

9 July 2024

Loungers plc
(“Loungers” or the “Group”)

Audited results for the 53 weeks ended 21 April 2024

A record year for sales, profits and site openings

Loungers, a leading operator of all day café/bar/restaurants across the UK under the Lounge, Cosy Club and Brightside brands, is pleased to announce its audited results for the 53 weeks ended 21 April 2024 (“FY24”).

Finance Summary

	53 weeks ended 21 April 2024 £'000	52 weeks ended 16 April 2023 £'000	Year on year growth %
Revenue	353,486	283,507	+24.7%
Adjusted EBITDA ⁽¹⁾	59,592	47,349	+25.9%
Operating profit	20,315	14,751	+37.7%
Operating profit %	5.7%	5.2%	0.5ppt
Profit before tax	11,444	7,334	+56.0%
Diluted earnings per share (p)	8.5	6.5	+30.8%
Cash generated from operating activities	64,648	51,107	+26.5%
	21 April 2024 £'000	16 April 2023 £'000	
Non-property net debt	9,461	6,022	
Net debt	160,670	140,859	

⁽¹⁾ Adjusted EBITDA is calculated as operating profit before depreciation, impairment, pre-opening costs, exceptional costs, and share-based payment charges.

Financial Highlights

- Achieved record revenue of £353.5m, up 24.7% on the prior year and up 22.2% when excluding the benefit of the 53rd week
- A record 36 new sites opened during the year, seven sites more than in the prior year
- Industry leading like for like (“LFL”) sales growth of 7.5%, with current trading continuing to beat the market
- Adjusted EBITDA of £59.6m representing year on year growth of 25.9%
- Operating profit up 50 basis points as a percentage of sales to 5.7%
- Strong cash generation from operating activities of £64.6m representing 108% of Adjusted EBITDA

Operational and Strategic Highlights

- Decreasing inflationary pressures combined with increasing scale allowed us to make good progress towards re-establishing pre-Covid margins
- Record number of new site openings each delivered consistently high sales and profits
- Constant food, drink and design innovation continued to drive sales growth and relevance
- Invested further in senior team and operational structure to deliver ongoing roll-out
- Strong pipeline of new sites, with internal capability to maintain the current rate of openings
- Growth and performance continues to demonstrate our target of 665 sites across the UK is a conservative one.

Current Trading and Outlook

We continue to feel very positive about the outlook for our brands and over the 11 weeks since the year end, our LFL sales have been +5.0%. Our new site openings continue to perform exceptionally well, achieving record levels of sales, and our pipeline of new sites is as strong as ever.

We have opened seven sites since the year end (all of them Lounges) and are confident that the good momentum we are seeing across the business, as well as the investment that we continue to make in our operational management, puts us in the best possible position to deliver further growth and margin expansion in FY25.

Nick Collins, Chief Executive Officer of Loungers said:

“This has been another year of outstanding strategic, operational and financial progress for Loungers. Our consistent and market-leading like for like sales growth coupled with our improving margins are allowing us to achieve record levels of profits to reinvest in our ambitious roll-out programme.

During the year, we opened 36 new sites, created 1,200 new jobs and invested around £39m in high streets and communities across the UK. We have demonstrated yet again that the hospitality sector is capable of making a really positive economic and social impact on parts of the country that are otherwise all-too-often overlooked. To encourage further investment, I would strongly urge the new government to address the wildly unfair tax burden that is shouldered by our industry in the form of a business rates system that urgently needs to be overhauled.

The variety, breadth and flexibility of our all-day offer is proving to be more relevant than ever, and last year our wonderful teams served 7m breakfasts and poured 6m pints to an increasingly wide demographic. As the business grows, we are constantly evolving and improving our menus to ensure that we continue to offer our customers the great experience and fantastic value for money that they have come to expect from us.

The improving macroeconomic environment, with falling interest rates and declining inflation, adds to our confidence in Loungers’ trading prospects for the coming year. In the longer term, we continue to believe that 665 sites is a conservative target.”

Analyst Presentation Webcast

An analyst presentation will be held today, Tuesday 9 July 2024, at 9:30am (BST). Participants wishing to join the webcast should contact loungers@powerscourt-group.com to request details.

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Notes to Editors

Loungers operates through its three established complementary brands - Lounge, Cosy Club and Brightside - 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 226 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 bars/restaurants 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.

Brightside is a roadside dining concept and was launched in November 2022. The first Brightside location opened on the A38, south of Exeter, in February 2023, with the second opening in Saltash near Plymouth in June 2023 and the third in Honiton on the A303 in August 2023.

Chairman's Statement

I am extremely pleased to report another excellent year for Loungers, both financially and strategically.

Another record year

In the 53-week financial year ending 21st April 2024 we achieved record revenue of £353.5m (up 24.7% on FY23) and also delivered record Adjusted EBITDA of £59.6m (up 25.9% on FY23). This strong performance was driven by the opening of a record number of new sites (36), as well as like for like sales growth of 7.5%.

During the course of the year, we reached the significant milestones of opening our 200th Lounge, Verdetto Lounge in Buckingham, and our 250th overall site, Pionero Lounge in Rochdale.

We continued to expand our footprint across the UK. We made our Lounge debut in the North East with the opening of Martino Lounge in Morpeth (in August), which was followed by further Lounge openings in the region in Hexham and Cramlington. We pushed further into the North West with openings in Penrith and Carlisle. We also continued to expand in our established heartland in the South West, with Barolo Lounge in Yeovil setting a terrific pace and Costero Lounge in Paignton being an absolute standout and recently becoming the first Lounge to deliver weekly sales of over £100k.

Elsewhere, we opened one Cosy Club during the year, in Oxford, which has performed very strongly. We also opened our second and third Brightsides - on the A38 near Saltash and on the A303 near Honiton, respectively - following comprehensive refurbishments and remodelling of the previous Route Restaurant buildings, albeit not quite as ahead of the 2023 summer holidays as we had hoped.

Exciting opportunities ahead

Moving into our current financial year and looking ahead, we have another very exciting pipeline of sites to open in FY25 and beyond. As a result of the well-documented struggles of the UK high street, property availability has never been better, and we continue to be able to negotiate very favourable terms. Bank closures are providing us with excellent prime pitch locations in towns and suburbs across the country, and more often than not they are also wonderful buildings. In FY24, our Lounge openings in Nantwich, Ashby-de-la-Zouch, and Yeovil were all very good examples of this trend - and looking ahead we have lined up at least seven former banks to be converted to Lounges with our openings in Newmarket and Saffron Walden being particularly noteworthy due to the heritage nature of the buildings.

At the beginning of the new financial year, we acquired the Pitcher and Piano sites on Bristol harbourside and in the centre of Sheffield. The former is currently being converted into Ritorno Lounge which will open in mid-July and will be our largest and most ambitious Lounge to date, right in the heart of Bristol's busiest waterside pitch. Following the success of Costero Lounge in Paignton, which was another large site (a former Harvester), we are particularly excited about the prospects for Ritorno and the opportunities that exist for us to open bigger Lounges in very high footfall locations.

