

Interim Results 2010



11 March 2010

“Record half year profits, a successful refinancing and the reinstatement of a dividend”

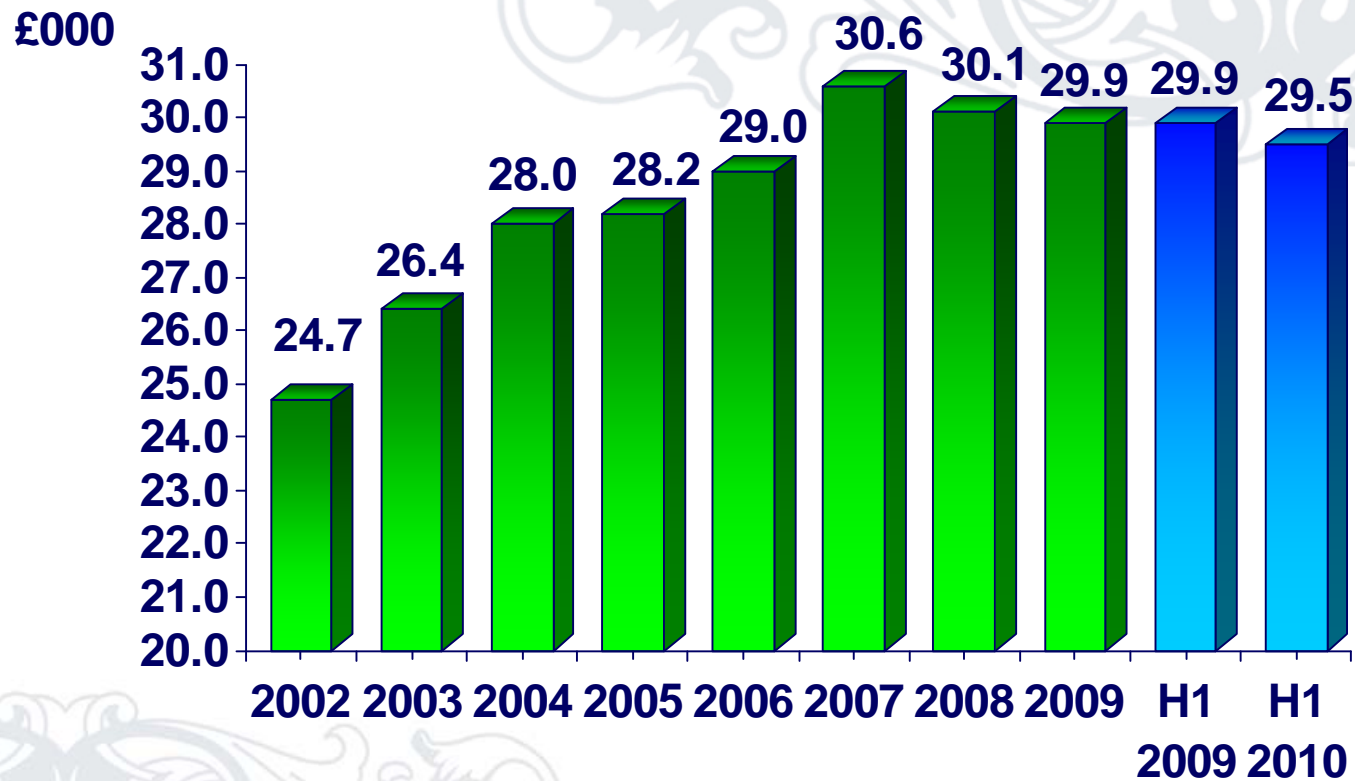
Highlights – Six Months to 24 January 2010

- Turnover up 4.1% to £488.1m
- Profit before tax up 41.4% to £36.2m
- Profit before tax and exceptional items up 17.5% to £36.2m
- Earnings per share up 40.0% to 17.5p
- Adjusted earnings per share before exceptional items up 9.4% to 17.5p
- Free cash flow per share down 45.7% to 15.3p
- Total and special dividend per share 19.0p (2009: 0.0p)
- 17 Pubs opened; 2 closed; total now 746



