2014 Preliminary Results

John Hutson – CEO

Kirk Davis – FD

The Port Jackson, Bishop's Stortford

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Kirk Davis FD

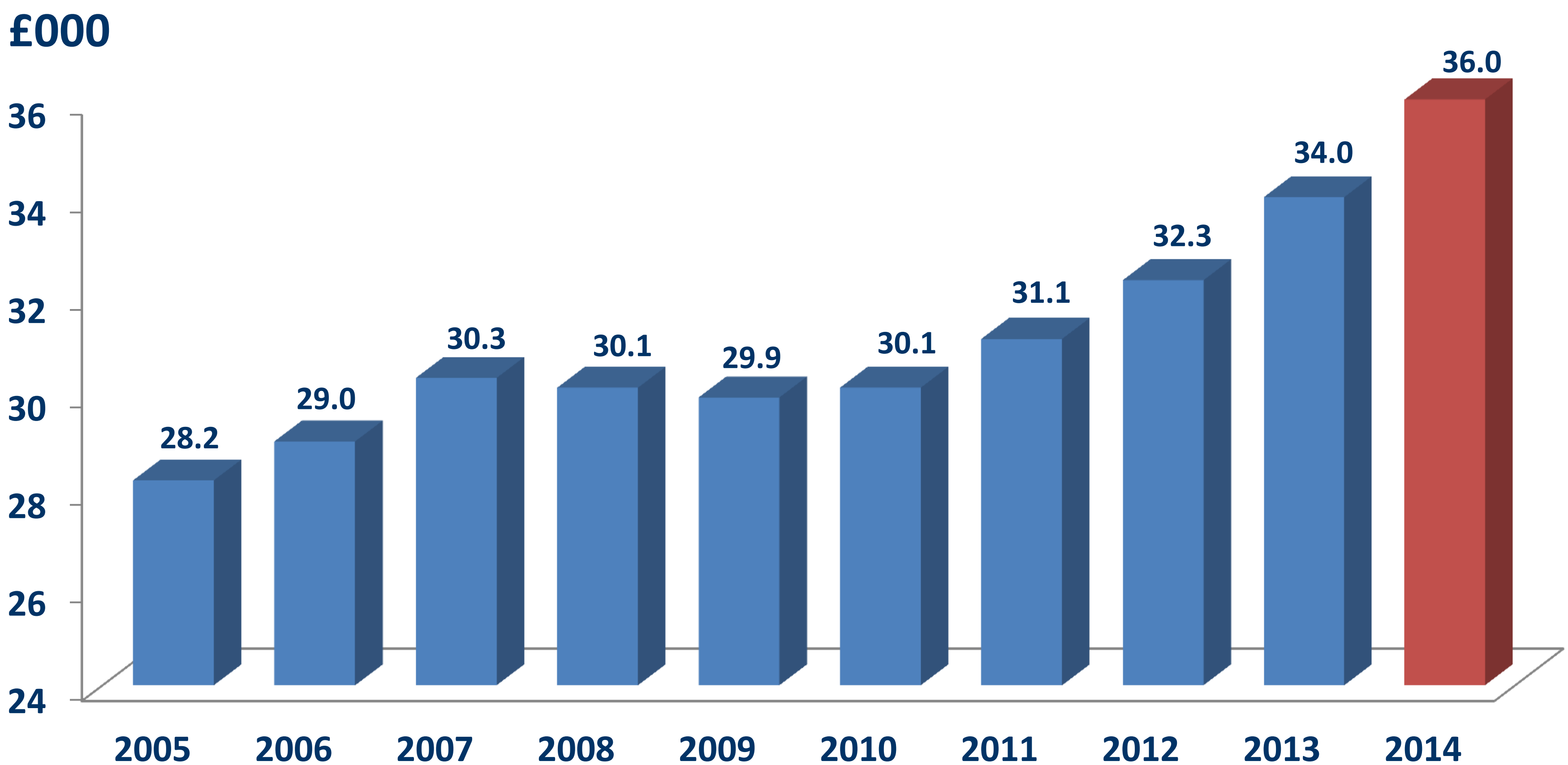
12 September 2014

The Admiral Collingwood, Ilfracombe

Financial Summary

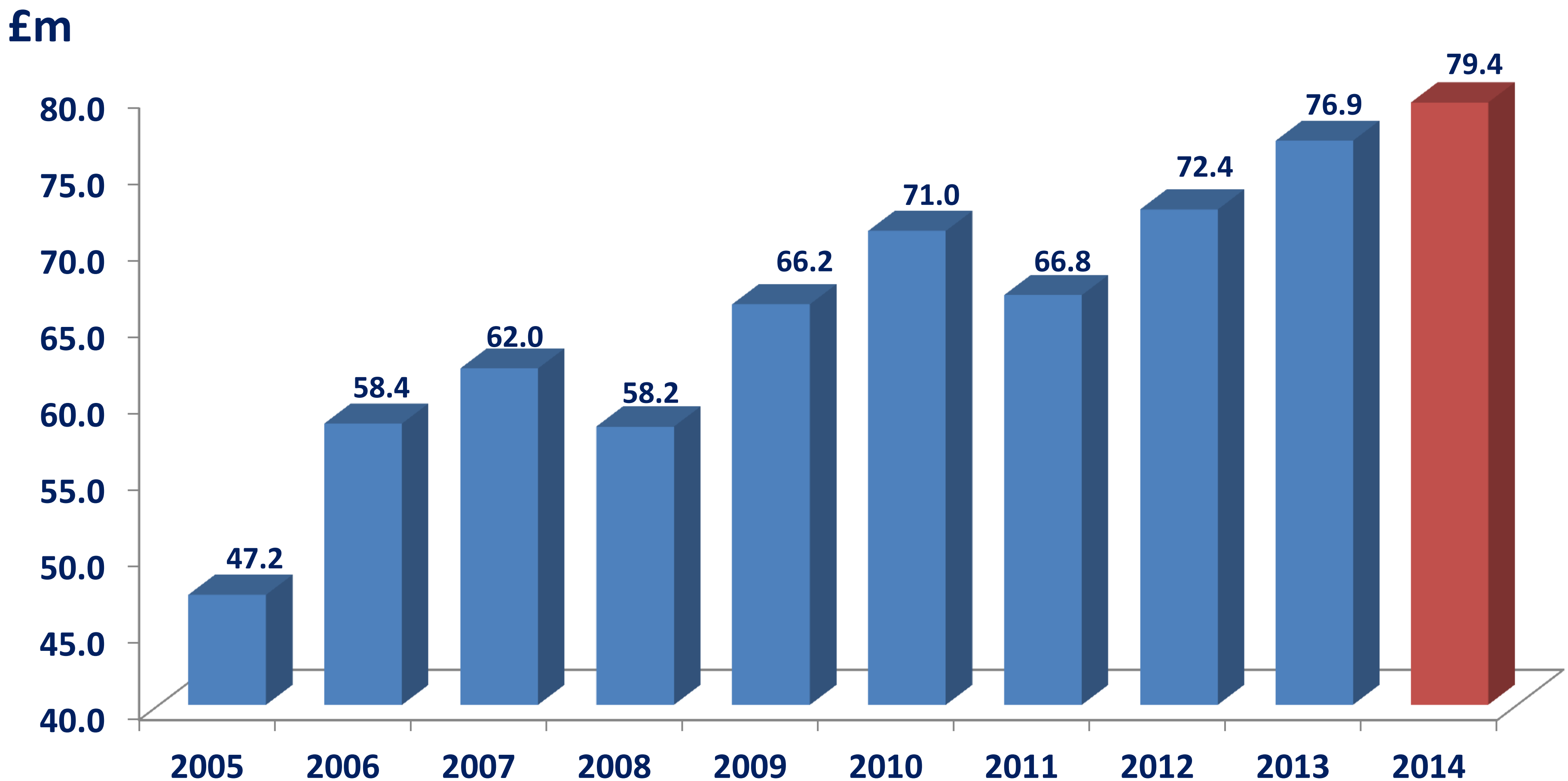
52 weeks to 27/07	2014	2013	
Revenue	£1,409.3m	£1,280.9m	+10.0%
Like-for-like sales	+5.5%	+5.8%	
Operating profit	£115.6m	£111.3m	+3.8%
Profit before tax	£79.4m	£76.9m	+3.1%
Earnings per share (including shares held in trust)	47.0p	44.8p	+4.9%
Free cash flow	£92.9m	£65.3m	+42.1%
Free cash flow per share	74.1p	51.8p	+43.1%
Dividend	12.0p	12.0p	maintained
After Exceptional Items:			
Operating profit	£115.6m	£91.5m	+26.3%
