



# ANNUAL RESULTS

FOR THE 52 WEEKS ENDED 30 MARCH 2019



# AGENDA

**Highlights**

**Sale of the Fuller's Beer Business**

**Financial Review**

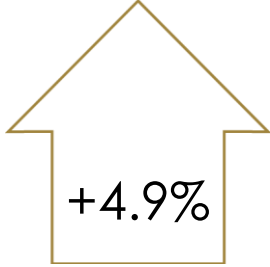
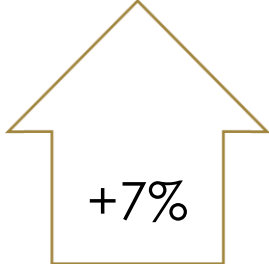
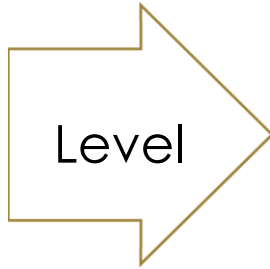


**Strategy and Operations Review**

**Summary**

**Outlook**

# HIGHLIGHTS

## A BUSINESS POSITIONED FOR LONG-TERM SUCCESS

	MANAGED LFL SALES	REVENUE	ADJUSTED PROFIT	ADJUSTED EPS	TOTAL ANNUAL DIVIDEND
FY 2019	 +4.9%	<b>£431.1M</b>  +7%	<b>£43.2M</b>  Level	<b>62.78P</b>  Level	<b>20.15P</b>  +3%
FY 2018		£403.6m	£43.2m	62.90p	19.55p

# THE SALE OF THE FULLER'S BEER BUSINESS

- Sale of the entire Fuller's Beer Business to Asahi Europe Ltd (AEL) for an enterprise value of £250m
- Sale included all Fuller's beers, cider and soft drinks production, The Griffin Brewery, Cornish Orchards, Dark Star, Nectar Imports, the wine wholesale business and the distribution thereof
- AEL granted licence in perpetuity on a global, exclusive and royalty-free basis to use the Fuller's and other relevant trademarks
- Net proceeds expected to be approximately £205m
- Sale will allow for additional shareholder returns and voluntary contribution to the pension scheme, as well as providing for continued investment in the estate and carefully selected acquisition opportunities
- Sale completed on 27 April 2019





# FINANCIAL REVIEW



# GROUP PERFORMANCE

Total operations	2019 £m	2018 £m	YoY Growth
Revenue	<b>431.1</b>	403.6	<b>+7%</b>
Operating costs*	<b>(381.0)</b>	(354.4)	<b>+8%</b>
Operating profit*	<b>50.1</b>	49.2	<b>+2%</b>
Net finance costs*	<b>(6.9)</b>	(6.0)	<b>+15%</b>
Adjusted profit	<b>43.2</b>	43.2	<b>Level</b>
Depreciation and amortisation	<b>23.1</b>	21.7	<b>+6%</b>
EBITDA*	<b>73.2</b>	70.9	<b>+3%</b>

## Commentary

- Operating profit +2% despite impact of refurbishments
- Finance costs increased 15% due to 20% higher borrowings to fund acquisitions and projects
- EBITDA growth of 3%

\* Excluding separately disclosed items

# GROUP OVERVIEW

## 10 YEAR HISTORY

### ADJUSTED PROFIT\*

**+89%†**



### ADJUSTED EPS

**+116%†**



### FULL YEAR DIVIDEND

**+105%†**



\* Adjusted profit is before separately disclosed items and tax  
† 10 year growth rates

# RECONCILIATION TO STATUTORY PROFIT

	2019 £m	2018 £m	YoY Growth
<b>Adjusted profit</b>	<b>43.2</b>	43.2	<b>Level</b>
Separately disclosed items	(17.1)	0.4	
<b>Profit before tax</b>	<b>26.1</b>	43.6	<b>-40%</b>
Tax on adjusted profit	(8.5)	(8.8)	
Tax on separately disclosed items	1.9	-	
<b>Profit after tax</b>	<b>19.5</b>	34.8	<b>-44%</b>
Adjusted EPS – total group	<b>62.78p</b>	62.90p	<b>Level</b>
Basic EPS – total group	<b>35.12p</b>	64.89p	<b>-46%</b>





