



## Fuller, Smith & Turner PLC

Half Year Results for the 26 weeks ended 27 September 2014



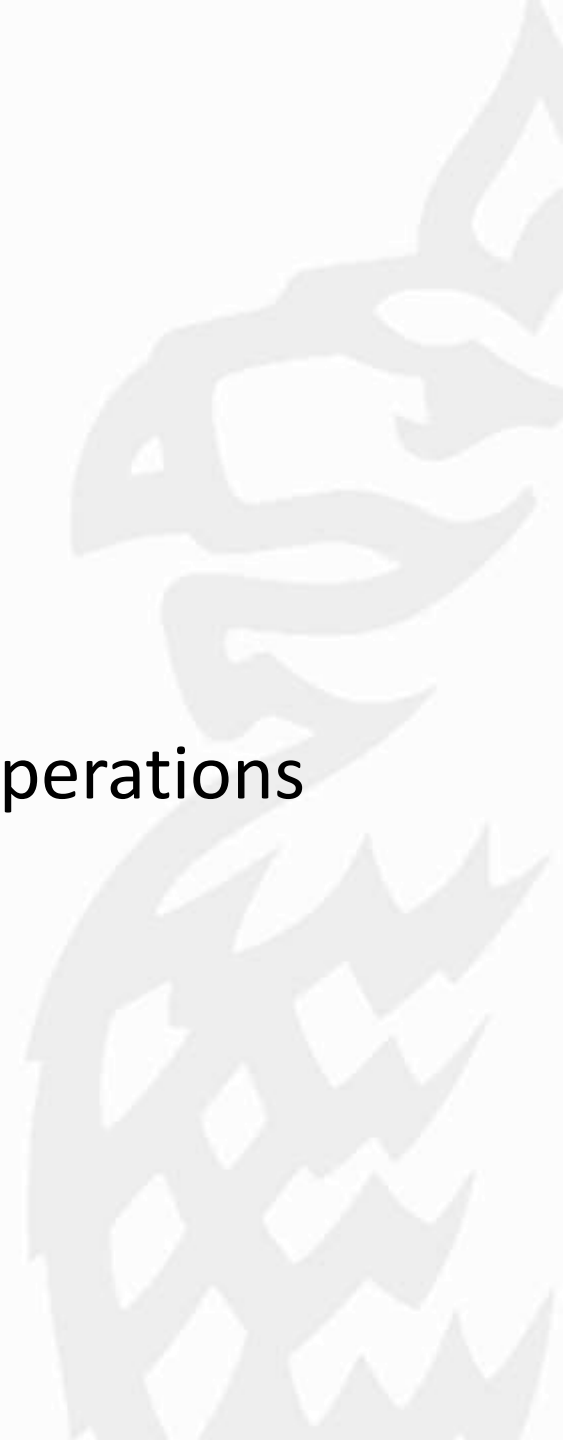
# Michael Turner

## Chairman



# Agenda

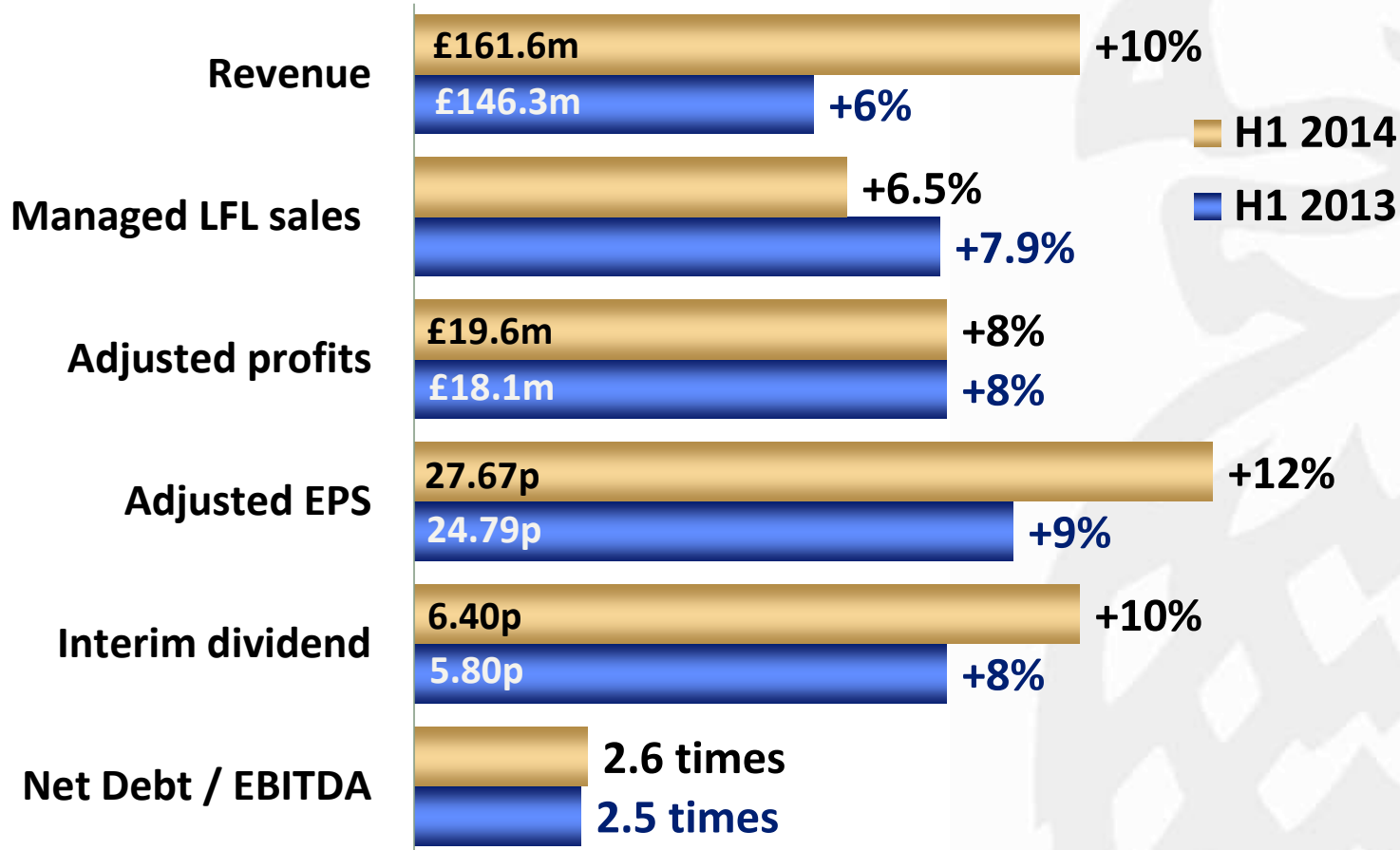
- Overview
- Financial Results
- Strategic Progress and Operations
- Prospects



