HBG

Results presentation

Hollywood Bowl Group plc

Full Year Results FY2022

Agenda

Stephen Burns
Chief Executive Officer

- Operational and financial highlights
- Resilient sector
- Growth strategy
- Canada update
- Summary and outlook

Laurence Keen
Chief Financial Officer

- Financial review
- Capital allocation policy
- Investment led growth
- Property pipeline

FY2022 highlights

Capital invested

£21.8m

(FY2019: £16.2m)

New UK centres opened

3

Hourly paid team members receiving performance bonus

64%

Best Big companies To Work For

Top 25

THE UK'S
25
BEST BIG COMPANIES
TO WORK FOR
2022
cert.b.co.uk

UK centres refurbished/rebranded

8

Centres acquired in Canada

5

Net promoter score

61%

UK centres with solar installs

32%

UK centres using Pins on Strings

65%

Waste diverted from landfill to recycling

77.7%

FY2022 highlights

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Total revenue

£193.7m

(FY2019: £129.9m)

LFL average spend per game[1]

£10.45

(FY2019: £9.64)

Adjusted profit after tax

£39.4m

(FY2019: £22.3m)

Final ordinary dividend (per share)

8.53 pence

Total dividend (per share)

14.53 pence

(FY2019: 11.93 pence)

LFL sales growth[1]

+28.3%

(FY2019: +5.5%)

Group adjusted EBITDA pre-IFRS 16[2]

£60.6m

(FY2019: £38.2m)

Adjusted earnings per share

23.07 pence

(FY2019: 14.86 pence)

Special dividend (per share)

3.00 pence

Net cash/(debt)

£56.1m

(FY2019: (£2.1m))

1 LFL calculations exclude the prior period impact TRR of VAT on bowling and includes all revenue for centres that were open for the same period in FY2019. Spend per game calculations exclude the prior period impact TRR of VAT on bowling

2 Group adjusted EBITDA is calculated as statutory profit plus depreciation, impairment of assets, amortisation, loss of disposal of property, ROU assets, plant and equipment and software and any exceptional costs or income, and is shown on a pre-IFRS 16 basis.

Resilient sector, well insulated from rising costs

Manageable inflationary pressures

- 74.8% revenue has no cost of goods inflation
- Food and drink costs represent <8% of total revenue
- Labour costs account for <20% of revenue at centre level
- Total inflationary increases of just 3.5% on overall cost base for FY2023

Energy costs forward managed

- UK electricity costs hedged until end of FY2024
- Solar install programme remains on track
- Significantly lower energy costs than market

Marginal impact on ROIC

- Increased costs on refurbs/new builds reduce ROIC

Protected from reduction in disposable income

- Wide demographic appeal
- High quality locations with strong customer catchments

Exciting growth potential

Industry leading operating model, market leading position

Significant runway for long-term sustainable growth

Bowling - 64 UK centres

- Pipeline secured to 72 - Potential for 85
- Targeted EBITDA on new centres £0.5m

Mini-golf - 5 UK Puttstars trial centres

- Pipeline to 7 - Potential for 10-15
- Targeted EBITDA on new centres £0.3m

Canada - 6 centres

- Pipeline to 10 - Potential for 30+ once investment case proven
- Targeted EBITDA on new centres CAD 0.8m

Transformational investment programmes

- Refurbishments
- Pins on Strings and solar panel installations
- Digital technology and marketing
- Team development

