30 November 2022

Loungers plc

Results for the 24 weeks ended 2 October 2022

Sustained market out-performance demonstrates the continued relevance and resilience of the Lounge and Cosy Club brands

15 new sites opened in the year to date and on-track to end the year with 225 sites

Loungers, a leading operator of all day café/bar/restaurants across the UK under the Lounge and Cosy Club brands, is pleased to announce its unaudited results for the 24 weeks ended 2 October 2022 ("the period").

Financial Highlights

	24 weeks ended 2 October 2022 £'000	**24 weeks ended 3 October 2021 £'000**	**24 weeks ended 6 October 2019 £'000**
Revenue	122,326	102,361	79,827
Adjusted EBITDA	19,307	27,086	14,475
Adjusted EBITDA margin (%)	15.8%	26.5%	18.1%
Adjusted EBITDA (IAS17)	13,482	22,018	10,222
Adjusted EBITDA (IAS17) margin (%)	11.0%	21.5%	12.8%
Operating profit	6,056	15,968	2,029
Profit / (loss) before tax	2,831	12,809	(2,494)
Diluted earnings / (losses) per share (p)	2.3	10.4	(2.3)
Cash generated from operating activities	14,613	35,903	12,561

	2 October 2022 £'000	**3 October 2021 £'000**	**6 October 2019 £'000**
Non-property net debt	9,457	11,890	29,340

- Revenue growth of 53.2% versus H1 2020 (the most recent period unimpacted by Covid) reflects three-year like for like ("LFL") sales growth of 17.0% and the addition of 50 new sites
- Adjusted EBITDA of £19.3m (H1 2022: £27.1m), with the prior year result having benefitted materially from reduced rate of VAT and business rates relief
- Adjusted EBITDA growth of 33.4% versus H1 2020
- IAS17 Adjusted EBITDA margin of 11.0% was down 1.8% on H1 2020, a strong performance against a backdrop of significant inflationary pressure in cost of goods sold and site labour

Strategic Highlights

- Significant market out-performance with consistently strong trading
- Headline three-year LFL sales growth of +17.0% is testament to the strength of our brands and our teams
- Well-placed to out-perform in a recessionary environment
    - Value for money principles maintained and strengthened
    - Broad customer demographic reduces reliance on any particular segment
    - Rent to revenue ratio further improved to 4.7%
    - Strong balance sheet with further year on year reduction in non property net debt
- Managing the inflationary environment
    - Successfully balancing the requirement to drive sales volumes and deliver market share growth whilst managing margin pressures
    - Utility costs hedged in May 2020 through to September 2024 for the majority of the estate

- New site roll-out accelerated
    - 11 new sites opened in the period, comprising eight Lounges and three Cosy Clubs. A further four sites have been opened post the 2 October half year end, three Lounges in Haywards Heath, Stratford upon Avon and Selby and a Cosy Club in Milton Keynes
    - Fifth build team added, expanding our new site opening capacity to between 32 and 34 sites per year
    - Pipeline strength and depth continues to be reflected in the quality of the period's new site openings
- Development of our new roadside brand, Brightside
    - Contracts exchanged to acquire four roadside sites
    - On schedule to open our first Brightside site in early 2023

Current Trading and Outlook

- Positive momentum has continued over the first eight weeks of Q3, with the business consistently out-performing the sector and achieving strong like for like sales growth, with three-year LFL sales across the 32 weeks to 27 November of +17.4%
- Whilst there is no sign of the cost of living pressures abating, we remain optimistic looking ahead to trading over the Christmas period
- With 15 sites having opened year to date we remain on track to open a total of 30 new sites during the course of the financial year ending 16 April 2023, including our first Brightside site.

Nick Collins, Chief Executive Officer of Loungers said:

"I am delighted with the consistent strength of our sales performance. Our out-performance of the market has continued unabated and reflects both our unique positioning as well as the amazing hospitality and hard-work of our teams. We aren't immune to the inflationary pressures impacting our sector, but we have worked hard to strike the right balance between growing market share and managing margin pressures. These numbers would suggest we have got the balance about right.

"The short-term outlook is uncertain, but we take confidence from the resilience of current trading in both brands. We are excited about the coming months and are well-placed to take advantage of opportunities through our continued growth. Lounge and Cosy Club both have enormous untapped roll-out potential, and we are very excited about the imminent launch of our new roadside brand Brightside."

Analyst Presentation Webcast

An analyst presentation will be held today, Wednesday 30 November 2022, at 9.30am (GMT). Participants wishing to join the webcast should contact loungers@powerscourt-group.com to request details.

