

Preliminary Results 2014

Ralph Findlay
Chief Executive Officer

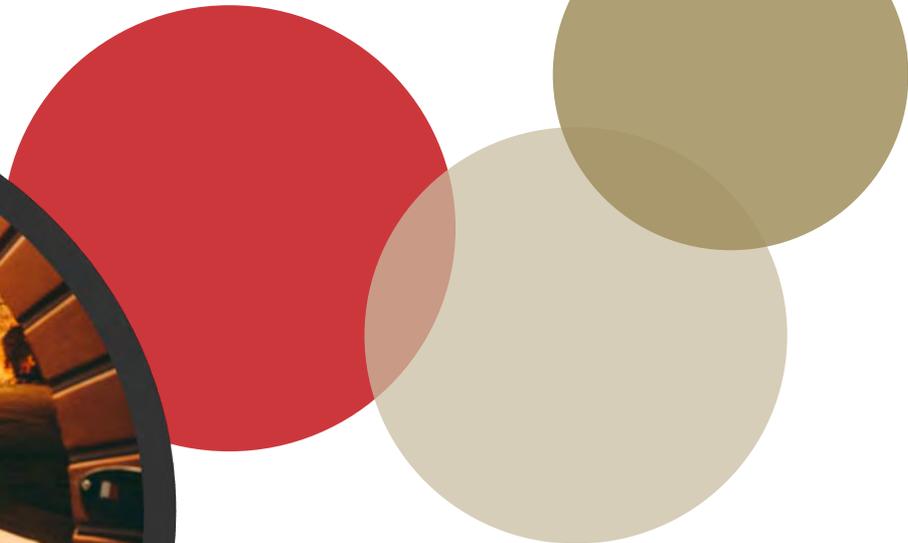
Andrew Andrea
Chief Financial Officer





Ralph Findlay

Chief Executive Officer





Highlights

1. Solid Trading Performance

- Core PBT growth of 12%
- Returns remain strong at 10.5%
- Positive momentum into current financial year

2. Two year transformation of pub estate on track

- 27 new pub-restaurants opened
- Continued conversion of pubs from tenanted to franchised models
- 388 pubs sold generating £144m for reinvestment
- High-quality, stable leased business

3. Final dividend increased by 4.9% to 4.3 pence per share



Market dynamics

1. Macroeconomic outlook looking positive

- Employment rate increasing
- Lower inflationary pressure leading to real wage growth
- Corporate and Government investment growing

2. Consumer becoming increasingly demanding

- Innovation and differentiation key to organic growth
- Loyalty only achieved by consistent offer and service
- 'Flight to Value' likely to be a generational shift

3. Regional consistency

- Performance consistent nationally
- Good pubs still in demand and continue to take share

Improving long-term returns





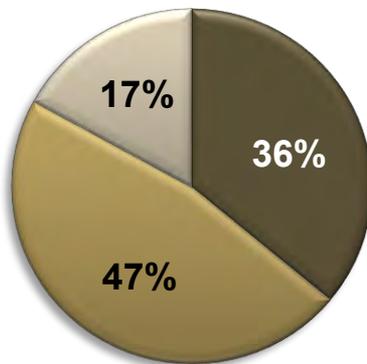
Estate development: Vision and progress to date

	2013	2014	2016	Operating model
Destination and Premium	349	372	c420	Managed
Taverns	1,316	974	c800	Franchised, Managed
Leased	385	343	c320	Leased
	2,050	1,689	c1,540	

Pub segmentation

FY 2014	Operating profit £m	No. of pubs	Average no. of pubs	Average profit per pub vs LY	
				£k	%
Destination and Premium	76.0	372	357	213	+3
Taverns	55.7	974	1,082	52	+4
Leased	23.5	343	348	68	+2
Total	155.2	1,689	1,787	87	+10

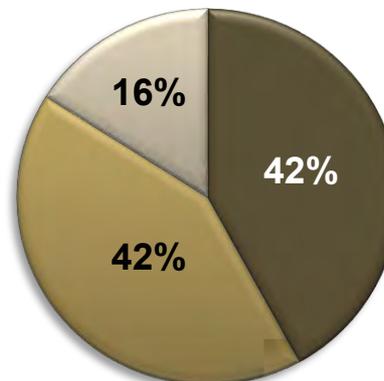
2012 profit mix



Average profit per pub £73k

■ Destination and Premium
■ Taverns
■ Leased

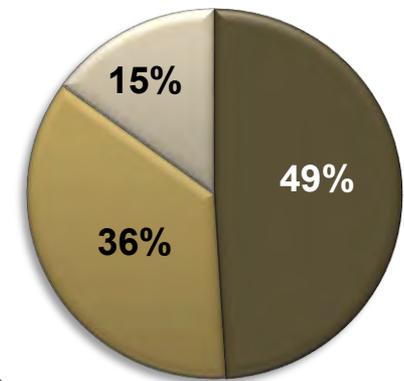
2013 profit mix



£79k

+8%

2014 profit mix

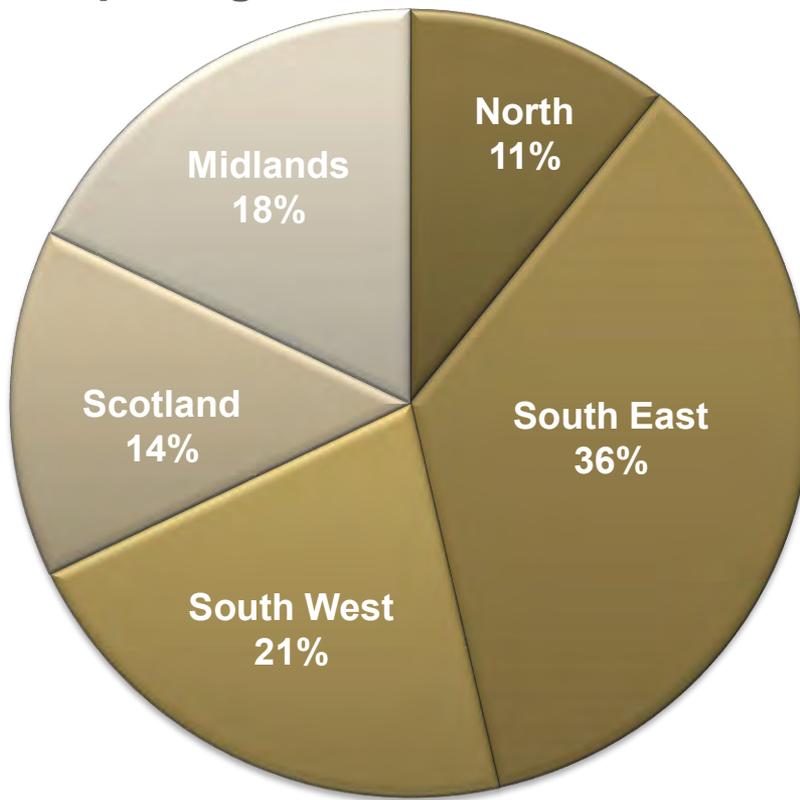


£87k

+10%

100 new-builds: 2010-2014

2014 openings



New-builds: Looking forward

2010 – 2014

- 100 pubs opened
- National coverage
- 25 in South
- 7 in Scotland
- 5,000 jobs created

2015

- At least 25 openings
- 3 lodges
- 8 in South
- 4 in Scotland
- 1,250 jobs

2016 →

- c25 per annum
- Strong pipeline to 2017
- c5 per annum in Scotland
- Maintain southern mix
- c1,250 jobs per annum



