Results presentation

Hollywood Bowl Group plc
Financial year ended 30 September 2023

Agenda

Chief Executive Officer

- FY2023 highlights
- Operational progress
- Canadian expansion
- Summary and outlook

Chief Financial Officer

- FY2023 financial performance
- Capital investment update
- Property update
- Financial outlook

FY2023 financial highlights

LFL revenue growth[1]

+4.5%

(FY2022: +26.8%)

Total revenue

£215.1m

(FY2022: £193.7m)

Total average spend per game[1]

£11.19

(FY2022: £10.98)

Group adjusted EBITDA pre-IFRS 16[2]

£64.9m

(FY2022: £60.6m)
(FY2022 ex TRR of VAT: £57.6m)

Adjusted profit after tax

£36.8m

(FY2022: £39.4m)
(FY2022 ex TRR of VAT: £32.8m)

Adjusted earnings per share

21.48 pence

(FY2022: 23.07 pence)
(FY2022 ex TRR of VAT: 19.19 pence)

Total dividend (per share)

14.54 pence

(FY2022: 14.53 pence)

Net cash

£52.5m

(FY2022: £56.1m)

1 LFL calculations exclude TRR of VAT on bowling impact, and includes all revenue for centres that were open for the same period in FY2022. Spend per game calculations also exclude TRR of VAT on bowling (prior periods and FY2022 benefit)

2 Group adjusted EBITDA is calculated as statutory profit plus depreciation, 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.

FY2023 operational highlights

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Capital invested
£30.3m

UK centres refurbished/rebranded
13

New UK centres opened
3

Centres acquired in Canada
3

Average refurbishment ROI
50%+

UK LFL spend per game increase
3.4%

Best Big Companies To Work For
12th

UK centres using Pins on Strings
83%

THE UK'S
25
BEST BIG COMPANIES
TO WORK FOR
2023
cert.b.co.uk

UK centres with solar installs
38%

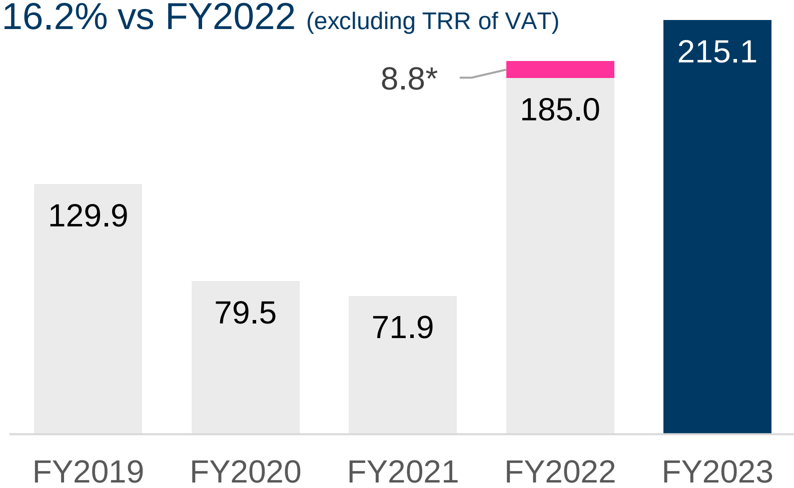
UK waste recycling
82.7%

Financial review

Excellent FY2023 financial performance

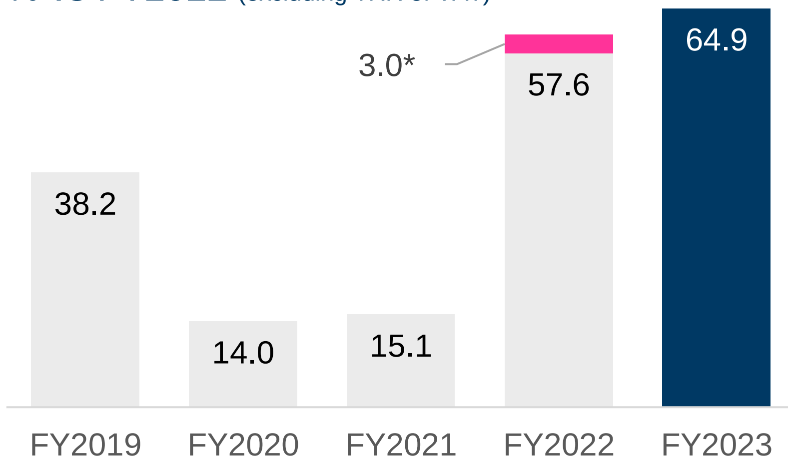
Revenue (£m)

+16.2% vs FY2022 (excluding TRR of VAT)



