

Loungers plc
Results for the 24 weeks ended 2 October 2022





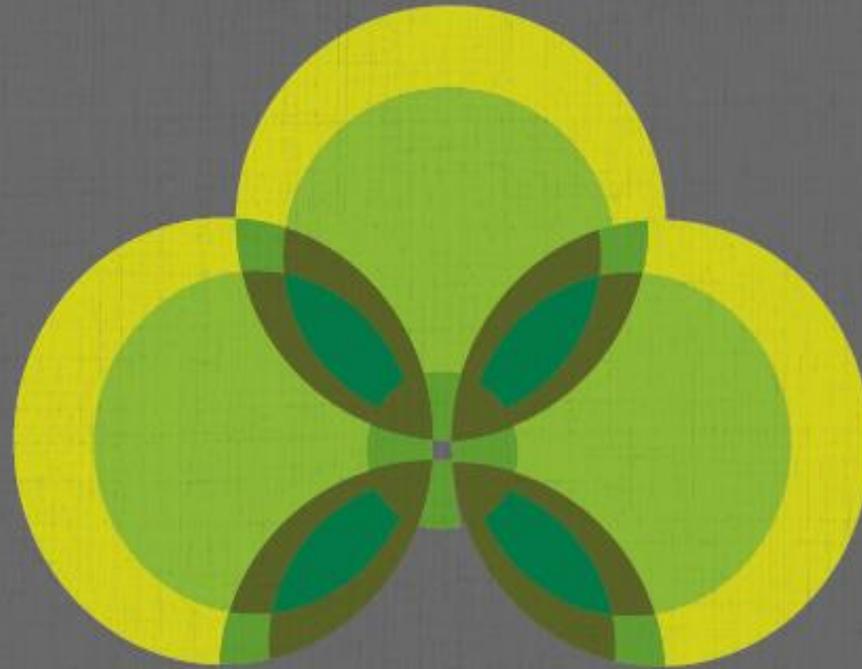
Highlights

- Market out-performance continues with consistently strong trading
- Sales uplift reflects both volume growth and price increases
- We remain well-positioned in a recessionary environment through our balance of margin protection and value for money price points
- Fifth build team up and running and new site openings continue to perform well
- Introduction of our roadside dining brand Brightside
- Current trading remains strong and we approach Christmas with optimism



Financial Review

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Gregor Grant - CFO





Results summary FY23 vs FY20

	FY23 H1 £m	FY20 H1 £m	Var
Revenue	122.3	79.8	53.2%
Gross profit	47.9	33.2	44.3%
	39.2%	41.5%	(230bps)
Adjusted EBITDA IFRS16	19.3	14.5	33.4%
	15.8%	18.1%	(230bps)
Adjusted EBITDA IAS17	13.5	10.2	31.9%
	11.0%	12.8%	(180bps)
Adjusted operating profit IFRS16	9.2	7.2	27.4%
	7.5%	9.0%	(150bps)
Profit / (loss) before tax IFRS16	2.8	(2.5)	

▪ Comparison vs FY20

- Compares to pre Covid
- No distortion from restricted trading or government support

▪ Revenue of £122.3m up 53.2%

- Additional 50 sites at period end
- Very strong three year LFL sales performance

▪ Gross profit growth of 44.3%

- Impacted by inflationary pressures
- Margin down 230bps – labour cost impact

▪ IAS17 EBITDA growth of 31.9%

- Margin down 180bps
- Partial recovery through fixed and variable costs

▪ Profit before tax of £2.8m



Results summary FY23 vs FY22

	FY23 H1 £m	FY22 H1 £m
Revenue	122.3	102.4
Adjusted EBITDA IFRS16	19.3	27.1
EBITDA Margin	15.8%	26.5%
Profit before tax IFRS16	2.8	12.8

▪ Comparison vs FY22

- Significantly impacted by the positive impact of government support measures in FY22
- Notably VAT reduction and business rates support
- Opening four weeks of FY22 trading restricted to external areas

▪ Revenue of £122.3m up 19.5%

- FY22 Includes £9.5m benefit from VAT reduction
- Excluding P1 (FY22 external trading) and VAT impact underlying total revenue up 15.1%