Profit before tax	£78.4m	£57.1m	+37.1%
Earnings per share (including shares held in trust)	32.8p	36.6p	-10.4%

Average Sales Per Pub Week (including VAT)



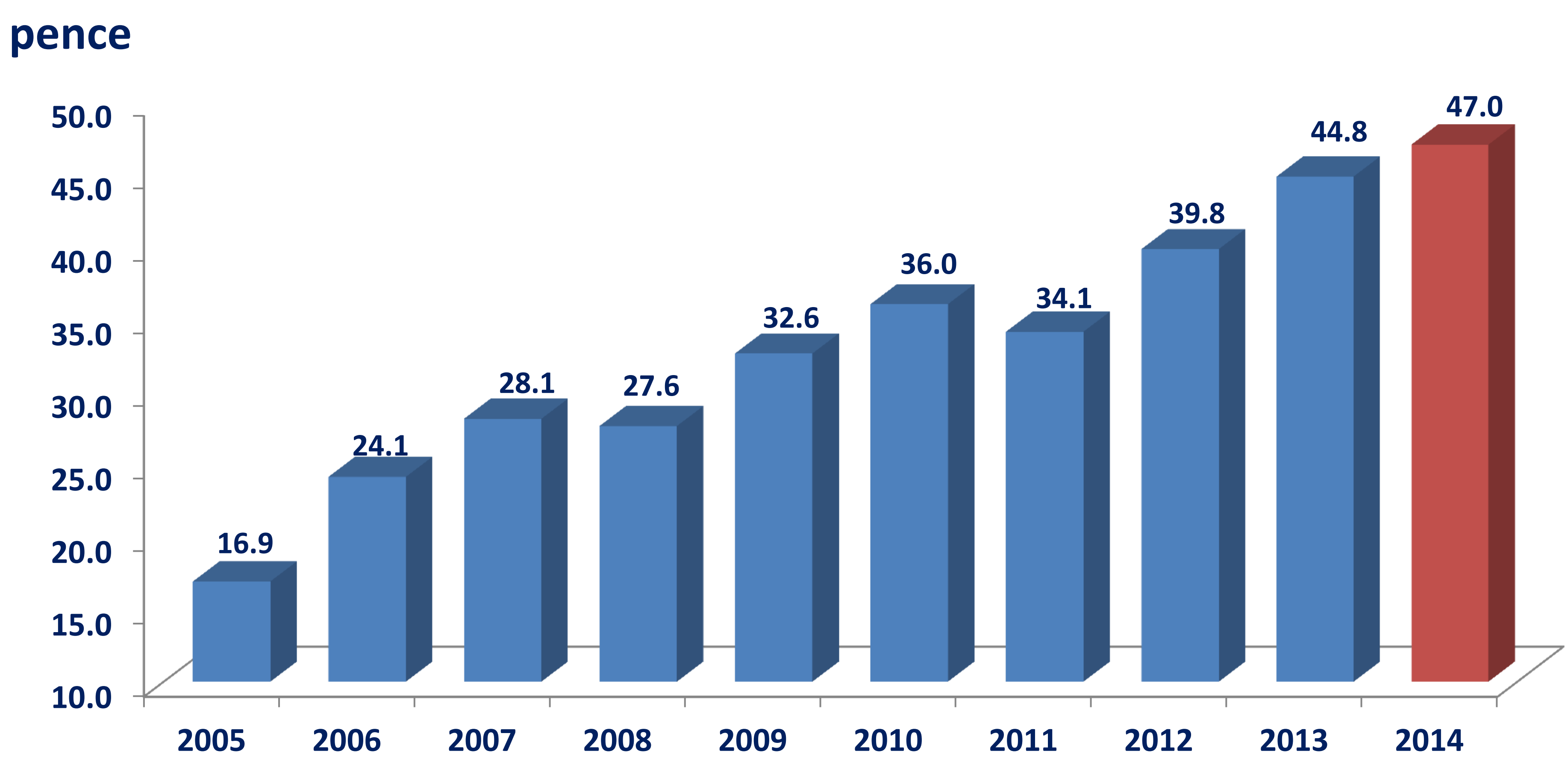
Record Average Sales Per Pub Week

Profit before Tax & Exceptional Items



Record PBT (pre-exceptional) performance

Earnings Per Share before exceptional items (pence)*



Record EPS (pre-exceptional) performance

*Including shares held in trust

Like-for-like Performance

%	2014	2013	2012	2011	2010	2009	2008	2007
Bar	**+2.7**	+3.8	+2.8	+1.7	-0.8	+2.5	-4.3	+3.3
Food	**+12.0**	+10.9	+4.8	+4.2	+0.1	-0.4	+7.9	+12.6
Machines	**-3.1**	+0.4	-2.8	-3.9	+12.1	-7.5	-5.8	+2.7
LFL sales	**+5.5**	+5.8	+3.2	+2.1	+0.1	+1.2	-1.1	+5.6
LFL Pub Profit*	**+2.0**	+4.4	-2.2	-1.2	-2.0	-1.7	-6.6	+7.0

