Loungers plc

Interim results for the 24 weeks ended 6 October 2019

LOUNGE

COSY CLUB

DECEMBER 2019

H1 FY20 Highlights

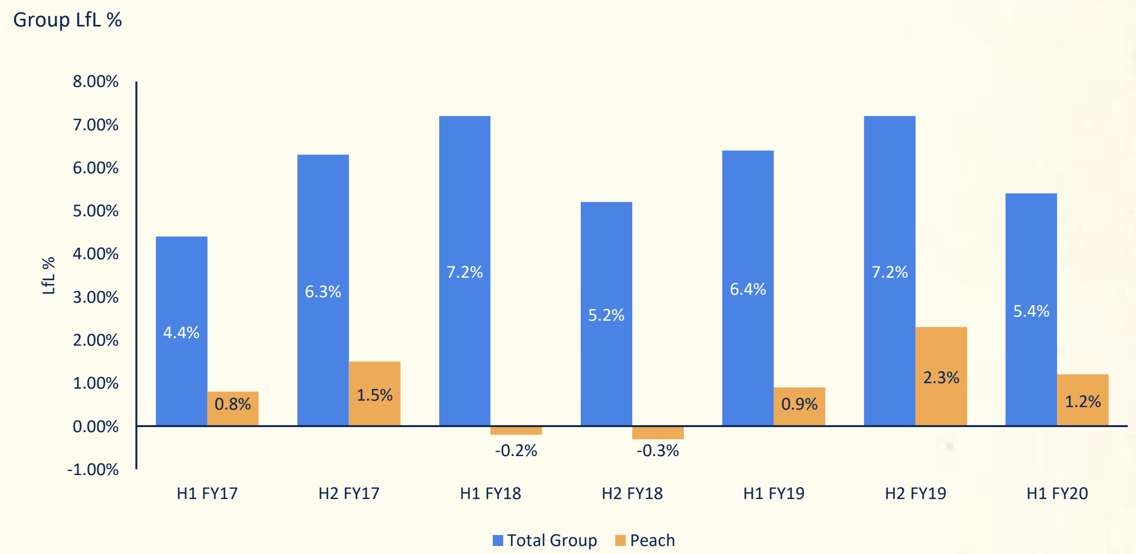
- LFL Sales growth +5.4%, overall sales +22%, adjusted EBITDA +26%
- Three year track record of sector leading performance maintained in H1
- 10 new sites opened in H1 (5 further sites opened to date in H2). Currently 161 sites (133 Lounges, 28 Cosy Clubs)
- On track to open 25 sites this year - this will be our fifth consecutive year of opening at least 20 new sites
- Sales growth continues to be broadly consistent across vintages and regions
- 0.4% Margin improvement driven by food, drink and labour, really demonstrates benefits of scale and operational discipline
- Property model remains best in class, rent to revenue ratio <6%
- New site opening performance has been strong and the pipeline is in good shape
- Confidence in the roll-out potential remains high
- Management team, processes and systems have been improved as we build for the future

