

# Business Review



[www.thespiritgroup.com](http://www.thespiritgroup.com)

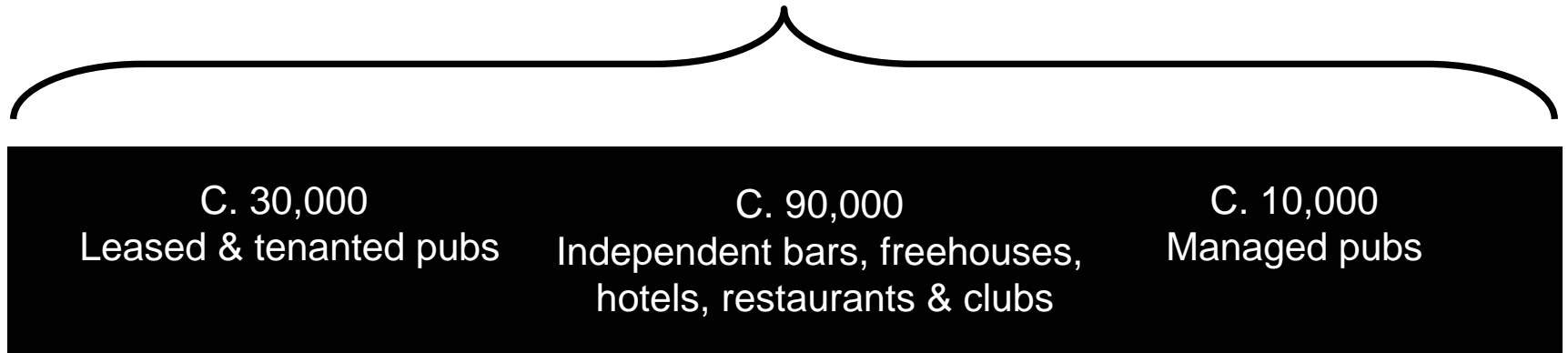
PASSIONATE ABOUT OUR PUBS



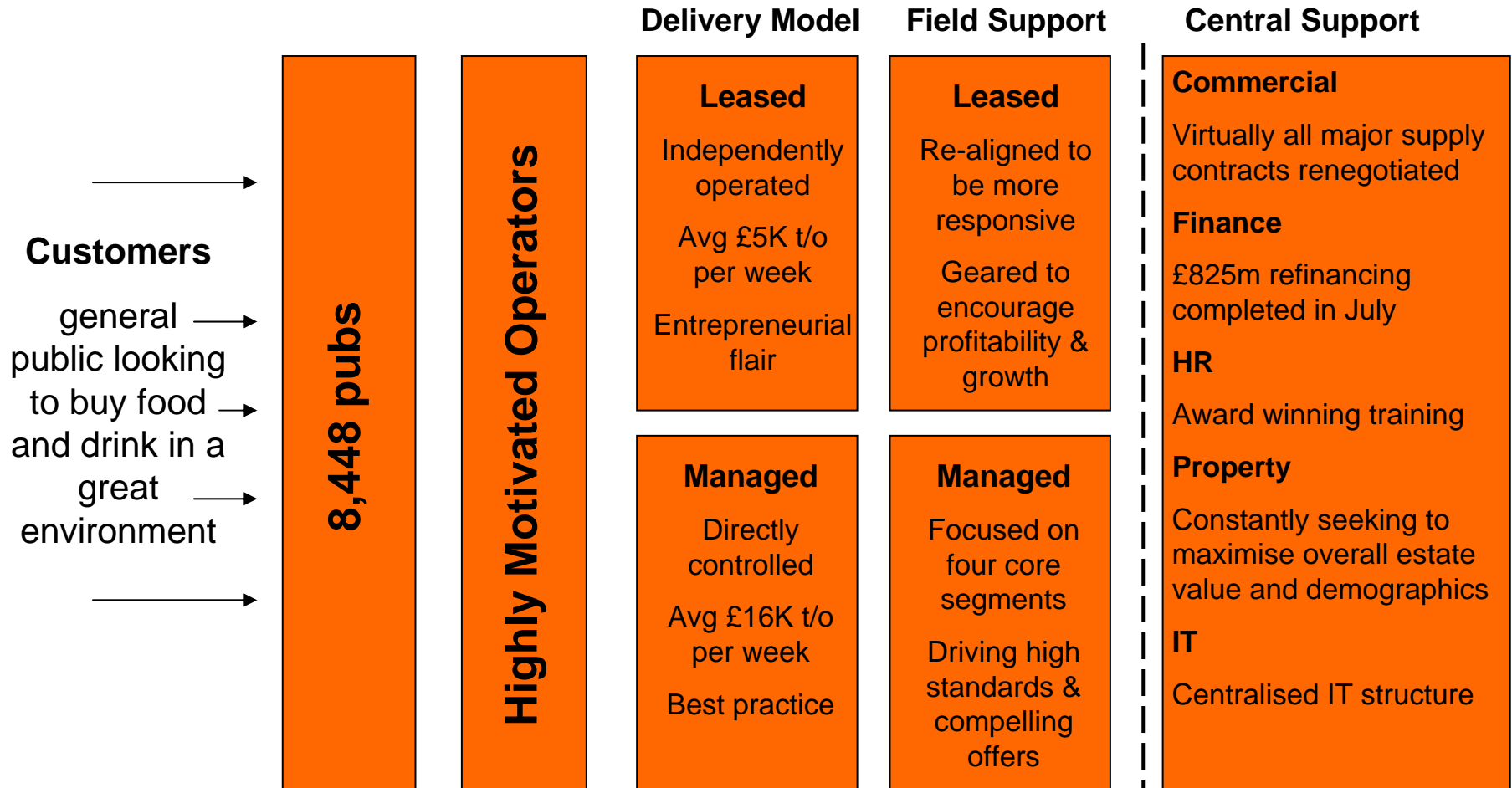
[www.punchtaverns.com](http://www.punchtaverns.com)

