RNS Number : 9352N
Loungers PLC
28 November 2024

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Loungers plc

Results for the 24 weeks ended 6 October 2024

Continued strong like for like sales performance and margin progression

17 new sites opened in the period; on-track to open 35 new sites this year and to end FY25 with 292 sites

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 unaudited results for the 24 weeks ended 6 October 2024 ("the period").

Financial Highlights

	24 weeks ended 6 October 2024 £'000	**24 weeks ended 1 October 2023 £'000**	**Change**
Revenue	178,327	149,619	+19.2%
Adjusted EBITDA[1]	29,832	23,862	+25.0%
Adjusted EBITDA margin (%)	16.7%	15.9%	+0.8 ppts
Adjusted EBITDA (IAS17)	22,087	17,284	+27.8%
Adjusted EBITDA (IAS17) margin (%)	12.4%	11.6%	+0.8 ppts
Operating profit	10,243	7,774	+31.8%
Operating profit margin (%)	5.7%	5.2%	+0.5 ppts
Profit before tax	5,954	3,936	+51.3%
Diluted earnings per share (p)	4.0	2.6	+53.8%
Cash generated from operating activities	32,402	23,402	+38.5%

	6 October 2024 £'000	**1 October 2023 £'000**
Non-property net debt	12,194	14,259
Net debt	173,655	156,136

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

- Revenue growth of 19.2% versus H1 2024 reflects like for like ("LFL") sales growth of +4.7% and the addition of a net 35 new sites
- Adjusted EBITDA of £29.8m (H1 2024: £23.9m), up 25.0%
- Adjusted EBITDA (IAS17) of £22.1m (H1 2024: £17.3m) up 27.8%
- IAS17 Adjusted EBITDA margin of 12.4% up 0.8% on H1 2024
- PBT of £6.0m (H1 2024 £3.9m) up 51.3%
- Cash generated from operating activities increased to £32.4m (H1 2024: £23.4m)

Operational Highlights

- Consistently strong trading across the estate as a whole
- Continued evolution of our all-day, value for money offer driving breadth of appeal and high frequency of visit for multiple occasions
- Margin improvement driven by increasing scale, ongoing consolidation of supply chain, and a range of efficiency initiatives; on track to return to pre Covid margin levels

- New site roll out accelerated with 17 sites opened in the period (H1 2024 16 sites) - 16 Lounges and one Cosy Club. New sites performing very well and the pipeline remains strong

Current Trading and Outlook

- The business has continued to trade well over the first seven weeks of Q3, with LFL sales growth of +3.9% (+5.1% over the first six weeks to 17 November, which excludes the last week's trading which was impacted by Storm Bert)
- A further seven sites have opened post the 6 October half year end - 6 Lounges and 1 Brightside
- The business will be able to absorb the unexpected increases in Employers NIC's announced in the recent budget whilst continuing to improve our margins, albeit prices will rise more than we had previously anticipated.

Nick Collins, Chief Executive Officer of Loungers said:

"The first half of the year has been another period of excellent progress for Loungers, with revenue up 19.2% and

adjusted EBITDA up 25.0%. We opened 17 new sites and are on track to finish FY25 with 292 sites across all three brands. As ever, the performance is testament to the quality and flexibility of our all-day offering, the hard work and professionalism of our teams, and the ongoing resilience of the UK consumer."

Analyst Presentation Webcast

An analyst presentation will be held today, Thursday 28 November 2024, at 9.00am (GMT). Participants wishing to join the webcast should contact loungers@sodali.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 APMs and reconciliations between statutory measures and APMs are presented on page 17.

For further information please contact:

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Notes to Editors

Loungers operates through its three 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 240 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 36 Cosy Clubs nationwide.

Brightside is a roadside dining concept and was launched in November 2022. It has four sites - three in the south-west, and one on the A1 in Rutland.

Loungers has a total of 280 sites in its portfolio across the three brands.

CHIEF EXECUTIVE REVIEW

Operating review

Consistently strong sales performance

We have had another six months of consistently strong sales, achieving LFL sales growth of +4.7%. We have continued to outperform the sector in like for like sales growth for 9 of the last 10 financial years and, as ever, there is a broad consistency in terms of sales performance across all types of location and ages of site. We remain encouraged by the resilience of the UK consumer and the strength of the UK high street, and are proud of the role we play in reinvigorating and supporting communities across the country. We have worked hard to keep our prices low and believe our value for money positioning, as well as the flexibility of our all-day offering, leaves us well-placed to benefit in both the short and long term.

