

RESULTS PRESENTATION

FINANCIAL YEAR ENDED 30 SEPTEMBER 2019



hollywood bowl
group plc





WELCOME

AGENDA



STEPHEN BURNS
CEO

- FY2019 highlights
- Growth strategy
- Summary



LAURENCE KEEN
CFO

- Financial performance
- IFRS 16
- Financial outlook
- Property update

FY2019 FINANCIAL HIGHLIGHTS - RECORD REVENUE AND PROFITS

TOTAL REVENUE
GROWTH

+7.8%
£129.9M

TOTAL
GAME VOLUMES

+3.1%

SPEND
PER GAME

£9.64
(+4.5%)

TOTAL LFL REVENUE
GROWTH

+5.5%

PROFIT BEFORE TAX
GROWTH

+15.3%
£27.6M

TOTAL ORDINARY DIVIDEND
PENCE PER SHARE

7.43
(+18.7%)

SPECIAL DIVIDEND
PENCE PER SHARE

4.50
(+3.9%)

FREE CASH FLOW

£14.7M
(66.1%) of profit
after tax

FY2019 OPERATIONAL HIGHLIGHTS



PORTFOLIO

- 2 new centre openings
- 6 centres refurbished
- 2 AMF centres rebranded
- 6 lease re-gears
- 10 new centres in development pipeline to FY2023



INNOVATION

- Pins on Strings now in 11 centres with V3 launched
- New scoring system installed in 24 centres
- 3 Puttstars trial centres secured
- 2 solar panel trials launched
- Dynamic pricing functionality extended
- Mobile first website
- Enhanced amusement offering



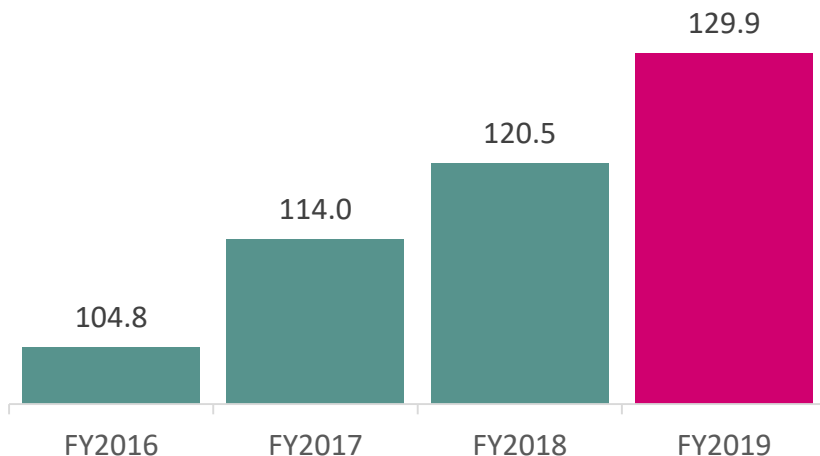
ENGAGEMENT

- Customer service scores improved
- Database of 2 million contactable customers
- Top talent development programmes delivering
- Team member retention improved

FINANCIAL HIGHLIGHTS

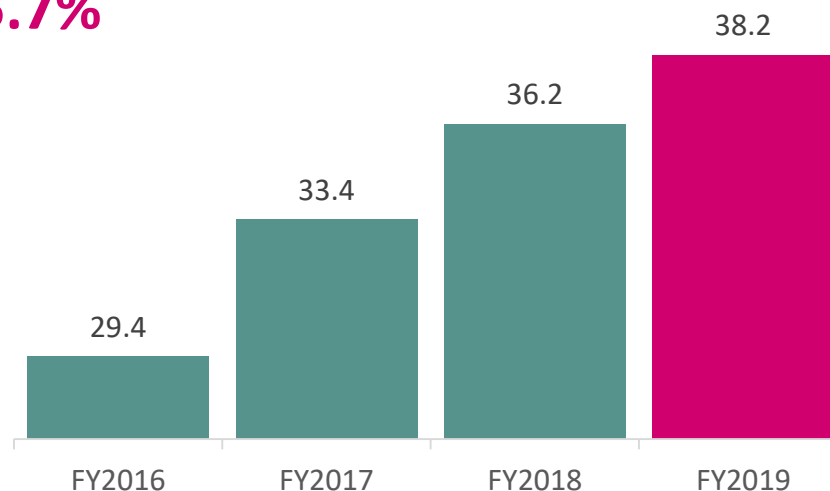
REVENUE (£M)

