



**MARSTON'S**

# Preliminary Results 2021



**Andrew Andrea, Chief Executive Officer**  
**Hayleigh Lupino, Chief Financial Officer**



# ANDREW ANDREA

1. Looking back - Managing the pandemic Andrew Andrea
2. Financial Summary Hayleigh Lupino
3. Looking forward – Strategy and initiatives Andrew Andrea
4. Q&A

- **Robust cashflow and balance sheet management**
  - Strong cash preservation; accessed Government support
  - Borrowings below pre-pandemic levels; strong support from financial backers
  - No recourse to equity market
- **Transformational Beer Company transaction**
  - Provided liquidity to meet challenges of pandemic
  - A new journey – a pure pub play
- **Encouraging re-opening**
  - Strong estate positioning, limited exposure to city centres
  - Outside investment in Summer 2020; focus on “pub feel”
  - Bold April 2021 call – over 70% of pubs opened, Q4 sales growth vs 2019
- **Strong team support**
  - Strong engagement scores; strong well-being programme and support
  - Supported pub partners throughout
  - Strong licensee stability



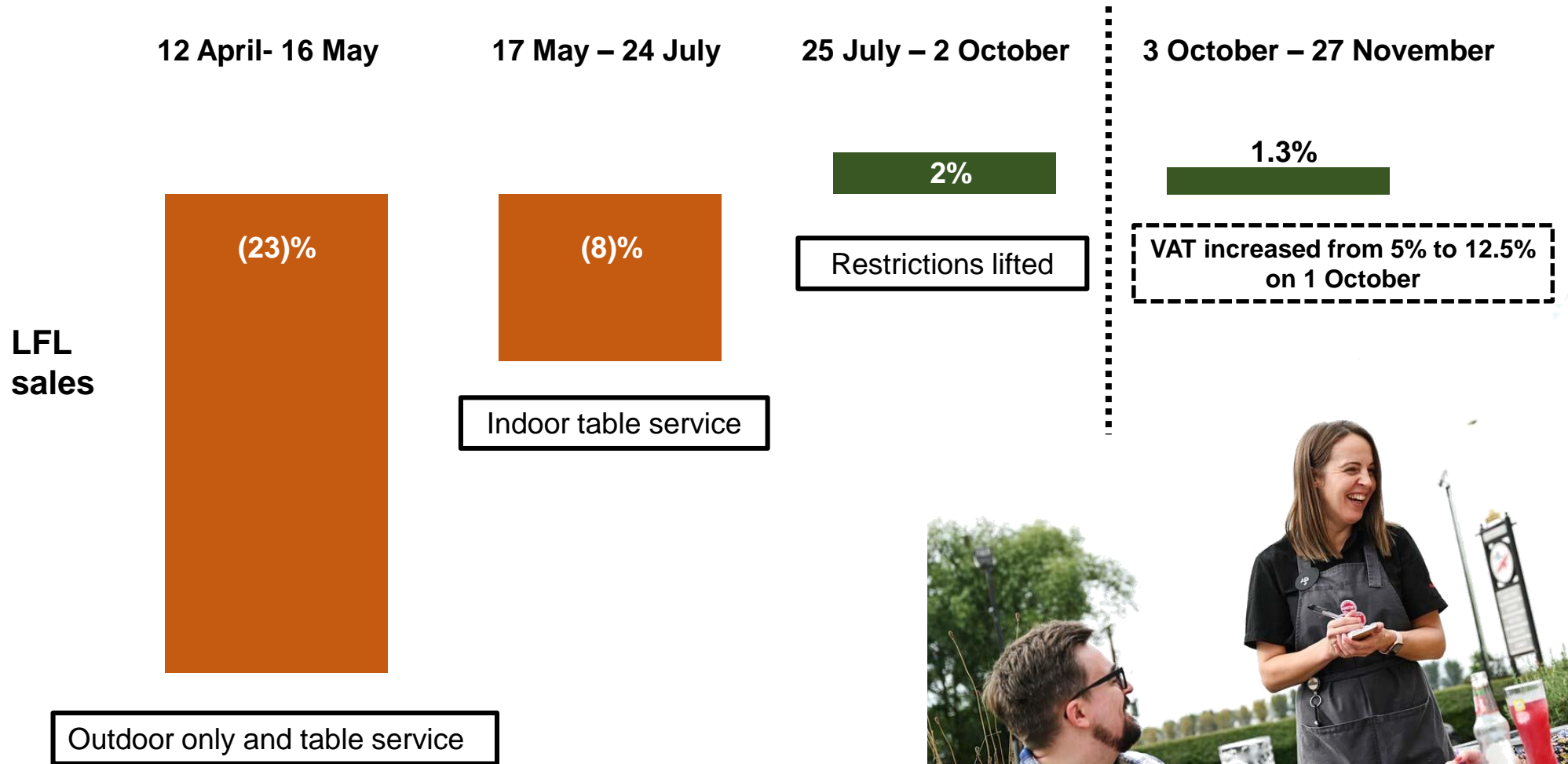


# HAYLEIGH LUPINO

	2021	2020	Comments
Revenue	£424m	£821m	Restricted trading
Operating (loss)/profit	£(7.4)m	£74.0m	Includes £(14.5)m loss from CMBC
Loss before tax	£(100)m	£(22)m	
Loss per share	(13.4) pence	(1.7) pence	

