CPUK FINANCE LIMITED

Operating and financial review for the 24 weeks ended 11 October 2018

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 11 October 2018.

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 exceptional and non-underlying items, unless otherwise stated.

Financial highlights

24 weeks ended 11 October 2018

- H1 revenue up 3.6% to £225.3 million (2017/18: £217.5 million) and EBITDA up 3.9% to £114.4 million (2017/18: £110.1 million).

- H1 ADR and RevPAL up 1.1% and 1.4% to £193.21 and £190.43 respectively (2017/18: £191.10 and £187.83 respectively). As anticipated, lower ADRs were generated from planned accommodation capacity increases.

- Strong occupancy of 98.6%, 30 bps higher than the comparative period in the prior year.

12 weeks ended 11 October 2018

- Q2 revenue and EBITDA growth of 1.8% and 1.2% to £120.6 million and £65.7 million respectively (2017/18: £118.5 million and £64.9 million respectively).

- As noted at the end of Q1 FY19, ADR and RevPAL reflect the timing of certain peak season holiday breaks that fell into Q1 of FY19 but Q2 of the comparative year, and the impact of the accommodation capacity increases noted above.

Key performance indicators

	2018/19 H1	**2017/18 H1**	**Variance**
Revenue	£225.3m	£217.5m	3.6%
EBITDA	£114.4m	£110.1m	3.9%
Occupancy	98.6%	98.3%	0.3%
ADR	£193.21	£191.10	1.1%
RevPAL	£190.43	£187.83	1.4%

	2018/19 Q2	**2017/18 Q2**	**Variance**
Revenue	£120.6m	£118.5m	1.8%
EBITDA	£65.7m	£64.9m	1.2%
Occupancy	98.4%	98.4%	-
ADR	£211.73	£213.41	(0.8)%
RevPAL	£208.42	£209.98	(0.7)%

Results of operations for the 24-week period ended 11 October 2018

Revenue

Revenue increased by £7.8 million, or 3.6%, to £225.3 million in the 24-week period ended 11 October 2018 compared to £217.5 million in the 24-week period ended 5 October 2017. This increase was the result of a 4.9% increase in accommodation revenue and an increase in on-village revenue of 1.7%.

The number of units of accommodation at 11 October 2018 was 4,284 compared to 4,196 at 5 October 2017. The movement reflects the construction of 88 new units of accommodation in the year.

Occupancy increased from 98.3% in H1 FY18 to 98.6% in H1 FY19. Approximately 0.8% of the Group's accommodation was offline in the 24 weeks ended 11 October 2018, compared with approximately 0.9% in the 24 weeks ended 5 October 2017.

ADR increased by 1.1% to £193.21 in the 24 weeks ended 11 October 2018 compared to the 24 weeks ended 5 October 2017. Combined with the higher occupancy rate, RevPAL growth of 1.4% to £190.43 was delivered in the 24 weeks ended 11 October 2018. As anticipated, lower ADRs were generated from planned accommodation capacity increases. At Elveden the new one-bedroom apartments have a lower rate. In addition, Woburn has a significant increase in lodge numbers this year. Being the first full year of increased capacity, we sought to maximise overall revenue through optimising the combination of ADR and occupancy.

On-village revenue growth includes the impact of the prolonged exceptional heatwave over the summer. We believe this resulted in reduced demand for certain on-village activities such as the spa and food and beverage sales.

Cost of sales

Cost of sales increased to £58.7 million in the 24 weeks ended 11 October 2018 (2017/18: £55.8 million). This reflects the increase in on-village revenue and the impact of the increased National Living Wage effective from 1 April 2018.

Administrative expenses

Administrative expenses were £52.2 million in the 24 weeks ended 11 October 2018, which was in line with the prior year (2017/18: £51.6 million) and reflects continued strong cost controls in the business.

EBITDA

As a result of the factors outlined above, EBITDA grew by £4.3 million or 3.9% in comparison to the prior year.

EBITDA for the 53 weeks ended 11 October 2018 was £232.7 million.

Depreciation and amortisation

Depreciation and amortisation for the 24 weeks ended 11 October 2018 was £25.7 million, an increase of £2.1 million compared to the prior year. This reflects the Group's ongoing capital investment programme.

Finance costs and income

Annual interest payable on the Group's secured debt is £82.4 million. All tranches of secured debt attract a fixed rate of interest.

Finance costs in the periods under review principally represent interest payable on the 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 £nil was paid during the 24 weeks ended 11 October 2018 compared with £0.6 million in the comparative period.

