



Fuller, Smith and Turner PLC

Half Year Results for the 26 weeks ended 28 September 2013



Michael Turner

Chairman



Agenda

- Overview
- Financial Results
- Operations
- Prospects



Highlights

- Strong first half for the Group
- Managed Pubs and Hotels LFL sales up 7.9%
- Good progress on strategic initiatives
- Adjusted EPS up 9% to 24.79p
- Adjusted PBT up 8% to £18.1m
- Revenue up 6% to £146.3m
- Interim dividend up 8% to 5.80p
- Net debt / EBITDA at 2.5x on a pro forma basis





James Douglas

Finance Director



Group Performance

	H1 2013 £m	H1 2012 £m	
Revenue	146.3	137.9	+6%
Operating costs*	(125.3)	(118.1)	+6%
Operating profit*	21.0	19.8	+6%
Net finance costs*#	(2.9)	(3.0)	-3%
Adjusted profit**	18.1	16.8	+8%
Depreciation & amortisation	7.1	7.1	level
EBITDA*	28.1	26.9	+4%

* Excluding exceptional items

2012 has been restated to exclude pension finance costs/income from adjusted profit

Exceptional Items



	H1 2013 £m	H1 2012 £m
Profit on sale of properties	0.5	0.6
Asset impairments & reversals	(0.5)	0.5
Acquisition costs	(0.3)	(0.2)
Onerous lease provision release	0.6	-
Reorganisation costs	(1.3)	-
Mark to market of financial instruments	-	0.1
Pension scheme finance costs [#]	(0.3)	(0.5)
Total exceptional items[#]	(1.3)	0.5
Tax on exceptional items	0.1	0.9
Reduction in tax rate	3.4	1.2
Exceptional items net of tax[#]	2.2	2.6

[#] Restated to include pension finance costs in exceptional items

Managed Pubs and Hotels

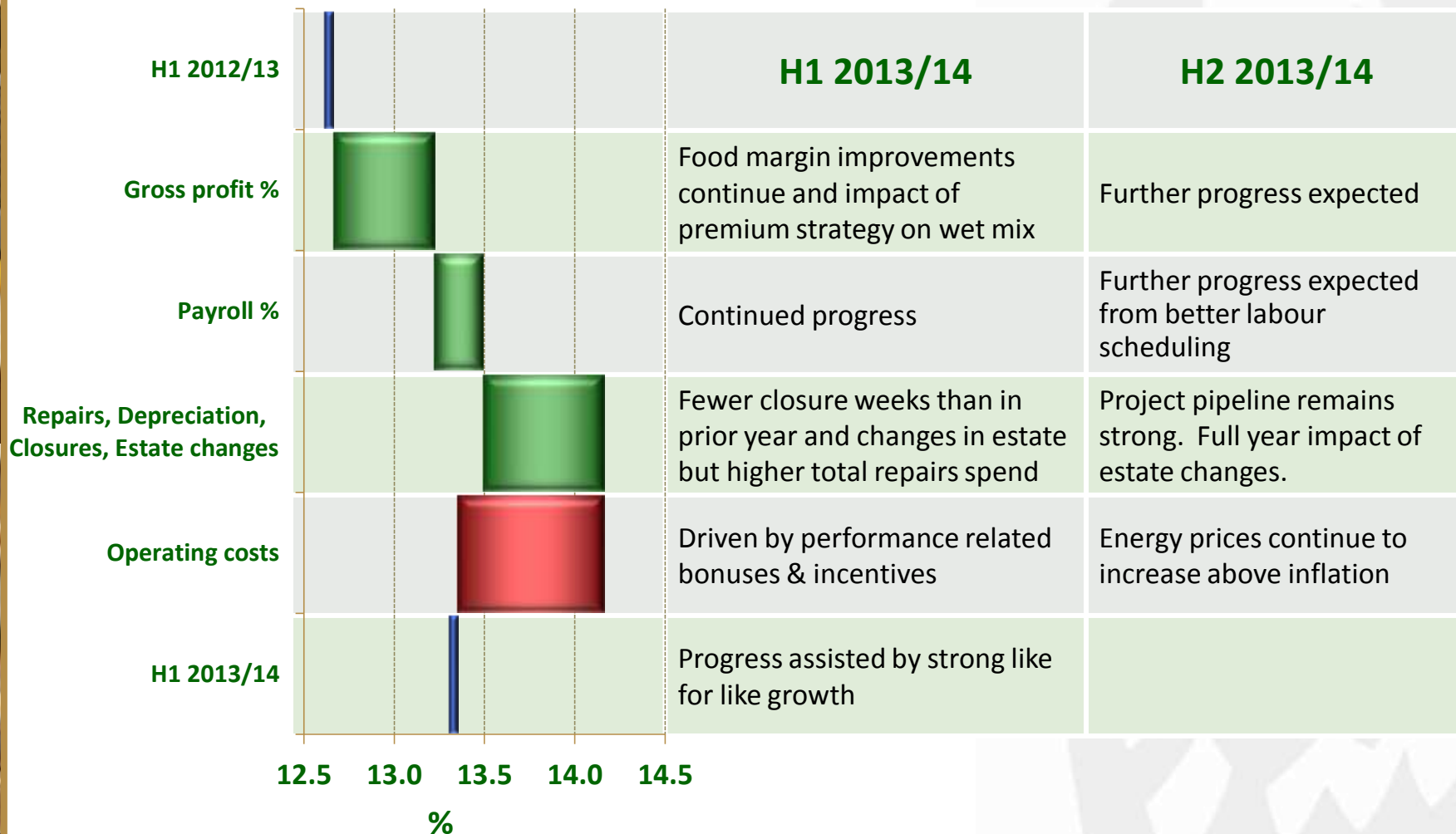
	H1 2013	H1 2012	
LFL sales	+7.9%	+1.6%	
Revenue	£94.4m	£86.1m	+10%
Operating costs*	£81.8m	£75.2m	+9%
Operating profit*	£12.6m	£10.9m	+16%
Operating margin	13.3%	12.7%	
Depreciation & amortisation	£4.8m	£4.8m	level
EBITDA*	£17.4m	£15.7m	+11%

