



Interim Results 2014





Ralph Findlay

Chief Executive Officer





Highlights

- 1. Good trading performance, in line with our expectations**
 - Growth in core profits in each trading segment
 - Earnings per share up 10.8%
- 2. Strategic initiatives contributing to performance in H1**
 - 11 new pub-restaurants performing well; at least 27 forecast this year
 - Franchise-style agreements transforming our community pubs
 - 286 pubs and similar properties sold, generating £116m for re-investment
- 3. Financing – further £46m long-term financing agreed**
 - £155m of long-term property leases provide secure 35-40 year finance
 - Funding new-build development
- 4. Dividend increased by 4.3% to 2.4 pence per share**



Market dynamics

1. Economic recovery benefiting regions

- Wage growth of 1.7%, above inflation of 1.6% in March
- Discretionary spend supported by declining rate of inflation
- Unemployment rate lower than in 2013

2. Positives for Marston's

- Pubs increasing share of growing eating-out market *(source: Allegra Foodservice)*
- Growth in the regions
- Community pubs showing growth - adapting to consumer trends
- Growth in premium/local/craft beer

3. Sector relationship with government improving

- Two years of lower beer duty, escalator scrapped
- **But:** outcome of BIS review awaited

Increasing ROC: 9.6% in 2010, 10.8% in 2013



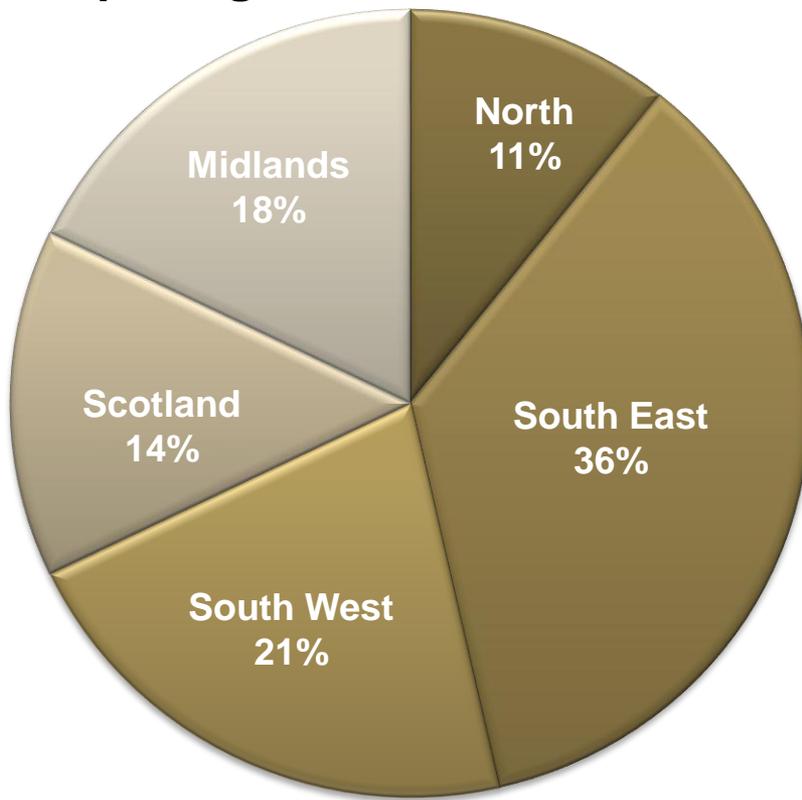


Estate development: Vision

	Operating model	2013	2014 H1	2016	2014 profit per pub
Destination and Premium	Managed	349	356	c.430	£270k
Taverns	Franchised, Managed	1,316	1,078	c.800	£55k
Leased	Leased	385	341	c.320	£80k
		2,050	1,775	c.1,550	

100 new-builds: 2009-2014

2014 openings



New-builds: Looking forward



National programme

- 30% southern sites
- 25 Scottish pubs in next 5 years



Accelerated growth

- Increased rate of growth to 25-30 per annum
- Strong pipeline of sites with visibility to 2017

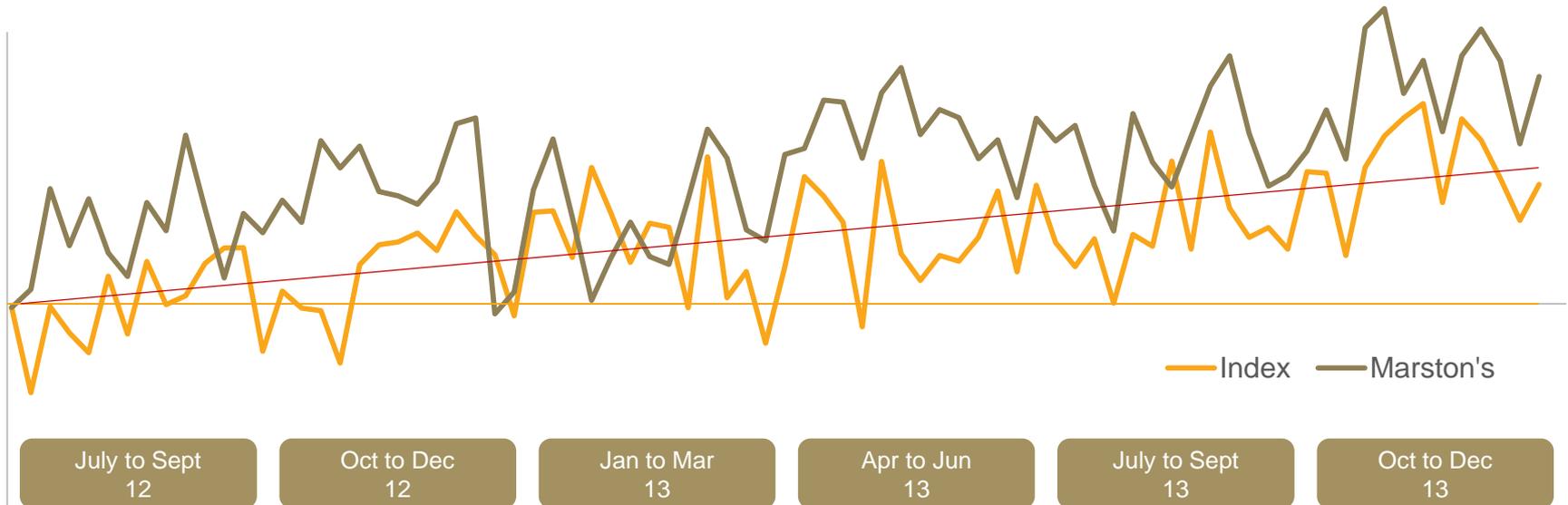


Incremental opportunity

- Lodges – 4 currently operated, 15 pubs with lodge capability
- Alternative locations – not reliant on retail parks



