



The
Severn Gorge

Entrance

Interim Results 2021

Ralph Findlay, Chief Executive Officer
Andrew Andrea, Chief Financial Officer



MARSTON'S



Ralph Findlay
Chief Executive Officer

Emerging stronger out of lockdown 3

1. **Strong consumer demand; encouraging outdoor trading since 12 April; EBITDA break-even in April**
2. **Clear guest focused pub strategy**
3. **Innovative Brains transaction provides an alternative model for future M&A**
4. **Optimistic for more normalised trading when restrictions removed in June**



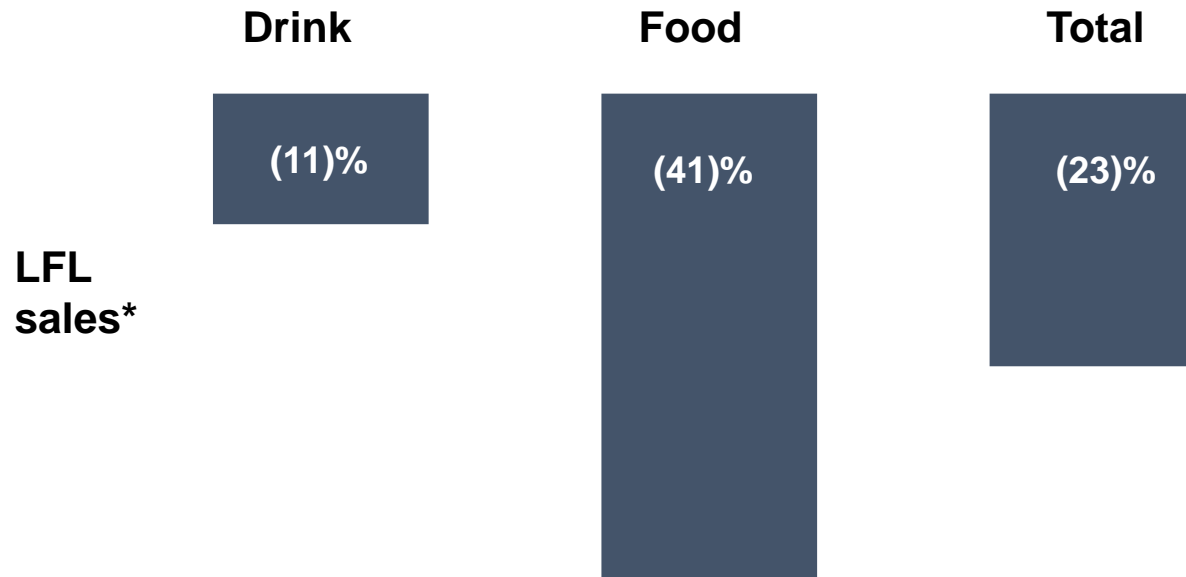
Andrew Andrea
Chief Financial Officer

Financial summary

	2021	2020	Comments
Continuing Operations*			
Revenue	£55m	£343m	
Operating (loss)/profit	£(78)m	£47m	£21m share of losses from JV
Loss before tax	£(122)m	£(1)m	
Loss per share	(17.0) pence	(0.1) pence	
Group			
Statutory earnings/(loss) per share	31.5 pence	(4.4) pence	£291m profit on disposal of Brewing

* Underlying continuing operations results for the period

“Outdoor Trading” LFL sales performance



Pubs Open (Managed and Franchise)	w/c 12 April	w/c 26 April
England	710	776
Wales and Scotland	-	145
Total	710	921

* LFL sales are defined as sales compared to comparable period of 2019 adjusted for timing of Easter weekend for open sites only

Cash flow

	2021 £m	2020 £m	Comments
Operating cash flow	(47)	58	
Net interest	(45)	(44)	
Pre-investment FCF	(92)	14	
Organic capex	(19)	(45)	FY21E: £30-35m; FY22:£45-50m
Disposals	13	64	FY21E: £15-20m; FY22:£10-15m
Dividend	-	(30)	
Net recurring cash flow	(98)	3	
Exceptional cash flows			
Brewing disposal proceeds	228	-	Contingent payment value: c£24m
Bank swap termination	(20)	-	
Net cash flow	110	3	