Improved LFL sales and pub profit performance

*Excludes head office, depreciation, share incentive plan and interest costs

Operating Margin - Summary

	2014 £m	2014 % of Sales	2013 £m	2013 % of Sales
Turnover	**1,409.3**	**-**	1,280.9	-
Pub profit (pre repairs)	**283.4**	**20.1**	260.2	20.3
Repairs	**(56.6)**	**(4.0)**	(48.0)	(3.7)
Head office costs	**(45.0)**	**(3.2)**	(41.7)	(3.3)
Share Incentive Plan	**(7.1)**	**(0.5)**	(6.1)	(0.5)
Depreciation & impairment	**(59.1)**	**(4.2)**	(53.1)	(4.1)
Operating profit (before exceptionals)	**115.6**	**8.2**	111.3	8.7
Exceptional items	**-**	**-**	(19.8)	(1.6)
Operating profit	**115.6**	**8.2**	91.5	7.1

Cost Increases

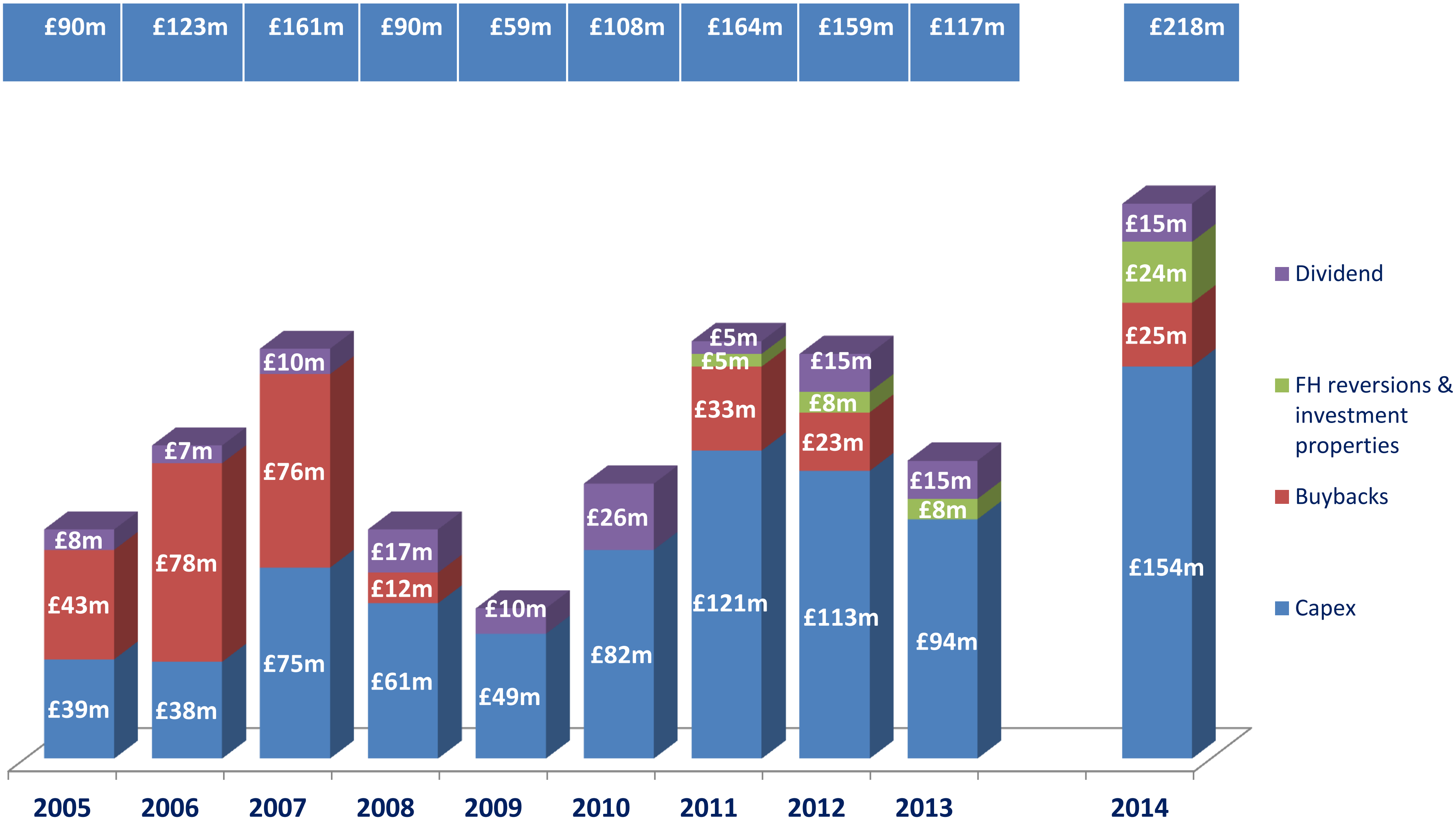
- Tax increases: machine duty and carbon tax
- Bar and food supplies around 3%
- Utility costs: +5% (price up 3% and consumption up 2% including new pubs)
- We have also increased our investment in staff costs and repairs expenditure

Exceptional Items - Summary

Operating exceptional items	2014 £000	2013 £000
Property impairment	-	15,551
Onerous lease provision	-	3,278
Loss on disposal of P, P&E	-	971
Total operating exceptional items	-	19,800
Other exceptional items		
Interest on HMRC repayment	**997**	-
Current income tax	**(4,375)**	(776)
Deferred tax	**21,119**	-
Total exceptional items	**17,741**	19,024

