



CPUK FINANCE LIMITED

Operating and financial review for the 24 weeks ended 6 October 2022

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 6 October 2022 (“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

- Further confirmation of the strength and resilience of the business with half-year revenue of £282.5 million and EBITDA of £146.5 million. Comparisons to FY22 are impacted by self imposed capacity restrictions in place in the prior year. The result is £28.7 million (24.4%) ahead of FY20, the last half year period to operate without restriction.
- As previously reported, ADR comparatives are impacted by capacity restrictions in the prior year when lower yielding accommodation was taken off sale. This resulted in a small decrease in average ADR this year although like for like comparisons are ahead. ADR was 23.4% ahead of the comparative period in FY20.
- The Group continues to have a robust liquidity position with cash and cash equivalents of £84.4 million at 6 October 2022 and cash of £111.6 million at 17 November 2022.
- At 14 November 2022, 83% of accommodation capacity is sold for FY23 compared to 81% at the same point in time in 2019 for FY20. Net ADR remains ahead of FY20.
- At 14 November 2022 13% of accommodation capacity is sold for FY24, ahead of the same point in time in 2019 for FY21.

Financial highlights

Half year

- Revenue of £282.5 million (FY22: £227.5 million) and EBITDA of £146.5 million (FY22: £119.4 million).
- Occupancy of 97.6% compared to 79.4% in FY22.
- A small, anticipated, 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 £84.4 million at 6 October 2022.

Quarter 2

- Revenue of £150.0 million (FY22: £134.3 million) and EBITDA of £80.7 million (FY22: £74.9 million) was recorded for the quarter.
- Occupancy in the quarter of 98.0% (FY22: 85.0%).
- The decrease in net ADR reflects the factors outlined above, with Quarter 2 seeing a higher variance due the specific mix of accommodation on sale year over year.

Key performance indicators

	<u>FY23</u> <u>Half year</u>	<u>FY22</u> <u>Half year</u>	<u>FY20</u> <u>Half year</u>	<u>FY23 v FY22</u> <u>Variance</u>	<u>FY23 v FY20</u> <u>Variance</u>
Revenue	£282.5m	£227.5m	£235.1m	+24.2%	+20.2%
EBITDA	£146.5m	£119.4m	£117.8m	+22.7%	+24.4%
Occupancy	97.6%	79.4%	98.2%	+18.2%	(0.6)%
ADR	£249.34	£258.22	£202.13	(3.4)%	+23.4%
RevPAL	£243.35	£205.02	£198.43	+18.7%	+22.6%

	<u>FY23</u> <u>Quarter 2</u>	<u>FY22</u> <u>Quarter 2</u>	<u>FY20</u> <u>Quarter 2</u>	<u>FY23 v FY22</u> <u>Variance</u>	<u>FY23 v FY20</u> <u>Variance</u>
Revenue	£150.0m	£134.3m	£125.2m	+11.7%	+19.8%
EBITDA	£80.7m	£74.9m	£66.6m	+7.7%	+21.2%
Occupancy	98.0%	85.0%	98.3%	+13.0%	(0.3)%
ADR	£267.74	£287.32	£219.99	(6.8)%	+21.7%
RevPAL	£262.27	£244.24	£216.19	+7.4%	+21.3%

Results of operations for H1 FY23

Revenue

Revenue was £282.5 million. Occupancy achieved was 97.6%, comparable to levels seen prior to the Covid pandemic.

The number of units of accommodation at 6 October 2022 was 4,333.

Cost of sales

Cost of sales was £71.8 million compared to £55.5 million in the prior financial year.

Administrative expenses

Administrative expenses of £64.2 million were incurred compared to £52.6 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was £146.5 million.

Depreciation and amortisation

Depreciation and amortisation was £30.3 million, consistent 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 £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

Corporation tax of £4.2 million was paid during the period, with a further £1.3 million paid in respect of group relief. In the comparative period corporation tax of £2.0 million was paid.

Cash Flow

As at 6 October 2022 the Group had cash and cash equivalents of £84.4 million (7 October 2021: £157.7 million) and negative working capital of £178.8 million (7 October 2021: £170.5 million).

