

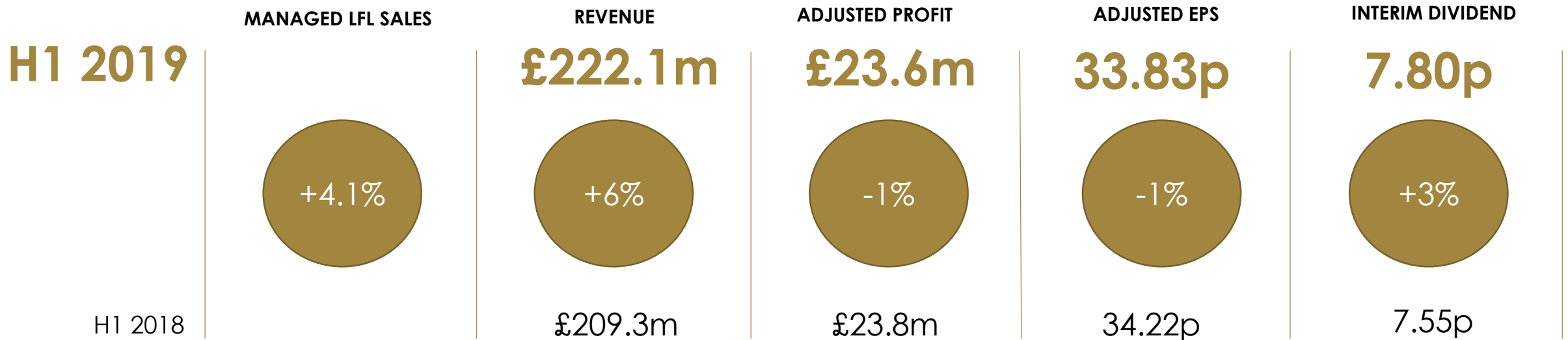


# HALF YEAR RESULTS

FOR THE 26 WEEKS ENDED 29 SEPTEMBER 2018

# HIGHLIGHTS

## INCREASED INVESTMENT FOR THE LONG TERM



## FIT FOR THE FUTURE

- Investments have strengthened our strategic position to deliver a premium offer for our customers
- Acquisition of four We Are Bar sites and Bel & the Dragon to add further depth to our Managed Estate
- Creation of a Tenanted model fit for today's entrepreneurial Tenant
- Acquisitions of Nectar and Dark Star to improve our range and enhance our existing strong, premium portfolio
- Investment in the brewery site to build our reputation as the original London brewer, including the opening of our pilot plant
- All underpinned by the new ERP system to make sure we are well placed strategically for the future



# GROUP PERFORMANCE

## HEADLINES

	H1 2019 £m	H1 2018 £m	YoY Growth
Revenue	<b>222.1</b>	209.3	<b>+6%</b>
Operating costs*	<b>(195.3)</b>	(182.6)	<b>+7%</b>
Operating profit*	<b>26.8</b>	26.7	<b>+0%</b>
Net finance costs	<b>(3.2)</b>	(2.9)	<b>+10%</b>
Adjusted profit	<b>23.6</b>	23.8	<b>-1%</b>
Depreciation and amortisation	<b>11.4</b>	10.9	<b>+5%</b>
EBITDA*	<b>38.2</b>	37.6	<b>+2%</b>

\* Excluding separately disclosed items

### Commentary

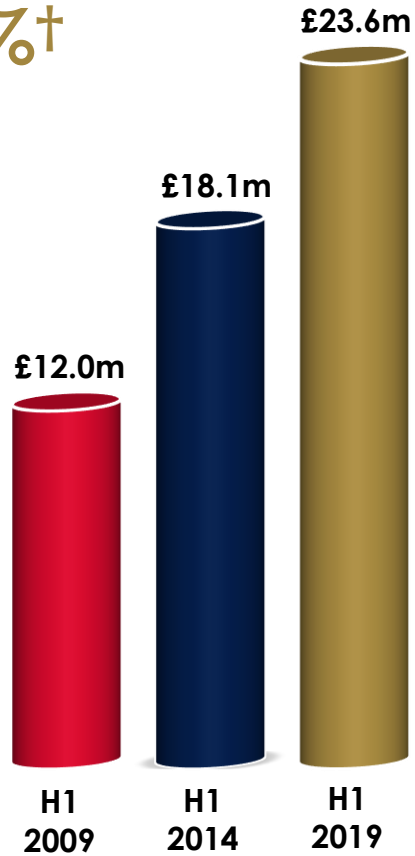
- Operating profit level due to impact of refurbishments
- Finance costs increased 10% due to 10% higher borrowings to fund acquisitions
- EBITDA growth of 2%

