



**Preliminary Results 2011**

## 1. Encouraging performance against challenging consumer backdrop

- Revenue and profit growth, strong margin performance
- Double digit EPS growth

## 2. Focused and consistent growth plans

- New-builds performing ahead of target
- Continued roll out of Retail Agreement, performing in line with expectations

## 3. Full year dividend of 5.8p per share with improving cover

## 4. Clearly defined strategic objectives

- Sustainable growth
- Improve ROC
- Reduce leverage





**Andrew Andrea**  
**Chief Financial Officer**



## Financial summary

52 weeks	2011	2010	% change
Revenue	£682.2m	£650.7m	<b>+4.8%</b>
Operating Margin	22.6%	22.9%	<b>(0.3)%</b>
EBITDA	£195.8m	£188.6m	<b>+3.8%</b>
Operating Profit	£154.3m	£148.7m	<b>+3.8%</b>
Profit before tax*	£80.4m	£73.5m	<b>+9.4%</b>
Adjusted EPS*	11.2p	10.0p	<b>+12.0%</b>
CROCCE	9.8%	9.6%	<b>+0.2%</b>
Full Year Dividend	5.8p	5.8p	<b>Level</b>
Dividend Cover	1.9x	1.7x	<b>+0.2x</b>

\* before exceptional items

**Revenue, profit and returns growth; dividend cover improving**



# Like-for-like performance

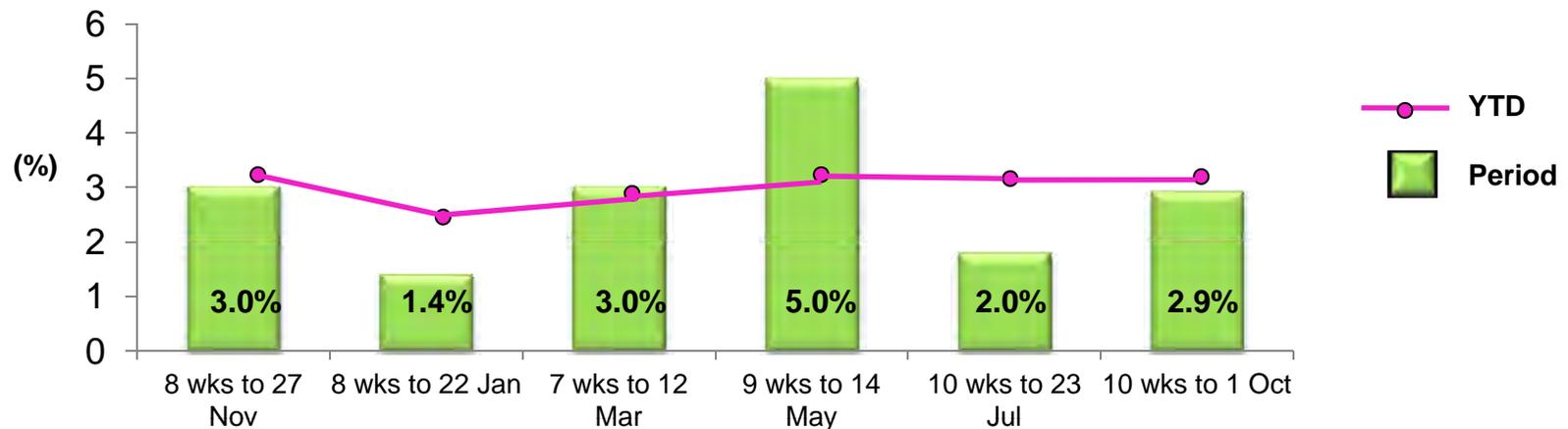
## INNS AND TAVERNS

### 2011 performance

Like-for-like sales*	% change
Drink	+1.8%
Food	+5.0%
<b>Total</b>	<b>+2.9%</b>

### Current trading

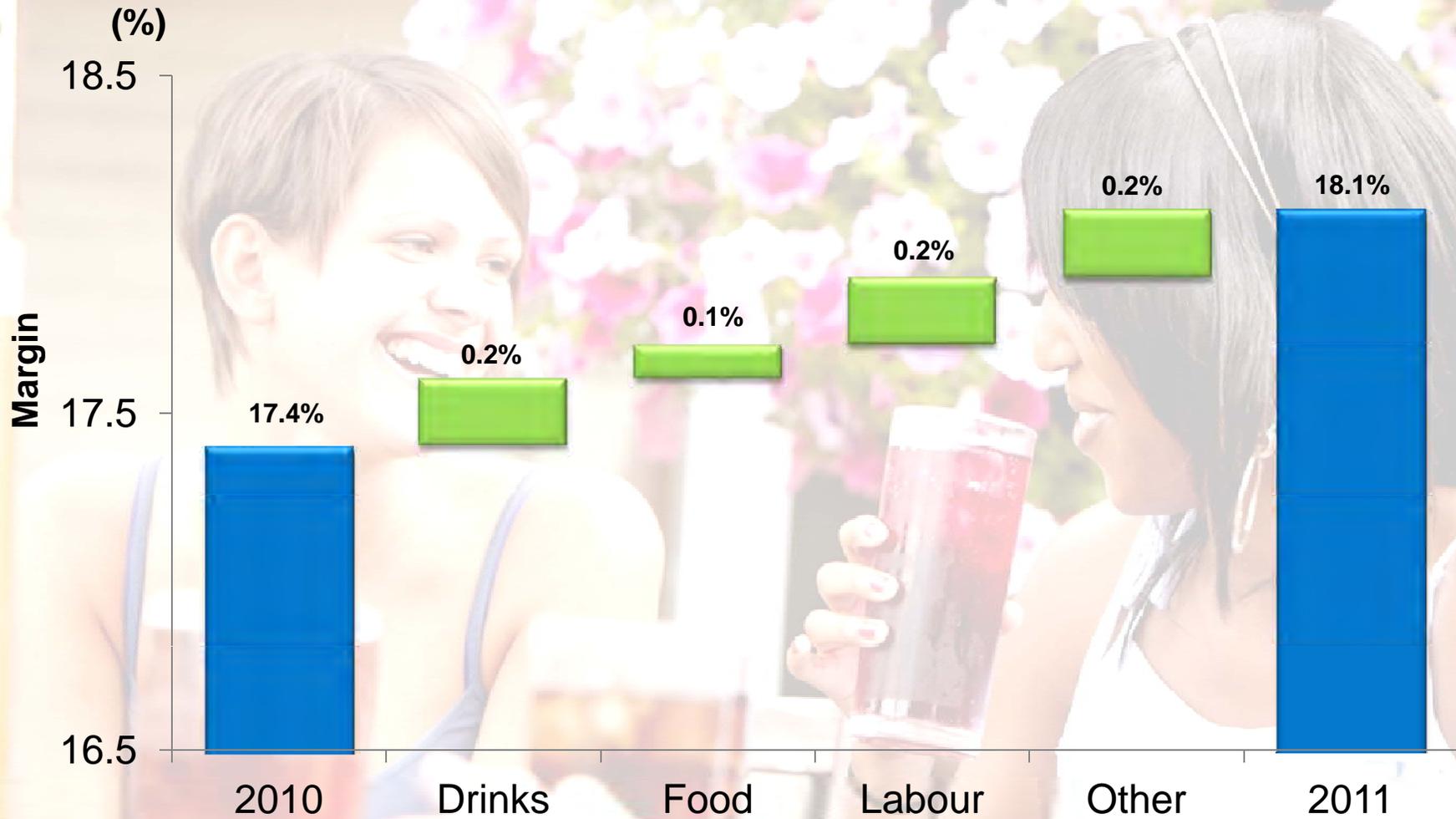
Like-for-like sales* for 8 weeks to 26 November	% change
Drink	+3.0%
Food	+3.0%
<b>Total</b>	<b>+3.0%</b>



