



**MARSTON'S**

Where people make pubs.

# Preliminary results

for the 52 weeks ended  
30 September 2023



*The King Charles, Chesham*



*The Hollybush, Penn*



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**William Rucker - Chair**

- Strong trading ahead of the market despite consumer headwinds
- Revenue and earnings growth, cash generation, debt reduced
- Good operational progress
- Good platform for sales, margin and cash progression into 2024



- **Resilience of demand to socialise remains strong**
- **‘Value for Experience’ key to growth**
  - ‘Best near me’
  - Strong reason to visit (Sport, Music)
  - High quality outdoor space
- **Maximise sales on high demand occasions**
  - Offer value outside those periods
- **Hybrid working favours community pubs**



*Bulls Head, Kings Norton*

- Sense of momentum and pace after a challenging period for the sector which Andrew Andrea navigated the business through well
- Justin Platt joins as CEO on 10 January 2024
- First-class management team in place to support Justin



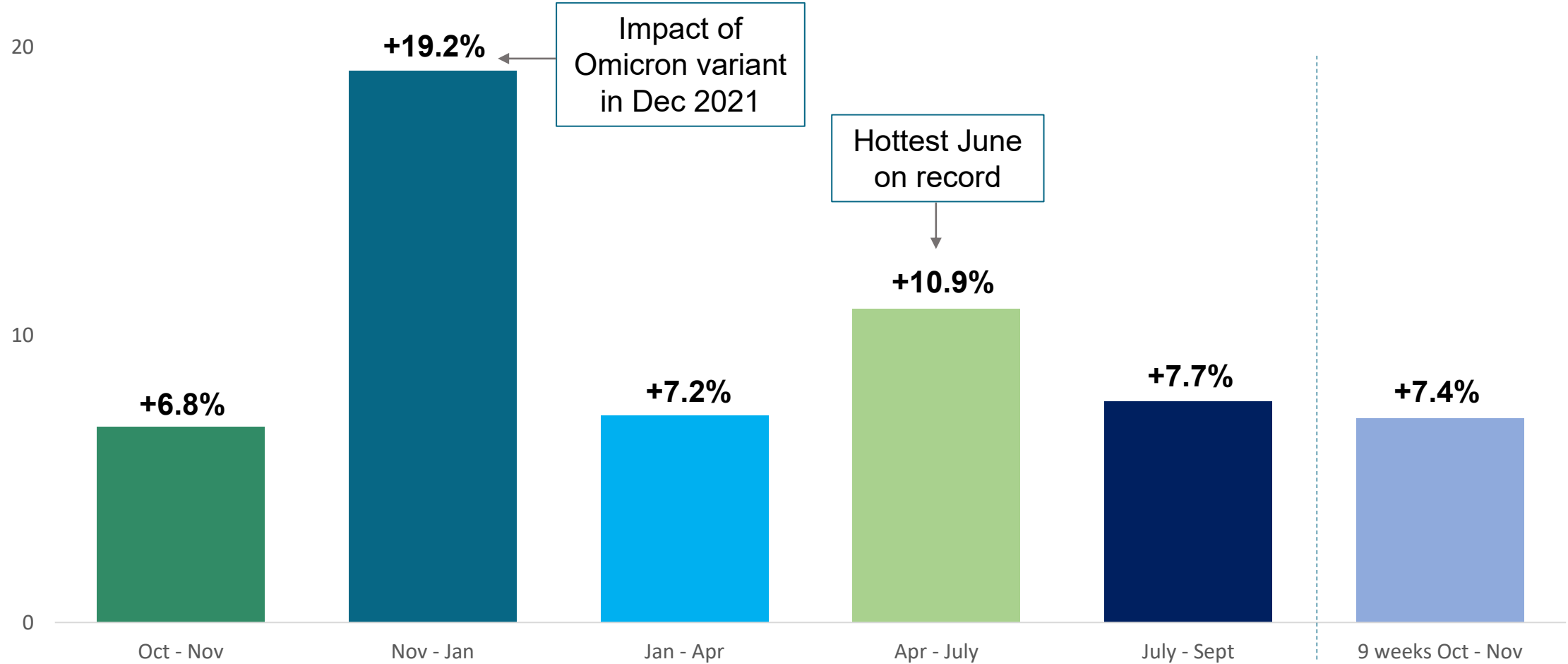
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# Hayleigh Lupino CFO – Financial Review