Record half year profits and dividend reinstated

Average Sales Per Pub Week (including VAT)



Sales remain resilient

Like for Like Sales/Profits

%	H1 2010	H1 2009	2009	2008	2007	2006
Bar	+0.1	+2.7	+2.5	-4.3	+3.3	+2.2
Food	-2.1	+2.0	-0.4	+7.9	+12.6	+3.6
Machines	+14.1	-7.9	-7.5	-5.8	+2.7	-1.4
Total LFL sales	+0.1	+1.9	+1.2	-1.1	+5.6	+2.0
LFL profits	+1.3	-4.0	-1.7	-6.6	+7.0	+5.9



Like for like profit growth and strong machine sales

Pub Operating Margin

- Gross margin maintained
- Operating costs
 - Higher repairs, 3.5% of sales, in line with historical average
 - Lower utilities. Lower rates, improved consumption
 - Depreciation slightly lower as a % to sales



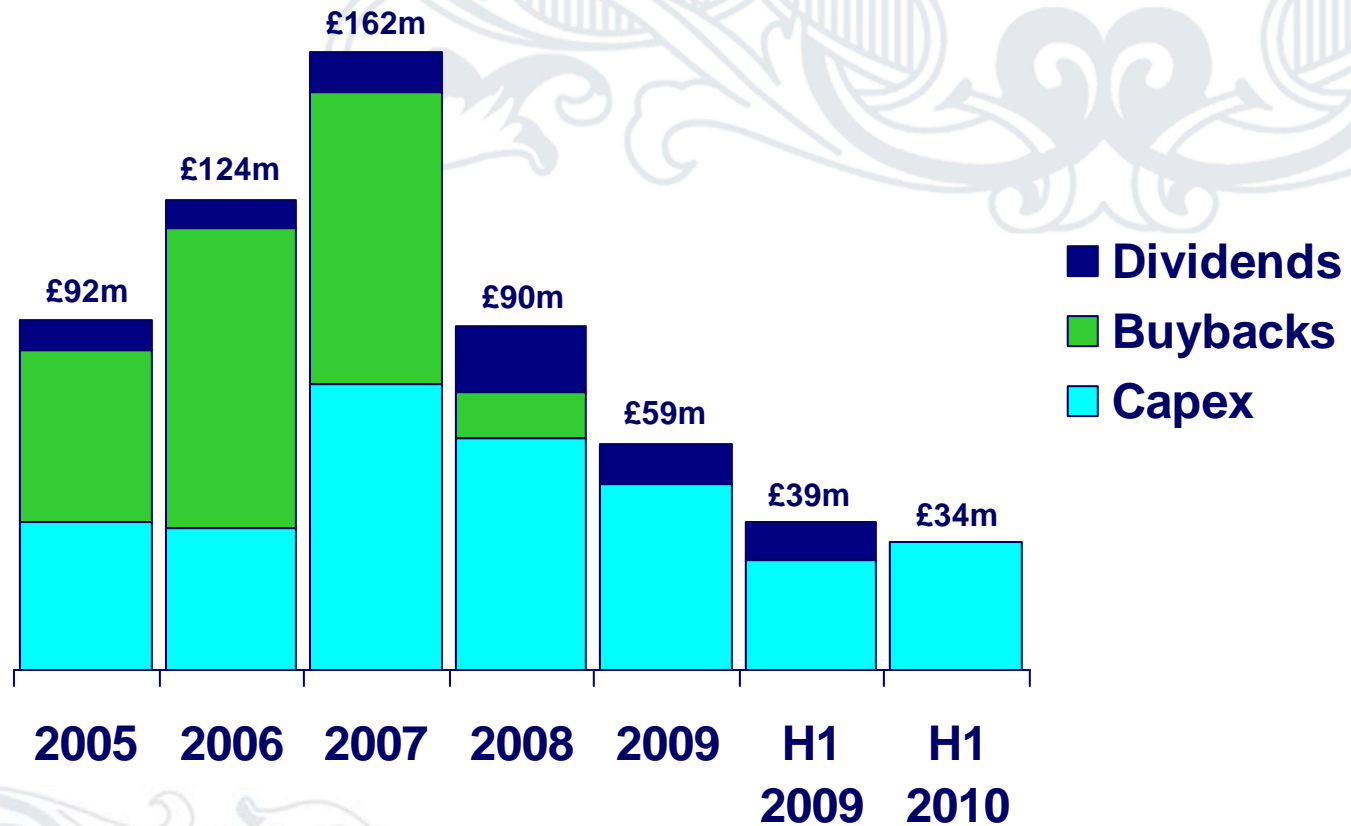
Ongoing operating margin in line with 2009

