CPUK FINANCE LIMITED

Operating and financial review for the 24 weeks ended 5 October 2023

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 5 October 2023 ("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.

Summary

- A strong Q2 performance delivering an excellent result that demonstrates the resilience of the business.
- Exceptional occupancy of 98.4% driven by continued guest demand with ADR in growth.
- The business performance was in line with expectations with revenue growth to £155.3 million and EBITDA comparable with last year at £80.7 million despite the temporary closure of Aqua Sana spa at Elveden in the quarter due to refurbishment. As previously reported, comparative measures normalise over the second half of the year as post-Covid effects such as unusual booking patterns were still evident in Q2 FY23.
- Bookings momentum continues and at 10 November 2023 83% of accommodation capacity for the current financial year has been sold compared to 83% at the same point in time in 2022 in respect of FY23 and ahead of pre pandemic levels of 81%.
- On village spend has continued in line with the previous trend with no notable changes in guest behaviour.
- The Group continues to have a robust liquidity position with cash and cash equivalents of £38.6 million at 5 October 2023 and cash of £57.5 million at 9 November 2023.
- The expectation remains that the Group will grow ADR and EBITDA for the full FY24 financial year and the current bookings reflect this trajectory.

Financial highlights

<u>Half year</u>

- Revenue of £287.6 million (FY23: £282.5 million).
- The Group achieved EBITDA of £139.0 million (FY23: £146.5 million) with occupancy of 98.0%.
- ADR remains in line with expectations given the post-Covid pandemic events, including unusual booking patterns in the first half of the prior financial year.
- Liquidity remains robust with the Group holding cash and cash equivalents of £38.6 million at 5 October 2023.

Quarter 2

- Revenue of £155.3 million (FY23: £150.0 million).

- The Group achieved EBITDA of £80.7 million (FY23: £80.7 million) with occupancy of 98.4%.

- As anticipated, ADR growth is weighted into the second half of the year and therefore the start of the growth was seen with a positive ADR increase in the quarter in comparison to the same period in the prior year.

Key performance indicators

	FY24 Half year	FY23 Half year	Variance
Revenue	£287.6m	£282.5m	+1.8%
EBITDA	£139.0m	£146.5m	(5.1)%
Occupancy	98.0%	97.6%	+0.4%
ADR	£243.92	£249.34	(2.2)%
RevPAL	£239.04	£243.35	(1.8)%

	FY24 Quarter 2	FY23 Quarter 2	Variance
Revenue	£155.3m	£150.0m	+3.5%
EBITDA	£80.7m	£80.7m	-
Occupancy	98.4%	98.0%	+0.4%
ADR	£268.48	£267.74	+0.3%
RevPAL	£264.24	£262.27	+0.8%

Results of operations for H1 FY24

Revenue

Revenue was £287.6 million. Occupancy achieved was 98.0%, comparable to levels seen prior to the Covid pandemic and demonstrative of continued guest loyalty.

The number of units of accommodation at 5 October 2023 was 4,334.

Cost of sales

Cost of sales was £80.6 million compared to £71.8 million in the prior financial year, reflecting the ongoing impact of inflationary cost increases.

Administrative expenses

Administrative expenses of £68.0 million were incurred compared to £64.2 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was £139.0 million in line with expectations given the post-Covid effects such as unusual booking patterns seen in the prior year.

Depreciation and amortisation

Depreciation and amortisation was £30.5 million, broadly in line with 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 £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 £3.0 million was paid during the period, with £1.8 million received in respect of group relief. In the comparative period corporation tax of £4.2 million was paid.

Cash Flow and Liquidity

As at 5 October 2023 the Group had cash and cash equivalents of £38.6 million (6 October 2022: £84.4 million) and negative working capital of £176.2 million (6 October 2022: £178.8 million).

Net cash from operating activities was £116.2 million and net cash used in investing activities was £32.6 million (FY23: £129.0 million and £26.6 million respectively).

Dividends totalling £53.0 million were paid during the second quarter.

<u>Restricted cash</u>

The Group had no restricted cash as at 5 October 2023.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' lodge refurbishment programme. As at 5 October 2023 2,985 units of accommodation have been upgraded to the 'Summer' standard, representing 73.9% of the total stock to be upgraded.

New builds

During the quarter the Group completed the construction of a new concept lodge at Sherwood, the 'Woodland Explorer Lodge'.

No units of accommodation are currently under construction, although there are further in-fill opportunities at the existing villages that are currently in the detailed design phase.

