CPUK FINANCE LIMITED

Operating and financial review for the 36 weeks ended 2 January 2020

In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 36 weeks ended 2 January 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

36 weeks ended 2 January 2020

- Continued demonstration of solid growth and business resilience through economic cycles.
- Year-to-date revenue up 4.1% to £360.2 million (FY19: £345.9 million) and EBITDA up 3.3% to £179.9 million (FY19: £174.1 million).
- Year-to-date ADR and RevPAL up 4.3% and 4.0% to £208.62 and £204.41 (FY19: £200.11 and £196.51).
- Strong occupancy of 98.0% compared to 98.2% in the prior year.

12 weeks ended 2 January 2020

- Q3 revenue and EBITDA growth of 3.7% and 4.0% to £125.1 million and £62.1 million (FY19: £120.6 million and £59.7 million).
- Q3 ADR and RevPAL up 3.6% and 3.7% to £221.68 and £216.35 (FY19: £214.04 and £208.64).

Key performance indicators

	FY20 YTD	**FY19 YTD**	**Variance**
Revenue	£360.2m	£345.9m	+4.1%
EBITDA	£179.9m	£174.1m	+3.3%
Occupancy	98.0%	98.2%	(0.2)%
ADR	£208.62	£200.11	+4.3%
RevPAL	£204.41	£196.51	+4.0%

	FY20 Q3	**FY19 Q3**	**Variance**
Revenue	£125.1m	£120.6m	+3.7%
EBITDA	£62.1m	£59.7m	+4.0%
Occupancy	97.6%	97.5%	+0.1%
ADR	£221.68	£214.04	+3.6%
RevPAL	£216.35	£208.64	+3.7%

Results of operations for the 36-week period ended 2 January 2020

Revenue

Revenue increased by £14.3 million, or 4.1%, to £360.2 million in the 36-week period compared to £345.9 million in the prior year period. This increase was the result of a 4.9% increase in accommodation revenue and an increase in on-village revenue of 2.8%.

The number of units of accommodation at 2 January 2020 was 4,323 compared to 4,284 at 3 January 2019. The movement reflects the construction of 39 new units of accommodation in the year.

Occupancy was 98.0% compared to 98.2% in the prior year.

ADR increased by 4.3% to £208.62 in the 36-week period and RevPAL growth of 4.0% to £204.41 was delivered.

Cost of sales

Cost of sales increased to £95.3 million in the 36-week period (FY19: £90.7 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 £85.0 million in the 36-week period, compared to £81.1 million in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA grew by £5.8 million or 3.3% in comparison to the prior year.

EBITDA for the 52 weeks ended 2 January 2020 was £238.4 million.

Depreciation and amortisation

Depreciation and amortisation for the 36-week period was £41.0 million, an increase of £2.5 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 36-week period compared with £0.2 million in the comparative period.

Cash Flow

As at 2 January 2020 the Group had cash and cash equivalents of £30.7 million (3 January 2019: £54.5 million) and negative working capital of £95.7 million (3 January 2019: £97.0 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 £119.1 million and net cash used in investing activities was £39.1 million in the 36 weeks ended 2 January 2020 (FY19: £132.7 million and £48.1 million).

Dividends of £9.9 million were declared and paid during the quarter.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' refurbishment cycle and 1,728 units of accommodation had been upgraded to the 'Summer' standard as at 2 January 2020. A further 221 lodges are currently scheduled to be upgraded at Elveden and Longleat during Q4 FY20.

New builds

Construction is ongoing in respect of eight 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

The Class A FCF: DSCR was 3.3 times for the 52 weeks ended 2 January 2020 (covenant: 1.1 times) and the Class B FCF: DSCR was 2.1 times (covenant 1.0 times).

Class B

The Consolidated Leverage Ratio (Gross Debt: EBITDA) was 7.9 times as at 2 January 2020.

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 2 January 2020.

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 36 weeks ended 2 January 2020 the Group spent £16.8 million (FY19: £17.0 million) on maintenance capital expenditure and £17.3 million (FY19: £27.9 million) on investment capital expenditure.

