

# RESULTS PRESENTATION

## 2013 INTERIM REVIEW

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DOING THINGS BETTER BY HALF

# TODAY

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**INTRODUCTION**

**STEPHEN GOODYEAR**

**FINANCIAL REVIEW**

**PETER WHITEHEAD**

**MANAGED HOUSES - YOUNG'S**

**PATRICK DARDIS**

**MANAGED HOUSES - GERONIMO**

**ED TURNER**

**PEOPLE AND TRAINING**

**ED TURNER**

**TENANCIES**

**STEPHEN GOODYEAR**

**SUMMARY**

**STEPHEN GOODYEAR**

# HIGHLIGHTS

- Another excellent period, especially when compared against strong comparatives
  - Revenue up 8.0%
  - LFL revenue up 5.6%
- Operating profit up 15.1% as margin continues to strengthen
- Adjusted profit before tax up 18.6%
- Proactive estate management
  - £17.7m invested (including four freeholds) largely financed through the summer's strong cash flow
- Strong balance sheet
  - Net debt as a multiple of EBITDA fell to 2.6 (2012: 3.0) times
  - Gearing of 32.0% (2012: 35.8%)
- Progressive dividend policy
  - 6.1% rise in interim dividend; 17 consecutive years of unbroken increase



# STRATEGY

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- Pure play, differentiated pub company
  - Well invested, premium end of the market, based in London and south east
  - Proactive estate management
- Investment in high returning projects
  - Acquisition of managed houses, either as packages or individual sites
  - Investing to exceed customer expectations
  - Estate of fewer, but better quality, tenanted houses
- Driving...
  - Superior like-for-like performance
  - Gross margin improvements
  - Operational efficiency and scale benefits



# PREMIUM STRATEGY DRIVING MANAGED HOUSE REVENUE GROWTH



	2011 Interims 26 wks %	2012 Year-end 52 wks %	2012 AGM 13 wks %	2012 Interims 26 wks %	2013 Year-end 52 wks %	2013 AGM 13 wks %	2013 Interims 26 wks %	2013 Last 7 wks %
LFL	+4.0	+6.0	+4.0	+5.7	+4.6	+6.8	+6.0	+4.6
TOTAL	+37.9	+29.1	+10.1	+12.9	+10.0	+10.7	+9.0	+7.7



