



Preliminary Results 2013





Highlights

1. Growth in 2013 with H2 profit up 13%

- Destination and Premium – 24% profit growth, 22 new-builds completed
- Taverns – expansion of franchise replacing challenged tenanted model
- Leased – stability achieved in smaller estate
- Brewing – market share gains and continued growth

2. Acceleration of consistent strategy

- Increased rate of high-returning new-build openings
- Acceleration of disposals
- Continued expansion of franchise

3. Disposal of 202 pubs for £90 million announced today

4. Dividend increased by 5% to 6.4 pence per share

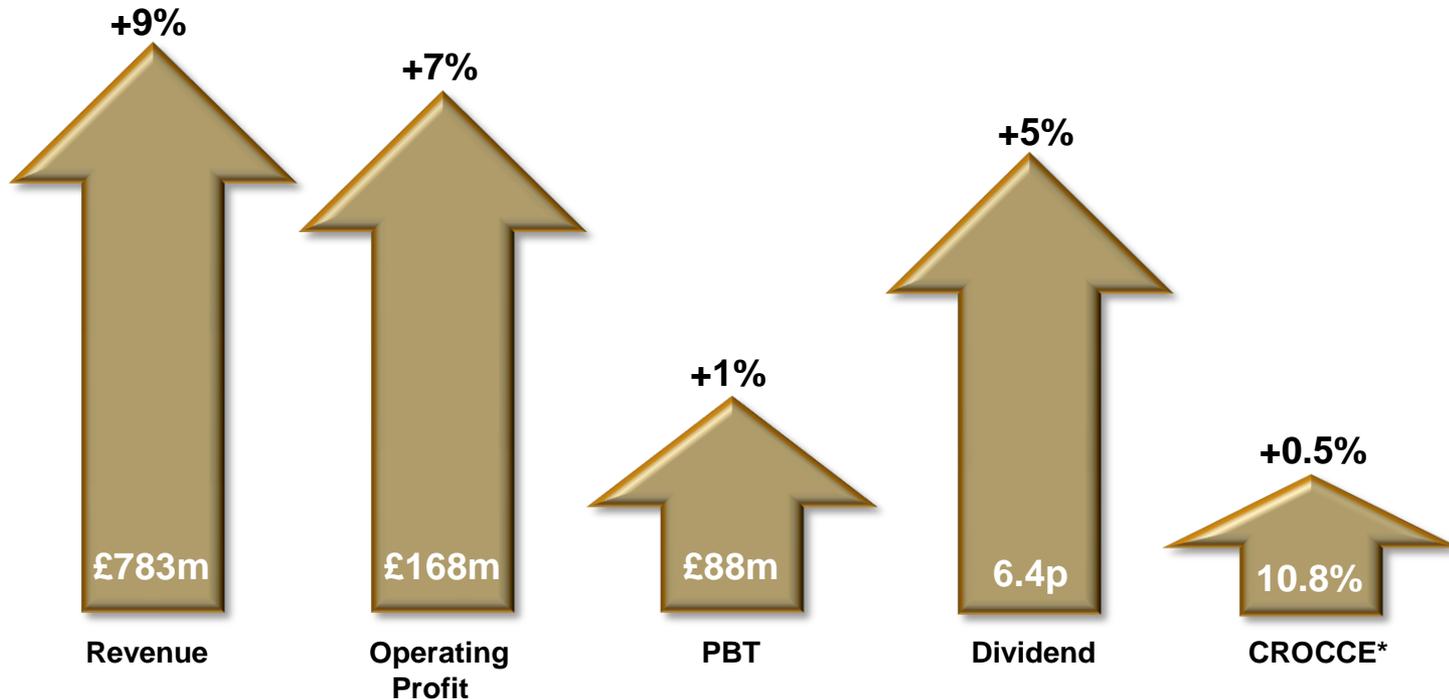


