



CPUK FINANCE LIMITED

Operating and financial review for the 52 weeks ended 18 April 2024

In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 52 weeks ended 18 April 2024. All figures presented in this report relate to the group of companies headed by Center Parcs (Holdings 1) Limited (“the Group”). All financial results referred to in this document exclude adjusted items, unless otherwise stated.

Summary

- Delivered a record performance in FY24 with Revenue and EBITDA growth versus FY23. This demonstrates the continued resilience of the business in a challenging macro environment reflecting the impact of significant cost inflation during the year. FY24 revenue of £620.8 million grew by 4.5% versus FY23 and EBITDA of £277.3 million grew by +1% versus FY23.
- Occupancy of 96.8% in line with prior year. Our maximum occupancy is naturally capped by the timing of our ongoing accommodation refurbishment program.
- Q4 performance saw exceptional growth in both Revenue and EBITDA and as anticipated the UK demonstrated ADR and EBITDA growth for the full FY24 financial year. The comparatives normalised in Q4 coupled with a full year Easter performance.
- The Group continues to have a robust liquidity position with cash and cash equivalents of £34.6 million at 18 April 2024 and cash of £134.8 million at 27 June 2024.
- Booking levels for FY25 are developing in line with previous years and at 27 June 2024 59% of accommodation capacity for the forthcoming financial year has been sold compared to 60% at the same point in time in 2023 in respect of FY24.
- The combined UK and Ireland Group also delivered a record performance with Revenue of £704.1 million, growth of 5.2% versus FY23 and adjusted EBITDA of £310.5 million, growth of 2% versus FY23 reflecting the popularity of the brand in Ireland as well as the UK.
- The combined UK and Ireland Group delivered the highest ever guest satisfaction scores in its 37 year history.

Financial highlights

Full year

- Revenue of £620.8 million (FY23: £593.8 million) and EBITDA of £277.3 million (FY23: £275.0 million) with occupancy of 96.8%.
- ADR grew versus prior year in line with expectations given the post-Covid pandemic events, including unusual booking patterns in the first half of the prior financial year. Comparatives have now normalised.
- Liquidity remains robust with the Group holding cash and cash equivalents of £34.6 million at 18 April 2024.

Quarter 4

- An excellent Q4 performance versus FY23 demonstrates the continued appeal of the business.
- Revenue of £181.5 million +8.6% versus FY23 and EBITDA of £68.6 million +11.7% reflecting the return to comparative norms and a full Easter peak performance, some of which will unwind in Q1 FY25. Occupancy achieved was 96.2%.
- As anticipated and previously disclosed, ADR growth was weighted into the second half of the financial year and the 7.2% increase in comparison to the same quarter in the previous year is in line with this expectation.

Key performance indicators

	FY24	FY23	
	Full year	Full year	Variance
Revenue	£620.8m	£593.8m	+4.5%
EBITDA	£277.3m	£275.0m	+0.8%
Occupancy	96.8%	97.1%	(0.3)%
ADR	£243.17	£239.28	+1.6%
RevPAL	£235.48	£232.39	+1.3%

	FY24	FY23	
	Quarter 4	Quarter 4	Variance
Revenue	£181.5m	£167.2m	+8.6%
EBITDA	£68.6m	£61.4m	+11.7%
Occupancy	96.2%	96.7%	(0.5)%
ADR	£225.34	£210.14	+7.2%
RevPAL	£216.69	£203.10	+6.7%

Results of operations for the 52-week period ended 18 April 2024

Revenue

Revenue was £620.8 million. Occupancy achieved was 96.8%, comparable to levels seen in previous years prior to the Covid pandemic, demonstrating continued guest loyalty.

The number of units of accommodation at 18 April 2024 was 4,334 versus 4,333 in FY23 due to the addition of one concept family lodge at Sherwood Forest.

Cost of sales

Cost of sales was £178.1 million compared to £161.4 million in the prior financial year, reflecting the ongoing impact of inflationary cost increases.