* Excluding exceptional items

Margin Evolution

Managed Pubs and Hotels margin up 69 bp on last half year

Managed Pubs and Hotels operating margin



Tenanted Inns

	H1 2013	H1 2012	
LFL profits	+1%	+1%	
Average EBITDA per pub	level	+8%	
Revenue	£16.0m	£15.7m	+2%
Operating costs*	£9.8m	£9.5m	+3%
Operating profit*	£6.2m	£6.2m	level
Operating margin	38.8%	39.5%	
Depreciation	£0.8m	£0.8m	level
EBITDA*	£7.0m	£7.0m	level

* Excluding exceptional items

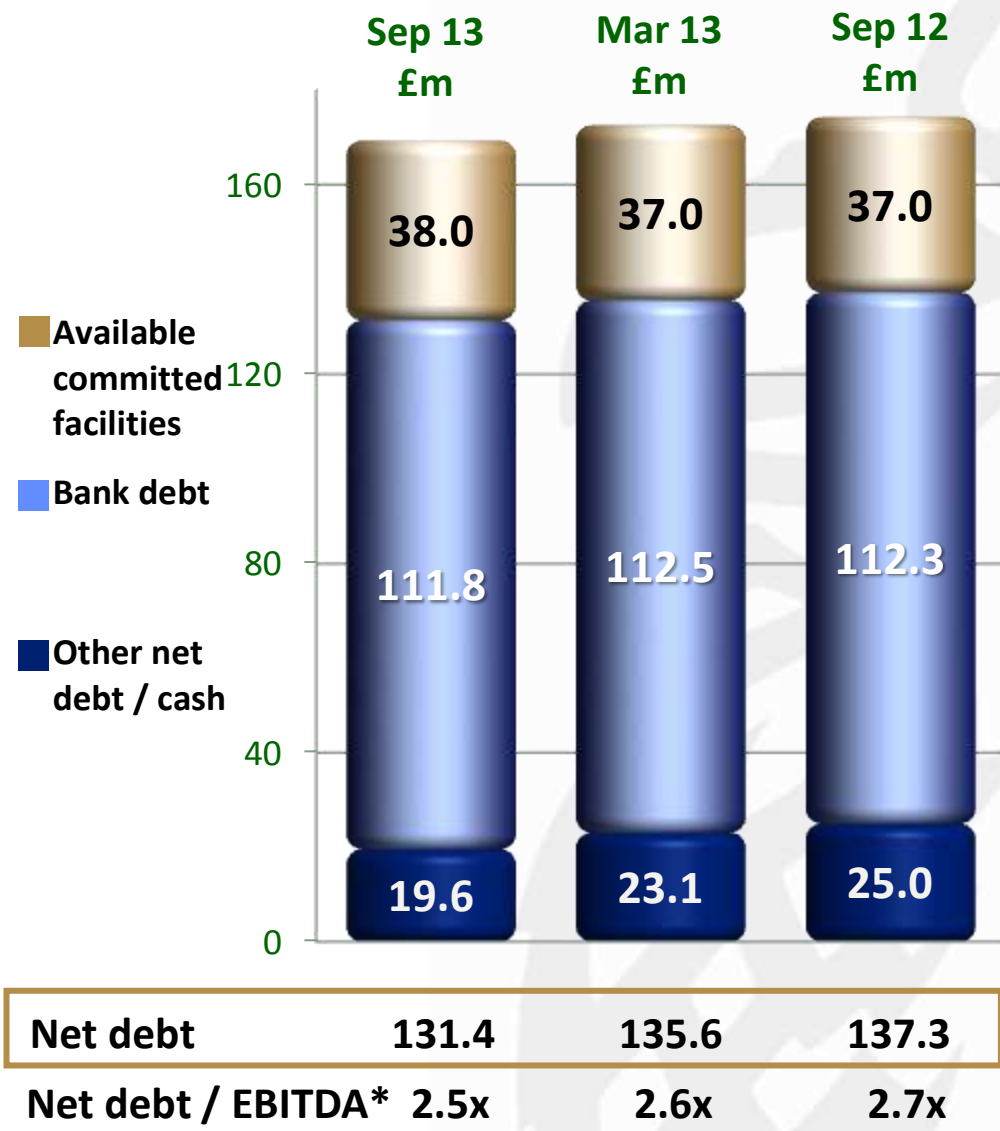
The Fuller's Beer Company

	H1 2013	H1 2012	
Total Beer & Cider volumes	-1%	+1%	
Revenue	£58.3m	£57.7m	+1%
Operating costs*	£54.3m	£53.4m	+2%
Operating profit*	£4.0m	£4.3m	-7%
Operating margin	6.9%	7.5%	
Depreciation*	£1.5m	£1.5m	level
EBITDA	£5.5m	£5.8m	-5%

