

# The Marston's Opportunity

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**CAPITAL MARKETS DAY**

**16 October 2024**

# Welcome

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**Ken Lever**

Chairman



# The Marston's Opportunity

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**Justin Platt**

CEO



# A New Chapter as a Leading Pure Play Hospitality Business

- ⊗ Simplified & **focused pub operating model** with a clearly defined growth strategy
- ⊗ **Revitalised** management team
- ⊗ Key value drivers established to **enhance operational performance & drive growth** through accelerated investment capex across five distinct formats
- ⊗ **Stable balance sheet** with reducing leverage & the opportunity to refinance for greater flexibility in due course
- ⊗ **New financial targets:** market-beating revenue growth, sustained EBITDA margin expansion, **£50m+ recurring free cash flow**<sup>1</sup>

# Agenda

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1

## The Marston's Opportunity

Justin Platt  
CEO

2

## Differentiated Pub Formats

Ed Hancock, Chief  
Development Officer

3

## Financials & Capital Allocation

Hayleigh Lupino  
CFO

4

## Summary

Justin Platt  
CEO

5

## Q&A

6

## Meet the Executive Team

Get a flavour of  
Marston's

# Marston's is a pure play hospitality business

**UK Pub Owner  
& Operator**

**1,339 Pubs  
Nationwide**

**Revenue     £872M**  
**EBITDA       £170M**

2023 financials. Pub only, excludes CMBC

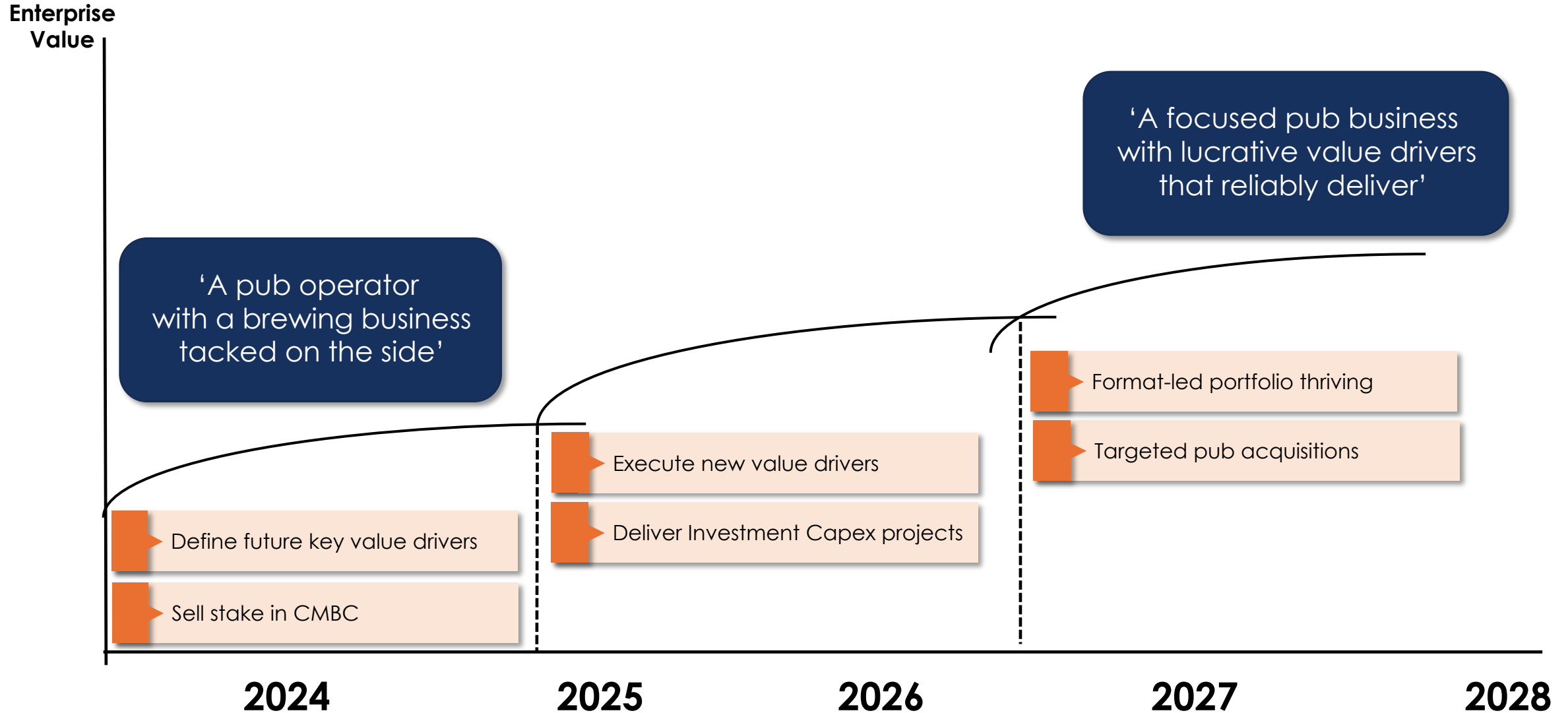


**Sold CMBC stake  
in July 2024 for  
£206M**

**Total assets  
£2.1BN**  
NAV/share £1.01  
2023 financials

**83% freehold  
ownership**

# The Marston's Opportunity



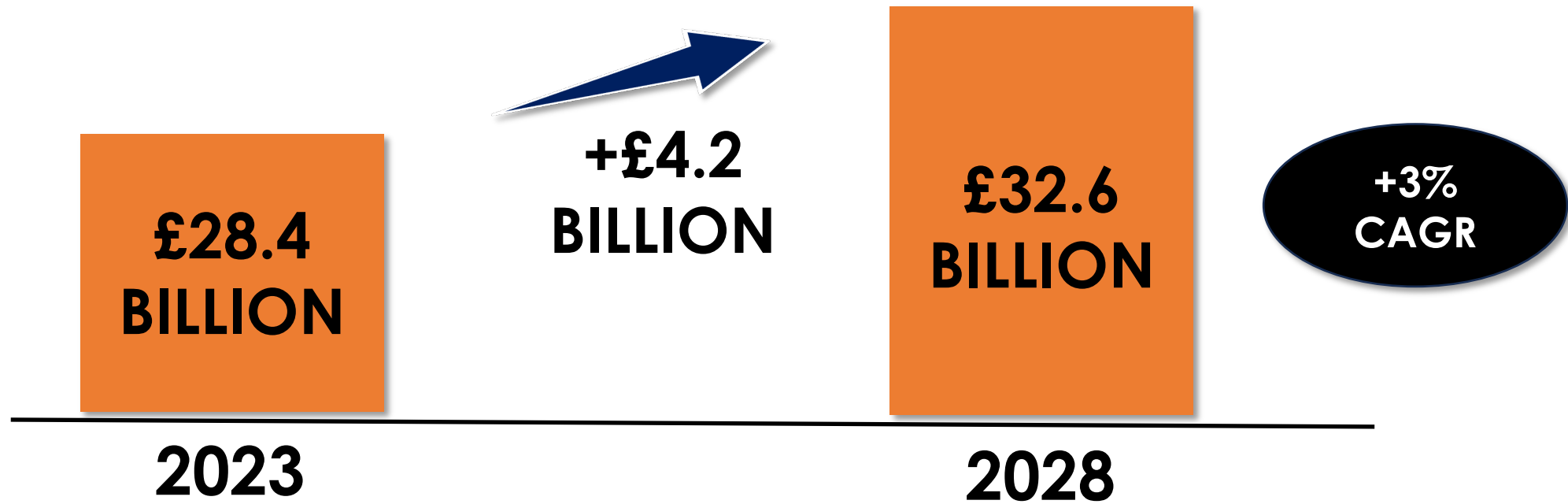
# Time Together is More Important than Ever





