



MARSTON'S



Interim Results 2020

Ralph Findlay, Chief Executive Officer

Andrew Andrea, Chief Financial Officer



Ralph Findlay
Chief Executive Officer

Introduction

- **Material impact from COVID-19; clear recovery action plans**
- **Liquidity secured for disruption beyond financial year end**
 - Additional bank facilities in place
 - Agreement with bondholders on covenant waivers and amendments
- **Transformational value-accretive Beer Company transaction**
 - Creation of Carlsberg Marston's Beer Company
- **Pub estate well placed despite COVID-19 uncertainties**
 - c90% freehold estate, high proportion of pubs have outside trading areas
 - Broad mix of food-led and wet-led pubs

COVID-19: impact

- **All pubs and 28 lodges* closed since 20 March**
 - Loss of own pub revenues
 - Loss of drinks sales into national pub groups and independent free trade
 - Estimated revenue impact c£40m in March
 - Pre-COVID-19 revenues broadly in line with LY
- **Prioritise cash preservation**
 - 93% of Group employees furloughed – 99% of pub teams
 - Temporary pay reductions of at least 20% across the Group
 - All non-essential spend, including capex, postponed
 - Case-by-case support for franchisees, tenants and lessees
 - Suspension of dividends for financial year 2020

**with the exception of two lodges which remained open to house NHS staff/key workers*

COVID-19: current position

- **Working closely with UKH and BBPA**
- **Government support critical**
 - Furlough scheme reducing cash burn by c£2m per week
 - Business rates relief: c£2.5m per month saving
 - Deferral of indirect tax payments to 2021
 - Business grants support to tenants and lessees
- **Working closely with key suppliers and stakeholders**
 - Deferred payment terms agreed through consultation
 - Constructive dialogue with landlords on leasehold properties
- **Significant increase in off-trade sales**
 - Take Home – very strong trade since April with volumes up 55%
 - Not sufficient to offset loss of on-trade volumes

COVID-19: re-opening plans

- **Reopening date and plans now set out**
 - Can reopen from 4th July; c85-90% of pubs will re-open
 - Reduced social distancing rules are critical to economic viability
 - Uncertainty over revenue and earnings post reopening
- **Priorities: safety of staff and guests, economic viability**
 - Enhanced hygiene practices, provision of sanitiser
 - Table spaces, distance markers, screens where appropriate
 - Introduction of ordering and payment apps – July 2020
 - Simplified menus to speed up service and minimise cost
- **Continued Government support will be required**

Creation of Carlsberg Marston's Brewing Company ('CMBC')

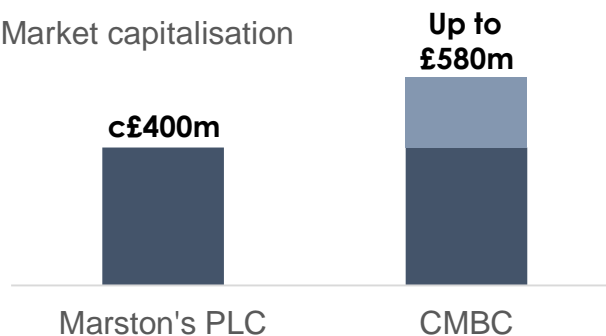
- Shareholder approval granted 25 June, expected to complete Q3 2020
- Long term JV to create a best-in-class, brand-led UK brewer with increased scale, resources and distribution reach
- Marston's Brewing Business valued at up to £580m (13.0x adj. 2019 EBITDA)
- Marston's receives a cash equalisation payment of up to £273m
- Marston's will own 40% and Carlsberg UK will own 60% of CMBC
- Reported run-rate JV cost synergies of around £24m and further unquantified revenue synergies
- The transaction is expected to be broadly net operational cash flow neutral taking into account Marston's share of JV dividends
- Cash received will be used to pay down debt

Creation of Carlsberg Marston's Brewing Company ('CMBC')

Recognises value of Marston's Brewing	£m
Built through value accretive acquisitions:	
Ringwood	19
Refresh	14
Thwaites	25
Charles Wells	55
Combined value of acquisitions	113

Marston's Brewing Business (Sep19)	£m
Reported EBITDA	44
Less	
BeerCo capex	(17)
Central capex	(3)
Tax @ 18%	(6)
Net cash flow	18