Use of Alternative Performance Measures

The Half Year Results include both statutory and alternative performance measures ("APMs"). Further background to the use of APM's and reconciliations between statutory measures and APM's are presented on page 17.

For further information please contact:

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Notes to Editors

Loungers operates through its two complementary brands - Lounge and Cosy Club - in the UK hospitality sector. A Lounge is a neighbourhood café-bar combining elements of coffee shop culture, the British pub and dining. There are 175 Lounges nationwide. Lounges are principally located in secondary suburban high streets and small town centres. The sites are characterised by informal, unique interiors with an emphasis on a warm, comfortable atmosphere, often described as a "home from home". Cosy Clubs are more formal restaurant-bars offering reservations and table service but share many similarities with the Lounges in terms of their broad, all-day offering and their focus on hospitality and culture. Cosy Clubs are typically located in city centres and large market towns. Interiors tend to be larger and more theatrical than for a Lounge, and heritage buildings or first-floor spaces are often employed to create a sense of occasion. There are 35 Cosy Clubs nationwide.

Loungers launched its third brand, a roadside dining concept called Brightside, in November 2022. The first Brightside location is scheduled to open on the A38, south of Exeter, in February 2023, with a further two to open in early FY24. In time, Loungers believes there is scope to develop a truly national brand.

CHIEF EXECUTIVE REVIEW

Highlights

- Consistently strong sales performance across the business;
- Our suburban, market-town locations aligned with our best-in-class rent to revenue ratio of 4.7% mean we are very well placed to continue to out-perform even in a recessionary environment;
- The broad demographic appeal of our flexible, community-based offer together with our unique hospitality and culture resonates now more than ever;
- Development of Brightside, our third brand;
- On track to open 30 new sites in the current financial year; and
- Continuing to see excellent property opportunities in very strong locations.

Operating review

Trading and performance

The business has traded strongly throughout the first half and we are delighted to have grown LFL sales +17.0% on a three-year basis. We continue to significantly out-perform the broader sector and to date we haven't seen any indication that consumers are changing their habits in how they use either Lounge or Cosy Club.

The Lounges have traded very consistently across the first half. Whilst during the summer we might not have seen the same degree of out-performance at some of the coastal Lounges compared to 2021, there has been no meaningful variation either geographically or demographically. On the Cosy Club side, the post re-opening one-year summer comps were very tough, but this was short-lived and the sites performed well and are in a strong position as we approach Christmas. In both brands the sales growth is relatively consistent across all day parts and food and drink categories, with no particular areas dominating.

Our sales performance reflects a continued unwavering focus on our customers. We have worked hard to protect price and ensure that we continue to represent excellent value for money across both brands. Whilst we have taken a degree more price than in previous years, we have taken materially less than our competitors. This further strengthens our value for money credentials and we believe puts us in a strong position as we look ahead to continued economic uncertainty.

Value for money is not just about price. The natural warmth and hospitality provided by our teams alongside the quality of our freshly prepared food and drinks continue to set us apart. Our food development teams in both Lounge and Cosy Club have recently rolled out some of the best menu launches we have seen. In this inflationary environment we have balanced well the multiple objectives of creating better food on the plate, absorbing inflationary pressure and representing value for money, whilst continuing to make it more efficient for our kitchen teams to prepare.

We continue to experience in-bound cost-pressure on various fronts. Our scale and continued growth allow us to mitigate these to a degree and we benefit from a favourable energy hedge over a large part of the estate, but the margin pressure is significant and the annual increase in National Living Wage is a key part of this. Striking the right balance between protecting our value for money price points versus our margin is critical. I am comfortable that in achieving three-year like for like volume growth in our sales, we have got this balance about right. In addition, we are benefitting from the investment we made last year in our Operations team, reducing the number of sites in each area, allowing us to focus even more on our customers, conversion rates and teams.

New site openings

During the first half we opened 11 sites comprising eight Lounges and three Cosy Clubs and since the end of the first half we have opened a further three Lounges and one Cosy Club. We are opening sites well and achieving above average levels of sales in the new sites. During the first half we added a fifth build team, expanding our new site opening capacity to between 32 and 34 sites per year. This relatively gentle acceleration of the roll-out has not had any detrimental impact on the quality of our new openings and we retain our strong focus on delivering appropriate financial returns from all new sites.

