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Results for six months period ended 31 March 2021

9-Jun-2021 | SSP News Release

Resilient performance in a challenging market

SSP Group, a leading operator of food and beverage outlets in travel locations worldwide, announces its financial results for the first half of its 2021 financial year, covering the six months ended 31 March 2021. SSP has delivered a resilient performance in a very challenging market, materially strengthening its balance sheet and continuing to demonstrate tight control over its operating costs and cash usage, and is in a strong position to benefit from the expected recovery of the travel market over the medium term.

Financial overview:

- Revenue of £256.7m: down 78.8% at constant currency[1]; down 78.9% at actual exchange rates.
- Like-for-like sales[2] down 79.0%: heavily impacted by Covid-19, with material reductions in passenger numbers seen across all travel markets.
- Operating loss of £219.9m on a reported basis under IFRS 16, including credit for non-underlying items of £6.7m (2020: £6.7m operating loss including charge for non-underlying items of £0.9m). On a pre-IFRS 16 basis[3], the underlying operating loss[4] was £160.7m (2020: £1.3m profit).
- Loss before tax of £299.7m on a reported basis under IFRS 16 (2020: £34.3m loss). On a pre-IFRS 16 basis[3], the underlying loss before tax[4] was £182.0m (2020: £10.7m loss).
- Basic loss per share of 48.6 pence on a reported basis under IFRS 16 (2020: Basic loss per share of 8.0 pence). On a pre-IFRS 16 basis[3], underlying basic loss per share[4] of 30.0 pence (2020: underlying basic loss per share of 4.0 pence).
- Net debt was £2,033.9m, which includes lease liabilities of £1,194.8m. On a pre-IFRS 16 basis[3], net debt was £839.6m, up from £692.0m at 30 September 2020. Including the net proceeds of the recently completed Rights Issue, pro forma net debt would have been £388.8m, on a pre-IFRS 16 basis at the end of March 2021.
- Financial position now strengthened significantly following the Rights Issue in April 2021, alongside the extension of our main bank facilities until January 2024 and the waiver and amendment of covenants for both the main bank facilities and US private placement notes.
- Liquidity position strong, with cash and undrawn committed facilities of approximately £854m on a pro-forma[6] basis at the end of March 2021, following the completion of the Rights Issue in April.
- Medium term outlook unchanged, with like-for-like revenues expected to return to around pre-Covid levels by 2024.

Business highlights:

- Resilient first half performance, despite H1 sales down 79% versus 2019.
- Underlying pre-IFRS 16 operating profit conversion c. 22% on the reduced sales compared to 2019, better than previously indicated expectations of c. 25%.

- Free cash outflow of £140.9m, averaging around £23m per month, below the previously indicated range of £25m – £30m.
- Gradual recovery of passenger numbers and demand, led by domestic and leisure travel, notably in the UK and USA. In the first week of June, sales were down 70% versus 2019.
- A further 250 units re-opened since end of H1 taking total of trading outlets to c. 1,150 currently. If current trends continue, we expect to have 1,200-1,500 units open over the summer, in line with the recovery in demand.
- Significant amount of business development activity, in addition to our substantial pipeline of contracts won but not yet opened.

Recent Trading and Outlook:

As we announced in March, passenger numbers remained low during the first quarter of the financial year, with revenues down approximately 79% year-on-year and 78% relative to the equivalent period in the 2019 financial year (i.e. prior to the impact of Covid-19). With increases in infection levels in key markets, new variants of the Coronavirus and new government restrictions on travel implemented towards the end of December, revenues during the second quarter continued at similarly low levels, approximately 81% below the equivalent quarter in 2019.

Since the end of March when sales were down approximately 78% compared to 2019, we have seen some improvement in trading. This has been driven by the gradual easing of lockdown restrictions in the UK in recent weeks, coupled with improving passenger numbers, particularly in North America, driven by the successful roll-out of the vaccination programmes. However, we have seen the impact of renewed travel restrictions in our Rest of the World division, most notably in India and Thailand. Currently, sales are down approximately 70% against 2019 and for the third quarter as a whole, we expect them to be down approximately 75% against 2019.

Whilst the short-term outlook remains highly uncertain, we remain positive about a further upturn in both domestic and leisure travel across the remainder of the current financial year. We anticipate that the profit conversion on the lower sales, compared with pre-Covid levels, will continue to be in the region of 25% during the second half of the financial year.

SSP has an important role to play in providing food and beverage services to the travelling public, and we will continue to re-open units rapidly in response to demand, maximising the profitability of the re-opening programme and rigorously controlling costs and cash. Looking further out, we firmly believe that demand for travel will return and that the actions we have taken, the strength of our balance sheet, our long-standing client relationships and deep understanding of the industry, together with the evolving market backdrop, will enable us to continue to take advantage of new growth opportunities as the market recovers.

Commenting on the results, Simon Smith, CEO of SSP Group, said:

"Despite the challenging trading conditions SSP has continued to deliver strong operational and cash control. Our teams have continued to give their utmost during this period, and I would like to thank them for their commitment and dedication.

The recovery in domestic and leisure travel has now begun in a number of our territories, and our teams are busy re-opening units in line with passenger demand.

Over the past year we've strengthened our competitive advantages and created a more flexible operating model. We have a strong balance sheet and can see many opportunities to accelerate growth as the market recovers and to deliver sustainable growth for the benefit of all our stakeholders".

For full details click here (https://investors.foodtravelexperts.com/investors/reports-and-presentations/2021.aspx).

[1] Constant currency is based on average 2020 exchange rates weighted over the financial year by 2020 results.

[2] Like-for-like sales represent revenues generated in an equivalent period in each financial period in outlets which have been open for a minimum of 12 months. Units temporarily closed as a result of Covid-19 have not been excluded for the purposes of the like-for-like calculation. Like-for-like sales are presented on a constant currency basis.

[3] The Group adopted IFRS 16 'Leases' on 1 October 2019 using the modified retrospective approach to transition. Following the year of transition, we have decided to maintain the reporting of our profit and other key KPIs like net-debt on a pre-IFRS 16 basis (note that pre-IFRS 16 basis was referred to as 'Pro forma IAS 17' in the Annual Report and Accounts 2020). Pre-IFRS 16 profit numbers exclude the impact of IFRS 16 by removing the depreciation on Right-of-use (ROU) assets and interest arising on unwinding of discount on lease liabilities, offset by the impact of adding back in charges for fixed rent. This is further explained in the section on Alternative Performance Measures (APMs) on pages 19-22.

[4] Stated on an underlying basis, which excludes non-underlying items as further explained in the section on Alternative Performance Measures (APMs) on pages 19-22.

[5] Net debt reported under IFRS 16 includes leases liabilities whereas on a Pre-IFRS 16 basis lease liabilities are excluded. Refer to 'Net debt' section of the 'Financial review' for reconciliation of net debt.

6 Pro forma liquidity at 31 March 2021 has been computed as £853.8m, comprising cash and cash equivalents of £240.1m, undrawn revolving credit facility of £150.0m, net proceeds of Rights Issue in April 2021 of £450.8m and other local government backed facilities of £12.9m.

A live webcast will be held at 8.30 a.m (UKT) today, and details of how to join can be accessed athttps://webcasts.foodtravelexperts.com/event/default1.php?eventid=2219&media= (https://webcasts.foodtravelexperts.com/event/default1.php?eventid=2219&media=)