MARSTON'S PLC 15 October 2020

YEAR END TRADING UPDATE

Introduction

Marston's PLC ("Marston's" or "the Group") issues the following update for the 53 weeks ended 3 October 2020.

The Preliminary results will be announced on 10 December 2020.

Carlsberg Marston's Brewing Company Joint Venture Update

As announced on 9 October we are pleased to report that the Competition and Markets Authority have cleared the proposed joint venture, and the antitrust condition to Completion has now been satisfied.

The transaction will now complete at the end of October 2020.

Trading

Pubs and restaurants were required to close from 20 March to 4 July as part of the general lockdown restrictions to contain COVID-19. This 15-week period of enforced closure inevitably had a material impact on the results for the year.

Group sales for the year were £821 million, 30% below last year.

Total pub sales for the year were £515 million, 34% below last year, principally reflecting the closure period and the impact of the disposal of 168 pubs for proceeds of £61 million in the first half-year.

In Marston's Beer Company, sales for the year were £306 million, 22% below last year. Off trade volumes for the year were up 23%, driven by exceptional demand during the period of pub closure. On trade volumes (excluding the closure period) were 11% below last year.

Since 4 July, we had reopened approximately 99% of our pubs by the year end, though a small number closed subsequently as revised regulations were introduced in Scotland. Managed and franchised like-for-like sales averaged 90% of last year over the 13-week period to 3 October:

July (4 weeks)	- 26%
August (4 weeks)	+ 6%
September (5 weeks)	- 12%
13 weeks since reopening	**-10%**

This represents outperformance of approximately 7% relative to the UK pub sector (CGA Peach Tracker) over the 13-week period, principally reflecting the benefits of our balanced pub estate of wet-led and food-led pubs which are predominantly suburban, and community based, with limited exposure to city centres and only three pubs in Central London. We estimate that social distancing and other restrictions reduced average indoor capacity by approximately 30% in this period, although this was mitigated by the fact that most of our pubs have beer gardens. We are investing around £2 million in “Inside-Out” schemes including heated and weather-proofed structures to extend the use of outdoor space into the winter months, which will provide additional capacity of around 15,000 covers.

Consumer confidence increased steadily throughout July, August and into September, helped by guest reassurance from the safety measures adopted in our pubs, reduced VAT on sales of food and non-alcoholic drinks, the success of the Eat Out To Help Out campaign during August, and good weather in September.

However, the UK Government and the devolved administrations subsequently introduced additional restrictions in September and October including curfews, full table service, a requirement for face masks to be worn by guests and employees, and, in Scotland, closures and limitations on service dependent upon location.

On 12 October, the UK Government introduced a ‘3 Tier’ system of guidance depending upon rates of infection and perceived risk in different parts of England. Within our estate, we have 21 pubs in Scotland, of which 8 are currently closed, and we have 18 pubs in the “highest risk” Liverpool region the majority of which serve food and under the existing guidelines are capable of remaining open. Throughout the pandemic we have offered continuous help to those tenants and lessees impacted by trading restrictions in the form of rental support and discounting, and we anticipate a continuation of this support in those pubs directly impacted.

The initial effect of these new rules has been to undermine consumer confidence and create uncertainty. Restoring confidence will only happen when UK Government and the devolved administrations are able to remove these restrictive measures, which they state are intended to be short term in nature.

The introduction of these further restrictions and guidance affecting pubs is hugely disappointing in view of a lack of clear evidence tying pubs to the recent increase in infection levels, and our own data which suggests that pubs are effective in minimising risks. Very few incidences of COVID-19 infection have been reported in our pubs by employees or guests to date, supporting our view that socialising in pubs, where social distancing is enforced and hygiene standards are high, presents lower risks than in other non-regulated settings. Unlike many other retail settings, we committed to collecting Test & Trace data from the moment we were able to open.

Inevitably, and regrettably, recent restrictions will impact jobs. Since the start of the pandemic, our objectives have included protecting the health and livelihoods of our teams. Government support over the summer was vital, and around 10,000 colleagues have so far returned to work. However, because of the recent additional restrictions, we have reluctantly concluded that around 2,150 pub-based roles currently subject to furlough are going to be impacted. Furthermore, we have initiated a full review of overhead costs which will be concluded by the end of December. These decisions are difficult but are necessary due to the restrictions placed upon our business at this time.

Net debt and liquidity

Cash management during the lockdown period was exceptional. Net borrowings (excluding IFRS16 commitments) as at 3 October were £1,329 million, £70 million below last year, and representing a £50 million reduction since the end of March. This improvement was helped by pub disposals in the first half-year, as well as Government support in the form of the Job Retention Scheme and deferred VAT and Duty payments.

At the year end, we had £90 million of headroom against our £360 million bank facility and do not anticipate needing to utilise the additional £70 million facility secured in May, which is due to expire in November.

We expect the initial net proceeds from the sale of Marston’s Beer Company into the joint venture with Carlsberg will be around £230 million. These proceeds will be used to further reduce the level of bank debt.

Following the completion of the transaction, the bank facility, which is committed to 2024, will be reduced to £280 million.

Commenting, Ralph Findlay, Chief Executive Officer, said:

“This year has been testing on many fronts, predominantly from having to navigate the consequences of COVID-19. Despite this, we have also created an exciting new joint venture between Marston’s Beer Company and Carlsberg UK during the period. I am grateful to all at Marston’s for their support, resolve and commitment during this time.

“On re-opening, we set ourselves three objectives: for pubs to be safe for our guests and our people, to retain pub ambience, and for our pubs to be financially viable. I believe we have met those objectives. Trading has been difficult, but to operate at 90% of last year on a like-for-like basis is better than our forecast, ahead of the market and a highly creditable result. In part, this is because most of our pubs are in suburban or community settings, and we have relatively few pubs in city centres which have been worst hit by changes in working habits. However, the additional restrictions which have been applied across the UK most recently present significant challenges to us and will make business more difficult for a period of time. I very much regret that the consequence of this is that the jobs of around 2,150 of our colleagues will be impacted, but it is an inevitable consequence of the limitations placed upon our business. We will be looking at our cost base further in the coming weeks.

We have managed our cash flow very carefully and it is a credit to our teams that net debt is £70 million below where it was at end of the Financial Year 2019 and £50 million below the Interim 2020 level despite the 15 weeks of pubs closure.

Strategically, the transformational deal with Carlsberg has highlighted the inherent appeal and value of Marston’s Beer Company and will contribute to a further reduction in net debt when it completes at the end of October. We look forward to seeing the Carlsberg Marston’s Beer Company grow, realising the significant benefits set out at the time the joint venture was announced.

There is much uncertainty ahead, the majority of which is outside of our control, however we will continue to focus on the safety of our teams and guests. Looking beyond the immediate challenges, we look forward to our future as a focused pub operator, returning to growth when trading conditions allow and realising the opportunities which are open to us over the medium to longer term. “

ENQUIRIES:

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Andrew Andrea, Chief Financial and Corporate Development Officer		Matthew Smallwood	

NOTES TO EDITORS

- Marston’s is a leading pub operator and independent brewer.
- It has an estate of 1,379 pubs situated nationally, comprising managed, franchised and leased pubs.