



## Fuller, Smith & Turner PLC



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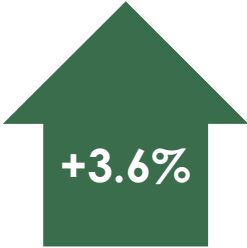




## HALF YEAR RESULTS

FOR THE 26 WEEKS ENDED  
30 SEPTEMBER 2017

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# Highlights

A good performance against strong headwinds

	Managed LFL sales	Revenue	Adjusted profit	Adjusted EPS	Interim dividend
H1 2018	 +3.6%	 +6%	 +4%	 +5%	 +4%
H1 2017					
		£209.3m	£23.8m	34.22p	7.55p
		£197.6m	£22.8m	32.44p	7.25p

# Group performance

	H1 2018 £m	H1 2017 £m	YoY Growth
Revenue	<b>209.3</b>	197.6	<b>+6%</b>
Operating costs	<b>(182.6)</b>	(171.4)	<b>+7%</b>
Operating profit	<b>26.7</b>	26.2	<b>+2%</b>
Net finance costs	<b>(2.9)</b>	(3.4)	<b>-15%</b>
Adjusted profit	<b>23.8</b>	22.8	<b>+4%</b>
Depreciation and amortisation	<b>10.9</b>	10.1	<b>+8%</b>
EBITDA	<b>37.6</b>	36.3	<b>+4%</b>

All items are before separately disclosed items and tax

# Group overview

## Five year history

Adjusted profit\*

+42%†

£23.8m



£18.1m

H1 2018

H1 2014

Adjusted EPS

+50%†

34.22p



24.79p

H1 2018

H1 2014

Interim dividend

+41%†

7.55p



5.80p

H1 2018

H1 2014

\*Adjusted profits are before separately disclosed items and tax

† 5 year growth rates

# Managed Pubs and Hotels

	H1 2018 £m	H1 2017 £m	
<i>LFL sales growth</i>	<b>+3.6%</b>	+3.4%	
Revenue	<b>140.2</b>	130.8	+7%
Operating costs*	<b>(121.2)</b>	(112.8)	+7%
Operating profit*	<b>19.0</b>	18.0	+6%
<i>Operating margin</i>	<b>13.6%</b>	13.8%	
Depreciation and amortisation	<b>8.3</b>	7.4	+12%
EBITDA*	<b>27.3</b>	25.4	+7%
<i>EBITDA margin</i>	<b>19.5%</b>	19.4%	

- Improved LFL performance despite challenging conditions
- Operating margin down slightly due to 4% LFL cost base increase
- Prior years' investments in our estate have led to increased depreciation charge
- EBITDA margin up

\* Excluding separately disclosed items

# Tenanted Inns

	H1 2018 £m	H1 2017 £m	
LFL profits	<b>+3%</b>	-2%	
Average EBITDA per pub	<b>+7%</b>	+1%	
Revenue	<b>15.6</b>	15.6	Level
Operating costs*	<b>(8.9)</b>	(9.0)	-1%
Operating profit*	<b>6.7</b>	6.6	+2%
Operating margin	<b>42.9%</b>	42.3%	
Depreciation and amortisation	<b>0.8</b>	0.8	Level
EBITDA*	<b>7.5</b>	7.4	+1%
EBITDA margin	<b>48.1%</b>	47.4%	

\* Excluding separately disclosed items

	30 Sept 2017	1 April 2017	24 Sept 2016
Pubs	181	192	196
<ul style="list-style-type: none"> <li>• Operating profit up despite decreased site numbers</li> <li>• 11 pubs sold in the period for £8.7 million <ul style="list-style-type: none"> <li>○ 17 times EBITDA multiple</li> </ul> </li> <li>• Average EBITDA per pub up 7%</li> </ul>			