* Excluding exceptional items

Borrowing Capacity

- £150m committed across five banks following Co-operative Bank novation to RBS and Lloyds
- Freedom to add further funding for acquisitions
- 81% of period end gross borrowings fixed or capped
- New £20m swap in place, starting 2015 through to 2020 at 2.6%. Fixed rate debt of at least £67m to 2020
- Estimated blended cost of borrowings for 2013/14 is 4.1%



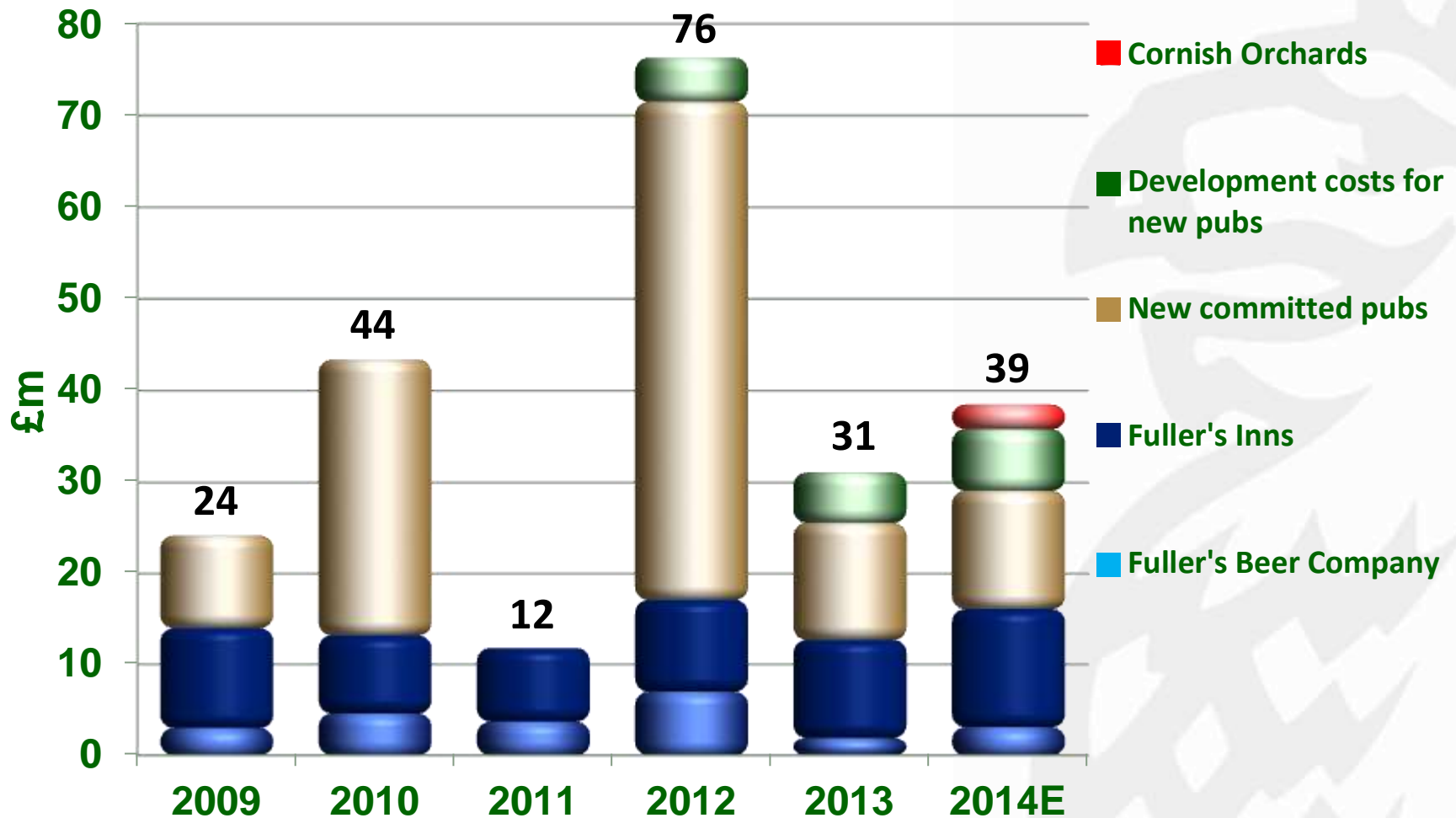
* Net debt / EBITDA is on a pro forma 12 months basis for pubs acquired and disposed of in the year

Generation and Use of Cash

	H1 2013 £m	H1 2012 £m
EBITDA	28.1	26.9
Working capital / other adjustments	2.7	(1.7)
Interest and refinancing costs	(2.7)	(2.7)
Tax	(4.0)	(3.8)
Cash available for discretionary spend	24.1	18.7
Capex on existing estate and brewery	(6.6)	(6.7)
Corporate acquisitions	(2.1)	-
Pub acquisitions – business purchases	(2.6)	(3.9)
Pub acquisitions – development capex	(3.2)	(3.6)
Acquisition costs paid in period	(0.3)	(1.2)
Property disposals	1.3	5.5
Dividends and share transactions	(5.5)	(7.6)
Cash flow	5.1	1.2
Non cash movement (incl acquired debt)	(0.9)	(0.3)
Net debt movement	4.2	0.9



Annual Capital Expenditure



Capital expenditure for all years includes pub acquisition costs paid in the period, which from 2012 onwards we have treated as exceptional expenses in the statutory accounts. 2014E represents the current estimate of capital expenditure for the 52 weeks to 29 March 2014 and committed pub acquisitions. Further pub acquisitions would be in addition to this.



