# CPUK FINANCE LIMITED

## Operating and financial review for the 36 weeks ended 31 December 2020

*In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 36 weeks ended 31 December 2020.*

*All figures presented in this report relate to the group of companies headed by Center Parcs (Holdings 1) Limited ("the Group"). All figures presented in this report are unaudited. All financial results referred to in this document exclude exceptional and non-underlying items, unless otherwise stated.*

## Summary

- Cumulatively the Group offset losses incurred during the prolonged periods of village closure and generated a year to date profit of £11.6 million.

- Village openings and closures are summarised as follows:

  - 20 March 2020 — All UK villages closed
  - 13 July 2020 — All UK villages re-opened
  - 30 October 2020 — Sherwood closed
  - 5 November 2020 — Elveden, Longleat, Whinfell and Woburn closed
  - 4 December 2020 — Elveden, Longleat, Whinfell and Woburn re-opened
  - 18 December 2020 — Woburn closed
  - 21 December 2020 — Elveden, Longleat and Whinfell closed

- All five UK villages will remain closed until at least 7 March 2021. Over 50% of guests whose bookings were affected by the latest closures elected to move their break to an alternative date.

- The Group continues to have a robust liquidity position with cash of £53.2 million at 31 December 2020 and £96.9 million at 17 February 2021.

- Brookfield continues to support the Group and has approved further funding if required.

- Bookings for the next financial year are strong and occupancy is slightly ahead of the same time last year. ADR is also ahead of the prior year.

## Financial highlights

36 weeks ended 31 December 2020 ("Year to Date")

- Revenue of £114.9 million (FY20: £360.2 million) reflects the village closures and restricted accommodation capacity during the periods that the villages were open.

- Cumulative EBITDA of £11.6 million (FY20: £179.9 million) with losses incurred during the periods of village closure offset by profits when open.

- Occupancy of 30.5% (FY20: 98.0%) reflects the village closures and subsequent capacity restrictions. Occupancy of 60.6% was achieved when the villages were open.

- Year on year ADR growth of 14.3% reflects the timing of village closures and smaller accommodation units being taken off sale as part of the Group's ongoing management of restricted capacity when the villages were open.

- Liquidity remains robust with the Group holding cash of £53.2 million at 31 December 2020.

12 weeks ended 31 December 2020 ("Quarter 3")

- Revenue and EBITDA have been negatively impacted by the village closures and reduced capacity when the villages were open, resulting in year on year decreases of 73.3% and 102.7% respectively to £33.4 million and £(1.7) million.

- ADR increase of 4.6% is primarily due to the mix of accommodation units available under the Group's ongoing capacity management strategy.

## Key performance indicators

| | **FY21 Year to Date** | **FY20 Year to Date** | **Variance** |
|---|---|---|---|
| Revenue | £114.9m | £360.2m | (68.1)% |
| EBITDA | £11.6m | £179.9m | (93.6)% |
| Occupancy | 30.5% | 98.0% | (67.5)% |
| Trading Occupancy | 60.6% | 98.0% | (37.4)% |
| ADR | £238.47 | £208.62 | +14.3% |
| RevPAL | £72.64 | £204.41 | (64.5)% |

| | **FY21 Quarter 3** | **FY20 Quarter 3** | **Variance** |
|---|---|---|---|
| Revenue | £33.4m | £125.1m | (73.3)% |
| EBITDA | £(1.7)m | £62.1m | (102.7)% |
| Occupancy | 27.0% | 97.6% | (70.6)% |
| ADR | £231.96 | £221.68 | +4.6% |
| RevPAL | £62.72 | £216.35 | (71.0)% |

## Results of operations for the 36-week period ended 31 December 2020

### *Revenue*

Revenue of £114.9 million, reflecting the village closures and reduced operating capacity when open. Occupancy during the period was 30.5% (FY20: 98.0%) reflecting the village closures. During the period that the villages were open, occupancy of 60.6% was achieved.

The number of units of accommodation at 31 December 2020 was 4,335 compared to 4,323 at 2 January 2020. The movement reflects the construction of 12 new units of accommodation in the year.

### *Cost of sales*

Cost of sales were £42.8 million reflecting staff and other operating costs incurred predominantly when the villages were open.

### *Administrative expenses*

Administrative expenses were £60.5 million compared to £85.0 million in the comparative prior year period. This reflects the elimination of non-essential expenditure during the periods of village closure, as well as the benefit of the UK Government's Job Retention Scheme and 12-month business rates holiday.

### *EBITDA*

As a result of the factors outlined above, EBITDA was £11.6 million.

### *Depreciation and amortisation*

Depreciation and amortisation was £41.9 million compared to £41.0 million in the prior year.

