



**PUNCH TAVERNS FINANCE B**  
**PUNCH TAVERNS HOLDCO (B) LIMITED AND SUBSIDIARY COMPANIES**

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**FINANCIAL REPORT – QUARTER 3 (MAY 2018)**

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**This report is confidential and should not be onwardly distributed without the written authority of Punch Taverns**



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**FINANCIAL REPORT – QUARTER 3 (MAY 2018)**

**Introduction**

This report covers the 12 week period to 26 May 2018, which is the third quarter of the 2017/18 financial year.

This report is prepared under International Financial Reporting Standards (“IFRS”).

**Profit Commentary**

Trading results for the third quarter were as follows:

- **Sales**  
Turnover for the 12 week period to 26 May 2018 was £37.4m, of which rent contributed 21.7%.
- **Gross Profits**  
The total gross profit in the 12 week period to 26 May 2018 was £21.3m, which gave a gross profit margin of 57.0%.
- **EBITDA**  
EBITDA in the 12 week period to 26 May 2018 amounted to £16.3m.



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**Estate Portfolio**

- During the period, seven pubs were disposed of individually and the head lease was surrendered on one pub.

	<u>Quarter 3</u> 12 weeks to 26 May 2018	<u>YTD</u> 40 weeks to 26 May 2018
<b>Number of Core Pubs</b>		
Opening	1,091	1,110
Lease expiry / unlicensed	-	(1)
Disposals	(4)	(22)
<b>End of Period</b>	<u><u>1,087</u></u>	<u><u>1,087</u></u>
<b>Number of Non-core Pubs</b>		
Opening	162	177
Lease expiry / unlicensed	(1)	(1)
Disposals	(3)	(18)
<b>End of Period</b>	<u><u>158</u></u>	<u><u>158</u></u>

**Investment in Pub Estate**

	<u>Quarter 3</u> 12 weeks to 26 May 2018	<u>YTD</u> 40 weeks to 26 May 2018
	<u>£m</u>	<u>£m</u>
Spend on Core pubs	1.7	7.9
Spend on Non-core / Unlicensed / Central assets	1.4	1.9
<b>Total Spend on Estate</b>	<u><u>3.1</u></u>	<u><u>9.8</u></u>
Proceeds from Core pubs	3.0	23.0
Proceeds from Non-core assets	2.4	9.8
<b>Total Disposal Proceeds</b>	<u><u>5.4</u></u>	<u><u>32.8</u></u>



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**FINANCIAL REPORT – QUARTER 3 (MAY 2018)**

**Interest Cover Ratio**

	<u>Quarter 3</u> Rolling 4 quarters to 26 May 2018
	<u>£m</u>
<b>EBITDA</b>	<b>66.0</b>
Interest Charges	<b>34.0</b>
<b>Interest Cover Ratio</b>	<b>1.9:1</b>

**Free Cash Flow to Debt Service Ratio**

	<u>Quarter 3</u> Rolling 4 quarters to 26 May 2018
	<u>£m</u>
<b>Free Cash Flow</b>	<b>87.1</b>
Interest Charges	34.0
Repayments of Principal	12.5
	<b>46.5</b>
<b>Free Cash Flow to Debt Service Ratio</b>	<b>1.9:1</b>



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**Net Debt**

Nominal value of net debt:

	<b>As at</b>	<b>As at</b>
	<b>26 May 2018</b>	<b>19 August</b>
	<b>£m</b>	<b>2017</b>
	<b><u>£m</u></b>	<b><u>£m</u></b>
Swap Loan	-	1.8
A3	105.8	110.3
A6	211.0	213.9
A7	137.1	138.1
B3	72.9	72.9
Gross Debt	<u>526.8</u>	<u>537.0</u>
Cash	60.2	31.8
Net Debt	<u>466.6</u>	<u>505.2</u>



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**FINANCIAL REPORT – QUARTER 3 (MAY 2018)**

**Excess Cash**

	<u>Relevant Period</u> <u>12 weeks</u> <u>ending</u> <u>26 May 2018</u> <u>£m</u>
Collection Account*	33.6
Operating Account	(10.7)
Working Capital Reserve	(10.0)
Debt Service Accrual	(10.7)
Total	<hr/> 2.2
<b>Excess Cash Amount</b>	<hr/> <b>2.2</b> <hr/>
<b>Disposal Proceeds Account</b>	<hr/> <b>23.1</b> <hr/>

\*Including Eligible Investments



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**FINANCIAL REPORT – QUARTER 3 (MAY 2018)**

**Net Senior Leverage**

	<b>Quarter 3</b>
	<b>Rolling 4</b>
	<b>quarters to</b>
	<b>26 May 2018</b>
	<b>£m</b>
<b>EBITDA</b>	<b>66.0</b>
Net Senior Debt	393.7
Liquidity Facility amounts outstanding	-
	<b>393.7</b>
<b>Ratio of Net Senior Debt plus Liquidity Facility amounts outstanding to EBITDA</b>	<b>6.0:1</b>



