



CPUK FINANCE LIMITED

Operating and financial review for the 24 weeks ended 10 October 2019

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 10 October 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

24 weeks ended 10 October 2019

- Solid results continue to demonstrate the business' resilience, high margins and strong cash generation.
- H1 revenue up 4.3% to £235.1 million (FY19: £225.3 million) and EBITDA up 3.0% to £117.8 million (FY19: £114.4 million).
- H1 ADR and RevPAL up 4.6% and 4.2% to £202.13 and £198.43 respectively (FY19: £193.21 and £190.43 respectively).
- Strong occupancy of 98.2%, compared to 98.6% in the prior year.

12 weeks ended 10 October 2019

- Q2 revenue and EBITDA growth of 3.8% and 1.4% to £125.2 million and £66.6 million respectively (FY19: £120.6 million and £65.7 million respectively).
- Q2 ADR and RevPAL up 3.9% and 3.7% to £219.99 and £216.19 respectively (FY19: £211.73 and £208.42 respectively).

Key performance indicators

	<u>2019/20</u>	<u>2018/19</u>	<u>Variance</u>
	<u>H1</u>	<u>H1</u>	
Revenue	£235.1m	£225.3m	+4.3%
EBITDA	£117.8m	£114.4m	+3.0%
Occupancy	98.2%	98.6%	(0.4)%
ADR	£202.13	£193.21	+4.6%
RevPAL	£198.43	£190.43	+4.2%

	<u>2019/20</u>	<u>2018/19</u>	<u>Variance</u>
	<u>Q2</u>	<u>Q2</u>	
Revenue	£125.2m	£120.6m	+3.8%
EBITDA	£66.6m	£65.7m	+1.4%
Occupancy	98.3%	98.4%	(0.1)%
ADR	£219.99	£211.73	+3.9%
RevPAL	£216.19	£208.42	+3.7%

Results of operations for the 24-week period ended 10 October 2019

Revenue

Revenue increased by £9.8 million, or 4.3%, to £235.1 million in the 24-week period ended 10 October 2019 compared to £225.3 million in the 24-week period ended 11 October 2018. This increase was the result of a 5.1% increase in accommodation revenue and an increase in on-village revenue of 3.1%.

The number of units of accommodation at 10 October 2019 was 4,323 compared to 4,284 at 11 October 2018. The movement reflects the construction of 39 new units of accommodation in the year.

Occupancy was 98.2% compared to 98.6% in the prior year.

ADR increased by 4.6% to £202.13 in the 24 weeks ended 10 October 2019 compared to the 24 weeks ended 11 October 2018. RevPAL growth of 4.2% to £198.43 was delivered in the 24 weeks ended 10 October 2019.

Cost of sales

Cost of sales increased to £62.3 million in the 24 weeks ended 10 October 2019 (FY19: £58.7 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 totalled £55.0 million in the 24 weeks ended 10 October 2019, compared to £52.2 million in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA grew by £3.4 million or 3.0% in comparison to the prior year.

EBITDA for the 52 weeks ended 10 October 2019 was £236.0 million.

Depreciation and amortisation

Depreciation and amortisation for the 24 weeks ended 10 October 2019 was £27.3 million, an increase of £1.6 million compared to the prior year. This reflects the Group's ongoing capital investment programme.

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 £11.0 million was paid during the 24 weeks ended 10 October 2019 compared with £nil in the comparative period.

Cash Flow

As at 10 October 2019 the Group had cash and cash equivalents of £33.2 million (11 October 2018: £44.4 million) and negative working capital of £136.0 million (11 October 2018: £129.3 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 £97.4 million and net cash used in investing activities was £25.0 million in the 24 weeks ended 10 October 2019 (FY19: £105.7 million and £29.6 million respectively).

As permitted under the terms of its financing, the Group declared and paid dividends totalling £26.3 million during the quarter.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' refurbishment cycle and 1,530 units of accommodation had been upgraded to the 'Summer' standard as at 10 October 2019. A further 425 lodges are currently scheduled to be upgraded at Whinfell, Sherwood, Elveden and Longleat during Q3 and Q4 of FY20.

New builds

The construction of six lodges at Woburn was completed during Q2 FY20. Construction is ongoing in respect of a further 11 lodges at Woburn and four Treehouses at Whinfell. 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 10 October 2019.

The Class A FCF: DSCR was 3.4 times for the 52 weeks ended 10 October 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 10 October 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 10 October 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 24 weeks ended 10 October 2019 the Group spent £12.1 million (FY19: £10.8 million) on maintenance capital expenditure and £10.0 million (FY19: £18.0 million) on investment capital expenditure.

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

Ireland Update

As previously reported the new Center Parcs village in County Longford, Ireland opened to guests in July, on time and to budget. Occupancy is building well, operations are stabilising, and early guest feedback is excellent.

Outlook

As at 8 November 2019, 80% of this financial year's capacity is now booked (FY19: 80.6%). ADR on these bookings continues to be higher than that achieved during the prior year ended 25 April 2019.

The next operating and financial review will be for the 36 weeks ended 2 January 2020 and we expect this report will be published in mid-February 2020.

