

Punch

TAVERNS

Punch Taverns plc

2005 Preliminary Results

Growth momentum continues across the estate

November 2005

Highlights

- Strong growth from organic business and acquisitions continues
- Steady underlying growth in sales and profit
 - Like for like turnover and pub profit up 2.5%
- Full integration and consolidation of InnSpired
- Acquisition of Avebury
 - Additional 409 pubs increasing estate to 8,227 pubs at year end
- Securitised debt reorganised

Results Highlights

52 weeks to 20th August 2005

Turnover	£770m	up	21%
EBITDA	£412m	up	21%
PBTA	£207m	up	28%
Profit Before Tax	£201m	up	28%
EPS	62.3p	up	28%
Final Dividend	7.6p		
full year	11.3p	up	26%

Excluding exceptional items



FINANCIAL REVIEW

Financial Review

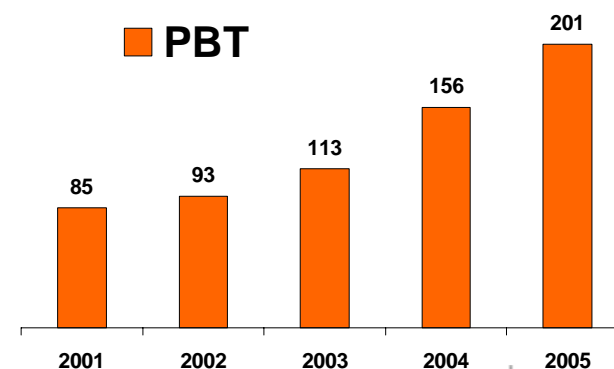
- Results cover 52 weeks to 20th August 2005
 - Full contribution from Pubmaster – acquired December 2003
 - 49 week contribution from InnSpired – acquired September 2004
 - 2 week contribution from Avebury – acquired August 2005
- Restructure of securitised debt in August 2005
- Reported on UK GAAP basis

Strong Earnings Growth

52 weeks to 20th August

	<u>£m</u>	<u>growth</u>
	pre exceptionals	
Turnover	770.1	21%
EBITDA	412.1	21%
Depreciation	(12.8)	
Interest	(192.3)	
PBTA	207.0	28%
Property Profit	0.0	
Amortisation	(6.5)	
PBT	200.5	28%
Tax	(43.8)	
Net Profit	156.7	29%
EPS	62.3	28%

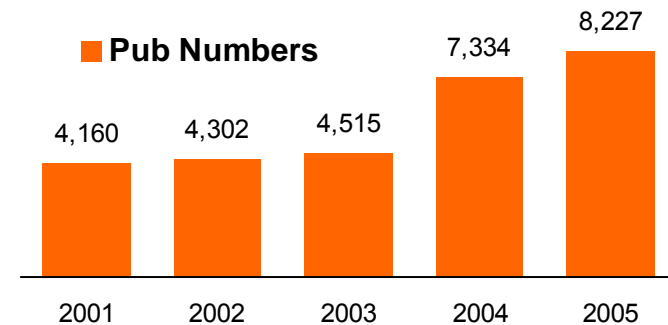
- Operating margin 54%
- Interest covered 2.1x
- Tax charge 22% pre exceptionals
- PBT increased 2.4x in last four years



Pub Numbers

August 2004	7,334
InnSpired Acquisition	471
Avebury Acquisition	409
Other Acquisitions	106
Disposals	(93)
August 2005	8,227
<i>average in year growth</i>	<i>7,765</i> <i>18%</i>

Closing Pub Numbers	
Punch	4,435
Pubmaster	2,912
InnSpired	471
Avebury	409
Total	8,227



Contribution by Estate

£m (pre exceptionals)	<u>Punch</u> (52 wks)	<i>growth</i>	<u>Pubmaster</u> (52 wks)	<u>InnSpired</u> (49 wks)	<u>Avebury</u> (2 wks)	<u>Total</u>
Turnover	458.1	4%	268.8	41.6	1.6	770.1
Gross profit	298.4	4%	156.4	25.1	0.8	480.7
Costs	(40.2)	(4%)	(25.1)	(3.2)	(0.1)	(68.6)
EBITDA	258.2	4%	131.3	21.8	0.7	412.1
<i>Margin</i>	<i>56%</i>		<i>49%</i>	<i>52%</i>		<i>54%</i>
<i>EBITDA per pub (annualised)</i>	<i>£58k</i>		<i>£45k</i>	<i>£49k</i>		<i>£53k</i>

- Punch growing turnover and profit
- Pubmaster margin improved to 49% from 46% last year
- InnSpired and Avebury estates contributing from day one

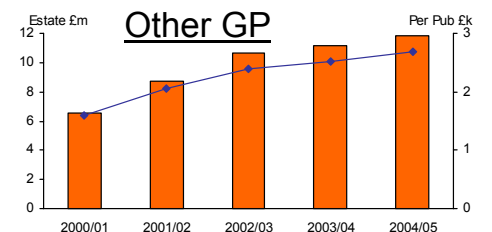
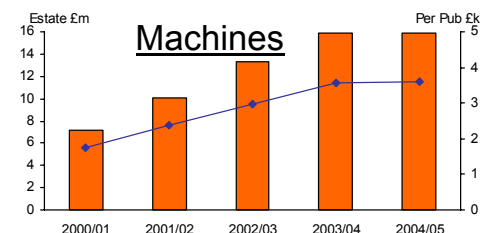
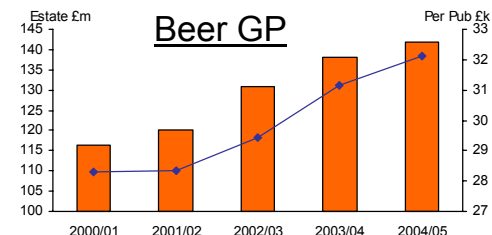
Income Stream Progression

