

## An Attractive Expansion Story That Could Be Right Up Your Alley—Initiating Coverage at Buy, \$18 PT

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| STOCK DATA                                   |           |           |                |
|--|-----------|-----------|----------------|
| Market Cap (mil)                             |           |           | \$1,988.3      |
| 52-Week Range                                |           |           | \$8.71–\$17.45 |
| 3-Month ADTV                                 |           |           | 1,783,481      |
| Shares Outstanding (mil)                     |           |           | 173.5          |
| Float (%)                                    |           |           | 94.4           |
| Short Interest                               |           |           | 14,094,556     |
| Enterprise Val. (mil)                        |           |           | \$2,964.4      |
| Fiscal Year-End                              |           |           | June           |
| FINANCIAL DATA                               |           |           |                |
| Revenue (mil) Calendar                       | 2023E     | 2024E     | 2025E          |
| 1Q   | \$230.3A  | \$250.0   | \$268.2        |
| 2Q   | \$273.4A  | \$294.5   | \$316.8        |
| 3Q   | \$315.7A  | \$338.4   | \$365.0        |
| 4Q   | \$245.8   | \$279.9   | \$302.7        |
| FY   | \$1,065.2 | \$1,162.8 | \$1,252.7      |
| Adj. EBITDA Calendar                         | 2023E     | 2024E     | 2025E          |
| 1Q   | \$65.3A   | \$75.5    | \$83.2         |
| 2Q   | \$97.0A   | \$98.0    | \$107.7        |
| 3Q   | \$127.6A  | \$135.5   | \$148.5        |
| 4Q   | \$70.6    | \$83.1    | \$92.4         |
| FY   | \$360.4   | \$392.1   | \$431.8        |
| Adj. EPS Calendar                            | 2023E     | 2024E     | 2025E          |
| 1Q   | \$(0.22)A | \$0.02    | \$0.04         |
| 2Q   | \$(0.01)A | \$0.14    | \$0.17         |
| 3Q   | \$(0.22)A | \$0.33    | \$0.37         |
| 4Q   | \$0.00    | \$0.05    | \$0.07         |
| FY   | \$(0.43)  | \$0.54    | \$0.66         |
| <i>Quarters may not sum due to rounding.</i> |           |           |                |
| BALANCE SHEET DATA                           |           |           |                |
| Cash & Equivalents                           |           |           | \$161.0        |
| Inventories                                  |           |           | \$11.8         |
| Accounts Receivable                          |           |           | \$6.2          |
| Accounts Payable                             |           |           | \$46.6         |
| Total Debt                                   |           |           | \$903.0        |
| Shareholders' Equity                         |           |           | \$294.8        |
| <i>\$ in millions.</i>                       |           |           |                |

### Summary and Recommendation

We are initiating coverage of Bowlero Corporation (BOWL) with a Buy rating and a 12-month price target of \$18 per share. We believe Bowlero is well positioned to continue to take market share from a fragmented and “old school” bowling industry with a management team that has a proven track record of value creation from acquisition conversions. While Bowlero already generates the highest EBITDA margins of the live entertainment peer group, we see multiple opportunities for management to further boost bowling center margins in the coming years. With BOWL shares now trading at more than a 25% discount to the peer group following an overreaction, in our opinion, to management’s comments on the 3Q23 conference call, our analysis indicates the shares are currently pricing in an expectation for a mid-teens percentage same-store sales decline through CY24. With our belief that this magnitude of a decline is unrealistic, we see an attractive entry point at current levels.

### Key Points

- **Fragmented and traditional competitive landscape.** With an estimated 3,500 independent operators around the U.S. and the number of bowling centers operated by Bowlero more than six times that of the closest competitor, we see an attractive opportunity for the company to take market share through the combination of strengthening brand awareness and an ability to leverage capital to convert traditional bowling alleys into more modern bowling centers to attract a broader demographic.
- **Dual-path expansion strategy.** We believe BOWL can use its balance sheet to enter and further penetrate markets through new builds and acquisitions. Over the past 10 years, Bowlero has expanded its bowling center network from 260 to 330, before the 14 venues to be added from the Lucky Strike acquisition announced on May 31, 2023. In most acquisitions, BOWL will likely be the most attractive acquirer, perhaps the only buyer for businesses that may not have a succession plan. While both paths provide relatively similar projected returns, the ability to complete acquisitions would likely accelerate any growth strategy.
- **Opportunities to further boost operating margins.** Bowlero has multiple opportunities to further boost its industry-leading EBITDA margins. The company is installing lane-side kiosks for ordering food and beverages; early results are very encouraging. The MoneyBowl skill-based wagering app has shown increased visitation, and we believe it will continue to do so in a broader rollout. Finally, it can leverage the ownership of the Professional Bowlers Association (PBA) to drive brand awareness and complete the installation of pin bowling systems to improve downtime and reduce operating costs.
- **Real estate portfolio could be monetized to unlock value.** With most of the acquisitions coming with the underlying real estate, the company has amassed a real estate portfolio that management estimates could be worth ~\$500M (even after numerous monetizing transactions to date). With this portfolio representing as much as 25% of the current market capitalization, we believe it may not be represented in BOWL's valuation and see an opportunity for management to unlock that value and provide additional growth capital.
- **Valuation does not, in our opinion, reflect the growth opportunity.** With BOWL shares currently trading at 8.4x and 7.7x our CY23 and CY24 AEBITDA estimates, respectively, this represents a discount of more than 25% to the median multiples for the live entertainment peer group. Based on our calculations, we estimate BOWL shares are pricing in a mid-teens percentage decline in same-store sales through CY24. This is an expectation that we believe is unrealistic given the historical success with center conversions and opportunities to boost bowling center attendance and loyalty.

Analyst certification and important disclosures can be found on pages 22 - 25 of this report.

This document represents an abbreviated discussion of the subject issuer and should not be used as the sole basis for an investment decision. Contact your B. Riley Securities representative for complete research concerning the subject issuers, including research briefs and reports.

## Bowlero Corporation at a Glance

Bowlero Corporation had its beginnings in 1997 when chairman and chief executive officer Thomas Shannon purchased Bowlmor Lanes in New York City with a goal of upgrading and transforming a bowling alley that had been a staple of the Union Square neighborhood since 1938. Over the next roughly 15 years, he opened another five Bowlmor locations around the U.S. before taking the next step to acquire AMF Bowling Worldwide in July 2013, following AMF's Chapter 11 bankruptcy filing in May of that year (and the second bankruptcy filing since 2001). With the \$310M acquisition price, Bowlmor gained a well-known bowling brand with 260+ bowling centers and immediately became the largest player in the fragmented bowling industry—and changed the name of the company to Bowlmor AMF.

Just a year after completing the AMF Bowling transaction, the company announced a definitive agreement to acquire the next largest group of bowling centers in the industry from Brunswick Corporation (BC), which decided to exit that business. For a purchase price of \$266M, Bowlmor AMF gained another 85 bowling centers in the U.S. and Canada—with those locations rebranded after the acquisition.

The company once again changed its name from Bowlmor AMF and launched a completely new identity under Bowlmor Corporation in January 2018 as management began to embark on an organic and inorganic expansion strategy under a new brand umbrella. In July 2021, Bowlero announced a planned merger with Isos Acquisition Corporation to go public with an estimated pro forma combined valuation of \$2.6B, with the shares later listing under "BOWL" in December 2021.

Bowlero currently operates 330 bowling centers under three separate consumer brands—Bowlero, Bowlmor Lanes, and AMF—primarily in the U.S., as well as five venues in Mexico and two venues in Canada. On May 31, the company announced a definitive agreement to acquire Lucky Strike Entertainment and that company's 14 bowling centers—with an expected transaction close in the first half of FY24.

Figure 1: Bowlero Corporation's Three Bowling Center Brands



Source: Company presentation

## Key Investment Considerations

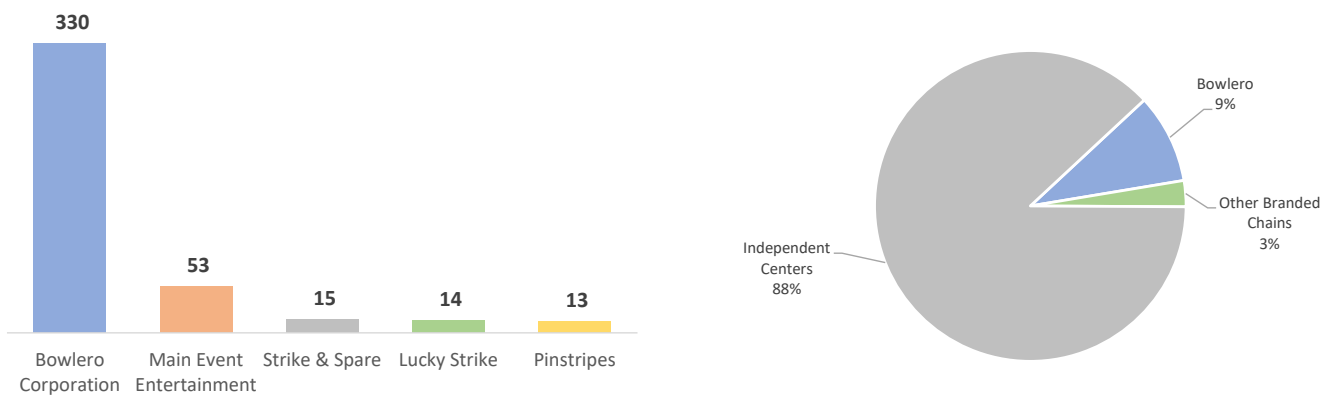
- **Fragmented and traditional competitive landscape.** With an estimated 3,500 independent operators around the U.S., the number of bowling centers operated by Bowlero is already more than six times that of the closest competitor.
- **Dual-path bowling center expansion strategy.** We believe Bowlero can take advantage of its balance sheet to enter and further penetrate markets through both new builds and acquisitions—with the company likely representing the only buyer in town.
- **Opportunity to further boost operating margins.** We believe there are opportunities to boost bowling center margins through lane-side ordering kiosks, the MoneyBowl app, ownership of the Professional Bowlers Association (PBA), and pin bowling systems.
- **Real estate portfolio could be monetized to unlock value.** With a real estate portfolio that management estimates is worth \$500M, we see an opportunity for sale-leaseback transactions to both unlock value and provide growth capital.
- **Valuation does not, in our opinion, reflect the growth opportunity.** BOWL shares trade at a 25%+ discount to the peer group and, based on our calculations, are pricing in an unrealistic expectation for a mid-teens percentage same-store sales decline through CY24.

## Fragmented and Traditional Competitive Landscape

Even though bowling in its current format has been in the U.S. for more than 200 years—with formal rules and organization in place since the formation of the American Bowling Congress in 1895—only a few operators have attempted to create nationwide chains of bowling centers. After consolidating the two largest bowling circuits in 2013 and 2014, Bowlero currently has 330 bowling centers in operation, and the company’s network is more than six times the size of the next largest competitor—Main Event Entertainment. However, the typical Main Event location (with that brand now owned and operated by Dave & Buster’s) also usually offers some combination of bowling, virtual reality, laser tag, billiards, video games, mini golf, gravity ropes, and escape rooms. Therefore, we believe there really is not a true modernized competitive bowling center network in the U.S. that has more than 15 locations in operation. On May 31, Bowlero announced a definitive agreement to acquire Lucky Strike Entertainment and that company’s 14 bowling centers around the U.S. for a valuation of \$90M—with the transaction expected to close in the first half of FY24.

With an estimated 3,500 independently operated bowling centers (or, in some cases, “bowling alleys”) in operation around the U.S., we believe that most of those venues are independently operated centers that primarily cater to a local customer base—without the infrastructure or capital resources to provide consumers with a more attractive offering or one that drives brand awareness and loyalty (especially as those consumers look for entertainment options when traveling to other markets).

**Figure 2: Bowlero Dominates a Fragmented Bowling Landscape**

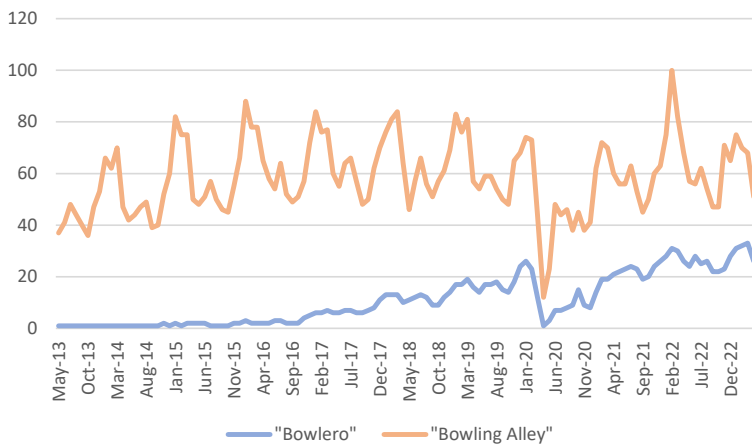


Source: Company reports, IBISWorld, and B. Riley Securities Research

We believe the opportunity to build brand awareness by providing a more consistent offering and a national presence becomes increasingly important as an activity moves back into the forefront of entertainment options with consumers due to the combination of technological innovation and a more entertaining and upscale environment. In our opinion, a perfect example of this opportunity has been the movie theater industry, with the larger, more established theater chains spending capital in the years prior to the pandemic to improve the moviegoing experience, including upgrading the older seats into newer recliner seats with more room, enhancing the food and beverage offerings (including alcohol), and implementing technology around reserving seats and pre-ordering concessions. This helped to boost moviegoer attraction to various subscription and loyalty clubs with certain theater chains heading into the pandemic. As a result, in the recovery years emerging from the pandemic-driven shutdowns, we have seen the larger theater chains gain meaningful box office revenue market share from the smaller, independent chains, as, we believe, consumers were more likely to seek out those brands as opposed to merely searching for any movie theater in the area.

