



INTERIM RESULTS 2016

Ralph Findlay, Chief Executive Officer

Andrew Andrea, Chief Financial Officer



HIGHLIGHTS

1. Good progress in H1 2016

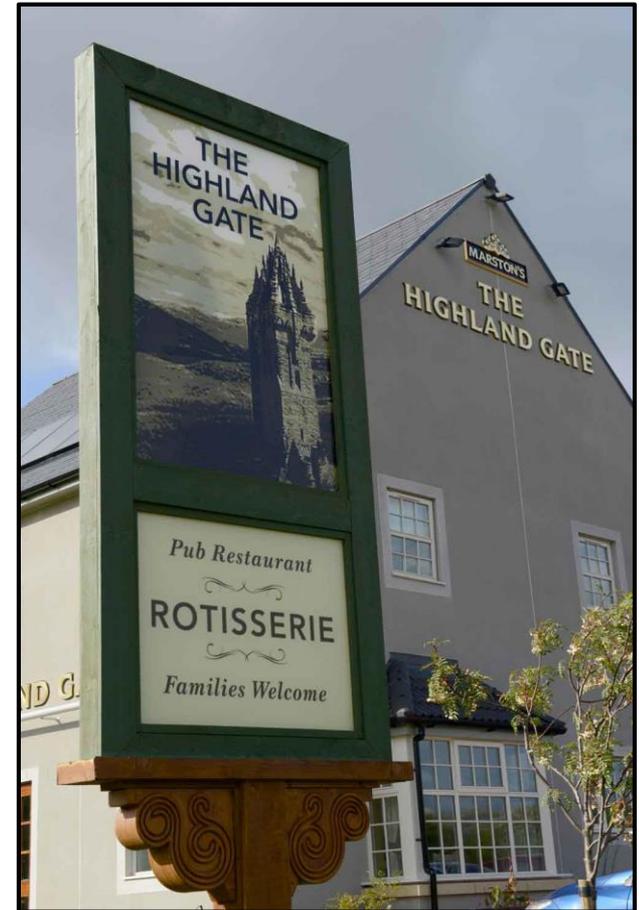
- Strong revenue and profit growth
- Growth in all trading segments
- PBT growth of 12%
- EPS and dividend cover up; leverage reduced
- YTD performance in line with our expectations

2. Transformed pub estate delivering organic growth

- Strong like-for-like sales in all businesses
- MAT profit per pub £105k: +13% vs H1 2015
- Seven pub-restaurants and three lodges opened in H1

3. Brewing

- Both organic and acquisition driven growth
- Market share gains in on and off trade



Clear and consistent strategy delivering strong results

MARKET DYNAMICS

1. Sector supply

- 2016 activity – market still buoyant
- Anticipate demand for sites to cool in 2017
- Marston's focus is on less competitive markets

2. Consumer outlook

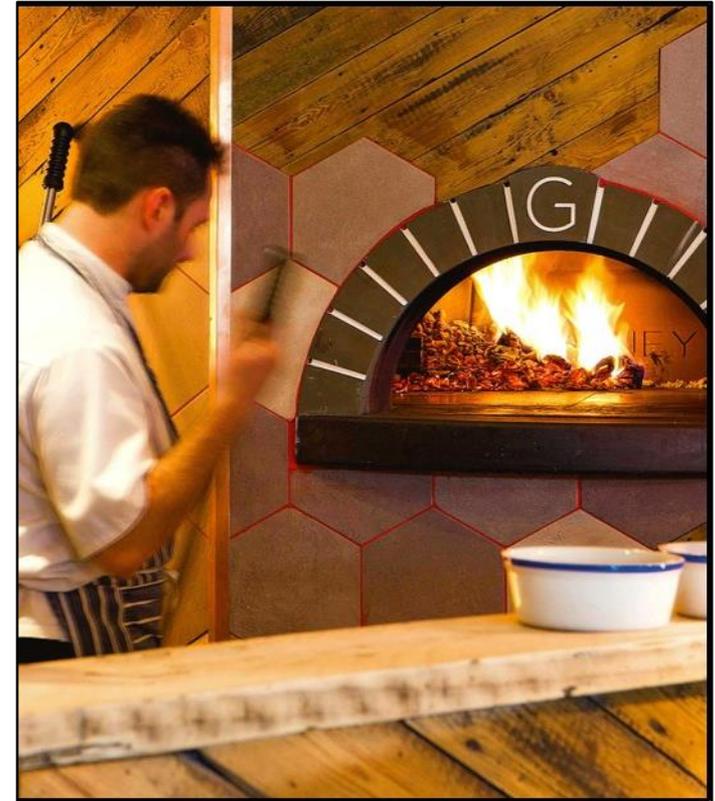
- Consumer still seeking affordable treats
- Demand high quality, product, service and environment
- Minimal impact envisaged from Brexit
- Moderate price increases need to be “earned”

