REFINITIV

DELTA REPORT

10-Q

BOWLERO CORP.

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - OCTOBER 01, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	568
CHANGES	119
DELETIONS	219
ADDITIONS	230

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 October 1, 2023 December 31, 2023
OR

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

Commission file number 001-40142

Bowlero_Corporation_Logo (1).jpg

BOWLERO CORP.

(Exact name of registrant as specified in its charter)

Delaware	**98-1632024**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7313 Bell Creek Road **Mechanicsville, Virginia**	**23111**
(Address of Principal Executive Offices)	(Zip Code)

(804) 417-2000
Registrant's telephone number, including area code
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☒

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 92,768,345 91,202,273 shares of Class A common stock, 58,519,437 shares of Class B common stock, and 136,373 129,457 shares of Series A preferred stock as of November 1, 2023 January 31, 2024.

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Bowlero Corp.
Condensed Consolidated Balance Sheets
October 1, 2023 and July 2, 2023
(Amounts in thousands)
(Unaudited)

Item 1. Condensed Financial Statements

		October 1, 2023	July 2, 2023		
	December 31, 2023			December 31, 2023	July 2, 2023
Assets	**Assets**				
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	$ 40,088	$ 195,633		

Accounts and notes receivable, net of allowance for doubtful accounts	Accounts and notes receivable, net of allowance for doubtful accounts	4,087	3,092
Inventories, net	Inventories, net	13,183	11,470
Prepaid expenses and other current assets	Prepaid expenses and other current assets	19,393	18,395
Assets held-for-sale	Assets held-for-sale	2,069	2,069
Total current assets	Total current assets	78,820	230,659
Property and equipment, net			
Property and equipment, net			
Property and equipment, net	Property and equipment, net	773,057	697,850
Internal use software, net	Internal use software, net	20,792	17,914
Operating lease right of use assets, net	Operating lease right of use assets, net	550,113	449,085
Finance lease right of use assets, net	Finance lease right of use assets, net	540,186	515,339
Intangible assets, net	Intangible assets, net	100,087	90,986
Goodwill	Goodwill	825,522	753,538
Deferred income tax asset	Deferred income tax asset	86,237	73,807
Other assets	Other assets	12,582	12,096
Total assets	Total assets	$2,987,396	$2,841,274
Liabilities, Temporary Equity and Stockholders' Equity			
Liabilities, Temporary Equity and Stockholders' (Deficit) Equity			
Liabilities, Temporary Equity and Stockholders' (Deficit) Equity			
Liabilities, Temporary Equity and Stockholders' (Deficit) Equity			
Current liabilities:	Current liabilities:		
Current liabilities:			

Current liabilities:			
Accounts payable and accrued expenses			
Accounts payable and accrued expenses			
Accounts payable and accrued expenses	Accounts payable and accrued expenses	$ 141,164	$ 121,226
Current maturities of long-term debt	Current maturities of long-term debt	9,595	9,338
Current obligations of operating lease liabilities	Current obligations of operating lease liabilities	26,194	23,866
Other current liabilities	Other current liabilities	16,650	14,281
Total current liabilities	Total current liabilities	193,603	168,711
Long-term debt, net	Long-term debt, net	1,276,371	1,138,687
Long-term debt, net			
Long-term debt, net			
Long-term obligations of operating lease liabilities	Long-term obligations of operating lease liabilities	541,937	431,295
Long-term obligations of financing lease liabilities		678,720	652,450
Long-term obligations of finance lease liabilities			
Long-term financing obligations			
Earnout liability	Earnout liability	71,364	112,041
Other long-term liabilities	Other long-term liabilities	35,220	34,380
Deferred income tax liabilities	Deferred income tax liabilities	4,079	4,160
Total liabilities	Total liabilities	2,801,294	2,541,724
Commitments and Contingencies (Note 10)	**Commitments and Contingencies (Note 10)**		
Temporary Equity			

Series A preferred stock	144,329	144,329
Commitments and Contingencies (Note 10)		
Commitments and Contingencies (Note 10)		

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	December 31, 2023	December 31, 2023	July 2, 2023
Temporary Equity			
Series A preferred stock			
Series A preferred stock			
Series A preferred stock			

		October 1, 2023	July 2, 2023
Stockholders' Equity			
Stockholders' (Deficit) Equity			
Stockholders' (Deficit) Equity			
Stockholders' (Deficit) Equity			
Class A common stock			
Class A common stock			
Class A common stock	Class A common stock	$ 10	$ 11
Class B common stock	Class B common stock	6	6
Additional paid-in capital	Additional paid-in capital	507,935	506,112
Treasury stock, at cost	Treasury stock, at cost	(268,063)	(135,401)
Accumulated deficit	Accumulated deficit	(201,440)	(219,659)
Accumulated other comprehensive income	Accumulated other comprehensive income	3,325	4,152
Total stockholders' equity		41,773	155,221
Total liabilities, temporary equity and stockholders' equity		$2,987,396	$2,841,274
Total stockholders' (deficit) equity			
Total liabilities, temporary equity and stockholders' (deficit) equity			

See accompanying notes to unaudited condensed consolidated financial statements.

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Bowlero Corp.
Condensed Consolidated Statements of Operations

Three Months Ended October 1, 2023 and October 2, 2022
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended	
	October 1, 2023	October 2, 2022
Revenues	$ 227,405	$ 230,260
Costs of revenues	182,921	165,202
Gross profit	44,484	65,058
Operating (income) expenses:		
Selling, general and administrative expenses	37,765	32,494
Asset impairment	26	84
Gain on sale or disposal of assets	(27)	(155)
Other operating expense	1,364	1,362
Total operating expense	39,128	33,785
Operating profit	5,356	31,273
Other (income) expenses:		
Interest expense, net	37,449	23,570
Change in fair value of earnout liability	(40,682)	40,760
Other expense	53	48
Total other (income) expense	(3,180)	64,378
Income (loss) before income tax (benefit) expense	8,536	(33,105)
Income tax (benefit) expense	(9,683)	429
Net income (loss)	18,219	(33,534)
Series A preferred stock dividends	(1,962)	(2,801)
Earnings allocated to Series A preferred stock	(1,049)	—
Net income (loss) attributable to common stockholders	$ 15,208	$ (36,335)
Net income (loss) per share attributable to common stockholders		
Basic	$ 0.09	$ (0.22)
Diluted	$ 0.09	$ (0.22)
Weighted-average shares used in computing net loss per share attributable to common stockholders		
Basic	160,929,391	162,854,597
Diluted	168,903,508	162,854,597

	Three Months Ended		Six Months Ended	
	December 31, 2023	January 1, 2023	December 31, 2023	January 1, 2023
Revenues	$ 305,671	$ 273,385	$ 533,076	$ 503,645
Costs of revenues	215,090	179,706	398,011	344,908
Gross profit	90,581	93,679	135,065	158,737
Operating expenses:				
Selling, general and administrative expenses	37,512	34,452	75,277	66,946
Asset impairment	29	—	55	84

Loss (gain) on sale of assets	21	(1,823)	(6)	(1,978)
Other operating expense	3,542	614	4,906	1,976
Total operating expense	41,104	33,243	80,232	67,028
Operating profit	49,477	60,436	54,833	91,709
Other expenses:				
Interest expense, net	46,236	27,379	83,685	50,949
Change in fair value of earnout liability	64,091	30,776	23,409	71,536
Other expense (income)	10	(678)	63	(630)
Total other expense	110,337	57,477	107,157	121,855
(Loss) income before income tax expense (benefit)	(60,860)	2,959	(52,324)	(30,146)
Income tax expense (benefit)	2,609	1,524	(7,074)	1,953
Net (loss) income	(63,469)	1,435	(45,250)	(32,099)
Series A preferred stock dividends	(1,963)	(2,802)	(3,925)	(5,603)
Net loss attributable to common stockholders	$ (65,432)	$ (1,367)	$ (49,175)	$ (37,702)
Net loss per share attributable to Class A and B common stockholders				
Basic & Diluted	$ (0.44)	$ (0.01)	$ (0.32)	$ (0.23)
Weighted-average shares used in computing net loss per share attributable to common stockholders				
Basic & Diluted	149,805,531	162,478,147	155,367,461	162,665,041

See accompanying notes to unaudited condensed consolidated financial statements.

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Bowlero Corp.
Condensed Consolidated Statements of Comprehensive (Loss) Income (Loss)
Three Months Ended October 1, 2023 and October 2, 2022
(Amounts in thousands)
(Unaudited)

	Three Months Ended	
	October 1, 2023	**October 2, 2022**
Net income (loss)	$ 18,219	$ (33,534)
Other comprehensive loss, net of income tax:		
Unrealized loss on derivatives	(340)	—
Foreign currency translation adjustment	(487)	(367)
Other comprehensive loss	(827)	(367)
Total comprehensive income (loss)	$ 17,392	$ (33,901)

	Three Months Ended		Six Months Ended	
	December 31, 2023	**January 1, 2023**	**December 31, 2023**	**January 1, 2023**
Net (loss) income	$ (63,469)	$ 1,435	$ (45,250)	$ (32,099)
Other comprehensive (loss) income, net of income tax:				
Unrealized loss on derivatives	(3,110)	—	(3,450)	—

Foreign currency translation adjustment	666	81	179	(286)
Other comprehensive (loss) income	(2,444)	81	(3,271)	(286)
Total comprehensive (loss) income	$ (65,913)	$ 1,516	$ (48,521)	$ (32,385)

See accompanying notes to unaudited condensed consolidated financial statements.