Destination: Customer satisfaction growing ahead of market



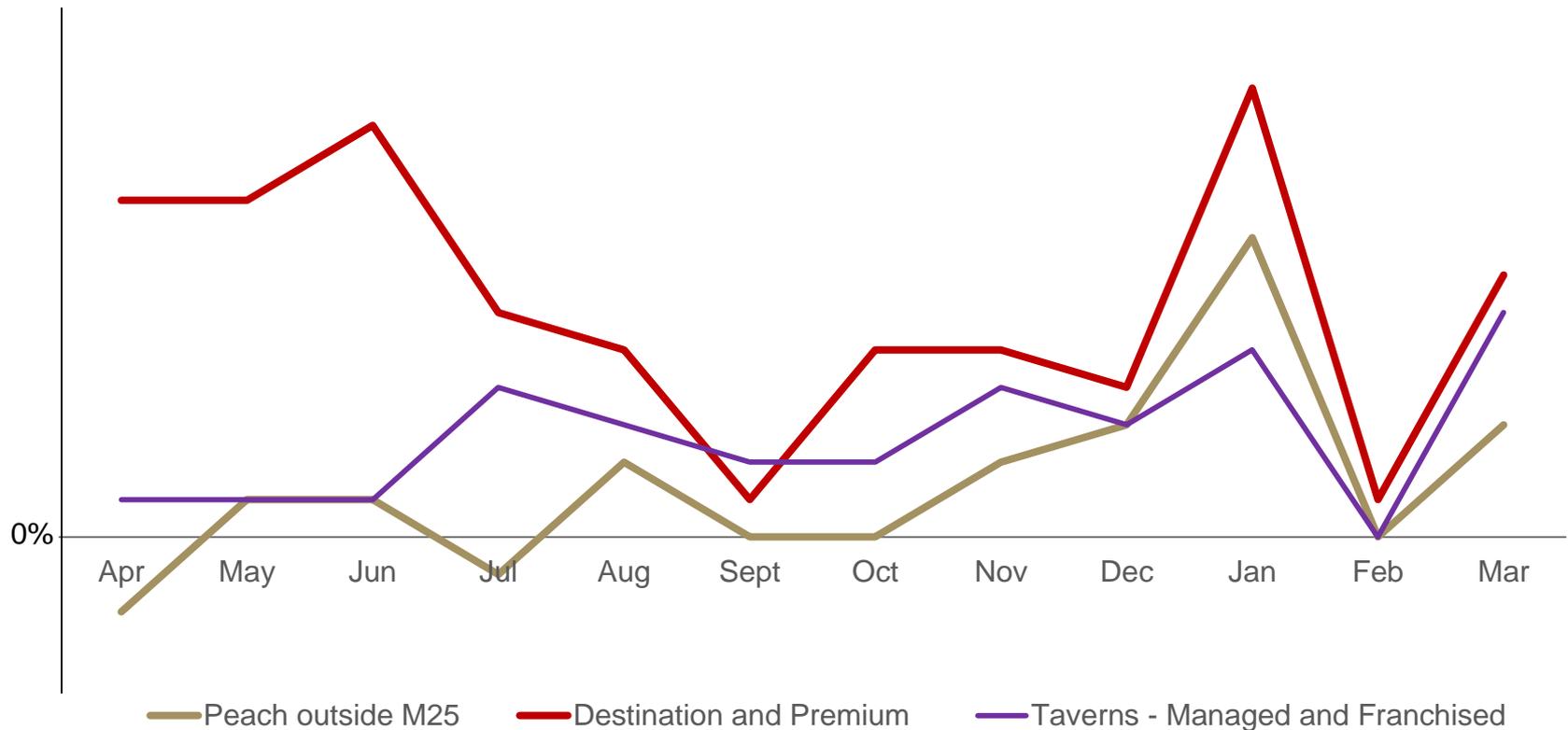
Source: Empathica. Data from 1 July 2012 to 12 January 2014
Satisfaction improvement since w/c 1 July 2012

Spend per head	Starters and desserts	Hot drinks
+4%	+19%	+12%



Like-for-like (LFL) sales growing ahead of market

Marston's vs. Peach Tracker – LFL sales



Revere – premium, independent



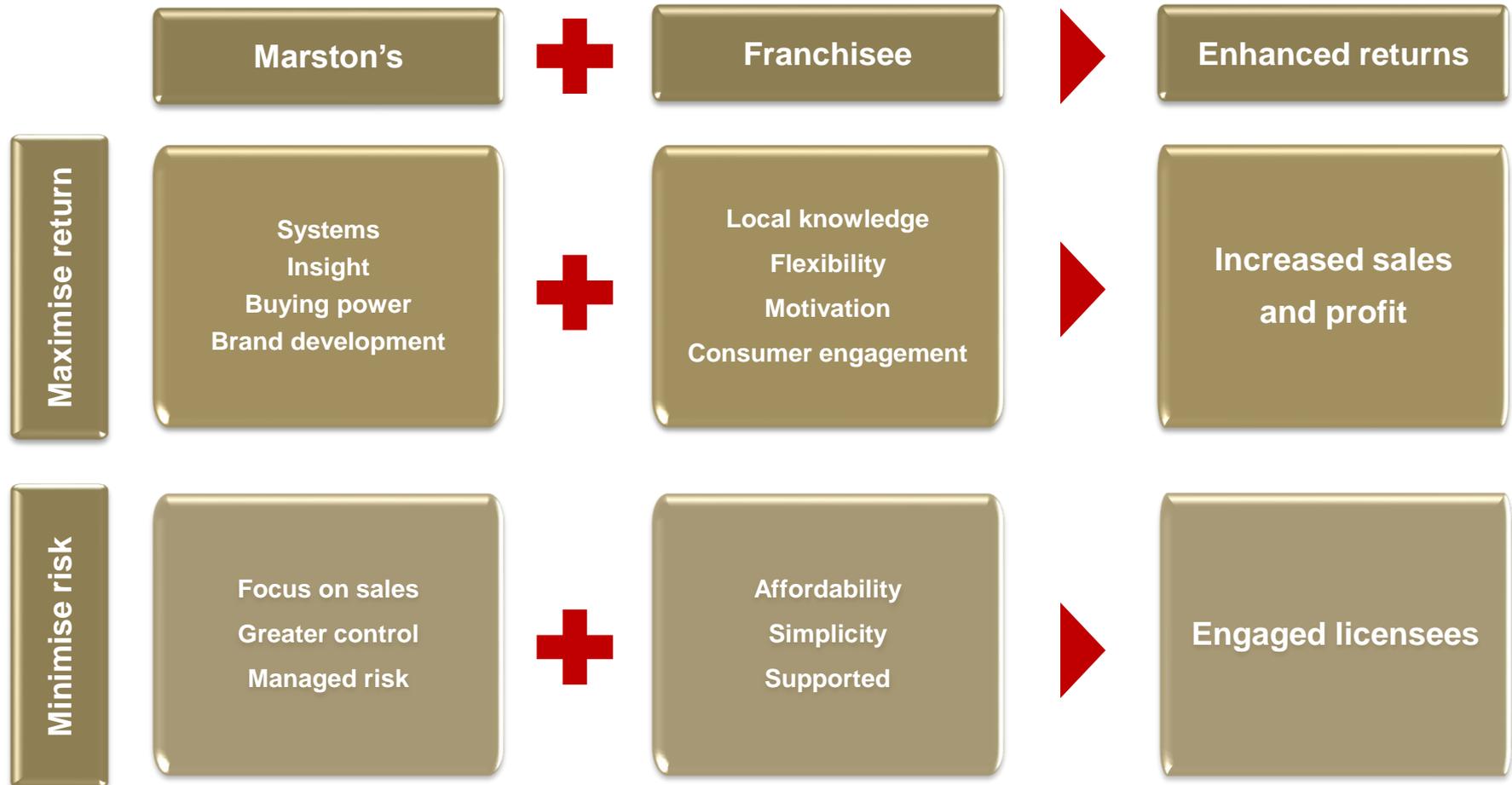
Sales	+86%
Meals served	+7%
Food spend per head	+76%
Drinks served	+30%
Price per drink	+49%
REVPAR	+32%
Return on investment	30%

