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2014
Interim Results

The Manor House, Royston

John Hutson – CEO

Kirk Davis - FD

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The Star Inn, Honiton

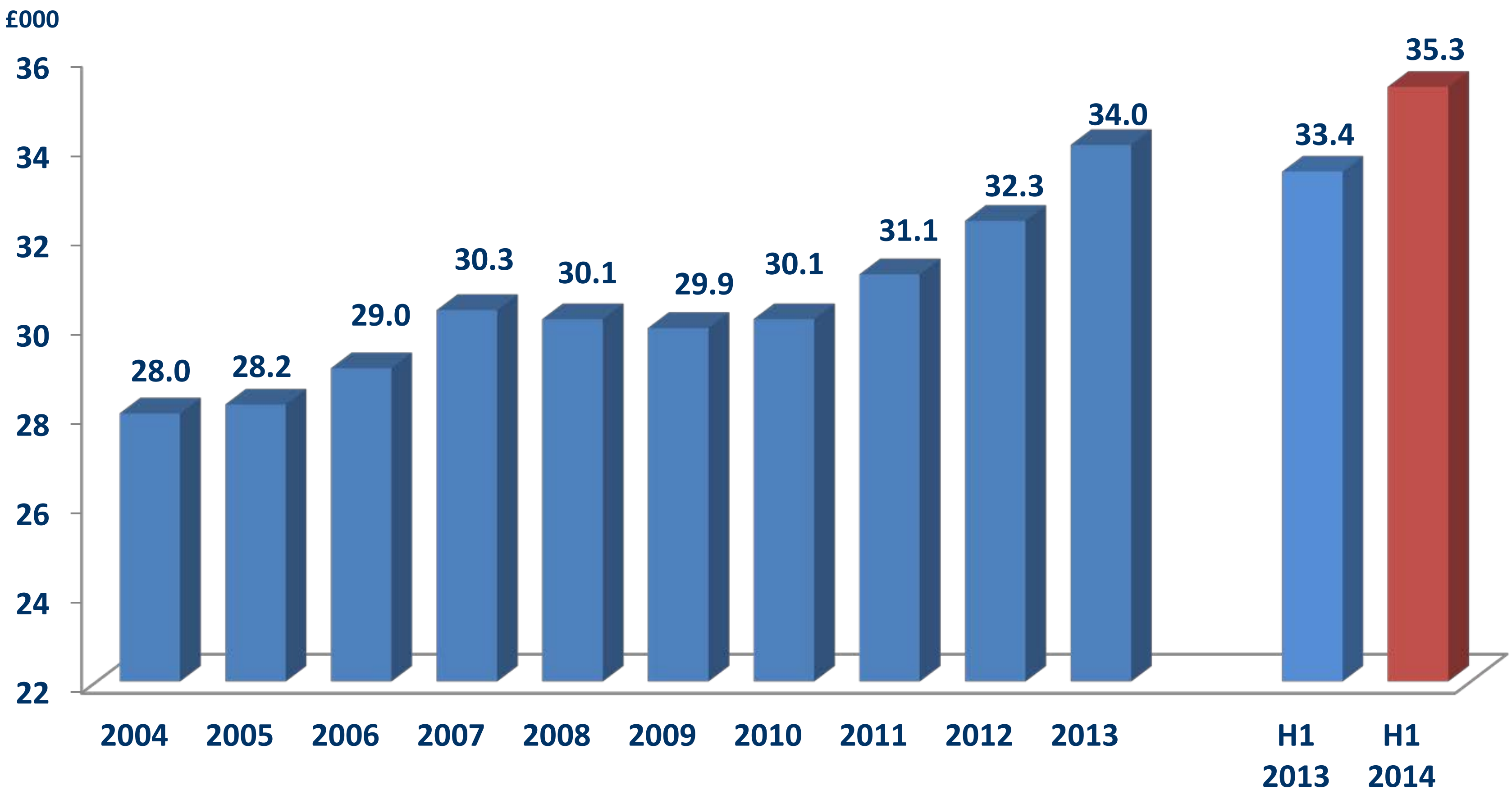
Kirk Davis
FD

14 March 2014

Financial Summary

26 weeks to 26/01	H1 2014	H1 2013	
Revenue	£683.2m	£626.4m	+9.1%
Like-for-like sales	+5.2%	+6.9%	
Operating profit	£55.7m	£52.1m	+7.0%
Profit before tax	£37.8m	£34.8m	+8.5%
Earnings per share	22.1p	20.0p	+10.5%
Earnings per share (excluding shares held in trust)	23.2p	20.8p	+11.5%
Free cash flow	£46.7m	£22.6m	
Free cash flow per share	37.1p	17.9p	
Dividend	4.0p	4.0p	maintained
After Exceptional Items:			
Profit before tax	£36.0m	£34.8m	+3.2%
Earnings per share	20.7p	20.0p	+3.5%

