



MARSTON'S

BREWING
PARTNERSHIP
WITH
CARLSBERG
UK



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Except for adjusted EBITDA, the financial information of the Carlsberg UK Brewing Business presented in this announcement has been prepared by aggregating the results and balances of the legal entities that are contained within the Carlsberg UK Brewing Business with allocated transactions and balances present in wider Carlsberg A/S group entities, where such transactions and balances relate to Carlsberg UK operations. This financial information has been prepared in accordance with IFRS and the provisions of the Annexure to SIR 2000 (Standards for Investment Reporting 2000: Investment reporting standards applicable to public reporting engagements on historical financial information) as it relates to the preparation of combined financial information, and by applying accounting policies consistent with those used by Marston's plc in its last annual financial statements for the 52 weeks ended 28 September 2019, except for the valuation freehold and leasehold properties which are initially recognised at cost and subsequently measured at cost less accumulated depreciation and impairment loss.

Marston's PLC and Carlsberg UK to create a Joint Venture

“Carlsberg Marston's Brewing Company” (‘CMBC’)

- Long term JV between two leading brewers to create a best in class, brand-led UK brewer with increased scale, resources and distribution reach
- Marston's Brewing Business valued at up to £580m (13.0x adj. 2019 EBITDA)¹
- Carlsberg UK Brewing Business valued at £200m
- Marston's receives a cash equalisation payment of up to £273m². Marston's will own 40% and Carlsberg UK will own 60% of CMBC
- Reported run-rate JV cost synergies of around £24m and further unquantified revenue synergies
- The transaction is expected to be broadly net operational cashflow neutral taking into account Marston's share of JV dividends³
- Materially reduces Marston's debt and increases financial flexibility
- Transaction subject to shareholder approval and competition clearance

¹ Adjusted standalone run-rate EBITDA of £44.6m for Marston's

² Subject to debt and WC adjustments on closing and £5m of other adjustments. Of the £273m equalisation payment, there will be a deferred contingent payment of £34m

³ Not taking in to account the use of proceeds and reduction of debt

Strategic combination of leading UK brewing businesses

		
Financials <i>Unaudited financial information</i>	<ul style="list-style-type: none"> FY19 sales of £389m FY19 adj. EBITDA of £44.6m 	<ul style="list-style-type: none"> FY19 sales of £414m FY19 adj. EBITDA of £21.1m
Market share in the UK¹	<ul style="list-style-type: none"> 9.6% share in total ale 1.5% share in total lager 	<ul style="list-style-type: none"> 3.8% share in total ale 12.9% share in total lager
Best in class brand offerings		
Scale & distribution	<ul style="list-style-type: none"> Capacity of c.2.1m hl across 6 breweries Strong local provenance and brand positioning 	<ul style="list-style-type: none"> Capacity of c.5.5m hl Scale and reach International parent with global reach

Marston's up to £580m valuation (13.0x adj. 2019 EBITDA)² and Carlsberg UK at £200m valuation

Note: Financials subject to accounting sign off ahead of publication of Circular

¹ On-trade market share estimates as at April 2020, based on moving annual total figures to 22 Feb 2020