*Continuing and discontinued operations results for the period*

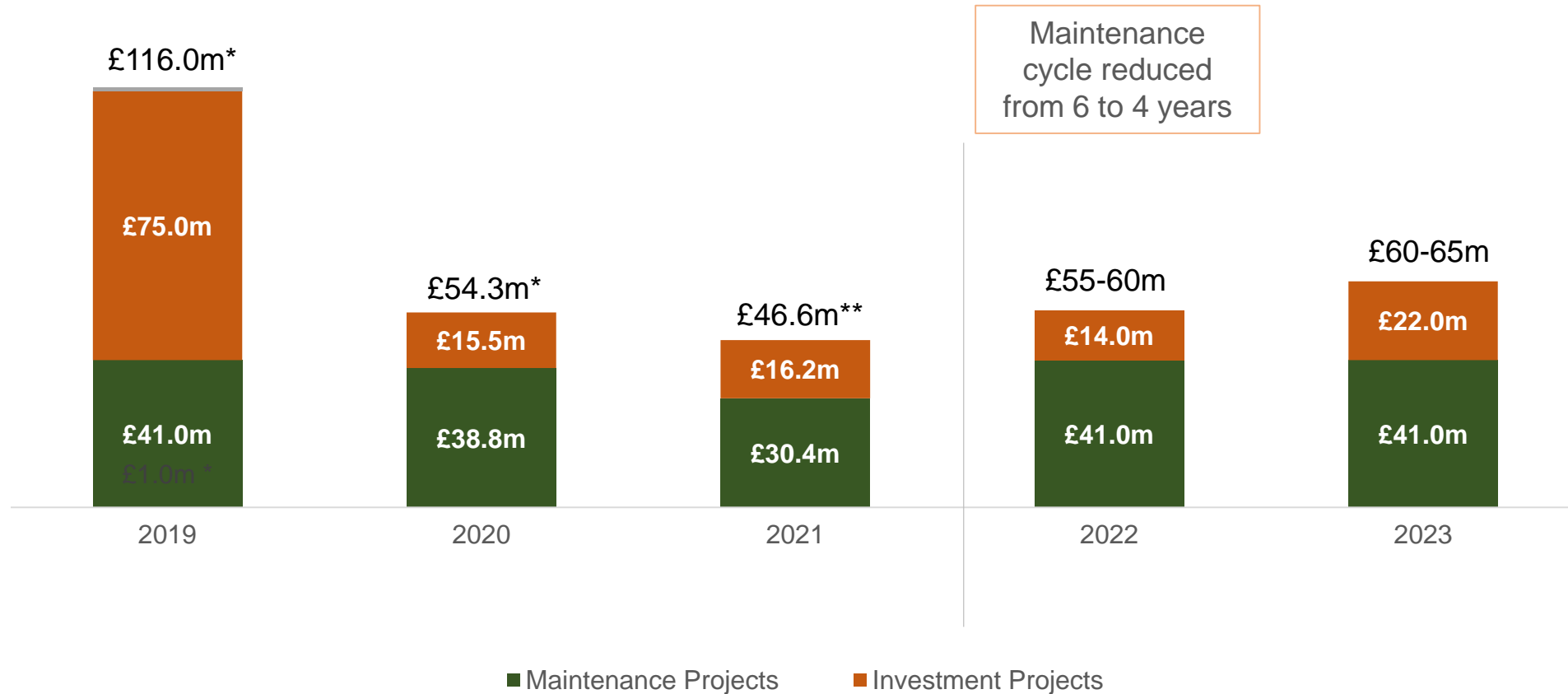
# Like for like sales performance vs FY2019



	2021 £m	2020 £m	Comments
<b>Operating cash flow</b>	<b>35</b>	<b>156</b>	
Net interest	(96)	(89)	FY22 c. £90m
<b>Pre-investment FCF</b>	<b>(61)</b>	<b>67</b>	
Organic capex	(47)	(61)	FY22E c.£55m - £60m
Disposals	18	78	FY22E c. £5m - £10m
Dividend	-	(30)	
<b>FCF pre new-build and acquisitions</b>	<b>(90)</b>	<b>54</b>	
New-build and acquisitions	-	(3)	
<b>Net recurring cash flow</b>	<b>(90)</b>	<b>51</b>	
<b>Exceptional cash flows</b>			FY22 £50m deferred Duty and VAT
Brewing disposal proceeds	<b>228</b>	-	£28.2m contingent payment Dec 21
Bank swap termination	<b>(20)</b>	-	
<b>Net cash flow</b>	<b>118</b>	<b>51</b>	



# Capital expenditure - pubs



\*Excluding disposal of Beer business

\*\* Includes Brains £4.5m freeholds and £2.5m HQ

	2021 £m	2020 £m	2019 £m
<b>Medium term</b>			
Bank and cash (£280m 2024 facility)	153	225	296
Private placement (2024 facility)	40	40	
<b>Long term</b>			
Securitisation (2035 maturity)	702	727	745
Property leasing (35-40 year financing)	337	337	336
<b>Net debt pre IFRS 16</b>	<b>1,232</b>	<b>1,329</b>	<b>1,377</b>
Lease obligations under IFRS 16 (includes Brains)	372	304	
<b>Net debt post IFRS 16</b>	<b>1,604</b>	<b>1,633</b>	