Destination and Premium accommodation

Current

- 700 rooms in 42 pubs
 - 2.5% of sales
 - 18% LFL sales growth in 2014
 - occupancy up 5%
 - revpar up 13%
- 22 lodges adjacent to pubs
 - 5 Marston's lodges, 2 more opening in 2015
 - 17 co-located pubs with PTI, Travelodge

Future

- 15 existing sites with lodge opportunity
 - c450-500 rooms
- 3-5 additional opportunities per annum
 - < 40 rooms – Marston's Lodge
 - > 40 rooms – Co-locate





Destination: Customer satisfaction growing ahead of market



July to Dec 12

Jan to Jun 13

Jul to Dec 13

Jan to Jun 14

July to Oct 14

Source: InMoment. Data from 1 July 2012 to 30 October 2014
Satisfaction improvement since w/c 1 July 2012

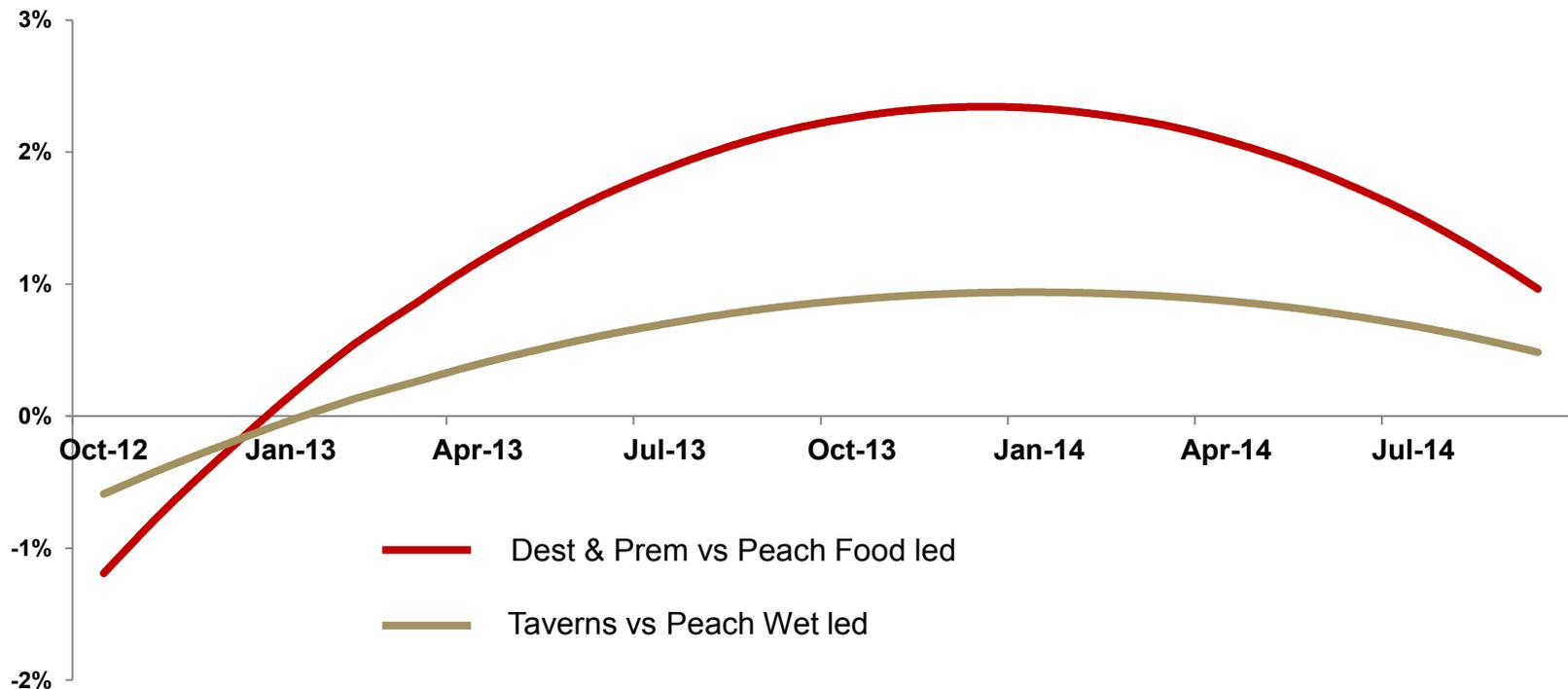
— Hospitality — Marston's

Spend per head	Starters and desserts	Hot drinks
+4%	+8%	+5%



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

MIT vs Peach Pubs (outside M25) - 2 Year Trend



Differentiation through innovation



Differentiation through premium





Small Business, Enterprise and Employment Bill

1. Franchise-style pubs are different

- The franchisee chose this type of agreement for good reasons
- Franchisee income based on percentage of turnover/pub profit
 - no rental element to agreement
 - no beer purchased
- No rent reviews and no market rent offered
- Remaining Taverns tenancies to be converted to franchise by 2016

2. No “pent-up” demand for free of tie from current leases

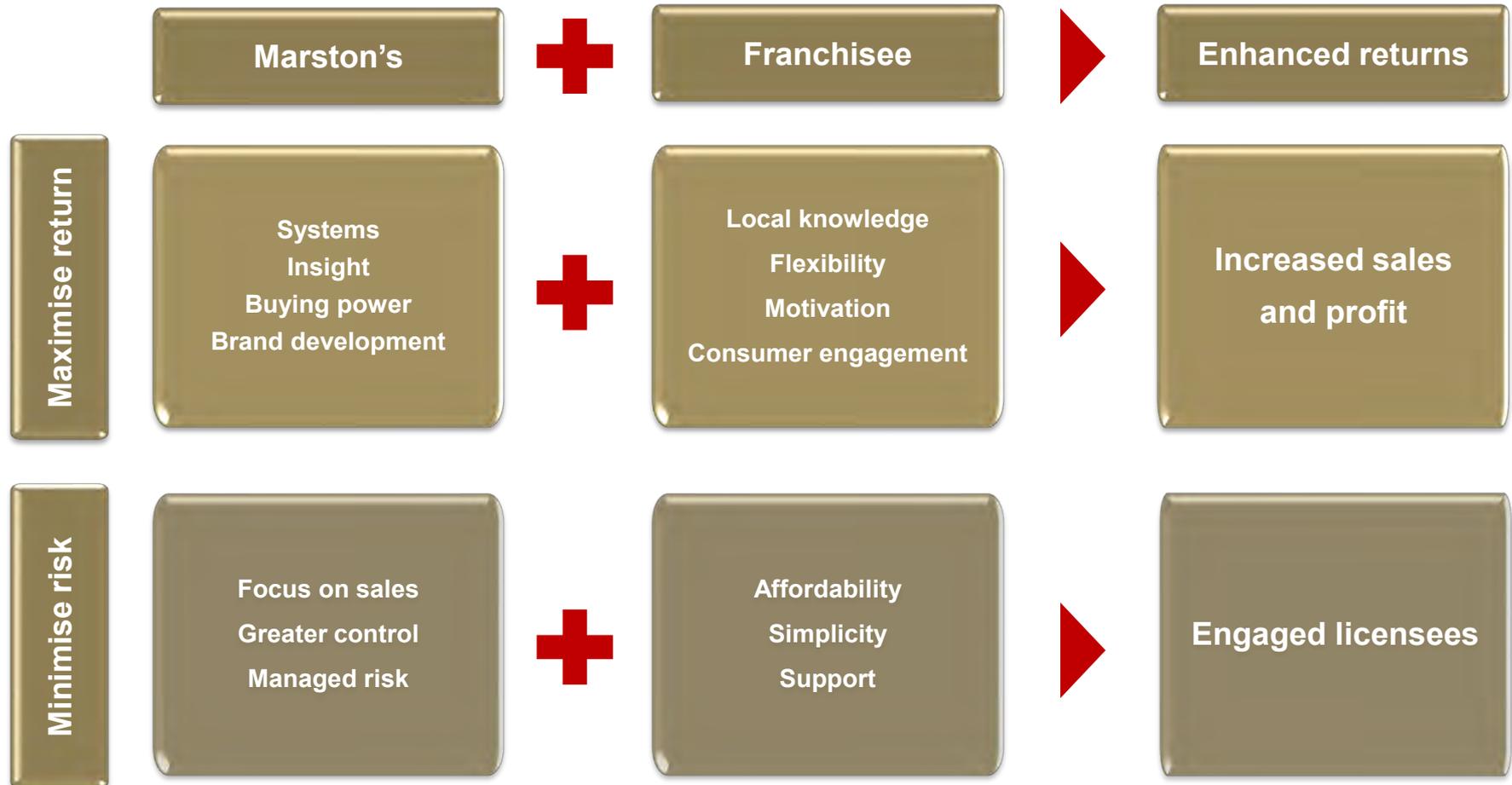
- Little desire to increase operational gearing risk through higher rent
- Little take up of Advance trial offering free trade pricing in exchange for market rent