Mid-July will also see us finish the conversion of the Sheffield site into a Cosy Club in a great location that we originally tried to secure, unsuccessfully, when the development was being built.

A reshaped and strengthened team

During the year we further strengthened the executive team and put ourselves in the best possible position to continue to deliver our ambitious growth strategy.

Justin Carter moved from being Managing Director of Lounge to the newly created role of Group Managing Director. Justin has been absolutely integral to the success of Loungers, and in particular, Lounge, since joining us in 2015 and I am really pleased we now have him in a group-wide role. His support of the brand managing directors and his extremely considered strategic perspective will undoubtedly bring a huge amount of benefit to the individual brands and to the wider business.

The Lounge Managing Director Role has been filled by Kate Eastwood who has recently joined the business having previously been at Fuller's. Kate has spent the first three months in role covering a lot of geography, getting to know her team, and learning lots of Lounge names! Once she is fully up to speed, I am very much looking forward to seeing her bring her considerable experience to bear.

Lucy Knowles joined as the Cosy Club Managing Director in September last year. Lucy has fitted in extremely well and has brought an operational intensity and sales driving focus to the brand. FY25 will be a big year for Cosy Club and Lucy is very busy managing a number of exciting work streams.

After an almost six year tenure, our unflappable CFO Gregor Grant announced in November that he had decided to leave the business. Gregor has been an invaluable member of the executive team and the PLC board, and we have been extremely lucky and privileged to have had him with us, particularly as we navigated the IPO in 2019 followed by the seismic shock of the pandemic in 2020/21. Gregor leaves with our warmest wishes and enormous gratitude for his unwavering dedication and commitment. Stephen Marshall has started as our new CFO and has hit the ground running. Stephen, who has significant CFO experience, most notably at Nisbets and Dyson, brings a commerciality that the business will undoubtedly benefit from as it continues to grow.

As always, we are extremely lucky to have such a dedicated and talented CEO in Nick Collins, and we continue to enjoy challenge, support, and entrepreneurial-style engagement with our PLC Non-Executive Directors.

Growing and maintaining three different but complementary brands

With the launch of the first Brightside in February 2023, Loungers became a three brand business and the executive team have been busy rising to the challenge that going from two to three brands presents.

Whilst Lounge continues to be the dominant driving force behind our growth, it is important to me that the other two brands don't live in its shadow.

We are often asked, perhaps understandably, why we don't simply put all of our focus into Lounge, particularly as there remain hundreds of new site opportunities for us in the UK. My answer is always quite simple: I believe we are an infinitely better business for having more than one brand. It means that we have to look at a much wider spectrum of hospitality, and that we cannot – and therefore do not - fall into the trap of becoming too set in our ways. The brands are constantly learning from each other, and it also means that our executive team is larger than it would otherwise be, with a greater variety of perspectives and experiences for us to draw on.

Lounge: doubling down for future growth

The performance of Lounge has been stellar for a number of years now and it feels like we are experiencing fewer growing pains as we get bigger. This is despite opening a record number of Lounges last year and often having three or four openings in a single month. We are in a great place, but instead of taking it easy and believing we have truly arrived, we are determined to double-down. We will not let complacency creep in and will obsessively focus on evolving and innovating our offer and working tirelessly on finding ways to get even better. We need to ensure that we don't lose sight of offering great value-for-money despite a plethora of cost pressures and we will continue to relentlessly strive to attract and retain great people.

Cosy Club: more potential to be unlocked

The next few months are a really exciting time for Cosy Club as we look to build on the success to date and unlock the true potential of the brand. I believe that it is time for the brand to further distance itself from Lounge and to assume a slightly more premium position on the high street.

Lucy Knowles and her team are working hard on elevating our food offering, overhauling our drinks menu and wine list, and driving hospitality excellence amongst our teams. We are making the changes that our instincts are telling us are appropriate, and Cosy Club feels like it is on a path to finding a clearer identity. There is a lot to do but we have the strength-in-depth in the executive team to rise to the challenge without causing any distraction to other areas of the business, and we are really excited about what lies ahead for Cosy Club.

Brightside: an exciting concept, but still early days

It's worth remembering that when we reported our FY23 results in July 2023 we had only just opened our second Brightside. It is still a very new brand and we are really looking forward to seeing how it trades over the next few months given that it will be the first full summer in which we have all three sites trading. Our limited like for like sales data points to encouraging sales momentum and most importantly of all, we are really encouraged by what our customers have to say about Brightside. However, the brand still needs to continue to build sales before we can sensibly give a view as to its future potential.

We have learnt a huge amount so far and we are still very much on a learning curve – especially with regard to what works best from a marketing perspective and what we need to do to increase brand awareness. With our fourth Brightside due to open on the A1 in Rutland in the autumn, we will continue to learn and assess the brand's potential - not least because it will be our first purpose-built site.

A change of government: stance on our sector is unclear

There is now a new Prime Minister in Number 10 and a Labour government in power. In truth, there is little in the way of detail about what Labour is proposing when it comes to our sector. There is a vague commitment to review business rates but in reality, we have heard all of this before and I don't hold out much hope that this will lead to an overhaul of that system any time soon, despite it being much needed.

What is clear is that increases in the National Living Wage will almost certainly continue to be inflation-busting and this will put even greater pressure on a very beleaguered UK hospitality sector.

In an environment where getting the balance right between reflecting significant cost pressures - specifically the cost of labour - in pricing, whilst UK consumer confidence still feels quite variable, will prove extremely challenging for some operators. As a big and growing business, I am confident that we can continue to get the balance right, not least because other inflationary pressures have eased. However, there is only so much more small independent hospitality businesses can take and I fear that the sector will continue to see the number of outlets in the UK reduce.

We will continue to do everything that we can, and to work with UKHospitality, to ensure that the voice of the sector is heard by government. More specifically, I will continue to make no apology for expressing the opinion that if there is any help at all forthcoming for hospitality it should be targeted towards small businesses in our sector, rather than the big corporates. It feels like only yesterday that we were ourselves a small business, so we are all too aware of the challenges and pressures that they are feeling.

Our outstanding people

We employ almost 9,000 people now, which is pretty extraordinary to me when I look back at the journey of Loungers since its inception in 2002. In a report that is packed with a vast array of numbers, it is the number I am most proud of. Hospitality is all about the human touch, and Loungers is a fantastic example of how critically important people are to the success of any business.

I am so proud that we have created so many jobs and I am constantly in awe of the way in which so many of our people need no encouragement to go that extra mile to deliver an above-and-beyond hospitality experience. Our teams have my full admiration, utmost respect, and immense gratitude; they are what makes Loungers such a special business.

