

## “All day” success, all year round

26th April 2024

Loungers has announced record FY24 Sales of £353.5m, up 24.7% and 22.2% excluding the 53<sup>rd</sup> week. This exceptional performance was 2.7% ahead of our estimate as FY24 LFL sales growth of 7.5% was maintained into the final 21 weeks, outperforming the industry again. Even more impressively, FY23/FY24 new sites contributed c.15% to revenue growth as Loungers' unique all-day café-bar model continues to attract new customers nationwide, ranging from coastal towns to mixed use retail / leisure schemes. Sales leverage and easing inflation has led to FY24E Adj. EBITDA ahead of expectations and we raise our FY24 Adj. EBITDA by c.3% to £43.5m (IAS 17 metric).

We recently initiated on Loungers detailing why its profitable model and self-funded growth was undervalued (see “[Loungers: Delivering self-funded growth “all day” long](#)”). The 257-site group still has huge scope to grow towards its ambition of over 650 sites, driving 17% CAGR in Revenues, 19% CAGR in Adj. EBITDA and 23% CAGR in Adj. EPS FY23-FY26E. Whilst Loungers' share price has rallied 10% in the past month, we maintain our view that this high growth is not reflected in the group's valuation. We raise our Fair Value to 370p, based on 8.0x our new cal 2025 EV/Adj. EBITDA.

### Record sales as 36 new sites and 7.5% LFL sales drive 22% sales growth

Despite a lack-lustre trading period for the industry in January-February 2024, Loungers has once again outperformed with FY24 LFL sales growth of 7.5%, implying c.5% outperformance of the industry in 4Q24. New sites continued to attract new customers, contributing c.15% sales growth.

### Raising FY24E Adj. EBITDA by c.3% and FY24E PBT by c.15%

This exceptional sales performance, combined with disciplined cost management, has led us to increase our Adj. EBITDA (IAS 17) margin by c.10bps to 12.3%.

### Growth prospects look undervalued, Fair Value raised to 370p

Offering higher organic growth than sector peers, operating cashflow to re-invest in growth and a strong balance sheet, we raise our Fair Value from 360p to 370p based on c.8.0x calendar (“cal”) 2025 EV/EBITDA and equating to c.1.3x cal 2025 EV/Sales and 27x cal 2025 PER.

#### Company Data

EPIC	AIM: LGRS
Price (last close)	231p
52 weeks Hi/Lo	234p/182p
Market cap	£240m
ED Fair Value / share	370p
Net debt incl leases FY24E	£162m

#### Share Price, p



Source: ADVFN

#### Description

Founded in 2002, Loungers has grown rapidly to a nationwide portfolio of 218 “Lounge” bars, and 36 “Cosy Clubs” which offer a unique combination of restaurant, pub and coffee shop; a proposition which differentiates from competition to appeal regardless of age, demographic or gender. As an all-day operator providing value for money, “Lounge” bars offer a “home from home” ambience and are competitive in a wide range of locations from market towns to coastal towns to retail and leisure centres. “Cosy Club” offers a more dramatic and up-market experience in city centres. In 2023 Loungers launched its third brand, with three “Brightside” roadside diners.

#### Next Event

9<sup>th</sup> July – preliminary results

#### Caroline Gulliver (Analyst)

0207 065 2690  
[caroline.gulliver@equitydevelopment.co.uk](mailto:caroline.gulliver@equitydevelopment.co.uk)

