

Issue date: 27 October 2023



The Modern, Progressive Pub Company

Punch Finance plc
Quarterly Bondholder Report

Results for the period ended 13 August 2023



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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.



Contents

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, following which the group acquired its trading subsidiaries on 23 June 2021.

These are the fourth quarter's accounts of FY23, for the 52 week period up to 13 August 2023.

Reporting calendar

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

11 December 2023 – Audited Annual report and financial statements for FY23

16 February 2024 - Q1 FY24 quarterly report for the 16 weeks to 3 December 2023

10 May 2024 – Q2 FY24 quarterly report for the 12 weeks to 25 February 2024

02 August 2024 – Q3 FY24 quarterly report for the 12 weeks to 19 May 2024

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



Business Review



- Performance in the quarter has remained strong, delivering £22.1m of underlying EBITDA for the 12 weeks ending 13 August 2023.
- All three divisions (Leased and Tenanted, Management Partnership and Laine) delivered like-for-like sales growth for the 52 week period when compared to the prior year.
- For the 12 weeks to 13 August 2023 total revenue was £79.6 million, compared to £73.1 million in the prior year period of 12 weeks to 14 August 2022, with the conversion of pubs from Leased & Tenanted over to our Management Partnerships estate contributing to the increased revenue.
- Underlying EBITDA for the 52 weeks to 13 August 2023 was £81.3m, which compares positively to the £76.0m of Adjusted Underlying EBITDA from the wider Punch Group in the year to August 2019, being the most recent financial year prior to the Covid pandemic.
- A further £7.2m of capex has been invested into our pubs in the quarter.



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 £2.8m, representing 1.4%, at the year end (£20.9m being charged to operating profit and a £18.1m credit recognised in the revaluation reserve).
- The total net book value of properties at 13 August 2023 amounted to £893.0m, 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, continued investment in the estate, and a small number of pub acquisitions and disposals.
- The Group benefits from operating a predominantly freehold estate, with 93% of the pub portfolio owned on a freehold or long leasehold (greater than 50 years remaining lease term) basis.
- The Group disposed of 23 pubs in the year to 13th August 2023, generating proceeds of £11.2m, at £0.6m above book value.
- The Group generated a net cash inflow from operating activities for the 12 weeks to 13 August 2023 of £23.2m, 12 weeks to 14 August 2022: £18.4m.
- Liquidity remains strong with £12.9m of cash and £50.0m of available revolving credit facilities at the quarter end.



£m

Revenue and EBITDA¹

Revenue

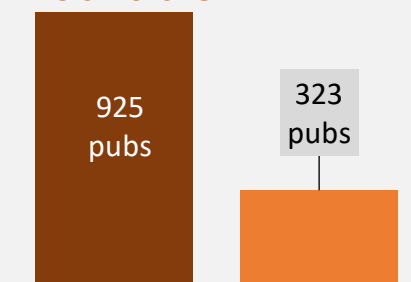
| | |
|-------|---------|
| FY23: | £313.5m |
| FY22: | £284.4m |

EBITDA¹

| | |
|-------|--------|
| FY23: | £81.3m |
| FY22: | £83.3m |

Pub Estate and Capex / Disposals

Pub Estate



Capex / Disposals

| | |
|----------------------------|-------|
| Q4 Capex: | £7.2m |
| Q4 Disposal ² : | £2.8m |
| Q4 Acquisitions: | £nil |

