

MOTO VENTURES LIMITED

QUARTERLY REPORT

MARCH 2019

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 27 March 2019 £'000s	13 weeks Ended 28 March 2018 £'000s
Non-fuel turnover	79,931	77,185
Fuel turnover	93,637	95,450
Turnover	173,568	172,635
Change in stocks of non-fuel goods.....	384	(189)
Change in stocks of fuel	1,060	388
Change in stocks of finished goods	1,444	199
Staff costs	(20,021)	(19,741)
Depreciation and amortization.....	(11,129)	(10,330)
Non-fuel operating costs.....	(50,246)	(48,959)
Cost of fuel purchased	(85,749)	(86,928)
Other operating costs	(135,995)	(135,887)
Profit on ordinary activities before interest being operating profit	7,867	6,876
Interest receivable and similar income	45	26
Interest receivable from group undertakings	94	78
Interest payable on bank loans.....	(7,900)	(7,755)
Fair value movement on derivative financial instruments	(8,455)	9,155
(Loss)/profit on ordinary activities before taxation	(8,349)	8,380
Tax on (loss)/profit on ordinary activities	-	-
(Loss)/profit on ordinary activities after taxation being retained (loss)/profit for the financial period	(8,349)	8,380
 Note: Adjusted EBITDA	 18,824	 17,025
 Fuel margin	 8,949	 8,910

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 27 March 2019 £'000s	As of 28 March 2018 £'000s
Cash.....	29,678	32,442
Current assets (excluding cash)	28,838	32,416
Net fixed assets.....	852,708	870,938
Total assets	911,224	935,795
Current liabilities.....	(60,773)	(62,533)
Long term borrowings (excluding derivatives)	(625,997)	(604,773)
Retained Earnings	(579,790)	(530,676)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 27 March 2019 £'000s	13 weeks Ended 28 March 2018 £'000s
Net cash inflow from operating activities	19,042	17,745
Cash outflow from servicing bank loans	(7,168)	(7,138)
Net cash outflow from returns on investments and servicing of finance	(7,188)	(7,186)
Taxation	(2,206)	(1,099)
Net cash outflow for capital expenditure and financial investment	(9,860)	(8,634)
Net cash (outflow) from financing	(2,812)	(36)
(Decrease)/increase in net cash	(3,024)	790

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.

Results of Operations

Results of operations for the 13 weeks ended 27 March 2019 compared to the 13 weeks ended 28 March 2018

The following table sets forth our main operating results for the 13 weeks ended 27 March 2019 compared to the 13 weeks ended 28 March 2018:

	13 weeks ended 27 March 2019 £'000s	13 weeks ended 28 March 2018 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	79,931	77,185	2,746	3.6%
Fuel Turnover	93,637	95,450	(1,813)	(1.9)%
Turnover	173,568	172,635	933	0.5%
Change in stocks of non-fuel goods	384	(189)	573	303.2%
Change in stocks of fuel	1,060	388	672	173.2%
Change in stocks of finished goods	1,444	199	1,245	625.6%
Staff costs	(20,021)	(19,741)	(280)	(1.4)%
Depreciation and amortization	(11,129)	(10,330)	(799)	(7.7)%
Non-fuel operating costs	(50,246)	(48,959)	(1,287)	(2.6)%
Cost of fuel purchased	(85,749)	(86,928)	1,179	1.4%
Other operating costs	(135,995)	(135,887)	(108)	(0.1)%
Profit on ordinary activities before interest being operating profit	7,867	6,876	991	14.4%
Interest receivable and similar income	45	26	19	73.1%
Interest receivable from group undertakings	94	78	16	20.5%
Interest payable on bank loans	(7,900)	(7,755)	(145)	(1.9)%
Fair value movement on derivative financial instruments	(8,455)	9,155	(17,610)	(192.4)%
(Loss)/profit on ordinary activities before taxation	(8,349)	8,380	(16,729)	(199.4)%
Tax on (loss)/profit on ordinary activities	-	-	-	-
(Loss)/profit on ordinary activities after taxation being retained (loss)/profit for the financial period	(8,349)	8,380	(16,729)	(199.4)%
Note: EBITDA	18,996	17,205	1,791	10.4%
Loss on disposal of fixed assets	13	2	11	550.0%
Travelodge provision	(185)	(182)	(3)	(1.6)%
Adjusted EBITDA	18,824	17,025	1,799	10.6%

Turnover. Turnover increased by £0.9 million, or 0.5%, from £172.6 million in the 13 weeks ended 28 March 2018 to £173.6 million in the 13 weeks ended 27 March 2019. The change was primarily attributable to an increase in non-fuel turnover. Non-fuel turnover increased by £2.7 million, partly due to the detrimental impact of the adverse weather conditions experienced during the prior period. Fuel turnover decreased by £1.8 million.

