

MOTO VENTURES LIMITED

QUARTERLY REPORT

DECEMBER 2018

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 26 December 2018 £'000s	Restated 13 weeks Ended 27 December 2017 £'000s	52 weeks Ended 26 December 2018 £'000s	Restated 52 weeks Ended 27 December 2017 £'000s
Non-fuel turnover.....	88,801	88,624	375,770	374,491
Fuel turnover.....	102,433	100,924	417,339	401,137
Turnover	191,234	189,548	793,109	775,628
Change in stocks of non-fuel goods	472	687	165	905
Change in stocks of fuel.....	(841)	(729)	423	(265)
Change in stocks of finished goods	(369)	(42)	588	640
Staff costs.....	(19,933)	(20,259)	(82,446)	(81,920)
Depreciation and amortization	(11,160)	(10,682)	(45,711)	(42,412)
Non-fuel operating costs	(55,344)	(54,157)	(227,990)	(226,521)
Cost of fuel purchased	(91,978)	(90,834)	(379,060)	(363,683)
Other operating costs	(147,322)	(144,991)	(607,050)	(590,204)
Profit on ordinary activities before interest being operating profit	12,450	13,574	58,490	61,732
Interest receivable and similar income.....	32	7	117	116
Interest receivable from group undertakings.....	86	71	327	272
Interest payable on bank loans	(9,333)	(7,713)	(33,884)	(47,505)
Fair value movement on derivative financial instruments	(6,233)	(4,846)	7,888	(3,500)
(Loss) / profit on ordinary activities before taxation	(2,998)	1,093	32,938	11,115
Tax on (loss) / profit on ordinary activities.....	-	(879)	-	(879)
(Loss) / profit on ordinary activities after taxation being retained (loss) / profit for the financial period	(2,998)	214	32,938	10,236
Note: Adjusted EBITDA	23,817	23,476	103,863	103,927
Fuel margin	9,614	9,361	38,701	37,189

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 26 December 2018 £'000s	Restated As of 27 December 2017 £'000s
Cash.....	32,702	31,652
Current assets (excluding cash)	38,499	38,324
Net fixed assets.....	853,990	872,635
Total assets	925,191	942,611
Current liabilities.....	(62,197)	(62,286)
Long term borrowings (excluding derivatives)	(625,355)	(604,162)
Retained Earnings	(563,011)	(539,055)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 26 December 2018 £'000s	13 weeks Ended 27 December 2017 £'000s	52 weeks Ended 26 December 2018 £'000s	52 weeks Ended 27 December 2017 £'000s
Net cash inflow from operating activities	20,157	19,794	106,078	103,566
Cash outflow from servicing bank loans	(6,839)	(6,694)	(28,276)	(34,310)
Net cash outflow from returns on investments and servicing of finance.....	(6,879)	(6,768)	(28,441)	(34,481)
Taxation.....	(2,817)	(1,345)	(8,100)	(5,078)
Net cash outflow for capital expenditure and financial investment	(4,486)	(3,914)	(27,457)	(26,261)
Net cash inflow from financing.....	4,600	5,490	15,864	29,341
Equity dividends paid to shareholders.....	-	-	(56,894)	(66,065)
Increase in net cash.....	10,575	13,257	1,050	1,022

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 52 weeks ended 27 December 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. A restatement has also been made to reflect a statutory accounts adjustment for corporation tax of £0.9 million not reflected in the original December 2017 report.

Results of Operations

Results of operations for the 52 weeks ended 26 December 2018 compared to the 52 weeks ended 27 December 2017

The following table sets forth our main operating results for the 52 weeks ended 26 December 2018 compared to the 52 weeks ended 27 December 2017:

	52 weeks ended 26 December 2018 £'000s	Restated 52 weeks ended 27 December 2017 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	375,770	374,491	1,279	0.3%
Fuel Turnover	417,339	401,137	16,202	4.0%
Turnover	793,109	775,628	17,481	2.3%
Change in stocks of non-fuel goods	165	905	(740)	(81.8)%
Change in stocks of fuel	423	(265)	688	259.6%
Change in stocks of finished goods	588	640	(52)	(8.1)%
Staff costs	(82,446)	(81,920)	(526)	(0.6)%
Depreciation and amortization	(45,711)	(42,412)	(3,299)	(7.8)%
Non-fuel operating costs	(227,990)	(226,521)	(1,469)	(0.6)%
Cost of fuel purchased	(379,060)	(363,683)	(15,377)	(4.2)%
Other operating costs.....	(607,050)	(590,204)	(16,846)	(2.9)%
Profit on ordinary activities before interest being operating profit	58,490	61,732	(3,242)	(5.3)%
Interest receivable and similar income.....	117	116	1	0.9%
Interest receivable from group undertakings.....	327	272	55	20.2%
Interest payable on bank loans	(33,884)	(47,505)	13,621	28.7%
Fair value movement on derivative financial instruments	7,888	(3,500)	11,388	325.4%
Profit on ordinary activities before taxation	32,938	11,115	21,823	196.3%
Tax on profit on ordinary activities	-	(879)	879	100.0%
Profit on ordinary activities after taxation being retained profit for the financial period	32,938	10,236	22,702	221.8%
Note: EBITDA	104,201	104,144	57	0.1%
Loss on disposal of fixed assets	391	490	(99)	(20.2)%
Travelodge provision	(729)	(707)	(22)	3.1%
Adjusted EBITDA	103,863	103,927	(64)	(0.1)%

Turnover. Turnover increased by £17.5 million, or 2.3%, from £775.6 million in the 52 weeks ended 27 December 2017 to £793.1 million in the 52 weeks ended 26 December 2018. The change was primarily attributable to an increase in fuel turnover of £16.2 million, as a result of the increased pump price of fuel sold compared with the same period last year. Non-fuel turnover increased by £1.3 million, as a result of continued growth in catering and forecourt

but this growth was partly offset by 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 52 weeks ended 26 December 2018 compared to the 52 weeks ended 27 December 2017:

	52 weeks ended 26 December 2018 £'000s	52 weeks ended 27 December 2017 £'000s	Change
Catering	169,923	165,826	4,097
Convenience Food	93,407	97,070	(3,663)
CTN	47,080	47,992	(912)
Amusement	17,496	17,996	(500)
Other	21,046	19,560	1,486
Amenity Building	348,952	348,444	508
Forecourt.....	26,818	26,047	771
Total non-fuel turnover	375,770	374,491	1,279

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

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	13 weeks Ended 26 September 2018	13 weeks Ended 26 December 2018	52 weeks Ended 26 December 2018
Amenity Building (including amusements).....	(0.7)%	(0.8)%	0.2%	0.1%	(0.2)%
Forecourt.....	4.6%	3.1%	2.9%	(3.2)%	1.8%
LFL non-fuel turnover	(0.3)%	(0.5)%	0.4%	(0.1)%	(0.1)%

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

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	13 weeks Ended 26 September 2018	13 weeks Ended 26 December 2018	52 weeks Ended 26 December 2018
Amenity Building (excluding amusements)	(1.4)%	(1.0)%	(0.6)%	(1.0)%	(1.0)%
Forecourt.....	(3.2)%	(0.7)%	(1.6)%	(6.9)%	(3.0)%
Total transactions	(1.8)%	(1.0)%	(0.7)%	(2.1)%	(1.3)%

The following table shows the average spend growth in 2018:

	13 weeks Ended 28 March 2018	13 weeks Ended 27 June 2018	13 weeks Ended 26 September 2018	13 weeks Ended 26 December 2018	52 weeks Ended 26 December 2018
Amenity Building (excluding amusements)	0.9%	0.5%	1.0%	1.2%	0.9%
Forecourt.....	8.0%	3.8%	4.5%	4.0%	4.9%
Total spend	1.7%	0.7%	1.3%	2.0%	1.4%

Change in stocks of finished goods. Change in stocks of finished goods was £0.6 million in the 52 weeks ended 26 December 2018 and £0.6 million in the 52 weeks ended 27 December 2017. The value of fuel stocks increased by £0.4 million in the 52 weeks ended 26 December 2018 and there was a £0.2 million increase in non-fuel stocks.