Liquidity and Cash flow

Total liquidity

| | |
|----------|--------|
| Q4 FY23: | £62.9m |
| Q4 FY22: | £52.6m |

Operating cash flow

| | |
|-------|--------|
| FY23: | £81.4m |
| FY22: | £71.7m |

Net Debt and Loan to value

Net Debt

| | |
|----------|---------|
| Q4 FY23: | £607.1m |
| Q4 FY22: | £617.4m |

Loan to value

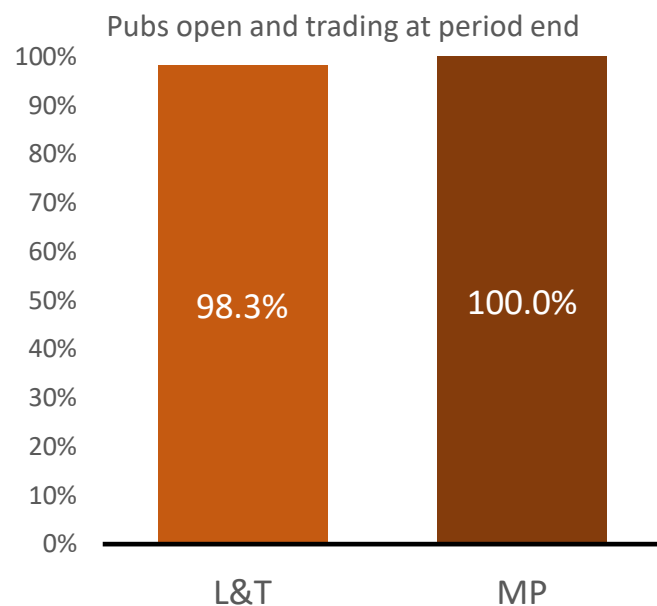
| | |
|----------|-------|
| Q4 FY23: | 68.0% |
| Q4 FY22: | 68.9% |

1. Underlying items
2. Cash proceeds

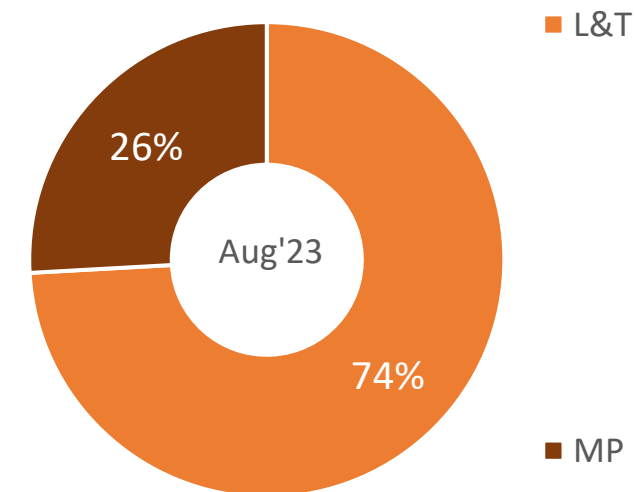


Estate Portfolio

- At the end of the quarter the Group owned 1,248 pubs, of which 98.7% were open and trading at the quarter end.



| Pub numbers | Leased & Tenanted | Management Partnerships | Total |
|-----------------------------------|-------------------|-------------------------|-------|
| 14.August.22¹ | 943 | 328 | 1,271 |
| Transfers | (5) | 5 | - |
| Additions | - | - | - |
| Disposals | (2) | - | (2) |
| 5.December.22² | 936 | 333 | 1,269 |
| Transfers | - | - | - |
| Additions | - | - | - |
| Disposals | (2) | - | (2) |
| 26.February.23³ | 934 | 333 | 1,267 |
| Transfers ⁵ | 6 | (6) | - |
| Additions | - | - | - |
| Disposals | (10) | (1) | (11) |
| 21.May.23⁴ | 930 | 326 | 1,256 |
| Transfers ⁷ | 3 | (3) | - |
| Additions | - | - | - |
| Disposals | (8) | - | (8) |
| 13.August.23⁵ | 925 | 323 | 1,248 |



Notes

- Financial year end FY22
- End of Q1 FY23
- End of Q2 FY23
- End of Q3 FY23
- Financial year end FY23
- Closure of Joint Venture
- Transfer from Laine to L&T

