



# Results Presentation

for the 26 weeks ended 27 September 2008

# Agenda

1. Significant events & highlights
2. Financial review
3. Operations review
4. Outlook



# Significant events & highlights

- Robust results in testing conditions
  - Financial market turmoil
  - Consumer spending
  - Inflationary pressures and duty increases
  - Poor summer weather
  - Smoking ban
- Adjusted profits before tax up 9.4% at £11.9 million
- Adjusted EPS up 0.2% at 17.41p
- Declared interim dividend increased 2.0% to 6.12p

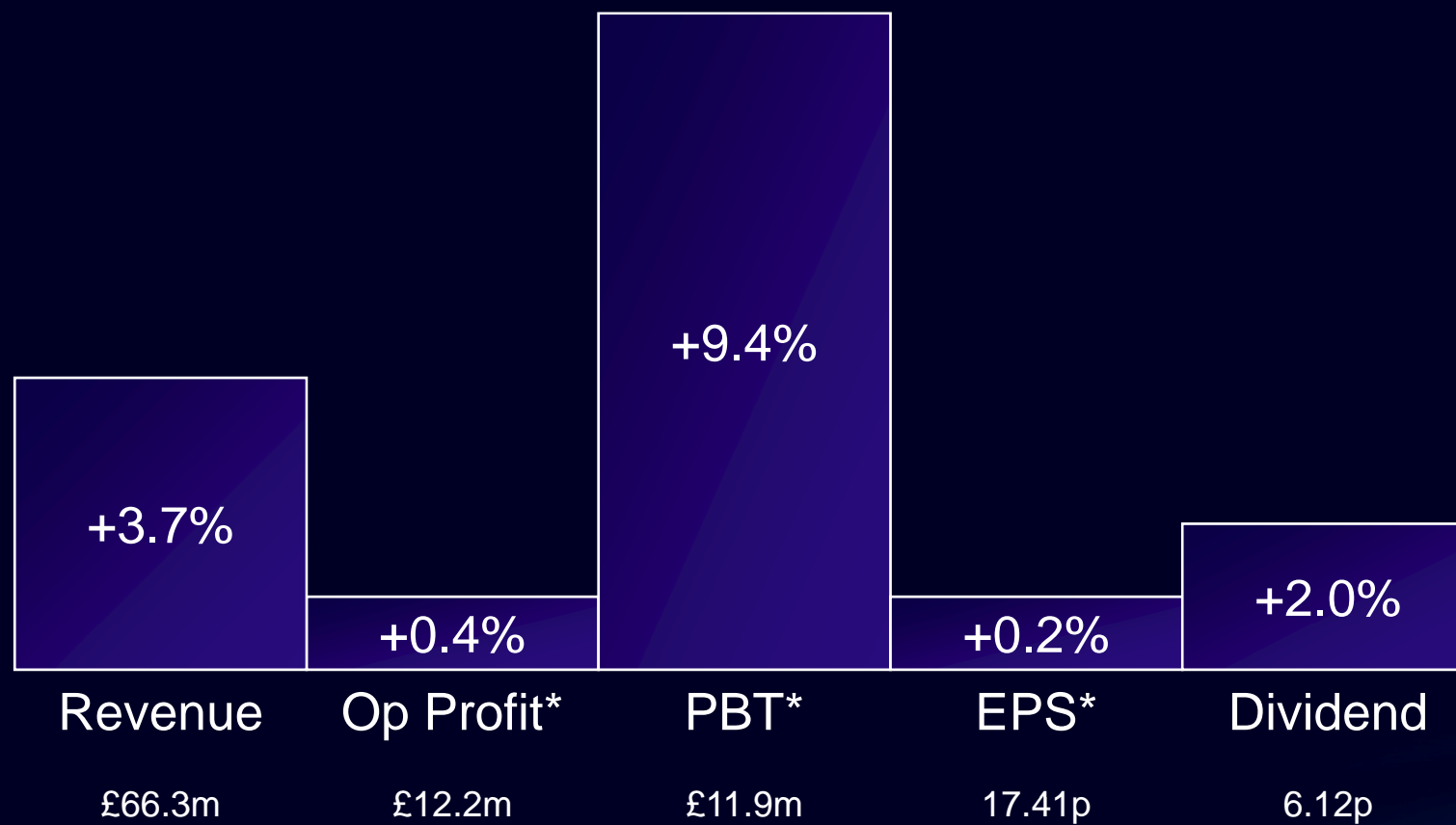




## 2. Financial review



## Robust results



All results on continuing activities and where marked \* adjusted for exceptional items