Alex Reilley

Chairman

9 July 2024

Chief Executive's Statement

I am pleased to report on another very successful year for Loungers. We achieved record revenue of £353.5m, operating profit of £20.3m, opened 36 new sites (our most ever in a single financial year), and our Adjusted EBITDA performance of £59.6m represents growth of 109% since our IPO in 2019.

This strong financial performance was underpinned by consistent LFL sales growth and margin improvement in the mature estate, alongside growth through the continued roll-out of new sites. The second half of the year also saw significant organisational change in the business, providing us with a platform to achieve further growth in the years ahead.

Sales performance and our evolving offer

Our sales performance throughout the year was once again exceptional, achieving underlying 53 week LFL sales growth of 7.5%. LFL sales in the mature estate are now +26.3% higher than they were four years ago. Sales growth this year was driven by price increases, as well as modest volume growth, and we believe we are well-positioned to return to more meaningful volume growth in FY25. Value for money is – and always will be - at the core of our offer, and we have closely monitored competitor pricing and remain confident we represent excellent value for money.

Reassuringly, we haven't seen any shift in consumer behaviour, or the way our customers are using our Lounges, Cosy Clubs and Brightsides. Sales patterns across the week and monthly payroll cycle have remained consistent, and the wide demographic make-up of our customers remains unchanged. Across our estate of 264 sites, sales levels reflect a normal distribution, and there are inevitably both over and under-performers. What's reassuring is that the drivers of under or over-performance are virtually always within our control and invariably relate to the tenure and strength of the team, and the consistency of the hospitality they provide. Whilst our performance continues to be very strong, there are, of course, always areas in which we can improve.

We continue to innovate on both the food and drink menus, with two menu changes a year. On the food side, our customers continue to be increasingly adventurous in terms of flavours and heat, with Asian and Middle Eastern flavours and dishes increasing in mix. Sharing remains a really important part of our offer in both Lounge and Cosy Club. Over the course of last year we sold 5.7m tapas/small plates dishes, in comparison to 6.7m brunch dishes. The versatility of our all-day offer is at the core of our success – with varied menus offering brunch, sandwiches, burgers, mains, tapas, and puddings right across the day. Pleasingly, there has been a good balance to LFL sales across the dayparts, with brunch, lunch and dinner all contributing meaningfully to our sales growth.

We are often asked who our competitors are, and the answer is that coffee shops, bakeries, sandwich shops, pubs and restaurants (both independents and chains) all compete with us at different times of the day. The appeal of our sites is the result of a combination of: our unique culture, hospitality and the personality of our teams; the changing atmosphere across the day; the individual design of each site; value for money; and consistently great and evolving food and drink. As the UK high street shifts around us, we are constantly striving for improvement in all these departments.

Conversion and inflationary pressure

Last year we set out our ambition to return to pre-Covid levels of IAS17 Adjusted EBITDA conversion of 13.5% in the medium-term and I am delighted with our progress to date. In the year to 16 April 2023 we converted at the Adjusted EBITDA level at 12.1% and that has now improved to 12.5% for the year to 21 April 2024.

The diminishing inflationary environment alongside the benefit of price increases on our gross margins have been factors in this improvement, despite the ongoing wage inflation as a result of the increase to the National Living Wage. Our rent to revenue ratio of 4.3% continues to be a stand-out feature of the business and as sales consistently grow in the mature estate, our fixed costs continue to reduce as a proportion of sales. There remains opportunity across the P&L for more efficiency, and our labour performance in some of the new openings during the year could be improved upon. We also continue to pursue our strategy of gradually consolidating our supply chain and anticipate further consolidation in FY25.

Our central costs represented 7.6% of sales vs 7.3% last year, while excluding bonuses they were flat vs last year at 6.8% of sales. The year saw further investment in the fixed cost base of the business as we invested in the marketing and people departments and the senior leadership team structure. As the business continues to grow at pace, it is critical that we have the right infrastructure to deliver the roll-out whilst maintaining operational excellence. This year saw a notable shift in the central cost base as we approach the next phase in our growth. In the medium term we expect our central costs to reduce more materially as a proportion of sales as we capitalise on the return on these investments.

People and culture

It was to some extent a year of transition from a people point of view, and we took significant steps to create the team and platform necessary for the next phase of our growth. We identified the need to materially increase our investment in learning and development, and the second half of the year saw the introduction of a number of initiatives that we expect to really kick in during FY25. As the business grows, it is imperative that we ensure best practice is shared across the business, learning as we go. We need to balance the requirement for training and operational consistency across our ever-growing estate with the need for the business to retain its unique independent culture and personality. We continue to work hard on delivering our Commitments to our teams across the UK and it has been pleasing to see staff turnover reduce across the year, albeit we recognise there is always more we can do.

There were notable investments in the Recruitment and Community teams during the year. The introduction of Regional Recruitment and Talent Managers has provided our Operations Managers with support to both find and retain great people. On the community side, we introduced Regional Community Managers to extend our local outreach, as part of our determination to make a positive impact on the areas in which we operate.

At the end of the financial year we completed a wholesale reorganisation of the Lounge operations team map, taking us to nine regions and 29 operating areas. As the estate grows, it is critical the operating areas are kept to eight or nine sites, to allow the teams to deliver new openings whilst also ensuring that we are applying the same level of operational intensity that we have delivered for over 20 years. The reorganisation saw five General Managers or Head Chefs promoted into Operations Managers or Operations Chefs roles, three Operations Managers or Operations Chefs promoted to Regional Operations Managers, and one Regional Operations Manager promoted to Operations Director. 72% of our Operations team were previously General Managers or Head Chefs within the business and this very high proportion of people being promoted from within is critical to our continued success - and is a statistic of which we are very proud. Other people-related investments this year included the recent introduction of our Future Operations Manager Programme and Assistant Manager and Sous Chef step-up programmes. All of these initiatives and investments are part of our clear ambition to be the number one choice for hospitality careers in the UK.

As ever, I would like to say a huge thank you to our teams across the Lounges, Cosy Clubs, Brightsides and in HQ. Their willingness to go the extra mile for their customers, communities and team has allowed us to deliver another fantastic performance.

The ongoing roll-out and the opportunity in front of us

During the year we opened a record 36 sites comprising 33 Lounges, one Cosy Club and two Brightsides. We also closed one site, our Cosy Club in Harrogate.

Our acquisitions, design, development and build teams have again delivered a record number of sites at a fantastically high standard. Average Lounge net capex stood at £905k (vs £835k last year) and whilst we continue to benefit from having the construction capability in-house, there remains a cost opportunity from a capex perspective, and we want to build on this in FY25. The property market more broadly remains very tenant-friendly. To date, higher interest rates have not resulted in any reduction in capital contributions from landlords, and, as ever, our primary focus is on achieving a sub 6% rent to revenue percentage. In terms of the types of property we are taking on, we have seen an increase in the number of former banks that we are converting, but former retail units continue to form the bulk of our new openings.