# GROUP OVERVIEW

## TEN YEARS OF STEADY GROWTH

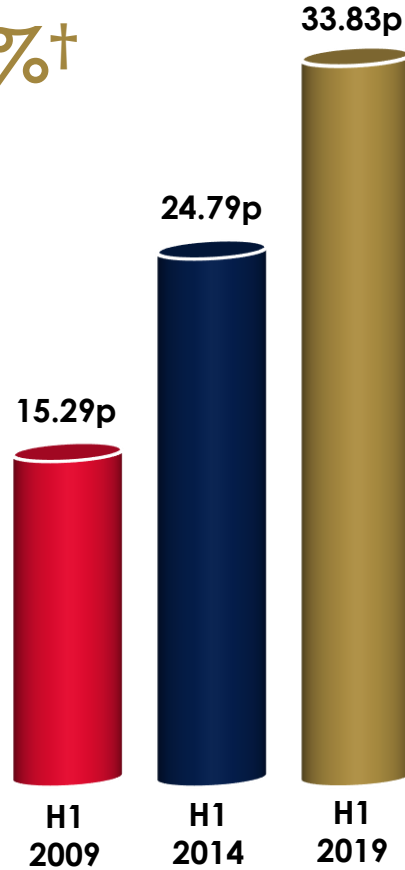
### ADJUSTED PROFIT\*

**+97%†**



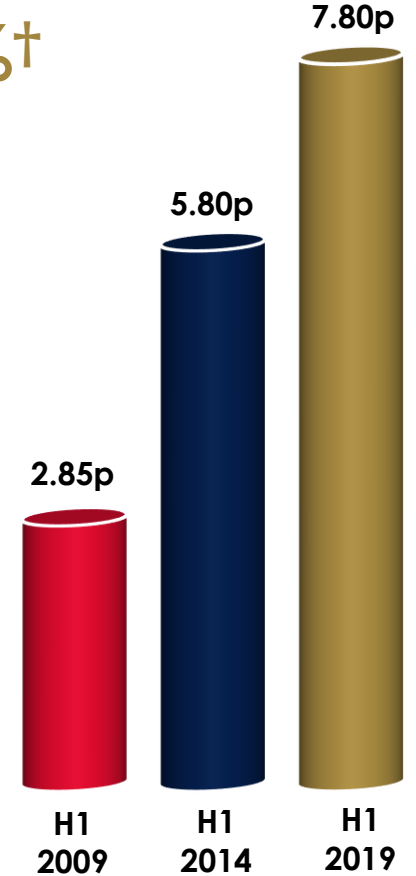
### ADJUSTED EPS

**+121%†**



### INTERIM DIVIDEND

**+174%†**



\* Adjusted profits are before separately disclosed items and tax  
 † 10 year growth rates

# MANAGED PUBS AND HOTELS

## HEADLINES

	H1 2019 £m	H1 2018 £m	YoY Growth
LFL sales growth	<b>+4.1%</b>	+3.6%	
Revenue	<b>149.4</b>	140.2	<b>+7%</b>
Operating costs*	<b>(130.9)</b>	(121.2)	<b>+8%</b>
Operating profit*	<b>18.5</b>	19.0	<b>-3%</b>
Operating margin	<b>12.4%</b>	13.6%	
Depreciation and amortisation	<b>8.6</b>	8.3	<b>+4%</b>
EBITDA*	<b>27.1</b>	27.3	<b>-1%</b>
EBITDA margin	<b>18.1%</b>	19.5%	

