



**Preliminary
Results
2005**

W&DB



David Thompson

Chairman



Introduction

1. **Strong full year results**
 - turnover and profit growth in each of our trading divisions
2. **Successful integration of recent acquisitions**
 - Burtonwood, Jennings and ECI integrated ahead of schedule
 - expected synergies from acquisitions exceeded
3. **Earnings per share* up 11.3%**
 - strong growth in profit before tax
4. **Dividend +10.0% to 38.86 pence per share**
 - average increase over 30 years of over 10%

We are confident about our prospects



Paul Inglett

Finance Director



Profit and loss account

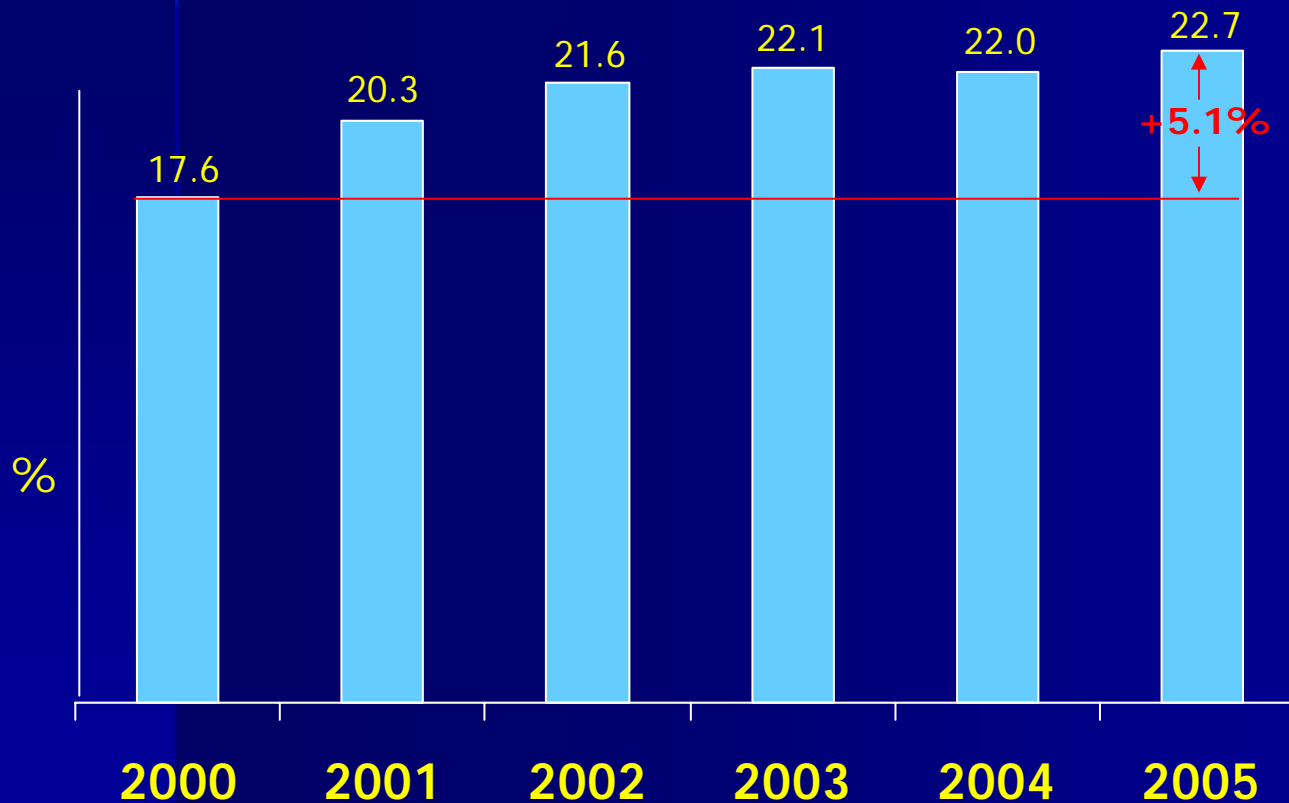
		<u>2005</u>	<u>% change</u>
• Turnover	£m	597.3	+16.3
• Operating profit*	£m	135.4	+19.9
• Operating margin*	%	22.7	+ 0.7
• Profit before tax*	£m	90.1	+16.0
• Earnings per share*	p	84.4	+11.3
• Dividend per share	p	38.86	+10.0

