Arena Events Group plc

FY21 Interim Results

Diriyah arena & hospitality structure, Saudi Arabia, Dec 2019

November 2020

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FY21 Interim Results – six months dominated by COVID-19

Structures were deployed in support of COVID-19 relief…

…providing testing centres, hospitals and mortuaries

Focus shifted to non-event and stadium projects…

… significant overhead reductions and optimising cash resources

FY21 Interim Results - Financial Highlights

Steve Trowbridge, Chief Financial Officer

FY21 Interim Results - financial highlights: six mths to Sept-20 vs six mths to Sept-19

£42.8m	£4.4m	(2.2)p	£15.5m
6m Sept 19 £88.3m	6m Sept 19 £8.8m	6m Sept 19: 1.1p	Sept 19: £3.3m
Revenue	**Adjusted EBITDA[(1)]**	**Adjusted EPS[(2)]**	**Cash & Cash Equivalents**

- Revenue decreased by £45.5m (52%)
- Adjusted EBITDA[(1)] decreased by 50% to £4.4m
- Operating loss of £3.3m (6m Sept 19: profit of £3.8m)
- Adjusted EPS[(2)] loss of 2.2p (6m Sept 19: profit of 1.1p per share)
- Period end cash £15.5m (Sept 19: £3.3m, Mar 20 £5.8m)
- No interim dividend proposed to maintain balance sheet strength

(1) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, intangible amortisation, exceptional items share option costs and acquisition costs

(2) Adjusted Earnings Per Share is calculated using Adjusted Earnings divided by the average number of shares in issue for the year. Refer to reconciliation in appendices