# Pubs continue to play a huge role in UK socialising

## UK PUBS + BARS MARKET - TOTAL REVENUE<sup>1</sup>



1. Mintel UK Pub Visiting Report, Dec 2023

# Pub Market Dynamics are Changing

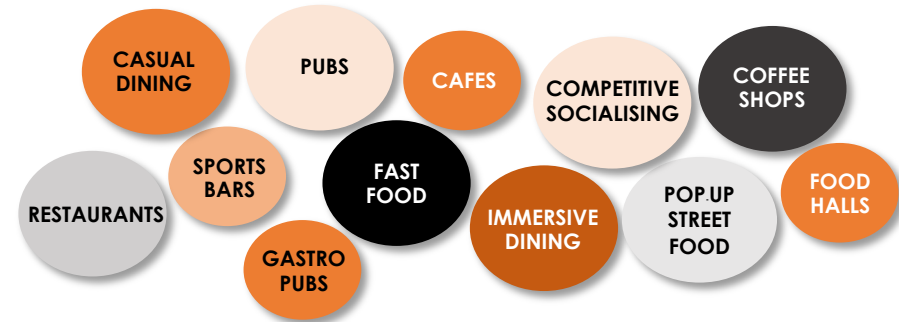
Expanding range of occasions

## UK PUBS – 2024 RANGE OF USAGE OCCASIONS



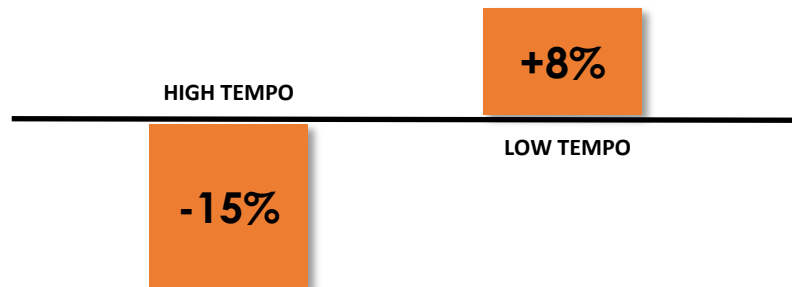
Consumers have a lot more choice

## INCREASED RANGE OF HOSPITALITY VENUES



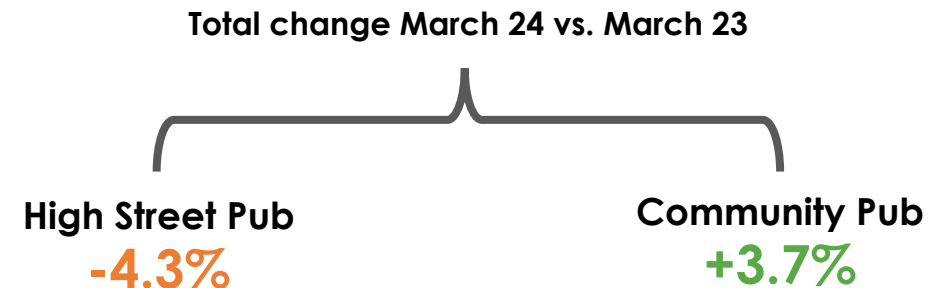
Increasing importance of lower tempo visits

## YOY VALUE SALES vs 2023 - HIGH + LOW TEMPO<sup>1</sup> PUBS + BARS



The Power of the Local

## MANAGED PUB % CHANGE IN OUTLETS



# Marston's has strong fundamentals to build on

Community Based Estate



Predominantly Freehold Ownership



Balanced Management Model

## MARSTON'S TOTAL PUB MANAGEMENT



Cash Generative Operating Model



## The Haywain P+L<sup>1</sup>

<b>REVENUE</b>	<b>£1,030K</b>
<b>EBITDA</b>	<b>£335K</b>
<b>FCF</b>	<b>£325K</b>

1. 2023 financials

# Fusing Marston's with reality

## Consumer Reality

Socialising not Drinking

Compelling Reason to Visit

Variety of Usage Occasions

Power of the Local

**SOCIALISING WITH  
FOOD & DRINK**

## Marston's Magic

Suburban Dominated Locations

Flexible Estate to Evolve at Pace

Pubs with Scope for Multi-occasions

Expertise in Running Local Pubs

**GOOD TIMES  
FOR OUR GUESTS**

# Shared Good Times

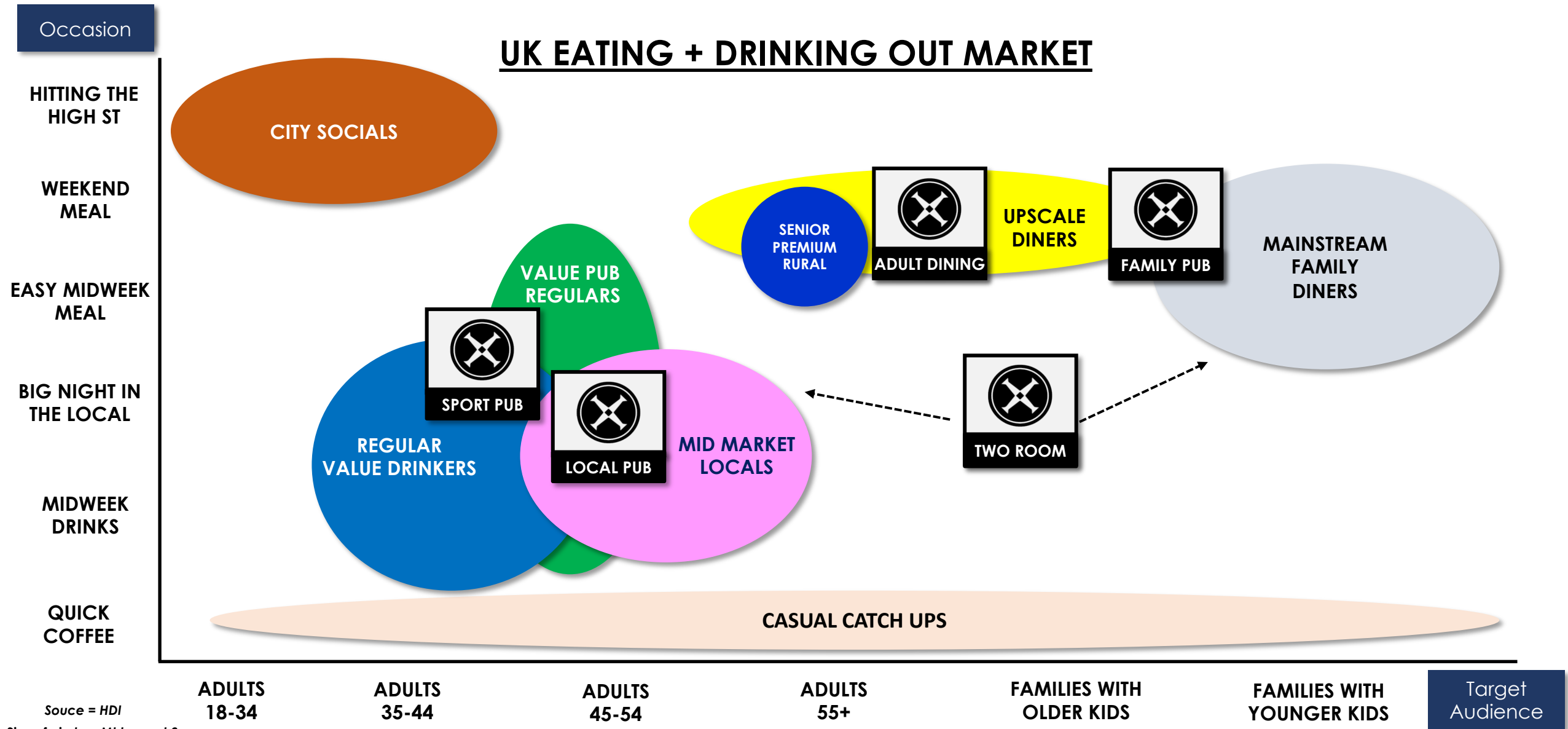
- Friendly and **authentically local**
- Teams **embedded in the community**
- Socialising on your terms