Andrew Andrea

Chief Financial Officer



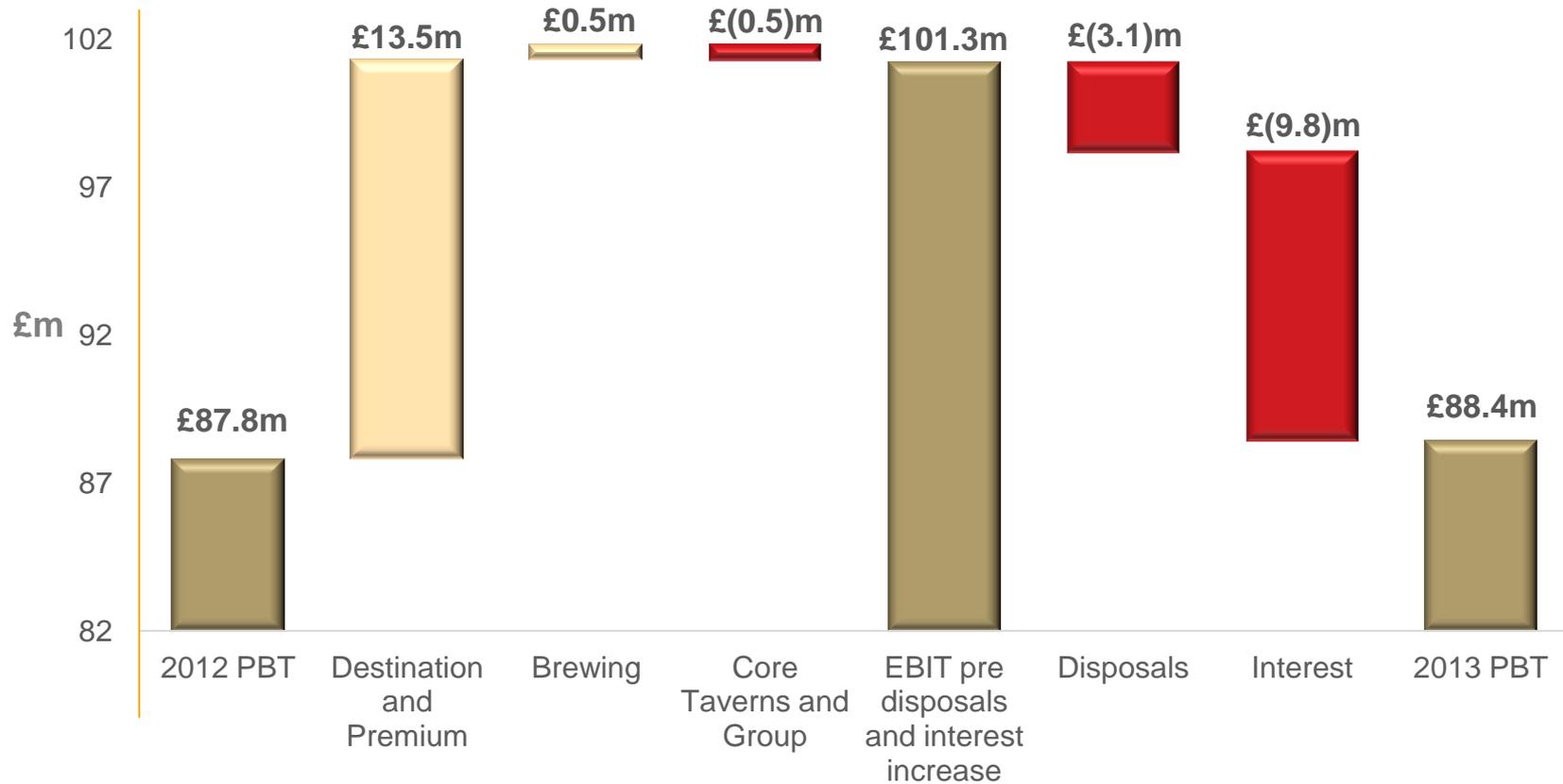
Financial Summary



**Calculations included in appendices*



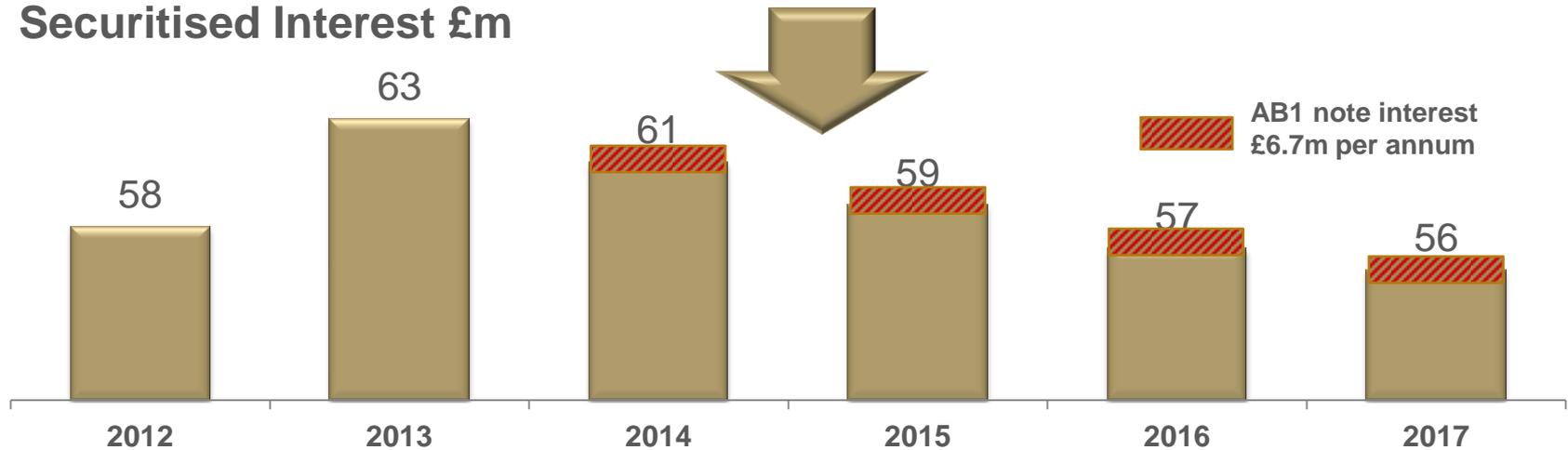
Strong underlying performance



Interest charges

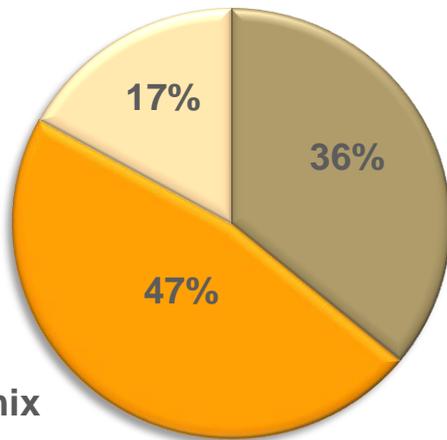


Securitised Interest £m

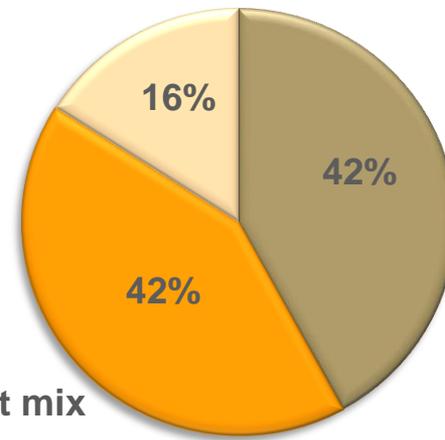


Pub segmentation

FY 2013	Operating profit £m	No. of pubs	Average no. of pubs	Operating profit per pub £k	Growth capital allocation
Destination & Premium	70.3	349	339	207	90%
Taverns	69.5	1,316	1,379	50	7%
Leased	26.0	385	390	67	3%
Total	165.8	2,050	2,108	79	100%



