



Interim Results 2013



Confident in meeting full year expectations

- Embedded management actions
- Good start to H2



Underlying performance remains strong

- New-builds driving Destination and Premium growth
- Revenue growth in Brewing
- Q2 snow has impacted trading



Interim dividend up 4.5%



Board and senior management changes

- Roger Devlin appointed Chairman from 1 September
- Stephen Oliver to retire, succeeded internally by Richard Westwood

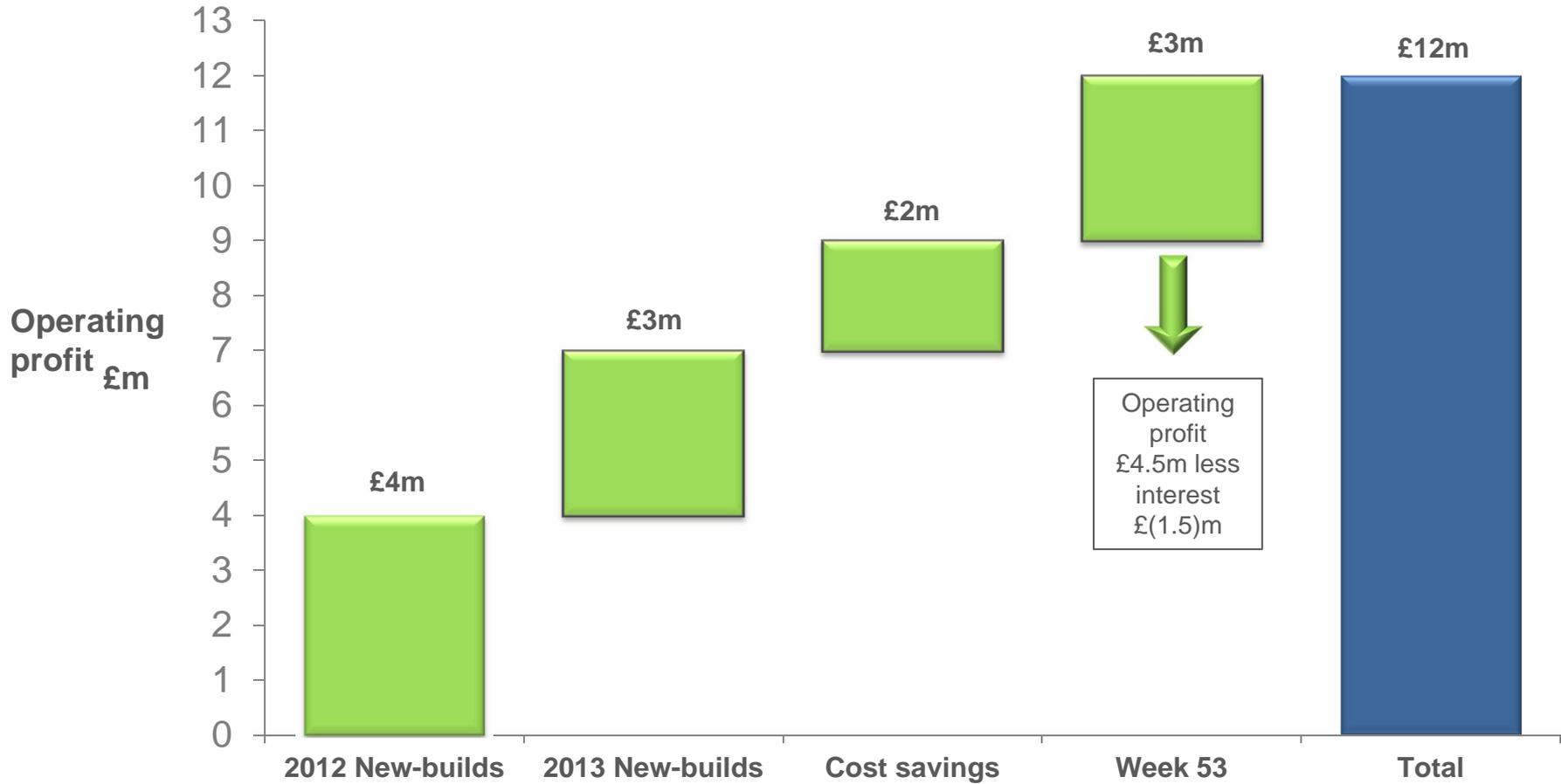
Andrew Andrea CFO



26 weeks	2013	2012	vs. LY
Revenue	£358.1m	£342.1m	+5 %
Operating Profit*	£66.6m	£67.6m	(1)%
Interest*	£(39.0)m	£(34.1)m	(14)%
Profit before tax*	£27.6m	£33.5m	(18)%
Adjusted EPS*	3.8p	4.7p	(19)%
Interim Dividend	2.3p	2.2p	+5 %

* before exceptional items

Dividend growth reflects full year confidence



Clear management actions to grow in second half

H1 2013	Operating profit £m	No. of pubs	Average no. pubs	% of profit	% of pubs
Destination & Premium	24.2	339	334	36%	16%
Taverns	29.8	1,398	1,414	44%	66%
Leased	13.1	391	392	20%	18%
Total	67.1	2,128	2,140	100%	100%

