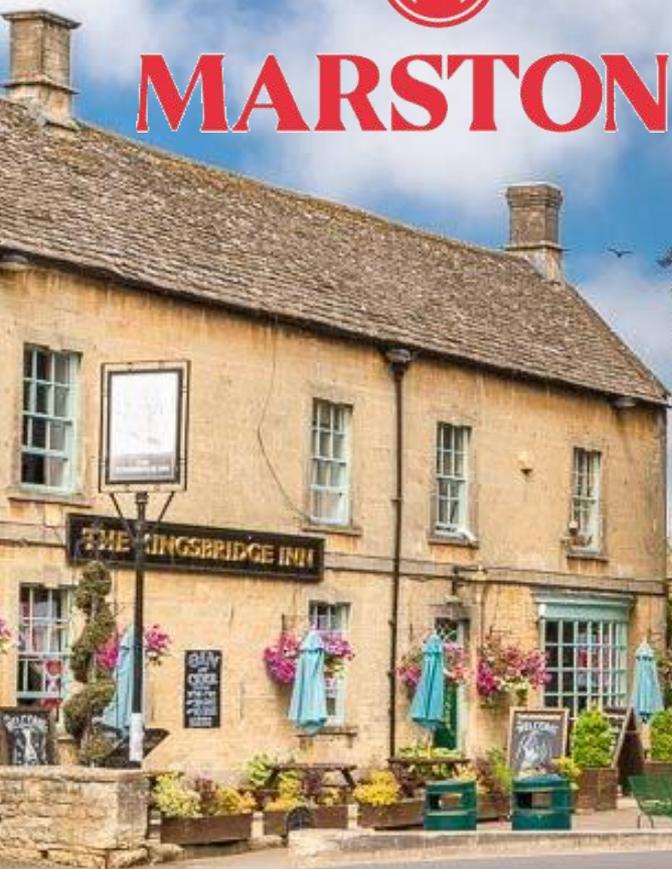




**MARSTON'S**



# Interim Results 2020

Ralph Findlay, Chief Executive Officer

Andrew Andrea, Chief Financial Officer



**Ralph Findlay**  
Chief Executive Officer

# Introduction

- **Material impact from COVID-19; clear recovery action plans**
- **Liquidity secured for disruption beyond financial year end**
  - Additional bank facilities in place
  - Agreement with bondholders on covenant waivers and amendments
- **Transformational value-accretive Beer Company transaction**
  - Creation of Carlsberg Marston's Beer Company
- **Pub estate well placed despite COVID-19 uncertainties**
  - c90% freehold estate, high proportion of pubs have outside trading areas
  - Broad mix of food-led and wet-led pubs

# COVID-19: impact

- **All pubs and 28 lodges\* closed since 20 March**
  - Loss of own pub revenues
  - Loss of drinks sales into national pub groups and independent free trade
  - Estimated revenue impact c£40m in March
  - Pre-COVID-19 revenues broadly in line with LY
- **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
  - Case-by-case support for franchisees, tenants and lessees
  - Suspension of dividends for financial year 2020

*\*with the exception of two lodges which remained open to house NHS staff/key workers*

## COVID-19: current position

- **Working closely with UKH and BBPA**
- **Government support critical**
  - Furlough scheme reducing cash burn by c£2m per week
  - Business rates relief: c£2.5m per month saving
  - Deferral of indirect tax payments to 2021
  - Business grants support to tenants and lessees
- **Working closely with key suppliers and stakeholders**
  - Deferred payment terms agreed through consultation
  - Constructive dialogue with landlords on leasehold properties
- **Significant increase in off-trade sales**
  - Take Home – very strong trade since April with volumes up 55%
  - Not sufficient to offset loss of on-trade volumes

# COVID-19: re-opening plans

- **Reopening date and plans now set out**
  - Can reopen from 4<sup>th</sup> July; c85-90% of pubs will re-open
  - Reduced social distancing rules are critical to economic viability
  - Uncertainty over revenue and earnings post reopening
- **Priorities: safety of staff and guests, economic viability**
  - Enhanced hygiene practices, provision of sanitiser
  - Table spaces, distance markers, screens where appropriate
  - Introduction of ordering and payment apps – July 2020
  - Simplified menus to speed up service and minimise cost
- **Continued Government support will be required**

