13 October 2021

MARSTON'S PLC
("Marston's" or "the Group")

YEAR END TRADING UPDATE

Trading continues to improve, now above 2019 levels

Introduction

Marston's PLC ("Marston's" or "the Group") issues its update for the 52 weeks ended 2 October 2021.

Trading

Since restrictions were lifted on 12 April, the Group has seen a continuous improvement in trading. For the most recent quarter from 25 July to 2 October, we saw a return to growth over 2019, with sales 2% higher across our managed and franchised pubs. Overall, trading since 12 April has been at 94% of 2019 levels which includes the benefit of the temporary VAT reduction on food and non-alcoholic drink sales.

As previously reported, trading during the year was significantly disrupted by the impact of the pandemic. Our pubs were open for only 54% of the total trading days. When they were open, they operated under significant trading restrictions ranging from outdoor only and table service only, to the different tier systems across the UK.

Total pub sales were £402 million for the year, representing 78% of last year, reflecting the significant disruption to trading from the pandemic.

During the lockdown period, Marston's entered into an agreement to operate a portfolio of 156 pubs from SA Brain, under a combination of leased and management contract arrangements. These pubs reopened alongside the existing Marston's pub estate in Wales and have performed well and ahead of expectations.

Pubs were permitted to reopen for outdoor trading from 12 April in England and from 26 April in Scotland and Wales, and from 17 May indoor trading was permitted across all of the Group's pub estate, albeit still subject to the continuance of various social distancing restrictions, until 19 July. Having invested £2 million in "Inside-Out" schemes in Autumn/Winter 2020, we were able to open c70% of our pubs under outdoor trading restrictions and the Group's entire estate of c1,500 pubs has been open since 17 May.

In managed and franchised pubs our like-for-like trading performance since 12 April, reported as a percentage of sales relative to financial year 2019 (open sites only), is as follows:

	12 April- 16 May	17 May- 24 July	25July - 2 Oct	12 April- 2 Oct
Drink	89%	93%	99%	95%
Food	59%	90%	102%	90%
Total	**77%**	**92%**	**102%**	**94%**

The 10 weeks since 25 July have seen overall sales continue to improve from the initial opening and are in line with our expectations. During this period, sales growth resumed with like for like sales achieving 102% vs 2019 levels. The Group's balanced estate, largely comprising community pubs nationwide with limited exposure to London and city centres, have supported this rapid return to above pre-pandemic levels. In addition, trading has been stronger in our premium pubs over the period. Accommodation sales have been excellent benefitting from the growth in staycation holidays.

Net debt and liquidity

The Group remained focused on cash management during the year, particularly during periods of closure. We continued to prioritise cash preservation whilst restrictions prevailed but also invested to ensure our pubs were well maintained, primed and ready for trading to re-commence. Net borrowings (excluding IFRS16 commitments) as at 2 October were £1,232 million, £97 million below last year, following the completion of the joint venture with Carlsberg in October 2020 which delivered net proceeds of £228 million. Further support from the Government in the form of the Job Retention Scheme and business rates also helped to achieve this number.

At the year end, we had £90 million of headroom against our £280 million bank facility.

94% of our borrowings are fully hedged and therefore not at risk of any changes in interest rate movements that may occur during the year.

Cost and cash outlook

It has been well publicised that the wider industry is facing challenges in respect of staff recruitment and cost inflation, alongside supply issues. Whilst the labour market remains tight, particularly in city centres, we are currently managing this well. The national minimum wage increase was in line with our expectation of a resumption of the 5-6% increase, which we were observing before the pandemic. The majority of our 2022 costs are now contracted in, specifically gas to 2023 and electricity to the end of March 2022. With regards to supply chain challenges, we have seen some small pockets of disruption however, we are working closely with our suppliers to manage this.

Our cash strategy remains unchanged with a target to reduce borrowings to below £1 billion by Financial Year 2025.

In 2022, as previously guided, there are two one-off cash items, tax repayment of £50 million for VAT and duty and the contingent consideration receipt for the disposal of Marston's Beer Company to the joint venture, the value of which was £25 million at the half year. The carrying value of Carlsberg Marston's Brewing Company at the half year was £274 million excluding the contingent consideration. Our capital expenditure is anticipated to be around £55 million, comprising maintenance of c£40 million and investment of c£15 million. This is materially lower than pre pandemic capex (excluding Marston's Beer Company), however we are changing our IT strategy to become cloud based and, whilst this is cash neutral, there will be a shift of £6 million from capital expenditure to operating expenditure. We are confident of making good progress in our debt reduction in the year ahead.

The Preliminary results will be announced on 30 November 2021.

Commenting, Andrew Andrea, Chief Executive Officer, said:

"We are delighted to be fully open again since trading restrictions were lifted in July. We are encouraged by the trading momentum which we have experienced since April and pleased to be trading robustly and above 2019 levels again. Our business benefits from an optimally balanced pub estate of food and wet led pubs that are predominately suburban, community based and well located for the changes in consumer behaviour that we are seeing. However, we are mindful of consumer confidence in the short term and the challenges impacting the economy and our industry. Government messaging will remain a key factor in determining sentiment.

"Looking ahead, we are now keenly focussed on our strategy of delivering exceptional experiences for our guests. We will continue to invest in our teams and pubs as we strive to meet our clear goals."

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NOTES TO EDITORS

- Marston's is a leading pub operator with a 40% holding in Carlsberg Marston's Brewing Company
- It operates an estate of c1,500 pubs situated nationally, comprising managed, franchised and leased pubs
- Marston's employs around 12,000 people