Highlights

1. Growth in 2013 with H2 profit up 13%
   • Destination and Premium – 24% profit growth, 22 new-builds completed
   • Taverns – expansion of franchise replacing challenged tenanted model
   • Leased – stability achieved in smaller estate
   • Brewing – market share gains and continued growth

2. Acceleration of consistent strategy
   • Increased rate of high-returning new-build openings
   • Acceleration of disposals
   • Continued expansion of franchise

3. Disposal of 202 pubs for £90 million announced today

4. Dividend increased by 5% to 6.4 pence per share
Andrew Andrea
Chief Financial Officer
Revenue and profit growth with strong H2 performance

Revenue: £783m  +9%
Operating Profit: £168m  +7%
PBT: £88m  +1%
Dividend: 6.4p  +5%
CROCCE*: 10.8%  +0.5%

*Calculations included in appendices
Strong underlying performance

Growth in Destination and Premium, offset by finance costs and disposals
Interest charges

Securitised interest costs now falling

AB1 note interest £6.7m per annum
## Pub segmentation

### FY 2013

<table>
<thead>
<tr>
<th>Segment</th>
<th>Operating profit £m</th>
<th>No. of pubs</th>
<th>Average no. of pubs</th>
<th>Operating profit per pub £k</th>
<th>Growth capital allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destination &amp; Premium</td>
<td>70.3</td>
<td>349</td>
<td>339</td>
<td>207</td>
<td>90%</td>
</tr>
<tr>
<td>Taverns</td>
<td>69.5</td>
<td>1,316</td>
<td>1,379</td>
<td>50</td>
<td>7%</td>
</tr>
<tr>
<td>Leased</td>
<td>26.0</td>
<td>385</td>
<td>390</td>
<td>67</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>165.8</strong></td>
<td><strong>2,050</strong></td>
<td><strong>2,108</strong></td>
<td><strong>79</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

### 2012 Profit mix

- Destination and Premium: 47%
- Taverns: 17%
- Leased: 36%

### 2013 Profit mix

- Destination and Premium: 42%
- Taverns: 16%
- Leased: 42%

*Increasing proportion of direct control, improved quality of earnings*
## Destination and Premium LFL sales

### Food mix

<table>
<thead>
<tr>
<th>Food mix</th>
<th>2013</th>
<th>2012</th>
<th>YOY%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destination</td>
<td>56%</td>
<td>54%</td>
<td>+2%</td>
</tr>
<tr>
<td>Premium</td>
<td>25%</td>
<td>24%</td>
<td>+1%</td>
</tr>
<tr>
<td>Destination and Premium</td>
<td>52%</td>
<td>49%</td>
<td>+3%</td>
</tr>
</tbody>
</table>

H2 performance driven by strong food sales
H2 growth in franchised and managed; profit reflects higher disposals

Managed and Franchised LFL

- H1 2013: (2)%
- H2 2013: 2%
- FY 2013: -
- 7 weeks to 23 Nov: 2%
## 2014 cost outlook

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost (£m)</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drink cost</td>
<td>£2.0m</td>
<td>+3%</td>
</tr>
<tr>
<td>Food cost</td>
<td>£1.5m</td>
<td>+2-3%</td>
</tr>
<tr>
<td>Labour &amp; Carbon Levy</td>
<td>£1.5m</td>
<td>-3%</td>
</tr>
<tr>
<td>Drink prices</td>
<td>£2.0m</td>
<td>+1%</td>
</tr>
<tr>
<td>Food prices</td>
<td>£1.5m</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Cost savings</td>
<td>£1.0m</td>
<td></td>
</tr>
<tr>
<td>Menu management</td>
<td>£1.0m</td>
<td></td>
</tr>
<tr>
<td>Energy usage</td>
<td>£1.0m</td>
<td></td>
</tr>
</tbody>
</table>

Proven plans to offset inflation
Continued market outperformance

1. **Revenue and volume growth**
   - Revenue up 12%
   - Ale volume up 6%
   - Strong growth in off-trade
   - Market share growth in bottled and cask ale

2. **Robust financial performance**
   - Operating profit up 3%
   - Margins lower due to higher off-trade mix
   - Strong cash generation

