



HELPING RETAILERS BUILD BETTER BUSINESSES

# Acquisition of Avebury Holdings Limited

**18 July 2005**

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



# Avebury

- One of the best quality UK leased pub estates available
- Strongly performing portfolio, comprising 409 pubs
- Derives from Bass, Whitbread, Scottish & Newcastle and Wolverhampton & Dudley Breweries, plus acquisitions from others
  - Significantly restructured, from over 900 pubs, resulting in high quality estate
- 85% of the estate 'community pubs'
- 95% owned freehold/long leasehold
- 70% of estate let on long-term leases
- Nationally distributed
  - Easy fit into the Punch estate
  - Few geographical overlaps

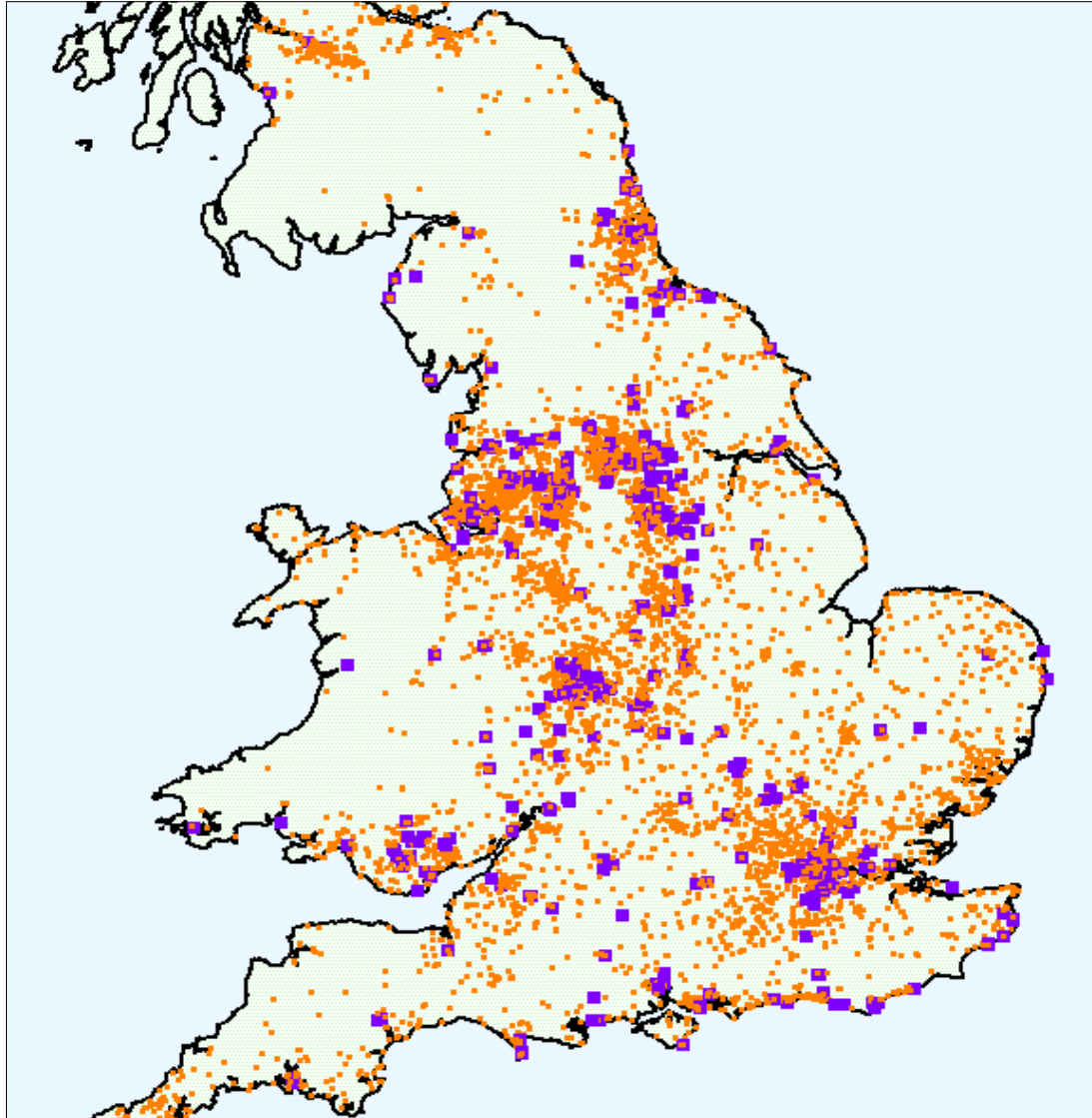


# Strategic Rationale

- Strongly performing and resilient pubs
  - Immediate income and cash generation
  - Real underlying property value
- Straightforward bolt-on acquisition
  - Minimal integration risk
  - Improved buying terms and cost reduction
- Substantial scope to extend Punch investment skills
  - Recent investment in consumer led areas is minimal