Increasing proportion of direct control

Destination and Premium – sales performance

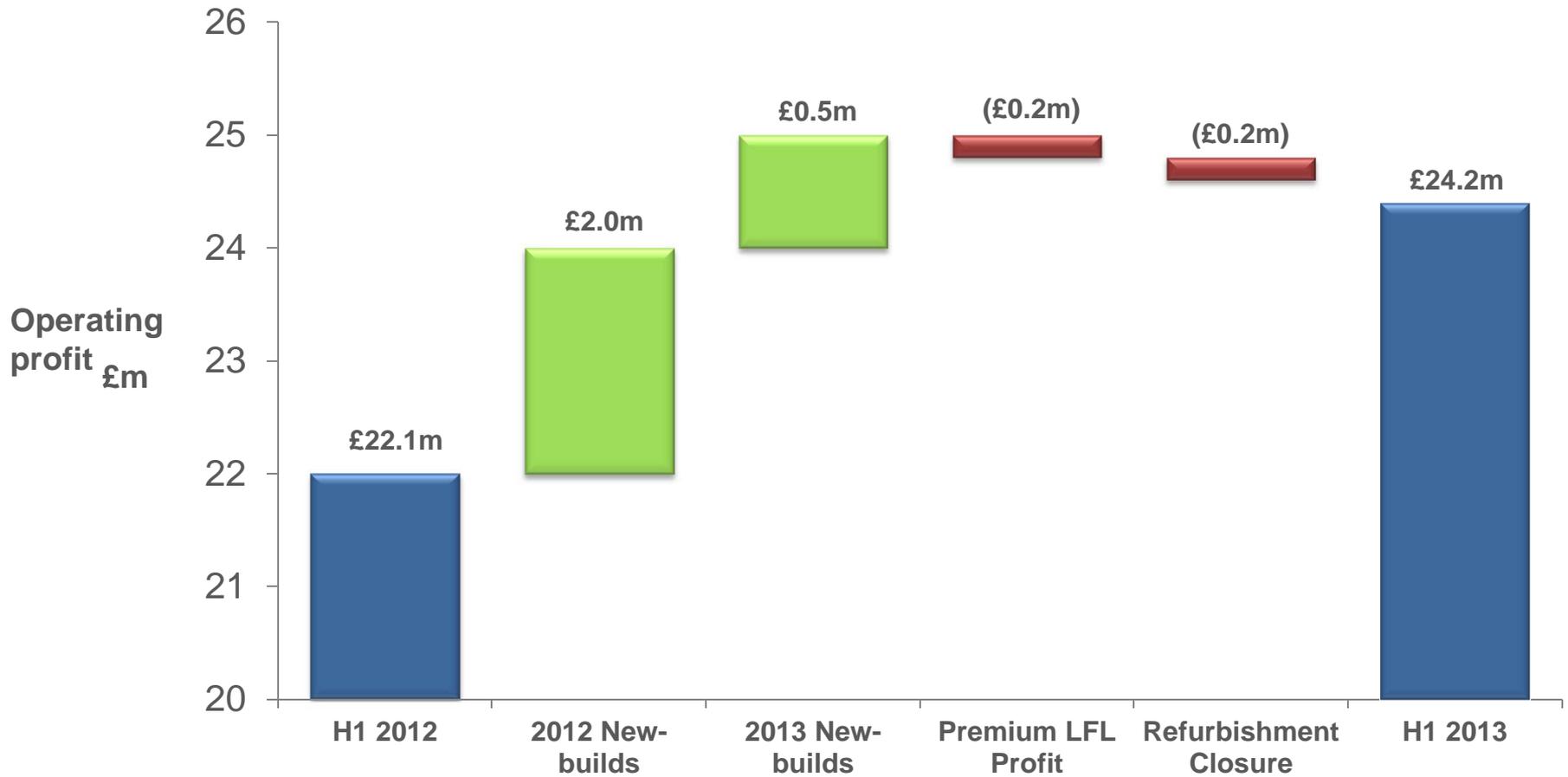
LFL %	Reported	H1 excl. snow	Weeks 27-32	Weeks 1-32
Food	2	4	9	4
Drink	(2)	2	3	(1)
Total	-	3	6	1