## Creation of Carlsberg Marston's Brewing Company ('CMBC')

- Shareholder approval granted 25 June, expected to complete Q3 2020
- Long term JV to create a best-in-class, brand-led UK brewer with increased scale, resources and distribution reach
- Marston's Brewing Business valued at up to £580m (13.0x adj. 2019 EBITDA)
- Marston's receives a cash equalisation payment of up to £273m
- Marston's will own 40% and Carlsberg UK will own 60% of CMBC
- Reported run-rate JV cost synergies of around £24m and further unquantified revenue synergies
- The transaction is expected to be broadly net operational cash flow neutral taking into account Marston's share of JV dividends
- Cash received will be used to pay down debt

# Creation of Carlsberg Marston's Brewing Company ('CMBC')

Recognises value of Marston's Brewing	£m
Built through value accretive acquisitions:	
Ringwood	19
Refresh	14
Thwaites	25
Charles Wells	55
<b>Combined value of acquisitions</b>	<b>113</b>

Marston's Brewing Business (Sep19)	£m
<b>Reported EBITDA</b>	<b>44</b>
Less	
BeerCo capex	(17)
Central capex	(3)
Tax @ 18%	(6)
<b>Net cash flow</b>	<b>18</b>

Market capitalisation



40% stake in CMBC with synergy upside

Up to £273m gross proceeds received from transaction

The transaction is expected to be broadly net operational cash flow neutral taking into account Marston's share of CMBC dividends