▪ IFRS16 Adjusted EBITDA of £19.3m

- Excluding VAT (£9.5m) and business rates (£2.5m) underlying margin down 1.3%

▪ Profit before tax of £2.8m



LFL sales performance

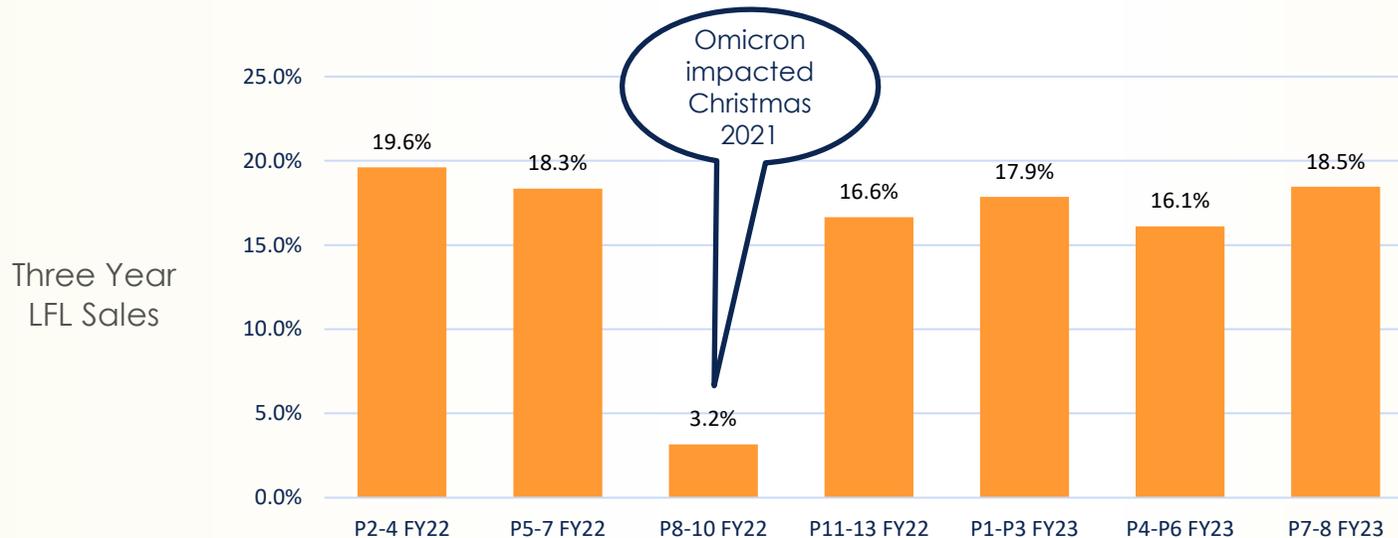
- **Three year LFL of +17.0% over H1 (24 weeks)**
 - No Covid distortion
- **Improved to +17.4% over 32 weeks**

	FY23 H1 24wks	FY23 32wks
LFL Sales – 3 Year	17.0%	17.4%

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- **One year LFL of +1.5%**
 - **Covers 20 weeks**
 - 16 May 2022 to 2 Oct 2022
 - Excludes external only trading at re-opening in 2021
 - Reflects very strong re-opening comparative
 - **Improved to +3.2% over 28 weeks**

	FY23 H1 20wks	FY23 28wks
LFL Sales – 1 Year	1.5%	3.2%

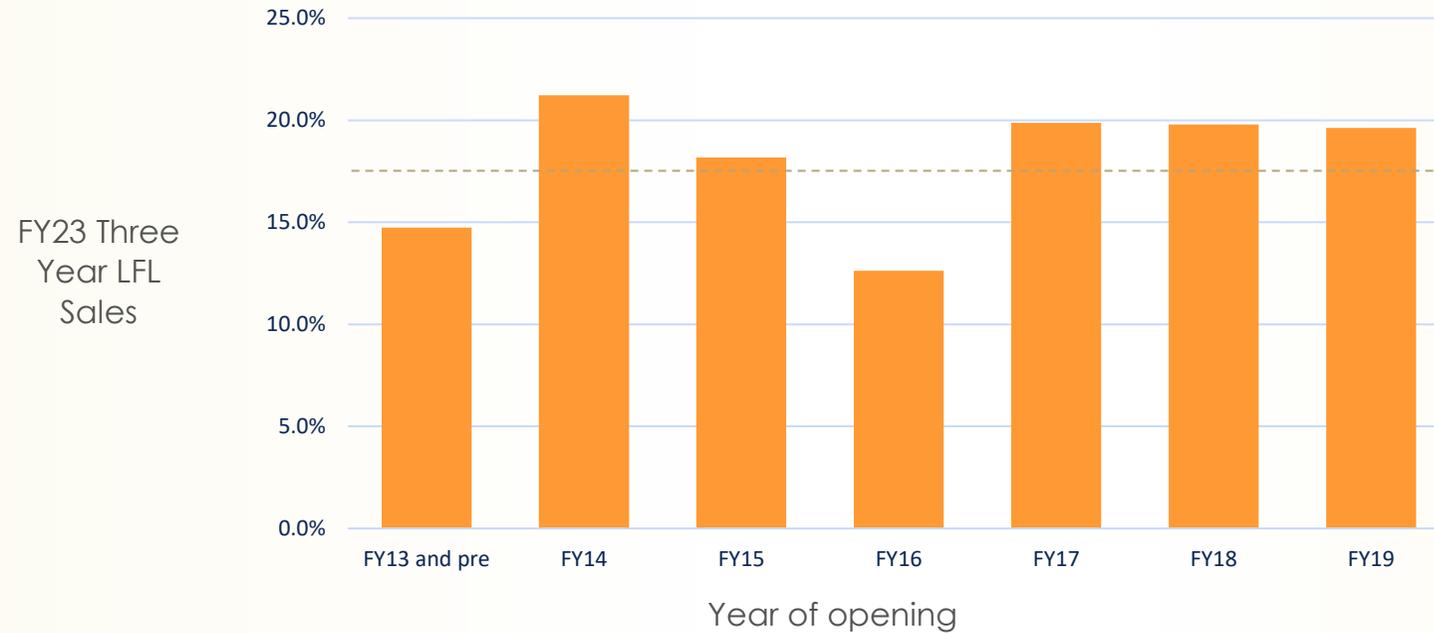
Consistent Three Year LFL performance maintained into FY23