+7.8%



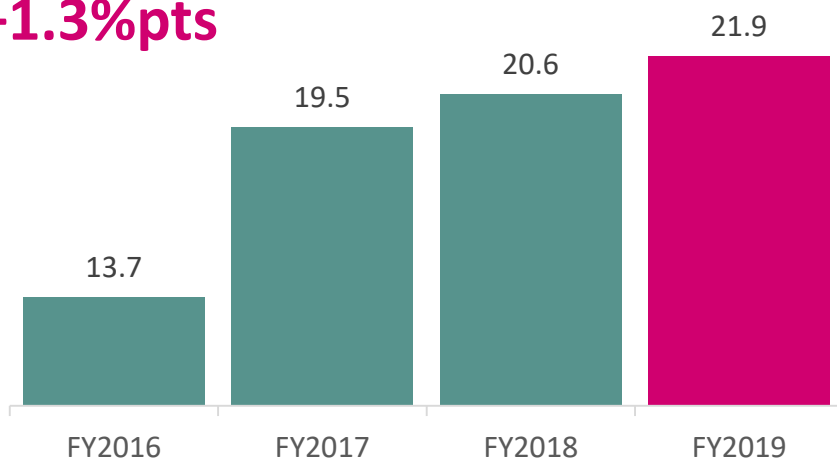
GROUP ADJUSTED EBITDA (£M)

+5.7%



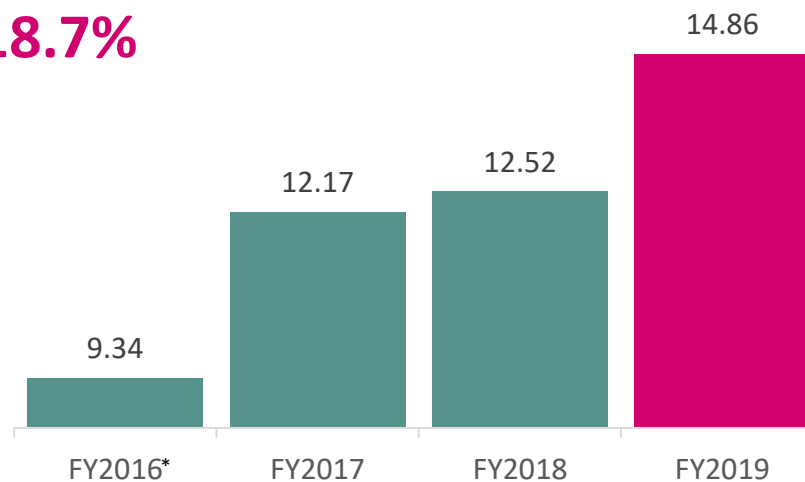
OPERATING PROFIT MARGIN %

+1.3%pts



EARNINGS PER SHARE (PENCE)

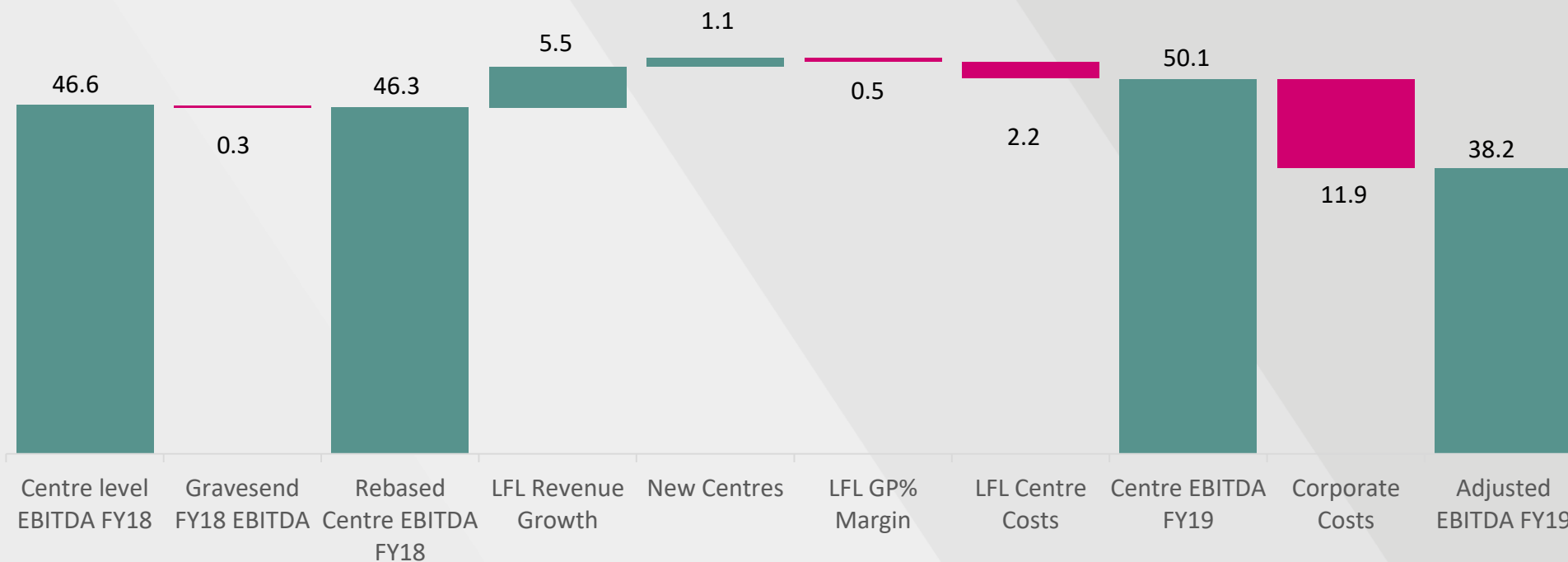
+18.7%



* Adjusted for pre-IPO financing and IPO related costs

LFL CENTRE EBITDA GROWTH +6.2%

- LFL revenue growth of 5.5%
- All revenue lines in LFL growth
- FYE of closure of Gravesend in July 2018
- LFL centre EBITDA up 6.2%
- New centre performance in line with management expectations
- Effective cost control throughout the year
- Record EBITDA