Net cash from operating activities was £129.0 million and net cash used in investing activities was £26.6 million (FY22: £136.0 million and £21.1 million respectively).

A dividend of £120.9 million was paid during the second quarter. Together with repayment of a shareholder working capital facility in the final quarter of FY22, this payment broadly marks the return of funds injected into the Group by Brookfield during the pandemic.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' lodge refurbishment programme. As at 6 October 2022 2,595 units of accommodation have been upgraded to the 'Summer' standard, representing 64.3% 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 12 August 2022) 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 million per annum over four years on investment capital expenditure. During the half year ended 6 October 2022 the Group spent £16.0 million (FY22: £8.1 million) on maintenance capital expenditure and £10.4 million (FY22: £7.2 million) on investment capital expenditure, a total of £26.4 million (FY22: £15.3 million).

Environmental, Social and Governance (“ESG”)

As previously reported, the Group launched a new corporate website during the prior financial year which includes examples of the Group’s ESG activities.

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

Appointment of Chief Finance Officer (“CFO”)

As previously announced, Katrina Jamieson has been appointed as CFO. Ms Jamieson joins the Group from Currys plc where she served as Financial Controller since April 2019. Ms Jamieson’s start date has now been confirmed as 12 December 2022.

Future outlook

As at 14 November 2022, 83% of capacity for FY23 is sold compared to 81% at the same point in time in 2019 for FY20. ADR remains ahead of that delivered in periods prior to Covid-19. 13% of capacity for FY24 is sold, ahead of the same point in time in 2019 for FY21.

Inflation rates and increases in the general cost of living in the UK are being monitored very closely, as are any changes in guest demand and spending patterns. Given the disruption to the business in FY21 and capacity restrictions in FY22, key metrics are not all directly comparable. The current guidance is that the result for the FY23 full year will be ahead of that delivered in FY22 and years prior to Covid-19.

The next operating and financial review will be for the 36 weeks ended 29 December 2022 and it is expected this report will be published in February 2023.

Investor Conference Call

An investor conference call will be held on 22 November 2022 at 2.00pm (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 [here](#)

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Chief Executive Officer

Enquiries

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Chief Executive Officer

Unaudited income statement for the 24 weeks ended 6 October 2022

	24 weeks ended 6 October 2022 Total £m	24 weeks ended 7 October 2021 Total £m
Revenue	282.5	227.5
Cost of sales	(71.8)	(55.5)
Gross profit	210.7	172.0
Administrative expenses	(64.2)	(52.6)
Depreciation and amortisation	(30.3)	(30.3)
Total operating expenses	(94.5)	(82.9)
Operating profit	116.2	89.1
Finance income	0.6	-
Finance expense	(47.5)	(50.4)
Profit before taxation	69.3	38.7
Taxation	-	-
Profit for the period attributable to equity shareholders	69.3	38.7

EBITDA is derived from the table above as follows:

	24 weeks ended 6 October 2022 £m	24 weeks ended 7 October 2021 £m
Revenue	282.5	227.5
Cost of sales	(71.8)	(55.5)
Gross profit	210.7	172.0
Administrative expenses	(64.2)	(52.6)
EBITDA	146.5	119.4

Finance expense in the 24 weeks ended 6 October 2022 includes amortisation of deferred issue costs of £1.8 million (FY22: £1.7 million).

Unaudited income statement for the 12 weeks ended 6 October 2022

	12 weeks ended 6 October 2022 Total £m	12 weeks ended 7 October 2021 Total £m
Revenue	150.0	134.3
Cost of sales	(36.8)	(30.2)
Gross profit	113.2	104.1
Administrative expenses	(32.5)	(29.2)
Depreciation and amortisation	(15.2)	(15.1)
Total operating expenses	(47.7)	(44.3)
Operating profit	65.5	59.8
Finance income	0.4	-
Finance expense	(23.6)	(23.8)
Profit before taxation	42.3	36.0
Taxation	-	-
Profit for the period attributable to equity shareholders	42.3	36.0

EBITDA is derived from the table above as follows:

	12 weeks ended 6 October 2022 £m	12 weeks ended 7 October 2021 £m
Revenue	150.0	134.3
Cost of sales	(36.8)	(30.2)
Gross profit	113.2	104.1
Administrative expenses	(32.5)	(29.2)
EBITDA	80.7	74.9

