




Fuller, Smith & Turner PLC

HALF YEAR RESULTS FOR THE 26 WEEKS ENDED 24 SEPTEMBER 2016



HIGHLIGHTS

A good performance in the face of increasing headwinds

	Managed LFL sales	Revenue	Adjusted profit	Adjusted EPS	Interim dividend
H1 2017	 +3.4%	£197.6m	£22.8m	32.44p	7.25p
H1 2016		£177.7m	£21.6m	30.74p	6.90p

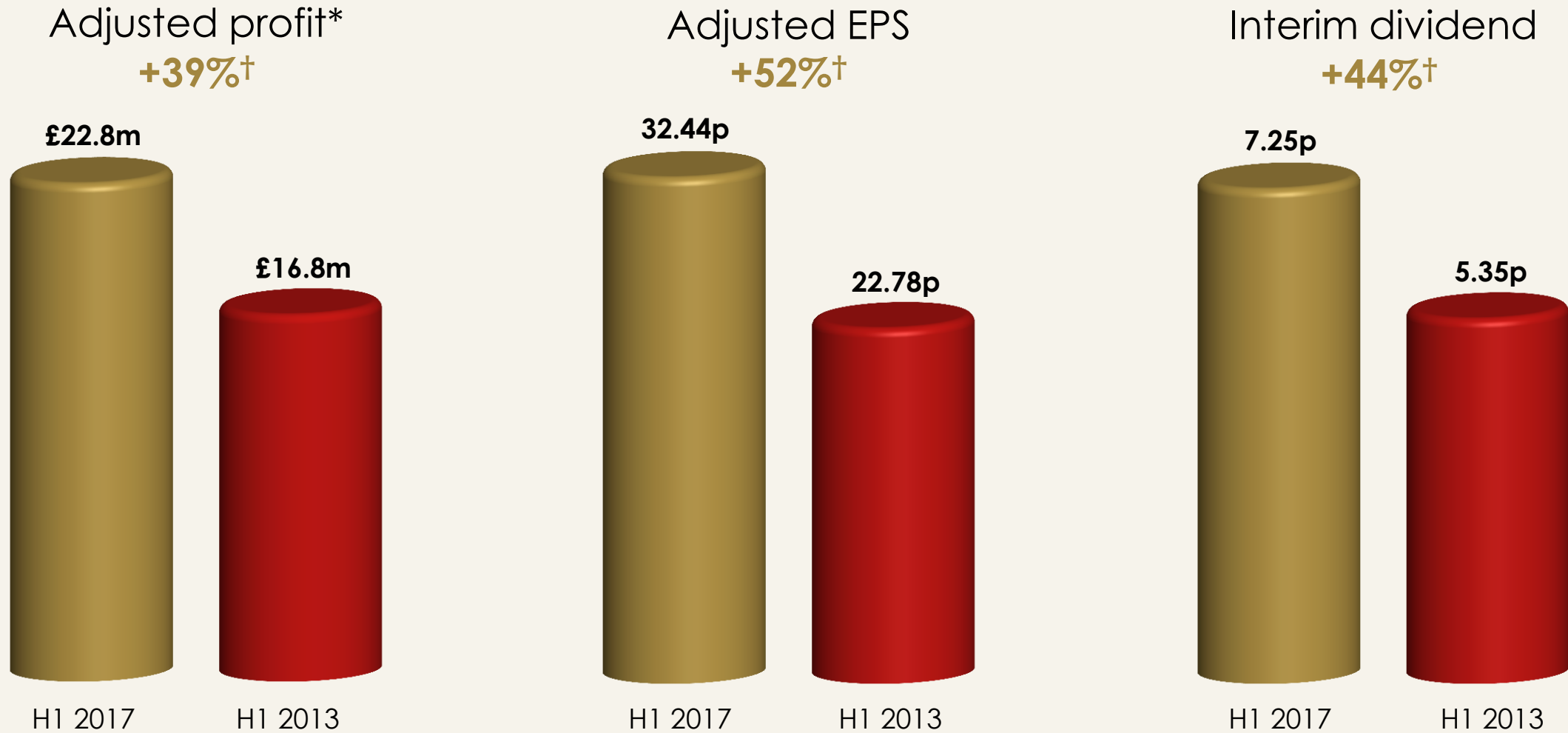
GROUP PERFORMANCE

	H1 2017 £m	H1 2016 £m	
Revenue	197.6	177.7	+11%
Operating costs	(171.4)	(153.2)	+12%
Operating profit	26.2	24.5	+7%
Net finance costs	(3.4)	(2.9)	+17%
Adjusted profit	22.8	21.6	+6%
Depreciation and amortisation	10.1	8.8	+15%
EBITDA	36.3	33.3	+9%

All items are before exceptional items and tax



FIVE YEAR HISTORY



*Adjusted profits are before exceptional items and tax
† 5 year growth rates

EXCEPTIONAL ITEMS

	H1 2017 £m	H1 2016 £m
Profit on sale of properties	0.5	1.6
Acquisition costs	(0.6)	(0.5)
Reorganisation costs	(0.6)	–
Deemed remuneration on the future purchase of shares in The Stable	(0.3)	(1.3)
Onerous lease provision releases	–	0.2
Pension scheme finance costs	(0.4)	(0.4)
Total exceptional items	(1.4)	(0.4)
Tax on exceptional items	1.2	(0.1)
Exceptional items net of tax	(0.2)	(0.5)



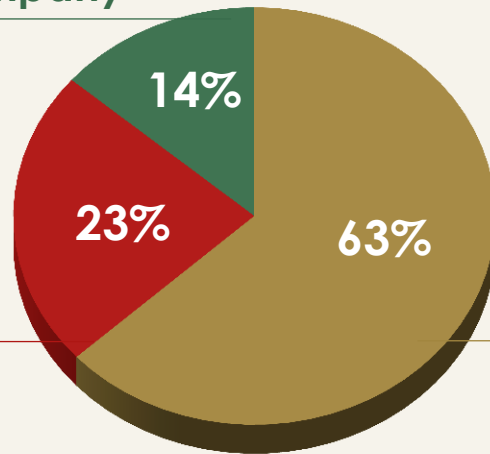
A BALANCED BUSINESS

Share of operating profit*

The Fuller's Beer Company



Tenanted Inns



Managed Pubs & Hotels



