

Issue date: 16 February 2024



The Modern, Progressive Pub Company

Punch Finance plc Quarterly Bondholder Report

Results for the period ended 3 December 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.



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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 first quarter's accounts of FY24, for the 16 week period up to 3 December 2023.

Reporting calendar

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

25 October 2024 – Q4 FY24 quarterly report for the 12 weeks to 11 August 2024

09 December 2024- Audited Annual report and financial statements for FY24

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 £25.6m of underlying EBITDA for the 16 weeks ended 3 December 2023 versus £23.9m of underlying EBITDA in the 16 weeks ended 4 December 2022.
- All three divisions (Leased and Tenanted, Management Partnership and Laine) delivered like-for-like sales growth for the 16 week period when compared to the prior year.
- For the 16 weeks to 3 December 2023 total revenue was £96.0 million, compared to £92.0 million in the prior year period of 16 weeks to 4 December 2022.
- Underlying EBITDA for the 52 weeks to 3 December 2023 was £83.0m, 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 £7.7m of capex has been invested into our pubs in the quarter.



Business Review continued

- The total net book value of properties at 3 December 2023 amounted to £894.0m, 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 7 pubs in the quarter to 3 December 2023, generating proceeds of £4.1m, at £1.7m above book value.
- The Group generated a net cash inflow from operating activities for the 16 weeks to 3 December 2023 of £22.2m, 16 weeks to 4 December 2022: £17.0m.
- Liquidity remains strong at £54.1m at the quarter end, after having paid a dividend of £20.6m in the period.



Quarterly Results

Quarterly Bondholder Report



£m

Revenue and EBITDA¹

Revenue

End of Q1: £96.0m

MAT: £317.5m

EBITDA¹

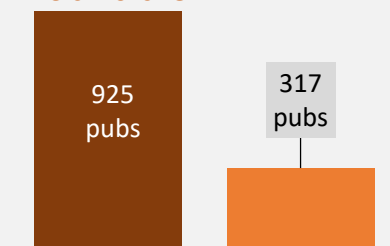
End of Q1: £25.6m

MAT: £83.0m

1. Underlying items
2. Cash proceeds

Pub Estate and Capex / Disposals

Pub Estate



Capex / Disposals

Q1 Capex: £7.7m

Q1 Disposal²: £4.1m

Q1 Acquisitions: £nil

Liquidity and Cash flow

Total liquidity

Q1 FY24: £54.1m

Q4 FY23: £60.3m

Operating cash flow

End of Q1: £22.2m

MAT: £84.0m

Net Debt and Loan to value

Net Debt

Q1 FY24: £615.9m

Q4 FY23: £609.7m

Loan to value

Q1 FY24: 68.9%

Q4 FY23: 68.3%

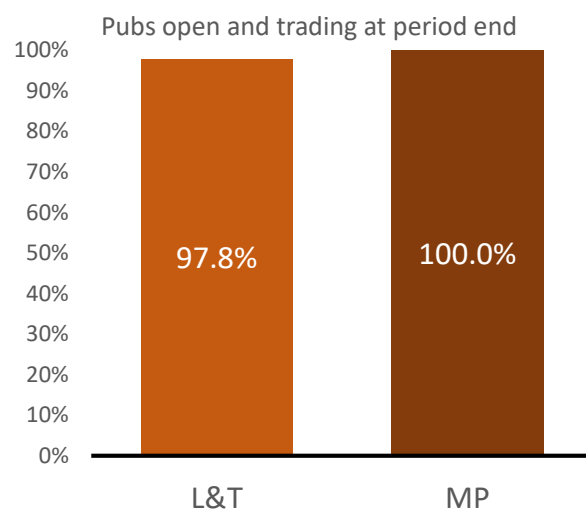


Estate Portfolio

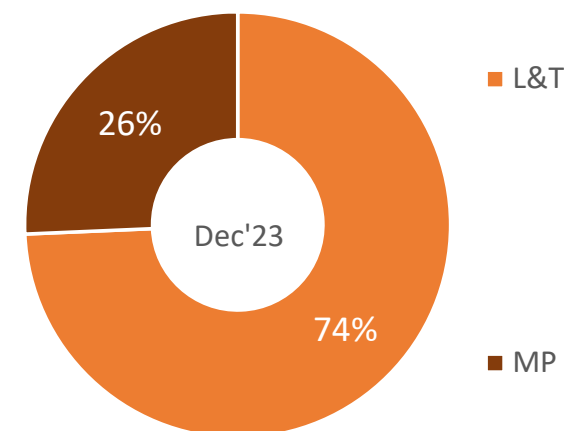
Quarterly Bondholder Report

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- At the end of the quarter the Group owned 1,242 pubs, of which 98.4% were open and trading at the quarter end.



