



## Fuller, Smith and Turner PLC Half Year Results

for the 26 weeks to 26 September 2009



Michael Turner

Chairman



# Agenda

Strategy

Corporate Progress

Key Financial Data

Fuller's Inns

The Fuller's Beer Company

Prospects



# Consistent Strategy

Fundamental objective to maximise shareholder returns by generating high quality, sustainable earnings

- Long term focus
- Culture of style not fashion
- Passion for quality
- Premium positioning
- Pride in our brands
- Continuing to expand the business



# Financial Highlights

- Revenue up 10% to £116.9m (2008: £106.4m<sup>#</sup>)
- Adjusted\* PBT up 18% to £14.1m (2008: £12.0m)
- PBT up 26% to £15.1m (2008: £12.0m)
- EBITDA\* up 9% to £22.7m (2008: £20.9m)
- Adjusted\* EPS up 17% to 17.95p (2008: 15.29p)
- Basic EPS up 46% to 19.21p (2008: 13.13p)
- Increased interim dividend of 4.50p<sup>Ω</sup> comprising two elements  
- underlying 5% growth from 2.85p to 3.00p and 1.50p rebasing

<sup>#</sup> Restated to include all excise duty

<sup>\*</sup> Excluding exceptional items

<sup>Ω</sup> Per 40p 'A' or 'C' ordinary share



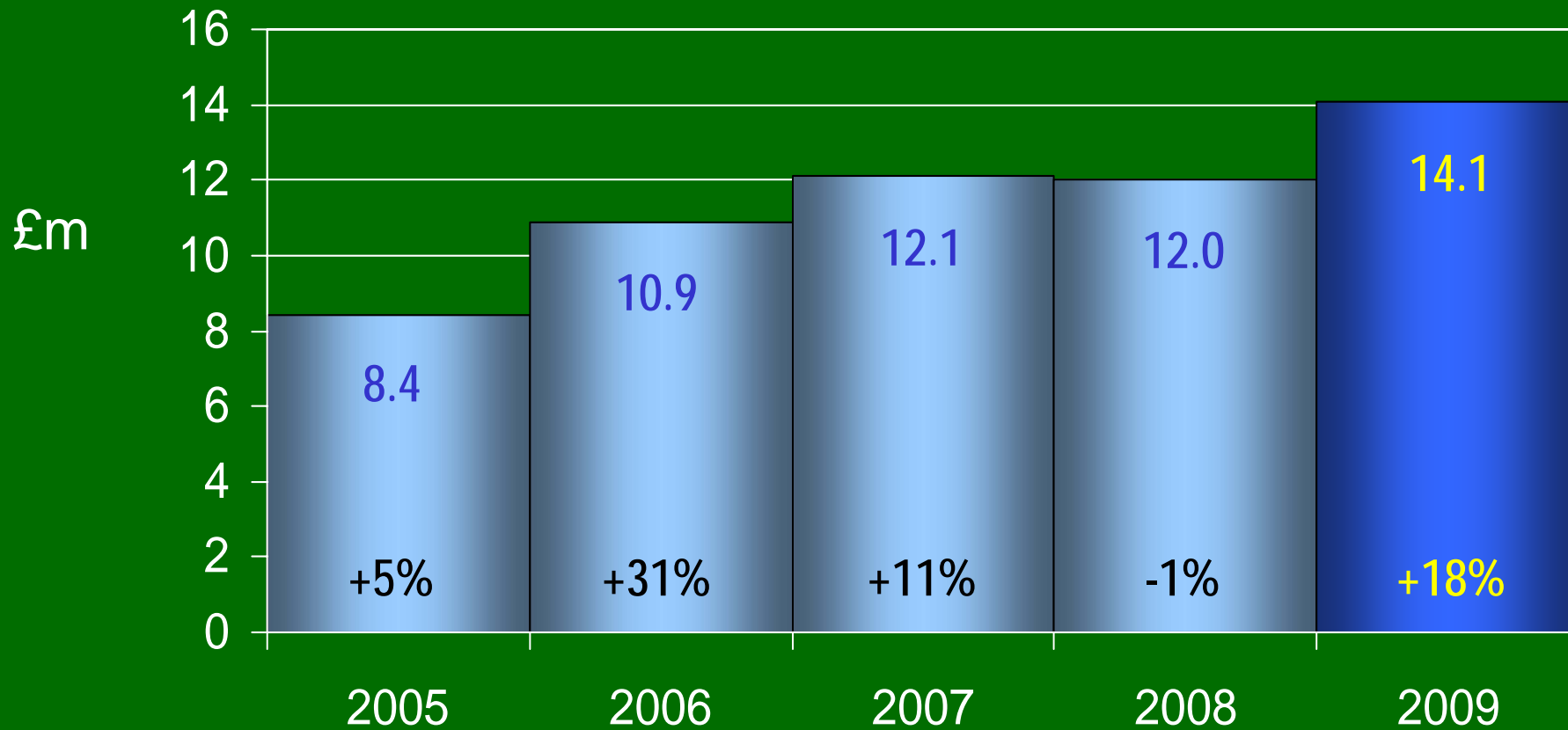
# Corporate Progress

## First Half

- Managed Pubs and Hotels LFL sales up 2.8%
- Managed Pubs and Hotels profits up 20%
- Tenanted Inns LFL profits down 3%
- Own Beer volumes up 3%
- Fuller's Beer Company profits up 15%
- Net debt / EBITDA 2.4 times on a pro forma basis



