CPUK FINANCE LIMITED

Operating and financial review for the 12 weeks ended 13 July 2017

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 13 July 2017.

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

- Group revenue up 5.0% to £99.0 million (2016/17: £94.3 million) and EBITDA up 4.6% to £45.2 million (2016/17: £43.2 million).
- ADR and RevPAL up 3.7% and 5.8% to £168.55 and £165.48 respectively (2016/17: £162.54 and £156.40).
- Refinancing of the B2 tranche of the Group's secured debt completed on 15 June 2017. On the same date a further £100 million of A4 secured notes were issued.

Key performance indicators

	2017/18 12 weeks	2016/17 12 weeks	Variance
Revenue	£99.0m	£94.3m	5.0%
EBITDA	£45.2m	£43.2m	4.6%
Occupancy	98.2%	96.2%	2.0%
ADR	£168.55	£162.54	3.7%
RevPAL	£165.48	£156.40	5.8%

Results of operations for the 12 week period ended 13 July 2017

Revenue

Revenue increased by £4.7 million, or 5.0%, to £99.0 million in the 12-week period ended 13 July 2017 compared to £94.3 million in the 12-week period ended 14 July 2016. This increase was the result of a 5.5% increase in accommodation revenue and an increase in on-village revenue of 4.4%.

The number of units of accommodation at 13 July 2017 was 4,123 compared to 4,137 at 14 July 2016. The movement reflects the net effect of new build accommodation across the five villages and the demolition of the 88-bedroom hotel at Elveden.

Occupancy increased from 96.2% to 98.2% reflecting the lower number of units of accommodation offline for upgrade during the quarter. Approximately 0.8% of the Group's accommodation was offline in the 12 weeks ended 13 July 2017, compared with approximately 3.1% in the 12 weeks ended 14 July 2016.

ADR growth continued at all five villages, and overall ADR increased by 3.7% to £168.55 in the 12 weeks ended 13 July 2017 compared to the 12 weeks ended 14 July 2016. This increased ADR combined with the higher occupancy rate delivered RevPAL growth of 5.8% to £165.48 in the 12 weeks ended 13 July 2017.

Cost of sales

Cost of sales increased to £27.6 million in the 12 weeks ended 13 July 2017 (2016/17: £26.1 million). This reflects both the increase in on-village revenue and the impact of the increased National Living Wage effective from 1 April 2017.

Administrative expenses

Administrative expenses increased to £26.2 million in the 12 weeks ended 13 July 2017 (2016/17: £25.0 million); this was principally due to increased payroll costs.

EBITDA

As a result of the factors outlined above, EBITDA grew by £2.0 million or 4.6% in comparison to the prior year.

EBITDA for the 52 weeks ended 13 July 2017 was £215.0 million.

Depreciation and amortisation

Depreciation and amortisation for the 12 weeks ended 13 July 2017 was £12.8 million, an increase of £1.0 million compared to the 12 weeks ended 14 July 2016. This increase reflects the Group's ongoing capital investment programme.

Finance costs and income

On 15 June 2017 the Group issued £100.0 million of additional A4 secured notes, £480.0 million of new B3 secured notes and £250.0 million of new B4 secured notes. Part of the proceeds was used to settle the £560.0 million of B2 secured notes that had an expected maturity date of 28 August 2020.

Following this refinancing, annual interest payable on the Group's secured debt is £82.4 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 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. Corporation tax of £0.3 million was paid during the 12 weeks ended 13 July 2017 compared with £0.4 million in the comparative period.

Cash Flow

As at 13 July 2017 the Group had cash and cash equivalents of £271.7 million (14 July 2016: £54.1 million) and negative working capital of £131.1 million (14 July 2016: £123.1 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 £50.7 million and net cash used in investing activities was £21.0 million in the 12 weeks ended 13 July 2017 (2016/17: £46.1 million and £29.8 million respectively).

As permitted under the terms of its financing, the Group declared and paid dividends of £8.4 million on 25 May 2017 and £20.0 million on 12 July 2017.

