CPUK FINANCE LIMITED

Operating and financial review for the 52 weeks ended 21 April 2022

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 21 April 2022. 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

- An excellent financial recovery following the disruption caused by Covid-19 since 2020.

- Record revenue of £503.4 million and EBITDA of £245.6 million. This was achieved despite operating with self-imposed capacity restrictions for most of the year, resulting in occupancy of 80.5%.

- Previously reported staff vacancies have been successfully reduced to pre-Covid-19 levels and, as anticipated, capacity restrictions were removed at the beginning of the new financial year.

- The Group continues to have a robust liquidity position with cash and cash equivalents of £153.0 million at 21 April 2022 and cash of £201.4 million at 1 July 2022.

- The encouraging start to FY23 continues with 49% of accommodation capacity sold at the start of the financial year compared to approximately 40% to 42% at the same point in time in prior years not affected by Covid-19 disruption. As at 1 July 2022 61.5% of capacity for FY23 has been sold. ADR is also ahead of the prior years.

Financial highlights

<u>52 weeks ended 21 April 2022 (Full Year)</u>

- Revenue of £503.4 million (FY21: £122.2 million, FY20: £443.7 million). Comparisons to prior years are impacted by Covid-19 disruption and the capacity restrictions noted above.

- The Group achieved EBITDA of £245.6 million (FY21: loss of £11.9 million, FY20: £200.0 million) with occupancy of 80.5%.

- Strong net ADR with comparisons to prior years being obscured by the impact of Covid-19 disruption and yield management initiatives to optimise revenue in a restricted capacity environment.

- Liquidity remains robust with the Group holding cash and cash equivalents of £153.0 million at 21 April 2022.

16 weeks ended 21 April 2022 (Quarter 4)

- Revenue of £148.6 million (FY21: £7.3 million, FY20: £83.5 million) and EBITDA of £60.1 million (FY21: loss of £23.5 million, FY20: £20.1 million) was recorded for the quarter.

- Occupancy in the quarter of 82.1% reflecting ongoing capacity restrictions, which were removed at the beginning of the new financial year.

- ADR of £230.90 and RevPAL of £189.63 reflect the comments noted above.

Key performance indicators

	FY22 Full Year	**FY21 Full Year**	**FY20 Full Year**	**FY20 LTM to P11**	**FY19 Full Year**
Revenue	£503.4m	£122.2m	£443.7m	£496.3m	£480.2m
EBITDA	£245.6m	£(11.9)m	£200.0m	£239.4m	£232.6m
Occupancy	80.5%	22.4%	88.0%	97.3%	97.1%
ADR	£256.09	£238.70	£194.91	£197.76	£191.74
RevPAL	£206.23	£53.45	£171.54	£192.43	£186.08

	FY22 Quarter 4	**FY21 Quarter 4**	**FY20 Quarter 4**	**FY19 Quarter 4**
Revenue	£148.6m	£7.3m	£83.5m	£134.3m
EBITDA	£60.1m	£(23.5)m	£20.1m	£58.5m
Occupancy	82.1%	4.3%	65.6%	94.5%
ADR	£230.90	£242.41	£148.90	£172.27
RevPAL	£189.63	£10.34	£97.71	£162.76

Results of operations for the 52-week period ended 21 April 2022

Revenue

Revenue was £503.4 million and, with the exception of a limited period of disruption arising from Storm Eunice earlier in the calendar year, all of the villages were open for the full reporting period. Self-imposed capacity restrictions were in place during the year resulting in occupancy of 80.5%.

The number of units of accommodation at 21 April 2022 was 4,334.

Cost of sales

Cost of sales was £128.4 million compared to £48.9 million in the prior financial year.

Administrative expenses

Administrative expenses of £129.4 million were incurred compared to £85.2 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was £245.6 million.

Depreciation and amortisation

Depreciation and amortisation was £62.4 million compared to £62.5 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

Following the issue of £255.0 million of B6 secured notes and the repayment of £250.0 million of B3 secured notes in May 2021, annual interest payable on the Group's secured debt is £98.0 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 £4.9 million was paid during FY22, with a further £1.8 million paid in respect of group relief. In the comparative period a corporation tax refund of £6.9 million was received.

