CPUK FINANCE LIMITED

Operating and financial review for the 12 weeks ended 16 July 2020

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 16 July 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.

Financial highlights

12 weeks ended 16 July 2020 ("the quarter")

- The Group's villages successfully re-opened on 13 July 2020 with reduced accommodation capacity and guest activities.

- This operating and financial review includes revenue relating to one break from 13 to 16 July 2020. KPIs are therefore not relevant for the quarter.

- Operating costs during the closure period were reduced from an average of c.£20 million to c.£6 million per four-week period.

- Forward bookings are strong, demonstrating continued demand for short breaks. As at 21 August 2020, occupancy for quarters 3 and 4 is +1% and +9% compared to the comparative prior year periods.

- Liquidity remains robust with cash of £102.2 million at 16 July.

- Uncertainty remains around Covid-19 which could negatively impact the Group's trading performance going forward.

Results of operations for the 12-week period ended 16 July 2020

Revenue

Revenue of £1.2 million was recognised in the quarter relating to the first break operated after re-opening.

The number of units of accommodation at 16 July 2020 was 4,329 compared to 4,317 at 18 July 2019. The movement reflects the construction of 12 new units of accommodation in the year.

Cost of sales

Cost of sales of £3.8 million was recognised in the quarter, mainly comprising staff costs.

Administrative expenses

Administrative expenses of £17.1 million were incurred in the quarter, compared to £27.8 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 quarter was a loss of £(19.7) million.

Depreciation and amortisation

Depreciation and amortisation for the quarter was £12.4 million compared to £13.7 million in 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 £nil was paid during the quarter compared with £6.3 million in the comparative period.

Cash Flow

As at 16 July 2020 the Group had cash and cash equivalents of £102.2 million (18 July 2019: £67.8 million) and negative working capital of £177.6 million (18 July 2019: £145.1 million).

Net cash from operating activities was £45.4 million and net cash used in investing activities was £6.6 million in the quarter (FY20 comparative period: £44.8 million and £14.1 million respectively).

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' refurbishment cycle, although this was paused during the village closures. As at 16 July 2020 1,925 units of accommodation have been upgraded to the 'Summer' standard.

New builds

Four Treehouses at Whinfell and two lodges at Woburn are now finished.

Financial covenants

Class A

On 17 July 2020 CPUK Finance Limited (the "Issuer") announced a consent solicitation in respect of the Class A Notes to consent to certain waivers and amendments to the provisions of the Class A Issuer/Borrower Loan Agreement and the Intercreditor Agreement.

On 10 August 2020, the Issuer announced that both the Ordinary and Extraordinary Resolutions proposed in the voting notice were passed.

Further details on the background and rationale for the Class A consent solicitation can be found in the RNS announcement published by the Issuer on 17 July 2020.

(https://www.centerparcs.co.uk/content/dam/centerparcs/corporate-documents/cp-finance-ltd/Class-A-Launch-Announcement.pdf)

Class B

On 17 July 2020 the Issuer announced a consent solicitation in respect of the Class B Notes to consent to certain amendments to the provisions of the Class B Issuer/Borrower Loan Agreement.

On 29 July 2020, the Issuer announced that the Resolution proposed in the voting notice was passed.

Further details on the background and rationale for the Class B consent solicitation can be found in the RNS announcement published by the Issuer on 17 July 2020.

(https://www.centerparcs.co.uk/content/dam/centerparcs/corporate-documents/cp-finance-ltd/Class-B-Launch-Announcement.pdf)

Covenant Testing and Reporting

As a result of the passing of the above Resolutions the testing of the 110% Class A and 100% Class B FCF DSCR is waived for the Financial Covenant Test Dates falling August 2020, February 2021 and August 2021.

Testing will recommence in respect of the Financial Covenant Test Date falling in February 2022. For this test date FCF will be amended so that if any of the Group's villages are closed during the relevant testing period as a result of measures implemented by the Group in response to any COVID-related or other pandemic, Center Parcs will be allowed to add equity proceeds received during the testing period to EBITDA in order to pass the Financial Covenant tests.

Throughout the waiver period Center Parcs will continue to calculate and report the Financial Covenant ratios in each Compliance Certificate and Investor Report in relation to each testing period.

As at the Financial Covenant Test Date falling in August 2020, the Class A and Class B FCF DSCR ratios were 2.3:1 and 1.5:1 respectively

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 16 July 2020 the Group spent £4.0 million (FY20: £5.3 million) on maintenance capital expenditure and £1.9 million (FY20: £5.3 million) on investment capital expenditure, a total of £5.9 million (FY20: £10.6 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. 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

Forward bookings remain strong and as at 21 August 2020 occupancy for quarters 3 and 4 is +1% and +9% compared to the comparative prior year periods.

