



# Preliminary Results 2012



-  **Resilient performance with growth in all segments**
  - Strategy appropriate for continuing economic uncertainty
  
-  **High quality pubs underlined by estate valuation**
  - New-build pubs increased by over 50% versus build cost
  
-  **Strategy remains on track**
  - New-builds
  - Franchise Agreements
  - Disposal pipeline identified
  
-  **Underlying earnings per share growth of 9.8%**
  
-  **Dividend increased by 5% to 6.1 pence per share**

# Andrew Andrea CFO

Check out  
our Range of  
Cask  
Ales

## Carvery

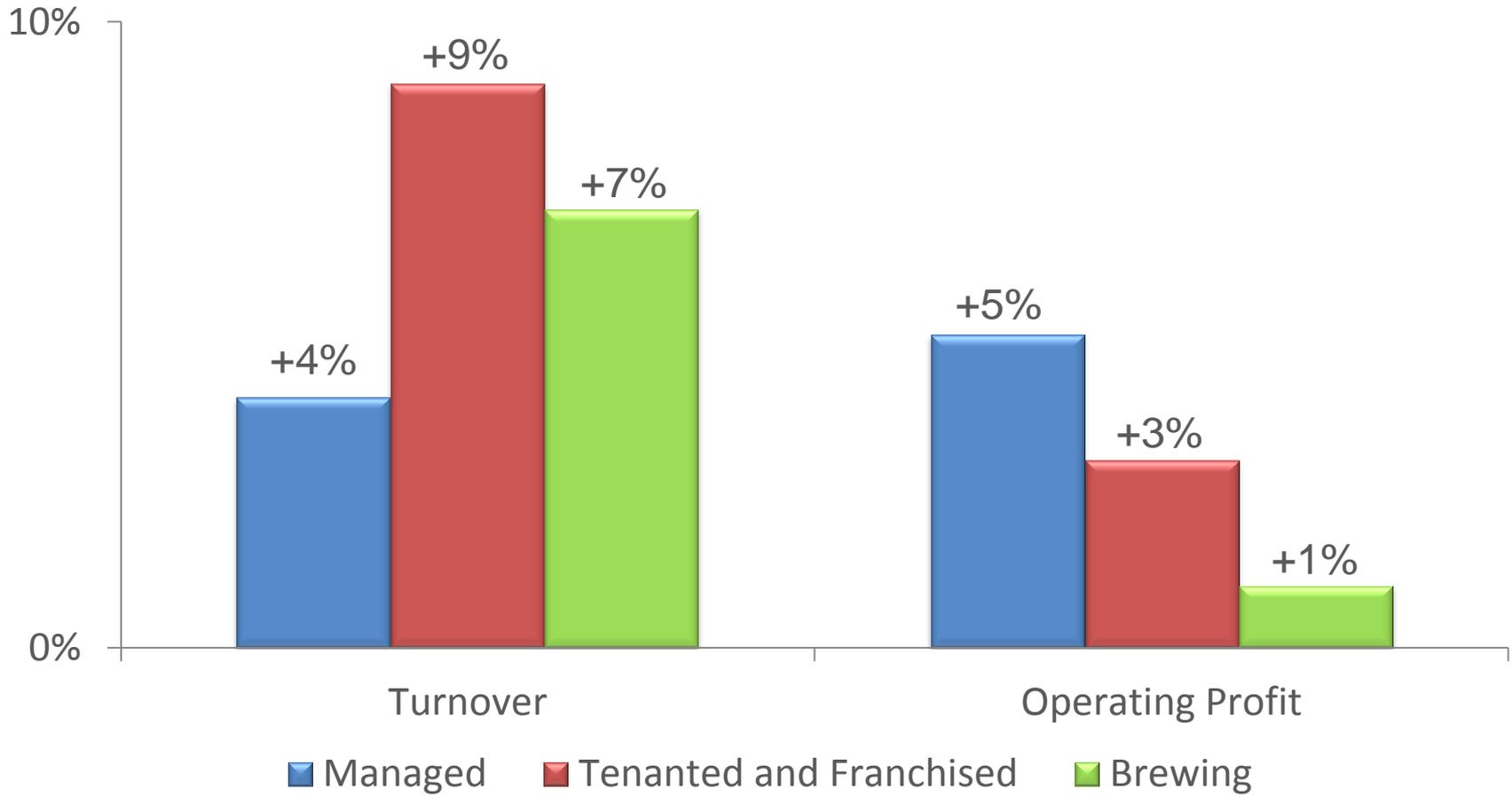
Mon. - Sat. £5.99  
12-2.30 pm & 5-9 pm  
Sunday £7.25



52 weeks	2012	2011	vs. LY
Revenue	£719.7m	£682.2m	+5.5%
EBITDA*	£198.6m	£195.8m	+1.4%
Operating Profit*	£157.9m	£154.3m	+2.3%
Profit before tax*	£87.8m	£80.4m	+9.2%
Adjusted EPS*	12.3p	11.2p	+9.8%
Full Year Dividend	6.1p	5.8p	+5.2%
Dividend Cover	2.0x	1.9x	+0.1x

