**10 September, 2019**

# Arena Events Group plc

("the Company" or "the Group")

## Interim Results for the six months ended 30 June 2019

Arena Events Group plc (AIM: ARE), today announces its unaudited Interim Results for the six months ended 30 June 2019.

**Financial Highlights**

- Revenue increased by 27% to £70.1m (H1 18: £54.9m)
- Gross profit increased to £19.8m (H1 18: £16.7m)
- Adjusted EBITDA decreased to £3.2m (H1 18: £3.5m) *
- Secured a £1.9m insurance recovery towards the cost of settling the US Department of Justice claim
- Operating loss of £0.8m (H1 18: profit of £0.3m)
- Interim dividend declared of 0.25p per share
- The full impact of IFRS 16 has been reflected in the interim results resulting in an increase of £2 million in EBITDA and additional depreciation of £1.9 million

**Operational Highlights**

- In the **UK** – the delivery of regular major events, including Cheltenham, the Fever Tree Championships, the Open Championship in Northern Ireland; additional one-off events including temporary seating for a number of high profile concerts at Wembley Stadium, as well as the D Day Commemorative event in Portsmouth

- In the **Middle East & Asia** – the delivery of its regular reoccurring events including the Abu Dhabi Golf Championships, the Hong Kong Sevens, as well as a number of new events including the Dubai Desert Classic and the first Beach Soccer Cup in Neom, Saudi Arabia

- In the **US** – delivery of temporary seating for the first time for the PGA Championship at Bethpage in New York, and significant temporary structures for Frieze Art Fair, Super Bowl, Daytona International, the Kentucky Derby and the annual SAP User Conference

**Post Period Highlights**

- Secured two multi-million pound contracts in Saudi Arabia for the Riyadh Festival and the provision of a 15,000 temporary seating stadium for the World Heavy Weight Boxing Championships

- Successfully delivered a number of temporary hospitality structures for the 2019 Rugby World Cup, in Japan, which begins on 20 September 2019

- The Group continues to see significant opportunity to grow its presence in Saudi Arabia, on the back of a number of contracts that have either been awarded, or under negotiation

**Directorate Change**

- After seven years of loyal and distinguished service to the Arena Group, Piers Wilson, Group CFO, has decided to leave the Group to pursue new career opportunities. Piers has been an incredibly dedicated colleague and was instrumental in the delivery of the Group's IPO in 2017 as well as working on all of the Group's acquisitions. Given the significance of his role Piers has agreed to continue to work with us, for the next month, as we transition his replacement, Mr Steve Trowbridge, into the Group CFO role.

- Steve Trowbridge, aged 46, has held executive roles in a number of public and private businesses, most recently with Evans Cycles from August 2016 as CFO and ultimately CEO, upon its sale to Sports Direct. Prior to his role at Evans Cycles, Steve was at HSS Hire for over seven years including the role of CFO from 2014. Steve has also held senior finance roles at Thomson Reuters and was an equity analyst at SG Securities. He qualified as a Chartered Accountant at Ernst & Young and is a fellow of the ICAEW.

**Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional and acquisition costs.*

Greg Lawless, CEO, commented:

"Trading in the first 6 months, whilst not without a number of challenges, has been satisfactory with like for like revenue growth of £1.4m, despite a number of one-off and biennial events in the same period in 2018 not occurring this year. The restructuring of the UK Structures unit continues to be a priority and in March we appointed a new CEO, Chris Morris to lead the division. Whilst, we have made some progress here, there is more work to be done, and we are confident the restructuring will be completed by the end of 2019.

We are also pleased that we have successfully secured a £1.9m insurance recovery towards the cost of settling the US Department of Justice claim of $4.8m in the US last year. This amount has been classified as an exceptional receipt in our interim accounts.

The Group's results have historically been second half weighted and the profile for 2019 will be further exaggerated following last year's acquisitions and a higher proportion of secured and identified jobs now phasing into the last quarter of the year. This is why we are changing our year end to March, effective for the 15 months to March 2020.

The Board remains confident that the Group's strategy will deliver long term shareholder value as we continue to focus on reaping the full benefit of last year's acquisitions as well as continuing to improve operational efficiency across the Group."

**Enquiries:**


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**About Arena Events Group**

Arena Events Group plc (www.arenagroup.com) is a provider of temporary physical structures, seating, ice rinks, furniture and interiors. The Group has operations across the UK, the US, the Middle East, and Asia, and current clients include Wimbledon Tennis, The Open, PGA European Tour and Ryder Cup.