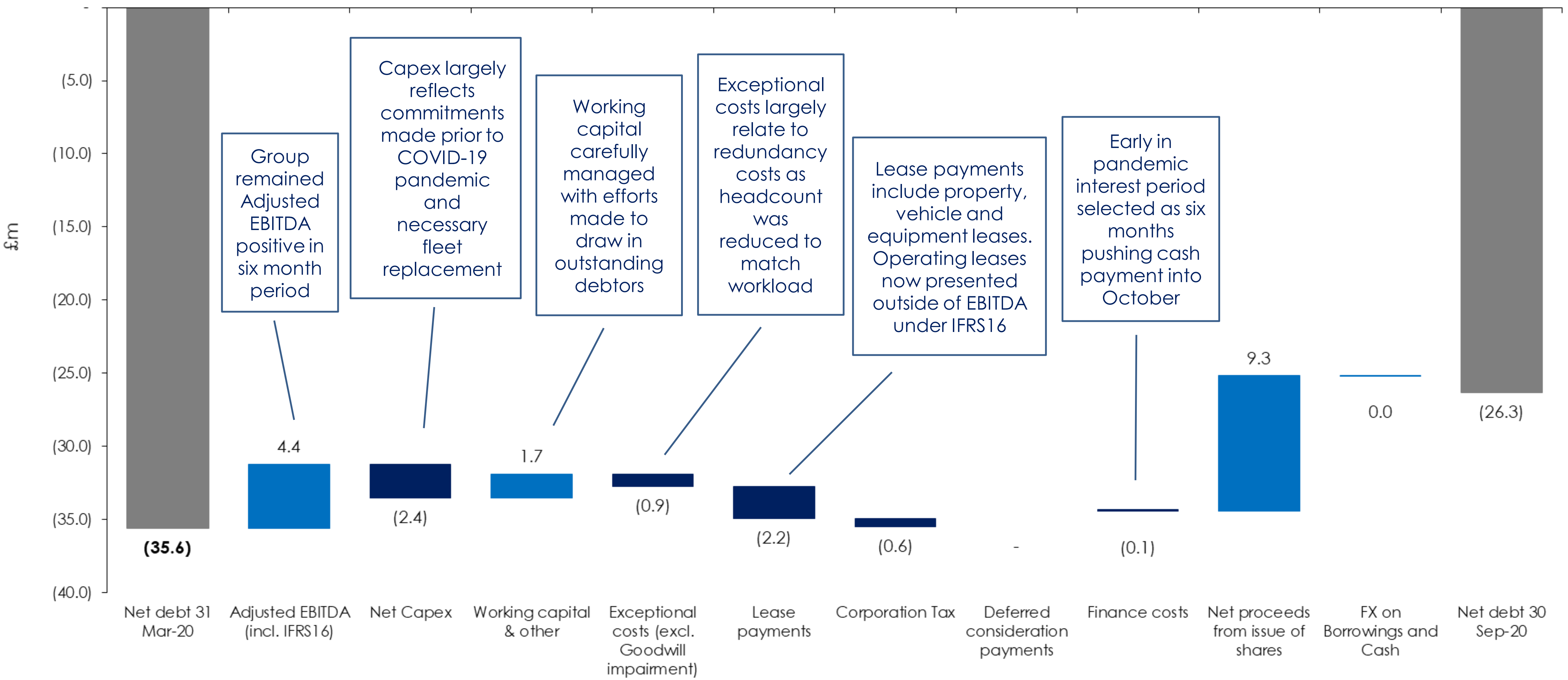
Financial summary

£'m	6 mths ended 30-Sep-20	6 mths ended 30-Sep-19
Revenue	42.8	88.3
Gross Profit	14.8	24.9
Gross Profit %	*34.6%*	*28.2%*
Adjusted EBITDA	**4.4**	**8.8**
Adjusted EBITDA %	*10.3%*	*10.0%*
Depreciation & Amortisation	(6.8)	(5.7)
Adjusted Operating Profit	**(2.4)**	**3.1**
Adjusted Finance Costs	(1.3)	(1.3)
Taxation	(0.6)	(0.1)
Adjusted Net Income	**(4.3)**	**1.7**

Six month commentary

- Revenue down £45.5m (52%), due to widespread disruption caused by COVID-19 pandemic
- Gross profit decrease of £10.1m (21%), driven by revenue reduction but partly mitigated by higher gross margin of 34.6% compared to 28.2% in 2019
- Careful control of operating costs ensured that Adjusted EBITDA margins slightly improved
- Increase in depreciation and amortisation driven in part by fleet investment, alongside accelerated depreciation on assets no longer deemed usable post pandemic.
- Adjusted finance costs flat with lower interest rate offsetting higher average drawings
- Higher tax charge reflects taxes levied in certain jurisdictions that are not available for relief at a Group level

Cash flow and net debt – operational cashflow positive for six month period



Note: Net debt as per above is covenant definition which includes net bank debt, shareholder loans, finance leases and deferred consideration.

Abbreviated balance sheet

£'m	30-Sep-20	31-Mar-20
Goodwill and other intangibles	38.9	39.4
Property, plant and equipment	50.3	48.3
ROU assets	21.1	23.6
Other non-current assets	0.8	1.0
	111.0	112.3
Current assets	24.1	39.7
Current liabilities	(34.1)	(47.7)
	(10.0)	(8.0)
Net Debt (covenant basis)		
Cash and cash equivalents	15.5	5.8
Bank and shareholder liabilities	(39.3)	(39.6)
Finance leases	(1.5)	(0.9)
Deferred consideration	(1.0)	(0.9)
	(26.3)	(35.6)
Other liabilities		
ROU liabilities	(21.7)	(19.8)
Bank Interest and amortised loan issue costs	(0.4)	0.3
Deferred Tax liabilities	(1.3)	(1.3)
Other non-current liabilities	(1.3)	(1.4)
	(24.8)	(22.2)
Net assets	**49.9**	**46.5**

