

MOTO VENTURES LIMITED

QUARTERLY REPORT

MARCH 2018

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 28 March 2018 £'000s	Restated 13 weeks Ended 29 March 2017 £'000s
Non-fuel turnover	77,185	76,957
Fuel turnover	95,450	95,802
Turnover	172,635	172,759
Change in stocks of non-fuel goods.....	(189)	(134)
Change in stocks of fuel	388	(79)
Change in stocks of finished goods	199	(213)
Staff costs	(19,741)	(18,743)
Depreciation and amortization.....	(10,330)	(10,515)
Non-fuel operating costs.....	(48,959)	(47,904)
Cost of fuel purchased	(86,928)	(87,546)
Other operating costs	(135,887)	(135,450)
Profit on ordinary activities before interest being operating profit	6,876	7,838
Interest receivable and similar income	26	84
Interest receivable from group undertakings	78	65
Interest payable on bank loans.....	(7,755)	(24,362)
Fair value movement on derivative financial instruments	9,155	(7,927)
Profit/(loss) on ordinary activities before taxation	8,380	(24,302)
Tax on profit/(loss) on ordinary activities	-	-
Profit/(loss) on ordinary activities after taxation being retained profit/(loss) for the financial period	8,380	(24,302)
Note: Adjusted EBITDA	17,025	18,175
Fuel margin	8,910	8,176

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 28 March 2018 £'000s	As of 29 March 2017 £'000s
Cash.....	32,442	49,302
Current assets (excluding cash)	32,416	28,980
Net fixed assets.....	870,938	884,933
Total assets	935,795	963,215
Current liabilities.....	(62,533)	(65,159)
Long term borrowings (excluding derivatives)	(604,773)	(588,847)
Retained Earnings	(530,676)	(507,526)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 28 March 2018 £'000s	13 weeks Ended 29 March 2017 £'000s
Net cash inflow from operating activities	17,745	23,843
Cash outflow from servicing bank loans	(7,138)	(14,231)
Net cash outflow from returns on investments and servicing of finance	(7,186)	(14,202)
Taxation	(1,099)	(747)
Net cash outflow for capital expenditure and financial investment	(8,634)	(6,171)
Net cash (outflow)/inflow from financing	(36)	15,947
Increase in net cash	790	18,670

OPERATING AND FINANCIAL REVIEW

The following discussion contains trend information and forward-looking statements. Actual results could differ materially from those discussed in these forward-looking statements. Any forward-looking statements are only made as at the date of this report and we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Comparative figures for the 13 weeks ended 29 March 2017 have been restated to reflect a change in the accounting policy for fuel turnover adopted in the 2017 statutory accounts. A reclassification between fuel turnover and cost of fuel purchased was made but there was no impact on reported fuel margin.

Results of Operations

Results of operations for the 13 weeks ended 28 March 2018 compared to the 13 weeks ended 29 March 2017

The following table sets forth our main operating results for the 13 weeks ended 28 March 2018 compared to the 13 weeks ended 29 March 2017:

	13 weeks ended 28 March 2018 £'000s	Restated 13 weeks ended 29 March 2017 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	77,185	76,957	228	0.3%
Fuel Turnover	95,450	95,802	(352)	(0.4)%
Turnover	172,635	172,759	(124)	(0.1)%
Change in stocks of non-fuel goods.....	(189)	(134)	(55)	(41.0)%
Change in stocks of fuel.....	388	(79)	467	591.1%
Change in stocks of finished goods	199	(213)	412	193.4%
Staff costs	(19,741)	(18,743)	(998)	(5.3)%
Depreciation and amortization.....	(10,330)	(10,515)	185	1.8%
Non-fuel operating costs	(48,959)	(47,904)	(1,055)	(2.2)%
Cost of fuel purchased	(86,928)	(87,546)	618	0.7%
Other operating costs.....	(135,887)	(135,450)	(437)	(0.3)%
Profit on ordinary activities before interest being operating profit	6,876	7,838	(962)	(12.3)%
Interest receivable and similar income.....	26	84	(58)	(69.0)%
Interest receivable from group undertakings.....	78	65	13	20.0%
Interest payable on bank loans	(7,755)	(24,362)	16,607	68.2%
Fair value movement on derivative financial instruments	9,155	(7,927)	17,082	215.5%
Profit/(loss) on ordinary activities before taxation	8,380	(24,302)	32,682	134.5%
Tax on profit/(loss) on ordinary activities.....	-	-	-	-
Profit/(loss) on ordinary activities after taxation being retained profit/(loss) for the financial period	8,380	(24,302)	32,682	134.5%
Note: EBITDA	17,205	18,352	(1,147)	(6.3)%
Loss on disposal of fixed assets	2	-	2	100.0%
Travelodge provision	(182)	(177)	(5)	(2.8)%
Adjusted EBITDA	17,025	18,175	(1,150)	(6.3)%

Turnover. Turnover decreased by £0.1 million, or 0.1%, from £172.8 million in the 13 weeks ended 29 March 2017 to £172.6 million in the 13 weeks ended 28 March 2018. The change was primarily attributable to a decrease in fuel turnover of £0.4 million. Non-fuel turnover increased by £0.2 million, as a result of the positive timing impact of the peak Easter trading period which fell in April 2017 but also due to the detrimental impact of the adverse weather conditions experienced during the period.

The following table shows the breakdown of our non-fuel turnover for the 13 weeks ended 28 March 2018 and the 13 weeks ended 29 March 2017:

	13 weeks ended 28 March 2018 £'000s	13 weeks ended 29 March 2017 £'000s	Change
Catering	33,870	33,220	650
Convenience Food	18,985	19,508	(523)
CTN	9,062	9,578	(516)
Amusement	4,216	4,345	(129)
Other	4,999	4,556	443
Amenity Building	71,132	71,207	(75)
Forecourt.....	6,053	5,750	303
Total non-fuel turnover	77,185	76,957	228

The following table shows the like-for-like sales decline in 2018:

	13 weeks Ended 28 March 2018
Amenity Building (including amusements)	(0.7)%
Forecourt.....	4.6%
LFL non-fuel turnover	(0.3)%

The following table shows the like-for-like transaction decline in 2018:

	13 weeks Ended 28 March 2018
Amenity Building (excluding amusements)	(1.4)%
Forecourt.....	(3.2)%
Total transactions	(1.8)%

The following table shows the average spend growth in 2018:

	13 weeks Ended 28 March 2018
Amenity Building (excluding amusements)	0.9%
Forecourt.....	8.0%
Total spend	1.7%

Change in stocks of finished goods. Change in stocks of finished goods was £0.2 million in the 13 weeks ended 28 March 2018 and £(0.2) million in the 13 weeks ended 29 March 2017. The value of fuel stocks increased by £0.4 million in the 13 weeks ended 28 March 2018 and there was a £0.2 million decrease in non-fuel stocks.

Staff costs. Staff costs increased by £1.0 million, or 5.3%, from £18.7 million in the 13 weeks ended 29 March 2017 to £19.7 million in the 13 weeks ended 28 March 2018. The ratio of staff costs to non-fuel turnover increased from 24.4% in the 13 weeks ended 29 March 2017 to 25.6% in the 13 weeks ended 28 March 2018, linked in part to increases in the hourly paid rate in line with the living wage legislation together with additional units.

Depreciation and amortization. Depreciation and amortization decreased by £0.2 million, or 1.8%, from £10.5 million in the 13 weeks ended 29 March 2017 to £10.3 million in the 13 weeks ended 28 March 2018. Amortization charges were unchanged from 2017 to 2018.