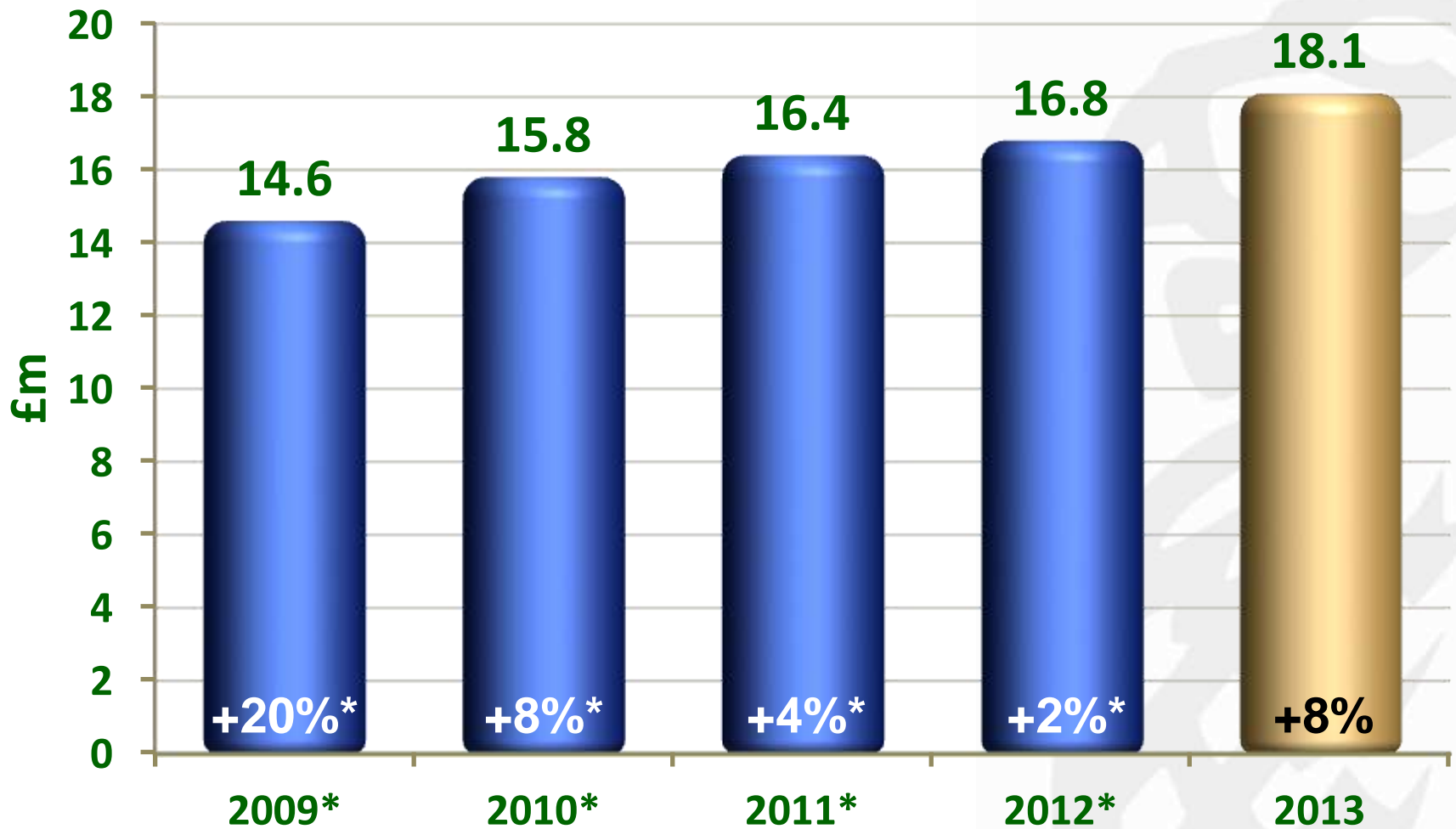
Simon Emeny

Chief Executive



Adjusted Half Year Profits

Five year growth of 48%

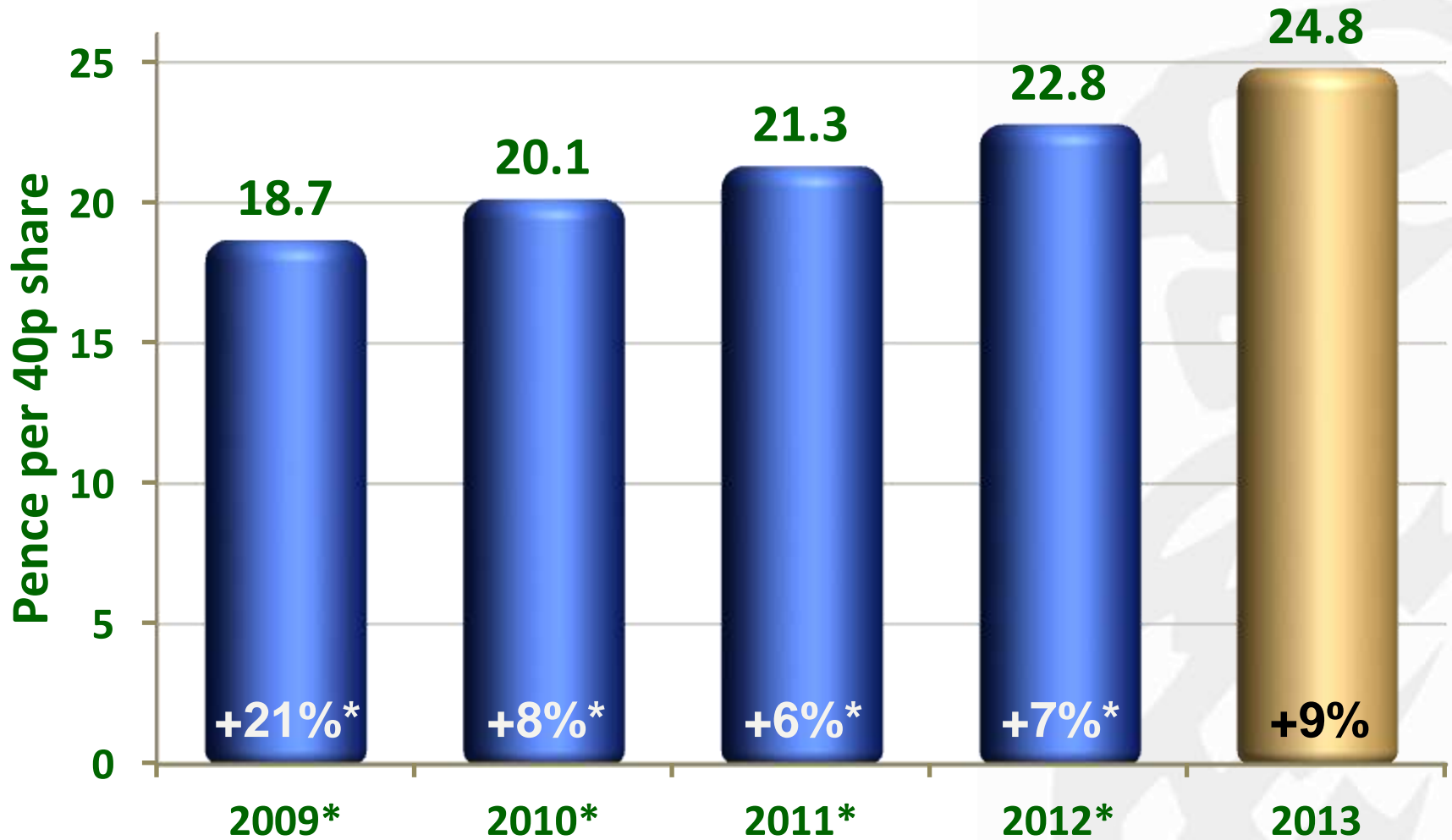


Adjusted profits are profits before tax excluding exceptional items

**2012 and years before have been restated to exclude pension finance costs/income from adjusted profit*

Adjusted Half Year EPS

Five year growth of 60%



Excluding exceptional items

**2012 and years before have been restated to exclude pension finance costs/income from adjusted profit and hence adjusted EPS*

Interim Dividend

Five year growth of 104%



2009 % increase ignores the 1.50p rebasing of the interim dividend



The Fuller's Vision

“We will create and operate the most stylish pubs and hotels whilst brewing Britain’s most coveted premium brands for discerning customers both at home and abroad.”



Drivers for Growth

Distinctive Pub & Hotel Experience



Targeted Acquisitions & Developments



Premium Brand Portfolio



Distinctive Pub & Hotel Experience

Targeted Acquisition & Development

Premium Brand Portfolio

Our people

Customer feedback

Investing throughout the cycle

Retail offer

Customer experience

Behind scenes investment

Distinctive Pub & Hotel Experience



Our people

Staff Engagement

Service coaches – training and promotion of engaging service values

Engaging Service Passport – ownership of customer experience

Recruitment Portal

