

**MOTO VENTURES LIMITED**

**QUARTERLY REPORT**

**SEPTEMBER 2019**

**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	13 weeks Ended 25 September 2019 £'000s	13 weeks Ended 26 September 2018 £'000s	39 weeks Ended 25 September 2019 £'000s	39 weeks Ended 26 September 2018 £'000s
Non-fuel turnover.....	112,296	111,146	292,218	286,970
Fuel turnover.....	105,346	111,817	301,138	314,905
<b>Turnover</b> .....	<b>217,642</b>	<b>222,963</b>	<b>593,356</b>	<b>601,875</b>
Change in stocks of non-fuel goods.....	247	108	(209)	(307)
Change in stocks of fuel.....	1,659	450	2,320	1,264
<b>Change in stocks of finished goods</b> .....	<b>1,906</b>	<b>558</b>	<b>2,111</b>	<b>957</b>
Staff costs.....	(22,240)	(21,692)	(64,294)	(62,513)
Depreciation and amortization .....	(11,189)	(10,869)	(33,465)	(34,551)
Non-fuel operating costs .....	(65,334)	(64,717)	(173,939)	(172,646)
Cost of fuel purchased.....	(95,793)	(101,882)	(273,164)	(287,082)
<b>Other operating costs</b> .....	<b>(161,127)</b>	<b>(166,599)</b>	<b>(447,103)</b>	<b>(459,728)</b>
<b>Profit on ordinary activities before interest being operating profit</b> .....	<b>24,992</b>	<b>24,361</b>	<b>50,605</b>	<b>46,040</b>
Interest receivable and similar income.....	35	30	119	85
Interest receivable from group undertakings.....	103	86	291	242
Interest payable on bank loans .....	(7,782)	(7,779)	(23,397)	(24,552)
Fair value movement on derivative financial instruments .....	(11,587)	5,199	(24,751)	14,121
<b>Profit on ordinary activities before taxation</b> .....	<b>5,761</b>	<b>21,897</b>	<b>2,867</b>	<b>35,936</b>
Tax profit on ordinary activities.....	-	-	-	-
<b>Profit on ordinary activities after taxation being retained profit for the financial period</b> .....	<b>5,761</b>	<b>21,897</b>	<b>2,867</b>	<b>35,936</b>
 <b>Note: Adjusted EBITDA</b> .....	 <b>35,996</b>	 <b>35,048</b>	 <b>83,581</b>	 <b>80,045</b>
 <b>Fuel margin</b> .....	 <b>11,211</b>	 <b>10,385</b>	 <b>30,293</b>	 <b>29,087</b>

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 25 September 2019 £'000s	As of 26 September 2018 £'000s
Cash.....	24,285	22,126
Current assets (excluding cash) .....	34,546	32,905
Net fixed assets.....	849,406	861,053
Total assets .....	908,237	916,084
Current liabilities.....	(61,594)	(63,316)
Long term borrowings (excluding derivatives) .....	(639,694)	(618,584)
Retained Earnings .....	(616,402)	(560,014)

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 25 September 2019 £'000s	13 weeks Ended 26 September 2018 £'000s	39 weeks Ended 25 September 2019 £'000s	39 weeks Ended 26 September 2018 £'000s
<b>Net cash inflow from operating activities .....</b>	<b>33,008</b>	<b>36,888</b>	<b>84,909</b>	<b>85,919</b>
Cash outflow from servicing bank loans.....	(7,180)	(7,195)	(21,686)	(21,437)
<b>Net cash outflow from returns on investments and servicing of finance .....</b>	<b>(7,211)</b>	<b>(7,240)</b>	<b>(21,763)</b>	<b>(21,561)</b>
<b>Taxation .....</b>	<b>(2,863)</b>	<b>(2,846)</b>	<b>(7,486)</b>	<b>(5,283)</b>
<b>Net cash outflow for capital expenditure and financial investment .....</b>	<b>(8,232)</b>	<b>(4,391)</b>	<b>(28,949)</b>	<b>(22,970)</b>
<b>Net cash inflow from financing .....</b>	<b>-</b>	<b>-</b>	<b>12,700</b>	<b>11,264</b>
<b>Equity dividends paid to shareholders .....</b>	<b>(14,754)</b>	<b>(25,038)</b>	<b>(47,826)</b>	<b>(56,894)</b>
<b>Decrease in net cash .....</b>	<b>(52)</b>	<b>(2,627)</b>	<b>(8,415)</b>	<b>(9,525)</b>