The Group services major sporting, outdoor and leisure events, providing a managed solution from concept and design through to the construction and integration of the final structure and interior. Contracts range in size and complexity from a simple equipment rental for a local outdoor event, to an integrated solution of multiple structures and interiors for a major international sporting event.

# Arena Events Group plc

## Chief Executive's Review

### Introduction

The Group delivered a satisfactory performance for the first half of 2019 with a 27% increase in revenues but lower EBITDA primarily due to the factors mentioned below as well as the absence of a number of large high profile and high margin events delivered in H1 2018, which are not recurring or are now expected to be delivered in the second half of this year.

Overall the Group reported a gross margin percentage in H1 2019 of 28.2%, from 30.4% in H1 2018. The most significant factor for this change was the normalisation in gross margin in the MEA (from 39.9% to 30.4%), as a result a number of high margin, long term rentals and sales projects not repeating in achieved in the first half of 2018 that were absent in H1 2019. We also experienced “tighter” labour markets in both the UK and US, leading to an increase in labour costs. We believe that this trend may continue and therefore we are prudently initiating a cost reduction programme to combat margin pressure, whilst at the same time ensuring there is no impact on the delivery of the Arena Standard. In addition, the London event market has been softer than prior years, due to the general level of economic nervousness in the UK and as a result we have seen a reduction in revenues in this unit versus last year.

The Group’s revenue growth was largely delivered from the acquisitions made in 2018, but as with all our business units, these are also second half weighted in terms of profitability.

The restructuring of the UK business continues with a reasonable level of progress made in the first six months, with more improvements expected in the second half of the year. We remain confident that this business unit will return to full operational efficiency by the end of the year under the leadership of the new UK CEO, Chris Morris, who was appointed in March.

As we move into the second half of the year, we have already secured a number of new multi-million pound contracts in the MEA, which are expected to be delivered in the second half and we are hopeful that these projects will become multi-year contracts following the year-end

The Group has successfully delivered temporary hospitality structures for the 2019 Rugby World Cup in Japan which begins later this month and will also start the first deliveries for the 2020 Tokyo Olympics contracts towards the end of the year. The UK division will also be delivering the BMW PGA Championships at Wentworth Golf Course in September (not May as in previous years) as well as the Solheim Cup in Gleneagles this month.

As always, the second half of the year, particularly the last quarter, is the busiest and most profitable trading period for the Group. This year we are experiencing an even greater proportion of major events occurring in the last quarter than in previous years, which is being supported at all levels across the Group.

### Operational Highlights

#### UK Division

- The Group delivered a wide range of its regular major events, including Cheltenham, the Fever Tree Championships, and the Open Championship in Northern Ireland, and additional one off events including temporary seating for the Fleetwood Mac, Rod Stewart, the Who, the Eagles and Billy Joel concerts, as well as the D Day Commemorative event in Portsmouth

- Last year's acquisition of Events Solution Limited has now been fully integrated into the UK Division and has been rebranded Arena Fencing & Barriers

- GLD and Ice House Rentals have been integrated into the Well Dressed Tables business in both the Membury and Wimbledon depots

**Middle East & Asia Division**

- The Group delivered its regular events including the Abu Dhabi Golf Championships, the Hong Kong Sevens as well as a number of new events including the Dubai Desert Classic and the first Beach Soccer Cup in Neom, Saudi Arabia

- The TGP business, acquired last year, has been fully integrated into the Dubai business unit, whilst still operating out of its own purpose built facility that is owned by the Group

**US Division**

- The Group delivered temporary seating for the first time for the PGA Championship at Bethpage in New York, as well as temporary structures for Super Bowl, Daytona, the annual SAP Users Conference ,the Kentucky Derby and Frieze Art Fair

- The Stuart Rentals business, acquired at the end of last year, has been fully integrated with the Arena America's Division. This business continues to trade under the Stuart banner and has delivered a number of west coast events in conjunction with the Arena Americas Division. We are pleased with this value-added addition to the Group

## Post Period new contracts:

We have secured a number of new significant contracts post June 2019 including:

- The delivery of six temporary high-end restaurants for The Riyadh Festival
- A 15,000 temporary stadium to host the World Heavyweight Championship between Ruiz and Joshua in Riyadh
- The renewal of the USGA contract for 5 years from 2020 up to and including 2024
- An agreement to provide a 7,500 seat semi-permanent stadium for Edinburgh Rugby in 2020
- A new 3-year contract to provide temporary seating at Goodwood including the Festival of Speed and Revival

## Strategy and Development

The Group will continue driving further value from all acquisitions completed last year, as well as implementing operational improvements in each region during the second half of 2019 and into 2020.

