

MOTO VENTURES LIMITED

QUARTERLY REPORT

JUNE 2020

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	13 weeks Ended 24 June 2020 £'000s	13 weeks Ended 26 June 2019 £'000s	26 weeks Ended 24 June 2020 £'000s	26 weeks Ended 26 June 2019 £'000s
Non-fuel turnover.....	24,110	99,991	99,454	179,922
Fuel turnover.....	44,014	102,154	128,849	195,792
Turnover	68,124	202,145	228,303	375,714
Change in stocks of non-fuel goods.....	(1,062)	(839)	(2,175)	(455)
Change in stocks of fuel.....	(1,121)	(399)	(528)	661
Change in stocks of finished goods	(2,183)	(1,238)	(2,703)	206
Staff costs.....	(11,377)	(22,033)	(30,625)	(42,054)
Depreciation and amortization	(11,279)	(11,147)	(22,802)	(22,277)
Non-fuel operating costs	(22,065)	(58,359)	(69,583)	(108,605)
Cost of fuel purchased.....	(38,671)	(91,623)	(114,989)	(177,371)
Other operating costs	(60,736)	(149,982)	(184,572)	(285,976)
(Loss) / profit on ordinary activities before interest being operating (loss) / profit	(17,451)	17,745	(12,399)	25,613
Interest receivable and similar income.....	8	39	31	84
Interest receivable from group undertakings.....	113	94	227	188
Interest payable on bank loans	(8,249)	(7,715)	(16,242)	(15,616)
Fair value movement on derivative financial instruments	(7,689)	(4,709)	(18,331)	(13,164)
(Loss) / profit on ordinary activities before taxation	(33,268)	5,454	(46,714)	(2,895)
Tax on (loss) / profit on ordinary activities.....	-	-	-	-
(Loss) / profit on ordinary activities after taxation being retained (loss) / profit for the financial period	(33,268)	5,454	(46,714)	(2,895)
 Note: Adjusted EBITDA	 (6,361)	 28,762	 10,026	 47,585
 Fuel margin	 4,222	 10,133	 13,332	 19,082

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of 24 June 2020 £'000s	As of 26 June 2019 £'000s
Cash.....	17,050	24,337
Current assets (excluding cash).....	30,235	26,868
Net fixed assets.....	842,996	852,363
Total assets.....	890,281	903,568
Current liabilities.....	(54,543)	(60,068)
Long term borrowings (excluding derivatives).....	(666,548)	(639,144)
Retained Earnings.....	(656,346)	(607,409)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	13 weeks Ended 24 June 2020 £'000s	13 weeks Ended 26 June 2019 £'000s	26 weeks Ended 24 June 2020 £'000s	26 weeks Ended 26 June 2019 £'000s
Net cash (outflow) / inflow from operating activities.....	(10,572)	32,858	(2,456)	51,900
Cash outflow from servicing bank loans.....	(3,534)	(7,339)	(10,783)	(14,506)
Net cash outflow from returns on investments and servicing of finance.....	(3,599)	(7,364)	(10,855)	(14,551)
Taxation.....	2,000	(2,417)	(2,776)	(4,623)
Net cash outflow for capital expenditure and financial investment.....	(8,991)	(10,857)	(18,983)	(20,717)
Net cash (outflow) / inflow from financing.....	(547)	15,512	12,953	12,700
Equity dividends paid to shareholders.....	-	(33,072)	-	(33,072)
Decrease in net cash.....	(21,709)	(5,340)	(22,117)	(8,363)

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 24 June 2020 compared to the 26 weeks ended 26 June 2019

The following table sets forth our main operating results for the 26 weeks ended 24 June 2020 compared to the 26 weeks ended 26 June 2019:

	26 weeks ended 24 June 2020 £'000s	26 weeks ended 26 June 2019 £'000s	Variance £'000s	Variance %
Non-fuel Turnover	99,454	179,922	(80,468)	(44.7)%
Fuel Turnover	128,849	195,792	(66,943)	(34.2)%
Turnover	228,303	375,714	(147,411)	(39.2)%
Change in stocks of non-fuel goods	(2,175)	(455)	(1,720)	(378.0)%
Change in stocks of fuel	(528)	661	(1,189)	(179.9)%
Change in stocks of finished goods	(2,703)	206	(2,909)	(1,412.1)%
Staff costs	(30,625)	(42,054)	11,429	27.2%
Depreciation and amortization	(22,802)	(22,277)	(525)	(2.4)%
Non-fuel operating costs	(69,583)	(108,605)	39,022	35.9%
Cost of fuel purchased	(114,989)	(177,371)	62,382	35.2%
Other operating costs	(184,572)	(285,976)	101,404	35.5%
(Loss) / profit on ordinary activities before interest being operating (loss) / profit	(12,399)	25,613	(38,012)	(148.4)%
Interest receivable and similar income	31	84	(53)	(63.1)%
Interest receivable from group undertakings	227	188	39	20.7%
Interest payable on bank loans	(16,242)	(15,616)	(626)	(4.0)%
Fair value movement on derivative financial instruments	(18,331)	(13,164)	(5,167)	(39.3)%
Loss on ordinary activities before taxation	(46,714)	(2,895)	(43,819)	(1,513.6)%
Tax on loss on ordinary activities	-	-	-	-
Loss on ordinary activities after taxation being retained loss for the financial period	(46,714)	(2,895)	(43,819)	(1,513.6)%
Note: EBITDA	10,403	47,889	(37,486)	(78.3)%
Loss on disposal of fixed assets	-	67	(67)	(100.0)%
Travelodge provision	(377)	(371)	(6)	(1.6)%
Adjusted EBITDA	10,026	47,585	(37,559)	(78.9)%

Turnover. Turnover decreased by £147.4 million, or 39.2%, from £375.7 million in the 26 weeks ended 26 June 2019 to £228.3 million in the 26 weeks ended 24 June 2020. The change was attributable to decreases in both fuel turnover and non-fuel turnover of £66.9 million and £80.5 million respectively. Both of these decreases are attributable to the impact of the Covid-19 pandemic. The pandemic saw the number of motor vehicles travelling on UK roads decline significantly and the business took the decision to temporarily close its catering and other non-essential services. Essential services were kept open to support key workers and HGV drivers.

The following table shows the breakdown of our non-fuel turnover for the 26 weeks ended 24 June 2020 and the 26 weeks ended 26 June 2019:

	26 weeks ended 24 June 2020 £'000s	26 weeks ended 26 June 2019 £'000s	Variance £'000s	Variance %
Catering	38,902	82,389	(43,487)	(52.8)%
Convenience Food	23,927	43,278	(19,351)	(44.7)%
Confectionary, Tobacco and News	14,342	21,536	(7,194)	(33.4)%
Amusement	4,281	9,040	(4,759)	(52.6)%
Other	7,789	10,705	(2,916)	(27.2)%
Amenity Building	89,241	166,948	(77,707)	(46.5)%
Forecourt.....	10,213	12,974	(2,761)	(21.3)%
Total non-fuel turnover	99,454	179,922	(80,468)	(44.7)%

The following table shows the like-for-like sales decline in 2020:

	13 weeks Ended 25 March 2020	13 weeks Ended 24 June 2020	26 weeks Ended 24 June 2020
Amenity Building (including amusements)	(5.7)%	(80.8)%	(47.9)%
Forecourt	(5.1)%	(35.7)%	(21.3)%
LFL non-fuel turnover	(5.7)%	(77.6)%	(45.9)%

The following table shows the like-for-like transaction decline in 2020:

	13 weeks Ended 25 March 2020	13 weeks Ended 24 June 2020	26 weeks Ended 24 June 2020
Amenity Building (excluding amusements)	(6.7)%	(81.8)%	(48.4)%

The following table shows the average spend growth / (decline) in 2020:

	13 weeks Ended 25 March 2020	13 weeks Ended 24 June 2020	26 weeks Ended 24 June 2020
Amenity Building (excluding amusements)	0.6%	11.4%	1.6%

Change in stocks of finished goods. Change in stocks of finished goods was a decrease of £2.7 million in the 26 weeks ended 24 June 2020 compared with a £0.2 million increase in the 26 weeks ended 26 June 2019. The value of fuel stocks decreased by £0.5 million in the 26 weeks ended 24 June 2020 and there was a £2.2 million decrease in non-fuel stocks.

