

Issue date: 28 October 2022



The Modern, Progressive Pub Company

Punch Finance plc
Quarterly Bondholder Report

Results for the period ended 14 August 2022



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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

Punch Pubs Group Limited was incorporated on 26 May 2021, following which the group acquired its trading subsidiaries on 23 June 2021.

These are the fourth quarter's accounts of FY22, for the 12 week period up to 14 August 2022.

Reporting calendar

12 December 2022 – Audited Annual report and financial statements for FY22

17 February 2023 – Q1 FY23 quarterly report for the 16 weeks to 4 December 2022

12 May 2023 – Q2 FY23 quarterly report for the 12 weeks to 26 February 2023

04 August 2023 – Q3 FY23 quarterly report for the 12 weeks to 21 May 2023

27 October 2023 – Q4 FY23 quarterly report for the 12 weeks to 13 August 2023

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



Business Review



- This has been our strongest quarter (since having issued our High Yield Bond in June last year) on an equivalent 12-week basis, delivering £23.2m of underlying EBITDA for the fourth quarter.
- For the full 52-week year underlying EBITDA amounted to £83.3m which compares positively to the £76.0m Adjusted Underlying EBITDA from the wider Punch Group (prior to Punch Pubs Group Limited being incorporated on 26 May 2021) in the year to August 2019, being the most recent full year prior to the Covid pandemic.
- The size of our Management Partnerships estate increased by 20 pubs in the quarter to 328 pubs, with a further £12.7m of capex invested into our pubs in the quarter, largely focused on our Management Partnerships estate.
- Utility costs for the year amounted to £7.3m across our Management Partnerships pub estate.
 - The majority of our gas contracts were fixed in 2021 through to November 2025.
 - All of our electricity contracts came to an end in September 2022 and we entered into a new electricity contract from the start of October which provides flexibility to acquire energy either directly on the wholesale market or under longer-dated fixed price contracts, including green energy offtake agreements.



Business Review continued

- As part of our year end audit process, we have an external valuer (Savills (UK) Limited) undertake a red-book property valuation on 20% of our pub estate. The balance sheet reflects this latest valuation which resulted in a net downward valuation of just £3.2m at the year end (£18.5m being charged to operating profit and a £15.3m credit recognised in the revaluation reserve).
- The total net book value of properties at 14 August 2022 amounted to £895.3m which compares favourably to the full estate property valuation undertaken ahead of the High Yield Bond launch in May 2021 at £849.7m.
 - The increase in property values largely reflecting the purchase of the leased and tenanted pub estate from Youngs Pub Company in 2021 less a small number of pub acquisitions and disposals.
- We disposed of 4 pubs in the quarter generating proceeds of £3.2m.
- Liquidity remains strong with £10.0m of the revolving credit facility repaid on 30 June 2022, leaving £12.6m of cash and £40.0m of available revolving credit facilities at the quarter end.