Investing in our brands to drive further growth

During the first half of the year, we invested in the operating structures in both Lounge and Cosy Club, further reducing our already low operator to site ratio to 1:4.5. This helps to ensure that our Operations areas are small and our Operations Managers and Operations Chefs are close to their teams and businesses, as well as giving them the capacity to open more sites. In addition, we have reduced the number of sites per Region to ensure our Regional Operations Managers can focus their attention and operate their businesses with our customary levels of quality and intensity. As we create new roles and prepare the operating structure for continued growth, it has been extremely pleasing to see the high number of internal promotions into Operations or Regional Operations roles.

- Lounge: community engagement remains at the heart of the Lounge business. We launched the Community Fund earlier this year, which allows our teams to choose how they can support projects that are local to their Lounge with either cash or their time. We are also trialing some changes to our evening offer to look at how we can drive footfall later in the day and have invested in our hot drinks range.
- Cosy Club: towards the end of H1 we launched the new Cosy Club menu which represented one of the most exciting and significant pieces of menu development we have undertaken. The launch saw a major re-working of our Small Plates and Mains sections, elevating the offer and aligning our food more closely with the brand's personality and interior design. We have been delighted with the initial customer reaction.
- Brightside: we have also just launched a new menu for Brightside, with even greater focus on speed and with a more formalised take away option which has been very well received by our customers. Last week we opened our fourth Brightside, on the A1 in Rutland and the initial three sites are maintaining double-digit LFL sales growth. We continue to invest in marketing and are constantly building up our knowledge of the roadside customer.

Pleasing margin progression

Pleasing margin progression

Our Operating Margin has increased +0.5% to 5.7% in H1 compared against last year. This material improvement reflects both the benefit of our increasing scale, as well as our continued progress in gradually consolidating our food and drink supply chain. It also reflects several efficiency initiatives in areas such as cooking oil, waste management, energy consumption and cellar gas, amongst others.

We have broadly maintained our labour costs as a proportion of sales vs last year, which in this increasingly inflationary wage environment is an achievement of which we are proud. We were, like many other businesses, disappointed with the recent Budget and in particular the increase to Employers' National Insurance Contributions via the reduction of the lower threshold. The combined impact of this increase, alongside the increase in the National Minimum / Living Wage, will cost the business an additional £9m to implement next year (ending April 2026). As a growing business we are very fortunate that we can absorb this cost and continue to improve our margins, but it will inevitably lead to us having to put up our prices - albeit, as ever, in a disciplined, managed way.

Overall, we are on track to achieve our medium-term target of returning to a pre-Covid EBITDA margin level of 13.5%. We continue to work hard to strike the right balance between optimising our profit conversion to reflect the size of the business, whilst also ensuring that our focus is on top line growth in both the new and mature estate.

Our team

We continue to concentrate a huge amount of our time and effort on the people side of the business, particularly with regard to developing our team-members for progression to General Manager, Head Chef and Operations roles. Given our growth and scale, we have the unique advantage of being able to offer the right people quick career progression as we create hundreds of leadership positions across the UK. As such, we have invested significantly in our Bitesize & Step-up training programmes which aim to provide the necessary skills to run our sites and kitchens. We also launched our Future Ops Programme, where we identify and train the Operations Managers and Chefs of the future, as we look to grow our 63 strong Operations team.

More broadly, we have seen continued improvement in our staff retention rates. We now employ over 9,000 people and take our responsibilities as an employer very seriously. We are working hard on engaging with our team, improving and protecting their work-life balance, prioritising their mental health, and generally creating a fun environment to work in with excellent career prospects. Hospitality is a hugely exciting and rewarding industry to work in and whether you are a student working eight hours a week over the summer holidays, or a career-driven General Manager, we strive to make Loungers a wonderful home. Our team deliver amazing hospitality 364 days a year and, as ever, I would like to say a huge thank you to them for the crucial role they play in helping us to deliver such strong results.