In our opinion, there is a similar opportunity on the horizon for Bowlero as the company continues to expand the base of bowling centers to both further penetrate existing markets through a build vs. buy decision and to move into “bowling deserts,” where there are not any existing bowling centers to acquire but where there is a market that it believes would support new construction. The chart in Figure 3 shows the Google search trend history over the past 10 years—since Bowlero’s announced acquisition of AMF Bowling Worldwide out of Chapter 11 bankruptcy—of both the “Bowlero” and “bowling alley” search terms. Given our view that it would be nearly impossible for a branded subset of an industry to completely outpace the generic search terms for that activity, the purpose of this analysis was not to show searches for “Bowlero” to be running above “bowling alley” but for the gap between the two search trends to be narrowing over the past 10 years. We believe these results help to demonstrate the increased awareness of the Bowlero brand with consumers and those consumers choosing to search out “Bowlero” specifically when looking for an activity, as opposed to just any bowling alley in the local area.

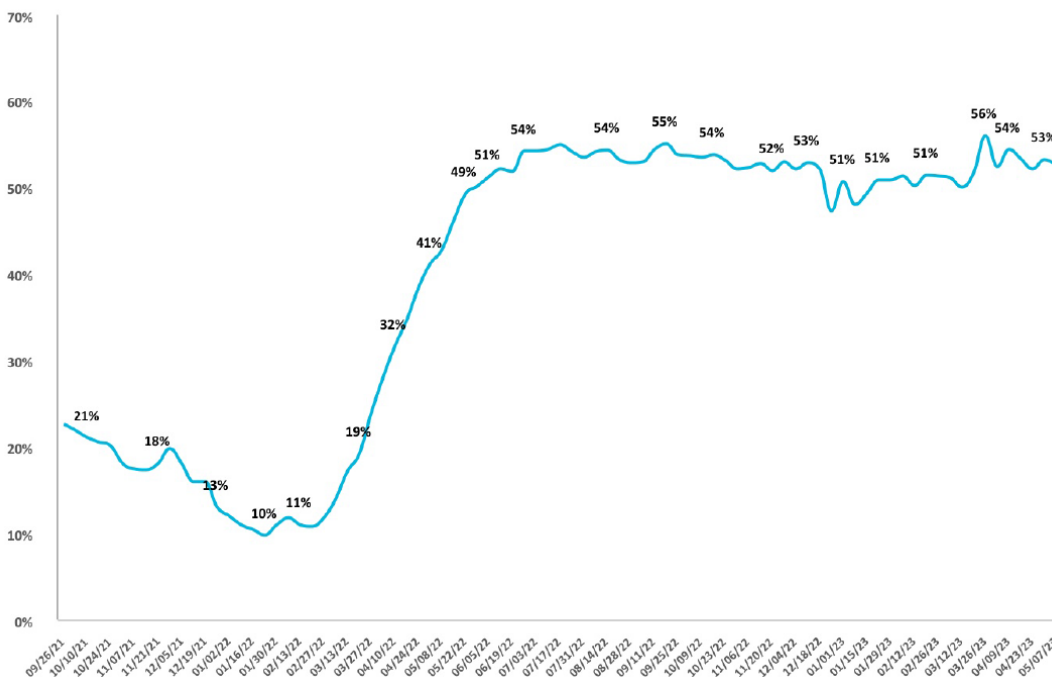
Figure 3: Brand Awareness Helping to Close the Google Search Gap



Source: Google Trends and B. Riley Securities Research

Coming out of the depths of the pandemic as the domestic economy began to reopen, it became increasingly clear to us that consumers were gravitating toward entertainment options that not only provided an upgraded environment from what they may have known previously but also where companies and venues pushed through technology advancements that provided for an easier and more enjoyable experience (and, along the way, helped to drive increased purchases from those consumers). For example, in addition to the more brand-aware movie theater chains gaining market share in recent years, premium moviegoing experience provider IMAX Corporation is expected to return to pre-pandemic box office revenues in 2023—or approximately two years ahead of the overall exhibition industry’s return to such levels. Furthermore, the Topgolf Callaway Brands Corporation chain of off-course entertainment venues experienced a rapid return to pre-pandemic same-venue sales by 3Q21—or only 12–18 months following the height of the pandemic shutdowns. As shown in Figure 4, the Bowlero chain of bowling centers experienced a similar ramp in revenues back to and above pre-pandemic levels in the years following the economic shutdown.

Figure 4: Impressive Bowlero Business Recovery and Growth in the Face of Pandemic Headwinds



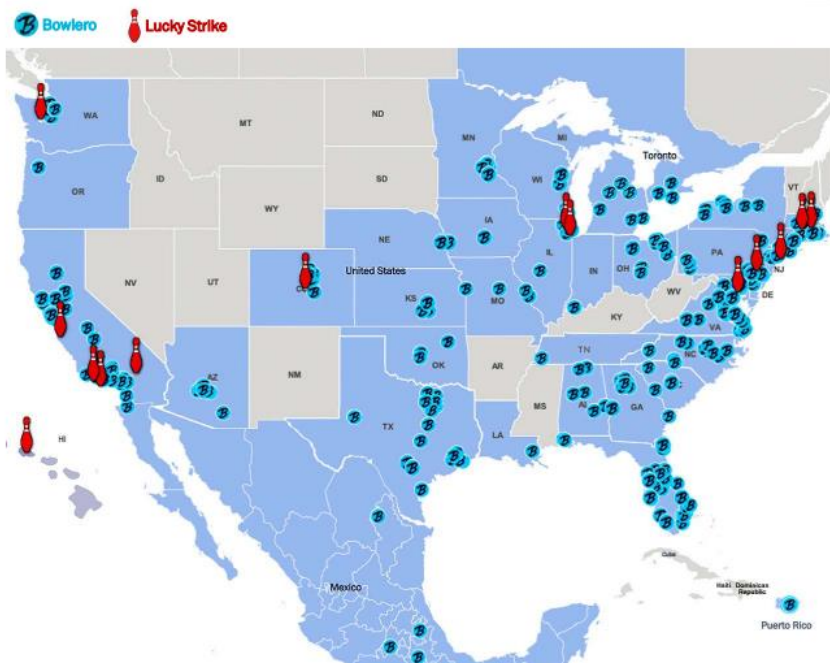
Source: Company reports

Although Figure 4 includes contributions from a handful of bowling centers that have been opened or acquired since the pandemic, we believe it demonstrates the power of the Bowlero network in its recovery from the pandemic shutdowns and ability to grab an increasing share of consumers' wallets during the economic recovery. With that in mind, in addition to Bowlero reporting a 17% increase in same-store sales for F3Q23, compared with the same period in 2022, management noted that same-store sales were 30% higher than the comparable pre-pandemic period. While we would expect same-store sales trends to slow into the mid-single-digit percentage range in the periods ahead as trends stabilize and growth from the higher baseline normalizes, we see an opportunity for management to continue to drive incremental business and margins from existing bowling centers while taking additional share of the industry through new builds, center acquisitions, and conversions and retrofits. In our opinion, these contributions could likely become increasingly important to the company's overall growth more so than a single same-store sales headline would capture.

## Growth Strategy Includes Acquisitions and New Builds

Although Bowlero has already experienced meaningful growth in bowling centers since the acquisition of AMF Bowling Worldwide roughly 10 years ago—increasing from ~260 centers at the time of that acquisition to 330 centers currently (with three acquisitions closing after 3Q23)—the additional access to capital following the merger with Isos and improving free cash flow outlook should, in our opinion, allow for an acceleration in that expansion growth rate in the years ahead.

Figure 5: Bowlero Centers in Operation throughout North America (Plus Lucky Strike Definitive Agreement)

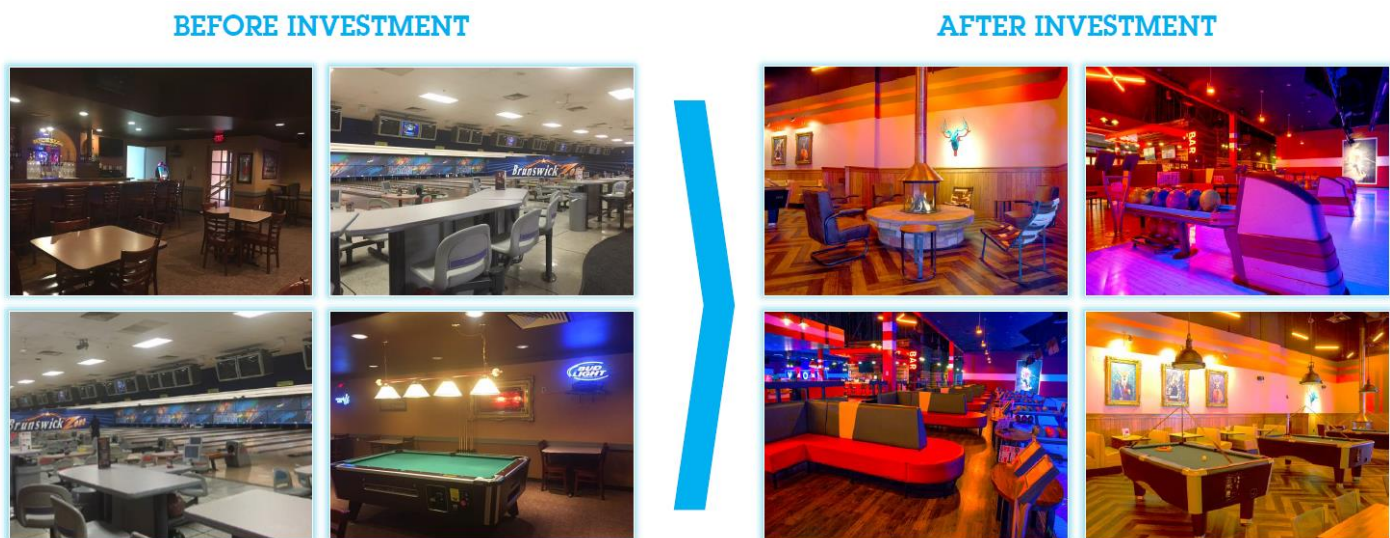


Source: Company presentation

According to management, Bowlero's growth strategy will need to incorporate both new build centers and acquisitions of existing bowling centers that need upgrading and modernizing. Over time, management expects acquisitions to represent two-thirds to three-quarters of the overall growth in bowling centers in operation—just given the expected pace of growth in the coming years and the quicker time to market that an acquisition provides the company (vs. the delays that are always a part of a new build—especially one that would include securing a full liquor license in areas where those may be restricted in number).

Management has noted that it would essentially consider the acquisition of an existing bowling center in any market, as consumer demand would most likely already be in place for that center—and the company would have an opportunity to move in there and boost the production and draw of any center already in operation. Management has noted that the acquisition pipeline remains robust, with essentially the only gating factor being management's time to be able to focus on integrating targets.

Figure 6: Example of Improvements to an Acquired Bowling Center – St. Peters, Missouri



Source: Company presentation

Management believes there will be multiple opportunities for acquisitions each year as ownership and succession decisions are made for existing bowling centers. It has noted that the average age of the bowling center owners with which it has been in discussions is 75–85 years old and that Bowlero typically represents the “only buyer in town.” Although management targets an acquisition multiple of 5x–9x EBITDA on a bowling center’s trailing-12-month results, management believes it can increase operating margins on acquired centers from an industry average of ~20% to 40% or higher within only 120 days following the acquisition. These relatively quick margin improvements can typically be achieved via simple adjustments to the operations, including adding the center to the Bowlero platform, adopting a more efficient labor model, and adjusting operating hours—which typically helps to reduce the pro forma acquisition multiple by half from the original 5x–9x level.

Note that our model excludes any contribution from the definitive agreement to acquire Lucky Strike given that the transaction has yet to close. Management has noted that the 14 venues operated by Lucky Strike generated \$87M in revenue and \$11M of EBITDA for the 12-month period ended March 31, 2023.

With a significant percentage of the acquired bowling centers also including the underlying real estate, we believe there is an opportunity for future monetization to potentially boost overall returns further. Bowlero currently owns the land beneath 40 of its bowling centers that has yet to be monetized—with management estimating a current real estate portfolio value of at least \$500M (which we do not believe is accurately reflected in BOWL’s current valuation).

Two examples of utilizing real estate monetization transactions to boost acquisition returns are as follows:

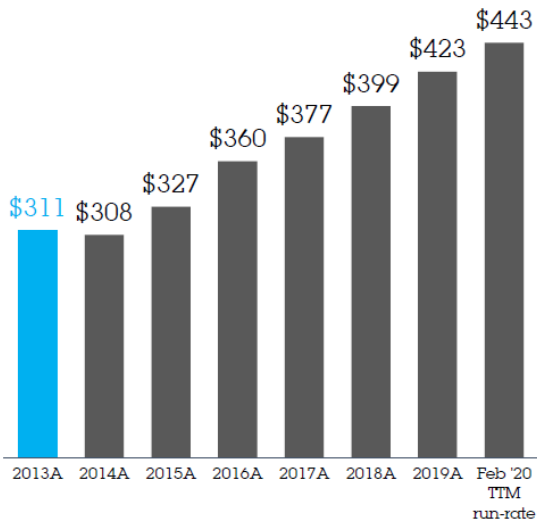
- Bowlero acquired a single bowling center for a purchase price of \$6M, which included the real estate underneath. Management subsequently completed a sale-leaseback on that real estate for \$8M—with the \$2M in net proceeds then reinvested back into the bowling center for renovations and upgrades. This essentially reduced the purchase price of the center to zero, and management was able to increase the rent-adjusted EBITDA for the center from \$1.0M to \$1.5M after the renovations.
- When Bowlero acquired the Brunswick group of bowling centers for \$266M in 2014, the real estate was included with 55 of the 85 centers. Management concurrently entered into a sale-leaseback transaction with that real estate portfolio for \$200M in proceeds, which essentially reduced the purchase price to \$66M. In addition, management was able to increase the rent-adjusted EBITDA for those acquired centers by more than 50% within the first 18 months.

