

Issue date: 12 November 2021



The Modern, Progressive Pub Company

Punch Finance plc
Quarterly Bondholder Report

Results for the period ended 15 August 2021



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Disclaimer

Forward-looking statements

This report may include forward-looking statements. All statements other than statements of historical facts included in this report, including those regarding the Group's financial position, business, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Many factors could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this report. The Group expressly disclaims any obligations or undertaking, except as required by applicable law and applicable regulations to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Use of non-IFRS financial information

Certain parts of this report contain non-IFRS measures and ratios. We believe that these measures are useful indicators of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. Because all companies do not calculate these measures on a consistent basis, our presentation of these measures may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on these measures in this presentation. In particular, underlying EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as an alternative to (a) net income/(loss) for the period as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.



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Punch Pubs Group Limited¹ and subsidiary companies

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Notes

1. The debt is secured against Punch Pubs Group Limited "PPG", the holding company of the listed debt. The results of the group are consolidated at the PPG level.



Introduction

Punch Pubs Group Limited was incorporated on 26 May 2021. These are its first set of quarterly accounts, for the 12 week period up to 15 August 2021.

The Group acquired its subsidiaries on 23 June 2021 from Punch Taverns Limited as part of a larger restructure in connection with a refinancing, when the Group repaid its previous loans, through the issuance of £600 million of senior secured notes.

As the Group acquired its trading subsidiaries on 23 June 2021, the quarter only includes **8 weeks of trade**.

The subsidiary companies acquired form part of the wider Vine Acquisitions Limited Group and are therefore acquired under common control. The Group has recognised the acquisition of these companies at their book values, adjusted to align to the Group's accounting policies where applicable. As this process was completed under acquisition accounting, rather than merger accounting, there are no prior year figures.

On 1 July 2021, following repayment of previous debt and release of related security, a number of non trading entities were disposed from the bond group. These subsidiaries were acquired using acquisition accounting and therefore recognised at book value. Post-restructuring, these subsidiaries were sold at their deemed fair value, resulting in a loss on disposal.



Punch Pubs Group Limited: Incorporated on 26 May 2021. The company acquired the trading assets of the group on 23 June 2021. Punch Finance Plc is a wholly owned subsidiary that was incorporated on 27 May 2021.

£m

Revenue and

EBITDA

Revenue

End of Q4: £42m

YTD: £42m

EBITDA

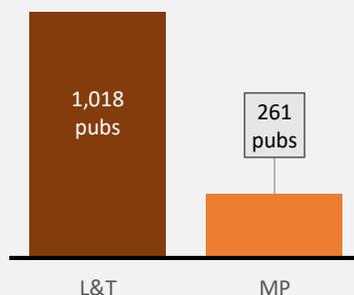
End of Q4: £14m

YTD: £14m

Pub Estate and

Capex / Disposals

Pub Estate



Capex / Disposals

Capex: £8m

Disposals: £1m

Acquisitions: £53m

Liquidity and

Cash flow

Total liquidity

Q4: £63m

29.June:¹ £97m

Operating cash flow

End of Q4: £8.7m

YTD: £8.7m

Net Debt and

Loan to value

Net Debt

Q4: £608m

29.June:¹ £573m

Loan to value

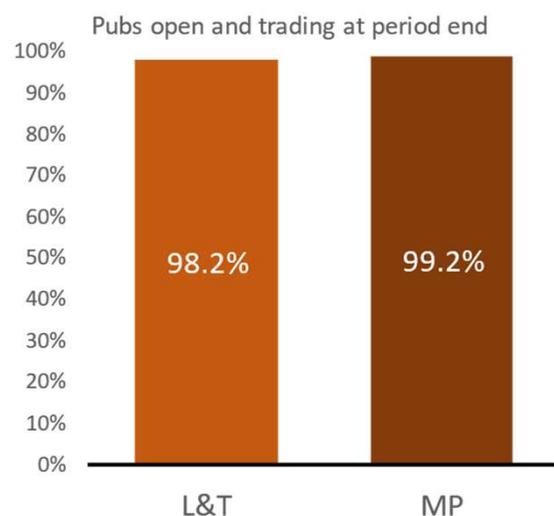
Q4: 68.8%

1. 29 June is the day on which the Group repaid its previous loans following the issuance of £600m of senior secured notes

