MOTO VENTURES LIMITED

QUARTERLY REPORT

SEPTEMBER 2018

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 26 September 2018 £'000s	Restated 13 weeks Ended 27 September 2017 £'000s	39 weeks Ended 26 September 2018 £'000s	Restated 39 weeks Ended 27 September 2017 £'000s
Non-fuel turnover	111,146	110,151	286,970	285,867
Fuel turnover	111,817	104,488	314,905	300,213
Turnover	**222,963**	**214,639**	**601,875**	**586,080**
Change in stocks of non-fuel goods	108	(36)	(307)	218
Change in stocks of fuel	450	763	1,264	465
Change in stocks of finished goods	**558**	**727**	**957**	**683**
Staff costs	(21,692)	(21,467)	(62,513)	(61,661)
Depreciation and amortization	(10,869)	(10,611)	(34,551)	(31,730)
Non-fuel operating costs	(64,717)	(65,069)	(172,646)	(172,364)
Cost of fuel purchased	(101,882)	(95,154)	(287,082)	(272,850)
Other operating costs	**(166,599)**	**(160,223)**	**(459,728)**	**(445,214)**
Profit on ordinary activities before interest being operating profit	**24,361**	**23,065**	**46,040**	**48,158**
Interest receivable and similar income	30	10	85	108
Interest receivable from group undertakings	86	72	242	202
Interest payable on bank loans	(7,779)	(7,808)	(24,552)	(39,793)
Fair value movement on derivative financial instruments	5,199	6,485	14,121	1,346
Profit on ordinary activities before taxation	**21,897**	**21,824**	**35,936**	**10,021**
Tax profit on ordinary activities	-	-	-	-
Profit on ordinary activities after taxation being retained profit for the financial period	**21,897**	**21,824**	**35,936**	**10,021**
Note: Adjusted EBITDA	**35,048**	**34,592**	**80,045**	**80,451**
Fuel margin	**10,385**	**10,096**	**29,087**	**27,828**

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 26 September 2018 £'000s	As of 27 September 2017 £'000s
Cash	22,126	18,395
Current assets (excluding cash)	32,905	34,566
Net fixed assets	861,053	878,801
Total assets	916,084	931,762
Current liabilities	(63,316)	(65,538)
Long term borrowings (excluding derivatives)	(618,584)	(598,031)
Retained Earnings	(560,014)	(539,270)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 26 September 2018 £'000s	13 weeks Ended 27 September 2017 £'000s	39 weeks Ended 26 September 2018 £'000s	39 weeks Ended 27 September 2017 £'000s
Net cash inflow from operating activities	**36,888**	**34,473**	**85,919**	**83,772**
Cash outflow from servicing bank loans	(7,195)	(7,344)	(21,437)	(27,616)
Net cash outflow from returns on investments and servicing of finance	**(7,240)**	**(7,418)**	**(21,561)**	**(27,713)**
Taxation	**(2,846)**	**(2,251)**	**(5,283)**	**(3,733)**
Net cash outflow for capital expenditure and financial investment	**(4,391)**	**(6,707)**	**(22,970)**	**(22,347)**
Net cash (outflow) / inflow from financing	**-**	**(408)**	**11,264**	**23,851**
Equity dividends paid to shareholders	**(25,038)**	**(25,611)**	**(56,894)**	**(66,065)**
Decrease in net cash	**(2,627)**	**(7,922)**	**(9,525)**	**(12,235)**

OPERATING AND FINANCIAL REVIEW

The following discussion contains trend information and forward-looking statements. Actual results could differ materially from those discussed in these forward-looking statements. Any forward-looking statements are only made as at the date of this report and we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Comparative figures for the 39 weeks ended 27 September 2017 have been restated to reflect a change in the accounting policy for fuel turnover adopted in the 2017 statutory accounts. A reclassification between fuel turnover and cost of fuel purchased was made but there was no impact on reported fuel margin.

