




Fuller, Smith & Turner PLC



ANNUAL RESULTS
FOR THE 53 WEEKS ENDED
1 APRIL 2017

Highlights

Another good year for the Company

	Managed LFL sales*	Revenue	Adjusted profit	Adjusted EPS	Annual dividend
FY 2017	 +3.7%	£392.0m	£42.9m	61.39p	18.80p
FY 2016		£350.5m	£40.9m	58.35p	17.90p

*LFL sales are for the 52 weeks to 25 March 2017

Group performance

	2017 £m	2016 £m	YoY Growth (53 week)	YoY Growth (52 week)
Revenue	392.0	350.5	+12%	+10%
Operating costs	(342.5)	(303.6)	+13%	+11%
Operating profit	49.5	46.9	+6%	+4%
Net finance costs	(6.6)	(6.0)	+10%	+8%
Adjusted profit	42.9	40.9	+5%	+3%
Depreciation and amortisation	21.0	18.1	+16%	+14%
EBITDA	70.5	65.0	+8%	+6%

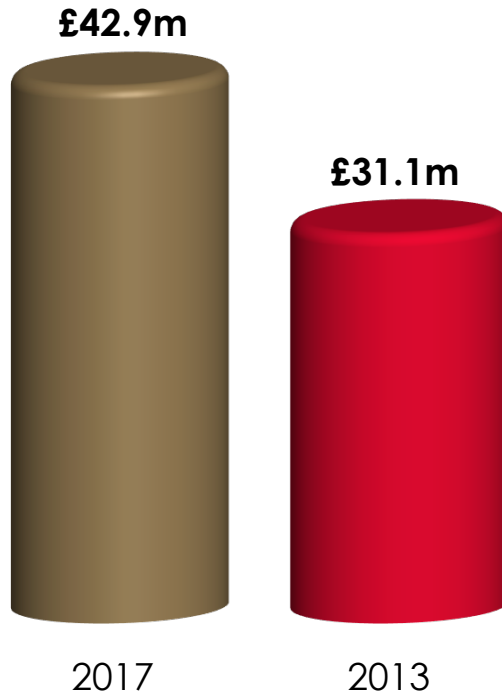
All items are before separately disclosed items and tax

2017 results are for the 53 weeks ended 1 April 2017, 2016 results are for the 52 weeks ended 26 March 2016

