



CPUK FINANCE LIMITED

Operating and financial review for the 24 weeks ended 7 October 2021

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 7 October 2021 ("the half year"). 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. All financial results referred to in this document exclude adjusted items, unless otherwise stated.

Summary

- A record second quarter and first half with the Group generating EBITDA of £119.4 million, despite operating to self-imposed reduced capacity limits.
- The Group continues to have a robust liquidity position with cash and cash equivalents of £157.7 million at 7 October 2021 and £175.6 million at 11 November 2021.
- No further funding drawdowns into the securitised structure from Brookfield during the quarter.
- All five villages are open as at the date of this report, having successfully re-opened on 12 April 2021 initially with no pool and certain activities until 17 May 2021.
- Recognising well publicised labour supply issues across the UK more generally, the Group has continued to apply self-imposed reduced capacity limits in the short term to ensure that it may continue to focus on delivering the highest standards of guest experience. Capacity is expected to be increased progressively over the second half of the year.
- Bookings for FY22 remain strong and occupancy at 11 November 2021 is 74% compared to 81% at the same point in 2019 for FY20. This reflects the impact of capacity restrictions in FY22. ADR remains ahead of the same point in time in FY21 and FY20.
- An encouraging start to FY23 with 15% occupancy at 11 November compared to 10% at the same point in time in 2019 for FY21.

Financial highlights

24 weeks ended 7 October 2021

- Revenue of £227.5 million (FY21: £81.5 million, FY20: £235.1 million). Comparisons to prior years are impacted by the previously reported Covid-19 driven village closures and the capacity restrictions noted above.
- The Group achieved EBITDA of £119.4 million (FY21: £13.3 million, FY20: £117.8 million).
- Occupancy of 79.4% compared to 98.2% in FY20.
- ADR compared to FY20 reflects smaller accommodation units being taken off sale when operating with reduced capacity and demand driven yield management optimisation actions.

- Liquidity remains robust with the Group holding cash and cash equivalents of £157.7 million at 7 October 2021.

12 weeks ended 7 October 2021

- Revenue of £134.3 million (FY21: £80.3 million, FY20: £125.2 million) and EBITDA of £74.9 million (FY21: £33.0 million, FY20: £66.6 million) was recorded for the quarter.
- Occupancy in the quarter of 85% reflects ongoing capacity restrictions.
- ADR of £287.32, +30.6% versus FY20 reflects the yield management actions noted above.

Key performance indicators

	<u>FY22</u>	<u>FY21</u>	<u>FY20</u>	<u>FY22 vs FY20</u>
	<u>Half year</u>	<u>Half year</u>	<u>Half year</u>	<u>Half year</u>
Revenue	£227.5m	£81.5m	£235.1m	(3.2)%
EBITDA	£119.4m	£13.3m	£117.8m	+1.4%
Occupancy	79.4%	32.2%	98.2%	(18.8)%
ADR	£258.22	£241.21	£202.13	+27.7%
RevPAL	£205.02	£77.57	£198.43	+3.3%

	<u>FY22</u>	<u>FY21</u>	<u>FY20</u>	<u>FY22 vs FY20</u>
	<u>Quarter 2</u>	<u>Quarter 2</u>	<u>Quarter 2</u>	<u>Quarter 2</u>
Revenue	£134.3m	£80.3m	£125.2m	+7.3%
EBITDA	£74.9m	£33.0m	£66.6m	+12.5%
Occupancy	85.0%	63.1%	98.3%	(13.3)%
ADR	£287.32	£242.79	£219.99	+30.6%
RevPAL	£244.24	£153.12	£216.19	+13.0%

Results of operations for the 24-week period ended 7 October 2021

Revenue

Revenue was £227.5 million and all of the villages were open for the full reporting period. Self-imposed reduced capacity limits were in place and the pool and certain activities were not available until 17 May 2021. Occupancy achieved was 79.4%.

The number of units of accommodation at 7 October 2021 and 8 October 2020 was 4,335.

Cost of sales

Cost of sales of £55.5 million was recognised in the half year, compared to £27.1 million in the prior financial year.

Administrative expenses

Administrative expenses of £52.6 million were incurred in the half year, compared to £41.1 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA for the half year was a profit of £119.4 million.

Depreciation and amortisation

Depreciation and amortisation for the half year was £30.3 million compared to £24.9 million in the prior year, reflecting the ongoing capital investment program.

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

The Group's taxation assets and liabilities are calculated annually and hence no tax charge or credit is included in the financial statements presented in this report. Corporation tax of £2.0 million was paid during the half year compared with a corporation tax refund of £6.0 million in the comparative period.

Cash Flow

As at 7 October 2021 the Group had cash and cash equivalents of £157.7 million (8 October 2020: £105.2 million) and negative working capital of £170.5 million (8 October 2020: £184.2 million).