## Adjusted profits on continuing operations

	2008 £M	2007 £M
Reported PBT (including associate)	9.4	4.3
Operating exceptional items	0.5	5.6
Wells & Young's exceptional items and tax	2.0	1.0
Adjusted profit before tax	11.9	10.9
Tax (excluding exceptionals)	(3.6)	(2.8)
Adjusted profit after tax	8.3	8.1
Basic EPS	11.83	8.56
Adjusted basic EPS	17.41	17.37

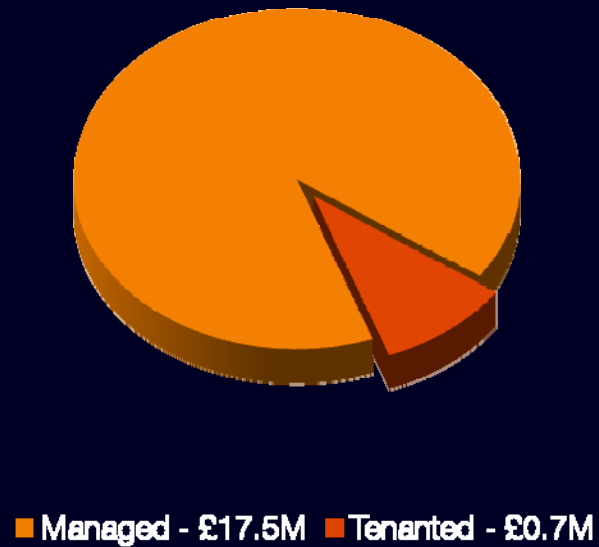
## Strong cash flow & continued investment

	Sept 08	Sept 07	Mar 08
	£M	£M	£M
Cash generated from operations	12.6	16.7	26.6
VAT on sale of brewery site	(10.3)	1.8	10.3
Interest, tax and dividends	(1.4)	(5.3)	(10.1)
Proceeds from exercise of share options	0.1	1.4	1.8
Sale of Buckhold Road/brewery sites	-	10.3	69.0
Disposals net of restructuring costs	1.4	(2.7)	(1.2)
Purchases of property, plant and equipment	(18.5)	(8.4)	(38.1)
Premium on redemption of debenture	-	(6.8)	(6.8)
Movement in net debt	<u>(16.1)</u>	<u>7.0</u>	<u>51.5</u>

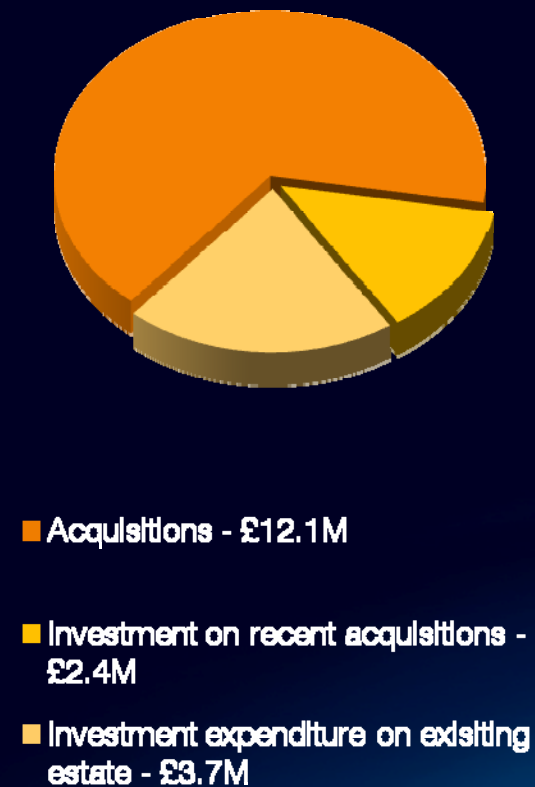
# Investment in the pub estate

Total spend: £18.2M (2007: £8.4M)

