



8 January 2021

MARSTON'S PLC
("Marston's" or "the Company")

Q1 Update

Marston's PLC issues the following update for the 13 weeks ended 2 January 2021.

Trading and Business Outlook

During the 13-week period, trading was materially disrupted due to Covid-19 related trading restrictions imposed across England, Scotland and Wales. Total pub revenues for the quarter were £54 million.

Following the imposition of lockdowns across the UK in recent days, all our pubs are closed. We do not have certainty about the timing of reopening, but in view of comments from the Prime Minister about the potential for lifting restrictions as the vaccination programme progresses we anticipate that pubs will be closed for trading until March at the earliest, and expect some of the previous restrictions to remain on reopening.

Despite this disruption, we remain focused on the strategic development of the business. The joint venture between Carlsberg UK and Marston's Beer Company completed on 30 October 2020 and we received initial proceeds of £233 million which were used to reduce debt. The profit on disposal of Marston's Beer Company into the joint venture is estimated to be around £280 million and the spot value of the contingent payment to be received in October 2021 is approximately £20 million.

In December 2020 we exchanged contracts with SA Brain to operate its portfolio of 156 pubs in Wales, on a combination of leased and management contract arrangements. These pubs generated a pre-COVID outlet EBITDA of £14 million from which we will pay rent of £5.5 million per annum with effect from April 2021, representing a 2.5x rent cover. This transaction does not compromise our stated financial strategy of reducing borrowings to below £1 billion by financial year 2024. A more detailed presentation of the transaction will be set out on completion in early February.

As we outlined in our preliminary results in December, when restrictions are lifted we expect consumer demand to be strong and that our pub estate, which is predominately located in suburban locations, will be well positioned. The SA Brain transaction demonstrates our commitment to growing our pub business and our confidence in the medium-term outlook for the UK pub sector.

Financing and Liquidity

During the quarter we have continued to focus on cash preservation with all non-essential spend avoided. Government support is being accessed through the job retention scheme, with 97% of our employees currently furloughed, and business rates relief. Recently announced grants will be applied for subject to compliance with State Aid rules.

Despite the ongoing temporary disruption to trading, we have significant liquidity following the completion of the joint venture. Bank drawings net of cash at 2 January were £104 million, from a £280 million facility which extends to 2024, providing bank facility headroom of £176 million.

In addition, within the securitisation we have generated sufficient cash in the period to make scheduled repayments of £18 million which fall due on 15 January. The securitisation also includes a £120 million liquidity facility of which £10 million is currently drawn.

Our providers of finance have continued to demonstrate support by granting waivers and amendments to covenants when requested, and we are confident of receiving their continued support in the future if it is needed.

As previously reported, we estimate that our cash burn in full lockdown is £3-4 million per week, before scheduled securitised payments. As a consequence of our having significant liquidity in our financing arrangements, the absence of any near-term refinancing requirements, and in the expectation that the outlook for the second half-year is much more positive, we remain confident in our ability to navigate the current difficult environment.

Ralph Findlay, Chief Executive of Marston's commented:

“The pub sector has been closed for much of the last nine months and remains in a very difficult position. Regrettably there have been casualties across the sector and it is vital that the Government reviews urgently the opportunity to continue to support pubs as we reopen the economy in the coming weeks. Pubs are viable businesses which are part of the social fabric of Britain and which make a major contribution to the economy and the communities in which they serve. It is vital that they not only survive the short-term crisis but are supported in order to recover and flourish. Extending the business rates holiday and VAT cut for the rest of this year is a minimum requirement.”

Despite these challenges, Marston's has a significantly strengthened balance sheet following the creation of the joint venture with Carlsberg and the financial headroom to weather the extended period of current trading restrictions. With the roll out of the vaccine programme now underway nationwide, we remain well positioned to rebuild trading momentum once restrictions are lifted, as well as to leverage potential market opportunities open to us. We have a clear strategy in place which leaves us confident for the future of our business over the medium term.”

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NOTES TO EDITORS

- Marston's is a leading pub operator with a 40% holding in Carlsberg Marston's Brewing Company
- It has an estate of 1,368 pubs situated nationally, comprising managed, franchised and leased pubs