Financial review

Significant profit growth and cash flow generation

Revenue

Revenue was stable at £897.9 million (2024: £898.6 million). Total sales in the Group's managed and partnership pubs for the 52-week period increased to £871.9 million (2024: £864.6 million). Like-for-like sales within our managed and partnership pubs were up 1.6% compared to FY2024, outpacing the market which grew at 0.7% (source: CGA RSM Hospitality Tracker). Like-for-like growth, although modest, was broad based, including drink like-for-like sales up 0.3% and food like-for-like sales up 2.2%. Sales were supported by our increasing focus on revenue-driving activity, 31 format conversions and consistent focus on customer service. Revenues in the tenanted and leased estate were £26.0 million (2024: £34.0 million). This follows c.£50 million of strategic disposals in FY2024 and FY2025, predominantly from the tenanted and leased estate, together with conversion of sites to the managed and partnership models.

Underlying EBITDA and operating profit

A key target for the Group, outlined at the CMD, was to grow underlying EBITDA margin by 200-300 basis points from 2024 levels, giving a target range of 23.4% to 24.4%.

The Group's profitability stepped up materially in the period. In FY2025, underlying EBITDA from continuing operations increased by 6.5% to £205.1 million (2024: £192.5 million).

The EBITDA margin was up 140 basis points to 22.8%, despite c. £10.0 million of inflationary and regulatory cost headwinds, including employment cost increases following the national insurance and national living wage changes of April 2025, as we made strong progress in executing our market-leading operating model. Significant savings were made as we rolled out enhanced labour scheduling systems, and the Group delivered central efficiencies, procurement gains, and more efficient repairs and maintenance spend, whilst investing in increased marketing expenditure and more specialist roles. We see further opportunity to increase the EBITDA margin in FY2026 as we move towards our target.

As a result of the progress made on EBITDA margin, the average EBITDA per pub in managed and partnership increased 7.5% to £161.3k, the average EBITDA per pub in Tenanted and Leased increased 2.5% to £98.6k and the overall EBITDA per pub increased 7.4% to £154.4k.

Underlying depreciation and amortisation costs of £45.2 million were broadly flat year-on-year (2024: £45.3 million).

Underlying operating profit from continuing operations increased by 8.6% to £159.9 million (2024: £147.2 million). Underlying operating margins of 17.8% grew by 140 basis points compared to the prior period (2024: 16.4%). Statutory operating profit from continuing operations, including non-underlying items (see below), was £179.7 million (2024: £151.7 million).

Net finance costs

Underlying net finance costs were £87.8 million, substantially lower than the prior period (2024: £105.1 million) as a result of lower average net debt year-on-year, in particular following the disposal of the remaining 40% interest in Carlsberg Marston's Limited (CMBC) part way through FY2024. Please see the Debt and Financing section below for a breakdown of the components of net debt.

Underlying net finance costs include £34.8 million relating the business's securitised debt (2024: £35.3 million), £11.9 million relating to bank borrowings (2024: £25.4 million), £23.3 million relating to other lease related borrowings (2024: £22.9 million), a £19.0 million expense relating to IFRS 16 lease liabilities (2024: £19.2 million) and £(1.2) million of other items (2024: £2.3 million). There was a non-underlying charge of £3.6 million relating to the Group's interest rate swaps (2024: £32.2 million).

Profit before tax

As a result of a £12.7 million increase in underlying operating profit and a £17.3 million decrease in underlying net finance costs, underlying profit before tax from continuing operations increased year-on-year by £30.0 million, or 71.3%, to £72.1 million (2024: £42.1 million). Statutory profit before tax from continuing operations was £88.3 million (2024: £14.4 million), with the difference reflecting a net non-underlying profit of £16.2 million, the details of which are set out below.

Non-underlying items

There was a net non-underlying profit of £16.2 million before tax. This included a £22.9 million net gain representing net reversals of previous impairments of freehold and leasehold property values, following the external estate valuation of the Group's effective freehold properties and the impairment review of the Group's leasehold properties, partially offset by £3.1 million of reorganisation, restructuring and relocation costs and a £3.6 million net expense in respect of interest rate swap movements.

In the prior period, there was a net non-underlying loss from continuing operations of £27.7 million before tax, consisting of a net loss of £32.2 million in respect of interest rate swap movements and £1.2 million of restructuring costs, partially offset by £5.7 million of net impairment reversals from the 2024 property revaluation and leasehold impairment review.