3. **2014 cost outlook**
   - c.£1m of cost inflation
   - Mitigated through price and efficiencies
## Cashflow summary

<table>
<thead>
<tr>
<th>£m</th>
<th>2012</th>
<th>2013</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cashflow</td>
<td>168</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>Net interest</td>
<td>(76)</td>
<td>(83)</td>
<td>Securitised step-up</td>
</tr>
<tr>
<td>Pre-investment FCF</td>
<td>92</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>Net capex pre new-build*</td>
<td>(19)</td>
<td>(33)</td>
<td>£7m bottling line in Beer Company, D&amp;P investment including Revere</td>
</tr>
<tr>
<td>Dividend</td>
<td>(34)</td>
<td>(35)</td>
<td></td>
</tr>
<tr>
<td>FCF pre new-build</td>
<td>39</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>New-build</td>
<td>(59)</td>
<td>(72)</td>
<td>Increased WIP due to accelerated programme</td>
</tr>
<tr>
<td>Net cashflow</td>
<td>(20)</td>
<td>(54)</td>
<td></td>
</tr>
</tbody>
</table>

*FCF = free cashflow

*net of disposals

**Strong operating cashflow, increased investment in new-builds**
## Capex guidance

<table>
<thead>
<tr>
<th>£m</th>
<th>2014</th>
<th>2015</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>New-build</td>
<td>80</td>
<td>90</td>
<td>27 sites 2014, 30 sites 2015</td>
</tr>
<tr>
<td>Pub growth</td>
<td>25</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Pub maintenance</td>
<td>20</td>
<td>20</td>
<td>2015 – new EPOS system</td>
</tr>
<tr>
<td>Brewing and Group</td>
<td>15</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>c.£140m</strong></td>
<td><strong>c.£150m</strong></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>c.£150-160m</td>
<td>c.£60-70m</td>
<td></td>
</tr>
<tr>
<td><strong>Net capex</strong></td>
<td>£(20)-(10)m</td>
<td>£80-90m</td>
<td>Acceleration of new-build programme</td>
</tr>
</tbody>
</table>
## Financing structure

<table>
<thead>
<tr>
<th>As at 5 October 2013</th>
<th>Total £m</th>
<th>Future funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securitisation</td>
<td>911</td>
<td>Visible, consistent debt service profile</td>
</tr>
<tr>
<td>Bank</td>
<td>171</td>
<td>£257.5m facility extended to November 2018</td>
</tr>
<tr>
<td><strong>Net debt excluding lease finance</strong></td>
<td><strong>1,082</strong></td>
<td></td>
</tr>
<tr>
<td>Lease financing</td>
<td>109</td>
<td>35-40 year financing, opportunity to utilise further</td>
</tr>
<tr>
<td>Net debt</td>
<td>1,191</td>
<td></td>
</tr>
</tbody>
</table>

**Leverage excluding lease financing** 5.3x

Flexible financing structure, 90% long dated maturity, extended bank facility
Ralph Findlay
Chief Executive Officer
1. **Consumer backdrop presents opportunity**
   - Real incomes remain under pressure
   - Leisure occasions still in high demand

2. **‘Flight to value’ remains key consumer trend**
   - Trend across the consumer spectrum
   - Consumer increasingly demanding – mediocrity not acceptable
   - Pubs continue to narrow service gap relative to restaurant
   - Value + Service + Quality = Great Consumer Experience

3. **Small wet-led pubs challenged**
   - Lack scale to compete with well-invested managed and franchised pubs
   - Disproportionately affected by taxation and legislation
   - Anticipate acceleration of disposals

Well placed in current consumer environment
Sustainable growth; increase ROC; reduce leverage

Pubs
“The best place around here”

Strategy
Operating Flexibility
Estate Development
Consumer Focus

Brewing
“National distribution, local appeal”

Action
Format range Agreements Simple structure
New-builds Pub standards Disposals
‘F-Plan’ Value Service

Localness
Premium

Free Trade growth Local marketing
Category champions of premium ale Innovation

Targets
LFL sales Margin ROC
25-30 new pubs 2014/15 Disposals £210 -£230m
Food sales Margin ROC
Increase FT account base Outperform local market
Maintain market leader status Grow market share

