

MOTO VENTURES LIMITED

QUARTERLY REPORT

JUNE 2019

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 26 June 2019 £'000s	13 weeks Ended 27 June 2018 £'000s	26 weeks Ended 26 June 2019 £'000s	26 weeks Ended 27 June 2018 £'000s
Non-fuel turnover.....	99,991	98,639	179,922	175,824
Fuel turnover.....	102,154	107,639	195,792	203,088
Turnover	202,145	206,278	375,714	378,912
Change in stocks of non-fuel goods.....	(839)	(227)	(455)	(415)
Change in stocks of fuel.....	(399)	426	661	814
Change in stocks of finished goods	(1,238)	199	206	399
Staff costs.....	(22,033)	(21,080)	(42,054)	(40,821)
Depreciation and amortization	(11,147)	(13,352)	(22,277)	(23,682)
Non-fuel operating costs	(58,359)	(58,969)	(108,605)	(107,929)
Cost of fuel purchased.....	(91,623)	(98,273)	(177,371)	(185,200)
Other operating costs	(149,982)	(157,242)	(285,976)	(293,129)
Profit on ordinary activities before interest being operating profit	17,745	14,803	25,613	21,679
Interest receivable and similar income.....	39	29	84	54
Interest receivable from group undertakings.....	94	78	188	156
Interest payable on bank loans	(7,715)	(9,017)	(15,616)	(16,772)
Fair value movement on derivative financial instruments	(4,709)	(233)	(13,164)	8,922
Profit / (loss) on ordinary activities before taxation	5,454	5,660	(2,895)	14,039
Tax on profit / (loss) on ordinary activities.....	-	-	-	-
Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period	5,454	5,660	(2,895)	14,039
Note: Adjusted EBITDA	28,762	27,973	47,585	44,997
Fuel margin	10,133	9,792	19,082	18,702

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 26 June 2019 £'000s	As of 27 June 2018 £'000s
Cash.....	24,337	24,753
Current assets (excluding cash)	26,868	29,524
Net fixed assets.....	852,363	867,531
Total assets	903,568	921,809
Current liabilities.....	(60,068)	(61,342)
Long term borrowings (excluding derivatives)	(639,144)	(617,942)
Retained Earnings	(607,409)	(556,872)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 26 June 2019 £'000s	13 weeks Ended 27 June 2018 £'000s	26 weeks Ended 26 June 2019 £'000s	26 weeks Ended 27 June 2018 £'000s
Net cash inflow from operating activities	32,858	31,286	51,900	49,031
Cash outflow from servicing bank loans.....	(7,339)	(7,104)	(14,506)	(14,242)
Net cash outflow from returns on investments and servicing of finance	(7,364)	(7,134)	(14,551)	(14,320)
Taxation	(2,417)	(1,338)	(4,623)	(2,437)
Net cash outflow for capital expenditure and financial investment	(10,857)	(9,946)	(20,717)	(18,580)
Net cash inflow from financing	15,512	11,300	12,700	11,264
Equity dividends paid to shareholders.....	(33,072)	(31,856)	(33,072)	(31,856)
Decrease in net cash.....	(5,340)	(7,688)	(8,363)	(6,898)

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.

Results of Operations

Results of operations for the 26 weeks ended 26 June 2019 compared to the 26 weeks ended 27 June 2018

The following table sets forth our main operating results for the 26 weeks ended 26 June 2019 compared to the 26 weeks ended 27 June 2018:

	26 weeks ended 26 June 2019 £'000s	26 weeks ended 27 June 2018 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	179,922	175,824	4,098	2.3%
Fuel Turnover	195,792	203,088	(7,296)	(3.6)%
Turnover	375,714	378,912	(3,198)	(0.8)%
Change in stocks of non-fuel goods	(455)	(415)	(40)	(9.6)%
Change in stocks of fuel	661	814	(153)	(18.8)%
Change in stocks of finished goods	206	399	(193)	(48.4)%
Staff costs	(42,054)	(40,821)	(1,233)	(3.0)%
Depreciation and amortization	(22,277)	(23,682)	1,405	5.9%
Non-fuel operating costs	(108,605)	(107,929)	(676)	(0.6)%
Cost of fuel purchased	(177,371)	(185,200)	7,829	4.2%
Other operating costs	(285,976)	(293,129)	7,153	2.4%
Profit on ordinary activities before interest being operating profit	25,613	21,679	3,934	18.1%
Interest receivable and similar income	84	54	30	55.6%
Interest receivable from group undertakings	188	156	32	20.5%
Interest payable on bank loans	(15,616)	(16,772)	1,156	6.9%
Fair value movement on derivative financial instruments	(13,164)	8,922	(22,086)	(247.5)%
(Loss) / profit on ordinary activities before taxation	(2,895)	14,039	(16,934)	(120.6)%
Tax on (loss) / profit on ordinary activities	-	-	-	-
(Loss) / profit on ordinary activities after taxation being retained (loss) / profit for the financial period	(2,895)	14,039	(16,934)	(120.6)%
Note: EBITDA	47,889	45,361	2,528	5.6%
Loss on disposal of fixed assets	67	1	66	6,600.0%
Travelodge provision	(371)	(365)	(6)	(1.6)%
Adjusted EBITDA	47,585	44,997	2,588	5.8%