Financial review

Excellent FY2022 financial performance

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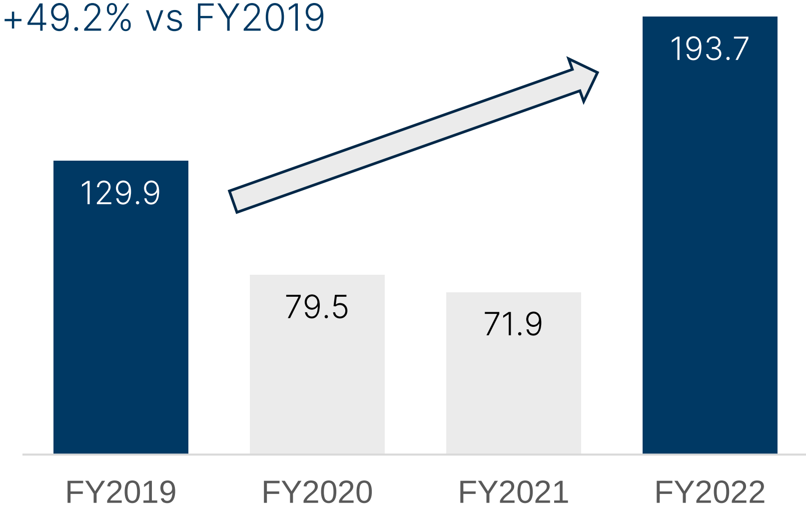
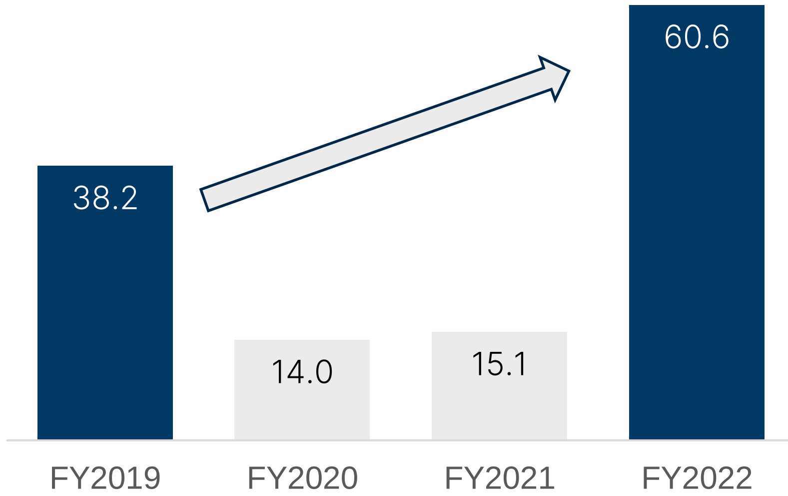
Revenue (£m)

+49.2% vs FY2019



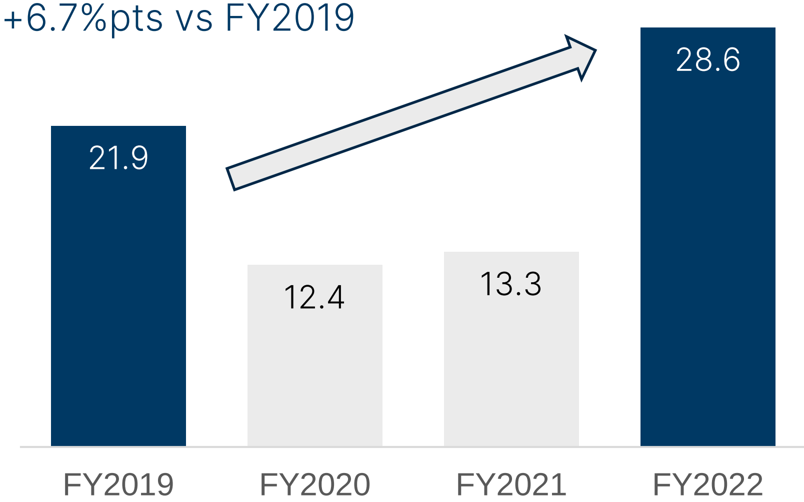
Group Adjusted EBITDA[1] pre-IFRS 16 (£m)

+58.6% vs FY2019



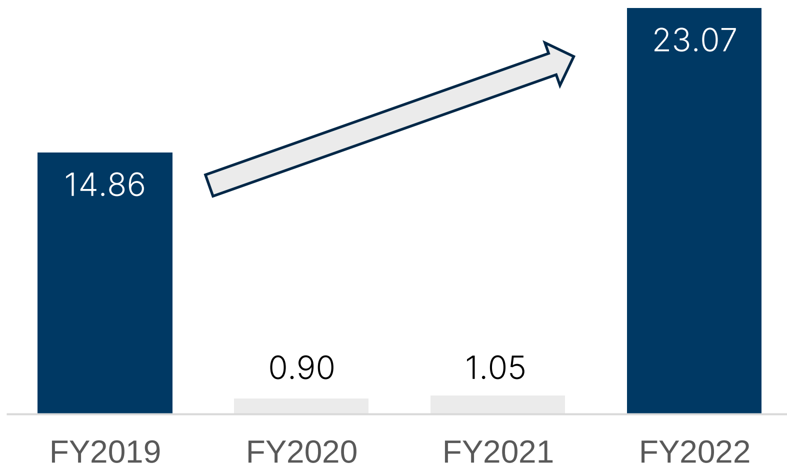
Statutory Operating Profit Margin (%)

