

Half Year Results for the 26 weeks ended 30 September 2023



ESTABLISHED 1845

FULLER'S



AGENDA

HIGHLIGHTS

FINANCIAL REVIEW

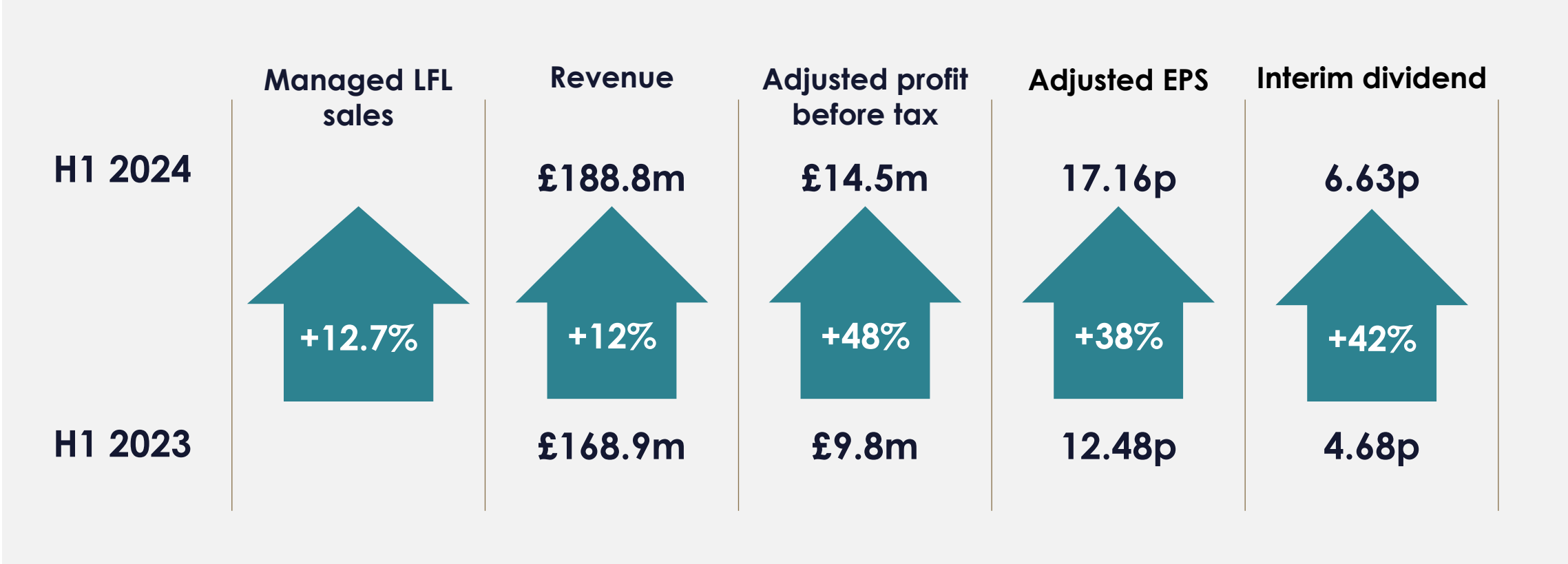
TRADING UPDATE

CURRENT TRADING &
OUTLOOK



HIGHLIGHTS

Strong progress as revenues and profits continue to rise



DRIVERS OF GROWTH

We have achieved everything that we set out to achieve in the first half

- **An external environment evolving in our favour**

- Accelerated return of office workers – like for like sales in our City pubs up by 16.3%
- Changing dynamic in the City – continued growth across all days as leisure travel helps the City become a seven-day operation
- Major events driving visits, particularly to London – with a strong pipeline of future events
- Premiumisation trend continuing – spend per head has increased and customers expect the best experience, a premium food and drink offer, and a high-quality location
- Inbound tourism continues to rise and spend by international visitors in July 2023 was the second highest on record – more to come as inbound tourism still behind pre-covid levels

- **Plays to Fuller's strengths**

- Brilliant in-pub events, promoted via targeted digital marketing, drive incremental visits and secure additional spend per head
- Continuous investment in wonderful pubs and hotels in iconic locations, combined with a premium experience, has driven sales and gained market share
- Success reflected by our highest ever NPS scores

