

hollywood bowl  
group plc

# RESULTS PRESENTATION

*Full Year Results, 30 September 2018*

BOWLING

★ ★ ★ FOOD & DRINK ★ ★ ★

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*Let the good times roll!*





WELCOME



# AGENDA



*Steve Burns* CEO

- FY2018 highlights
- Evolution of key drivers
- Summary and outlook

*Laurence Keen* CFO

- Financial performance
- Property update

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&  
A



## CONTINUED DELIVERY OF OUR GROWTH STRATEGY IN FY2018

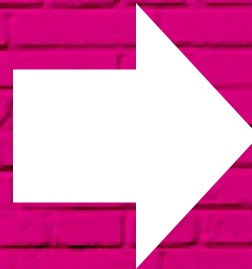
High quality profitable estate

Affordable customer led proposition

Effective use of technology enhancing the customer offer

Changing perceptions and growing the market

Attractive financial model



Record revenues and profits

Two new centres and nine refurbishments


Customer service scores improving across all key measures

Special dividend for second year running





## KEY ACHIEVEMENTS AND MILESTONES



**Final 4 Bowlplex  
centres rebranded to  
Hollywood Bowl**

**2 AMF centres  
rebranded to  
Hollywood Bowl**

**3 centre  
refurbishments**

**Hollywood Diner now  
in all 58 centres**

**Pins on Strings now in  
7 centres – V2 in  
production**

**Play for prizes now  
in 47 centres**

**Revenue from online  
bookings up 27%**

**VIP lanes in 47  
centres**

**Customer service  
scores improving  
across all key  
measures**





# FY2018 HIGHLIGHTS

- Record revenue and profits
- All revenue lines in LFL growth
- Total revenue growth driven through core estate, investments and new centre openings
- 2 new centres opened with 8 exchanged for openings before the end of FY2022
- Over 13 million games bowled with increased total spend per game up from £8.70 to £9.22
- Team member development programme: 103 completed training programmes, 10 promoted to centre manager
- Free cash flow of £18.3m
- Earnings per share 12.52 pence
- Total cash returned to shareholders since IPO: £29.8m

TOTAL  
REVENUE  
**+5.8%**  
(£120.5M)

LFL SALES  
GROWTH  
**+1.8%**

GROUP  
ADJUSTED  
EBITDA  
**+8.3%**  
(£36.2M)

PROFIT  
BEFORE  
TAX  
**+13.4%**  
(£23.9M)

FINAL  
ORDINARY  
DIVIDEND  
**4.23P**  
(+7.1%)

SPECIAL  
DIVIDEND  
**4.33P**  
(+30.0%)