- Welcoming, vibrant atmosphere **for all**
- **Zoning and tempo** to suit all occasions
- Free flowing and **sociable layout**

- Leading drinks brands
- **Sector-leading** food menus
- Entertainment for **every occasion**

# Opportunity for 5 well-defined Marston's formats



# 5 Differentiated Pub Formats

Locals Pub



Locals Sport Pub



Adult Dining Pub



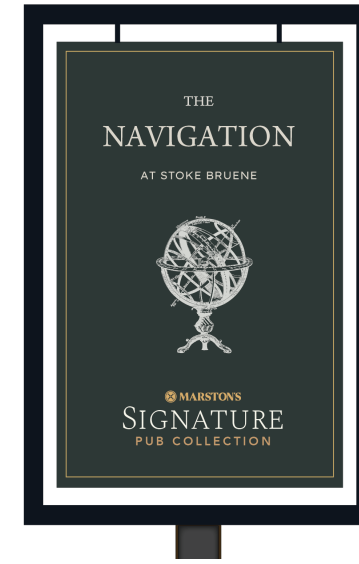
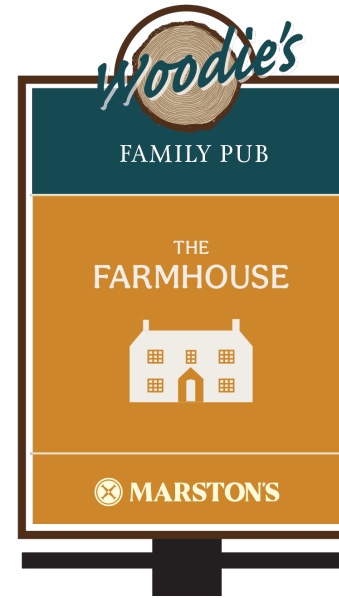
Family Pub



2 Room Pub



# Creating a balanced portfolio across consumer segments



LOCALS PUB

LOCALS SPORT PUB

FAMILY PUB

ADULT DINING

2 ROOM PUB

TARGET SEGMENT

Regulars + Locals  
Adults 35-64

Regulars + Locals  
Entertainment  
focused Adults

Families  
with Primary School  
Children

Affluent Adults  
Adults 35-64

Families +  
Pub Regulars

PROPOSITION

Share Good Times  
at Your Local

The Big Event  
Shared at  
Your Local

Share Good Times  
with all the family

Good Food,  
Good Times

Shared Good  
Times for everyone

INDICATIVE  
SHARE OF  
ESTATE

23%

20%

18%

22%

17%





## VISION

To be the UK's leading  
Local Pub Company\*

\* by Total Revenue

## PURPOSE

Shared Good Times



## STRATEGY

To create a **high margin, highly cash generative** local pub company based on **differentiated formats and a brand portfolio** that is naturally balanced to **appeal across a range of consumer segments**

# Strategy & Priorities

To create a high margin, highly cash generative local pub company based on differentiated formats and a brand portfolio that is naturally balanced to appeal across a range of consumer segments

## KEY VALUE DRIVERS

- 1 **Execute a Market Leading Pub Operating Model**
- 2 **Capex to Create Differentiated Pub Formats**
- 3 **Digital Transformation**
- 4 **Expansion of Managed & Partnership Models**
- 5 **Leveraging Marston's synergies in Targeted Acquisitions**

## KEY ENABLERS

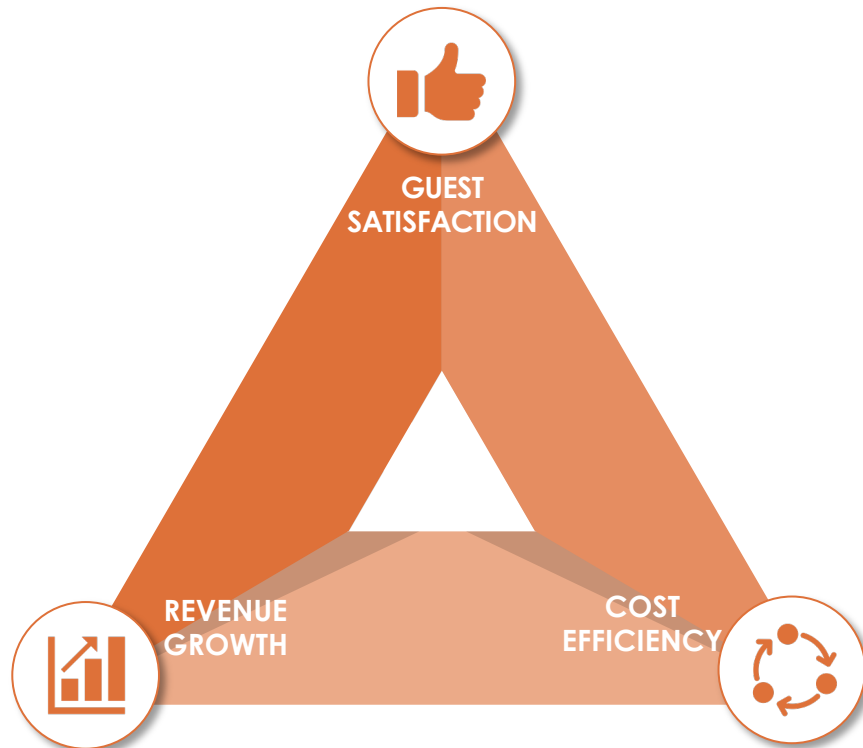
Powerful Drinks Company  
Partnerships

Performance Driven  
Team

Safely and Sustainably  
Operating the Business

# Execute a Market Leading Pub Operating Model

## Effective Pub Management



## Revenue + Cost Management Disciplines



### Revenue Management

- Demand driving marketing
- Enhancing revenue per guest



### Lean and flexible cost model

- Reducing overheads
- Driving labour productivity



### Industry leading reputation

- Guest excellence at every turn
- Consistency of delivery

# Capex to Create Differentiated Pub Formats

Build Unique Propositions that Drive Consumer Penetration

## Family Pub

Eating & Drinking venue that drives appeal with Parents AND Kids



## Locals Sport Pub

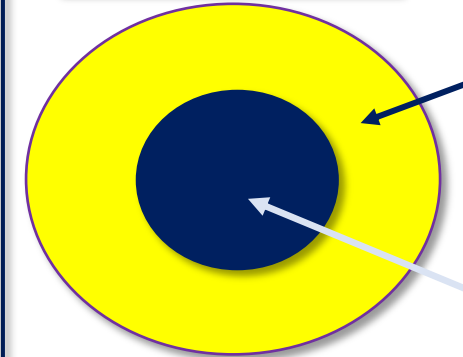
Create must-visit venue for event viewing with leading edge technology