	Punch (52 w ks)	<i>growth</i>	Pubmaster (52 w ks)	InnSpired (49 w ks)	Total
Turnover £m:					
Beer	275.6	3%	161.0	26.5	463.0
Rent	129.2	6%	56.8	10.2	196.2
Machines	15.9	0%	11.4	1.0	28.3
Other	37.4	6%	39.7	3.9	81.0
Total	458.1	4%	268.8	41.6	768.5
Gross Profit £m:					
Beer	141.7	3%	79.3	12.1	233.2
Rent	129.0	6%	56.6	10.2	195.8
Machines	15.9	0%	11.4	1.0	28.3
Other	11.8	6%	9.1	1.7	22.6
Total	298.4	4%	156.4	25.1	479.9

Note: Pubmaster Other includes GRS Inns (net turnover £16.3m, gross profit £2.6m)

Includes minor reallocation of prior year categories

PUNCH ESTATE ONLY



■ Total Punch Estate
— Average per pub

Growing Turnover and Profits

Average per pub

	Turnover	EBITDA
Punch	+4.0%	+4.0%
Pubmaster	+3.2%	+7.6%
InnSpired	+1.3%	+4.5%

Like for Like

	Turnover	Pub Contribution
Punch	+2.5%	+2.5%

- Steady organic growth in Punch estate extended by pub churn
- Pubmaster now growing strongly following integration and the start of investment programme
- InnSpired estate benefiting from integration synergies

Notes:

1. Pubmaster and InnSpired averages are compared to pre-acquisition management accounts.
2. Like for like estate includes all pubs except acquisitions made since Aug 2003 and imminent disposals (4,202, 95% of current Punch estate)

Cash Generation and Uses

£m	<u>2005</u>
EBITDA	412
Working capital, provisions, etc	(3)
Infrastructure investment	(3)
Tax	(13)
Cash generation	393
Pub investment	(72)
Individual acquisitions	(64)
Disposal proceeds	29
Interest	(198)
Dividends	(25)
Cash generated pre major acquisition	63
InnSpired acquisition	(213)
Avebury acquisition	(219)

- Cash generated in year was 51% of turnover
- Key uses of cash:
 - Investment in estate
 - Acquisitions
 - Servicing capital structure
- Free cash flow created debt capacity to fund InnSpired and Avebury acquisitions

Strong Balance Sheet

£m	<u>2005</u>	<u>2004</u>
Fixed assets	4,362	3,674
Working capital	(185)	(135)
Provisions	(122)	(103)
Cash	249	165
Securitised debt	(3,250)	(2,787)
Other debt	(1)	(14)
Net Assets	1,053	800
<i>Net debt</i>	<i>3,002</i>	<i>2,636</i>

- Asset value includes uplift of £128m from revaluation of 20% sample of core estate
- Asset and cash rich
- All debt is securitised, fixed rate and long term
- 32% growth in net assets in year, with reduced financial gearing

Note : Cash and debt are shown net of £31m cash collateralised loan notes (August 2004: £73m) and £169m relating to repayment of old Pubmaster floating rate debt settled on 30 September 2005 as part of the securitisation restructure

Pubmaster Debt Restructure

- Pubmaster securitised debt was restructured in August
 - Refinanced Pubmaster, InnSpired acquisitions and all short term debt onto long term basis at investment grade
 - Reduced average interest rate to 6.2% in this grouping and 6.8% overall
 - Updated covenants to ensure operational flexibility
 - Deferred repayments for 4 years to focus cash on investment
 - Released c£150m new cash – paved the way for Avebury acquisition
- Details of securitised debt profiles on our website and summarised in appendix

Accounting Points

- IFRS
 - Will apply from current financial year
 - Little impact on earnings anticipated
 - Full review to be presented in early 2006
- Exceptional non-recurring costs
 - Total £16.3m pre tax
 - Key items acquisitions £11.7m, debt refinancing £1.1m, licensing £3.5m
- Avebury acquisition
 - Fair value generating goodwill of £20m
 - Schedule of key facts in Appendix
- Taxation
 - Acquisitions have provided further tax shelters
 - Profit tax of 22% or 20% post exceptionals

Financial Review Summary

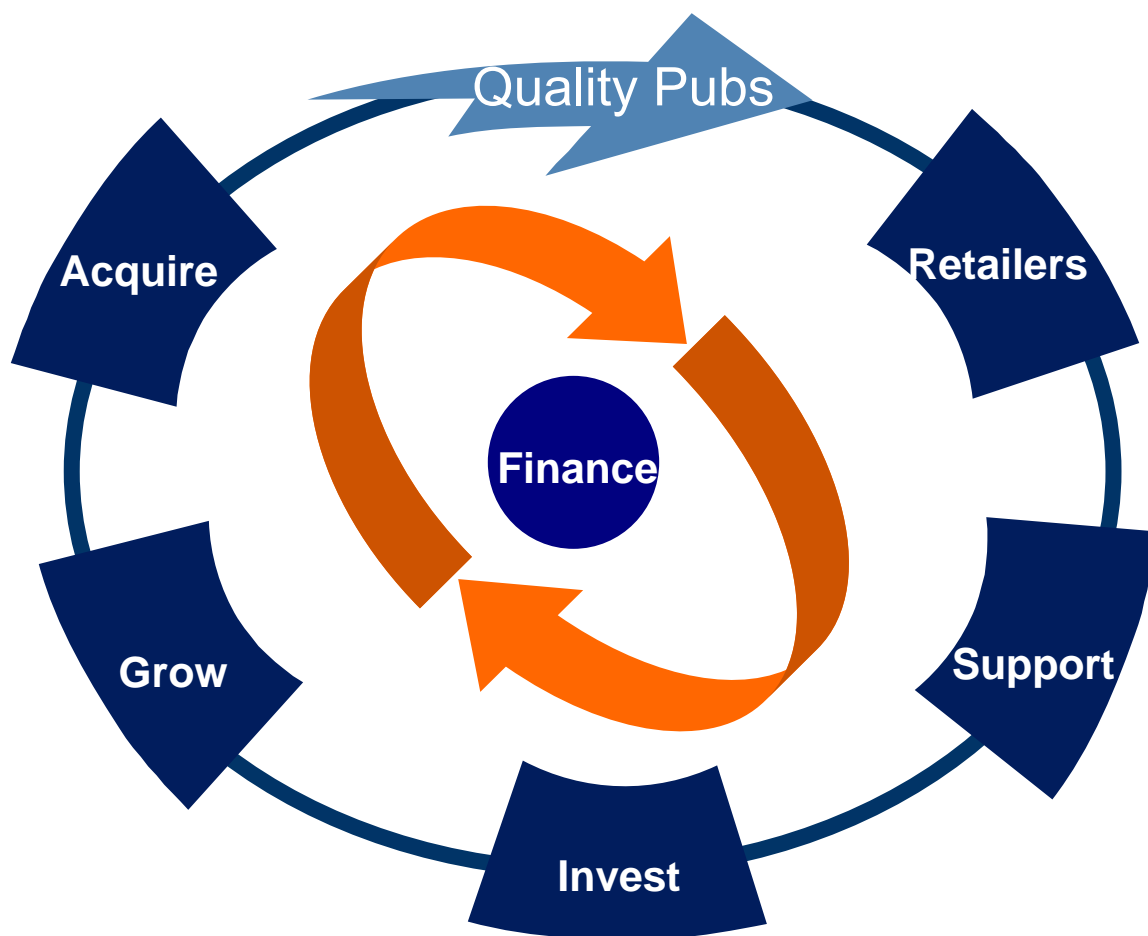
- Strong growth in year derived from steady organic operational growth and complementary acquisitions
- Debt refinancing has modernised and strengthened our funding structure, at lower cost
- Balance sheet and cash reserves are strong