### *Finance costs and income*

Annual interest payable on the Group's secured debt is £97.1 million. All tranches of secured debt attract a fixed rate of interest. Finance costs principally represent interest payable on the Group's secured debt and the amortisation of associated deferred issue costs.

Finance income represents bank interest receivable.

### *Taxation*

The Group's taxation assets and liabilities are calculated annually and hence no tax charge or credit is included in the financial statements presented in this report. A corporation tax refund of £6.0 million arose compared with a payment of £11.0 million in the comparative period.

## Cash Flow and liquidity

As at 31 December 2020 the Group had cash and cash equivalents of £53.2 million (2 January 2020: £30.7 million) and negative working capital of £144.7 million (2 January 2020: £95.7 million).

Net cash from operating activities was £49.7 million and net cash used in investing activities was £23.5 million (FY20: £119.1 million and £39.1 million respectively).

On 3 February 2021 the Group announced that the UK villages would remain closed until at least Sunday 7 March 2021. The majority of refunds relating to cancelled breaks have been processed and over 50% of guests whose breaks were cancelled as a result of the latest closures took up the offer to change their arrival date to a later period.

As at 17 February 2021 the Group had cash and cash equivalents of £96.9 million. In addition to the previously reported liquidity support from Brookfield, £70 million of further funds were made available to Center Parcs in February 2021. Additional funds were drawn by way of equity injection on 17 February 2021 and £40 million remains undrawn at the date of this report.

Operating losses during the first lockdown from March 2020 to July 2020 were successfully reduced to approximately £6 million to £7 million in each 4-week operating period. With the villages closed until at least 7 March 2021 operating costs will be at a very similar level notwithstanding the need for additional maintenance activity during the winter months to ensure the safe mothballing of the villages.

In accordance with the previously reported covenant waivers agreed in 2020, the Group will continue to calculate and report the DSCR:FCF ratio on a half yearly basis. This information will be included in the full year results update.

## Investment Programme

### *Accommodation upgrades*

The Group has recommenced its 'Project Summer' refurbishment cycle and, as at 31 December 2020, 2,051 units of accommodation have been upgraded to the 'Summer' standard.

### *New builds*

No units of accommodation are currently under construction.

## Maintenance and Investment Capital expenditure

Under the terms of its financing, the Group is required to spend a minimum of £18.5 million per annum on maintenance capital expenditure and an average of £6 million per annum over four years on investment capital expenditure. During the period to 31 December 2020 the Group spent £14.5 million (FY20: £16.8 million) on maintenance capital expenditure and £8.1 million (FY20: £17.3 million) on investment capital expenditure, a total of £22.6 million (FY20: £34.1 million).

## Environmental, Social and Corporate Governance ("ESG")

The Group remains fully committed to ESG principles. Having exceeded previously set sustainability targets for 2020, the Group is now updating its environmental agenda. Later in the calendar year the Group will introduce a new framework for ESG reporting which will include new targets and an update on its social and corporate governance policies.

## Ireland village update

For information only, Center Parcs Longford Forest in Ireland was closed from 6 October 2020 until it re-opened on 18 December 2020. The village closed again on 27 December 2020, in line with Irish Government guidance, and remains closed as at the date of this report. Based on current guidance the village will remain closed until at least 7 March 2021. Longford Forest is owned and operated by Center Parcs Ireland Limited, and this entity remains completely outside the UK Whole Business Securitisation and has separate funding.

## Future outlook

The UK villages are closed until at least Sunday 7 March 2021. With ongoing uncertainty as to when re-opening will be permitted, it is not possible to give further guidance on the anticipated financial result for the full year.

Notwithstanding the uncertainty noted above, demand for breaks in FY22 is strong and occupancy is slightly ahead of the same time last year, which was in the pre-Covid-19 impacted period. It is anticipated that occupancies will initially be restricted again when re-opening is permitted as the Group continues to follow UK Government mandated policies and procedures to operate a Covid-19 secure environment.

ADR on bookings to date for FY22 is higher than that for bookings taken at the same time last year.

The next operating and financial review will be for the 52 weeks ended 22 April 2021 and it is expected this report will be published in mid-July 2021.