\* excludes any pubs acquired in last two years

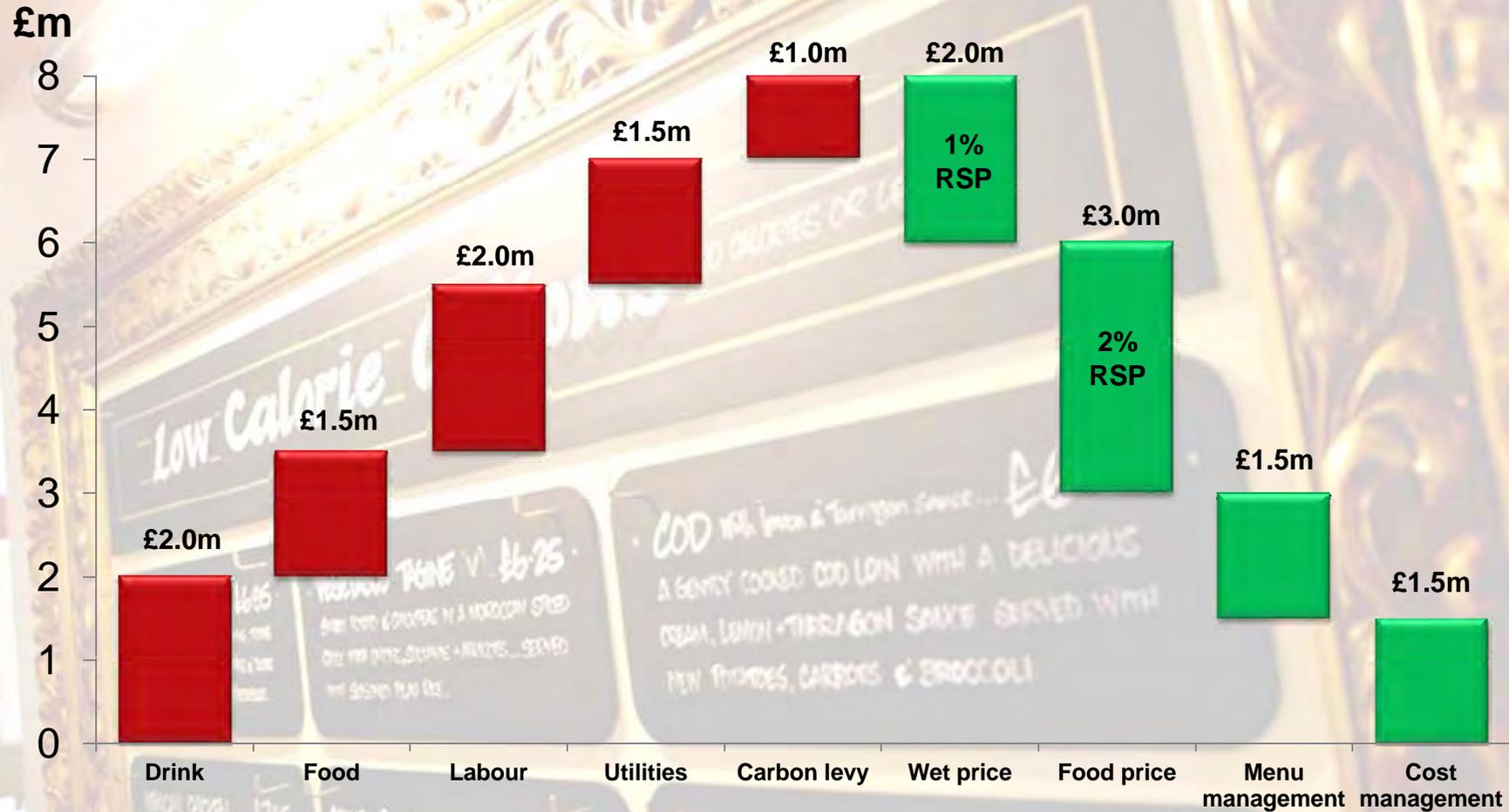
## Positive food and drink sales momentum

## INNS AND TAVERNS



**Continuing the improved margin performance**

## INNS AND TAVERNS



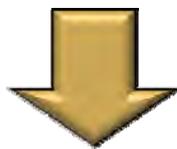
**2012 cost pressures will be mitigated**



## MPC segmented: 2011 performance

TENANTED AND FRANCHISE

	Long-term leases	Retail Agreement estate	Total
No. of pubs	c1,000	c600	c1,600
Turnover	+0.7%	+22%	+7.7%
Rent	+1.6%	n/a	-
YOY EBIT %	+0.8%	- %	+0.6%



**STABILITY**



**OPPORTUNITY**

**First 8 weeks: EBIT growth of 2.0%**

## 1. Revenue growth

- Revenue up 0.4%
- Group ale volume up 2%
- Strong ale performance in all channels

## 2. Robust financial performance

- Operating profit up 0.6%, margins maintained
- Strong cash generation

## 3. 2012 cost outlook

- Circa £1.0m of cost inflation – primarily energy and barley
- Will be mitigated mainly through price and improved production/distribution efficiency

**Ale revenues in growth, higher margins, cost outlook manageable**



## Cashflow summary

£m	2011	2010	2009	Comments
<b>Operating cashflow</b>	<b>182.4</b>	<b>189.3</b>	<b>147.3</b>	<b>£13m higher tax</b>
Net interest	(69.9)	(72.6)	(77.3)	
<b>Pre-investment FCF</b>	<b>112.5</b>	<b>116.7</b>	<b>70.0</b>	
Net capex*	(94.2)	(63.3)	(32.6)	New-builds and Retail Agreements
<b>Pre-dividend FCF</b>	<b>18.3</b>	<b>53.4</b>	<b>37.4</b>	
Dividend	(33.0)	(33.0)	(35.9)	
<b>Net cashflow</b>	<b>(14.7)</b>	<b>20.4</b>	<b>1.5</b>	