3. National Living Wage

- Increases implemented as planned
- No discrimination against under 25s in development
- No removal of existing benefits
- Anticipate 50 pence per hour increase in April 2017

4. Legislation

- Health – focused on lower sugar and fat consumption
- Drink Driving – no immediate change anticipated
- Other: MRO and service charge – no major impact



Positive consumer outlook; avoiding oversupplied locations

IMPROVING LONG-TERM RETURNS

New-builds

Higher quality of earnings

Increase ROC

Broad appeal

Destination P&P, Revere Community Leased

Maximise opportunity

Take control

Target 85% franchised + managed

Improve profit per pub

Accommodation

Broaden capital allocation
Smooth income stream

Enhance pub profitability
Increase ROC

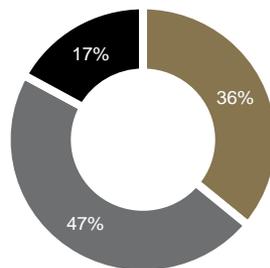


Clear and consistent plans to improve long-term returns

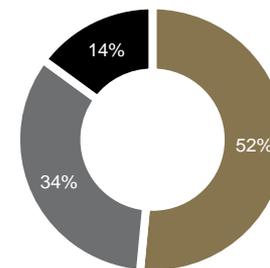
PUB SEGMENTATION

2016	Operating profit £m	No. of pubs	Average no. of pubs	Average profit per pub vs LY %
Destination and Premium	34.8	403	400	+4
Taverns	24.2	828	844	+12
Leased	12.7	339	340	+3
Total	71.7	1,570	1,584	+10

