LOUNGERS PLC

Results for the 53 weeks ended 21st April 2024

9th July 2024

Another year of record growth and out-performance

Consistently strong financial performance:
- Record revenue of £353.5m, up 24.7%
- Adjusted EBITDA IAS 17 of £44.2m, up 29.3%
- Adjusted EBITDA IAS 17 margin increased to 12.5% (12.1% FY23)

We continue to deliver the roll-out:
- A record 36 new sites opened during the year
- New sites continue to perform very strongly

Current trading remains strong:
- Like for like (LFL) sales growth consistency maintained with 7.5% in FY24
- LFL up 5.0% in the first 11 weeks of the year


Barolo Lounge, Yeovil


Cosy Club, Oxford

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COSY CLUB LOUNGE Brightside

Financial Review

Stephen Marshall - CFO

Results summary FY24 vs FY23

- **Includes a 53rd week accounting for 2% of Adjusted EBITDA IAS17, so immaterial to results**
  - Reconciliation to 52 weeks in Appendix
- **FY24 revenue of £353.5m up 24.7%**
  - Full year effect of 29 FY23 launches and 36 FY24 new sites (+16.0%)
  - LFL sales performance +7.5%
- **Gross profit growth of 27.4%**
  - Gross profit up 90bps
  - Margin increase of 110bps offsets labour increase of 20bps
- **IFRS16 Adjusted EBITDA growth of 25.9%**
  - EBITDA margin improvement of 20bps
- **IAS17 EBITDA growth of 29.3%**
  - EBITDA margin improvement of 40bps
  - Benefits from improvement of drop-through of rent as % of sales
- **Profit before tax growth of 56.0%**

	FY24 53 weeks	FY23 52 weeks	Var
Revenue	353.5	283.5	24.7%
Gross profit	144.1	113.2	27.4%
	40.8%	39.9%	90bps
Adjusted EBITDA IFRS16	59.6	47.3	25.9%
	16.9%	16.7%	20bps
Adjusted EBITDA IAS17	44.2	34.2	29.3%
	12.5%	12.1%	40bps
Adjusted operating profit IFRS16	30.9	24.1	26.3%
	8.7%	8.5%	20bps
PBT IFRS16	11.4	7.3	56.0%

LFL sales performance

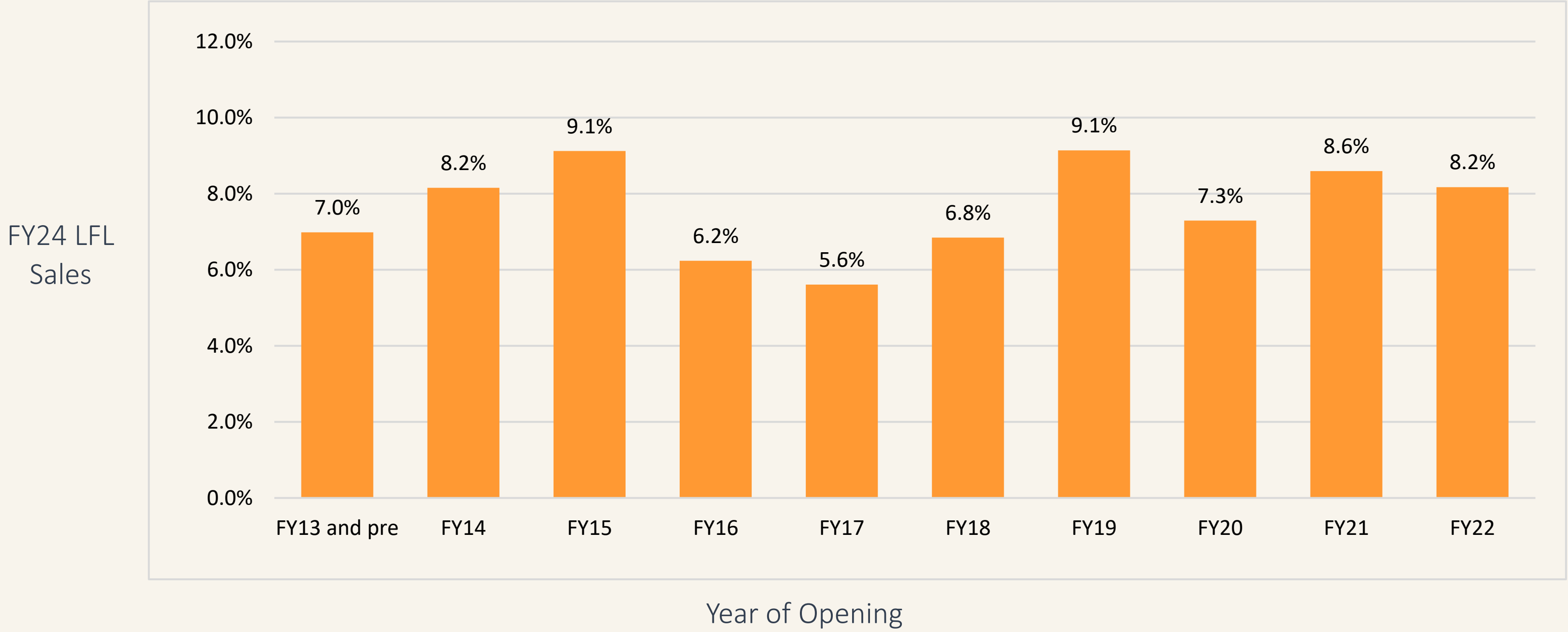
- **FY24 LFL of +7.5%**
- Consistent growth maintained across the full year