Administrative expenses

Administrative expenses of £165.4 million were incurred compared to £157.4 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was £277.3 million in line with expectations. This is a strong result in light of the macro economic pressures such as high inflationary costs and the pressure on consumer spending.

Depreciation and amortisation

Depreciation and amortisation was £63.9 million, in line with the prior year.

Movement in fair value of financial derivatives

The Group's derivative financial instruments represent options to repay borrowings prior to maturity. Fair values are estimated with reference to the yields of similar corporate bonds with comparable terms and credit ratings.

Finance costs and income

As at 18 April 2024 the annual interest payable on the Group's secured notes was £105.0 million, comparable to last year.

On 17 May 2024 the Group issued £330.0 million of tranche B7 secured notes. Part of the proceeds of these new notes was used to settle the Group's tranche B4 secured notes in full. Following this refinancing the annual interest payable on the Group's secured notes is £118.8 million.

All tranches of secured debt attract a fixed rate of interest. Finance costs principally represent interest payable on the Group's secured debt and the amortisation of associated deferred issue costs.

Finance income represents bank interest receivable.

Taxation

Corporation tax of £3.0 million was paid during the period, with a further £0.5 million paid in respect of group relief. In the comparative period corporation tax of £6.3 million was paid, with a further £1.3 million paid in respect of group relief.

Cash Flow and Liquidity

As at 18 April 2024 the Group had cash and cash equivalents of £34.6 million (20 April 2023: £59.0 million) and negative working capital of £186.6 million (20 April 2023: £197.2 million).

Net cash from operating activities was £261.9 million (FY23 £273.4 million). Net cash used in investing activities was £77.8 million (FY23: £63.5 million) due to the easing of supply chain delays seen in the prior year.

Dividends totalling £31.4 million were paid during the fourth quarter, bringing the total dividend for FY24 to £103.4 million.

Restricted cash

The Group had no restricted cash as at 18 April 2024.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' lodge refurbishment programme. As at 18 April 2024 3,340 units of accommodation have been upgraded to the 'Summer' standard, representing 82.7% of the total stock to be upgraded.

New builds

There are further in-fill opportunities, and the first of these is currently under construction with additional units at Elveden Forest.

Financial covenants

The FCF:DSCR ratios at the most recent Financial Covenant Test Date (being 14 February 2024) were 4.0 times in respect of the Class A Notes (covenant of 1.1 times) and 2.4 times in respect of the Class B Notes (covenant of 1.0 times).

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.

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 52 weeks ended 18 April 2024 the Group spent £49.7 million (FY23: £43.0 million) on maintenance capital expenditure and £30.8 million (FY23: £27.1 million) on investment capital expenditure, a total of £80.5 million (FY23: £70.1 million).

Contractual commitments and contingencies

As at 18 April 2024 the Group had capital expenditure contracted but not provided of £27.9 million. The Group has no other material contractual commitments with the exception of the headleases on the Longleat and Woburn sites. The Group had no material contingent liabilities or assets at 18 April 2024.

Environmental, Social and Governance (“ESG”)

The Group's ESG activities are set out on our corporate website which includes examples of the Group's ESG activities. This website will continue to be updated as the Group and its ESG strategy evolves. The corporate website may be found at <https://corporate.centerparcs.co.uk/>

The Group annual report and accounts for the 52 weeks ended 18 April 2024 also provide an extensive overview of the Group's activities in these areas.

The Group continues to make good progress on its ESG agenda and is on track to reduce carbon emissions by 30% in 2030 from a baseline of 2020 via a set of clear targets on renewable energy, electric fleet, water usage, and recycling targets. At the end of FY24 we had made tangible progress and reduced carbon emissions by 7% since FY23 and a 29% reduction since 2020. We remain fully committed to achieve Net Zero by 2050 for scope 1 and 2 greenhouse gas emissions. Work has progressed well during the year to outline the reduction trajectory through close collaboration with our suppliers, guests and staff.