Quarterly Results

£m

Revenue and EBITDA¹

Revenue

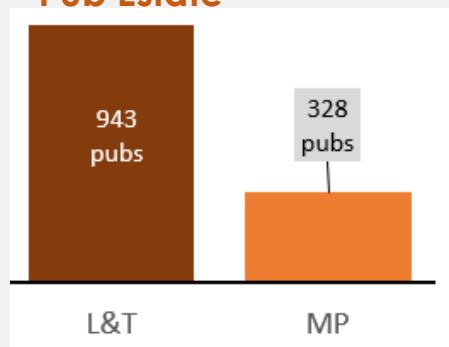
End of Q4: £73.1m
YTD: £284.4m

EBITDA¹

End of Q4: £23.2m
YTD: £83.3m

Pub Estate and Capex / Disposals

Pub Estate



Capex / Disposals

Q4 Capex: £12.7m
Q4 Disposal²: £3.2m
Q4 Acquisitions: £nil

Liquidity and Cash flow

Total liquidity

Q4 FY22: £52.6m
Q4 FY21: £62.5m

Operating cash flow

End of Q4: £16.9m
YTD: £70.2m

Net Debt and Loan to value

Net Debt

Q4 FY22: £617.4m
Q4 FY21: £607.5m

Loan to value

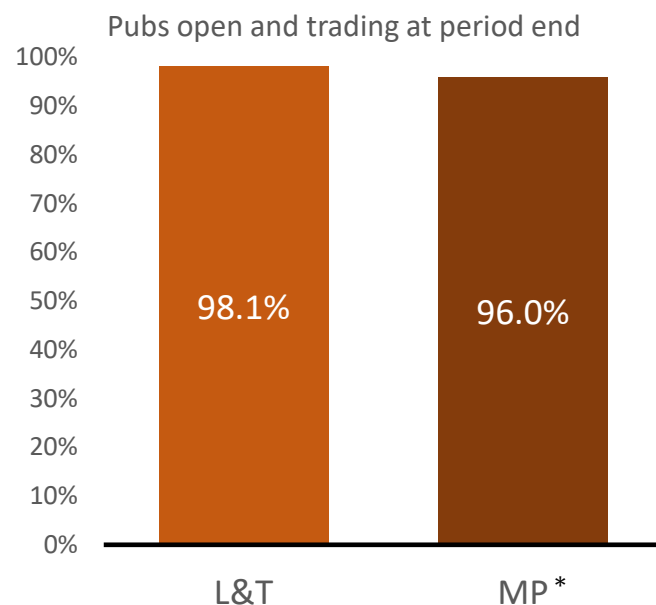
Q4 FY22: 68.9%
Q4 FY21: 68.8%

1. Underlying items
2. Cash proceeds



Estate Portfolio

- At the end of the quarter the Group owned 1,271 pubs, of which 97.6% were open and trading at the quarter end.