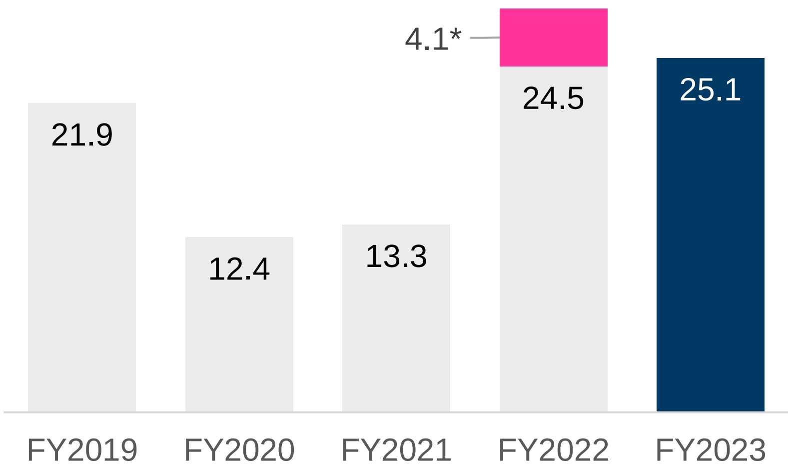
Group Adjusted EBITDA** pre-IFRS 16 (£m)

+12.7% vs FY2022 (excluding TRR of VAT)



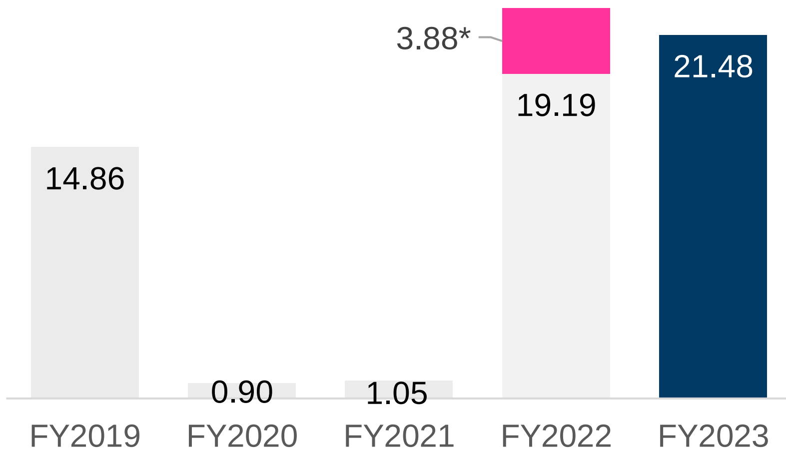
Statutory Operating Profit Margin (%)

+0.6%pts vs FY2022 (excluding TRR of VAT)



Adjusted Earnings Per Share (Pence)

+11.9% vs FY2022 (excluding TRR of VAT)



*Group revenue in FY2022 included a total of £8.8m relating to the reduced rate (TRR) of VAT on bowling. £5.8m of this was in respect of prior years and £3.0m for FY2022. FY2023 includes £0.3m in respect of TRR of VAT. FY2022 consolidated income statement included the following in respect of TRR of VAT on bowling in the UK: Revenue £8.8m, gross profit £8.8m, administrative expenses £0.1m, Group adjusted EBITDA £3.0m, Group profit before tax £8.8m, Group profit after tax of £6.6m and Group adjusted profit after tax of £6.6m.

**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.

Record breaking revenue performance

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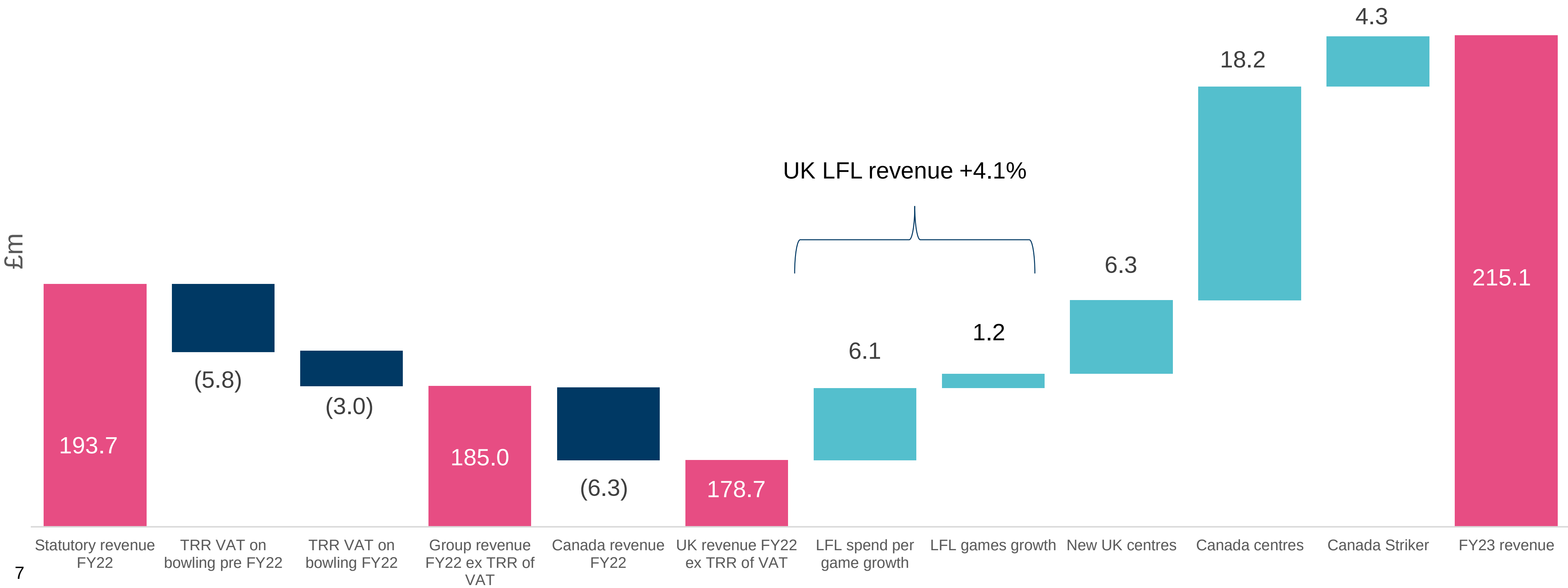
- Record revenue of £215.1m up 16.2% vs FY2022 revenue ex TRR of VAT
- UK LFL revenue growth of 4.1%
  - ➢Games played +0.7%
  - ➢Spend per game +3.4%
- LFL spend per game increase supported by strong customer satisfaction and demand for high quality, value for money leisure experiences
- All ancillary revenues in LFL revenue growth
- New centre performance in line with expectations
- Canada LFL of 15.1%
  - ➢Games played +9.5%
  - ➢Spend per game +5.7%