Other significant capital expenditure

As previously advised, the Group has undertaken a project to significantly upgrade the 'Aqua Sana' spa facilities and accompanying food and beverage facilities at Elveden. This project required the closure of the spa to guests. The spa re-opened to guests on 29 September and is trading well and in line with expectations.

Financial covenants

The FCF:DSCR ratios at the most recent Financial Covenant Test Date (being 14 August 2023) were 3.8 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 half year ended 5 October 2023 the Group spent £18.0 million (FY23: £16.0 million) on maintenance capital expenditure and £10.7 million (FY23: £10.4 million) on investment capital expenditure, a total of £28.7 million (FY23: £26.4 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 statutory financial statements of Center Parcs (Holdings 1) Limited for the 52 weeks ended 20 April 2023 also provide an extensive overview of the Group's activities in these areas.

The Group continues to make good progress on its ESG agenda and is on track to reduce carbon emission by 30% by 2030 from its 2020 baseline. 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 and site search options are being narrowed down. Further updates will be provided in due course.

Whilst Center Parcs Ireland is outside the UK debt structure, it has continued to trade well in the first half of FY24. Plans are progressing to expand the village; any such expansion would be financed outside of the UK debt structure.

Future outlook

Center Parcs continues to perform strongly as evidenced by an excellent first half result despite the macro economic environment. There is strong demand, continued excellent guest satisfaction scores and strong cash generation.

Strong momentum for Center Parcs breaks continues with 83% of capacity for the current financial year sold at 10 November 2023 compared to 83% at the same time in FY23 and 81% in FY20, the last comparative year before the impact of the Covid pandemic.

ADR comparisons have been difficult in the first half of the year due to post-Covid effects such as unusual booking patterns over the first half of FY23. However in the second half of the year comparatives normalise and ADR growth on bookings to date are in line with original planning assumptions.

On village spend continues with no notable changes in guest behaviour year on year. Robust cost controls are in place and increases are recovered appropriately within EBITDA.

Cash generation remains strong and the business continues to deliver excellent Free Cash Flow.

We expect to see an overall increase in ADR and a continued positive development in EBITDA for the full year as inflationary headwinds continue to be recovered.

The next operating and financial review will be for the 36 weeks ended 28 December 2023 and it is expected this report will be published in February 2024.

Investor Conference Call

An investor conference call will be held on 17 November 2023 at 9.30am (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 can register for the call at:

https://event.webcasts.com/starthere.jsp?ei=1643987&tp_key=08e4fc9122

Katrina Jamieson
Chief Finance Officer

Enquiries

Paul Mann
Group Financial Controller

Katrina Jamieson
Chief Finance Officer

Unaudited income statement for the 24 weeks ended 5 October 2023

	24 weeks ended 5 October 2023 £m	24 weeks ended 6 October 2022 £m
Revenue	**287.6**	**282.5**
Cost of sales	(80.6)	(71.8)
Gross profit	**207.0**	**210.7**
Administrative expenses	(68.0)	(64.2)
Depreciation and amortisation	(30.5)	(30.3)
Total operating expenses	(98.5)	(94.5)
Operating profit	**108.5**	**116.2**
Finance income	1.8	0.6
Finance expense	(51.4)	(47.5)
Profit before taxation	**58.9**	**69.3**
Taxation	-	-
Profit for the period attributable to equity shareholders	**58.9**	**69.3**

EBITDA is derived from the table above as follows:

	24 weeks ended 5 October 2023 £m	24 weeks ended 6 October 2022 £m
Revenue	**287.6**	**282.5**
Cost of sales	(80.6)	(71.8)
Gross profit	**207.0**	**210.7**
Administrative expenses	(68.0)	(64.2)
EBITDA	**139.0**	**146.5**

Finance expense in the 24 weeks ended 5 October 2023 includes amortisation of deferred issue costs of £1.5 million (FY23: £1.8 million).

