



**MARSTON'S**

# Interim Results 2022



**Andrew Andrea, Chief Executive Officer**  
**Hayleigh Lupino, Chief Financial Officer**

*Navigation, Stoke Bruerne*



# ANDREW ANDREA

WE'RE NOW  
open!

PITCHER & PIANO

- Resilient trading despite Omicron disruption; improving trends
- Improving net underlying cashflows
- Encouraging progress on guest, standards, engagement scores
- Significant change management activity underpinning new strategy
- Simplification of business – segmentation and category management
- Pubs well-placed to meet macro-challenges

- **Stable and resilient consumer**
  - Footfall decline versus 2019 slowly improving; older customers beginning to return
  - Sales trends stable, more predictable monthly sales cycle
  - Increased discounting by some in market place, return of 50% offers
  - Do not compromise experience – service, product, standards
- **Cost and labour dynamics**
  - Challenging inflationary outlook and food supply pressures
  - Labour market supply and cost pressures
  - Price, innovation and agility required to mitigate
- **Pubs historical resilience**
  - Demand to socialise remains strong
  - Pubs are “affordable socialising”
  - Community pubs more resilient than city centre

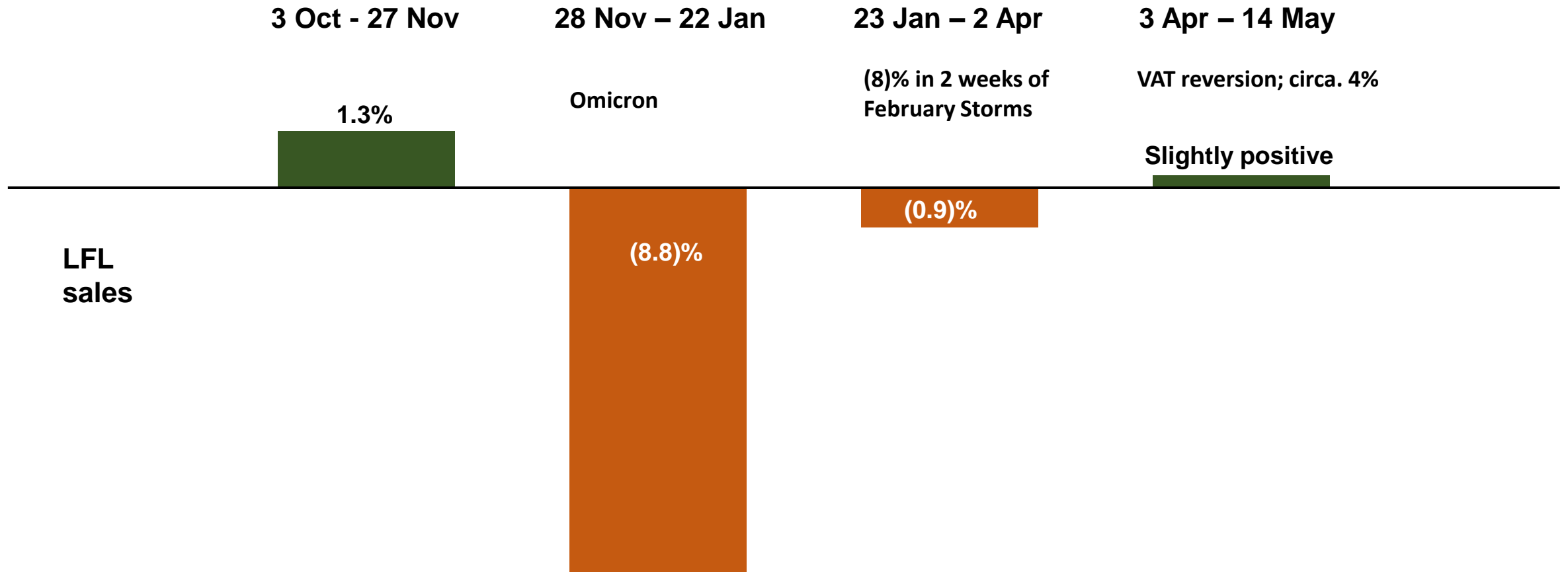


HAYLEIGH LUPINO

	2022	2021	Comments
Revenue	£370m	£55m	
<b>Pub operating profit/(loss)</b>	<b>£40m</b>	<b>£(57)m</b>	<b>Return to pub profitability</b>
Loss from associates	£(2)m	£(21)m	No CMBC dividend expected in FY22
Loss before tax	£(8)m	£(122)m	
Loss per share	(1.0) pence	(17.0) pence	