**On track to reduce borrowings to below £1bn (excl. IFRS 16) by 2025**

- **Property**

- H2 external valuation by CBRE concluded £84 million impairment charge to the P&L
- Timing of the valuation reflects COVID caution at the time
  - write-down on food-led pubs reflecting uncertain COVID recovery
  - leasehold write-down reflecting city centre dynamics post COVID
- 81% freehold tenure
- Move to annual valuations from triennial valuations

- **Pensions**

- Accounting deficit £14.4 million
- Concluded 2020 triennial valuation; £7.5 million payment per annum
- Expected to be cleared in 3-4 years

	2022 increase	Comments
Food	c.3%	57% fixed beyond FY22
Drinks	c.3%	70% fixed beyond FY22
Labour - National Minimum Wage - National Living Wage	c.5-6%	In line with previous plans
Utilities	c.4-5%	Electricity fixed March 22 Gas fixed April 23

**Simplified commercial plans, pricing and commitment to Net Zero to mitigate inflationary headwinds**



# ANDREW ANDREA

- **Fluctuating and evolving market**
  - Breaking the home habit – off-trade sales still in growth. On-trade opportunity
  - Older customers beginning to return; sensitivity to pandemic newsflow
  - Historical resilience of pubs protects against potential discretionary spend pressures
  - Pre-booking versus impulse dynamics
- **Experience vs convenience**
  - Strong demand for pub visits
  - Outdoor eating and drinking demand
  - Polarising market – premium vs value for money
- **“Shift to community”**
  - Post pandemic working trends should benefit suburban locations
  - Housing market trends out of city centre into suburbs

## Core Pub Goals

Loved by Guests: All of our pubs Social 4\* or more  
'Trusted': All of our pubs to be 5\* EHO  
'Great Place to work': Glassdoor 4\* or more  
Sales Culture – “Maximise sales per guest visit”

## Core Corporate Goals

“Better than the rest” Consistent market outperformance in both food and wet  
“Back to a Billion”: Sales >£1bn; Borrowings <£1bn by 2025  
Committed to being a responsible and sustainable business

### We are Guest Obsessed

Start with Guest  
Experience not convenience  
Focus on peak periods

### We Raise the Bar

Operational excellence  
People investment  
“Make Great” sessions

### We will Grow

High returning growth capex  
Development of Partnership Agreements  
Exploit M&A opportunities

## Financial strategy driving shareholder value

Grow earnings

Progressive and sustainable dividend

Reduce debt

Debt:equity transfer

Increase returns

Increase NAV

- **Insight at the heart of all decisions**
  - New Head of Insight, further investment in data team
  - Reputation insight platform launched October 2021
  - Utilisation of EPOS system
- **Experience not convenience, value remains important**
  - Ambience and quality more important to customers
  - Approximately one third of customers seeking premium offer
  - But one third are still seeking value for money
- **Focus on peak periods; minimise distraction**
  - Greatest sales opportunity – make peak periods bigger
  - Remove distractions – breakfast and delivery



## Reputation



- **Resourcing – “attracting the very best people”**
  - New Head of Resourcing appointed
  - Relaunched websites; embrace app-based recruitment platforms
  - Building programmes with local colleges
- **Training and development – “more effective teams”**
  - Agile and dynamic programme – Attensi Training
  - App-based review and development system
  - “Back to the floor” kitchen training for field teams
- **Listen and engage – “engaged teams drive stronger sales”**
  - Strong link between engagement and sales performance
  - Launch of Peakon engagement platform
  - Monthly surveys and response cycle