Average Sales Per Pub Week (including VAT)



Record Average Sales Per Pub Week

Like-for-like Performance

%	H1 2014	H1 2013	H2 2013		2013	2012	2011	2010	2009
Bar	+3.6	+4.1	+3.5		+3.8	+2.8	+1.7	-0.8	+2.5
Food	+10.5	+13.4	+8.7		+10.9	+4.8	+4.2	+0.1	-0.4
Machines	-9.5	+4.4	-3.5		+0.4	-2.8	-3.9	+12.1	-7.5
Total LFL sales	+5.2	+6.9	+4.8		+5.8	+3.2	+2.1	+0.1	+1.2
LFL Pub Profit*	+4.3	+0.0	+9.4		+4.4	-2.2	-1.2	-2.0	-1.7

Strong LFL sales and reasonable LFL pub profit growth

* Excludes head office, depreciation, share incentive plan and interest costs

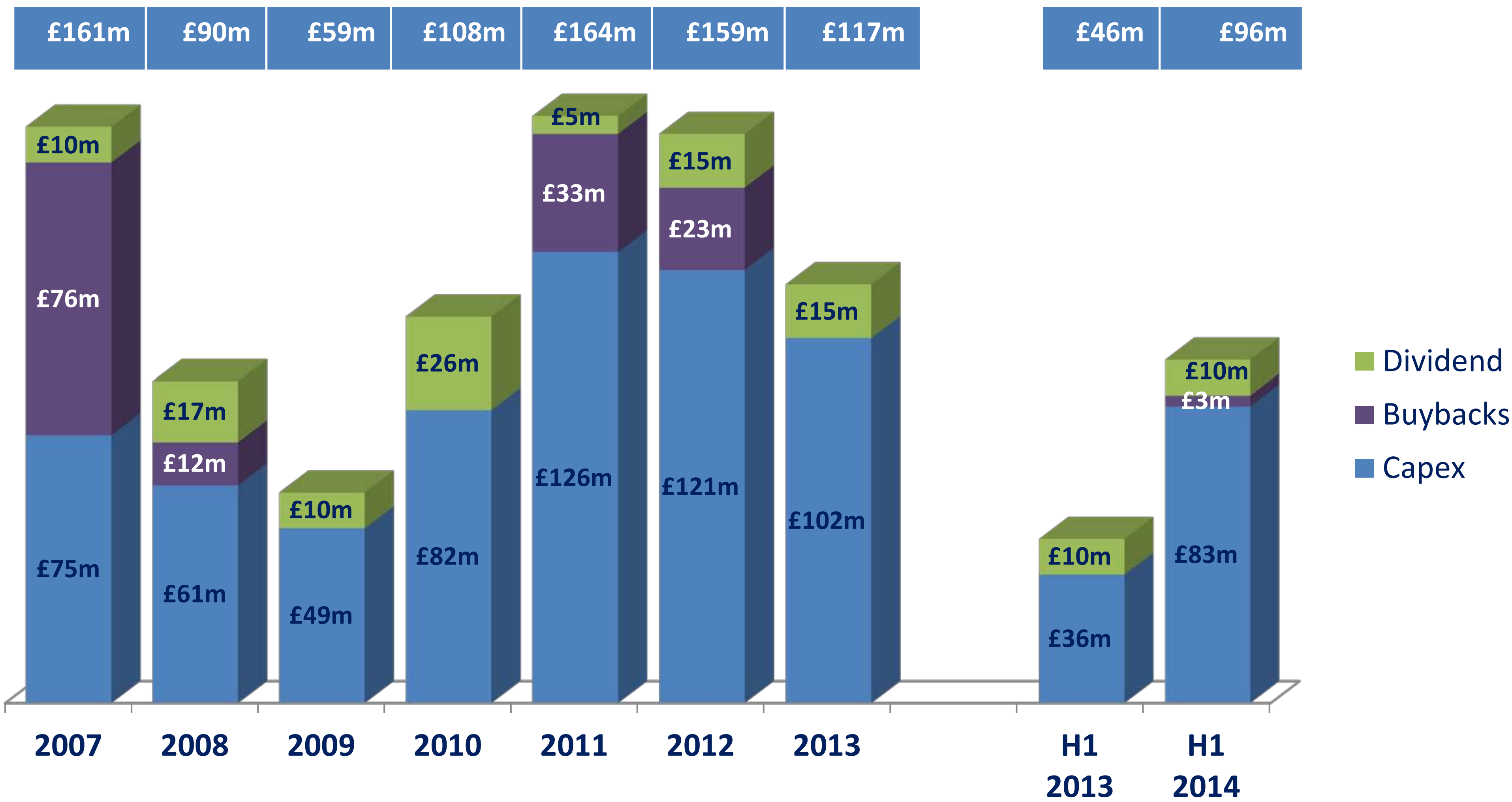
Operating Margin - Summary

	H1 2014 £000	H1 2014 % of Sales	H1 2013 £000	H1 2013 % of Sales
Turnover	683,229		626,397	
Pub profit (pre repairs)	136,171	19.9	123,242	19.6
Repairs	(26,061)	(3.8)	(22,794)	(3.6)
Head office costs	(22,195)	(3.2)	(19,631)	(3.1)
Share Incentive Plan	(3,800)	(0.5)	(3,068)	(0.5)
Depreciation	(28,399)	(4.2)	(25,673)	(4.1)
Operating profit	55,716	8.2	52,076	8.3

Cost Increases

- Tax increases: excise duty, business rates and machine gaming duty
- Bar and food supplies increased in the region of 3%
- Continued investment in staff costs, repairs and central overheads

Allocation of Resources



Capital Expenditure

		HY14 £m	HY13 £m
Acquisition and development costs	Current year	41.6	15.0
	Future year	16.4	4.1
	New openings	58.0	19.1
Fixtures, fittings & equipment		11.1	6.7
Refurbishments		10.4	6.3
Business and IT projects		3.2	4.2