*Underlying continuing operations results for the period*

# H1 like for like sales performance vs FY2019



	2022 £m	2021 £m	Comments
<b>Operating cash flow (excluding one-off Duty/VAT)</b>	<b>80</b>	<b>(47)</b>	
Net interest	(41)	(45)	
<b>Pre-investment FCF</b>	<b>39</b>	<b>(92)</b>	
Organic capex	(29)	(19)	FY22E c.£55m FY23 c.£60-£65m
Disposals	3	13	35% higher than NBV
<b>Net recurring cash flow</b>	<b>13</b>	<b>(98)</b>	
<b>Exceptional cash flows</b>			
Deferred Duty and VAT	<b>(50)</b>		
Brewing disposal proceeds	<b>28</b>	<b>228</b>	£28.2m contingent payment Dec 21
Bank swap termination		<b>(20)</b>	
<b>Net cash flow</b>	<b>(9)</b>	<b>110</b>	



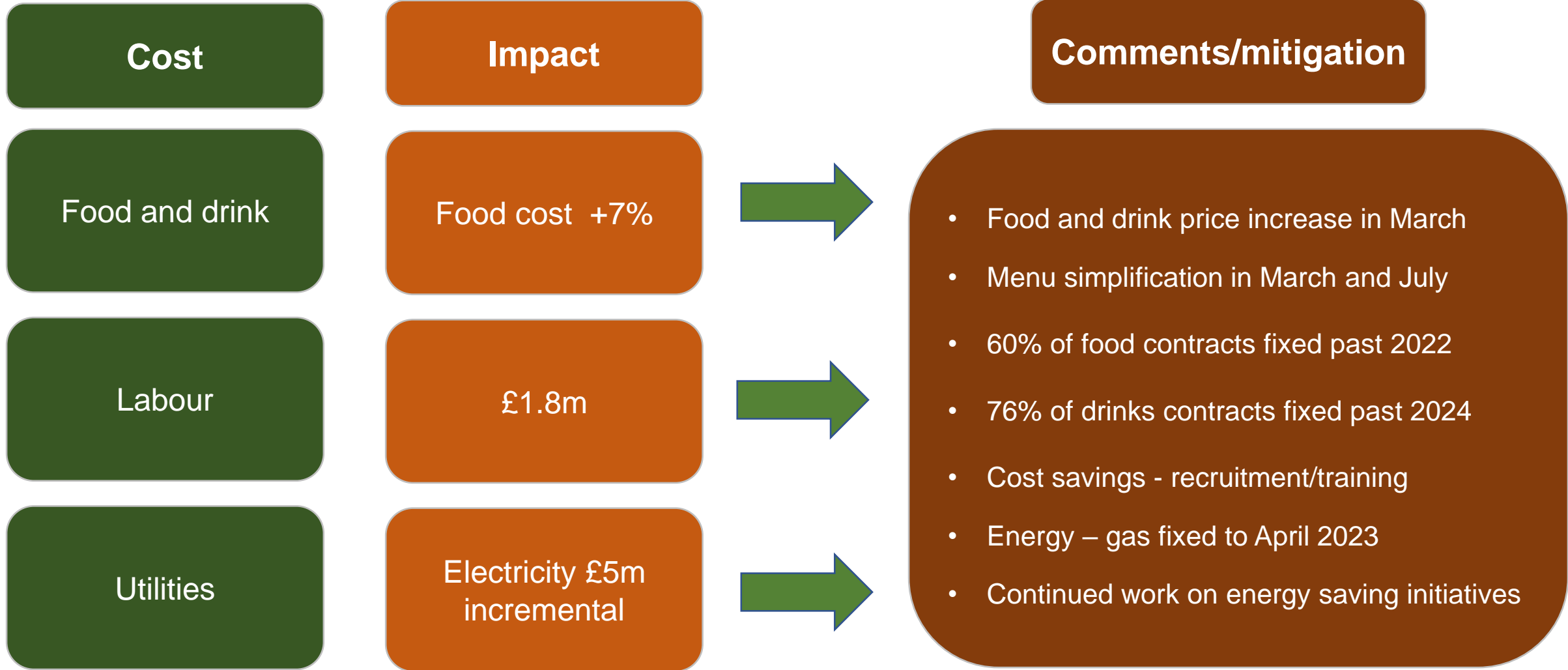
	2022 £m	2021 £m	2020 £m
<b>Medium term</b>			
Bank and cash (£280m 2024 facility)	191	148	274
Private placement (2024 facility)	40	40	40
<b>Long term</b>			
Securitisation (2035 maturity)	679	705	728
Property leasing (35–40-year financing)	337	337	337
<b>Net debt pre IFRS 16</b>	<b>1,247</b>	<b>1,230</b>	<b>1,379</b>
Lease obligations under IFRS 16 (includes Brains)	373	382	320
<b>Net debt post IFRS 16</b>	<b>1,620</b>	<b>1,612</b>	<b>1,699</b>