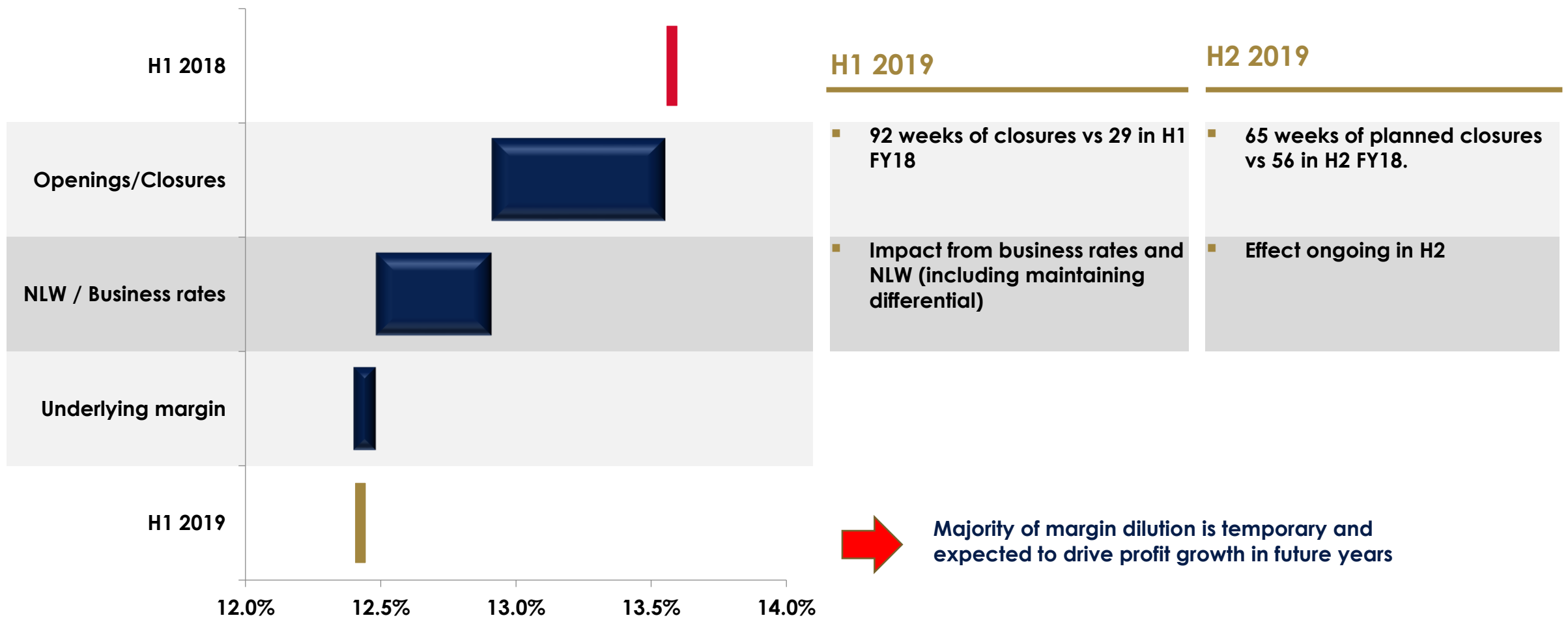
\* Excluding separately disclosed items

### Commentary

- Improved LFL performance versus a good prior period
- Revenue growth over and above LFL driven by the 10 acquisitions midway through the half
- Reduction on profit of £0.9m due to the higher level of closure for refurbishment than prior period

# MANAGED PUBS AND HOTELS

## MARGIN EVOLUTION – EFFECTS OF H1 CLOSURES



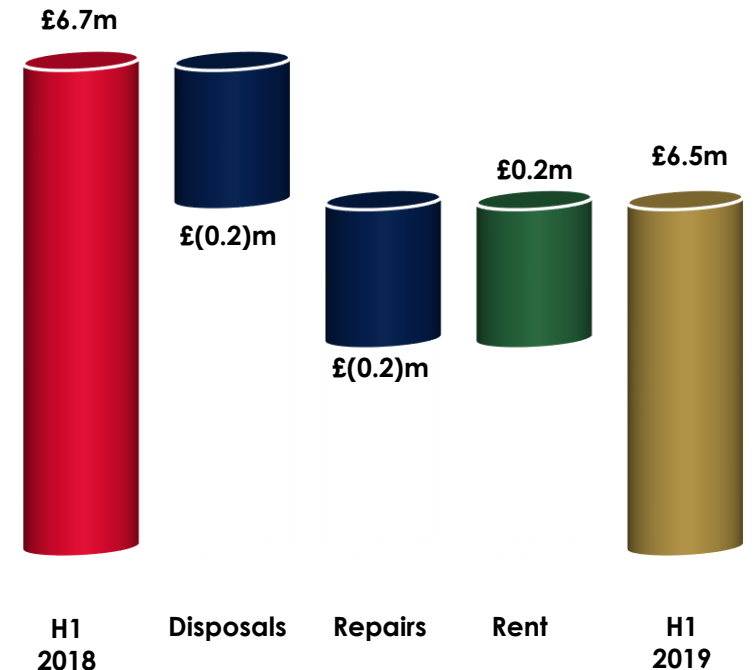
# TENANTED INNS

## HEADLINES

	H1 2019 £m	H1 2018 £m	YoY Growth
LFL profit	<b>+4%</b>	+3%	
Average EBITDA per pub	<b>+2%</b>	+7%	
Revenue	<b>15.6</b>	15.6	<b>Level</b>
Operating costs*	<b>(9.1)</b>	(8.9)	<b>+2%</b>
Operating profit*	<b>6.5</b>	6.7	<b>-3%</b>
Operating margin	<b>41.7%</b>	42.9%	
Depreciation and amortisation	<b>0.9</b>	0.8	<b>+13%</b>
EBITDA*	<b>7.4</b>	7.5	<b>-1%</b>
EBITDA margin	<b>47.4%</b>	48.1%	
Capital expenditure	<b>2.1</b>	1.1	<b>+91%</b>