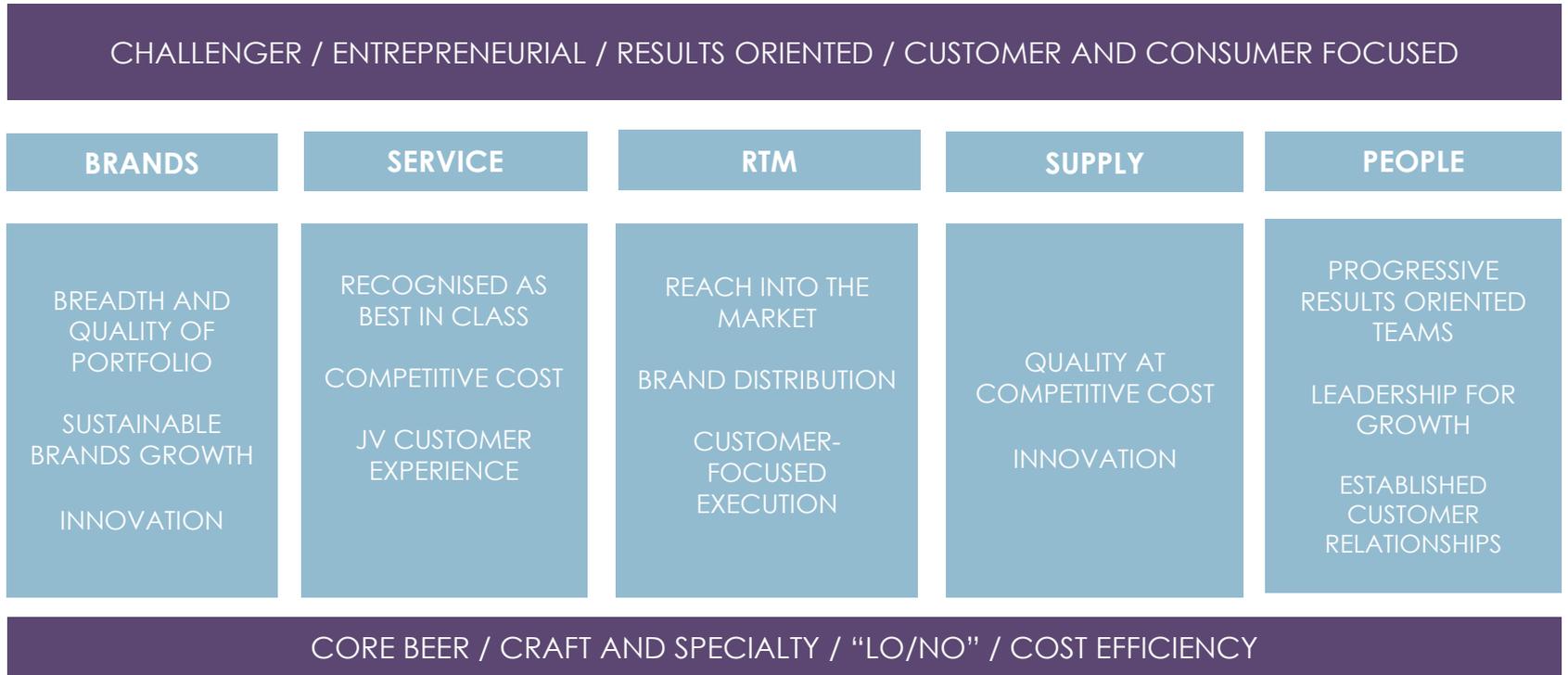
² Marston's FY19 adjusted standalone run-rate EBITDA of £44.6m; reported FY19 EBITDA of £44m

Rationale for the transaction

- Complementary assets combined to create a stronger, more competitive UK brewer with a greater relevance and reputation with customers
- Best in class brand portfolio providing customers with greater choice
- Greater scale with the ability to further invest in growth and drive product innovation
- Strong management experience and expertise across both Marston's and Carlsberg UK teams
- Equalisation payment provides financial flexibility
- Continued dedication to service excellence and customer experience
- Significant shareholder value creation through synergies and productivity improvements with reported joint venture cost synergies of around £24m expected by the end of the third year following completion
- Marston's shareholders will retain an interest in the future potential upside

CMBC strategy

Five year business plan in place with a target to be the UK's leading Beer and Distribution company growing ahead of the market



Stronger, more competitive UK brewer with a complementary best in class brand portfolio

	 BEER COMPANY				Combined
	Brands	Share ¹	Brands	Share ¹	
Ale	         	9.6% (Total Ale) 12.3% (Premium Ale)		3.8% (Total Ale) n.m. (Premium Ale)	13.4%
Lager	    	1.5%	     	12.9%	14.4%
Craft	 		 		

Note: Market shares as at April 2020

¹ On-trade market share estimates as at April 2020, based on moving annual total figures to 22 Feb 2020

