Half Year Results for the 26 weeks ended 24 September 2022

Agenda

THE EXTERNAL ENVIRONMENT

FINANCIAL REVIEW

STRATEGY UPDATE

CURRENT TRADING

OUTLOOK

WHAT A DIFFERENCE A YEAR MAKES

	This time last year	Today
Like for like sales	80% compared to H1 2020	101% compared to PY-2 for the last seven weeks
City Trading	Slower recovery - City still working from home and like for like sales at 58% of H1 2020	Like for like sales in the first half of the year in Central London and the City increased by 67% versus prior year
Accommodation	High domestic staycations, low international tourism and corporate bookings	Central London occupancy at 93% and RevPAR at £129.40
Infrastructure	Implementation of new Central Finance System underway	System fully integrated and enabling more agile decision making
	Undergoing digital transformation	Project completed – better targeted communications driving frequency, spend per head and customer acquisition
Shareholder Returns	No cash returns to shareholders	Interim and final dividend paid (total £7m) and one million 'A' share buyback underway
Christmas Trading	Preparing for a Christmas that never happened	First unrestricted Christmas for three years – and a World Cup to boot!

EXTERNAL ENVIRONMENT REMAINS CHALLENGING

NEWS

Home | Cost of Living | War in Ukraine | Coronavirus | Climate | UK | World | Business | Politics | Tech | Science

Business | Your Money | Market Data | Companies | Economy | Technology of Business | CEO Secrets

UK inflation: Milk, cheese and eggs push food price rises to 14-year high

14 September

Bank of England delivers biggest interest rate hike in 33 years

FINANCIAL TIMES

TUESDAY 21 JUNE 2022 — NATIONAL NEWSPAPER OF THE YEAR

Banned by Moscow My farewell as Russia returns to cold war isolation — GIDEON RACHMAN, PAGE 23

The British taboo A nation reluctant to discuss Brexit's economic fallout — BIG READ, PAGE 21

Late conversion Central banks awake to secular changes — MOHAMED EL-ERIAN, PAGE 12

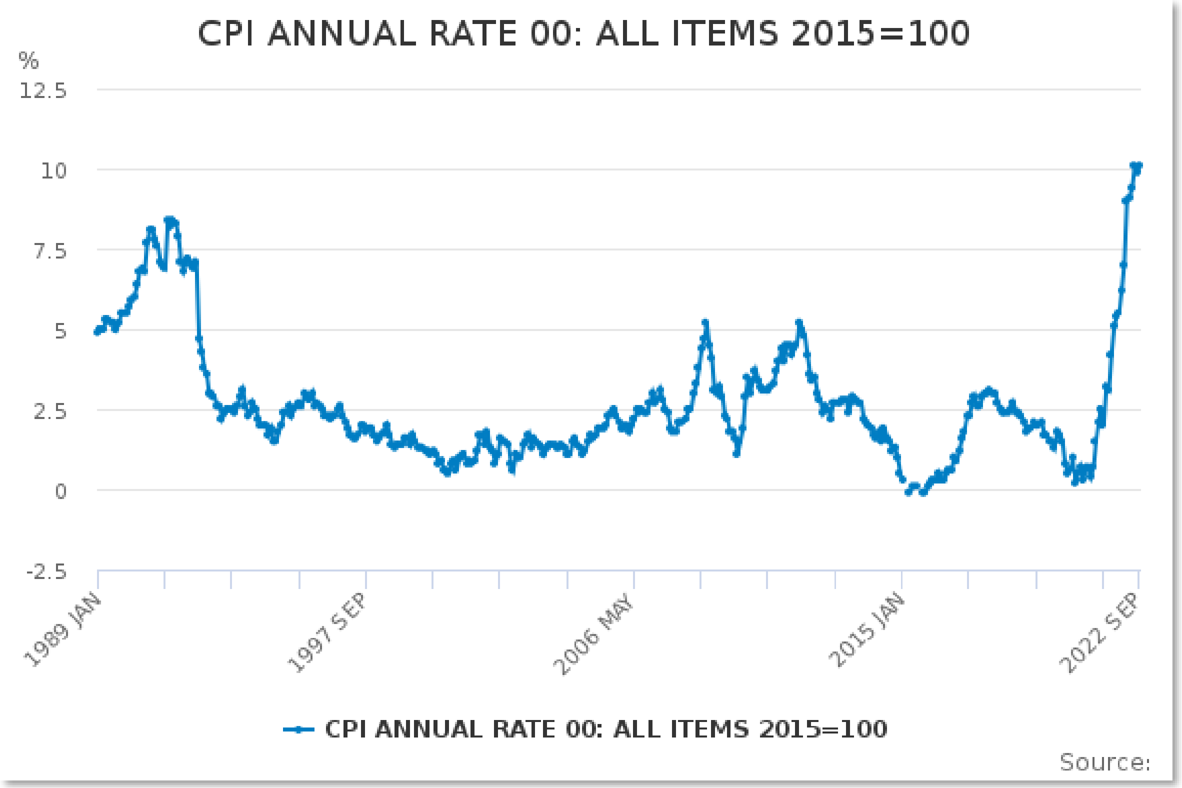
Business fears rail strike's cost as prospect grows of more walkouts

