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The Modern, Progressive Pub Company

Punch Finance plc
Quarterly Bondholder Report

Results for the period ended 5 December 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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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

Fortress Investment Group ('Fortress'), along with existing management, acquired 100% of the share capital of Vine Acquisitions Limited ('Punch Pubs & Co.') on 15 December 2021.

The acquisition was entirely funded by equity with no additional debt finance, and no distributions were made by Punch Pubs & Co. in connection with the acquisition.

The Senior Secured Notes (£600m) will remain in place (the acquisition being the one permitted Specified Change of Control), as will the Super Senior Revolving Facilities (£70m facility of which £30m was drawn at the quarter end).

Fortress has reviewed the Business Plan prepared by management as part of the June 2021 bond issuance and will seek to support management in delivering this Business Plan.

Future investor calls are planned to be held twice yearly following the release of the H1 (Q2) and full year (Q4) results.



Quarterly results

£m

Revenue and EBITDA¹

Revenue

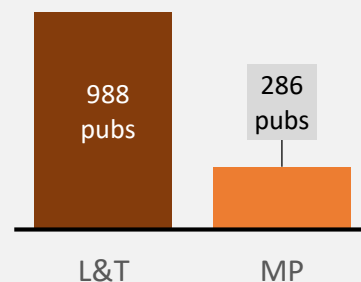
End of Q1: £86m
YTD: £86m

EBITDA

End of Q1: £25m
YTD: £25m

Pub Estate and Capex / Disposals

Pub Estate



Capex / Disposals

Capex: £8m
Disposals: £6m
Acquisitions: £3m

Liquidity and Cash flow

Total liquidity

Q1 FY22: £67m
Q4 FY21: £63m

Operating cash flow

End of Q1: £13m
YTD: £13m

Net Debt and Loan to value

Net Debt

Q1 FY22: £603m
Q4 FY21: £608m

Loan to value

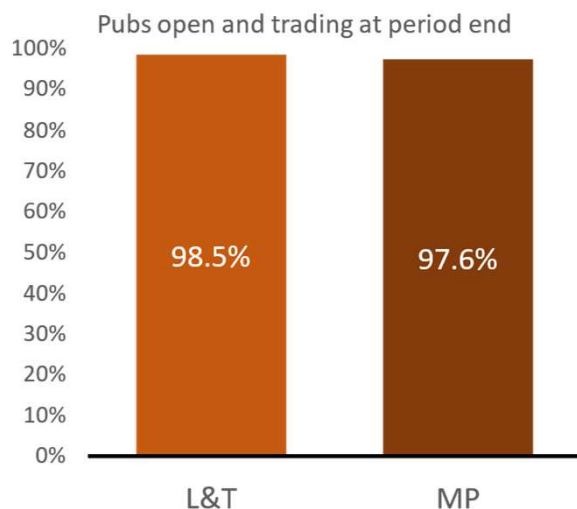
Q1 FY22: 68.3%
Q4 FY21: 68.8%

1. Underlying items

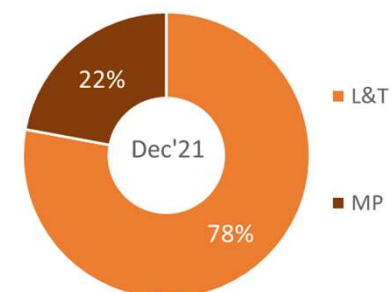


Estate Portfolio

- At the end of the quarter the Group owned 1,274 pubs, of which 98.3% were open and trading at the quarter end.