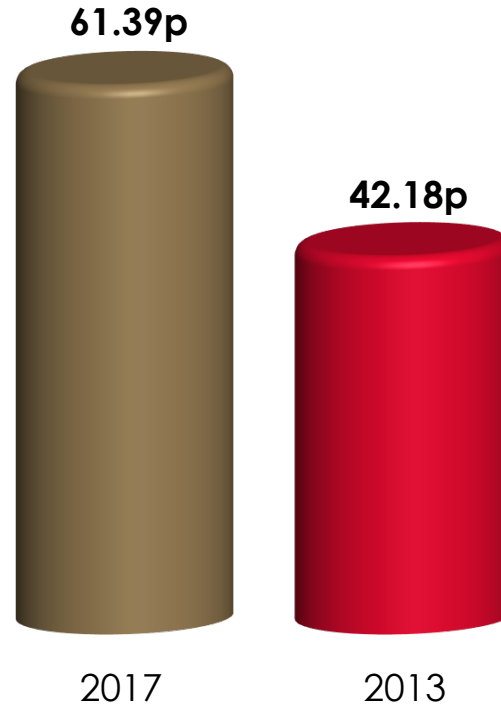
Group overview

Five year history

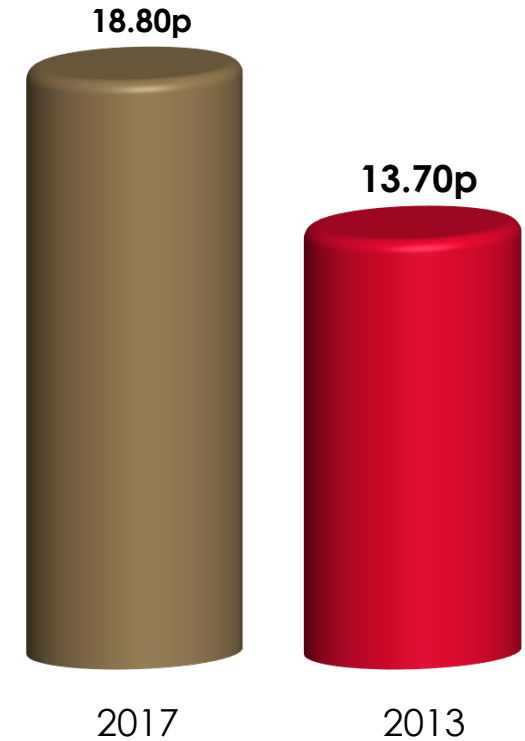
Adjusted profit*
+43%[†]



Adjusted EPS
+56%[†]



Annual dividend
+49%[†]



*Adjusted profits are before separately disclosed items and tax
[†] 5 year growth rates

Separately disclosed items

	2017 £m	2016 £m
Profit on sale of properties	0.9	2.9
Acquisition costs	(1.3)	(1.1)
Reorganisation costs	(1.5)	–
Deemed remuneration on the future purchase of shares in The Stable	(0.3)	(2.2)
Onerous lease provision releases	–	0.2
Asset impairments	–	(0.8)
Fair value movement in interest cap	–	0.1
Pension scheme finance costs	(0.8)	(0.8)
Total separately disclosed items	(3.0)	(1.7)
Tax on separately disclosed items	1.7	2.2
Separately disclosed items net of tax	(1.3)	0.5

Managed Pubs and Hotels

	2017 £m	2016 £m	
<i>LFL sales growth*</i>	+3.7%	+4.8%	
Revenue	261.3	238.4	+10%
Operating costs**	(228.9)	(207.5)	+10%
Operating profit**	32.4	30.9	+5%
<i>Operating margin</i>	12.4%	13.0%	
Depreciation and amortisation	15.7	13.0	+21%
EBITDA**	48.1	43.9	+10%
<i>EBITDA margin</i>	18.4%	18.4%	

* LFL sales are for the 52 weeks to 25 March 2017

** Excluding separately disclosed items



Annual Results for the 53 weeks ended 1 April 2017

Tenanted Inns

	2017 £m	2016 £m	
<i>LFL profits*</i>	-1.0%	+2.0%	
<i>Average EBITDA per pub</i>	+2.0%	+2.0%	
Revenue	31.2	31.5	-1%
Operating costs**	(18.0)	(18.1)	-1%
Operating profit**	13.2	13.4	-1%
<i>Operating margin</i>	42.3%	42.5%	
Depreciation and amortisation	1.6	1.6	–
EBITDA**	14.8	15.0	-1%
<i>EBITDA margin</i>	47.4%	47.6%	

* LFL sales are for the 52 weeks to 25 March 2017

** Excluding separately disclosed items



Annual Results for the 53 weeks ended 1 April 2017

The Fuller's Beer Company

	2017 £m	2016 £m	
<i>Total beer and cider volumes*</i>	-2%	-1%	
Revenue	147.9	126.8	+17%
Operating costs**	(139.9)	(119.2)	+17%
Operating profit**	8.0	7.6	+5%
<i>Operating margin</i>	5.4%	6.0%	
Depreciation and amortisation	3.7	3.5	+6%
EBITDA**	11.7	11.1	+5%
<i>EBITDA margin</i>	7.9%	8.8%	