- **Three year underlying LFL post re-opening in May 2021**
 - Excludes VAT benefit in period to P13FY22
- **Continuation of very consistent trends, Omicron impacted Christmas 2021 aside**
 - Omicron impact - December 2021 (P9) LFL was -9.1%
- **Last 8 weeks strongest period post immediate re-opening period**
 - Includes benefit of new menu launches in October 2022



Consistent Three Year LFL performance across site age cohorts



- Consistent split of +17.4% across the various age cohorts
- Ranges from +12.6% (FY16) to +21.2% (FY14)



Underlying margin FY23 vs FY20

FY20 Adjusted EBITDA Margin IAS17	12.8%
Cost of sales (inc. site labour)	(2.3%)
Variable costs	(0.2%)
Site rent rates and service charge	0.9%
Central costs	(0.2%)
FY23 Adjusted EBITDA Margin IAS17	11.0%

- **IAS17 Adjusted EBITDA margin down 180bps vs FY20**
- **Cost of sales (inc. site labour) negative 230bps**
 - Priority to retain value for money principles and drive share
 - CGS margin growth of 60bps offset by labour ratio up 290bps
- **Variable costs negative 20bps**
 - Utilities 30bps
- **Site fixed costs positive 90bps**
 - Rent to revenue ratio improved to 4.7% from 5.4%
- **Central costs negative 20bps**
 - Continued investment to support growth
 - Print and insurance costs
- **IAS17 FY23 Adjusted EBITDA margin of 11.0%**



Margin outlook – inflationary pressures

	FY23 July Expectation	FY23 November Expectation	Update
Selling Price	3-6%	7%	Additional price taken in October menus
CGS Food	6-9%	9-10%	Further challenge from oil, produce, dairy
CGS Drink	4-5%	5-7%	Upcoming draught increases, coffee, milk
Labour	6-8%	9%	Rate of pay pressure
Utilities	0%	10%	Impact of new sites / landlord billing

▪ Consolidated distribution

- Successful switch of food distributor in H1 – with reduced deliveries and increased discipline
- Progress on hybrid consolidation options in H1 2023

▪ Food and drink supply contracts

- Contract re-negotiation scheduled for H1 2023

▪ NLW April 2023

- Increase of 9.7% to £10.42



Cost reduction initiatives in a challenging environment

- **No single action**

- Opportunities exist to cut waste and deliver savings across a number of cost lines
- Often about changing long ingrained behaviours

- **Examples of opportunities that we are addressing:**

- Minimising energy consumption
- Improving our fryer oil yields
- Splitting our waste more efficiently
- Reducing single-use menu consumption
- Reducing Mystery Diner frequency

- **Areas that we are not touching:**

- Ingredient quality and portion sizes – key parts of the value proposition
- Our ability to deliver great service and hospitality - we continue to focus intensively on sales and labour forecasting and rota discipline but would not consider a blunt reduction in hours



Cash flow IAS17

	FY23 £m
Adjusted EBITDA IAS17	13.5
Pre-opening costs	(1.5)
Corporation tax	-
Changes in working capital	(4.7)
Cash generated from operations	7.3
Maintenance capex	(3.4)
Interest paid	(0.4)
Employee share awards	(0.2)
Free cash flow	3.3
New site capex	(10.3)
Freehold / leasehold premium	(1.3)
Cash inflow / (outflow)	(8.3)
Cash b/f	31.3
Cash c/f	23.0

- **Cash generated from operations of £7.3m**
 - Impacted by half year working capital outflow
- **Working capital outflow of £4.7m**
 - Reflects timing of half year vs full year
 - Half year (2 Oct) immediately post September rents and month end trade payments
- **Free cash flow of £3.3m**
 - Post maintenance capex of £3.4m
 - Post interest charges of £0.4m
 - Before new site capex of £10.3m
- **Closing cash of £23.0m**



Capital expenditure

	FY23 £m
New site	13.1
Landlord contributions	(1.9)
Net new site spend	11.2
Maintenance	1.6
Splash and dash / external area	0.1
Kitchen re-set	0.9
Furniture refurb	0.6
Central	0.3
Freehold / Leasehold Premium	1.3
Net spend	15.9
Capex creditor movement	(0.9)
Cash out flow	15.0

▪ Net new site capex of £11.2m

- Includes £9.7m spend re 11 new sites built and opened in the period, eight Lounges and three CC

▪ Maintenance capex of £1.6m

- Represents 1.3% of revenue (FY22 1.1%)
- P&L maintenance spend was 1.7% of revenue (FY22 1.9%)

▪ Kitchen re-set

- 22 re-sets completed in H1

▪ Furniture refurb spend £0.6m

- Opportunity taken to refurb furniture removed from sites during Covid

▪ Central

- Includes cost of consolidating build and look and feel team into single fit for purpose warehouse

