



# Luminar Group Holdings plc

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## Financial and Operating information

For the 26 weeks ended 27 August 2009





# Luminar Group Holdings plc

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## Introduction

**Alan Jackson**

**Chairman**



# Introduction

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- ☾ Challenging time in our market
- ☾ Luminar faces significant market pressures at present particularly:
  - ☾ Severe unemployment in our core customer group
  - ☾ Discounted drinks prices from competitors

We are clearly focused on delivering the best possible results in the most difficult circumstances



# Luminar Group Holdings plc

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## Financial Review

**Robert McDonald**

**Finance Director**



# Financial Highlights

- ☾ Trading in first half impacted by difficult market conditions
  - ☾ Sales £88.7m, 5.9% below last year
  - ☾ Gross margin £73.5m, £5.3m below last year
  - ☾ PBT £4.9m, £3.5m below last year (continuing business before exceptional items)
- ☾ Statutory loss after tax of £9.6m
  - ☾ Includes impairment of £9.9m in valuation of 3DE
- ☾ Financial position strong and improved
  - ☾ Successful equity raise of £35.7m net
  - ☾ Capital investment restricted to £2.6m in first half
  - ☾ Cash generative operation
  - ☾ Net borrowings at year end of £104.4m comfortably within banking facilities and covenants
  - ☾ Industry leading asset base with freehold assets

# Profit Summary

- ☺ Continuing operations is the same trading estate as year end
- ☺ Sales are the key driver of profit results
- ☺ Depreciation and interest benefit from lower capital investment and debt
- ☺ Tax rate 31%
- ☺ Statutory results reflect non-cash impairment of assets

|   | H1 2010<br>£m | H1 2009<br>£m | Change<br>£m |
|---|---------------|---------------|--------------|
| Continuing operations, pre exceptional items  |               |               |              |
| Sales   | 88.7          | 94.3          | (5.6)        |
| EBITDA  | 19.8          | 24.8          | (5.0)        |
| Depreciation                                  | (11.9)        | (12.4)        | 0.5          |
| Interest                                      | (3.0)         | (4.0)         | 1.0          |
| PBT   | 4.9           | 8.4           | (3.5)        |
| Tax   | (1.5)         | (2.5)         | 1.0          |
| Profit after tax                              | 3.4           | 5.9           | (2.5)        |
| Discontinued operations and exceptional items | (13.0)        | (28.3)        | 15.3         |
| Statutory result                              | (9.6)         | (22.4)        | 12.8         |

Exceptional costs are tabled in Appendix A

# Sales Analysis

- ☺ Number of trading units reduced as Maidstone operationally combined
- ☺ Average sales in H1 of over £1m per unit:
  - ☺ £45k per week (inc VAT)
- ☺ Fewer customers but sales per head increased to £12.50
- ☺ Lower drink prices year on year contributing to lower sales value and gross margin

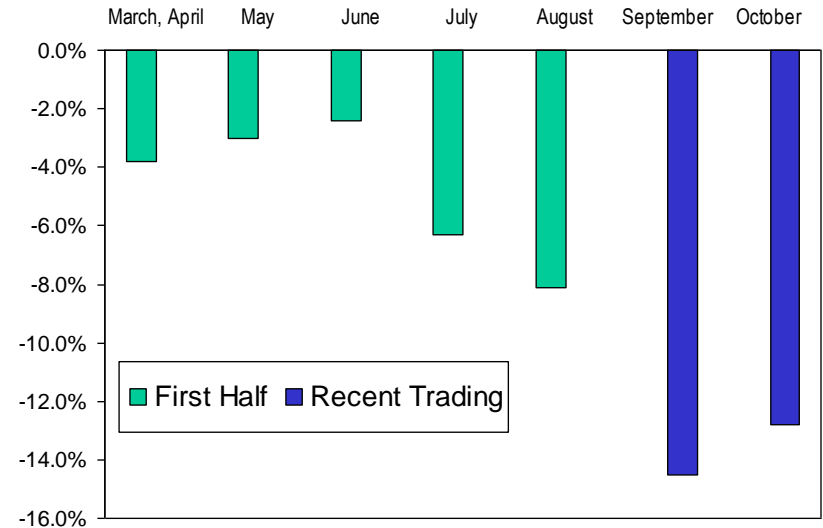
| Continuing Operations     | H1 2010     | H1 2009     | Change        |
|---------------------------|-------------|-------------|---------------|
| <i>Units</i>              | 88          | 91          | (3.3%)        |
| <i>Admissions (heads)</i> | 7.1m        | 7.6m        | (6.6%)        |
|                           | <b>£m</b>   | <b>£m</b>   |               |
| Admissions                | 24.6        | 25.8        | (4.7%)        |
| Drinks                    | 58.8        | 63.7        | (7.7%)        |
| Other                     | 5.3         | 4.8         | 10.4%         |
| <b>Total Sales</b>        | <b>88.7</b> | <b>94.3</b> | <b>(5.9%)</b> |
| Admission sales per head  | £3.46       | £3.39       | 2.1%          |
| Drink sales per head      | £8.29       | £8.38       | (1.1%)        |
| Total sales per head      | £12.50      | £12.41      | 0.7%          |
| Drink gross margin        | 75.5%       | 76.8%       | (1.3)         |
| Total gross margin        | 82.9%       | 83.6%       | (0.7)         |

