



INTERIM RESULTS 2017

A photograph of a busy restaurant or bar interior. In the foreground, a man in a blue and white checkered shirt sits on a brown leather tufted bench, looking towards a woman in a grey sweater who is also seated. They are at a table with a menu, glasses, and plates of food. In the background, several other people are standing and talking near a bar area. The scene is dimly lit with warm, ambient lighting.

Ralph Findlay
Chief Executive
Officer

HIGHLIGHTS

1. Continued progress in 2017

- Growth despite H2 Easter
- Turnover up 3%
- PBT growth of 3%, EPS up 4%
- Dividend up 4% to 2.7 pence per share
- Leverage maintained, fixed charge cover up

2. Transformed estate in growth

- Like-for-like sales growth in all businesses
- Profit per pub +3%
- 4 pubs and bars and 3 lodges opened

3. Brewing in growth

- Beer volume growth of 2% at 30 weeks
- Market share gains in on and off trade

4. Acquisitions in second half-year

- Charles Wells Brewing and Beer Business (“CWBBB”)
- 7 Destination and Premium Pubs and Bars
- 3 Pointing Dog Premium Pubs and Bars



Clear and consistent strategy delivering strong results, H2 acquisition activity

MARKET DYNAMICS

1. Consumer outlook

- No material changes to consumer behaviour
- “Affordable treats” not being compromised
- Modest price increases achievable
 - Provided quality, service, environment are right

2. Sector supply

- Slowdown in rates of opening
- Freehold opportunities outside hotspots
- Increased opportunity alongside residential development

3. Economic and political

- Further cost increases likely
 - Duty increases inflation linked
 - Rates review: modest impact on Marston's
 - Employment/energy levies above inflation
- Do not anticipate material impact of UK Election/Brexit



No discernible changes to supply and consumer outlook, well placed to meet headwinds

IMPROVING LONG-TERM RETURNS

PUBS

New-builds

Higher quality of earnings

Increase ROC

Broad appeal

Destination P&P, Revere
Community Leased

Maximise opportunity

Accommodation

Broaden capital allocation
Smooth income stream

Enhance pub profitability
Increase ROC



BREWING

Leading premium beer business

Leading market share in premium bottled and cask ale

High quality of earnings
Improve ROC

World class service

Well invested supply chain
Contract Services to minimise unit costs

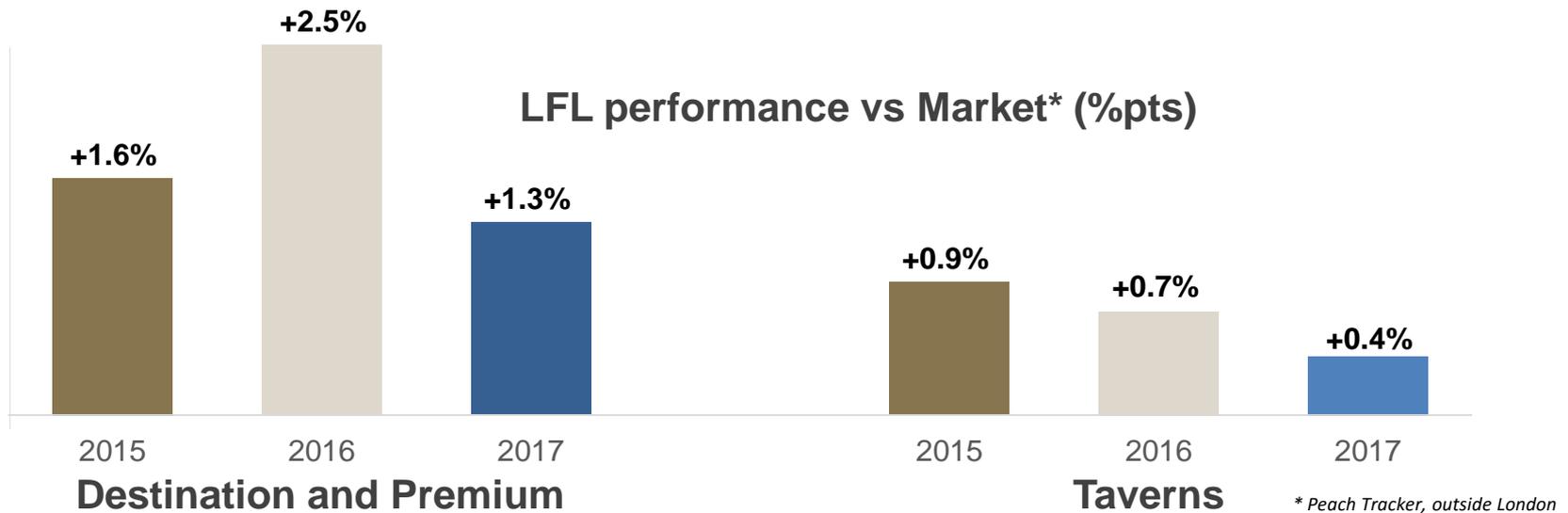
Increase ROC



Clear and consistent plans to enhance long-term returns

PUB SEGMENTATION

2017	Operating profit £m	Current no. of pubs	Average no. of pubs	Average profit per pub vs LY %
Destination and Premium	34.6	377	374	-
Taverns	24.1	823	818	+3
Leased	13.9	365	365	+3
Total	72.6	1,565	1,557	+3



Higher quality estate continues to outperform market

TRANSFORMED PUB ESTATE OVER LAST DECADE

In with the New



Out with the Old



2006 – 2016 : c.200 new freehold sites

2006 – 2016 : c.1,000 disposals

High quality pub estate; 60% of Destination estate < 10 years old

2017 ESTATE EXPANSION ON TRACK

1. On track to meet 2017 openings targets

- 20 pub-restaurants
- 8 lodges
- 3 premium bars

2. Acquisition of existing pubs and bars

- 7 Destination and Premium pubs for £13m – expected completion June 2017
- Pointing Dog – 3 premium pubs and bars for £8m (of which, £7m deferred to 2019) - completed May 2017



2017 expansion supplemented by acquisitions

ACCOMMODATION INCREASINGLY IMPORTANT

1. Strong 2017 performance
 - REVPAR up 5%
2. 8 lodges planned for 2017
 - 5 opened in 2016; 3 opened in 2015
3. Future organic plans – 10 lodges per annum
 - Larger lodges under review – Ebbsfleet 2018 (100 rooms)