# Highlights

Continued strong performance for the first half

## Growth on prior year (%)



*Adjusted measures exclude exceptional items*

*Net Debt / EBITDA is adjusted to include pro forma figures for acquisitions and disposals in the period*





# James Douglas

Finance Director



# Group Performance

	H1 2014 £m	H1 2013 £m	
<b>Revenue</b>	161.6	146.3	+10%
<b>Operating costs</b>	(138.9)	(125.3)	+11%
<b>Operating profit</b>	22.7	21.0	+8%
<b>Net finance costs</b>	(3.1)	(2.9)	+7%
<b>Adjusted profit</b>	19.6	18.1	+8%
<b>Depreciation &amp; amortisation</b>	8.0	7.1	+13%
<b>EBITDA</b>	30.7	28.1	+9%

*Note: all items exclude exceptional income and costs*



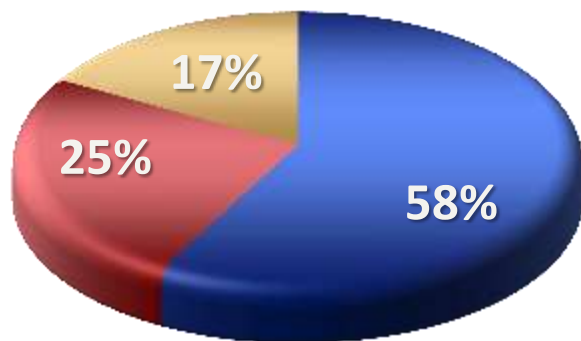
# Exceptional Items



	H1 2014 £m	H1 2013 £m
Profit on sale of properties	0.8	0.5
Acquisition costs	(1.0)	(0.3)
Asset impairments	(0.5)	(0.5)
Onerous lease provision charges & reversals	(0.2)	0.6
Reorganisation costs	-	(1.3)
Pension scheme finance costs	(0.4)	(0.3)
<b>Total exceptional items</b>	<b>(1.3)</b>	<b>(1.3)</b>
Tax on exceptional items	-	0.1
Reduction in tax rate	-	3.4
<b>Exceptional items net of tax</b>	<b>(1.3)</b>	<b>2.2</b>

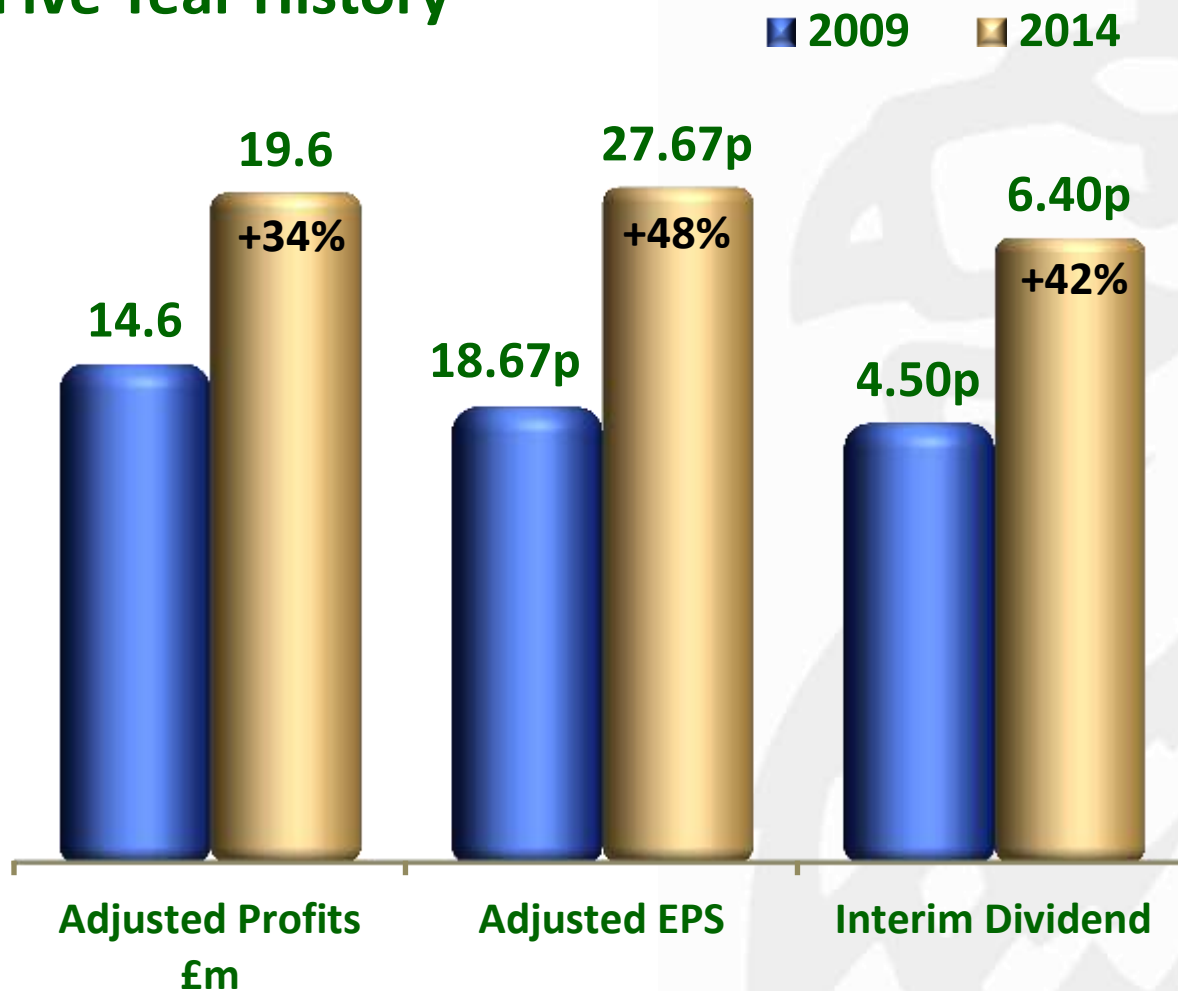
# Group Performance

## Share of Operating Profit



- Managed Pubs & Hotels
- Tenanted Inns
- The Fuller's Beer Company

## Five Year History



Share of operating profit above excludes exceptional items and is before unallocated central management costs. Adjusted profits are profits before tax excluding exceptional items. 2009 has been restated to exclude pension finance costs/income from adjusted profit