Note: Other sales includes £0.7m of machine income from prior periods

# Same Outlet Sales Trend

- ☺ Same outlet sales:
  - ☺ Defined as including all units except additions or indefinite closures this year or last
  - ☺ Currently 87 trading units, adjusted for August Bank Holiday
  - ☺ Two offsetting complexities from last year comparative
    - ☺ Significant development programme in H1 last year
    - ☺ Significant drink price deflation during 2008
- ☺ Previous trends had been relatively stable
  - ☺ Same outlet sales decline in FY09 **3.6%**
  - ☺ Same outlet sales decline in wks 1-18 FY10 **3.3%**
- ☺ Significant deterioration in late summer
  - ☺ Driven mainly by falling admissions
- ☺ Same outlet sales decline in H1 **4.5%**
- ☺ Same outlet sales decline in first 7 wks of second half **14.0%**
  - ☺ Reflects admissions 16.6% below last year

## Same Outlet sales decline



Note October sales are two weeks to 15 October only

# Operational Profits

- ☺ Gross profit reduced by lower drinks income
- ☺ Reported costs £0.3m below last year
  - ☺ Tight control of remuneration
  - ☺ Focused targeting of marketing spend
    - ☺ Some switch to national activity in central costs
- ☺ Significant cost savings masked by
  - ☺ Increased energy costs
  - ☺ Asset financing
  - ☺ One off benefits and extra capitalised costs of c£2m in H1 2009
- ☺ EBITDA implies profit conversion of 22%

| Continuing Operations     | H1 2010<br>£m | H1 2009<br>£m | Change<br>£m |
|---------------------------|---------------|---------------|--------------|
| Gross Profit:             |               |               |              |
| Admissions                | 24.6          | 25.8          | (1.2)        |
| Drinks                    | 44.3          | 48.9          | (4.6)        |
| Other                     | 4.6           | 4.1           | 0.5          |
| <b>total gross profit</b> | <b>73.5</b>   | <b>78.8</b>   | <b>(5.3)</b> |
| Unit costs:               |               |               |              |
| Remuneration              | (24.5)        | (26.5)        | 2.0          |
| Entertainment, marketing  | (2.2)         | (3.9)         | 1.7          |
| Energy/utilities          | (2.8)         | (1.9)         | (0.9)        |
| Rent, Rates               | (11.8)        | (11.5)        | (0.3)        |
| Asset finance             | (1.5)         | -             | (1.5)        |
| Other                     | (5.5)         | (5.3)         | (0.2)        |
| <b>total unit costs</b>   | <b>(48.3)</b> | <b>(49.1)</b> | <b>0.8</b>   |
| <b>Central costs</b>      | <b>(5.4)</b>  | <b>(4.9)</b>  | <b>(0.5)</b> |
| <b>EBITDA</b>             | <b>19.8</b>   | <b>24.8</b>   | <b>(5.0)</b> |

# Cash Generative

- ☺ Strong cash generation
- ☺ Capital investment can be sustained at lower levels
  - ☺ c£12m pa is adequate for long term replacement and refurbishment programme
- ☺ Guidance points
  - ☺ Cash tax expected to be payable from FY2010 – c36%
  - ☺ Working capital outflow primarily due to timing differences
  - ☺ Cash outflow in discontinued operations is primarily to Cavendish Bars, to be completed in early 2010

