

MOTO VENTURES LIMITED

QUARTERLY REPORT

DECEMBER 2019

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 25 December 2019 £'000s	Restated 13 weeks Ended 26 December 2018 £'000s	52 weeks Ended 25 December 2019 £'000s	Restated 52 weeks Ended 26 December 2018 £'000s
Non-fuel turnover.....	89,979	88,801	382,197	375,770
Fuel turnover.....	97,428	102,433	398,566	417,339
Turnover	187,407	191,234	780,763	793,109
Change in stocks of non-fuel goods	868	472	660	165
Change in stocks of fuel.....	(2,295)	(841)	25	423
Change in stocks of finished goods	(1,427)	(369)	685	588
Staff costs.....	(21,468)	(19,933)	(85,762)	(82,446)
Depreciation and amortization	(11,297)	(11,160)	(44,763)	(45,711)
Non-fuel operating costs	(57,887)	(55,344)	(231,826)	(227,990)
Cost of fuel purchased	(85,142)	(91,978)	(358,306)	(379,060)
Other operating costs	(143,029)	(147,322)	(590,132)	(607,050)
Profit on ordinary activities before interest being operating profit	10,186	12,450	60,791	58,490
Interest receivable and similar income.....	27	32	146	117
Interest receivable from group undertakings.....	104	86	395	327
Interest payable on bank loans	10,870	(9,333)	(31,322)	(33,884)
Fair value movement on derivative financial instruments	(7,925)	(6,233)	(13,881)	7,888
Profit / (loss) on ordinary activities before taxation	13,262	(2,998)	16,129	32,938
Tax on profit / (loss) on ordinary activities.....	-	(8,430)	-	(8,430)
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	13,262	(11,428)	16,129	24,508
Note: Adjusted EBITDA	22,991	23,817	106,573	103,863
Fuel margin	9,991	9,614	40,284	38,701

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 25 December 2019 £'000s	Restated As of 26 December 2018 £'000s
Cash.....	39,168	32,702
Current assets (excluding cash)	34,518	32,882
Net fixed assets.....	846,814	853,990
Total assets	920,500	919,574
Current liabilities.....	(58,692)	(60,686)
Long term borrowings (excluding derivatives)	(652,466)	(625,355)
Retained Earnings	(603,139)	(571,441)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 25 December 2019 £'000s	13 weeks Ended 26 December 2018 £'000s	52 weeks Ended 25 December 2019 £'000s	52 weeks Ended 26 December 2018 £'000s
Net cash inflow from operating activities	23,133	20,157	108,041	106,078
Cash outflow from servicing bank loans	(6,981)	(6,839)	(28,667)	(28,276)
Net cash outflow from returns on investments and servicing of finance.....	(7,023)	(6,879)	(28,786)	(28,441)
Taxation.....	(2,930)	(2,817)	(10,416)	(8,100)
Net cash outflow for capital expenditure and financial investment	(10,399)	(4,486)	(39,347)	(27,457)
Net cash inflow from financing.....	12,100	4,600	24,800	15,864
Equity dividends paid to shareholders.....	-	-	(47,826)	(56,894)
Increase in net cash.....	14,881	10,575	6,466	1,050

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 52 weeks ended 26 December 2018 have been restated to reflect a statutory accounts adjustment for corporation tax of £8.4 million not reflected in the original December 2018 report.

Results of Operations

Results of operations for the 52 weeks ended 25 December 2019 compared to the 52 weeks ended 26 December 2018

The following table sets forth our main operating results for the 52 weeks ended 25 December 2019 compared to the 52 weeks ended 26 December 2018:

	52 weeks ended 25 December 2019 £'000s	Restated 52 weeks ended 26 December 2018 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	382,197	375,770	6,427	1.7%
Fuel Turnover	398,566	417,339	(18,773)	(4.5)%
Turnover	780,763	793,109	(12,346)	(1.6)%
Change in stocks of non-fuel goods	660	165	495	300.0%
Change in stocks of fuel	25	423	(398)	(94.1)%
Change in stocks of finished goods	685	588	97	16.5%
Staff costs	(85,762)	(82,446)	(3,316)	(4.0)%
Depreciation and amortization	(44,763)	(45,711)	948	2.1%
Non-fuel operating costs	(231,826)	(227,990)	(3,836)	(1.7)%
Cost of fuel purchased	(358,306)	(379,060)	20,754	5.5%
Other operating costs	(590,132)	(607,050)	16,918	2.8%
Profit on ordinary activities before interest being operating profit	60,791	58,490	2,301	3.9%
Interest receivable and similar income	146	117	29	24.8%
Interest receivable from group undertakings	395	327	68	20.8%
Interest payable on bank loans	(31,322)	(33,884)	2,562	7.6%
Fair value movement on derivative financial instruments	(13,881)	7,888	(21,769)	(276.0)%
Profit on ordinary activities before taxation	16,129	32,938	(16,809)	(51.0)%
Tax on profit on ordinary activities	-	(8,430)	8,430	100.0%
Profit on ordinary activities after taxation being retained profit for the financial period	16,129	24,508	(8,379)	(34.2)%
Note: EBITDA	105,554	104,201	1,353	1.3%
Loss on disposal of fixed assets	1,760	391	1,369	350.1%
Travelodge provision	(741)	(729)	(12)	(1.6)%
Adjusted EBITDA	106,573	103,863	2,710	2.6%

Turnover. Turnover decreased by £12.3 million, or 1.6%, from £793.1 million in the 52 weeks ended 26 December 2018 to £780.8 million in the 52 weeks ended 25 December 2019. The change was primarily attributable to a decrease in fuel turnover of £18.8 million, as a result of lower fuel volumes, partly offset by an increase in the pump price of fuel sold. Non-fuel turnover increased by £6.4 million, due to the strong performance in catering and amusements.

The following table shows the breakdown of our non-fuel turnover for the 52 weeks ended 25 December 2019 compared to the 52 weeks ended 26 December 2018:

	52 weeks ended 25 December 2019 £'000s	52 weeks ended 26 December 2018 £'000s	Change
Catering	177,523	169,923	7,600
Convenience Food	90,126	93,407	(3,281)
CTN	46,961	47,080	(199)
Amusement	18,847	17,496	1,351
Other	21,692	21,046	646
Amenity Building	355,149	348,952	6,197
Forecourt.....	27,048	26,818	230
Total non-fuel turnover	382,197	375,770	6,427

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

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	13 weeks Ended 25 September 2019	13 weeks Ended 25 December 2019	52 weeks Ended 25 December 2019
Amenity Building (including amusements).....	3.8%	1.4%	1.2%	1.2%	1.8%
Forecourt.....	(1.3)%	(2.5)%	(2.0)%	0.6%	(1.3)%
LFL non-fuel turnover	3.4%	1.1%	1.0%	1.1%	1.6%

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

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	13 weeks Ended 25 September 2019	13 weeks Ended 25 December 2019	52 weeks Ended 25 December 2019
Amenity Building (excluding amusements)	1.8%	(0.8)%	(0.9)%	(0.2)%	(0.1)%
Forecourt.....	(5.7)%	(6.4)%	(5.4)%	(2.3)%	(5.0)%
Total transactions	0.3%	(1.8)%	(1.6)%	(0.5)%	(1.0)%

The following table shows the average spend growth in 2019:

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	13 weeks Ended 25 September 2019	13 weeks Ended 25 December 2019	52 weeks Ended 25 December 2019
Amenity Building (excluding amusements)	2.1%	1.9%	1.7%	0.7%	1.6%
Forecourt.....	4.7%	4.1%	3.6%	3.0%	3.9%
Total spend	3.1%	2.6%	2.3%	1.1%	2.2%

Change in stocks of finished goods. Change in stocks of finished goods was £0.7 million in the 52 weeks ended 25 December 2019 and £0.6 million in the 52 weeks ended 26 December 2018. The value of fuel stocks was unchanged in the 52 weeks ended 25 December 2019 and there was a £0.7 million increase in non-fuel stocks.