**On track to reduce borrowings to below £1bn (excl. IFRS 16) by 2025**

- **Property**
  - Move to annual valuations from triennial valuations
  - 1/3 of pubs valued on a rotational basis
  - First tranche in H2
  - Disposals 35% higher than NBV
- **Pensions**
  - £4.9 million accounting surplus vs £14.4 million deficit Oct 2021
  - £6m annual cash outflow
  - Next triennial valuation 2023
- **NAV**
  - 7p increase in NAV per share



# Cost guidance H2 FY22 vs previous guidance



## Marston's Pubs

- Disposals - £(8)m
- Brains - £10m
- IT - Cap-ex to Op-ex £(6)m
- H2 Cost guidance –
  - Energy - £(5)m
    - £(10)m annual
- IFRS 16:
  - Rent £24m
  - Depreciation & Interest - £(27)m

## CMBC

- **MBC -2019**
  - £44m – EBITDA
  - £33m - EBIT
  - £17m - Cap-ex
- **No expected dividend in FY22**



# ANDREW ANDREA

## Core Pub Goals

Loved by Guests: All of our pubs 800 Reputation or more  
‘Trusted’: All of our pubs to be 5\* EHO  
‘Great Place to work’: Peakon engagement 8 or more  
Sales Culture – “Maximise footfall and sales per guest visit”

**Solid H1 progress:**

Reputation +c100

EHO +0.1

Peakon retained

## Core Corporate Goals

“Better than the rest” Consistent market outperformance in both food and wet  
“Back to a Billion”: Sales >£1bn; Borrowings <£1bn by 2025  
Committed to being a responsible and sustainable business

We are Guest Obsessed

We Raise the Bar

We will Grow

## Financial strategy driving shareholder value

Grow earnings

Progressive and sustainable dividend

Reduce debt

Debt:equity transfer

Increase returns

Increase NAV

- **Insight at the heart of all decisions**
  - All trading decisions: “Does it matter to Guest?”
  - Reputation insight platform significantly changing behaviour
- **Segmentation of estate**
  - Driven by target guest and reason to visit
  - Conversion plans key to driving growth
- **Category overhaul**
  - Category process aligned to segmentation
  - Redefined price mapping and laddering
- **Guest journey**
  - Booking system rollout
  - Customer call handling trial



Reputation



- **Food quality - number one driver of satisfaction**
  - Too many menus, dishes, ingredients
  - No alignment to segmentation
  - Low internal advocacy
- **Menu relaunch project**
  - Nimble behaviour – three month turnaround
  - Commercial, operations, HR and finance alignment
  - No compromise on quality – remove what is not important to guest, reinvest where required
  - Comprehensive training and digital spec book
- **Outcome - focused and efficient category management**
  - Menus reduced from 16 to 8 main course menus – aligned to segments
  - 35-50% of dishes changed; 20% fewer SKUs
  - Spec increase enabled price increases
  - Net LFL cost saving – reinvest in weaker dishes
- **Positive initial feedback**
  - Guest scores improving; minimal comment on price
  - Internal advocacy – operations and support





- **Recruit**

- Key external hires in H1
  - Recruitment and Resourcing, Category Management, Digital
  - 2 x Director of Operations (Food-Led)
- 30% change of leadership group (direct reports to Ex Com)
- Apprenticeship programme key to future talent pipeline.
- “Latitude” – Ex-offender programme

- **Reward**

- Hourly rate investment – no longer minimum wage payer; “investment not cost”
- “800 Club” – quarterly incentive for high achieving licensees
- Sharesave reinstated to wider business
- LTIP extended to Leadership Group

- **Retain**

- Launch of Peakon engagement platform – monthly survey and feedback
- Simplified online monthly and quarterly review system
- Online Training Platforms: Attensi and Campus
- Wellbeing programmes



- **Simplified segmentation of business**
  - Community – good value local pubs at heart of community
  - Signature – elevated experience; timeless country pub atmosphere
  - Revere – most aspirational offer; special occasion
- **Food-led review completed September 2022**
  - Shift from c.80% value to c.33%
  - Conversion target ROC 30%; 10 conversions completed in H1 2022; 8 in H2; c.50pa 2023 -25
  - Tactical “capex-lite” exit of “Two for One” by end-September 2022 (c.75 pubs)
- **Wet-led review of franchise and managed pubs now completed (c.900 pubs)**
  - 10% to convert to Signature; first conversion by end of 2022, programme completion by 2026
  - Lower capex requirement c.£150-200k; target ROC 30%
  - Extending review to tenanted and leased