#### Hannah Crowe

0207 065 2692  
[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

#### Key Financials & Valuation multiples

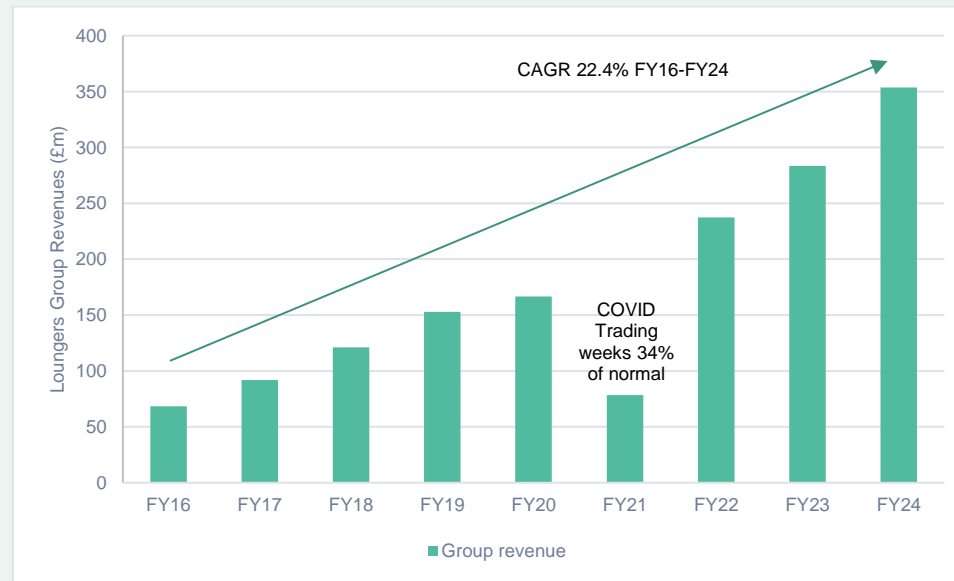
Year to mid-April (£m)	2022	2023	2024E	2025E	2026E
Revenue	237.3	283.5	353.5	402.1	458.1
Revenue growth (%)	n/c	19.5	24.7	13.8	13.9
Adj. EBITDA*	51.3	44.0	54.5	63.2	73.7
Adj. EBITDA^	42.3	34.2	43.5	50.2	58.7
Adj. EBITDA^ margin (%)	17.8	12.1	12.3	12.5	12.8
Adj. PBTA	21.6	9.4	13.4	15.8	20.8
Adj. PBT margin (%)	9.1	3.3	3.8	3.9	4.5
Adj. diluted EPS (p)	17.0	8.1	9.4	11.1	14.7
Net financial debt / Adj. EBITDA (x)	0.0	0.2	0.2	0.1	-0.1
Net debt incl leases / Adj. EBITDA (x)	2.2	3.0	2.8	2.6	2.3
EV / Sales (x, calendarised)		1.3	1.1	0.9	0.8
EV / Adj. EBITDA* (x, calendarised)		8.1	6.8	5.9	5.0
PER (x, calendarised)		25.9	22.1	17.3	12.7

Source: ED analysis, IFRS 16 \*post pre-opening costs, ^ IAS 17, FY24E 53 weeks; Share price at COB 25/4/24

## Unique business model drives over 22% sales growth

Loungers' record FY24 Sales of £353.5m and sales growth of 22.2% (excluding the 53<sup>rd</sup> week) is an extension of its 22.5% CAGR FY16-FY23 and once again shows the attractiveness of their all-day, dining model which attracts customers of all ages, genders and income groups. The diversity and innovative nature of the menu, ranging from flatbreads to burgers to tapas and from coffee to cocktails, leads to Loungers' resilience. We describe Loungers' business model in detail in our recent initiation note: [Loungers: Delivering self-funded growth "all day" long](#), published 27 March 2024.

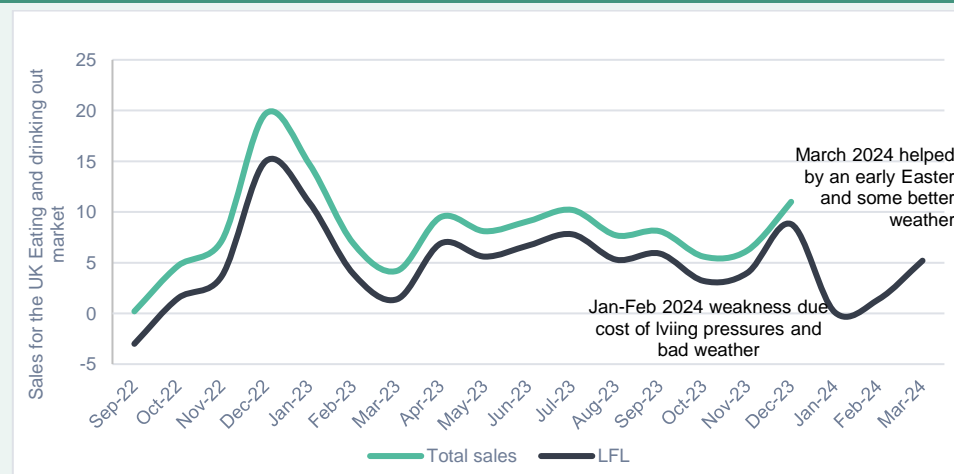
### Loungers' impressively consistent 22.4% CAGR in sales FY16-FY24