DELIVERING IN THE NEAR TERM

While investing for the long term

Near term performance strong – sales and profits in growth

Long-term fundamentals remain robust

- Predominately freehold, well-invested estate in iconic locations
- Highly cash generative business
- Premium positioning

Consistent strategy and vision – focused on delivering long-term growth

- Delighting our customers to grow sales and revenues
- Inspiring our people to deliver an outstanding customer experience
- Enhancing our estate to maintain our premium position
- Evolving our business to stay ahead of market trends
- Owning our impact – because *Life is too good to waste*





The Mill at Elstead

FINANCIAL REVIEW

INCOME STATEMENT

	H1 2024 £m	H1 2023 £m	
Revenues	188.8	168.9	+12%
Operating costs	(167.4)	(153.3)	
Adjusted operating profit	21.4	15.6	
Finance costs	(6.9)	(5.8)	
Adjusted profit before tax	14.5	9.8	+48%
Separately disclosed items	0.4	0.9	
Taxation	(4.2)	(2.6)	
Profit after tax	10.7	8.1	
Adjusted EPS	17.16p	12.48p	+38%

- Strong topline growth with revenues up 12%
- Operating margin improvement from 9.2% to 11.3% despite the challenging cost environment
- Adjusted profit increasing by 48% to £14.5m
- Average cost of borrowing increased from 5.4% to 7.6% due to increase in Bank of England base rates
- Tax on underlying earnings increased to 28%, largely due to higher rate of corporation tax
- Adjusted EPS at 17.16p, an increase of 38% on prior year

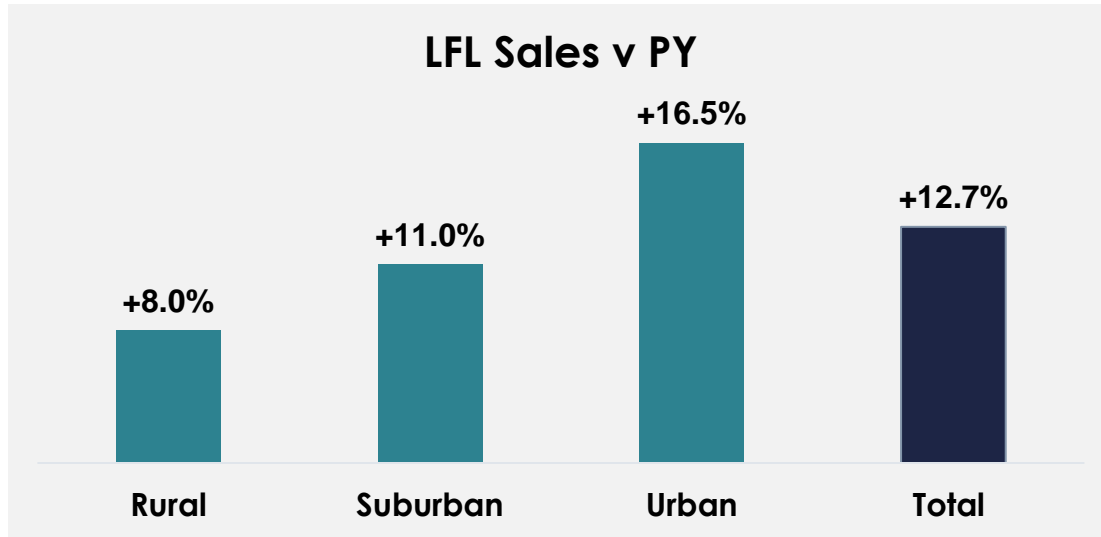
DIVISIONAL RESULTS

	H1 2024 £m	H1 2023 £m
Managed Pubs and Hotels		
Revenue	172.5	153.8
Operating profit*	25.4	18.0
EBITDA*	37.1	30.0
EBITDA %	21.5%	19.5%
Tenanted Inns		
Revenue	16.3	15.1
Operating profit*	6.9	6.8
EBITDA*	8.3	7.8
EBITDA %	50.9%	51.7%
Central costs		
Operating costs*	(10.9)	(9.2)
% of revenue	5.8%	5.4%
Total revenue	188.8	168.9
Total operating profit*	21.4	15.6

