

Punch Taverns plc

2009 Preliminary Results

Business Review - Managed



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



Mike Tye

Managing Director



PASSIONATE ABOUT OUR PUBS

Remembering The Starting Point

- Some of the Best **PUBS** / Locations in the UK, but...
 - Not all in good repair or best for Market
- Some Great **PEOPLE** but...
 - Overall calibre below par
 - Not focused on critical activities
- Some memorable **CUSTOMER EXPERIENCES**, but...
 - Operations disciplines / consistency lacking
- Some recognisable **CONCEPTS / BRANDS**, but...
 - No longer 'Best in Class'
 - Insufficient market coverage.
- Strong **COST CONTROL**, but ...
 - To the detriment of Customer / **SALES**
- Structures and **PROCESSES** unwieldy; **SYSTEMS** under-developed

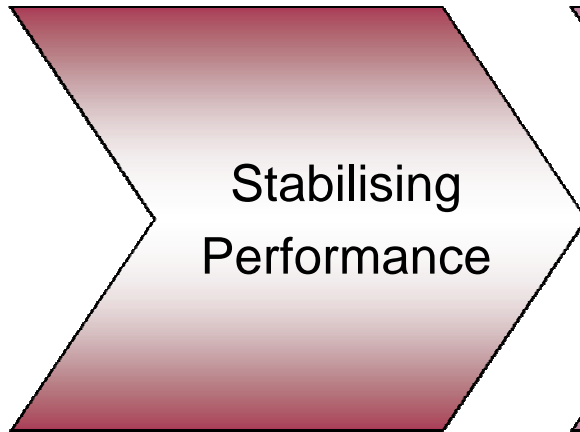


Our Response – The “Circle of Success”

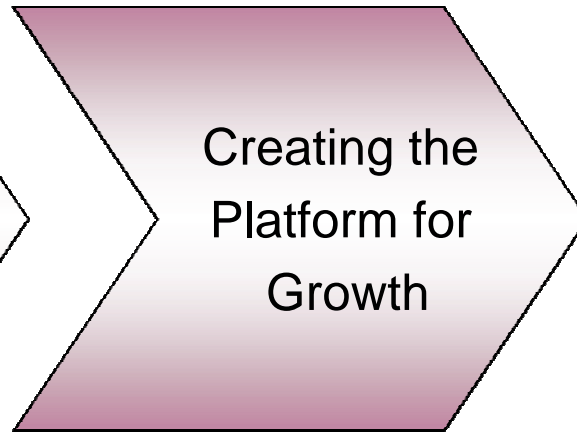


Three Phase Plan

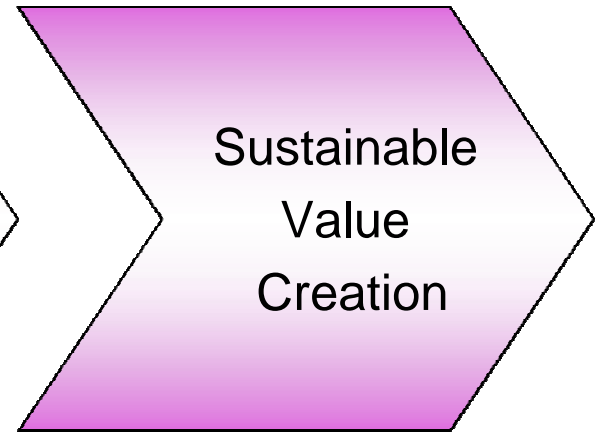
Phase 1



Phase 2



Phase 3



PASSIONATE ABOUT OUR PUBS



1. Stabilising Performance – Action Taken

Best Pubs in Each Local Market

- Site by Site Estate Review
 - Demography/Demand
 - Competition/Supply
 - Condition
- Consumer Research identified Future Concept Portfolio
- Future Estate Portfolio determined and prioritised for investment/disposal
- 60 pubs sold; next tranche marketed
- 18% increase in pub repairs in 2009