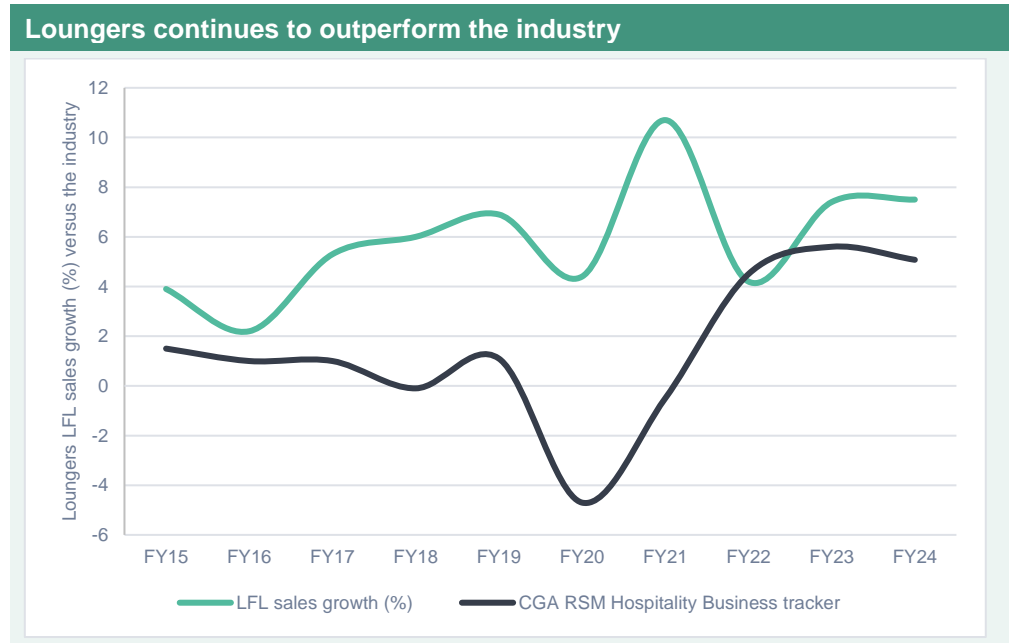
Source: Company data, ED, average weekly sales in FY20 and FY21 adjusted for trading weeks opened due to COVID lockdowns and FY22 average weekly sales excludes the temporary VAT benefit.

This competitive advantage has led to Loungers consistently outperforming the industry in LFL sales growth over the past decade; and continues to do so. Whilst the industry, as measured by the CGA RSM Hospitality tracker (which aggregates sales data from over 100 leading bar, restaurant and pub chains in the UK), was suffering from flat sales in January 2024 and only 1.4% growth in February, followed by 5.2% growth in March (in part due to the early Easter trading), Loungers has achieved 7%+ LFL sales growth over the final 21 weeks, to bring FY24 LFL sales growth to 7.5%.

### Industry trading dipped in early 2024 but Loungers achieved 7%+ 4Q24 LFL



Source: CGA RSM Hospitality Business Tracker



Source: Company data, CGA RSM Hospitality Business Tracker

The compound impact of Loungers' superior LFL growth is even more stark. Whereas Loungers has grown LFL sales by c.25% over the past four years, the compound industry LFL growth from FY19-FY24 was only 10%.

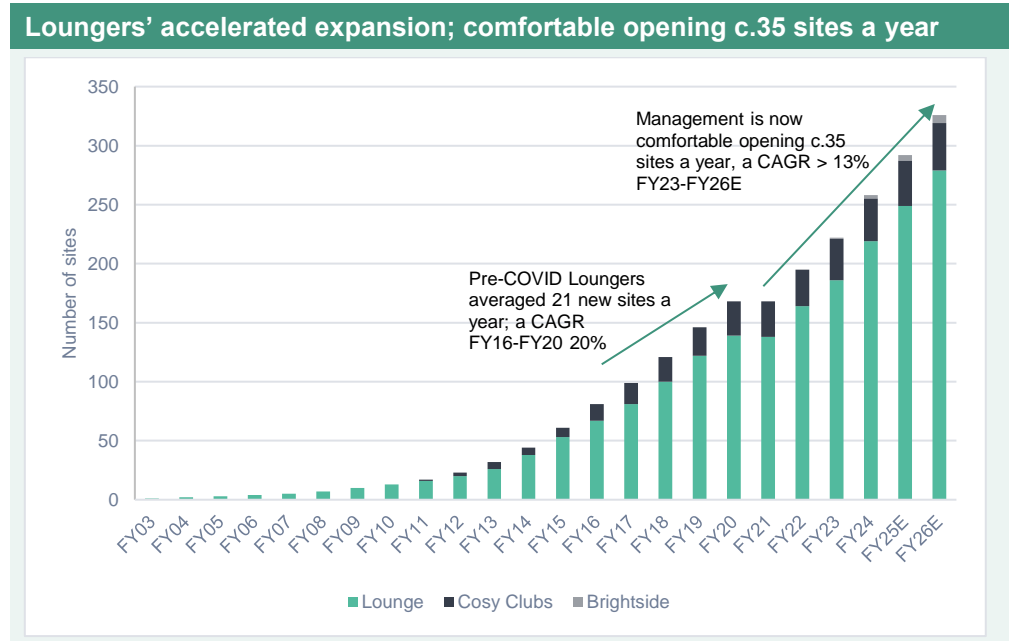
### New Lounge sites successfully opening in a variety of locations

Loungers' investment thesis is not just about LFL sales growth outperformance though. It is about the group's potential to grow from 257 sites to over 650 sites across its three brands. We are encouraged that the group is successfully opening new Lounge sites in different locations nationwide (from coastal towns to mixed retail/leisure schemes) and successfully converting sites from a variety of former uses (e.g. retail, banks).



