CPUK FINANCE LIMITED

Operating and financial review for the 12 weeks ended 15 July 2021

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 15 July 2021 ("the quarter"). 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

- An excellent start to the new financial year with the Group generating EBITDA of £44.5 million for the quarter, despite operating to self-imposed capacity restrictions.
- The Group continues to have a robust liquidity position with cash and cash equivalents of £167.0 million at 15 July 2021 and £175.8 million at 19 August 2021.
- No further funding drawdowns into the securitised structure from Brookfield during the quarter.
- The villages remain open as at the date of this report, having successfully re-opened on 12 April 2021 initially with no pool or certain activities until 17 May 2021.
- Bookings for FY22 remain strong and occupancy at 13 August 2021 is 65.2% compared to 64.7% at the same point in FY20. ADR also remains ahead of the same point in time in FY21 and FY20.

Financial highlights

- Revenue of £93.2 million (FY21: £1.2 million, FY20: £109.9 million). Comparisons to prior years are impacted by the previously reported Covid-19 driven village closures and self-imposed restrictions on capacity during the quarter.
- The Group achieved an EBITDA profit of £44.5 million (FY21: loss of £19.7 million, FY20: profit of £51.2 million).
- Occupancy of 73.8% compared to 98.1% in FY20.
- ADR compared to FY20 reflects the Group's ongoing yield management strategy that includes smaller accommodation units being taken off sale when operating with reduced capacity.
- Liquidity remains robust with the Group holding cash and cash equivalents of £167.0 million at 15 July 2021.

Key performance indicators

	FY22 Quarter 1	FY21 Quarter 1	FY20 Quarter 1
Revenue	£93.2m	£1.2m	£109.9m
EBITDA	£44.5m	£(19.7)m	£51.2m
Occupancy	73.8%	N/A	98.1%
ADR	£224.68	N/A	£184.21
RevPAL	£165.77	N/A	£180.65

As a result of closures due to the Covid-19 pandemic, the villages were only open for one break in the first quarter of FY21.

Results of operations for the 12-week period ended 15 July 2021

Revenue

Revenue of £93.2 million was recognised in the quarter. All of the villages were open for the full quarter, although self-imposed capacity restrictions were in place and the pool and certain activities were not available until 17 May 2021. Occupancy achieved was 73.8%.

The number of units of accommodation at 15 July 2021 was 4,335 compared to 4,329 at 16 July 2020. The movement reflects the construction of six new units of accommodation in the year to 22 April 2021.

Cost of sales

Cost of sales of £25.3 million was recognised in the quarter, compared to £3.8m in the first quarter of the prior financial year.

Administrative expenses

Administrative expenses of £23.4 million were incurred in the quarter, compared to £17.1 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA for the quarter was a profit of £44.5 million.

Depreciation and amortisation

Depreciation and amortisation for the quarter was £15.2 million compared to £12.4 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 £1.0 million was paid during the quarter compared with £nil in the comparative period.

Cash Flow

As at 15 July 2021 the Group had cash and cash equivalents of £167.0 million (16 July 2020: £102.2 million) and negative working capital of £197.7 million (16 July 2020: £177.6 million).

Net cash from operating activities was £89.1 million and net cash used in investing activities was £13.1 million in the quarter. In the comparative period in the prior year net cash used in operating activities was £24.6 million and net cash used in investing activities was £6.6 million.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' refurbishment cycle. As at 15 July 2021 2,252 units of accommodation have been upgraded to the 'Summer' standard, representing 55.8% 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.

The FCF: DSCR ratios at the most recent Financial Covenant Test Date (being 19 August 2021) were 2.2 times in respect of the Class A Notes and 1.3 times in respect of the Class B Notes.

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 12 weeks ended 15 July 2021 the Group spent £2.6 million (FY21: £4.0 million) on maintenance capital expenditure and £5.6 million (FY21: £1.9 million) on investment capital expenditure, a total of £8.2 million (FY21: £5.9 million).

Environmental, Social and Corporate Governance ("ESG")

The Group remains fully committed to ESG principles. Having exceeded previously set sustainability targets for 2020, the Group is now updating its environmental agenda. Later in the calendar year, and as previously advised, the Group will introduce a new framework for ESG reporting which will include new targets and an update on its social and corporate governance policies.

Ireland village update

For information only, Center Parcs Longford Forest in Ireland re-opened to guests on 4 June 2021 and remains open as at the date of this report.

Longford Forest is owned and operated by Center Parcs Ireland Limited, and this entity remains completely outside the WBS structure and has separate funding.

Future outlook

Despite the ongoing uncertainty surrounding the Covid-19 pandemic, demand for Center Parcs breaks remains very strong with occupancy for FY22 currently 65.2% as at 13 August 2021 compared to 64.7% at the same time in FY20. ADR on bookings for FY22 is also higher than that for bookings taken at the same time last year and the year before.

