

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended April 2, 2023  
OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 001-40142**



**BOWLERO CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**7313 Bell Creek Road**

**Mechanicsville, Virginia**

(Address of Principal Executive Offices)

**98-1632024**

(I.R.S. Employer Identification No.)

**23111**

(Zip Code)

**(804) 417-2000**

Registrant's telephone number, including area code

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Class A common stock, par value \$0.0001 per share	BOWL	The New York Stock Exchange

**Securities registered pursuant to section 12(g) of the Act: None**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had outstanding 112,676,464 shares of Class A common stock, 60,819,437 shares of Class B common stock, and 136,373 shares of Series A preferred stock as of May 10, 2023.

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**Bowlero Corp.**  
**Condensed Consolidated Balance Sheets**  
**April 2, 2023 and July 3, 2022**  
**(Amounts in thousands)**  
**(Unaudited)**

**Item 1. Condensed Financial Statements**

	<u>April 2, 2023</u>	<u>July 3, 2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 150,670	\$ 132,236
Restricted cash	10,374	—
Accounts and notes receivable, net of allowance for doubtful accounts of \$592 and \$504, respectively	6,157	5,227
Inventories, net	11,848	10,310
Prepaid expenses and other current assets	19,649	12,732
Assets held-for-sale	2,069	8,789
Total current assets	<u>200,767</u>	<u>169,294</u>
Property and equipment, net	663,937	534,721
Internal use software, net	16,434	11,423
Property and equipment under capital leases, net	252,379	262,703
Intangible assets, net	91,982	92,593
Goodwill	750,230	742,669
Other assets	38,409	41,022
Total assets	<u>\$ 2,014,138</u>	<u>\$ 1,854,425</u>
<b>Liabilities, Temporary Equity and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 46,601	\$ 38,217
Accrued expenses	83,774	62,854
Current maturities of long-term debt	5,569	4,966
Other current liabilities	10,946	13,123
Total current liabilities	<u>146,890</u>	<u>119,160</u>
Long-term debt, net	897,404	865,090
Long-term obligations under capital leases	393,890	397,603
Earnout liability	185,361	210,952
Other long-term liabilities	80,004	54,418
Deferred income tax liabilities	15,771	14,882
Total liabilities	<u>1,719,320</u>	<u>1,662,105</u>
<b>Commitments and Contingencies (Note 10)</b>		
<b>Temporary Equity</b>		
Series A preferred stock	206,376	206,002



	<u>April 2, 2023</u>	<u>July 3, 2022</u>
<b>Stockholders' Equity (Deficit)</b>		
Class A common stock	\$ 11	\$ 11
Class B common stock	6	6
Additional paid-in capital	519,093	335,015
Treasury stock, at cost	(53,530)	(34,557)
Accumulated deficit	(377,023)	(312,851)
Accumulated other comprehensive loss	(115)	(1,306)
Total stockholders' equity (deficit)	<u>88,442</u>	<u>(13,682)</u>
Total liabilities, temporary equity and stockholders' equity (deficit)	<u>\$ 2,014,138</u>	<u>\$ 1,854,425</u>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Bowlero Corp.**  
**Condensed Consolidated Statements of Operations**  
**For the Periods Ended April 2, 2023 and March 27, 2022**  
(Amounts in thousands, except share and per share amounts)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	April 2, 2023	March 27, 2022	April 2, 2023	March 27, 2022
<b>Revenues</b>	\$ 315,725	\$ 257,820	\$ 819,370	\$ 643,988
<b>Costs of revenues</b>	189,304	156,491	534,212	424,742
<b>Gross profit</b>	126,421	101,329	285,158	219,246
<b>Operating (income) expenses:</b>				
Selling, general and administrative expenses	35,891	30,315	102,837	145,013
Asset impairment	489	—	573	—
Gain on sale of assets	(192)	(1,601)	(2,170)	(1,755)
Other operating expense	649	1,899	2,625	5,708
Total operating expense	36,837	30,613	103,865	148,966
<b>Operating profit</b>	89,584	70,716	181,293	70,280
<b>Other expenses:</b>				
Interest expense, net	29,117	22,293	80,066	69,101
Change in fair value of earnout liability	87,222	45,778	158,758	23,236
Change in fair value of warrant liability	—	20,678	—	20,748
Other expense	5,986	161	5,356	161
Total other expense	122,325	88,910	244,180	113,246
<b>Loss before income tax (benefit) expense</b>	(32,741)	(18,194)	(62,887)	(42,966)
Income tax (benefit) expense	(668)	(207)	1,285	(6,089)
<b>Net loss</b>	(32,073)	(17,987)	(64,172)	(36,877)
Series A preferred stock dividends	(4,401)	(2,818)	(10,004)	(7,290)
<b>Net loss attributable to common stockholders</b>	<u>\$ (36,474)</u>	<u>\$ (20,805)</u>	<u>\$ (74,176)</u>	<u>\$ (44,167)</u>
<b>Net loss per share attributable to Class A and B common stockholders</b>				
Basic & Diluted	\$ (0.22)	\$ (0.13)	\$ (0.45)	\$ (0.29)
<b>Weighted-average shares used in computing net loss per share attributable to common stockholders</b>				
Basic & Diluted	165,698,500	162,590,921	163,676,194	152,731,385

*See accompanying notes to unaudited condensed consolidated financial statements.*





**Bowlero Corp.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
**For the Periods Ended April 2, 2023 and March 27, 2022**  
**(Amounts in thousands)**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>April 2, 2023</b>	<b>March 27, 2022</b>	<b>April 2, 2023</b>	<b>March 27, 2022</b>
Net loss	\$ (32,073)	\$ (17,987)	\$ (64,172)	\$ (36,877)
Other comprehensive income (loss), net of income tax:				
Unrealized gain on derivatives	—	97	—	55
Reclassification to earnings	—	2,205	—	6,610
Foreign currency translation adjustment	1,477	214	1,191	(158)
Other comprehensive income	1,477	2,516	1,191	6,507
Total comprehensive loss	<u>\$ (30,596)</u>	<u>\$ (15,471)</u>	<u>\$ (62,981)</u>	<u>\$ (30,370)</u>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Bowlero Corp.**  
**Condensed Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Deficit)**  
**For the Periods Ended April 2, 2023 and March 27, 2022**  
**(Amounts in thousands, except share amounts)**  
**(Unaudited)**

	Redeemable Class A common stock		Series A preferred stock		Class A common Stock		Class B common Stock		Treasury stock		Additional Paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, June 27, 2021	2,069,000	\$464,827	106,378	\$141,162	3,842,428	\$ 1	—	\$ —	—	\$ —	\$ —	\$ (266,463)	\$ (9,404)	\$ (275,866)
Retroactive application of recapitalization	49,328,025	—	2,536,209	—	91,608,875	9	—	—	—	—	—	(9)	—	—
Balance, June 27, 2021 (retroactively stated for application of recapitalization)	51,397,025	\$464,827	2,642,587	\$141,162	95,451,303	\$ 10	—	\$ —	—	\$ —	\$ —	\$ (266,472)	\$ (9,404)	\$ (275,866)
Net income	—	—	—	—	—	—	—	—	—	—	—	15,564	—	15,564
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	(164)	(164)
Unrealized loss on derivatives	—	—	—	—	—	—	—	—	—	—	—	—	(32)	(32)
Reclassification to earnings	—	—	—	—	—	—	—	—	—	—	—	—	2,202	2,202
Accrued dividends on pre-merger Series A preferred stock	—	—	—	2,251	—	—	—	—	—	—	(2,251)	—	—	(2,251)
Change in fair value of redeemable Class A common stock of Old Bowlero	—	14,995	—	—	—	—	—	—	—	—	(14,995)	—	—	(14,995)
Share-based compensation	—	—	—	—	—	—	—	—	—	—	801	—	—	801
Reclass of negative APIC to accumulated deficit	—	—	—	—	—	—	—	—	—	—	16,445	(16,445)	—	—
Balance, September 26, 2021	51,397,025	\$479,822	2,642,587	\$143,413	95,451,303	\$ 10	—	\$ —	—	\$ —	\$ —	\$ (267,353)	\$ (7,398)	\$ (274,741)
Net loss	—	—	—	—	—	—	—	—	—	—	—	(34,454)	—	(34,454)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	(208)	(208)
Unrealized loss on derivatives	—	—	—	—	—	—	—	—	—	—	—	—	(10)	(10)
Reclassification to earnings	—	—	—	—	—	—	—	—	—	—	—	—	2,203	2,203
Accrued dividends on pre-merger Series A preferred stock	—	—	—	1,885	—	—	—	—	—	—	(1,885)	—	—	(1,885)
Change in fair value of redeemable Class A common stock of Old Bowlero	—	23,869	—	—	—	—	—	—	—	—	(23,869)	—	—	(23,869)
Merger induced stock based compensation	—	—	—	—	2,529,360	—	5,839,993	1	—	—	42,555	—	—	42,556
Issuance of common stock and preferred stock in connection with Merger Capitalization, net of Bowlero equity issuance costs and fair value of liability-classified warrants and earnout	—	—	95,000	95,000	42,185,233	4	1,074,185	—	—	—	120,805	—	—	120,809
Settlement of pre-merger Series A preferred stock	—	—	(2,642,587)	(145,298)	—	—	—	—	—	—	—	—	—	—
Conversion of Class A common stock of Old Bowlero to Series A preferred stock	—	—	105,000	105,000	(10,499,900)	(1)	—	—	—	—	(104,999)	—	—	(105,000)
Consideration to existing shareholders of Old Bowlero	—	—	—	—	(22,599,800)	(2)	—	—	—	—	(225,998)	—	—	(226,000)
Consideration paid to Old Bowlero optionholders	—	—	—	—	—	—	—	—	—	—	(15,467)	—	—	(15,467)
Exchange of redeemable Class A common stock of Old Bowlero for Class B common stock	(51,397,025)	(503,691)	—	—	—	—	51,397,025	5	—	—	503,686	—	—	503,691
Balance, December 26, 2021	—	\$ —	200,000	\$200,000	107,066,196	\$ 11	58,311,203	\$ 6	—	\$ —	\$ 294,828	\$ (301,807)	\$ (5,413)	\$ (12,375)

	Redeemable Class A common stock		Series A preferred stock		Class A common Stock		Class B common Stock		Treasury stock		Additional Paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance, December 26, 2021</b>	—	\$ —	200,000	\$200,000	107,066,196	\$ 11	58,311,203	\$ 6	—	\$ —	\$ 294,828	\$ (301,807)	\$ (5,413)	\$ (12,375)
Net loss	—	—	—	—	—	—	—	—	—	—	—	(17,987)	—	(17,987)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	214	214
Unrealized gain on derivatives	—	—	—	—	—	—	—	—	—	—	—	—	97	97
Reclassification to earnings	—	—	—	—	—	—	—	—	—	—	—	—	2,205	2,205
Accrual of paid-in-kind dividends on Series A preferred stock	—	—	—	489	—	—	—	—	—	—	(489)	—	—	(489)
Repurchase of Class A common stock into Treasury stock	—	—	—	—	(109,754)	—	—	—	109,754	(1,026)	—	—	—	(1,026)
Stock based compensation	—	—	—	—	69,086	—	—	—	—	—	2,451	—	—	2,451
<b>Balance, March 27, 2022</b>	—	\$ —	200,000	\$200,489	107,025,528	\$ 11	58,311,203	\$ 6	109,754	\$ (1,026)	\$ 296,790	\$ (319,794)	\$ (2,897)	\$ (26,910)

	Series A preferred stock		Class A common Stock		Class B common Stock		Treasury stock		Additional Paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance, July 3, 2022</b>	200,000	\$ 206,002	110,395,630	\$ 11	55,911,203	\$ 6	3,430,667	\$ (34,557)	\$ 335,015	\$ (312,851)	\$ (1,306)	\$ (13,682)
Net loss	—	—	—	—	—	—	—	—	—	(33,534)	—	(33,534)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	(367)	(367)
Share-based compensation	—	—	50,317	—	—	—	—	—	3,279	—	—	3,279
Repurchase of Class A common stock into Treasury stock	—	—	(468,103)	—	—	—	468,103	(5,462)	—	—	—	(5,462)
<b>Balance, October 2, 2022</b>	200,000	\$ 206,002	109,977,844	\$ 11	55,911,203	\$ 6	3,898,770	\$ (40,019)	\$ 338,294	\$ (346,385)	\$ (1,673)	\$ (49,766)
Net income	—	—	—	—	—	—	—	—	—	1,435	—	1,435
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	81	81
Share-based compensation	—	—	377,927	—	—	—	—	—	3,632	—	—	3,632
Accrual of paid-in-kind dividends on Series A preferred stock	—	5,665	—	—	—	—	—	—	(5,665)	—	—	(5,665)
Repurchase of Class A common stock into Treasury stock	—	—	(629,677)	—	—	—	629,677	(7,949)	—	—	—	(7,949)
<b>Balance, January 1, 2023</b>	200,000	\$ 211,667	109,726,094	\$ 11	55,911,203	\$ 6	4,528,447	\$ (47,968)	\$ 336,261	\$ (344,950)	\$ (1,592)	\$ (58,232)
Net loss	—	—	—	—	—	—	—	—	—	(32,073)	—	(32,073)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	1,477	1,477
Share-based compensation	—	—	46,553	—	—	—	—	—	3,709	—	—	3,709
Settlement of Earnout Shares	—	—	4,670,495	—	4,908,234	—	—	—	180,656	—	—	180,656
Settlement of Series A preferred stock	(5,000)	(5,291)	—	—	—	—	—	—	(1,533)	—	—	(1,533)
Repurchase of Class A common stock into Treasury stock	—	—	(370,612)	—	—	—	370,612	(5,562)	—	—	—	(5,562)
<b>Balance, April 2, 2023</b>	195,000	\$ 206,376	114,072,530	\$ 11	60,819,437	\$ 6	4,899,059	\$ (53,530)	\$ 519,093	\$ (377,023)	\$ (115)	\$ 88,442

See accompanying notes to unaudited condensed consolidated financial statements.