Property

We continue to open fantastic sites. Since the start of the financial year we have opened 22 Lounges, 1 Cosy Club and 1 Brightside and we have achieved record levels of average weekly sales across these openings. Highlights include: Ritorno Lounge in Bristol, our new waterfront Lounge in our home-town which has smashed all our daily and weekly sales records for Lounge; Zafferano Lounge in Saffron Walden, a beautiful bank conversion; and our very recently opened fourth Brightside in Rutland. It continues to be the case that we are able to find prominent, attractive and well-located sites which are delivering strong levels of sales. The pipeline for calendar year 2025 is very fully formed with another great cohort of locations.

We continue to have real confidence in the potential scale of the Lounge business in particular. This confidence is continually fuelled as we open more sites in different types of locations. We continue to enjoy great success in suburban high streets, market towns, coastal locations, shopping centers and mixed-use retail / leisure schemes.

Senior management & central functions

As the site roll-out continues, we are building a best-in-class senior management team in order to be well-equipped for our next phase of growth. With Stephen Marshall now in place as CFO, we are looking at some systems changes in the business to make life easier for our teams and allow them to focus even more on their customers. We have also strengthened the Property side of the business with new senior hires and continue to try to drive down our capital expenditure to enhance our already strong returns on capital. We have also appointed new Heads of Learning & Development, and People Operations & Rewards, to continue the improvement in our staff retention.

Financial review

Financial Performance

It is pleasing to report such a strong year on year performance, with:

- Total revenue ahead by 19.2%;
- Adjusted EBITDA ahead by 25.0%
- Operating profit ahead by 31.8%
- PBT ahead by 51.3%

Total revenue growth of 19.2% reflects the positive impact of LFL sales growth of 4.7% allied to the continued strength of our new site opening programme, with 17 sites opened in H1 and a net 35 new sites opened in the past 12 months. The sales performance again demonstrates both the flexibility and quality of the Loungers business, as well as the consistency and resilience that we have seen in consumer behaviour.

Adjusted EBITDA margins are ahead by 0.8% to 16.7% on the IFRS16 basis and show the same improvement when looked at on the IAS17 basis with rent costs included - i.e. an increase to 12.4% from 11.6% in H1 2024. The 80bps improvement in IAS17 EBITDA margin reflects:

- Gross margin improvement of 120bps;
- Site cost benefit of 20bps; offset by
- Negative impact of central costs of 60bps

The gross margin improvement has been largely driven by improvements in food and drink gross margin as the business continues to benefit from its growing scale allied to a moderation in inflationary pressures. The maintenance of strong property discipline assists in delivering improvements in fixed property cost leverage, with a rent to revenue ratio of 4.3% in the first half. These benefits have been partially offset by an increase in central costs.

Profit before tax of £6.0m (H1 2024 £3.9m) represents an uplift of 51.3%. The tax charge of £1.7m provides an effective tax rate of 28.1%, reflecting the impact of non-deductible depreciation on capital expenditure not eligible for capital allowances.

Net debt

Non-property net debt (gross of arrangement fees) of £12.2m represents a decrease of £2.1m relative to 1 October 2023, which is pleasing considering the continued pace of the new site opening programme.

Finance costs for the period have increased to £4.5m (H1 2024: £3.9m), reflecting an increase in IFRS16 lease interest charges to £3.5m (H1 2024: £3.1m) and an increase in bank interest payable to £1.0m (H1 2024: £0.9m).

Cash flow

Net cash generated from operating activities was £32.4m (H1 2024: £23.4m), with the improvement of £9.0m coming from adjusted EBITDA growth of £6.0m, working capital improvements of £2.0m and £1.2m in tax recovered, which is partially offset by a £0.2m increase in pre-opening costs.

Capital expenditure outflows in the period remained consistent at £21.0m (H1 2024: £21.0m), reflecting the continued roll out of the new site opening programme and the opening of 17 sites in the first half (H1 2024:16 sites). The capital expenditure incurred in the period (excluding IFRS16 ROUA investment) of £21.9m (H1 2024: £22.0m), included £17.7m related to new sites (H1 2024: £18.1m).

Cash outflows include £1.4m in relation to the cash settlement of share awards, and £1.0m in relation to interest payments on the RCF and term loan facilities.

