

# Financial Review

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# Group Profit

	2009/10 52 weeks	2008/09 52 weeks	% Change
<b>Average number of pubs</b>	<b>7,195</b>	<b>8,297</b>	(13)%
Leased	331	412	
Managed	88	100	
Share of JV	4	2	
<b>EBITDA</b>	<b>422</b>	<b>514</b>	(18)%
Depreciation & amortisation	(52)	(62)	
<b>Operating profit</b>	<b>370</b>	<b>452</b>	(18)%
Interest	(239)	(292)	
<b>Profit before tax</b>	<b>131</b>	<b>160</b>	(18)%
Tax	(38)	(47)	
<b>Net profit</b>	<b>93</b>	<b>113</b>	(18)%
<b>EPS</b>	<b>14.4p</b>	<b>36.1p</b>	(60)%

Figures exclude exceptional items



# Estate Size

	<u>Leased</u>	<u>Managed</u>	<u>Total</u>
<b>August 2009</b>	6,841	835	7,676
Lease reversions	18	12	30
Lease conversions	1	(1)	-
Disposals	(893)	(43)	(936)
<b>August 2010</b>	5,967	803	6,770
<i>net change</i>	<i>(13%)</i>	<i>(4%)</i>	<i>(12%)</i>
Average estate size	6,371	824	7,195
<i>decrease on last year</i>	<i>(14%)</i>	<i>(5%)</i>	<i>(13%)</i>



# Leased Estate

	2009/10 52 weeks	2008/09 52 weeks	Change
Average number of pubs	6,371	7,426	(14)%
Revenue	653	770	(15)%
Gross profit	401	493	(19)%
Costs	(71)	(81)	13%
EBITDA	331	412	(20)%
Operating profit	310	390	(21)%
Operating margin %	47.5%	50.7%	(3.2)% pts

Like for like revenue	2009/10	2008/09
Drink	(4.7)%	(6.1)%
Rent	(10.1)%	(8.8)%
Machines	(17.2)%	(16.8)%
	<b>(6.8)%</b>	<b>(7.2)%</b>

- Average EBITDA per pub down 6%
- Financial support levels stabilised at just under £2m per month
- 86% of pubs on substantive agreement, up from 83% last year



# Managed Estate

	2009/10 52 weeks	2008/09 52 weeks	Change
Average number of pubs	824	871	(5)%
Revenue	630	672	(6)%
Gross profit	446	477	(7)%
Costs	(358)	(377)	5%
EBITDA	88	100	(12)%
Operating profit	57	60	(5)%
Operating margin %	9.0%	8.9%	0.1% pts

- Includes the impact of 12 lease reversions
- Like for like sales down 2.0%
- Like for like gross profit down 2.2%



# Managed Operating Statistics

## Like for like revenue

	2009/10	2008/09
Drink	(1.3)%	(0.5)%
Food	(3.1)%	(1.4)%
Machines & Other	(1.9)%	(10.7)%
	<b>(2.0)%</b>	<b>(1.5)%</b>

## Operating margin movement

	2009/10	2008/09
Gross profit	(0.3)%	(1.1)%
Labour costs	(0.5)%	(0.1)%
Utilities	1.0%	(1.4)%
Rent & rates payable	(1.1)%	(0.4)%
Other costs	(0.2)%	(0.6)%
Depreciation	1.2%	(0.1)%
<b>Overall movement (% points)</b>	<b>0.1%</b>	<b>(3.7)%</b>



# Exceptional Items

	2009/10
Restructuring costs	(2)
Provision for onerous leases	(33)
Pub impairment	(218)
Goodwill disposal	(9)
Pub disposals	(6)
Profit on repayment of debt	44
Interest rate swap mark to market	(68)
Tax	37
<b>Total</b>	<b>(253)</b>



# Cash Generation

	2009/10	2008/09
Operating cash flow	375	463
Pension	(4)	(3)
Interest	(257)	(309)
Tax received	-	8
<b>Free cash flow before investment</b>	<b>117</b>	<b>158</b>
Investment	(103)	(93)
Disposals	299	414
<b>Free cash flow</b>	<b>314</b>	<b>479</b>

- No cash tax expected in FY11
- Capital investment maintained at similar levels
- Disposal proceeds of £100m currently planned in FY11



# Disposals

- £299m of disposals:
  - 936 pubs (893 leased and 43 managed) largely from the non core estate
  - Average multiple in excess of 16 times EBITDA
  - Disposals earnings enhancing after repaying debt
- Future disposals:
  - Programme will continue to focus on non-core pubs



