



Preliminary Results 2020

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



MARSTON'S



Ralph Findlay
Chief Executive Officer

Emerging from the crisis

– a stronger, better focused business

- 1. Resilient Q4 trading performance post reopening**
 - Pubs outperformed market by 7%
- 2. Transformational Carlsberg JV completed 30 October**
- 3. Dynamic future pub strategy with simplified Exec structure**
- 4. Vaccines key to removing restrictions**



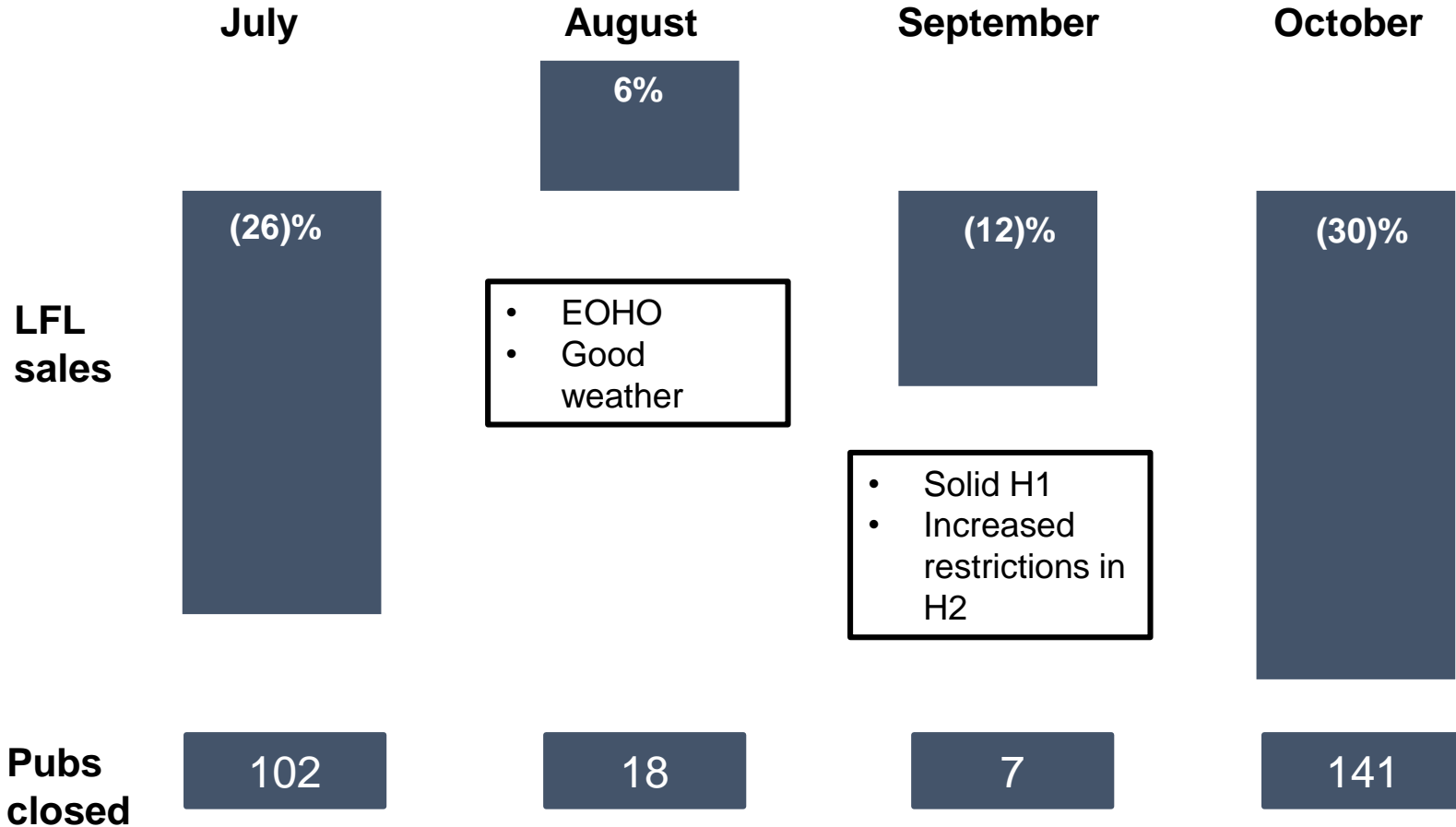
Andrew Andrea
Chief Financial Officer

Financial summary

	2020	2019
Revenue	£821m	£1,174m
Operating profit	£74m	£173m
PBT	£(22)m	£95m
EPS	(1.7) pence	12.7 pence