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

- The business has continued to trade well over the first seven weeks of Q3, with LFL sales growth of +3.9% (+5.1% over the first six weeks to 17 November, which excludes the last week's trading which was impacted by Storm Bert)
- A further seven sites have opened post the half year end

Nick Collins
Chief Executive Officer
28 November 2024

Condensed Consolidated Statement of Comprehensive Income

For the 24 Week Period Ended 6 October 2024

	Note	24 weeks ended 6 October 2024	24 weeks ended 1 October 2023	53 weeks ended 21 April 2024
		£000	**£000**	**£000**
		Unaudited	**Unaudited**	**Audited**
Revenue		178,327	149,619	353,486
Cost of sales		(105,415)	(90,314)	(209,338)
Gross profit		72,912	59,305	144,148
Administrative expenses		(62,669)	(51,531)	(123,833)
Operating profit		10,243	7,774	20,315
Finance income		183	84	154
Finance costs	3	(4,472)	(3,922)	(9,025)
Profit before taxation		5,954	3,936	11,444
Tax charge on profit	4	(1,672)	(1,198)	(2,320)
Profit for the period		4,282	2,738	9,124
Total comprehensive income for the period		4,282	2,738	9,124
Earnings per share (pence)				
Basic	5	4.0	2.6	8.6
Diluted	5	4.0	2.6	8.5

Condensed Consolidated Statement of Financial Position

As at 6 October 2024

	Note	6 October 2024	1 October 2023	21 April 2024
		£000	**£000**	**£'000**
		Unaudited	**Unaudited**	**Audited**
Assets				
Non-current				
Intangible assets		114,722	114,722	114,722
Property, plant and equipment	7	296,067	250,467	271,359
Total non-current assets		410,789	365,189	386,081
Current				
Inventories		3,024	2,450	2,910
Trade and other receivables		9,628	7,024	10,487
Cash and cash equivalents		7,806	5,741	10,349
Total current assets		20,458	15,215	23,746
Total assets		431,247	380,404	409,827
Liabilities				
Current liabilities				
Trade and other payables		(84,786)	(70,411)	(79,788)
Lease liabilities		(12,690)	(11,025)	(11,876)
Total current liabilities		(97,476)	(81,436)	(91,664)
Non-current liabilities				

Non-current liabilities				
Borrowings	8	(19,851)	(19,709)	(19,810)
Lease liabilities		(148,771)	(130,852)	(139,333)
Deferred tax liabilities		(4,102)	(252)	(2,634)
Total liabilities		(270,200)	(232,249)	(253,441)
Net assets		161,047	148,155	156,386
Called up share capital	9	1,041	1,139	1,039
Share premium		8,066	8,066	8,066
Treasury shares		(376)	(376)	(376)
Accumulated profits		152,316	139,326	147,657
Total equity		161,047	148,155	156,386

Condensed Consolidated Statement of Changes in Equity

For the 24 Week Period Ended 6 October 2024

	Share Capital £000	Share Premium £000	Treasury Shares £000	Other Reserve £000	Accumulated Profits £000	Total Equity £000
At 16 April 2023	1,133	8,066	-	14,278	121,175	144,652
Ordinary shares issued	6	-	-	-	(6)	-
Share based payment charge	-	-	-	-	1,141	1,141
Group reorganisation	-	-	-	(14,278)	14,278	-
Purchase of own shares	-	-	(376)	-	-	(376)
Total transactions with owners	6	-	(376)	(14,278)	15,413	765
Profit for the period	-	-	-	-	2,738	2,738
Total comprehensive income	-	-	-	-	2,738	2,738
At 1 October 2023	1,139	8,066	(376)	-	139,326	148,155
Share based payment charge	-	-	-	-	1,945	1,945
Redemption of preference shares	(100)	-	-	-	-	(100)
Total transactions with owners	(100)	-	-	-	1,945	1,845
Profit for the period	-	-	-	-	6,386	6,386
Total comprehensive income	-	-	-	-	6,386	6,386
At 21 April 2024	**1,039**	**8,066**	**(376)**	**-**	**147,657**	**156,386**
Ordinary shares issued	2	-	-	-	(2)	-
Share based payment charge	-	-	-	-	379	379
Total transactions with owners	2	-	-	-	377	379
Profit for the period	-	-	-	-	4,282	4,282
Total comprehensive income	-	-	-	-	4,282	4,282
At 6 October 2024	**1,041**	**8,066**	**(376)**	**-**	**152,316**	**161,047**