Accelerating expansion in rooms

PREMIUM REVERE, PITCHER & PIANO OPPORTUNITY



Continued growth of premium estate, 3 openings planned for 2017

2018 PLANS – GROWTH MAINTAINED, WIDER OPPORTUNITIES

1. Strong pipeline for pub-restaurants, lodges, premium pubs and bars
2. Maintain consistent level of capex and strong returns discipline
3. Current 2018 plan:
 - 15 pub-restaurants
 - 10 lodges
 - 3-5 premium bars
4. Consider acquisitions that meet strategic and returns criteria



Broader allocation of future capital spend; no compromise to returns

OPTIMUM OPERATING STRUCTURE



Structure focused on consumer occasion with cross-segmental learning

DIGITAL STRATEGY

1. Discovery

Improve the visibility of Marston's pubs & inns when searching online



Pub websites



Marstoninns.co.uk



Partnerships



Targeted Ads

2. Customer Relationship Marketing

Use enhanced customer insight to deliver more profitable communications



CRM System



TAP-in



Members Card



EPOS

3. Social

Engaging content on key channels where customers are conversing and sharing



Engaging Content



Distribution



Customer support



Pub best practice

4. In-pub technology

Use technology to deliver a more enhanced customer experience



Nudge



Sentifeed



Pub screens



PMS Reviews

THE PUB "BRAND" IS AT THE HEART



Pub authenticity critical to success

MARSTON'S BEER COMPANY TODAY

UK No.1 Premium Ale Brewer	Developing licensed brands	Supply chain excellence with scale	Proven acquisition capability
40 brands delivered to 9,000 pubs	 <p>Best selling keg craft beer in the UK</p> <p>No.1 PBA NPD since launch in 2015</p>	<p>Bottling</p> <p>37% of PBA bottled by Marston's</p>	<p>Ringwood - 2007</p> <p>£19m consideration</p> <p>Ringwood, Fortyniner, Boondoggle</p>
26% of Premium Bottled Ale market	 <p>Driving brand growth</p> <p>MAT + 10%</p>	<p>Distribution</p> <p>Retail and trade delivery for wide range of companies</p>	<p>Refresh – 2008</p> <p>£14m consideration</p> <p>Hobgoblin 400% increase</p> <p>Off trade expertise</p>
19% of Premium Cask Ale market		<p>Brewing</p>	<p>Thwaites beer business - 2015</p> <p>£25m consideration</p> <p>Wainwright</p> <p>MAT +16%</p>
Five well invested breweries		<p>Customer service</p>	
Innovation – Hobgoblin Gold, KingStar Craft lager DE14			

Proven organic and acquisition-led growth

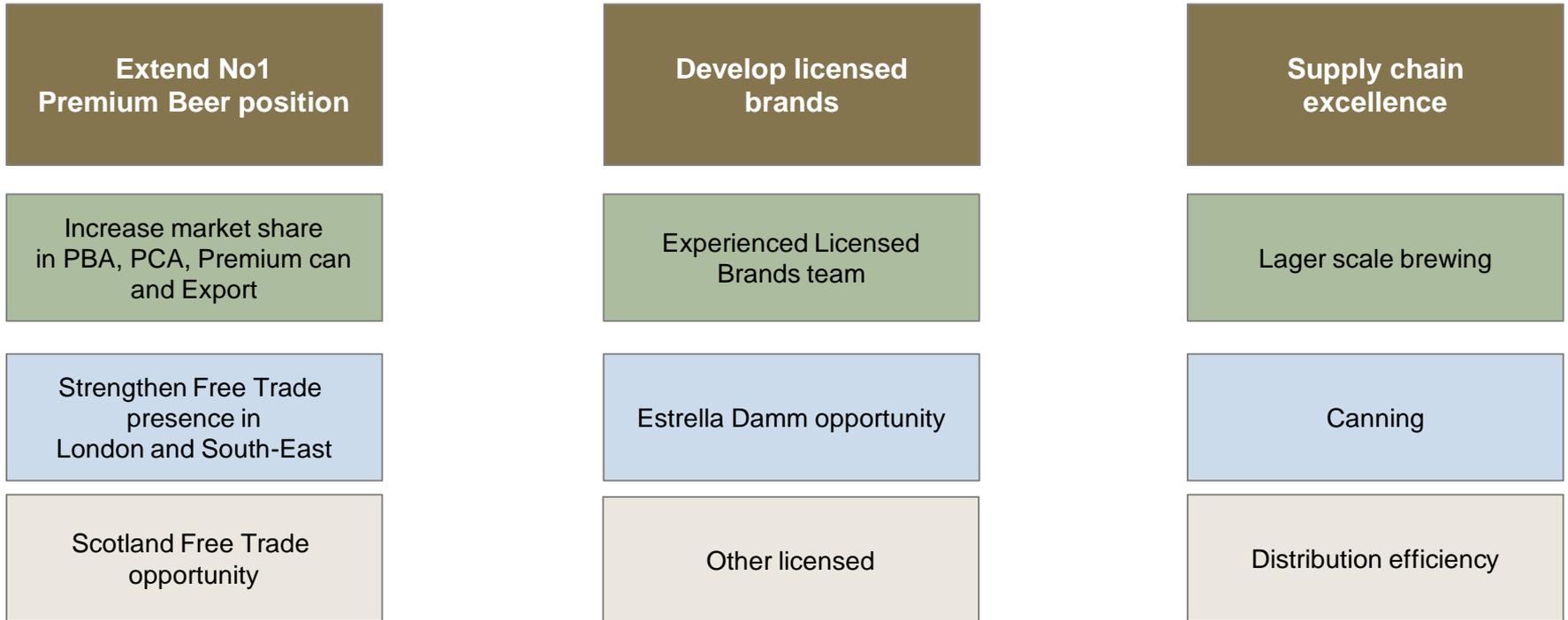
CHARLES WELLS BREWING AND BEER BUSINESS (“CWBBB”)

OVERVIEW:

- Brands with national resonance: Bombardier, Young's*, Courage, McEwan's
- Innovative quirky brews: Banana Bread Beer, Double Chocolate Stout
- Brew Kirin Ichiban and distribute Estrella Damm under exclusive licence
- Well-invested brewery in Bedford, employs 300 people
 - Freehold site, spanning 16 acres
 - Current production of 300kbrls, 50% of current capacity
- Strong distribution network with 11,000 outlets
- 5+5 year pub supply agreement