Preparation is also well advanced for the upcoming EU Corporate Sustainability Reporting Directive. This year for the first time we have recognised Nature as a stakeholder in its own right, and we continue to retain the BioDiversity benchmark accreditation across all villages.

We remain committed to social standards via the continuation of charitable giving, with a high focus on health and safety standards. We aim to create a diverse, equitable and inclusive culture that supports our purpose to bring families together.

Strong governance continues to ensure effective regulatory compliance and board accountability with appropriate risk management. During the year, we have deepened our risk assessment on climate related risks.

Corporate update

Center Parcs remains committed to identifying and securing a sixth site. The search for a site continues to progress well and further updates will be provided in due course.

Whilst Center Parcs Ireland is outside the UK debt structure, we are pleased to report that it has continued to trade well in FY24. Planning permission has been obtained to add additional accommodation and guest facilities. The costs of this expansion will be financed outside of the UK debt structure.

The combined UK and Ireland Group has delivered its best financial performance in the 37 year history delivering adjusted EBITDA of £310.5 million at 97% occupancy with record guest satisfaction scores.

Future outlook

Center Parcs remains an outstanding business, and has delivered another strong financial performance in a challenging macro environment. The business has dealt with rising inflationary costs (largely payroll related) and remains appealing to our guests at a time when disposable income is squeezed.

Booking levels for FY25 are developing in line with prior year and at 27 June 2024 59% of accommodation capacity for the forthcoming financial year has been sold compared to 60% at the same point in time in 2023 in respect of FY24.

The impact of cost inflation, including increases to the National Minimum Wage continues to be felt by the Group but further EBITDA growth is anticipated in FY25 with growth expected to be weighted into the second half of the year.

Cash generation remains strong and the business continues to deliver excellent Free Cash Flow.

The next operating and financial review will be for the 12 weeks ended 11 July 2024 and it is expected this report will be published in early Autumn.

Investor conference call

An investor conference call will be held on Wednesday 10 July at 2pm (BST) 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 can register for the call at

https://event.webcasts.com/starthere.jsp?ei=1677591&tp_key=f6e470a082

Click on the link above to attend the presentation from your laptop, tablet or mobile device. Audio will stream through your selected device, so be sure to have headphones or your volume turned up. If you have technical difficulties, please click the "Listen by Phone" button on the webcast player and dial the number provided. A full replay of the presentation will be available at the same link shortly after the conclusion of the live presentation. Investors wishing to ask questions at the end of the webcast should push the "Listen by Phone option", for dial in details.

Katrina Jamieson
Chief Finance Officer

Enquiries

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Group Financial Controller

Katrina Jamieson
Chief Finance Officer

Audited income statement for the 52 weeks ended 18 April 2024

	52 weeks ended 18 April 2024			52 weeks ended 20 April 2023		
	Before adjusted items £m	Adjusted items £m	Total £m	Before adjusted items £m	Adjusted items £m	Total £m
Revenue	620.8	-	620.8	593.8	-	593.8
Cost of sales	(178.1)	-	(178.1)	(161.4)	-	(161.4)
Gross profit	442.7	-	442.7	432.4	-	432.4
Administrative expenses	(165.4)	-	(165.4)	(157.4)	-	(157.4)
Depreciation and amortisation	(63.9)	-	(63.9)	(64.0)	-	(64.0)
Total operating expenses	(229.3)	-	(229.3)	(221.4)	-	(221.4)
Operating profit	213.4	-	213.4	211.0	-	211.0
Movement in fair value of financial derivatives	-	1.4	1.4	-	(11.3)	(11.3)
Finance income	2.9	-	2.9	1.6	-	1.6
Finance expense	(110.7)	-	(110.7)	(114.2)	-	(114.2)
Profit/(loss) before taxation	105.6	1.4	107.0	98.4	(11.3)	87.1
Taxation	(26.3)	(0.4)	(26.7)	(18.4)	3.7	(14.7)
Profit/(loss) for the period attributable to equity shareholders	79.3	1.0	80.3	80.0	(7.6)	72.4