# Geographical Distribution



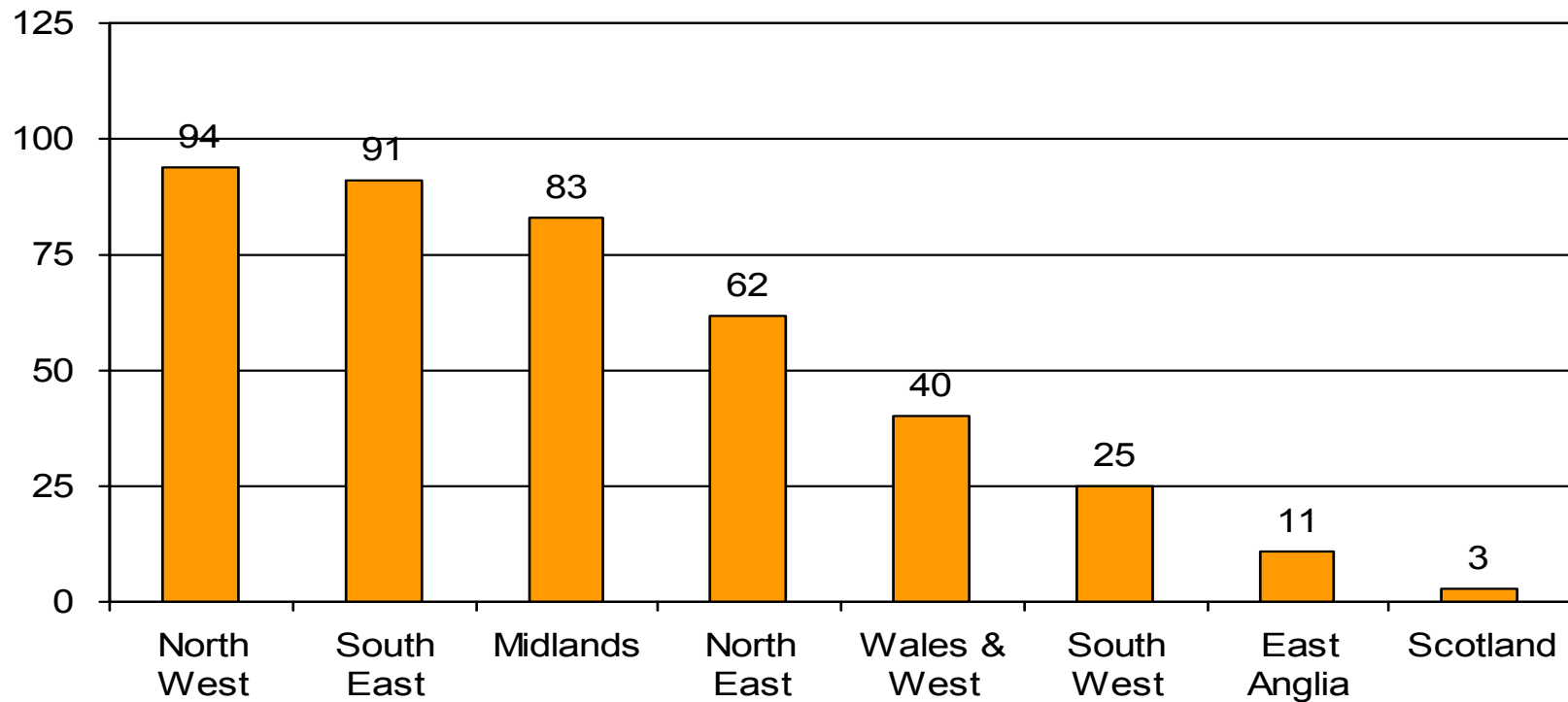
**Key:**  
Avebury - purple  
Punch - orange

