
The White Horse at Wembley
Opened October 2020

# INVESTOR PRESENTATION

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# BACKGROUND TO THE PLACING

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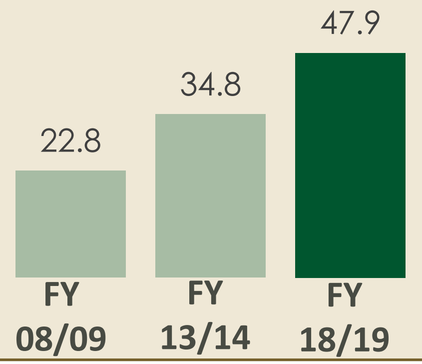
| Strength of the business pre-COVID | • Business entered the pandemic in an excellent position, as a premium pubs and hotels operator primarily focused on the South East<br>• Primarily freehold nature of the estate and the sale of the Fuller's Beer Business in 2019 ensured a strong balance sheet prior to the first lockdown |
| Performance during COVID | • From the start of the first lockdown until 12 April 2021 our pubs, on average, will have been open on only 27% of the 388 days. All trading has been under severe restrictions limiting customers and trading hours<br>• During lockdown cash burn has been c.£4-5m per month |
| Proposed placing | • During the last 12 months we have continued to take decisions in the best long-term interests of the business<br>• Excellent management of capital has enabled continued investment in the estate<br>• We now seek to ensure the business exits the pandemic strongly and in the best possible position by raising c.£50m in an equity placing |
| Long-term strategic outlook | • The proceeds will be used to provide further balance sheet strength, and additional headroom in the short term with flexibility in the medium term to support the Company in executing its growth and recovery strategy<br>• Long-term strategy remains unchanged, Fuller's is well-placed to emerge in a strong position as the UK reopens in line with easing of restrictions announced by the Prime Minister 22 February 2021 ('Government Roadmap') |

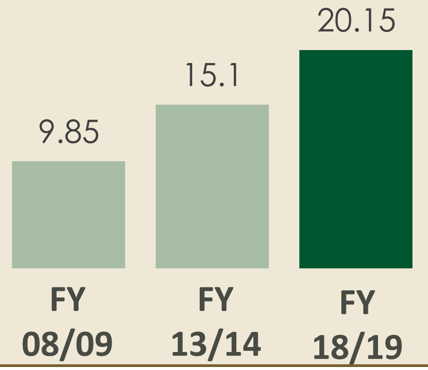
# STRENGTH OF THE BUSINESS PRE-COVID

- Strong long-term performance, with a 10-year track record of consistent profit and dividend growth
- An unwavering long-term focus – with a predominately freehold estate which underpins the balance sheet and supports the long-term strategy of the business
- A talented team with nimble decision making to allow us to manage changes
- An estate that is well-invested and geographically balanced with 56% of sites outside the M25
- Over 1,000 bedrooms in city and countryside locations, perfectly placed for a boom in staycations
- On entering the pandemic (as at February 2020), net debt was approximately £152m (ex leases) and leverage was comfortable at 2.7x**

ADJUSTED INNS PROFIT (M)*
+110% †




TOTAL DIVIDEND (P)
+105% †




*Adjusted Inns profit is operating profit before separately disclosed items and tax for the Managed and Tenanted business combined.
** Leverage is calculated using proforma EBITDA excluding IFRS 16 based on 47 weeks to 22 February adjusted for the impact of the acquisition of Cotswold Inns and Hotels.
† 10 year growth rates

# THE FIRST HALF OF 2020 – WHERE WE WERE

- Completed the final elements of the Transitional Services Agreement with Asahi
- New Exec Team in place and ready to action strategic growth plans
- Streamlined our support function and moved into Pier House – our new freehold offices at Strand-on-the-Green
- Integration of the Cotswold acquisition complete
- Capital investment plan for the year completed with a number of transformational refurbishments and further projects underway
- Accelerated the roll out of planned digital initiatives such as Order & Pay and the introduction of Wireless Social as our new Wi Fi partner
- Excited and confident about the future – business in an excellent position following a transformational year, operating in a healthy and stable sector

Our new offices at Pier House, Strand-on-the-Green (top)
and The Bear of Burton, near Christchurch

# THE IMPACT OF THE THIRD LOCKDOWN

- The majority of pubs and hotels have been closed since mid December, having only just opened following the second lockdown
- In the second half of FY21, the business will have been fully closed for four months (and largely closed for the important Christmas and New Year trading periods), with some sites closed for longer
- Cash burn has been, and remains, between £4m and £5m per month
- Working capital has also been negatively impacted by 'Lockdown 3', this will unwind on reopening
- Despite this, we have continued to take decisions in the long-term interests of the business, including:
  - Maintaining investment in the estate while the business is closed
  - Progressing with projects essential to the future of the business
- We are confident in our operational business model, proven by the ability of the business to be immediately cash generative on reopening after each lockdown
- Management has taken strong and decisive actions at each stage of the pandemic