New recruitment portal planned for H2

Customer feedback

Retail offer

Customer experience

Behind scenes investment



Distinctive Pub & Hotel Experience

Our people



Retail offer

Behind scenes investment

Customer experience

Customer feedback

Menu Creation

Executive chef team

Freshly prepared on site by trained chefs

Bespoke menus with "Only at Fuller's" dishes - eg Golden Pride sourdough

Drinks Portfolio

Premium range of craft ales and ciders, interesting lagers, exclusive wines and high quality soft drinks



Distinctive Pub & Hotel Experience

Our people

Customer feedback

Retail offer

Kitchens

Investment in design and layout
State of the art equipment

Cellars

Master Cellarman programme
Regular quality control visits

Systems

Star Chef recipe management
Labour scheduling
Contactless payment technology

Customer experience

Behind scenes investment



Distinctive Pub & Hotel Experience

Our people

Customer feedback

Retail offer

The Fabric of our Pubs

Continual investment in refurbishing our pubs to a high standard

Emphasis on stylish but enduring design

Enhancement of outdoor areas

Customer experience

Behind scenes investment



Distinctive Pub & Hotel Experience



Our people

Customer feedback

Net Promoter Scores

Implemented during H1 - valuable feedback on customer advocacy

Online Reputation

Quicker and easier to follow up reviews and monitor scores across web and social media

