Groupe
Pierre & Vacances
CenterParcs

Full year 2018/2019 results

Paris, 26 November 2019

This press release presents consolidated financial results established under IFRS accounting rules, currently being audited, and closed by the Pierre et Vacances SA Board of Administration on 25 November 2019.

- **Revenue[1] from the tourism businesses up 7.2%,**
- **Robust growth in current operating profit[1] to €30.9 million (vs. €9.8 million in the previous year)**
- **Positive pre-tax earnings**
- **Net debt down and a high level of liquidity maintained**
- **Strategic reflection underway to intensify and accelerate the roll-out of the Group's transformation plan**

I. Highlights of 2018/2019

Governance

Since 2 September 2019, Yann Caillère, who boasts 40 years of expertise at the very senior level of leading companies in the tourism industry, has been CEO of the Pierre & Vacances-Center Parcs Group.
He has taken over from Olivier Brémond who has been nominated Executive CEO of SITI, the top holding company of the Pierre & Vacances-Center Parcs Group.

Strategic agreements in China

On 21 December 2018, S.I.T.I[2] acquired the entire holding owned by HNA Tourism Group in Pierre et Vacances S.A., or 10.00% of the capital and 13.50% of the Company's net voting rights[3]. This acquisition put an end to all of the capital and commercial ties linking HNA Tourism and Pierre & Vacances-Center Parcs.

In August 2019, Pierre & Vacances-Center Parcs signed partnership agreements with two public groups that are leaders in their sectors: an investment bank and a public works and construction company, that subscribed to 44% and 12% respectively of the Chinese joint venture supporting the Pierre & Vacances-Center Parcs activities in China, with the Group owning 44%.

So far, the joint venture has signed contracts for 14 projects inspired by the Center Parcs and Pierre & Vacances concepts, for works management assistance and tourism management.

Opening of Center Parcs Allgau

After an opening period affected by a spate of bad weather, the domain, in operation since October 2018, enjoyed a huge commercial success over the year, with an occupancy rate of 90% in the fourth quarter.

[1] The revenue and earnings items commented on this press release stem from operating reporting, with the presentation of joint ventures under proportional consolidation
[2] Limited stock company controlled by SITI "R", itself controlled by Mr Gérard Brémond, Chairman of the Pierre et Vacances S.A. Board of Directors.
[3] Based on 9,804,565 shares and 14,516,853 net voting rights in circulation on 30 November 2018.

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Acquisitions operations

On 16 January 2019, the Group announced the acquisition of the business capital of French start-up RendezvousCheznous.com, a marketplace launched in 2014 that connects holidaymakers with local hosts for authentic experiences. This acquisition fits with the strategy of the Pierre & Vacances brand to round out its offer by proposing customers immersive and experiential holidays.

II. FY 2018/2019 revenue and results[4] (1 October 2018 to 30 September 2019)

2.1. Revenue

As of 1 October 2018, the Group applies the new revenue recognition standard "IFRS 15 - Revenue from Contracts with Customers". The result of applying this standard is a sharp increase in 2018/2019 revenue, driven primarily by the signing of renovation/disposal operations at Center Parcs, for which the Group is considered as a "principle" under the terms of IFRS 15 (for further details, see the appendix at the end of the press release).

€ millions	**2018/2019** *according to operating reporting*	**2017/2018 Pro-forma IFRS 15** *according to operating reporting*	**Change**	Change excl. supply effects*	*2017/2018 Reported (Before IFRS15) according to operating reporting*
Tourism	**1,365.1**	**1,273.1**	**+7.2%**		*1,356.4*
Pierre & Vacances Tourisme Europe	596.8	580.9	+2.7%		*659.7*
Center Parcs Europe**	768.2	692.2	+11.0%		*696.8*
o/w accommodation revenue	***923.6***	***858.4***	***+7.6%***	***+4.5%***	*858.4*
Pierre et Vacances Tourisme Europe	*406.9*	*400.1*	*+1.7%*	*+3.6%*	*400.1*
*Center Parcs Europe***	*516.6*	*458.2*	*+12.7%*	*+5.2%*	*458.2*
Property development	**307.7**	**196.6**	**+56.6%**		*166.5*
Full-year total	**1,672.8**	**1,469.6**	**+13.8%**		***1,523.0***