Market capitalisation



40% stake in CMBC with synergy upside

Up to £273m gross proceeds received from transaction

The transaction is expected to be broadly net operational cash flow neutral taking into account Marston's share of CMBC dividends

Group strategy

Raise the Bar

Guest focused people strategy

Operational excellence

Commercially dynamic

Digital and technology

Quality Pub Estate

Balanced pub portfolio

Premiumisation of offer

Focus on high-returning growth capex

Disposal of tail

Clear Financial Strategy

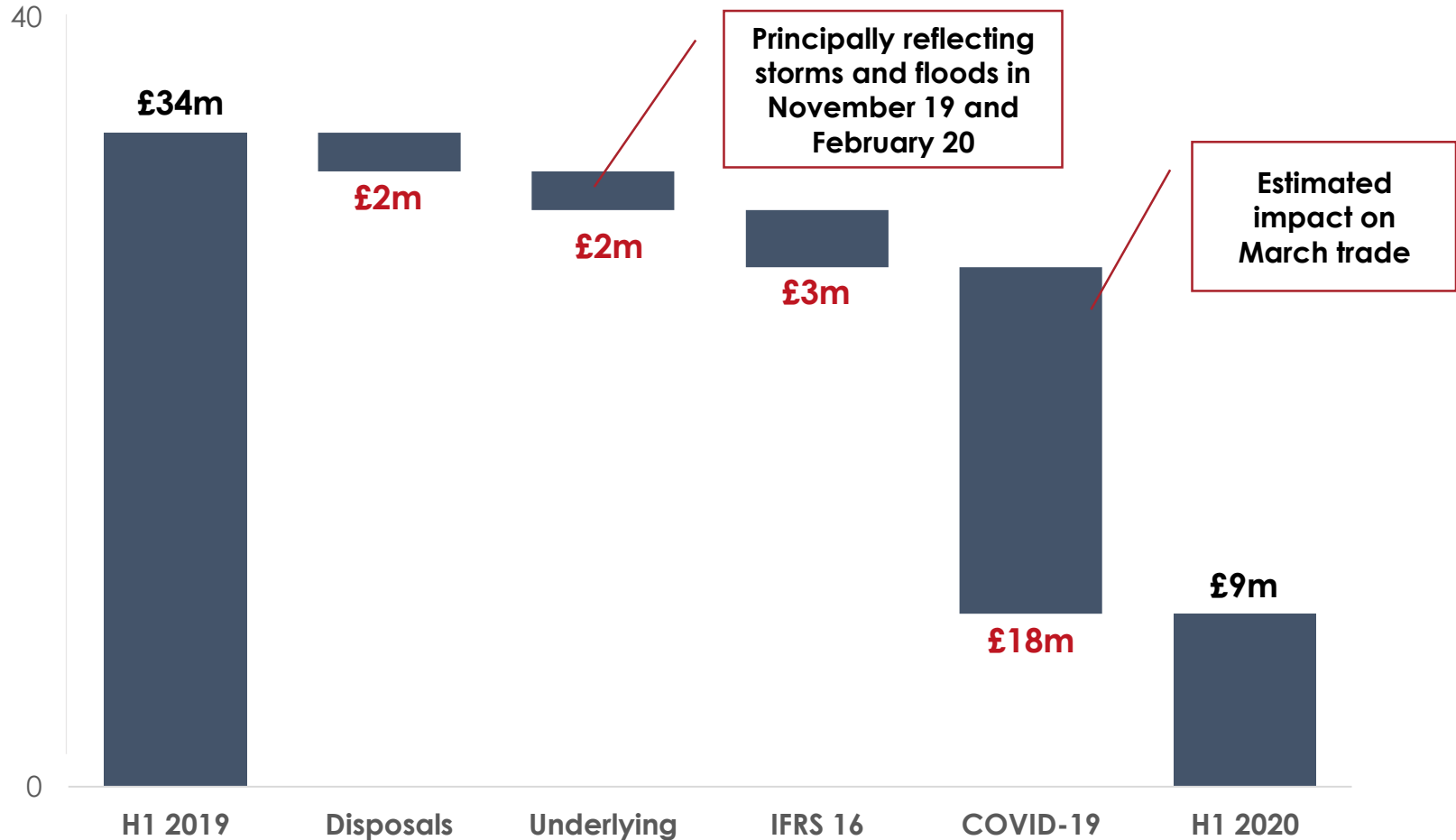
Continued focus on debt reduction

Future dividends to be funded from free cash flow before disposals



Andrew Andrea
Chief Financial Officer

H1 2020 earnings



Cash flow

	2020 £m	2019 £m
Operating cash flow	58	67
Net interest	(44)	(44)
Pre-investment FCF	14	23
Organic capex	(43)	(47)
Disposals	64	29
Dividend	(30)	(30)
FCF pre new-build and acquisitions	5	(25)
New-build and acquisitions	(2)	(27)
Net underlying cash flow	3	(52)