We have opened four Cosy Clubs in the last five months compared to only one in the preceding 12 months. Whilst the potential scale of Cosy Club nationally is not of the same magnitude as Lounge, these recent openings have demonstrated the appeal of the brand and the ongoing financial opportunity it represents.

From a design perspective, as the estate grows, we are opening better and better sites. We have never adopted a cookie-cutter approach and the focus on each site's individual design has never been stronger. Our in-house design and construction approach to fitting-out sites is an important factor in achieving the local feel of our sites and also provides us flexibility and cost efficiency. Our levels of capex have nudged higher in this inflationary environment, and we continue to work hard to mitigate these pressures.

The pipeline is in very good shape. Whilst there is a slight bias towards new opportunities in the north east, there remains huge opportunity for infill across the UK. We continue to benefit from a tenant-friendly market and see strong opportunities in our target locations We are on track to open 30 new sites this financial year and expect to open 32-34 next year.

Brightside

There is real excitement in the business following the announcement of our third brand, Brightside, in early November. We have been looking at the opportunity in roadside dining for the last two years, recognizing a significant gap in the market for good quality, sit-down dining in a sector that has been dominated by drive-thru and quick service restaurant concepts in recent years. It's an opportunity which really plays to our strengths in terms of a large freshly cooked menu, speed of delivery, operational intensity through a no-bookings model, all-day, great value and amazing hospitality. The branding, design, menus and culture will all reflect a degree of nostalgia alongside warmth, happiness and a sense of journey and adventure, with Brightside restaurants appealing to a broad range of customers including families, locals, and UK holidaymakers.

We are shortly due to complete the acquisition of three restaurants in the South West. Over the course of the next few months we will close these and refurbish them, re-opening as Brightside, with the first due to open in February 2023 and the following two at the start of our new financial year. These openings are included in the new site openings detailed above. We have also exchanged contracts for a fourth new build location to open in 2024. The investment case and returns for Brightside are comparable to those for Lounge and Cosy Club, with the level of capex per site falling between the two. We believe there is a significant opportunity for Brightside and have other opportunities already in the pipeline. Our immediate focus is on getting these initial sites trading, finessing the offer and demonstrating the returns available. We will then be in a position to assess scale and roll-out, but needless to say, we are excited about the potential of the opportunity.

People

Our teams, and the natural hospitality and amazing food and drink that they provide, are the bedrock of our continued success. The culture within the business goes from strength to strength and I would like to thank all our team across the UK for their contribution to our continued growth, and the experiences they provide our customers day in, day out.

Recruitment remains challenging in some parts of the UK, in particular for chefs. Despite this we created and filled in excess of 350 jobs in the first half of the year through our new site openings. We continue to focus on our role as an employer, pursuing the Commitments we set out last year and listening to our teams as to how we can be better. Through our growth, our ability to offer colleagues development, progression and a career in hospitality differentiates us from many of our peers.

We continue to invest for the future and build a best-in class management team and have been delighted to welcome Guy Youll as Chief People Officer and Kate Lister in the newly created Marketing Director role. We have invested significantly in our recruitment team and on the look and feel and development side of the business.

Financial review

Financial Performance

For the first time in three years we are able to report a financial performance that is not impacted, either positively or negatively, by Covid. Total revenue of £122.3m represents an increase of 53.2% over the 24 weeks to 6 October 2019 (pre Covid) and clearly illustrates the growth that the Group has been able to deliver despite the varied challenges presented in the intervening period. Over that three year period our revenue growth has been underpinned by:

- Three-year LFL sales growth of +17.0%;
- The addition of 50 new sites.

The three-year LFL sales performance has been very consistent, having reported +17.9% for the first 12 weeks, +17.0% after 24 weeks and +17.4% after 32 weeks, and demonstrates both the resilience of the Loungers business and the consistency we have seen in consumer behaviour.

Year on year total revenue growth is 19.5%, albeit this comparison is distorted by restricted trading in the first four weeks of the prior year offset by the reduced rate VAT on food and non-alcoholic drinks during H1 2022. Excluding these impacts total year on year revenue growth over the 20 weeks to 2 October 2022 was 15.1%.

It is the removal of the VAT reduction on food and non-alcoholic drinks (the reduction to the 5% rate ended on 30 September 2021 and the reduction to 12.5% ended on 31 March 2022), and to a lesser extent the ending of the business rates support on 31 March 2022, that lie behind the year on year EBITDA margin reduction, with IFRS16 Adjusted EBITDA margin down from 26.5% to 15.8%. On a three-year basis, and avoiding these distortions, underlying IAS17 Adjusted EBITDA margin is down by 1.8%, a strong performance against a backdrop of significant inflationary pressure on both the site labour and cost of goods sold lines. Across the first half the business has sought to manage margins in the context of retaining its long held value for money credentials and looking to grow volume and market share. The strong three-year LFL sales performance is a reflection of this approach and the business continues to work very hard to mitigate the impacts of inflation on labour costs and cost of goods sold.

