HBG

Results presentation

Hollywood Bowl Group plc
Financial year ended 30 September 2021

Agenda

Stephen Burns

Chief Executive Officer

- FY2021 financial and operational highlights
- COVID-19 impact and mitigation
- Reigniting growth
- Summary and outlook

Laurence Keen

Chief Financial Officer

- FY2021 financial review
- Investment led growth

FY2021 financial performance

LFL Revenue growth (post 17 May*)

+28.6%

LFL average spend per game (post 17 May*)

+9.6%

(£10.29)

Total revenue

£71.9m

(2020: £79.5m)

Gross profit margin

85.7%

(2020: 85.5%)

Operating profit margin

13.3%

(2020: 12.4%)

Group EBITDA

£30.6m

(2020: £29.8m)

Net cash / (debt)

£29.9m

(2020: (£8.7m))

Profit after tax

£1.7m

(2020: £1.4m)

*LFL vs post 17 May 2019

Operational highlights

- Excellent FY2021 performance when open
  - 28.6% LFL revenue growth from May 2021 and significant free cash flow generation
  - Significantly ahead of non COVID-19 FY2019 comparable
- Well managed reopening, capitalising on the post lockdown tailwinds
  - Mitigated the impact from product and labour supply issues when open
  - COVID-19 learnings rolled into new ways of working (diner, cleaning, private environment, online optimisation and CRM)
- £5.2m capital invested in revenue generating and cost saving expenditure programmes
- Puttstars developing well with the learnings informing the growth plan
- Demand for fun, safe and family-friendly leisure remains strong since reopening with better than expected performance
- Good progress made with sustainability initiatives and strategy

FY2021
COVID-19 impact

COVID-19 impact

	% of estate open	Capacity restrictions	Table service only	10pm curfew	Face mask mandatory	Group size restrictions	Revenue vs FY2019	Sales
October	95%	50%	Yes	Yes	Yes	Yes	(26.3%)	£10.7m
November	18%	50%	Yes	Yes	Yes	Yes	(84.8%)	
December	37%	50%	Yes	Yes	Yes	Yes	(87.0%)	
January February March April	0%	LOCKDOWN					(100.0%)	£0m
May*	54%	No	No	No	Yes	Yes	(47.6%)	£16.3m
June	100%	No	No	No	Yes	Yes	+22.8%	
July*	100%	No	No	No	No	No	+26.9%	£45.0m
August	100%	No	No	No	No	No	+56.4%	
September	100%	No	No	No	No	No	+32.6%	

* 17 May Reopening with restrictions
* 19 July Trading with no restrictions

- October 2020 restrictions in Wales and Scotland before the national November 2020 lockdown for 4 weeks
- Opened 37 centres on 2nd December 2020, with centres entering new tiers during the month
- All centres closed by New Year's Eve 2020
- 25.6 weeks trading, including only 10 weeks without restrictions
- Lockdown until 17th May 2021, when all centres opened with restrictions
- Freedom Day from 19th July 2021
- Strong trading on the back of continued investment in our proposition and significant pent-up demand

COVID-19 mitigation

Operational readiness

- March £30m equity raise unlocked growth opportunities and helped facilitate an immediate recovery to pre-pandemic performance
- Proactive talent banking, full retraining for all team members and launch of sales, service and environmental incentive
- Extensive preparation for COVID-19 related operational requirements
- Well publicised sector reopening driving customer demand

Post lockdown impact

- Short term regionalised ‘pingdemic’ impact on team resourcing
- Proactive talent strategy minimised wage inflation and reduced availability of hospitality personnel
- Post lockdown tail winds created significant demand, allowing us to push capacity to new highs with well executed yield and capacity management initiatives
- Excellent trading period with strong outputs in service, sales and delivery of the growth strategy