**Bowlero Corp.**  
**Condensed Consolidated Statements of Cash Flows**  
**Nine Months Ended April 2, 2023 and March 27, 2022**  
**(Amounts in thousands)**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>April 2, 2023</b>	<b>March 27, 2022</b>
<b>Operating activities</b>		
Net loss	\$ (64,172)	\$ (36,877)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Asset impairment	573	—
Depreciation and amortization	85,014	78,487
Gain on sale of assets, net	(2,170)	(1,755)
Income from joint venture	(329)	(285)
Loss on refinance of debt	—	953
Loss on repurchase of warrants	—	161
Amortization of deferred financing costs	2,585	2,769
Amortization of deferred rent incentive	(452)	(281)
Non-cash interest expense on capital lease obligation	4,850	4,514
Amortization of deferred sale lease-back gain	(767)	(770)
Deferred income taxes	397	(6,587)
Share-based compensation	11,891	46,376
Distributions from joint venture	323	265
Change in fair value of earnout liability	158,758	23,236
Change in fair value of warrant liability	—	20,748
Change in fair value of marketable securities	(852)	—
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable and notes receivable, net	(934)	23
Inventories	(1,410)	(1,708)
Prepays, other current assets and other assets	(5,987)	(5,723)
Accounts payable and accrued expenses	20,100	10,777
Other current liabilities	(1,166)	4,265
Other long-term liabilities	2,550	4,273
Net cash provided by operating activities	<u>208,802</u>	<u>142,861</u>
<b>Investing activities</b>		
Purchases of property and equipment	(112,044)	(135,548)
Purchases of intangible assets	(22)	(2,602)
Proceeds from sale of property and equipment	6,518	6,160
Proceeds from sale of intangibles	200	—
Purchase of marketable securities	(44,855)	—
Proceeds from sale of marketable securities	45,707	—
Acquisitions, net of cash acquired	<u>(83,453)</u>	<u>(46,754)</u>
Net cash used in investing activities	<u>(187,949)</u>	<u>(178,744)</u>

	Nine Months Ended	
	April 2, 2023	March 27, 2022
<b>Financing activities</b>		
Repurchase of treasury stock	\$ (22,036)	\$ (1,026)
Repurchase of warrants	—	(5,382)
Repurchase of Series A preferred stock - Old Bowlero	—	(145,298)
Settlement of Series A preferred stock	(6,824)	—
Proceeds from issuance of Series A preferred stock	—	95,000
Proceeds from issuance of Class A common stock to Isos investors	—	94,413
Proceeds from share issuance	590	—
Transaction costs related to Merger recapitalization	—	(20,670)
Proceeds from PIPE Investment	—	150,604
Proceeds from Forward Investment	—	100,000
Payment to existing shareholders of Old Bowlero	—	(226,000)
Payments for tax withholdings on share-based awards	(5,750)	—
Consideration paid to existing option holders of Old Bowlero	—	(15,467)
Settlement of contingent consideration	1,000	—
Proceeds from Amendment No. 8 Term Loan	900,000	—
Payoff of First Lien Credit Facility Term Loan	(786,166)	—
Payment of long-term debt	(4,629)	(6,158)
Payment of First Lien Credit Facility Revolver	—	(39,853)
Proceeds from equipment loans	15,418	—
Payment of Incremental Liquidity Facility	—	(45,000)
Proceeds from Revolver	—	86,434
Payoff of Revolver	(86,434)	—
Proceeds from sale-leaseback financing	10,363	—
Payment of deferred financing costs	(8,058)	(977)
Construction allowance receipts	490	1,132
Net cash provided by financing activities	7,964	21,752
Effect of exchange rates on cash	(9)	15
Net increase (decrease) in cash, cash equivalents and restricted cash	28,808	(14,116)
Cash, cash equivalents and restricted cash at beginning of period	132,236	187,093
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 161,044</b>	<b>\$ 172,977</b>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Bowlero Corp.**  
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<a href="#"><u>Note 13</u></a>	<a href="#"><u>19</u></a>
<a href="#"><u>Note 14</u></a>	<a href="#"><u>20</u></a>
<a href="#"><u>Note 15</u></a>	<a href="#"><u>22</u></a>
<a href="#"><u>Note 16</u></a>	<a href="#"><u>23</u></a>
<a href="#"><u>Note 17</u></a>	<a href="#"><u>23</u></a>

**Bowlero Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**(In thousands, except share and per share data)**  
**(Unaudited)**

**(1) Description of Business and Significant Accounting Policies**

Bowlero Corp., a Delaware corporation, and its subsidiaries (referred to herein as the “Company”, “Bowlero”, “we,” “us” and “our”) are the world’s largest operator of bowling entertainment centers.

The Company operates bowling entertainment centers under different brand names. Our AMF branded centers are traditional bowling centers and the Bowlero branded centers offer a more upscale entertainment concept with lounge seating, enhanced food and beverage offerings, and more robust customer service for individuals and group events. Additionally, within the brands, there exists a spectrum where some AMF branded centers are more upscale and some Bowlero branded centers are more traditional. All of our centers, regardless of branding, are managed in a fully integrated and consistent basis since all of our centers are in the same business of operating bowling entertainment.

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Our quarterly financial data should be read in conjunction with the audited financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended July 3, 2022.

**Reverse Recapitalization:** On December 15, 2021, (the “Closing Date”), the Company consummated the previously announced Business Combination pursuant to the Business Combination Agreement (“BCA”) dated as of July 1, 2021, by and among Bowlero Corp. prior to the Closing Date (“Old Bowlero”) and Isos Acquisition Corporation (“Isos”).

Notwithstanding the legal form of the Business Combination pursuant to the BCA, the Business Combination was accounted for as a reverse recapitalization. Under this method of accounting, Isos was treated as the acquired company and Old Bowlero was treated as the acquirer for accounting and financial statement reporting purposes.

The consolidated assets, liabilities and results of operations prior to the reverse recapitalization are those of the Company, thus the shares and corresponding capital amounts and losses per share, prior to the reverse recapitalization, have been retroactively restated based on shares reflecting the exchange ratio of 24.841 established in the BCA.

**Principles of Consolidation:** The consolidated financial statements and related notes include the accounts of Bowlero Corp. and the subsidiaries it controls. Control is determined based on ownership rights or, when applicable, based on whether the Company is considered to be the primary beneficiary of a variable interest entity. The Company’s interest in 20% to 50% owned companies that are not controlled are accounted for using the equity method, unless the Company does not sufficiently influence the management of the investee. All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates:** The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the balance sheets, statements of operations and accompanying notes. Significant estimates made by management include, but are not limited to, cash flow projections; the fair value of assets and liabilities in acquisitions; derivatives with hedge accounting; share-based compensation; depreciation and impairment of long-lived assets; carrying amount and recoverability analyses of property and equipment, assets held for sale, goodwill and other intangible assets; valuation of deferred tax assets and liabilities and income tax uncertainties; and reserves for litigation, claims and self-insurance costs. Actual results could differ from those estimates.

**Fair-value Estimates:** We have various financial instruments included in our financial statements. Financial instruments are carried in our financial statements at either cost or fair value. We estimate fair value of assets and liabilities using the following hierarchy using the highest level possible:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.





- Level 2: Observable prices that are based on inputs not quoted on active markets, but are corroborated by market data.  
Level 3: Unobservable inputs are used when little or no market data is available.

**Cash, Cash Equivalents and Restricted Cash:** The Company considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. The Company had cash equivalents of \$90,389 and \$88,067 at April 2, 2023 and July 3, 2022, respectively. The Company accepts a range of debit and credit cards, and these transactions are generally transmitted to a bank for reimbursement within 24 hours. The payments due from the banks for these debit and credit card transactions are generally received, or settled, within 24 to 48 hours of the transmission date. The Company considers all debit and credit card transactions that settle in less than seven days to be cash equivalents. Amounts due from the banks for these transactions classified as cash equivalents totaled \$11,844 and \$8,688 at April 2, 2023 and July 3, 2022, respectively. The Company considers sales proceeds from a sale-leaseback transaction held by a qualified intermediary in separate bank accounts as restricted cash, as part of like-kind exchange requirements under U.S. tax law.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the condensed consolidated statements of cash flows:

	April 2, 2023	July 3, 2022
Cash and cash equivalents	\$ 150,670	\$ 132,236
Restricted cash	10,374	—
Total cash, cash equivalents and restricted cash	<u>\$ 161,044</u>	<u>\$ 132,236</u>

**Derivatives:** We are exposed to interest rate risk. To manage these risks, we entered into interest rate swap derivative transactions associated with a portion of our outstanding debt. The interest rate swaps were designated for accounting purposes as cash flow hedges of forecasted floating interest payments on variable rate debt. The Company's interest rate swaps expired on June 30, 2022.

The reclassifications from accumulated other comprehensive income (“AOCI”) into income during each reporting period were as follows:

	Three Months Ended		Nine Months Ended	
	April 2, 2023	March 27, 2022	April 2, 2023	March 27, 2022
Interest expense reclassified from AOCI into net loss	\$ —	\$ 2,205	\$ —	\$ 6,610

The fair value of the swap and cap agreements excludes accrued interest and takes into consideration current interest rates and current likelihood of the swap counterparties’ compliance with its contractual obligations. There are no income taxes related to the amounts recorded to AOCI due to tax credits and the full valuation allowance on deferred taxes.

**Net Loss Per Share Attributable to Common Stockholders:** We compute net loss per share of Class A common stock and Class B common stock under the two-class method. Holders of Class A common stock and Class B common stock have equal rights to the earnings of the Company. Our participating securities include the redeemable convertible preferred stock that have a non-forfeitable right to dividends in the event that a dividend is paid on common stock, but do not participate in losses, and thus are not included in a two-class method in periods of loss. Since the Company has reported a net loss for all periods presented, all potentially dilutive securities have been excluded from the calculation of the diluted net loss per share attributable to common stockholders as their effect is antidilutive and accordingly, basic and diluted net loss per share attributable to common stockholders is the same for all periods presented. Dilutive securities include convertible preferred stock, earnouts, stock options, and restricted stock units (“RSUs”). See Note 15 - *Net Loss Per Share*.

**Emerging Growth Company Status:** The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but



any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with those of another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

**Recently Issued Accounting Standards:** We reviewed the accounting pronouncements that became effective for our fiscal year 2023 and besides ASU No. 2016-02, Leases (“Topic 842”), we determined that either they were not applicable, or they did not have a material impact on the consolidated financial statements.

As a result of ASU 2020-05, Topic 842 will be effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The Company will adopt Topic 842 as of July 4, 2022 within our Annual Report on Form 10-K for the fiscal year ending July 2, 2023. The Company intends to adopt the new standard using a modified retrospective transition approach and will apply the provisions at the effective date without adjusting the comparative periods. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before the effective date. The new standard provides a number of optional practice expedients in transition. The Company intends to elect the practical expedients to not reassess its prior conclusions about lease identification, lease classification, and initial direct costs. Additionally, we do not intend to elect the practical expedient allowing the use of hindsight or the practical expedient related to land easements. The Company is still evaluating the practical expedients related to ongoing lease accounting. Although management continues to evaluate the impacts on the Company’s consolidated financial statements and disclosures, management currently estimates total assets and liabilities will increase approximately \$700,000 to \$800,000. This estimate may change as the Company’s implementation progresses, the Company’s lease portfolio changes, and if discount rates fluctuate prior to adoption. The Company estimates that this standard will result in a material impact to our balance sheet primarily from the recognition of operating lease right of use assets and liabilities. We do not believe the adoption of this standard will have a material impact on our statement of operations or cash flows.

## (2) Revenue

The following table presents the Company’s revenue disaggregated by major revenue categories:

	Three Months Ended				Nine Months Ended			
	April 2, 2023	% of revenues	March 27, 2022	% of revenues	April 2, 2023	% of revenues	March 27, 2022	% of revenues
Major revenue categories:								
Bowling	\$ 154,960	49.1 %	\$ 130,394	50.6 %	\$ 401,713	48.9 %	\$ 326,536	50.8 %
Food and beverage	111,708	35.4 %	88,187	34.2 %	291,388	35.6 %	221,206	34.3 %
Amusement	42,715	13.5 %	33,781	13.1 %	110,272	13.5 %	83,967	13.0 %
Media	6,342	2.0 %	5,458	2.1 %	15,997	2.0 %	12,279	1.9 %
Total revenues	<u>\$ 315,725</u>	<u>100.0 %</u>	<u>\$ 257,820</u>	<u>100.0 %</u>	<u>\$ 819,370</u>	<u>100.0 %</u>	<u>\$ 643,988</u>	<u>100.0 %</u>

## (3) Business Acquisitions

**Acquisitions:** The Company continually evaluates potential acquisitions of bowling entertainment centers. Acquisitions can be either business combinations or asset purchases, that strategically fit within the Company’s existing portfolio of centers as a key part of the Company’s overall growth strategy in order to expand our market share in key geographic areas, and to improve our ability to leverage our fixed costs.

**2023 Business Acquisitions:** For business combinations, the Company allocates the consideration transferred to the identifiable assets acquired and liabilities assumed based on their preliminary estimated fair values as of the acquisition date. We estimate the fair values of the assets acquired and liabilities assumed using valuation techniques, such as the income, cost and market approaches. During the nine months ended April 2, 2023, the Company had ten business acquisitions in which we acquired twelve bowling entertainment centers for a total consideration of \$83,454. The Company is still in the process of finalizing the acquisition date fair values. The remaining fair value estimates include working capital, intangibles, property and equipment, and capital lease assets and liabilities. For business combinations, we will continue to refine our estimates throughout the permitted measurement period, which may result in corresponding offsets to goodwill. We expect to finalize the valuations as soon as possible, but no later than one year after

the acquisition dates. Fair values for acquisitions that were considered preliminary at July 3, 2022 were finalized with immaterial adjustments during the nine months ended April 2, 2023.