Retail offer

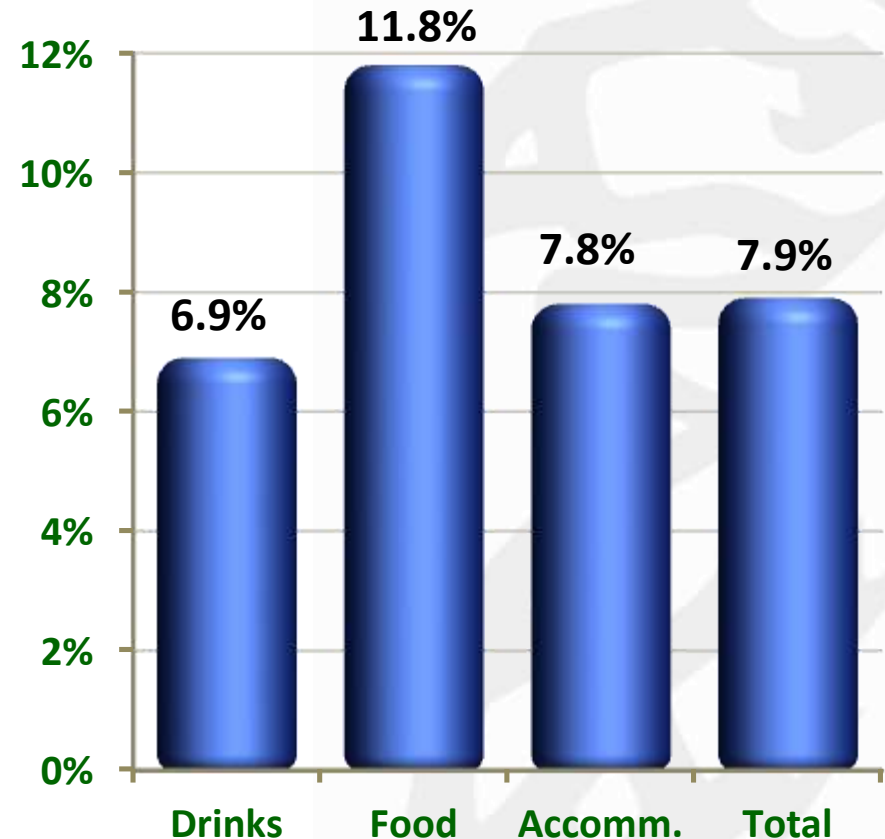
Customer experience

Behind scenes investment

Managed Pubs and Hotels Trading

- Sector leading LFL sales, well ahead of Peach Tracker
- Drinks sales boosted by good weather and premium portfolio
- Food continues to grow strongly
 - Average food spend per cover up 5% to £10.84
 - Covers up 7%
- Accommodation good despite last year's one-off benefit from London Olympic games
 - 10% increase in occupancy

LFL Growth Rates



Ale & Pie

The evolution of a timeless pub

- Created 20 years ago – 13 stylish, iconic pubs in city centre locations
- Enduring and original concept which has been our most consistently well performing area
- Much imitated over the years, now being updated to keep one step ahead
 - Delicious freshly handcrafted pies with highest quality ingredients
 - Upgraded kitchen equipment
 - Subtle interior design refinements



Connecting with Customers

The new website has increased web presence and multiplied links with social media. Our focus is now:



Feedback & social media

- Roll out of new tool to assist managers with management of feedback and ratings
- Also links to pub twitter and facebook accounts
- Provides sentiment analysis

Website enhancements

- Fuller's own Beer finder tool
 - Pub websites to show delivered beer
 - Fuller's website to locate a particular beer
- Improving hotel booking journey



Distinctive Pub & Hotel Experience

Targeted Acquisitions & Developments

Premium Brand Portfolio

Acquisitions

Developments



Transport Hubs



Heart of the Market Town



Iconic London Pubs



Refurbishment & Repositioning

Acquisitions – Iconic London Pubs

The White Hart, Southwark

- Purchased in July for £2.6m
- Well known classic pub in a developing area
- Excellent strategic fit, close to attractions like the Tate Modern and the Globe theatre



The White Hart, Southwark

The Distillers, Hammersmith

- Completed acquisition on 18 November for £3.4m
- Popular pub in a great location – close to the Hammersmith Apollo and just 1 mile from the brewery



The Distillers, Hammersmith



Development Sites



Cams Mill, Fareham

- Exciting freehold new build
- Oak framed barn overlooking the estuary – recreating the original tidal mill that stood on the site 100 years ago
- Opened on 18 November

Pipeline of developments

- Heathrow, Terminal 2 – £1.7m investment now complete, will open June 2014
- One Over The Ait, Kew Bridge – a two floor riverside pub within a new development, opening Spring 2014
- The White Buck, Burley – in the heart of the New Forest, in December we will add eight boutique bedrooms and completely redesign this pub
- The Pilot, Greenwich – in November we have added five boutique bedrooms to meet demand at this traditional pub next to the O2 arena

Refurbishment & Repositioning



The White Horse, Richmond



The Chineham Arms, Hampshire



The Hereford Arms,
Gloucester Road



The Tap on the Line, Kew



The Vintry, EC4

Refurbishment & Repositioning

- 12 pubs refurbished (2012: 12) plus 2 large developments (2012: 3), total capital spend of £5.1m (2012: £5.3m)
- 29 weeks of closures in the first half (2012: 53 weeks)
 - 5 weeks relating to development projects (2012: 15 weeks)
- Key elements of our refurbishments:
 - Enhancing outdoor areas and gardens
 - Review positioning
 - Appealing to wider markets
 - Opening for breakfast and coffee where appropriate
 - Serving food for longer hours
 - Redesign food and drinks offer and retrain staff



Tenanted Inns

- LFL profits up 1% on prior period following increased investment
- 211 Tenanted pubs at 28 September 2013
- During the period four Managed pubs have been transferred to Tenanted
- Purchase of The White Hart, Southwark
- Plan to dispose of 10 pubs which no longer fit our model, two exchanged post period end