Taxation

The underlying tax charge was £18.3 million (2024: £9.0 million), with an underlying effective tax rate of 25.4% (2024: 21.4%). The effective rate is slightly higher than the standard rate of corporation tax primarily due to the impact of disallowed depreciation on non-qualifying assets offset by a prior period tax credit.

Financial review continued

Taxation continued

We expect the underlying effective tax rate to be approximately in line with the standard rate of corporation tax in future years.

Tax on non-underlying items was a credit of £1.6 million (2024: £12.1 million), driven primarily from the recognition of a £5.4 million deferred tax asset from capital losses, previously derecognised, arising from the upward revaluation of land and buildings.

The statutory tax charge was £16.7 million (2024: credit of £3.1 million) on statutory profit before tax from continuing operations of £88.3 million (2024: £14.4 million), with an effective tax rate of 18.9% (2024: negative effective tax rate of 21.5%). The effective tax rate for prior periods including discontinued operations was positively impacted by income from associates, now discontinued, recognised on a post-tax basis.

Profit after tax and earnings per share

The statutory profit after tax from continuing operations was £71.6 million, compared to £17.5 million in the prior period. In the prior period, there was a loss of £36.0 million from discontinued operations, including an impairment of the carrying value of the CMBC investment and losses on disposal. The statutory profit from both continuing and discontinued operations in the current period was £71.6 million compared to a loss of £18.5 million in the prior period.

Basic underlying earnings per share from continuing operations increased 63.5% to 8.5 pence per share (2024: 5.2 pence per share). Total statutory basic earnings per share were 11.3 pence (2024: loss of 2.9 pence).

Capital expenditure

Our capital expenditure strategy was set out at the CMD, with a near-term target spend of 7-8% of revenue, including projects to enhance the estate through differentiated formats. Making progress on this, capital expenditure was £61.2 million in the current period (2024: £46.2 million), representing 6.8% of revenue (2024: 5.1% of revenue). Of the total expenditure, £8.0 million was spent on 31 format conversions, including 21 Two-door, 5 Grandstand and 5 Woodie's. Since re-opening, these conversions have delivered sales uplifts of 23% with EBITDA returns on investment in excess of 30% in trading to date. In addition, we continued to invest in maintaining our core business and in our IT platforms.

Property and disposals

The Group's policy is to revalue its effective freehold estate on an annual basis and review its leasehold estate annually for impairment. The Group conducts an annual external valuation of all its properties to assist with this process, with all pubs inspected on a rotating basis. Approximately one-third of the estate undergoes physical inspection each year, while the remainder is subject to a desktop valuation. In June 2025, Christie & Co carried out an external valuation, the results of which are reflected in the full year accounts.

The carrying value of the estate is £2.2 billion (2024: £2.1 billion). Following the valuation, the Group recognised a £22.9 million net impairment reversal of freehold and leasehold properties in the income statement (2024: £5.7 million), and a £109.8m unrealised surplus on the revaluation of properties (2024: £80.8 million) together with a £38.6 million reversal of past revaluation surplus (2024: £39.8 million) in other comprehensive income.

During the current period, the Group generated £6.4 million in net proceeds from non-core pub disposals (2024: £46.9 million), mainly reflecting the end of the prior period's strategic disposal programme.

The Group ended the period with 1,328 pubs (2024: 1,339 pubs), of which 1,182 were operating under the managed or partnership models (2024: 1,182) and 146 were operating under the tenanted and leased models (2024: 157 pubs).

Pensions

The balance on our defined benefit scheme was a £15.4 million surplus as at 27 September 2025 (2024: £13.1 million surplus). The Group will continue to pay the administrative fees associated with the scheme but is currently making no other contributions to the scheme.

Net asset value

The table below shows the main movements in net asset value:

	2025 £m	2024 £m	Variance £m	Variance %
Property, plant and equipment	**2,181.3**	2,069.0	112.3	5.4 %
Other assets excluding cash*	**99.1**	98.8	0.3	0.3 %
Cash*	**35.9**	45.5	(9.6)	(21.1)%
Total assets	**2,316.3**	2,213.3	103.0	4.7 %
Borrowings	**(1,241.6)**	(1,302.9)	61.3	4.7 %
Other liabilities	**(284.0)**	(255.6)	(28.4)	(11.1)%
Total liabilities	**(1,525.6)**	(1,558.5)	32.9	2.1 %
Net assets	**790.7**	654.8	135.9	20.8 %
Net asset value per share	**£1.25**	£1.03	£0.22	21.4 %

* 'Cash' in this table refers to cash and cash equivalents, together with other cash deposits.