**PUNCH TAVERNS FINANCE B**  
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**PROFIT AND LOSS ACCOUNT**

	<u>Quarter 3</u> 12 weeks to 26 May 2018	<u>Year to date</u> 40 weeks to 26 May 2018
	<u>£m</u>	<u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	22.4	67.5
Rent	8.1	27.3
Machines	0.8	2.7
Other	6.1	18.6
<b>Total Turnover</b>	<u>37.4</u>	<u>116.1</u>
<b>Gross Profit</b>		
Beer	10.6	30.7
Rent	8.1	27.3
Machines	0.8	2.7
Other	1.8	5.7
<b>Total Gross Profit</b>	<u>21.3</u>	<u>66.4</u>
Operating Costs	(5.0)	(16.6)
<b>EBITDA</b>	<u>16.3</u>	<u>49.8</u>
Impairment of Tangible Fixed Assets	-	(0.6)
Property Related Profits	2.3	10.8
Depreciation and Amortisation	(1.1)	(3.5)
Exceptional Items <sup>1</sup>	(2.0)	(2.0)
Cash Interest Receivable	0.1	0.1
Cash Interest Payable	(7.8)	(26.2)
Non-Cash Interest Charge	(0.2)	(0.7)
<b>Profit Before Taxation</b>	<u>7.6</u>	<u>27.7</u>
Taxation	(1.3)	(4.3)
<b>Profit for the Period</b>	<u>6.3</u>	<u>23.4</u>

<sup>1</sup> Exceptional items relates to costs incurred on reorganisation of field and central support teams.





**PUNCH TAVERNS FINANCE B**  
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**CONSOLIDATED BALANCE SHEET**

	As at 26 May 2018	As at 19 August 2017
	<u>£m</u>	<u>£m</u>
<b>Fixed Assets</b>		
Tangible Fixed Assets	770.7	790.2
<b>NON CURRENT ASSETS</b>	<u>770.7</u>	<u>790.2</u>
<b>Debtors</b>		
Trade	7.7	6.9
Prepayments	1.4	1.9
Non-current Assets Classified as Held for Sale	9.9	5.1
	<u>19.0</u>	<u>13.9</u>
Cash at Bank and In Hand	60.2	31.8
<b>CURRENT ASSETS</b>	<u>79.2</u>	<u>45.7</u>
<b>Creditors: amounts falling due within one year</b>		
Loans	(8.1)	(12.1)
Trade Creditors	(1.1)	(1.2)
Other Creditors	(8.3)	(8.0)
Social Security and Other Taxes	(2.6)	(2.0)
Accruals and Deferred Income	(7.9)	(8.9)
Amounts owed to Group Undertakings	(10.8)	(9.7)
	<u>(38.8)</u>	<u>(41.9)</u>
<b>NET CURRENT ASSETS</b>	<u>40.4</u>	<u>3.8</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>811.1</u>	<u>794.0</u>
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(516.8)	(522.8)
Provisions for Liabilities and Charges	(5.7)	(5.7)
Pension – Defined Benefit Liability	(6.1)	(6.6)
Subordinated Loan Funding	(3.7)	(3.5)
	<u>(532.3)</u>	<u>(538.6)</u>
<b>NET ASSETS</b>	<u><u>278.8</u></u>	<u><u>255.4</u></u>
<b>Capital and Reserves</b>		
Share Capital	-	-
Share Premium	2.7	2.7
Revaluation Reserve	101.2	102.8
Merger reserve	91.6	91.6
Profit and Loss Reserves	83.3	58.3
<b>SHAREHOLDERS' FUNDS</b>	<u><u>278.8</u></u>	<u><u>255.4</u></u>



**PUNCH TAVERNS FINANCE B**  
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**CONSOLIDATED CASH FLOW**

	<u>Quarter 3</u> <u>Year to date</u> <u>40 weeks to</u> <u>26 May 2018</u>	<u>Quarter 3</u> <u>Prior Year to</u> <u>date</u> <u>40 weeks to</u> <u>27 May 2017</u>
	<u>£m</u>	<u>£m</u>
Operating profit	46.3	49.1
Depreciation and amortisation	3.5	3.6
Cash flows from exceptional items	(2.0)	(0.3)
Increase in working capital	(6.6)	(2.9)
<b>Net Cash Inflow from Operating Activities</b>	<u>41.2</u>	<u>49.5</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(25.7)	(26.7)
Interest received	0.1	0.2
	<u>(25.6)</u>	<u>(26.5)</u>
<b>Capital Expenditure and Financial Investment</b>		
Investment spend on fixed assets	(9.8)	(23.5)
Receipt from sale of fixed assets	32.8	11.4
	<u>23.0</u>	<u>(12.1)</u>
<b>Net Cash Inflow Before Financing</b>	38.6	10.9
<b>Financing</b>		
Loans repaid	(10.2)	(21.7)
<b>NET INCREASE / (DECREASE) IN CASH</b>	<u><u>28.4</u></u>	<u><u>(10.8)</u></u>