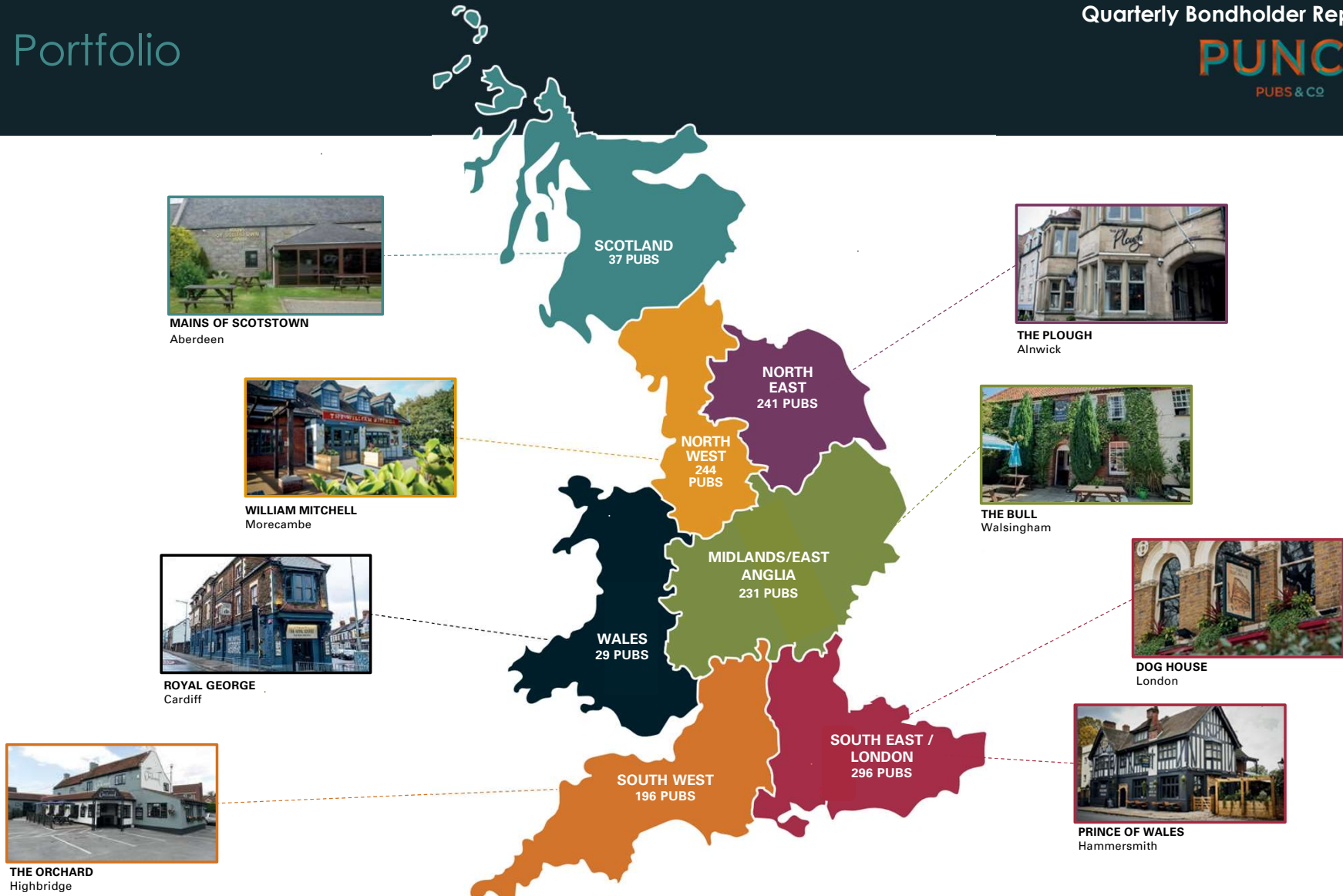
Pub numbers	Leased & Tenanted	Management Partnerships	Total
25.June.21 ¹	978	252	1,230
Transfers	(9)	9	-
Additions	56	-	56
Disposals	(7)	-	(7)
15.August.21 ²	1,018	261	1,279
Transfers	(26)	26	-
Additions	-	-	-
Disposals	(4)	(1)	(5)
5.December.21 ³	988	286	1,274



Notes
 1. Bond launch
 2. Financial year end
 3. Quarter end



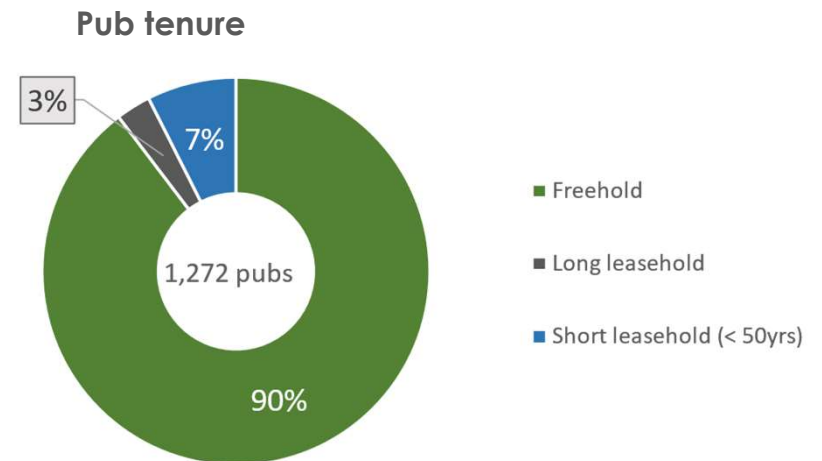
Estate Portfolio



Loan to value

- 93% of the pub portfolio is owned on a freehold or long leasehold (>50 years remaining) basis;
- Net debt to property value of 68.3%.