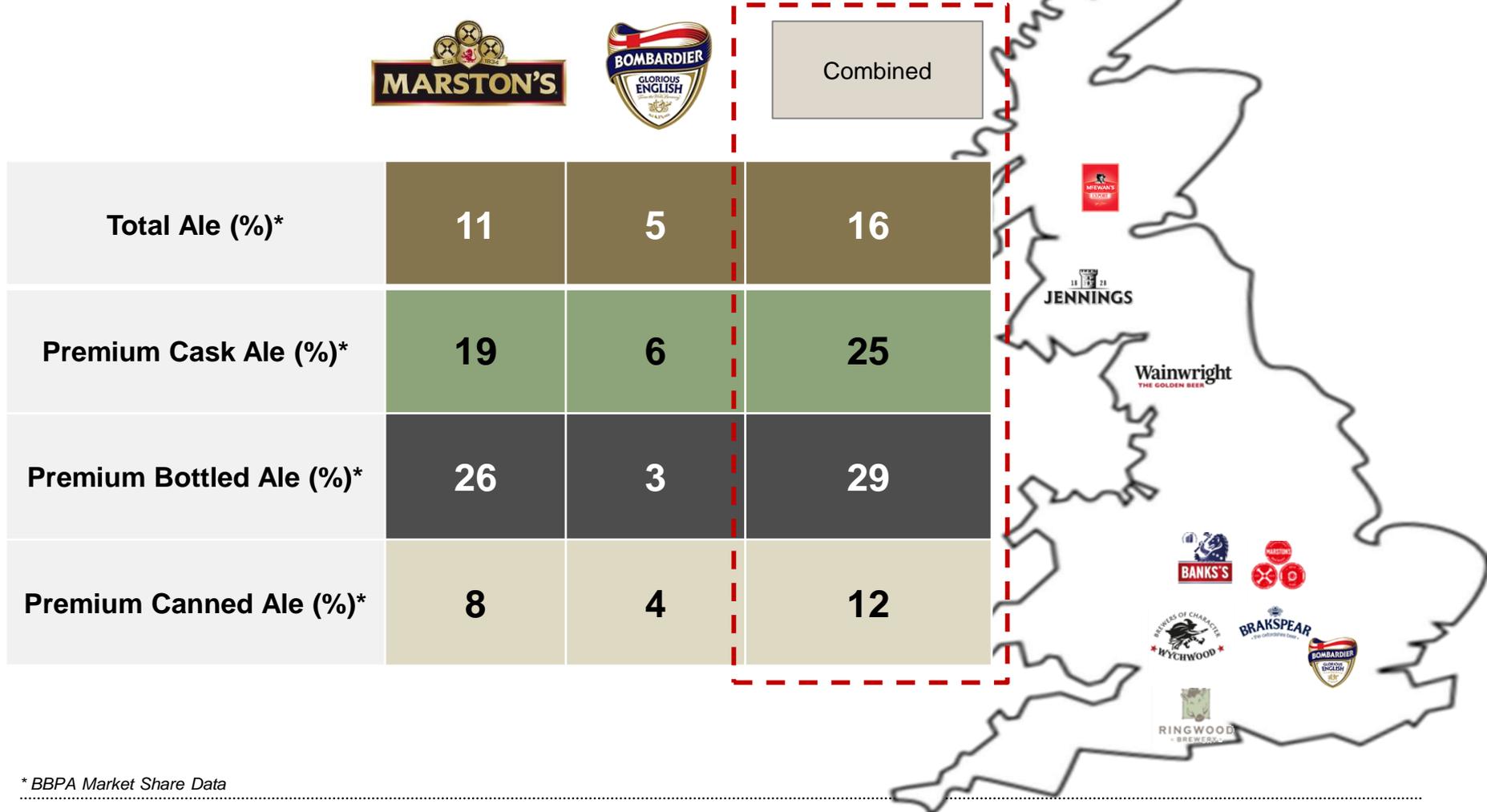
* Licence to perpetuity

OUR GROWTH STRATEGY FOR CWBBB



Transaction consistent with existing strategy

INCREASED MARKET SHARE



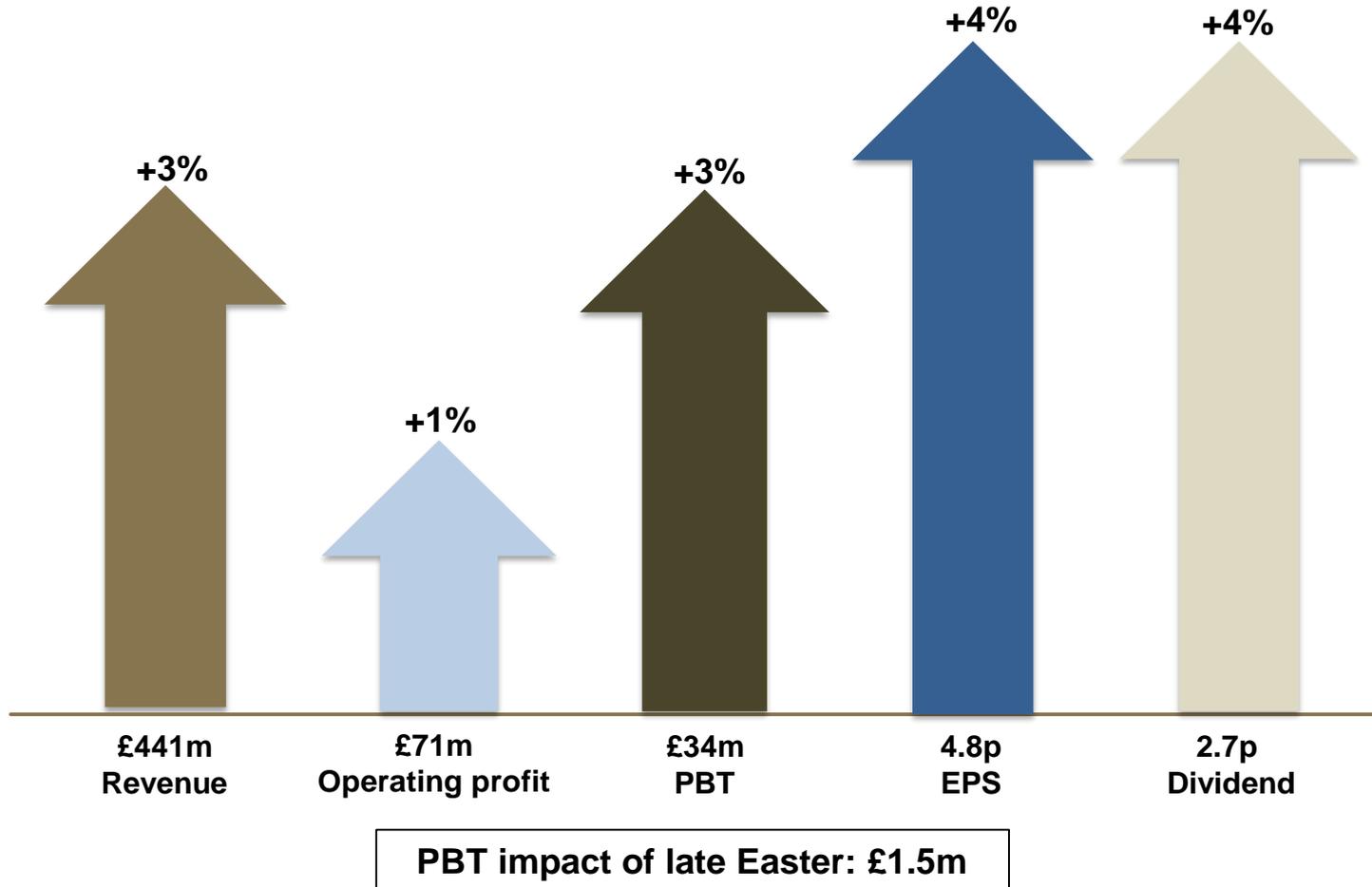
* BBPA Market Share Data

Strengthens position as category leader

A photograph of a busy bar or restaurant interior. In the foreground, a group of people is seated at a table with a menu, drinks, and food. In the background, many people are standing and talking near a bar. The scene is dimly lit with warm, ambient lighting.

