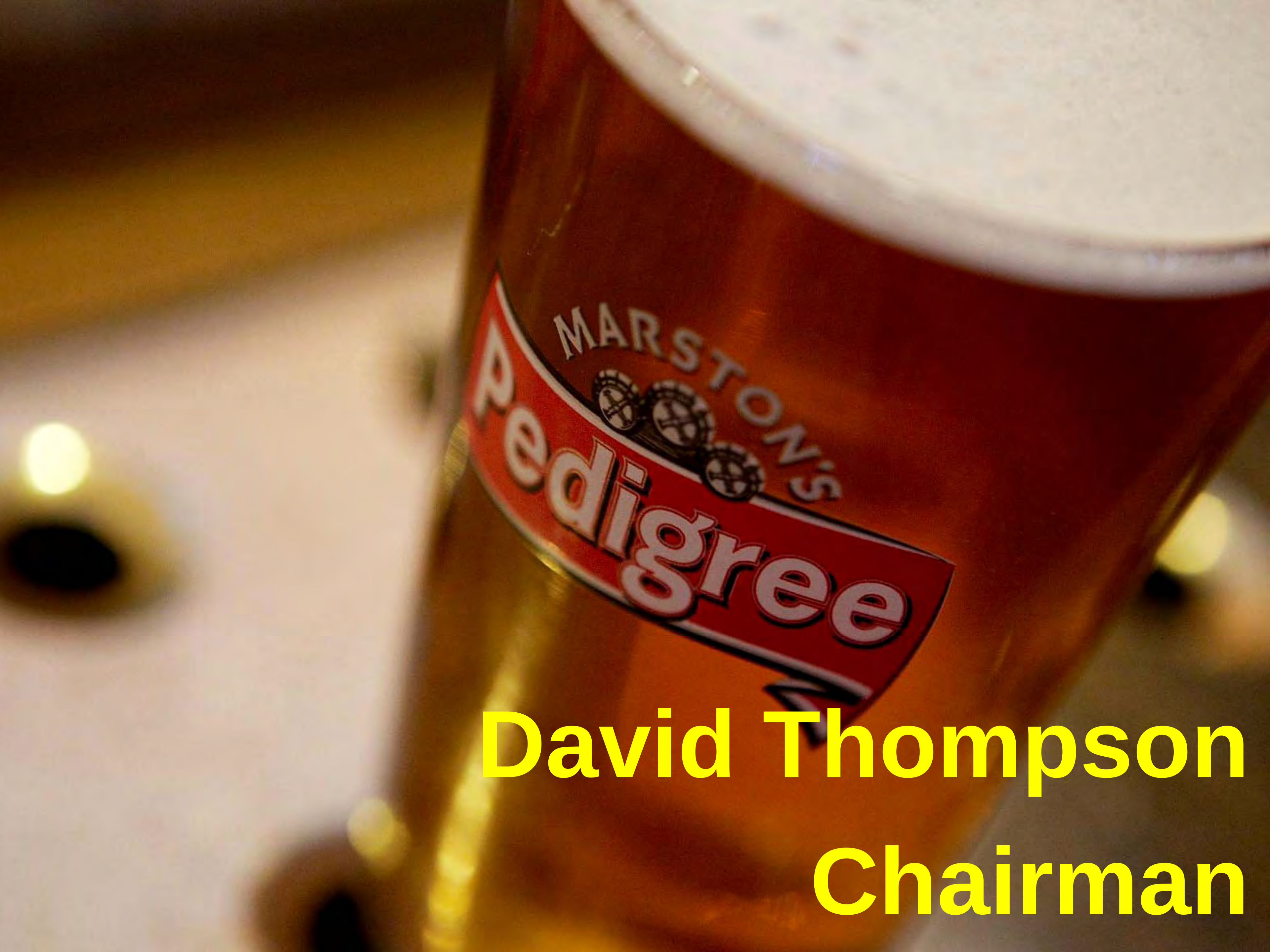
Preliminary Results 2009



David Thompson
Chairman

Highlights

1. **Rights issue raised net proceeds of £165.6m**
   - strengthened balance sheet, improved leverage ratios

2. **Clear plans and timescales to invest rights issue proceeds**
   - 60 large new-build food-led managed pubs over 3 years
   - on track to open 15 in 2010

3. **Improving trends: H2 revenue broadly flat, operating profit (2.0)%**
   - managed pubs: stronger like-for-like sales growth, margin up in H2
   - tenanted pubs: outperforming a weak market
   - brewing: increased market share; revenue and profit growth