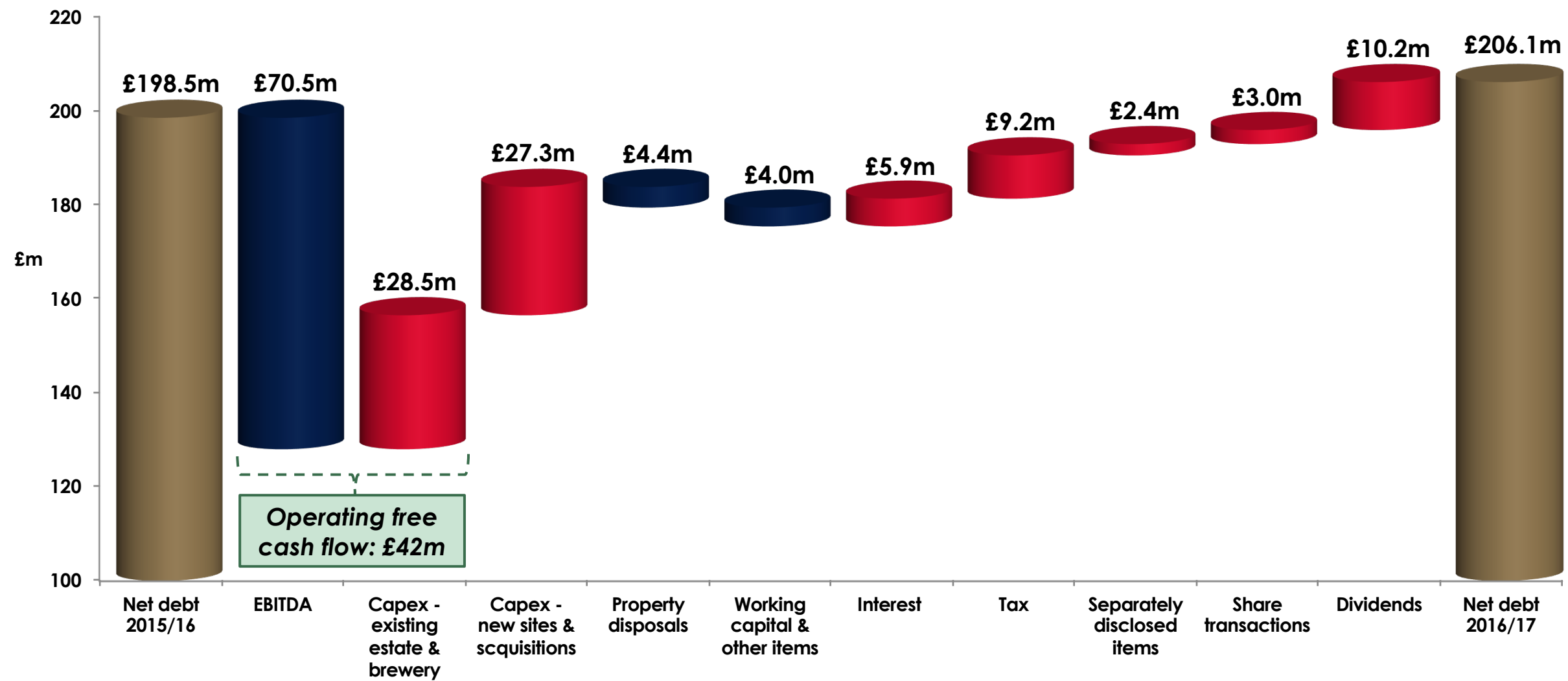
* Total beer and cider volumes -4% on a 52 week basis