▪ Freehold / leasehold premium

- Includes freehold purchase of CC Canterbury site and reverse premium paid for Lounge H2 opening (passing rent £15k)



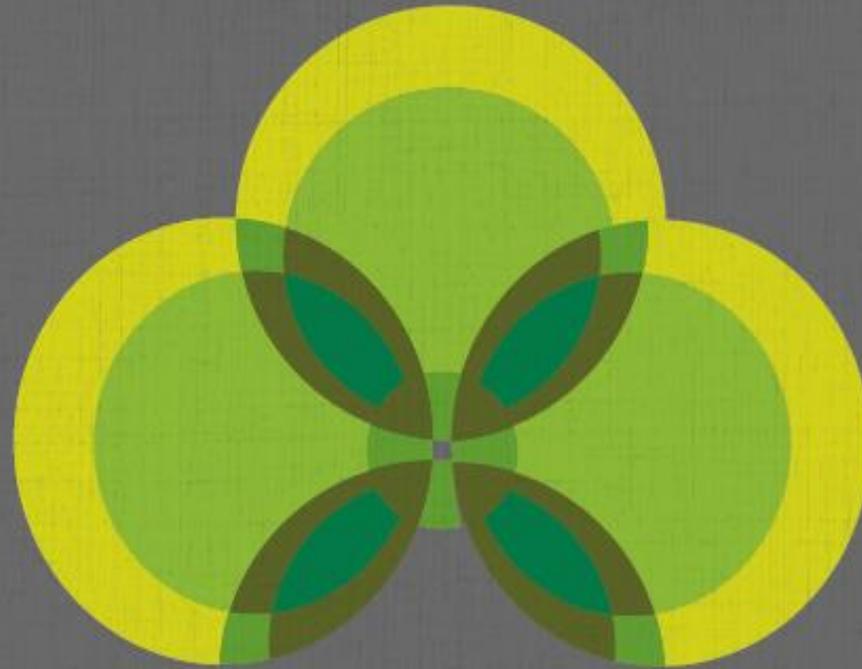
Non property net debt

	FY23 H1 £m	FY22 £m	FY22 H1 £m
Cash	23.0	31.3	20.6
Term Loan	(32.5)	(32.5)	(32.5)
Net debt	(9.5)	(1.2)	(11.9)
Deferred Covid-19 liabilities	-	(1.4)	(5.6)
Underlying net debt	(9.5)	(2.7)	(17.5)

- Net debt £9.5m
- Increase in net debt post April 2022 year end reflects timing of working capital flows
- Year on year £8.0m reduction in underlying net debt, after
 - £31.3m capex outflow
 - £5.6m outflow to settle Covid liabilities
- Term loan £32.5m to April 2024
- Strong balance sheet and funding position

Strategy and Operations Review

Nick Collins – CEO





Evolution – our food has never been so good

- We are back at the top of our game both in terms of breadth of choice and quality
- We are balancing priorities within the development process:
 - › Customer experience
 - › Value for money vs gross margin
 - › Kitchen simplicity





Evolution – our design goes from strength to strength

- We have invested in our in-house design team and are introducing new elements to both Lounge and Cosy Club
- Each site being different and giving a nod to the local community is fundamental to our success
- We have 8 sites programmed in for 'splash and dash' in FY23/24
- The estate remains very well maintained





Christmas 2022



- Emphasis on Christmas is different across the two brands:
 - › Lounge 8% of sales
 - › Cosy Club 12% of sales
- We have introduced a new booking system in the Lounges, for groups of 8 or more
- We are using dynamic pricing in Cosy Club
- Bookings suggest we are well-placed in respect of Christmas trading



GROUP BOOKINGS

We accept group bookings for parties of eight or more people. If you'd like to guarantee a table for a celebration or large get-together, you can make a booking enquiry using the form below.

Allergy notice: Please ensure that guests who wish to place an allergy order notify us when pre-ordering their food and when they arrive on the day.

Lounge Change

Lounge table reservation Change

How many guests will be attending?

Adults
16 years+

- 8 +

Children
2-16 years

- 0 +

The minimum number of guests for this occasion is 8.

CONTINUE

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
2 courses			23rd Nov £23.95	24th Nov £23.95	25th Nov £23.95	26th Nov £23.95	27th Nov £23.95
3 courses			£31.95	£31.95	£31.95	£31.95	£31.95
2 courses	28th Nov £23.95	29th Nov £23.95	30th Nov £23.95	1st Dec £25.95	2nd Dec £26.95	3rd Dec £26.95	4th Dec £23.95
3 courses	£31.95	£31.95	£31.95	£33.95	£35.95	£35.95	£31.95