Staff costs. Staff costs decreased by £11.4 million, or 27.2%, from £42.1 million in the 26 weeks ended 26 June 2019 to £30.6 million in the 26 weeks ended 24 June 2020. The ratio of staff costs to non-fuel turnover increased from 23.4% in the 26 weeks ended 26 June 2019 to 30.8% in the 26 weeks ended 24 June 2020. In response to the Covid-19 pandemic, the business has reduced its headcount by using the Coronavirus Job Retention Scheme and temporarily furloughing staff.

Depreciation and amortization. Depreciation and amortization increased by £0.5 million, or 2.4%, from £22.3 million in the 26 weeks ended 26 June 2019 to £22.8 million in the 26 weeks ended 24 June 2020. Amortization charges were unchanged from 2019 to 2020.

Other operating costs. Other operating costs decreased by £101.4 million, or 35.5%, from £286.0 million in the 26 weeks ended 26 June 2019 to £184.6 million in the 26 weeks ended 24 June 2020. The decrease was partly attributable to the cost of fuel purchased, which decreased by £62.4 million. The £39.0 million decrease in non-fuel operating costs is primarily attributable to (1) a £31.3 million decrease in the cost of non-fuel merchandise as a result of the decline in non-fuel turnover, (2) a £5.3 million decrease in property taxes reflecting a holiday on business rates, (3) a £2.6 million decrease in franchise fees as a result of the decline in non-fuel turnover, (4) a £1.4 million decrease in utilities, offset by (5) a £3.6 million decrease in central income.

The following represents a breakdown of our non-fuel operating costs for the 26 weeks ended 24 June 2020 and the 26 weeks ended 26 June 2019:

	26 weeks ended 24 June 2020 £'000s	26 weeks ended 26 June 2019 £'000s	Variance £'000s	Variance %
Cost of non-fuel merchandise	40,774	72,033	(31,259)	(43.4)%
Property taxes	4,725	10,046	(5,321)	(53.0)%
Utilities	4,029	5,472	(1,443)	(26.4)%
Franchise fees	2,693	5,250	(2,557)	(48.7)%
Maintenance.....	2,868	2,859	9	0.3%
Distribution	410	1,100	(690)	(62.7)%
Cleaning, travel and admin	3,604	4,322	(718)	(16.6)%
Rent expense	4,469	5,195	(726)	(14.0)%
Central income.....	1,999	(1,600)	3,599	224.9%
Corporate and other	4,389	4,299	90	2.1%
Travelodge provision	(377)	(371)	(6)	(1.6)%
Total non-fuel operating costs.....	69,583	108,605	(39,022)	(35.9)%

Central income of £(2.0) million relates to £2.7 million of Covid-19 costs, offset by £0.7 million of backdated rates settlements (2019: £1.6 million of backdated rates settlements).

Operating (loss) / profit. Operating (loss) / profit decreased by £38.0 million, or 148.4%, from a profit of £25.6 million in the 26 weeks ended 26 June 2019 to a loss of £12.4 million in the 26 weeks ended 24 June 2020. The reasons for the change in operating (loss) / 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 24 June 2020.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 26 weeks ended 24 June 2020.

Interest payable on bank loans. Interest payable on bank loans increased by £0.6 million, or 4.0%, from £15.6 million in the 26 weeks ended 26 June 2019 to £16.2 million in the 26 weeks ended 24 June 2020. The increase was primarily attributable to an increase in interest accrued on the debt arrangements due to a higher facility B and RCF loan balance compared with the prior period.

Fair value movement on derivative financial instruments. Fair value movement on derivative financial instruments was a £18.3 million debit in the 26 weeks ended 24 June 2020 compared with a £13.2 million debit in the 26 weeks ended 26 June 2019. This represents the movement of the fair value of interest rate derivatives held by the group.

Tax on loss on ordinary activities. Tax on loss on ordinary activities was nil in both periods. The tax charge, or credit for 2020 will be posted in the statutory accounts as a final year-end adjustment, consistent with the treatment in previous periods.

Retained loss for the financial period. For the reasons set forth above, retained loss for the period increased by 1,513.6%, from a loss of £2.9 million in the 26 weeks ended 26 June 2019 to a loss of £46.7 million in the 26 weeks ended 24 June 2020.

