

Grouse & Claret, Rowsley



 MARSTON'S

Preliminary Results 2022



Andrew Andrea CEO

- Changing and volatile macro environment
- Significant change programme – strong platform for 2023
- Financial progress - revenue growth, debt reduction, NAV improvement
- Good progress on the “inputs” – satisfaction, team engagement, standards
- Pubs historically resilient and well placed to meet customer needs

*Pitcher & Piano, Birmingham*

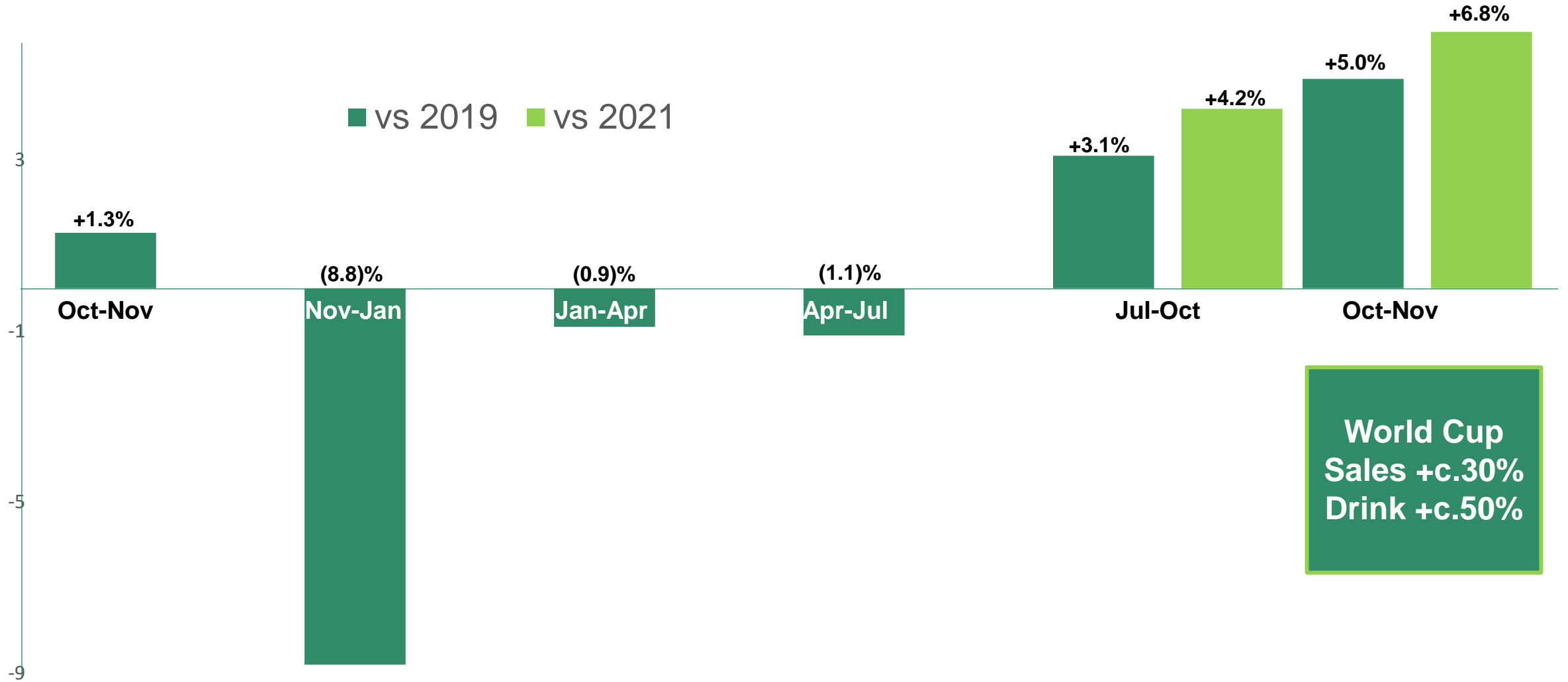


Hayleigh Lupino CFO

	2022	2021	Comments
Revenue	£800m	£402m	Revenue growth, above 2019
Pub operating profit	£115m	£6m	Uninterrupted sales in H2
Income/(loss) from associates	£3m	£(15)m	H2 profitability improvement
Profit/(loss) before tax	£28m	£(101)m	
Earnings/(loss) per share	4.3p	(13.6)p	

*Underlying continuing operations results for the period*

# Like for like sales performance vs 2019 and 2021



	2022 £m	2021 £m	Comments
<b>Operating cash flow (excluding one-off Duty/VAT)</b>	<b>184</b>	<b>35</b>	
Net interest	(76)	(96)	
<b>Pre-investment FCF</b>	<b>108</b>	<b>(61)</b>	
Capex	(70)	(47)	FY22 - £10m HQ relocation FY23 c.£60-£65m
Disposals	10	18	FY22 - 40% higher than NBV FY23 c.£5m-£10m
<b>Net recurring cash flow</b>	<b>48</b>	<b>(90)</b>	
<b>Exceptional cash flows</b>			
Deferred Duty and VAT	(50)	-	
Brewing disposal proceeds	28	228	£28.2m contingent payment Dec 21
Bank swap termination	-	(20)	
<b>Net cash flow</b>	<b>26</b>	<b>118</b>	

	2022 £m	2021 £m	2020 £m
<b>Medium term</b>			
Bank and cash (£280m 2024 facility)	183	153	225
Private placement (2024 facility)	40	40	40
<b>Long term</b>			
Securitisation (2035 maturity)	655	702	727
Property leasing (35–40-year financing)	338	337	337
<b>Net debt pre IFRS 16</b>	<b>1,216</b>	<b>1,232</b>	<b>1,329</b>
Lease obligations under IFRS 16 (includes Brains)	378	372	304
<b>Net debt post IFRS 16</b>	<b>1,594</b>	<b>1,604</b>	<b>1,633</b>