# Like-for-like sales performance versus FY2022

**FY2023 like-for-like +10.1%**



	2023	2022	Comments
Revenue	£872m	£800m	+9.1% growth
Pub operating profit	£125m	£115m	+8.1% pub profit growth
Income from associates	£10m	£3m	Earnings growth, £21.6m dividend received
Net finance costs	£(99)m	£(91)m	Increase in base rates and new RCF costs
Profit before tax	£36m	£28m	+28.2% profit growth
Earnings per share	5.1p	4.3p	+18.6% EPS growth

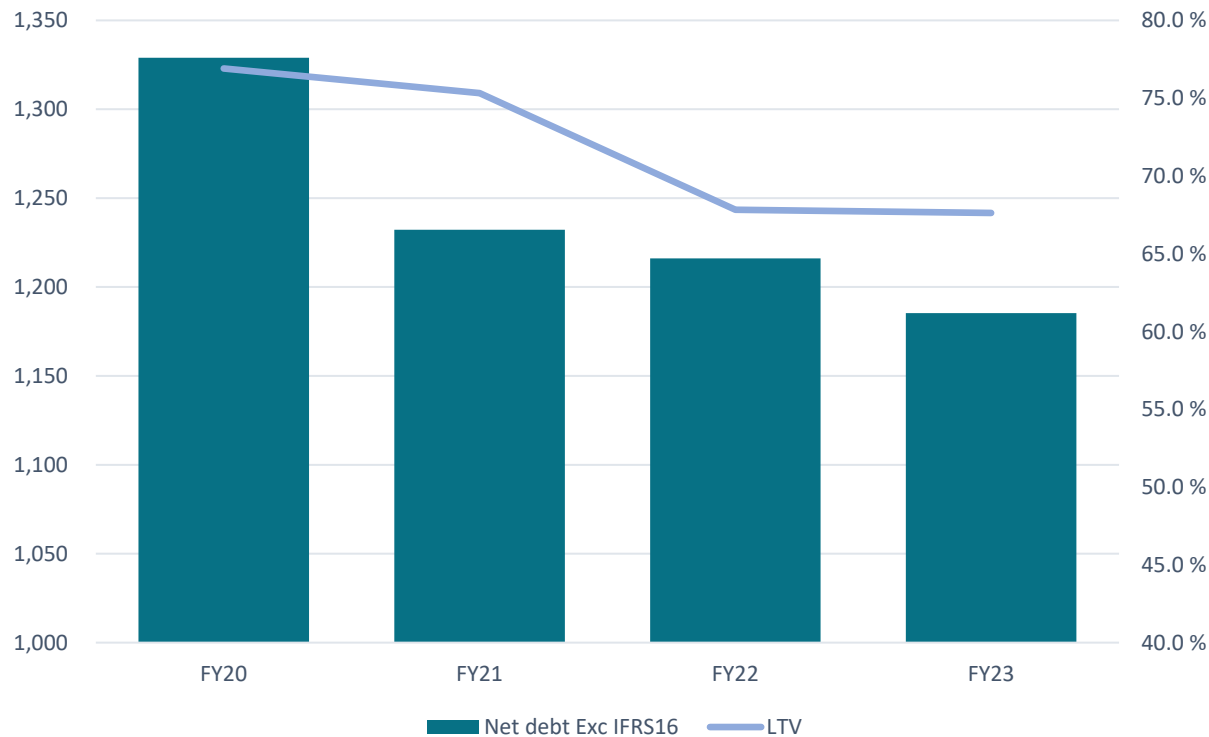
*Underlying continuing operations results for the period*