# Group strategy

## Raise the Bar

Guest focused people strategy

Operational excellence

Commercially dynamic

Digital and technology

## Quality Pub Estate

Balanced pub portfolio

Premiumisation of offer

Focus on high-returning growth capex

Disposal of tail

## Clear Financial Strategy

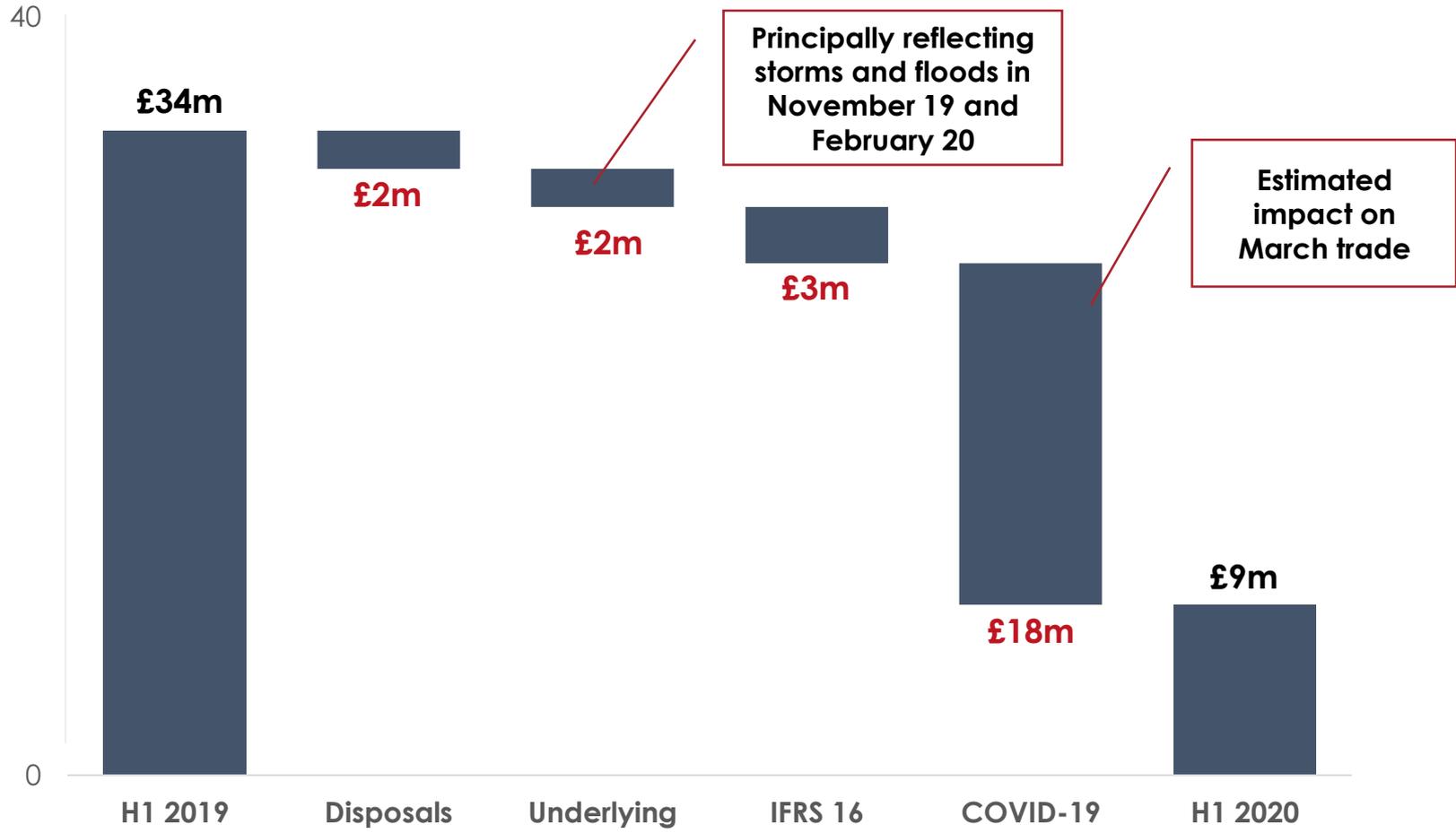
Continued focus on debt reduction

Future dividends to be funded from free cash flow before disposals



**Andrew Andrea**  
Chief Financial Officer

# H1 2020 earnings



## Cash flow

	2020 £m	2019 £m
<b>Operating cash flow</b>	<b>58</b>	<b>67</b>
Net interest	(44)	(44)
<b>Pre-investment FCF</b>	<b>14</b>	<b>23</b>
Organic capex	(43)	(47)
Disposals	64	29
Dividend	(30)	(30)
<b>FCF pre new-build and acquisitions</b>	<b>5</b>	<b>(25)</b>
New-build and acquisitions	(2)	(27)
<b>Net underlying cash flow</b>	<b>3</b>	<b>(52)</b>

## Debt structure

	2020 £m	2019 £m
Securitised (amortisation profile to 2035)	728	761
Bank	314	321
<b>Debt excluding property leasing</b>	<b>1,042</b>	<b>1,082</b>
Property leasing (35-40 year financing)	337	336
<b>Net borrowings pre IFRS 16</b>	<b>1,379</b>	<b>1,418</b>
Lease obligations under IFRS 16	320	20
<b>Net debt post IFRS 16</b>	<b>1,699</b>	<b>1,438</b>

## IFRS 16 impact

- **No impact on net cash flow**
  - c.£10m switch between operating cash flow and financing to reflect reclassification of rent
- **Income statement**
  - EBITDA up c£9m
  - Operating Profit up £4m
  - PBT down £3m
- **Balance sheet**
  - Additional lease liabilities of £295m
  - Other net assets up £282m principally reflecting right-of-use assets

