



DANIEL THWAITES PLC

INTERIM RESULTS - for the six months ended 30 September 2022

Financial *Highlights*

- A stable performance in uncertain markets
- Turnover up 21% to £57.9m (2021: £47.8m)
- Operating profit of £9.9m (2021: £9.3m)
- Net debt reduced by £0.5m since March 2022 to £61.1m
- Earnings per share of 22.6p (2021: 10.7p)
- Valuation gains on interest rate swaps of £7.6m
- Major refurbishment of Langdale Chase under way

Chairman's *Statement*

OVERVIEW

The Company has turned in a respectable performance over the last six months, a period in which we have operated under the shadow of war in Europe and have also looked to stabilise the business as support from the pandemic has been withdrawn.

RESULTS

Turnover for the half year was £57.9m, which is a 21% increase compared to turnover last year of £47.8m, which had disruption from closure and a benefit from government support on VAT and Business Rates. Our turnover is 8% ahead of the same period in 2019, the last clean set of trading results.

An operating profit of £9.9m for the half year compares to £9.3m last year and £9.5m in 2019. The business has emerged successfully from a couple of difficult years and whilst there are some very significant challenges ahead it is financially stable.

Interest rates have started to rise, and rates in the UK gilt market have seen an even more rapid adjustment higher, such that they are now materially higher than the Bank Rate. Inflation has not proven to be as transitory as the Bank of England had forecast and it seems that we may be entering a new period where interest rates will be higher than we have experienced during the past decade of cheap money, perhaps reverting to the historic norm of a 3-6% rate band. This has had a positive impact on the mark to market

fair value of our interest rate swaps, resulting in a decrease in the provision of £7.6m at the half year (2021: £0.5m), and this positive movement is shown in our profit and loss account.

Net debt at 30 September 2022 was £61.1m (2021: £61.4m); a decrease of £0.3m compared to last year, and down from £61.6m at 31 March 2022. The business has considerable headroom against its total banking facilities of £83m.

PUBS AND INNS

Customers have been keen to get back into their local pubs, but the trading picture is extremely mixed with a polarisation in performance. Some pubs are trading very well, others are not and it is difficult to discern a pattern. The summer was not as busy this year as last year, which benefitted from a staycation boom that has not repeated to the same extent this year, although hot weather in August was helpful.

Beer volumes have not recovered to pre-pandemic levels and there seems to have been a structural volume decline of around 12%, which may yet recover. This is due to several factors, but the main ones appear to be reduced opening hours from staff shortages and a change in customer habits, either going out less or going home earlier. There is also work to be done to encourage some of the older customers to rediscover the pub and wean themselves off cheap supermarket offers.

At the same time pubs face a broad front of increasing costs, particularly from energy and whilst the government's intervention over the winter is extremely helpful, it is not in itself a solution to longer term structural taxation issues. Pubs are critical community assets and are overtaxed; the government's review of business rates, due in the spring, must give them further relief and other ways must be found through duty or VAT to provide them a sustainable platform.

Our inns have performed very strongly over the past few years, but they are facing a challenging market and whilst they traded up year on year their costs have risen dramatically, particularly for food, meaning that margins are being squeezed. In addition, the staycation market was much weaker this summer as many people opted for overseas holidays.

HOTELS & SPAS

The hotels & spas have delivered a robust performance in sales, which are up by 27% year on year, however due to all of the factors already mentioned relating to increases in their cost base and the withdrawal of government support, profitability dropped by 4%. Sales are up approximately 13% on 2019, with profits broadly flat in comparison, a statistic that paints the picture for the rest of the market at the moment.

It has been encouraging to see demand from corporate customers recover, which forms an important part of the hotel sales mix, and spa and treatment sales have been another highlight as customers continue to treat themselves when they visit us. Weddings have also performed well, as people have started to catch up on celebrations that were postponed during the pandemic.

ACQUISITIONS, DEVELOPMENTS AND DISPOSALS

We have made no acquisitions during the period although we continue to look at opportunities for high quality properties.

We have closed Langdale Chase and embarked upon the development and repositioning of this hotel, which we acquired in 2017 and is situated on the banks of Lake Windermere. This is a major undertaking and a significant investment, due to reopen in November 2023, and we are very excited about its prospects.

We have also continued to divest of pubs that no longer suit our requirements and sold four properties in the period. We received total proceeds from these disposals of £2.7m, making a profit on disposal of £1.3m.

EARNINGS PER SHARE

Earnings per share for the period is 22.6p per share, which compares to 10.7p per share in 2021. The earnings per share has benefitted in each year from mark to market gains on our interest rate swaps, these are unlikely to continue at the same rate in the future.