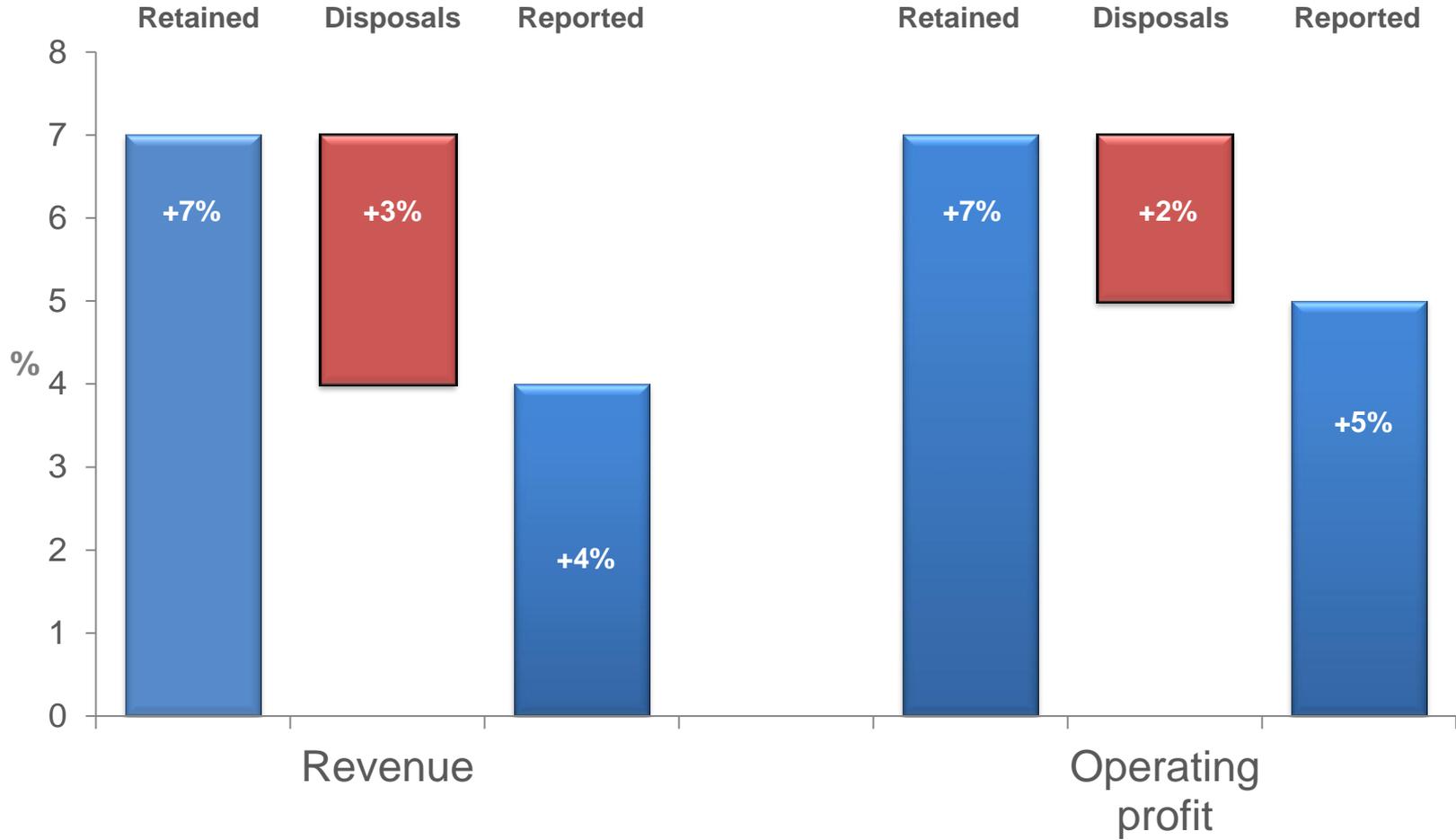
\* before exceptional items

**Revenue, profit and dividend growth**



**Turnover and profit growth in all trading segments**

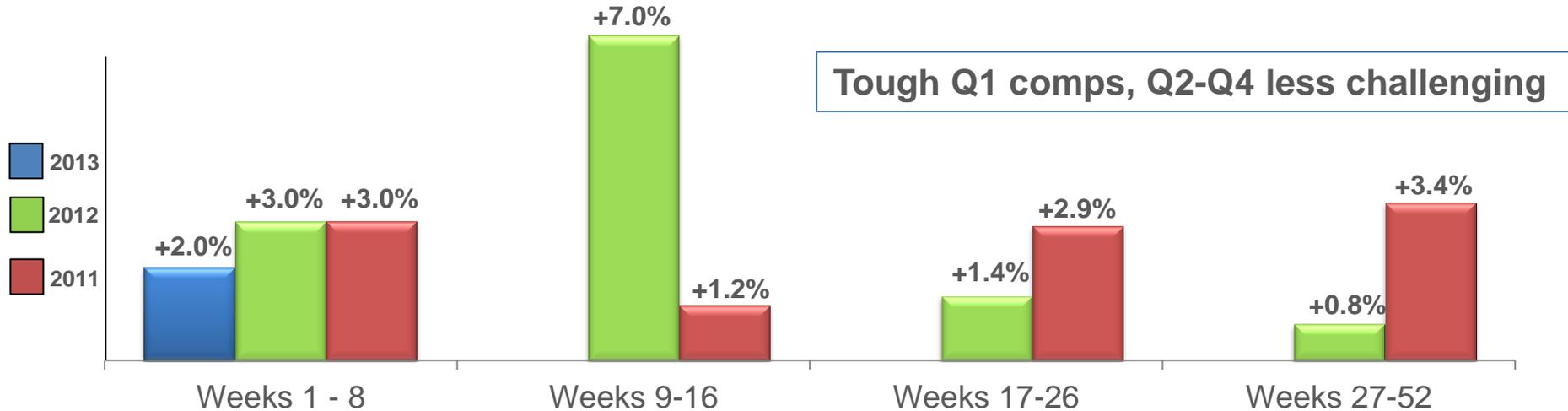
# Retained estate performance



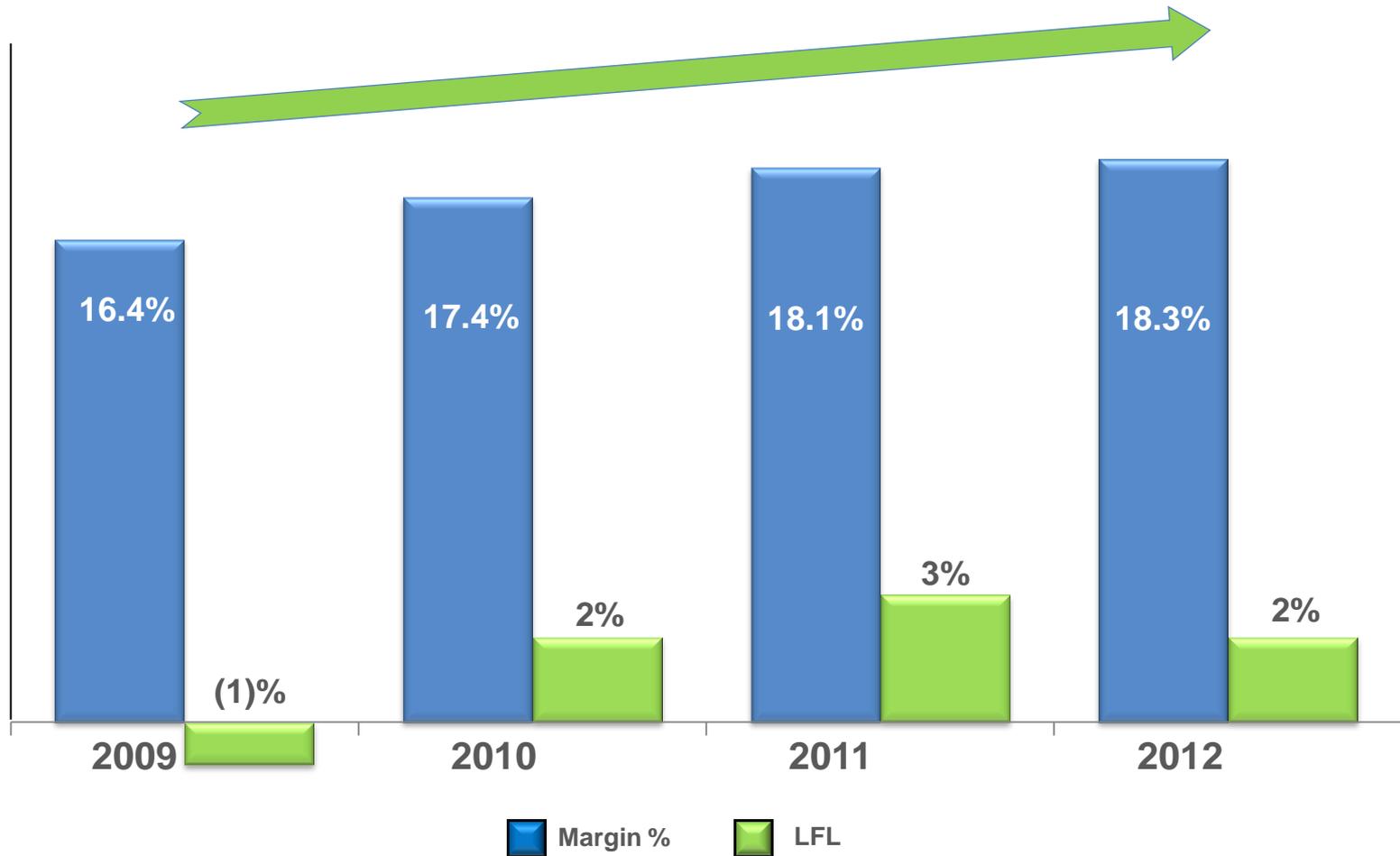
**Strong underlying growth**

Like-for-like sales* % change	52 weeks to 29 September	8 weeks to 24 November
Drink	+2.2%	+0.9%
Food	+2.4%	+3.4%
<b>Total</b>	<b>+2.2%</b>	<b>+2.0%</b>

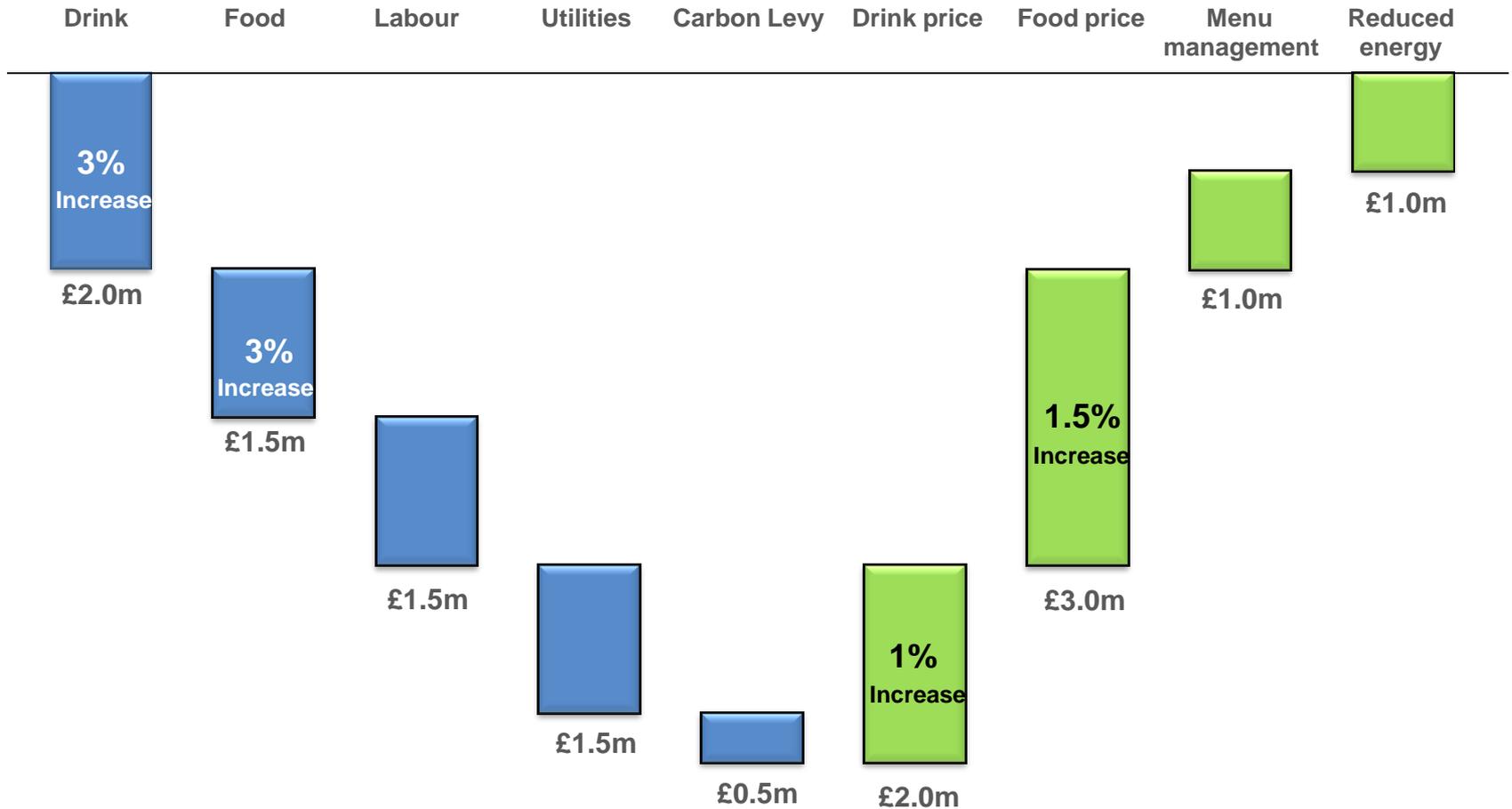
\* Excludes any pubs acquired in last two years



**Sales growth in challenging market**



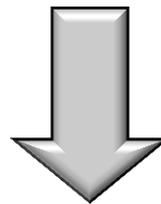
**Growth achieved with strong margin progression**



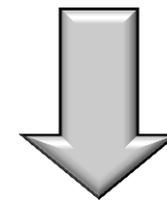
2012 inflation: £8 million  
 2013 inflation: £7 million

**Reduced inflationary pressure, mitigation plans identified**

	Tenanted & Leased	Franchise Agreement	Total
No. of pubs	c.1,000	c.600	c.1,600
Revenue	Level	+26%	+9%
Rent	+2%	n/a	-
YOY EBIT	Level	+23%	+3%



**STABILITY**



**OPPORTUNITY**

**Stable core estate, franchise driving growth**



## Revenue growth

- Revenue up 7%
- Group ale volume up 2%
- Strong growth in off-trade
- Market share growth



## Robust financial performance

- Operating profit up 0.6%
- Strong cash generation



## 2013 cost outlook

- c.£1m of cost inflation – energy
- Mitigation through price and efficiency

for the facts... [drinkaware.co.uk](http://drinkaware.co.uk)

### Hop onboard for a taste tour of our Country's Finest Beers from Marston's.

Our continental friends may know a thing or two about wine but no one knows beer quite like this great nation. Each region has its own unique brewing heritage complete with distinctive tastes and local favourites. Here's a flavour of our full range of beers, hop on board and take a taste tour from the Lakes to the south coast.