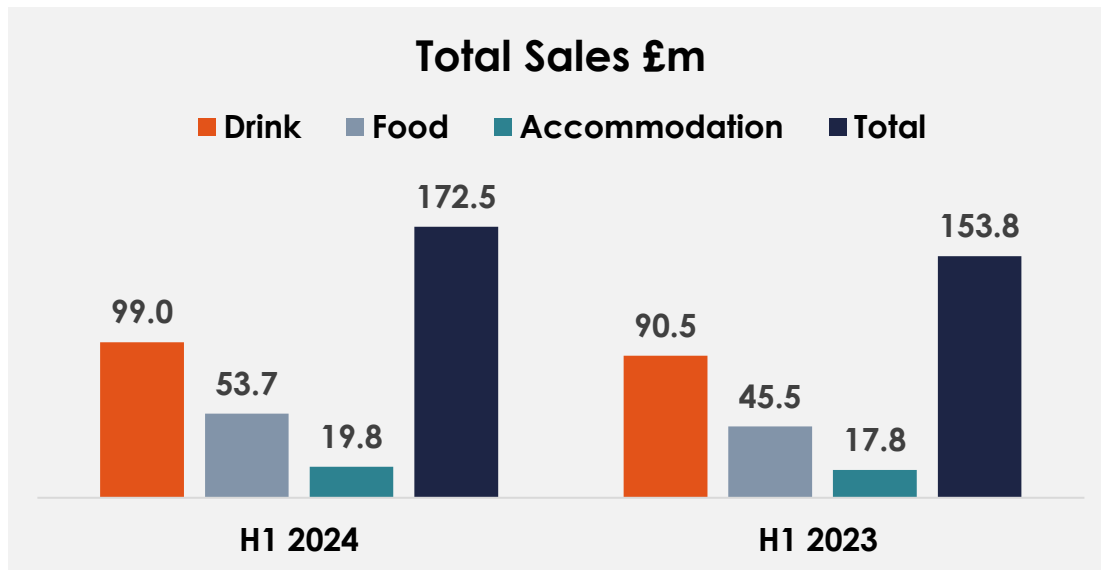
- Managed revenue increased by 12% driven by strong performances across the estate
- Managed Pubs and Hotels EBITDA margin improved to 21.5%
- Tenanted Inns revenue and profits continuing to grow
- Underlying central costs are flat, increase due to accrual for incentive/bonus payments based on performance in H1