• Action to go ahead • Trains and Tube hit • RMT 'given no choice' • Unions seek 'pay justice'

Briefing

EY split sets up $8mn partners' payday The Big Four firm's plan to break up as part of the biggest accounting upheaval in two decades will line up partners for shares worth up to $8mn, those with knowledge of the plans have revealed.— PAGE 7

BoE urged to follow Fed's rates jumps Catherine Mann, one of the Bank of England's more hawkish rate setters, has warned of higher inflation if it fails to raise interest rates as rapidly as its US counterpart.— PAGE 2; NICHOLAS MACPHERSON, PAGE 17



Fear of energy price crisis as Russia cuts gas supply

LONG-TERM RESILIENCE

- Predominately freehold-backed company with over 175 years of history and experience
  - Directors’ estate valuation of £996m
- High-quality, premium estate, geographically balanced, cash generative and well-invested
  - £47m invested over the last two years in the core estate
- Company in excellent financial health, with a strong Balance Sheet
  - Bank facilities renegotiated for four years with significant headroom
- Navigated similar periods of financial turmoil in the past
  - Well-placed to take advantage of opportunities that may arise
- Well positioned and ready to continue the Fuller’s long-term growth story
  - Reviewed and refreshed our strategy, relevant to today’s consumer

FINANCIAL REVIEW

INCOME STATEMENT

	H1 2023 £m	H1 2022 £m
Revenues	**168.9**	116.3
Operating costs	**(153.3)**	(106.4)
Adjusted operating profit	**15.6**	9.9
Finance costs	**(5.8)**	(5.3)
Adjusted profit before tax	**9.8**	4.6
Separately disclosed items	**0.9**	6.0
Taxation	**(2.6)**	(7.1)
Profit after tax	**8.1**	3.5
Adjusted EPS	**12.48p**	6.09p

All figures are post IFRS 16
All figures relate to continuing operations

- Revenues increased by 45% with prior year impacted by Covid-19 restrictions on trade, current year affected by rail and tube strikes
- Revenue growth converting to strong profit growth despite inflationary pressures on cost base
- Group adjusted profit before tax of £9.8m (up 113%)
- Separately disclosed items largely relate to profit on the disposal of non-core properties
- Continued recovery of adjusted EPS to 12.48p for the first half