Staff costs. Staff costs increased by £3.3 million, or 4.0%, from £82.4 million in the 52 weeks ended 26 December 2018 to £85.8 million in the 52 weeks ended 25 December 2019. The ratio of staff costs to non-fuel turnover increased from 21.9% in the 52 weeks ended 26 December 2018 to 22.4% in the 52 weeks ended 25 December 2019, linked in part to increases in the hourly paid rate in line with living wage legislation together with higher discretionary bonus payments.

Depreciation and amortization. Depreciation and amortization decreased by £0.9 million, or 2.1%, from £45.7 million in the 52 weeks ended 26 December 2018 to £44.8 million in the 52 weeks ended 25 December 2019. Amortization charges were unchanged from 2018 to 2019.

Other operating costs. Other operating costs decreased by £16.9 million, or 2.8%, from £607.1 million in the 52 weeks ended 26 December 2018 to £590.1 million in the 52 weeks ended 25 December 2019. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £20.8 million. The £3.8 million increase in non-fuel operating costs is primarily attributable to (1) a £0.7 million increase in property taxes, (2) a £0.7 million increase in franchise fees, (3) a £2.9 million increase in corporate and other, reflecting a £1.4 million higher loss on disposal of fixed assets, partly offset by (4) a £0.5 million decrease in the cost of non-fuel merchandise.

The following represents a breakdown of our non-fuel operating costs for the 52 weeks ended 25 December 2019 and the 52 weeks ended 26 December 2018:

	52 weeks ended 25 December 2019 £'000s	52 weeks ended 26 December 2018 £'000s	Change
Cost of non-fuel merchandise	154,329	154,850	(521)
Property taxes	20,228	19,569	659
Utilities	10,694	10,906	(212)
Franchise fees	11,409	10,689	720
Maintenance.....	6,057	5,699	358
Distribution	2,304	2,199	105
Cleaning, travel and admin	8,690	9,001	(311)
Rent expense	10,385	9,815	570
Central income.....	(2,325)	(1,922)	(403)
Corporate and other	10,796	7,913	2,883
Travelodge provision	(741)	(729)	(12)
Total non-fuel operating costs.....	231,826	227,990	3,836

Central income of £2.3 million relates to (1) £2.3 million of backdated rates settlements, and (2) £0.025 million being the net of a number of other one-off items. (2018: £1.0 million of backdated rates settlements, £0.8 million Vat reclaim, and income of £0.1 million of other).

Operating profit. Operating profit increased by £2.3 million, or 3.9% from £58.5 million in the 52 weeks ended 26 December 2018 to £60.8 million in the 52 weeks ended 25 December 2019. The reasons for the increase in operating profit are outlined in the commentary above.

Interest receivable and similar income. Interest receivable and similar income remains materially unchanged in the 52 weeks ended 25 December 2019.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 52 weeks ended 25 December 2019.

Interest payable on bank loans. Interest payable on bank loans decreased by £2.6 million, or 7.6%, from £33.9 million in the 52 weeks ended 26 December 2018 to £31.3 million in the 52 weeks ended 25 December 2019. The decrease was primarily attributable to a £3.0 million reduction in capitalised debt costs amortisation, offset by a £0.4 million increase in the 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 £13.3 million debit in the 52 weeks ended 25 December 2019 compared with a £7.9 million credit in the 52 weeks ended 26 December 2018. 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 decreased by £8.4 million, or 100.0%, from £8.4 million in the 52 weeks ended 26 December 2018 to £0.0 million in the 52 weeks ended 25 December 2019. The tax charge for the 52 weeks ended 25 December 2019 will be posted in the statutory accounts.