Net cash from operating activities was £136.0 million and net cash used in investing activities was £21.1 million in the half year. In the comparative period in the prior year net cash from operating activities was £21.0 million and net cash used in investing activities was £15.3 million.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' refurbishment cycle. As at 7 October 2021 2,277 units of accommodation have been upgraded to the 'Summer' standard, representing 56.4% of the total stock to be upgraded.

New builds

No units of accommodation are currently under construction.

Financial covenants

Covenants on the Group's secured debt are currently waived and the ratios for the most recent reporting date (being 19 August 2021) were disclosed in the Quarter 1 Operating and Financial Review.

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 24 weeks ended 7 October 2021 the Group spent £8.1 million (FY21: £9.0 million) on maintenance capital expenditure and £7.2 million (FY21: £4.6 million) on investment capital expenditure, a total of £15.3 million (FY21: £13.6 million).

Environmental, Social and Governance (“ESG”)

Center Parcs has now launched a new corporate website which includes examples of the Group’s ESG activities.

As part of the Group’s Environmental objectives, having achieved its previous carbon reduction targets ahead of schedule, a new target of a further 30% reduction by 2030 has been set. Delivery of this objective will equate to an almost halving of carbon emissions over a 20-year period.

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

Future outlook

Demand for Center Parcs breaks remains very strong with 74% of capacity for FY22 sold as at 11 November 2021 compared to 81% at the same point in time in 2019 for FY20. This reflects the impact of capacity restrictions in FY22. ADR on bookings for FY22 is higher than that for bookings taken at the same time last year and the year before.

Recognising well publicised labour supply issues across the UK more generally, the Group has continued to apply self-imposed capacity restrictions in the short term to ensure that it may continue to focus on delivering the highest standards of guest experience. Capacity is expected to be increased progressively over the second half of the year.

Bookings for FY23 are encouraging with 15% occupancy sold to date compared to 10% at the same time in 2019 for FY21.

The next operating and financial review will be for the 36 weeks ended 30 December 2021 and it is expected this report will be published in February 2022.

Investor Conference Call

An investor conference call will be held on 17 November at 2.00pm (GMT) at which the Group will present its financial results. A summary presentation will be released alongside 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 pre-register at:

<https://emea.directeventreg.com/registration/5697050>

Full participant information (including dial-in number) will be provided upon registration.

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Unaudited income statement for the 24 weeks ended 7 October 2021

	24 weeks ended 7 October 2021			24 weeks ended 8 October 2020		
	Before adjusted items £m	Adjusted items £m	Total £m	Before adjusted items £m	Adjusted items £m	Total £m
Revenue	227.5	-	227.5	81.5	-	81.5
Cost of sales	(55.5)	-	(55.5)	(27.1)	-	(27.1)
Gross profit	172.0	-	172.0	54.4	-	54.4
Administrative expenses	(52.6)	-	(52.6)	(41.1)	-	(41.1)
Depreciation and amortisation	(30.3)	-	(30.3)	(24.9)	-	(24.9)
Total operating expenses	(82.9)	-	(82.9)	(66.0)	-	(66.0)
Operating profit/(loss)	89.1	-	89.1	(11.6)	-	(11.6)
Finance income	-	-	-	-	-	-
Finance expense	(50.4)	-	(50.4)	(47.9)	(1.9)	(49.8)
Profit/(loss) before taxation	38.7	-	38.7	(59.5)	(1.9)	(61.4)
Taxation	-	-	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders	38.7	-	38.7	(59.5)	(1.9)	(61.4)

EBITDA is derived from the table above as follows:

	24 weeks ended 7 October 2021 £m	24 weeks ended 8 October 2020 £m
Revenue	227.5	81.5
Cost of sales	(55.5)	(27.1)
Gross profit	172.0	54.4
Administrative expenses	(52.6)	(41.1)
EBITDA	119.4	13.3

Finance expense in the 24 weeks ended 7 October 2021 includes amortisation of deferred issue costs of £1.7 million (FY21: £2.0 million).

Adjusted items in the comparative period represent fees paid to obtain a waiver of the covenants on the Group's secured debt.

Unaudited income statement for the 12 weeks ended 7 October 2021

	12 weeks ended 7 October 2021			12 weeks ended 8 October 2020		
	Before adjusted items £m	Adjusted items £m	Total £m	Before adjusted items £m	Adjusted items £m	Total £m
Revenue	134.3	-	134.3	80.3	-	80.3
Cost of sales	(30.2)	-	(30.2)	(23.3)	-	(23.3)
Gross profit	104.1	-	104.1	57.0	-	57.0
Administrative expenses	(29.2)	-	(29.2)	(24.0)	-	(24.0)
Depreciation and amortisation	(15.1)	-	(15.1)	(12.5)	-	(12.5)
Total operating expenses	(44.3)	-	(44.3)	(36.5)	-	(36.5)
Operating profit	59.8	-	59.8	20.5	-	20.5
Finance income	-	-	-	-	-	-
Finance expense	(23.8)	-	(23.8)	(25.7)	(1.9)	(27.6)
Profit/(loss) before taxation	36.0	-	36.0	(5.2)	(1.9)	(7.1)
Taxation	-	-	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders	36.0	-	36.0	(5.2)	(1.9)	(7.1)