* before goodwill and exceptional items



Consistent margin and sales growth

Group operating margin



- consistent margin growth despite regulatory and cost pressures.
- good like-for-like sales, strong margins

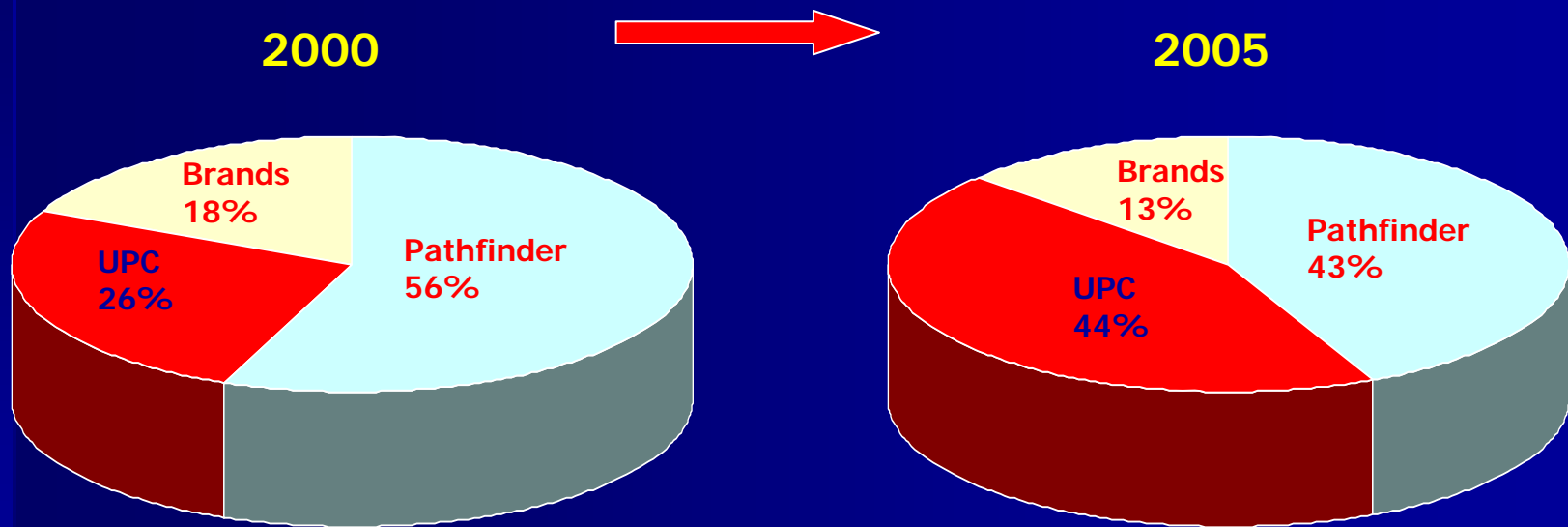
Margin vs 2004

- | | |
|--------------|--------------|
| • Pathfinder | +0.2% |
| UPC | +0.4% |
| WDB Brands | (0.4)% |
| Group | +0.7% |



Changing shape of the business

Divisional profit split



No. of pubs

Pathfinder	852
UPC	<u>889</u>
	<u><u>1,741</u></u>



	542
	<u>1,748</u>
	<u><u>2,290</u></u>

96% freehold

95% community

W&DB



Updated segmental reporting

	Unadjusted <u>£m</u>	Transfer Pricing <u>£m</u>	Central Costs <u>£m</u>	Restated <u>£m</u>	Acquisitions <u>£m</u>	Total <u>£m</u>
Pathfinder	65.1	1.0	(4.8)	61.3	2.1	63.4
UPC	54.6	1.0	(2.1)	53.5	11.7	65.2
WDB Brands	21.6	(2.0)	(1.6)	18.0	0.2	18.2
Central Costs	<u>(18.2)</u>	<u>-</u>	<u>8.5</u>	<u>(9.7)</u>	<u>(1.7)</u>	<u>(11.4)</u>
	<u>123.1</u>	<u>-</u>	<u>-</u>	<u>123.1</u>	<u>12.3</u>	<u>135.4</u>