**Continued momentum to reduce borrowings to below £1bn (excl. IFRS 16)**



- **Property**

- Disposals 40% higher than NBV
- £2.1 billion estate, increase of £93.4m since last year, 5% increase
- Moved to annual valuations from triennial valuations, 1/3 of pubs inspected on a rotational basis
- Doesn't reflect the full COVID recovery

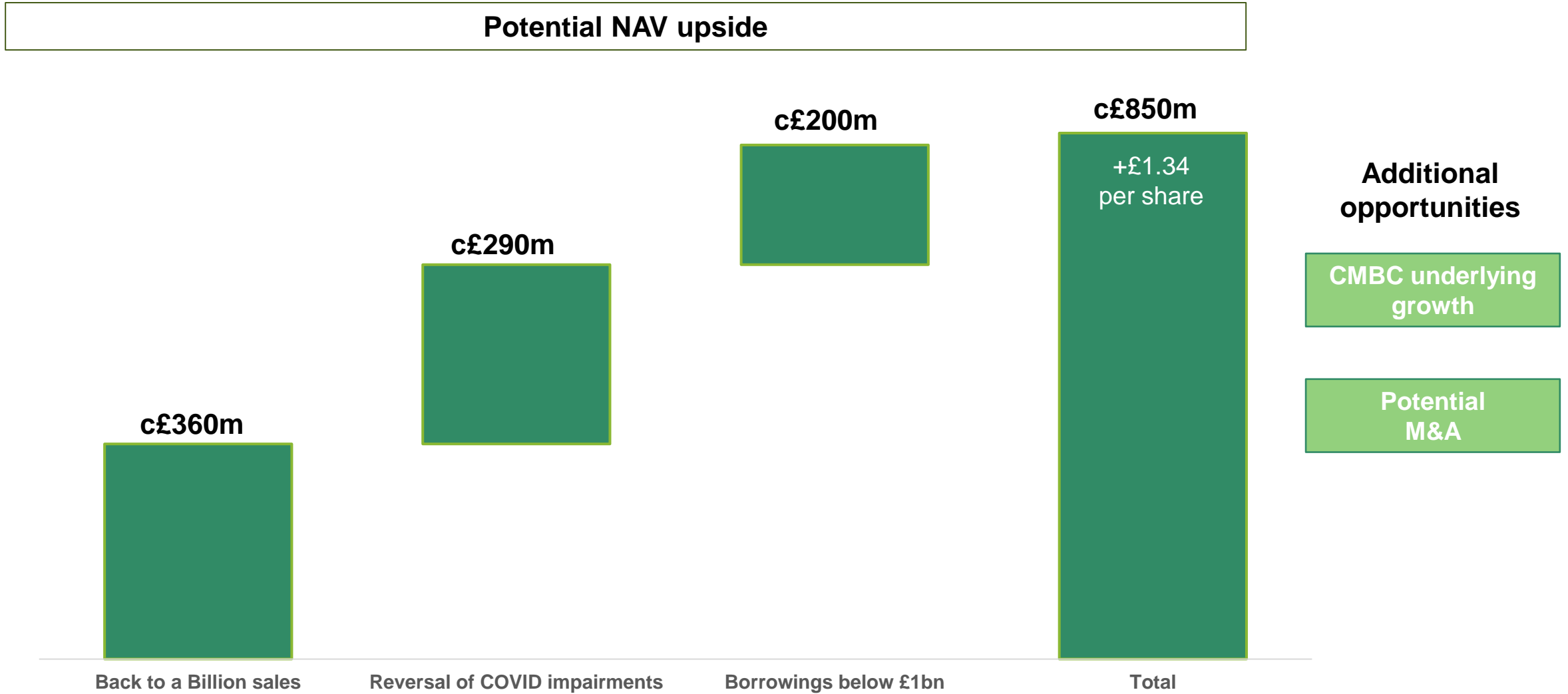
- **NAV per share**

- NAV per share increased by 38p to £1.02 due to property and interest rate swaps

- **Pensions**

- £15.1 million accounting surplus vs £14.4 million deficit Oct 2021
- £6m net annual cash outflow
- Next triennial valuation 2023

Cost	Impact	Comments
Food and drink	Food cost +7-8%	<ul style="list-style-type: none"> <li>Planned food and drink price increase in Q2</li> <li>60% of food contracted</li> <li>74% of drinks contracts fixed until October 2024</li> </ul>
Labour	+£2m	<ul style="list-style-type: none"> <li>Increases above NLW/NMW in FY2022</li> <li>Maximising labour scheduling system</li> <li>Performance related bonus schemes</li> </ul>
Utilities	Electricity – TBC, price cap review	<ul style="list-style-type: none"> <li>Energy – gas fixed to March 2025</li> <li>Continued work on energy saving initiatives</li> </ul>





Andrew Andrea CEO

- Demand to socialise outside home
- “Brand Pub” in strong demand
- Lifestyle changes favour community pubs
- Experience vs Convenience key to growth
  - Al fresco drinking and eating



## Core Pub Goals

Loved by Guests: All of our pubs 800 Reputation or more  
‘Great Place to work’: Peakon engagement 8 or more  
‘Trusted’: All of our pubs to be 5\* EHO  
Sales Culture – “Never Full, Fancy Another”

## Core Corporate Goals

“Better than the rest” Consistent market outperformance  
“Back to a Billion”: Sales >£1bn; Borrowings <£1bn by 2026  
Committed to being a responsible and sustainable business

“We are Guest Obsessed”

“We Raise the Bar”

“We will Grow”