In our opinion, this excess real estate portfolio (which we believe is only likely to grow with additional acquisitions) represents potential optionality for management in the years ahead to extract value when the time is right. Because management would prefer to avoid selling equity to fund growth plans, including bowling center acquisitions, we believe we could see the monetization of some part of the real estate portfolio to provide capital to fuel the expansion strategy.

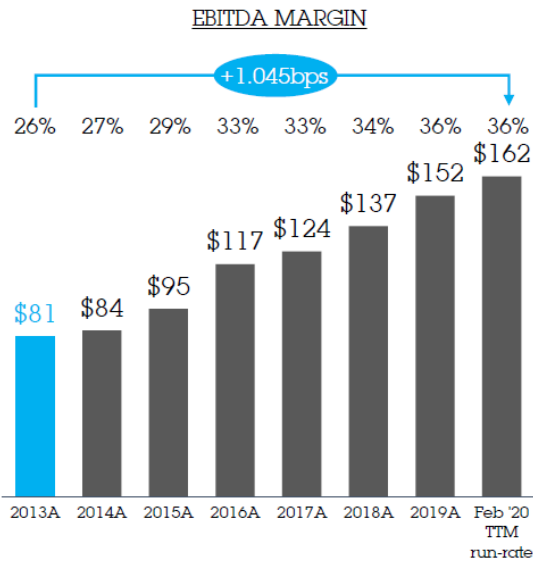
Figure 7: Strong Track Record of Value Creation after AMF and Brunswick Acquisitions



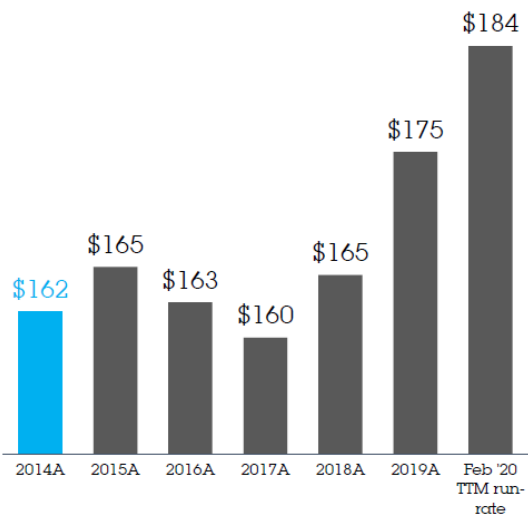
TOTAL CENTER REVENUE



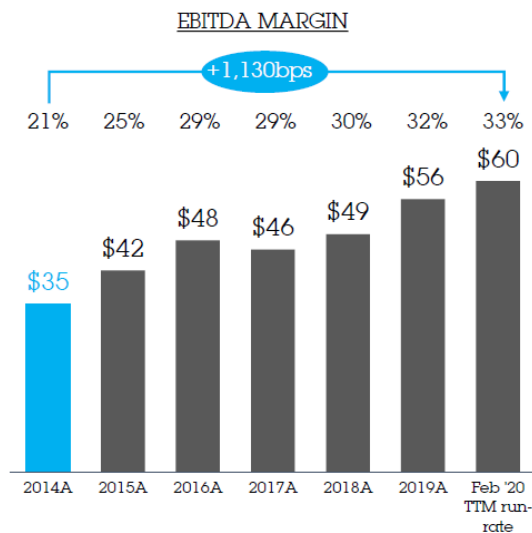
TOTAL CENTER EBITDA



TOTAL CENTER REVENUE



TOTAL CENTER EBITDA



Source: Company presentation

Figure 8: Timeline of Bowling Center Acquisition Announcements

| Date   | Center                                 | Location           | Lanes |
|--------|--|--------------------|-------|
| May-22 | Northrock Lanes                        | Wichita, KS        | 48    |
| May-22 | West Acres Bowling Center              | Wichita, KS        | 36    |
| May-22 | The Alley Indoor Entertainment         | Wichita, KS        | 32    |
| May-22 | Manatee Lanes                          | Tampa, FL          | 30    |
| May-22 | Fat Cats                               | Westminster, CO    | 29    |
| Oct-22 | The Mark                               | Omaha, NE          | 40    |
| Oct-22 | Thunderbowl                            | Council Bluffs, IA | 32    |
| Oct-22 | Strikes Unlimited                      | Sacramento, CA     | 50    |
| Oct-22 | Super Bowl Family Entertainment Center | Appleton, WI       | 48    |
| Oct-22 | JB's on 41                             | Milwaukee, WI      | 35    |
| Oct-22 | Double Decker Lanes                    | Rohnert Park, CA   | 50    |
| Oct-22 | Great Escape                           | Pleasant Hill, IA  | 24    |
| Nov-22 | Sabre Lanes                            | Menasha, WI        | 48    |
| Nov-22 | The Big Event                          | Cherry Hill, NJ    | 36    |
| Mar-23 | Paradise Lanes Entertainment Center    | Tacoma, WA         | 32    |
| Mar-23 | Bowland Cape Coral                     | Cape Coral, FL     | 33    |
| Mar-23 | HeadPinz Cape Coral                    | Cape Coral, FL     | 18    |
| Apr-23 | Andy B's                               | Bartlett, TN       | 44    |
| May-23 | Lucky Strike Entertainment             | Various            | 196   |

Source: Company reports and B. Riley Securities Research

Figure 9: B. Riley Securities' Bowlero Due Diligence Visit – Bowlero Alameda (AMF Southshore Conversion)



Source: Bowlero and B. Riley Securities Research

For new builds of Bowlero centers, management seeks out some of the more traditional drivers of potential consumer demand within a market, including population density, the level of corporate offices in the area (for private events), and the level of affluence within a market, as the bowling centers provide a more upscale entertainment option. In addition, management views new build centers as opportunities to fill in the hubs of a strong bowling operating wheel that may already exist within a target market. Lastly, while there may be instances when exiting bowling center operators may choose not to sell to Bowlero, management has stressed that the company would not build a Bowlero too close to an existing competitive bowling center—with the expectation that an owner would eventually sell to the company and that it would be better to have two locations in a strong market, as opposed to forcing that operator out of business with its offering.

The number of newly constructed bowling centers as a percentage of overall network growth has been lower than average in recent years due to the disruptions caused by the pandemic. Yet, with a projected 12- to 24-month timeline from start to finish for new builds, management expects this mix to shift in the coming years, with an estimated 25%–33% of bowling center network growth coming from new construction. On average, management expects to spend \$10M–\$15M on new builds, with what we view as attractive economics of roughly two times the average unit volume across the entire portfolio—given that these are typically larger boxes than older acquired bowling centers. The prototypical new build Bowlero location is about 40,000 sq. ft. with as many lanes included as possible (given the margin profile of this revenue base) and the rest of the amenities and offerings designed around that maximum number of lanes.

Management has noted that returns on new center builds, acquisitions, and bowling center conversions are all north of 30% (with the highest returns coming from the introduction of arcades and game rooms, where the returns are above 60%). Therefore, expansion in the coming years will not necessarily be driven by a preference for new builds or acquisitions based on expected returns but more likely by the speed at which markets can be entered or further penetrated. Although management maintains an extremely tight risk tolerance with its acquisition strategy, it believes there is an opportunity to lower the bar somewhat on the centers it would consider so that it can expand the pool of potential targets and the speed at which it can expand the network—with the strong returns and results from acquired center conversions providing the path toward higher returns and margin expansion.

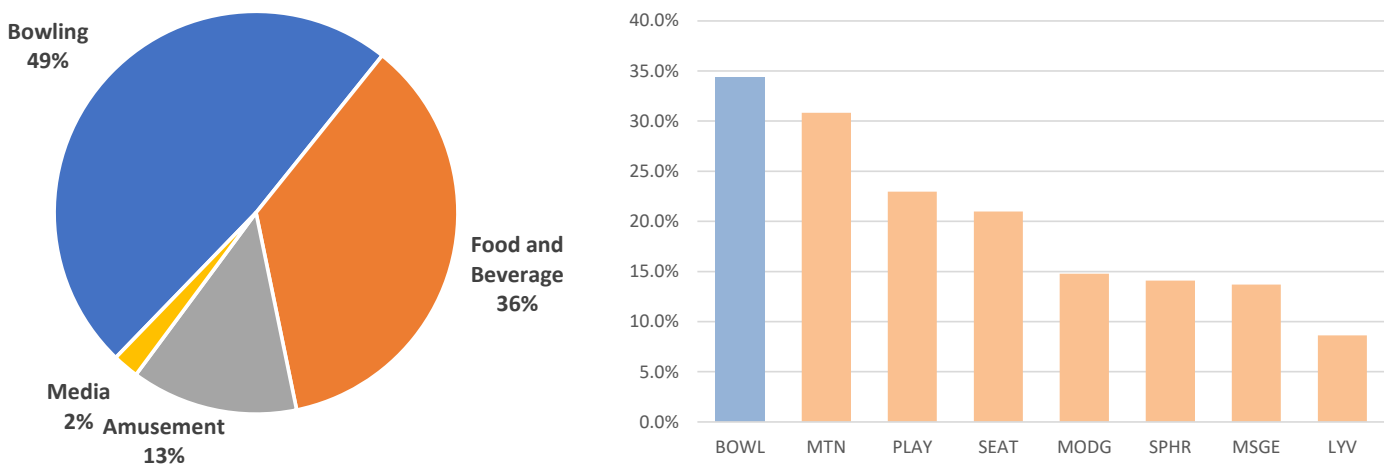
## Multiple Opportunities to Further Boost Center Performance

As shown in Figure 10, roughly half of the company's revenue is generated by bowling (e.g., lane and shoe rentals), which essentially has zero incremental costs beyond the operation of the bowling center and the staff already on site. While there are some recurring costs associated with the bowling activity (i.e., maintenance of the pin setting machines, waxing of the lanes, replacement of shoes, etc.), these expenses are unlikely to increase materially on any short-term boosts in bowling demand coming into the centers.

We believe bowling leagues also represent an attractive and consistent driver of Bowlero's overall revenue generation. Although league bowlers tend to be a slightly lower-margin business given the relatively lower level of ancillary purchases around retail and event food and beverage, the leagues still generate ~10% of overall revenues and help to absorb overhead costs and drive visible traffic during non-peak hours at the bowling centers. Management is making efforts to bring younger consumers into the leagues by making the activity more social, shorting the length of the seasons to reduce the time commitment, and driving overall interest in the activity during other times of the week (and potentially with other friends or family members in tow).

When we combine the nearly 100% contribution margin from bowling revenues with the attractive margins associated with amusement revenues (i.e., video game rooms) and food and beverage purchases, we project that Bowlero will generate the highest AEBITDA margins within the live entertainment peer group, which we also use for our valuation analysis and generation of our price target (see Figure 10).

Figure 10: Bowlero's LTM Revenue Mix and Projected CY24 EBITDA Margins for the Live Entertainment Peer Group



Source: Company reports and B. Riley Securities Research

However, even with the impressive AEBITDA margins already being generated, we believe the company is still in the relatively early innings of upgrading the bowling center network and in seeing the continued benefits of the ongoing conversion cycle. When the company went public at the end of 2021, management noted that there were 180 bowling centers in need of conversion and/or major upgrades—and roughly 100 of those bowling centers remain to be upgraded. In addition to the 20–40 conversions always in process (with the funnel constantly refilled with new acquisitions and as centers age), we see multiple opportunities to boost visitation to the bowling centers and overall spending levels per guest, along with becoming increasingly efficient with staffing: (1) installing and boosting usage of lane-side ordering kiosks; (2) rolling out MoneyBowl availability throughout the network; (3) leveraging the ownership of the Professional Bowlers Association (PBA); and (4) the replacement of “free-fall” pins with string pin systems.