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Bowlero Corp.
Condensed Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity
Three Months Ended October 1, 2023 and October 2, 2022 (Deficit)
(Amounts in thousands, except share amounts)
(Unaudited)

	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				
Balance, July 3, 2022	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)
Balance, October 2, 2022	**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)
Balance, January 1, 2023	**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)**

	Series A preferred stock		Class A common stock		Class B common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, July 3, 2022	**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)
Balance, October 2, 2022	**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)**

	Series A preferred stock	Class A common Stock	Class B common Stock	Treasury stock	Additional Paid-in capital	Accumulated deficit	Accumulated other comprehensive income	stoc(
	Shares							
Balance, July 2, 2023								
Balance, July 2, 2023								

		Series A preferred stock		Class A common stock		Class B common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Total stockholders' equity
Balance, July 2, 2023	**Balance, July 2, 2023**	**136,373**	**$ 144,329**	**107,666,301**	**$ 11**	**60,819,437**	**$ 6**	**11,312,302**	**$ (135,401)**	**$ 506,112**	**$ (219,659)**	**$ 4,152**	**$ 155,221**

Net income	Net income	—	—	—	—	—	—	—	—	—	18,219	—	18,219
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	(487)	(487)
Unrealized loss on derivatives	Unrealized loss on derivatives	—	—	—	—	—	—	—	—	—	—	(340)	(340)
Conversion of Class B common stock into Class A common stock	Conversion of Class B common stock into Class A common stock	—	—	2,300,000	—	(2,300,000)	—	—	—	—	—	—	—
Share-based compensation	Share-based compensation	—	—	15,489	—	—	—	—	—	1,823	—	—	1,823
Repurchase of Class A common stock into Treasury stock	Repurchase of Class A common stock into Treasury stock	—	—	(12,131,185)	(1)	—	—	12,131,185	(132,662)	—	—	—	(132,663)
Balance, October 1, 2023	**Balance, October 1, 2023**	**136,373**	**$ 144,329**	**97,850,605**	**$ 10**	**58,519,437**	**$ 6**	**23,443,487**	**$ (268,063)**	**$ 507,935**	**$ (201,440)**	**$ 3,325**	**$ 41,773**
Net loss													
Foreign currency translation adjustment													
Unrealized loss on derivatives													
Share-based compensation													
Dividends on Series A preferred stock													
Repurchase of Class A common stock into Treasury stock													
Balance, December 31, 2023													

See accompanying notes to unaudited condensed consolidated financial statements.

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Bowlero Corp.
Condensed Consolidated Statements of Cash Flows
Three Months Ended October 1, 2023 and October 2, 2022
(Amounts in thousands)
(Unaudited)

	Three Months Ended

		October 1, 2023	October 2, 2022
	Six Months Ended December 31, 2023		
		December 31, 2023	Six Months Ended January 1, 2023
Operating activities	**Operating activities**		
Net income (loss)		$ 18,219	$(33,534)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Net loss			
Net loss			
Net loss			
Adjustments to reconcile net loss to net cash provided by operating activities:			
Asset impairment			
Asset impairment			
Asset impairment	Asset impairment	26	84
Depreciation and amortization	Depreciation and amortization	31,352	26,267
Gain on sale or disposal of assets, net		(27)	(155)
Income from joint venture		(71)	(99)
Gain on sale of assets, net			
Income from equity method investment			
Amortization of deferred financing costs	Amortization of deferred financing costs	846	956
Amortization of deferred rent incentive	Amortization of deferred rent incentive	—	(567)
Non-cash interest expense on capital lease obligation	Non-cash interest expense on capital lease obligation	—	4,510
Non-cash interest expense on finance lease obligation	Non-cash interest expense on finance lease obligation	935	—
Non-cash operating lease expense	Non-cash operating lease expense	7,822	—

Non-cash portion of gain on lease modification	Non-cash portion of gain on lease modification	(499)	—
Amortization of deferred sale lease-back gain	Amortization of deferred sale lease-back gain	—	(257)
Deferred income taxes	Deferred income taxes	(9,697)	—
Share-based compensation	Share-based compensation	1,911	3,648
Distributions from joint venture		72	109
Distributions from equity method investments			
Change in fair value of earnout liability	Change in fair value of earnout liability	(40,682)	40,760
Change in fair value of marketable securities	Change in fair value of marketable securities	—	(89)
Changes in assets and liabilities, net of business acquisitions:	Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable and notes receivable, net			
Accounts receivable and notes receivable, net			
Accounts receivable and notes receivable, net	Accounts receivable and notes receivable, net	(995)	(205)
Inventories	Inventories	(1,178)	(824)
Prepaids, other current assets and other assets	Prepaids, other current assets and other assets	(1,913)	(915)
Accounts payable and accrued expenses	Accounts payable and accrued expenses	16,613	(3,947)
Other current liabilities	Other current liabilities	(163)	(1,125)
Other long-term liabilities	Other long-term liabilities	(6,488)	956

Net cash provided by operating activities	Net cash provided by operating activities	16,083	35,573
Investing activities	**Investing activities**		
Investing activities			
Investing activities			
Purchases of property and equipment			
Purchases of property and equipment			
Purchases of property and equipment	Purchases of property and equipment	(50,674)	(44,709)
Purchases of intangible assets	Purchases of intangible assets	(112)	(17)
Proceeds from sale of property and equipment			
Proceeds from sale of intangibles	Proceeds from sale of intangibles	65	—
Purchase of marketable securities	Purchase of marketable securities	—	(11,594)
Proceeds from sale of marketable securities	Proceeds from sale of marketable securities	—	9,746
Acquisitions, net of cash acquired	Acquisitions, net of cash acquired	(125,855)	(15,918)
Net cash used in investing activities	Net cash used in investing activities	(176,576)	(62,492)

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		Three Months Ended			
		October 1, 2023	**October 2, 2022**		
	Six Months Ended			**Six Months Ended**	
	December 31, 2023			**December 31, 2023**	**January 1, 2023**
Financing activities	**Financing activities**				
Repurchase of Class A common stock into Treasury stock	Repurchase of Class A common stock into Treasury stock	$(130,140)	$ (7,558)		
Repurchase of Class A common stock into Treasury stock					
Repurchase of Class A common stock into Treasury stock					
Proceeds from share issuance					

Payments for tax withholdings on share-based compensation			
Payment of dividends on Series A preferred stock			
Settlement of contingent consideration			
Payment of long-term debt			
Payment on finance leases			
Proceeds from long-term debt	Proceeds from long-term debt	—	15,350
Proceeds from Revolver draws	Proceeds from Revolver draws	140,000	—
Payment of long-term debt		(3,109)	(2,126)
Payment on finance leases		(1,576)	—
Payments for tax withholdings on share-based compensation		(84)	(499)
Payoff of Revolver			
Proceeds from sale-leaseback financing			
Payment of deferred financing costs			
Net cash provided by financing activities	Net cash provided by financing activities	5,091	5,167
Effect of exchange rates on cash	Effect of exchange rates on cash	(143)	(123)
Effect of exchange rates on cash			
Effect of exchange rates on cash			
Net decrease in cash and equivalents		(155,545)	(21,875)
Net decrease in cash and cash equivalents			
Net decrease in cash and cash equivalents			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	195,633	132,236
Cash and cash equivalents at end of period	**Cash and cash equivalents at end of period**	$ 40,088	$110,361

See accompanying notes to unaudited condensed consolidated financial statements.

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Bowlero Corp.

Index For Notes to Condensed Consolidated Financial Statements (Unaudited)

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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 and Bowl America branded centers are traditional bowling centers, while the Bowlero and Lucky Strike 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. See Note - 3 *Business Acquisitions* for additional information on our newly acquired Lucky Strike centers. 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 2, 2023.

Principles of Consolidation: The condensed 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 We use the equity method to account for investments in which we have the ability to exercise significant influence over the investee's operating and financial policies, or in which we hold a partnership or limited liability company interest in an entity with specific ownership accounts, unless we have virtually no influence over the Company does not sufficiently influence the management of the investee. investee's operating and financial policies. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the balance sheets, statement 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 and Cash Equivalents: 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 highly liquid investments classified as cash equivalents of $8,997 and $166,510 at October 1, 2023 and July 2, 2023, 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.

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days to be cash equivalents. Amounts due from the banks for these transactions classified ***Equity Method Investments:*** The aggregate carrying amounts of our equity method investments was $25,583 and $1,180 as cash equivalents totaled $10,439 and $9,066 at October 1, 2023 of December 31, 2023 and July 2, 2023, respectively. and are included as a component of Other Assets in our accompanying condensed consolidated balance sheets. Equity method investments are adjusted to recognize (1) our share, based on percentage ownership or other contractual basis, of the investee's net income or loss after the date of investment, (2) additional contributions made or distributions received, (3) amortization of the recorded investment that exceeds our share of the book value of the investee's net assets, and (4) impairments resulting from other-than-temporary declines in fair value. Cash distributions received from our equity method investments are considered returns on investment and presented within operating activities in the condensed consolidated statement of cash flows to the extent of cumulative equity in net income of the investee. Additional distributions in excess of cumulative equity are considered returns of our investment and are presented as investing activities.

Derivatives: We are exposed to interest rate risk. To manage this risk, we entered into interest rate collar derivative transactions associated with a portion of our outstanding debt. The interest rate collars, which are designated for accounting purposes as cash flow hedges, establish a cap and floor on the Secured Overnight Financing Rate (SOFR). The Company's interest rate collars expire on March 31, 2026.

For financial derivative instruments that are designated as a cash flow hedge for accounting purposes, the effective portion of the gain or loss on the financial derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction, and in the same period or periods during which the forecasted transaction affects earnings. Gains and losses on the financial derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The interest rate collar agreements effectively modified our exposure to interest rate risk by converting a portion of our interest payments on floating rate debt to include a cap and floor, thus reducing the impact of interest rate changes on future interest expense. See Note 8 - *Debt* for more information.