2012 Profit mix



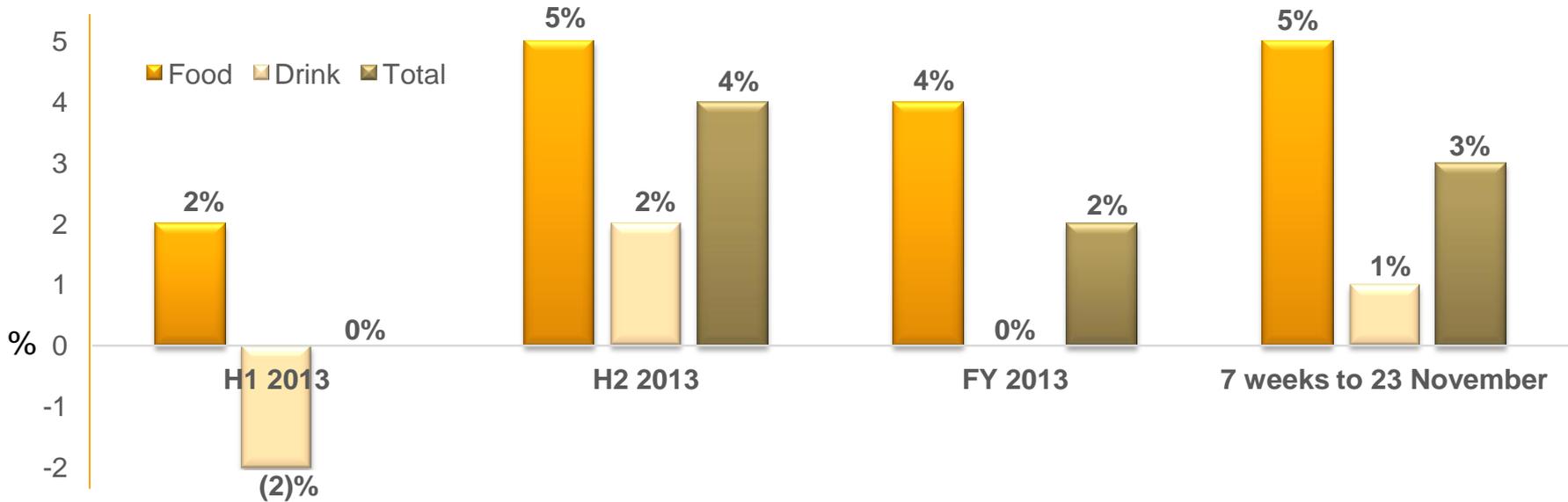
2013 Profit mix

■ Destination and Premium
 ■ Taverns
 ■ Leased

■ Destination and Premium
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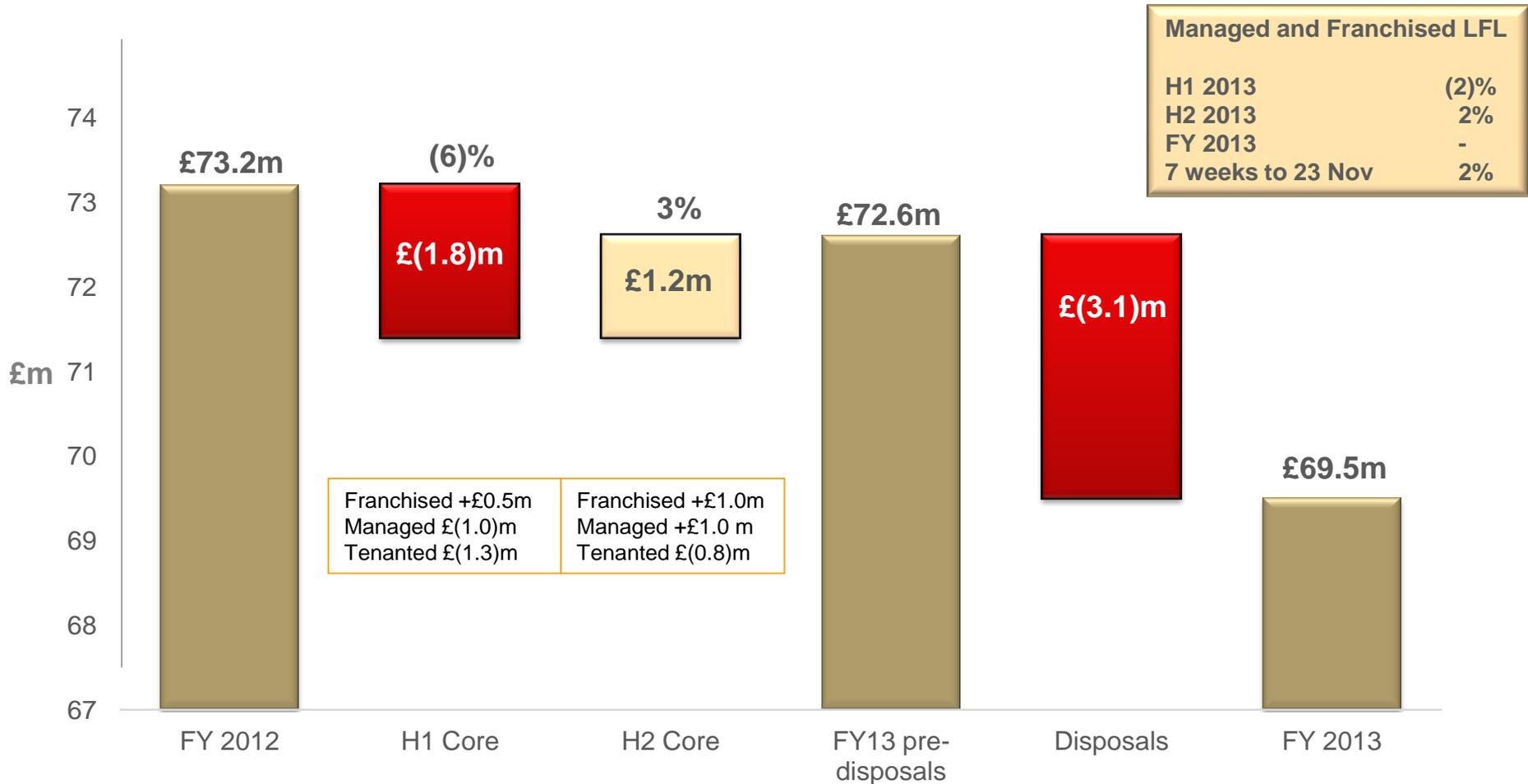