- Goodwill impairment undertaken at end of FY20, no further movement in six months ending September 20
- Capex to support major US golf jobs and acquisition of assets from Williams Party Rentals (WPR) in six month period led to increase in property, plant and equipment
- IFRS16 underpins Right of Use assets and liabilities on the balance sheet.
- Reduction in current assets reflects strenuous efforts to collect outstanding customer receivables, alongside lower activity levels which have also led to reduced trade creditors
- Cash and cash equivalents of £15.5m – reflects broadly neutral cash generation/consumption in the period, with £9.3m of equity proceeds raised still in reserve
- Increase in finance leases reflects scaffolding purchase made in US in support of major golf jobs
- Small increase in deferred consideration driven by acquisition of assets of WPR - £0.2m paid, £0.1m outstanding
- Reversal of bank interest/loan issue debtor to a creditor is due to selected longer interest period to optimise cash reserves

Americas financial review

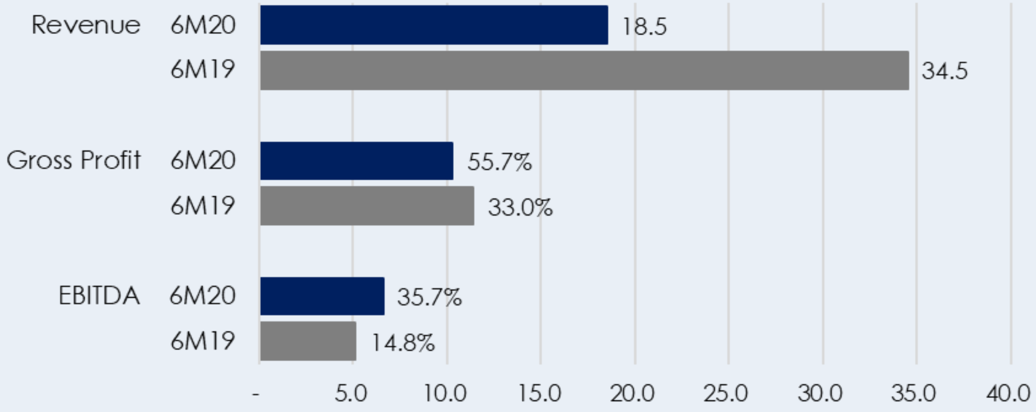
Divisional performance impacted by significant levels of work in support of COVID-19

- Revenue reflects performance of both the national Arena Event Services (AES) operation and the San Francisco-based Arena Stuart Rentals (ASR).
- While traditional event work was significantly curtailed, the impact was reduced by securing COVID-19 work. As a result revenue reduced by 46% to £18.5m.
- The AES division undertook a business restructuring in September 2019 called "Project Lift", with a reduced focus on lower revenue and a corresponding reset cost base. Alongside additional COVID-19 related cost reductions this helped the region deliver a significantly improved gross margin.
- Cost reductions also improved central regional overheads, ensuring a high gross profit drop-through, with EBITDA of £6.6m, higher than the corresponding period in 2019.
- Opportunistic acquisition of assets of Williams Party Rentals in San Jose for c.£300k – less than net asset value and a fraction of normal valuation.

Six month financials

£18.5m
-46%
Revenue

£6.6m
+29%
EBITDA



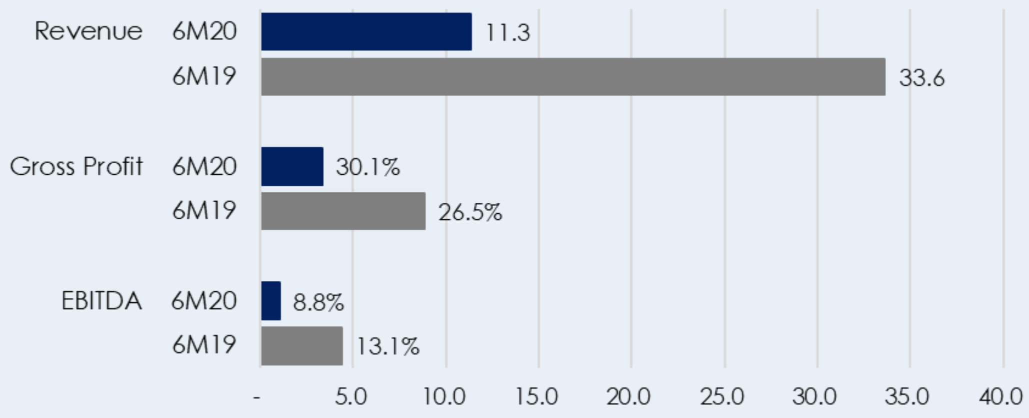
UK & Europe financial review

Traditionally the busiest season of the year, COVID-19 led to most high profile events being cancelled or postponed