£997k cash charge in the year

Allocation of Resources



Increase in capital expenditure due to new openings, reinvestment and freehold reversions

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Capital Expenditure

		2014 £m	2013 £m
New Openings:			
Acquisition and development costs	Current year	**64.5**	48.1
	Future year	**33.2**	5.1
Property investment		**23.6**	7.7
		121.3	60.9
Reinvestment in existing pubs:			
Kitchen and bar equipment / furniture etc.		**22.6**	16.7
Refurbishments		**22.0**	12.8
Business and IT projects		**11.6**	11.4
		56.2	40.9
Total		**177.5**	101.8

Movement in Net Debt inc. Finance leases

	£m
FY13 Net debt	474.2
Free cash flow	(92.9)
Disposal of fixed assets	(0.5)
New pubs	97.7
Freehold reversions and investment properties	23.6
Share buy-backs	24.6
Dividends	14.9
HMRC - Rank Claim repayment	16.7
Other	(1.7)
FY14 Net debt	**556.6**

- Free cash flow increased to £92.9m (2013: £65.3m) due to a working capital inflow of £29.9 m in the year compared to an outflow of £6.0m in the previous year
- Total net debt (including finance leases) of £556.6m, an increase of £82.4m in the last 12 months (July 2013: £474.2m)

Debt Position

	2014	2013
Net debt/EBITDA	**3.21**	2.88
Interest cover (times)	**3.11**	2.66
Interest cover pre exceptional (times)	**3.19**	3.24
Fixed charge cover (times)		
statutory	**1.75**	1.56
excluding depreciation	**2.31**	2.08
excluding depreciation and exceptionals	**2.33**	2.27
Average interest rate	**6.63%**	6.83%

Dividends

- 12p total dividend (2013: 12p)
  - 8p full year proposed
  - 4p interim dividend paid
  - Dividend cover is 2.8 times (2013: 3.2 times)
- Dividend maintained

The Black Boy, Newtown, Wales

Financial Summary

- Strong sales and robust financial performance
- Slight operating margin decline: increased LFL pub profits
- Continued strong cash generation
- Opportunities to continue investment in core estate and new openings

The Bath Arms, Warminster

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John Hutson
CEO

Peri-peri roast chicken

Philly cheese steak sandwich

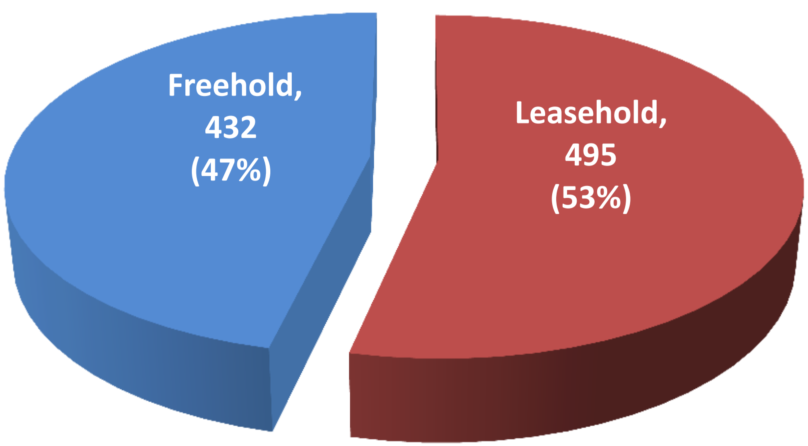
Business Update

- Property
- People
- Changing Sales Mix
- Peach Brandtrack
- Continued improvement
- Cost outlook
- Taxation
- Current trading and outlook

The Man in the Moon, Newport, IOW

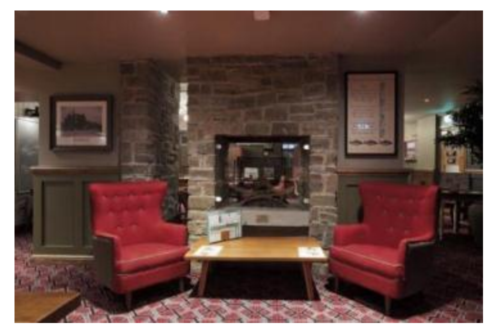
Property Update

	2014	2013
Trading pubs at start of FY	**886**	860
Freehold pubs opened	**31**	14
Leasehold pubs opened	**15**	15
Closures/disposals	**-5**	-3
Total trading pubs	**927**	886



- Average cost of development £1.64m, compared to £1.55m last year due to increased investment in beer gardens, hotel rooms and kitchen equipment
- In the current financial year, as at 12 September 2014 we have opened 1 pub and have 11 pubs on site
- As previously mentioned we anticipate opening approximately 30-40 pubs this financial year