	2013	2012	YOY
Food mix	52%	50%	+2%

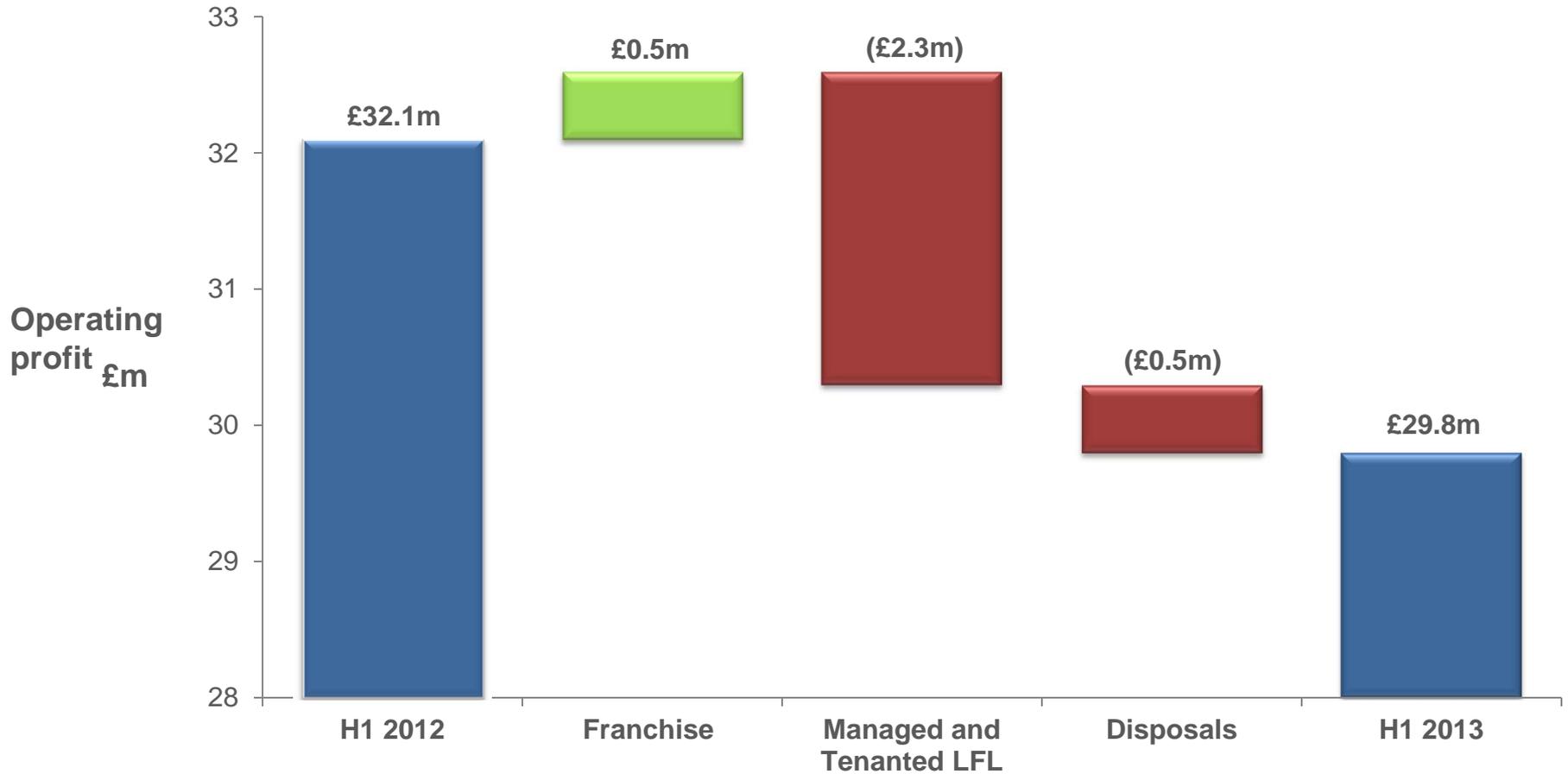


Solid underlying performance

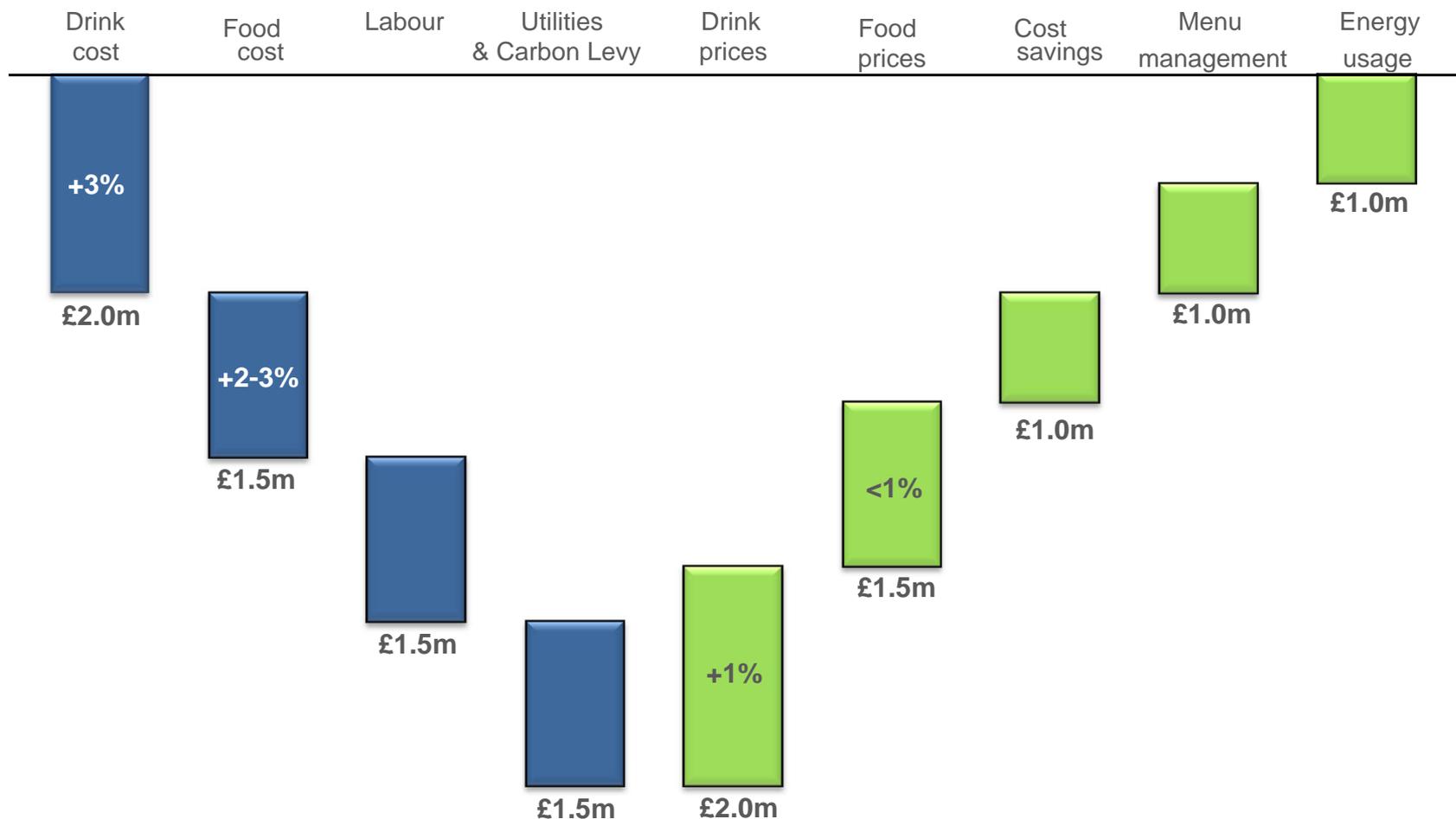
Destination and Premium profit



New-build performance strong, mitigates snow



Lower managed and tenanted LFL partly offset by franchise growth



Inflationary changes stable, less pressure to increase food prices

Revenue and volume growth

- Revenue up 12%
- Ale volume up 8%
- Strong growth in off-trade
- Market share growth