- Revenue was instead dominated by two large stadium seating projects: reconfiguring the north and south stands at the London Stadium and the construction of a semi-permanent stadium for Edinburg Rugby Club at Murrayfield
- Revenue fell by 66% to £11.3m, but gross margin continued to recover from the 2018 lows
- With UK Government "furlough" support, the staff cost base could be quickly matched to workload, however Arena has been unable to access any business rates support schemes
- In June 2020 management of the region was merged with that of the MEA region, further reducing overhead costs and streamlining customer relationships
- The region delivered a positive EBITDA at a 8.8% margin

Six month financials

Revenue	EBITDA
£11.3m	£1.0m
-66%	-77%



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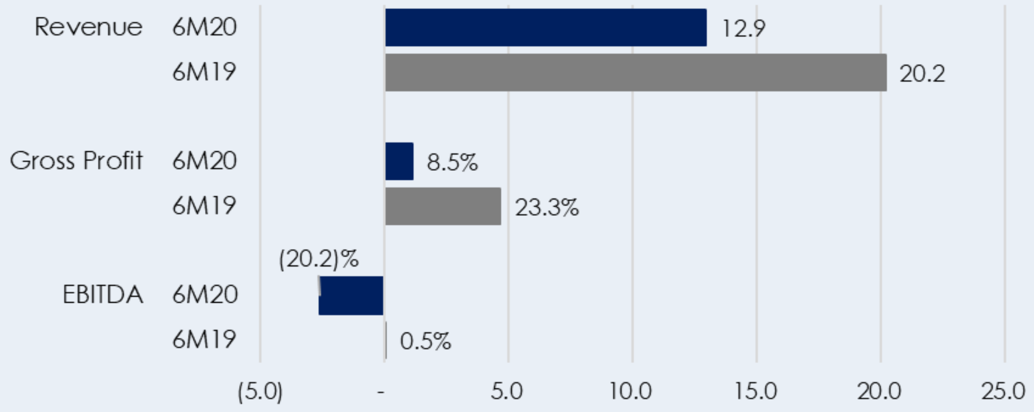
Middle East & Asia financial review

COVID-19 impacted activity levels in what is already the seasonally quiet half of the year

- Revenue of £12.9m was dominated by a single COVID-19 project in the UAE – the construction of a medical holding area facility
- Without any governmental support schemes, the region has been slower to transition to a new lower operating cost base, combined with the cost of reducing a largely expatriate workforce
- The mix of revenue and lower activity levels led to gross profit margins falling to 8.5%
- EBITDA turned negative as activity levels were not sufficient to cover fixed costs, which were also impacted by £300k of additional bad debt expenses relating to largely Asia-based customers

Six month financials

£12.9m	-£2.6m
-36%	>(100%)
Revenue	**EBITDA**



KPIs – six months to Sept-20 vs six months to Sept-19

34.6%	10.3%	(2.2)p	2.8x
+6.4pps vs. 2019	*+0.3pps vs. 2019*	>(100%) vs. 2019	(Sep 20)
Gross profit % of revenue	**Adjusted EBITDA % of revenue**	**Adjusted earnings per share (pence)**	**Net debt leverage (covenant basis)**

- Gross profit margin improved to 34.6% in part due to geographic mix as the US region delivered over 40% of Group revenues
- Adjusted EBITDA % margins improved slightly to 10.3% as the cost base was rapidly reset. With some of these changes now permanent, future operating leverage should be enhanced
- Adjusted EPS turned negative, mainly as the lower level of absolute EBITDA did not cover depreciation charges, combined with the dilutive effect of the April 2020 equity fund raising
- Net debt leverage of 2.8x reflected lower levels of net debt, tested against lower LTM EBITDA. Leverage will increase in H2, but access to £15.6m of CLBILS lending ensures sufficient liquidity headroom