The following table summarizes the preliminary purchase price allocations for the fair values of the identifiable assets acquired and liabilities assumed, components of consideration transferred and the transactional related expenses using the acquisition method of accounting:

<b>Identifiable assets acquired and liabilities assumed</b>	<b>Total</b>
Current assets	\$ 122
Property and equipment	70,565
Capital lease asset	5,441
Identifiable intangible assets	4,680
Goodwill	7,901
Other assets	1,160
Total assets acquired	89,869
Current liabilities	(974)
Long-term obligations under capital leases	(5,441)
Total liabilities assumed	(6,415)
Total fair value, net of cash acquired of \$61	\$ 83,454
<b>Components of consideration transferred</b>	
Cash	\$ 80,339
Holdback*	3,115
Total consideration transferred	\$ 83,454
Transaction expenses included in “other operating expense” in the condensed consolidated statement of operations for the period ended April 2, 2023	\$ 571

\* The holdback represents a portion of the consideration transferred that is retained to indemnify the Company for general claims during a certain period subsequent to the acquisition date (the “holdback period”). Holdback funds, to the extent any funds remain, are released to the seller upon expiration of the holdback period.

#### **(4) Goodwill and Other Intangible Assets**

##### ***Goodwill:***

The changes in the carrying amount of goodwill for the period ended April 2, 2023:

Balance as of July 3, 2022	\$ 742,669
Goodwill resulting from acquisitions during fiscal year 2023	7,901
Adjustments to preliminary fair values for prior year acquisitions	(340)
Balance as of April 2, 2023	\$ 750,230

**Intangible Assets:**

	April 2, 2023			July 3, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
<i>Finite-lived intangible assets:</i>						
AMF trade name	\$ 9,900	\$ (9,088)	\$ 812	\$ 9,900	\$ (8,593)	\$ 1,307
Other acquisition trade names	2,490	(1,141)	1,349	1,761	(651)	1,110
Customer relationships	23,022	(17,382)	5,640	21,112	(13,989)	7,123
Management contracts	1,800	(1,659)	141	1,800	(1,443)	357
Non-compete agreements	2,951	(1,271)	1,680	2,450	(1,067)	1,383
PBA member, sponsor & media relationships	1,400	(599)	801	1,400	(504)	896
Other intangible assets	921	(323)	598	921	(133)	788
	42,484	(31,463)	11,021	39,344	(26,380)	12,964
<i>Indefinite-lived intangible assets:</i>						
Liquor licenses	10,961	—	10,961	9,629	—	9,629
PBA trade name	3,100	—	3,100	3,100	—	3,100
Bowlero trade name	66,900	—	66,900	66,900	—	66,900
	80,961	—	80,961	79,629	—	79,629
	\$ 123,445	\$ (31,463)	\$ 91,982	\$ 118,973	\$ (26,380)	\$ 92,593

The following table shows amortization expense for finite-lived intangible assets for each reporting period:

	Three Months Ended		Nine Months Ended	
	April 2, 2023	March 27, 2022	April 2, 2023	March 27, 2022
Amortization expense	\$ 1,959	\$ 3,341	\$ 5,403	\$ 8,098

**(5) Property and Equipment**

As of April 2, 2023 and July 3, 2022, property and equipment consists of:

	April 2, 2023	July 3, 2022
Land	\$ 92,349	\$ 77,006
Buildings and improvements	118,679	69,219
Leasehold improvements	372,163	349,534
Equipment, furniture, and fixtures	453,350	375,780
Construction in progress	44,070	15,638
	1,080,611	887,177
Accumulated depreciation	(416,674)	(352,456)
Property and equipment, net of accumulated depreciation	\$ 663,937	\$ 534,721

The following table shows depreciation expense related to property and equipment for each reporting period:

	Three Months Ended		Nine Months Ended	
	April 2, 2023	March 27, 2022	April 2, 2023	March 27, 2022
Depreciation expense	\$ 22,319	\$ 20,578	\$ 64,583	\$ 55,525

**Assets held for sale:**

Total assets held for sale at April 2, 2023 and July 3, 2022 were \$2,069 and \$8,789, respectively. Assets held for sale are valued at the lower of their respective carrying value or their respective fair value less the costs to sell.





## (6) Leases

The Company leases various assets under non-cancellable operating and capital leases. These assets include bowling entertainment centers, office space, vehicles, and equipment.

Most of our leases contain payments for some or all of the following: base rent, contingent rent, common area maintenance, insurance, real-estate taxes, and other operating expenses. Rental payments are subject to escalation depending on future changes in designated indices or based on pre-determined amounts agreed upon at lease inception.

**Operating Leases:** We recorded accrued rent of \$27,126 and \$26,417 within other current liabilities and other long-term liabilities on the condensed consolidated balance sheets as of April 2, 2023 and July 3, 2022, respectively.

**Capital Leases:** We had \$56,546 and \$47,298 in accumulated amortization on property and equipment under capital leases as of April 2, 2023 and July 3, 2022, respectively

The following tables summarize the Company's costs for operating and capital leases:

	Three Months Ended		Nine Months Ended	
	April 2, 2023	March 27, 2022	April 2, 2023	March 27, 2022
<b>Operating Leases</b>				
Rent expense	\$ 14,296	\$ 8,041	\$ 45,522	\$ 39,979
<b>Capital Leases</b>				
Interest expense	\$ 10,304	\$ 9,255	\$ 31,145	\$ 28,080
Amortization expense	3,095	3,003	9,332	9,313
Total capital lease cost	\$ 13,399	\$ 12,258	\$ 40,477	\$ 37,393

## (7) Accrued Expenses

As of April 2, 2023 and July 3, 2022, accrued expenses consist of:

	April 2, 2023	July 3, 2022
Customer deposits	\$ 27,378	\$ 10,728
Compensation	15,366	15,746
Taxes and licenses	10,662	11,568
Deferred revenue	8,044	6,384
Insurance	6,040	5,229
Utilities	4,265	4,185
Professional fees	2,867	3,062
Deferred rent	2,731	3,252
Interest	665	498
Other	5,756	2,202
Total accrued expenses	\$ 83,774	\$ 62,854

## (8) Debt

The following table summarizes the Company's debt structure as of April 2, 2023 and July 3, 2022:

	April 2, 2023	July 3, 2022
Amendment No. 8 Term Loan (Maturing February 8, 2028 and bearing variable rate interest; 8.31% at April 2, 2023)	\$ 900,000	\$ —
First Lien Credit Facility Term Loan (Maturing July 3, 2024 and bore variable rate interest of 5.17% at July 3, 2022)	—	790,271
Revolver (Maturing December 15, 2026 and bearing variable rate interest; 4.13% at July 3, 2022)	—	86,434
Other Equipment Loans	14,893	—
	<u>914,893</u>	<u>876,705</u>
Less:		
Unamortized financing costs	(11,920)	(6,649)
Current portion of unamortized financing costs	2,127	3,245
Current maturities of long-term debt	(7,696)	(8,211)
Total long-term debt	<u>\$ 897,404</u>	<u>\$ 865,090</u>

**First Lien Credit Facility Term Loan:** The First Lien Credit Facility Term Loan was repaid on a quarterly basis in principal payments of \$2,053. The First Lien Credit Facility Term Loan bore interest at a rate per annum equal to LIBOR plus 3.50%. Interest on First Lien Credit Facility Term Loan was due quarterly.

**Amendment No. 8 Term Loan:** On February 8, 2023, the Company entered into an Eighth Amendment (the "Eighth Amendment") to the First Lien Credit Agreement. The Eighth Amendment provided for a new \$900,000 term loan maturing on February 8, 2028 (the "Amendment No. 8 Term Loan"). Proceeds of the Amendment No. 8 Term Loan were used to refinance the existing First Lien Credit Facility Term Loan, to repay all amounts outstanding on the Revolver, and for general corporate purposes. The Company accounted for this transaction as a debt modification, which was not substantial. Therefore, the Company did not incur any gain or loss relating to the modification. The Amendment No. 8 Term Loan is repaid on a quarterly basis in principal payments of \$2,250 beginning on September 29, 2023. The Amendment No. 8 Term Loan bears interest at a rate per annum equal to the Adjusted Term Secured Overnight Financing Rate ("SOFR") plus 3.50%. Interest on the Amendment No. 8 Term Loan is due on the last day of the interest period. The interest period, as agreed upon between the Company and its lender, can be either one, three, or six months in length. As of April 2, 2023, the interest period is one month.

The Company entered into two hedging transactions effective as of March 31, 2023 for an aggregate notional amount of our Amendment No. 8 Term Loan of \$800,000. The hedge transactions have a trade and hedge designation date of April 4, 2023. The hedge transactions, each for a notional amount of \$400,000, provide for interest rate collars. The interest rate collars establish a floor on SOFR of 0.9429% and 0.9355%, respectively, and a cap on SOFR of 5.50%. The interest rate collars have a maturity date of March 31, 2026.

**Revolver:** Under the First Lien Credit Agreement, the Company has access to a senior secured revolving credit facility (the "Revolver"). The outstanding balance on the Revolver is due on December 15, 2026. Interest on borrowings under the Revolver is based on the Adjusted Term SOFR.

In connection with the Company entering into the Eighth Amendment, the Revolver commitment was increased by \$35,000 to an aggregate amount of \$200,000, and the amount outstanding as of the Eighth Amendment date of \$86,434 was repaid. As of April 2, 2023, no amounts have been drawn on the Revolver.

**First Lien Credit Agreement Covenants:** Obligations owed under the First Lien Credit Agreement are secured by a first priority security interest on substantially all assets of Bowlero Corp and the guarantor subsidiaries. The First Lien Credit Agreement contains customary events of default, restrictions on indebtedness, liens, investments, asset dispositions, dividends and affirmative and negative covenants. The Company is subject to a financial covenant requiring that the First Lien Leverage Ratio (as defined in the First Lien Credit Agreement) not exceed 6.00:1.00 as of the end of any fiscal quarter if amounts outstanding on the Revolver exceed an amount equal to 35% of the aggregate Revolver commitment (subject to certain exclusions) at the end of such fiscal quarter. In addition, payment of borrowings under the Revolver may be accelerated if there is an event of default, and Bowlero would no longer be permitted to borrow additional funds under the Revolver while a default or event of default were outstanding.



**Letters of Credit:** Outstanding standby letters of credit as of April 2, 2023 and July 3, 2022 totaled \$10,386, and are guaranteed by JP Morgan Chase Bank, N.A. The available amount of the Revolver is reduced by the outstanding standby letters of credit.

**Other Equipment Loans:** On August 19, 2022, the Company entered into an equipment loan agreement for a principal amount of \$15,350 with JP Morgan Chase Bank, N.A. The loan matures August 19, 2029 and bears a fixed interest rate of 6.24%. The loan is repaid on a monthly basis in fixed payments of \$153 plus a final payment at maturity. The loan obligation is secured by a lien on the equipment.

**Covenant Compliance:** The Company was in compliance with all debt covenants as of April 2, 2023.

## **(9) Income Taxes**

The Company uses the estimated annual effective tax rate method for calculating its tax provision in interim periods, which represents the Company's best estimate of the effective tax rate expected for the full year. Certain items, including those deemed to be unusual, infrequent or that cannot be reliably estimated, are excluded from the estimated annual effective tax rate, and the related tax expense or benefit is reported as a discrete item in the same period as the related item. The Company's effective tax rate for the nine months ended April 2, 2023 was 2.0% tax expense, which differs from the US federal statutory rate of 21% primarily due to certain non-deductible expenses, changes in the valuation allowance, and state and local taxes offset in part with changes in estimates associated with certain income tax credits and tax deductible expenses. The Company's effective tax rate for the nine months ended March 27, 2022 was 14.2% tax benefit and differs from the US federal statutory rate of 21% due to the release of a portion of the valuation allowance resulting from the acquisition of Bowl America offset in part by other changes in the valuation allowance and state and local taxes.

We regularly evaluate the realizability of our net deferred tax assets. As of April 2, 2023, substantially all our U.S. federal, state and foreign deferred tax assets, net of deferred tax liabilities, were subject to valuation allowances. If our financial results continue to improve and we conclude that estimates of our future taxable income are objectively verifiable, our assessment of the realization of our net deferred tax assets could result in the release of a significant portion of the valuation allowances, with the exception of any potentially remaining net operating losses subject to potential limitation, including limitations under Internal Revenue Code Section 382 or 383, separate return loss year rules, or state tax loss limitations. Such a release would result in a material non-cash income tax benefit in our consolidated statement of operations in the period of release and the recording of additional deferred tax assets on our consolidated balance sheet. There is a reasonable possibility that within the next several quarters, sufficient positive evidence becomes available to reach a conclusion that a significant portion of the valuation allowances against our U.S. net deferred tax assets would no longer be required.

## **(10) Commitments and Contingencies**

**Litigation and Claims:** The Company is currently, and from time to time may be, subject to claims and actions arising in the ordinary course of its business, including general liability, fidelity, workers' compensation, employment claims, and Americans with Disabilities Act ("ADA") claims. The Company has insurance to cover general liability and workers' compensation claims and reserves for claims and actions in the ordinary course. The insurance is subject to a self-insured retention. In some actions, plaintiffs request punitive or other damages that may not be covered by insurance.

