



THE
FARMHOUSE
AT HACKWORTH

Interim Results 2015

Ralph Findlay
Chief Executive Officer

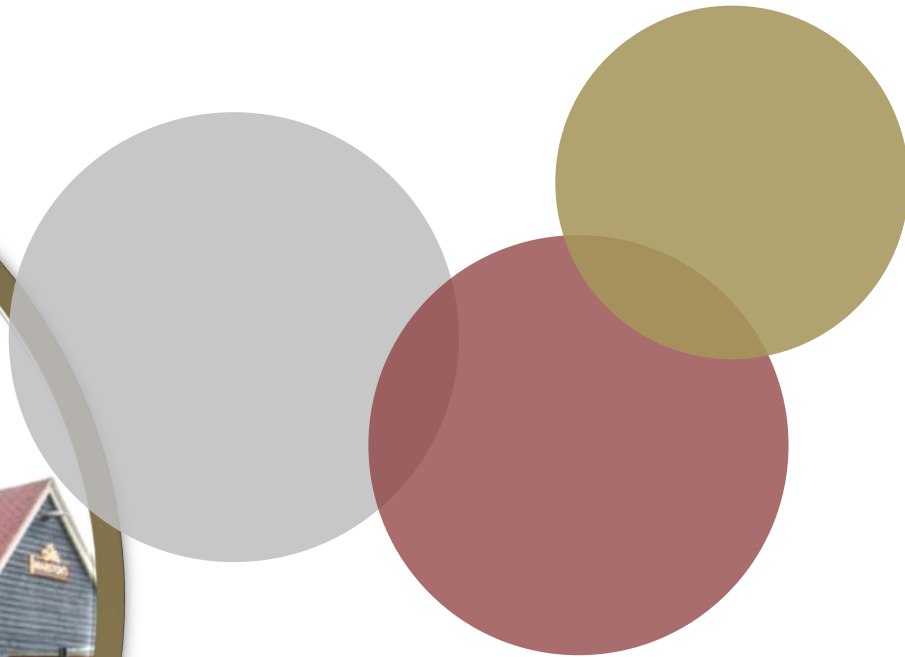
Andrew Andrea
Chief Financial Officer





Ralph Findlay

Chief Executive Officer





Highlights

1. Solid trading performance

- Revenue and profit growth despite disposals and higher pension costs
- Core PBT growth of 15%
- Growth in all business segments

2. Two year transformation of pub estate progressing well

- On track to open 25 new-builds this year
- Continued conversion of pubs from tenanted to franchised models
- 65 pubs sold for £26m
- Estate valuation delivers £54m of value accretion

3. Continued development of high quality beer business

- Leading share of premium cask and bottled ale market
- Acquisition of Thwaites consistent with strategy

4. Interim dividend increased by 4.2% to 2.5 pence per share

Market dynamics

1. Macroeconomic environment remains favourable

- Employment rate increasing
- Lower inflationary pressure leading to real wage growth
- Consumer confidence is stronger
- Sector supply increasing

2. Consumers are driving the agenda

- Seeking new and innovative experiences
- Customers are loyal
 - but only if service and quality is good
- ‘Flight to Value’ likely to be a generational shift
 - value does not mean “cheapest”

