CPUK FINANCE LIMITED

Operating and financial review for the 12 weeks ended 11 July 2024

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 11 July 2024, Quarter 1. 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.

Summary

- A good financial performance driven by continued strong demand. Quarter 1 is not comparable to quarter 1 FY24 due to the absence this year of the additional bank holiday to mark the King's Coronation, and Easter holiday peak timing favouring the prior year.
- Strong occupancy of 97.4% in line with prior years.
- The Group continues to have a strong liquidity position with cash and cash equivalents of £146.7 million at 11 July 2024 and cash of £130.1 million at 8 August 2024.
- Forward bookings remain strong demonstrating continued guest appeal with 67% of current year accommodation capacity sold at 8 August 2024 compared to 67% at the same time in FY24.
- Overall we expect to grow EBITDA for the Group in FY25 albeit weighted into the second half of the year.

Financial highlights

Quarter 1

- Revenue of £135.6 million (FY24: £132.3 million).
- The Group achieved EBITDA of £56.3 million (FY24: £58.3 million) with occupancy of 97.4%.
- ADR in line with expectations given the timing of bank holidays and peak breaks.
- Liquidity remains robust with the Group holding cash and cash equivalents of £146.7 million at 11 July 2024.

Key performance indicators

	FY25 Quarter 1	FY24 Quarter 1	Variance
Revenue	£135.6m	£132.3m	+2.5%
EBITDA	£56.3m	£58.3m	(3.4)%
Occupancy	97.4%	97.6%	(0.2)%
ADR	£218.13	£219.13	(0.5)%
RevPAL	£212.50	£213.81	(0.6)%

Results of operations

Revenue

Revenue was £135.6 million. Occupancy achieved was 97.4%, comparable to levels seen in previous years demonstrating the ongoing demand for Center Parcs breaks.

The number of units of accommodation at 11 July 2024 was 4,334 versus 4,333 in FY24.

Cost of sales

Cost of sales was £40.8 million compared to £39.9 million in the prior financial year. This increase of only 2.3% demonstrates good cost control in light of inflationary pressures over the last year.

Administrative expenses

Administrative expenses of £38.5 million were incurred compared to £34.1 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 £56.3 million. The timing of Easter and other bank holidays means that Q1 FY25 is not directly comparable to the equivalent period in the prior year. As previously advised, we expect the business to deliver full-year EBITDA growth weighted into the second half of the year.

Depreciation and amortisation

Depreciation and amortisation was £15.2 million compared to £15.3 million in 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 11 July 2024 the annual interest payable on the Group's secured notes was £118.8 million.

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.

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 Q1 FY25. In the comparative prior year quarter corporation tax of £2.0 million was paid and £1.8 million was received in respect of taxation group relief.

Cash Flow and Liquidity

As at 11 July 2024 the Group had cash and cash equivalents of £146.7 million (13 July 2023: £87.3 million) and negative working capital of £192.8 million (13 July 2023: £186.9 million).

Net cash from operating activities was £59.8 million and net cash used in investing activities was £20.8 million (FY24: £47.5 million and £17.0 million respectively).

Dividends of £0.4 million were paid during the first quarter.

Investment Programme

Accommodation upgrades

The Group is continuing its ‘Project Summer’ lodge refurbishment programme. As at 11 July 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

The Group has identified additional accommodation opportunities across the estate. The first phase of the new build programme is currently under construction 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 quarter ended 11 July 2024 the Group spent £11.3 million (FY24: £7.9 million) on maintenance capital expenditure and £3.5 million (FY24: £4.1 million) on investment capital expenditure, a total of £14.8 million (FY24: £12.0 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 accounts 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.

Corporate update

Center Parcs remains committed to identifying and securing a sixth site in the UK. 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 the first quarter of FY25, and the village is poised for expansion now that planning permission has been granted.

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

Future outlook

Center Parcs continues to perform well with strong guest demand, exceptional guest feedback and healthy free cash flow to cover the interest bill and continue to invest appropriately in the business.

Demand for Center Parcs breaks continues to be strong with 67% of capacity for the current financial year sold at 8 August 2024 compared to 67% at the same time in FY24.

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 are under control and are recovered appropriately within EBITDA, and we continue to see no change in guest spending behaviour.

The next operating and financial review will be for the 24 weeks ended 3 October 2024 and it is expected this report will be published in November 2024.