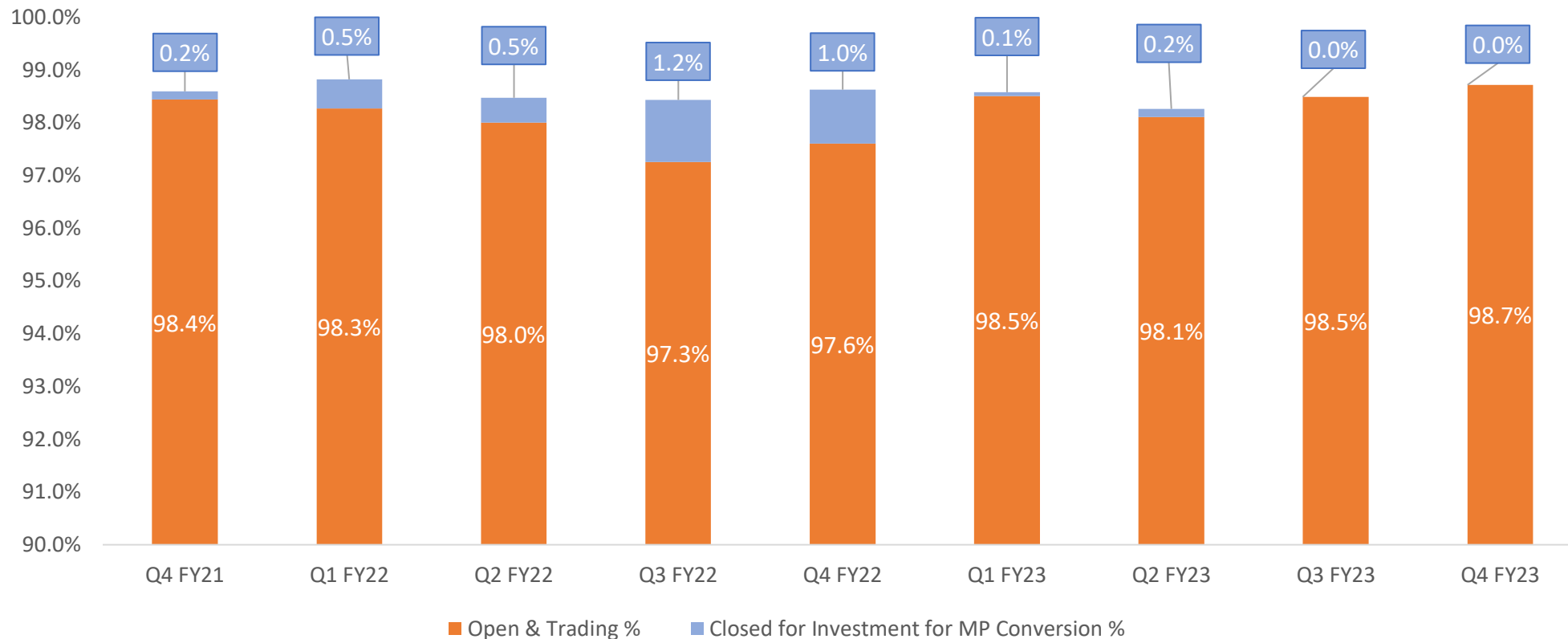


Estate Portfolio



- Of the 1,248 pubs owned by the group at the end of the quarter, 1.3% were closed and 0.0% were undergoing investment following conversion to Management Partnerships.

Percentage of pubs open & trading over time

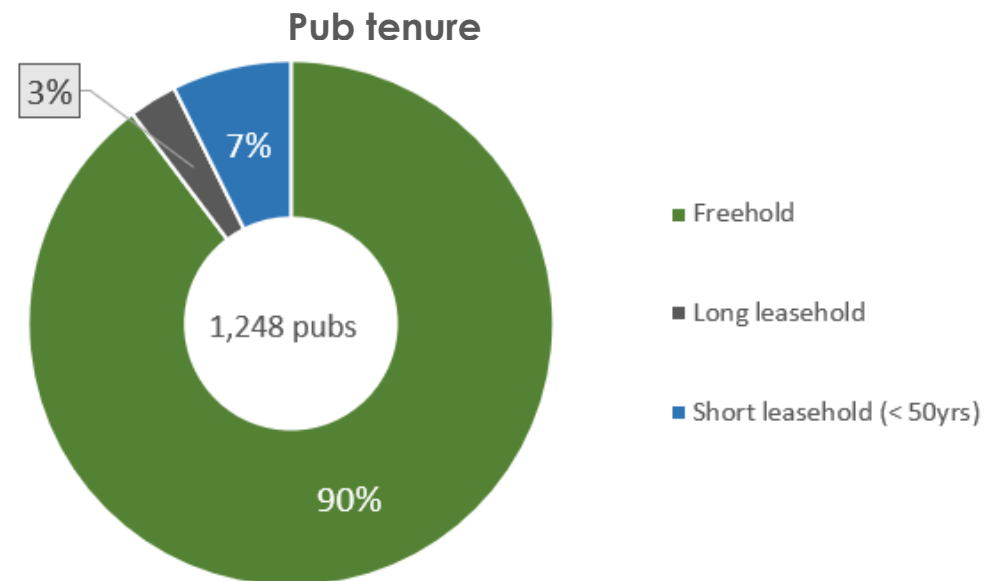




Loan to Value

- 93% of the pub portfolio is owned on a freehold or long leasehold (>50 years remaining) basis;
- Net debt to property value of 68.0%.