Net debt

Non-property net debt (gross of arrangement fees) of £9.5m represents an improvement of £2.4m relative to 3 October 2021, a 12 month period during which the Group has seen capital expenditure related cash outflows of £31.4m and paid off the remaining £5.6m of deferred Covid 19 liabilities to HMRC and landlords. The increase in net debt of £8.2m relative to the 17 April 2022 year end is a function of the timing of working capital outflows; in the week prior to the half year end payments totaling £9.9m were made to suppliers and landlords.

Finance costs for the period have increased to £3.3m (2022: £3.2m), reflecting an increase in IFRS16 lease interest charges to £2.8m (2022: £2.6m).

Cash flow

Net cash generated from operating activities was £14.6m (2022: £35.9m), with the significant reduction reflecting the one-off benefits in the prior year from the rebuilding of our working capital position post reopening after the third Covid related lockdown.

Capital expenditure outflows in the period increased to £15.0m (2022: £6.5m). The increase reflecting a combination of the prior year cash flow benefitting from the rebuilding of capital expenditure creditors post resumption of the new site roll out programme in 2021, and a higher level of incurred capital expenditure (excluding IFRS16 ROUA investment) in the first half of £15.9m (2022: £10.0m). The capital expenditure incurred in the period (excluding IFRS16 ROUA investment) of £15.9m (2022 £10.0m), included £11.2m related to new sites (2022 £8.4m) and a further £0.9m in respect of the acquisition of the Cosy Club Canterbury freehold. The Brightside launch noted above involves the acquisition of two freehold sites. Whilst the strength of the Loungers' balance sheet allows us to make these freehold acquisitions it is our intention to complete sale and leaseback transactions in respect of the Brightside and Canterbury freeholds at the appropriate time.

Dividend policy

In the short term, the Board intends to retain the Group's earnings to bolster liquidity and balance sheet strength and for re-investment in the roll-out of new sites. It is the Board's ultimate intention to pursue a progressive dividend policy, subject to the need to retain sufficient earnings for the future growth of the Group.

Current trading and prospects

Positive momentum has continued over the first eight weeks of Q3, with the business consistently out-performing the sector and achieving strong like for like sales growth, with three-year LFL sales across the 32 weeks to 27 November of +17.4%. Whilst there is no sign of the cost of living pressures abating we remain optimistic looking ahead to trading over the Christmas period. With 15 sites having opened year to date we remain on track to open 30 new sites during the course of the financial year ending 16 April 2023, including our first Brightside site.

Nick Collins
Chief Executive Officer
30 November 2022

Condensed Consolidated Statement of Comprehensive Income
For the 24 Week Period Ended 2 October 2022

	Note	**24 weeks ended 2 October 2022 £000 Unaudited**	**24 weeks ended 3 October 2021 £000 Unaudited**	**Year ended 17 April 2022 £000 Audited**
Revenue		122,326	102,361	237,291
Cost of sales		(74,411)	(56,330)	(134,369)
Gross profit		47,915	46,031	102,922
Administrative expenses		(41,859)	(32,553)	(76,975)
Other income	3	-	2,490	2,490
Operating profit		6,056	15,968	28,437
Finance income		61	23	44
Finance costs	4	(3,286)	(3,182)	(6,876)
Profit before taxation		2,831	12,809	21,605
Tax charge on profit	5	(368)	(1,949)	(3,727)
Profit for the period		2,463	10,860	17,878
Other comprehensive (expense) / income:				
Cash flow hedge – change in value of hedging instrument		(38)	126	269
Other comprehensive (expense) / income for the period		(38)	126	269
Total comprehensive income for the period		2,425	10,986	18,147
Earnings per share (pence)				
Basic	6	2.4	10.6	17.4
Diluted	6	2.3	10.4	17.0