Record EBITDA performance

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(£m)	FY2023	FY2022 (statutory)	FY2022 (excluding VAT bowling benefit)	Movement vs FY2022 (excluding VAT bowling benefit)
Revenue	**215.1**	193.7	**185.0**	**+16.2%**
Gross profit	**177.6**	164.3	**155.6**	**+14.0%**
Gross profit %	**82.6%**	84.8%	**84.1%**	**-150bps**
Administrative expenses	**87.6**	81.6	**75.9**	**+15.4%**
Corporate costs	**25.3**	22.1	**22.1**	**+14.4%**
Group adjusted EBITDA pre-IFRS 16	**64.9**	60.6	**57.6**	**+12.7%**
Group adjusted EBITDA % pre-IFRS 16	**30.2%**	31.3%	**31.2%**	**-100bps**
Add back Property Rent	**17.8**	16.9	**16.9**	**+5.6%**
Group adjusted EBITDA post-IFRS 16	**82.7**	77.5	**74.5**	**+11.1%**
Exceptional costs / (income)	**2.2**	(3.7)	**2.0**	**+10.0%**
Depreciation, impairment, loss on disposal of assets and amortisation	**26.4**	25.7	**25.7**	**+2.9%**
Net finance expenses / (income)	**9.0**	8.8	**8.8**	**+2.5%**
Profit before tax	**45.1**	46.7	**37.9**	**+19.0%**
Adjusted profit before tax	**47.8**	48.6	**39.9**	**+19.8%**
Adjusted profit after tax	**36.8**	39.4	**32.8**	**+12.2%**
Adjusted earnings per share (pence)	**21.48**	23.07	**19.19**	**+12.2%**

- Total revenue up 16.2% on FY2022 excluding the benefit of TRR of VAT on bowling
  - ➢Statutory revenue +11.0% vs FY2022
- Gross profit margin 82.6% in line with management expectations
  - ➢UK GP margin at 83.7%
  - ➢Canadian GP margin at 73.1%
- Administrative expenses up 15.4% (£11.7m)
  - ➢Payroll up 20.7% (£7.0m)
  - ➢Business rates appeals refunded: £2.3m
  - ➢Electricity hedge sell off: £1.0m (as forecasted)
- Record adjusted EBITDA pre-IFRS 16 of £64.9m
  - ➢UK EBITDA pre-IFRS 16 £60.4m
  - ➢Canada EBITDA pre-IFRS 16 £4.5m
- Adjusted profit before tax of £47.8m
  - ➢Profit before tax marginally down despite £8.6m of VAT one offs in FY2022
  - ➢Adjusted EPS of 21.48 pence

Well insulated from inflationary pressures

Manageable inflationary pressures

- 72% revenue has no cost of goods inflation
- Food and drink costs represent <8% of total revenue
- Labour costs account for <19% of revenue at centre level
    - UK NLW increase of at least 10% in April 2024
    - Impact of 1.8% on margin – option to offset with minimal price increase

Energy costs forward managed

- Current UK electricity hedge ends September FY2024
- New UK hedge signed to end of FY2027 with increases of only £1.0m (30%+) from September 2024
- Solar install programme now across 38% of estate