|  | H1 2010<br>£m | H1 2009<br>£m |
|--|---------------|---------------|
| <b>Continuing Operations</b>                   |               |               |
| EBITDA   | 19.8          | 24.8          |
| Finance costs (net)                            | (3.7)         | (4.5)         |
| Tax received                                   | 2.2           | -             |
| Exceptional costs                              | (0.7)         | (0.7)         |
| Working capital:                               |               |               |
| trade creditors                                | (4.2)         | 3.4           |
| other  | (6.8)         | (6.1)         |
| <b>Cash generation</b>                         | <b>6.6</b>    | <b>16.9</b>   |
| Capital investments                            | (2.6)         | (29.3)        |
| Sale of assets                                 | 0.4           | -             |
| <b>Cash inflow</b>                             | <b>4.4</b>    | <b>(12.4)</b> |
| Discontinued operations                        | (2.6)         | (0.3)         |
| <b>Cash inflow before financing activities</b> | <b>1.8</b>    | <b>(12.7)</b> |

# Strong Balance Sheet

- Property values do not reflect full value of 24 freehold and 12 long leasehold properties
- Investment in 3D Entertainment impaired by £9.9m
- Current liabilities include a tax creditor of £45.0m, relating to years from 2004
- Cash balance significantly enhanced by equity raise of £35.7m net in August 2009

|  | 27 Aug<br>2009<br>£m | 28 Aug<br>2008<br>£m |
|--|----------------------|----------------------|
| Property, plant, equipment, other                      | 299.7                | 329.8                |
| Goodwill and other intangibles                         | 174.4                | 174.7                |
| 3D Entertainment investment                            | 17.3                 | 25.5                 |
| Net current liabilities <small>(exc cash, 3DE)</small> | (46.9)               | (52.4)               |
| Borrowings   | (149.8)              | (164.6)              |
| Cash   | 45.4                 | 5.9                  |
| Net borrowings   | (104.4)              | (158.7)              |
| Other non current liabilities                          | (45.4)               | (40.4)               |
| <b>Net assets</b>                                      | <b>294.7</b>         | <b>278.5</b>         |

# 3D Entertainment

- ☺ Formed in 2007 from sale of 96 leasehold sites from Luminar
  - ☺ Original Luminar parent company now sold – these leases cannot revert to Luminar
- ☺ 3DE now has 57 sites, including 39 trading as Chicago Rock Café
- ☺ 3DE makes a positive EBITDA, but has cash flow constraints
- ☺ 3DE trades independently from Luminar and is held as an investment for sale
  - ☺ Luminar owns 49% of the equity, valued previously at £3.6m
  - ☺ Luminar provides a vendor loan note, of £19.3m plus accrued interest at 8% payable upon sale or in 2014. £4.3m interest is accrued to date. Interest receivable contributes to Luminar PBT and is included in the key debt covenant test with EBITDA
  - ☺ Luminar has guaranteed a bank loan of £2m, held as a contingent liability
  - ☺ Luminar provides management services including accounting and IT
- ☺ In view of current market trends and consequent profitability, Luminar has impaired the value of its investment in 3DE by £9.9m to £17.3m
  - ☺ Equity value written down in full, provision of £6.3m carried against receivable
- ☺ We are actively seeking ways to maximise value from this investment

# Luminar Bank Facility

- ☺ 5 year syndicated loan facility with three UK banks, expires August 2012
  - ☺ Principal value £175m, plus £5m overdraft facility
  - ☺ Libor plus margin of up to 75bps
  - ☺ Subject to two key financial covenants (see Appendix B for calculation)
    - ☺ Net debt to EBITDA to be below 3.0x. Currently 2.2x, headroom £39.8m debt
    - ☺ Fixed charge cover to be above 1.5x. Currently 2.2x, headroom £22.2m EBITDA
  - ☺ Loan is currently £150m drawn
    - ☺ There is no requirement to pay down from proceeds of equity raise
- ☺ 3 separate hedges fix Libor on £140m of debt at effective rate of 5.2% for duration of loan facility
- ☺ Additional swap for 12 months from May 2009 locks in 36bps differential on 3m and 1m Libor

# Finance Summary

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- ☞ Results reflect challenging market conditions
- ☞ Gross margins and unit profitability continue to be high
- ☞ Strong balance sheet with real freehold assets
- ☞ Financial position has been strengthened