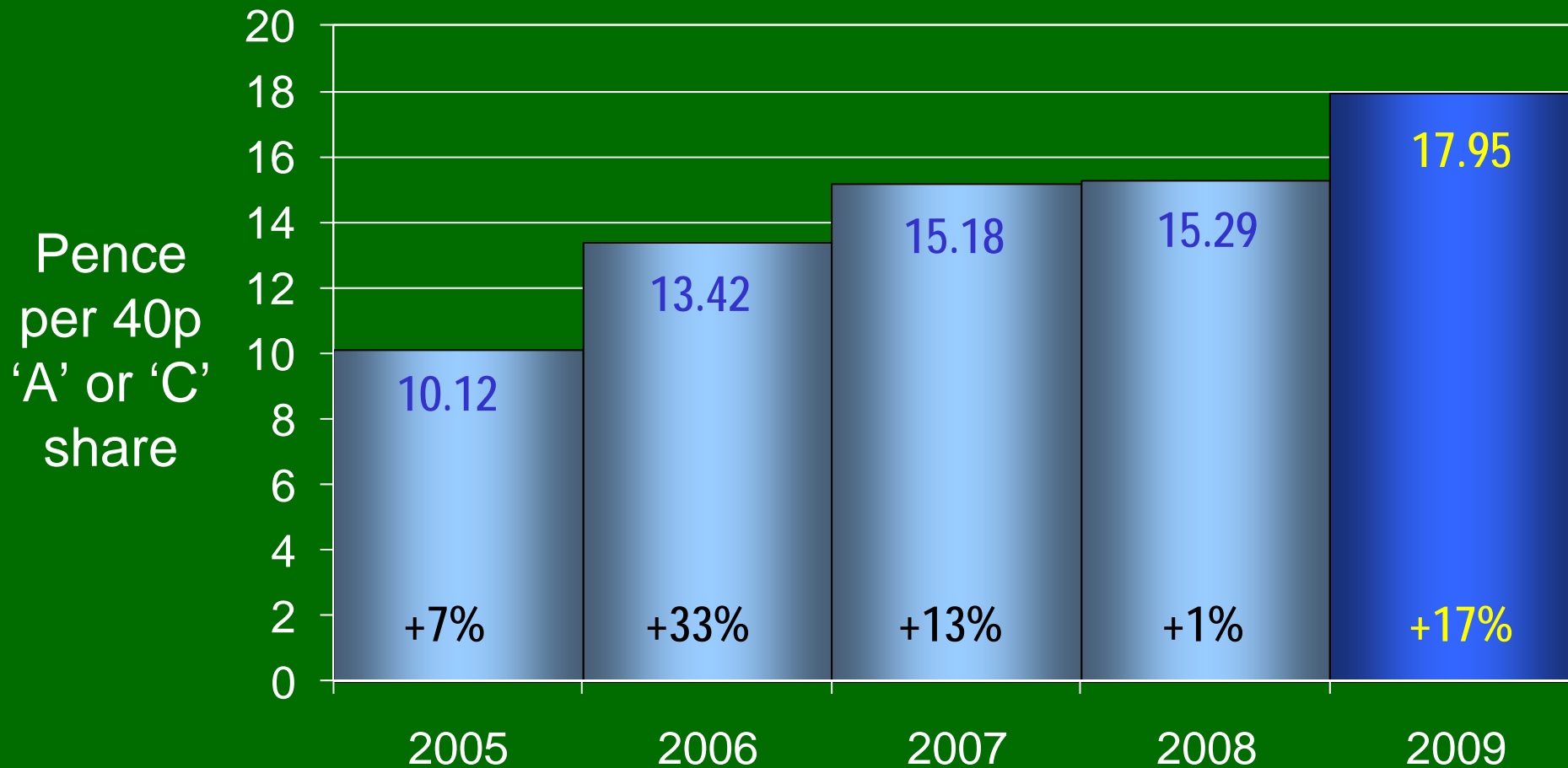
# Adjusted Half Year Profits



*Adjusted profits are profits before tax excluding exceptional items*



# Adjusted Half Year EPS

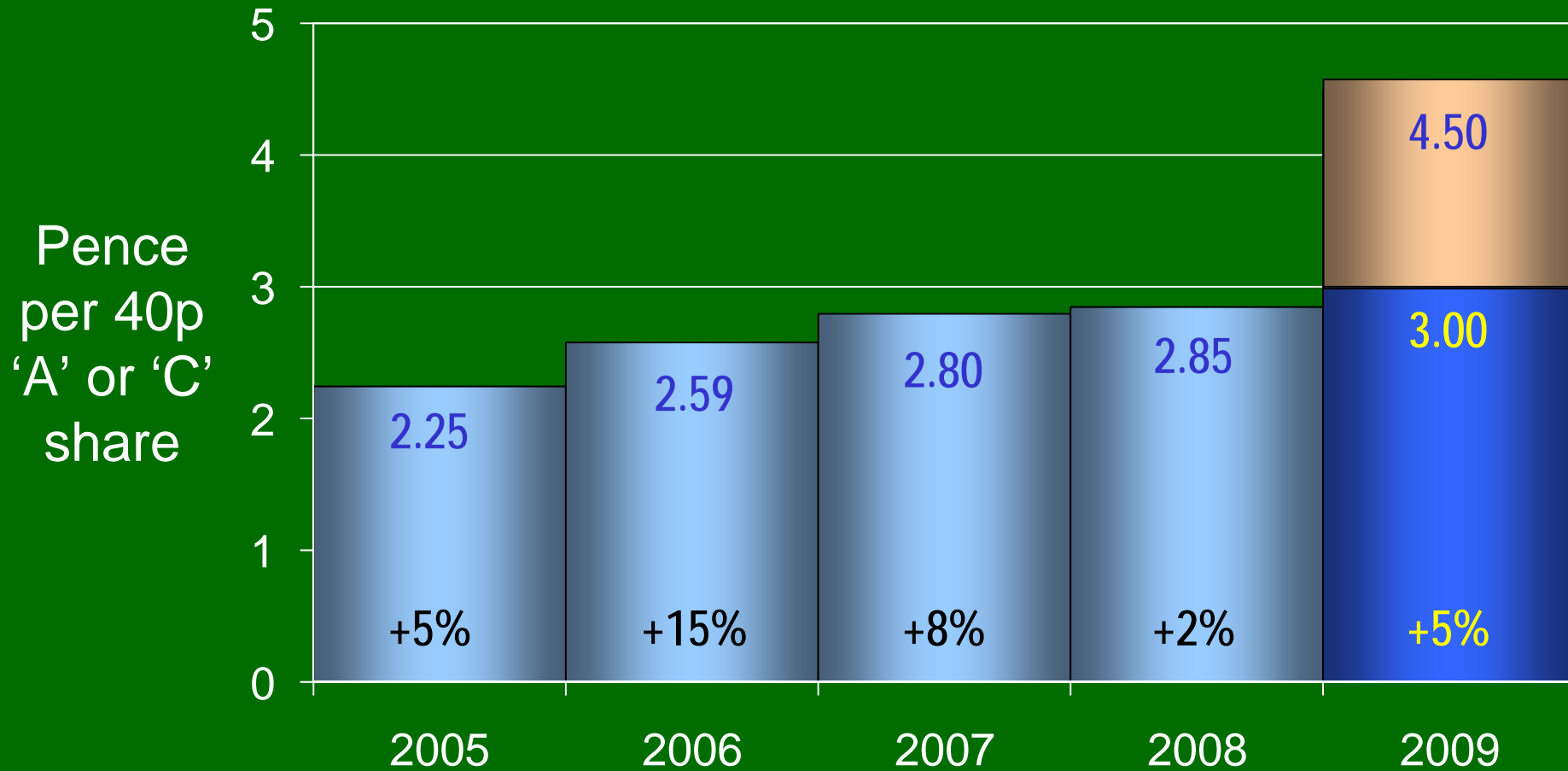


*2005 and 2006 adjusted for the five for two share split*





# Interim Dividend



*2005 and 2006 adjusted for the five for two share split*



James Douglas

Finance Director



# Revised Segmental Reporting

- Disclosure of additional information
- Fuller's Inns reported as Managed and Tenanted

## Split of last year's results

	Managed Pubs and Hotels	Tenanted Inns	Fuller's Inns as previously reported
	FY 2009 £m	FY 2009 £m	FY 2009 £m
Revenue	124.0	26.0	150.0
Operating profit*	12.6	10.2	22.8

\* Excluding exceptional items



# Segmental Split

	H1 2009	H1 2008	
<b>Segment Revenue</b>	£m	£m	
Managed Pubs and Hotels	71.6	63.7	+12%
Tenanted Inns	13.3	13.1	+2%
Fuller's Beer Company	49.4	45.5	+9%