Robust financial performance

- Margins lower due to higher off-trade mix
- Operating profit flat
- Strong cash generation

2014 cost outlook

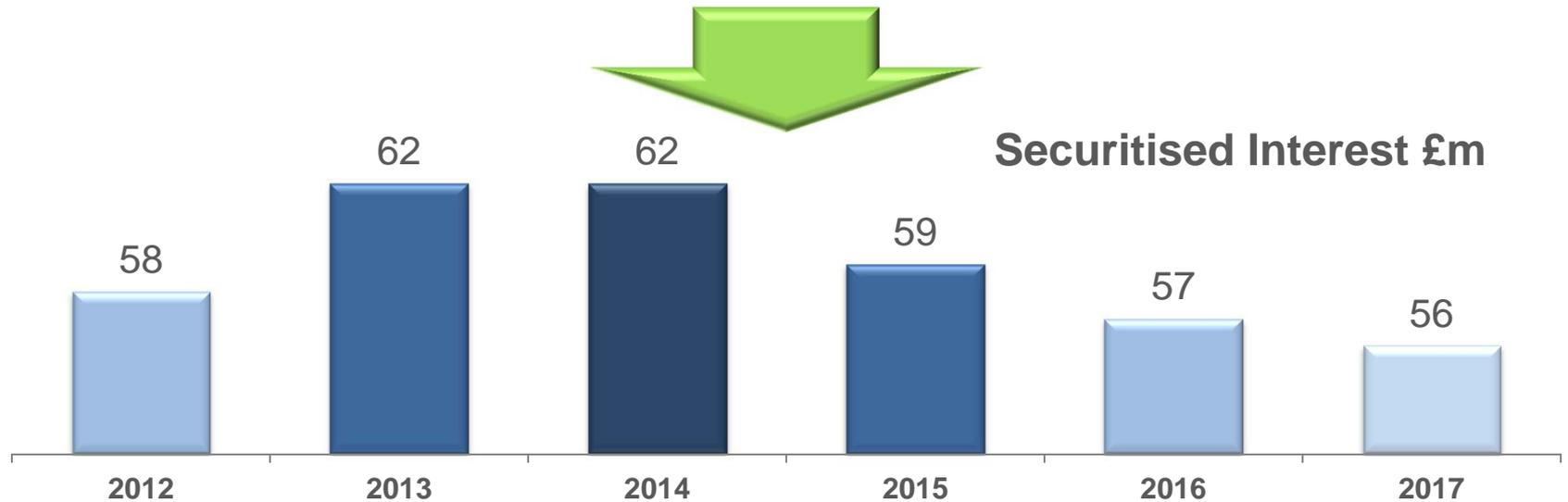
- c.£1m of cost inflation
- Mitigated through price and efficiencies