** Excluding separately disclosed items

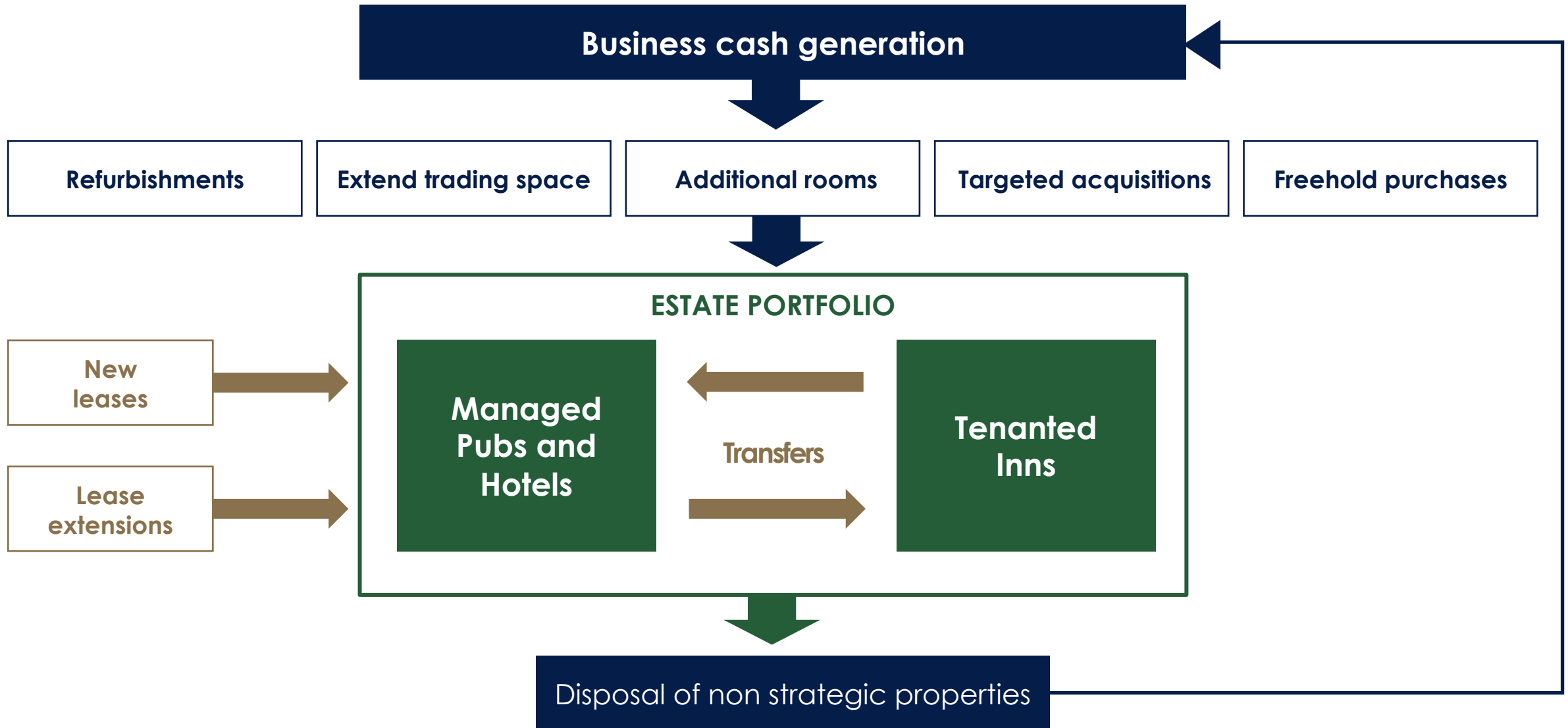


Annual Results for the 53 weeks ended 1 April 2017

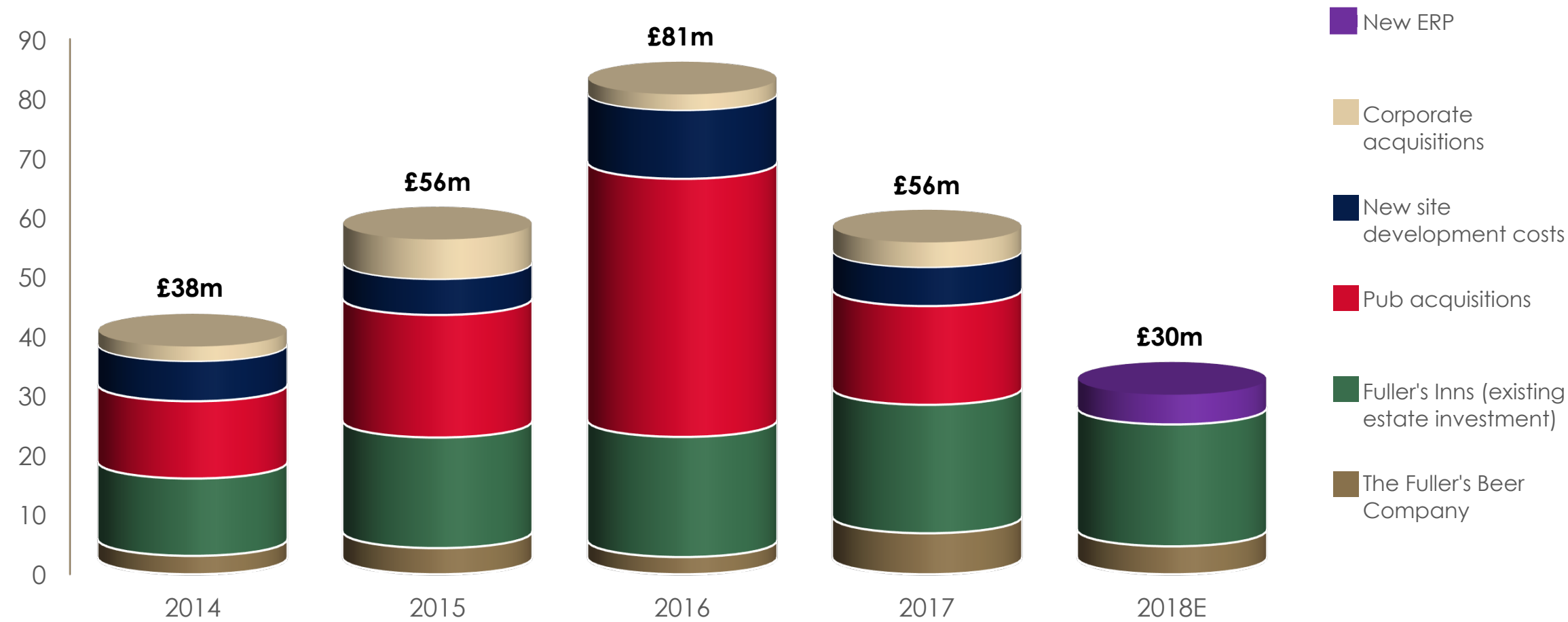
Cash generation



Property portfolio management



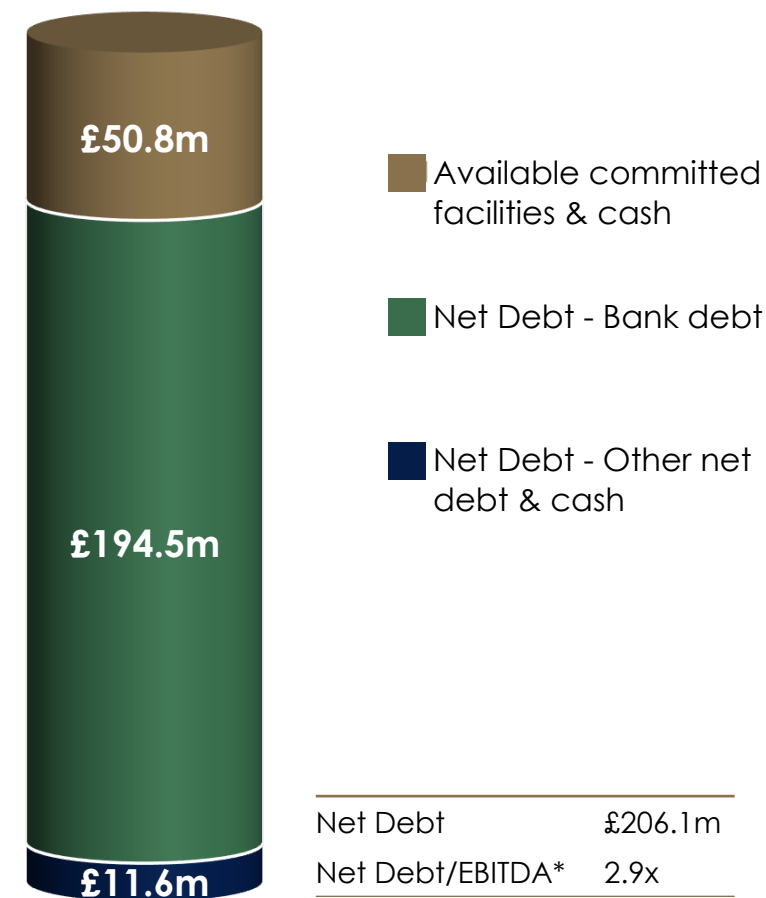
Investing for the long term



Excellent balance sheet, exceptional assets

- £210m available long-term facilities, additional £20m facility available until August 2017