As a result of the significant amount of additional business that the Group has already secured for 2020, including the Ryder Cup in the US, the Tokyo Olympics, the return of the full contract for the US Open, and a number of other significant contracts under review, our focus in 2020 will be to deliver on this additional organic growth.

As part of this focus on organic growth, each division will aim to improve the overall profitability of their business unit by way of a reduction in fixed costs that will increase the return from the Group's existing inventory and contracted and recurring revenues.

## Dividends

In keeping with the Group's stated strategy at IPO, we continue to look at a balanced use of the Group's free cashflow between spending on growth capex and the annual return to shareholders. In particular, given the significant capex spend required to facilitate the delivery of possibly the largest Ryder Cup ever in Wisconsin, the return of a full US Open and the Tokyo Olympics, the Board has decided to declare an interim dividend of 0.25p per share to shareholders on the register at 4 October 2019. The ex-date and payment date for the dividend will be 3 October 2019 and 1 November 2019 respectively.

## Current trading and outlook

The Group continues to experience a shift of business towards the second half of our existing year end (December). The announced change of year end to March 2020 will therefore achieve a more balanced split going forward. The second half of 2019 contains a number of significant contracts that are under negotiation and not yet finalised that may or may not be secured over the coming months. Despite some project delays into 2020 and slight margin pressure due to the increased reliance on agency labour, the Board believes that adjusted EBITDA (excluding IFRS 16 adjustment) for the year ended 31 December 2019 will be approximately £13 million and we anticipate further significant growth in 2020.

We remain encouraged about the anticipated organic growth in 2020 as a result of several major events already secured, (Ryder Cup, US Open, Olympics) and a number of significant other contracts currently in the pipeline. In addition, the Board sees potential for significant organic growth in Saudi Arabia in the coming years on the back of some significant events already secured in 2019. In addition, we have commenced a review of operations in each division in order to improve operational efficiency and performance and expect to see the benefit of these changes commencing in the last quarter of 2019 and for the full year in 2020.

We believe that the Group's strategy will deliver long term shareholder value as we continue to improve our operational efficiency across all regions. Given the increasing concerns about the general political and economic environment, which may affect several markets, we have taken a slightly more conservative view of the overall outlook for 2020, which we believe is prudent. Our core focus is on further organic and more profitable growth and the Board remains confident about the future prospects for the wider business.

Greg Lawless
Chief Executive
9 September 2019

# Financial Review

*Revenue and Gross Margin*

The Group delivered £70.1m of revenue in the first six months of 2019 (2018: £54.9m), representing a total increase of 27% (£15.2m) compared to the prior period in 2018. Excluding the impact of acquisitions, like for like ("LFL") revenue growth was £1.4m. This organic revenue growth was driven by the UK and the US, with a small reduction in revenue in the Middle East due to the timing of one-off events this year.

The acquisitions of Stuart Rentals in the US and TGP in Dubai accounted for the large majority of the additional revenue in the period, contributing revenue of £7.2m and £5.0m respectively.

In the UK LFL revenue was £24.2m (2018: £23.2m), with solid revenue growth in the seating business, however this was offset by lower revenue in the Well Dressed Tables business due to a softer London corporate events market.

In the US, LFL revenue increased from £22.0m to £23.1m with new projects in the period and the move of the US PGA golf to May, however this was offset by lower revenue from the fallow year for the US Open in 2019 (as the event was at Pebble Beach and did not fall within our USGA contract) and weaker sales in the mid-West region.

In the Middle East and Asia ("MEA") region there was a small fall of £0.5m in LFL revenue on the prior period, primarily due to the timing of one-off events this year compared to 2018.

Gross margins across the Group reduced from 30.5% to 28.2%. This reduction was driven by a combination of factors including some margin pressure in the UK and US, but primarily from a fall in MEA margins from 39.9% to a more normal 30.4% as a result of a more typical revenue mix and some particularly high margin one-off projects last year.