Inter segment revenue	(17.4)	(15.9)	+9%
Revenue	116.9	106.4	+10%
<b>Segment Profits – excluding exceptional items</b>			
Managed Pubs and Hotels	9.5	7.9	+20%
Tenanted Inns	5.0	5.1	-2%
Fuller's Beer Company	3.9	3.4	+15%
Central costs	(1.4)	(1.2)	+17%
Operating profit	17.0	15.2	+12%
Net finance costs	(2.9)	(3.2)	-9%
Adjusted profit	14.1	12.0	+18%



# Statutory Profit Reconciliation

	H1 2009 £m	H1 2008 £m	
Adjusted profit	14.1	12.0	+18%
Profit on property disposals	1.0	-	
Statutory profit before tax	15.1	12.0	+26%
Adjusted earnings per share	17.95p	15.29p	+17%
Basic earnings per share*	19.21p	13.13p	+46%
Effective tax rate on adjusted profits	29.1%	29.2%	

\* H1 2008 bore a one off tax charge of £1.2m due to abolition of Industrial Buildings Allowances



# Generation and use of Cash

	H1 2009 £m	H1 2008 £m
<b>EBITDA</b>	22.7	20.9
Share based payment	1.3	0.8
Working capital / other	3.1	(0.3)
Pension	(0.6)	(0.5)
Interest	(2.4)	(3.0)
Tax	(2.7)	(0.1)
Capex excluding pub acquisitions	(6.5)	(6.2)
<b>Cash generated</b>	14.9	11.6
Pub acquisitions	(25.3)	(0.7)
Property disposals	2.1	0.2
Dividends and share buy backs	(4.2)	(5.7)
<b>Net debt (increased) / repaid</b>	(12.5)	5.4



# Borrowings

	H1 2009	H1 2008
EBITDA*	£22.7m	£20.9m
Gross borrowings	£108.8m	£96.7m
Net debt	£106.7m	£90.1m
Pro forma net debt / EBITDA* #	2.4x	2.2x
Interest cover*	5.9x	4.8x

\* Excluding exceptional items

# On a trailing 52 week basis pro forma for acquisitions



# Debt

- £10.0m of committed facilities were undrawn at half year
- £10.0m of uncommitted overdraft unused at half year
- Pro forma net debt / EBITDA ratio already back down to 2.4x having been 2.8x immediately following the pub acquisitions
- Main facilities expire November 2010
- Anticipate the refinancing being a relatively straightforward process