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Business Review

Business Review



- Consistent and proven strategy:
 - To add value through the business model
 - To acquire more pubs

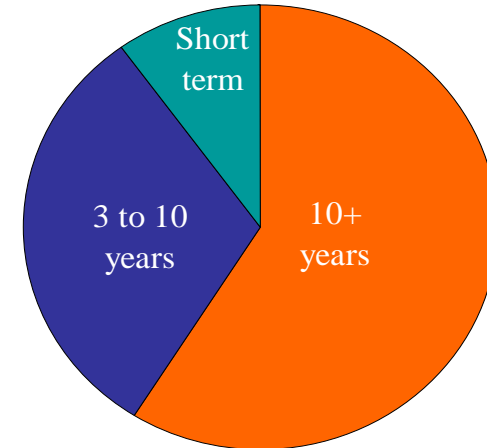
Business Model in Action

● Retailers

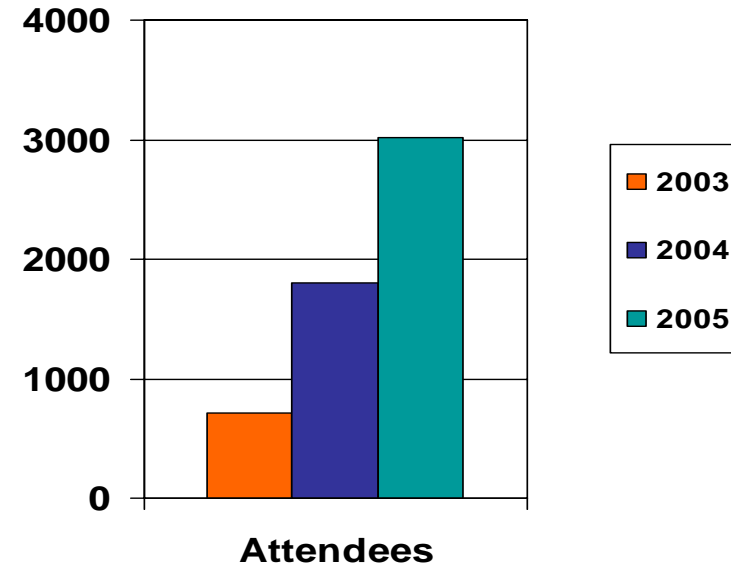
- Applicant numbers 120 per week.
- 883 pubs signed onto long term Retailer Agreement in year
- 59% of pubs now on long term agreements (51% last year)

● Support

- 13,902 retailer training days this year; 3,016 retailers trained.
- Retail Experience programme – 41 events run to date, covering 1,424 retailers.
- Licensing support package assisting move to more flexible hours



Growing training programme



Business Model in Action

Investment

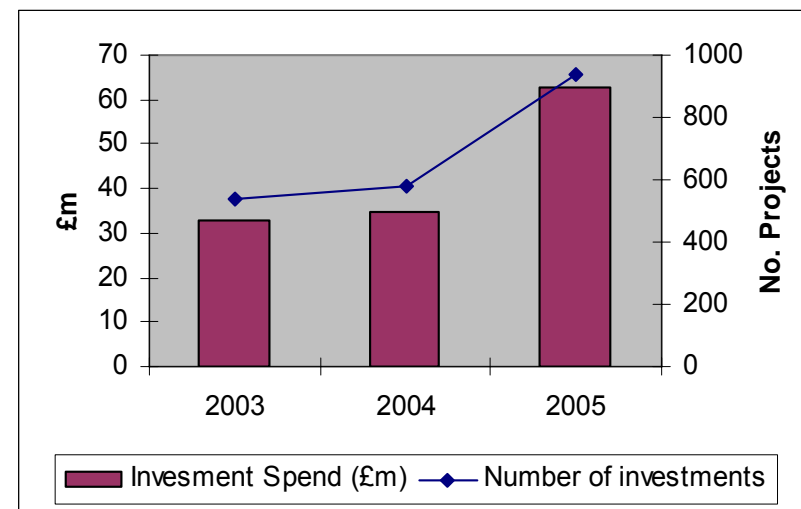
- 936 pub developments for £63m at c30% ROI. Total pub spend £72m
- 45% of projects in Pubmaster estate
- Consistent programme -12% of estate developed in 2003, 9% in 2004, 12% in 2005



