CPUK FINANCE LIMITED

Operating and financial review for the 36 weeks ended 29 December 2022

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 29 December 2022 ("Q3 YTD"). 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 continued resilience of the business with Q3 YTD revenue of £426.6 million and EBITDA of £213.6 million. Comparisons to FY22 are impacted by self-imposed capacity restrictions in place in the prior year as a result of the pandemic. The result is £33.7 million (18.7%) ahead of FY20, the last period to operate without restrictions.

- As previously reported, ADR comparatives are impacted by capacity restrictions in the prior year when lower yielding accommodation was taken off sale. This results in a small decrease in average ADR this year although like for like comparisons are ahead. ADR was 20.9% ahead of the comparative period in FY20.

- The Group continues to have a robust liquidity position with cash and cash equivalents of £95.7 million at 29 December 2022 and cash of £140.7 million at 8 February 2023.

- At 3 February 2023, 94% of accommodation capacity is sold for FY23 compared to 93% at the same point in time in 2020 for FY20. Net ADR remains ahead of FY20.

- At 3 February 2023, bookings are strong for FY24 with 29% of accommodation capacity sold, ahead of the same point in 2019 for FY20.

Financial highlights

Q3 YTD

- Revenue of £426.6 million (FY22: £354.8 million) and EBITDA of £213.6 million (FY22: £185.5 million).

- Occupancy of 97.3% compared to 79.8% in FY22 and broadly in line with pre-Covid levels.

- 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 £95.7 million at 29 December 2022.

Quarter 3

- Revenue of £144.1 million (FY22: £127.3 million) and EBITDA of £67.1 million (FY22: £66.1 million) was recorded for the quarter.

- Occupancy in the quarter of 96.7% (FY22: 80.7%) is broadly in line with pre-Covid levels.

- The decrease in net ADR reflects the factors outlined above, with Quarter 3 seeing higher variances due to the specific mix of accommodation on sale year over year.

Key performance indicators

	FY23 Q3 YTD	FY22 Q3 YTD	FY20 Q3 YTD	FY23 v FY22 Variance	FY23 v FY20 Variance
Revenue	£426.6m	£354.8m	£360.2m	+20.2%	+18.4%
EBITDA	£213.6m	£185.5m	£179.9m	+15.1%	+18.7%
Occupancy	97.3%	79.8%	98.0%	+17.5%	(0.7)%
ADR	£252.14	£267.60	£208.62	(5.8)%	+20.9%
RevPAL	£245.41	£213.63	£204.41	+14.9%	+20.1%

	FY23 Quarter 3	FY22 Quarter 3	FY20 Quarter 3	FY23 v FY22 Variance	FY23 v FY20 Variance
Revenue	£144.1m	£127.3m	£125.1m	+13.2%	+15.2%
EBITDA	£67.1m	£66.1m	£62.1m	+1.5%	+8.1%
Occupancy	96.7%	80.7%	97.6%	+16.0%	(0.9)%
ADR	£257.81	£286.08	£221.68	(9.9)%	+16.3%
RevPAL	£249.32	£230.84	£216.35	+8.0%	+15.2%

Results of operations for the 36 weeks ended 29 December 2022

Revenue

Revenue was £426.6 million. Occupancy achieved was 97.3%, comparable to levels seen prior to the Covid pandemic.

The number of units of accommodation at 29 December 2022 was 4,333.

Cost of sales

Cost of sales was £109.9 million compared to £86.0 million in the prior financial year with the increase reflecting significantly higher occupancy.

Administrative expenses

Administrative expenses of £103.1 million were incurred compared to £83.3 million in the comparative period in the prior year.

EBITDA

As a result of the factors outlined above, EBITDA was £213.6 million. Within the quarter the impact of rising energy costs is reflected, alongside a return to pre-Covid operating conditions.

Depreciation and amortisation

Depreciation and amortisation was £45.5 million, compared to £45.4 million in 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 29 December 2022 the Group had cash and cash equivalents of £95.7 million (30 December 2021: £188.2 million) and negative working capital of £143.1 million (30 December 2021: £144.0 million).