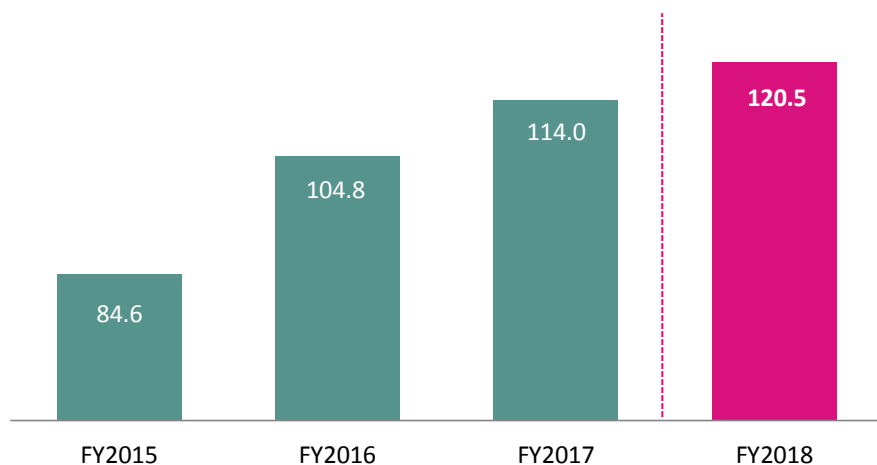


# FINANCIAL SUMMARY

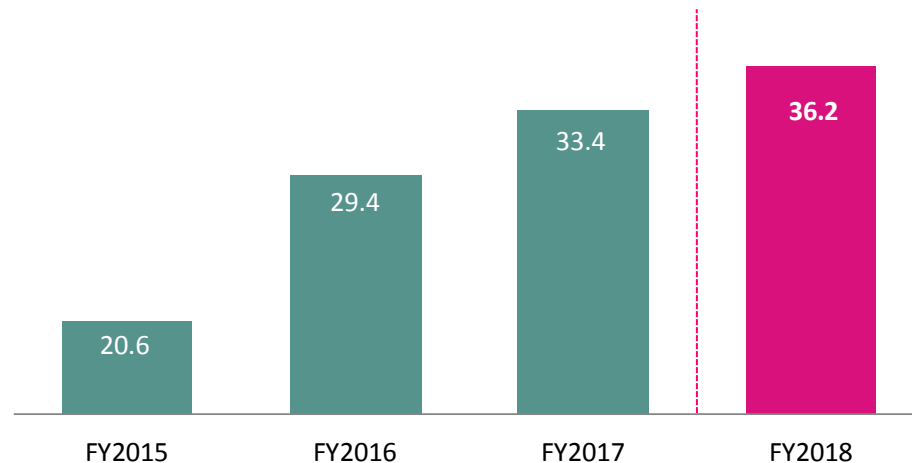
# FINANCIAL HIGHLIGHTS



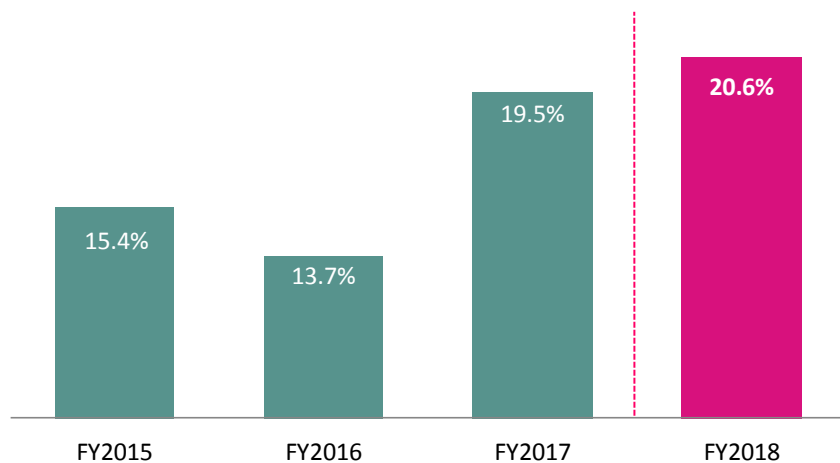
Revenue (£m): +5.8%



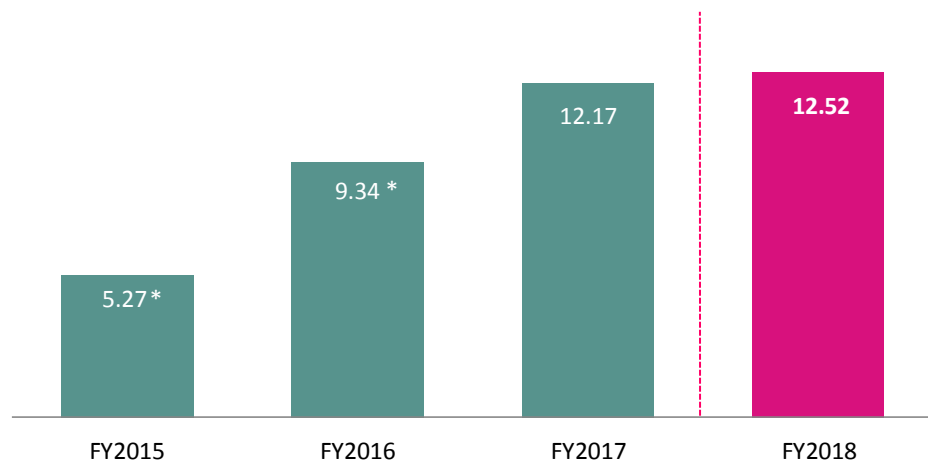
Group Adjusted EBITDA (£m): +8.3%



Operating Profit Margin %: +1.2%pts