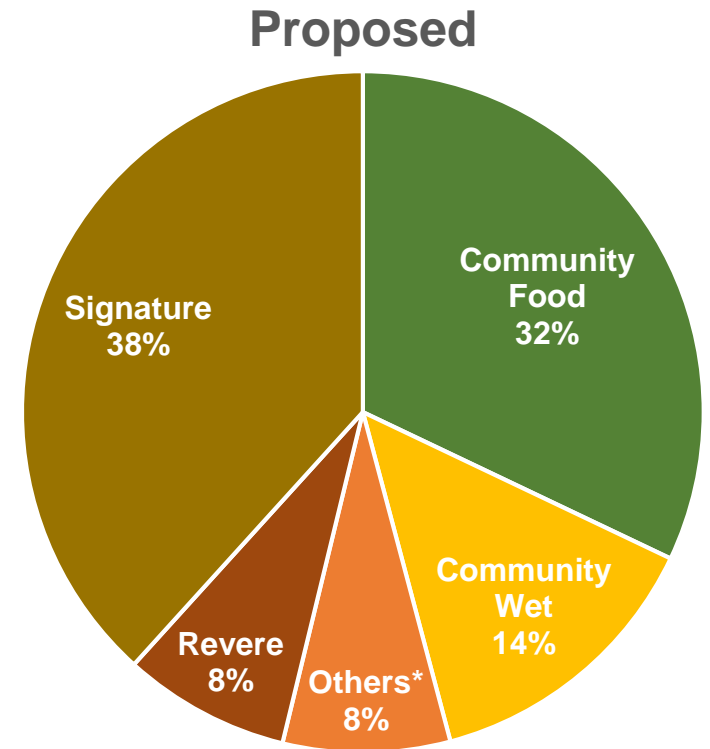
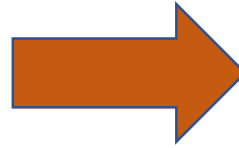
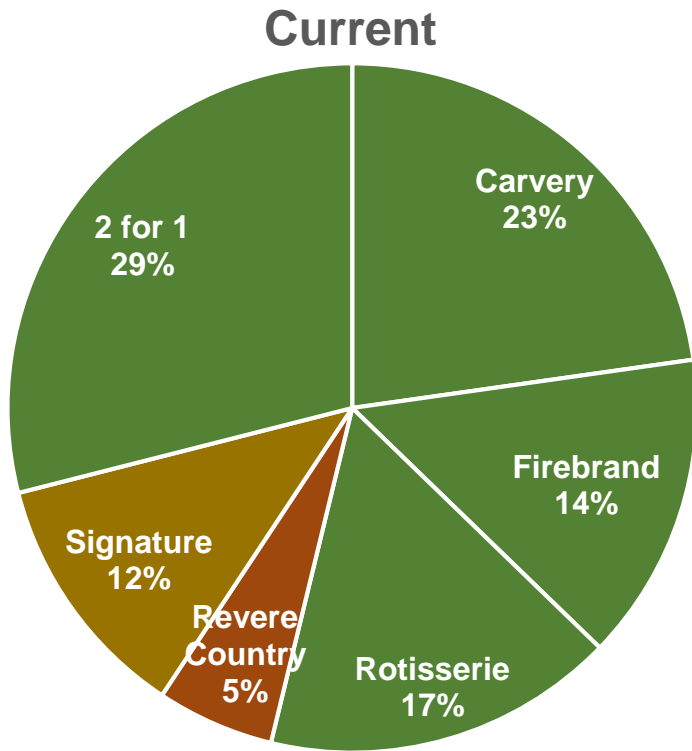
# “Make Great” – focused activity drives stronger performance

- **“Make Sundays Great”**
  - Sunday – showcase the rest of the week
  - Falling Sunday sales pre-pandemic
  - Historic food quality and experience impacting sales
- **Cross functional team to redefine Sunday experience**

Experience	“Memorable” Sundays
Food quality	Reduced Sunday menu Revised roast specification Stop breakfast
Selling up drinks	“Strive for Five” upsell
Define success	Lunchtime sales ↑ 4% versus rest of week Satisfaction targets sentiment ↑ 15% Roast mix %age ↑ 20% to c50%



- **Three clear pub formats for both food and wet-led**
  - Community – good value local pubs at heart of community
  - Signature – elevated experience; timeless country pub atmosphere
  - Revere – most aspirational offer; special occasion
- **Food-led estate overly exposed to mass-market**
  - Reliant on very high volume and low value sales; discounting more prevalent
  - Need to re-instill pub values; drive drink sales harder
  - Polarising market requires balance between premium and value
- **Proposed format determined by demographics and competition**



- **Proposed conversion spend £50-55 million over next four years**
  - New-build pubs lower cost to convert
- **Minimum target return – 30%**
  - “Low hanging fruit” approach – prioritise largest upsides
  - Can forward plan well in advance
  - “Make Capex Great” – focus on FMT not incremental return
- **c.25 conversions in 2022; 45-50 2023-25**

\* Brains and Scottish food-led pubs



# Community Wet

The Bankfield Inn, Bilston  
(previously White Rabbit)

**£250k spend**

**Pre Capex**

£15k per week

£77k EBITDAR

**Post Capex**

AWT - £21k per week

Wet/food mix – 50/50

Projected EBITDAR - £230k

ROIC - 61%



## Signature

The Inkwell, Lichfield  
(previously Saxon Penny)

£473k spend

Pre Capex

£16k per week

£86k EBITDAR

### Evaluation

£25k per week

Wet/food mix – 40/60

Projected EBITDAR - £253k

ROIC - 38%



**£600k spend**  
**(£250k pub, £350k rooms)**

**Pre Capex**

**£24k per week**  
**£339k EBITDAR**

**Post Capex**

**AWT - £42k per week**  
**Projected EBITDAR - £550k**  
**ROIC - 35%**



- **Pioneered franchise agreements in 2009**
  - Removes conflict of rent and drinks pricing
  - All stakeholders focused on revenue maximisation
  - Operate pub at minimum efficient cost leveraging Marston's buying power
  - Draw on wider pool of talent
- **Now operates in 612 pubs within the estate**
  - Sales and earnings growth; owner driver mentality
  - Most popular agreement – over 90% of applications seeking franchise pubs
- **Pillar agreement evolves agreement to food-led businesses**
  - Marston's takes share of drink and food sales
  - Partner has full control of menu, utilises Marston's buying power
  - Full sales visibility – menu on Marston's EPOS
  - Trialled successfully in 32 sites – target further 30 in 2022