Consistent strategy maintained
Return on capital

Strategy continues to improve returns

*calculations in appendix
Estate development: Creating value through new-builds

- **£110m of value creation** or c.20p per share
- Target ROI – 16.5% implies c.6x ‘acquisition’ multiple
- Target c.60 freehold pubs
- £170m of investment
- £28m of new-build EBITDA
- Value at 10x EBITDA* £280m

*Marston’s current EV/EBITDA multiple

Adding significant shareholder value
Estate development: Disposal of non-core pubs

1. **Portfolio disposal**

<table>
<thead>
<tr>
<th></th>
<th>No of pubs</th>
<th>MAT EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taverns</td>
<td>158</td>
<td>£9.2m</td>
</tr>
<tr>
<td>Leased</td>
<td>44</td>
<td>£3.0m</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>202</strong></td>
<td><strong>£12.2m</strong></td>
</tr>
</tbody>
</table>

2. **Proceeds of £90m**
   - Management fee of £0.4m per annum, 4 year income guarantee for retained pubs

3. **Represents 7.6x multiple net of management fee**

4. **Utilisation of funds saves £6.7m p.a. on pro-forma basis**
   - Repurchase £80m 8.35% AB1 note – pay down most expensive finance
   - Pro-forma reduction of leverage by 0.1x

5. **Further disposals: £60-70m p.a. over next 2 years**
## Estate development: Vision

<table>
<thead>
<tr>
<th>Operating model</th>
<th>2013</th>
<th>2016</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destination and Premium</td>
<td>Managed</td>
<td>349</td>
<td>c.430</td>
</tr>
<tr>
<td>Franchised, Managed</td>
<td>1,316</td>
<td>c.800</td>
<td>Franchise conversion Disposals</td>
</tr>
<tr>
<td>Leased</td>
<td>385</td>
<td>c.320</td>
<td>Franchise or Revere</td>
</tr>
</tbody>
</table>

### Key principles:
- New pub-restaurants provide growth and increased ROC
- Operating models under continuous development
  - Franchise is the key model for community pubs
- Low ROC assets disposed of to generate funds, increase ROC

Creating a higher quality estate
New-buil ds: The story so far

**Expertise**
- Stable team
- Strong reputation in market

**Delivery**
- Over 80 sites in the last four years, including 22 in 2013
- National programme including first Scottish sites

**Consistency**
- Tight ROC performance across new-build sites
- Rigorous selection process means no failures

**Longevity**
- Pre 2013 pubs continue to perform well
- Long term eating-out trends consistent with pub-restaurant investment

Well proven track record of high returning investment
New-builds: Looking forward

**Accelerate growth**
- Strong pipeline of sites with visibility to 2017
- Increasing rate of growth to 25-30 per annum

**National programme**
- 30% southern sites
- 25 Scottish sites in next five years

**Clear brand focus**
- Milestone and “Two for One” drive brands
- Continued evolution of formats to appeal to wider consumer base

**Incremental opportunity**
- Lodges – already operate three. 15 sites with lodge capability
- Alternative locations – not reliant on Retail Parks
Destination

High quality pub environment

**Great value food**

- 30 million meals p.a.
- 56% of sales
- Main meal £4.50 - £10
- Spend per head £6.40

Trends:
- customisation
- freshness
- ‘retail-tainment’
- health

**Premium drinks**

- Premium beers +10-12%
- Wine +15%
- Wine 27% of drink sales
- Soft drinks +8%

Trends:
- cask/craft
- premiumisation
- ‘world beers’
- soft drinks

**Service standards**

- Upselling opportunity
- Double digit growth in starters, desserts, coffee
- Technology – smart tills
- Feedback - “SMILE”

Trends:
- knowledge
- table service
- technology

Ideal for convenience, special treats and celebrations
Growing the drive brands: 5 year plan