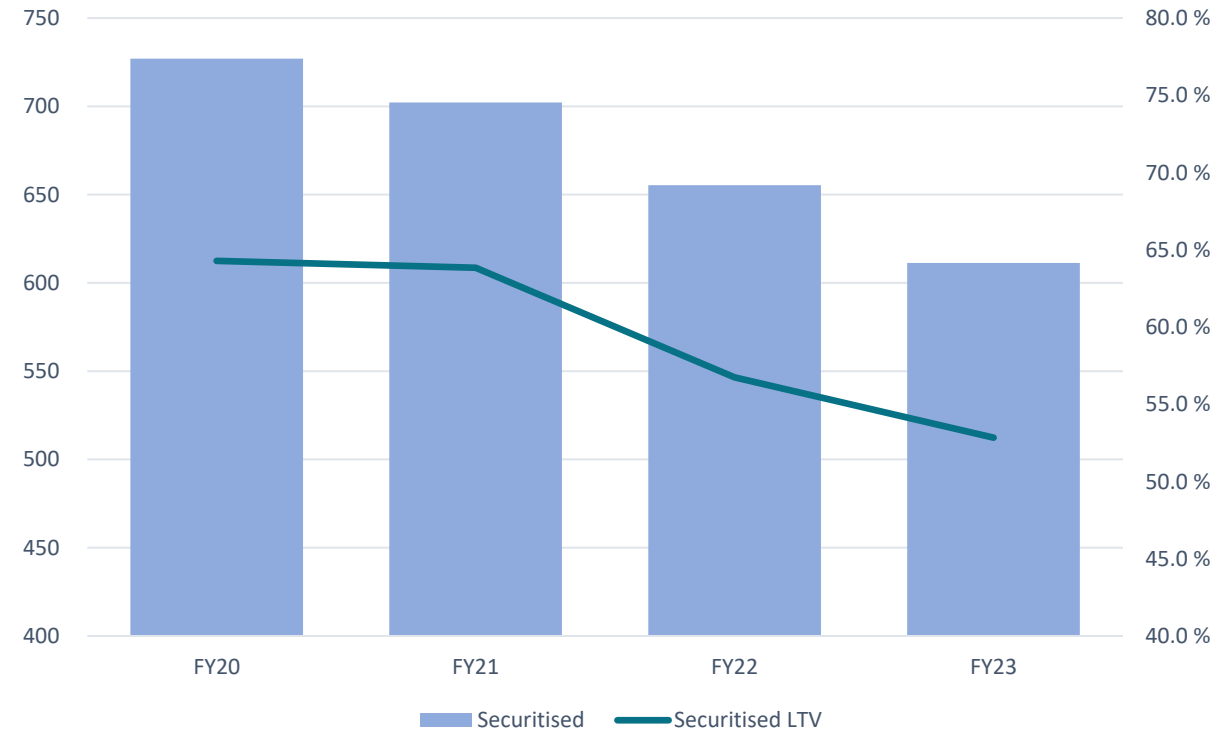
	2023 £m	2022 £m	Comments
<b>Operating cash flow</b>	<b>141</b>	<b>134</b>	
Net interest	(89)	(76)	
Bank fees	(4)		
Capex	(65)	(70)	FY24 c.£50-£55m
Disposals	51	10	FY23 - higher than NBV FY24 c.£50m
<b>Net cash flow – pre exceptionals</b>	<b>34</b>	<b>(2)</b>	
<b>Exceptional cash flows</b>			
Brewing disposal proceeds		28	£28.2m contingent payment Dec 21
<b>Net cash flow</b>	<b>34</b>	<b>26</b>	

## Debt reductions and improving loan to value

Debt and LTV - ex IFRS16



Securitised Debt and LTV



## Securitisation LTV c50% with a long-term low-cost debt structure

- **Property**

- Disposals higher than NBV
- £2.1 billion estate, fair values of core estate maintained

- **NAV per share**

- NAV per share £1.01

- **Pensions**

- £12.9 million accounting surplus vs £15.1 million surplus October 2022
- £6m net annual cash outflow
- Triennial valuation 2023, results early 2024

- **Income from associates**

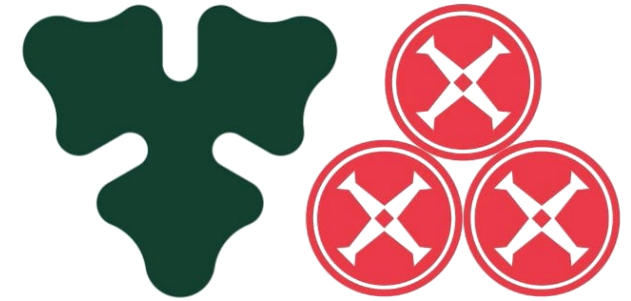
- 40% share of PAT in CMBC
- Non-cash item
- FY23 £9.9m vs £3.3m in FY22

- **CMBC dividends derived from operating cash flow of CMBC**

- Cash flow from the operating business including working capital movements and one-offs
- FY23 £21.6m vs £19.4m in FY22

- **Joint venture with Carlsberg**

- Operationally controlled by Carlsberg
- Post JV, Marston's is a focused pub company which benefits from a long-term key customer relationship with CMBC