Nags Head (Nottingham)
Spend £86k



Hussey Arms (Brownhills)
Spend £175k



Business Model in Action

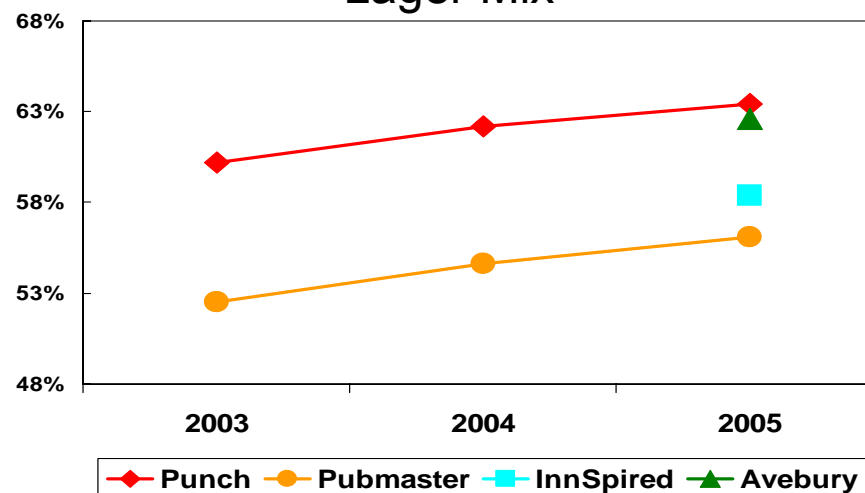
● Growth

- 667 rent reviews agreed – average uplift 15%
- 321 lease renewals agreed – average uplift 25%
- Lager mix continues to grow across all parts of estate
- 256 beer brands (164 cask)

● Acquisitions

- 106 individual pub acquisitions for £64m at 12% ROI
- InnSpired – 471 pubs
- Avebury – 409 pubs
- All businesses now fully integrated

Lager Mix



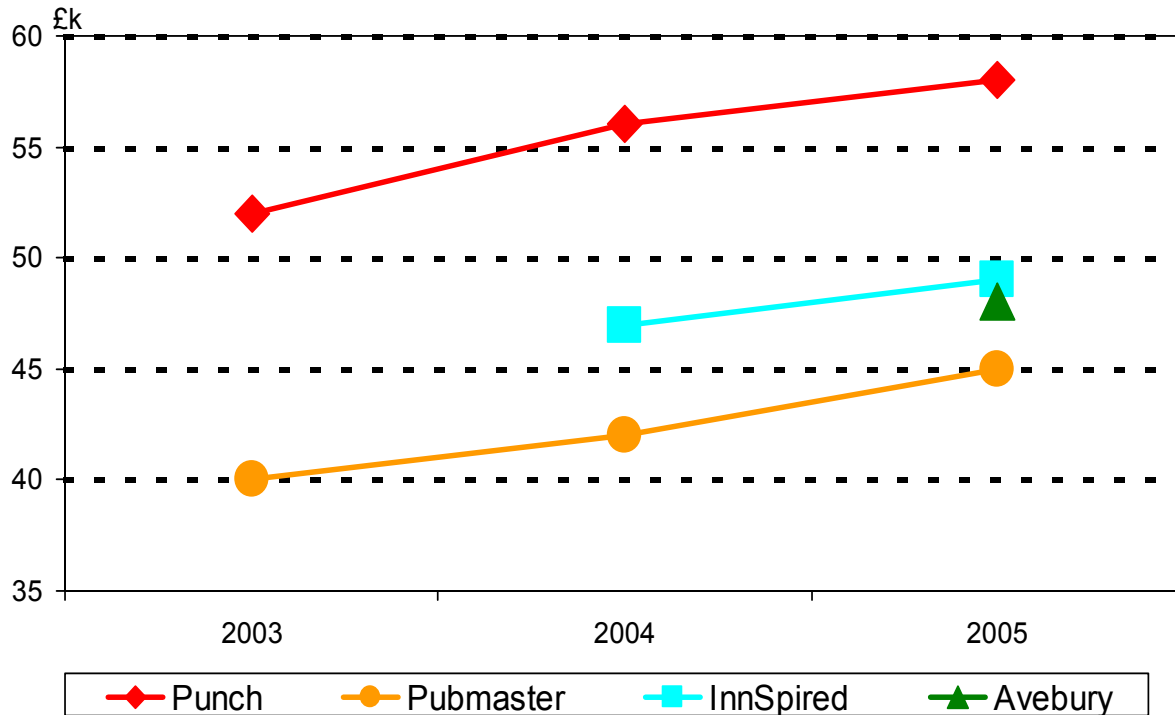
Downe Arms
(Castleton, Whitby)
Spend £473k