# Managed Pubs and Hotels



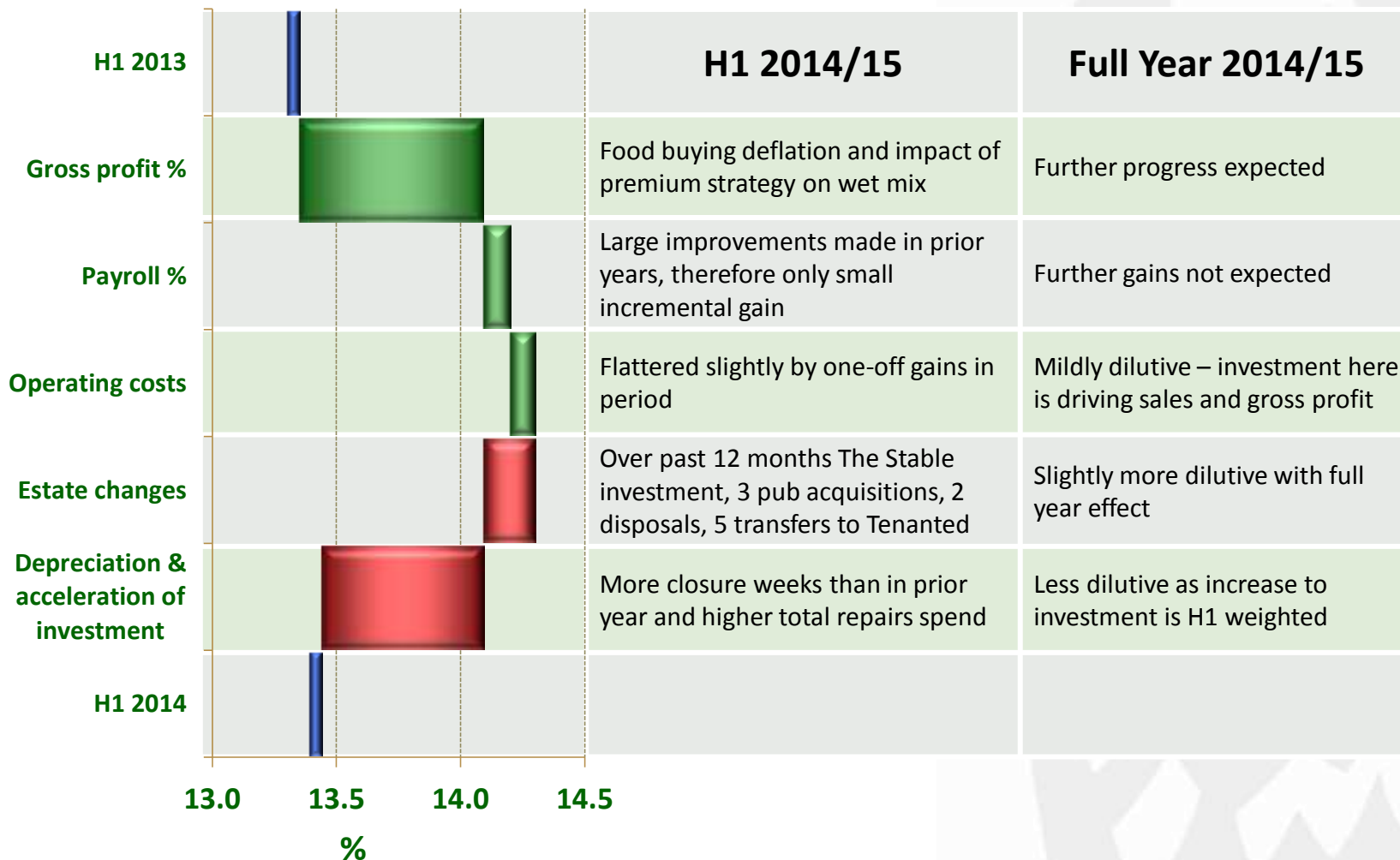
	H1 2014	H1 2013	
<b>LFL sales</b>	+6.5%	+7.9%	
<b>Revenue</b>	£106.4m	£94.4m	+13%
<b>Operating costs</b>	£92.1m	£81.8m	+13%
<b>Operating profit</b>	£14.3m	£12.6m	+13%
<b>Operating margin</b>	13.4%	13.3%	
<b>Depreciation &amp; amortisation</b>	£5.6m	£4.8m	+17%
<b>EBITDA</b>	£19.9m	£17.4m	+14%

*Note: all items exclude exceptional income and costs*

# Margin Evolution

Managed Pubs and Hotels margin up 9 bps on last year

## Managed Pubs and Hotels operating margin



# Tenanted Inns



	H1 2014	H1 2013	
<b>LFL profits</b>	+5%	+1%	
<b>Average EBITDA per pub</b>	+4%	level	
<b>Revenue</b>	£16.0m	£16.0m	level
<b>Operating costs</b>	£9.7m	£9.8m	-1%
<b>Operating profit</b>	£6.3m	£6.2m	+2%
<b>Operating margin</b>	39.4%	38.8%	
<b>Depreciation</b>	£0.8m	£0.8m	level
<b>EBITDA</b>	£7.1m	£7.0m	+1%

*Note: all items exclude exceptional income and costs*

# The Fuller's Beer Company



	H1 2014	H1 2013	
<b>Total beer and cider volumes</b>	+6%	-1%	
<b>Revenue</b>	£62.4m	£58.3m	+7%
<b>Operating costs</b>	£58.3m	£54.3m	+7%
<b>Operating profit</b>	£4.1m	£4.0m	+3%
<b>Operating margin</b>	6.6%	6.9%	
<b>Depreciation &amp; amortisation</b>	£1.6m	£1.5m	+7%
<b>EBITDA</b>	£5.7m	£5.5m	+4%