Debt structure

	2020 £m	2019 £m
Securitised (amortisation profile to 2035)	728	761
Bank	314	321
Debt excluding property leasing	1,042	1,082
Property leasing (35-40 year financing)	337	336
Net borrowings pre IFRS 16	1,379	1,418
Lease obligations under IFRS 16	320	20
Net debt post IFRS 16	1,699	1,438

IFRS 16 impact

- **No impact on net cash flow**
 - c.£10m switch between operating cash flow and financing to reflect reclassification of rent
- **Income statement**
 - EBITDA up c£9m
 - Operating Profit up £4m
 - PBT down £3m
- **Balance sheet**
 - Additional lease liabilities of £295m
 - Other net assets up £282m principally reflecting right-of-use assets

COVID-19 financing

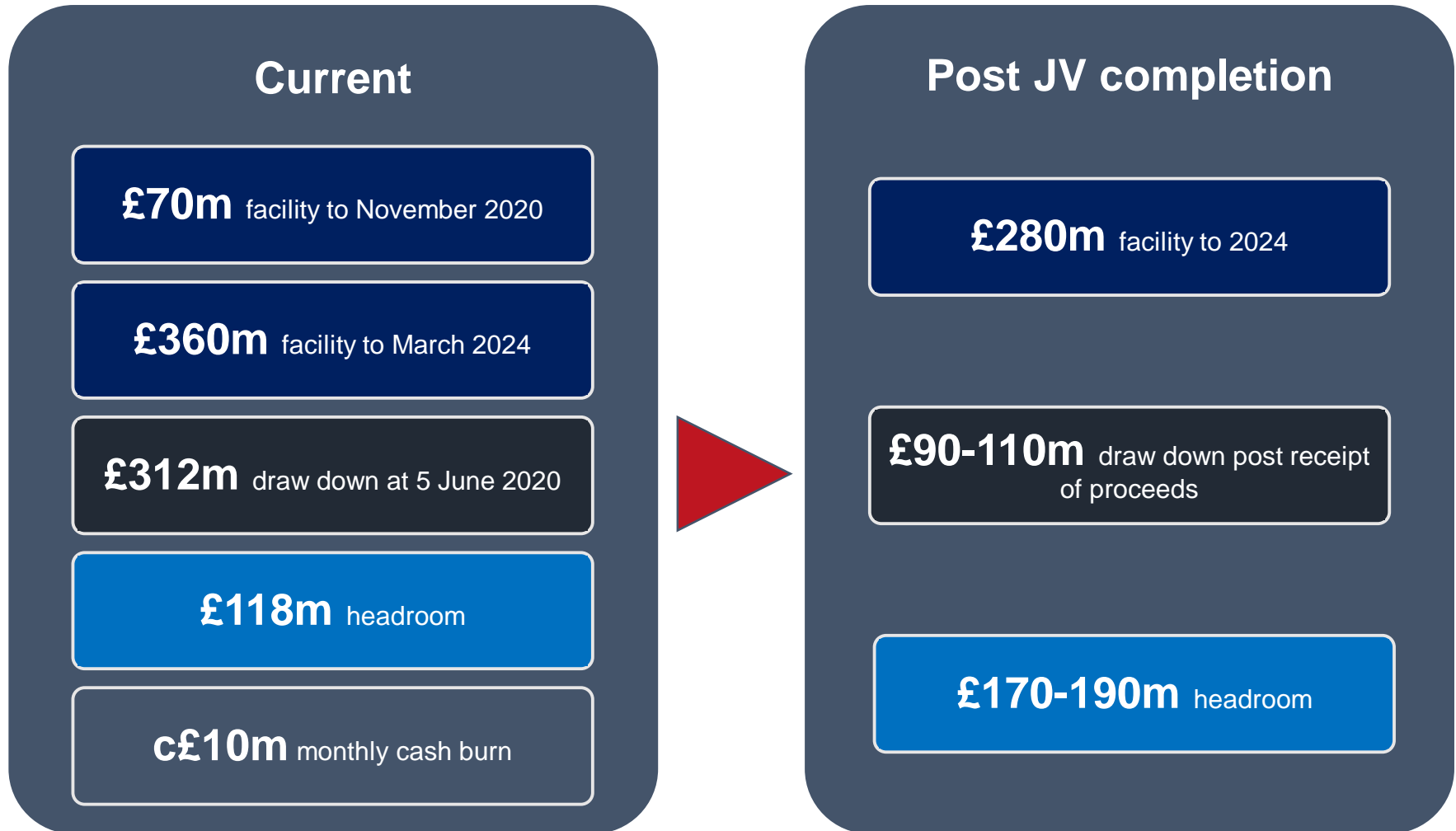
- **Banking arrangements**

- Agreed £70m of additional liquidity through increased bank facility
- Agreement to amend covenants for September 2020 and March 2021
- New facility together with mitigating actions and Government support provide liquidity to meet financial obligations beyond the end of the financial year

- **Securitisation**

- Request made to bondholders for limited number of technical waivers and amendments to January 2021
- Strong bondholder support – 99.6% voted, 96.1% in favour

Evolution of bank facilities



High quality pub estate

	Pubs		Lodges		Total
	Number	Value (£m)	Number	Value (£m)	Value (£m)
Securitized	950	1,223	7	14	1,237
Non-Securitized					
Unsecured Freehold	154	334	5	14	348
Freehold – Property Lease	113	380	7	19	399
Total Freehold	1,217	1,937	19	47	1,984
Leasehold (IFRS 16 Value)	154	270	11	19	289
