CPUK FINANCE LIMITED

Operating and financial review for the 36 weeks ended 28 December 2023

In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 36 weeks ended 28 December 2023 ("Q3 YTD"). 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

- An excellent Q3 performance delivering good growth demonstrating the resilience of the business and continual appeal of the business to guests.

- Q3 occupancy of 95.4% driven by continued guest demand with ADR growth as anticipated. The phasing of the lodge refurbishment programme leads to slightly more lodges offline this quarter.

- Revenue grew by 5.3% year on year to £151.7million with EBITDA growth of 3.9% to £69.7 million. Comparative measures have now normalised after the unusual booking patterns experienced post-pandemic that were still impacting H1 FY23.

- Strong bookings continue and at 2 February 2024 93% of accommodation capacity for the current financial year has been sold, comparable with the same point in time in 2023 in respect of FY23.

- Guests are continuing to spend on village in line with the year to date trend.

- Guest feedback has been extremely positive for the quarter demonstrating the continued strength of the brand. The strong guest satisfaction scores demonstrate the continued investment in the infrastructure and our people in order to continue to offer a unique differentiated guest experience.

- The Group continues to have a robust liquidity position with cash and cash equivalents of £31.9 million at 28 December 2023 and cash of £59.8 million at 1 February 2024.

- The expectation remains that the Group will grow ADR and EBITDA for the full FY24 financial year and the current bookings and guest behaviour on village continue to reflect this trajectory. FY25 bookings are in line with prior year levels with ADR growth.

Financial highlights

Q3 YTD

- Revenue growth of 3.0% to £439.3 million (FY23: £426.6 million).

- The Group achieved EBITDA of £208.7 million (FY23: £213.6 million) with occupancy of 97.1%.

- ADR remains in line with expectations including unusual booking patterns in the first half of the prior financial year, and comparatives have now normalised in Q3.

- Liquidity remains robust with the Group holding cash and cash equivalents of £31.9 million at 28 December 2023.

Quarter 3

- Revenue of £151.7 million (FY23: £144.1 million).
- The Group achieved EBITDA of £69.7 million (FY23: £67.1 million) with occupancy of 95.4%.
- As anticipated, ADR growth is weighted into the second half of the financial year and the 3.0% increase in comparison to the same quarter in the previous year is in line with this planning assumption.

Key performance indicators

	FY24 Q3 YTD	FY23 Q3 YTD	Variance
Revenue	£439.3m	£426.6m	+3.0%
EBITDA	£208.7m	£213.6m	(2.3)%
Occupancy	97.1%	97.3%	(0.2)%
ADR	£251.01	£252.14	(0.4)%
RevPAL	£243.83	£245.41	(0.6)%

	FY24 Quarter 3	FY23 Quarter 3	Variance
Revenue	£151.7m	£144.1m	+5.3%
EBITDA	£69.7m	£67.1m	+3.9%
Occupancy	95.4%	96.7%	(1.3)%
ADR	£265.58	£257.81	+3.0%
RevPAL	£253.41	£249.32	+1.6%

Results of operations for Q3 YTD FY24

Revenue

Revenue was £439.3 million. Occupancy achieved was 97.1%, in line with prior year and comparable to levels seen prior to the Covid pandemic.

The number of units of accommodation at 28 December 2023 was 4,334.

Cost of sales

Cost of sales was £123.3 million compared to £109.9 million in the prior financial year, reflecting the ongoing impact of inflationary cost increases.

Administrative expenses

Administrative expenses of £107.3 million were incurred compared to £103.1 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was £208.7 million taking into account the post-Covid effects such as unusual booking patterns seen in the prior year. The second half of the year is expected to deliver normalised growth as guest booking behaviour has returned to pre-pandemic patterns.

Depreciation and amortisation

Depreciation and amortisation was £45.8 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, with a further £1.3 million paid in respect of group relief.

Cash Flow and Liquidity

As at 28 December 2023 the Group had cash and cash equivalents of £31.9 million (29 December 2022: £95.7 million) and negative working capital of £141.4 million (29 December 2022: £143.1 million).

Net cash from operating activities was £150.9 million and net cash used in investing activities was £54.7 million (FY23: £160.2 million and £42.3 million respectively).

Dividends totalling £19.0 million were paid during the third quarter.

