CPUK FINANCE LIMITED

Operating and financial review for the 24 weeks ended 3 October 2024

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 3 October 2024 ("the half year"). All figures presented in this report relate to the group of companies headed by Center Parcs (Holdings 1) Limited. All figures presented in this report are unaudited.

Summary

- A good Q2 performance with revenue and ADR growth demonstrating the ongoing appeal of Center Parcs breaks. The expectation remains that the Group will grow EBITDA for the full FY25 financial year and current bookings reflect this trajectory.
- Occupancy of 97.6% achieved in the first half consistent with prior years.
- Throughout the first half, guest satisfaction is as strong as it has been in our history as we continue to deliver an exceptional guest experience.
- The Group continues to have a robust liquidity position with cash and cash equivalents of £52.9 million at 3 October 2024 and cash of £67.7 million at 31 October 2024.
- Forward bookings remain strong demonstrating continued guest appeal with 82% of current year accommodation capacity sold at 31 October compared to 82% at the same time in FY24.
- The Group is keeping costs well under control to limit the impact of ongoing inflationary cost pressures such as the National Minimum Wage increase. A balance of continued demand and sustainable cost control is underway to enable EBITDA growth for the full year.
- Center Parcs Scotland Limited, a company outside the WBS, announced an update on the 7th site on 5 November 2024. The update confirmed that Center Parcs Scotland Limited had entered into an option agreement in relation to approximately 1,000 acres in Scotland.

Financial highlights

<u>Half year</u>

- Revenue of £294.2 million (FY24: £287.6 million).
- The Group achieved EBITDA of £136.5 million (FY24: £139.0 million) with occupancy of 97.6%.
- ADR in line with expectations, given non-comparable Q1 FY25 due to bank holiday timing.
- Liquidity remains robust with the Group holding cash and cash equivalents of £52.9 million at 3 October 2024.

Quarter 2

- Revenue of £158.6 million (FY24: £155.3 million).

- The Group achieved EBITDA of £80.2 million (FY24: £80.7 million) with occupancy of 97.7%.

- As anticipated, YoY ADR growth was seen in the second quarter.

Key performance indicators

	FY25 Half year	**FY24 Half year**	**Variance**
Revenue	£294.2m	£287.6m	+2.3%
EBITDA	£136.5m	£139.0m	(1.8)%
Occupancy	97.6%	98.0%	(0.4)%
ADR	£244.67	£243.92	+0.3%
RevPAL	£238.73	£239.04	(0.1)%

	FY25 Quarter 2	**FY24 Quarter 2**	**Variance**
Revenue	£158.6m	£155.3m	+2.1%
EBITDA	£80.2m	£80.7m	(0.6)%
Occupancy	97.7%	98.4%	(0.7)%
ADR	£271.14	£268.48	+1.0%
RevPAL	£264.94	£264.24	+0.3%

Results of operations for H1 FY25

Revenue

Revenue was £294.2 million. Occupancy achieved was 97.6%, comparable to levels seen in prior years and demonstrative of continued guest loyalty.

The number of units of accommodation at 3 October 2024 was 4,334 versus 4,333 in the prior year.

Cost of sales

Cost of sales was £82.1 million compared to £80.6 million in the prior financial year. This marginal increase demonstrates good cost control in light of inflationary pressures over the last year.

Administrative expenses

Administrative expenses of £75.6 million were incurred compared to £68.0 million in the comparative period in the prior year. This increase was predominantly driven by payroll costs and the impact of increases in the National Minimum Wage.

EBITDA

As a result of the factors outlined above, EBITDA was £136.5 million. The timing of bank holidays means that H1 FY25 is not directly comparable to the equivalent period in the prior year. In addition, Woburn was impacted by heavy rain and subsequent flooding during the second quarter which reduced occupancy and EBITDA. The Group remains highly optimistic for EBITDA growth in the full year as previously advised.

Depreciation and amortisation

Depreciation and amortisation was £30.5 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 3 October 2024 the annual interest payable on the Group's secured debt was £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 £1.0 million was paid during H1. In the comparative period corporation tax of £3.0 million was paid and £1.8 million was received in respect of group relief.

Cash Flow and Liquidity

As at 3 October 2024 the Group had cash and cash equivalents of £52.9 million (5 October 2023: £38.6 million) and negative working capital of £173.7 million (5 October 2023: £176.2 million).

Net cash from operating activities was £120.8 million and net cash used in investing activities was £34.7 million (FY24: £116.2 million and £32.6 million respectively).

Dividends totalling £85.1 million were paid during the second quarter, taking the total for the year to date to £85.5 million.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' lodge refurbishment programme. As at 3 October 2024 3,355 units of accommodation have been upgraded to the 'Summer' standard, representing 83.1% of the total stock to be upgraded.

New builds

The Group has identified additional accommodation opportunities across the estate. The first phase of the new build programme is continuing at Elveden.