**Florentine, Sheffield
(converted Nov 2013)**



Improving the strength of our premium offer

Franchise: Enhanced returns from Taverns



The evolution of franchise

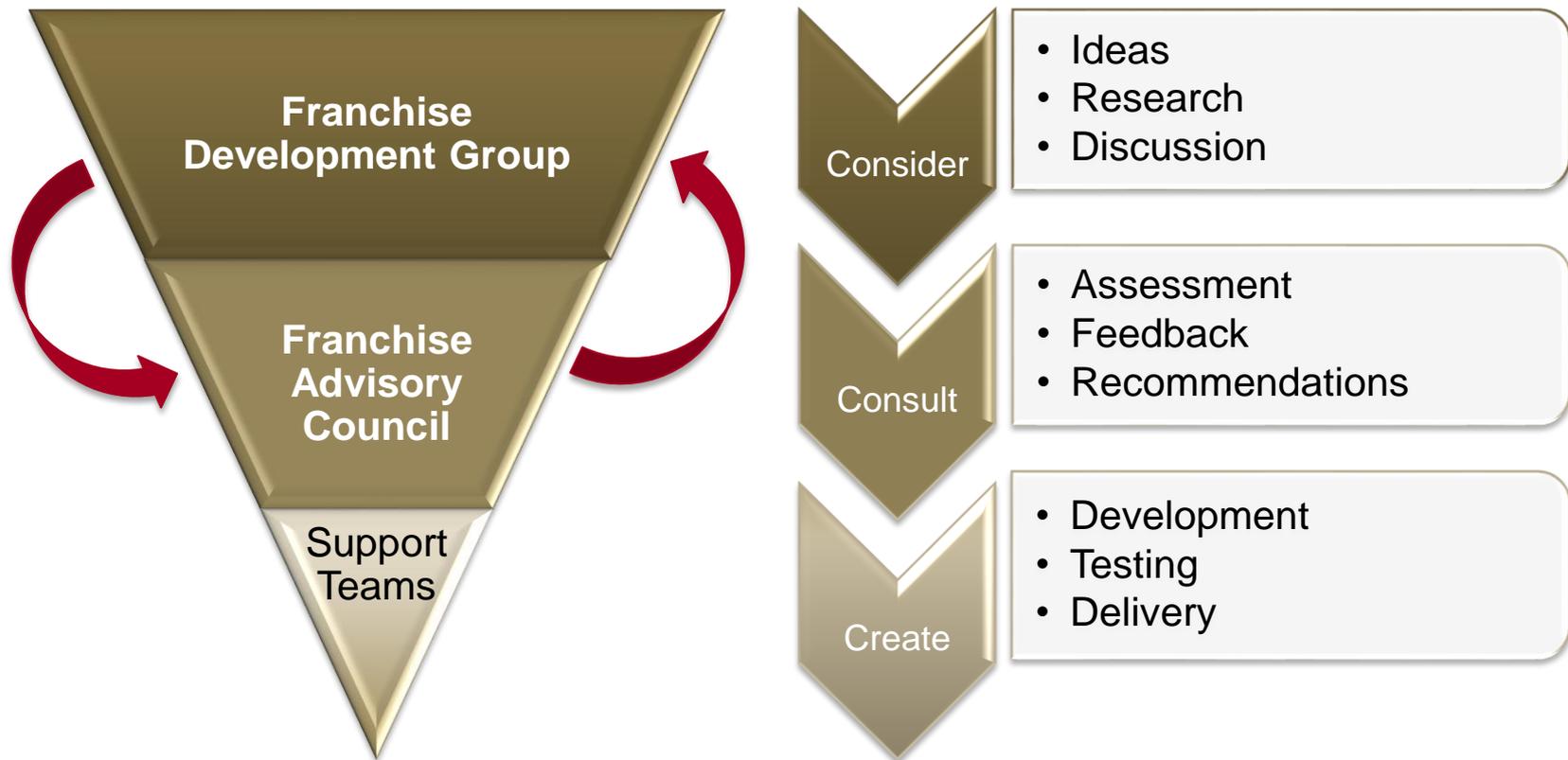




Two models for community pubs

	Retail Agreement	Pub Franchise
	Lowest risk	Greatest opportunity
Network performance		
Weekly turnover range	£5-10k	£10-20k
Operating margin	20%	20%
Food sales mix	10-30%	30-50%
Franchisee		
Sales	20%	20%
Profit	-	20%
Franchise fee	-	1.5% marketing levy
Capital requirement	£5k deposit	£15k

Genuine engagement with franchisees





Franchise in action

Revenue
+27%

Meals served
+25%

Drinks served
+26%

Operating profit
+50%

Margin
+3%

ROI
40%



The Fairway in Sheffield
Converted to franchise in 2013 with c£100k investment



Estate development: Disposal of non-core pubs

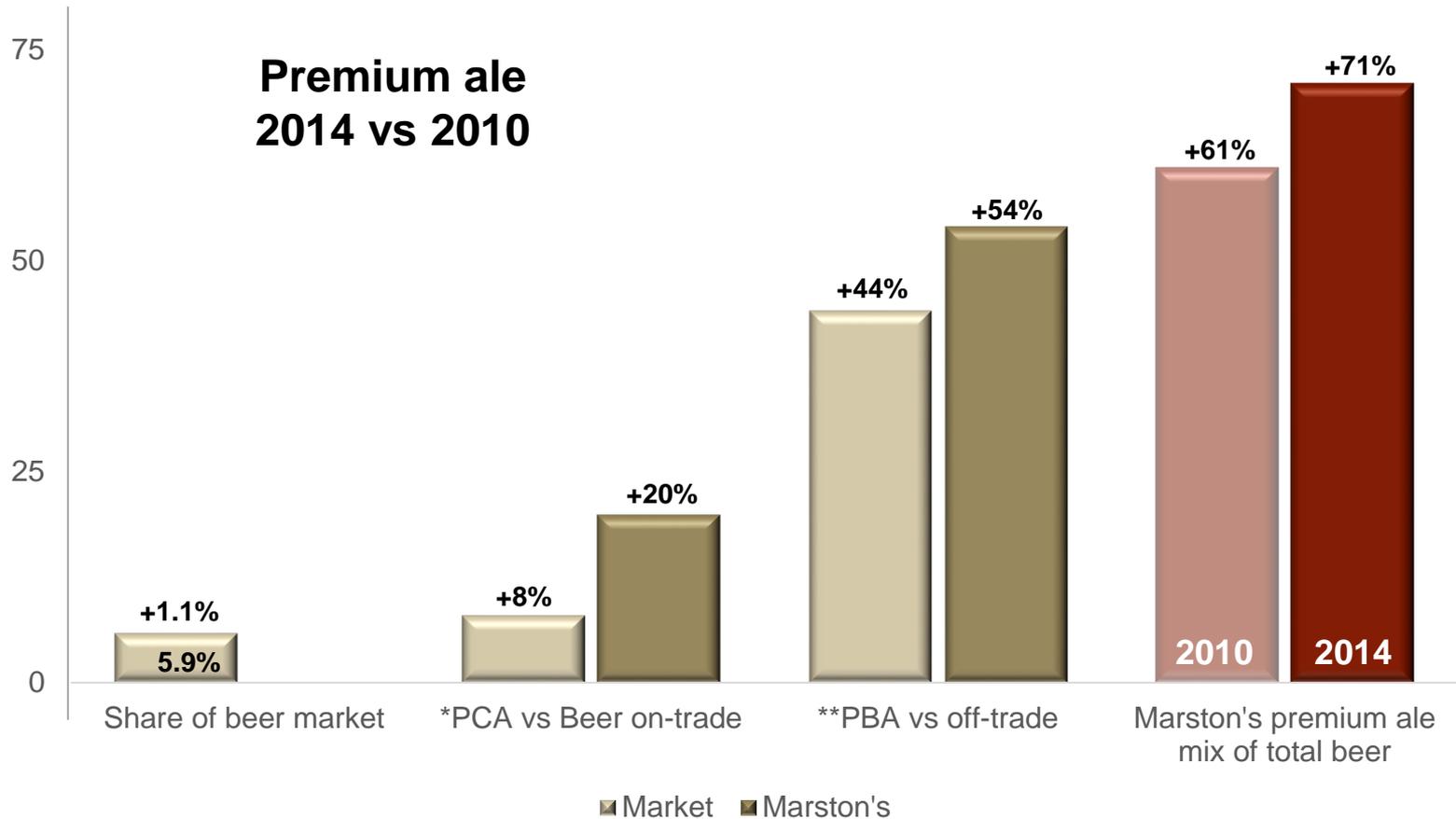
**FY 2014 and FY 2015 target
£210-230m proceeds at c.11-12x multiple**