There is currently a group of approximately 73 pending claims, filed with the Equal Employment Opportunity Commission (the "EEOC") between 2016 and 2019, generally relating to claims of age discrimination. To date, the EEOC issued determinations of probable cause as to 55 of the charges, which the Company contests and intends to defend vigorously. The EEOC has also alleged a pattern or practice of age discrimination, which resulted in a determination of probable cause and, on August 22, 2022, the EEOC submitted a proposal for the Company to participate in the conciliation process. The EEOC's proposal included a demand for monetary and non-monetary remedies. On April 11, 2023, the EEOC provided notice to the Company that its conciliation efforts were unsuccessful; however, the Company continues to contest the determinations issued by the EEOC with respect to all charges and intends to defend vigorously. The Company cannot estimate the possible range of loss, if any, associated with these EEOC matters.

## **(11) Earnouts**

Old Bowlero's stockholders and option holders received additional shares of Bowlero common stock (the "Earnout Shares"). Earnout Shares vest during the period from and after the Closing Date until the fifth anniversary of the Closing Date (the "Earnout Period"). The following tranches of Earnout Shares were issued to Old Bowlero stockholders:

- (a) 10,375,000 Earnout Shares, if the closing share price of Bowlero's Class A common stock, par value \$0.0001 per share (Class A common stock) equals or exceeds \$15.00 per share for any 10 trading days within any consecutive 20-trading

day period that occurs after the Closing Date during the Earnout Period and

- (b) 10,375,000 Earnout Shares, if the closing share price of Class A common stock equals or exceeds \$17.50 per share for any 10 trading days within any consecutive 20-trading day period during the Earnout Period.

During the Earnout Period, if Bowlero experiences an Acceleration Event, which as detailed in the BCA includes a change of control, liquidation or dissolution of the Company, bankruptcy or the assignment for the benefit of creditors the appointment of a custodian, receiver or trustee for all or substantially all the assets or properties of the Company, then any Earnout Shares that have not been previously issued by Bowlero (whether or not previously earned) to the Bowlero stockholders or holders of Options or Earnout shares issued but not vested will be deemed earned and issued or vested by Bowlero as of immediately prior to the Acceleration Event, unless, in the case of an Acceleration Event, the value of the consideration to be received by the holders of Bowlero common stock in such change of control transaction is less than the applicable stock price thresholds described above. If the consideration received in such Acceleration Event is not solely cash, Bowlero's Board of Directors will determine the treatment of the Earnout Shares.

As part of the Sponsor Support Agreement, Isos and LionTree were issued 1,611,278 Earnout Shares which vest during the period from and after the Closing Date during the Earnout Period: (a) 805,639 Earnout Shares if the closing share price of Bowlero's Class A common stock equals or exceeds \$15.00 per share for any 10 trading days within any consecutive 20-trading day period that occurs after the Closing Date during the Earnout Period and (b) 805,639 Earnout Shares, if the closing share price of Class A common stock equals or exceeds \$17.50 per share for any 10 trading days within any consecutive 20-trading day period during the Earnout Period. As a result of the cashless exercise of their unvested private placement warrants, the Sponsor and LionTree were issued 475,440 additional Earnout Shares, which vest during the period from and after the Closing Date during the Earnout Period: (a) 237,721 Earnout Shares if the closing share price of Bowlero's Class A common stock equals or exceeds \$15.00 per share for any 10 trading days within any consecutive 20-trading day period that occurs after the Closing Date during the Earnout Period and (b) 237,719 Earnout Shares, if the closing share price of Class A common stock equals or exceeds \$17.50 per share for any 10 trading days within any consecutive 20-trading day period during the Earnout Period.

On March 2, 2023, Bowlero's closing stock price of Class A common stock equaled or exceeded \$15.00 for 10 trading days within a 20-trading day period. As a result, 11,418,361 Earnout Shares were fully vested and are no longer subject to the applicable vesting restrictions. The Earnout Shares settled into equity and are no longer included in the Earnout liability on the condensed consolidated balance sheet as of April 2, 2023.

All but 60,471 Earnout Shares are classified as a liability and changes in the fair value of the Earnout Shares are recognized in the statement of operations. Those Earnout Shares not classified as a liability are classified as equity compensation to employees and recognized as compensation expense on a straight-line basis over the expected term or upon the contingency being met.

## (12) Fair Value of Financial Instruments

### *Debt*

The fair value and carrying value of our debt as of April 2, 2023 and July 3, 2022 are as follows:

	April 2, 2023	July 3, 2022
Carrying value	\$ 914,893	\$ 876,705
Fair value	914,899	841,637

The fair value of our debt is estimated based on trading levels of lenders buying and selling their participation levels of funding (Level 2).

There were no transfers in or out of any of the levels of the valuation hierarchy during the nine months ended April 2, 2023 and the fiscal year ended July 3, 2022.

### *Items Measured at Fair Value on a Recurring Basis*

The Company holds certain assets and liabilities that are required to be measured at fair value on a recurring basis. The following table is a summary of fair value measurements and hierarchy level as of April 2, 2023 and July 3, 2022:

	April 2, 2023			
	Level 1	Level 2	Level 3	Total
Earnout shares	\$ —	\$ —	\$ 185,361	\$ 185,361
Total liabilities	\$ —	\$ —	\$ 185,361	\$ 185,361



	July 3, 2022			
	Level 1	Level 2	Level 3	Total
Earnout shares	\$ —	\$ —	\$ 210,952	\$ 210,952
Contingent consideration	—	—	1,470	1,470
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 212,422</u>	<u>\$ 212,422</u>

The fair value of earnout shares was estimated using a Monte Carlo simulation model (level 3 inputs). The key inputs into the Monte Carlo simulation as of April 2, 2023 were as follows:

	Earnout
Expected term in years	3.7
Expected volatility	60%
Risk-free interest rate	3.74%
Stock price	\$ 16.95
Dividend yield	—

The following table sets forth a summary of changes in the estimated fair value of the Company's Level 3 Earnout liability for the three and nine months ended April 2, 2023 and March 27, 2022:

	Three Months Ended		Nine Months Ended	
	April 2, 2023	March 27, 2022	April 2, 2023	March 27, 2022
Balance as of beginning of period	\$ 282,557	\$ 158,571	\$ 210,952	\$ —
Issuances	19	67	88	181,180
Settlements*	(184,437)	—	(184,437)	—
Changes in fair value	87,222	45,778	158,758	23,236
Balance as of end of period	<u>\$ 185,361</u>	<u>\$ 204,416</u>	<u>\$ 185,361</u>	<u>\$ 204,416</u>

\* This represents the settlement of the \$15.00 tranche of Earnout Shares. The \$17.50 tranche of Earnout Shares has not vested and is still subject to the applicable vesting restrictions See Note 11 - *Earnouts*.

### ***Items Measured at Fair Value on a Non-Recurring Basis***

The Company's significant assets measured at fair value on a non-recurring basis subsequent to their initial recognition include assets held for sale. We utilize third party brokers for an estimate of value to record the assets held for sale at their fair value less costs to sell. These inputs are classified as Level 2 fair value measurements.

### ***Other Financial Instruments***

Other financial instruments include cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses. The financial statement carrying amounts of these items approximate the fair value due to their short duration.

### **(13) Common Stock, Preferred Stock and Stockholders' Equity**

The Company is authorized to issue three classes of stock to be designated, respectively, Class A common stock, Class B common stock (together with Class A common stock, the "Common Stock") and Series A preferred stock (the "Preferred Stock"). The total number of shares of capital stock which the Company shall have authority to issue is 2,400,000,000, divided into the following:

Class A common stock:

- Authorized: 2,000,000,000 shares, with a par value of \$0.0001 per share as of April 2, 2023 and July 3, 2022.





- Issued and Outstanding: 114,072,530 shares (inclusive of 1,600,993 shares contingent on certain stock price thresholds but excluding 4,899,059 shares held in treasury) as of April 2, 2023 and 110,395,630 shares (inclusive of 3,209,972 shares contingent on certain stock price thresholds but excluding 3,430,667 shares held in treasury) as of July 3, 2022.

Class B common stock:

- Authorized: 200,000,000 shares, with a par value of \$0.0001 per share as of April 2, 2023 and July 3, 2022.
- Issued and Outstanding: 60,819,437 and 55,911,203 shares as of April 2, 2023 and July 3, 2022, respectively.

Preferred Stock:

- Authorized: 200,000,000 shares, with a par value of \$0.0001 per share as of April 2, 2023 and July 3, 2022.
- Issued and Outstanding: 195,000 and 200,000 shares as of April 2, 2023 and July 3, 2022, respectively.

***Series A Preferred Stock***

Dividends accumulate on a cumulative basis on a 360-day year commencing from the issue date. The dividend rate is fixed at 5.5% per annum on a liquidation preference of \$1,000 per share. Payment dates are June 30 and December 31 of each year with a record date of June 15 for the June 30 payment date and December 15 for the December 31 payment date. Declared dividends will be paid in cash if the Company declares the dividend to be paid in cash. If the Company does not pay all or any portion of the dividends that have accumulated as of any payment date, then the dollar amount of the dividends not paid in cash will be added to the liquidation preference and deemed to be declared and paid in-kind. As of April 2, 2023, there have been no dividends declared or paid in cash. For the period ended April 2, 2023, accumulated dividends in the amount of \$5,665 were added to the liquidation preference and deemed to be declared and paid in-kind. During the period ended April 2, 2023, 5,000 shares were settled for cash of \$6,824.

The Preferred Stock is redeemable if a Fundamental Change occurs and each holder will have the right to require the Company to repurchase such holders' shares of Preferred Stock or any portion thereof for a cash purchase price. A Fundamental Change includes events such as a person or a group becoming direct or indirect owners of shares of the Company's Common Stock representing more than 50% of the voting power, consummation of a transaction with which all the Common Stock is exchanged for, converted into, acquired for, or constitutes solely the right to receive cash or other property, Company's stockholders approve any plan or proposal for the liquidation or dissolution of the Company, or the Company's Common Stock ceases to be listed on any of the NYSE or The Nasdaq Global Market or The Nasdaq Global Select Market (or any of their respective successors).

The Company has classified the Preferred Stock as temporary equity as the shares have certain redemption features that are not solely in the control of the Company. The Preferred Stock is not currently redeemable because the deemed liquidation provision is considered a substantive condition that is contingent on the event and it is not currently probable that it will become redeemable.

***Shares and Warrant Repurchase Program***

On February 7, 2022, the Company announced that its Board of Directors authorized a share and warrant repurchase program providing for repurchases of up to \$200,000 of the Company's outstanding Class A common stock and warrants through February 3, 2024. Treasury stock purchases are stated at cost and presented as a reduction of equity on the condensed consolidated balance sheets. Repurchases of shares and warrants are made in accordance with applicable securities laws and may be made from time to time in the open market or by negotiated transactions. The amount and timing of repurchases are based on a variety of factors, including stock price, regulatory limitations, debt agreement limitations, and other market and economic factors. The share repurchase plan does not require the Company to repurchase any specific number of shares, and the Company may terminate the repurchase plan at any time.

As of April 2, 2023, the remaining balance of the repurchase plan was \$141,089. For the nine months ended April 2, 2023, 1,468,392 shares of Class A common stock were repurchased for a total of \$18,972, for an average purchase price per share of \$12.92, and bringing the cumulative total shares repurchased to 4,899,059 for a total of \$53,530 at an average per share price of \$10.92. On May 16, 2023, the Board of Directors authorized the replenishment of the remaining balance of the share and warrant repurchase program to \$200,000.

**(14) Share-Based Compensation**

The Company has three stock plans: the 2017 Stock Incentive Plan ("2017 Plan"), the Bowlero Corp. 2021 Omnibus Incentive Plan ("2021 Plan") and the Bowlero Corp. Employee Stock Purchase Plan ("ESPP"). These stock incentive plans are designed to attract and retain key personnel by providing them the opportunity to acquire an equity interest in the Company and align the interest of key personnel with those of the Company's stockholders.



As of April 2, 2023 and July 3, 2022, the total compensation cost not yet recognized is as follows:

	<b>Award Plan</b>	<b>April 2, 2023</b>	<b>July 3, 2022</b>
Stock options	2021 Plan	\$ 30,175	\$ 37,273
Service based RSUs	2021 Plan	7,166	7,211
Market and service based RSUs	2021 Plan	1,655	1,498
Earnout RSUs	2021 Plan	352	939
ESPP		558	—
Total unrecognized compensation cost		<u>\$ 39,906</u>	<u>\$ 46,921</u>

Share-based compensation recognized in the consolidated statements of operations for the periods ended April 2, 2023 and March 27, 2022 is as follows:

	<b>Award Plan</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
		<b>April 2, 2023</b>	<b>March 27, 2022</b>	<b>April 2, 2023</b>	<b>March 27, 2022</b>
Performance-based options	2017 Plan	\$ —	\$ —	\$ —	\$ 24,516
Time-based options	2017 Plan	—	—	—	952
Stock options	2021 Plan	2,358	2,358	7,099	5,966
Service based RSUs	2021 Plan	1,030	560	3,357	605
Market and service based RSUs	2021 Plan	200	44	489	44
Earnout RSUs	2021 Plan	432	58	527	65
Share-based bonus		—	—	—	14,228
ESPP		187	—	419	—
Total share-based compensation expense		<u>\$ 4,207</u>	<u>\$ 3,020</u>	<u>\$ 11,891</u>	<u>\$ 46,376</u>

The Company did not have any recognized income tax benefits, net of valuation allowances, related to our share-based compensation plans.