Lounge

The Lounge new openings strategy continues to see us in-fill across England and Wales in areas where we already have a strong presence, as well as continuing to nudge into new territories further north and east from our heartland in the South West. This was evidenced by a cluster of openings in the North East and across into Cumbria, as well as openings in Kent and Essex. The openings reflect the diversity of location type where Lounges trade, with a good mix of suburban high streets, small towns, coastal locations, and mixed-use retail-leisure schemes. We smashed our individual site sales records in the year, with Costero Lounge in Paignton achieving record Lounge weekly sales at £99k, Brasco Lounge on the Mersey achieving record Lounge daily sales, and Barolo Lounge in Yeovil achieving the highest ever opening week of sales for a Lounge. These record-breaking locations are a great illustration of the diversity of our reach. The strength of our new site openings continues to give us real confidence in the roll-out, as well as the viability of our conservative target of at least 600 Lounges across the UK.

Cosy Club

In October 2023, we opened a beautiful Cosy Club on Cornmarket in Oxford, which has traded exceptionally well since opening and as previously noted, we continue to look for new Cosy Club opportunities and anticipate opening one to two sites per year in future. It was disappointing to close the Cosy Club in Harrogate in February – this was only our eighth site closure in 22 years, of which two were sites that had reached the end of their leases. The sales at Harrogate never reached a level at which we felt confident the site could generate a meaningful profit. Harrogate is a competitive environment, and with the benefit of hindsight we got the pitch of the site wrong.

Brightside

Our three Brightside units traded for the majority of the financial year and during this time we continued to learn a great deal about this new brand. We have been delighted with the customer experience, and once the legacy effect of the previous business operated at the three sites washed through, the feedback has been consistently strong. As is typical for a new brand, sales have been relatively low, averaging around £20k per week. Unlike a Lounge or Cosy Club, Brightsides don't benefit from any footfall, and instead we need to convince passing motorists to stop. Over the course of the year, we have learnt more about the mix of local vs tourist traffic, and our marketing strategy has evolved accordingly. This summer will present a fascinating test for the brand, and the extent to which we can drive LFL growth vs last summer.

A fourth Brightside unit will open on the A1 in Rutland later this year. Beyond that we have no further pipeline sites at the moment, and instead want to really get to grips with the initial four sites in order to understand the sales growth profile before considering further potential scale. We remain excited about the Brightside concept, and customer reaction certainly suggests that the demand is there.

Our impact on society and the environment

Community is at the heart of our business and continues to be a major focus as we think about our role and responsibilities towards society more broadly. Last year we created around 1,200 new jobs on high streets across England and Wales. We continue to encourage our teams to think about the local community and how their Lounge can be used to promote kindness, charity and social interaction. The introduction of our Regional Community Managers has provided our sites with even more resource to share best practice across the business. Towards the end of the year we launched our Community Fund, which means that each Lounge has the opportunity to put £1,000 towards local causes important to either our teams or customers.

We continue to pursue our goals as set out in our 'Good Stuff Strategy' which we shared in November, setting out our ambition under the five key pillars of community, customers, people, planet and suppliers. We are working hard on our target to have 40% of senior leadership positions held by women over the next five years and getting 100% of our suppliers to connect with us on SEDEX to ensure they follow sustainable and ethical practices. In recent months we have also introduced new segregated waste systems to further increase the volume of waste that is recycled or composted and continue to work with nutritionists to enhance the nutritional value of all our dishes.

Management team and the future

The year saw considerable evolution in the leadership team as we look to the next phase of our growth and maintaining our industry-leading performance. Justin Carter was promoted from Managing Director of the Lounge brand to the new role of Group Managing Director. Justin is now responsible for all three of our brands, allowing each of them to benefit from his invaluable industry experience and operational expertise. Kate Eastwood joined us to replace him as Lounge Managing Director and Lucy Knowles joined us as Cosy Club Managing Director. We are also saying farewell to Gregor Grant as CFO and welcome Stephen Marshall in his place. Behind the executive team we have strong senior management, and the succession pipeline across the Group has really strengthened during the year as we have continued to progress people through the business.

I am in no doubt that we have one of the most talented, hard-working and creative leadership teams in the industry. The business has consistently planned ahead of time how best to prepare itself for the next phase of growth. This year has been no exception, and we have particularly stress-tested our leadership style, the way we think about accountability, and how best to achieve our medium to long-term priorities. We don't just think about what we need to look like as a 300 site business, but also as a 650 site business. We are more excited than ever about what we can achieve over the next few years.

Current trading and outlook

We continue to feel very positive about the outlook for our brands and over the 11 weeks since the year end our LFL sales have been +5.0%. Our new site openings continue to perform exceptionally well, achieving record levels of sales, and our pipeline of new sites is as strong as ever.

We have opened seven sites since the year end (all of them Lounges) and are confident that the good momentum we are seeing across the business, as well as the investment that we continue to make in our operational management, puts us in the best possible position to deliver further growth and margin expansion in FY25.

Nick Collins

Chief Executive Officer

9 July 2024

Financial Review

Overview

I am pleased to be able to report on a year of significant progress, not least in respect of our journey to restore margins to pre Covid levels. We have delivered record sales on the back of market-leading LFL revenue growth in our mature estate, strong sales performance in our newer sites and a record 36 new site openings. In addition, we have taken a significant step towards our medium-term goal of returning to our pre-Covid Adjusted EBITDA margin through a combination of disciplined cost management and an easing of inflationary pressures. Our strong cash conversion continues to allow us to fund our growth through internally generated profits. We remain very confident in our ability to deliver strong top line performance through our compelling all-day offer in our existing and new sites, and to improve profitability against easing inflation and lower interest rates for the UK consumer. As a result, we see significant potential to continue our strong growth trajectory over the coming years.

	IFRS 16	
	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Revenue	353,486	283,507
Operating profit	20,315	14,751
Operating margin (%)	5.7%	5.2%
Profit before tax	11,444	7,334
Fully diluted earnings per share (p)	8.5	6.5
Net cash generated from operating activities	64,648	51,107
Net debt	160,670	140,859

Year on year revenue was up by 24.7% to a record £353.5m on a 53-week basis (FY23: £283.5m). Excluding the benefit of the 53rd week, total sales were up 22.2%. This sales performance reflects both continuing strong LFL sales growth across our mature estate (+7.5% across 53 weeks) and the ongoing success of our new site opening programme. Headline operating margin increased from 5.2% to 5.7% as the benefits of improved gross margin performance exceeded receding cost inflation.