Improves scale for brands, marketing and distribution

Distribution and logistics



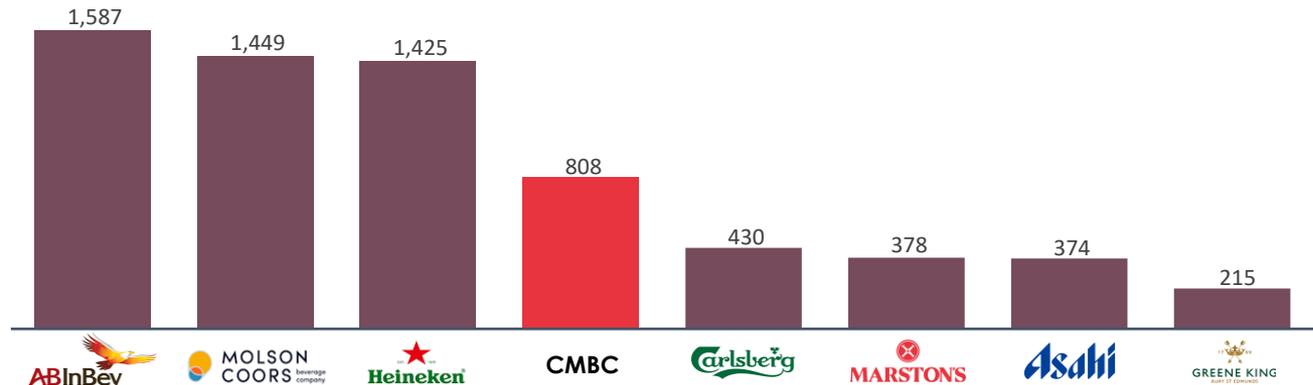
- Distribution and logistics expertise
- Distributes to c. 11,000 customers including the independent free trade, other pub companies, the off-trade and export



- Key player in UK off-trade with significant distribution across grocers, discounters and impulse and convenience
- Strong distribution network with brands sold to over 150 countries

UK beer market by company sales (£m)

Scale¹



Source: Euromonitor and company information

¹ FY18 sales figures. CMBC sales is the sum of Marston's Beer Business and Carlsberg UK revenues in FY18

