CPUK FINANCE LIMITED

Operating and financial review for the 36 weeks ended 30 December 2021

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 30 December 2021 ("year-to-date"). 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

- Very strong Quarter 3 and year-to-date results with the Group generating revenue of £354.8 million and EBITDA of £185.5 million.
- The year-to-date EBITDA is over 3% ahead of the last pre-Covid comparative year of trading (Quarter 3 year-to-date FY20) despite operating at self-imposed reduced capacity limits. EBITDA for Quarter 3 FY22 is over 6% ahead of Quarter 3 FY20.
- The Group continues to have a robust liquidity position with cash and cash equivalents of £188.2 million at 30 December 2021 and £243.1 million at 17 February 2022.
- No further funding drawdowns into the securitised structure from Brookfield during the quarter.
- Previously reported labour shortages are now showing early signs of improvement and the Group is increasing available capacity progressively over the final quarter of the financial year.
- Occupancy for FY22 is 81% as at 18 February 2022, reflecting self-imposed capacity restrictions during the course of the financial year. ADR remains ahead of the same point in time in FY21 and FY20.
- The encouraging start to FY23 continues with 35% of capacity sold at 18 February 2022 compared to 29% at the same point in time in 2020 for FY21.

Financial highlights

36 weeks ended 30 December 2021

- Revenue of £354.8 million (FY21: £114.9 million, FY20: £360.2 million). Comparisons to prior years are impacted by the previously reported Covid-19 driven village closures and the capacity restrictions noted above.
- The Group achieved EBITDA of £185.5 million (FY21: £11.6 million, FY20: £179.9 million).
- Occupancy of 79.8% compared to 98.0% in FY20.
- ADR compared to FY20 reflects smaller accommodation units being taken off sale when operating with reduced capacity and ongoing demand driven yield management optimisation actions.
- Liquidity remains robust with the Group holding cash and cash equivalents of £188.2 million at 30 December 2021.

12 weeks ended 30 December 2021

- Revenue of £127.3 million (FY21: £33.4 million, FY20: £125.1 million) and EBITDA of £66.1 million (FY21: loss of £1.7 million, FY20: £62.1 million) was recorded for the quarter.
- Occupancy in the quarter of 80.7% reflects ongoing capacity restrictions.
- ADR of £286.08, +29.1% versus FY20 reflects the yield management actions noted above.

Key performance indicators

	FY22 Q3 YTD	FY21 Q3 YTD	FY20 Q3 YTD	FY22 vs FY20 Q3 YTD
Revenue	£354.8m	£114.9m	£360.2m	(1.5)%
EBITDA	£185.5m	£11.6m	£179.9m	+3.1%
Occupancy	79.8%	30.5%	98.0%	(18.2)%
ADR	£267.60	£238.47	£208.62	+28.3%
RevPAL	£213.63	£72.64	£204.41	+4.5%

	FY22 Quarter 3	FY21 Quarter 3	FY20 Quarter 3	FY22 vs FY20 Quarter 3
Revenue	£127.3m	£33.4m	£125.1m	+1.8%
EBITDA	£66.1m	£(1.7)m	£62.1m	+6.4%
Occupancy	80.7%	27.0%	97.6%	(16.9)%
ADR	£286.08	£231.96	£221.68	+29.1%
RevPAL	£230.84	£62.72	£216.35	+6.7%

Results of operations for the 36-week period ended 30 December 2021

Revenue

Revenue was £354.8 million and all of the villages were open for the full reporting period. Self-imposed capacity restrictions were in place and the pool and certain activities were not available until 17 May 2021. Occupancy achieved was 79.8%.

The number of units of accommodation at 30 December 2021 and 31 December 2020 was 4,335.

Cost of sales

Cost of sales was £86.0 million compared to £42.8 million in the prior financial year.

Administrative expenses

Administrative expenses of £83.3 million were incurred compared to £60.5 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was a profit of £185.5 million.

Depreciation and amortisation

Depreciation and amortisation was £45.4 million compared to £41.9 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 £2.0 million was paid during the year-to-date period compared with a corporation tax refund of £6.0 million in the comparative period.

Cash Flow

As at 30 December 2021 the Group had cash and cash equivalents of £188.2 million (31 December 2020: £53.2 million) and negative working capital of £144.0 million (31 December 2020: £144.7 million).

Net cash from operating activities was £175.0 million and net cash used in investing activities was £29.4 million in the year-to-date period. In the comparative period in the prior year there was a net cash outflow from operating activities of £20.3 million and net cash used in investing activities was £23.5 million.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' refurbishment cycle. As at 30 December 2021 2,377 units of accommodation have been upgraded to the 'Summer' standard, representing 58.9% 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 17 February 2022) were 3.6 times in respect of the Class A Notes (covenant of 1.1 times) and 2.2 times in respect of the Class B Notes (covenant of 1.0 times). The concession previously agreed for the February test, that allowed the proceeds of any equity injection in the prior 12 months to be added to free cash flow to pass the test, has not been used.

