

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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2020)

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FINANCIAL REPORT – QUARTER 1 (DECEMBER 2020)

Introduction

This report covers the 16 week period to 6 December 2020, which is the first quarter of the 2020/21 financial year.

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

During the period the business has seen an impact on trading levels from the Covid-19 coronavirus pandemic. On 20 March 2020, the UK government announced the temporary closure of all pubs in the UK with pubs permitted to reopen (subject to (i) absence of additional localised lockdown restrictions; and (ii) the implementation of Covid-19 risk assessment mitigations) from 4 July 2020 in England, 15 July 2020 in Scotland and 3 August 2020 in Wales. Consequently the business has seen an impact on trading levels in the period, with minimal drink sales during the period of pub closure and reduced rental income due to rent concessions awarded to support Publicans.

On 5 November 2020, the UK government announced a further temporary closure of all pubs, pubs were permitted to reopen depending on a tier system on 2 December 2020. A third lock down was implemented by UK government on 5 January 2020.

On 14 May 2020 Noteholders approved a simple and targeted amendment to the basis on which the Securitisation's EBITDA is calculated for covenant purposes in order to deal specifically with the impact of the COVID-19 Restrictions, and to permit Punch to accommodate rent deferrals or reductions for tenants who are struggling to pay their rent on time during the period that the COVID-19 Restrictions are in place.

Profit Commentary

Trading results for the first quarter were as follows:

- **Sales**
Turnover for the 16 week period to 6 December 2020 was £26.7m, of which rent contributed 25.8%.
- **Gross Profits**
The total gross profit in the 16 week period to 6 December 2020 was £14.7m, which gave a gross profit margin of 55.1%.
- **EBITDA**
EBITDA in the 16 week period to 6 December 2020 amounted to £7.7m.

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Estate Portfolio

- During the period, 13 pubs were disposed of individually and 61 pubs were disposed of as a package to Punch Partnerships (Seagull) Limited,

	<u>Quarter 1</u> 16 weeks to 6 December 2020	<u>YTD</u> 16 weeks to 6 December 2020
Number of Core Pubs		
Opening	1,028	1,028
Disposals	(9)	(9)
End of Period	<u>1,019</u>	<u>1,019</u>
Number of Non-core Pubs		
Opening	123	123
Disposals	(65)	(65)
End of Period	<u>58</u>	<u>58</u>

Investment in Pub Estate

	<u>Quarter 1</u> 16 weeks to 6 December 2020 <u>£m</u>	<u>YTD</u> 16 weeks to 6 December 2020 <u>£m</u>
Spend on Core pubs	2.6	2.6
Spend on Non-core / Unlicensed / Central assets	3.0	3.0
Total Spend on Estate	<u>5.6</u>	<u>5.6</u>
Proceeds from Core pubs	5.6	5.6
Proceeds from Non-core assets	22.7	22.7
Total Disposal Proceeds	<u>28.3</u>	<u>28.3</u>

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Interest Cover Ratio

	<u>Quarter 1</u> Rolling 4 quarters to 6 December 2020 £m
Adjusted EBITDA ¹	<u><u>76.2</u></u>
Interest Charges	<u><u>32.5</u></u>
Interest Cover Ratio	2.3:1

Free Cash Flow to Debt Service Ratio

	<u>Quarter 1</u> Rolling 4 quarters to 6 December 2020 £m
Free Cash Flow ²	<u><u>98.5</u></u>
Interest Charges	32.5
Repayments of Principal	10.8
	<u><u>43.3</u></u>
Free Cash Flow to Debt Service Ratio	2.3:1

¹ Calculated based on the COVID-19 amendment deed, if this deed was not taken into account the rolling EBITDA for Q1 is £38.0m and therefore interest cover ratio would be 1.2:1

² Calculated based on the COVID-19 amendment deed, if this deed was not taken into account the rolling Free Cash Flow for Q1 is £60.3m and therefore free cash flow to debt service ratio would be 1.4:1

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Net Debt

Nominal value of net debt:

	As at 6 December 2020 £m	As at 16 August 2020 £m
A3	95.0	96.6
A6	203.8	204.9
A7	133.8	134.1
B3	72.9	72.9
Gross Debt	505.5	508.5
Cash	83.7	61.7
Net Debt	421.8	446.8