Net Income (Loss) Loss Per Share Attributable to Common Stockholders: We compute net income (loss) 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 Series A 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. In periods where the Company reports a net loss, all potentially dilutive securities are 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 will be the same. Dilutive securities include convertible Series A preferred stock, earnouts, stock options, and restricted stock units ("RSUs"). See Note 15 - *Net Income (Loss) Loss Per Share*.

Emerging Growth Company Status: The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as modified by the Jumpstart Our Business Startups Act of 2012 ("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 because of the potential differences in accounting standards used.

Recently Issued Accounting Standards: We reviewed the accounting pronouncements that became effective for fiscal year 2024 and determined that either they were not applicable, or they did not have a material impact on the consolidated financial statements. We also reviewed the recently issued accounting pronouncements to be adopted in future periods and determined that they are not expected to have a material impact on the consolidated financial statements.

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(2) Revenue

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

		Three Months Ended				Three Months Ended						
		October 1, 2023	% of revenues	October 2, 2022	% of revenues							
	December 31, 2023						December 31, 2023	% of revenues		January 1, 2023		rev
Major revenue categories:	Major revenue categories:											
Bowling												
Bowling												
Bowling	Bowling	$ 116,430	51.2 %	$ 115,327	50.1 %		$ 145,295	47.5	47.5 %	$131,426	48.1	48.1 %
Food and beverage	Food and beverage	74,913	32.9 %	79,023	34.3 %	Food and beverage	111,192	36.4	36.4 %	100,657	36.8	36.8 %
Amusement and other	Amusement and other	30,369	13.4 %	30,809	13.4 %	Amusement and other	45,415	14.9	14.9 %	36,748	13.4	13.4 %
Media	Media	5,693	2.5 %	5,101	2.2 %	Media	3,769	1.2	1.2 %	4,554	1.7	1.7 %
Total revenues	Total revenues	$227,405	100.0 %	$230,260	100.0 %	Total revenues	$305,671	100.0	100.0 %	$273,385	100.0	100.0 %

(3) Business Acquisitions

Acquisitions: The Company continually evaluates potential acquisitions, which 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.

2024 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 three six months ended October 1, 2023 December 31, 2023, the Company acquired substantially all of the assets of Lucky Strike Entertainment, LLC ("Lucky Strike") which includes 14 bowling entertainment centers for a total consideration of $90,475. The Company also had two three other acquisitions in which we acquired three four bowling entertainment centers for a total consideration of $35,380. $42,410. The Company is still in the process of finalizing its valuation analysis. The remaining fair value estimates include working capital, intangibles, property and equipment, and operating and finance lease assets and liabilities. If necessary, 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. Acquisitions that were considered preliminary at July 2, 2023 were finalized during the three six months ended October 1, 2023 December 31, 2023.

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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:

Identifiable assets acquired and liabilities assumed	Identifiable assets acquired and liabilities assumed	Lucky Strike	Other Acquisitions	Total	Identifiable assets acquired and liabilities assumed	Lucky Strike	Other Acquisitions	Total
Current assets	Current assets	$ 586	$ 89	$ 675				
Property and equipment	Property and equipment	43,114	10,814	53,928				

Operating lease ROU	Operating lease ROU	95,232	12,923	108,155
Finance lease ROU	Finance lease ROU	25,132	—	25,132
Identifiable intangible assets (1)	Identifiable intangible assets (1)	9,015	1,755	10,770
Goodwill	Goodwill	48,268	23,716	71,984
Deferred income tax asset	Deferred income tax asset	2,615	—	2,615
Total assets acquired	Total assets acquired	$223,962	$ 49,297	$273,259
Current liabilities	Current liabilities	$ (3,350)	$ (994)	$ (4,344)
Current liabilities				
Current liabilities				
Operating lease liabilities	Operating lease liabilities	(106,910)	(12,923)	(119,833)
Finance lease liabilities	Finance lease liabilities	(22,996)	—	(22,996)
Other liabilities	Other liabilities	(231)	—	(231)
Total liabilities assumed	Total liabilities assumed	(133,487)	(13,917)	(147,404)
Total fair value, net of cash acquired of $127		$ 90,475	$ 35,380	$125,855
Total fair value, net of cash of $132				
Components of consideration transferred	**Components of consideration transferred**			
Components of consideration transferred				
Components of consideration transferred				
Cash				
Cash				
Cash	Cash	$ 90,475	$ 34,690	$125,165
Holdback (2)	Holdback (2)	—	690	690
Total consideration transferred		$ 90,475	$ 35,380	$125,855
Total				

(1) Of the identifiable intangible assets acquired, $6,740 relates to the indefinite-lived Lucky Strike trade name. The remaining identifiable intangible assets acquired consist of definite-lived trade names, customer relationships, and non-compete agreements and indefinite-lived liquor licenses. See Note 4 - *Goodwill and Other Intangible Assets* for more information.
(2) 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.

During the six months ended December 31, 2023, we acquired one additional bowling entertainment center, which was previously managed by the Company, for $6,065 that did not meet the definition of a business under ASC 805. Therefore, this acquisition was accounted for as an asset acquisition, using a cost accumulation model. The assets acquired and liabilities assumed were recognized at cost, which was the consideration transferred to the seller, including direct transaction costs, on the acquisition date. The cost of the acquisition was then allocated to the assets acquired based on their relative fair values. Goodwill was not recognized.

(4) Goodwill and Other Intangible Assets

Goodwill:

The changes in the carrying amount of goodwill for the period ended October 1, 2023 December 31, 2023:

Balance as of July 2, 2023	$	753,538
Goodwill resulting from acquisitions during the period fiscal year 2024		71,984 73,081
Balance as of October 1, 2023 December 31, 2023	$	825,522 826,619

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Intangible Assets:

		October 1, 2023			July 2, 2023		
		Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	December 31, 2023 Gross carrying amount	December 31, 2023			July 2, 2023		
		Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Finite-lived intangible assets:	*Finite-lived intangible assets:*						
AMF trade name							
AMF trade name							
AMF trade name	AMF trade name	$ 9,900	$ (9,418)	$ 482	$ 9,900	$ (9,253)	$ 647
Other acquisition trade names	Other acquisition trade names	4,460	(1,635)	2,825	2,630	(1,423)	1,207
Customer relationships	Customer relationships	23,852	(19,855)	3,997	23,712	(18,755)	4,957
Management contracts	Management contracts	1,800	(1,735)	65	1,800	(1,726)	74
Non-compete agreements	Non-compete agreements	4,131	(1,733)	2,398	3,211	(1,572)	1,639
PBA member, sponsor & media relationships	PBA member, sponsor & media relationships	1,400	(655)	745	1,400	(627)	773
Other intangible assets	Other intangible assets	921	(418)	503	921	(377)	544
		46,464	(35,449)	11,015	43,574	(33,733)	9,841
	46,464						
Indefinite-lived intangible assets:	*Indefinite-lived intangible assets:*						
Liquor licenses							
Liquor licenses							
Liquor licenses	Liquor licenses	12,332	—	12,332	11,145	—	11,145
PBA trade name	PBA trade name	3,100	—	3,100	3,100	—	3,100
Lucky Strike trade name	Lucky Strike trade name	6,740	—	6,740	—	—	—
Bowlero trade name	Bowlero trade name	66,900	—	66,900	66,900	—	66,900
		89,072	—	89,072	81,145	—	81,145

		$135,536	$ (35,449)	$100,087	$124,719	$ (33,733)	$90,986
	89,152						
	$						

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

	Three Months Ended	
	October 1, 2023	October 2, 2022
Amortization expense	$ 1,781	$ 1,582

	Three Months Ended		Six Months Ended	
	December 31, 2023	January 1, 2023	December 31, 2023	January 1, 2023
Amortization expense	$ 1,760	$ 1,862	$ 3,541	$ 3,444

(5) Property and Equipment

As of October 1, 2023 December 31, 2023 and July 2, 2023, property and equipment consists of:

		October 1, 2023	July 2, 2023	December 31, 2023	July 2, 2023
Land	Land	$ 99,281	$ 98,896		
Buildings and improvements		144,585	139,402		
Leasehold improvements		436,000	383,444		
Building and leasehold improvements					
Equipment, furniture, and fixtures	Equipment, furniture, and fixtures	509,580	472,146		
Construction in progress	Construction in progress	46,998	43,271		
		1,236,444	1,137,159		
	1,297,610				
Accumulated depreciation	Accumulated depreciation	(463,387)	(439,309)		
Property and equipment, net of accumulated depreciation	Property and equipment, net of accumulated depreciation	$ 773,057	$ 697,850		

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

	Three Months Ended	
	October 1, 2023	October 2, 2022
Depreciation expense	$ 24,178	$ 20,339

	Three Months Ended		Six Months Ended	
	December 31, 2023	January 1, 2023	December 31, 2023	January 1, 2023
Depreciation expense	$ 29,453	$ 21,925	$ 53,631	$ 42,264

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(6) Leases

The Company leases various assets under non-cancellable operating and finance 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.

VICI Transaction:

On October 19, 2023, the Company completed a transaction with VICI Properties Inc. ("VICI") relating to the transfer of the land and real estate assets of 38 bowling entertainment centers for an aggregate value of $432,900. The transaction was structured as a tax-deferred capital contribution with cash proceeds of $408,510 and a $24,390 limited partner interest in a subsidiary of VICI, which is accounted for as an equity method investment.