# SEPARATELY DISCLOSED ITEMS

	2019 £m	2018 £m
Profit on disposal of properties	1.9	6.1
Costs incurred on sale of the Fuller's Beer Business	(7.0)	-
Replacement of core IT systems	(6.7)	(3.4)
Reorganisation costs	(0.5)	-
Asset impairments	(1.2)	(1.9)
Onerous lease charge	(1.9)	-
Acquisition costs	(0.6)	(0.6)
Guaranteed Minimum Pension (GMP) charge	(0.3)	-
Deemed remuneration on future purchase of The Stable shares	-	1.2
Finance charge on net pension liabilities	(0.8)	(1.0)
<b>Total separately disclosed items</b>	<b>(17.1)</b>	<b>0.4</b>
Tax on separately disclosed items	1.9	-
<b>Separately disclosed items net of tax</b>	<b>(15.2)</b>	<b>0.4</b>

## Commentary

- Profits on disposal of six properties of £1.9m (2018: £6.1m on 12 properties)
- Costs associated with sale of the Fuller's Beer Business were £7.0m (including £1.6m discontinued operations)
- New ERP system went live 29 October 2018
- Net asset impairment charges of £1.2m
- New onerous leases identified of £1.9m

# IMPACT OF IFRS 16 – ACCOUNTING FOR LEASES

- Applicable for the year ended March 2020
- Changes accounting for leases so that most leases are recognised as a right-of-use asset by the lessee
- Operating lease expense will be replaced by depreciation and a finance charge
- Net impact to adjusted profit is expected to be between £1.0m and £2.0m reduction to profit
- Both assets and liabilities expected to increase by circa £75m - £85m; net impact nil
- No impact on cashflow
- Banking covenants have been revised to take account of IFRS 16
- No restatement of comparatives required

Estimated impact range	from £m	to £m
Operating costs reduction	9.0	10.0
Depreciation increase	(8.0)	(9.0)
Finance costs increase	(2.0)	(3.0)
Operating profit impact	1.0	2.0
Adjusted profit before tax	(1.0)	(2.0)
EBITDA	9.0	10.0
Net impact on balance sheet	-	-

# MANAGED PUBS AND HOTELS

	2019 £m	2018 £m	YoY Growth
LFL sales growth	<b>+4.9%</b>	+2.9%	
Revenue	<b>293.8</b>	271.2	<b>+8%</b>
Operating costs*	<b>(258.7)</b>	(237.8)	<b>+9%</b>
Operating profit*	<b>35.1</b>	33.4	<b>+5%</b>
Operating margin	<b>11.9%</b>	12.3%	
Depreciation and amortisation	<b>17.6</b>	16.4	<b>+7%</b>
EBITDA*	<b>52.7</b>	49.8	<b>+6%</b>
EBITDA margin	<b>17.9%</b>	18.4%	

\* Excluding separately disclosed items

## Commentary

- Improved LFL performance versus a good prior period
- Revenue growth over and above LFL driven by the ten acquisitions in the first half
- Increase in profit of £1.7m despite the higher level of closure for refurbishment than prior year

# TENANTED INNS

	2019 £m	2018 £m	YoY Growth
LFL profit	+1%	+3%	
Average EBITDA per pub	Level	+2%	
Revenue	30.9	30.2	+2%
Operating costs*	(18.1)	(17.3)	+5%
Operating profit*	12.8	12.9	-1%
Operating margin	41.4%	42.7%	
Depreciation and amortisation	1.9	1.5	+27%
EBITDA*	14.7	14.4	+2%
EBITDA margin	47.6%	47.7%	
Capital expenditure	3.0	3.0	Level

\* Excluding separately disclosed items

## Commentary

- LFL profit growth of 1% despite increased proactive repairs
- Another year of strong capex spend with nine significant investments
- Average EBITDA per pub level reflecting completion of estate review, offset by increased proactive repairs spend