**Jennings's Cumberland Ale**  
Superbly refreshing golden ale, brewed with pure Lakeland water. Cumberland Ale is synonymous with the Lakes District and has been in continuous growth over a number of years.  
Golden Pils Ale ABV 4.7%

**Banks's Bitter**  
From the heart of the Macc county you can do this classic. Easy drinking bitter famous across the West Midlands for its malty, hoppy flavours and clean bitter finish.  
Bitter ABV 3.8%

**Wych wood Hobgoblin**  
The legendary Hobgoblin brewed with rye and malt for a well balanced, rich, smooth taste full of character and character. The No.1 top selling PBA and most recognised brand in the category.  
Ruby Beer ABV 5.2%

**Marston's Pedigree**  
Brewed in the world famous Burton Union brewing system. Pedigree for months and slowly matures like no other beer in the world. No wonder it's the favourite beer of the England Cricket team.  
English Pale Ale ABV 4.5%

**Brakspear Oxford Gold**  
Crisp brewed with organically grown ingredients using Targat and Golding hops to produce a luscious and truly flavoured malting the No.1 selling organic PBA.  
Organic Golden Ale ABV 4.6%

**Ringwood Old Thumper**  
The red beer of beers, Old Thumper is a organic coloured full flavoured strong ale currently enjoying the fastest growing brands in the PBA category.  
Strong Ale ABV 4.6%

**MARSTON'S**  
BEER AND PALE ALES  
UK's No.1 PBA Brewer

Download a copy of our 2012 Premium Bottled Report at [www.marstons.co.uk](http://www.marstons.co.uk)

£m	2012	2011	Comments
<b>Operating cashflow</b>	<b>168.4</b>	<b>182.4</b>	£12.9m working capital upside in 2011
Net interest	(76.0)	(69.8)	£3.5m one-off arrangement fee
<b>Pre-investment FCF</b>	<b>92.4</b>	<b>112.6</b>	
Net capex*	(78.7)	(94.2)	Higher new-build spend, offset by sale and leaseback
Final dividend	(33.5)	(33.0)	
<b>Net cashflow</b>	<b>(19.8)</b>	<b>(14.6)</b>	

\* Includes disposal proceeds  
FCF = Free cashflow

	Secured	Unsecured	Total
Net debt (£m)	959	162	1,121
EBITDA (£m)	128	71	199
Net debt: EBITDA	7.5x	2.3x	5.6x
Proforma for 2012 new-builds rollover	7.5x	2.1x	5.4x
% of pub profit	69%	31%	
	(100% freehold)	(85% freehold)	
<b>Leverage strategy</b>	<b>Smooth debt service</b>	<b>Funding growth</b>	<b>Further reduction</b>
Leverage target	5x	3x	5x

- Visible and smooth profile of securitised debt; covenant headroom
- Low leverage and increased profits outside securitisation enhances flexibility
- Short-term interest step-up of c.£4m in 2013 due to securitisation

**Flexible finance structure, leverage reduction focus**

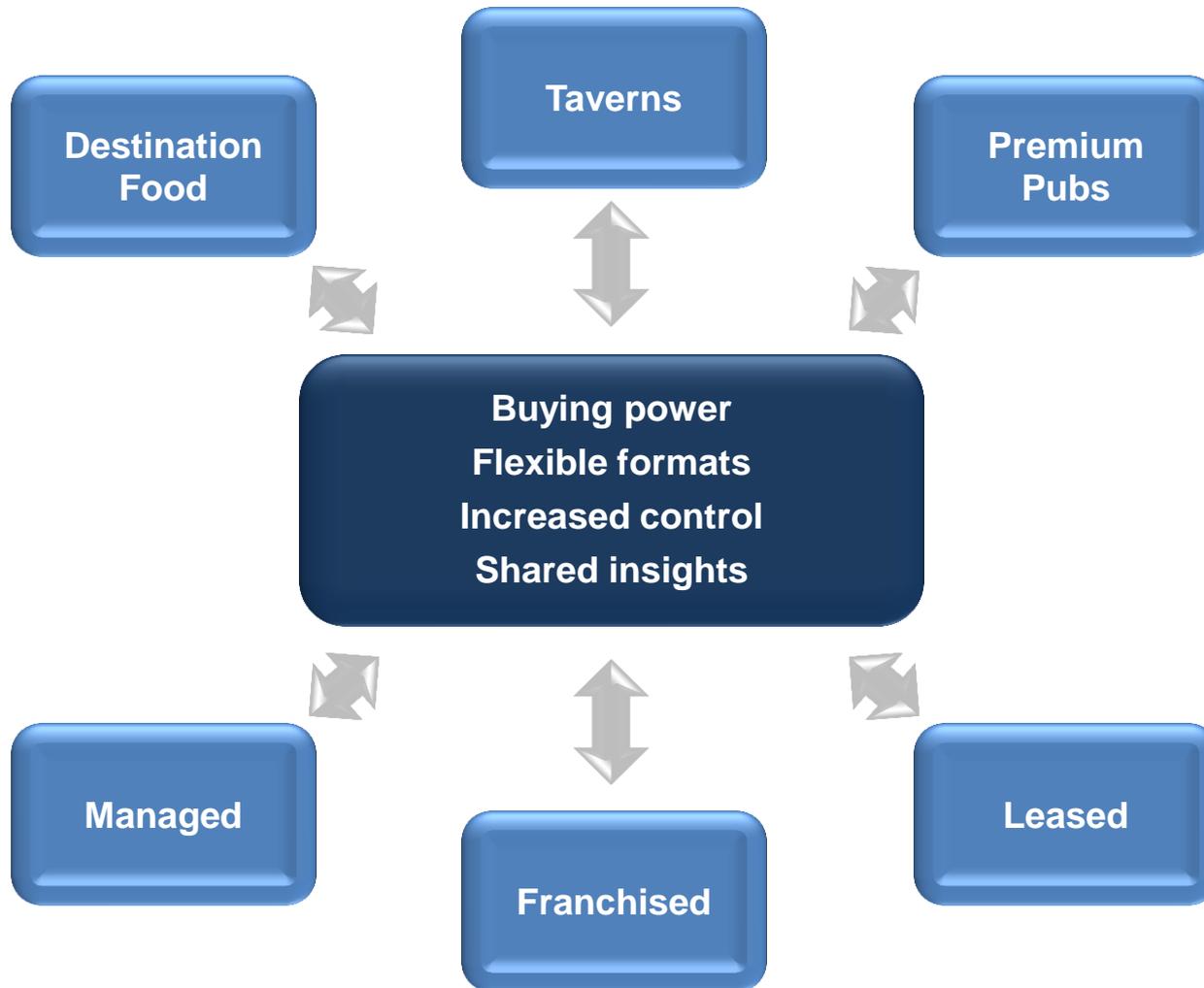
	No of Sites	Old NBV £m	New NBV £m	% Change
<b>Managed</b>				
New-build (2007-12)	65	144	225	56%
Other Managed	419	710	794	12%
<b>Total Managed</b>	<b>484</b>	<b>854</b>	<b>1,019</b>	<b>19%</b>
<b>Tenanted and Franchised</b>				
Retained	1,219	803	732	(9)%
Disposals	436	229	115	(50)%
<b>Total Tenanted and Franchised</b>	<b>1,655</b>	<b>1,032</b>	<b>847</b>	<b>(18)%</b>
Other – Industrial and Unlicensed	239	55	54	(2)%
<b>Total</b>	<b>2,378</b>	<b>1,941</b>	<b>1,920</b>	<b>(1)%</b>