Net cash generated from operating activities on a 53-week basis of £64.6m represented 108% (2023: 108%) of IFRS 16 Adjusted EBITDA and continues to reflect the working capital benefits accruing from the strong LFL sales performance and the new site opening programme. Post investing and financing outflows, which included capital expenditure cash outflows of £47.7m and the reduction of the term loan from £32.5m to £20m, cash balances decreased by £16.0m to £10.3m. We continue to be pleased with the returns on capital from the estate. Total year end IFRS 16 net debt increased by £19.8m to £160.7m, the increase driven by taking on new leases with a capital value of £27.0m at inception.

We use a range of financial and non-financial measures to assess our performance. A number of the financial measures, for example LFL sales and Adjusted EBITDA are not defined under IFRS and accordingly they are termed Alternative Performance Measures ("APMs"). The Group believes that these APMs provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. Adjusted EBITDA, which is defined as operating profit before depreciation, impairment, pre-opening costs and share based payments) is also the measure used by the Group's banks for the purposes of assessing covenant compliance.

The table below summarises the key APM's under both IFRS 16 and IAS 17 for the past two financial years (with FY24 on a 52 week basis to aid comparison):

	Year ended 14 April 2024 £000 52 Weeks	Year ended 16 April 2023 £000 52 Weeks	Year on year Growth % 52 Weeks
Sites at year end	257	222	+15.8%
New sites opened	36	29	+24.1%
Revenue	346,570	283,507	+22.2%
Adjusted EBITDA – IFRS 16	58,559	47,349	+23.7%
Adjusted EBITDA margin (%) – IFRS 16	16.9%	16.7%	+0.2ppt
Adjusted EBITDA – IAS 17	43,490	34,221	+27.1%
Adjusted EBITDA margin (%) – IAS 17	12.5%	12.1%	+0.4ppt
Net debt – IAS 17	8,494	6,022	+41.0%

Over the five years since IPO the Group has grown revenue by 127% on a 52 week basis, a function of growing the estate by 76% and a consistently strong LFL sales performance, across all cohorts.

The adjusted 52-week EBITDA (IAS 17) of £43.5m delivers a margin of 12.5%, up 40 basis points on FY23. The Group has succeeded in expanding its gross margin whilst retaining the core value for money principles that are at the heart of the offer, and this has offset the impact of the significant National Living Wage increases. This leaves the business well placed on its medium-term journey to return to the pre-Covid margin level of 13.5%.

Non-property net debt increased to £8.5m, a year on year increase of £2.5m. This largely reflects the increase in the pace of the new site roll out programme, which increased to 36 sites in the year under review.

Impairment costs

The statutory operating profit of £20.3m is after incurring net impairment charges of £2.5m. These costs include:

- £3.9m relating to the impairment of right of use assets
- £0.8m relating to the impairment of property, plant and equipment
- The release of prior year impairment provisions totalling £2.2m

The impairment methodology included the calculation of a value in use for all sites. This valuation was based upon three year site cash flow forecasts covering FY25 through to FY27 which incorporated assumptions regarding future trading, and a full allocation of central costs and maintenance capex spend. The release of excess impairment provisions created in prior years relate to the improved trading performance in a number of sites relative to the assumptions about future trading made at the time of the impairment.

The main driver of this year's charge was the impairment of the Cosy Club in Harrogate, which was closed on 1 April 2024. This site was opened on 31 August 2022 but due to site specific factors struggled to trade at acceptable levels, accordingly the Board took the decision to close. As at 21 April 2024, an impairment of £2.5m was charged in relation to the Harrogate property. At the point of closure, there were 18 years remaining on the lease, which has been fully provided for in the above charge. There is an intention to sub-lease the site and if achieved, this will result in a partial reversal of the above impairment.

Long Term Employee Incentives

Employee engagement and retention remains a key area of focus, and share awards continue to play a significant role in these efforts. During the year the Group granted further share awards under the employee share plan (588,500 shares) and the senior management restricted share plan (629,192 shares). These awards were made to a total of 1,267 employees who work across the business, predominantly at site level, and in hourly paid and salaried positions. In addition, awards covering 992 employees and in respect of 810,647 shares vested in the year.

The Group recognised a share based payment charge in the year of £3.9m (2023: £4.0m), the charge covering the employee share plan, the senior management restricted share plan and the value creation plan.

Finance Costs and Net Debt

Finance costs of £9.0m (2023 £7.6m) include IFRS 16 lease liability finance costs of £7.0m (2023: £6.1m) and bank interest payable of £2.0m (2023: £1.5m). The Group received interest of £0.2m (2023: £0.2m) on its positive cash balances.

Net debt at the year end including property leases of £160.7m (2023: £140.9m) reflects the impact of adding new lease liabilities of £27.0m in the year.

During the year the Group refinanced its borrowing facilities with its existing lenders, paying down £12.5m of the term loan to leave a term loan debt of £20.0m and extending the RCF to £22.5m to leave total facilities unchanged at £42.5m. The Board continues to consider the options for hedging the interest rate risk on the outstanding term loan.

Taxation

The Group has reported a tax charge of £2.3m for the financial year to 21 April 2024 (2023: charge of £0.4m) and at year end carried a corporation tax receivable of £1.2m (2023: £0.1m receivable). The corporation tax charge represents 20.3% of profit before tax (2023: 5.5%), with the prior year benefiting from the 130% capital allowance super deduction, without which the corporation tax rate would have been 20.9%.

Cash Flow and Capital Expenditure

Net cash generated from operating activities of £64.6m (2023: £51.1m) reflects a working capital cash inflow of £9.0m (2023: cash inflow of £7.3m).

Cash outflows in the year in respect of capital expenditure totalled £47.7m (2023: £37.0m) and compare to the cost of fixed asset additions (excluding right of use assets) recognised in the year of £47.2m (2023: £39.2m). These additions included £38.5m in respect of new site openings of which £35.7m related to 36 sites opened in the year (2023: £29.6m in respect of new site openings of which £26.9m related to the 29 sites opened in the year).

Key Performance Indicators (“KPI’s”)

The KPI's, both financial and non-financial, that the Board reviews on a regular basis in order to measure the progress of the Group are as follows:

	53 weeks ended 21 April 2024	52 weeks ended 16 April 2023
New site openings	36	29
Capital expenditure (excluding IFRS16 RoU assets)	£47.2m	£39.2m
LFL Sales growth	+7.5%	+7.4% ⁽¹⁾
Total sales growth	22.2% ⁽²⁾	19.5%
Adjusted EBITDA margin (IFRS16)	16.9%	16.7%

⁽¹⁾ One year LFL calculated over 48 weeks from 16 May 2022

⁽²⁾ Sales growth over the 52 weeks ended 14 April 2024 versus the 52 weeks ended 16 April 2023

Going Concern

In concluding that it is appropriate to prepare the financial statements for the 53 weeks to 21 April 2024 on the going concern basis attention has been paid both to the current sector headwinds in terms of consumer confidence and inflationary pressures and also longer term risks such as climate change.

The Group has traded successfully over the past financial year and ended the year with net debt (including property leases) of £160.7m and total liquidity of £32.8m.