INCOME STATEMENT

| (£m) | FY2019 | FY2018 | Movement |
|--|--------------|--------------|-----------------|
| Revenue | 129.9 | 120.6 | +7.8% |
| Gross profit | 111.4 | 103.8 | +7.3% |
| Gross profit% | 85.7% | 86.1% | -0.4%pts |
| Administrative expenses / other income | (82.9) | (78.9) | +5.7% |
| Operating profit | 28.4 | 24.9 | +14.3% |
| Operating profit margin % | 21.9% | 20.6% | +1.3%pts |

| | | | |
|---------------------------------|--------------|--------------|--------------|
| Depreciation | 9.0 | 10.5 | |
| Amortisation | 0.5 | 0.5 | |
| Fixed asset disposal | 0.6 | 0.1 | |
| Exceptional items | (0.4) | 0.1 | |
| Adjusted EBITDA | 38.2 | 36.2 | +5.7% |
| Adjusted EBITDA margin % | 29.4% | 30.0% | |

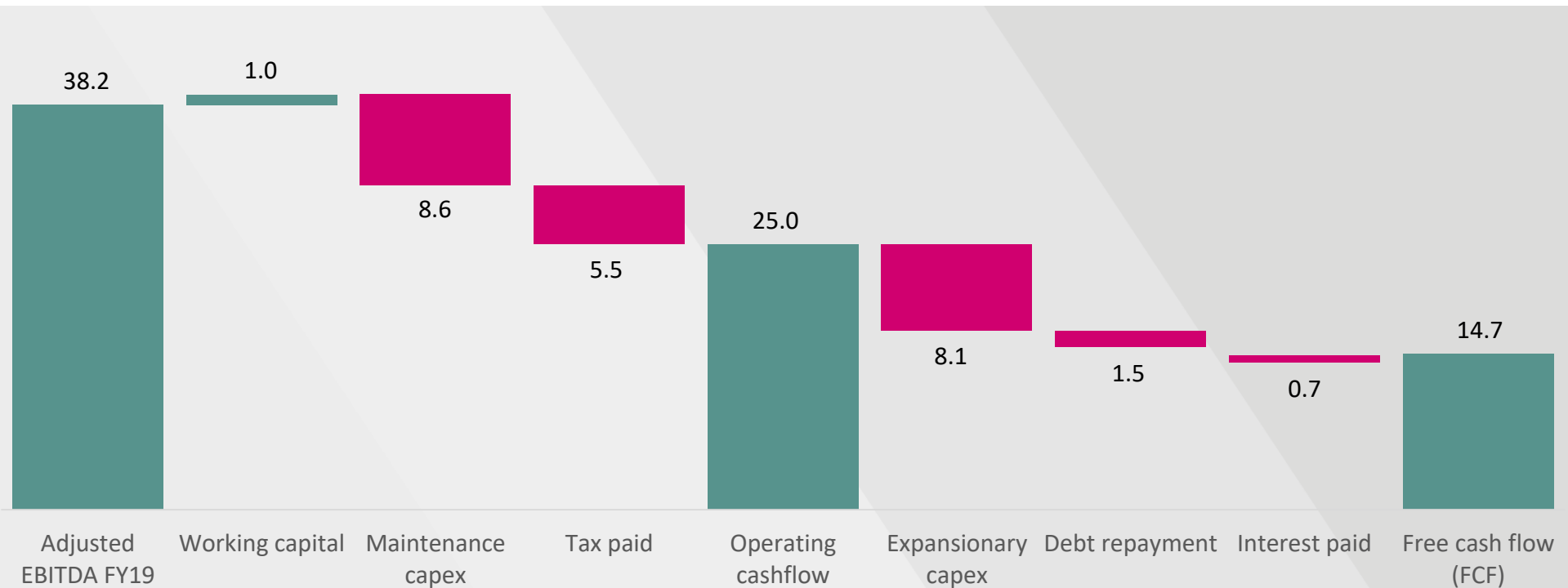
| | | | |
|--------------------------|-------------|-------------|---------------|
| Finance expenses | (0.9) | (1.0) | |
| Profit before tax | 27.6 | 23.9 | +15.3% |
| Tax expense | (5.3) | (5.2) | |
| Profit after tax | 22.3 | 18.8 | +18.6% |

| | | | |
|-----------------------|-------|-------|--|
| Statutory EPS (pence) | 14.86 | 12.52 | |
|-----------------------|-------|-------|--|

- LFL revenue up 5.5%
- Gross profit 85.7% in line with management expectations
- Operating profit up 14.3%
- Operating profit margin at a record 21.9%
- Record profit before tax of £27.6m
- Statutory EPS at 14.86 pence, up 18.7%