Operating Margin - Summary

	H1 2010 £000	H1 2010 % of Sales	H1 2009 £000	H1 2009 % of Sales	FY 2009 % of Sales
Turnover	488,132	-	468,718	-	
Pub Operating Profit	90,270	18.5	86,897	18.5	18.7
Head Office Costs	(17,604)	(3.6)	(16,726)	(3.6)	(3.6)
Share Incentive Plan	(1,537)	(0.3)	(1,246)	(0.3)	(0.3)
Depreciation	(22,176)	(4.6)	(22,192)	(4.7)	(4.7)
Operating Profit (pre exceptionals)	48,953	10.0	46,733	10.0	10.0
Litigation	(27)	(0.0)	(1,398)	(0.3)	(0.2)
(Loss) on disposal	(0)	(0.0)	(1,122)	(0.2)	(1.9)
Impairment provision	(0)	(0.0)	(147)	(0.0)	(0.0)
Aborted properties	(71)	(0.0)	(1,774)	(0.4)	(0.2)
Operating Profit	48,855	10.0	42,292	9.0	7.8



Allocation of Resources



Focus on new openings

Movement in Net Borrowings

- Free cash flow decreased to £21.3m (2009: £39.2m)
 - Decline in cash from operations due to exceptional working capital benefits last year
 - Increased investment in existing pubs
- Overall increase in net borrowings of £2.8m, in the six months since year end (2009: decrease of £4.8m)
- Net debt to EBITDA remains at 2.7 times down from 3.2 times 12 months ago
- Total net borrowings £392.8m, a decrease of £42.4m in the last 12 months (2009: £435.2m)



Significant decrease in net borrowings compared to last year

Debt Position

	H1 2010	H1 2009	FY 2009
Net debt/ EBITDA	2.7	3.2	2.7
Interest cover (times)	3.9	2.6	2.4
Fixed charge cover (times) – statutory	1.8	1.6	1.5
- excluding depreciation	2.4	2.1	2.0



Further improvement in performance

Cash Flow

	H1 2010	H1 2009	FY 2009
Cash from operations	60,916	78,741	171,850
Interest	(15,779)	(20,624)	(34,857)
Tax	(11,029)	(10,077)	(20,497)
Investment in existing pubs	(9,440)	(4,839)	(10,999)
Investment in own shares (SIP)	(3,409)	(4,036)	(6,003)
Free cash flow	21,259	39,165	99,494
Dividends	-	(10,439)	(10,439)
Disposal proceeds	-	-	495
Investments in new pubs	(24,319)	(23,907)	(37,830)
Cash flow before share capital changes	(3,060)	4,345	51,720
Finance Lease Principle Payments	(1,643)	(474)	(889)
Repayment of US private placement	(87,218)	135	
Advances under bank loans	81,268		
Advances under finance leases	9,089		
Issue of new shares	303	81	580
Movement in net borrowings	(1,261)	4,426	(51,411)
Free cash flow per share	15.3p	28.2p	71.7p