 - 57% of period end net borrowings fixed or capped
 - Average cost of gross borrowings for 2017 of 3.0% (2016 : 3.1%)
- Strong financial position, due to
 - Cash generative business
 - High quality, mainly freehold, asset base
 - Low Net Debt/EBITDA* of 2.9 times (2016 : 3.0 times)
- Flexibility to borrow strategically

Borrowing Capacity
(1 April 2017)



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

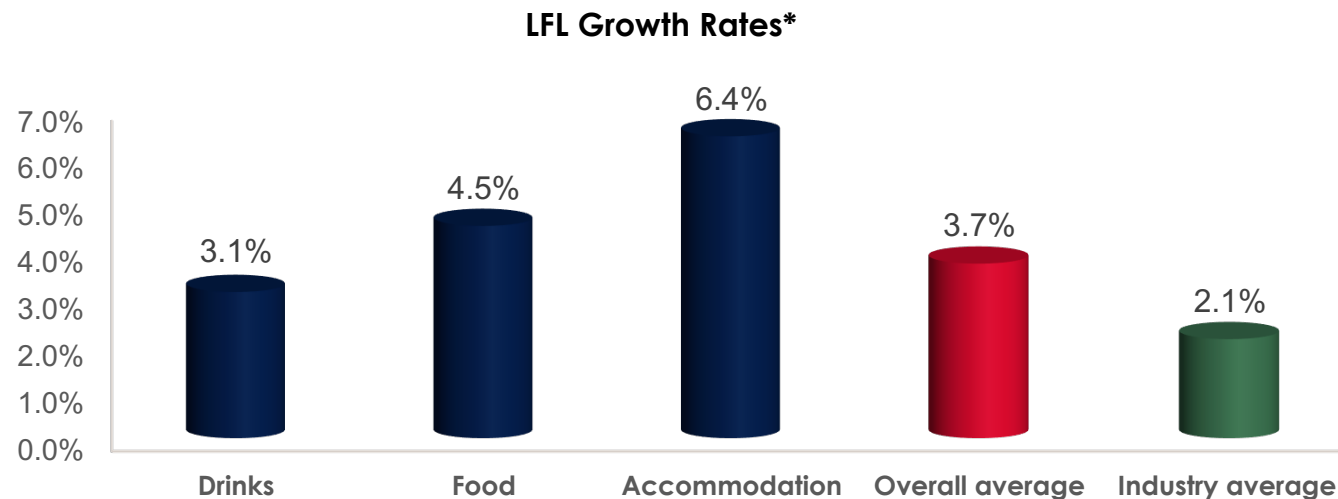
Consistent strategy

- 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 and Hotels

- Consistent outperformance of Peach Tracker
- Continued strong growth in food sales, total food sales up 11%
- Roll-out underway of new food management system
- Ongoing trend towards craft beer and higher margin brands
- Accommodation sales strong – occupancy up by 6%
- Continual investment to broaden the appeal of our estate and create outstanding experiences