H1 interest charges



Securitised Interest £m



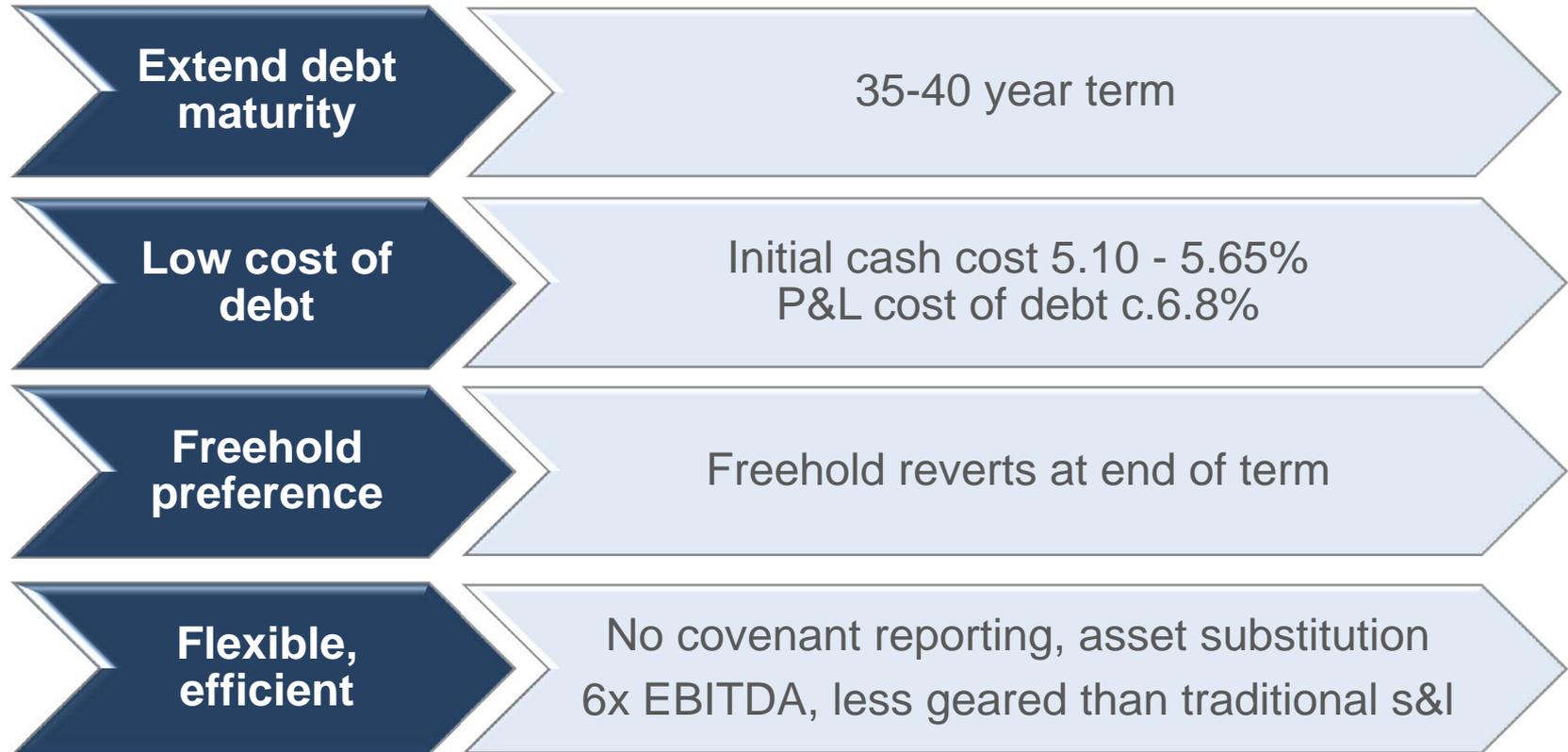
Short term increase in interest costs

£m	H1 2013	H1 2012	Comments
Operating cashflow	69	75	
Net interest	(44)	(41)	
Pre-investment FCF	25	34	
Organic capex	(39)	(33)	Front-ended capex programme
Disposals	18	23	£40-50m full year guidance
Final dividend	(22)	(21)	
FCF pre new-build	(18)	2	
New-build	(40)	(26)	Evenly phased opening profile
Net cashflow	(58)	(23)	

FCF = Free cashflow

Phased capital programme to exploit H2 opportunity

£108m long-term lease financing



Key accounting difference: classified as debt because of freehold reversion

Benefits of sale and leaseback whilst retaining freehold

As at 30 March 2013	Total £m	
Securitisation	954	Visible, consistent debt service profile
Bank	139	£257.5m facility to May 2016
Net debt excluding lease finance	1,093	
Lease finance	101	35-40 year financing
Net debt	1,194	

Flexible finance structure, 90% long dated maturity

Ralph Findlay CEO





Consumer backdrop

- Confidence remains weak, pay subdued
- Positive – increased tax-free allowance



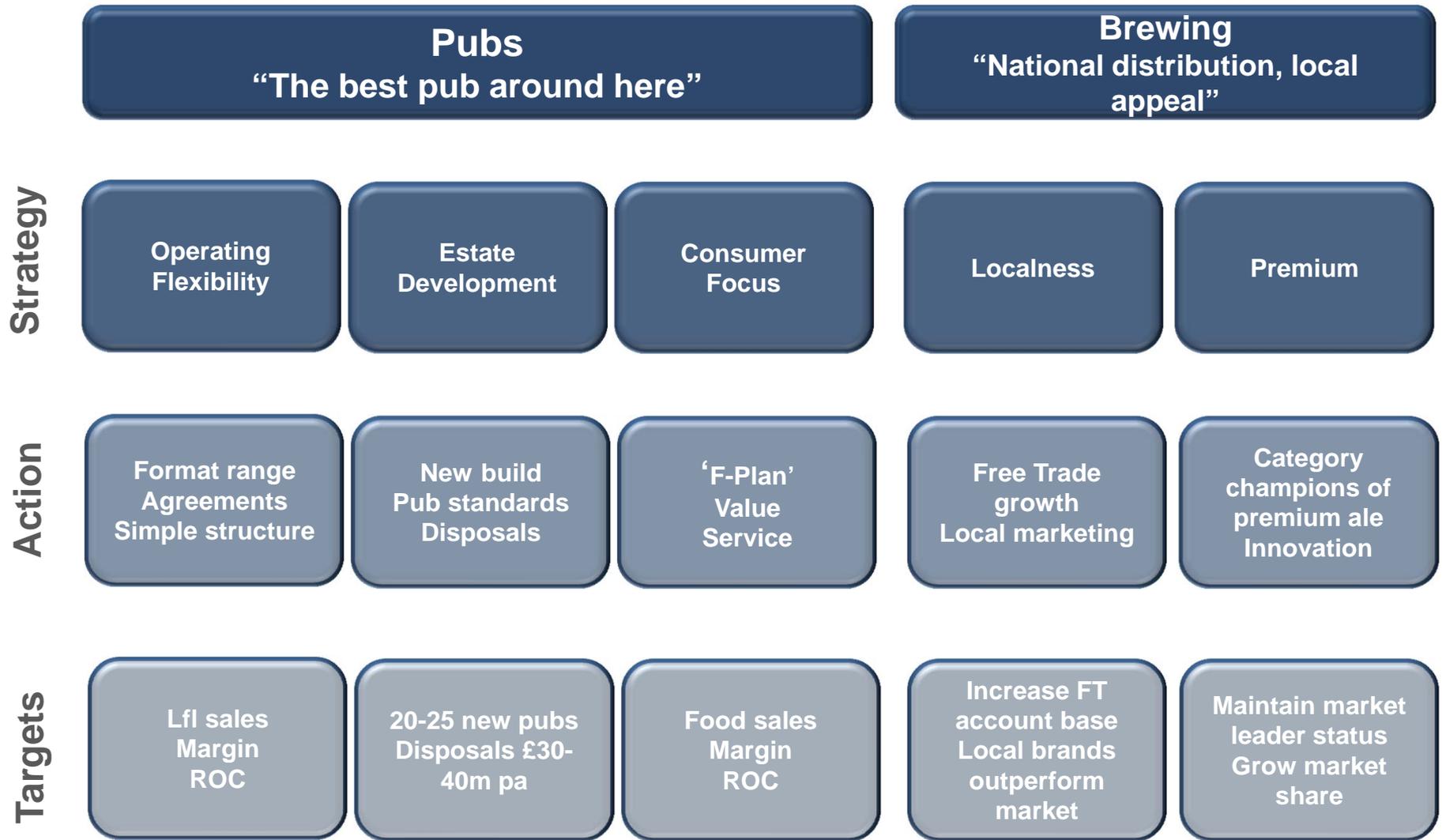
'Flight to value' offers opportunity for Marston's