STRONG CASH GENERATION-ENABLING FURTHER SHAREHOLDER RETURNS

- Group adjusted operating cash flow of £25.0m (FY2018: £24.7m)
- Expansionary capex includes 8 refurbishments / rebrands and net capex for new centres
- Free cash flow generation of £14.7m (66.2% of profit after tax)
- Dividends of £16.2m paid in FY2019
- Net debt at £2.1m (FY2018: £2.9m)
- Final ordinary dividend of 5.16 pence per share
- Special dividend of 4.50 pence per share
- Total returned to shareholders since IPO: £47.7m



FINANCIAL OUTLOOK FOR FY2020

- 7 – 10 refurbishments / rebrands to be completed
- 4 new centres (1 bowling and 3 mini-golf) to open
- Total expansionary capital expenditure expected to be £9m - £10m, including new centre openings
- Maintenance capital expenditure expected to be c.£8m, including completing 95% of new scoring rollout and a further six centres to receive Pins on Strings, at c.£3.2m
- Effective tax rate expected to be 19.0% in FY2020
- IFRS 16 adoption in FY2020



IFRS 16

- New lease accounting standard to take effect for FY2020 with operating leases being treated similar to finance leases
- Hollywood Bowl Group is adopting the modified retrospective approach for FY2020
- No impact on
 - Strategy of the business
 - Cash flow
 - Profit over the life of the lease
- The impact on financial statements is determined by a number of things:
 - Passing rent and rent review clauses
 - Lease length remaining discount rate applied
- Expected recognition of lease liability on transition date in the region of £170m - £190m
- Profit before tax for FY2020 will be lower by around £1.2m - £1.7m (assuming a constant lease portfolio)
- The FY2020 results will be reported both including and excluding IFRS 16

(see appendix for more detail)

DELIVERING OUR GROWTH STRATEGY



Credit: inspired media

GROWTH STRATEGY

ORGANIC GROWTH

Constant focus on customer experience

- Increasing dwell time through customer-focused culture and innovation
- Attracting and retaining top team member talent

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 programme of 7-10 centres per year

Development of new centres and acquisitions

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

Growing our market share through customer engagement

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

Leveraging our indoor leisure experience

- Assessing adjacent market entry opportunities alongside our trial mini-golf concept “Puttstars”

Strategic profit enhancing acquisitions

- Opportunities that suit Group location and demographic criteria

ENHANCED DIGITAL CUSTOMER JOURNEY

Website

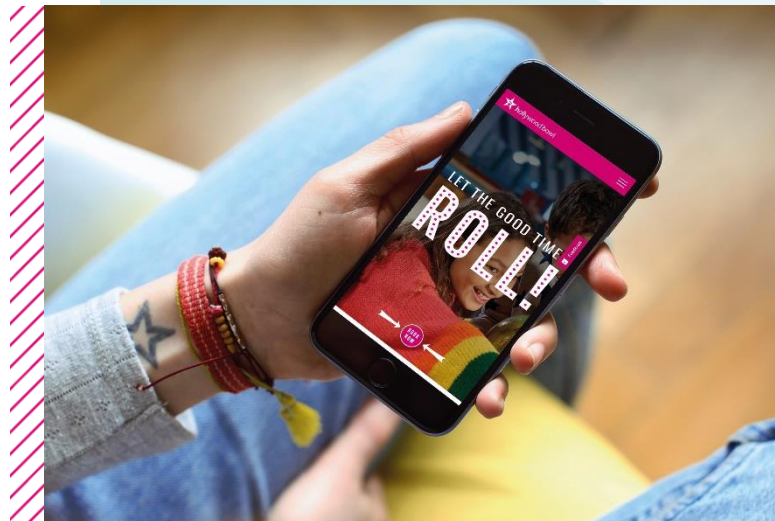
- Mobile-first website design introduced with new brand creative
- Structured to improve navigation and SEO rankings
- Mobile devices account for 78% of visits, up 7%pts YOY
- 8m visits to the website, driving 37% of bowling revenue - up 16% YOY
- Increased revenue generated from digital advertising - with reduced cost per sale

CRM

- 2m email contactable records on database
- Automated and tactical email revenue increased YOY
- Fewer emails sent YOY but with improved engagement and performance
- Tactical promotions helped mitigate adverse weather impacts

In-centre

- Digital signage being introduced in refurbishments and new centres
- Outward facing screens to drive footfall and engagement
- Internal reception, bar, diner and leader boards - extending customer dwell time and enhancing the atmosphere



FOOD, DRINK AND AMUSEMENTS GROWTH

Food and drink

- Updated Hollywood Diner menu with reduced product lines – improving cost management and speed, quality and consistency
- Product innovation successes in the year
 - introduction of Roband grills and Kitchen IQ order-management technology in higher lineage centres
 - new Cadbury impulse range and an enlarged range of gin
 - premiumisation of drinks range driving higher £ Gross profit
- iServe technology rolled out - increasing SPG at the lanes
- SPG up 3.1% YOY, revenue up 6.3% YOY