*Administrative expenses*

There was an overall net increase in administrative expenses of £3.3m across the Group primarily relating to the additional overheads of acquired businesses in 2018 (£4.7m), with a LFL increase of £0.6m (5%) in the underlying overheads of the Group. The impact of IFRS16, relating to the accounting treatment of operating lease rental payments, reduced overheads by £2m in the period.

*Exceptional items*

Net exceptional income in the period of £1.5m (2018: cost (£0.3m)) relates to an insurance recovery under our D&O policy with respect to the US DOJ settlement last year. The gross recovery was £1.9m, offset by additional legal and other exceptional costs in the period.

*EBITDA*

The Group's adjusted EBITDA (before exceptional and acquisition costs) fell to £3.2m in the first six months of 2018, compared to £3.5m in the same period last year. Given the seasonality of the 2018 acquisitions, these acquisitions had a nil EBITDA contribution in the period to 30 June 2019, although management expects these to contribute strongly to Group EBITDA in the second half.

As previously noted, the Group remains significantly second half weighted and this year, even more so than in 2018, the large majority of full year EBITDA is expected to be generated in the second half of the year and the three months to 31 December in particular. It is for this reason that the Group's year end has been changed to 31 March as announced previously.

*Operating profit and loss after tax*

The Group generated an operating loss for the period of £0.8m, compared to a profit of £0.3m in the prior year.

Interest expense of £0.6m relates to the interest costs of the Group's bank debt and finance leases. Other finance costs include the amortisation of debt arrangement fees paid in previous periods and the inputted interest on the deferred consideration balance which is shown at its discounted value on the balance sheet, with notional interest accruing at a rate of 10% per annum.

In addition, with the implementation of IFRS 16 (see note 6) there is an additional finance interest charge of £0.5m relating to the new Right of Use ("ROU") asset. As a result, the Company's loss before tax for the period was £2.2m (H1 2018: loss of £0.2m).

*Earnings per share*

Basic earnings per share for the first six months is a loss of 1.5p per share. The figure for the comparative period in H1 2018 was a loss of 0.3p per share.

*IFRS 16*

These results include for the first time the adoption of IFRS16 (Leases) as described in more detail in note 6 of these Interim results. The main impact of the adoption of IFRS16 is the change in accounting treatment for operating leases, to remove the rental payments from EBITDA, but then to account for additional depreciation on the new Right of Use asset and additional interest charges. Without the impact of IFRS16 LFL depreciation increased by £0.5m (18%) reflecting the higher fixed asset base following the 2018 acquisitions.

*Dividends*

As stated at the time of the IPO, the Board intends to pursue a balanced approach between capital investment and dividends. Given the significant capex requirements in 2020 the Board has declared an interim dividend of 0.25 pence per share (2018: 0.5 pence) and intends to pay this on 1 November 2019 to shareholders on the register as at 4 October 2019.

*Cashflow*

The Group generated operating cash flow of £(1.6)m in the first six months of the year compared to cash inflow of £4.2m in the same period in 2018. The working capital balance in the first six months increased by £6.2m, compared to a fall of £1.3m last year. The key reason for the large change in working capital is a smaller increase in deferred income in the period due to the timing of the US PGA event, which generates significant advance receipts, falling in the first half of the year in 2019, rather than the second half of 2018. Whilst having no impact on the annual cashflow the change in event date this year has distorted the comparison to the prior period. In addition, the movement in trade and other payables has been negative this year, compared to an increase of £4.1m in the prior period.

*Capital Expenditure*

Capital expenditure in the period was £5.6m, compared to £5.6m in the previous period. This level of spend reflects continued investment in new rental equipment across the enlarged Group and as in previous years the capital expenditure is largely made in the first half of the year to maximise use of the assets in the full year. LFL capex fell from £5.6m to £4.0m.

*Balance Sheet*

The net bank debt position as at 30 June 2019 was £28.6m, an increase of £9.4m from the 31 December 2018 position. This mid year increase is driven by the operating cash outflow noted above and the investment in capex in the period. In addition, £1.6m of deferred consideration payments were made in the period. We expect net bank debt to fall by year end to around £23m.

During the period the Group exercised a portion of its accordion facility with HSBC and the Group senior debt facility is now £35m with additional local facilities in the US and Middle East in excess of £5m.

*Post balance sheet events*

There are no material post balance sheet events.