The following table shows the breakdown of our non-fuel turnover for the 13 weeks ended 27 March 2019 and the 13 weeks ended 28 March 2018:

	13 weeks ended 27 March 2019 £'000s	13 weeks ended 28 March 2018 £'000s	Change
Catering	36,340	33,870	2,470
Convenience Food	18,682	18,985	(303)
CTN	9,235	9,062	173
Amusement	4,282	4,216	66
Other	5,269	4,999	270
Amenity Building	73,808	71,132	2,676
Forecourt.....	6,123	6,053	70
Total non-fuel turnover	79,931	77,185	2,746

The following table shows the like-for-like sales growth in 2019:

	13 weeks Ended 27 March 2019
Amenity Building (including amusements)	3.8%
Forecourt.....	(1.3)%
LFL non-fuel turnover	3.4%

The following table shows the like-for-like transaction growth in 2019:

	13 weeks Ended 27 March 2019
Amenity Building (excluding amusements)	1.8%
Forecourt.....	(5.7)%
Total transactions	0.3%

The following table shows the average spend growth in 2019:

	13 weeks Ended 27 March 2019
Amenity Building (excluding amusements)	2.1%
Forecourt.....	4.7%
Total spend	3.1%

Change in stocks of finished goods. Change in stocks of finished goods was £1.4 million in the 13 weeks ended 27 March 2019 and was £0.2 million in the 13 weeks ended 28 March 2018. The value of fuel stocks increased by £1.1 million in the 13 weeks ended 27 March 2019 and there was a £0.4 million increase in non-fuel stocks.

Staff costs. Staff costs increased by £0.3 million, or 1.4%, from £19.7 million in the 13 weeks ended 28 March 2018 to £20.0 million in the 13 weeks ended 27 March 2019. The ratio of staff costs to non-fuel turnover decreased from 25.6% in the 13 weeks ended 28 March 2018 to 25.0% in the 13 weeks ended 27 March 2019.

Depreciation and amortization. Depreciation and amortization increased by £0.8 million, or 7.7%, from £10.3 million in the 13 weeks ended 28 March 2018 to £11.1 million in the 13 weeks ended 27 March 2019. Amortization charges were unchanged from 2018 to 2019.

Other operating costs. Other operating costs increased by £0.1 million, or 0.1%, from £135.9 million in the 13 weeks ended 28 March 2018 to £136.0 million in the 13 weeks ended 27 March 2019. The change was attributable to a £1.2 million decrease in the cost of fuel purchased, offset by an increase of £1.3 million in non-fuel operating costs. The £1.3 million increase in non-fuel operating costs is primarily attributable to (1) a £1.0 million increase in the cost of non-fuel merchandise reflecting the growth in non-fuel turnover, (2) a £0.2 million increase in property taxes, (3) a £0.2 million increase in franchise fees, (4) a £0.2 million increase in Corporate and other, offset by (5) a £0.6 million increase in central income.

The following represents a breakdown of our non-fuel operating costs for the 13 weeks ended 27 March 2019 and the 13 weeks ended 28 March 2018:

	13 weeks ended 27 March 2019 £'000s	13 weeks ended 28 March 2018 £'000s	Change
Cost of non-fuel merchandise	32,519	31,498	1,021
Property taxes	4,955	4,777	178
Utilities	2,927	2,799	128
Franchise fees	2,321	2,156	165
Maintenance.....	1,428	1,385	43
Distribution	523	504	19
Cleaning, travel and admin	2,161	2,175	(14)
Rent expense	2,555	2,378	177
Central income.....	(1,000)	(380)	(620)
Corporate and other	2,042	1,849	193
Travelodge provision	(185)	(182)	(3)
Total non-fuel operating costs.....	50,246	48,959	1,287

Central income of £1.0 million relates to backdated rates settlements (2018: (1) £0.3 million Vat reclaim and (2) £0.1 million of backdated rates settlements).

Operating profit. Operating profit increased by £1.0 million, or 14.4%, from £6.9 million in the 13 weeks ended 28 March 2018 to £7.9 million in the 13 weeks ended 27 March 2019. The increase was due to the reasons outlined above.

Interest receivable and similar income. Interest receivable and similar income remains materially unchanged in the 13 weeks ended 29 March 2019.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 13 weeks ended 29 March 2019.

Interest payable on bank loans. Interest payable on bank loans increased by £0.1 million, or 1.9%, from £7.8 million in the 13 weeks ended 28 March 2018 to £7.9 million in the 13 weeks ended 27 March 2019. The increase was primarily attributable to £0.1 million additional interest accrued on the debt arrangements due to a higher facility B loan balance compared with the prior period.

