



DANIEL THWAITES PLC

INTERIM RESULTS - for the six months ended 30 September 2023

Financial *Highlights*

- A robust performance in politically uncertain and volatile markets
- Turnover up 4% to £60.3m (2022: £57.9m)
- Operating profit before property disposals of £8.6m (2022: £8.6m)
- Major investment in Langdale Chase nearing completion
- Net debt increased by £3.9m since March 2023 to £70.6m
- Earnings per share of 11.2p (2022: 22.6p)
- Valuation gains on interest rate swaps of £2.1m (2022: £7.6m)

Chairman's *Statement*

OVERVIEW

The Company has turned in a solid performance over the last six months, a period in which we have continued to operate in volatile markets with large swings in our costs, particularly utility costs, increasing interest rates, embedded inflation and pressure on people's discretionary spend.

RESULTS

Turnover for the half year was £60.3m, which is a 4% increase compared to turnover last year of £57.9m.

An operating profit of £8.8m for the half year compares to £9.9m last year, the drop being due to the impact of property disposals, on which we made a profit of £0.2m in the period (2022: £1.3m). Underlying operating profit before the impact of property disposals remained flat year on year at £8.6m.

Interest rates have continued to rise, and inflation has remained higher than the Bank of England forecast in the Spring. It seems that we have entered a new period where interest rates will remain higher than we have experienced during the past decade reverting to the historic norm of a 3-5% rate band. Once again 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 £2.1m at the half year (2022: £7.6m), and this positive movement is shown in our profit and loss account.

Net debt at 30 September 2023 was £70.6m (2022: £61.1m); an increase of £9.5m compared to last year, and up from £66.7m at 31 March 2023. The business has comfortable headroom against total banking facilities of £82m and is trading well within its banking covenants.

PUBS AND INNS

The pubs got off to a strong start with some fine spring weather, although this deteriorated with a terrible wet spell throughout July and August returning to a glorious start to September, which overall has resulted in beer volumes down 1% year on year, but ahead on contribution.

Our inns performed very strongly over the summer months with sales up 10% on last year and profits up 12%. After a relatively quiet summer last year as people opted for overseas holidays, this summer saw an improved staycation market as cost pressures encouraged more people to opt for short breaks in the UK and we have seen strong occupancy and room rate growth in our leisure locations.

HOTELS & SPAS

The hotels & spas have delivered a steady growth in sales, which are up on a like for like basis by 2% year on year, and with a close eye on their cost base, particularly labour and utility costs, profits increased by 5%.

We have seen increased demand for rooms driving both occupancy and rate. Our gym memberships have increased, but treatment sales have suffered slightly as customers rein in their spending. After a bumper year for weddings in 2022 catching up after the pandemic, this summer saw a much lower number, which impacted both food and drink sales, forward bookings for next year suggest that the post pandemic boom in weddings is now behind us and we will revert to normal numbers.

ACQUISITIONS, DEVELOPMENTS AND DISPOSALS

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

We closed Langdale Chase in September last year 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 has been a major undertaking and a significant investment. I am pleased to say that it is due to reopen in November 2023, largely on time and on budget and we believe that it will make a real mark in its market once it is properly re-established.

We have also continued to divest of pubs that no longer suit our requirements and sold six pubs and two ancillary properties in the period. We received total proceeds from these disposals of £2.5m, making a profit on disposal of £0.2m.

EARNINGS PER SHARE

Earnings per share for the period is 11.2p per share, which compares to 22.6p per share in 2022. The earnings per share benefitted in each year from mark to market gains on our interest rate swaps. These gains are a result of the increases in interest rates over the last eighteen months and reverse unrealised losses on the swaps incurred in prior periods.

DIVIDEND

The Board recommends an interim dividend of 0.85p per share (2022: 0.75p) to be paid on 9 January 2024 to shareholders on the register on 8 December 2023.

CHANGE OF AUDITOR

The Board has conducted a review of the Group's audit arrangements and has decided to appoint MHA Moore and Smalley to replace BDO LLP for the financial year ending 31 March 2024.

SUMMARY AND OUTLOOK

The Company has a diversified property portfolio situated across much of England, however it is not immune from the impact of international events. The risk premium of shocks such as the war in Ukraine and recent developments in Israel and Palestine continue to pose a sizeable threat to our input costs and bring considerable volatility which is difficult to predict.

Furthermore, the government, whilst ostensibly saying that it wishes to control inflation and support economic growth, is scheduled to withdraw the current support on the overburden that pubs contribute to the government coffers in respect of business rates in the spring. Such an increase can only be borne by pubs increasing their prices at a time when it is unclear how much more the customer will stand. This issue disproportionately affects the hospitality industry at a time when it is already under stress and may lead to more pub failures.

World events and the UK specific tax burden on pubs are not positive and mean that we are cautious about how consumer spend will hold up over the next 6-12 months, with the media once more talking up a mild recession. However, so far both we and the general economy have continued to grow our top line and navigate the current cost and tax challenges, so we look forward with overall, albeit tempered, optimism.

Richard Bailey
Chairman

10 November 2023

Financial *Statements*

Profit and Loss Account

For the six months ended 30 September 2023

	2023 Unaudited 6 months ended 30 September £'m	2022 Unaudited 6 months ended 30 September £'m	2023 Audited 12 months ended 31 March £'m
Turnover	60.3	57.9	108.8
Operating profit before property disposals	8.6	8.6	10.9
Property disposals	0.2	1.3	1.4
Operating profit	8.8	9.9	12.3
Net interest payable	(2.6)	(2.0)	(4.1)
Gain on interest rate swaps measured at fair value	2.1	7.6	6.6
Finance income on pension asset	0.2	0.2	0.3
Profit on ordinary activities before taxation	8.5	15.7	15.1
Taxation	(1.9)	(2.4)	(2.2)
Profit on ordinary activities after taxation	6.6	13.3	12.9
Earnings per share	11.2p	22.6p	21.9p

Balance Sheet

as at 30 September 2023

	2023 Unaudited 30 September £'m	2022 Unaudited 30 September £'m	2023 Audited 31 March £'m
Fixed Assets			
Tangible assets	308.4	293.9	302.0
Investments	0.7	0.6	0.8
	309.1	294.5	302.8
Current Assets			
Stocks	0.9	0.8	0.9
Trade and other debtors	7.3	8.0	5.9
Cash at bank and in hand	2.4	2.9	2.0
	10.6	11.7	8.8
Creditors due within one year			
Trade and other creditors	(20.6)	(21.9)	(20.0)
Loan capital and bank overdraft	-	(19.0)	(1.7)
	(20.6)	(40.9)	(21.7)
Net current liabilities	(10.0)	(29.2)	(12.9)
Total assets less current liabilities	299.1	265.3	289.9
Creditors due after one year			
Loan capital	(73.0)	(45.0)	(67.0)
Deferred tax	(9.5)	(3.7)	(9.5)
Interest rate swaps	(1.6)	(2.8)	(3.6)
	(84.1)	(51.5)	(80.1)
Net assets excluding pension asset	215.0	213.8	209.8
Pension asset	32.2	10.8	32.2
Net assets including pension asset	247.2	224.6	242.0
Capital and reserves			
Called up share capital	14.7	14.7	14.7
Capital redemption reserve	1.1	1.1	1.1
Revaluation reserve	76.5	74.8	77.2
Profit and loss account	154.9	134.0	149.0
Equity shareholders' funds	247.2	224.6	242.0

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 2023.

2. Taxation

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

Myerscough Road
Mellor Brook
Lancashire
BB2 7LB

thwaites.co.uk