# Luminar Group Holdings plc

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## Business Review

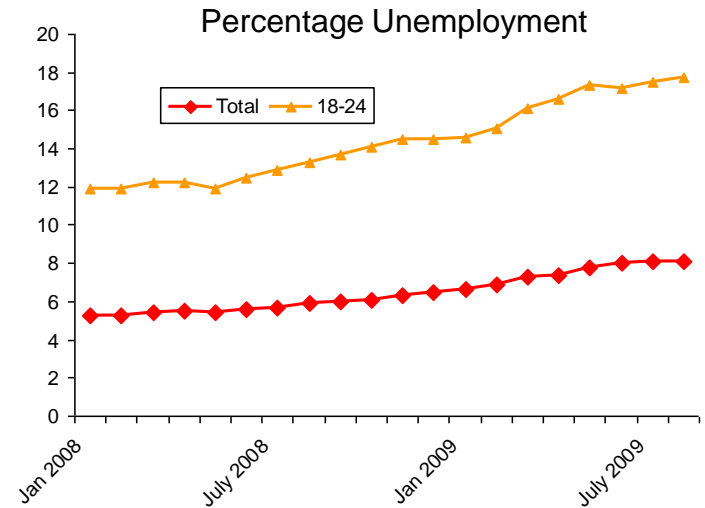
**Stephen Thomas**

**Chief Executive**



# Our Market

- ☺ Most of our customers are young people
  - ☺ 18% of 18-24 age group are unemployed (up 33% in year)
  - ☺ Increasing student population
  - ☺ Uncertain prospects reduce propensity to spend and frequency of visits
- ☺ Over-supply of late night venues
  - ☺ Market contracting more slowly than expected. Closures are local pubs not branded outlets
  - ☺ Competitors are often operating on a marginal cash basis. Just making it through the night
  - ☺ Alcohol is very competitively priced
- ☺ Regulation is high, but unevenly enforced

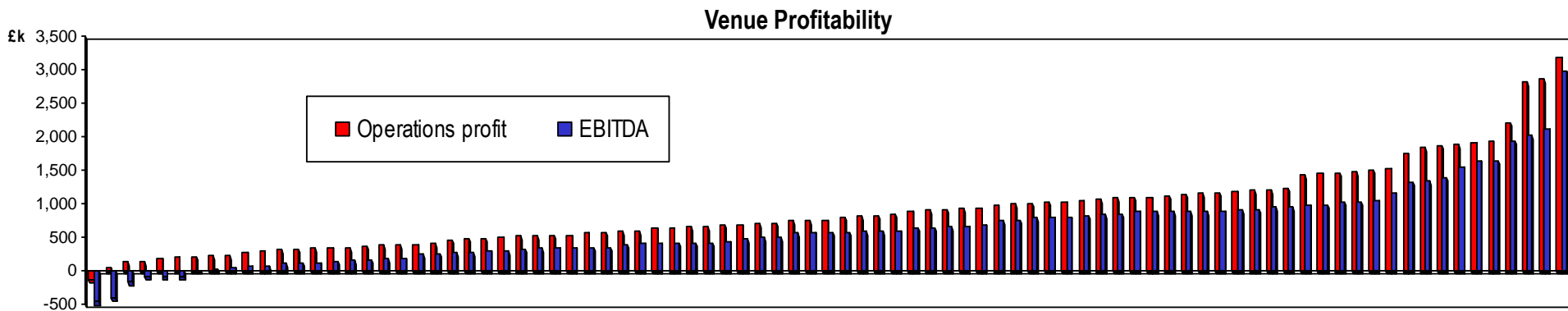


Source: ONS Labour Force Survey Oct '09

**We are the largest, best, most compliant operator in a very competitive market**

# Our Estate is in Good Shape

- ☺ 88 well invested, well regulated large venues
  - ☺ 36 owned freehold or long lease
  - ☺ 13 Oceana, 36 Liquid
  - ☺ Excellent spread of profitability
  - ☺ Average EBITDA per venue over £0.6m pa
  - ☺ Only 1 does not cover fixed costs of operation, 6 make negative venue EBITDA
- ☺ No risk of reversion from previous disposals
  - ☺ Including 3DE, Cavendish Bars



# Our Strategy Plays to our Strengths

- ☞ Best facilities, best infrastructure and operational skills in our market
- ☞ Our strategy is to deliver strong entertainment content and reasons to visit :
  - ☞ Active vibrant sessions with focus on escapism and fun
  - ☞ Locally targeted to specific town DNA and community
  - ☞ Differentiated speciality sessions in midweek
  - ☞ Mainstream dancing sessions on Fridays and Saturdays
  - ☞ Supported by national expertise and purchasing power
- ☞ Retailing at reasonable price
  - ☞ Price is not our main sales driver, but it is important

