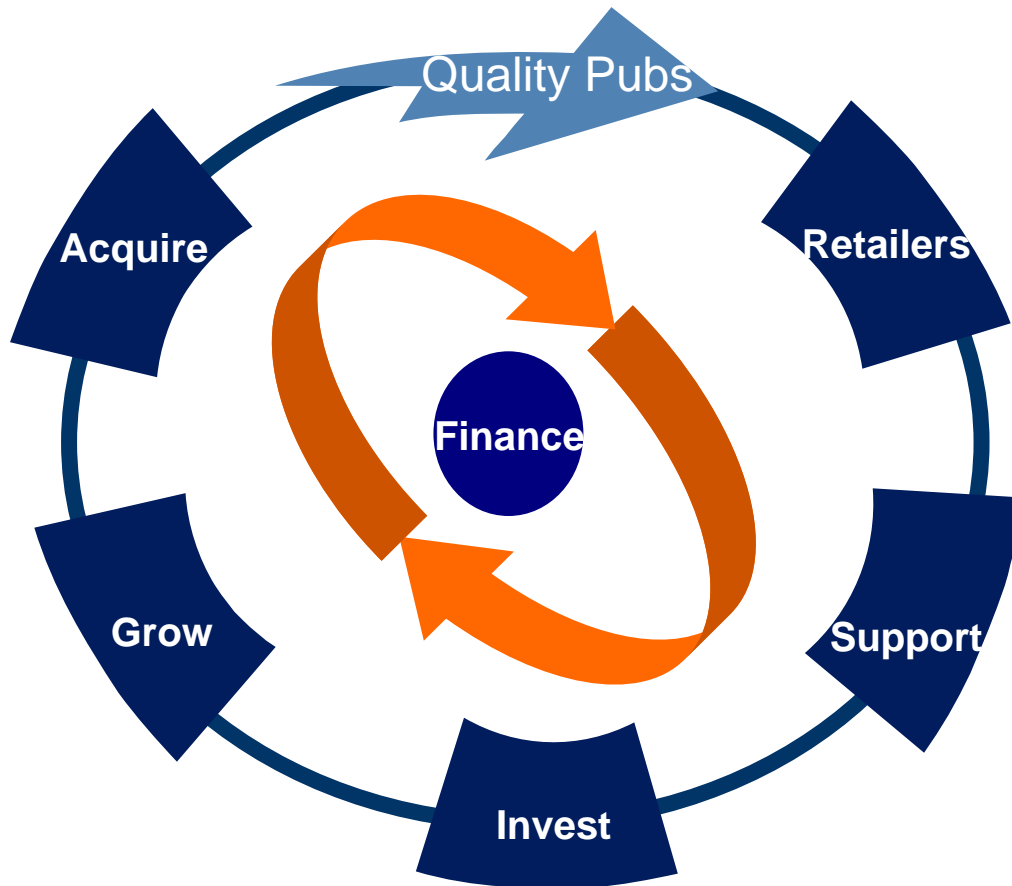


Punch

T A V E R N S

# Business Review

# Business Review



- **Leased pubs**

- Independently operated smaller pubs attracting entrepreneurial flair
- Active support structure geared to encourage profitability and growth

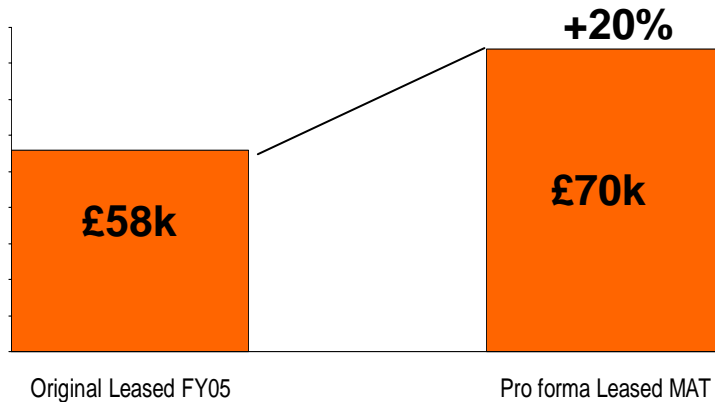
- **Managed pubs**

- Directly managed larger pubs benefiting from consistency and best practice
- Great pubs and great people