2012 Profit Mix



2016 Profit Mix



■ Destination and Premium
■ Taverns
■ Leased

Average MAT profit per pub

£73k

+44%


£105k

Higher quality estate, over half of earnings from Destination and Premium

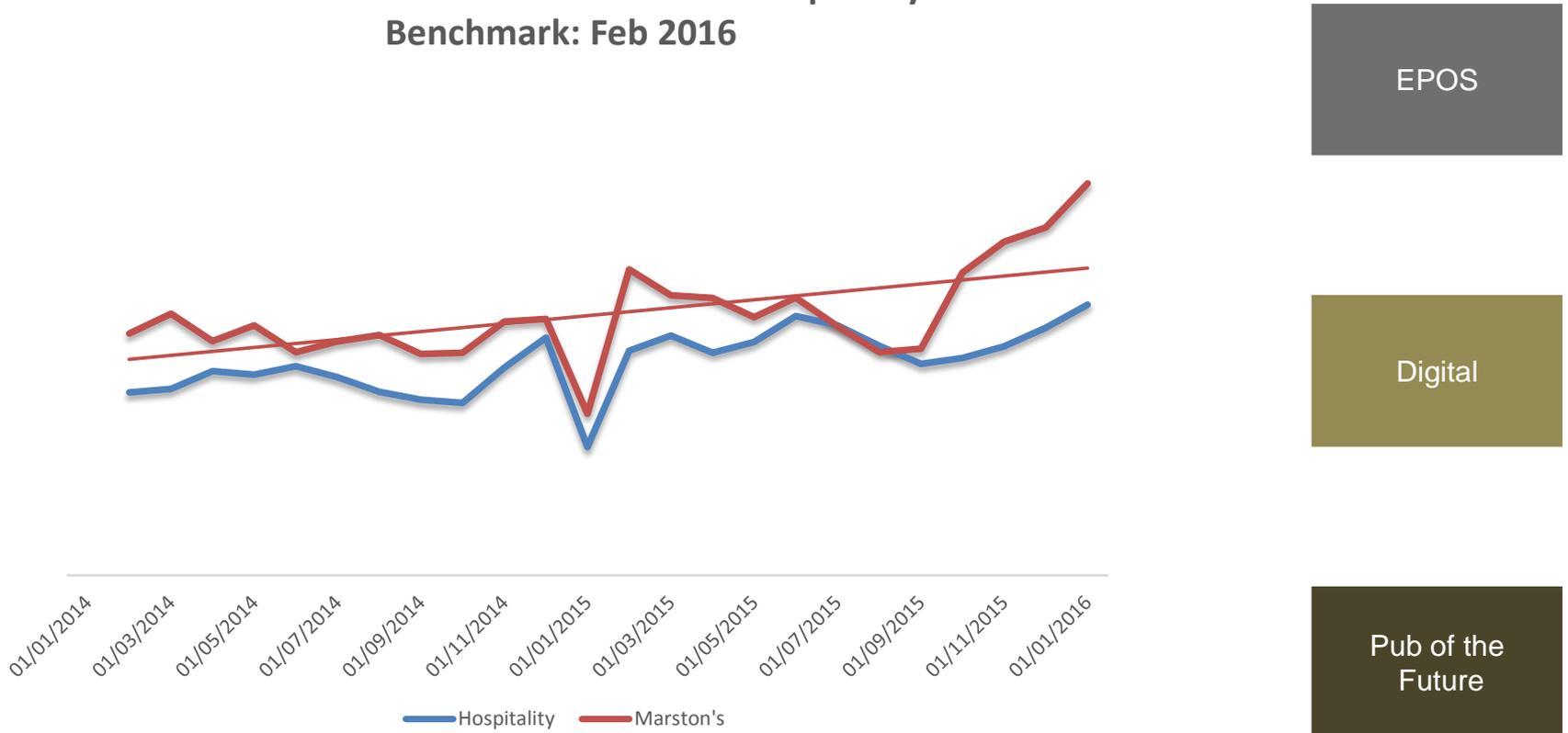
LEADING PUB INNOVATION



Innovation and development key to maintaining competitive advantage

CUSTOMER SATISFACTION

**InMoment Customer Satisfaction Hospitality
Benchmark: Feb 2016**

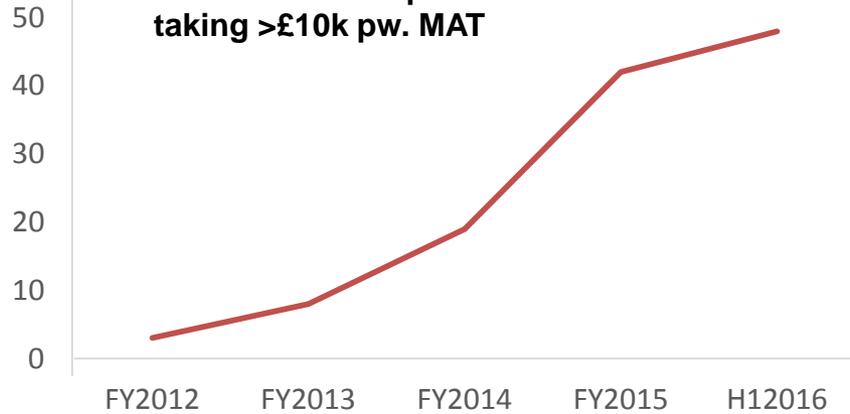


InMoment Hospitality Benchmark February 2016

Our customers more satisfied relative to improving sector

FRANCHISE EVOLUTION

No. of franchise pubs taking >£10k pw. MAT



Evolution and leadership in pub franchise

LEASED



Quality estate delivering growth

- LFL profit growth +3%
- £76k average EBITDA
- 2% rental growth



Income stability

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

Sustainable income through quality estate and strong support

PUB EXPANSION

Site pipeline

- 7 new-build sites completed to date this year
- Good visibility on future site pipeline

