# CPUK FINANCE LIMITED

## Operating and financial review for the 52 weeks ended 23 April 2020

*In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 52 weeks ended 23 April 2020 (2019: 52 weeks ended 25 April 2019). All figures presented in this report relate to the group of companies headed by Center Parcs (Holdings 1) Limited ("the Group"). All financial results referred to in this document exclude exceptional and non-underlying items, unless otherwise stated.*

### Impact of the Covid-19 pandemic

Following UK Government advice in light of the Covid-19 pandemic, the Group's five holiday villages were closed to guests on 20 March 2020 and remained closed as at 23 April 2020. All guests who had their short breaks cancelled due to the village closures were contacted and offered either a replacement holiday at a later date (with a financial incentive) or a full refund of amounts paid. It was originally announced that the villages would remain closed until 14 May 2020. However, in line with government guidance, as the pandemic worsened this was revised a number of times until the villages were able to re-open on 13 July 2020, albeit with reduced accommodation capacity and guest activities.

At the financial year-end approximately 90% of the Group's employees were furloughed under the UK Government's Job Retention Scheme. The Group also benefited from the 12-month business rates holiday announced for the leisure industry and agreed with HMRC that certain tax liabilities can be deferred.

In addition to Government support measures the Group took decisive action to reduce remaining operating costs during the periods of closure. Residual operating costs of £11.0m were incurred in the period from closure on 20 March 2020 to the financial year-end on 23 April 2020. In the subsequent period to 13 July 2020 when the villages remained closed, costs averaged between £6m and £7m every four weeks.

The key performance indicators below were negatively impacted by the closure of the Group's holiday villages.

### Key performance indicators

| | FY20 YTD | FY19 YTD | Variance |
|---|---|---|---|
| Revenue | £443.7m | £480.2m | (7.6)% |
| Adjusted EBITDA | £200.0m | £232.6m | (14.0)% |
| Occupancy | 88.0% | 97.1% | (9.1)% |
| ADR | £194.91 | £191.74 | 1.7% |
| RevPAL | £171.54 | £186.08 | (7.8)% |

| | FY20 Q4 | FY19 Q4 | Variance |
|---|---|---|---|
| Revenue | £83.5m | £134.3m | (37.8)% |
| Adjusted EBITDA | £20.1m | £58.5m | (65.6)% |
| Occupancy | 65.6% | 94.5% | (28.9)% |
| ADR | £148.90 | £172.27 | (13.6)% |
| RevPAL | £97.71 | £162.76 | (40.0)% |

| | Sherwood Forest | Elveden Forest | Longleat Forest | Whinfell Forest | Woburn Forest | Central overheads | Group |
|---|---|---|---|---|---|---|---|
| **FY20** | | | | | | | |
| Revenue | £93.8m | £92.2m | £85.9m | £85.2m | £86.6m | - | £443.7m |
| Adjusted EBITDA | £50.3m | £46.8m | £43.6m | £41.3m | £42.2m | £(24.2)m | £200.0m |
| Occupancy | 88.1% | 88.6% | 88.8% | 87.4% | 87.3% | - | 88.0% |
| **FY19** | | | | | | | |
| Revenue | £100.8m | £100.9m | £92.2m | £91.1m | £95.2m | - | £480.2m |
| Adjusted EBITDA | £56.7m | £54.2m | £50.3m | £47.1m | £50.2m | £(25.9)m | £232.6m |
| Occupancy | 96.9% | 97.0% | 96.4% | 97.9% | 97.1% | - | 97.1% |
| **Variance** | | | | | | | |
| Revenue | (6.9)% | (8.6)% | (6.8)% | (6.5)% | (9.0)% | - | (7.6)% |
| Adjusted EBITDA | (11.3)% | (13.7)% | (13.3)% | (12.3)% | (15.9)% | 6.6% | (14.0)% |
| Occupancy | (8.8)% | (8.4)% | (7.6)% | (10.5)% | (9.8)% | - | (9.1)% |

## Results of operations for the 52-week period ended 23 April 2020

***Revenue***

Revenue decreased by £36.5 million or 7.6% as a result of the village closures caused by the Covid-19 pandemic since no revenue was recognised during the closure period.

As previously reported, YTD revenue to Q3 FY20 was 4.1% higher than in the comparative period in the prior year.