3. MRO clarity

- Anticipate franchise excluded
- Minimal impact on leased business



Improving long-term returns



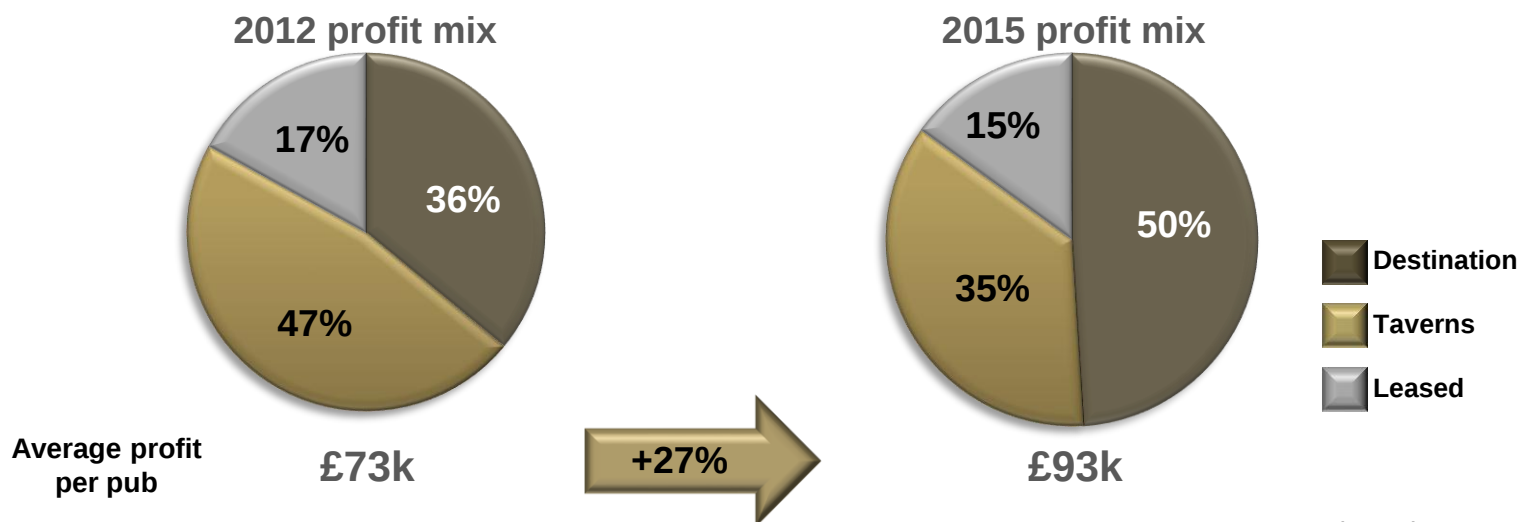


Estate development: Vision and progress to date

	2013	2014	2015 H1	2016	Operating model
Destination and Premium	349	372	380	c.420	Managed
Taverns	1,316	974	909	c.800	Franchised, Managed
Leased	385	343	343	c.320	Leased
	2,050	1,689	1,632	c.1,540	

Pub segmentation

H1 2015	Operating profit £m	No. of pubs	Average no. of pubs	Average profit per pub vs LY %
Destination and Premium	31.6	380	376	+3
Taverns	24.1	909	942	+19
Leased	12.4	343	343	+4
Total	68.1	1,632	1,661	+17



Note: 2015 based on MAT earnings

Higher quality estate, half of earnings from Destination and Premium

Destination expansion

Site pipeline

- 25 new-build sites to be completed this year
- Good visibility on future site pipeline

Build costs

- Modest pressure on site costs reflects competition
- Higher standards of environmental compliance
 - Build cost +£100-200k per site vs. 5 years ago

Future plans

- Investment maintained
 - balanced between business segments
- Focus on ROC, differentiation and skills
- Substantially freehold; leasehold where appropriate



Accommodation

Current

Destination – 34 pubs
c.600 rooms
Occupancy 65%
RevPAR £27

Revere – 10 pubs
c.130 rooms
RevPAR £35

3 new lodges
Dunbar
Balloch
Whitby

2 conversions
Elephant at the
Market, Newbury
Farmhouse, Derby

Future

c. 5 lodges per annum
up to 40 rooms
Selective co-location

1-2 conversions per
annum

PITCHER

&

PIANO

Premium

Pitcher & Piano

- Branded
- Premium bars in a mainstream market
- High tempo, high energy
- Great food but not food-led
- Landmark locations

Revere Town

- Independent feel
- Great food – distinctive menus
- Premium drinks
- Town centre locations

Revere Country

- Independent feel
- Great food – distinctive menus
- Relaxed, informal ambience
- Suburban/semi-rural locations

Investment



2-3 new leasehold sites per annum
Conversion from existing



Taverns



Current

Franchise rollout

- target completion 2016

Dispose of smaller pubs

- 150 disposals outstanding

Future

Franchise evolution

- managed Taverns and Destination

Potential new-build

Leased

Quality core estate delivering growth

- Profit per pub +4%
- 50% wet/rental mix

Stable income stream

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



Summary: Evolution of strategy

Current

£70-80m per year
Freehold returns target 13-15%*
Leasehold returns 30%

Destination

25-30 new-builds
2-3 lodges

Premium

2-3 conversions from Destination

Taverns

Franchise rollout
Disposal of smaller pubs



Future

£60-70m per year
Freehold returns target 13-15%*
Leasehold returns 30%

Destination

20-25 new-builds – mainly freehold
c.5 lodges - leasehold

Premium

2-3 new sites - leasehold
Conversions from Destination

Taverns

Franchise rollout
Potential new-build

Brewing – Focus on premium and bottled

Off trade market in growth

- £0.5bn value - £1bn by 2020 at current growth
- Off trade >50% of beer market
- c.40% of PBA drinkers <44

Marston's leads PCA, PBA markets

- 23% share of PBA market*
- 20% share of PCA market*

Innovation is key

- NPD key to success – >20 launched per annum
- Craft Beer development
- Thwaites further establishes market leadership



*incl. Thwaites

Thwaites' acquisition

Strong existing business

- Consistent with existing strategy
- Two great premium brands – Wainwright and Lancaster Bomber
 - Around 1.5% share of premium cask and premium bottled market
- Geographical infill, increasing strength in Manchester
- Quality sales and marketing business
- £5m EBITDA, £4m EBIT; £1m synergies

Opportunities for growth

- Free trade growth likely in light of MRO
- Marston's existing brands into the North West
- Wainwright and Lancaster Bomber into Marston's estate