Marginal impact on ROIC

- Increased costs on refurbs/new builds but ROIC stays above hurdle rate

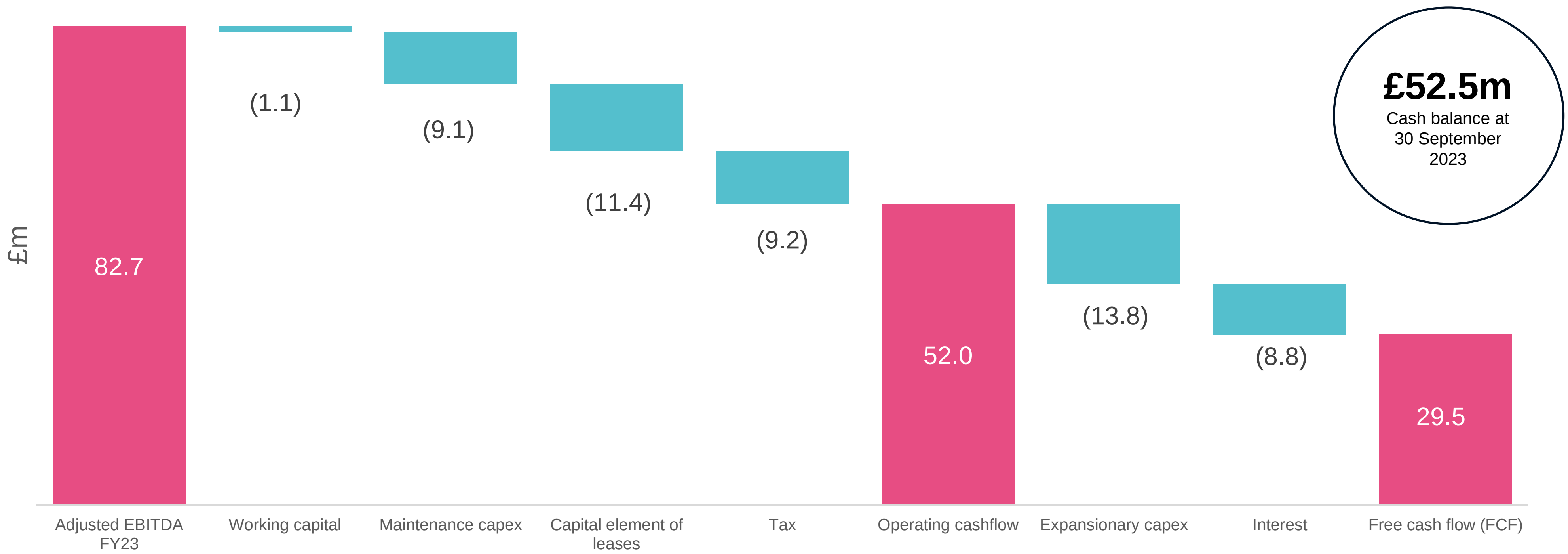
Price inflation below CPI

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

Strong trading driving free cash flow

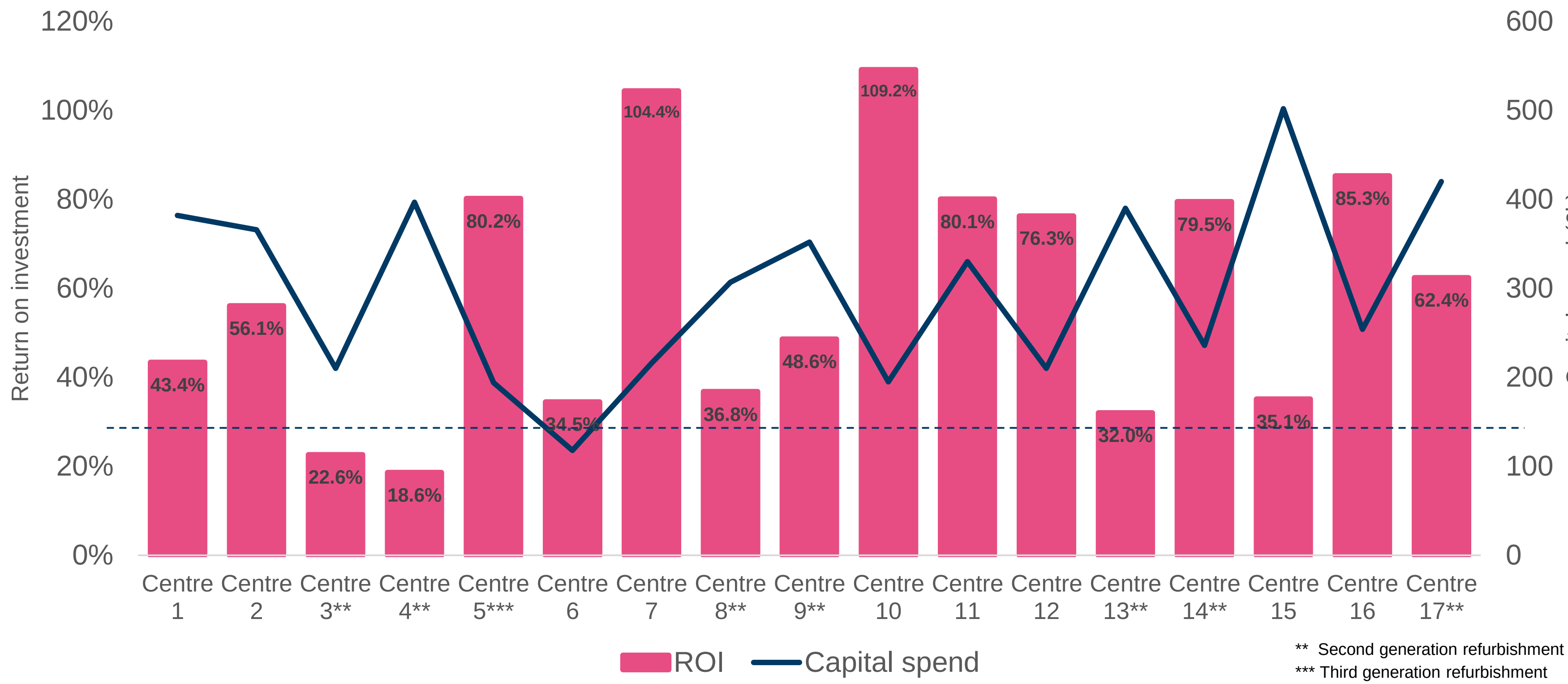
- Group adjusted operating cash flow of £52.0m
- Continued maintenance capital investment of £9.1m
- 13 refurbishments / rebrands completed for £7.0m
- Three new centres opened in UK for net cost of £6.8m
- Generated free cash flow of £29.5m