Cash Flow

As at 11 October 2018 the Group had cash and cash equivalents of £44.4 million (5 October 2017: £45.4 million) and negative working capital of £129.3 million (5 October 2017: £116.7 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 £105.7 million and net cash used in investing activities was £29.6 million in the 24 weeks ended 11 October 2018 (2017/18: £100.8 million and £38.4 million respectively). No dividends were declared or paid during the quarter.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' refurbishment cycle and 1,151 units of accommodation have been upgraded to the 'Summer' standard. The upgrade of 200 lodges at Sherwood and Elveden commenced in Q2 FY19. A further 209 lodges are expected to be upgraded at Longleat and Whinfell, commencing in Q4 FY19.

As previously outlined, the Project Summer refurbishment cycle is a lighter touch refurbishment than the previous Project Spring programme, with accommodation units offline for roughly half the time and costs approximately half those of the previous upgrades.

New builds

The construction of three Treehouses at Woburn was completed during Q2 FY19. Construction is ongoing in respect of 33 lodges at Whinfell with an anticipated project completion date of Spring 2019.

Financial covenants

Classes A and B

The Class A FCF: DSCR was 4.5 times for the 53 weeks ended 11 October 2018 (covenant: 1.1 times) and the Class B FCF: DSCR was 2.7 times (covenant 1.0 times).

Class B

The Consolidated Leverage Ratio (Gross Debt: EBITDA) was 7.6 times as at 11 October 2018.

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. All covenants were satisfied as at 11 October 2018.

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 24 weeks ended 11 October 2018 the Group spent £10.8 million (FY18: £9.5 million) on maintenance capital expenditure and £18.0 million (FY18: £26.5 million) on investment capital expenditure.

As in previous years, total capital expenditure is expected to be higher in the second half of the year.

Future outlook

As at 11 October 2018 76.4% of this financial year's capacity is now booked (2017/18: 76.9%), reflecting increased year over year accommodation capacity. ADR is approximately 2.7% higher on these bookings.

It is anticipated that the Q3 FY19 EBITDA result will see an uplift due to the phasing of peak holiday breaks between Christmas and New Year. This is expected to largely reverse in the Q4 FY19 results comparison to prior year.

The next operating and financial review will be for the 36 weeks ended 3 January 2019 and we expect this report will be published in mid-February 2019.

Investor conference call

An investor conference call will be held on 25 October 2018 at 3.00pm (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

http://emea.directeventreg.com/registration/2289499

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

Colin McKinlay
Chief Financial Officer

Enquiries

Paul Mann	Colin McKinlay
Group Financial Accountant	Chief Financial Officer
01623 821649	01623 821621

Unaudited income statement for the 24 weeks ended 11 October 2018

	24 weeks ended 11 October 2018			24 weeks ended 5 October 2017		
	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	**225.3**	**-**	**225.3**	**217.5**	**-**	**217.5**
Cost of sales	(58.7)	-	(58.7)	(55.8)	-	(55.8)
Gross profit	**166.6**	**-**	**166.6**	**161.7**	**-**	**161.7**
Administrative expenses	(52.2)	-	(52.2)	(51.6)	-	(51.6)
EBITDA	***114.4***	**-**	***114.4***	***110.1***	**-**	***110.1***
Depreciation and amortisation	(25.7)	-	(25.7)	(23.6)	-	(23.6)
Total operating expenses	(77.9)	-	(77.9)	(75.2)	-	(75.2)
Operating profit	**88.7**	**-**	**88.7**	**86.5**	**-**	**86.5**
Finance income	0.1	-	0.1	0.2	-	0.2
Finance expense	(40.7)	-	(40.7)	(40.8)	(26.9)	(67.7)
Profit/(loss) before taxation	**48.1**	**-**	**48.1**	**45.9**	**(26.9)**	**19.0**
Taxation	-	-	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders	**48.1**	**-**	**48.1**	**45.9**	**(26.9)**	**19.0**

Finance expense in the 24 weeks ended 11 October 2018 includes amortisation of deferred issue costs of £1.8 million (2017/18: £1.9 million).

Exceptional and non-underlying items

The £26.9 million exceptional/non-underlying finance expense in the previous period represented make-whole costs in respect of the settlement of the B2 tranche of the Group's secured debt.

Unaudited income statement for the 12 weeks ended 11 October 2018

	12 weeks ended 11 October 2018			12 weeks ended 5 October 2017		
	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	**120.6**	**-**	**120.6**	**118.5**	**-**	**118.5**
Cost of sales	(29.6)	-	(29.6)	(28.2)	-	(28.2)
Gross profit	**91.0**	**-**	**91.0**	**90.3**	**-**	**90.3**
Administrative expenses	(25.3)	-	(25.3)	(25.4)	-	(25.4)
EBITDA	***65.7***	**-**	***65.7***	***64.9***	**-**	***64.9***
Depreciation and amortisation	(12.3)	-	(12.3)	(10.8)	-	(10.8)
Total operating expenses	(37.6)	-	(37.6)	(36.2)	-	(36.2)
Operating profit	**53.4**	**-**	**53.4**	**54.1**	**-**	**54.1**
Finance income	0.1	-	0.1	0.2	-	0.2
Finance expense	(20.2)	-	(20.2)	(20.0)	-	(20.0)
Profit before taxation	**33.3**	**-**	**33.3**	**34.3**	**-**	**34.3**
Taxation	-	-	-	-	-	-
Profit for the period attributable to equity shareholders	**33.3**	**-**	**33.3**	**34.3**	**-**	**34.3**