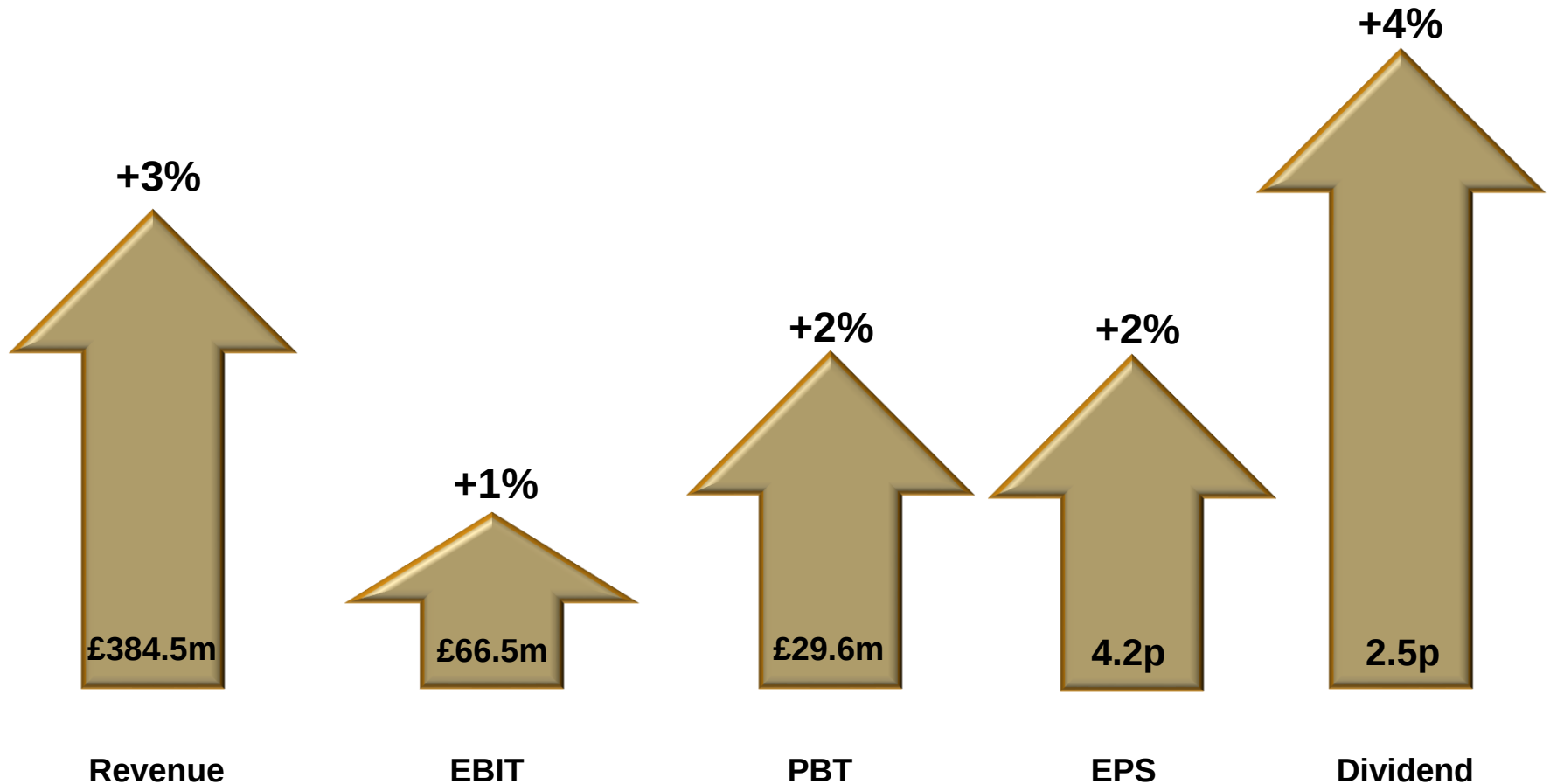


Andrew Andrea

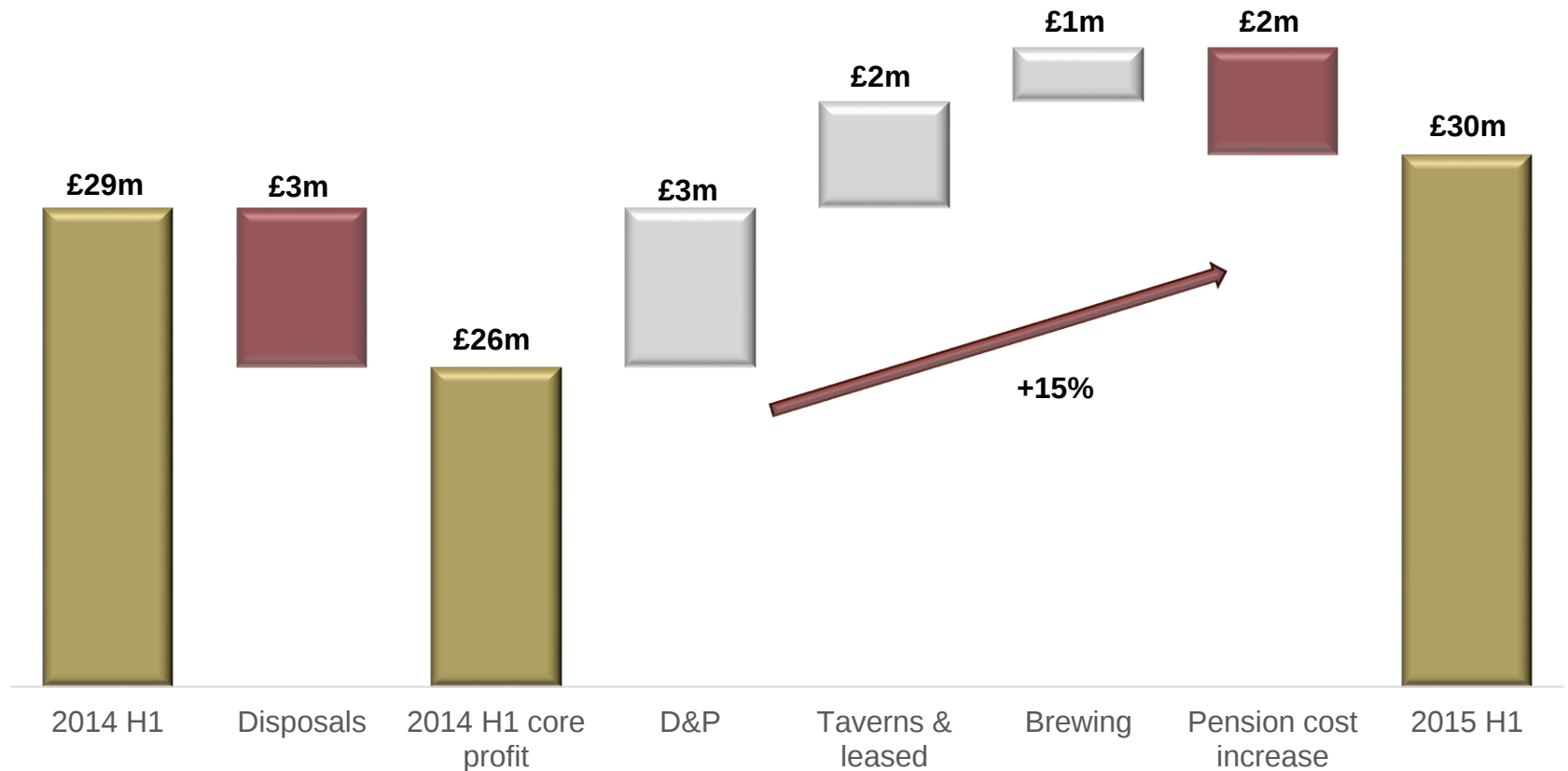
Chief Financial Officer



Financial highlights

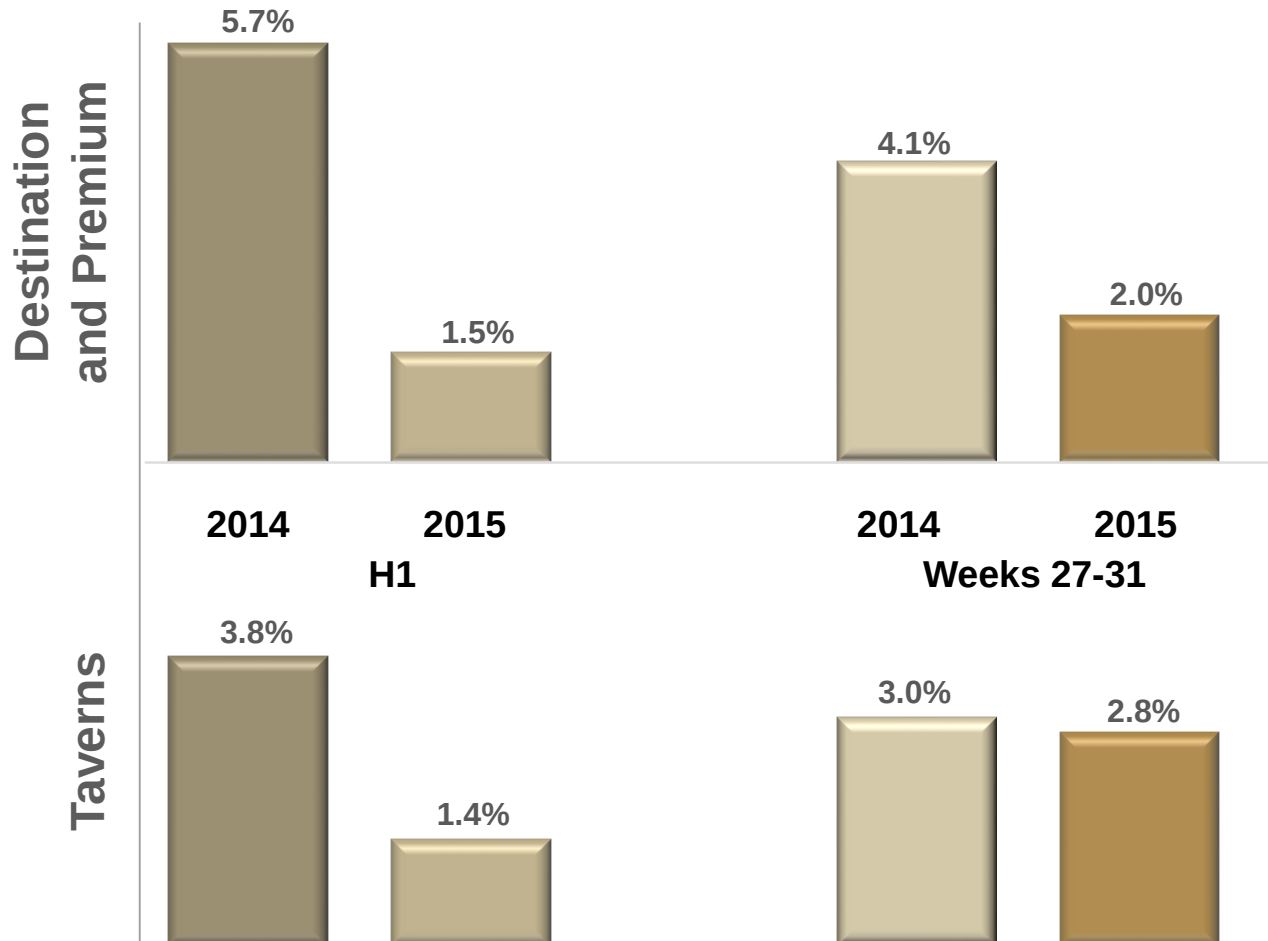


Core profit bridge





LFL performance



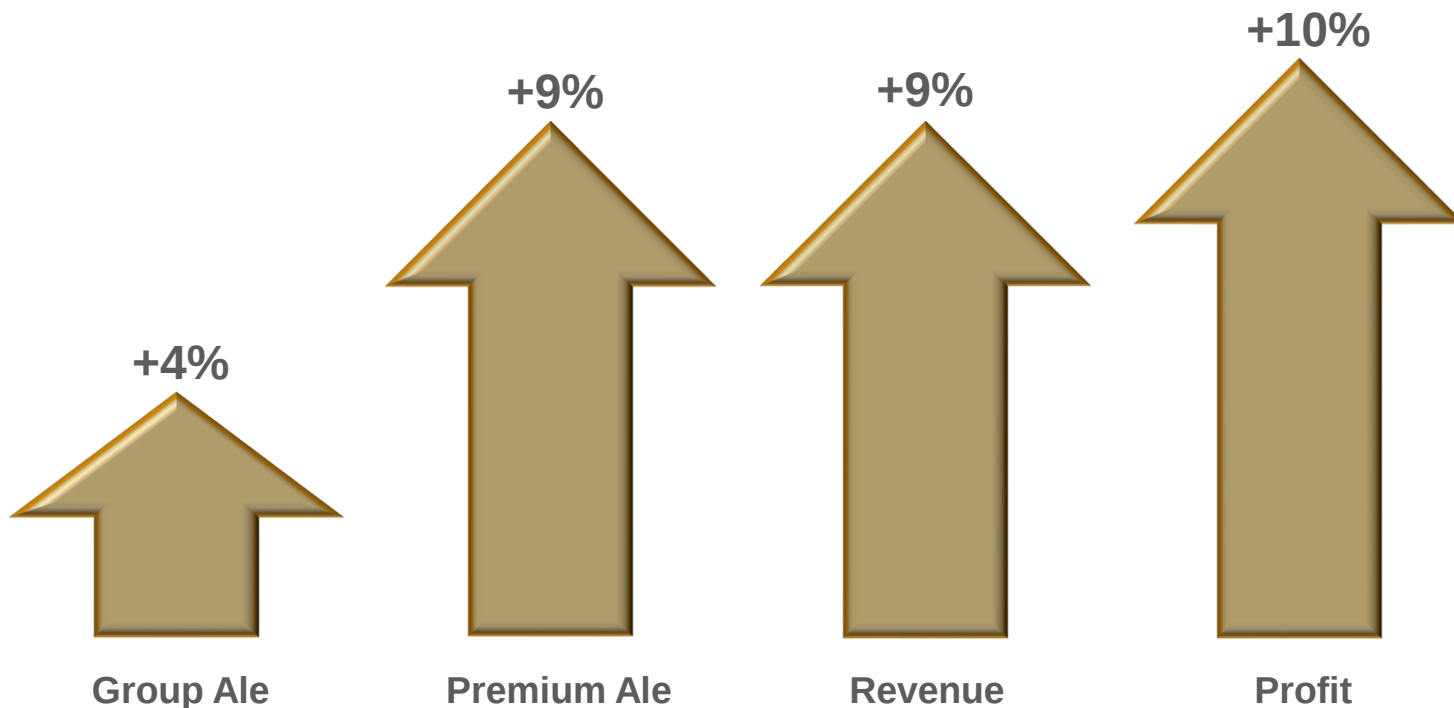
Weeks 32-52 2014:
flat LFL comparative



CUSTOMER
SERVICE
EXCELLENCE



Brewing



Operating margin up 10bps

Future business mix impact from Thwaites' pub supply contract (150bps)

Cost guidance

1. 2015 – no material changes

- Insurance - £0.5m from increased cost of captive

2. 2016 – similar cost profile envisaged

- Food and drink inflation: 2–3%
 - Standard lager contract renewal from October
- Labour cost inflation: 2-3%
 - National minimum wage up 3% to £6.70
- Energy inflation: 2-3%
 - 50% already fixed
- Head office rent: +£0.5m