\* Excluding separately disclosed items

### Operating Profit Bridge





# THE FULLER'S BEER COMPANY

## HEADLINES

	H1 2019 £m	H1 2018 £m	YoY Growth
Total beer and cider volumes			<b>+0.2%</b>
Revenue	<b>84.6</b>	78.9	<b>+7%</b>
Operating costs*	<b>(80.9)</b>	(75.5)	<b>+7%</b>
Operating profit*	<b>3.7</b>	3.4	<b>+9%</b>
Operating margin	<b>4.4%</b>	4.3%	
Depreciation and amortisation	<b>1.9</b>	1.8	<b>+6%</b>
EBITDA*	<b>5.6</b>	5.2	<b>+8%</b>
EBITDA margin	<b>6.6%</b>	6.6%	

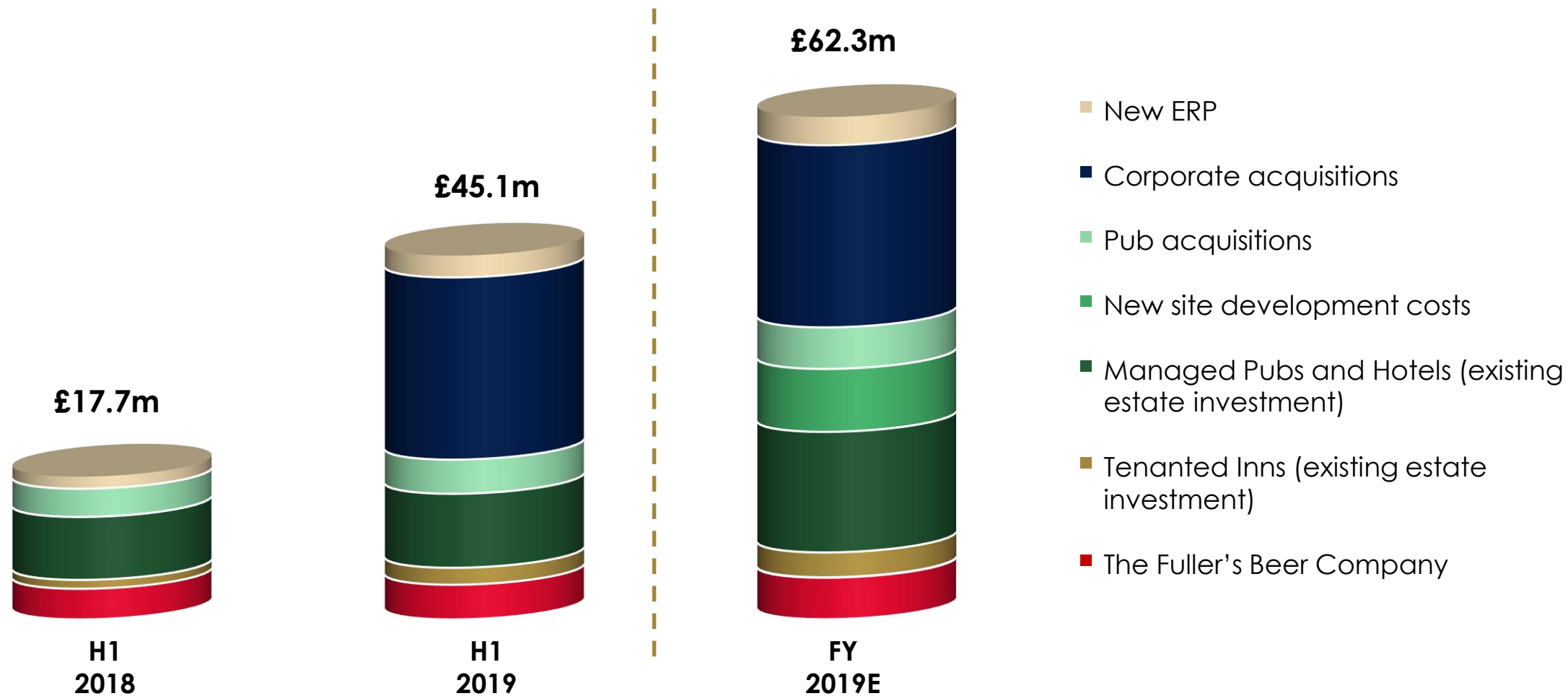
\* Excluding separately disclosed items

### Commentary

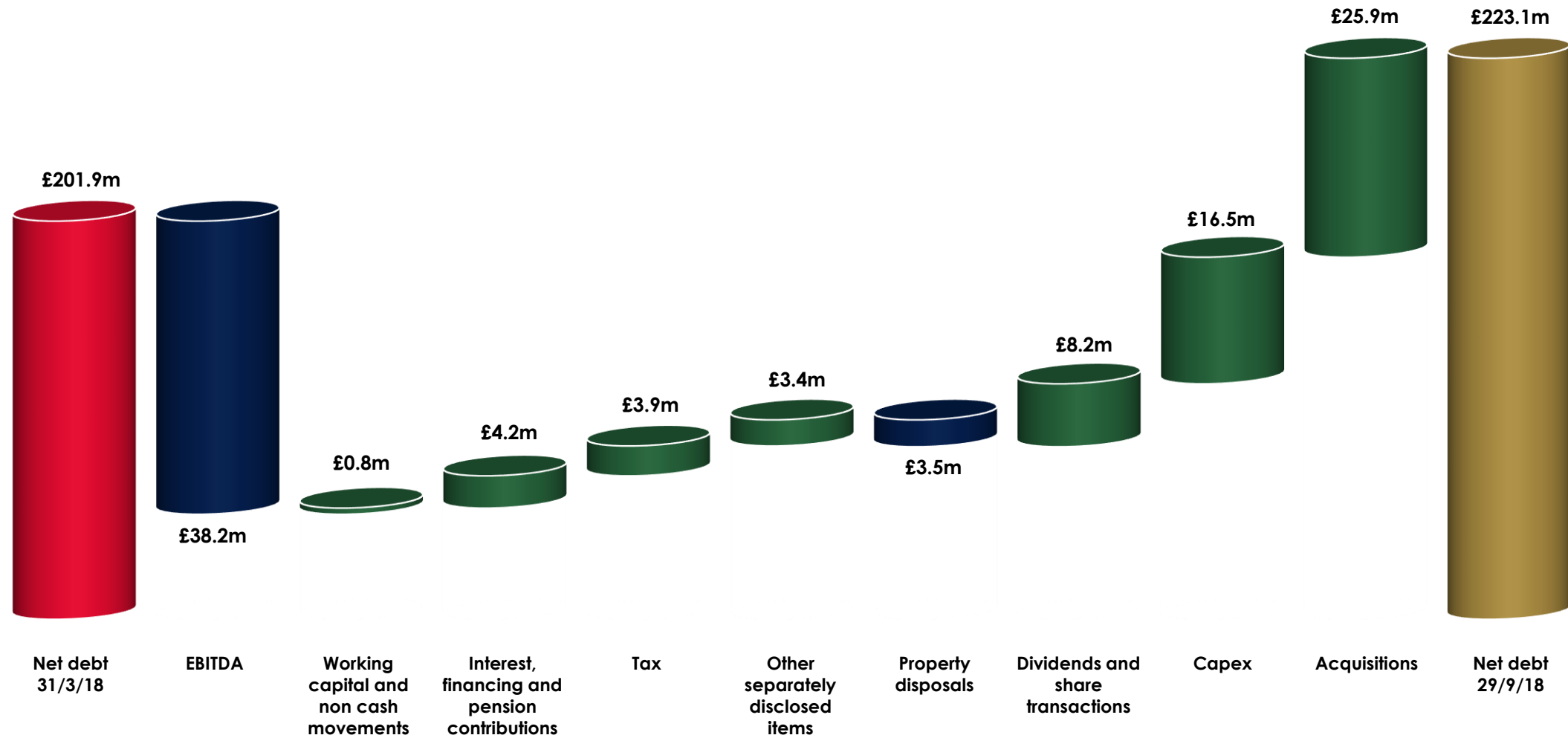
- A good first half driven by Nectar, Dark Star and strong margins from own brands
- Operational leverage means 7% sales growth translates to 8% EBITDA growth and 9% operating profit growth
- UK cost base
- Less affected by retail cost pressures