Earnings Per Share (pence): +2.9%



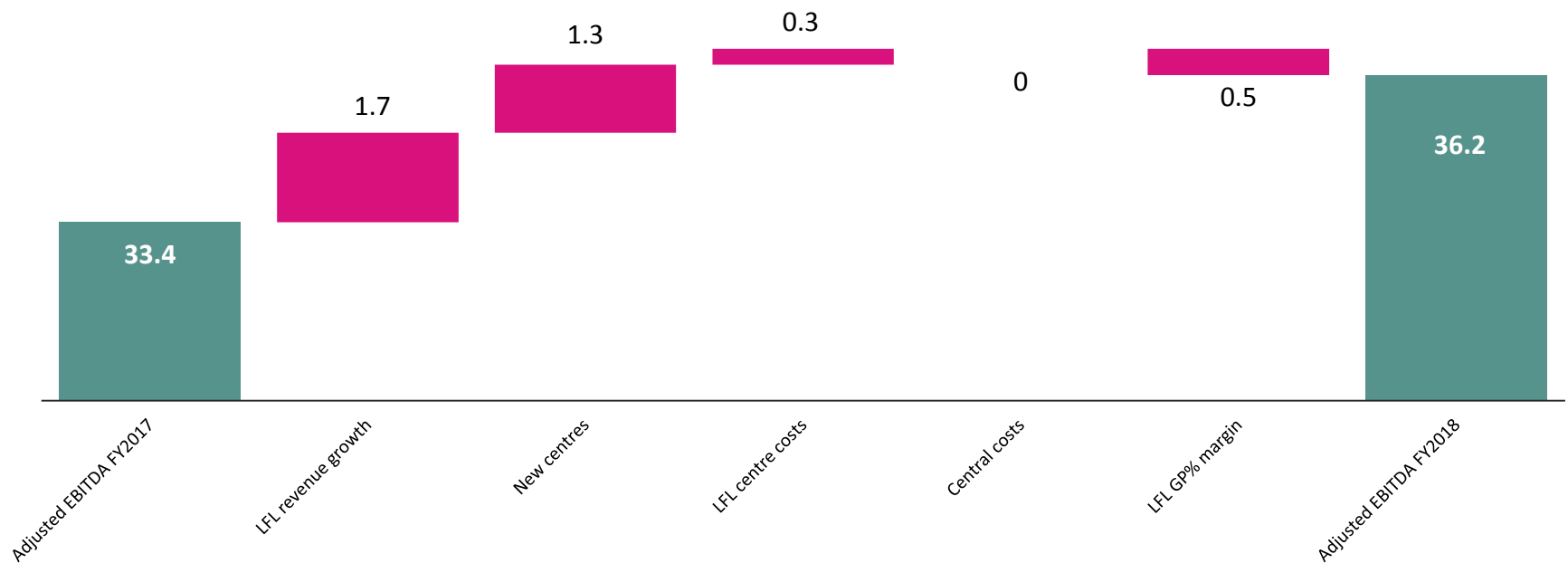




## EBITDA GROWTH +8.3%

- LFL revenue growth of 1.8%
- Part year effect of new centres pre LFL

- Continued EBITDA growth from invested centres
- Effective cost control throughout the year