\* Net of disposal proceeds  
FCF = Free cashflow



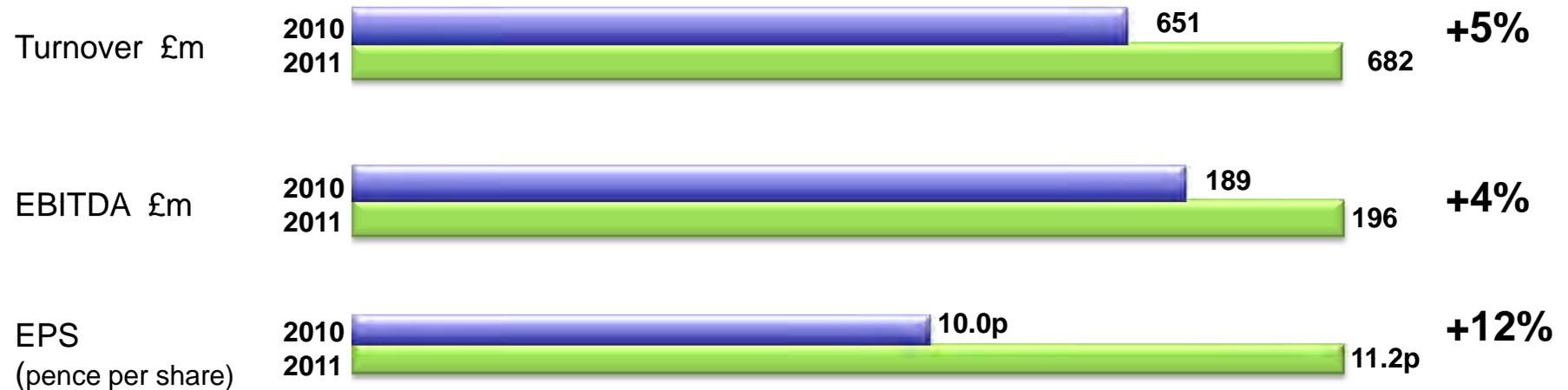
## Financing structure

	£m	
Securitisation	1,040	<ul style="list-style-type: none"> <li>• FCF cover: 1.5x vs covenant &gt;1.1x</li> <li>• EBITDA cover: 1.7x vs covenant &gt;1.5x</li> </ul>
Bank facility	126	<ul style="list-style-type: none"> <li>• Interest cover: 4.3x vs covenant &gt;3.0x</li> <li>• Debt to EBITDA: 1.9x vs covenant &lt;4.5x</li> <li>• New £257.5m facility to May 2016 with £42.5m accordion</li> </ul>
	1,166	<ul style="list-style-type: none"> <li>• 100% at fixed rates</li> </ul>
Net cash	(53)	
Debt issue costs	(12)	
<b>Net debt</b>	<b>1,101</b>	<ul style="list-style-type: none"> <li>• Average cost of net debt c.6.9%</li> </ul>
<b>Leverage</b>	<b>5.6x</b>	<ul style="list-style-type: none"> <li>• 2010 5.7x</li> </ul>
<b>Interest cover</b>	<b>2.1x</b>	<ul style="list-style-type: none"> <li>• 2010 2.0x</li> </ul>



