



Interim Results 2019

Ralph Findlay,
Chief Executive Officer
Andrew Andrea,
Chief Financial Officer

INTRODUCTION

1. Continued progress in 2019

- Turnover up 5%
- PBT and EPS growth of 2%
- Dividend maintained at 2.7 pence per share in line with previous guidance

2. Pub sales and profit growth

- LFL sales growth of 2.2%, +3.2% in final 10 weeks of period
- LFL margins maintained despite tough competitive environment

3. Continued organic growth in Brewing

- Revenue +8%; own-brewed and licensed volumes +4%

4. Debt reduction strategy on track

Strong results with improving momentum



**Andrew Andrea
Chief Financial and
Corporate Development Officer**

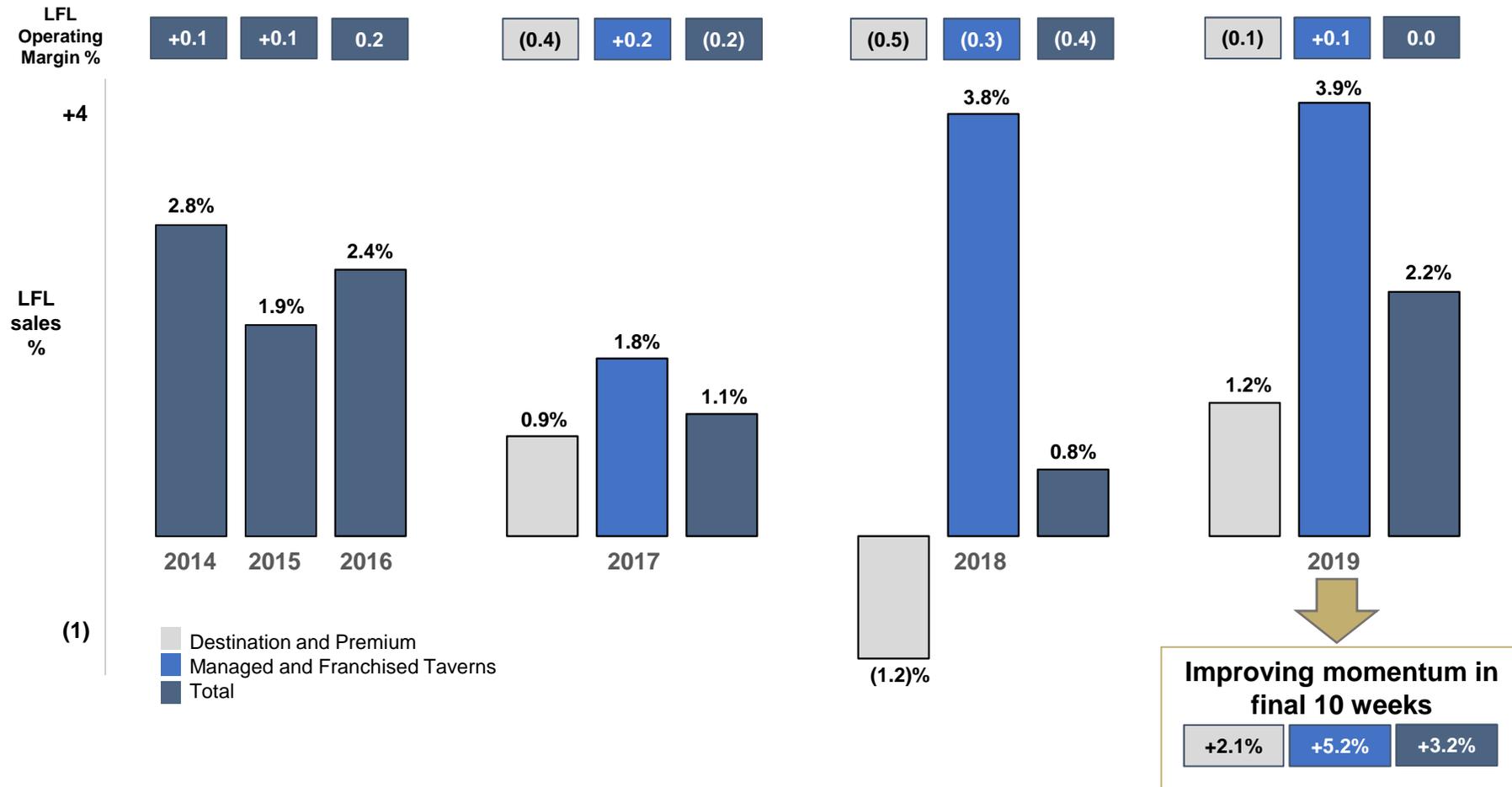
FINANCIAL SUMMARY

	2018	YOY	