### (15) Net Loss Per Share

Net loss per share calculations for all periods prior to the Closing Date have been retrospectively adjusted for the equivalent number of shares outstanding immediately after the Closing Date to effect the reverse recapitalization. The computation of basic and diluted net loss per share of Class A common stock and Class B common stock is as follows:

	Three Months Ended					
	April 2, 2023			March 27, 2022		
	Class A	Class B	Total	Class A	Class B	Total
Numerator						
<b>Net loss allocated to common stockholders</b>	<u>\$ (23,846)</u>	<u>\$ (12,628)</u>	<u>\$ (36,474)</u>	<u>\$ (13,344)</u>	<u>\$ (7,461)</u>	<u>\$ (20,805)</u>
Denominator						
<b>Weighted-average shares outstanding</b>	<u>108,331,008</u>	<u>57,367,492</u>	<u>165,698,500</u>	<u>104,279,718</u>	<u>58,311,203</u>	<u>162,590,921</u>
<b>Net loss per share, basic &amp; diluted</b>	<u>\$ (0.22)</u>	<u>\$ (0.22)</u>	<u>\$ (0.22)</u>	<u>\$ (0.13)</u>	<u>\$ (0.13)</u>	<u>\$ (0.13)</u>
<b>Anti-dilutive shares excluded from diluted calculation*</b>			<u>28,237,567</u>			<u>20,987,931</u>

	Nine Months Ended					
	April 2, 2023			March 27, 2022		
	Class A	Class B	Total	Class A	Class B	Total
Numerator						
<b>Net loss allocated to common stockholders</b>	<u>\$ (48,618)</u>	<u>\$ (25,558)</u>	<u>\$ (74,176)</u>	<u>\$ (37,867)</u>	<u>\$ (6,300)</u>	<u>\$ (44,167)</u>
Denominator						
<b>Weighted-average shares outstanding</b>	<u>107,279,561</u>	<u>56,396,633</u>	<u>163,676,194</u>	<u>130,944,782</u>	<u>21,786,603</u>	<u>152,731,385</u>
<b>Net loss per share, basic &amp; diluted</b>	<u>\$ (0.45)</u>	<u>\$ (0.45)</u>	<u>\$ (0.45)</u>	<u>\$ (0.29)</u>	<u>\$ (0.29)</u>	<u>\$ (0.29)</u>
<b>Anti-dilutive shares excluded from diluted calculation*</b>			<u>26,522,848</u>			<u>21,055,169</u>

\*The impact of potentially dilutive convertible preferred stock, service based RSUs, market and service based RSUs, stock options, and purchases of shares under our ESPP were excluded from the diluted per share calculations because they would have been antidilutive.

## (16) Supplemental Cash Flow Information

	Nine Months Ended	
	April 2, 2023	March 27, 2022
Cash paid during the period for:		
Interest	\$ 69,352	\$ 60,531
Income taxes, net of refunds	5,696	2,277
Noncash investing and financing transactions:		
Assets obtained in build to suit arrangement	13,390	—
Capital expenditures in accounts payable	13,563	6,887
Capital lease assets obtained in exchange for capital lease liabilities	—	4,970
Modifications of capital lease assets and liabilities	6,802	(23,604)
Change in fair value of interest rate swap	—	6,610
Issuance of warrants in Business Combination	—	22,426
Issuance of earnout obligation in Business Combination	—	181,113
Settlement of earnout obligation	184,437	—

## (17) Subsequent Events

On April 24, 2023, the Company repurchased 56,217 shares of Series A Preferred Stock for cash of \$70,958. On April 27, 2023, the Company repurchased 2,410 shares of Series A Preferred Stock for cash of \$3,041. All of the repurchased shares were then cancelled in accordance with our Series A Convertible Preferred Stock Certificate of Designations.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This discussion should be read in conjunction with Bowlero Corp.'s unaudited condensed consolidated financial statements and the related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K fiscal year ended July 3, 2022 as filed with the Securities and Exchange Commission ("SEC") on September 15, 2022. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended July 3, 2022. Actual results may differ materially from those contained in any forward-looking statements. All period references are to our fiscal periods unless otherwise indicated. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "we," "us," "our," the "Company," and "Bowlero" are intended to mean the business and operations of Bowlero Corp. and its consolidated subsidiaries. All financial information in this section is presented in thousands, unless otherwise noted, except share and per share amounts.*

### Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements regarding, among other things, the plans, strategies and prospects, both business and financial of Bowlero. These statements are based on the beliefs and assumptions of our management. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that it will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events or results of operations, are forward-looking statements. The words "anticipates," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predicts," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, statements about our business strategy, financial projections, anticipated growth and market opportunities.

These forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q, and current expectations, forecasts and assumptions, and involve a number of risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the



date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

In addition, statements that we “believe,” and similar statements reflect only our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and these statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause our actual results to differ include:

- our ability to grow and manage growth profitably;
- the possibility that we may be adversely impacted by other economic, business, and/or competitive factors;
- the risk that the market for our entertainment offerings may not develop on the timeframe or in the manner that we currently anticipate;
- general geopolitical and economic conditions and uncertainties affecting markets in which we operate and economic volatility that could adversely impact our business;
- our ability to attract new customers and retain existing customers;
- changes in consumer preferences and buying patterns;
- the impact of inflation on our costs, margins and our pricing;
- inability to compete successfully against current and future competitors in the highly competitive out-of-home and home-based entertainment markets;
- inability to operate venues, or obtain and maintain licenses and permits necessary for such operation, in compliance with laws, regulations and other requirements;
- damage to brand or reputation;
- our ability to successfully defend litigation brought against us;
- our ability to adequately obtain, maintain, protect and enforce our intellectual property and proprietary rights and claims of intellectual property and proprietary right infringement, misappropriation or other violation by competitors and third parties;
- failure to hire and retain qualified employees and personnel;
- fluctuations in our operating results;
- security breaches, cyber-attacks and other interruptions to our and our third-party service providers’ technological and physical infrastructures;
- catastrophic events, including war, terrorism and other international conflicts, adverse weather conditions, public health issues or natural catastrophes and accidents;
- risk of increased regulation of our operations;
- our future capital needs; and
- other risks and uncertainties indicated in this Quarterly Report on Form 10-Q, including those under “*Risk Factors*” in other filings that have been made or will be made by us with the SEC.

## Overview

Bowlero Corp. is the world’s largest operator of bowling entertainment centers. The Company operates traditional bowling centers and more upscale entertainment concepts with lounge seating, arcades, enhanced food and beverage offerings, and more robust customer service for individuals and group events, as well as hosting and overseeing professional and non-professional bowling tournaments and related broadcasting.

The Company remains focused on creating long-term shareholder value through continued organic growth, the conversion and upgrading of centers to more upscale entertainment concepts offering a broader range of offerings, the opening of new centers and acquisitions. A core tenet of our long-term strategy to increase profitability is to grow the size and scale of the Company in order to improve our leverage of Selling, General and Administrative expenses (“SG&A”). For the third quarter of fiscal 2023 as compared to



the third quarter of fiscal 2022, the Company's total revenue (inclusive of acquisitions and new centers) increased by approximately 22% and the Company's total revenue on a same-store basis increased by approximately 17%.

Same-store revenues includes revenue from centers that are open in periods presented (open in both the current period and the prior period being reported) and excludes revenues from centers that are not open in both periods presented, such as recently acquired centers or centers closed for upgrades, renovations or other such reasons, as well as media revenues. We continue to see positive momentum for future demand and we have recovered to better than pre-pandemic performance. While we generated a strong financial performance prior to the COVID-19 pandemic and during the previous seven quarters, the impact of the COVID-19 pandemic, various COVID-19 virus variants, the governmental actions imposed in response to the pandemic, and the resulting consequences on our consumer's risk tolerance toward health and safety matters remains uncertain.

## The Business Combination

On December 15, 2021, we completed the business combination (the "Business Combination") contemplated by the Business Combination Agreement, dated as of July 1, 2021, as amended on November 1, 2021 (the Business Combination Agreement), by and among Isos Acquisition Corporation ("Isos") and Bowlero Corp. ("Old Bowlero"). Pursuant to the Business Combination Agreement, Old Bowlero was merged with and into Isos, with Isos surviving the merger, and Isos was renamed "Bowlero Corp."

## Recent Developments

Bowlero's results for the three and nine months ended April 2, 2023 exhibited continued strong revenue growth. This growth has been bolstered by technology driven performance enhancements, the strength of our business model, the increase in confidence of our customers and the resilience in the bowling market. Additionally, the further improvements in our quarterly results demonstrate our continued ability to execute our growth strategy and business model. To highlight the Company's recent activity during the nine months ended April 2, 2023:

- We made ten acquisitions in which we acquired twelve bowling entertainment centers, adding a total of 39 net acquired new centers since the start of fiscal 2022, which we believe will aid the Company in several key geographic markets and aid in leveraging our fixed costs. We have a strong pipeline of potential acquisitions that we continue to actively evaluate.
- We signed three agreements for build-outs of new bowling entertainment centers and have a total of six signed agreements for build-outs of new bowling entertainment centers in prime markets.
- On February 8, 2023, the Company entered into an Eighth Amendment to the First Lien Credit Agreement pursuant to which the total principal amount under the First Lien Credit Facility Term Loan was increased to \$900,000 from \$812,850, and the maturity date was extended to February 8, 2028. In addition, the total revolving commitments under the Revolver were increased to \$200,000 from \$165,000, and the maturity date was extended to December 15, 2026. Proceeds from refinancing the term loan were used to repay the existing term loan under the First Lien Credit Agreement, to repay all amounts outstanding under the Revolver, and for general corporate purposes.
- On March 2, 2023, Bowlero's closing stock price of Class A common stock equaled or exceeded \$15.00 for 10 trading days within a 20-trading day period. As a result, 11,418,361 Earnout Shares were fully vested and are no longer subject to the applicable vesting restrictions. See Note 11 - [Earnouts](#) of the notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q for further information.

Although we believe our recent results, actions and goals exhibit our strength in the bowling market and our position for the future growth, we may incur future unplanned expenses related to training, hiring and retaining associates, and navigating the disruption in the food and beverage supply chains, whether due to the lingering effects of the COVID-19 pandemic or otherwise. For more details, see the risk factors included under "[Risk Factors — Risks Related to Bowlero's Business and Industry](#)" in our previously filed Annual Report on Form 10-K for the fiscal year ended July 3, 2022.

## Trends

There are a number of factors that could materially affect our future profitability, including changing economic conditions with the resulting impact on our sales, profitability, and capital spending, changes in our debt levels and applicable interest rates, and increasing prices of labor, raw materials and other food and beverage costs. Additionally, sales and results of operations could be impacted by acquisitions and restructuring projects. Restructuring can include various projects, including closure of centers not performing well, cost reductions through staffing reductions, and optimizing and allocating resources to improve profitability.



## Presentation of Results of Operations

The Company reports on a fiscal year, with each quarter generally comprised of one 5-week period and two 4-week periods.

## Results of Operations

### Three Months Ended April 2, 2023 Compared to the Three Months Ended March 27, 2022

**Analysis of Consolidated Statement of Operations.** The following table displays certain items from our consolidated statements of operations for the periods presented below:

(in thousands)	Three Months Ended				Change	% Change
	April 2, 2023	% <sup>(1)</sup>	March 27, 2022	% <sup>(1)</sup>		
<b>Revenues</b>	\$ 315,725	100.0 %	\$ 257,820	100.0 %	\$ 57,905	22.5 %
<b>Costs of revenues</b>	189,304	60.0 %	156,491	60.7 %	32,813	21.0 %
<b>Gross profit</b>	126,421	40.0 %	101,329	39.3 %	25,092	24.8 %
<b>Operating (income) expenses:</b>						
Selling, general and administrative expenses	35,891	11.4 %	30,315	11.8 %	5,576	18.4 %
Asset impairment	489	0.3 %	—	— %	489	
Gain on sale of assets	(192)	(0.1)%	(1,601)	(0.6)%	(1,409)	(88.0)%
Other operating expense	649	0.2 %	1,899	0.7 %	(1,250)	(65.8)%
Total operating expense	36,837	11.7 %	30,613	11.9 %	6,224	20.3 %
<b>Operating profit</b>	89,584	28.4 %	70,716	27.4 %	18,868	26.7 %
<b>Other expenses:</b>						
Interest expense, net	29,117	9.2 %	22,293	8.6 %	6,824	30.6 %
Change in fair value of earnout liability	87,222	27.6 %	45,778	17.8 %	41,444	90.5 %
Change in fair value of warrant liability	—		20,678	8.0 %	(20,678)	(100.0)%
Other expense	5,986	1.9 %	161	0.1 %	5,825	3618.0 %
Total other expense	122,325	38.7 %	88,910	34.5 %	33,415	37.6 %
<b>Loss before income tax benefit</b>	(32,741)	(10.4)%	(18,194)	(7.1)%	(14,547)	(80.0)%
Income tax benefit	(668)	(0.2)%	(207)	(0.1)%	461	222.7 %
<b>Net loss</b>	\$ (32,073)	(10.2)%	\$ (17,987)	(7.0)%	(14,086)	(78.3)%

(1) Percent calculated as a percentage of revenues and may not total due to rounding.

**Revenues:** For the quarter ended April 2, 2023, revenues totaled \$315,725 and represented an increase of \$57,905, or approximately 22%, over the same period of last fiscal year because of organic growth and increases in revenue due to higher center count. The overall increase in revenues is due to our ability to execute our growth strategy and business model with the impact of 17 new centers compared to the same period last year, and continued revenue growth in our existing centers, resulting from an increase in event revenue, league revenue, broader and enhanced range of offerings, as well as the impact of positive market conditions and price increases. The following table summarizes the increase in our revenues on a same-store-basis for the quarter ended April 2, 2023 as compared to the corresponding period last fiscal year:

(in thousands)	Three Months Ended		Change	% Change
	April 2, 2023	March 27, 2022		
Center revenues on a same-store basis	\$ 295,210	\$ 252,109	\$ 43,101	17.1 %
Revenues for media, new and closed centers	20,515	5,711	14,804	259.2 %
Total revenues	\$ 315,725	\$ 257,820	\$ 57,905	22.5 %



Same-store revenues includes revenue from centers that are open in periods presented (open in both the current period and the prior period being reported) and excludes revenues from centers that are not open in periods presented such as acquired new centers or centers closed for upgrades, renovations or other such reasons, as well as media revenues. The increase in same-store revenues during the quarter ended April 2, 2023 reflects, among other factors, continued favorable demand for our products and services and price increases.