**Portfolio disposal
202 pubs
£90m at 7.6x multiple
Exceeds cash value of pubs**

**Around 400 single sites
£60m-70m per annum
Double-digit multiple**



Premiumisation driving beer market – and Marston's

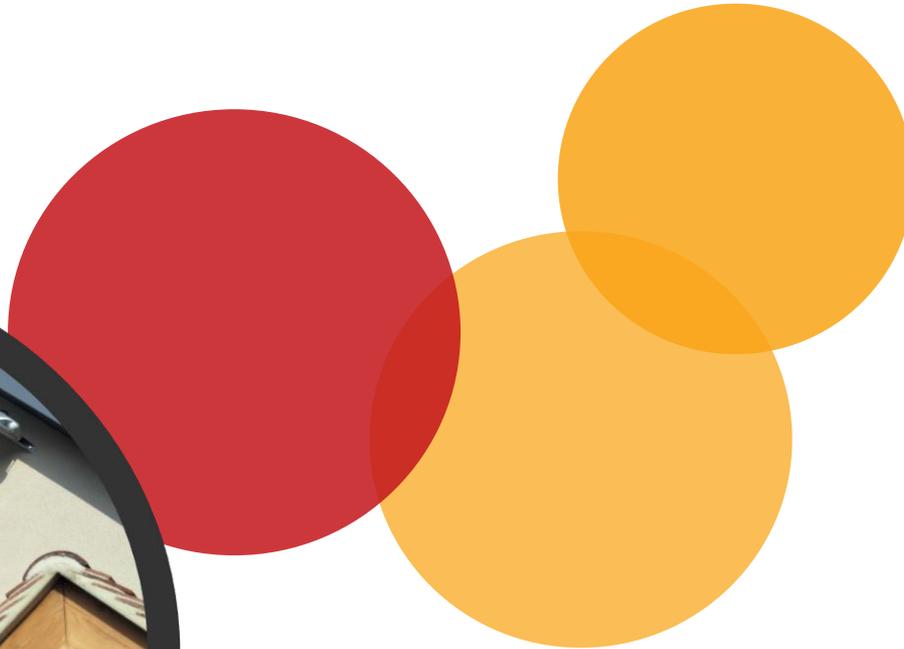


*PCA – Premium Cask Ale
**PBA – Premium Bottled Ale



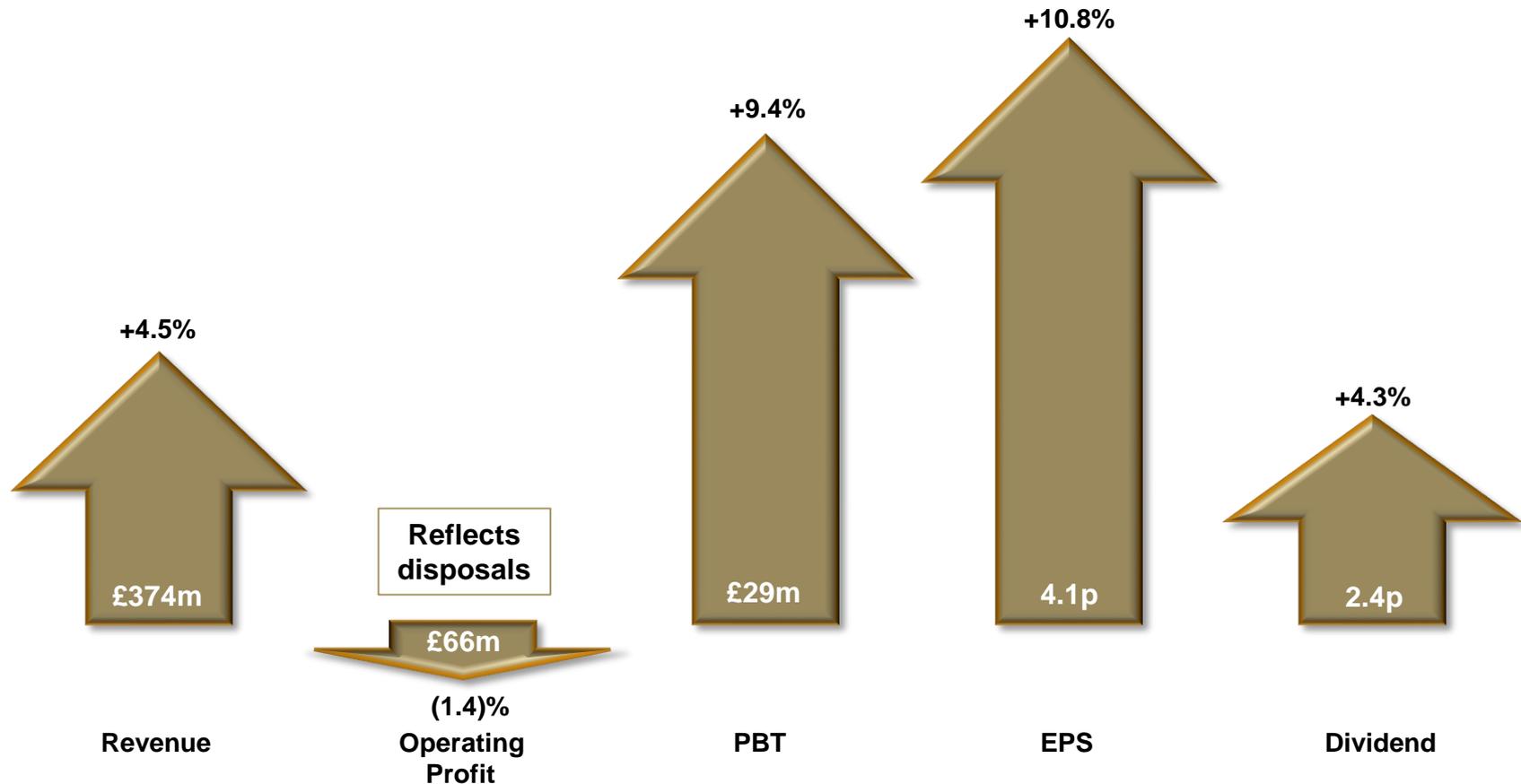
Andrew Andrea

Chief Financial Officer