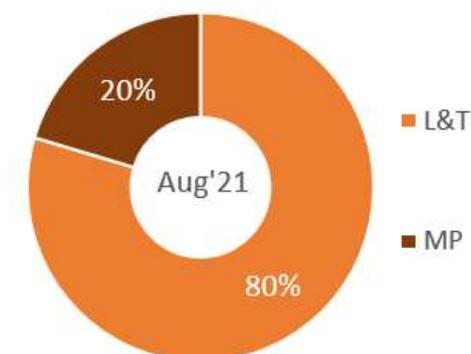


Estate Portfolio

- On the 9th August 2021 the Group acquired 56 pubs comprising the majority of Young's Leased and Tenanted Estate, formerly known as the Ram Pub Company.
- At the year end the Group owned 1,279 pubs at the year end, of which 98.4% were open and trading.



| Pub numbers | Leased & Tenanted | Management Partnerships | Total |
|---------------------------|-------------------|-------------------------|-------|
| 28.March.21 ¹ | 988 | 247 | 1,235 |
| Transfers | (5) | 5 | - |
| Disposals | (5) | - | (5) |
| 25.June.21 ² | 978 | 252 | 1,230 |
| Transfers | (9) | 9 | - |
| Additions | 56 | - | 56 |
| Disposals | (7) | - | (7) |
| 15.August.21 ³ | 1,018 | 261 | 1,279 |