Other operating costs. Other operating costs increased by £0.4 million, or 0.3%, from £135.5 million in the 13 weeks ended 29 March 2017 to £135.9 million in the 13 weeks ended 28 March 2018. The change was attributable to a £0.6 million decrease in the cost of fuel purchased, offset by an increase of £1.1 million in non-fuel operating costs. The £1.1 million increase in non-fuel operating costs is primarily attributable to (1) a £0.6 million increase in property taxes reflecting the April 2017 business rates revaluation and new units, (2) a £0.2 million increase in utilities, (3) a £0.3 million increase in Corporate and other, partly reflecting the apprenticeship levy, offset by (4) a £0.3 million increase in central income.

The following represents a breakdown of our non-fuel operating costs for the 13 weeks ended 28 March 2018 and the 13 weeks ended 29 March 2017:

	13 weeks ended 28 March 2018 £'000s	13 weeks ended 29 March 2017 £'000s	Change
Cost of non-fuel merchandise	31,498	31,465	33
Property taxes	4,777	4,210	567
Utilities	2,799	2,575	224
Franchise fees	2,156	2,084	72
Maintenance.....	1,385	1,362	23
Distribution	504	448	56
Cleaning, travel and admin	2,175	2,111	64
Rent expense	2,378	2,395	(17)
Central income.....	(380)	(100)	(280)
Corporate and other	1,849	1,531	318
Travelodge provision	(182)	(177)	(5)
Total non-fuel operating costs.....	48,959	47,904	1,055

Central income of £0.4 million relates to (1) £0.3 million Vat reclaim and (2) £0.1 million of backdated rates settlements (2017: £0.1 million excess provision for holiday pay).

Operating profit. Operating profit decreased by £1.0 million, or 12.3%, from £7.8 million in the 13 weeks ended 29 March 2017 to £6.9 million in the 13 weeks ended 28 March 2018. The decrease was due to the reasons outlined above.

Interest receivable and similar income. Interest receivable and similar income decreased by £0.1 million, or 69.0%, from £0.084 million in the 13 weeks ended 29 March 2017 to £0.026 million in the 13 weeks ended 28 March 2018.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 13 weeks ended 28 March 2018.

Interest payable on bank loans. Interest payable on bank loans decreased by £16.6 million, or 68.2%, from £24.4 million in the 13 weeks ended 29 March 2017 to £7.8 million in the 13 weeks ended 28 March 2018. The decrease was primarily attributable to (1) £10.2 million lower capitalised debt costs amortisation due to the full write-off of senior debt and high yield bond costs relating to the previous debt in the prior period, (2) £5.6 million redemption premium for the previous high yield bond recognised in the prior period, (3) £1.1 million saving due to more favourable interest rates on the current debt arrangements, offset by (4) £0.3 million additional hedge interest accrued in the current period compared to the prior period due to the 2017 refinancing.

Fair value movement on derivative financial instruments. Fair value movement on derivative financial instruments was a £9.2 million credit in the 13 weeks ended 28 March 2018 compared with £7.9 million debit in the 13 weeks ended 29 March 2017. This represents the movement of the fair value of interest rate derivatives held by the group.

Tax on profit/(loss) on ordinary activities. Tax on profit/(loss) on ordinary activities was nil in both periods. The tax charge for 2018 will be posted in the statutory accounts as a final year-end adjustment, consistent with the treatment in previous periods.

Retained profit/(loss) for the financial period. For the reasons set forth above, retained profit/(loss) for the period increased by 134.5%, from a loss of £24.3 million in the 13 weeks ended 29 March 2017 to a profit of £8.4 million in the 13 weeks ended 28 March 2018.