Managed Pubs and Hotels – Distinctive customer experience

- Putting the customer at the heart of all Fuller's activities
 - Continued focus on “every customer leaves happy”
 - 147 team members now qualified as Service Coaches
 - 400,000 customers per month use our free WiFi
- Creating an experience that is relevant to each customer
 - Targeted digital marketing activity
 - Exciting schedule of events to attract and entertain customers
- Food offer continues to evolve
 - Investment in *Only at Fuller's* range – Laverstoke Park Farm ice cream
 - 20 kitchens refurbished to improve service
 - Increased focus on lighter, healthier dishes
- Wine range flexes with customer demands – English sparkling wine has replaced our standard house Champagne
- *Sommelier Wine Awards* Pub Wine Merchant of the Year 2017



Managed Pubs and Hotels – Targeted acquisitions and developments

- Five targeted acquisitions, four including accommodation
 - The Gun, South Quay, Docklands
 - The Albert Arms, Esher
 - The Half Moon, Herne Hill
 - The King's Arms, Woodstock
 - The White Star, Southampton
- Added 47 bedrooms through acquisitions and 24 in existing sites taking total bedroom stock to 706 rooms
- Record number of 155 closure weeks and £20m invested in projects including:
 - The Three Guineas, Reading Station
 - The Princess Royal, Farnham
 - The Cromwell Arms, Romsey
 - The Queen's Head, Kingston
 - The Head of the River, Oxford



The Stable

- Four new sites added
 - Bournemouth
 - Exeter
 - Kew Bridge
 - Whitechapel
- Continue to evolve the customer experience
 - Cidermaster programme introduced
 - Continued focus on social media
 - Good use of Flagon Wagon to promote brand outside of the restaurant
- Implementing a solid operational infrastructure
 - Finance and procurement integrated into Fuller's
 - Appointed David Gough as Operations Director, another internal promotion
- Equity investment now at 76%, with the intention to exercise the option to acquire the remaining 24% in June 2018



Tenanted Inns

- Clear long term vision to ensure standards and offer in Tenanted Inns better reflects our customers' expectations of a Fuller's pub
- Strategic plan to improve design, recruitment and food offer being executed
- Four Tenanted Inns now on new turnover agreement to encourage a focus on food
- Starting to attract a more entrepreneurial tenant with joint investment opportunities
- Focus on improving access to training for tenants and their teams – including opening up the Fuller's Chefs' Guild
- Planned disposals progressing well – six sold and 14 currently being marketed for sale
- More focus on innovative and contemporary design schemes – investment increasing by over 50% to at least £3 million



The Fuller's Beer Company – Premium brand portfolio

- Strong performance from Frontier and craft beer range
 - Frontier volumes up 27%
- Frontier named Champion Draught Lager at the *International Beer and Cider Awards*
- New seasonal ale programme to create a stylish and interesting offer of rotating beers to stimulate demand and consumer interest
- New cross-flow filter fully operational to further improve quality, widen our range of brews and drive efficiencies
- Georgina Young promoted to Head Brewer
- Innovative marketing to support our brands, including digital and traditional media, events and sponsorship
- Successful launch of London Pride Unfiltered



The Fuller's Beer Company – Acquisitions and developments update

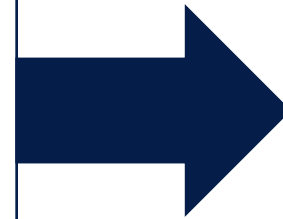
- Exciting new products and formats from Cornish Orchards including a stylish range of craft canned ciders
- Cornish Orchards production increased threefold since acquisition in 2013
- Nectar acquisition progressing well, leveraging procurement savings
- Nectar warehouse capacity doubled to support growth
- Option to buy remaining 49% of Nectar in 2018
- Sierra Nevada and other agency brands continue to grow and bring new customers to Fuller's
 - Sierra Nevada UK sales up 240% since we took over distribution



Managing cost pressures

- We face a number of cost pressures in 2017/18

- Business rates
- Staff cost pressures
 - National Living Wage
 - Apprenticeship levy
- Input price inflation
 - Despite using mainly British raw materials we are starting to see prices rise