*Note: all items exclude exceptional income and costs*



# Generation and Use of Cash

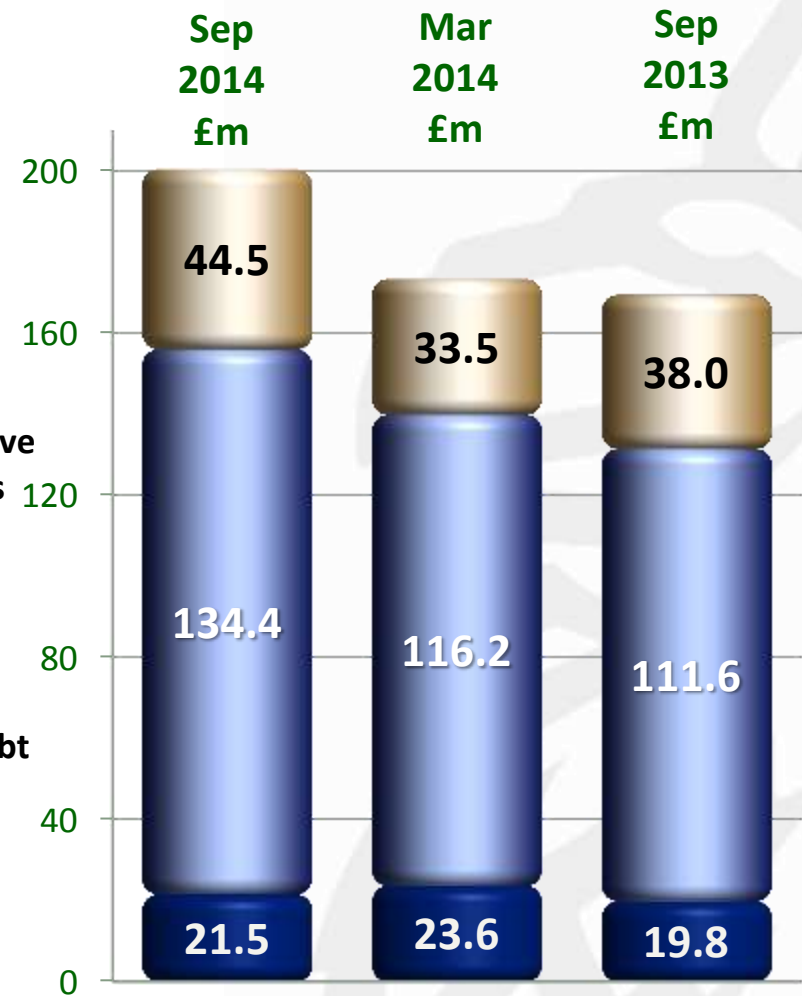
	H1 2014 £m	H1 2013 £m
<b>EBITDA</b>	30.7	28.1
Working capital / other adjustments	4.2	2.8
Interest	(2.8)	(2.7)
Tax	(3.8)	(4.0)
<b>Cash available for discretionary spend</b>	<b>28.3</b>	<b>24.2</b>
Capex on existing estate and brewery	(13.3)	(6.6)
Corporate acquisitions	(3.6)	(2.1)
Pub acquisitions*	(17.0)	(2.6)
Pub development costs	(0.5)	(3.2)
Acquisition and other exceptional costs paid	(2.0)	(0.5)
Property disposals	2.4	1.3
Dividends and share transactions	(9.6)	(5.5)
<b>Cash flow</b>	<b>(15.3)</b>	<b>5.0</b>
Non cash movement (incl. acquired debt)	(0.8)	(0.8)
<b>Net debt movement</b>	<b>(16.1)</b>	<b>4.2</b>

\* Includes pubs acquired as businesses and purchases of freeholds. 2014 includes The Bull Hotel, Bridport purchased as part of The Stable acquisition



# Borrowing Capacity

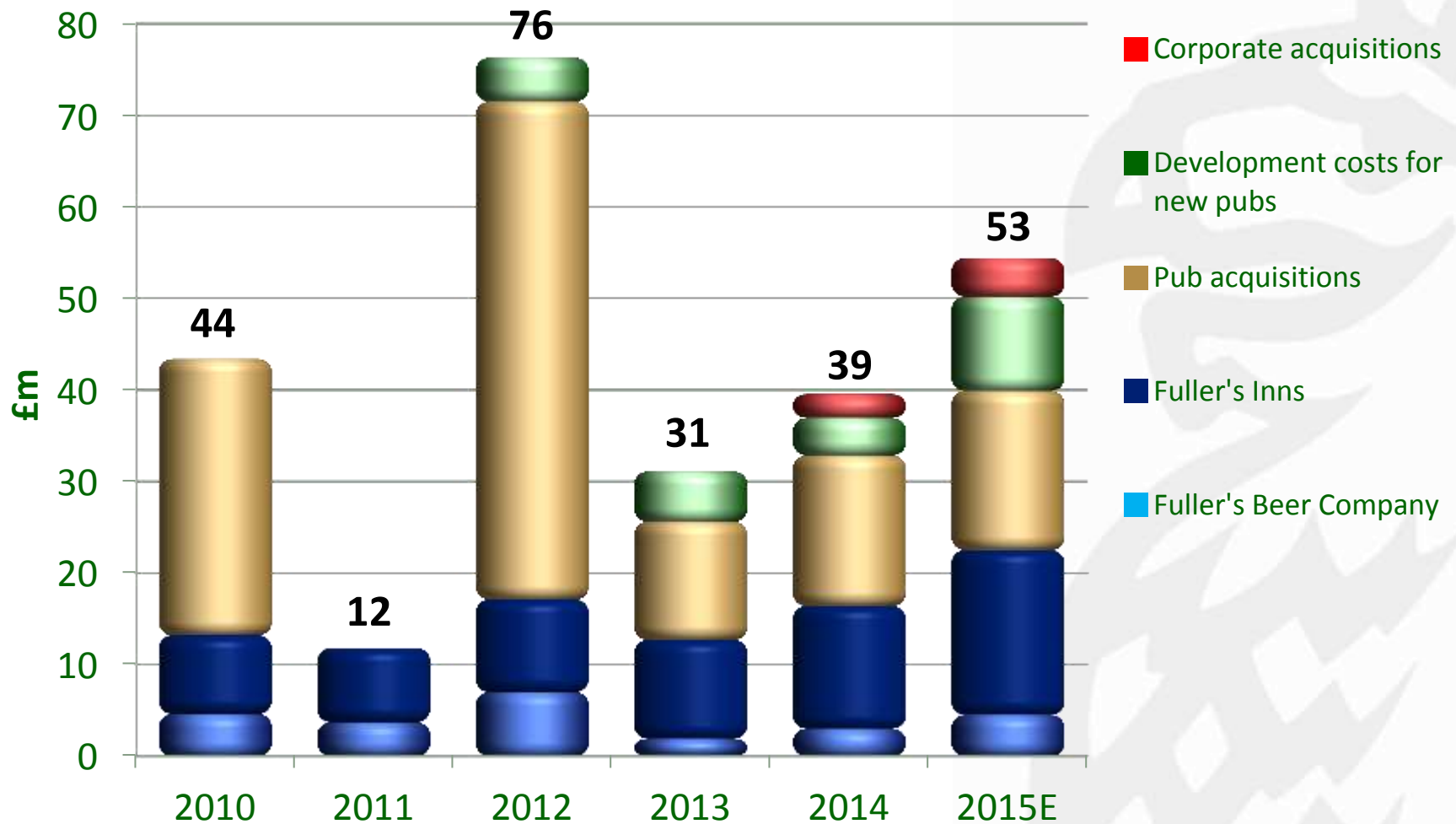
- New bank facilities signed August 2014
- £180m committed across five banks until August 2019
- Freedom to add further funding for acquisitions
- 69% of period end gross borrowings fixed or capped
- Interest rate hedges in place stepping down gradually to 2022
- Estimated full year blended cost of borrowings for 2014/15 has reduced to 3.9%