## Financial strategy driving shareholder value

Grow earnings

Progressive and sustainable dividend

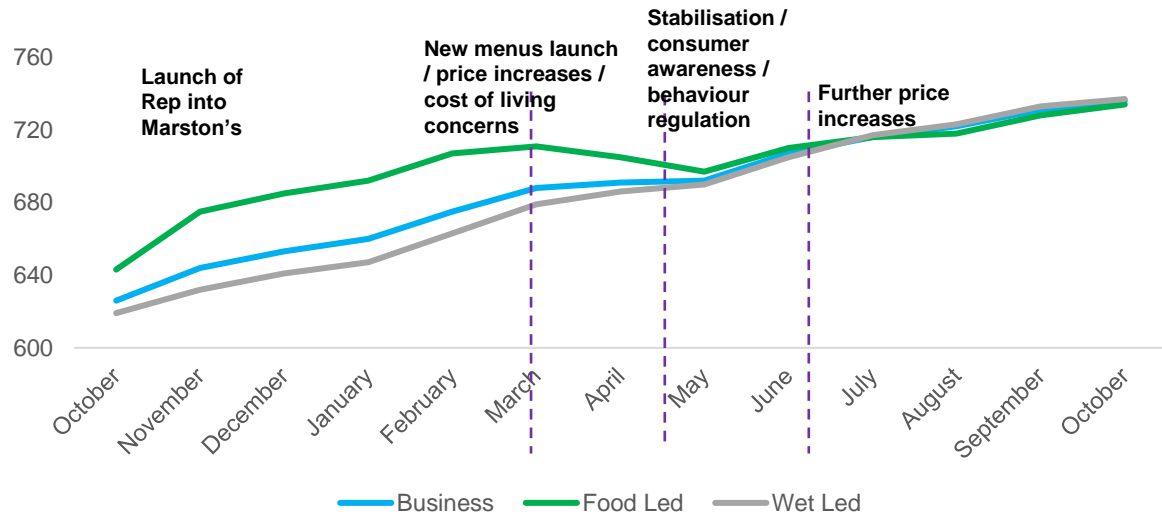
Reduce debt

Debt:equity transfer

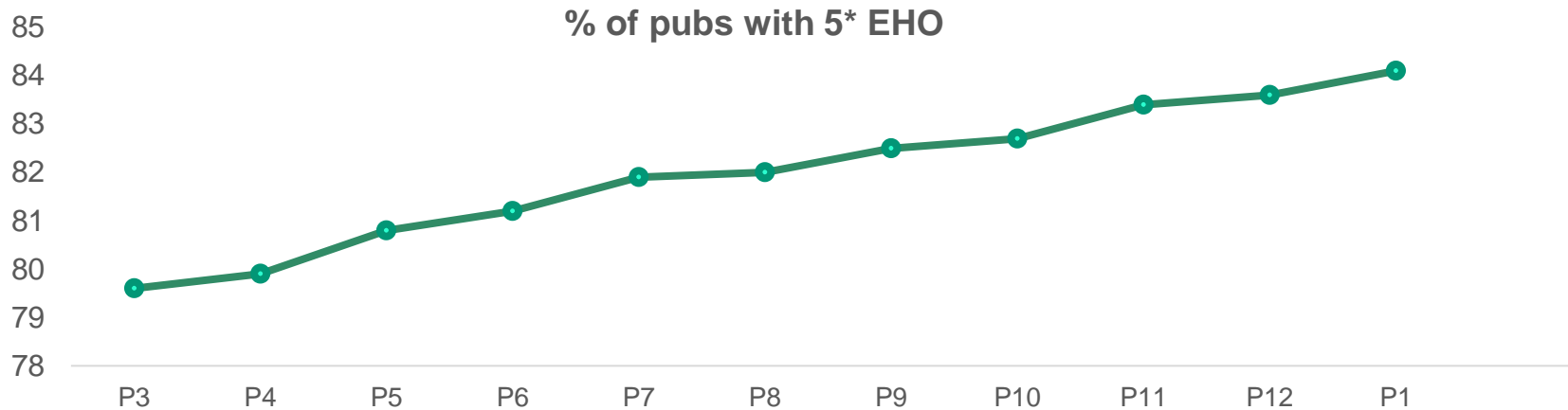
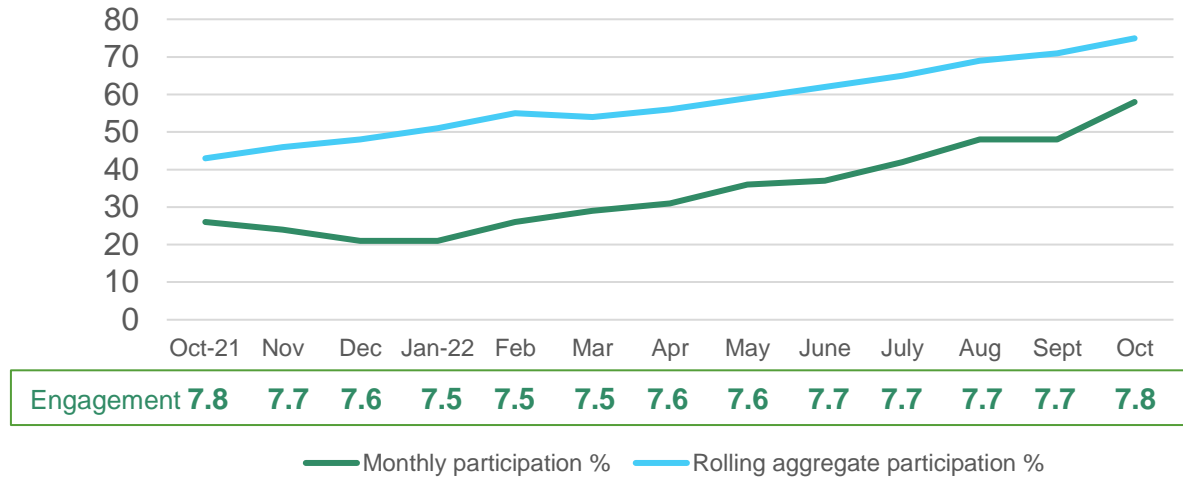
Increase returns