Banking facilities

- New 4 year non-amortising £530m facility from end of March 2010 replacing the existing facility due Dec 2010
 - Existing and new banks in syndicate of 11
 - Oversubscribed, received >£600m credit approved commitments
- £20m overdraft facility, giving £550m total facilities
- £400m swaps to 2014
 - £250m swap expiring in 2014
 - £150m swap expire in 2016
 - Average interest cost of swaps 5.5%



Dividends

- 19p total dividend (2009:0p)
 - 12p full year dividend paid in full now
 - 7p special dividend to partly compensate for no dividend last year
 - Dividend cover excluding special dividend is 1.5 times
- Paid on 1st April 2010
 - To shareholders on the register at 19 March 2010



Continued Improvement

- Over 190 pubs are in the CAMRA Good Beer Guide
- Continued strong growth of traditional ales
- Training awards and diplomas
- Strong growth in our clubs: Steak, Curry & Sunday
- New products added including Monster energy drink, Carlsberg and Tuborg
- Raised over £3m for CLIC Sargent (caring for children with cancer)
- Bonus – £12.5m paid in H1, 93% of bonus awards made to employees below board level



Property

- 2009/10 H1 17 new pubs
- 2008/09 H1 21 new pubs
- 2009/10 FY c50 planned
- Property prices and rent review settlements remain lower than historic trends
- Currently 41% freehold
- Long term target to open 250 pubs over next 5 years



2010 H2 Outlook

- Open from 7am for breakfast from 28th April
- Cost outlook remains benign. For example, over 75% of rent reviews in last 12 months at nil increase
- Higher interest charges of c 8% going forward
- Opportunities for profitable investment
- Staff retention leading to improved standards
 - Pub managers now average >8 years service, ahead of industry
- Largest ever ale and wine festivals expected this spring
 - Ale festival 7th April – 25th April
 - Wine festival 24th May – 10th June



Appendices

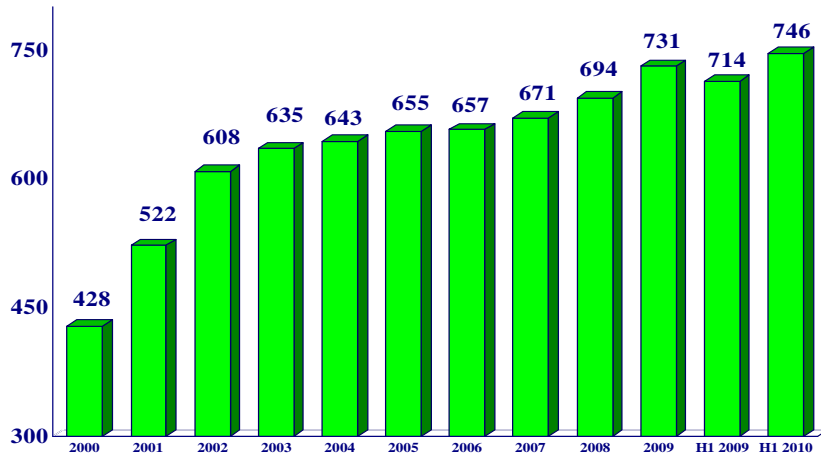
- A 10 Year Financial Graphs
- B 10 Year Trends
- C Capital Trends
- D ROC/CROCCE/ROE
- E ROC/CROCCE/ROE Calculations
- F Net Debt year on year movement