Restricted cash

The Group had no restricted cash as at 28 December 2023.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' lodge refurbishment programme. As at 28 December 2023 3,243 units of accommodation have been upgraded to the 'Summer' standard, representing 80.3% of the total stock to be upgraded.

New builds

We have planning permission to build a small number of additional lodges across the villages, with construction of 13 lodges at Elveden underway.

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 36 weeks ended 28 December 2023 the Group spent £27.7 million (FY23: £23.4 million) on maintenance capital expenditure and £21.8 million (FY23: £15.5 million) on investment capital expenditure, a total of £49.5 million (FY23: £38.9 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 has progressed well in the last quarter and further updates will be provided in due course.

Whilst Center Parcs Ireland is outside the UK debt structure, it has continued to trade well. Planning permission is granted to expand the village; any such expansion would be financed outside of the UK debt structure.

Future outlook

Strong momentum for Center Parcs breaks continues with 93% of capacity for the current financial year sold at 2 February 2024 comparable to the same time in 2023 for FY23. Guests are more satisfied than ever providing excellent post-stay scores that will continue to drive repeat bookings.

ADR growth on bookings to date is in line with our planning assumptions. As anticipated growth is weighted into the second half and Q3 has stepped up in line with this trajectory.

On village spend continues with no downward trends. Robust cost control continue to be in place and increases are recovered appropriately within EBITDA.

Capital investment remains appropriate to continue to deliver the exceptional guest experience whilst generating excellent Free Cash Flow.

We expect to see an overall increase in ADR and a continued positive development in EBITDA over the next quarter to deliver robust full year growth as comparatives normalise over the second half. Inflationary headwinds continue to be recovered.

FY25 bookings are in line with prior levels with ADR growth.

The next operating and financial review will be for the 52 weeks ended 18 April 2024 and it is expected this report will be published in July 2024.

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Chief Finance Officer

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Group Financial Controller

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Chief Finance Officer

Unaudited income statement for the 36 weeks ended 28 December 2023

	36 weeks ended 28 December 2023 £m	36 weeks ended 29 December 2022 £m
Revenue	**439.3**	**426.6**
Cost of sales	(123.3)	(109.9)
Gross profit	**316.0**	**316.7**
Administrative expenses	(107.3)	(103.1)
Depreciation and amortisation	(45.8)	(45.5)
Total operating expenses	(153.1)	(148.6)
Operating profit	**162.9**	**168.1**
Finance income	2.3	0.9
Finance expense	(76.3)	(70.5)
Profit before taxation	**88.9**	**98.5**
Taxation	-	-
Profit for the period attributable to equity shareholders	**88.9**	**98.5**

EBITDA is derived from the table above as follows:

	36 weeks ended 28 December 2023 £m	36 weeks ended 29 December 2022 £m
Revenue	**439.3**	**426.6**
Cost of sales	(123.3)	(109.9)
Gross profit	**316.0**	**316.7**
Administrative expenses	(107.3)	(103.1)
EBITDA	**208.7**	**213.6**

Finance expense in the 36 weeks ended 28 December 2023 includes amortisation of deferred issue costs of £2.3 million (FY23: £2.7 million).

Unaudited income statement for the 12 weeks ended 28 December 2023

	12 weeks ended 28 December 2023 £m	12 weeks ended 29 December 2022 £m
Revenue	**151.7**	**144.1**
Cost of sales	(42.7)	(38.1)
Gross profit	**109.0**	**106.0**
Administrative expenses	(39.3)	(38.9)
Depreciation and amortisation	(15.3)	(15.2)
Total operating expenses	(54.6)	(54.1)
Operating profit	**54.4**	**51.9**
Finance income	0.5	0.3
Finance expense	(24.9)	(23.0)
Profit before taxation	**30.0**	**29.2**
Taxation	-	-
Profit for the period attributable to equity shareholders	**30.0**	**29.2**

EBITDA is derived from the table above as follows:

	12 weeks ended 28 December 2023 £m	12 weeks ended 29 December 2022 £m
Revenue	**151.7**	**144.1**
Cost of sales	(42.7)	(38.1)
Gross profit	**109.0**	**106.0**
Administrative expenses	(39.3)	(38.9)
EBITDA	**69.7**	**67.1**