DIVIDEND

The Board is pleased to reinstate an interim dividend at a rate of 0.75p per share to be paid on 10 January 2023 to shareholders on the register on 9 December 2022. The Board will continue to review future dividend policy against the significant economic headwinds that the business continues to face.

BOARD CHANGES

As previously announced, in line with the Yerburgh Family's Constitution, Oscar Yerburgh passed on, by rotation, the role of family non-executive director to his sister Rosy McKinley on 1 November 2022. I know that Oscar will continue to take an active interest in the business, and is hugely supportive of, and engaged in, its future development. I would like to thank him for his valuable perspective and contribution to our board discussions over the past six years.

SUMMARY AND OUTLOOK

The Company has been sailing into strong headwinds in the first six months of the year that are only strengthening. Despite that, our teams have continued to deliver superb hospitality and service.

We have held the line in our relentless focus on quality, on which we will not compromise. This has undoubtedly cost us in the short term, in a market where input costs are increasing, our margins are being eroded and our challenges have been compounded by shortages of labour, which the government has done nothing to address or alleviate. We have transitioned to a new world in which we no longer rely on financial support from the government, and in doing so we have absorbed cost increases, passed them on where we can and have held our profits, which is a satisfactory performance.

The recent performance of the government has left people completely lost, and between government turmoil and the relentless negativity of the media, customer confidence is being rapidly eroded.

The cost of living is increasing, but people are beginning to adapt to increasing costs, particularly on food, energy and mortgage rates. Although this is likely to continue to present challenges, when people are in the mood to go out and treat themselves, it seems that on average they are prepared to spend a little bit more, a little bit less often.

The Company has fixed its own utility costs until March next year and is watching the differential between spot energy prices and forward rates closely. The fixed term loan with the Prudential offers us some protection against rising interest rates, and they in turn alleviate pressure from both our interest rate swaps and our legacy defined benefit pension schemes.

Despite the challenges that face us, we will find a way through the uncertain and volatile world in which we find ourselves and whilst this winter is likely to be extremely tough, we are investing for the future and are in a strong financial position.

Richard Bailey
Chairman

2 November 2022

Financial *Statements*

Profit and Loss Account

For the six months ended 30 September 2022

	2022 Unaudited 6 months ended 30 September £'m	2021 Unaudited 6 months ended 30 September £'m	2022 Audited 12 months ended 31 March £'m
Turnover	57.9	47.8	96.0
Operating profit before property disposals	8.6	9.0	12.3
Property disposals	1.3	0.3	1.0
Operating profit	9.9	9.3	13.3
Net interest payable	(2.0)	(2.0)	(4.0)
Gain on interest rate swaps measured at fair value	7.6	0.5	3.8
Finance income (charge) on pension asset (liability)	0.2	(0.3)	(0.4)
Profit on ordinary activities before taxation	15.7	7.5	12.7
Taxation	(2.4)	(1.2)	(0.6)
Profit on ordinary activities after taxation	13.3	6.3	12.1
Earnings per share	22.6p	10.7p	20.6p

Balance Sheet

as at 30 September 2022

	2022 Unaudited 30 September £'m	2021 Unaudited 30 September £'m	2022 Audited 31 March £'m
Fixed Assets			
Tangible assets	293.9	285.2	292.9
Investments	0.6	0.8	0.6
	294.5	286.0	293.5
Current Assets			
Stocks	0.8	0.7	0.7
Trade and other debtors	8.0	10.6	5.5
Cash at bank and in hand	2.9	8.1	5.4
	11.7	19.4	11.6
Creditors due within one year			
Trade and other creditors	(21.9)	(17.7)	(20.6)
Loan capital and bank overdraft	(19.0)	(3.5)	(22.0)
	(40.9)	(21.2)	(42.6)
Net current liabilities	(29.2)	(1.8)	(31.0)
Total assets less current liabilities	265.3	284.2	262.5
Creditors due after one year			
Loan capital	(45.0)	(66.0)	(45.0)
Deferred tax	(3.7)	-	(3.6)
Interest rate swaps	(2.8)	(15.9)	(11.4)
	(51.5)	(81.9)	(60.0)
Net assets excluding pension asset (liability)	213.8	202.3	202.5
Pension asset (liability)	10.8	(19.5)	10.1
Net assets including pension asset (liability)	224.6	182.8	212.6
Capital and reserves			
Called up share capital	14.7	14.7	14.7
Capital redemption reserve	1.1	1.1	1.1
Revaluation reserve	74.8	73.6	75.1
Profit and loss account	134.0	93.4	121.7
Equity shareholders' funds	224.6	182.8	212.6

NOTES

1. Basis of preparation

The interim accounts, which have not been audited, have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2022.

2. Taxation

The taxation charge is based on the estimated tax rate for the year.

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