Amusements

- Play for Prizes redemption offer now in 52 centres
- Amusement academies and team training programmes are driving improved merchandising standards
- Increased footprint for some arcade areas – bigger impact machines
- £3.0m of new machines introduced into the estate
- Removing barriers to play with contactless payment
- SPG up 10.6% YOY, revenue up 14.0% YOY



Credit: inspired media

IMPROVING SPACE UTILISATION

- Effective deployment of capital through repurposing space to enhance the customer experience, increase operational efficiency and maximise revenue opportunities
- Reconfiguration of 3 centres to add extra lanes, combine bar and diner areas and enlarge the amusements area
- Increased range of games and larger scale machines
- Initiative has helped increase overall amusement spend per game by 10.6% (FY2018: 8.3%)
- Space reconfigurations planned for Glasgow Springfield Quay and Crawley centres in FY2020



Rochester

- Centre opened in 2013
- 24k sq. ft
- 2 lanes added
- Amusements area expansion



Leicester

- Centre opened in 1995
- 28k sq. ft
- 2 lanes added
- Amusements area expansion
- Combined bar and diner

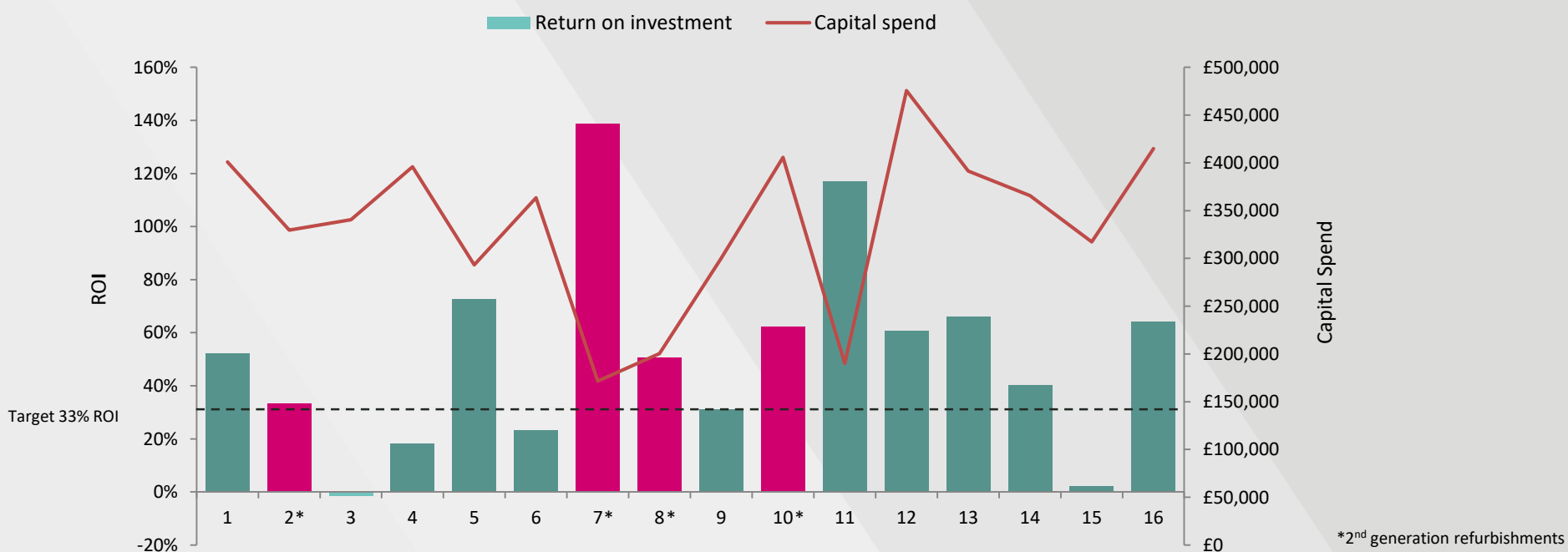


Sheffield

- Centre opened in 1998
- 30k sq. ft
- 2 lanes added
- Amusements area expansion
- Combined bar and diner

TRANSFORMATIONAL REFURBISHMENTS

- SPG performance +9.3% vs rest of estate
- Lineage + 4.3% vs rest of estate
- Average return on investment of 46.1% for last 16 refurbishments and rebrands
- 8 centres refurbished/rebranded in the year
- Ongoing pipeline of centres to refurbish – typically on a 5-7 year cycle
- c.£6m spent in FY2019 continuously improving our centres



TECHNICAL EXCELLENCE AND INNOVATION

Pins on strings

- Continued development with Qubica - launch of the new Edge String machine in 4 centres
- Retro fit improvements to the other 7 Pins on Strings (POS) centres completed
- POS GPS at 822 + 20.4% YOY
- 6 centres to receive POS in FY2020 with an average of 8 per year going forward

Maintenance

- Continued investment in freefall equipment including self lubrication and solid-state ball returns driving +7.2% increase in freefall GPS YOY
- Our central repair centre ships 98% of urgent items on the same day