## 2 Room Pub

Access broader demographic & wider geography with zonal pub format

Pub Trade Zone



Penetrate 'Drive To' Dining Consumer

AND

Penetrate 'Walk To' Drinking Consumer

MEDIUM TERM  
CAPEX  
PRINCIPLES

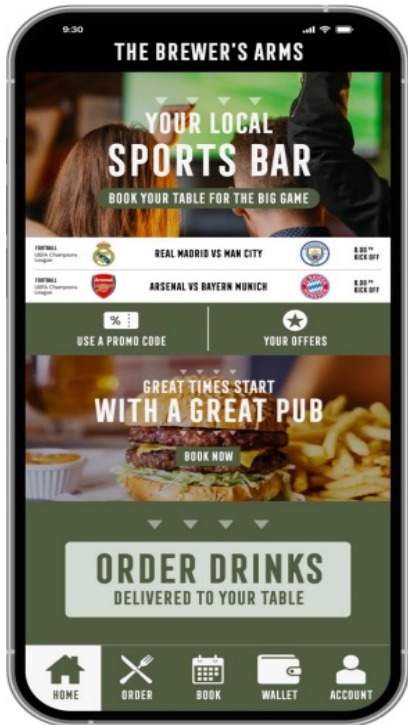
**7-8%**  
EXISTING ESTATE CAPEX  
AS % REVENUE

**35%+**  
OF INVESTMENT  
CAPEX

**5 YEAR**  
MAINTENANCE CAPEX  
CYCLE

# Digital Transformation

## Driving Revenue per Guest



### Data-led Digital Strategy

- Enhancing **Order & Pay** user experience
- Leveraging **hyper-local** pub guest data
- Building format-centric **loyalty programmes**

## Optimising Cost Efficiency



**Technology driven  
Labour Productivity**

**AI-led Stock  
Management**

# Expansion of Managed & Partnership Models

A Balanced Model equipped to serve consumer-led formats

## Further Strengthen Partnership Model



- Innovate agreements to build **Partner flexibility** and appeal
- Support **Format Development** and **Operating Model** execution

## Expand Managed Estate



- Hothouse for **Estate & Format Development**
- **Talent Development** & Partner Pipeline
- Executional consistency

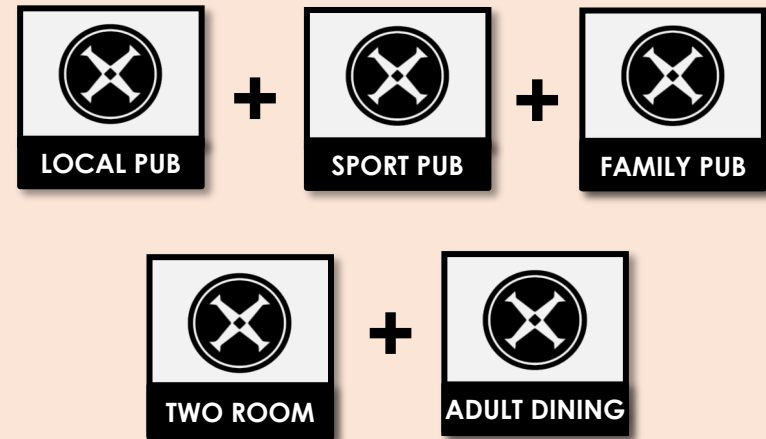
# Leveraging Marston's Synergies in Targeted Acquisitions

## Building Marston's Strategic Synergies

- ⊗ Market leading operating model
- ⊗ Capex effectiveness across formats
- ⊗ Brands + marketing scale
- ⊗ Digital & data capability
- ⊗ Supplier partnerships & scale

## Leveraging in Acquisitions

**Identify target local pub opportunities across priority formats**



# Strategy & Priorities

To create a high margin, highly cash generative local pub company based on differentiated formats and a brand portfolio that is naturally balanced to appeal across a range of consumer segments

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Powerful Drinks Company  
Partnerships

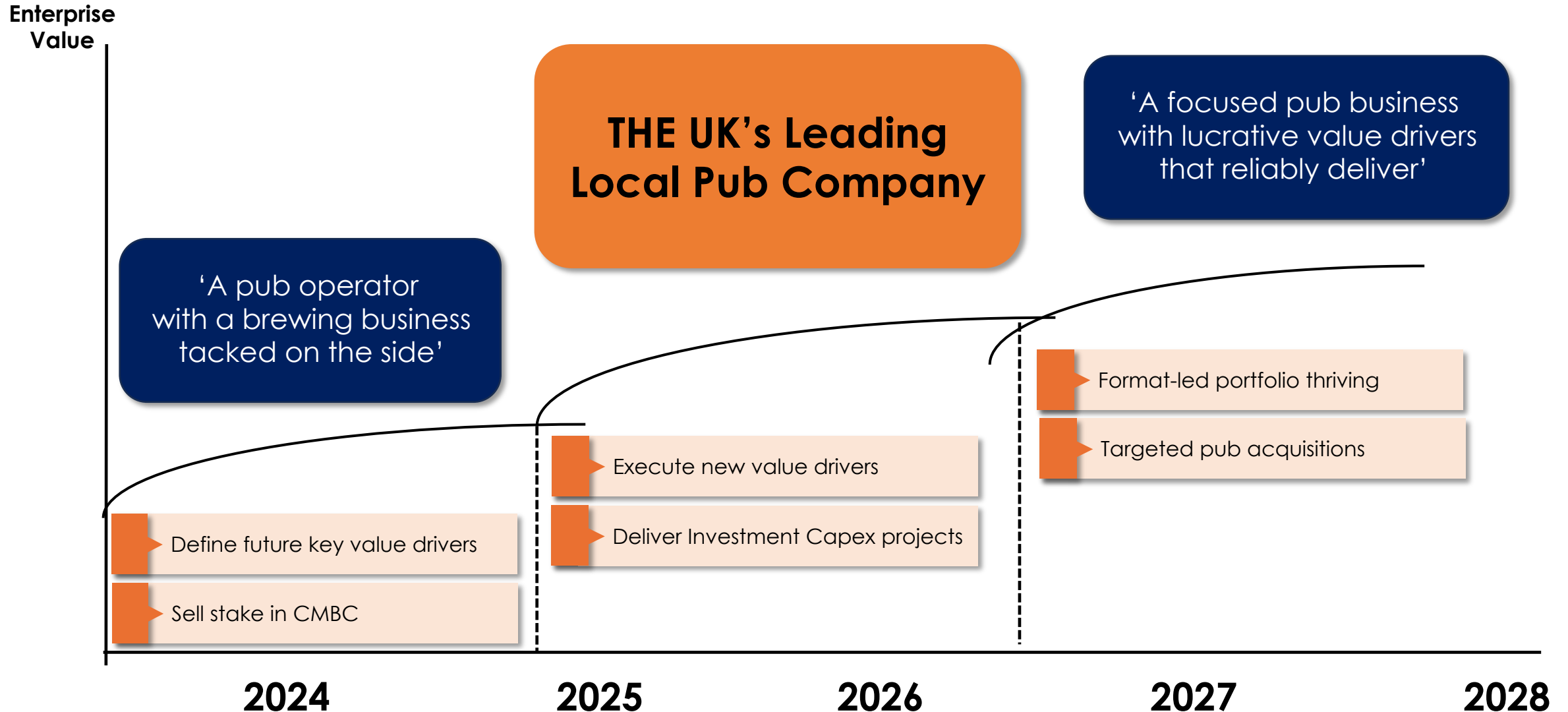
Performance Driven  
Team

Safely and Sustainably  
Operating the Business





# The Marston's Opportunity



# Meet the Executive Team

2 **NEW** Executive roles have been added to drive the delivery of the strategy



**Justin Platt**  
Chief Executive  
Officer



**Hayleigh Lupino**  
Chief Financial  
Officer



**Mags Dixon**  
Commercial Marketing  
Director



**Ed Hancock**  
Chief Development  
Officer



**Neil Campbell**  
Chief Operating  
Officer



**Liam Powell**  
People  
Director



**Bethan Raybould**  
General Counsel &  
Company Secretary

NEW role created  
to develop & deliver  
differentiated  
formats

Joined September 2024.  
Extensive leisure sector  
experience incl. SSP &  
Whitbread