3. Leased profits only 15% of pub profits

- 50% rental income mix - implies only 7.5% of pub profits potentially affected
- c15% of leased estate either fully or partially free of tie



Franchise: Enhanced returns from Taverns





Estate development: Disposal of non-core pubs

**FY 2014 and FY 2015 target
£210–220m proceeds at c11-12x EBITDA multiple**

2014

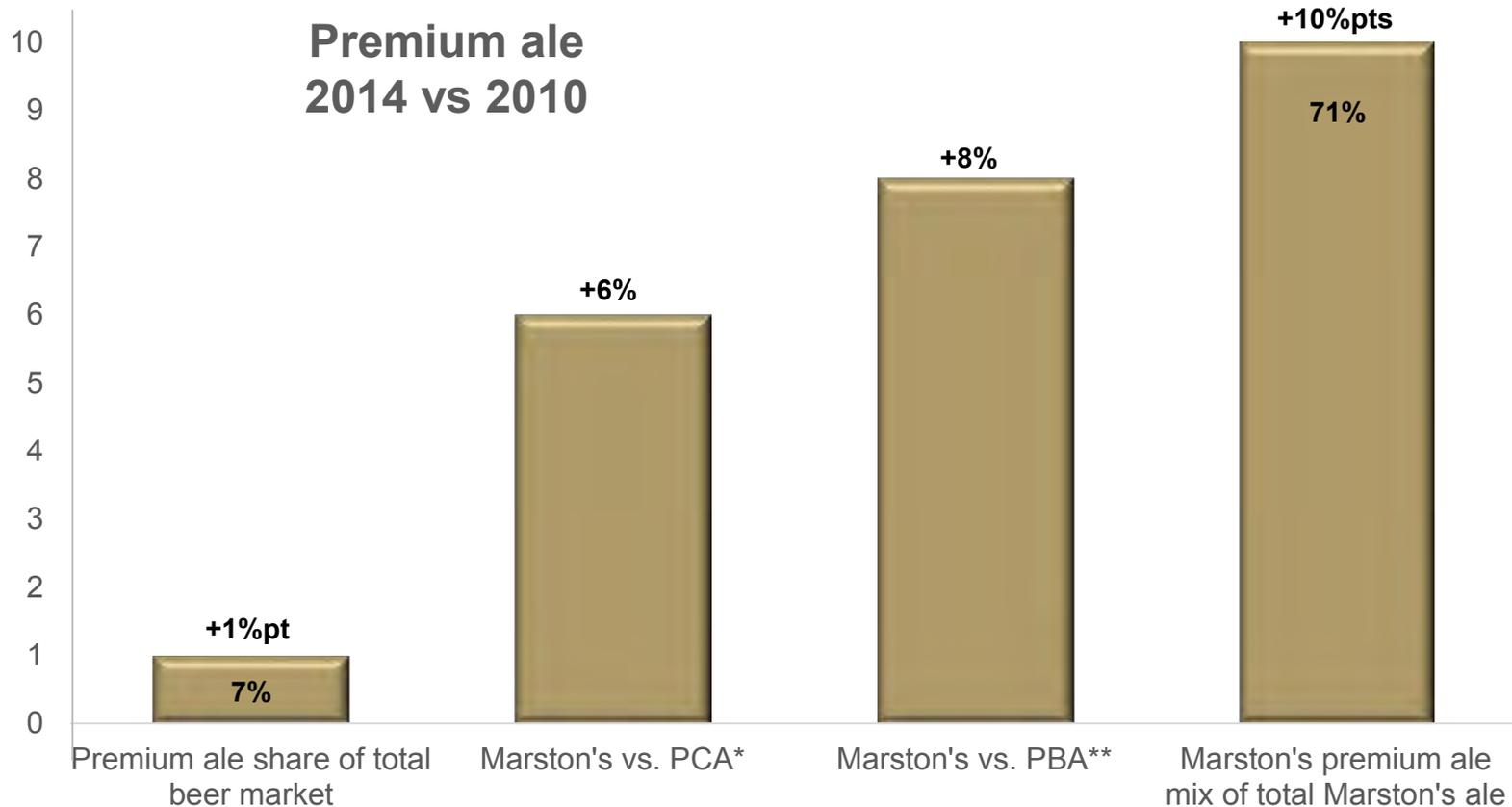
**388 pubs disposed
£144m proceeds
Double-digit multiple**