- Established trend
- Pubs well placed
- Better quality + good service + price = consumers win



Government – mixed messages

- HM Treasury getting the message
- BIS 'consultation': ongoing intervention likely
- Of growing interest : food – obesity, salt, calories



Destination & Premium

Food sales mix 52%

Destination – 2 value formats

- Milestone, Two for One

Premium

- Pitcher & Piano , Revere

Taverns

Food sales mix 25%

Community pubs

- Franchise strategy
- Flexible formats
- Local engagement

Leased

Independent, individual

- Distinctive pubs
- Strong locations
- Both food-led and drink-led

New build investment
Revere expansion

Franchise conversion
Turnover focused licensees

Developing partnership
Improve engagement

90% of growth capital

7% of growth capital

3% of growth capital

Destination – four ingredients

Standards

New builds
Refurbishments

Service

'Smile'
Technology
Constant improvement

Value

Food spend c.£6.30
Service standards
Food quality

Consumer

'F-Plan'
Independent research
Competitor analysis
Focus groups



Average sales per week £19k, profit per pub £230k

New-build plans well established

2013 programme

- Nine sites completed
- 1st site in Scotland – Dunbar; Glasgow and Edinburgh Summer 2013
- Two lodges open – Chepstow, Aberystwyth
- Turnover and returns strong
- At least 20 projected for the full year

2010-2012 sites

- Continue to perform well
- LFL remain strong
- Returns c.18%

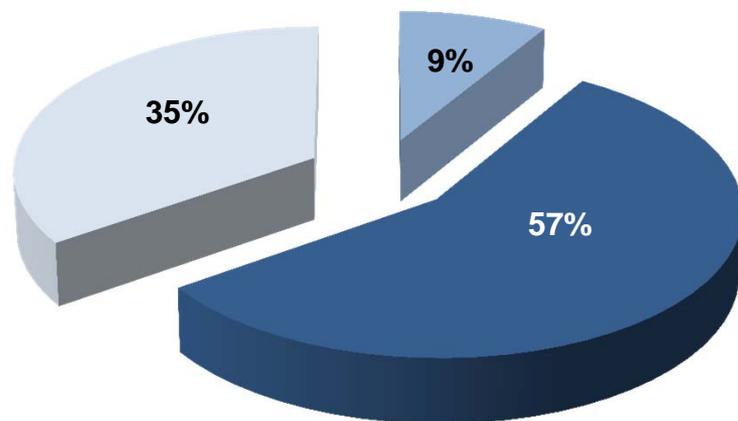
Future pipeline

- 20-25 sites per annum
- Strong visibility for 2014-17



Current year plans on track, secure future pipeline

New-build 2014 visibility



- Two for One
- Milestone Rotisserie
- Milestone Carvery

Geographical split	
• South East	6
• South West	6
• Scotland	4
• North	4
• Midlands	3
	23



- PITCHER & PIANO**
- 20 bars
 - Average turnover per week £23k
 - Expansion potential