- **138 pubs**
  - £250k EBITDA per pub

- **82 pubs**
  - £290k EBITDA per pub

- **220 pubs**
  - £265k EBITDA per pub

- **c 200 pubs**

- **c 200 pubs**

- **c 400 pubs**

Two drive brands underpin new-build investment
## Premium – 35 pubs and bars

**Pitcher & Piano**

<table>
<thead>
<tr>
<th>Now</th>
<th>Future plans</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Well recognised premium brand</em></td>
<td><em>Continuous organic investment</em></td>
</tr>
<tr>
<td><em>20 bars</em></td>
<td><em>Grow brand by 1-2 sites p.a. from 2015/16</em></td>
</tr>
<tr>
<td><em>Average turnover of £26k p.w.</em></td>
<td><em>6 sites identified for 2014</em></td>
</tr>
<tr>
<td><em>1st new site for several years-Hitchin</em></td>
<td><em>New-build Revere?</em></td>
</tr>
</tbody>
</table>

- 8 sites converted (6 in 2013)
- Initial signs encouraging
- Continuous learning
- Leverage into mainstream estate

**Future plans**

- Continuous organic investment
- Grow brand by 1-2 sites p.a. from 2015/16
- 6 sites identified for 2014
- New-build Revere?
Taverns: Great community pubs

Outstanding offers
- Everyday value food and drink
- Entertainment – TV sports, games
- ‘Community locals’

Motivated licensees
- Well trained, sales focused licensees
- Franchise model increasingly appropriate
- Range of agreements under franchise model

Well invested
- Attractive pubs, well-maintained gardens
- Well-situated
- AUV opportunities being realised

Community pubs are changing – for the better
Taverns: Why franchise works

A model that combines the best of managed and tenanted
Leased: Evolution of relationship

Higher quality smaller estate
- £80k EBITDA, 50% rental income mix
- Team dedicated to leased entrepreneurs
- Better engagement and understanding

Higher quality support
- Partnership approach
- Premiumising our service
- Products to technology supply

Higher quality income
- Capital investment
- Flexibility in agreements
- >90% licensee stability
Brewing: key drivers of growth

Market leading

- NO. 1 IN MARKET
  Premium cask and bottled ale

- BEST PREMIUM ALE RANGE
  +12% in 2013; +25% in 5 yrs.

- MARKETING
  Official Beer of England Cricket
  Local sponsorships

Innovation

- OPENING NEW MARKETS
  fastcask™
  HORECA market

- EXTEND RANGE
  Craft Beer, Single Hop

- INVESTMENT
  £7m bottling line in 2013

Development

- EXPORT
  +14% growth in 2013

- NEW MARKETS
  Russia, Europe, Asia

- PARTNERSHIPS
  Krusovice UK lager licence
  Shipyard Brewery, Maine

2013 Publican’s Choice Awards – Best National Cask Ale Brewer
Summary

1. **Strong profit growth in H2**

2. **Strategic plans well advanced**
   - Acceleration of well proven new-build programme
   - Increased disposal of smaller wet-led pubs
   - Franchise development
   - Premium beers and export

3. **Dividend increase reflects confidence**
Appendices
## Pub numbers

<table>
<thead>
<tr>
<th></th>
<th>Destination and Premium</th>
<th>Taverns</th>
<th>Leased</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012 Opening</strong></td>
<td>303</td>
<td>1,452</td>
<td>393</td>
<td>2,148</td>
</tr>
<tr>
<td>New-build additions</td>
<td>25</td>
<td></td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>Disposals</td>
<td></td>
<td>(23)</td>
<td></td>
<td>(23)</td>
</tr>
<tr>
<td><strong>2013 Opening</strong></td>
<td>328</td>
<td>1,429</td>
<td>393</td>
<td>2,150</td>
</tr>
<tr>
<td>New-build additions</td>
<td>22</td>
<td></td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Disposals</td>
<td>(1)</td>
<td>(113)</td>
<td>(8)</td>
<td>(122)</td>
</tr>
<tr>
<td><strong>2013 Closing</strong></td>
<td>349</td>
<td>1,316</td>
<td>385</td>
<td>2,050</td>
</tr>
<tr>
<td><strong>2013 average numbers</strong></td>
<td>339</td>
<td>1,379</td>
<td>390</td>
<td>2,108</td>
</tr>
</tbody>
</table>
Pub segmentation

INNS AND TAVERNS

**Destination & Premium**
Food sales mix 52%
- Destination – 2 value brands
  - Milestone, Two for One
- Premium
  - Pitcher & Piano, Revere
- New-build investment
  - Revere expansion
- 90% of growth capital