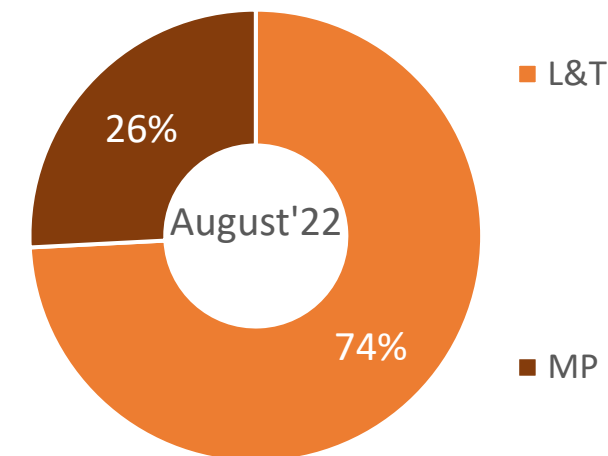


*4.0% of which are closed for investment following conversion

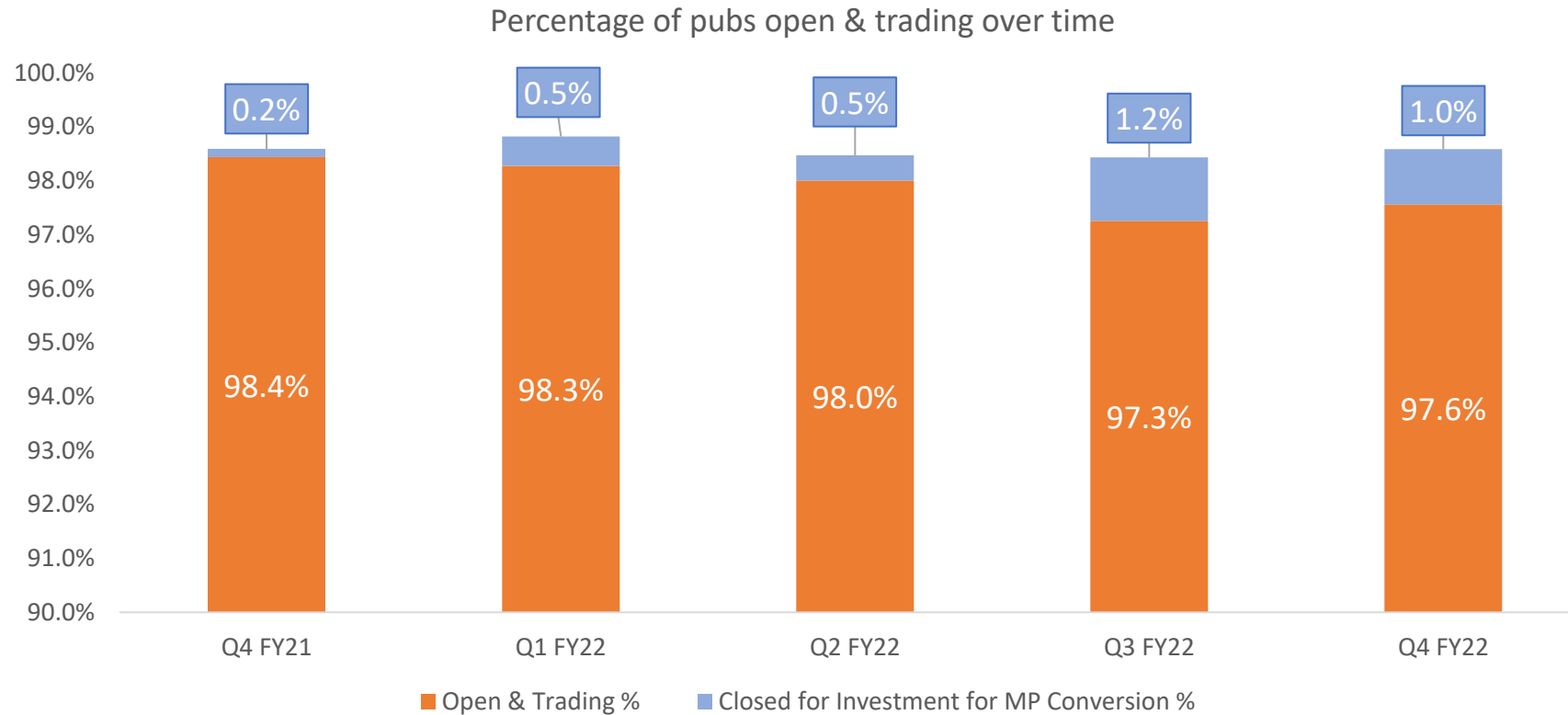
Notes

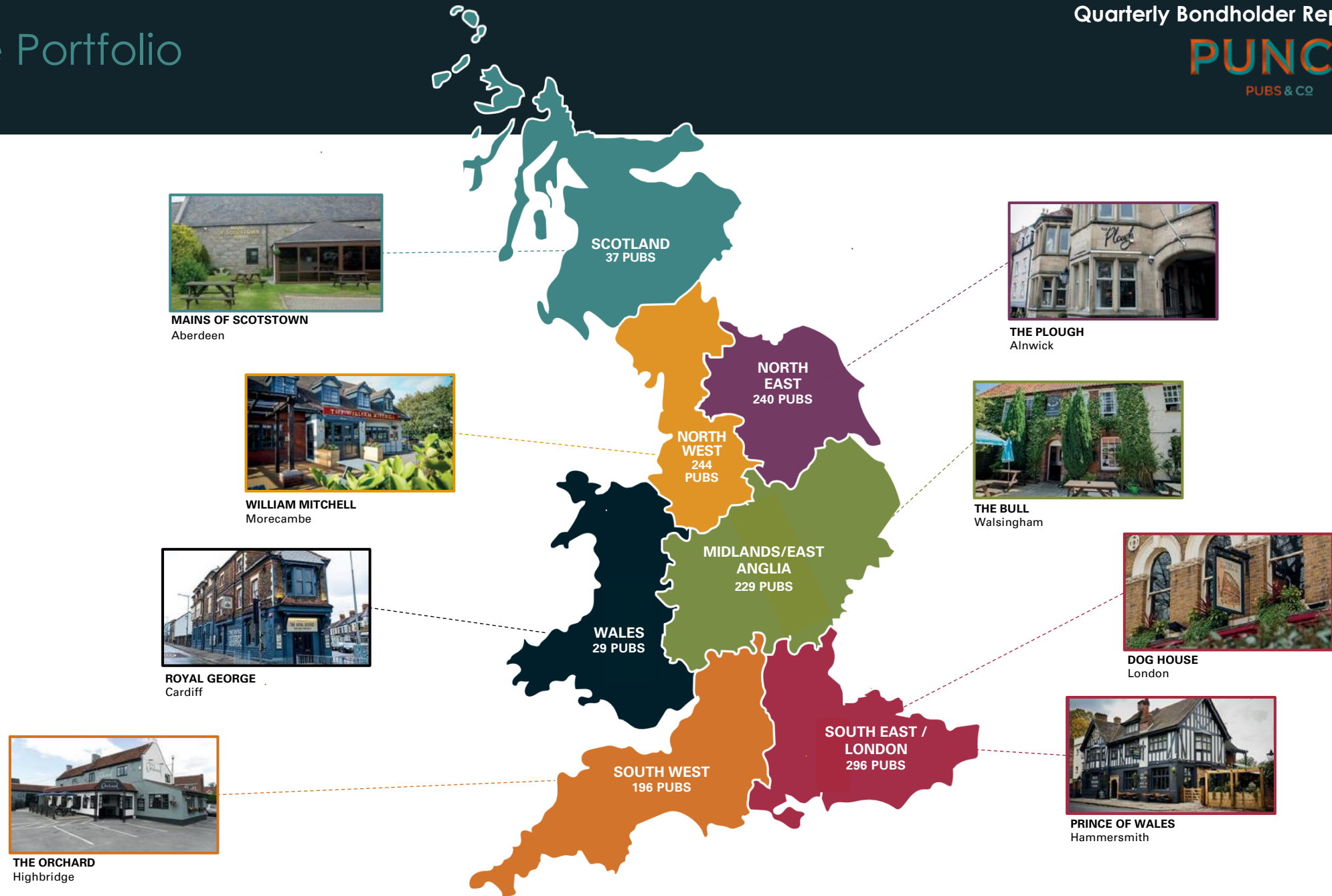
- Financial year end FY21
- End of Q1
- End of Q2
- End of Q3
- Financial year end FY22

