CPUK FINANCE LIMITED

Operating and financial review for the 52 weeks ended 20 April 2023

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 20 April 2023. 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 exceptional performance, further confirming the strength and continued resilience of the business with FY23 revenue of £593.8 million and EBITDA of £275.0 million + 12.0% vs FY23 and +37.5% vs FY20.

- Strong occupancy with an average of 97.1% following the removal of capacity restrictions at the start of the financial year. As previously reported, ADR comparatives are impacted by one-off events such as capacity restrictions in the prior year when lower yielding accommodation was taken off sale.

- The Group continues to have a robust liquidity position with cash and cash equivalents of £59.0 million at 20 April 2023 and cash of £73.4 million at 30 June 2023.

- At 30 June 2023, 60% of accommodation capacity is sold for FY24 in line with the same point in time in 2022 for FY23 and 57% for the comparable pre-Covid period (same time in 2019 for FY20).

Financial highlights

Full year

- Revenue of £593.8 million (FY22: £503.4 million) and EBITDA of £275.0 million (FY22: £245.6 million).

- Occupancy of 97.1% compared to 80.5% in FY22 and back in line with pre-Covid levels.

- As anticipated, we saw a decrease in net ADR in comparison to the prior year as set out above. ADR remains strong in comparison to the years prior to Covid restrictions.

- Liquidity remains robust with the Group holding cash and cash equivalents of £59.0 million at 20 April 2023 and cash of £73.4 million as at 30 June 2023.

Quarter 4

- Revenue of £167.2 million (FY22: £148.6 million) and EBITDA of £61.4 million (FY22: £60.1 million) was recorded for the quarter.

- Occupancy in the quarter of 96.7% (FY22: 82.1%) is in line with pre-Covid levels.

- The decrease in net ADR reflects the factors outlined above, with Quarter 4 seeing higher variances due to the specific mix of accommodation on sale year over year. Certain smaller units of accommodation, such as one-bedroom apartments, were not on sale to guests in Q4 FY22.

Key performance indicators

	FY23 Full year	**FY22 Full year**	**FY23 v FY22 Variance**	**FY20* Full year**	**FY23 v FY20 Variance**
Revenue	£593.8m	£503.4m	+18.0%	£443.7m	+33.8%
EBITDA	£275.0m	£245.6m	+12.0%	£200.0m	+37.5%
Occupancy	97.1%	80.5%	+16.6%	88.0%	+9.1%
ADR	£239.28	£256.09	(6.6)%	£194.91	+22.8%
RevPAL	£232.39	£206.23	+12.7%	£171.54	+35.5%

	FY23 Quarter 4	**FY22 Quarter 4**	**FY23 v FY22 Variance**	**FY20* Quarter 4**
Revenue	£167.2m	£148.6m	+12.5%	£83.5m
EBITDA	£61.4m	£60.1m	+2.2%	£20.1m
Occupancy	96.7%	82.1%	+14.6%	65.6%
ADR	£210.14	£230.90	(9.0)%	£148.90
RevPAL	£203.10	£189.63	+7.1%	£97.71

**FY20 covers P1-11 up until the UK national lockdown date.*

Results of operations for the 52-week period ended 20 April 2023

Revenue

Revenue was £593.8 million. Occupancy achieved was 97.1%, comparable to levels seen prior to the Covid pandemic.

The number of units of accommodation at 20 April 2023 was 4,333.

Cost of sales

Cost of sales was £161.4 million compared to £128.4 million in the prior financial year with the increase reflecting significantly higher occupancy as well as inflationary cost increases.

Administrative expenses

Administrative expenses of £157.4 million were incurred compared to £129.4 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was £275.0 million. This is a strong result for the Group in light of higher energy, payroll and other inflation-impacted input costs, which are trends that are expected to continue into FY24 and are budgeted accordingly.

Depreciation and amortisation

Depreciation and amortisation was £64.0 million compared to £62.4 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

On 14 April 2023 the Group issued £324.0 million of tranche A6 secured notes and £324.0 million of 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, after the financial year-end, 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 £6.3 million was paid during FY23, with a further £1.3 million paid in respect of group relief. In the comparative period corporation tax of £4.9 million was paid together with an additional £1.8 million in respect of group relief.