- Total dividend payments in year of £25.3m
- Acquisition of three new centres in Calgary £7.3m
- Three centres acquired post year end
  - HB Lincoln £4.4m
  - Splitsville Guelph CAD 4.7m (£2.9m)
  - Splitsville Riverport CAD 0.5m (£0.3m)



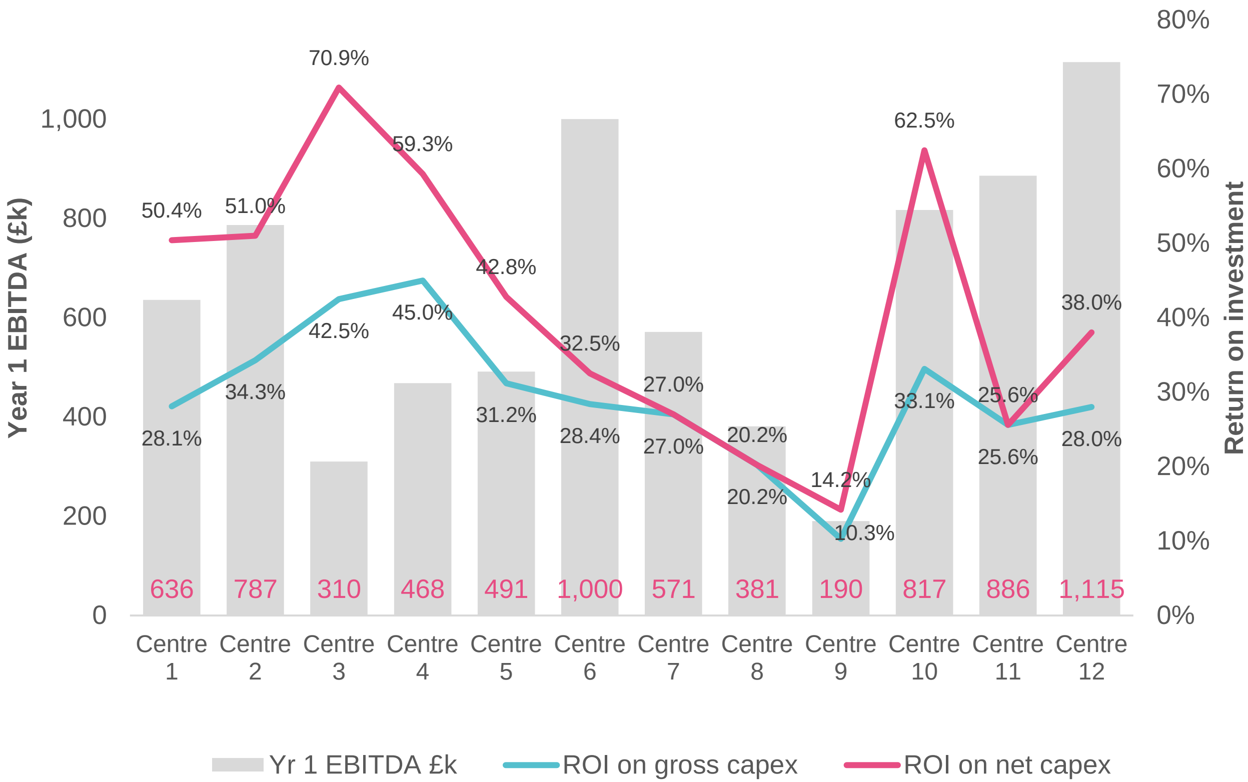
Attractive returns from UK refurbishments

- Spend per game performance +13.2%
- Lineage +3.7%
- Space optimisation growing amusement spend
- Average payback over 55% for last 17 refurbishments
- NPS scores increase by over 4.5%pts post refurbishment
- Remaining AMF centres rebranded to Hollywood Bowl
- Interior design elements constantly evolving
- 2nd and 3rd generation refurbishments also generating attractive returns
- Plan for at least 7 refurbishments in FY2024