Destination and Premium LFL sales

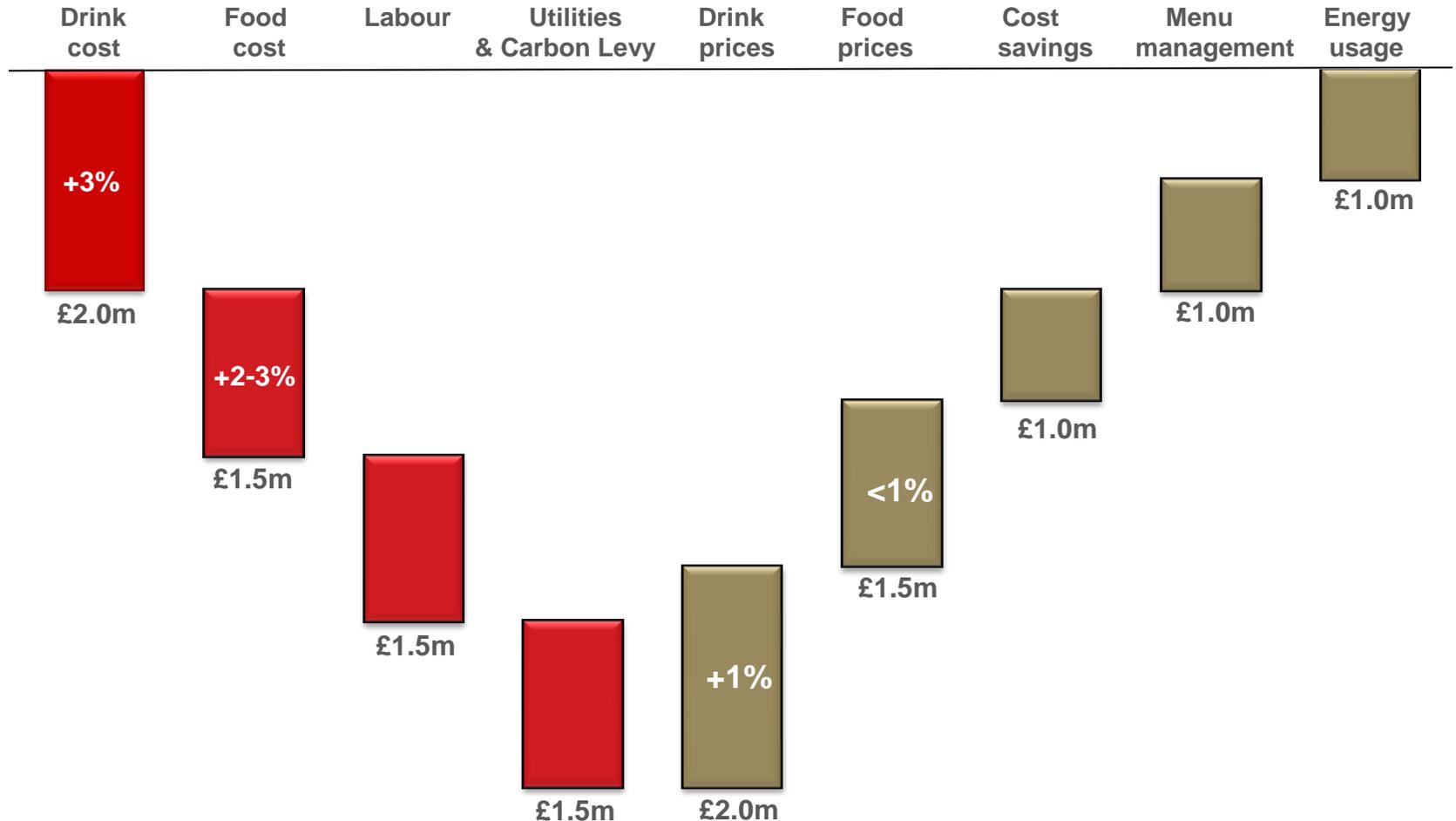


Food mix	2013	2012	YOY%
Destination	56%	54%	+2%
Premium	25%	24%	+1%
Destination and Premium	52%	49%	+3%

Taverns profit



2014 cost outlook



Continued market outperformance

1. Revenue and volume growth

- Revenue up 12%
- Ale volume up 6%
- Strong growth in off-trade
- Market share growth in bottled and cask ale

2. Robust financial performance

- Operating profit up 3%
- Margins lower due to higher off-trade mix
- Strong cash generation

3. 2014 cost outlook

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





Cashflow summary

£m	2012	2013	Comments
Operating cashflow	168	169	
Net interest	(76)	(83)	Securitised step-up
Pre-investment FCF	92	86	
Net capex pre new-build*	(19)	(33)	£7m bottling line in Beer Company, D&P investment including Revere
Dividend	(34)	(35)	
FCF pre new-build	39	18	
New-build	(59)	(72)	Increased WIP due to accelerated programme
Net cashflow	(20)	(54)	

FCF= free cashflow
*net of disposals

Capex guidance

£m	2014	2015	Comments
New-build	80	90	27 sites 2014, 30 sites 2015
Pub growth	25	25	
Pub maintenance	20	20	2015 – new EPOS system
Brewing and Group	15	15	
Total	c.£140m	c.£150m	
Disposals	c.£150-160m	c.£60-70m	
Net capex	£(20)-(10)m	£80-90m	



Acceleration of new-build programme

Financing structure

As at 5 October 2013	Total £m		Future funding
Securitisation	911	Visible, consistent debt service profile	↓
Bank	171	£257.5m facility extended to November 2018	→
Net debt excluding lease finance	1,082		
Lease financing	109	35-40 year financing, opportunity to utilise further	↑
Net debt	1,191		

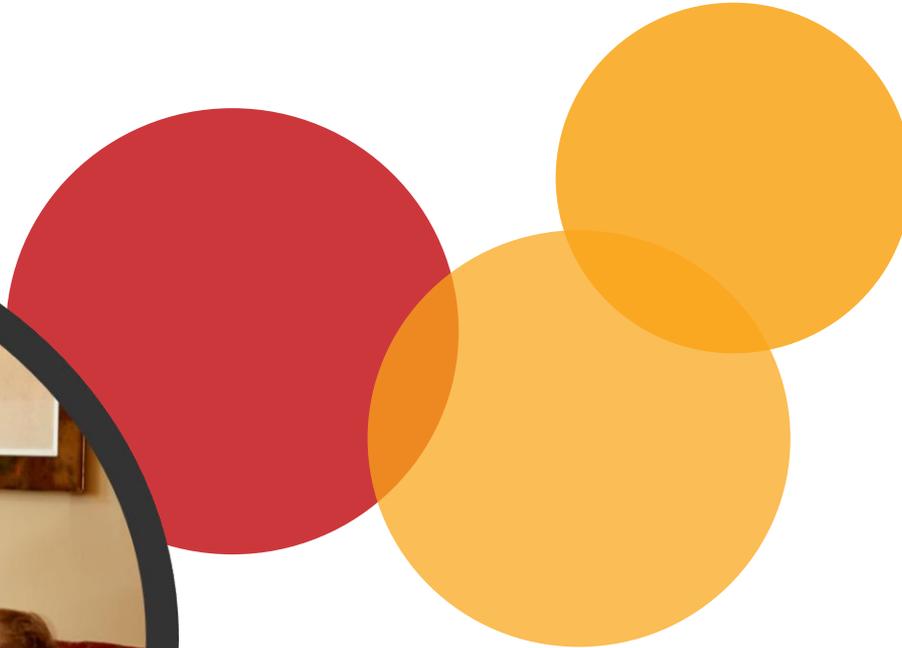
Leverage excluding lease financing

5.3x



Ralph Findlay

Chief Executive Officer





Market dynamics

- 1. Consumer backdrop presents opportunity**
 - Real incomes remain under pressure
 - Leisure occasions still in high demand

- 2. 'Flight to value' remains key consumer trend**
 - Trend across the consumer spectrum
 - Consumer increasingly demanding – mediocrity not acceptable
 - Pubs continue to narrow service gap relative to restaurant
 - Value + Service + Quality = Great Consumer Experience

- 3. Small wet-led pubs challenged**
 - Lack scale to compete with well-invested managed and franchised pubs
 - Disproportionately affected by taxation and legislation
 - Anticipate acceleration of disposals