Debt structure

	2021 £m	2020 £m
Medium term		
Bank and cash (£280m 2024 facility)	148	274
Private placement (2024 facility)	40	40
Long term		
Securitisation (2035 maturity)	705	728
Property leasing (35-40 year financing)	337	337
Net debt pre IFRS 16	1,230	1,379
Lease obligations under IFRS 16 (includes Brains)	382	320
Net debt post IFRS 16	1,612	1,699

Financial strategy remains: Reduce borrowings to below £1bn by 2025 at latest

COVID-19 response and current position

1. Waiver support from all financial providers

- Bank/PP - covenant waivers/amendments to January 2022
- Securitisation:
 - waivers/amendments to January 2022 (99.9% voted, 92.6% in favour)
 - utilised £28m of £120m liquidity facility to date

2. Limited residual commitments

- VAT/Duty £46m payable to December 2021
- Rents paid monthly
- No material purchase ledger deferral – “fair” approach to suppliers

3. Weekly cash burn of c.£4m per week in full closure scenario

Brains transaction – summary financials

Proforma Income (Pre IFRS16)	No.	£m
Core Estate Outlet EBITDA	107	14
Rent		(5.5)
Overhead		(1.5)
Net EBITDA		7
Depreciation		(2)
EBIT		5
Opportunities		
Conversion to franchise		1-2
Overhead synergies		0.5
Purchasing synergies		0.5-1
Total cost/conversion synergy		2-3
Investment growth opportunities under review		

Brains transaction – cash flow implications

Cash flow considerations

Cash flows for completion

Rental prepayments £m

Completion - Yr1 rent in advance 5.5

April - Yr2 rent in advance 5.5

Freeholds 4

15

Funding

Unlicensed property sales in March 8

H2 Disposals 7

Annual maintenance capex 2

Growth capex TBC Must meet return criteria



Ralph Findlay
Chief Executive Officer

COVID-19: Response to Winter closure

1. Prioritise cash preservation

- Financial stability and liquidity provided through brewing disposal
- Repeated learnings from first lockdown
- Accessed government support

2. Look after our people

- Well-being programme of support; strong engagement survey scores
- Support for tenants and lessees concession and grant relief assistance

3. Manage all stakeholders with resources available

- Financial backers – strong support from banks and bondholders
- Supplier and landlord support
- Maintain community engagement

COVID-19: Clear reopening plans

1. Well-positioned estate; proactive external investment

- Low city centre exposure, mainly suburban locations
- 90%+ of our pubs have gardens/outside areas
- “Inside-Out” programme to increase capacity in Autumn and Winter

2. Clear operational plans

- Investment in training to ensure teams hit ground running
- Maximise capacity whilst complying with rules
- Use of Order and Pay system
- Deploy sufficient team resource to maximise speed of service

3. Focus on financial stability

- Simplified menus to reduce break-even with a format-by-format review
- Modest price increases helped to reduce break-even covers
- Use of flexi-furlough in inclement weather

Reopening roadmap

- 1. Over 70% of estate reopened in April**
 - Outdoor trading in England and Wales
 - Indoor trading permitted in Scotland with no alcohol
 - Table service only

- 2. All of estate opened for indoor trading on 17 May**
 - Social distancing rules still apply
 - Full table service

- 3. Expectations for 21 June**
 - Social distancing removed
 - Permission to order and drink at bar

**PENHELIG
ARMS**



Market demand strong, dynamics changing

1. Demand remains strong

- Pent-up demand evident from April opening – guests have missed the pub
- Increased forward planning – higher bookings
- Resilience of guests – cold April weather

2. Value for experience is key to replacing price discounting

- Home “raised the bar” – delivery, finish at home, healthy meal plans
- Convenience dining matters less
- Premium aspirations – both food and drink