Source: Company data

The success is evident with new sites contributing c.15% to FY24 sales growth (a mix of full year contributions from FY23 openings and part FY24 openings).





Source: Company historic data, ED forecasts and analysis

This bodes well for Loungers' continued expansion plans and we see potential for multiple sites in large cities, such as Bristol where Loungers has taken on a former Pitcher and Piano site on Bristol Harbourside, as well sites in new areas.

### Bristol area: 4 Lounges, 1 Cosy Club and still 5 areas to open in

▪ There is still an opportunity to double the size of the estate in Bristol – highlighting the scale opportunity for the Lounge brand

- Porto Lounge relocated to bigger premises during the year
- Barranco Lounge opened during the year in the Abbeywood Retail Park
- The three existing Lounges all continue to trade strongly
- Cosy Club Bristol is one of the best EBITDA sites in the estate
- We would still strongly consider opening new Lounges in:
  - Cribbs Causeway
  - Emersons Green
  - Brislington
  - Bristol Harbourside
  - Clifton

Source: Company data

## Scale economies and easing cost inflation driving profit margins

This superior sales growth has also driven FY24E Adj. EBITDA ahead of market expectations, as the group has benefitted from higher sales and greater leverage of fixed costs such as rents and central costs. The continued easing of food & drink cost inflation is also welcome and the net impact is that we have raised our Adj. EBITDA by c.3.4% in FY24E to £43.5m (IAS 17 metric).

The impact is greater for Adj. PBT and Adj. EPS as the group can leverage its interest costs, resulting in a c.15% increase in our FY24E forecasts. However, this diminishes to a c.6% increase to our FY26E forecasts as we were already forecasting a significant increase in PBT.

The changes to our forecasts can be seen in the table below and the detail of our forecasts is in the tables at the end of this report.

Adjustments	New forecasts			Old forecasts			% change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
<b>Year-end mid-April, £m</b>									
<b>Revenue</b>	<b>353.5</b>	<b>402.1</b>	<b>458.1</b>	<b>344.2</b>	<b>391.6</b>	<b>446.2</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
Revenue growth (%)	24.7	13.8	13.9	21.4	13.8	13.9			
LFL sales growth (%)	7.5	4.0	4.0	7.6	4.0	4.0			
New site sales contribution (%)	14.7	11.8	9.9	11.7	11.8	9.9			
Calendar impact (%)	2.5	-2.0	0.0	2.1	-2.0	0.0			
<b>Adj. EBITDA post POC (IFRS 16)</b>	<b>54.5</b>	<b>63.2</b>	<b>73.7</b>	<b>52.7</b>	<b>61.7</b>	<b>71.9</b>	<b>3.4</b>	<b>2.5</b>	<b>2.5</b>
<i>Adj. EBITDA (IFRS 16, post POC) margin (%)</i>	<i>15.4</i>	<i>15.7</i>	<i>16.1</i>	<i>15.3</i>	<i>15.8</i>	<i>16.1</i>			
<b>Adj EBITDA (IAS 17)</b>	<b>43.5</b>	<b>50.2</b>	<b>58.7</b>	<b>42.1</b>	<b>48.6</b>	<b>56.9</b>	<b>3.5</b>	<b>3.2</b>	<b>3.2</b>
<i>Adj. EBITDA (IAS 17) margin (%)</i>	<i>12.3</i>	<i>12.5</i>	<i>12.8</i>	<i>12.2</i>	<i>12.4</i>	<i>12.8</i>			
<b>Adj. PBTA</b>	<b>13.4</b>	<b>15.8</b>	<b>20.8</b>	<b>11.6</b>	<b>14.8</b>	<b>19.7</b>	<b>15.5</b>	<b>7.0</b>	<b>5.7</b>
<i>Adj. PBT margin (%)</i>	<i>3.8</i>	<i>3.9</i>	<i>4.5</i>	<i>3.4</i>	<i>3.8</i>	<i>4.4</i>			
Adjusted diluted EPS (p)	9.4	11.1	14.7	8.1	10.4	13.9	15.5	7.0	5.7
<i>Adj. EPS growth (%)</i>	<i>16.2</i>	<i>18.0</i>	<i>32.1</i>	<i>0.7</i>	<i>27.3</i>	<i>33.6</i>			
Capex	45.2	41.7	41.9	41.6	40.1	40.3	8.5	4.0	4.0
<b>Net financial debt (IAS 17)</b>	<b>(9.7)</b>	<b>(5.7)</b>	<b>3.5</b>	<b>(9.2)</b>	<b>(7.9)</b>	<b>0.5</b>			
Total net debt (IFRS 16)	(162.9)	(174.4)	(178.5)	(162.4)	(176.6)	(181.5)			
Net financial debt / EBITDA (IAS 17) (x)	0.2	0.1	-0.1	0.2	0.2	0.0			
Total net debt / EBITDA (IFRS 16) (x)	2.8	2.6	2.3	2.8	2.7	2.4			