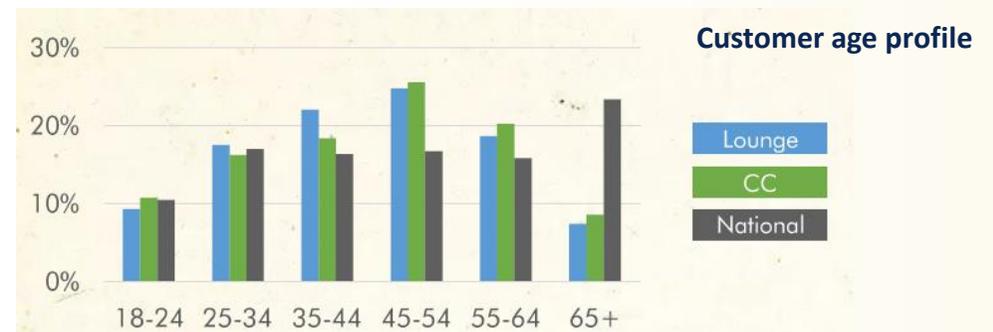


Significant volumes of insights data driving innovation and focus

- We now receive over 15,000 pieces of feedback per month
- In addition during the summer we surveyed 35,000 customers
- Dish specific feedback drives menu evolution
- Site specific feedback helps determine operational focus
- Brand level feedback gives us a great steer on how we are doing and where we can get better
- We are not short of people telling us what they think

Top 5 - Dish Rating - Reporting week			
Product	Dish Rating	#	Change
Cosy Club sandwich	96.97%	33	5.11%
Crispy Duck Salad (Small Plate)	96.43%	28	11.86%
House beef burger	95.45%	44	6.57%
Harissa Lamb Shoulder (Small Plate)	95.24%	21	8.14%
Smashed avocado	95.24%	21	7.00%
Fried Halloumi	95.00%	40	3.26%
Vegan cheeseburger	95.00%	20	6.43%

Hot drink and food ticket wait times								
	Mon	Tues	Weds	Thurs	Fri	Sat	Sun	Total
Hot Drinks +15 mins	18	28	23	22	33	43	39	206
Food +40 mins	10	14	10	15	25	74	42	190



Our value for money is a significant driver of our volume growth

COSTA COFFEE	
Latte	▲ £3.35

Boston Tea Party	
Latte	▼ £2.95
Breakfast (The West Country)	▲ £10.25

STARBUCKS® 	
Latte	▲ £3.45

▼ Priced lower than Prospero
 ▲ Priced higher than Prospero

THE ENCORE	
Amstel Pint	▲ £5.00
House White Wine (175ml)	▲ £7.85
Entry Level Burger (Bacon & Cheese)	▲ £17.95

PROSPERO LOUNGE	
Latte	£3.30
Amstel Pint	£4.80
House White Wine (175ml)	£4.90
Lounge Breakfast	£9.75
Lounge Burger	£10.95

wetherspoon	
Latte	▼ £1.35
Carlsberg Pint	▼ £2.39
House White Wine (175ml)	▼ £2.45
Breakfast (Small All Day Brunch)	▼ £7.40
Entry Level Burger (Beef Burger)	▼ £6.20

ALL-BAR-ONE	
Latte	▼ £2.75
Amstel Pint	▲ £5.45
House White Wine (175ml)	▲ £5.65
Breakfast (Full English)	▲ £9.95
Entry Level Burger (Cheese Burger)	▲ £12.95

MILLER & CARTER	
Amstel Pint	▲ £4.95
House White Wine (175ml)	▲ £5.15
Entry Level Burger (Bacon & Cheese)	▲ £15.50

DIRTY DUCK 	
GREENE KING 	
Amstel Pint	▼ £4.64
House White Wine (175ml)	▲ £5.69
Entry Level Burger (Cheese Burger)	▲ £14.95



Case Study: Romano Lounge Colchester



Case Study: Romano Lounge Colchester



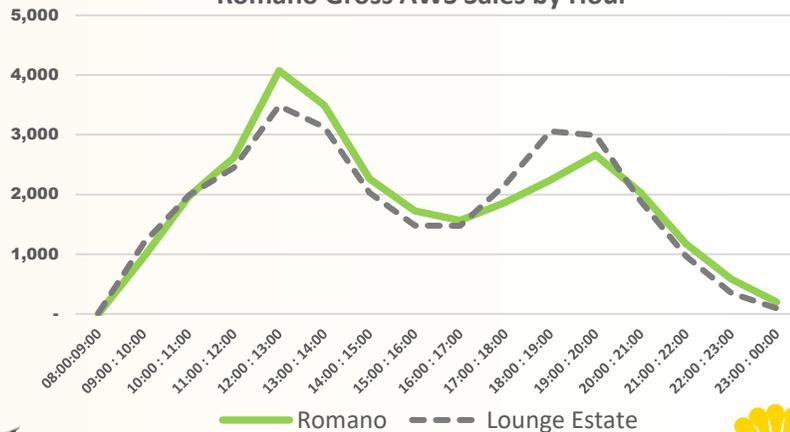
- Well positioned near the shopping centre and main high street and close to the bus station and train station
- Colchester population c 200,000
- Very typical retail and leisure line-up