Financial review

Financial performance

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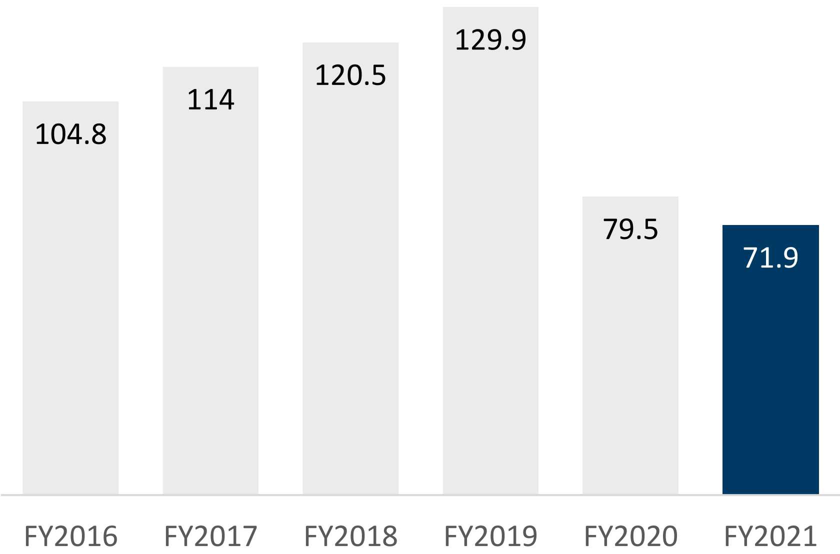
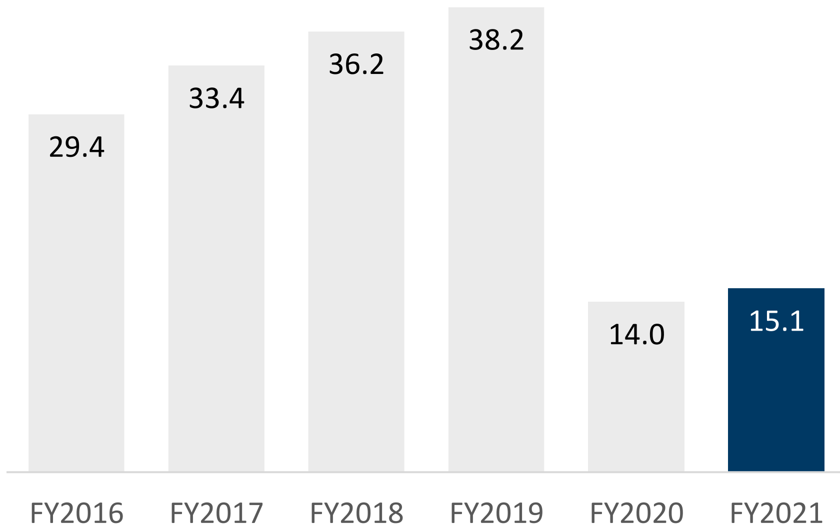
Revenue (£m) -9.6%



Group Adjusted EBITDA pre-IFRS 16 (£m) +2.5%

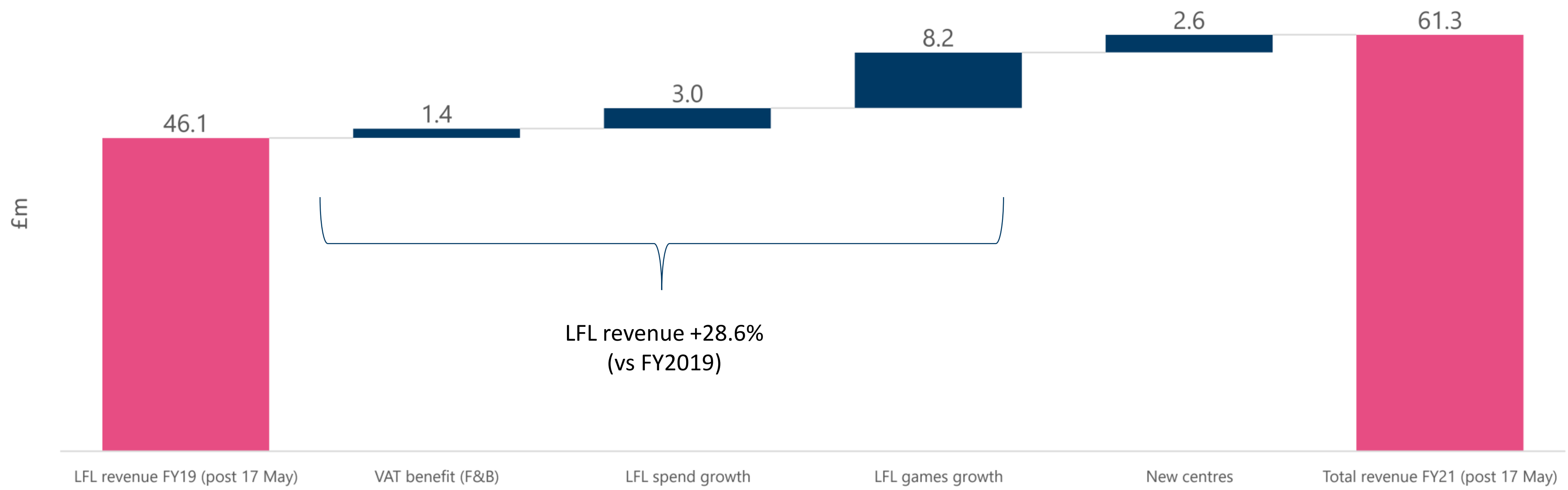


Statutory Operating Profit Margin (%) +0.9pts

Earnings Per Share (Pence) +22.2%

Record summer revenue performance

- LFL revenue growth (vs FY2019) of 28.6% since 17 May driven by growth in spend per game and number of games played
- Headline price per game increased by 1.8% since FY2019
- Increased dwell time driving average spend up 9.6%
- Game volume increase of 17.6% supported by pent-up demand and UK based holidays
- H2 revenues of £61.3m
- Record revenue of £20m in August, LFL revenue growth of 50% vs FY2019
- New centres performing in line with expectations and pipeline continuing to grow
- Continued strong performance in FY2022, with record ever week in October half term