+6.7%pts vs FY2019



Adjusted Earnings Per Share (Pence)

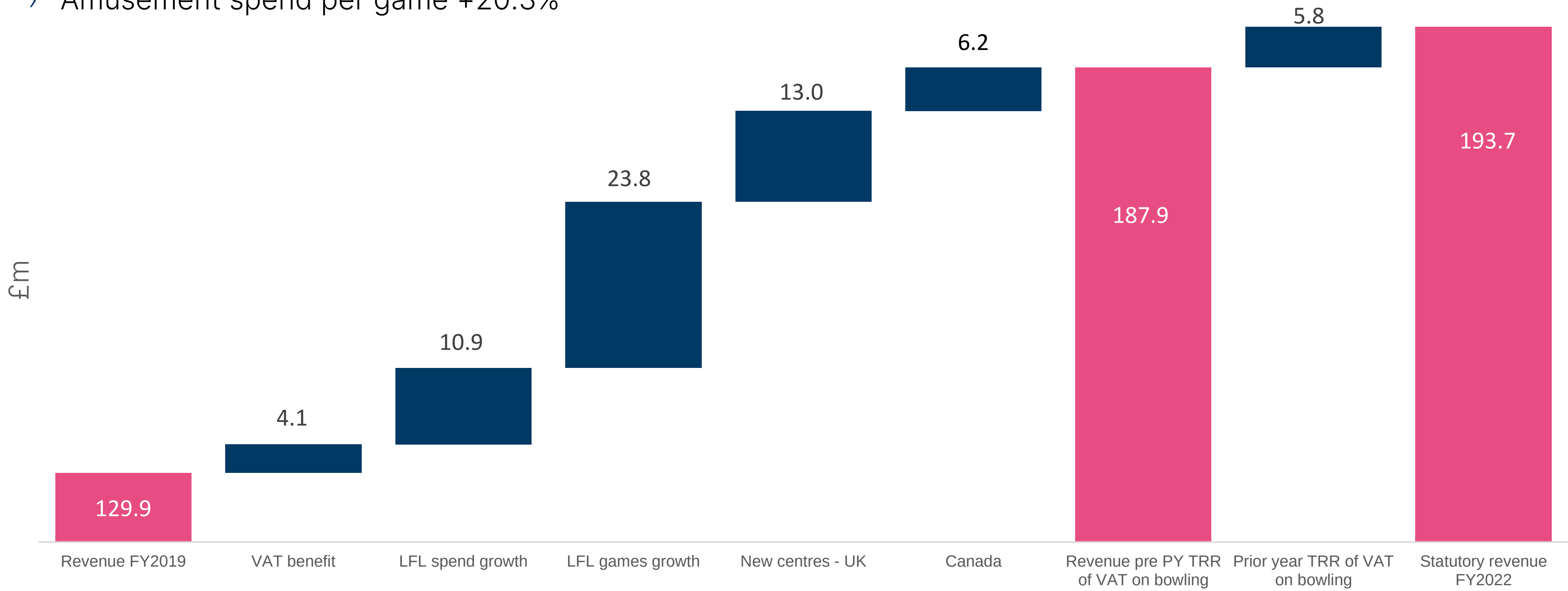
+55.3% vs FY2019



1 Group adjusted EBITDA is calculated as statutory profit plus depreciation, amortisation, impairments, loss of disposal of property, ROU assets, plant and equipment and software and any exceptional costs or income and is shown on a pre-IFRS 16 basis.