Net assets increased to £790.7 million (2024: £654.8 million), with a net asset value per share of £1.25 (2024: £1.03). The main changes in net asset value were an increase in property, plant and equipment as a result of the property revaluation and the capital investment made in the business, a decrease in borrowings net of cash due to the positive progress made in generating free cash flow in the year, and an increase in deferred tax liabilities, largely as a result of the property revaluation gain.

Financial review continued

Cash flow

A summary of the Group's cash flow is shown below:

	2025 £m	2024 £m
Cash adjusted total EBITDA	**203.1**	192.8
Working capital movement	**3.0**	8.2
DB pension contributions	**(1.6)**	(7.5)
Corporation Tax payments	**(5.3)**	0.1
Net cash inflow from operating activities excluding CMBC dividend	**199.2**	193.6
Net interest (incl finance lease capital repayments received)	**(83.2)**	(98.2)
Capex	**(61.2)**	(46.2)
Bank fees and swap termination costs	**(0.9)**	(5.6)
Purchase of and sales proceeds from own shares	**(0.7)**	–
Recurring free cash flow (RFCF)	**53.2**	43.6
CMBC dividend	**–**	13.8
Sale of property, plant and equipment and assets held for sale	**6.4**	46.9
Disposal of associates	**(2.8)**	205.5
Net cash flow (NCF)	**56.8**	309.8
Debt repayments and transfers from other cash deposits	**(66.4)**	(291.9)
Net increase/(decrease) in cash and cash equivalents	**(9.6)**	17.9

There was a net cash inflow from operating activities of £199.2 million (2024: £207.4 million, £193.6 million excluding the CMBC dividend). Within this, working capital timing differences were £3.0 million (2024: £8.2 million). There were £1.6 million of payments in relation to the defined benefit pension scheme (2024: £7.5 million) following the cessation of c. £6 million annual cash contributions at the end of FY2024. Cash tax payments were £5.3 million (2024: repayments of £0.1 million), comprising payments in respect of FY2024 and payments on account for FY2025 under the 'large company' regime. As the Group's taxable profits increase, it expects to move into the 'very large company' regime in FY2026 which will result in c. 18 months of cash tax charges being included in the FY2026 cash flow.

Net interest costs including finance lease capital repayments received were £83.2 million (2024: £98.2 million) and capital expenditure was £61.2 million (2024: £46.2 million). After bank fees, swap termination costs, and the purchase of and sales proceeds from own shares, recurring free cash flow was £53.2 million (2024: 43.6 million), meeting the target set out at the CMD of recurring free cash flow of over £50 million a year.

Taking into account disposals proceeds received of £6.4 million (2024: £46.9 million), a CMBC dividend of £nil (2024: £13.8 million) and cash outflows in relation to the disposal of the Group's remaining 40% interest in CMBC of £2.8 million (2024: inflow of £205.5 million), net cash flow for the period was £56.8 million (2024: £309.8 million).

Mandatory securitised loan note repayments of £43.8 million (2024: £41.5 million), repayments of the capital element of lease liabilities relating to IFRS 16 of £8.6 million (2024: £8.4 million) and other debt repayments and transfers from other cash deposits of £14.0 million (2024: £242.0 million) resulted in an overall decrease in cash and cash equivalents of £9.6 million (2024: increase of £17.9 million).

Debt and financing

Net debt, excluding IFRS 16 lease liabilities, was £837.5 million (2024: £883.7 million), a reduction of £46.2 million. Including IFRS 16 lease liabilities of £368.2 million (2024: £373.7 million), total net debt was £1,205.7 million (2024: £1,257.4 million).

The Group has continued to make progress in net debt reduction during the year; with net debt:EBITDA excluding IFRS 16 falling from 5.2x in 2024 to 4.6x at the period end. Leverage including IFRS 16 reduced from 6.5x to 5.9x.