# Core Strategic Objectives

## 1. Sustainable Growth



## 2. Reduce Leverage



## 3. Improve ROC

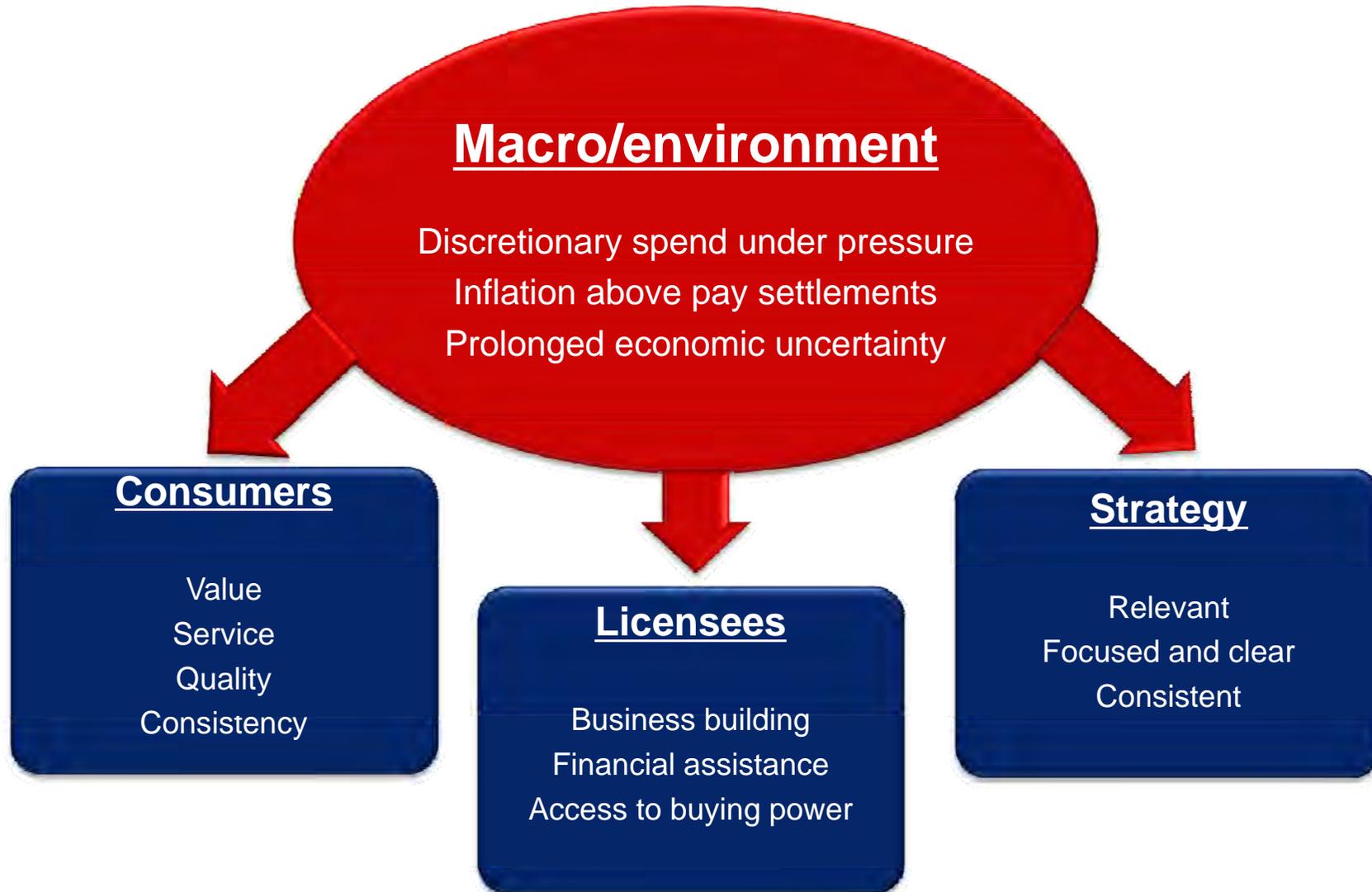


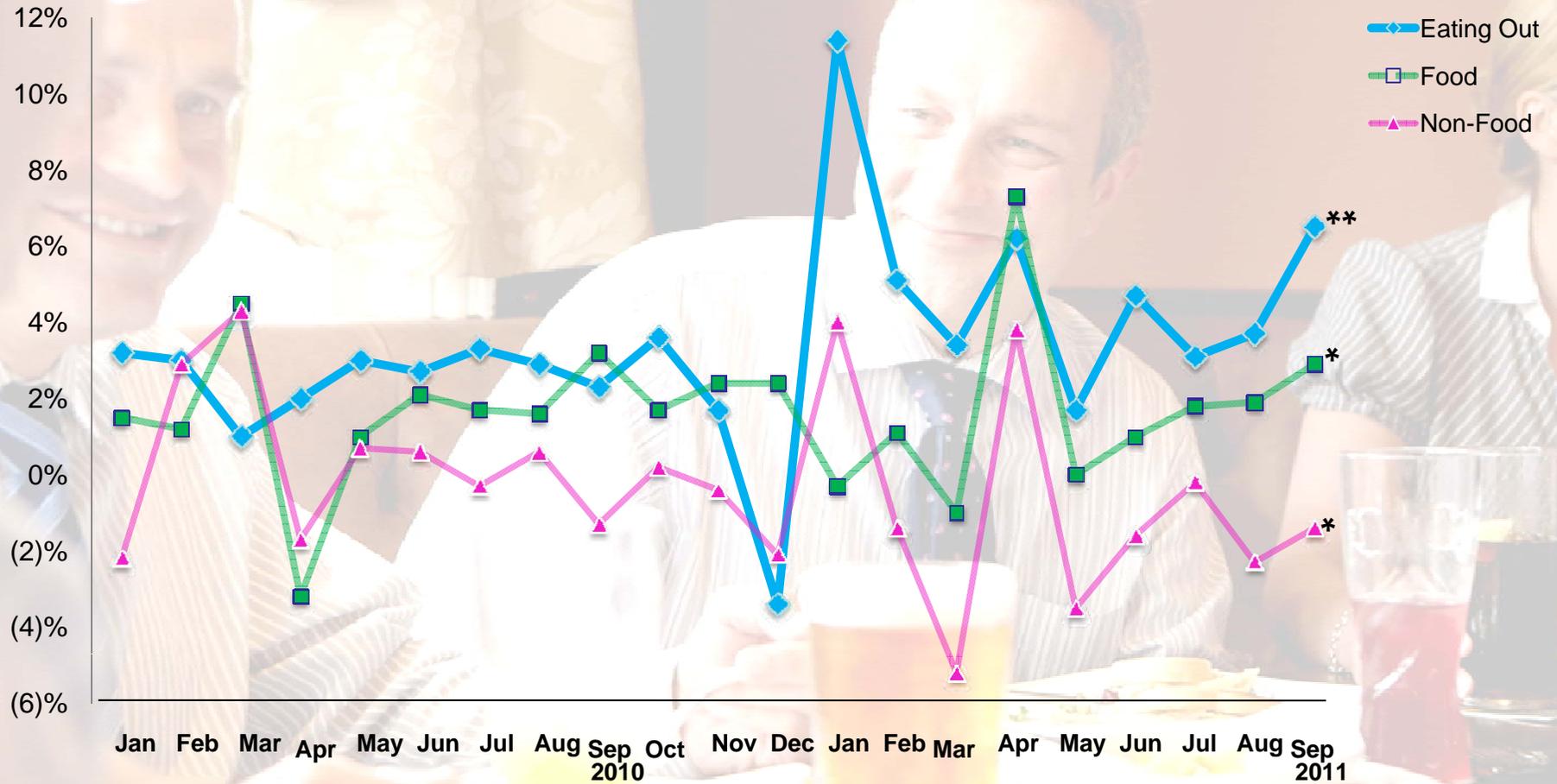
**Progress on all strategic objectives**

The image shows the exterior of The Wheat Sheaf Hotel at night. The building is constructed of dark brick and features several windows, some of which are illuminated from within. A prominent sign above the entrance reads "THE WHEAT SHEAF HOTEL" in large, raised letters. Above that, a smaller sign says "MARSTON'S". The entrance is lit by a warm, glowing lamp. In the foreground, there are outdoor seating areas with white patio umbrellas and tables. A small Christmas tree decorated with lights stands near the entrance. The sky is dark blue, suggesting dusk or early evening.

# Ralph Findlay

## Chief Executive Officer





Source: \*BRC Tracker  
\*\* Coffer Peach Tracker

**Eating out > food > non-food**



# Clear divisional strategies

## STRATEGY

## KEY COMPONENTS

## OBJECTIVES



- 'F-Plan'
- New-build investment



Exploit and develop competitive advantage in pubs and brewing sectors



- Innovative agreements
- Greater control of retail offer



- Localness
- Premium ales



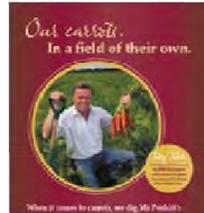
1. Sustainable growth
2. Lower gearing ratios
3. Increased ROC



# 'F-Plan': differentiation in food retailing

## Food

- Award winning menus
- Food stories - the narrative behind the plate
- Comfort food or stretch your taste buds!



## Females

- *"I always feel safe and welcome"*
- Addressing healthy eating concerns
- Table service – away from the bar



## Families

- *"I love my food"*  
Our award winning menu
- Contented child = happy parent
- Everybody's welcome; family inclusive play areas



## 40/50's and beyond

- Understanding the 'Ageless Society'
- A relaxed, unhurried environment
- Fantastic everyday value
- Accessibility