*Exchange Rates*

The reported figures use an average US$ rate of $1.30 for the period (2018: $1.32) and a period end rate of $1.27 (2018: $1.28). At an EBITDA and operating profit/loss level these changes in fx rates have no material impact on the reported results nor on the period end balances.

Piers Wilson
Group Finance Director
9 September 2019

# Condensed Consolidated Income Statement

### For the six months ended 30 June 2019 (unaudited)

| | **6 months ended 30 June 2019 £m** | 6 months ended 30 June 2018 £m | Year ended 31 December 2018 £m |
|---|---|---|---|
| Revenue | **70.1** | 54.9 | 135.0 |
| Cost of sales | **(50.3)** | (38.2) | (93.2) |
| Gross profit | **19.8** | 16.7 | 41.8 |
| Administrative expenses | **(20.6)** | (16.4) | (41.8) |
| Operating (loss)/profit | **(0.8)** | 0.3 | - |
| Analysed as: | | | |
| Adjusted EBITDA | **3.2** | 3.5 | 12.1 |
| Depreciation | **(5.2)** | (2.7) | (5.3) |
| Exceptional income/(costs) | **1.5** | (0.3) | (5.4) |
| Acquisition costs | **-** | (0.2) | (0.8) |
| Share option costs | **-** | - | (0.2) |
| Intangible amortisation | **(0.3)** | - | (0.4) |
| Operating (loss)/profit | **(0.8)** | 0.3 | - |
| Interest | **(0.6)** | (0.3) | (0.9) |
| Other finance costs | **(0.8)** | (0.2) | (0.7) |
| Loss before taxation | (2.2) | (0.2) | (1.6) |
| Tax on loss on ordinary activities | **(0.1)** | (0.1) | (0.4) |
| Loss after taxation | **(2.3)** | (0.3) | (2.0) |

Adjusted EBITDA reflects earnings before interest, taxation, depreciation, exceptional items, acquisition costs, share option costs and intangible amortisation.

### Loss per share

### For the six months ended 30 June 2019 (unaudited)

| | Note | **6 months ended 30 June 2019** | 6 months ended 30 June 2018 | Year ended 31 December 2018 |
|---|---|---|---|---|
| Basic loss per share – pence | 3 | **(1.5)** | (0.3) | (1.6) |
| Diluted loss per share – pence | 3 | **(1.5)** | (0.2) | (1.6) |

**STATEMENT OF COMPREHENSIVE INCOME**

| | 6 months ended 30 June 2019 | 6 months ended 30 June 2018 | Year ended 31 December 2018 |
|---|---|---|---|
| | £m | £m | £m |
| **Loss for the period** | (2.3) | (0.3) | (2.0) |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of foreign subsidiaries | 0.1 | 0.3 | 0.5 |
| **Other comprehensive income for the period net of tax** | 0.1 | 0.3 | 0.5 |
| **Total comprehensive loss for the period** | (2.2) | - | (1.5) |
| Total comprehensive loss attributable to: | | | |
| Owners of the company | (2.2) | - | (1.5) |
| Non-controlling interest | - | - | - |
| | (2.2) | - | (1.5) |

# Condensed Consolidated Balance Sheet

## As at 30 June 2019 (unaudited)

| | Notes | **30 June 2019 £m** | 30 June 2018 £m | 31 December 2018 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill and other intangibles | | **57.7** | 37.9 | 57.9 |
| Property, plant and equipment | | **49.7** | 38.4 | 47.3 |
| Right of use asset | | **19.8** | - | - |
| Trade and other receivables due after one year | | **1.5** | 0.2 | 0.5 |
| | | **128.7** | 76.5 | 105.7 |
| **Current assets** | | | | |
| Inventories and WIP | | **9.7** | 7.6 | 5.9 |
| Trade and other receivables | | **33.8** | 27.0 | 27.7 |
| Cash and cash equivalents | | **6.2** | 6.5 | 7.5 |
| | | **49.7** | 41.1 | 41.1 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(15.3)** | (12.0) | (14.9) |
| Current tax liabilities | | **(0.1)** | (0.1) | (0.2) |
| Net obligations under finance leases | | **(0.5)** | (0.7) | (0.7) |
| Net obligations under right of use | | **(2.7)** | - | - |
| Borrowings | | **(1.1)** | (3.0) | - |
| Other creditors | | **(4.2)** | (2.5) | (3.6) |
| Accruals and deferred revenue | | **(24.7)** | (23.0) | (17.4) |
| Deferred consideration | 4 | **(2.2)** | (0.9) | (2.3) |
| | | **(50.8)** | (42.2) | (39.1) |
| **Net current (liabilities)/assets** | | **(1.1)** | (1.1) | 2.0 |
| **Total assets less current liabilities** | | **127.6** | **75.4** | **107.7** |
| **Non-current liabilities** | | | | |
| Borrowings | | **(33.7)** | (19.4) | (26.7) |
| Net obligations under finance leases | | **-** | (0.4) | (0.1) |
| Net obligations under right of use | | **(17.4)** | - | - |
| Other creditors | | **(2.5)** | - | (3.4) |
| Deferred consideration | 4 | **(2.3)** | - | (4.0) |
| Deferred tax liabilities | | **(1.7)** | (0.5) | (1.5) |
| | | **(57.6)** | (20.3) | (35.7) |
| **Net assets** | | **70.0** | 55.1 | 72.0 |