EBITDA is derived from the table above as follows:

	52 weeks ended 18 April 2024 £m	52 weeks ended 20 April 2023 £m
Revenue	620.8	593.8
Cost of sales	(178.1)	(161.4)
Gross profit	442.7	432.4
Administrative expenses	(165.4)	(157.4)
EBITDA	277.3	275.0

Finance expense in the 52 weeks ended 18 April 2024 includes amortisation of deferred issue costs of £3.9 million (FY23: £5.4 million). This includes accelerated amortisation of deferred issue costs of £0.5 million in respect of the B4 secured notes that were refinanced shortly after the financial year-end. In the prior year accelerated amortisation of £1.6 million was charged in respect of the A2 notes that were refinanced during FY23 and settled on 24 April 2023. In the prior financial year finance expense also included a premium payable on settlement of the A2 notes totalling £9.4 million.

Adjusted items are those that, by virtue of their nature, size or expected frequency, warrant separate disclosure in the financial statements in order to fully understand the underlying performance of the Group. Movements in the fair value of financial derivatives are considered to be adjusted expenses/income.

In the current period the Group recognised a £1.4 million gain on the fair value of financial derivatives. Taxation on this gain is also treated as an adjusted item.

In the prior period the Group recognised an £11.3 million loss on the fair value of financial derivatives. Taxation on this loss was also treated as an adjusted item, as was the impact of the change in applicable deferred tax rate from 19% to 25%.

Unaudited income statement for the 16 weeks ended 18 April 2024

	16 weeks ended 18 April 2024			16 weeks ended 20 April 2023		
	Before adjusted items £m	Adjusted items £m	Total £m	Before adjusted items £m	Adjusted items £m	Total £m
Revenue	181.5	-	181.5	167.2	-	167.2
Cost of sales	(54.8)	-	(54.8)	(51.5)	-	(51.5)
Gross profit	126.7	-	126.7	115.7	-	115.7
Administrative expenses	(58.1)	-	(58.1)	(54.3)	-	(54.3)
Depreciation and amortisation	(18.1)	-	(18.1)	(18.5)	-	(18.5)
Total operating expenses	(76.2)	-	(76.2)	(72.8)	-	(72.8)
Operating profit	50.5	-	50.5	42.9	-	42.9
Movement in fair value of financial derivatives	-	1.4	1.4	-	(11.3)	(11.3)
Finance income	0.6	-	0.6	0.7	-	0.7
Finance expense	(34.4)	-	(34.4)	(43.7)	-	(43.7)
Profit/(loss) before taxation	16.7	1.4	18.1	(0.1)	(11.3)	(11.4)
Taxation	(26.3)	(0.4)	(26.7)	(18.4)	3.7	(14.7)
Loss/(profit) for the period attributable to equity shareholders	(9.6)	1.0	(8.6)	(18.5)	(7.6)	(26.1)

EBITDA is derived from the table above as follows:

	16 weeks ended 18 April 2024 £m	16 weeks ended 20 April 2023 £m
Revenue	181.5	167.2
Cost of sales	(54.8)	(51.5)
Gross profit	126.7	115.7
Administrative expenses	(58.1)	(54.3)
EBITDA	68.6	61.4