The number of units of accommodation at 23 April 2020 was 4,323 compared to 4,317 at 25 April 2019. The movement reflects the construction of six new units of accommodation at Woburn.

Occupancy was 88.0% compared to 97.1% in the prior year, as result of the village closures.

ADR increased by 1.7% to £194.91 in the year ended 23 April 2020, which while positive year on year was nevertheless affected by typically higher yielding breaks (including Easter) being cancelled with the closure of the villages. Combined with the fall in occupancy this resulted in RevPAL of £171.54 for the financial year.

***Cost of sales***

Cost of sales decreased to £127.2 million in the year (FY19: £129.1 million) as a result of the village closures, including the impact of certain government support programs. This was off-set to some extent by increases in the National Living Wage.

***Administrative expenses***

Administrative expenses decreased to £116.5 million in the year (FY19: £118.5 million) as a result of the village closures.

***Adjusted EBITDA***

As a result of the factors outlined above, Adjusted EBITDA of £200.0 million was achieved during the year (FY19: £232.6 million).

As previously reported, YTD Adjusted EBITDA to Q3 FY20 was 3.3% higher than in the comparative period in the prior year.

***Depreciation and amortisation***

Depreciation and amortisation for the 52 weeks ended 23 April 2020 was £60.8 million, an increase of £3.1 million compared to the 52 weeks ended 25 April 2019. This reflects the Group’s ongoing capital investment programme.

### *Finance costs and income*

Finance costs in the periods under review principally represent interest payable on the Group's secured debt and the amortisation of associated deferred issue costs. Annual interest payable on the secured debt is £90.6 million. All tranches of secured debt attract a fixed rate of interest.

Finance income represents bank interest receivable.

### *Taxation*

Corporation tax paid and payments for group relief totalled £13.5 million during the 52 weeks ended 23 April 2020 compared with £14.0 million in the 52 weeks ended 25 April 2019.

## Cash Flow

As at 23 April 2020 the Group had cash and cash equivalents of £36.4 million (25 April 2019: £60.2 million) and negative working capital of £112.3 million (25 April 2019: £145.1 million). Working capital is defined as the net value of the Group's inventories, trade and other receivables and current trade and other payables (excluding taxation creditors and capital and interest accruals).

Net cash from operating activities was £151.2 million and net cash used in investing activities was £57.4 million in the 52 weeks ended 23 April 2020 (52 weeks ended 25 April 2019: £225.2 million and £66.0 million respectively).

Cumulative dividends were paid of £61.2m.

## Investment Programme

### *Accommodation upgrades*

The Group is continuing its 'Project Summer' refurbishment cycle and 1,851 units of accommodation had been upgraded to the 'Summer' standard as at 23 April 2020. Lodge upgrades were paused during the village closures.

### *New builds*

As at 23 April 2020 construction was ongoing in respect of eight lodges at Woburn and four Treehouses at Whinfell. Construction of six of the lodges at Woburn has been completed since 23 April 2020 as at the date of this report.

## 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. These requirements were reviewed and reconfirmed by an independent expert during Q4 FY20.

During the 52 weeks ended 23 April 2020 the Group spent £27.5 million (FY19: £27.1 million) on maintenance capital expenditure and £25.4 million (FY19: £39.1 million) on investment capital expenditure.

## Contractual commitments and contingencies

As at 23 April 2020 the Group had capital expenditure contracted for but not provided of £11.1 million. The Group has no other material contractual commitments with the exception of the headleases on the Longleat and Woburn sites. The Group had no material contingent liabilities or assets at 23 April 2020.

## Ireland development update

Center Parcs' new village in County Longford, Ireland, opened successfully in summer 2019 and was trading well prior to the Covid-19 pandemic. Following Irish Government advice the village closed to guests on 13 March 2020 and re-opened on 13 July 2020.

Longford Forest remains outside the UK whole business securitisation structure.

## Outlook

For FY21 bookings for Q3 are in line with the prior year and encouragingly bookings for Q4 are currently 10% ahead of that seen at the same time last year.

The next operating and financial review will be for the 12 weeks ended 16 July 2020 and we expect this report will be published in August 2020.