Simultaneously with the transfer, the Company entered into a triple-net master lease agreement with VICI. The master lease has an initial total annual rent of $31,600, and will escalate at the greater of 2.0% or the consumer price index (CPI) (subject to a 2.5% ceiling). The master lease has an initial term of 25 years, and six five year tenant renewal options. Based on an analysis of the economic, market, asset and contractual characteristics of the master lease, the Company determined that all six renewal options were reasonably assured, and therefore, the lease term for accounting purposes is 55 years.

The Company concluded that the transfer was not a sale for accounting purposes as control of the underlying assets remained with the Company, and therefore, the Company recognized a financing obligation equal to the contribution value of $432,900, net of transaction costs. Consistent with the Company's other financing obligations, the lease payments will be allocated between principal and interest on the financing obligation.

The following table summarizes the components of the net lease cost for the three months ended October 1, 2023: each reporting period:

Lease Costs:	**Location on Consolidated Statements of Operations**	**October 1, 2023**
Operating Lease Costs: (1)		
Operating lease costs associated with master leases	Primarily cost of revenues	$ 4,428
Operating lease costs associated with non-master leases	Primarily cost of revenues	11,577
Gains from modifications to operating leases	Other operating expense	(499)
Finance Lease Costs:		
Amortization of right-of-use assets	Primarily cost of revenues	4,111
Interest on lease liabilities	Interest expense, net	12,021
Financing Obligation Costs:		
Interest expense	Interest expense, net	106
Variable lease cost (2)	Primarily cost of revenues	18,003
Short-term lease cost (3)	Cost of revenues; SG&A	250
Sublease income	Revenues	(1,304)
Total net lease costs		$ 48,693

Lease Costs:	**Location on Consolidated Statements of Operations**	**Three Months Ended December 31, 2023**	**Six Months Ended December 31, 2023**
Operating Lease Costs: (1)			
Operating lease costs associated with master leases	Primarily cost of revenues	$ 4,428	$ 8,856
Operating lease costs associated with non-master leases	Primarily cost of revenues	14,691	26,268
Gains from modifications to operating leases	Other operating expense	—	(499)
Finance Lease Costs:			
Amortization of right-of-use assets	Primarily cost of revenues	4,379	8,490
Interest on lease liabilities	Interest expense, net	12,467	24,488
Financing Obligation Costs:			
Interest expense	Interest expense, net	8,138	8,244
Variable lease cost (2)	Primarily cost of revenues	19,182	37,185
Short-term lease cost (3)	Cost of revenues; SG&A	320	570

Sublease income	Revenues	(1,324)	(2,628)
Total net lease costs		$ 62,281	$ 110,974

(1) This represents cash and non-cash lease costs for operating leases. Operating lease costs are recognized evenly over the remaining lease term and differ from the actual cash payments made for our leases. Cash payments and lease costs can differ due

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to the timing of cash payments relative to straight-line rent expense, non-cash adjustments as a result of purchase accounting, and various other non-cash adjustments to lease costs. Please see the table below for cash paid for our leases.

(2) This includes variable leases costs such as utilities, common area maintenance, property insurance, real estate taxes, and percentage rent

(3) Sublease income primarily represents short-term leases with pro-shops and various retail tenants

Supplemental cash flow information related to leases for the three six months ended October 1, 2023 December 31, 2023:

	October 1, December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities (1)	
Operating cash flows paid for operating leases	$ 15,393 31,690
Operating cash flows paid for interest portion of finance leases	11,062 22,398
Financing cash flows paid for principal portion of finance leases	1,576 3,165
Operating cash flows paid for interest portion of financing obligations	113 6,610

(1) This table includes cash paid for amounts included in the measurement of our lease liabilities. Since the lease liability only includes amounts that are contractually fixed, this table excludes cash paid for amounts that are variable in nature, such as utilities, common area maintenance, property insurance, real estate taxes, and percentage rent.

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(7) Accounts Payable and Accrued Expenses

As of October 1, 2023 December 31, 2023 and July 2, 2023, accounts payable and accrued expenses consist of:

		October 1, 2023	July 2, 2023		
	December 31, 2023			December 31, 2023	July 2, 2023
Accounts Payable	Accounts Payable	$ 57,304	$ 53,513		
Customer deposits	Customer deposits	20,855	12,703		
Taxes and licenses	Taxes and licenses	15,398	13,076		
Compensation					
Deferred revenue	Deferred revenue	10,700	7,144		
Compensation		10,998	14,670		
Insurance					
Professional fees	Professional fees	8,136	4,307		
Insurance		6,633	6,168		
Utilities	Utilities	5,248	4,607		
Interest	Interest	1,497	904		
Other	Other	4,395	4,134		
Total accrued expenses		$141,164	$121,226		

Total accounts payable and accrued expenses

(8) Debt

The following table summarizes the Company's debt structure as of October 1, 2023 December 31, 2023 and July 2, 2023:

	October 1, 2023	July 2, 2023
Term Loan (Maturing February 8, 2028 and bearing variable rate interest; 8.82% and 8.65% at October 1, 2023 and July 2, 2023, respectively)	$1,147,125	$1,150,000
Revolver (Maturing December 15, 2026 and bearing variable rate interest; 7.92% at October 1, 2023)	140,000	—
Other Equipment Loan (Maturing August 19, 2029 and bearing a fixed interest rate; 6.24%)	14,728	14,662
	1,301,853	1,164,662

	December 31, 2023	December 31, 2023	July 2, 2023
First Lien Credit Facility Term Loan (Maturing February 8, 2028 and bearing variable rate interest; 8.85% and 8.65% at December 31, 2023 and July 2, 2023, respectively)			
Other Equipment Loans			
	1,158,437		

Less:	Less:		
Unamortized financing costs			
Unamortized financing costs			
Unamortized financing costs	Unamortized financing costs	(15,887)	(16,637)
Current portion of unamortized financing costs	Current portion of unamortized financing costs	3,182	3,123
Current maturities of long-term debt	Current maturities of long-term debt	(12,777)	(12,461)

Total long-term debt	Total long-term debt	$1,276,371	$1,138,687

Term Loan: Under the Company's First Lien Credit Agreement, as amended (the "First Lien Credit Agreement"), the Company has made term loans consisting of $1,150,000 of aggregate initial principal amount of debt outstanding (the

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"Term Loan"). The Term Loan matures on February 8, 2028 and is repaid on a quarterly basis in principal payments of $2,875, which began on September 29, 2023. The Term Loan bears interest at a rate per annum equal to the Adjusted Term SOFR plus 3.50%. Interest 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 October 1, 2023 December 31, 2023, the interest period is one month.

Revolver: Under the First Lien Credit Agreement, the Company has access to a senior secured revolving credit facility (the "Revolver"). As of October 1, 2023 December 31, 2023, the Revolver commitment is $235,000. The Any outstanding balance on the Revolver is due on December 15, 2026. Interest on borrowings under the Revolver is based on the Adjusted Term SOFR.

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.

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Letters of Credit: Outstanding standby letters of credit as of October 1, 2023 December 31, 2023 and July 2, 2023 totaled $12,621 and $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 Loan: 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 October 1, 2023 December 31, 2023.

Interest rate collars: The Company entered into two interest rate collars effective as of March 31, 2023 for an aggregate notional amount of our Term Loan of $800,000. The collar hedging strategy stabilizes interest rate fluctuations by setting both a floor and a cap. 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.

The fair value of the collar agreements as of October 1, 2023 December 31, 2023 and July 2, 2023 was a net liability of $89 and an asset of $4,145 and $4,608, respectively, and is included within other current assets, other assets, and other assets long-term liabilities in the consolidated balance sheet.

Since SOFR was within the collar cap and floor rates, there was no interest impact on the statement of income.

(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 (discrete items), are excluded from the estimated annual effective tax rate, and the related tax expense or benefit is reported in the same period as the related item. The Company's effective tax rate for the three six months ended October 1, 2023 December 31, 2023 was (113.4)% 13.5%, which differs from the US federal statutory rate of 21% primarily due to income recognized in the period for book purposes associated with the change in fair value of the earnout liability, permanent differences, and items associated with the VICI Transaction, which is are treated as a discrete tax item and not included as taxable income. items. The Company's effective tax rate for the three six months ended October 2, 2022 January 1, 2023 was (1.3)% 6.5% tax benefit and differs from the US federal statutory rate of 21% due to certain non-deductible expenses, changes in the valuation allowance, and state and local taxes.

(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.

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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; moreover, 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 reasonably possible range of loss, if any, associated with these EEOC matters.

(11) Earnouts

There were 11,418,357 unvested earnout shares outstanding as of October 1, 2023 December 31, 2023 and July 2, 2023.

The outstanding unvested earnout shares will vest if the closing share price of Bowlero's Class A common stock equals or exceeds $17.50 per share for any 10 trading days within any consecutive 20 trading day period that occurs from December 15, 2021 through December 15, 2026.

All but 54,686 52,699 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.

See Note 12 - *Index to Notes* *Fair Value of Financial Instruments* for a summary of changes in the estimated fair value of the earnout shares for the three and six months ended December 31, 2023 and January 1, 2023.

(12) Fair Value of Financial Instruments

Debt

The fair value and carrying value of our debt as of October 1, 2023 December 31, 2023 and July 2, 2023 are as follows:

		October 1, 2023	July 2, 2023
	December 31, 2023	December 31, 2023	July 2, 2023
Carrying value	Carrying value	$1,301,853	$1,164,662
Fair value	Fair value	1,293,808	1,158,912

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 three six months ended October 1, 2023 December 31, 2023 and the fiscal year ended July 2, 2023.