	Reinvestment	24.7	17.2
Total		82.7	36.3

Significant increased investment in new openings

Movement in Net Debt inc. Finance leases

	£m
FY13 Net debt	474.2
Free cash flow	(46.7)
New pub capex	58.0
Dividends	10.0
Share Buy Backs	2.9
Other	1.2
HY14 Net debt	**499.6**

- Free cash flow increased to £46.7m (2013: £22.6m).
- Total net bank borrowing (including finance leases) of £499.6m, an increase of £25.4m in the last 6 months (July 2013: £474.2m)
- Unutilised bank facilities and cash balances of £190.4m as at 26 January 2014 (July 2013: £101.0m)

Debt Position

	H1 2014	H1 2013	FY 2013
Net debt/EBITDA	2.93	2.99	2.88
Interest cover (times)	3.11	3.02	3.24
Interest cover including payment to HMRC (times)	2.82	3.02	2.66
Fixed charge cover (times)			
statutory	1.67	1.68	1.56
excluding depreciation	2.20	2.18	2.08
excluding depreciation and exceptionals	2.28	2.18	2.27
Average interest rate	6.84%	6.85%	6.83%

Financial Summary

The Narrows, Abingdon

- Solid sales and financial performance
- Increased investment in staff costs, repairs and central overheads
- Significant investment in new openings
- Continued strong cash generation with significant cash headroom available

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John Hutson

CEO

The High Main, Byker

Business Update

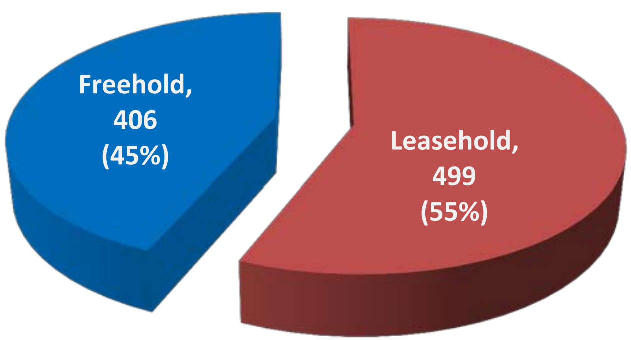
- Property
- People
- Changing Sales Mix
- Peach Brandtrack
- Continued improvement
- Cost outlook
- Taxation
- Current trading and outlook