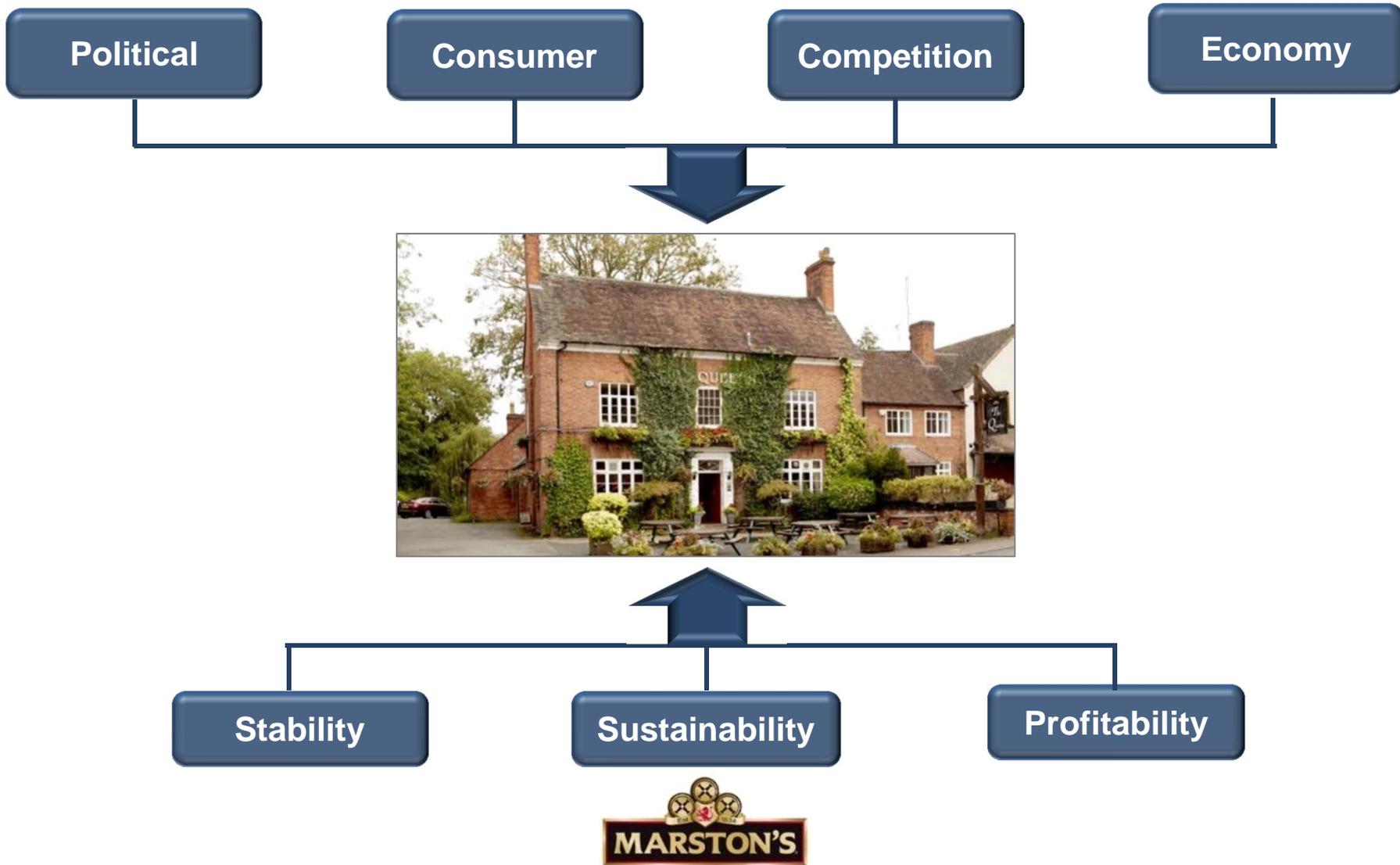


- Four sites established
- Initial signs encouraging
- Further six sites identified for 2014 investment



Improving the strength of our premium offer

Taverns: community pubs – new approach



Adding value = better experience for customers

Franchising - background

- 🍷 £13.4bn industry
- 🍷 91%* providing profitable businesses
- 🍷 90%* have satisfactory relations with their franchisor
- 🍷 Franchisees feel they have a competitive advantage*



*Source: NatWest BFA Franchise Survey

Taverns: why franchise works



Rent	N/A
Beer prices	N/A
Simplicity	✓
Affordability	✓
Flexibility	✓



A model which combines the best of managed and tenancy



INNS AND TAVERNS

Leased estate



391 Pubs
Food orientated
Average Rent £40k
Average EBITDA c.£80k



Smaller, high quality estate

Evolution of leased relationship

Smaller focused estate

- Industry engagement scores correlated to size of estate
- Team dedicated to leased model only

Being a better retail partner

- Identify investment opportunities
- Aligned with lessee requirements
- Develop operational skills

Growing sales

- Capital investment in pubs
- Revenue investment in products

Better partner - true engagement

Marston's will have fewer tenancies

- Conversion to franchise model

Smaller, high quality leased estate

- Emphasis on service, support and relationships
- Long-term commitment to fair, sustainable rents and transparency
- Cellar monitoring: not required in the medium term

Adjudicator/statutory code – little concern to good landlords

- We are cautious about interference in rent setting/the tie

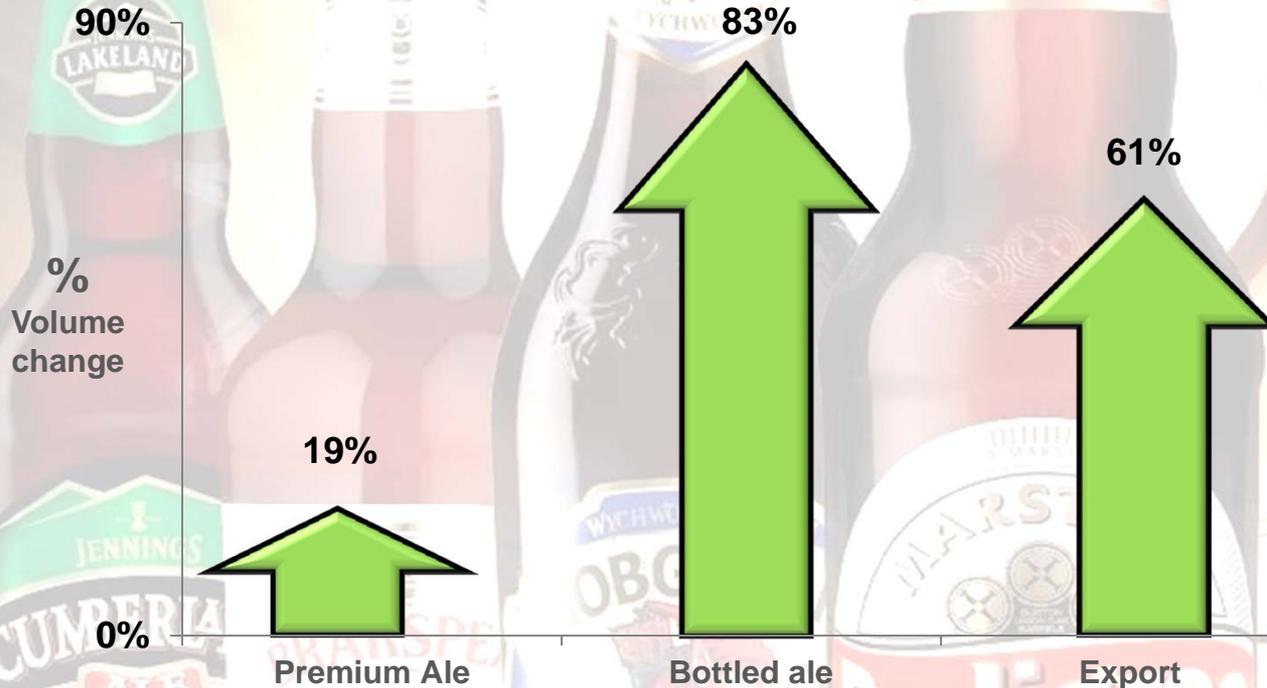
Localness very relevant to consumers*
Two out of three beer drinkers want local and regional beers