# INVESTING FOR THE LONG TERM

## FRONT LOADED H1 INVESTMENT



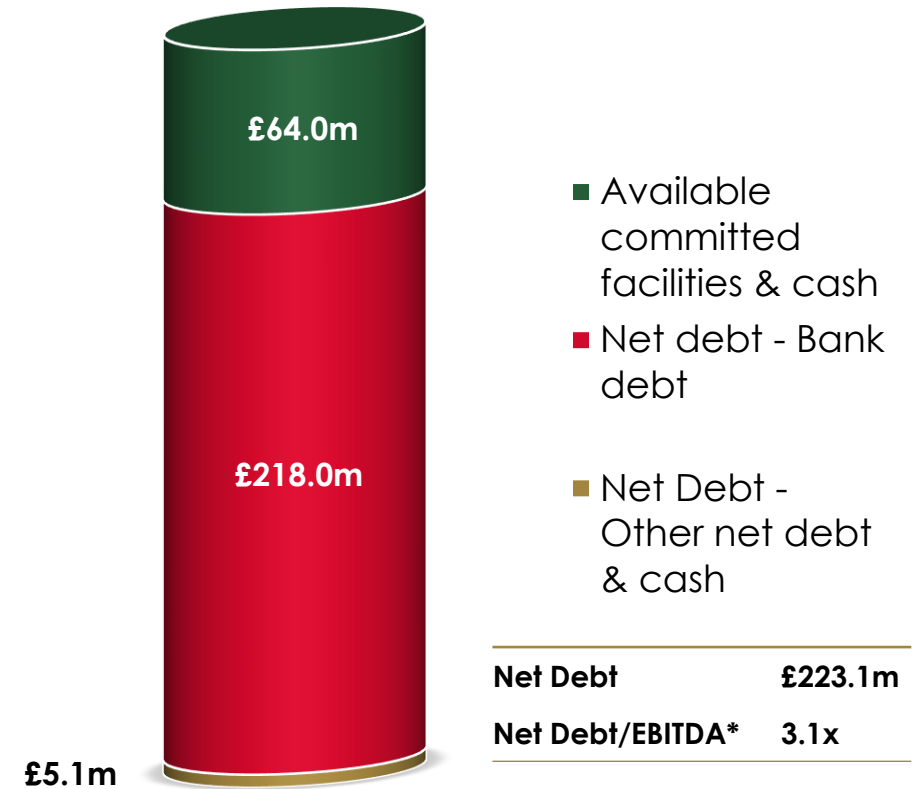
# SOURCES AND USES OF CASH



# STRONG FINANCIAL POSITION

- Net debt at 29 September 2018 of £223.1m
- Committed bank facilities increased by £20m in August to £260m
  - £64.0 million available (including cash)
  - Average cost of gross borrowings for 2019 of 2.8% (2018: 2.7%)
- Strong financial position, due to:
  - Cash generative business
  - High quality asset base – 88% freehold by book value
  - Low Net Debt/EBITDA\* of 3.1 times (2018: 2.8 times)
- Supported by a strong business with:
  - Long-term track record and outlook
  - Premium market positions
  - Balanced, vertically integrated business model
  - UK-centric supply and cost base

## Borrowing Capacity



\* Pro forma net debt / EBITDA is calculated on a 12-month basis adjusting as appropriate for acquisitions and disposals