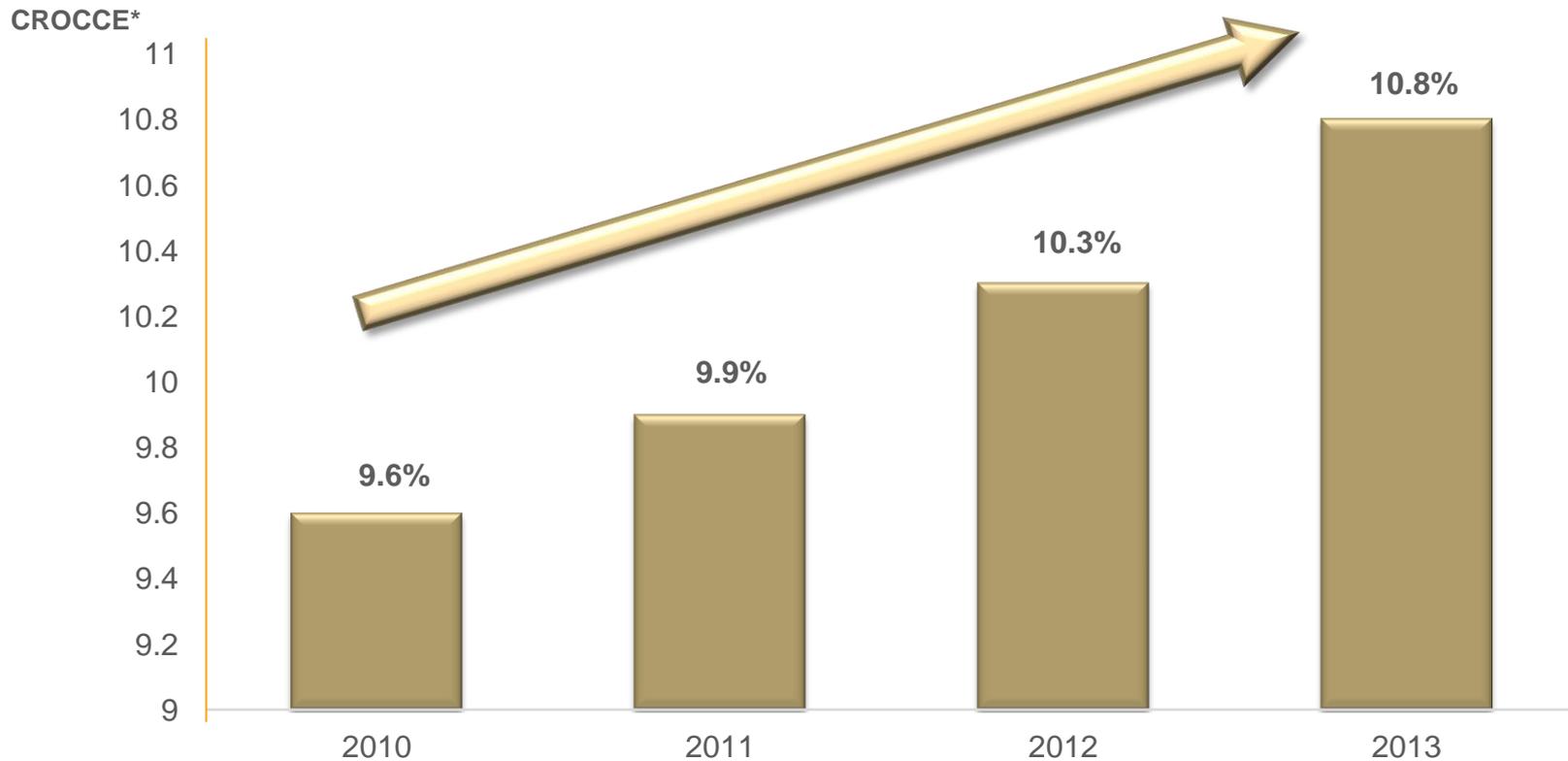


Sustainable growth; increase ROC; reduce leverage

	Pubs "The best place around here"			Brewing "National distribution, local appeal"	
Strategy	Operating Flexibility	Estate Development	Consumer Focus	Localness	Premium
Action	Format range Agreements Simple structure	New-builds Pub standards Disposals	'F-Plan' Value Service	Free Trade growth Local marketing	Category champions of premium ale Innovation
Targets	LFL sales Margin ROC	25-30 new pubs 2014/15 Disposals £210 -£230m	Food sales Margin ROC	Increase FT account base Outperform local market	Maintain market leader status Grow market share