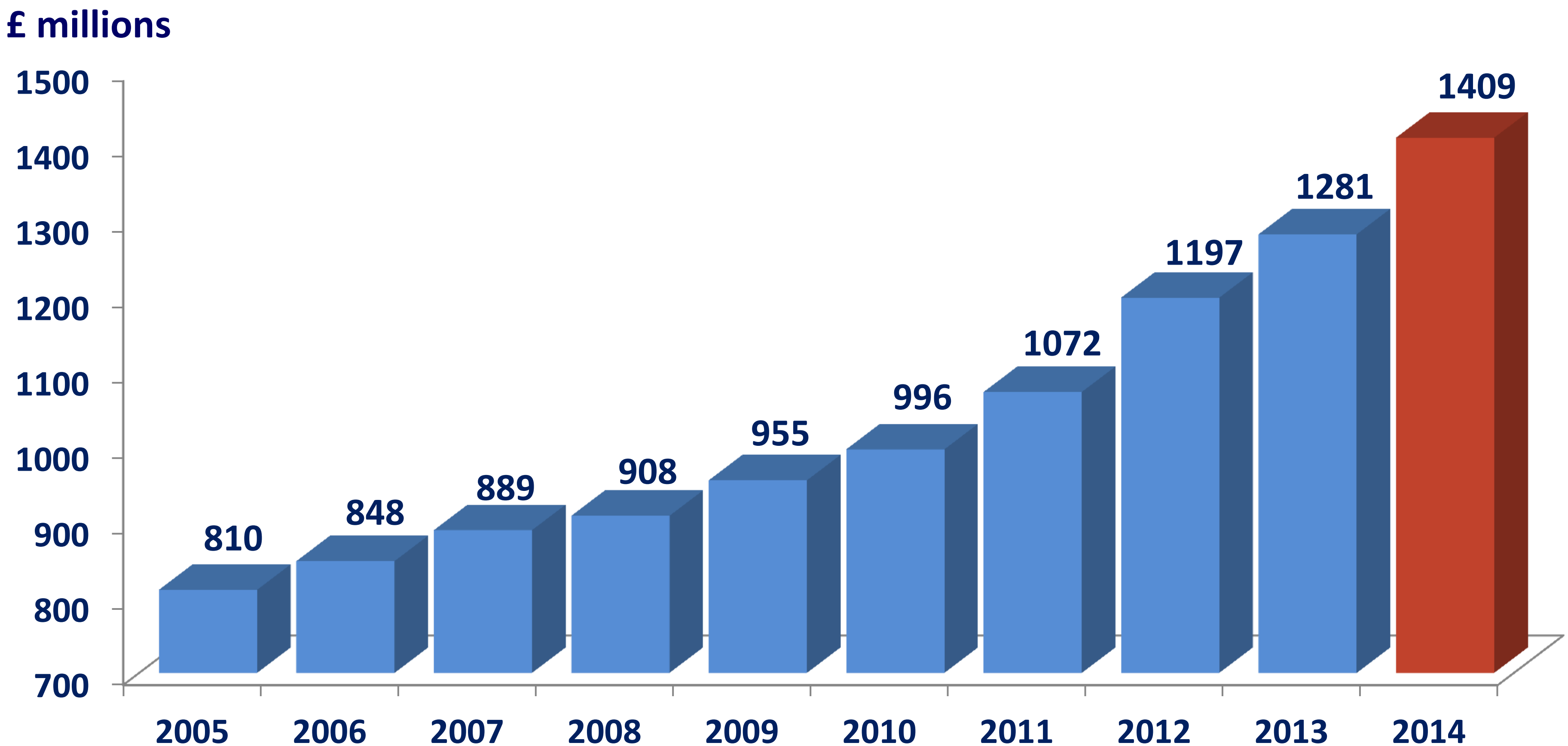
Jolly's Hotel, Broughty Ferry



"It's a People Thing"

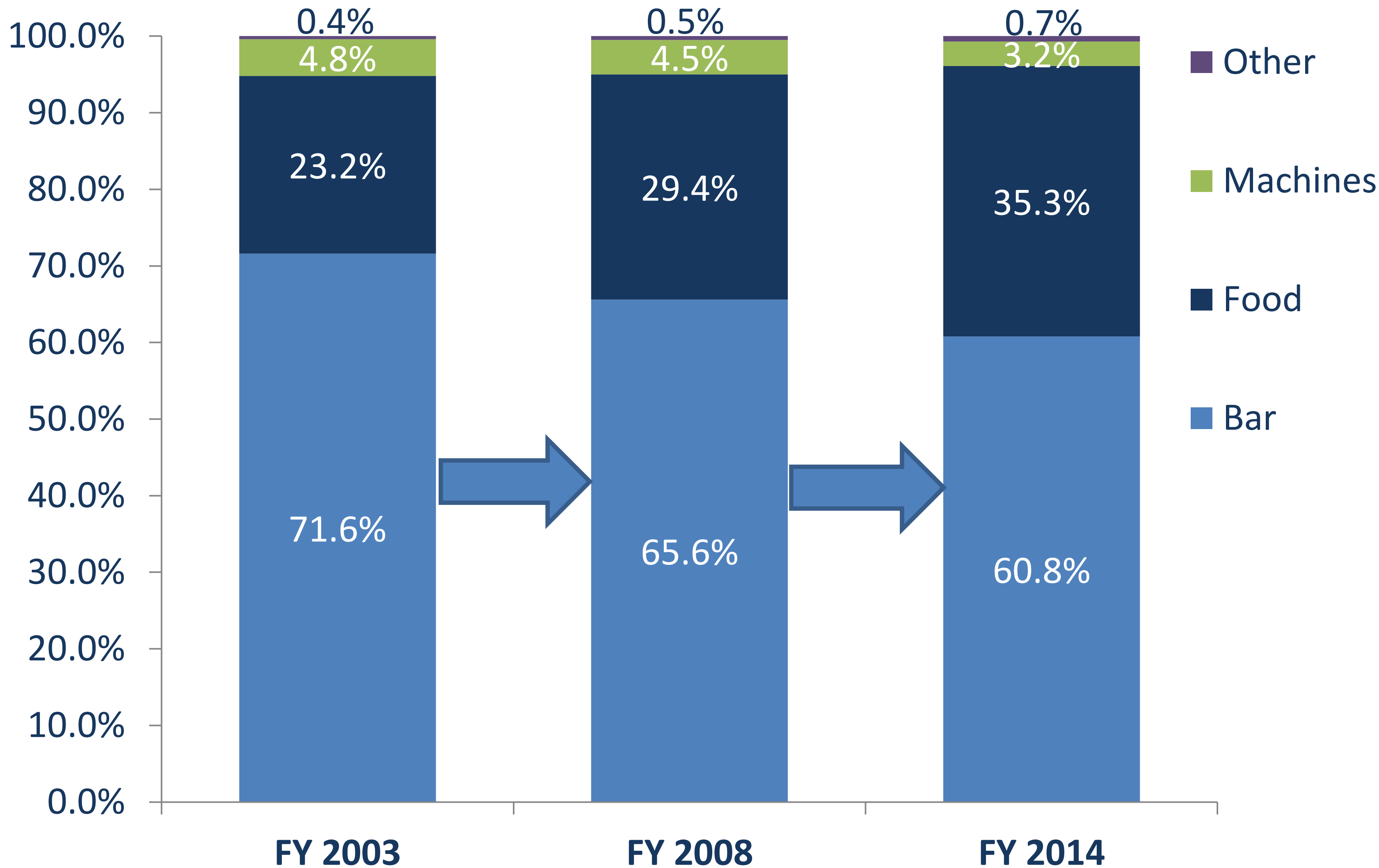
- 145 employees have graduated from the catering academy this year, with over 800 employees currently going through the programme
- Staff retention at its highest ever level. Average length of service of pub managers now 10 years and 1 month and 6 years and 6 months for kitchen managers
- We have been recognised as one of the 'Top Employers UK 2014' in a Guardian publication for 11 consecutive years
- Bonus – £29.2m paid in the year (2013: £28.1m), 82% of bonus awards made to employees in the pubs
- Over 10,000 employees are shareholders in the Company
- Over 34,000 employees with 3,000+ jobs created in the last 12 months