	FY24 H1 24wks	FY24 53wks
LFL sales	7.7%	7.5%

- **Last 11 weeks' LFL of +5.0%**
- Covers eleven weeks to 30 June
  - Trading against additional May bank holiday last year
  - Negative impact of Euro 2024 football

	FY25 11wks
LFL sales	5.0%

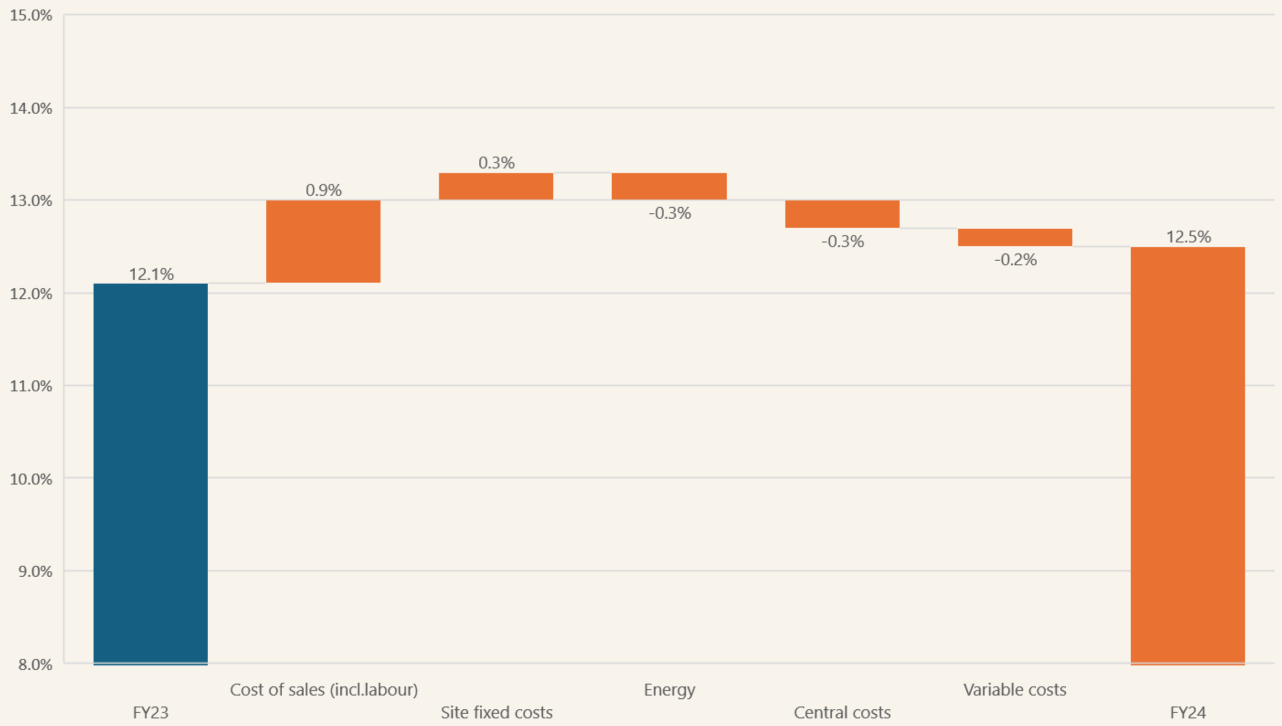
Consistent LFL performance across site age cohorts



- Consistent split of +7.5% across the various age cohorts
- The 55 sites in the FY15 and earlier cohorts continue to deliver strong year on year growth

Underlying margin FY24 vs FY23

- **IAS17 Adjusted EBITDA margin up 40bps vs FY23**
- **Cost of sales (inc. site labour) positive 90bps**
  - CGS margin growth of 110bps
  - Offsets labour ratio increase of 20bps
- **Site fixed costs positive 30bps**
  - Rent to revenue ratio improved to 4.3% from 4.6%
- **Energy costs negative 30bps**
  - Increase in hedged rates
  - Fully hedged to September 2025
- **Central costs negative 30bps**
  - Continued investment to support growth
  - 0.3% impact from bonus payments
- **Variable costs negative 20bps**
  - Increase in maintenance costs
- **IAS17 FY24 Adjusted EBITDA margin of 12.5%**
  - H2 Margin of 13.2% compares to 11.6% in H1