Revenue	£553m	 5%	Growth in all trading divisions
EBITDA	£97m	 2%	Growth in all trading divisions
Operating profit	£76m	 2%	Growth in all trading divisions
PBT*	£37m	 2%	
EPS*	4.9 pence	 2%	
Interim dividend	2.7 pence		Dividend cover 1.8x

*Underlying earnings position excluding exceptional and other adjusting items

Continued operational growth underpins dividend

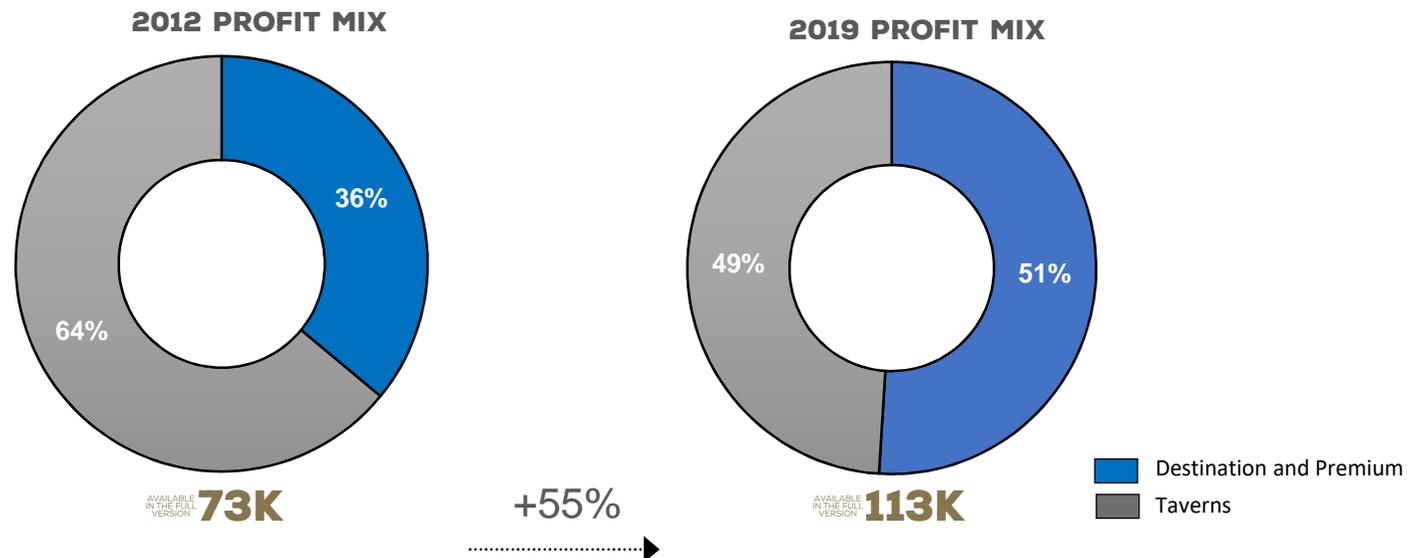
MANAGED AND FRANCHISED LIKE-FOR-LIKE PERFORMANCE



Continued trend of long-term positive LFL sales and disciplined approach to margins; solid start to H2

PUB SEGMENTATION

2019	Operating profit £m	No. of pubs	Average no. of pubs	Average profit per pub vs LY%
Destination and Premium	90.0	408	406	-
Taverns	86.8	1,143	1,145	+1
Total	176.8	1,551	1,551	+1