Cashflow movements

	2005	2004	
	<u>£m</u>	<u>£m</u>	<u>Comments</u>
Net increase in debt	(311)	(92)	
Acquisitions	206	91	
Exceptional items/refinancing	62	1	
Disposals/FT loans inflow/other	5	(15)	<ul style="list-style-type: none"> • £29m pension contribution in 2005
Investment capex	73	59	<ul style="list-style-type: none"> • Maintenance capex 2005: £25m; 2004: £23m
Dividends, share issue/buyback	25	28	
Working capital	19	(5)	<ul style="list-style-type: none"> • Timing of year end supplier payments
	—	—	
Underlying free cashflow	<u>79</u>	<u>67</u>	



More efficient financing

	Before £m	After £m	
Debentures	245	-	
Bank facility	592	112	• £275m facility
Loan notes	9		
Cash in bank/securitisation	(16)	(41)	
Securitisation	- ⁹	792	• backed by 70% of pub estate
Net debt	<u>830</u>	<u>872</u>	• reflects cost of redemption premium on debentures
<u>Pro-forma annual cost</u>			
Cash cost	56	51	• saving £5m pa
P&L charge	54	51	• saving £3m pa
Average rate %	c6.5%	<6.0%	• lowest cost securitisation in sector
Average maturity	7 yrs	16 yrs	

9 **Refinancing offers greater debt capacity at a lower cost**





Strong balance sheet

1. Balance sheet

- tangible fixed assets £1.5bn
- 96% of properties are freehold/long leasehold
- NAV per share = £9.83

2. Revaluation gains

	<u>£m</u>
- 2004:	169.5
- 2005:	58.5
	<hr/>
	<u>228.0</u> = £2.95 per share

3. Basis of valuation

- existing use basis
- excluding 'lotting premium'

Freehold ownership offers potential for capital appreciation



Prudent financing

1.

Future flexibility

- £153m of headroom in existing bank facility
- 30% of pub estate not securitised

2.

Financing ratios*

- debt: EBITDA 4.7x
- interest cover 3.0x
- 92% of debt fixed

3.

Strong asset backing

- 96% of pubs freeholds/long leaseholds
- tangible fixed assets 1.8x net debt



Ralph Findlay

Chief Executive



Strategy

1. W&DB strategy
2. Implementation
3. Acquisitions



W&DB strategy

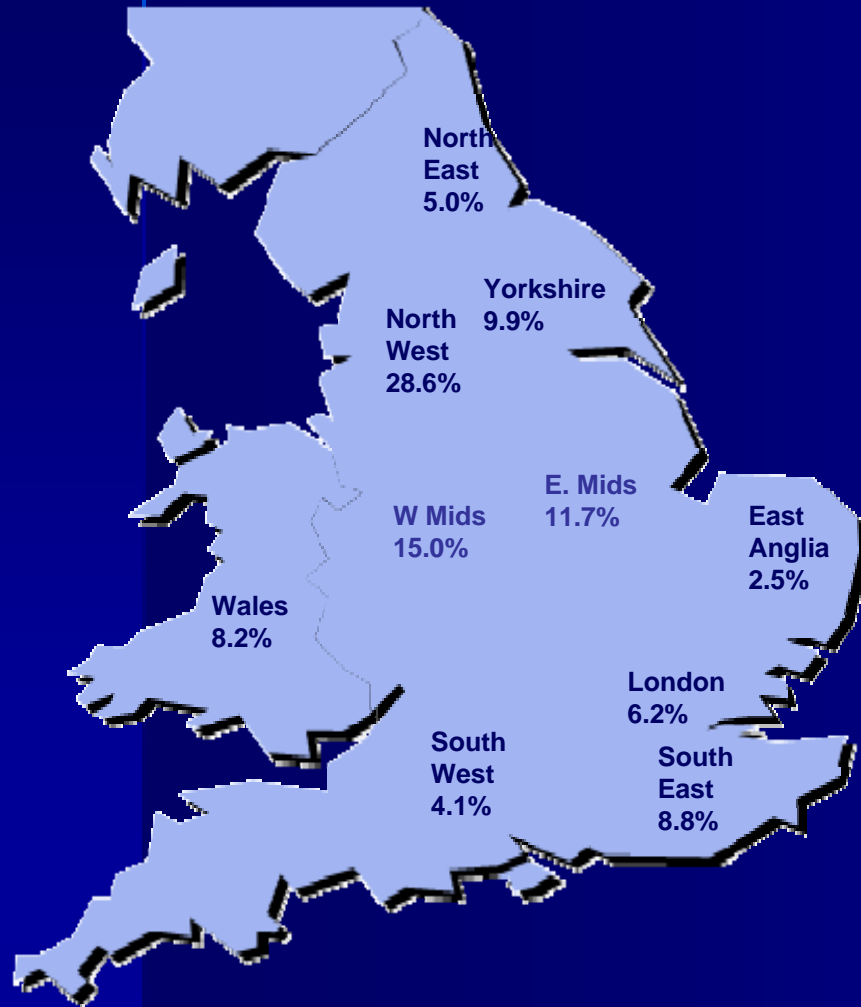
1. **Pub development throughout England and Wales**
2. **Mainly community estate offering protected market position**
 - enhanced by licensing reform
3. **High quality, well invested pubs in good locations**
 - freehold ownership
4. **Increasing share of growth segments**
 - food, wines and spirits
5. **Maximising value through vertical integration**