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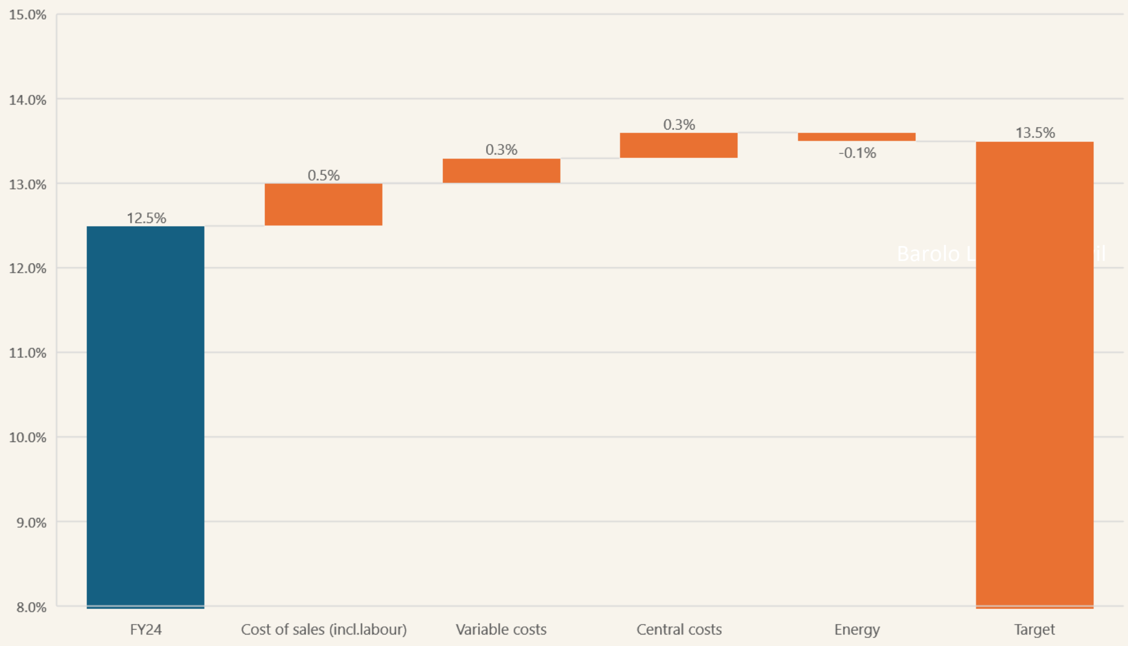
Margin outlook – inflation continues to moderate

- **Food inflation**
  - Top 20 ingredients saw weighted average inflation fall to below 1% in April 2024 vs April 2023
  - Same top 20 products have seen marginal inflation over Q1 FY25
  - FY25 inflation expected to be low single digit with specific product increases
  - CGA reported food service deflation of –0.4% in May and +4.6% for year to May
- **Drink inflation**
  - Top 20 products saw weighted average inflation of 3.3% April 2024 vs April 2023
  - Similar level expected in FY25
- **NLW April 2024**
  - Mitigating the hourly rate NLW increase of 9.8%

	FY25 July Expectation	Update
Selling Price	5%	c. 5% price taken in April menus
CGS Food	2%	Full year benefit of renegotiated supply contract
CGS Drink	3%	New draught range in place
Labour	6.5%	NLW impact
Utilities	12%	FY25 supply hedged on existing sites

Medium term goal to restore pre-Covid EBITDA margin of 13.5%

- **Food and drink margin**
  - Renegotiated food supply contract in Q2 FY24 with full year benefits in H1 FY25
  - Margin growth from further supply chain optimisation and menu development
- **Site labour**
  - NLW increases forecast to continue to exert pressure on average rate of pay
  - Some uncertainty over future NLW levels and eligibility
- **Site variables**
  - Easing variable cost inflation
  - Projects underway on waste, maintenance and cleaning
- **Central costs**
  - New site openings will allow optimisation of regional structure
  - Better leverage of central cost base through improving efficiency
- **Energy costs**
  - FY25 supply hedged on current sites
  - Commodity increases offset by usage efficiency
- **Site fixed**
  - Forecast continued benefit from tenant friendly property market
  - LFL growth in mature estate will hold rent at constant % of sales



Cash flow IAS17 – continuing strong cash generation

- **Cash generated from operations of £47.1m**
- **Represents 107% of Adjusted IAS17 EBITDA**
- **Working capital inflow of £7.4m**
  - Reflects new site roll out and positive LFL sales
- **Maintenance capex includes all non-new site capex**
  - Included completion of Lounge kitchen re-set programme, Splash & Dash expenditure and central capex
- **Free cash flow of £35.4m largely funds new site capex cash outflow of £38.7m**
- **Term loan repayment of £12.5m**
- **Closing cash of £10.3m**

	FY24 £m	FY23 £m
Adjusted EBITDA IAS17	44.2	34.2
Pre-opening costs	(4.7)	(3.6)
Corporation tax	0.2	(0.1)
Changes in working capital	7.4	5.6
Cash generated from operations	47.1	36.1
Maintenance capex	(9.0)	(7.9)
Interest paid	(1.8)	(1.1)
Employee share awards	(0.9)	(0.2)
Free cash flow	35.4	26.9
New site capex	(38.7)	(27.9)
Freehold / leasehold premium	-	(1.2)
Bank loans repaid	(12.8)	-
Route acquisition	-	(2.7)
Cash outflow	(16.1)	(4.9)
Cash b/f	26.4	31.3
Cash c/f	10.3	26.4