4. **Dividend of 3.7p per share payable 2 February 2010**

strong business with clear development plans

Andrew Andrea
Finance Director

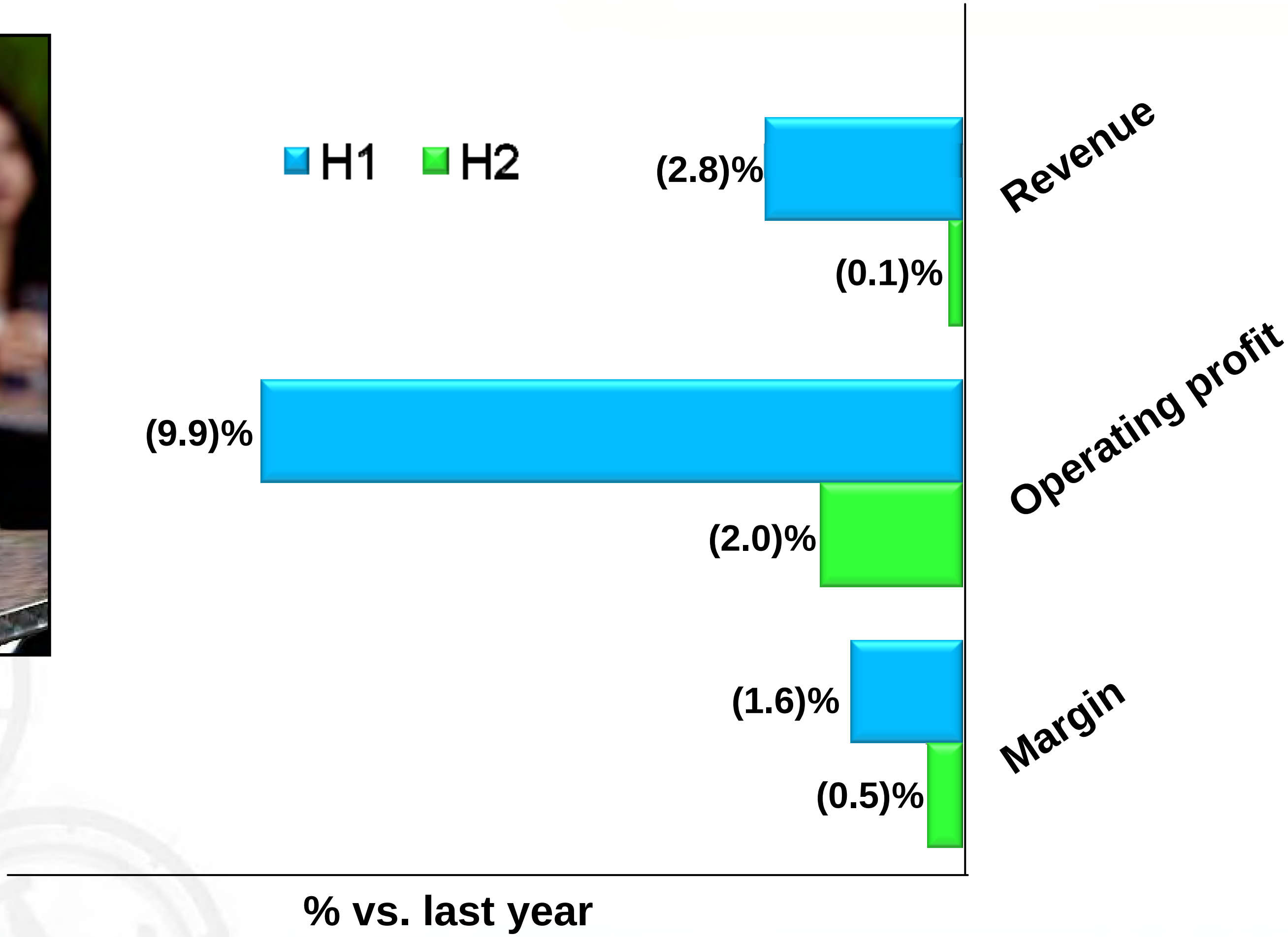
Financial summary – profit and loss account

52 weeks	2009	2008	% change
Revenue*	£645.1m	£654.4m	(1.4)%
EBITDA*[1]	£191.8m	£199.3m	(3.8)%
Operating margin*[1]	22.8%	23.9%	(1.1)%
Operating profit*[1]	£147.4m	£156.3m	(5.7)%
Profit before tax*[1]	£70.3m	£81.3m	(13.5)%
Adjusted EPS[1]	13.4p	18.3p	(26.8)%
Dividend	7.14p	9.52p	(25.0)%

**2008 restated to 52 weeks for comparative purposes.*
[1]before exceptional items

resilient performance in a challenging trading climate

Financial summary – improving trends

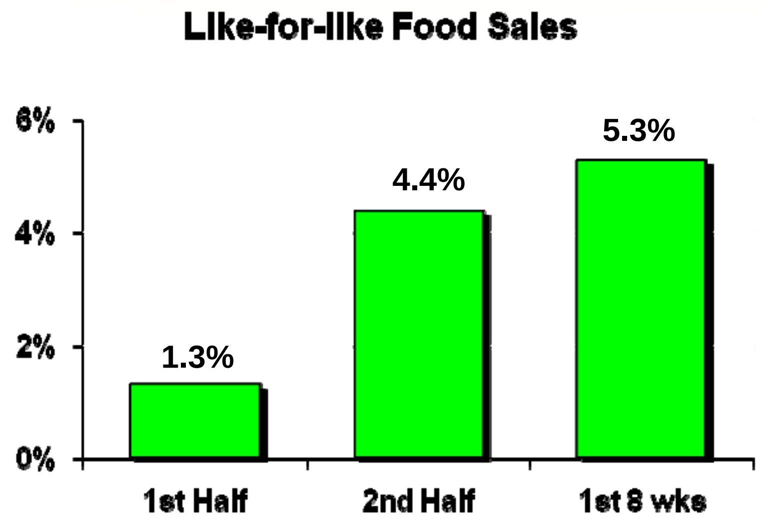


stronger second half performance on all 3 metrics

Like-for-like sales

Like-for-like sales* for the year ended 3 Oct	% change
drink	(2.4)%
food	+2.8 %
accommodation	+1.3 %
machines	(7.3)%
TOTAL	**(0.6)%**