| (£m) | Q4 FY23 |
|--|--------------|
| Secured Notes 6.125% | 600 |
| Revolving Credit Facility | 20 |
| Less: Cash | (13) |
| Net Debt | 607 |
| Property, plant & equipment ¹ | 893 |
| Loan to Value | 68.0% |



Notes

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



Cash Flow and Liquidity

- The amount of the RCF drawn down has decreased by £10m in the period to £20.0m, leaving a further £50.0m undrawn and available at 13th August 2023.
- Disposal proceeds relate to the disposal of 23 pubs for cash proceeds of £11.2m, at £0.6m above book value.
- Working capital and property lease cash flows are influenced by the timing of quarter ends.



Consolidated Income Statement

- YTD non-underlying items include:
 - £0.6m of profit on sale of assets
 - £(1.8)m of one-off costs including professional fees, restructuring and conversion of pubs to the MP division
 - £(0.4)m of share-based payment charges
 - £(7.1)m of Impairment
 - £(20.9)m revaluation of property plant & equipment ²
- YTD finance costs include:
 - £(39.3)m of net interest payable
 - £(5.2)m of interest payable on lease liabilities
 - £(0.5)m net pension interest costs
 - £(2.4)m amortisation of deferred issue costs

| | Quarter 4 | YTD |
|---------------------------------------|------------------------|---------------|
| (£m) | 13.Aug.23 ¹ | 52 weeks |
| Revenue | 79.6 | 313.5 |
| Operating costs | (57.5) | (232.2) |
| Underlying EBITDA | 22.1 | 81.3 |
| Depreciation & Amortisation | (4.1) | (18.0) |
| Finance Costs | (10.9) | (47.4) |
| Underlying profit before tax | 7.1 | 15.9 |
| Non-underlying items | (28.1) | (29.6) |
| Taxation credit / (charge) | (1.3) | (3.4) |
| Profit / (loss) for the period | (22.3) | (17.1) |

1. 12 weeks of trading ended 13 August 2023

2. £18.1m upwards revaluation was also recognised in the revaluation reserve. The net movement in property was only £2.8m downwards.



Consolidated Balance Sheet

- Loans are the £600.0m loan notes issued in June 2021. This is offset by deferred issue costs of £6.8m, that will be released over the life of the loan.
- The short-term loans relate to the RCF, the total balance drawn down at 13 August 2023 is £20.0m.
- The loan facility is available until June 2026 and the RCF until January 2026, the group has £50.0m undrawn at 13 August 2023.
- Accruals and deferred income include £4.6m of accrued interest on the debt held.
- The actuary report for the defined benefit pension scheme showed a net asset, we have restricted this to nil under IFRIC 14.

| | Quarter 4 13.Aug.23 | Quarter 4 14.Aug.22 |
|--|------------------------|------------------------|
| (£m) | | |
| Fixed Assets & Intangible Assets | 881.3 | 890.3 |
| Right of use assets | 59.6 | 63.7 |
| Non current assets | 940.9 | 954.0 |
| Trade debtors, prepayments & other debtors | 15.9 | 13.9 |
| Inventories | 4.1 | 4.0 |
| Non-current assets classified as held for sale | 12.6 | 5.7 |
| Cash at bank | 12.9 | 12.6 |
| Current assets | 45.5 | 36.2 |
| Short-term loans | (20.0) | (30.0) |
| Trade & other creditors | (29.8) | (28.2) |
| Lease liability | (8.9) | (9.2) |
| Accruals & deferred income | (17.4) | (17.0) |
| Social security & other taxes | (4.2) | (3.7) |
| Intercompany | - | (0.3) |
| Current liabilities | (80.3) | (88.4) |
| Loans | (593.2) | (590.8) |
| Lease liability | (64.8) | (67.0) |
| Deferred tax | (19.9) | (16.6) |
| Retirement benefit obligations | - | - |
| Non-current liabilities | (677.9) | (674.4) |
| Net assets | 228.2 | 227.4 |
| Net debt | 607.1 | 617.4 |