## Condensed Consolidated Group Cash Flow Statement

**For the six months ended 30 June 2019 (unaudited)**

| | **6 months ended 30 June 2019 £m** | 6 months ended 30 June 2018 £m | Year ended 31 December 2018 £m |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating (loss)/profit for the period | **(0.8)** | 0.3 | - |
| Adjustments for the period: | | | |
| Depreciation of property, plant and equipment | **5.2** | 2.7 | 5.3 |
| Amortisation of intangibles | **0.3** | - | 0.4 |
| Gain on disposal of property, plant and equipment | **(0.1)** | (0.1) | (0.1) |
| Share option costs | **-** | - | 0.2 |
| Increase in inventories | **(4.5)** | (2.3) | (0.1) |
| Increase in trade and other receivables | **(6.2)** | (12.6) | (10.0) |
| (Decrease)/increase in trade and other payables | **(0.4)** | 4.1 | 8.0 |
| Increase in deferred income | **4.9** | 12.1 | 4.8 |
| Cash (used)/generated by operations | **(1.6)** | 4.2 | 8.5 |
| | | | |
| Interest paid | **(0.6)** | (0.3) | (0.8) |
| Other finance costs | **-** | - | (0.5) |
| Corporation tax | **(0.1)** | - | (0.2) |
| **Net cash (outflow)/inflow from operating activities** | **(2.3)** | 3.9 | 7.0 |
| | | | |
| **Cash flow from investing activities** | | | |
| Business assets acquired | **-** | (0.5) | - |
| Investment in business combination, net of cash acquired | **-** | (2.4) | (18.8) |
| Deferred consideration paid | **(1.6)** | (0.4) | (0.5) |
| Proceeds on disposal of property, plant and equipment | **0.2** | 0.1 | 0.5 |
| Purchases of property, plant and equipment | **(5.6)** | (5.6) | (11.3) |
| **Net cash used in investing activities** | **(7.0)** | (8.8) | (30.1) |
| | | | |
| **Cash flow from financing activities** | | | |
| Increase in borrowings | **8.0** | 7.0 | 8.7 |
| Principal repayments under finance lease | **(0.3)** | (0.3) | (0.6) |
| Proceeds on issue of shares net of costs | **0.3** | 1.8 | 21.3 |
| Payment of loan note interest | **-** | (1.4) | (1.4) |
| Dividend paid | **-** | - | (1.8) |
| **Net cash generated from financing activities** | **8.0** | 7.1 | 26.2 |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | **(1.3)** | 2.2 | 3.1 |
| **Cash and cash equivalents at the beginning of the period** | **7.5** | 4.3 | 4.3 |
| Effect of foreign exchange rate changes | **-** | - | 0.1 |
| **Cash and cash equivalents at the end of the period** | **6.2** | 6.5 | 7.5 |

# Notes to the Interim Report

## 1. GENERAL INFORMATION

Arena Events Group plc (the 'Company' or the 'Group') is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 (registration number 10799086) and is registered in England and Wales. The registered address is 4 Deer Park Road, London, SW19 3GY.

Copies of this Interim Report may be obtained from the registered address or on the Corporate (Investor Relations) section of the Company's website at www.arenagroup.com.