- UK-centric businesses
 - Use mainly British raw materials in brewing, cider and food
 - Retail estate focusses on local provenance
 - Better positioned for a weaker pound
- Balanced and vertically integrated business, gives flexibility and reduces exposure to economic pressures
 - Limits impacts of increases to business rates and National Living Wage

* Share of operating profit excludes exceptional items and unallocated central management costs

MANAGED PUBS & HOTELS

	H1 2017 £m	H1 2016 £m	
<i>LFL sales</i>	+3.4%	+5.6%	
Revenue	130.8	121.9	+7%
Operating costs*	(112.8)	(104.9)	+8%
Operating profit*	18.0	17.0	+6%
<i>Operating margin</i>	13.8%	13.9%	
Depreciation and amortisation	7.4	6.3	+17%
EBITDA	25.4	23.3	+9%

* Excluding exceptional items.



TENANTED INNS

	H1 2017 £m	H1 2016 £m	
LFL profits	-2%	+3%	
Average EBITDA per pub	+1%	+2%	
Revenue	15.6	16.1	-3%
Operating costs*	(9.0)	(9.4)	-4%
Operating profit*	6.6	6.7	-1%
Operating margin	42.3%	41.6%	
Depreciation and amortisation	0.8	0.8	—
EBITDA	7.4	7.5	-1%

* Excluding exceptional items



THE FULLER'S BEER COMPANY

	H1 2017 £m	H1 2016 £m	
<i>Total beer and cider volumes</i>	-4%	+1%	
Revenue	74.8	63.0	+19%
Operating costs*	(70.9)	(59.4)	+19%
Operating profit*	3.9	3.6	+8%
<i>Operating margin</i>	5.2%	5.7%	
Depreciation and amortisation	1.9	1.7	+12%
EBITDA	5.8	5.3	+9%