Pub quality and location are critical



W&DB strategy: a national business

% Distribution of Investment



Investment by region: £486m





W&DB strategy: 95% community pubs

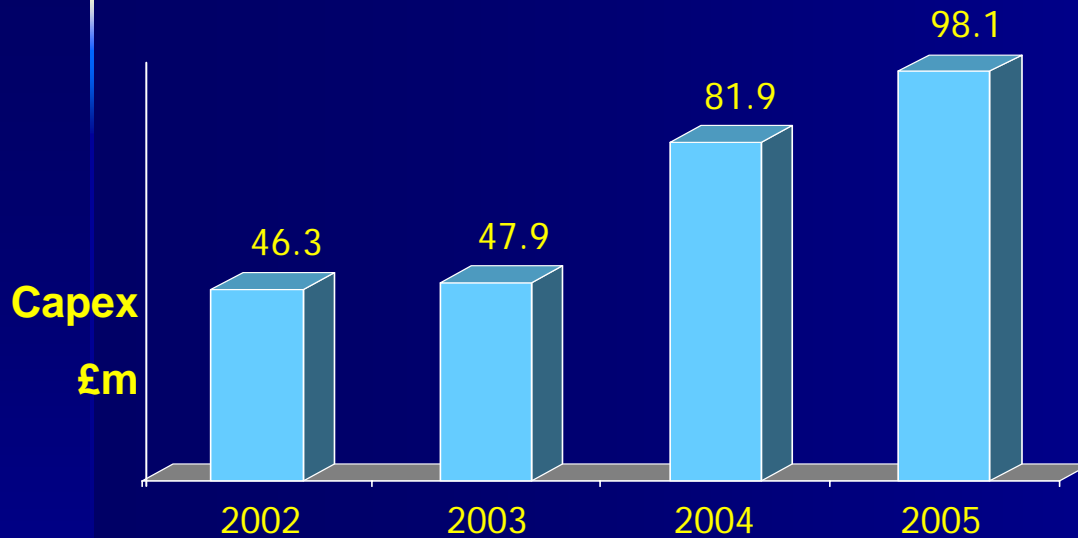
Protected market position through licensing reform

1. 100% of the estate licensed post 24 November
2. > 95% of pubs have more flexible opening hours
3. Most pubs to open an extra 1-2 hours Thurs/Fri/Sat
4. No. of pubs with 24 hour opening = 0