Pen Cob, Pwllheli

Property Update

- Average cost of development £1.5m, in line with last years openings
- 20 pubs opened as of 14 March 2014
- 20 pubs on site as of 14 March 2014
- We still anticipate opening approximately 40-50 pubs this financial year

	HY 14	FY 13
Trading pubs at start of FY	886	860
Freehold pubs opened	13	14
Leasehold pubs opened	6	15
Closures	0	-3
Total trading pubs	905	886



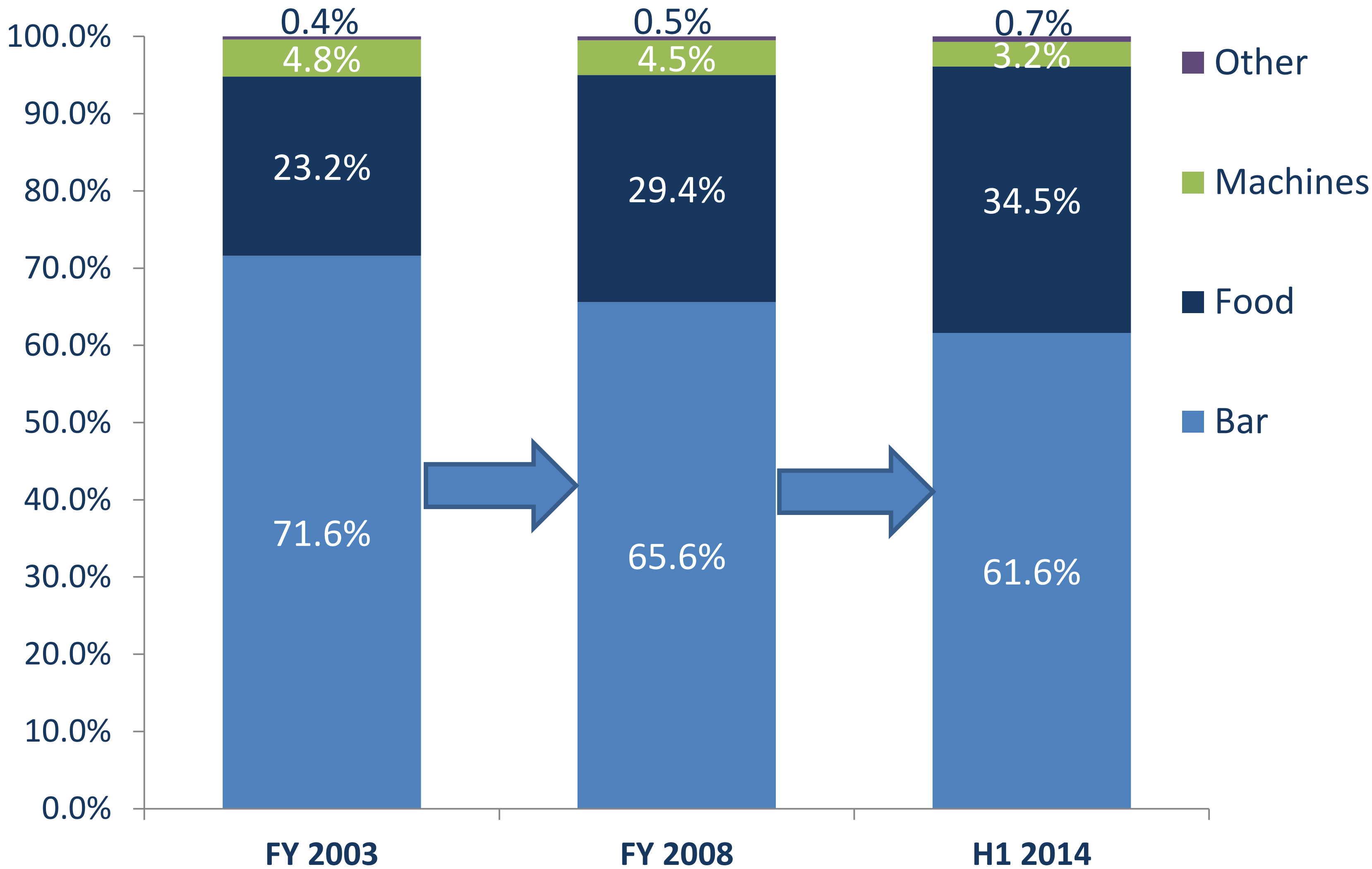

Selection of craft beers

"It's a People Thing"