Staff costs. Staff costs increased by £0.5 million, or 0.6%, from £81.9 million in the 52 weeks ended 27 December 2017 to £82.4 million in the 52 weeks ended 26 December 2018. The ratio of staff costs to non-fuel turnover was 21.9% in both periods, linked in part to increases in the hourly paid rate in line with living wage legislation together with additional units offset by lower staff bonuses.

Depreciation and amortization. Depreciation and amortization increased by £3.3 million, or 7.8%, from £42.4 million in the 52 weeks ended 27 December 2017 to £45.7 million in the 52 weeks ended 26 December 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 £16.8 million, or 2.9%, from £590.2 million in the 52 weeks ended 27 December 2017 to £607.1 million in the 52 weeks ended 26 December 2018. The increase was primarily attributable to the cost of fuel purchased, which increased by £15.4 million. The £1.5 million increase in non-fuel operating costs is primarily attributable to (1) a £1.0 million increase in property taxes, (2) a £0.7 million increase in corporate and other, reflecting a reduction in purchasing income which moved to margin and the introduction of secure HGV parking, offset by (3) a £1.0 million decrease in the cost of non-fuel merchandise, reflecting the decline in convenience food sales, and (4) a £0.6 million increase in central income.

The following represents a breakdown of our non-fuel operating costs for the 52 weeks ended 26 December 2018 and the 52 weeks ended 27 December 2017:

	52 weeks ended 26 December 2018 £'000s	52 weeks ended 27 December 2017 £'000s	Change
Cost of non-fuel merchandise	154,850	155,844	(994)
Property taxes	19,569	18,576	993
Utilities	10,906	10,640	266
Franchise fees	10,689	10,325	364
Maintenance.....	5,699	5,411	288
Distribution	2,199	2,133	66
Cleaning, travel and admin	9,001	8,844	157
Rent expense	9,815	9,610	205
Central income.....	(1,922)	(1,325)	(597)
Corporate and other	7,913	7,170	743
Travelodge provision	(729)	(707)	(22)
Total non-fuel operating costs.....	227,990	226,521	1,469

Central income of £1.9 million relates to (1) £1.0 million of backdated rates settlements, (2) £0.8 million Vat reclaim, and (3) income of £0.1 million being the net of a number of other one-off items. (2017: £1.4 million of backdated rates settlements and costs of £0.1 million being the net of a number of other one-off items).

Operating profit. Operating profit decreased by £3.2 million, or 5.3%, from £61.7 million in the 52 weeks ended 27 December 2017 to £58.5 million in the 52 weeks ended 26 December 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 remains materially unchanged in the 52 weeks ended 26 December 2018.

Interest receivable from group undertakings. Interest receivable from group undertakings increased by £0.055 million, or 20.2%, from £0.272 million in the 52 weeks ended 27 December 2017 to £0.327 million in the 52 weeks ended 26 December 2018.

Interest payable on bank loans. Interest payable on bank loans decreased by £13.6 million, or 28.7%, from £47.5 million in the 52 weeks ended 27 December 2017 to £33.9 million in the 52 weeks ended 26 December 2018. The decrease was attributable to (1) £7.4 million lower capitalised debt costs amortisation primarily 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) £0.9 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 £7.9 million credit in the 52 weeks ended 26 December 2018 compared with a £3.5 million debit in the 52 weeks ended 27 December 2017. This represents the movement of the fair value of interest rate derivatives held by the group.

Tax on profit on ordinary activities. Tax on profit on ordinary activities increased by £0.9 million, or 100.0%, from £0.9 million in the 52 weeks ended 27 December 2017 to £0.0 million in the 52 weeks ended 26 December 2018. The tax charge for the 52 weeks ended 26 December 2018 will be posted in the statutory accounts.