Overall impact: modest trading upside

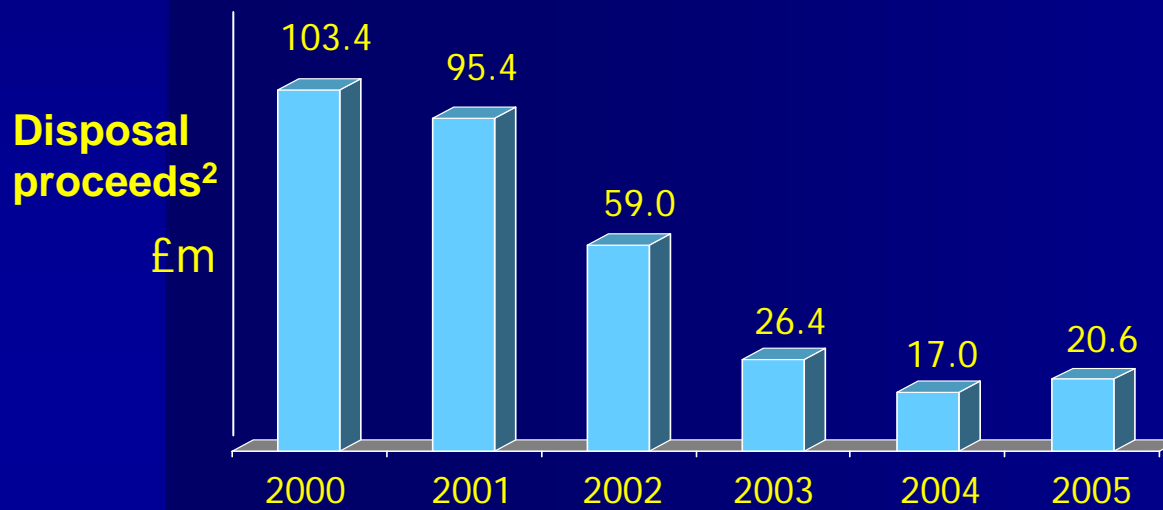


W&DB strategy: quality estate



Capital investment 2002-2005

- **Pathfinder Pubs**
 - major refurbishment of 56% of estate
 - 16 new sites/pubs acquired¹
- **The Union Pub Company**
 - major refurbishment of 30% of estate
 - 42 pubs acquired¹



Estate churn 1999-2005

- >900 pubs sold since 1999
- >550 pubs transferred to tenancy since 1999



W&DB strategy: targeting growth

1. In Pathfinder Pubs

- food sales now c30% of Pathfinder Pubs turnover (1999: 17%)
- average like-for-like food sales growth 2002-2005: 7.2%
- more highly developed offer, better value

2. For the Group

- wine +25.7%, spirits +26.1% in 2005
- improved range, merchandising
- growth linked to 'pub dining' development
- decline of alcopops



Implementation



Pathfinder Pubs

- balance of like-for-like sales growth and margin management
- 20 new outlets per year
- continuous development through pub refurbishment



The Union Pub Company

- continuous improvement in average pub performance
- extension of 21 year 'Open House' lease
- enhanced tenant/lessee relationship



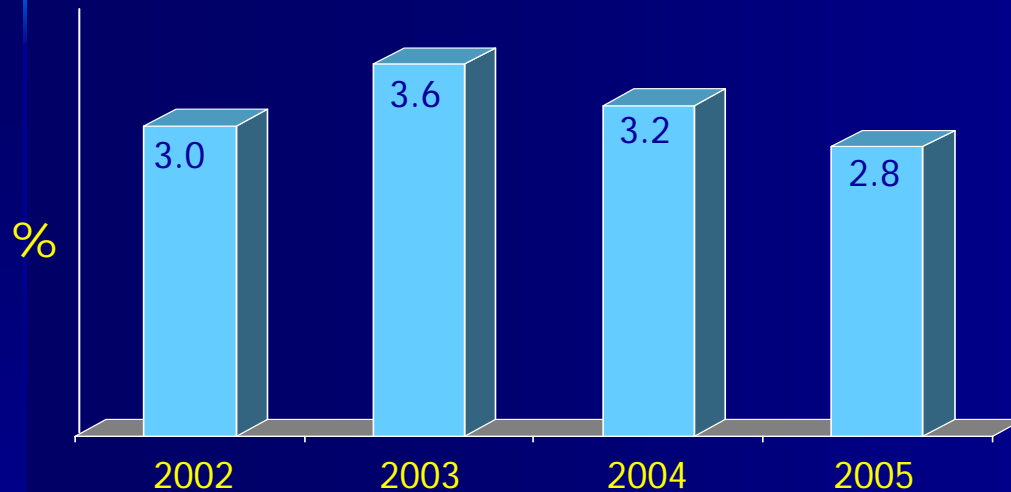
WDB Brands

- expand market share through service, quality and marketing
- focus on growth in the free trade market