EBITDA is derived from the table above as follows:

	12 weeks ended 7 October 2021 £m	12 weeks ended 8 October 2020 £m
Revenue	134.3	80.3
Cost of sales	(30.2)	(23.3)
Gross profit	104.1	57.0
Administrative expenses	(29.2)	(24.0)
EBITDA	74.9	33.0

Unaudited balance sheet as at 7 October 2021

	As at 7 October 2021 £m	As at 8 October 2020 £m
Assets		
Non-current assets		
Goodwill	157.5	157.5
Other intangible assets	137.1	145.6
Property, plant and equipment	1,448.4	1,464.2
Right-of-use assets	31.8	32.3
Deferred tax asset	0.1	0.4
	1,774.9	1,800.0
Current assets		
Inventories	3.8	3.4
Trade and other receivables	9.1	9.3
Current tax asset	3.3	2.6
Cash and cash equivalents	157.7	105.2
Derivative financial instruments	25.2	-
	199.1	120.5
Liabilities		
Current liabilities		
Borrowings	(70.0)	(0.1)
Trade and other payables	(199.6)	(216.3)
	(269.6)	(216.4)
Net current liabilities	(70.5)	(95.9)
Non-current liabilities		
Borrowings	(1,905.4)	(1,897.8)
Lease liabilities	(37.0)	(36.6)
Retirement benefit obligations	(0.3)	(1.4)
Deferred tax liability	(81.1)	(111.1)
	(2,023.8)	(2,046.9)
Net liabilities	(319.4)	(342.8)
Equity		
Equity share capital	1.0	1.0
Share premium	119.9	69.0
Other reserve	(154.0)	(154.0)
Retained earnings	(286.3)	(258.8)
Total equity	(319.4)	(342.8)

Current trade and other payables include interest and capital accruals totalling £14.4 million (8 October 2020: £17.6 million) and taxation group relief creditors of £1.8 million (8 October 2020: £1.8 million).

Unaudited cash flow statement for the 24 weeks ended 7 October 2021

	24 weeks ended 7 October 2021 £m	24 weeks ended 8 October 2020 £m	12 weeks ended 7 October 2021 £m	12 weeks ended 8 October 2020 £m
Cash flows from operating activities				
Operating profit/(loss)	89.1	(11.6)	59.8	20.5
Depreciation and amortisation	30.3	24.9	15.1	12.5
Working capital movements	18.9	1.9	(26.9)	6.6
Difference between the pension charge and contributions	(0.3)	(0.2)	(0.1)	-
Corporation tax (paid)/refunded	(2.0)	6.0	(1.0)	6.0
Net cash from operating activities	136.0	21.0	46.9	45.6
Cash flows used in investing activities				
Purchase of property, plant and equipment	(21.1)	(15.3)	(8.0)	(8.7)
Interest received	-	-	-	-
Net cash used in investing activities	(21.1)	(15.3)	(8.0)	(8.7)
Cash flows (used in)/from financing activities				
Repayment of external borrowings	(250.0)	(230.0)	-	(230.0)
Proceeds from external borrowings	255.0	250.0	-	250.0
Issue costs on secured debt	(2.9)	(2.9)	(0.3)	(2.9)
Break costs on secured debt	(2.7)	(2.5)	-	(2.5)
Covenant waiver fees	-	(1.9)	-	(1.9)
Receipt of working capital facility from parent company	-	70.0	-	-
Interest paid	(50.6)	(47.1)	(47.9)	(46.6)
Equity contribution	-	27.5	-	-
Net cash (used in)/from financing activities	(51.2)	63.1	(48.2)	(33.9)
Net increase/(decrease) in cash and cash equivalents	63.7	68.8	(9.3)	3.0
Cash and cash equivalents at the beginning of the period	94.0	36.4	167.0	102.2
Cash and cash equivalents at the end of the period	157.7	105.2	157.7	105.2
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash and cash equivalents	63.7	68.8	(9.3)	3.0
Cash inflow from movement in debt	(5.0)	(20.0)	-	(20.0)
Change in net debt resulting from cash flows	58.7	48.8	(9.3)	(17.0)
Non-cash movements and deferred issue costs	0.6	3.4	(0.5)	3.9
Movement in net debt in the period	59.3	52.2	(9.8)	(13.1)
Net debt at the beginning of the period	(1,807.0)	(1,844.9)	(1,737.9)	(1,779.6)
Net debt at the end of the period	(1,747.7)	(1,792.7)	(1,747.7)	(1,792.7)

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.