* Underlying results for the period

LFL sales post Spring lockdown



Cash flow

	2020 £m	2019 £m
Operating cash flow	156	196
Net interest	(89)	(75)
Pre-investment FCF	67	121
Organic capex	(61)	(85)
Disposals	78	50
Dividend	(30)	(48)
FCF pre new-build and acquisitions	54	38
New-build and acquisitions	(3)	(49)
Net underlying cash flow	51	(11)

Debt structure

	2020 £m	2019 £m
Medium term (2024 maturity)	265	296
Long term		
Securitisation (2035 maturity)	727	745
Property leasing (35-40 year financing)	337	336
Net borrowings pre IFRS 16	1,329	1,377
Lease obligations under IFRS 16	304	22
Net debt post IFRS 16	1,633	1,399

Medium-term debt

FY 2020			
	Maturity	Facility	Drawn
Bank RCF	Mar '24	£360m	£270m
Private placement	Nov '24	£40m	£40m
COVID facility	Nov '20	£70m	-
Total		£470m	£310m

Post JV proceeds (c£230m), deferred duty/VAT (c£50m) and swap closure (c£20m)

Bank RCF	Mar '24	£280m	c.£110m
Private placement	Nov '24	£40m	£40m
Total		£320m	£150m

COVID-19 response and current position

1. Prompt response to Spring lockdown

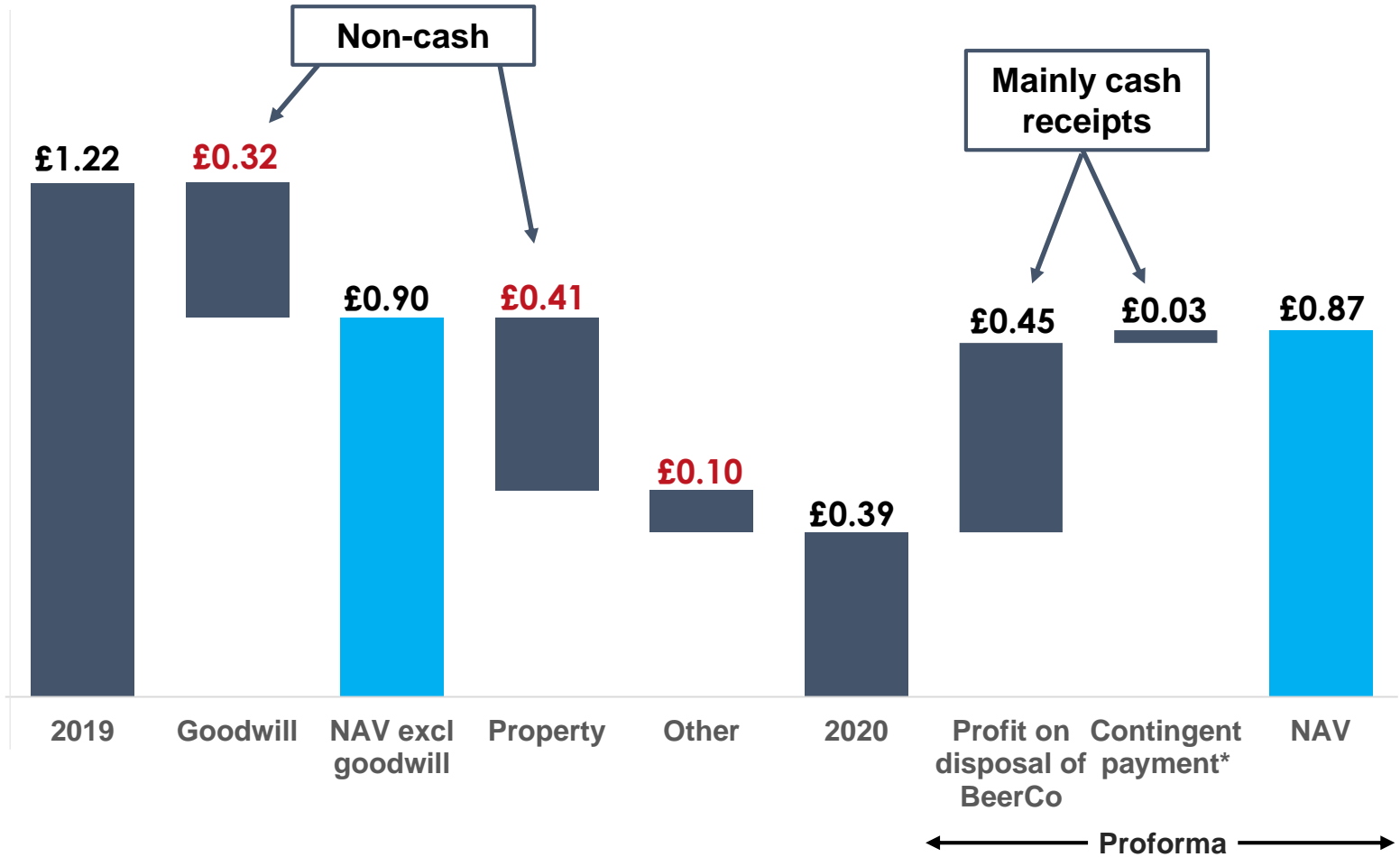
- £70m additional facility agreed to November 2020
- Bank/PP - covenant waivers/amendments to September 2020
- Securitisation:
 - waivers/amendments to December 2020 (99.6% voted, 96.1% in favour)
 - utilised £15m of liquidity facility in July 2020