# Community Wet

## Kings Arms, Killingworth (Previously Shire Horse)

**£280k spend**

**Pre Capex**

£17k per week

£118k EBITDAR

**Post Capex**

AWT - £24k per week

Wet/food mix – 50/50

Projected EBITDAR - £305k

ROIC – 66.7%



# Signature Fields of Aylesford, Maidstone (previously Poppy Fields)

**£495k spend**  
**Pre Capex**  
**£22k per week**  
**£259k EBITDAR**

**Evaluation**  
**£33k per week**  
**Wet/food mix 40:60**  
**ROIC - 30%**



# Revere Country

Curious Cow, Harrogate

*(previously Old Spring Well)*

**£686k spend**

**(pub and rooms)**

**Pre Capex**

**£20k per week**

**£243k EBITDAR**

**Post Capex Target**

**AWT - £32k per week**

**Projected EBITDAR - £409k**

**ROIC – 24.2%**



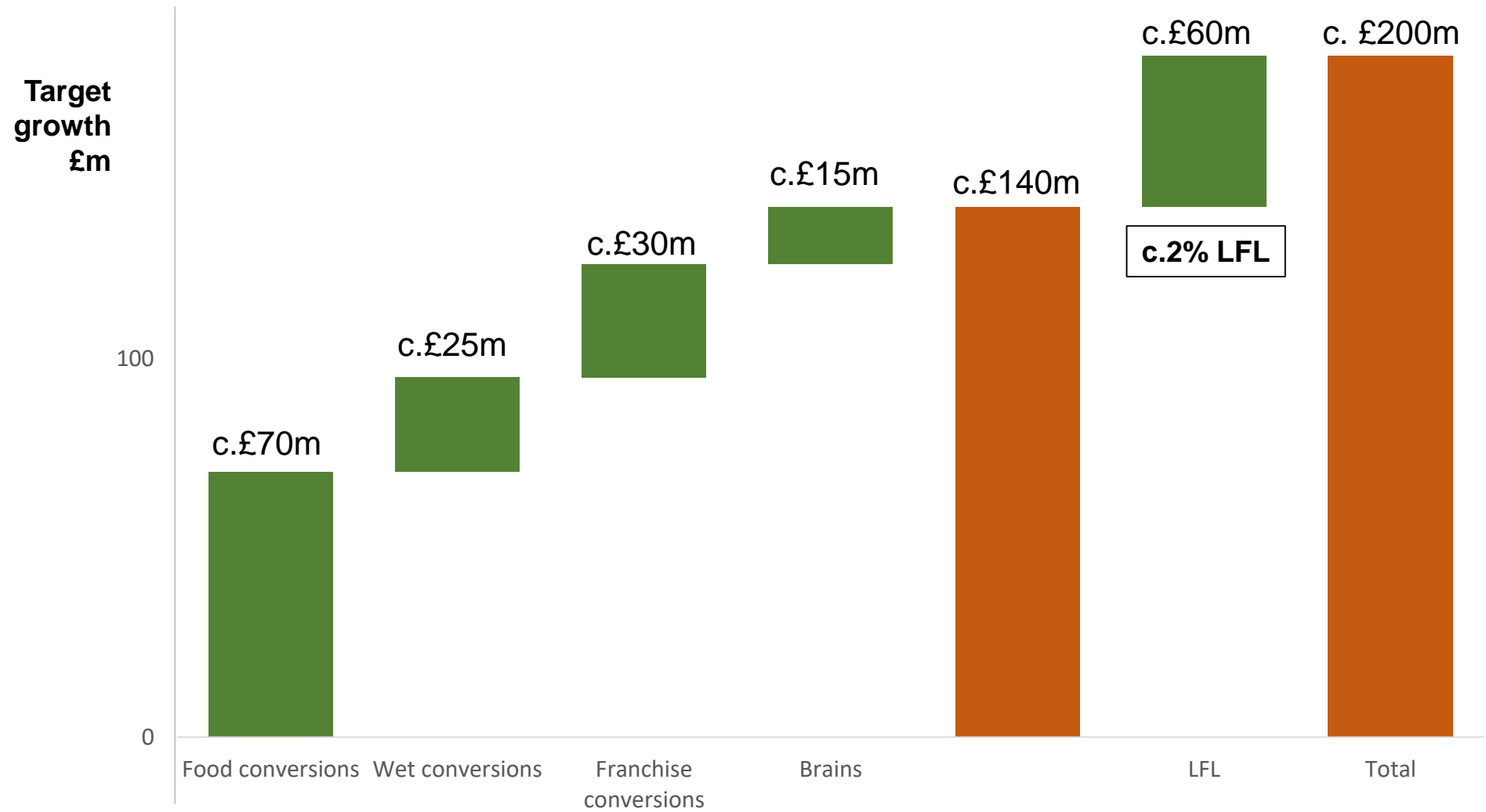
- **Strategic intention to continue to expand franchise**
  - Now operates in over 600 pubs within the estate
  - Proven model attractive to new licensees; drives sales and earnings growth
- **Extension of Pillar agreement**
  - Marston's takes share of drink and food sales
  - Partner has full control of menu, utilises Marston's buying power
  - Full sales visibility – menu on Marston's EPOS
  - 51 sites currently – target further 9 in current financial year
- **Franchise trial in four new-build pubs**
  - Operate under Community Wet offer
  - Encouraging early signs – double digit sales growth