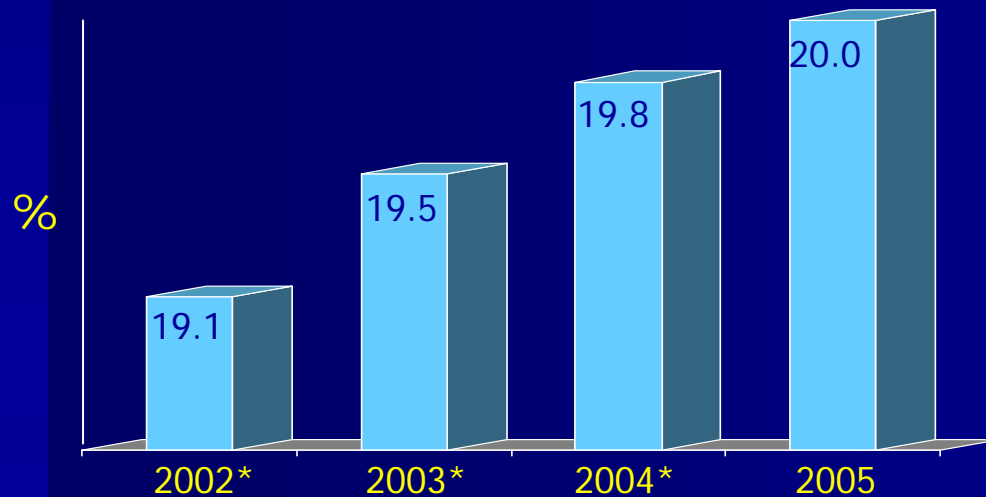
Strive - Thrive - Enjoy

Implementation: Pathfinder Pubs



Like-for-like sales 2002-2005

- average growth = 3.2%
- includes Wizard Inns 2005



Operating margin* 2005 vs 2004

- wet gross margin +0.7%
- food gross margin +1.1%
- utilities +40%
- Sky TV +25%



Strive - Thrive - Enjoy

Implementation: Pathfinder Pubs



New build: Pitcher & Piano, Southampton

- opened 7 July 2005
- 999 year lease, peppercorn rent
- cost: £2.4m
- average weekly turnover £30k
- expected EBIT return 15%

Pub refurbishment: Anglers, Walton on Thames

- opened 25 July 2005
- cost: £200k
- average weekly turnover £20k
- expected EBIT return 15%





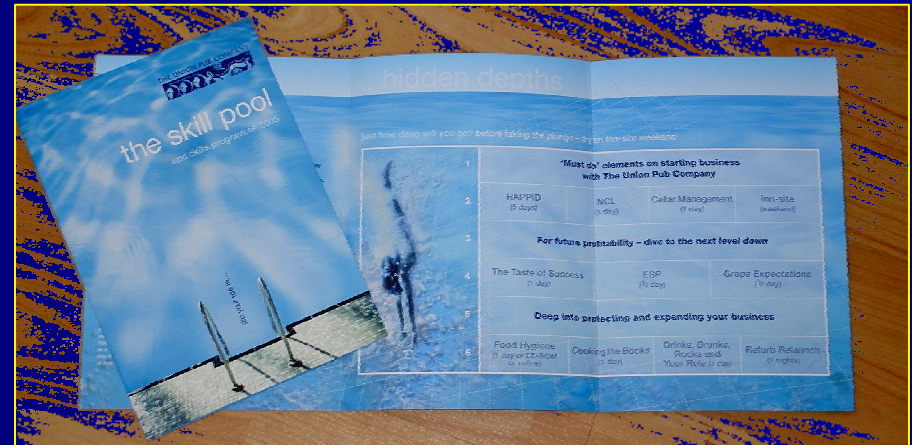
Implementation: The Union Pub Co



- 1,500 training days delivered
- c400 approved tenants on waiting list
- launch of intranet for on-line ordering