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

| | Q4 FY21 | Q1 FY22 | Q2 FY22 | Q3 FY22 | Q4 FY22 | Q1 FY23 | Q2 FY23 | Q3 FY23 | Q4 FY23 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| From | 26.May.21 | 16.Aug.21 | 6.Dec.21 | 28.Feb.22 | 23.May.22 | 15.Aug.22 | 6.Dec.22 | 27.Feb.23 | 22.May.23 |
| To | 15.Aug.21 | 5.Dec.21 | 27.Feb.22 | 22.May.22 | 14.Aug.22 | 5.Dec.22 | 26.Feb.23 | 21.May.23 | 13.Aug.23 |
| No. of trading weeks | 8 | 16 | 12 | 12 | 12 | 16 | 12 | 12 | 12 |
| Portfolio | | | | | | | | | |
| Opening | 1,230 | 1,279 | 1,274 | 1,276 | 1,276 | 1,271 | 1,269 | 1,267 | 1,256 |
| Acquisitions | 56 | - | 2 | 1 | - | - | - | - | - |
| Transfer to ULP | - | - | - | (1) | (1) | - | - | - | - |
| Disposals | (7) | (5) | - | - | (4) | (2) | (2) | (11) | (8) |
| Closing | 1,279 | 1,274 | 1,276 | 1,276 | 1,271 | 1,269 | 1,267 | 1,256 | 1,248 |
| (£m) | | | | | | | | | |
| Underlying EBITDA | 14.2 | 25.2 | 14.5 | 20.4 | 23.2 | 23.9 | 15.0 | 20.3 | 22.1 |
| Cash generated from operations | 8.7 | 12.9 | 10.8 | 29.6 | 16.9 | 17.1 | 18.1 | 23.0 | 23.2 |
| Capex | | | | | | | | | |
| Investment | 8.4 | 8.0 | 7.5 | 6.1 | 12.7 | 11.5 | 5.2 | 6.9 | 7.2 |
| Acquisition | 53.0 | 2.8 | 1.5 | 0.6 | - | - | - | - | - |
| Total | 61.4 | 10.8 | 9.0 | 6.7 | 12.7 | 11.5 | 5.2 | 6.9 | 7.2 |
| Disposal proceeds | (1.4) | (5.6) | 0.1 | (0.2) | (3.2) | (1.1) | (0.9) | (6.4) | (2.8) |
| Net investment | 60.0 | 5.2 | 9.1 | 6.5 | 9.5 | 10.4 | 4.3 | 0.5 | 4.4 |





#wewinpubs

#WeWinTogether

Our Highlights



Established our inaugural ESG report – Punch Promise



Over 100 of our pubs hosted an 'Ask for Clive' event in support of Pub Pride



eden project

Biodiversity Partnership with the Eden Project – Pollinator Pubs/Big Lunch



Promoting pubs as safe talking spaces with People's Captain



First Pub Co. to be awarded the BII's Sustainability Champion Award



Developed our own ED&I strategy – 'Push the Pineapple' #everyoneiswelcome #nothingisoffthetable



Well-being Champions



Train Hugger

Teamed up with Train Hugger to help us on our journey to Net Zero – over 350 trees planted



Awarded Gold by Mind Workplace Well-being Index



Awarded Level 2 Green Mark for Jubilee House

We're supporting the United Nations Sustainable Development Goals

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

These goals cover a range of themes that align with some of the great things we already do.

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

3 GOOD HEALTH AND WELL-BEING



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



3 GOOD HEALTH AND WELL-BEING



Our Commitment

We will promote and enable positive mental health and physical well-being for all in our business and the communities we serve.

Our Targets

- 1) Punch Pubs & Co will form five strategic partnerships that promote physical and mental health initiatives, culminating in every Punch pub in every community taking part in at least one of these programmes by 2025.
- 2) Every employee, Publican and Management Partner will receive innovative training and resources to ensure that we provide safe and inclusive spaces for our guests by the end of 2024.
- 3) As a responsible retailer, we will more than double sales of low and no-alcohol by the end of 2025*.