Colin McKinlay
Chief Financial Officer

## Enquiries

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# Unaudited income statement for the 36 weeks ended 31 December 2020

| | 36 weeks ended 31 December 2020 | | | 36 weeks ended 2 January 2020 | | |
|---|---|---|---|---|---|---|
| | Before exceptional and non-underlying items £m | Exceptional and non-underlying items £m | Total £m | Before exceptional and non-underlying items £m | Exceptional and non-underlying items £m | Total £m |
| **Revenue** | **114.9** | **-** | **114.9** | **360.2** | **-** | **360.2** |
| Cost of sales | (42.8) | - | (42.8) | (95.3) | - | (95.3) |
| **Gross profit** | **72.1** | **-** | **72.1** | **264.9** | **-** | **264.9** |
| Administrative expenses | (60.5) | - | (60.5) | (85.0) | - | (85.0) |
| ***EBITDA*** | ***11.6*** | **-** | ***11.6*** | ***179.9*** | **-** | ***179.9*** |
| Depreciation and amortisation | (41.9) | - | (41.9) | (41.0) | - | (41.0) |
| Total operating expenses | (102.4) | - | (102.4) | (126.0) | - | (126.0) |
| **Operating (loss)/profit** | **(30.3)** | **-** | **(30.3)** | **138.9** | **-** | **138.9** |
| Finance income | 0.1 | - | 0.1 | 0.3 | - | 0.3 |
| Finance expense | (71.3) | (2.4) | (73.7) | (65.2) | - | (65.2) |
| **(Loss)/profit before taxation** | **(101.5)** | **(2.4)** | **(103.9)** | **74.0** | **-** | **74.0** |
| Taxation | - | **-** | - | - | **-** | - |
| **(Loss)/profit for the period attributable to equity shareholders** | **(101.5)** | **(2.4)** | **(103.9)** | **74.0** | **-** | **74.0** |

Finance expense in the 36 weeks ended 31 December 2020 includes amortisation of deferred issue costs of £2.5 million (FY20: £2.4 million).

Exceptional/non-underlying items in the 36 weeks ended 31 December 2020 represent fees incurred to obtain a waiver of the covenants on the Group's secured debt.

# Unaudited income statement for the 12 weeks ended 31 December 2020

| | 12 weeks ended 31 December 2020 | | | 12 weeks ended 2 January 2020 | | |
|---|---|---|---|---|---|---|
| | Before exceptional and non-underlying items £m | Exceptional and non-underlying items £m | Total £m | Before exceptional and non-underlying items £m | Exceptional and non-underlying items £m | Total £m |
| **Revenue** | **33.4** | **-** | **33.4** | **125.1** | **-** | **125.1** |
| Cost of sales | (15.7) | - | (15.7) | (33.0) | - | (33.0) |
| **Gross profit** | **17.7** | **-** | **17.7** | **92.1** | **-** | **92.1** |
| Administrative expenses | (19.4) | - | (19.4) | (30.0) | - | (30.0) |
| ***EBITDA*** | ***(1.7)*** | **-** | ***(1.7)*** | ***62.1*** | **-** | ***62.1*** |
| Depreciation and amortisation | (17.0) | - | (17.0) | (13.7) | - | (13.7) |
| Total operating expenses | (36.4) | - | (36.4) | (43.7) | - | (43.7) |
| **Operating (loss)/profit** | **(18.7)** | **-** | **(18.7)** | **48.4** | **-** | **48.4** |
| Finance income | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| Finance expense | (23.4) | (0.5) | (23.9) | (21.6) | - | (21.6) |
| **(Loss)/profit before taxation** | **(42.0)** | **(0.5)** | **(42.5)** | **26.9** | **-** | **26.9** |
| Taxation | - | **-** | - | - | **-** | - |
| **(Loss)/profit for the period attributable to equity shareholders** | **(42.0)** | **(0.5)** | **(42.5)** | **26.9** | **-** | **26.9** |

# Unaudited balance sheet as at 31 December 2020

| | **As at 31 December 2020 £m** | As at 2 January 2020 £m |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Goodwill | **157.5** | 157.5 |
| Other intangible assets | **141.2** | 145.7 |
| Property, plant and equipment | **1,460.8** | 1,476.3 |
| Right-of-use assets | **32.2** | 30.2 |
| Deferred tax asset | **0.4** | 0.2 |
| | **1,792.1** | 1,809.9 |
| **Current assets** | | |
| Inventories | **3.6** | 4.2 |
| Trade and other receivables | **13.8** | 13.3 |
| Current tax asset | **2.6** | 10.9 |
| Cash and cash equivalents | **53.2** | 30.7 |
| | **73.2** | 59.1 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Borrowings | **-** | (0.3) |
| Trade and other payables | **(201.9)** | (152.3) |
| | **(201.9)** | (152.6) |
| **Net current liabilities** | **(128.7)** | (93.5) |
| | | |
| **Non-current liabilities** | | |
| Borrowings | **(1,899.5)** | (1,880.6) |
| Lease liabilities | **(36.8)** | (33.9) |
| Retirement benefit obligations | **(1.3)** | (0.9) |
| Deferred tax liability | **(111.1)** | (97.3) |
| | **(2,048.7)** | (2,012.7) |
| **Net liabilities** | **(385.3)** | (296.3) |
| | | |
| **Equity** | | |
| Equity share capital | **1.0** | 1.0 |
| Share premium | **69.0** | - |
| Other reserve | **(154.0)** | (154.0) |
| Retained earnings | **(301.3)** | (143.3) |
| **Total equity** | **(385.3)** | (296.3) |

Current trade and other payables include interest and capital accruals totalling £38.0 million (2 January 2020: £39.1 million) and taxation group relief creditors of £1.8 million (2 January 2020: £nil).