## 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 39 weeks ended 25 September 2019 compared to the 39 weeks ended 26 September 2018

The following table sets forth our main operating results for the 39 weeks ended 25 September 2019 compared to the 39 weeks ended 26 September 2018:

	39 weeks ended 25 September 2019 £'000s	39 weeks ended 26 September 2018 £'000s	Variance £'000s	Variance %
Non-fuel Turnover .....	292,218	286,970	5,248	1.8%
Fuel Turnover .....	301,138	314,905	(13,767)	(4.4)%
<b>Turnover</b> .....	<b>593,356</b>	<b>601,875</b>	<b>(8,519)</b>	<b>(1.4)%</b>
Change in stocks of non-fuel goods .....	(209)	(307)	98	31.9%
Change in stocks of fuel .....	2,320	1,264	1,056	83.5%
<b>Change in stocks of finished goods</b> .....	<b>2,111</b>	<b>957</b>	<b>1,154</b>	<b>120.6%</b>
Staff costs .....	(64,294)	(62,513)	(1,781)	(2.8)%
Depreciation and amortization .....	(33,465)	(34,551)	1,086	3.1%
Non-fuel operating costs .....	(173,939)	(172,646)	(1,293)	(0.7)%
Cost of fuel purchased .....	(273,164)	(287,082)	13,918	4.8%
<b>Other operating costs</b> .....	<b>(447,103)</b>	<b>(459,728)</b>	<b>12,625</b>	<b>2.7%</b>
<b>Profit on ordinary activities before interest being operating profit</b> .....	<b>50,605</b>	<b>46,040</b>	<b>4,565</b>	<b>9.9%</b>
Interest receivable and similar income .....	119	85	34	40.0%
Interest receivable from group undertakings .....	291	242	49	20.2%
Interest payable on bank loans .....	(23,397)	(24,552)	1,155	4.7%
Fair value movement on derivative financial instruments .....	(24,751)	14,121	(38,872)	(275.3)%
<b>Profit on ordinary activities before taxation</b> .....	<b>2,867</b>	<b>35,936</b>	<b>(33,069)</b>	<b>(92.0)%</b>
Tax on profit on ordinary activities .....	-	-	-	-
<b>Profit on ordinary activities after taxation being retained profit for the financial period</b> .....	<b>2,867</b>	<b>35,936</b>	<b>(33,069)</b>	<b>(92.0)%</b>
<b>Note: EBITDA</b> .....	<b>84,070</b>	<b>80,591</b>	<b>3,479</b>	<b>4.3%</b>
Loss on disposal of fixed assets .....	67	1	66	6,600.0%
Travelodge provision .....	(556)	(547)	(9)	(1.6)%
<b>Adjusted EBITDA</b> .....	<b>83,581</b>	<b>80,045</b>	<b>3,536</b>	<b>4.4%</b>

*Turnover.* Turnover decreased by £8.5 million, or 1.4%, from £601.9 million in the 39 weeks ended 26 September 2018 to £593.4 million in the 39 weeks ended 25 September 2019. The change was primarily attributable to a decrease in fuel turnover of £13.8 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 £5.2 million, due to the strong performance in catering, and the detrimental impact of the adverse weather conditions experienced during the prior period.

The following table shows the breakdown of our non-fuel turnover for the 39 weeks ended 25 September 2019 and the 39 weeks ended 26 September 2018:

	39 weeks ended 25 September 2019 £'000s	39 weeks ended 26 September 2018 £'000s	Change
Catering .....	135,241	129,095	6,146
Convenience Food .....	70,339	72,592	(2,253)
CTN .....	36,185	36,273	(88)
Amusement .....	13,863	13,029	834
Other .....	16,211	15,680	531
<b>Amenity Building .....</b>	<b>271,839</b>	<b>266,669</b>	<b>5,170</b>
Forecourt.....	20,379	20,301	78
<b>Total non-fuel turnover .....</b>	<b>292,218</b>	<b>286,970</b>	<b>5,248</b>

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

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	13 weeks Ended 25 September 2019	39 weeks Ended 25 September 2019
<b>Amenity Building (including amusements) .....</b>	<b>3.8%</b>	<b>1.4%</b>	<b>1.2%</b>	<b>2.0%</b>
Forecourt .....	(1.3)%	(2.5)%	(2.0)%	(2.0)%
<b>LFL non-fuel turnover .....</b>	<b>3.4%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>1.7%</b>