Figure 11: Bowlero Lane-Side Ordering Kiosk



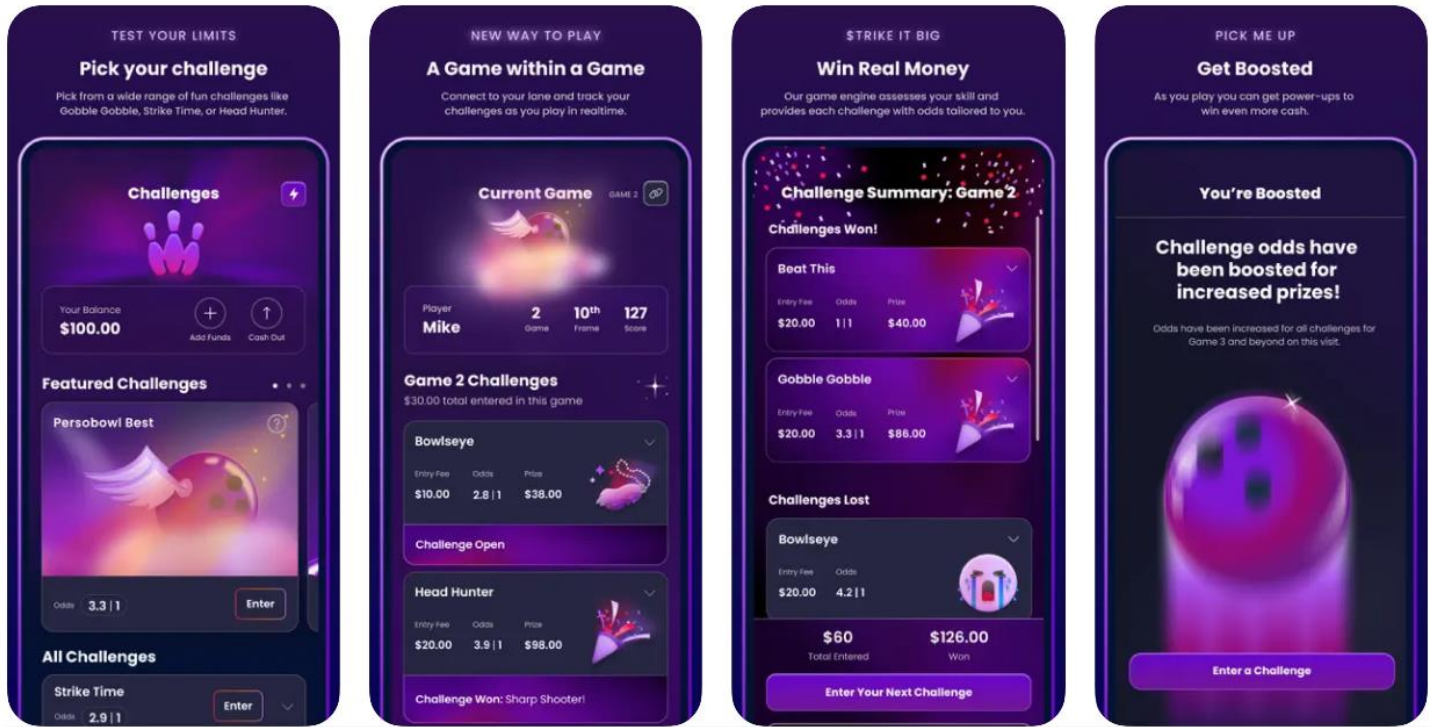
Source: Bowlero and B. Riley Securities Research

Bowlero currently has lane-side ordering kiosks installed at 80 of its highest-grossing bowling centers—or about 25% of the current network. While management believes in the technology and the ultimate opportunity surrounding the kiosks, it acknowledges that the kiosks have been underperforming relative to initial expectations when they were installed. According to management, the issue has been lack of attention to the kiosks from local management, which suffered from higher-than-usual turnover, along with too little training of employees on the kiosks themselves. To combat the elevated turnover in this competitive environment, Bowlero recently pushed through broad-based raises to center-level managers and operational managers and has since experienced a dramatic stabilization in the managerial workforce, according to management. With improved training on the kiosks and a better understanding by managers and employees of how the technology could boost the amount of food and beverage orders (management estimates potentially a high-single-digit or low-double-digit percentage increase in food and beverage per group) and drive improved labor efficiency, management expects to eventually reach nearly 100% penetration of the kiosks in the coming years.

In 2022, the company launched the MoneyBowl app that provides a variety of skill-based challenges to bowlers to drive engagement and increased visits to the bowling centers. After initially rolling out the app to two bowling centers in November 2022, the company expanded its reach to 27 venues by mid-January and then to 64 venues by the time of the 3Q23 earnings call in mid-May (or 20% of the company's bowling center network).

Where allowed by law, the MoneyBowl app offers skills-based challenges to consumers (bowl a certain score, bowl multiple strikes in a row, etc.), where those consumers risk their own money (in small denominations) for odds-based payouts. In jurisdictions where it could be a challenge to activate the app given existing laws, the company will be launching a “free-to-play” version of the app that could offer coupons or other offers for completing the challenges, as opposed to cash payouts. With the app linked to the lane scoring system, the challenges are automatically tracked and provide an attractive opportunity to learn more about the customer and stay engaged. Management estimates that the MoneyBowl app has the potential to boost center revenue by 25% and EBITDA by 50% if the technology is successful in increasing the number of visits per guest from 1.5x to 2.0x per year and the number of games played from 2.5 to 3.0 per visit (with essentially zero incremental cost).

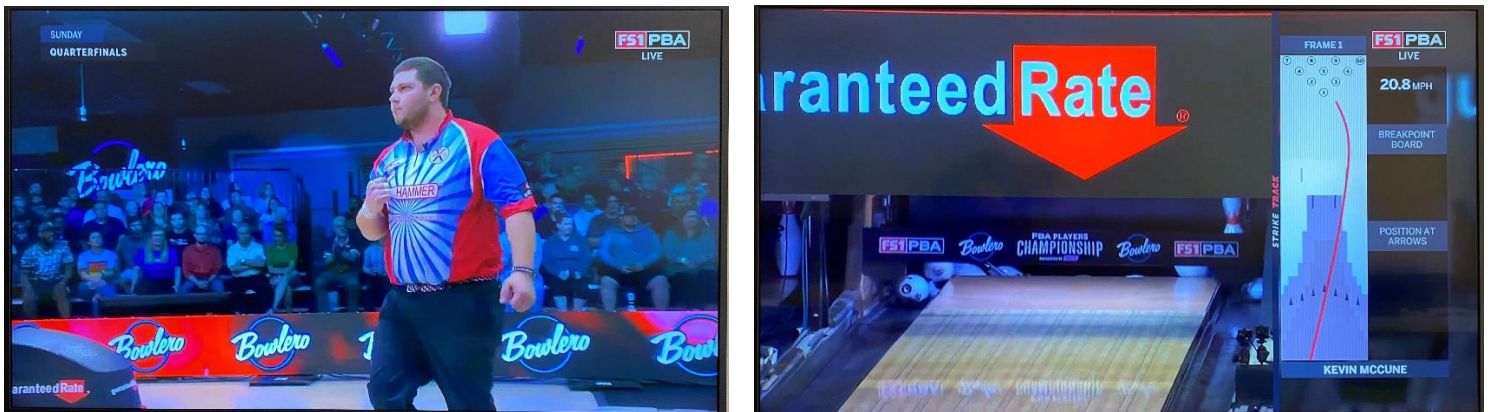
Figure 12: MoneyBowl iPhone App Screenshot Examples



Source: Bowlero and Apple App Store

In September 2019, the company announced the acquisition of the Professional Bowlers Association (PBA) to take advantage of the brand awareness this could drive for Bowlero and the opportunity to leverage the 20M+ viewers who annually catch the sport on either FS1 or Fox networks. With a purchase price of \$11M for a profitable stand-alone operating model, management was able to immediately reduce the planned marketing spend by \$10M annually due to the exposure that the broadcasts provide for the Bowlero brand (see examples of brand placement in Figure 13).

Figure 13: Examples of Bowlero Advertising on Professional Bowlers Association Broadcasts



Source: FS1 Broadcasts and B. Riley Securities Research

Bowlero has also been actively installing and converting to new string pin bowling systems from the traditional “free fall” bowling pin systems (where a giant arm sweeps the fallen bowling pins back into a large machine where they are reloaded and dropped into place back onto the lane). Not only are the older “free fall” systems more prone to getting jammed or breaking down with all the moving parts, but the ability to find mechanics that can fix the machines has become increasingly difficult, and the internal training of employees on the equipment also poses a problem (and more of a potential worker’s compensation issue). While this is probably the more controversial of the changes being made at the bowling centers (with the die-hard, traditional bowlers often preferring the older systems), management

noted that the “Average Joe” bowler is not going to notice any difference with the game. Furthermore, with the biggest issue potentially being tangled strings (which are usually easy to remedy), there is much less downtime on the lanes—which leads to a better experience for the customer and more revenue for the bowling center. The up-front cost per lane for this changeover is about \$15,000, with immediate savings and a quick payback via higher revenue earned and reduced expenses.

Figure 14: Example of a String Pin Bowling System



Source: Brunswick Bowling

## Initial Estimates and Valuation Analysis

On May 17, Bowlero reported 3Q23 results that came in ahead of expectations, with strong same-store sales of +17.0% and revenues and AEBITDA increasing 22.5% and 17.7% over the year-ago period, respectively. However, with management noting some softness in food and beverage attachment to attendance in recent weeks and noting that same-store sales will likely start normalizing in the mid-single-digit percentage range coming out of the post-pandemic demand gains, BOWL shares have since declined ~18% (vs. a decline of ~1% for the Russell 2000).

In our opinion, this post-reporting move in BOWL shares represents an overreaction to what should have been anticipated in recent quarters (i.e., same-store sales cannot increase at a double-digit percentage pace forever) and should not change the long-term growth and expansion outlook for the company. Note that Bowlero operates with a June fiscal year-end. Based on our calculations, in order for BOWL shares to return to a valuation multiple that is in line with the live entertainment peer group, we would need to assume that same-store sales decline at a mid-teens percentage pace throughout all of CY24—something that we not only believe is unrealistic given the operational improvements and opportunities to further boost attendance and spending in the coming quarters, but that also highlights the level of the overreaction that might be in play with BOWL shares at current levels.

- 4Q23 estimates.** Our initial 4Q23 revenue and AEBITDA estimates of \$246M and \$71M compare to consensus estimates of \$245M and \$70M, respectively. While we are projecting a revenue decline of 8% Y/Y, keep in mind that the year-ago period included an estimated \$24M benefit from an extra fiscal week and an accounting change related to service fee revenue. We are assuming same-store sales growth of 3% against the difficult 27% comp for the year-ago period (as consumers were emerging from the Omicron demand headwinds). Our model also assumes the acquisition of four bowling centers (all of which have already closed).

- **FY23 estimates.** Our initial FY23 revenue and AEBITDA estimates of \$1.065B and \$360M compare to consensus estimates of \$1.065B and \$360M, respectively.
- **FY24 estimates.** Our initial FY24 revenue and AEBITDA estimates of \$1.163B and \$392M compare to consensus estimates of \$1.142B and \$389M, respectively. Our model assumes the addition of 10 bowling centers and same-store sales growth of 4.0%.
- **FY25 estimates.** Our initial FY25 revenue and AEBITDA estimates of \$1.253B and \$432M compare to consensus estimates of \$1.251B and \$429M, respectively. Our model assumes the addition of 14 bowling centers and same-store sales growth of 4.0%.

Between FY23 and FY25, we are projecting that Bowlero’s operating cash flow will increase from \$233M to \$312M—as the company continues to take advantage of the attractive results experienced from converting older bowling centers (with 20–40 in progress at any point in time) and driving more efficient operations across the board. In addition to utilizing this cash flow for bowling center conversions and additional acquisitions, we are projecting management and the board to take advantage of this capital generation to improve the balance sheet and reduce the dilutive share count.

Figure 15: Live Entertainment Comp Table

| Ticker                              | Current Price | Mkt Cap (\$M)   | Enterprise Value (\$M) | AEBITDA Estimates (\$M) |               | CY24E Growth  | CY24E Margin | EV/AEBITDA   |              |              |
|-------------------------------------|---------------|-----------------|------------------------|-------------------------|---------------|---------------|--------------|--------------|--------------|--------------|
|                                     |               |                 |                        | CY23                    | CY24          |               |              | CY23         | CY24         |              |
| Dave & Buster's Entertainment       | PLAY          | \$ 32.15        | \$ 1,617               | \$ 2,667                | \$ 527        | \$ 571        | 8.3%         | 22.9%        | 5.1x         | 4.7x         |
| Live Nation Entertainment           | LYV           | \$ 79.94        | \$ 18,795              | \$ 18,405               | \$ 1,619      | \$ 1,779      | 9.9%         | 8.6%         | 11.4x        | 10.3x        |
| Madison Square Garden Entertainment | MSGE          | \$ 35.09        | \$ 1,819               | \$ 2,356                | \$ 166        | \$ 176        | 6.0%         | 16.7%        | 14.2x        | 13.4x        |
| Sphere Entertainment Company        | SPHR          | \$ 23.87        | \$ 883                 | \$ 2,437                | \$ 122        | \$ 216        | 77.0%        | 13.6%        | 20.0x        | 11.3x        |
| Topgolf Callaway Brands             | MODG          | \$ 17.07        | \$ 3,250               | \$ 4,709                | \$ 630        | \$ 714        | 13.3%        | 14.7%        | 7.5x         | 6.6x         |
| Vail Resorts                        | MTN           | \$ 243.20       | \$ 9,840               | \$ 10,990               | \$ 891        | \$ 979        | 9.9%         | 30.8%        | 12.3x        | 11.2x        |
| Vivid Seats                         | SEAT          | \$ 7.31         | \$ 1,467               | \$ 1,431                | \$ 121        | \$ 140        | 15.3%        | 21.0%        | 11.8x        | 10.2x        |
| <b>Medians</b>                      |               |                 |                        |                         |               |               | <b>9.9%</b>  | <b>16.7%</b> | <b>11.8x</b> | <b>10.3x</b> |
| <b>Averages</b>                     |               |                 |                        |                         |               |               | <b>20.0%</b> | <b>18.3%</b> | <b>12.9x</b> | <b>10.5x</b> |
| <b>Bowlero Corporation</b>          | <b>BOWL</b>   | <b>\$ 11.46</b> | <b>\$ 2,392</b>        | <b>\$ 3,134</b>         | <b>\$ 372</b> | <b>\$ 409</b> | <b>10.2%</b> | <b>34.0%</b> | <b>8.4x</b>  | <b>7.7x</b>  |

Priced as of the close on May 31, 2023.