Results of Operations

Results of operations for the 39 weeks ended 26 September 2018 compared to the 39 weeks ended 27 September 2017

The following table sets forth our main operating results for the 39 weeks ended 26 September 2018 compared to the 39 weeks ended 27 September 2017:

	39 weeks ended 26 September 2018 £'000s	Restated 39 weeks ended 27 September 2017 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	286,970	285,867	1,103	0.4%
Fuel Turnover	314,905	300,213	14,692	4.9%
Turnover	**601,875**	**586,080**	**15,795**	**2.7%**
Change in stocks of non-fuel goods	(307)	218	(525)	(240.8)%
Change in stocks of fuel	1,264	465	799	171.8%
Change in stocks of finished goods	**957**	**683**	**274**	**40.1%**
Staff costs	(62,513)	(61,661)	(852)	(1.4)%
Depreciation and amortization	(34,551)	(31,730)	(2,821)	(8.9)%
Non-fuel operating costs	(172,646)	(172,364)	(282)	(0.2)%
Cost of fuel purchased	(287,082)	(272,850)	(14,232)	(5.2)%
Other operating costs	**(459,728)**	**(445,214)**	**(14,514)**	**(3.3)%**
Profit on ordinary activities before interest being operating profit	**46,040**	**48,158**	**(2,118)**	**(4.4)%**
Interest receivable and similar income	85	108	(23)	(21.3)%
Interest receivable from group undertakings	242	202	40	19.8%
Interest payable on bank loans	(24,552)	(39,793)	15,241	38.3%
Fair value movement on derivative financial instruments	14,121	1,346	12,775	949.1%
Profit on ordinary activities before taxation	**35,936**	**10,021**	**25,915**	**258.6%**
Tax on profit on ordinary activities	-	-	-	-
Profit on ordinary activities after taxation being retained profit for the financial period	**35,936**	**10,021**	**25,915**	**258.6%**
Note: EBITDA	**80,591**	**79,888**	**703**	**0.9%**
Loss on disposal of fixed assets	1	1,093	(1,092)	(99.9)%
Travelodge provision	(547)	(530)	(17)	(3.2)%
Adjusted EBITDA	**80,045**	**80,451**	**(406)**	**(0.5)%**

Turnover. Turnover increased by £15.8 million, or 2.7%, from £586.1 million in the 39 weeks ended 27 September 2017 to £601.9 million in the 39 weeks ended 26 September 2018. The change was primarily attributable to an increase in fuel turnover of £14.7 million, as a result of the increased pump price of fuel sold compared with the same period last year. Non-fuel turnover increased by £1.1 million, as a result of continued growth in catering and forecourt but this growth was partly offset by the detrimental impact of the adverse weather conditions experienced in March plus a negative impact of the football World Cup in June.

The following table shows the breakdown of our non-fuel turnover for the 39 weeks ended 26 September 2018 and the 39 weeks ended 27 September 2017:

	39 weeks ended 26 September 2018 £'000s	39 weeks ended 27 September 2017 £'000s	Change
Catering	129,095	126,049	3,046
Convenience Food	72,592	75,389	(2,797)
CTN	36,273	36,984	(711)
Amusement	13,029	13,554	(525)
Other	15,680	14,459	1,221
Amenity Building	**266,669**	**266,435**	**234**
Forecourt	20,301	19,432	869
Total non-fuel turnover	**286,970**	**285,867**	**1,103**

The following table shows the like-for-like sales growth in 2018:

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	13 weeks Ended 26 September 2018	39 weeks Ended 26 September 2018
Amenity Building (including amusements)	**(0.7)%**	**(0.8)%**	**0.2%**	**(0.4)%**
Forecourt	4.6%	3.1%	2.9%	3.4%
LFL non-fuel turnover	**(0.3)%**	**(0.5)%**	**0.4%**	**(0.1)%**

The following table shows the like-for-like transaction growth in 2018:

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	13 weeks Ended 26 September 2018	39 weeks Ended 26 September 2018
Amenity Building (excluding amusements)	**(1.4)%**	**(1.0)%**	**(0.6)%**	**(0.9)%**
Forecourt	(3.2)%	(0.7)%	(1.6)%	(1.8)%
Total transactions	**(1.8)%**	**(1.0)%**	**(0.7)%**	**(1.1)%**

The following table shows the average spend growth in 2018:

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	13 weeks Ended 26 September 2018	39 weeks Ended 26 September 2018
Amenity Building (excluding amusements)	**0.9%**	**0.5%**	**1.0%**	**0.8%**
Forecourt	8.0%	3.8%	4.5%	5.3%
Total spend	**1.7%**	**0.7%**	**1.3%**	**1.2%**

Change in stocks of finished goods. Change in stocks of finished goods was £1.0 million in the 39 weeks ended 26 September 2018 and £0.7 million in the 39 weeks ended 27 September 2017. The value of non-fuel stocks decreased by £0.3 million and fuel stock values increased by £1.3 million in the 39 weeks ended 26 September 2018.