Cash Flow and Liquidity

As at 20 April 2023 the Group had cash and cash equivalents of £59.0 million (21 April 2022: £153.0 million) and negative working capital of £197.2 million (21 April 2022: £190.4 million).

Net cash from operating activities was £273.4 million and net cash used in investing activities was £63.5 million (FY22: £276.6 million and £46.1 million respectively).

A dividend of £267.1 million was paid during the fourth quarter.

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.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' cycle of lodge refurbishment. As at 20 April 2023 2,956 units of accommodation have been upgraded to the 'Summer' standard, representing 73.2% of the total stock to be upgraded.

New builds

No units of accommodation are currently under construction. There are further UK infill opportunities that are currently in the detailed design phase.

Other significant capital investment

A project has commenced to significantly upgrade the ‘Aqua Sana’ spa facilities and accompanying food and beverage facilities at Elveden. This requires the closure of the spa to guests, with a scheduled re-opening in Q2 FY24.

Financial covenants

The FCF:DSCR ratios at the most recent Financial Covenant Test Date (being 14 February 2023) 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 £6.0 million per annum over four years on investment capital expenditure. During the financial year ended 20 April 2023 the Group spent £43.0 million (FY22: £26.4 million) on maintenance capital expenditure and £27.1 million (FY22: £21.6 million) on investment capital expenditure, a total of £70.1 million (FY22: £48.0 million).

Contractual commitments and contingencies

As at 20 April 2023 the Group had capital expenditure contracted but not provided of £17.6 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 20 April 2023.

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/

During the year the Group has made good progress on its ESG agenda, including:

- On track to reduce carbon emissions by 30% by 2030 from a baseline of 2020 via a set of clear targets on renewable energy, electric fleet, water usage and recycling targets.
- Confirming the commitment to achieve Net Zero by 2050 for scope 1 and scope 2 greenhouse gas emissions.
- Continued commitment to social standards via the continuation of charitable giving, high focus on health and safety standards and the development of a clear Diversity, Equity and Inclusion vision.
- Strong governance continues to ensure effective regulatory compliance and board accountability with appropriate risk management.

Corporate update

Center Parcs remain committed to identifying and securing a sixth site in the South-East of England. The search for a site is progressing well.

Whilst Center Parcs Ireland is outside the UK debt structure, it has continued to trade exceptionally well, 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 is in great shape.

Demand for Center Parcs breaks has continued to be very strong with 46% of capacity for FY24 sold at the start of the new financial year compared to 50% at the start of FY23 and 45% at the start of FY20, the last comparative year before the impact of Covid-19.

Demonstrating the continued strength of demand since the start of the financial year, at 30 June 2023, the rate of sale has accelerated with 60% of capacity for FY24 now sold, in line with the prior year and compared to 57% in 2019 for FY20.

We have previously stated ADR comparisons are difficult due to the impact of capacity restrictions in FY22 and their removal at the start of FY23. This influenced prior years bookings patterns and resulted in an untypical development of the ADR, particularly for Quarter 1 FY23, and we expect this to influence comparisons through to the half year.

Notwithstanding this 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 12 weeks ended 13 July 2023 and it is expected this report will be published in early Autumn.

Investor conference call

An investor conference call will be held on Wednesday 12 July at 2pm (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 can register for the call at
https://event.webcasts.com/starthere.jsp?ei=1624566&tp_key=0f046445dc

Investors wishing to ask questions at the end of the presentation can do so via webchat or ask a verbal question by using the below dial-in numbers and the Participant Passcode 135534.

Location	Purpose	Phone Type	Phone Number
Ireland, Dublin	Dial-in	Local	+353 (0)1 246 5637
United Kingdom, Local	Dial-in	Local	+44 (0)330 165 3646
United States/Canada	Dial-in	Tollfree/Freephone	800-776-0420