**Statement of compliance and basis of preparation**

The condensed consolidated financial information presented in this Interim Report has been prepared in accordance with applicable IFRS including standards and interpretations issued by the International Accounting Standards Board as adopted by the EU and in accordance with Article 4 of the IAS Regulation. The financial information has been prepared using the historical cost convention and on a going concern basis.

The Annual Financial Report for the year ended 31 December 2018 was audited and has been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for the year ended 31 December 2018 was not qualified and did not contain statements under s498(2) or (3) of the Companies Act 2006.

The financial information for the six months ended 30 June 2019 and 30 June 2018 is unaudited and has not been reviewed by the Company's auditors.

The Interim financial statements are presented in sterling and all values are rounded to the nearest hundred thousand pounds (£0.1m) except where otherwise indicated.

**Changes in accounting policies**

The financial information presented in this Interim Report includes the adoption of IFRS 16 Leases.

**IFRS 16 Leases**

IFRS 16 came into effect for the Group's financial year commencing 1 January 2019 and requires lessees to recognise all leases on balance sheet with the exception of short-term leases and leases of low value assets.

The Group has opted to apply the transition approach which does not require the restatement of comparative information. 2018 figures have therefore not been restated and the impact of applying IFRS 16 is reflected from 1 January 2019. On 1 January 2019 the Group recognised right of use assets and corresponding lease liabilities. As a result of the adoption of IFRS 16 the Group no longer records a rental expense within its operating costs but instead records a depreciation charge in respect of the right of use assets within operating costs and an interest charge on the lease liabilities within its finance costs.

Detail on the impact of the implementation of IFRS16 on the interim results to 30 June 2019 is shown in note 6.

## 2. SEGMENTAL ANALYSIS

| | 6 months ended 30 June 2019 (unaudited) | | | |
|---|---|---|---|---|
| | **UKE** | **MEA** | **US** | **Total** |
| | **£m** | **£m** | **£m** | **£m** |
| **Revenue** | | | | |
| Rental | 23.2 | 15.0 | 29.1 | 67.3 |
| Capital sales | 1.0 | 0.5 | 1.3 | 2.8 |
| **TOTAL REVENUE** | **24.2** | **15.5** | **30.4** | **70.1** |
| **Gross Profit** | | | | |
| Rental | 6.5 | 4.5 | 7.4 | 18.4 |
| Capital sales | 0.3 | 0.2 | 0.9 | 1.4 |
| **TOTAL GROSS PROFIT** | **6.8** | **4.7** | **8.3** | **19.8** |
| Administration expenses | (4.7) | (4.6) | (6.4) | (15.7) |
| **SEGMENT RESULT** | **2.1** | **0.1** | **1.9** | **4.1** |
| Central administrative expenses | | | | (0.9) |
| **Adjusted EBITDA** | | | | **3.2** |
| **RECONCILIATION OF SEGMENT RESULT TO PROFIT BEFORE TAX** | | | | |
| Depreciation and amortisation | | | | (5.5) |
| Exceptional income | | | | 1.5 |
| Net finance expense | | | | (1.4) |
| **LOSS BEFORE TAX** | | | | **(2.2)** |

| | 6 months ended 30 June 2018 (unaudited) | | | |
|---|---|---|---|---|
| | **UKE** | **MEA** | **US** | **Total** |
| | **£m** | **£m** | **£m** | **£m** |
| **Revenue** | | | | |
| Rental | 22.8 | 9.4 | 20.7 | 52.9 |
| Capital sales | 0.4 | 0.3 | 1.3 | 2.0 |
| **TOTAL REVENUE** | **23.2** | **9.7** | **22.0** | **54.9** |
| **Gross Profit** | | | | |
| Rental | 6.8 | 3.7 | 5.0 | 15.5 |
| Capital sales | 0.1 | 0.2 | 0.9 | 1.2 |
| **TOTAL GROSS PROFIT** | **6.9** | **3.9** | **5.9** | **16.7** |
| Administration expenses | (4.8) | (2.9) | (4.6) | (12.3) |
| **SEGMENT RESULT** | **2.1** | **1.0** | **1.3** | **4.4** |
| Central administrative expenses | | | | (0.9) |
| **Adjusted EBITDA** | | | | **3.5** |
| **RECONCILIATION OF SEGMENT RESULT TO PROFIT BEFORE TAX** | | | | |
| Depreciation and amortisation | | | | (2.7) |
| Exceptional costs | | | | (0.3) |
| Acquisition costs | | | | (0.2) |
| Net finance expense | | | | (0.5) |
| **LOSS BEFORE TAX** | | | | **(0.2)** |