# Debt Repayment Profile

	£m	
FY 2009/10	4.9	At 26 September 2009 41% (2008: 16%) of gross borrowings are at variable rates
FY 2010/11	76.5	
2023	6.0	
2028	19.8	
No due date	1.6	
Gross borrowings September 2009	<u>108.8</u>	Composite cost of debt is 4.1% (2008: 6.2%)

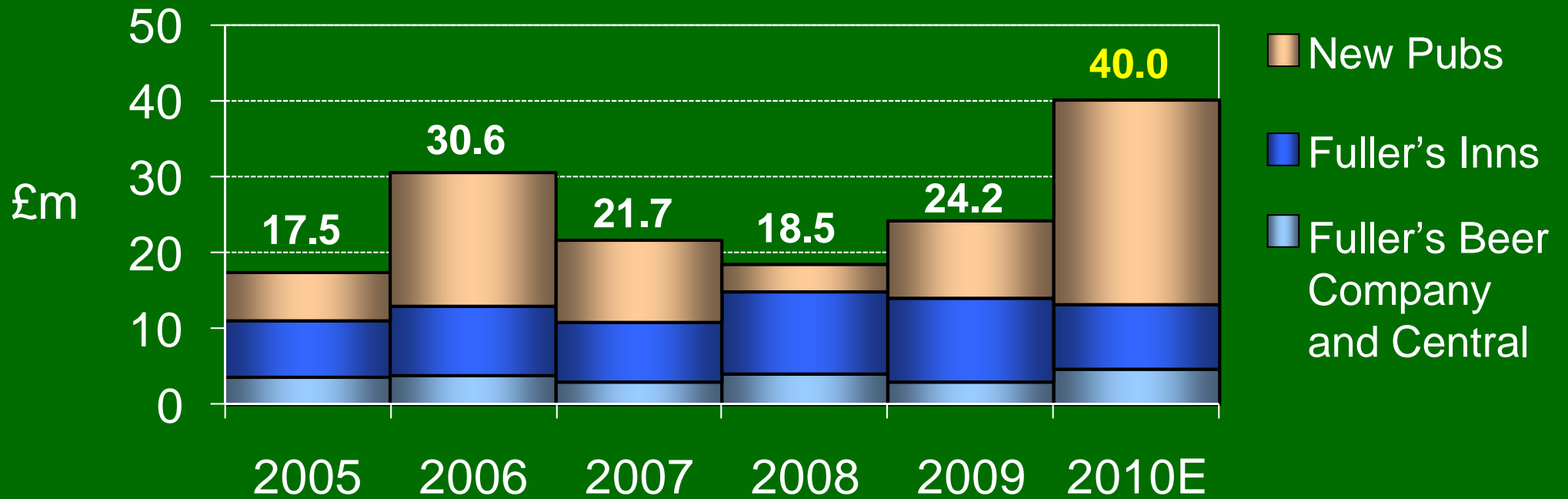


# Analysis of Net Finance Costs

	H1 2009 £m	H1 2008 £m	Comment
Interest receivable	-	(0.2)	
Bank borrowings	1.1	1.9	
Debentures	1.1	1.1	Fixed rate
Preference shares	0.1	0.1	Fixed rate
Net interest on pension liabilities	0.5	0.2	
Lease discount unwind	0.1	0.1	Notional rate
Total net finance costs	<u>2.9</u>	<u>3.2</u>	



# Annual Capital Expenditure





**Simon Emeny**

Managing Director  
Fuller's Inns



# Fuller's Inns





# Retail Split

	March 2009	Transfers	Additions	Disposals	Sept 2009
Managed Pubs and Hotels	156	-	7	(1)	162
Tenanted Inns	203	-	-	-	203
	<hr/> 359	-	7	(1)	<hr/> 365





# Managed Pubs and Hotels





# Managed Pubs and Hotels

## Key Figures

	H1 2009	H1 2008	
Revenue	£71.6m	£63.7m	+12%
LFL sales	+2.8%	+2.3%	
Operating profit*	£9.5m	£7.9m	+20%
EBITDA*	£13.4m	£11.7m	+15%