# Differentiated Pub Formats

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Ed Hancock,  
Chief Development  
Officer





Locals Pub



Locals Sport Pub



Adult Dining Pub

# 5 DIFFERENTIATED PUB FORMATS



Family Pub



2 Room Pub



Events  
Pint - OPEN MIC - £4  
Sausage Pie Quiz - £10  
Wednesday 7pm - 10pm  
Friday 7pm - 10pm

THE RED LION

PUB & ROOMS

# THE RED LION

YOUR BLANK  
ADD YOUR ENTRY

DATE 12/07/21

PAY TO THE ORDER OF THE RED LION

SIX HUNDRED AND FIFTY POUNDS

£650

MARKED BY [Signature]

123456789 123456789

A WARM  
WELCOME  
FROM THE  
TEAM AT THE  
RED  
LION

LOCAL BY

 **MARSTON'S**

# LOCALS PUB



Regulars + Locals  
Adults 35-64



Shared Good Times at Your Local



ALWAYS ON ACTIVITY  
CALENDAR



WARM + WELCOMING  
ENVIRONMENT



COMMUNITY ENGAGEMENT



FRIENDLY LICENSEE

# GRANDSTAND

TNT SPORTS sky sports

LOCALS SPORTS PUB BY

 MARSTON'S

WHAT'S ON  
ENGLAND  
vs  
SPAIN  
THIS SUNDAY

# LOCAL SPORTS PUB



Regulars & Locals  
Entertainment-focused adults



The Big Event Shared at Your Local



GREAT VIEWING AREAS



MARKET LEADING  
TECHNOLOGY



PASSIONATE LICENSEE



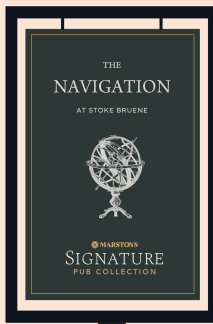
SPORTS ACTIVITIES





MARSTON'S  
SIGNATURE  
PUB COLLECTION

# ADULT DINING PUB



Affluent Adults 35-64



Good Food, Good Times



1ST CLASS FOOD QUALITY



RELAXED FRIENDLY SERVICE



CLASSIC CHARM



RANGE OF LEADING DRINKS BRANDS



Woodie's

FAMILY PUB

 MARSTON'S

# FAMILY PUB



Families with primary school kids



Shared Good Times with all the family

# BIG DADDY



# BURGER

FAMILY EVENTS



FOOD & DRINK FOR ALL THE FAMILY



KIDS SPECIFIC ZONE



ZONED BAR AREA THAT FEELS MORE ADULT



# Pub & Family DINING

2 ROOM PUB BY

 **MARSTON'S**

YOUR BLANK  
AGE YOUR ENTRY

DATE: 12/07/24

PAID TO THE ORDER OF: **THE RED LION** \$650  
SIX HUNDRED FIFTY POUNDS DOLLARS

MOOD: *Musa* AUTHORIZED SIGNATURE

123456789 123456789

A WARM  
WELCOME  
FROM THE  
TEAM AT THE  
RED  
LION

Events  
Tables OPEN 11C 12m  
Seating Pub Quiz 8m  
Lobbying 5m 10m 12m  
Thursday 5th 8.00 - 12.00

# TWO ROOM PUB



Families & Pub Regulars



Shared Good times for everyone



2 CLEARLY DEFINED PUB ZONES



LICENSEE WHO EMBRACES 2 PUBS IN 1



FOOD & DRINK FOR ALL THE FAMILY



SPORTS ACTIVITIES

2 ROOM  
CASE STUDY



WELCOME TO  
**THE ACORN**  
AT  
ACCRINGTON

ESTD 2015

WATCH LIVE  
sky sports BT SPORT  
INSIDE & OUT  
HAND STRETCHED  
FRESHLY MADE PIZZA  
FANTASTIC LIVE  
ENTERTAINMENT

WOMEN  
LOVE  
SPORT!  
sky BT

LOUNGE

THE ACORN

THE HEART OF  
ACCRINGTON  
ESTD 2015

THE  
ACORN

# The Acorn at Accrington

After



Before

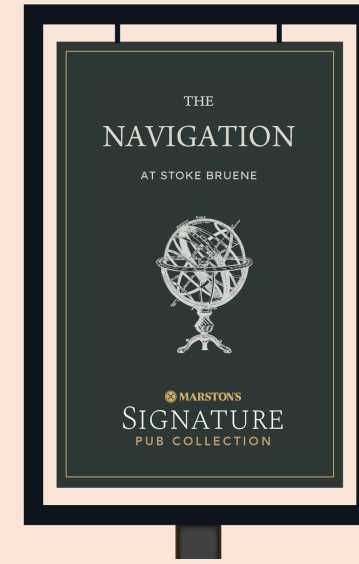
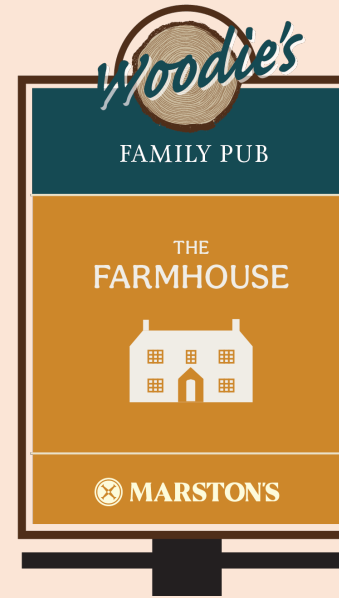


**Opportunity:** Increasing the trade zone opportunity to drive incremental guest penetration

**Results:** 31% uplift in guest numbers & 30%+ ROIC



# Summary



## LOCALS PUB

## LOCALS SPORT PUB

## FAMILY PUB

## ADULT DINING

## 2 ROOM PUB

### TARGET SEGMENT

Regulars + Locals  
Adults 35-64

Regulars + Locals  
Entertainment  
focused Adults

Families  
with Primary School  
Children

Affluent Adults  
Adults 35-64

Families +  
Pub Regulars

### PROPOSITION

Share Good Times  
at Your Local

The Big Event  
Shared at  
Your Local

Share Good Times  
with all the family

Good Food ...  
Good Times

Shared Good  
Times for everyone

# Financials & Capital Allocation

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Hayleigh Lupino,  
CFO





# Marston's financial ambition

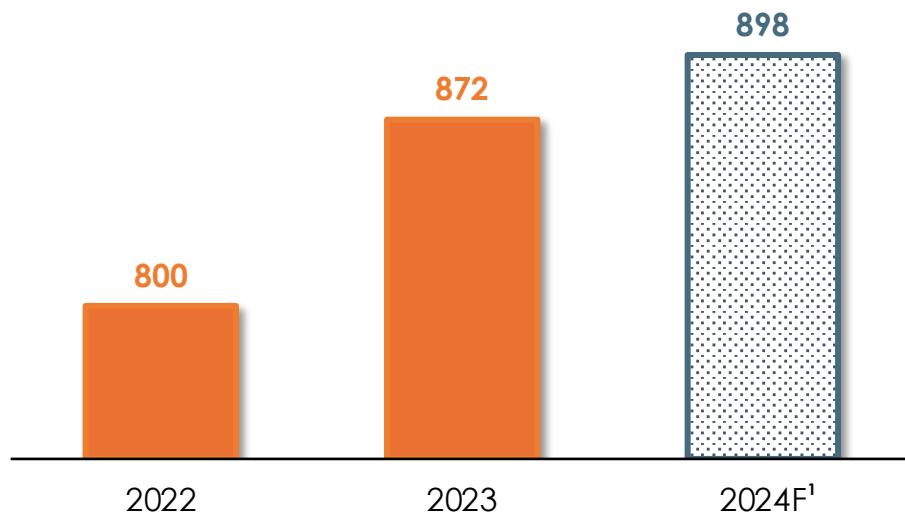
Focused on creating value and driving operational leverage