The next operating and financial review will be for the 24 weeks ended 8 October 2020 and we expect this report will be published in mid-November 2020.

Colin McKinlay
Chief Financial Officer

Enquiries

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Unaudited income statement for the 12 weeks ended 16 July 2020

	12 weeks ended 16 July 2020 £m	12 weeks ended 18 July 2019 £m
Revenue	**1.2**	**109.9**
Cost of sales	(3.8)	(30.9)
Gross (loss)/profit	**(2.6)**	**79.0**
Administrative expenses	(17.1)	(27.8)
EBITDA	***(19.7)***	***51.2***
Depreciation and amortisation	(12.4)	(13.7)
Total operating expenses	(29.5)	(41.5)
Operating (loss)/profit	**(32.1)**	**37.5**
Finance income	-	0.1
Finance expense	(22.2)	(22.0)
(Loss)/profit before taxation	**(54.3)**	**15.6**
Taxation	-	-
(Loss)/profit for the period attributable to equity shareholders	**(54.3)**	**15.6**

Finance expense in the 12 weeks ended 16 July 2020 includes amortisation of deferred issue costs of £0.8 million (FY20: £0.7 million).

Unaudited balance sheet as at 16 July 2020

	As at 16 July 2020 £m	As at 18 July 2019 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**146.6**	147.4
Property, plant and equipment	**1,467.8**	1,478.2
Right-of-use assets	**32.5**	30.5
Deferred tax asset	**0.4**	0.2
	1,804.8	1,813.8
Current assets		
Inventories	**2.1**	4.0
Trade and other receivables	**7.1**	10.9
Current tax asset	**8.6**	6.2
Cash and cash equivalents	**102.2**	67.8
	120.0	88.9
Liabilities		
Current liabilities		
Borrowings	**(0.1)**	(0.3)
Trade and other payables	**(229.5)**	(208.8)
	(229.6)	(209.1)
Net current liabilities	**(109.6)**	(120.2)
Non-current liabilities		
Borrowings	**(1,881.7)**	(1,879.7)
Lease liabilities	**(36.7)**	(33.9)
Retirement benefit obligations	**(1.4)**	(1.2)
Deferred tax liability	**(111.1)**	(97.3)
	(2,030.9)	(2,012.1)
Net liabilities	**(335.7)**	(318.5)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**69.0**	-
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(251.7)**	(165.5)
Total equity	**(335.7)**	(318.5)

Current trade and other payables include interest and capital accruals totalling £40.9 million (18 July 2019: £48.8 million) and taxation group relief creditors of £1.8 million (18 July 2019: £nil).

Unaudited cash flow statement for the 12 weeks ended 16 July 2020

	12 weeks ended 16 July 2020 £m	12 weeks ended 18 July 2019 £m
Cash flows from operating activities		
Operating (loss)/profit	**(32.1)**	37.5
Depreciation and amortisation	**12.4**	13.7
Working capital movements	**65.3**	-
Difference between the pension charge and contributions	**(0.2)**	(0.1)
Corporation tax paid	**-**	(6.3)
Net cash from operating activities	**45.4**	44.8
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(6.6)**	(14.2)
Interest received	**-**	0.1
Net cash used in investing activities	**(6.6)**	(14.1)
Cash flows from/(used in) financing activities		
Issue costs on secured debt	**-**	(0.3)
Interest paid	**(0.5)**	(0.2)
Dividends paid	**-**	(22.6)
Equity contribution	**27.5**	-
Net cash from/(used in) financing activities	**27.0**	(23.1)
Net increase in cash and cash equivalents	**65.8**	7.6
Cash and cash equivalents at the beginning of the period	**36.4**	60.2
Cash and cash equivalents at the end of the period	**102.2**	67.8
Reconciliation of net cash flow to movement in net debt		
Increase in cash and cash equivalents	**65.8**	7.6
Cash flow from movement in debt	**-**	-
Change in net debt resulting from cash flows	**65.8**	7.6
Non-cash movements and deferred issue costs	**(0.5)**	(0.4)
Movement in net debt in the period	**65.3**	7.2
Net debt at the beginning of the period	**(1,844.9)**	(1,819.4)
Net debt at the end of the period	**(1,779.6)**	(1,812.2)

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.