Continued growth in quality of earnings from balanced pub portfolio

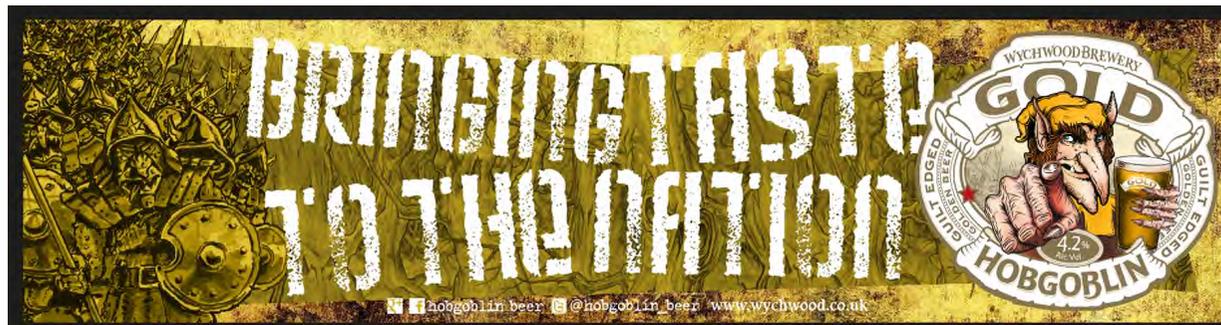
BEER COMPANY

STRONG REVENUE GROWTH +8%

- Own-brewed and licensed volume +4%
- Strong growth in Free Trade, Off Trade and Export
- Increased income from new distribution contracts

STRONG EARNINGS GROWTH +8%

- Driven by sales growth
- Operating margins in line with last year
- On target to hit at least £4m synergies from Charles Wells Beer acquisition



Strong top line performance with disciplined cost focus driving earnings growth

COST GUIDANCE

	2019		Mitigation
Drink	c.2%	<ul style="list-style-type: none"> c.95% fixed for 2019 c.85% contracted to 2020 	<ul style="list-style-type: none"> Price Premiumisation
Food	c.2%		
Brewing raw materials	2-3%	<ul style="list-style-type: none"> Malt increase of c.£0.3m in 2019 	<ul style="list-style-type: none"> Price Brewing efficiency
Energy inflation	c.3%		
Labour cost inflation			<ul style="list-style-type: none"> Call order/table service review Labour scheduling
- National Minimum Wage	3-4%		
- National Living Wage			
Apprenticeship levy, NEST	+£1.0m		
Rates	c.3%		<ul style="list-style-type: none"> Business rates relief will support tenants and lessees

No change to cost guidance, c.£20m cost increases, target full mitigation, similar outlook for 2020

CASH FLOW SUMMARY

	2019 £m	2018 £m	
Operating cash flow	67	63	• Earnings growth; £6m extra stock vs. LY
Net interest	(44)	(43)	
Pre-investment FCF	23	20	
Organic capex	(47)	(46)	
Disposals	29	26	
Dividend	(30)	(30)	
FCF pre new-build and acquisitions	(25)	(30)	
New-build and acquisitions	(27)	(37)	• 3 pubs and 1 lodge, 15 Taverns pubs
Net underlying cash flow	(52)	(67)	

Improved net cash flow, targeting stronger H2 cash flow

DEBT STRUCTURE

	2019 £m	2018 £m	Illustrative 2019 (all new-build leasehold) £m
Securitised (amortisation profile to 2035)	761	791	
Bank (£360m facility to 2024)	321	268	
Debt excluding property leasing	1,082	1,059	1,082
Property leasing (35-40 year financing)	356	334	-
Net Debt	1,438	1,393	1,082
Leverage excluding property leasing*	4.8x	4.8x	4.8x
Leverage including property leasing*	6.4x	6.3x	4.8x
Fixed charge cover	2.5x	2.6x	2.5x
EBITDA outside securitisation	47%	46%	47%
Freehold mix	93%	93%	86%

*2018 on proforma basis

Long-dated financing of freehold asset base, bank facility tenure extended to 2024