Income statement

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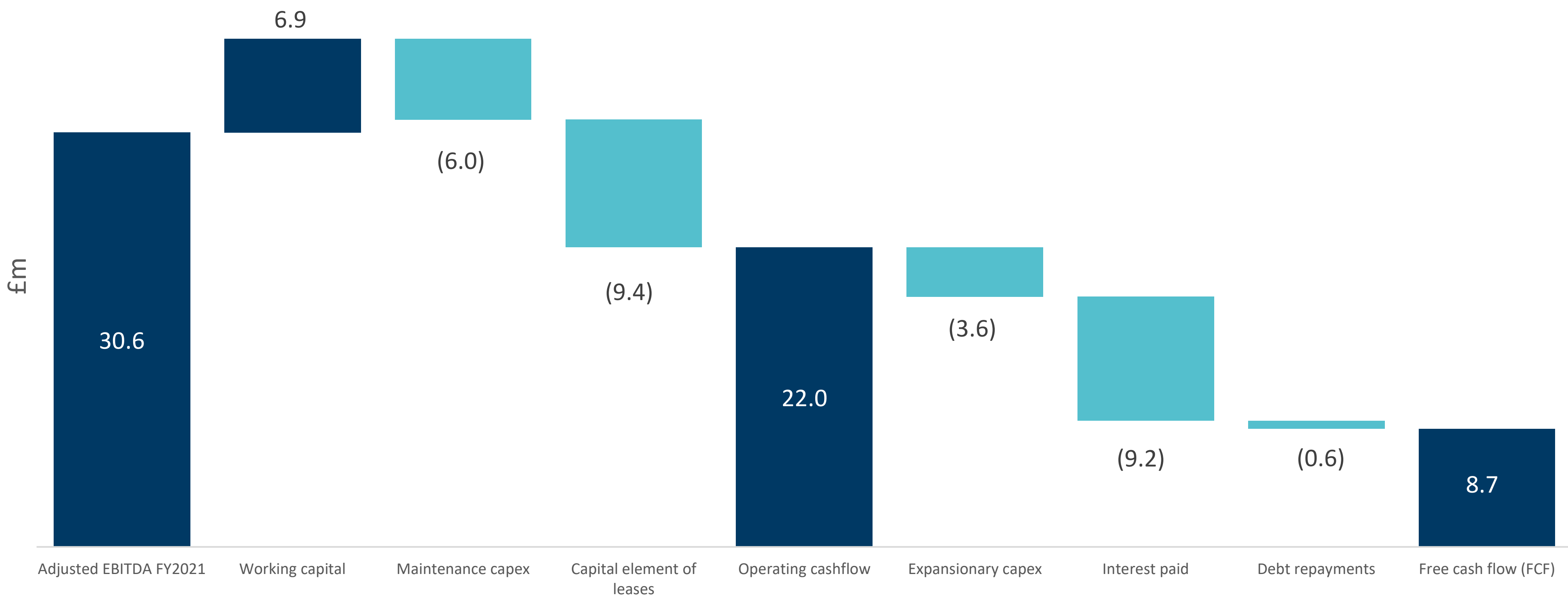
(£m)	FY2021	FY2020	Movement
Revenue	71.9	79.5	(7.6)
Gross profit	61.6	67.9	(6.3)
Gross profit %	85.7%	85.5%	+0.2%pts
Government grant income	2.8	-	+2.8
Administrative expenses	40.5	45.3	+4.8
Corporate costs	8.8	8.7	(0.1)
Group adjusted EBITDA pre-IFRS 16	15.1	14.0	+1.1
Group adjusted EBITDA % pre-IFRS 16	20.3%	17.6%	+2.7%pts
Add back Property Rent	15.4	15.8	+0.4
Group adjusted EBITDA	30.6	29.8	+0.8
Depreciation, impairment and amortisation	20.9	19.9	(1.0)
Operating profit	9.6	9.9	(0.3)
Net finance expenses	9.1	8.7	(0.4)
Profit before tax	0.5	1.2	(0.7)
Tax credit	1.3	0.2	+1.1
Profit after tax	1.7	1.4	+0.3
Earnings per share (pence)	1.05	0.90	+22.2%

- LFL revenue up 28.6% vs FY2019 since reopening in May
- Trading for only 25.6 weeks
- Gross profit margin 85.7% in line with management expectations
- Government support mitigated some closure costs
- Operating costs down 32.1% vs. FY2019
- Group adjusted EBITDA pre-IFRS 16 £15.1m
- Expansionary capital continued during H2
- Increased finance costs due to write off of Lloyds debt facility (replaced with more favourable Barclays facility)
- Tax refund of £0.7m received in FY2022
- Earnings per share of 1.05 pence per share (up 22.2%)

Strong trading driving free cash flow

- Group adjusted operating cash flow of £22.0m (FY2020: £14.8m)
- Strong trading and cost management drove significant cash inflow
- Working capital benefit due to reopening of business and payment terms
- Total capital spend of £9.7m including £2.5m on new centres and £1.1m on refurbishments
- Generated free cash flow of £8.7m
- Equity placing net proceeds of £29.2m
- Debt fully paid down with new facility agreed Sep 2021
- No dividend declared
- Net cash of £29.9m and total liquidity of £54.9m
- Cash inflow of £10.2m since start of FY2022