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Excess Cash

	<u>Relevant Period</u> <u>16 weeks</u> <u>ending</u> <u>6 December 2020</u> <u>£m</u>
Collection Account*	33.0
Operating Account	(2.7)
Working Capital Reserve	(10.0)
Debt Service Accrual	(11.1)
Total	<hr/> 9.2
Excess Cash Amount	<hr/> 9.2 <hr/>
Disposal Proceeds Account*	<hr/> 53.3 <hr/>

*Including Eligible Investments

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Net Senior Leverage

	<u>Quarter 1</u> Rolling 4 quarters to 6 December 2020 <u>£m</u>
Adjusted EBITDA ¹	<u>76.2</u>
Net Senior Debt	348.9
Liquidity Facility amounts outstanding	-
	<u>348.9</u>
Ratio of Net Senior Debt plus Liquidity Facility amounts outstanding to EBITDA	4.6:1

¹ Calculated based on the COVID-19 amendment deed, if this deed was not taken into account the rolling EBITDA for Q1 is £38.0m and therefore ratio of net senior debt plus liquidity facility amounts outstanding to EBITDA would be 9.2:1

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PROFIT AND LOSS ACCOUNT

	<u>Quarter 1</u> 16 weeks to 6 December 2020 <u>£m</u>	<u>Year to date</u> 16 weeks to 6 December 2020 <u>£m</u>
Turnover		
Beer (net of discounts)	14.5	14.5
Rent	6.9	6.9
Machines	0.5	0.5
Other	4.8	4.8
Total Turnover	<u>26.7</u>	<u>26.7</u>
Gross Profit		
Beer	5.9	5.9
Rent	6.9	6.9
Machines	0.5	0.5
Other	1.4	1.4
Total Gross Profit	<u>14.7</u>	<u>14.7</u>
Operating Costs	(7.0)	(7.0)
EBITDA	<u>7.7</u>	<u>7.7</u>
Property Related Profits	1.0	1.0
Depreciation and Amortisation	(2.2)	(2.2)
Exceptional Items	(0.3)	(0.3)
Cash Interest Payable	(10.2)	(10.2)
Non-Cash Interest Charge	(0.3)	(0.3)
Loss Before Taxation	<u>(4.3)</u>	<u>(4.3)</u>
Taxation	0.5	0.5
Loss for the Period	<u>(3.8)</u>	<u>(3.8)</u>

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CONSOLIDATED BALANCE SHEET

	As at	As at
	6 December	16 August
	2020	2020 ¹
	£m	£m
Fixed Assets		
Tangible Fixed Assets	723.4	747.5
Right of Use Asset	6.8	6.9
NON CURRENT ASSETS	<u>730.2</u>	<u>754.4</u>
Debtors		
Trade	2.8	7.0
Prepayments	1.7	1.4
Non-current Assets Classified as Held for Sale	11.5	11.5
	<u>16.0</u>	<u>19.9</u>
Cash at Bank and In Hand	83.7	61.7
CURRENT ASSETS	<u>99.7</u>	<u>81.6</u>
Creditors: amounts falling due within one year		
Loans	(101.9)	(11.9)
Trade Creditors	(1.4)	(2.0)
Other Creditors	(7.7)	(7.1)
Lease Liability	(0.8)	(0.8)
Social Security and Other Taxes	(3.3)	(3.4)
Accruals and Deferred Income	(8.9)	(7.7)
Amounts owed to Group Undertakings	(3.1)	(3.1)
	<u>(127.1)</u>	<u>(36.0)</u>
NET CURRENT (LIABILITIES) / ASSETS	<u>(27.4)</u>	<u>45.6</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>702.8</u>	<u>800.0</u>
Creditors: amounts falling due after more than one year		
Loans	(402.7)	(495.7)
Lease Liability	(6.4)	(6.5)
Deferred Tax	(16.1)	(16.6)
Pension – Defined Benefit Liability	(6.0)	(6.0)
Subordinated Loan Funding	(4.4)	(4.3)
NET ASSETS	<u><u>267.2</u></u>	<u><u>270.9</u></u>
Capital and Reserves		
Share Capital	-	-
Share Premium	2.7	2.7
Revaluation Reserve	120.9	125.3
Merger reserve	91.6	91.6
Profit and Loss Reserves	52.0	51.3
SHAREHOLDERS' FUNDS	<u><u>267.2</u></u>	<u><u>270.9</u></u>

