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REVIEW OF BUSINESS

General

The 2021 financial year was again a year in which our financial performance was significantly impacted by the coronavirus pandemic and related government restrictions. After a tough start of the year with most countries being in a full lockdown situation throughout the first quarter, we experienced a strong recovery in mobility when restrictions began to ease in the second quarter and continuing over the summer months. During the fourth quarter, increasing infections and hospitalisations in combination with concerns about the Omicron variant led to restrictive measures being reinstated in most countries. These measures were most felt in the Netherlands which returned to a full lockdown during December 2021.

While long-term parking revenues remained fairly stable throughout the pandemic, the effect on our short-term parking revenues depended on the level of government mobility restrictions. During the second quarter and following easing of restrictions, customers immediately started to return to our parking facilities resulting in a strong recovery of short-term parking revenues and cash flow. This recovery continued over the summer to well above 90% of pre-coronavirus levels (2019) in the third quarter of the year.

During 2021, we observed positive effects of continued investments in our digital infrastructure. Despite the lack of public events due to the coronavirus restrictions, we experienced a significant increase (more than doubled versus 2020) in pre-booking activities and the use of apps to park in our car parks. These developments support our strategy in which we consider information technology a key enabler for implementing new and innovative services for our landlords, partners and customers. Our focus during the coronavirus pandemic has been on integrating our back office and front office to facilitate flexible online parking solutions (i.e. pre-booking and season tickets) and to facilitate access and payment based on number plate recognition, via mobile phone and QR codes.

While our business still experienced a significant impact of the coronavirus pandemic, 2021 has been a year of recovery and rolling out the newly developed digital initiatives. The immediate rebound after the easing of restrictions, in combination with the increasing use of digital parking solutions, gives us the confidence that we will come out of the pandemic strong and well prepared to accommodate the needs of our landlords and customers.

Significant portfolio developments

2021 has been one of our best portfolio development years. We have been able to grow through acquisitions and by adding a significant number of new leases and concession contracts. Per year-end, the number of parking facilities in our portfolio is 3,308 (2020: 3,076) and the number of parking spaces is 649,189 (2020: 571,166).

Our most prominent addition was the Paris La Défense concession contract. This contract commenced on 1 January 2022, has more than 20,000 spaces spread over 14 parking facilities and is a significant expansion of our portfolio in France.

Other notable additions and prolongations include two concession contracts in France and four hospital contracts, three in France and one in the UK. We also added a few new lease contracts in Germany, the Netherlands and Denmark.

In the Netherlands, we increased our footprint with the acquisition of ParkKing, adding two parking facilities in The Hague and Amsterdam, as well as a number of management contracts. These parking facilities fit in perfectly with our existing portfolio.

In total, we started operating an additional 23 parking facilities and contracts across the Netherlands (6), Germany (3), France (9), United Kingdom (2), Belgium (1) and Denmark (2). Construction of the second Dokken facility in Antwerp (Kooldok) is ongoing and expected to be operational in the third quarter of 2022.

Net revenue

The reported net revenue amounted to EUR 526.4 million (2020: EUR 489.2 million) with a reported operating result before depreciation, amortisation and impairments of EUR 155.1 million (2020: EUR 113.9 million).

These figures are not fully comparable as they are impacted by non-operating and incidental items and financial lease accounting for certain lease contracts.

For comparison reasons the revenue and operating result have been adjusted for:

- other operating income relate to the disposal of assets;
- other non-operating and incidental items;
- fixed lease expenses related to financial leasing which, based on Dutch GAAP, are recorded as interest expenses and repayment on financial lease debt;
- underlying constant exchange rate adjustments with respect to our UK and Danish operations in order to enhance the comparability of the financial figures.

The following tables show the comparable underlying net revenue and operating result before depreciation, amortisation and impairments.

(x EUR million)	2021	2020
Reported net revenue	526.4	489.2
Adjustments:		
Other non-operating and incidental items	-2.5	-1.5
Underlying constant exchange rate adjustments	-3.9	-1.1
Underlying net revenue	**520.0**	**486.6**

The underlying net revenue amounted to EUR 520.0 million versus EUR 486.6 million in 2020. The increase in revenues of EUR 33.4 million (or 6.9%) is mainly the result of the recovery of our short-term parking revenues. The like-for-like parking revenue (LFL) was down by 26.1% compared to the pre-coronavirus levels of 2019 (2020: -31.7%), driven by the LFL short-term parking revenues which were down by 32.7% (2020: -40.8%).

LFL long-term parking revenues showed a limited decrease of 3.8% (versus 2019) reflecting resilient demand, certainly taking into account that working from home has been the norm during most of 2021 and our sales efforts have been impacted by the coronavirus restrictions.

(x EUR million)	2021	2020
Operating result before depreciation, amortisation and impairments	155.1	113.9
Adjustments:		
Other operating income	-3.9	-
Other non-operating and incidental items	2.6	9.4
Adjustment of fixed lease amounts finance leases to operating result	-72.6	-69.0
Underlying constant exchange rate adjustments	0.4	0.1
Underlying operating result before depreciation, amortisation and impairments	**81.6**	**54.4**

The underlying operating result before depreciation, amortisation and impairments amounts to EUR 81.6 million versus EUR 54.4 million in 2020. The increase in operating result of EUR 27.2 million (or 50.0%) is driven by the aforementioned underlying revenue increase of EUR 33.4 million.