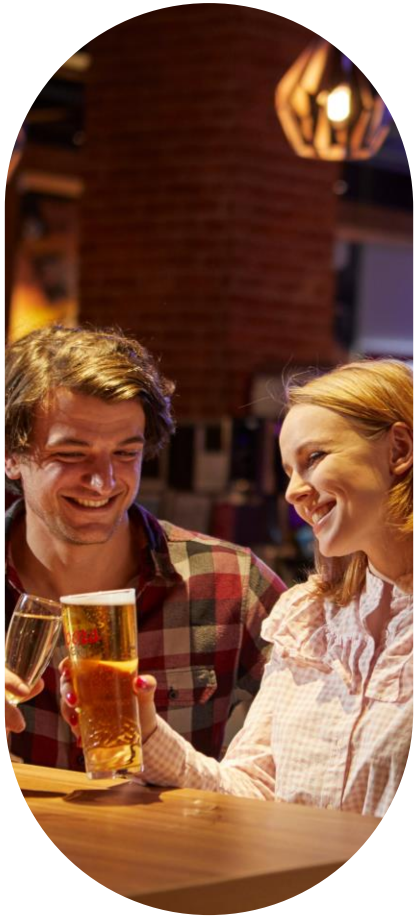
Financial outlook for FY2022

- Strong start to FY2022
  - » First two months 38.1% like for like revenue growth vs FY2019
  - » Mindful of ongoing uncertainties regarding COVID-19 restrictions
  - » Strong balance sheet – net cash £40.1m as at Nov 2021
  - » Remain optimistic for at least high single digit LFL sales vs FY2019

- Inflationary pressures
  - » National living and minimum wage
  - » Food input costs
  - » Energy costs

- Continue with successful capital investment programme
  - » 4 new centres to open
  - » 5-7 refurbishments planned
  - » 16 Pins on Strings installs
  - » Maintenance capital expenditure expected to be c.£4m

- Lower interest costs due to successful bank refinancing



Reignited growth




Strategy for growth

Organic growth

Constant focus on customer experience

- Increasing dwell time through customer focused culture and innovation
- Focus on sales, service and safety superiority
- 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
- Best in class scoring and bowling systems

Broadening the appeal to new customers

- Maximising engagement through targeted marketing

Investment led growth

Maintaining a high quality, profitable estate

- Rolling refurbishment programme which prioritises spend on strong returns

Development of new centres

- Target of 4 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

Leveraging our indoor leisure experience

- Strategic roll out of the Puttstars brand

Strategic profit enhancing acquisitions

- Opportunities in international and UK markets that suit the Group‘s demographic criteria

A valued experience

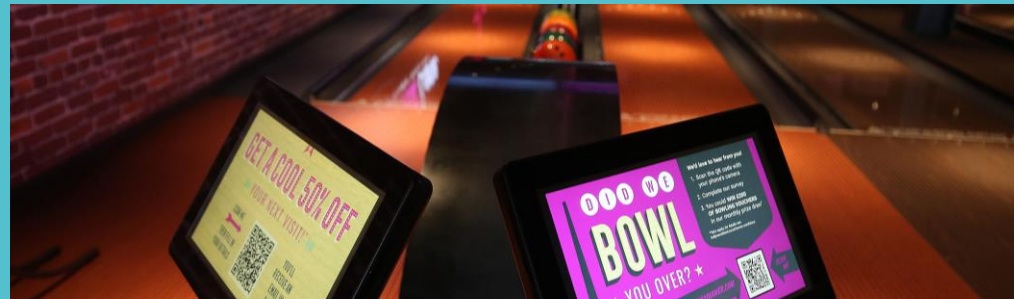
Simplicity driving success

- Simplified food menu focused on speed, quality, consistency and value with low kitchen skill requirement
- Food customer satisfaction score improved
- Payment trials maximised drink spend and managed food sales on the lanes
- Margin improvement, VAT reduction worth £197k (30bps)
- Strategy to protect the value proposition for the next financial year, with only minor price increases planned

Amusement innovation

- Refreshed machine offer, the very latest product and removing the barriers to play supported significant growth in the amusement areas
- Coin operated virtual reality games introduced with option for contactless payment
- Contactless option on change machines in every centre as well as 56% of pool tables
- Removed 160 Category D, AWP machines from the arcades
- Re-engineered space to enlarge the offer - 2,400sq ft added in FY2021
- 19.2% growth in amusement spend per game from May vs FY2019