Condensed Consolidated Statement of Financial Position

As at 2 October 2022

	Note	2 October 2022	3 October 2021	17 April 2022
		£000	**£000**	**£'000**
		Unaudited	**Unaudited**	**Audited**
Assets				
Non-current				
Intangible assets		113,227	113,227	113,227
Property, plant and equipment	8	203,845	169,005	188,363
Deferred tax assets		988	3,190	1,355
Finance lease receivable		534	623	579
Total non-current assets		318,594	286,045	303,524
Current				
Inventories		2,031	1,558	1,919
Trade and other receivables		3,734	2,846	5,466
Derivative financial instruments		-	-	38
Cash and cash equivalents		23,044	20,610	31,250
Total current assets		28,809	25,014	38,673
Total assets		347,403	311,059	342,197
Liabilities				
Current liabilities				
Trade and other payables		(52,207)	(44,602)	(56,214)
Lease liabilities		(9,153)	(7,437)	(8,475)
Derivative financial instruments		-	(106)	-
Total current liabilities		(61,360)	(52,145)	(64,689)
Non-current liabilities				
Borrowings	9	(32,329)	(32,211)	(32,275)
Lease liabilities		(115,636)	(101,450)	(111,127)
Total liabilities		(209,325)	(185,806)	(208,091)
Net assets		138,078	125,253	134,106
Called up share capital	10	1,133	1,127	1,127
Share premium		8,066	8,066	8,066
Hedge reserve		-	(105)	38
Other reserves		14,278	14,278	14,278
Accumulated profits		114,601	101,887	110,597
Total equity		138,078	125,253	134,106

Condensed Consolidated Statement of Changes in Equity

For the 24 Week Period Ended 2 October 2022

	Share Capital	Share Premium	Hedge Reserve	Other Reserve	Accumulated Profits / (Losses)	Total Equity
	£000	£000	£000	£000	£000	£000
At 18 April 2021	1,124	8,066	(231)	14,278	89,680	112,917
Ordinary shares issued	3	-	-	-	(3)	-
Share based payment charge	-	-	-	-	1,350	1,350
Total transactions with owners	3	-	-	-	1,347	1,350
Profit for the period	-	-	-	-	10,860	10,860
Other comprehensive expense	-	-	126	-	-	126
Total comprehensive income	-	-	126	-	10,680	10,986
At 3 October 2021	1,127	8,066	(105)	14,278	101,887	125,253
Share based payment charge	-	-	-	-	1,692	1,692
Total transactions with owners	-	-	-	-	1,692	1,692
Profit for the period	-	-	-	-	7,018	7,018
Other comprehensive income	-	-	143	-	-	143
Total comprehensive income	-	-	143	-	7,018	7,161
At 17 April 2022	**1,127**	**8,066**	**38**	**14,278**	**110,597**	**134,106**
Ordinary shares issued	6	-	-	-	(6)	0
Share based payment charge	-	-	-	-	1,547	1,547
Total transactions with owners	6	-	-	-	1,541	1,547
Profit for the period	-	-	-	-	2,463	2,463
Other comprehensive expense	-	-	(38)	-	-	(38)
Total comprehensive income	-	-	(38)	-	2,463	2,425
At 2 October 2022	**1,133**	**8,066**	**-**	**14,278**	**114,601**	**138,078**

Condensed Consolidated Statement of Cash Flows

For the 24 Week Period Ended 2 October 2022

	Note	24 Weeks ended 2 October 2022 Unaudited £000	24 Weeks ended 3 October 2021 Unaudited £000	Year ended 17 April 2022 Audited £000
Net cash generated from operating activities	11	**14,613**	**35,903**	**69,626**
Cash flows from investing activities				
Purchase of property, plant and equipment		(15,012)	(6,494)	(22,837)
Net cash used in investing activities		**(15,012)**	**(6,494)**	**(22,837)**
Cash flows from financing activities				
Shares issued on exercise of employee share awards		(183)	(135)	135)
Bank loans repaid		-	(7,000)	(7,000)
Interest paid		(455)	(595)	(1,101)
Interest received		43	3	3
Principal element of lease payments		(4,511)	(3,551)	(6,903)
Interest paid on lease liabilities		(2,758)	(2,433)	(5,315)
Principal element of lease receivables		57	-	-
Net cash used in financing activities		**(7,807)**	**(13,711)**	**(20,451)**
Net (decrease) / increase in cash and cash equivalents		**(8,206)**	**15,698**	**26,338**
Cash and cash equivalents at beginning of the period		31,250	4,912	4,912
Cash and cash equivalents at end of the period		**23,044**	**20,610**	**31,250**

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

The Directors of Loungers plc (the "Company") and its subsidiaries (the "Group") present their interim report and the unaudited condensed financial statements for the 24 weeks ended 2 October 2022 ("Interim Financial Statements").