**Significant value creation from new-builds**

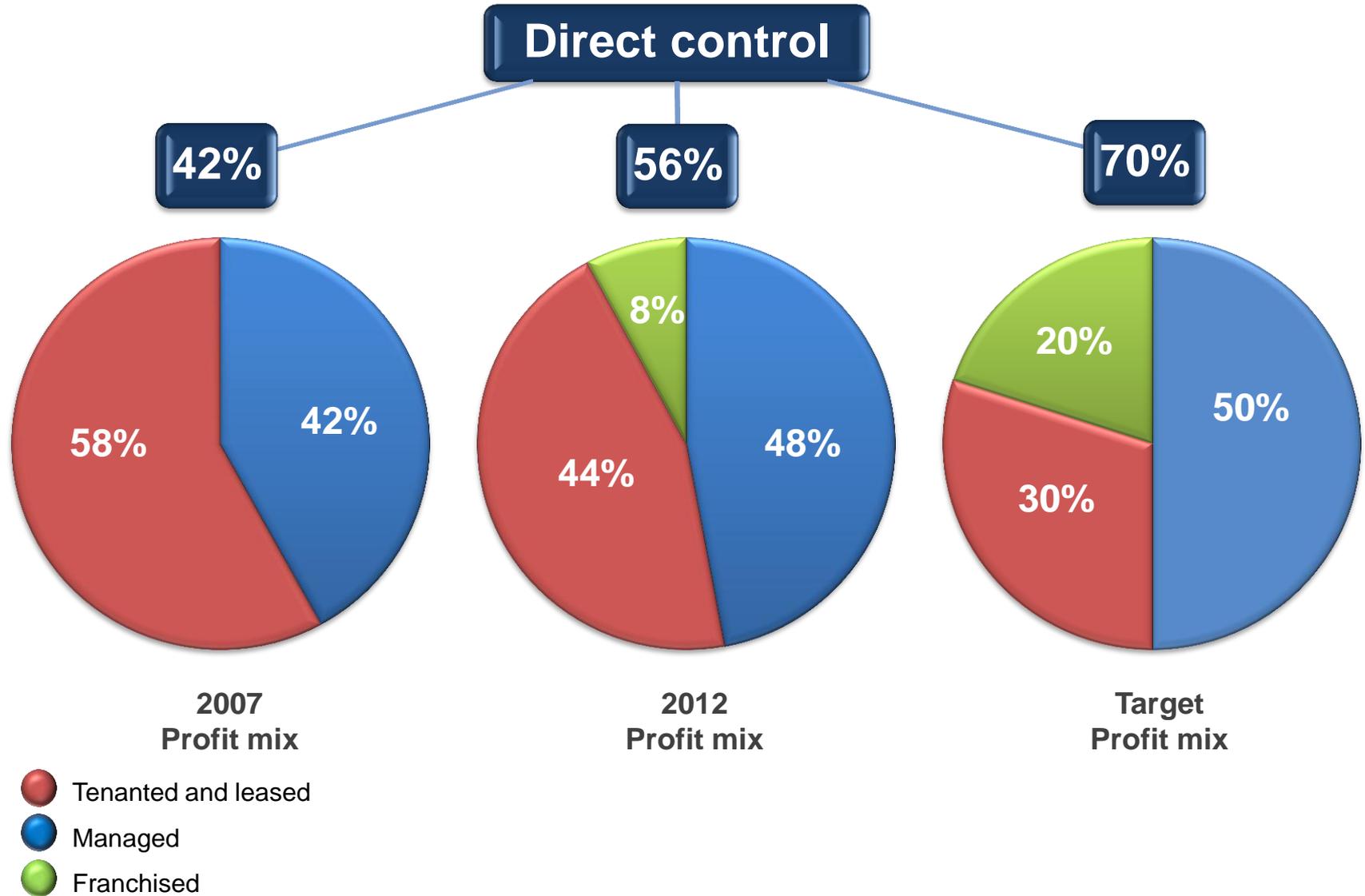
# Ralph Findlay CEO



	Pubs "The best pub around here"			Brewing "National distribution, local appeal"	
Strategy	Operating Flexibility	Estate Development	Consumer Focus	Localness	Premium
Action	Format range Agreements Simple structure	New-build Pub standards Disposals	'F-Plan' Value Service	Free Trade growth Local marketing	Category champions of premium ale Innovation
Targets	Lfl sales Margin ROC	20-25 new pubs Disposals £30- 40m pa	Food sales Margin ROC	Increase FT account base Local brands outperform market	Maintain market leader status Grow market share



**Customers see pubs not business models**



**The highest quality leased pubs remain 'independent'**

## Low barriers to entry

### ACTION

£5k deposit  
Comprehensive training programme

### RESULT

Strong pipeline of applicants  
30% from outside industry

## Simple model

### ACTION

20% of turnover retained by Licensee  
No rent  
All stakeholders focused on turnover