3. Market dynamics changing

- Anticipate further on-trade contraction – especially casual dining
- Post pandemic working practices – benefits suburban locations
- Continued evolution of technology

Our vision: “Pubs to be proud of”



Guest obsessed

1. Value for experience

- Experience above price
- Create happy, memorable and meaningful experiences
- “Pride in Plate” - improve food quality

2. Guest satisfaction

- Clear pub targets
- Investment in new feedback systems
- Overhaul complaints handling

3. Digital and technology

- Order and pay – further development planned
- New EPOS system – sales tool and insight
- Local digital marketing strategy

Raising the bar

1. Investing in people

- Training – including introduction of app-based system
- Communication – Microsoft platform for all
- Engagement – new system permits more frequent and timely feedback

2. Operational excellence

- More pub; less admin - new “working week” for operations team
- Q4 bonus all based on standards and satisfaction
- Introduction of new standards app
- Increased investment in health and safety audit resource

3. Business simplification

- One Team approach across business – efficiency in support practices
- Simplification of menus and formats

We will grow

1. More from guests

- Development of sales culture – Project Boost incentive programme
- Focus on key sessions – “Make Sundays Great”

2. More from capex

- Modest 2021 capex to trial format evolution
- Looking at long-term target not incremental ROI
- Long-term roadmap under review

3. Innovative acquisition

- Reviewed expansion in light of financial strategy
- “Capital Light” - does not require us to own bricks and mortar
- Look beyond COVID – good pubs pre COVID will be good pubs post

Brains opportunity

1. Pub estate

- Principally based in South and West Wales
- Complementary with Marston's existing portfolio of 106 pubs in Wales
- Good quality pub estate with stable earnings and some iconic sites
- Brand opportunity – right to use Brains brand on existing Welsh pub estate

2. Mixture of Managed and Tenanted pubs

- C.30% food mix in managed pubs; 141 rooms in 15 pubs
- Opportunity for franchise conversion

3. Strong team transferring

- C.1,300 employees including operations and commercial managers
- Engaged pub teams

4. Opportunities for future growth investment



The Ship Tresaith, West Wales



The Maltsters Cardiff



Ty-Risha Alehouse
Pen-Y-Cae Bridgend



Red Dragon High View, Litchard Hill,
Bridgend

Future opportunities

- 1. Will consider similar opportunities to Brains**
 - ROI accretive
 - Reduces operating leverage
 - Consistent with financial strategy to reduce borrowings

- 2. Establish Marston's as “operating partner of choice”**
 - Market-leading national pub operator with strong credentials
 - Operate pub formats across the pub sector: food-led and wet-led
 - Infrastructure in place to support a significantly larger estate
 - PLC covenant facilitates similar transactions