* Excluding exceptional items



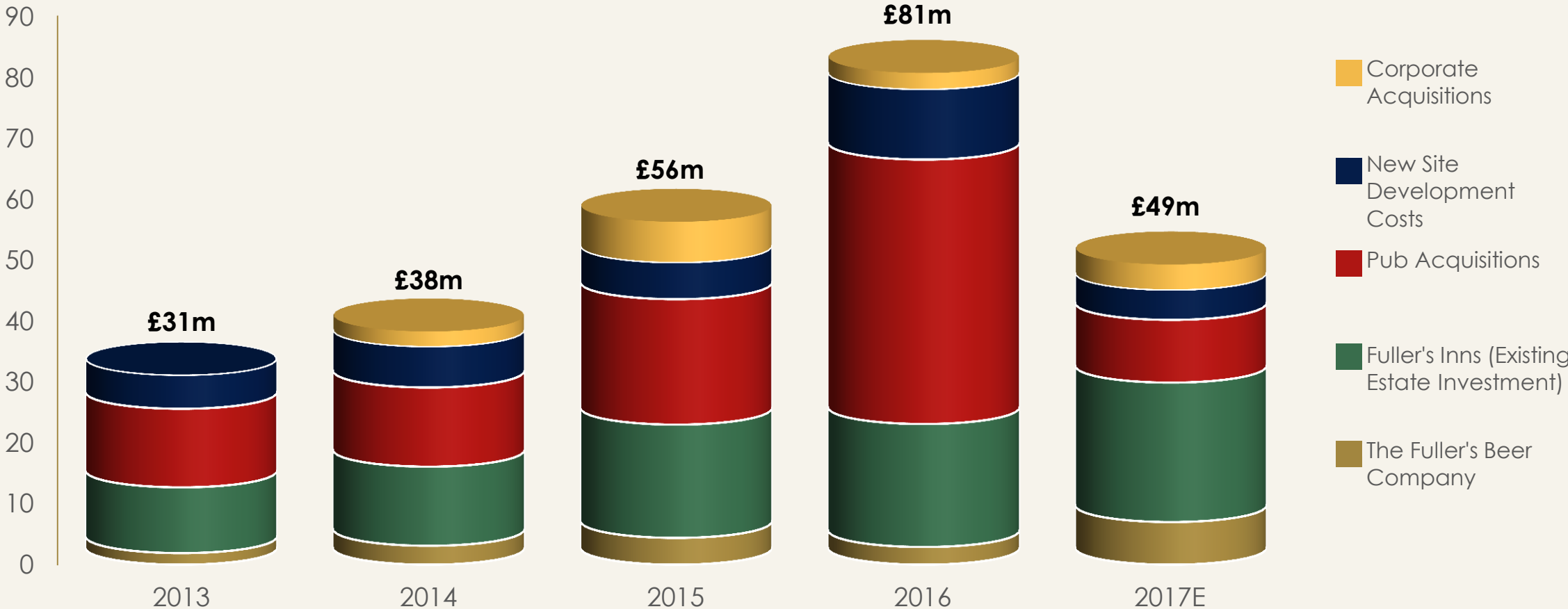
GENERATION AND USE OF CASH

	H1 2017 £m	H1 2016 £m
EBITDA	36.3	33.3
Working capital / other adjustments	3.3	4.6
Interest	(3.0)	(2.7)
Tax	(4.6)	(4.0)
Cash available for discretionary spend	32.0	31.2
<i>Capex on existing estate and brewery</i>	<i>(14.2)</i>	<i>(10.1)</i>
<i>Pub acquisitions*</i>	<i>(6.5)</i>	<i>(36.7)</i>
<i>Pub and restaurant development costs</i>	<i>(4.9)</i>	<i>(6.1)</i>
<i>Corporate acquisitions</i>	<i>(3.0)</i>	–
Total capital expenditure	(28.6)	(52.9)
Acquisition and other exceptional costs paid	(1.0)	(0.5)
Property disposals	1.5	3.0
Dividends and share transactions	(8.1)	(9.3)
Cash flow	(4.2)	(28.5)
Non cash movement	(0.1)	(0.1)
Net debt movement	(4.3)	(28.6)