By Division



By Nature of Spend





# Acquisitions

- Total investment of £12.1m
- All high quality managed pubs
  - The Old Ship, Chiswick (on the Thames)
  - Parrot, Canterbury
  - The Roebuck, Hampstead
  - The George, Fulham (closed for redevelopment)



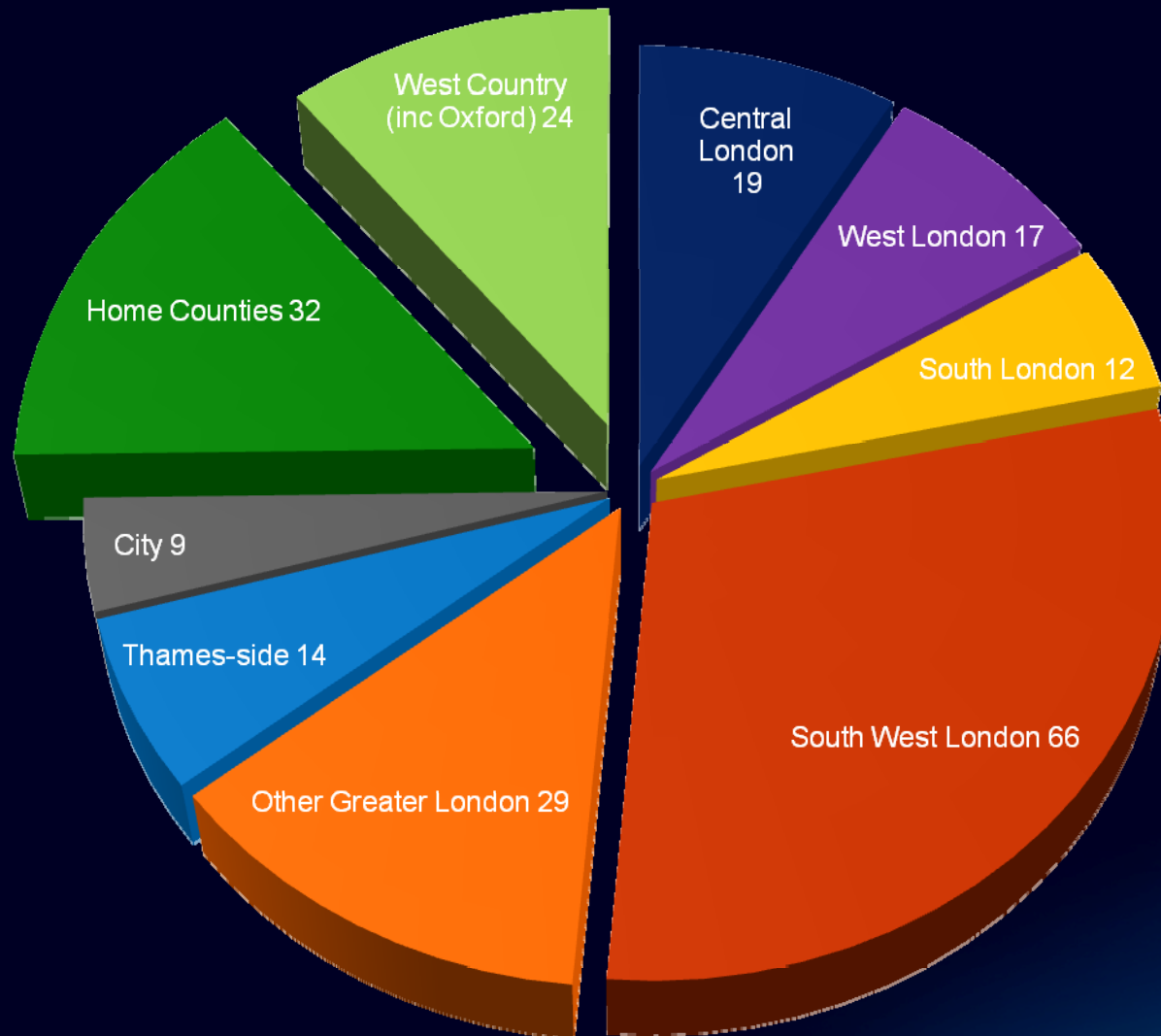
## Estate profile of trading pubs

	April 2008	+	-	Transfers (net)	Sept 2008
Managed	116	4	-	2	122
Tenanted	103	-	(1)	(2)	100
Total	219	4	(1)	-	222
Freehold	184	4	(1)	-	187