Financial Review

Gregor Grant - CFO

Sales

Group LFL %



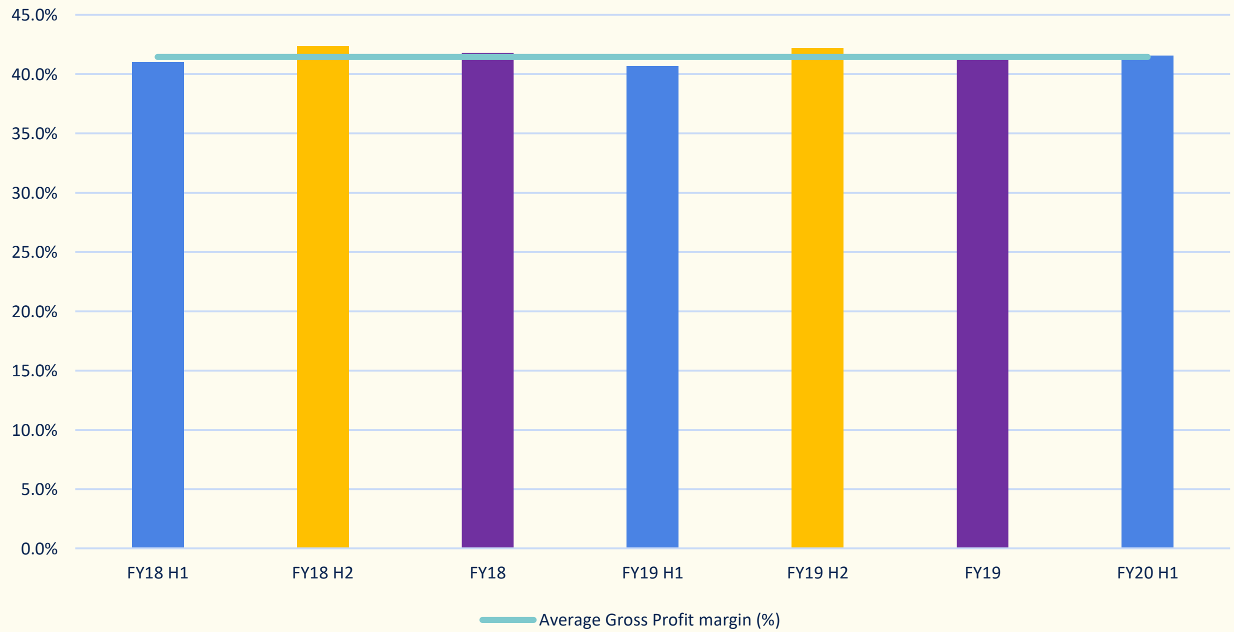
LFL Sales

- Consistent out-performance maintained
- 2 Year LFL sales of 12.0%
- Food and pre-4pm sales are key drivers
- Predominantly volume not price driven
- LFL sales growth spread broadly across the age cohorts
- Not driven by new sites / investment

Gross Margin

- Gross margin up 90bps to 41.5% (H1 FY19: 40.6%)
  - Cost of goods sold improved by 50bps
    - Improvement driven equally by selling price / in-bound costs / site controls
  - Labour improved by 40bps
    - Benefits from strong LFL sales performance and continuing control

Gross Profit Margin[1]