2. Additional waivers in response to November lockdown

- Bank/PP
 - liquidity based covenants to July 2021
 - quarterly EBITDA tests – December quarter waived
- Securitisation
 - waivers in place to April 2021 (99.8% voted, 100% in favour)
 - £110m of liquidity facility undrawn (£5m repaid in Q4)

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

Net asset value



*Value based on spot prices on 4 December 2020



Ralph Findlay
Chief Executive Officer

COVID-19: response to March closure

1. Prioritise cash preservation

- 93% of Group employees furloughed – 99% of pub teams
- Temporary pay reductions of at least 20% across the Group
- All non-essential spend, including capex, postponed
- Suspension of dividends for FY 2020

2. Look after our people

- Well-being programme
- Regular communication plan

3. Manage all stakeholders with resources available

- Banks, bondholders
- Tenants, lessees, retailers – including rent support
- Suppliers
- Communities

COVID-19: clear reopening plans

1. Well-positioned estate

- Low city centre exposure, mainly suburban locations
- 99% of pubs re-opened by year end
- Most pubs have gardens/outside areas
- “Inside-Out” programme to increase capacity in Autumn and Winter

2. Prioritise safety, retain pub ambience

- Active engagement with trade bodies and Government
- Social distancing rules reduced capacity by c.30%
- Focus on health and safety of teams and guests: distancing, hygiene
- Prioritise pub values – friendliness, community engagement

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 technology to simplify ordering process

Pub trading since 4 July 2020, pre-lockdown 2

1. 2020 Q4 LFL sales 90% of prior year levels; +7% vs market*

- Strong wet-led performance
- Food-led supported by Eat Out to Help Out
- Guest satisfaction scores +11% compared to pre-COVID-19 scores

2. September/October sales impacted by additional restrictions

- 10pm curfew impacted sales by c.10%
- Requirement for teams and guests to wear masks; table service only
- Three tier system in England – limited closures, but sales affected
- 21 pubs in Scotland – 9 closed but all subject to restrictions
- 106 pubs in Wales – closed from mid-October until 9 November

* CGA Peach Tracker

Learnings: trends provide opportunities for our pubs

1. Demand remains strong

- Celebration and socialising outside the home matters more
- Convenience and functional reasons to visit matter less
- The appeal of the pub has endured the crisis

