FY2023

- Large out of town leisure complex
- Cineworld cinema, trampoline, indoor golf and restaurants
- 21,000 sq. ft. / 18 lanes
- Capex requirement £1.9m



GROWTH IN LINE WITH MEDIUM TERM STRATEGY

Indoor mini-golf



- Trial concept of indoor mini-golf centres
- Shares same demographic appeal as bowling
- 3 x 9 hole courses per centre
- Will feature food and drink and amusement areas alongside core offer
- Centres won't be themed – focus will be on the variety of holes
- Technology will be used to enhance the customers scoring experience
- FY2020 planned openings in York and Thorpe Park in Leeds
- Very positive response from key landlords – strong pipeline available
- Trial centre financials

Capex	£1.9m
Revenue	£1.2m
EBITDA	£280k



OUTLOOK

- Strong results with record revenues and profit before tax
- Deployment of capital into refurbishment and new centre opening programme continues to drive strong returns
- Ongoing investment and innovation in the customer proposition and technology
- Strong pipeline of new centres backed by disciplined site selection process in both bowling and indoor mini-golf
- Market leading position with high quality estate, no loss making centres and experienced management team
- Group continues to perform in line with management expectations





APPENDIX



MANAGEMENT

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.
- **Top bowling score:** 179



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:** 181

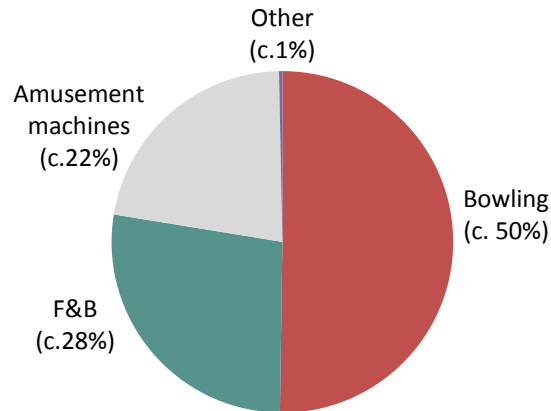


BALANCE SHEET

(£m)	H1 FY2019	H1 FY2018
Non current assets	123.5	120.7
Cash at bank	22.5	22.0
Other current assets	8.8	8.0
Creditors and provisions	(32.0)	(30.6)
Gross debt	(27.8)	(29.3)
Net assets	95.7	90.8

BUSINESS OVERVIEW & HISTORY

Multiple revenue streams



National scale



Customer focused industry leader

- Market leader in size, profitability and margin
- High quality property portfolio with no loss making centres
- 18 new Hollywood Bowls opened in last 4 years
- Leading the industry in innovation
- Refurbishments delivering over 50% return
- Customer contact centre, online bookings and tablet based scoring system focused on improving customer satisfaction and family experience
- Targeted digital marketing
- Real focus on top talent

2010-11: Building the foundations

- Formed from the merger of selected leading sites of AMF and Hollywood Bowl in 2010
- Integration of the Hollywood Bowl estate (24 Centres) into the Group

2012-14: Consolidation

- Property portfolio rationalisation
- 4 new centres opened
- Closed 2 centres
- Investment in sophisticated systems, processes and cultural development (e.g. customer contact centre, CRM pricing levels)

2015 to date: Growth trajectory

- Acquisition of Bowlplex in 2015 (11 sites) and opened 5 new centres
- Listed on Main Market in September 2016
- Successful ongoing refurbishment and new centre opening programme
- Innovation based on customer feedback
- Enhanced digital marketing capability
- 60 centres
- New site developments including indoor mini-golf concept

Let the good times roll!

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