Katrina Jamieson
Chief Finance Officer

Enquiries

Paul Mann
Group Financial Controller

Katrina Jamieson
Chief Finance Officer

Audited income statement for the 52 weeks ended 20 April 2023

	52 weeks ended 20 April 2023			52 weeks ended 21 April 2022		
	Before adjusted items £m	**Adjusted items £m**	**Total £m**	**Before adjusted items £m**	**Adjusted items £m**	**Total £m**
Revenue	**593.8**	**-**	**593.8**	**503.4**	**-**	**503.4**
Cost of sales	(161.4)	-	(161.4)	(128.4)	-	(128.4)
Gross profit	**432.4**	**-**	**432.4**	**375.0**	**-**	**375.0**
Administrative expenses	(157.4)	-	(157.4)	(129.4)	-	(129.4)
Depreciation and amortisation	(64.0)	-	(64.0)	(62.4)	-	(62.4)
Total operating expenses	(221.4)	-	(221.4)	(191.8)	-	(191.8)
Operating profit	**211.0**	**-**	**211.0**	**183.2**	**-**	**183.2**
Movement in fair value of financial derivatives	-	(11.3)	(11.3)	-	(12.1)	(12.1)
Finance income	1.6	-	1.6	0.2	-	0.2
Finance expense	(114.2)	-	(114.2)	(105.1)	-	(105.1)
Profit/(loss) before taxation	**98.4**	**(11.3)**	**87.1**	**78.3**	**(12.1)**	**66.2**
Taxation	(18.4)	3.7	(14.7)	(20.3)	(23.6)	(43.9)
Profit/(loss) for the period attributable to equity shareholders	**80.0**	**(7.6)**	**72.4**	**58.0**	**(35.7)**	**22.3**

EBITDA is derived from the table above as follows:

	52 weeks ended 20 April 2023 £m	52 weeks ended 21 April 2022 £m
Revenue	**593.8**	**503.4**
Cost of sales	(161.4)	(128.4)
Gross profit	**432.4**	**375.0**
Administrative expenses	(157.4)	(129.4)
EBITDA	**275.0**	**245.6**

Finance expense in the 52 weeks ended 20 April 2023 includes amortisation of deferred issue costs of £5.4 million (FY22: £3.6 million). This includes accelerated amortisation of deferred issue costs of £1.6 million (FY22: £nil) in respect of the A2 secured notes that were refinanced during the financial year and settled on 24 April 2023. A premium payable on settlement of the A2 notes totalling £9.4 million (FY22: £nil) is also included in Finance expense.

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 an £11.3 million loss on the fair value of financial derivatives. Taxation on this loss is 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 £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%.

Unaudited income statement for the 16 weeks ended 20 April 2023

	16 weeks ended 20 April 2023			16 weeks ended 21 April 2022		
	Before adjusted items £m	**Adjusted items £m**	**Total £m**	**Before adjusted items £m**	**Adjusted items £m**	**Total £m**
Revenue	**167.2**	**-**	**167.2**	**148.6**	**-**	**148.6**
Cost of sales	(51.5)	-	(51.5)	(42.4)	-	(42.4)
Gross profit	**115.7**	**-**	**115.7**	**106.2**	**-**	**106.2**
Administrative expenses	(54.3)	-	(54.3)	(46.1)	-	(46.1)
Depreciation and amortisation	(18.5)	-	(18.5)	(17.0)	-	(17.0)
Total operating expenses	(72.8)	-	(72.8)	(63.1)	-	(63.1)
Operating profit	**42.9**	**-**	**42.9**	**43.1**	**-**	**43.1**
Movement in fair value of financial derivatives	-	(11.3)	(11.3)	-	(12.1)	(12.1)
Finance income	0.7	-	0.7	0.2	-	0.2
Finance expense	(43.7)	-	(43.7)	(32.0)	-	(32.0)
(Loss)/profit before taxation	**(0.1)**	**(11.3)**	**(11.4)**	**11.3**	**(12.1)**	**(0.8)**
Taxation	(18.4)	3.7	(14.7)	(20.3)	(23.6)	(43.9)
Loss for the period attributable to equity shareholders	**(18.5)**	**(7.6)**	**(26.1)**	**(9.0)**	**(35.7)**	**(44.7)**

EBITDA is derived from the table above as follows:

	16 weeks ended 20 April 2023 £m	16 weeks ended 21 April 2022 £m
Revenue	**167.2**	**148.6**
Cost of sales	(51.5)	(42.4)
Gross profit	**115.7**	**106.2**
Administrative expenses	(54.3)	(46.1)
EBITDA	**61.4**	**60.1**