In order to assess the Group's going concern position the Board has considered a base case and downside case scenario. The base case assumes no further selling price increases beyond those put through in March 2024 and flat volumes and reflects current assumptions in respect of future cost inflation. The base case scenario indicates that the Group has significant headroom in respect of both its liquidity position and its banking covenants.

In the downside scenario it has been assumed that sales volumes fall by 10% from the base case with an associated reduction in labour and variable cost efficiency and a resultant 31% decline in adjusted EBITDA. Under this scenario the Group is able to maintain its new site opening programme and continues to have significant liquidity and banking covenant headroom and accordingly the Directors have concluded that it is appropriate to prepare the financial statements for the 53 weeks ending 21 April 2024 on the going concern basis.

Stephen Marshall

Chief Financial Officer

9 July 2024

Consolidated Statement of Comprehensive Income

For the 53 Weeks Ended 21 April 2024

	Note	53 weeks ended 21 April 2024	52 weeks ended 16 April 2023
		£000	£000
Revenue		353,486	283,507
Cost of sales		(209,338)	(170,350)
Gross profit		144,148	113,157
Administrative expenses		(123,833)	(98,406)
Operating profit	4	20,315	14,751
Finance income		154	204
Finance costs	5	(9,025)	(7,621)
Profit before taxation		11,444	7,334
Tax charge on profit	6	(2,320)	(405)
Profit for the year		9,124	6,929
Other comprehensive expense:			
Items that may be reclassified to profit or loss			
Cash flow hedge – change in value of hedging instrument		-	(38)
Other comprehensive expense		-	(38)
Total comprehensive income for the year		9,124	6,891
Earnings per share			
	Note	53 weeks ended 16 April 2024 Pence	52 weeks ended 16 April 2023 Pence
Basic earnings per share	7	8.6	6.7
Diluted earnings per share	7	8.5	6.5

Consolidated Statement of Financial Position

As at 21 April 2024

	Note	At 21 April 2024	At 16 April 2023
		£000	£000
Assets			
Non-current			
Goodwill	8	114,722	114,722
Property, plant and equipment	9	271,359	228,414
Deferred tax assets		-	945
Total non-current assets		<u>386,081</u>	<u>344,081</u>
Current			
Inventories		2,910	2,475
Trade and other receivables		10,487	8,722
Cash and cash equivalents		10,349	26,370
Total current assets		<u>23,746</u>	<u>37,567</u>
Total assets		<u><u>409,827</u></u>	<u><u>381,648</u></u>
Liabilities			
Current liabilities			
Trade and other payables		(79,788)	(69,708)
Corporation tax payable		-	(59)
Lease liabilities		(11,876)	(10,247)
Total current liabilities		<u>(91,664)</u>	<u>(80,014)</u>
Non-current liabilities			
Borrowings	10	(19,810)	(32,392)
Lease liabilities		(139,333)	(124,590)
Deferred tax liabilities		(2,634)	-
Total liabilities		<u>(253,441)</u>	<u>(236,996)</u>
Net assets		<u><u>156,386</u></u>	<u><u>144,652</u></u>
Called up share capital		1,039	1,133
Share premium		8,066	8,066
Treasury shares		(376)	-
Other reserve		-	14,278
Retained earnings		147,657	121,175
Total equity		<u><u>156,386</u></u>	<u><u>144,652</u></u>

Consolidated Statement of Changes in Equity

For the 53 Weeks Ended 21 April 2024

	Called up share capital	Share premium	Treasury shares	Hedge reserve	Other reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 17 April 2022	1,127	8,066	-	38	14,278	110,597	134,106
Ordinary shares issued	6	-	-	-	-	(6)	-
Share based payment charge	-	-	-	-	-	3,655	3,655
Total transactions with owners	6	-	-	-	-	3,649	3,655
Profit for the year	-	-	-	-	-	6,929	6,929
Other comprehensive income	-	-	-	(38)	-	-	(38)
Total comprehensive income for the 52 week year	-	-	-	(38)	-	6,929	6,891
At 16 April 2023	1,133	8,066	-	-	14,278	121,175	144,652
Ordinary shares issued	6	-	-	-	-	(6)	-
Share based payment charge	-	-	-	-	-	3,086	3,086
Group reorganisation	-	-	-	-	(14,278)	14,278	-
Redemption of preference shares	(100)	-	-	-	-	-	(100)
Purchase of own shares	-	-	(376)	-	-	-	(376)
Total transactions with owners	(94)	-	(376)	-	(14,278)	17,358	2,610
Profit for the year	-	-	-	-	-	9,124	9,124
Total comprehensive income for the 53 week year	-	-	-	-	-	9,124	9,124
At 21 April 2024	1,039	8,066	(376)	-	-	147,657	156,386

Consolidated Statement of Cash Flows

For the 53 Weeks Ended 21 April 2024

	53 weeks ended 21 April 2024	52 weeks ended 16 April 2023
	£000	£000
Cash flows from operating activities		
Profit before tax	11,444	7,334
Adjustments for:		
Depreciation of property, plant and equipment	17,311	13,364
Depreciation of right of use assets	11,391	9,861
Net impairment of property, plant and equipment	304	309
Net impairment of right of use assets	2,215	1,298
Share based payment transactions	3,907	4,024
Loss on disposal of tangible assets	(15)	317
Finance income	(154)	(204)
Finance costs	9,025	7,621
Changes in inventories	(434)	(557)
Changes in trade and other receivables	(836)	(3,134)
Changes in trade and other payables	10,319	10,950
Cash generated from operations	64,477	51,183
Tax refunded / (paid)	171	(76)
Net cash generated from operating activities	64,648	51,107
Cash flows from investing activities		
Purchase of subsidiary undertakings (net of cash acquired)	-	(2,719)
Purchase of property, plant and equipment	(47,716)	(36,978)
Interest received	154	204
Net cash used in investing activities	(47,562)	(39,493)
Cash flows from financing activities		
Shares issued on exercise of employee share awards	(193)	(190)
Cash settlement of share awards	(333)	-
Purchase of own shares	(376)	-
Loan arrangement fees	(266)	-
Bank loans repaid	(12,500)	-
Interest paid	(1,882)	(1,334)
Principal element of lease payments	(10,607)	(8,824)
Interest paid on lease liabilities	(6,950)	(6,146)
Net cash used in financing activities	(33,107)	(16,494)
Net decrease in cash and cash equivalents	(16,021)	(4,880)
Cash and cash equivalents at beginning of the year	26,370	31,250
Cash and cash equivalents at end of the year	10,349	26,370

NOTES TO THE PRELIMINARY FINANCIAL INFORMATION

1. General information

Loungers plc (“the company”) and its subsidiaries (“the Group”) operate café bars and café restaurants through three complementary brands, Lounge, Cosy Club and Brightside.