Unaudited balance sheet as at 28 December 2023

	As at 28 December 2023 £m	As at 29 December 2022 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**133.6**	133.7
Property, plant and equipment	**1,463.2**	1,446.3
Right-of-use assets	**33.8**	31.1
Retirement benefit surplus	**0.9**	1.6
	1,789.0	1,770.2
Current assets		
Inventories	**5.1**	4.5
Trade and other receivables	**16.5**	12.4
Current tax asset	**7.4**	5.5
Cash and cash equivalents	**31.9**	95.7
Derivative financial instruments	**1.8**	13.1
	62.7	131.2
Liabilities		
Current liabilities		
Trade and other payables	**(207.6)**	(198.4)
	(207.6)	(198.4)
Net current liabilities	**(144.9)**	(67.2)
Non-current liabilities		
Borrowings	**(2,112.3)**	(1,908.0)
Lease liabilities	**(41.4)**	(37.7)
Deferred tax liability	**(129.0)**	(119.0)
	(2,282.7)	(2,064.7)
Net liabilities	**(638.6)**	(361.7)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(605.5)**	(328.6)
Total equity	**(638.6)**	(361.7)

Current trade and other payables include interest and capital accruals totalling £42.3 million (29 December 2022: £38.4 million) and taxation group relief creditors of £2.3 million (29 December 2022: £nil).

Unaudited cash flow statement for the 36 weeks ended 28 December 2023

	36 weeks ended 28 December 2023 £m	36 weeks ended 29 December 2022 £m	**12 weeks ended 28 December 2023 £m**	12 weeks ended 29 December 2022 £m
Cash flows from operating activities				
Operating profit	**162.9**	168.1	**54.4**	51.9
Depreciation and amortisation	**45.8**	45.5	**15.3**	15.2
Working capital movements	**(55.8)**	(47.3)	**(34.8)**	(35.7)
Profit on sale of property, plant and equipment	**(0.2)**	-	**-**	-
Difference between the pension charge and contributions	**(0.6)**	(0.6)	**(0.2)**	(0.2)
Corporation tax paid	**(3.0)**	(4.2)	**-**	-
Receipts/(payments) in respect of taxation group relief	**1.8**	(1.3)	**-**	-
Net cash from operating activities	**150.9**	160.2	**34.7**	31.2
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(57.2)**	(43.2)	**(22.6)**	(16.0)
Sale of property, plant and equipment	**0.2**	-	**-**	-
Interest received	**2.3**	0.9	**0.5**	0.3
Net cash used in investing activities	**(54.7)**	(42.3)	**(22.1)**	(15.7)
Cash flows used in financing activities				
Repayment of external borrowings	**(440.0)**	-	**-**	-
Issue costs on secured debt	**(3.5)**	-	**(0.1)**	-
Break costs on secured debt	**(9.4)**	-	**-**	-
Repayment of lease liabilities	**(0.1)**	-	**(0.1)**	-
Interest paid	**(54.1)**	(50.3)	**(0.1)**	(0.2)
Dividends paid	**(72.0)**	(124.9)	**(19.0)**	(4.0)
Net cash used in financing activities	**(579.1)**	(175.2)	**(19.3)**	(4.2)
Net (decrease)/increase in cash and cash equivalents, including restricted cash	**(482.9)**	(57.3)	**(6.7)**	11.3
Cash and cash equivalents at the beginning of the period, including restricted cash	**514.8**	153.0	**38.6**	84.4
Cash and cash equivalents at the end of the period	**31.9**	95.7	**31.9**	95.7
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	**(482.9)**	(57.3)	**(6.7)**	11.3
Cash outflow from movement in debt	**440.0**	-	**-**	-
Change in net debt resulting from cash flows	**(42.9)**	(57.3)	**(6.7)**	11.3
Non-cash movements and deferred issue costs	**(1.1)**	(1.5)	**(0.3)**	(0.5)
Movement in net debt in the period	**(44.0)**	(58.8)	**(7.0)**	10.8
Net debt at the beginning of the period	**(2,036.4)**	(1,753.5)	**(2,073.4)**	(1,823.1)
Net debt at the end of the period	**(2,080.4)**	(1,812.3)	**(2,080.4)**	(1,812.3)

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.