Audited balance sheet as at 20 April 2023

	As at 20 April 2023 £m	As at 21 April 2022 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**134.9**	136.2
Property, plant and equipment	**1,457.8**	1,450.1
Right-of-use assets	**31.0**	31.5
Retirement benefit surplus	**0.3**	1.0
	1,781.5	1,776.3
Current assets		
Inventories	**4.5**	3.6
Trade and other receivables	**11.6**	7.6
Current tax asset	**4.4**	1.3
Cash and cash equivalents	**59.0**	153.0
Restricted cash	**455.8**	-
Derivative financial instruments	**1.8**	13.1
	537.1	178.6
Liabilities		
Current liabilities		
Borrowings	**(440.0)**	-
Trade and other payables	**(256.1)**	(227.4)
	(696.1)	(227.4)
Net current liabilities	**(159.0)**	(48.8)
Non-current liabilities		
Borrowings	**(2,111.2)**	(1,906.5)
Lease liabilities	**(37.8)**	(37.3)
Deferred tax liability	**(129.0)**	(119.0)
	(2,278.0)	(2,062.8)
Net liabilities	**(655.5)**	(335.3)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(622.4)**	(302.2)
Total equity	**(655.5)**	(335.3)

Current trade and other payables include interest and capital accruals totalling £42.3 million (21 April 2022: £24.5 million) and taxation group relief creditors of £0.5 million (21 April 2022: £1.3 million).

Audited cash flow statement for the 52 weeks ended 20 April 2023

	52 weeks ended 20 April 2023 £m	52 weeks ended 21 April 2022 £m	**16 weeks ended 20 April 2023 £m**	16 weeks ended 21 April 2022 £m
Cash flows from operating activities				
Operating profit	**211.0**	183.2	**42.9**	43.1
Depreciation and amortisation	**64.0**	62.4	**18.5**	17.0
Working capital movements	**6.8**	38.5	**54.1**	46.4
Difference between the pension charge and contributions	**(0.8)**	(0.8)	**(0.2)**	(0.2)
Corporation tax paid	**(6.3)**	(4.9)	**(2.1)**	(2.9)
Payments for taxation group relief	**(1.3)**	(1.8)	**-**	(1.8)
Net cash from operating activities	**273.4**	276.6	**113.2**	101.6
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(61.2)**	(43.4)	**(18.0)**	(14.0)
Purchase of intangible assets	**(4.1)**	(3.2)	**(4.1)**	(3.2)
Sale of property, plant and equipment	**0.2**	0.3	**0.2**	0.3
Interest received	**1.6**	0.2	**0.7**	0.2
Net cash used in investing activities	**(63.5)**	(46.1)	**(21.2)**	(16.7)
Cash flows from/(used in) financing activities				
Repayment of external borrowings	**-**	(250.0)	**-**	-
Proceeds from external borrowings	**648.0**	255.0	**648.0**	-
Issue costs on secured debt	**(3.5)**	(3.0)	**(3.5)**	-
Break costs on secured debt	**-**	(2.7)	**-**	-
Repayment of working capital facility to shareholder	**-**	(70.0)	**-**	(70.0)
Interest paid	**(100.5)**	(100.6)	**(50.2)**	(49.9)
Repayment of lease liabilities	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Dividends paid	**(392.0)**	-	**(267.1)**	-
Net cash from/(used in) financing activities	**151.9**	(171.5)	**327.1**	(120.1)
Net increase/(decrease) in cash and cash equivalents, including restricted cash	**361.8**	59.0	**419.1**	(35.2)
Cash and cash equivalents at the beginning of the period	**153.0**	94.0	**95.7**	188.2
Cash and cash equivalents at the end of the period, including restricted cash	**514.8**	153.0	**514.8**	153.0
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash and cash equivalents, including restricted cash	**361.8**	59.0	**419.1**	(35.2)
Cash inflow from movement in debt	**(648.0)**	(5.0)	**(648.0)**	-
Change in net debt resulting from cash flows	**(286.2)**	54.0	**(228.9)**	(35.2)
Non-cash movements and deferred issue costs	**3.3**	(0.5)	**4.8**	(0.7)
Movement in net debt in the period	**(282.9)**	53.5	**(224.1)**	(35.9)
Net debt at the beginning of the period	**(1,753.5)**	(1,807.0)	**(1,812.3)**	(1,717.6)
Net debt at the end of the period	**(2,036.4)**	(1,753.5)	**(2,036.4)**	(1,753.5)

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.