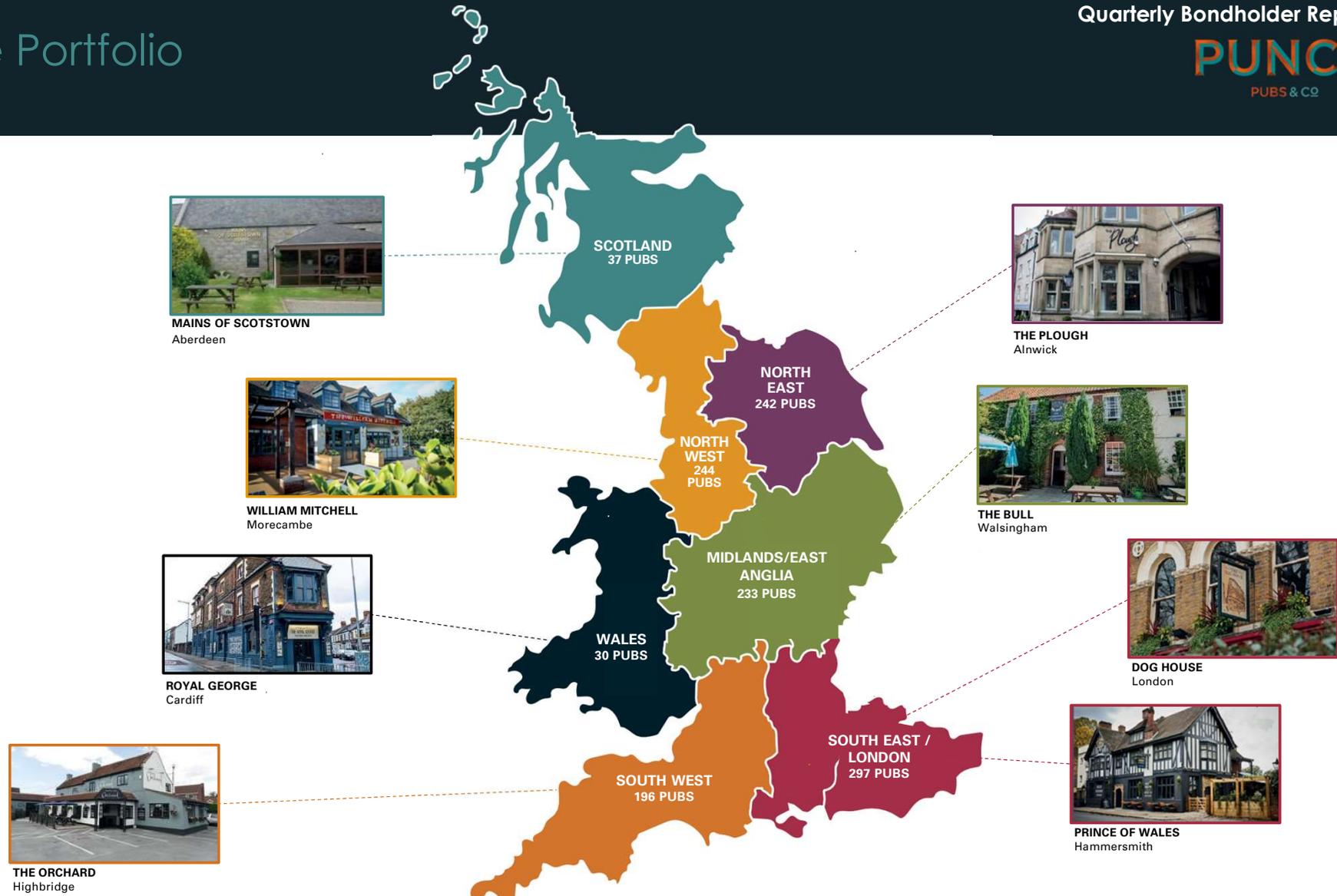


Notes

1. Date of the Interim accounts prior to Bond launch
2. Bond launch
3. Financial year end



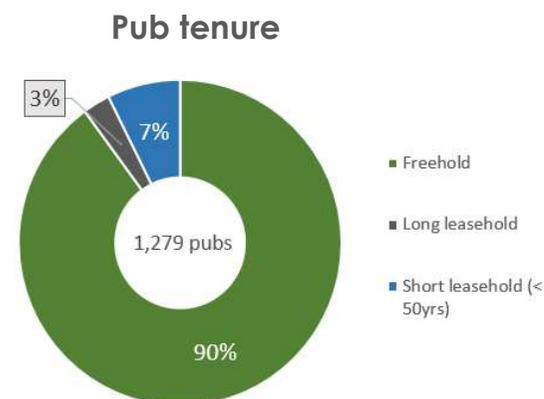
Estate Portfolio



Loan to value

- £30m of the £70m Revolving Credit Facility was drawn to part fund the acquisition of 56 pubs from the Youngs Leased and Tenanted estate.
- 93% of the pub portfolio is owned on a freehold or long leasehold (>50 years remaining) basis;
- Net debt to property value of 68.8%.

| (£m) | Q4 FY21 |
|--|--------------|
| Secured Notes 6.125% | 600 |
| Revolving Credit Facility | 30 |
| Less: Cash | (23) |
| Net Debt | 608 |
| Property, plant & equipment ¹ | 884 |
| Loan to Value | 68.8% |



Notes
1. PP&E includes assets classified as held for sale



Cash Flow and liquidity

- On 9 August 2021, the group acquired 56 predominantly Freehold pubs, funded through a mix of cash on balance sheet and a £30m draw down from the super senior RCF. Current liquidity remains high at £63m.



1. 29 June is the day on which the Group repaid its previous loans following the issuance of £600m of senior secured notes



Consolidated income statement

- The trading assets of the group were acquired on 23 June 2021 which has meant there were **8 weeks of trading** in the period.
- Non-underlying items include;
 - £34.4m of exceptional finance costs relating to the termination of the existing finance arrangements
 - (£0.4m) of other income and profit on sale of assets
 - £21m of Loss on sale of subsidiaries
 - £2.2m of impairment, comprising of; £0.8m of property, plant and equipment and £1.4m of right of use asset
 - £11.8m of downward property valuations
- 20% of the property estate was valued at the year end. This led to an increase across the property portfolio of £10.4m, of which £11.8m was a downward valuation posted to the Income statement offset by a £22.2m increase posted to the revaluation reserve.

| | Quarter 4 15.Aug.21 ¹ |
|-------------------------------------|-------------------------------------|
| (£m) | |
| Revenue | 42.2 |
| Operating costs | (28.0) |
| Underlying EBITDA | 14.2 |
| Depreciation & Amortisation | (2.3) |
| Finance Costs | (7.4) |
| Underlying profit before tax | 4.5 |
| Non-underlying items | (69.0) |
| Taxation | 1.9 |
| Loss for the period | (62.6) |

