CPUK FINANCE LIMITED

Operating and financial review for the 12 weeks ended 18 July 2019

In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 12 weeks ended 18 July 2019.

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.

Financial highlights

12 weeks ended 18 July 2019

- Group revenue up 5.0% to £109.9 million (FY19: £104.7 million) and EBITDA up 5.1% to £51.2 million (FY19: £48.7 million).

- ADR and RevPAL up 5.4% and 4.8% to £184.21 and £180.65 respectively (FY19: £174.73 and £172.42 respectively).

- Strong occupancy of 98.1% compared to 98.7% in the prior year, with the difference principally due to the timing of lodge refurbishment and upgrades.

Key performance indicators

	FY20 12 weeks	FY19 12 weeks	Variance
Revenue	£109.9m	£104.7m	+5.0%
EBITDA	£51.2m	£48.7m	+5.1%
Occupancy	98.1%	98.7%	(0.6)%
ADR	£184.21	£174.73	+5.4%
RevPAL	£180.65	£172.42	+4.8%

Results of operations for the 12-week period ended 18 July 2019

Revenue

Revenue increased by £5.2 million, or 5.0%, to £109.9 million in the 12-week period ended 18 July 2019 compared to £104.7 million in the 12-week period ended 19 July 2018. This increase was the result of a 5.7% increase in accommodation revenue and an increase in on-village revenue of 3.8%.

The number of units of accommodation at 18 July 2019 was 4,317 compared to 4,281 at 19 July 2018. The movement reflects the construction of 36 new units of accommodation in the year.

Occupancy was 98.1% compared to 98.7% in the prior year. The change was principally due to the number of lodges offline for refurbishment and upgrades in the quarter.

ADR increased by 5.4% to £184.21 in the 12 weeks ended 18 July 2019 compared to the 12 weeks ended 19 July 2018. RevPAL growth of 4.8% to £180.65 was delivered in the 12 weeks ended 18 July 2019.

Cost of sales

Cost of sales increased to £30.9 million in the 12 weeks ended 18 July 2019 (FY19: £29.1 million). This reflects the increase in on-village revenue and the impact of the increased National Living Wage effective from 1 April 2019.

Administrative expenses

Administrative expenses were £27.8 million in the 12 weeks ended 18 July 2019, broadly in line with the prior year (FY19: £26.9 million).

EBITDA

As a result of the factors outlined above, EBITDA grew by £2.5 million or 5.1% in comparison to the prior year.

EBITDA for the 52 weeks ended 18 July 2019 was £235.1 million.

Depreciation and amortisation

Depreciation and amortisation for the 12 weeks ended 18 July 2019 was £13.7 million, an increase of £0.3 million compared to the prior year.

Finance costs and income

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. Annual interest payable on the secured debt is £90.6 million. All tranches of secured debt attract a fixed rate of interest.

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. Corporation tax of £6.3 million was paid during the 12 weeks ended 18 July 2019 compared with £nil in the comparative period.

Cash Flow

As at 18 July 2019 the Group had cash and cash equivalents of £67.8 million (19 July 2018: £43.4 million) and negative working capital of £145.1 million (19 July 2018: £138.2 million). Working capital is defined as the net value of the Group's inventories, trade and other receivables and current trade and other payables (excluding taxation creditors and capital and interest accruals).

Net cash from operating activities was £44.8 million and net cash used in investing activities was £14.1 million in the 12 weeks ended 18 July 2019 (FY19: £48.8 million and £15.3 million respectively).

As permitted under the terms of its financing, the Group declared and paid dividends totalling £22.6 million during the quarter.

Investment Programme

Accommodation upgrades

The Group is continuing its ‘Project Summer’ refurbishment cycle and, following the upgrade of 76 lodges at Whinfell during Q1 FY20, 1,523 units of accommodation have been upgraded to the ‘Summer’ standard. Further upgrades are scheduled at Sherwood and Whinfell in Q3 FY20 and Elveden and Longleat in Q4 FY20.

As previously outlined, the Project Summer refurbishment cycle is a lighter touch refurbishment than the previous Project Spring programme, with accommodation units offline for roughly half the time and costs approximately half those of the previous upgrades.

New builds

Construction was ongoing throughout Q1 FY20 in respect of four Treehouses at Whinfell and 17 lodges at Woburn. These projects are expected to be completed in spring/summer 2020.

Financial covenants

Classes A and B

Covenants have been calculated on a pro-forma basis which assumes that the current financing structure and cost of debt was in place for the 52 weeks ended 18 July 2019.

The Class A FCF: DSCR was 3.5 times for the 52 weeks ended 18 July 2019 (covenant: 1.1 times) and the Class B FCF: DSCR was 2.2 times (covenant 1.0 times).

Class B

The Consolidated Leverage Ratio (Gross Debt: EBITDA) was 8.0 times as at 18 July 2019.

The Directors certify that the calculations of the financial covenants and ratios are undertaken accurately and that the information in this report is true and accurate in all material respects. All covenants were satisfied as at 18 July 2019.

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 12 weeks ended 18 July 2019 the Group spent £5.3 million (FY19: £4.1 million) on maintenance capital expenditure and £5.3 million (FY19: £9.5 million) on investment capital expenditure, a total of £10.6 million (FY19: £13.6 million).