Source: Company reports, FactSet, and B. Riley Securities Research

For Bowlero, we have assembled a comp table of companies that provide consumers with live entertainment options that would be considered highly discretionary in nature—while also, in some cases, potentially representing direct competition to other entertainment options and spending decisions. As shown in Figure 15, these stocks are trading (as of the May 31 close) at median multiples on consensus CY23 and CY24 AEBITDA estimates of 11.8x and 10.3x, respectively—representing premiums of 40% and 35% to the current multiples for BOWL shares. Even though the projected CY24 AEBITDA growth rate for Bowlero is lower than the median of the comp group, we attribute that disparity to the combination of Bowlero centers rapidly returning to pre-pandemic revenue levels faster than the peer group and the peer group including a handful of companies with “game-changing” operational shifts expected within the next 12–18 months (i.e., the various Madison Square Garden entities).

With this initiation of coverage, we are comfortable applying the median multiple of 10.0x to our CY24 AEBITDA estimate for BOWL, as we expect the increased growth and bowling center conversion opportunity for the company since going public and moving into a stronger cash flow position to drive growth in the years ahead. More importantly, we believe the projected CY24 AEBITDA margin that is more than 2x the median for the group helps to demonstrate the power of the company’s operating model and ability to drive excess cash flow beyond that of the peer group. These factors drive our initial 12-month price target for BOWL shares of \$18.00—representing potential upside of nearly 60% from current trading levels.

## Management and Board of Directors<sup>1</sup>

**Thomas Shannon, founder, chairman, and chief executive officer.** Thomas Shannon is the founder, chairman, and chief executive officer of Bowlero. Mr. Shannon became a director of Bowlero upon consummation of the business combination contemplated by the Business Combination Agreement, dated July 1, 2021, as amended on November 1, 2021, by and among Isos Acquisition Corporation and Bowlero Corp. (“Old Bowlero”). Mr. Shannon founded Old Bowlero with the acquisition of Bowlmor Lanes in 1997 and grew Old Bowlero into the world’s largest operator of bowling entertainment centers. Mr. Shannon is a graduate of the American University and holds an M.B.A. from the Darden School at the University of Virginia.

**Brett Parker, vice chairman, president, chief financial officer, secretary, and treasurer.** Brett Parker has been the chief financial officer of Old Bowlero since 2001 and currently serves as Bowlero's vice chairman, president, chief financial officer, secretary, and treasurer. Mr. Parker was a director of Old Bowlero and became a director of Bowlero upon consummation of the business combination with Isos. Prior to joining Old Bowlero, Mr. Parker worked for RehabManager.com as a business development analyst. Mr. Parker is a graduate of Cornell University with a Bachelor of Science degree in applied economics and business management with a concentration in business management and marketing.

**Michael Angelakis, director of Bowlero; founder, chairman, and chief executive officer of Atairos; senior advisor to the executive management committee of Comcast Corporation; director of Exxon Mobil Corporation; director of TriNet Group; director of Clarivate PLC; director of Arcis Golf; director of Learfield Corporation; and director of The Orogen Group.** Michael Angelakis has been a director of Old Bowlero since 2017 and became a director of Bowlero upon consummation of the business combination with Isos. He is the chairman and chief executive officer of Atairos. He also serves as a senior advisor to the executive management committee of Comcast Corporation. Prior to founding Atairos, he served as Comcast's vice chairman and chief financial officer. Before joining Comcast, Mr. Angelakis served as a managing director and a member of the management and investment committees of Providence Equity Partners. Before joining Providence, he was the chief executive officer of State Cable TV Corporation and Aurora Telecommunications. He also served as vice president at Manufacturers Hanover Trust Company in New York, where he oversaw one of the bank's media and communications portfolios. He is a member of the board of directors of public companies Exxon Mobil Corporation, TriNet Group, and Clarivate PLC, as well as the following private companies: Arcis Golf, Learfield Corporation, and The Orogen Group. Previously, he was chairman of the board for the Federal Reserve Bank of Philadelphia; a member of the boards of directors of Duke Energy, Groupon Corporation, and Hewlett Packard Enterprises; and a trustee of Babson College. Mr. Angelakis is a graduate of Babson College and of the Owner/President Management Program at Harvard Business School.

**Robert Bass, director of Bowlero, director of Groupon, director of Apex Tool Group, LLC, director of Redfin Corporation, member of the board of trustees of Blackstone Secured Lending Fund, and member of the board of trustees of Blackstone Private Credit Fund.** Robert Bass became a director of Bowlero upon the closing of the business combination with Isos. Mr. Bass served as a vice chairman of Deloitte & Touche LLP from 2006 through June 2012 and was a partner at Deloitte from 1982 through June 2012, where he specialized in e-commerce, mergers and acquisitions, SEC filings, and related issues. At Deloitte, Mr. Bass was responsible for all services provided to Forstmann Little and its portfolio companies and was the advisory partner for Blackstone, DIRECTV, 24 Hour Fitness, McKesson, IMG, and CSC. In addition, he has been an advisory partner for RR Donnelley, Automatic Data Processing, Community Health Systems, and Avis Budget. Mr. Bass serves on the board of directors of Groupon and is a member of the compensation committee and chairman of the audit committee. He serves as a member of the board of directors of Apex Tool Group, LLC, including as chairman of the audit committee, and on the board of directors and as chairman of the audit committee of Redfin Corporation. Mr. Bass also serves on the board of trustees of Blackstone Secured Lending Fund and is chairman of the audit committee and a member of the nominating/governance committee and the compensation committee. He serves on the board of trustees of Blackstone Private Credit Fund and is chairman of the audit committee and a member of the nominating/governance committee and the compensation committee. Mr. Bass is a certified public accountant licensed in New York and Connecticut. He is a member of the American Institute of Certified Public Accountants and the Connecticut State Society of Certified Public Accountants.

**Sandeep Mathrani, director of Bowlero, chief executive officer and director of WeWork, director of Dick's Sporting Goods, and director of Tanger Factory Outlet Center, Inc.** Sandeep Mathrani became a director of Bowlero upon consummation of the business combination with Isos. Mr. Mathrani has served as WeWork's chief executive officer and a member of its board since February 2020. Prior to WeWork, he served as chief executive officer of Brookfield Properties Retail Group and as vice chairman, Brookfield Properties from August 2018 to February 2020. Prior to that, he served as chief executive officer of GGP Inc. for eight years, during which he oversaw the company's strategic rebranding in 2017 to a retail real estate company, as well as the \$9.25B acquisition of GGP by Brookfield Property Partners in 2018. Before joining GGP in 2010, Mr. Mathrani was president of retail for Vornado Realty Trust, where he oversaw the firm's U.S. retail real estate division. Before that, he spent nearly a decade as executive vice president at Forest City Ratner. Mr. Mathrani currently serves as a member of the boards of directors of Dick's Sporting Goods and Tanger Factory Outlet Center, Inc. Mr. Mathrani served on the executive board and the board of trustees for the International Council of Shopping Centers and on the executive board and was 2019 chair of the National Association of Real Estate Investment Trusts, as well as on the board of directors for Host Hotels & Resorts, Inc. He holds a Master of Engineering, Master of Management Science, and Bachelor of Engineering from Stevens Institute of Technology.

**Alberto Perlman, director of Bowlero, chief executive officer and co-founder of Zumba Fitness, LLC, and founder of Spydre Labs.** Alberto Perlman has been a director of Bowlero since 2022. Mr. Perlman serves as the chief executive officer and co-founder of Zumba Fitness, LLC, the largest branded fitness program in the world. At Zumba, Mr. Perlman oversees marketing, product development, business development, and innovation and negotiates strategic partnerships with fitness clubs and organizations worldwide. Prior to founding Zumba, Mr. Perlman was founder and chief executive officer of Internet incubator Spydre Labs and worked as a consultant for the Mitchell Madison Group. Mr. Perlman earned his bachelor's degree in business from Babson College.

**Rachael Wagner, director of Bowlero, partner at Atairos, and director of Arcis Golf.** Rachael Wagner has been a director of Old Bowlero since 2017 and became a director of Bowlero upon consummation of the business combination with Isos. She is a partner at Atairos, where she leads investments in the leisure, entertainment, and digital media industries. Ms. Wagner joined Atairos from Lindsay Goldberg, where she participated in all major investment functions, including origination, transaction execution, and portfolio company development. Ms. Wagner was a managing director at Lindsay Goldberg and served as a director on several portfolio company boards across a range of industries, including food and beverage manufacturing, specialty distribution, government services, and downstream energy. Prior to joining Lindsay Goldberg, Ms. Wagner worked at Lion Capital and in the private equity group at Blackstone. She previously served as a member of the board of directors of Oxford University's Saïd Business School and as a member of the Council on Foreign Relations. Ms. Wagner is a member of the board of directors of Arcis Golf. She received her Master of Business Administration degree and an M.Sc. in comparative social policy from Oxford University, where she was a Rhodes Scholar, and her bachelor's degree from Harvard University.

**Michelle Wilson, director of Bowlero, co-chief executive officer of Isos Capital, and director of Turtle Beach Corporation.** Michelle Wilson became a director of Bowlero upon consummation of the business combination with Isos. Ms. Wilson has been the co-chief executive officer of Isos Capital since its inception. Prior to her position with Isos, Ms. Wilson served as co-president and board member at WWE from February 2018 to January 2020. She served as chief revenue and marketing officer from November 2013 to February 2018 and chief marketing officer from February 2009 to February 2018. From August 2001 to February 2009, she was chief marketing officer of the United States Tennis Association. From April 2000 to July 2001, she was vice president of marketing for the XFL. Earlier in her career, Ms. Wilson held positions at the National Basketball Association in its domestic and international consumer products groups, as well as roles at Nabisco and Johnson & Johnson. Ms. Wilson has served on the board of directors of Turtle Beach Corporation since May 2022. Ms. Wilson holds a B.S.E. in chemical engineering from the University of Pennsylvania and an M.B.A. from Harvard Business School.

**John Young, director of Bowlero and co-founder and director of Colfax Corporation.** John Young has been a director of Old Bowlero and its predecessor entities since 2013 and became a director of Bowlero upon consummation of the business combination with Isos. He is the retired president, chief executive officer, and director of Colfax Corporation. He was one of the co-founders of Colfax and served as its chief financial officer from 1995 to 2000 and chief executive officer from 2000 until 2010. After leaving Colfax, he served as a senior advisor to Oaktree Capital Management from 2011 until 2016 and has been a director of multiple privately owned businesses in the industrial, recreational products, and healthcare industries. Prior to employment with Colfax, Mr. Young was director of corporate development at AMF Industries and was an M&A associate at Chase Manhattan Bank. Mr. Young is a graduate of the University of Virginia with a Bachelor of Science degree in finance from the McIntire School and an M.B.A. from the Darden School, where he was a Shermet Scholar.

## Valuation

We base our \$18 PT on a target multiple of 10.0x our CY24 AEBITDA estimate.

## Risks

**Discretionary consumer spending weakness.** With the company's business model based entirely on discretionary consumer spending, any weakness in spending given consumer concerns about the economy or a move into a domestic recession could adversely affect financial results.

**Finding new locations or acquisition targets.** Although the company already operates hundreds of bowling centers, the growth story is based on the combination of building new locations and finding acquisitions. Therefore, any reduction in the ability to find new locations or to find acquisition targets at attractive valuations could impair the company's growth outlook.

**Meaningful debt balance.** As of the most recent quarterly results, the company's balance sheet held \$900M in outstanding term loans maturing in February 2028. There is no guarantee that the company will be able to service that debt balance or refinance/retire the debt upon maturity.

**Access to capital.** The company's growth plans may require access to additional equity or debt financing—neither of which may be available at attractive terms, or at all, in the future. This could adversely impact the company's growth outlook.

**Potential EEOC discrimination litigation.** The company may face litigation from the EEOC over alleged discrimination in the workforce, with an initial settlement request of \$60M. There is no guarantee that this would be settled before formal litigation, which may carry potentially higher direct and indirect costs for the company.

**Pandemic risk.** Bowling center closures to combat pandemics could disrupt operations. Social distancing and related economic restriction measures to protect society during pandemics could reduce demand for the company's offerings.

## Valuation for mentioned companies:

### Brunswick Corporation (BC)

Our \$108 PT is based on a target multiple of 7.5x our CY23 EBITDA estimate.

### IMAX Corporation (IMAX)

Our \$27 PT is based on a target multiple of 11.0x our 2024 AEBITDA estimate with an applied discount rate.

### Topgolf Callaway Brands Corp. (MODG)

Our \$31 PT is based on a target multiple of 12x our 2023 AEBITDA estimate.

## Risks for mentioned companies:

### Brunswick Corporation (BC)

**Acquisition/Integration** - The Company actively evaluates potential acquisitions as part of its growth strategy. Acquisitions pursued by the Company could be dilutive to financial results and result in a difficult, dilutive or expensive integration.

**Acquisition/Integration** - The Company recently completed acquisition(s). If the Company fails to successfully integrate the acquisition, the deal may lead to disappointing returns.

**Commodity Costs** - Should commodity prices for the Company's resources increase, the Company's operating margins could be harmed.

**Cyclical Nature of the Company's Business** - Revenue from the Company's businesses have historically correlated positively with both US and world GDP. A cyclical downturn in GDP growth domestically and/or abroad may lead to a material deterioration in the Company's results.

**Discretionary Spending** - The products the Company sells are largely discretionary in nature and any slowdown in consumer spending would have an unfavorable impact on the Company.

**Dividend** - The Company could choose to eliminate its dividend.

**Economy** - Macro-economic issues such as increasing oil and gas prices and a possible drop in consumer spending could have a negative impact on the Company's business.

**International Operations** - The Company derives a significant portion of its revenues from outside the United States. The Company is subject to foreign exchange risk and the risks inherent in managing a global Company.

