CPUK FINANCE LIMITED

Operating and financial review for the 24 weeks ended 8 October 2020

In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 24 weeks ended 8 October 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.

Update on the impact of the Covid-19 pandemic

Following the original closures of the Center Parcs UK villages, all five sites successfully re-opened to guests on 13 July 2020 with reduced accommodation capacity and guest activities.

The Group had already announced the closure of its Sherwood village from 30 October 2020, after Nottinghamshire was moved to Tier 3 restrictions. New national restrictions were subsequently introduced by the UK Government with effect from 5 November 2020. In light of these new restrictions, it was announced that the Group would close the remaining four UK villages from 5 November 2020 until at least 3 December 2020. Guests with a booking during the closure period were entitled to a full refund or could, as an alternative, change the date of their break.

Further information on the Group's liquidity position may be found in the cash flow section.

The UK Government also announced an extension to the Coronavirus Job Retention Scheme until March 2021. The majority of the Group's employees will be furloughed for some or all of the closure period.

Financial highlights

24 weeks ended 8 October 2020

- H1 revenue of £81.5 million (FY20: £235.1 million) reflects the village closures in Q1 and restricted accommodation capacity in Q2. EBITDA of £13.3 million (FY20: £117.8 million) was achieved despite the unprecedented trading conditions.

- Occupancy of 32.2% (FY20: 98.2%) reflects the village closures and subsequent capacity restrictions. Occupancy of 61.4% was achieved when the villages were open.

- Year on year ADR growth of 19.3% reflects the fact that the villages were closed for the majority of Q1 and that smaller accommodation units were taken off sale as part of the Group's management of restricted capacity this year.

- Liquidity remains robust with cash of £105.2 million at 8 October 2020.

- All UK villages are currently closed until at least 3 December 2020. Significant uncertainty remains around Covid-19 which could further negatively impact the Group's trading performance in the future.

12 weeks ended 8 October 2020

- Q2 revenue and EBITDA have been negatively impacted by the reduced capacity available since re-opening resulting in year over year decreases of 35.9% and 50.5% respectively.

- The Q2 ADR increase of 10.4% is primarily due to the mix of accommodation units available under the Group's capacity management strategy.

Key performance indicators

	2020/21 H1	2019/20 H1	Variance
Revenue	£81.5m	£235.1m	(65.3)%
EBITDA	£13.3m	£117.8m	(88.7)%
Occupancy	32.2%	98.2%	(66.0)%
Trading Occupancy	61.4%	98.2%	(36.8)%
ADR	£241.21	£202.13	+19.3%
RevPAL	£77.57	£198.43	(60.9)%

	2020/21 Q2	2019/20 Q2	Variance
Revenue	£80.3m	£125.2m	(35.9)%
EBITDA	£33.0m	£66.6m	(50.5)%
Occupancy	63.1%	98.3%	(35.2) %
ADR	£242.79	£219.99	+10.4%
RevPAL	£153.12	£216.19	(29.2)%

Results of operations for the 24-week period ended 8 October 2020

Revenue

Revenue of £81.5 million was recognised in the 24 weeks ended 8 October 2020 reflecting the reduced operating capacity of the villages. Occupancy during the period was 32.2% (prior year 98.2%) reflecting the closure of the villages earlier in the year. During the period that the villages were open, occupancy of 61.4% was achieved. This reflects lower capacity when the villages first re-opened. Thereafter the villages broadly operated at self-imposed capacity limits of 65% for August and 75% from the start of September.

The number of units of accommodation at 8 October 2020 was 4,335 compared to 4,323 at 10 October 2019. The movement reflects the construction of 12 new units of accommodation in the year.

Cost of sales

Cost of sales of £27.1 million was recognised in the 24 weeks ended 8 October 2020, mainly comprising staff costs.

Administrative expenses

Administrative expenses of £41.1 million were incurred in the 24 weeks ended 8 October 2020, compared to £55.0 million in the comparative period in the prior year. This reflects the elimination of non-essential expenditure during the period 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 for the 24 week period to 8 October 2020 was a profit of £13.3 million.

Depreciation and amortisation

Depreciation and amortisation for the 24 weeks ended 8 October 2020 was £24.9 million compared to £27.3 million in the prior year.

Finance costs and income

On 17 September 2020 the Group issued £250.0 million of new B5 secured notes. Part of the proceeds was used to settle £230.0 million of B3 secured notes that had an expected maturity date of 28 August 2022. Make-whole costs of £2.5 million in respect of the settlement of the B3 notes have been recognised as a finance expense.

Following this refinancing, 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 in the periods under review 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 was received during the 24 weeks ended 8 October 2020 compared with a corporation tax payment of £11.0 million in the comparative period.

Cash Flow

As at 8 October 2020 the Group had cash and cash equivalents of £105.2 million (10 October 2019: £33.2 million) and negative working capital of £184.2 million (10 October 2019: £136.0 million).