** Adjusted for the impact of:*
- at PVTE, the net reduction in the network operated (withdrawals from loss-making sites and the non-renewal of leases),
- at CPE, net growth in the network operated prompted mainly by the opening of the Center Parcs Allgau in October 2018.
*** including Villages Nature Paris (revenue of €29.1m in FY 2018/2019, of which €23.0m in accommodation revenue).*

- **Revenue from the tourism activities rose 7.2% to €1,365.1 million** compared with the previous year.

- **Accommodation revenue rose +7.6%**, driven by both net average letting rates (+5.1%) and the number of nights sold (+2.4%). Occupancy rates totalled 75% over the full year (vs. 73.6% over 2017/2018).

[4] IFRS 11 "Joint Arrangements" implies the consolidation of joint operations by the equity method and no longer by proportional integration (Adagio and Villages Nature partnerships primarily). For its operating reporting, the Group continues to integrate joint operations under the proportional integration method, considering that this presentation is a better reflection of its performance.

The income statement items and commercial indicators commented on hereafter stem from operating reporting. The reconciliation tables with IFRS income statements are set out in appendix.

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On a same-structure basis revenue rose 4.5%, ahead of the full-year target of +4% set by the Ambition 2022 strategic plan. This growth was driven by all destinations: +5.2% at Center Parcs Europe (+3.7% for the Center Parcs domains and +45.7% for Villages Nature Paris), +4.7% for the Adagio residences, +4.7% for the mountain resorts and + 2.2% for coastal resorts (mainland France, French West Indies and Spain).

- **Supplementary income grew by 6.5%,** with a rise of 7.5% for Center Parcs Europe and 5.1% for & Pierre & Vacances Tourisme Europe.

- **Revenue from property development totalled €307.7 million**, compared with €196.6 million in 2017/2018, This was driven primarily by the contribution from renovation operations at Center Parcs domains (€158.1 million), and the Seniorales residences (€76.5million).

  Property reservations recorded over the year represent revenue of €688.3 million[5], ahead of the level noted in the year-earlier period (€364.4 million).

2.2. Net profit (loss)

€ millions	**2018/19**	**2017/18 proforma**		**Change**
Revenue	1,672.8	1,469.6	*	203.2
EBIT	**30.9**	**9.8**	**	**21.0**
Tourism	*29.6*	*20.1*		*9.5*
Tourism - Villages Nature Paris	*-5.5*	*-11.6*		*6.1*
Tourism excl. Villages Nature Paris	*35.1*	*31.7*		*3.4*
Property development	*1.3*	*-10.2*		*11.5*
o/w Allgau surcharges	*-13.7*			*-13.7*
Other operating income and expenses	-9.7	-4.7		-5.0
o/w costs related to the reorganisation plan	*-4.1*	*-1.3*		*-2.8*
Financial expenses	-20.8	-19.2	**	-1.6
Share of profit (loss) of equity-accounted investments	0.9	1.6		-0.6
PROFIT (LOSS) BEFORE TAX	**1.3**	**-12.5**		**13.8**
Tax	-34.4	-33.6		-0.8
o/w reversal of deferred tax assets	*-18.8*	*-19.0*		*0.2*
NET PROFIT (LOSS) FOR THE YEAR	-33.0	-46.0	**	13.0
Group share	-33.0	-46.0		13.0
Non-controlling interests	0.0	0.0		0.0
One-off items (Allgau surcharges, reorganisation, reversal of DTA).	**-36.6**	**-20.3**		**-16.3**
NET PROFIT (LOSS) BEFORE ONE-OFF ITEMS	**3.6**	**-25.7**		**29.3**

** FY 2018 pro-forma IFRS 15 revenue*

*** This data is adjusted for the impact of the interpretation of IAS23 published in December 2018.*

[5] Including block reservations at Les Senioriales, not included in reservation revenue mentioned in the press release on full-year revenue of 15 October 2019.