**Pricing Pressure** - The Company's business could be affected by pricing pressure within the market.

**Seasonality** - The Company's results are highly seasonal.

**Weather** - The weather can significantly impact the Company's results.

**General Industry** - The Company could miss our estimates and/or their financial guidance.

**Further Potential Risks** - See the Company's SEC filings, particularly its 10-K filing, for a discussion of further potential risks.

**Litigation** - The nature of the company's products makes it vulnerable to safety-related lawsuits.

**Weakening Retail Demand** - Should marine industry retail demand weaken materially, our estimates and investment thesis could be at risk.

**Regulatory Risk** - Should tax policy be restructured in such a way that it removes the second home mortgage deduction on qualifying boats or otherwise increases the tax obligation associated with boat ownership, it could negatively impact boat sales and, potentially, boating participation.

### IMAX Corporation (IMAX)

**Box office results may miss expectations.** Given IMAX's licensing model, any delta of global box office revenues, vs. expectations (either higher or lower), has a significant impact on the company's profitability. Therefore, in an unpredictable box office environment, any box office results below expectations could meaningfully impact IMAX's results.

**Growth in China may slow.** With China representing a significant portion of IMAX's revenues and system backlog, any slowdown in demand from either exhibitors or moviegoers in that region could negatively impact the company's consolidated results and growth outlook.

**Competitive environment may become increasingly difficult.** In addition to exhibitors continuing to develop and install their own and other third-party large-format theaters, the continued improvement of regular auditoriums with better seats, sound, and food options could become increasingly attractive to customers.

**COVID-19 pandemic could impair industry.** Should there be a resurgence in COVID-19 or another pandemic of similar nature, this could adversely impact both the operation of movie theaters and the availability of films to be released (due to impacts of film production). Given that IMAX's operations are dependent on third-party theaters being open and a consistent flow of films into theaters, this could also adversely impact IMAX's financial results and outlook.

### Topgolf Callaway Brands Corp. (MODG)

**Macroeconomic risk.** An economic recession or uncertainties regarding the future economic landscape could have a negative impact on consumer discretionary spending and adversely affect revenues, resulting in significant underperformance of the stock relative to our price target.

**Foreign exchange.** MODG has significant international penetration and foreign operations, and unfavorable changes in foreign currency exchange rates and/or political or labor instability could negatively affect operating results, which could have a negative impact on the stock versus our price target.

**Product, labor, and transportation costs.** Higher material, labor, or transportation costs could have a negative effect on MODG's margins and results, which could have a negative impact on the stock versus our price target.

**Warranty.** Many MODG products, specifically golf clubs, have a stated two-year warranty. If such products are made with defects, costs to replace or repair products could negatively affect Callaway's financial performance, which could have a negative impact on the stock versus our price target.

**Industry risk.** A reduction in golf participants, hours played, or overall interest in the game may trigger a decrease in demand for golf equipment and accessories. This would adversely affect MODG's sales, which could have a negative impact on the stock versus our price target.

**Topgolf acquisition risk.** MODG recently acquired Topgolf, which is dilutive to earnings and will likely lead to increased investment in the Topgolf business. Topgolf is also expected to have negative cash flow until FY23. If management is unable to grow the Topgolf business as

anticipated, MODG may see a material negative impact on the company's financial performance. Topgolf could also see a decline in venue visits, which could lead to a decline in profitability.

**Competition.** MODG operates in a highly competitive industry, which could lead to greater-than-expected promotions if the competition becomes irrational. This may, in turn, have a negative impact on the stock versus our price target.

**Bowlero Corporation**  
Consolidated Statements of Operations  
(\$ in thousands except per share data)

| Fiscal Year: June                                     | 2023E           |                 |                 |               | 2024E         |               |                |               | 2025E         |                |                |               | Fiscal Year     |                 |                 |                |                |
|---|-----------------|-----------------|-----------------|---------------|---------------|---------------|----------------|---------------|---------------|----------------|----------------|---------------|-----------------|-----------------|-----------------|----------------|----------------|
|   | Q1A<br>Sep      | Q2A<br>Dec      | Q3A<br>Mar      | Q4E<br>Jun    | Q1E<br>Sep    | Q2E<br>Dec    | Q3E<br>Mar     | Q4E<br>Jun    | Q1E<br>Sep    | Q2E<br>Dec     | Q3E<br>Mar     | Q4E<br>Jun    | 2021            | 2022            | 2023E           | 2024E          | 2025E          |
| <b>Revenues</b>                                       | \$ 230,260      | \$ 273,385      | \$ 315,725      | \$ 245,834    | \$ 250,013    | \$ 294,459    | \$ 338,411     | \$ 279,924    | \$ 268,237    | \$ 316,781     | \$ 365,021     | \$ 302,698    | \$ 395,234      | \$ 911,705      | \$ 1,065,204    | \$ 1,162,807   | \$ 1,252,737   |
| Cost of revenues                                      | 165,202         | 179,706         | 189,304         | 170,088       | 177,318       | 198,226       | 204,157        | 193,675       | 190,243       | 213,253        | 220,210        | 209,432       | 374,255         | 609,971         | 704,300         | 773,376        | 833,138        |
| Gross profit  | 65,058          | 93,679          | 126,421         | 75,745        | 72,695        | 96,233        | 134,254        | 86,249        | 77,994        | 103,529        | 144,811        | 93,266        | 20,979          | 301,734         | 360,903         | 389,431        | 419,599        |
| Operating (income) expenses:                          |                 |                 |                 |               |               |               |                |               |               |                |                |               |                 |                 |                 |                |                |
| Selling, general and administrative expenses          | 32,494          | 34,452          | 35,891          | 41,042        | 34,119        | 36,175        | 37,686         | 43,094        | 35,825        | 37,983         | 39,570         | 45,249        | 78,335          | 180,702         | 143,879         | 151,073        | 158,627        |
| Asset impairment                                      | 84              | 0               | 489             | 0             | 0             | 0             | 0              | 0             | 0             | 0              | 0              | 0             | 386             | 1,548           | 573             | 0              | 0              |
| Gain on sale or disposal of assets                    | (155)           | (1,823)         | (192)           | (1,131)       | (825)         | (993)         | (785)          | (934)         | (884)         | (899)          | (876)          | (898)         | (46)            | (4,109)         | (3,301)         | (3,537)        | (3,557)        |
| Other operating expense                               | 1,362           | 614             | 649             | 971           | 899           | 783           | 826            | 870           | 844           | 831            | 843            | 847           | 1,131           | 6,968           | 3,596           | 3,378          | 3,365          |
| Business interruption insurance recoveries            | 0               | 0               | 0               | 0             | 0             | 0             | 0              | 0             | 0             | 0              | 0              | 0             | (20,188)        | 0               | 0               | 0              | 0              |
| Total operating expense                               | 33,785          | 33,243          | 36,837          | 40,883        | 34,193        | 35,965        | 37,726         | 43,031        | 35,785        | 37,915         | 39,537         | 45,198        | 59,618          | 185,109         | 144,748         | 150,914        | 158,435        |
| Operating profit (loss)                               | 31,273          | 60,436          | 89,584          | 34,863        | 38,502        | 60,268        | 96,528         | 43,219        | 42,209        | 65,614         | 105,274        | 48,068        | (38,639)        | 116,625         | 216,156         | 238,517        | 261,164        |
| <b>Adjusted EBITDA</b>                                | <b>65,309</b>   | <b>96,955</b>   | <b>127,588</b>  | <b>70,558</b> | <b>75,456</b> | <b>98,034</b> | <b>135,510</b> | <b>83,090</b> | <b>83,198</b> | <b>107,687</b> | <b>148,502</b> | <b>92,439</b> | <b>73,119</b>   | <b>316,375</b>  | <b>360,410</b>  | <b>392,090</b> | <b>431,827</b> |
| Interest expense, net                                 | 23,570          | 27,379          | 29,117          | 29,117        | 29,117        | 29,117        | 29,117         | 29,117        | 29,117        | 29,117         | 29,117         | 29,117        | 88,857          | 94,460          | 109,183         | 116,468        | 116,468        |
| Change in fair value of earnout liability             | 40,760          | 30,776          | 87,222          | 0             | 0             | 0             | 0              | 0             | 0             | 0              | 0              | 0             | 0               | 25,800          | 158,758         | 0              | 0              |
| Change in fair value of warrant liability             | 0               | 0               | 0               | 0             | 0             | 0             | 0              | 0             | 0             | 0              | 0              | 0             | 0               | 26,840          | 0               | 0              | 0              |
| Other (income) expense                                | 48              | (678)           | 5,986           | 0             | 0             | 0             | 0              | 0             | 0             | 0              | 0              | 0             | 0               | 149             | 5,356           | 0              | 0              |
| Income (loss) before income tax expense (benefit)     | (33,105)        | 2,959           | (32,741)        | 5,746         | 9,385         | 31,151        | 67,411         | 14,102        | 13,092        | 36,497         | 76,157         | 18,951        | (127,496)       | (30,624)        | (57,141)        | 122,049        | 144,696        |
| Income tax expense (benefit)                          | 429             | 1,524           | (668)           | 500           | 500           | 500           | 500            | 500           | 500           | 500            | 500            | 500           | (1,035)         | (690)           | 1,785           | 2,000          | 2,000          |
| Net income (loss)                                     | (33,534)        | 1,435           | (32,073)        | 5,246         | 8,885         | 30,651        | 66,911         | 13,602        | 12,592        | 35,997         | 75,657         | 18,451        | (126,461)       | (29,934)        | (58,926)        | 120,049        | 142,696        |
| Series A preferred stock dividends                    | (2,801)         | (2,802)         | (4,401)         | (4,401)       | (4,401)       | (4,401)       | (4,401)        | (4,401)       | (4,401)       | (4,401)        | (4,401)        | (4,401)       | (8,015)         | (10,233)        | (14,405)        | (17,604)       | (17,604)       |
| Net income (loss) attributable to common stockholders | (36,335)        | (1,367)         | (36,474)        | 845           | 4,484         | 26,250        | 62,510         | 9,201         | 8,191         | 31,596         | 71,256         | 14,050        | (134,476)       | (40,167)        | (73,331)        | 102,445        | 125,092        |
| <b>EPS</b>  | <b>(\$0.22)</b> | <b>(\$0.01)</b> | <b>(\$0.22)</b> | <b>\$0.00</b> | <b>\$0.02</b> | <b>\$0.14</b> | <b>\$0.33</b>  | <b>\$0.05</b> | <b>\$0.04</b> | <b>\$0.17</b>  | <b>\$0.37</b>  | <b>\$0.07</b> | <b>(\$0.92)</b> | <b>(\$0.26)</b> | <b>(\$0.43)</b> | <b>\$0.54</b>  | <b>\$0.66</b>  |
| Shares outstanding (000)                              | 162,855         | 162,478         | 165,699         | 193,937       | 191,896       | 189,855       | 187,814        | 185,773       | 183,732       | 182,834        | 193,937        | 193,937       | 146,848         | 155,837         | 171,242         | 188,835        | 188,610        |
| <b>Percent of net sales:</b>                          |                 |                 |                 |               |               |               |                |               |               |                |                |               |                 |                 |                 |                |                |
| Cost of revenues                                      | 71.7%           | 65.7%           | 60.0%           | 69.2%         | 70.9%         | 67.3%         | 60.3%          | 69.2%         | 70.9%         | 67.3%          | 60.3%          | 69.2%         | 94.7%           | 66.9%           | 66.1%           | 66.5%          | 66.5%          |
| Gross profit  | 28.3%           | 34.3%           | 40.0%           | 30.8%         | 29.1%         | 32.7%         | 39.7%          | 30.8%         | 29.1%         | 32.7%          | 39.7%          | 30.8%         | 5.3%            | 33.1%           | 33.9%           | 33.5%          | 33.5%          |
| Operating (income) expenses:                          |                 |                 |                 |               |               |               |                |               |               |                |                |               |                 |                 |                 |                |                |
| Selling, general and administrative expenses          | 14.1%           | 12.6%           | 11.4%           | 16.7%         | 13.6%         | 12.3%         | 11.1%          | 15.4%         | 13.4%         | 12.0%          | 10.8%          | 14.9%         | 19.8%           | 19.8%           | 13.5%           | 13.0%          | 12.7%          |
| Asset impairment                                      | 0.0%            | 0.0%            | 0.2%            | 0.0%          | 0.0%          | 0.0%          | 0.0%           | 0.0%          | 0.0%          | 0.0%           | 0.0%           | 0.0%          | 0.1%            | 0.2%            | 0.1%            | 0.0%           | 0.0%           |
| Gain on sale or disposal of assets                    | -0.1%           | -0.7%           | -0.1%           | -0.5%         | -0.3%         | -0.3%         | -0.2%          | -0.3%         | -0.3%         | -0.3%          | -0.2%          | -0.3%         | 0.0%            | -0.5%           | -0.3%           | -0.3%          | -0.3%          |
| Other operating expense                               | 0.6%            | 0.2%            | 0.2%            | 0.4%          | 0.4%          | 0.3%          | 0.2%           | 0.3%          | 0.3%          | 0.3%           | 0.2%           | 0.3%          | 0.3%            | 0.8%            | 0.3%            | 0.3%           | 0.3%           |
| Business interruption insurance recoveries            | 0.0%            | 0.0%            | 0.0%            | 0.0%          | 0.0%          | 0.0%          | 0.0%           | 0.0%          | 0.0%          | 0.0%           | 0.0%           | 0.0%          | -5.1%           | 0.0%            | 0.0%            | 0.0%           | 0.0%           |
| Total operating expense                               | 14.7%           | 12.2%           | 11.7%           | 16.6%         | 13.7%         | 12.2%         | 11.1%          | 15.4%         | 13.3%         | 12.0%          | 10.8%          | 14.9%         | 15.1%           | 20.3%           | 13.6%           | 13.0%          | 12.6%          |
| Operating profit (loss)                               | 13.6%           | 22.1%           | 28.4%           | 14.2%         | 15.4%         | 20.5%         | 28.5%          | 15.4%         | 15.7%         | 20.7%          | 28.8%          | 15.9%         | -9.8%           | 12.8%           | 20.3%           | 20.5%          | 20.8%          |
| <b>Adjusted EBITDA</b>                                | <b>28.4%</b>    | <b>35.5%</b>    | <b>40.4%</b>    | <b>28.7%</b>  | <b>30.2%</b>  | <b>33.3%</b>  | <b>40.0%</b>   | <b>29.7%</b>  | <b>31.0%</b>  | <b>34.0%</b>   | <b>40.7%</b>   | <b>30.5%</b>  | <b>18.5%</b>    | <b>34.7%</b>    | <b>33.8%</b>    | <b>33.7%</b>   | <b>34.5%</b>   |
| Interest expense, net                                 | 10.2%           | 10.0%           | 9.2%            | 11.8%         | 11.6%         | 9.9%          | 8.6%           | 10.4%         | 10.9%         | 9.2%           | 8.0%           | 9.6%          | 22.5%           | 10.4%           | 10.2%           | 10.0%          | 9.3%           |
| Change in fair value of earnout liability             | 17.7%           | 11.3%           | 27.6%           | 0.0%          | 0.0%          | 0.0%          | 0.0%           | 0.0%          | 0.0%          | 0.0%           | 0.0%           | 0.0%          | 0.0%            | 2.8%            | 14.9%           | 0.0%           | 0.0%           |
| Change in fair value of warrant liability             | 0.0%            | 0.0%            | 0.0%            | 0.0%          | 0.0%          | 0.0%          | 0.0%           | 0.0%          | 0.0%          | 0.0%           | 0.0%           | 0.0%          | 0.0%            | 2.9%            | 0.0%            | 0.0%           | 0.0%           |
| Other expense   | 0.0%            | -0.2%           | 1.9%            | 0.0%          | 0.0%          | 0.0%          | 0.0%           | 0.0%          | 0.0%          | 0.0%           | 0.0%           | 0.0%          | 0.0%            | 0.0%            | 0.5%            | 0.0%           | 0.0%           |
| Income (loss) before income tax expense (benefit)     | -14.4%          | 1.1%            | -10.4%          | 2.3%          | 3.8%          | 10.6%         | 19.9%          | 5.0%          | 4.9%          | 11.5%          | 20.9%          | 6.3%          | -32.3%          | -3.4%           | -5.4%           | 10.5%          | 11.6%          |
| Income tax expense (benefit)                          | -1.3%           | 51.5%           | 2.0%            | 8.7%          | 5.3%          | 1.6%          | 0.7%           | 3.5%          | 3.8%          | 1.4%           | 0.7%           | 2.6%          | 0.8%            | 2.3%            | -3.1%           | 1.6%           | 1.4%           |
| Net income (loss)                                     | -14.6%          | 0.5%            | -10.2%          | 2.1%          | 3.6%          | 10.4%         | 19.8%          | 4.9%          | 4.7%          | 11.4%          | 20.7%          | 6.1%          | -32.0%          | -3.3%           | -5.5%           | 10.3%          | 11.4%          |
| Series A preferred stock dividends                    | -1.2%           | -1.0%           | -1.4%           | -1.8%         | -1.8%         | -1.5%         | -1.3%          | -1.6%         | -1.6%         | -1.4%          | -1.2%          | -1.5%         | -2.0%           | -1.1%           | -1.4%           | -1.5%          | -1.4%          |
| Net income (loss) attributable to common stockholders | -15.8%          | -0.5%           | -11.6%          | 0.3%          | 1.8%          | 8.9%          | 18.5%          | 3.3%          | 3.1%          | 10.0%          | 19.5%          | 4.6%          | -34.0%          | -4.4%           | -6.9%           | 8.8%           | 10.0%          |
| <b>Year-over-year growth</b>                          |                 |                 |                 |               |               |               |                |               |               |                |                |               |                 |                 |                 |                |                |
| Revenues  | 27.2%           | 33.2%           | 22.5%           | -8.2%         | 8.6%          | 7.7%          | 7.2%           | 13.9%         | 7.3%          | 7.6%           | 7.9%           | 8.1%          |                 | 130.7%          | 16.8%           | 9.2%           | 7.7%           |
| AEBITDA   | 11.0%           | 45.2%           | 17.7%           | -14.4%        | 15.5%         | 1.1%          | 6.2%           | 17.8%         | 10.3%         | 9.8%           | 9.6%           | 11.3%         |                 | 332.7%          | 13.9%           | 8.8%           | 10.1%          |
| EPS   | N/M             | N/M             | N/M             | -82.3%        | N/M           | N/M           | N/M            | 103.0%        | 90.8%         | 25.0%          | 10.4%          | 46.3%         |                 | N/M             | N/M             | N/M            | 22.3%          |