# LFL revenue growing faster than the market

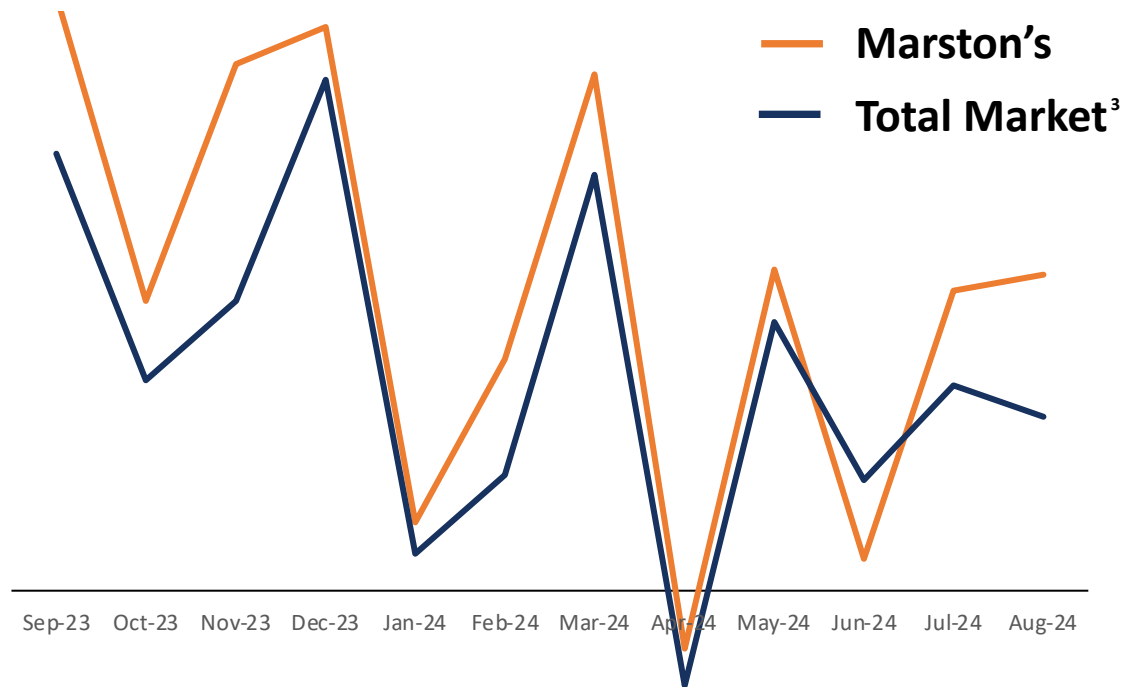
Track record of delivering growth above industry rates

## Total Revenue (£m)



LFL (%)	2022	2023	2024F <sup>1</sup>
	(1) <sup>2</sup> %	10.1%	4.8%

## Monthly LFL Growth vs. Market<sup>3</sup>

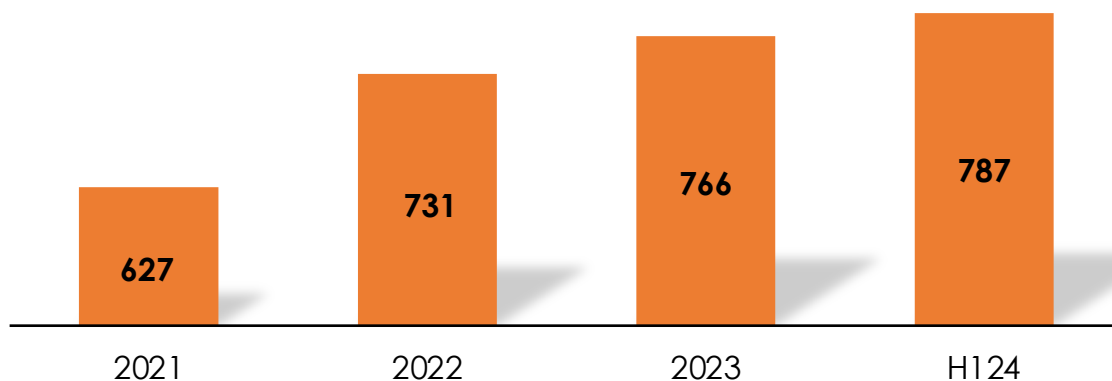


## Consistent LFL sales outperformance

# Focus on guest reputation will ensure sustained growth

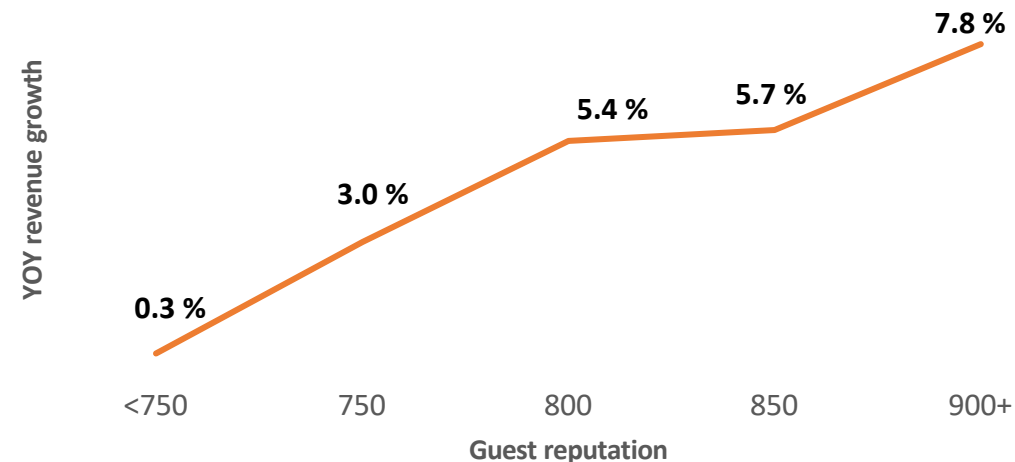
Higher guest reputation scores drive greater uplift in revenue

## Guest reputation track record



- Strong reputation track record with our customers
- Our strategy is well placed to enhance guest satisfaction beyond our H124 score of 787