2015

**Around 200 single sites
Target c£70m proceeds
Higher multiple**



Premiumisation driving beer market – and Marston's

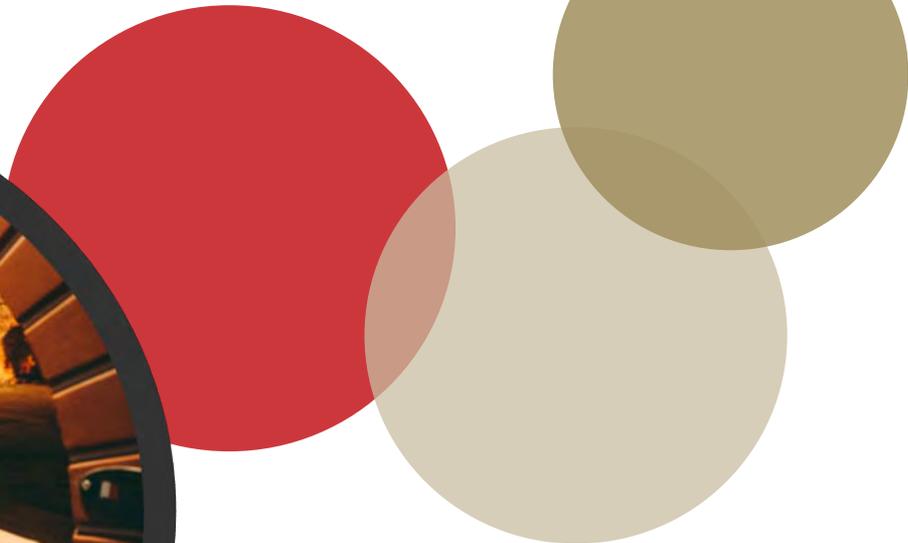


*PCA – Premium Cask Ale
**PBA – Premium Bottled Ale



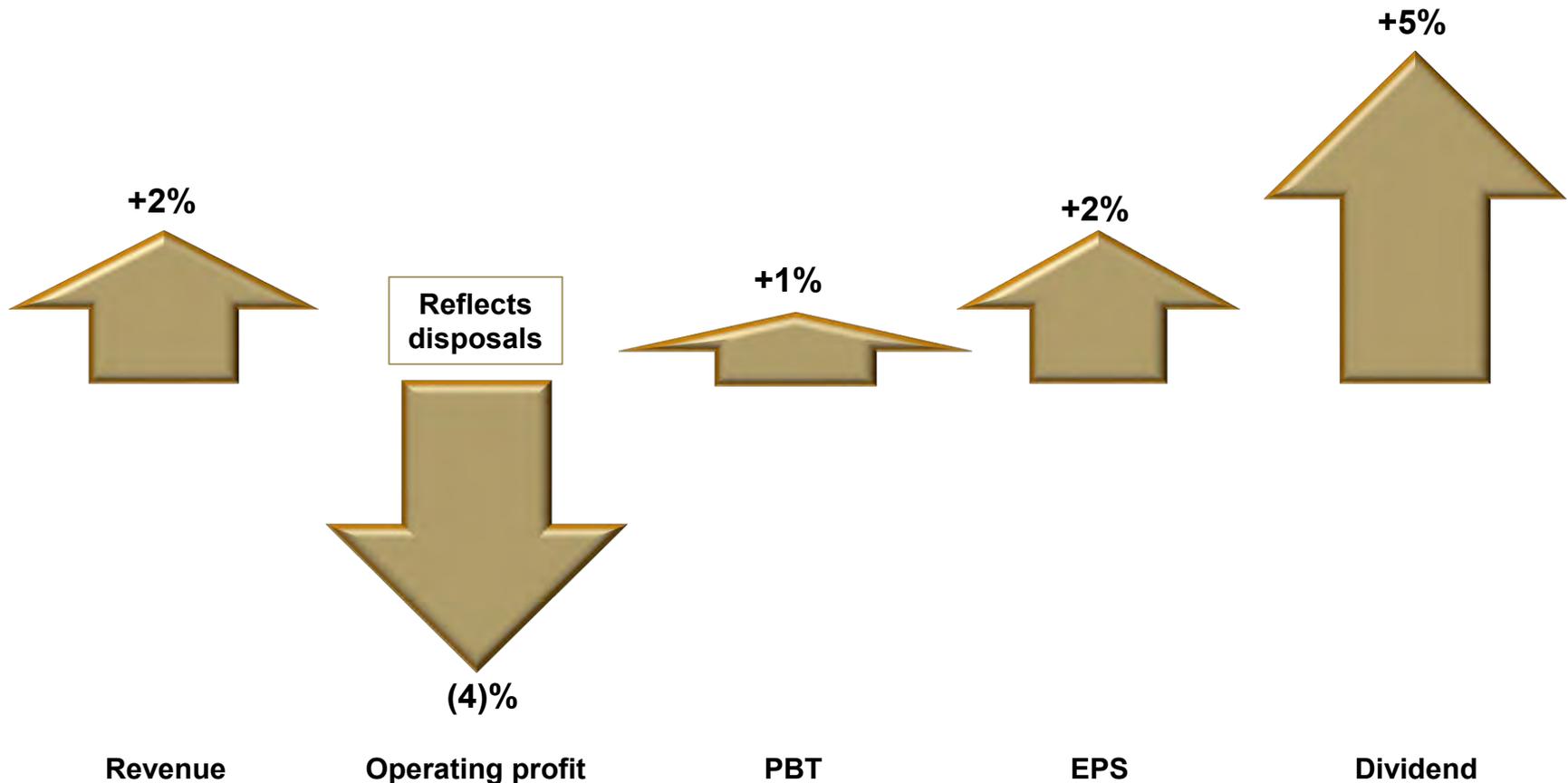
Andrew Andrea

Chief Financial Officer





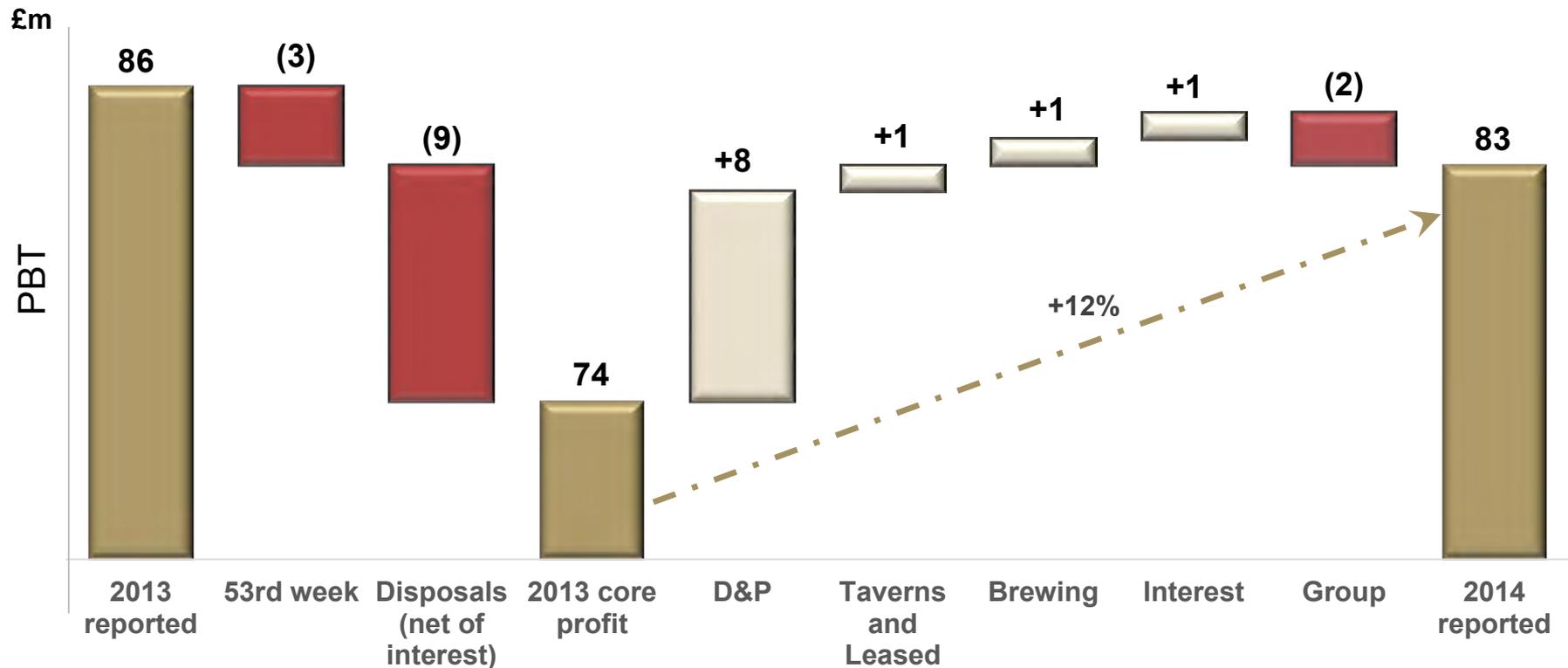
Financial summary (52 week basis)



