CPUK FINANCE LIMITED

Operating and financial review for the 12 weeks ended 14 July 2022

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 14 July 2022, "Quarter 1". All figures presented in this report relate to the group of companies headed by Center Parcs (Holdings 1) Limited ("the Group").

Summary

- Confirmation of the strength and resilience of the business with revenue of £132.5 million and EBITDA of £65.8 million.
- The objective to return to pre Covid-19 occupancy levels has been achieved, staff vacancies and resource levels remain under control and guest satisfaction is high.
- Net ADR in the quarter has increased, although as previously noted, comparatives to prior years are impacted by Covid-19 disruption.
- The Group continues to have a robust liquidity position with cash and cash equivalents of £215.9 million at 14 July 2022 and cash of £206.6 million at 12 August 2022.
- The encouraging start to FY23 continues with 69% of accommodation capacity sold at 12 August 2022 compared to 65% at the same point in time in 2019 for FY20. ADR is also ahead of the prior years.

Financial highlights

Quarter 1

- Revenue of £132.5 million (FY22: £93.2 million). Comparisons to the prior year are impacted by Covid-19 disruption and the associated capacity restrictions in place during FY22.
- The Group achieved EBITDA of £65.8 million (FY22: £44.5 million) with occupancy of 97.3%.
- Strong net ADR with comparison to prior years.
- Liquidity remains robust with the Group holding cash and cash equivalents of £215.9 million at 14 July 2022.

Key performance indicators

	FY23 Quarter 1	FY22 Quarter 1	Variance
Revenue	£132.5m	£93.2m	+£39.3m
EBITDA	£65.8m	£44.5m	+£21.3m
Occupancy	97.3%	73.8%	+23.5%
ADR	£230.80	£224.68	+2.7%
RevPAL	£224.45	£165.77	+35.4%

Results of operations for quarter 1

Revenue

Revenue was £132.5 million with all villages open in the quarter. The removal of self-imposed capacity restrictions resulted in occupancy of 97.3%.

The number of units of accommodation at 14 July 2022 was 4,334.

Cost of sales

Cost of sales was £35.0 million compared to £25.3 million in the prior financial year.

Administrative expenses

Administrative expenses of £31.7 million were incurred compared to £23.4 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was £65.8 million.

Depreciation and amortisation

Depreciation and amortisation was £15.1 million compared to £15.2 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

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 £2.0 million was paid during the period. In the comparative period corporation tax of £1.0 million was paid.

Cash Flow and Liquidity

As at 14 July 2022 the Group had cash and cash equivalents of £215.9 million (15 July 2021: £167.0 million) and negative working capital of £203.9 million (15 July 2021: £197.7 million).

Net cash from operating activities was £77.1 million and net cash used in investing activities was £13.9 million (FY22: £89.1 million and £13.1 million respectively).

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' lodge refurbishment programme. As at 14 July 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 12 August 2022) were 3.0 times in respect of the Class A Notes (covenant of 1.1 times) and 1.8 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 14 July 2022 the Group spent £5.1 million (FY22: £2.6 million) on maintenance capital expenditure and £6.0 million (FY22: £5.6 million) on investment capital expenditure, a total of £11.1 million (FY22: £8.2 million).

Environmental, Social and Governance ("ESG")

As previously reported, the Group launched a new corporate website during the prior 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 Chief Finance Officer ("CFO")

As previously announced, Katrina Jamieson has been appointed as CFO. Mrs Jamieson joins the Group from Currys plc where she served as Financial Controller since April 2019. Mrs Jamieson's start date is yet to be confirmed but it is likely that she will join the Group this calendar year.

Future outlook

Demand for Center Parcs breaks remains very strong with 69% of capacity for FY23 sold at 12 August 2022 compared to 65% at the same point in time in 2019 for FY20.

ADR on bookings to date is ahead of comparative periods although these are heavily impacted by Covid-19 disruption.

Inflation rates and increases in the general cost of living in the UK are being monitored very closely, as are any changes in guest demand and spending patterns.

The next operating and financial review will be for the 24 weeks ended 6 October 2022 and it is expected this report will be published in November 2022.