\* Excluding exceptional items





# Managed Pubs and Hotels





# Managed Pubs and Hotels

## Trading Patterns

- 11 substantial pub acquisitions
- LFL sales up 2.8%
- Improved summer weather
- Cask ale sales up 19%
- Food represents 28% of revenue\* (2008: 27%)
- Accommodation sales 4% lower
- Profits up 20%

*\* Revenue adjusted to exclude sites where food is franchised out*



# Managed Pubs and Hotels

## Central London Pub Acquisitions

- Ten iconic London pubs since February
- Good summer and tourist trade
- Higher food sales than typical Fuller's Pub
- Integration fully completed
- Improved cellar standards
- Starting process to sign as Fuller's Pubs

Covent Garden  
Hyde Park  
Mayfair  
Brook Green  
Highgate  
Westminster  
Teddington  
Hatton Garden  
Gloucester Road  
Kensington





# Managed Pubs and Hotels

## Key Drivers

- Quality in everything we do
- Outstanding drinks portfolio
- Delicious food
- Boutique accommodation
- Exemplary service
- Differentiated experience





# Tenanted Inns





# Tenanted Inns

## Key Figures

	H1 2009	H1 2008	
Revenue	£13.3m	£13.1m	+2%
Operating profit	£5.0m	£5.1m	-2%
LFL profits	-3%	-2%	
EBITDA	£5.8m	£5.8m	level





# Tenanted Inns

## Supporting our Tenants

- Very few rent concessions
- Support on
  - Cellar standards
  - Marketing activities
  - Training and Tenant development
  - Drinks portfolio
  - Quality initiatives
- Continued investment in estate





# Fuller's Inns

## Summary

- Comparable pubs continue to grow – LFL sales +2.8%
- Acquisitions major source of Managed Pubs and Hotels growth
- Acquisitions have summer bias
- VAT reduction flatters LFL sales statistics
- Tenanted performance continues to be sector leading
- Differentiated experience is vital for all Pub customers
- Estate is in excellent condition
- Strong business model





**John Roberts**

Managing Director  
The Fuller's Beer Company



# Key Drivers

- Broad portfolio of award-winning brands
- Premium positioning
- Total commitment to quality
- High profile marketing support
- Excellent service
- Well-balanced business





# The Fuller's Beer Company

## Key Figures

	H1 2009	H1 2008	
Revenue	£49.4m	£45.5m	+9%
Operating profit	£3.9m	£3.4m	+15%
EBITDA	£4.9m	£4.4m	+11%



# The Fuller's Beer Company

## Beer Volumes

	H1 2009 '000 brls	H1 2008 '000 brls	
<b>Own Beer</b>			
Free On Trade	59.6	59.4	level
Fuller's Inns	19.9	18.4	+8%
Off Trade	17.7	16.9	+5%
Exports	12.3	11.5	+7%
<b>Total Own Beer</b>	<b>109.5</b>	<b>106.2</b>	<b>+3%</b>
Foreign Beer	55.4	54.8	+1%
<b>Total Beer</b>	<b>164.9</b>	<b>161.0</b>	<b>+2%</b>



# The Fuller's Beer Company

## Comparison with UK Market

	H1 2009 Fuller's UK Growth	H1 2009 UK Market Growth*	Comparison
Total Beer	+2%	-3%	+5%
Total Ale	+3%	-2%	+5%
Off Trade Ale	+5%	+5%	level
Cask Ale	+1%	level	+1%

\* Source: BBPA



# The Fuller's Beer Company

## London Pride

- The UK's leading Premium Ale
- Increased market share and popularity
- Continued high profile advertising
  - “Whatever you do, take Pride”
- Comprehensive promotions and sponsorship programme







# The Fuller's Beer Company

## Organic Honey Dew

- The UK's leading organic beer
- Summer press and poster campaign
- Extensive sampling programmes