# COVID-19 financing

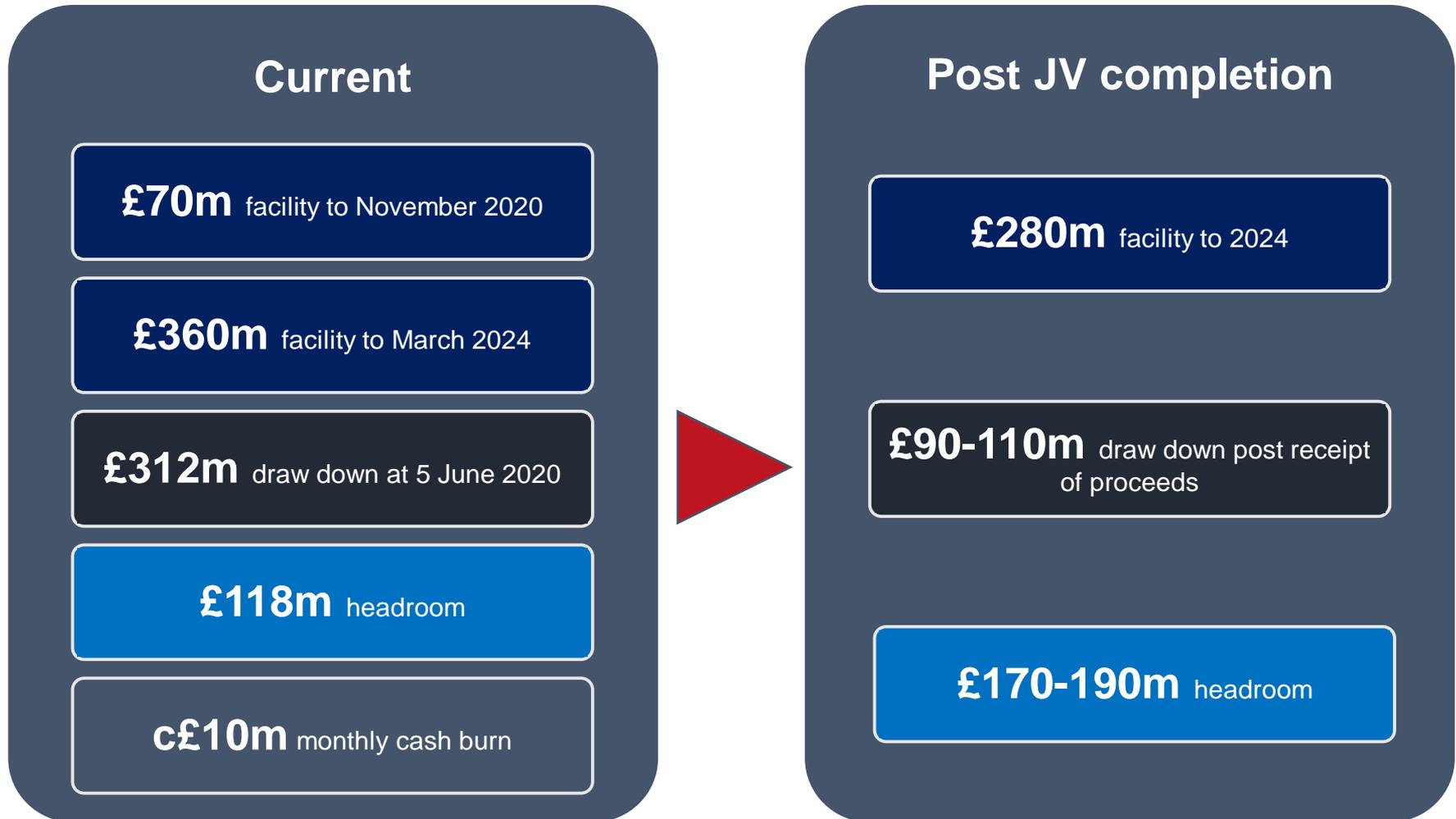
- **Banking arrangements**

- Agreed £70m of additional liquidity through increased bank facility
- Agreement to amend covenants for September 2020 and March 2021
- New facility together with mitigating actions and Government support provide liquidity to meet financial obligations beyond the end of the financial year

- **Securitisation**

- Request made to bondholders for limited number of technical waivers and amendments to January 2021
- Strong bondholder support – 99.6% voted, 96.1% in favour

## Evolution of bank facilities



## High quality pub estate

	Pubs		Lodges		Total
	Number	Value (£m)	Number	Value (£m)	Value (£m)
Securitized	950	1,223	7	14	1,237
Non-Securitized					
Unsecured Freehold	154	334	5	14	348
Freehold – Property Lease	113	380	7	19	399
<b>Total Freehold</b>	<b>1,217</b>	<b>1,937</b>	<b>19</b>	<b>47</b>	<b>1,984</b>
Leasehold (IFRS 16 Value)	154	270	11	19	289
<b>Total</b>	<b>1,371</b>	<b>2,207</b>	<b>30</b>	<b>66</b>	<b>2,273</b>
<b>Freehold Mix (%)</b>	<b>89%</b>		<b>63%</b>		

## Looking forward

- **Strengthened balance sheet from Beer Company transaction**
  - Continued focus on debt reduction
- **Quality pub estate well placed for post COVID-19 environment**
  - Sector supply contraction likely – ‘survival of the fittest’
  - Over 90% of the estate with gardens
  - C.90% freehold estate predominantly based away from large city centres
  - Operate across the pub spectrum – both food-led and wet-led
- **High quality substantially freehold pub estate**
  - Guest and team focused agenda for growth – autumn capital markets day
  - Improve organic performance through increased focus and simplification

# Summary

- **Significant impact from COVID-19 on pubs and Beer Company**
  - Swift actions to protect liquidity
  - Clear plans in place for reopening; uncertainty on revenue and earnings profile
- **Creation of Carlsberg Marston's Beer Company**
  - Significantly improves balance sheet strength
  - Provides future opportunity to benefit from material synergies
  - Retains interest in brewing
- **High quality substantially freehold pub estate**
  - Well placed despite COVID-19 uncertainties



*Pitcher & Piano, Nottingham*



# APPENDICES

## Financial Summary – Statutory basis

	2020	2019
Revenue	£510.5m	£553.1m
Operating profit	£19.7m	£63.2m
PBT	£(33.2)m	£16.3m
EPS	(4.4) pence	2.2 pence