## Investor conference call

An investor conference call will be held on 20th July 2020 at 1.00pm (BST) at which the Group will present its financial results. A summary presentation will be released along with the results and will be used as the basis of the investor conference call. Investors wishing to participate in the investor conference call need to pre-register at:
https://clicktime.symantec.com/39B8cBQ4jQbrWxJD7nvVwLh6H2?u=http%3A%2F%2Femea.directeventreg.com%2Fregistration%2F7088315

Full participant information (including dial-in number) will be provided upon registration.

Colin McKinlay
Chief Financial Officer

## Enquiries


| | |
|---|---|
| Paul Mann | Colin McKinlay |
| Head of Group Reporting | Chief Financial Officer |
| paul.mann@centerparcs.co.uk | colin.mckinlay@centerparcs.co.uk |

## Audited income statement for the 52 weeks ended 23 April 2020

| | 52 weeks ended 23 April 2020 | | | 52 weeks ended 25 April 2019 | | |
|---|---|---|---|---|---|---|
| | Before exceptional and non-underlying items £m | Exceptional and non-underlying items £m | Total £m | Before exceptional and non-underlying items £m | Exceptional and non-underlying items £m | Total £m |
| **Revenue** | **443.7** | **-** | **443.7** | **480.2** | **-** | **480.2** |
| Cost of sales | (127.2) | - | (127.2) | (129.1) | - | (129.1) |
| **Gross profit** | **316.5** | **-** | **316.5** | **351.1** | **-** | **351.1** |
| Administrative expenses | (116.5) | (2.2) | (118.7) | (118.5) | - | (118.5) |
| ***Adjusted EBITDA*** | ***200.0*** | **(2.2)** | ***197.8*** | ***232.6*** | **-** | ***232.6*** |
| Depreciation and amortisation | (60.8) | - | (60.8) | (57.7) | - | (57.7) |
| Total operating expenses | (177.3) | (2.2) | (179.5) | (176.2) | - | (176.2) |
| **Operating profit** | **139.2** | **(2.2)** | **137.0** | **174.9** | **-** | **174.9** |
| Finance income | 0.3 | - | 0.3 | 0.2 | - | 0.2 |
| Finance expense | (94.3) | - | (94.3) | (90.9) | (7.7) | (98.6) |
| **Profit before taxation** | **45.2** | **(2.2)** | **43.0** | **84.2** | **(7.7)** | **76.5** |
| Taxation | (9.7) | (10.3) | (20.0) | (15.2) | 1.5 | (13.7) |
| **Profit for the period attributable to equity shareholders** | **35.5** | **(12.5)** | **23.0** | **69.0** | **(6.2)** | **62.8** |

Finance expense in the 52 weeks ended 23 April 2020 includes amortisation of deferred issue costs of £3.5 million (FY19: £3.6 million).

<u>Exceptional and non-underlying items</u>

The £2.2 million exceptional/non-underlying administrative expenses for the current period represents £2.0 million in respect of costs to exit a contract and £0.2 million of legal and other associated costs relating to the equity contribution provided by the Group's parent company in light of the Covid-19 pandemic. Taxation on these expenses has also been treated as an exceptional/non-underlying item, as has the impact of the change in applicable deferred tax rate from 17% to 19%.

The £7.7 million exceptional/non-underlying finance expense in the prior period represented the premium paid on the settlement of the A3 tranche of the Group's secured debt of £6.1 million and accelerated amortisation of deferred issue costs in respect of the A3 tranche of £1.6 million. Taxation on this expense was also treated as an exceptional/non-underlying item.