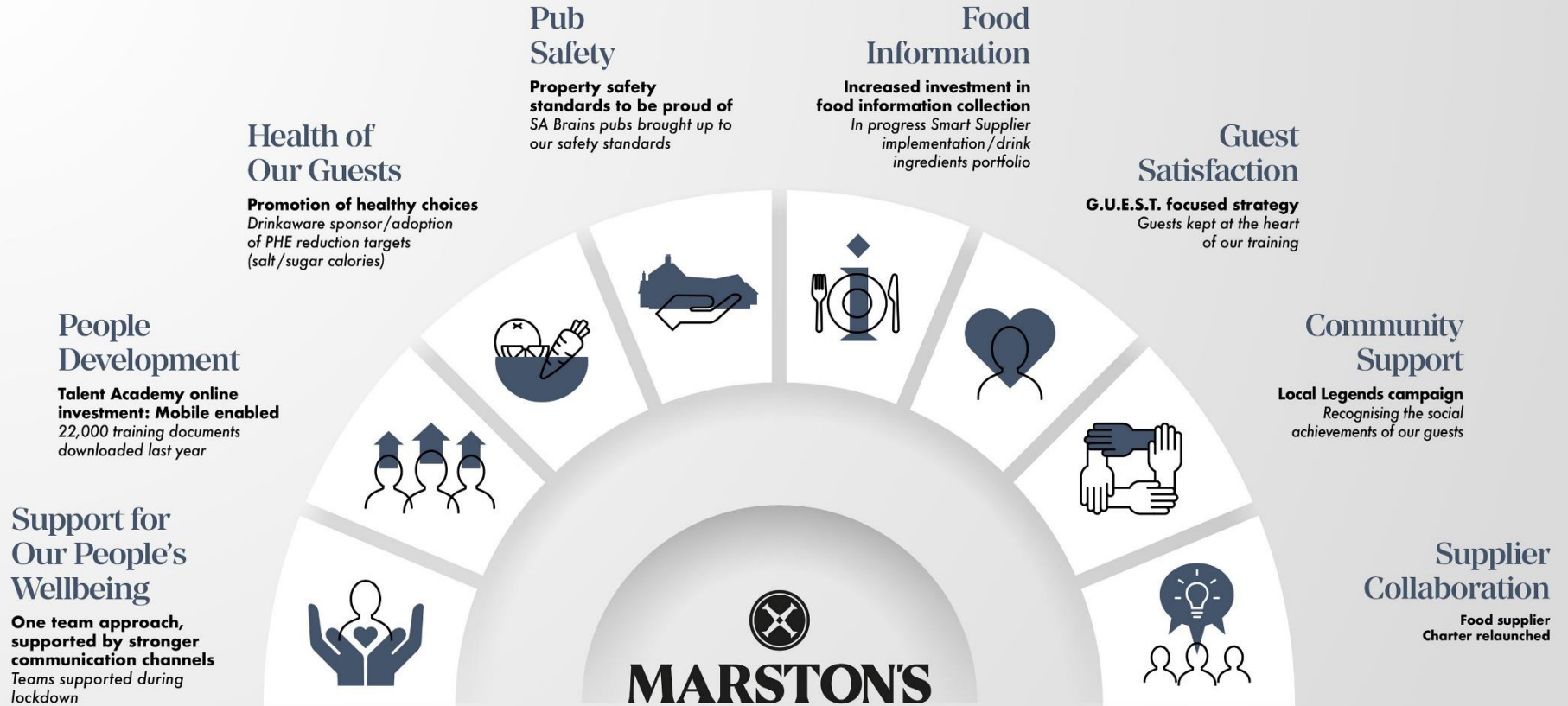
- 3. Disciplined approach to estate expansion**
 - No dilution of quality of estate (profit per pub)
 - Opportunity to create value (i.e. conversion to franchise)
 - Likely to be wet-led rather than food-led
 - Strong rental cover minimising financial risk

Building a sustainable business



Our environmental credentials

Social impacts



Our social impacts



Osprey
ELECTRIC VEHICLE
RAPID CHARGING

CHARGE
HERE



Osprey

CLEANER
TRANSPORT
FOR
CLEANER
AIR



Osprey

CLEANER
TRANSPORT
FOR
CLEANER
AIR



50kW RAPID CHARGE POINT

MARSTON'S

THE
PEPPER MILL

Clear ESG targets

ESG Targets	ESG
Carbon Net Zero	E
Recycling >80% and overall reduction in waste produced	E
Landfill diversion – maintain 100%	E
Absolute reduction in water compared to activity	E
Food Supplier Charter – full compliance	S
Community Heroes event	S
Apprenticeships circa 500	S
Supply chain ethical data collected on each major procurement category by 21/22	S
Safety: every pub to have a 5 star EHO Food Hygiene Rating	S
Employee engagement > 8/10	S
FTSE4Good rating improvement	G

Outlook

1. Await clarity on 21 June

- Anticipate significant reduction in trading restrictions
- More normalised trading would return sooner with restrictions lifted
- Great team in place focused on delivering great guest experiences

2. Carlsberg Marston's Brewing Company

- Trading impacted by pandemic – some optimism for the summer
- Integration plans on track
- Synergies expected to be in excess of original £24m target