Pub numbers	Leased & Tenanted	Management Partnerships	Total
5.December.22 ¹	936	333	1,269
Transfers	-	-	-
Additions	-	-	-
Disposals	(2)	-	(2)
26.February.23 ²	934	333	1,267
Transfers ⁶	6	(6)	-
Additions	-	-	-
Disposals	(10)	(1)	(11)
21.May.23 ³	930	326	1,256
Transfers ⁷	3	(3)	-
Additions	-	-	-
Disposals	(8)	-	(8)
13.August.23 ⁴	925	323	1,248
Transfers ⁸	6	(6)	-
Additions	-	-	-
Disposals/ULP transfer	(6)	-	(6)
3.December.23 ⁵	925	317	1,242



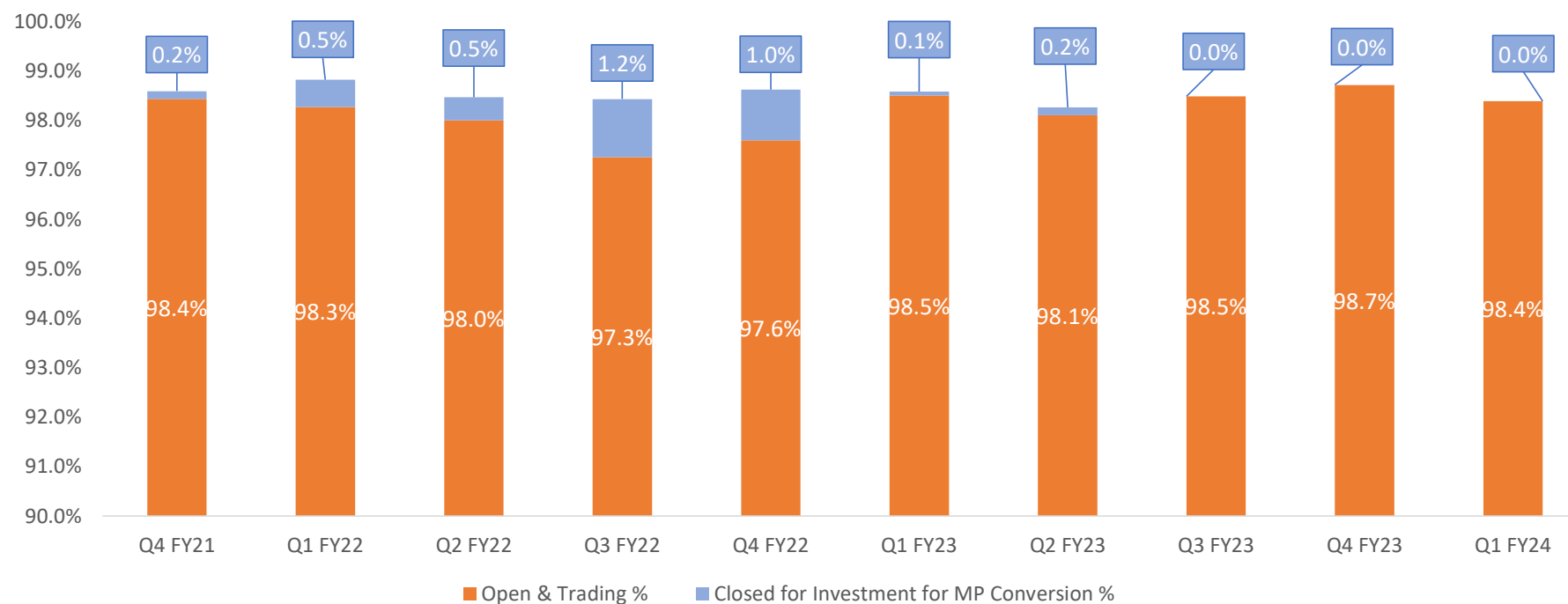
Notes

- End of Q1 FY23
- End of Q2 FY23
- End of Q3 FY23
- Financial year end FY23
- End of Q1 FY24
- Closure of Joint Venture
- Transfer from Laine to L&T
- Transfer of 7 pubs from MP to L&T and 1 Pub from L&T to MP



- Of the 1,242 pubs owned by the group at the end of the quarter, 1.6% were closed and 0.0% were undergoing investment following conversion to Management Partnerships.