The Group's financing, providing an appropriate level of flexibility and liquidity for the medium term, comprises:

Debt types	Repayment/ expiry date or average length	Debt (£m)	Cash balances (£m)	Net Debt (£m)
Securitisation	2035	516.7	21.4	495.3
Securitisation liquidity facility (£120m)		–	–	–
Marston's Issuer PLC's cash		–	0.4	(0.4)
Securitisation totals		516.7	21.8	494.9
Other lease related borrowings	2047–2058	338.9	–	338.9
Bank facility (£200.0m)	July 2027	21.0	14.1	6.9
Unamortised issue costs		(3.3)	–	(3.3)
Seasonal overdraft (£5m–£10m)		–	–	–
Bank facility totals		17.7	14.1	3.6
Preference shares		0.1	–	0.1
Total excluding IFRS 16 lease liabilities		873.4	35.9	837.5
IFRS 16 lease liabilities	24 years, on average	368.2	–	368.2
Total		1,241.6	35.9	1,205.7

Financial review continued

Debt and financing continued

The securitisation debt is loan notes issued in 2005 and 2007, secured on ring-fenced properties. It is long-term debt with predictable debt servicing (capital and interest payments). All floating rate notes are economically hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable. The weighted average fixed interest rate payable by the Group on its securitised debt as at 27 September 2025 was 6.4%. The terms of the securitisation require a liquidity facility to be in place, of which £nil was drawn at year end.

'Other lease related borrowings' is debt recognised against properties subject to sale and leaseback arrangements with repurchase options available to the Group at nominal value. The obligations under these arrangements do not fall within the scope of IFRS 16 "Leases" and are accounted for in accordance with IFRS 9 "Financial Instruments", with the assets treated as "effective freeholds". Caps and collars are in place to limit the index-linked increases in interest costs. Currently, no capital repayments are being made on the borrowings, which are economically similar to mortgages; repayment of the capital element is expected to begin in FY2033 with full repayment by 2058.

During the current period, the Group successfully secured a one-year extension to its banking facility, which was due to expire in July 2026. The revised bank facility to July 2027 is for £200.0 million, of which £21.0 million was drawn at the year end.

IFRS 16 lease liabilities are obligations from leases including sale and leaseback arrangements that completed without an option to repurchase the asset at nominal value.

The Group holds three interest swaps in relation to its borrowing facilities with a net valuation of £(53.9) million as at the period end (2024: £(59.0) million), which are excluded from net debt.

The vast majority of our borrowings are long-dated and asset-backed, including the securitisation debt. The loan to value of securitised debt, which is decreasing year-on-year, is currently 41% (2024: 46%), and the loan to value of net debt excluding lease liabilities is 44% (2024: 50%).

In summary, we have adequate cash headroom in our financing structures to provide operational flexibility. Importantly, all of our medium to long-term financing is hedged or contains caps and collars, thereby minimising any exposure to interest rate movements. Good progress has been made in deleveraging the business and we expect this progress to continue moving forwards.

Capital allocation and shareholder returns

As set out at our CMD, our capital allocation framework is focused on enhancing long-term shareholder value through a disciplined balance of delivering strong returns on investment and deleveraging. The Board is pleased that the Group has delivered initial EBITDA returns in excess of 30% on expansionary capital. In addition, deleveraging has continued and net debt to EBITDA before IFRS 16 has fallen from 5.2x in FY2024 to 4.6x at this period end. However, leverage remains higher than target and, as such, no dividend will be paid in respect of FY2025.

Shareholder returns remain a core part of our capital allocation strategy and are planned once leverage (excluding IFRS 16) falls below 4.0x. Given the significant discount between net asset value per share and the share price, consideration will be given at that point to the use of cash for share buy backs alongside or instead of other returns of capital, taking into account further planned debt reduction, the requirement of cash for growth investment and the availability of distributable reserves.

Going concern

Having considered the Group's forecast financial position and exposure to principal risks and uncertainties, including cost and inflationary pressures, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. Accordingly, the financial statements have been prepared on the going concern basis. Full details are included in note 1 of the financial statements. This forecast predates the Autumn Budget 2025 and therefore does not include the impact of any specific measures which may be announced.

Notes:

- Prior period was a 52-week period to 28 September 2024.
- The Group uses a number of alternative performance measures (APMs) to enable management and users of the financial statements to better understand elements of financial performance in the period. APMs are explained and reconciled in Note 15 to the financial statements.