

MOTO VENTURES LIMITED

QUARTERLY REPORT

JUNE 2018

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 27 June 2018 £'000s	Restated 13 weeks Ended 28 June 2017 £'000s	26 weeks Ended 27 June 2018 £'000s	Restated 26 weeks Ended 28 June 2017 £'000s
Non-fuel turnover.....	98,639	98,759	175,824	175,716
Fuel turnover.....	107,639	99,923	203,088	195,725
Turnover	206,278	198,682	378,912	371,441
Change in stocks of non-fuel goods.....	(227)	388	(415)	254
Change in stocks of fuel.....	426	(219)	814	(298)
Change in stocks of finished goods	199	169	399	(44)
Staff costs.....	(21,080)	(21,451)	(40,821)	(40,194)
Depreciation and amortization.....	(13,352)	(10,604)	(23,682)	(21,119)
Non-fuel operating costs.....	(58,969)	(59,391)	(107,929)	(107,295)
Cost of fuel purchased.....	(98,273)	(90,149)	(185,200)	(177,695)
Other operating costs	(157,242)	(149,540)	(293,129)	(284,990)
Profit on ordinary activities before interest being operating profit	14,803	17,256	21,679	25,094
Interest receivable and similar income.....	29	14	54	98
Interest receivable from group undertakings.....	78	65	156	129
Interest payable on bank loans.....	(9,017)	(7,623)	(16,772)	(31,985)
Fair value movement on derivative financial instruments.....	(233)	2,788	8,922	(5,139)
Profit / (loss) on ordinary activities before taxation	5,660	12,500	14,039	(11,803)
Tax on profit / (loss) on ordinary activities.....	-	-	-	-
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	5,660	12,500	14,039	(11,803)
Note: Adjusted EBITDA	27,973	27,684	44,997	45,859
Fuel margin	9,792	9,556	18,702	17,732

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 27 June 2018 £'000s	As of 28 June 2017 £'000s
Cash.....	24,753	26,317
Current assets (excluding cash)	29,524	29,814
Net fixed assets.....	867,531	883,797
Total assets	921,809	939,928
Current liabilities.....	(61,342)	(63,684)
Long term borrowings (excluding derivatives)	(617,942)	(597,778)
Retained Earnings	(556,872)	(535,482)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 27 June 2018 £'000s	13 weeks Ended 28 June 2017 £'000s	26 weeks Ended 27 June 2018 £'000s	26 weeks Ended 28 June 2017 £'000s
Net cash inflow from operating activities	31,286	25,455	49,031	49,298
Cash outflow from servicing bank loans.....	(7,104)	(6,041)	(14,242)	(20,272)
Net cash outflow from returns on investments and servicing of finance	(7,134)	(6,093)	(14,320)	(20,295)
Taxation	(1,338)	(735)	(2,437)	(1,482)
Net cash outflow for capital expenditure and financial investment	(9,946)	(9,469)	(18,580)	(15,640)
Net cash inflow from financing	11,300	8,312	11,264	24,260
Equity dividends paid to shareholders.....	(31,856)	(40,454)	(31,856)	(40,454)
Decrease in net cash.....	(7,688)	(22,984)	(6,898)	(4,313)

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 26 weeks ended 28 June 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 26 weeks ended 27 June 2018 compared to the 26 weeks ended 28 June 2017

The following table sets forth our main operating results for the 26 weeks ended 27 June 2018 compared to the 26 weeks ended 28 June 2017:

	26 weeks ended 27 June 2018 £'000s	Restated 26 weeks ended 28 June 2017 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	175,824	175,716	108	0.1%
Fuel Turnover	203,088	195,725	7,363	3.8%
Turnover	378,912	371,441	7,471	2.0%
Change in stocks of non-fuel goods	(415)	254	(669)	(263.4)%
Change in stocks of fuel	814	(298)	1,112	373.2%
Change in stocks of finished goods	399	(44)	443	1,006.8%
Staff costs	(40,821)	(40,194)	(627)	(1.6)%
Depreciation and amortization	(23,682)	(21,119)	(2,563)	(12.1)%
Non-fuel operating costs	(107,929)	(107,295)	(634)	(0.6)%
Cost of fuel purchased	(185,200)	(177,695)	(7,505)	(4.2)%
Other operating costs	(293,129)	(284,990)	(8,139)	(2.9)%
Profit on ordinary activities before interest being operating profit	21,679	25,094	(3,415)	(13.6)%
Interest receivable and similar income	54	98	(44)	(44.9)%
Interest receivable from group undertakings	156	129	27	20.9%
Interest payable on bank loans	(16,772)	(31,985)	15,213	47.6%
Fair value movement on derivative financial instruments	8,922	(5,139)	14,061	273.6%
Profit / (loss) on ordinary activities before taxation	14,039	(11,803)	25,842	218.9%
Tax on loss on ordinary activities	-	-	-	-
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	14,039	(11,803)	25,842	218.9%
Note: EBITDA	45,361	46,212	(851)	(1.8)%
Loss on disposal of fixed assets	1	1	-	-
Travelodge provision	(365)	(354)	(11)	(3.1)%
Adjusted EBITDA	44,997	45,859	(862)	(1.9)%

Turnover. Turnover increased by £7.5 million, or 2.0%, from £371.4 million in the 26 weeks ended 28 June 2017 to £378.9 million in the 26 weeks ended 27 June 2018. The change was primarily attributable to an increase in fuel turnover of £7.4 million, as a result of the increased pump price of fuel sold compared with the same period last year. Non-fuel turnover increased by just £0.1 million, partly as a result of the detrimental impact of the adverse weather conditions experienced in March plus a negative impact of the football World Cup in June.