# Punch Taverns & the Licensed Trade

C. 130,000 On Licensed Premises in UK



# Our Operational Approach

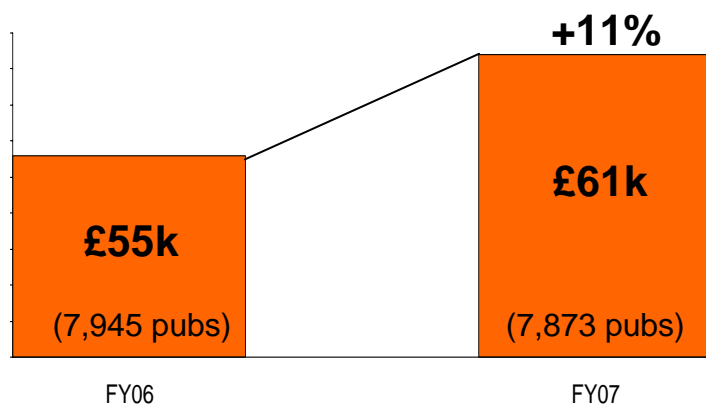


*“Optimising sales & service”*

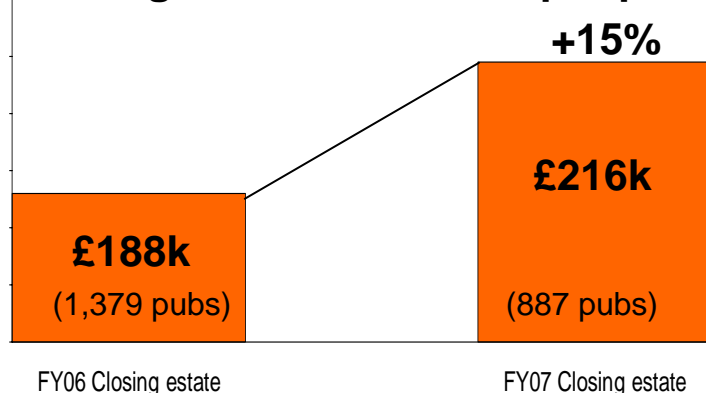


# Estate Quality Improving

## Leased EBITDA per pub



## Managed Outlet EBITDA per pub



- Leased estate quality has been improved this year by:
  - 637 completed transfers
  - 933 disposals including the recent package sale
  - Organic growth
- Full year impact of transfers/disposals gives run rate EBITDA per pub of £65k in closing estate of 7,561 leased pubs
- Year end managed estate of 887 pubs is of substantially higher quality than last years closing estate due to:
  - Acquisition of Mill House Inns
  - Disposals
  - Transfers to lease
  - Organic growth