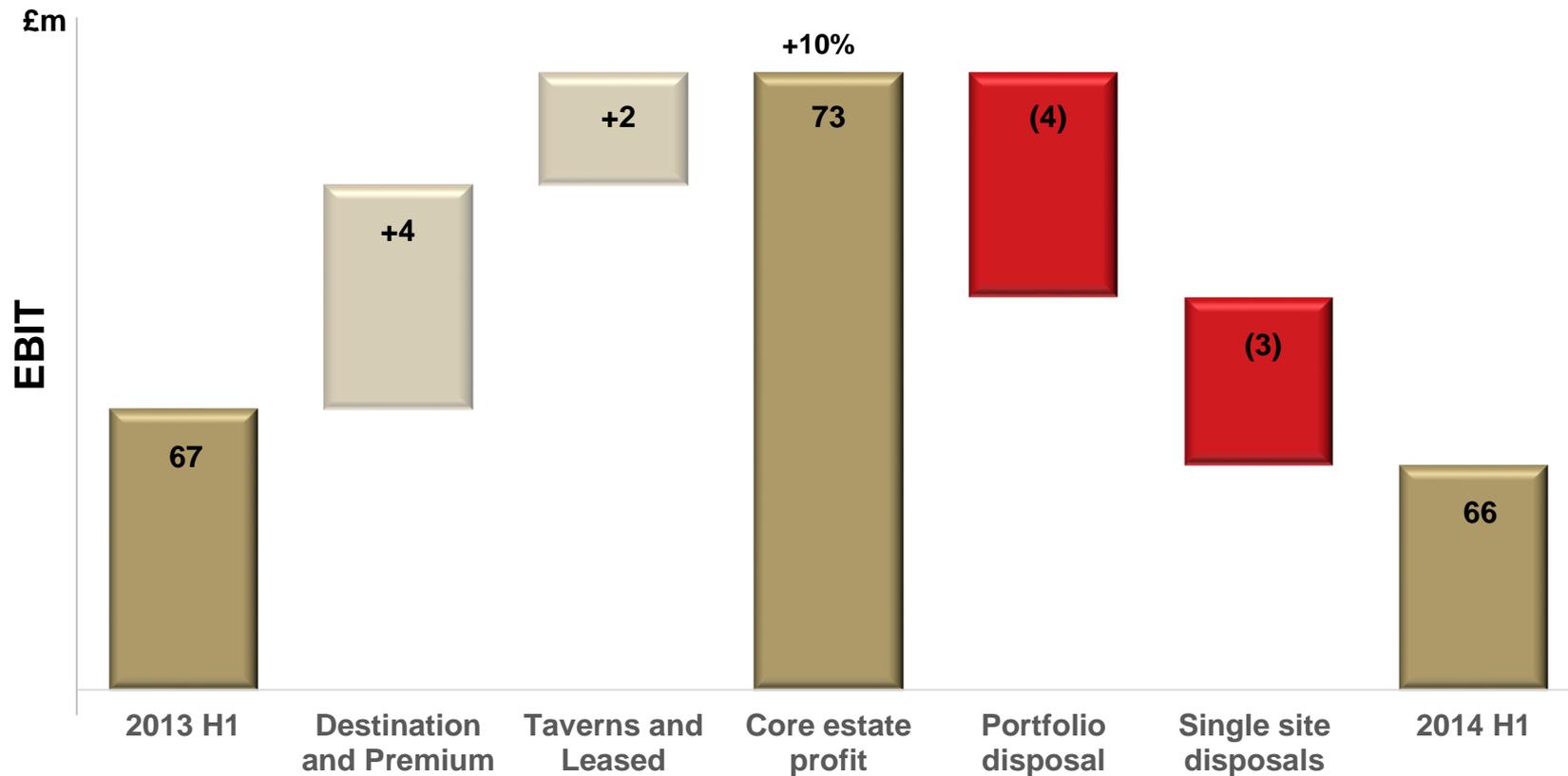


Financial summary



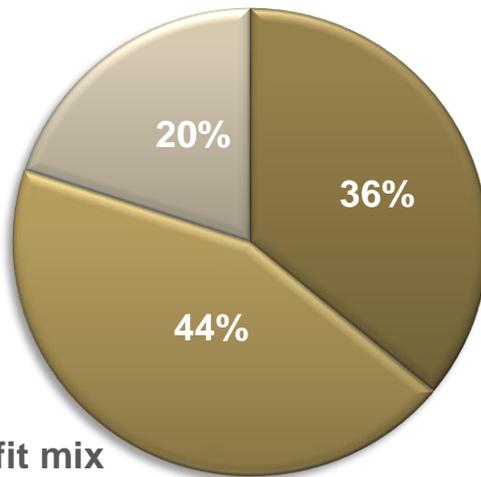


Core estate pub performance

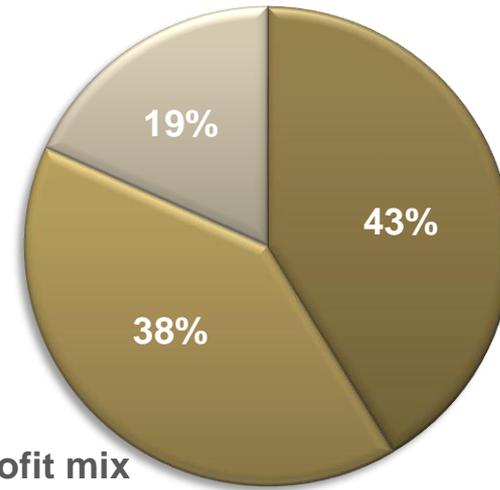


Pub segmentation

FY 2014	Operating profit £m	No. of pubs	Average no. of pubs
Destination and Premium	28.6	356	351
Taverns	25.1	1,078	1,171
Leased	12.5	341	361
Total	66.2	1,775	1,883