10 Year Summary

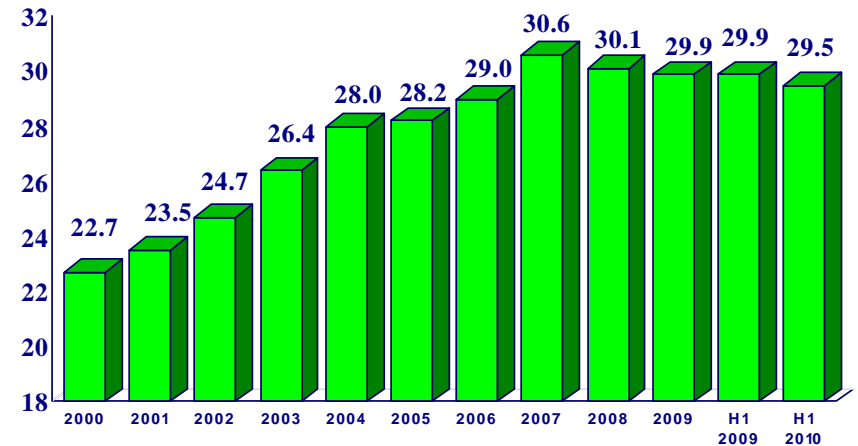
Appendix A

Number of Pubs



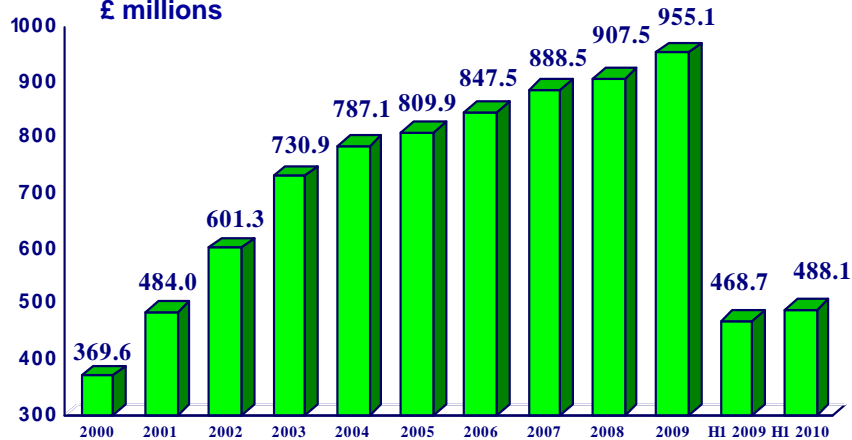
Average Sales Per Pub Week (including VAT)