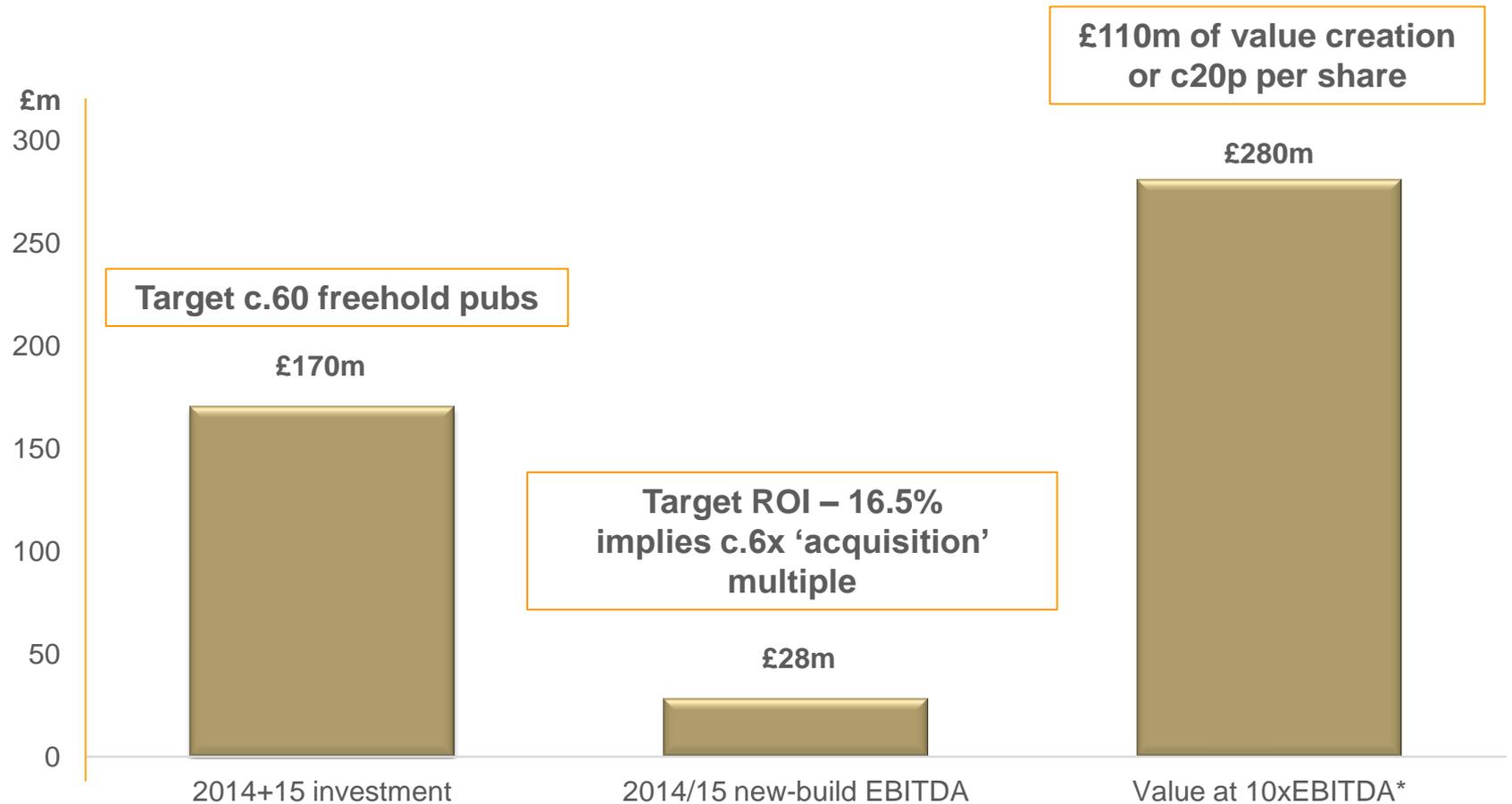


Return on capital





Estate development: Creating value through new-builds



* Marston's current EV/EBITDA multiple



Estate development: Disposal of non-core pubs

1. Portfolio disposal

	No of pubs	MAT EBITDA
Taverns	158	£9.2m
Leased	44	£3.0m
Total	202	£12.2m

2. Proceeds of £90m

- Management fee of £0.4m per annum, 4 year income guarantee for retained pubs

3. Represents 7.6x multiple net of management fee

4. Utilisation of funds saves £6.7m p.a. on pro-forma basis

- Repurchase £80m 8.35% AB1 note – pay down most expensive finance
- Pro-forma reduction of leverage by 0.1x

5. Further disposals: £60-70m p.a. over next 2 years



Estate development: Vision

	Operating model	2013	2016	
Destination and Premium	Managed	349	c.430	25-30 new-builds p.a.
Taverns	Franchised, Managed	1,316	c.800	Franchise conversion Disposals
Leased	Leased	385	c.320	Franchise or Revere
		2,050	c.1,550	

Key principles:

- New pub-restaurants provide growth and increased ROC
- Operating models under continuous development
 - Franchise is the key model for community pubs
- Low ROC assets disposed of to generate funds, increase ROC

New-builds: The story so far



Expertise

- Stable team
- Strong reputation in market



Delivery

- Over 80 sites in the last four years, including 22 in 2013
- National programme including first Scottish sites



Consistency

- Tight ROC performance across new-build sites
- Rigorous selection process means no failures



Longevity

- Pre 2013 pubs continue to perform well
- Long term eating-out trends consistent with pub-restaurant investment

New-builds: Looking forward



Accelerate growth

- Strong pipeline of sites with visibility to 2017
- Increasing rate of growth to 25-30 per annum



National programme

- 30% southern sites
- 25 Scottish sites in next five years



Clear brand focus

- Milestone and “Two for One” drive brands
- Continued evolution of formats to appeal to wider consumer base



Incremental opportunity

- Lodges – already operate three. 15 sites with lodge capability
- Alternative locations – not reliant on Retail Parks



Destination

High quality pub environment

Great value food

30 million meals p.a.

56% of sales

Main meal £4.50 - £10

Spend per head £6.40

Trends: customisation
freshness
'retail-tainment'
health

Premium drinks

Premium beers +10-12%

Wine +15%

Wine 27% of drink sales

Soft drinks +8%

Trends: cask/craft
premiumisation
'world beers'
soft drinks

Service standards

Upselling opportunity

Double digit growth in
starters, desserts, coffee

Technology – smart tills

Feedback - "SMILE"

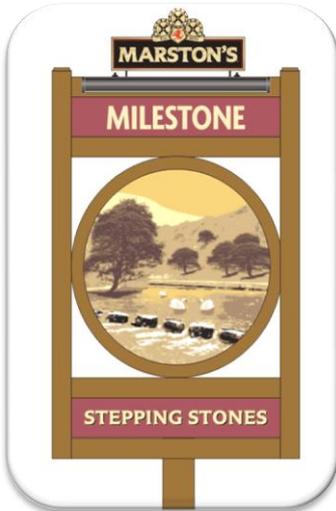
Trends: knowledge
table service
technology

Growing the drive brands: 5 year plan



- 138 pubs
- £250k EBITDA per pub

• c 200 pubs



- 82 pubs
- £290k EBITDA per pub

• c 200 pubs

Drive Brands

- 220 pubs
- £265k EBITDA per pub

• c 400 pubs

Premium – 35 pubs and bars



PITCHER
&
PIANO



Now

- | | |
|---|--|
| <ul style="list-style-type: none"> • Well recognised premium brand • 20 bars • Average turnover of £26k p.w. • 1st new site for several years-Hitchin | <ul style="list-style-type: none"> • 8 sites converted (6 in 2013) • Initial signs encouraging • Continuous learning • Leverage into mainstream estate |
|---|--|

Future plans

- | | |
|--|--|
| <ul style="list-style-type: none"> • Continuous organic investment • Grow brand by 1-2 sites p.a. from 2015/16 | <ul style="list-style-type: none"> • 6 sites identified for 2014 • New-build Revere? |
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Taverns: Great community pubs



Outstanding offers

- Everyday value food and drink
- Entertainment – TV sports, games
- ‘Community locals’