Build costs

- No material changes to land and building costs

Future plans

- At least 20 new-build pub-restaurants per annum
- Investment away from “hotspots”
- Substantially freehold; leasehold where appropriate



Maintain expansion through high-returning investments

DESTINATION AND PREMIUM ACCOMMODATION



Existing quality business continues to perform well

- 850 rooms in 51 pubs
- LFL sales up 12% in H1 2016
- Occupancy up 3%
- RevPAR up 10%

2016 expansion plans on track

- Three lodges opened in H1
- At least two further lodges in H2

Significant growth opportunity going forward

- At least 5 lodges per annum
- Larger lodges under review
- Additional stable income stream to existing pub model
- Leasehold tenure

Quality rooms business provides confidence to expand

PREMIUM

Pitcher & Piano

- Branded
- Premium bars in a mainstream market
- High tempo, high energy
- Great food but not food-led
- Landmark locations

Revere Town Centre

- Independent feel
- Great food – distinctive menus
- Premium drinks
- Town centre locations

Revere Country

- Independent feel
- Great food – distinctive menus
- Relaxed, informal ambience
- Suburban/semi-rural locations
- Rooms where possible

Investment



**2-3 new leasehold sites per annum
Conversion from existing**

Independent attitude and culture, shared Marston's objectives



BREWING: RANGE OF GROWTH OPPORTUNITIES



- Market share growth 1.5% in Premium Cask and 1.1% in Bottled
 - 1 in 5 premium cask and bottled ales
 - Premium ale mix 74%, Off Trade mix 54%