The Company is a public company limited by shares whose shares are publicly traded on the Alternative Investment Market (“AIM”) of the London Stock Exchange and is incorporated and domiciled in the United Kingdom and registered in England and Wales.

The registered address of the Company is 26 Baldwin Street, Bristol, United Kingdom, BS1 1SE.

2. Basis of preparation

The consolidated financial statements of the Loungers plc Group have been prepared in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivatives) at fair value through profit and loss. The financial statements are presented in thousands of pounds sterling (‘£000’) except where otherwise indicated.

The accounting policies adopted in the preparation of the Financial Statements are consistent with those applied in the preparation of the financial statements of the Group for the year ended 16 April 2023.

The auditors' reports on the accounts for the 53 weeks ended 21 April 2024 and the 52 weeks 16 April 2023 for Loungers plc were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The financial statements for Loungers plc for the 53 weeks to 21 April 2024 will be delivered to the Registrar of Companies shortly. The financial information contained within this preliminary announcement for the periods ended 21 April 2024 and 16 April 2023 does not comprise the statutory financial statements of Loungers plc.

In concluding that it is appropriate to prepare the FY24 financial statements on the going concern basis the Directors have considered the Group's cash flows, liquidity and business activities in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014 published by the UK Financial Reporting Council.

As at 21 April 2024 the Group had cash balances of £10.3m (2023: £26.4m) and undrawn facilities of £22.5m (2023: £10m), providing total liquidity of £32.8m (2023: £36.4m).

The Group has modelled financial projections for the going concern period to the 5 October 2025 based upon two scenarios, a base case and a downside case. The base case incorporates the Board approved budget for FY25 as well as the first six periods of the FY26 business plan. The base case assumes no further selling price increases beyond those put through in March 2024 and flat volumes and reflects current assumptions in respect of future cost inflation. The base case scenario indicates that the Group has significant headroom in respect of both its liquidity position and its banking covenants.

In the downside scenario it has been assumed that sales volumes fall by 10% from the base case with an associated reduction in labour and variable cost efficiency and a resultant 31% decline in adjusted EBITDA. Under this scenario the Group is able to maintain its new site opening programme and continues to have significant liquidity and banking covenant headroom.

3. New standards, amendments and interpretations adopted

Amendments to accounting standards applied from 17 April 2023 included amendments to:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules - amendments to IAS 12

The application of the above did not have a material impact on the group's accounting treatment and has therefore not resulted in any material changes.

4. Operating profit

The operating profit is stated after charging / (crediting):

	Note	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Depreciation of tangible fixed assets	9	17,311	13,364
Depreciation of right of use assets	9	11,391	9,861
Net impairment on property, plant and equipment	9	304	309
Net impairment on Right of Use assets	9	2,215	1,298
Loss on disposal of tangible fixed assets	9	-	317
Loss on disposal of right of use asset	9	52	-
(Gain) on write back of lease liability		(67)	-
Inventories - amounts charged as an expense		81,587	68,023
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements		110	85
Fees payable to company's auditors and its associates for other services:			
- for statutory audit services (subsidiary companies)		110	85
Staff costs (excluding share based payments)		150,989	123,008
Pre-opening costs		4,164	3,323

5. Finance Costs

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Bank interest payable	2,075	1,476
Finance cost on lease liabilities	6,950	6,145
	<u>9,025</u>	<u>7,621</u>

6. Tax charge on profit

The income tax charge is applicable on the Group's operations in the UK.

	53 weeks ended 21 April 2024	52 weeks ended 16 April 2023
	£000	£000
Taxation charged to the income statement		
Current income taxation	-	-
Adjustment for current tax of prior periods	(1,259)	-
Total current income taxation	<u>(1,259)</u>	<u>-</u>
Deferred Taxation		
Origination and reversal of temporary timing differences	3,941	1,069
Adjustments to tax charge in respect of prior years	(687)	(911)
Adjustment in respect of change of rate of corporation tax	325	247
Total deferred tax	<u>3,579</u>	<u>405</u>
Total taxation charge in the consolidated income statement	<u>2,320</u>	<u>405</u>
The above is disclosed as:		
Income tax charge - current year	4,266	1,316
Income tax (credit) / charge – prior year	(1,946)	(911)
	<u>2,320</u>	<u>405</u>

Factors affecting the tax charge for the year

	53 weeks ended 21 April 2024	52 weeks ended 16 April 2023
	£000	£000
Profit before tax	11,444	7,334
At UK standard rate of corporation taxation of 25% (2023: 19%).	2,861	1,393
Expenses not deductible for tax purposes	1,080	801
Fixed asset permanent differences	-	(1,125)
Adjustments to tax charge in respect of prior years	(1,946)	(911)
Adjustment in respect of change of rate of corporation tax	325	247
Total tax charge for the year	<u>2,320</u>	<u>405</u>

7. Earnings per share

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Profit for the year after tax	9,124	6,929
Basic weighted average number of shares	105,620,347	103,243,015
Adjusted for share awards	2,180,395	3,375,062
Diluted weighted average number of shares	107,800,742	106,618,077
Basic earnings per share (p)	8.6	6.7
Diluted earnings per share (p)	8.5	6.5

8. Goodwill

	21 April 2024 £000	16 April 2023 £000
Cost		
At beginning of year	114,722	113,227
Additions	-	1,495
At end of year	<u>114,722</u>	<u>114,722</u>

Goodwill of £113,227,000 arose on the acquisition of a majority stake in the Group by the former controlling party, Lion Capital LLP, on 19 December 2016.

Goodwill of £1,495,000 arose on the acquisition of Route Restaurants Limited and Nightlife Leisure (South West) Limited on 1 December 2022.

9. Property, plant and equipment

	Freehold Land and Buildings £000	Leasehold Building Improvements £000	Motor Vehicles £000	Fixtures and Fittings £000	Right of use asset £000	Total £000
Cost						
At 18 April 2022	369	67,489	210	70,606	149,381	288,055
Additions	832	17,076	-	21,273	24,519	63,700
Acquisition of subsidiaries	1,500	-	-	-	-	1,500
Disposals	(250)	(451)	(9)	(175)	-	(885)
At 16 April 2023	2,451	84,114	201	91,704	173,900	352,370
Accumulated depreciation						
At 18 April 2022	-	17,937	66	30,658	51,031	99,692
Provided for the year	14	4,771	48	8,531	9,861	23,225
Impairment	-	381	-	85	2,937	3,403
Impairment reversal	-	(157)	-	-	(1,639)	(1,796)
Disposals	-	(405)	(3)	(160)	-	(568)
At 16 April 2023	14	22,527	111	39,114	62,190	123,956
Net book value						
At 16 April 2023	2,437	61,587	90	52,590	111,710	228,414
Cost						
At 17 April 2023	2,451	84,114	201	91,704	173,900	352,370
Additions	2,865	20,005	-	24,302	27,046	74,218
Disposals	-	-	-	-	(243)	(243)
At 21 April 2024	5,316	104,119	201	116,006	200,703	426,345
Accumulated depreciation						
At 17 April 2023	14	22,527	111	39,114	62,190	123,956
Provided for the year	40	6,085	35	11,151	11,391	28,702
Impairment	-	422	-	333	3,940	4,695
Impairment reversal	-	(451)	-	-	(1,725)	(2,176)
Disposals	-	-	-	-	(191)	(191)
At 21 April 2024	54	28,583	146	50,598	75,605	154,986
Net book value						
At 21 April 2024	5,262	75,536	55	65,408	125,098	271,359