* Includes pubs acquired as businesses and purchases of freeholds



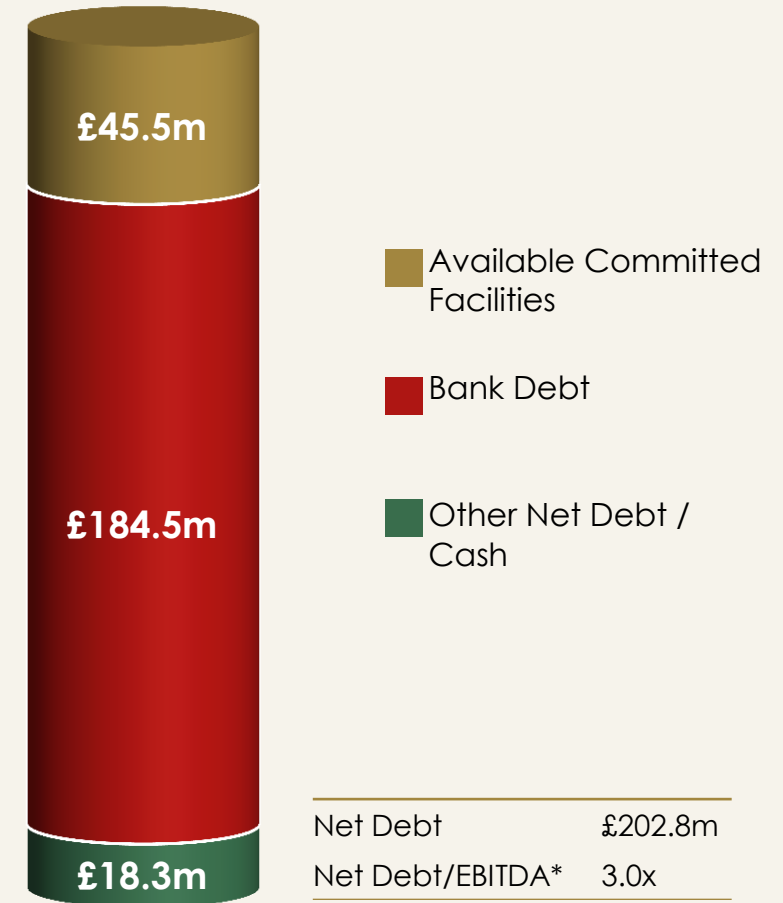
ANNUAL CAPITAL EXPENDITURE



STRONG BALANCE SHEET

- £210m available long-term facilities, additional £20m facility available until August 2017
 - 63% of period end gross borrowings fixed or capped
 - Average cost of gross borrowings for H1 2016/17 of 3.1% (H1 2015/16 : 3.3%)
- Strong financial position, due to
 - Cash generative business
 - High quality, mainly freehold, asset base
 - Low Net Debt/EBITDA* of 3.0 times
- Supported by a business with
 - A long-term track record of outperformance
 - A premium position
 - An interesting, recognised and diverse brand portfolio
 - Investment plans for the long term
 - Flexibility to borrow strategically

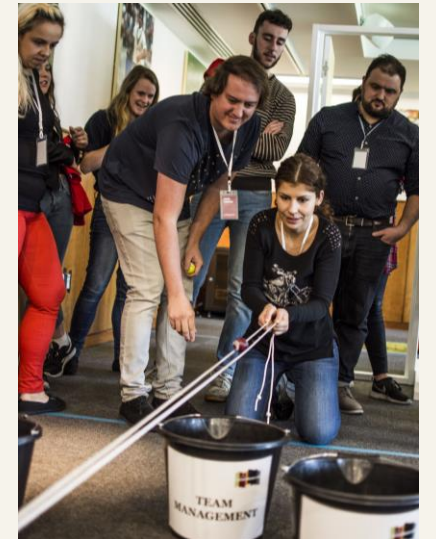
Borrowing Capacity
(24 September 2016)