£000



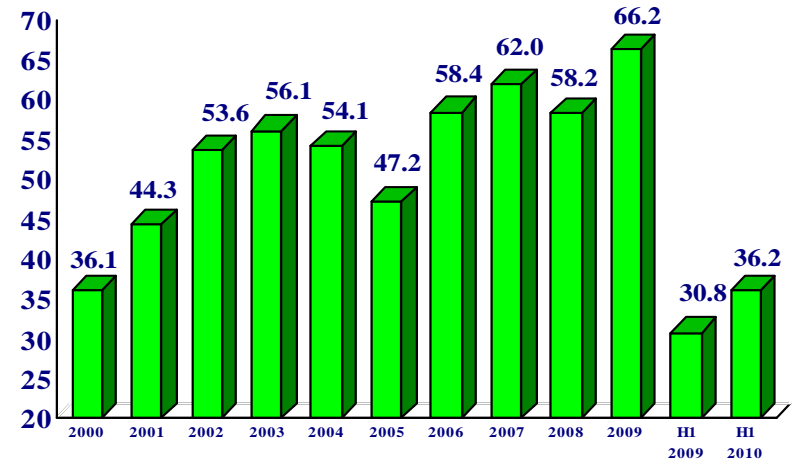
Turnover

£ millions



Profit Before Tax

£ millions



JDW - Financial Trends

Appendix B

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 H1	2010 H1
Sales per pub (£000)	1,040	1,093	1,169	1,239	1,246	1,283	1,354	1,333	1,344	666	661
LFL sales (%)	+7.5	+5.0	+4.0	+3.6	-0.6	+2.0	+5.6	-1.1	+1.2	+1.9	+0.1
LFL profits (%)	+7.0	+3.8	-0.9	-0.7	-4.0	+5.9	+7.0	-6.6	-1.7	-4.0	+1.3
EBITDA per pub (£000) (1)	205.9	207.4	201.9	204.4	195.7	205.6	219	211.6	212.9	96.0	96.2
Number of pubs	522	608	635	643	655	657	671	694	731	714	746
% freeholds (%)	40	42	42	41	41	41	42	42	42	42	41
CROCCE (%) (2)	15.3	13.9	13	12.6	11.7	11.9	12.2	11.3	11.1	10.3	10.7
Cash return on equity (%) (2)	20.1	18.8	17.1	15.8	14.4	14.7	15.5	14.2	13.5	12.2	13.0
Free cash flow per share (pence)	29.1	33.5	38.8	36.7	37.1	42.1	35.6	50.6	71.7	28.2	15.3
Adjusted earnings per share (pence) (3)	14.2	16.6	17	17.7	16.9	24.1	28.1	25.7	32.6	16.0	17.5

- (1) Excluding sale & leaseback
 (2) See appendix D for calculation
 (3) Excluding exceptional items



Capital Trends

Appendix C

<u>Financial Year</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u> <u>H1</u>	<u>2010</u> <u>H1</u>
Size (sq.ft.) - Openings	3526	3808	3721	4317	4176	3928	3855	3615	3359	3418	4123
Number of openings	94	87	45	28	13	9	18	23	39	21	17
% which are freehold	75	53	56	43	54	22	61	57	33	38	12
Freehold average cost (£k)	506	597	511	640	873	625	750	958	765	869	615
Average development cost (£k, excluding FH)	1178	1262	1317	1431	1401	1301	1520	1498	851	912	849
Average cost per sq.ft.	334	331	354	331	335	331	394	414	253	267	206
Increase in average cost (%)	2	-1	7	-6	1	-1	19	5	-39	-36	-19
Population within 2 miles	70000	70000	73000	51000	64000	59000	45000	50000	38000	22342	58000

* Excluding Airport Sites



ROC/CROCCE/ROE

Appendix D

	2010 H1	2009 H1
• P&L return on capital	11.5%	10.5%
• Crocce	10.7%	10.3%
• P&L return on equity	19.2%	16.7%
• Cash return on equity	13.0%	12.2%



ROC/CROCCE/ROE

Appendix D1

	H1 2010 £000	H1 2009 £000
Profit after tax	(a) 24,375	17,348
Add: interest	(b) 12,637	16,716
Profit pre-interest	(c) 37,012	34,064
Add: deferred tax	833	(647)
Depreciation	22,180	22,191
Cash return	(d) 60,025	55,608

• P&L return on capital [(c)/average (g)]	11.5%	10.5%
• CROCCE [(d)/average (h)]	10.7%	10.3%
• P&L return on equity [(a)/average (e)]	19.2%	16.7%
• Cash return on equity [(d)-(b)/average (h)-(f)]	13.0%	12.2%

Internal notes:

Interest includes fair value loss on derivatives



ROC/CROCCE/ROE

Appendix E

	H1 2010 £000	FY 2009 £000
Shareholder funds per balance sheet	181,897	167,693
Add: cum losses on disposal	37,260	37,260
: hedging provision	48,258	35,996
	(e) 267,415	240,949
Add: net debt	(f) 392,830	390,024
Capital employed	(g) 660,245	630,973
Add: deferred tax provision	64,267	66,867
Cumulative depreciation	433,702	411,525
Less: revaluation reserve	(11,414)	(11,780)
Cash capital employed	(h) 1,146,800	1,097,585



Movement in Net Borrowings

Appendix F

Jan 2010 V Jan 2009

Overall increase in net borrowings of £2.8m from July 09 (2009: decrease of £4.8m). Compared to last half year, the difference of £7.6m represents:

	£m
Cash operating profit	3.5
Working capital	(21.3)
Cash from operations	<u>(17.8)</u>
Interest	4.8
Tax	(0.9)
Capital reinvestment	(4.6)
SIPS	0.6
Free cash flow	<u>(17.9)</u>
Dividends	10.5
Disposal proceeds	(0.0)
Investment in new pubs	(0.4)
Issue of new shares	0.2
Net borrowings	<u>(7.6)</u>