## Category

Destination  
253

Taverns  
213

Branded High  
Street  
26

## Formats

Two for One  
Milestone

Community  
pubs

Pitcher & Piano  
Bluu

## Growth Investment

New-build  
Impact gardens

EIP  
Impact Gardens

Regular refresh

**Broad pub formats for all consumers**

**Food**



**Families**



**Females**



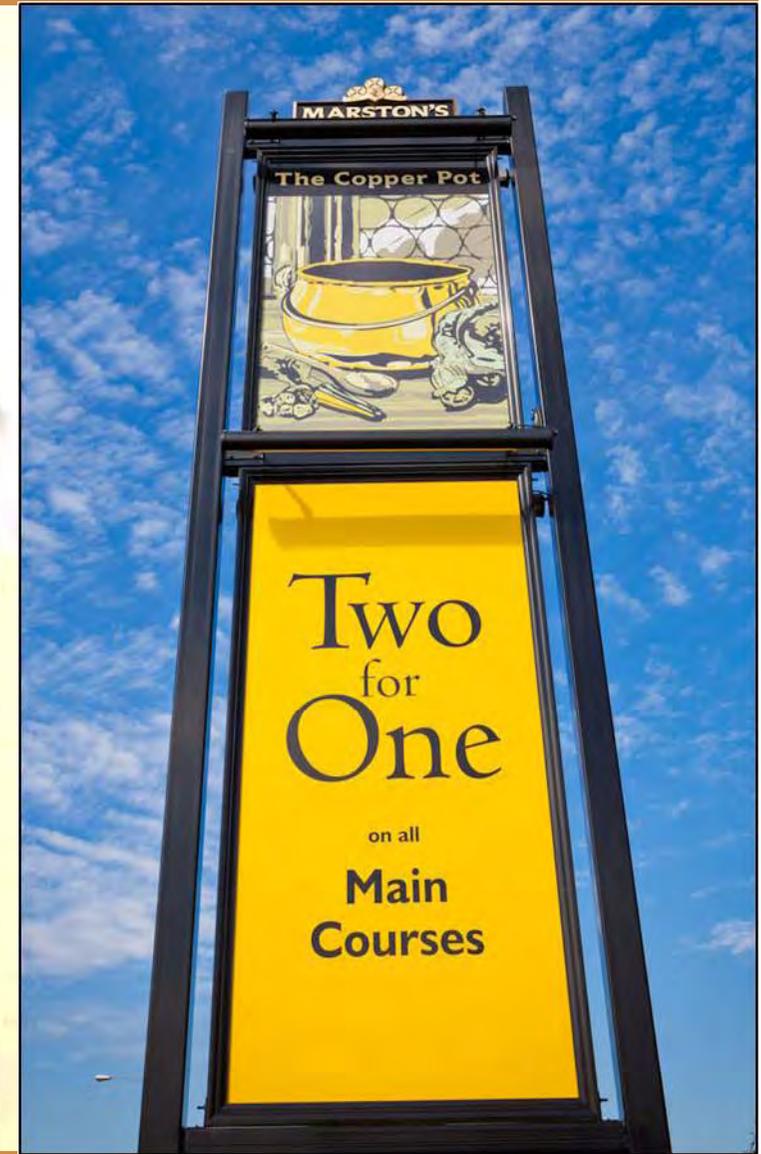
**40/50's and beyond**



**Excellent customer satisfaction scores consistently higher than industry average**

**INNS AND TAVERNS**

- **Strong lfl sales**
  - Wet +6%
  - Food +8%
- **High food mix 61%**
  - Kids meals +25%
  - 11 million meals per annum
- **Quality offer encourages trading up**
  - Starters +20%
  - Desserts +26%
  - Coffee +20%



- Modest investment
  - 9 investments of c.£50k each
  - High impact investment
  - Recreating “the cult of the home”
- Enhanced performance
  - Turnover up £4.5k per week
  - EBITDA uplift of £87k per annum
- Strong returns
  - ROIC c.165%
  - Payback in seven months



Wheatsheaf, Baslow



## New-build performance

### INNS AND TAVERNS

	2009 target	Pre 2010 sites	Post 2010/11 sites
Turnover per week	£20k	£21k	£27k
<b>EBITDA conversion</b>	<b>30%</b>	<b>32%</b>	<b>32%</b>
Food mix	55%	57%	62%
<b>Food spend per head</b>	<b>c.£6.00</b>	<b>c.£6.00</b>	<b>c.£6.50</b>
EBITDA ROI*	15%	17.3%	18.6%