**Cost of Revenues:** Our cost of revenues includes costs that are not variable or are less variable with changes in revenues, such as depreciation, amortization, rent and property taxes, as well as more variable costs that include labor, food and beverage costs, prize funds, supplies, production expenses and amusement costs. The increase in cost of revenues of \$32,813, or 21%, corresponds to the increase in revenues. Increases in costs were in most areas and include higher costs with labor, utilities, food & beverage, and increases in depreciation, advertising, rent and other operational costs such as security and supplies. Higher labor costs mainly reflect additional staffing and higher labor pay rates to support growing business. Depreciation costs increased because of added depreciable assets from acquisitions of businesses, asset acquisitions and capital expenditures. The increase in rent is due in large part to last year's costs of revenues being favorably impacted by a reduction in rent expense of approximately \$5,603 related to rent relief obtained by the Company. This rent abatement was part of the Company's efforts to secure rent relief from landlords in connection with the COVID-19 pandemic closures. Cost of revenues as a percent of revenues decreased from approximately 61% during the third quarter of fiscal 2022 to 60% during the third quarter of fiscal 2023, mainly due to improved operating leverage since revenues increased at a higher rate than costs and the impact of cost control measures, which were partially offset by inflationary pressures. Additionally, we have recently increased prices in an effort to address the impact of higher costs and to support margin and profit levels.

**Gross Profit:** Our gross profit increased \$25,092, or 25%, to \$126,421, primarily due to the \$57,905 increase in revenues and the 70 basis point increase in gross profit margin (gross profit divided by revenues). The increase in gross profit margin is due to a number of factors, including higher operating leverage in that revenues increased at a higher rate than costs, cost control measures and higher selling prices.

**Selling, general and administrative expenses ("SG&A"):** SG&A expenses include employee-related costs, such as payroll and benefits, as well as depreciation and amortization (excluding those related to our center operations), media and promotional expenses. SG&A expenses increased \$5,576, or 18%, to \$35,891, mainly due to higher compensation costs, as well as increases in other costs, including professional fees, which were partially offset by decreases in depreciation, amortization and insurance. Additionally, last year's SG&A expenses were favorably impacted by a reduction in rent expense of approximately \$1,867 related to rent relief obtained by the Company. Increases in compensation and benefits were \$4,823, equity compensation increased \$1,166, and professional fees increased \$2,233. The increase in compensation costs mainly reflects rebuilding staff after the interruption caused by the pandemic, increases in pay rates and higher staffing to support the increase in business and the costs we incur as a public reporting company. The increase in share-based compensation costs reflects equity awards to key members of management as an incentive to motivate and retain associates. The increases in professional fees include higher costs associated with the growth in our business and costs associated with being a public reporting company. The \$1,852 decrease in depreciation and amortization mainly reflects the scheduled decrease based on useful lives of assets subject to depreciation and amortization. The \$641 decrease in insurance reflects the favorable renewal of certain insurance policies. Total SG&A expenses as a percent of revenues for the third quarter of fiscal 2023 was approximately 11%, as compared to 12% during the corresponding period last fiscal year. The decrease in SG&A costs as a percentage of revenues is mainly due to improved operating leverage.

**Interest expense, net:** Interest expense primarily relates to interest on debt and capital leases. Interest expense increased \$6,824, or 31%, to \$29,117. The higher interest expense is primarily the result of higher interest rates and an increase in our debt and capital lease obligations during fiscal 2023.

**Change in fair value of earnouts:** Changes in the fair value of the earnout liabilities are recognized in the statement of operations. Decreases in the liability will have a favorable impact on the statement of operations and increases in the liability will have an unfavorable impact. The estimated fair value of the earnout liability is determined using a Monte-Carlo simulation model. Inputs that have a significant effect on the valuation include the expected volatility, stock price, expected term, risk-free interest rate and performance hurdles. The unfavorable impact on the statement of operations during the quarter ended April 2, 2023 is a non-cash expense and was due to the increase in the fair value of the earnouts, which mainly reflects the increase in the Company's stock price in the current quarter. On March 2, 2023, Bowlero's closing stock price of Class A common stock equaled or exceeded \$15.00 for 10 trading days within a 20-trading day period. As a result, 11,418,361 Earnout Shares were fully vested, settled into equity and are no longer included in the Earnout liability on the condensed consolidated balance sheet.

**Other expense:** Other expenses include various cost related to transactions that do not represent ongoing or frequently recurring activities as part of the Company's operations. The increase in other expenses is mainly due to the \$5,342 in costs that were expensed associated with the refinancing of the First Lien Credit Facility Term Loan.



**Income Taxes:** Income tax benefit and deferred tax assets and liabilities reflect management's assessment of the Company's tax position. The increase in income tax benefit during the three months ended April 2, 2023 as compared to the three months ended March 27, 2022 mainly reflects the decrease in the overall effective tax rate resulting from changes in estimates associated with certain income tax credits and tax deductible expenses. The effective tax rate of 2.0% tax benefit for the quarter ended April 2, 2023 is primarily attributed to changes in the valuation allowance and in estimates associated with certain income tax credits and tax deductible expenses, which were partially offset by state income tax expense due to, higher income and certain non-deductible expenses. The effective tax rate of 1.1% tax benefit for the quarter ended March 27, 2022 was primarily impacted by a favorable return to provision income tax adjustment offset in part by state income tax expenses. We regularly evaluate the realizability of our net deferred tax assets. As of April 2, 2023, substantially all our U.S. federal, state and foreign deferred tax assets, net of deferred tax liabilities, were subject to valuation allowances. If our financial results continue to improve and we conclude that estimates of our future taxable income are objectively verifiable, our assessment of the realization of our net deferred tax assets could result in the release of a significant portion of the valuation allowances, with the exception of any potentially remaining net operating losses subject to potential limitation, including limitations under Internal Revenue Code Section 382 or 383, separate return loss year rules, or state tax loss limitations. Such a release would result in a material non-cash income tax benefit in our consolidated statement of operations in the period of release and the recording of additional deferred tax assets on our consolidated balance sheet. There is a reasonable possibility that within the next several quarters, sufficient positive evidence becomes available to reach a conclusion that a significant portion of the valuation allowances against our U.S. net deferred tax assets would no longer be required.

### Nine Months Ended April 2, 2023 Compared to the Nine Months Ended March 27, 2022

**Analysis of Consolidated Statement of Operations.** The following table displays certain items from our consolidated statements of operations for the periods presented below:

(in thousands)	Nine Months Ended					
	April 2, 2023	% <sup>(1)</sup>	March 27, 2022	% <sup>(1)</sup>	Change	% Change
<b>Revenues</b>	\$ 819,370	100.0 %	\$ 643,988	100.0 %	\$ 175,382	27.2 %
<b>Costs of revenues</b>	534,212	65.2 %	424,742	66.0 %	109,470	25.8 %
<b>Gross profit</b>	285,158	34.8 %	219,246	34.0 %	65,912	30.1 %
<b>Operating (income) expenses:</b>						
Selling, general and administrative expenses	102,837	12.6 %	145,013	22.5 %	(42,176)	(29.1)%
Asset impairment	573	0.1 %	—	— %	573	
Gain on sale of assets	(2,170)	(0.3)%	(1,755)	(0.3)%	415	23.6 %
Other operating expense	2,625	0.3 %	5,708	0.9 %	(3,083)	(54.0)%
Total operating expense	103,865	12.7 %	148,966	23.1 %	(45,101)	(30.3)%
<b>Operating profit</b>	181,293	22.1 %	70,280	10.9 %	111,013	158.0 %
<b>Other expenses:</b>						
Interest expense, net	80,066	9.8 %	69,101	10.7 %	10,965	15.9 %
Change in fair value of earnout liability	158,758	19.4 %	23,236	3.6 %	135,522	583.2 %
Change in fair value of warrant liability	—	— %	20,748	3.2 %	(20,748)	(100.0)%
Other expense	5,356	0.7 %	161	— %	5,195	3226.7 %
Total other expense	244,180	29.8 %	113,246	17.6 %	130,934	115.6 %
<b>Loss before income tax expense (benefit)</b>	(62,887)	(7.7)%	(42,966)	(6.7)%	(19,921)	(46.4)%
Income tax expense (benefit)	1,285	0.2 %	(6,089)	(0.9)%	(7,374)	(121.1)%
<b>Net loss</b>	<u>\$ (64,172)</u>	<u>(7.8)%</u>	<u>\$ (36,877)</u>	<u>(5.7)%</u>	<u>(27,295)</u>	<u>(74.0)%</u>

(1) Percent calculated as a percentage of revenues and may not total due to rounding.

**Revenues:** For the nine months ended April 2, 2023, revenues totaled \$819,370 and represented an increase of \$175,382, or 27%, over the same period of last fiscal year because of organic growth and increases in revenue due to





higher center count. The overall increase in revenues is due to our ability to execute our growth strategy and business model with the impact of 22 new centers compared to the same period last year and continued revenue growth in our existing centers, resulting from an increase in event revenue, our broader and enhanced range of offerings, as well as the impact of positive market conditions and price increases. The following table summarizes the increase in our revenues on a same-store-basis for the nine months ended April 2, 2023 as compared to the corresponding period last fiscal year:

(in thousands)	Nine Months Ended		Change	% Change
	April 2, 2023	March 27, 2022		
Center revenues on a same-store basis	\$ 722,638	\$ 597,997	\$ 124,641	20.8 %
Revenues for media, new and closed centers	96,732	45,991	50,741	110.3 %
Total revenues	\$ 819,370	\$ 643,988	\$ 175,382	27.2 %

Same-store revenues includes revenue from centers that are open in periods presented (open in both the current period and the prior period being reported) and excludes revenues from centers that are not open in periods presented such as acquired new centers or centers closed for upgrades, renovations or other such reasons, as well as media revenues. The increase in same-store revenues during the nine months ended April 2, 2023 reflects, among other factors, continued favorable demand for our products and services and price increases.

**Cost of Revenues:** Our cost of revenues includes costs that are not variable or less variable with changes in revenues, such as depreciation, amortization, rent and property taxes, as well as more variable costs that include labor, food and beverage costs, prize funds, supplies, production expenses and amusement costs. The increase in cost of revenues of \$109,470, or 26%, corresponds to the increase in revenues, as well as higher costs due to inflation. Increases in costs were in most areas and include higher costs with labor, utilities, food and beverage, as well as increases in depreciation, insurance and other operational costs such as security and supplies. Labor costs were higher because of additional staffing and higher labor pay rates to support growing business. Depreciation costs increased because of added depreciation from acquisitions of businesses, asset acquisitions and capital expenditures. Cost of revenues as a percent of revenues decreased from 66% during the first nine months of fiscal 2022 to almost 65% during the first nine months of fiscal 2023, mainly due to improved operating leverage with revenues increasing at a faster rate than costs. Additionally, we have recently increased prices in an effort to address the impact of higher costs and to improve margins.

**Gross Profit:** Our gross profit increased \$65,912, or 30%, to \$285,158, primarily due to the \$175,382 increase in revenues. Gross profit margin (gross profit divided by revenues) increased by 80 basis points. The increase in gross profit margin is due to a number of factors, including higher operating leverage in that revenues increased at a higher rate than costs.

**Selling, general and administrative expenses ("SG&A"):** SG&A expenses include employee-related costs, such as payroll and benefits, as well as depreciation and amortization (excluding those related to our center operations), media and promotional expenses. SG&A expenses decreased \$42,176, or 29%, to \$102,837, mainly due to the \$68,405 in transaction costs during the prior fiscal year related to the Business Combination, which were partially offset by increases during the current fiscal period in various SG&A costs not directly associated with the Business Combination.

The increases in SG&A costs not directly associated with the Business Combination include compensation costs and increases in other costs, including professional fees and insurance. Increases in compensation and benefits were \$13,802, equity compensation increased \$7,676, professional fees increased \$2,427 and insurance costs increased \$1,429. The increase in compensation costs not associated with the Business Combination mainly reflects rebuilding staff after the interruption caused by the pandemic, increases in pay rates and higher staffing to support the increase in business and the costs we incur as a public reporting company. The increase in share-based compensation costs not associated with the Business Combination reflects equity awards to key members of management as an incentive to motivate and retain associates. The increases in insurance costs and professional fees not directly related to the Business Combination include higher costs associated with the growth in our business, costs associated with being a public reporting company and higher costs due to inflation. Total SG&A expenses as a percent of revenues for the first nine months of fiscal 2023 was approximately 13%, as compared to approximately 23% during the corresponding period last fiscal year. Excluding the impact of the transaction costs associated with the Business Combination, SG&A costs as a percentage of revenues increased from 12% to 13% mainly due to costs increasing at a higher rate than revenues.

**Interest expense, net:** Interest expense primarily relates to interest on debt and capital leases. Interest expense increased \$10,965, or 16%, to \$80,066. The higher interest expense is primarily the result of higher interest rates and our increased debt and capital lease obligations during fiscal 2023.

**Change in fair value of earnouts:** Changes in the fair value of the earnout liabilities are recognized in the statement of operations. Decreases in the liability will have a favorable impact on the statement of operations and increases in the liability will have an unfavorable impact. The change in the fair value of the earnout for the first nine months of



fiscal 2023 when compared to the comparable period of the prior fiscal year, resulted in an unfavorable change of \$135,522. The estimated fair value of the earnout liability is determined using a Monte-Carlo simulation model. Inputs that have a significant effect on the valuation include the expected volatility, stock price, expected term, risk-free interest rate and performance hurdles. The unfavorable impact on the statement of operations during the nine months ended April 2, 2023 is a non-cash expense and was due to the increase in the fair value of the earnouts, which mainly reflects the increase in the Company's stock price in the current quarter. On March 2, 2023, Bowlero's closing stock price of Class A common stock equaled or exceeded \$15.00 for 10 trading days within a 20-trading day period. As a result, 11,418,361 Earnout Shares were fully vested, settled into equity and are no longer included in the Earnout liability on the condensed consolidated balance sheet.