# INCOME STATEMENT

(£m)	FY2018	FY2017	Movement
<b>Revenue</b>	<b>120.5</b>	<b>114.0</b>	<b>+5.8%</b>
<b>Gross profit</b>	<b>103.8</b>	<b>98.6</b>	<b>+5.3%</b>
Gross profit%	86.1%	86.5%	-0.4%pts
Administrative expenses / other income	(78.9)	(76.4)	
<b>Operating profit</b>	<b>24.9</b>	<b>22.2</b>	<b>+12.1%</b>
<b>Operating profit margin %</b>	<b>20.6%</b>	<b>19.5%</b>	<b>+1.2%pts</b>
Depreciation	10.5	10.0	
Amortisation	0.5	0.5	
Fixed asset disposal	0.1	0.6	
Exceptional items	0.1	0.0	
<b>Adjusted EBITDA</b>	<b>36.2</b>	<b>33.4</b>	<b>+8.3%</b>
<b>Adjusted EBITDA margin %</b>	<b>30.0%</b>	<b>29.3%</b>	<b>+0.4%pts</b>
Finance expenses	(1.0)	(1.1)	
Movement financial instruments	–	0.1	
<b>Profit before tax</b>	<b>23.9</b>	<b>21.1</b>	<b>+13.4%</b>
Tax expense	(5.1)	(2.8)	
<b>Profit after tax</b>	<b>18.8</b>	<b>18.3</b>	<b>+2.9%</b>
Statutory EPS (pence)	12.52	12.17	+2.9%
<i>Profit after tax – excluding ATCA</i>	<i>19.4</i>	<i>18.3</i>	<i>+6.0%</i>

— LFL revenue up 1.8%

— Gross profit % in line with management expectations

— Operating profit up 12.1% and margin at 20.6%

— Adjusted EBITDA up 8.3% due to strong revenue growth and effective cost controls

— Record profit before tax of £23.9m

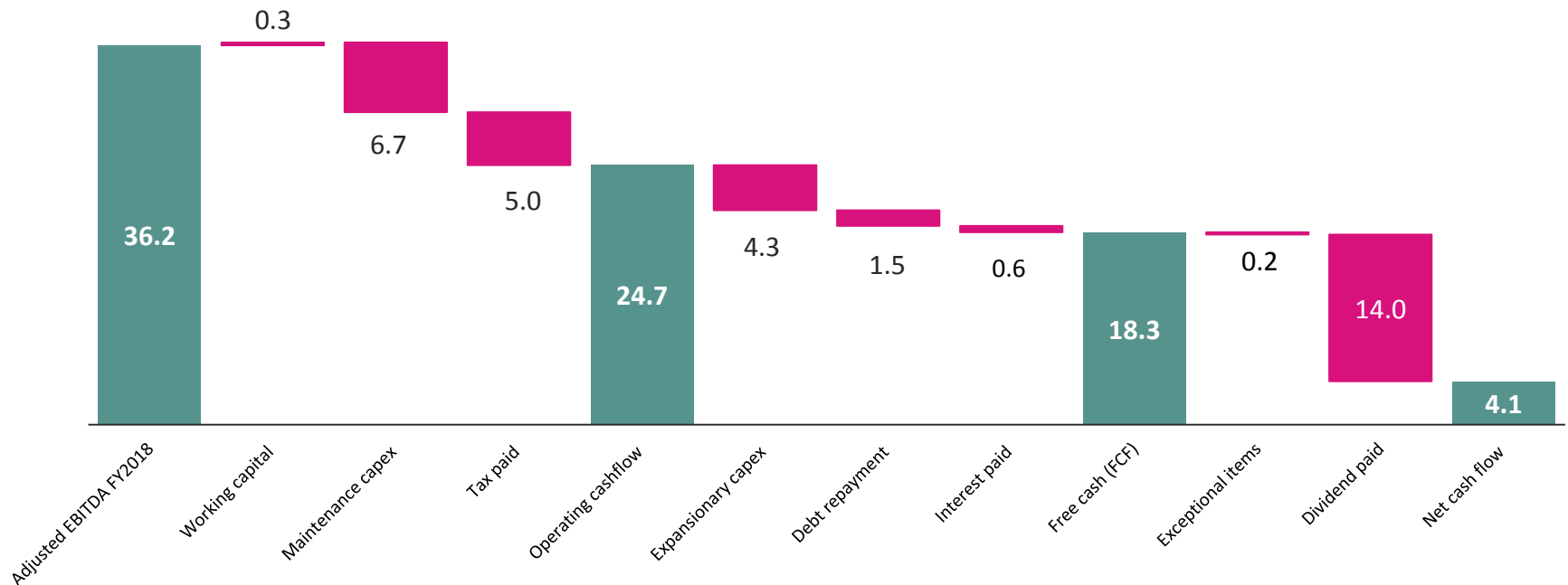
— Statutory EPS up 2.9%



## STRONG CASH GENERATION

- Group adjusted operating cash flow of £24.7m (FY2017: £26.7m)
- Expansionary capex includes 9 refurbishments / rebrands and net capex of 2 new centres