2. Value for experience is key to replacing price discounting

- Improved food and drink quality
- Higher service standards

3. Market dynamics changing

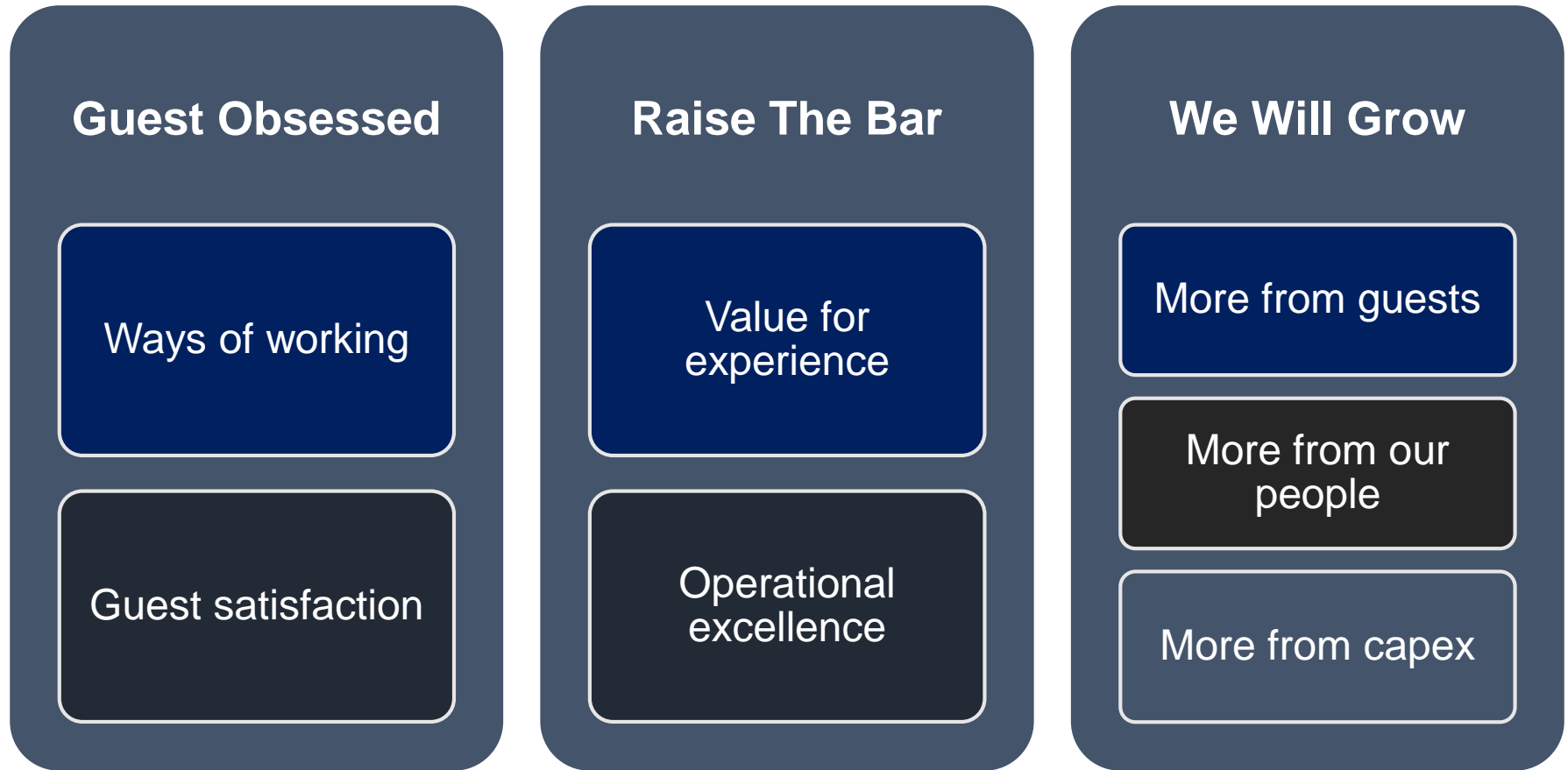
- On-trade supply falling – particularly in casual dining and restaurants
- Increased homeworking displaces demand and benefits pubs in suburban locations
- Technology in pubs has evolved very quickly
 - Table ordering, Track & Trace systems

Post-November lockdown tier system is challenging

	England Tier			Wales	Scotland	
	1	2	3		open	closed
Managed	3	188	241	34	12	9
Partner		276	530	72		
Total	3	464	771	106	12	9

- High percentage of T2 pubs remain open

Future strategy: 3 pillars form the basis of our pub strategy



Guest obsessed: insight-led decision making

1. Post JV completion – simplified, streamlined business

- One pub business, wet-led and food-led pubs
- Premium Pubs & Bars consolidated within pub structure
- New Marketing & Commercial Director role central to development of guest insight

2. Consistent guest measurement across all pubs

- OSAT, NPS and social media score targets
- New guest feedback systems introduced in 2020
 - Improved data, higher response rates

3. Guest relationship management a clear focus

- More personalisation of communications and offers
- Digital campaign response targets and measurement refined
- Improved complaint resolution process