* Excluding separately disclosed items

MANAGED REVENUE ANALYSIS

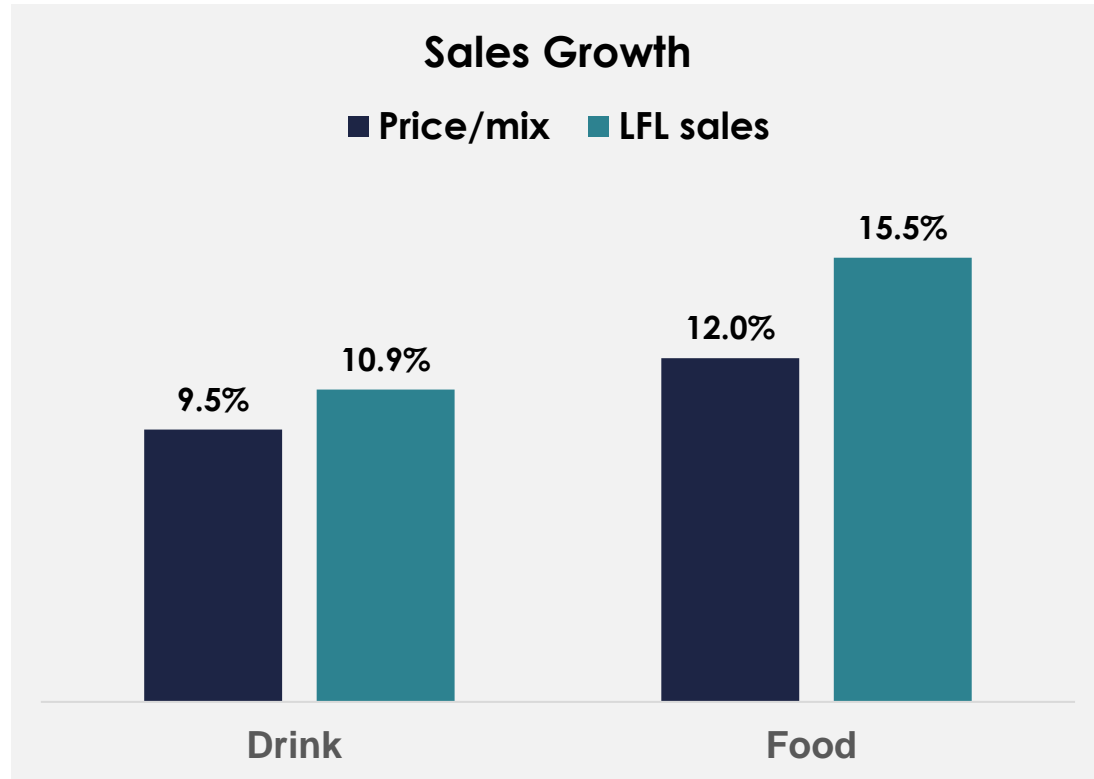


- H1 2024, like for like sales against prior year were at +12.7%
- Particularly strong performance in Urban areas, which were up 16.5%



- Well-balanced revenues with strong growth across all categories
 - Drink total sales up 9%
 - Food total sales up 18%
 - Accommodation up 11% - occupancy improved by 4ppts to 84.5% with RevPAR up 15% to £108.67