Condensed Consolidated Statement of Cash Flows

For the 24 Week Period Ended 6 October 2024

	Note	**24 weeks ended 6 October 2024 Unaudited £000**	**24 weeks ended 1 October 2023 Unaudited £000**	**53 weeks ended 21 April 2024 Audited £000**
Net cash generated from operating activities	10	**32,402**	**23,402**	**64,648**
Cash flows from investing activities				
Purchase of property, plant and equipment		(21,048)	(21,022)	(47,716)
Disposal of property, plant and equipment		8	-	-
Interest received		183	84	154
Net cash used in investing activities		**(20,857)**	**(20,938)**	**(47,562)**
Cash flows from financing activities				
Shares issued on exercise of employee share awards		(235)	(183)	(193)
Cash settlement of share awards		(1,422)	(333)	(333)
Purchase of own shares			(376)	(376)

Purchase of own shares	-	(376)	(376)
Loan arrangement fees	-	(266)	(266)
Bank loans repaid	-	(12,500)	(12,500)
Interest paid	(981)	(852)	(1,882)
Principal element of lease payments	(7,934)	(5,533)	(10,607)
Interest paid on lease liabilities	(3,516)	(3,050)	(6,950)
Net cash used in financing activities	**(14,088)**	**(23,093)**	**(33,107)**
Net decrease in cash and cash equivalents	**(2,543)**	**(20,629)**	**(16,021)**
Cash and cash equivalents at beginning of the period	10,349	26,370	26,370
Cash and cash equivalents at end of the period	**7,806**	**5,741**	**10,349**

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 6 October 2024 ("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 28 November 2024.

The Interim Financial Statements have not been audited or reviewed by the auditors. The financial information shown for the 24 weeks ended 6 October 2024 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The information shown for the 53 weeks ended 21 April 2024 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 period.

The Interim Financial Statements should be read in conjunction with the Group's Annual Report and Financial Statements for the 53 weeks ended 21 April 2024, 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 53 weeks ended 21 April 2024 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Group's Annual Report and Financial Statements for the 53 weeks ended 21 April 2024 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 53 weeks ended 21 April 2024.

The accounting policies adopted in the preparation of the half year financial statements are consistent with those followed in the preparation of the Group's financial statements the 53 weeks ended 21 April 2024. The Group has not early adopted any 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 current sector headwinds in terms of consumer confidence and inflationary pressures and also longer terms risks such as climate change. The impact of the most recent Budget has also been considered - including the effect of cost changes resulting from the increases to National Living Wage and employer's NI contributions from April 2025.

As at the 6 October 2024 the Group had cash balances of £7.8m and unutilised facilities of £22.5m providing total liquidity of £30.3m.

In order to assess the Group's going concern position the Board has considered a base case and a downside case scenario of the Group's business plan. The going concern period covers the period to December 2025.

- The base case assumes selling price increases in line with inflation 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

- 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 46% decline in adjusted EBITDA over the period to December 2025. Despite the significant sales decline, the Group continues to have sufficient liquidity to fund the new site roll out plan over the review period.

In the downside scenario the Group continues to have significant liquidity and banking covenant headroom and accordingly the Directors have concluded that it is appropriate to prepare the Interim Financial Statements on the going concern basis.

Principal risks and uncertainties

In the course of normal business, the Group continually assess and takes action to mitigate various risks encountered that could impact the achievement of its objectives. The risks applicable to the business and mitigating actions which may affect the Group's performance in the next six months are consistent with those detailed on page 24 of the FY24 Annual Report and Financial Statements, which are available on the Loungers website, www.loungers.co.uk.

ESG and TCFD requirements

The Group reported under the TCFD framework in its full year report and accounts to 21 April 2024. The Group continues to evolve its ESG strategy.

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 53 weeks ended 21 April 2024.

The Group tests for impairment on an annual basis or earlier if there are indicators that an asset might be impaired. At the 6 October 2024 the Group was not aware of any specific events that would require a site to be impaired. The Group has reviewed its FY24 impairment calculations, flexing assumptions for potential increases in discount rates and is satisfied that there is no requirement to recognise additional impairment.