Capital expenditure – a record number of new sites

- **Net new site capex of £38.5m**
  – Includes £35.7m spend re 36 new sites built and opened in the period, 33 Lounges, one CC and two Brightsides
- **Maintenance capex of £5.1m**
  – Represents 1.4% of revenue (FY23 1.3%)
  – P&L maintenance spend was 1.8% of revenue (FY23 1.6%)
- **Kitchen works**
  – Including completion of reset project
- **Splash and dash/external areas**
  – We completed 14 refurbishments at an average cost of £130k
  – Sites maintained in good condition through scheduled maintenance and minor works

	FY24 £m	FY23 £m
New site	42.7	34.1
Landlord contributions	(4.2)	(4.5)
Net new site spend	**38.5**	**29.6**
Maintenance	5.1	3.9
Splash and dash / external area	1.8	0.6
Kitchen works	1.2	2.7
Furniture refurb	-	0.6
Central	0.6	0.6
Freehold / Leasehold Premium	-	1.2
Net spend	**47.2**	**39.2**
Capex creditor movement	0.5	(2.2)
Cash out flow	**47.7**	**37.0**

Lounge roll-out investment – FY24 vs FY23

- **Record number of Lounge sites opened**
  - 33 Lounges opened in FY24 compared to 24 in FY23
- **Landlord incentive terms remain attractive**
  - Further increase from 24 months to 26 months
- **Typical lease length remains 15 years**
- **Rent to revenue ratio reduced to 4.7%**
- **Average net capex £905k**
  - Ex Costero and Ormo Lounge £875k
- **Increased capex spend reflects**
  - Larger average size - 6% increase in covers
  - More complex sites
- **FY24 sites year 1 gross AWS £33.6k**
  - 9% higher than FY23 year 1 performance
  - Marked increase compared to FY19 year 1 AWS of £22.7k
- **30%+ CROCCI maintained**

	FY24	FY23
Lounge sites opened	33	24
Average incentive months	26	24
Landlord contributions (£m)	4.0	2.8
Contribution incentive months	21	21
Rent free incentive months	4	3
Average lease length	15.5	15.0
Average rent (£k)	68	67
Rent to revenue ratio	4.7%	4.9%
Average capex net of LLC (£k)	905	835
Average covers	144	136
Year 1 Gross AWS (£k)	33.6	30.9

Demonstrating the maturity profile of a new Lounge opening

- Most Lounges experience a honeymoon opening for the first 6 to 12 weeks, thereafter sales reduce to a normal level, then grow consistently year on year
- All sites are profitable from day one, but margins begin to be optimised after 6 months of trading, then continue to grow as the sales level increases
- Lounges typically generate 30% plus returns on capital in their third year, and continue to increase from this point onwards
- In the FY20 cohort we opened 16 sites ahead of the first lockdown
- Higher first year gross average weekly sales reflects the honeymoon period, followed by 10-11% growth in FY23 and FY24
- EBITDA margin growth from 15.3% to 21.3% in FY24, with accompanying consistent growth in CROCCI

FY20 Lounge Cohort (16 sites)	FY20	FY22*	FY23	FY24
Weeks open / site	20.6	52	52	52
Gross Average Weekly Sales	£26.7k	£25.6k	£28.4k	£31.5k
EBITDA %	15.3%	18.4%	17.5%	21.3%
Average Annual EBITDA		£206k	£215k	£290k
CROCCI %		21.8%	27.0%	32.6%

*FY22 is the 52 weeks to 15 May 2022 – the first 52 weeks post final trading restrictions

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Non-property net debt

- **Net debt £9.7m**
- **Year on year £3.6m increase in underlying net debt after**
  - £47.7m capex outflow
  - Term loan reduced to £20m (from £32.5m)
  - RCF increased to £22.5m (from £10.0m)
  - No change in total liquidity
  - No change in covenants
  - Facility to June 2026
- **Strong balance sheet and funding position**

	FY24 £m	FY23 £m
Cash	10.3	26.4
Term Loan	(20.0)	(32.5)
Net debt	(9.7)	(6.1)

Strategy and Operations Review

Nick Collins - CEO

Highlights

- Decreasing inflationary pressures combined with increasing scale allowing us to make good progress towards re-establishing pre-Covid margins
- Record number of new site openings delivering consistently high sales and profits
- Constant food, drink and design innovation continues to drive sales growth
- We have invested further in the senior team and operational structure to deliver ongoing roll-out
- Strong pipeline of new sites, and performance across our estate continues to demonstrate our target of 665 sites across the UK is a conservative one
- Strong trading performance across FY24 and over the first 11 weeks of the current year

Cosy Club, Oxford

Bordo Lounge, Carlisle

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We continue to have confidence in the high street and trading environment