The Swan, Bibury (top) and bedroom at The Lamb, Burford

# ACTIONS TAKEN AND GOVERNMENT SUPPORT

| | |
|---|---|
| Management Actions | • Agreed revised covenants with all lenders, focused on liquidity<br>• Paused dividend programme<br>• Undertaken proactive discussions with landlords and supply chain<br>• Temporary salary reductions for Board and Executive Team members<br>• Streamlined support function to create a leaner, more efficient central resource<br>• Rightsized headcount to reflect likely short-term sales impact – redeployed as many team members as we have made redundant<br>• Management have executed £19m of non-core property disposals in the last 14 months |
| Government Support | • Entered into the Covid Corporate Financing Facility (CCFF) programme and issued £100m of commercial paper<br>• Coronavirus Job Retention Scheme enabled 99% of eligible staff to be furloughed and reduced the number of job losses<br>• VAT reduction to 5% for hospitality businesses had a benefit on approximately half our sales, although has no impact when the business is closed<br>• *Eat Out to Help Out* supported sales during August 2020<br>• Business rates holiday has reduced costs during the last 12 months<br>• Support grants have had a lesser effect, but have had a positive impact on tenants |

# FINANCIAL POSITION AND EXTENSION OF FACILITIES

- Current debt facilities are £318m (not fully drawn), with the following maturities:
  - £100m CCFF commercial paper – to be repaid in May 2021
  - £192m debt facilities – August 2021
  - £26m of debentures – £6m in 2023 and £20m in 2028
- Current net debt position is £216m (as at 19 March 2021)*
- Extension of debt facilities by 18 months to February 2023 has been agreed, conditional on the equity raise
- Revised covenants focused on liquidity agreed with all lenders until March quarter 2022
- Beyond the March quarter 2022, the covenants will revert to 4.0x debt cover and 3.0x interest cover (excluding IFRS16)

*Current net debt position is excluding leases.

# PROPOSED PLACING AND USE OF PROCEEDS

- Proposed equity placing of up to 20% (c.£50m) of 'A' Issued Share Capital, and B Share Offer of up to 4.5m B Shares in treasury pro rata to B ordinary shareholders

- The net proceeds from the Placing, together with the revised banking facilities, will:

  – strengthen the Group's balance sheet so it has the flexibility to take full advantage of the reopening of the UK economy and enable the Company to explore growth opportunities in line with its long-term strategy;

  – provide additional liquidity, headroom, and resilience if the stepped easing of restrictions under the Government Roadmap is delayed for any reason or Covid-related Government restrictions are re-introduced; and

  – enable the Group to return to pre-pandemic debt / leverage levels by early 2022, assuming restrictions continue to ease in line with the Government Roadmap

- Due to the highly cash generative nature of the business leverage is expected to fall rapidly through 2022, following completion of the placing and a return to normalised trading and profitability

- The Board has concluded the Placing is in the best interests of shareholders and will promote the long-term success of Fuller's

# SCENARIO ANALYSIS

| | Key Assumptions | Financial Impact | Use of Proceeds |
|---|---|---|---|
| Prudent Base Case | • Assumptions in line with Government Roadmap<br>• Inbound tourism continues to be suppressed<br>• Urban estate continues to see reduced levels of office workers, rural estate to rebound stronger<br>• A steady build in Central London office workers, inbound tourism and use of transport hubs during FY22 | • Inbound tourism revenues down 75% in FY22<br>• Urban revenues from corporate activity down 50%<br>• H1 revenue will be at 67% of pre COVID levels, improving in H2 to 88%<br>• Overall revenues in our managed business will be 80% of pre COVID levels in FY22<br>• Pro forma EBITDA at c.80% of normal levels by the end of 2021<br>• Peak net debt (post the equity raise) will be c.£197m in May 2021 reducing by £40m in the following six months | • Placing provides further balance sheet strength<br>• On return to normalised trading over the next 12-18 months, the Company will have balance sheet capacity to explore growth opportunities |
| Stress Case | • Analyses the extent the business could manage with its capital structure post-equity raise in a downside scenario<br>• Assumes that restrictions similar to the 'rule of 6' would be in place between lockdowns and also in place as the lockdowns end | • Our modelling determined that the business could withstand six to seven months of lockdown over the next 12 months (repeat of FY21)<br>• Cash burn during closure of £4-5m<br>• Under this scenario we expect that a further raft of financial measures aimed at supporting the hospitality sector would be implemented by the Government. These would improve the outcome of this scenario<br>• Net debt would peak in June 2021, reducing thereafter with another slightly higher peak in early 2022 following a winter lockdown | • Placing provides further balance sheet strength<br>• Under the stress case the capital raised will provide financial stability to the business if there is a repeat of the trading conditions experienced in FY21 |

The scenarios outlined on this slide are for illustrative purposes and do not represent forecasts or guidance

# LONG TERM STRATEGIC OUTLOOK

- Fuller's is well-placed to emerge in a strong position as the UK reopens, with significant UK domestic pent-up demand
- Clear, long-term strategy remains unchanged with a focus on delicious food, a vibrant portfolio of drinks, beautiful bedrooms and outstanding customer experience, all delivered in well-invested pubs and hotels in iconic locations
- Balanced estate in terms of operational style, geography and demographics – a key facet for recovery
- Projects underway around further digital initiatives, exciting marketing plans, and continued investment in the estate
- Focus on acquisitive growth once return to pre-COVID levels of profitability has been established and embedded
- An industry-leading business that has true longevity – with the backbone, determination and clear strategy and vision to lead the way out of the pandemic