Percentage of pubs open & trading over time



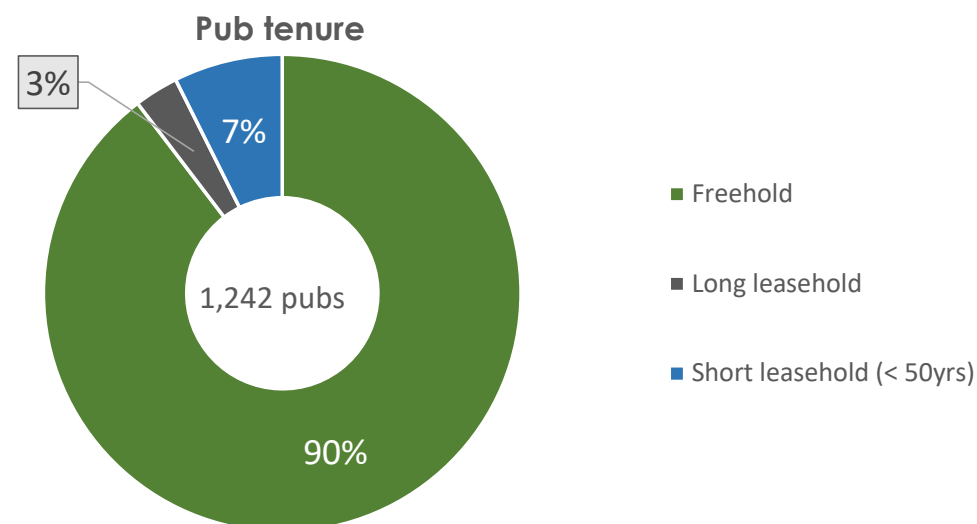
Estate Portfolio



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 68.9%.

(£m)	Q1 FY24
Secured Notes 6.125%	600
Revolving Credit Facility	20
Less: Cash	(4)
Net Debt	616
Property, plant & equipment ¹	894
Loan to Value	68.9%



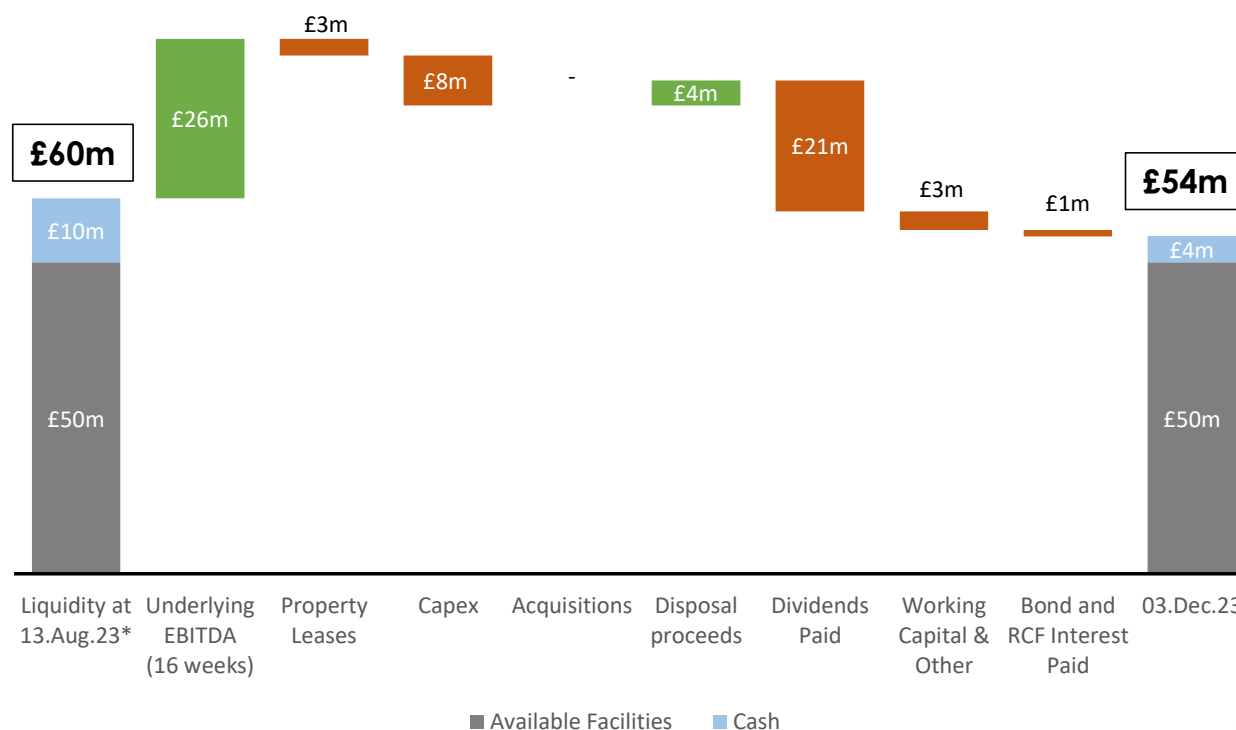
Notes

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



Cash Flow and Liquidity

- The RCF remains drawn by £20m at the end of the quarter, leaving £50m available to draw.
- Continued strong cash generation has allowed a dividend of £20.6m to be paid during the quarter.
- Disposal proceeds relate to the disposal of 7 pubs for cash proceeds of £4.1m, at £1.7m above book value.
- Working capital and property lease cash flows are influenced by the timing of quarter ends.