# Leased Estate Well Positioned

- **Great pubs**

- Managed transfer programme completed
- Package disposal to Admiral Taverns in May 2007
- Over 1,000 developments for £89m
- 85 individual acquisitions for £64m
- £17m spend on acquisition of freehold interests
- 71% of pubs now on long term agreements
- Average EBITDA per pub up 11% this year

- **Great support**

- 15,000 retailer training days and 3 industry training awards (NITA)
- 285 beer brands available to lessees
- Other drinks range expanded through Matthew Clark JV



P A S S I O N A T E   A B O U T   O U R   P U B S

# Successful Retailers

- **Direct indicators of retailer profitability are strong**
  - Average retailer profitability has grown 9% to c£38k
  - 662 assignments at an average premium of £71k
  - Over 6,600 applicants and 1,800 lettings this year
  - Overdue debt is low and has reduced
  - Rent concessions of £2.3m are steady at c1% of rent roll



# Focused Managed Estate

- **Great pubs**
  - Mill House Inns acquired in September 2006
  - £44m development investment on proven concepts
  - Finalists in Pub Food concept of the year for our Chef & Brewer menu
  - Wacky Warehouse - Best Children's Party Venue 2007
  - Average weekly sales £16k (excl VAT)
- **High & improving standards**
  - Mystery customer scores improved by c.5%, driven by "Clean and Cared for pubs" and "Great Service"
  - Food Quality measure improved by c.10%, due to improvements in cooking, presentation and storage
- **Strong support and control**
  - In house training academy for pub managers launched
  - Personal development assessments for all pub managers
  - Carbon management programme to reduce utility usage
  - Improved labour rota model