Graduates

- Circa 32,000 employees (2007: 20,588)
  - Created over 11,000 jobs since the start of the credit crunch
  - Dedicated employee website & e-learning suite
  - Catering Academy – over 380 kitchen managers are going through a catering academy & a further 100 have already graduated.
- Diploma & Degree programme (Leeds Metropolitan University)
  - 310 employees completed Professional Diploma in Leisure Retail Management
  - 70 Managers completed Degree
- Staff retention at its highest ever level. Average length of service of pub managers now over 10 years
- We have been recognised as one of 'Britain's Top Employers' in a Guardian publication for 11 consecutive years
- We have signed up to the Government 'Think, Act, Report' campaign aiming to improve gender equality in the workplace.

Changing Sales Mix Over Last 10 Years



Long-term growth in food sales mix

Peach BrandTrack

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CGA PEACH

Where we sit down and eat - BRITAIN'S MOST VISITED PUB & CASUAL DINING BRANDS

Claimed usage in last 6 months	May 12	Oct 12	April 13	Oct 13
Wetherspoons	44%	40%	43%	**43%**
Pizza Hut	41%	30%	32%	**31%**
Harvester	29%	28%	28%	**29%**
Nandos	26%	20%	21%	**22%**
Pizza Express	26%	22%	23%	**22%**
Frankie & Benny's	25%	19%	21%	**22%**
Toby	16%	14%	16%	**16%**
Brewer's Fayre	15%	14%	14%	**15%**
Beefeater	16%	13%	13%	**14%**
Hungry Horse	11%	10%	11%	**11%**
Cafe Rouge	10%	9%	11%	**11%**
TGI Fridays	13%	9%	10%	**11%**

Source: Peach BrandTrack, May 2012, Oct 2012, April 2013 & Oct 2013

Peach BrandTrack: Britain's favourite big brand

If the following brands were available in the same location, which would be your first choice to eat at? *(ranked by % of adults choosing each brand)*

(out of a list of 16 – the top 6)	*May 2012*	*October 2012*	*April 2013*	*Oct 2013*
Wetherspoons	**10%**	**11%**	**11%**	**12%**
Nandos	11%	9%	9%	8%
Harvester	8%	8%	8%	8%
Pizza Express	7%	7%	7%	7%
Frankie & Benny's	8%	7%	6%	7%
Pizza Hut	8%	7%	7%	7%

Source: Peach BrandTrack, May 2012, Oct 2012, April 2013 & Oct 2013

Continued Improvement

- 283 pubs are in the 2014 CAMRA Good Beer Guide
- Raised over £8.5m for CLIC Sargent (for children with cancer)
- Continued reinvestment – toilets, carpets and redecoration
- 4.88 average scores on the doors out of a maximum of 5 (90%) achieving the maximum score of 5.
- Bonus - £14.0m paid in H1, 97 % of bonus awards made to employees below board level

Cost Outlook

- Tax increases: excise duty, business rates and carbon tax
- Bar, food and utility cost inflation expected to be around 3%
- National minimum wage to increase by 3%
- Continued investment in staffing to support catering
- Continued high investment in our pubs for the long-term benefit of the company

The Stannary Court, Plympton

Taxation

	2014 First Half £m	2013 First Half £m
VAT	133.6	126.1
Alcohol duty	77.9	74.7
PAYE and NIC	38.0	34.7
Business rates	22.5	23.4
Corporation tax	8.8	8.6
Machine duty	6.4	1.8
Climate change levy	3.0	2.1
Carbon tax	1.3	1.3
Stamp duty	1.2	0.3
Fuel duty	1.1	1.0
Landfill tax	0.7	0.6
Premise licence and TV licences	0.3	0.3
TOTAL TAX	£294.8m	£274.9m
PROFIT AFTER TAX (excluding exceptionals)	£27.9m	£25.2m