Investor Conference Call

An investor conference call will be held on 13 November 2019 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/2974078>

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

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Chief Financial Officer

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Unaudited income statement for the 24 weeks ended 10 October 2019

	24 weeks ended 10 October 2019			24 weeks ended 11 October 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	235.1	-	235.1	225.3	-	225.3
Cost of sales	(62.3)	-	(62.3)	(58.7)	-	(58.7)
Gross profit	172.8	-	172.8	166.6	-	166.6
Administrative expenses	(55.0)	-	(55.0)	(52.2)	-	(52.2)
EBITDA	117.8	-	117.8	114.4	-	114.4
Depreciation and amortisation	(27.3)	-	(27.3)	(25.7)	-	(25.7)
Total operating expenses	(82.3)	-	(82.3)	(77.9)	-	(77.9)
Operating profit	90.5	-	90.5	88.7	-	88.7
Finance income	0.2	-	0.2	0.1	-	0.1
Finance expense	(43.6)	-	(43.6)	(40.7)	-	(40.7)
Profit before taxation	47.1	-	47.1	48.1	-	48.1
Taxation	-	-	-	-	-	-
Profit for the period attributable to equity shareholders	47.1	-	47.1	48.1	-	48.1

Finance expense in the 24 weeks ended 10 October 2019 includes amortisation of deferred issue costs of £1.6 million (FY19: £1.8 million).

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

Unaudited income statement for the 12 weeks ended 10 October 2019

	12 weeks ended 10 October 2019			12 weeks ended 11 October 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	125.2	-	125.2	120.6	-	120.6
Cost of sales	(31.4)	-	(31.4)	(29.6)	-	(29.6)
Gross profit	93.8	-	93.8	91.0	-	91.0
Administrative expenses	(27.2)	-	(27.2)	(25.3)	-	(25.3)
EBITDA	66.6	-	66.6	65.7	-	65.7
Depreciation and amortisation	(13.6)	-	(13.6)	(12.3)	-	(12.3)
Total operating expenses	(40.8)	-	(40.8)	(37.6)	-	(37.6)
Operating profit	53.0	-	53.0	53.4	-	53.4
Finance income	0.1	-	0.1	0.1	-	0.1
Finance expense	(21.6)	-	(21.6)	(20.2)	-	(20.2)
Profit before taxation	31.5	-	31.5	33.3	-	33.3
Taxation	-	-	-	-	-	-
Profit for the period attributable to equity shareholders	31.5	-	31.5	33.3	-	33.3

Unaudited balance sheet as at 10 October 2019

	As at 10 October 2019 £m	As at 11 October 2018 £m
Assets		
Non-current assets		
Goodwill	157.5	157.5
Other intangible assets	145.7	148.7
Property, plant and equipment	1,477.8	1,474.0
Right-of-use assets	30.3	29.7
Deferred tax asset	0.2	0.8
	1,811.5	1,810.7
Current assets		
Inventories	4.2	4.1
Trade and other receivables	13.5	14.2
Current tax asset	10.9	3.8
Cash and cash equivalents	33.2	44.4
	61.8	66.5
Liabilities		
Current liabilities		
Borrowings	(0.3)	(0.3)
Lease liabilities	-	(0.3)
Trade and other payables	(174.2)	(180.2)
	(174.5)	(180.8)
Net current liabilities	(112.7)	(114.3)
Non-current liabilities		
Borrowings	(1,880.1)	(1,749.4)
Lease liabilities	(33.7)	(31.8)
Retirement benefit obligations	(1.0)	(1.1)
Deferred tax liability	(97.3)	(92.0)
	(2,012.1)	(1,874.3)
Net liabilities	(313.3)	(177.9)
Equity		
Equity share capital	1.0	1.0
Other reserve	(154.0)	(154.0)
Retained earnings	(160.3)	(24.9)
Total equity	(313.3)	(177.9)

Current trade and other payables include interest and capital accruals totalling £20.5 million (11 October 2018: £21.6 million) and taxation group relief creditors of £nil million (11 October 2018: £11.0 million).

Unaudited cash flow statement for the 24 weeks ended 10 October 2019

	24 weeks ended 10 October 2019 £m	24 weeks ended 11 October 2018 £m	12 weeks ended 10 October 2019 £m	12 weeks ended 11 October 2018 £m
Cash flows from operating activities				
Operating profit	90.5	88.7	53.0	53.4
Depreciation and amortisation	27.3	25.7	13.6	12.3
Working capital movements	(8.7)	(8.6)	(8.7)	(8.7)
Difference between the pension charge and contributions	(0.3)	(0.1)	(0.2)	(0.1)
Corporation tax paid and payments for group relief	(11.4)	-	(5.1)	-
Net cash from operating activities	97.4	105.7	52.6	56.9
Cash flows used in investing activities				
Purchase of property, plant and equipment	(25.2)	(29.7)	(11.0)	(14.4)
Interest received	0.2	0.1	0.1	0.1
Net cash used in investing activities	(25.0)	(29.6)	(10.9)	(14.3)
Cash flows used in financing activities				
Repayment of external borrowings	(0.1)	(0.1)	(0.1)	(0.1)
Issue costs on secured debt	(0.3)	-	-	-
Interest paid	(50.1)	(41.7)	(49.9)	(41.5)
Repayment of lease liabilities	-	(0.1)	-	-
Dividends paid	(48.9)	(35.9)	(26.3)	-
Net cash used in financing activities	(99.4)	(77.8)	(76.3)	(41.6)
Net (decrease)/increase in cash and cash equivalents	(27.0)	(1.7)	(34.6)	1.0
Cash and cash equivalents at the beginning of the period	60.2	46.1	67.8	43.4
Cash and cash equivalents at the end of the period	33.2	44.4	33.2	44.4
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	(27.0)	(1.7)	(34.6)	1.0
Cash outflow from movement in debt	0.1	0.1	0.1	0.1
Change in net debt resulting from cash flows	(26.9)	(1.6)	(34.5)	1.1
Non-cash movements and deferred issue costs	(0.9)	(1.4)	(0.5)	(0.7)
Movement in net debt in the period	(27.8)	(3.0)	(35.0)	0.4
Net debt at the beginning of the period	(1,819.4)	(1,702.3)	(1,812.2)	(1,705.7)
Net debt at the end of the period	(1,847.2)	(1,705.3)	(1,847.2)	(1,705.3)

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.