Underlying profit on a 52 week basis

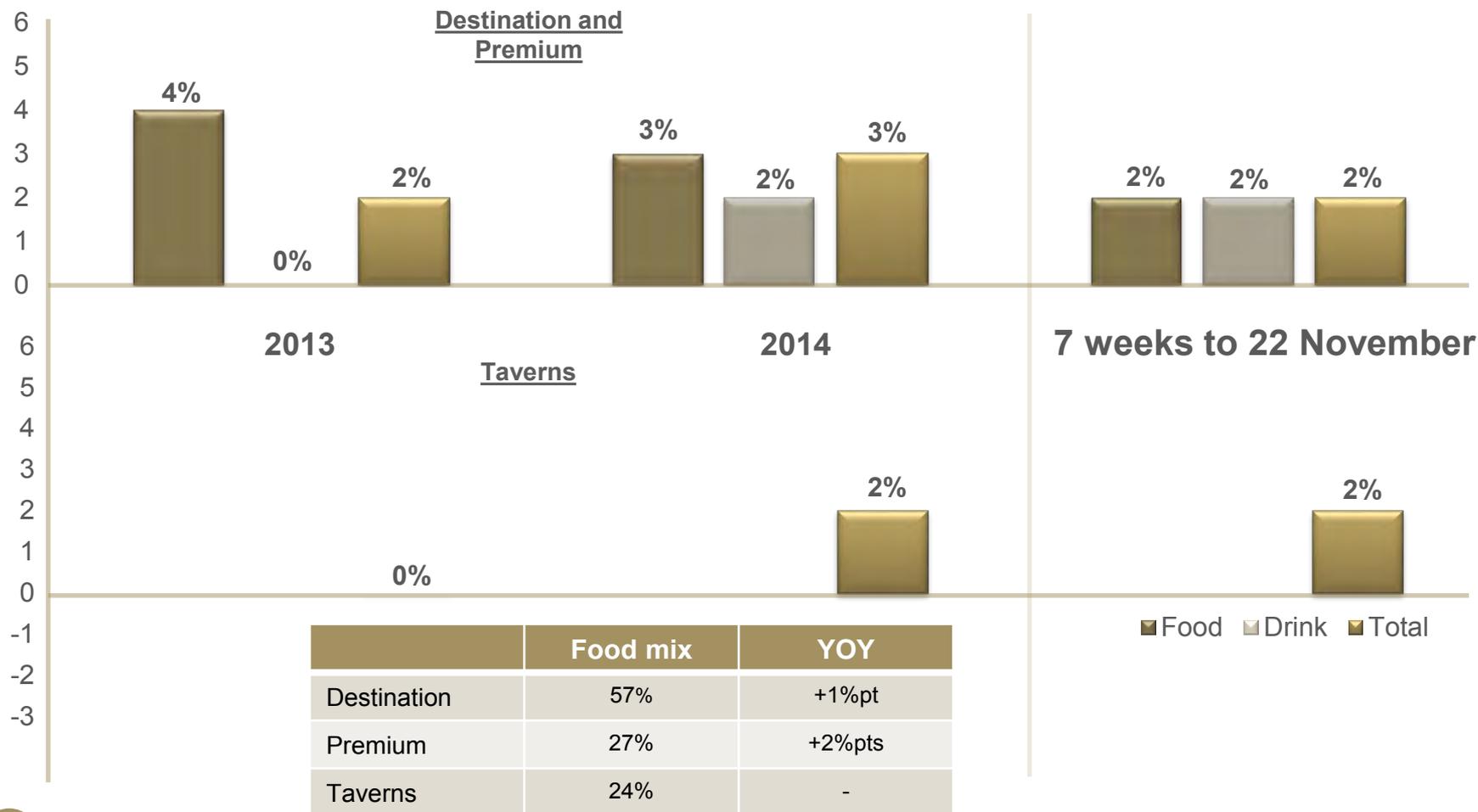


Core business profit performance



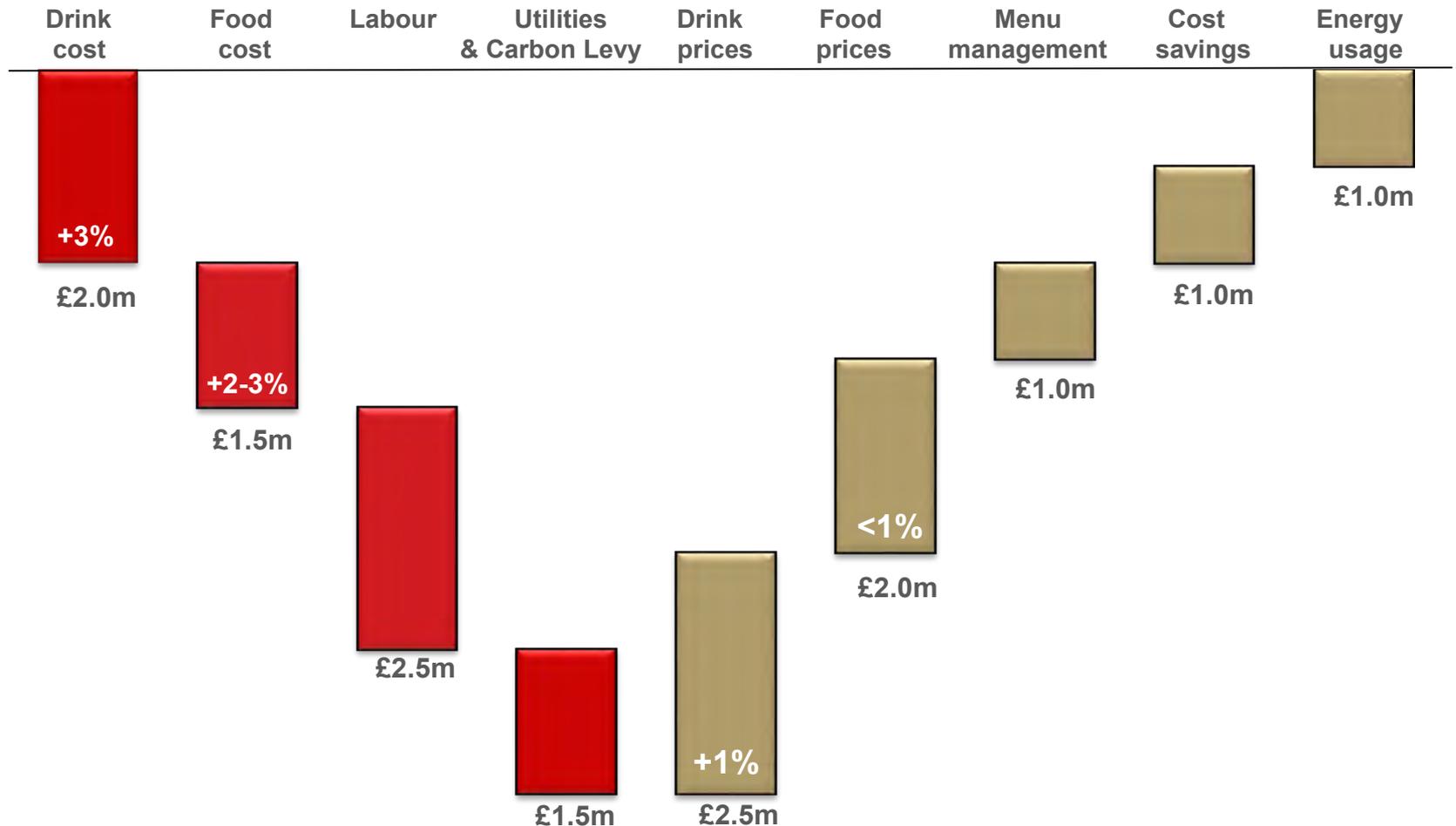


Like for like sales





2015 cost outlook





Leased

Quality estate delivering growth

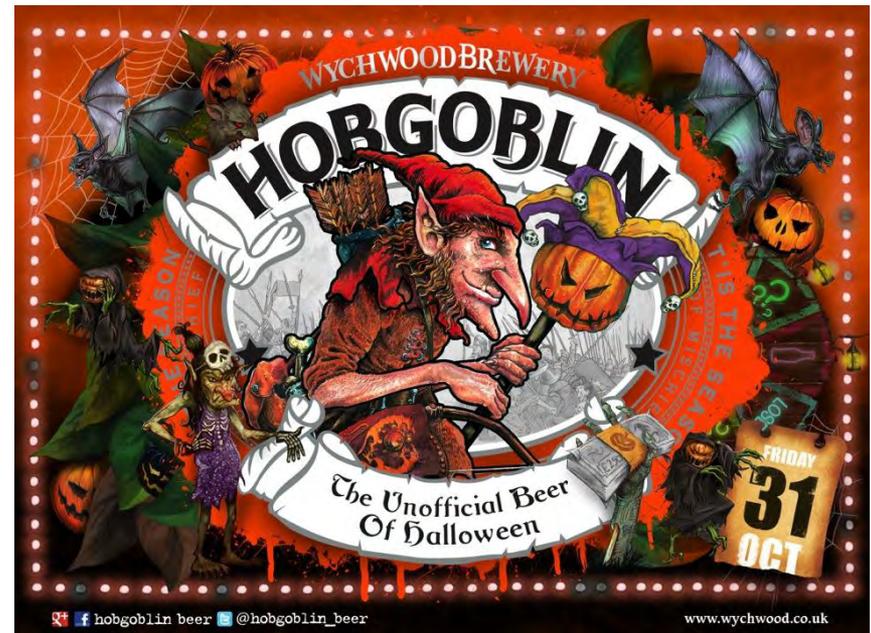
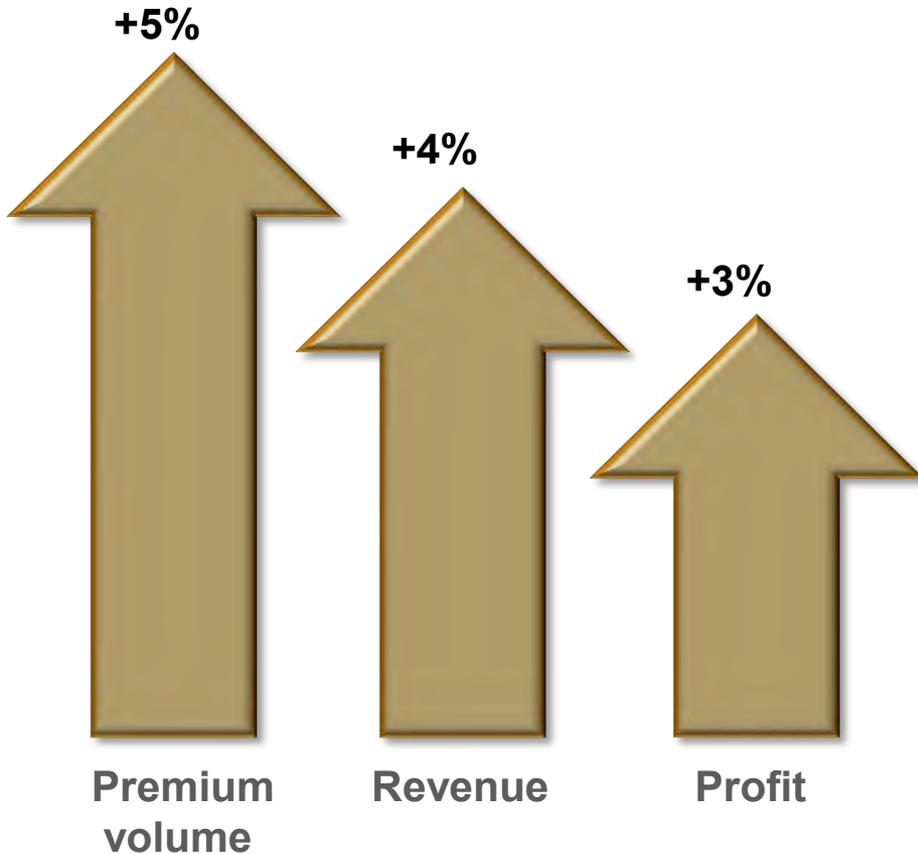
- LFL profit growth +3%
- Rent up 2%
- c50% wet/rental mix

Income stability

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

Current trading: profit up in 7 weeks to 22 November

Brewing





Cashflow summary

	2014 £m	Comments
Operating cashflow	128	Disposals impact on EBITDA and £20m working capital timing one-offs.
Net interest	(79)	
Pre-investment FCF	49	
Organic capex	(64)	
Disposals	144	Includes £90m portfolio disposal.
Dividend	(37)	
FCF pre new-build capex	90	
New-build capex	(78)	11 pubs in H1, 16 pubs in H2.
Net underlying cashflow*	12	

FCF= free cashflow
* before swap termination costs



Financing structure

	Securitised	Bank and cash	Total (excl. property)	Property Leasing	Total
	Visible, smooth amortising debt to 2035*	£257.5m bank facility to November 2018		£158m property leases 35-40 year term	
Debt £m	892	148	1,040	158	1,198
Debt: EBITDA	7.4x	2.1x	5.4x		6.2x
Interest risk hedge	100%	47%		100%	

*Amortisation schedule in appendices



Pensions and property

1. Pension

- Current accounting surplus of £8m
- Closed scheme to future accrual from 30 September 2014
- Next triennial valuation September 2014 – update at 2015 Interims
- Pension costs £1m higher in 2015

2. Property

- Next external valuation in H1 2015, current valuation £2bn
- £30m impairment in 2014 of the rump of the disposal assets
- On track to complete planned disposals by end of financial year 2015



Summary

- 1. Strong underlying growth**
- 2. Consistent, focused strategy remains on track**
 - At least 25 new-builds open per annum
 - Transformed pub estate
 - Premium beer business
- 3. 5% growth in dividend**
 - Reflects confidence in strategy
- 4. Outlook**
 - Encouraging start to year
 - Innovation and service key to achieving future growth