**Andrew Andrea
Chief Financial and
Corporate Development
Officer**

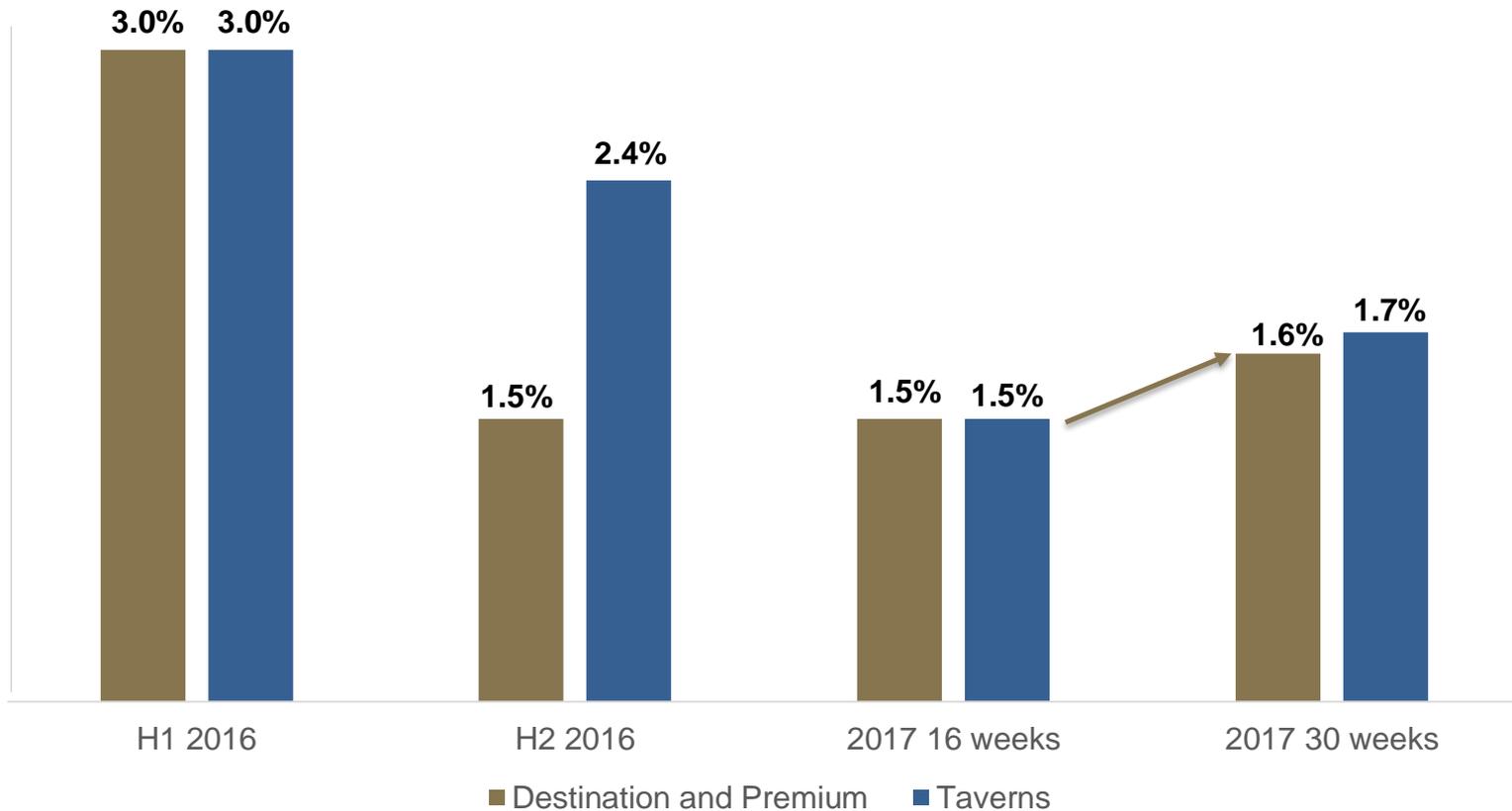
FINANCIAL SUMMARY



Underlying numbers, statutory numbers in appendices

Continued progress in revenue and earnings supports dividend growth

MANAGED AND FRANCHISED LIKE-FOR-LIKE PERFORMANCE



30 week operating margins in line with last year

Improving LFL trajectory without foregoing margin, softer H2 comparatives

LEASED



Quality estate delivering growth

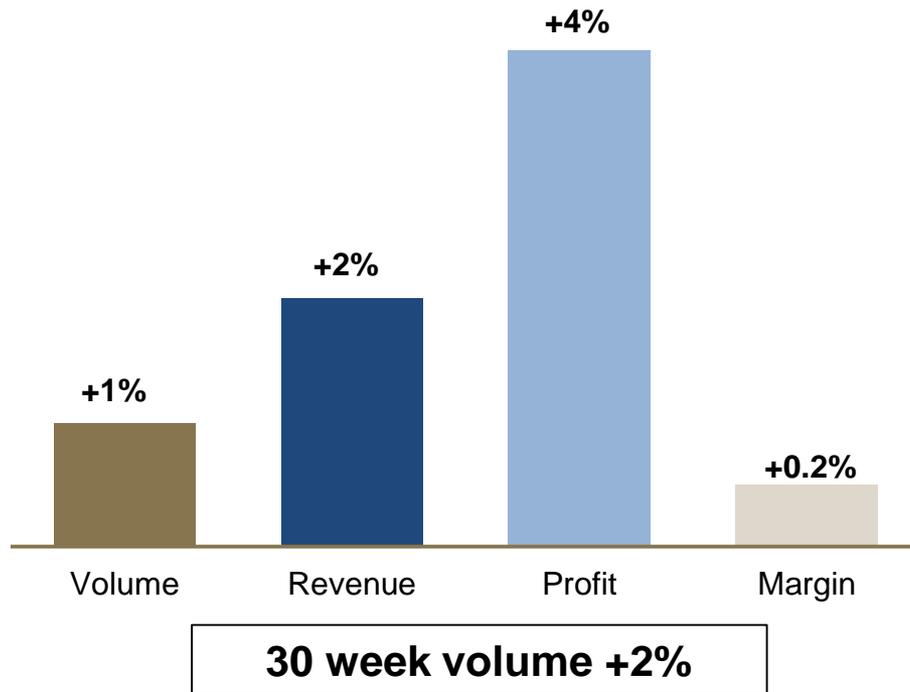
- Profit per pub growth +3%
- 2% rental growth

Income stability

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

Sustainable income through quality estate and strong support

BREWING



Continued revenue and earnings growth at improved margins

COST GUIDANCE

	2017	2018
Drink	c.1-2%	65% contracted
Food	c.1-2%	50% contracted
Brewing raw materials	c.1-2%	75% contracted
Energy inflation	c.2-3%	c.3%
Labour cost inflation		
<ul style="list-style-type: none"> - National Minimum Wage £6.95 from October, £7.05 from April - National Living Wage up 4% to £7.50 for over 25s from April 	c.4%	c.4%
Apprenticeship levy from April 2017, NEST	+£0.5m	+£1.0m
Rates	c.4%	c.4%

No material change to operating cost outlook for 2017 and well hedged for 2018

CASH FLOW SUMMARY

	2017 £m	2016 £m	Comments
Operating cash flow pre w/cap movements	75	73	