10 Year Sales Performance



Continued strong sales growth

Changing Sales Mix Over Last 10 Years



Long-term growth in food mix

Britain's favourite big brand

If the following brands were available in the same location, which would be your first choice to eat at? *(ranked by % of adults choosing each brand)*

(out of a list of 16 – the top 6)					
	May 2012	Oct 2012	April 2013	Oct 2013	April 2014
Wetherspoon	**11%**	**12%**	**12%**	**12%**	**13%**
Nandos	9%	9%	9%	8%	8%
Toby Carvery	5%	5%	5%	5%	7%
Pizza Express	6%	7%	6%	6%	7%
Wagamama	-	-	6%	5%	7%
Harvester	9%	8%	8%	8%	6%

Source: Peach BrandTrack, May 2012, October 2012 ,April 2013, October 2013 & April 2014

Market Update

PEACHBRANDTRACK
Consumer Ratings for the UK Eating & Drinking Out Market

Where we sit down and eat - BRITAIN'S MOST VISITED PUB & CASUAL DINING BRANDS

Claimed usage in last 6 months	May 12	Oct 12	Apr 13	Oct 13	Apr 14
Wetherspoon	**44%**	**40%**	**43%**	**43%**	**42%**
Harvester	29%	28%	28%	29%	24%
Pizza Hut	41%	30%	32%	31%	23%
Pizza Express	26%	22%	21%	22%	23%
Nando's	26%	20%	23%	22%	20%
Toby Carvery	16%	14%	16%	16%	20%
Frankie & Benny's	25%	19%	21%	22%	18%
Brewer's Fayre	15%	14%	14%	15%	13%
Beefeater	16%	13%	13%	14%	12%
Hungry Horse	11%	10%	11%	11%	11%

Source: Peach BrandTrack, May 2012, October 2012 , April 2013, October 2013 & April 2014

Continued Improvement

- 317 pubs in 2015 CAMRA Good Beer Guide. 34% of the estate compared with 20% of estate in 2007
- Raised £1.65m in the year and over £9.29m during our 12 year partnership with CLIC Sargent (for children with cancer)
- Loo Awards
  - UK Winner (Individual Category entries)
  - National Winner for Scotland (Individual Category entries)
  - National Winner for Wales for the Accessible Toilet entries
  - Champions League Standards of Excellence Award
- 4.91 average scores on the doors out of a maximum of 5. (92%) achieving the maximum score of 5

The Bridge House, Belfast

The Lady Chatterley, Eastwood

Cost Outlook

- Tax increases: business rates, machine gaming duty and carbon tax
- Input cost inflation expected to be around 2-3%
- Continued investment in staffing
- Continue to focus on maintaining a well-invested estate for the long-term benefit of the company

Eggs Royale

Salted caramel cheesecake

Salmon bagel

On-going approach of investment in all areas of the business

Taxation

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	2014 £m	2013 £m
VAT	**275.1**	253.0
Alcohol duty	**157.0**	144.4
PAYE and NIC	**78.4**	70.2
Business rates	**44.9**	46.4
Corporation tax	**18.1**	18.4
Machine duty	**11.3**	7.2
Climate change levies	**6.3**	4.3
Carbon tax	**2.7**	2.6
Fuel duty	**2.1**	2.0
Stamp duty	**2.1**	1.0
Landfill tax	**1.5**	1.3
Premise licence and TV licences	**0.7**	0.7
TOTAL TAX	**600.2**	551.5
TAX PER PUB (£000)	**662**	632
TAX AS % of SALES	**42.6%**	43.1%
PRE-EXCEPTIONAL PROFIT AFTER TAX (PAT)	**58.9**	56.5
PAT as % of SALES	**4.2%**	4.4%

Taxes increased by £48.7m compared to a £6.3m decrease in profit after tax

Tax Equality Day – 24th September 2014

- Over 10,000 pubs have closed in the last 10 years. 50% of beer sales have been lost to supermarkets in the last 30 years or so.
- 7.5% reduction in JDW prices to customers for one day with additional one day offers
- 10,000-15,000 pubs and restaurants participating including Punch, Fullers, Adnams, and many thousands of individual tenants

Current Trading and Outlook

- LFL sales for the 6 weeks to 7th September increased by 6.3% with total sales increasing by 11.4%.
- Increases expected in bar and food supplies, labour and utilities
- Opportunities to expand the estate profitably

The Crown Inn, Knaresborough

Aiming for a reasonable outcome in current financial year

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Questions

Parson's Barn, Shoeburyness

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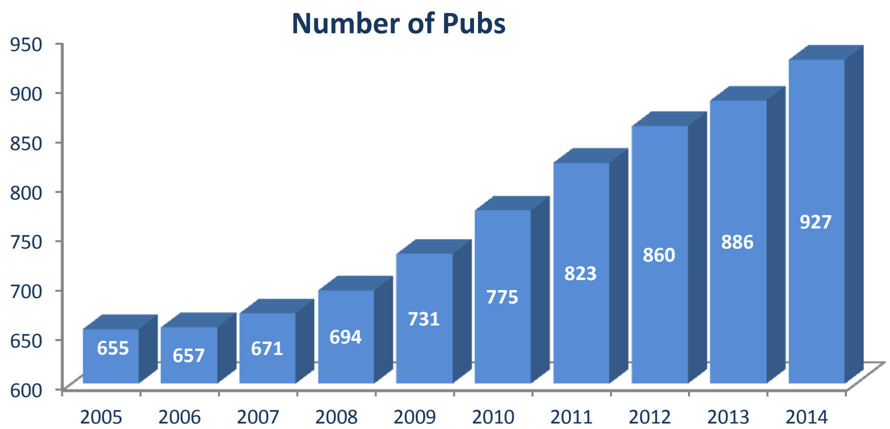
Appendix