DIVISIONAL RESULTS

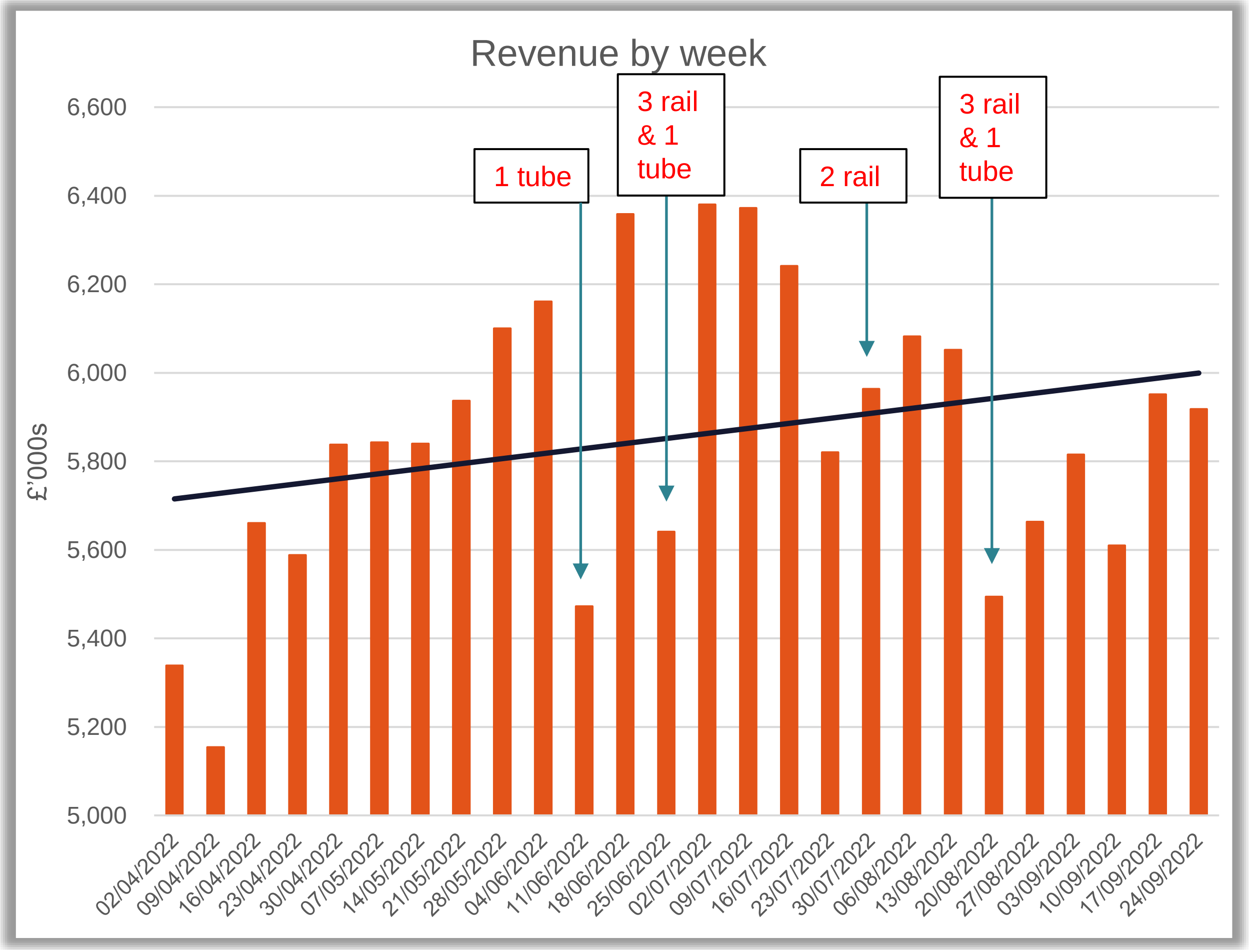
	H1 2023 £m	H1 2022 £m
Managed Pubs and Hotels		
Revenue	**153.8**	104.4
Operating profit*	**18.0**	13.6
EBITDA	**30.0**	25.4
EBITDA %	**19.5%**	24.3%
Tenanted Inns		
Revenue	**15.1**	11.9
Operating profit*	**6.8**	4.8
EBITDA	**7.8**	5.6
EBITDA %	**51.7%**	47.1%
Central costs		
Operating costs*	**(9.2)**	(8.5)
% of revenue	**5.4%**	7.3%
Total revenue	**168.9**	116.3
Total operating profit*	**15.6**	9.9