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 October 1, 2023 December 31, 2023 and July 2, 2023:

		October 1, 2023			
		Level 1	Level 2	Level 3	Total
	December 31, 2023	December 31, 2023			
	Level 1	Level 1	Level 2	Level 3	Total
Interest rate collars	Interest rate collars	$ —	$4,145	$ —	$ 4,145
Total assets		$ —	$4,145	$ —	$ 4,145
Earnout shares	Earnout shares	$ —	$ —	$71,364	$71,364
Total liabilities	Total liabilities	$ —	$ —	$71,364	$71,364

	July 2, 2023			
	Level 1	Level 2	Level 3	Total
Interest rate collars	—	4,608	—	4,608
Total assets	$ —	$ 4,608	$ —	$ 4,608
Earnout shares	$ —	$ —	$ 112,041	$ 112,041

Total liabilities	$ —	$ —	$ 112,041	$ 112,041

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	July 2, 2023			
	Level 1	Level 2	Level 3	Total
Interest rate collars	$ —	$ 4,608	$ —	$ 4,608
Total assets	$ —	$ 4,608	$ —	$ 4,608
Earnout shares	$ —	$ —	$ 112,041	$ 112,041
Total liabilities	$ —	$ —	$ 112,041	$ 112,041

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 October 1, 2023 December 31, 2023 were as follows:

	October 1, 2023
Expected term in years	3.21
Expected volatility	50%
Risk-free interest rate	4.78%
Stock price	$9.62
Dividend yield	—

	Earnout
Expected term in years	2.96
Expected volatility	50%
Risk-free interest rate	4.02%
Stock price	$ 14.16
Dividend yield	1.62%

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The following table sets forth a summary of changes in the estimated fair value of the Company's Level 3 Earnout liability for the periods three and six months ended October 1, 2023 December 31, 2023 and October 2, 2022 January 1, 2023:

	Three Months Ended	
	October 1, 2023	October 2, 2022
Balance as of beginning of period	$112,041	$210,952
Issuances	5	67
Changes in fair value	(40,682)	40,760
Balance as of end of period	$ 71,364	$251,779

	Three Months Ended	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2023	January 1, 2023	December 31, 2023	January 1, 2023
Balance as of beginning of period					
Issuances					
Changes in fair value					
Balance as of end of period					

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.

As part of the VICI Transaction, the Company recognized an initial limited partnership interest in a subsidiary of VICI equal to its fair value of $24,390. Subsequent adjustments will be accounted for using the equity method of accounting.

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 October 1, 2023 December 31, 2023 and July 2, 2023.

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- Issued and Outstanding: 97,850,605 90,664,596 shares (inclusive of 1,595,485 1,593,593 shares contingent on certain stock price thresholds but excluding 23,443,487 30,960,342 shares held in treasury) as of October 1, 2023 December 31, 2023 and 107,666,301 shares (inclusive of 1,595,930 shares contingent on certain stock price thresholds but excluding 11,312,302 shares held in treasury) as of July 2, 2023.

Class B common stock:

- Authorized: 200,000,000 shares, with a par value of $0.0001 per share as of October 1, 2023 December 31, 2023 and July 2, 2023.
- Issued and Outstanding: 58,519,437 and 60,819,437 shares as of October 1, 2023 December 31, 2023 and July 2, 2023, respectively.

Preferred Stock:

- Authorized: 200,000,000 shares, with a par value of $0.0001 per share as of October 1, 2023 December 31, 2023 and July 2, 2023.
- Issued and Outstanding: 136,373 shares as of October 1, 2023 December 31, 2023 and July 2, 2023.

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. For the period six months ended October 1, 2023, there were no dividends declared or paid in cash on the Preferred Stock. For the period ended October 1, 2023 December 31, 2023, no accumulated dividends were added to the liquidation preference and deemed to be declared and paid in-kind. For the period six months ended October 1, 2023 December 31, 2023, dividends the Company paid a cash dividend in the amount of $29.10 per share of $1,962 were accumulated on Preferred Stock, in the Preferred Stock.

aggregate amount of Index to Notes$3,969.

Shares Share Repurchase Program

On February 7, 2022, the Company announced that its Board of Directors authorized a share repurchase program providing for repurchases of up to $200,000 of the Company's outstanding Class A common stock through February 3, 2024. On each of May 15, 2023, September 6, 2023 and February 2, 2024, the Board of Directors authorized a second replenishment of then-remaining balance of the share repurchase program to $200,000. $200,000, which in aggregate increased the total amount that has been authorized under the share repurchase program to approximately $551,518. On February 2, 2024, the Board of Directors extended the share repurchase program indefinitely. Treasury stock purchases are stated at cost and presented as a reduction of equity on the condensed consolidated balance sheets. Repurchases of shares 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 program does not require the Company to repurchase any specific number of shares, and the Company may terminate the repurchase plan program at any time.

As of October 1, 2023 December 31, 2023, the remaining balance of the repurchase plan program was $134,369. $54,168. For the quarter six months ended October 1, 2023 December 31, 2023, 12,131,185 19,648,040 shares of Class A common stock were repurchased for a total of $131,350, $211,551, for an average purchase price per share of $10.83. $10.77.

(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 October 1, 2023 December 31, 2023 and July 2, 2023, the total compensation cost not yet recognized is as follows:

	Award Plan	October 1, 2023	July 2, 2023
Stock options	2021 Plan	$ 23,901	$ 31,032
Service based RSUs	2021 Plan	4,615	5,743
Market and service based RSUs	2021 Plan	1,120	1,351
Earnout RSUs	2021 Plan	276	300
ESPP		240	378
Total unrecognized compensation cost		$ 30,152	$ 38,804

Share-based compensation recognized in the consolidated statement of operations for the three months ended October 1, 2023 and October 2, 2022 is as follows:

		Three Months Ended	
	Award Plan	October 1, 2023	October 2, 2022
Stock options	2021 Plan	$ 669	$ 2,358
Service based RSUs	2021 Plan	914	982
Market and service based RSUs	2021 Plan	170	141
Earnout RSUs	2021 Plan	20	45
ESPP		138	122
Total share-based compensation expense		$ 1,911	$ 3,648

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	Award Plan	December 31, 2023	July 2, 2023
Stock options	2021 Plan	$ 21,407	$ 31,032
Service based RSUs	2021 Plan	4,332	5,743
Market and service based RSUs	2021 Plan	891	1,351
Earnout RSUs	2021 Plan	245	300
ESPP		—	378
Total unrecognized compensation cost		$ 26,875	$ 38,804

Share-based compensation recognized in the consolidated statements of operations for the periods ended December 31, 2023 and January 1, 2023 is as follows:

		Three Months Ended		Six Months Ended	
	Award Plan	December 31, 2023	January 1, 2023	December 31, 2023	January 1, 2023
Stock options	2021 Plan	$ 2,495	$ 2,383	$ 3,164	$ 4,741
Service based RSUs	2021 Plan	949	1,345	1,863	2,326
Market and service based RSUs	2021 Plan	141	148	311	289
Earnout RSUs	2021 Plan	15	50	35	95
ESPP		89	110	227	233
Total share-based compensation expense		$ 3,689	$ 4,036	$ 5,600	$ 7,684

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

(15) Net Income (Loss) Loss Per Share

The computation of basic and diluted net income (loss) loss per share of Class A common stock and Class B common stock is as follows:

	Three Months Ended					
	October 1, 2023			October 2, 2022		
	Class A	Class B	Total	Class A	Class B	Total
Numerator						
Net income (loss) allocated to common stockholders	$ 9,465	$ 5,743	$ 15,208	$ (23,860)	$ (12,475)	$ (36,335)
Denominator						

Weighted-average common shares outstanding	100,160,503	60,768,888	160,929,391	106,943,394	55,911,203	162,854,597
Net income (loss) per share, basic	$ 0.09	$ 0.09	$ 0.09	$ (0.22)	$ (0.22)	$ (0.22)

	Three Months Ended					
	December 31, 2023			January 1, 2023		
	Class A	Class B	Total	Class A	Class B	Total
Numerator						
Net loss allocated to common stockholders	$ (39,872)	$ (25,560)	$ (65,432)	$ (897)	$ (470)	$ (1,367)
Denominator						
Weighted-average shares outstanding	91,286,094	58,519,437	149,805,531	106,566,944	55,911,203	162,478,147
Net loss per share, basic & diluted	$ (0.44)	$ (0.44)	$ (0.44)	$ (0.01)	$ (0.01)	$ (0.01)
Anti-dilutive shares excluded from diluted calculation*			18,837,614			26,362,340

	Three Months Ended					
	October 1, 2023			October 2, 2022		
	Class A	Class B	Total	Class A	Class B	Total
Numerator						
Net income (loss) allocated to stockholders	$ 9,465	$ 5,743	$ 15,208	$ (23,860)	$ (12,475)	$ (36,335)
Denominator						
Weighted-average common shares outstanding	100,160,503	60,768,888	160,929,391	106,943,394	55,911,203	162,854,597
Impact of incremental shares	2,517,655	5,456,462	7,974,117	*	*	*
Total	102,678,158	66,225,350	168,903,508	106,943,394	55,911,203	162,854,597
Net income (loss) per share, diluted	$ 0.09	$ 0.09	$ 0.09	$ (0.22)	$ (0.22)	$ (0.22)

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	Six Months Ended					
	December 31, 2023			January 1, 2023		
	Class A	Class B	Total	Class A	Class B	Total
Numerator						
Net loss allocated to common stockholders	$ (30,298)	$ (18,877)	$ (49,175)	$ (24,743)	$ (12,959)	$ (37,702)
Denominator						
Weighted-average shares outstanding	95,723,299	59,644,162	155,367,461	106,753,838	55,911,203	162,665,041
Net loss per share, basic & diluted	$ (0.32)	$ (0.32)	$ (0.32)	$ (0.23)	$ (0.23)	$ (0.23)
Anti-dilutive shares excluded from diluted calculation*			18,772,390			25,696,874

*The impact of 25,124,943 potentially dilutive convertible Series A preferred stock, 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.