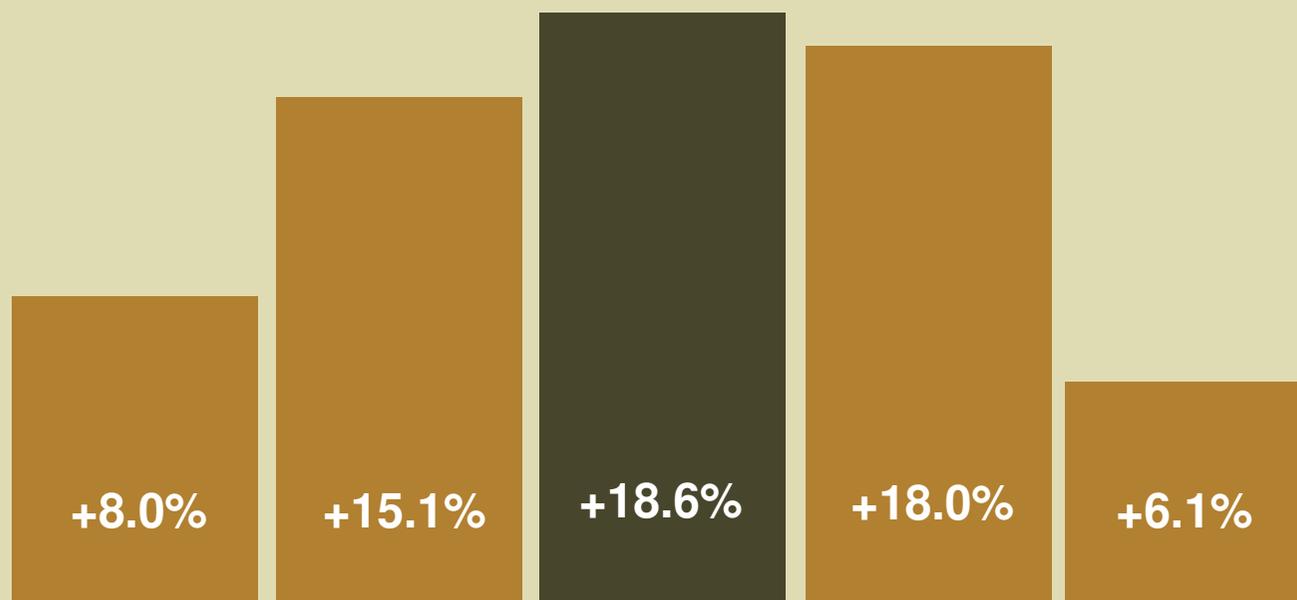
# FINANCIAL REVIEW

2013 INTERIM REVIEW

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DOING THINGS BETTER BY HALF

# STRONG RESULTS



Revenue	Operating profit*	PBT*	EPS*	Dividend
£108.2m	£18.7m	£15.9m	25.26p	7.45p

\* adjusted to exclude exceptional items

## GROUP RESULTS



	2013 £m	2012 £m	Change %
Managed houses	25.25	21.60	+16.9
Tenanted houses	1.85	2.30	-19.6
Corporate services	(8.35)	(7.61)	-9.7
<b>Operating profit</b>	<b>18.75</b>	<b>16.29</b>	<b>+15.1</b>
Operating margin	17.3%	16.3%	+1.0pts
Finance costs (net)	(2.86)	(2.89)	+1.0
<b>Profit before tax</b>	<b>15.89</b>	<b>13.40</b>	<b>+18.6</b>

*Adjusted to exclude exceptional items*

## MANAGED LFL REVENUE AT PUB LEVEL



	No. of pubs	£k	Change %	AWT per pub £k
Young's	121	72,618	+7.0	23.1
Geronimo	33	25,644	+3.5	29.9
<b>Total</b>	<b>154</b>	<b>98,262</b>	<b>+6.0</b>	<b>24.5</b>

# MANAGED LFL OPERATING PROFIT AT PUB LEVEL



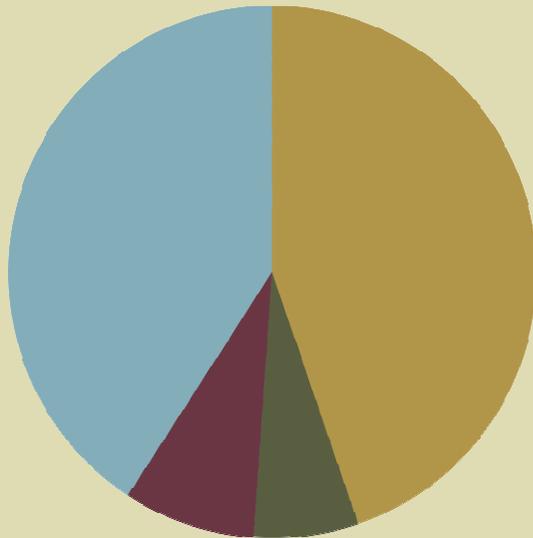
	£k	Change %	Margin %	Change %
Young's	19,113	+10.3	26.3	+0.8
Geronimo	5,271	+26.0	20.6	+3.7
<b>Total</b>	<b>24,384</b>	<b>+13.4</b>	<b>24.8</b>	<b>+1.6</b>

# CAPITAL INVESTMENT IN PUB ESTATE



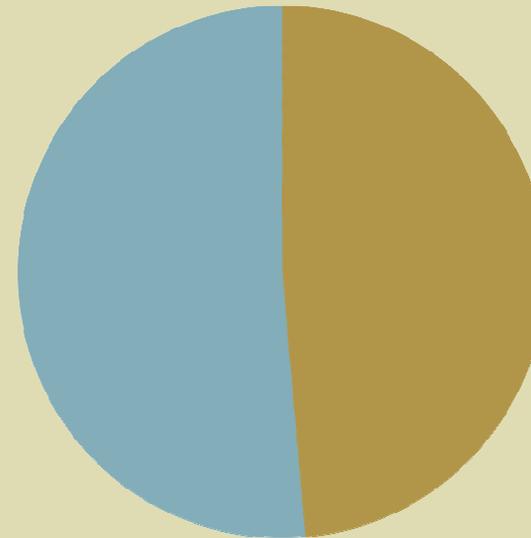
Total: £17.6m (2012: £9.5m)