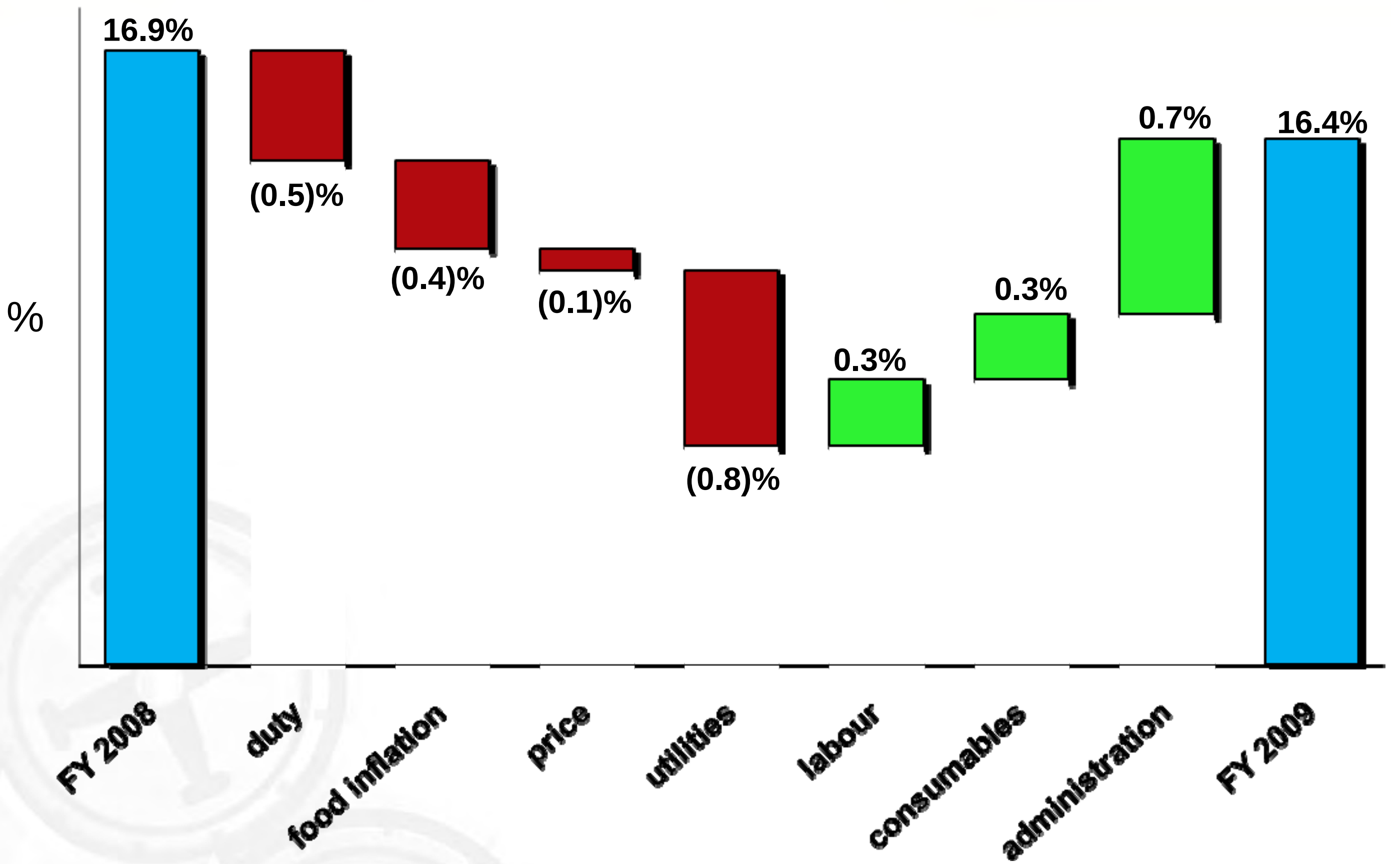
*excludes any pubs acquired in last 2 years



Like-for-like sales for 8 weeks to 28 Nov	% change
drink	+1.6%
food	+5.3%
TOTAL	**+3.1%**

sustained food sales growth, wet sales improving

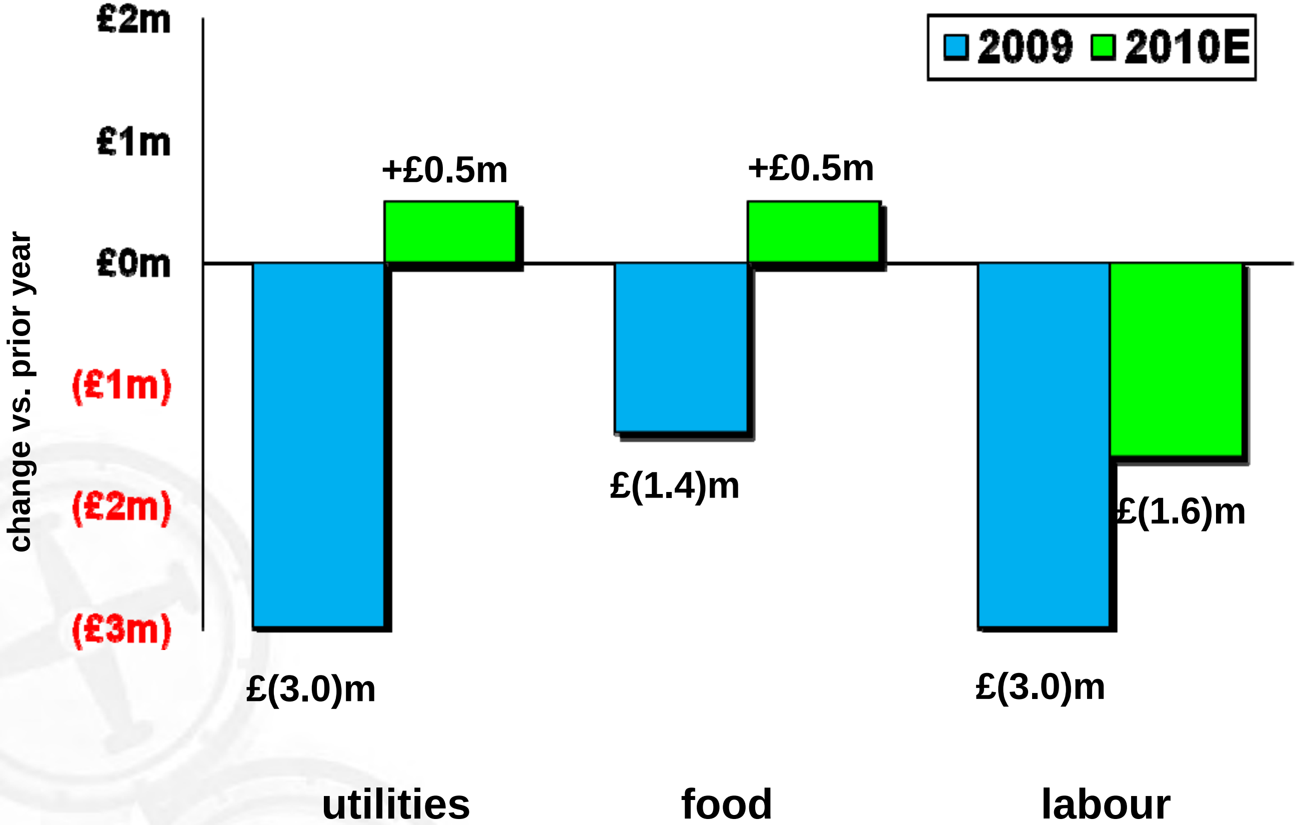
Retail margin performance



H2 margins ↑ 0.3% to 18.6%

improving margin performance, stronger in H2

Cost pressures easing



favourable second half cost trends to extend into 2010

Margin drivers: performance stabilised

Volume
- slight improvement in H2

Wet margin
- annualised **£2m** additional discounts
- reduction in wine, spirit and mineral prices
- delayed supplier price increases