Strong growth in all areas leading to record revenues

- LFL revenue[1] growth of 28.3% (vs FY2019) driven by number of games played and spend per game growth
- Games LFL volume[1] increase of 18.3% driven through strong customer satisfaction and refurbishments
- LFL spend per game[1] growth of 8.4%
  - Bowling price per game only 3.8% higher than FY2019
  - Amusement spend per game +20.3%
- New centre performance in line with expectations
- Strong summer trade despite unfavourable weather
- Average UK revenue per centre of £2.72m
- TRR of VAT bowling benefit for prior periods of £5.8m



1 LFL calculations are vs. FY2019 and exclude the prior period impact TRR of VAT on bowling and includes all revenue for centres that were open for the same period in FY2019. Spend per game calculations exclude the prior period impact TRR of VAT on bowling

Underlying profit increased by 77.0%

(£m)	FY2022	FY2021	FY2019	Movement vs FY2019
Revenue	193.7	71.9	129.9	+49.2%
Gross profit	164.3	61.6	111.4	+47.6%
Gross profit %	84.8%	85.7%	85.7%	-0.9%pts
Administrative expenses	81.6	37.7	61.3	+33.3%
Corporate costs	22.1	8.8	11.9	+100.1%
Group adjusted EBITDA pre-IFRS 16	**60.6**	**15.1**	**38.2**	**+58.6%**
Group adjusted EBITDA pre-IFRS 16 margin	**31.3%**	**21.0%**	**29.4%**	**+1.9%pts**
Add back Property Rent	16.9	15.4		
Group adjusted EBITDA post-IFRS 16	**77.5**	**30.6**	**38.2**	
Exceptional costs/(income)	(3.7)	-	(0.4)	
Depreciation, impairment and amortisation	25.7	20.9	9.5	
Net finance expenses	8.8	8.7	0.9	
Profit before tax	46.7	0.5	27.6	
Adjusted profit before tax	**48.6**	**0.5**	**27.6**	**+76.3%**
Tax charge / (credit)	**9.2**	**(1.3)**	**5.3**	
Adjusted profit after tax	**39.4**	**1.7**	**22.3**	**+77.0%**
Adjusted earnings per share (pence)	**23.07**	**1.05**	**14.86**	**+55.3%**

- Total revenue up 49.2% on FY2019
- Gross profit margin 84.8% in line with management expectations (given LFL growth and dilutive impact from Canada)
- Administrative expenses up 33.3%%
- Corporate costs includes record bonus accruals for centre teams
- Record group adjusted EBITDA pre-IFRS 16 of £60.6m
  - › UK EBITDA pre-IFRS 16 of £59.6m
  - › Average EBITDA per UK centre £1.15m
- Adjusted profit after tax of £39.4m
- Adjusted earnings per share of 23.07 pence per share
- Total ordinary dividend of 11.53 pence per share
  - › Final ordinary dividend of 8.53 pence per share

Exceptional costs/(income)

(£m)	FY2022
VAT reclaim for reduced hospitality rate – prior year	(5.6)
Professional fees in relation to Teaquinn acquisition	1.6
Fair value of 5 months of earn out (discounted)[1]	0.4
Bargain purchase	(0.1)
Total exceptional costs / (income) – FY2022 P&L impact	**(3.7)**
Total exceptional costs – Canada related	**1.9**

1 Earn out is deemed a benefit of employment due to terms and therefore treated as employment related costs. Future amounts will be subject to a revaluation at reporting dates based on forecasted earnings

- Total of £3.7m exceptional income in FY2022
- Reclaim in relation to TRR of VAT relating to prior year of £5.6m
- Associated costs on Canadian business combination
  - Professional fees of £1.6m
  - Fair value of 5 months of earn out consideration of £0.4m
  - Earn out linked to continued employment
  - Total max potential earn out of £10.6m by FY2026

Profit growth supported by strong cost controls

Payroll (c.18% of total UK revenue)

- Pay increases in line with expectations
- Flexible payroll model
- Successful hourly incentive scheme
- Biggest centre management bonus ever

Energy costs (c.2.5% of total UK revenue)

- Hedged until September 2024
- FY2022 paid less than 30% of current market consumption rate
- Solar installs will reduce consumption by over 15% vs. grid supply