## Guest reputation drives higher revenue growth



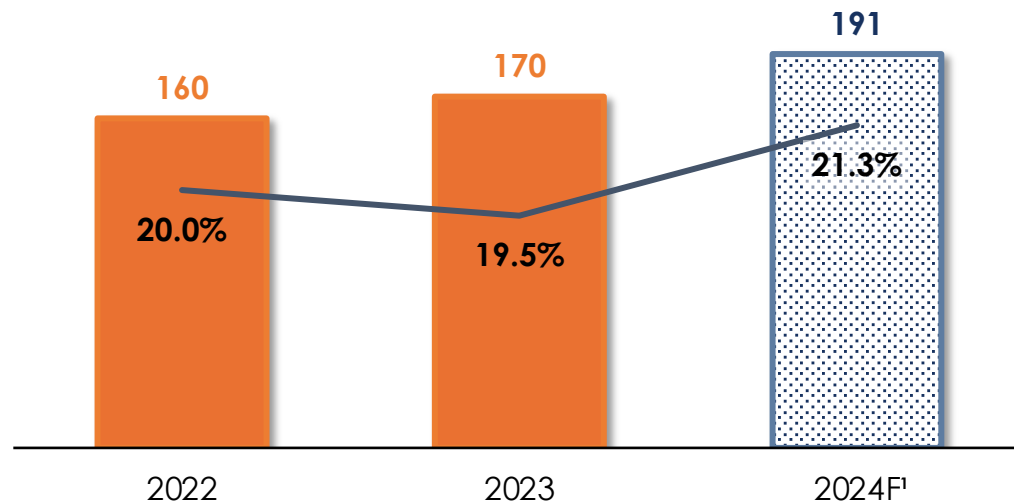
- Clear correlation between guest reputation & revenue across our managed & partnership pub estate
- Progress in guest reputation in recent years has translated into revenue growth

## Targeted improvements to guest satisfaction through demand-driving activity

# Journey to margin expansion has begun

Cost and operational efficiencies will drive sustained margin growth

## EBITDA (£m) & EBITDA margin (%)



## Focus areas

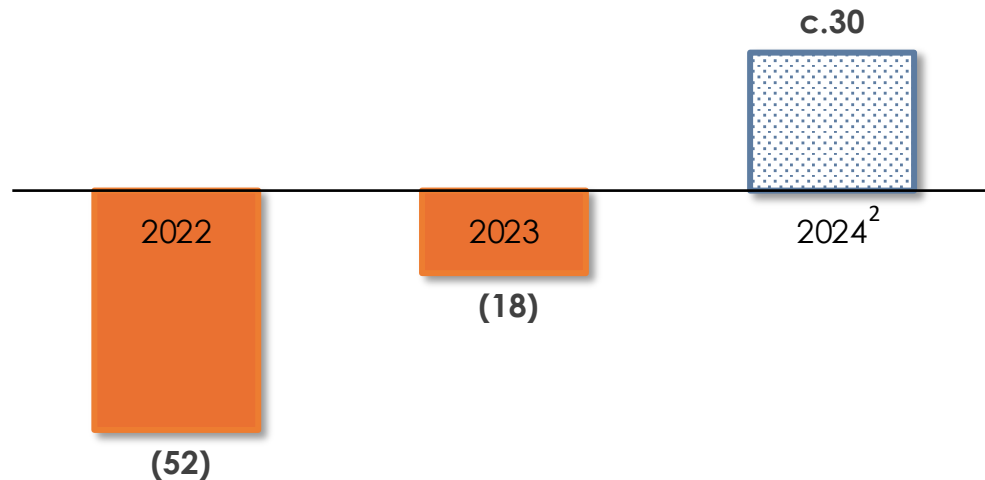
- Delivering cost & operational efficiencies, including:
  - Labour productivity
  - Central overhead efficiencies
  - Menu simplification
  - Property; repairs & energy initiatives
- Enhanced customer engagement
  - Demand-driving marketing
  - Growing revenue per guest

Sustained margin expansion over medium term

# Growing free cash flow generation

Positive free cash flow achieved in FY24

## Underlying Free Cash Flow<sup>1</sup> (£m)



## 2024 progress

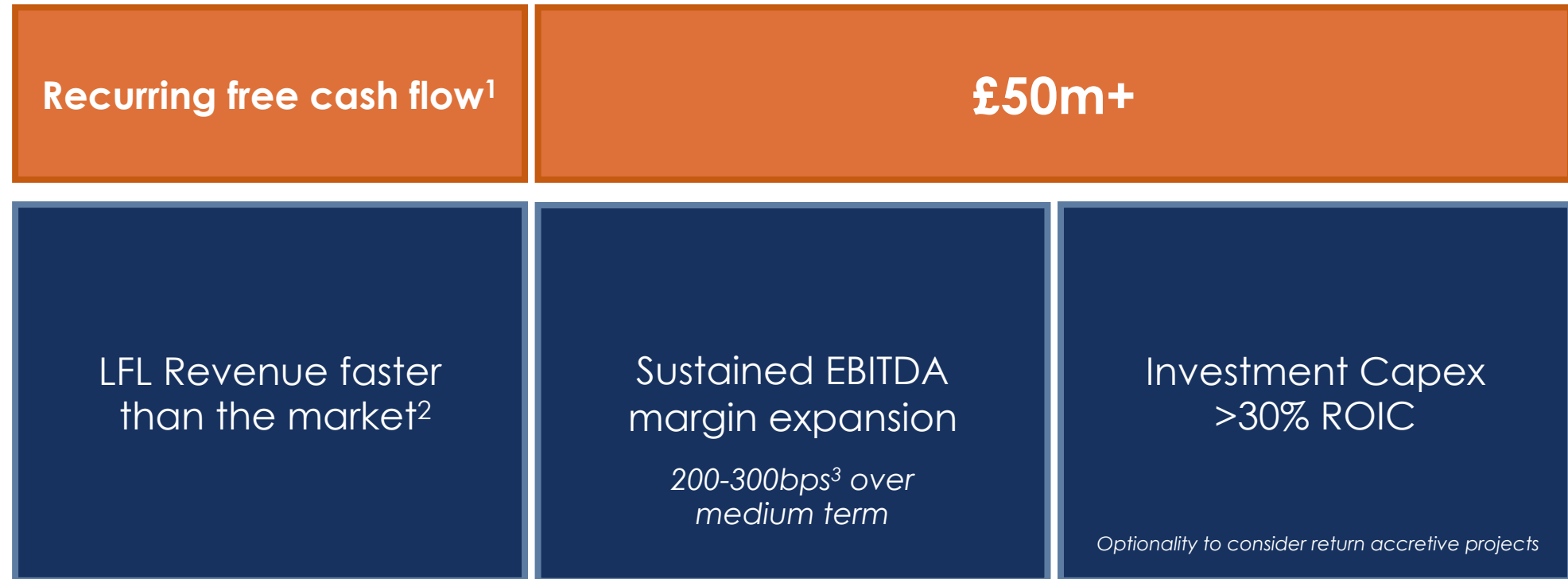
- Early actions taken to drive revenue growth & margin are already delivering clear cash flow benefit in 2024
- Free cash flow generation will improve further driven by strong revenue growth, increased operating & cost efficiencies and sustained capex

**£50m+ recurring free cash flow<sup>1</sup> from a growth focused business in the near term**



# Delivering £50m+ recurring FCF in near term

Revenue growth, coupled with sustained capex, will deliver increasing recurring free cash flow<sup>1</sup>







# Illustrative EBITDA outputs

Sustained revenue & margin growth will deliver strong EBITDA potential

## Scenario analysis

- Our strategy is set to deliver sustained revenue growth ahead of the market and EBITDA margin expansion
- This table<sup>1</sup> outlines illustrative EBITDA output based on;
  - LFL revenue CAGR ahead of the market
  - EBITDA margin expansion of 200-300bps

		LFL sales CAGR			
		3.50%	4.0%	4.50%	5.0%
EBITDA margin	23.0%	245	251	257	263
	23.5%	250	257	263	269
	24.0%	256	262	268	272
	24.5%	261	267	274	281
	25.0%	266	273	280	286