By division



- Young's Managed £7.9m
- Young's Hotels £1.1m
- Tenanted £7.2m
- Geronimo £1.4m

By nature of spend



- Investment on existing estate £8.7m
- Acquisitions £8.9m

## STRONG CASH GENERATION AND INVESTMENT



	2013 £m	2012 £m
Cash generated from operations	25.6	16.3
Interest and tax	(5.1)	(5.1)
Dividends	(3.7)	(3.5)
Disposals	-	2.8
Capital expenditure	(17.7)	(9.5)
<b>(Increase)/decrease in net debt</b>	<b>(0.9)</b>	<b>1.0</b>

## DEBT STRUCTURE



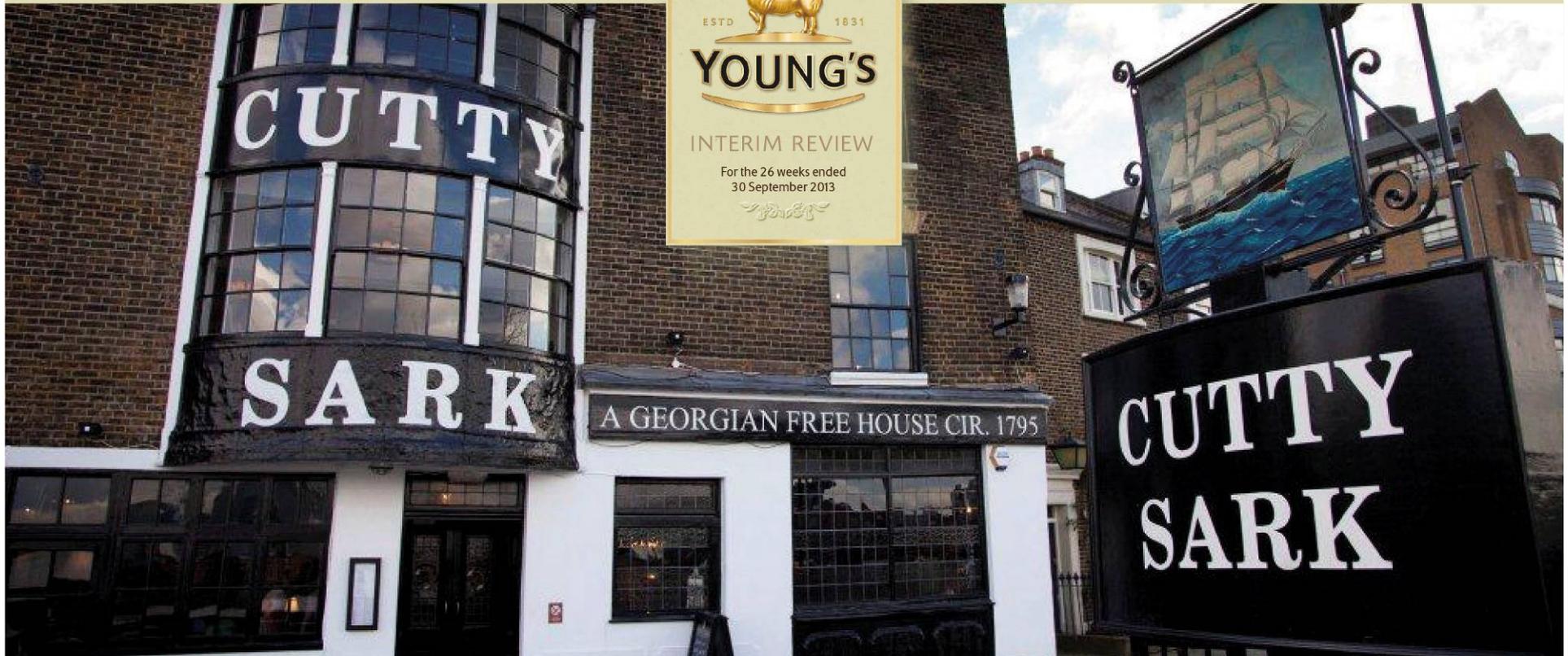
Longer-dated committed facilities	
£30m long term (March 2023)	£50.0m
£20m medium term (March 2018)	
Medium-dated committed facilities	
£50m RCF (Dec 2015)	£100.0m
£50m term loan (Dec 2013 to 2015)	
Net debt	£113.5m
% of debt fixed	88.1%
Interest cover (based on last 12 months' trade)	5.5 times
Net debt/EBITDA (based on last 12 months' trade)	2.6 times
Loan to value	21.3%