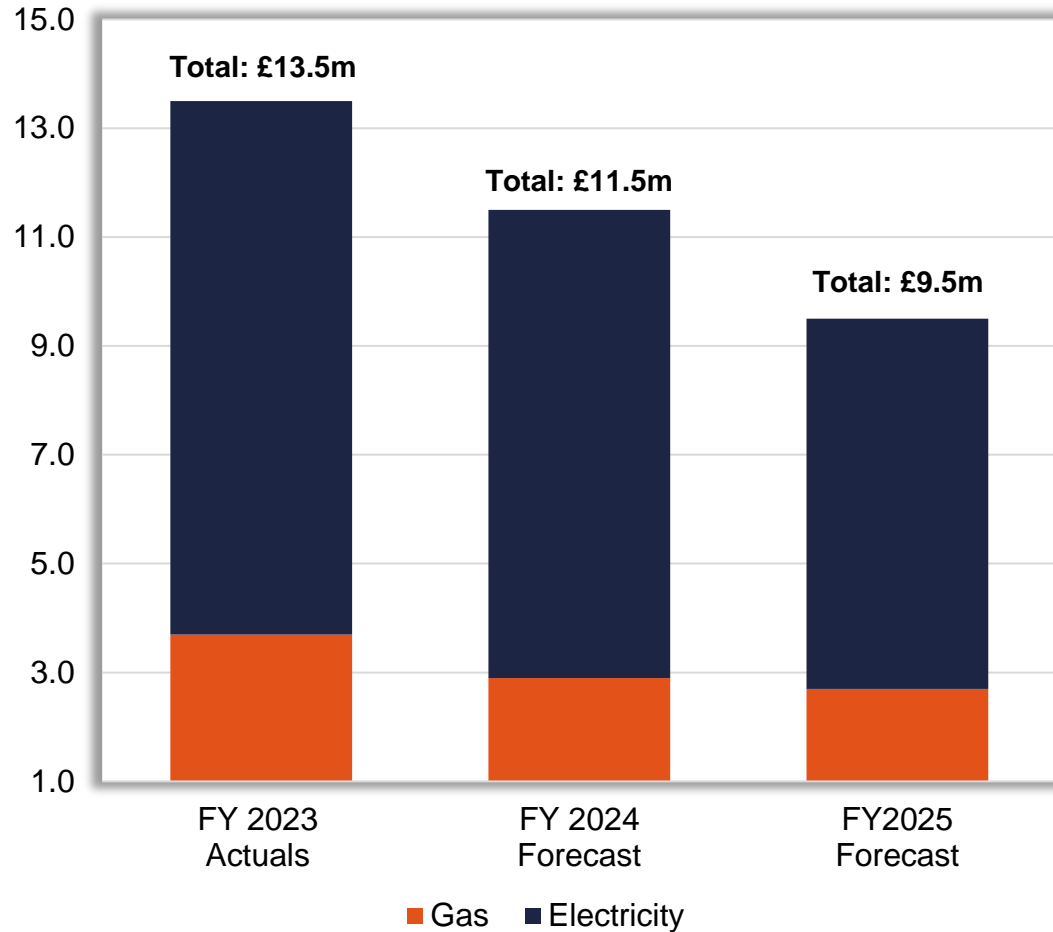
SALES MIX AND PRICING



- We are delivering volume growth across the business
- Inflationary pressures remain – albeit some signs of easing
 - Food inflation at 9.3%
 - Drink inflation at 6.3%
 - Labour inflation at 7.6%
- We work hard to manage the impact of inflation – price increases have been inevitable

ENERGY COSTS

Total Gas and Electricity



- Total utilities cost for FY 2024 is expected to be £11.5m, down 15% on FY 2023
- We have forward market purchases:
 - 100% hedged for both gas and electricity for FY 2024; and
 - 80% hedged for FY 2025 for electricity and 46% for gas
- Further reductions in usage – 8.5% gas and 5% electricity against H1 2023 – through behavioural changes and investments in energy reduction initiatives

STRONG BALANCE SHEET

	H1 2024 £m	H1 2023 £m
Property, plant & equipment	580.5	591.8
Right-of-use assets (IFRS 16)	62.8	69.2
Other non-current assets	45.2	53.9
Current assets (excluding cash)	21.3	30.6
Net debt (excluding leases)	(129.4)	(129.2)
Other current liabilities	(50.3)	(63.6)
Lease liabilities (IFRS 16)	(68.8)	(77.6)
Other non-current liabilities	(18.5)	(18.0)
Net assets	442.8	457.1

- High quality asset base
 - 92% of Fuller's estate is freehold by book value; 85% by number
 - Directors' valuation of the estate at £995m reported in Spring 2022 – remains our view of long-term value
 - The estate is well balanced with 57% sitting outside the M25
 - Our London estate is a blend of suburban, community, City, transport hubs and West End locations
 - Continue to invest £20-25m per financial year into the estate to maintain and enhance our premium position
- Net debt stable – with cash generated funding investment in the estate and shareholder returns

NET DEBT

- Net debt at 30 September 2023 of £129.4m excluding leases (1 April 2023: £132.8m, 24 September 2022: £129.2m)
- Significant cash headroom, will be boosted further with the sale of The Mad Hatter, Southwark, in July 2024 which will realise £20m in value
- Extension agreed on £200m bank facilities to May 2027. Debenture of £6m to be repaid out of current facilities in December 2023
- Reduced leverage – net debt/EBITDA** of 2.6 times (1 April 2023: 3.0 times)

Facility	Facility	Term	Cost	Drawn (net of cash)*
Bank facilities	£200m	May 2027	SONIA plus 227.5bps - 295bps	£101.9m
Debentures	£25.9m	£6m to Dec 2023 £20m to April 2028	£6m at 10.7% £20m at 6.875%	£25.9m
Preference shares	£1.6m	n/a	7.5%	£1.6m
Total	£227.5m			£129.4m

*Net of arrangement fees

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

CASHFLOW

	H1 2024 £m	H1 2023 £m
Adjusted EBITDA	34.8	28.9
Working capital	(4.2)	(2.5)
Interest	(5.2)	(4.0)
Pension	(1.2)	(1.1)
Capital expenditure	(9.0)	(11.8)
Acquisitions	-	(3.1)
Disposals net of lease surrenders	-	6.3
Lease payments	(4.5)	(4.7)
Share buybacks	(3.5)	-
Dividend	(6.1)	(4.6)
Other	2.4	(0.1)
Cash movement in net debt	3.5	3.3
Non-cash movement	(0.1)	(0.6)
Movement in net debt	3.4	2.7

- Strong cashflow generation has delivered shareholder returns and enabled continued investment in the estate
- Underlying earnings growing with adjusted EBITDA up 20%
- Capital expenditure of £9.0m in the period – largest projects include The Sanctuary House and The Counting House
- Share buyback of one million ‘A’ shares announced in July 2023 and recently completed
- Intention to buyback a further one million ‘A’ shares announced today (15 November 2023)