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

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	13 weeks Ended 25 September 2019	39 weeks Ended 25 September 2019
<b>Amenity Building (excluding amusements) .....</b>	<b>1.8%</b>	<b>(0.8)%</b>	<b>(0.9)%</b>	<b>(0.1)%</b>
Forecourt .....	(5.7)%	(6.4)%	(5.4)%	(5.8)%
<b>Total transactions .....</b>	<b>0.3%</b>	<b>(1.8)%</b>	<b>(1.6)%</b>	<b>(1.1)%</b>

The following table shows the average spend growth in 2019:

	13 weeks Ended 27 March 2019	13 weeks Ended 26 June 2019	13 weeks Ended 25 September 2019	39 weeks Ended 25 September 2019
<b>Amenity Building (excluding amusements) .....</b>	<b>2.1%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>1.9%</b>
Forecourt .....	4.7%	4.1%	3.6%	4.1%
<b>Total spend .....</b>	<b>3.1%</b>	<b>2.6%</b>	<b>2.3%</b>	<b>2.6%</b>

*Change in stocks of finished goods.* Change in stocks of finished goods was £2.1 million in the 39 weeks ended 25 September 2019 and £1.0 million in the 39 weeks ended 26 September 2018. The value of non-fuel stocks decreased by £0.2 million and fuel stock values increased by £2.3 million in the 39 weeks ended 25 September 2019.

*Staff costs.* Staff costs increased by £1.8 million, or 2.8%, from £62.5 million in the 39 weeks ended 26 September 2018 to £64.3 million in the 39 weeks ended 25 September 2019. The ratio of staff costs to non-fuel turnover increased from 21.8% in the 39 weeks ended 26 September 2018 to 22.0% in the 39 weeks ended 25 September 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 £1.1 million, or 3.1%, from £34.6 million in the 39 weeks ended 26 September 2018 to £33.5 million in the 39 weeks ended 25 September 2019. Amortization charges were unchanged from 2018 to 2019.

*Other operating costs.* Other operating costs decreased by £12.6 million, or 2.7%, from £459.7 million in the 39 weeks ended 26 September 2018 to £447.1 million in the 39 weeks ended 25 September 2019. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £13.9 million. The £1.3 million increase in non-fuel operating costs is primarily attributable to (1) a £0.5 million increase in property taxes, (2) a £0.7 million increase in corporate and other, (3) a £0.5 million increase in franchise fees, offset by (4) a £0.5 million decrease in the cost of non-fuel merchandise.

The following represents a breakdown of our non-fuel operating costs for the 39 weeks ended 25 September 2019 and the 39 weeks ended 26 September 2018:

	39 weeks ended 25 September 2019 £'000s	39 weeks ended 26 September 2018 £'000s	Change
Cost of non-fuel merchandise .....	117,391	117,914	(523)
Property taxes .....	15,137	14,661	476
Utilities .....	7,832	8,104	(272)
Franchise fees .....	8,639	8,116	523
Maintenance.....	4,437	4,258	179
Distribution .....	1,725	1,698	27
Cleaning, travel and admin .....	6,503	6,706	(203)
Rent expense .....	7,813	7,335	478
Central income.....	(1,600)	(1,480)	(120)
Corporate and other .....	6,618	5,881	737
Travelodge provision .....	(556)	(547)	(9)
<b>Total non-fuel operating costs.....</b>	<b>173,939</b>	<b>172,646</b>	<b>1,293</b>

Central income of £1.6 million relates to backdated rates settlements (2018: £0.7 million Vat reclaim, £0.5 million of backdated rates settlements and £0.3 million of other).

*Operating profit.* Operating profit increased by £4.6 million, or 9.9%, from £46.0 million in the 39 weeks ended 26 September 2018 to £50.6 million in the 39 weeks ended 25 September 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 39 weeks ended 25 September 2019.

*Interest receivable from group undertakings.* Interest receivable from group undertakings remains materially unchanged in the 39 weeks ended 25 September 2019.