❖ The Brewery Tap (Wandsworth) and the George (Fulham), being closed have been excluded from managed and trading numbers but included in freeholds

❖ The freeholds above exclude ten leases with in excess of 40 years to run, with rents that in total amount to less than £10K

# Geographical split of Young's pubs



# Financing

- Committed financing in place, with sound levels of gearing and interest cover
- Half year end net debt of £66.1m
  - Interest cover over 6 times
  - Gearing of 38.0%
- £90m committed banking facilities
  - £50m long term finance (March 2018 to March 2023)
  - £40m medium term finance (March 2013)
- Half of debt is fixed at 6%, with remainder variable at fixed margin



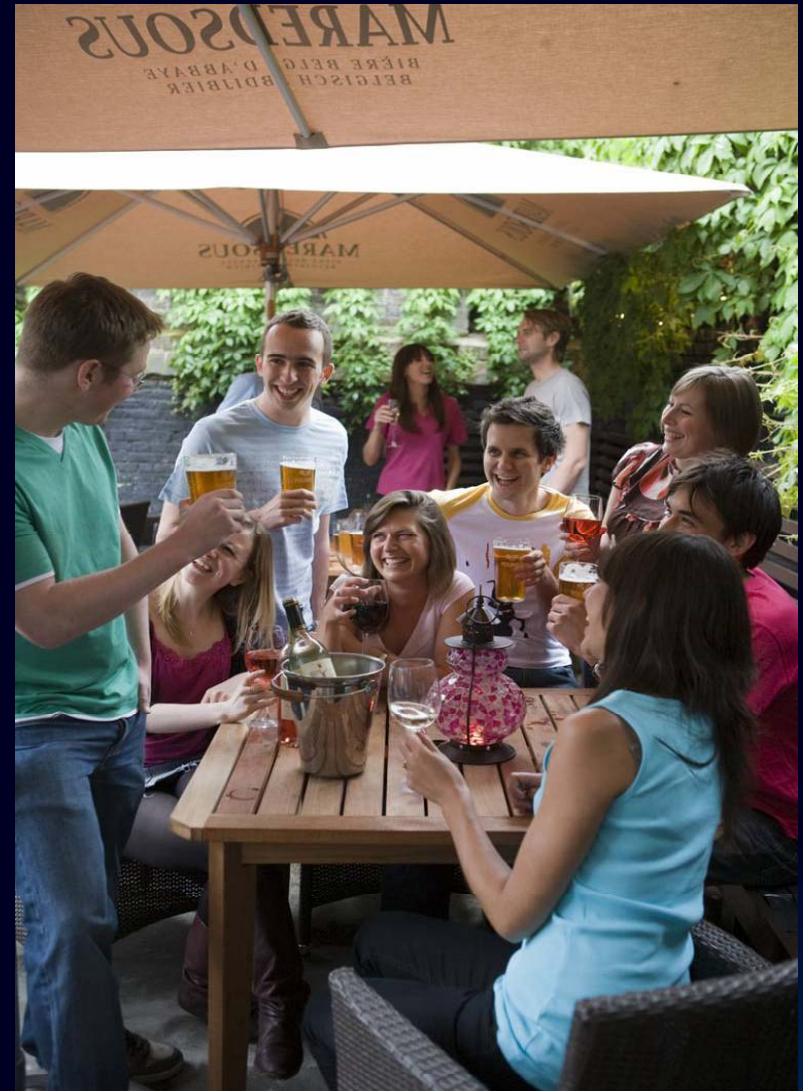
## Debt structure

Long dated committed facilities	£90.0m
Net debt	£66.1m
Gearing (no revaluation since 1997)	38.0%
% of debt fixed	53.0%
Interest cover	6.0 x
Composite fixed rate on fixed debt	6.0%



# Financial summary

- Solid results in testing conditions
- Continued dividend growth
- Conservative financing in place for the long term
- Good cash generation and strong balance sheet