Net cash from operating activities was £91.0 million and net cash used in investing activities was £15.3 million in the 24 weeks ended 8 October 2020 (FY20 comparative period: £97.4 million and £25.0 million respectively).

As at 12 November 2020 the Group had cash and cash equivalents of £87.3 million. Most refunds relating to breaks cancelled in the period from 5 November 2020 to 3 December 2020 have been processed and approximately 40% of guests took up the offer to change arrival date to a later period.

During the current period of village closure strong liquidity controls have been reinstated. As was the case in previous updates, a further £20.9m of committed funding from Brookfield remains undrawn.

Investment Programme

Accommodation upgrades

The Group paused its ‘Project Summer’ refurbishment cycle during the village closures. The Group will focus on a smaller programme for the remainder of the financial year. As at 8 October 2020 1,955 units of accommodation have been upgraded to the ‘Summer’ standard.

New builds

The construction of four Treehouses at Whinfell and two lodges at Woburn were completed during the quarter under review.

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 24 weeks ended 8 October 2020 the Group spent £9.0 million (FY20: £12.1 million) on maintenance capital expenditure and £4.6 million (FY20: £10.0 million) on investment capital expenditure, a total of £13.6 million (FY20: £22.1 million).

Ireland village update

For information only, Center Parcs Longford Forest in Ireland re-opened to guests on 13 July 2020 in line with the UK villages. The Irish Government subsequently increased the restrictions relating to Covid-19 resulting in the second closure of the Ireland village on 6 October 2020. Based on current guidance it is anticipated the village will not re-open until 4 December 2020 at the earliest. 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

Occupancy for quarter three is now materially impacted by the current closure of the villages and occupancy for the fourth quarter of the financial year is now broadly in line with the prior year due to the ongoing application of capacity restrictions.

The next operating and financial review will be for the 36 weeks ended 31 December 2020 and we expect this report will be published in mid-February 2021.

Investor Conference Call

An investor conference call will be held on 19 November 2020 at 2.00pm (GMT), at which the Group will present its financial results. A summary presentation will be released along with the results and will be used as the basis of the investor conference call.

Investors wishing to participate in the investor conference call need to pre-register at:

http://emea.directeventreg.com/registration/3092072

Full participant information (including dial-in number) will be provided upon registration.

Colin McKinlay
Chief Financial Officer

Enquiries

Paul Mann
Head of Group Reporting

Colin McKinlay
Chief Financial Officer

Unaudited income statement for the 24 weeks ended 8 October 2020

	24 weeks ended 8 October 2020			24 weeks ended 10 October 2019		
	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	**81.5**	**-**	**81.5**	**235.1**	**-**	**235.1**
Cost of sales	(27.1)	-	(27.1)	(62.3)	-	(62.3)
Gross profit	**54.4**	**-**	**54.4**	**172.8**	**-**	**172.8**
Administrative expenses	(41.1)	-	(41.1)	(55.0)	-	(55.0)
EBITDA	***13.3***	**-**	***13.3***	***117.8***	**-**	***117.8***
Depreciation and amortisation	(24.9)	-	(24.9)	(27.3)	-	(27.3)
Total operating expenses	(66.0)	-	(66.0)	(82.3)	-	(82.3)
Operating (loss)/profit	**(11.6)**	**-**	**(11.6)**	**90.5**	**-**	**90.5**
Finance income	-	-	-	0.2	-	0.2
Finance expense	(47.9)	(1.9)	(49.8)	(43.6)	-	(43.6)
(Loss)/profit before taxation	**(59.5)**	**(1.9)**	**(61.4)**	**47.1**	**-**	**47.1**
Taxation	-	**-**	-	-	**-**	-
(Loss)/profit for the period attributable to equity shareholders	**(59.5)**	**(1.9)**	**(61.4)**	**47.1**	**-**	**47.1**

Finance expense in the 24 weeks ended 8 October 2020 includes amortisation of deferred issue costs of £1.0 million (FY20: £1.6 million).

Exceptional/non-underlying items in the 24 weeks ended 8 October 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 8 October 2020

	12 weeks ended 8 October 2020			12 weeks ended 10 October 2019		
	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	**80.3**	**-**	**80.3**	**125.2**	**-**	**125.2**
Cost of sales	(23.3)	-	(23.3)	(31.4)	-	(31.4)
Gross profit	**57.0**	**-**	**57.0**	**93.8**	**-**	**93.8**
Administrative expenses	(24.0)	-	(24.0)	(27.2)	-	(27.2)
EBITDA	***33.0***	**-**	***33.0***	***66.6***	**-**	***66.6***
Depreciation and amortisation	(12.5)	-	(12.5)	(13.6)	-	(13.6)
Total operating expenses	(28.8)	-	(28.8)	(40.8)	-	(40.8)
Operating profit	**20.5**	**-**	**20.5**	**53.0**	**-**	**53.0**
Finance income	-	-	-	0.1	-	0.1
Finance expense	(25.7)	(1.9)	(27.6)	(21.6)	-	(21.6)
(Loss)/profit before taxation	**(5.2)**	**(1.9)**	**(7.1)**	**31.5**	**-**	**31.5**
Taxation	-	**-**	-	-	**-**	-
(Loss)/profit for the period attributable to equity shareholders	**(5.2)**	**(1.9)**	**(7.1)**	**31.5**	**-**	**31.5**