Cash Flow and Liquidity

As at 21 April 2022 the Group had cash and cash equivalents of £153.0 million (22 April 2021: £94.0 million) and negative working capital of £190.4 million (22 April 2021: £151.9 million).

Net cash from operating activities was £276.6 million and net cash used in investing activities was £46.1 million (FY21: £33.9 million and £39.0 million respectively).

During the year the Group repaid a working capital facility of £70.0 million that was provided by Brookfield, the Group's shareholder, during the previous financial year.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' cycle of lodge refurbishment. As at 21 April 2022 2,566 units of accommodation have been upgraded to the 'Summer' standard, representing 63.5% of the total stock to be upgraded.

New builds

No units of accommodation are currently under construction.

Financial covenants

The FCF:DSCR ratios at the most recent Financial Covenant Test Date (being 17 February 2022) were 3.6 times in respect of the Class A Notes (covenant of 1.1 times) and 2.2 times in respect of the Class B Notes (covenant of 1.0 times). The concession previously agreed for the February test, that allowed the proceeds of any equity injection in the prior 12 months to be added to free cash flow to pass the test, has not been used.

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 financial year ended 21 April 2022 the Group spent £26.4 million (FY21: £29.7 million) on maintenance capital expenditure and £21.6 million (FY21: £12.1 million) on investment capital expenditure, a total of £48.0 million (FY21: £41.8 million).

Contractual commitments and contingencies

As at 21 April 2022 the Group had capital expenditure contracted but not provided of £15.2 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 21 April 2022.

Environmental, Social and Governance ("ESG")

As previously reported, the Group launched a new corporate website during the financial year which includes examples of the Group's ESG activities.

The corporate website may be found at https://corporate.centerparcs.co.uk/

Appointment of Chair and new Chief Executive Officer ("CEO")

As previously announced, Martin Dalby was appointed to the role of Non-executive Chair of Center Parcs on 22 April 2022. On the same date, Colin McKinlay was appointed as the new Center Parcs CEO. The search for a new CFO is progressing well and a further update will be given in due course.

Future outlook

As is customary for a financial investor, our parent shareholder, Brookfield, is undertaking a strategic review of its ownership of Center Parcs. No decision has been taken by Brookfield in relation to the business. This is pending the outcome of such review.

Demand for Center Parcs breaks remains very strong with 49% of capacity for FY23 sold at the start of the new financial year and 61.5% sold as at 1 July 2022 compared to 55% at the same point in time in 2019 for FY20. Prior to the Covid-19 pandemic, approximately 40% to 42% of capacity would have been sold at the comparative point in time. ADR on bookings to date is ahead of comparative periods. As a reminder the first full year where comparatives are not anticipated to be impacted by Covid-19 disruption will be FY24.

The next operating and financial review will be for the 12 weeks ended 14 July 2022 and it is expected this report will be published in late August 2022.

Investor conference call

An investor conference call will be held on 7 July 2022 at 14:00 (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 wishing to participate in the investor conference call will need to join the event by dialling +44 (0)330 165 3641 and using participant passcode 298160.

Colin McKinlay
Chief Executive Officer

Enquiries

Paul Mann
Head of Group Reporting

Colin McKinlay
Chief Executive Officer

Audited income statement for the 52 weeks ended 21 April 2022

	52 weeks ended 21 April 2022			52 weeks ended 22 April 2021		
	Before adjusted items £m	**Adjusted items £m**	**Total £m**	**Before adjusted items £m**	**Adjusted items £m**	**Total £m**
Revenue	**503.4**	**-**	**503.4**	**122.2**	**-**	**122.2**
Cost of sales	(128.4)	-	(128.4)	(48.9)	-	(48.9)
Gross profit	**375.0**	**-**	**375.0**	**73.3**	**-**	**73.3**
Administrative expenses	(129.4)	-	(129.4)	(85.2)	-	(85.2)
Depreciation and amortisation	(62.4)	-	(62.4)	(62.5)	-	(62.5)
Total operating expenses	(191.8)	-	(191.8)	(147.7)	-	(147.7)
Operating profit/(loss)	**183.2**	**-**	**183.2**	**(74.4)**	**-**	**(74.4)**
Movement in fair value of financial derivatives	-	(12.1)	(12.1)	-	25.2	25.2
Finance income	0.2	-	0.2	0.1	-	0.1
Finance expense	(105.1)	-	(105.1)	(103.6)	(4.4)	(108.0)
Profit/(loss) before taxation	**78.3**	**(12.1)**	**66.2**	**(177.9)**	**20.8**	**(157.1)**
Taxation	(20.3)	(23.6)	(43.9)	33.6	(4.3)	29.3
Profit/(loss) for the period attributable to equity shareholders	**58.0**	**(35.7)**	**22.3**	**(144.3)**	**16.5**	**(127.8)**