* Excluding separately disclosed items

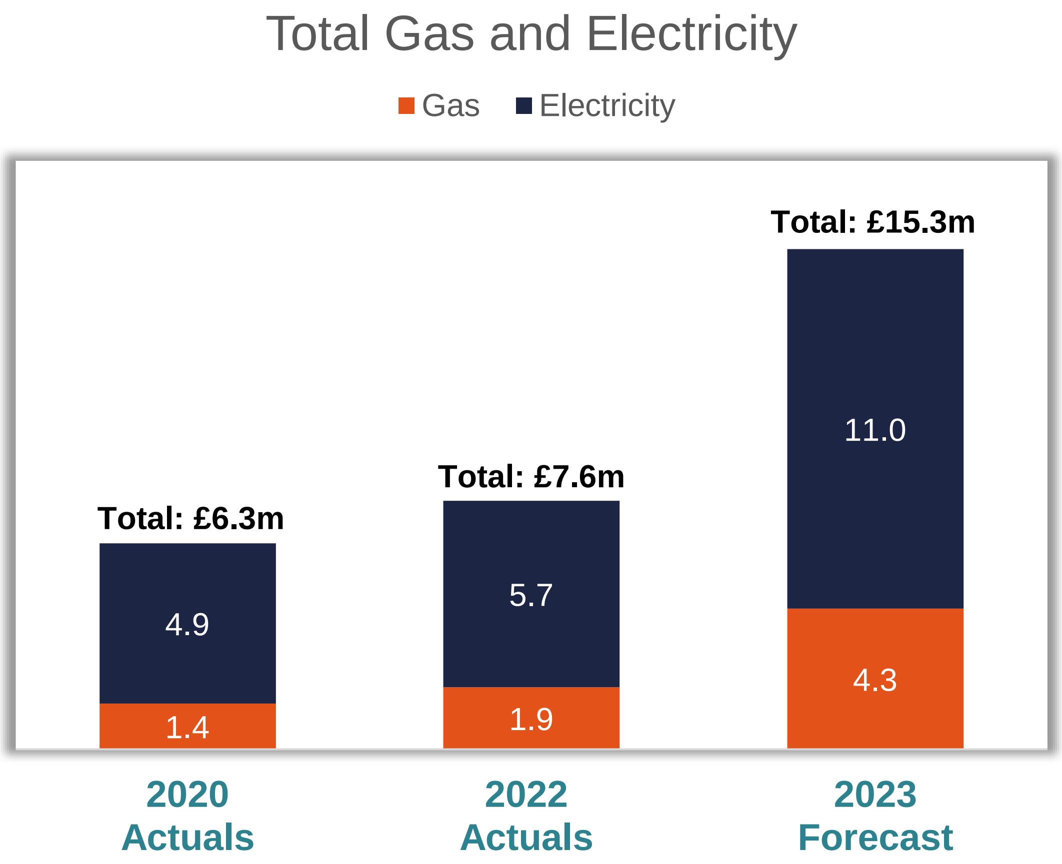
- Managed Pubs and Hotels delivered revenues of £153.8m and operating profit of £18m
- Decline in reported EBITDA margin from 24.3% to 19.5% impacted by:
  - Rise in utilities costs of £3.1m
  - VAT increase from 5% in PY to 20% in current year
- Tenanted Inns revenue grew to £15.1m and improvement in EBITDA margin from 47.1% to 51.7%
- Central costs have increased by £0.7m mainly due to increased payroll costs as recruitment was paused during lockdowns and some furlough received in the prior year

MANAGED REVENUE

- Trendline shows continued momentum in sales despite the challenging trading environment
- Disruption caused throughout H1 by tube and rail strikes – impacted sales by £1.4m and profits by c£1.0m
    - Like for like sales in Central London were up 67% compared to the prior year
- H1 2023, like for like sales against PY were at +20%, and total sales were 47% up from PY
- H1 2023, like for like sales against PY-2 were at 96%. The last seven weeks to 12 November 2022, like for like sales have improved to 101% of PY-2