- Proposed final dividend of 4.23p per share plus a special dividend of 4.33p per share
- Total proposed cash return to shareholders of £15.9m in relation to FY2018 (10.59p per share)







## FINANCIAL OUTLOOK

- 7 – 10 refurbishments / rebrands to be completed in FY2019
- 2 new centres – Watford pre Christmas and Lakeside in H2 FY2019
- Total expansionary capital expenditure expected to be £5.5m - £6.3m
- Maintenance capital expenditure expected to be £6.0m - £6.5m
- Expect to advance rollout of scoring technology in FY2019 at a cost of £2.0m
- Effective tax rate expected to be 20.4% in FY2019
- IFRS 16 adoption will be implemented in FY2020





**DELIVERING  
ON OUR  
GROWTH  
STRATEGY**

# GROWTH STRATEGY

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## Organic growth

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### 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

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### Maintaining a high quality, profitable estate

- Rolling refurbishment 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

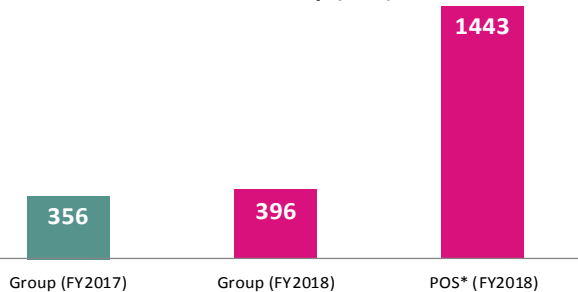




## OPERATIONAL INNOVATION

### Pins on strings

Games Per Stop (GPS)



- Now in 7 centres
- Trial of both Qubica and Brunswick machines
- V2 of the Qubica machine now in production, will be rolled out to four centres during FY2019
- Will be implemented in centres where machines are end of life and new centre openings

PINS ON STRINGS

ROI

30%

### Group scoring



- Single, stable technical platform for our core product
- Deliver consistent, high quality customer experience – UX and GPS
- Increased customer engagement through CRM programme
- Rolling out to the estate over next 2 years

SCORING EMAIL  
OPEN RATES OVER

80%



## OPERATIONAL INNOVATION

### Food and drink



- Hollywood Diner rolled out across the estate
- Cost inflation largely mitigated
- Drinks menu refreshed and rolled out
- Duty increases offset protecting margin
- i-Serve lane ordering system rolled out across the estate
- Amusement enhancements driving continued growth
- Enhanced commercial terms improving margin
- Play for prizes in 47 centres

FOOD SPG

**+5.4%**

BAR SPG

**+7.0%**

AMUSEMENT SPG

**+8.3%**

### Amusements

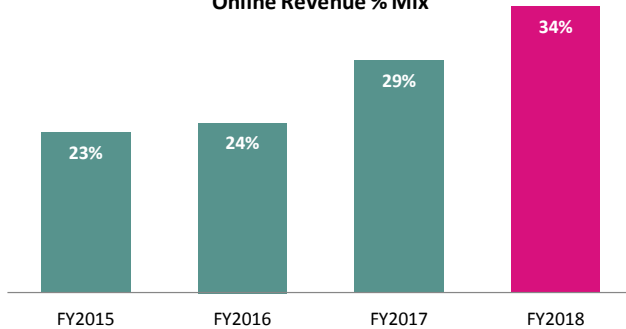




# TECHNOLOGY INITIATIVES

## Digital

Online Revenue % Mix



- 1.7m email contacts post GDPR
- Driving up to 20% of revenue in challenging trading conditions
- New automated campaigns and customer segmentation
- Single central social accounts – 20% increase in followers YOY
- Digital performance advertising revenues up 37%