	<u>2002</u>	<u>Now</u>	<u>2008</u>
• % long lease	2%	41%	60%
• % on full tie	-	66%	90%



- 260 development schemes
- average licensee contribution = £22k/development
- schemes directed towards food, gardens, patios



Implementation: WDB Brands



- £2m investment in Marston's brewhouse
- brewing Draught Bass since February 2005
- brew 25% of all premium cask ale sold in UK
- average utilisation across 3 sites: 85%

- growth in premium ale: +14.8%
- out-performance vs ale market: +11.6%
- 16% share of UK premium cask ale market



- 2.8% turnover growth in free trade in 2005
- Banks's – The Official Beer of Aston Villa
- supplier to a range of sporting venues



Acquisitions

1. **Excellent fit**
 - 93% freehold assets, 95% community pubs
 - complementary geography
2. **Fast integration**
 - integration complete within 3 months of acquisition
3. **Development potential**
 - investment eg. Anglers, Walton on Thames (Wizard Inns)
 - extension of Open House leases (Burtonwood)
 - beer brand distribution (Burtonwood, Jennings)



Acquisitions

		<u>Wizard</u>	<u>Burtonwood</u>	<u>Jennings</u>	<u>Total</u>	
EBITDA* multiple		7.7x	8.4x	9.7x	8.4x	
Goodwill	£m	9.1	(5.5)	8.8	12.4	
Synergies:						
	anticipated	£m	2.5	3.0	2.0	7.5
	actual	£m	2.8	3.5	2.3	8.6
Speed of Integrations:						
	anticipated	10 wks	17 wks	9 wks		
	actual	8 wks	12 wks	6 wks		



W&DB Strategy: smoking

1. **Proposed legislation intended to apply from mid 2007**
 - distinguishes between food/non food pubs
 - exempts private members clubs
 - provision of discrete smoking rooms 'under review'
2. **Actions taken in advance of legislation**
 - positioning of estate (investment, disposals 2002-2005)
 - investment in food, gardens (over 80% of pubs have outside trading areas)
 - increasing number of 'smoke-free' pubs (now 15)
 - reduced area available for smokers
3. **Reaction to proposals**
 - may force some licensees to stop serving food
 - would impact their exposure to growth segment: informal dining

More clarity needed but we are well positioned



Summary

1. **Strong full year results**
 - effective implementation of organic development strategies
 - successful integration of acquisitions
2. **Strong balance sheet**
 - prudently financed, with debt capacity
 - more flexible financing post securitisation
3. **Current trading**
 - in line with expectations
 - positive like-for-like sales
 - firm margins and good cost control
 - pressure on discretionary spend, weaker consumer confidence
 - we are confident about our prospects for the year



Appendices



Strive - Thrive - Enjoy

Pathfinder Pubs: key financials

		<u>2005</u>	<u>2004*</u>	<u>% change</u>
Turnover	£m	317.4	275.2	
EBITDA	£m	83.0	70.9	+15.3
Operating profit	£m	63.4	54.6	
Operating margin	%	20.0	19.8	+0.2
			+17.1	
			+16.1	

* restated for reallocation of central overheads and changes to transfer pricing

The Union Pub Co: key financials

		<u>2005</u>	<u>2004*</u>	<u>% change</u>
Turnover	£m	153.3	118.2	+29.7
EBITDA	£m	74.5	57.9	+28.7
Operating profit	£m	65.2	49.8	+30.9
Operating margin	%	42.5	42.1	+0.4



WDB Brands: key financials

		<u>2005</u>	<u>2004*</u>	<u>% change</u>
Turnover	£m	126.6	120.3	+5.2
EBITDA	£m	24.7	23.5	+5.1
Operating profit	£m	18.2	17.8	+2.2
Operating margin	%	14.4	14.8	(0.4)

Additional information and guidance

- Average number of shares in 2005 75.4m
 - Number of shares in issue as at 2 December 2005 77.2m
 - Additional dilutive number of shares 0.6m
- 2006**
- Forecast tax rates 30.0% - 31.0%
 - Capex forecast : Existing business £50m
 - : New builds/sites £33m
 - : Pub acquisitions £15m
- £98m
- Forecast disposal proceeds £15m+