**CARLSBERG MARSTON'S**  
BREWING COMPANY



*Curious Cow, Harrogate*

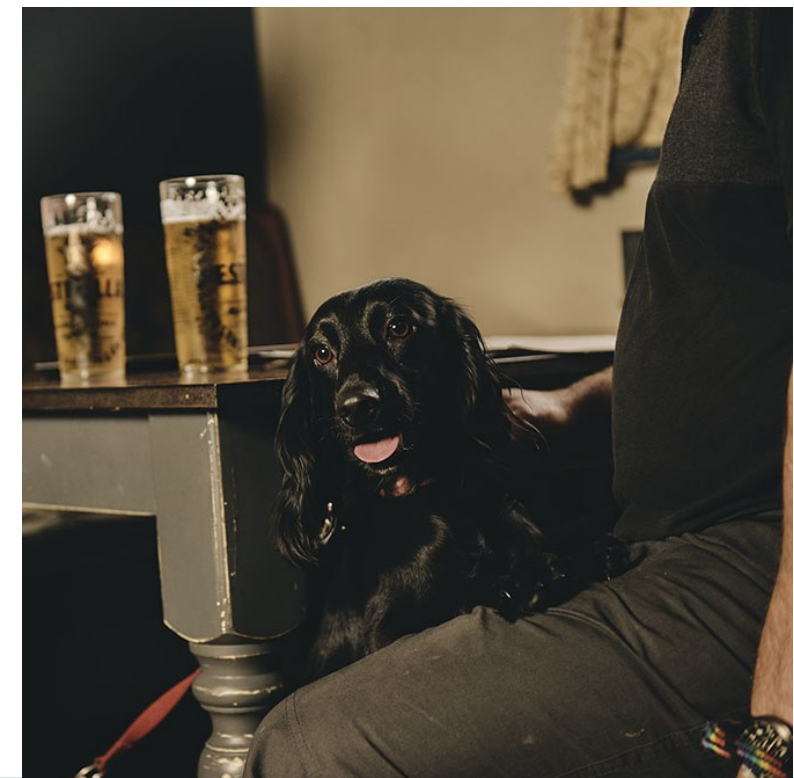


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# Operational Review

- **Creating a great pub business**
  - A place to socialise – always welcome to simply have a drink
  - ‘Best around here’ – sport, music, ale
  - Well invested outside space
  - Menu simplification - great food quality, speed of service and guest satisfaction
- **Predominantly community pubs**
  - Consistent sales profile
  - Limited exposure to volatile city centre
- **Two core propositions in mainstream market**
  - Community – entry level
  - Signature – premium mainstream
  - Evolution of the Retail Partnership
- **Cost focused, driving operational efficiencies**



- **Recruit**
  - Use of social media platforms
  - Alternative talent pools – ex-offender programme
  - Apprenticeship programme – 306 apprentices; c75% retention
- **Reward**
  - Continue to pay above NMW
  - Boost – increased variable pay to pub teams
- **Retain**
  - Aspire programme for deputy managers – pipeline into managed and retail
  - On-line and app-based training platforms





Through 'Doing more to be proud of' we focus on four core pillars: Planet, People, Product and Policy, which reflect our core values and the areas we can make the biggest impact