Increase NAV

## Reputation – one year trend



## Employee Engagement



# “Guest Obsessed” – menu overhaul

- **Menu relaunch project**
  - Nimble behaviour – three month turnaround for April launch
  - No compromise on quality
  - Comprehensive training and digital spec book
  - July 2022 - New Kids Menu; “course correct” tweaks
- **Outcome - focused and efficient category management**
  - Reduced menus, SKUs
  - Improved quality enabled “frictionless” price increases
  - Tight operational alignment to ensure efficient delivery in pub
- **Positive impact**
  - Spend per head up 8.3%\*
  - Guest scores improving – food quality up 2.7%; speed of service up 3.6%

\*Adjusted for VAT changes





- **Two For One – 74 pubs**

- Lagging core food-led estate by 10% on LFL; poor customer scores
- “Capex light” de-branding completed within 3 months
- September performance:
  - Sales gap narrowed by 4%
  - Reputation score improved 23 vs pre conversion score
  - Engagement score up 4.8%
  - Spend per head up 5.1%, Margin up 5.7%
- 2023 planned maintenance programme - £2m facelifts



- **Rotisserie – 37 pubs**

- Rotisserie ovens costly and operationally inefficient
- Decommissioned all pubs by 7 October; no impact on satisfaction
- £1.3m operational cost saving
- Future Signature sites – Signature menu implemented
- Evaluating lower capex conversion to Signature – 2023 trial



# “Guest Obsessed” – Two for One exit



## Trigger Pond, Warrington

Capex spend £85k

## Post –v- Pre

Sales	+22%
Covers	+8%
Drinks	+20%
SPH	+11%



➤ Swift action on underperforming formats strengthens future growth platform

# “Raise the Bar” – creating great teams

- **Recruit**

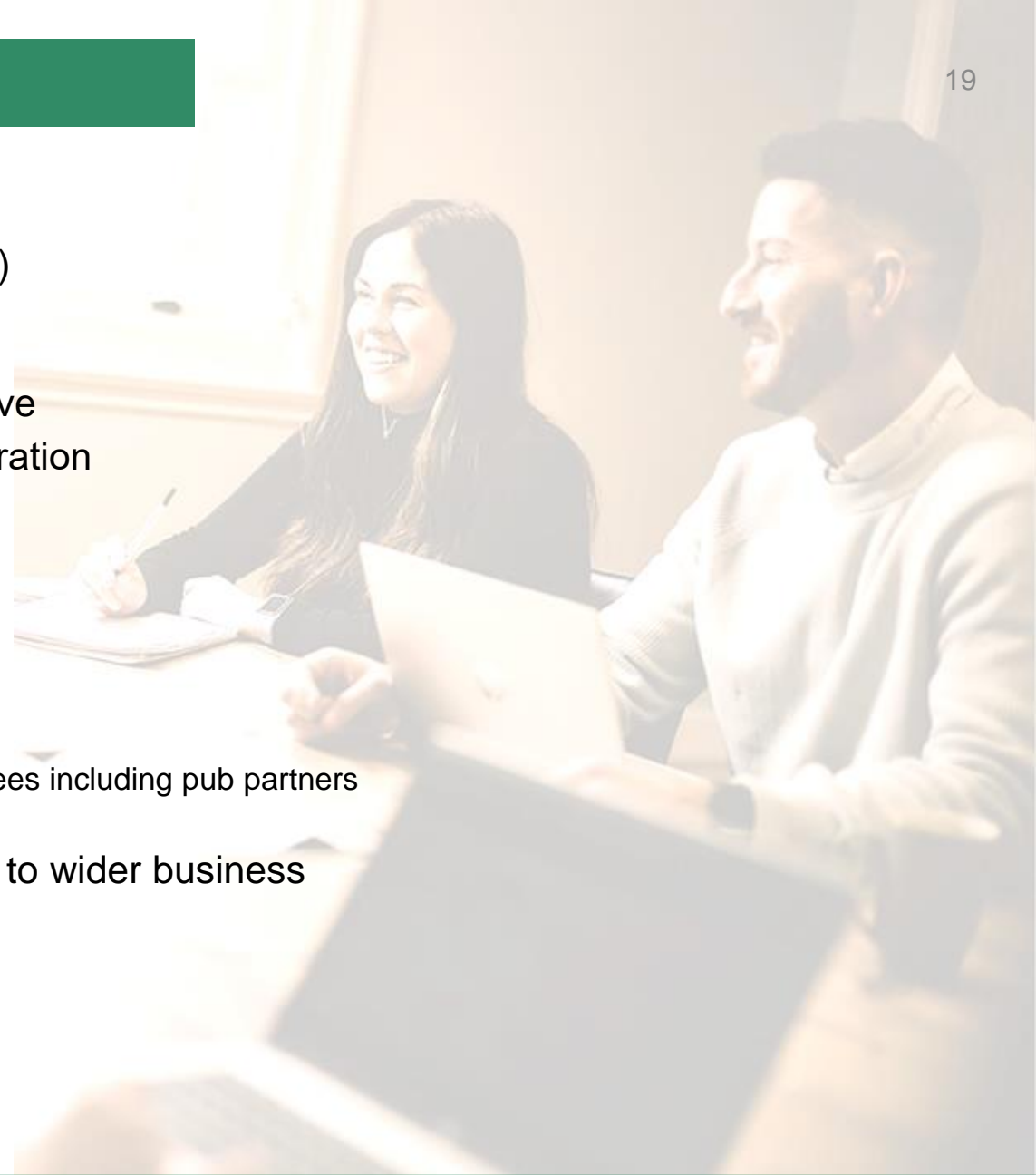
- 30% change of leadership group (direct reports to Ex-Com)
  - External hires for Digital, Resourcing, Operations (x3)
  - Promotion of “bright” internal talent
- 50% of field operations changed – fresh external perspective
- Ex-offender programme: “Latitude”; cross industry collaboration
- Apprenticeship programme key to future talent pipeline.