Pear Tree (Bassingbourn)
Spend £693k

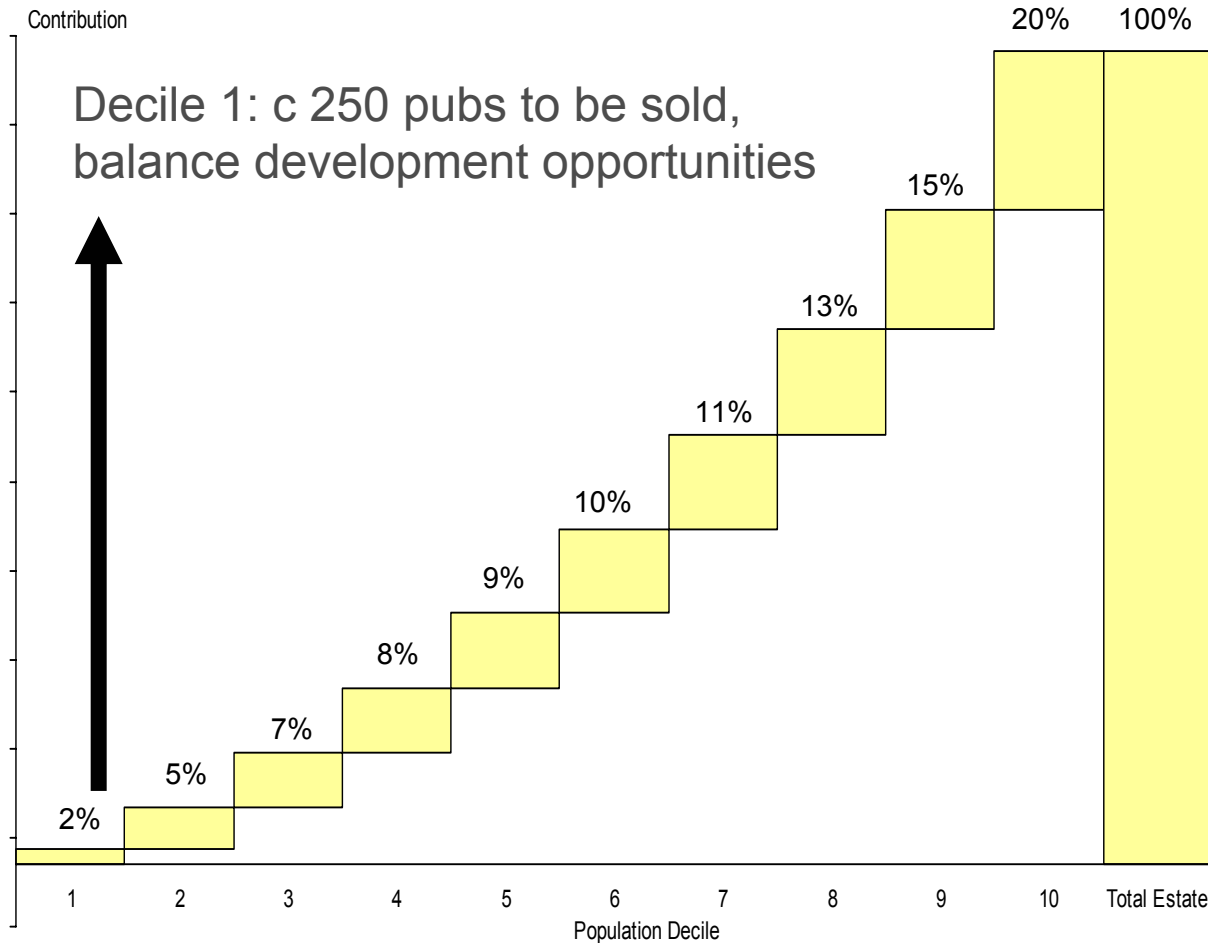
Positive Effect of Business Model

EBITDA Per Pub



- Pubs of all sizes and origins continue to grow
- Key growth drivers are
 - Retailers and agreements
 - Investment
 - Product range and mix
 - Purchasing synergies
 - Economies of scale

Decile Analysis



- Top half of the estate generate 69% of profit
- Bottom deciles continue to provide positive contribution and
 - have greatest opportunity for profit growth
 - provide opportunity for alternative use churn

Profit contribution in like for like estate, Pubmaster and InnSpired by population decile

Industry Watch

● Licensing

- Proactive policy will result in over 2 million extra trading hours p.a. across the estate from 24th November

	As At 4 th November	
Punch Applications	Licences Granted	Variations Granted
6,537	5,448	5,248

● Smoking

- Smoke reduction strategy being embraced – POS already in place
- Planning for new environment now
- Highly proactive strategy in Scotland is a template for future plans in England and Wales

Punch Smoking Charter

Retailer Statements of Intent	Adopting Smoking Policy	No Intention	Complete Ban
6,140	4,291	1,812	37

* 766 Retailers elected to 'go alone' - we have continued to monitor their status and have registered our interest in each site

As at 31st October

Summary and Current Trading

- Another excellent year of organic growth and value enhancing acquisitions
- Business is well placed to sustain continued growth
- Current trading is satisfactory and in line with the Board's expectations
- Our success is testament to the strong and growing partnership with our retailers

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Appendices

Avebury Fact Sheet

Indicative Trading

Turnover £m: Yr to Apr 05

Beer	24
Rent	10
Machines	2
Other	3
Total	40

Gross Profit £m:

Beer	10
Rent	10
Machines	2
Other	1
Total	22
Costs	(4)
EBITDA	19



- EBITDA per pub £46k
- Gross profit 56%
- 68% Long term agreements
- 63% Lager mix
- 95% Freehold / Long Leasehold
- Securitised debt of £108m (following agreed prepayment of £12m)
- Interest rate average of 7.8%

FAIR VALUE

	£m
Investment:	
Acquisition	219
Fees	3
Securitised debt	(120)
total	102

Fair value:

Asset value	234
Securitised debt value	(144)
Working capital etc	(8)
total	82

Fair value adjustment to be amortised 20



Lease and Tenancy Agreements

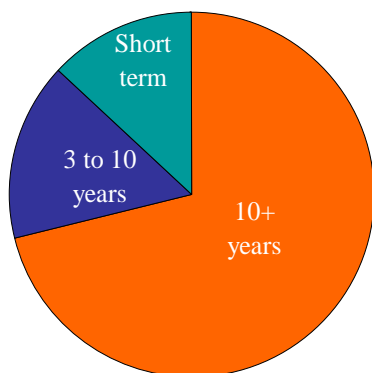
Lease type at August 2005:

Retailer Agreement/PGL	28%
Standard lease	31%
Tenancy	31%
TAW	8%
Not trading	2%

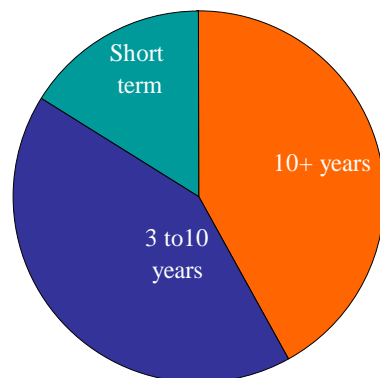
- 59% of pubs now on long term leases (51% last year :
 - Punch 71%
 - Pubmaster 42%
 - InnSpired 79%
 - Avebury 68%