Source: ED forecasts

## Fair value / share raised to 370p

We discussed our valuation methods in detail in our recent initiation report and concluded that Loungers' high growth prospects relative to its peers were not reflected in its valuation. Although Loungers' share price has rallied 10% in the past month, outperforming peers, we remain of the view the group is undervalued.

The 257-site group still has huge scope to grow towards its ambition of over 650 sites, driving 17% CAGR in Revenues, 19% CAGR in Adj. EBITDA and 23% CAGR in Adj. EPS FY23-FY26E. We raise our Fair Value from 360p to 370p, based on 8.0x our new cal 2025 EV/Adj. EBITDA, which equates to c.1.3x cal 2025 EV/Sales and 27x cal 2025 PER.

**Comparable Peers Growth and Margin Metrics**

Company	Share price p	Market cap £m	Enterprise Value £m	2 years CAGR Cal 2023-Cal 2025E				EBITDA margin Cal '24 %	PBT margin Cal '24 %	Net debt / EBITDA Cal '24, x
				Sales	EBITDA	PBT	EPS			
Fullers	606	356	553	2.4	7.4	20.2	21.8	17.6	6.4	3.3
JD Wetherspoon	735.5	885	1,940	4.5	7.9	29.5	28.5	12.2	3.6	4.3
Marstons	27.45	174	1,663	2.8	4.9	78.6	22.5	21.3	6.3	7.8
Mitchells & Butlers	236.5	1,404	2,963	3.6	9.9	27.9	23.6	16.1	6.9	3.8
Tortilla	43	17	18	5.6	38.3	n/a	n/a	9.5	0.2	0.2
Whitbread	3112	5,704	9,984	6.1	4.9	4.9	7.7	34.7	18.2	4.1
Young & Co	982	574	911	13.3	14.2	10.6	5.6	23.1	11.3	3.7
<b>Average*</b>				<b>5.5</b>	<b>8.2</b>	<b>18.6</b>	<b>18.3</b>	<b>19.2</b>	<b>7.6</b>	<b>3.9</b>
<b>Loungers</b>	<b>224</b>	<b>232</b>	<b>392</b>	<b>15.3</b>	<b>15.4</b>	<b>34.3</b>	<b>26.8</b>	<b>15.9</b>	<b>4.2</b>	<b>3.0</b>

Note: All profits are adjusted for exceptionals; all sales and profit estimates are calendarised to a December year-end; \* excluding outliers  
 Source: Marketscreener, KoyFin, ED analysis (share prices at 25<sup>th</sup> April 2024)

**Comparable Valuation Metrics**

Company	EV/Sales (x)		EV/ EBITDA (x)		Mkt cap / PBT (x)		PER (x)	
	Cal 2024	Cal 2025	Cal 2024	Cal 2025	Cal 2024	Cal 2025	Cal 2024	Cal 2025
Fullers	1.6	1.5	8.8	8.3	15.5	13.6	22.2	19.1
JD Wetherspoon	0.9	0.9	7.7	7.3	11.7	9.9	16.1	13.6
Marstons	1.8	1.8	8.6	8.3	3.1	2.6	3.8	3.3
Mitchells & Butlers	1.1	1.1	7.0	6.6	7.7	6.6	10.3	8.8
Tortilla	0.3	0.2	2.9	2.4	n/a	15.8	21.5	14.3
Whitbread	3.2	3.0	9.2	8.9	10.1	9.6	13.5	12.8
Young & Co	2.0	1.8	8.5	7.8	10.9	10.0	15.1	14.1
<b>Average*</b>	<b>1.5</b>	<b>1.4</b>	<b>8.3</b>	<b>7.8</b>	<b>11.2</b>	<b>9.9</b>	<b>15.4</b>	<b>13.8</b>
<b>Loungers</b>	<b>1.0</b>	<b>0.9</b>	<b>6.6</b>	<b>5.7</b>	<b>14.7</b>	<b>11.6</b>	<b>20.6</b>	<b>16.1</b>

Note: All profits are adjusted for exceptionals; all sales and profit estimates are calendarised to a December year-end; \* excluding outliers  
 Source: Marketscreener, KoyFin, Equity Development analysis (share prices at COB 25<sup>th</sup> April 2024)