<b>Net debt</b>	<b>155.9</b>	<b>139.8</b>	<b>131.4</b>
<b>Net debt / EBITDA*</b>	<b>2.6x</b>	<b>2.5x</b>	<b>2.5x</b>

\* Net debt / EBITDA is on a pro forma 12 months basis for acquisitions and disposals in the period

# 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. 2015E represents the current estimate of capital expenditure for the year to March 2015 and committed pub acquisitions. Further pub acquisitions would be in addition to this*



# Simon Emeny

## Chief Executive





# 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**



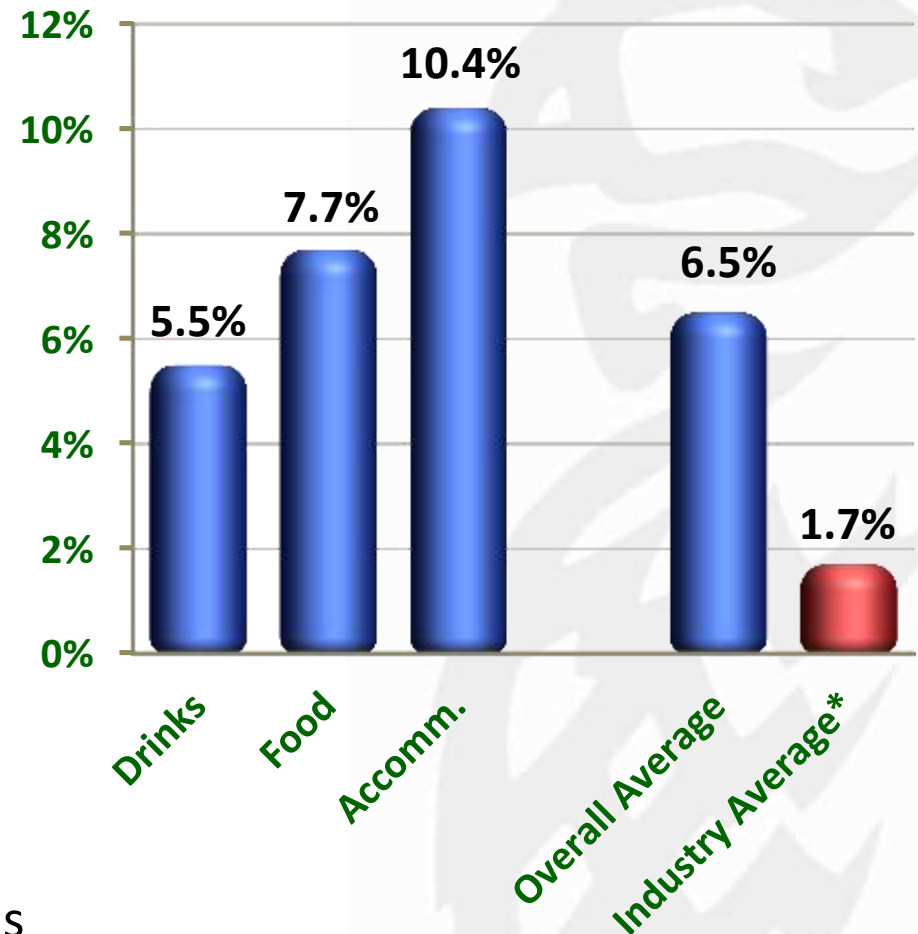
**Premium Brand Portfolio**



# Managed Pubs and Hotels Trading

- Sector leading LFL sales, substantially ahead of Peach Tracker
- Drinks sales driven by our focus on premium brands
- Food continues to perform strongly
  - Total covers up 10%
  - Average food spend per cover up 4%
- Another year of accommodation double digit growth
  - Average room rate up 10%
  - 641 bedrooms across 13 hotels and 14 pubs with rooms

## LFL Growth Rates



\* Peach Tracker index 26 weeks to 27 September 2014

# Our People

## People are at the heart of the Fuller's experience

- Fuller's Inns currently employs over 3,200
  - 1,100 aged between 18 and 24
- 59 Service Coaches spreading our exceptional service culture
- New approach to recruitment
  - Since launch in July, 8,000 applications have been made online and 800 positions have been filled
  - Quicker process, mobile optimised website
  - Great feedback from both pubs and new recruits
- Structured career path and development programme underpins this further





# Our Fresh Food

Promoting our great fresh food to our customers

- “Hero” ingredients
  - Celebration of a delicious seasonal ingredient each month
  - Working closely with key small, local suppliers to create dishes with a story – such as our field of strawberries
- Focussed campaigns
  - Dedicated food marketing manager
  - *Only at Fuller’s* range – such as our award winning black pudding
  - Use of seasonal produce in targeted campaigns
  - Supported by ongoing investment in kitchens and chef development





# Our Continuing Investment Programme

- High level of investment in our existing estate is a key driver for growth
- Increased level of investment in H1:
  - £9.6m capital expenditure
  - 80 weeks of pub closures for refurbishment (H1 2013: 29 weeks)
  - £4.2m repairs spend, £0.6m higher than prior period
- Focus on emphasising each pub's personality and enhancing the customer experience
- Simultaneous investment in back of house
- Two design awards for recent investments at the Restaurant & Bar Design Awards 2014



The Distillers,  
Hammersmith



The Boater,  
Bath



The Wellington,  
Waterloo

# Our New Additions

## The Harp, Covent Garden

- Freehold acquired August 2014
- Very popular pub, which was named CAMRA Pub of the Year in 2011

## The Bull Hotel, Bridport

- Freehold hotel purchased in June 2014 as part of The Stable acquisition
- 19 boutique rooms

