



MARSTON'S PUBS LIMITED

**Quarterly Investor Report
For the Period ended 30 June 2018**

**This Quarterly Investor Report covers the results for Marston's Pubs Limited
from 2 July 2017 to 30 June March 2018**

To: HSBC Trustee (C.I.) Limited (as **Borrower Security Trustee, Issuer Security Trustee, and Note Trustee**)
HSBC Bank plc (as **Principal Paying Agent**)
Standard & Poor's Rating Services
Fitch Ratings Limited

Terms defined in the Master Definitions and Construction Schedule (the **Master Definitions and Construction Schedule**) dated as of 9 August 2005 and amended and restated on 22 November 2007 and signed for the purposes of identification by Freshfields Bruckhaus Deringer and Linklaters shall bear the same meaning herein.

Definitions:

Q3 means the results for the Financial Quarter from 1 April 2018 to 30 June 2018
Q2 means the results for the Financial Quarter from 31 December 2017 to 31 March 2018
Q1 means the results for the Financial Quarter from 1 October 2017 to 30 December 2017
Q4 means the results for the Financial Quarter from 2 July 2017 to 30 September 2017

Relevant Period means Q3 + Q2; and
Relevant Year means Q3 + Q2 + Q1 + Q4

Principal Debt Movements

| Principal Debt Movements on the Notes | Balance as at 31 March 2018 £m | Scheduled repayments made £m | Repurchases £m | Balance as at 30 June 2018 £m |
|--|---|---------------------------------------|-------------------|--|
| Aggregate principal amount outstanding at the Financial Quarter Date | 796.5 | (7.7) | - | 788.8 |
| Class A1 Notes | 50.3 | (5.1) | - | 45.2 |
| Class A2 Notes | 214.0 | - | - | 214.0 |
| Class A3 Notes | 200.0 | - | - | 200.0 |
| Class A4 Notes | 177.2 | (2.6) | - | 174.6 |
| Class B Notes | 155.0 | - | - | 155.0 |

| Principal Debt Movements on the Term Advance | Balance as at 31 March 2018 £m | Scheduled repayments made £m | Repurchases £m | Balance as at 30 June 2018 £m |
|--|-----------------------------------|---------------------------------|-------------------|----------------------------------|
| Aggregate principal amount outstanding at the Financial Quarter Date | 796.5 | (7.7) | - | 788.8 |
| A1 Term Advance | 50.3 | (5.1) | - | 45.2 |
| A2 Term Advance | 214.0 | - | - | 214.0 |
| A3 Term Advance | 200.0 | - | - | 200.0 |
| A4 Term Advance | 177.2 | (2.6) | - | 174.6 |
| B Term Advance | 155.0 | - | - | 155.0 |

Specific Trading Details

Turnover for the 13 weeks comprising Q3 was £109.9m giving a total during the Relevant Year of £406.2m. EBITDA for the quarter was £31.5m giving a cumulative total of £118.1m.

| | Tenanted (Q3) £m | Managed (Q3) £m | Total (Q3) £m | Relevant Period (Q3 + Q2) £m | Relevant Year (Q3+Q2+Q1+Q4) £m |
|----------------------------|------------------------|-----------------------|---------------------|------------------------------------|--------------------------------------|
| Turnover | 45.5 | 64.4 | 109.9 | 201.7 | 406.2 |
| Operating expenses | 30.3 | 50.9 | 81.2 | 148.3 | 299.4 |
| Adjusted Operating Profit* | 15.2 | 13.5 | 28.7 | 53.4 | 106.8 |
| Operating Profit | | | 26.5 | 49.0 | 98.0 |
| EBITDA | 16.3 | 15.2 | 31.5 | 59.0 | 118.1 |
| Free Cash Flow | | | 29.2 | 55.9 | 110.8 |
| Debt Service | | | 19.4 | 38.5 | 75.6 |

* Before amortisation of goodwill

Coverages and Covenants

FCF DSCR was 1.5 times and the EBITDA to Debt Service ratio was 1.6 times for the Relevant Year and 1.5 times and 1.5 times respectively for the Relevant Period. The Debt Service Covenant and Restricted Payment Condition were satisfied.

| | Relevant Period (Q3 + Q2) | Relevant Year (Q3 + Q2 + Q1 + Q4) |
|--|------------------------------|--------------------------------------|
| Free Cash Flow: Debt Service | 1.5 times | 1.5 times |
| EBITDA: Debt Service | 1.5 times | 1.6 times |
| Debt Service Covenant satisfied | Yes | Yes |
| Restricted Payment Condition satisfied | Yes | Yes |

Net Worth as at 30 June 2018 was £573.3m. Restricted Payments of £nil were made in Q3 and £22.4m during the Relevant Year. The Restricted Payment Maximum at 30 June 2018 was £60.8m and no calculation of the Further Restricted Payment Maximum was required.

Maintenance and Capital Enhancement

The cumulative Maintenance Expenditure* in the Relevant Year was £24.4m and the Relevant Period was £12.7m. The Required Maintenance Amount* for the Relevant Year was £16.1m.

Capital Enhancement Expenditure of £4.8m was made in Q3, £20.1m in the Relevant Year and £9.5m in the Relevant Period.

*Maintenance includes both capital items and items expensed through the profit and loss account.

Cash Balances

Balances on the following accounts at 30 June 2018 were as follows:

| | £m |
|------------------------------|--------|
| Borrower Transaction Account | (35.3) |
| Disposals Proceeds Account | 3.6 |
| Maintenance Reserve Account | - |
| All other Obligor Accounts | 70.2 |

Following a downgrade below the Minimum Short-Term Rating required by the liquidity facility provider, the Group exercised its entitlement to draw the full facility amount of £120m and hold it in a designated bank account.

Estate

| | Tenanted Number | Managed Number | Total Number |
|--------------------------------------|-----------------|----------------|--------------|
| Outlets at the beginning of Q3 | 876 | 279 | 1,155 |
| Conversions from Managed to Tenanted | - | - | - |
| Conversion from Tenanted to Managed | - | - | - |
| Acquisitions and substitutions | - | - | - |
| Disposals | (12) | - | (12) |
| Outlets at the end of Q3 | 864 | 279 | 1,143 |

The aggregate proceeds from disposals were £3.0m for the quarter.

Accounting Policies

Marston's PLC certifies that these financials comply with Generally Accepted Accounting Principles applied in the United Kingdom.

Defaults

Marston's PLC certifies that no Loan Event of Default or Potential Loan Event of Default has occurred.

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