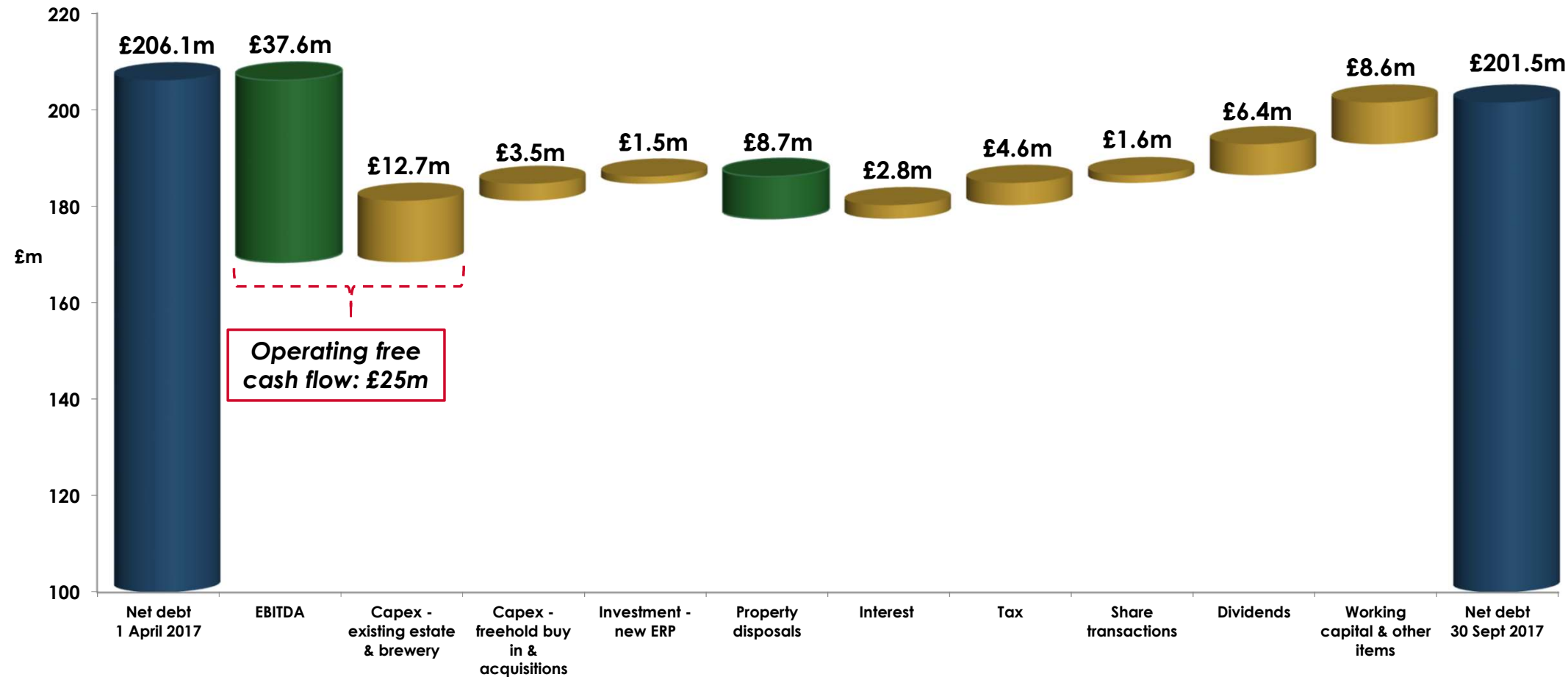
# The Fuller's Beer Company

	H1 2018 £m	H1 2017 £m	
<i>Total beer and cider volumes</i>	<b>+1%</b>	-4%	
Revenue	<b>78.9</b>	74.8	+5%
Operating costs*	<b>(75.5)</b>	(70.9)	+6%
Operating profit*	<b>3.4</b>	3.9	-13%
<i>Operating margin</i>	<b>4.3%</b>	5.2%	
Depreciation and amortisation	<b>1.8</b>	1.9	-5%
EBITDA*	<b>5.2</b>	5.8	-10%
<i>EBITDA margin</i>	<b>6.6%</b>	7.8%	