- We haven't seen any notable change in demand or sales mix/patterns over the last three years
- FY24 LFL sales of +7.5% reflect largely flat volumes and 7% to 8% of price - as we progress through the year we anticipate a return to more meaningful volume growth
- We remain confident we offer fantastic value for money in all three brands, remaining very competitive on the high street and we haven't increased our prices in recent years to the same extent as other operators
- 11 weeks year to date LFL sales are +5.0%. May bank holiday timing and Euros have had a marginally negative impact, but we would expect it to even out over the year
- All three brands in LFL growth - Lounge is fairly metronomic in its LFL performance, Cosy is more variable based on external factors and it's very early days for Brightside

Armado Lounge, Plymouth

Barolo Lounge, Yeovil

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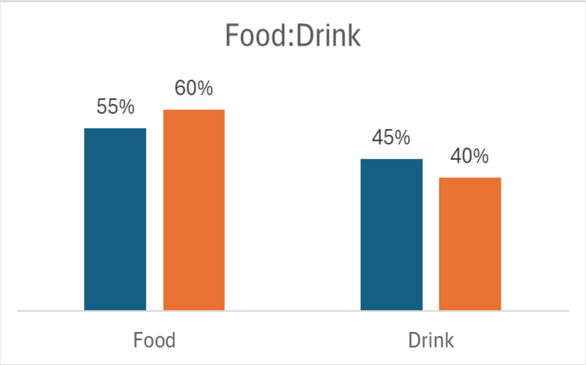
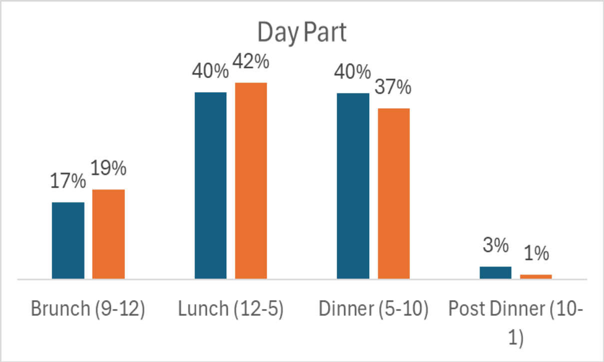
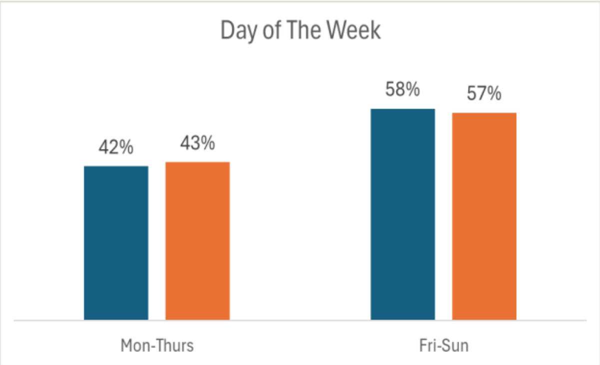
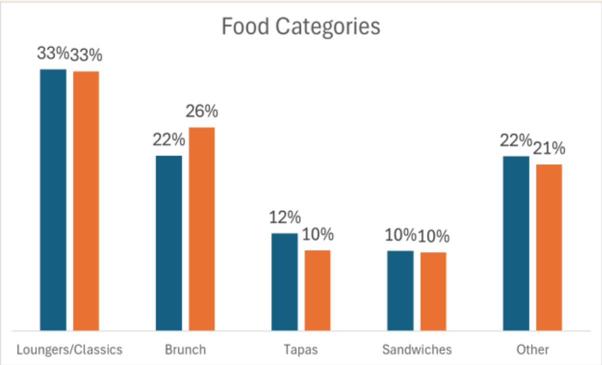
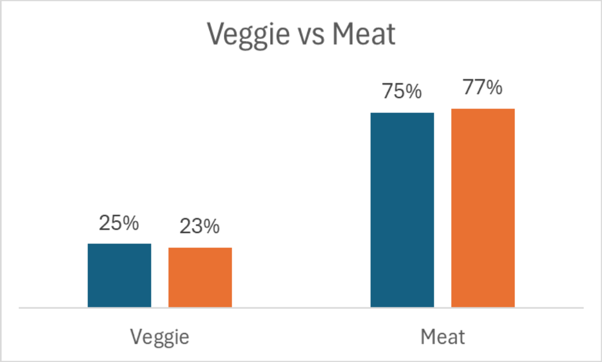
How has the Lounge sales profile changed over the last 5 years?