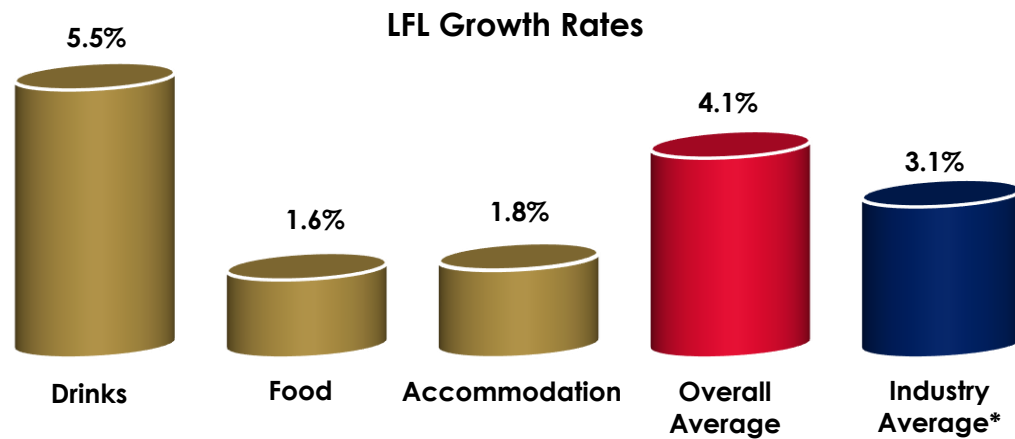


# Strategy and Operations Review

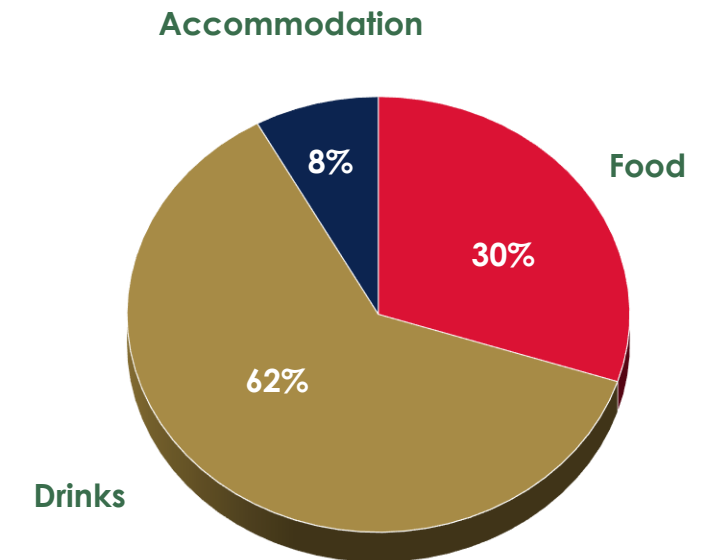


## MANAGED PUBS AND HOTELS

- First-class pubs in great locations with the flexibility to meet our customers' needs for a wide range of occasions
- Invested LFL sales rose 4.1%, with all parts of the business in growth
- Profit impacted by front loading investment programme – 92 weeks in H1 vs 29 weeks in H1 2018
- Continued investment in our people to deliver an outstanding premium offer



## H1 2019 Revenue Split



\* Peach Tracker index 26 weeks to 30 September 2018

Half Year Results for the 26 weeks ended 29 September 2018



## MANAGED PUBS & HOTELS: INVESTING FOR OUR CUSTOMERS



- Acquired June 2018
- Six premium country inns located around the Home Counties offering exceptional food and fine wine in a timeless, cosy atmosphere
- Adds 57 bedrooms to Fuller's portfolio
- Significant synergies to come from integration into Managed Pubs and Hotels division



- Acquired four sites from We are Bar Group in May 2018 – Paternoster Square, London Bridge, Fleet Place and Creechurch Lane
- £1m investment already complete at The Trinity Bell, Creechurch Lane
- All sites fully integrated into Fuller's Inns, enhancing our City footprint



- Nine major schemes undertaken in H1 – leading to 92 closure weeks
- Programme underway to add a further 38 bedrooms – 782 total at end of H1
- The Signal Box, Euston opening in December
- Two exciting sites, The Windjammer, Royal Wharf and The Parcel Office, Liverpool Street to open next financial year

## MANAGED PUBS AND HOTELS – APPEALING TO NEW CONSUMER TRENDS

- Growth in demand for vegetarian and vegan dishes
  - Doubled the number of vegetarian or vegan dishes in our repertoire
  - Benefits from roll out of recipe and stock management system to ensure all allergen information is complete and readily available
  - The Stable widely recognised for its vegan pizza offer
- Less but better – desire for new, more interesting brands and low and no-alcohol options
  - Sales of gin risen by 41%
  - Sales of soft drinks and mixers risen by 8%
  - Sales of low and no-alcohol drinks risen by 56%
- Consumers seeking to engage in experiences to share online
  - Tap takeovers and meet the brewer events in pubs
  - Continued roll out of food and drink matching evenings
  - Customer-led cider awards in The Stable
  - Further enhancements to superfast wi-fi





## TENANTED INNS

- 23 Tenants now on the new turnover agreement – on track to exceed target of 28 in the full year
- 40 Tenants now signed up to Fuller's suppliers – with average basket savings of 10% for the Tenant
- Four pubs transferred from Managed estate
- Sold four pubs that no longer fit with the Fuller's vision – disposal programme now complete
- Rolled our Food Alert system into 100 Tenanted Inns, at our cost, to help ensure they can deal with ever-changing EHO requirements
- Record number of Tenants on substantive agreements
- Doubled our capex spend to £2.1m for the Tenanted estate including schemes at The Oak at Aston Clinton, The Chequers at Chipping Norton, The Cross Keys at Great Missenden and The Horse & Jockey at Curbridge