Financial covenants

The FCF:DSCR ratios at the most recent Financial Covenant Test Date (being 13 August 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 half year ended 3 October 2024 the Group spent £20.9 million (FY24: £18.0 million) on maintenance capital expenditure and £12.5 million (FY24: £10.7 million) on investment capital expenditure, a total of £33.4 million (FY24: £28.7 million).

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 FY24 Group annual report and financial statements for the 52 weeks ended 18 April 2024 also provide an extensive overview of the Group's activities in these areas.

In summary, the Group made good progress on its ESG agenda in FY24 and had achieved a 29% reduction on carbon emissions since 2020, and is fully committed to achieving Net Zero by 2050 for scope 1 and 2 greenhouse gas emissions. The Group remains committed to social standards and continues to foster a diverse, equitable and inclusive culture with strong governance prevailing on effective regulatory compliance. During the first half of FY25, despite colder weather increasing our gas use, and capital investment in additional energy intensive facilities for guests to grow our business such as hot tubs, the Group has continued to focus on carbon emission reduction and reduced our emissions by a further percentage point achieving a 30% reduction vs the same two quarters in 2020.

Corporate update

Center Parcs announced an update on the potential development of Center Parcs Scotland on 5 November 2024.

- On 31 October 2024 Center Parcs Scotland Limited ("CPSL") entered into an option agreement.
- CPSL sits outside of the WBS structure.
- The option allows Center Parcs to acquire approximately 1,000 acres of land in the Scottish Borders, between Hawick and Selkirk, on a long lease subject to obtaining planning permission for a holiday village on the site.
- Over the coming months, Center Parcs will begin to engage with local stakeholders and commence pre-planning works with a view to submitting a planning application to the relevant local authority.
- Further updates will be provided as part of the usual periodic reporting.

Whilst Center Parcs Ireland is outside the UK debt structure, we are pleased to report that it has continued to trade well in FY25, and initial works are on track for the expansion of the village.

The combined UK and Ireland Group is performing well, and growth is in line with internal expectations in the first half. Guest satisfaction scores continue to be outstanding in both territories reinforcing the importance of the brand in a competitive macro environment.

Future outlook

Center Parcs continues to perform well within its sector, with strong guest demand, exceptional guest feedback and continued healthy free cash flow amply covering its interest and tax costs whilst continuing to invest appropriately in the business to ensure both repeat and first timer breaks remains strong.

Demand for Center Parcs breaks continues to be strong with 82% of capacity for the current financial year sold at 31 October 2024 compared to 82% at the same time in FY24.

As previously advised, given the different timing of bank holidays in the current and prior years, EBITDA growth is expected to be weighted to the second half of the financial year.

Costs remain well under control and are recovered appropriately within EBITDA, and throughout the first half we have continued to see no change in guest spending behaviour.

The next operating and financial review will be for the 36 weeks ended 26 December 2024 and it is expected this report will be published in February 2025.

Investor Conference Call

An investor conference call will be held on Thursday 7 November at 2.30pm (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 attend the webcast should use the below link:

Audience Event Link: https://event.webcasts.com/starthere.jsp?ei=1695829&tp_key=fe6c5b4f9b

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.

Enquiries

Paul Mann	Katrina Jamieson
Group Financial Controller	Chief Finance Officer

Unaudited income statement for the 24 weeks ended 3 October 2024

	24 weeks ended 3 October 2024 £m	24 weeks ended 5 October 2023 £m
Revenue	**294.2**	**287.6**
Cost of sales	(82.1)	(80.6)
Gross profit	**212.1**	**207.0**
Administrative expenses	(75.6)	(68.0)
Depreciation and amortisation	(30.5)	(30.5)
Total operating expenses	(106.1)	(98.5)
Operating profit	**106.0**	**108.5**
Finance income	1.8	1.8
Finance expense	(55.7)	(51.4)
Profit before taxation	**52.1**	**58.9**
Taxation	-	-
Profit for the period attributable to equity shareholders	**52.1**	**58.9**

EBITDA is derived from the table above as follows:

	24 weeks ended 3 October 2024 £m	24 weeks ended 5 October 2023 £m
Revenue	**294.2**	**287.6**
Cost of sales	(82.1)	(80.6)
Gross profit	**212.1**	**207.0**
Administrative expenses	(75.6)	(68.0)
EBITDA	**136.5**	**139.0**

Finance expense in the 24 weeks ended 3 October 2024 includes amortisation of deferred issue costs of £1.6 million (FY24: £1.5 million).