H1 2013 profit mix



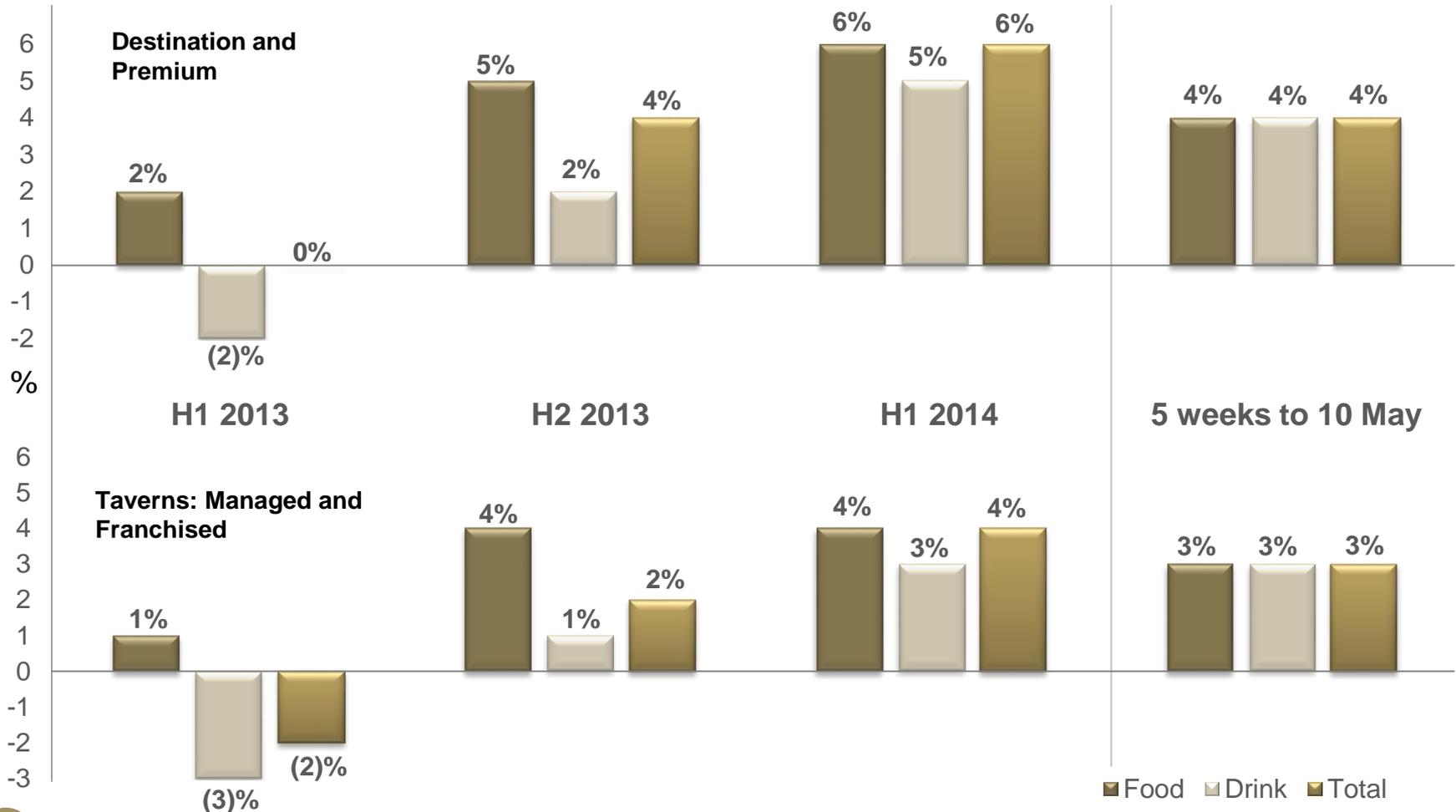
H1 2014 profit mix

Destination and Premium
 Taverns
 Leased

Destination and Premium
 Taverns
 Leased



LFL sales



Strong H1 across all pub segments, positive H2 momentum



Leased

Quality estate delivering growth

- H1 LFL profit growth +3.0%
- £80k average EBITDA
- 50% wet/rental mix

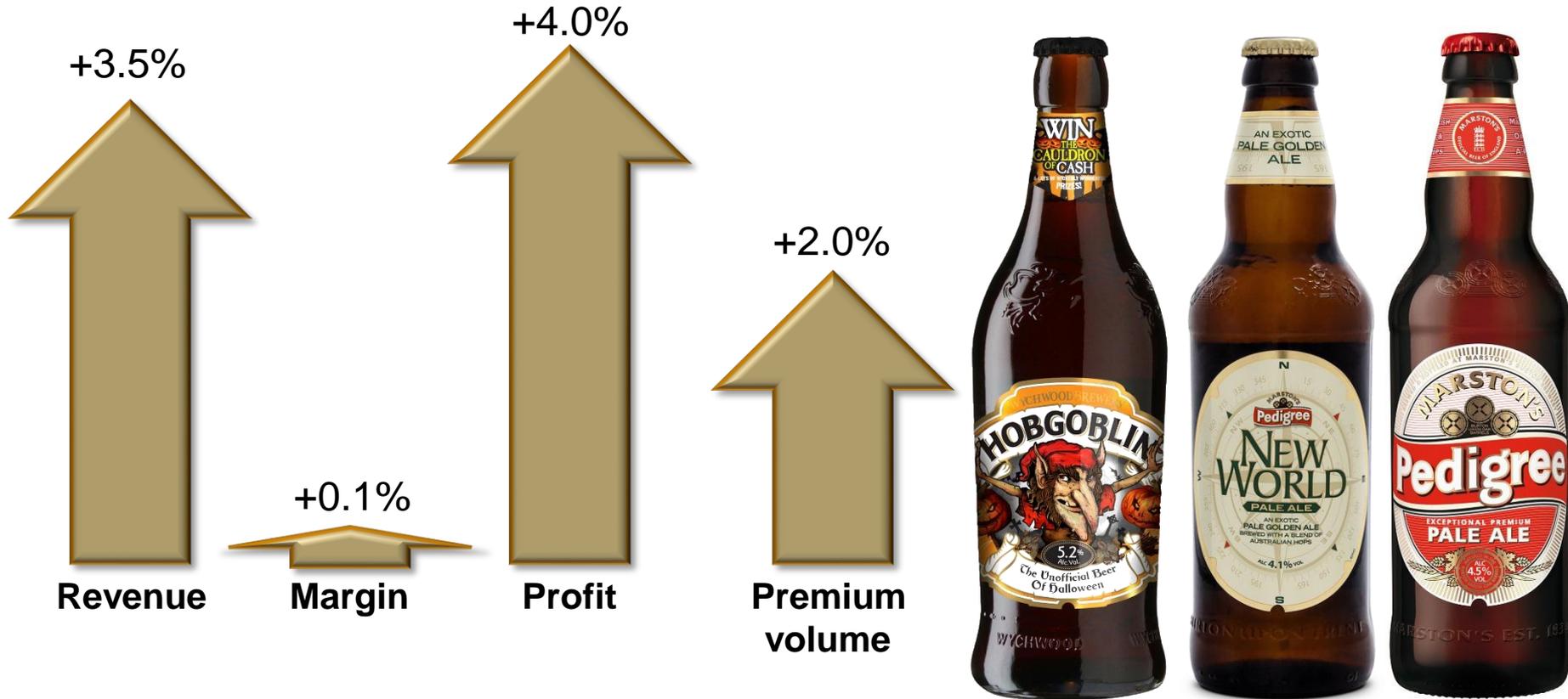
Income stability

- Licensee stability > 90%
- Bad debt < 0.1% of turnover
- Moderate capital investment reintroduced

Current trading: profit estimated to be up 5% in 5 weeks to 10 May



Brewing



Current trading: Group ale volumes up 6% in 5 weeks to 10 May



Cashflow summary

£m	H1 2014	H1 2013	Comments
EBITDA	84	86	Reflects disposals
Operating cashflow	46	69	Working capital timing (movement in half year). Expect full-year reversal.
Net interest	(44)	(44)	
Pre-investment FCF	2	25	
Organic capex	(32)	(39)	
Disposals	116	18	Includes £90m portfolio disposal
Dividend	(23)	(22)	Higher final dividend paid in H1
FCF pre new-build capex	63	(18)	
New-build capex	(41)	(40)	11 in H1, 16 in H2
Net underlying cashflow*	22	(58)	

FCF= free cashflow
* before swap termination costs



Financing structure

	Securitised	Non-securitised	2014	2013
	Visible, smooth amortising debt to 2035*	£257.5m bank facility to November 2018 £155m property leases 35-40 year term		
Debt £m	904	286	1,190	1,194
Debt:EBITDA	7.0x	3.9x	5.9x	6.1x
Target	6.0x	3.5x	5.0x	
Debt:EBITDA (exc property leases)			5.1x	5.6x

*Amortisation schedule in appendices



Innovative property leases

	Balance at 5 April 2014	Term	Initial yield	P&L interest
2013	£109m	35-40 yrs	5.3%	6.6%
2014	£46m	40 yrs	4.6%	6.4%
Total	£155m		5.1%	6.5%

- “Sale and leaseback” where freehold reverts at nil cost
 - Retains freehold tenure
- Innovative financing unique to sector to fund building of pubs
- Long-dated finance, no covenants, substitution clause



Pensions and property

1. Pension

- Current accounting deficit £0.2m, cash deficit £27m
- Intention to close to future accrual from 30 September 2014
 - Currently 291 active members
- Next triennial valuation September 2014

2. Property

- Increased frequency of valuation - every 3 years
 - To confirm valuation uplift in new-build pubs
- Next valuation in H1 2015
 - Last external valuation July 2012



Summary

1. **Strong underlying profit growth**
2. **Strategic plans well advanced**
3. **Progressive dividend increase**
4. **Outlook**
 - Encouraged by early positive trading momentum in second-half
 - Signs of improving consumer confidence