THE INFLATIONARY ENVIRONMENT – ENERGY



- Previously announced total utilities cost for FY23 would be in the region of £18m. Government support scheme has reduced this forecast to a full year cost in the region of £15m
- We have mitigated some of the increases through hedging our rates – electricity and gas are now fully hedged through to end of the current financial year
- We plan to target a reduction in usage to further mitigate these costs through behavioural change and improvement in the efficiency of our systems
- For the next financial year, we have hedged 35% of our electricity and 50% of our gas for H1 and 35% of our gas for the full year
- Difficult to forecast full year cost in FY24 due to ongoing market volatility. However, if we assume current forward market pricing and no additional government support then FY24 utility costs will be at a similar level to FY23

THE INFLATIONARY ENVIRONMENT

Current challenges:	Mitigating factors:
Labour	• Continued investment in home-grown talent • Extensive package of benefits at all levels including healthcare cash plan • Roll out of new recruitment system • Continued commitment to apprentices • Enhanced labour scheduling tool
Food and drink	• Price stability due to long-term supply agreement with Asahi • Strong relationships and forward buying deals with mainly UK producers • Dynamic menus allows agility of dish management to protect margins and quality, while limiting customer price increases
Interest	• Zero premium collar entered into on 2 September 2022 for £60m of the term loan – floor sold at 310bps, and cap purchased at 500bps • Total drawn debt of £149m of which 17% is fixed, 43% is variable and the remaining 40% is variable but within a fixed range of 310bps and 500bps

STRONG BALANCE SHEET

	H1 2023 £m	H1 2022 £m
Property, plant & equipment	**591.8**	588.4
Right-of-use assets (IFRS 16)	**69.2**	77.5
Other non-current assets	**53.9**	35.9
Current assets (excluding cash)	**30.6**	27.6
Net debt (excluding leases)	**(129.2)**	(131.5)
Other current liabilities	**(63.6)**	(58.5)
Lease liabilities (IFRS 16)	**(77.6)**	(83.8)
Other non-current liabilities	**(18.0)**	(14.5)
Net assets	**457.1**	441.1

- High quality asset base
  - 92% of Fuller's estate is freehold by book value
  - Updated Directors' valuation of the estate on 26 March 2022 at £995.6m which implied an adjusted net asset value per share of £13.80*
- Well-balanced estate with 56% of properties sitting outside the M25
- We have continued to invest in our estate with £12m invested during the period

*Excluding deferred taxation

NET DEBT

- Net debt at 24 September 2022 of £129.2m excluding leases (25 September 2021: £131.5m)
- New bank facilities of £200m were agreed in May 2022 with a term of four years, split between a term loan of £90m and a RCF of £110m
- Net debt* of £129.2m compares to Directors' asset valuation of £995.6m which implies loan to value of 13%

Facility	Facility	Term	Cost	Drawn (net of cash)**
Bank facilities	£200m	May 2026	SONIA plus 227.5bps - 295bps	£101.7m
Debentures	£25.9m	£6m to December 2023 £20m to April 2028	£6m at 10.7% £20m at 6.875%	£25.9m
Preference shares	£1.6m	n/a	7.5%	£1.6m
Total	**£227.5m**			**£129.2m**

*Pre IFRS 16
**Net of arrangement fees

CASHFLOW

	H1 2023 £m	H1 2022 £m
Adjusted EBITDA	**28.9**	22.8
Working capital	**(2.8)**	26.3
Interest	**(4.0)**	(2.9)
Pension	**(1.1)**	(1.2)
Capital expenditure	**(11.8)**	(8.4)
Acquisitions	**(3.1)**	-
Disposals net of lease surrenders	**6.3**	2.9
Net proceeds of equity placing	**-**	51.8
Dividend	**(4.6)**	-
Other	**0.2**	-
Cash movement in net debt	**8.0**	91.3

- Steady improvement in trading resulting in much improved EBITDA of £28.9m
- No similar working capital benefit as seen in the prior year as estate was fully open at the beginning of the period
- Increased capex spend in the half year, transformational schemes such as The Plough, East Sheen, formerly a Tenanted Inn and conversion and reopening of The George & Dragon Westerham, part of our Bel & The Dragon business
- Acquisition of two pubs in the period – The Queen’s Arms at Heathrow and The Rising Sun, New Milton in the New Forest
- Non-core properties disposed as part of continued review of portfolio resulting in £6.3m realised cash, net of surrender premium
- Cash movement in Net Debt was inflow of £8.0m