Net cash from operating activities was £160.2 million and net cash used in investing activities was £42.3 million (FY22: £175.0 million and £29.4 million respectively).

A dividend of £4.0 million was paid during the third quarter.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' lodge refurbishment programme. As at 29 December 2022 2,767 units of accommodation have been upgraded to the 'Summer' standard, representing 68.5% 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 36 weeks ended 29 December 2022 the Group spent £23.4 million (FY22: £13.6 million) on maintenance capital expenditure and £15.5 million (FY22: £11.1 million) on investment capital expenditure, a total of £38.9 million (FY22: £24.7 million).

Environmental, Social and Governance ("ESG")

The Group's ESG activities are set out on our corporate website which includes examples of the Group's ESG activities. This website will continue to be updated as the Group and its ESG strategy evolves.

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

Update on Potential Sixth UK Site

Center Parcs has today announced it will not be progressing plans to develop a forest holiday village at Oldhouse Warren, West Sussex.

In July 2021, the business secured an option agreement to acquire the privately owned woodland.

We have a longstanding record of enhancing the habitats in which we build our villages and at the very heart of this is choosing a site that meets our specific environmental and social requirements. As part of our usual pre-planning process, we have undertaken rigorous environmental and ecological site surveys and, having analysed all the detail from these surveys, we have concluded that the site at Oldhouse Warren is not a suitable location for a Center Parcs village.

Through our customer insights we are confident that there is strong demand in the UK market for a sixth Center Parcs village and, with this in mind, we will continue our search for a suitable site.

Future outlook

As at 3rd February 2023, 94% of accommodation capacity for FY23 is sold compared to 93% at the same point in time in 2020 for FY20. Bookings for FY24 are strong with 29% of capacity sold, ahead of the same point in time in 2019 for FY20.

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 52 weeks ended 20 April 2023 and it is expected this report will be published in July 2023.

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Enquiries

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Unaudited income statement for the 36 weeks ended 29 December 2022

	36 weeks ended 29 December 2022 Total £m	36 weeks ended 30 December 2021 Total £m
Revenue	**426.6**	**354.8**
Cost of sales	(109.9)	(86.0)
Gross profit	**316.7**	**268.8**
Administrative expenses	(103.1)	(83.3)
Depreciation and amortisation	(45.5)	(45.4)
Total operating expenses	(148.6)	(128.7)
Operating profit	**168.1**	**140.1**
Finance income	0.9	-
Finance expense	(70.5)	(73.1)
Profit before taxation	**98.5**	**67.0**
Taxation	-	-
Profit for the period attributable to equity shareholders	**98.5**	**67.0**

EBITDA is derived from the table above as follows:

	36 weeks ended 29 December 2022 £m	36 weeks ended 30 December 2021 £m
Revenue	**426.6**	**354.8**
Cost of sales	(109.9)	(86.0)
Gross profit	**316.7**	**268.8**
Administrative expenses	(103.1)	(83.3)
EBITDA	**213.6**	**185.5**

Finance expense in the 36 weeks ended 29 December 2022 includes amortisation of deferred issue costs of £2.7 million (FY22: £2.5 million).

Unaudited income statement for the 12 weeks ended 29 December 2022

	12 weeks ended 29 December 2022 Total £m	12 weeks ended 30 December 2021 Total £m
Revenue	**144.1**	**127.3**
Cost of sales	(38.1)	(30.5)
Gross profit	**106.0**	**96.8**
Administrative expenses	(38.9)	(30.7)
Depreciation and amortisation	(15.2)	(15.1)
Total operating expenses	(54.1)	(45.8)
Operating profit	**51.9**	**51.0**
Finance income	0.3	-
Finance expense	(23.0)	(22.7)
Profit before taxation	**29.2**	**28.3**
Taxation	-	-
Profit for the period attributable to equity shareholders	**29.2**	**28.3**

EBITDA is derived from the table above as follows:

	12 weeks ended 29 December 2022 £m	12 weeks ended 30 December 2021 £m
Revenue	**144.1**	**127.3**
Cost of sales	(38.1)	(30.5)
Gross profit	**106.0**	**96.8**
Administrative expenses	(38.9)	(30.7)
EBITDA	**67.1**	**66.1**