**The Carriers  
Hatchmere, Cheshire**

Average (L&T) EBITDA £65,260  
Projected EBITDA on Pillar £82,327



**The Rose Cottage  
Ollerton, Newark**

Average (L&T) EBITDA £71,345  
Projected EBITDA on Pillar £104,842



**Little John  
Ravenshead, Notts**

Average (L&T) EBITDA £70,475  
Projected EBITDA on Pillar £114,102

# “We will Grow” - innovative expansion

- **Agreement to operate Brains pub estate**
  - 107 sites on long term basis – 99 leasehold; 8 freehold
  - 30 turnaround sites on short term basis – 18 disposals in progress
  - 10 leasehold sites on 2 year management agreement
- **High-quality business with scope for growth**
  - Proforma outlet EBITDA £14 million; net EBITDA £7 million (post rent)
  - Well maintained estate
  - £2-3 million synergy opportunity – conversion to franchise; costs
  - Scope for future investment
- **Capital-light transaction**
  - No capital consideration for leasehold sites – 2 years advance rent
  - Appropriate financial risk - rent cover 2.5x proforma
  - £4.5 million for 8 freehold sites
- **Framework for future M&A – working with funding partners**





- **Transaction valued Marston's Beer Company at £580 million**
  - £256 million net proceeds received
  - Carrying value of 40% stake - £277 million
  - Commencement of CMBC dividend expected in 2022; COVID impacted 2021
- **Synergies greater than planned**
  - £35-40 million vs £24 million originally announced; 2-3 year delivery
  - Synergies not yet reflected in carrying value
- **Strong foundations for future growth**
  - Consolidate Number 1 ale position
  - Clear sales and marketing plans
  - Strong portfolio for free-trade growth



## Market leading position

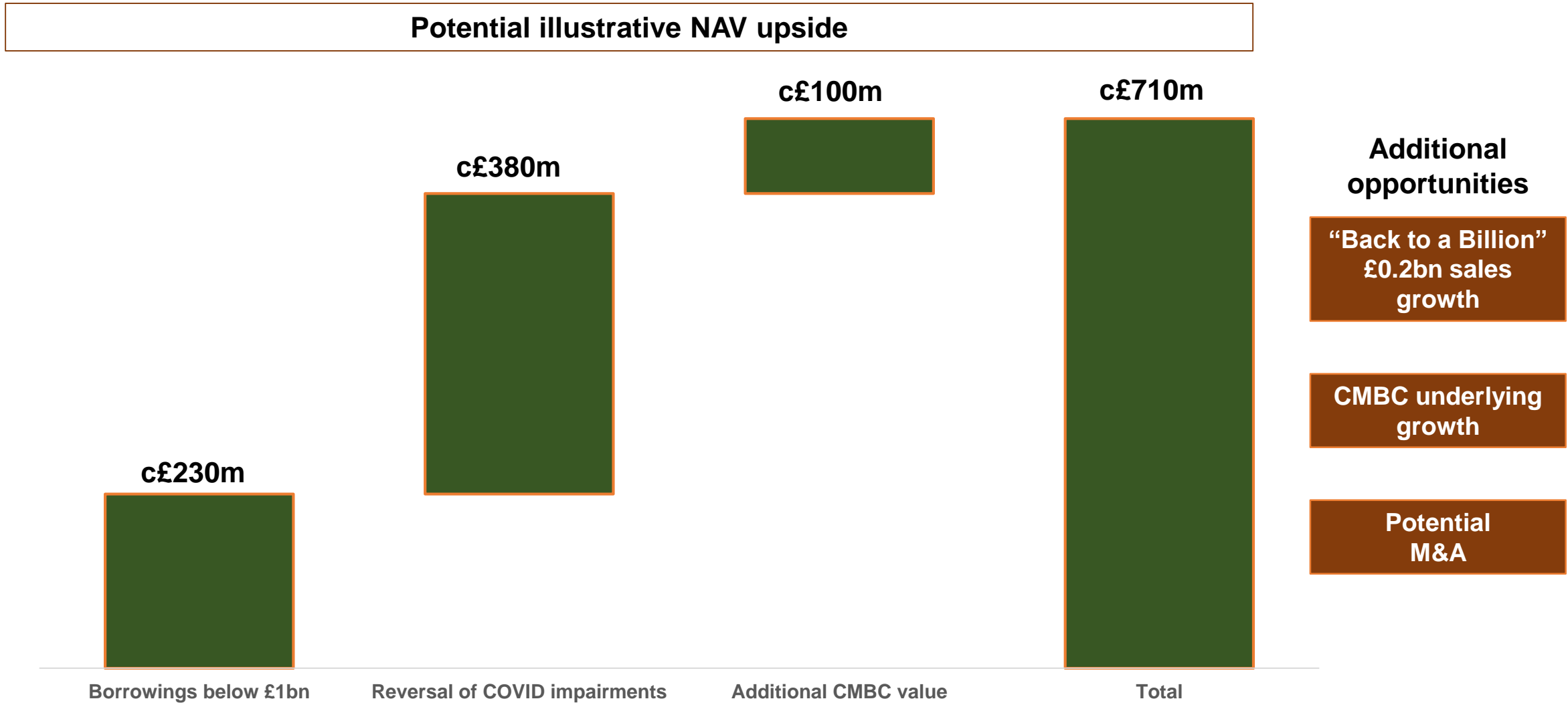
- Award winning team
- Strong progress to date
  - Sector first to achieve zero-waste to landfill; 74% recycling rate
  - All managed and franchise pubs fitted with LED lighting
  - All replaced plastic garden furniture 100% recycled
- Largest private rapid electric vehicle charger network in the UK – continued expansion
- Operate self supply water licence 'Marston's Water' – saving 162k pints of water per day