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# Regional Distribution

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Note: 409 pubs

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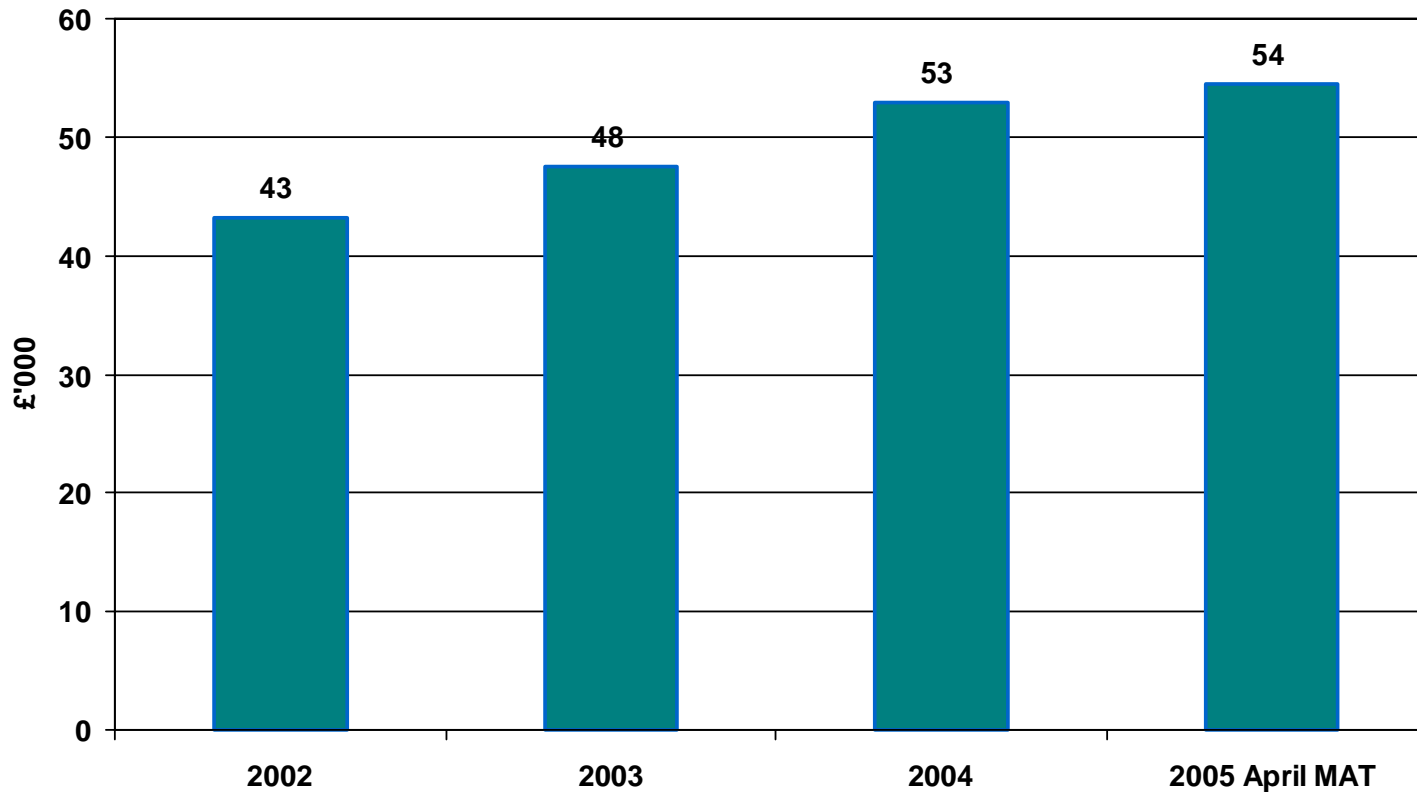


# Straightforward Integration

- Straightforward integration process
  - Similar business model
  - Recent experience from successful integrations of Pubmaster and InnSpired
- Due diligence has confirmed that Avebury management successfully maintained and improved performance of the estate
  - Recent disposals have been very much non core
- Integration anticipated by the end of 2005