### RESULT

Double-digit volume growth  
High retention levels

## Efficient operation

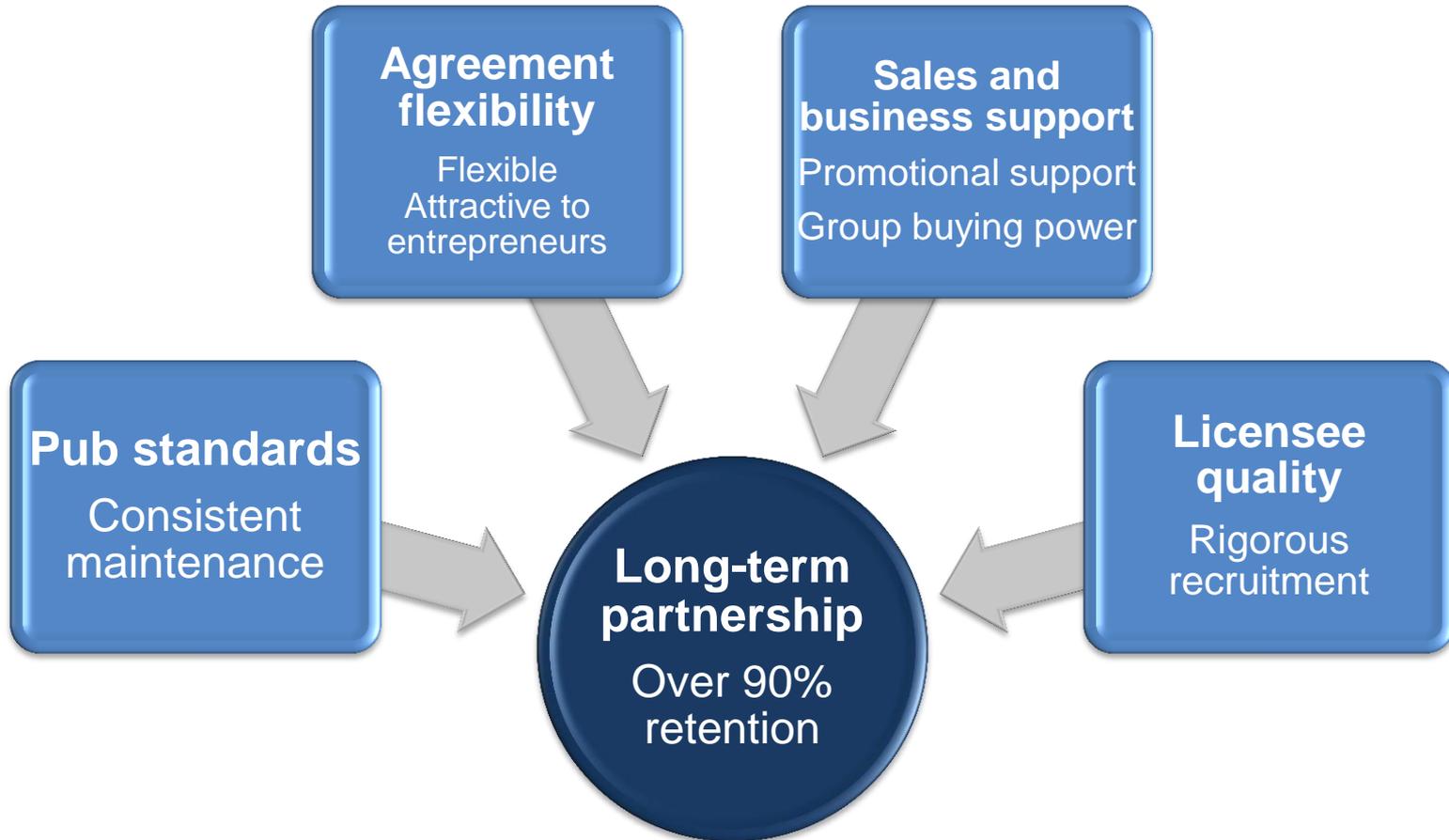
### ACTION

All bills paid by Marston's except labour  
Marston's fully stock the pub

### RESULT

Double-digit profit growth  
Margins similar to core managed

# Operating flexibility: stable traditional estate



**Positive working relationship = stable estate**

# Estate development: disciplined capex

		Capex programme	2012	2013	Target return
External	New-builds		£60m	£65m	16.5%
Internal	Investment capital		£10m	£15m	20%
	Maintenance capital		£10m	£10m	-
	3 <sup>rd</sup> Party lodges (offset by disposals)		£5m	-	25%
	<b>Total</b>		<b>£85m</b>	<b>£90m</b>	

**Majority of capex growing estate; LFL growth with moderate capex**



## **New-build strategy key driver of growth**

- Consistent with growth of eating-out market
- Returns strong vs marginal cost of debt at c7%
- Low risk – very high success rate
- Value accretive deployment of capital vs small acquisitions



## **Completed 25 sites in 2012**

- 'Back-ended' completion programme
- Majority of profit from 2012 programme will be generated in 2013



## **Plan 20-25 sites per annum in 2013 and for the foreseeable future**

- Strong pipeline for financial years 2013-15
- Opening programme dictated by planners
- First sites in Scotland

# Estate development: site selection criteria



## Visibility

- Main arterial routes



## High traffic flow

- Office, business
- Leisure
- Retail park, supermarkets
- Competitors



## Population density

- Immediate vicinity
- 15 minute drive



## Freehold preference



Running Hare, Ewloe – a £45k pw site

**Objective: build the best pub around here**

# Estate development: new-build targets

	2009 target	Current target
Build cost	£2.3m	£2.5m
<b>Revenue per week</b>	£20k	£26k
EBITDA conversion	30%	30%
<b>Food mix</b>	<b>55%</b>	<b>60%</b>
Food spend per head	c.£6.00	c.£6.50
<b>EBITDA ROI</b>	<b>15%</b>	<b>16.5%</b>

**Current performance > target; investment at <6x EBITDA**

 **c.50 pubs with 656 rooms**

- Lfl sales +4%
- Occupancy +7%
- REVPAR +4%

 **Trial of “small lodge” model in 2 sites**

- Chepstow and Aberystwyth

 **Lodge investment funded through sale and leaseback**

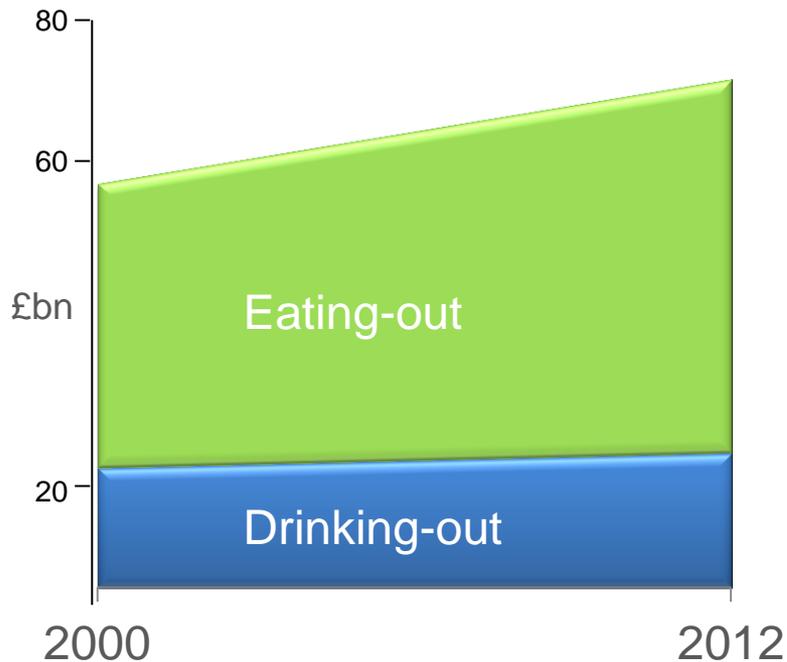
- Pub-restaurant remains freehold

 **Target ROI of 25%**

- Based on current room rates and occupancy



-  **Disposal pipeline of over 400 pubs identified**
  - Pubs that do not have a sustainable future
  - Mainly sold for alternative use
  - Carrying value c.£260k per pub
  
-  **Target to generate £30-40m p.a. over next 3 to 4 years**
  - Absolute profit growth remains a priority
  - Growth in retained estate to offset profit foregone from disposals
  
-  **Recycle capital into high-return new-build pub restaurants**



-  £50bn spent on eating out in 2012
  - Projected to continue growing
  - Pub restaurant share still small
  - Pub restaurants outperforming market