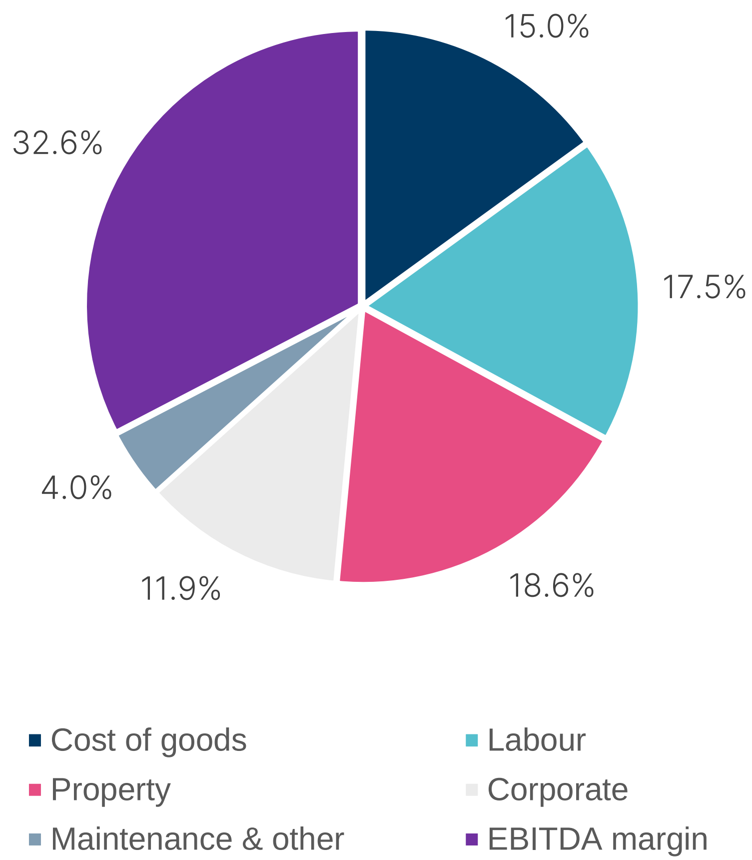
Food and drink cost of goods (c.7.8% of total UK revenue)

- Food and drink modest increases – simplified menu continued
- Ability to offset cost increases due to mixed revenue stream

Other cost inflation

- UK capex increases seen in new builds and refurbishments c.7-9%

FY2022 UK P&L breakdown



Strong trading driving free cash flow and capital returns

- Group adjusted operating cash flow of £55.7m
- Record trading and effective cost management drove cash inflow
- Working capital benefit in the main due to centre management bonus accruals given strong performance to date
- Continued maintenance capital investment of £9.3m during FY2022
  - Solar installs £1.5m/Pins on strings £4.1m
- 8 refurbishments/rebrands completed at a cost of £3.6m
- Total spend of £9.3m on new centres
- Includes £7.8m spend on 3 new centres opened in FY2022 and £1.5m on FY2023 openings
- Exceptional costs include £5.6m TRR of VAT on prior year and £1.6m for Canada acquisition
- Cash balance at end of FY2022 of £56.1m

Updated capital allocation policy focused on profitable growth and shareholder returns

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Maintenance capital → **Transformational refurbishments** → **New centres and acquisitions** → **Ordinary Dividend 50% of PAT** → **Additional distributions to shareholders**

Calculation	FY2022
Cash at bank at 30 Sep 2022	£56.1m
Final ordinary dividend (8.53 pence per share)	(£14.6m)
Proforma net cash post final ordinary dividend	£41.5m
Group adjusted EBITDA pre-IFRS 16	£60.6m
Actual cash leverage	0.684X
Target cash leverage	0.600X
Additional distribution – special dividend	£5.1m
Special dividend per share	3.0 pence

	FY2022	FY2023	FY2024	FY2025
Y/e net cash ratio target*	0.600	0.570	0.535	0.500

*Net cash ratio target

Proforma net cash (Net cash post final ordinary dividend)

DIVIDED BY

Group adjusted EBITDA pre-IFRS 16

Target 0.5X by end of FY2025

Financial outlook for FY2023

Strong start to FY2023

- Christmas bookings in line with expectations
- More modest LFL growth vs FY2019 – still 23%+
  - Analyst consensus at -5% LFL vs FY2022
- Full year effect of Canada acquisition

Managing cost pressures

- Payroll inflation as expected for FY2023
- Electricity usage costs fixed till end of FY2024
  - Working on FY2025 options
- Modest food inflation
- Offset all cost increases with minimal price inflation

Strong balance sheet and cash generative model

- 3 new UK centres in FY2023
- 7 refurbishments / rebrands
- 10 solar panel installs
- 10 more pins on string installs
- New growth platform established in Canada
- Total of £21m - £23m capital spend