Cashflow summary

	2015 £m	2014 £m	Comments
Operating cashflow	58	46	Working capital improvement
Net interest	(38)	(44)	Impact of AB1 redemption in 2014
Pre-investment FCF	20	2	
Organic capex	(34)	(32)	
Disposals (exc New River)	26	26	
Dividend	(25)	(23)	
FCF pre new-build capex	(13)	(27)	
New-build capex	(36)	(41)	8 pubs in H1, 17 pubs in H2
Net underlying cashflow*	(49)	(68)	

FCF= free cashflow

* Excluding New River proceeds of £90m and swap termination costs of £25m

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		£202m property leases 35-40 year term	
Debt £m	879	164	1,043	202	1,245
Debt: EBITDA	7.5x	2.2x	5.4x		6.4x
Interest risk hedge	100%	51%		100%	

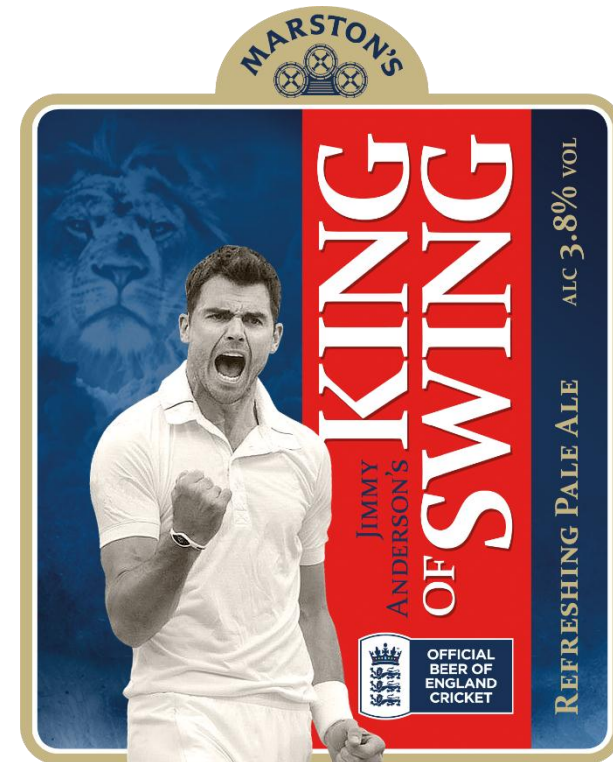


Estate revaluation

	No of Sites	Old NBV (£m)	New NBV (£m)	Change (£m)
Managed				
New-Build post 2009	103	332	404	72
Other Managed	369	840	879	39
Total Managed	472	1,172	1,283	111
Tenanted, Franchise and Leased	929	653	610	(43)
Disposals	234	65	54	(11)
Other – Industrial and ULP	190	62	59	(3)
Total	1,825	1,952	2,006	54

Summary

1. **Good trading momentum**
2. **Estate transformation plan well advanced**
 - Average profit per pub up 17%
 - Valuation uplift
3. **Evolution of investment strategy**
4. **Brewing achieving growth in competitive market**
5. **Dividend up 4.1% to 2.5p per share**





Appendices





Segmental profit

	H1 2015 £m	H1 2014 £m	YOY %
Turnover			
Destination & Premium	187.2	173.9	7.6%
Taverns (inc AHFS)	104.4	113.2	(7.8)%
Leased	25.1	25.2	(0.4)%
Beer Division	67.8	62.0	9.4%
Total	384.5	374.3	2.7%
EBITDA			
Destination & Premium	39.5	36.3	8.8%
Taverns (inc AHFS)	27.7	29.5	(6.1)%
Leased	13.3	13.5	(1.5)%
Beer Division	12.6	11.5	9.6%
Group Services	(8.2)	(6.8)	(20.6)%
Total	84.9	84.0	1.1%
EBIT			
Destination & Premium	31.6	28.6	10.5%
Taverns (inc AHFS)	24.1	25.1	(4.0)%
Leased	12.4	12.5	(0.8)%
Beer Division	8.6	7.8	10.3%
Group Services	(10.2)	(8.3)	(22.9)%
Total	66.5	65.7	1.2%
Margin %			
Destination & Premium	16.9%	16.4%	0.5%
Taverns (inc AHFS)	23.1%	22.2%	0.9%
Leased	49.4%	49.6%	(0.2)%
Beer Division	12.7%	12.6%	0.1%
Total	17.3%	17.6%	(0.3)%
Finance Costs	(36.9)	(36.7)	(0.5)%
Profit Before Tax	29.6	29.0	2.1%