4% LFL growth
needed to offset

- Balanced and vertically integrated business, gives flexibility and reduces exposure to economic pressures but we are not immune



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

Investing and improving processes



Recruiting, developing and investing in the best people

- Continued investment in training is key to our strategy and success
 - Over 15,000 training days completed in last full year
- Internal promotions reflect talent mapping and strategic succession planning
 - Three Divisional Directors, Head Brewer and four senior management appointments all internal promotions
- Assisting EU and EEA nationals who have worked for us for a year to apply for permanent residence card
- Record number of students in the Fuller's Chefs' Guild
- Brewery training day and *Connection Week* provide innovative ways to engage and motivate team members
- Work underway to improve recruitment of entrepreneurial tenants



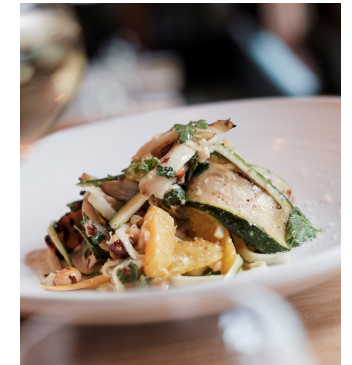
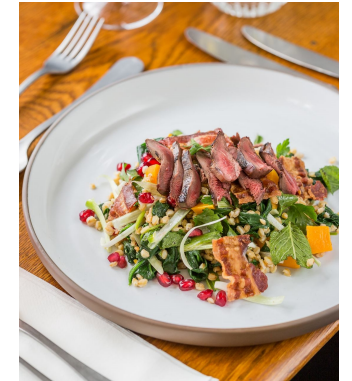
Summary

- Another year of good results for the Company
 - Adjusted PBT up 5% to £42.9m
 - Adjusted EPS up 5% to 61.39p
 - Annual dividend up 5% to 18.80p
- Acquired five new pubs and added 71 bedrooms to our estate
- Continued our robust investment programme for our existing pubs
- Opened four new restaurants for The Stable
- Grew sales of our craft beers and significantly increased capacity at Cornish Orchards and Nectar
- Added London Pride Unfiltered to our premium portfolio
- Undertook a strategic review of our Tenanted Inns and started implementing exciting plans
- Supported all of the above by investing, developing and promoting our people



Current trading and outlook

- Current trading
 - Managed LFL sales up 6.6% for 9 weeks
 - Tenanted LFL profits up 5% for 9 weeks
 - Total beer & cider volumes up 7% for 9 weeks
- Facing headwinds and impending cost pressures
- Projects underway to improve digital platforms to enhance and improve the customer experience
- Investing in core systems and processes to drive efficiencies
- Long term consistent strategy and resilient business model designed for future growth
 - Well invested pubs in stunning locations offering outstanding customer experiences
 - Interesting and relevant brand portfolio
 - Developing the best people



Appendix – Reconciliation to statutory profit

	2017 £m	2016 £m	
Adjusted profit	42.9	40.9	+5%
Separately disclosed items	(3.0)	(1.7)	
Profit before tax	39.9	39.2	+2%
Tax on adjusted profit	(9.1)	(8.4)	
Tax on separately disclosed items	1.7	2.2	
Profit after tax	32.5	33.0	-2%
Adjusted EPS	61.39p	58.35p	+5%
Basic EPS	59.21p	59.25p	–

Appendix – Fuller's Inns

	26 Mar 2016	Acquired / developed	Disposed	Transfers	1 Apr 2017	Disposed	9 June 2017	Within the M25
Managed Pubs & Hotels	191	5	–	2	198	–	198	61%
Tenanted Inns	200	–	(6)	(2)	192	(2)	190	28%
Total Fuller's	391	5	(6)	–	390	(2)	388	
The Stable	13	4	–	–	17	–	17	
Total Group	404	9	(6)	–	407	(2)	405	

Managed Pubs & Hotels
– Analysis of total revenue