- Challenging cask market offset by growth in cider and craft beer
- Increased marketing and site repairs spend
  - £0.5 million increase
- Capex invested in H1 2018 of £3.8 million
- Nectar craft beer wholesaler growing strongly

\* Excluding separately disclosed items

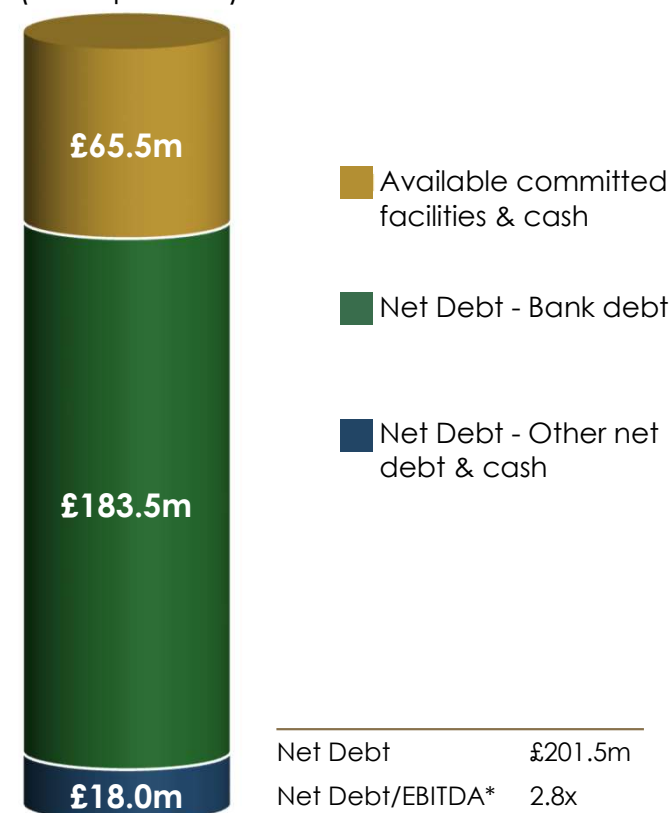
# Cash generation



# Strong financial position

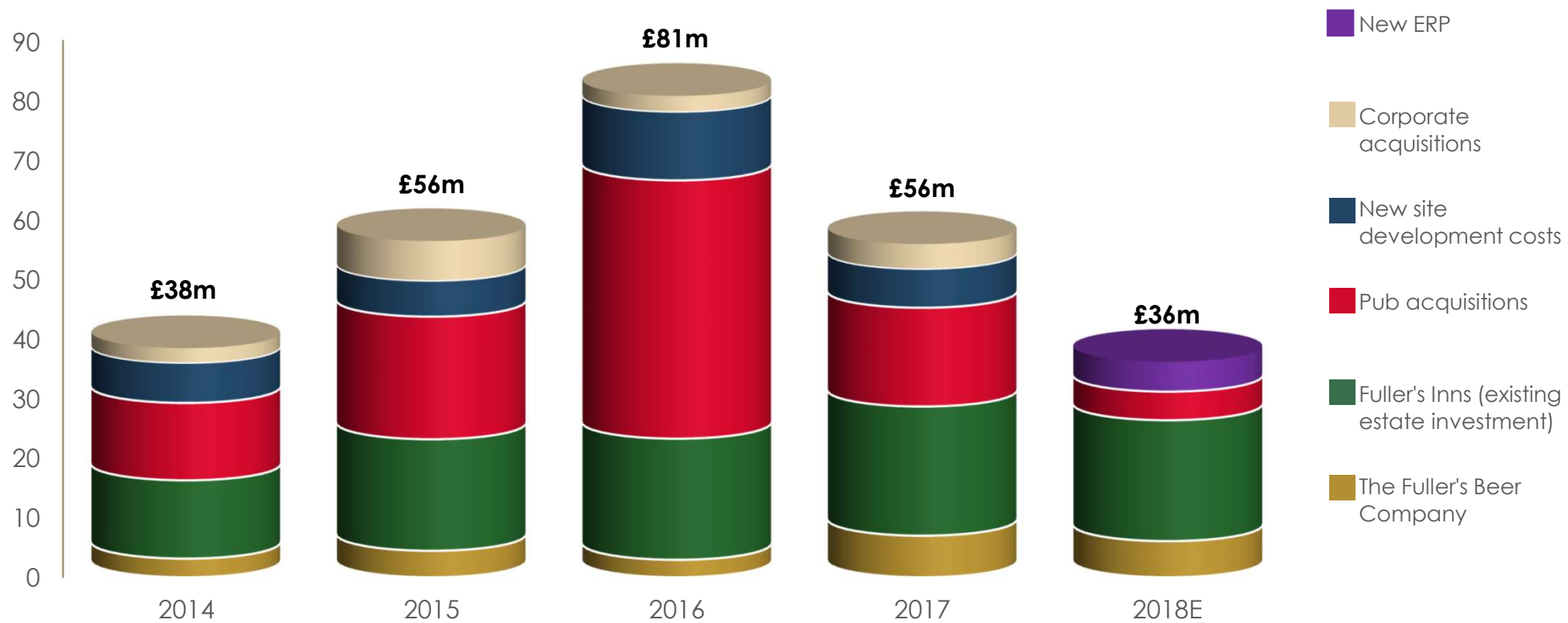
- Net debt at 30 Sept 2017 of £201.5 million
- Net Debt/EBITDA\* reduced from 3.0 times to 2.8 times
- £65.5 million available committed facilities and cash
  - 58% of period end net borrowings fixed or capped
  - Average cost of gross borrowings for H1 2018 of 2.7% (H1 2017: 3.1%)
- High quality, mainly freehold, asset base
- Flexibility to borrow strategically

Borrowing Capacity  