\*annualised pro-forma

## INNS AND TAVERNS

### MAT Performance on new-build sites: 55 sites 2005-2011\*

#### North West

14 pubs  
AWT: £25k  
EBITDA ROI: 18%

#### Wales

6 pubs  
AWT: £23k  
EBITDA ROI: 18%

#### South West

7 pubs  
AWT: £23k  
EBITDA ROI: 16%



*\*sites trading at least 3 months*



# New-build performance

## INNS AND TAVERNS



*Cobblestones, March*



*Blue Jay, Derby*

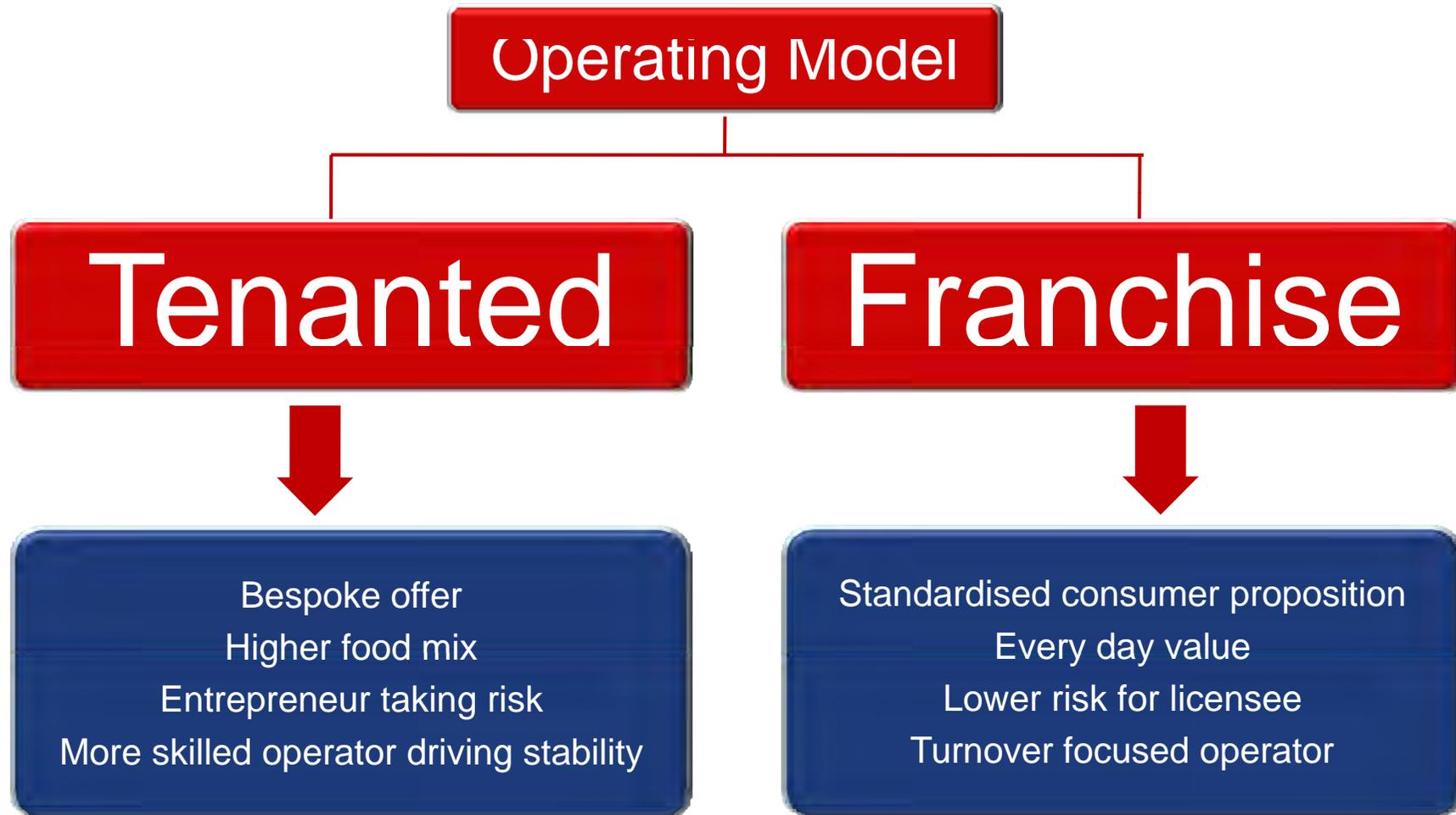


*Running Horse, Fakenham*



*The Orchard at Amesbury*

TENANTED AND FRANCHISE

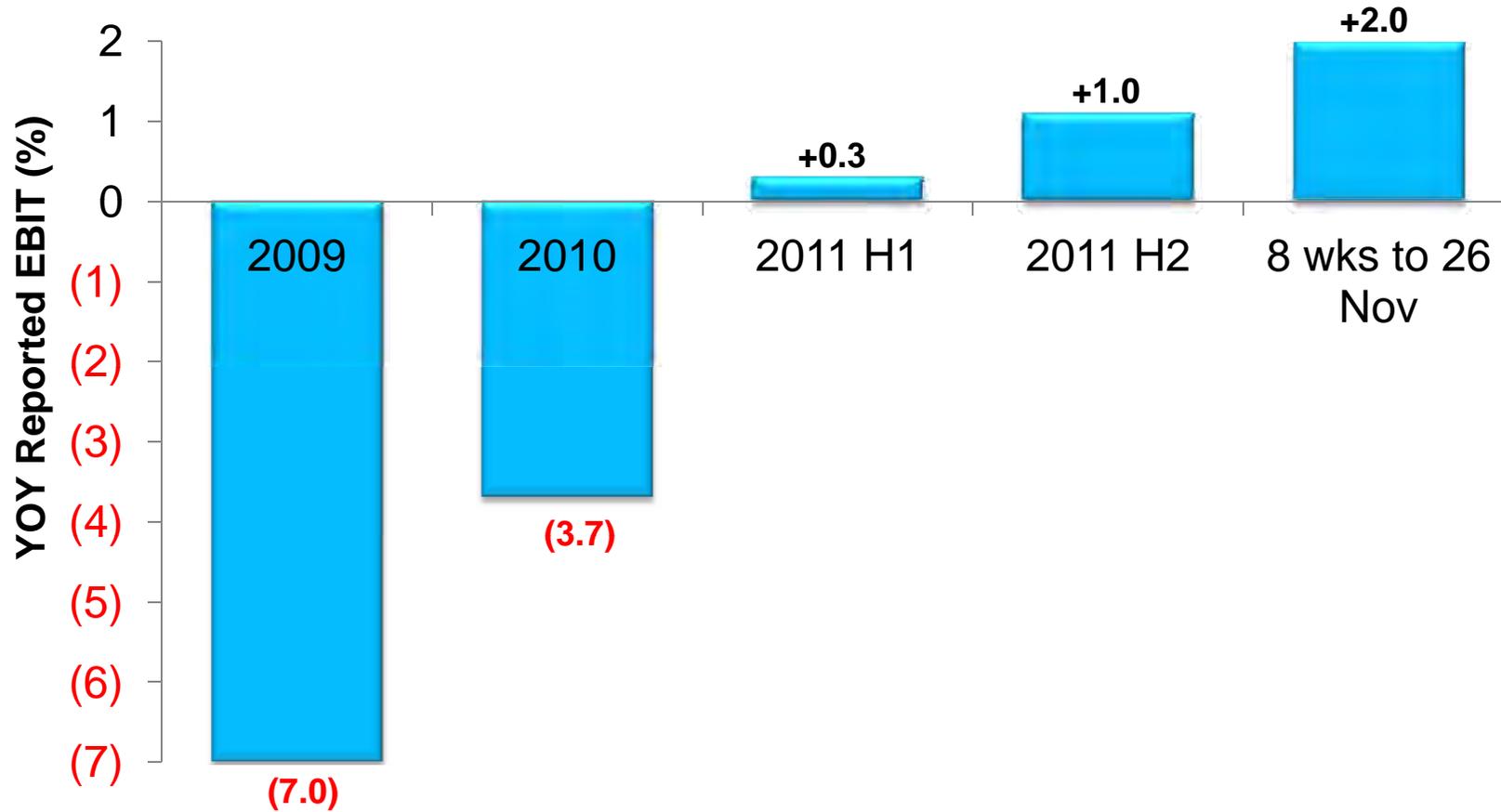


**Flexibility ensures right pub, right operator, right model**



# Three year profit performance

TENANTED AND FRANCHISE

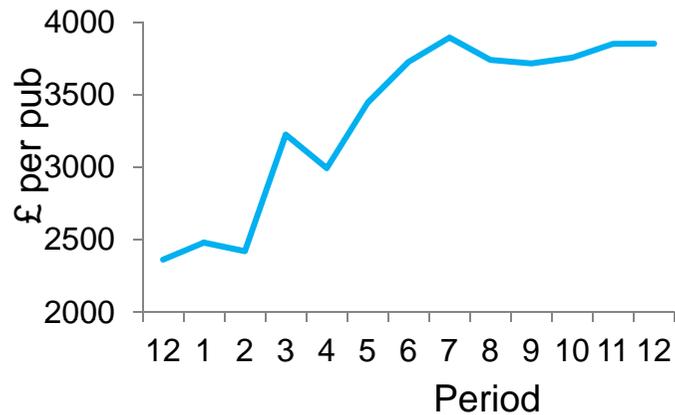


**Return to absolute EBIT growth, trends improving**

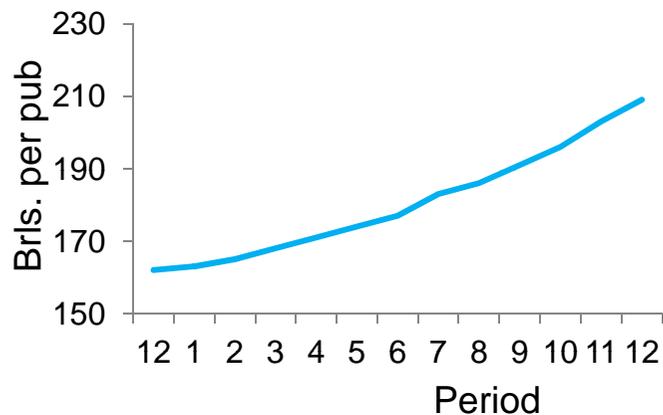
## TENANTED AND FRANCHISE

### 1. Post-conversion performance

Turnover p.w.



Volume MAT



### 2. 2010 sites improving:

- Turnover per week: £3,700 ⇒ continuing to improve
- EBITDA: £45kpa ⇒ achieving EBITDA target
- ROIC: 45% ⇒ approx. 2 year payback
- Food mix: 13%



**Turnover and profit improvement being achieved**

## TENANTED AND FRANCHISE

### Retailer

- High number of applicants – 3x higher than traditional tenancy
- Retention high
- High approval rating – 93% recommend

### Consumer

- Leverage managed house insights and disciplines
- Refurbished pub: “*best place around here*”
- Consistent marketing offer
- Value for money focus

### Peers

- Others introducing alternative models...
  - but all still have rent and beer price issues
- Tenanted Pubco of the Year Award



## TENANTED AND FRANCHISE

### 1. Enhanced licensee support

- Combined commercial department
- Revenue generating support
- Access to Group buying power

### 2. Improved licensee quality

- Internal code of conduct introduced
  - Process designed to reduce risk of tenant failure
- Minimum “skill-bar” for licensees

### 3. Agreement flexibility

- Focus on overall commercial structure that suits licensee
- Flexibility on drinks pricing and tie arrangements
  - Includes free of tie

### 4. Selective capital investment

- Recognise quality licensees need investment support
- Investments consistent with proven managed house projects (e.g. gardens)