## Pub numbers

	<b>Total</b>
2019 closing	1,539
New-build additions/acquisitions	-
Transfers	-
Disposals	(168)
H1 2020 closing	1,371
2018 average numbers	1,557
2019 average numbers	1,541

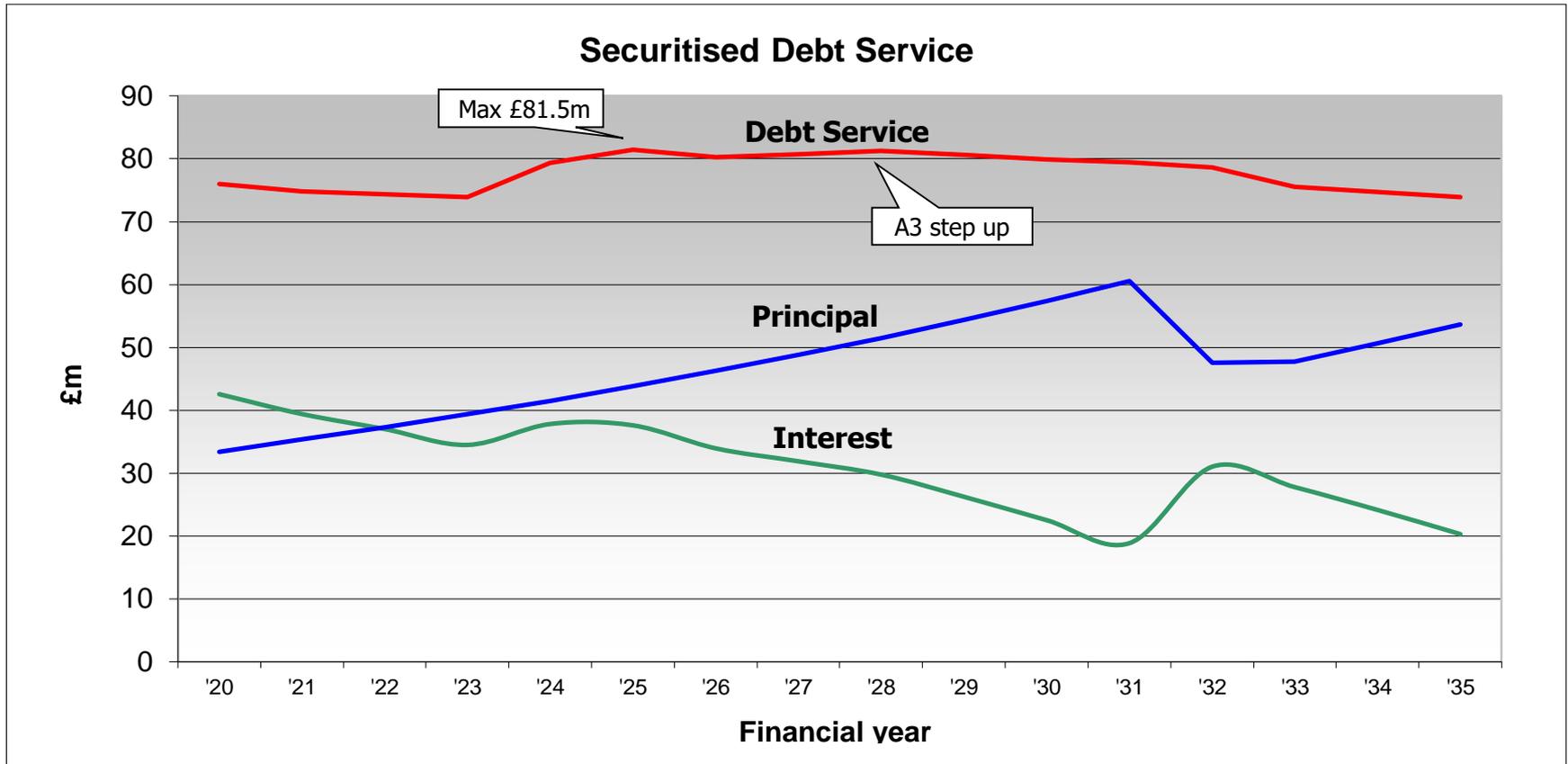
## Historical Total LFL

	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)%

## Securitised debt profile

Tranche	Type	Principal outstanding at 28 March 2020	Step-up date	Final maturity date
A1	Floating	£7.2m	July 2012	2020
A2	Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£156.8m	October 2012	2031
B	Floating	£155.0m	July 2019	2035
Total		£733.0m		

# 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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