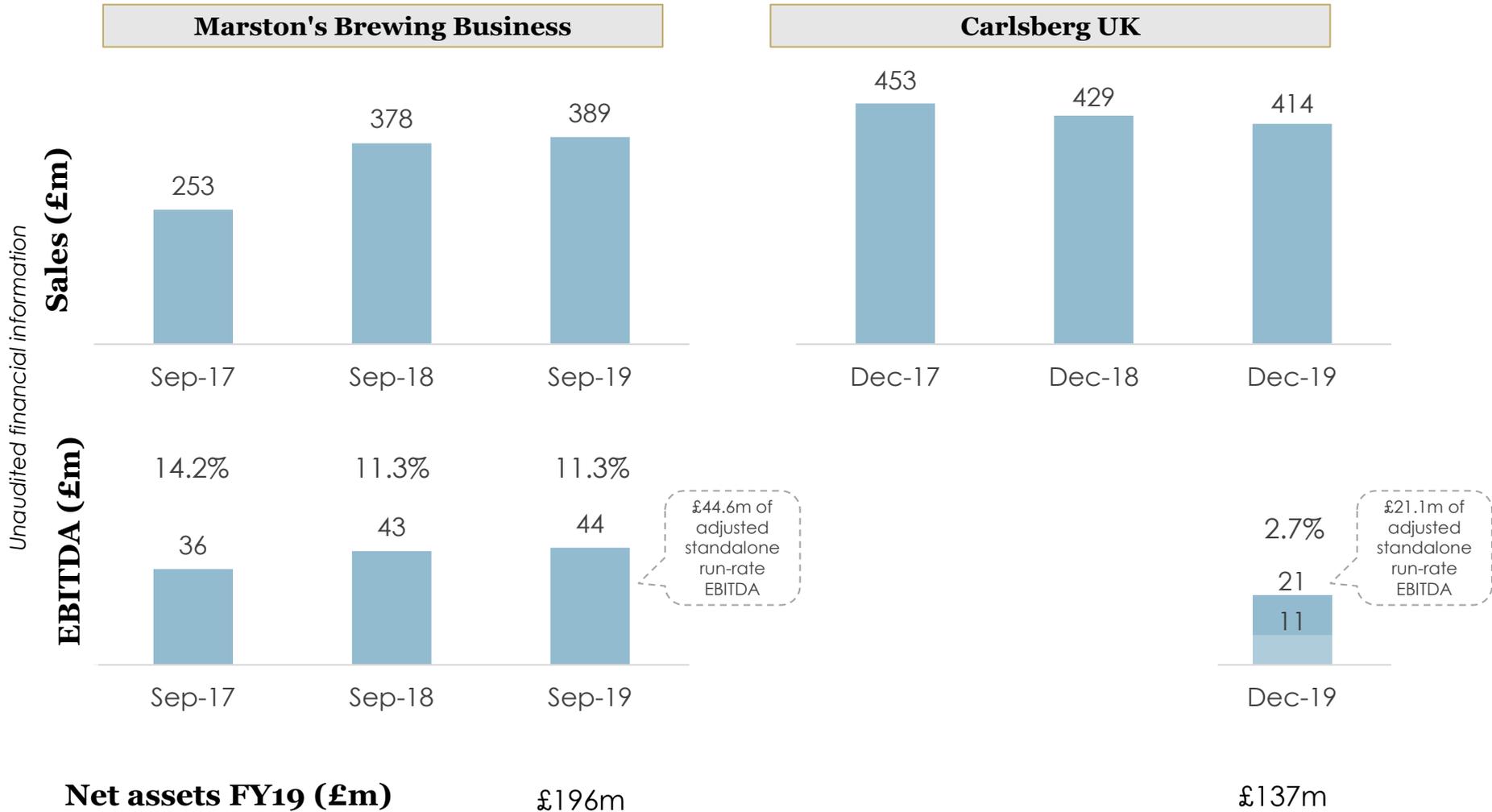
Significant shareholder value creation

- Reported run-rate joint venture cost synergies of around £24m expected by the end of the third year following completion
 - One-off synergies cost estimated at £32m
- Potential joint venture cost synergies comprising:
 - Reduction in overhead costs
 - Brewery and logistics efficiencies
 - Procurement savings
- Further material unquantified revenue synergies through stronger distribution and improved mix
- The transaction will be earnings enhancing in the second year post completion and would have been earnings enhancing in the first year excluding exceptional costs incurred by the joint venture
- The equalisation payment of up to £273m¹, including £34m of contingent deferred payment will enable Marston's to further pay down debt

Note: No proposals or plans relating to the employees of the proposed joint venture can be or have been decided upon, adopted or implemented

¹ Subject to debt and working capital adjustment on closing and also includes £5m of other adjustments

Overview of Marston's Brewing Business and Carlsberg UK financials



Note: historical financial information subject to accounting sign-off prior to publication of Circular

From an ongoing operating cashflow perspective, this transaction is broadly cash neutral

Marston's Brewing Business (Sep-19)	£m
Reported EBITDA	44
<i>Less</i>	
BeerCo capex	(17)
Central capex	(3)
Tax @ 18%	(6)
Net cashflow	18

The transaction is expected to be broadly net operational cashflow neutral taking into account Marston's share of CMBC dividends¹

Recognises the value of Marston's Brewing (13.0x) and provides greater financial flexibility

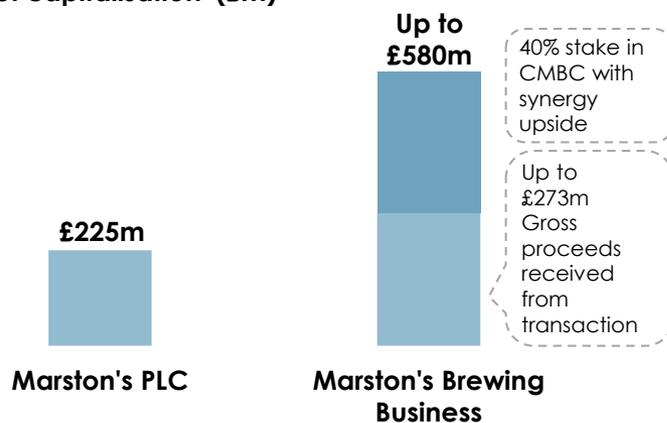
Recognises value of Marston's Brewing

Built through value accretive acquisitions:

- Ringwood **£19m**
- Refresh **£14m**
- Thwaites **£25m**
- Charles Wells **£55m**

Combined value of acquisitions is **£113m**

Market capitalisation (£m)



Impact on capital structure

	2019 £m	Strategic Target £m ²	CMBC impact
Securitised (amortisation profile to 2035)	745	c.600	—
Medium Term Facility (£400m facilities to 2023/4)	296	c.240	↓
Property leasing (35-40 year financing)	358	c.360	—
Net Debt (pre IFRS16)*	1,399	c.1,200	↓
Leverage ¹	6.3x	<5.0x	✓

Source: Market data as at 20 May 2020, Mergermarket

Note: Acquisition multiple refers to EV / LTM EBITDA

¹ Net debt / EBITDA

² Strategic targets as set out in January 2019

Debt update

- **Banking arrangements**

- Agreed £70m of additional liquidity through increased bank facility
- Agreement to amend covenants for September 2020 and March 2021
- New facility together with mitigating actions and government support provide liquidity to meet financial obligations beyond the end of the financial year

- **Securitisation**

- Request made to bondholders for limited number of technical waivers and amendments to January 2021
- On announcement approx. 50% of noteholders indicated that they intend to vote in favour of proposals

Transaction structure

- The transaction values the Marston's Brewing Business at up to £580m, representing 13.0x 2019 adj. EBITDA¹ and the Carlsberg UK Brewing Business at £200m
- Marston's to receive 40% stake in CMBC and a cash equalisation payment of up to £273m². Carlsberg UK to receive 60% stake in CMBC
 - Of the equalisation payment, £34m will be deferred 12 months from completion with the amount payable contingent on the share price performance of a pre-agreed basket of companies³
- CMBC Board to be made up of two Marston's representatives and three Carlsberg UK representatives. The CEO of Marston's will serve as Non-Executive Chairman and the current Managing Director of Carlsberg UK will be the CEO of CMBC
- Long term supply and distribution agreement to be put in place under which CMBC will supply Marston's retained pub business consisting of an estate of around 1,400 pubs
- Subject to Marston's shareholder approval (break fee of up to 1% of Marston's market cap payable if transaction not approved)
- Subject to customary deadlock and exit provisions

¹ FY19 adjusted standalone run-rate EBITDA of £44.6m

² Subject to debt and WC adjustments on closing and £5m of other adjustments. Of the £273m equalisation payment, there will be a deferred contingent payment of £34m

³ Basket of companies include A.G. BARR PLC, Britvic PLC, C&C Group PLC, Marston's PLC and Mitchells & Butlers PLC

Pub strategy

Focus on operational excellence within pub and accommodation business

Clear strategic targets: reduce debt, improve returns, strong cash generation

Pub strategy

Balanced pub portfolio

Food-led

Wet-led

Premium

Rooms

1

Increased focus on debt reduction and cashflow

- Made good progress with debt reduction targets (pre-COVID-19), excluding impact of today's transaction
- Continued discipline in use of cash

Quality estate

Focused investment

Format development

Disposals

'Raising the Bar'

2

Driving excellent performance from existing assets

- Focused capital investment delivering strong returns
- Business underpinned by predominantly freehold estate
- 'Raising the Bar': operational and commercial improvement
- Steady premiumisation of offer

Expected transaction timetable and next steps

Announcement of transaction	May 2020
Marston's shareholder vote	June 2020
Marston's interim results	June 2020
Expected completion of transaction	Q3 of this calendar year

Conclusion

- CMBC creates a brewer of scale with significant synergies and value creation
- Immediate value crystallisation of undervalued asset with significant exposure to the future success of CMBC
- Cash equalisation payment materially reduces debt outside the securitisation and increases financial flexibility
- Enhanced focus on an attractive pub and accommodation business



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