Center Parcs continues to operate self-imposed capacity limits which will be regularly reviewed. Further increases will be cautiously effected to ensure the ongoing safety of our guests and employees.

The next operating and financial review will be for the 24 weeks ended 7 October 2021 and it is expected this report will be published in November 2021.

Colin McKinlay
Chief Financial Officer

Enquiries

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Chief Financial Officer

Unaudited income statement for the 12 weeks ended 15 July 2021

	12 weeks ended 15 July 2021 £m	12 weeks ended 16 July 2020 £m
Revenue	**93.2**	**1.2**
Cost of sales	(25.3)	(3.8)
Gross profit/(loss)	**67.9**	**(2.6)**
Administrative expenses	(23.4)	(17.1)
Depreciation and amortisation	(15.2)	(12.4)
Total operating expenses	(38.6)	(29.5)
Operating profit/(loss)	**29.3**	**(32.1)**
Finance income	-	-
Finance expense	(26.6)	(22.2)
Profit/(loss) before taxation	**2.7**	**(54.3)**
Taxation	-	-
Profit/(loss) for the period attributable to equity shareholders	**2.7**	**(54.3)**

EBITDA is derived from the table above as follows:

	2021 £m	2020 £m
Revenue	**93.2**	**1.2**
Cost of sales	(25.3)	(3.8)
Gross profit/(loss)	**67.9**	**(2.6)**
Administrative expenses	(23.4)	(17.1)
EBITDA	**44.5**	**(19.7)**

Finance expense in the 12 weeks ended 15 July 2021 includes amortisation of deferred issue costs of £0.8 million (FY21: £0.8 million).

Unaudited balance sheet as at 15 July 2021

	As at 15 July 2021 £m	As at 16 July 2020 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**139.9**	146.6
Property, plant and equipment	**1,453.6**	1,467.8
Right-of-use assets	**32.0**	32.5
Deferred tax asset	**0.1**	0.4
	1,783.1	1,804.8
Current assets		
Inventories	**3.8**	2.1
Trade and other receivables	**6.2**	7.1
Current tax asset	**2.3**	8.6
Cash and cash equivalents	**167.0**	102.2
Derivative financial instruments	**25.2**	-
	204.5	120.0
Liabilities		
Current liabilities		
Borrowings	**(70.0)**	(0.1)
Trade and other payables	**(249.4)**	(229.5)
	(319.4)	(229.6)
Net current liabilities	**(114.9)**	(109.6)
Non-current liabilities		
Borrowings	**(1,904.9)**	(1,881.7)
Lease liabilities	**(37.2)**	(36.7)
Retirement benefit obligations	**(0.4)**	(1.4)
Deferred tax liability	**(81.1)**	(111.1)
	(2,023.6)	(2,030.9)
Net liabilities	**(355.4)**	(335.7)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	69.0
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(322.3)**	(251.7)
Total equity	**(355.4)**	(335.7)

Current trade and other payables include interest and capital accruals totalling £39.9 million (16 July 2020: £40.9 million) and taxation group relief creditors of £1.8 million (16 July 2020: £1.8 million).

Unaudited cash flow statement for the 12 weeks ended 15 July 2021

	12 weeks ended 15 July 2021 £m	12 weeks ended 16 July 2020 £m
Cash flows from/(used in) operating activities		
Operating profit/(loss)	**29.3**	(32.1)
Depreciation and amortisation	**15.2**	12.4
Working capital movements	**45.8**	(4.7)
Difference between the pension charge and contributions	**(0.2)**	(0.2)
Corporation tax paid	**(1.0)**	-
Net cash from/(used in) operating activities	**89.1**	(24.6)
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(13.1)**	(6.6)
Interest received	**-**	-
Net cash used in investing activities	**(13.1)**	(6.6)
Cash flows (used in)/from 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)**	-
Receipt of working capital facility from parent company	**-**	70.0
Interest paid	**(2.7)**	(0.5)
Equity contribution	**-**	27.5
Net cash (used in)/from financing activities	**(3.0)**	97.0
Net increase in cash and cash equivalents	**73.0**	65.8
Cash and cash equivalents at the beginning of the period	**94.0**	36.4
Cash and cash equivalents at the end of the period	**167.0**	102.2
Reconciliation of net cash flow to movement in net debt		
Increase in cash and cash equivalents	**73.0**	65.8
Cash flow from movement in debt	**(5.0)**	-
Change in net debt resulting from cash flows	**68.0**	65.8
Non-cash movements and deferred issue costs	**1.1**	(0.5)
Movement in net debt in the period	**69.1**	65.3
Net debt at the beginning of the period	**(1,807.0)**	(1,844.9)
Net debt at the end of the period	**(1,737.9)**	(1,779.6)

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.