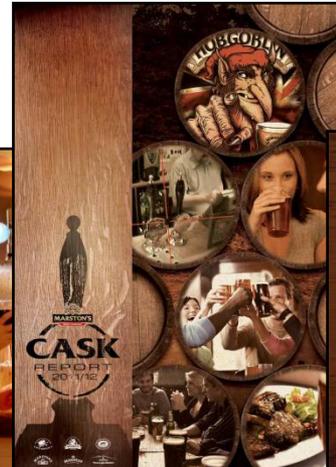
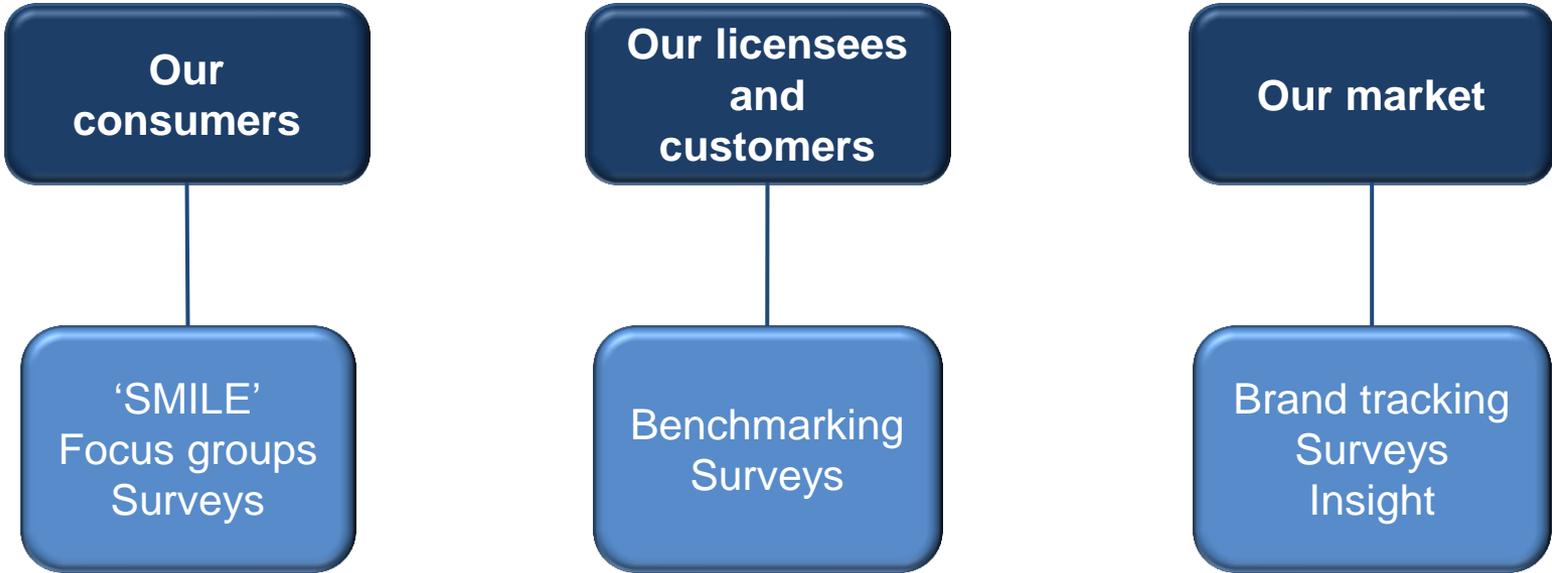
-  £85bn spent on eating-in
  - Cost of eating-out vs eating-in narrowing

-  Opportunity to gain share from both markets
  - Convenience
  - Eating out is “low ticket”
  - Expansion of value pub-restaurant brands
  - Improving standards, service, range
  - Value added by operators

\*Source: Numis

**Value for money dining represents significant growth opportunity**

# Consumer focus: sources of insight

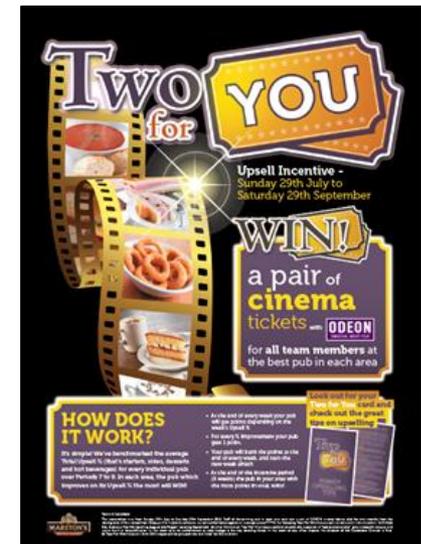


**Objective: the customer comes first**

**'F-Plan': Food, Families, Females, Forty/Fifty somethings**

2005		2012	
28%	<b>Food sales mix:</b> trends, strategy, development	44%	↑
14m	<b>Meals served:</b> 70% of visits are food-led	28m	↑
£11k	<b>AWT per pub:</b> investment, churn	£17k	↑
£5.70	<b>Spend per head on food:</b> value increased	£6.17	↑
62%	<b>Food margins:</b> 'Every Day Value'	66%	↑

- 🍷 2013 – c.10 New-builds, 15 refurbishments
- 🍷 Focus on food presentation and quality
- 🍷 Hand-held tills increase speed of service
- 🍷 Staff incentives – margin investment triggers behaviour change



- 🏰 2013 – c.15 New-builds, 8 refurbishments
- 🏰 ‘The Loggia’ – inside/outside dining
- 🏰 Intimate “pubby” feel – real fires
- 🏰 Food theatre – 1 in 3 meals are from the Rotisserie



**Focus on customer experience to raise spend per head**

## Pitcher & Piano continues to grow

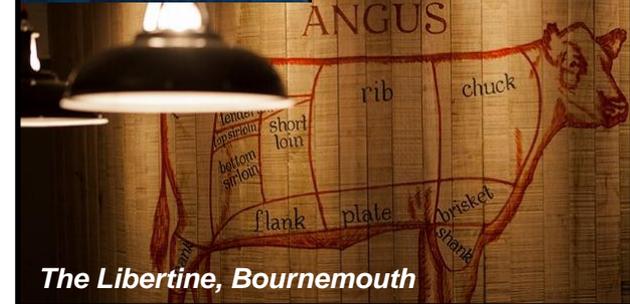
- LFL sales up 6%

## Dedicated team, premium offer

- 'Theatre' approach
- Independent feel

## Revere pubs

- Unbranded premium pub – opens in Birmingham
- Two suburban sites – Westbourne and Solihull
- Modest investment, maximum impact
- 12 further sites identified



*The Libertine, Bournemouth*

**Enhancing the premium offer within the estate**

Market leaders in premium cask and bottled ale  
Market share – premium ale 18%; bottled ale 22%

Localness – “local ale  
is the local hero”

Premium – “long-term  
growth”

Local marketing activity  
Continued growth through independent  
free trade

Aligned to growth of eating-out market  
Gaining share in a growing market  
Cask and bottled ale category champions  
Innovation through fastcask™

*\*Source: BBPA statistics, internal data*

**Localness and Premium increasingly relevant**

-  **Consistent, clear and focused strategy driving growth and value**
-  **Resilient performance despite economic and weather pressures**
-  **Quality estate confirmed by estate valuation**
-  **Progressive dividend**

A black shield-shaped sign with the text "PITCHER & PIANO" in white serif font. The sign is mounted on a decorative wrought-iron bracket that features a large key as a central motif. The background shows a building facade with a large, fluted column and a wooden beam with the word "Biblia" written on it.