Updated capital allocation policy

- Focused on profitable growth and shareholder returns

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Driving our growth strategy

Continuous improvement and innovation

Ongoing Investment in core offer

- Pins on strings installed in an additional 15 centres
- 65% of estate now completed
- Improvements in GPS in both string and freefall
- £325k investment in new lane seating to enhance customer experience (non-refurbishment centres)

Best in class amusement offer

- Improving density of machines whilst enhancing the quality of offer i.e. all digital AWP machines
- New payment options and ability for increased price of play throughout the estate
- Improving games area standards and reliability through our amusement training academies

Value, quality product, served fast

- Simple menu content with small tweaks, introducing snacks and sharer offers
- Focus on driving penny profit and enhancing the customer experience through upsells
- New product range introduced keeping pace with food and drink trends and inflation
  - Drop in coffee
  - Tango Ice Blast
  - Premiumised offer

A well invested team delivering a fantastic experience

Team focused on areas that we know customers really value

Excellent customer feedback

- 61% Net Promoter Score

Talent attraction and retention is key to delivering the best customer experience

- 7.5% increase in salaried team members' pay
- £0.6m total cost of living payment to team members
- Industry leading bonus schemes
  - Average CM bonus 135% of salary
- All team members have opportunity to earn bonus based on customer satisfaction
- £5.6m paid in bonus schemes in recognition of excellence
- Top talent programmes generating management appointments, improved retention and reducing cost and time to hire
- One of UK's 25 Best Big Companies to Work For

Evolving our brand journey with technology

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Digital marketing enhancements

- Investment in website enhancements and booking engine
- Improved dynamic pricing presentation and conversion
- Online revenue up 97% vs FY2019
- Customer data platform (CDP) improving targeting and engagement
- Increased investment in content creation
- Digital brand and sales activation advertising to extended customer groups - increased revenue and reduced CPA
- Digital marketing and IT team expanded

In-centre upgrades

- Upgraded WIFI network in all centres
- Food and drink ordering app driving higher SPG
- Digital signage package in new centres and refurbishments

Embedding sustainability in everything we do

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Safe and inclusive leisure destinations

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

Progress

- 750k concessionary discount games bowled
- £28,000 raised for national charity partner
- 48.3% of soft drinks sold were from our expanded sugar free range

Outstanding workplaces

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

Progress

- UK's 25 Best Big Companies to Work For
- Sector leading bonus schemes
- 40% of management appointees from internal candidates
- Cost of living payments and pay rate increases

Sustainable centres

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

Progress

- 77.7% waste recycling achieved
- 32% of centres with solar arrays
- 65% of centres with Pins on Strings
- TCFD disclosure for first time in FY2022 Annual Report
- In-house Energy Analyst recruited

New Corporate Responsibility Committee and increased range of ESG targets for FY2023

Refurbishments and new centre openings

Continued investment in the estate to drive returns

- Total of £12.5m expansionary UK capital spent

Refurbishments/rebrands - £3.6m

- 8 centres refurbished/rebranded
- LFL SPG performance +22.9%
- Lineage +19.3%
- Sunsetting AMF brand by end of H1 FY2023
- Ongoing pipeline of centres to refurbish on 5-7 year cycle

New centres - £8.9m (net of LL contributions)

- Strong performances from all new centre openings
- Puttstars Peterborough and Hollywood Bowl Speke opened in November 2022

Puttstars trial progressing

Robust five centre trial group

- Continue testing, learning and evolving the concept
- Excellent customer feedback to date
- All centres profitable
- Limited trading period due to COVID-19

Major customer research programme undertaken

- Insights included in fit out of new Peterborough centre
  - › Varying course difficulties to encourage second games
  - › More defined visual style for each course
  - › Upgraded digital journey and external signage

Lower price point introduced in our Tier 2 location

Potential fourth offer in select Hollywood Bowls

Strategy is unchanged, with rollout pace slowed

- Increased capital expenditure
- Existing centres and brand to become more established
- Potential for further 10-15 centres

Strong UK new centre pipeline to FY2025

Strong performance from FY2022 openings

Pipeline of targets on high footfall leisure developments

Build costs c. £2.8m + given inflationary environment

ROI % target maintained

FY2023	
• Speke, Liverpool	open
• Peterborough Puttstars	open
• Merry Hill, Dudley	1 centre
FY2024	
• South East	1 centre
• East	2 centres
• North West	1 centre
FY2025	
• North	2 centres
• East	2 centres
• South West	1 centre