9. Property, plant and equipment (continued)

Impairment of property, plant and equipment and right of use assets

The Group has determined that each site is a separate CGU for impairment testing purposes. Each CGU is tested for impairment at the balance sheet date if there exists at that date any indicators of impairment. All sites were reviewed in FY20 following the first national lockdown and an impairment of £9,829,000 was booked in the FY20 financial statements. Following reopening a number of those sites have generated sufficient cashflows to justify an assessment that impairment is no longer necessary and consequently a reversal of £2,176,000 has been released to the income statement (2023: £1,796,000). Conversely, the assessment carried out at the end of FY24 indicated that a further eleven sites showed potential impairment and a £4,695,000 charge has been recognised in respect of these sites (2023: £3,403,000).

The value in use of each CGU is calculated based upon the Group's latest three-year forecast. The site cash flows include an allocation of central costs and ongoing capital expenditure to maintain the sites. The cash flows exclude any growth capital. Cash flows beyond the three-year period are extrapolated using the Group's estimate of the long-term growth rate, currently 2.0% (2023: 2.0%).

The key assumptions in the value in use calculations are the LFL sales projections for each site, changes in the operating cost base, the long-term growth rate and the pre-tax discount rate. The post-tax discount rate is derived from the Group's WACC and is currently 9.0% (2023: 9.0%).

The cash flows used within the impairment model are based upon Board approved forecasts. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in the key assumptions. A reduction in site cash flows of 10% in each year would result in an incremental impairment charge of £1,978,000 (2023: £1,000,000). A 100 basis point increase in the discount rate would result in an impairment charge of £455,000 (2023: £400,000) and a 50 basis point reduction in the terminal growth rate would result in an impairment charge of £174,000 (2023: £100,000).

10. Borrowings

	21 April 2024	16 April 2023
	£000	£000
Long term borrowings:		
Secured bank loans	20,000	32,500
Loan arrangement fees	(190)	(108)
	<u>19,810</u>	<u>32,392</u>

Secured bank loans

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 provided for a term loan of £32,500,000 and a revolving credit facility ("RCF") of £10,000,000. The term loan was a five-year non-amortising facility with a margin of 2% above SONIA. In June 2023 the Group completed a refinancing of its debt arrangements, reducing the term loan to £20,000,000 and increasing the RCF by £12,500,000.

The term loan and RCF are subject to financial covenants relating to leverage and interest cover. There were no breaches of these tests in the years to 16 April 2023 or 21 April 2024.

At 21 April 2024 the term loan was fully drawn while nothing was drawn on the revolving facility (2023: term loan fully drawn and £nil drawn down under the RCF).

11. Analysis of changes in net debt

	18 April 2022 £000	Cash flows £000	Non-cash movement £000	16 April 2023 £000
Cash in hand	31,250	(4,880)	-	26,370
Bank Loans – due after one year	(32,275)	-	(117)	(32,392)
Lease liabilities	(119,602)	14,970	(30,205)	(134,837)
Net debt	(120,627)	10,090	(30,322)	(140,859)
Derivatives				
Interest-rate swaps liability	38	-	(38)	-
Total derivatives	38	-	(38)	-
Net debt after derivatives	(120,589)	10,090	(30,360)	(140,859)
	17 April 2023 £000	Cash flows £000	Non-cash movement £000	21 April 2024 £000
Cash in hand	26,370	(16,021)	-	10,349
Bank Loans – due after one year	(32,392)	12,766	(184)	(19,810)
Lease liabilities	(134,837)	17,557	(33,929)	(151,209)
Net debt	(140,859)	14,302	(34,113)	(160,670)

Non-cash movements in bank loans due after one year relate to the amortisation of bank loan issue costs.

12. Reconciliation of statutory results to alternative performance measures

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Operating profit	20,315	14,751
Net impairment charge	2,519	1,607
Loss on disposal of fixed assets	(15)	317
Transaction costs	-	102
Share based payment charge	3,907	4,024
Site pre-opening costs	4,164	3,323
Adjusted operating profit	30,890	24,124
Depreciation (pre IFRS 16 right of use asset charge)	17,311	13,364
IFRS 16 right of use asset depreciation	11,391	9,861
Adjusted EBITDA (IFRS 16)	59,592	47,349
Adjusted EBITDA % (IFRS 16)	16.9%	16.7%
IAS 17 Rent charge	(15,886)	(13,459)
IAS 17 Rent charge included in IAS 17 pre-opening costs	530	331
Adjusted EBITDA (IAS 17)	44,236	34,221
Adjusted EBITDA Margin % (IAS17)	12.5%	12.1%
Profit before tax (IFRS 16)	11,444	7,334
IAS 17 Rent charge	(15,886)	(13,459)
IAS 17 Leasehold depreciation (re landlord contributions)	(1,241)	(945)
IFRS 16 Right of use asset impairment	2,215	1,298
IFRS 16 Right of use asset depreciation	11,391	9,861
IFRS 16 Lease interest charge	6,950	6,145
IFRS 16 Lease interest income	(15)	-
Profit before tax (IAS 17)	14,858	10,234
Profit before tax (IFRS16)	11,444	7,334
Net impairment charge	2,519	1,607
(Profit) / loss on disposal of fixed assets	(15)	317
Transaction costs	-	102
Adjusted profit before tax (IFRS16)	13,948	9,360
Adjusted profit before tax	13,948	9,360
Tax charge	(2,320)	(405)
Tax effect of adjusting items	(323)	(324)
Adjusted profit after tax (IFRS16)	11,305	8,631
Basic weighted average number of shares	105,620,347	103,243,015
Adjusted for share awards	2,180,395	3,375,062
Diluted weighted average number of shares	107,800,742	106,618,077
Basic adjusted earnings per share (p)	10.7	8.4
Diluted adjusted earnings per share (p)	10.5	8.1

13. Reconciliation of statutory results to alternative performance measures (continued)

Net debt (IFRS 16)	160,670	140,859
Property lease liability	(151,209)	(134,837)
Net debt (IAS 17)	9,461	6,022

The Group references Like for Like (LFL) sales growth as a key APM. LFL sales growth excludes the sales from sites that have been open for less than 18 months. During the 53 weeks ended 21 April 2024, the comparator periods are the 52 weeks ended 16 April 2023 for the one-year like for like.