Peter Dowd and Tom Canny
The Basketmaker's Arms, Brighton

Working with our Tenants

- 70% of Tenants are currently signed up to our Service Agreement, with great feedback
- Awarded the Good Pub Guide's Brewery of the Year 2014, on the strength of our Tenanted pubs
- Average length of tenure over six years
- 19 refurbishments have been carried out in H1
- Extranet launched April 2013, working well as a one-stop shop for information, news and offers
- 105 Tenanted pubs hold Master Cellarman status



Andrew and Nicola Ralley, The Farmer's Boy, Dunstable



Distinctive Pub &
Hotel Experience

Targeted
Acquisition &
Development

Premium Brand
Portfolio



Well Invested Brands



Broaden Portfolio



Leverage Expertise
Internationally

The Fuller's Beer Company

- Well invested equipment and processes drive quality in everything we do
- Skilled brewers regularly produce over 20 different beer styles
- Putting flavour first by maturing for longer
- Constantly innovating to produce new seasonal beers and limited edition brews
- Showcasing ingredients from around the world
- Using recipes from the brewing book throughout the decades
- Helping the consumer to discover and appreciate diversity in beer



Cornish Orchards Acquisition Update

- Acquired 4 June for £3.8m*
- First five months trading is strong, with demand outstripping supply
- New tanks in place have increased cider capacity by 60%
- Exceptional quality cider made from freshly pressed local apples
- Premium soft drinks range will complement Fuller's craft ales



** Includes acquisition costs, provision for deferred consideration and £0.7m of assumed liabilities*



Premium Drinks Portfolio

Westside Drinks

- Opens up new markets for the sale of our premium drinks portfolio including Frontier, Chimay, Veltins and Cornish Orchards
- Targeting stylish bars, clubs and restaurants wanting exclusive products on their bar
- Dedicated sales team
- Initial test of Frontier successful
 - Now seeding Frontier into 60 more locations as planned
 - Trial shows Frontier as no. 2 selling premium lager where stocked

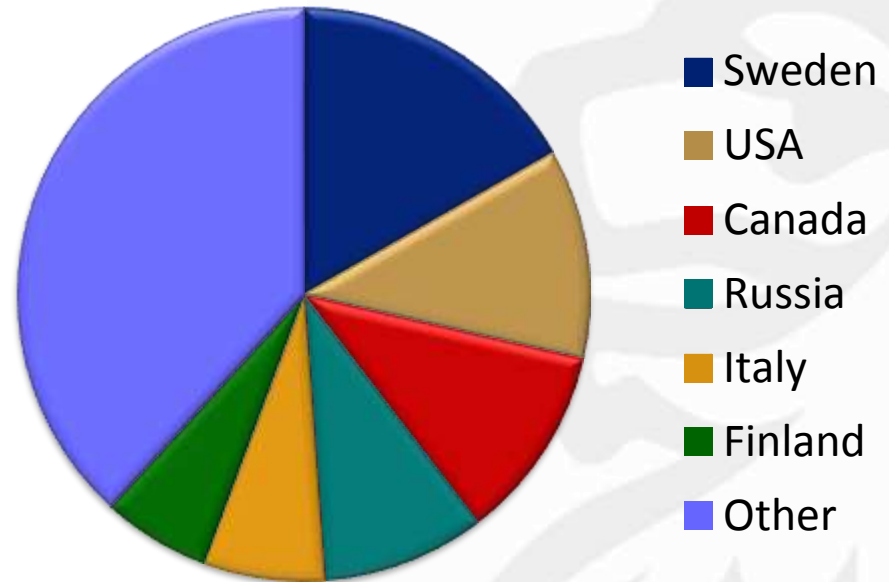
WESTSIDE
DRINKS



Exports

- 1 in 5 barrels exported
- Continues to expand with 100% volume growth over last five years
- Growing interest in imported and craft beers
- Focus on profitable growth within our existing markets through increasing both distribution and rate of sale
- Sweden is now our largest market and Russia is fourth and growing