**Best Pubs
in Each
Local Market**

Great Guest Experience

- Every pub audited – “Safe, Legal & Compliant”
- Structure, and calibre of Pub Management Teams significantly improved
- Transformed Menu range and quality in all pubs
- Improved value through price and promotion

**Great
Guest
Experience**



1. **Stabilising Performance – Action Taken**

Maximising Returns

- Investment Capex halted and redirected
- Refurbishment process overhauled; 30% reduction per sq. metre.
- Central and Local Sales & Marketing Plans – quick wins in early 2009
- Renewed focus on Operating Margin for ROY
 - Labour costs reduced in ‘real’ terms by c.4%
 - COGs £2.2m mitigation
 - Utility consumption reduced by c.10%
 - Re-pricing Drinks range and Food Menus
- Capacity Management improved



Maximising Returns

Accelerating Performance

- Performance Management culture/process implemented
- ‘Cut the Crap’ programme removed bureaucracy/cost; improved decision making



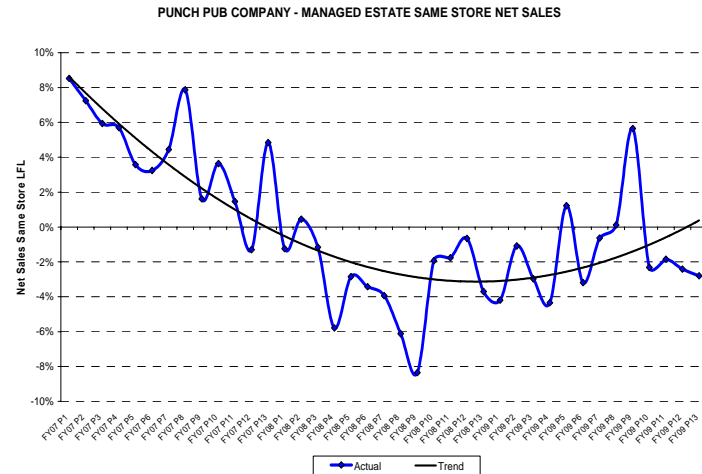
Accelerating Performance

**Short-Term pain a necessity to create
“A Platform for Growth”**

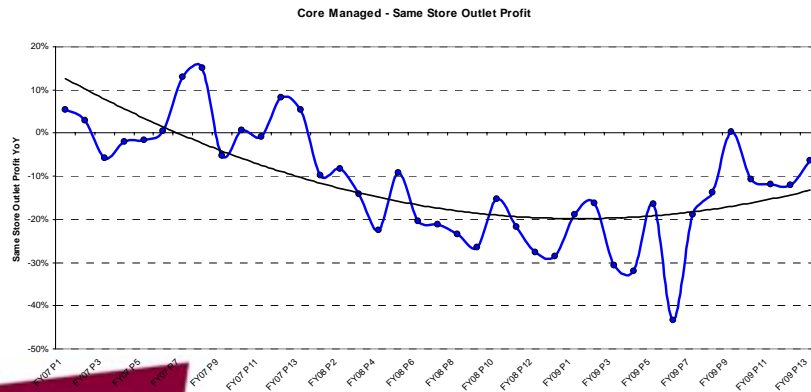


The Results So Far

L4L Sales



YOY Profit Conversion %



Despite disruption of major change programme:

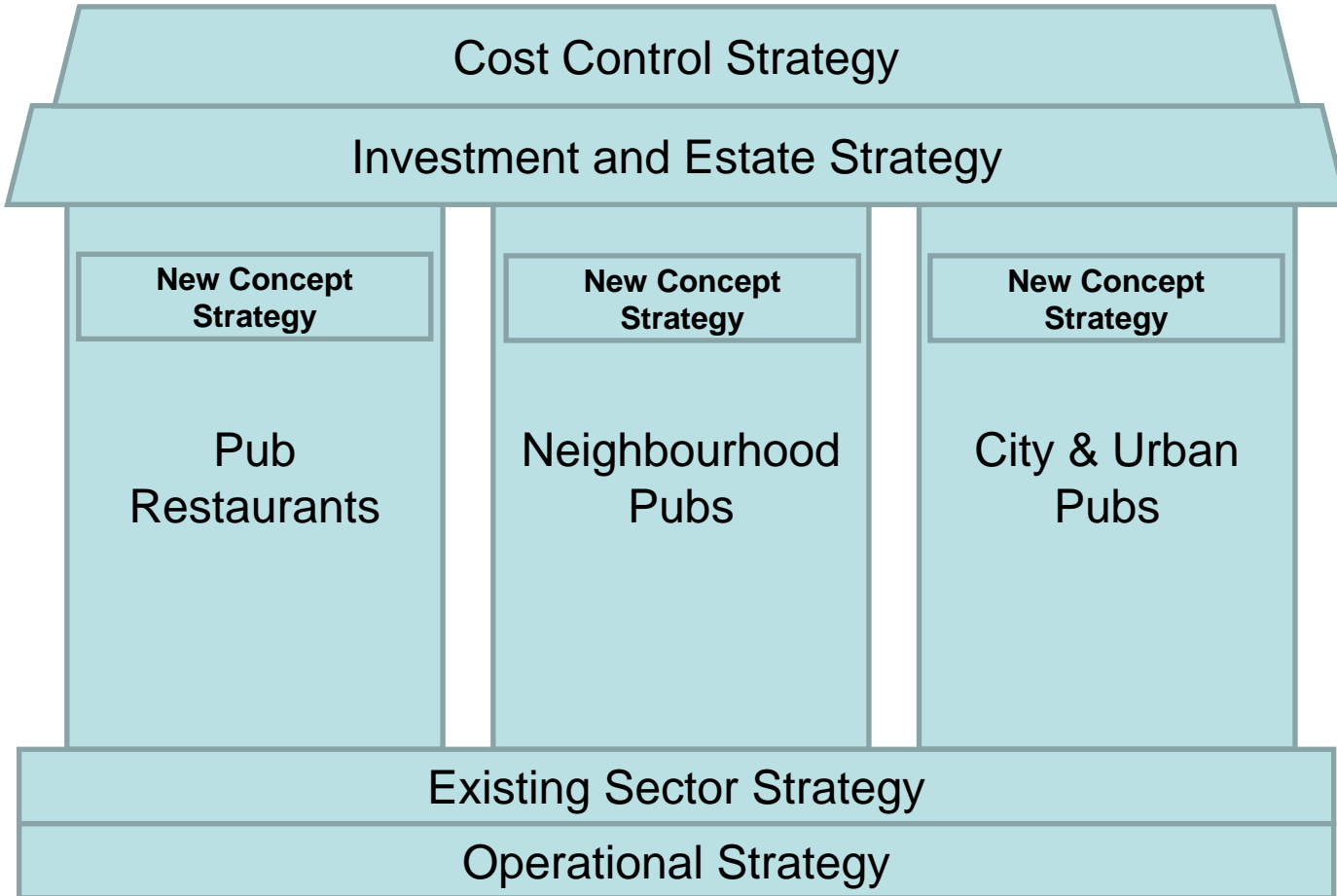
- Sales deterioration halted
- Margin re-balanced
- Impact of prior years' investments
- Poor performance of "tail" (12% sales decline) and 241/family pubs (4% sales decline)
- 45% of pub management changed
- Team Turnover reduced from 150 to 110%
- Guest Recommendation improving



2.

3.

Looking Forward – 5 Key Strategies



Creating The Platform for Growth



Operational Strategy

- 'What' and 'How' we work – 17,000 mind-sets
- Modular approach; 50% completed
- Right People/Right Focus/Right Way/Right Measures/Right Actions
- Elements for Team/Guest/Investor
- Sales and margin benefits targeted

Existing Sector Strategy

- Prime focus on further Range/Pricing/Margin optimisation
- Early-learnings from NCD applied
- Major re-training focused on Guest Experience
- Local web-based marketing, leveraging central systems