(30 Sept 2017)



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

# Investing for the long term



# 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



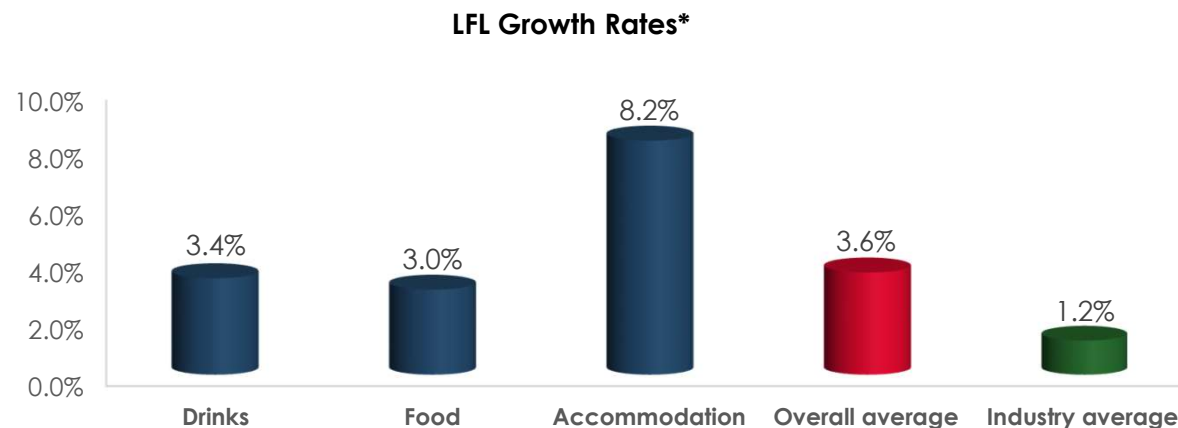
# Resilient and balanced business model

- Our vertically integrated business model, with three distinct segments, helps mitigate our exposure to economic pressures
- We have accommodated unprecedented cost pressures in H1 2018
  - Business rates increased £1.0 million
  - Staff cost pressures including National Living Wage and the Apprenticeship Levy
  - Input price inflation with rising input costs, particularly food costs starting to hit margins
- Comprehensive strategy in place to attract and retain the best people in the continued uncertain political climate