Portfolio metrics					
Year-end mid-April, £m	FY22	FY23	FY24E	FY25E	FY26E
Lounges	164	186	219	249	279
Cosy Clubs	31	35	36	38	40
Brightside		1	3	5	7
<b>No of sites</b>	<b>195</b>	<b>222</b>	<b>258</b>	<b>292</b>	<b>326</b>
Lounges	26	22	33	30	30
Cosy Clubs	1	4	1	2	2
Brightside	0	1	2	2	2
<b>Net new sites</b>	<b>27</b>	<b>27</b>	<b>36</b>	<b>34</b>	<b>34</b>
% growth	16.1	13.8	16.2	13.2	11.6
Average weekly sales per site (£'000) (all sites)	23.5	26.1	27.8	28.1	28.5

Source: Company historic data, ED forecasts and analysis

Key growth and margin metrics					
Year-end mid-April, £m	FY22	FY23	FY24E	FY25E	FY26E
LFL sales growth (%)	4.2	7.4	7.5	4.0	4.0
New site sales contribution (est) (%)	8.7	12.1	14.7	11.8	9.9
Other incl calendar & COVID (%)	190		2.5	-2.0	
<b>Revenue growth (%)</b>	<b>202.9</b>	<b>19.5</b>	<b>24.7</b>	<b>13.8</b>	<b>13.9</b>
Gross profit growth (%)		9.9	26.7	13.8	13.9
Adj. EBITDA (IFRS 16) growth (%)		-11.7	24.4	14.6	15.6
Adj. EBITDA (IAS 17) growth (%)		-19.2	27.3	15.3	17.1
Adj. Operating profit post SBP / POC (%)		-29.0	25.3	8.7	18.2
<b>Adj. PBT growth (%)</b>		<b>-56.7</b>	<b>42.9</b>	<b>18.0</b>	<b>32.1</b>
<b>Adj. EPS growth (%)</b>		<b>-52.4</b>	<b>16.2</b>	<b>18.0</b>	<b>32.1</b>
Gross profit margin (%)	43.4	39.9	40.6	40.6	40.6
Adj. EBITDA* (IFRS 16) margin (%)	22.6	16.7	16.7	16.8	17.0
<b>Adj. EBITDA (IAS 17) margin (%)</b>	<b>17.8</b>	<b>12.1</b>	<b>12.3</b>	<b>12.5</b>	<b>12.8</b>
Adj. Operating margin post SBP / POC (%)	12.0	5.9	6.2	6.1	6.6
<b>Adj. PBT margin (%)</b>	<b>9.1</b>	<b>3.3</b>	<b>3.8</b>	<b>3.9</b>	<b>4.5</b>

Pre pre-opening costs,

Source: Company historic data, ED forecasts and analysis

<b>Profit &amp; Loss Summary</b>					
<b>Year-end mid-April, £m</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Group revenue</b>	<b>237.3</b>	<b>283.5</b>	<b>353.5</b>	<b>402.1</b>	<b>458.1</b>
Cost of sales	(134.4)	(170.4)	(210.1)	(239.0)	(272.3)
<b>Gross profit</b>	<b>102.9</b>	<b>113.2</b>	<b>143.4</b>	<b>163.1</b>	<b>185.8</b>
Other income	2.5	0.0			
Operating costs ex SBP & POC	(51.8)	(65.8)	(84.5)	(95.6)	(107.8)
<b>Adj. EBITDA pre SBP/POC</b>	<b>53.6</b>	<b>47.3</b>	<b>58.9</b>	<b>67.5</b>	<b>78.1</b>
Site pre-opening costs (POC)	(2.3)	(3.3)	(4.4)	(4.3)	(4.4)
<b>Adj. EBITDA post POC</b>	<b>51.3</b>	<b>44.0</b>	<b>54.5</b>	<b>63.2</b>	<b>73.7</b>
Share based payment charge (SBP)	(3.2)	(4.0)	(4.0)	(4.1)	(4.2)
<b>Adj. EBITDA post SBP/ POC</b>	<b>48.1</b>	<b>40.0</b>	<b>50.4</b>	<b>59.1</b>	<b>69.5</b>
Depreciation of PPE	(11.2)	(13.4)	(17.5)	(21.7)	(24.7)
Depreciation of ROUA	(8.5)	(9.9)	(11.2)	(13.0)	(14.6)
Depreciation & amortisation	(19.6)	(23.2)	(28.7)	(34.7)	(39.2)
Adj. Operating profit pre SBP/POC	<b>34.0</b>	<b>24.1</b>	<b>30.2</b>	<b>32.9</b>	<b>38.8</b>
Adj. Operating profit post SBP/POC	<b>28.4</b>	<b>16.8</b>	<b>21.8</b>	<b>24.5</b>	<b>30.3</b>
Interest on financial debt	(1.2)	(1.5)	(1.9)	(1.3)	(1.3)
Interest on lease liabilities	(5.7)	(6.1)	(6.5)	(7.4)	(8.2)
Interest receivable & other	0.0	0.2			
Finance costs	(6.8)	(7.4)	(8.4)	(8.7)	(9.5)
<b>Adj. PBTA</b>	<b>21.6</b>	<b>9.4</b>	<b>13.4</b>	<b>15.8</b>	<b>20.8</b>
Exceptional costs	0.0	(2.0)	0.0		
<b>PBT</b>	<b>21.6</b>	<b>7.3</b>	<b>11.6</b>	<b>14.8</b>	<b>19.7</b>
Tax	(3.7)	(0.4)	(3.3)	(3.9)	(5.2)
<b>Adj. PAT</b>	<b>17.9</b>	<b>8.6</b>	<b>10.0</b>	<b>11.8</b>	<b>15.6</b>
Reported PAT	17.9	6.9	8.7	11.1	14.8
No of f/d shares (m)	105.2	106.6	<b>106.6</b>	<b>106.6</b>	<b>106.6</b>
<b>Adjusted diluted EPS (p)</b>	<b>17.0</b>	<b>8.1</b>	<b>9.4</b>	<b>11.1</b>	<b>14.7</b>