# Unaudited income statement for the 16 weeks ended 23 April 2020

| | 16 weeks ended 23 April 2020 | | | 16 weeks ended 25 April 2019 | | |
|---|---|---|---|---|---|---|
| | **Before exceptional and non-underlying items £m** | **Exceptional and non-underlying items £m** | **Total £m** | **Before exceptional and non-underlying items £m** | **Exceptional and non-underlying items £m** | **Total £m** |
| **Revenue** | **83.5** | **-** | **83.5** | **134.3** | **-** | **134.3** |
| Cost of sales | (31.9) | - | (31.9) | (38.4) | - | (38.4) |
| **Gross profit** | **51.6** | **-** | **51.6** | **95.9** | **-** | **95.9** |
| Administrative expenses | (31.5) | (2.2) | (33.7) | (37.4) | - | (37.4) |
| ***Adjusted EBITDA*** | ***20.1*** | **(2.2)** | ***17.9*** | ***58.5*** | **-** | ***58.5*** |
| Depreciation and amortisation | (19.8) | - | (19.8) | (19.2) | - | (19.2) |
| Total operating expenses | (51.3) | (2.2) | (53.5) | (56.6) | - | (56.6) |
| **Operating profit/(loss)** | **0.3** | **(2.2)** | **(1.9)** | **39.3** | **-** | **39.3** |
| Finance income | - | - | - | 0.1 | - | 0.1 |
| Finance expense | (29.1) | - | (29.1) | (29.3) | - | (29.3) |
| **(Loss)/profit before taxation** | **(28.8)** | **(2.2)** | **(31.0)** | **10.1** | **-** | **10.1** |
| Taxation | (9.7) | (10.3) | (20.0) | (15.2) | 1.5 | (13.7) |
| **(Loss)/profit for the period attributable to equity shareholders** | **(38.5)** | **(12.5)** | **(51.0)** | **(5.1)** | **1.5** | **(3.6)** |

# Audited balance sheet as at 23 April 2020

| | **As at 23 April 2020 £m** | As at 25 April 2019 £m |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Goodwill | **157.5** | 157.5 |
| Other intangible assets | **145.6** | 148.5 |
| Property, plant and equipment | **1,475.2** | 1,480.0 |
| Right-of-use assets | **32.6** | 30.5 |
| Deferred tax asset | **0.4** | 0.2 |
| | **1,811.3** | 1,816.7 |
| **Current assets** | | |
| Inventories | **1.8** | 3.9 |
| Trade and other receivables | **10.9** | 9.9 |
| Current tax asset | **8.6** | - |
| Cash and cash equivalents | **36.4** | 60.2 |
| | **57.7** | 74.0 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Borrowings | **(0.1)** | (0.3) |
| Current tax liability | **-** | (0.1) |
| Trade and other payables | **(147.4)** | (190.3) |
| | **(147.5)** | (190.7) |
| **Net current liabilities** | **(89.8)** | (116.7) |
| | | |
| **Non-current liabilities** | | |
| Borrowings | **(1,881.2)** | (1,879.3) |
| Lease liabilities | **(36.5)** | (33.6) |
| Retirement benefit obligations | **(1.6)** | (1.3) |
| Deferred tax liability | **(111.1)** | (97.3) |
| | **(2,030.4)** | (2,011.5) |
| **Net liabilities** | **(308.9)** | (311.5) |
| | | |
| **Equity** | | |
| Equity share capital | **1.0** | 1.0 |
| Share premium | **41.5** | - |
| Other reserve | **(154.0)** | (154.0) |
| Retained earnings | **(197.4)** | (158.5) |
| **Total equity** | **(308.9)** | (311.5) |

Current trade and other payables include interest and capital accruals totalling £20.6 million (25 April 2019: £31.0 million) and taxation group relief creditors of £1.8 million (25 April 2019: £0.4 million).