| | Year ended 31 December 2018 (audited) | | | |
|---|---|---|---|---|
| | **UKE** | **MEA** | **US** | **Total** |
| | **£m** | **£m** | **£m** | **£m** |
| **Revenue** | | | | |
| Rental | 52.2 | 26.4 | 49.4 | 128.0 |
| Capital sales | 2.0 | 2.1 | 2.9 | 7.0 |
| **TOTAL REVENUE** | **54.2** | **28.5** | **52.3** | **135.0** |
| **Gross Profit** | | | | |
| Rental | 12.6 | 9.9 | 16.1 | 38.6 |
| Capital sales | 0.6 | 0.4 | 2.2 | 3.2 |
| **TOTAL GROSS PROFIT** | **13.2** | **10.3** | **18.3** | **41.8** |
| Administration expenses | (10.5) | (7.0) | (11.1) | (28.6) |
| **SEGMENT RESULT** | **2.7** | **3.3** | **7.2** | **13.2** |
| Central administrative expenses | | | | (1.1) |
| **Adjusted EBITDA** | | | | **12.1** |
| **RECONCILIATION OF SEGMENT RESULT TO PROFIT BEFORE TAX** | | | | |
| Depreciation and amortisation | | | | (5.7) |
| Exceptional costs | | | | (5.4) |
| Acquisition costs | | | | (0.8) |
| Share option costs | | | | (0.2) |
| Net finance expense | | | | (1.6) |
| **LOSS BEFORE TAX** | | | | **(1.6)** |

## 3. LOSS PER SHARE

| | Six months ended 30 June 2019 | | Six months ended 30 June 2018 | | Year ended 31 December 2018 | |
|---|---|---|---|---|---|---|
| | Loss £m | Weighted average number of shares | Loss £m | Weighted average number of shares | Loss £m | Weighted average number of shares |
| | (2.3) | 151,910,833 | (0.3) | 117,114,508 | (2.0) | 131,650,300 |
| Loss per share pence: Basic | | (1.5) | | (0.3) | | (1.6) |
| | Loss £m | Diluted average number of shares | Loss £m | Diluted average number of shares | Loss £m | Diluted average number of shares |
| | (2.3) | 153,771,544 | (0.3) | 119,310,496 | (2.0) | 133,983,674 |
| Loss per share pence: diluted | | (1.5) | | (0.2) | | (1.5) |

## 4. DEFERRED CONSIDERATION

Future deferred consideration falls due as follows: £2.2m in the next 12 months (£0.4m in 2019, £1.8m in H1 2020), £1.7m in 2021 and £0.6m in 2022. Deferred consideration payments due in relation to Arena Stuart Rentals £2.0m and TGP Holdings £1.8m are linked to future profitability. Management has made an estimate of the deferred consideration due based on expected future profitability of these entities. There are no employment related obligations attached to future deferred consideration.

## 5. DIVIDENDS

No dividends were paid during the period. However, the Company has declared an interim dividend for the 2019 year of 0.25p per share and intends to pay this to shareholders on 1 November 2019 to shareholders on the register on 4 October 2019.

The company declared a final dividend for 2018 of 1p per share payable to shareholders on the register at 13 June 2019. This dividend payment totalling £1.5m was paid to shareholders on 8 July 2019.

## 6. IFRS 16

The application of IFRS 16 from 1 January 2019 had the following impact on the income statement and balance sheet.

Income statement

| | **6 months to 30 June 2019** | | | |
|---|---|---|---|---|
| | UK | MEA | US | Total |
| | £m | £m | £m | £m |
| Adjusted EBITDA | 0.6 | 0.5 | 0.9 | 2.0 |
| Depreciation | (0.5) | (0.5) | (0.9) | (1.9) |
| Operating profit | 0.1 | 0.0 | (0.0) | 0.1 |
| Interest | (0.2) | (0.1) | (0.2) | (0.5) |
| **Loss before tax** | **(0.1)** | **(0.1)** | **(0.2)** | **(0.4)** |

Balance sheet

| | **30 June 2019** |
|---|---|
| | £m |
| Right of use assets | 19.8 |
| Current lease liabilities | (2.7) |
| Non current lease liabilities | (17.4) |
| Net assets | **(0.4)** |

## 7. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

Ends.