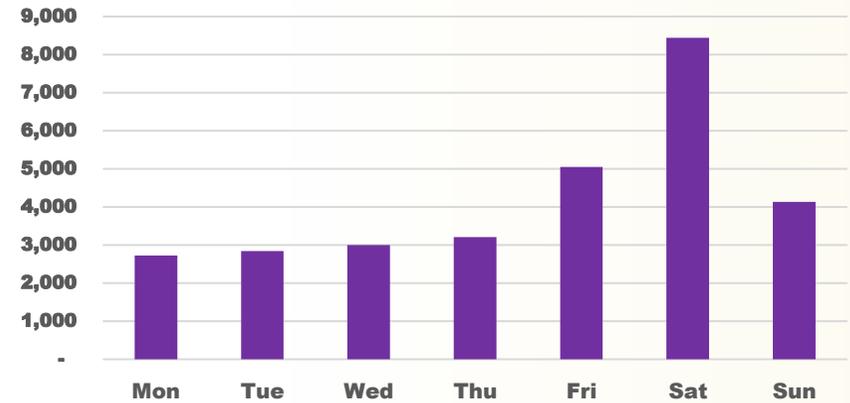
Case Study: Romano Lounge Colchester

- Opened November 2021
- 15-year lease (tenant break at 10)
- Rent £75,000
- Landlord package 36m
- Gross AWS £29,400
- Net capex £704,000
- Forecast CROCCI 32%