Scoring system

- New scoring system now installed on 586 lanes with 24 centres completed in FY2019
- Single, stable technical platform delivering a consistent, high quality customer experience with improved GPS and post bowling CRM
- A further 677 lanes in 32 centres are scheduled for install in FY2020

New concepts

- Hyper Bowl product trial underway in 2 centres



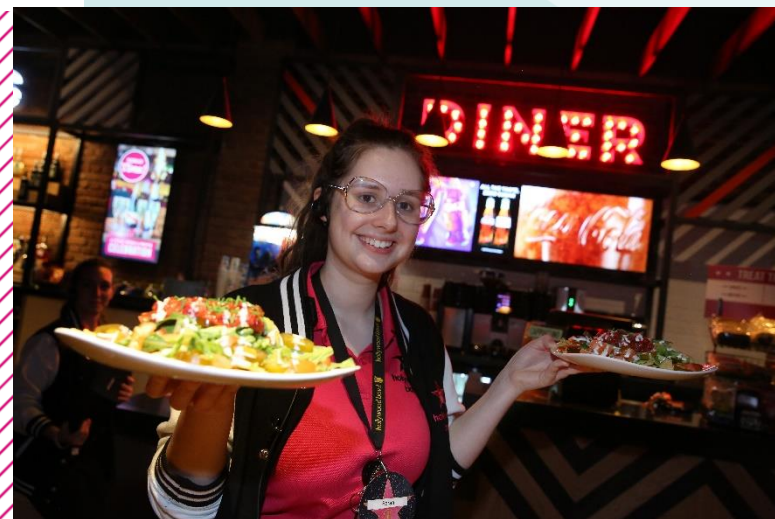
A COMMITMENT TO OUR PEOPLE

Attracting and retaining top talent

- Refresh of our employee brand - aligning more closely with our customer brand to support team recruitment
- Top talent programmes and improved recruitment processes are gaining traction
- 184 team members enrolled onto our talent programmes
- Team member retention has improved 13% pts YOY

Reward and recognition

- Hourly pay and team member incentive trials underway to ensure 'fair deal' for all team members
- Average 28.8% of salary paid as bonus to centre managers
- Average 10.1% of salary paid as bonus to assistant managers
- New digital labour scheduling tools linked to an upgraded rota management system
- Team member discount schemes introduced



SUSTAINABLE GROWTH

Future focused approach

- Improvements in solar technology, supportive landlords and increasing energy prices are shaping our sustainable energy plans
- Following 2 initial installations, we are in discussions with landlords and local authorities for further solar roof installations in FY2020

Reducing our impact on the environment

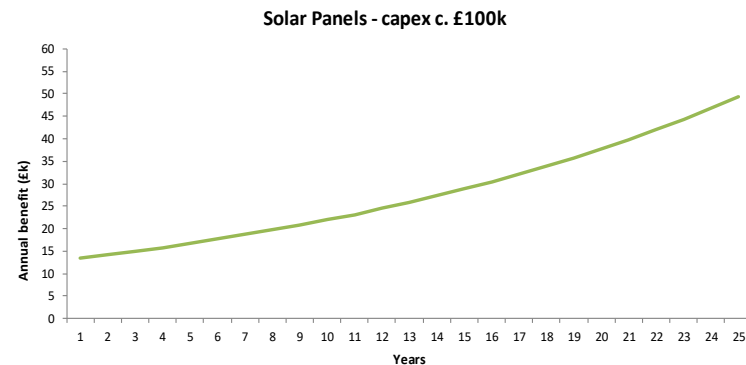
- 67% of waste now recycled
- All customer facing area lighting now converted to LED
- Board level CSR focus group meets bi-monthly to challenge use of plastics, energy and monitor our wider environmental impacts
- Environmental targets set

2022: 100 per cent of the electricity we purchase to come from renewable sources

2025: 20 per cent of our electricity to be generated from onsite renewables

2020: 75 per cent of waste to be recycled with 100 per cent diversion from landfill

2025: 85 per cent of waste to be recycled with 100 per cent diversion from landfill



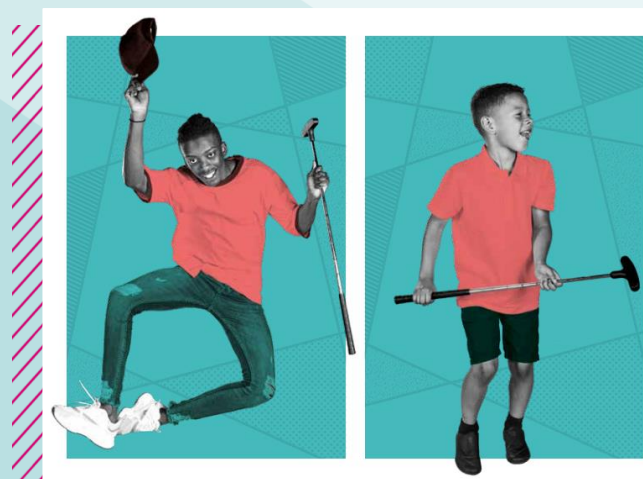
LEVERAGING OUR LEISURE EXPERTISE

Extending our leisure offer

- Highly fragmented UK mini-golf market with lack of scale operators
- Opportunity to leverage our indoor leisure experience
- The Puttstars mini-golf concept will provide challenging, fun and engaging play in a safe environment with a family focus
- Our use of technology, superior hole design and customer focus will differentiate us from other family targeted operators