The following table shows the breakdown of our non-fuel turnover for the 26 weeks ended 27 June 2018 and the 26 weeks ended 28 June 2017:

	26 weeks ended 27 June 2018 £'000s	26 weeks ended 28 June 2017 £'000s	Change
Catering	77,918	76,155	1,763
Convenience Food	44,599	46,466	(1,867)
CTN	21,577	22,322	(745)
Amusement	8,617	8,991	(374)
Other	10,185	9,438	747
Amenity Building	162,896	163,372	(476)
Forecourt.....	12,928	12,344	584
Total non-fuel turnover	175,824	175,716	108

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

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	26 weeks Ended 27 June 2018
Amenity Building (including amusements)	(0.7)%	(0.8)%	(0.8)%
Forecourt	4.6%	3.1%	3.8%
LFL non-fuel turnover	(0.3)%	(0.5)%	(0.4)%

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

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	26 weeks Ended 27 June 2018
Amenity Building (excluding amusements)	(1.4)%	(1.0)%	(1.2)%
Forecourt	(3.2)%	(0.7)%	(1.9)%
Total transactions	(1.8)%	(1.0)%	(1.3)%

The following table shows the average spend growth in 2018:

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	26 weeks Ended 27 June 2018
Amenity Building (excluding amusements)	0.9%	0.5%	0.6%
Forecourt	8.0%	3.8%	5.8%
Total spend	1.7%	0.7%	1.1%

Change in stocks of finished goods. Change in stocks of finished goods was an increase of £0.4 million in the 26 weeks ended 27 June 2018 compared with a £0.05 million decrease in the 26 weeks ended 28 June 2017. The value of fuel stocks increased by £0.8 million in the 26 weeks ended 27 June 2018 and there was a £0.4 million decrease in non-fuel stocks.

Staff costs. Staff costs increased by £0.6 million, or 1.6%, from £40.2 million in the 26 weeks ended 28 June 2017 to £40.8 million in the 26 weeks ended 27 June 2018. The ratio of staff costs to non-fuel turnover increased from 22.9% in the 26 weeks ended 28 June 2017 to 23.2% in the 26 weeks ended 27 June 2018, linked in part to increases in the hourly paid rate in line with living wage legislation together with additional units.

Depreciation and amortization. Depreciation and amortization increased by £2.6 million, or 12.1%, from £21.1 million in the 26 weeks ended 28 June 2017 to £23.7 million in the 26 weeks ended 27 June 2018. The increase was primarily attributable to catch-up deprecation in relation to leasehold land which was not previously depreciated. Amortization charges were unchanged from 2017 to 2018.

Other operating costs. Other operating costs increased by £8.1 million, or 2.9%, from £284.9 million in the 26 weeks ended 28 June 2017 to £293.1 million in the 26 weeks ended 27 June 2018. The increase was primarily attributable to the cost of fuel purchased, which increased by £7.5 million. The £0.6 million increase in non-fuel operating costs is primarily attributable to (1) a £1.0 million decrease in the cost of non-fuel merchandise, reflecting the like-for-like sales decline, (2) a £0.7 million increase in property taxes, (3) a £0.7 million increase in corporate and other, and (4) a £0.5 million increase in Central income.

The following represents a breakdown of our non-fuel operating costs for the 26 weeks ended 27 June 2018 and the 26 weeks ended 28 June 2017:

	26 weeks ended 27 June 2018 £'000s	26 weeks ended 28 June 2017 £'000s	Change
Cost of non-fuel merchandise	72,117	73,148	(1,031)
Property taxes	9,735	8,994	741
Utilities	5,444	5,185	259
Franchise fees	4,916	4,764	152
Maintenance.....	2,800	2,746	54
Distribution	1,082	973	109
Cleaning, travel and admin	4,388	4,275	113
Rent expense	4,855	4,825	30
Central income.....	(960)	(463)	(497)
Corporate and other	3,917	3,202	715
Travelodge provision	(365)	(354)	(11)
Total non-fuel operating costs.....	107,929	107,295	634

Central income of £1.0 million relates to (1) £0.4 million Vat reclaim, (2) £0.3 million of backdated rates settlements, (3) £0.2 million of Utilities adjustments, and (4) £0.1 million of other (2017: £0.4 million of backdated rates settlements and £0.1 million excess provision for holiday pay).