Saved 302,575 pints of water per day



Supporting ex-offenders back into employment



23,844 carvery meals rescued from waste being resold saving 59.61 tonnes of Co2e

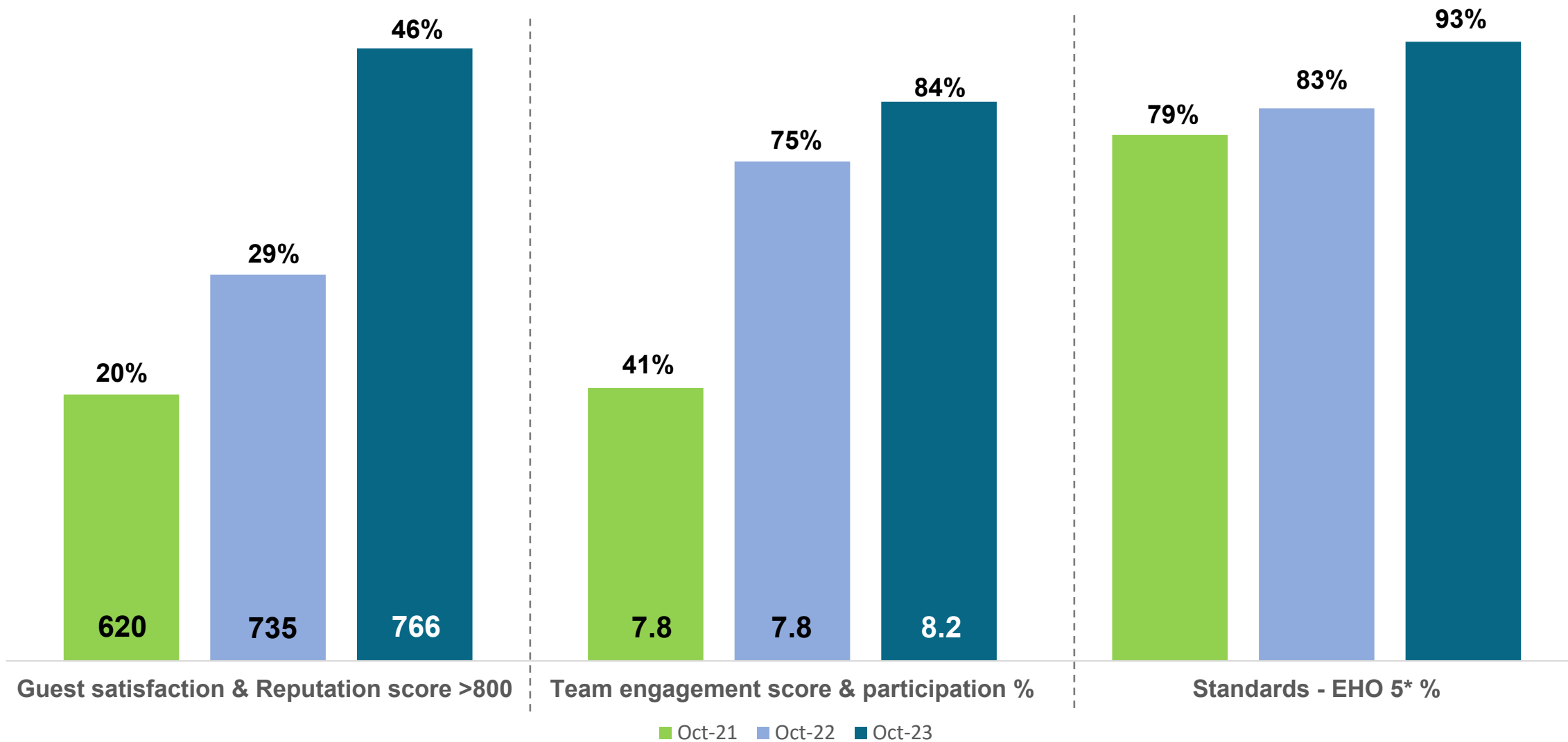


Increasing our FTSE4Good score to 4 and 93% of our pubs have achieved 5\* EHO





# Pub goals – satisfaction, engagement and standards



- **Benefits of action taken in FY2023 will further drive efficiencies in FY2024**
- **Labour**
  - Upgraded labour deployment system
  - Right number of people at the right time
- **Repairs**
  - Process efficiencies – minimising call out charges
- **Energy**
  - Smart meters integrated into reporting system
    - focus on out-of-hours usage
  - Retail partners incentive

Cost	Impact	Comments
Food and drink	Food cost c2-3%	<ul style="list-style-type: none"> <li>Planned food and drink price increase in Q2</li> <li>80% of food contracted</li> <li>75% of drinks contracts fixed until October 2024</li> </ul>
Labour	Expect to mitigate	<ul style="list-style-type: none"> <li>£1m H2 impact mitigated through efficiencies</li> <li>Increases above NLW/NMW in previous years</li> <li>Maximising labour scheduling system</li> <li>Performance related bonus schemes</li> </ul>
Utilities	Electricity – fixed for FY2024	<ul style="list-style-type: none"> <li>Energy – gas fixed to March 2025</li> <li>Continued work on energy saving initiatives</li> </ul>

2024

Focused community pub business and outdoor trading  
Technology supporting and enhancing customer journey  
Evolution of partnership

Stable cost outlook  
Impact of Head Office cost reductions in FY2024 - £5m  
Further £3m cost efficiency programme to flow through in FY2024

Predictable cashflows  
FY2024 – targeting c£50m disposals  
EBITDA driving free cash flow growth

## Operating profit - upgraded by £3m – based on cost efficiencies

### Revenue

- Price increases in Q2 – expected to normalise thereafter
- Targeting c.£50m disposals will naturally impact revenue growth
- Net revenue still expected to grow