**PUNCH TAVERNS FINANCE B**  
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**FINANCIAL RATIO COMPLIANCE CERTIFICATE**

To: Deutsche Trustee Company Limited

1. We, Steve Dando and Ed Bashforth, each being a director of Punch Partnerships (PML) Limited, HEREBY CERTIFY without incurring any personal liability for the same, that for the Financial Quarter just ended:

- (a) that the financial covenants for the undertakings in Clause 15 (Financial Covenants) of the Issuer / Borrower Facility Agreement have been observed;
- (b) as at the Financial Quarter Date for the Relevant Period ending on 26 May 2018, the Interest Cover Ratio was 1.9:1.
- (c) as at the Financial Quarter Date for the Relevant Period ending on 26 May 2018, the Free Cash Flow Ratio was 1.9:1.
- (d) as at the Financial Quarter Date for the Relevant Period ending on 26 May 2018, Net Senior Leverage was 6.0:1.
- (e) the Net Worth of the New Securitisation Group calculated in accordance with Clause 15.1 (D) (Net Worth) of the Issuer/Borrower Facility Agreement is not tested this quarter. Net Worth will be tested as at 18 August 2018.
- (f) for the purposes of calculating the ratios above, the following values were relevant for the Relevant Period just ended:

	<u>Relevant period</u> <u>Rolling 4</u> <u>quarters to</u> <u>26 May 2018</u>
<b>EBITDA:</b>	<b>£66.0m</b>
<b>Debt Service:</b>	<b>£46.5m</b>
<b>Interest Charges:</b>	<b>£34.0m</b>
<b>Free Cash Flow:</b>	<b>£87.1m</b>

- (g) in addition, the following values were relevant for the Financial Quarter(s) and Interest Period just ended:

the average and final balance of each of the New Securitisation Group Entity Accounts during the Financial Quarter and on Financial Quarter Date were:

	<b>Average</b>	<b>Final Balance</b>
	<b>£m</b>	<b>£m</b>
Excess cash	2.5	2.5
Capex	-	-
Collection*	27.1	33.6
Disposal Proceeds	22.5	23.1
Debt Service Reserve*	11.4	11.4
Cure	-	-
Suspense	-	-
Operating	(4.0)	(10.7)

\* Including eligible investments.



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)**

	<b>Financial Quarter Date</b> <b>26 May 2018</b> <b>£m</b>
the amount of Core Disposal Proceeds standing to credit of the Disposal Proceeds Account	23.1
the amounts standing to the credit of the Cure Account	-
the cumulative aggregate amount transferred to the Debt Service Reserve Account*	20.0
the amounts standing to credit of the Debt Service Reserve Account*	11.4
the amounts standing to the credit of the Suspense Account	-
Minimum CapEx Amount	2.1
CapEx Amounts Expended	3.6
the amounts standing to the credit of the Excess Cash Account	2.5
Applied Restricted Funds	-
Reserved Collection Account Amounts	-
Senior Liabilities	458.2
Shortfall	-
Swap Loan Redemption Amount	-
Number of Punch Taverns B Mortgaged Properties disposed of or acquired (number)	7
Number of Pubs in Portfolio (number)	1,245
Excess Cash Amount	2.2
Weighted Average Return on all CapEx Amounts spend on all trading Pubs during the 24 months (%)	57.1%

\*Including Eligible Investments.



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)**

- (h) The Borrower Accounts have been operated in compliance with the conditions of operation of the Borrower Accounts;
  - (i) as of the date of this Certificate, no Borrower Event of Default or Potential Borrower Event of Default (which in either case, has not previously been notified to the Security Trustee) has occurred;
3. In accordance with Clause 14.1(C)(ii)(t) (Financial Statements) of the Issuer/Borrower Facility Agreement, we confirm that:
- (a) there have been no material amendments made to the Material Contracts since the date of the last Financial Ratio Compliance Certificate;
  - (b) there have been no Material Contracts entered into since the date of the last Financial Ratio Compliance Certificate which contain a prohibition on assigning;
  - (c) there have been no Material Contracts where consent to assignment has been obtained, where such consent was required;
  - (d) there have been no new franchise agreements or licences which we consider, acting in good faith, to be material to the interests of the Issuer and the Security Trustee.
4. In accordance with clause 16.3(N) (Tenancy Agreements) of the Issuer/Borrower Facility Agreement, the Borrower hereby certifies to the Borrower Security Trustee that aggregate Relevant Changes during the preceding 12 month period have not exceeded 3 per cent. of aggregate TA Receivables.



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5. Terms used in the Financial Ratio Compliance Certificate that are not defined herein shall have the meaning given to them in the Master Definitions and Construction Schedule dated 8 October 2014.

Dated: 10 July 2018

Signed for and on behalf of Punch Partnerships (PML) Limited

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Finance Director

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Director