(1) Site gross margin is sales less cost of goods sold less site labour

Adjusted EBITDA Margin

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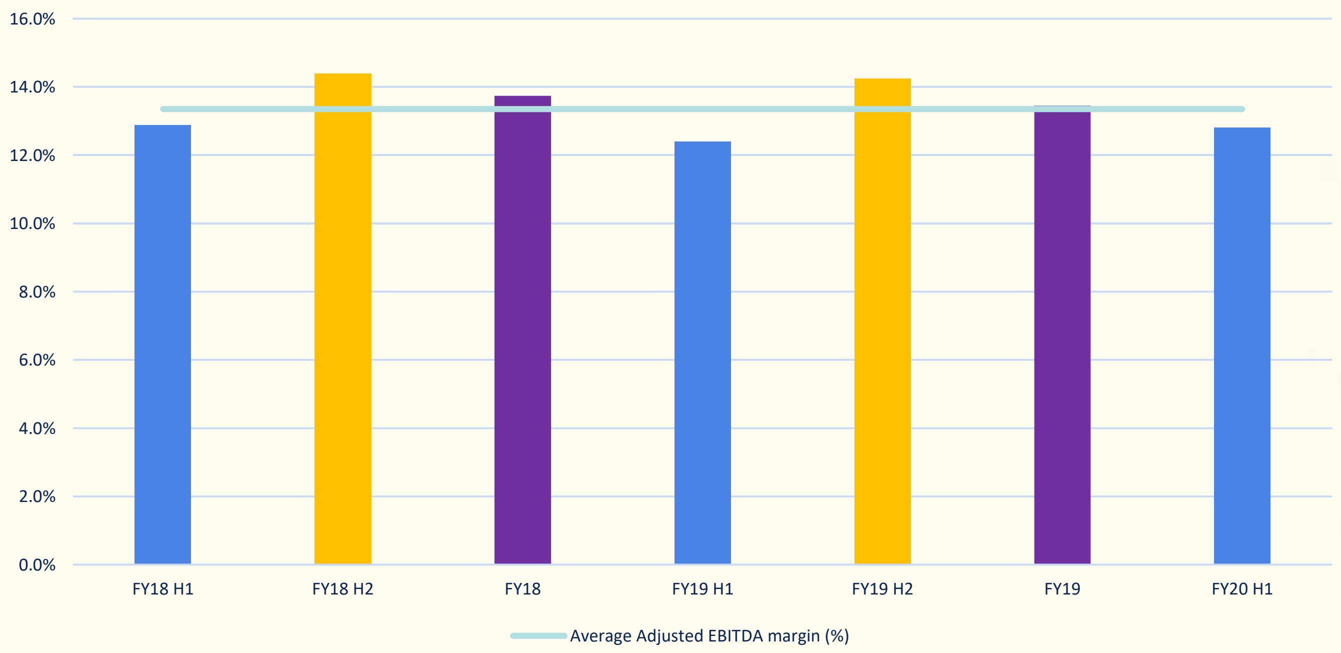
- Adjusted EBITDA margin (IAS 17) up 40bps to 12.8% (H1 FY19:12.4%)
  - Gross margin adds 90bps and improving operational leverage adds 20bps, offset by:
    - Utilities / pensions 40bps
    - Incremental listed company costs 30bps
  - H2 margins traditionally stronger, benefits from seasonality and increasing scale

Adjusted EBITDA Margin[2]



(2) Adjusted EBITDA is operating profit before depreciation, pre-opening costs, exceptional costs and share-based payment charges

Margin Outlook

Gross Margin Outlook

- ◆ H2 Margin traditionally stronger than H1, impact of seasonality and hot drinks mix
  - ❖ No price taken in winter food menus, modest selling price taken in new drinks range
  - ❖ Benefit of drink and food tenders to impact H2 positively, offset in part by
    - Food cost pressures – pork / produce
    - Costs of drinks range change
  - ❖ Full year benefit in FY21
  - ❖ Site labour cost inflation currently running at 3.5% - 4.0%
    - H2 / FY21 Initiatives to help address recruitment and retention
    - Expect continuation of NLW increases of 5% per annum

Adjusted EBITDA Margin

- ◆ H2 Adjusted EBITDA margin traditionally stronger, benefitting from seasonality and increasing scale
  - ❖ Expecting easing of utility cost pressure, new fixes started October 2018
  - ❖ Continuing benefit of operational leverage as the business scales
    - Scale benefits in FY20 partially offset by incremental listed company costs
    - Full benefit to be seen in FY21

Cash Flow

Cash Flow (IAS 17)	H1 FY20 £'000s	H1 FY19 £'000s
Adjusted EBITDA	**10,222**	**8,113**
Pre-opening costs	(1,158)	(1,081)
Exceptional IPO costs	(1,521)	0
Corporation tax paid	(624)	(497)
Movement in working capital	2,305	(155)
Cash generated from operations	**9,224**	**6,380**
Capital expenditure	(12,700)	(10,539)
Interest paid	(620)	(1,806)
Issue of shares	57,794	63
Borrowings	(57,038)	(1,000)
Cash outflow	**(3,340)**	**(6,902)**

- Cash generated from operations up by 44.6%
- Working capital inflow of £2.3m includes £1.5m of landlord contribution receipts
- Half year working capital (relative to full year) impacted by September quarter rents and month end creditors paid immediately prior to period end
- Reduction in interest paid reflects post-IPO banking facility
- Net proceeds from issue of new shares funds the reduction in borrowings