* Source: RBD Research

External beer sales

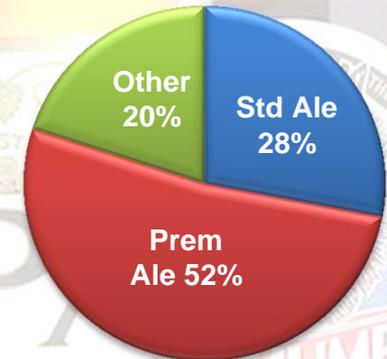
2013 vs 2009



2009



2013



£7 million bottling line investment H2 2013

Repositioned as a higher quality business

Confidence in full year out-turn

- New-build momentum
- Cost reduction
- Solid start to H2

Strategic plans well advanced

- New-builds
- Franchise development
- Local and premium beers

Dividend increase reflects confidence



The right strategy

Appendices



	Destination and Premium	Taverns	Leased	Total
2012 Opening	303	1,452	393	2,148
New-Build Additions	25			25
Disposals		(23)		(23)
2013 Opening	328	1,429	393	2,150
New-Build Additions	9			9
Transfers	2		(2)	0
Disposals		(31)		(31)
2013 H1	339	1,398	391	2,128
2013 Average Numbers	334	1,414	392	2,140

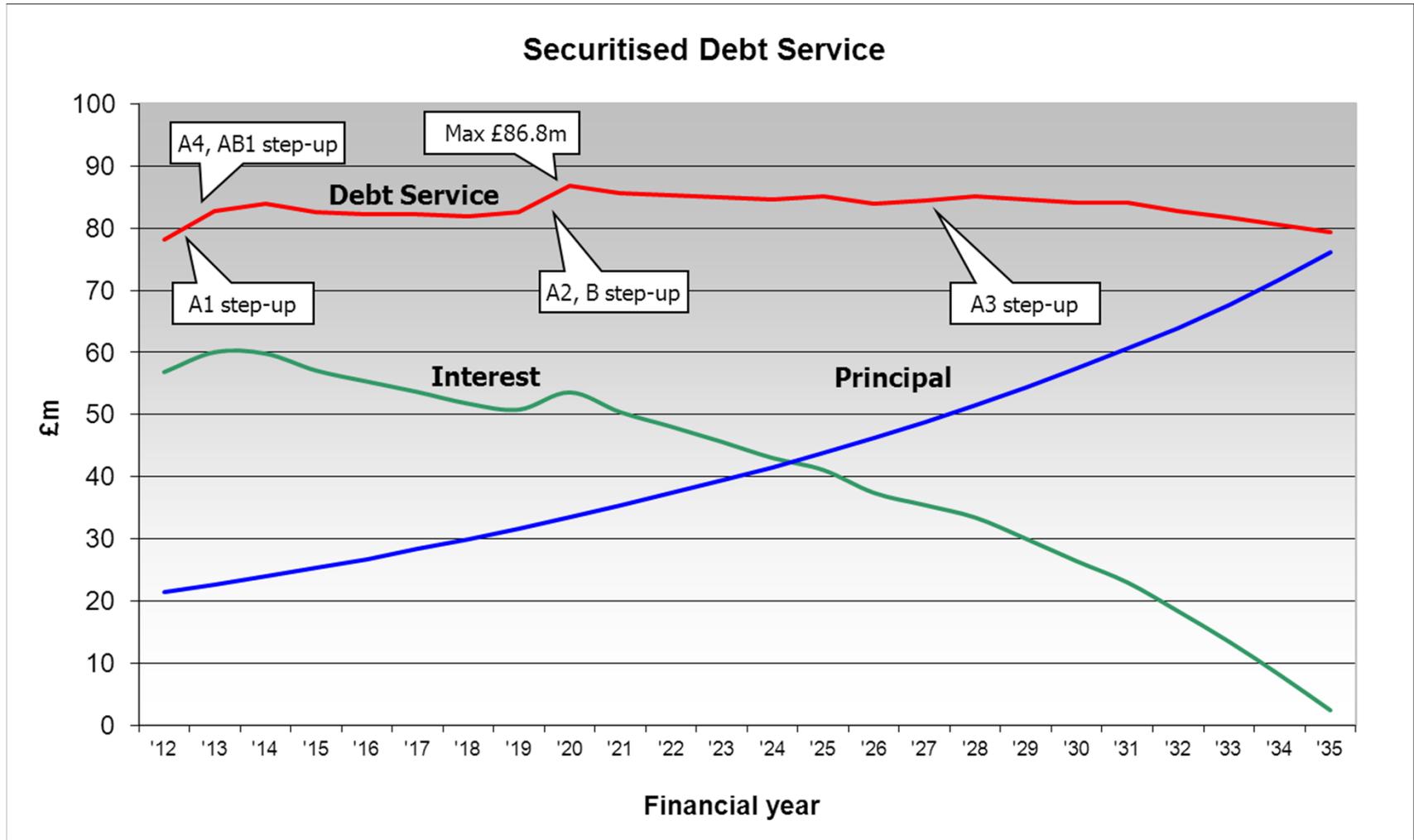
Average number of shares in 2013	569.2m
Number of shares in issue as at 30 March 2013	569.3m
Additional dilutive number of shares	6.8m

	Forecast 2013	Forecast 2014
Tax rate	21%	21 - 23%
Capex	£120 - 130m	£120 - 130m
Disposal proceeds	c.£40 - 50m	c.£40 - 50m

Securitisation as at 30 March 2013

Securitisation results £m		Actual	
Gross debt outstanding as at 30 March 2013		1,007.3	
EBITDA		128.6	
Free cashflow (FCF)		117.8	
Debt service (DSCR)		80.6	
Financial covenants		Actual	Covenant
FCF : DSCR		1.5x	>1.1x
EBITDA : DSCR		1.6x	>1.5x
Net worth		£577m	£90m

Tranche	Type	Principal outstanding at 30 March 2013	Step-up Date	Final Maturity Date
A1	Floating	£139.4m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£218.9m	October 2012	2031
AB1	Floating	£80.0m	October 2012	2035
B	Fixed/Floating	£155.0m	July 2019	2035
Total		£1,007.3m		



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