Sources: Company reports and B. Riley Securities estimates

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**Bowlero Corporation**

Balance Sheets

(\$ in 000s, except per share figures)

|   | 2021                | 2022                | 2023 Quarterly Detail |                     |                     |                     | 2023                | 2024 Quarterly Detail |                     |                     |                     | 2024                | 2025                |
|---|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   |                     |                     | Q1                    | Q2                  | Q3                  | Q4                  |                     | Q1                    | Q2                  | Q3                  | Q4                  |                     |                     |
| <b>Assets</b>                                 |                     |                     |                       |                     |                     |                     |                     |                       |                     |                     |                     |                     |                     |
| Current assets:                               |                     |                     |                       |                     |                     |                     |                     |                       |                     |                     |                     |                     |                     |
| Cash and cash equivalents                     | \$ 187,093          | \$ 132,236          | \$ 110,361            | \$ 79,446           | \$ 150,670          | \$ 61,019           | \$ 61,019           | \$ 37,810             | \$ 39,299           | \$ 60,069           | \$ 36,694           | \$ 36,694           | \$ 78,611           |
| Marketable securities and restricted cash     | 0                   | 0                   | 2,935                 | 22,488              | 10,374              | 10,374              | 10,374              | 10,374                | 10,374              | 10,374              | 10,374              | 10,374              | 10,374              |
| Accounts and notes receivable                 | 3,300               | 5,227               | 5,431                 | 8,807               | 6,157               | 5,654               | 5,654               | 5,750                 | 6,773               | 7,783               | 6,438               | 6,438               | 6,962               |
| Inventories                                   | 8,310               | 10,310              | 11,147                | 11,407              | 11,848              | 10,817              | 10,817              | 11,001                | 12,956              | 14,890              | 12,317              | 12,317              | 13,319              |
| Prepaid expenses and other current assets     | 8,056               | 12,732              | 14,488                | 14,206              | 19,649              | 13,090              | 13,090              | 13,109                | 14,533              | 14,994              | 14,680              | 14,680              | 15,790              |
| Assets held-for-sale                          | 686                 | 8,789               | 8,719                 | 2,552               | 2,069               | 2,069               | 2,069               | 2,069                 | 2,069               | 2,069               | 2,069               | 2,069               | 2,069               |
| <b>Total current assets</b>                   | <b>207,445</b>      | <b>169,294</b>      | <b>153,081</b>        | <b>138,906</b>      | <b>200,767</b>      | <b>103,023</b>      | <b>103,023</b>      | <b>80,113</b>         | <b>86,004</b>       | <b>110,180</b>      | <b>82,572</b>       | <b>82,572</b>       | <b>127,125</b>      |
| Property and equipment, net                   | 415,661             | 534,721             | 577,260               | 652,847             | 663,937             | 669,110             | 669,110             | 670,874               | 677,035             | 689,005             | 692,962             | 692,962             | 717,204             |
| Internal use software                         | 9,062               | 11,423              | 12,393                | 14,901              | 16,434              | 16,434              | 16,434              | 16,434                | 16,434              | 16,434              | 16,434              | 16,434              | 16,434              |
| Property and equipment under capital leases   | 284,077             | 262,703             | 261,618               | 254,583             | 252,379             | 252,379             | 252,379             | 252,379               | 252,379             | 252,379             | 252,379             | 252,379             | 252,379             |
| Intangible assets                             | 96,057              | 92,593              | 92,119                | 92,795              | 91,982              | 91,982              | 91,982              | 91,982                | 91,982              | 91,982              | 91,982              | 91,982              | 91,982              |
| Goodwill                                      | 726,156             | 742,669             | 743,655               | 748,594             | 750,230             | 768,230             | 768,230             | 777,230               | 786,230             | 799,730             | 813,230             | 813,230             | 876,230             |
| Other assets                                  | 43,780              | 41,022              | 39,342                | 38,643              | 38,409              | 38,409              | 38,409              | 38,409                | 38,409              | 38,409              | 38,409              | 38,409              | 38,409              |
| <b>TOTAL ASSETS</b>                           | <b>1,782,238</b>    | <b>1,854,425</b>    | <b>1,879,468</b>      | <b>1,941,269</b>    | <b>2,014,138</b>    | <b>1,939,566</b>    | <b>1,939,566</b>    | <b>1,927,421</b>      | <b>1,948,473</b>    | <b>1,998,119</b>    | <b>1,987,968</b>    | <b>1,987,968</b>    | <b>2,119,763</b>    |
| <b>Liabilities and Stockholders' Equity</b>   |                     |                     |                       |                     |                     |                     |                     |                       |                     |                     |                     |                     |                     |
| Current liabilities:                          |                     |                     |                       |                     |                     |                     |                     |                       |                     |                     |                     |                     |                     |
| Accounts payable                              | 29,489              | 38,217              | 40,265                | 44,590              | 46,601              | 38,004              | 38,004              | 38,059                | 42,192              | 43,532              | 42,619              | 42,619              | 45,843              |
| Accrued expenses                              | 63,650              | 62,854              | 61,732                | 76,612              | 83,774              | 69,673              | 69,673              | 69,774                | 77,352              | 79,808              | 78,134              | 78,134              | 84,045              |
| Current maturities of long-term debt          | 5,058               | 4,966               | 5,834                 | 5,821               | 5,569               | 5,569               | 5,569               | 5,569                 | 5,569               | 5,569               | 5,569               | 5,569               | 5,569               |
| Other current liabilities                     | 9,176               | 13,123              | 13,906                | 11,995              | 10,946              | 10,946              | 10,946              | 10,946                | 10,946              | 10,946              | 10,946              | 10,946              | 10,946              |
| <b>Total current liabilities</b>              | <b>107,373</b>      | <b>119,160</b>      | <b>121,737</b>        | <b>139,018</b>      | <b>146,890</b>      | <b>124,192</b>      | <b>124,192</b>      | <b>124,348</b>        | <b>136,059</b>      | <b>139,855</b>      | <b>137,268</b>      | <b>137,268</b>      | <b>146,402</b>      |
| Long-term debt                                | 870,528             | 865,090             | 878,243               | 876,856             | 897,404             | 897,404             | 897,404             | 897,404               | 897,404             | 897,404             | 897,404             | 897,404             | 897,404             |
| Long-term obligations under capital leases    | 374,598             | 397,603             | 398,223               | 394,836             | 393,890             | 393,890             | 393,890             | 393,890               | 393,890             | 393,890             | 393,890             | 393,890             | 393,890             |
| Earnout liability                             | 0                   | 210,952             | 251,779               | 282,557             | 185,361             | 185,361             | 185,361             | 185,361               | 185,361             | 185,361             | 185,361             | 185,361             | 185,361             |
| Other long-term liabilities                   | 87,749              | 54,418              | 58,344                | 79,354              | 80,004              | 80,004              | 80,004              | 80,004                | 80,004              | 80,004              | 80,004              | 80,004              | 80,004              |
| Deferred income tax liabilities               | 11,867              | 14,882              | 14,906                | 15,213              | 15,771              | 15,771              | 15,771              | 15,771                | 15,771              | 15,771              | 15,771              | 15,771              | 15,771              |
| Series A preferred stock - Old Bowlero        | 141,162             | 0                   | 0                     | 0                   | 0                   | 0                   | 0                   | 0                     | 0                   | 0                   | 0                   | 0                   | 0                   |
| Series A preferred stock                      | 0                   | 206,002             | 206,002               | 211,667             | 206,376             | 206,376             | 206,376             | 206,376               | 206,376             | 206,376             | 206,376             | 206,376             | 206,376             |
| Redeemable Class A common stock - Old Bowlero | 464,827             | 0                   | 0                     | 0                   | 0                   | 0                   | 0                   | 0                     | 0                   | 0                   | 0                   | 0                   | 0                   |
| Class A common stock                          | 10                  | 11                  | 11                    | 11                  | 11                  | 11                  | 11                  | 11                    | 11                  | 11                  | 11                  | 11                  | 11                  |
| Class B common stock                          | 0                   | 6                   | 6                     | 6                   | 6                   | 6                   | 6                   | 6                     | 6                   | 6                   | 6                   | 6                   | 6                   |
| Additional paid-in capital                    | 0                   | 335,015             | 338,294               | 336,261             | 519,093             | 448,135             | 448,135             | 423,135               | 398,135             | 373,135             | 348,135             | 348,135             | 312,135             |
| Treasury stock, at cost                       | 0                   | (34,557)            | (40,019)              | (47,968)            | (53,530)            | (53,530)            | (53,530)            | (53,530)              | (53,530)            | (53,530)            | (53,530)            | (53,530)            | (53,530)            |
| Accumulated deficit                           | (266,472)           | (312,851)           | (346,385)             | (344,950)           | (377,023)           | (357,938)           | (357,938)           | (345,240)             | (310,900)           | (240,049)           | (222,612)           | (222,612)           | (63,952)            |
| Accumulated other comprehensive loss          | (9,404)             | (1,306)             | (1,673)               | (1,592)             | (115)               | (115)               | (115)               | (115)                 | (115)               | (115)               | (115)               | (115)               | (115)               |
| <b>Total stockholders' equity</b>             | <b>330,123</b>      | <b>192,320</b>      | <b>156,236</b>        | <b>153,435</b>      | <b>294,818</b>      | <b>242,945</b>      | <b>242,945</b>      | <b>230,643</b>        | <b>239,983</b>      | <b>285,834</b>      | <b>278,271</b>      | <b>278,271</b>      | <b>400,931</b>      |
| <b>TOTAL LIABILITIES AND S.E.</b>             | <b>\$ 1,782,238</b> | <b>\$ 1,854,425</b> | <b>\$ 1,879,468</b>   | <b>\$ 1,941,269</b> | <b>\$ 2,014,138</b> | <b>\$ 1,939,566</b> | <b>\$ 1,939,566</b> | <b>\$ 1,927,421</b>   | <b>\$ 1,948,473</b> | <b>\$ 1,998,119</b> | <b>\$ 1,987,968</b> | <b>\$ 1,987,968</b> | <b>\$ 2,119,763</b> |