## Audited cash flow statement for the 52 weeks ended 23 April 2020

| | **52 weeks ended 23 April 2020 £m** | 52 weeks ended 25 April 2019 £m | **16 weeks ended 23 April 2020 £m** | 16 weeks ended 25 April 2019 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Operating profit/(loss) | **137.0** | 174.9 | **(1.9)** | 39.3 |
| Depreciation and amortisation | **60.8** | 57.7 | **19.8** | 19.2 |
| Working capital movements | **(32.8)** | 7.2 | **16.2** | 48.1 |
| Loss/(profit) on disposal of property, plant and equipment | **0.3** | (0.1) | **0.3** | (0.1) |
| Difference between the pension charge and contributions | **(0.6)** | (0.5) | **(0.2)** | (0.2) |
| Corporation tax paid and payments for group relief | **(13.5)** | (14.0) | **(2.1)** | (13.8) |
| **Net cash from operating activities** | **151.2** | 225.2 | **32.1** | 92.5 |
| | | | | |
| **Cash flows used in investing activities** | | | | |
| Purchase of property, plant and equipment | **(53.5)** | (59.5) | **(13.0)** | (11.2) |
| Purchase of intangible assets | **(4.3)** | (6.8) | **(5.4)** | (6.8) |
| Sale of property, plant and equipment | **0.1** | 0.1 | **0.1** | 0.1 |
| Interest received | **0.3** | 0.2 | **-** | - |
| **Net cash used in investing activities** | **(57.4)** | (66.0) | **(18.3)** | (17.9) |
| | | | | |
| **Cash flows used in financing activities** | | | | |
| Repayment of external borrowings | **(0.3)** | (350.2) | **(0.2)** | (0.1) |
| Proceeds from external borrowings | **-** | 482.7 | **-** | - |
| Issue costs on secured debt | **(0.4)** | (4.8) | **(0.1)** | (1.2) |
| Break costs on secured debt | **-** | (6.1) | **-** | - |
| Interest paid | **(96.9)** | (83.7) | **(46.8)** | (40.2) |
| Repayment of lease liabilities | **(0.3)** | - | **(0.1)** | 0.1 |
| Dividends paid | **(61.2)** | (183.0) | **(2.4)** | (27.5) |
| Equity contribution | **41.5** | - | **41.5** | - |
| **Net cash used in financing activities** | **(117.6)** | (145.1) | **(8.1)** | (68.9) |
| | | | | |
| Net (decrease)/increase in cash and cash equivalents | **(23.8)** | 14.1 | **5.7** | 5.7 |
| Cash and cash equivalents at the beginning of the period | **60.2** | 46.1 | **30.7** | 54.5 |
| **Cash and cash equivalents at the end of the period** | **36.4** | 60.2 | **36.4** | 60.2 |
| | | | | |
| **Reconciliation of net cash flow to movement in net debt** | | | | |
| | | | | |
| **(Decrease)/increase in cash and cash equivalents** | **(23.8)** | 14.1 | **5.7** | 5.7 |
| Cash outflow/(inflow) from movement in debt | **0.3** | (132.5) | **0.2** | 0.1 |
| **Change in net debt resulting from cash flows** | **(23.5)** | (118.4) | **5.9** | 5.8 |
| Non-cash movements and deferred issue costs | **(2.0)** | 1.3 | **(0.6)** | (1.9) |
| **Movement in net debt in the period** | **(25.5)** | (117.1) | **5.3** | 3.9 |
| Net debt at the beginning of the period | **(1,819.4)** | (1,702.3) | **(1,850.2)** | (1,823.3) |
| **Net debt at the end of the period** | **(1,844.9)** | (1,819.4) | **(1,844.9)** | (1,819.4) |

## Definitions

Adjusted EBITDA, being earnings before interest, taxation, depreciation, amortisation and exceptional/non-underlying items.

Occupancy is the average number of units of accommodation occupied as a percentage of the total number available. It has been assumed that lodges were available during the closure period for the year end occupancy calculation.

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.

## Critical accounting policies

The following accounting policies are considered to be critical for an understanding of the financial information presented in this document. A full list of accounting policies applied by the Group are presented in the Annual Report of Center Parcs (Holdings 1) Limited.

***Revenue***
Revenue relates to accommodation rental income on holidays commenced during the period, together with other related income that primarily arises from on-village leisure, retail and food and beverage spend. Revenue relating to accommodation is recognised on a straight-line basis over the period of the holiday. The performance obligation for non-rental income, and hence the basis for revenue recognition, is when the related product or service is provided to the guest. All revenue is recorded net of VAT.

Payment for accommodation rental income is received in advance of holidays commencing, and is recorded as 'deferred income' within Trade and other payables until the holiday commences. As such, no revenue was recognised during the period the villages were closed as a result of the Covid-19 pandemic. A number of trading units on each holiday village are operated by concession partners. Revenue due in respect of such units is recognised on an accruals basis. All revenue arises in the United Kingdom.

***Property, plant and equipment***
The Group carries property, plant and equipment at cost rather than current valuation. As such, no increases in the value of the Group's property, plant and equipment are recognised in the financial statements. Any impairment to the carrying value of these assets is recognised in the income statement.

***Maintenance expenditure***
It is the policy of the Group to maintain its land and buildings to a high standard. Where maintenance expenditure increases the benefits that property, plant and equipment is expected to generate, this expenditure is capitalised. All other maintenance costs are charged to the income statement as incurred.

***Borrowings***
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.