COVID-19 – changed the landscape

Greg Lawless, Chief Executive

Stony Brook Temporary Hospital, New York, April 2020

Impact on business

- Impact of pandemic first experienced in February with cancellation of events in Asia and Middle East. FY20 EBITDA impact around £0.3m
- Subsequent widespread cancellations of mass gathering events for the these six months
- These included Olympics 2020, Ryder Cup, US PGA and US Open golf, Seoul Formula E, Vietnam F1, Wimbledon, The Open
- Swift change of focus with significant success in securing COVID-19 related work, covering:
  - Structures for temporary hospitals
  - Drive through testing centres
  - Other health facilities
  - Temporary facilities for US and UK Military
  - Extension of schools, restaurants and other public venues
  - Expansion of industrial facilities to ensure social distancing

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COVID-19: Impact - six months to Sept-20 (H1 FY21)

- Other decisive actions taken by senior management team, included:
  - Cost reduction programme
  - Permanent, temporary lay-offs (unpaid leave)
  - Full and partial salary reductions including reduced working weeks
  - EMEA merger
  - Accessed government support programmes where available: furlough and tax payment deferrals (e.g. VAT)
  - Discretionary expenditure has been cancelled
  - Rental deferrals have been achieved on a number of property leases
  - Fixed overheads reduced by c.30% compared to 2019
  - Capital expenditure scaled back except for contracts already underway and equipment necessary for equipment maintenance or health and safety matters

Stakeholder support

- Decisive action taken by senior management team:
  - Share placing raising £9.3m net proceeds in April 2020
  - TasHeel became the largest single shareholder as part of placing
  - Extension of Lombard Odier £2m facility to March 2021

- Significant ongoing support from HSBC:
  - Secured £15.6m of additional lending under the UK Government CLBILS programme – decision to cancel unused £4.5m Arena overdraft facility
  - Covenant waiver agreed for June and September tests. Reassessment of covenant structure underway for December 2020 tests and beyond

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Conclusion & outlook

Greg Lawless, CEO

Conclusion and outlook

- The issue is "when will major periodic events return to normal?"
- As of today, any major events taking place for the next 5/6 months will be without mass gatherings
- We are therefore not expecting a return to mass gatherings at sporting events until mid 2021
- In the meantime, the focus is on cost control and cash management
- Fixed costs have been reduced by over 30% and continue to be reviewed
- Some cost reduction programmes will be permanent
  - Significant senior executive reductions in the US and UK
  - Focus on permanent reduction of historic fixed overheads by over £2 million
- EMEA merger to drive a new design led approach in the UK with a view to improving customer offering
- The overall objective is to:
  - Extend the cash runway of the business well into 2021
  - Use the cost reduction programmes to deliver permanent savings on a return to normal
  - Be aware of potential distressed acquisition opportunities - already seeing stress in the system

Appendices

Substantial shareholdings >3% as of 29 October 2020

	Shareholder	No. of Ordinary Shares held	% of Issued Share Capital
1	TasHeel Holding Group LLC	62,852,950	25.4%
2	Lombard Odier Asset Management (Europe) Limited	58,472,090	23.6%
3	Oryx International Growth Fund Limited	20,000,000	8.1%
4	Tellworth Investments	13,974,467	5.6%
5	GAM Holding AG	11,000,000	4.4%
6	Greg Lawless	9,924,088	4.0%

FY20 financial highlights: adjusted earnings

£'m	6 mths ended 30-Sep-20	6 mths ended 30-Sep-19
Statutory loss after tax	**(5.3)**	**2.2**
Add back		
Exceptional costs	0.8	(0.7)
Acquisition costs	0.0	0.0
Exceptional finance costs	0.1	0.2
Share options charge	-	-
Adjusted earnings	**(4.3)**	**1.7**
Average no. of shares (million)	196.3	152.3
Adjusted earnings	**(2.2)**	**1.1**

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