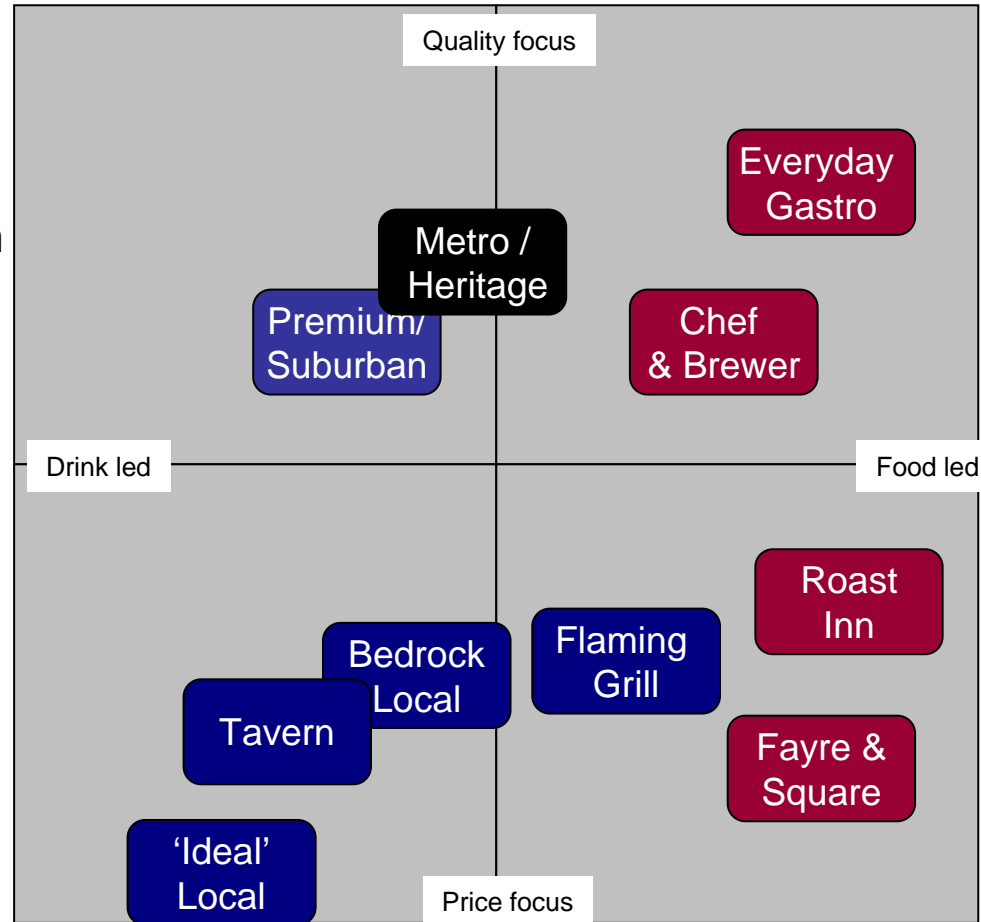


3.

Sustainable Value Creation

● New Concept Strategy

- Research/Estate
Shape/Performance have driven priorities
- Process of Pilot/Trial/Roll-out
- 4 Concepts already in Pilot/Trial
- 1-2 more pre-Christmas
- Early signs are encouraging



New Concept Strategy



The Feathers



The Sir Jack



The Paper Mill



3.

Sustainable Value Creation

● Investment and Estate Strategy

- Repairs and Maintenance catch-up
- Site Refurbishment Plan
 - Improved ROI
 - Better/Cheaper/Faster
- Estate Management – priority disposals



● Cost Control Strategy

- Labour Productivity
- COGs – category and relationship management
- Utilities
 - Smarter
 - Cheaper

Summary

- We have a business with great potential; but with numerous “challenges”
- We have stabilised performance
- We are having to put the business through enormous change
- We have been operating against an Economic “Headwind”
- We are progressing well in all areas
- We have a clear vision for the future; and a 5 part plan
- However, this is no “quick-fix” ... and has meant some tough decisions; pain on the way
- We remain confident in the future prospects and potential