Turnover. Turnover decreased by £3.2 million, or 0.8%, from £378.9 million in the 26 weeks ended 27 June 2018 to £375.7 million in the 26 weeks ended 26 June 2019. The change was primarily attributable to a decrease in fuel turnover of £7.3 million, as a result of declining fuel volumes, partly offset by an increase in the pump price of fuel sold. Non-fuel turnover increased by £4.1 million, partly due to the detrimental impact of the adverse weather conditions experienced during the prior period, but also due to a solid performance in catering.

The following table shows the breakdown of our non-fuel turnover for the 26 weeks ended 26 June 2019 and the 26 weeks ended 27 June 2018:

	26 weeks ended 26 June 2019 £'000s	26 weeks ended 27 June 2018 £'000s	Change
Catering	82,389	77,918	4,471
Convenience Food	43,278	44,599	(1,321)
CTN	21,536	21,577	(41)
Amusement	9,040	8,617	423
Other	10,705	10,185	520
Amenity Building	166,948	162,896	4,052
Forecourt.....	12,974	12,928	46
Total non-fuel turnover	179,922	175,824	4,098

The following table shows the like-for-like sales growth in 2019:

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	26 weeks Ended 26 June 2019
Amenity Building (including amusements)	3.8%	1.4%	2.5%
Forecourt	(1.3)%	(2.5)%	(1.9)%
LFL non-fuel turnover	3.4%	1.1%	2.1%

The following table shows the like-for-like transaction growth in 2019:

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	26 weeks Ended 26 June 2019
Amenity Building (excluding amusements)	1.8%	(0.8)%	0.3%
Forecourt	(5.7)%	(6.4)%	(6.1)%
Total transactions	0.3%	(1.8)%	(0.9)%

The following table shows the average spend growth in 2019:

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	26 weeks Ended 26 June 2019
Amenity Building (excluding amusements)	2.1%	1.9%	2.0%
Forecourt	4.7%	4.1%	4.4%
Total spend	3.1%	2.6%	2.8%

Change in stocks of finished goods. Change in stocks of finished goods was an increase of £0.2 million in the 26 weeks ended 26 June 2019 compared with a £0.4 million in the 26 weeks ended 27 June 2018. The value of fuel stocks increased by £0.7 million in the 26 weeks ended 26 June 2019 and there was a £0.5 million decrease in non-fuel stocks.

Staff costs. Staff costs increased by £1.2 million, or 3.0%, from £40.8 million in the 26 weeks ended 27 June 2018 to £42.1 million in the 26 weeks ended 26 June 2019. The ratio of staff costs to non-fuel turnover increased from 23.2% in the 26 weeks ended 27 June 2018 to 23.4% in the 26 weeks ended 26 June 2019, 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 decreased by £1.4 million, or 5.9%, from £23.7 million in the 26 weeks ended 27 June 2018 to £22.3 million in the 26 weeks ended 26 June 2019. Amortization charges were unchanged from 2018 to 2019.

Other operating costs. Other operating costs decreased by £7.2 million, or 2.4%, from £293.1 million in the 26 weeks ended 27 June 2018 to £286.0 million in the 26 weeks ended 26 June 2019. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £7.8 million. The £0.7 million increase in non-fuel operating costs is primarily attributable to (1) a £0.3 million increase in property taxes, (2) a £0.3 million increase in franchise fees, (3) a £0.3 million increase in rent, (4) a £0.4 million increase in corporate and other, offset by (5) a £0.6 million increase in central income.

The following represents a breakdown of our non-fuel operating costs for the 26 weeks ended 26 June 2019 and the 26 weeks ended 27 June 2018:

	26 weeks ended 26 June 2019 £'000s	26 weeks ended 27 June 2018 £'000s	Change
Cost of non-fuel merchandise	72,033	72,117	(84)
Property taxes	10,046	9,735	311
Utilities	5,472	5,444	28
Franchise fees	5,250	4,916	334
Maintenance.....	2,859	2,800	59
Distribution	1,100	1,082	18
Cleaning, travel and admin	4,322	4,388	(66)
Rent expense	5,195	4,855	340
Central income.....	(1,600)	(960)	(640)
Corporate and other	4,299	3,917	382
Travelodge provision	(371)	(365)	(6)
Total non-fuel operating costs.....	108,605	107,929	676

Central income of £1.6 million relates to backdated rates settlements (2018: £0.4 million Vat reclaim, £0.3 million of backdated rates settlements, £0.2 million of Utilities adjustments, and £0.1 million of other).

Operating profit. Operating profit increased by £3.9 million, or 18.1%, from £21.7 million in the 26 weeks ended 27 June 2018 to £25.6 million in the 26 weeks ended 26 June 2019. The reasons for the increase in operating profit are outlined in the commentary above.