Technical excellence and innovation



The bowling experience

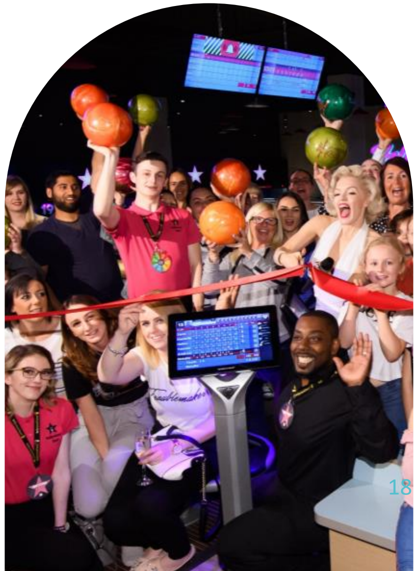
- Continued investment in the bowling experience has driven reliability and improved customer experience
- Six Pins on Strings installed in the period with 41% of the estate complete. 68% of the estate will be complete in FY2022 with returns in line with past performance
- New scoring system now in all centres, linking back to customer records and driving increased engagement and repeat visits
- Dynamic pricing used to spread demand over the busier periods improving yield and driving up peak capacity
- COVID-19 lane seating dividers and improved cleaning regime a valued part of the experience, with learnings incorporated into the new builds and refurbishments
- Bowling SPG up 8.9% vs FY2019

Keeping pace with the digital world

- Continued investment in strategic digital software, infrastructure and marketing programmes
- New customer data platform (CDP) introduced to improve targeting and automation of email programmes to 1.79m contacts
- Improved booking engine launched following UX review and customer testing to increase conversion levels
- Website accounted for 63% of bowling revenue in FY2021 up from 37% in FY2019 – backed by extensive digital advertising activity
- All new centres and refurbishments include digital signage package - scoring leader-boards, reception, bar and diner areas
- Digital team expanded