## The Windmill Inn, Portishead

- Freehold acquired May 2014
- 250 covers inside, plus 200 covers outside with spectacular views across the Severn Estuary

## London's Pride, Heathrow Terminal 2

- Completed during last financial year, this £1.7m investment opened to the first flights on 4 June



The Harp, Covent Garden



The Bull Hotel, Bridport













**Majority investment in The Stable acquired for £3.6m in June 2014**

**51% of trading operations of the original six sites under The Stable Pizza & Cider Ltd**

**Put and call option for the staged purchase of the remaining stake in future years**

**Craft cider and gourmet pizza under a characterful and distinctive brand**

**Current locations:**

**Bridport**

**Bristol**

**Poole**

**Falmouth - opened August 2014**

**Weymouth**

**Bath**

**Fistral Bay, Newquay**



★ THE ★  
**STABLE**  
— PIZZA · PIES · CIDER —

**Style**

- Characterful, unique
- Natural surroundings
- Informal, communal benches
- Candlelight

**Ethos**

- Strong community links
- Local, fresh produce
- Energetic, passionate team

**A Cathedral  
to Cider and  
Pizza**

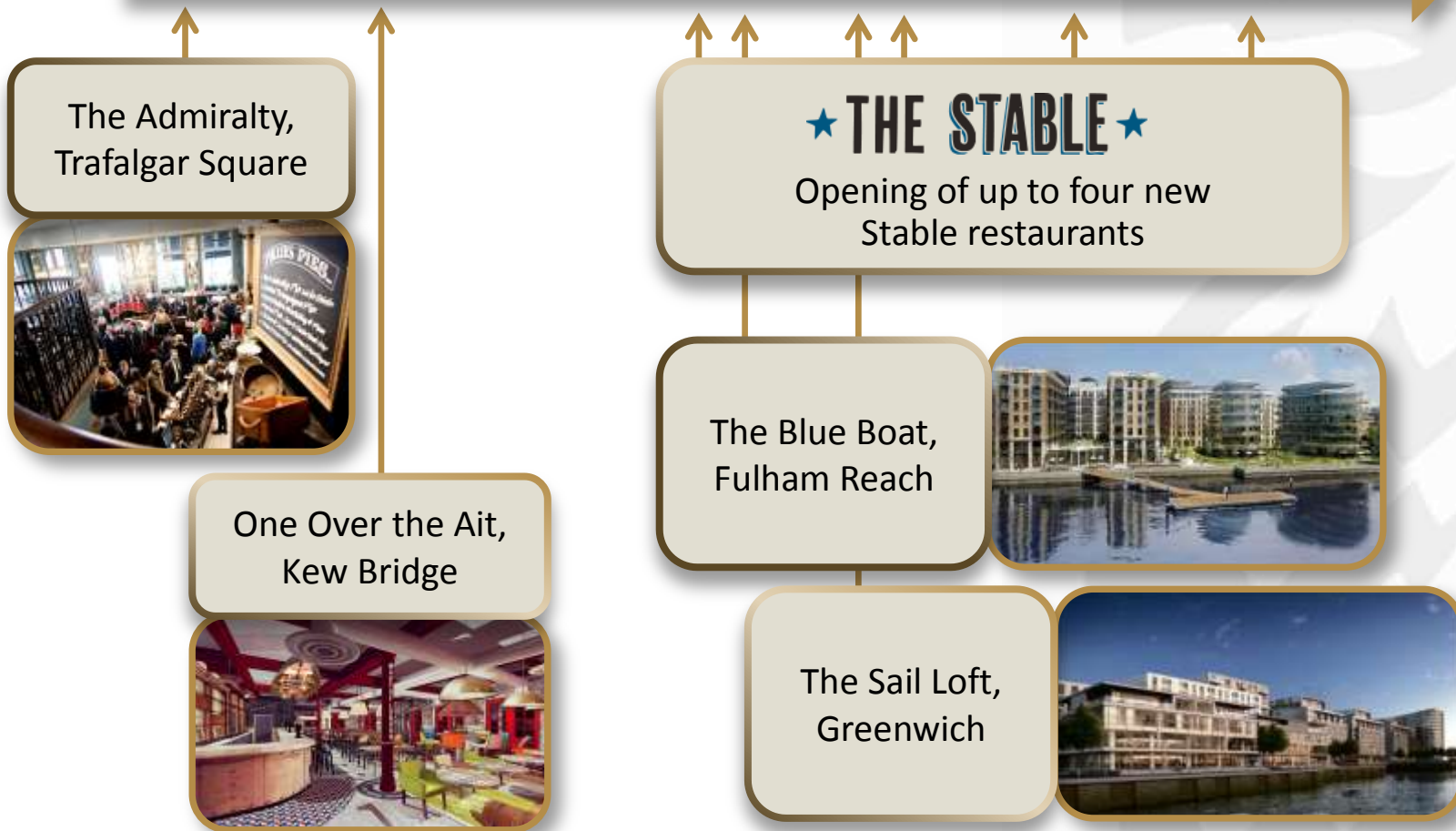
**Customer appeal**

- All ages, young to old
- Wanting premium social experience
- Mixed - families, couples and groups
- Female friendly

**Roll out**

- Very scalable with Fuller's support
- Prosperous towns and cities
- Relaxed, vibrant places