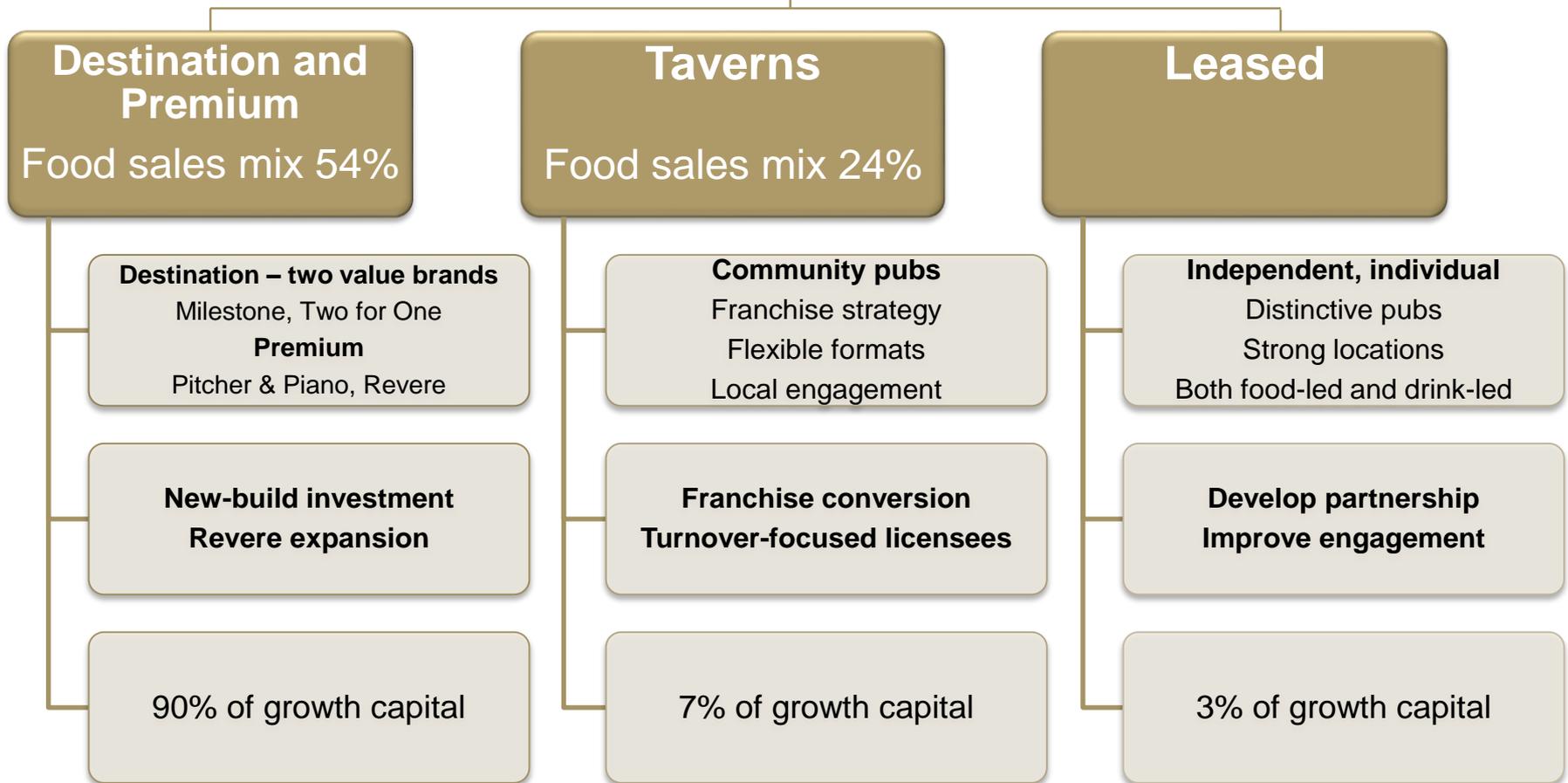


Appendices



Pub segmentation

INNS AND TAVERNS





Pub numbers

	Destination and Premium	Taverns	Leased	Total
At 29 September 2012	328	1,429	393	2,150
New-build additions	22	-	-	22
Disposals	(1)	(113)	(8)	(122)
At 5 October 2013	349	1,316	385	2,050
New-build additions	11	-	-	11
Disposals	(4)	(238)	(44)	(286)
At 5 April 2014	356	1,078	341	1,775
2013 average numbers	339	1,379	390	2,108
2014 average numbers	351	1,171	361	1,883

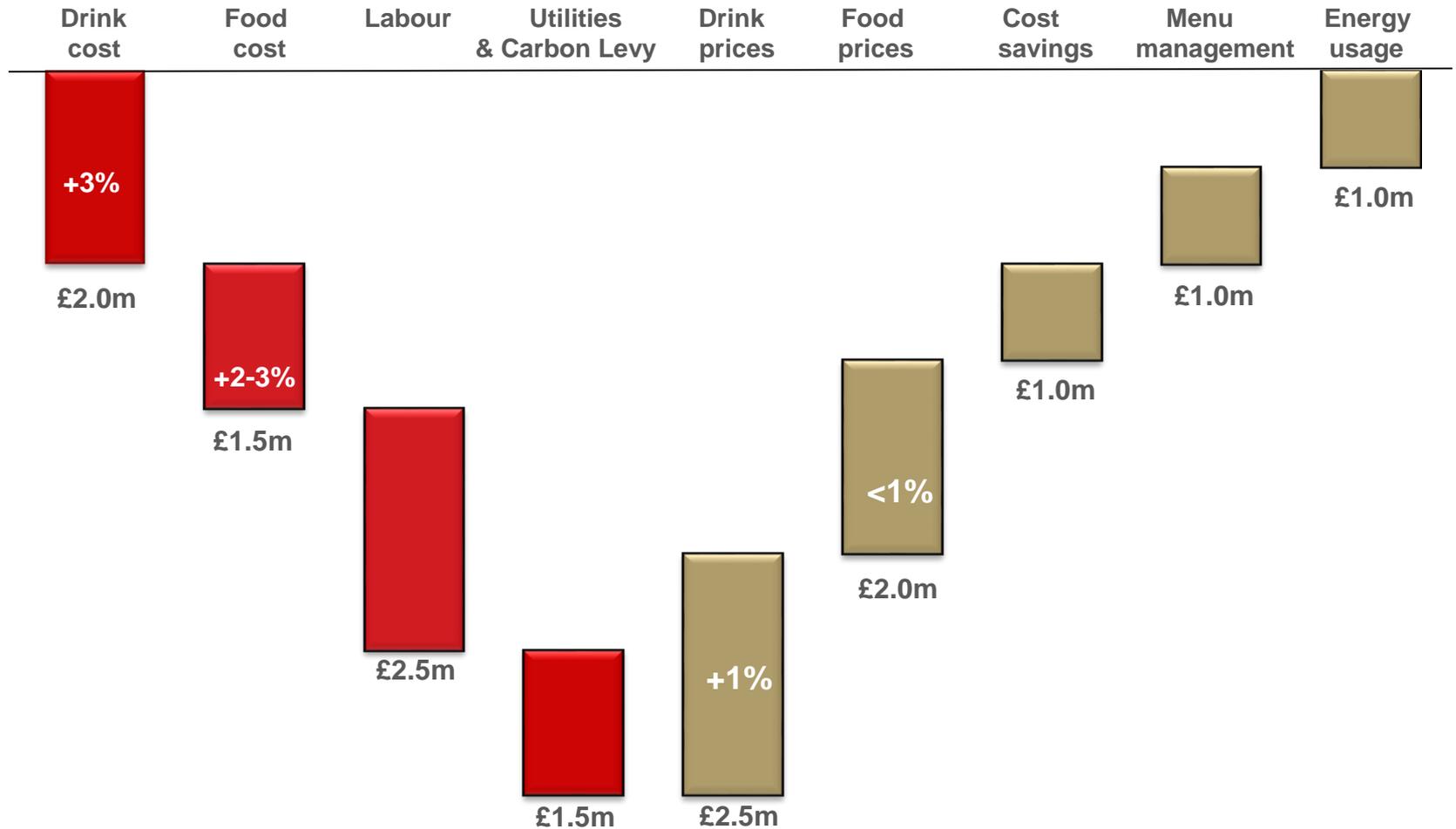


H1 segmental profit

	2014	2013	
	£m	£m	%
Revenue			
Destination & Premium	173.9	154.7	12.4%
Taverns (inc AHFS)	113.2	117.2	(3.4%)
Leased	25.2	26.3	(4.2%)
Beer Division	62.0	59.9	3.5%
Group Services	0.0	0.0	
Total	374.3	358.1	4.5%
EBITDA			
Destination & Premium	36.3	31.6	14.9%
Taverns (inc AHFS)	29.5	35.0	(15.7%)
Leased	13.5	14.2	(4.9%)
Beer Division	11.5	11.6	(0.9%)
Group Services	(6.8)	(6.8)	-
Total	84.0	85.6	(1.9%)
EBIT			
Destination & Premium	28.6	24.2	18.2%
Taverns (inc AHFS)	25.1	29.8	(15.8%)
Leased	12.5	13.1	(4.6%)
Beer Division	7.8	7.5	4.0%
Group Services	(8.3)	(8.0)	(3.8%)
Total	65.7	66.6	(1.4%)
Margin %			
Destination & Premium	16.4%	15.6%	0.8%
Taverns (inc AHFS)	22.2%	25.4%	(3.2%)
Leased	49.6%	49.8%	(0.2%)
Beer Division	12.6%	12.5%	0.1%
Total	17.6%	18.6%	(1.0%)
Finance costs	(36.7)	(40.1)	8.5%
Profit before tax	29.0	26.5	9.4%