3. Finance costs

	24 weeks ended 6 October 2024 £000 Unaudited	**24 weeks ended 1 October 2023 £000 Unaudited**	**53 weeks ended 21 April 2024 £000 Audited**
Bank interest payable	956	872	2,075
Finance cost on lease liabilities	3,516	3,050	6,950
	4,472	3,922	9,025

4. Tax on profit

	24 weeks ended 6 October 2024 £000 Unaudited	**24 weeks ended 1 October 2023 £000 Unaudited**	**53 weeks ended 21 April 2024 £000 Audited**
Taxation charged to the income statement			
Current income taxation	204	-	-
Adjustments for current tax of prior periods	-	-	(1,259)
Total current income taxation	204	-	(1,259)
Deferred Taxation			

Origination and reversal of temporary differences	-	-	3,941
Current period	1,468	1,198	-
Adjustments to tax charge in respect of prior periods	-	-	(687)
Adjustment in respect of changes in tax rates	-	-	325
Total deferred tax	1,468	1,198	3,579
Total taxation charge in the consolidated income statement	1,672	1,198	2,320

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 6 October 2024. The effective tax rate of 28.1% is above the standard rate of income tax due to the impact of non-deductible depreciation on fixed asset additions that are not eligible for capital allowances.

5. 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. The calculation includes vested share awards awarded as nil cost options that have not yet been exercised, but excludes 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 6 October 2024 the Group had potentially dilutive shares in the form of unvested shares pursuant to the above long-term incentive plans.

Own shares held in Treasury are treated as cancelled for the purpose of this calculation.

	24 weeks ended 6 October 2024 Unaudited £000	24 weeks ended 1 October 2023 Unaudited £000	53 weeks ended 21 April 2024 Audited £000
Profit for the period after tax	4,282	2,738	9,124
Basic weighted average number of shares	106,311,384	103,657,995	105,620,347
Adjusted for share awards	1,592,591	3,338,091	2,180,395
Diluted weighted average number of shares	107,903,975	106,996,006	107,800,742
Basic earnings per share (p)	4.0	2.6	8.6
Diluted earnings per share (p)	4.0	2.6	8.5

6. 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 £2,258,000 in respect of the Group's three share-based payment plans.

7. Fixed assets

	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 16 April 2023	2,451	84,114	201	91,704	173,900	352,370
Additions	2,865	7,717	-	11,429	12,571	34,582
At 1 October 2023	**5,316**	**91,831**	**201**	**103,133**	**186,471**	**386,952**
Additions	-	12,288	-	12,873	14,475	39,636
Disposals	-	-	-	-	(243)	(243)
At 21 April 2024	**5,316**	**104,119**	**201**	**116,006**	**200,703**	**426,345**

Additions	900	9,334	9	11,617	18,186	40,046
Disposals	-	(351)	(17)	(506)	-	(874)
At 6 October 2024	**6,216**	**113,102**	**193**	**127,117**	**218,889**	**465,517**
Depreciation						
At 16 April 2023	14	22,527	111	39,114	62,190	123,956
Provided for the period	40	2,608	16	4,856	5,009	12,529
At 1 October 2023	**54**	**25,135**	**127**	**43,970**	**67,199**	**136,485**
Provided for the period	-	3,477	19	6,295	6,382	16,173
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**
Provided for the period	132	3,086	15	5,839	6,260	15,332
Disposals	-	(351)	(11)	(506)	-	(868)
At 6 October 2024	**186**	**31,318**	**150**	**55,931**	**81,865**	**169,450**
Net book value						
At 6 October 2024	**6,030**	**81,784**	**43**	**71,186**	**137,024**	**296,067**
At 21 April 2024	5,262	75,536	55	65,408	125,098	271,359
At 1 October 2023	**5,260**	**66,698**	**74**	**59,163**	**119,272**	**250,467**
At 16 April 2023	2,437	61,587	90	52,590	111,710	228,414

8. Borrowings

	6 October 2024 £000 Unaudited	1 October 2023 £000 Unaudited	21 April 2024 £000 Audited
Non-current			
Bank loan	20,000	20,000	20,000
Loan arrangement fees	(149)	(291)	(190)
	19,851	19,709	19,810

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

In June 2023, the Group completed a refinancing of its debt arrangements leaving it with a term loan of £20,000,0000 and a revolving credit facility of £22,500,000. The term loan is non-amortising and bears interest at between 1.75% and 2.5% over SONIA subject to the Group's leverage. At inception of the facility and at 6 October 2024 the Group was paying a margin of 1.75%. The term loan and RCF are subject to financial covenants relating to leverage and interest cover, which are unchanged from the original facility.