Staff costs. Staff costs increased by £0.9 million, or 1.4%, from £61.7 million in the 39 weeks ended 27 September 2017 to £62.5 million in the 39 weeks ended 26 September 2018. The ratio of staff costs to non-fuel turnover increased from 21.6% in the 39 weeks ended 27 September 2017 to 21.8% in the 39 weeks ended 26 September 2018, linked in part to increases in the hourly paid rate in line with living wage legislation together with additional units.

Depreciation and amortization. Depreciation and amortization increased by £2.8 million, or 8.9%, from £31.7 million in the 39 weeks ended 27 September 2017 to £34.6 million in the 39 weeks ended 26 September 2018. The increase was primarily attributable to catch-up deprecation in relation to leasehold land which was not previously depreciated. Amortization charges were unchanged from 2017 to 2018.

Other operating costs. Other operating costs increased by £14.5 million, or 3.3%, from £445.2 million in the 39 weeks ended 27 September 2017 to £459.7 million in the 39 weeks ended 26 September 2018. The increase was primarily attributable to the cost of fuel purchased, which increased by £14.2 million. The £0.3 million increase in non-fuel operating costs is primarily attributable to (1) a £0.9 million increase in property taxes, (2) a £0.3 million increase in utilities, (3) a £0.3 million increase in franchise fees, offset by (4) a £0.7 million decrease in the cost of non-fuel merchandise, reflecting the like-for-like sales decline, and (5) a £0.7 million increase in central income.

The following represents a breakdown of our non-fuel operating costs for the 39 weeks ended 26 September 2018 and the 39 weeks ended 27 September 2017:

	39 weeks ended 26 September 2018 £'000s	**39 weeks ended 27 September 2017 £'000s**	**Change**
Cost of non-fuel merchandise	117,914	118,597	(683)
Property taxes	14,661	13,779	882
Utilities	8,104	7,826	278
Franchise fees	8,116	7,842	274
Maintenance	4,258	4,064	194
Distribution	1,698	1,623	75
Cleaning, travel and admin	6,706	6,573	133
Rent expense	7,335	7,280	55
Central income	(1,480)	(763)	(717)
Corporate and other	5,881	6,073	(192)
Travelodge provision	(547)	(530)	(17)
Total non-fuel operating costs	**172,646**	**172,364**	**282**

Central income of £1.5 million relates to (1) £0.7 million Vat reclaim, (2) £0.5 million of backdated rates settlements, (3) £0.1 million of utilities adjustments, and (5) £0.2 million of other (2017: £0.7 million of backdated rates settlement and £0.1 million excess provision for holiday pay).

Operating profit. Operating profit decreased by £2.1 million, or 4.4%, from £48.2 million in the 39 weeks ended 27 September 2017 to £46.0 million in the 39 weeks ended 26 September 2018. The reasons for the decrease in operating profit are outlined in the commentary above.

Interest receivable and similar income. Interest receivable and similar income decreased by £0.023 million, or 21.3%, from £0.108 million in the 39 weeks ended 27 September 2017 to £0.085 million in the 39 weeks ended 26 September 2018.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 39 weeks ended 26 September 2018.

Interest payable on bank loans. Interest payable on bank loans decreased by £15.2 million, or 38.3%, from £39.8 million in the 39 weeks ended 27 September 2017 to £24.6 million in the 39 weeks ended 26 September 2018. The decrease was attributable to (1) £8.9 million lower capitalised debt costs amortisation primarily due to the full write-off of senior debt and high yield bond costs relating to the previous debt in the prior period, (2) £5.6 million redemption premium for the previous high yield bond recognised in the prior period, (3) £1.0 million saving due to more favourable interest rates on the current debt arrangements, offset by (4) £0.3 million additional hedge interest accrued in the current period compared to the prior period due to the 2017 refinancing.

Fair value movement on derivative financial instruments. Fair value movement on derivative financial instruments was a £14.1 million credit in the 39 weeks ended 26 September 2018 compared with a £1.3 million credit in the 39 weeks ended 27 September 2017. This represents the movement of the fair value of interest rate derivatives held by the group.

Tax on profit on ordinary activities. Tax on profit on ordinary activities was nil in both periods. The tax charge for 2018 will be posted in the statutory accounts as a final year-end adjustment, consistent with the treatment in previous periods.

Retained profit for the financial period. For the reasons set forth above, retained profit for the period increased by 258.6%, from a profit of £10.0 million in the 39 weeks ended 27 September 2017 to a profit of £35.9 million in the 39 weeks ended 26 September 2018.

