

18 December 2023

Hollywood Bowl Group plc

("Hollywood Bowl" or the "Group")

Final Results for the Year Ended 30 September 2023

EXCELLENT PERFORMANCE DRIVEN BY STRONG CUSTOMER DEMAND AND THE SUCCESS OF THE GROUP'S FOCUSED INVESTMENT STRATEGY

Hollywood Bowl Group plc, the UK and Canada's largest ten-pin bowling operator, announces its audited results for the year ended 30 September 2023 ("FY2023").

Financial summary

Financial performance for FY2023 is compared to FY2022 statutory performance and excluding the impact of the reduced rate (TRR) of VAT on bowling received in FY2022.

	FY2023	FY2022 (statutory)	FY2022 (ex TRR of VAT on bowling)⁵	Movement vs FY2022 (ex TRR of VAT on bowling)
Revenues	£215.1m⁴	£193.7m ⁴	£185.0m	+16.2%
Group adjusted EBITDA ¹	£82.7m	£77.5m	£74.5m	+11.1%
Group adjusted EBITDA ¹ pre-IFRS 16	£64.9m	£60.6m	£57.6m	+12.7%
Group profit after tax	£34.2m	£37.5m	£30.9m	+10.7%
Group adjusted profit after tax ²	£36.8m	£39.4m	£32.8m	+12.2%
Free cash flow ³	£29.5m	£34.8m	£34.8m	-15.4%
Net cash/(debt)	£52.5m	£56.1m	£56.1m	-6.4%
Interim ordinary dividend per share	3.27p	3.00p	3.00p	+9.0%
Final ordinary dividend per share	8.54p	8.53p	8.53p	+0.1%
Special dividend per share	2.73p	3.00p	3.00p	-9.0%
Total dividend per share	14.54p	14.53p	14.53p	0%

- 1 Group adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as statutory operating profit plus depreciation, amortisation, impairment, loss on disposal of property, right-of-use assets, plant and equipment and software and any exceptional costs or income and is also shown pre-IFRS 16 as well as adjusted for IFRS 16. These adjustments show the underlying trade of the overall business which these costs or income can distort. The reconciliation to operating profit is set out in the Chief Financial Officer's review below.
- 2 Adjusted group profit before / after tax is calculated as group profit before / after tax, adding back acquisition fees of £0.7m (FY2022: £1.6m) and the non-cash expense of £2.0m (FY2022: £0.4m) related to the fair value of the earn out consideration on the Teaquinn acquisition in May 2022. Also, in FY2022 it included the deduction of the non-cash credit in relation to the Teaquinn bargain purchase of £39k.
- 3 Free cash flow is defined as net cash flow pre-exceptional items, cost of acquisitions, debt facility repayment, RCF drawdowns, dividends and equity placing.
- 4 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.
- 5 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.

Key highlights

Excellent performance with record revenues and profitable growth

- +4.5% like-for-like (LFL) revenue growth compared to FY2022
- Record revenues of £215.1m, up +16.2% (FY2022 ex TRR of VAT on bowling: £185.0m) (FY2022: £193.7m)
- Record Group adjusted EBITDA (pre-IFRS) of £64.9m (FY2022 ex TRR of VAT on bowling: £57.6m) (FY2022: £60.6m)

- Group adjusted profit after tax £36.8m (FY2022 ex TRR of VAT on bowling: £32.8m) (FY2022: £39.4m)

Customer experience innovation increasing customer satisfaction, dwell time and spend per game with LFL growth across all UK revenue lines

- UK average spend per game grew 3.4% to £11.06 (FY2022: £10.69)
- LFL sales growth of 7.3% in Amusements following expansion of contactless payment technology and new game formats
- 9.9% increase in food spend per game with most popular menu items still at 2019 prices
- Improved net promoter score to 64% (FY2022: 61%)

Attractive returns through investment in growing and enhancing the UK portfolio

- 13 refurbishments / rebrands including retiring the AMF brand
- Three new centres opened (Hollywood Bowl Speke, Hollywood Bowl Merry Hill and Puttstars Peterborough) and one acquired post year end (Lincoln Bowl)
- 13 Pins on Strings installed with 83% of estate now completed
- Solar panels installed on a further five centres, taking the total to 27 centres in the UK (38% of the UK estate)

Canada is trading well with strong momentum with growth strategy

- Revenues of CAD 37.3m (£22.5m) and LFL revenue growth of 15.1%
- Canada EBITDA pre-IFRS 16 CAD 7.4m (£4.5m)
- One major refurbishment and rebrand to Splitsville delivering returns above expectations and one further refurbishment underway
- Three centres acquired in February 2023 and two further centres acquired post year end as well as contracts exchanged on a new build in Ontario due for FY2024, taking the estate to 11 centres

Updated capital allocation policy reflecting a highly cash-generative business, robust balance sheet and confidence in outlook

- Ordinary dividend moves to 55% adjusted profit after tax from 50% - applied for FY2023
- FY2023 final ordinary dividend of 8.54 pence per share and special dividend of 2.73 pence bringing the full-year dividend to 14.54 pence per share (FY2022: 14.53 pence per share)
- In addition, given the surplus cash at the end of FY2023 the Group has announced a share buyback programme of up to £10m, to commence shortly after the AGM, as per the capital allocation policy in the Chief Financial Officer's review

Outlook

Robust balance sheet and resilience to inflationary pressures

- Net cash at year end of £52.5m and fully undrawn £25m RCF
- 72% of UK revenues not subject to cost of goods inflation
- New UK electricity fixed price hedge up to the end of FY2027 (increase of £1.0m per annum) while solar panel roll out offers protection against higher energy costs

Continued focus on innovating and enhancing the customer experience while maintaining value for money offer

- Lowest cost option of the major UK ten-pin bowling operators with a family of four able to bowl for under £25
- New Group reservations platform with improved functionality and performance, due to launch in FY2024

Growing and investing in the estate in the UK and Canada

- At least three further new centres to open in the UK in FY2024 and a strong pipeline for FY2025 and beyond
- At least seven UK refurbishments planned in FY2024
- Growing the Canada pipeline with new Ontario centre due to open in FY2024 and three new centres at legal stages

- Three Canada rebrands and refurbishments planned with roll out of UK best practice operations in Canada
- Opportunity to add up to ten centres in Canada over the next five years, with the potential to grow the Group estate to 130+ centres across the UK and Canada by 2035

Stephen Burns, Chief Executive of Hollywood Bowl Group, commented:

“This is another excellent performance for the Group, achieved against an exceptionally strong prior year. It reflects significant customer demand, as well as the success of our customer focused strategy. Innovation of our offer has led to growth across all our revenue lines while keeping our prices low, with a family of four able to bowl for £25. We have continued to invest in and grow our estate, opening new centres in the UK and Canada where we see significant potential.

The strength of our balance sheet and our highly cash generative business model supports our profitable growth strategy in the UK and Canada. This includes continued investment in our estate, technology and enhancing our customer proposition, and the Board’s decision to increase the pay-out ratio for our ordinary dividend to 55% from 50% of adjusted profit after tax. Longer term, we see the opportunity to grow our estate to at least 130 centres.

We have had an encouraging start to the year with people looking for ways to enjoy activities with families, friends and colleagues demonstrating the continued strong demand for high quality, great value leisure experiences.

Finally, I would like to thank all our team members for their hard work and continued focus on delivering the best experiences for our customers in the UK and Canada.”

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