All figures IFRS 16

Source: Company historic data, ED forecasts and analysis



<b>Capex analysis</b>					
<b>Year-end mid-April, £m</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Number of new sites	27	27	36	34	34
Average cost per new site (£m)	0.8	1.3	1.1	1.08	1.06
Average landlord contribution (£m)	0.1	0.2	0.1	0.12	0.12
Expansion capex as a % of sales	8.3	10.4	10.0	8.1	6.9
Maintenance capex as a % of sales	1.0	1.4	2.0	1.8	1.8
Maintenance, central and refurb capex as a % of sales	2.8	3.4	2.9	2.3	2.2
<b>Total capex as a % of sales</b>	<b>11.1</b>	<b>13.8</b>	<b>12.9</b>	<b>10.4</b>	<b>9.2</b>
New site capex	22.6	34.1	39.6	36.7	35.9
Landlord contributions	(2.9)	(4.5)	(4.3)	(4.2)	(4.2)
<b>Net new site spend</b>	<b>19.6</b>	<b>29.6</b>	<b>35.3</b>	<b>32.5</b>	<b>31.7</b>
Maintenance capex	2.4	3.9	6.9	7.2	8.2
Splash and dash / external area	0.7	0.6	1.0	1.0	1.0
Kitchen re-set	0.6	2.7	1.0		
Cosy Club Project	1.5				
Furniture refurb	0.6	0.6			
Advance purchases			0.3		
Central capex	0.4	0.6	1.0	1.0	1.0
Freehold / leasehold premium	0.4	1.2			
<b>Net spend</b>	<b>26.2</b>	<b>39.2</b>	<b>45.5</b>	<b>41.7</b>	<b>41.9</b>
Capex creditor movement	(3.3)	(2.2)	(2.0)		
<b>Cash outflow</b>	<b>22.9</b>	<b>37.0</b>	<b>43.5</b>	<b>41.7</b>	<b>41.9</b>

Source: Company historic data, ED forecasts and analysis

<b>Cashflow</b>					
<b>Year-end mid-April, £m</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Adj. EBITDA (pre SBP/POC)</b>	<b>53.6</b>	<b>47.3</b>	<b>58.9</b>	<b>67.5</b>	<b>78.1</b>
Pre-opening costs (POC)	(3.2)	(3.6)	(4.4)	(4.3)	(4.4)
Working capital movement	19.7	7.3	6.5	5.1	5.6
Exceptionals (cash)					
Tax paid	(1.4)	(0.1)	0.0	(0.8)	(4.2)
<b>Net cash from operating activities (pre- leases)</b>	<b>68.8</b>	<b>50.9</b>	<b>61.0</b>	<b>67.5</b>	<b>75.1</b>
Net financial interest paid	(1.1)	(1.1)	(1.9)	(1.3)	(1.3)
Interest paid on lease liabilities	(5.3)	(6.1)	(6.5)	(7.4)	(8.2)
Lease payments (principal)	(6.9)	(8.8)	(11.2)	(13.0)	(14.6)
Maintenance capex	(6.2)	(7.9)	(9.9)	(9.2)	(10.2)
New site capex	(16.6)	(29.1)	(35.3)	(32.5)	(31.7)
M&A		(2.7)			
<b>Capex</b>	<b>(22.8)</b>	<b>(39.7)</b>	<b>(45.2)</b>	<b>(41.7)</b>	<b>(41.9)</b>
<b>Free cashflow</b>	<b>32.6</b>	<b>(4.9)</b>	<b>(3.7)</b>	<b>4.1</b>	<b>9.2</b>
<b>Free cashflow pre-expansion</b>	<b>49.2</b>	<b>26.9</b>	<b>31.6</b>	<b>36.6</b>	<b>40.8</b>
Dividends	0.0	0.0	0		
Share buy backs / equity issues	(0.1)	(0.2)	0.0		
Other					
<b>Net cashflow</b>	<b>32.5</b>	<b>(5.1)</b>	<b>(3.7)</b>	<b>4.1</b>	<b>9.2</b>

