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Pinewood Group

Presentation of Q1 2019/20 results

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Agenda

1. Overview of Q1 2019/20

2. Financial highlights

3. Outlook

4. Q&A

Paul Golding
Chairman and Acting CEO

Barbara Inskip
Chief Financial Officer

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We provide the infrastructure for the production of film and TV content

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1. Overview of Q1 2019/20

Operational highlights

Q1 2019/20 highlights

£23m
revenue
+3%

£14m
adjusted EBITDA
+15%

59%
adjusted EBITDA margin
+4.8 ppt

100%
stage occupancy

Strategy highlights

Recent achievements

Netflix	➢ Entered into a multi-year contract with Netflix over 100% of the existing production accommodation at Shepperton ➢ Netflix is a new customer for Pinewood and their commitment is a strong vote of confidence in both the UK and in Pinewood
Shepperton Masterplan	➢ Outline planning consent for the modernisation and expansion of Shepperton Studios formally granted in July 2019 ➢ The expansion is expected to be a long-term project and management will continue to take a cautious approach to development that is supported by detailed feasibility studies
Land acquisitions	➢ Acquired the remaining 26 acres adjacent to Shepperton Studios in June 2019 on which Pinewood previously held an option ➢ Completes the assembly of land parcels required for the Shepperton masterplan
Pinewood East Phase II	➢ Expansion of Pinewood East site, which will add a further c.200,000 sq ft of lettable space, comprising 4 sound stages totalling c.90,000 sq ft and c.110,000 sq ft of workshop and office space ➢ Works progressing on time and on budget; practical completion expected in autumn 2019

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2. Financial highlights

Group results summary

Core business performing strongly

£m	3 months ended Jun-19A	Jun-18A	% growth	
Revenue	23.3	22.6	*3.3%*	1
Gross Profit	13.8	12.7	*8.6%*	
Gross profit margin %	*59.3%*	*56.4%*	*2.9 ppt*	
Operating profit excl. exceptional items	11.4	10.5	*8.9%*	2
Operating profit margin %	*49.0%*	*46.5%*	*2.5 ppt*	
Income from JVs	0.0	(0.7)		
Net Finance costs	(1.6)	(1.5)		
Profit before tax and exceptional items	9.8	8.2	*19.3%*	3
Adjusted EBITDA[(1)]	13.8	12.0	*15.0%*	4
Adjusted EBITDA margin %	*58.2%*	*53.3%*	*4.8 ppt*	

1. Revenue is up 3.3% or £0.7m, with increases from UK studio revenues partially offset by lower ancillary revenues from the Post Production business; studio revenues benefited from 100% stage occupancy and higher other production accommodation revenues

2. Operating profit (excl. exceptional items) increased by £0.9m or 8.9%, in spite of one-off legal & professional fees incurred in relation to the multi-year contract with Netflix

3. Profit before tax is up 19.3% QoQ

4. Adjusted EBITDA[(1)] is up 15% driven by increasing UK revenues and Atlanta JV returning to profitability

(1) Adjusted EBITDA is calculated as profit on ordinary activities before interest receivable and similar income, interest payable and similar charges, tax (credit)/charge on profit on ordinary activities, depreciation of property, plant and equipment, depreciation of investment property, impairment of long-term assets, amortization of goodwill, amortization of long-term assets, exceptional items, operating loss attributable to Media Investment (ceased) and (gain)/loss on disposal of property, plant and equipment.

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Cash flow

Capex programme underway

£m	3 months ended Jun-19A	Jun-18A	
EBITDA[1]	13.7	12.8	1
Working capital	(4.1)	6.8	2
Cash generated from operations	**9.6**	**19.5**	
Net interest	(4.9)	(4.6)	
Tax paid	(0.7)	0.1	3
Net cash flow from operating activities	**4.1**	**14.9**	
Capital expenditure and other investing activities	(18.7)	(2.8)	4
Net cash flow from investing activities	**(18.7)**	**(2.8)**	
Net cash flow from financing activities	(0.1)	(0.9)	
Net cash flow	**(14.7)**	**11.3**	

1 EBITDA[1] is £0.9m ahead of Q1 2018/19, following positive results in the quarter

2 Change in working capital is affected by the timing of receipts from some of our leases around the year end; amounts due in April were received early in March 2019, this timing difference did not occur in the previous year

3 Net tax paid has increased by £0.8 million, as Q1 2017/18 benefitted from the recognition of an overpayment of corporation tax in a previous year

4 Capital expenditure for the year is principally driven by the Pinewood East Phase II development

(1) EBITDA is calculated before the results of joint ventures but including exceptional items.

Capital structure update

Strong liquidity position

Capital structure evolution

	Jun-19A		Mar-19A	
	£m	xLTM EBITDA	£m	xLTM EBITDA
LTM Adjusted EBITDA[1]	**46.4**		**44.7**	
Senior Secured Notes due 2023	250.0	5.4x	250.0	5.6x
Revolving Credit Facility (£50m)	-	-	-	-
Finance lease obligations	0.1	0.0x	0.2	0.0x
Cash	(25.3)	(0.5x)	(39.9)	(0.9x)
Adjusted net debt	**224.8**	**4.8x**	**210.3**	**4.7x**

(1) Adjusted EBITDA is calculated as profit on ordinary activities before interest receivable and similar income, interest payable and similar charges, tax (credit)/charge on profit on ordinary activities, depreciation of property, plant and equipment, depreciation of investment property, impairment of long-term assets, amortization of goodwill, amortization of long-term assets, exceptional items, operating loss attributable to Media Investment (ceased) and (gain)/loss on disposal of property, plant and equipment.

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3. Outlook

Looking ahead

Positive outlook underpinned by strong industry fundamentals

➢ **For several quarters, we have highlighted the growing demand for content and the resulting strength of the UK's production industry**

- Pinewood has successfully capitalised on this by securing a long term partnership with Netflix, a new client of the group
- The agreement:
  - Improves occupancy of production accommodation thereby improving profitability;
  - Significantly reduces the overall risk of the business; and
  - Underlines the attractiveness of both Pinewood and the UK as a production centre

➢ **Enquiries and bookings remain strong**

- Disney, WarnerMedia and Comcast will launch their own streaming platforms later this year / early next year
- This is generating incremental demand for studio space

➢ **The outlook is positive**

- The 200,000 sq ft expansion at Pinewood is expected to complete in the autumn
- Our success in securing planning consent at Shepperton enables us to continue to meet the demand for studio space
  - Detailed design is underway and we will judiciously analyse the market before committing to further expansion

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4. Q&A