Liquidity and Capital Resources

Net cash (outflow) / inflow from operating activities

The following table summarizes the principal components of our net cash (outflow) / inflow from operating activities for the 26 weeks ended 24 June 2020 compared to the 26 weeks ended 26 June 2019:

	26 weeks ended 24 June 2020 £'000s	26 weeks ended 26 June 2019 £'000s	Variance £'000s	Variance %
Operating (loss) / profit	(12,399)	25,613	(38,012)	(148.4)%
Depreciation charge	20,498	19,973	525	2.6%
Loss on disposal of tangible fixed assets	-	67	(67)	(100.0)%
Goodwill amortization	2,304	2,304	-	-
(Decrease) / increase in stocks	2,703	(206)	2,909	1,412.1%
(Increase) / decrease in debtors	(3,965)	6,407	(10,372)	(161.9)%
Decrease in creditors	(11,597)	(2,258)	(9,339)	(413.6)%
Net cash (outflow) / inflow from operating activities	(2,456)	51,900	(54,356)	(104.7)%

Cash (outflow) / inflow from operating activities decreased by £54.4 million, or 104.7%, from a £51.9 million inflow in the 26 weeks ended 26 June 2019 to £2.5 million outflow in the 26 weeks ended 24 June 2020. This is primarily attributable to (1) a decrease in operating (loss) / profit of £38.0 million from a £25.6 million profit in the 26 weeks ended 26 June 2019 to a £12.4 million loss in the 26 weeks ended 24 June 2020, (2) an increase in the depreciation charge (net of fixed asset disposals) of £0.5 million, and (3) a decrease in the cash flow from working capital of £16.8 million from a £3.9 million inflow in the 26 weeks ended 26 June 2019 to a £12.9 million outflow in the 26 weeks ended 24 June 2020.

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 24 June 2020 compared to the 26 weeks ended 26 June 2019:

	26 weeks ended 24 June 2020 £'000s	26 weeks ended 26 June 2019 £'000s
Interest received.....	31	84
Interest paid on bank loans	(10,783)	(14,506)
Bank interest and similar	(103)	(129)
Net cash outflow from returns on investments and servicing of finance.....	(10,855)	(14,551)

Interest received. Interest received remains materially unchanged in the 26 weeks ended 24 June 2020.

Interest paid on bank loans. Interest paid on bank loans decreased from £14.5 million in the 26 weeks ended 26 June 2019 to £10.8 million in the 26 weeks ended 24 June 2020. The decrease was attributable to a longer interest period taken on the senior debt meaning £4.5 million of interest is deferred to Q3, offset by £0.3m higher interest paid on the debt arrangements due to a higher facility B loan balance compared with the prior period, and other timing differences for the payment of commitment fees.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 26 weeks ended 24 June 2020. This represents the banking costs of the group.

Capital expenditure

The following table shows our capital expenditures for the 26 weeks ended 24 June 2020 compared to the 26 weeks ended 26 June 2019:

	26 weeks ended 24 June 2020 £'000s	26 weeks ended 26 June 2019 £'000s
Capital Expenditure by Category:		
Maintenance spend	(2,239)	(2,646)
Expansion spend.....	(6,220)	(10,530)
Rugby new site spend.....	(9,832)	(7,123)
IT One-off projects spend.....	(692)	(418)
Cash outflow for capital expenditure.....	(18,983)	(20,717)

For the 26 weeks ended 24 June 2020, our capital expenditure amounted to £19.0 million, which consisted of £2.2 million for maintenance spending, £16.1 million for expansion including 6 new Greggs units, WH Smith upgrades, new and existing site acquisition and development, including the new site at Rugby, and ongoing spend on prior year projects and £0.7 million on IT projects.

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.

Equity dividends paid to shareholders

Equity dividends paid to shareholders decreased from £33.1 million in the 26 weeks ended 26 June 2019 to £nil in the 26 weeks ended 24 June 2020. 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 24 June 2020 compared to 26 June 2019:

	24 June 2020 £'000s	26 June 2019 £'000s
Cash in hand and at bank.....	17,050	24,337
Debt due after one year.....	<u>(666,548)</u>	<u>(639,144)</u>
Net debt.....	<u>(649,498)</u>	<u>(614,807)</u>

At 24 June 2020, the debt due after one year includes £519.8 million of senior debt and £150.0 million of corporate bonds, less £3.3 million of capitalised debt costs.

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.