* Net Debt/EBITDA is calculated on a pro forma 12 month basis adjusting as appropriate for acquisitions and disposals

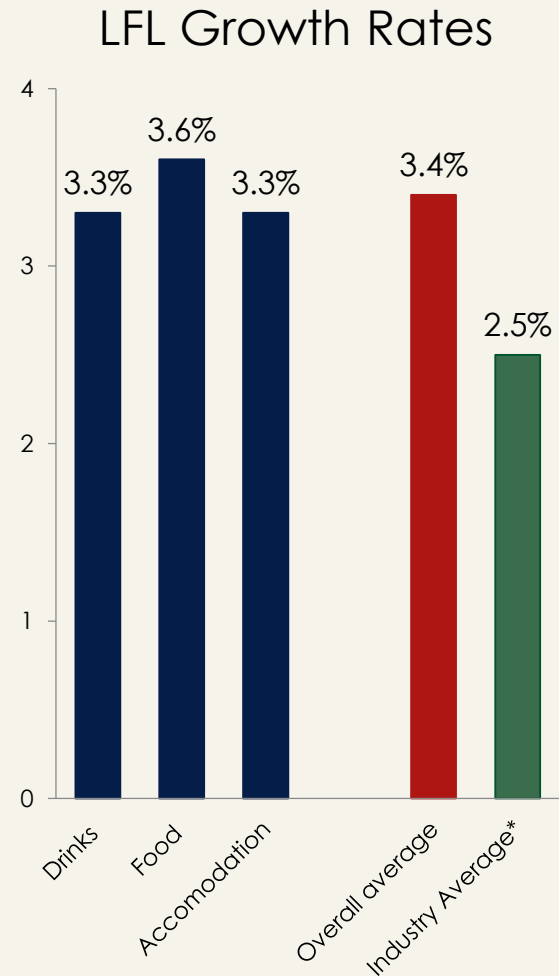
CONSISTENT STRATEGY

- To deliver a distinctive customer experience across the whole Fuller's estate
- To grow by carefully targeted acquisitions and developments that enhance our premium business
- To build a leaner cost base by investing and improving processes to increase efficiency
- To grow the reputation, distribution and sales of our premium brands
- Supporting all the above by recruiting, developing and investing in the best people



MANAGED PUBS & HOTELS

- Consistent outperformance of Peach Tracker
- Food sales continue to grow and margins have increased
- Ongoing trend towards craft beer and higher margin brands
- Premium spirits, especially gin, grew strongly during the first half
- Accommodation like for likes benefited from recent investment programme



* Peach Tracker index 26 weeks to 24 September 2016

DISTINCTIVE PUB & HOTEL EXPERIENCE – CREATING COMPELLING REASONS TO VISIT

- Engaged staff, recruited for personality, create great memories and deliver excellent customer service
- In-house training programmes are building home grown teams, reducing labour turnover and offering genuine career paths for team members
- Wide range of interesting drinks, from Fuller's and mainly UK suppliers, to target new and existing, discerning customers
- Exciting events in pubs – including *Shakespeare in the Garden*, 22 shows across 13 pubs
- Better customer engagement with improved digital marketing and bespoke online activity such as *My Dad's Pub* promotion for Father's Day
- Increased customers on our contactable database.



DISTINCTIVE PUB & HOTEL EXPERIENCE – DEFINED BY A FOCUS ON FRESH FOOD

- Chef's Guild programme continues to grow
 - 127 chefs and kitchen team members actively participating at the half year
- Investments in Head Chefs has seen labour turnover drop by 36% during the period
- Continue to build *Only at Fuller's* range, celebrating British suppliers
 - Strong sales of our bespoke Laverstoke Park ice cream, HSB gouda cheese and Cornish Orchards cured and smoked sea trout
- Launch of *Fuller's Kitchen* initiative, making heroes of our chefs
 - Held first ever *Chef of the Year* competition
 - Put chefs at the heart of our retail marketing including outdoor media and press advertising