Rent
- annualised rent concessions of **£1m**
- substantive agreements rent in growth

Debt
- bad debt as % of turnover level at 1%
- repayment plans increased

Costs
- higher agency costs vs last year
- administration savings

**like-for-like profit 8 weeks to 28 November 2009*

stabilisation achieved, appropriate level of support

Tenants health check issues

1. Rental management

- concessions have increased to £3m but have now stabilised
- £1m rent; £2m additional discount
- average rent per pub £25.5k
- 95 rent reviews completed, none went to arbitration
- substantive agreements rent +2%

2. Pub closures

- 14 closed pubs
- 11 planned to move to Retail Agreement in H1

3. Disposals

- less than 100 disposal sites
- continuous review of estate

strong indicators maintained

Polarised performance

	Substantive	Other	Total
% of estate	80	20	100
% of profit	90	10	100
rent vs LY%	+2	(31)	(4)
EBIT vs LY%	**-**	**(36)**	(7)

Two key challenges:

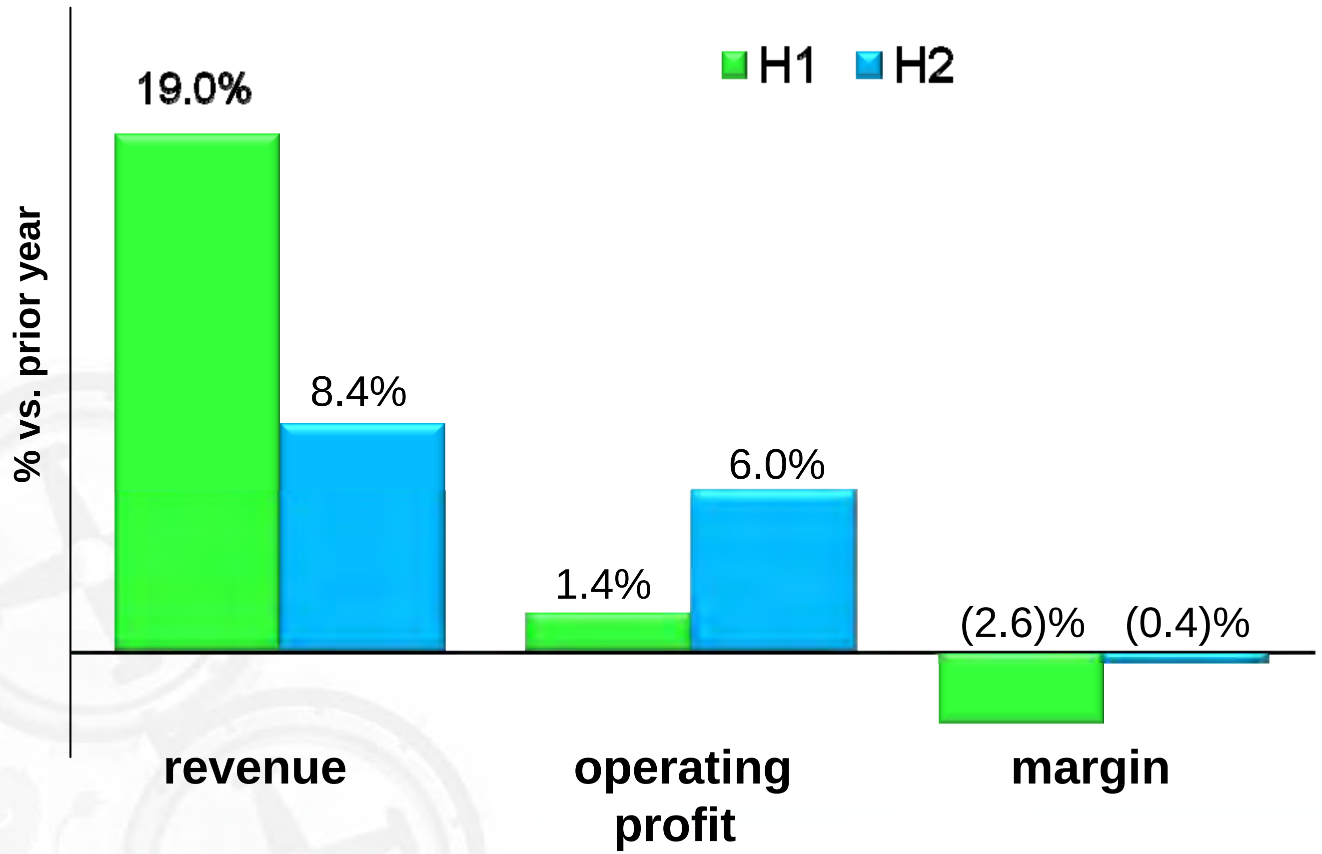
- maintain and develop our core estate
- exploit opportunities in the remainder

current trading improving from (7)% to (5)%*

**like-for-like profit 8 weeks to 28 November 2009*

robust substantive performance, opportunity in remainder

Organic growth in second half



revenue and profit growth in H2

Property exceptional items

	Value £m
High street leaseholds	(19.8)
Freehold impairments	(4.3)
Onerous lease provision	(12.9)
	(37.0)

- 78 site valuations adjusted, on top of 288 pubs impaired at half year
- total impairment in year of £68m, 3.4% of estate value, £43.9m through revaluation reserve

appropriate adjustment for leasehold assets

Pension update

1. **IAS19 deficit broadly stable at £35.3m**
   - £10m top-up contribution minimises deficit exposure
   - equity performance offsetting bond yield downside (63% equities mix)

2. **Tri-ennial valuation agreed**
   - funding deficit of £106.8m
   - top-up payments consistent with previous years
     - £10m in 2010, 5.75% per annum increases thereafter
     - 9 year funding plan agreed

stable payment profile, no additional cash burden

Securitisation highlights: year to 3 October 2009

Securitisation results	Actual	
• gross debt[1] outstanding as at 3 October 2009	£1,079.4m	
• EBITDA	£126.9m	
• free cash flow (FCF)	£110.0m	
• debt service (DSCR)`	£77.4m	
Financial covenants	**Actual**	**Covenant**
• FCF : DSCR	1.42x	>1.1x[2]
• EBITDA : DSCR	1.64x	>1.5x[3]
• net worth	£490.0m	£90m