Working capital movements	(15)	8	Expected to reverse by year-end
Operating cash flow	60	81	
Net interest	(43)	(38)	One off £3m arrangement fee
Pre-investment FCF	17	43	
Organic capex:			
Maintenance	(27)	(27)	
Growth	(12)	(12)	
Disposals	34	28	£27m lease related
Dividend	(27)	(26)	
FCF pre new-build and acquisitions	(15)	6	
New-build capex	(40)	(34)	
Net underlying cash flow	(55)	(28)	

FCF= free cash flow

Cash flow in line with expectations

FINANCING STRUCTURE

	Securitised	Bank and cash	Total (excluding property)	Property Leasing	Total	Fixed Charge Cover**
	Visible, smooth amortising debt to 2035*	£320m bank facility to 2022		Property leases 35-40 year term		
Net Debt £m						
2017	820	241	1,061	261	1,322	
Net Debt: EBITDA						
2017	7.1x	2.4x	5.0x		6.2x	2.6x
2016	7.3x	2.1x	5.0x		6.1x	2.5x

* Amortisation schedule in appendices

** Fixed charge cover: EBITDAR/(interest plus rent)

Long-dated debt structure, leverage maintained and fixed charge cover improved

FINANCIAL IMPACT OF ACQUISITIONS

Charles Wells Brewing and Beer Company

- Cash consideration of £55m
- Volumes: 585k brls, 260k brls own brand, 155k brls licensed. 50% brewery utilisation
- Current MAT: Turnover £92m, EBITDA £6.1m, EBIT £5.1m
- Target synergies £4m by 2019. Target ROIC >15% in first full year
- NAV £26m plus debtors – Brewery AUV £15m, maintenance capex £1m per annum

