CPUK FINANCE LIMITED

Operating and financial review for the 12 weeks ended 13 July 2023

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 2023, "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

- An excellent result in line with expectations underpinned by strong demand leading to high cash generation.

- Financial results for the quarter demonstrate the resilience of the business, with revenue of £132.3 million and EBITDA of £58.3 million. Comparative measures are impacted to some extent by the temporary closure of the 'Aqua Sana' spa facilities at Elveden, which are undergoing a significant upgrade, plus the follow on of post covid effects such as unusual booking patterns that make ADR comparatives difficult over the first half of the year. Consequently ADR growth is weighted into the second half of the year and ADR growth on bookings to date for the second half of the year are in line with this planning assumption.

- Strong occupancy of 97.6% in line with pre pandemic levels demonstrates continued guest demand.

- The Group continues to have a strong liquidity position with cash and cash equivalents of £87.3 million at 13 July 2023 and cash of £74.2 million at 17 August 2023.

- The encouraging start to FY24 continues with 69% of accommodation capacity sold at 18 August 2023 compared to 70% at the same point in 2022 for FY23.

- Overall we expect to continue to grow ADR and EBITDA for the Group in FY24.

Financial highlights

Quarter 1

- Revenue of £132.3 million (FY23: £132.5 million).

- The Group achieved EBITDA of £58.3 million (FY23: £65.8 million) with occupancy of 97.6%.

- ADR in line with expectations given the post covid events such as unusual booking patterns in the first quarter of the prior financial year.

- Liquidity remains robust with the Group holding cash and cash equivalents of £87.3 million at 13 July 2023.

Key performance indicators

	FY24 Quarter 1	FY23 Quarter 1	Variance
Revenue	£132.3m	£132.5m	(0.2)%
EBITDA	£58.3m	£65.8m	(11.4)%
Occupancy	97.6%	97.3%	+0.3%
ADR	£219.13	£230.80	(5.1)%
RevPAL	£213.81	£224.45	(4.7)%

Results of operations

Revenue

Revenue was £132.3 million. Occupancy achieved was 97.6%, comparable to levels seen before the Covid pandemic demonstrating continued guest loyalty.

The number of units of accommodation at 13 July 2023 was 4,333.

Cost of sales

Cost of sales was £39.9 million compared to £35.0 million in the prior financial year, reflecting the ongoing impact of inflationary cost increases.

Administrative expenses

Administrative expenses of £34.1 million were incurred compared to £31.7 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, the UK delivered EBITDA of £58.3 million. This robust result is in line with expectations given the post covid events, such as unusual booking patterns seen in the prior year and the higher inflationary costs experienced during the first quarter of FY24.

Depreciation and amortisation

Depreciation and amortisation was £15.3 million compared to £15.1 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

During the prior quarter the Group issued £324.0 million of tranche A6 secured notes and £324.0 million tranche A7 secured notes. These notes have expected maturity dates of 28 August 2027 and 28 August 2031 respectively, and attract interest of 5.876% and 6.136% respectively. Part of the proceeds were used to settle £440.0 million of tranche A2 secured notes on 24 April 2023.

Following this refinancing, annual interest payable on the Group's secured debt is £105.0 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 £2.0 million was paid during the period, with £1.8 million received in respect of group relief. In the comparative period corporation tax of £2.0 million was paid.

Cash Flow and Liquidity

As at 13 July 2023 the Group had cash and cash equivalents of £87.3 million (14 July 2022: £215.9 million) and negative working capital of £186.9 million (14 July 2022: £203.9 million).

Net cash from operating activities was £47.5 million and net cash used in investing activities was £17.0 million (FY23: £77.1 million and £13.9 million respectively).

Restricted cash

As at 20 April 2023 the Group had restricted cash of £455.8 million. On 24 April 2023 this was used to repay £440.0 million of A2 secured notes, a £9.4 million premium on settlement of those notes and £4.8 million of accrued and unpaid interest in respect of those notes. The remaining £1.6 million was reclassified as cash and cash equivalents on 24 April 2023 when it was transferred to an unrestricted bank account.

The restricted cash was ring-fenced for the settlement of the tranche A2 notes following the issue of the new tranche A6 and A7 notes on 14 April 2023 as set out above. Restricted cash is nil at the end of Q1.

Investment Programme

Accommodation upgrades

The Group is continuing its ‘Project Summer’ lodge refurbishment programme. As at 13 July 2023 2,973 units of accommodation have been upgraded to the ‘Summer’ standard, representing 73.6% of the total stock to be upgraded.

New builds

A family lodge concept is currently under construction. There are further UK opportunities that are currently in the detailed design phase.

Other significant capital investment

As previously advised, a project is underway to significantly upgrade the ‘Aqua Sana’ spa facilities and accompanying food and beverage facilities at Elveden. This has required the closure of the spa to guests, with a scheduled re-opening in Autumn 23.

Financial covenants

The FCF:DSCR ratios at the most recent Financial Covenant Test Date (being 14 August 2023) were 3.9 times in respect of the Class A Notes (covenant of 1.1 times) and 2.3 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 13 July 2023 the Group spent £7.9 million (FY23: £5.1 million) on maintenance capital expenditure and £4.1 million (FY23: £6.0 million) on investment capital expenditure, a total of £12.0 million (FY23: £11.1 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 Group continues to make good progress on its ESG agenda and is on track to reduce carbon emissions by 30% from a baseline of 2020, and the Group remains committed to Net Zero for scope 1 and scope 2 greenhouse gas emissions in 2050.

Corporate update

Center Parcs remains committed to identifying and securing a sixth site in the South-East of England. The search for a site continues to progress well.