PITCHER  
& PIANO

Appendices

<b>Revenue</b>
Managed Pubs
Tenanted and Franchised
Brewing
Group Services
<b>Total</b>
<b>EBITDA</b>
Managed Pubs
Tenanted and Franchised
Brewing
Group Services
<b>Total</b>
<b>Operating Profit</b>
Managed Pubs
Tenanted and Franchised
Brewing
Group Services
<b>Total</b>
<b>Margin %</b>
Managed Pubs
Tenanted and Franchised
Brewing
Group Services
<b>Total</b>
Finance costs
<b>Profit Before Tax</b>

	Full Year		%
	2012 £m	2011 £m	
	405.5	391.8	3.5%
	200.5	183.9	9.0%
	113.7	106.5	6.8%
	-	-	-
<b>Total</b>	<b>719.7</b>	<b>682.2</b>	<b>5.5%</b>
	93.6	91.2	2.6%
	92.6	89.6	3.3%
	24.5	25.0	(2.0%)
	(12.1)	(10.0)	(21.0%)
<b>Total</b>	<b>198.6</b>	<b>195.8</b>	<b>1.4%</b>
	74.2	71.0	4.5%
	81.8	79.3	3.2%
	16.4	16.3	0.6%
	(14.5)	(12.3)	(17.9%)
<b>Total</b>	<b>157.9</b>	<b>154.3</b>	<b>2.3%</b>
	18.3%	18.1%	0.2%
	40.8%	43.1%	(2.3%)
	14.4%	15.3%	(0.9%)
<b>Total</b>	<b>21.9%</b>	<b>22.6%</b>	<b>(0.7%)</b>
	(70.1)	(73.9)	5.1%
<b>Total</b>	<b>87.8</b>	<b>80.4</b>	<b>9.2%</b>

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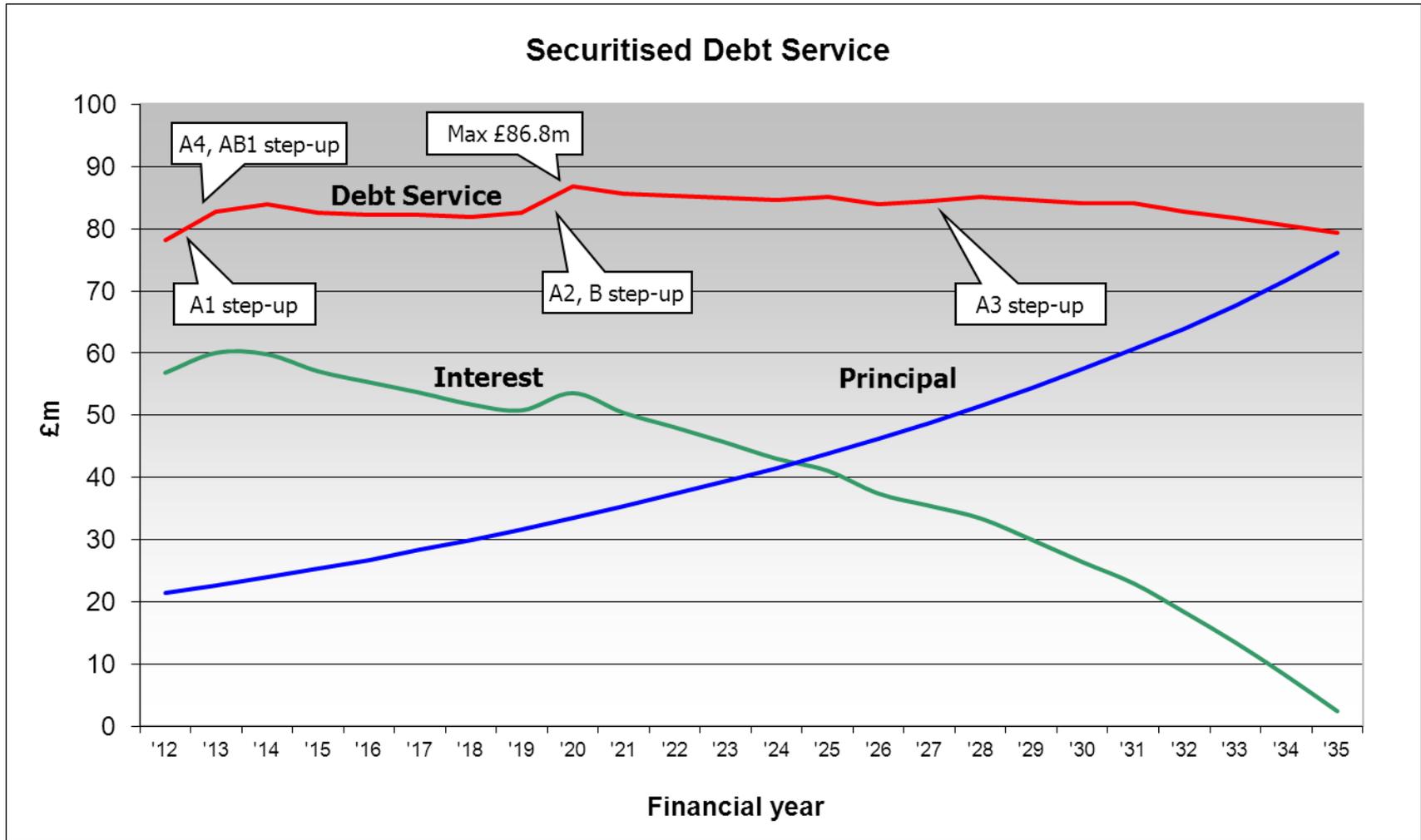
Average number of shares in 2012	568.9m
Number of shares in issue as at 29 September 2012	569.2m
Additional dilutive number of shares	4.6m

	<b>Actual 2012</b>	<b>Forecast 2013</b>
Tax rate	20.4%	21 - 23%
Capex	£130m	£115 - 125m
Disposal proceeds	c.£48m	c.£40 - 50m

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Securitisation results £m		Actual	
Gross debt outstanding as at 29 Sept 2012		1,018.3	
EBITDA		128.3	
Free cashflow (FCF)		116.1	
Debt service (DSCR)		77.7	
Financial covenants		Actual	Covenant
FCF : DSCR		1.5x	>1.1x
EBITDA : DSCR		1.7x	>1.5x
Net worth		£567.3m	£90m

Tranche	Type	Principal outstanding at 29/9/2012	Step-up Date	Final Maturity Date
A1	Floating	£147.2m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£222.1m	October 2012	2031
AB1	Floating	£80.0m	October 2012	2035
B	Fixed/Floating	£155.0m	July 2019	2035
<b>Total</b>		<b>£1,018.3m</b>		





It's all about 



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