1. 8 weeks of trading ended 15 August 2021



Consolidated balance sheet

- Over the period fixed assets have grown by £67.7m. This is predominantly driven by the 56 pubs acquired from Youngs for £53m plus transaction costs. Also contributing to the increase in fixed assets is an increase of £10.4m following a revaluation of 20% of the pub estate.
- Loans include the £600m loan notes issued in June 2021. This is offset by deferred issue costs of £11.6m, that will be released over the life of the loan.
- The short term loans relate to the RCF which was drawn down on 5th August 2021. The facilities are available until June 2026 and the group has £40m undrawn at 15 August 2021.
- Accruals and deferred income include £5.4m of accrued interest for the loan and finance fees that are expected to be paid within one year.

| | Quarter 4 15. Aug. 21 |
|--|--------------------------|
| (£m) | |
| Fixed Assets & Intangible Assets | 879.8 |
| Right of use assets | 60.0 |
| Non current assets | 939.8 |
| Trade debtors, prepayments & other debtors | 11.6 |
| Inventories | 2.7 |
| Non-current assets classified as held for sale | 5.2 |
| Intercompany balances | 1.4 |
| Cash at bank | 22.5 |
| Current assets | 43.4 |
| Short term loans | (30.0) |
| Trade & other creditors | (22.0) |
| Lease & finance liability | (11.0) |
| Accruals & deferred income | (26.8) |
| Social security & other taxes | (4.9) |
| Other | (9.4) |
| Current liabilities | (104.1) |
| Loans | (588.4) |
| Lease & finance liability | (64.0) |
| Deferred tax | (12.5) |
| Pension - defined benefit liability | (5.7) |
| Non-current liabilities | (670.6) |
| Net assets | 208.5 |





ESG
'Doing Well, By Doing Good'

PUNCH
PUBS & CO



Dedicated to 'Doing Well, By Doing Good'



Punch's 'Doing Well, By Doing Good' programme underpins the way we do business. It's at the core of our strategy and proudly represents our positioning as a modern, progressive pub company.

ESG (Environmental, Social & Governance) principles are embedded across many elements of our business, and we continue to involve our employees, Management Partners, Publicans and suppliers to collaborate in making our business and, in turn, their businesses, more ethical and environmentally friendly for the benefit of our guests.

Our Punch Promise



Heart of Communities

The public house has always been a great British institution, the heart and soul of our nation, it is a place where everyone is welcome. Punch promises to create hubs of the community that are the crossroads of connection (well-being, community cohesion, community services).



People & Culture

Punch promises to play an instrumental role in the economic recovery through job creation and progression, attracting and retaining a truly diverse workforce, achieving equality, diversity, and inclusion at its purest form.



Patrons of the Local

Punch promises to ensure that the Great British pub remains an attractive proposition at the centre of the UK hospitality consumer offer through investment and industry-leading support and innovation.



Modern, Progressive, Pub Company

As a sustainable company, Punch promises to work with diverse communities to build an inclusive, resourceful, responsible and environmentally friendly business, enriched by local identities.

HEART OF COMMUNITIES



The public house has always been a great British institution, the heart and soul of our nation, it is a place where everyone is welcome. Punch promises to create hubs of the community that are the crossroads of connection (well-being, community cohesion, community services).

- **Community Engagement:** Partner with charities and educational institutions to provide coaching, mentoring, and work placement support in local schools with specific mentoring for students nationally in areas of social deprivation.
- **Industry Partnerships:** Encourage our Publicans to consider the role their pub businesses can play in the local community. We partner with Pub is the Hub which inspires Publicans and local communities to work together to support, retain and locate services within the pub as well as PubAid, a working party dedicated to promoting pubs as a force for good in their local communities.
- **Diversification:** Deployment of the right service offer within our pubs to help provide a wider community service, i.e. hosting the post office or shop, for local clubs and societies.



PEOPLE AND CULTURE



Punch promises to play an instrumental role in the economic recovery through job creation and progression, attracting and retaining a truly diverse workforce, achieving equality, diversity, and inclusion at its purest form.