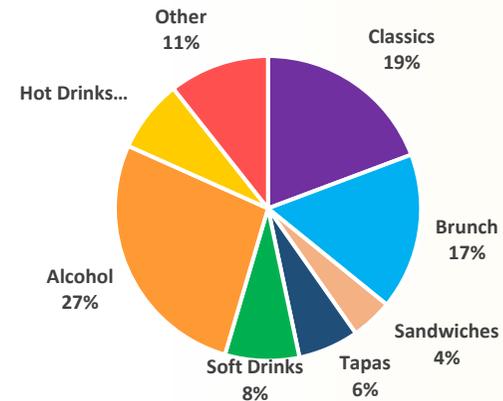
Romano Gross AWS Sales by Hour



Romano Gross AWS Sales by Day



Romano Category Sales Mix %

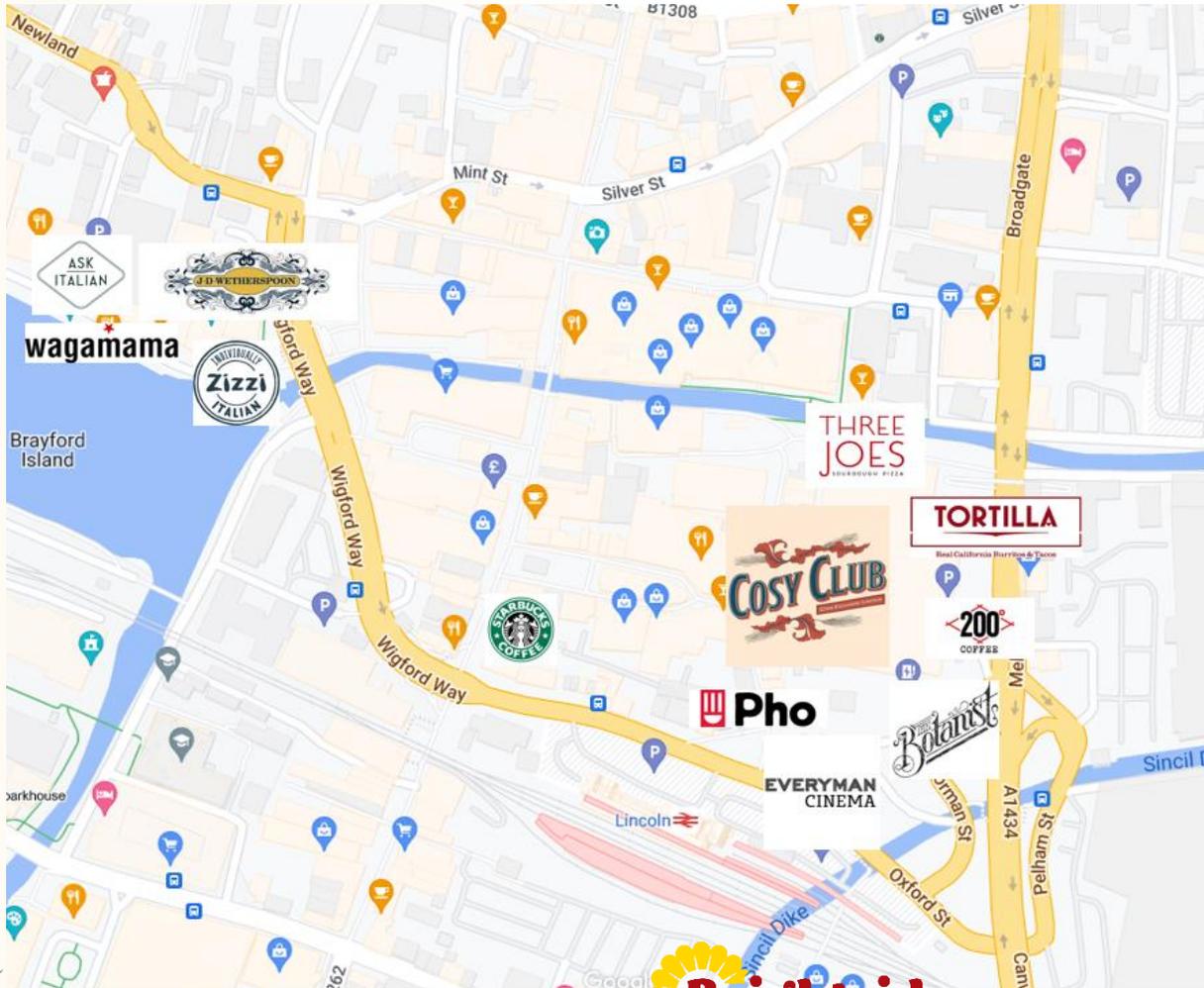




Case Study: Cosy Club Lincoln



Case Study: Cosy Club Lincoln



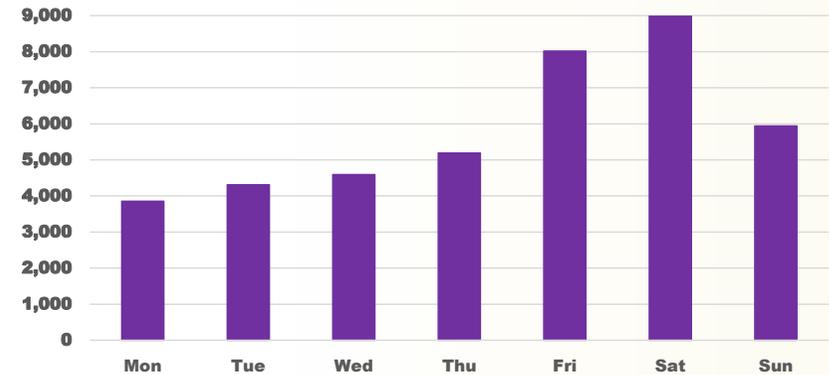
- Lincoln population c100,000
- University city c14,000 students
- Located on first floor of the redeveloped Grade II Corn Exchange
- Located on Cornhill, between the prime retail on High Street and Broadgate
- Competing F&B focused on Brayford Pool



Case Study: Cosy Club Lincoln

- Opened February 2018
- 20-year lease
- Rent £75,000
- Landlord package 24m
- Gross AWS £47,500
- LTM EBITDA £409,000
- Net lifetime capex £1,094,000
- CROCCI (post pre-opening costs) 33%

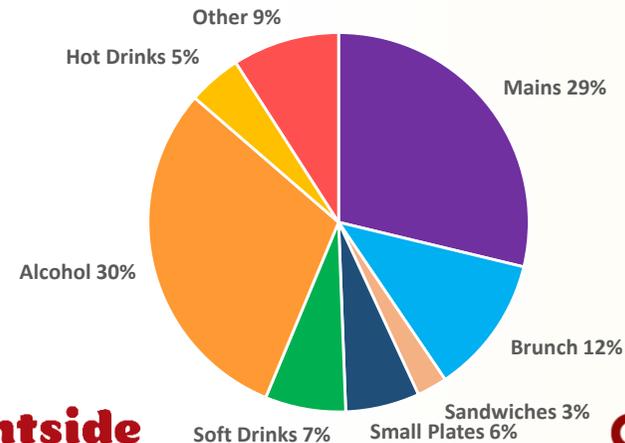
CC Lincoln Gross AWS Sales by Day



CC Lincoln Gross AWS Sales by Hour



CC Lincoln Category Sales Mix %

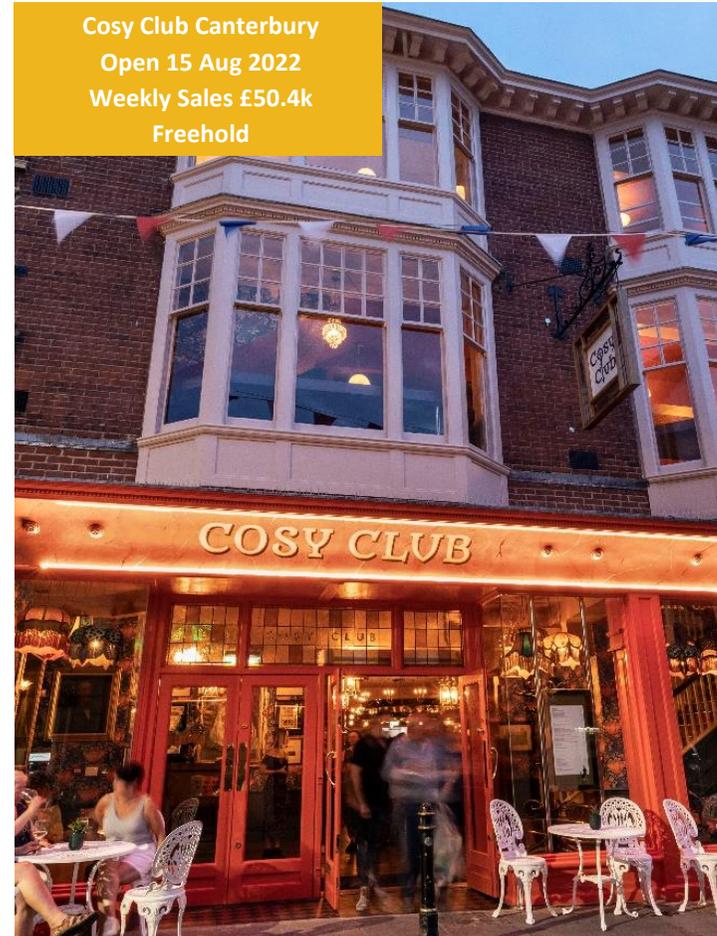




Examples of Recent Openings



Morro Lounge
 Richmond North Yorkshire
 Open 14 Sept 2022
 Weekly Sales £29.7k
 Rent £50k