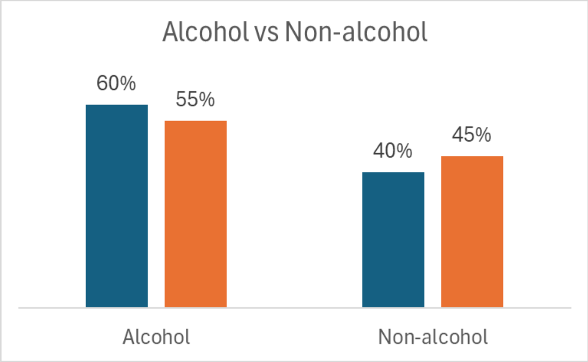


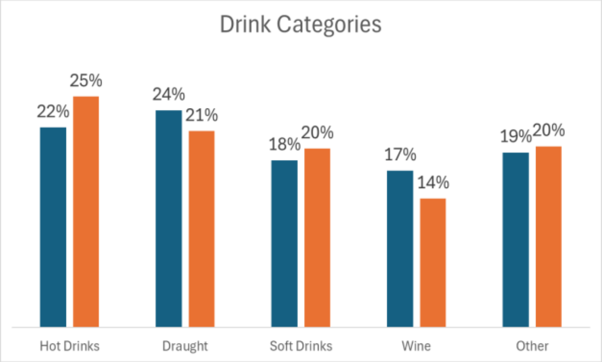












FY19 **FY24**

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Investment in the Lounge operational structure

LOUNGE
CAFÉ BARS

- Significant investment in the Lounge Ops Map increasing from 5 to 8 Regions
- Smaller Regions will drive continued operational improvement and provide capacity for further growth
- Ratio of sites to operators currently 4.2, comfortably the lowest in the sector
- 75% of operators were previously Lounge General Managers or Head Chefs - we are proud of our role in providing fast-track careers in hospitality
- Each region now has committed regional maintenance, community and recruitment resource working alongside operators
- We expect to benefit from leverage over central cost base more in the short to medium term


Centivo Lounge, Ashby-De-La-Zouch


Cosy Club, Coventry

Cosy Club

- Cosy Club continues to perform well, with fresh impetus around maximising covers delivering strong LFL, especially around flagship days, as evidenced by Christmas

- Exciting time as we look to build on success to date and assume a slightly more premium position on the high street. We are working hard on projects launching in the autumn to:
    - Elevate the food and drink offer,
    - Drive hospitality excellence in our teams

- We have the strength in depth within the existing senior team to undertake this project without causing distraction to other areas of the business

- There are currently two Cosy Clubs in the pipeline, and we anticipate opening one or two sites per year on an ongoing basis

Cosy Club, Oxford

Cosy Club, Oxford

Brightside - the journey so far

Brightside
ROADSIDE DINING

- Sales encouraging with LFL growth in Exeter, our first site to pass its first year anniversary

- We continue to be pleased with our operational performance with excellent customer feedback

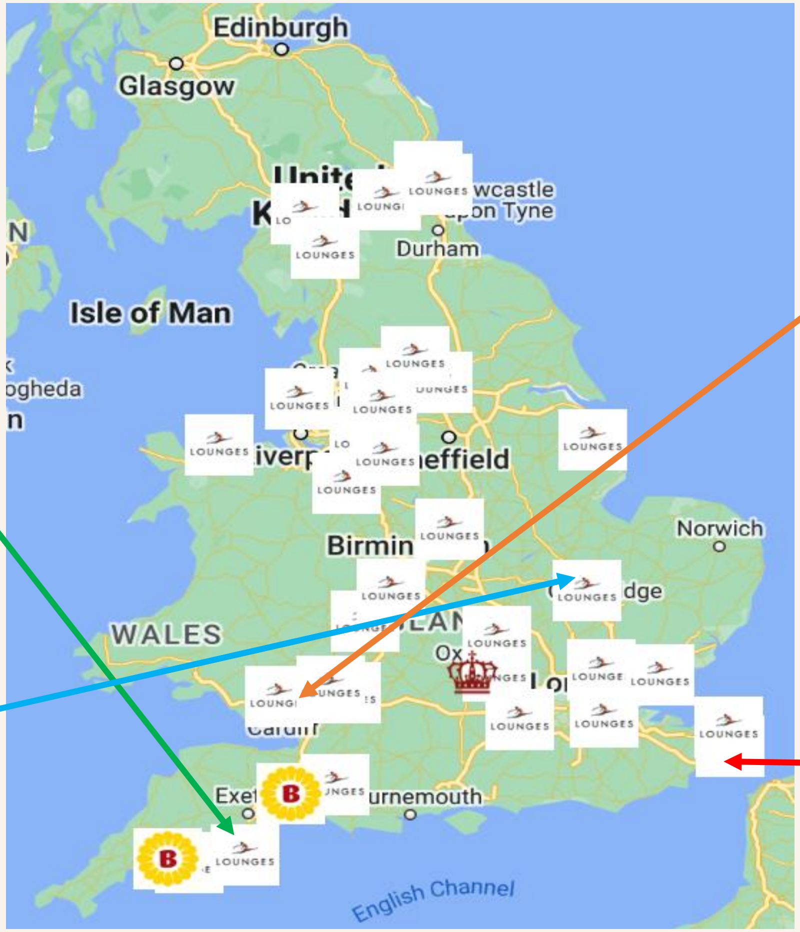
- We have invested further in marketing in the run-up to the key summer trading period to entice people in:
  - Signage on approach roads
  - Advertising vans
  - Cross-brand marketing to benefit from Lounge and Cosy Club customers holidaying in the South West