Strong new centre UK pipeline

- Continued focus on quality locations to drive long term sustainable EBITDA
- Strong ROI in context of increased capital spend (+10%)
- Average annual EBITDA of recent 12 openings is £0.7m



Focus on quality locations

- Lincoln acquired early October 2023
- On site in Dundee, due to open mid FY2024
- At least two further new centres due to open in UK during FY2024
- Strong pipeline for FY2025 and beyond

Updated capital allocation priorities remain focused on profitable growth and shareholder returns

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Maintenance capital → **Transformational refurbishments** → **New centres and acquisitions** → **Ordinary Dividend 55% of Adjusted PAT** → **Additional distributions to shareholders**

Ordinary dividend moves from 50% to 55% of Adjusted Profit After Tax

Calculation	FY2023
Cash at bank at 30 Sep 2023	£52.5m
Interim dividend (paid in July 2023) - 3.27 pence per share	£5.6m
Final ordinary dividend (to be paid Feb 2024) - 8.54 pence per share	£14.7m
Special dividend per share (to be paid Feb 2024) - 2.73 pence per share	£4.7m
Total dividend per share - 14.54 pence per share	£25.0m
Share buyback	Up to £10m

Financial outlook for FY2024

Continued growth

- Modest UK LFL growth given beneficial weather in FY2023
- Full year effect of Calgary acquisitions and refurbishments
- 3 new centre acquisitions completed already (1 in UK and 2 in Canada)

Managing cost pressures

- NLW payroll inflation higher than expected from H2 by circa £0.6m
- Electricity usage costs fixed till end of FY2027
- Low food and drink inflation

Robust balance sheet enables ongoing investment in estate

- At least 7 new centres in FY2024
- 10 refurbishments / rebrands
- Continued investment into solar panels and Pins on Strings
- Total of c. £35m - £40m capital spend

Capital allocation policy updated, reflecting confidence in outlook

- Focused on profitable growth
- Ordinary dividend moves to 55% profit after tax from 50%
- Share buyback launched for up to £10m