Pub numbers

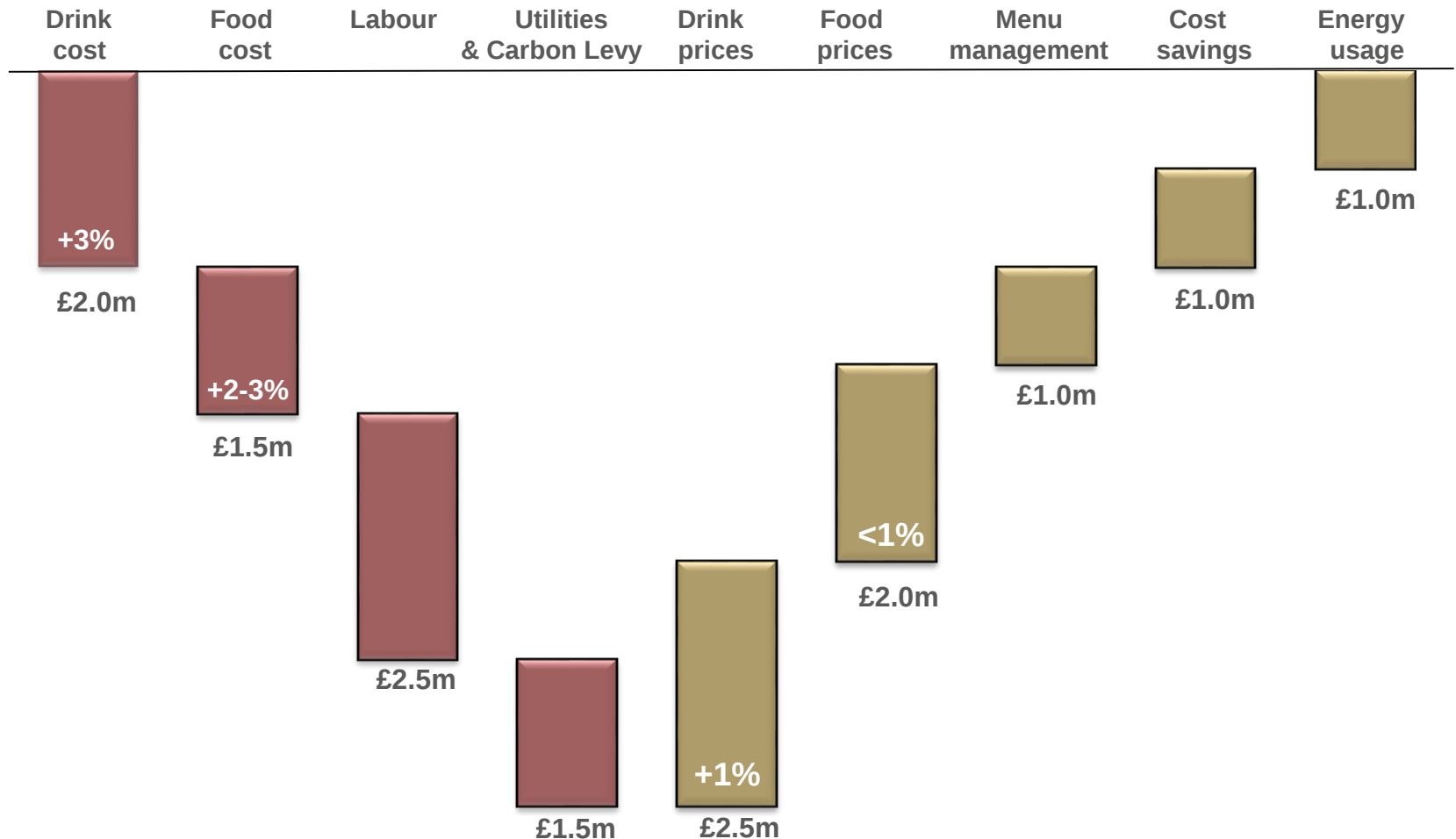
	Destination and Premium	Taverns	Leased	Total
2014 Opening	349	1,316	385	2,050
New-build additions	27			27
Disposals	(4)	(342)	(42)	(388)
2014 Closing	372	974	343	1,689
New-build additions	8			8
Disposals		(65)		(65)
H1 2015 Closing	380	909	343	1,632
2013 average numbers	339	1,379	390	2,108
2014 average numbers	356	1,082	348	1,786
2015 H1 average numbers	376	942	343	1,661



Historical LFL

	Destination and Premium			Taverns
	Total	Food	Wet	Total
26 wks 30/03/13	0.0%	2.0%	(2.0%)	0.0%
32 wks to 11/05/13	1.0%	3.3%	(1.5%)	0.0%
42 wks to 20/07/13	2.1%	3.7%	0.5%	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%
7 wks to 22/11/14	2.1%	2.1%	2.0%	2.0%
9 wks to 24/01/15	2.0%	2.0%	1.9%	2.0%
16wks to 24/01/15	2.0%	2.0%	2.0%	2.0%
10 wks to 04/04/15	0.6%	0.5%	0.5%	0.5%
26 wks to 04/04/15	1.5%	1.4%	1.4%	1.4%
5 wks to 09/05/15	2.0%	1.8%	1.7%	2.8%
31 wks to 09/05/15	1.6%	1.5%	1.5%	1.7%