The Bellcote, Chesham



THE
BELLCOTE



Pub Restaurant

ROTISSERIE

Families Welcome



MAPSTON'S

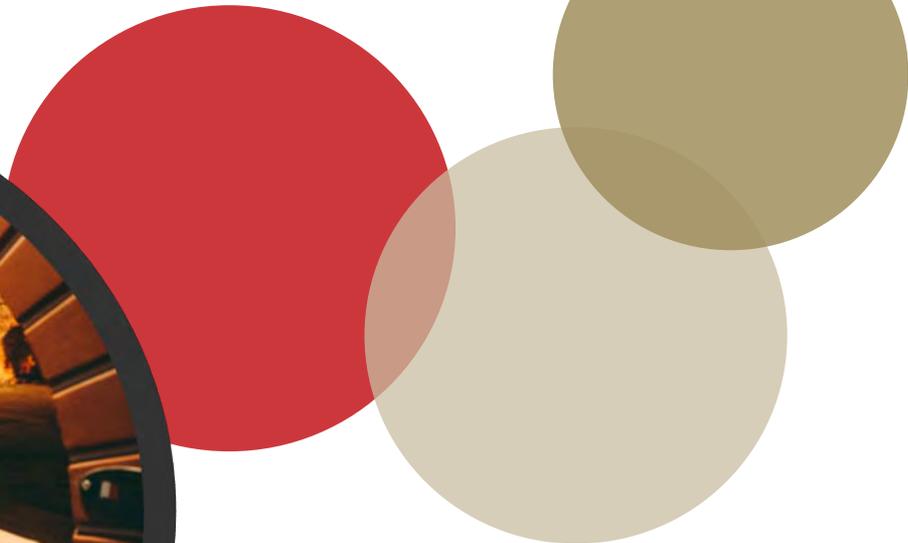
THE FALLOW FIELD

THE FALLOW FIELD

Outdoor Seating



Appendices





Segmental Profit

	2014 (52 wks)	2013 (53wks)	YOY
	£m	£m	%
Turnover			
Destination & Premium	376.9	349.2	7.9%
Taverns (inc AHFS)	225.1	250.8	(10.2%)
Leased	53.1	55.6	(4.5%)
Beer Division	132.5	127.3	4.1%
Total	787.6	782.9	0.6%
EBITDA			
Destination & Premium	91.4	84.9	7.7%
Taverns (inc AHFS)	63.9	79.0	(19.1%)
Leased	25.4	28.0	(9.3%)
Beer Division	24.9	24.0	3.7%
Group Services	(13.2)	(11.9)	10.9%
Total	192.4	204.0	(5.7%)
EBIT			
Destination & Premium	76.0	70.3	8.1%
Taverns (inc AHFS)	55.7	69.5	(19.9%)
Leased	23.5	26.0	(9.6%)
Beer Division	17.4	16.9	3.0%
Group Services	(16.5)	(14.5)	13.8%
Total	156.1	168.2	(7.2%)
Margin %			
Destination & Premium	20.2%	20.1%	0.1%
Taverns (inc AHFS)	24.7%	27.7%	(3.0%)
Leased	44.3%	46.8%	(2.5%)
Beer Division	13.1%	13.3%	(0.2%)
Total	19.8%	21.5%	(1.7%)
Finance Costs	(73.1)	(82.1)	11.0%
Profit Before Tax	83.0	86.1	(3.6%)



Pub numbers

	Destination and Premium	Taverns	Leased	Total
2013 Opening	328	1,429	393	2,150
New-build additions	22			22
Disposals	(1)	(113)	(8)	(122)
2014 Opening	349	1,316	385	2,050
New-build additions	27			27
Disposals	(4)	(342)	(42)	(388)
2014 Closing	372	974	343	1,689
2013 average numbers	339	1,379	390	2,108
2014 average numbers	357	1,082	348	1,787



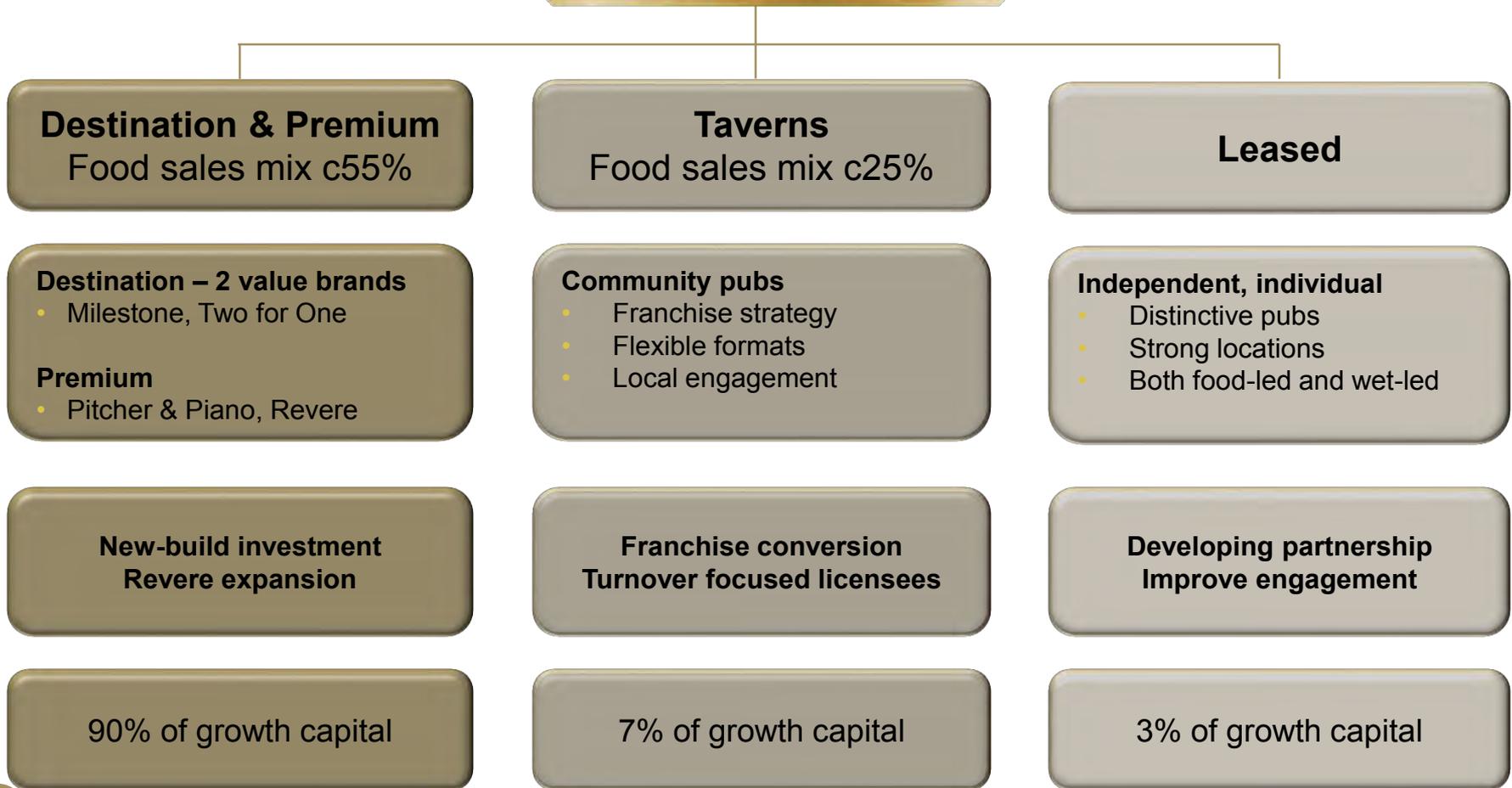
Historical LFL analysis

	Destination and Premium				Taverns
	Total	Food	Wet		Total
26 wks 30/03/13	0.0%	2.0%	(2.0%)		0.0%
6 wks to 11/05/13	6.0%	9.0%	3.0%		0.0%
32 wks to 11/05/13	1.0%	3.3%	(1.5%)		0.0%
10 wks to 20/07/13	5.0%	4.6%	5.9%		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%
7 wks to 23/11/13	3.1%	4.6%	1.0%		2.1%
8 wks to 18/01/14	5.0%	6.4%	3.3%		3.8%
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%
5 wks to 10/05/14	4.1%	3.5%	3.9%		3.0%
31 wks to 10/05/14	5.4%	5.4%	4.7%		3.6%
10 wks to 19/07/14	0.6%	1.1%	(1.7%)		(0.7%)
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%