ONLINE REVENUE  
**+27%**

MOBILE REVENUE  
**+37%**

BOWLING SPG  
**+5.3%**

- Price elasticity based on booking lead time and capacity
- Value drivers now on dynamic pricing model with no negative customer feedback
- V3 in production, to include larger differential on super peak and off peak time slots

## Dynamic pricing

19:00	BOOK NOW! SAVE 12%*	£6.69 >
19:10	BOOK NOW! SAVE 12%*	£6.59 >
19:20	BOOK NOW! SAVE 15%*	£6.39 >
19:30	BOOK NOW! SAVE 15%*	£6.39 >





# TRANSFORMATIONAL REFURBISHMENTS



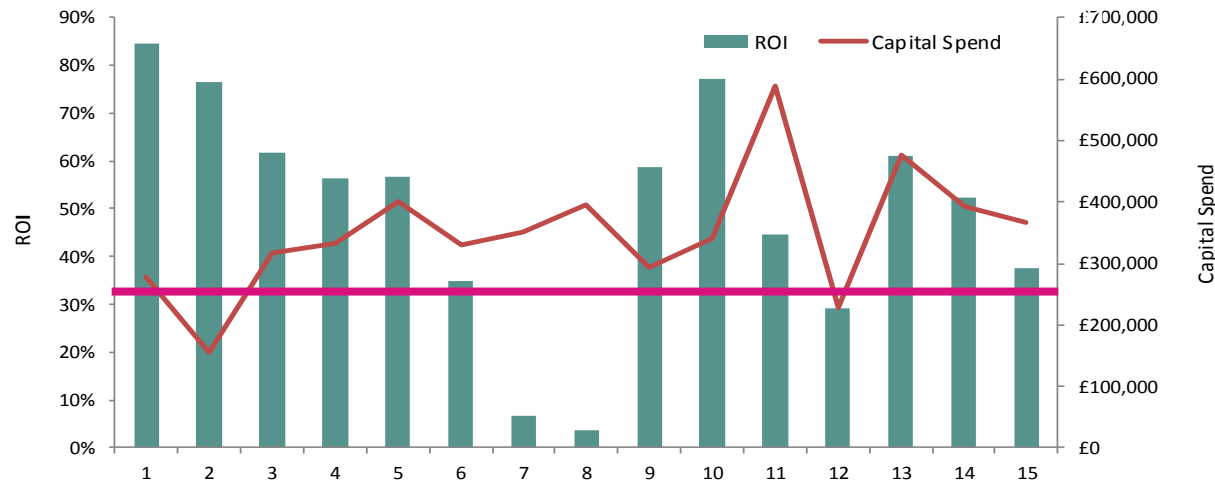
# INVESTMENT LED GROWTH

## Refurbishments

- Return on investment of 44.8%
- LFL revenues continue to outperform at 7.1% up vs non invested estate
- Game volumes up 1.5% vs non invested estate
- 6 refurbishments planned in FY2019

## Rebrands

- Return on investment of 54.9%
- LFL revenues continue to outperform at 14.9% up vs non invested estate
- Game volumes up 6.5% vs non invested estate
- Estate comprises of 50 HWB and 8 AMF centres
- Plans to rebrand 2 AMF centres in FY2019





# INVESTMENT LED GROWTH

## Hollywood Bowl refurbishment - Cribbs Causeway

- Return on investment of 84.6% on £300k capital
- All areas of the centre upgraded including Hollywood Diner and bar
- LFL revenues up 17.9% post investment
- Game volumes up 15.9% vs non invested estate



## AMF Bowling rebrand - Peterborough

- Rebranded and refurbished to Hollywood Bowl
- Return on investment of 58.9% on £310k capital
- Enlarged amusement area as well as combined bar and Hollywood Diner
- LFL revenues up 14.6% post investment