CAPITAL ALLOCATION FRAMEWORK

Policy	Targets & Philosophy	Outlook
<p>Invest in long-term organic growth</p>	<p><i>Returns-based approach to capital investment</i></p>	<ul style="list-style-type: none"> Maintaining annual investment of £10-15m on maintenance capex and £10-15m on trade enhancing capex
<p>Sustainable & progressive dividend</p>	<p><i>Dividend cover normalised range of 2.5-3x</i></p>	<ul style="list-style-type: none"> H1 2024 Interim Dividend of 6.63p Progressive dividend growth in line with EPS growth once cover normalised
<p>Invest in additional growth opportunities</p>	<p><i>Disciplined approach to assessing investment opportunities</i></p>	<ul style="list-style-type: none"> Strong Balance Sheet and sufficient headroom for M&A when the right opportunities arise
<p>Targeting leverage of 3x Net Debt/EBITDA</p>	<p><i>Strong Balance Sheet maintained - target leverage at 3x Net Debt / EBITDA</i></p>	<ul style="list-style-type: none"> One million of 'A' shares buyback completed in November 2023. Intention to buyback an additional one million 'A' shares announced today (15 November 2023)

DRIVING RETURNS WHILE MAINTAINING LEVERAGE AT 3X NET DEBT/EBITDA

FY2024 GUIDANCE

- Continued sales growth
- Depreciation expected to be in the region of £25-26m
- Interest charge expected to be in the region of £14-15m
- Adjusted effective tax rate estimated at 28%-29%
- Capital expenditure of £20-25m
- IFRS 16 reconciliation in appendix

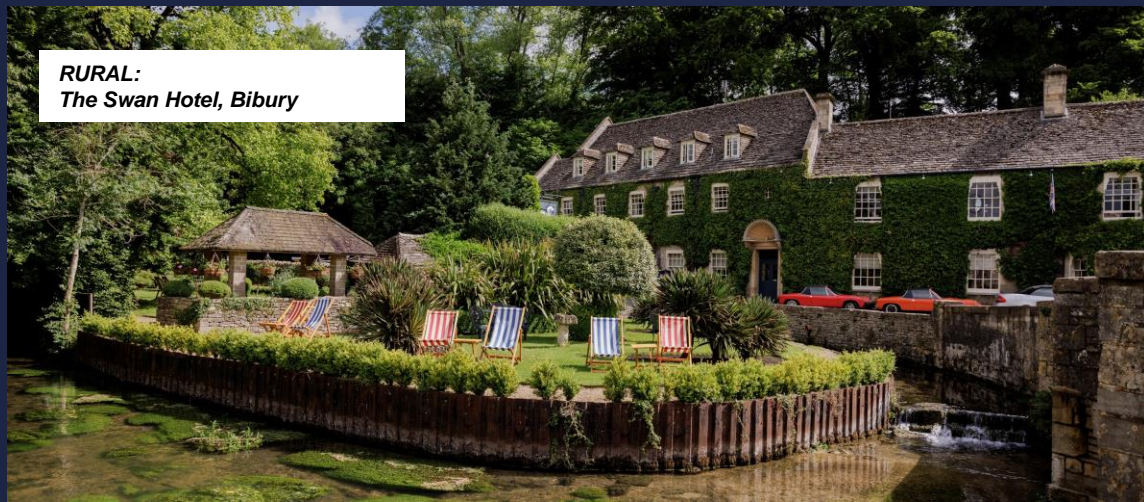




The Holly Bush, Hampstead

TRADING UPDATE

HIGH-QUALITY, PREMIUM FREEHOLD ASSETS



RURAL:
The Swan Hotel, Bibury



URBAN LONDON:
The Red Lion, Westminster



URBAN OUTSIDE LONDON:
The Ox Row, Salisbury



SUBURBAN:
The Prince's Head, Richmond

INVESTING IN LONG-TERM GROWTH

- Growing our business profitably by always putting the customer first – and using customer feedback and data in our decision-making
- Investing in our people – in recruitment, development, retention – and training to deliver operational excellence
- Building sales through delicious food, outstanding drinks, beautiful bedrooms and exceptional customer service
- Progressing with our *Life is too good to waste* initiative – always doing things the right way, while also delivering additional cost benefits around energy saving