Retained profit for the financial period. For the reasons set forth above, retained profit for the period increased by £22.7 million, or 221.8%, from a profit of £10.2 million in the 52 weeks ended 27 December 2017 to a profit £32.9 million in the 52 weeks ended 26 December 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 52 weeks ended 26 December 2018 compared to the 52 weeks ended 27 December 2017:

	52 weeks ended 26 December 2018 £'000s	52 weeks ended 27 December 2017 £'000s
Operating profit	58,490	61,732
Depreciation charge.....	41,103	37,804
Loss on disposal of tangible fixed assets.....	391	490
Goodwill amortization.....	4,608	4,608
Increase in stocks.....	(588)	(640)
Decrease / (increase) in debtors.....	6,359	(2,544)
(Decrease) / increase in creditors.....	(4,285)	2,116
Net cash inflow from operating activities	106,078	103,566

Cash inflow from operating activities increased by £2.5 million, or 2.4%, from £103.6 million in the 52 weeks ended 27 December 2017 to £106.1 million in the 52 weeks ended 26 December 2018. This is primarily attributable to (1) a decrease in operating profit of £3.2 million from £61.7 million in the 52 weeks ended 27 December 2017 to £58.5 million in the 52 weeks ended 26 December 2018, (2) an increase in the depreciation charge of £3.3 million, (3) a decrease in the loss on disposal of fixed assets of £0.1 million, and (4) an increase in the cash inflow from working capital of £2.6 million from a £1.1 million outflow in the 52 weeks ended 27 December 2017 to a £1.5 million inflow in the 52 weeks ended 26 December 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 52 weeks ended 26 December 2018 compared to the 52 weeks ended 27 December 2017:

	52 weeks ended 26 December 2018 £'000s	52 weeks ended 27 December 2017 £'000s
Interest received.....	117	116
Interest paid on bank loans	(28,276)	(34,310)
Bank interest and similar	(282)	(287)
Net cash outflow from returns on investments and servicing of finance.....	(28,441)	(34,481)

Interest received. Interest received remains materially unchanged in the 52 weeks ended 26 December 2018.

Interest paid on bank loans. Interest paid on bank loans decreased from £34.3 million in the 52 weeks ended 27 December 2017 to £28.3 million in the 52 weeks ended 26 December 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) £0.9 million lower interest payments due to more favourable interest rates on the new debt arrangements, offset by (3) £0.5 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 remain materially unchanged in the 52 weeks ended 26 December 2018. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 52 weeks ended 26 December 2018 compared to the 52 weeks ended 27 December 2017:

	52 weeks ended 26 December 2018 £'000s	52 weeks ended 27 December 2017 £'000s
Capital Expenditure by Category:		
Maintenance spend	(5,530)	(5,096)
Expansion spend.....	(21,076)	(20,593)
IT One-off projects spend.....	(851)	(572)
Cash outflow for capital expenditure.....	(27,457)	(26,261)

For the 52 weeks ended 26 December 2018, our capital expenditure amounted to £27.5 million, which consisted of £5.5 million for maintenance spending, £21.1 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 £0.9 million on IT projects.

For the 52 weeks ended 27 December 2017, our capital expenditure amounted to £26.3 million, which consisted of £5.1 million for maintenance spending, £20.6 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units, 2 Costa Drive Thru units, the introduction of new catering brands at 3 sites, and ongoing spend on prior year projects, and £0.6 million on IT projects.

Equity dividends paid to shareholders

Equity dividends paid to shareholders decreased from £66.1 million in the 52 weeks ended 27 December 2017 to £56.9 million in the 52 weeks ended 26 December 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 26 December 2018 compared to 27 December 2017:

	26 December 2018 £'000s	27 December 2017 £'000s
Cash in hand and at bank.....	32,702	31,652
Debt due after one year.....	<u>(625,355)</u>	<u>(604,162)</u>
Net debt.....	<u>(592,653)</u>	<u>(572,510)</u>

At 26 December 2018, the debt due after one year includes £481.2 million of senior debt, £150.0 million of corporate bonds, less £5.8 million of capitalised debt costs.

At 27 December 2017, the debt due after one year includes £465.3 million of senior debt, £150.0 million of corporate bonds, less £11.1 million of capitalised debt costs.