



Houlihan Lokey

OUT-OF-HOME ENTERTAINMENT

STATE OF THE INDUSTRY | JUNE 2023




Highly Successful Out-of-Home Practice

Our OOH franchise has remained remarkably active with seven M&A transactions year-to-date in 2023, cementing our position as a leading advisor; we have closed more than 20 transactions in the space over the past three years.

Select Transactions in the Last Three Years

Transaction Pending

LUCKY STRIKE
a portfolio company of
**Summit Partners
Credit Advisors, LP**
has agreed to be acquired by



Sellside Advisor

May-23


RHC.
a portfolio company of
LGI Capital Partners
your partner for alternative investments
has been acquired by



Sellside Advisor

May-23

FIVE STAR
PARKS & ATTRACTIONS
has acquired



Buyside Advisor

May-23

Gersh
has received a significant investment from



Financial Advisor

Apr-23


WORLD CHOICE INVESTMENTS
has received a major investment from



Sellside Advisor

Feb-23

FIVE STAR
PARKS & ATTRACTIONS
a portfolio company of
THE BEERMAN GROUP
has been recapitalized by



Sellside Advisor

Feb-23

MESMERIZE
a portfolio company of
THE BEERMAN GROUP
has been acquired by
MJ life sciences
in partnership with
BDT CAPITAL PARTNERS

Sellside Advisor


Feb-23

Family Entertainment Group LLC
a portfolio company of
TZP GROUP
has been acquired by
H. I. C. CAPITAL

Sellside Advisor

Jul-22

ID&T
has been merged into



Merger Advisor



Sep-21

Remedy
HEALTH MEDIA
a portfolio company of
tOpSpin
CONSUMER PARTNERS
has been acquired by
AMULET CAPITAL
BUSINESS LP

Sellside Advisor

Sep-21

ALAMO
DRAFTHOUSE CINEMA
has sold substantially all its assets, pursuant to Section 363 of the U.S. Bankruptcy Code, to

League Holdings LLC **Thunderbird Brothers LLC**

Company Advisor

Jul-21

PatientPoint
has combined with
Outcome HEALTH
to create
PatientPoint
HEALTH TECHNOLOGIES
Revolver, First Lien Term Loan & Second Lien Term Loan
Acquisition Financing

Exclusive Placement Agent

Mar-21

The Second City
has been acquired by



Sellside Advisor

Feb-21

Chuck E. Cheese
has confirmed a Chapter 11 Plan of Reorganization

Creditor Advisor

Dec-20

CIRQUE DU SOLEIL
has completed a restructuring transaction under CCAA and Chapter 15, including a \$300mm new money first lien term loan

Secured Lender Advisor

Nov-20

XFL
has been acquired by
THE GARCIA COMPANIES
REDBIRD
CAPITAL PARTNERS

Company Advisor

Aug-20

Out-of-Home Entertainment Remains Attractive and Resilient During a Challenging Market Environment

The out-of-home entertainment industry (OOH) has experienced a strong rebound post-COVID-19 as consumers have continued to emphasize their desire and need for out-of-home experiences. Although certain OOH operators and sectors have lagged others, there is optimism for a continued and prolonged period of growth, including many instances in which operators have already surpassed (some significantly so) pre-pandemic levels.

For those already ensconced in the OOH sector pre-COVID-19, this is not a surprise; the industry had experienced unabated growth for a decade. However, while COVID-19 was highly disruptive to the OOH landscape, the post-pandemic trends have brought a heightened focus to the space, with growth trajectories highlighting opportunities for many years ahead.

OOH Market Overview: M&A Activity

- Post-COVID-19 deal activity through YTD 2023 has remained incredibly strong, in stark contrast to the broader market discourse.
- Our team at Houlihan Lokey alone has completed eight M&A transactions in the OOH space in the past year. And, importantly, the forward-looking trends are the same, if not brighter.
- Over the past year plus, some assets capitalized on post-pandemic outperformance while others found opportunity in simply a “return to normal.”
- The hammer of COVID-19 on the OOH industry also created an artificial timing logjam: Operators and sponsors who may have sought an exit in 2020–2021 were naturally pushed to 2022 and beyond, in addition to those whose organic timelines already dictated a 2022–2023 liquidity event.
- As we move further away from the once-in-a-lifetime pandemic event and business returns to normal, the OOH M&A pipeline will remain robust, following the historical growth of the sector, and aided by the recession-resilient characteristics of many subsectors.
- Coming out of the return to normal, buyers have remained keenly focused on several factors, including normalized performance vs. theoretical one-time pent-up demand, price vs. volume growth, the long-term sustainability of potential operating/corporate expense cuts, etc.
- Several macroeconomic factors have further complicated the landscape, given fears (and realities) related to inflation, gas prices, recession, wage growth, and the return of international tourism, in addition to broader economic and geopolitical uncertainties.
- 2023 is shaping up to be perhaps the first full year without any lingering COVID-19 impact, whereby performance can be appropriately comped to 2019, although even that depends on the geographic market.