Trial locations

- Three new trial centres will open in FY2020:
 - March - Thorpe Park Leeds
 - April - York (co-located with a new Hollywood Bowl)
 - July - Rochdale
- Further locations are under review to add to Group new centre pipeline if trial is successful
- More flexible space requirements when compared to bowling centres



NEW CENTRE OPENINGS



NEW CENTRE OPENINGS

Watford intu

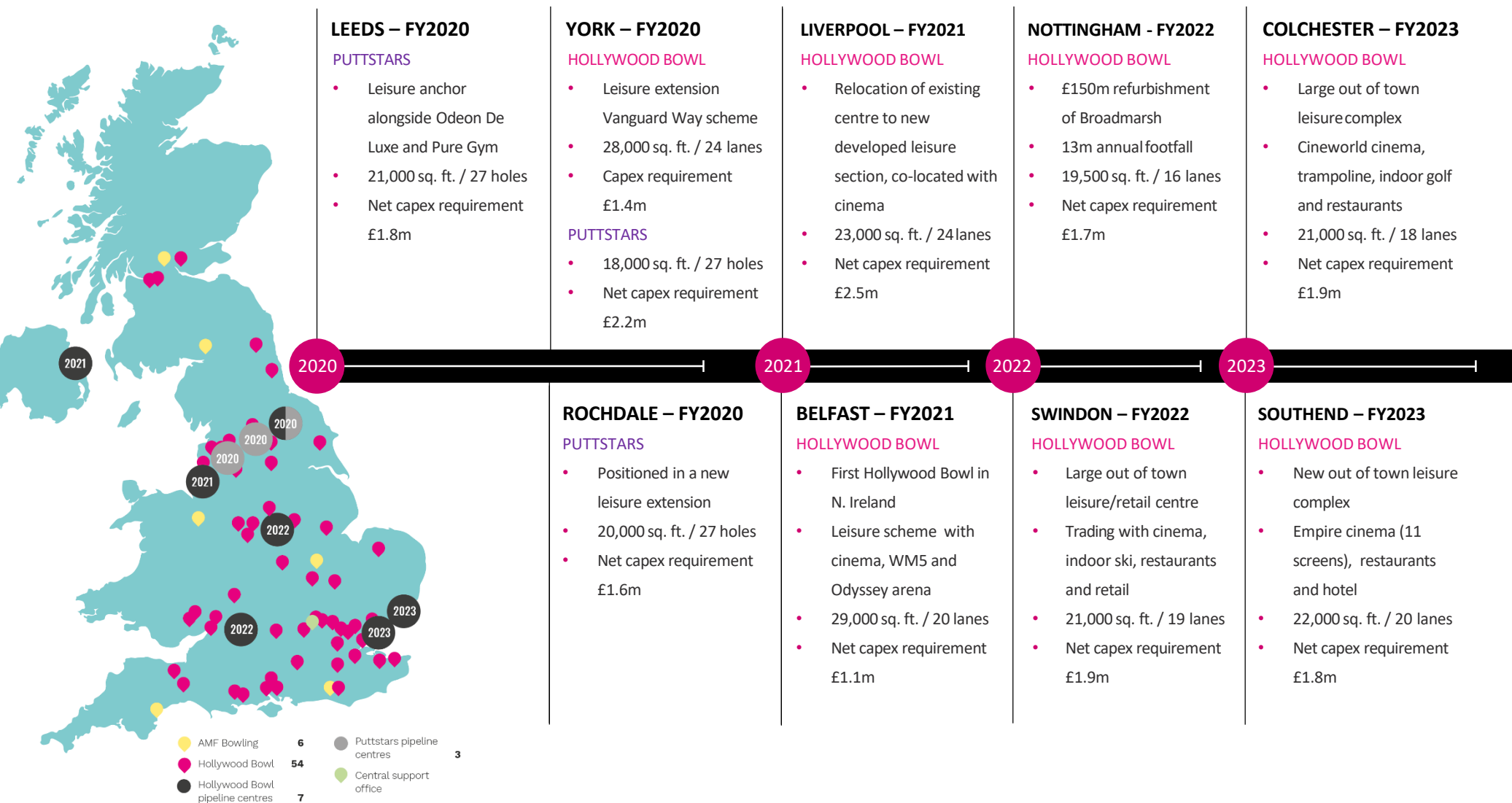
- Opened December 2018
- 23,000 sq. ft. second floor unit
- 14 lanes
- Net capital spend £1.8m
- Key anchor in new intu extension
- Pins on strings version 2
- New scoring technology
- Digital merchandising
- Trading in line with expectations

Lakeside intu

- Opened March 2019
- 34,000 sq. ft. ground floor unit
- 24 lanes
- Net capital spend £3.0m
- Key anchor in new intu extension
- Pins on strings version 3
- New scoring technology
- Digital merchandising
- Trading in line with expectations