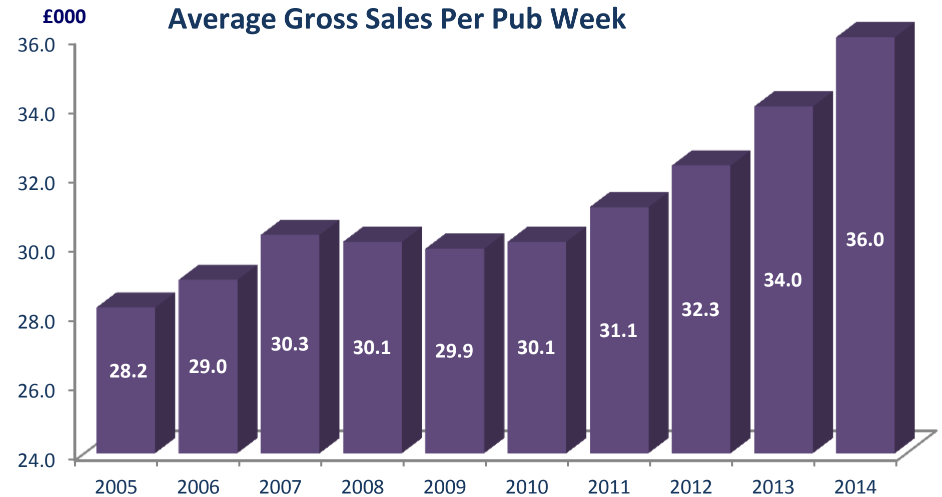
Appendices

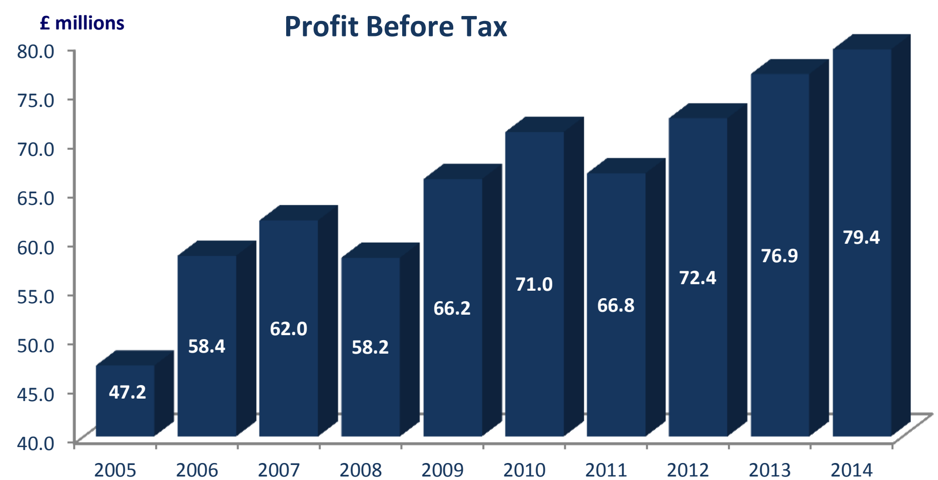
A	10 year overview
B	10 year financial trends
C	10 year capital trends
D1	ROC/CROCCE/ROE calculations
D2	ROC/CROCCE/ROE calculations
D3	ROC/CROCCE/ROE calculations
E	Cash flow
F	Summary financial performance
G	SWAP maturity profile
H	10 year operating profit
I	10 year debt overview
J	Taxation

Appendix A

10 Year Overview







Appendix B

10 Year Financial Trends

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sales per pub (£000)	1,246	1,283	1,354	1,333	1,344	1,335	1,360	1,401	1,476	**1,566**
EBITDA per pub (£000) (1)	195.7	205.6	219.0	211.6	212.9	205.8	198.7	194.9	200.9	**205.0**
Number of pubs	655	657	671	694	731	775	823	860	886	**927**
% freeholds (%)	41	41	42	42	42	41	44	44	44	**47**
CROCCE (%) (2)	11.9	12.1	12.3	11.4	11.3	11.0	10.7	10.8	10.6	**10.5**
Free cash flow per share (pence)	37.1	42.1	35.6	50.6	71.7	52.9	57.7	70.4	51.8	**74.1**
Adjusted earnings per share (pence) (3)	16.9	24.1	28.1	27.6	32.6	36.0	34.1	39.8	44.8	**47.0**

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

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10 Year Capital Trends

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Size (sq.ft.) – Openings	4,176	3,928	3,855	3,618	3,359	3,781	3,572	3,325	3,643	**3,585**
Number of openings	13	9	18	23	39	47	50	40	29	**46**
% which are freehold	54	22	61	57	33	32	68	45	48	**67**
Freehold average cost (£k)	873	625	750	958	765	857	825	639	589	**559**
Average development cost (£k, excluding FH)	1,401	1,301	1,520	1,498	851	857	1,207	1,420	1,552	**1,643**
Average development cost per sq.ft.	335	331	394	414	253	226	338	427	426	**458**
Population within 2 miles	64,000	59,000	45,000	50,000	38,000	67,000	54,000	39,000	30,000	**27,000**

ROC/CROCCE/ROE

	2013	2014
P&L return on capital	11.6%	**11.3%**
CROCCE	10.6%	**10.5%**
P&L return on equity	17.7%	**17.6%**

Detailed calculations in appendix D2

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ROC/CROCCE/ROE

		2013 £000	2014 £000
Shareholders equity per accounts		214,915	**227,168**
Deferred tax balances		49,600	**77,651**
Interest rate swap valuations		44,045	**30,166**
Impairment balances		42,105	**39,071**
Net book value of revalued assets		(9,447)	**(7,963)**
Adjusted shareholders equity	(a)	342,188	**366,093**
Debt	(b)	474,213	**556,551**
Capital employed	(c)	816,401	**922,604**
Accumulated depreciation (excluding impairments)		598,486	**652,898**
Cash capital employed	(d)	1,414,887	**1,575,502**

Appendix D3

ROC/CROCCE/ROE

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		2013 £000	2014 £000
EBITDA (cash return)	(e)	164,407	**173,650**
Depreciation	(f)	(53,097)	**(58,075)**
Operating profit	(g)	111,310	**115,575**
Interest		(34,367)	**(36,213)**
Profit before tax		76,943	**79,362**
Current tax	(h)	(19,356)	**(17,004)**
Profit after cash tax	(i)	57,587	**62,358**
Deferred tax charge/credit		7,625	**(3,495)**
Profit after tax		65,212	**58,863**
Return on capital employed [(g+h)/average c)		11.6%	**11.3%**
Cash return on cash capital employed [(e+h)/average d)		10.6%	**10.5%**
P&L return on shareholders equity [i/average a]		17.7%	**17.6%**

*All returns are calculated after tax.