The minimum maintenance and investment capital expenditure requirements are currently being updated by an independent expert as, under the terms of the Group's financing, these figures must be updated every eight years.

Ireland Update

Center Parcs' new village in County Longford, Ireland, opened successfully in summer 2019. In its first part year post opening it has traded well and this early trend is expected to continue. The village remains outside the UK whole business securitisation structure.

Outlook

As at 7 February 2020, 93% of the financial year's capacity is now booked (FY19: 93.3%). ADR growth on these bookings is in line with FY19.

Note we expect ADR growth to be slightly lower in the final quarter of the year. This is driven by year over year differences in Easter holiday break patterns.

The next operating and financial review will be for the full financial year ended 23 April 2020 and we expect this report will be published in early July 2020.

Colin McKinlay
Chief Financial Officer

Enquiries

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Unaudited income statement for the 36 weeks ended 2 January 2020

	36 weeks ended 2 January 2020			36 weeks ended 3 January 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	**360.2**	**-**	**360.2**	**345.9**	**-**	**345.9**
Cost of sales	(95.3)	-	(95.3)	(90.7)	-	(90.7)
Gross profit	**264.9**	**-**	**264.9**	**255.2**	**-**	**255.2**
Administrative expenses	(85.0)	-	(85.0)	(81.1)	-	(81.1)
EBITDA	***179.9***	**-**	***179.9***	***174.1***	**-**	***174.1***
Depreciation and amortisation	(41.0)	-	(41.0)	(38.5)	-	(38.5)
Total operating expenses	(126.0)	-	(126.0)	(119.6)	-	(119.6)
Operating profit	**138.9**	**-**	**138.9**	**135.6**	**-**	**135.6**
Finance income	0.3	-	0.3	0.1	-	0.1
Finance expense	(65.2)	-	(65.2)	(61.6)	(7.7)	(69.3)
Profit/(loss) before taxation	**74.0**	**-**	**74.0**	**74.1**	**(7.7)**	**66.4**
Taxation	-	-	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders	**74.0**	**-**	**74.0**	**74.1**	**(7.7)**	**66.4**

Finance expense in the 36 weeks ended 2 January 2020 includes amortisation of deferred issue costs of £2.4 million (FY19: £2.5 million).

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

There were no exceptional/non-underlying items in the current period. The £7.7 million exceptional/non-underlying finance expense in the previous period consisted of £6.1 million of make-whole costs paid on the settlement of the A3 tranche of the Group's secured debt and £1.6 million of accelerated amortisation of deferred issue costs in respect of the A3 tranche.

Unaudited income statement for the 12 weeks ended 2 January 2020

	12 weeks ended 2 January 2020			12 weeks ended 3 January 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	**125.1**	**-**	**125.1**	**120.6**	**-**	**120.6**
Cost of sales	(33.0)	-	(33.0)	(32.0)	-	(32.0)
Gross profit	**92.1**	**-**	**92.1**	**88.6**	**-**	**88.6**
Administrative expenses	(30.0)	-	(30.0)	(28.9)	-	(28.9)
EBITDA	***62.1***	**-**	***62.1***	***59.7***	**-**	***59.7***
Depreciation and amortisation	(13.7)	-	(13.7)	(12.8)	-	(12.8)
Total operating expenses	(43.7)	-	(43.7)	(41.7)	-	(41.7)
Operating profit	**48.4**	**-**	**48.4**	**46.9**	**-**	**46.9**
Finance income	0.1	-	0.1	-	-	-
Finance expense	(21.6)	-	(21.6)	(20.9)	(7.7)	(28.6)
Profit/(loss) before taxation	**26.9**	**-**	**26.9**	**26.0**	**(7.7)**	**18.3**
Taxation	-	-	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders	**26.9**	**-**	**26.9**	**26.0**	**(7.7)**	**18.3**

