

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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2019)

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FINANCIAL REPORT – QUARTER 1 (DECEMBER 2019)

Introduction

This report covers the 16 week period to 8 December 2019, which is the first quarter of the 2019/20 financial year.

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

Profit Commentary

Trading results for the first quarter were as follows:

- **Sales**
Turnover for the 16 week period to 8 December 2019 was £47.2m, of which rent contributed 26.1%.
- **Gross Profits**
The total gross profit in the 16 week period to 8 December 2019 was £27.1m, which gave a gross profit margin of 57.4%.
- **EBITDA**
EBITDA in the 16 week period to 8 December 2019 amounted to £18.8m.

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Estate Portfolio

- During the period, eighteen pubs were disposed of individually.

	<u>Quarter 1</u> 16 weeks to 8 December 2019	<u>YTD</u> 16 weeks to 8 December 2019
Number of Core Pubs		
Opening	1,049	1,049
Lease expiry / unlicensed	(1)	(1)
Disposals	(8)	(8)
End of Period	<u><u>1,040</u></u>	<u><u>1,040</u></u>
 Number of Non-core Pubs		
Opening	139	139
Lease expiry / unlicensed	(1)	(1)
Disposals	(8)	(8)
End of Period	<u><u>130</u></u>	<u><u>130</u></u>

Investment in Pub Estate

	<u>Quarter 1</u> 16 weeks to 8 December 2019 <u>£m</u>	<u>YTD</u> 16 weeks to 8 December 2019 <u>£m</u>
Spend on Core pubs	9.8	9.8
Spend on Non-core / Unlicensed / Central assets	3.8	3.8
Total Spend on Estate	<u><u>13.6</u></u>	<u><u>13.6</u></u>
 Proceeds from Core pubs	2.6	2.6
Proceeds from Non-core assets	2.8	2.8
Total Disposal Proceeds	<u><u>5.4</u></u>	<u><u>5.4</u></u>

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Interest Cover Ratio

	<u>Quarter 1</u> Rolling 4 quarters to 8 December 2019 £m
EBITDA	<u><u>64.8</u></u>
Interest Charges	<u><u>32.9</u></u>
Interest Cover Ratio	2.0:1

Free Cash Flow to Debt Service Ratio

	<u>Quarter 1</u> Rolling 4 quarters to 8 December 2019 £m
Free Cash Flow	<u><u>40.3</u></u>
Interest Charges	32.9
Repayments of Principal	7.1
	<u><u>40.0</u></u>
Free Cash Flow to Debt Service Ratio	1:0

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Net Debt

Nominal value of net debt:

	As at 8 December 2019 <u>£m</u>	As at 18 August 2019 <u>£m</u>
A3	99.1	99.8
A6	207.9	208.8
A7	135.2	135.5
B3	72.9	72.9
Gross Debt	<u>515.1</u>	<u>517.0</u>
Cash	66.3	73.4
Net Debt	<u>448.8</u>	<u>443.6</u>

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Excess Cash

	<u>Relevant Period</u> <u>16 weeks</u> <u>ending</u> <u>8 December 2019</u> <u>£m</u>
Collection Account*	7.9
Operating Account	3.2
Working Capital Reserve	(10.0)
Debt Service Accrual	(10.2)
Total	<hr style="width: 100%; border: 0.5px solid black;"/> (9.1)
Excess Cash Amount	<hr style="width: 100%; border: 0.5px solid black;"/> - <hr style="width: 100%; border: 0.5px solid black;"/>
Disposal Proceeds Account*	<hr style="width: 100%; border: 0.5px solid black;"/> 43.8 <hr style="width: 100%; border: 0.5px solid black;"/>

*Including Eligible Investments

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Net Senior Leverage

	<u>Quarter 1</u> Rolling 4 quarters to 8 December 2019 <u>£m</u>
EBITDA	64.8
Net Senior Debt	375.9
Liquidity Facility amounts outstanding	-
	<hr style="border: none; border-top: 1px solid black;"/> 375.9 <hr style="border: none; border-top: 3px double black;"/>
Ratio of Net Senior Debt plus Liquidity Facility amounts outstanding to EBITDA	5.8:1

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PROFIT AND LOSS ACCOUNT

	<u>Quarter 1</u> 16 weeks to 8 December 2019	<u>Year to date</u> 16 weeks to 8 December 2019
	<u>£m</u>	<u>£m</u>
Turnover		
Beer (net of discounts)	25.7	25.7
Rent	12.3	12.3
Machines	1.1	1.1
Other	8.1	8.1
Total Turnover	<u>47.2</u>	<u>47.2</u>
Gross Profit		
Beer	11.3	11.3
Rent	12.3	12.3
Machines	1.1	1.1
Other	2.4	2.4
Total Gross Profit	<u>27.1</u>	<u>27.1</u>
Operating Costs	(8.3)	(8.3)
EBITDA	<u>18.8</u>	<u>18.8</u>
Property Related Profits	0.1	0.1
Depreciation and Amortisation	(1.7)	(1.7)
Exceptional Items	(0.8)	(0.8)
Cash Interest Receivable	0.1	0.1
Cash Interest Payable	(10.2)	(10.2)
Non-Cash Interest Charge	(0.3)	(0.3)
Profit Before Taxation	<u>6.0</u>	<u>6.0</u>
Taxation	(1.6)	(1.6)
Profit for the Period	<u>4.4</u>	<u>4.4</u>