Operating profit. Operating profit decreased by £3.4 million, or 13.6%, from £25.1 million in the 26 weeks ended 28 June 2017 to £21.7 million in the 26 weeks ended 27 June 2018. The reasons for the decrease in operating profit are outlined in the commentary above.

Interest receivable and similar income. Interest receivable and similar income decreased by £0.044 million, or 44.9%, from £0.098 million in the 26 weeks ended 28 June 2017 to £0.054 million in the 26 weeks ended 27 June 2018.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 26 weeks ended 27 June 2018.

Interest payable on bank loans. Interest payable on bank loans increased by £15.2 million, or 47.6%, from £32.0 million in the 26 weeks ended 28 June 2017 to £16.8 million in the 26 weeks ended 27 June 2018. The increase was attributable to (1) £8.9 million lower capitalised debt costs amortisation primarily due to the full write-off of old 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) £1.0 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 an £8.9 million credit in the 26 weeks ended 27 June 2018 compared with a £5.1 million debit in the 26 weeks ended 28 June 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 218.9%, from a loss of £11.8 million in the 26 weeks ended 28 June 2017 to a profit of £14.0 million in the 26 weeks ended 27 June 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 26 weeks ended 27 June 2018 compared to the 26 weeks ended 28 June 2017:

	26 weeks ended 27 June 2018 £'000s	26 weeks ended 28 June 2017 £'000s
Operating profit	21,679	25,094
Depreciation charge	21,378	18,815
Loss on disposal of tangible fixed assets	1	1
Goodwill amortization	2,304	2,304
(Increase) / decrease in stocks	(399)	44
Decrease in debtors	9,355	5,139
(Decrease) in creditors	(5,287)	(2,099)
Net cash inflow from operating activities	49,031	49,298

Cash inflow from operating activities decreased by £0.3 million, or 0.5%, from £49.3 million in the 26 weeks ended 28 June 2017 to £49.0 million in the 26 weeks ended 27 June 2018. This is primarily attributable to (1) a decrease in operating profit of £3.4 million from £25.1 million in the 26 weeks ended 28 June 2017 to £21.7 million in the 26 weeks ended 27 June 2018, (2) an increase in the depreciation charge of £2.6 million, and (3) an increase in the cash inflow from working capital of £0.6 million from £3.1 million in the 26 weeks ended 28 June 2017 to £3.7 million in the 26 weeks ended 27 June 2018.

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 26 weeks ended 27 June 2018 compared to the 26 weeks ended 28 June 2017:

	26 weeks ended 27 June 2018 £'000s	26 weeks ended 28 June 2017 £'000s
Interest received.....	54	98
Interest paid on bank loans	(14,240)	(20,272)
Bank interest and similar	(134)	(121)
Net cash outflow from returns on investments and servicing of finance.....	(14,320)	(20,295)

Interest received. Interest received decreased from £0.098 million in the 26 weeks ended 28 June 2017 to £0.054 million in the 26 weeks ended 27 June 2018.

Interest paid on bank loans. Interest paid on bank loans decreased from £20.3 million in the 26 weeks ended 28 June 2017 to £14.2 million in the 26 weeks ended 27 June 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) £1.0 million lower interest payments due to more favourable interest rates on the new debt arrangements, offset by (3) £0.6 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 26 weeks ended 27 June 2018. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 26 weeks ended 27 June 2018 compared to the 26 weeks ended 28 June 2017:

	26 weeks ended 27 June 2018 £'000s	26 weeks ended 28 June 2017 £'000s
Capital Expenditure by Category:		
Maintenance spend	(2,834)	(2,261)
Expansion spend.....	(15,493)	(13,124)
IT One-off projects spend.....	(253)	(255)
Cash outflow for capital expenditure.....	(18,580)	(15,640)

For the 26 weeks ended 27 June 2018, our capital expenditure amounted to £18.6 million, which consisted of £2.8 million for maintenance spending, £15.5 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 £0.3 million on IT projects.

For the 26 weeks ended 26 June 2017, our capital expenditure amounted to £15.6 million, which consisted of £2.3 million for maintenance spending, £13.0 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units and the introduction of new catering brands at 3 sites, and ongoing spend on prior year projects and £0.3 million on IT projects.

Equity dividends paid to shareholders

Equity dividends paid to shareholders decreased from £40.5 million in the 26 weeks ended 28 June 2017 to £31.9 million in the 26 weeks ended 27 June 2018. Equity dividends were debited from retained earnings and funded from balance sheet cash.

Net debt

The following table shows our net debt position as at 27 June 2018 compared to 28 June 2017:

	27 June 2018 £'000s	28 June 2017 £'000s
Cash in hand and at bank	24,753	26,317
Debt due after one year	(617,942)	(597,778)
Net debt	(593,189)	(571,461)

At 27 June 2018, the debt due after one year includes £476.6 million of senior debt and £150.0 million of corporate bonds, less £8.7 million of capitalised debt costs.

At 28 June 2017, the debt due after one year includes £459.8 million of senior debt and £150.0 million of corporate bonds, less £12.0 million of capitalised debt costs.