On 4 August 2017, the Group paid a further dividend of £223.6 million. This dividend was in line with the proposed uses of the proceeds from the June 2017 refinancing.

Investment Programme

Accommodation upgrades

The second phase of the 'Project Summer' refurbishment cycle concluded during the quarter under review, covering 125 units of accommodation at Elveden and bringing the total number of Project Summer upgrades to date to 611 (including 361 lodges refurbished to the 'Summer' standard as part of Project Spring, the previous refurbishment cycle). As previously outlined, the Project Summer refurbishment cycle is lighter than Project Spring, with accommodation units offline for roughly half the time and costs approximately half those of the previous upgrades.

The next phase of Project Summer is scheduled to commence in September 2017, encompassing 217 units of accommodation at Sherwood and Whinfell.

New builds

Ten Exclusive lodges opened at Whinfell shortly after the quarter-end and 57 Executive lodges are scheduled to open at Woburn during August and September 2017.

Construction continues in respect of 28 lodges at Sherwood (scheduled to be completed in December 2017) and on the redevelopment of the old hotel site at Elveden, where a 51-bedroom apartment complex, nine Executive lodges and three Waterside lodges are scheduled to open in Spring 2018.

During the quarter under review, planning permission was granted for the construction of three Treehouses at Woburn (expected completion date of July 2018) and 34 lodges at Whinfell (expected completion date of December 2018).

Financial covenants

Classes A and B

Covenants have been calculated on a pro-forma basis, which assumes that the current (i.e. post-15 June 2017) financing structure and cost of debt was in place for the 52 weeks ended 13 July 2017.

The Class A FCF: DSCR was 4.1 times for the 52 weeks ended 13 July 2017 (covenant: 1.1 times) and the Class B FCF: DSCR was 2.5 times (covenant 1.0 times).

Class B

The Consolidated Leverage Ratio (Gross Debt: EBITDA) was 8.2 times as at 13 July 2017.

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 13 July 2017.

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 13 July 2017 the Group spent £4.0 million (2016/17: £2.4 million) on maintenance capital expenditure and £14.9 million (2016/17: £18.5 million) on investment capital expenditure, predominantly in respect of new build accommodation.

The Group has recently completed the £12 million upgrade of the swimming pool area at Longleat as part of 'Project Atlantis'. The planning has commenced for the next swimming pool area development, which will be at Sherwood; this is expected to open to guests in 2019.

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

Future outlook

Forward bookings for the Group remain ahead of the prior year with 66.8% of this financial year's capacity booked (2016/17: 66.3%) as at 17 August 2017. ADR growth on forward bookings is in line with that seen during the 12 weeks ended 13 July 2017.

The next operating and financial review will be for the 24 weeks ended 5 October 2017 and we expect this report will be published in mid-November 2017.

Colin McKinlay
Chief Financial Officer

Enquiries

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Unaudited income statement for the 12 weeks ended 13 July 2017

	12 weeks ended 13 July 2017			12 weeks ended 14 July 2016		
	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	**99.0**	**-**	**99.0**	**94.3**	**-**	**94.3**
Cost of sales	(27.6)	-	(27.6)	(26.1)	-	(26.1)
Gross profit	**71.4**	**-**	**71.4**	**68.2**	**-**	**68.2**
Administrative expenses	(26.2)	-	(26.2)	(25.0)	-	(25.0)
EBITDA	***45.2***	**-**	***45.2***	***43.2***	**-**	***43.2***
Depreciation and amortisation	(12.8)	-	(12.8)	(11.8)	-	(11.8)
Total operating expenses	(39.0)	-	(39.0)	(36.8)	-	(36.8)
Operating profit	**32.4**	**-**	**32.4**	**31.4**	**-**	**31.4**
Finance income	-	-	-	0.1	-	0.1
Finance expense	(20.8)	(26.9)	(47.7)	(20.7)	-	(20.7)
Profit/(loss) before taxation	**11.6**	**(26.9)**	**(15.3)**	**10.8**	**-**	**10.8**
Taxation	-	-	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders	**11.6**	**(26.9)**	**(15.3)**	**10.8**	**-**	**10.8**

Finance expense in the 12 weeks ended 13 July 2017 includes amortisation of deferred issue costs of £1.3 million (2016/17: £0.9 million).