- It's too early to talk returns, roll-out and size of the opportunity - it remains in the "lab", with a key summer ahead in terms of:
  - Understanding sales over the summer and the extent of growth in the original three sites as familiarity grows
  - Opening our fourth site in a new build property will allow us to understand attitudes to the brand unhindered by any legacy impact

A record year of new openings

Costero Lounge, Paignton
- Gross average weekly sales £72.1k
- Seaside/waterfront Lounge

Ivo Lounge, St Ives
- Gross average weekly sales £38.9k
- Town centre Lounge



Pontio Lounge, Chepstow
- Gross average weekly sales £36.0k
- Town centre Lounge

Riparo Lounge, Westwood Cross
- Gross average weekly sales £34.2k
- Retail/leisure scheme Lounge

Case Study - Bordo Lounge

- Opened in Carlisle on 13th October 2023
- 15-year lease
- Stepped rent averaging £77,200 p.a.
- Landlord package 24 months
- Gross AWS £42.8k
- Net capex £1,080,000
- Forecast CROCCI 40.2%
- Nearest sites: Arturo Lounge, Penrith (19 miles) and Muro Lounge, Hexham (38 miles)

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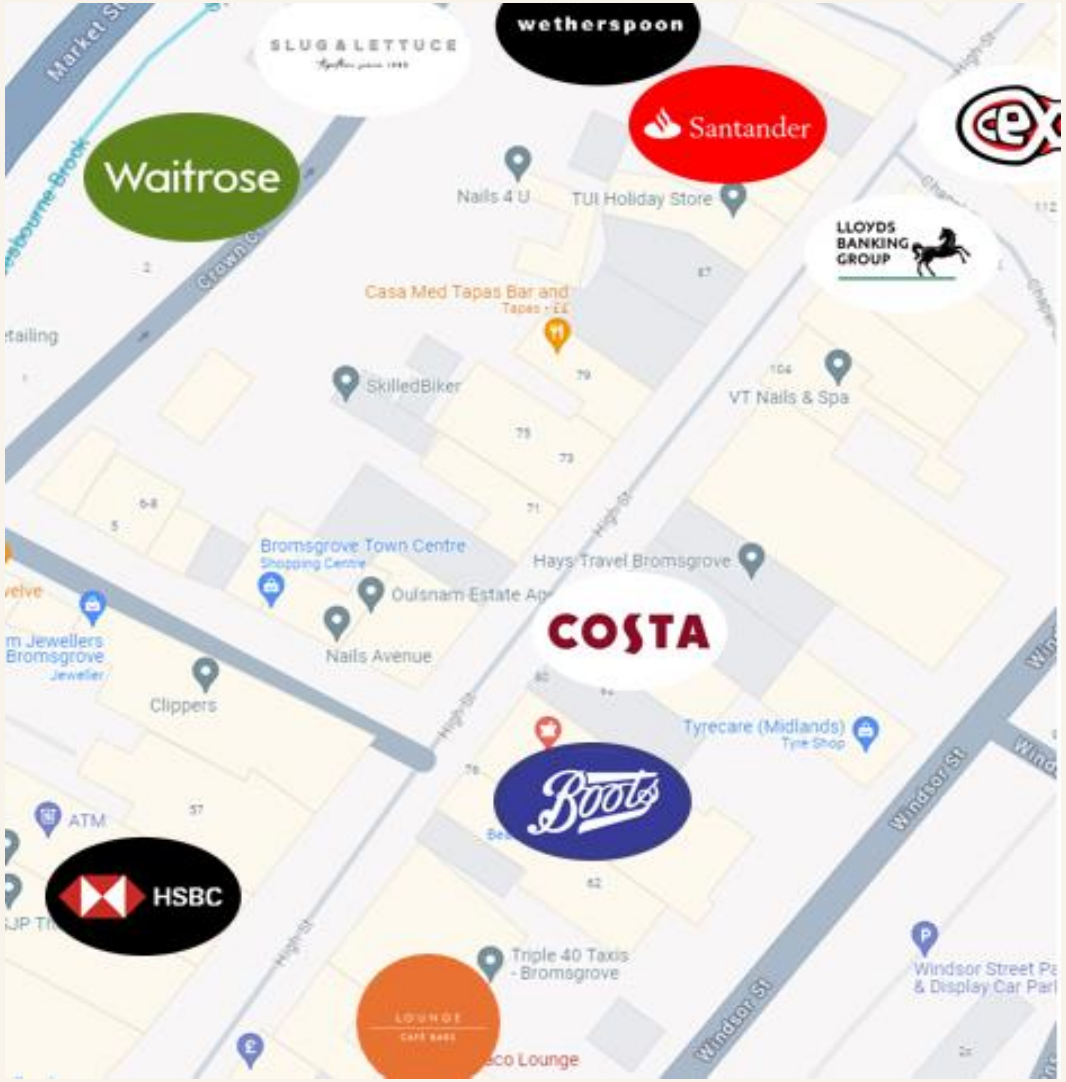
Case Study - Verraco Lounge