As in previous years, total capital expenditure is expected to be higher in the second half of the year.

Ireland development update

For information only, the new Center Parcs development in County Longford, Ireland has been completed and the village opened to the public on 29 July 2019. The project was delivered on time and on budget. The new village 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

As at 8 August 2019 63% of this financial year's capacity is now booked (FY19: 63%). ADR on these bookings is higher than that achieved during the prior year ended 25 April 2019.

The next operating and financial review will be for the 24 weeks ended 10 October 2019 and we expect this report will be published in mid-November 2019.

Colin McKinlay
Chief Financial Officer

Enquiries

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Unaudited income statement for the 12 weeks ended 18 July 2019

	12 weeks ended 18 July 2019			12 weeks ended 19 July 2018		
	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	**109.9**	**-**	**109.9**	**104.7**	**-**	**104.7**
Cost of sales	(30.9)	-	(30.9)	(29.1)	-	(29.1)
Gross profit	**79.0**	**-**	**79.0**	**75.6**	**-**	**75.6**
Administrative expenses	(27.8)	-	(27.8)	(26.9)	-	(26.9)
EBITDA	***51.2***	**-**	***51.2***	***48.7***	**-**	***48.7***
Depreciation and amortisation	(13.7)	-	(13.7)	(13.4)	-	(13.4)
Total operating expenses	(41.5)	-	(41.5)	(40.3)	-	(40.3)
Operating profit	**37.5**	**-**	**37.5**	**35.3**	**-**	**35.3**
Finance income	0.1	-	0.1	-	-	-
Finance expense	(22.0)	-	(22.0)	(20.5)	-	(20.5)
Profit before taxation	**15.6**	**-**	**15.6**	**14.8**	**-**	**14.8**
Taxation	-	**-**	-	-	**-**	-
Profit for the period attributable to equity shareholders	**15.6**	**-**	**15.6**	**14.8**	**-**	**14.8**

Finance expense in the 12 weeks ended 18 July 2019 includes amortisation of deferred issue costs of £0.7 million (FY19: £0.9 million).

There were no exceptional/non-underlying items in the current or comparative period.

Unaudited balance sheet as at 18 July 2019

	As at 18 July 2019 £m	As at 19 July 2018 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**147.4**	148.7
Property, plant and equipment	**1,478.2**	1,471.1
Right-of-use assets	**30.5**	30.0
Deferred tax asset	**0.2**	0.8
	1,813.8	1,808.1
Current assets		
Inventories	**4.0**	3.8
Trade and other receivables	**10.9**	11.8
Current tax asset	**6.2**	3.8
Cash and cash equivalents	**67.8**	43.4
	88.9	62.8
Liabilities		
Current liabilities		
Borrowings	**(0.3)**	(0.3)
Lease liabilities	**-**	(0.4)
Trade and other payables	**(208.8)**	(207.2)
	(209.1)	(207.9)
Net current liabilities	**(120.2)**	(145.1)
Non-current liabilities		
Borrowings	**(1,879.7)**	(1,748.8)
Lease liabilities	**(33.9)**	(31.7)
Retirement benefit obligations	**(1.2)**	(1.2)
Deferred tax liability	**(97.3)**	(92.0)
	(2,012.1)	(1,873.7)
Net liabilities	**(318.5)**	(210.7)
Equity		
Equity share capital	**1.0**	1.0
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(165.5)**	(57.7)
Total equity	**(318.5)**	(210.7)

Current trade and other payables include interest and capital accruals totalling £48.8 million (19 July 2018: £42.4 million) and taxation group relief creditors of £nil (19 July 2018: £11.0 million).

Unaudited cash flow statement for the 12 weeks ended 18 July 2019

	12 weeks ended 18 July 2019 £m	12 weeks ended 19 July 2018 £m
Cash flows from operating activities		
Operating profit	**37.5**	35.3
Depreciation and amortisation	**13.7**	13.4
Working capital movements	**-**	0.1
Difference between the pension charge and contributions	**(0.1)**	-
Corporation tax paid	**(6.3)**	-
Net cash from operating activities	**44.8**	48.8
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(14.2)**	(15.3)
Interest received	**0.1**	-
Net cash used in investing activities	**(14.1)**	(15.3)
Cash flows used in financing activities		
Issue costs on secured debt	**(0.3)**	-
Interest paid	**(0.2)**	(0.2)
Repayment of lease liabilities	**-**	(0.1)
Dividends paid	**(22.6)**	(35.9)
Net cash used in financing activities	**(23.1)**	(36.2)
Net increase/(decrease) in cash and cash equivalents	**7.6**	(2.7)
Cash and cash equivalents at the beginning of the period	**60.2**	46.1
Cash and cash equivalents at the end of the period	**67.8**	43.4
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash and cash equivalents	**7.6**	(2.7)
Cash flow from movement in debt	**-**	-
Change in net debt resulting from cash flows	**7.6**	(2.7)
Non-cash movements and deferred issue costs	**(0.4)**	(0.7)
Movement in net debt in the period	**7.2**	(3.4)
Net debt at the beginning of the period	**(1,819.4)**	(1,702.3)
Net debt at the end of the period	**(1,812.2)**	(1,705.7)

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.