Motivated licensees

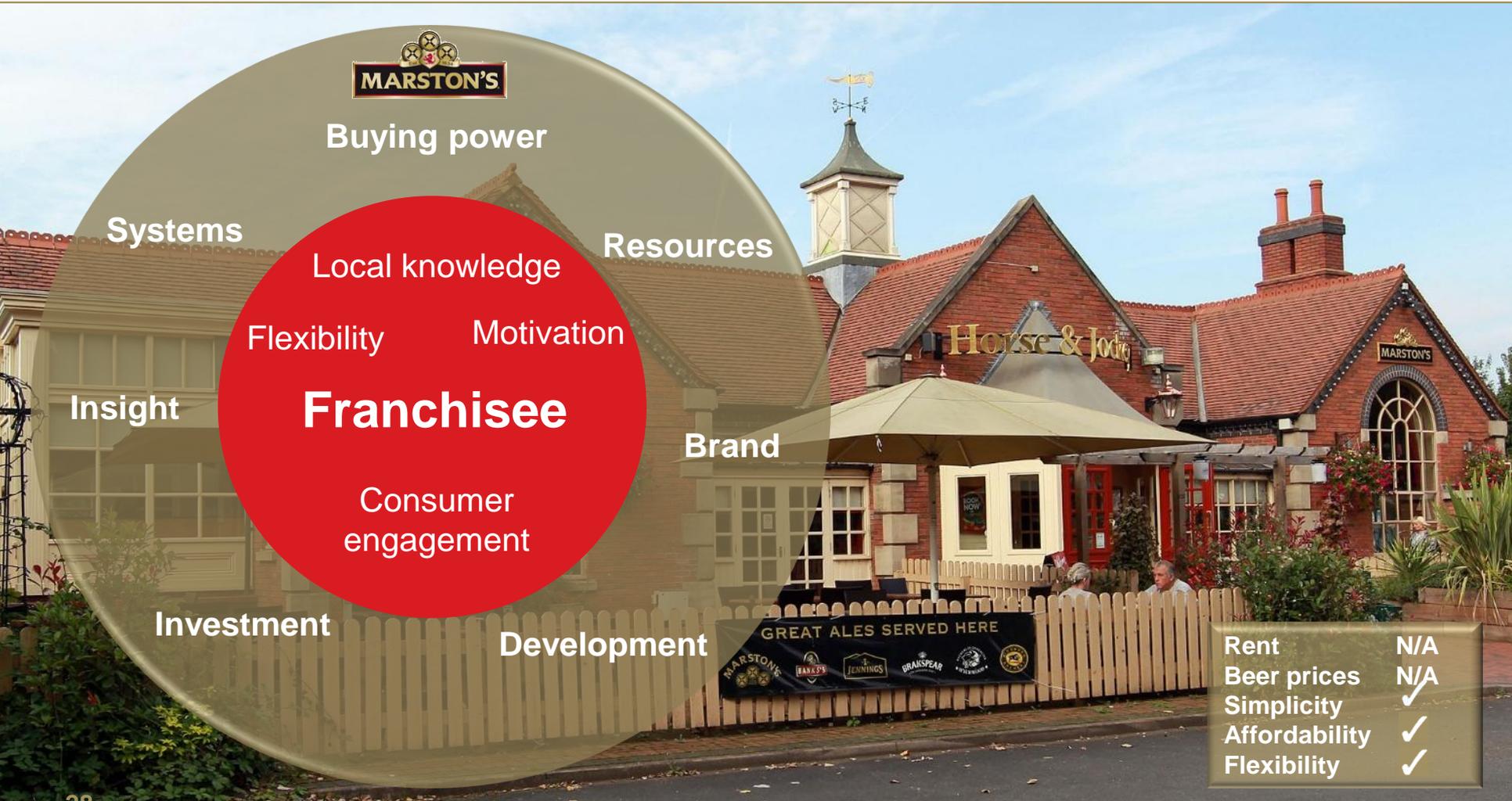
- Well trained, sales focused licensees
- Franchise model increasingly appropriate
- Range of agreements under franchise model

Well invested

- Attractive pubs, well-maintained gardens
- Well-situated
- AUV opportunities being realised



Taverns: Why franchise works



Buying power

Systems

Resources

Local knowledge

Flexibility

Motivation

Insight

Franchisee

Brand

Consumer engagement

Investment

Development

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

A model that combines the best of managed and tenanted

Leased: Evolution of relationship

Higher quality smaller estate

- £80k EBITDA, 50% rental income mix
- Team dedicated to leased entrepreneurs
- Better engagement and understanding

Higher quality support

- Partnership approach
- Premiumising our service
- Products to technology supply

Higher quality income

- Capital investment
- Flexibility in agreements
- >90% licensee stability

Brewing: key drivers of growth

Market leading

NO. 1 IN MARKET

Premium cask and bottled ale

BEST PREMIUM ALE RANGE

+12% in 2013; +25% in 5 yrs.

MARKETING

Official Beer of England Cricket
Local sponsorships

Innovation

OPENING NEW MARKETS

fastcask™
HORECA market

EXTEND RANGE

Craft Beer, Single Hop

INVESTMENT

£7m bottling line in 2013

Development

EXPORT

+14% growth in 2013

NEW MARKETS

Russia, Europe, Asia

PARTNERSHIPS

Krusovice UK lager licence
Shipyard Brewery, Maine

Summary

- 1. Strong profit growth in H2**
- 2. Strategic plans well advanced**
 - Acceleration of well proven new-build programme
 - Increased disposal of smaller wet-led pubs
 - Franchise development
 - Premium beers and export
- 3. Dividend increase reflects confidence**



Consistent focused strategy to deliver long-term growth



Appendices



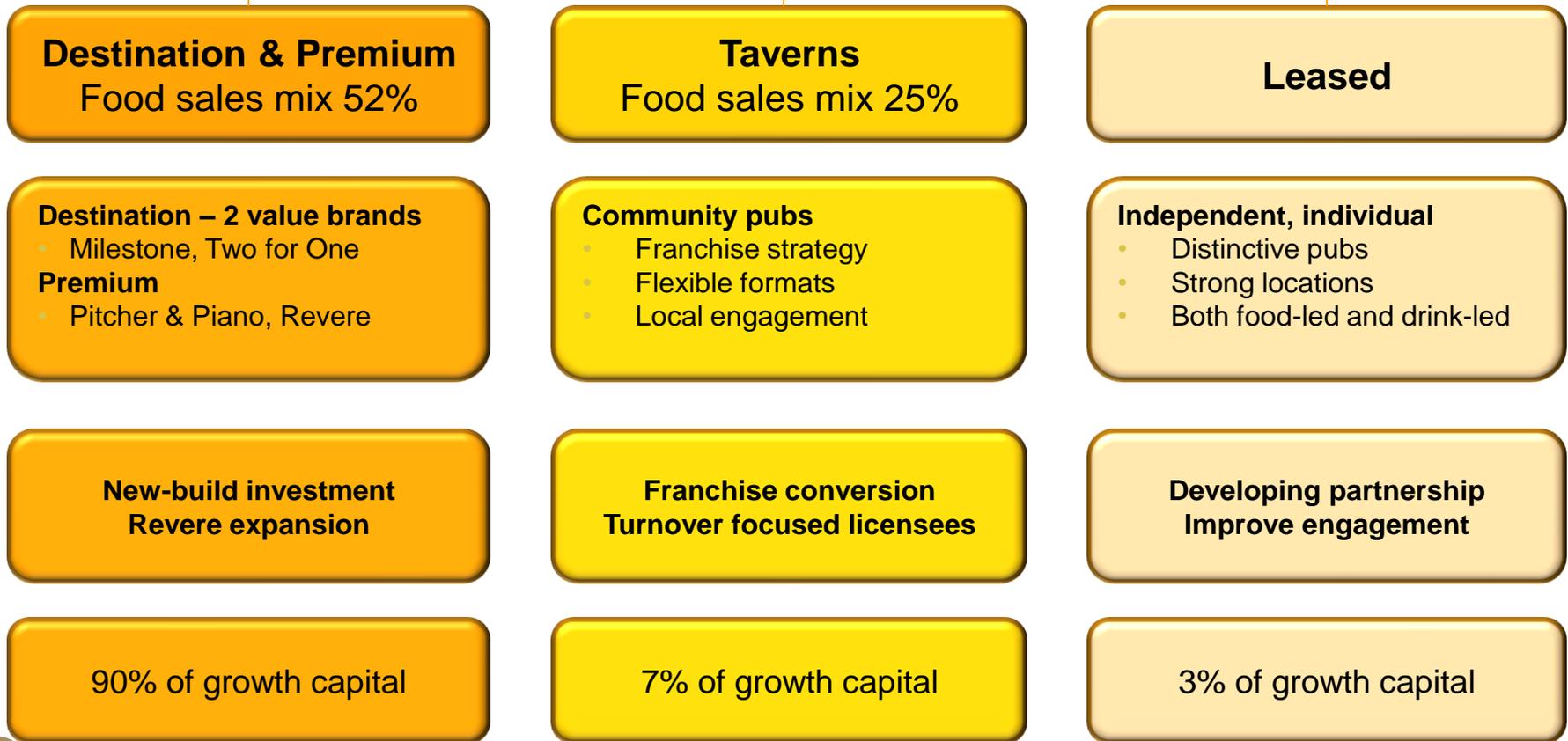


Pub numbers

	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	22			22
Disposals	(1)	(113)	(8)	(122)
2013 Closing	349	1,316	385	2,050
2013 average numbers	339	1,379	390	2,108