- **Embracing Diversity & Inclusion:** By 2023, our workforce will reflect the communities we serve.
- **A Winning Team:** Continue to craft a culture that will continue to inspire and motivate with an 85% plus team engagement score.
- **Investing in Others:** Offer bespoke role specific development programmes across all of our teams including our Strive Academy in our Business Support Centre and specialist development for our Operations Managers.



PATRONS OF THE LOCAL



Punch promises to ensure that the Great British pub remains an attractive proposition at the centre of the UK hospitality consumer offer through investment and industry-leading support and innovation.

- **Investments that Inspire:** A commitment to wise and sustainable investment, in the region of £100m over the next three years, making sure that we give our guests a better experience, generate better returns for our Publicans and ensuring our pubs continue to flourish in their communities.
- **Bold Acquisitions:** Brilliantly effective at integrating pubs into the Punch family, whilst ensuring that our pubs remain a cornerstone of their respective communities for many years to come.
- **Digital Transformation:** Collaborations and partnerships, coupled with strong internal development skills, leading the way in innovation within the pub sector.
- **Reducing Local Environmental Emissions:** Install 100 Self Service Parcel Lockers across our estate by the end of 2021.



MODERN, PROGRESSIVE PUB COMPANY

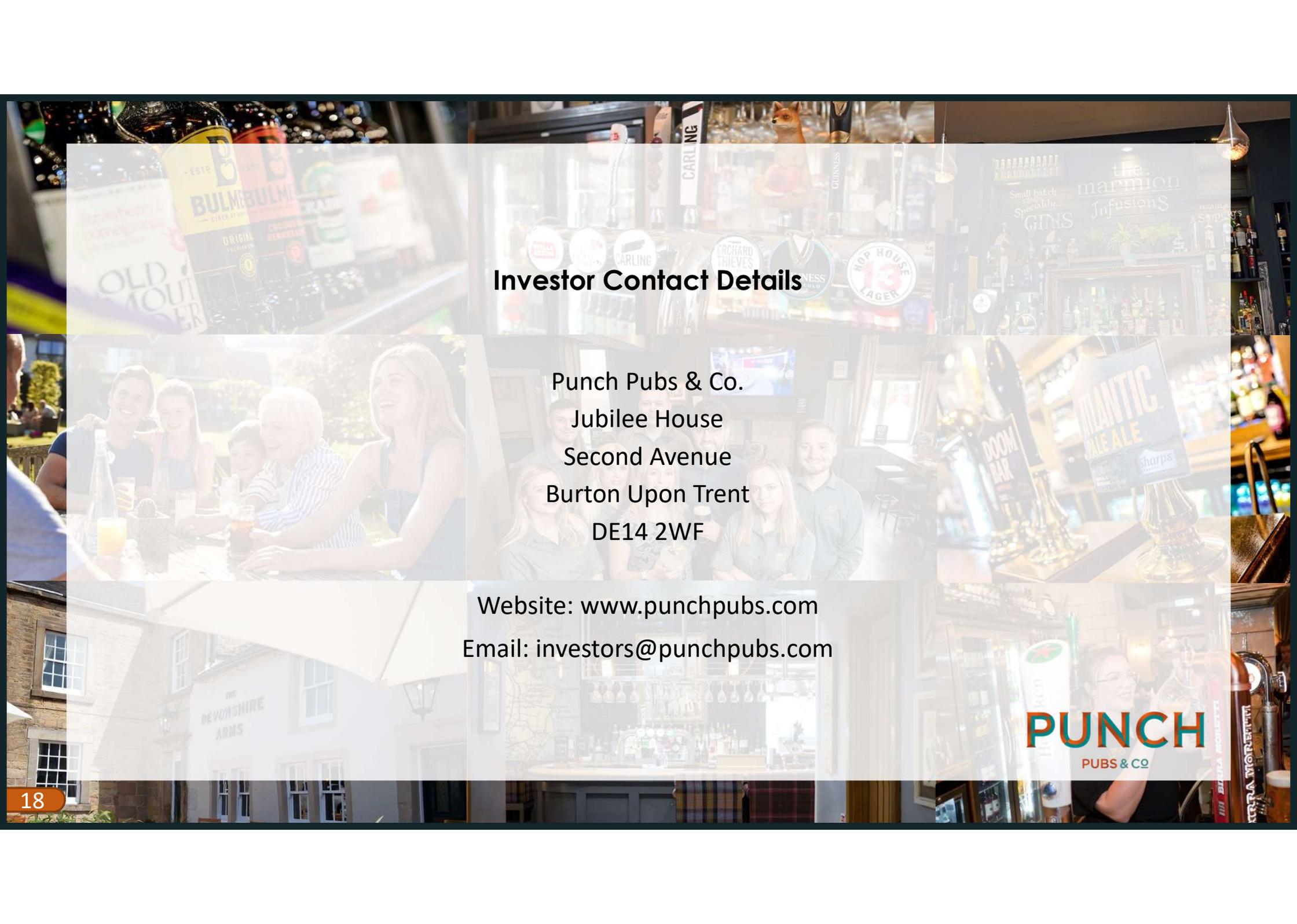


As a sustainable company, Punch promises to work with diverse Pubs & Co communities to build an inclusive, resourceful, responsible and environmentally friendly business, enriched by local identities.

- **Electric Adoption:** Install a minimum of 10 electric charge points into the Punch estate (including at Jubilee House) by the end of the year and ensure all new orders for company cars by the end of 2023 are for electric cars.
- **Environmental Responsibility:** Ensure a minimum of 50 pubs across our estate have Green Mark Accreditation by the end of August 2022. Green Mark Accreditation at Jubilee House achieved in March 2021.
- **Waste Not:** Roll out a food waste reduction programme across targeted pubs by the end of 2021.
- **Carbon Footprint:** Recycle a minimum of 75% of all waste across our Management Partnerships business and continue to work with waste management providers to reduce, to zero where possible, waste to landfill.
- **Energy Efficiency:** Conduct a review across our Management Partnerships estate of our utilities usage as well as securing favourable energy rates and sharing best practice with Publicans (over 600 agreed to date).