# Managed Pubs and Hotels

- Consistent outperformance of Peach Tracker
- All parts of the business in growth
- Drinks sales continue to grow through a vibrant portfolio of exciting brands
- Accommodation continues to grow strongly, RevPAR up 7%
- The Stable performing in line with expectations, supported by further targeted digital consumer marketing



# Managed Pubs and Hotels

- Committed to maintaining and improving well-invested pubs in stunning locations offering outstanding customer experiences
- Investment in our estate in H1, with 28 closure weeks and schemes completed at sites including:
  - The Barrowboy & Banker, London Bridge
  - The Great Northern Railway Tavern, Hornsey
  - The Still & West, Southsea
- Added 18 rooms to the estate, taking total bedroom stock to 724 rooms
- Plan to develop over 100 new rooms in the next two years
- Two station sites – Euston (The Signal Box) and Liverpool Street (The Parcel Office) – due to open in 2018
- The Mayfly, Stockbridge transferred from Tenanted Inns since period end with another due imminently



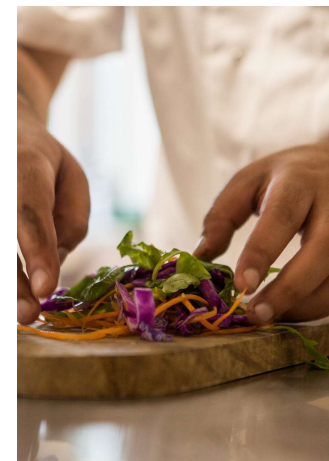
# Managed Pubs and Hotels

- Enhanced digital presence
  - Improved websites with focus on online booking for tables and events, generating improved management information
  - Investment in app-based communications and learning system
  - Continued programme of targeted emails with relevant news
- New food management system roll out complete
  - Providing high quality margin information
  - Insight to allow more dynamic pricing
- Further focus on recruiting and developing the best people in a highly competitive environment
  - Recruited 50 new apprentices
  - Continued investment in home grown chefs
  - Drive for higher levels of employee engagement – including improvements in digital connectivity



# Tenanted Inns

- Taking our Tenanted Inns to a new high with a new turnover based agreement and exciting initiatives
- Seven pubs now on new agreement with positive early results
- Over £1 million invested in capital projects, including The Ship & Bell, Horndean and King Charles, Winchester
  - Plans to invest a further £2 million in the second half of the year
- Looking to attract entrepreneurial partners with strong business acumen and a passion for food
  - Development of new partner website
  - Plans underway to improve chef support
- Disposal programme progressing well
  - 11 pubs sold for £8.7 million in the first half
  - One sold subsequently
  - Four remain to be sold



# The Fuller's Beer Company

- Total beer and cider volumes have grown slightly in a challenging market, with margin under pressure
- Strategy in place for London Pride – reinforcing the premium position of our core brand
  - Rebranded livery, supported by upweighted marketing investment
  - Award winning digital campaign #whenitrainsitpours
  - London Pride Unfiltered continues to gain listings
- Frontier driving growth with volume up 9%
  - Continued regular presence on the important festival circuit
  - Strong marketing presence during the Summer with campaign in *Time Out*
- Cornish Orchards cider volumes up 34%
  - Growth from new listings
  - Presence for second year running at Boardmasters Festival