Flexible approach to growth underpinning market leadership

BREWING: STRONG BRAND SUPPORT



Local brand approach on a national scale

CLEAR ORGANIC EXPANSION PLANS

Destination

At least 20 new-builds - mainly freehold
Minimum of 5 lodges - leasehold

Premium

2-3 new sites - leasehold
Conversions from Destination

Taverns

Franchise development
New-build

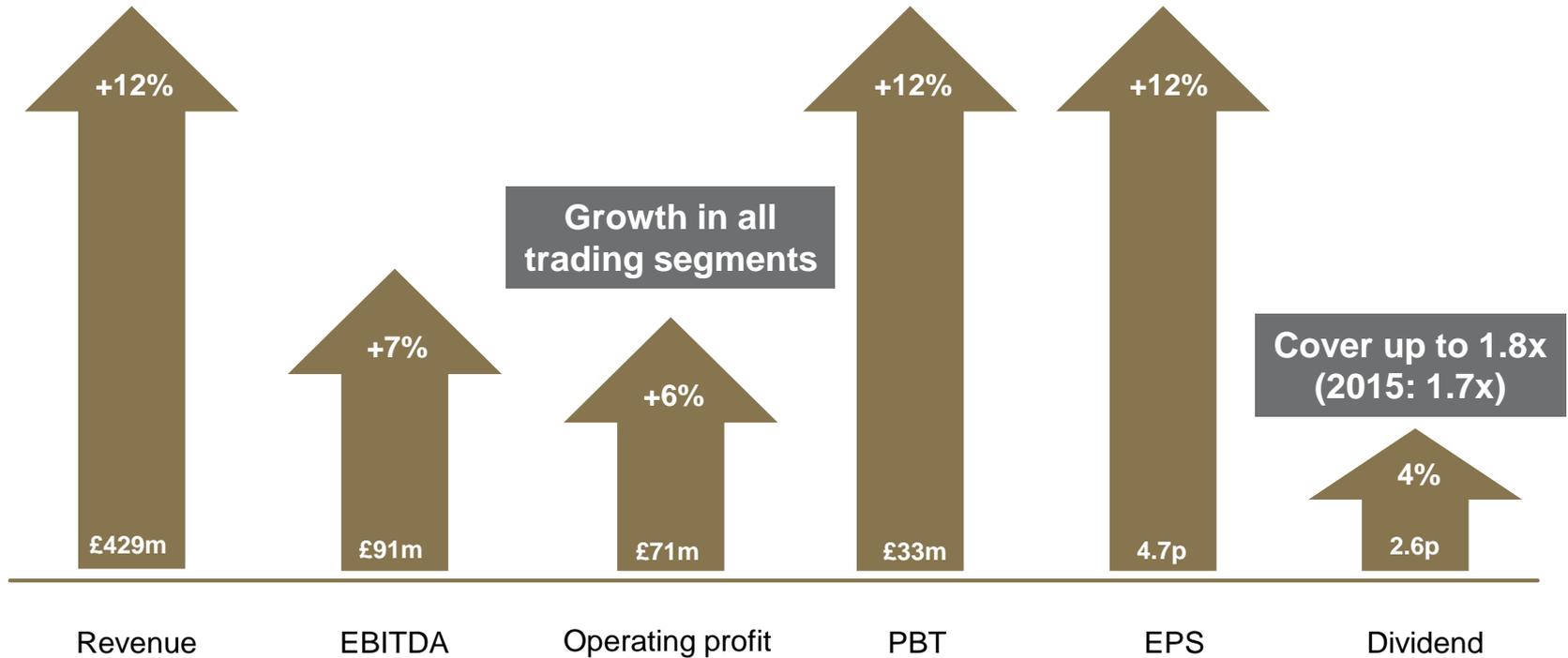
Beer

Innovation
Collaboration
Acquisition

Broad range of growth opportunities at attractive returns



FINANCIAL SUMMARY



Strong H1 performance

LIKE-FOR-LIKE PERFORMANCE

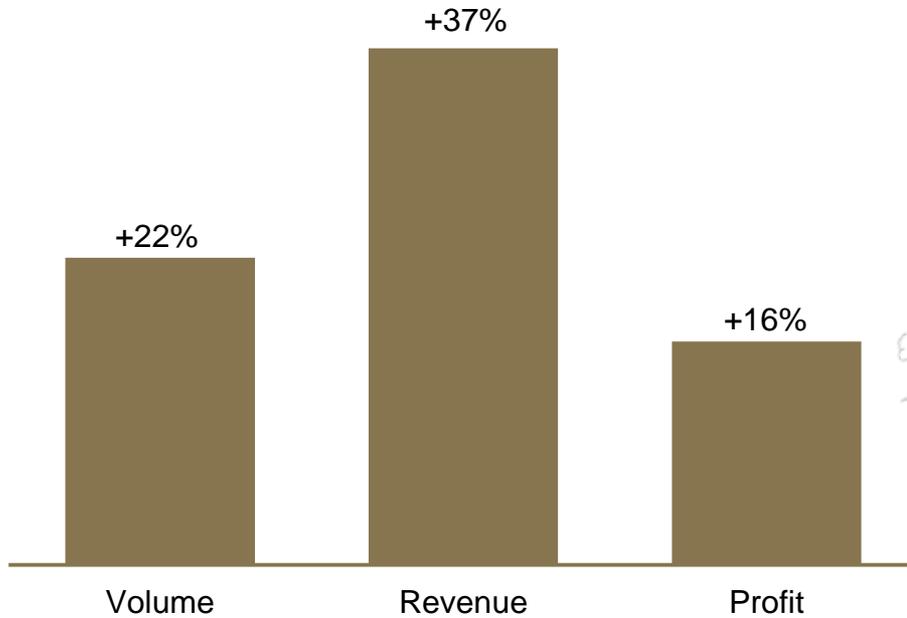
	Destination and Premium	Taverns
Sales	+3.0% +2% vs market*	+3.0% +2% vs market*
Growth drivers	Volume and mix	Volume and mix
Margin	+0.1%	+0.1%



*Peach Tracker MAT to March 2016 outside London

Continued focus on volume driven LFL growth whilst maintaining margin

BREWING



**BEST NATIONAL
CASK ALE SUPPLIER OF THE YEAR**
in the last three Publicans' polls



Strong organic and acquisition-led growth

COST GUIDANCE

1. 2016 – no change to guidance
 - NLW implemented as previously guided
 - £0.5m non-cash pension interest charge