- Includes 957 pubs on new long term Retailer Agreement
 - 374 Pubmaster pubs

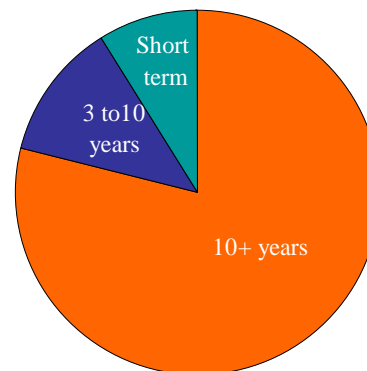
Punch



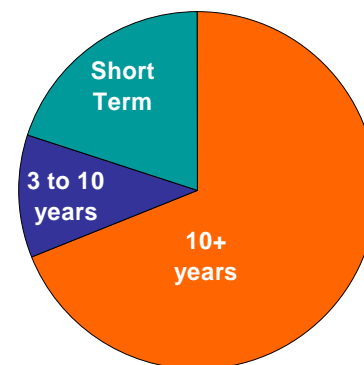
Pubmaster



InnSpired



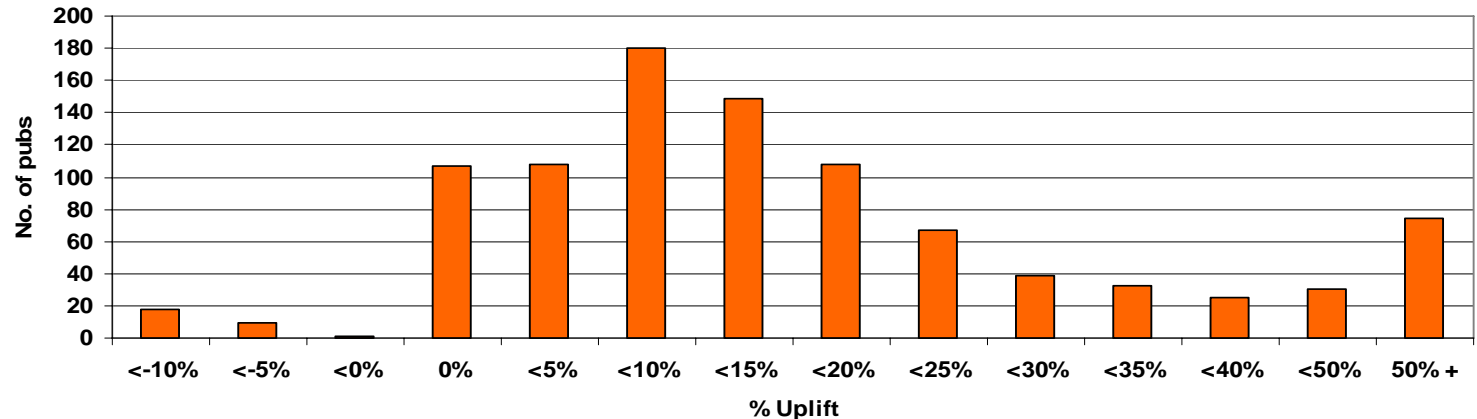
Avebury



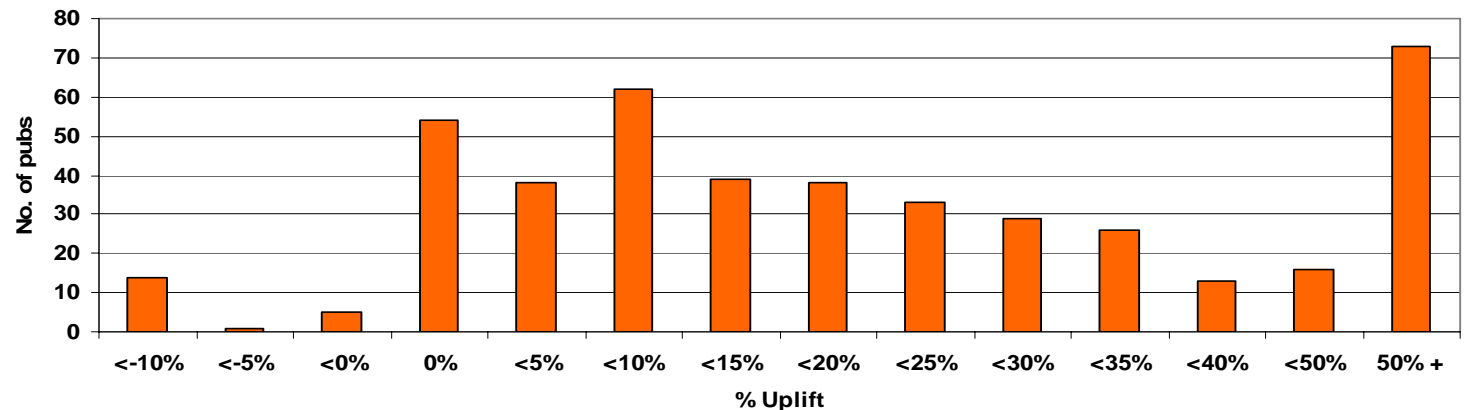
Agreeing Fair Maintainable Rents

- Rent is assessed on the estimated fair maintainable retail profit of the individual pub
- Rent is negotiated and agreed with the retailer
- There are a wide spread of uplifts achieved demonstrating this 'individual' pub approach
- In 2005 in the Punch estate, 321 new rents have been agreed on renewals at an average uplift of 25%. 667 rent reviews have been agreed at an average uplift of 15%
- In exceptional difficulties, rent concessions are granted. At year end there were 151 such concessions, with annualised rental value of £2m.

