

Record revenue and industry leading LFL growth

12th July 2023

Loungers has reported record revenue of £283.5m, up 85% on pre-Covid FY19. 29 new sites opened during the year, taking the total to 222 at year end. Excluding the continued estate expansion, like-for-like revenue growth was up 7.4% on the last year, and an impressive industry-leading 17.6% over the last three years. Inflationary pressures have impacted margins, especially wage inflation, while the results also reflect the end of government Covid-support measures. The adjusted EBITDA margin (IFRS16) was 16.7%, down from 22.6% in FY22 and 18.7% in FY19. However, management reports that inflationary pressures are easing and they aim to restore margins to pre-Covid levels over the medium-term.

A successful year reported

Record revenues and industry leading LFL sales growth reflect a strong year for Loungers as the site roll-out plan accelerates, with new sites achieving their return hurdles and increasing average unit sales and EBITDA. A record 29 new sites were opened in FY22 (24 Lounges, 4 Cosy Clubs and the first Brightside). With a fifth build team added, Loungers anticipates 34 new site openings in FY24.

Net cash generated in FY23 was £51.1m (£69.6m in FY22), representing 108% of adjusted IFRS16 EBITDA (130% in FY22), with the reduction from last year reflecting a one-off working capital rebuild in FY22 as the estate returned to unrestricted trading after the third lockdown. Cash balances at year-end were £26.4m (FY22: £31.3m) and total net debt increased to £140.9m (FY22: £120.6m) after taking on new leases with a starting capital value of £24.5m. Non property net debt was £6.0m (FY22: £1m), an increase largely down to the £3.7m spent on three freeholds.

Loungers' continued expansion has allowed it to develop a strong understanding of its optimal locations and density of sites. The group sees longer-term scope for at least 600 Lounges and 50-65 Cosy Clubs across the UK, giving significant headroom for growth from the current portfolio of 195 Lounges and 35 Cosy Clubs. The larger prize remains within the Lounges offering, which continues to push further into the North and the South-East. We also expect the first Lounge in Scotland within the next couple of years.

Brightside, the new roadside dining brand, is up and running, with the first two sites open near Exeter and Saltash, and a third expected to open shortly. Brightside is focused on busy A-roads near towns and has met with largely excellent customer reaction. Loungers will be closely monitoring the initial Brightside performance over the summer and will report later in the year on progress and further brand development plans.

LFL sales growth in the first 12 weeks of FY24 has been 5.7%, despite the Easter timing, and new site openings continue to perform very well, achieving record levels of sales.

We look forward to providing further details shortly.

Company Data

EPIC	LGRS
Price (last close)	184.5p
52 weeks Hi/Lo	223p/178p
Market cap	£192m

Share Price, p



Source: ADVFN

Description

Loungers is an operator of café-bars and restaurant-bars across England and Wales under the Lounge and Cosy Club brands.

There are currently 195 Lounges and 35 Cosy Clubs, with 34 new site openings pa targeted over the medium term. A third brand, a roadside dining concept called Brightside, was launched in late 2022, and the first two sites are open in the south-west of England.

Based in Bristol, Loungers was founded in 2002 and listed on AIM in April 2019.

Summary Financials

Year-end April, £m	2020A	2021A	2022A	2023A
Revenue	166.5	78.3	237.3	283.5
EBITDA ¹	28.8	13.9	53.6	47.3
PBT	(14.8)	(14.7)	21.6	7.3
EPS (p) ^{1,2}	(14.0)	(10.9)	17.0	8.1
Net debt ³	139.9	144.8	120.6	140.9

¹ adjusted ² fully diluted ³ including property debt
Source: Company Data

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Company history and portfolio

The Group was founded in Bristol in 2002 by three friends who wanted to create a neighbourhood café-bar that they would want to go to. The first Lounge (see brands below) opened in August 2002, the first Lounge outside Bristol opened in 2007, and the first Cosy Club opened in Taunton in 2010.

Lion Capital acquired a majority stake in 2016, £100m of annual sales was achieved in 2017, and Loungers was admitted onto AIM in April 2019, at which time it had 146 outlets in England and Wales under the Lounge and Cosy Club brands. Lion Capital currently owns 25.7% of Loungers.

Lounge – thelounges.co.uk

The largest of Loungers' brands, these are neighbourhood cafes / bars that combine elements of the coffee shop culture with the British pub and dining. Lounges are mainly located in secondary suburban high streets and small-town centres and are characterised by informal interiors with an emphasis on a warm, comfortable atmosphere, often described as a 'home-from-home'. Each lounge is individually named and tailored to the site and local area, and every Lounge offers all-day dining, with the same menu served from 9am to 10pm every day.

There are now 195 Lounges and there is an increased capacity to launch 34 new sites a year towards an estimated market scope of 600 sites.

Cosy Club – cosyclub.co.uk

Cosy Clubs are more formal bars / restaurants offering reservations and table service, although they 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 now 35 Cosy Clubs, with 4 having opened in FY23, and another one will open in FY24 towards an estimated market scope of 50-65 sites.

Brightside – brightside.co.uk

This is the newest Loungers brand which now has two locations, near Exeter in Devon (opened in February 2022) and Saltash in Cornwall (opened in June 2022), with a third opening this summer near Honiton in Devon. This roadside dining brand is focused on busy A-roads close to towns. Loungers believes there is scope to develop a national brand that will focus on bringing genuine hospitality back to a sector that has been dominated by drive-thru and quick service restaurant concepts in recent years.



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