2. 2017 – similar cost profile
 - Food and drink – c.1-2%
 - Brewing raw materials – c.1%
 - Labour cost inflation c. 4%
 - NMW increase to £6.95 from 1 October 2016
 - Expect c.50p per hour for NLW from April 2017
 - Apprenticeship levy - £0.5m from April 2017
 - Energy – c.1-2%



No material change to cost outlook – NMW/NLW increase manageable

CASH FLOW SUMMARY

	2016 £m	2015 £m	Comments
Operating cash flow	81	58	Improved EBITDA and working capital
Net interest	(38)	(38)	
Pre-investment FCF	43	20	
Organic capex	(39)	(34)	
Disposals	28	26	
Dividend	(26)	(25)	
FCF pre new-build	6	(13)	
New-build capex	(34)	(36)	7 in H1, 20 for full year
Net underlying cash flow	(28)	(49)	

FCF= free cash flow

Stronger operating cash flow

FINANCING STRUCTURE

	Securitised	Bank and cash	Total (excl. property)	Property Leasing	Total (inc. property)
	Visible, smooth amortising debt to 2035*	£287.5m bank facilities		Property leases 35-40 year term	
Debt £m	853	197	1,050	223	1,273
H1 2016 Debt: EBITDA	7.3x	2.1x	5.0x		6.1x
H1 2015 Debt: EBITDA	7.5x	2.2x	5.4x		6.4x

Fixed charge cover 2.6x (2015: 2.4x)

*Amortisation schedule in appendices

Long-dated debt structure, leverage reducing

SUMMARY

1. Transformed pub business performing well
2. Increased market share and profit growth in Brewing
3. On track to meet full year expectations
4. Continue to deliver shareholder value
 - Dividend up 4.0%
 - Return on capital increased
 - Strengthening balance sheet



Transformed business delivering long-term shareholder value



SEGMENTAL PROFIT

	H1 2016 £m	H1 2015 £m	YOY %
Turnover			
Destination & Premium	204.8	187.2	9.4%
Taverns (inc AHFS)	107.1	104.4	2.6%
Leased	24.2	25.1	(3.6)%
Beer Division	92.6	67.8	36.6%
Total	428.7	384.5	11.5%
EBITDA			
Destination & Premium	42.9	39.5	8.6%
Taverns (inc AHFS)	28.0	27.7	1.1%
Leased	13.5	13.3	1.5%
Beer Division	15.1	12.6	19.8%
Group Services	(8.9)	(8.2)	(8.5)%
Total	90.6	84.9	6.7%
EBIT			
Destination & Premium	34.8	31.6	10.1%
Taverns (inc AHFS)	24.2	24.1	0.4%
Leased	12.7	12.4	2.4%
Beer Division	10.0	8.6	16.3%
Group Services	(11.2)	(10.2)	(9.8)%
Total	70.5	66.5	6.0%
Margin %			
Destination & Premium	17.0%	16.9%	0.1%
Taverns (inc AHFS)	22.6%	23.1%	(0.5)%
Leased	52.5%	49.4%	3.1%
Beer Division	10.8%	12.7%	(1.9)%
Total	16.4%	17.3%	(0.9)%
Finance Costs	(37.4)	(36.9)	(1.4)%
Profit Before Tax	33.1	29.6	11.8%

PUB NUMBERS

	Destination and Premium	Taverns	Leased	Total
2015 Closing	397	859	341	1,597
New-build additions	6	1		7
Disposals		(32)	(2)	(34)
H1 2016 Closing	403	828	339	1,570
2013 average numbers	339	1,379	390	2,108
2014 average numbers	357	1,082	348	1,787
2015 average numbers	382	913	342	1,637
H1 2016 average numbers	400	844	340	1,584