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- **Current operating profit totalled €30.9 million, up sharply relative to the level in the previous year (€9.8 million)**

- **Current operating profit from the tourism businesses** came in at **€29.6 million, an increase of 47%** relative to 2017/2018.

– Current operating profit excluding Villages Nature Paris, totalled **€35.1 million up 11%**.

It included growth in revenue (+€13 million) and the first savings generated under the framework of the Ambition 2022 plan (+€5 million). These gains more than made up for inflation in costs (primarily wages, rents and energy), estimated at €10 million, as well as the impact of temporary closures at Center Parcs domains currently being renovated (-€5 million).

Adjusted for this temporary impact, current operating profit totalled €40 million, up 25% relative to the year-earlier period (€32 million).

– The current operating loss at Villages Nature Paris was reduced by half (-€5.5 million vs. -€11.6 million in 2017/18). The domain showed an average occupancy rate of 74% over the year (vs. 66% in 2017/18) and a net average letting rate up more than 7%.

- **The current operating profit in property development** stood at **€1.3 million, vs.** -€10.2 million in 2017/18.

This growth was primarily driven by:

– The contribution from the disposal-renovation programmes for Center Parcs in Belgium and the Netherlands (+€26 million),

– partly offset by additional costs for the Allgau domain (-€14 million) following a spate of bad weather as well as technical problems in starting operations at the domain concerning the heat network and deployment of the fibre optics.

- **Other operating income and expense** include both site withdrawal costs, but also costs related to the Group's reorganisation (-€4.1 million) explaining the majority of changes in this line item.

- **Net financial expenses** totalled €20.8 million, an increase relative to 2017/2018 due in particular to the annualisation of interest expenses on a Euro PP issued in February 2018.

⇨ **Over 2018/2019, the Group generated a pre-tax net profit of €1.3 million.**

- **Deferred taxes** primarily concern the reversal of tax receivables in France, with the increasing international expansion of the Group's business reducing the capacity to use domestic deficits over the medium term (indeed the Group has set a five year time-frame, even though tax deficits can be carried over indefinitely).

⇨ **The Group's net loss narrowed to €33.0 million vs. -€46 million in 2017/2018, or a 28% improvement.**

Adjusted for exceptional items (Allgau surcharges, reorganisation costs and adjustment for tax receivables), **the 2018/2018 financial year would have delivered a net profit (€3.6 million).**

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2.3. Balance sheet items and net financial debt

Simplified balance sheet

(€ millions)	30/09/2019	30/09/2018*	Change
Goodwill	158.9	158.9	0.0
Net fixed assets	475.4	461.0	14.4
TOTAL USES	**634.3**	**619.9**	**14.4**
Share capital	251.4	285.8	-34.4
Provisions for risks and charges	76.2	56.6	19.6
Net financial debt	228.6	247.7	-19.1
WCR and others	78.1	29.8	48.3
TOTAL RESOURCES	**634.3**	**619.9**	**14.4**

** This data is adjusted for the impact of the interpretation of IAS23 published in December 2018.*

Net financial debt

(€ millions)	30/09/2019	30/09/2018	Change
Gross debt	342.1	354.9	-12.8
Cash (net of overdrafts/drawn revolving credit lines)	-113.5	-107.3	-6.3
Net financial debt	**228.6**	**247.7**	**- 19.1**
o/w net bank/bond debt	***132.2***	***148.8***	***- 16.6***
o/w rental commitments - facilities at Ailette	*96.4*	*98.9*	*- 2.5*

Net financial debt on 30 September 2019 (€228.6 million), down €19.1 million relative to the previous year, corresponded primarily to:

- the ORNANE bond issued in December 2017 for a nominal amount of €100 million;
- Euro PP bond loans issued respectively in July 2016 for a nominal amount of €60 million and in February 2018 for a nominal amount of €76 million;
- After deducting an amount of cash, net of overdrafts/drawn revolving credit lines, of €113.5 million.