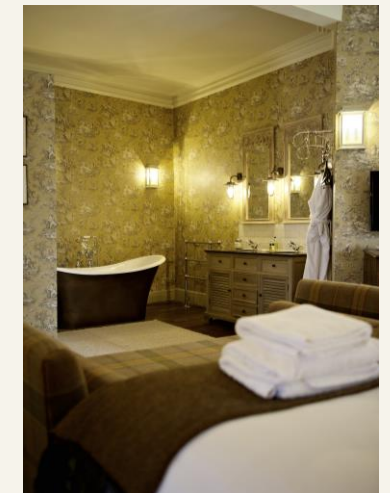
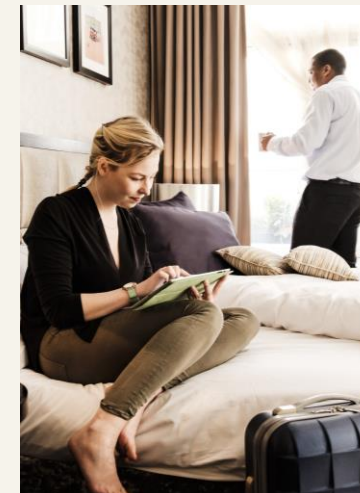
TARGET ACQUISITIONS & REDEVELOPMENTS – INVESTING IN OUR PUBS

- Acquired The Gun, an iconic riverside pub in Docklands
 - Overlooking The O2 arena and with an outstanding reputation for high quality food
- Acquired The Half Moon, Herne Hill – an area where we are currently under represented
 - Historic site being redeveloped with 12 bedrooms, due to open in February 2017
- Continued with £12m investment programme in existing estate
 - 93 weeks of closure, up from 53 in the prior first half
 - The Astronomer, Middlesex Street, The City
 - The Drayton Court, Ealing
 - The Sutton Arms, Barbican
 - The William Walker, Winchester
 - The Harpenden Arms, Harpenden
 - The Ox Row, Salisbury



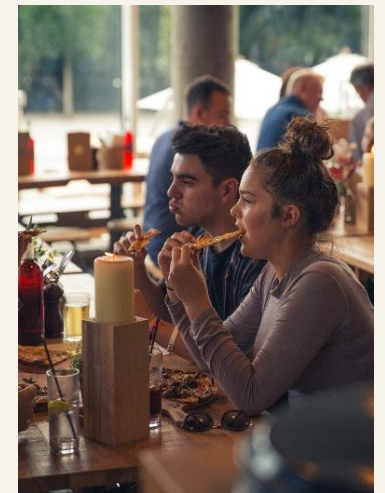
TARGET ACQUISITIONS & REDEVELOPMENTS – INVESTING IN ACCOMMODATION

- Accommodation continues to deliver good returns
- Redeveloped two sites including the addition of rooms
 - The Queen's Head, Kingston – refurbished with the addition of 10 new rooms
 - The Princess Royal, Farnham – added six new rooms to the existing 21
- More to follow in second half of the financial year and further sites with accommodation potential already identified for development in future years
- Well positioned to benefit from the weakened pound through both inbound tourism and staycations



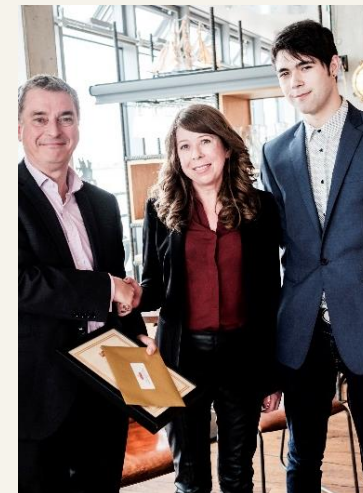
THE STABLE

- The cathedral to cider and pizza
- Acquired an additional 25%, taking our investment to 76%
- Attracts a younger, more female demographic than the core Fuller's business
- Great team of highly engaged and dedicated Stablehands
- Opened three new sites in the first half
 - Whitechapel
 - Kew Bridge
 - Bournemouth
- Exeter opened since period end, taking us to 17 sites
- Excellent use of social media to drive brand engagement, sales and repeat visits