# Stable Long Term Debt

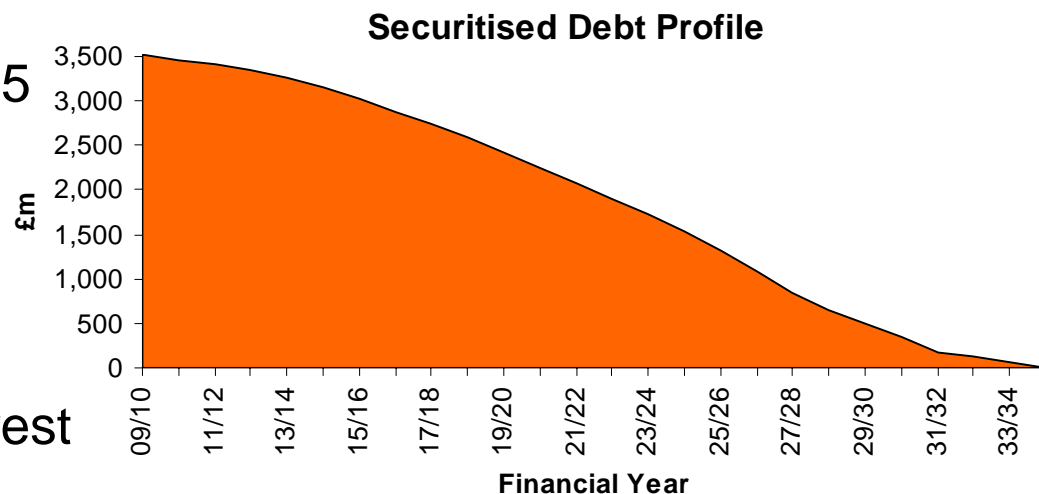
Debt Structure	Nominal Value £m		
	Aug 2010	Aug 2009	Aug 2008
Securitised debt			
Punch A	1,658	1,919	2,068
Punch B	1,005	1,204	1,249
Spirit	911	996	1,250
Held at Group	(114)	(177)	0
Total	<u>3,460</u>	<u>3,942</u>	<u>4,567</u>
Convertible bonds	<u>0</u>	<u>202</u>	<u>285</u>
Gross debt	<u>3,460</u>	<u>4,144</u>	<u>4,852</u>
Cash	(317)	(679)	(321)
Net debt	<u>3,143</u>	<u>3,465</u>	<u>4,531</u>

- £684m of debt was repaid during the year at a cost of £636m
- £647m of debt was purchased ahead of schedule



# Stable Long Term Debt

- Debt payable on known schedule extending over 25 years
- Weighted average life of securitised debt is 17 yrs
- Debt at fixed blended interest rate of 6.8%<sup>1</sup>
- Modest debt amortisation requirements
- No bank debt or refinancing needs



Debt Repayment Schedule	
	Scheduled Amortisation
2010/11	£55m
2011/12	£56m
2012/13	£58m

<sup>1</sup> Effective interest rate calculated as interest expense over nominal value of debt



# Financial Covenants

DSCR	Supported DSCR covenant			Unsupported covenant	Cost of support
	Aug-10 DSCR	Covenant	Indicative Headroom	DSCR	Q2-4 FY10
- Punch A	1.41x <sup>1</sup>	1.25x	13%	1.33x <sup>1</sup>	£9m
- Punch B	1.48x <sup>1</sup>	1.25x	18%	1.11x <sup>1</sup>	£21m
- Spirit	1.92x <sup>2</sup>	1.30x	48%	1.92x <sup>2</sup>	-

- Group support has maintained DSCR levels above covenant levels

Net Worth	Aug-10 <sup>3</sup>	Covenant <sup>4</sup>	Headroom
- Punch A	£440m	£200m	£220m
- Punch B	£321m	£125m	£196m

- Sufficient headroom remains against the Net Worth financial covenants

<sup>1</sup> Figure shown is the lower of the FY10 Q4 4-qtr & 2-qtr look back ratio in line with the covenant test

<sup>2</sup> Figure shown is the FY10 Q4 4-qtr look back ratio in line with the covenant test

<sup>3</sup> Net Worth at August 2010 as detailed in the Q4 bondholder report

<sup>4</sup> Net Worth covenant tested annually



# Uses of plc Cash

- Almost all of the Group's assets, profit and cash flows are held within the 3 securitisation groups
- Plc cash flows are largely limited to:
  - Corporation tax payments
  - Loss making short leasehold pubs
  - Group support to the security nets
  - Cash up-stream from the security nets



# Financial Review Summary

- Results in line with expectations
- Strong free cash flow of £314m
- Gross debt reduced by £684m
- Net debt reduced by £322m