Taxes increased by £19.9m compared to £2.7m increase in profit after tax before exceptionals

Current Trading and Outlook

- LFL sales for the six weeks to 9 March 2014 increased by 6.7% with total sales growth of 11.6%
- Largest ever ale festival expected this spring 28th March-13th April
- Continuing pressure from increased taxation and inflation
- Strong H2 profit performance last financial year
- Continue to expect a reasonable outcome for the year



The Poulton Elk, Poulton Le Fylde

The George Inn, Sandbach

Questions

The Hope & Champion, Beaconsfield

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The Captain Noel Newton, Oakham

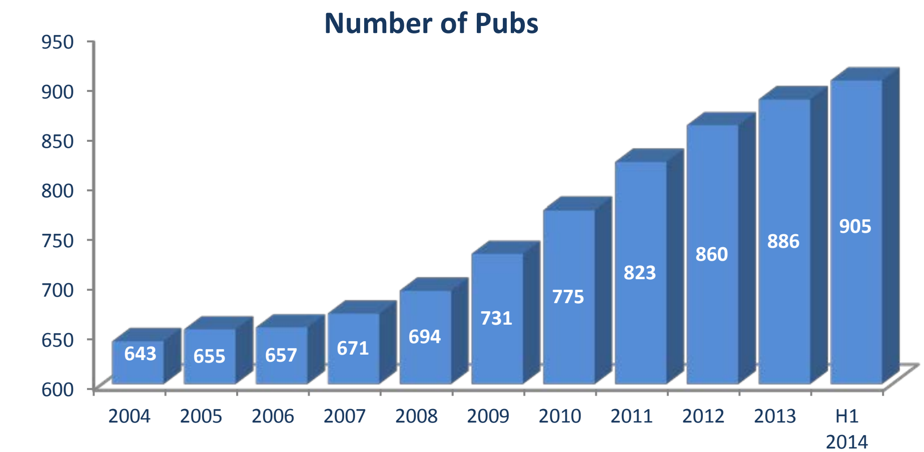
Appendix

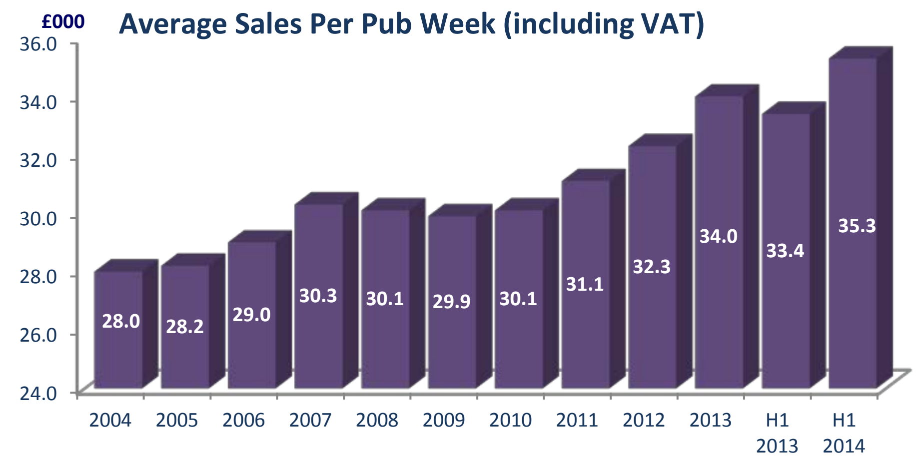
Appendices

- A 10 year overview
- B 10 year financial trends
- C 10 year capital trends
- D1 ROC/CROCCE/ROE calculations
- D2 ROC/CROCCE/ROE calculations
- E Cash flow
- F SWAP maturity profile