## 1. Group ale up 2% despite a declining market

- Innovation assisting growth, fastcask™ now 20% of cask ale brewed

## 2. Localness

- Independent Free Trade success continues
  - 7% increase in customers
  - Cask ale up 4%
- Local marketing support maintained

## 3. Premium

- Leading market share in premium cask and premium bottled ale
- National marketing support
  - Pedigree – Official Beer of England Cricket
  - Hobgoblin – Unofficial “Beer of Halloween”

## 4. Asset utilisation driving strong EBITDA return

- Tetley and Bass brewing
- Contract bottling, trunking



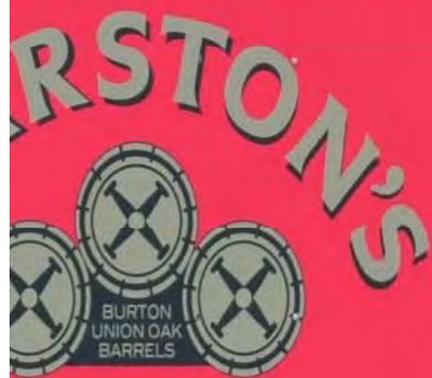
1. Clear, consistent and focused strategy
2. Strategy designed to respond to long-term consumer and customer trends
3. Progress on all three strategic objectives
4. Current trading encouraging



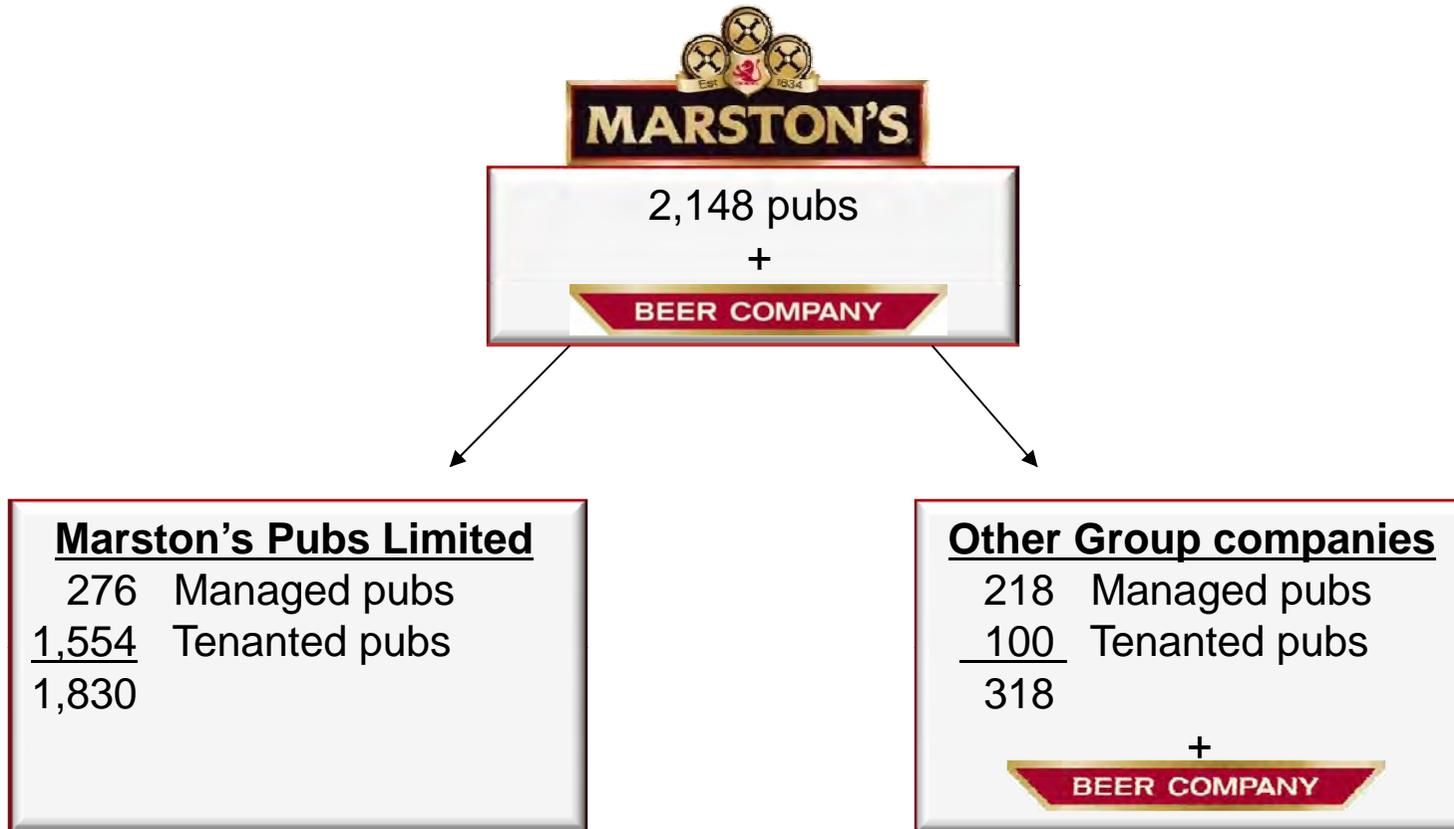


It's all about 

# Appendices



**Pedigree**





# Segmental analysis

	H1			H2			Full Year		
	2011 £m	2010 £m	%	2011 £m	2010 £m	%	2011 £m	2010 £m	%
<b>Turnover</b>									
Marston's Inns and Taverns	181.7	175.4	3.6%	210.1	198.4	5.9%	391.8	373.8	4.8%
Marston's Pub Company	85.9	82.2	4.5%	98.0	88.6	10.6%	183.9	170.8	7.7%
Marston's Beer Company	50.3	51.6	(2.5%)	56.2	54.5	3.1%	106.5	106.1	0.4%
Marston's Group Services	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>317.9</b>	<b>309.2</b>	<b>2.8%</b>	<b>364.3</b>	<b>341.5</b>	<b>6.7%</b>	<b>682.2</b>	<b>650.7</b>	<b>4.8%</b>
<b>EBITDA</b>									
Marston's Inns and Taverns	36.5	35.3	3.4%	54.7	49.3	11.0%	91.2	84.6	7.8%
Marston's Pub Company	43.6	43.3	0.7%	46.0	45.1	2.0%	89.6	88.4	1.4%
Marston's Beer Company	11.6	11.5	0.9%	13.4	13.4	0.0%	25.0	24.9	0.4%
Marston's Group Services	(4.9)	(4.6)	(6.5%)	(5.1)	(4.7)	(8.5%)	(10.0)	(9.3)	(7.5%)
<b>Total</b>	<b>86.8</b>	<b>85.5</b>	<b>1.5%</b>	<b>109.0</b>	<b>103.1</b>	<b>5.7%</b>	<b>195.8</b>	<b>188.6</b>	<b>3.8%</b>
<b>Operating Profit</b>									
Marston's Inns and Taverns	26.5	25.5	3.9%	44.5	39.6	12.4%	71.0	65.1	9.1%
Marston's Pub Company	38.6	38.5	0.3%	40.7	40.3	1.0%	79.3	78.8	0.6%
Marston's Beer Company	7.3	7.2	1.4%	9.0	9.0	0.0%	16.3	16.2	0.6%
Marston's Group Services	(6.0)	(5.7)	(5.3%)	(6.3)	(5.7)	(10.5%)	(12.3)	(11.4)	(7.9%)
<b>Total</b>	<b>66.4</b>	<b>65.5</b>	<b>1.4%</b>	<b>87.9</b>	<b>83.2</b>	<b>5.6%</b>	<b>154.3</b>	<b>148.7</b>	<b>3.8%</b>
<b>Margin %</b>									
Marston's Inns and Taverns	14.6%	14.5%	0.1%	21.2%	20.0%	1.2%	18.1%	17.4%	0.7%
Marston's Pub Company	44.9%	46.8%	(1.9%)	41.5%	45.5%	(4.0%)	43.1%	46.1%	(3.0%)
Marston's Beer Company	14.5%	14.0%	0.5%	16.0%	16.5%	(0.5%)	15.3%	15.3%	0.0%
Marston's Group Services									
<b>Total</b>	<b>20.9%</b>	<b>21.2%</b>	<b>(0.3%)</b>	<b>24.1%</b>	<b>24.4%</b>	<b>(0.3%)</b>	<b>22.6%</b>	<b>22.9%</b>	<b>(0.3%)</b>
Finance Costs	(37.2)	(37.7)	1.3%	(36.7)	(37.5)	2.1%	(73.9)	(75.2)	1.7%
<b>Profit Before Tax</b>	<b>29.2</b>	<b>27.8</b>	<b>5.0%</b>	<b>51.2</b>	<b>45.7</b>	<b>12.0%</b>	<b>80.4</b>	<b>73.5</b>	<b>9.4%</b>