Total	1,371	2,207	30	66	2,273
Freehold Mix (%)	89%		63%		

Looking forward

- **Strengthened balance sheet from Beer Company transaction**
 - Continued focus on debt reduction
- **Quality pub estate well placed for post COVID-19 environment**
 - Sector supply contraction likely – ‘survival of the fittest’
 - Over 90% of the estate with gardens
 - C.90% freehold estate predominantly based away from large city centres
 - Operate across the pub spectrum – both food-led and wet-led
- **High quality substantially freehold pub estate**
 - Guest and team focused agenda for growth – autumn capital markets day
 - Improve organic performance through increased focus and simplification

Summary

- **Significant impact from COVID-19 on pubs and Beer Company**
 - Swift actions to protect liquidity
 - Clear plans in place for reopening; uncertainty on revenue and earnings profile
- **Creation of Carlsberg Marston's Beer Company**
 - Significantly improves balance sheet strength
 - Provides future opportunity to benefit from material synergies
 - Retains interest in brewing
- **High quality substantially freehold pub estate**
 - Well placed despite COVID-19 uncertainties



Pitcher & Piano, Nottingham



APPENDICES

Financial Summary – Statutory basis

	2020	2019
Revenue	£510.5m	£553.1m
Operating profit	£19.7m	£63.2m
PBT	£(33.2)m	£16.3m
EPS	(4.4) pence	2.2 pence

Pub numbers

	Total
2019 closing	1,539
New-build additions/acquisitions	-
Transfers	-
Disposals	(168)
H1 2020 closing	1,371
2018 average numbers	1,557
2019 average numbers	1,541