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 30 December 2021 the Group spent £13.6 million (FY21: £14.5 million) on maintenance capital expenditure and £11.1 million (FY21: £8.1 million) on investment capital expenditure, a total of £24.7 million (FY21: £22.6 million).

Environmental, Social and Governance ("ESG")

As reported at the half year, the Group launched a new corporate website which includes examples of the Group's ESG activities.

The corporate website may be found at https://corporate.centerparcs.co.uk/

Appointment of Chairman and new Chief Executive Officer ("CEO")

On 8 February 2022 Center Parcs announced the appointment of Martin Dalby to the role of Non-executive Chairman effective from 22 April 2022. As CEO, Martin successfully led the Group over the last 20 years to become one of the most successful short break holiday companies in the UK & Ireland. More recently Martin led the Group through the challenges presented by the Covid-19 pandemic, from which the business emerges in better shape than ever.

Taking over Martin's role as CEO will be current Chief Financial Officer, Colin McKinlay. Colin has been CFO for over four years and has over 25 years' experience in the broader leisure sector. An update regarding the appointment of a new CFO will be given in due course.

Future outlook

Demand for Center Parcs breaks remains very strong with 81% of capacity for FY22 sold as at 18 February 2022. This reflects self-imposed capacity restrictions during the financial year. ADR on bookings for FY22 is higher than that for bookings taken at the same time last year and the year before.

As noted above, previously reported labour shortages are showing early signs of improvement and the Group is increasing available capacity progressively over the final quarter of the financial year.

In the final quarter of the year the Group will see the impact of some disruption, mainly to the villages in southern England, caused by the recent exceptional Storm Eunice. Notwithstanding this, Center Parcs is expecting to see a strong finish to the financial year ending in April 2022.

Bookings for FY23 are very encouraging with 35% occupancy sold as at 18 February 2022 compared to 29% at the same time in 2020 for FY21.

The next operating and financial review will be for the 52 weeks ended 21 April 2022 and it is expected this report will be published in July 2022.

Colin McKinlay
Chief Financial Officer

Enquiries

Paul Mann
Head of Group Reporting

Colin McKinlay
Chief Financial Officer

Unaudited income statement for the 36 weeks ended 30 December 2021

	36 weeks ended 30 December 2021			36 weeks ended 31 December 2020		
	Before adjusted items £m	Adjusted items £m	Total £m	Before adjusted items £m	Adjusted items £m	Total £m
Revenue	**354.8**	**-**	**354.8**	**114.9**	**-**	**114.9**
Cost of sales	(86.0)	-	(86.0)	(42.8)	-	(42.8)
Gross profit	**268.8**	**-**	**268.8**	**72.1**	**-**	**72.1**
Administrative expenses	(83.3)	-	(83.3)	(60.5)	-	(60.5)
Depreciation and amortisation	(45.4)	-	(45.4)	(41.9)	-	(41.9)
Total operating expenses	(128.7)	-	(128.7)	(102.4)	-	(102.4)
Operating profit/(loss)	**140.1**	**-**	**140.1**	**(30.3)**	**-**	**(30.3)**
Finance income	-	-	-	0.1	-	0.1
Finance expense	(73.1)	-	(73.1)	(71.3)	(2.4)	(73.7)
Profit/(loss) before taxation	**67.0**	**-**	**67.0**	**(101.5)**	**(2.4)**	**(103.9)**
Taxation	-	**-**	-	-	**-**	-
Profit/(loss) for the period attributable to equity shareholders	**67.0**	**-**	**67.0**	**(101.5)**	**(2.4)**	**(103.9)**

EBITDA is derived from the table above as follows:

	36 weeks ended 30 December 2021 £m	36 weeks ended 31 December 2020 £m
Revenue	**354.8**	**114.9**
Cost of sales	(86.0)	(42.8)
Gross profit	**268.8**	**72.1**
Administrative expenses	(83.3)	(60.5)
EBITDA	**185.5**	**11.6**

Finance expense in the 36 weeks ended 30 December 2021 includes amortisation of deferred issue costs of £2.5 million (FY21: £2.5 million).

Adjusted items in the comparative period represent fees paid to obtain a waiver of the covenants on the Group’s secured debt.

Unaudited income statement for the 12 weeks ended 30 December 2021

	12 weeks ended 30 December 2021			12 weeks ended 31 December 2020		
	Before adjusted items £m	Adjusted items £m	Total £m	Before adjusted items £m	Adjusted items £m	Total £m
Revenue	**127.3**	**-**	**127.3**	**33.4**	**-**	**33.4**
Cost of sales	(30.5)	-	(30.5)	(15.7)	-	(15.7)
Gross profit	**96.8**	**-**	**96.8**	**17.7**	**-**	**17.7**
Administrative expenses	(30.7)	-	(30.7)	(19.4)	-	(19.4)
Depreciation and amortisation	(15.1)	-	(15.1)	(17.0)	-	(17.0)
Total operating expenses	(45.8)	-	(45.8)	(36.4)	-	(36.4)
Operating profit/(loss)	**51.0**	**-**	**51.0**	**(18.7)**	**-**	**(18.7)**
Finance income	-	-	-	0.1	-	0.1
Finance expense	(22.7)	-	(22.7)	(23.4)	(0.5)	(23.9)
Profit/(loss) before taxation	**28.3**	**-**	**28.3**	**(42.0)**	**(0.5)**	**(42.5)**
Taxation	-	**-**	-	-	**-**	-
Profit/(loss) for the period attributable to equity shareholders	**28.3**	**-**	**28.3**	**(42.0)**	**(0.5)**	**(42.5)**