(£m)	Q1 FY22
Secured Notes 6.125%	600
Revolving Credit Facility	30
Less: Cash	(27)
Net Debt	603
Property, plant & equipment ¹	885
Loan to Value	68.3%

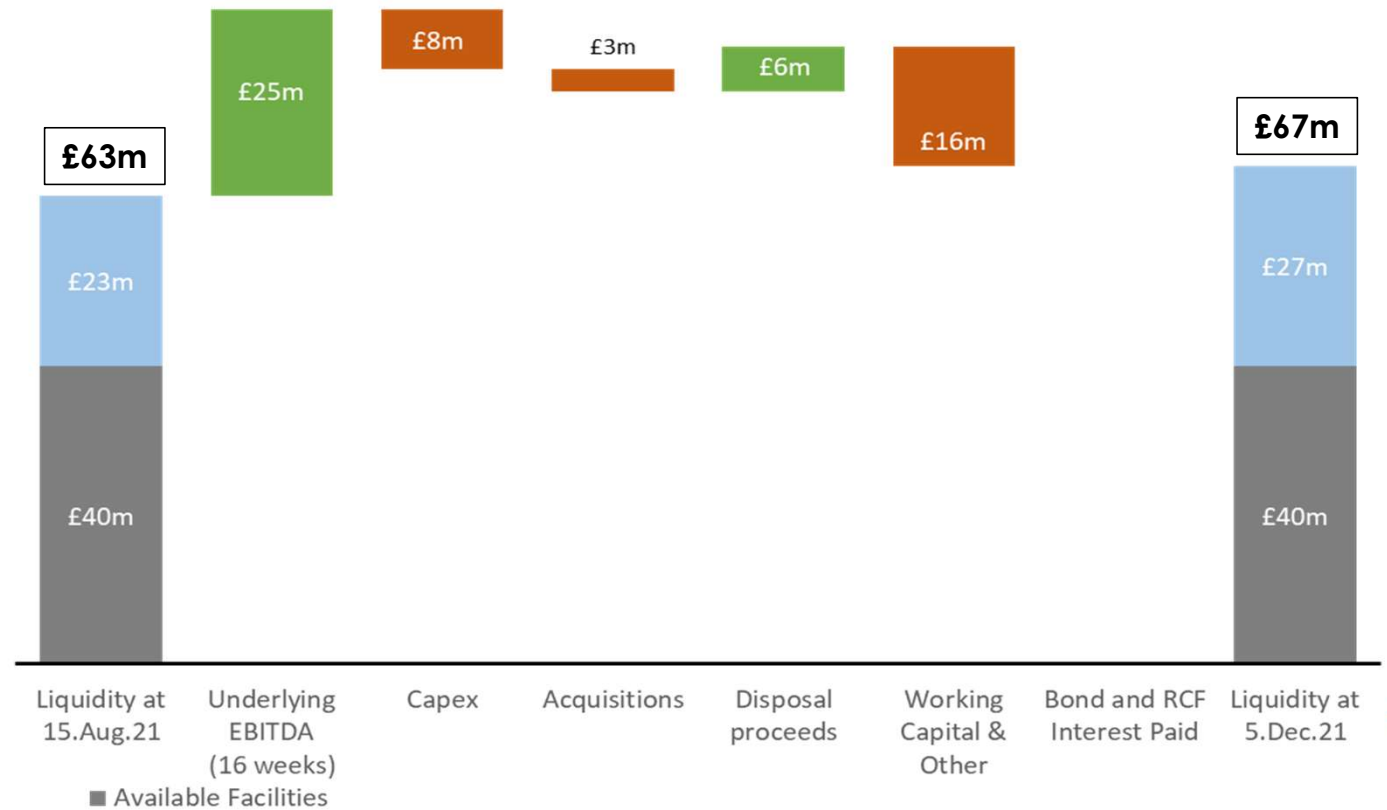


Notes
1. PP&E includes assets classified as held for sale



Cash Flow and liquidity

- Current liquidity remains high at £67m.
- Acquisitions relates to stamp duty land tax for the 56 pubs acquired in Q4 FY21 and paid within Q1 FY22.
- Working capital cash flows are influenced by the timing of quarter ends (note there was a £12m working capital & other inflow in the prior quarter).