We hope you find this market update insightful. Please feel free to reach out if you'd like to discuss anything herein or regarding the out-of-home sector more broadly.



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Taking a Closer Look at Key Trends in OOH

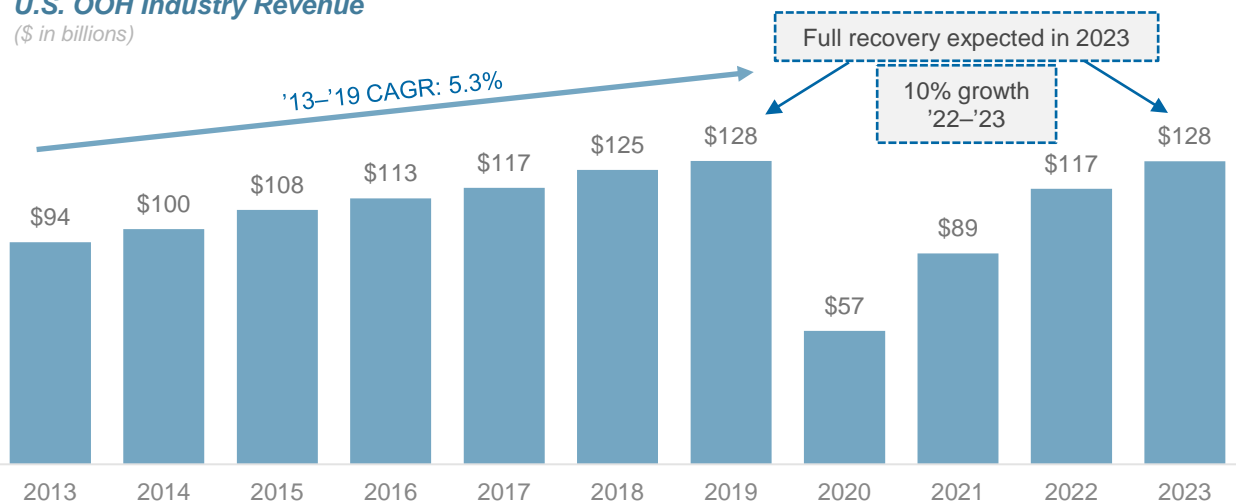
OOH has, and continues to be, an extremely attractive industry with a strong outlook, creating an opportune time for investors looking to deploy capital in durable sectors with consistent growth

OOH Trends: A Return to Normal

- Demand for experiences is expected to bolster spend across all OOH assets and sectors as travel continues to rebound, with 2023 poised to become the first truly normalized period post-COVID-19 without any lingering effects.
- In addition, OOH performance over the past 12 months has been particularly indicative of the strength and resiliency of this sector; it has never been more evident that despite market conditions, consumers will want to get out, have fun, and spend on out-of-home activities/experiences.

U.S. OOH Industry Revenue

(\$ in billions)



- Looking ahead, the OOH industry has exciting and evolving industries (particularly location-based and experiential entertainment) that are ripe for ongoing robust growth.
- Some of the most popular concepts today operate in segments that have been around for decades (family entertainment centers (FECs), as an example); FEC operators that have evolved their offerings to include best-in-class arcade games, exciting entertainment (e.g., high-speed go-karts), and quality food and beverage are taking market share and experiencing substantial growth.
- The name of the game is to enhance the customer experience and create an unforgettable, yet repeatable, visit for all ages—those who accomplish this goal will be winners.

Looking Ahead: Select OOH Subsector Growth

<p>9.8% CAGR Family Entertainment Centers</p> <p><i>\$43 billion global industry by 2027E</i></p>	<p>11.1% CAGR Amusement Parks</p> <p><i>\$102 billion global industry by 2027E</i></p>	<p>12.2% CAGR Trampoline Parks</p> <p><i>\$3 billion global industry by 2027E</i></p>
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CAGRs representative of 2023–2027 time period.