Additional information and guidance

Website addresses:

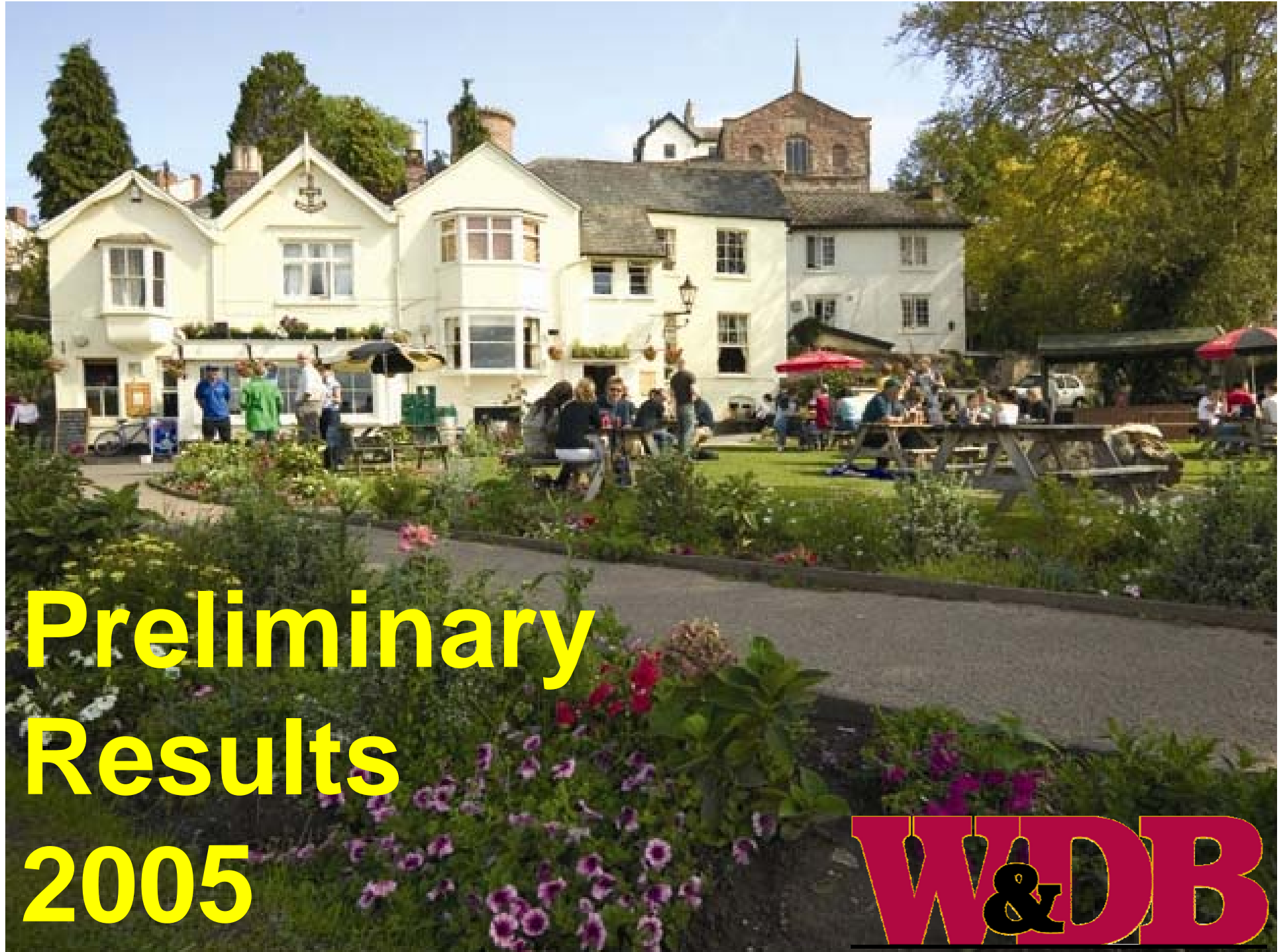
www.pathfinderpubs.co.uk

www.wdbbrands.co.uk

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