# THE FULLER'S BEER COMPANY

	2019 £m	2018 £m	YoY Growth
Total beer and cider volumes			level
Revenue	161.4	152.9	+6%
Operating costs*	(154.6)	(145.3)	+6%
Operating profit*	6.8	7.6	-11%
Operating margin	4.2%	5.0%	
Depreciation and amortisation	3.6	3.8	-5%
EBITDA*	10.4	11.4	-9%
EBITDA margin	6.4%	7.5%	

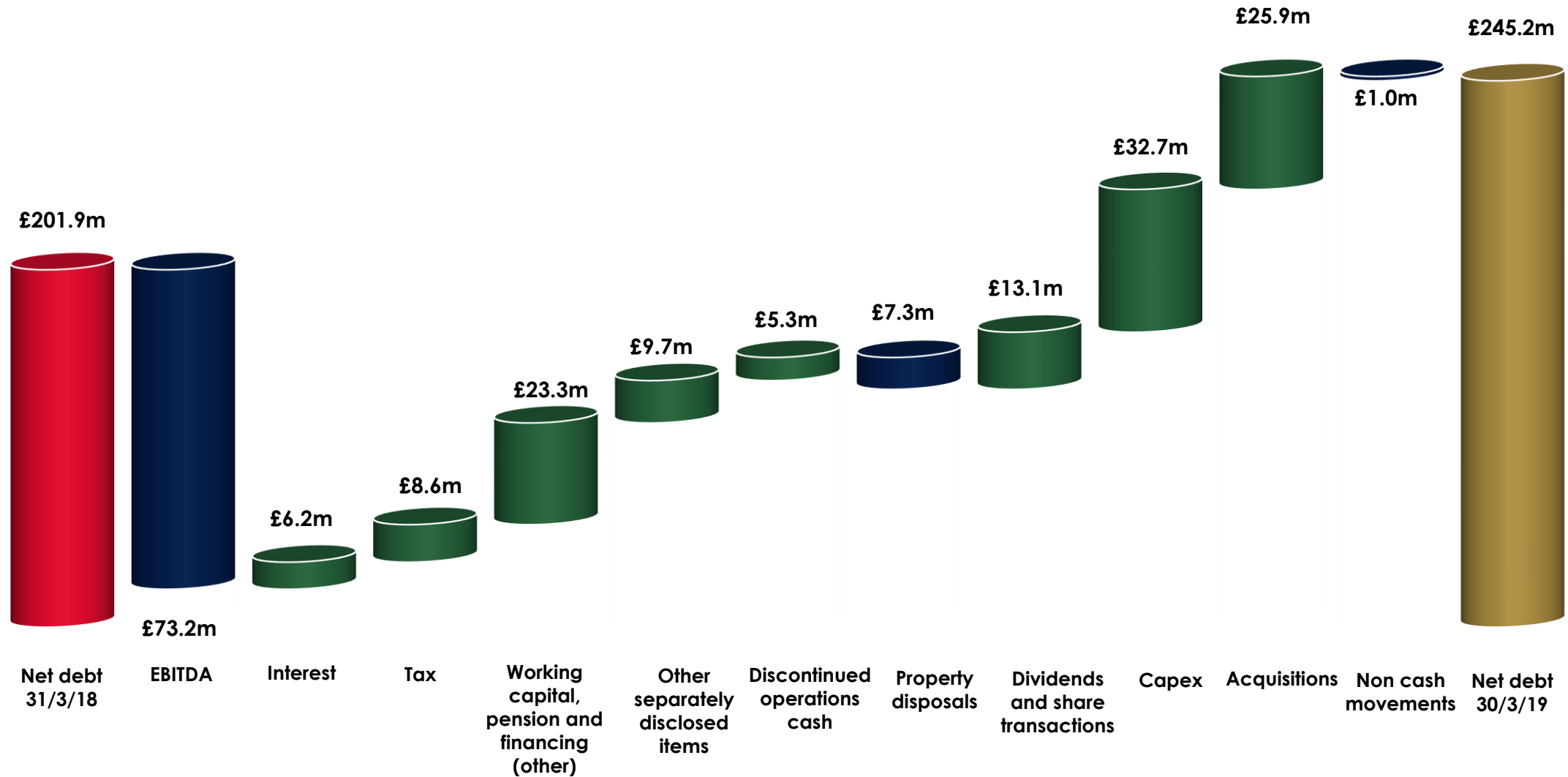
\* Excluding separately disclosed items

## Commentary

- Revenue growth is driven by a full year contribution from Dark Star, but this is also contributing to overall margin dilution
- Operating costs shown for both years have been adjusted to move certain costs that are considered continuing in nature to sit within the unallocated costs of the Group. Only discontinued operations are shown here
- Depreciation ceased on 25 January 2019 when the division became held for sale.