Pub segmentation

INNS AND TAVERNS





Capex and tax guidance

		Forecast 2015	Comments
New-build capex		£80m	c25 sites 2015
Pub growth		£25m	
Pub maintenance		£25m	2015 – new EPOS system
Brewing and Group		£15m	
Total		c£145m	
Disposals		c£70m	
Net capex		c£75m	
Tax rate		c20-22%	
Average number of shares in 2014		570.7m	
Number of shares in issue at 4 Oct 2015		571.0m	
Additional dilutive number of shares		5.0m	



Prior year impact of IAS 19 changes

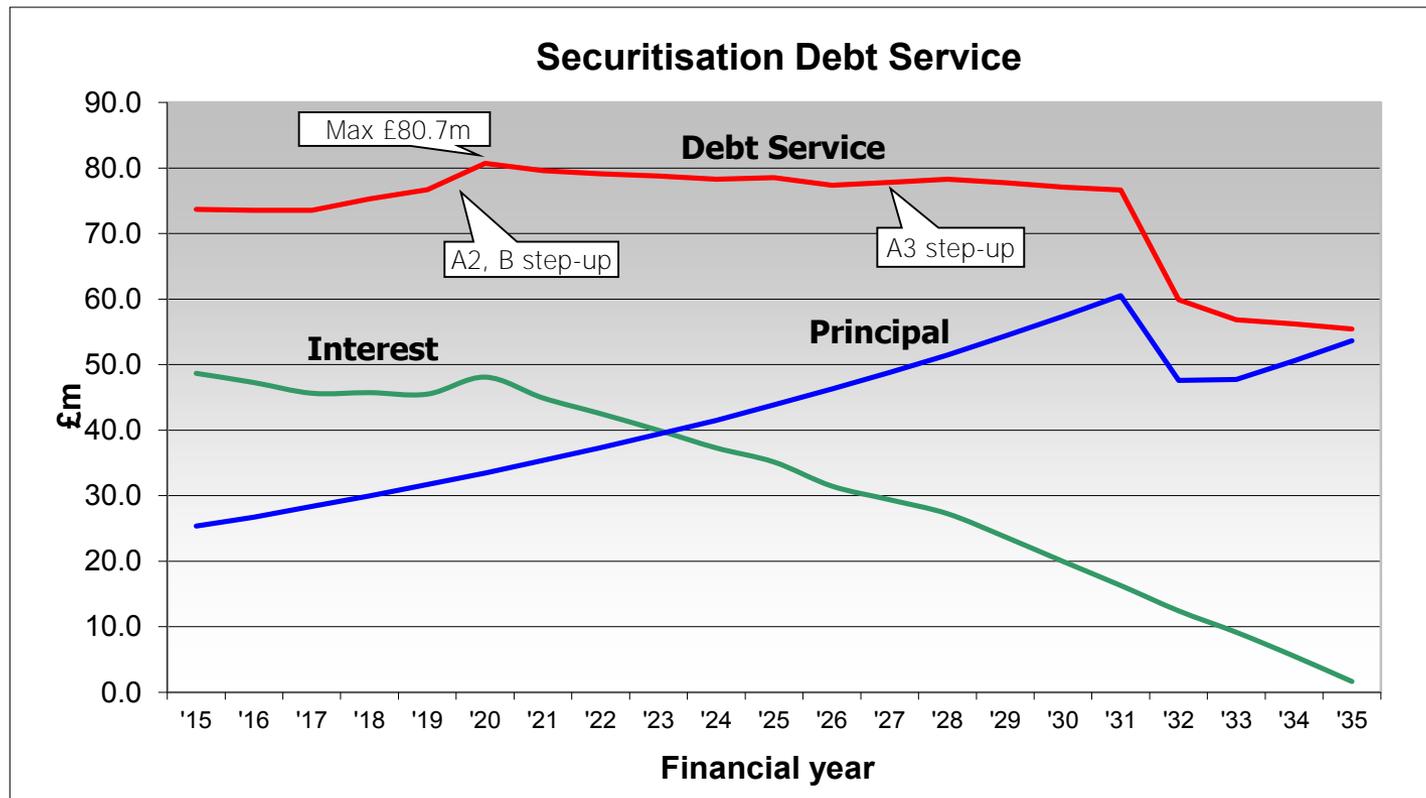
						30/03/2013	05/10/2013
Impact on the Group income statement						£m	£m
Increase in current service cost in respect of retirement benefits						-	(0.1)
Increase in net finance cost in respect of retirement benefits						(1.1)	(2.2)
Decrease in taxation charge						0.2	0.6
						(0.9)	(1.7)
						30/03/2013	05/10/2013
Impact on the Group statement of comprehensive income						£m	£m
Decrease in profit for the period						(0.9)	(1.7)
Increase in remeasurement of retirement benefits						1.1	2.3
Decrease in tax on remeasurement of retirement benefits						(0.2)	(0.6)
						-	-
						30/03/2013	05/10/2013
Impact on the Group cash flow statement						£m	£m
Decrease in underlying profit for the period						-	(0.1)
Increase in difference between defined benefit pension contributions paid and amounts charged						-	0.1
						-	-
						30/03/2013	05/10/2013
Impact on earnings per share						p	p
Decrease in basic earnings per share						(0.2)	(0.3)
Decrease in basic underlying earnings per share						(0.1)	(0.3)
Decrease in diluted earnings per share						(0.1)	(0.3)
Decrease in diluted underlying earnings per share						(0.2)	(0.3)



Securitised debt profile

Tranche	Type	Principal outstanding at 4 October 2014	Step-up date	Final maturity date
A1	Floating	£115.1m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£207.5m	October 2012	2031
B	Fixed/Floating	£155.0m	July 2019	2035
Total		£891.6m		

Securitisation profile



		FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	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	48.3	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	73.7	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



Cash return on cash capital employed

	FY2014			FY2013			FY2012			FY2011			FY2010			
	Bal	Depn	Reval	Total	Bal	Depn	Reval	Total	Bal	Depn	Reval	Total	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	25.1	5.3		30.4	24.1	6.1		30.2	23.5	5.2		28.7	24.6	3.5		28.1
Property, plant and equipment	1,990.0	183.9	(545.9)	1,628.0	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
Free trade loans	11.5			11.5	12.8			12.8	14.3			14.3	17.1			17.1
CURRENT ASSETS:																
Inventories	23.0			23.0	21.5			21.5	22.2			22.2	18.8			18.8
Assets held for sale	38.3			38.3	59.9			59.9	39.2			39.2	6.5			6.5
Debtors	72.9			72.9	69.0			69.0	62.5			62.5	74.5			74.5
LIABILITIES:																
Creditors	(199.0)			(199.0)	(188.4)			(188.4)	(175.2)			(175.2)	(169.2)			(169.2)
NET ASSETS	2,186.0	189.2	(545.9)	1,829.3	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
EBITDA				192.4				199.1				198.5				195.7
CROCCE (Closing Net Assets)				10.5%				10.5%				10.6%				9.8%
*2013 adjusted to exclude 53rd trading week																

Drinks

Succulent

ROTT

Drinks

the **1** **me** **te** **men**

Carrot chops



Great grub for kids

32

ROTTISERIE

Succulent

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Carrot chops



Great grub for kids

31

ROTTISERIE

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