# Openings Pipeline

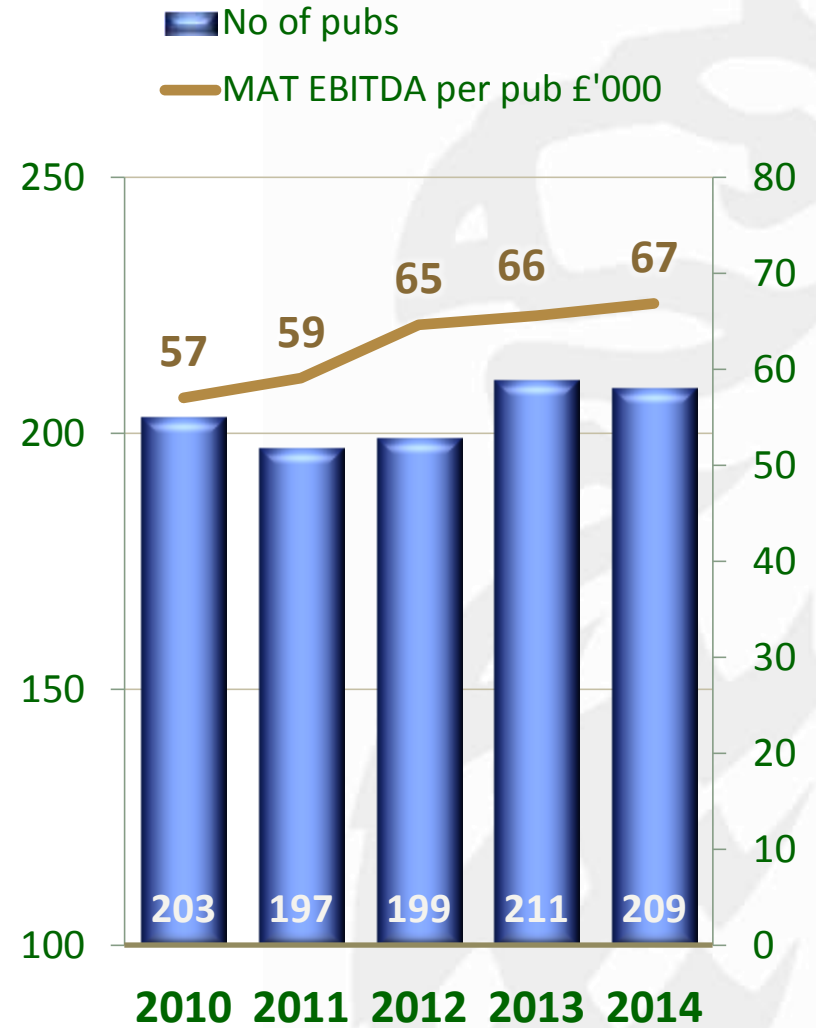




# Tenanted Inns

- LFL profits up 5% on prior period despite increased investment in repairs
- Average EBITDA per pub is up 4% and has increased 21% over five years in the first half
- Strongest Tenanted performance in over a decade
- Growth is driven by:
  - Entrepreneurial tenants
  - Investment in our pubs
  - High level of support and training provided

## Tenanted estate over five years





# Building Business Together

- New subsidised online training platform, assisting tenants to train their staff at low cost
- Joint investment programme continues to improve quality of estate
- Industry-leading tenanted operation has led to an increase in quantity and quality of applicants
- Regular interaction with tenants – the team act quickly on feedback
- Sector leading service agreement covering 80% of our estate



The Royal Oak,  
Isleworth

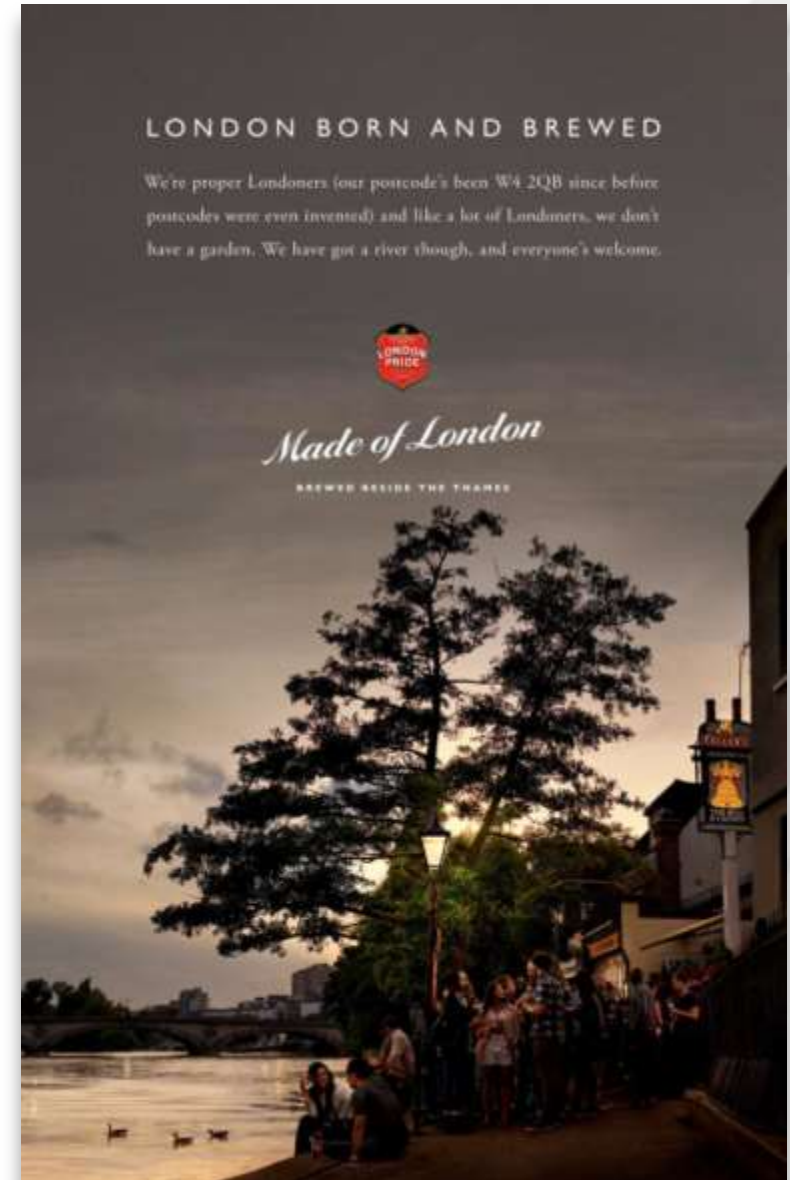


The Andover Arms, Brackenhurst Village W6

# The Fuller's Beer Company

## A good start to the year as our new strategy takes effect

- Completed our £1.7m investment in 10 new tanks supporting growth in Frontier and Exports
- Excellent London Pride advertising campaign emphasising our heritage and London credentials
- Sierra Nevada off to a strong start
- Further investment in Cornish Orchards – record amount of apples pressed as capacity increased to 15,000 barrels
- Strong growth in Exports continues





# Made of London Campaign – Autumn 2014



- Exciting social media activity aimed at increasing engagement
- Phase four of *Made of London* activity underway
- *Evening Standard* partnership driving deeper connection with Londoners

# Broadening Our Portfolio

- Sierra Nevada – following the agreement of exclusive UK distribution rights in March 2014, sales in this first period have been strong
- Cornish Orchards – new listings in supermarkets obtained during the period
- Veltins and Chimay are adding interest and broaden our range of premium beers





# Frontier

- Frontier now stocked in over 340 premium pubs, bars and restaurants across the country
- The majority are outside the Fuller's estate
- Successful appearances at key London food festivals over the summer