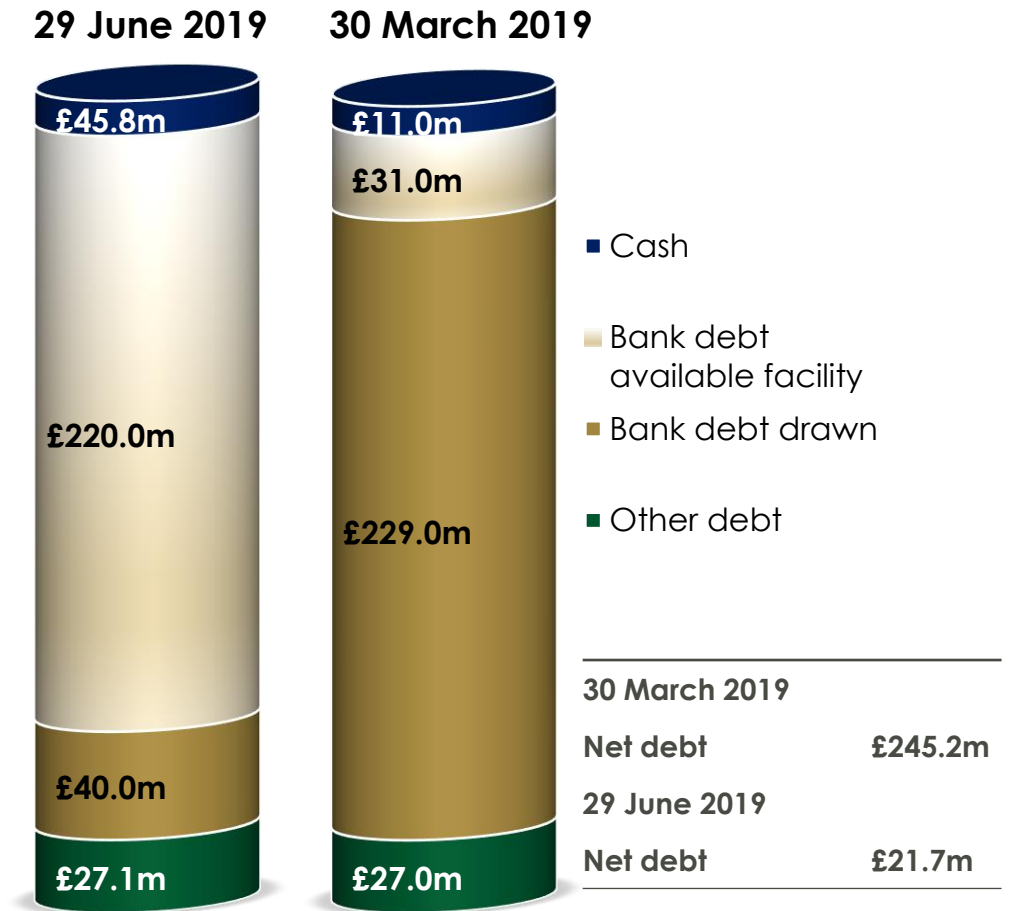
# SOURCES AND USE OF CASH



# STRONG FINANCIAL POSITION

- Net debt at 30 March 2019 of £245.2m
- Committed bank facilities increased by £50m to £260m
  - £42.0m available (including cash)
  - Average cost of gross borrowings for 2019 of 2.9% (2018: 2.8%)
- Strong financial position, due to:
  - Cash generative business
  - High quality asset base – 89% freehold by book value
  - Low net debt/EBITDA\* of 3.1 times (2018: 2.9 times)
- Following the sale of the Fuller's Beer Business in April 2019 our financial strength has significantly increased