The Company is a public limited company, incorporated and domiciled in England and Wales, under the company registration number 11910770. The registered office of the company is 26 Baldwin Street, Bristol BS1 1SE.

The Interim Financial Statements were approved by the Board of Directors on 29 November 2022.

The Interim Financial Statements have not been audited or reviewed by the auditors. The financial information shown for the 24 weeks ended 2 October 2022 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The information shown for the year ended 17 April 2022 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and has been extracted from the Group's Annual Report and Financial Statements for that year.

The Interim Financial Statements should be read in conjunction with the Group's Annual Report and Financial Statements for the year ended 17 April 2022, which were prepared in accordance with UK adopted International Accounting Standards and those parts of the Companies Act 2006 applicable to companies reporting under those standards. The Group's Annual Report and Financial Statements for the year ended 17 April 2022 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Group's Annual Report and Financial Statements for the year ended 17 April 2022 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

The Interim Financial Statements are presented in Pounds Sterling, rounded to the nearest thousand Pounds, except where otherwise indicated; and under the historical cost convention as modified through the recognition of financial liabilities at fair value through the profit and loss.

The Directors consider that the principal risks and uncertainties faced by the Group are as set out in the Group's Annual Report and Financial Statements for the year ended 17 April 2022.

In addition to the accounting policies applied in the preparation of the Group's consolidated financial statements for the year ended 17 April 2022, the Group has adopted the following amendments to accounting standards, effective for annual financial periods beginning on or after 1 January 2022:

- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds Before Intended Use
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

The adoption of these amendments has not had a material impact on the Group's interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Going concern

In concluding that it is appropriate to prepare the Group's interim financial statements on the going concern basis attention has been paid both to the potential impact of further Covid-19 outbreaks on the Group and also to the current sector headwinds in terms of consumer confidence and inflationary pressures.

As at the 2 October 2022 the Group had cash balances of £23.0m and unutilised facilities of £10m (excluding the £15m RCF which has subsequently been allowed to expire in October 2022) providing total liquidity of £33.0m.

Going concern (continued)

In order to assess the Group's going concern position the Board has considered three downside scenarios of the Group's business plan.

- The first scenario assumes a re-emergence of Covid-19 in similar fashion to the Omicron outbreak of 2021. A sales decline of 20% relative to the FY23 budget for 12 weeks across December 2022, January and February 2023 has been modelled. This is significantly worse than the impact felt from the 2021 Omicron variant.
- The second scenario looks to model a weakening in consumer confidence, accelerating in October 2022 with sales between 5% and 10% below budget, allied to continuing cost of goods sold and labour inflation reducing gross margins by 1%.
- The third scenario combines both the above scenarios, resulting, for example, in sales being 30% below budget across December 2022 to February 2023.

In the most severe downside scenario the Group is forecast to remain within its borrowing facilities and to be in compliance with its covenant obligations, and accordingly the Directors have concluded that it is appropriate to prepare the Interim Financial Statements on the going concern basis.

ESG and TCFD requirements

The Group will be reporting under the TCFD framework in its full year report and accounts to 16 April 2023. The Group continues to evolve its ESG strategy, with initiatives undertaken in the first half of the financial year including a detailed review of energy efficiency and the rollout of a paperless trial in sites.

At the half year, the Group is not aware of any climate related risks that would have a material financial impact upon the Group's ability to operate, but the Board continues to monitor this as part of their ongoing risk assessments.

Accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's consolidated financial statements for the year ended 17 April 2022.

The Group tests for impairment on an annual basis or earlier if there are indicators that an asset might be impaired. At the 2 October 2022 the Group was not aware of any specific events that would require a site to be impaired. The Group has reviewed its FY22 impairment calculations, flexing assumptions for potential increases in discount rates and is satisfied that there is no requirement to recognise additional impairment.