- Opened in Bromsgrove on 5th February 2024
- 15-year lease
- Rent £40k p.a.
- Landlord package 27 months
- Gross AWS £34.9k
- Net capex £867,000
- Forecast CROCCI 31.6%
- Nearest sites: Tappeto Lounge, Kidderminster (10 miles) and Soffio Lounge, Stourbridge (11 miles)



Pipeline in a strong place and property market continues to be favourable

- 7 sites opened to date and a further 46 site in the pipeline at heads of terms or in legals
- Good geographical spread across England and Wales, nothing in Scotland yet
- Property market continues to be tenant friendly
- Five build teams operating, comfortable opening around 35 sites per year:
  - FY24 average Lounge Capex of £905k
  - Achieving further Capex efficiencies a priority for FY25
- We continue to invest in our design and look and feel team to innovate and raise our game further

Pipeline Sites

Investing in our team

- In the second half we kicked-off a number of significant L&D initiatives, further drive up retention:
    - Bitesize Programme - a complete re-working of how we induct new leaders or develop existing team-members in the basic processes and skills to effectively lead our site teams
    - Step-up Programmes - making the step up from Assistant Manager/Sous Chef to General Manager/Head Chef easier and more tenable
    - Future-Ops Programme - formalising and wrapping up our Ops development training to help attract and develop career driven candidates
- Our 10th Loungefest was attended by over 4,000 people and was our best yet
- Staff turnover, both Front and Back of House, materially improved over the year. There is more we can achieve - the cost of staff turnover continues to represent the biggest efficiency opportunity on the P&L

Vallaro Lounge, York

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Building a senior leadership platform for continued growth

- The introduction of Justin Carter into the Group MD role:
  - Allows more focused leadership and guidance of the brand MD's, benefitting from Justin's significant experience
  - Frees up Nick Collins to focus more strategically as the business grows
  - Creates a structure which can easily incorporate additional brands
- New brand MD's in Lounge and Cosy Club bring experience, challenge and great cultural fit, both having landed very well
- Stephen Marshall now firmly in place in the CFO role with clear priorities in terms of business partnering the operating business and evolving our systems
- We have built a really strong leadership team. This team has confidence both in delivering the continued roll-out, alongside strategically challenging how else we can leverage our scale, team, experience and passion for hospitality


Justin Carter, Group MD


Stephen Marshall - CFO


Kate Eastwood, Lounge


Lucy Knowles, Cosy Club

Labour's New Deal for Working People?

- The new government has stated its intention to make some fairly fundamental changes to the laws around how our teams work and are paid
    - Banning zero hours contracts / limiting employers' ability to change shifts at short notice
    - Further removing the national living wage/minimum wage age bands
    - Delivering a genuine real living wage where the minimum wage reflects the cost of living
- There's limited amount detail on these, nor proposed timing, but our perspectives are as follows:
    - Giving team-members more certainty around hours and working patterns is a good thing
    - Increasing minimum rates of pay may result in a happier team, but it will fuel inflation if it is not mitigated elsewhere
    - Clearly increasing NLW will result in consumers having more disposable income
- Loungers' P&L is in great shape, benefitting from our increase in scale. We are well-used to absorbing inflationary pressure in terms of our staffing costs


Piccolo Lounge, Ely


Sarto Lounge, Sidcup

Good Stuff Strategy

Community

Bring joy to local places

- We are on track to deliver 10,000 community events p.a. and have donated thousands to local charities and good causes
- We have introduced our community fund which provides each site £1,000 p.a. to support their local communities

People

We care about our teams

- In FY24 over 40% of our General Manager and Head Chef roles were filled internally

Customers

Be proud of what we put on the plate

- Average of 18 vegan and 36 gluten free dishes

Planet

Deliver hospitality sustainably

- We have launched waste and energy campaigns across the whole estate, partnering with external experts

Suppliers

Work with our partners to raise standards

- 91% of F&B suppliers are now registered on SEDEX platform

Conclusions

Alex Reilley – Executive Chairman

Conclusions

- Delighted to have delivered another record year
- There are exciting opportunities ahead for all three of our brands
- We are a better business for having three different but complementary brands
- We have reshaped and strengthened the senior team
- Change in government – stance on our sector is unclear, but small businesses in our sector need protection

Cosy Club, Oxford

Riparo Lounge, Westwood Cross

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Appendix - Reconciliation of FY24 53 to 52 weeks

	FY24 53 weeks	Less: FY23 53rd week	FY24 52 weeks
Revenue	353.5	-6.9	346.6
Gross profit	144.1	-2.8	141.3
	40.8%	41.4%	40.8%
Adjusted EBITDA IFRS 16	59.6	-1.0	58.6
	16.9%	14.4%	16.9%
Adjusted EBITDA IAS 17	44.2	-0.7	43.5
	12.5%	10.7%	12.6%
Adjusted operating profit IFRS 16	30.9	-0.4	30.5
	8.7%	5.7%	8.8%
PBT IFRS 16	11.4	0.0	11.4