- **Reward**

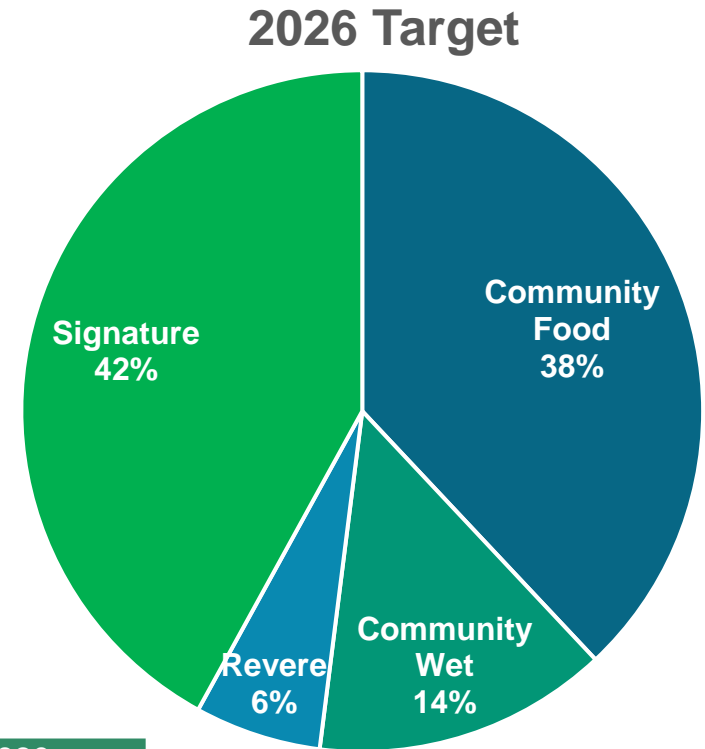
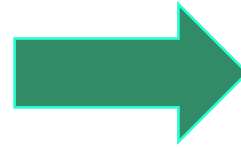
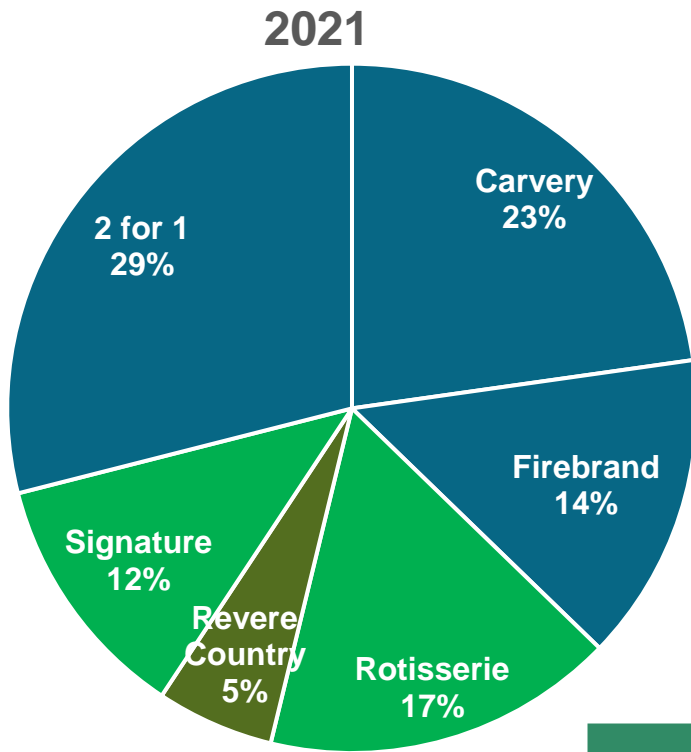
- Increased pay above NMW/NLW
- Helping lower income teams: cost of living supplement
- Project Boost – rewarding the highest achievers
  - “800 and 850 Club” – quarterly incentive for high achieving licensees including pub partners
  - Removal of bonus cap for team members
- LTIP extended to Leadership Group; Sharesave reinstated to wider business

- **Retain**

- Peakon engagement platform – continuous feedback
- Digital training platforms – Attensi and Campus
- Wellbeing programmes – Burnt Chef partnership



# “We will Grow” - food-led pub evolution



	2021	2022	2023	2026	
				%	<b>Pubs</b>
Community Food	66%	64%	59%	38%	c120
Signature	29%	29%	32%	42%	c130
Revere	5%	5%	5%	6%	c20
Community Wet	0%	2%	4%	14%	c50
	100%	100%	100%	100	320

# “We will Grow” - Community Wet



Acorn, Accrington

Acorn Accrington Capex spend £376k	Post -v- Pre
Sales	+52%
Covers	+52%
Drinks	+68%

# “We will Grow” - Signature



**The Wighton, Torbay**  
Capex spend £414k

## Post -v- Pre

Sales	+76%
Covers	+40%
Drinks	+58%

- **C.900 wet-led franchised and managed pubs**
  - C.90 to be converted to “Signature wet”
  - Same category principles as food-led
  - First conversions in 2023
- **Lower capital requirement**
  - Utilise “heritage” buildings
  - Proposed conversion spend c.£150-200k
- **Minimum target return – 30%**
  - C.20 per annum from 2024



- **Strategic intention to continue to expand franchise**
  - Now operates in 641 pubs within the estate
  - Proven model attractive to new licensees; drives sales and earnings growth
- **Extension of Pillar agreement**
  - Marston’s takes share of drink and food sales
  - 64 sites currently
- **Extending trial to underperforming food-led sites**
  - Wales trial in H1 2023



Carriers Inn, Catchmere



- **Requirement to overhaul digital agenda**
  - Lagging competition
  - Required new talent and additional investment
  - New Director of Digital joined July 2022
  - Digital talent: Investment in recruitment and capability build
- **2023 focus – tap into significant opportunity**
  - Development of Digital Infrastructure
  - Volume driving activity through strategic partnerships
    - Performance based card linked marketing trial launched Oct 2022
    - Gift card programme launch by H2 2023
    - Additional partnerships under consideration