¹ The figures at 16 August 2020 have been restated from those shown in the quarter 4 (August 2020) report, to reflect adjustments made on finalisation of the underlying statutory accounts, being the finalisation of the corporation and deferred tax provision, pension adjustments and the amendment of IFRS 16 Leases for right of use assets and lease liabilities.

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CONSOLIDATED CASH FLOW

	<u>Quarter 1</u> <u>Year to date</u> <u>16 weeks to</u> <u>6 December</u> <u>2020</u> <u>£m</u>	<u>Quarter 1</u> <u>Prior Year to</u> <u>date</u> <u>16 weeks to</u> <u>8 December</u> <u>2019</u> <u>£m</u>
Operating profit	5.5	17.1
Depreciation, revaluation, impairment and amortisation	2.2	1.7
Cash flows from exceptional items	(0.3)	(0.8)
Decrease / (increase) in working capital	3.2	(6.8)
Net Cash Inflow from Operating Activities	10.6	11.2
Returns on Investment and Servicing of Finance		
Interest paid	(8.2)	(8.4)
Interest received	0.1	0.2
	(8.1)	(8.2)
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(5.6)	(13.6)
Receipt from sale of fixed assets	28.3	5.4
	22.7	(8.2)
Net Cash Inflow / (Outflow) Before Financing	25.2	(5.2)
Financing		
Loans repaid	(3.0)	(1.9)
Repayment of lease liability	(0.2)	-
NET INCREASE / (DECREASE) IN CASH	22.0	(7.1)

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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 6 December 2020, the Interest Cover Ratio was 2.3:1.
- (c) as at the Financial Quarter Date for the Relevant Period ending on 6 December 2020, the Free Cash Flow Ratio was 2.3:1.
- (d) as at the Financial Quarter Date for the Relevant Period ending on 6 December 2020, Net Senior Leverage was 4.6:1.
- (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 15 August 2021.
- (f) for the purposes of calculating the ratios above, the following values were relevant for the Relevant Period just ended:

**Relevant period
Rolling 4
quarters to
6 December 2020**

Adjusted EBITDA: ¹	£76.2m
Debt Service:	£43.3m
Interest Charges:	£32.5m
Free Cash Flow:	£98.5m

¹ Calculated based on the COVID-19 amendment deed, if this deed was not taken into account the rolling EBITDA for Q1 is £38.0m.

- (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:

	Average	Final Balance
	£m	£m
Excess cash	-	-
Capex	-	-
Collection*	33.4	33.0
Disposal Proceeds*	51.1	53.3
Debt Service Reserve*	-	-
Cure	-	-
Suspense	-	-
Operating	(7.0)	(2.7)

* Including eligible investments.

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FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

	Financial Quarter Date 6 December 2020 £m
the amount of Core Disposal Proceeds standing to credit of the Disposal Proceeds Account	53.3
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*	-
the amounts standing to the credit of the Suspense Account	-
Minimum CapEx Amount	2.7
CapEx Amounts Expended	5.8
the amounts standing to the credit of the Excess Cash Account	-
Applied Restricted Funds	-
Reserved Collection Account Amounts	-
Senior Liabilities	437.5
Shortfall	-
Swap Loan Redemption Amount	-
Properties disposed of or acquired (number)	74
Number of Pubs in Portfolio (number)	1,077
Excess Cash Amount	9.2
Weighted Average Return on all CapEx Amounts spend on all trading Pubs during the 24 months (%) ¹	74.8%

*Including Eligible Investments.

¹ Calculated based on the COVID-19 amendment deed, if this deed was not taken into account the weighted average return on all CapEx amounts spend on all trading Pubs during the 24 months (%) would be 37.4%

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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 other than in circumstances where such a Relevant Change resulted from a COVID Closure.

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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: 20 January 2021

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

Finance Director

Director