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(16) Supplemental Cash Flow Information

		October 1, 2023	October 2, 2022		
	December 31, 2023			December 31, 2023	January 1, 2023
Cash paid during the period for:	Cash paid during the period for:				
Interest (1)					
Interest (1)					
Interest (1)	Interest (1)	$36,651	$18,517		
Income taxes, net of refunds	Income taxes, net of refunds	28	2,519		
Noncash investing and financing transactions:	Noncash investing and financing transactions:				
Assets obtained in build to suit arrangement					
Assets obtained in build to suit arrangement					
Assets obtained in build to suit arrangement					
Capital expenditures in accounts payable	Capital expenditures in accounts payable	24,313	10,695		
Change in fair value of interest rate collars		(463)	—		
Unsettled trade payable		8,329	1,999		
Modifications of capital lease assets and liabilities					
Change in fair value of interest rate swap					
Unsettled trade receivable, net					
Excise tax	Excise tax	1,312	—		

(1) Includes cash paid for the interest portion on finance leases. See Note 6 - *Leases* *Leases* for more information

(17) Subsequent Events

On October 19, 2023 February 5, 2024, the Company entered into Company's Board of Directors declared a transaction with VICI Properties Inc. ("VICI") relating regular quarterly cash dividend of $0.055 per share of common stock, which will be paid on March 8, 2024, to the transfer stockholders of land and real estate assets of 38 bowling entertainment centers for an aggregate value of $432,900, in which we received cash proceeds of $404,800. The Company then entered into a triple-net master lease agreement with VICI for an initial term of 25 years, with six 5-year tenant renewal options. record on February 23, 2024.

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 for the fiscal year ended July 2, 2023 as filed with the Securities and Exchange Commission ("SEC") on September 11, 2023. 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 2, 2023. 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.

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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

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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. Factors that could cause our actual results to differ include those described under the heading "*Risk Factors*" in our Annual Report on Form 10-K for the fiscal year ended July 2, 2023.

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.

Recent Developments

Bowlero's results for the quarter six months ended October 1, 2023 December 31, 2023 exhibited the planned fiscal year 2024 reinvestment in the business through acquisitions, new builds, and conversions. To highlight the Company's recent activity during the quarter six months ended October 1, 2023 and through the filing of this Quarterly Report on Form 10-Q: December 31, 2023:

- We made three completed five acquisitions in which we acquired 17 19 bowling entertainment centers during the quarter six months ended October 1, 2023 December 31, 2023. We have signed two agreements one agreement to acquire two one additional centers center as of October 1, 2023 December 31, 2023, which are is expected to close in the second third quarter of fiscal year 2024.
- We completed and opened one two new build-out build-outs during the quarter six months ended October 1, 2023 December 31, 2023 and have a total of seven signed agreements for build-outs in prime markets.
- Renovations and remodels are currently underway at 14 15 bowling centers. centers, with approximately 30 additional renovations and remodels slated to begin in the next six months.
- We entered into a transaction with VICI Properties Inc. ("VICI") on October 19, 2023 relating to the transfer of land and real estate assets of 38 bowling entertainment centers for an aggregate value of $432,900. $432,900 providing a source of cash liquidity to accelerate new builds, deploy capital into acquisitions and conversions, return value to shareholders, pay down debt, and for general corporate purposes.

Trends

There are a number of factors that could to 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 inventory, which includes 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.

Our operating results fluctuate seasonally. We typically generate our highest sales volumes during the third quarter of each fiscal year due to the timing of leagues, holidays and changing weather conditions. School operating schedules, holidays and weather conditions may also affect our sales volumes in some operating regions differently than others. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for our full fiscal year.

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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 October 1, 2023 December 31, 2023 Compared to the Three Months Ended October 2, 2022 January 1, 2023

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

				Three Months Ended										
				Three Months Ended										
(in thousands)														
(in thousands)														
(in thousands)	*(in thousands)*	October 1, 2023	%(1)	October 2, 2022	%(1)	Change	% Change		December 31, 2023		%(1)		January 1, 2023	
Revenues	**Revenues**	$227,405	100.0 %	$230,260	100.0 %	$(2,855)	(1.2)%	**Revenues**	$305,671	100.0		100.0 %	$ 273,385	
Costs of revenues	**Costs of revenues**	182,921	80.4 %	165,202	71.7 %	17,719	10.7 %	**Costs of revenues**	215,090	70.4		70.4 %	179,706	
Gross profit	**Gross profit**	44,484	19.6 %	65,058	28.3 %	(20,574)	(31.6)%	**Gross profit**	90,581	29.6		29.6 %	93,679	
Operating (income) expenses:														
Operating expenses:														
Selling, general and administrative expenses														
Selling, general and administrative expenses														
Selling, general and administrative expenses	Selling, general and administrative expenses	37,765	16.6 %	32,494	14.1 %	5,271	16.2 %		37,512	12.3	12.3	%	34,452	12
Asset impairment	Asset impairment	26	— %	84	— %	(58)	(69.0)%	Asset impairment	29	—		— %	—	
Gain on sale or disposal of assets		(27)	— %	(155)	(0.1)%	(128)	(82.6)%							
Loss (gain) on sale of assets								Loss (gain) on sale of assets	21			— %	(1,823)	
Other operating expense	Other operating expense	1,364	0.6 %	1,362	0.6 %	2	0.1 %	Other operating expense	3,542	1.2		1.2 %	614	
Total operating expense	Total operating expense	39,128	17.2 %	33,785	14.7 %	5,343	15.8 %	Total operating expense	41,104	13.4		13.4 %	33,243	
Operating profit	**Operating profit**	5,356	2.4 %	31,273	13.6 %	(25,917)	(82.9)%	**Operating profit**	49,477	16.2		16.2 %	60,436	

Other (income) expenses:													
Other expenses:													
Interest expense, net													
Interest expense, net													
Interest expense, net	Interest expense, net	37,449	16.5 %	23,570	10.2 %	13,879	58.9 %		46,236	15.1	15.1 %	27,379	1(
Change in fair value of earnout liability	Change in fair value of earnout liability	(40,682)	(17.9)%	40,760	17.7 %	(81,442)	*	Change in fair value of earnout liability	64,091	21.0	21.0 %	30,776	
Other expense		53	— %	48	— %	5	10.4 %						
Total other (income) expense		(3,180)	(1.4)%	64,378	28.0 %	(67,558)	*						
Income (loss) before income tax (benefit) expense		8,536	3.8 %	(33,105)	(14.4)%	41,641	*						
Income tax (benefit) expense		(9,683)	(4.3)%	429	0.2 %	(10,112)	*						
Net income (loss)		$ 18,219	8.0 %	$ (33,534)	(14.6)%	51,753	*						
Other expense (income)								Other expense (income)	10		— %	(678)	
Total other expense								Total other expense	110,337		36.1 %	57,477	
(Loss) income before income tax expense								**(Loss) income before income tax expense**	(60,860)		(19.9) %	2,959	
Income tax expense								Income tax expense	2,609		0.9 %	1,524	
Net (loss) income								**Net (loss) income**	$ (63,469)		(20.8) %	$ 1,435	

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

*Represents a change equal to or in excess of 100% or one that is not meaningful.

Revenues: For the quarter ended October 1, 2023 December 31, 2023, revenues totaled $227,405 $305,671 and represented a decrease an increase of $2,855, $32,286, or 1% 12%, over the same period of last fiscal year. The decrease increase in revenues is primarily attributable to revenue from newly acquired or leased centers and group event business, which was partially offset by a decrease in same-store service fee revenue. The following table summarizes the decrease in the Company's revenue our revenues on a same-store-basis for the quarter ended October 1, 2023 December 31, 2023 as compared to the corresponding period last fiscal year:

		Three Months Ended											
		Three Months Ended											
(in thousands)													
(in thousands)													
(in thousands)	*(in thousands)*	**October 1, 2023**	**October 2, 2022**	**Change**	**% Change**	**December 31, 2023**			**January 1, 2023**		**Change**		**% Change**
Center revenues on a same-store basis (1)	Center revenues on a same-store basis (1)	$209,146	$224,668	$(15,522)	(6.9)%	Center revenues on a same-store basis (1)	$260,178	$	$ 259,582	$	$ 596	0.2	0.2 %
Revenues for media, new and closed centers	Revenues for media, new and closed centers	18,259	5,592	12,667	226.5 %	Revenues for media, new and closed centers	43,860	8,454	8,454	35,406	35,406	418.8	418.8 %

Service fee revenue (2)						Service fee revenue (2)	1,633		5,349		(3,716)		(69.5) %
Total revenues	Total revenues	$227,405	$230,260	$ (2,855)	(1.2)%	Total revenues	$305,671	$	$ 273,385	$	$ 32,286	11.8	11.8 %

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(1) Revenues from 312 315 centers are included in the same-store comparable center base for the comparison in the above table. In our previously filed 10-Q for the three months ended October 2, 2022 January 1, 2023, revenues from 291 306 centers were included in the same-store

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comparable center base for the comparison (2) Service fee revenue is a mandatory gratuity passed through to the three months ended September 26, 2021. The comparable center base changes from period employee, which is a non-contributor to period as a result of fluctuations in the center population through acquisitions, new builds earnings and closed is being phased out across our centers.

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 and service fee revenues. The increase in same-store revenues during the quarter ended December 31, 2023 reflects an increase in league and group event business, which was partially offset by a reduction in walk-in or retail business relative to the consumer environment during the same period of last fiscal year.

