Hollywood Bowl Group plc

Trading update for the year ended 30 September 2023

Excellent financial and operational performance in the UK and Canada following continued strong customer demand

Hollywood Bowl Group plc, ("Hollywood Bowl" or the "Group"), the UK and Canada's largest ten-pin bowling operator, announces a trading update for the financial year ended 30 September 2023 (FY23).

Key highlights

Strong customer demand driving excellent financial performance

- Total revenue of £215.0m, up 11.0 per cent vs. FY22[1]. Excluding the effect of the reduced rate (TRR) of VAT in FY22, Group revenues were up 16.2 per cent vs FY22
    - UK total revenue: £192.6m, up 2.7 per cent on FY22[1]. Excluding the effect of the reduced rate (TRR) of VAT in FY22, UK total revenue was up 7.7 per cent vs FY22
    - Canada total revenue: £22.5m[2] (CAD 37.2m)
- LFL revenue growth vs. FY22:
    - UK[3]: +4.1 per cent
    - Canada[4]: +15.1 per cent on a constant currency basis
- The Group expects to report EBITDA growth (pre-IFRS 16), ahead of market expectations

Further progress against expansion strategy and continued investment in the estate

- Three new UK centres opened in FY23 with a further 15 centres targeted by the Group for opening before the end of FY26
- 15 refurbishments and rebrands completed during the year in the UK
- 54 centres (83 per cent of the Group's UK bowling estate at year end) now have Pins on Strings technology with 13 installed during the year
- The Group completed the acquisition of Lincoln Bowl in the UK, including the long leasehold, for a total of £4.4m post year end. This now brings the total number of centres in the Group to 80 (UK: 71; Canada 9) - (79 as at 30 September 2023)

Canadian centres continuing to perform well

- The nine centres operating in Canada are all trading in line with management expectations
- A new Ontario centre is due to open in H1 FY24
- Refurbishment and rebrand programme is progressing well
- Remain confident in the opportunity to add up to ten centres over the next five years, with the potential to grow the estate to 30 sites in total over the next ten years

Strong balance sheet and significant cash generation

- £52.4m net cash at year end (pre-acquisition of Lincoln Bowl)
- Undrawn £25m revolving credit facility

Hollywood Bowl's UK trading was driven by a combination of strong demand for its high-quality, affordable, family-friendly offer and favourable UK weather conditions during the school summer holidays.

The Group's ongoing approach to investing in its customer experience as well as its active refurbishment strategy drove new customer visits to its centres and saw existing customers visit more frequently, with increased dwell time boosting spend-per-game. The total number of centres with Pins on Strings reached 54 (83 per cent of the Group's UK bowling estate at year end) with 13 installed during the year, further improving both the experience for customers and cost efficiencies in its centres.

The new centre opening strategy is progressing well with three UK centres opened in the year; Hollywood Bowl Merry Hill in September 2023, Hollywood Bowl Speke and Puttstars Peterborough in November 2022.

The Group completed the acquisition of Lincoln Bowl including the long leasehold, post year end, on 1st October 2023. Lincoln Bowl is a 20-lane centre with diner and amusements, in a location which fits the Group's investment criteria and will be rebranded as a Hollywood Bowl.

The Canadian business continues to perform well. Momentum since the acquisition has been excellent with three centres acquired in FY23, taking the total number of Canadian centres to nine and one new centre in Ontario due to open in H1 FY24. Management remains confident in the opportunity to continue to add centres to the portfolio in Canada and is in a number of negotiations.

Hollywood Bowl continues to demonstrate its resilience to inflationary pressures, following the hedging of its electricity costs to the end of FY24 and extensive programme of solar panel installations, with 27 centres now completed or under construction. Its excellent value for money offer continues to attract customers, with a family of four able to go bowling for £25.

The Group's balance sheet remains strong with net cash of £52.4m pre-acquisition of Lincoln Bowl and an undrawn £25m revolving credit facility in place to December 2024. This well capitalised position allows the Group to continue to invest in its growing UK and Canadian estate.

The Group expects to declare a final ordinary dividend of at least 7 pence per share as a result of its strong financial performance and strategic execution. A further update on the Group's capital allocation policy will be given in the Group's results announcement for the year ended 30 September 2023, during December 2023.

1 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 £0.2m in respect of TRR of VAT on bowling parties.

2 Revenues in GBP based on an average foreign exchange rate over the relevant period of 1.65 CAD: 1 GBP

3 Like-for-like (LFL) revenue growth in the UK is total group revenue excluding any new centres and Canada. New centres are included in the LFL growth calculation for the period, after they complete the calendar anniversary of their opening date. LFL revenues in FY2023 and FY2022 exclude the impact of TRR of VAT on bowling.

4 LFL revenue growth in Canada is calculated as total Canada revenues excluding any new centres and any revenues in FY23 that are not LFL (pre acquisition 22 May 2022).

Stephen Burns, Chief Executive Officer, said:

"I am delighted to report another period of excellent financial and operational performance. It has been fantastic to see so many families in our centres as they sought out fun, inclusive, affordable activities to keep their kids entertained throughout the year including during the unseasonal wet summer. I am very grateful to our dedicated team members who help our customers to enjoy the best experiences possible in our centres.

"The investments behind our expanding offer have increased our resilience during this uncertain economic period and when combined with our highly cash generative business model, means we are well-placed to continue our profitable, self-funded, growth strategy in both the UK and Canada. The long-term growth opportunity is significant, and we look forward to seizing this while continuing to provide high-quality, great value entertainment for families and friends."

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