The Group has been compliant with all its covenant obligations during the 24 weeks to 6 October 2024.

At 6 October 2024 the term loan was fully drawn and £nil was drawn down under the revolving credit facility.

9. Share capital

	6 October 2024 £000 Unaudited	1 October 2023 £000 Unaudited	21 April 2024 £000 Audited
Allotted, called up and fully paid ordinary shares	1,041	1,039	1,039
Redeemable preference shares	-	100	-
	1,041	1,139	1,039
Ordinary shares at £0.01 each	104,098,443	103,900,642	103,945,057
Redeemable preference shares	-	2	-

The table below summarises the movements in share capital for Loungers plc during the period ended 6 October 2024:

	Ordinary Shares £0.01 NV	Redeemable Preference Shares £49.999 NV	£'000

At 21 April 2024	103,945,057	-	1,039
Shares issued	153,386	-	2
At 6 October 2024	**104,098,443**	**-**	**1,041**

In May 2024, a total of 464,000 ordinary shares of 1 pence each to 929 employees were settled pursuant to the Group's share plans. Of the total, 382,500 awards were settled in cash. There has been no block listing increase to 6 October 2024, and in the same period, 71,886 shares have been issued under the block listing scheme.

10. Note to the cash flow statement

	24 weeks ended 6 October 2024 £000	24 weeks ended 1 October 2023 £000	53 weeks ended 21 April 2024 £000
Cash flows from operating activities			
Profit before tax	**5,954**	**3,936**	**11,444**
Adjustments for:			
Depreciation of property, plant and equipment	9,072	7,520	17,311
Depreciation of right of use assets	6,260	5,009	11,391
Impairment charge of property, plant and equipment	-	-	304
Impairment of right of use assets	-	-	2,215
Share based payment transactions	2,258	1,665	3,907
Gain on disposal of fixed assets	(3)	-	(15)
Finance income	(183)	(84)	(154)
Finance costs	4,472	3,922	9,025
Changes in inventories	(114)	25	(434)
Changes in trade and other receivables	(317)	1,552	(836)
Changes in trade and other payables	3,827	(143)	10,319
Cash generated from operations	**31,226**	**23,402**	**64,477**
Tax refunded	1,176	-	171
Net cash generated from operating activities	**32,402**	**23,402**	**64,648**

11. Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge, that this condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer or the undertakings included in the consolidation as a whole and has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the United Kingdom. The interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year;
- disclosure of material related party transactions in the first six months and any material changes to related party transactions.

By order of the Board

Nick Collins CEO

Stephen Marshall CFO

28 November 2024

Reconciliation of Statutory Results to Alternative Performance Measures

The Interim Results include both statutory and alternative performance measures ("APMs"). APMs 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;

- 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.

	24 weeks ended 6 October 2024 £000 Unaudited	24 weeks ended 1 October 2023 £000 Unaudited	53 weeks ended 21 April 2024 £000 Audited
Operating profit	**10,243**	**7,774**	**20,315**
Net impairment charge	-	-	2,519
Gain on disposal of fixed assets	(3)	-	(15)
Share based payment charge	2,258	1,665	3,907
Site pre-opening costs	2,002	1,894	4,164
Adjusted operating profit	**14,500**	**11,333**	**30,890**
Depreciation (pre IFRS 16 right of use asset charge)	9,072	7,520	17,311
IFRS 16 Right of use asset depreciation	6,260	5,009	11,391
Adjusted EBITDA (IFRS 16)	**29,832**	**23,862**	**59,592**
Adjusted EBITDA % (IFRS 16)	**16.7%**	**15.9%**	**12.5%**
IAS 17 Rent charge	(7,979)	(6,816)	(15,886)
IAS 17 Rent charge included in IAS 17 pre-opening costs	234	238	530
Adjusted EBITDA (IAS 17)	**22,087**	**17,284**	**44,236**
Adjusted EBITDA % (IAS 17)	**12.4%**	**11.6%**	**12.5%**

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.