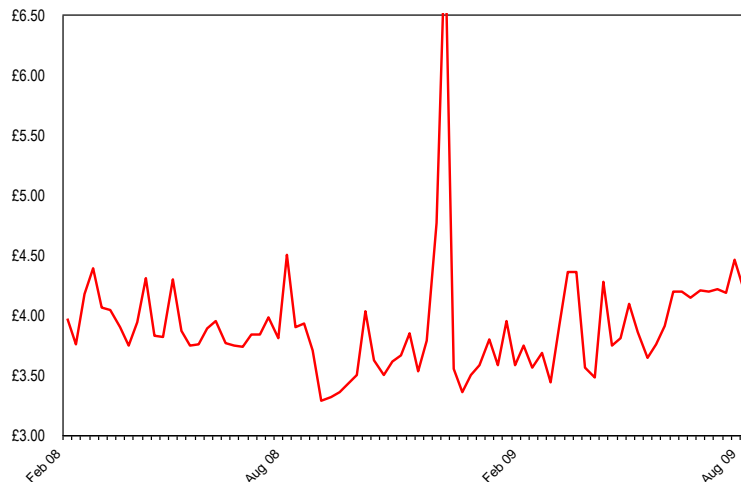
# Retail Pricing Strategy

- Flexible, variable local pricing mechanic, dependent on town, venue, session, event
- Admission price averages £3.97 (inc VAT)
  - Little change in 18 months
  - Includes 21% concessions
- Drink price averages £2.10 (inc VAT) per EPOS measure
  - Significant reduction through summer 2008, now stabilised
  - Extensive range of promotional prices and activity
- Gala pricing at Christmas and key holidays
- Sales and profits are extremely sensitive to price

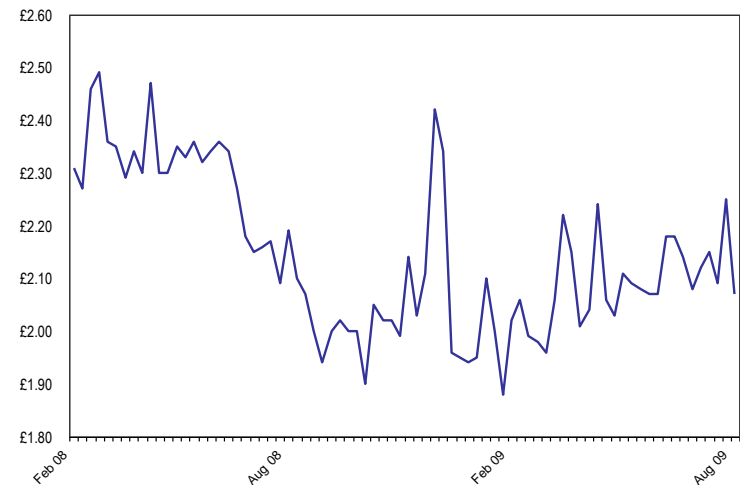
## Sensitivity example:

- A reduction of £1 in average admission price in H1, with no change to admission numbers, would have reduced PBT by £6m
- To recover this profit would require a 9% increase in admissions, assuming constant drink sales per head and margins

Average Admission Price by Week over 18 months



Average Drink Price by Week over 18 months



# Key Operational Initiatives

## ☺ Driving sales

- ☺ Increasing segmented midweek sessions (vibe, indie/student, DnB, Bhangra)
  - ☺ We currently run 2.4 midweek sessions per venue
    - ☺ Target increase to 3.0 in FY2011, with 40% of session products nationally driven (with local flavour)
- ☺ Increasing early door events at weekends (UKCC, live acts, comedy, talent shows)
  - ☺ Target at least 25 Early Door Drivers per venue per year in FY2011
- ☺ Extending membership network
  - ☺ Currently 108,000 members from 4 units – Target 50% of venues by August 2010
- ☺ Developing e-commerce model
  - ☺ Currently c£2m ticket sales online
  - ☺ New system live in November to drive merchandise and music/photo memories
- ☺ Small tactical investment drivers – fashionable and relevant
- ☺ Price driven promotional activity where appropriate

## ☺ Reducing cost

- ☺ Tightening cost base and operating efficiencies
- ☺ Closing unprofitable sites and sessions where appropriate

# Opportunity for Capacity Expansion

- ☾ Equity fundraising announced July 2009 raised £35.7m
  - ☾ Primary purpose to add capacity at low cost
    - ☾ Luminar currently operates in 77 towns and cities, great opportunities in 60 more
  - ☾ Simultaneously has strengthened the balance sheet
- ☾ Plans being developed to ensure certainty of return
  - ☾ Opportunity to open Manchester Oceana next Spring
  - ☾ Other sites being evaluated
  - ☾ Cost models being reviewed
- ☾ Implementation being deferred to review current sales trends