2021: new Exec structure reflects simplified business

Operations Director: Wet Led

Ed Hancock

Marston's: 19 Years

Operations Director: Food Led

Sharon Singh

Marston's: 8 years

Marketing & Commercial Director

Andy Carlill

Marston's 14 years

CFO

Andrew Andrea

Marston's: 18 years

HR Director

Liam Powell

Marston's: 5 years

Company Secretary

Anne-Marie Brennan

Marston's: 22 years

Raising the bar through brilliant execution

1. Continued focus on reducing complexity, higher standards

- Reduced number of dishes/cook times
 - Quality of food and speed of service
- Greater use of technology eg. table ordering – ‘Marston’s Tap’

2. Increased focus on commercial management

- Clear pricing and promotional plans underpinned by robust category management
- More supplier engagement to deliver insight, financial support
- Clear, achieved SPH and margin targets

3. Motivated teams

- Simple communication to enhance engagement and ‘one team’ delivery
- More use of online training

4. Great partnerships

- Extension of ‘guest obsessed’ concept to partners
- Aim to improve partnership rating

“We will grow” – market dynamics, estate provide scope

1. More from guests

- Well-positioned estate, refocused business
- Marketing plans drive loyalty, retention and recruitment

2. More from our people

- Increased training - online
- Coaching and development of senior management
- Succession planning – good track record of internal appointments

3. More from capex

- Modest growth capex
- Clear capital allocation criteria

4. Financial objectives – drive revenue, margins and returns

Transformational JV to create CMBC*



- 1. Completed October 2020 – £233m received**
- A further <£34m due after 12 months
- 2. Long term JV to create a best-in-class, brand-led UK brewer with increased scale, resources and distribution reach**
- 3. Marston's Brewing Business valued at up to £580m (13.0x adj. 2019 EBITDA)**
- 4. Marston's owns 40% and Carlsberg UK owns 60% of CMBC**
- 5. Reported run rate JV cost synergies of around £24m and further unquantified revenue synergies**
- 6. The transaction is expected to be broadly net operational cash flow neutral taking into account Marston's share of JV dividends**
- 7. Cash received has been used to pay down debt**

* Carlsberg Marston's Brewing Company

Summary

- 1. Emerging from crisis a stronger business**
- 2. Creation of CMBC has provided liquidity opportunity**
 - Access to significant synergies
- 3. Current trading uncertain**
- 4. Future: focused strategy drives sales, margins and returns**



APPENDICES

Financial Summary – Statutory basis

	2020	2019
Revenue	£821m	£1,174m
Operating profit	£(293)m	£106m
PBT	£(397)m	£(20)m
EPS	(56.8) pence	(2.8) pence

IFRS 16 impact

1. No impact on net cash flow

- c.£20m switch between operating cash flow and financing to reflect reclassification of rent

2. Income statement

- EBITDA up c£21m
- Operating Profit up £11m
- PBT down £3m

3. Balance sheet

- Additional lease liabilities of £295m
- Other net assets up £282m principally reflecting right-of-use assets

Securitised debt profile

Tranche	Type	Principal outstanding at 3 October 2020	Step-up date	Final maturity date
A2	Floating	£209.2m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£151.8m	October 2012	2031
B	Floating	£155.0m	July 2019	2035
Total		£716.0m		