STRONG SALES OF DELICIOUS FOOD

- Focused on delicious fresh food from predominately British suppliers
- A winning approach, which is constantly evolving and improving
- Like for like food sales up 15.5%
- Collaborative process of menu development and dish creation involving a number of stakeholders across the business and our supply chains
- Flexibility within a framework to allow chefs to be creative and menus to be adapted to suit local markets
- Appointed Carrie Joslin as Food & Drink Director to add value to our supply chain and further enhance menu development
- Chefs' Guild and industry-leading apprenticeship programme to ensure a pipeline of chefs for the future



DRINKS – BUILDING ON A POSITION OF STRENGTH

- Like for like drinks sales up 10.9%
- Category leaders in cask and craft beer
- Successfully using cask as a point of difference – embracing the opportunity our heritage gives us
- Looking to emulate category leadership in wine, spirits and cocktails
- Benefits of the Asahi contract – protection around pricing, access to exciting customer promotions and sales incentives to inspire our team members
- Rosé link up with Mirabeau this summer – added £1m to wine sales
- Opportunities to build further on joint activations with suppliers, especially around sports-led drink occasions



ADDING VALUE TO ACCOMMODATION

- Like for like accommodation revenue up 13.4%
- Continued focus on increasing direct bookings
- 18.6% increase in revenue taken through our hotel booking engines against H1 2023
- Realising further benefits from our booking engine:
 - Easier upsell from on-arrival drinks to dinner, events and local attractions
 - Seamless integration with our table booking system – all bookings can be made by customers in one place
 - Consistent view of real time sales information across all Fuller's, Bel & The Dragon and Cotswold Inns & Hotels
- Using discounts saved from aggregators to fund loyalty-driving initiatives
- Strong pipeline of investment in our *Beautiful Bedrooms*, starting in H2

Case Study: The Sanctuary House



Project: premiumisation of bedrooms

Total cost: £2.5m

Previous price for double room: £224

Current price for double room: £360

Current occupancy: 97%

INVESTING IN OUR PEOPLE

To deliver an exceptional service-led culture that puts the customer first

- 25% increase in training budget for FY 2024 – including new leadership programme for all Fuller's General Managers
- Laser focus on **Be the difference** – ensuring our team members have all the tools they need to delight our customers every day
- 2,059 training days delivered in the first half – with training opportunities for all team members across all roles
- Recruited 200 apprentices last year with plans for a similar number this year – 88 already recruited in H1
- National recognition – shortlisted for three BII NITA training awards



Life is too good to waste

Our people are too good to waste

- Participation rates, happiness and engagement scores in employee survey increased for second year running
- Substantial reduction in labour turnover rates – now well below pre-pandemic levels
- Launched Inclusion Action Plan, with inclusive leadership development for all senior leaders and operations managers



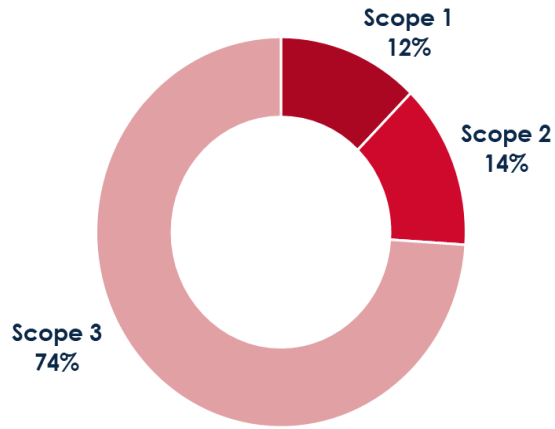
Our communities are too good to waste

- Continued support for Special Olympics GB, generated over £122k through fundraising and sales of kids' meals/Ale & Pie tasting boards in H1
- Increased support and encouragement for in-pub local level activity
- Strong support for industry charities like Only A Pavement Away and the Licensed Trade Charity