# OUR PEOPLE — A KEY ENABLER FOR GROWTH

## Training and development

- Over £260k invested in developing our team
- 86 graduated assistant manager training programme
- 17 graduated centre manager training programme
- Senior leadership development programme launched to nurture next generation of senior leaders

## Reward and recognition

- Sector leading centre manager incentive scheme enhanced
- Centre managers and assistant managers LTIP scheme
- Centre manager conference
- Awards for top performers and USA trip for winners
- Second SAYE launching in January 2019





# NEW CENTRE - DAGENHAM



## NEW CENTRE - DAGENHAM



- Secured from landlord having traded as Namco
- Destination leisure park
- Opened October 2017
- Play for prizes introduced
- Trading well and in line with expectations since opening
- On track to pay back in under 15 months

NET CAPEX  
**£391k**

SQ.FT  
**31k**

LANES  
**20**





# NEW CENTRE - YEOVIL



## NEW CENTRE - YEOVIL



- Secured from landlord having traded as one of the few profitable MFA centres
- Destination leisure park
- Opened March 2018
- Pins on strings installed
- Play for prizes introduced
- Trading well and in line with expectations since opening
- On track to pay back in under 18 months

NET CAPEX

£630k

SQ.FT

23k

LANES

18





## STRONG NEW CENTRE PIPELINE

### Watford – FY2019



- Key anchor in the new intu extension
- Alongside Cineworld and Debenhams
- Intu extension is 400,000 sq. ft., £180m spend
- Top 20 UK retail destinations
- 20,000 sq. ft. / 14 lanes
- Capex requirement £1.7m

### Lakeside – FY2019



- Largest bowling centre to open in UK or over 10 years
- Major anchor of new leisure extension
- Alongside Nickelodeon indoor theme park
- 34,000 sq. ft. / 24 lanes
- Capex requirement £2.2m

### Liverpool – FY2021

- Relocation of existing centre to a newly developed leisure/retail park
- Co-located with large cinema, restaurants and retail units
- 23,000 sq. ft. / 24 lanes
- Capex requirement £2.3m

### Nottingham – FY2021



- £150m refurbishment of Broadmarsh
- 13m annual footfall
- Rise to 6th highest retail destination in the UK
- Alongside new cinema
- 19,500 sq. ft. / 16 lanes
- Capex requirement £1.7m

### Southend – FY2021/22

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

### Swindon – FY2022

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



**TARGET AN AVERAGE OF TWO NEW CENTRES PER YEAR**



## GROWTH IN LINE WITH MEDIUM TERM STRATEGY

### York FY2020



- New bowling centre secured for FY2020 in a first class location
- Co-located with cinema in a leisure extension to a retail scheme
- 28,000 sq.ft. ground floor unit
- Significant capital contribution and 12 months rent free
- Also leasing the 18,000 sq.ft. first floor unit for our new indoor leisure concept
- 3 separate interactive nine hole putting courses
- We will leverage our customer led operating model, sector leading CRM and wider support infrastructure
- A product that appeals to the same customer base as bowling
- An opportunity to occupy a footprint unsuitable for a bowling centre

GROUND FLOOR

24  
LANES

FIRST FLOOR

3X  
9 HOLES

OVERALL GROSS  
CAPEX

£4.2M

# SUMMARY



# OUTLOOK

- Group continues to perform in line with the Board's expectations for the current year
- Refurbishment programme driving strong returns and excellent customer feedback
- Market leader with high quality, well invested estate led by experienced management team
- Customer focused business leading the revitalisation of the sector
- Significant market opportunity for future expansion and organic growth
- 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



# ★ ★ ★ APPENDIX ★ ★ ★



# MANAGEMENT

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## Stephen Burns - Chief Executive Officer

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- **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

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- **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:** 180



## BALANCE SHEET

(£m)	FY2018	FY2017
Non current assets	119.7	118.6
Cash at bank	26.0	21.9
Other current assets	7.8	8.3
Creditors and provisions	(30.1)	(29.0)
Gross debt	(28.5)	(30.0)
<b>Net assets</b>	<b>94.9</b>	<b>89.8</b>

*Let the good times roll!*

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group plc

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