Capital Expenditure

Capital expenditure	H1 FY20 £'000s	H1 FY19 £'000s
New site	10,752	9,244
LL Contributions	(1,533)	(764)
Net new site spend	9,219	8,480
Splash and dash	208	319
Re-set investment	687	-
Maintenance	813	871
Central capex	151	106
Net spend	**11,078**	**9,775**

Net spend	**11,078**	**9,775**
LL Contributions	1,533	764
Accruals movement	100	-
Disposals	(11)	-
Cash out flow	**12,700**	**10,539**

- Net new site spend £0.7m ahead of prior year, reflects
  - Accrual for H2 openings
  - Impact of 4 Cosy Clubs in the mix
- Splash and dash investment relates to investment at four sites (2019: five sites)
- Estate is well-maintained with no need for wholesale rebranding or refurbishment
- Maintenance capex 1.0% of revenue (2019: 1.3%)

Strategy and Operations Review

Nick Collins - CEO

FY20 Openings

Cofio Lounge, Carmarthen

Cosy Club Plymouth

FY20 Lounge open

FY20 Lounge pipeline

FY20 Cosy Club open

FY20 Cosy Club pipeline

- 15 New sites in FY20 to date
  - 11 Lounges
  - 4 Cosy Clubs
- New sites performing well
- Anticipate a total of 6 new Cosy Clubs in FY20
- Birmingham will be our second city with two Cosy Clubs
- Forthcoming confirmed openings
  - Sutton
  - Watford
  - Chorley
  - Sittingbourne
  - Newark
  - Stourbridge
  - Nottingham (CC)
  - Brindley Place (CC)

Property and Pipeline

Existing Sites

- Pipeline status
  - Pipeline consistent as at time of IPO
  - Continue to maintain rental discipline in the business – rent <6% of revenue
  - Retail CVA's continue to provide great property opportunities, although can be capex implications
- New property director
  - Tom Trenchard appointed, ex Wagamama
  - Revised structure for agents / internal acquisitions team
- New Bristol HQ
  - Move in January 2020

Systems and Process Improvements

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- Successful implementation of Fourth labour scheduling, HR and payroll systems
- New allergens training and procedures rolled out
- 58 Sites now benefitting from kitchen re-set. Roll-out for remaining sites to commence in January 2020
- Kitchen processes and operating framework continue to evolve
- Drinks supplier change – exciting new products and margin opportunity
- 2020 will see our focus more biased towards the evolution of our offer and our customer

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Menu Evolution and Pricing

- New draught range now introduced
  - Includes the introduction of Punk IPA, Dead Pony, Moretti and Amstel
- Wine supplier changed, more opportunity to drive average spend upwards
- Lounge autumn / winter food menu changes more process driven and further evolution of vegan and allergen – friendly options
- Excellent Cosy Club food menu change saw some big wins in terms of evolution
- Banded / regional pricing trial introduced with new draught range
- Opportunity to push further on evening sales

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Our People

- We continue to invest in our training and development resource and programmes
- 2020 will see us trial
  - More flexible working hours
  - Banded pay structure
  - Hourly pay for more senior site staff
- People team further strengthened
- Enhancing our culture, further improving staff retention, and managing employee engagement in the context of a fast-paced roll-out, remains our biggest challenge

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Capex and Look and Feel Approach

- No requirement for wholesale refurbishment or re-branding
- Six sites have received splash and dash investments
- Approach continues to be driven by desire to enhance look and feel and ensure the estate remains up to date
- Anticipate four further sites receiving investment in H2, with a similar total level in FY21
- Estate is in excellent shape and our modest ongoing capex requirement reflects our intensive approach to maintenance

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Current Trading and Outlook

- We continue to outperform the sector and are pleased with recent trading
- We see no shift in the way our customers are behaving
- Our H1 FY20 openings are performing well
- We remain optimistic with regards to trading and the outlook