Adjusted lease expenses were EUR 2.5 million higher compared to 2020, primarily caused by an increase of EUR 9.5 million in fixed lease expenses due to regular price increases, portfolio additions and acquisitions. This was partly offset by a EUR 7.0 million decrease in revenue related variable lease expenses primarily driven by the termination of the Berlin Tegel airport contract following the closure of the airport.

Total adjusted personnel costs were EUR 2.8 million higher compared to 2020, primarily due to lower coronavirus related government support.

Total operating expenses remained well under control and showed only a slight increase of EUR 0.9 million compared to 2020, which also demonstrates our operating leverage. The increase is mainly driven by higher property taxes and business rates in the UK as a result of coronavirus compensations that were received in 2020 but stopped in 2021. Furthermore, the increase in parking activities also led to slightly higher maintenance and security costs.

Cash flow

In 2021, total cash flow amounted to EUR 100.2 million versus EUR -45.5 million in 2020.

Cash flow from operating activities amounted to EUR 136.2 million which is an increase of EUR 10.6 million compared to 2020 (EUR 125.6 million). This increase is primarily attributable to the improved operating result before depreciation, amortisation and impairments which was partly offset by working capital movements. In 2021, working capital movements were limited to EUR -1.4 million whereas 2020 included a positive working capital movement of EUR 22.3 million, primarily as a result of timing differences with respect to quarterly lease payments.

Cash flow from investment activities amounted to EUR -84.9 million versus EUR -78.3 million in 2020. Investments in existing facilities amounted to EUR -45.3 million (2020: EUR -41.3 million) driven by increased activities in our parking facilities. The acquisition and expansion investments amounted to EUR -44.5 million (2020: EUR -40.8 million) and are mainly driven by development projects in France, Belgium and the Netherlands. Disposals amounted to EUR 4.9 million (2020: EUR 3.8 million) and were in 2021 related to a compensation payment received for investments in an early-terminated contract in France.

Cash flow from financing activities amounted to EUR 48.9 million versus EUR -92.8 million in 2020.

To ensure a solid liquidity position throughout the coronavirus pandemic, new bonds and loans were obtained for an amount of EUR 165.8 million (incl. capitalised bank fees). The interest paid on loans and bank balances amounted EUR -40.5 million (2020: EUR -36.8 million). The increase is primarily driven by the higher outstanding average debt position. The interest and repayment component on financial lease obligations amounted to EUR 72.6 million versus EUR 69.0 million in 2020. During 2021, no shareholder distributions were made, whereas 2020 included EUR 250.0 million of pre-coronavirus distributions consisting of dividends and interest, and repayments on the shareholder loan.

Financing

At year-end 2021, the group financing agreements primarily consist of senior secured notes of EUR 1,545 million and a Revolving Credit Facility of EUR 250 million. The bonds are listed on The International Stock Exchange (TISE) in Guernsey and after the additional bond issuance of EUR 90.0 million in 2021 comprise of four tranches:

- EUR 425 million senior secured fixed rate notes due in 2025;
- EUR 90 million senior secured fixed rate notes due in 2025;
- EUR 630 million senior secured fixed rate notes due in 2027
- EUR 400 million senior secured floating rate notes due in 2026.

At year-end 2021, the total outstanding loans with credit institutions amount to EUR 358.7 million. In 2021, we obtained three new bank loans for a total amount of EUR 80.0 million:

- a mortgage-backed bank loan for an amount of EUR 25.0 million with a tenor of 3 years and an interest rate of 1.75%;
- an operating facility for an amount of EUR 30.0 million with a tenor of 4 years and an interest rate of 2.0%;
- an operating facility for an amount of EUR 25.0 million with a tenor of 3 years and an interest rate of 0.75%.

In addition to the external debt, we have a shareholder loan with an outstanding amount of EUR 52.7 million at year-end 2021 (2020: EUR 52.7 million). This shareholder loan has been used to refinance part of the Q-Park Group's former financing positions during the acquisition in 2017 and is subordinated to the external debt.

The total net debt position excluding shareholder loan at year-end 2021 was EUR 1,559.2 million versus EUR 1,492.1 million at year-end 2020. The total financial expenses on bonds and loans amounted to EUR 39.6 million (2020: EUR 36.3 million), resulting in an average interest percentage on loans of 2.2% which is the same as in 2020.

Taxation

As the company is present in seven different European countries, it is subject to different tax regimes.

The total tax gain in 2021 amounted to EUR 14.9 million (2020: EUR -0.2 million) representing a tax pressure on the result for the year of 12% (2020: 0%). This higher tax pressure is due to the effect of permanent differences related to goodwill amortisation, non-deductible interest expenses and other non-deductible costs. Furthermore, the tax pressure is affected by incidental items with a positive impact of EUR 14.1 million primarily resulting from adjustments on deferred tax positions as a consequence of corporate income tax rate changes in the Netherlands and true-ups on 2020 positions based on the latest available tax declarations and outcomes of tax audits pending in 2020.

Excluding the effect of incidental items and permanent differences, the effective tax rate for 2021 would be approximately 23%. Which is in line with the average of the applicable tax rates of the countries we operate in.