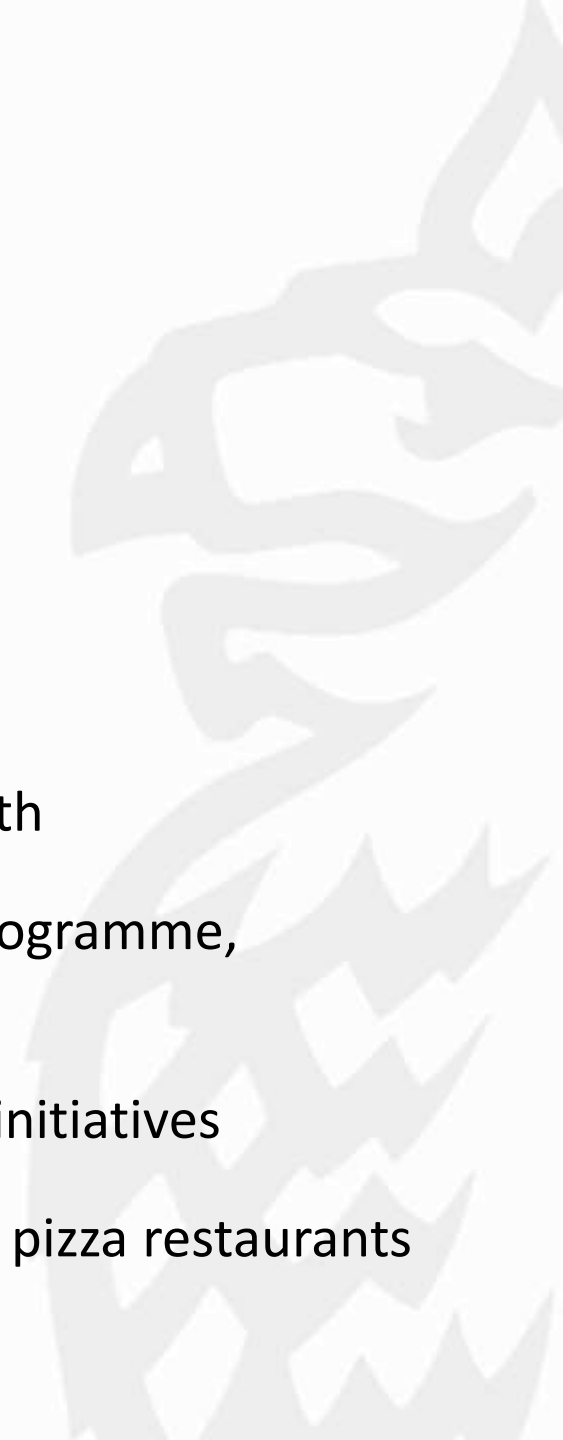
Pork Life, Dalston Yard  
26-27<sup>th</sup> September



The Scoop, Tower Bridge  
Pop up bar for three months over summer

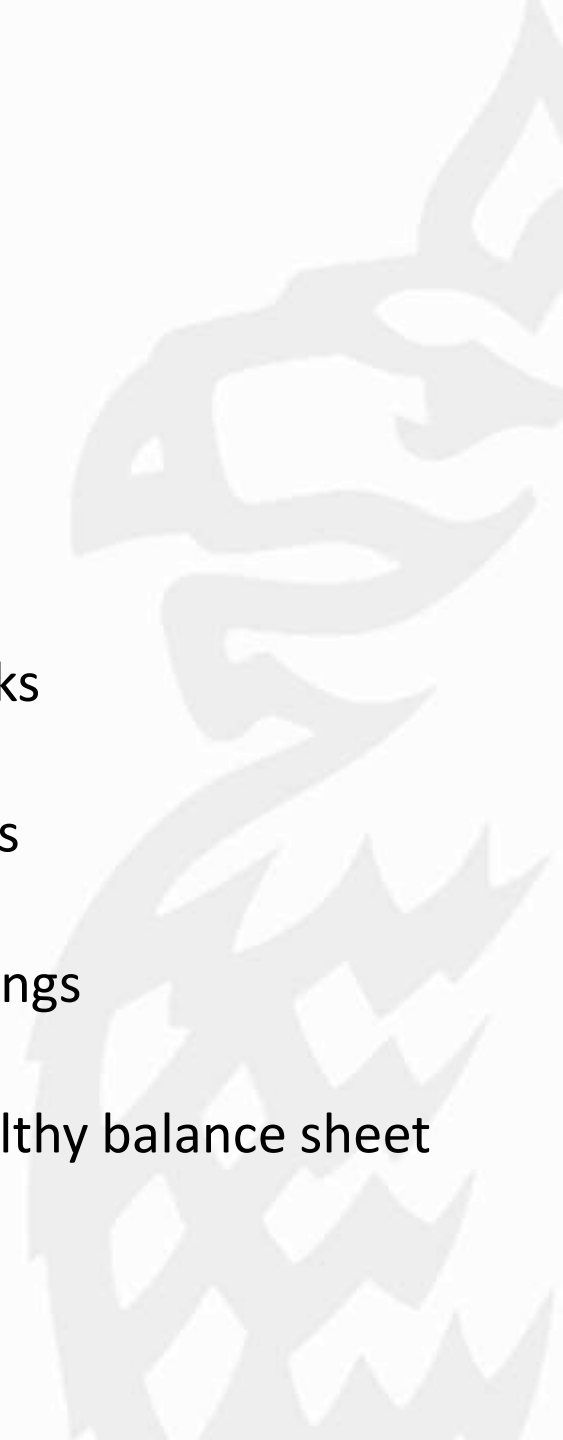
# Summary

- Continued strong performance from the Group
  - Adjusted PBT up 8% to £19.6m
  - Adjusted EPS up 12% to 27.67p
  - Capital investment of £34.4m in the period
- Good performance achieved across all divisions
- Long term investment strategy is delivering growth
- Continuing with expansive capital expenditure programme, broadening our market appeal
- Progress on The Fuller's Beer Company strategic initiatives
- Investment in The Stable craft cider and gourmet pizza restaurants has strong growth potential



# Current Trading and Prospects

- Momentum continuing into second half
  - Managed LFL sales up 6.8% for 33 weeks
  - Tenanted LFL profits up 3% for 33 weeks
  - Total beer & cider volumes up 4% for 33 weeks
- Record year of investment in the existing business
- Exciting pipeline of developments and new openings
- Our high quality estate, passionate team and healthy balance sheet put us in an excellent position







FULLER'S  
CHESAIRE

LONDON  
PRIDE

*Outstanding*

PREMIUM ALE

4.1% vol.