Cost of Revenues: Cost of revenues increased $35,384, or 20%. Increases in costs were in most areas and include labor, supplies, repairs & maintenance, depreciation, rent, property taxes, and utilities. The increase in costs was mainly attributable to bowling center count growth from acquisitions and lease agreements since the second quarter of fiscal 2023, which contributed approximately $37,000 to cost of revenues. This was coupled with the increased sales volume and higher costs due to inflation. For instance, the increase in labor costs reflects the additional staffing and higher pay rates to support the growing business and position us for continued success in the key third quarter of the fiscal year. Furthermore, the increase in depreciation reflects the added depreciable assets through acquisitions and capital expenditures and the increase in rent primarily reflects the added operating leases from the Lucky Strike acquisition. Cost of revenues as a percent of revenues increased from 66% during the second quarter of fiscal 2023 to 70% during the second quarter of fiscal 2024, mainly due to the aforementioned costs increasing at a faster rate than revenues.

Selling, general and administrative expenses (“SG&A”): SG&A expenses increased $3,060 or 9% mainly due to an increase in compensation and professional fees. The increase in compensation reflects the increases in pay rates and higher staffing. For instance, we have increased our event sales and operations management teams to support the growing business. The increases in our event sales and operations management teams were offset by reductions in corporate staff during the quarter. The increase in professional fees is driven by legal costs related to advisory items.

Other operating expense: Other operating expense increased $2,928 mainly due to the approximately $2,600 in costs associated with obtaining an equity method investment in a subsidiary of VICI.

Interest expense, net: Interest expense primarily relates to interest on debt, finance leases, and financing obligations. Interest expense increased $18,857, or 69%, to $46,236. The higher interest expense is primarily the result of higher interest rates and our increased debt, financing obligations, and finance leases as compared to the same period last fiscal year.

Change in fair value of earnouts: The unfavorable impact on the statement of operations during the quarter ended December 31, 2023 is mainly 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.

Income Taxes: Income tax expense and deferred tax assets and liabilities reflect management’s assessment of the Company’s tax position. The effective tax rate of (4.3)% for the quarter ended December 31, 2023 was primarily attributed to the change in fair value of the earnout liability, permanent differences, and items associated with the VICI Transaction, which are treated as discrete tax items.

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Six Months Ended December 31, 2023 Compared to the Six Months Ended January 1, 2023

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

	Six Months Ended					
(in thousands)	**December 31, 2023**	**%(1)**	**January 1, 2023**	**%(1)**	**Change**	**% Change**
Revenues	$ 533,076	100.0 %	$ 503,645	100.0 %	$ 29,431	5.8 %
Costs of revenues	398,011	74.7 %	344,908	68.5 %	53,103	15.4 %
Gross profit	135,065	25.3 %	158,737	31.5 %	(23,672)	(14.9)%
Operating expenses:						

Selling, general and administrative expenses	75,277	14.1 %	66,946	13.3 %	8,331	12.4 %
Asset impairment	55	— %	84	— %	(29)	(34.5)%
Gain on sale of assets	(6)	— %	(1,978)	(0.4)%	(1,972)	(99.7)%
Other operating expense	4,906	0.9 %	1,976	0.4 %	2,930	*
Total operating expense	80,232	15.1 %	67,028	13.3 %	13,204	19.7 %
Operating profit	54,833	10.3 %	91,709	18.2 %	(36,876)	(40.2)%
Other expenses:						
Interest expense, net	83,685	15.7 %	50,949	10.1 %	32,736	64.3 %
Change in fair value of earnout liability	23,409	4.4 %	71,536	14.2 %	(48,127)	(67.3)%
Other expense (income)	63	— %	(630)	(0.1)%	(693)	*
Total other expense	107,157	20.1 %	121,855	24.2 %	(14,698)	(12.1)%
Loss before income tax (benefit) expense	(52,324)	(9.8)%	(30,146)	(6.0)%	(22,178)	(73.6)%
Income tax (benefit) expense	(7,074)	(1.3)%	1,953	0.4 %	(9,027)	*
Net loss	$ (45,250)	(8.5)%	$ (32,099)	(6.4)%	(13,151)	(41.0)%

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

*Represents a change equal to or in excess of 100% or one that is not meaningful.

Revenues: For the six months ended December 31, 2023, revenues totaled $533,076 and represented an increase of $29,431, or 6%, over the same period of last fiscal year. The increase in revenues is primarily attributable to revenue from newly acquired or leased centers and group event business, which was partially offset by a decrease in service fee revenue and a slight decrease in revenues on a same-store basis. The following table summarizes our revenues on a same-store-basis for the six months ended December 31, 2023 as compared to the corresponding period last fiscal year:

	Six Months Ended			
(in thousands)	**December 31, 2023**	**January 1, 2023**	**Change**	**% Change**
Center revenues on a same-store basis(1)	$ 465,763	$ 476,945	$ (11,182)	(2.3)%
Revenues for media, new and closed centers	64,059	16,376	47,683	291.2 %
Service fee revenue (2)	3,254	10,324	(7,070)	(68.5)%
Total revenues	$ 533,076	$ 503,645	$ 29,431	5.8 %

(1) Revenues from 312 centers are included in the same-store comparable center base for the comparison in the above table. In our previously filed 10-Q for the six months ended January 1, 2023, revenues from 288 centers were included in the same-store

(2) Service fee revenue is a mandatory gratuity passed through to the employee, which is a non-contributor to earnings and is being phased out across our centers.

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 and

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service fee revenues. The decrease in same-store revenues during the quarter six months ended October 1, 2023 December 31, 2023 reflects, among other factors, a reduction in walk-in or retail business relative to the consumer environment during the same period of last fiscal year, which was partially offset by increased league and group event business.

Cost of Revenues: Cost of revenues increased $17,719, $53,103, or 11% 15%. Increases in costs were in most areas and include labor, supplies, repairs & maintenance, depreciation, rent, property taxes, and utilities. The increase in costs was mainly attributable to bowling center count growth from acquisitions and lease agreements since the first second quarter of fiscal 2023, which contributed approximately $49,000 to cost of revenues. This was coupled with the increased sales volume and higher costs due to inflation. For instance, the increase in labor costs reflects the additional staffing and higher pay rates to support the growing business and leave it in a strong position to maximize results us for continued success in the key second and third quarters quarter of the fiscal year. Furthermore, the increase in depreciation reflects the added depreciable assets through acquisitions and capital expenditures. expenditures and the increase in rent primarily reflects the added operating leases from the Lucky Strike acquisition. Cost of revenues as a percent of revenues increased from 72% 68% during the first second quarter of fiscal 2023 to almost 80% 75% during the first second quarter of fiscal 2024, mainly due to the aforementioned costs increasing at a faster rate than revenues.

Selling, general and administrative expenses ("SG&A"): SG&A expenses increased $5,271 $8,331 or 16% to $37,765, 12% mainly due to the increases an increase in compensation and benefits and professional fees. The increase in compensation reflects the increases in pay rates and higher staffing staffing. For instance, we have increased our event sales and operations management teams to support the growing business. The increase in professional fees is mainly attributable to the heightened acquisition activity (inclusive of activity by the Company to pursue potential acquisitions) and scale of acquisitions as compared to the first quarter same period of last fiscal 2023. year. In addition to acquisition activity, the increase in professional fees is driven by legal costs related to advisory items. The aforementioned increases were partially offset by lower share-based compensation expense due to forfeitures. Total SG&A expenses as a percent of revenues for the first quarter of fiscal 2024 was approximately 17% as compared to 14% during the corresponding period last fiscal year. The increase in SG&A costs as a percent of revenues is

Other operating expense: Other operating expense increased $2,930 mainly due to the certain approximately $2,600 in costs including compensation-related costs and professional fees, increasing at associated with obtaining an equity method investment in a faster rate than revenues. subsidiary of VICI.

Interest expense, net: Interest expense primarily relates to interest on debt, finance leases, and finance leases. financing obligations. Interest expense increased $13,879, $32,736, or 59% 64%, to $37,449. $83,685. The higher interest expense is primarily the result of higher interest rates and our increased debt, financing obligations, and finance lease obligations. leases as compared to the same period last fiscal year.

Change in fair value of earnouts: The favorable unfavorable impact on the statement of operations during the quarter ended October 1, 2023 December 31, 2023 is mainly due to the decrease increase in the fair value of the earnouts, which mainly reflects the decrease increase in the Company's stock price in the current quarter.

Income Taxes: Income tax (benefit) expense benefit and deferred tax assets and liabilities reflect management's assessment of the Company's tax position. The effective tax rate of (113.4)% 13.5% for the quarter six months ended October 1, 2023 December 31, 2023 was primarily attributed to income recognized for book purposes in the period associated with the change in fair value of the earnout liability, permanent differences, and items associated with the VICI Transaction, which is are treated as a discrete tax item and not included as taxable income. The effective tax rate of (1.3)% for the quarter ended October 2, 2022 was primarily attributed to state income tax expense and certain non-deductible expenses offset in part by changes in the valuation allowance. items.

Non-GAAP measure

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. 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 Expense, Income Taxes, Depreciation and Amortization, Impairment Charges, Share-based Compensation, EBITDA from Closed Centers, Foreign Currency Exchange Loss (Gain), Asset Disposition Loss (Gain), Transactional and other advisory costs, Changes in the value of earnouts, and Other. 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.