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Appendix

Loungers is a winner in an evolving hospitality sector

- Only growing all-day operator of scale in the UK
- Consistently out-performing the wider UK hospitality sector, delivering strong returns across the estate
- Broad, nationwide demographic appeal: "Serving Everyone for Every Occasion, Everywhere"
- Two distinct but complementary brands to maximise geographic and demographic reach
- Focus on hospitality, community, atmosphere and value-for-money
- Potential for at least 400 Lounges and 100 Cosy Clubs in the UK
- On track to open 25 New sites in FY20 and ongoing roll-out of c25 sites per year
- Consistently strong returns and site economics across age cohorts and locations
- Experienced and highly regarded management team

156 Sites (1)

£167m LTM Sales

£22.7m LTM Adjusted EBITDA (2)

- (1) As at H1 FY20 year end, currently 161 sites. (2) Adjusted EBITDA is IAS 17 operating profit before depreciation, pre-opening costs, exceptional costs and share-based payment charges

What is a Lounge

- Neighbourhood café / bar combining eating out, the British pub and coffee shop culture
- 72% of Lounge customers see it as a unique proposition, rather than categorise it as a restaurant, pub or coffee shop
- Principally located in secondary suburban high streets and small town centres
- All-day offer at every site: same menu served from 9am to 10pm
- Informal, quirky interiors: a “home from home”
- Hospitality and familiarity at the core, driven by an “independent” culture and focus on the local community
- 133 Lounges nationwide

Lounge serves everyone for every occasion

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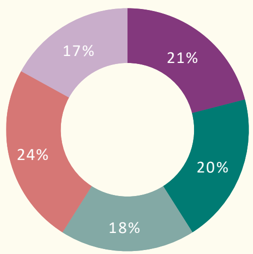
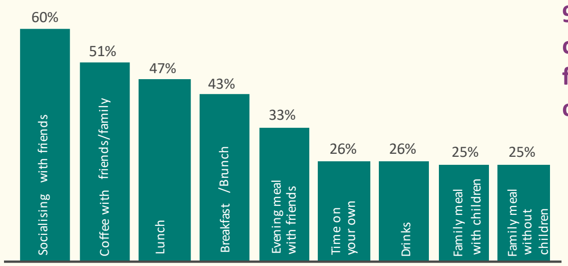
Demographic profile of Lounge customers[1]



61% Female

39% Male

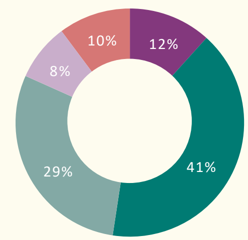
For which occasions do you visit a Lounge?[1]



90% of Lounge customers visit for multiple occasions

For which occasions do you visit a Lounge?

Food vs. drink



15% Morning

46% Afternoon

38% Evening

41% Mon - Thurs
Week

VS

59% Fri - Sun
Weekend

Notes:

[1]November 2018 survey of 1,529 customers undertaken by consultancy firm Market Measures

What is a Cosy Club

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- More formal bar / restaurants offering reservations and table service
  - Similar all-day offer and focus on hospitality and culture
- Typically located in city centres and large market towns
  - Maximises geographic and demographic reach
- Tend to be larger and more theatrical, frequently in heritage buildings, to create a sense of occasion and discovery
- Sales and EBITDA typically higher than for a Lounge
- Offers an opportunity for greater coverage within individual cities (e.g. Birmingham with nine Lounges and one Cosy Club)
- 28 Cosy Clubs nationwide

Broad demographic appeal but more occasion-led than Lounge

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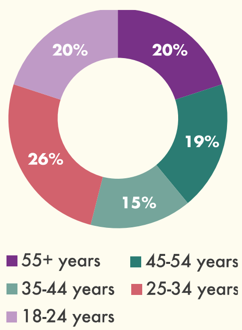
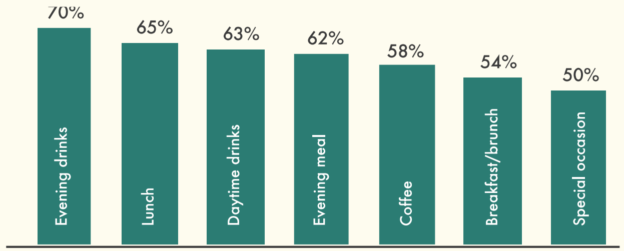
Demographic profile of Cosy Club customers[1]