3. Other income

	24 Weeks ended 2 October 2022 £000 Unaudited	24 Weeks ended 3 October 2021 £000 Unaudited	Year ended 17 April 2022 £000 Audited
Government support grant funding	-	2,490	2,490
	-	2,490	2,490

4. Finance costs

	24 Weeks ended 2 October 2022 £000 Unaudited	24 Weeks ended 3 October 2021 £000 Unaudited	Year ended 17 April 2022 £000 Audited
Bank interest payable	528	601	1,190
Other interest payable	-	-	4
Finance cost on lease liabilities	2,758	2,581	5,682
	3,286	3,182	6,876

5. Tax on profit

	24 Weeks ended 2 October 2022 £000 Unaudited	24 Weeks ended 3 October 2021 £000 Unaudited	Year ended 17 April 2022 £000 Audited
Taxation charged to the income statement			
Current income taxation	-	1,323	1,266
Adjustments for current tax of prior periods	-	-	-
Total current income taxation	-	1,323	1,266
Deferred Taxation			
Origination and reversal of temporary differences			
Current period	368	987	2,408
Adjustments to tax charge in respect of prior periods	-	-	109
Adjustment in respect of changes in tax rates	-	(361)	(56)
Total deferred tax	368	626	2,461
Total taxation charge in the consolidated income statement	368	1,949	3,727

The income tax expense was recognised based on management's best estimate of the effective income tax rate expected for the full financial year, applied to the profit before tax for the 24 weeks ended 2 October 2022. The effective tax rate of 13.0% is below the standard rate of income tax due to the impact of the capital allowance "super-deduction" effective from the 1st April 2021.

The 2021 Budget announced an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. Accordingly, the deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 25%, to the extent they are not expected to reverse before 1 April 2023. This amount was presented as an adjusting item in the Group's report and accounts for the 52 weeks ended 17 April 2022.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares outstanding during the period, excluding unvested shares held pursuant to the following long-term incentive plans:

- Loungers plc Employee Share Plan
- Loungers plc Senior Management Restricted Share Plan
- Loungers plc Value Creation Plan

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the period ended 2 October 2022 the Group had potentially dilutive shares in the form of unvested shares pursuant to the above long-term incentive plans.

	24 Weeks ended 2 October 2022 Unaudited £000	24 Weeks ended 3 October 2021 Unaudited £000	Year ended 17 April 2022 Audited £000
Profit for the period after tax	2,463	10,860	17,878
Basic weighted average number of shares	103,137,035	102,716,490	102,728,430
Adjusted for share awards	2,148,438	2,111,986	2,464,588
Diluted weighted average number of shares	105,285,472	104,828,476	105,193,018
Basic earnings per share (p)	2.4	10.6	17.4
Diluted earnings per share (p)	2.3	10.4	17.0

7. Share based payments

The Group had the following share-based payment arrangement in operation during the period:

- Loungers plc Employee Share Plan
- Loungers plc Senior Management Restricted Share Plan
- Loungers plc Value Creation Plan

The Group recognised a total charge of £1,730,000 in respect of the Group's three share-based payment plans.

8. Fixed assets

	Land and Buildings £000	Motor Vehicles £000	Fixtures and Fittings £000	Right of Use Asset £000	Total £000
Cost					
At 18 April 2021	56,668	81	55,790	132,977	245,516
Additions	4,900	-	5,112	2,074	12,086
Disposals	-	(19)	-	-	(19)
At 3 October 2021	**61,568**	**62**	**60,902**	**135,051**	**257,583**
Additions	6,290	148	9,704	14,330	30,472
At 17 April 2022	**67,858**	**210**	**70,606**	**149,381**	**288,055**
Additions	7,287	-	8,640	9,698	25,625
At 2 October 2022	**75,145**	**210**	**79,246**	**159,079**	**313,680**
Depreciation					
At 18 April 2021	13,919	53	23,521	42,580	80,073
Provided for the period	1,740	10	3,120	3,654	8,524
Disposals	-	(19)	-	-	(19)
At 3 October 2021	**15,659**	**44**	**26,641**	**46,234**	**88,578**
Provided for the period	2,278	22	4,017	4,797	11,114
At 17 April 2022	**17,937**	**66**	**30,658**	**51,031**	**99,692**
Provided for the period	2,079	23	3,713	4,328	10,143
At 2 October 2022	**20,016**	**89**	**34,371**	**55,359**	**109,835**
Net book value					
At 2 October 2022	**55,129**	**121**	**44,875**	**103,720**	**203,845**
At 17 April 2022	49,921	144	39,948	98,350	188,363
At 3 October 2021	**45,909**	**18**	**34,261**	**88,817**	**169,005**
At 18 April 2021	42,749	28	32,269	90,397	165,443

9. Borrowings

	2 October 2022 £000 Unaudited	3 October 2021 £000 Unaudited	17 April 2022 £000 Audited
Non-current			
Bank loan	32,500	32,500	32,500
Loan arrangement fees	(171)	(289)	(225)
	32,329	32,211	32,275

The Group's bank borrowings are secured by way of fixed and floating charges over the Group's assets.