CAPITAL ALLOCATION FRAMEWORK

Policy	Targets & Philosophy	Outlook
Invest in long-term organic growth	*Returns-based approach to capital investment*	• H1 FY23 investment of £11.8m • FY23 full year investment of c£25m with 50% on trade enhancing and 50% on maintenance
Sustainable & progressive dividend	*Dividend cover normalised range of 2.5-3x*	• H1 FY23 interim dividend of 4.68p representing 20% growth on last year • Outlook - progressive dividend growth in line with EPS growth to drive dividend yield for investors
Invest in additional growth opportunities	*Disciplined approach to assessing investment opportunities*	• IRR used to measure the merits of trade-enhancing investments or M&A • Acquired two sites – The Queen's Arms at Heathrow, The Rising Sun, New Milton and, post period end, The Willow at Bourton-on-the-Water
Targeting leverage of c. 3x ND/EBITDA	*Strong Balance Sheet maintained - target leverage at c.3x Net Debt / EBITDA*	• Recent refinancing provides certainty of funding • Repurchase of up to one million 'A' shares in the Company, announced on 20 September 2022

DRIVING RETURNS WHILE MAINTAINING LEVERAGE AT c.3X ND/EBITDA

FY23 GUIDANCE

- Continued recovery of Managed revenues
- Inflationary pressures persist but being managed
- Depreciation expected to be in the region of £26m
- Interest charge expected to be in the region of £12m
- Adjusted effective tax rate of 21.4%
- Capital expenditure of £25m
- IFRS 16 guidance in appendix

Outside tables now account for 25% of pre-booked covers

STRATEGY UPDATE

OUR CUSTOMER

- Affluent customer base – over-index by 48% in attracting customers with household income over £75k
- Over index in all household income groups over £40k
- Customers still well-financed due to covid savings
- Pub is still an affordable treat – but customers have high expectations and want a great experience

Household Income (£)	Fuller's Average Index (2019)	Fuller's Average Index (2021)
< 10k	73	69
10-15k	74	72
15-20k	82	81
20-25k	91	91
25-30k	93	93
30-40k	104	105
40-50k	112	113
50-75k	125	127
75k+	145	148