### Margins

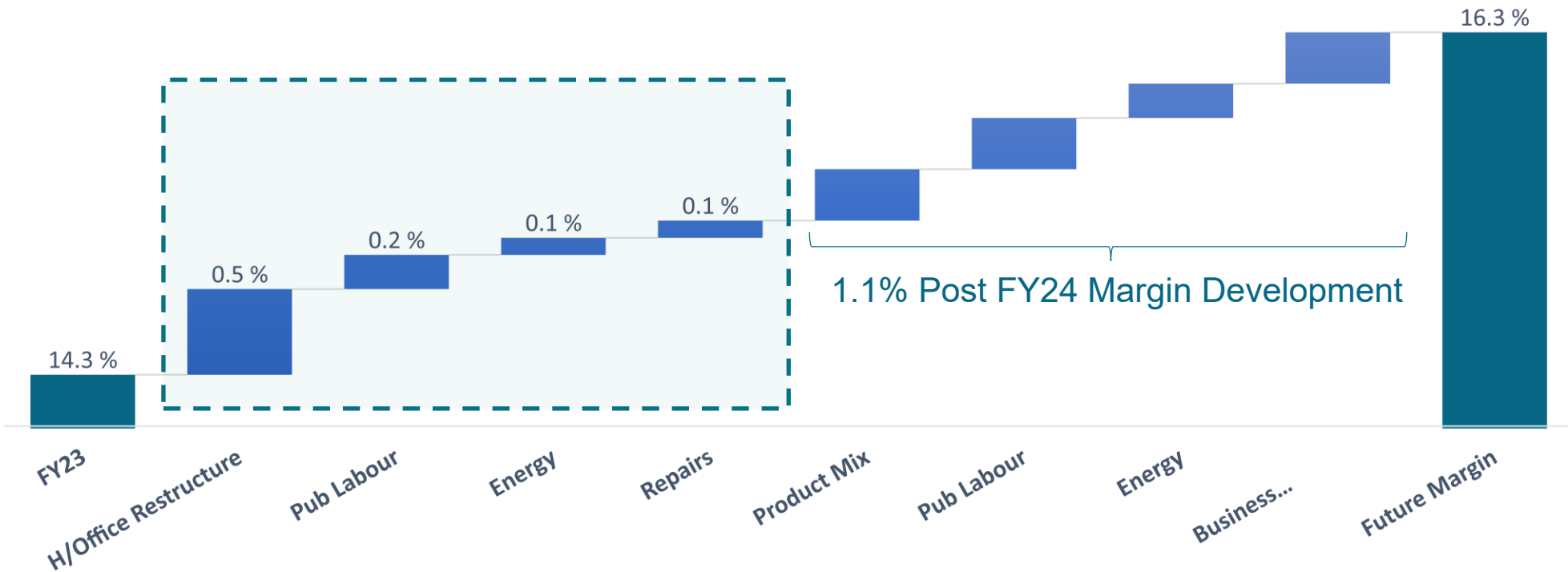
- Improvement of +0.9%, underpinned by cost efficiency programme
- Majority of costs known

### Cash

- Capex – c.£50-55m
- Disposals – c.£50m
- Interest – Securitisation step up as previously guided

## 2% pub EBIT margin improvement through efficiencies

Operating Margin Development



- **FY2023 - year of simplification delivering positive momentum**
  - Revenue and earnings growth
  - Cash generation and debt reduction
- **FY2024 will see benefit from actions taken in FY2023 to improve margins**
  - Cost efficiency programme to drive operational efficiencies
  - Continued evolution of partnership
- **Current trading**
  - Trading to end of November is +7.4% vs last year
  - Christmas bookings strong and ahead of last year
- **Justin Platt joins as CEO on 10 January 2024**



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Questions?