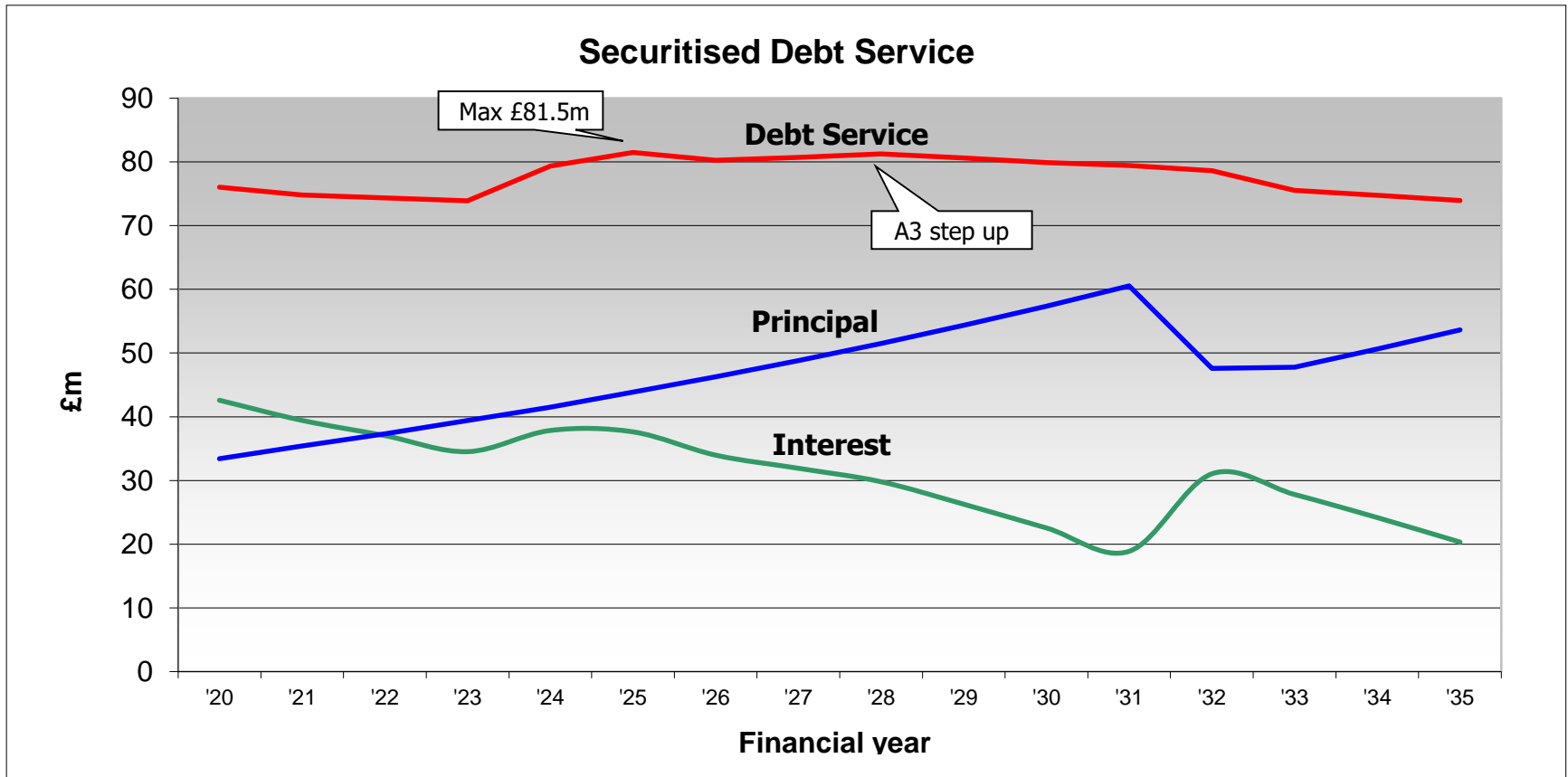
High-quality pub estate

	Pubs		Lodges		Total
	Number	Value (£m)	Number	Value (£m)	Value (£m)
Securitized	948	1,119	7	13	1,132
Non-securitized					
Unsecured freehold	153	276	5	13	289
Freehold – property lease	113	291	7	18	309
Total freehold	1,214	1,686	19	44	1,730
Leasehold (IFRS 16 value)	154	251	11	18	269
Total	1,368	1,937	30	62	1,999
Freehold mix (%)	89%		63%		

Historical total lfl

	Destination and Premium	Taverns	Total
52 wks to 04/10/14	3.1%	2.1%	2.8%
52 wks to 03/10/15	1.8%	2.0%	1.9%
52 wks to 01/10/16	2.3%	2.7%	2.4%
26 wks to 01/04/17	1.1%	1.1%	1.1%
52 wks to 30/09/17	0.9%	1.6%	1.1%
26 wks to 31/03/18	(1.8%)	2.9%	-
52 wks to 29/09/18	(1.2%)	3.8%	0.6%
16 wks to 19/01/19	0.5%	3.2%	1.5%
10 wks to 30/03/19	2.1%	5.2%	3.2%
26 wks to 30/03/19	1.2%	3.9%	2.2%
16 wks to 20/07/19	(1.6%)	(3.0%)	(2.1%)
42 wks to 20/07/19	0.1%	1.1%	0.5%
10 wks to 28/09/18	0.1%	5.4%	1.9%
52 wks to 28/09/18	0.1%	1.9%	0.9%
16 wks to 18/01/20			1.0%
24 wks to 14/03/20			(1.0)%

Securitisation profile



		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	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	42.6	39.4	37.0	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	76.0	74.8	74.4	73.9	79.3	81.5	80.2	80.7	81.3	80.6	79.9	79.4	78.6	75.5	74.8	74.0



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