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XP Factory

Consumer

22 June 2026

Pivot to Escape Hunt sets a firmer base

XP Factory's trading statement of 12 May 2026 confirmed FY26 closed with adjusted EBITDA expected to be marginally ahead of consensus analyst estimates, against a challenging backdrop for UK experiential leisure. The investment thesis rests on Escape Hunt, the group's higher-margin and more resilient brand, driving growth while a rebased cost base and curtailed expansionary capex move the group towards sustained free cash flow and deleveraging from FY27. At an 18p share price versus a consensus target of c 20p, risk/reward is balanced between its net debt position and consumer weakness on the downside and escape room consolidation on the upside.

Escape Hunt resilience anchors the strategy

FY26 revenue is expected at more than £59m, with the mix illustrating a two-speed group. Escape Hunt revenue grew 11%, including like-for-like (l-f-l) growth of 3.8%, while Boom revenue rose 2% as the annualisation of acquired and newly opened sites offset an 8% l-f-l decline, modestly ahead of the market's c 9% fall (CGA RSM tracker). Escape Hunt's site-level margins of c 40% remain well ahead of Boom's c 16%. Management is therefore prioritising Escape Hunt for expansion, targeting 100 UK sites (currently 24 in the UK) over the medium term. At Oberon Investments' Small-cap Showcase on 4 June 2026, CEO Richard Harpham outlined plans to move to larger sites housing eight rather than six escape rooms, building on the format's c 40% cash-on-cash site returns.

Costs rebased, deleveraging in sight

Management has moved to protect profitability against sector-wide labour cost inflation, with £2m of annualised savings secured during FY26 and c £1m of head office savings expected to benefit FY27. Net debt (excluding lease liabilities) closed FY26 at £5.7m and with Boom openings paused expansionary capex should ease in FY27, although the 100-site Escape Hunt ambition will require renewed growth investment thereafter. A new chairman, appointed in February 2026, coincides with this sharpened focus on capital discipline.

Valuation: A lower bar to clear

At 18p, the stock trades below the consensus analyst target price of c 20p, with forecasts rebased materially lower in February 2026 following the Christmas trading update. The shares have recovered from their lows since the May 2026 update, and consensus analyst estimates imply a modest single-digit EV/EBITDA multiple on the rebased forecasts. FY27 trading to date is in line with the board's expectations, and we see scope for a re-rating if Boom l-f-l sales stabilise and the interim results for the six months ended 30 September 2026 evidence the improving cash flow profile.

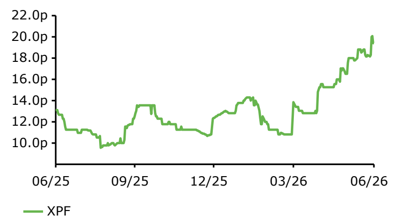
Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	EV/EBITDA (x)
3/25	57.8	10.5	(1.2)	0.23	2.5
3/26e	59.4	9.1	(1.8)	(0.01)	2.9
3/27e	57.4	9.1	(1.8)	(0.01)	2.9

Source: LSEG Data & Analytics. Note: EBITDA is post-IFRS 16. FY26 pre-IFRS 16 adjusted EBITDA was c £5.1m (FY25: £6.6m).

Price	**18.25p**
Market cap	**£32m**

Share price performance



Share details

Code	XPF
Listing	AIM
Shares in issue	175.7m
Net debt at 31 March 2026 excluding leases	£5.7m

Business description

XP Factory is a UK experiential leisure operator running the Escape Hunt escape room and Boom Battle Bar competitive socialising brands.

Bull points

- Escape Hunt delivers c 40% site EBITDA margins, c 40% cash-on-cash returns and a long UK rollout runway.
- Cost savings of c £3m annualised and near-term slowdown in expansionary capex support deleveraging from FY27.
- Fragmented escape room market offers consolidation opportunity for higher-return brand.

Bear points

- Boom FY26 8% l-f-ls decline, with a downturn in competitive socialising pressures earnings.
- Net debt is modest excluding leases (£5.7m) but c £42m including them, large relative to a c £31m market capitalisation.
- Consensus analyst estimates indicate adjusted losses persisting through FY27, leaving limited margin for error.

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