Sources: Company reports and B. Riley Securities estimates

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**Bowlero Corporation**  
 Statements of Cash Flows  
 (\$ in 000s, except per share figures)

|  | 2021              | 2022              | 2023 Quarterly Detail |                  |                   |                  | 2023             | 2024 Quarterly Detail |                  |                  |                  | 2024             | 2025             |
|--|-------------------|-------------------|-----------------------|------------------|-------------------|------------------|------------------|-----------------------|------------------|------------------|------------------|------------------|------------------|
|  |                   |                   | Q1                    | Q2               | Q3                | Q4               |                  | Q1                    | Q2               | Q3               | Q4               |                  |                  |
| <b>Cash flows from operating activities:</b>                 |                   |                   |                       |                  |                   |                  |                  |                       |                  |                  |                  |                  |                  |
| Net income (loss)  | \$ (126,461)      | \$ (29,934)       | \$ (33,534)           | \$ 1,435         | \$ (32,073)       | \$ 5,246         | \$ (58,926)      | \$ 8,885              | \$ 30,651        | \$ 66,911        | \$ 13,602        | \$ 120,049       | \$ 142,696       |
| Asset impairment   | 386               | 1,548             | 84                    | 0                | 489               | 0                | 573              | 0                     | 0                | 0                | 0                | 0                | 0                |
| Depreciation and amortization                                | 91,851            | 106,957           | 26,267                | 29,303           | 29,444            | 30,327           | 115,341          | 31,237                | 32,174           | 33,139           | 34,134           | 130,685          | 147,087          |
| Gain on sale or disposal of assets                           | (46)              | (4,109)           | (155)                 | (1,823)          | (192)             | (1,131)          | (3,301)          | (825)                 | (993)            | (785)            | (934)            | (3,537)          | (3,557)          |
| Income from joint venture                                    | (223)             | (388)             | (99)                  | (101)            | (129)             | (129)            | (458)            | (129)                 | (129)            | (129)            | (129)            | (516)            | (516)            |
| Loss on refinancing of debt                                  | 0                 | 953               | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Loss on settlement of warrants                               | 0                 | 149               | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Amortization of deferred financing units                     | 3,431             | 3,502             | 956                   | 900              | 729               | 729              | 3,314            | 729                   | 729              | 729              | 729              | 2,916            | 2,916            |
| Amortization of deferred rent incentive                      | (1,766)           | (283)             | (567)                 | 363              | (248)             | 0                | (452)            | 0                     | 0                | 0                | 0                | 0                | 0                |
| Non-cash interest expense on capital lease obligation        | 6,986             | 5,098             | 4,510                 | 850              | (510)             | 0                | 4,850            | 0                     | 0                | 0                | 0                | 0                | 0                |
| Amortization of deferred sale leaseback gain                 | (1,204)           | (1,015)           | (257)                 | (257)            | (253)             | (253)            | (1,020)          | (253)                 | (253)            | (253)            | (253)            | (1,012)          | (1,012)          |
| Deferred income taxes  | (1,418)           | (6,879)           | 0                     | 178              | 219               | 0                | 397              | 0                     | 0                | 0                | 0                | 0                | 0                |
| Share-based compensation                                     | 3,164             | 50,236            | 3,648                 | 4,036            | 4,207             | 4,249            | 16,140           | 4,292                 | 4,334            | 4,378            | 4,422            | 17,425           | 18,133           |
| Distributions from joint venture                             | 210               | 401               | 109                   | 104              | 110               | 0                | 323              | 0                     | 0                | 0                | 0                | 0                | 0                |
| Change in fair value of earnout liability                    | 0                 | 25,800            | 40,760                | 30,776           | 87,222            | 0                | 158,758          | 0                     | 0                | 0                | 0                | 0                | 0                |
| Change in fair value of warrant liability                    | 0                 | 26,840            | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Change in fair value of marketable securities                | 0                 | 0                 | (89)                  | (666)            | (97)              | 0                | (852)            | 0                     | 0                | 0                | 0                | 0                | 0                |
| Change in operating assets and liabilities:                  |                   |                   |                       |                  |                   |                  |                  |                       |                  |                  |                  |                  |                  |
| Accounts receivable and notes receivable                     | 458               | (1,928)           | (205)                 | (2,813)          | 2,084             | 503              | (431)            | (96)                  | (1,022)          | (1,011)          | 1,345            | (784)            | (524)            |
| Inventories  | (137)             | (1,925)           | (824)                 | (152)            | (434)             | 1,031            | (379)            | (184)                 | (1,956)          | (1,934)          | 2,573            | (1,500)          | (1,002)          |
| Prepays, other current assets and other assets               | (2,184)           | (6,301)           | (915)                 | 227              | (5,299)           | 6,559            | 572              | (19)                  | (1,424)          | (461)            | 315              | (1,590)          | (1,110)          |
| Accounts payable and accrued expenses                        | 40,073            | (409)             | (3,947)               | 16,332           | 7,715             | (22,698)         | (2,598)          | 156                   | 11,711           | 3,796            | (2,587)          | 13,076           | 9,135            |
| Other current liabilities                                    | 725               | 6,677             | (1,125)               | 1,252            | (1,293)           | 0                | (1,166)          | 0                     | 0                | 0                | 0                | 0                | 0                |
| Other long-term liabilities                                  | 44,387            | 2,678             | 956                   | 362              | 1,232             | 0                | 2,550            | 0                     | 0                | 0                | 0                | 0                | 0                |
| <b>Net cash provided by operating activities</b>             | <b>58,232</b>     | <b>177,670</b>    | <b>35,573</b>         | <b>80,306</b>    | <b>92,923</b>     | <b>24,433</b>    | <b>233,235</b>   | <b>43,793</b>         | <b>73,824</b>    | <b>104,379</b>   | <b>53,216</b>    | <b>275,212</b>   | <b>312,245</b>   |
| <b>Cash flows from investing activities:</b>                 |                   |                   |                       |                  |                   |                  |                  |                       |                  |                  |                  |                  |                  |
| Purchases of property and equipment                          | (43,137)          | (162,371)         | (44,709)              | (33,402)         | (33,933)          | (29,500)         | (141,544)        | (30,002)              | (35,335)         | (40,609)         | (33,591)         | (139,537)        | (150,328)        |
| Proceeds from sale of property and equipment                 | 1,273             | 17,105            | 0                     | 6,518            | 0                 | 0                | 6,518            | 0                     | 0                | 0                | 0                | 0                | 0                |
| Purchases of intangible assets                               | (60)              | (2,427)           | (17)                  | (5)              | 0                 | 0                | (22)             | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from sale of intangibles                            | 140               | 0                 | 0                     | 126              | 74                | 0                | 200              | 0                     | 0                | 0                | 0                | 0                | 0                |
| Purchase of (proceeds from sale of) marketable securities    | 0                 | 0                 | (1,948)               | (10,086)         | 12,786            | 0                | 852              | 0                     | 0                | 0                | 0                | 0                | 0                |
| Acquisitions, net of cash acquired                           | (4,892)           | (72,652)          | (15,918)              | (63,654)         | (3,871)           | (24,000)         | (107,453)        | (12,000)              | (12,000)         | (18,000)         | (18,000)         | (60,000)         | (84,000)         |
| <b>Net cash provided by investing activities</b>             | <b>(46,676)</b>   | <b>(220,345)</b>  | <b>(62,492)</b>       | <b>(100,513)</b> | <b>(24,944)</b>   | <b>(53,500)</b>  | <b>(241,449)</b> | <b>(42,002)</b>       | <b>(47,335)</b>  | <b>(58,609)</b>  | <b>(51,591)</b>  | <b>(199,537)</b> | <b>(234,328)</b> |
| <b>Cash flows from financing activities:</b>                 |                   |                   |                       |                  |                   |                  |                  |                       |                  |                  |                  |                  |                  |
| Repurchase of Series A preferred stock - Old Bowlero         | 0                 | (145,298)         | 0                     | 0                | (6,824)           | (70,958)         | (77,782)         | (25,000)              | (25,000)         | (25,000)         | (25,000)         | (100,000)        | (36,000)         |
| Proceeds from issuance of Series A preferred stock           | 0                 | 95,000            | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from issuance of Class A common stock to IOS        | 0                 | 94,413            | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Transaction costs related to Merger recapitalization         | 0                 | (20,670)          | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from PIPE investment                                | 0                 | 150,604           | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from Forward Investment                             | 0                 | 100,000           | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Payment to existing shareholders of Old Bowlero              | 0                 | (226,000)         | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Consideration paid to existing option holders of Old Bowlero | 0                 | (15,467)          | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Settlement of contingent consideration                       | 0                 | 0                 | 0                     | 1,000            | 0                 | 0                | 1,000            | 0                     | 0                | 0                | 0                | 0                | 0                |
| Repurchase of treasury stock                                 | 0                 | (31,463)          | (7,558)               | (8,797)          | (5,681)           | 0                | (22,036)         | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from share issuance                                 | 0                 | 0                 | 0                     | 590              | 0                 | 0                | 590              | 0                     | 0                | 0                | 0                | 0                | 0                |
| Repurchase of warrants                                       | 0                 | (5,375)           | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from (payment of) long-term debt                    | (8,211)           | (10,263)          | 13,224                | (2,205)          | 113,604           | 0                | 124,623          | 0                     | 0                | 0                | 0                | 0                | 0                |
| Payment of First Lien Credit Facility Revolver               | 0                 | (39,853)          | 0                     | 0                | (86,434)          | 0                | (86,434)         | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from (payments of) Incremental Liquidity Facility   | 45,000            | (45,000)          | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from sale-leaseback financing                       | 0                 | 0                 | 0                     | 10,363           | 0                 | 0                | 10,363           | 0                     | 0                | 0                | 0                | 0                | 0                |
| Payments of deferred financing costs                         | (1,984)           | (977)             | 0                     | 0                | (8,058)           | 0                | (8,058)          | 0                     | 0                | 0                | 0                | 0                | 0                |
| Payments for tax withholdings on share-based awards          | 0                 | (503)             | (499)                 | (992)            | (4,259)           | 0                | (5,750)          | 0                     | 0                | 0                | 0                | 0                | 0                |
| Proceeds from New Revolver                                   | 0                 | 86,434            | 0                     | 0                | 0                 | 0                | 0                | 0                     | 0                | 0                | 0                | 0                | 0                |
| Construction allowance receipts                              | 0                 | 2,282             | 0                     | 0                | 490               | 0                | 490              | 0                     | 0                | 0                | 0                | 0                | 0                |
| <b>Net cash provided by financing activities</b>             | <b>34,805</b>     | <b>(12,136)</b>   | <b>5,167</b>          | <b>(41)</b>      | <b>2,838</b>      | <b>(70,958)</b>  | <b>(62,994)</b>  | <b>(25,000)</b>       | <b>(25,000)</b>  | <b>(25,000)</b>  | <b>(25,000)</b>  | <b>(100,000)</b> | <b>(36,000)</b>  |
| Effect of exchange rate changes on cash                      | 27                | (46)              | (123)                 | (304)            | 418               | 0                | (9)              | 0                     | 0                | 0                | 0                | 0                | 0                |
| Net increase (decrease) in cash and cash equivalents         | 46,388            | (54,857)          | (21,875)              | (20,552)         | 71,235            | (100,025)        | (71,217)         | (23,209)              | 1,489            | 20,770           | (23,375)         | (24,324)         | 41,917           |
| Cash and cash equivalents at beginning of period             | 140,705           | 187,093           | 132,236               | 110,361          | 89,809            | 161,044          | 132,236          | 61,019                | 37,810           | 39,299           | 60,069           | 61,019           | 36,694           |
| <b>Cash and cash equivalents at end of period</b>            | <b>\$ 187,093</b> | <b>\$ 132,236</b> | <b>\$ 110,361</b>     | <b>\$ 89,809</b> | <b>\$ 161,044</b> | <b>\$ 61,019</b> | <b>\$ 61,019</b> | <b>\$ 37,810</b>      | <b>\$ 39,299</b> | <b>\$ 60,069</b> | <b>\$ 36,694</b> | <b>\$ 36,694</b> | <b>\$ 78,611</b> |

Sources: Company reports and B. Riley Securities estimates

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\*Closing price of last trading day immediately prior to the date of this publication unless otherwise indicated.

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