*Low and no-alcohol includes beer, cider, lager, spirits and wines.

7 AFFORDABLE AND CLEAN ENERGY



Our Commitment

We are committed to driving energy efficiency across our business and supply chain in order to address our impacts on climate change.

Our Targets

- 1) All of our pubs will have a minimum EPC rating of C or above by the end of 2026*. *Unless listed under the PRS Exemption Register at the time of goal setting.
- 2) We will reduce our energy consumption* in our Management Partnerships (MP) pubs and at our Head Office by 30% by the end of 2026**.

*Leased & Tenanted energy consumption will be captured in our Scope 3 emissions.

**Baseline of 2022. Additional MP pubs will use baseline data from the year the pub transfers to MP.

- 3) We aspire to procure the majority of the electricity, in our Management Partnerships pubs, from certified renewable sources by the end of 2027*.

*The UK Government has committed to decarbonising the electricity system by 2035.

8 DECENT WORK AND ECONOMIC GROWTH

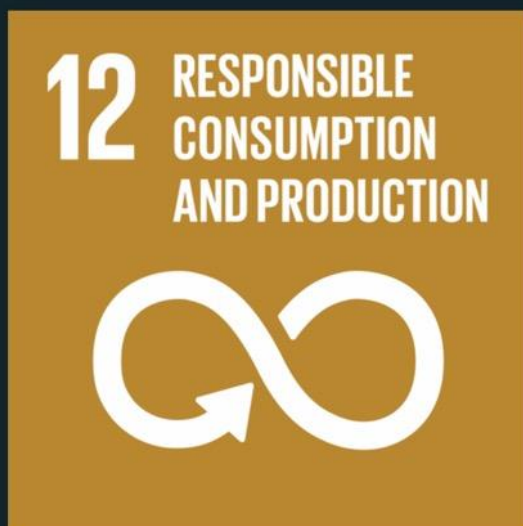


Our Commitment

We commit to safe and inclusive working conditions, fair pay and responsible growth within our business and across our supplier network.

Our Targets

- 1) Working with our industry partners, we will develop eight regional partnerships with schools and colleges to pro-actively support hospitality as a long-term career of choice by the end of 2024.
- 2) Punch is a Living Wage employer and to recognise this commitment, we aim to achieve an official accreditation by the end of 2024*.
*Relates to fully employed Punch personnel.
- 3) We will grow sales by at least 30% in any new and invested Management Partnerships pub by 2025, benefiting local communities through the creation of skilled hospitality roles by an expected additional six to eight people per pub.



Our Commitment

We commit to reducing our impact on our people and the planet through ambitious targets to reduce greenhouse gas emissions, waste and the sourcing of our food and drink from suppliers.

Our Targets

- 1) We will send zero waste to landfill by the end of 2028, faster if we can.
- 2) We will only work with suppliers that support our bold vision for our people and the planet. To achieve this, we will have an ambitious supplier charter and industry-accredited framework by 2024.
- 3) Our aspiring goal is to reduce our direct emissions (Scope 1 & 2) by 80% by 2032, and we will also be Net Zero by the end of 2040.

| Term | Definition |
|------------------------------|--|
| Bond launch | The first day immediately after the bond was issued, 25 th June 2021 |
| EBITDA | EBITDA represents earnings before depreciation, amortisation, non-underlying items, profit on sale of property, plant and equipment, 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 |
| Underlying Adjusted EBITDA | As defined in the Offering Memorandum dated 18 th June 2021 |
| MAT (Moving Annual Total) | The total of the previous 12 months up to the period end date |
| Loan to value | Net debt as a 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 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. |
| Unlicensed Premises (ULP) | A premises without a licence to sell alcohol, these comprise of our corporate offices, development opportunities, and premises that generate rental income |
| 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 & 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

Punch Pubs & Co.
Jubilee House
Second Avenue
Burton Upon Trent
DE14 2WF

Website: www.punchpubs.com
Email: investors@punchpubs.com

PUNCH
PUBS & CO

WITH THANKS

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