3. Financial strategy remains intact

- Borrowings below £1 billion by 2025 at the latest

Summary

- 1. Emerging from crisis as a stronger business**
 - Financial stability; no recourse to equity
 - Access to significant CMBC synergies
- 2. ESG – building a sustainable business**
- 3. Relaxed restrictions platform for a “normalised” summer**
- 4. Clear pub strategy and goals;** well-placed to take advantage of opportunities



APPENDICES

Financial Summary – Statutory basis

	2021	2020
Revenue*	£55m	£343m
Operating (loss)/profit*	£(80)m	£21m
Loss before tax*	£(106)m	£(31)m
Statutory Profit/(Loss)	£199m	£(28)m
Earnings/(Loss) Per Share	31.5 pence	(4.4) pence

* Continuing Operations

Estate analysis by operating model

	No of Pubs		Revenue (£m)		EBITDA (£m)		Operating Profit (£m)	
	2021	2020	2021	2020	2021	2020	2021	2020
Managed and Franchised	1,152	1,028	51.5	315.8	(26.8)	70.2	(44.1)	52.4
Tenanted and Leased	353	343	3.5	21.6	2.0	12.6	1.5	12.1
Total	1,505	1,371	55.0	337.4	(24.8)	82.8	(42.6)	64.5

IFRS 16 – Depreciation and Interest analysis

£m	Depreciation		Interest	
	2021	2020	2021	2020
Non-IFRS 16	15.6	22.3	36.3	39.9
IFRS 16	5.2	5.3	8.3	8.0
Total	20.8	27.6	44.6	47.9

Securitised debt profile

Tranche	Type	Principal outstanding at 3 April 2021	Step-up date	Final maturity date
A2	Floating	£196.6m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£147.1m	October 2012	2031
B	Floating	£155.0m	July 2019	2035
Total		£698.7m		

High-quality pub estate

	Pubs		Lodges		Total
	Number	Value (£m)	Number	Value (£m)	Value (£m)
Securitized	947	1,120	7	13	1,133
Non-securitized					
Unsecured freehold	157	274	5	13	287
Freehold – property lease	113	290	7	19	309
Total freehold	1,217	1,684	19	45	1,729
Leasehold	292	337	11	18	355
Total	1,509	2,021	30	63	2,084
Freehold mix	81%		63%		

Brains pub estate composition

	Pubs	Proforma* Revenue (£m)	Proforma* EBITDA (£m)	Proforma* EBITDA per pub £k	
99 sites on long-term lease – stable 5 year record					
Managed	62	47	11	175	21 convert to franchise (non-franchise £220k per pub)
Leased and Tenanted	37	3	2.5	68	Medium term convert to franchise
Total	99	50	13.5	135	
8 freehold sites with low EBITDA but target historical levels – revenues stable at £3m per annum					
Managed	8	4	0.5	63	£4m purchase price, 7 convert to franchise
Total long-term estate	107	54	14	131	
30 non-core turnaround sites – peppercorn rent for 18 months					
Managed	14	6.5	0.3	19	
Leased and Tenanted	16	0.5	0.2	11	
Total turnaround	30	7	0.5	15	Review for long-term agreement/purchase
10 leasehold pubs on management agreement for 2 years					