EBITDA is derived from the table above as follows:

	52 weeks ended 21 April 2022 £m	52 weeks ended 22 April 2021 £m
Revenue	**503.4**	**122.2**
Cost of sales	(128.4)	(48.9)
Gross profit	**375.0**	**73.3**
Administrative expenses	(129.4)	(85.2)
EBITDA	**245.6**	**(11.9)**

Finance expense in the 52 weeks ended 21 April 2022 includes amortisation of deferred issue costs of £3.6 million (FY21: £5.6 million). This includes accelerated amortisation of deferred issue costs of £nil (FY21: £1.8 million) in respect of the B3 secured notes that were subsequently refinanced.

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 £12.1 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%.

In the prior period the Group recognised a £25.2 million gain on the fair value of financial derivatives. The £4.4 million adjusted finance expense in the prior period represented £2.6 million of costs incurred to obtain a covenant waiver in respect of the Group's secured notes and £1.8 million of costs in respect of the proposed refinancing of the Group's remaining tranche B3 secured notes. Taxation on these items was also treated as an adjusted item.

Unaudited income statement for the 16 weeks ended 21 April 2022

	16 weeks ended 21 April 2022			16 weeks ended 22 April 2021		
	Before adjusted items £m	**Adjusted items £m**	**Total £m**	**Before adjusted items £m**	**Adjusted items £m**	**Total £m**
Revenue	**148.6**	**-**	**148.6**	**7.3**	**-**	**7.3**
Cost of sales	(42.4)	-	(42.4)	(6.1)	-	(6.1)
Gross profit	**106.2**	**-**	**106.2**	**1.2**	**-**	**1.2**
Administrative expenses	(46.1)	-	(46.1)	(24.7)	-	(24.7)
Depreciation and amortisation	(17.0)	-	(17.0)	(20.6)	-	(20.6)
Total operating expenses	(63.1)	-	(63.1)	(45.3)	-	(45.3)
Operating profit/(loss)	**43.1**	**-**	**43.1**	**(44.1)**	**-**	**(44.1)**
Movement in fair value of financial derivatives	-	(12.1)	(12.1)	-	25.2	25.2
Finance income	0.2	-	0.2	-	-	-
Finance expense	(32.0)	-	(32.0)	(32.3)	(2.0)	(34.3)
Profit/(loss) before taxation	**11.3**	**(12.1)**	**(0.8)**	**(76.4)**	**23.2**	**(53.2)**
Taxation	(20.3)	(23.6)	(43.9)	33.6	(4.3)	29.3
Profit/(loss) for the period attributable to equity shareholders	**(9.0)**	**(35.7)**	**(44.7)**	**(42.8)**	**18.9**	**(23.9)**

EBITDA is derived from the table above as follows:

	16 weeks ended 21 April 2022 £m	16 weeks ended 22 April 2021 £m
Revenue	**148.6**	**7.3**
Cost of sales	(42.4)	(6.1)
Gross profit	**106.2**	**1.2**
Administrative expenses	(46.1)	(24.7)
EBITDA	**60.1**	**(23.5)**