## PUB PORTFOLIO



	April 2013	+	-	Transfers	Sept 2013
Young's Managed	125	-	-	3	128
Geronimo	34	-	-	1	35
Tenanted	78	3	-	(4)	77
<b>Total</b>	<b>237</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>240</b>

*Out of the total of 240 pubs, there are 187 freeholds and 13 long leases with peppercorn rents (leases with > 39 years to run, with rents that are < £10K per annum)*



## MANAGED HOUSES – YOUNG'S

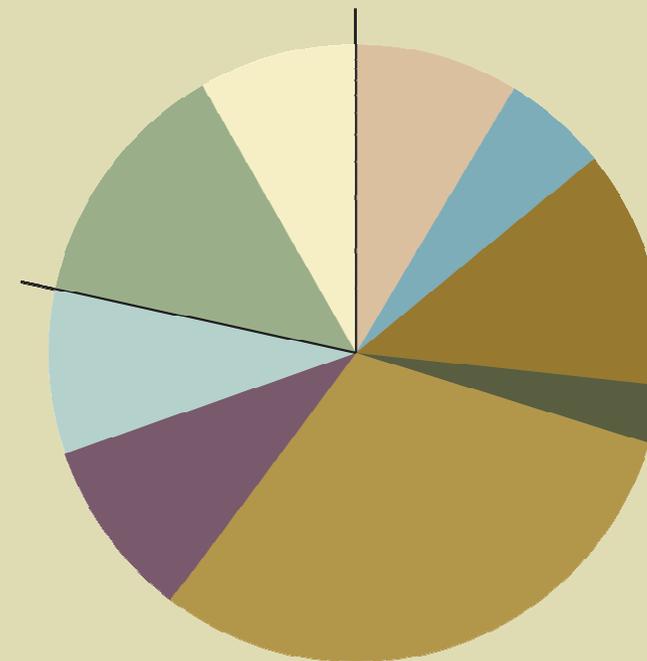
2013 INTERIM REVIEW

DOING THINGS BETTER BY HALF

# YOUNG'S MANAGED ESTATE



- 128 prime sites, including 18 hotels
  - Revenue up 12.1%
  - LFL revenue up by 7.0%
  - Operating profit up 14.9%
- Hotels' RevPAR up 2.0% at £55.22
- New pubs prospering
  - Cutty Sark, Narrowboat and Wheatsheaf, exceeding expectations
- Food leading the way
  - Food LFL sales up 10.5%, with drink LFL up 5.7%
- Record breaking summer along the river
  - Over half of Young's Thames-side pubs beat their all time 26 week record
- Commitment to our customers
  - Always striving for excellence, whether in product portfolio, food, service, ambience or design
- Commitment to our people
  - Y factor training programme developing talent throughout the business



- Central London 11
- City 7
- Greater London 16
- South London 4
- SW London 39
- Thames-side 12
- West London 11
- Home Counties 17
- West Country 11

## WELL-INVESTED ESTATE



Pub developments	Additions	Hotel developments
Dog & Fox (Wimbledon)	Bull & Gate (Kentish Town)	Brook Green (Hammersmith)
Duke of Wellington (Notting Hill)	Three Lords (City)	Crown (Chertsey)
Queen Adelaide (Wandsworth)	Marquess Tavern (Islington)	
Flask (Hampstead)	King's Arms (Epsom)	
Hand & Spear (Weybridge)		
White Hart (Barnes)		
Horts (Bristol)		
£5.3m	£2.6m	£1.1m

# REVENUE HIGHLIGHTS



- **Drink**
  - Growth across all product groups, with mix reflecting the warm summer
  - New fresh identity for Young’s brands
  - Programme of both food and drink master classes
- **Food**
  - Fastest growing part of the business, 28.5% of total revenue
  - A balance of great British classics and individual innovation by our chefs
  - Locally sourced and prepared in-house
  - Creative barbeque offers
- **Accommodation**
  - Integral to our growth strategy, with 400 rooms and 29 to be added soon
  - Brook Green rooms upgraded to boutique quality
  - Open kitchens now at Dog & Fox and Crown, driving outstanding food growth
  - RevPAR - £55.22, up 2.0% on last year

	LFL	Total	Mix
Drink	+5.7%	+11.3%	65.8%
Food	+10.5%	+16.0%	28.5%
Accommodation	+6.8%	+6.8%	5.3%
Other	-11.7%	-23.7%	0.4%
<b>Total</b>	<b>+7.0%</b>	<b>+12.1%</b>	<b>100.0%</b>