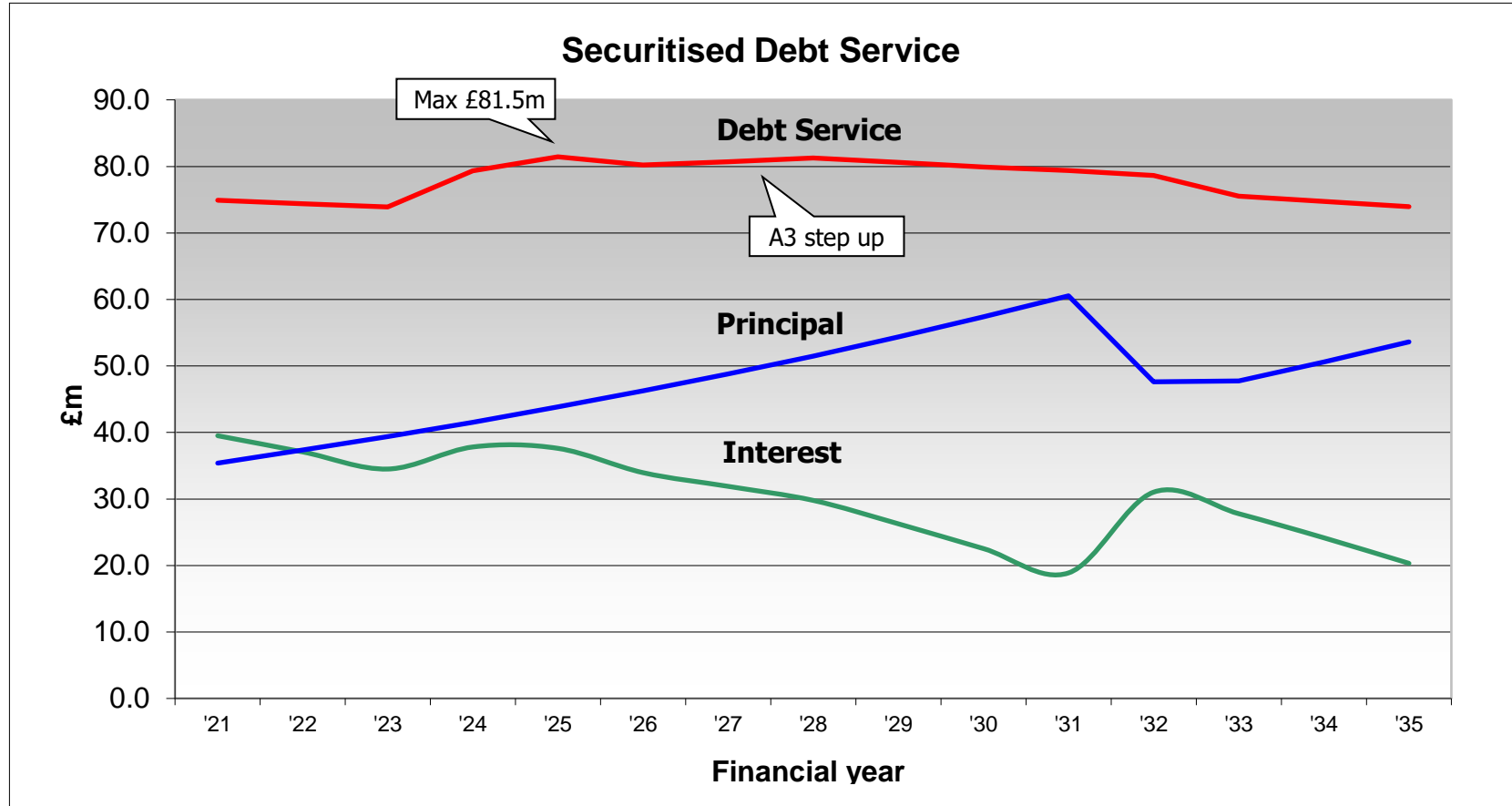
Accommodation: 141 rooms in 15 pubs in core estate

* Proforma represents pre-COVID revenue and earnings

Brains acquisition – pro-forma IFRS 16 financials

Proforma IFRS 16			£m
EBITDA			14
Overhead			(1.5)
Depreciation			(2)
IFRS 16 depreciation			(3.5)
EBIT			7
Interest			(4)
IFRS 16 PBT			3
IFRS 16 Debt			88

Securitisation profile



		FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	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	39.5	37.1	34.5	37.8	37.6	33.9	31.9	29.8	26.3	22.5	18.9	31.0	27.8	24.2	20.3
Debt Service	£m	74.9	74.4	73.9	79.3	81.5	80.2	80.7	81.3	80.7	79.9	79.4	78.6	75.6	74.8	73.9



THE
TY MAWR

www.marstons.co.uk