Liquidity and Capital Resources

Net cash inflow from operating activities

The following table summarizes the principal components of our net cash inflow from operating activities for the 39 weeks ended 26 September 2018 compared to the 39 weeks ended 27 September 2017:

	39 weeks ended 26 September 2018 £'000s	**39 weeks ended 27 September 2017 £'000s**
Operating profit	46,040	48,158
Depreciation charge	31,095	28,274
Loss on disposal of tangible fixed assets	1	1,093
Goodwill amortization	3,456	3,456
Increase in stocks	(957)	(683)
Decrease in debtors	9,418	2,254
(Decrease) / increase in creditors	(3,134)	1,220
Net cash inflow from operating activities	**85,919**	**83,772**

Cash inflow from operating activities increased by £2.1 million, or 2.6%, from £83.8 million in the 39 weeks ended 27 September 2017 to £85.9 million in the 39 weeks ended 26 September 2018. This is primarily attributable to (1) a decrease in operating profit of £2.1 million from £48.2 million in the 39 weeks ended 27 September 2017 to £46.0 million in the 39 weeks ended 26 September 2018, (2) an increase in the depreciation charge of £2.8 million, (3) a decrease in the loss on disposal of fixed assets of £1.1 million, and (4) an increase in the cash inflow from working capital of £2.5 million from £2.8 million in the 39 weeks ended 27 September 2017 to £5.3 million in the 39 weeks ended 26 September 2018, due to backdated rates settlements received in the period.

Net cash outflow from returns on investments and servicing of finance

The following table summarizes the principal components of our net cash outflow from returns on investments and servicing of our financing arrangements for the 39 weeks ended 26 September 2018 compared to the 39 weeks ended 27 September 2017:

	39 weeks ended 26 September 2018 £'000s	39 weeks ended 27 September 2017 £'000s
Interest received	85	108
Interest paid on bank loans	(21,437)	(27,616)
Bank interest and similar	(209)	(205)
Net cash outflow from returns on investments and servicing of finance	**(21,561)**	**(27,713)**

Interest received. Interest received decreased from £0.108 million in the 39 weeks ended 27 September 2017 to £0.085 million in the 39 weeks ended 26 September 2018.

Interest paid on bank loans. Interest paid on bank loans decreased from £27.6 million in the 39 weeks ended 27 September 2017 to £21.4 million in the 39 weeks ended 26 September 2018. The decrease was attributable to (1) £5.6 million cost relating to redemption of the previous high yield bond incurred during the prior period, (2) £1.0 million lower interest payments due to more favourable interest rates on the new debt arrangements, offset by (3) £0.4 million timing differences relating to the payment of commitment fees, hedge interest and high yield bond fees.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 39 weeks ended 26 September 2018. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 39 weeks ended 26 September 2018 compared to the 39 weeks ended 27 September 2017:

	39 weeks ended 26 September 2018 £'000s	39 weeks ended 27 September 2017 £'000s
Capital Expenditure by Category:		
Maintenance spend	(4,137)	(3,754)
Expansion spend	(18,379)	(18,072)
IT One-off projects spend	(454)	(521)
Cash outflow for capital expenditure	**(22,970)**	**(22,347)**

For the 39 weeks ended 26 September 2018, our capital expenditure amounted to £23.0 million, which consisted of £4.1 million for maintenance spending, £18.4 million for expansion including 5 new Costa Drive-Thru units, 7 new Greggs units, the introduction of new catering brands at 9 sites (including a trial of KFC), and ongoing spend on prior year projects and £0.5 million on IT projects.

For the 39 weeks ended 27 September 2017, our capital expenditure amounted to £22.3 million, which consisted of £3.8 million for maintenance spending, £18.1 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units, 2 Costa Drive Thru units, the introduction of new catering brands at 3 sites, and ongoing spend on prior year projects and £0.5 million on IT projects.

Equity dividends paid to shareholders

Equity dividends paid to shareholders decreased from £66.1 million in the 39 weeks ended 27 September 2017 to £56.9 million in the 39 weeks ended 26 September 2018. Equity dividends were debited from retained earnings and funded from balance sheet cash.

Net debt

The following table shows our net debt position as at 26 September 2018 compared to 27 September 2017:

	26 September 2018 £'000s	**27 September 2017 £'000s**
Cash in hand and at bank	22,126	18,395
Debt due after one year	(618,584)	(598,031)
Net debt	**(596,458)**	**(579,636)**

At 26 September 2018, the debt due after one year includes £476.6 million of senior debt and £150.0 million of corporate bonds, less £8.0 million of capitalised debt costs.

At 27 September 2017, the debt due after one year includes £459.8 million of senior debt and £150.0 million of corporate bonds, less £11.8 million of capitalised debt costs.