57% Female

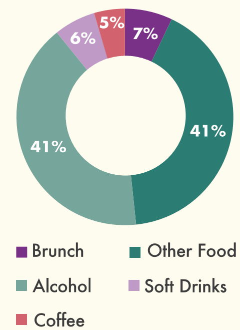
43% Male

For which occasions do you visit a Cosy Club?[1]



FY18 sales breakdown

Food vs. drink



8% Morning

43% Afternoon

49% Evening

37% Mon - Thurs
Week

vs

63% Fri - Sun
Weekend

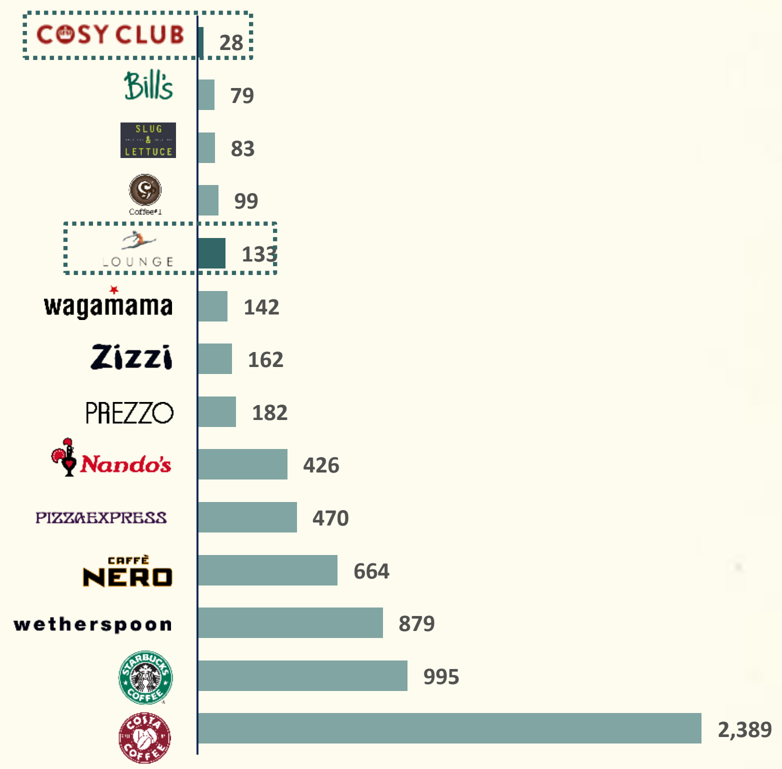
Notes:

[1]December 2017 survey of 860 customers undertaken by consultancy firm Market Measures

Roll-Out & Pipeline

- **On track to open 25 sites in FY20**
  - 19 Lounges and 6 Cosy Clubs
  - 10 openings in H1
  - 15 openings in H2
- **Pipeline**
  - Consistent with update at time of IPO
- **Potential scale**
  - 400 Lounges
  - 100 Cosy Clubs

Estate sizes of major UK hospitality operators



IAS 17 P&L Account

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P&L Account - IAS 17	H1 FY20 £'000s	H1 FY19 £'000s
Revenue	79,827	65,444
Cost of sales	(46,662)	(38,842)
Gross Profit	**33,165**	**26,602**
Administrative expenses	(29,002)	(23,396)
Exceptional admin expenses	(3,677)	-
Operating profit	**486**	**3,206**
Finance costs	(601)	(6,682)
Exceptional finance costs	(1,447)	-
Loss before tax	**(1,562)**	**(3,476)**
Tax	270	(295)
Loss after tax	**(1,292)**	**(3,771)**