£0.2BN DEBT REDUCTION PLAN – reduced net capex

£m	2018	2019 (Forecast)	2020 Target
Maintenance capex	50	50	45
Recurring growth capex	30	30	25-30
Pub one-off	10	-	-
Beer Co one-off	10	-	-
Organic Capex	100	80	70-75
New-site	63	50	25
Total Capex	163	130	95-100
Disposals	(47)	(45)	c.(40)
Net Capex	116	85	c.55-60

On track for 2019 reduction, target further c.£25-30m reduction in 2020

DEBT REDUCTION PLAN – interest charge reduced by £5m pa

1. Opportunity to “smooth” amortisation profile of securitisation
2. Achieved through re-profiling swaps
3. Reduced payments 2019-24 offset by increased payments 2031-35
 - NPV neutral
 - No swap break-costs incurred
4. In conjunction with other financing, targeting at least £5m cash saving per annum from H2 2019
5. Likely to consider refinance of securitisation from 2024

Securitized refinancing contributes to at least £25m cash savings in next 5 years

DEBT REDUCTION PLAN – £0.2bn reduction by 2023

Business growth	✓	Ongoing
Organic capex reduction	✓	H2 2019 onwards
Reduced new-build spend	✓	2019 onwards
Disposal proceeds at least £120m 2020-2023	✓	2020 onwards
Interest savings of at least £5m per annum	✓	H2 2019 onwards
Reduced pension contributions		2021 onwards

Strong foundations for debt reduction plan to 2023



Ralph Findlay
Chief Executive Officer

CONSISTENT STRATEGY, CLEARER TARGETS

PUBS			BREWING	
New-builds Sector wide	Rooms	Leading brands	Leading service	
Quality of earnings 2019: 9 opened	Food-led Wet-led 2019: 15 wet-led pubs	Pubs with rooms Lodges 2019: 3 lodges	Premium ale Regional beers Craft beers World lagers	Well invested, skilled supply chain

Financial goals: profit growth, reduce debt, increase ROC



Strategy underpinned by balanced business model

MARKET DYNAMICS

Consumer

- Experiential
- Ethical
- Health aware
- Technology reliant



Sector

- Structural change
 - alternative supply
 - rising costs
- Oversupply
 - c.4,000 restaurants in 5 years*
- Pubs outperform casual dining
- Consolidation in brewing
- Pricing power limited
 - price promotion driving IfIs



Economic, Political

- Regulatory burden continues to rise
- Limited direct interest rate exposure
- Brexit uncertainty
 - staff
 - supply chain
- Government health objectives
 - obesity
 - alcohol
- Environmental policies being developed



*source: CGA

Dynamics remain unchanged – challenging but opportunities for growth

DESTINATION – offering everyday value



- **Consistent everyday value**
 - £2m margin investment 2019/20



VOUCHERING STRATEGY

- **Widespread price promotion**
 - Unknown margin investment



Current LFLs in line with market; stable operating margins

Introduction of everyday value improving sales and customer satisfaction

DESTINATION – improving pub values

1. Our market position - pubs with food, not restaurants
2. Project “Showman” - £2m investment in 40 pubs
3. Project “Hatton” - £1m gardens investment in 30 pubs
4. Investment in training – specific drinks training programme
5. Outstanding drinks ranges constantly updated
 - beers and ciders
 - wines and spirits
 - soft drinks
 - coffee/tea



Positive impact: +2% growth in H1 2019 wet sales mix

ACCOMMODATION

1. Marston's Inns

- Small regional player but growing
- Investment strategy similar to pubs – invest away from “hotspots”
- Stable income stream and positive food and drink sale contribution to pubs
- LFL sales in line with last year despite late Easter – ahead of the market
- Stable RevPAR and occupancy; currently in growth

2. Market dynamics

- Larger players adding significant capacity in “crowded” areas
- RevPAR down c.1%, occupancy down c.1%
- Independent operators exiting market



Continued outperformance of market underpinned by selective investment strategy

TAVERNS – Great Community Pubs

1. Achieving continued growth in drinks sales

- Trends towards premiumisation continue
 - Premium beer +65%, Craft +7%
 - Premium gin +147%
- “Healthy” drinks growth
 - Non-alcoholic beer +33%
 - Low sugar soft drinks +160%