HISTORICAL LFL

	Destination and Premium			Taverns
	Total	Food	Wet	Total
26 wks 30/03/13	0.0%	2.0%	(2.0%)	0.0%
16 wks to 20/07/13	5.4%	6.3%	4.8%	0.0%
42 wks to 20/07/13	2.1%	3.7%	0.5%	0.0%
11 wks 05/10/13	2.2%	4.0%	(0.7%)	0.0%
53 wks 05/10/13	2.2%	3.9%	0.2%	0.0%
15 wks to 18/01/14	4.1%	5.6%	2.2%	3.0%
11 wks to 05/04/14	8.0%	6.1%	9.4%	4.9%
26 wks to 05/04/14	5.7%	5.8%	4.9%	3.8%
15 wks to 19/07/14	1.8%	1.9%	0.2%	0.5%
41 wks to 19/07/14	4.1%	4.2%	3.5%	3.0%
11 wks to 04/10/14	(0.3%)	(0.2%)	(1.8%)	(0.8%)
52 wks to 04/10/14	3.1%	3.3%	2.0%	2.1%
16 wks to 24/01/15	2.0%	2.0%	2.0%	2.0%
10 wks to 04/04/15	0.6%	0.5%	0.5%	0.5%
26 wks to 04/04/15	1.5%	1.4%	1.4%	1.4%
15 wks to 18/07/15	2.0%	2.3%	1.4%	2.3%
41 wks to 18/07/15	1.7%	1.6%	1.6%	1.7%
11 wks to 03/10/15	2.2%	2.1%	2.1%	3.1%
52 wks to 03/10/15	1.8%	1.7%	1.7%	2.0%
16 wks to 23/01/16	3.0%	2.5%	3.4%	2.7%
10 wks to 02/04/16	3.0%	1.8%	3.8%	3.5%
26 wks to 02/04/16	3.0%	2.2%	3.5%	3.0%

CAPEX, TAX AND SHARE CAPITAL

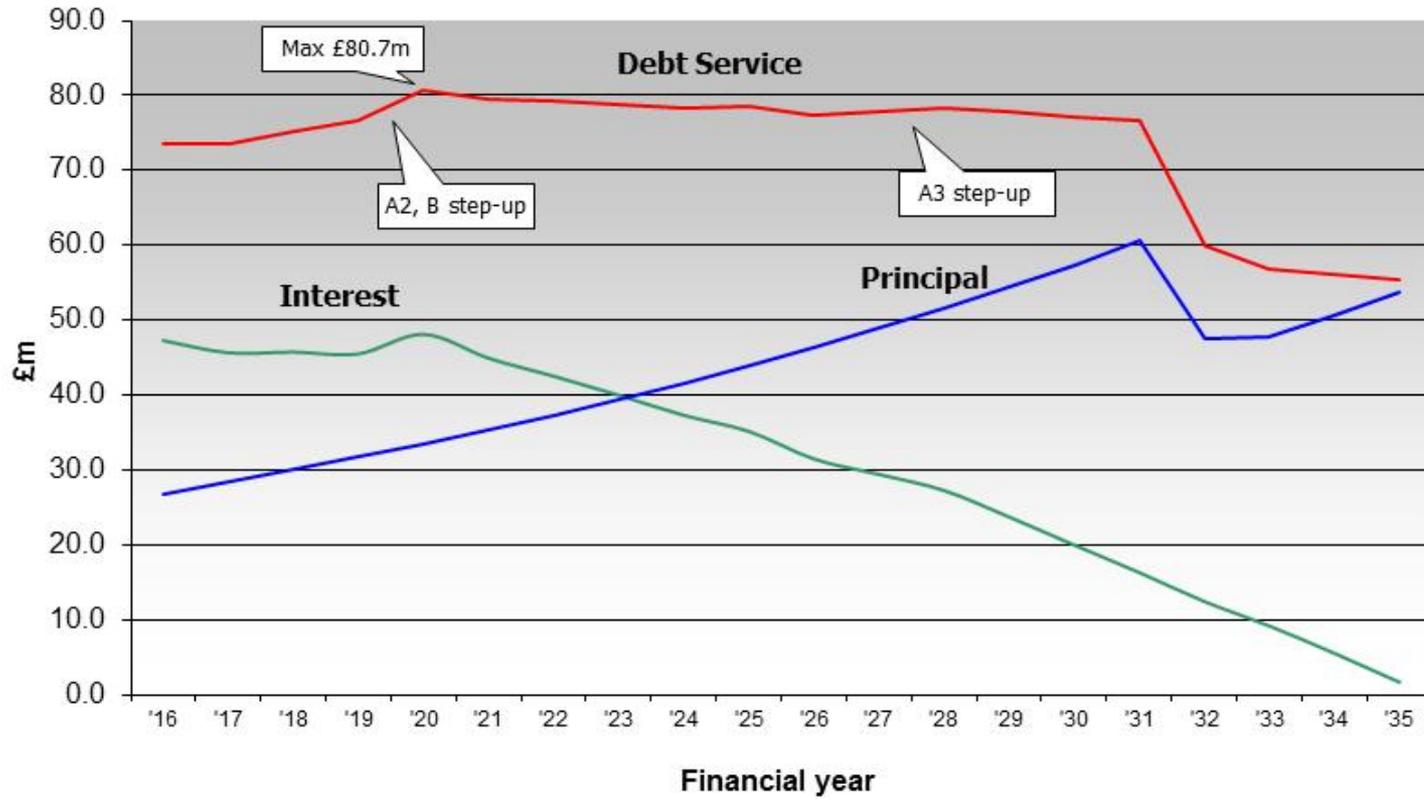
		Forecast 2016
New-build capex		c.£70m
Pub growth		£25m
Pub maintenance		£25m
Brewing and Group		£20m
Total		c.£140m
Disposals		c.£60m
Net capex		c.£80m
Tax rate		18.7%
Average number of shares in 2016		574.4m
Shares in issue at 2 April 2016		574.8m
Additional dilutive number of shares		5.7m