Source: CBRE – index against national average of 100

DELIGHTING OUR CUSTOMERS

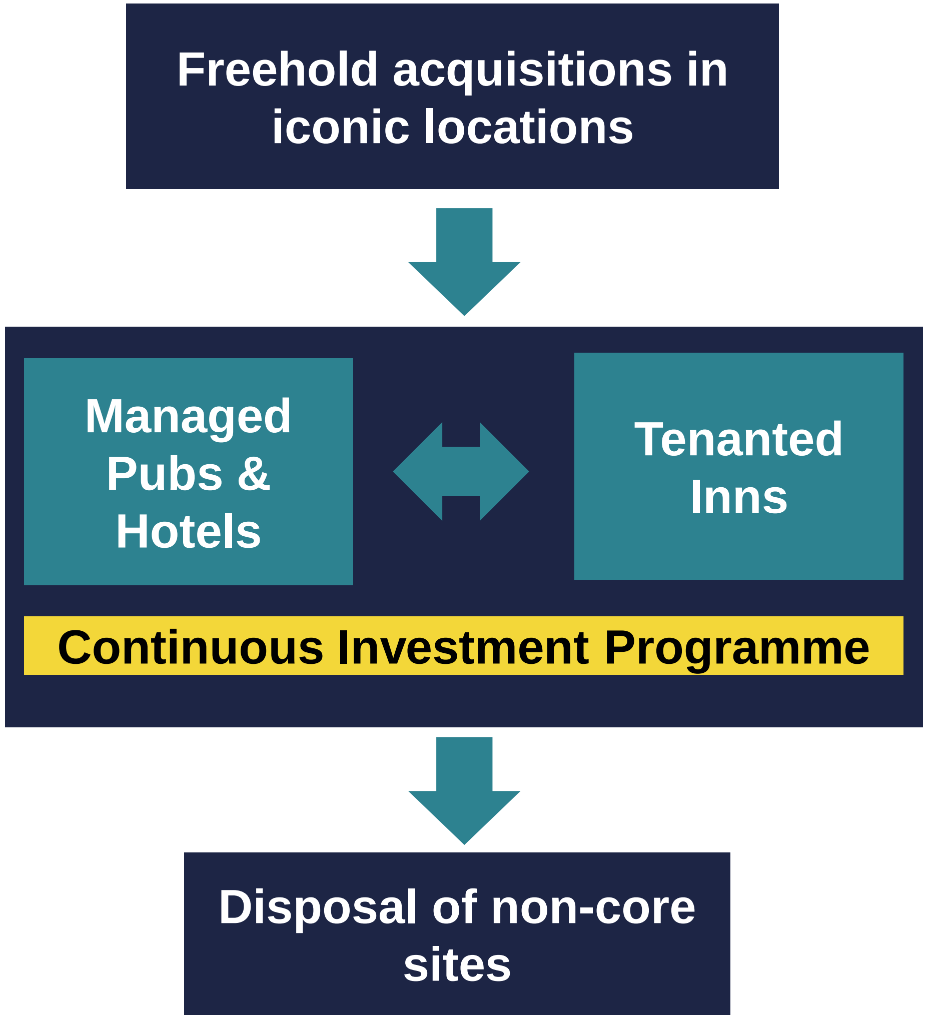
- Customers looking for a premium experience in return for their money
  - Over £500k incremental sales generated from *Shakespeare in the Garden* and *Opera in the Garden*
  - Part of an overarching *Fuller's presents…*programme targeting an affluent, cultural audience
  - Exceptionally high number of positive online reviews
- Continued growth of cocktails and premium drinks
- Food and drink offers with high quality partners
  - Bolney Estate (English wines) supper clubs
  - *Made in Hackney* plant-based burger partnership
- Focus on customer service, encouraging our teams to *Be the Difference* – reflected in a five-point rise in our net promoter score to 66.1

INSPIRING OUR PEOPLE

- Continued investment in homegrown talent
  - 65% of general managers have been internally appointed
  - 2,500 training days in the first six months
  - 177 team members currently on an apprenticeship
  - 176 service coaches across our Managed Pubs and Hotels
  - Graduation ceremony held for 300 graduates of Fuller's training programmes
- Taking steps to tackle recruitment
  - Launch of Harri, new recruitment system, led to 500% increase in the number of applications
  - Redesigned careers page on website – circa 150k views
  - Looking to new markets for additional recruits – for example over 50s through partnership with *Rest Less*, online community of nearly one million

ENHANCE OUR ESTATE

- Continue to take appropriate acquisition opportunities – acquired three new sites since the year end
  - The Queen's Arms, Landside at The Queen's Terminal Heathrow
  - The Rising Sun at New Milton in the heart of the New Forest
  - New site at Bourton-on-the-Water, iconic Cotswold location, undergoing major refurbishment to open in spring as The Willow
- Tight estate management to maximise returns with four pubs transferring from Managed to Tenanted during the period
- Invested £12m in the first half including schemes at The Lord Northbrook in Lee, The Wine Vaults in Southsea, and The George & Dragon at Westerham, Kent – a Bel & The Dragon site
- Disposed of five properties in the period for total of £6m. Since period end, realised a further £6m
- Success of recent winterisation programme – outside tables now account for 25% of bookings



EVOLVE OUR BUSINESS

- Leveraging the benefits of our new digital platforms
  - Sent almost six million emails through 200 campaigns, ensuring customers hear from Fuller's, or their favourite Fuller's pub, at least once a month
  - Customers who receive email marketing are more likely to visit within 30 days than those who have not
- Analytics allows us to constantly learn more about our customers – and target similar audiences
- Investments in improving our room stock and on the new hotel booking engine are delivering good results
  - Occupancy rates back to pre-pandemic levels at 81.6%
  - RevPAR increased to £94.65 – a rise of 17% against H1 2020
  - New system allows direct bookings through metasearch platforms (Google, Trivago etc) reducing OTA commission
  - Website direct bookings up by 20% against H1 2020*
- Sam Bourke, experienced hospitality retail marketing director joins on 28 November