2015 cost outlook





Capex and tax guidance

	Forecast 2014	Forecast 2015	Comments
New-build capex	£80m	£90m	27 sites 2014, 30 sites 2015
Pub growth	£25m	£25m	
Pub maintenance	£20m	£20m	2015 – new EPOS system
Brewing and Group	£15m	£15m	
Total	c.£140m	c.£150m	
Disposals	c.£150-160m	c.£60-70m	
Net capex	£(20)-(10)m	£80-90m	
Tax rate	c.20%	c.20-22%	
Average number of shares in 2014		570.7m	
Number of shares in issue at 5 April 2014		570.8m	
Additional dilutive number of shares		6.1m	



Prior year impact of IAS 19 changes

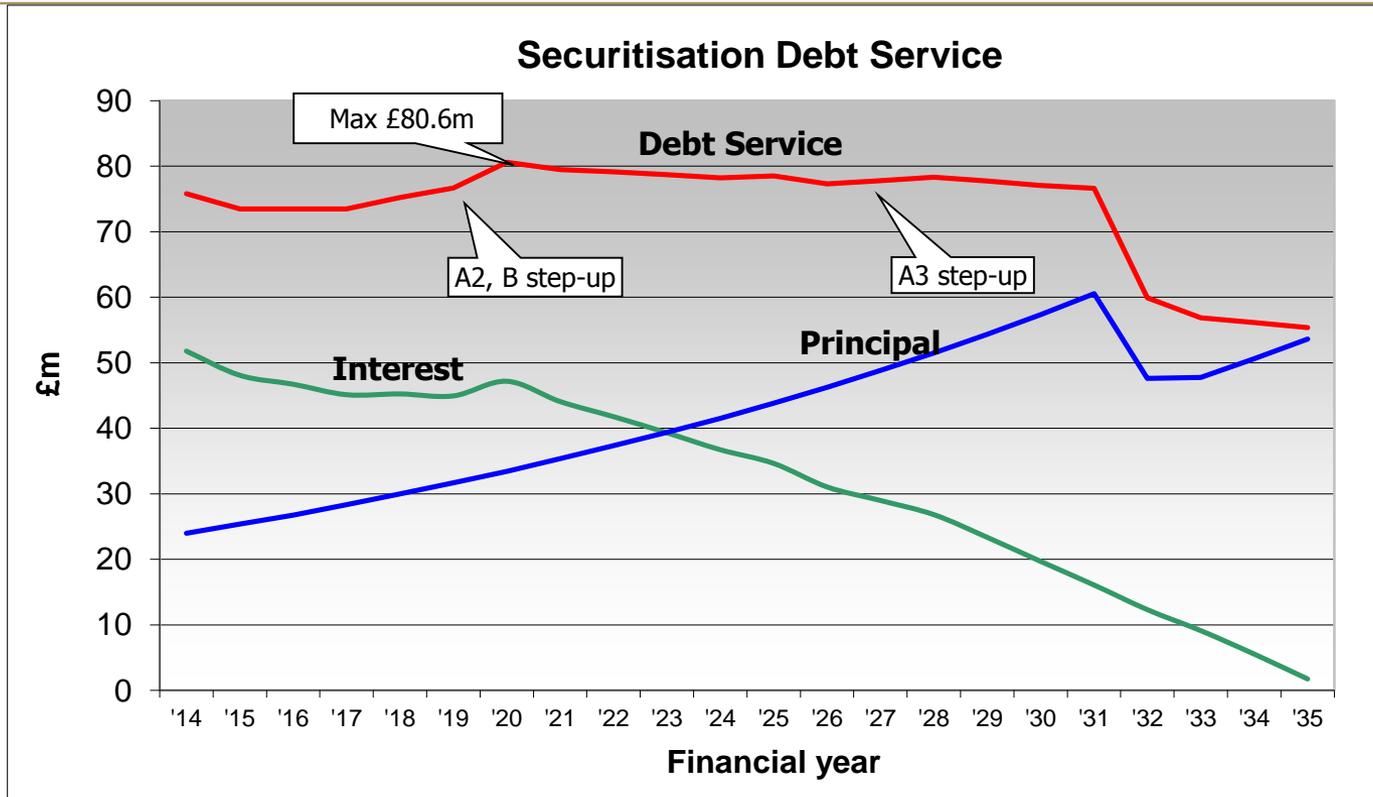
						30/03/2013	05/10/2013
Impact on the Group income statement						£m	£m
						-	(0.1)
						(1.1)	(2.2)
						0.2	0.6
						(0.9)	(1.7)
						30/03/2013	05/10/2013
Impact on the Group statement of comprehensive income						£m	£m
						(0.9)	(1.7)
						1.1	2.3
						(0.2)	(0.6)
						-	-
						30/03/2013	05/10/2013
Impact on the Group cash flow statement						£m	£m
						-	(0.1)
						-	0.1
						-	-
						30/03/2013	05/10/2013
Impact on earnings per share						p	p
						(0.2)	(0.3)
						(0.1)	(0.3)
						(0.1)	(0.3)
						(0.2)	(0.3)



Securitised debt profile

Tranche	Type	Principal outstanding at 5 April 2014	Step-up date	Final maturity date
A1	Floating	£123.4m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£211.5m	October 2012	2031
B	Fixed/Floating	£155.0m	July 2019	2035
Total		£903.9m		

Securitisation profile



		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	24.0	25.4	26.7	28.4	30.0	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	51.8	48.1	46.7	45.1	45.3	45.0	47.2	44.1	41.8	39.3	36.7	34.6	31.1	29.0	26.8	23.4	19.7	16.1	12.3	9.1	5.6	1.8
Debt Service	£m	75.8	73.5	73.5	73.5	75.3	76.7	80.6	79.5	79.1	78.7	78.2	78.5	77.3	77.8	78.3	77.7	77.1	76.6	59.9	56.9	56.2	55.4



Cash return on cash capital employed

£m	FY2013				FY2012				FY2011				FY2010			
	Bal	Depn	Reval	Total												
FIXED ASSETS:																
Goodwill	224.2			224.2	224.2			224.2	224.2			224.2	224.2			224.2
Other intangible assets	24.1	6.1		30.2	23.5	5.2		28.7	24.6	3.5		28.1	24.6	2.9		27.5
Property, plant and equipment	2,063.6	185.9	(575.3)	1,674.2	1,995.6	218.1	(560.4)	1,653.3	1,989.4	222.1	(411.4)	1,800.1	1,930.2	218.8	(401.7)	1,747.3
Other non-current assets	12.8			12.8	14.3			14.3	17.1			17.1	19.2			19.2
CURRENT ASSETS:																
Inventories	21.5			21.5	22.2			22.2	18.8			18.8	17.2			17.2
Assets held for sale	59.9			59.9	39.2			39.2	6.5			6.5	16.0			16.0
Debtors	69.0			69.0	62.5			62.5	74.5			74.5	65.3			65.3
LIABILITIES:																
Creditors *	(188.4)			(188.4)	(175.2)			(175.2)	(169.2)			(169.2)	(148.3)			(148.3)
NET ASSETS	2,286.7	192.0	(575.3)	1,903.4	2,206.3	223.3	(560.4)	1,869.2	2,185.9	225.6	(411.4)	2,000.1	2,148.4	221.7	(401.7)	1,968.4
AVERAGE NET ASSETS				1,886.3				1,934.7				1,984.3				1,965.1
EBITDA				204.1				198.6				195.8				188.6
CROCCE (Average Net Assets)				10.8%				10.3%				9.9%				9.6%

* Trade and other payables + Other non-current liabilities + Provisions for other liabilities and charges



Notes



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