The facilities entered into at the time of the IPO in April 2019 provide for a term loan of £32,500,000 and a revolving credit facility of £10,000,000. The term loan is a five-year non-amortising facility with a margin of 2% above SONIA.

On 22 April 2020, in response to the Covid-19 lockdown, the Group agreed an incremental £15,000,000 revolving credit facility for the 18-month period to October 2021. On 16 April 2021 this incremental facility was extended to October 2022 and was allowed to expire at the end of the extension.

The Group has been compliant with all of its covenant obligations during the 24 weeks to 2 October 2022.

At 2 October 2022 the term loan was fully drawn and £nil was drawn down under the revolving credit facility.

10. Share capital

	2 October 2022 £000 Unaudited	3 October 2021 £000 Unaudited	17 April 2022 £000 Audited
Allotted, called up and fully paid ordinary shares	1,033	1,027	1,027
Redeemable preference shares	100	100	100
	1,133	1,127	1,127
Ordinary shares at £0.01 each	103,303,312	102,738,664	102,738,664
Redeemable preference shares	2	2	2

The table below summarises the movements in share capital for Loungers plc during the period ended 2 October 2022:

	Ordinary Shares £0.01 NV	Redeemable Preference Shares £49,999 NV	£'000
At 17 April 2022	102,738,664	2	1,127
Shares issued	564,648	-	6
At 2 October 2022	**103,303,312**	**2**	**1,133**

On 30 April 2022 the Group issued 385,167 ordinary shares of 1 pence each to 711 employees pursuant to the Group's share plans. On the 29 July 2022 the Group released a block listing of 364,635 shares in respect of its share plans, of which 179,481 had been issued as of 2 October 2022.

11. Note to the cash flow statement

	24 Weeks ended 2 October 2022 £000	24 Weeks ended 3 October 2021 £000	Year ended 17 April 2022 £000
Cash flows from operating activities			
Profit before tax	**2,831**	**12,809**	**21,605**
Adjustments for:			
Depreciation of property, plant and equipment	5,815	4,870	11,187
Depreciation of right of use assets	4,328	3,654	8,451
Share based payment transactions	1,730	1,554	3,220
Profit on disposal of fixed assets		-	-
Finance income	(60)	(23)	(44)
Finance costs	3,286	3,182	6,876
Changes in inventories	(112)	(785)	(1,145)
Changes in trade and other receivables	1,591	(225)	(2,699)
Changes in trade and other payables	(4,796)	10,867	23,593
Cash generated from operations	**14,613**	**35,903**	**71,044**
Tax paid	-	-	(1,418)
Net cash generated from operating activities	**14,613**	**35,903**	**69,626**

12. Post Balance Sheet events

On 7th November, the Group announced that it was launching a new brand, Brightside, in the UK. It has acquired three sites for a total cash consideration of £3m, one leasehold and two freehold, through the purchase of Route Restaurants Ltd and Nightlife Leisure Ltd, which is expected to complete on 1st December 2022.

Reconciliation of Statutory Results to Alternative Performance Measures

The Interim Results include both statutory and alternative performance measures ("APMs"). APM's are included for the following reasons:

- They reflect the way in which management report and monitor the financial performance of the Group internally;
- They improve the comparability of information between reporting periods by adjusting for one-off factors;
- The IAS17 presentation reflects the way in which the financial performance of the Group has been presented historically and the basis on which the Group's financial covenants are tested.

	Note	24 weeks ended 2 October 2022 £000 Unaudited	24 weeks ended 3 October 2021 £000 Unaudited	Year ended 17 April 2022 £000 Audited
Operating profit		**6,056**	**15,968**	**28,437**
Share based payment charge		1,730	1,554	3,220
Site pre-opening costs		1,378	1,040	2,344
Adjusted operating profit		**9,164**	**18,562**	**34,001**
Depreciation (pre IFRS 16 right of use asset charge)		5,815	4,870	11,187
IFRS 16 Right of use asset depreciation		4,328	3,654	8,451
Adjusted EBITDA (IFRS 16)		**19,307**	**27,086**	**53,639**
IAS 17 Rent charge		(5,959)	(5,295)	(11,745)
IAS 17 Rent charge included in IAS 17 pre-opening costs		134	227	425
Adjusted EBITDA (IAS 17)		**13,482**	**22,018**	**42,319**

The Group references Like for Like sales growth as a key APM. Like for Like sales growth excludes the sales from sites that have been open for less than 18 months. The periods in which the Group did not trade are excluded from the calculation.