Audited balance sheet as at 18 April 2024

	As at 18 April 2024 £m	As at 20 April 2023 £m
Assets		
Non-current assets		
Goodwill	157.5	157.5
Other intangible assets	136.0	134.9
Property, plant and equipment	1,473.8	1,457.8
Right-of-use assets	33.6	31.0
Retirement benefit surplus	0.6	0.3
	1,801.5	1,781.5
Current assets		
Inventories	5.0	4.5
Trade and other receivables	12.4	11.6
Current tax asset	2.0	4.4
Cash and cash equivalents	34.6	59.0
Restricted cash	-	455.8
Derivative financial instruments	3.2	1.8
	57.2	537.1
Liabilities		
Current liabilities		
Borrowings	-	(440.0)
Trade and other payables	(236.6)	(256.1)
	(236.6)	(696.1)
Net current liabilities	(179.4)	(159.0)
Non-current liabilities		
Borrowings	(2,113.4)	(2,111.2)
Lease liabilities	(41.4)	(37.8)
Deferred tax liability	(145.4)	(129.0)
	(2,300.2)	(2,278.0)
Net liabilities	(678.1)	(655.5)
Equity		
Equity share capital	1.0	1.0
Share premium	119.9	119.9
Other reserve	(154.0)	(154.0)
Retained earnings	(645.0)	(622.4)
Total equity	(678.1)	(655.5)

Current trade and other payables include interest and capital accruals totalling £28.8 million (20 April 2023: £42.3 million) and taxation group relief creditors of £3.8 million (20 April 2023: £0.5 million).

Audited cash flow statement for the 52 weeks ended 18 April 2024

	52 weeks ended 18 April 2024 £m	52 weeks ended 20 April 2023 £m	16 weeks ended 18 April 2024 £m	16 weeks ended 20 April 2023 £m
Cash flows from operating activities				
Operating profit	213.4	211.0	50.5	42.9
Depreciation and amortisation	63.9	64.0	18.1	18.5
Working capital movements	(10.6)	6.8	45.2	54.1
Profit on sale of property, plant and equipment	(0.4)	-	(0.2)	-
Difference between the pension charge and contributions	(0.9)	(0.8)	(0.3)	(0.2)
Corporation tax paid	(3.0)	(6.3)	-	(2.1)
Payments in respect of taxation group relief	(0.5)	(1.3)	(2.3)	-
Net cash from operating activities	261.9	273.4	111.0	113.2
Cash flows used in investing activities				
Purchase of property, plant and equipment	(75.3)	(61.2)	(18.1)	(18.0)
Purchase of intangible assets	(5.8)	(4.1)	(5.8)	(4.1)
Sale of property, plant and equipment	0.4	0.2	0.2	0.2
Interest received	2.9	1.6	0.6	0.7
Net cash used in investing activities	(77.8)	(63.5)	(23.1)	(21.2)
Cash flows (used in)/from financing activities				
Repayment of external borrowings	(440.0)	-	-	-
Proceeds from external borrowings	-	648.0	-	648.0
Issue costs on secured debt	(3.5)	(3.5)	-	(3.5)
Break costs on secured debt	(9.4)	-	-	-
Interest paid	(107.9)	(100.5)	(53.8)	(50.2)
Repayment of lease liabilities	(0.1)	(0.1)	-	(0.1)
Dividends paid	(103.4)	(392.0)	(31.4)	(267.1)
Net cash (used in)/from financing activities	(664.3)	151.9	(85.2)	327.1
Net (decrease)/increase in cash and cash equivalents, including restricted cash	(480.2)	361.8	2.7	419.1
Cash and cash equivalents at the beginning of the period, including restricted cash	514.8	153.0	31.9	95.7
Cash and cash equivalents at the end of the period, including restricted cash	34.6	514.8	34.6	514.8
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents, including restricted cash	(480.2)	361.8	2.7	419.1
Cash outflow/(inflow) from movement in debt	440.0	(648.0)	-	(648.0)
Change in net debt resulting from cash flows	(40.2)	(286.2)	2.7	(228.9)
Non-cash movements and deferred issue costs	(2.2)	3.3	(1.1)	4.8
Movement in net debt in the period	(42.4)	(282.9)	1.6	(224.1)
Net debt at the beginning of the period	(2,036.4)	(1,753.5)	(2,080.4)	(1,812.3)
Net debt at the end of the period	(2,078.8)	(2,036.4)	(2,078.8)	(2,036.4)

Definitions

EBITDA (Earnings before interest, taxation, depreciation and amortisation) is before adjusted 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 third party borrowings less cash and cash equivalents.