Pub segmentation

INNS AND TAVERNS





Securitisation as at 5 October 2013

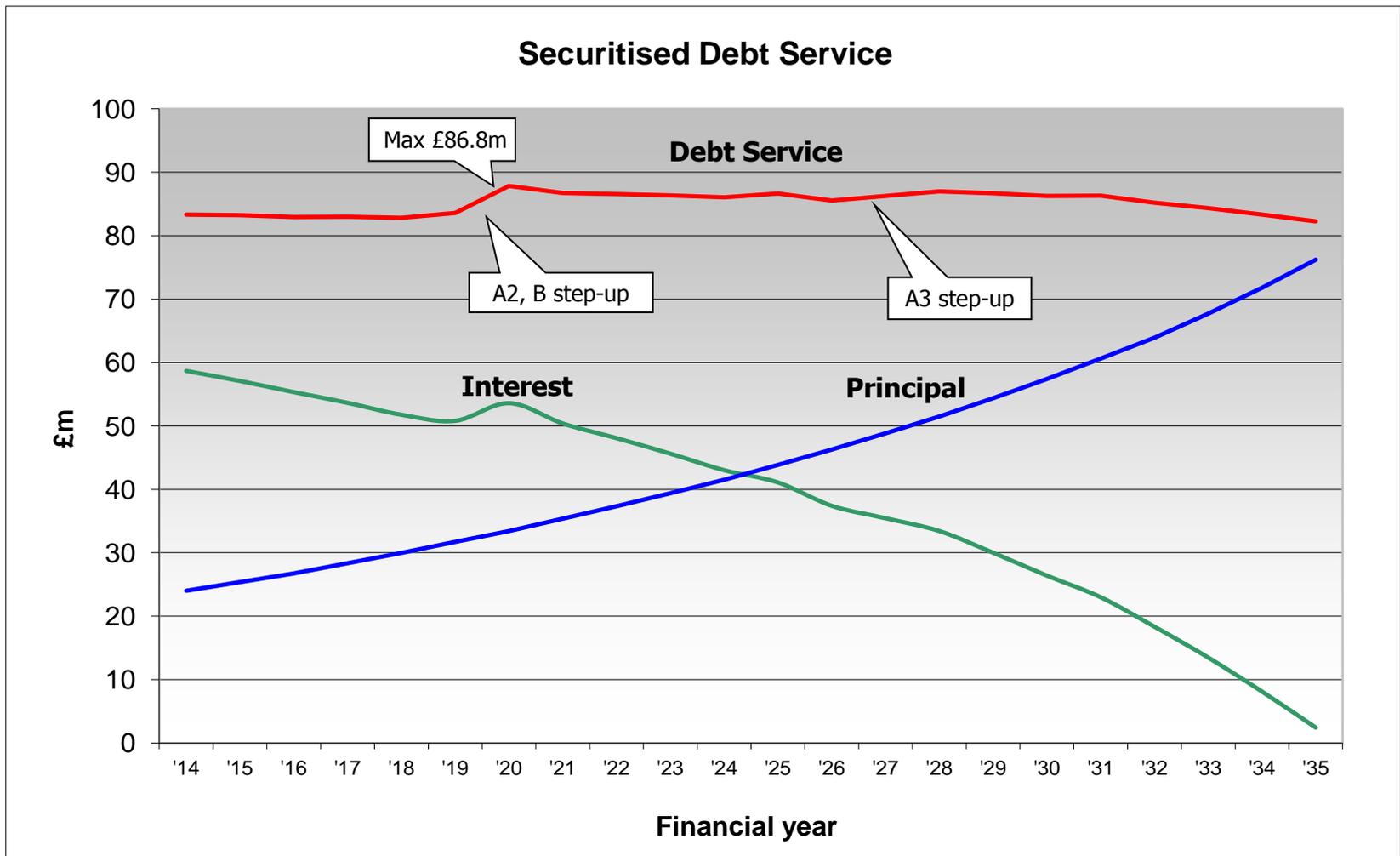
Securitisation results £m	Actual	
Gross debt outstanding as at 5 October 2013	995.6	
EBITDA	131.6	
Free cashflow (FCF)	123.6	
Debt service (DSCR)	84.6	
Financial covenants	Actual	Covenant
FCF: DSCR	1.5x	>1.1x
EBITDA:DSCR	1.6x	>1.5x
Net worth	£598m	£90m



Securitized debt profile

Tranche	Type	Principal outstanding at 3 October 2013	Step-up date	Final maturity date
A1	Floating	£131.6m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£215.0m	October 2012	2031
AB1	Floating	£80.0m	October 2012	2035
B	Fixed/Floating	£155.0m	July 2019	2035
Total		£995.6m		

Securitisation profile





Cash return on cash capital employed

	FY2013				FY2012				FY2011				FY2010			
	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	24.1	6.1		30.2	23.5	5.2		28.7	24.6	3.5		28.1	24.6	2.9		27.5
Property, plant and equipment	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	1,930.2	218.8	(401.7)	1,747.3
Other non-current assets	12.8			12.8	14.3			14.3	17.1			17.1	19.2			19.2
CURRENT ASSETS:																
Inventories	21.5			21.5	22.2			22.2	18.8			18.8	17.2			17.2
Assets held for sale	59.9			59.9	39.2			39.2	6.5			6.5	16.0			16.0
Debtors	69.0			69.0	62.5			62.5	74.5			74.5	65.3			65.3
LIABILITIES:																
Creditors *	(188.4)			(188.4)	(175.2)			(175.2)	(169.2)			(169.2)	(148.3)			(148.3)
NET ASSETS	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	2,148.4	221.7	(401.7)	1,968.4
AVE. NET ASSETS				1,886.3				1,934.7				1,984.3				1,965.1
EBITDA				204.1				198.6				195.8				188.6
CROCCE (Ave Net Assets)				10.8%				10.3%				9.9%				9.6%

* Trade and other payables + Other non-current liabilities + Provisions for other liabilities and charges



Notes



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