Retained profit for the financial period. For the reasons set forth above, retained profit for the period decreased by £8.4 million, or 34.2%, from £24.5 million in the 52 weeks ended 26 December 2018 to £16.9 million in the 52 weeks ended 25 December 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 52 weeks ended 25 December 2019 compared to the 52 weeks ended 26 December 2018:

	52 weeks ended 25 December 2019 £'000s	52 weeks ended 26 December 2018 £'000s
Operating profit	60,791	58,490
Depreciation charge	40,155	41,103
Loss on disposal of tangible fixed assets	1,760	391
Goodwill amortization	4,608	4,608
Increase in stocks	(685)	(588)
Decrease in debtors	5,215	6,359
Decrease in creditors	(3,803)	(4,285)
Net cash inflow from operating activities	108,041	106,078

Cash inflow from operating activities increased by £2.0 million, or 1.9%, from £106.1 million in the 52 weeks ended 26 December 2018 to £108.0 million in the 52 weeks ended 25 December 2019. This is primarily attributable to (1) an increase in operating profit of £2.3 million from £58.5 million in the 52 weeks ended 26 December 2018 to £60.8 million in the 52 weeks ended 25 December 2019, (2) a decrease in the depreciation charge of £0.9 million, (3) an increase in the loss on disposal of fixed assets of £1.4 million, and (4) a decrease in the cash inflow from working capital of £0.8 million from a £1.5 million inflow in the 52 weeks ended 26 December 2018 to a £0.7 million inflow in the 52 weeks ended 25 December 2019.

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 52 weeks ended 25 December 2019 compared to the 52 weeks ended 26 December 2018:

	52 weeks ended 25 December 2019 £'000s	52 weeks ended 26 December 2018 £'000s
Interest received.....	146	117
Interest paid on bank loans	(28,667)	(28,276)
Bank interest and similar	(265)	(282)
Net cash outflow from returns on investments and servicing of finance.....	(28,786)	(28,441)

Interest received. Interest received remains materially unchanged in the 52 weeks ended 25 December 2019.

Interest paid on bank loans. Interest paid on bank loans increased from £28.3 million in the 52 weeks ended 26 December 2018 to £28.7 million in the 52 weeks ended 25 December 2019. The increase was attributable to £0.4 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 remain materially unchanged in the 52 weeks ended 25 December 2019. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 52 weeks ended 25 December 2019 compared to the 52 weeks ended 26 December 2018:

	52 weeks ended 25 December 2019 £'000s	52 weeks ended 26 December 2018 £'000s
Capital Expenditure by Category:		
Maintenance spend	(5,232)	(5,530)
Expansion spend.....	(33,300)	(21,076)
IT One-off projects spend.....	(815)	(851)
Cash outflow for capital expenditure.....	(39,347)	(27,457)

For the 52 weeks ended 25 December 2019, our capital expenditure amounted to £39.3 million, which consisted of £5.2 million for maintenance spending, £33.3 million for expansion including Burger King self-order terminals, 2 new Costa Drive-Thru units, 3 new KFC units, new and existing site acquisition and development, and ongoing spend on prior year projects, and £0.8 million on IT projects.

For the 52 weeks ended 26 December 2018, our capital expenditure amounted to £27.5 million, which consisted of £5.5 million for maintenance spending, £21.1 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 £0.9 million on IT projects.

Equity dividends paid to shareholders

Equity dividends paid to shareholders decreased from £56.9 million in the 52 weeks ended 26 December 2018 to £47.8 million in the 52 weeks ended 25 December 2019. 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 25 December 2019 compared to 26 December 2018:

	25 December 2019 £'000s	26 December 2018 £'000s
Cash in hand and at bank.....	39,168	32,702
Debt due after one year.....	<u>(652,466)</u>	<u>(625,355)</u>
Net debt.....	<u>(613,296)</u>	<u>(592,653)</u>

At 25 December 2019, the debt due after one year includes £506.0 million of senior debt, £150.0 million of corporate bonds, less £3.5 million of capitalised debt costs.

At 26 December 2018, the debt due after one year includes £481.2 million of senior debt, £150.0 million of corporate bonds, less £5.8 million of capitalised debt costs.