Appendix E

Cash Flow

	2013 £000	2014 £000
Free Cash Flow	65,349	**92,850**
Proceeds on Disposal	645	**505**
Investment in new pubs	(53,228)	**(97,704)**
Freehold reversions & investment properties	(7,660)	**(23,577)**
HMRC - Rank Claim repayment	-	**(16,696)**
Dividends	(15,053)	**(14,949)**
Share Buy Backs	-	**(24,550)**
Other	(1,655)	**1,783**
Movement in debt	(11,602)	**(82,338)**

Appendix F

Summary Financial Performance

Financial year	Total sales £000	Profit before tax and exceptional items £000	Earnings per share before exceptional items (including shares held in trust) pence	Free cash flow £000	Free cash flow per share pence
1984	818	(7)	0.0		
1985	1,890	185	0.2		
1986	2,197	219	0.2		
1987	3,357	382	0.3		
1988	3,709	248	0.3		
1989	5,584	789	0.6	915	0.4
1990	7,047	603	0.4	732	0.4
1991	13,192	1,098	0.8	1,236	0.6
1992	21,380	2,020	1.9	3,563	2.1
1993	30,800	4,171	3.3	5,079	3.9
1994	46,600	6,477	3.6	5,837	3.6
1995	68,536	9,713	4.9	13,495	7.4
1996	100,480	15,200	7.8	20,968	11.2
1997	139,444	17,566	8.7	28,027	14.4
1998	188,515	20,165	9.9	28,448	14.5
1999	269,699	26,214	12.9	40,088	20.3
2000	369,628	36,052	11.8	49,296	24.2
2001	483,968	44,317	14.2	61,197	29.1
2002	601,295	53,568	16.6	71,370	33.5
2003	730,913	56,139	17.0	83,097	38.8
2004	787,126	54,074	17.7	73,477	36.7
2005	809,861	47,177	16.9	68,774	37.1
2006	847,516	58,388	24.1	69,712	42.1
2007	888,473	62,024	28.1	52,379	35.6
2008	907,500	58,228	27.6	71,411	50.6
2009	955,119	66,155	32.6	99,494	71.7
2010	996,327	71,015	36.0	71,344	52.9
2011	1,072,014	66,781	34.1	78,818	57.7
2012	1,197,129	72,363	39.8	91,542	70.4
2013	1,280,929	76,943	44.8	65,349	51.8
2014	**1,409,333**	**79,362**	**47.0**	**92,850**	**74.1**

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Swap Maturity Profile

Swap Value	From	To	Weighted Average %
£400m	29 Jul 2012	19 Sept 2014	5.33%
£350m	20 Sept 2014	11 Nov 2014	5.30%
£400m	12 Nov 2014	31 Jul 2016	3.53%
£400m	31 Jul 2016	31 Jul 2018	2.19%
£400m	31 Jul 2018	31 Jul 2021	3.74%
£150m	31 Jul 2021	31 Jul 2023	3.82%

Appendix H

10 Year Operating Profit

	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m
Turnover	809.9	847.5	888.5	907.5	955.1	996.3	1,072.0	1,197.1	1,280.9	**1,409.3**
Pub profit (pre repairs)	181.5	197.2	207.3	202.4	207.5	217.5	226.6	245.5	260.2	**283.4**
Repairs	(29.0)	(33.6)	(33.1)	(29.6)	(28.7)	(34.4)	(37.3)	(44.6)	(48.0)	**(56.6)**
Head office costs	(32.8)	(34.1)	(36.1)	(35.0)	(34.1)	(35.9)	(37.6)	(38.7)	(41.7)	**(45.0)**
Share Incentive Plan	(0.9)	(2.5)	(3.1)	(2.3)	(2.6)	(3.5)	(5.1)	(5.7)	(6.1)	**(7.1)**
Depreciation + impairment	(47.3)	(43.4)	(43.9)	(45.1)	(45.1)	(43.7)	(44.4)	(49.2)	(53.1)	**(59.1)**
Operating profit (before exceptionals)	71.5	83.6	91.1	90.5	97.0	100.0	102.3	107.3	111.3	**115.6**
Operating margin	8.8%	9.9%	10.3%	9.9%	10.2%	10.0%	9.5%	8.9%	8.7%	**8.2%**
Exceptional items	(7.4)	0	0	(3.3)	(21.9)	(10.6)	(5.4)	(13.5)	(19.8)	**0**
Operating profit	64.1	83.6	91.1	87.2	75.1	89.5	96.9	93.8	91.5	**115.6**

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10 Year Debt Overview

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net debt/EBITDA	2.81	2.80	3.21	3.24	2.74	2.70	2.98	2.96	2.88	**3.21**
Interest cover (times)	2.84	3.31	3.13	2.71	2.43	3.08	2.73	2.68	2.66	**3.11**
Interest cover pre exceptional (times)	2.94	3.31	3.13	2.81	3.14	3.45	2.88	3.07	3.24	**3.19**
Fixed charge cover (times)										
statutory	1.66	1.76	1.77	1.63	1.50	1.67	1.62	1.57	1.56	**1.75**
excluding depreciation	2.31	2.32	2.32	2.15	2.01	2.14	2.06	2.05	2.08	**2.31**
excluding depreciation and exceptionals	2.31	2.32	2.32	2.19	2.26	2.26	2.12	2.18	2.27	**2.33**

Taxation

	2011 £m	2012 £m	2013 £m	2014 £m
VAT	204.8	241.2	253.0	**275.1**
Alcohol duty	120.2	136.8	144.4	**157.0**
PAYE and NIC	65.2	67.1	70.2	**78.4**
Business rates	39.8	43.9	46.4	**44.9**
Corporation tax	21.2	18.2	18.4	**18.1**
Machine duty	2.9	3.3	7.2	**11.3**
Climate change levies	1.6	1.9	4.3	**6.3**
Carbon tax	0.8	2.4	2.6	**2.7**
Fuel duty	1.9	1.9	2.0	**2.1**
Stamp duty	1.1	0.8	1.0	**2.1**
Landfill tax	1.1	1.3	1.3	**1.5**
Premise licence and TV licences	0.4	0.5	0.7	**0.7**
TOTAL TAX	461.0	519.3	551.5	**600.2**
TAX PER PUB (£000)	576	617	632	**662**
TAX AS % of SALES	43.0%	43.4%	43.1%	**42.6%**
PRE-EXCEPTIONAL PROFIT AFTER TAX (PAT)	52.1	57.3	56.5	**58.9**
PAT as % of SALES	4.9%	4.8%	4.4%	**4.2%**

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