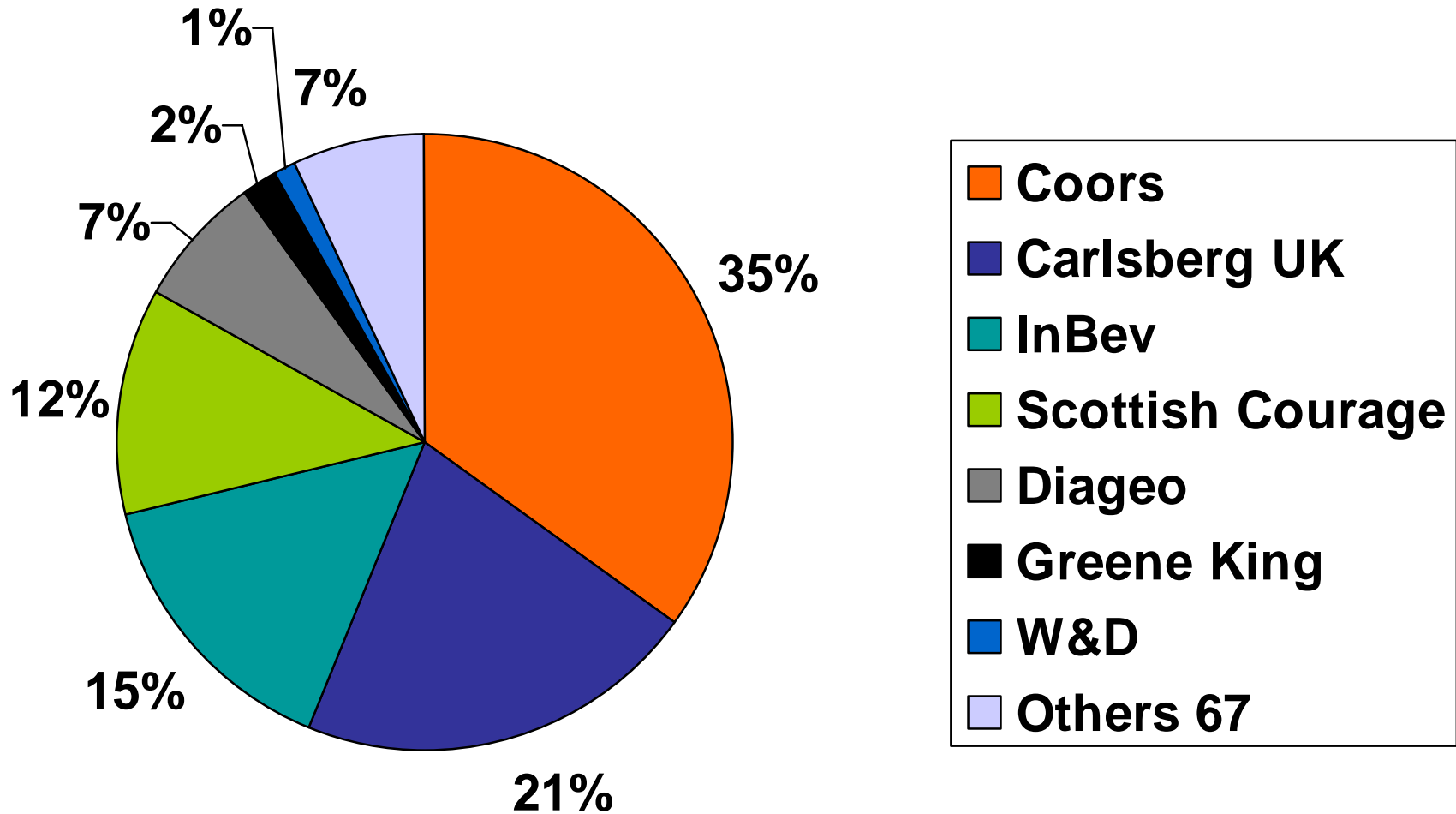
Punch estate
Completed Rent Reviews
2004 & 2005
- Rental uplift achieved



Punch estate
Completed Lease Renewals
2004 & 2005
- Rental uplift achieved



Supplier Mix – Year to August 05

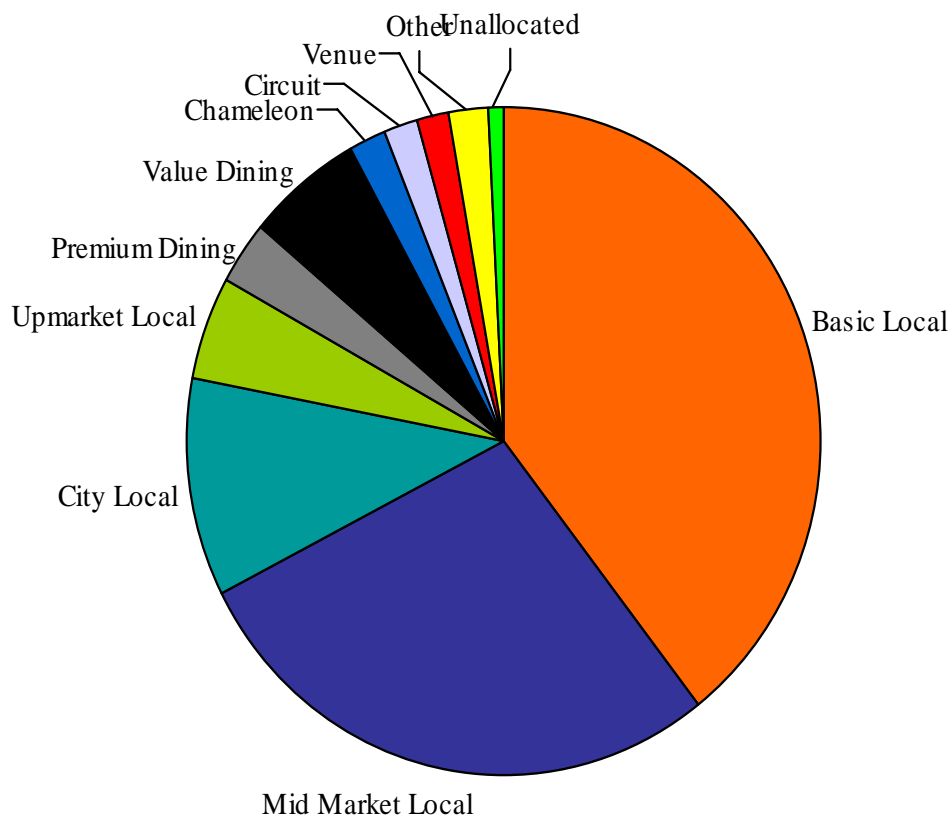


National Coverage

DTI REGION	Total
Scotland	453
North	485
North West	1,087
Yorkshire & Humberside	1,017
Wales	412
West Midlands	1,036
East Midlands	533
East Anglia	354
South West	613
London	396
South East	1,432
Total (August 2005)	7,818

Avebury	Total
3	456
35	520
61	1,148
67	1,084
25	437
55	1,091
22	555
5	359
35	648
29	425
72	1,504
409	8,227