Notes
 * Liquidity has been restated to reclassify £2.6m of utility deposits from Cash to working Capital



Consolidated Income Statement

- YTD non-underlying items include:
 - £1.7m of profit on sale of assets
 - £(0.5)m of one-off costs including professional fees, restructuring and conversion of pubs to the MP division
 - £(0.1)m of share-based payment charges
- YTD finance costs include:
 - £(11.9)m of net interest payable
 - £(1.6)m of interest payable on lease liabilities
 - £(0.1)m net pension interest costs
 - £(0.7)m amortisation of deferred issue costs

	Quarter 1	YTD	MAT
(£m)	03.Dec.23 ¹	16 weeks	52 weeks
Revenue	96.0	96.0	317.5
Operating costs	(70.4)	(70.4)	(234.5)
Underlying EBITDA	25.6	25.6	83.0
Depreciation & Amortisation	(5.6)	(5.6)	(18.3)
Finance Costs	(14.3)	(14.3)	(47.3)
Underlying profit before tax	5.7	5.7	17.4
Non-underlying items	1.1	1.1	(27.5)
Taxation credit / (charge)	(1.4)	(1.4)	(2.3)
Profit / (loss) for the period	5.4	5.4	(12.4)

1. 16 weeks of trading ended 3 December 2023



Consolidated Balance Sheet

- Loans are the £600.0m loan notes issued in June 2021.
This is offset by deferred issue costs of £6.1m, that will be released over the life of the loan.
- The short-term loans relate to the RCF, the total balance drawn down at 3 December 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 3 December 2023.
- Accruals and deferred income include £16.2m 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 1 03.Dec.23	Quarter 4 13.Aug.23
(£m)		
Fixed Assets & Intangible Assets	884.1	881.3
Right of use assets	58.6	59.6
Non current assets	942.7	940.9
Trade debtors, prepayments & other debtors	19.8	18.6
Inventories	3.9	4.1
Non-current assets classified as held for sale	10.8	12.6
Cash at bank	4.1	10.3
Current assets	38.6	45.6
Short-term loans	(20.0)	(20.0)
Trade & other creditors	(24.8)	(29.8)
Lease liability	(9.1)	(8.9)
Accruals & deferred income	(30.6)	(17.6)
Social security & other taxes	(7.1)	(4.2)
Current liabilities	(91.6)	(80.5)
Loans	(593.9)	(593.2)
Lease liability	(63.8)	(64.8)
Deferred tax	(19.4)	(18.6)
Retirement benefit obligations	-	-
Non-current liabilities	(677.1)	(676.6)
Net assets	212.6	229.4
Net debt	615.9	609.7



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	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24
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	14.Aug.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	3.Dec.23
No. of trading weeks	8	16	12	12	12	16	12	12	12	16
Portfolio										
Opening	1,230	1,279	1,274	1,276	1,276	1,271	1,269	1,267	1,256	1,248
Acquisitions	56	-	2	1	-	-	-	-	-	-
Transfer to ULP	-	-	-	(1)	(1)	-	-	-	-	1
Disposals	(7)	(5)	-	-	(4)	(2)	(2)	(11)	(8)	(7)
Closing	1,279	1,274	1,276	1,276	1,271	1,269	1,267	1,256	1,248	1,242
(£m)										
Underlying EBITDA	14.2	25.2	14.5	20.4	23.2	23.9	15.0	20.3	22.1	25.6
Cash generated from operations	8.7	12.9	10.8	29.6	16.9	17.1	18.1	23.0	23.2	22.2
Capex										
Investment	8.4	8.0	7.5	6.1	12.7	11.5	5.2	6.9	7.2	7.7
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	7.7
Disposal proceeds	(1.4)	(5.6)	0.1	(0.2)	(3.2)	(1.1)	(0.9)	(6.4)	(2.8)	(4.1)
Net investment	60.0	5.2	9.1	6.5	9.5	10.4	4.3	0.5	4.4	3.6





Our Punch Promise

'Doing Well, by Doing Good'

#welovepubs

#WeWinTogether

OUR 2023 HIGHLIGHTS

PUNCH
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Established our inaugural ESG report – Punch Promise



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



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



Promoting pubs as safe talking spaces with People's Captain



We were the first Pub Co to be awarded with the BII's Sustainability Champion Award



We have developed our own ED&I strategy – 'Push the Pineapple' #everyoneiswelcome #nothingisoffthetable



Teamed up with Train Hugging 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.

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



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.

Glossary

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



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WITH THANKS

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