## Firm Net Zero commitments

- Scope 1&2 (own emissions) - Net Zero by 2030
  - Transfer to renewable energy April 2022
  - Target induction hob rollout by 2026
  - Low carbon heating solution – target 2030
  - Estimated 10% offset requirement
- Scope 3 (provision of external goods and services)
  - Zero Carbon Forum commitment 2040





- **Strong management of pandemic**
- **Outlook**
  - Positive current trading +1.3% and encouraging December bookings
  - Limited 2022 inflation; clear mitigation plans
- **Clear vision – “Pubs to be Proud of”**
- **Financial targets: “Back to a Billion” by 2025**
  - Sales above £1 billion
  - Borrowings below £1 billion
- **40% stake in high quality beer business**
- **ESG – clear Net Zero plans**



The image shows the exterior of a pub named 'The Wheatsheaf' in Kirk Ella. The building has a white, textured facade. On the left, there is a large hanging flower basket with pink and white flowers. Above the entrance, the name 'WHEATSHEAF' is written in large, dark, block letters, with 'AT KIRK ELLA' written below it in smaller letters. A decorative brass light fixture with five glass shades is mounted on the wall. To the right, a dark blue sign hangs from a black metal bracket, featuring a white wheat sheaf logo and the text 'THE WHEATSHEAF AT KIRK ELLA'. The building has a dark roof and a black downspout. In the background, there are green trees and a blue sky with white clouds.

# APPENDICES

	2021	2020	Comments
Revenue	£402m	£516m	
Operating loss	£(105)m	£(286)m	
Loss before tax	£(171)m	£(389)m	
Loss per share	25.7pence	(56.8) pence	



	Pubs		Lodges		Total
	Number	Value (£m)	Number	Value (£m)	Value (£m)
Securitized	945	1,087	7	13	1,100
Non-securitized					
Unsecured freehold	157	261	5	9	270
Freehold – property lease	113	248	7	18	266
<b>Total freehold</b>	<b>1,215</b>	<b>1,596</b>	<b>19</b>	<b>40</b>	<b>1,636</b>
Leasehold	289	309	11	17	326
<b>Total</b>	<b>1,504</b>	<b>1,905</b>	<b>30</b>	<b>57</b>	<b>1,962</b>
<b>Freehold mix</b>	<b>81%</b>		<b>63%</b>		

£m	Depreciation		Interest	
	2021	2020	2021	2020
Non-IFRS 16	31.5	41.0	77.0	81.3
IFRS 16	11.2	10.6	15.5	13.8
<b>Total</b>	<b>42.7</b>	<b>51.6</b>	<b>92.5</b>	<b>95.1</b>

Tranche	Type	Principal outstanding at 2 October 2021	Step-up date	Final maturity date
A2	Floating	£183.9m	July 2019	2027
A3	Fixed/floating	£200.0m	April 2027	2032
A4	Floating	£141.7m	October 2012	2031
B	Floating	£155.0m	July 2019	2035
Total		£680.6m		