# CREATIVE, TARGETED AND EFFECTIVE MARKETING

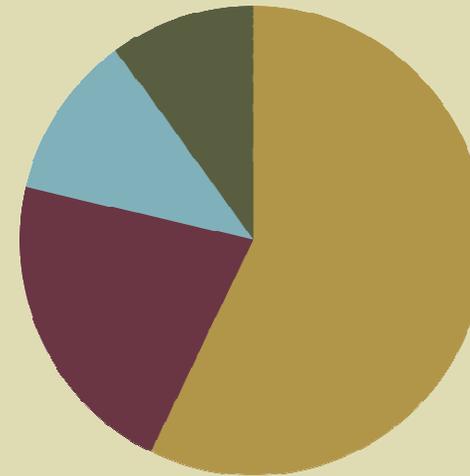


- Harnessing digital platforms to drive awareness and bookings
  - Database now exceeds 650,000
  - Mobile responsive website launched, which now handles 30% of demand
  - Promoting local events and maintaining Young's pubs in each community's heart
- New role of sales coordinators in the 25 leading sites
  - Providing exciting programme of events developed to match local market needs
- Young's Day, an annual event
  - Rewards loyalty and celebrates our rich heritage each year on 19th September
- Updated facade rolled out in five pilot sites
  - Intensive roll out programme from February

# DRINK MIX



- Absolute and LFL growth across categories
- Beer and cider
  - Still dominant part of drink mix (57.1%)
  - Robust growth 4.3%, with cider up 24.0%
- Leading role in craft beer revolution
  - 80% of Young’s pubs sell craft beer
  - Challenging people’s expectations
- Wine
  - Growing part of mix (21.3%)
  - Sales up 9.2%, with the warm summer bringing out the sparkling (up 27.7%) and rosé drinkers (up 23.3%)
  - Knowledgeable staff drive sales
- Spirits 11.3% of mix and growing
  - Sales up 7.0%
  - “Speakeasy” cocktail bar concepts



■ Beer ■ Other ■ Spirits ■ Wine

	Beer	Wine	Spirits	Other
2013	57.1%	21.3%	11.3%	10.3%
2012	57.9%	20.5%	11.2%	10.4%
Growth	4.3%	9.2%	7.0%	5.3%