Interest receivable and similar income. Interest receivable and similar income remains materially unchanged in the 26 weeks ended 26 June 2019.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 26 weeks ended 26 June 2019.

Interest payable on bank loans. Interest payable on bank loans decreased by £1.2 million, or 6.9%, from £16.8 million in the 26 weeks ended 27 June 2018 to £15.6 million in the 26 weeks ended 26 June 2019. The decrease was primarily attributable to a £1.4 million reduction in capitalised debt costs amortisation, offset by a £0.2 million increase in interest accrued on the debt arrangements due to a higher facility B loan balance compared with the prior period.

Fair value movement on derivative financial instruments. Fair value movement on derivative financial instruments was a £13.2 million debit in the 26 weeks ended 26 June 2019 compared with a £8.9 million credit in the 26 weeks ended 27 June 2018. This represents the movement of the fair value of interest rate derivatives held by the group.

Tax on (loss)/profit on ordinary activities. Tax on (loss)/profit on ordinary activities was nil in both periods. The tax charge for 2019 will be posted in the statutory accounts as a final year-end adjustment, consistent with the treatment in previous periods.

Retained (loss)/profit for the financial period. For the reasons set forth above, retained (loss)/profit for the period decreased by 120.6%, from a profit of £14.0 million in the 26 weeks ended 27 June 2018 to a loss of £2.9 million in the 26 weeks ended 26 June 2019.

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 26 June 2019 compared to the 26 weeks ended 27 June 2018:

	26 weeks ended 26 June 2019 £'000s	26 weeks ended 27 June 2018 £'000s
Operating profit	25,613	21,679
Depreciation charge	19,973	21,378
Loss on disposal of tangible fixed assets	67	1
Goodwill amortization	2,304	2,304
Increase in stocks	(206)	(399)
Decrease in debtors.....	6,407	9,355
Decrease in creditors	(2,258)	(5,287)
Net cash inflow from operating activities	51,900	49,031

Cash inflow from operating activities increased by £2.9 million, or 5.9%, from £49.0 million in the 26 weeks ended 27 June 2018 to £51.9 million in the 26 weeks ended 26 June 2019. This is primarily attributable to (1) an increase in operating profit of £3.9 million from £21.7 million in the 26 weeks ended 27 June 2018 to £25.6 million in the 26 weeks ended 26 June 2019, (2) a decrease in the depreciation charge (net of fixed asset disposals) of £1.3 million, and (3) an increase in the cash inflow from working capital of £0.3 million from £3.7 million in the 26 weeks ended 27 June 2018 to £3.9 million in the 26 weeks ended 26 June 2019.

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 26 June 2019 compared to the 26 weeks ended 27 June 2018:

	26 weeks ended 26 June 2019 £'000s	26 weeks ended 27 June 2018 £'000s
Interest received.....	84	54
Interest paid on bank loans	(14,506)	(14,240)
Bank interest and similar	(129)	(134)
Net cash outflow from returns on investments and servicing of finance.....	(14,551)	(14,320)

Interest received. Interest received remains materially unchanged in the 26 weeks ended 26 June 2019.

Interest paid on bank loans. Interest paid on bank loans increased from £14.2 million in the 26 weeks ended 27 June 2018 to £14.5 million in the 26 weeks ended 26 June 2019. The increase was attributable to £0.3 million additional interest paid on the debt arrangements due to a higher facility B loan balance compared with the prior period.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 26 weeks ended 26 June 2019. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 26 weeks ended 26 June 2019 compared to the 26 weeks ended 27 June 2018:

	26 weeks ended 26 June 2019 £'000s	26 weeks ended 27 June 2018 £'000s
Capital Expenditure by Category:		
Maintenance spend	(2,646)	(2,834)
Expansion spend.....	(17,653)	(15,493)
IT One-off projects spend.....	(418)	(253)
Cash outflow for capital expenditure.....	(20,717)	(18,580)

For the 26 weeks ended 26 June 2019, our capital expenditure amounted to £20.7 million, which consisted of £2.6 million for maintenance spending, £17.7 million for expansion including Burger King self-order terminals, 2 new Costa Drive-Thru units, 3 new KFC units, new and existing site acquisition and development, and ongoing spend on prior year projects and £0.4 million on IT projects.

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.

Equity dividends paid to shareholders

Equity dividends paid to shareholders increased from £31.9 million in the 26 weeks ended 27 June 2018 to £33.1 million in the 26 weeks ended 26 June 2019. 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 June 2019 compared to 27 June 2018:

	26 June 2019 £'000s	27 June 2018 £'000s
Cash in hand and at bank.....	24,337	24,753
Debt due after one year.....	<u>(639,144)</u>	<u>(617,942)</u>
Net debt.....	<u>(614,807)</u>	<u>(593,189)</u>

At 26 June 2019, the debt due after one year includes £493.9 million of senior debt and £150.0 million of corporate bonds, less £4.8 million of capitalised debt costs.

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.