*Ty Mawr, Cardiff*



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**Appendices**

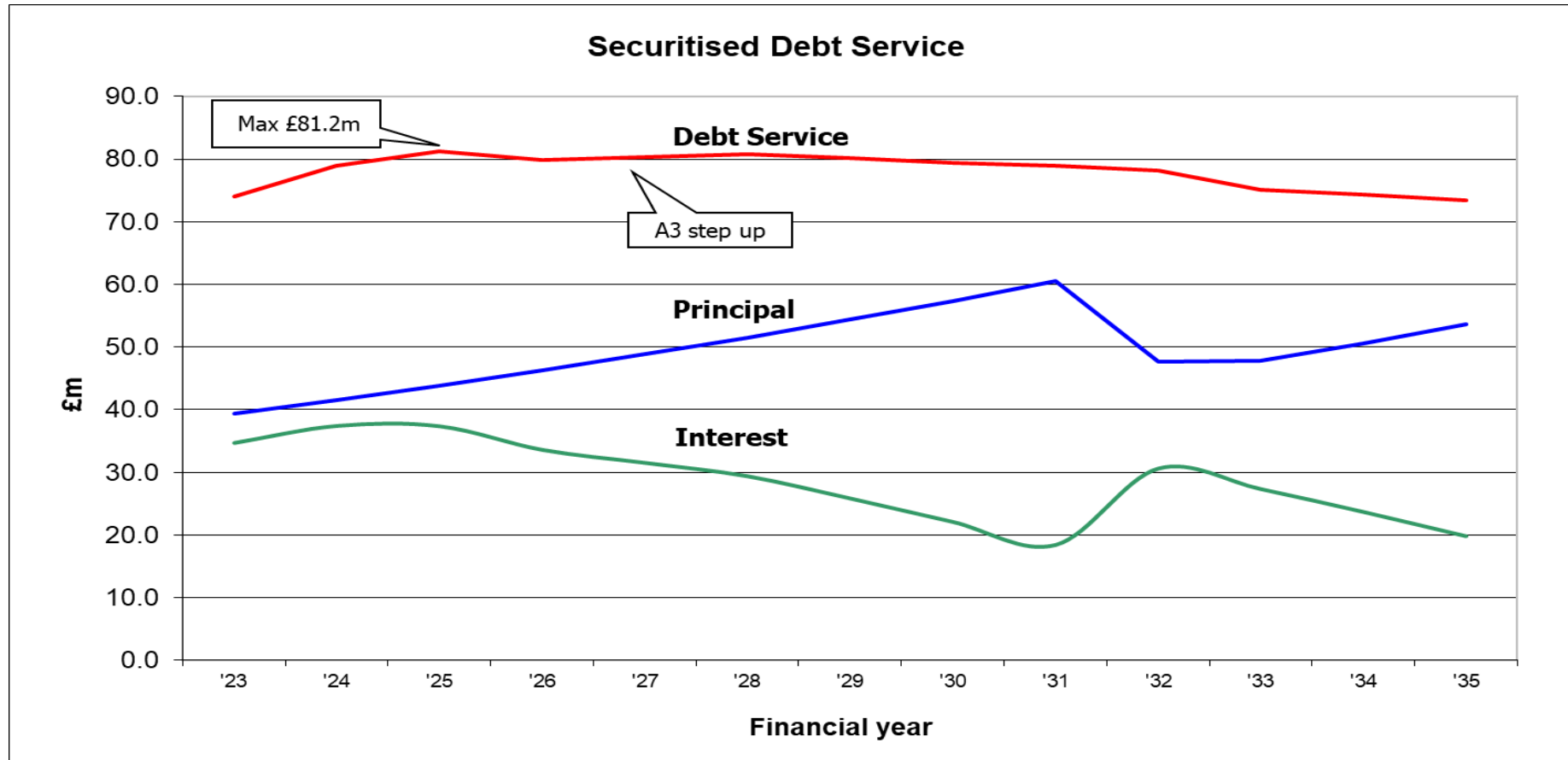
	2023	2022	Comments
Revenue	£872m	£800m	
Pub operating profit	£90m	£142m	
Income from associates	£10m	£3m	
Net finance (costs)/income	£(121)m	£18m	
(Loss)/profit before tax	£(21)m	£163m	Property valuation and swap movement
(Loss)/earnings per share	(1.5)p	21.7p	

*Continuing operations results for the period*

	Pubs		Lodges		Total
	Number	Value (£m)	Number	Value (£m)	Value (£m)
Securitized	909	1,142	7	15	1,157
Non-securitized					
Unsecured freehold	141	247	5	13	260
Freehold – property lease	127	308	10	28	336
<b>Total freehold</b>	<b>1,177</b>	<b>1,697</b>	<b>22</b>	<b>56</b>	<b>1,753</b>
Leasehold	237	274	8	13	287
<b>Total</b>	<b>1,414</b>	<b>1,971</b>	<b>30</b>	<b>69</b>	<b>2,040</b>
<b>Freehold mix</b>	<b>83%</b>		<b>73%</b>		