- **High-quality business**
  - H1 sales outperform Marston’s Wales estate
  - 31 conversions to franchise
  - Rolling out Marston’s new menus
- **Scope for growth**
  - 2 conversions with strong returns, 4 planned for FY2023
  - Further opportunities identified within estate
  - Plans to novate 2 leases across to Marston’s
- **Framework for future M&A**



# Illustrative “Back to a Billion” - £1bn sales target





- **Environment**

- Net Zero: plans remain on track despite continued pandemic disruption
  - “Going Green” internal campaign. Incentive based, league table drive to reduce usage.
- Food wastage reduction: Plan being evaluated – targets to be set out at year-end



- **Social**

- Local and National Charity commitments
- Wellbeing programmes – Burnt Chef, Menopause pledge
- Employment opportunities to young and “second-chancers”
  - Apprenticeships
  - Ex-offenders



- **Governance**

- Strong governance framework embedded through organisation
- Board and Exec >50% female; Leadership Group c40%



- **Outlook**
  - Positive current trading; guest, standards, engagement
  - Price mitigating majority of inflation – no compromise on guest experience
  - Pubs historically resilient – “affordable socialising”
- **“Pubs to be proud of” creating a simpler and more efficient business**
- **H1 activity focussed on creating a high quality business sustainable for the long term**
- **Driving shareholder growth: “Back to a Billion”: Sales >£1bn; Borrowings below £1bn**
- **Doing business the right way: strong ESG agenda**

# QUESTIONS





# APPENDICES

	2022	2021
Revenue	£370m	£55m
Pub operating profit/(loss)	£46m	£(59)m
Loss from associates	£(2)m	£(21)m
Profit/(loss) before tax	£26m	£(106)m
Earnings/(loss) per share	3.1 pence	(14.6) pence