# Unaudited cash flow statement for the 36 weeks ended 31 December 2020

| | **36 weeks ended 31 December 2020 £m** | 36 weeks ended 2 January 2020 £m | **12 weeks ended 31 December 2020 £m** | 12 weeks ended 2 January 2020 £m |
|---|---|---|---|---|
| **Cash flows from/(used in) operating activities** | | | | |
| Operating (loss)/profit | **(30.3)** | 138.9 | **(18.7)** | 48.4 |
| Depreciation and amortisation | **41.9** | 41.0 | **17.0** | 13.7 |
| Working capital movements | **32.4** | (49.0) | **(39.5)** | (40.3) |
| Difference between the pension charge and contributions | **(0.3)** | (0.4) | **(0.1)** | (0.1) |
| Corporation tax refunded/(paid) and payments for group relief | **6.0** | (11.4) | **-** | - |
| **Net cash from/(used in) operating activities** | **49.7** | 119.1 | **(41.3)** | 21.7 |
| | | | | |
| **Cash flows used in investing activities** | | | | |
| Purchase of property, plant and equipment | **(23.6)** | (39.4) | **(8.3)** | (14.2) |
| Interest received | **0.1** | 0.3 | **0.1** | 0.1 |
| **Net cash used in investing activities** | **(23.5)** | (39.1) | **(8.2)** | (14.1) |
| | | | | |
| **Cash flows used in financing activities** | | | | |
| Repayment of external borrowings | **(230.1)** | (0.1) | **(0.1)** | - |
| Proceeds from external borrowings | **250.0** | - | **-** | - |
| Issue costs on secured debt | **(4.1)** | (0.3) | **(1.2)** | - |
| Break costs on secured debt | **(2.5)** | - | **-** | - |
| Covenant waiver fees | **(2.1)** | - | **(0.2)** | - |
| Interest paid | **(48.1)** | (50.1) | **(1.0)** | - |
| Repayment of lease liabilities | **-** | (0.2) | **-** | (0.2) |
| Dividends paid | **-** | (58.8) | **-** | (9.9) |
| Equity contribution | **27.5** | - | **-** | - |
| **Net cash used in financing activities** | **(9.4)** | (109.5) | **(2.5)** | (10.1) |
| | | | | |
| Net increase/(decrease) in cash and cash equivalents | **16.8** | (29.5) | **(52.0)** | (2.5) |
| Cash and cash equivalents at the beginning of the period | **36.4** | 60.2 | **105.2** | 33.2 |
| **Cash and cash equivalents at the end of the period** | **53.2** | 30.7 | **53.2** | 30.7 |
| | | | | |
| **Reconciliation of net cash flow to movement in net debt** | | | | |
| | | | | |
| **Increase/(decrease) in cash and cash equivalents** | **16.8** | (29.5) | **(52.0)** | (2.5) |
| Cash (inflow)/outflow from movement in debt | **(19.9)** | 0.1 | **0.1** | - |
| **Change in net debt resulting from cash flows** | **(3.1)** | (29.4) | **(51.9)** | (2.5) |
| Non-cash movements and deferred issue costs | **1.7** | (1.4) | **(1.7)** | (0.5) |
| **Movement in net debt in the period** | **(1.4)** | (30.8) | **(53.6)** | (3.0) |
| Net debt at the beginning of the period | **(1,844.9)** | (1,819.4) | **(1,792.7)** | (1,847.2) |
| **Net debt at the end of the period** | **(1,846.3)** | (1.850.2) | **(1,846.3)** | (1,850.2) |

## Definitions

EBITDA (Earnings before interest, taxation, depreciation and amortisation) is before exceptional/non-underlying items.

Occupancy is the average number of units of accommodation occupied as a percentage of the total number available.

ADR (Average Daily Rate) is the average daily rent (excluding VAT) achieved based on total accommodation income divided by the total number of lodge nights sold.

RevPAL (Rent per available lodge night) is the average daily rent (excluding VAT) achieved based on the total accommodation income divided by the total available number of lodge nights.

Net debt represents borrowings less cash and cash equivalents.