## Available Facilities



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

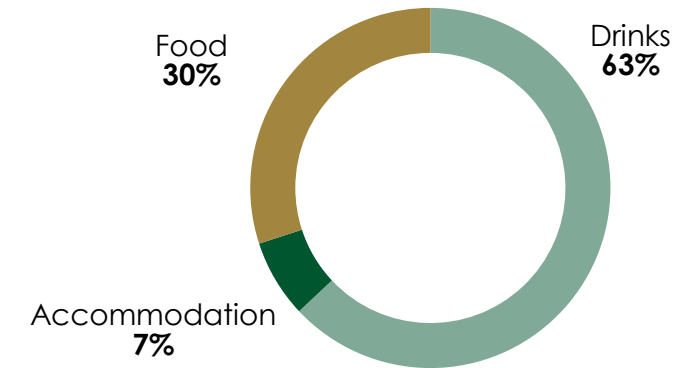
# STRATEGY AND OPERATIONS REVIEW



# MANAGED PUBS AND HOTELS

- Strong performance from our Managed Pubs and Hotels
- Like for like sales increase of 4.9% – with growth across all revenue streams
- High quality pub estate in stunning locations with wet sales accounting for 63% of turnover
- Growth driven by rise in like for like drinks sales of 5.2%
- Food like for like sales increase of 3.9%
- Accommodation like for like sales increase of 4.2%
- Continued external cost pressures from increased National Living Wage, Apprenticeship Levy, auto-enrolment pension contributions and business rates.
- Well-invested estate of over 200 pubs in the South of England

## ANALYSIS OF REVENUE





# MANAGED PUBS AND HOTELS: INVESTMENTS



- Acquired Bel & The Dragon, six country inns in the Home Counties, June 2018
- Added 57 bedrooms to Fuller's portfolio
- Significant synergies still to come from full integration into Managed Pubs and Hotels division



- Acquired four sites from We Are Bar Group in May 2018
- All now refurbished and three renamed – The Telephone Exchange (London Bridge), The Conductor (Fleet Place) and The Trinity Bell (Creechurch Lane)



- Heavy investment programme with 94 closure weeks (2018: 59)
- The Signal Box, Euston, opened in December
- Two exciting sites, The Windjammer, Royal Wharf and The Parcel Office, Liverpool Street in the pipeline



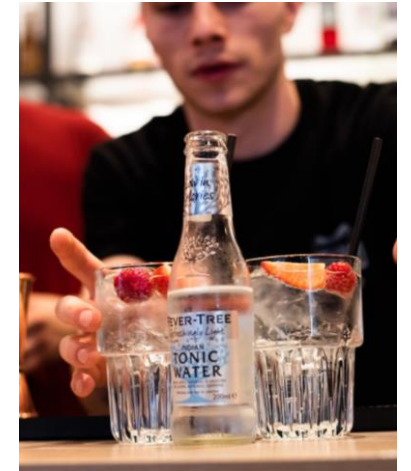
# MANAGED PUBS AND HOTELS: ACCOMMODATION

- Added 93 bedrooms to our estate, taking us to a total of 817, including:
  - 57 from Bel & The Dragon
  - 15 at The Counting House in Cornhill
  - 9 at The Blackbird in Earl's Court
  - 7 at The Fox & Goose, Ealing
- Live chat introduced to assist online customer booking journey
- Working with *Triptease*, an innovative technology company, to deliver highly targeted campaigns
- Direct bookings increased by 26%
- Named *Accommodation Operator of the Year* at this year's Publican Awards



# MANAGED PUBS AND HOTELS: CONSUMERS

- Further menu developments to provide more balanced, healthier and vegetarian/vegan dishes in line with marketplace trends
- Enhanced website capability to allow menu search by dietary preferences
- Improved customer journey for booking tables and accommodation – reduced number of steps in process has increased conversion rates
- Targeted, personalised marketing communications based on the customer's previous online behaviour
- Current database of highly engaged customers with industry leading open rates and revenue generation in excess of £2m
- Continue to drive a calendar of bespoke marketing activity to generate more reasons to visit our pubs