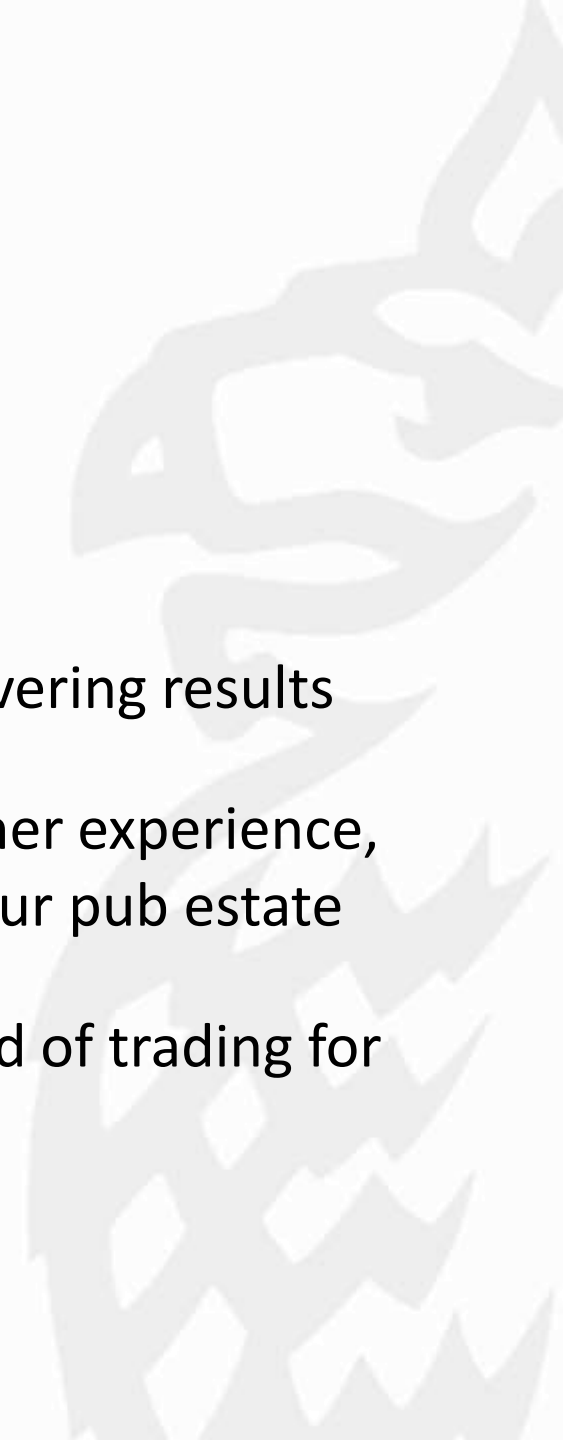
Destination of Export sales



Our six largest markets account for 62% of our total volumes

Summary

- A strong first half for the Group
 - Adjusted PBT up 8% to £18.1m
 - Adjusted EPS up 9% to 24.79p
- Investments made over recent years are delivering results
- Enhancing all elements of the Fuller's customer experience, both behind the scenes and in the fabric of our pub estate
- Successful integration and exciting first period of trading for Cornish Orchards, acquired on 4 June



Current Trading and Prospects

- Continuing strong underlying trading, with an excellent development pipeline
 - Managed LFL sales up 7.8% for 33 weeks
 - Tenanted LFL profits up 2% for 33 weeks
 - Total beer & cider volumes up 1% for 33 weeks
- Good momentum in our Managed Pubs & Hotels business driven by our freshly prepared food offer
- Promising progress on strategic initiatives in The Fuller's Beer Company
- Healthy balance sheet will allow us to take advantage of new opportunities as and when they arise





Appendix – Reconciliation to Statutory Profit

	H1 2013 £m	H1 2012 £m	
Adjusted profit[#]	18.1	16.8	+8%
Exceptional items [#]	(1.3)	0.5	
Profit before tax[*]	16.8	17.3	-3%
Tax on adjusted profit	(4.2)	(4.1)	+2%
Exceptional tax	3.5	2.1	
Profit after tax[*]	16.1	15.3	+5%
Adjusted EPS[#]	24.79p	22.78p	+9%
Basic EPS[*]	28.71p	27.45p	+5%

[#] 2012 restated to exclude pension finance costs/income from adjusted profit

^{*} 2012 pension finance costs/income are restated in line with the change in accounting policy as a result of IAS19 (amendment)

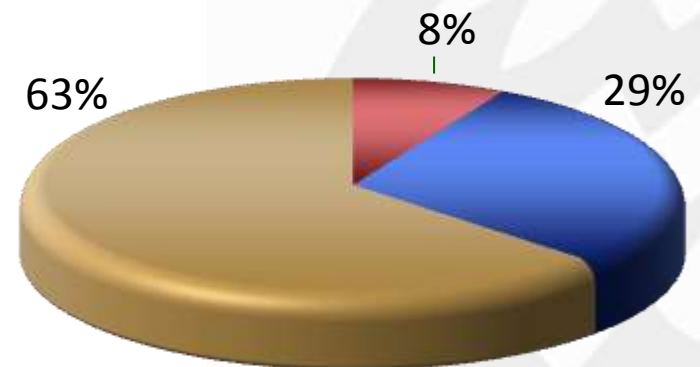
Appendix – Fuller’s Inns Estate

	Mar 2013	Acquired	Disposed	Transfers	Transfers	Sept 2013	Acquired/ developed	Disposed	Nov 2013
Managed Pubs and Hotels	177	-	(1)	(4)	2	174	2	-	176
Tenanted Inns	209	1	(1)	4	(2)	211	-	(2)	209
Total	386	1	(2)	-	-	385	2	(2)	385

Managed Pubs and Hotels

- 610 bedrooms across 12 hotels and 16 pubs with rooms at 28 September 2013
- Over 60% of our Managed pubs are inside M25
- Average sales per week per LFL pub are just under £20,000

Share of Total Turnover



■ Accommodation ■ Food ■ Drinks

GRIFFIN'S EYE VIEW

She's on our bottles, our pint glasses and the logo on this poster. But she first appeared on our brewery wall in Chiswick over 175 years ago. As unofficial head of security (in mythology the Griffin is a beast that protects treasure) nothing escapes her on that perch high above the Thames. Millions of pints of London Pride aside, she's seen 77 Oxford wins. 81 for Cambridge. A few shivering skinny dippers. David Williams swim past for charity. And the Queen, celebrating her Diamond Jubilee. Apparently our Griffin got a wave. Maybe she should run for Mayor.



Made of London

BREWED BESIDE THE THAMES

HORSES LOVE IT

Back in the day, London Pride was transported through the city using horse and wagon. The horses would get thirsty and the drivers would give them a bottle or two. Soon the horses developed a fondness for our fine ale, and it got to the point where they refused to drink water. So, in effect the wagons were powered by London Pride. These days we use vans for those narrow London streets, but no one's tried London Pride in the fuel tanks, yet.



Made of London

BREWED BESIDE THE THAMES