Cosy Club Canterbury
 Open 15 Aug 2022
 Weekly Sales £50.4k
 Freehold



Prospero Lounge
 Stratford upon Avon
 Open 2 Nov 2022
 Weekly Sales £49.2k
 Rent £105k



Continuing to invest in our team

- In house recruitment team already significantly strengthened
- Chief People Officer Guy Youll now in role focusing on evolving our people strategy including:
 - › Strengthening our recruitment systems, tools and employer brand
 - › Ensuring our L&D spend is best-targeted
 - › Evolving our reward strategy and EVP with our unique opportunity to provide careers and progression
- New role of Marketing Director, Kate Lister, focusing on:
 - › Significant opportunity in both brands
 - › Expanding and restructuring team
 - › Following up from the significant and sizeable customer research we carried in the summer
- Realising the investment in our Ops structure





Introducing Brightside

What is Brightside?

- Roadside dining restaurants on A roads, alongside petrol stations
- Emphasis on warmth, hospitality, adventure, a degree of nostalgia and family
- Plays to our strengths - all day, no reservations, great value, large fresh menu

The opportunity?

- All current evolution and investment in roadside is in QSR and drive-thru. Not everyone is looking for convenience and speed
- Electric vehicles will lead to longer dwell times at service stations
- Provides a service to small local communities, often more rural, where we wouldn't look to locate Lounges





The first four Brightside sites

- We have exchanged contracts to acquire three roadside restaurants in the South West
- These are located on A38 south of Exeter, A303 near Honiton and A38 near Saltash
- We are completely refurbishing and rebranding these with the first opening in February 2023, and the remaining two around early May 2023
- We anticipate returns will be consistent with Lounge and Cosy Club, with sales and capex sitting somewhere between the two
- We have also exchanged contracts on a fourth new build site off the A1 (M) in Rutland to open in 2024



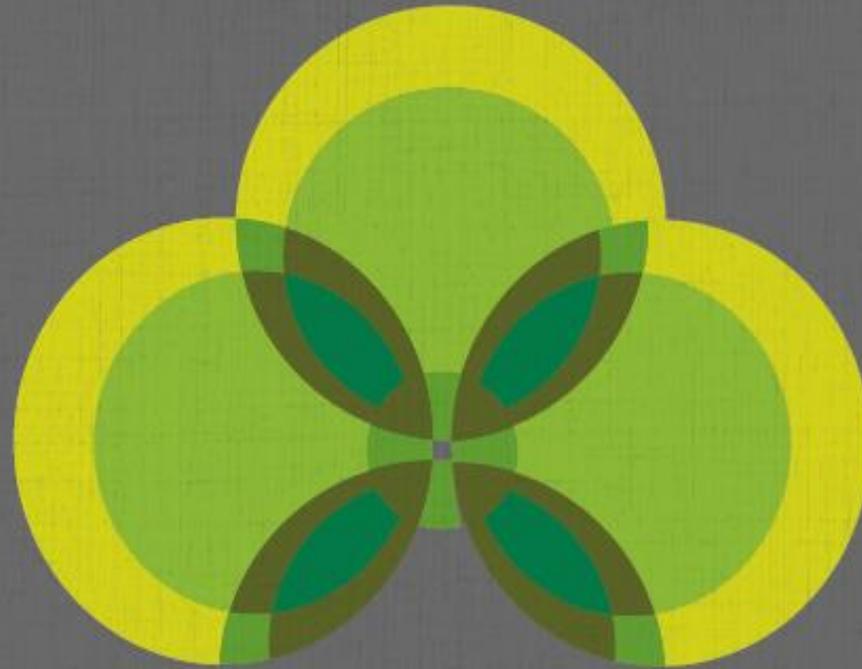


How do we see the future for Brightside?

- We are excited about the opportunity and have confidence in how these initial sites will trade
- Our forecast new site openings for FY23 and FY24 remain 30 and 32-34 respectively, including these three Brightside openings
- The potential opportunity is clearly huge - right now we are focused on finessing Brightside and demonstrating its financial success
- Our structure can simply incorporate a third brand and this will further leverage our central cost base
- We look forward to both updating on trading in these three sites and discussing further openings in due course



Final thoughts





Loungers is uniquely well-positioned

- Focus on evolution and value for money is driving our market-leading sales performance
- There is uncertainty post-Christmas but we are very well-positioned
- We are managing inflationary pressures through our continued growth
- We continue to invest in our people, and have one of the strongest senior teams in the sector
- We are opening sites very well, the pipeline is in good shape and there is significant runway for both Lounge and Cosy Club
- We are excited about Brightside and its growth potential



Thank you

LOUNGERS