- **Estate well-positioned to exploit “Al Fresco” trend**
  - c.85% of pubs have outside space
  - Summer trading demonstrates demand for pubs with good outside space
- **Pandemic “catch up” of investment required**
  - Full garden audit
  - Replace/refurbish furniture
  - Annual spring clean programme to be introduced
- **c.20 substantive schemes in 2023**
  - Review of outdoor sports schemes for Q3 2023
- **Use of technology investment**
  - Order and Pay – average transaction value 13% greater
  - Labour scheduling
  - Booking system



- **Environment**

- **Net Zero:**

- Targets announced and strategy on track
- “Going Green” initiative incorporated into incentive schemes

- **Innovation:**

- Installation of 123 rapid EV chargers in our estate, 200 by 2023
- Energy efficient technology: two fully electric development kitchens in new HQ

- **Food waste reduction:**

- Target announced to reduce our food waste by 50% by 2030
- Internal incentives “Wise up to Waste”
- Partnerships - Too Good to Go

- **Social**

- **Pay and reward:** increases ahead of NMW and Cost of Living supplements
- **Employee engagement:** continuously listening to our people; “People Promise”
- **Social and charitable partnerships:** Burnt Chef, Latitude, Trussell Trust and Pennies

- **Governance**

- **Strong governance framework** embedded through the business
- **D&I** – 3/7 Board ♀ and 4/7 Exec ♀ and 2 of ethnic minority background

# Summary & outlook

- **Current trading**
  - Trading to end of November has been positive, World Cup benefit
  - Christmas bookings encouraging
- **Clear and focused strategy**
  - 2022 activity provides strong platform for future growth
  - Clear growth opportunities
- **“Brand pub” – still loved and resilient**
  - Community estate well placed to benefit
- **“Back to a Billion” will drive NAV and shareholder value**





Questions?

*Holly Bush at Penn*



Appendices

	2022	2021
Revenue	£800m	£402m
Pub operating profit/(loss)	£142m	£(91)m
Profit/(loss) from associates	£3m	£(15)m
Profit/(loss) before tax	£163m	£(171)m
Earnings/(loss) per share	21.7pence	(20.3) pence

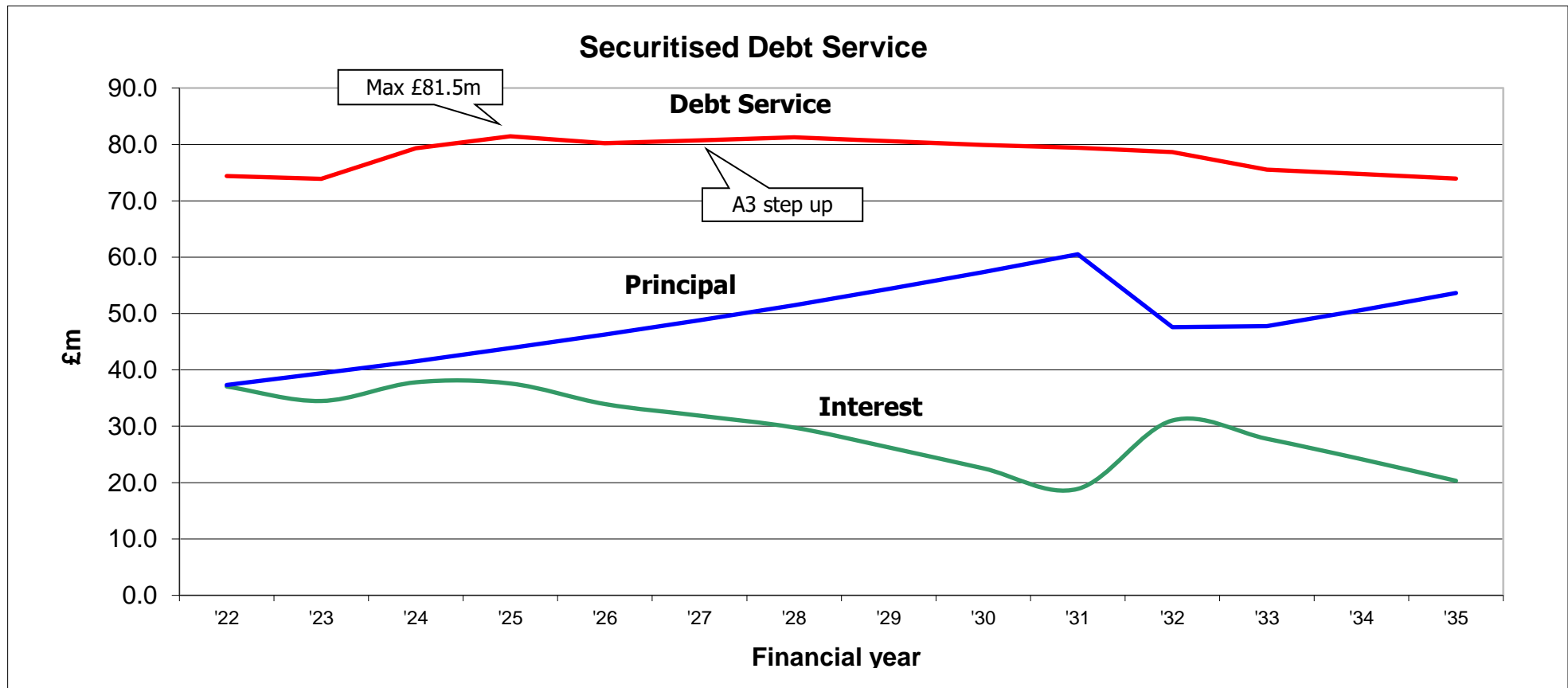
*Continuing operations results for the period*