All figures IFRS 16

Source: Company historic data, ED forecasts and analysis

<b>Net debt metrics</b>					
<b>Year-end mid-April, £m</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Gross financial debt	(32.3)	(32.4)	(22.4)	(22.4)	(22.4)
Net cash	31.3	26.4	12.6	16.7	25.9
<b>Net financial debt (IAS 17)</b>	<b>(1.0)</b>	<b>(6.0)</b>	<b>(9.7)</b>	<b>(5.7)</b>	<b>3.5</b>
Leases	(119.6)	(134.8)	(153.1)	(168.7)	(182.0)
<b>Total net debt (IFRS 16)</b>	<b>(120.6)</b>	<b>(140.9)</b>	<b>(162.9)</b>	<b>(174.4)</b>	<b>(178.5)</b>
<b>Net financial debt / EBITDA (IAS 17)</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.1</b>
<b>Total net debt / EBITDA (IFRS 16)</b>	<b>2.2</b>	<b>3.0</b>	<b>2.8</b>	<b>2.6</b>	<b>2.3</b>

Source: Company historic data, ED forecasts and analysis

<b>Balance Sheet</b>					
<b>Year-end mid-April, £m</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Property, plant and equipment	90.0	116.7	144.4	164.4	181.7
Right of use assets	98.4	111.7	130.0	145.6	158.9
Intangible assets (Goodwill)	113.2	114.7	114.7	114.7	114.7
Other financial assets	0.6	0.0	0.0	0.0	0.0
Deferred tax assets	1.4	0.9	0.9	0.9	0.9
<b>Non-current assets</b>	<b>303.5</b>	<b>344.1</b>	<b>390.1</b>	<b>425.7</b>	<b>456.2</b>
Inventories	1.9	2.5	3.4	3.8	4.3
Trade and other receivables	5.5	8.7	11.4	12.3	13.4
Other financial assets	0.0	0.0	0.0	0.0	0.0
Current tax assets	0.0	0.0	0.0	0.0	0.0
Cash & cash equivalents	31.3	26.4	12.6	16.7	25.9
<b>Current assets</b>	<b>38.7</b>	<b>37.6</b>	<b>27.4</b>	<b>32.9</b>	<b>43.6</b>
Bank overdraft & s/t loans	0.0	0.0	0.0	0.0	0.0
Trade payables and other liabilities	(56.2)	(69.7)	(79.8)	(86.3)	(93.4)
Lease liabilities	(8.5)	(10.2)	(10.2)	(10.2)	(10.2)
Current tax liabilities	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Provisions					
Other financial liabilities					
<b>Current liabilities</b>	<b>(64.7)</b>	<b>(80.0)</b>	<b>(90.1)</b>	<b>(96.5)</b>	<b>(103.6)</b>
<b>Capital employed</b>	<b>277.5</b>	<b>301.7</b>	<b>327.4</b>	<b>362.1</b>	<b>396.2</b>
Bank borrowings	(32.3)	(32.4)	(22.4)	(22.4)	(22.4)
Lease liabilities	(111.1)	(124.6)	(142.9)	(158.5)	(171.8)
Deferred tax liabilities	0.0	0.0	(3.3)	(6.5)	(7.5)
Provisions					
Other financial liabilities					
<b>Non-current liabilities</b>	<b>(143.4)</b>	<b>(157.0)</b>	<b>(168.6)</b>	<b>(187.4)</b>	<b>(201.7)</b>
<b>Net assets</b>	<b>134.1</b>	<b>144.7</b>	<b>158.8</b>	<b>174.7</b>	<b>194.5</b>
<b>Shareholders' funds</b>	<b>134.1</b>	<b>144.7</b>	<b>158.7</b>	<b>174.6</b>	<b>194.5</b>

All figures IFRS 16

Source: Company historic data, ED forecasts and analysis



## Contacts

### Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)

### Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

**Equity Development Limited is regulated by the Financial Conduct Authority**

## Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document to the maximum extent that the law permits.

More information is available on our website [www.equitydevelopment.co.uk](http://www.equitydevelopment.co.uk)

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London EC2M 7EB

Contact: [info@equitydevelopment.co.uk](mailto:info@equitydevelopment.co.uk) | 020 7065 2690