Unaudited income statement for the 12 weeks ended 5 October 2023

	12 weeks ended 5 October 2023 £m	12 weeks ended 6 October 2022 £m
Revenue	**155.3**	**150.0**
Cost of sales	(40.7)	(36.8)
Gross profit	**114.6**	**113.2**
Administrative expenses	(33.9)	(32.5)
Depreciation and amortisation	(15.2)	(15.2)
Total operating expenses	(49.1)	(47.7)
Operating profit	**65.5**	**65.5**
Finance income	0.7	0.4
Finance expense	(25.5)	(23.6)
Profit before taxation	**40.7**	**42.3**
Taxation	-	-
Profit for the period attributable to equity shareholders	**40.7**	**42.3**

EBITDA is derived from the table above as follows:

	12 weeks ended 5 October 2023 £m	12 weeks ended 6 October 2022 £m
Revenue	**155.3**	**150.0**
Cost of sales	(40.7)	(36.8)
Gross profit	**114.6**	**113.2**
Administrative expenses	(33.9)	(32.5)
EBITDA	**80.7**	**80.7**

Unaudited balance sheet as at 5 October 2023

	As at 5 October 2023 £m	As at 6 October 2022 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**133.9**	134.5
Property, plant and equipment	**1,457.2**	1,448.0
Right-of-use assets	**33.9**	31.3
Retirement benefit surplus	**0.7**	1.4
	1,783.2	1,772.7
Current assets		
Inventories	**5.4**	4.1
Trade and other receivables	**16.0**	13.4
Current tax asset	**7.4**	5.5
Cash and cash equivalents	**38.6**	84.4
Derivative financial instruments	**1.8**	13.1
	69.2	120.5
Liabilities		
Current liabilities		
Trade and other payables	**(219.9)**	(216.2)
	(219.9)	(216.2)
Net current liabilities	**(150.7)**	(95.7)
Non-current liabilities		
Borrowings	**(2,112.0)**	(1,907.5)
Lease liabilities	**(41.1)**	(37.4)
Deferred tax liability	**(129.0)**	(119.0)
	(2,282.1)	(2,063.9)
Net liabilities	**(649.6)**	(386.9)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(616.5)**	(353.8)
Total equity	**(649.6)**	(386.9)

Current trade and other payables include interest and capital accruals totalling £20.0 million (6 October 2022: £19.9 million) and taxation group relief creditors of £2.3 million (6 October 2022: £nil).

Unaudited cash flow statement for the 24 weeks ended 5 October 2023

	24 weeks ended 5 October 2023 £m	24 weeks ended 6 October 2022 £m	**12 weeks ended 5 October 2023 £m**	12 weeks ended 6 October 2022 £m
Cash flows from operating activities				
Operating profit	**108.5**	116.2	**65.5**	65.5
Depreciation and amortisation	**30.5**	30.3	**15.2**	15.2
Working capital movements	**(21.0)**	(11.6)	**(10.7)**	(25.1)
Profit on sale of property, plant and equipment	**(0.2)**	-	**(0.1)**	-
Difference between the pension charge and contributions	**(0.4)**	(0.4)	**(0.2)**	(0.2)
Receipts/(payments) in respect of taxation group relief	**1.8**	(1.3)	**-**	(1.3)
Corporation tax paid	**(3.0)**	(4.2)	**(1.0)**	(2.2)
Net cash from operating activities	**116.2**	129.0	**68.7**	51.9
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(34.6)**	(27.2)	**(16.4)**	(13.1)
Sale of property, plant and equipment	**0.2**	-	**0.1**	-
Interest received	**1.8**	0.6	**0.7**	0.4
Net cash used in investing activities	**(32.6)**	(26.6)	**(15.6)**	(12.7)
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	**(54.0)**	(50.1)	**(48.8)**	(49.8)
Dividends paid	**(53.0)**	(120.9)	**(53.0)**	(120.9)
Net cash used in financing activities	**(559.8)**	(171.0)	**(101.8)**	(170.7)
Net decrease in cash and cash equivalents, including restricted cash	**(476.2)**	(68.6)	**(48.7)**	(131.5)
Cash and cash equivalents at the beginning of the period, including restricted cash	**514.8**	153.0	**87.3**	215.9
Cash and cash equivalents at the end of the period	**38.6**	84.4	**38.6**	84.4
Reconciliation of net cash flow to movement in net debt				
Decrease in cash and cash equivalents	**(476.2)**	(68.6)	**(48.7)**	(131.5)
Cash outflow from movement in debt	**440.0**	-	**-**	-
Change in net debt resulting from cash flows	**(36.2)**	(68.6)	**(48.7)**	(131.5)
Non-cash movements and deferred issue costs	**(0.8)**	(1.0)	**(0.4)**	(0.5)
Movement in net debt in the period	**(37.0)**	(69.6)	**(49.1)**	(132.0)
Net debt at the beginning of the period	**(2,036.4)**	(1,753.5)	**(2,024.3)**	(1,691.1)
Net debt at the end of the period	**(2,073.4)**	(1,823.1)	**(2,073.4)**	(1,823.1)

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.