<u>Exceptional and non-underlying items</u>

The £26.9 million exceptional/non-underlying finance expense in the current period represents make-whole costs in respect of the settlement of the B2 tranche of the Group's secured debt.

Unaudited balance sheet as at 13 July 2017

	As at 13 July 2017 £m	As at 14 July 2016 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**136.5**	127.6
Property, plant and equipment	**1,457.3**	1,422.7
Deferred tax asset	**15.0**	12.7
	1,766.3	1,720.5
Current assets		
Inventories	**3.7**	3.6
Trade and other receivables	**13.2**	10.2
Current tax asset	**6.7**	5.7
Cash and cash equivalents	**271.7**	54.1
	295.3	73.6
Liabilities		
Current liabilities		
Borrowings	**(0.3)**	(0.3)
Trade and other payables	**(202.8)**	(180.9)
	(203.1)	(181.2)
Net current assets/(liabilities)	**92.2**	(107.6)
Non-current liabilities		
Borrowings	**(1,746.4)**	(1,466.7)
Retirement benefit obligations	**(3.1)**	(2.0)
Deferred tax liability	**(95.0)**	(99.6)
	(1,844.5)	(1,568.3)
Net assets	**14.0**	44.6
Equity		
Equity share capital	**1.0**	1.0
Share premium	**74.3**	74.3
Other reserve	**(154.0)**	(154.0)
Retained earnings	**92.7**	123.3
Total equity	**14.0**	44.6

Current trade and other payables include interest and capital accruals totalling £35.9 million (14 July 2016: £38.5 million) and taxation group relief creditors of £18.9 million (14 July 2016: £5.5 million).

Unaudited cash flow statement for the 12 weeks ended 13 July 2017

	12 weeks ended 13 July 2017 £m	12 weeks ended 14 July 2016 £m
Cash flows from operating activities		
Operating profit	**32.4**	31.4
Depreciation and amortisation	**12.8**	11.8
Working capital movements	**5.9**	3.4
Difference between the pension charge and contributions	**(0.1)**	(0.1)
Corporation tax paid	**(0.3)**	(0.4)
Net cash from operating activities	**50.7**	46.1
Cash flows from investing activities		
Purchase of property, plant and equipment	**(21.0)**	(29.9)
Interest received	**-**	0.1
Net cash used in investing activities	**(21.0)**	(29.8)
Cash flows from/(used in) financing activities		
Repayment of external borrowings	**(560.1)**	(0.1)
Proceeds from external borrowings	**839.5**	-
Issue costs on secured debt	**(5.6)**	-
Break costs on secured debt	**(26.9)**	-
Interest paid	**(10.5)**	-
Dividends paid	**(28.4)**	(9.8)
Net cash from/(used) in financing activities	**208.0**	(9.9)
Net increase in cash and cash equivalents	**237.7**	6.4
Cash and cash equivalents at the beginning of the period	**34.0**	47.7
Cash and cash equivalents at the end of the period	**271.7**	54.1
Reconciliation of net cash flow to movement in net debt		
Increase in cash and cash equivalents	**237.7**	6.4
Cash (inflow)/outflow from movement in debt	**(279.4)**	0.1
Change in net debt resulting from cash flows	**(41.7)**	6.5
Non-cash movements and deferred issue costs	**7.7**	(0.9)
Movement in net debt in the period	**(34.0)**	5.6
Net debt at the beginning of the period	**(1,441.0)**	(1,418.5)
Net debt at the end of the period	**(1,475.0)**	(1,412.9)

Dividends paid was included in 'Cash flows used in investing activities' in the prior financial period but has been presented above in 'Cash flows used in financing activities' to conform to the classification in the current financial period.

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.