Pub numbers	Leased & Tenanted	Management Partnerships	Total
15.August.21 ¹	1,018	261	1,279
Transfers	(26)	26	-
Additions	-	-	-
Disposals	(4)	(1)	(5)
5.December.21 ²	988	286	1,274
Transfers	(6)	6	-
Additions	-	2	2
Disposals	-	-	-
27.February.22 ³	982	294	1,276
Transfers	(14)	14	-
Transfer to ULP	(1)	-	(1)
Additions	1	-	1
Disposals	-	-	-
22.May.22 ⁴	968	308	1,276
Transfers	(20)	20	-
Transfer to ULP	(1)	-	(1)
Additions	-	-	-
Disposals	(4)	-	(4)
14.August.22 ⁵	943	328	1,271



- Of the 1,271 pubs owned by the group at the end of the quarter, 1.4% were closed and 1.0% were undergoing investment following conversion to Management Partnerships.

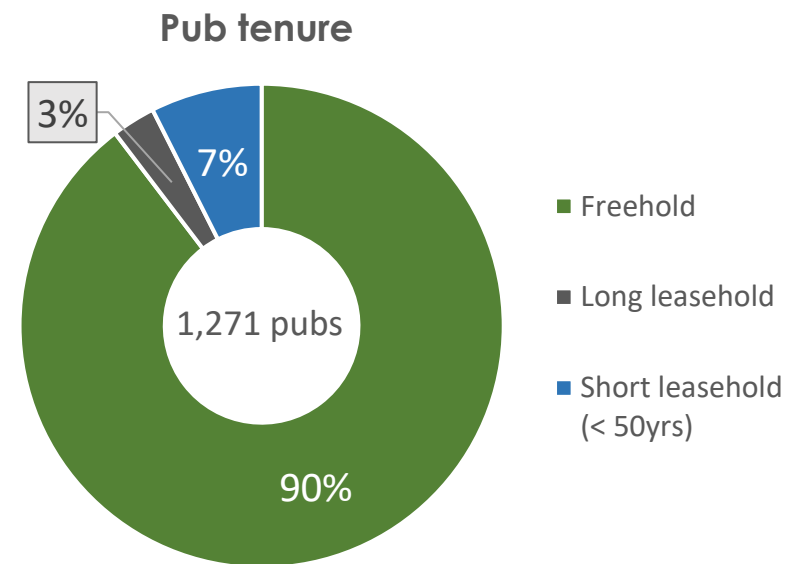




Loan to Value

- 93% of the pub portfolio is owned on a freehold or long leasehold (>50 years remaining) basis;
- Net debt to property value of 68.9%.