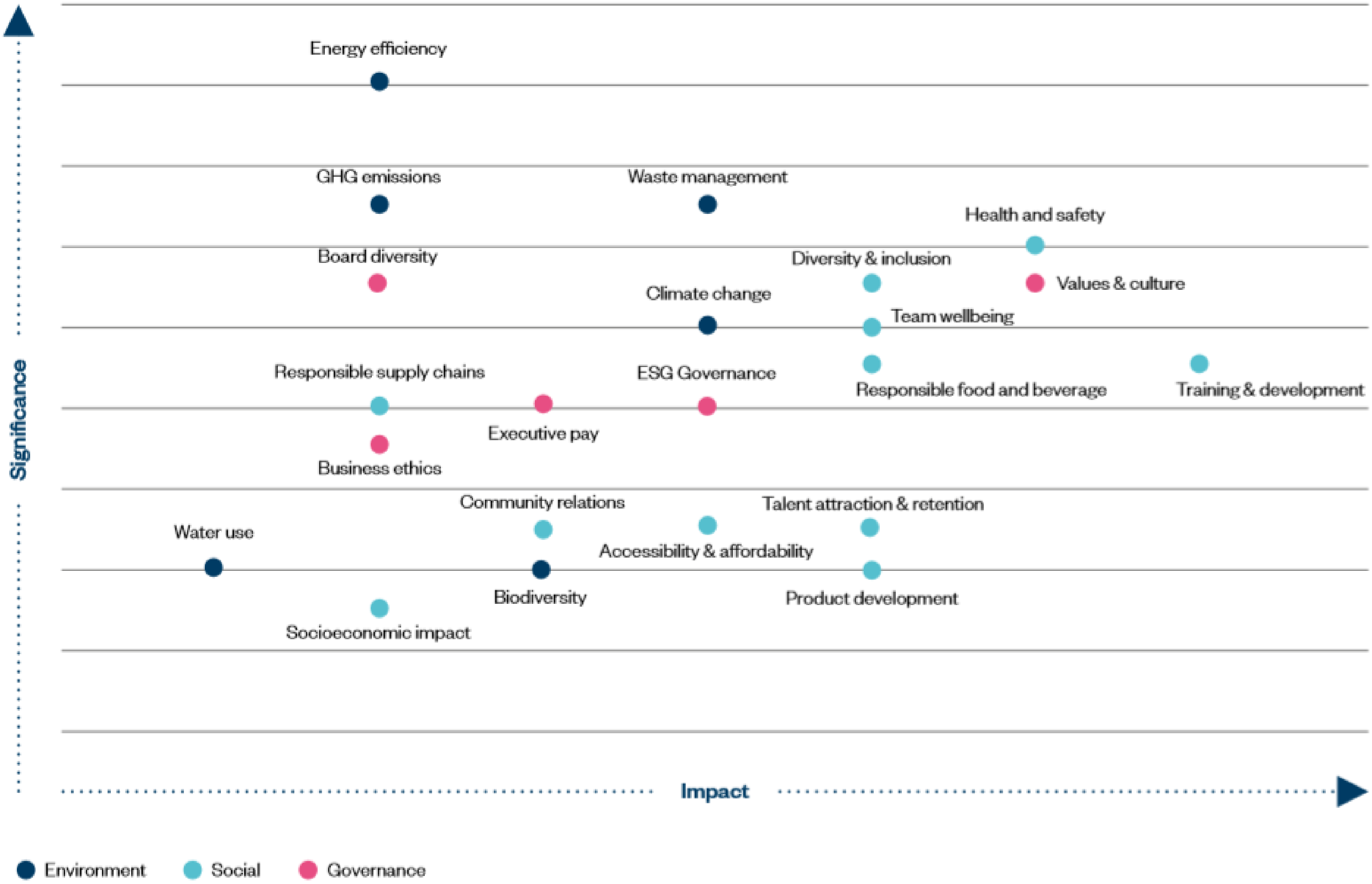
Attracting and retaining top talent

- Financial support for all team members reinstated for closure periods
- Relaunch of the Company ways of working and values, attended by all team members during the closed periods
- New, more rewarding incentive programmes launched, aligning every team member with the same goals
- Top talent programmes resumed with 47 candidates now on Assistant Manager training programme and 13 on Centre Manager training programme
- Apprenticeship programme launched for specialist support roles and manager roles
- 49% of all management appointments from our top talent programme this year
- Improved focus on team member engagement with new technology driving high participation and engagement across all levels



Our evolving approach to sustainability

- Comprehensive materiality review undertaken, identifying highest impact areas as shown in the matrix below
- ESG strategy evolved into a three-pillar approach which addresses priority issues and supports Group strategic objectives



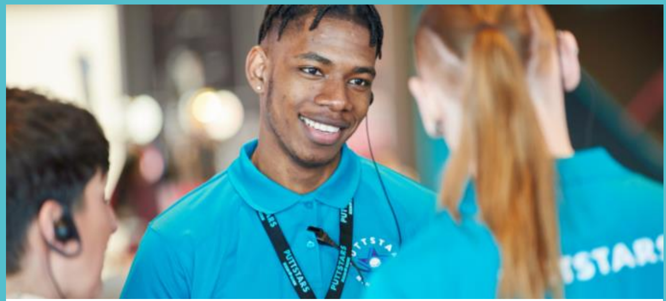
Three pillar ESG strategy

Safe and inclusive leisure destinations

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

Progress

- COVID-19 protocols enhanced and maintained
- Concessionary rates available and overall pricing levels increased <2%
- Sugar free drinks range expanded
- National charity partnership



Outstanding workplaces

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

Progress

- High levels of virtual and face to face engagement achieved
- Innovative, inclusive team member incentive scheme launched
- Extensive development programmes and wellbeing support
- Multiple internal promotions achieved

Sustainable centres

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

Progress

- 71.6% of waste recycling achieved (above 70% target) supported by team member incentive scheme
- 5 centres now with solar arrays with 10 more planned in FY2022
- Team member behavioural change targeted to help reduce energy consumption
- Electric vehicle scheme launched

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Puttstars
On the right course

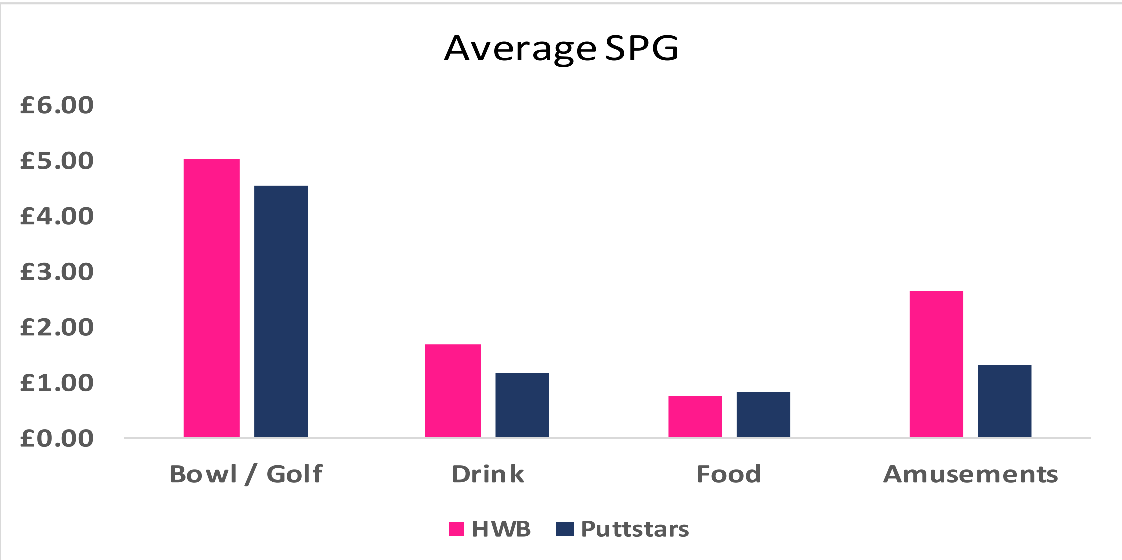
Solid performance versus investment case