Investment in onsite solar technology

Onsite solar investments in partnership with landlords

- 17 centres added during FY2022
- Total of 22 roof arrays at end of September 2022
- In FY2019 we used 19.6 MWh
- In FY2022 we used 20.5 MWh
  - 1.9 MWH self generated
  - 0.3 MWH sold back to the grid

Strong payback and further investment planned

- Payback on solar panels is 9.8 years based on hedged rate
- Payback on solar panels is 3.4 years based on market rate
- Continued investment in FY2023 with 10 planned
- Fully invested by end of FY2024

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International expansion

Teaquinn investment thesis and trading update

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

Financials

• Freehold valuations	CAD 12m+
• FY2019 group revenue	CAD 18.7m
• FY2019 EBITDA pre-IFRS 16	CAD 3.0m

Trading update post acquisition – 4 months

⬆ LFL revenues up over 25% vs pre COVID-19 levels	
⬆ Total revenues	CAD 9.6m
⬆ EBITDA pre-IFRS 16	CAD 1.6m
⬆ Net income pre-IFRS 16	CAD 1.1m

Foundations for growth

- Building team with new VP of Operations, Director of Finance, Heads of Marketing, People and IT
- Customer research project underway

Long term sustainable international 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

- Identified pipeline of opportunities
- Purchased Kingston in July 2022 with refurbishment planned in April 2023
- Further negotiations ongoing

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 due to complete in January 2023
- Hamilton refurbishment to start April 2023
- Capital investment circa CAD 1-1.5m including maintenance capital

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

- Negotiations ongoing on further sites
- Engaged property experts to unearth more opportunities

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Summary and outlook

Outlook for FY2023

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Market leader with high quality, well-invested estate

- Led by experienced management team

Continued demand for affordable leisure experiences

- Strong start to FY2023 and Christmas trading

Well positioned against cost inflation elements

Strong balance sheet and cash generative model

- Ability to invest in growth and market opportunities
- Investment in customer proposition and technology enablers
- Commitment to ongoing refurbishment programme
- New centre pipeline remains strong
- New growth platform established in Canada
- Longer term opportunity to grow Group estate to 110 centres

Updated capital allocation policy

- Focused on profitable growth and shareholder returns

Appendices


WELCOME
PRIZES
Classic
BOWLING
BATTLE IT OUT ON OUR BRILLIANT
10 PIN BOWLING LANES
GAMING HEADSET
AWESOME PRIZES AVAILABLE NOW
5000 TICKETS

New centre case study - Resorts World Birmingham

Strong demographics in the vicinity

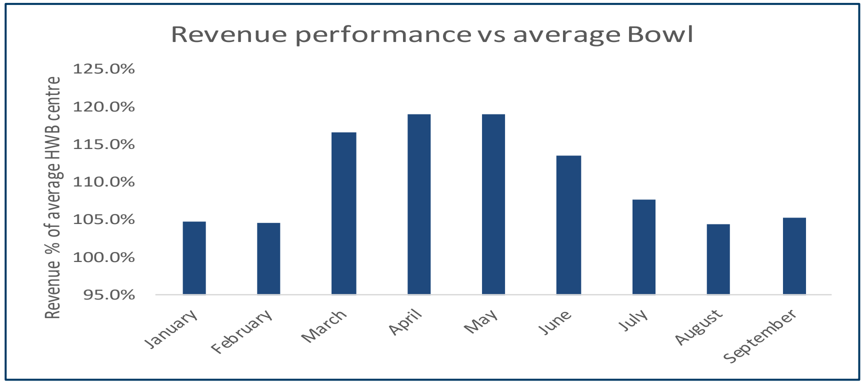
- Over 600k population within 16 min drive time
- 45% key customer groups
- Close proximity to other footfall drivers

Worked with landlord to unearth opportunity and terms

- Conversion of 14 empty shop units
- Low base rent with turnover top up
- 17 lane centre with amusements, bar and diner
- Net capital expenditure less than £1.5m

Opened December 2021

- First 9 months trading above average centre by 10.3%
- On track to payback net capex within two years



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.

Stephen was appointed Chairman at the Club Company Limited (operator of UK country clubs) in 2018.

Top bowling score
189

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.

Laurence was appointed Non-Executive Director at Tortilla Mexican Grill Plc in 2021.

Top bowling score
191