### 3. Operations review

# Operational highlights

- Significant market challenges
  - Credit crunch/recession
  - Slowdown in consumer spending
  - Cost and duty increases
  - Poor summer weather
  - Smoking ban
- Managed houses
  - Top line growth offsets cost pressures
  - Managed houses represent 89% of Retail turnover and 83% of EBITDAR\*
- Tenanted houses
  - Tenants being hit hard by cost pressures
  - Not immune from the significant volume declines suffered by the majors

\* At outlet level, before interest, depreciation, rents payable



# The strategy

Retail success from delighting customers with high service standards, quality food, market leading drinks and stylish pubs

## Premium offer

- Food
- Drinks offer
- Training/Service

## Premium location

- Exploiting the location
- Ambience/environment





# Premium

- What do we mean
  - Drinks range that competes with the best free house
  - Restaurant quality food in the comfort of a pub environment
  - Market leading service standards
  - Attentive and proven management at both head office and pub level
  - Targeting consumers with high expectations and demanding tastes
  - To be special and stand out in a crowded market place
- Why are we pursuing this route
  - Clear gap in the market for discerning, like minded Customers in the way that Waitrose meets in the supermarket sector
  - Longer term and more resilient market especially as consumers feel the pinch
  - A niche market, where we can dominate and drive and sustain higher margins



# Active estate management

- **Improved returns from recent investments and developments**
  - Strong returns from prior year managed house refurbishments
    - Sales up 37.6%
    - Cash return on incremental capex of 31.2%
  - Further £1.2M invested in high returning developments
- **Optimising balance of the estate**
  - Transfers between managed and tenanted
  - Transferring tenanted to long leases
- **Acquisitions**
  - £14.5M invested in acquisitions and the development of recent acquisitions
  - Competition easing
- **Disposals**
  - Sale of a tenanted pub for £1.4 million





# Managed Houses – key financials

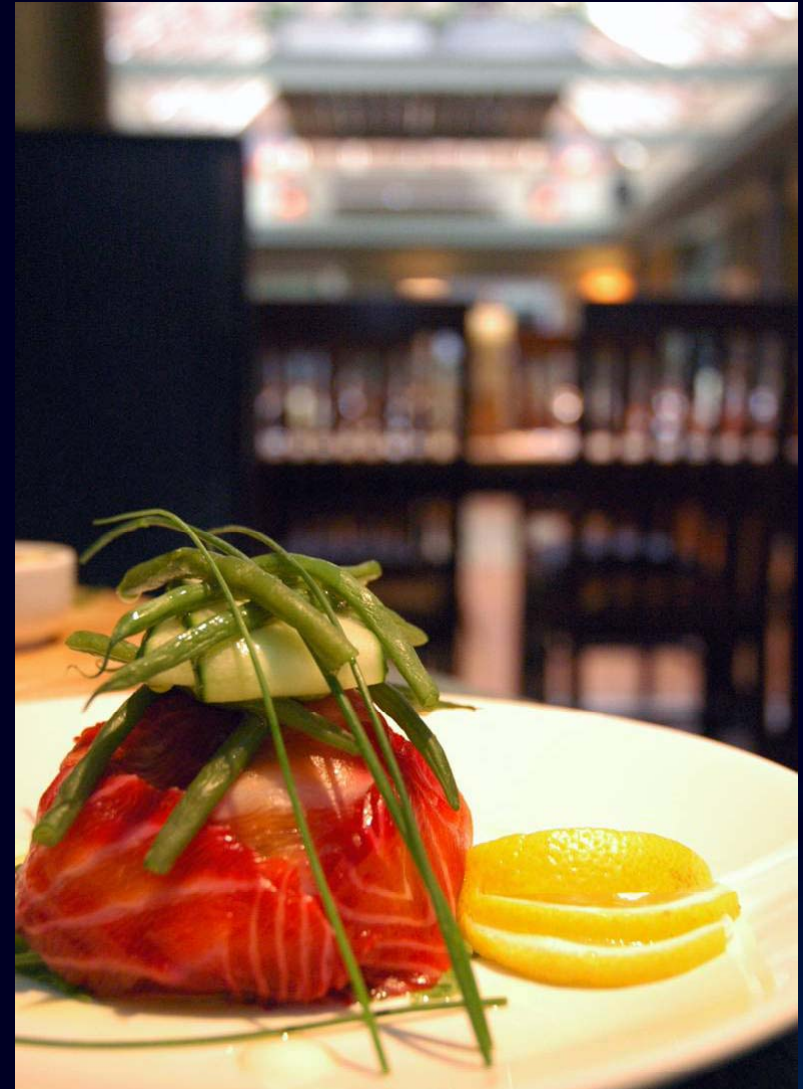
- Revenue up 4.9%
- LFL revenue up 1.6% on same outlet basis, down 1.3% un-invested
- Food sales up 9.0% and now represent 25.4% of managed revenue, +0.9% points
- RevPAR up 4.1% to £44.34
- Operating profit flat at £14.7M, reflecting significant cost increase, smoking ban, poor summer weather and economic uncertainty