- Scale and quality
- Suitably financed

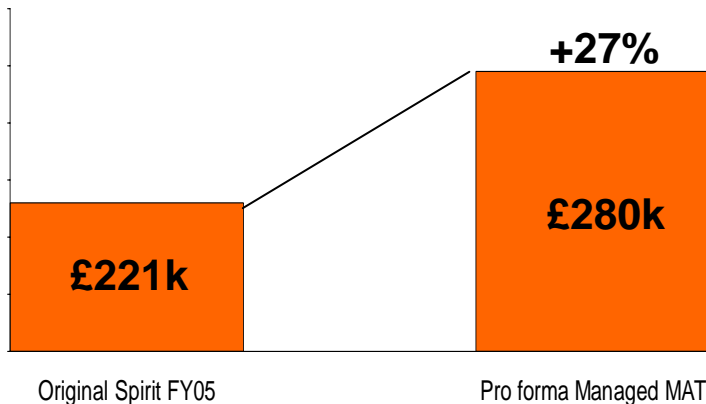
# Creating the Highest Quality Estates

## Leased Outlet EBITDAR per pub



- Leased estate quality improved over the last 18 months by:
    - 334 completed transfers
    - 1,457 disposals including the recent package sale to Admiral Taverns
    - Organic growth
- and will be further improved by the remaining transfers

## Managed Outlet EBITDAR per pub



- Core managed estate is of substantially higher quality than the original Spirit estate due to:
  - Acquisition of Mill House Inns
  - Disposals
  - Transfers to lease
  - Organic growth

# High Quality Leased Estate

- **Strong leased performance underpinned by unprecedented levels of activity in first half year**
  - 818 lettings including 260 transfers from managed
  - 571 developments completed at cost of £46m generating 21% ROI
  - 50 individual acquisitions - £36m spend with ROI of 11%
  - 308 rent reviews with average rental uplift of 7%
  - 906 disposals including the package to be sold to Admiral Taverns in May 2007
  - 6,962 retailer training days achieving 3 industry training awards (NITA)
  - 66% of pubs now on long term agreements
- **Direct indicators of retailer profitability are strong**
  - Average retailer profitability is c£36k, up 2.6% on an underlying basis and will further improve as the mix of the estate changes
  - Applicant numbers have averaged 142 per week
  - Overdue debt is low and falling
  - Rent concessions of £2.9m are steady at c1% of rent roll

# Top Quality Core Managed Estate

- **Training**
  - National Training Academy launched in February
  - 180 pub managers will graduate this year
- **Customer Offer**
  - Food focus – food represents 39% of H1 sales:
    - Flexible Service now fully rolled out in Chef and Brewer
    - Retail price and menu engineering in Value Food
  - Customer service measures up 1.9%
    - +2.5% in “Clean & Cared For”; +3.9% in “Great Service”
  - 219 pubs now Cask Marque accredited
  - Wacky Warehouse - Best Children’s Party Venue 2007
- **Investments**
  - £21m invested in growth concepts
- **Acquisitions**
  - 78 Mill House Inns pubs integrated, 4 now sold
  - 20 on track for investment in next 6 months, 34 next year



# Four Focused Managed Segments

Four segments enable us to streamline operations, menus and pub services

	Value Food	Quality Food	City	Locals
Total no. of pubs	185	145	179	253
Mill House Inns	33	11	10	24
Average Sales per week	£20k	£20k	£15k	£13k
Profit Conversion	28%	29%	40%	37%
Food Sales %	54%	59%	23%	19%
Average food spend	£7	£11	£8	£6
				

# Trade Evolving with the Smoking Ban

- Experience in Scotland
  - Ban now established 12 months
    - Compliance good, quality of pubs increased, some initial impact on sales
  - Leased estate like for like profit down 1.3%
    - Over 85% of estate trading at or above English performance metrics
  - Managed estate like for like sales down 1.6%
    - Food sales up 2.7%
  - Difficult trading period through winter, recovery signs now evident
- Preparation in Wales and England
  - Wales ban commenced 2 April. England ban from 1 July
  - Easier territory than Scotland – property type, planning, weather
  - Action plan focused on attracting new customers as well as retention
  - No Action No Option

# Developing the Business

- 869 leased pubs sold to Admiral Taverns for £326m
  - 60% of the package came from the bottom two profit deciles
  - Average outlet profit £35k per pub
  - Disposal multiple of 10.8x outlet EBITDA
- Matthew Clark joint venture
  - Matthew Clark is UK's largest independent drinks wholesaler and distributor with wide product range and sales expertise
  - Normalised EBITDA of £15m with experienced management team
  - Punch investment £35m for 50% ownership with Constellation Europe
  - Earnings enhancing
  - Opportunity to extend our range of goods and services to leased retailers, and drive synergy benefits through purchasing contracts

# Summary

- A period of unprecedented activity
- Significant quality improvement across our portfolio
- Continued growth
- Prepared and well placed for future growth