# Current Trading and Outlook

- ☾ Current trading remains weak
  - ☾ Same outlet sales in 7 weeks to 15 October 14.0% below last year
  - ☾ Market conditions remain difficult
- ☾ We have very clear operational focus
  - ☾ Local measures to drive footfall including promotions, incentives, marketing
  - ☾ Activity plan to ensure strong reasons to visit
  - ☾ Focus on customer impact
  - ☾ Very strong cost control but without destroying the model
- ☾ We are prepared for important Christmas trading sessions
  - ☾ ... although trading days do not fall well
- ☾ Short term outlook remains unclear
  - ☾ But business in good shape to benefit when markets improve

# Summary

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- ☾ Challenging times
- ☾ Best result possible in the context of our market
- ☾ Short term outlook uncertain BUT
  - ☾ We continue to lead and dominate our market
  - ☾ We have the best assets and products available
  - ☾ We have a strong balance sheet, good debt facility and available cash
  - ☾ We have tactical plans to deal with current issues
- ☾ We are confident of our ability to continue to lead our market and to deliver good returns over time

## Appendices



# Appendix A: Exceptional Items

| <b>Continuing Operations</b>   | <b>2009</b>  | <b>2008</b>  | <b>Discontinued Operations</b>  | <b>2009</b>  | <b>2008</b>   |
|--------------------------------|--------------|--------------|---------------------------------|--------------|---------------|
|                                | <b>£m</b>    | <b>£m</b>    |                                 | <b>£m</b>    | <b>£m</b>     |
| Impairment of PP&E, goodwill   | (1.6)        | (4.0)        | Impairment of PP&E              | (0.1)        | (0.1)         |
| Reorganisation costs           | (0.8)        | (0.1)        | Impairment of investment in 3DE | (9.9)        | (24.1)        |
| Eminence provision             | (0.8)        | -            | Reorganisation costs            | -            | (0.6)         |
| Onerous lease provisions (net) | (0.2)        | (0.9)        | Onerous lease provisions (net)  | (0.3)        | (0.3)         |
| Impairment of lease premium    | (1.8)        | -            | Profit on disposals             | -            | 0.7           |
| Tax on exceptional items       | 0.7          | 0.8          | Loss on disposal of companies   | (0.3)        | -             |
|                                |              |              | Tax on exceptional items        | 1.8          | 0.4           |
| <b>Total</b>                   | <b>(4.5)</b> | <b>(4.2)</b> | <b>Total</b>                    | <b>(8.8)</b> | <b>(24.0)</b> |

# Appendix B: Loan Facility Financial Covenant Tests

| <b>EBITDA : Net Borrowings</b>                     |         | £m           |
|--|---------|--------------|
| Net borrowings<br>(net of unamortised issue costs) |         | 104.6        |
| 3DE guarantee                                      |         | 2.0          |
| <b>Net borrowings</b>                              |         | <b>106.6</b> |
|  |         |              |
| EBITDA (total operations)                          |         |              |
|  | H1 FY10 | 19.8         |
|  | H2 FY09 | 26.7         |
| Add 3DE interest receivable                        |         | 1.9          |
| Add other minor adjustments                        |         | 0.4          |
| <b>EBITDA (loan definition)</b>                    |         | <b>48.8</b>  |
|  |         |              |
| Ratio  |         | 2.2x         |
|  |         |              |
| Covenant test                                      |         | <3.0x        |
| EBITDA Headroom                                    |         | £13.3m pa    |
| Debt Headroom                                      |         | £39.8m       |

| <b>Fixed charge cover</b>                                  |  | £m          |
|--|--|-------------|
| EBITDA (loan definition)                                   |  | 48.8        |
| Rent, rates, service charge                                |  | 21.2        |
| <b>EBITDAR</b>   |  | <b>70.0</b> |
|  |  |             |
| Rent, rates, service charge<br>(incl. exceptional charges) |  | 22.5        |
| Interest<br>(excl. 3DE & unrealised gain on derivatives)   |  | 9.3         |
| <b>Fixed charges (loan definition)</b>                     |  | <b>31.8</b> |
|  |  |             |
| Ratio  |  | 2.2x        |
|  |  |             |
| Covenant test  |  | >1.5x       |
| EBITDA Headroom  |  | £22.2m pa   |