Unaudited balance sheet as at 6 October 2022

	As at 6 October 2022 £m	As at 7 October 2021 £m
Assets		
Non-current assets		
Goodwill	157.5	157.5
Other intangible assets	134.5	137.1
Property, plant and equipment	1,448.0	1,448.4
Right-of-use assets	31.3	31.8
Deferred tax asset	-	0.1
Retirement benefit surplus	1.4	-
	1,772.7	1,774.9
Current assets		
Inventories	4.1	3.8
Trade and other receivables	13.4	9.1
Current tax asset	5.5	3.3
Cash and cash equivalents	84.4	157.7
Derivative financial instruments	13.1	25.2
	120.5	199.1
Liabilities		
Current liabilities		
Borrowings	-	(70.0)
Trade and other payables	(216.2)	(199.6)
	(216.2)	(269.6)
Net current liabilities	(95.7)	(70.5)
Non-current liabilities		
Borrowings	(1,907.5)	(1,905.4)
Lease liabilities	(37.4)	(37.0)
Retirement benefit obligations	-	(0.3)
Deferred tax liability	(119.0)	(81.1)
	(2,063.9)	(2,023.8)
Net liabilities	(386.9)	(319.4)
Equity		
Equity share capital	1.0	1.0
Share premium	119.9	119.9
Other reserve	(154.0)	(154.0)
Retained earnings	(353.8)	(286.3)
Total equity	(386.9)	(319.4)

Current trade and other payables include interest and capital accruals totalling £19.9 million (7 October 2021: £14.4 million) and taxation group relief creditors of £nil (7 October 2021: £1.8 million).

Unaudited cash flow statement for the 24 weeks ended 6 October 2022

	24 weeks ended 6 October 2022 £m	24 weeks ended 7 October 2021 £m	12 weeks ended 6 October 2022 £m	12 weeks ended 7 October 2021 £m
Cash flows from operating activities				
Operating profit	116.2	89.1	65.5	59.8
Depreciation and amortisation	30.3	30.3	15.2	15.1
Working capital movements	(11.6)	18.9	(25.1)	(26.9)
Difference between the pension charge and contributions	(0.4)	(0.3)	(0.2)	(0.1)
Corporation tax paid	(4.2)	(2.0)	(2.2)	(1.0)
Payments for taxation group relief	(1.3)	-	(1.3)	-
Net cash from operating activities	129.0	136.0	51.9	46.9
Cash flows used in investing activities				
Purchase of property, plant and equipment	(27.2)	(21.1)	(13.1)	(8.0)
Interest received	0.6	-	0.4	-
Net cash used in investing activities	(26.6)	(21.1)	(12.7)	(8.0)
Cash flows used in financing activities				
Repayment of external borrowings	-	(250.0)	-	-
Proceeds from external borrowings	-	255.0	-	-
Issue costs on secured debt	-	(2.9)	-	(0.3)
Break costs on secured debt	-	(2.7)	-	-
Interest paid	(50.1)	(50.6)	(49.8)	(47.9)
Dividends paid	(120.9)	-	(120.9)	-
Net cash used in financing activities	(171.0)	(51.2)	(170.7)	(48.2)
Net (decrease)/increase in cash and cash equivalents	(68.6)	63.7	(131.5)	(9.3)
Cash and cash equivalents at the beginning of the period	153.0	94.0	215.9	167.0
Cash and cash equivalents at the end of the period	84.4	157.7	84.4	157.7
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	(68.6)	63.7	(131.5)	(9.3)
Cash inflow from movement in debt	-	(5.0)	-	-
Change in net debt resulting from cash flows	(68.6)	58.7	(131.5)	(9.3)
Non-cash movements and deferred issue costs	(1.0)	0.6	(0.5)	(0.5)
Movement in net debt in the period	(69.6)	59.3	(132.0)	(9.8)
Net debt at the beginning of the period	(1,753.5)	(1,807.0)	(1,691.1)	(1,737.9)
Net debt at the end of the period	(1,823.1)	(1,747.7)	(1,823.1)	(1,747.7)

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.