**Other expense:** Other expenses include various cost related to transactions that do not represent ongoing or frequently recurring activities as part of the Company's operations. The increase in other expenses is mainly due to the \$5,342 in costs that were expensed associated with the refinancing of the First Lien Credit Facility Term Loan.

**Income Taxes:** Income tax expense (benefit) and deferred tax assets and liabilities reflect management's assessment of the Company's tax position. The change to an income tax expense for the nine months ended April 2, 2023 from an income tax benefit for the corresponding period of the prior fiscal year mainly reflects the release of a portion of the valuation allowances for deferred income taxes during the prior fiscal year and higher levels of income during the current fiscal year. The effective tax rate of 2.0% tax expense for the nine months ended April 2, 2023 was primarily due to certain non-deductible expenses, and state and local taxes offset in part with changes in the valuation allowance and estimates associated with certain income tax credits and tax deductions. The effective tax rate benefit of 14.2% for the nine months ended March 27, 2022 was due to the release of a portion of the valuation allowance resulting from the acquisition of Bowl America, which was offset in part by state and local income taxes. We regularly evaluate the realizability of our net deferred tax assets. As of April 2, 2023, substantially all our U.S. federal, state and foreign deferred tax assets, net of deferred tax liabilities, were subject to valuation allowances. If our financial results continue to improve and we conclude that estimates of our future taxable income are objectively verifiable, our assessment of the realization of our net deferred tax assets could result in the release of a significant portion of the valuation allowances, with the exception of any potentially remaining net operating losses subject to potential limitation, including limitations under Internal Revenue Code Section 382 or 383, separate return loss year rules, or state tax loss limitations. Such a release would result in a material non-cash income tax benefit in our consolidated statement of operations in the period of release and the recording of additional deferred tax assets on our consolidated balance sheet. There is a reasonable possibility that within the next several quarters, sufficient positive evidence becomes available to reach a conclusion that a significant portion of the valuation allowances against our U.S. net deferred tax assets would no longer be required.

#### **Non-GAAP measure**

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") is a non-GAAP financial measure that is not in accordance with, or an alternative to, measures prepared in accordance with GAAP. The Company believes certain financial measures which meet the definition of non-GAAP financial measures provide important supplemental information. The Company considers Adjusted EBITDA as an important financial measure because it provides a financial measure of the quality of the Company's earnings. Other companies may calculate Adjusted EBITDA differently than we do, which might limit its usefulness as a comparative measure. Adjusted EBITDA is used by management in addition to and in conjunction with the results presented in accordance with GAAP. Additionally, we believe trailing twelve month Adjusted EBITDA provides the current run-rate for trending purposes, rather than annualizing the respective quarters, as the Company's business is seasonal, with the second and third fiscal quarters being higher than the first and last quarters. We have presented Adjusted EBITDA solely as a supplemental disclosure because we believe it allows for a more complete analysis of results of operations and assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance, such as Interest, Income Taxes, Depreciation and Amortization, Impairment Charges, Share-based Compensation, EBITDA from Closed Centers, Foreign Currency Exchange (Gain) Loss, Asset Disposition (Gain) Loss, Transactional and other advisory costs, Charges attributed to new initiatives, Extraordinary unusual or non-recurring gains or losses and Changes in the value of earnouts and warrants. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that Adjusted EBITDA and trailing twelve month Adjusted EBITDA do not reflect:

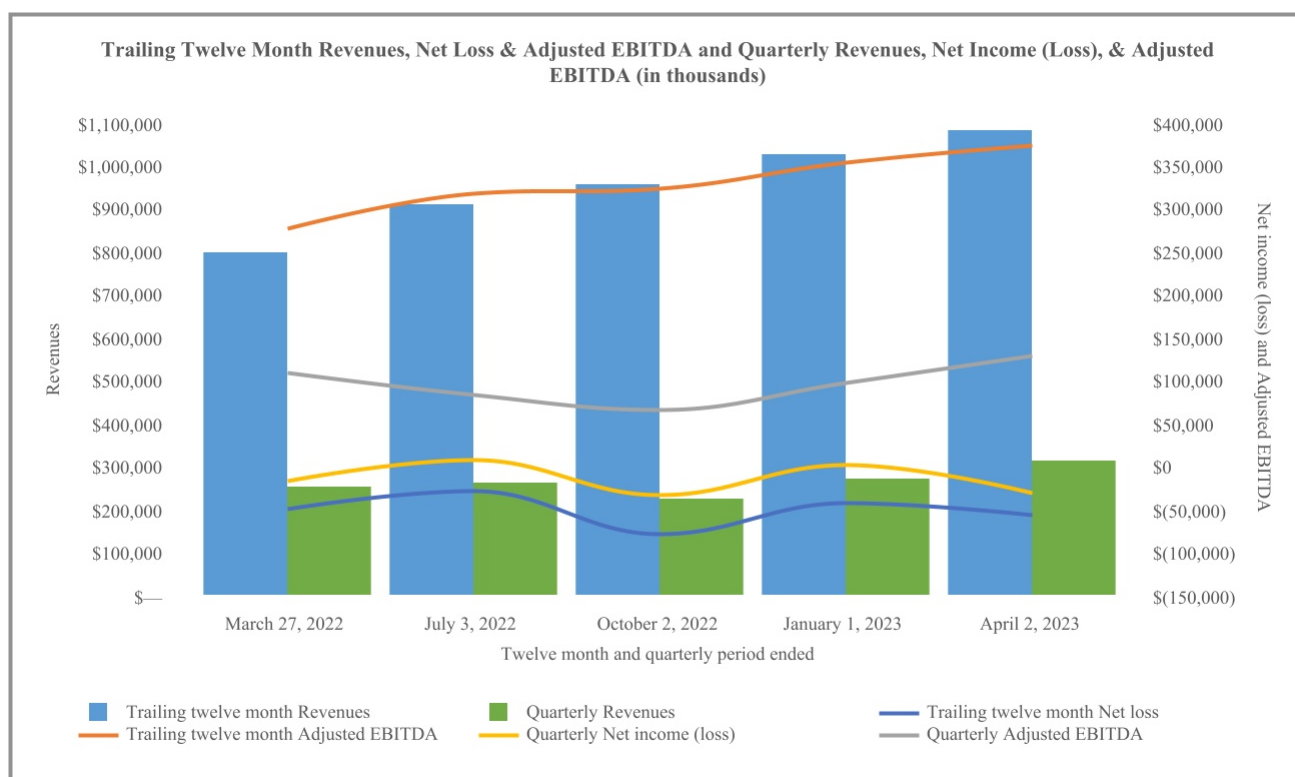
- every expenditure, future requirements for capital expenditures or contractual commitments;
- changes in our working capital needs;
- the interest expense, or the amounts necessary to service interest or principal payments, on our outstanding debt;



- income tax expense (benefit), and because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate;
- non-cash equity compensation, which will remain a key element of our overall equity based compensation package; and
- the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations.

Refer to notes below for additional details concerning the respective items for Adjusted EBITDA.

The following graph details the Company's trailing twelve month revenues, net (loss) income, and Adjusted EBITDA on a quarterly basis over the previous quarters. Adjusted EBITDA represents Net income (loss) before Interest, Income Taxes, Depreciation and Amortization, Impairment Charges, Share-based Compensation, EBITDA from Closed Centers, Foreign Currency Exchange (Gain) Loss, Asset Disposition (Gain) Loss, Transactional and other advisory costs, Charges attributed to new initiatives, Extraordinary unusual non-recurring gains or losses and Changes in the value of earnouts and warrants.



The following table details quarterly revenues, net (loss) income, and Adjusted EBITDA on a quarterly basis, as well as trailing twelve month revenues and net (loss) income and a non-GAAP reconciliation of quarterly Adjusted EBITDA to net (loss) income, the closest applicable GAAP financial measures.

<i>(in thousands)</i>	June 27, 2021	September 26, 2021	December 26, 2021	March 27, 2022	July 3, 2022	October 2, 2022	January 1, 2023	April 2, 2023
<b>Consolidated</b>								
Revenues	<u>\$ 159,103</u>	<u>\$ 180,978</u>	<u>\$ 205,190</u>	<u>\$ 257,820</u>	<u>\$ 267,717</u>	<u>\$ 230,260</u>	<u>\$ 273,385</u>	<u>\$ 315,725</u>
Net (loss) income	\$ (13,461)	\$ 15,564	\$ (34,454)	\$ (17,987)	\$ 6,943	\$ (33,534)	\$ 1,435	\$ (32,073)
Adjustments:								
Interest expense	23,128	22,928	23,880	22,293	25,359	23,570	27,379	29,117
Income tax (benefit) expense	(1,368)	(6,244)	362	(207)	5,399	429	1,524	(668)
Depreciation, amortization and impairment charges	23,872	22,841	25,660	29,986	30,018	26,351	29,303	29,933
Share-based compensation	793	801	42,555	3,020	3,860	3,648	4,036	4,207
Closed center EBITDA <sup>(1)</sup>	1,750	420	398	611	51	379	768	480
Foreign currency exchange (gain) loss	(99)	35	86	(90)	(26)	(71)	(182)	328
Asset disposition loss (gain)	31	(30)	(123)	(1,601)	(2,355)	(155)	(1,823)	(192)
Transactional and other advisory costs <sup>(2)</sup>	6,644	2,829	29,149	4,757	1,405	2,226	5,880	8,726
Charges attributed to new initiatives <sup>(3)</sup>	147	141	65	43	113	45	40	40
Extraordinary unusual non-recurring losses (gains) <sup>(4)</sup>	859	(441)	1,662	929	2,981	1,661	(2,181)	468
Changes in the value of earnouts and warrants <sup>(5)</sup>	—	—	(22,472)	66,617	8,644	40,760	30,776	87,222
Adjusted EBITDA	<u>\$ 42,296</u>	<u>\$ 58,844</u>	<u>\$ 66,768</u>	<u>\$ 108,371</u>	<u>\$ 82,392</u>	<u>\$ 65,309</u>	<u>\$ 96,955</u>	<u>\$ 127,588</u>
Trailing twelve month Net loss				\$ (50,338)	\$ (29,934)	\$ (79,032)	\$ (43,143)	\$ (57,229)
Trailing twelve month Adjusted EBITDA				276,279	316,375	322,840	353,027	372,244
Trailing twelve month Revenues				803,091	911,705	960,987	1,029,182	1,087,087

Notes to Adjusted EBITDA:

- (1) The closed center adjustment is to remove EBITDA for closed centers. Closed centers are those centers that are closed for a variety of reasons, including permanent closure, newly acquired or built centers prior to opening, centers closed for renovation or rebranding and conversion. Closed centers do not include centers closed in compliance with local, state and federal government restrictions due to COVID-19. If a center is not open on the last day of the reporting period, it will be considered closed for that reporting period. If the center is closed on the first day of the reporting period for permanent closure, the center will be considered closed for that reporting period.
- (2) The adjustment for transaction costs and other advisory costs is to remove charges incurred in connection with any transaction, including mergers, acquisitions, refinancing, amendment or modification to indebtedness, dispositions and costs in connection with an initial public offering, in each case, regardless of whether consummated.
- (3) The adjustment for charges attributed to new initiatives is to remove actual charges attributed to new initiatives, including charges with the undertaking and/or implementation of new initiatives, business optimization activities, cost savings initiatives, cost rationalization programs, operating expense reductions and/or synergies and/or similar initiatives and/or programs including

any restructuring charge (including any charges relating to any tax restructuring), any charge relating to the closure or consolidation of any office or facility, any systems



implementation charge, any severance charge, any one time compensation charge, any charge relating to entry into a new market, any charge relating to any strategic initiative or contract and any lease run-off charge.

- (4) The adjustment for extraordinary unusual non-recurring gains or losses is to remove extraordinary gains and losses, which include any gain or charge from any extraordinary item as determined in good faith by the Company and/or any non-recurring or unusual item as determined in good faith by the Company and/or any charge associated with and/or payment of any legal settlement, fine, judgment or order.
- (5) The adjustment for changes in the value of earnouts and warrants is to remove of the impact of the revaluation of the earnouts and warrants. As a result of the Business Combination, the Company recorded liabilities for earnouts and warrants. Changes in the fair value of the earnout and warrant liabilities are recognized in the statement of operations. Decreases in the liability will have a favorable impact on the statement of operations and increases in the liability will have an unfavorable impact. The adjustment also includes realized costs associated with the settlement of warrants during past reporting periods.

## **Liquidity and Capital Resources**

We manage our liquidity through assessing available cash-on-hand, our ability to generate cash and our ability to borrow or otherwise raise capital to fund operating, investing and financing activities. The Company remains in a positive financial position with available cash balances. We also obtained rent deferrals or abatements on a substantial number of our leases due to the effects of the COVID-19 pandemic.

A core tenet of our long-term strategy is to grow the size and scale of the Company in order to improve our operating profit margins through leveraging our fixed costs. As such, one of the Company's known cash requirements is for capital expenditures related to the construction of new centers and upgrading and converting existing centers. We believe our financial position, generation of cash, available cash on hand, existing credit facility, and potential access to additional financing from sale-lease-back transactions or other sources will provide sufficient capital resources to fund our operational requirements, capital expenditures, and material short and long-term commitments for the foreseeable future. However, there are a number of factors that may hinder our ability to access these capital resources, including but not limited to the impact of COVID-19 on our business, our degree of leverage, and potential borrowing restrictions imposed by our lenders. See "[Risk Factors](#)" included in our previously filed Annual Report on Form 10-K for the fiscal year ended July 3, 2022 for further information.