# Brains pub estate composition

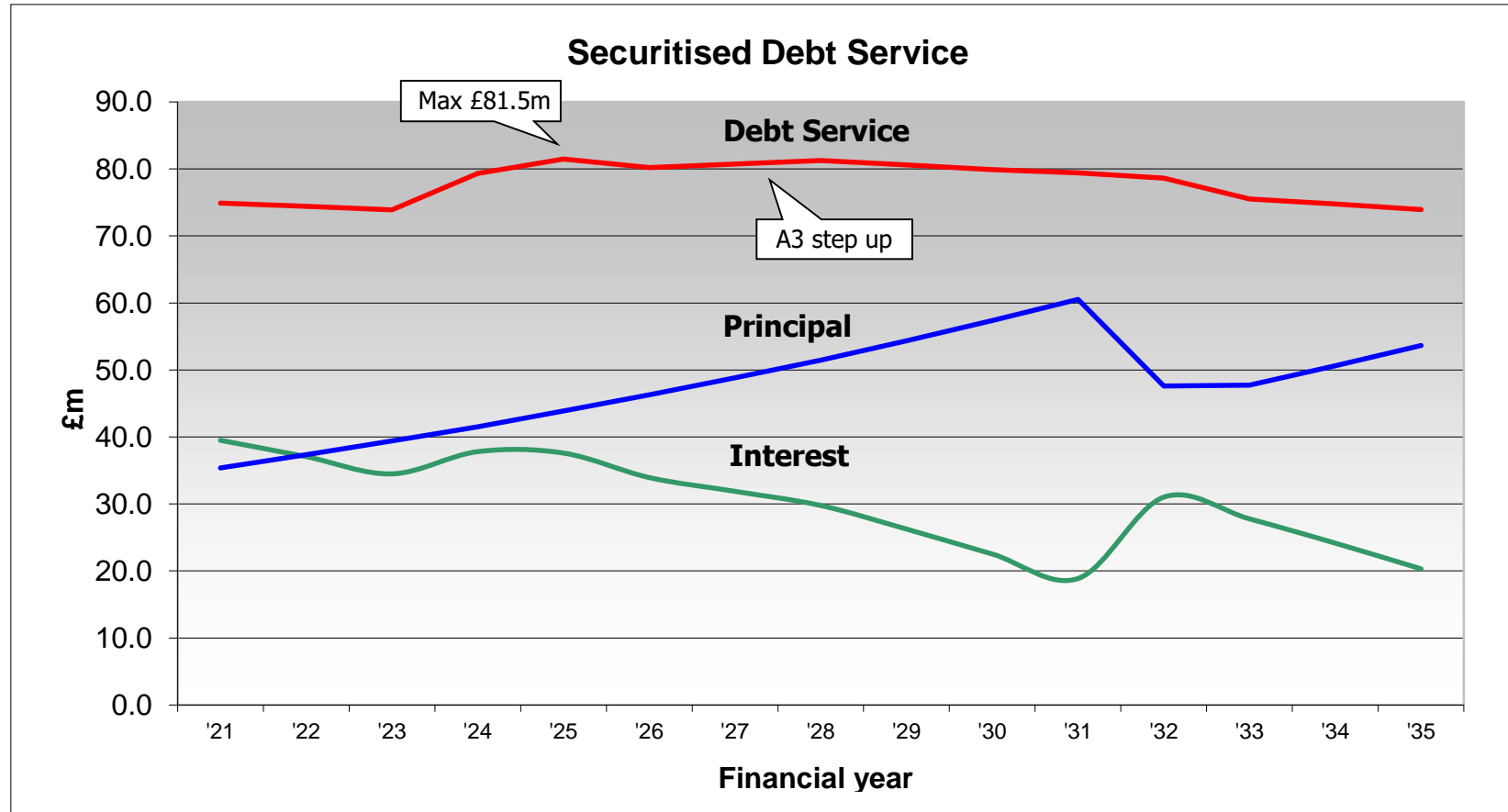
	Pubs	Proforma* revenue (£m)	Proforma* EBITDA (£m)	Proforma* EBITDA per pub £k	
<b>99 sites on long-term lease – stable 5 year record</b>					
Managed	62	47	11	175	21 convert to franchise (non-franchise £220k per pub)
Leased and Tenanted	37	3	2.5	68	Medium term convert to franchise
<b>Total</b>	<b>99</b>	<b>50</b>	<b>13.5</b>	<b>135</b>	
<b>8 freehold sites with low EBITDA but target historical levels – revenues stable at £3m per annum</b>					
Managed	8	4	0.5	63	£4.5m purchase price, 7 convert to franchise
<b>Total long-term estate</b>	<b>107</b>	<b>54</b>	<b>14</b>	<b>131</b>	
<b>30 non-core turnaround sites – peppercorn rent for 18 months</b>					
Managed	14	6.5	0.3	19	
Leased and Tenanted	16	0.5	0.2	11	
<b>Total turnaround</b>	<b>30</b>	<b>7</b>	<b>0.5</b>	<b>15</b>	Review for long-term agreement/purchase
<b>10 leasehold pubs on management agreement for 2 years</b>					