Whilst Center Parcs Ireland is outside the UK debt structure, it has continued to trade exceptionally well in the first quarter of FY24, is ahead of the plan management put together at the time of building the site and as a result plans are progressing to expand the village. When ready this would be financed outside of the UK structure.

Future outlook

Center Parcs continues to be in great shape with strong demand, excellent guest feedback and strong cash generation.

Demand for Center Parcs breaks has continued to be very strong with 69% of capacity for the current financial year sold at 18 August 2023 compared to 70% at the same time in FY23 and 66% in FY20, the last comparative year before the impact of Covid-19.

ADR comparisons are difficult due to post covid effects such as unusual booking patterns over the first half of FY23 and consequently ADR growth is weighted into the second half of the year. ADR growth on bookings to date for the second half of the year are in line with this planning assumption

Costs are under control and are recovered appropriately within EBITDA, with no change in guest spending behaviour.

We expect to see an overall increase in ADR and a continued positive development in EBITDA for the full year.

The next operating and financial review will be for the 24 weeks ended 5 October 2023 and it is expected this report will be published in November 2023.

Katrina Jamieson
Chief Finance Officer

Enquiries

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Unaudited income statement for the 12 weeks ended 13 July 2023

	12 weeks ended 13 July 2023 £m	12 weeks ended 14 July 2022 £m
Revenue	**132.3**	**132.5**
Cost of sales	(39.9)	(35.0)
Gross profit	**92.4**	**97.5**
Administrative expenses	(34.1)	(31.7)
Depreciation and amortisation	(15.3)	(15.1)
Total operating expenses	(49.4)	(46.8)
Operating profit	**43.0**	**50.7**
Finance income	1.1	0.2
Finance expense	(25.9)	(23.9)
Profit before taxation	**18.2**	**27.0**
Taxation	-	-
Profit for the period attributable to equity shareholders	**18.2**	**27.0**

EBITDA is derived from the table above as follows:

	2024 £m	2023 £m
Revenue	**132.3**	**132.5**
Cost of sales	(39.9)	(35.0)
Gross profit/(loss)	**92.4**	**97.5**
Administrative expenses	(34.1)	(31.7)
EBITDA	**58.3**	**65.8**

Finance expense in the 12 weeks ended 13 July 2023 includes amortisation of deferred issue costs of £0.8 million (FY23: £0.9 million).

Unaudited balance sheet as at 13 July 2023

	As at 13 July 2023 £m	As at 14 July 2022 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**134.3**	135.4
Property, plant and equipment	**1,455.3**	1,446.9
Right-of-use assets	**30.9**	31.4
Retirement benefit surplus	**0.5**	1.2
	1,778.5	1,772.4
Current assets		
Inventories	**5.1**	3.8
Trade and other receivables	**11.7**	10.7
Current tax asset	**6.4**	3.3
Cash and cash equivalents	**87.3**	215.9
Derivative financial instruments	**1.8**	13.1
	112.3	246.8
Liabilities		
Current liabilities		
Trade and other payables	**(249.4)**	(264.0)
	(249.4)	(264.0)
Net current liabilities	**(137.1)**	(17.2)
Non-current liabilities		
Borrowings	**(2,111.6)**	(1,907.0)
Lease liabilities	**(38.1)**	(37.5)
Deferred tax liability	**(129.0)**	(119.0)
	(2,278.7)	(2,063.5)
Net liabilities	**(637.3)**	(308.3)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(604.2)**	(275.2)
Total equity	**(637.3)**	(308.3)

Current trade and other payables include interest and capital accruals totalling £43.4 million (14 July 2022: £44.3 million) and taxation group relief creditors of £2.3 million (14 July 2022: £1.3 million).

Unaudited cash flow statement for the 12 weeks ended 13 July 2023

	12 weeks ended 13 July 2023 £m	12 weeks ended 14 July 2022 £m
Cash flows from operating activities		
Operating profit	**43.0**	50.7
Depreciation and amortisation	**15.3**	15.1
Working capital movements	**(10.3)**	13.5
Profit on sale of property, plant and equipment	**(0.1)**	-
Difference between the pension charge and contributions	**(0.2)**	(0.2)
Receipt in respect of taxation group relief	**1.8**	-
Corporation tax paid	**(2.0)**	(2.0)
Net cash from operating activities	**47.5**	77.1
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(18.2)**	(14.1)
Sale of property, plant and equipment	**0.1**	-
Interest received	**1.1**	0.2
Net cash used in investing activities	**(17.0)**	(13.9)
Cash flows used in financing activities		
Repayment of external borrowings	**(440.0)**	-
Issue costs on secured debt	**(3.4)**	-
Break costs on secured debt	**(9.4)**	-
Interest paid	**(5.2)**	(0.3)
Net cash used in financing activities	**(458.0)**	(0.3)
Net (decrease)/increase in cash and cash equivalents, including restricted cash	**(427.5)**	62.9
Cash and cash equivalents at the beginning of the period, including restricted cash	**514.8**	153.0
Cash and cash equivalents at the end of the period	**87.3**	215.9

(Decrease)/increase in cash and cash equivalents, including restricted cash	**(427.5)**	62.9
Cash flow from movement in debt	**440.0**	-
Change in net debt resulting from cash flows	**12.5**	62.9
Non-cash movements and deferred issue costs	**(0.4)**	(0.5)
Movement in net debt in the period	**12.1**	62.4
Net debt at the beginning of the period	**(2,036.4)**	(1,753.5)
Net debt at the end of the period	**(2,024.3)**	(1,691.1)

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.