*Interest payable on bank loans.* Interest payable on bank loans decreased by £1.2 million, or 4.7%, from £24.6 million in the 39 weeks ended 26 September 2018 to £23.4 million in the 39 weeks ended 25 September 2019. The decrease was primarily attributable to a £1.5 million reduction in capitalised debt costs amortisation, offset by a £0.3 million increase in the 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 £24.8 million debit in the 39 weeks ended 25 September 2019 compared with a £14.1 million credit in the 39 weeks ended 26 September 2018. 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 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 profit for the financial period.* For the reasons set forth above, retained profit for the period decreased by 92.0%, from a profit of £35.9 million in the 39 weeks ended 26 September 2018 to a profit of £2.9 million in the 39 weeks ended 25 September 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 39 weeks ended 25 September 2019 compared to the 39 weeks ended 26 September 2018:

	39 weeks ended 25 September 2019 £'000s	39 weeks ended 26 September 2018 £'000s
<b>Operating profit</b> .....	50,605	46,040
Depreciation charge .....	30,009	31,095
Loss on disposal of tangible fixed assets .....	67	1
Goodwill amortization .....	3,456	3,456
Increase in stocks.....	(2,111)	(957)
Decrease in debtors.....	3,581	9,418
Decrease in creditors .....	(698)	(3,134)
<b>Net cash inflow from operating activities</b> .....	<b>84,909</b>	<b>85,919</b>

Cash inflow from operating activities decreased by £1.0 million, or 1.2%, from £85.9 million in the 39 weeks ended 26 September 2018 to £84.9 million in the 39 weeks ended 25 September 2019. This is primarily attributable to (1) an increase in operating profit of £4.6 million from £46.0 million in the 39 weeks ended 26 September 2018 to £50.6 million in the 39 weeks ended 25 September 2019, (2) a decrease in the depreciation charge (net of fixed assets disposals) of £1.0 million, and (3) a decrease in the cash inflow from working capital of £4.6 million from £5.3 million in the 39 weeks ended 26 September 2018 to £0.8 million in the 39 weeks ended 25 September 2019, primarily due to significant backdated rates settlements received in the prior period which have not repeated.

### *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 39 weeks ended 25 September 2019 compared to the 39 weeks ended 26 September 2018:

	39 weeks ended 25 September 2019 £'000s	39 weeks ended 26 September 2018 £'000s
Interest received.....	119	85
Interest paid on bank loans .....	(21,686)	(21,437)
Bank interest and similar .....	(196)	(209)
<b>Net cash outflow from returns on investments and servicing of finance.....</b>	<b>(21,763)</b>	<b>(21,561)</b>

*Interest received.* Interest received remains materially unchanged in the 39 weeks ended 25 September 2019.

*Interest paid on bank loans.* Interest paid on bank loans increased from £21.4 million in the 39 weeks ended 26 September 2018 to £21.7 million in the 39 weeks ended 25 September 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 39 weeks ended 25 September 2019. This represents the banking costs of the group.

### *Capital expenditure*

The following table shows our capital expenditures for the 39 weeks ended 25 September 2019 compared to the 39 weeks ended 26 September 2018:

	39 weeks ended 25 September 2019 £'000s	39 weeks ended 26 September 2018 £'000s
<b>Capital Expenditure by Category:</b>		
Maintenance spend .....	(4,163)	(4,137)
Expansion spend .....	(24,274)	(18,379)
IT One-off projects spend.....	(512)	(454)
<b>Cash outflow for capital expenditure.....</b>	<b>(28,949)</b>	<b>(22,970)</b>

For the 39 weeks ended 25 September 2019, our capital expenditure amounted to £28.9 million, which consisted of £4.2 million for maintenance spending, £24.3 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 £0.5 million on IT projects.

For the 39 weeks ended 26 September 2018, our capital expenditure amounted to £23.0 million, which consisted of £4.1 million for maintenance spending, £18.4 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 £0.5 million on IT projects



### *Equity dividends paid to shareholders*

Equity dividends paid to shareholders decreased from £56.9 million in the 39 weeks ended 26 September 2018 to £47.8 million in the 39 weeks ended 25 September 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 25 September 2019 compared to 26 September 2018:

	<b>25 September 2019 £'000s</b>	<b>26 September 2018 £'000s</b>
Cash in hand and at bank .....	24,285	22,126
Debt due after one year .....	(639,694)	(618,584)
<b>Net debt</b> .....	<b>(615,409)</b>	<b>(596,458)</b>

At 25 September 2019, the debt due after one year includes £493.9 million of senior debt and £150.0 million of corporate bonds, less £4.2 million of capitalised debt costs.

At 26 September 2018, the debt due after one year includes £476.6 million of senior debt and £150.0 million of corporate bonds, less £8.0 million of capitalised debt costs.