



23 December 2020

MARSTON'S PLC TO OPERATE SA BRAIN ESTATE OF 156 PUBS SAFEGUARDING 1,300 JOBS IN WALES

HIGHLIGHTS

- Marston's PLC ("Marston's" or "the Group") to operate 141 SA Brain & Co Ltd ("Brains") freehold pubs under the Brains brand
- A further 15 leasehold sites to be operated under management contract
- Proforma pre-COVID outlet EBITDA of £14 million, with rent cover of 2.5x
- Good quality, well-invested pub estate
- 1,300 pub employees transferring to Marston's safeguarding jobs

BACKGROUND AND RATIONALE

Marston's today announces that contracts have been exchanged with Brains to operate its portfolio of 156 pubs in Wales, on a combination of leased and management contract arrangements.

Established in Cardiff in 1882, Brains is an iconic family business, synonymous with pubs and brewing in Wales with which Marston's has had a longstanding relationship. Brains owns a portfolio of 156 pubs, principally located in South and West Wales, as well as the heritage beer brand of Wales of the same name. The pub business comprises a freehold estate of 86 managed and 55 tenanted pubs, together with a leasehold estate of 15 managed pubs and bars. The pub business currently employs around 1,300 people.

As a consequence of the challenges of COVID, and in particular the recently announced more stringent additional trading restrictions in Wales, Brains' business has been under significant financial pressure. In order to address Brains' immediate funding requirements, Marston's entered into collaborative discussions with the company with a view to preserving the freehold capital value for its stakeholders, protecting Brains strong, heritage brand name and, importantly, safeguarding the jobs of the pub teams within the business.

The agreement, which has the unanimous support of the Brains' Board and its lenders, is consistent with Marston's long-term strategy as a focused pub operator, post the recent disposal of its brewing assets, and strengthens the Group's representation in South and West Wales. Marston's currently has 106 pubs in Wales and has undertaken significant investment in newbuild pubs over the last 10 years. The Brains' pub portfolio is entirely complementary with the existing Marston's estate comprising a mix of well invested, high quality, destination food and wet-led community pubs, as well as pubs with an accommodation offer providing over 200 bedrooms, in prime locations. Marston's intends to continue to operate these pubs under the Brains' brand and continue to offer Brains' beers in these pubs.

FINANCIAL IMPACT

Marston's will operate the 141 freehold pubs on a leasehold basis, with effect from February 2021, with rent chargeable from April 2021. The majority of these will be on long lease agreements of 25 years. The outlet level EBITDA on a pre-COVID basis is £14 million and annual rent of £5.5 million will be charged from April 2021. In addition, Marston's will operate the 15 short-leasehold sites on a management contract basis for a period of two years.

The c1,300 people currently employed in the pub business will transfer across to Marston's and an initial incremental central overhead of up to £2 million will be required to operate the additional pubs.

It is anticipated that the transaction will be earnings accretive in the first year post completion. In addition, Marston's sees opportunities to further grow earnings in the medium term through conversion to franchise and additional investment opportunities in the estate. The transaction does not impact Marston's financial strategy to reduce borrowings to below £1bn by financial year 2024.

It is anticipated that the transaction will complete in February 2021 and a more detailed presentation of the transaction will be set out on the completion date.

Sapient Corporate Finance acted as sole financial adviser to Marston's.

Ralph Findlay, Chief Executive of Marston's, commented:

"We have worked closely with the management team and the SA Brain family to collaborate on a mutually beneficial transaction that safeguards the future of Wales' leading pub company, enabling these great pubs to have a stable and successful future, and securing 1,300 hospitality jobs in Wales.

"This transaction is entirely consistent with Marston's long-term strategy as a focused pub operator and strengthens our representation in South and West Wales, whilst protecting the heritage and independence of an iconic Welsh business. These high quality pubs are a great fit with our existing estate and will benefit from Marston's scale and operational expertise to further unlock their excellent long-term potential. We look forward to the pub teams joining us and to welcoming guests and the communities which they serve, back into these pubs as the country emerges from the pandemic over the weeks and months ahead."

John Rhys, Chairman of Brains, said

"This agreement marks the formation of a lasting strategic relationship with Marston's which secures the future of Brains' pubs and 1,300 of our employees within them. We know and trust Marston's to be excellent custodians of our pubs and, whilst this is not a decision we have taken lightly, we are confident that both our pubs – and our pubs teams - will thrive under their stewardship. Furthermore, this transaction enables Brains to recapitalise its balance sheet and continue its long heritage as an independent entity, preserving this great Welsh business for generations to come. We thank all our stakeholders and our advisers, Evercore, for their steadfast support which has enabled us to achieve this transaction in these unprecedented times."

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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