Half Year Results for the 26 weeks ended 30 September 2017

# The Fuller's Beer Company

- Major investment in our Chiswick Brewery to reduce operating costs through increased efficiency
  - Improved automation on the cask racking line
  - Installation of new bottling line equipment
  - Purchased new vehicles for our distribution fleet
- Nectar progressing according to plan
  - Access to a centrally ordered, wider product range benefiting both Managed Pubs and Tenanted Inns
  - Longer term integration benefits still to come through better reach and distribution
- Upgrade and replacement of core IT systems
  - On track to deliver operational and cost benefits in FY 2019
  - Benefits will include increased use of technology in all aspects of our business to drive efficiency and enhanced business intelligence capability



# Summary

- A good performance against strong headwinds
  - Adjusted PBT up 4% to £23.8m
  - Adjusted EPS up 5% to 34.22p
  - Interim dividend up 4% to 7.55p
- Another industry leading performance by the Managed Estate
- Realising benefits of improved digital footprint with better customer journey and management information
- Strategy to build a Tenanted Estate for the future progressing well
- New branding and marketing launched for London Pride
- Strong growth from Frontier and Cornish Orchards
- Committed to further investment in all parts of the business to maintain and grow our position



# Current trading and outlook

- Current trading
  - Managed LFL sales up 3.7% for 33 weeks
  - Tenanted LFL profits up 2% for 33 weeks
  - Total beer & cider volumes up 1% for 33 weeks
- Projects started in last 12 months are poised to deliver benefits to the business
- Well-prepared for a continued uncertain political and economic outlook
- Resilient, consistent, long term strategy and business model encourages future growth
  - Well invested pubs offering excellent customer experiences in outstanding locations
  - Vibrant and relevant core brand portfolio supported by seasonal variations to keep customers interested
  - Commitment to recruiting, developing and retaining the best people to drive the business forward



## Appendix – Reconciliation to statutory profit

	H1 2018 £m	H1 2017 £m	
<b>Adjusted profit</b>	<b>23.8</b>	22.8	+4%
Separately disclosed items	(0.2)	(1.4)	
<b>Profit before tax</b>	<b>23.6</b>	21.4	+10%
Tax on adjusted profit	(4.9)	(4.9)	
Tax on separately disclosed items	–	1.2	
<b>Profit after tax</b>	<b>18.7</b>	17.7	+6%
Adjusted EPS	<b>34.22p</b>	32.44p	+5%
Basic EPS	<b>35.12p</b>	32.08p	+10%

## Appendix – Separately disclosed items

	H1 2018 £m	H1 2017 £m
Profit on sale of properties	<b>4.8</b>	0.5
Acquisition costs	<b>(0.1)</b>	(0.6)
Upgrade and replacement of core IT systems	<b>(1.5)</b>	–
Asset impairments	<b>(2.9)</b>	–
Reorganisation costs	–	(0.6)
Deemed remuneration on the future purchase of shares in The Stable	–	(0.3)
Pension scheme finance costs	<b>(0.5)</b>	(0.4)
Total separately disclosed items	<b>(0.2)</b>	(1.4)
Tax on separately disclosed items	–	1.2
Separately disclosed items net of tax	<b>(0.2)</b>	(0.2)

## Appendix – Fuller's Inns

	1 Apr 2017	Disposed	Lease expiry	30 Sept 2017	Acquired	Disposed	24 Nov 2017	Within the M25
Managed Pubs & Hotels	198	–	(1)	197	1	–	198	61%
Tenanted Inns	192	(11)	–	181	–	(1)	180	28%
<b>Total Fuller's</b>	<b>390</b>	<b>(11)</b>	<b>(1)</b>	<b>378</b>	<b>1</b>	<b>(1)</b>	<b>378</b>	
The Stable	17	–	–	17	–	–	17	
<b>Total Group</b>	<b>407</b>	<b>(11)</b>	<b>(1)</b>	<b>395</b>	<b>1</b>	<b>(1)</b>	<b>395</b>	

Managed Pubs & Hotels  
– Analysis of total revenue