£m	Depreciation		Interest	
	2023	2022	2023	2022
Non-IFRS 16	33.7	32.5	85.4	75.3
IFRS 16	11.8	11.7	13.8	15.7
<b>Total</b>	<b>45.5</b>	<b>44.2</b>	<b>99.2</b>	<b>91.0</b>

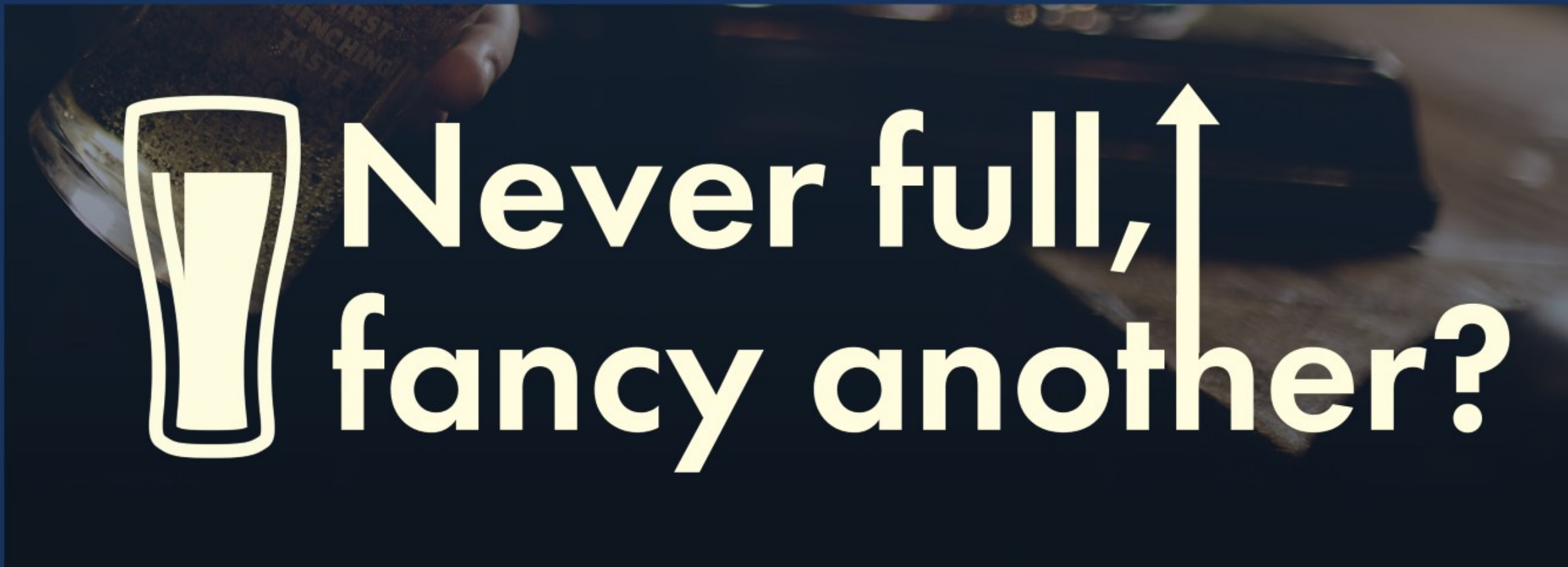
Tranche	Type	Principal outstanding at 30 September 2023	Step-up date	Final maturity date
A2	Fixed/floating	£129.2m	July 2019	2027
A3	Fixed/floating	£200.0m	April 2027	2032
A4	Floating	£119.6m	October 2012	2031
B	Fixed/floating	£155.0m	July 2019	2035
<b>Total</b>		<b>£603.8m</b>		



		FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	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	34.6	37.4	37.3	33.6	31.5	29.4	25.8	22.1	18.4	30.6	27.3	23.7	19.8
Debt Service	£m	74.0	78.9	81.2	79.8	80.3	80.8	80.2	79.5	79.0	78.2	75.1	74.3	73.5

# Estate analysis by operating model

	No of Pubs		Revenue (£m)		EBITDA (£m)		Operating profit (£m)	
	2023	2022	2023	2022	2023	2022	2023	2022
Managed and Franchised	1,184	1,199	835.9	766.1	149.6	140.6	105.2	97.4
Tenanted and Leased	230	266	36.4	33.5	20.7	19.1	19.6	18.0
<b>Total</b>	<b>1,414</b>	<b>1,465</b>	<b>872.3</b>	<b>799.6</b>	<b>170.3</b>	<b>159.7</b>	<b>124.8</b>	<b>115.4</b>



Never full,  
fancy another?