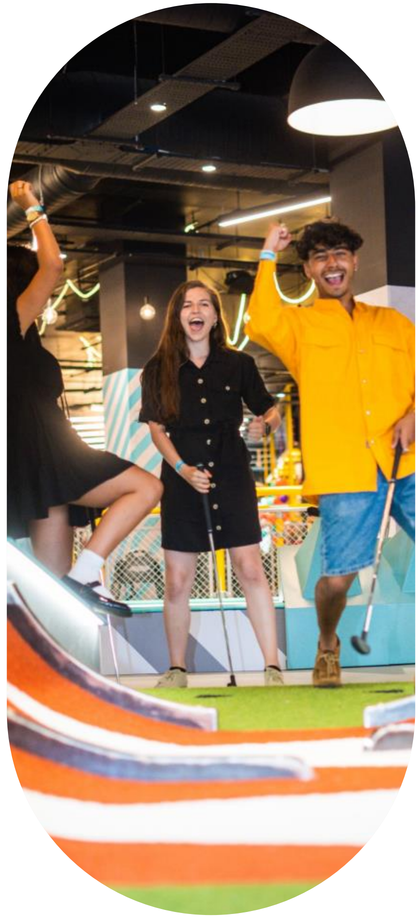
- Solid start for the Puttstars brand giving us confidence for future targeted expansion

Delivers a ROI of 19%	✓
Appeals to a wide demographic	✓
Works in compromised building configuration	✓
Can co-locate with bowling centre	✓
Works in tier 2 locations	TBC
Multiple levers for growth and enhancement	✓
Exciting concept for landlords	✓
Further roll out potential	✓

A profitable business model

- 19% ROI projected - as a brand it is on target
- Customer service scores and NPS in line with Hollywood Bowl with higher games per visit
- Learnings and opportunities
  - Rounds vs holes
  - Changes to some hole designs, lighting and music
  - Introduce dynamic pricing
  - Develop the booking and scoring software
  - Refinement of the location requirements for new openings
  - In-depth customer feedback project planned to understand what we have got right, what we can improve





Investment led growth

Successful revenue generating capital investments

Pins on Strings

Minimum 30% ROI

- 25 centres benefiting from installs
  - » £250k investment in each centre
  - » Payroll saving £55k
  - » Lower maintenance costs £24k
  - » Utility saving £5k
  - » Higher Games Per Stop worth 0.4% LFL across the year based on peak week utilisation

Refurbishments

Minimum 33% ROI

- A further three completed in FY2021 expected to meet hurdle rate
- Glasgow Springfield Quay completed November 2021
- 5 – 7 refurbishments planned for FY2022
- Birmingham and Shrewsbury on site January 2022

New centres

19% ROI hurdle rate

- Resorts World opened 10 December
- Harrow (Q2) and Belfast (Q3)
- Last three annualised openings significantly above
  - » Site 1 - EBITDA £1.1m (ROI 37%)
  - » Site 2 - EBITDA £491k (ROI 31%)
  - » Site 3 - EBITDA £468k (ROI 52%)

Strong new centre pipeline to FY2024

- 11 new centre openings for Hollywood Bowl and Puttstars brands currently signed in high quality leisure and retail schemes
- A further 4-6 locations are targeted for openings before 2025

FY2022

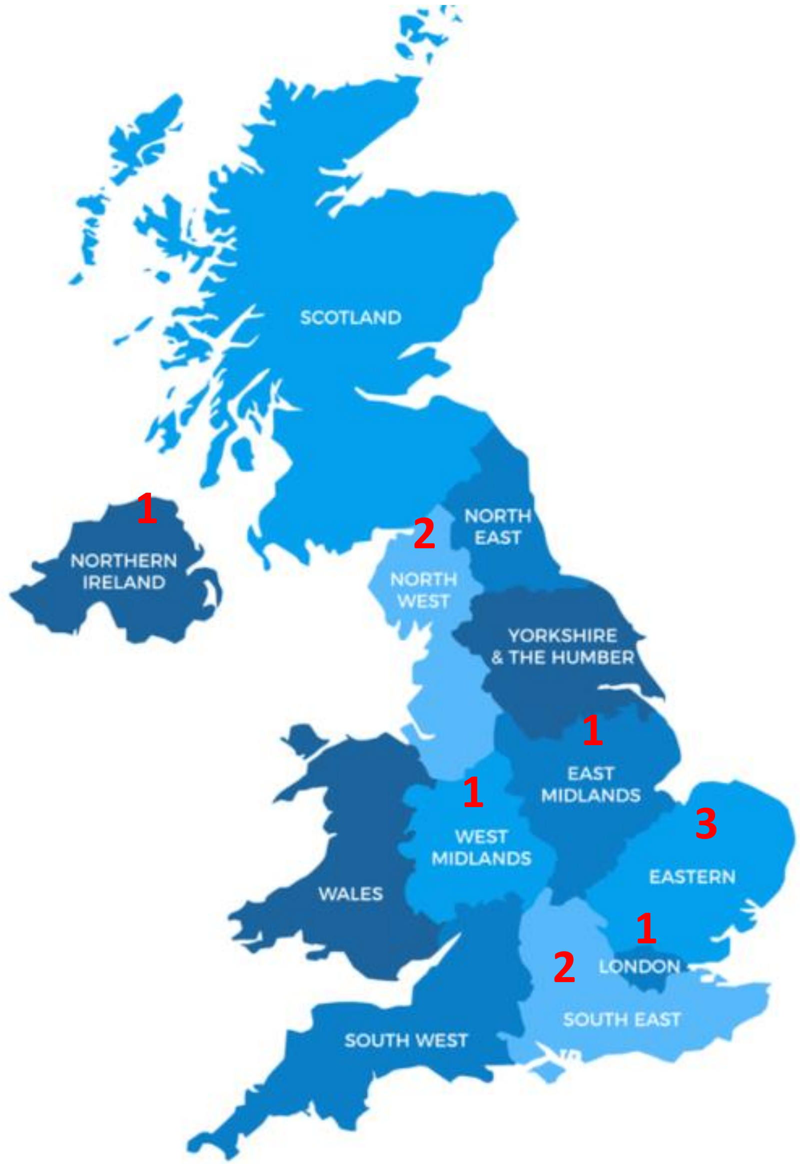
- Northern Ireland – 1 centre
- West Midlands – 1 centre
- North West – 1 centre (Puttstars)
- London – 1 centre (Puttstars)