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Driving our growth strategy

Well-funded UK and Canada growth strategy

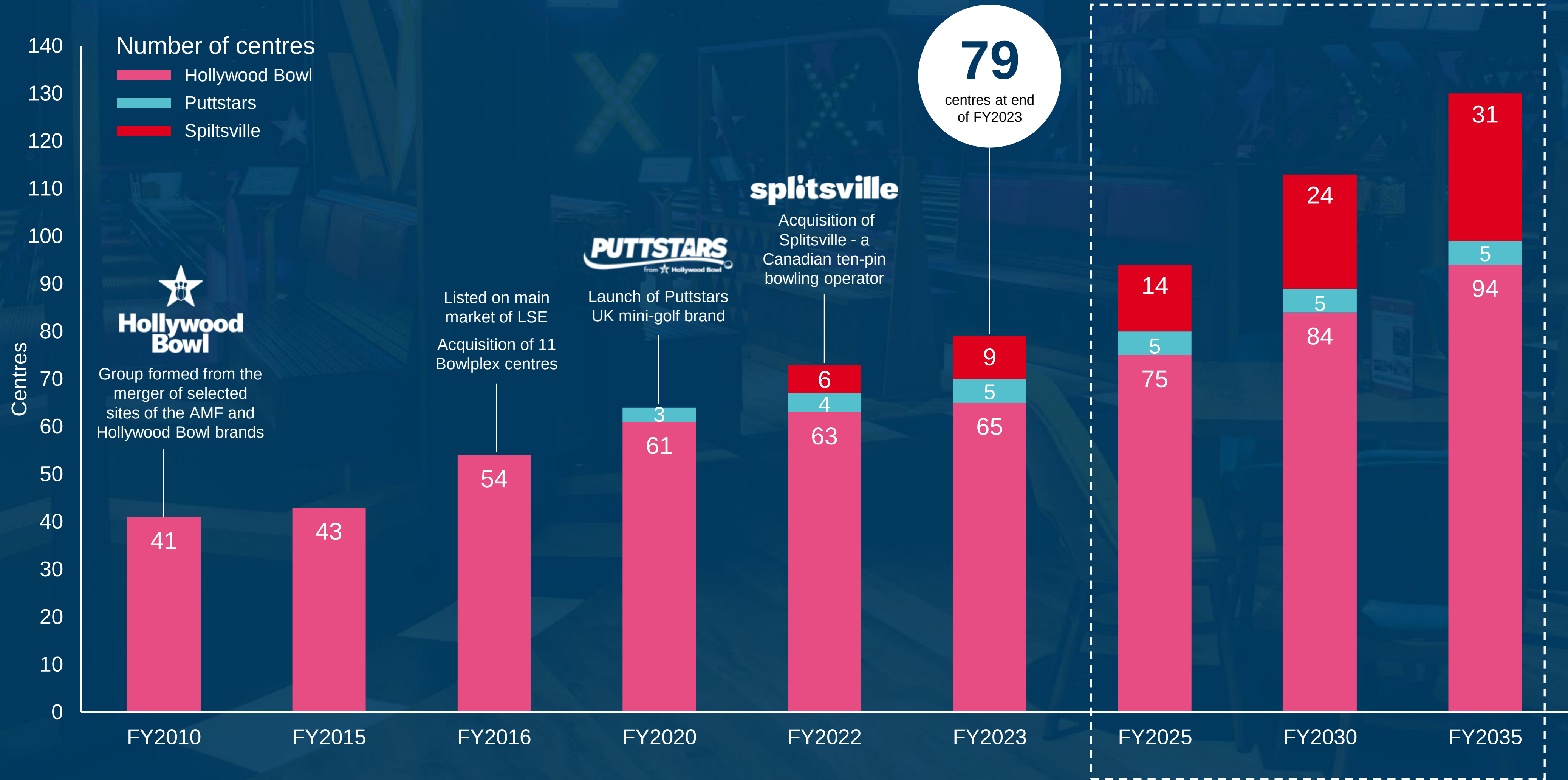
HBG

41 centres

The Group was formed with 41 centres in 2010. Over the following 13 years it has significantly grown its presence in the markets it operates in

130 centres

The Group is targeting operating 130 centres in the UK and Canada by 2035, reflecting the growth opportunity in these markets



Continuous product improvement

Ongoing investment in core offer

- Pins on Strings installed in an additional 13 centres
  - ➢83% of estate now completed
- High GPS maintained in pins on strings and improved GPS in freefall centres
- Continuous innovation and upgrades of centre environments
  - ➢Music, digital and lighting to enhance and vary atmosphere
- New Merry Hill centre showcasing the Hollywood Bowl brand evolution
- Introduction of mini-golf offer in selected Hollywood Bowl centres

Best in class amusements

- Increased density of machines
- Significant investment across the estate enhancing the quality of offer
- New payment options and with increased price of play on selected machines
  - ➢Average price of play increased by 11.3% vs FY2022
- Improving games area standards and reliability through our amusement training academies
- 7.8% increase in Amusements SPG

Value, quality product, served fast

- Simplified menu content
  - ➢80% of customers satisfied with drinks speed of service
  - ➢20% of food and drink revenue from lane sales and ordering technology
- Introduced snacks and sharer menu and bundle offers
- Most popular menu items held at 2019 prices
- Focus on driving penny profit and enhancing the customer experience through upsells
- New drink product range introduced
  - ➢Premium lager now category lead with 30% of category mix
- 4.8% increase in F+B SPG

Upgraded technology to support next stage of growth

New core reservations platform in development

- Scalable open technology
- Revenue and yield enhancements
- Connectivity with marketing systems
- Shared platform with Canadian operation
- Launching in UK H2 FY2024

Upgraded website

- Over 60% of bowling revenue booked online
- New payment platform launched
- Customer Data Platform driving customer engagement and revenue

Further technology and marketing investment

- Increased marketing spend YOY
- Expansion of IT development, IT operations and marketing teams
- New Hollywood Bowl brand framework rolling out in FY2024

A well invested team delivering a fantastic experience

Employer brand refreshed and relaunched

- Improved retention and reduced cost and time to hire

Successful top talent and development programmes

- 45% of management appointments from internal candidates
- 94% of team members completing online development modules
- Supporting diversity and inclusion through launch of focus groups

Sharing in our success

- 7.4% increase in team members' pay
- £3.2m paid in centre level bonus schemes in recognition of excellence
  - Average Centre Manager bonus - 64% of salary
  - Average Assistant Manager bonus - 14% of salary
- All team members have opportunity to earn cash bonus based on customer satisfaction scores

Continued progress with our ESG strategy

Safe and inclusive destinations

- 963k concessionary discount games bowled (+28.4% vs FY2022)
- 50%+ of soft drinks sold were from sugar free range

Outstanding workplaces

- #12 in UK's Top 25 Best Big Companies to Work For
- Team wellbeing scores increased by 0.4%pts
- 45% of management appointees from internal candidates

Sustainable centres

- 82% waste recycling
- 27 centres with solar arrays
- 83% of bowling centres with Pins on Strings
- UK net zero transition plan developed
- Corporate Responsibility Committee established

Canada

- ESG programme rolling out to Canadian operations

Canada


FOR YOUR OWN SAFETY!
BOWLING SHOES MUST BE WORN AT LANES
REFRESH AT THE LANE
REFRESH AT THE LANE

Great progress in FY2023, further investment planned in FY2024

Strong financial performance

- LFL revenue growth of 15.1%
- Gross profit margin of 73.1% in line with management expectations
- Centre level payroll at 28% (33% pre acquisition)
- Centre level EBITDA CAD 10.3m, margin 34%

FY2024

- Continued investment into refurbishments to support LFL growth
- Pins on Strings trial in one centre
- Focus on labour deployment to enhance guest experience

Operational success

- Investment in people with some roles filled by senior UK team
  - ➢Operations Director
  - ➢Centre Managers
  - ➢HR Business Partner
- Utilising UK customer contact centre driving 1.5% LFL revenue
- Customer research completed
- Brand evolution programme

FY2024

- Relaunch of Splitsville brand
- New website and data platform launch
- Dynamic pricing trial
- Continued sharing of UK best practice