**Accommodation: 141 rooms in 15 pubs in core estate**

\* Proforma represents pre-COVID revenue and earnings

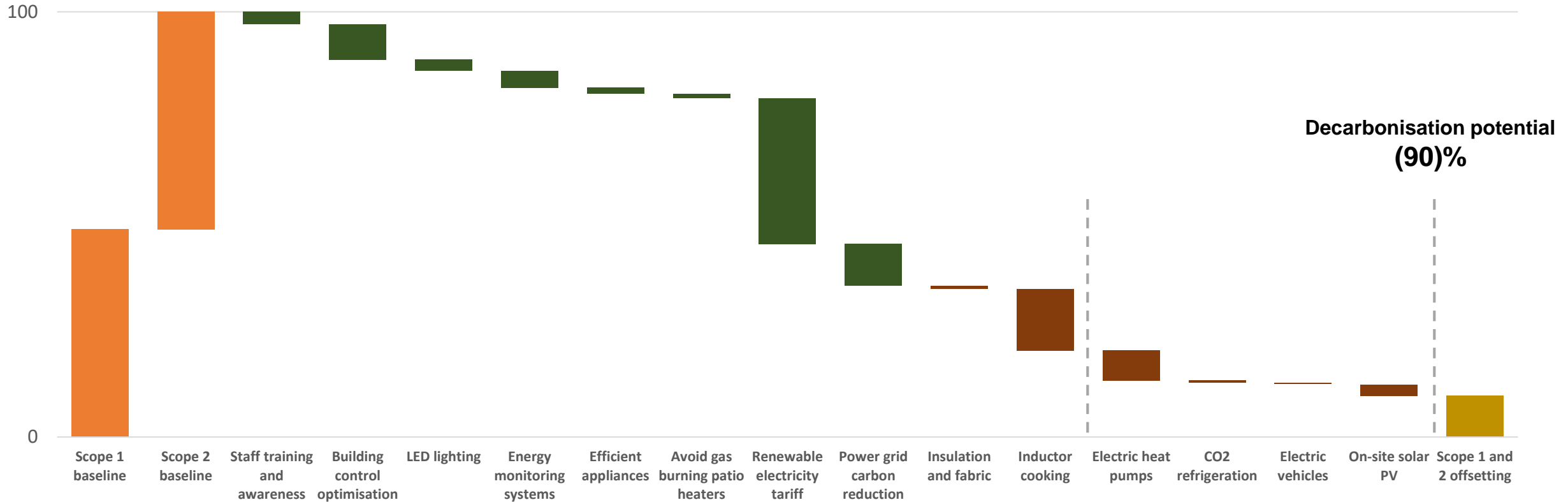
# Estate analysis by operating model

	No of Pubs		Revenue (£m)		EBITDA (£m)		Operating profit (£m)	
	2021	2020	2021	2020	2021	2020	2021	2020
Managed and Franchised	1,168	1,047	377.3	477.7	79.0	117.7	43.2	83.4
Tenanted and Leased	332	318	24.4	30.7	12.7	17.3	11.5	16.2
<b>Total</b>	<b>1,500</b>	<b>1,365</b>	<b>401.7</b>	<b>508.4</b>	<b>91.7</b>	<b>135.0</b>	<b>54.7</b>	<b>99.7</b>

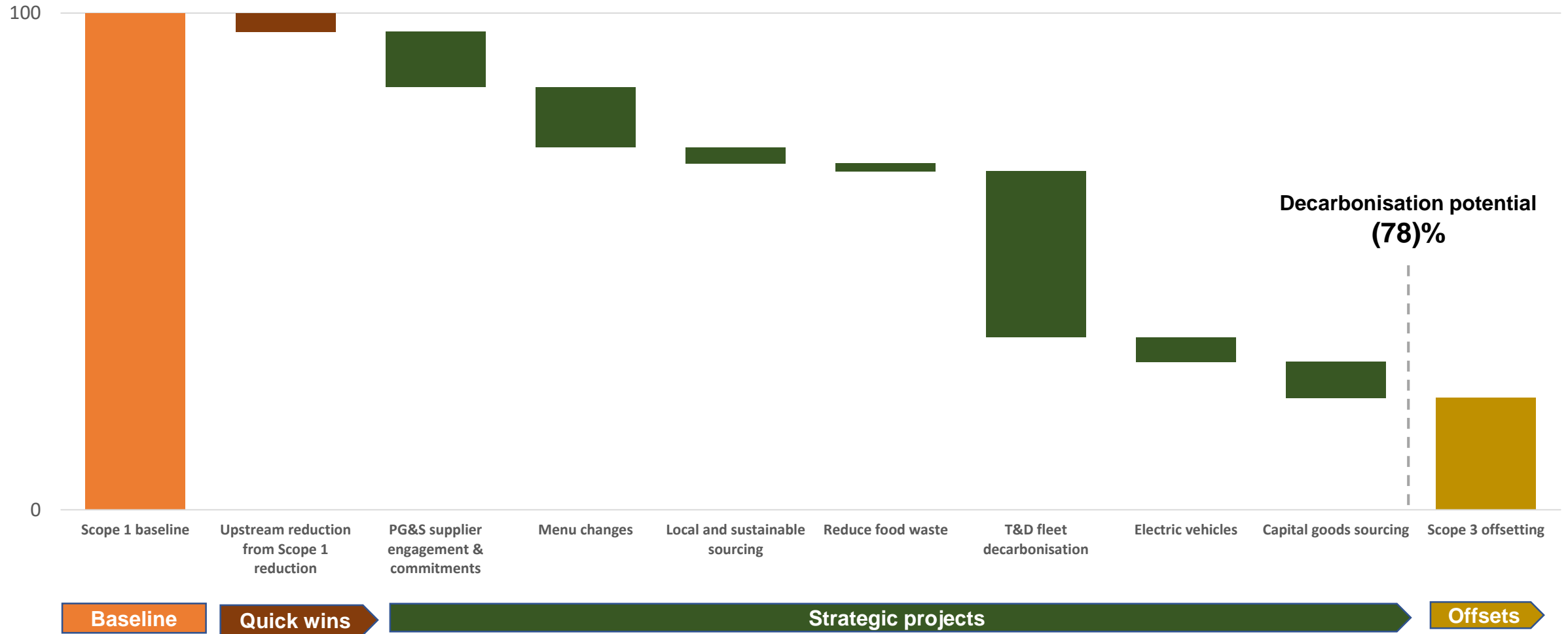


		FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	35.4	37.3	39.4	41.5	43.9	46.3	48.8	51.5	54.4	57.4	60.5	47.6	47.8	50.6	53.6
Interest	£m	39.5	37.1	34.5	37.8	37.6	33.9	31.9	29.8	26.3	22.5	18.9	31.0	27.8	24.2	20.3
Debt service	£m	74.9	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

# ESG – pub decarbonisation pathway: Scope 1&2



# ESG – decarbonisation pathway: scope 3





# Q & A

[www.marstons.co.uk](http://www.marstons.co.uk)



HARTFORD HALL

ON SCHOOL LANE