[1]before debt issue costs
[2]restricted payment covenant >1.3x
[3]restricted payment covenant only

headroom on covenants, flexibility to transfer profit

Financing structure

	£m	
securitisation	1,079	• amortises to 2035
bank facility*	131	• interest cover: 5.2x vs covenant >2.75x • debt to EBITDA: 1.4x vs covenant <4.75x
	1,210	
net cash	(91)	
debt issue costs	(20)	
net debt	**1,099**	•underlying net debt reduction of £15m •average cost of net debt c.6.7%
net debt: EBITDA	5.7x	• 2008 6.2x

- no refinancing requirement until August 2013
- flexibility to transfer profit between finance structures
- objective to reduce net debt: EBITDA ratio over the next 3 years

** including loan notes of £5.5m*

secure long-term financing, focus on leverage reduction

Financial summary

1. Resilient trading performance

- second half performance strong
- strong like-for-likes and margins in MIT
- improving trends in MPC
- MBC – organic growth in second half

2. Balance sheet

- asset values predominantly freehold
- appropriate impairment of weakest assets

3. Financing

- rights issue facilitates growth
- no refinancing requirement until August 2013
- covenant headroom and flexibility
- intention to reduce net debt: EBITDA over time

improving performance and secure finance structure

Ralph Findlay
Chief Executive

Marston's today

1. Pub operator

- Marston's Inns and Taverns – 496 managed pubs
- Marston's Pub Company – 1,688 tenanted/leased pubs
- situated across England and Wales
- 98% freehold estate (by value)*

2. Brewer – Marston's Beer Company

- ale brewer; market leading position in premium ales

3. Vertically integrated business

- cost efficient
- more opportunities
- reduced risk

*includes long leaseholds

a leading pub operator and brewer with a flexible business model

Operational strategy

MARSTON'S INNS AND TAVERNS

Pub quality

New build

'F-Plan'