Fair value movement on derivative financial instruments. Fair value movement on derivative financial instruments was a £8.5 million debit in the 13 weeks ended 27 March 2019 compared with £9.2 million credit in the 13 weeks ended 28 March 2018. This represents the movement of the fair value of interest rate derivatives held by the group.

Tax on (loss)/profit on ordinary activities. Tax on (loss)/profit on ordinary activities was nil in both periods. The tax charge for 2019 will be posted in the statutory accounts as a final year-end adjustment, consistent with the treatment in previous periods.

Retained (loss)/profit for the financial period. For the reasons set forth above, retained (loss)/profit for the period decreased by 199.4%, from a profit of £8.4 million in the 13 weeks ended 28 March 2018 to a loss of £8.3 million in the 13 weeks ended 29 March 2019.

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 13 weeks ended 27 March 2019 compared to the 13 weeks ended 28 March 2018:

	13 weeks ended 27 March 2019 £'000s	13 weeks ended 28 March 2018 £'000s
Operating profit	7,867	6,876
Depreciation charge	9,977	9,178
Loss on disposal of tangible fixed assets	13	2
Goodwill amortization	1,152	1,152
(Increase) in stocks	(1,444)	(199)
Decrease in debtors.....	5,582	6,186
Decrease in creditors	(4,105)	(5,450)
Net cash inflow from operating activities	19,042	17,745

Cash inflow from operating activities increased by £1.3 million, or 7.3%, from £17.7 million in the 13 weeks ended 28 March 2018 to £19.0 million in the 13 weeks ended 27 March 2019. This is attributable to (1) an increase in operating profit of £1.0 million, from £6.9 million in the 13 weeks ended 28 March 2018 to £7.9 million in the 13 weeks ended 27 March 2019, (2) a decrease in the cash flow from working capital of £0.5 million, from a £0.5 million inflow in the 13 weeks ended 28 March 2018 to a £0.03 million inflow in the 13 weeks ended 27 March 2019, and (3) an increase in the depreciation charge and loss on disposal of tangible fixed assets of £0.8 million.

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 13 weeks ended 27 March 2019 compared to the 13 weeks ended 28 March 2018:

	13 weeks ended 27 March 2019 £'000s	13 weeks ended 28 March 2018 £'000s
Interest received.....	45	26
Interest paid on bank loans	(7,168)	(7,138)
Bank interest and similar	(65)	(74)
Net cash outflow from returns on investments and servicing of finance.....	(7,188)	(7,186)

Interest received. Interest received increased from £0.026 million in the 13 weeks ended 28 March 2018 to £0.045 million in the 13 weeks ended 27 March 2019.

Interest paid on bank loans. Interest paid on bank loans increased from £7.1 million in the 13 weeks ended 28 March 2018 to £7.2 million in the 13 weeks ended 27 March 2019. The increase was attributable to £0.1 million additional interest paid on the debt arrangements due to a higher facility B loan balance compared with the prior period.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 13 weeks ended 27 March 2019. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 13 weeks ended 27 March 2019 compared to the 13 weeks ended 28 March 2018:

	13 weeks ended 27 March 2019 £'000s	13 weeks ended 28 March 2018 £'000s
Capital Expenditure by Category:		
Maintenance spend	(1,576)	(853)
Expansion spend.....	(8,186)	(7,725)
IT One-off projects spend.....	(98)	(56)
Cash outflow for capital expenditure.....	(9,860)	(8,634)

For the 13 weeks ended 27 March 2019, our capital expenditure amounted to £9.9 million, which consisted of £1.6 million for maintenance spending, £8.2 million for expansion including Burger King self-order terminals, 3 new Costa Drive-Thru units, 1 new KFC unit, new and existing site acquisition and development, and ongoing spend on prior year projects and £0.1 million on IT projects.

For the 13 weeks ended 28 March 2018, our capital expenditure amounted to £8.6 million, which consisted of £0.9 million for maintenance spending, £7.7 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 £0.1 million on IT projects.

Net debt

The following table shows our net debt position as at 27 March 2019 compared to 28 March 2018:

	27 March 2019 £'000s	28 March 2018 £'000s
Cash in hand and at bank	29,678	32,442
Debt due after one year	<u>(625,997)</u>	<u>(604,773)</u>
Net debt	<u>(596,319)</u>	<u>(572,331)</u>

At 27 March 2019, the debt due after one year includes £481.2 million of senior debt and £150.0 million of corporate bonds, less £5.2 million of capitalised debt costs.

At 28 March 2018, the debt due after one year includes £465.3 million of senior debt and £150.0 million of corporate bonds, less £10.5 million of capitalised debt costs.