FY2023

- East Midlands – 1 centre (Puttstars)
- South East – 2 centres

FY2024

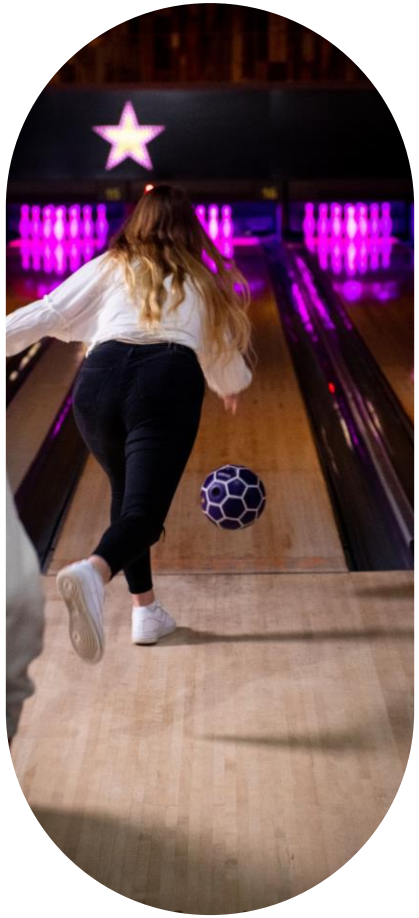
- Eastern – 3 centres (1 Puttstars)
- North West – 1 centre

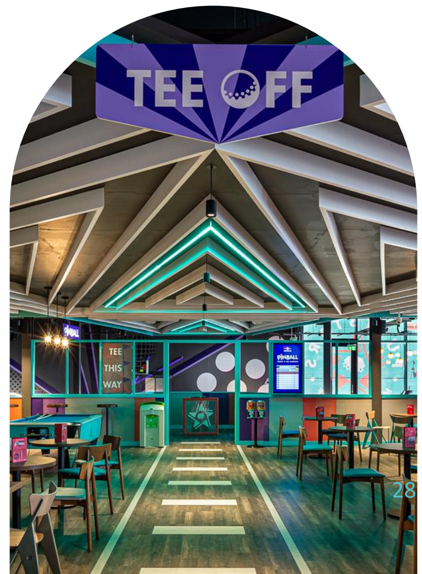


Summary and outlook

Well positioned for the future

- Market leader with high quality, well-invested estate led by experienced management team
- Continued strong demand for family focused, affordable leisure experiences
- Strong balance sheet supports ability to invest in future growth and take advantage of market opportunities
  - » Commitment to ongoing refurbishment programme
  - » New centre pipeline remains strong with additional opportunities for Puttstars expansion
  - » Ongoing investment and innovation in the customer proposition and technology enablers
- Strong start to FY2022
  - » Record sales during October half term
  - » LFL revenues up 38.1% (vs FY2019) for the period to end of November
  - Notwithstanding the ongoing uncertainties regarding COVID-19 restrictions, we remain confident in the continued strong ongoing demand for our offering





Appendices

Balance sheet

(£m)	FY2021	FY2020	Movement
Assets			
Intangible assets	78.0	78.2	78.2
Property, plant and equipment	49.0	48.2	48.2
Right-of-use assets	138.6	140.5	140.5
Inventories	1.5	1.3	1.3
Trade, other receivables and corporation tax debtor	4.0	2.0	2.0
Cash and cash equivalents	29.9	20.8	20.8
Total assets	301.0	291.0	291.0
Liabilities			
Trade, other payables and provisions	(18.1)	(9.9)	(9.9)
Lease liabilities	(173.9)	(173.8)	(173.8)
Loans and borrowings	-	(29.0)	(29.0)
Other liabilities	(4.2)	(4.8)	(4.8)
Total liabilities	(196.3)	(217.5)	(217.5)
Total net assets	104.7	73.5	73.5

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