Value

MARSTON'S PUB COMPANY

Pub quality

Sustainable/ flexible agreements

MARSTON'S BEER COMPANY

Quality beers

Choice

Local provenance

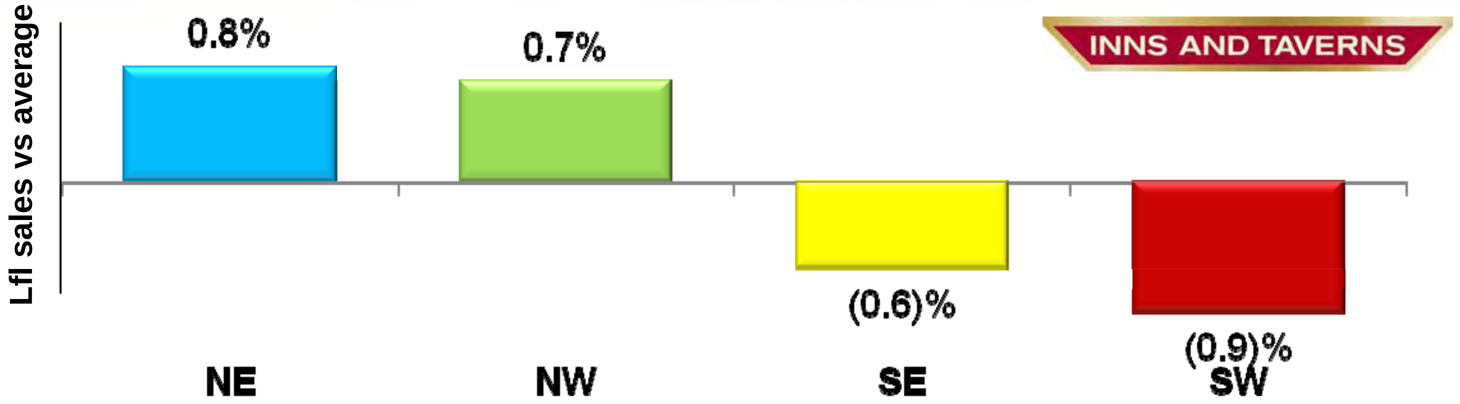
High service standards

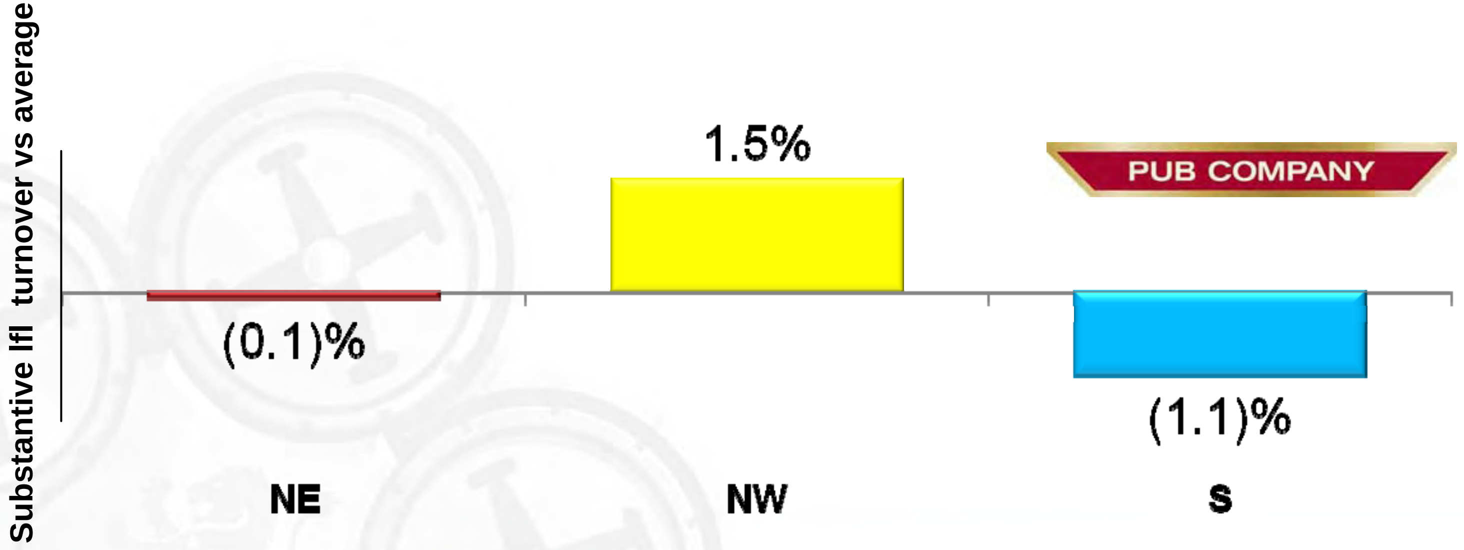
Red Lion, Madley, Hereford

Kingfisher, Saddleworth

differentiated strategy leading to resilient performance

Estate quality more important than geography





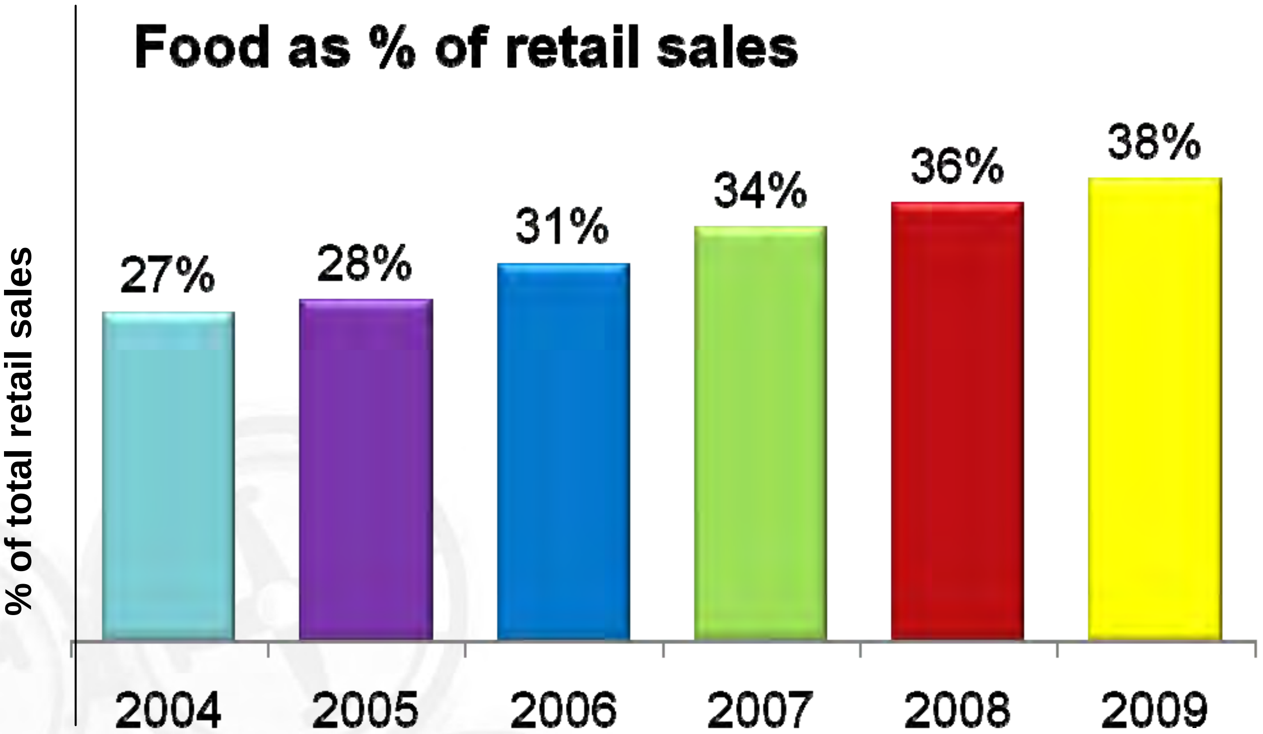
further demonstrated by overall performance vs. peers

‘F-Plan’: food, families, females, ‘40-50 somethings’

1. **‘F-Plan’ consistent with well understood long-term structural trends**
   - growth in eating-out market
   - increased pub usage by families, females
   - decline of ‘the boozer’
   - maturing population
2. **‘F-Plan’ focus is even more appropriate for today’s market**
   - increased focus and specialism is critical in intensively competitive market: pubs, restaurants, supermarkets, fast food
   - capacity is coming out of the sector through pub closures
     - image of pubs as leisure venues will be enhanced over time
3. **‘F-Plan’ underpinned by great value, service, range, standards - and price**

investment plans will continue our ‘F-Plan’ development

65% of our customers visit the pub to dine



like-for-like growth despite recessionary environment

Food growth: volume, value, range & quality, service

1. **23m meals served last year**
   - like-for-like volume +4.0%, price (1.2)%
2. **Value offers performed most strongly**
   - Two for one, carvery, 2 for £10 promotions
   - food margins maintained through menu engineering, better purchasing terms
3. **Range extensions in food and drink**
   - pie shop, rotisserie, hotpot meals, ‘build your own burger’
   - new snacking and sandwich range – baked camembert, pate in a pot, bagels
   - flexibility to pub managers on cask beer – ‘ask the customers’, ‘News from the Wood’
4. **Service enhanced by in-depth training, e-learning**
   - ‘selling-up’ increased side-order sales by +8.6%, desserts by +7.5%

average spend per head on food c.£6 – similar to 2008

New-build plans 2010 – 2012 progressing well

- areas of high population density
- high visibility sites
- office, leisure, retail activity
- Milestone and Two for One formats
- 180-250 covers dependent on location
- roll-out timetable

2010	15 sites
2011	20 sites
2012	25 sites
Total	60 sites

● identified new-build site

on track to open 15 pubs in 2010

MARSTON'S INNS AND TAVERNS

New openings in strong trading locations

Ladybird, Caterham


The Boathouse, Braunston


Ladybird, Caterham


The Boathouse, Braunston

hand-picked sites, consistent returns

MARSTON'S

Current market conditions have created an opportunity

1. **Plentiful supply of high quality sites – few competing buyers**

2. **Lower cost of acquisition**
   - better sites available

3. **Co-location with Travelodge – de-risking rooms expansion**

4. **Reduced construction costs**

5. **Lower risk than acquisitions**
   - predictable returns

Marston's is the market leader in new-build pubs

Existing new builds performing well

52 weeks to 3 October 2009 (30 sites)	
Average turnover per week	£20k
EBITDA conversion	30%
EBIT conversion	25%
Like for like sales %	+7%
EBITDA ROC %	15%

performance in line with rights issue appraisal despite recession

Development of the substantive estate

1. **Fair rent-setting process**
   - average rent per pub £25.5k per annum
   - rental growth achieved, but at lower rate