*Continuing operations results for the period*

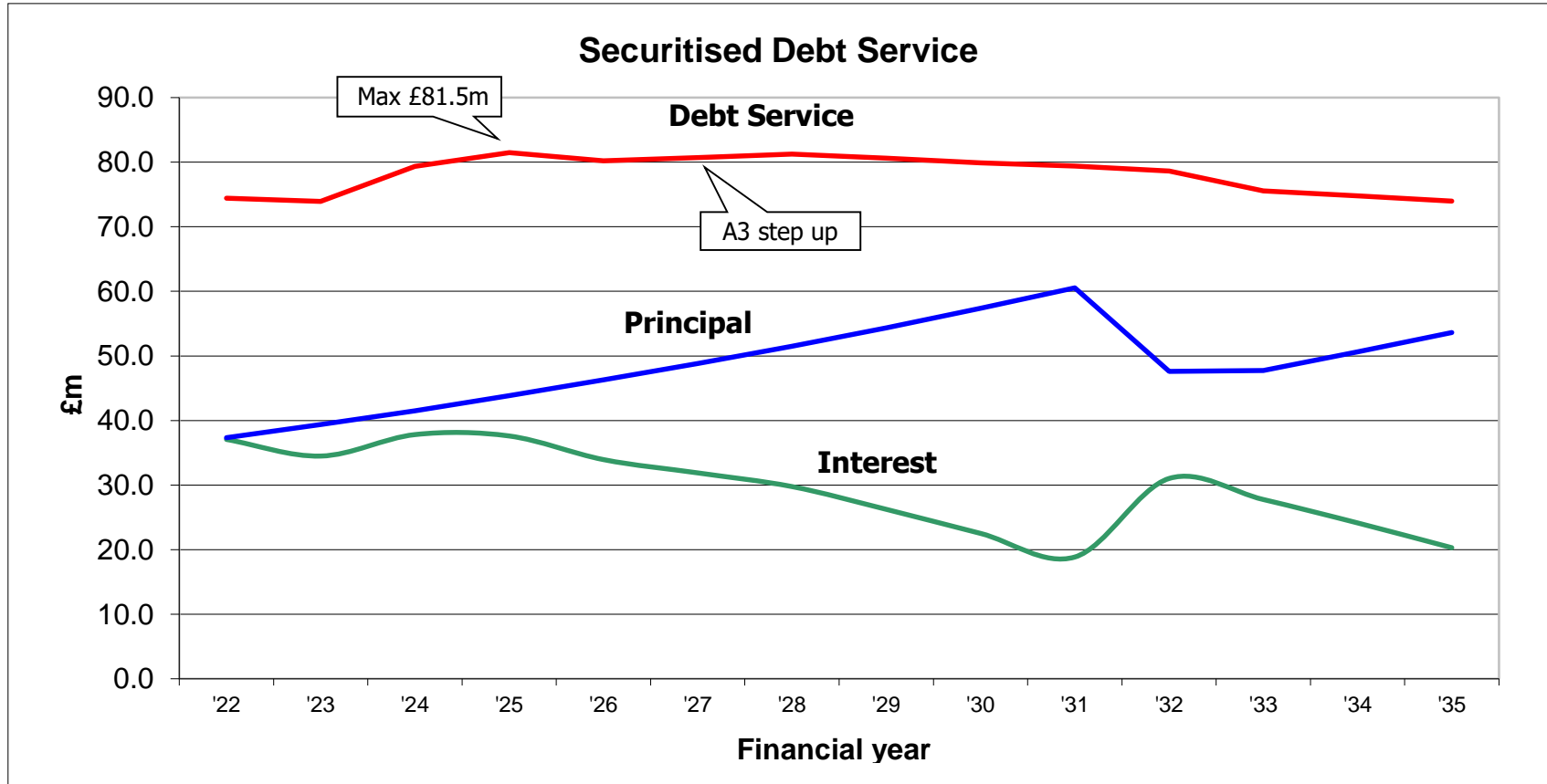
	Pubs		Lodges		Total
	Number	Value (£m)	Number	Value (£m)	Value (£m)
Securitized	943	1,095	7	13	1,108
Non-securitized					
Unsecured freehold	157	263	5	9	272
Freehold – property lease	113	251	7	18	269
<b>Total freehold</b>	<b>1,213</b>	<b>1,609</b>	<b>19</b>	<b>40</b>	<b>1,649</b>
Leasehold	269	310	11	17	327
<b>Total</b>	<b>1,482</b>	<b>1,919</b>	<b>30</b>	<b>57</b>	<b>1,976</b>
<b>Freehold mix</b>	<b>82%</b>		<b>63%</b>		

# H1 IFRS 16 – depreciation and interest analysis

£m	Depreciation		Interest	
	2022	2021	2022	2021
Non-IFRS 16	16.2	15.6	37.3	37.5
IFRS 16	5.9	5.2	8.1	7.2
<b>Total</b>	<b>22.1</b>	<b>20.8</b>	<b>45.4</b>	<b>44.7</b>

Tranche	Type	Principal outstanding at 2 April 2022	Step-up Date	Final maturity date
A2	Floating	£170.7m	July 2019	2027
A3	Fixed/floating	£200.0m	April 2027	2032
A4	Floating	£136.6m	October 2012	2031
B	Floating	£155.0m	July 2019	2035
Total		£662.3m		