	Pubs		Lodges		Total
	Number	Value (£m)	Number	Value (£m)	Value (£m)
Securitized	942	1,140	7	15	1,155
Non-securitized					
Unsecured freehold	155	277	5	11	288
Freehold – property lease	127	324	10	26	350
<b>Total freehold</b>	<b>1,224</b>	<b>1,741</b>	<b>22</b>	<b>52</b>	<b>1,793</b>
Leasehold	244	281	8	13	294
<b>Total</b>	<b>1,468</b>	<b>2,022</b>	<b>30</b>	<b>65</b>	<b>2,087</b>
<b>Freehold mix</b>	<b>83%</b>		<b>73%</b>		



£m	Depreciation		Interest	
	2022	2021	2022	2021
Non-IFRS 16	32.5	31.5	75.3	77.0
IFRS 16	11.7	11.2	15.7	15.5
<b>Total</b>	<b>44.2</b>	<b>42.7</b>	<b>91.0</b>	<b>92.5</b>

Tranche	Type	Principal outstanding at 1 October 2022	Step-up date	Final maturity date
A2	Floating	£157.3m	July 2019	2027
A3	Fixed/floating	£200.0m	April 2027	2032
A4	Floating	£130.9m	October 2012	2031
B	Floating	£155.0m	July 2019	2035
Total		£643.2m		

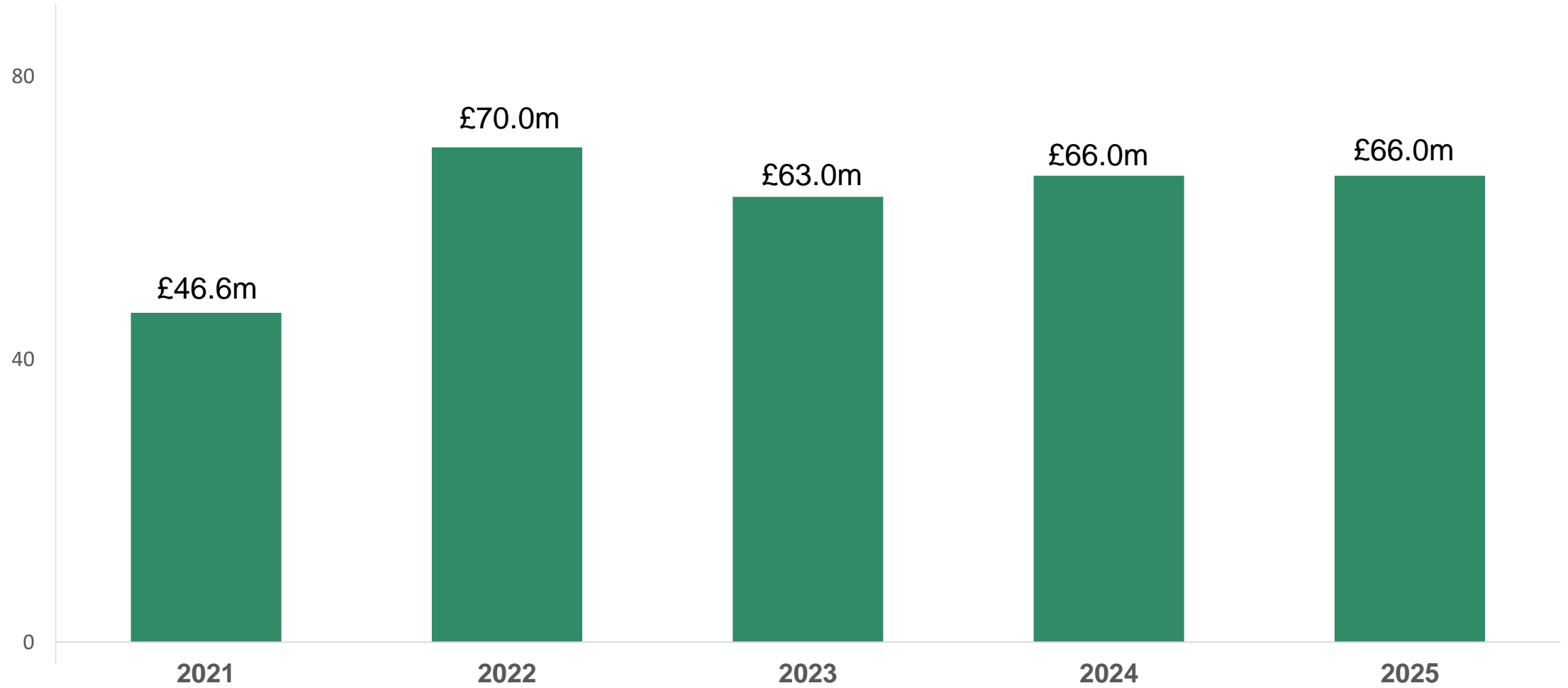


		FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	37.3	39.4	41.5	43.9	46.3	48.8	51.5	54.4	57.4	60.5	47.6	47.8	50.6	53.6
Interest	£m	37.1	34.5	37.8	37.6	33.9	31.9	29.8	26.3	22.5	18.9	31.0	27.8	24.2	20.3
Debt service	£m	74.4	73.9	79.3	81.5	80.2	80.7	81.3	80.7	79.9	79.4	78.6	75.6	74.8	73.9