* excludes Cotswold Inns & Hotels

OWN OUR IMPACT BECAUSE *Life is too good to waste*

- Roll out of energy saving measures to reduce usage by 5% per annum – investment of £0.5m to deliver:
  - Improved cellar controls and remote beer coolers, saving £390k pa
  - Improved maintenance programme for cellars and fridges, saving £75k pa
  - Identified 25 sites for a heat recovery system
  - Use of endotherm additive in hot water systems saving £175k pa
  - Additional 28 kitchens to be converted to electric
- Behavioural change programme underway to put the onus on energy saving at site level
- Continue to make progress with diversity and gender equality initiatives
- Delivering on our commitment to contribute 1% of profit to good causes and support local community activity in our pubs and hotels

A unified team with our Special Olympics partners

TENANTED INNS

- Total tenanted profit of £6.8m (H1 2022: £4.8m)
- Tenancies remain an integral, highly profitable and cash generative part of our business
- 92% of tenanted pubs are on substantive agreements
- Four pubs moved from Managed to Tenanted
- Capex investment of £2m in our Tenanted Inns during the period
- Sharing best practice from Managed pubs by rolling out energy reduction schemes in our Tenanted pubs
- Already on site with schemes at The Crown & Sceptre in Croydon and The Ship in Emsworth and about to start at The Andover Arms in Hammersmith
- Successfully held our first Tenants' *Glorious Gardens* competition to recognise effort and investment made in outside spaces

Charlotte Salaman & Michael Pearson, Tenants at The Wych Elm, Kingston who were finalists in this year's BII Licensee of the Year competition

CURRENT TRADING

- Like for like sales increased 13% v PY for the seven weeks to 12 November 2022
- Sales continue to recover well – strong growth in the City and Central London with like for like sales for the seven weeks to 12 November 2022 up 20%
- Impact of train and tube industrial action continues to dampen performance on strike weeks
- Hotels continue to deliver high levels of occupancy
- Continued investment in our people, pubs and the customer experience to deliver numerous reasons for people to visit

OUTLOOK

- Looking forward to our first restriction-free Christmas for three years
- Christmas bookings looking strong
- The World Cup provides an additional trading opportunity pre-Christmas
- Strong Balance Sheet, provides stability and confidence in uncertain times
- Well-positioned to take advantage of acquisition opportunities
- Infrastructure and strategic projects honed over the last two years are delivering returns
- Business underpinned by a predominately freehold estate of well-invested, iconic properties – Directors’ valuation at £995.6m
- The pub continues to show resilience in challenging economic conditions, especially with a more affluent customer base
- Long-term business with strong foundations, a clear vision and strategy, well placed and ready for future growth and success


LIONESSES

Appendix: Fuller's Estate

	26 Mar 2022	New	Disposed	Transfers	24 Sept 2022	New	5 Nov 2022	Within the M25
Total Fuller's	**385**	**2**	**(1)**	**-**	**386**	**1**	**387**	**44%**
Managed Pubs & Hotels	211	2	(1)	(4)	208	1	209	57%
Tenanted Inns	174	-	-	4	178	-	178	28%
Number of bedrooms	**1,030**	**13**	**-**	**-**	**1,043**	**-**	**1,043**	

Appendix: IFRS 16 reconciliation

	Pre IFRS 16	IFRS 16	Post IFRS 16
Revenue and other income	168.9	-	168.9
Operating costs	(154.5)	1.2	(153.3)
Adjusted operating profit	14.4	1.2	15.6
Finance costs	(4.3)	(1.5)	(5.8)
Adjusted profit before tax	10.1	(0.3)	9.8
Separately disclosed items	0.2	0.7	0.9
Profit before tax	10.3	0.4	10.7
Depreciation and amortisation	9.8	3.5	13.3
EBITDA	24.2	4.7	28.9