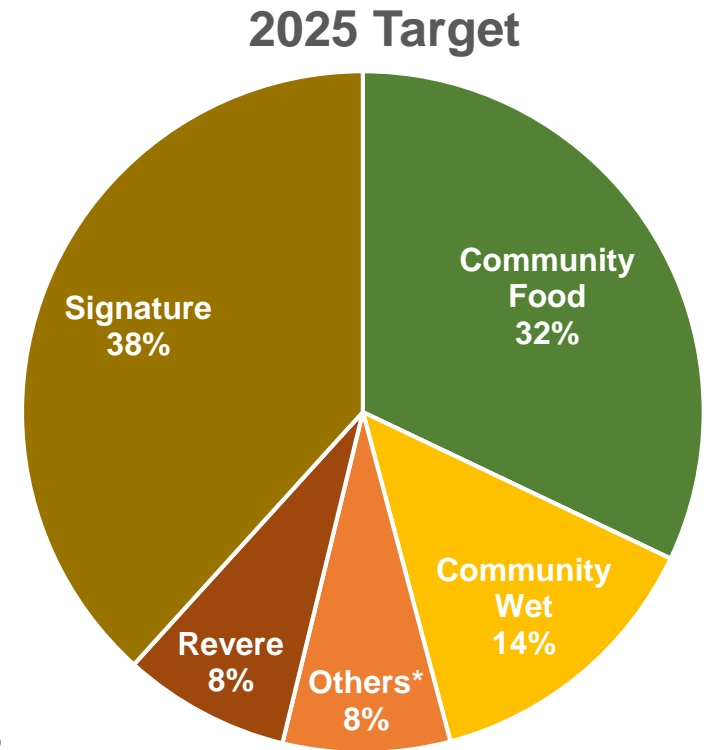
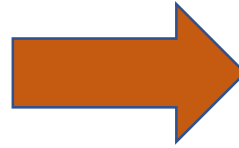
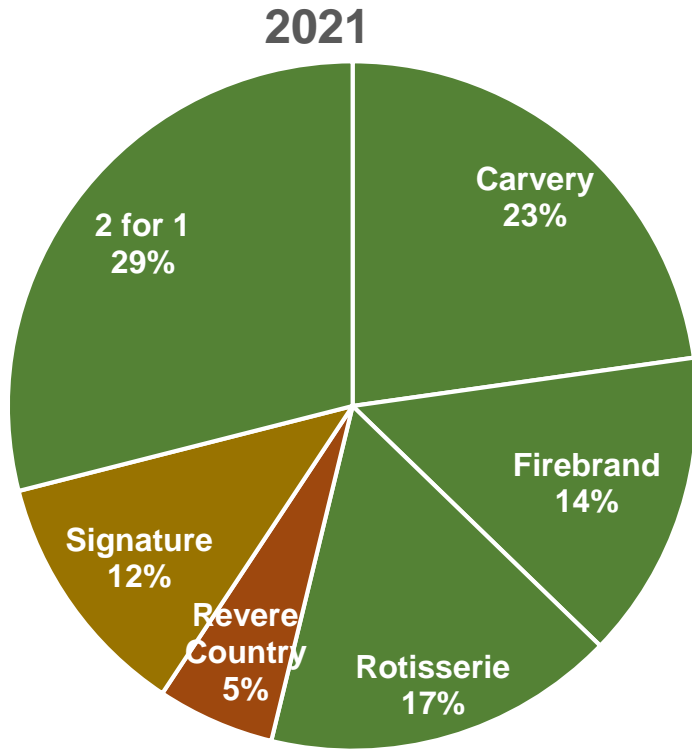




		FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal	£m	37.3	39.4	41.5	43.9	46.3	48.8	51.5	54.4	57.4	60.5	47.6	47.8	50.6	53.6
Interest	£m	37.1	34.5	37.8	37.6	33.9	31.9	29.8	26.3	22.5	18.9	31.0	27.8	24.2	20.3
Debt service	£m	74.4	73.9	79.3	81.5	80.2	80.7	81.3	80.7	79.9	79.4	78.6	75.6	74.8	73.9

	No of Pubs		Revenue (£m)		EBITDA (£m)		Operating profit (£m)	
	2022	2021	2022	2021	2022	2021	2022	2021
Managed and Franchised	1,185	1,152	349.3	51.8	50.5	(37.9)	29.1	(58.1)
Tenanted and Leased	297	353	19.7	3.1	11.4	1.8	10.7	1.3
<b>Total</b>	<b>1,482</b>	<b>1,505</b>	<b>369.0</b>	<b>54.9</b>	<b>61.9</b>	<b>(36.1)</b>	<b>39.8</b>	<b>(56.8)</b>