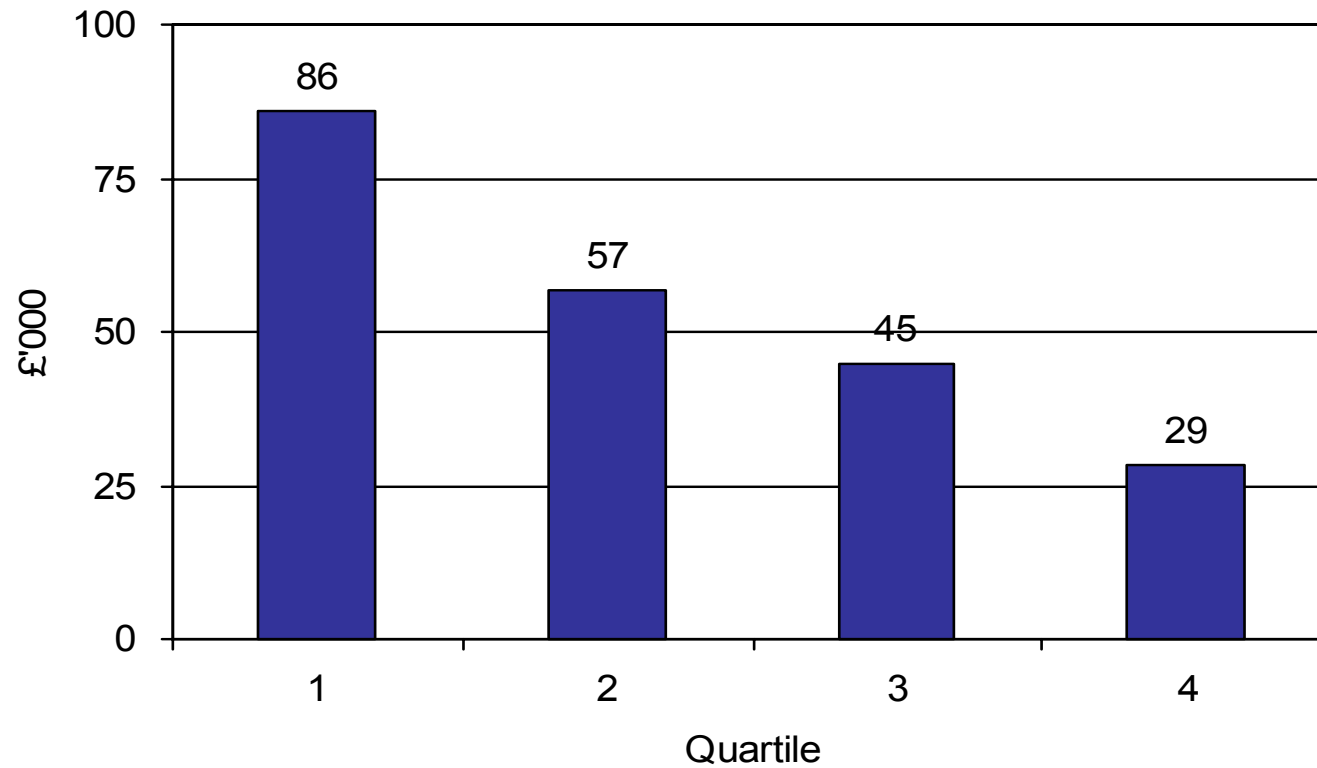
# Growing Outlet Profit per Pub



Note: Average outlet profit per pub of acquired estate. Source: Avebury Management accounts



# Outlet Profit by Quartile



Note: Outlet profit per pub of acquired estate in year to April 2005. Source: Avebury Management accounts



# Transaction Funding and Returns

- Transaction due to complete on 5<sup>th</sup> August
- Acquisition cost of £219m
- Funded by:
  - Retained securitised debt of £120m
  - Punch cash resources
- Expected synergies to build to over £3m per annum in two years
- Immediate financial benefits
  - Earnings enhancing in first year



# Valuation Multiples

	£m	Implied Multiple
<b>FY 2004 Outlet Profit (Sept)</b> <i>(Pre overhead, pre synergies)</i> <i>(Audited accounts)</i>	£21.5m	10.2x
<b>2005 MAT Outlet Profit (April)</b> <i>(Pre overhead, pre synergies)</i> <i>(Management accounts)</i>	£22.2m	9.9x
<b>2005F Outlet Profit (Sept)</b> <i>(Pre overheads, pre synergies)</i> <i>(Avebury Management estimates)</i>	£22.9m	9.6x
<b>2005F EBITDA (Sept)</b> <i>(Post pro-forma overheads, pre synergies)</i> <i>(Avebury Management estimates)</i>	£19.5m	11.2x

Note: Multiples assume EV of £219m



# Conclusion: Value-enhancing Acquisition

- Best fit acquisition of size available in the marketplace
  - Complementary geography
  - Local community pub estate
  - Well managed estate with strong and resilient performance
  - Over £3m synergies
  - Significant growth potential through further investment
- Earnings enhancing in year 1
- Straightforward acquisition to integrate
  - Considerable experience in integrating portfolios
- Acquisition fully in line with stated strategy of value enhancing acquisitions