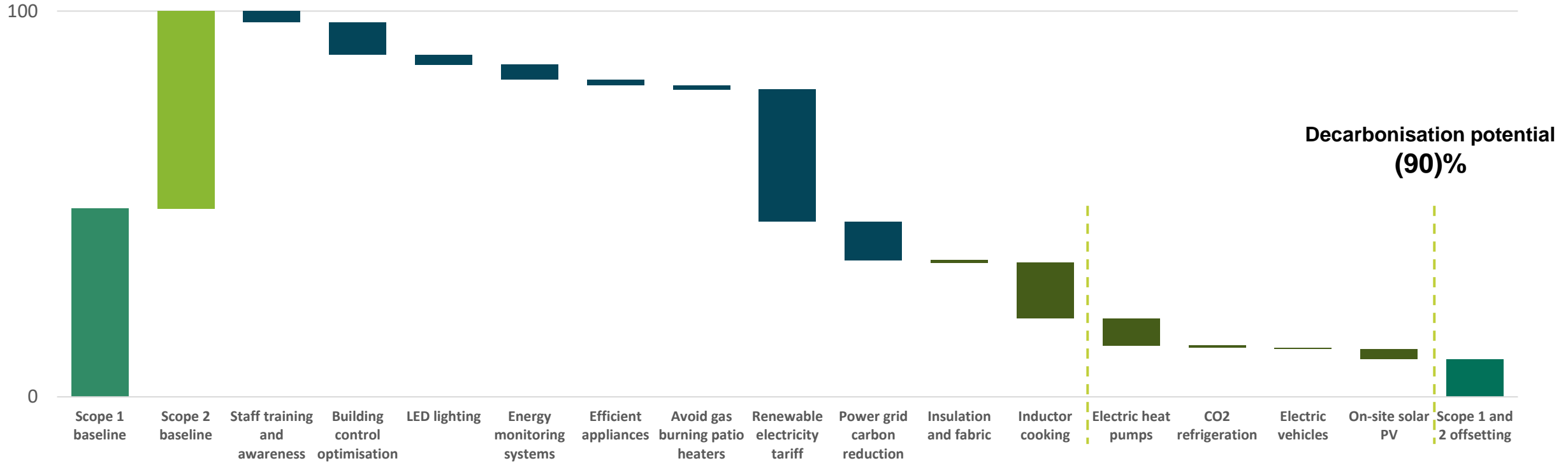
# Estate analysis by operating model

	No of Pubs		Revenue (£m)		EBITDA (£m)		Operating profit (£m)	
	2022	2021	2022	2021	2022	2021	2022	2021
Managed and Franchised	1,201	1,152	761.2	381.6	137.6	37.8	94.7	(3.8)
Tenanted and Leased	267	353	38.4	20.1	22.0	10.6	20.7	9.5
<b>Total</b>	<b>1,468</b>	<b>1,505</b>	<b>799.6</b>	<b>401.7</b>	<b>159.6</b>	<b>48.4</b>	<b>115.4</b>	<b>5.7</b>

# Capital expenditure



# ESG – pub decarbonisation pathway: Scope 1&2



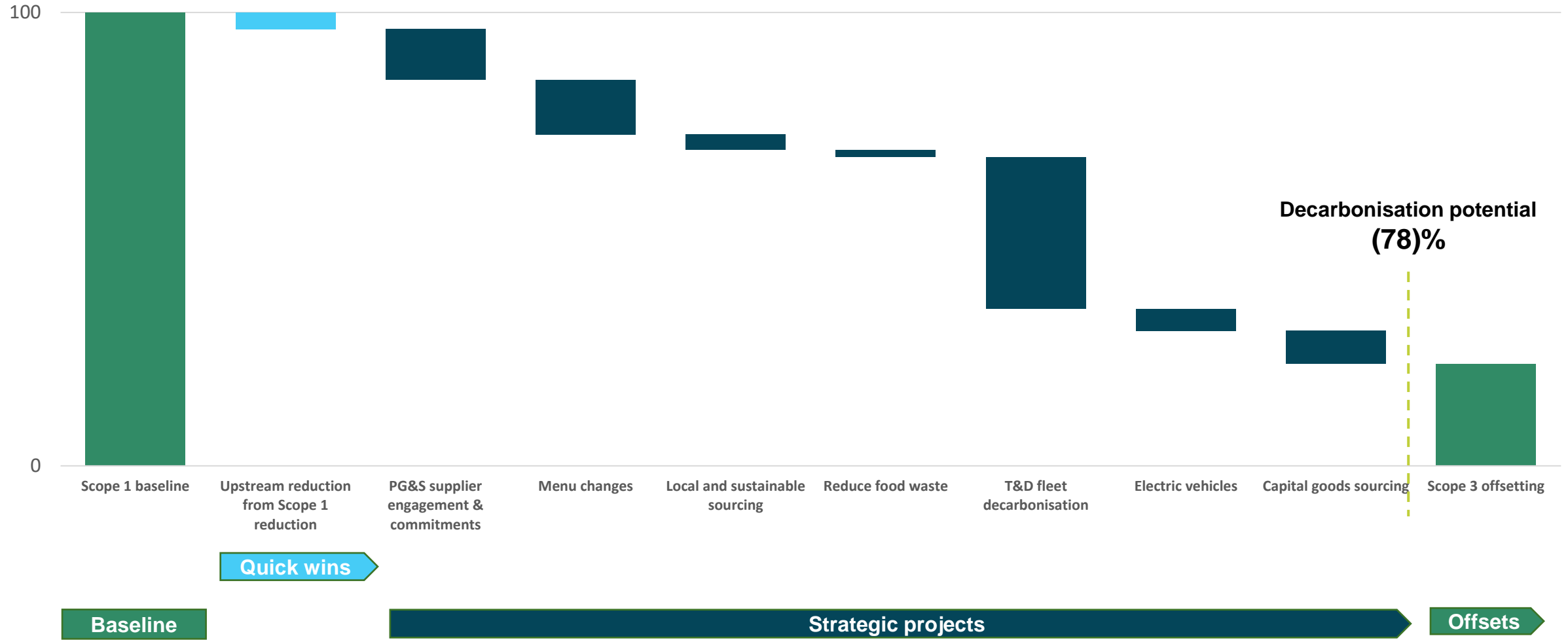
**Quick wins**

**Baseline**

**Strategic projects**

**Offsets**

# ESG – decarbonisation pathway: scope 3





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