(£m)	Q4 FY22
Secured Notes 6.125%	600
Revolving Credit Facility	30
Less: Cash	(13)
Net Debt	617
Property, plant & equipment ¹	895
Loan to Value	68.9%

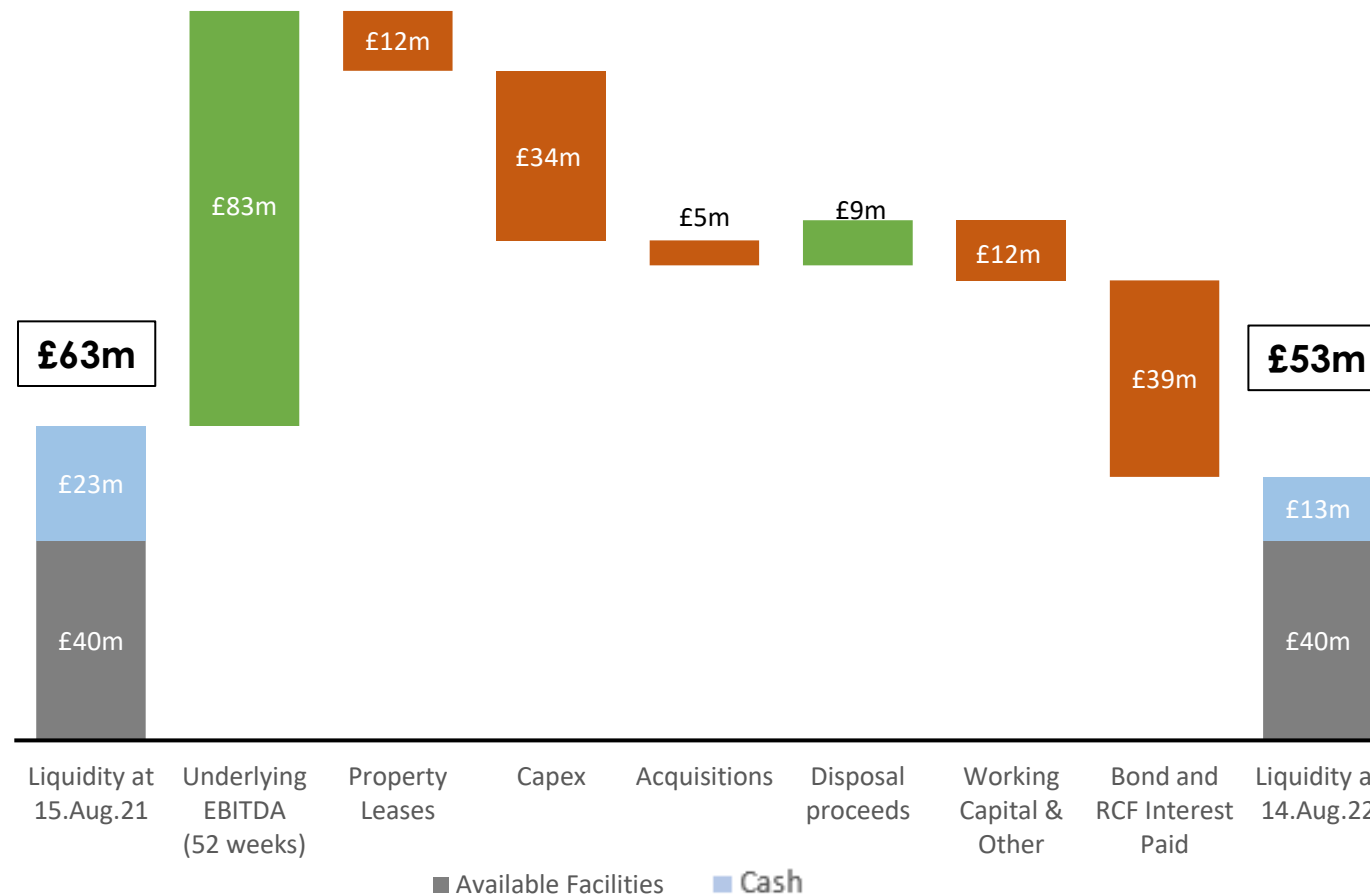


Notes
1. PP&E includes assets classified as held for sale



Cash Flow and Liquidity

- On 31 December 2021 the RCF was drawn down by an additional £10m, leaving a total of £30m undrawn.
- £10m was then repaid on 30 June 2022 leaving a total of £40m undrawn.
- Acquisitions relates to stamp duty land tax for the 56 pubs acquired in Q4 FY21, paid within Q1 and the addition of two sites in Q2 and one site in Q3.
- Working capital and property lease cash flows are influenced by the timing of quarter ends, and in FY22 includes the repayment of deferred VAT and property lease payments from FY21



Consolidated Income Statement



- YTD non-underlying items include:
 - £2.4m of profit on sale of assets
 - £0.7m of grant income
 - £(2.4)m other one-off costs
 - £(0.2)m of share based payment charges
 - £(3.4)m of Impairment
 - £(18.5)m revaluation of property plant & equipment ²
- YTD finance costs include:
 - £(38.6)m of interest payable on the loan notes and the RCF
 - £(5.4)m of interest payable on lease liabilities
 - £(0.6)m net pension interest costs
 - £(2.4)m amortisation of deferred issue costs

	Quarter 4	YTD
(£m)	14.Aug.22 ¹	52 weeks
Revenue	73.1	284.4
Operating costs	(49.9)	(201.1)
Underlying EBITDA	23.2	83.3
Depreciation & Amortisation	(3.7)	(15.6)
Finance Costs	(11.2)	(47.0)
Underlying profit before tax	8.3	20.7
Non-underlying items	(21.3)	(21.4)
Taxation credit / (charge)	1.3	(2.7)
Loss for the period	(11.7)	(3.4)

1. 12 weeks of trading ended 14 August 2022

2. A £15.3m upwards revaluation was also recognised in the revaluation reserve. The net movement is therefore only £3.2m downwards.



Consolidated Balance Sheet

- Loans are the £600.0m loan notes issued in June 2021. This is offset by deferred issue costs of £9.2m, 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 and 31 December 2021 for £30m and £10m respectively. £10m was repaid on 30 June 2022.