Our planet is too good to waste

Measurement



Actions

Already Rolled Out

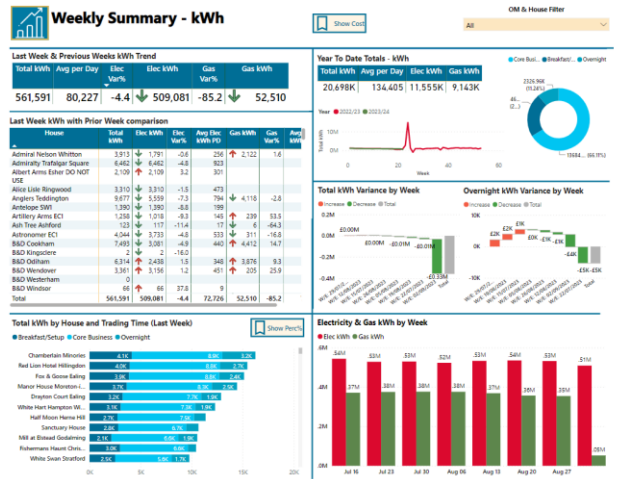
- 11 fully electric kitchens
- Site audits, toolkits and how to videos
- Increased cooking oil recycling
- Addition of Endotherm to heating system
- Refillable water solutions with Britvic
- Green Goblet reusable plastics
- Increased planned maintenance to reduce callouts
- Zero waste to landfill
- 30kW solar panels on roof of Pier House
- Agreed science-based targets

Results

- Gas usage in H1 down 8.5%
- Electricity usage in H1 down 5%
- Recycling rates increased to 59%

Awards

- Green Tourism Award for five Fuller's hotels and all seven Cotswold Inns & Hotels
- BII Sustainability Award



TENANTED INNS

- Exceptionally high-quality Tenanted estate: well-invested, well-located, entrepreneurial Tenants and an award-winning Tenanted Team
- Tenanted Inns continue to perform strongly with H1 revenue of £16.3m and profits of £6.9m
- Invested £1.6m of capex across 23 schemes through joint investments with our Tenants
- Continued development of turnover agreements, allowing us to capture a greater share of non-beer revenue – 54 pubs now on this agreement
- 21 of 23 sites earmarked for transfer from Managed Pubs and Hotels are completed, with the remaining two imminent
- Transfers will add £1m of incremental profit contribution



CURRENT TRADING AND OUTLOOK

- Business is in great shape – and continued investment in our people will drive further success for our highly motivated team, with a true customer-first approach
- Strong start to the year with volume and margin growth, despite a tougher external trading environment
- Like for like sales for the first 32 weeks up 11.7%
- Christmas bookings 11% ahead of prior year
- Major investments planned in H2 including The Alice Lisle near Ringwood, The Head of the River in Oxford, The Manor at Moreton-in-Marsh, The Forester in Ealing, The Rising Sun in the New Forest and The Pilot, Greenwich
- Growth opportunities around sport, destination dining, wine and cocktails – with a great customer offer supported by brilliant marketing
- Good momentum in the business with the financial firepower to take advantage of acquisition opportunities
- Well-positioned to deliver long-term, sustainable growth for our shareholders





The 2023 Fuller's Graduation

Appendix: Fuller's Estate

	1 Apr 2023	New	Disposed	Transfers	30 Sep 2023	Transfers	15 Nov 2023	Within the M25
Total Fuller's	377	-	(1)	-	376	-	376	43%
Managed Pubs & Hotels	204	-	(1)	(16)	187	(4)	183	58%
Tenanted Inns	173	-	-	16	189	4	193	30%
Number of bedrooms	1,046	6	-	(37)	1,015	-	1,015	

Appendix: IFRS16 reconciliation

	Pre IFRS16 £m	IFRS16 £m	Post IFRS16 £m
Revenue and other income	188.8	-	188.8
Operating costs	(168.8)	1.4	(167.4)
Adjusted operating profit	20.0	1.4	21.4
Finance costs	(5.5)	(1.4)	(6.9)
Adjusted profit before tax	14.5	-	14.5
Separately disclosed items	0.6	(0.2)	0.4
Profit before tax	15.1	(0.2)	14.9
Depreciation and amortisation	10.4	3.0	13.4
Adjusted EBITDA	30.4	4.4	34.8

Appendix:

A geographically balanced business

