

# Strategic considerations

- Clear financial strategy
  - Reduce borrowings to below £1bn by 2024
- Clear organic growth plans
- M&A considerations
  - Expansion does not always require us to own bricks and mortar
    - Capital light M&A will be considered
    - We aspire to be operating partner of first choice
  - Look beyond COVID
    - Good pubs pre-COVID will be good pubs post-COVID



# **Brains opportunity**

#### Pub estate

- Principally based in South and West Wales; comprising managed and leased pubs
- Comprising destination food and wet-led community pubs which are highly complementary with Marston's existing portfolio
  of 106 pubs in Wales
- Good quality pub estate with stable earnings and some iconic sites
- Well maintained/invested estate
- Brand opportunity Marston's has right to use Brains brand on Welsh pub estate.

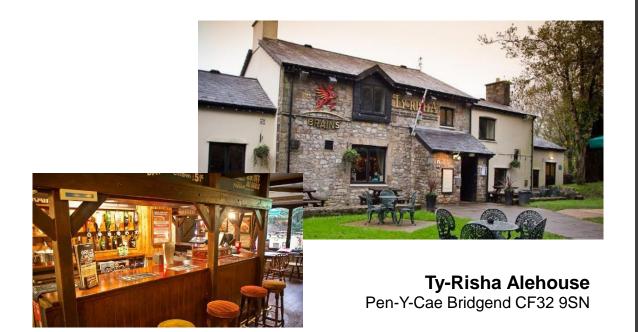
#### Mixture of Managed and Tenanted pubs

- C30% food mix in managed pubs
- Opportunity for franchise conversion

#### Strong team transferring

- C.1,300 employees including area managers, marketing manager, food development manager
- Engaged pub teams
- Opportunities for future growth investment







The Ship Tresaith, West Wales



**Tynant Inn** Morganstown Road, Morganstown Cardiff CF15 8LB



# 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 c.£4m per annum						
Managed	8	4	0.5	63	£4m purchase price, 7 convert to franchise	
Total long-term estate	107	53	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

> Core estate on long-term agreement underpinned by stable earning base



<sup>\*</sup> Proforma represents pre-COVID revenue and earnings

# **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		



# **Cashflow implications**

Cashflow considerations					
Cashflows for completion					
Rental prepayments		£m			
Completion - Yr1 rent in advan	ce	5.5			
April - Yr2 rent in advance		5.5			
Freeholds		4			
		15			
<u>Funding</u>					
ULP sales in March		8			
H2 Disposals		7			
Annual maintenance capex		2			
Growth capex		TBC	Must meet ret	urn criteria	



## **Future opportunities**

### Will consider similar opportunities

- ROI accretive
- Reduces operating leverage
- Consistent with financial strategy to reduce borrowings

### 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

### 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





## **Pub Numbers**

	Marston's Core	Brains Core	Total
Managed	490	70	560
Partnership	874	37	912
Total pubs	1,364	107	1,471

Brains Pubs operated under short-term arrangements: 40



# **IFRS16** financials

Proforma IFRS 16		£m
EBITDA		14
Overhead		(2)
Depreciation		(2)
IFRS 16 depreciation		(3.5)
EBIT		6.5
Interest		(4)
IFRS16 PBT		2.5
IFRS16 Debt		80

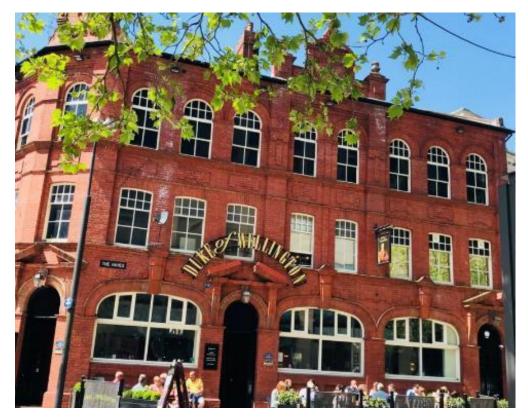




**Red Dragon** High View, LitchardHill, Bridgend CF31 1QJ



**Pheasant** Heol Eglwys, Pen Y Fai Bridgend CF31 4LY





**Duke of Wellington** The Hayes Cardiff CF10 1AJ