Unaudited balance sheet as at 2 January 2020

	As at 2 January 2020 £m	As at 3 January 2019 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**145.7**	148.7
Property, plant and equipment	**1,476.3**	1,477.5
Right-of-use assets	**30.2**	30.7
Deferred tax asset	**0.2**	0.8
	1,809.9	1,815.2
Current assets		
Inventories	**4.2**	4.1
Trade and other receivables	**13.3**	15.1
Current tax asset	**10.9**	3.9
Cash and cash equivalents	**30.7**	54.5
	59.1	77.6
Liabilities		
Current liabilities		
Borrowings	**(0.3)**	(0.3)
Lease liabilities	**-**	(0.3)
Trade and other payables	**(152.3)**	(167.9)
	(152.6)	(168.5)
Net current liabilities	**(93.5)**	(90.9)
Non-current liabilities		
Borrowings	**(1,880.6)**	(1,877.5)
Lease liabilities	**(33.9)**	(33.2)
Retirement benefit obligations	**(0.9)**	(0.9)
Deferred tax liability	**(97.3)**	(92.0)
	(2,012.7)	(2,003.6)
Net liabilities	**(296.3)**	(279.3)
Equity		
Equity share capital	**1.0**	1.0
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(143.3)**	(126.3)
Total equity	**(296.3)**	(279.3)

Current trade and other payables include interest and capital accruals totalling £39.1 million (3 January 2019: £40.7 million) and taxation group relief creditors of £nil million (3 January 2019: £11.0 million).

Unaudited cash flow statement for the 36 weeks ended 2 January 2020

	36 weeks ended 2 January 2020 £m	36 weeks ended 3 January 2019 £m	**12 weeks ended 2 January 2020 £m**	12 weeks ended 3 January 2019 £m
Cash flows from operating activities				
Operating profit	**138.9**	135.6	**48.4**	46.9
Depreciation and amortisation	**41.0**	38.5	**13.7**	12.8
Working capital movements	**(49.0)**	(40.9)	**(40.3)**	(32.3)
Difference between the pension charge and contributions	**(0.4)**	(0.3)	**(0.1)**	(0.2)
Corporation tax paid and payments for group relief	**(11.4)**	(0.2)	**-**	(0.2)
Net cash from operating activities	**119.1**	132.7	**21.7**	27.0
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(39.4)**	(48.3)	**(14.2)**	(18.6)
Interest received	**0.3**	0.2	**0.1**	0.1
Net cash used in investing activities	**(39.1)**	(48.1)	**(14.1)**	(18.5)
Cash flows (used in)/from financing activities				
Repayment of external borrowings	**(0.1)**	(350.1)	**-**	(350.0)
Proceeds from external borrowings	**-**	482.7	**-**	482.7
Issue costs on secured debt	**(0.3)**	(3.6)	**-**	(3.6)
Break costs on secured debt	**-**	(6.1)	**-**	(6.1)
Interest paid	**(50.1)**	(43.5)	**-**	(1.8)
Repayment of lease liabilities	**(0.2)**	(0.1)	**(0.2)**	-
Dividends paid	**(58.8)**	(155.5)	**(9.9)**	(119.6)
Net cash (used in)/from financing activities	**(109.5)**	(76.2)	**(10.1)**	1.6
Net (decrease)/increase in cash and cash equivalents	**(29.5)**	8.4	**(2.5)**	10.1
Cash and cash equivalents at the beginning of the period	**60.2**	46.1	**33.2**	44.4
Cash and cash equivalents at the end of the period	**30.7**	54.5	**30.7**	54.5
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	**(29.5)**	8.4	**(2.5)**	10.1
Cash outflow/(inflow) from movement in debt	**0.1**	(132.6)	**-**	(132.7)
Change in net debt resulting from cash flows	**(29.4)**	(124.2)	**(2.5)**	(122.6)
Non-cash movements and deferred issue costs	**(1.4)**	3.2	**(0.5)**	4.6
Movement in net debt in the period	**(30.8)**	(121.0)	**(3.0)**	(118.0)
Net debt at the beginning of the period	**(1,819.4)**	(1,702.3)	**(1,847.2)**	(1,705.3)
Net debt at the end of the period	**(1,850.2)**	(1,823.3)	**(1,850.2)**	(1,823.3)

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.