2. Franchise model continues to underpin growth

- Franchise profit now >50% of Taverns profit



Strong Taverns performance driven by insight and flexible operating models

TAVERNS – Pub acquisition

1. 15 pubs acquired from Aprirose in H1

2. £4m conversion investment substantially complete

- Target 25% CROCCE in 2020
- £0.4m opening costs in H1 2019
- Target £10.5k average weekly take

3. Initial trading encouraging

- AWT converted sites - £11k per week in March
- C.50% of original managers retained
- On track to achieve target returns



Value accretive acquisition, on track to beat expectations

BEER COMPANY – beer market trends

Total Beer - On & Off Trade*



Mkt. +3.2%

MBC +4.8%

PREMIUM ALE	Market	Marston's Beer Co	Market share
On Trade**	-	+5%	22%
Off Trade***	-	+5%	28%
TOTAL	-	+5%	25%

WORLD BEER	Market	Marston's Beer Co	Market share
On Trade**	+9%	+15%	7%
Off Trade***	+13%	+43%	8%
TOTAL	+11%	+29%	8%

*BBPA & MBC vol. March 2019

**CGA OPMS to 23 Feb 2019

***IRI All outlets to 30 March 2019

Outperforming growing market, focus on strongest growth segments

BEER COMPANY – wide brand portfolio

Local Ales



- Authentic 'local' beers
- Higher margin
- Market leading choice for rotational cask

National Ales



- Consumers default to brands they trust
- National brand recognition
- Higher ROS

Lager, craft and cider



- Growth categories
- Complements core ale portfolio
- Opens door to new distribution
- Long term license partnerships

Broad brand portfolio provides platform to drive distribution and gain share

BEER COMPANY – clear route to market opportunities

Free Trade	National Accounts	Off Trade	Export
 <ul style="list-style-type: none"> • Highest profitability • Full drinks range offer • Low churn rates • 5,500 live accounts • 93% customer satisfaction 	 <ul style="list-style-type: none"> • Scale customers to build brands • Focus on brand building and execution with 53,000 field sales calls • Full composite wholesale offer 	 <ul style="list-style-type: none"> • Doubled volume, tripled EBIT in 5 years • Trusted category leader • Own label partner for 5 major grocers • Insight led and track record of innovation 	 <ul style="list-style-type: none"> • #1 Beer Exporter • Winning share and delivering growth • Long term brand building with strategic partners • Global direct to retailer service

Clear channel strategies across the UK and Global beer markets

BEER COMPANY – supply chain excellence adds to growth

Brewing



- 6 breweries nationally located
- 10 Master brewers
- Top rated quality accreditation

Packaging



- Marston's Brewery – centre of excellence
- State of the art bottling line
- £8m canning line 2018
- Package 40% of UK bottled ale

Logistics



- Delivering to 1 in 4 pubs in the UK
- 12 Distribution depots – Thurrock opened 2019
- 257 Vehicles
- 9.7 million miles covered
- Punch, New River, Young's, Charles Wells, Trust Inns won in last 18 months

Well invested, strong supply chain maximizes efficiency

BEER COMPANY- strong platform for future growth

		Medium term earnings opportunity
Brands	• Own ale: continued brand development	£3m
	• Licensed lager: Estrella Damm	£5m
	• Licensed US Craft: Shipyard and Founders	£2m
Customer	• Free Trade: market share of own ale/Licensed in existing customers	£1m
	• Off Trade: continuing our market outperformance	£1m
	• Export: 10% of ales exported	£1m
Supply Chain	• Distribution	£5m
	• Brewing	£2m
	• Packaging	£1m

Clear opportunities for future growth

SUMMARY

1. H1 sales and earnings growth
 - Improving LFL momentum
 - LFL margins maintained
2. Clear actions in Destination driving growth; Taverns continue to perform well
3. Beer Company outperforming market; benefiting from consolidating market
4. Debt reduction plans in place – 2023 target remains on track