# MANAGED PUBS AND HOTELS: OUR PEOPLE

- Continued investment in home grown talent with 18 tailored development programmes to build genuine career paths at all levels
- Work underway to relaunch our employer brand and ensure we continue to recruit and retain the best talent
- 120 candidates completed at least one level of the Chefs' Guild Scholarship
- 93 apprentices currently studying while working in Fuller's Managed Pubs – expect to hire another 100 in September
- Food team awarded *Best Pub Operations Team* at this year's Publican Awards





# MANAGED PUBS AND HOTELS: SUPPLIERS

- Long-term supply agreement with Asahi for Fuller's and Asahi key brands and a vibrant and changing seasonal Fuller's portfolio
- Fuller's beers set to benefit from Asahi's ability to provide increased marketing support and investment in key brands
- Continuation of excellent trade quality advice and technical services support
- More flexibility in choosing new brands to keep ahead of changing consumer trends
- Working with key suppliers on exciting promotions in our pubs across food and beverages
- Continue to develop *Only at Fuller's* range with our long-term food suppliers including Owton's Butchers and Laverstoke Park Farm – supported by 142 supplier visits by our Head Chefs



# TENANTED INNS

- Good year for our Tenanted Inns with turnover rising 2%
- 30 sites on turnover agreements at the year end
- £3.0m of capital investment – including nine sites that have moved on to the turnover agreement
- Seven sites transferred from Managed estate during the year and five sites sold as estate review completes
- Launched Fuse (internal digital platform) to Tenanted estate to improve communications and access to online training
- 50% rise in Tenant applications – on top of a 250% rise in the prior year
- More Tenants leveraging Managed Pubs experiences – for example by hosting *Shakespeare in the Garden*
- Tenanted business is highly cash generative and now accounts for 27% of Group profits





# SUMMARY

- Excellent performance from our Managed Pubs and Hotels Business
- Substantial investment programme in our iconic pub and hotel estate
- Added 11 outstanding sites to our portfolio, all now fully invested
- Focus and investment in creating career paths for our highly motivated team of people
- Tenanted Inns continue to do well with increasing number of Tenants moving to turnover agreements
- Annual dividend increased 3%
- £250m sale of the Fuller's Beer Business to Asahi Europe Ltd completed on 27 April 2019



# OUTLOOK



# CURRENT PRIORITIES

- Delivering the Transitional Services Agreement with Asahi
- Building on the long-term supply agreement with Asahi to maintain our point of difference
- Complete a return of capital to our shareholders
- Structuring the business for future growth and embedding the new management team
- Move to our new head office at Pier House, Strand on the Green
- Developing exciting, strategic plans for our future as a focused pubs and hotels business





# FOCUSED EXECUTIVE TEAM



**Simon Emeny**  
Chief Executive

**Adam Councill**  
Finance Director

*Joins end of August*



**Dawn Browne**  
People & Talent Director



**Fred Turner**  
Retail Director



**Jane Jones**  
Marketing Director



**Peter Turner**  
Property Director



# OUTLOOK

- Current trading for the last 16 weeks
  - Managed LFL sales up 1.2%; Total sales up 2.3%
  - Tenanted LFL profits down -3%
- Business underpinned by excellent team of motivated people and well-invested estate of distinctive pubs in stunning locations
- Position of strength: a well-funded, highly focused pubs and hotels business ready to take appropriate opportunities
- Landmark moment in Fuller's history: a time for us to consolidate and carefully consider plans to build for long term success





## APPENDIX – FULLER’S INNS

	31 Mar 2018	Acquired /new	Disposed	Lease Expiry	Transfers	30 Mar 2019	Within the M25
Managed Pubs & Hotels	199	11	–	(1)	(5)	204	60%
Tenanted Inns	180	-	(5)	-	5	180	28%
<b>Total Fuller’s</b>	<b>379</b>	11	(5)	(1)	–	<b>384</b>	45%
The Stable	17	–	–	–	–	17	
<b>Total Group</b>	<b>396</b>	11	(5)	(1)	–	<b>401</b>	