SECURITISED DEBT PROFILE

Tranche	Type	Principal outstanding at 2 April 2016	Step-up date	Final maturity date
A1	Floating	£88.8m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£195.3m	October 2012	2031
B	Fixed/Floating	£155.0m	July 2019	2035
Total		£853.1m		

SECURITISATION PROFILE



		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	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	46.8	45.2	45.3	45.0	47.3	44.2	41.8	39.4	36.8	34.7	31.1	29.0	26.8	23.4	19.7	16.1	12.3	9.1	5.6	1.8
Debt Service	£m	73.5	73.6	75.3	76.7	80.7	79.6	79.1	78.8	78.3	78.6	77.4	77.8	78.3	77.8	77.1	76.6	59.9	56.9	56.2	55.4

CROCCE

	FY2015				FY2014				FY2013*				FY2012	FY2011	FY2010
	Bal	Depn	Reval	Adj	Bal	Depn	Reval	Adj	Bal	Depn	Reval	Adj	Adj	Adj	Adj
FIXED ASSETS:															
Goodwill	227.5			227.5	224.2			224.2	224.2			224.2	224.2	224.2	224.2
Other intangible assets	37.6	6.6		44.2	25.1	5.3		30.4	24.1	6.1		30.2	28.7	28.1	27.5
Property, plant and equipment	2,122.6	187.9	(616.0)	1,694.5	1,990.0	183.9	(545.9)	1,628.0	2,063.6	185.9	(575.3)	1,674.2	1,653.3	1,800.1	1,747.3
Free trade loans	12.1			12.1	11.5			11.5	12.8			12.8	14.3	17.1	19.2
CURRENT ASSETS:															
Inventories	28.2			28.2	23.0			23.0	21.5			21.5	22.2	18.8	17.2
Assets held for sale	18.0			18.0	38.3			38.3	59.9			59.9	39.2	6.5	16.0
Debtors	84.3			84.3	72.9			72.9	69.0			69.0	62.5	74.5	65.3
LIABILITIES:															
Creditors	(228.5)			(228.5)	(199.0)			(199.0)	(188.4)			(188.4)	(175.2)	(169.2)	(148.3)
NET ASSETS	2,301.8	194.5	(616.0)	1,880.3	2,186.0	189.2	(545.9)	1,829.3	2,286.7	192.0	(575.3)	1,903.4	1,869.2	2,000.1	1,968.4
EBITDA				203.3				192.4				199.1	198.5	195.7	188.5
CROCCE (Closing Net Assets)				10.8%				10.5%				10.5%	10.6%	9.8%	9.6%

*2013 adjusted to exclude 53rd trading week

NOTES

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