2. **Price flexibility**
   - permanent reductions in wine, spirit and mineral prices (wholesale price benchmark)
   - Advance agreement trial
     - free trade reference pricing
     - value gain to licensee; cost savings and increased stability for MPC

3. **Relevant business building assistance**
   - passing on group buying leverage
   - on-line marketing support
   - wide-ranging training programme
   - strict call cycle from well qualified BDMs

helping good, well run pubs to perform better

Tracker agreement – innovative response

1. **Target operator**
   - good licensee concerned about fixed costs (rent)

2. **Business model**
   - target optimal rent £15k per annum
   - rent charged as a variable surcharge of £75 per barrel on drink volume
   - rent capped at 200 barrels
   - 99 pubs at year-end
   - keeps smaller pubs open and trading

3. **What's in it for the licensee?**
   - rent is variable depending on level of trade
   - licensee not penalised for outperformance (rental cap)

model designed to meet operator concerns

Retail agreement – innovative response

1. **Target operator**
   - good licensee concerned about funding, risk
2. **Business model**
   - modest investment (typically £50k per pub)
   - target £3.5k per week turnover at 25% EBITDA conversion
   - Marston's pay all of the bills except staff costs
   - 24 pubs currently trading, target 90 by end 2010
   - converts loss-makers into viable businesses
3. **What's in it for the licensee?**
   - no "distress" distraction
   - licensee receives 20% of turnover to pay own remuneration and wages
   - licensee focussed on maximising sales and motivating staff

creating significant value from underperforming pubs

Encouraging performance from new agreements

Retail agreements (11 pubs)	YOY*
volumes	+390 brls
EBITDA	+£80k
incremental EBITDA per pub per month	+£3,600

Tracker agreements (99 pubs)	YOY*
volumes	+400 brls
EBITDA	+£100k
incremental EBITDA per pub per month	+£500

- 11 open at last year-end
- 24 open at 28 Nov
- target 90 by end of 2010

**8 weeks to 28 November 2009*

innovative agreements growing volumes and profit

BISC* and OFT Inquiries

1. **The tie offers opportunity**
   - low cost of entry vs. franchise vs. ownership
   - existence of the tie provides operator incentive to support the business

2. **Tenant/operator relationships need to improve**
   - more openness, greater transparency
   - increased flexibility and recognition of trends
   - increased business awareness by licensees

3. **Sustainability and share of risks and rewards are key**
   - good pubs operated by capable licensees on fair rents

* Business Innovation and Skills Committee

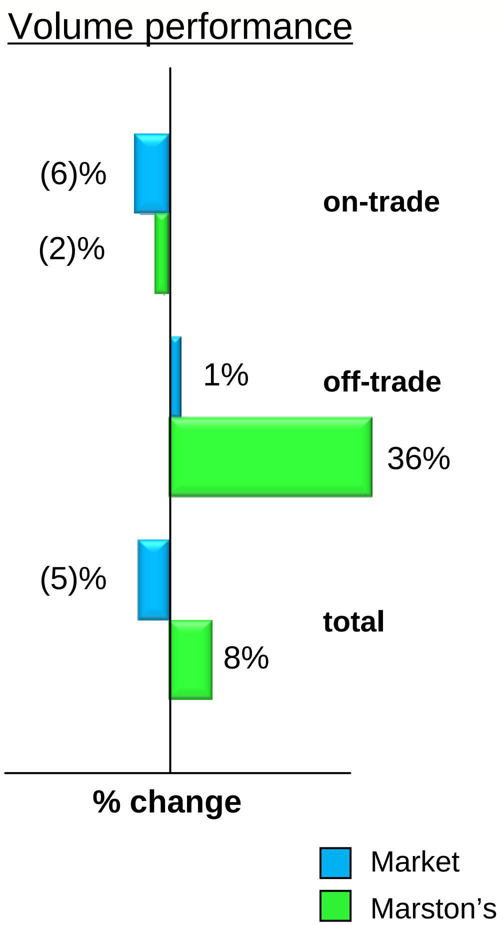
principles of model sound – but ‘regulation’ needs to work

Outperforming the beer market

1. **Customer focused strategy**
   - choice, quality, taste
   - efficient cost management but not production-led
     - additional cost of multi-site operations <£1m pa
     - fully justified by local brand performance

2. **Key points of difference**
   - 2 national brands and authentic local/regional beers
   - market leader in premium cask ales
     - 23.4%* market share, volume up 26%
   - off-trade expertise
     - market leader in bottled ale, 17.5% market share