Unaudited balance sheet as at 8 October 2020

	As at 8 October 2020 £m	As at 10 October 2019 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**145.6**	145.7
Property, plant and equipment	**1,464.2**	1,477.8
Right-of-use assets	**32.3**	30.3
Deferred tax asset	**0.4**	0.2
	1,800.0	1,811.5
Current assets		
Inventories	**3.4**	4.2
Trade and other receivables	**9.3**	13.5
Current tax asset	**2.6**	10.9
Cash and cash equivalents	**105.2**	33.2
	120.5	61.8
Liabilities		
Current liabilities		
Borrowings	**(0.1)**	(0.3)
Trade and other payables	**(216.3)**	(174.2)
	(216.4)	(174.5)
Net current liabilities	**(95.9)**	(112.7)
Non-current liabilities		
Borrowings	**(1,897.8)**	(1,880.1)
Lease liabilities	**(36.6)**	(33.7)
Retirement benefit obligations	**(1.4)**	(1.0)
Deferred tax liability	**(111.1)**	(97.3)
	(2,046.9)	(2,012.1)
Net liabilities	**(342.8)**	(313.3)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**69.0**	-
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(258.8)**	(160.3)
Total equity	**(342.8)**	(313.3)

Current trade and other payables include interest and capital accruals totalling £17.6 million (10 October 2019: £20.5 million) and taxation group relief creditors of £1.8 million (10 October 2019: £nil).

Unaudited cash flow statement for the 24 weeks ended 8 October 2020

	24 weeks ended 8 October 2020 £m	24 weeks ended 10 October 2019 £m	**12 weeks ended 8 October 2020 £m**	12 weeks ended 10 October 2019 £m
Cash flows from operating activities				
Operating (loss)/profit	**(11.6)**	90.5	**20.5**	53.0
Depreciation and amortisation	**24.9**	27.3	**12.5**	13.6
Working capital movements	**71.9**	(8.7)	**6.6**	(8.7)
Difference between the pension charge and contributions	**(0.2)**	(0.3)	**-**	(0.2)
Corporation tax refunded/(paid) and payments for group relief	**6.0**	(11.4)	**6.0**	(5.1)
Net cash from operating activities	**91.0**	97.4	**45.6**	52.6
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(15.3)**	(25.2)	**(8.7)**	(11.0)
Interest received	**-**	0.2	**-**	0.1
Net cash used in investing activities	**(15.3)**	(25.0)	**(8.7)**	(10.9)
Cash flows used in financing activities				
Repayment of external borrowings	**(230.0)**	(0.1)	**(230.0)**	(0.1)
Proceeds from external borrowings	**250.0**	-	**250.0**	-
Issue costs on secured debt	**(2.9)**	(0.3)	**(2.9)**	-
Break costs on secured debt	**(2.5)**	-	**(2.5)**	-
Covenant waiver fees	**(1.9)**	-	**(1.9)**	-
Interest paid	**(47.1)**	(50.1)	**(46.6)**	(49.9)
Dividends paid	**-**	(48.9)	**-**	(26.3)
Equity contribution	**27.5**	-	**-**	-
Net cash used in financing activities	**(6.9)**	(99.4)	**(33.9)**	(76.3)
Net increase in cash and cash equivalents	**68.8**	(27.0)	**3.0**	(34.6)
Cash and cash equivalents at the beginning of the period	**36.4**	60.2	**102.2**	67.8
Cash and cash equivalents at the end of the period	**105.2**	33.2	**105.2**	33.2
Reconciliation of net cash flow to movement in net debt				
Increase in cash and cash equivalents	**68.8**	(27.0)	**3.0**	(34.6)
Cash (inflow)/outflow from movement in debt	**(20.0)**	0.1	**(20.0)**	0.1
Change in net debt resulting from cash flows	**48.8**	(26.9)	**(17.0)**	(34.5)
Non-cash movements and deferred issue costs	**3.4**	(0.9)	**3.9**	(0.5)
Movement in net debt in the period	**52.2**	(27.8)	**(13.1)**	(35.0)
Net debt at the beginning of the period	**(1,844.9)**	(1,819.4)	**(1,779.6)**	(1,812.2)
Net debt at the end of the period	**(1,792.7)**	(1.847.2)	**(1,792.7)**	(1,847.2)

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.