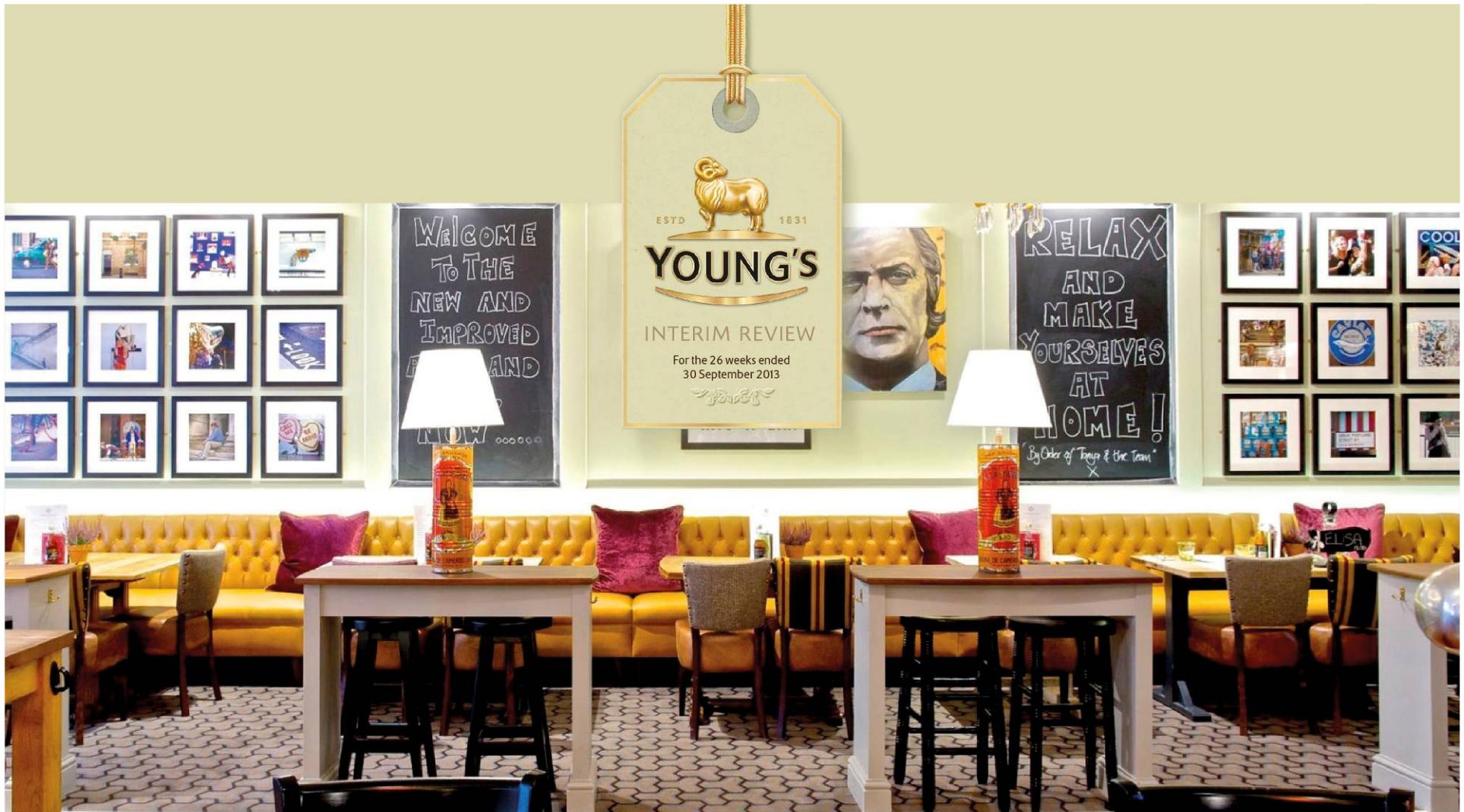
## ACCOMMODATION



	2010	2011	2012	2013
Hotels	16	17	17	18
Rooms	347	370	380	400
Room rate	£64.40	£71.61	£73.10	£72.57
Occupancy	71.7%	73.7%	74.1%	76.1%
RevPAR	£46.16	£52.79	£54.14	£55.22

# YOUNG'S - CAPITAL INVESTMENTS





# MANAGED HOUSES – GERONIMO

2013 INTERIM REVIEW

DOING THINGS BETTER BY HALF

# GERONIMO



- Revenue up 1.0%
  - LFL estate growing by 3.5%, despite the challenge of last year's Olympic uplift
  - Excluding the Stratford sites, revenue was up 7.8%, with the LFL estate growing by 7.1%
  - Estate's average weekly take is now £30k per pub
- Period of consolidation allows time to focus on profit conversion
  - Operating margin 20.4% (2012:16.5%)
  - Labour scheduling improvements
  - Purchasing synergies achieved
- Operating profit up 24.9%





# GERONIMO, THE “LIFE STYLE” BRAND



- Understands the new generation whilst appealing to traditionalists
- Newspaper and database communication brings sense of belonging to our club
- Health conscious food
- Environmental responsibility driving the food, the culture and detail
- Wine sales strong (beer sales less than half drink sales), but setting remains that of a pub
- Growing niche in high profile music venues
- Continually fresh and creative design
- Club room brand evolves to meet changes in consumer habits
- Branded social media, PR and dynamic video messaging all driven from the centre
- Retains individuality and allows a point of difference in the Young's stable



## DEVELOPMENTS



- Pub developments
  - Adam and Eve (Fitzrovia), Lord Palmerston (Tufnell Park) and Elgin (Notting Hill)
- Programme of continual refreshes
- Adding to and developing the private hire
  - Coat and Badge (Putney), Elgin (Notting Hill), King's Head (Winchmore Hill), Prince Albert (Battersea) and Red Barn (Blindley Heath)
- Transfers
  - Bull's Head (Barnes), reopens December



## REVENUE HIGHLIGHTS



- Revenue up 1.0% and LFL sales up 3.5% as the post Olympic period sets in
  - Excluding Stratford sites, revenue was up 7.8% with LFL up 7.1%
- Drink
  - Strong absolute growth up 5.8%, with LFL sales up 5.1%
  - Wine an integral part of brand strength
- Food
  - Absolute growth up 2.5% and LFL growth up 1.6% against a very strong comparative
  - Quality ingredients, great execution and service
  - Provenance - boat skippers, farmers and our own label products
  - Creative marketing - tasty Tuesdays and City Farms
- Other
  - Comparative distorted by Olympic effect and change in Club Room policy