3. **Underpinned by consistent marketing, both nationally and regionally**

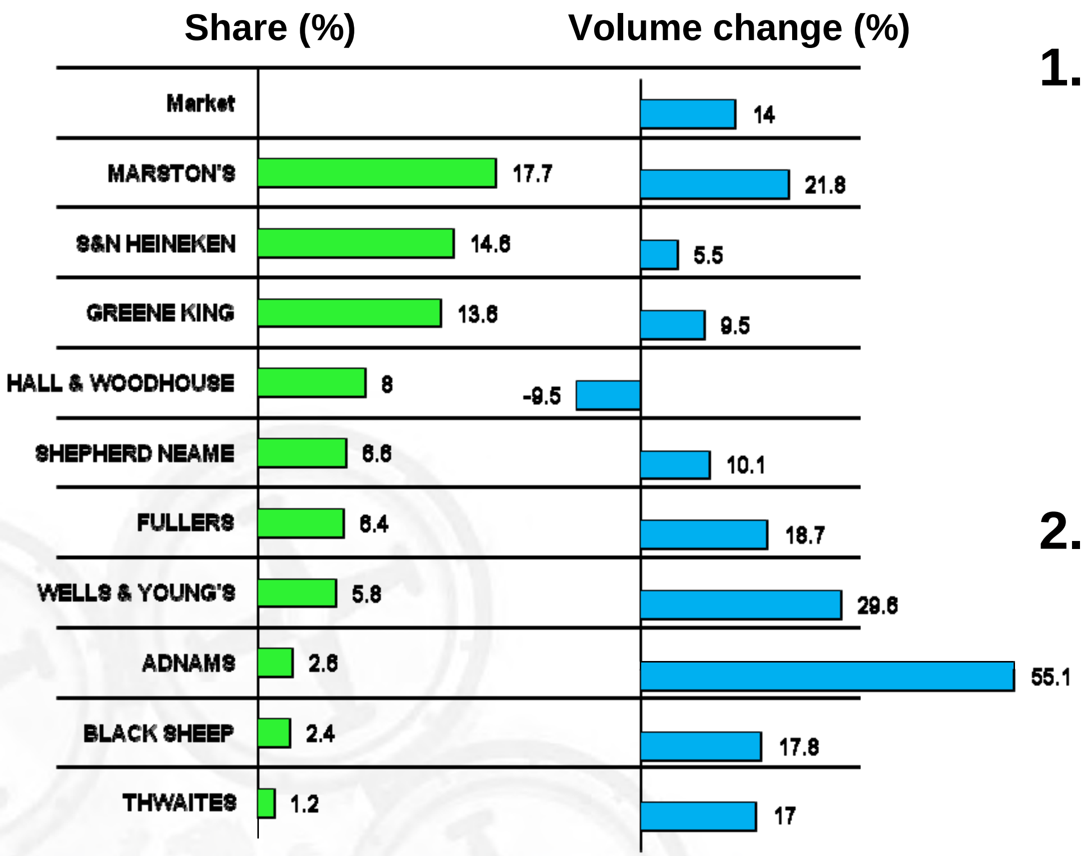


**BBPA derived*

increasing market share and raising ROC are key objectives

Off-trade benefited from the 'Summer of Cricket'

Final quarter bottled ale performance*



1. **PBA full year volume change***
   - Hobgoblin +21.9%
   - Marston's Pedigree +47.7%
   - Marston's Old Empire (5.4)%
   - Brakspear Oxford Gold +20.9%
   - Jennings Cumberland Ale +5.4%

2. **Total core off-trade brands +19%***

**source: Nielsen data 13 weeks to 3 October 2009 – bottled ale*

category leader in premium ale – on and off-trade

Key priorities in 2009 – continuing into 2010

1. Optimising price and promotions ✓
2. Continued focus on innovation, current trends ✓
3. A rigorous approach to pub standards ✓
4. Capitalise on beer brand portfolio ✓
5. Tightly controlled costs, excellent customer service ✓
6. Reduce debt ✓
7. Maintain high ethical, environmental standards ✓

consistent focus on customer, costs and debt management

Current trading – 8 weeks to 28 November 2009

1. **Encouraging start to the year**
   - MIT like-for-like sales +3.1%, food sales +5.3%, drink sales +1.6%
   - MPC like-for-like profit (5)% - sector-leading performance
   - MBC continue to perform in line with expectations
2. **Cost outlook more favourable**
3. **Economic indicators continue to provide grounds for caution**

good, well-run pubs and regional ales continue to perform well

Summary

1. **Resilient performance in very challenging environment**
    - strong H2 including market-leading margin performance
2. **Rights issue**
    - provides opportunities to exploit market conditions and accelerate new-build roll-out
    - investment plans help to reduce net debt/EBITDA ratio
3. **Good progress in growth segments of market**
    - food development
    - premium ale
4. **Innovation in tenanted and leased pubs**
5. **Differentiated strategy, clear value proposition**

creditable results, clear and sound strategy

Questions

DRINK WITHIN YOUR BOUNDARIES

MARSTON'S

www.drinkaware.co.uk

Appendices

Split of assets*

2,184 pubs

+

BEER COMPANY

Securitisation

Marston's Pubs Limited

254	Managed pubs
1,584	Tenanted pubs
1,838	

Bank facilities

Other Group companies

242	Managed pubs
104	Tenanted pubs
346	

+

BEER COMPANY

** as at 3 October 2009*

84% of pubs are securitised

Financial highlights*

INNS AND TAVERNS

		2009	2008	% change
Revenue	£m	**367.8**	381.7	(3.6)%
EBITDA	£m	**83.2**	87.9	(5.3)%
Operating profit	£m	**60.3**	64.5	(6.5)%
Operating margin	%	**16.4**	16.9	(0.3)%
Average no. of pubs		**502**	550	

**before exceptional items, 2008 restated to 52 weeks for comparative purposes*

Financial highlights*

PUB COMPANY

		2009	2008	% change
Revenue	£m	**175.8**	183.0	(3.9)%
EBITDA	£m	**92.0**	97.5	(5.6)%
Operating profit	£m	**81.8**	88.0	(7.0)%
Operating margin	%	**46.5**	48.1	(1.6)%
Average no. of pubs		**1,718**	1,713	

**before exceptional items, 2008 restated to 52 weeks for comparative purposes*

Financial highlights*

BEER COMPANY

		2009	2008	% change
Revenue	£m	**101.5**	89.7	13.2%
EBITDA	£m	**25.0**	23.6	5.9%
Operating profit	£m	**16.0**	15.4	3.9%
Operating margin	%	**15.8**	17.2	(1.4)%

**before exceptional items, 2008 restated to 52 weeks for comparative purposes*

Estate movement

Pub numbers	MARSTON'S INNS AND TAVERNS	MARSTON'S PUB COMPANY	MARSTON'S
4 October 2008	**506**	**1,743**	**2,249**
New-builds/single site acquisitions	5	-	5
Disposals	(15)	(55)	(70)
3 Oct 2009	**496**	**1,688**	**2,184**

Additional information and guidance

• Average number of shares in 2009		415.8m
• Number of shares in issue as at 3 December 2009		569.2m
• Additional dilutive number of shares		1.9m
		Forecast 2010
• Forecast tax rate		23%-25%
• **Capex forecast**:	existing business	£40m-£45m
	new-builds/sites	£45m
		£85m-£90m
• Forecast disposal proceeds		c.£20m


THE
SPREAD EAGLE
Est
1834
MARSTON'S
www.marstons.co.uk