Appendix A

10 Year Overview





Appendix B

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10 Year Financial Trends

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	H1 2013	H1 2014
Sales per pub (£000)	1,239	1,246	1,283	1,354	1,333	1,344	1,335	1,360	1,401	1,476	726	766
EBITDA per pub (£000) (1)	204.4	195.7	205.6	219.0	211.6	212.9	205.8	198.7	194.9	200.9	95.9	99.8
Number of pubs	643	655	657	671	694	731	775	823	860	886	865	905
% freeholds (%)	41	41	41	42	42	42	41	44	44	44	44	45
CROCCE (%) (2)	12.7	11.9	12.1	12.3	11.3	11.0	10.8	10.7	10.9	10.6	10.6	10.7
Cash return on investment(%) (2)	15.8	14.4	14.8	15.4	14.0	13.6	12.9	11.8	12.6	12.4	12.2	12.5
Free cash flow per share (pence)	36.7	37.1	42.1	35.6	50.6	71.7	52.9	57.7	70.4	51.8	17.9	37.1
Adjusted earnings per share (3) (pence)	17.7	16.9	24.1	28.1	25.7	32.6	36.0	35.3	41.3	46.8	20.8	23.2

(1) Excluding sale & leaseback
(2) See appendix D for calculation
(3) Excluding exceptional items

Appendix C

10 Year Capital Trends

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	H1 2013	H1 2014
Size (sq.ft.) – Openings	4,317	4,176	3,928	3,855	3,618	3,359	3,781	3,572	3,325	3,643	4,076	3,538
Number of openings	28	13	9	18	23	39	47	50	40	29	5	19
% which are freehold	43	54	22	61	57	33	32	68	45	48	20	74
Freehold average cost (£k)	640	873	625	750	958	765	857	825	639	589	525	401
Average development cost (£k, excluding FH)	1,431	1,401	1,301	1,520	1,498	851	857	1,207	1,420	1,552	1,431	1,505
Average development cost per sq.ft.	331	335	331	394	414	253	226	338	427	426	351	425
Population within 2 miles	51,000	64,000	59,000	45,000	50,000	38,000	67,000	54,000	39,000	30,000	68,000	28,000

Appendix D1

ROC/CROCCE/ROE

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		12 months to Jan 2014 £000	12 months to Jan 2013 £000
EBITDA (cash return)		170,773	158,591
Depreciation	(a)	(55,823)	(52,313)
Operating profit	(b)	114,950	106,278
Interest		(35,061)	(34,887)
Profit before tax		79,889	71,391
Current tax	(c)	(18,425)	(17,607)
Profit after cash tax	(d)	61,464	53,784
Deferred tax credit		6,619	3,311
Profit after tax		68,083	57,095
Return on capital employed [(b+c)/average g)		11.7%	11.3%
Cash return on cash capital employed [(b+c)/average i)		10.7%	10.6%
P&L return on shareholders equity [d/average e]		18.1%	16.9%
Cash return on investment [(a+d)/average (h-f)		12.5%	12.2%

*All returns are calculated after tax.

Appendix D2

ROC/CROCCE/ROE

		H1 2014 £000	H1 2013 £000
Shareholders equity per accounts		234,467	193,873
Deferred tax balances		53,177	54,074
Interest rate swaps valuations		33,688	56,755
Impairment balances		42,105	30,644
Net book value of revalued assets		(8,322)	(9,706)
Adjusted shareholders equity	(e)	355,115	325,640
Debt	(f)	499,586	469,930
Capital employed	(g)	854,701	795,570
Accumulated depreciation (excluding impairments)		624,885	569,109
Cash capital employed	(h)	1,479,586	1,364,679

Appendix E

Cash Flow

	H1 2014 £000	H1 2013 £000	FY 2013 £000
Free Cash Flow	46,677	22,583	65,349
Dividends	(9,987)	(10,021)	(15,053)
Proceeds on Disposal	-	-	645
Investment in new pubs	(58,010)	(19,054)	(60,888)
	(21,320)	(6,492)	(9,947)
Share Buy Backs	(2,893)	-	-
	(24,213)	(6,492)	(9,947)
Non Cash Movements	(1,161)	(827)	(1,655)
Movement in net debt	(25,374)	(7,319)	(11,602)
Free cash flow per share	37.1p	17.9p	51.8p

Swap Maturity Profile

Swap Value	From	To	Weighted Average %
£400m	29 Jul 2012	12 Nov 2014	5.3%
£400m	12 Nov 2014	31 Jul 2016	3.5%
£400m	31 Jul 2016	31 Jul 2018	2.2%
£400m	31 July 2018	31 July 2021	3.7%
£150m	31 July 2021	31 July 2023	3.8%

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