TENANTED INNS – BUILDING A BUSINESS FOR THE FUTURE

- Focus on developing our Tenanted Inns to reflect the Fuller's vision
 - Wide range of pubs, from high end food houses to community locals
 - Invest in back and front of house at the right sites to beat the competition
 - Recruit entrepreneurial tenants who share Fuller's commitment to great food, an outstanding range of premium brands and excellent customer service
 - Share knowledge and learning from Managed Pubs & Hotels to help our Tenants prosper
 - Review our Tenanted Inns portfolio, with planned disposal of 18 sites, to craft an estate for long-term success



THE FULLER'S BEER COMPANY

- Craft keg range has seen strong growth, attracting new drinkers
- Frontier continues to grow, supported by innovative digital marketing and further exposure to new consumers at festivals
- Strong six months for Cornish Orchards with launch of Cornish Orchards Blush on draught and sponsorship of *Boardmasters* surfing festival in Newquay
- Sierra Nevada has performed well, with new brands helping drive sales through new distribution points
- Added Alhambra, Spanish imported premium lager, to our agency portfolio in September
- Already seeing financial benefit from investment in Nectar including improved distribution of Fuller's brands



PREMIUM BRAND PORTFOLIO WITH A FOCUSSED STRATEGIC PLAN

- Recruiting new drinkers with interesting beers
 - Wide range of exciting premium brands from Fuller's
 - Promote our reputation as an innovative brewer, through collaboration brews, our cask ale portfolio and speciality products like Vintage Ale
 - Use Nectar to improve access to a growing sector of the market and an expanded range
- Build a business that is fit for the future
 - Invested in new equipment and processes at Chiswick, including a cross-flow filter, which further improve quality, widen our range of brews and drive efficiencies
 - Construction of new warehousing near completion at both Cornish Orchards and Nectar to increase capability, flexibility and capacity



CURRENT TRADING AND OUTLOOK

- Current trading
 - Managed LFL sales up 2.6% for 33 weeks
 - Tenanted LFL profits down 2% for 33 weeks
 - Total beer & cider volumes down 5% for 33 weeks
- Facing increasing headwinds with an uncertain economic and political environment and added cost pressures
- Six development schemes started, with around 15 scheduled before the year end
- Continue to acquire value enhancing investments – already added The Albert Arms, Esher to our estate
- The Group is in a good position for the long-term with a strong balance sheet and a clear strategy



SUMMARY

- A good performance in a challenging market
 - Adjusted PBT up 6% to £22.8m
 - Adjusted EPS up 6% to 32.44p
 - Dividend up 5% to 7.25p
- Developing our winning strategy with a focus on:
 - Delivering a distinctive customer experience across the whole Fuller's estate
 - Growing by carefully targeted acquisitions and developments that enhance our premium business
 - Building a leaner cost base by investing and improving processes to increase efficiency
 - Growing the reputation, distribution and sales of our premium brands
 - Supporting all the above by recruiting, developing and investing in the best people



APPENDIX – RECONCILIATION TO STATUTORY PROFIT

	H1 2017 £m	H1 2016 £m	
Adjusted profit	22.8	21.6	+6%
Exceptional items	(1.4)	(0.4)	
Profit before tax	21.4	21.2	+1%
Tax on adjusted profit	(4.9)	(4.4)	
Tax on exceptional items	1.2	(0.1)	
Profit after tax	17.7	16.7	+6%
Adjusted EPS	32.44p	30.74p	+6%
Basic EPS	32.08p	29.84p	+8%

APPENDIX – FULLER'S INNS

	26 Mar 2016	Acquired / developed	Disposed	Transfers	24 Sept 2016	Acquired / developed	18 Nov 2016	Within the M25
Managed Pubs & Hotels	191	2	–	2	195	1	196	61%
Tenanted Inns	200	–	(2)	(2)	196	–	196	28%
Total Fuller's	391	2	(2)	–	391	1	392	
The Stable	13	3	–	–	16	1	17	
Total Group	404	5	(2)	–	407	2	409	

Managed Pubs & Hotels – Analysis of total revenue