P&L Account - IAS 17	H1 FY20 £'000s	H1 FY19 £'000s
Operating profit	**486**	**3,206**
Depreciation	4,385	3,580
P&L on disposal	(8)	-
Pre-opening costs	1,158	1,081
Share based payments	524	246
Exceptional IPO costs	3,677	-
Adjusted EBITDA	**10,222**	**8,113**

P&L Account	H1 FY20 £'000s	H1 FY19 £'000s
IAS 17 Loss after tax	**(1,292)**	**(3,771)**
IFRS 16 Impact	(773)	(642)
IFRS 16 Loss after tax	**(2,065)**	**(4,413)**

IAS 17 Balance Sheet

Balance Sheet	FY20	FY19
	£'000s	£'000s
Intangibles	113,227	113,227
Fixed assets	82,296	74,073
Non current assets	**195,523**	**187,300**
Inventories	1,338	1,500
Trade and other receivables	6,194	6,289
Cash and cash equivalents	3,160	6,500
Current assets	**10,692**	**14,289**
Trade and other payables	(33,077)	(33,095)
Derivative financial instruments	(135)	(10)
Current liabilities	**(33,212)**	**(33,105)**
Borrowings	(31,966)	(172,112)
Accruals and deferred income	(10,344)	(9,312)
Deferred tax liabilities	(2,520)	(2,348)
Provisions	(110)	(118)
Non current liabilities	**(44,940)**	**(183,890)**
Net assets / (liabilities)	**128,063**	**(15,406)**

Balance Sheet	FY20	FY19
	£'000s	£'000s
IAS 17 Net assets / (liabilities	**128,063**	**(15,406)**
IFRS 16 Impact	(4,459)	(3,686)
IFRS 16 Net assets / (liabilities	**123,604**	**(19,092)**

IFRS 16 Impact

Balance Sheet	FY20 £'000s	FY19 £'000s
Right of use asset	88,436	79,640
Fixed assets	(5,796)	(4,452)
Finance lease receivable	868	906
Prepayments	(2,066)	(1,481)
Accruals and deferred income	11,643	10,085
Lease liability	(98,457)	(89,138)
Deferred tax asset	913	754
Net assets impact	**(4,459)**	**(3,686)**

P&L Impact	FY20 £'000s	FY19 £'000s
Reversal of rent charge	4,444	8,306
Depreciation of right of use asset	(3,090)	(5,694)
Depreciation re landlord incentives	189	294
Operating Profit Impact	**1,543**	**2,906**
Net interest expense	(2,475)	(4,617)
Profit before Tax Impact	**(932)**	**(1,711)**
Deferred tax credit	159	290
Profit after Tax Impact	**(773)**	**(1,421)**

- Fully retrospective method adopted
- Discount rate of 5.9% applied to all leases, under review for new leases post IPO
- Fixed asset adjustment relates to landlord contributions credit
- Accruals and deferred income adjustment relates to write back of rent free and landlord contribution creditors
- Negative impact on PBT a function of relative youth of the leases, roll-out will continue to drive high interest expense
- Average lease length 16.1 years with 12.2 years remaining at H1 FY20
- IFRS 16 net debt at H1 FY20 of £127.8m

IPO Costs

IPO Costs	H1 FY20 £'000s
IPO Related costs	1,521
IPO Related share based payments	2,156
Loan arrangement fee write off	1,447
P&L Exceptionals	**5,124**
Equity raise costs	3,802
Charged to equity	**3,802**

- IPO related costs allocated between those directly related to the equity raise (charged to equity) and other costs, for example tax structuring advice and employee bonuses, charged to the P&L
- IPO related share based payments relate to share awards made at IPO. To the extent that these awards require 12 months post IPO service their cost is being spread over the year. The forecast exceptional charge for H2 is £856,000
- Share awards that are not directly related to the IPO are charged to the P&L and not treated as exceptional. The H1 charge was £524,000.
- The loan arrangement fee write off is charged to finance costs and relates to costs incurred in the May 2017 financing

Thank you