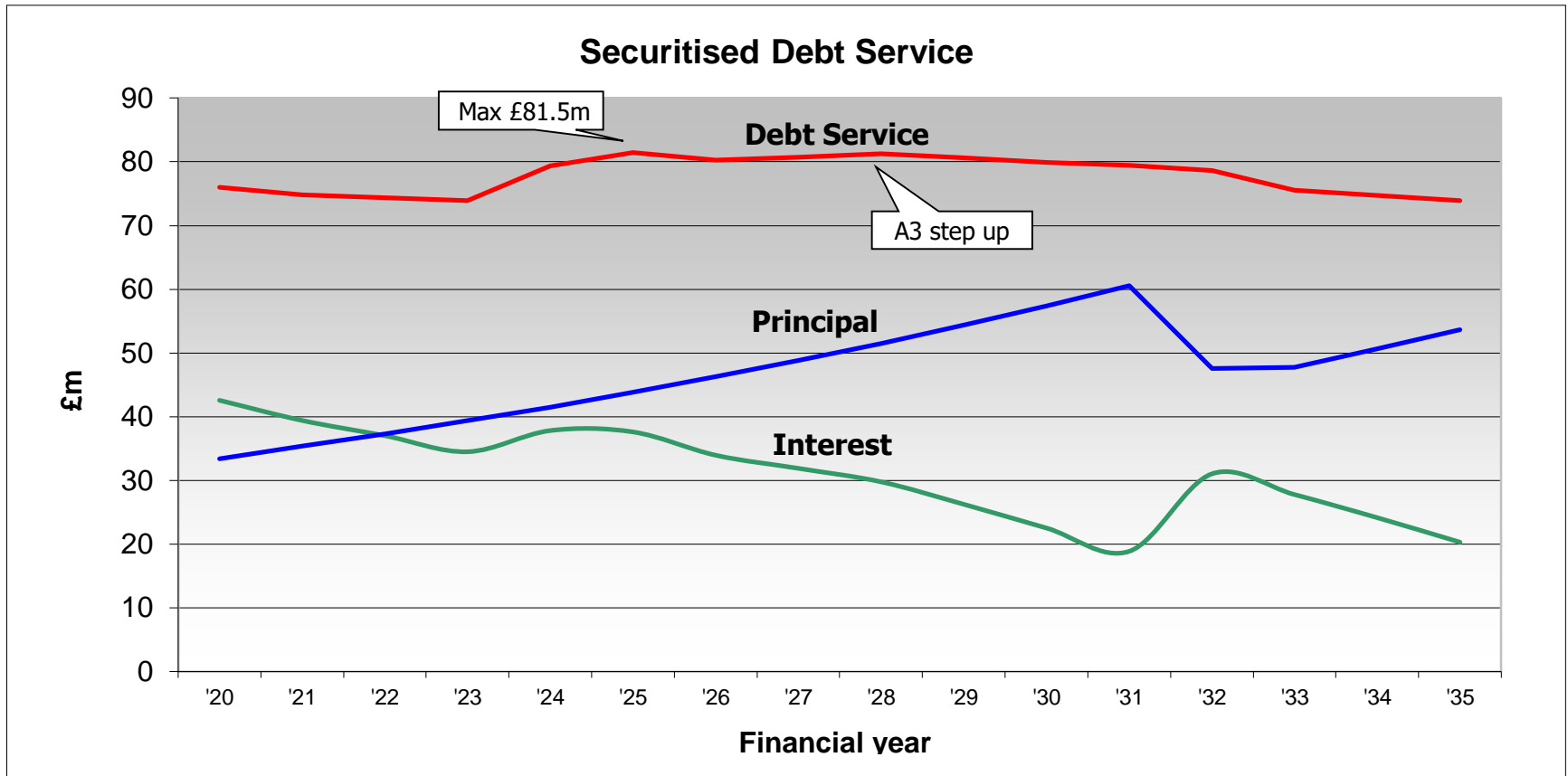
Historical Total LFL

	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%
26 wks to 31/03/18	(1.8%)	2.9%	-
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%
16 wks to 20/07/19	(1.6%)	(3.0%)	(2.1%)
42 wks to 20/07/19	0.1%	1.1%	0.5%
10 wks to 28/09/18	0.1%	5.4%	1.9%
52 wks to 28/09/18	0.1%	1.9%	0.9%
16 wks to 18/01/20			1.0%
24 wks to 14/03/20			(1.0)%

Securitised debt profile

Tranche	Type	Principal outstanding at 28 March 2020	Step-up date	Final maturity date
A1	Floating	£7.2m	July 2012	2020
A2	Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£156.8m	October 2012	2031
B	Floating	£155.0m	July 2019	2035
Total		£733.0m		

Securitisation profile



		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	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	42.6	39.4	37.0	34.5	37.8	37.6	33.9	31.9	29.8	26.3	22.5	18.9	31.0	27.8	24.2	20.3
Debt Service	£m	76.0	74.8	74.4	73.9	79.3	81.5	80.2	80.7	81.3	80.6	79.9	79.4	78.6	75.5	74.8	74.0



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