Consistent strategy continues to drive growth, solid platform for debt reduction



Appendices

FINANCIAL SUMMARY – STATUTORY BASIS

	2019	2018
Revenue	£553.1m	£529.0m
Operating profit	£66.0m	£28.8m
PBT	£19.1m	£(13.4)m
EPS	2.6 pence	(2.0) pence

SEGMENTAL PROFIT

	2019 £m	2018 £m	YOY %
Turnover			
Destination & Premium	215.7	210.7	2.4%
Taverns	154.2	148.2	4.0%
Beer Division	183.2	169.2	8.3%
Total	553.1	528.1	4.7%
EBITDA			
Destination & Premium	43.7	42.9	1.9%
Taverns	44.1	43.2	2.1%
Beer Division	20.2	19.1	5.8%
Group Services	(10.8)	(10.2)	(5.9)%
Total	97.2	95.0	2.3%
EBIT			
Destination & Premium	35.2	34.6	1.7%
Taverns	39.3	38.6	1.8%
Beer Division	14.5	13.4	8.2%
Group Services	(12.9)	(12.3)	(4.9)%
Total	76.1	74.3	2.4%
Margin %			
Destination & Premium	16.3%	16.4%	(0.1)%
Taverns	25.5%	26.0%	(0.5)%
Beer Division	7.9%	7.9%	- %
Total	13.8%	14.1%	(0.3)%
Finance Costs	(39.1)	(38.0)	(2.9)%
Profit Before Tax	37.0	36.3	1.9%

PUB NUMBERS

	Destination and Premium	Taverns	Total
2018 Closing	406	1,139	1,545
New-build additions/Acquisitions	3	15	18
Transfers	-	-	-
Disposals	(1)	(11)	(12)
2019 H1 Closing	408	1,143	1,551
2018 average numbers	402	1,155	1,557
2019 average numbers	406	1,145	1,551

HISTORICAL TOTAL LFL

	Destination and Premium	Taverns	Total
52 wks to 04/10/14	3.1%	2.1%	2.8%
52 wks to 03/10/15	1.8%	2.0%	1.9%
52 wks to 01/10/16	2.3%	2.7%	2.4%
26 wks to 01/04/17	1.1%	1.1%	1.1%
52 wks to 30/09/17	0.9%	1.6%	1.1%
16 wks to 20/01/18	(0.9%)	2.6%	0.3%
26 wks to 31/03/18	(1.8%)	2.9%	-
16 wks to 21/07/18	(1.2%)	5.0%	0.9%
42 wks to 21/07/18	(1.5%)	3.8%	0.3%
10 wks to 29/09/18	0.1%	3.8%	1.6%
52 wks to 29/09/18	(1.2%)	3.8%	0.6%
16 wks to 19/01/19	0.5%	3.2%	1.5%
10 wks to 30/03/19	2.1%	5.2%	3.2%
26 wks to 30/03/19	1.2%	3.9%	2.2%