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CONSOLIDATED BALANCE SHEET

	As at 8 December 2019	As at 18 August 2019 ¹
	<u>£m</u>	<u>£m</u>
Fixed Assets		
Tangible Fixed Assets	774.6	768.3
NON CURRENT ASSETS	<u>774.6</u>	<u>768.3</u>
Debtors		
Trade	6.0	5.5
Prepayments	0.7	2.8
Non-current Assets Classified as Held for Sale	14.7	14.7
Amounts due from Group Undertakings	3.1	-
	<u>24.5</u>	<u>23.0</u>
Cash at Bank and In Hand	66.3	73.4
CURRENT ASSETS	<u>90.8</u>	<u>96.4</u>
Creditors: amounts falling due within one year		
Loans	(9.3)	(8.1)
Trade Creditors	(2.4)	(2.4)
Other Creditors	(8.5)	(7.9)
Social Security and Other Taxes	(1.8)	(1.7)
Accruals and Deferred Income	(9.1)	(8.6)
Amounts owed to Group Undertakings	-	(4.7)
	<u>(31.1)</u>	<u>(33.4)</u>
NET CURRENT ASSETS	<u>59.7</u>	<u>63.0</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>834.3</u>	<u>831.3</u>
Creditors: amounts falling due after more than one year		
Loans	(504.6)	(507.5)
Provisions for Liabilities and Charges	(0.4)	(0.4)
Deferred Tax	(15.8)	(14.2)
Pension – Defined Benefit Liability	(4.1)	(4.3)
Subordinated Loan Funding	(4.1)	(4.0)
	<u>(528.6)</u>	<u>(530.4)</u>
NET ASSETS	<u><u>305.3</u></u>	<u><u>300.9</u></u>
Capital and Reserves		
Share Capital	-	-
Share Premium	2.7	2.7
Revaluation Reserve	111.9	111.9
Merger reserve	91.6	91.6
Profit and Loss Reserves	99.1	94.7
	<u>305.3</u>	<u>300.9</u>
SHAREHOLDERS' FUNDS	<u><u>305.3</u></u>	<u><u>300.9</u></u>

¹ The figures at 18 August 2019 have been restated from those shown in the quarter 4 (August 2019) report, to reflect adjustments made on finalisation of the underlying statutory accounts, being the finalisation of the corporation and deferred tax provision and the amendment of tangible Fixed Assets and non-current assets classified as held for sale.

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CONSOLIDATED CASH FLOW

	<u>Quarter 1</u>	<u>Quarter 1</u>
	<u>Year to date</u>	<u>Prior Year to</u>
	<u>16 weeks to</u>	<u>date</u>
	<u>8 December</u>	<u>16 weeks to</u>
	<u>2019</u>	<u>8 December</u>
	<u>£m</u>	<u>2018</u>
		<u>£m</u>
Operating profit	17.1	17.9
Depreciation and amortisation	1.7	1.4
Cash flows from exceptional items	(0.8)	(0.3)
Increase in working capital	(6.8)	(10.4)
Net Cash Inflow from Operating Activities	<u>11.2</u>	<u>8.6</u>
Returns on Investment and Servicing of Finance		
Interest paid	(8.4)	(8.5)
Interest received	0.2	0.1
	<u>(8.2)</u>	<u>(8.4)</u>
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(13.6)	(8.5)
Receipt from sale of fixed assets	5.4	8.6
	<u>(8.2)</u>	<u>0.1</u>
Net Cash (Outflow) / Inflow Before Financing	(5.2)	0.3
Financing		
Loans repaid	(1.9)	(2.3)
NET DECREASE IN CASH	<u><u>(7.1)</u></u>	<u><u>(2.0)</u></u>

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

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 8 December 2019, the Interest Cover Ratio was 2.0:1.
- (c) as at the Financial Quarter Date for the Relevant Period ending on 8 December 2019, the Free Cash Flow Ratio was 1:0.
- (d) as at the Financial Quarter Date for the Relevant Period ending on 8 December 2019, Net Senior Leverage was 5.8:1.
- (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 16 August 2020.
- (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>8 December 2019</u>
EBITDA:	£64.8m
Debt Service:	£40.0m
Interest Charges:	£32.9m
Free Cash Flow:	£40.3m

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

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

	Average	Final Balance
	£m	£m
Excess cash	2.3	-
Capex	-	-
Collection*	12.2	7.9
Disposal Proceeds*	41.7	43.8
Debt Service Reserve*	11.4	11.4
Cure	-	-
Suspense	-	-
Operating	(5.3)	3.2

* Including eligible investments.

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FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

	Financial Quarter Date 8 December 2019 £m
the amount of Core Disposal Proceeds standing to credit of the Disposal Proceeds Account	43.8
the amounts standing to the credit of the Cure Account	-
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	2.8
CapEx Amounts Expended	14.0
the amounts standing to the credit of the Excess Cash Account	-
Applied Restricted Funds	-
Reserved Collection Account Amounts	-
Senior Liabilities	447.4
Shortfall	-
Swap Loan Redemption Amount	-
Properties disposed of or acquired (number)	16
Number of Pubs in Portfolio (number)	1,170
Excess Cash Amount	-
Weighted Average Return on all CapEx Amounts spend on all trading Pubs during the 24 months (%)	75.2%

*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 preceeding 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

Dated: 22 January 2020

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

Finance Director

Director