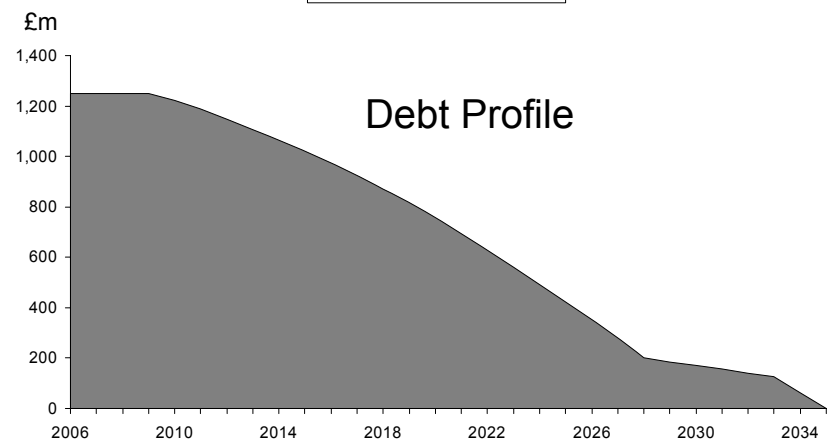
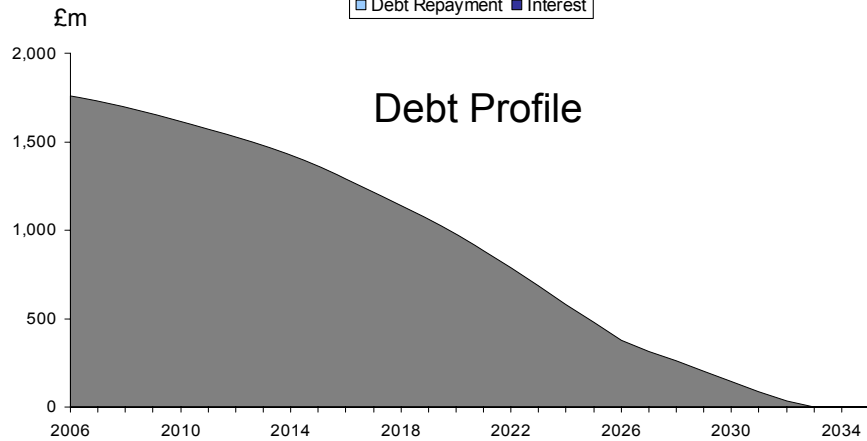
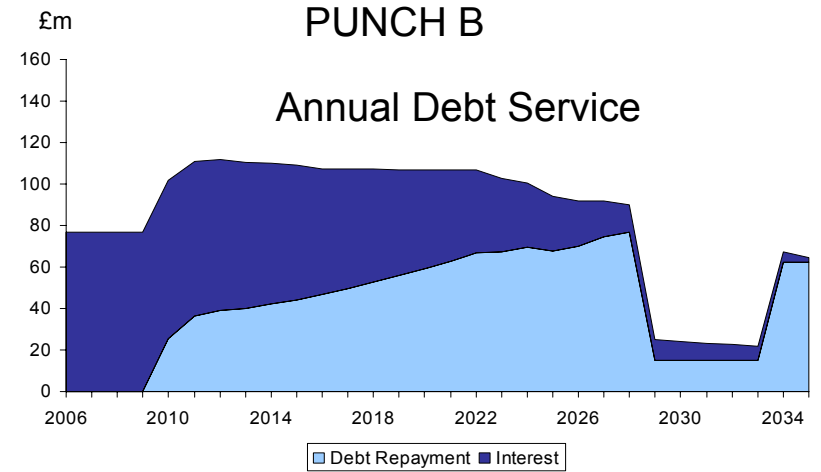
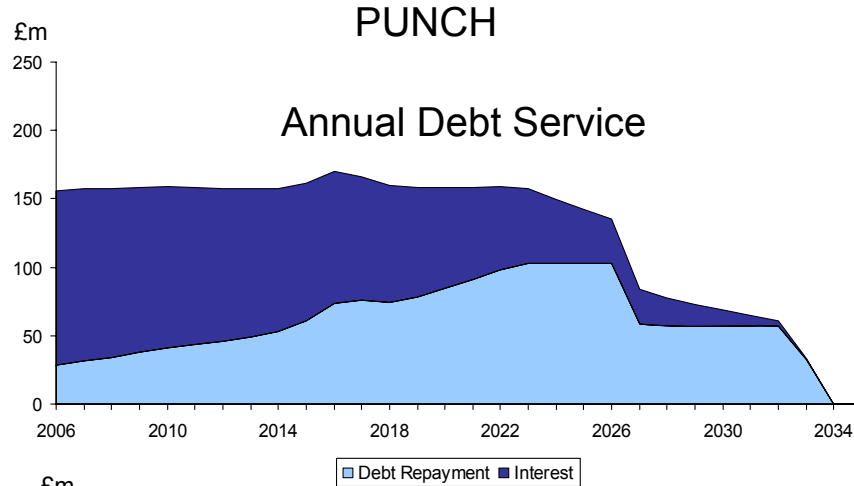
Most Pubs are Community Locals



	Punch	Pubmaster	Innspired	Total
Basic Local	1,520	1,408	155	3,083
Mid Market Local	1,278	786	128	2,192
City Local	520	196	106	822
Upmarket Local	271	112	11	394
Premium Dining	157	81	6	244
Value Dining	210	190	48	448
Chameleon	127	30	2	159
Circuit	92	23	5	120
Venue	92	46	2	140
Others	112	36	8	156
Unallocated	58	2		60
Total Pubs (20th August 2005)	4,437	2,910	471	7,818

Avebury estate yet to be segmented

Securitised Debt Profiles



- Both structures are fully repaid over the next 30 years.
- Debt service is steady and easily affordable from operating cash flow
- Avebury has similar profile for debt of £108m.

Illustrative Investment Considerations

HOW TO SPEND £100m FREE CASH

	incremental EBITDA	incremental PBT	EPS accretion (p)
Investment (25% return)	25	25	6.9
Acquisition - (£400m at 12% return)	48	27	7.5
Share buy back @ £7.50 per share			3.1
Repay debt at 7%		7	1.9

ACCELERATING “INFLATION +” GROWTH

	Year 1	Year 2	Growth
EBITDA	100	105	5%
Interest	(50)	(50)	
PBT	50	55	10%
EPS			10%

Example: Assume interest cover of 2x

Preliminary Results 2005

GROWING SHAREHOLDER FUNDS

Assumes EV growth of 2%p.a.