7 Destination and Premium Pubs

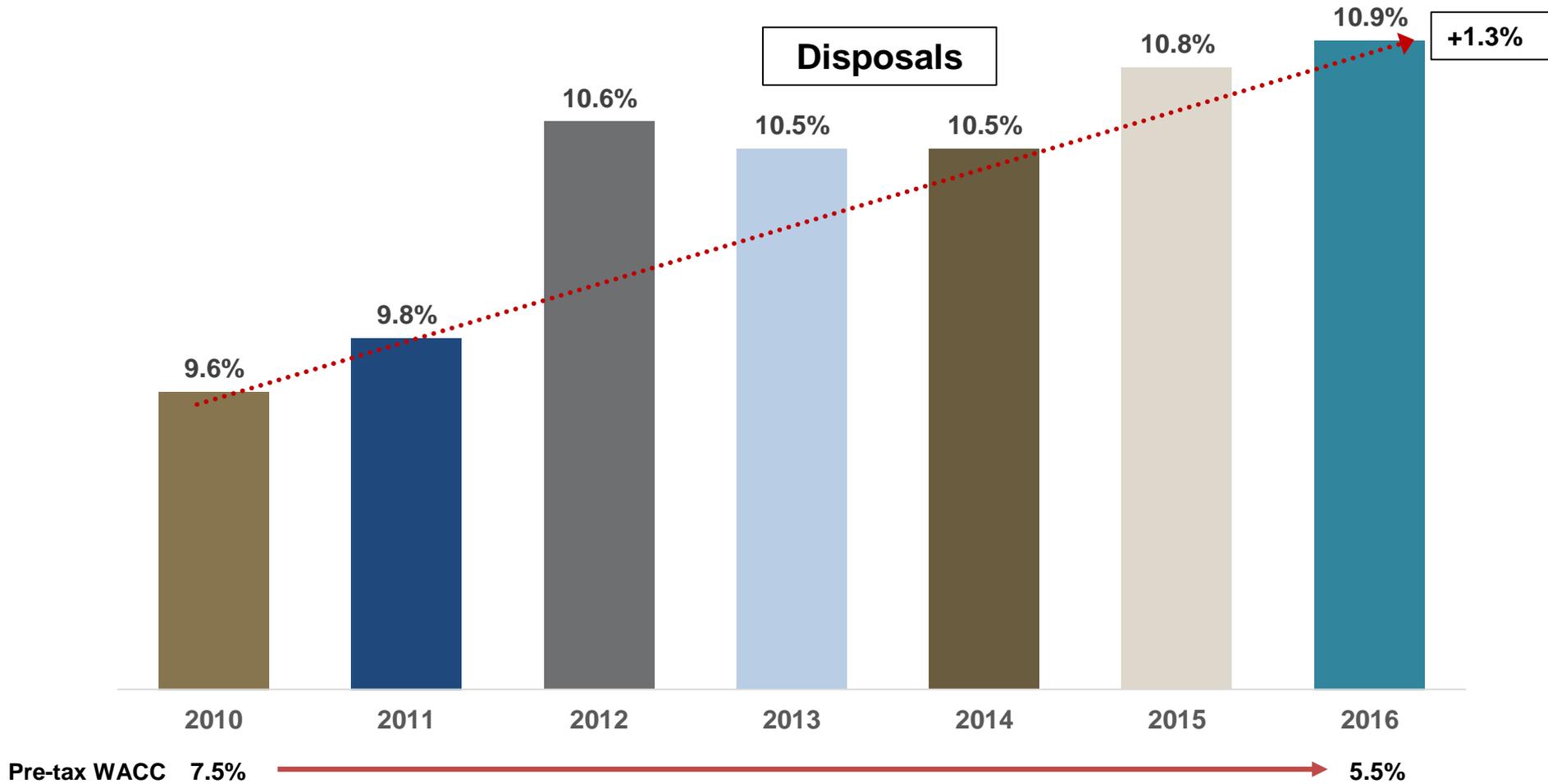
- Cash consideration of £13m plus £3m refurbishment capital
- Refurbishment planned for Q4 2017 – minimal impact on 2017
- Target 2018 EBITDA c.£2m – enhances Group profit per pub
- Target 2018 ROIC – 13%

Financing

- ABB primary placing of c.9.9% of Marston's issued share capital
- Earnings neutral in first full year, accretive thereafter
- Proforma net debt : EBITDA down 0.3 bps post completion

Value accretive and returns enhancing acquisitions consistent with strategy

RETURN ON CAPITAL



CROCCE calculations included in Appendices

Returns-focused strategy delivering long-term growth

SUMMARY

1. Transformed pub estate

- Continues to outperform market
- Profit per pub continues to grow
- Flexible expansion plans

2. Market-leading brewing business

- Volume and share growth

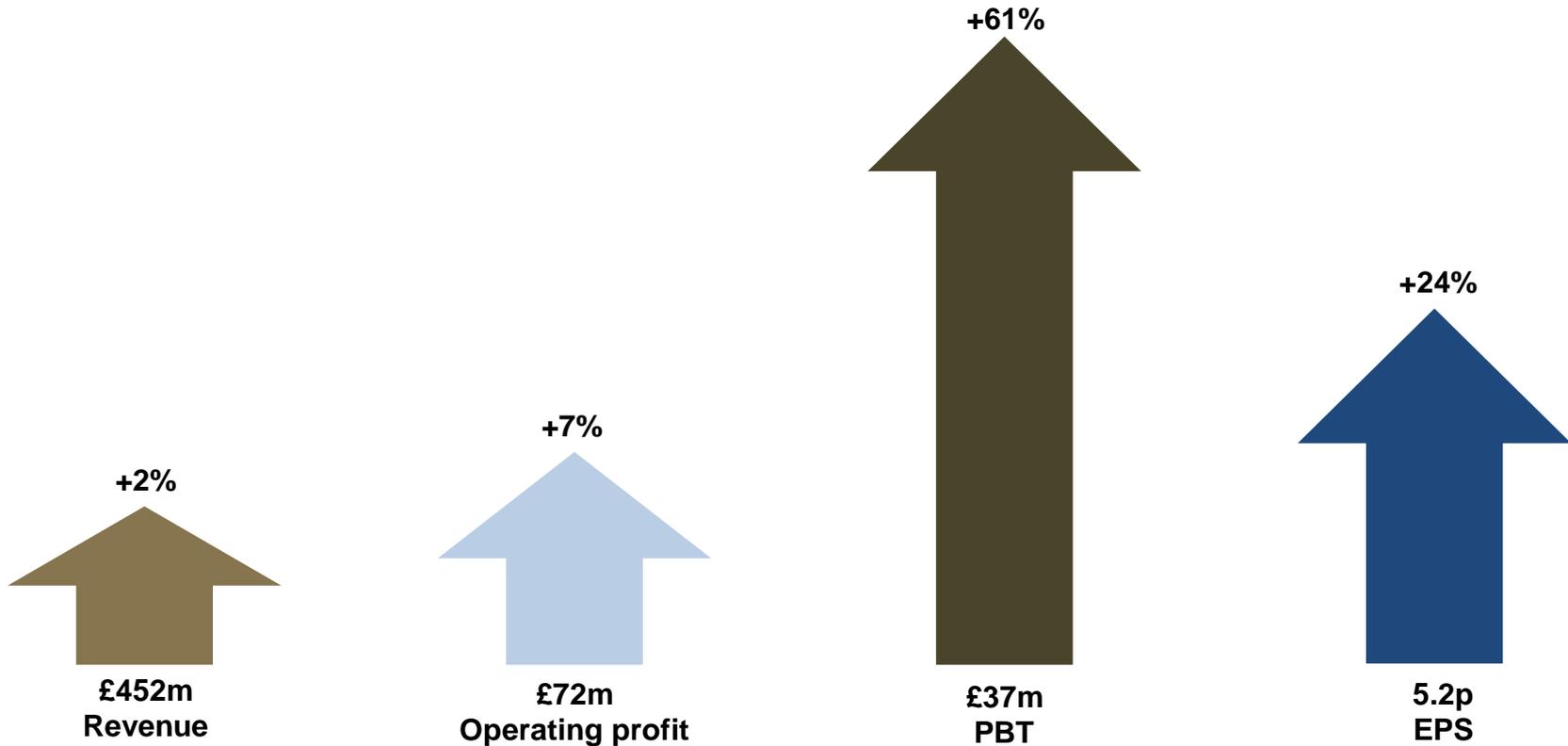
3. Returns enhancing acquisitions

- CWBBB post synergy return >18%
- Pub acquisitions improve quality of estate and returns accretive

A photograph of a busy bar or restaurant interior. In the foreground, a group of people is seated around a table with food and drinks. A woman is leaning over the table, pointing at something. In the background, many other people are standing and talking near a bar area. The scene is dimly lit with warm, ambient lighting.