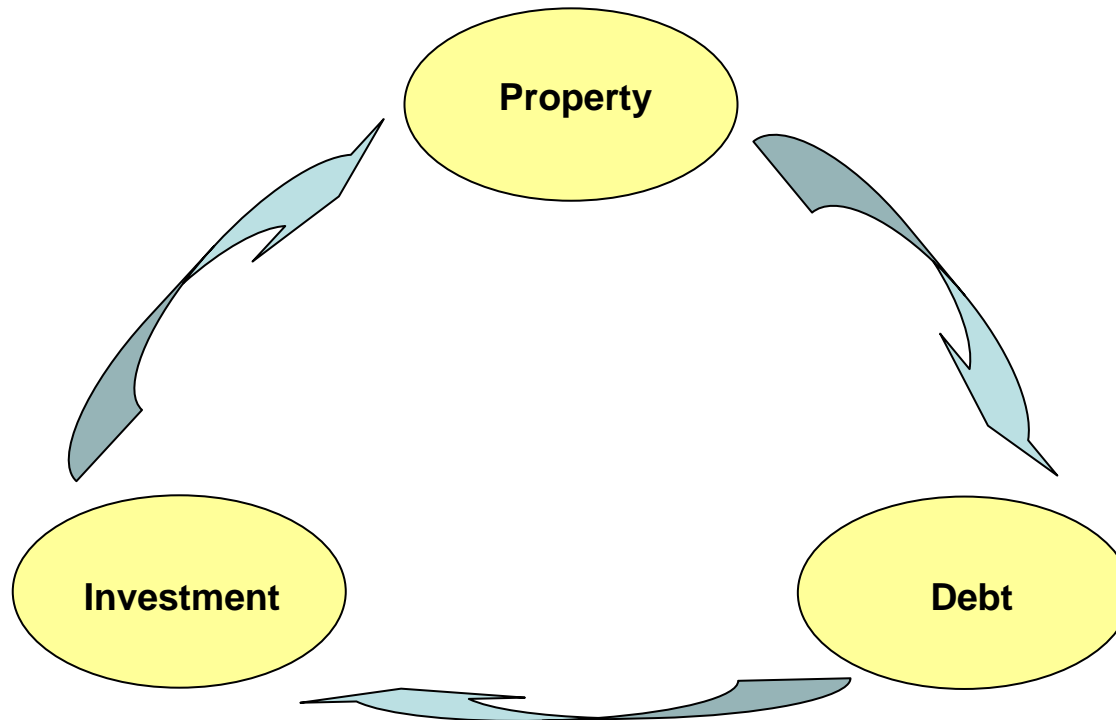
# Four Focused Managed Segments

The four core segments each operate in distinct markets

	Value Food	Quality Food	City	Locals
Total no. of pubs	198	150	184	304
Mill House Inns	34	12	10	22
Average Sales per week	£20k	£20k	£15k	£12k
Profit Conversion	29%	28%	40%	36%
Food Sales %	54%	58%	22%	17%
Average food spend	£6	£10	£7	£5
				



# Financing Strategy



# Financing Strategy

- **Investment in improving estate quality**
  - £164m acquisition of Mill House Inns
  - £117m investment in leased estate
  - £85m investment in managed estate
  - £326m sale of 869 pubs to Admiral Taverns
- **Refinancing completed in July 2007**
  - Acquisition bank debt repaid
  - All debt is at fixed rates
  - Key ratios:

Debt : EBITDA	7.4x
Interest cover	2.0x
WACD	6.6%



# Spirit Acquisition Review

	Spend	No of Pubs	EBITDA (FY05)	Multiple
<b>Original Acquisition</b>	£2.7bn	1,830	£278m	9.7x
<b>Disposals</b>	£(0.8)bn	(400)	£(70)m	
<b>Net Acquired</b>	£1.9bn	1,430	£208m	9.2x

**Leased**

No of pubs	637
Run rate EBITDA	£72m

**Managed**

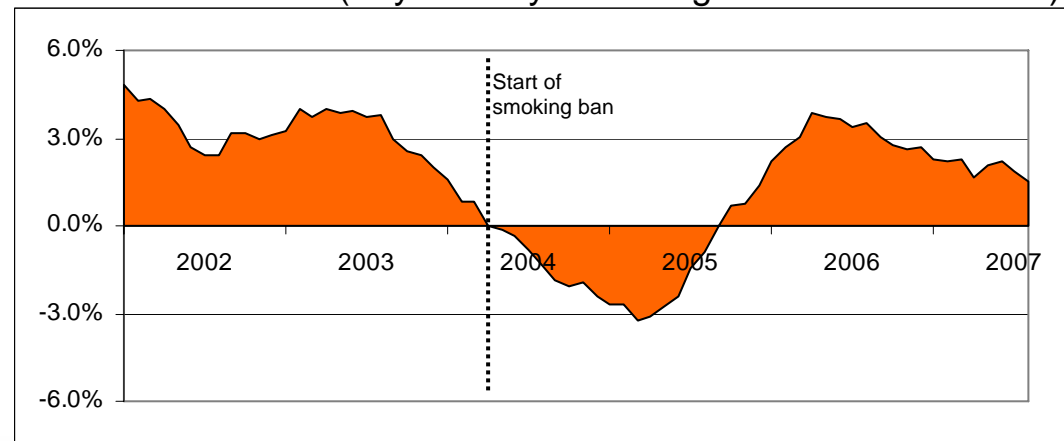
No of pubs	793
Run rate EBITDA	£148m



# Life after the Smoking Ban

- Well prepared: smoking solutions completed ahead of the ban
- Too early to assess overall effect of the ban
  - Scottish pubs back in growth
- Importance of retail standards and credible food offer will be key

Bar sales in Ireland (% year on year change in MAT retail sales)



Source: CSO Ireland



# Summary and Outlook

- Business has never been in better shape to face challenges and capitalise on opportunities
  - Quality of estate improved
  - Acquisitions integrated and synergies in place
  - Health of our retailers is robust
- However we remain cautious given the short uncertainty surrounding effect of the smoking ban and consumer confidence on the industry