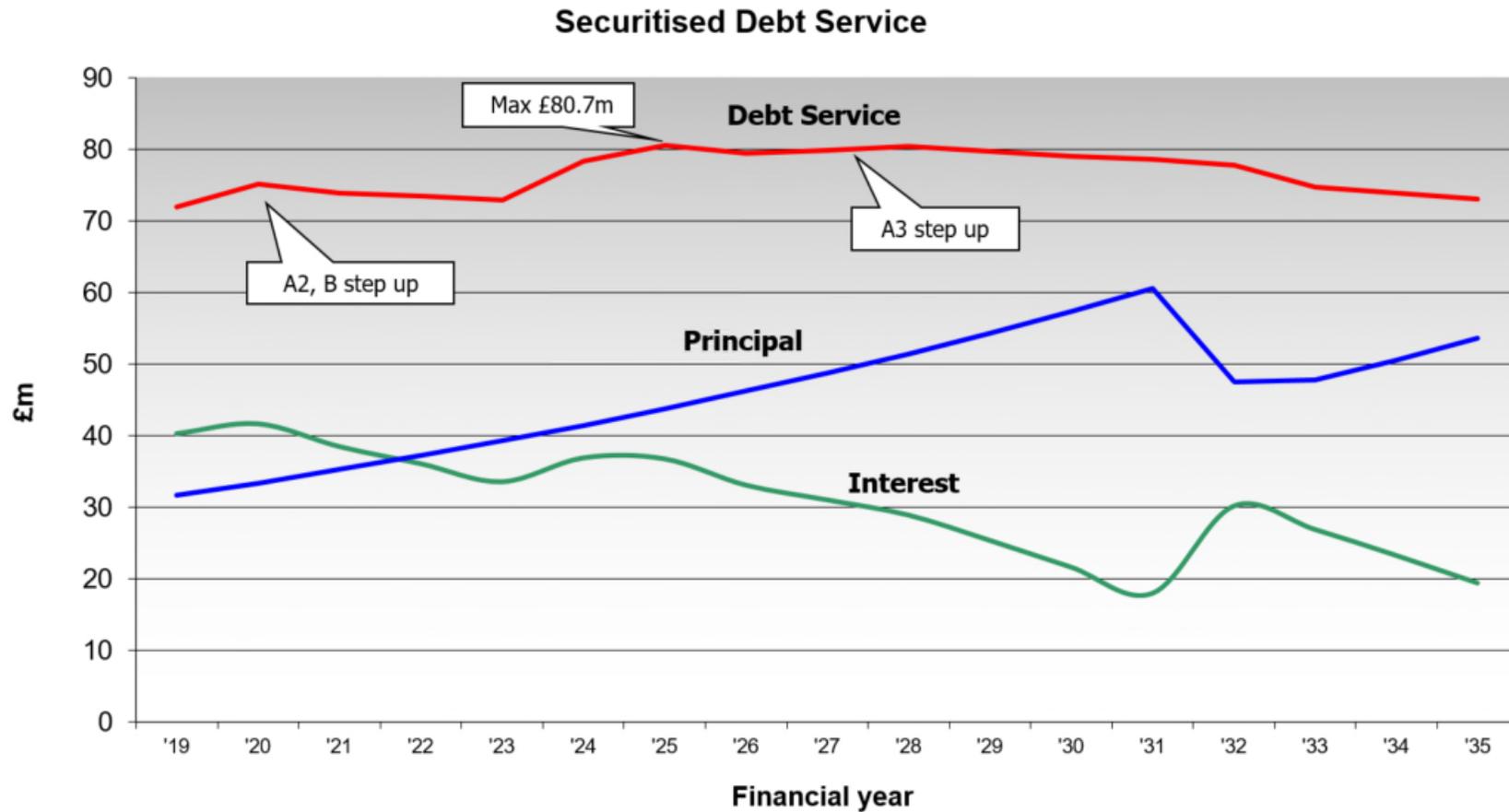
CAPEX, TAX AND SHARE CAPITAL

	Actual 2018	Forecast 2019
New-build capex	£63m	c.£50m
Organic capex	£100m	c.£80m
Total	£163m	c.£130m
Disposals	£47m	c£45m
Net capex	£116m	c£85m
Tax rate	15.5%	c16%
Average number of shares H1 2019	632.6m	
Shares in issue at 30 March 2019	632.6m	
Additional dilutive number of shares	8.7m	

SECURITISED DEBT PROFILE

Tranche	Type	Principal outstanding at 30 March 2019	Step-up date	Final maturity date
A1	Floating	£29.5m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£167.1m	October 2012	2031
B	Fixed/Floating	£155.0m	July 2019	2035
Total		£765.6m		

SECURITISATION PROFILE



		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	31.7	33.4	35.4	37.3	39.4	41.5	43.9	46.3	48.8	51.5	54.4	57.4	60.5	47.6	47.8	50.6	53.6
Interest	£m	40.3	41.7	38.5	36.1	33.6	36.9	36.8	33.1	31.1	29.0	25.5	21.7	18.1	30.2	27.0	23.4	19.5
Debt Service	£m	72.0	75.1	73.9	73.4	73.0	78.4	80.7	79.4	79.9	80.5	79.9	79.1	78.6	77.8	74.8	74.0	73.1



NOTES



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