Appendices

FINANCIAL SUMMARY – STATUTORY BASIS



Revenue and profit growth despite disposals

SEGMENTAL PROFIT

	H1 2017 £m	H1 2016 £m	YOY %
Turnover			
Destination & Premium	202.6	193.9	4.5%
Taverns	118.0	115.9	1.8%
Leased	25.8	26.3	(1.9%)
Beer Division	94.4	92.6	1.9%
Total	440.8	428.7	2.8%
EBITDA			
Destination & Premium	42.3	41.1	2.9%
Taverns	28.2	28.6	(1.4%)
Leased	14.6	14.7	(0.7%)
Beer Division	15.6	15.1	3.3%
Group Services	(10.1)	(8.9)	(13.5%)
Total	90.6	90.6	-
EBIT			
Destination & Premium	34.6	33.5	3.3%
Taverns	24.1	24.3	(0.8%)
Leased	13.9	13.9	-
Beer Division	10.4	10.0	4.0%
Group Services	(12.0)	(11.2)	(7.1%)
Total	71.0	70.5	0.7%
Margin %			
Destination & Premium	17.1%	17.3%	(0.2%)
Taverns	20.4%	21.0%	(0.6%)
Leased	53.9%	52.9%	1.0%
Beer Division	11.0%	10.8%	0.2%
Total	16.1%	16.4%	(0.3%)
Finance Costs	(37.3)	(37.7)	1.1%
Profit Before Tax	33.7	32.8	2.7%

PUB SEGMENT CHANGES

	Pub movements	H1 2016 Original £m	FY 2016 Original £m	H1 2016 Change	FY 2016 Change		H1 2016 Revised	FY 2016 Revised £m
Turnover								
Destination & Premium	(39)	204.8	440.8	(10.9)	(21.8)		193.9	419.0
Taverns	4	107.1	221.0	8.8	17.5		115.9	238.5
Leased	35	24.2	50.7	2.1	4.3		26.3	55.0
Beer Division		92.6	193.3				92.6	193.3
Group Services								
Total	0	428.7	905.8	0.0	0.0		428.7	905.8
EBITDA								
Destination & Premium		42.9	106.3	(1.8)	(4.3)		41.1	102.0
Taverns		28.0	63.5	0.6	1.5		28.6	65.0
Leased		13.5	25.8	1.2	2.8		14.7	28.6
Beer Division		15.1	33.4				15.1	33.4
Group Services		(8.9)	(16.3)				(8.9)	(16.3)
Total		90.6	212.7	0.0	0.0		90.6	212.7
EBIT								
Destination & Premium		34.8	90.2	(1.3)	(3.3)		33.5	86.9
Taverns		24.2	56.0	0.1	0.6		24.3	56.6
Leased		12.7	24.2	1.2	2.7		13.9	26.9
Beer Division		10.0	23.2				10.0	23.2
Group Services		(11.2)	(20.9)				(11.2)	(20.9)
Total		70.5	172.7	0.0	0.0		70.5	172.7
Margin								
Destination & Premium		17.0%	20.5%				17.3%	20.7%
Taverns		22.6%	25.3%				21.0%	23.7%
Leased		52.5%	47.7%				52.9%	48.9%
Beer Division		10.8%	12.0%				10.8%	12.0%
Total		16.4%	19.1%				16.4%	19.1%

PUB NUMBERS

	Destination and Premium	Taverns	Leased	Total
2016 Closing	416	812	331	1,559
New-build additions/Acquisitions	4	22	-	26
Transfers	(39)	4	35	-
Disposals	(4)	(15)	(1)	(20)
H1 2017 Closing	377	823	365	1,565
2016 average numbers (restated)	366	836	373	1,575
2017 average numbers	374	818	365	1,557

HISTORICAL LFL

	Destination and Premium	Taverns
	Total	Total
15 wks to 18/01/14	4.1%	3.0%
26 wks to 05/04/14	5.7%	3.8%
15 wks to 19/07/14	1.8%	0.5%
41 wks to 19/07/14	4.1%	3.0%
11 wks to 04/10/14	(0.3%)	(0.8%)
52 wks to 04/10/14	3.1%	2.1%
16 wks to 24/01/15	2.0%	2.0%
10 wks to 04/04/15	0.6%	0.5%
26 wks to 04/04/15	1.5%	1.4%
15 wks to 18/07/15	2.0%	2.3%
41 wks to 18/07/15	1.7%	1.7%
11 wks to 03/10/15	2.2%	3.1%
52 wks to 03/10/15	1.8%	2.0%
16 wks to 23/01/16	3.0%	2.7%
10 wks to 02/04/16	3.0%	3.5%
26 wks to 02/04/16	3.0%	3.0%
16 wks to 23/07/16	1.8%	2.5%
42 wks to 23/07/16	2.5%	2.8%
10 wks to 01/10/16	1.8%	2.0%
52 wks to 01/10/16	2.3%	2.7%
16 wks to 21/01/17	1.5%	1.5%
26 wks to 01/04/17	1.1%	1.1%
30 wks to 29/04/17	1.6%	1.7%