2015 cost outlook



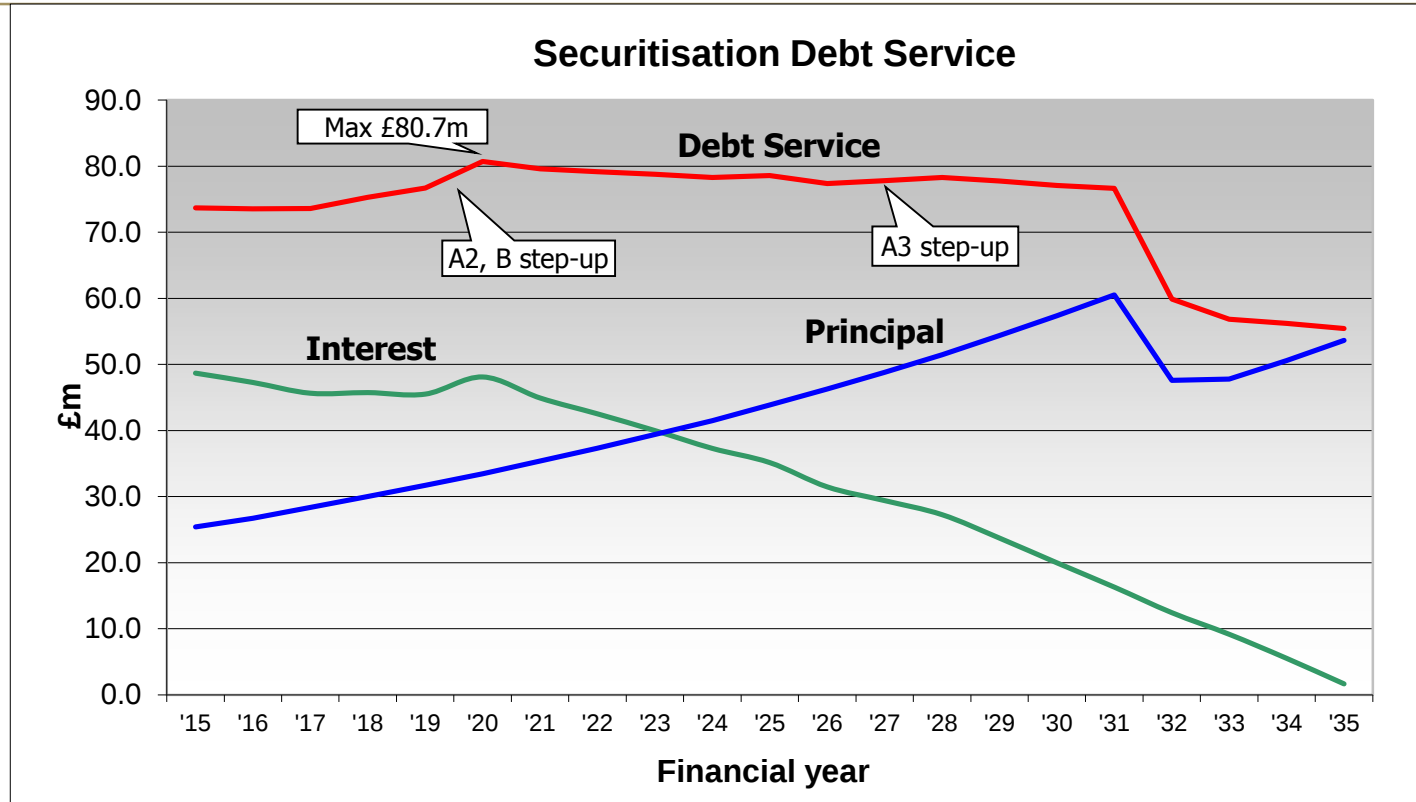
Capex, tax and share capital

		Forecast 2015	Forecast 2016	Comments
New-build capex		£80m	£70m	c.25 sites 2015
Pub growth		£25m	£25m	
Pub maintenance		£25m	£25m	2015 – new EPOS system
Brewing and Group		£15m	£15m	
Total		c.£145m	c.£135m	
Disposals		c.£60m	c.£40m	
Net capex		c.£85m	c.£95m	
Tax rate		c.20%	c.20-21%	
Average number of shares in 2015		572.0m		
Shares in issue at 4 April 2015		572.1m		
Additional dilutive number of shares		6.4m		

Securitised debt profile

Tranche	Type	Principal outstanding at 4 April 2015	Step-up date	Final maturity date
A1	Floating	£106.5m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£203.7m	October 2012	2031
B	Fixed/Floating	£155.0m	July 2019	2035
Total		£879.2m		

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



CROCCE

	FY2014				FY2013				FY2012				FY2011				FY2010			
	Bal	Depn	Reval	Total	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	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	24.6	2.9		27.5
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	1,930.2	218.8	(401.7)	1,747.3
Free trade loans	11.5			11.5	12.8			12.8	14.3			14.3	17.1			17.1	19.2			19.2
CURRENT ASSETS:																				
Inventories	23.0			23.0	21.5			21.5	22.2			22.2	18.8			18.8	17.2			17.2
Assets held for sale	38.3			38.3	59.9			59.9	39.2			39.2	6.5			6.5	16.0			16.0
Debtors	72.9			72.9	69.0			69.0	62.5			62.5	74.5			74.5	65.3			65.3
LIABILITIES:																				
Creditors	(199.0)			(199.0)	(188.4)			(188.4)	(175.2)			(175.2)	(169.2)			(169.2)	(148.3)			(148.3)
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	2,148.4	221.7	(401.7)	1,968.4
EBITDA				192.4				199.1				198.5				195.7				188.5
CROCCE (Closing Net Assets)				10.5%				10.5%				10.6%				9.8%				9.6%

*2013 adjusted to exclude 53rd trading week

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www.marstons.co.uk



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