

Punch Taverns plc

2009 Preliminary Results

Financial Review

Forward Looking Statements

This presentation may contain certain statements about the future outlook for Punch. Although we believe our expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different

Group Profit and Earnings

	2008/09 52 weeks	2007/08 53 weeks	% Change
Average number of pubs	8,297	8,442	(2)%
Leased	412	490	
Managed	100	130	
Share of JV	2	3	
EBITDA	514	623	(17)%
Depreciation & amortisation	(62)	(63)	
Operating profit	452	561	(19)%
Interest	(292)	(299)	
Profit on asset sales	0	0	
Profit before tax	160	262	(39)%
Tax	(47)	(76)	
Net profit	113	186	(39)%
EPS	36.1p	69.9p	(48)%

Figures exclude exceptional items



Estate Size

	<u>Leased</u>	<u>Managed</u>	<u>Total</u>
August 2008	7,560	864	8,424
Lease reversions	0	52	52
Lease conversions	21	(21)	
Disposals	(740)	(60)	(800)
August 2009	6,841	835	7,676
<i>net change</i>	<i>(10%)</i>	<i>(3%)</i>	<i>(9%)</i>
Average estate size	7,426	871	8,297
<i>decrease on last year</i>	<i>(2%)</i>	<i>0%</i>	<i>(2%)</i>

- Focused disposal programme of non-core pubs to support debt reduction programme and improve quality of retained estate



Leased Estate

	2008/09 52 weeks	2007/08 53 weeks	Change
Average number of pubs	7,426	7,572	(2)%
Revenue	770	858	(10)%
Gross profit	493	563	(12)%
Costs	(81)	(73)	(12)%
EBITDA	412	490	(16)%
Operating profit	390	469	(17)%
Operating margin %	50.7%	54.7%	(4.0)% pts

- Like for like pub contribution down 10.9%
- Includes c.1,280 pubs in the Turnaround division:
 - 19% of the estate by pub numbers
 - Less than 6% of the estate by pub contribution
- Support levels increased to £1.6m/month across the year



Leased Operating Statistics

Like for like revenue

	2008/09	2007/08
	52 w eeks	53 w eeks
Drink	(6.1)%	(5.6)%
Rent	(8.8)%	2.1%
Machines	(16.8)%	(12.5)%
	(7.2)%	(3.7)%

Operating margin movement

	2008/09	2007/08
	52 w eeks	53 w eeks
Gross profit	(1.6)%	0.0%
Costs	(2.0)%	0.4%
Depreciation	(0.4)%	(0.3)%
Overall movement (% points)	(4.0)%	0.1%



Managed Estate

	2008/09 52 weeks	2007/08 53 weeks	Change
Average number of pubs	871	870	0%
Revenue	672	703	(4)%
Gross profit	477	507	(6)%
Costs	(377)	(377)	0%
EBITDA	100	130	(23)%
Operating profit	60	88	(33)%
Operating margin %	8.9%	12.6%	(3.7)% pts

- Includes the impact of 52 lease reversions
- Like for like sales down 1.5%
- Like for like gross profit down 3.1%



Managed Operating Statistics

Like for like revenue

	2008/09	2007/08
	52 w eeks	53 w eeks
Drink	(0.5)%	(4.6)%
Food	(1.4)%	(0.4)%
Machines & Other	(10.7)%	(10.0)%
	(1.5)%	(3.3)%

Operating margin movement

	2008/09	2007/08
	52 w eeks	53 w eeks
Gross profit	(1.1)%	(1.2)%
Labour costs	(0.1)%	(1.3)%
Utilities	(1.4)%	0.1%
Other costs	(1.0)%	(0.3)%
Depreciation	(0.1)%	(1.4)%
Overall movement (% points)	(3.7)%	(4.1)%



Exceptional Items

	2008/09
Restructuring costs	(8)
Provision for onerous leases	(29)
Pub impairment	(663)
Pub and deemed goodwill disposal	(32)
Profit on repayment of debt	246
Interest rate swap mark to market	(55)
Tax (net of goodwill adjustment)	252
Total	(290)



Cash Generation

	2008/09	2007/08
Operating cash flow	463	600
Pension	(3)	(13)
Interest	(309)	(310)
Tax received/(paid)	8	21
Free cash flow before investment	158	298
Investment	(93)	(136)
Disposals	414	35
Acquisitions	0	(24)
Free cash flow	479	173
Dividends	0	(42)
Cash flow pre financing	479	131

- Cash tax expected to normalise from H2 2010
- Lower rate of targeted investment to continue
- Disposal proceeds of c.£200m expected in 2010



Disposals

- **£414m of disposals:**
 - 800 pubs (740 leased and 60 managed) largely from the non-core estate
 - Average multiple in excess of 10 times EBITDA
 - Disposals earnings enhancing after repaying debt
 - Future disposal programme will focus on uneconomic tail of estate



Stable Long Term Debt

Debt Structure	Nominal Value £m		
	12 Oct 2009	Aug 2009	Aug 2008
Securitised debt			
Punch A	1,898	1,909	2,068
Punch B	1,000	1,125	1,249
Spirit	899	908	1,250
Total	<u>3,797⁴</u>	<u>3,942⁴</u>	<u>4,567</u>
Convertible bonds ¹	46	202	285
Gross Debt	<u>3,843</u>	<u>4,144</u>	<u>4,852</u>
Cash	(418)	(679)	(321)
Net Debt	<u>3,425</u>	<u>3,465</u>	<u>4,531</u>

Debt Repayment Schedule		
	Securitised Debt	Convertible
2009/10	£36m	-
2010/11	£58m	£47m ²
2011/12	£62m	-
2012/13	£64m	-

- Further £301m (7%) of debt repaid since the year end, all of which was paid ahead of schedule
- Weighted average life of securitised debt is 18 yrs
- Weighted average cost of debt is 6.8%³

¹Including accretive value at balance sheet date

²Post 12 October 2009

³Effective interest rate calculated as interest expense over nominal value of debt

⁴Net of bonds held within the Group of £177m and £195m at Aug 09 and 12 Oct 09 respectively



Net Asset Value

£m	<u>August 2009 per share</u>	
Fixed assets & investments	5,405	£8.42
Net debt (nominal value)	(3,465)	
	1,940	£3.02
Other	(272)	
Net assets	1,669	£2.60
Net asset excluding goodwill	1,165	£1.81

- Prudent approach to property values
- 11% asset write-down
- Impairment covers:
 - Reduced FY09 profit levels
 - Realistic trading outlook
 - Pubs identified for disposal



Financial Covenants

DSCR	Aug-09 DSCR	Covenant	Indicative Headroom
- Punch A	1.55x ¹	1.25x	24%
- Punch B	1.92x ¹	1.50x	28%
- Spirit (default)	1.92x ²	1.30x	48%

Net Worth	Aug-09 ³	Covenant ⁴	Indicative Headroom
- Punch A	£578m	£200m	£378m
- Punch B	£374m	£125m	£249m

- Headroom maintained in the DSCR and Net Worth financial covenants

¹ Figure shown is the lower of the FY09 Q4 4-qtr & 2-qtr look back ratio in line with the covenant test

² Figure shown is the FY09 Q4 4-qtr look back ratio in line with the covenant test

³ Net Worth at August 2009 as detailed in the Q4 bondholder report

⁴ Net Worth covenant tested annually



Financial Review Summary

- Results in line with expectations
- Strong cash generation before financing of £479m
- Prudent approach taken to property values
- Net debt reduced by more than £1 billion
- Gearing in line with peer group with intent to reduce further
- Disposals and debt retirement programme has been earnings accretive and net asset value creative