**Taverns**
Food sales mix 25%
- Community pubs
  - Franchise strategy
  - Flexible formats
  - Local engagement
- Franchise conversion
  - Turnover focused licensees
- 7% of growth capital

**Leased**
- Independent, individual
  - Distinctive pubs
  - Strong locations
  - Both food-led and drink-led
- Developing partnership
  - Improve engagement
- 3% of growth capital

Flexible operating model, consumer focused
<table>
<thead>
<tr>
<th>Securitisation results £m</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross debt outstanding as at 5 October 2013</td>
<td>995.6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>131.6</td>
</tr>
<tr>
<td>Free cashflow (FCF)</td>
<td>123.6</td>
</tr>
<tr>
<td>Debt service (DSCR)</td>
<td>84.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial covenants</th>
<th>Actual</th>
<th>Covenant</th>
</tr>
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<tbody>
<tr>
<td>FCF: DSCR</td>
<td>1.5x</td>
<td>&gt;1.1x</td>
</tr>
<tr>
<td>EBITDA:DSCR</td>
<td>1.6x</td>
<td>&gt;1.5x</td>
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<tr>
<td>Net worth</td>
<td>£598m</td>
<td>£90m</td>
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<tr>
<td>Tranche</td>
<td>Type</td>
<td>Principal outstanding at 3 October 2013</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>A1</td>
<td>Floating</td>
<td>£131.6m</td>
</tr>
<tr>
<td>A2</td>
<td>Fixed/Floating</td>
<td>£214.0m</td>
</tr>
<tr>
<td>A3</td>
<td>Fixed/Floating</td>
<td>£200.0m</td>
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<td>A4</td>
<td>Floating</td>
<td>£215.0m</td>
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<tr>
<td>AB1</td>
<td>Floating</td>
<td>£80.0m</td>
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<tr>
<td>B</td>
<td>Fixed/Floating</td>
<td>£155.0m</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>£995.6m</strong></td>
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</table>
Securitisation profile

Securitised Debt Service

Debt Service

Max £86.8m

A2, B step-up

A3 step-up

Interest

Principal

Financial year

Financial year

Securitised Debt Service

£m

0

10

20

30

40

50

60

70

80

90

100

'14

'15

'16

'17

'18

'19

'20

'21

'22

'23

'24

'25

'26

'27

'28

'29

'30

'31

'32

'33

'34

'35
### Cash return on cash capital employed

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2012</th>
<th>FY2011</th>
<th>FY2010</th>
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<tbody>
<tr>
<td><strong>FIXED ASSETS:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Goodwill</td>
<td>224.2</td>
<td>224.2</td>
<td>224.2</td>
<td>224.2</td>
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<tr>
<td>Other intangible assets</td>
<td>24.1</td>
<td>6.1</td>
<td>30.2</td>
<td>23.5</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,063.6</td>
<td>185.9</td>
<td>(575.3)</td>
<td>1,674.2</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>12.8</td>
<td>12.8</td>
<td>14.3</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Inventories</td>
<td>21.5</td>
<td>21.5</td>
<td>22.2</td>
<td>22.2</td>
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<tr>
<td>Assets held for sale</td>
<td>59.9</td>
<td>59.9</td>
<td>39.2</td>
<td>39.2</td>
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<tr>
<td>Debtors</td>
<td>69.0</td>
<td>69.0</td>
<td>62.5</td>
<td>62.5</td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors *</td>
<td>(188.4)</td>
<td>(188.4)</td>
<td>(175.2)</td>
<td>(175.2)</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>2,286.7</td>
<td>192.0</td>
<td>(575.3)</td>
<td>1,903.4</td>
</tr>
<tr>
<td><strong>AVE. NET ASSETS</strong></td>
<td>1,886.3</td>
<td>1,934.7</td>
<td>1,984.3</td>
<td>1,965.1</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>204.1</td>
<td>198.6</td>
<td>195.8</td>
<td>188.6</td>
</tr>
<tr>
<td><strong>CROCCE (Ave Net Assets)</strong></td>
<td>10.8%</td>
<td>10.3%</td>
<td>9.9%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

* Trade and other payables + Other non-current liabilities + Provisions for other liabilities and charges