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Average number of shares in 2011	568.9m
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Number of shares in issue as at 1 October 2011	568.9m
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Additional dilutive number of shares	3.1m
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	<b>Actual <u>2011</u></b>	<b>Forecast <u>2012</u></b>
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Tax rate	c.21%	22 - 24%
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Capex	£111m	£100-110m
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Disposal proceeds	c.£15m	c.£30m
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## Securitisation as at 1 October 2011

Securitisation results £m	Actual	
• Gross debt <sup>(1)</sup> outstanding as at 1 Oct 2011	1,039.7	
• EBITDA	131.3	
• Free cashflow (FCF)	113.4	
• Debt service (DSCR)	77.7	
Financial covenants	Actual	Covenant
• FCF : DSCR	1.5x	>1.1x <sup>(2)</sup>
• EBITDA : DSCR	1.7x	>1.5x <sup>(3)</sup>
• Net worth	£572.8m	£90m

<sup>(1)</sup>before debt issue costs

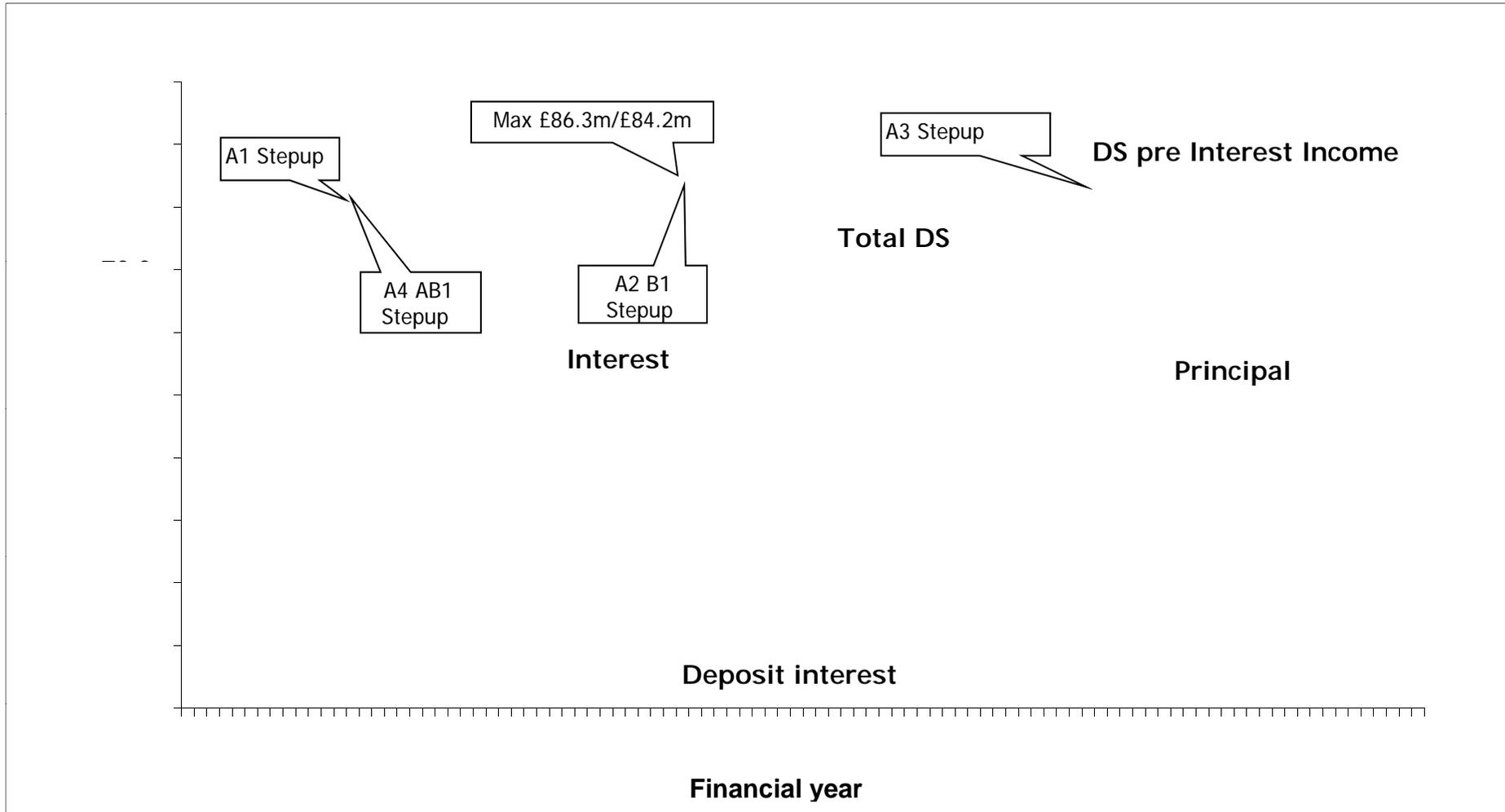
<sup>(2)</sup>restricted payment covenant >1.3x

<sup>(3)</sup>restricted payment covenant only



## Securitisation debt profile

Tranche	Type	Principal outstanding at 1/10/2011	Step-up Date	Final Maturity Date
A1	Floating	£162.1m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£228.6m	October 2012	2031
AB1	Floating	£80.0m	October 2012	2035
B	Fixed/Floating	£155.0m	July 2019	2035
<b>Total</b>		<b>£1,039.7m</b>		





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