Unaudited income statement for the 12 weeks ended 3 October 2024

	12 weeks ended 3 October 2024 £m	12 weeks ended 5 October 2023 £m
Revenue	**158.6**	**155.3**
Cost of sales	(41.3)	(40.7)
Gross profit	**117.3**	**114.6**
Administrative expenses	(37.1)	(33.9)
Depreciation and amortisation	(15.3)	(15.2)
Total operating expenses	(52.4)	(49.1)
Operating profit	**64.9**	**65.5**
Finance income	1.2	0.7
Finance expense	(28.2)	(25.5)
Profit before taxation	**37.9**	**40.7**
Taxation	-	-
Profit for the period attributable to equity shareholders	**37.9**	**40.7**

EBITDA is derived from the table above as follows:

	12 weeks ended 3 October 2024 £m	12 weeks ended 5 October 2023 £m
Revenue	**158.6**	**155.3**
Cost of sales	(41.3)	(40.7)
Gross profit	**117.3**	**114.6**
Administrative expenses	(37.1)	(33.9)
EBITDA	**80.2**	**80.7**

Unaudited balance sheet as at 3 October 2024

	As at 3 October 2024 £m	As at 5 October 2023 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**136.0**	133.9
Property, plant and equipment	**1,476.9**	1,457.2
Right-of-use assets	**33.4**	33.9
Retirement benefit surplus	**2.3**	0.7
	1,806.1	1,783.2
Current assets		
Inventories	**5.1**	5.4
Trade and other receivables	**17.8**	16.0
Current tax asset	**3.0**	7.4
Cash and cash equivalents	**52.9**	38.6
Derivative financial instruments	**3.2**	1.8
	82.0	69.2
Liabilities		
Current liabilities		
Borrowings	**(338.9)**	-
Trade and other payables	**(223.0)**	(219.9)
	(561.9)	(219.9)
Net current liabilities	**(479.9)**	(150.7)
Non-current liabilities		
Borrowings	**(1,850.7)**	(2,112.0)
Lease liabilities	**(41.6)**	(41.1)
Deferred tax liability	**(145.4)**	(129.0)
	(2,037.7)	(2,282.1)
Net liabilities	**(711.5)**	(649.6)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(678.4)**	(616.5)
Total equity	**(711.5)**	(649.6)

Current trade and other payables include interest and capital accruals totalling £22.6 million (5 October 2023: £20.0 million) and taxation group relief creditors of £4.7 million (5 October 2023: £2.3 million). Current trade and other receivables include taxation group relief debtors of £0.9 million (5 October 2023: £nil).

Unaudited cash flow statement for the 24 weeks ended 3 October 2024

	24 weeks ended 3 October 2024 £m	24 weeks ended 5 October 2023 £m	**12 weeks ended 3 October 2024 £m**	12 weeks ended 5 October 2023 £m
Cash flows from operating activities				
Operating profit	**106.0**	108.5	**64.9**	65.5
Depreciation and amortisation	**30.5**	30.5	**15.3**	15.2
Working capital movements	**(12.9)**	(21.0)	**(19.1)**	(10.7)
Profit on sale of property, plant and equipment	**(0.1)**	(0.2)	**-**	(0.1)
Difference between the pension charge and contributions	**(1.7)**	(0.4)	**(0.1)**	(0.2)
Receipts in respect of taxation group relief	**-**	1.8	**-**	-
Corporation tax paid	**(1.0)**	(3.0)	**-**	(1.0)
Net cash from operating activities	**120.8**	116.2	**61.0**	68.7
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(36.6)**	(34.6)	**(15.1)**	(16.4)
Sale of property, plant and equipment	**0.1**	0.2	**-**	0.1
Interest received	**1.8**	1.8	**1.2**	0.7
Net cash used in investing activities	**(34.7)**	(32.6)	**(13.9)**	(15.6)
Cash flows used in financing activities				
Repayment of external borrowings	**(250.0)**	(440.0)	**-**	-
Proceeds from external borrowings	**330.0**	-	**-**	-
Issue costs on secured debt	**(4.5)**	(3.4)	**(1.0)**	-
Break costs on secured debt	**-**	(9.4)	**-**	-
Repayment of lease liabilities	**(0.1)**	-	**(0.1)**	-
Interest paid	**(57.7)**	(54.0)	**(54.7)**	(48.8)
Dividends paid	**(85.5)**	(53.0)	**(85.1)**	(53.0)
Net cash used in financing activities	**(67.8)**	(559.8)	**(140.9)**	(101.8)
Net increase/(decrease) in cash and cash equivalents, including restricted cash	**18.3**	(476.2)	**(93.8)**	(48.7)
Cash and cash equivalents at the beginning of the period, including restricted cash	**34.6**	514.8	**146.7**	87.3
Cash and cash equivalents at the end of the period	**52.9**	38.6	**52.9**	38.6
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash and cash equivalents	**18.3**	(476.2)	**(93.8)**	(48.7)
Cash (in)/outflow from movement in debt	**(80.0)**	440.0	**-**	-
Change in net debt resulting from cash flows	**(61.7)**	(36.2)	**(93.8)**	(48.7)
Non-cash movements and deferred issue costs	**3.8**	(0.8)	**(0.8)**	(0.4)
Movement in net debt in the period	**(57.9)**	(37.0)	**(94.6)**	(49.1)
Net debt at the beginning of the period	**(2,078.8)**	(2,036.4)	**(2,042.1)**	(2,024.3)
Net debt at the end of the period	**(2,136.7)**	(2,073.4)	**(2,136.7)**	(2,073.4)

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.