Audited balance sheet as at 21 April 2022

	As at 21 April 2022 £m	As at 22 April 2021 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**136.2**	140.0
Property, plant and equipment	**1,450.1**	1,460.4
Right-of-use assets	**31.5**	32.1
Deferred tax asset	**-**	0.1
Retirement benefit surplus	**1.0**	-
	1,776.3	1,790.1
Current assets		
Inventories	**3.6**	3.5
Trade and other receivables	**7.6**	13.6
Current tax asset	**1.3**	1.3
Cash and cash equivalents	**153.0**	94.0
Derivative financial instruments	**13.1**	25.2
	178.6	137.6
Liabilities		
Current liabilities		
Borrowings	**-**	(70.0)
Trade and other payables	**(227.4)**	(196.2)
	(227.4)	(266.2)
Net current liabilities	**(48.8)**	(128.6)
Non-current liabilities		
Borrowings	**(1,906.5)**	(1,901.0)
Lease liabilities	**(37.3)**	(36.9)
Retirement benefit obligations	**-**	(0.6)
Deferred tax liability	**(119.0)**	(81.1)
	(2,062.8)	(2,019.6)
Net liabilities	**(335.3)**	(358.1)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(302.2)**	(325.0)
Total equity	**(335.3)**	(358.1)

Current trade and other payables include interest and capital accruals totalling £24.5 million (22 April 2021: £25.4 million) and taxation group relief creditors of £1.3 million (22 April 2021: £1.8 million).

Audited cash flow statement for the 52 weeks ended 21 April 2022

	52 weeks ended 21 April 2022 £m	52 weeks ended 22 April 2021 £m	**16 weeks ended 21 April 2022 £m**	16 weeks ended 22 April 2021 £m
Cash flows from operating activities				
Operating profit/(loss)	**183.2**	(74.4)	**43.1**	(44.1)
Depreciation and amortisation	**62.4**	62.5	**17.0**	20.6
Working capital movements	**38.5**	39.6	**46.4**	77.2
Loss on disposal of property, plant and equipment	**-**	0.2	**-**	0.2
Difference between the pension charge and contributions	**(0.8)**	(0.9)	**(0.2)**	(0.6)
Corporation tax (paid)/refunded	**(4.9)**	6.9	**(2.9)**	0.9
Payments for taxation group relief	**(1.8)**	-	**(1.8)**	-
Net cash from operating activities	**276.6**	33.9	**101.6**	54.2
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(43.4)**	(36.3)	**(14.0)**	(12.7)
Purchase of intangible assets	**(3.2)**	(2.9)	**(3.2)**	(2.9)
Sale of property, plant and equipment	**0.3**	0.1	**0.3**	0.1
Interest received	**0.2**	0.1	**0.2**	-
Net cash used in investing activities	**(46.1)**	(39.0)	**(16.7)**	(15.5)
Cash flows (used in)/from financing activities				
Repayment of external borrowings	**(250.0)**	(230.1)	**-**	-
Proceeds from external borrowings	**255.0**	250.0	**-**	-
Issue costs on secured debt	**(3.0)**	(4.2)	**-**	(0.1)
Break costs on secured debt	**(2.7)**	(2.5)	**-**	-
Covenant waiver fees	**-**	(2.6)	**-**	(0.5)
Receipt of working capital facility from shareholder	**-**	70.0	**-**	-
Repayment of working capital facility to shareholder	**(70.0)**	-	**(70.0)**	-
Interest paid	**(100.6)**	(96.1)	**(49.9)**	(48.0)
Repayment of lease liabilities	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Equity contributions	**-**	78.4	**-**	50.9
Net cash (used in)/from financing activities	**(171.5)**	62.7	**(120.1)**	2.1
Net increase/(decrease) in cash and cash equivalents	**59.0**	57.6	**(35.2)**	40.8
Cash and cash equivalents at the beginning of the period	**94.0**	36.4	**188.2**	53.2
Cash and cash equivalents at the end of the period	**153.0**	94.0	**153.0**	94.0
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash and cash equivalents	**59.0**	57.6	**(35.2)**	40.8
Cash inflow from movement in debt	**(5.0)**	(19.9)	**-**	-
Change in net debt resulting from cash flows	**54.0**	37.7	**(35.2)**	40.8
Non-cash movements and deferred issue costs	**(0.5)**	0.2	**(0.7)**	(1.5)
Movement in net debt in the period	**53.5**	37.9	**(35.9)**	39.3
Net debt at the beginning of the period	**(1,807.0)**	(1,844.9)	**(1,717.6)**	(1,846.3)
Net debt at the end of the period	**(1,753.5)**	(1,807.0)	**(1,753.5)**	(1,807.0)

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.