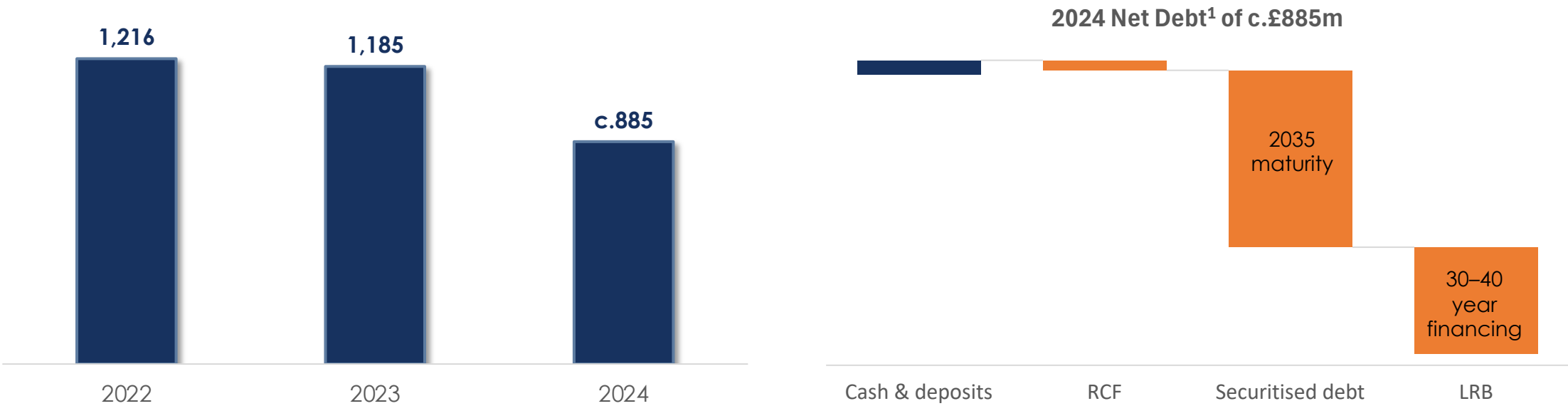
# Derisked and stable debt profile

## Strong financing position underpinned by significant asset value

- Significantly **derisked and stable debt** profile with no material refinancing requirement for **at least** 10 years
- Net debt<sup>1</sup> reduced to c.£885m, achieving **target ahead of FY26 schedule**
- **Cash positive by FY24**, reduced reliance on bank facility

Net Debt<sup>1</sup> reduced 27% since 2022 (£m)

No material need to refinance for at least 10 years



Underpinned by £2.1bn in assets – 83% freehold

# Financing structure

## Existing finance structure supports our growth

### Current structure

- Able to successfully implement strategy under current financing structure
- Growing surplus cash to deliver consistent organic growth
- Continued leverage reduction & stable interest costs
- Restrictions on shareholder distributions

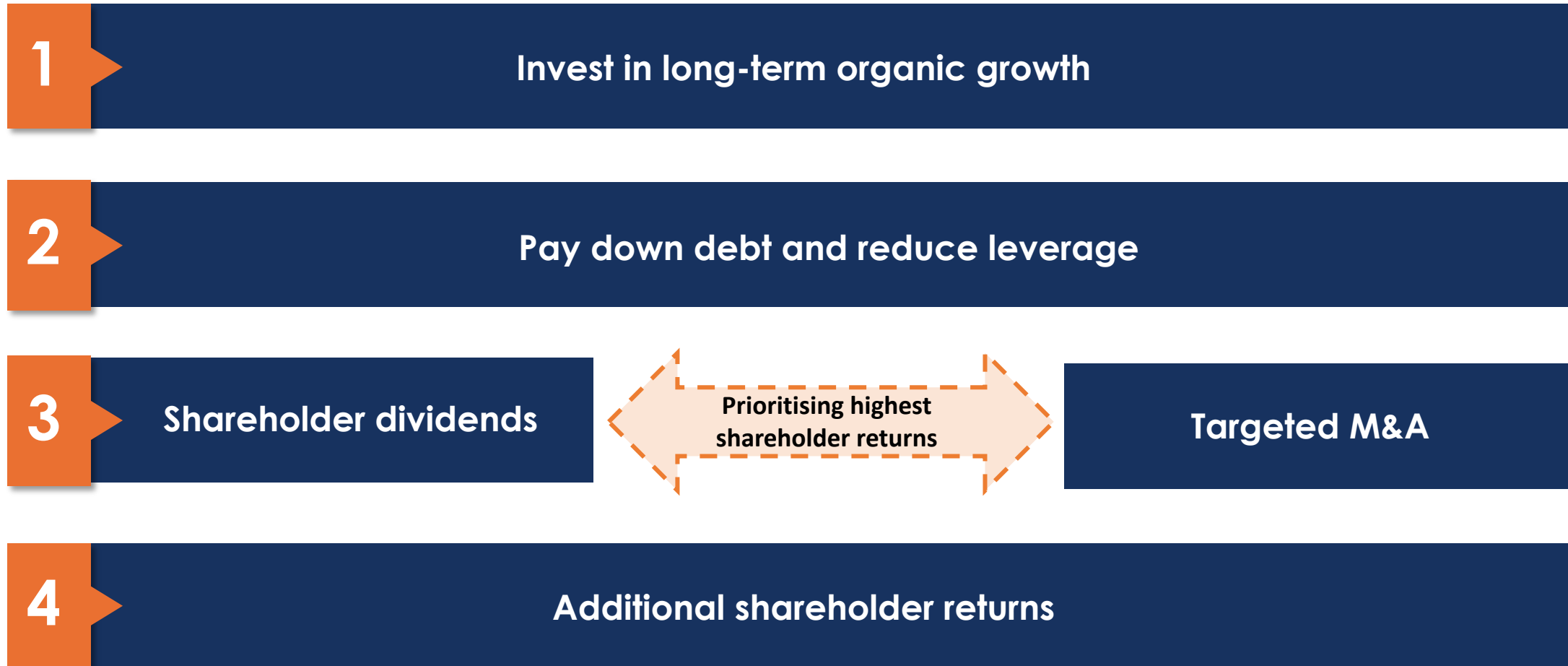
### Considerations for a potential restructure

- Restructuring could deliver additional surplus cash
- Opportunity to further invest in growth
- Greater optionality for shareholder returns
- Increased interest costs and higher leverage

**No immediate action is needed but remains under review**

# Capital allocation framework

Disciplined capital allocation focused on enhancing shareholder value



# Summary

Finance strategy, underpinned by disciplined capital allocation, will support our growth ambitions



**£50m+ recurring free cash flow<sup>1</sup> in the near term**



**Value drivers will generate growth, operational leverage & sustained margin expansion**



**Deliver strong ROIC on investment capex**



**Robust balance sheet supported by long term debt structure**

# Summary

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**Justin Platt**

CEO



The Bell Inn, Shropshire

# A New Chapter as a Leading Pure Play Hospitality Business

- ⊗ Simplified & **focused pub operating model** with a clearly defined growth strategy
- ⊗ **Revitalised** management team
- ⊗ Key value drivers established to **enhance operational performance & drive growth** through accelerated investment capex across five distinct formats
- ⊗ **Stable balance sheet** with reducing leverage & the opportunity to refinance for greater flexibility in due course
- ⊗ **New financial targets:** market-beating revenue growth, sustained EBITDA margin expansion, **£50M+ recurring free cash flow**<sup>1</sup>

# Strategy & Priorities

To create a high margin, highly cash generative local pub company based on differentiated formats and a brand portfolio that is naturally balanced to appeal across a range of consumer segments

## KEY VALUE DRIVERS

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## METRICS

LFL Revenue growth ahead of the market

Sustained EBITDA margin expansion  
200-300 bps

Investment Capex  
>30% ROIC



# An Investment Case for a reliable growth company



**Powerful value drivers for growth**



**Differentiated to win in a growing market**



**Sustained free cash flow generation**



**Clear and consistent metrics to track success**

# Q&A

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