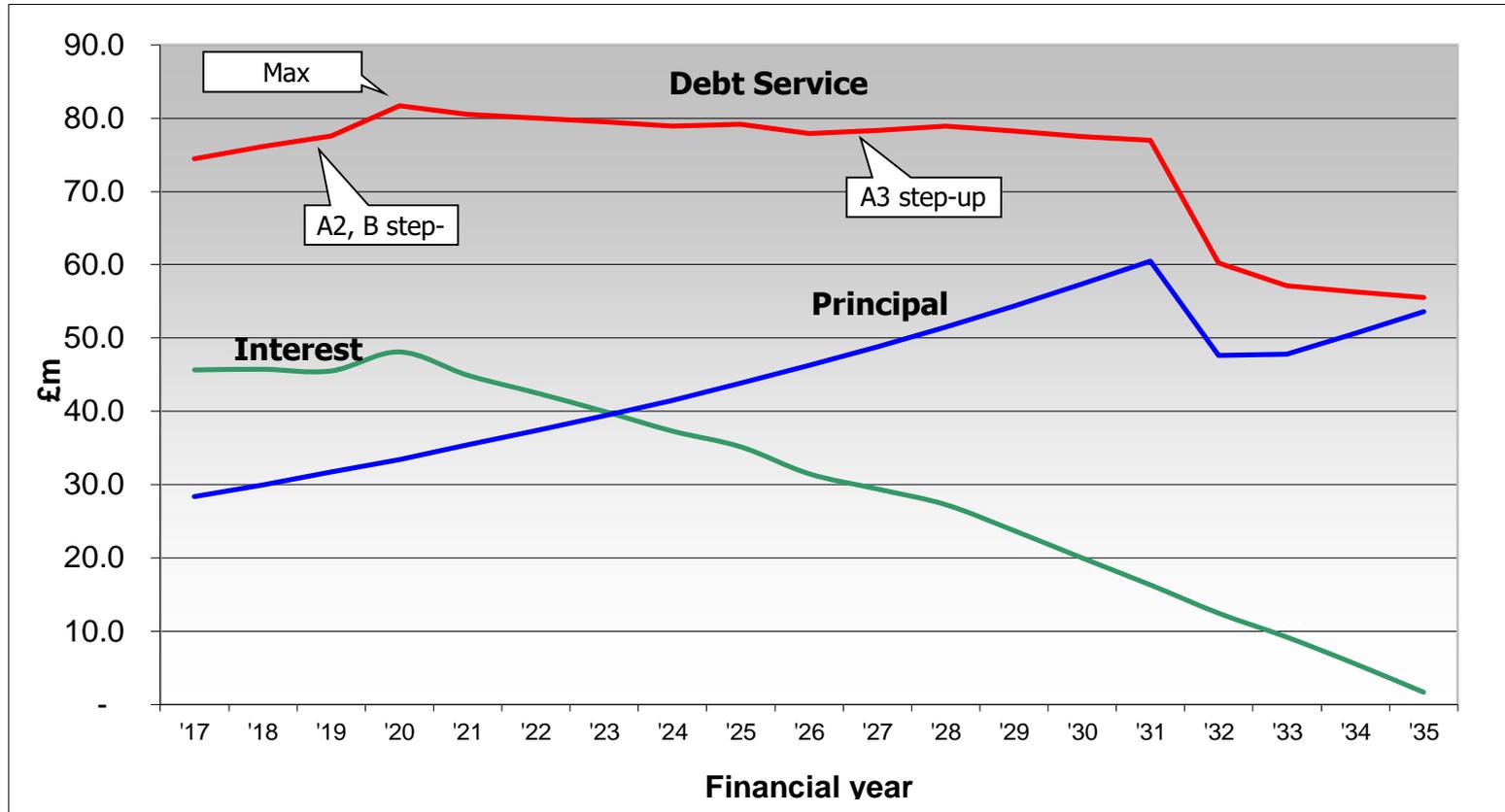
CAPEX, TAX AND SHARE CAPITAL

		Actual 2016	Forecast 2017	Comments
New-build capex		£65m	c.£75m	Lodge investment
Growth capex		£34m	c.£30m	
Maintenance capex		£45m	c.£40m	
Total		£144m	c.£145m	
Disposals		£17m	£20m	
Lease related		£31m	c.£50m	Increase driven by lodges
Net capex		£96m	c.£75m	
Tax rate		18.0%	c.18.0%	
Average number of shares in 2017		575.4m		
Shares in issue at 1 April 2017		575.4m		
Additional dilutive number of shares		5.8m		

SECURITISED DEBT PROFILE

Tranche	Type	Principal outstanding at 1 April 2017	Step-up date	Final maturity date
A1	Floating	£70.0m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£186.7m	October 2012	2031
B	Fixed/Floating	£155.0m	July 2019	2035
Total		£825.7m		

SECURITISATION PROFILE



		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	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	45.6	45.7	45.5	48.1	44.9	42.5	40.0	37.3	35.1	31.5	29.4	27.3	23.7	20.0	16.3	12.4	9.2	5.5	1.7
Debt Service	£m	74.5	76.2	77.6	81.7	80.5	80.0	79.5	78.9	79.1	77.9	78.4	78.9	78.2	77.5	77.0	60.2	57.1	56.3	55.5

CROCCE

CROCCE	FY2016				FY2015				FY2014				FY2013*	FY2012	FY2011
	Bal	Depn	Reval	Adj	Bal	Depn	Reval	Adj	Bal	Depn	Reval	Adj	Adj	Adj	Adj
FIXED ASSETS:															
Goodwill	227.5			227.5	227.5			227.5	224.2			224.2	224.2	224.2	224.2
Other intangible assets	37.3	7.5		44.8	37.6	6.6		44.2	25.1	5.3		30.4	30.2	28.7	28.1
Property, plant and equipment	2,199.4	201.6	(623.1)	1,777.9	2,122.6	187.9	(616.0)	1,694.5	1,990.0	183.9	(545.9)	1,628.0	1,674.2	1,653.3	1,800.1
Free trade loans	10.4			10.4	12.1			12.1	11.5			11.5	12.8	14.3	17.1
CURRENT ASSETS:															
Inventories	28.7			28.7	28.2			28.2	23.0			23.0	21.5	22.2	18.8
Assets held for sale	6.6			6.6	18.0			18.0	38.3			38.3	59.9	39.2	6.5
Debtors	85.0			85.0	84.3			84.3	72.9			72.9	69.0	62.5	74.5
LIABILITIES:															
Creditors	(234.3)			(234.3)	(228.5)			(228.5)	(199.0)			(199.0)	(188.4)	(175.2)	(169.2)
NET ASSETS	2,360.6	209.1	(623.1)	1,946.6	2,301.8	194.5	(616.0)	1,880.3	2,186.0	189.2	(545.9)	1,829.3	1,903.4	1,869.2	2,000.1
EBITDA				212.7				203.3				192.4	199.1	198.5	195.7
CROCCE (Closing Net Assets)				10.9%				10.8%				10.5%	10.5%	10.6%	9.8%

*2013 adjusted to exclude 53rd trading week



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