- **Sustainable Sourcing:** Supply chain prioritisation based on ESG credentials.
- **Living with Less Plastic:** After the removal of plastic straws across our estate, we will continue to look for ways to reduce plastic usage in other areas i.e. Ocean Rescue Beach Clean Programme with Sky.



| Term | Definition |
|------------------------------|--|
| Bond launch | The first day immediately after the bond was issued, 25 June 2021 |
| EBITDA | EBITDA represents earnings before depreciation and amortisation, non-underlying items, profit on sale of property, plant and equipment and non-current assets classified as held for sale, impairment, movement in valuation of properties, loss on sale of subsidiaries, finance income, finance costs, tax of the Group and loss attributable to non-controlling interest |
| Loan to value | Net debt as percentage of property, plant and equipment |
| Liquidity | Total value of cash and cash equivalents plus the amount undrawn under the RCF |
| Leased & Tenanted (L&T) | The Leased and Tenanted part of our business, in which we rent our properties to tenants who run these pubs and often reside on the premises. The majority all of these pubs operate under "tie" arrangements, which each tenant pays below market rent and, in return, is required to purchase the majority of their drinks from us at an above market price. |
| Management Partnership (MP) | The Management Partnership model, is designed to maximise profitability and optimise the retail proposition in each of our pubs, while at the same time minimising operating costs for our Group. Each of these pubs are generally operated by a limited company and by a self-employed management partner, who receives a share of the pub's sales. The publican generally takes responsibility for running the pub on a day-to-day basis, including employing staff, while we generally determine the retail proposition and product offering. |
| Net debt | Nominal value of loan notes and RCF less cash & cash equivalents |
| Operating cash flow | Net cash generated from operating activities (per the statutory cashflow under IFRS) |
| PPG | Punch Pubs Group Limited, the top company in the bond group that acts as a guarantor |
| Property, plant & equipment | Total tangible fixed assets, this comprises of; land & buildings, fixtures and fittings in the pub estate and assets held for sale |
| RCF | Revolving credit facility, a £70 million super senior revolving credit facility, provided by Barclays Bank Plc and National Westminster Bank Plc |
| Underlying profit before tax | Underlying EBITDA plus depreciation & amortisation and underlying finance costs |



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