In addition to this debt of €132.2 million comes the amount of financial debt related to the adjustment of financial leasing contracts for €97.9 million, of which €96.4 million concerns the central facilities of the Center Parcs domain at Lac d'Ailette.

On 30 September 2019, note that the Group had a revolving credit line of €200 million contracted on 14 March 2016 (maturing in 2021), as well as four confirmed credit lines for a total amount of €34 million.

On 30 September 2019, none of these lines had been used, reflecting the high level of liquidity maintained.

III. Outlook

In view of the portfolio of reservations to date, the Group expects growth in the tourism businesses in Q1 2019/2020.

Over 2018/2019, performances by the tourism businesses were in line with Ambition 2022 targets. Programmes to renovate and upgrade the tourism networks of the various brands are going ahead according to the provisional schedule, and the first savings have been generated (€5 million).

In order to step up the momentum seen in 2018/2019, strategic reflection is underway to intensify and accelerate the roll-out of the Group Transformation Plan targeting lasting profitability.

The strategic action plan is to be finalised in early 2020.

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Appendix: Reconciliation table - IFRS income statement

(€ millions)	**FY 2019 operating reporting**	IFRS 11 adjustments	**FY 2019** IFRS
Revenue	1,672.8	- 77.8	1,595.0
Current operating profit	**30.9**	**-0.6**	**30.2**
Other operating income and expense	- 9.7	+0.1	- 9.6
Financial items	- 20.8	+2.3	- 18.5
Equity associates	0.9	- 3.5	- 2.5
Income tax	- 34.4	+1.7	- 32.7
PROFIT (LOSS) FOR THE YEAR	**- 33.0**	0.0	**- 33.0**

(€ millions)	**FY 2018 published operating reporting**	Adj. IFRS 15	Adj. IAS 23	**FY 2018 proforma operating reporting**	Adj. IFRS 15	Adj. IFRS 11	**FY 2018** Proforma IFRS
Revenue	1,523.0	- 53.4		1,469.6	+53.4	-88.3	1,434.7
Current operating profit	**9.1**		+0.8	**9.8**		+7.8	**17.7**
Other operating income and expense	- 4.7			- 4.7			- 4.7
Financial items	- 18.3		-0.9	- 19.2		+2.2	- 17.0
Equity associates	1.6			1.6		-16.4	- 14.8
Income tax	-33.6			-33.6		+6.4	-27.2
PROFIT (LOSS) FOR THE YEAR	**- 45.9**	0.0	-0.1	**- 46.0**	0.0	0.0	**- 46.0**

- IFRS 11 adjustments

For its operating reporting, the Group continues to integrate joint operations under the proportional integration method, considering that this presentation is a better reflection of its performance. In contrast, joint ventures are consolidated under equity associates in the consolidated IFRS accounts.

- IFRS 15 adjustments

As of 1 October 2018, the Group applies the new revenue recognition standard "IFRS 15 - Revenue from Contracts with Customers".
The main impacts on revenue are the following:

- **Tourism**: in terms of its tourism marketing mandates and various outsourcing contracts (catering, events, ski lifts etc.), the Group acts mostly as an "agent" in the wording of IFRS 15 and only its net remuneration must be recognised in revenue.

  Application of IFRS 15 therefore leads to a decline in tourism revenue, which so far recorded the volume of business generated by these activities, with no impact on the Group's net profit (loss) for the year.

- **Property development**: sales operations on behalf of third parties are analysed on a case by case basis in order to establish whether the Group acts as an "agent" or a "principal".

  The outcome of this analysis is a sharp increase in revenue over the full-year 2018/2019, driven primarily by the signing of renovation/disposal operations at Center Parcs during the first half, for which the Group is considered as a "principle" under the terms of IFRS 15.

- IAS 23 adjustments

Following a decision by the IFRS Interpretation Committee published in December 2018 and concerning the IAS 23 rule, the Group no longer capitalises loan costs on its property operations. Since this decision was applied retroactively, the comparison period of 2017/2018 has been adjusted as indicated in the above table.