Unaudited balance sheet as at 29 December 2022

	As at 29 December 2022 £m	As at 30 December 2021 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**133.7**	135.6
Property, plant and equipment	**1,446.3**	1,444.3
Right-of-use assets	**31.1**	31.7
Deferred tax asset	**-**	0.1
Retirement benefit surplus	**1.6**	-
	1,770.2	1,769.2
Current assets		
Inventories	**4.5**	4.1
Trade and other receivables	**12.4**	8.6
Current tax asset	**5.5**	3.3
Cash and cash equivalents	**95.7**	188.2
Derivative financial instruments	**13.1**	25.2
	131.2	229.4
Liabilities		
Current liabilities		
Borrowings	**-**	(70.0)
Trade and other payables	**(198.4)**	(195.6)
	(198.4)	(265.6)
Net current liabilities	**(67.2)**	(36.2)
Non-current liabilities		
Borrowings	**(1,908.0)**	(1,905.8)
Lease liabilities	**(37.7)**	(37.2)
Deferred tax liability	**(119.0)**	(81.1)
	(2,064.7)	(2,024.1)
Net liabilities	**(361.7)**	(291.1)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	119.9
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(328.6)**	(258.0)
Total equity	**(361.7)**	(291.1)

Current trade and other payables include interest and capital accruals totalling £38.4 million (30 December 2021: £37.1 million) and taxation group relief creditors of £nil (30 December 2021: £1.8 million).

Unaudited cash flow statement for the 36 weeks ended 29 December 2022

	36 weeks ended 29 December 2022 £m	36 weeks ended 30 December 2021 £m	**12 weeks ended 29 December 2022 £m**	12 weeks ended 30 December 2021 £m
Cash flows from operating activities				
Operating profit	**168.1**	140.1	**51.9**	51.0
Depreciation and amortisation	**45.5**	45.4	**15.2**	15.1
Working capital movements	**(47.3)**	(7.9)	**(35.7)**	(26.8)
Difference between the pension charge and contributions	**(0.6)**	(0.6)	**(0.2)**	(0.3)
Corporation tax paid	**(4.2)**	(2.0)	**-**	-
Payments for taxation group relief	**(1.3)**	-	**-**	-
Net cash from operating activities	**160.2**	175.0	**31.2**	39.0
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(43.2)**	(29.4)	**(16.0)**	(8.3)
Interest received	**0.9**	-	**0.3**	-
Net cash used in investing activities	**(42.3)**	(29.4)	**(15.7)**	(8.3)
Cash flows used in financing activities				
Repayment of external borrowings	**-**	(250.0)	**-**	-
Proceeds from external borrowings	**-**	255.0	**-**	-
Issue costs on secured debt	**-**	(3.0)	**-**	(0.1)
Break costs on secured debt	**-**	(2.7)	**-**	-
Interest paid	**(50.3)**	(50.7)	**(0.2)**	(0.1)
Dividends paid	**(124.9)**	-	**(4.0)**	-
Net cash used in financing activities	**(175.2)**	(51.4)	**(4.2)**	(0.2)
Net (decrease)/increase in cash and cash equivalents	**(57.3)**	94.2	**11.3**	30.5
Cash and cash equivalents at the beginning of the period	**153.0**	94.0	**84.4**	157.7
Cash and cash equivalents at the end of the period	**95.7**	188.2	**95.7**	188.2
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	**(57.3)**	94.2	**11.3**	30.5
Cash inflow from movement in debt	**-**	(5.0)	**-**	-
Change in net debt resulting from cash flows	**(57.3)**	89.2	**11.3**	30.5
Non-cash movements and deferred issue costs	**(1.5)**	0.2	**(0.5)**	(0.4)
Movement in net debt in the period	**(58.8)**	89.4	**10.8**	30.1
Net debt at the beginning of the period	**(1,753.5)**	(1,807.0)	**(1,823.1)**	(1,747.7)
Net debt at the end of the period	**(1,812.3)**	(1,717.6)	**(1,812.3)**	(1,717.6)

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.