# THE FULLER'S BEER COMPANY – INVESTING FOR OUR CUSTOMERS

- Completed commissioning of our new 10 barrel pilot plant aimed at developing new innovative beers with the stamp of Fuller's quality
- Destination Chiswick – completed new visitors centre at The Griffin Brewery, coupling a new shop with our ever popular brewery tours
- New canning lines at Cornish Orchards and Dark Star to support growth of 330ml innovative beer and cider styles
- Completed the buyout of Nectar – which will now be fully integrated into our supply chain offering our customers greater choice and enhanced service
- Developing a B2B sales portal to enhance our service to our on-trade customers





# THE FULLER'S BEER COMPANY – EMBRACING CHANGING CONSUMER DEMANDS



- Frontier rebranded in on and off trade
- Focus on London Pride
  - Sponsored Women's Hockey World Cup
  - Official Beer Partner of Pride in London
  - New London Pride mini keg
- Dark Star integrated into Fuller's Beer Company and performing well
- Cider
  - Roll out of Cornish Orchards Dry Cider
- Events
  - First LBA Festival hosted at Chiswick – to become an annual event
  - Dark Star Hopfest hosted at Dark Star Brewery
- Collaborations with exciting, innovative brewers

## ERP PROJECT

- Project Wyatt went live on 29 October 2018 – the culmination of a three year project to transform our IT systems
- Once in a generation investment – £2.7 million in the first half
- A transformational change, automating many of our internal reporting, manufacturing, supply chain and logistics processes
- Phase 2 now starts:
  - B2B ecommerce platform for online ordering
  - Leveraging benefits of the new systems to drive productivity
  - Roll out to Nectar
  - Commence integration of our logistics operations





## SUMMARY

- A period of significant investment to future-proof the business
- Managed Pubs and Hotels continue to attract new customers and delight existing ones through new sites and outstanding refurbishments
- New Tenanted model is proving very successful and roll-out will continue
- Fuller's Beer Company delivering innovation, experiences and an interesting premium brand portfolio
- A first class, highly engaged team of people ready to deliver the best customer experience across the business



# CURRENT TRADING AND OUTLOOK

- Current trading
  - Managed LFL sales up 4.4% for 33 weeks
  - Tenanted LFL profits up 2% for 33 weeks
  - Total beer & cider volumes up 0.5% for 33 weeks
- Front-loaded investment programme poised to deliver good returns
- Further six Tenants ready to sign up for turnover agreement
- Canning line at Cornish Orchards operational in H1 and Dark Star on stream in H2
- UK-led supplier base and vertically integrated business – well placed for challenging times ahead
- Clear focus on our vision and strategy – underpinned by a resilient and flexible business model



## APPENDIX – RECONCILIATION TO STATUTORY PROFIT

	H1 2019 £m	H1 2018 £m	YoY Growth
<b>Adjusted profit</b>	<b>23.6</b>	23.8	<b>-1%</b>
Separately disclosed items	(2.8)	(0.2)	
<b>Profit before tax</b>	<b>20.8</b>	23.6	<b>-12%</b>
Tax on adjusted profit	(4.8)	(4.9)	
Tax on separately disclosed items	0.5	-	
<b>Profit after tax</b>	<b>16.5</b>	18.7	<b>-12%</b>
Adjusted EPS	<b>33.83p</b>	34.22p	<b>-1%</b>
Basic EPS	<b>29.65p</b>	35.12p	<b>-16%</b>

## APPENDIX – SEPARATELY DISCLOSED ITEMS

	H1 2019 £m	H1 2018 £m
Profit on disposal of properties	1.3	4.8
Acquisition costs	(0.6)	(0.1)
Replacement of core IT systems	(2.7)	(1.5)
Reorganisation costs	(0.4)	
Asset impairments net of reversals	-	(2.9)
Finance charge on net pension liabilities	(0.4)	(0.5)
Total separately disclosed items	(2.8)	(0.2)
Tax on separately disclosed items	0.5	-
Separately disclosed items net of tax	(2.3)	(0.2)



## APPENDIX – FULLER'S INNS

	<b>1 Apr 2018</b>	Acquired	Disposed	Transfers	<b>29 Sep 2018</b>	Transfers	<b>23 Nov 2018</b>	Within the M25
Managed Pubs & Hotels	<b>199</b>	10	–	(4)	<b>205</b>	(2)	<b>203</b>	61%
Tenanted Inns	<b>180</b>	-	(4)	4	<b>180</b>	2	<b>182</b>	27%
<b>Total Fuller's</b>	<b>379</b>	10	(4)	–	<b>385</b>	-	<b>385</b>	45%
The Stable	<b>17</b>	–	–	–	<b>17</b>	–	<b>17</b>	
<b>Total Group</b>	<b>396</b>	10	(4)	–	<b>402</b>	-	<b>402</b>	