Unaudited balance sheet as at 11 October 2018

	As at 11 October 2018 £m	As at 5 October 2017 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**148.7**	137.0
Property, plant and equipment	**1,474.0**	1,463.0
Right-of-use assets	**29.7**	-
Deferred tax asset	**0.8**	15.0
	1,810.7	1,772.5
Current assets		
Inventories	**4.1**	3.8
Trade and other receivables	**14.2**	12.9
Current tax asset	**3.8**	7.0
Cash and cash equivalents	**44.4**	45.4
	66.5	69.1
Liabilities		
Current liabilities		
Borrowings	**(0.3)**	(0.3)
Lease liabilities	**(0.3)**	-
Trade and other payables	**(180.2)**	(172.1)
	(180.8)	(172.4)
Net current liabilities	**(114.3)**	(103.3)
Non-current liabilities		
Borrowings	**(1,749.4)**	(1,746.5)
Lease liabilities	**(31.8)**	-
Retirement benefit obligations	**(1.1)**	(3.0)
Deferred tax liability	**(92.0)**	(95.0)
	(1,874.3)	(1,844.5)
Net liabilities	**(177.9)**	(175.3)
Equity		
Equity share capital	**1.0**	1.0
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(24.9)**	(22.3)
Total equity	**(177.9)**	(175.3)

Current trade and other payables include interest and capital accruals totalling £21.6 million (5 October 2017: £19.8 million) and taxation group relief creditors of £11.0 million (5 October 2017: £18.9 million).

The Group has adopted IFRS 16 ‘Leases’ for the financial year ending 25 April 2019, using the modified retrospective approach.

Unaudited cash flow statement for the 24 weeks ended 11 October 2018

	24 weeks ended 11 October 2018 £m	24 weeks ended 5 October 2017 £m	**12 weeks ended 11 October 2018 £m**	12 weeks ended 5 October 2017 £m
Cash flows from operating activities				
Operating profit	**88.7**	86.5	**53.4**	54.1
Depreciation and amortisation	**25.7**	23.6	**12.3**	10.8
Working capital movements	**(8.6)**	(8.5)	**(8.7)**	(14.4)
Difference between the pension charge and contributions	**(0.1)**	(0.2)	**(0.1)**	(0.1)
Corporation tax paid	**-**	(0.6)	**-**	(0.3)
Net cash from operating activities	**105.7**	100.8	**56.9**	50.1
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(29.7)**	(38.6)	**(14.4)**	(17.6)
Interest received	**0.1**	0.2	**0.1**	0.2
Net cash used in investing activities	**(29.6)**	(38.4)	**(14.3)**	(17.4)
Cash flows used in financing activities				
Repayment of external borrowings	**(0.1)**	(560.1)	**(0.1)**	-
Proceeds from external borrowings	**-**	839.5	**-**	-
Issue costs on secured debt	**-**	(8.9)	**-**	(3.3)
Break costs on secured debt	**-**	(26.9)	**-**	-
Interest paid	**(41.7)**	(42.6)	**(41.5)**	(32.1)
Repayment of lease liabilities	**(0.1)**	-	**-**	-
Dividends paid	**(35.9)**	(252.0)	**-**	(223.6)
Net cash used in financing activities	**(77.8)**	(51.0)	**(41.6)**	(259.0)
Net (decrease)/increase in cash and cash equivalents	**(1.7)**	11.4	**1.0**	(226.3)
Cash and cash equivalents at the beginning of the period	**46.1**	34.0	**43.4**	271.7
Cash and cash equivalents at the end of the period	**44.4**	45.4	**44.4**	45.4
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	**(1.7)**	11.4	**1.0**	(226.3)
Cash outflow/(inflow) from movement in debt	**0.1**	(279.4)	**0.1**	-
Change in net debt resulting from cash flows	**(1.6)**	(268.0)	**1.1**	(226.3)
Non-cash movements and deferred issue costs	**(1.4)**	7.6	**(0.7)**	(0.1)
Movement in net debt in the period	**(3.0)**	(260.4)	**0.4**	(226.4)
Net debt at the beginning of the period	**(1,702.3)**	(1,441.0)	**(1,705.7)**	(1,475.0)
Net debt at the end of the period	**(1,705.3)**	(1,701.4)	**(1,705.3)**	(1,701.4)

Definitions

EBITDA (Earnings before interest, taxation, depreciation and amortisation) is before exceptional/non-underlying 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 borrowings less cash and cash equivalents.