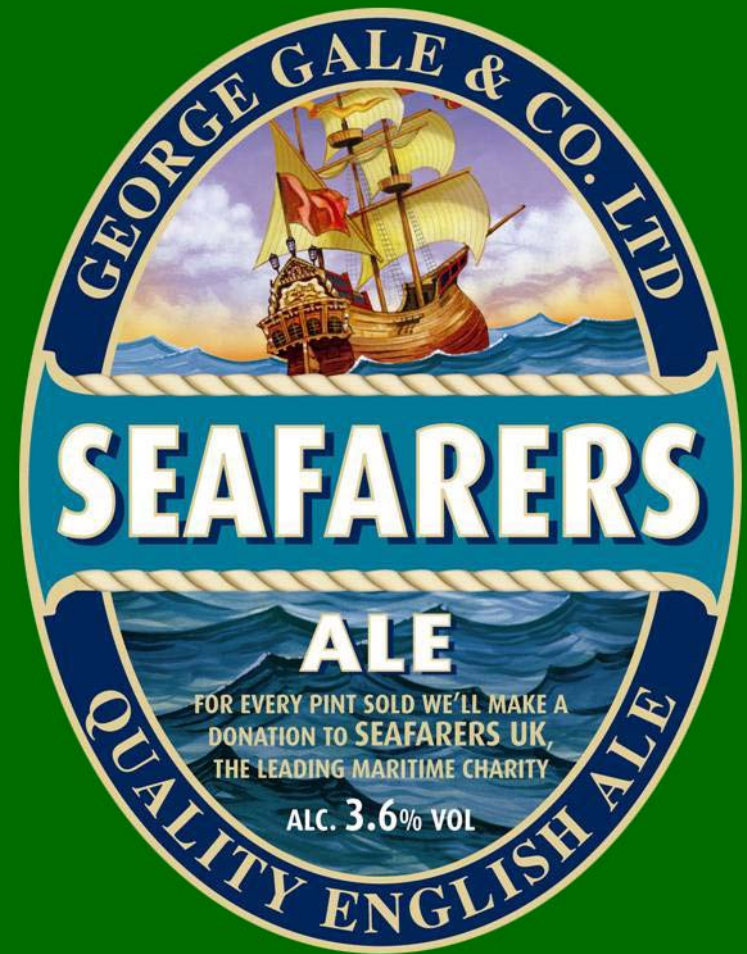




# The Fuller's Beer Company

## Gales Seafarers Ale

- Launched in March 2009
- Lower ABV of 3.6%
- Broadens Gales brand portfolio
- Supporting Seafarers UK charity







WIN THE CLASSIC ENGLISH OUTFIT FROM THE CLASSIC ENGLISH ALE.

**SAVILE ROW W1**  
CITY OF WESTMINSTER



Order an ESB and enter the draw to win a Savile Row suit or jacket from Gieves & Hawkes and a pair of Church's classic English brogues.

We'll introduce you to the master craftsmen who have perfected this classic English look and who dress the most stylish men and women in the world.

Then we'll end up, naturally, with a rich and rewarding glass of ESB. A day to remember for the winner and a case of ESB for each of the 10 runners-up. Ask at the bar for details.

**ESB** AS GOOD AS IT GETS

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drinkaware.co.uk

**OPEN. AND ENJOY.**

ENGLISH GOLF UNION OFFICIAL BEER

WHATEVER YOU DO, TAKE PRIDE.





# The Fuller's Beer Company

## Summary

- Own Beer volumes 3% higher
- Foreign Beer volumes up 1%
- Increased market share
- Greater marketing impact at lower cost
  - Increases in second half
- Brand range strengthened
- Costs contained while margins improved
- Fuller's Beer Company profits up 15%





# The Fuller's Beer Company

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CONGRATULATIONS ENGLAND.



WHATEVER YOU DO, TAKE PRIDE.



# Summary

- An outstanding set of results
  - Good summer weather
  - Incremental earnings from acquisitions
  - Temporarily low borrowing costs
  - Pay freeze



# Prospects

- Managed LFL sales up 2.9% – for 33 weeks
- Second half likely to be tougher than the first
- Tax increases inevitable
- Interest rates forecast to rise
- Increased investment in high quality estate
- Strong brands
- Strong financial position

The fuller flavour.



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WHATEVER YOU DO, TAKE PRIDE.