On February 8, 2023, we entered into an Eighth Amendment (the "Eighth Amendment") to the First Lien Credit Agreement. The Eighth Amendment provided for a new \$900,000 term loan maturing on February 8, 2028 (the "Amendment No. 8 Term Loan"). Proceeds of the Amendment No. 8 Term Loan were used to refinance the existing First Lien Credit Facility Term Loan, to repay all amounts outstanding on the Revolver, and for general corporate purposes. The Amendment No. 8 Term Loan is repaid on a quarterly basis in principal payments of \$2,250 beginning on September 29, 2023. The Amendment No. 8 Term Loan bears interest at a rate per annum equal to the Adjusted Term Secured Overnight Financing Rate ("SOFR") plus 3.50%. As of April 2, 2023, interest on the Amendment No. 8 Term Loan is due monthly.

Under the First Lien Credit Agreement, we have access to a senior secured revolving credit facility (the "Revolver"). The outstanding balance on the Revolver is due on December 15, 2026. Interest on borrowings under the Revolver is based on the Adjusted Term SOFR.

In connection with the Company entering into the Eighth Amendment, the Revolver commitment was increased by \$35,000 to an aggregate amount of \$200,000, and the amount outstanding as of the Eighth Amendment date of \$86,434 was repaid. As of April 2, 2023, no amounts have been drawn on the Revolver.

At April 2, 2023, we had approximately \$161,044 of available cash, cash equivalents and restricted cash.

### ***Nine Months Ended April 2, 2023 Compared To the Nine Months Ended March 27, 2022***

The following compares the primary categories of the consolidated statements of cash flows for the periods ended April 2, 2023 and March 27, 2022:

<i>(in thousands)</i>	<b>Nine Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>April 2, 2023</b>	<b>March 27, 2022</b>		
Net cash provided by operating activities	\$ 208,802	\$ 142,861	\$ 65,941	46.16 %
Net cash used in investing activities	(187,949)	(178,744)	(9,205)	(5.15)%
Net cash provided by financing activities	7,964	21,752	(13,788)	(63.39)%
Effect of exchange rate changes on cash	(9)	15	(24)	(160.00)%
Net change in cash and cash equivalents and restricted cash	<u>\$ 28,808</u>	<u>\$ (14,116)</u>	<u>\$ 42,924</u>	<u>(304.08)%</u>

During the nine months ended April 2, 2023, net cash provided from operations totaled \$208,802, as compared to \$142,861 during the same period of the prior fiscal year. The increase in cash provided by operating activities reflects continued higher revenues and profitability after adjusting for non-cash items such as the loss associated with the change in the fair value of the earnout liability. We benefited during the nine months ended April 2, 2023 from continued strong consumer demand and revenues from recently acquired centers.

Investing activities utilized \$187,949, reflecting our acquisitions of businesses, capital expenditures and purchases of marketable securities. The increase in cash used in investing activities during the nine months ended April 2, 2023 as compared to the corresponding period last fiscal year mainly reflects the increase in spending for acquisitions. The increase in the purchase price of acquisitions mainly reflects the increase in the quantity and higher value of business acquisitions as compared to the prior year. The decrease in capital expenditures is mainly due to the acquisition of Bowl America during the prior year which was accounted for as an asset acquisition (reflected as purchase of property and equipment in the statement of cash flows). The purchase and sale of marketable securities reflects an investment the Company made and subsequently sold. We expect to continue to invest in accretive acquisitions in future periods as well as center upgrades and conversions.

Financing activities generated \$7,964 during the nine months ended April 2, 2023, reflecting proceeds from the Amendment No. 8 Term Loan of \$900,000, as well as proceeds from a sale-leaseback financing transaction of \$10,363, all of which were partially offset by the payoff of the First Lien Credit Facility Term Loan of \$786,166, the payoff of outstanding amounts under the Revolver of \$86,434, payments of deferred financing costs of \$8,058, the repurchase of treasury stock for \$22,036, \$4,629 for scheduled long-term debt payments, the settlement of Series A preferred stock for \$6,824 and payments of \$5,750 for tax withholdings on share-based awards. The net cash provided by financing activities during the corresponding prior year period of \$21,752, mainly reflects the net funds received from the Business Combination which were partially offset by scheduled long-term debt payments.

Our contractual obligations primarily include, but are not limited to, debt service, self-insurance liabilities, and leasing arrangements. We believe our sources of liquidity, namely available cash on hand, the undrawn revolver, positive operating cash flows, and access to capital markets will continue to be adequate to meet our contractual obligations, as well as fund working capital, planned capital expenditures, center acquisitions, and execute purchases under our share repurchase program.

### **Off-Balance Sheet Arrangements**

As of April 2, 2023, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

### **Critical Accounting Estimates**

The preparation of our financial statements are in conformity with GAAP, which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures of contingent assets and liabilities. These estimates and assumptions affect amounts of assets, liabilities, revenues and expenses and the disclosure of gain and loss contingencies at the date of the consolidated financial statements. Our current estimates are subject to change if different assumptions as to the outcome of future events were made. We evaluate our estimates and judgments on an ongoing basis, and we adjust our assumptions and judgments when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates we used in preparing the accompanying consolidated financial statements. Critical accounting estimates are defined as those



that require management's most difficult, subjective or complex judgments, and which may result in materially different results under different assumptions and conditions. Our critical accounting estimates are discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our fiscal year 2022 Form 10-K under "Critical Accounting Estimates." There have been no significant changes in our critical accounting estimates for the period ended April 2, 2023.

### **Recently Issued Accounting Standards**

For a description of recently issued Financial Accounting Standards that we adopted during the quarter ended April 2, 2023 and that are applicable to us and likely to have material effect on our consolidated financial statements, but have not yet been adopted, see Note 1 - [Description of Business and Significant Accounting Policies](#) of the notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

### **Emerging Growth Company Accounting Election**

The Company is an emerging growth company, as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart our Business Startups Act of 2012, and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements.

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a registration statement under the Securities Act declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with those of another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We will remain an emerging growth company until the earlier of: (1) the last day of the fiscal year (a) following the fifth anniversary of Isos' IPO (March 5, 2026), (b) in which we have total annual gross revenue of at least \$1,235,000 or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common equity that is held by non-affiliates exceeds \$700,000 as of the end of the prior fiscal year's second fiscal quarter; and (2) the date on which we have issued more than \$1,000,000 in non-convertible debt securities during the prior three-year period. References herein to "emerging growth company" have the meaning associated with it in the JOBS Act.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in, among other things, the ongoing effect of the COVID-19 pandemic, interest rates, credit risk, labor costs, health insurance claims and foreign currency exchange rates, which could impact its results of operations and financial condition. We attempt to address our exposure to these risks through our normal operating and financing activities.

#### **Interest Rate Risk**

Under our term and revolving credit facilities, we are exposed to a certain level of interest rate risk. Interest on the principal amount of our borrowings under our revolving credit facility loan accrues at the Adjusted Term Secured Overnight Financing Rate or the Alternate Base Rate, as further described in the credit agreement governing our term and revolving credit facilities. An increase or decrease of 1.0% in the effective interest rate would cause an increase or decrease to interest expense of approximately \$9,000 over a twelve month period on our outstanding debt without considering the impact of hedging. The Company entered into two hedging transactions effective as of March 31, 2023 for an aggregate notional amount of our Amendment No. 8 Term Loan of \$800,000. The hedge transactions have a trade and hedge designation date of April 4, 2023. The hedge transactions, each for a notional amount of \$400,000, provide for interest rate collars. The interest rate collars establish a floor on SOFR of 0.9429% and 0.9355%, respectively, and a cap on SOFR of 5.50%. The interest rate collars have a maturity date of March 31, 2026.



## **Credit Risk**

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and temporary investments. We are exposed to credit losses in the event of non-performance by counter parties to our financial instruments. We place cash and temporary investments with various high-quality financial institutions. Although we do not obtain collateral or other security to secure these obligations, we periodically monitor the third-party depository institutions that hold our cash and cash equivalents. Our emphasis is primarily on safety and liquidity of principal and secondarily on maximizing yield on those funds.

## **Commodity Price Risk**

We are exposed to market price fluctuation in food, beverage, supplies and other costs such as energy. Given the historical volatility of certain of our food product prices, including proteins, produce, dairy products, and cooking oil, these fluctuations can materially impact our food costs. While our purchasing commitments partially mitigate the risk of such fluctuations, there is no assurance that supply and demand factors such as disease or inclement weather will not cause the prices of the commodities used in our food operations to fluctuate. Additionally, the cost of purchased materials may be influenced by tariffs and other trade regulations which are outside of our control. To the extent that we do not pass along cost increases to our customers, our results of operations may be adversely affected.

## **Inflation**

We experience inflation and deflation related to our purchase of certain products that we need to operate our business. This price volatility could potentially have a material impact on our financial condition and/or our results of operations. In order to mitigate price volatility, we monitor price fluctuations and may adjust our prices accordingly, however, our ability to recover higher costs through increased pricing may be limited by the competitive environment in which we operate.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is properly and timely reported and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

An effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error and circumvention or overriding of controls and therefore can provide only reasonable assurance with respect to reliable financial reporting. Furthermore, effectiveness of an internal control system in future periods cannot be guaranteed because the design of any system of internal controls is based in part upon assumptions about the likelihood of future events. There can be no assurance that any control design will succeed in achieving its stated goals under all potential future conditions. Over time certain controls may become inadequate because of changes in business conditions, or the degree of compliance with policies and procedures may deteriorate. As such, misstatements due to error or fraud may occur and not be detected. We have evaluated the effectiveness of our disclosure controls and procedures as of April 2, 2023 with the participation, and under the supervision, of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of April 2, 2023, our disclosure controls and procedures were not effective because of the material weaknesses described below in *Changes in Internal Control Over Financial Reporting*.

Notwithstanding these material weaknesses, the Company has concluded that the condensed consolidated financial statements included in this Quarterly Report are fairly stated in all material respects in accordance with GAAP.

### **Changes in Internal Control Over Financial Reporting**

During the most recently completed quarter, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as noted in this paragraph regarding material weaknesses. We did not design and maintain effective



controls over certain financial reporting processes, including acquisition accounting, accounting for fixed assets, and certain financial reporting disclosures. Additionally, we did not design and maintain effective controls over system access controls to establish segregation of duties for those with roles and responsibilities for the general ledger. We continue to develop and implement a plan to remediate the material weaknesses described above, which will include additional training of existing staff, hiring additional staff with technical accounting skills and engaging third-party experts to assist in accounting for fixed assets, acquisitions and technical areas, as well as the development of more formal internal control processes and improving information technology controls over system access.

## Part II

### Item 1. Legal Proceedings

From time to time, we are involved in various inquiries, investigations, claims, lawsuits and other legal proceedings that are incidental to the conduct of our business. These matters typically involve claims from customers, employees or other third parties involved in operational issues common to the retail, restaurant and entertainment industries. Such matters typically represent actions with respect to contracts, intellectual property, taxation, employment, employee benefits, personal injuries and other matters. A number of such claims may exist at any given time and there are currently a number of claims and legal proceedings pending against us.

For a description of all material pending legal proceedings, see Note 10 - [Commitments and Contingencies](#) of the notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors

We have disclosed under the heading “Risk Factors” in Item 1A of the Annual Report on Form 10-K for the fiscal period ended July 3, 2022 the risk factors that materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in the Annual Report on Form 10-K for the fiscal period ended July 3, 2022 and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not described every risk that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Issuer Purchases of Equity Securities

On February 7, 2022, the Company announced that its Board of Directors authorized a share and warrant repurchase program providing for repurchases of up to \$200,000 of the Company’s outstanding Class A common stock and warrants through February 3, 2024. Repurchases of shares and warrants are made in accordance with applicable securities laws and may be made from time to time in the open market or by negotiated transactions. The amount and timing of repurchases are based on a variety of factors, including stock price, regulatory limitations, debt agreement limitations, and other market and economic factors. The share repurchase plan does not require the Company to repurchase any specific number of shares, and the Company may terminate the repurchase plan at any time.

The following table provides information regarding purchases of our securities made by us for the quarter ended April 2, 2023.

Fiscal Period	Total Number of Class A Shares Purchased	Average Price Paid per Class A Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Dollar Value of Shares that May Yet Be Purchased Under the Plan
January 2, 2023 to February 5, 2023	400	\$ 13.05	400	\$ 146,645
February 6, 2023 to March 5, 2023	98,420	15.17	98,420	145,152
March 6, 2023 to April 2, 2023	271,792	14.95	271,792	141,089
Total	370,612	\$ 15.01	370,612	

On May 16, 2023, the Board of Directors authorized the replenishment of the remaining balance of the share and warrant repurchase program to \$200,000.





## Item 6. Exhibits

Exhibit No.	Description
10.1	<a href="#"><u>Eighth Amendment to the First Lien Credit Agreement, dated as of July 3, 2017, by and among Bowlero Corp., Kingpin Intermediate Holdings LLC, as the borrower, JPMorgan Chase Bank, N.A., as the administrative agent, and the lenders from time to time party thereto, dated February 8, 2023 (incorporated by reference to Exhibit 10.1 to Bowlero Corp.'s Current Report on Form 8-K filed with the SEC on February 8, 2023).</u></a>
31.1+	<a href="#"><u>Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).</u></a>
31.2+	<a href="#"><u>Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).</u></a>
32.1+	<a href="#"><u>Certification of the Principal Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.</u></a>
32.2+	<a href="#"><u>Certification of the Principal Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline iXBRL document).

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+ Filed herewith.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **BOWLERO CORP.**

Date: May 17, 2023

By: /s/ Brett I. Parker  
Name: Brett I. Parker  
Title: Chief Financial Officer  
(Principal Financial Officer)