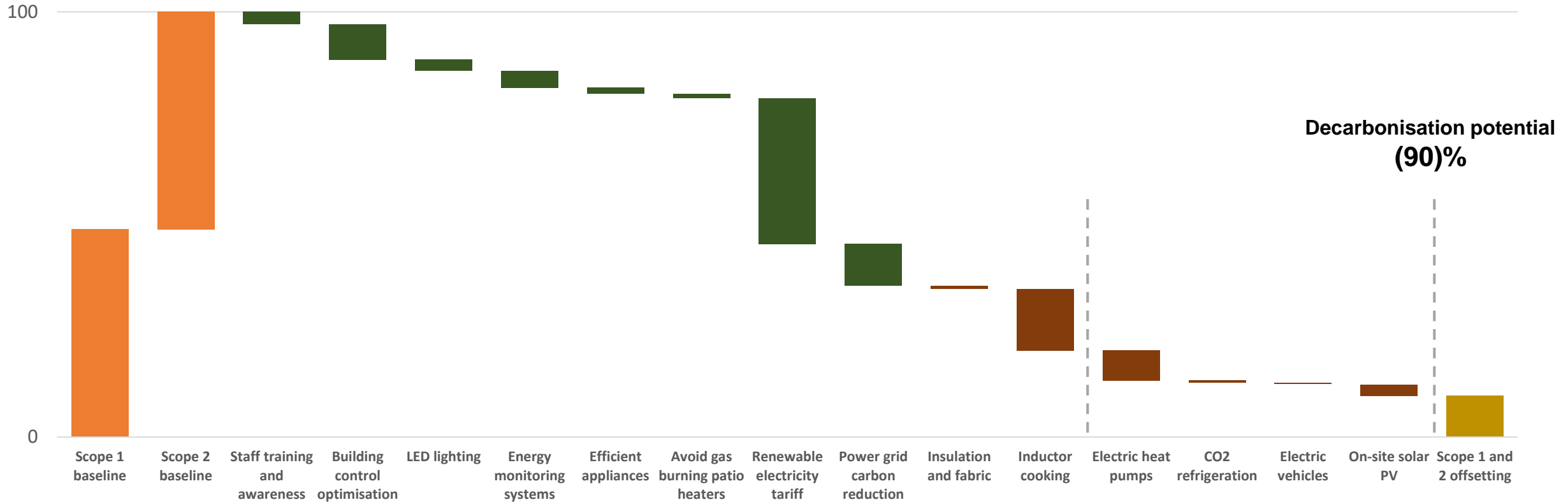
*Excluding disposals*



- **Proposed conversion spend £50-55 million over next four years**
  - New-build pubs lower cost to convert
- **Minimum target return – 30%**
  - 10 conversions in H1 2022; 8 in H2
  - C.50 pa 2023-25

\* Brains and Scottish food-led pubs

# ESG – pub decarbonisation pathway: scope 1&2



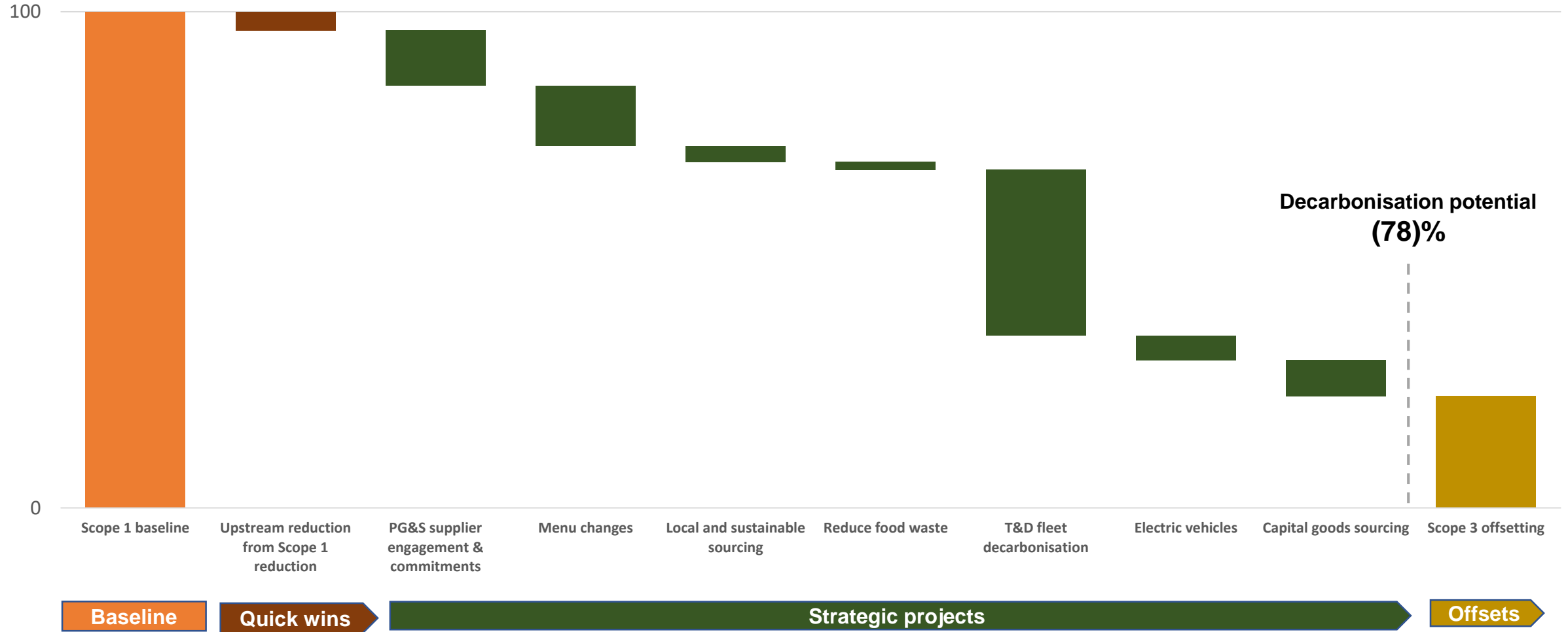
Baseline

Quick wins

Strategic projects

Offsets

# ESG – decarbonisation pathway: scope 3





[www.marstonpubs.co.uk](http://www.marstonpubs.co.uk)