# Managed Houses – key initiatives

- Trade building
  - Web sites
  - Events
  - Food specials
  - Lunchtime express menu/increased snack offer
  - Lazy Sundays activity
- Product range
  - Continuation of guest ale – Tribute
  - Chefs forum to share best practice
  - Weekly food training forum for managers and chefs
- Recruitment and training
  - Right team in every pub
  - Record level of training undertaken in six months
  - Buzz sessions
- Efficiencies
  - Reducing the cost base
  - Energy conservation plan, smart meters
  - New menus throughout estate
  - Road shows – meeting the team – sharing the challenges



# Tenanted Houses – key financials

- Revenue down 0.4%
- LFL revenue down 3.8% as a result of declining beer volumes
  - Smoking ban, poor summer weather and economic uncertainty
- Two transfers to management
  - Thatched House (Hammersmith)
  - Castle (Battersea)
- Operating profit flat at £3.0 million
- High quality estate that is part of our heritage and future



# Tenanted Houses – key initiatives

- Product range

- Enhanced product range – and looking to improve
  - Guest ale program – improve margins for tenants
  - Other pricing and promotional support for tenants
  - Suppliers actively encouraged to visit individual outlets
- Increased support from catering department / menu development etc

- Support

- Shared investment schemes
- Discounts / rent reviews but only where robust plans in place
- Payment plans in place if necessary
- Some price increases not passed on
- New Director of tenancies and increased estates support

- Recruitment and training

- Access to all head office courses



## Like-for-like sales

	Number of sites	Sales £m	Change %
<b>Same outlet</b>			
Managed	108	55.6	+ 1.6
Tenanted	95	6.7	- 3.8
	203	62.3	+ 1.0
<b>Un-invested</b>			
Managed	88	45.6	- 1.3
Tenanted	88	6.0	- 4.9
	176	51.6	- 1.7

# Operating performance at outlet level

	2008	2007	Change
Revenue	£000's	£000's	%
Managed	58,754	56,001	+4.9
Tenanted	7,363	7,402	-0.5
	66,117	63,403	+4.3

## EBITDAR\*

Managed	18,841	18,381	+2.5
Tenanted	3,799	3,843	-1.1
	22,640	22,224	+1.9

\* At outlet level, before interest, depreciation, rents payable



## Key performance indicators of same outlet pubs

### Managed

Average weekly revenue	£19.8K	+1.6% per pub
Food Mix	25.2%	+0.5% points
Average EBITDAR	£171.4K	+2.4%

### Tenanted

Average EBITDAR	£36.3K	-4.6%
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# Wells & Young's – performance review

- Young's share of PBET of £1.4 million is 13.1% ahead of last year
- Contracted out primary distribution to KNDL
- Relaunched new look bottle range including award winning Young's bottle conditioned ales.

# Operations summary

- Very challenging conditions unlikely to ease in the near term
- Continuing to invest for top line growth
- Tight focus on costs and investment on new management information and planning software
- Supporting tenants
- Quality acquisitions will continue, but only at sensible prices





## 4. Outlook

# Outlook

- Challenging conditions set to remain
- We've seen and traded through recessions before
- Current trading conditions are tough:
  - Revenue up 1.6% in 7 weeks to 15 Nov 2008
  - LFL sales down 3.3% on a same outlet basis
- Strong balance sheet with emphasis on capital conservation
- Opportunities for further selected acquisitions

# Questions