EBITDA is derived from the table above as follows:

	12 weeks ended 30 December 2021 £m	12 weeks ended 31 December 2020 £m
Revenue	**127.3**	**33.4**
Cost of sales	(30.5)	(15.7)
Gross profit	**96.8**	**17.7**
Administrative expenses	(30.7)	(19.4)
EBITDA	**66.1**	**(1.7)**

Unaudited balance sheet as at 30 December 2021

	As at 30 December 2021 £m	As at 31 December 2020 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**135.6**	141.2
Property, plant and equipment	**1,444.3**	1,460.8
Right-of-use assets	**31.7**	32.2
Deferred tax asset	**0.1**	0.4
	1,769.2	1,792.1
Current assets		
Inventories	**4.1**	3.6
Trade and other receivables	**8.6**	13.8
Current tax asset	**3.3**	2.6
Cash and cash equivalents	**188.2**	53.2
Derivative financial instruments	**25.2**	-
	229.4	73.2
Liabilities		
Current liabilities		
Borrowings	**(70.0)**	(70.0)
Trade and other payables	**(195.6)**	(131.9)
	(265.6)	(201.9)
Net current liabilities	**(36.2)**	(128.7)
Non-current liabilities		
Borrowings	**(1,905.8)**	(1,899.5)
Lease liabilities	**(37.2)**	(36.8)
Retirement benefit obligations	**-**	(1.3)
Deferred tax liability	**(81.1)**	(111.1)
	(2,024.1)	(2,048.7)
Net liabilities	**(291.1)**	(385.3)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	69.0
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(258.0)**	(301.3)
Total equity	**(291.1)**	(385.3)

Current trade and other payables include interest and capital accruals totalling £37.1 million (31 December 2020: £38.0 million) and taxation group relief creditors of £1.8 million (31 December 2020: £1.8 million).

Unaudited cash flow statement for the 36 weeks ended 30 December 2021

	36 weeks ended 30 December 2021 £m	36 weeks ended 31 December 2020 £m	**12 weeks ended 30 December 2021 £m**	12 weeks ended 31 December 2020 £m
Cash flows from/(used in) operating activities				
Operating profit/(loss)	**140.1**	(30.3)	**51.0**	(18.7)
Depreciation and amortisation	**45.4**	41.9	**15.1**	17.0
Working capital movements	**(7.9)**	(37.6)	**(26.8)**	(39.5)
Difference between the pension charge and contributions	**(0.6)**	(0.3)	**(0.3)**	(0.1)
Corporation tax (paid)/refunded	**(2.0)**	6.0	**-**	-
Net cash from/(used in) operating activities	**175.0**	(20.3)	**39.0**	(41.3)
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(29.4)**	(23.6)	**(8.3)**	(8.3)
Interest received	**-**	0.1	**-**	0.1
Net cash used in investing activities	**(29.4)**	(23.5)	**(8.3)**	(8.2)
Cash flows (used in)/from financing activities				
Repayment of external borrowings	**(250.0)**	(230.1)	**-**	(0.1)
Proceeds from external borrowings	**255.0**	250.0	**-**	-
Issue costs on secured debt	**(3.0)**	(4.1)	**(0.1)**	(1.2)
Break costs on secured debt	**(2.7)**	(2.5)	**-**	-
Covenant waiver fees	**-**	(2.1)	**-**	(0.2)
Receipt of working capital facility from parent company	**-**	70.0	**-**	-
Interest paid	**(50.7)**	(48.1)	**(0.1)**	(1.0)
Equity contribution	**-**	27.5	**-**	-
Net cash (used in)/from financing activities	**(51.4)**	60.6	**(0.2)**	(2.5)
Net increase/(decrease) in cash and cash equivalents	**94.2**	16.8	**30.5**	(52.0)
Cash and cash equivalents at the beginning of the period	**94.0**	36.4	**157.7**	105.2
Cash and cash equivalents at the end of the period	**188.2**	53.2	**188.2**	53.2
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash and cash equivalents	**94.2**	16.8	**30.5**	(52.0)
Cash (inflow)/outflow from movement in debt	**(5.0)**	(19.9)	**-**	0.1
Change in net debt resulting from cash flows	**89.2**	(3.1)	**30.5**	(51.9)
Non-cash movements and deferred issue costs	**0.2**	1.7	**(0.4)**	(1.7)
Movement in net debt in the period	**89.4**	(1.4)	**30.1**	(53.6)
Net debt at the beginning of the period	**(1,807.0)**	(1,844.9)	**(1,747.7)**	(1,792.7)
Net debt at the end of the period	**(1,717.6)**	(1,846.3)	**(1,717.6)**	(1,846.3)

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.