Consolidated income statement

- Non-underlying items include:
 - £1.8m of other income and profit on sale of assets
 - £(0.2)m of share based payment charges
 - £(0.4)m other one-off costs
- Finance costs include:
 - £(11.8)m of interest payable on £600m loan notes and the £30m RCF
 - £(1.6)m of interest payable on lease liabilities
 - £(0.1)m net pension interest costs
 - £(0.8)m amortisation of deferred issue costs

(£m)	Quarter 1 5.Dec.21 ¹
Revenue	86.2
Operating costs	(61.0)
Underlying EBITDA	25.2
Depreciation & Amortisation	(4.7)
Finance Costs	(14.3)
Underlying profit before tax	6.2
Non-underlying items	1.2
Taxation	(1.8)
Loss for the period	5.6

1. 16 weeks of trading ended 5 December 2021



Consolidated balance sheet

- Loans include the £600.0m loan notes issued in June 2021. This is offset by deferred issue costs of £10.8m, that will be released over the life of the loan.
- The short-term loans relate to the RCF which was drawn down on 5 August 2021. The facilities are available until June 2026 and the group has £40.0m undrawn at 5 December 2021.
- Accruals and deferred income include £16.9m of accrued interest for the loan and finance fees that are expected to be paid within one year.

	Quarter 1
(£m)	5.Dec.21
Fixed Assets & Intangible Assets	881.5
Right of use assets	62.9
Non current assets	944.4
Trade debtors, prepayments & other debtors	11.4
Inventories	3.5
Non-current assets classified as held for sale	4.0
Intercompany	0.1
Cash at bank	26.7
Current assets	45.7
Short term loans	(30.0)
Trade & other creditors	(12.3)
Lease liability	(9.9)
Accruals & deferred income	(29.0)
Social security & other taxes	(5.3)
Other	(9.9)
Current liabilities	(96.4)
Loans	(589.2)
Lease liability	(67.9)
Deferred tax	(14.4)
Pension - defined benefit liability	(5.5)
Non-current liabilities	(677.0)
Net assets	216.7



Performance summary

- Summary of quarterly performance for each quarter since the formation of the Bond Group.

	Q4 FY21	Q1 FY22
From	26.May.21	16.Aug.21
To	15.Aug.21	5.Dec.21
No. of trading weeks	8	16
Portfolio		
Opening	1,230	1,279
Acquisitions	56	-
Disposals	(7)	(7)
Closing	1,279	1,272
(£m)		
Underlying EBITDA	14.2	25.2
Capex		
Investment	8.4	8.0
Acquisition	53.0	2.8
Total	61.4	10.8
Disposal proceeds	(1.4)	(5.6)
Net investment	60.0	5.2





ESG
'Doing Well, By Doing Good'

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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

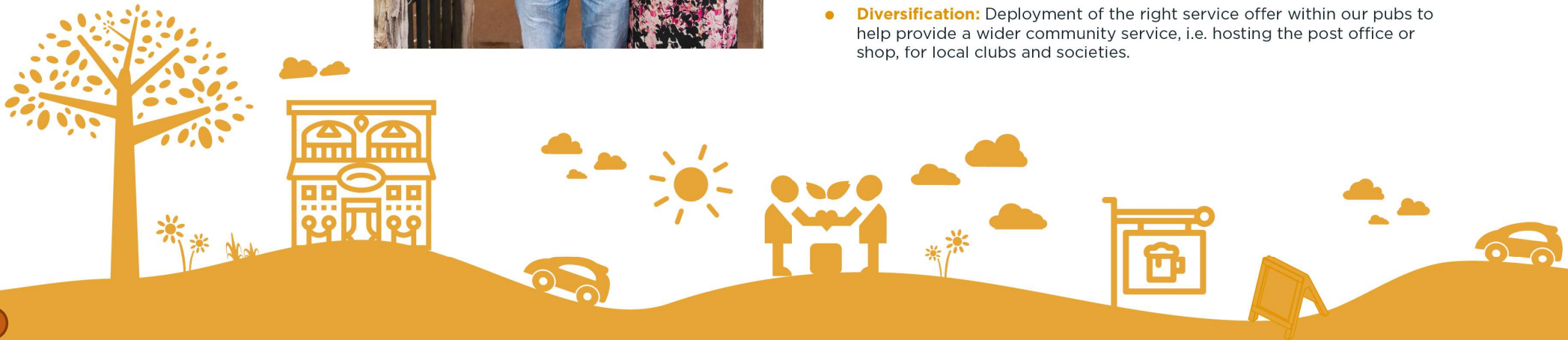
As a sustainable company, Punch promises to work with diverse communities to build an inclusive, resourceful, responsible and environmentally friendly business, enriched by local identities.

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. We recently partnered with 'Ask for Clive', a registered charity that works with venues and organisations to promote LGBTQ+ inclusion and provide welcome spaces.
- **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 communities to build an inclusive, resourceful, responsible and environmentally friendly business, enriched by local identities.

- **Electric Adoption:** Increase the current rapid electric charge points from a minimum of 10 into the Punch estate (including at Head Office) by the end of 2022 and ensure all new orders for company cars by the end of 2023 are for full electric.
- **Environmental Responsibility:** Ensure a minimum of 50 pubs across our estate have Green Mark Accreditation by the end of 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 2022.
- **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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