- The facilities are available until June 2026 and the group has £40.0m undrawn at 14 August 2022.
- Accruals and deferred income include £4.7m of accrued interest for the loan that is expected to be paid within one year.
- The actuary report for the defined benefit pension scheme showed a net asset, we have restricted this to nil under IFRIC 14.

(£m)	Quarter 4 14.August.22	Quarter 4 15.August.21
Fixed Assets & Intangible Assets	890.4	879.8
Right of use assets	63.7	60.0
Non current assets	954.1	939.8
Trade debtors, prepayments & other debtors	13.6	9.9
Inventories	4.0	2.7
Non-current assets classified as held for sale	5.4	5.2
Intercompany	-	1.4
Cash at bank	12.6	22.5
Current assets	35.6	41.7
Short-term loans	(30.0)	(30.0)
Trade & other creditors	(28.2)	(31.4)
Lease liability	(9.2)	(11.0)
Accruals & deferred income	(17.1)	(22.6)
Social security & other taxes	(3.7)	(4.9)
Intercompany	(0.2)	-
Other	-	-
Current liabilities	(88.4)	(99.9)
Loans	(590.8)	(588.4)
Lease liability	(67.0)	(64.0)
Deferred tax	(16.5)	(12.6)
Pension - defined benefit liability	-	(5.7)
Non-current liabilities	(674.3)	(670.7)
Net assets	227.0	210.9



Performance Summary

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

	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
From	26.May.21	16.Aug.21	6.Dec.21	28.Feb.22	23.May.22
To	15.Aug.21	5.Dec.21	27.Feb.22	22.May.22	14.Aug.22
No. of trading weeks	8	16	12	12	12
Portfolio					
Opening	1,230	1,279	1,274	1,276	1,276
Acquisitions	56	-	2	1	-
Transfer to ULP	-	-	-	(1)	(1)
Disposals	(7)	(5)	-	-	(4)
Closing	1,279	1,274	1,276	1,276	1,271
(£m)					
Underlying EBITDA	14.2	25.2	14.5	20.4	23.2
Cash generated from operation	8.7	12.9	10.8	29.6	16.9
Capex					
Investment	8.4	8.0	7.5	6.1	12.7
Acquisition	53.0	2.8	1.5	0.6	-
Total	61.4	10.8	9.0	6.7	12.7
Disposal proceeds	(1.4)	(5.6)	0.1	(0.2)	(3.2)
Net investment	60.0	5.2	9.1	6.5	9.5





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.