	LFL*	LFL	Total	Mix
Drink	+9.4%	+5.1%	+5.8%	67.3%
Food	+5.1%	+1.6%	+2.5%	32.2%
Other	-7.2%	-44.2%	-46.8%	0.5%
<b>Total</b>	<b>+7.1%</b>	<b>+3.5%</b>	<b>+1.0%</b>	<b>100.0%</b>

\* LFL excludes Stratford sites

# GERONIMO - INNOVATIVE STYLE AT ITS HEART



## OUR PEOPLE

- **Hospitality industry challenges**
  - Exceeding customers' expectations is integral to our success
  - Employ 3k+ people, and with high staff turnover, regular and responsive training is essential
- **Recruitment**
  - Website enables us to attract candidates, track applicants and screen for quality
  - Member of Hospitality Perceptions Group working to attract people into the industry
- **Skills training and Management Academy**
  - The Y Factor and the G Way give an induction and provide the essential skills
  - Academy provides management and leadership training
  - Succession planning (70%+ of management appointments are internal)
  - E-learning platform has provided health and safety training for a decade
- **Chef's Academy**
  - We sponsor 15+ apprenticeships in professional cookery at local colleges
  - New Academy develops chefs for the future
- **Objective online appraisal system**
  - Develops, promotes and retains top talent
  - Provides career and succession plans





ESTD 1831  
**YOUNG'S**  
INTERIM REVIEW  
For the 26 weeks ended  
30 September 2013

# TENANCIES

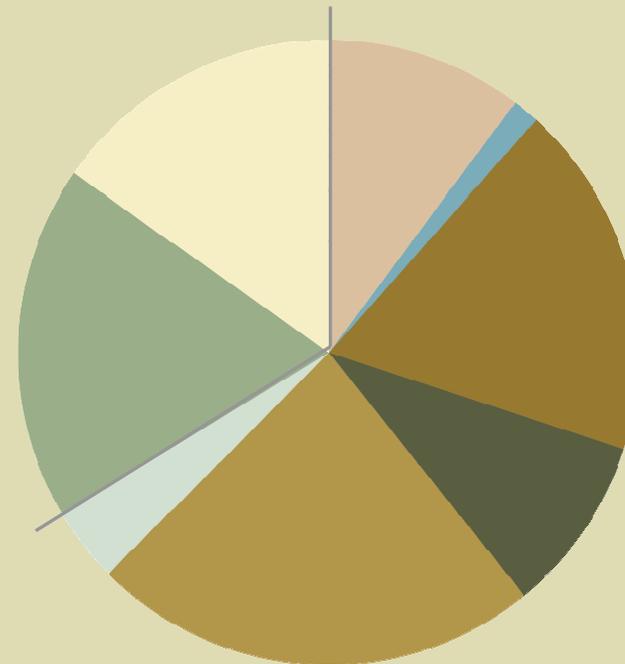
## 2013 INTERIM REVIEW

DOING THINGS BETTER BY HALF

# TENANTED OPERATING HIGHLIGHTS



- Reconstructing our tenanted model
  - Last year: seven sold; two leases expired; one transferred to managed
  - This period: four transferred to managed
  - Three new freeholds acquired - Clapham North, New Inn (Ealing) and Royal Oak (Bethnal Green)
  - 77 tenancies now (18 months ago: 88)
  - As expected, total sales down 7.1%; profits down 19.4%
- Commitment to tenancies remains
  - Smaller estate of better quality pubs



Central London 8	SW London 18
City 1	West London 3
Greater London 14	Home Counties 14
South London 7	West Country 12