STRONG NEW CENTRE PIPELINE TO FY2023



SUMMARY



WELL POSITIONED FOR THE FUTURE

- Market leader with high quality, well-invested estate led by experienced management team
- Customer focused business leading the ongoing revitalisation of the sector
- Significant market opportunity for future expansion and organic growth and leveraging our experience in adjacent sectors
- Refurbishment programme driving strong returns and excellent customer feedback
- Ongoing investment and innovation in the customer proposition and technology enablers
- Strong new centre pipeline backed by disciplined site selection process
- Consistent financial performance and returns driven by ongoing capital investment programme
- Group continues to perform in line with the Board's expectations for FY2020



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: 186



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

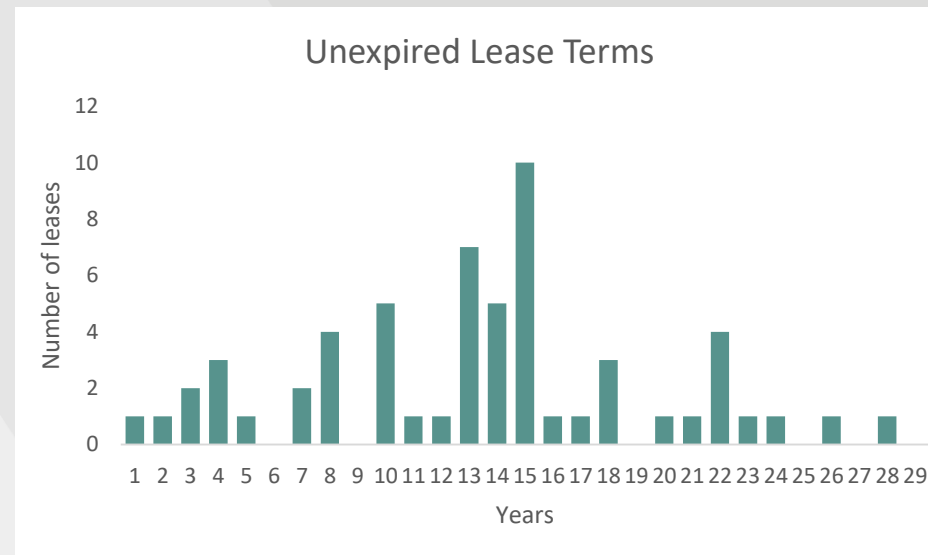
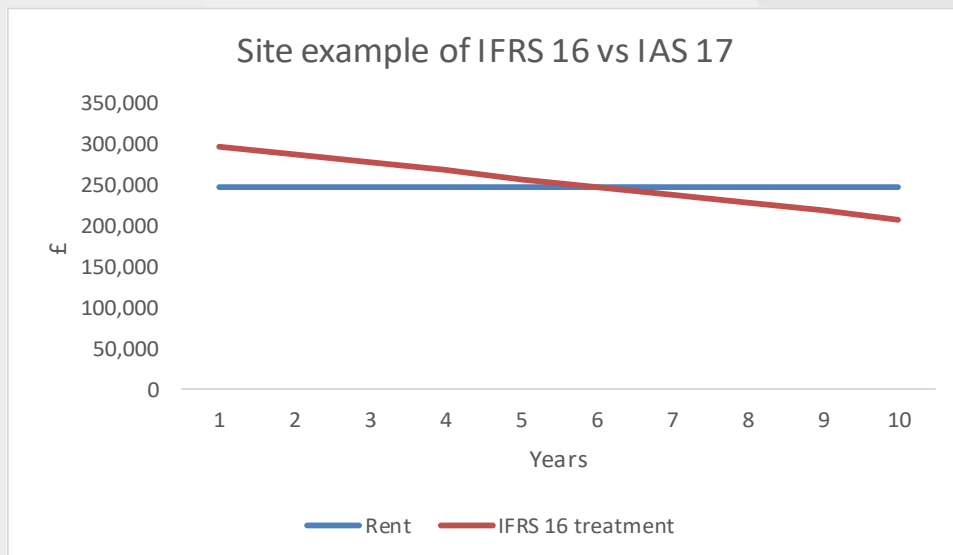


BALANCE SHEET

| (£m) | FY2019 | FY2018 |
|--------------------------|--------|--------|
| Non current assets | 125.8 | 119.7 |
| Cash at bank | 24.9 | 26.0 |
| Other current assets | 9.2 | 7.8 |
| Creditors and provisions | (31.3) | (30.1) |
| Gross debt | (27.0) | (28.5) |
| Net assets | 101.6 | 94.9 |

IFRS 16

- The average lease length for the Group is 13.8 years
- Average rent per sq. ft £8.87
- Interest is front loaded as the lease liability is at its peak at the beginning of the lease – like any normal interest bearing liability/loan
- As the liability is repaid, the interest costs decreases and the IFRS 16 charge moves into negative territory when compared to the IAS17 treatment



Let the good times roll!

**hollywood bowl
group plc**

hollywoodbowlgroup.com