We're Supporting the United Nations Sustainable Development Goals

We're setting ourselves targets to tackle the goals where we can make the greatest contribution.

Our targets will be ambitious, impactful, aligned with our business objectives, and informed by experts.

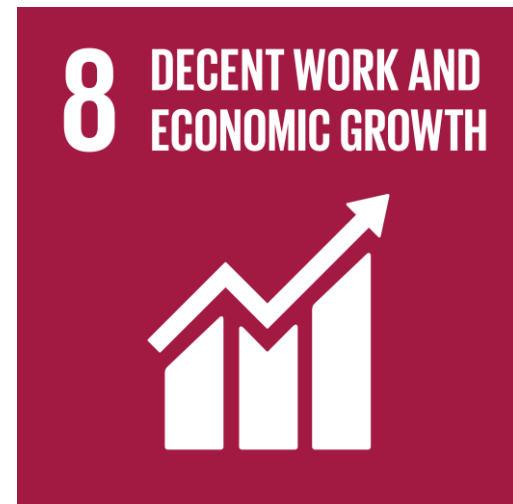


Our Priority Goals

We have identified four of the 17 goals as a priority to the business.

These will provide us with the framework to become a more sustainable business.

The goals are the blueprint to achieving a more sustainable world and will ultimately support us in our decisions moving forward.



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. Partner with People's Captain and their mental health foundation, which supports bold initiatives that get stuck in and take real action to make lives better every day.
- **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.

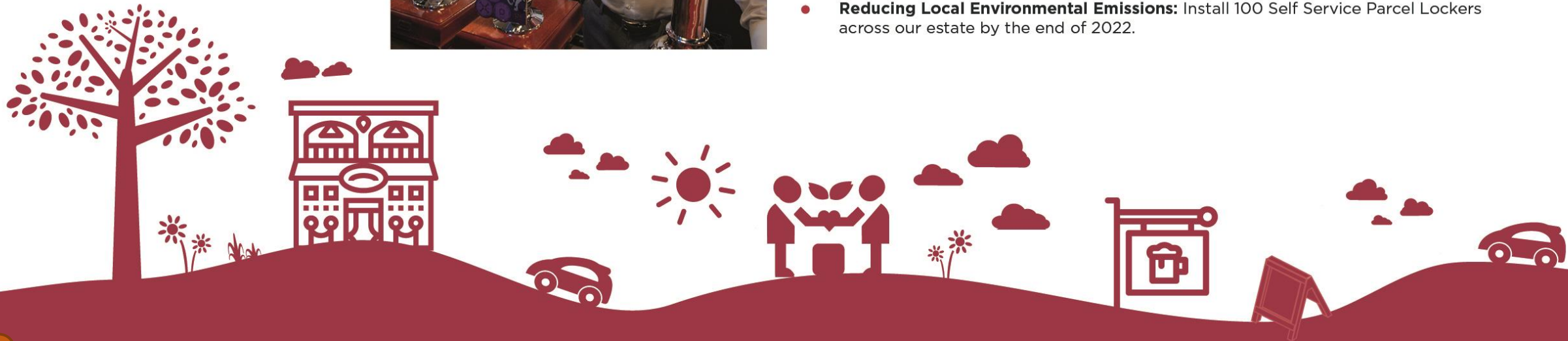


PATRONS OF THE LOCAL

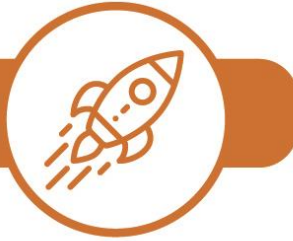


Punch promises to ensure that the Great British pub remains an attractive proposition at the centre of the UK hospitality consumer offer through investment and industry-leading support and innovation.

- **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 2022.



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



Investor Contact Details

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WITH THANKS

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