Colin McKinlay
Chief Executive Officer

Enquiries

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Head of Group Reporting	Chief Executive Officer

Unaudited income statement for the 12 weeks ended 14 July 2022

	12 weeks ended 14 July 2022 £m	12 weeks ended 15 July 2021 £m
Revenue	**132.5**	**93.2**
Cost of sales	(35.0)	(25.3)
Gross profit	**97.5**	**67.9**
Administrative expenses	(31.7)	(23.4)
Depreciation and amortisation	(15.1)	(15.2)
Total operating expenses	(46.8)	(38.6)
Operating profit	**50.7**	**29.3**
Finance income	0.2	-
Finance expense	(23.9)	(26.6)
Profit before taxation	**27.0**	**2.7**
Taxation	-	-
Profit for the period attributable to equity shareholders	**27.0**	**2.7**

EBITDA is derived from the table above as follows:

	2022 £m	2021 £m
Revenue	**132.5**	**93.2**
Cost of sales	(35.0)	(25.3)
Gross profit/(loss)	**97.5**	**67.9**
Administrative expenses	(31.7)	(23.4)
EBITDA	**65.8**	**44.5**

Finance expense in the 12 weeks ended 14 July 2022 includes amortisation of deferred issue costs of £0.9 million (FY22: £0.8 million).

Unaudited balance sheet as at 14 July 2022

	As at 14 July 2022 £m	As at 15 July 2021 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**135.4**	139.9
Property, plant and equipment	**1,446.9**	1,453.6
Right-of-use assets	**31.4**	32.0
Deferred tax asset	**-**	0.1
Retirement benefit surplus	**1.2**	-
	1,772.4	1,783.1
Current assets		
Inventories	**3.8**	3.8
Trade and other receivables	**10.7**	6.2
Current tax asset	**3.3**	2.3
Cash and cash equivalents	**215.9**	167.0
Derivative financial instruments	**13.1**	25.2
	246.8	204.5
Liabilities		
Current liabilities		
Borrowings	**-**	(70.0)
Trade and other payables	**(264.0)**	(249.4)
	(264.0)	(319.4)
Net current liabilities	**(17.2)**	(114.9)
Non-current liabilities		
Borrowings	**(1,907.0)**	(1,904.9)
Lease liabilities	**(37.5)**	(37.2)
Retirement benefit obligations	**-**	(0.4)
Deferred tax liability	**(119.0)**	(81.1)
	(2,063.5)	(2,023.6)
Net liabilities	**(308.3)**	(355.4)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(275.2)**	(322.3)
Total equity	**(308.3)**	(355.4)

Current trade and other payables include interest and capital accruals totalling £44.3 million (15 July 2021: £39.9 million) and taxation group relief creditors of £1.3 million (15 July 2021: £1.8 million).

Unaudited cash flow statement for the 12 weeks ended 14 July 2022

	12 weeks ended 14 July 2022 £m	12 weeks ended 15 July 2021 £m
Cash flows from operating activities		
Operating profit	**50.7**	29.3
Depreciation and amortisation	**15.1**	15.2
Working capital movements	**13.5**	45.8
Difference between the pension charge and contributions	**(0.2)**	(0.2)
Corporation tax paid	**(2.0)**	(1.0)
Net cash from operating activities	**77.1**	89.1
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(14.1)**	(13.1)
Interest received	**0.2**	-
Net cash used in investing activities	**(13.9)**	(13.1)
Cash flows used in financing activities		
Repayment of external borrowings	**-**	(250.0)
Proceeds from external borrowings	**-**	255.0
Issue costs on secured debt	**-**	(2.6)
Break costs on secured debt	**-**	(2.7)
Interest paid	**(0.3)**	(2.7)
Net cash used in financing activities	**(0.3)**	(3.0)
Net increase in cash and cash equivalents	**62.9**	73.0
Cash and cash equivalents at the beginning of the period	**153.0**	94.0
Cash and cash equivalents at the end of the period	**215.9**	167.0
Reconciliation of net cash flow to movement in net debt		
Increase in cash and cash equivalents	**62.9**	73.0
Cash flow from movement in debt	**-**	(5.0)
Change in net debt resulting from cash flows	**62.9**	68.0
Non-cash movements and deferred issue costs	**(0.5)**	1.1
Movement in net debt in the period	**62.4**	69.1
Net debt at the beginning of the period	**(1,753.5)**	(1,807.0)
Net debt at the end of the period	**(1,691.1)**	(1,737.9)

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.