## TENANTED INITIATIVES AND ENHANCEMENTS

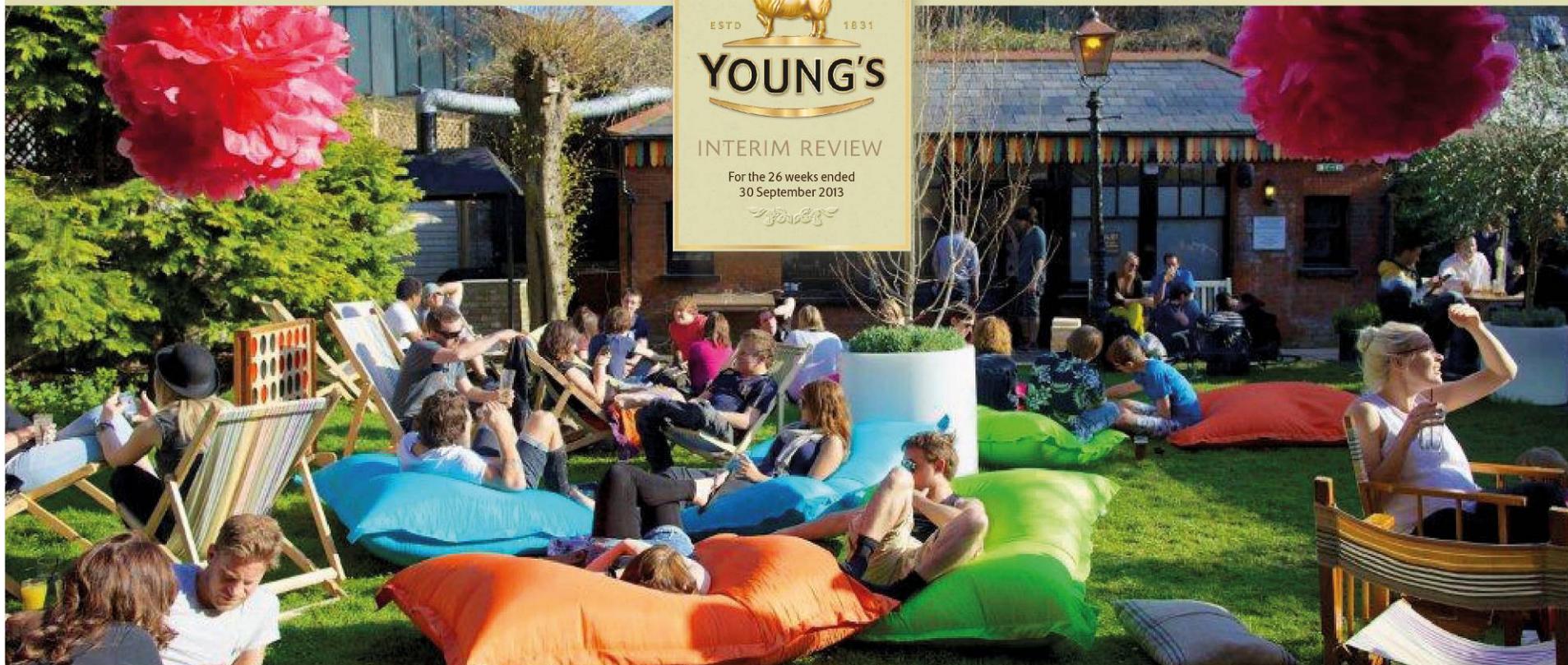
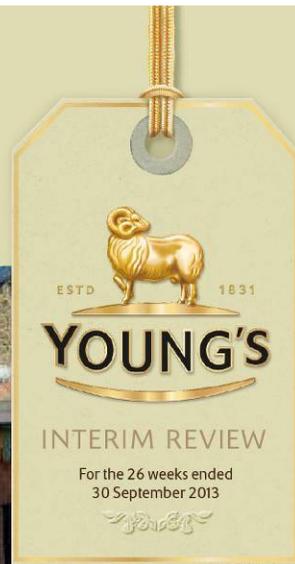


- Commitment to our tenants
  - Improved support with stronger partnership principle
  - Improved access to training
  - Extended portfolio of leading brands
  - Our code of practice achieved industry accreditation
- Marketing
  - Newly appointed sales and marketing manager
  - New website under development
  - Soon to be re-branded
  - Investing in systems and processes to drive better tenant recruitment
- Strategy
  - Focus on fewer, better invested pubs capable of sustainable growth
  - Limited future disposals but potential for further acquisitions or transfers from management



# TENANTED





# SUMMARY

## 2013 INTERIM REVIEW

DOING THINGS BETTER BY HALF

## OUTLOOK AND PROSPECTS



- Good start to second half
  - Sales for the first seven weeks up 7.7% (4.6% on a LFL basis)
- New managed openings
  - Bull's Head bringing jazz back to Barnes in December
  - The Bull & Gate opens in Kentish Town in February
- New pubs in the pipeline
  - Acquired the Boatman (Guildford) and exchanged contracts for the Guard House (Woolwich) and actively looking for other sensibly priced assets
- Strategy remains the same
  - A consistent strategy along with a strong financial profile and committed team continues to deliver superior returns for shareholders
  - 6.1% rise in interim dividend; 17 consecutive years of unbroken increase