OOH is Remarkably Recession Resilient

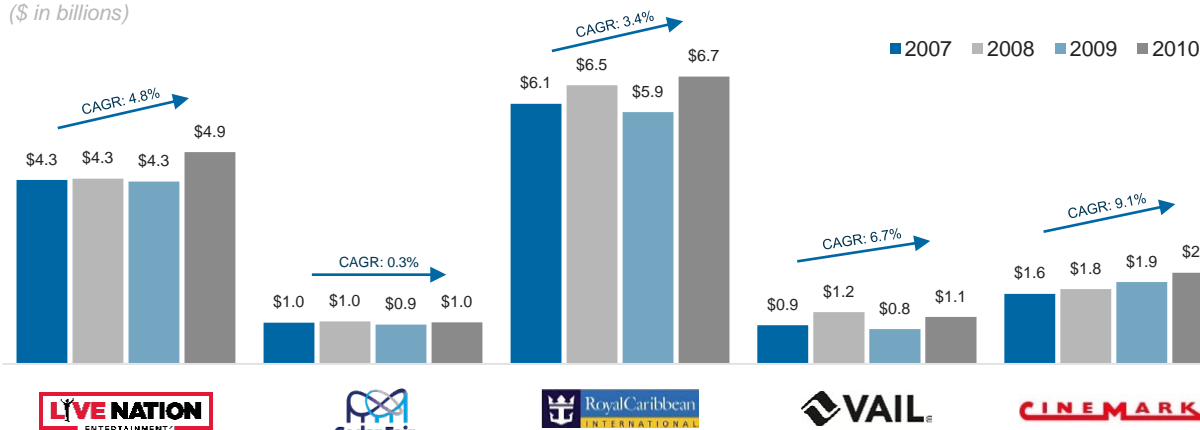
Market performance indicates that certain OOH sectors are still lagging relative to the broader market, posing a unique opportunity to capitalize on industries that have historically fared well during difficult macroeconomic environments.

OOH Market Overview: Great Recession Performance

- Most core segments within the OOH industry displayed resiliency during the Great Recession as a result of reliable and repeatable consumer demand, a strong insulator from macro risk.
- In a downturn, consumers historically focus their discretionary spend largely on domestic/local vacation destinations and entertainment options or other affordable, family-friendly alternatives rather than extravagant international travel and entertainment. As a result, OOH operators have tended to weather recessions better than the broader market.
- As has been reflected throughout COVID-19, the OOH industry is quick to rebound from headwinds and is particularly well-equipped to adapt to continuously changing customer preferences.

Selected OOH Company Revenue Performance in Great Recession

(\$ in billions)

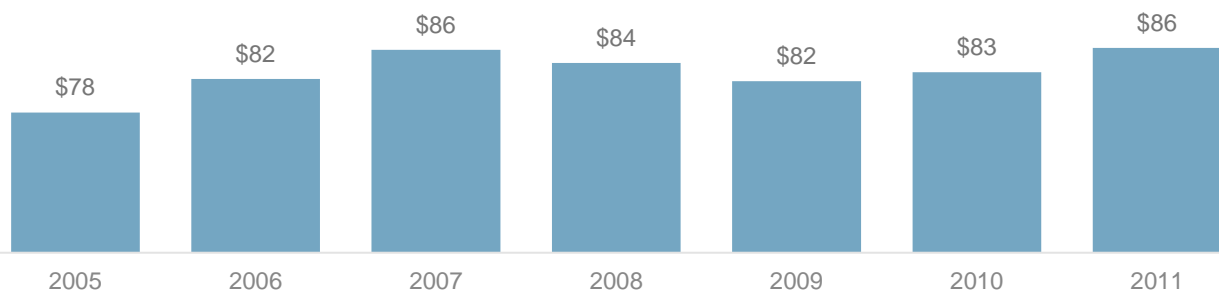


U.S. OOH Industry Revenue and Relative Performance

(\$ in billions)

S&P 500 revenue declined 10.6% from 2008 to 2009 vs. 2.8% for OOH

OOH recovered quickly and with minimal disruption in the midst of a horrific recession



HLI
LISTED
NYSE

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

- **2,600+** Employees
- **~\$1.8 Billion** of Revenue⁽¹⁾
- **36 Offices** Globally
- **~\$6.0 Billion** Market Cap⁽²⁾

Corporate Finance

Advisor	Deals
1 Houlihan Lokey	191
2 Goldman Sachs	188
3 JP Morgan	160
4 Jefferies LLC	135
5 Piper Sandler	132

Source: Refinitiv.

No. 1 U.S. M&A Advisor

Top 3 Global M&A Advisor

Leading Capital Markets Advisor

Financial Restructuring

Advisor	Deals
1 Houlihan Lokey	58
2 PJT Partners	30
3 Lazard	29
4 Rothschild	25
5 Moelis	21

Source: Refinitiv.

No. 1 Global Restructuring Advisor

1,400+ Transactions Completed
Valued at More Than \$3.0 Trillion
Collectively

Financial and Valuation Advisory

Advisor	Deals
1 Houlihan Lokey	1,124
2 Duff & Phelps, A Kroll Business	788
3 JP Morgan	775
4 Piper Sandler	587
5 BofA Securities	539

Source: Refinitiv. Announced or completed transactions.

No. 1 Global M&A Fairness Opinion
Advisor Over the Past 25 Years

1,000+ Annual Valuation
Engagements

Consumer, Food, and Retail

Advisor	Deals
1 Houlihan Lokey	21
2 Goldman Sachs	18
3 William Blair	17
4 JP Morgan	16
5 Lincoln International	13
5 Robert W Baird	13

Source: Refinitiv. Excludes accounting firms and brokers.

No. 1 U.S. CFR Practice

91 Completed Transactions Over the
Past Three Years

(1) LTM ended March 31, 2023. (2) As of May 2023.

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