Katrina Jamieson
Chief Finance Officer

Enquiries

Paul Mann
Group Financial Controller

Katrina Jamieson
Chief Finance Officer

Unaudited income statement for the 12 weeks ended 11 July 2024

	12 weeks ended 11 July 2024 £m	12 weeks ended 13 July 2023 £m
Revenue	**135.6**	**132.3**
Cost of sales	(40.8)	(39.9)
Gross profit	**94.8**	**92.4**
Administrative expenses	(38.5)	(34.1)
Depreciation and amortisation	(15.2)	(15.3)
Total operating expenses	(53.7)	(49.4)
Operating profit	**41.1**	**43.0**
Finance income	0.6	1.1
Finance expense	(27.5)	(25.9)
Profit before taxation	**14.2**	**18.2**
Taxation	-	-
Profit for the period attributable to equity shareholders	**14.2**	**18.2**

EBITDA is derived from the table above as follows:

	12 weeks ended 11 July 2024 £m	12 weeks ended 13 July 2023 £m
Revenue	**135.6**	**132.3**
Cost of sales	(40.8)	(39.9)
Gross profit	**94.8**	**92.4**
Administrative expenses	(38.5)	(34.1)
EBITDA	**56.3**	**58.3**

Finance expense in the 12 weeks ended 11 July 2024 includes amortisation of deferred issue costs of £0.9 million (FY24: £0.8 million).

Unaudited balance sheet as at 11 July 2024

	As at 11 July 2024 £m	As at 13 July 2023 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**136.0**	134.3
Property, plant and equipment	**1,473.6**	1,455.3
Right-of-use assets	**33.5**	30.9
Retirement benefit surplus	**2.2**	0.5
	1,802.8	1,778.5
Current assets		
Inventories	**4.7**	5.1
Trade and other receivables	**15.4**	11.7
Current tax asset	**3.0**	6.4
Cash and cash equivalents	**146.7**	87.3
Derivative financial instruments	**3.2**	1.8
	173.0	112.3
Liabilities		
Current liabilities		
Trade and other payables	**(264.2)**	(249.4)
	(264.2)	(249.4)
Net current liabilities	**(91.2)**	(137.1)
Non-current liabilities		
Borrowings	**(2,188.8)**	(2,111.6)
Lease liabilities	**(41.7)**	(38.1)
Deferred tax liability	**(145.4)**	(129.0)
	(2,375.9)	(2,278.7)
Net liabilities	**(664.3)**	(637.3)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(631.2)**	(604.2)
Total equity	**(664.3)**	(637.3)

Current trade and other payables include interest and capital accruals totalling £47.5 million (13 July 2023: £43.4 million) and taxation group relief creditors of £3.8 million (13 July 2023: £2.3 million).

Unaudited cash flow statement for the 12 weeks ended 11 July 2024

	12 weeks ended 11 July 2024 £m	12 weeks ended 13 July 2023 £m
Cash flows from operating activities		
Operating profit	**41.1**	43.0
Depreciation and amortisation	**15.2**	15.3
Working capital movements	**6.2**	(10.3)
Profit on sale of property, plant and equipment	**(0.1)**	(0.1)
Difference between the pension charge and contributions	**(1.6)**	(0.2)
Receipt in respect of taxation group relief	**-**	1.8
Corporation tax paid	**(1.0)**	(2.0)
Net cash from operating activities	**59.8**	47.5
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(21.5)**	(18.2)
Sale of property, plant and equipment	**0.1**	0.1
Interest received	**0.6**	1.1
Net cash used in investing activities	**(20.8)**	(17.0)
Cash flows from/(used in) financing activities		
Repayment of external borrowings	**(250.0)**	(440.0)
Proceeds from external borrowings	**330.0**	-
Issue costs on secured debt	**(3.5)**	(3.4)
Break costs on secured debt	**-**	(9.4)
Interest paid	**(3.0)**	(5.2)
Dividends paid	**(0.4)**	-
Net cash from/(used in) financing activities	**73.1**	(458.0)
Net increase/(decrease) in cash and cash equivalents, including restricted cash	**112.1**	(427.5)
Cash and cash equivalents at the beginning of the period, including restricted cash	**34.6**	514.8
Cash and cash equivalents at the end of the period	**146.7**	87.3
Increase/(decrease) in cash and cash equivalents, including restricted cash	**112.1**	(427.5)
Cash flow from movement in debt	**(80.0)**	440.0
Change in net debt resulting from cash flows	**32.1**	12.5
Non-cash movements and deferred issue costs	**4.6**	(0.4)
Movement in net debt in the period	**36.7**	12.1
Net debt at the beginning of the period	**(2,078.8)**	(2,036.4)
Net debt at the end of the period	**(2,042.1)**	(2,024.3)

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.