Liquidity and Capital Resources

Net cash inflow from operating activities

The following table summarizes the principal components of our net cash inflow from operating activities for the 13 weeks ended 28 March 2018 compared to the 13 weeks ended 29 March 2017:

	13 weeks ended 28 March 2018 £'000s	13 weeks ended 29 March 2017 £'000s
Operating profit	6,876	7,838
Depreciation charge.....	9,178	9,363
Loss on disposal of tangible fixed assets.....	2	-
Goodwill amortization.....	1,152	1,152
(Increase)/ decrease in stocks.....	(199)	213
Decrease in debtors.....	6,186	5,739
Decrease in creditors.....	(5,450)	(462)
Net cash inflow from operating activities	17,745	23,843

Cash inflow from operating activities decreased by £6.1 million, or 25.6%, from £23.8 million in the 13 weeks ended 29 March 2017 to £17.7 million in the 13 weeks ended 28 March 2018. This is attributable to (1) a decrease in operating profit of £1.0 million, from £7.8 million in the 13 weeks ended 29 March 2017 to £6.9 million in the 13 weeks ended 28 March 2018, (2) a decrease in the cash flow from working capital of £5.0 million, from a £5.5 million inflow in the 13 weeks ended 29 March 2017 to a £0.5 million inflow in the 13 weeks ended 28 March 2018 due to year-end timing, and (3) a decrease in the depreciation charge and loss on disposal of tangible fixed assets of £0.2 million.

Net cash outflow from returns on investments and servicing of finance

The following table summarizes the principal components of our net cash outflow from returns on investments and servicing of our financing arrangements for the 13 weeks ended 28 March 2018 compared to the 13 weeks ended 29 March 2017:

	13 weeks ended 28 March 2018 £'000s	13 weeks ended 29 March 2017 £'000s
Interest received.....	26	84
Interest paid on bank loans	(7,138)	(14,231)
Bank interest and similar	(74)	(55)
Net cash outflow from returns on investments and servicing of finance.....	(7,186)	(14,202)

Interest received. Interest received decreased from £0.084 million in the 13 weeks ended 29 March 2017 to £0.026 million in the 13 weeks ended 28 March 2018.

Interest paid on bank loans. Interest paid on bank loans decreased from £14.2 million in the 13 weeks ended 29 March 2017 to £7.1 million in the 13 weeks ended 28 March 2018. The decrease was attributable to (1) £5.6 million cost relating to redemption of the previous high yield bond incurred during the prior period, (2) £1.1 million lower interest payments due to more favourable interest rates on the current debt arrangements, and (3) £0.4 million timing differences relating to the payment of commitment fees, hedge interest and high yield bond fees.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 13 weeks ended 28 March 2018. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 13 weeks ended 28 March 2018 compared to the 13 weeks ended 29 March 2017:

	13 weeks ended 28 March 2018 £'000s	13 weeks ended 29 March 2017 £'000s
Capital Expenditure by Category:		
Maintenance spend	(853)	(878)
Expansion spend.....	(7,725)	(5,149)
IT One-off projects spend.....	(56)	(144)
Cash outflow for capital expenditure.....	(8,634)	(6,171)

For the 13 weeks ended 28 March 2018, our capital expenditure amounted to £8.6 million, which consisted of £0.9 million for maintenance spending, £7.7 million for expansion including 5 new Costa Drive-Thru units, 7 new Greggs units, the introduction of new catering brands at 9 sites (including a trial of KFC), and ongoing spend on prior year projects and £0.1 million on IT projects.

For the 13 weeks ended 29 March 2017, our capital expenditure amounted to £6.2 million, which consisted of £0.9 million for maintenance spending, £5.1 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units, the introduction of new catering brands at 2 sites, and ongoing spend on prior year projects and £0.1 million on IT projects.

Net debt

The following table shows our net debt position as at 28 March 2018 compared to 29 March 2017:

	28 March 2018 £'000s	29 March 2017 £'000s
Cash in hand and at bank	32,442	49,302
Debt due after one year	<u>(604,773)</u>	<u>(588,847)</u>
Net debt	<u>(572,331)</u>	<u>(539,545)</u>

At 28 March 2018, the debt due after one year includes £465.3 million of senior debt and £150.0 million of corporate bonds, less £10.5 million of capitalised debt costs.

At 29 March 2017, the debt due after one year includes £450.0 million of senior debt and £150.0 million of corporate bonds, less £11.2 million of capitalised debt costs.