Estate investment

- Richmond Hill refurbishment completed and EBITDA more than doubled since completion
- Kingston refurbishment on site
- Purchased three centres in Calgary in February 2023
- Revenue generating capital investment circa CAD 1-1.5m

FY2024

- Two further centres acquired in October 2023 (FY2024)
- Exchanged on new site in Ontario due to open 2024
- Three further sites for future pipeline in legals

Supporting the industry

- Bowling centres increasing their capital investment post Covid-19
- Striker at the forefront of the recovery in the bowling maintenance and installations market
- Striker revenues CAD 7.1m, EBITDA CAD 0.9m

FY2024

- Introduction of new UK reservations system into Splitsville
- Trial Pins on Strings identifying key Canadian success criteria
- Strong orderbook for FY2024

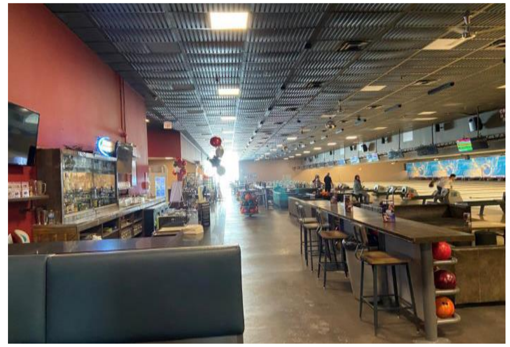
Richmond Hill refurbishment driving significant LFL growth

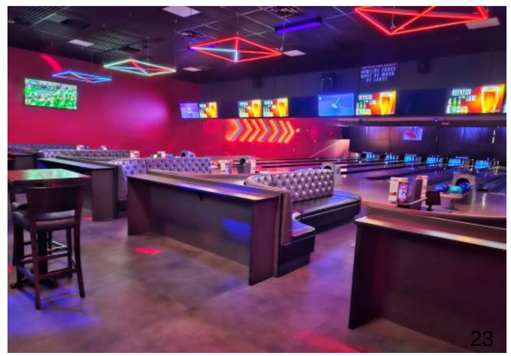
Acquisition rationale

- Acquired centre in May 2022
- Refurbishment spend included new bar, kitchens, amusement area, façade, lighting and significant construction works
- Total spend of CAD 4.4m

Post refurbishment returns

- Revenue up 70.4%
- 8^{th} highest rank centre in the Group estate
- ROI of 40%+





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Strong post-acquisition performance from new Calgary centres

Acquisition rationale

- Acquired 3 centres for CAD 12m
- TTM financials
  - ➢ Revenue CAD 7.1m
  - ➢ EBITDA CAD 2.8m
- EBITDA multiple 4.3X

Pre refurbishment returns

- Rebranded to Splitsville
- System and process investments
- Post acquisition performance (6.25 months)
  - ➢ Revenue CAD 5.0m
  - ➢ EBITDA CAD 1.9m
- Post acquisition (FYE)
  - ➢ Revenue CAD 10.0m
  - ➢ EBITDA CAD 4.0m

FY2024 investment plans

- Refurbishments planned with targeted 25% ROI

UK market review

Increased competition in the competitive socialising market

Growth of wider sector

- Appetite for experiences over material items
- 13% uplift in competitive socialising participation (2023 vs 2019)
- New solo and combo offer operators emerging and gaining scale
- Bowling remains most popular activity in category
- Ten-pin branded operators extending portfolios into new location catchments

Increased competition for customers and locations

- New entrants moving into existing bowling operator catchments
- Ex-retail opportunities in city, high street and out of town schemes
- Primary focus on younger adult evening and corporate trade
- Ten-pin or duckpin bowling often included as part of wider offer

Price accessibility remains important

- 50% of customers looking for sub £20 per head total spend on their experience
- Hollywood Bowl well placed for growth and remains the lowest price branded operator for core activity and F&B offer, situated in the best locations

	No. of centres 2020	No. of centres 2023	Avg. price of ten-pin bowling (peak game)	Price of pint	Price of burger and chips
Hollywood Bowl	64	71	£6.43	£4.05	£6.29
Tenpin	46	52	£7.80	£4.10	£6.99
Lane 7	6	13	£11.00	£4.60 (bottle)	£12.90
Roxy Leisure	3	18	£10.00	£4.90	£12.00 (pizza)

FY2024 outlook

Outlook for FY2024

Market leader with high quality, well-invested estate

- Led by experienced management team

Continued demand for affordable leisure experiences

- Volumes still strong even when compared to a record FY2022
- Value for money offer at less than £25 for a family of four

Well positioned against cost inflation elements

- 72% of revenue not subject to cost of goods inflation
- Food revenue mix less than 9%
- Payroll ratio at less than 20%

Strong balance sheet and cash generative model

- Investment in customer proposition and technology enablers
- Commitment to ongoing successful refurbishment programme
- Canadian business performing strongly
- UK and Canada new centre pipeline remains strong
- Longer term opportunity to grow Group estate to 130+ centres

Updated capital allocation policy

- Focused on profitable growth and shareholder returns