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

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The following table provides a reconciliation from net (loss) income (loss) to Adjusted EBITDA for the three months ended October 1, 2023 and October 2, 2022: each reporting period:

		October 1, 2023	October 2, 2022								
Net income (loss)		$ 18,219	$(33,534)								
		Three Months Ended					Three Months Ended				Six Months Ended
		December 31, 2023			December 31, 2023		January 1, 2023		December 31, 2023		January 1, 2023
Net (loss) income											
Adjustments:	Adjustments:										
Interest expense	Interest expense	39,032	23,570								
Income tax (benefit) expense		(9,683)	429								
Interest expense											
Interest expense					48,112		27,379		87,144		50,949
Income tax expense (benefit)				Income tax expense (benefit)	2,609		1,524		(7,074)		1,953
Depreciation, amortization and impairment charges	Depreciation, amortization and impairment charges	32,026	26,351	Depreciation, amortization and impairment charges	37,562		29,303		69,588		55,654
Share-based compensation	Share-based compensation	1,911	3,648	Share-based compensation	3,689		4,036		5,600		7,684
Closed center EBITDA (1)	Closed center EBITDA (1)	2,462	379	Closed center EBITDA (1)	2,157	768	768		4,619	1,147	1,147

Foreign currency exchange loss (gain)		79	(71)										
Asset disposition gain		(27)	(155)										
Foreign currency exchange (gain) loss				Foreign currency exchange (gain) loss	(78)		(182)		1			(253)	
Asset disposition loss (gain)				Asset disposition loss (gain)	21		(1,823)		(6)			(1,978)	
Transactional and other advisory costs (2)	Transactional and other advisory costs (2)	8,398	4,166	Transactional and other advisory costs (2)	4,935	3,848		3,848		13,241	7,922		7,922
Changes in the value of earnouts (3)	Changes in the value of earnouts (3)	(40,682)	40,760										
Other, net (4)	Other, net (4)	399	(234)										
Adjusted EBITDA	Adjusted EBITDA	$ 52,134	$ 65,309										

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. 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. Certain prior year amounts have been reclassified to conform to current year presentation.

(3) The adjustment for changes in the value of earnouts is to remove of the impact of the revaluation of the earnouts. As a result of the Business Combination, the Company recorded liabilities for earnouts. Changes in the fair value of the earnout liability is 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.

(4) Other includes the following related to transactions that do not represent ongoing or frequently recurring activities as part of the Company's operations: (i) non-routine expenses, net of recoveries for matters outside the normal course of business, (ii) costs incurred that have been expensed associated with obtaining an equity method investment in a subsidiary of VICI, (iii) severance expense, and (ii) (iv) other individually de minimis expenses. Certain prior year amounts have been reclassified to conform to current year presentation.

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.

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, cash-on-hand, existing credit facility, and access to potentially obtain 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. We also plan to use available cash-on-hand to fund our share repurchase program, which was implemented as a method to return value to our shareholders. However, there are a number of factors that may hinder our ability to access these capital resources, including but not limited to our degree of leverage, and potential borrowing restrictions imposed by our lenders lenders. See "*Risk Factors*" included in our previously filed Annual Report on Form 10-K for the fiscal year ended July 2, 2023 for further information.

At October 1, 2023 December 31, 2023, we had approximately $40,088 $189,955 of available cash and cash equivalents.

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Three Six Months Ended October 1, 2023 December 31, 2023 Compared To the Three Six Months Ended October 2, 2022 January 1, 2023

The following compares the primary categories of the consolidated statements of cash flows for the period ended October 1, 2023 December 31, 2023 and October 2, 2022 January 1, 2023:

	Three Months Ended			
	Six Months Ended	**$ Change**	**Six Months Ended**	**$ Change**

(in thousands)	*(in thousands)*	**October 1, 2023**	**October 2, 2022**												
Net cash provided by operating activities				**$ Change**											
Net cash provided by operating activities															
Net cash provided by operating activities	Net cash provided by operating activities	$ 16,083	$ 35,573	$ (19,490)		$71,199	$		$115,879	$		$(44,680)	(38.56)		(38.56)
Net cash used in investing activities	Net cash used in investing activities	(176,576)	(62,492)	(114,084)	Net cash used in investing activities		(246,666)	(163,005)		(163,005)	(83,661)		(83,661)	51.32	
Net cash provided by financing activities	Net cash provided by financing activities	5,091	5,167	(76)	Net cash provided by financing activities		169,738	5,126		5,126	164,612		164,612	3211.31	
Effect of exchange rate changes on cash	Effect of exchange rate changes on cash	(143)	(123)	(20)	Effect of exchange rate changes on cash		51	(427)		(427)	478		478	(111.94)	
Net change in cash and cash equivalents		$(155,545)	$(21,875)	$(133,670)											
Net change in cash and cash equivalents and restricted cash					Net change in cash and cash equivalents and restricted cash		$ (5,678)			$(42,427)		$36,749			(8

During the quarter six months ended October 1, 2023 December 31, 2023, net cash provided from operations totaled $16,083, $71,199, as compared to $35,573 $115,879 during the same period of the prior fiscal year. The decrease in cash provided by operating activities primarily reflects higher cost of revenues. revenues and an increase in interest expense.

Investing activities utilized $176,576, $246,666, reflecting our acquisitions of businesses and capital expenditures, as well as center conversions and related capital expenditures. The higher level of cash used in investing activities during the period mainly reflects the acquisition of Lucky Strike, which had a larger purchase price as compared to the bowling centers acquired during the same period of the prior fiscal year. We expect to continue to invest in accretive acquisitions in future periods as well as center upgrades and conversions.

Financing activities generated $5,091, $169,738, reflecting proceeds from revolver draws our transaction with VICI of $140,000, $408,510, partially offset by $130,140 $218,669 for the repurchase of treasury stock. stock through our share repurchase program.

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, 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.

On October 19, 2023, we entered into a transaction with VICI relating to the transfer of land and real estate assets of 38 bowling entertainment centers for aggregate value of $432,900. Proceeds are expected to be used to accelerate new builds, deploy capital into acquisitions and conversions, return capital to shareholders, pay down a portion of Bowlero's debt, and for general corporate purposes. The Company then entered into a triple-net master lease agreement with VICI for an initial term of 25 years, with six 5-year tenant renewal options.

Critical Accounting Estimates

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 2023 Form 10-K under "Critical Accounting Estimates." There have been no significant changes in our critical accounting estimates during the three months quarter ended October 1, 2023 December 31, 2023.

Recently Issued Accounting Standards

For a description of recently issued Financial Accounting Standards that we adopted during the quarter ended October 1, 2023 December 31, 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 Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Emerging Growth Company Accounting Election

We are currently an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in, among other things, 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.

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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 $12,870 $11,443 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 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 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. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of October 1, 2023 December 31, 2023.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting practices or processes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our first second quarter ended October 1, 2023 December 31, 2023.

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Part II

Item 1. Legal Proceedings

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

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Item 1A. Risk Factors

There have been no material changes to our risk factors contained in Part I. Item IA. “Risk Factors” of our Annual Report on Form 10-K for the year ended July 2, 2023.

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

Issuer Purchases of Equity Securities

The following table provides information regarding purchases of our securities made by us for the quarter ended October 1, 2023 December 31, 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 Publicly Announced Repurchase Program*
July 3, 2023 to August 6, 2023	6,221,060	$ 11.45	6,221,060	$ 76,559
August 7, 2023 to September 3, 2023	510,967	12.02	510,967	70,418
September 4, 2023 to October 1, 2023	5,399,158	9.99	5,399,158	134,369
Total	12,131,185	$ 10.83	12,131,185	

Date	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 Publicly Announced Repurchase Program*
October 2, 2023 to November 5, 2023	5,082,260	$ 10.55	5,082,260	$ 80,737
November 6, 2023 to December 3, 2023	989,181	10.46	989,181	70,393
December 4, 2023 to December 31, 2023	1,445,414	11.23	1,445,414	54,168
Total	7,516,855	$ 10.67	7,516,855	

*The average price paid per share and dollar value of shares that may yet be purchased under the plan includes any commissions paid to repurchase stock (but excludes any excise taxes).

Item 5. Other Information

Rule 10b5-1 Trading Plans

Effective as of December 4, 2023, Thomas Shannon, the Company’s Chief Executive Officer, amended an existing trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act (the “Shannon 10b5-1 Plan”). The Shannon 10b5-1 Plan provides for the potential sale of up to 2,300,000 shares of Class A common stock and will expire on the earlier of April 30, 2025 and the date when all shares under the Shannon 10b5-1 Plan are sold.

Item 6. Exhibits

Exhibit No.	Description
31.1+	Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2+	Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1+	Certification of the Principal Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
32.2+	Certification of the Principal Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
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).

+ Filed herewith.

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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:	November 7, 2023 February 5, 2024	By:	/s/ Robert M. Lavan
		Name:	Robert M. Lavan
		Title:	Chief Financial Officer
			(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas F. Shannon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bowlero Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 February 5, 2024

/s/ Thomas F. Shannon

Thomas F. Shannon
Chairman, Chief Executive Officer and
President Chairman
Bowlero Corp.

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert M. Lavan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bowlero Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 February 5, 2024

/s/ Robert M. Lavan
Robert M. Lavan
Chief Financial Officer
Bowlero Corp.

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Bowlero Corp. (the "Company") for the quarterly period ended October 1, 2023 December 31, 2023, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Thomas F. Shannon, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023 February 5, 2024

/s/ Thomas F. Shannon
Thomas F. Shannon
Chairman, Chief Executive Officer and
President Chairman
Bowlero Corp.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Bowlero Corp. (the “Company”) for the quarterly period ended October 1, 2023 December 31, 2023, as filed with the U.S. Securities and Exchange Commission (the “Report”), I, Brett I. Parker, Robert M. Lavan, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023 February 5, 2024

/s/ Robert M. Lavan

Robert M. Lavan
Chief Financial Officer
Bowlero Corp.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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