MARSTON'S

14 May 2024

# MARSTON'S PLC

***("Marston's" or "the Group")***

**RESULTS FOR THE 26 WEEKS ENDED 30 MARCH 2024**

## STRONG LIKE-FOR-LIKE SALES GROWTH, +7.3%, AHEAD OF THE MARKET, DRIVING GOOD GROWTH IN PUB OPERATING PROFIT, +22%, AND ENABLING CONTINUED REDUCTION OF DEBT; ENCOURAGING OUTLOOK FOR H2

*Marston's, a leading UK operator of 1,395 pubs, today announces its Interim Results for the 26 weeks ended 30 March 2024 ("H1" or "the period").*

| | **Underlying** | | **Statutory** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| Total revenue | **£428.1m** | £407.0m | **£428.1m** | £407.0m |
| Pub operating profit | **£52.7m** | £43.1m | **£51.8m** | £43.1m |
| Net finance costs | **£(52.9)m** | £(48.9)m | **£(78.7)m** | £(83.4)m |
| Income/(loss) from associates | **£(0.6)m** | £2.2m | **£(16.6)m** | £2.2m |
| Profit/(loss) before Tax | **£(0.8)m** | £(3.6)m | **£(43.5)m** | £(38.1)m |
| Net profit/(loss) | **£(0.6)m** | £(2.9)m | **£(36.6)m** | £(28.8)m |
| Earnings/(loss) per share | **(0.1)p** | (0.5)p | **(5.8)p** | (4.5)p |
| Net cash inflow | **-** | - | **£30.5m** | £11.5m |
| NAV per share | **-** | - | **£0.95** | £0.98 |
| Underlying pub operating margin | **12.3%** | 10.6% | **-** | **-** |

**Strong financial performance**

- Revenue up 5.2% to £428.1 million (H1 FY2023: £407.0 million), with good momentum across food and drink sales and like-for-like sales up 7.3%, outperforming the broader market[1]
- 22% increase in underlying pub operating profit to £52.7 million (H1 FY2023: £43.1 million)
- Underlying pub operating margin of 12.3% (H1 FY2023: 10.6%), with good progress on cost efficiency programme, despite inflationary environment
- Underlying share of CMBC's profit/(loss): £(0.6) million (H1 FY2023: £2.2 million), reflecting CMBC's accelerated investment in brands; the CMBC H1 FY2024 dividend received was £13.8 million (H1 FY2023: £10.6 million)
- Statutory loss before tax of £(43.5) million (H1 FY2023: £(38.1) million) is primarily a result of two non-cash items: the increase in liabilities from interest rate swaps of £25.8 million, together with a one-off charge of £16.0 million in respect of CMBC's ale brand impairment and onerous contract provision

**Focus on cash generation, debt reduction and extension of bank funding**

- Operating cash inflow of £90.9 million (H1 FY2023: £69.9 million), with net cash inflow following interest, capex and disposals of £30.5 million (H1 FY2023: £11.5 million)
- Continued progress with debt reduction strategy: net debt excluding IFRS 16 lease liabilities reduced by £24.5 million during H1 FY2024 to £1,160.9 million (FY2023: £1,185.4 million); debt reduction remains a key focus
- Successfully secured amendment, extension and increase of banking facilities totalling £340 million

**Ongoing operational improvement**

- Well-positioned to continue to capitalise on consumer lifestyle changes with a predominantly freehold pub estate and community focus with limited city centre exposure
- Continued improvement in our Reputation score, up to 787, from 766 at FY2023, as we continue to work to improve quality and consistency across our pubs[2]
- Operational efficiency initiatives progressing well, reflected in positive margin growth

**Current trading and outlook**

- Encouraging start to H2 with like-for-like sales in the last six weeks +4.0% vs. last year, excluding the impact of the additional May bank holiday last year like-for-like sales were +5.3%
- Continued progress on cost efficiency programme and targeting margin improvement of at least 200bps over the medium-term, with significant progress already made
- As with prior years, the business will be impacted by the seasonality of trade which typically sees the majority of revenue, profit and cashflow generated in H2

**Commenting, Justin Platt, CEO said:**

*"A positive H1, Marston's has delivered strong like-for-like sales growth of +7.3% outperforming the market and achieving an impressive 22% uplift in pub operating profit. We have managed costs well and made further progress to reduce debt. This performance is testament to the dedication and hard work of our talented team, who constantly strive to delight our pub-loving guests."*

*"The outlook for H2 is encouraging. With a number of 'must not miss' major sporting events, our massively upgraded pub gardens and much-loved food menus, we expect our pubs to be very popular this summer."*

*"Reflecting on my first few months with Marston's, I am very excited by the potential that lies ahead. The UK Pub Market offers significant value-driving opportunities for those who can engage and deliver for their guests. With our high-quality estate and guest obsessed team we are well placed to capitalise and to deliver consistent, reliable cashflows that will drive value for our shareholders."*

**Analyst Presentation**

Marston's PLC will be hosting an analyst presentation on 14 May 2024. Attendance is by invitation only. A recording of the presentation will be available on the Marston's PLC website at https://www.marstonspubs.co.uk/investors/results-presentations/ following the event.

**Notes**

1. *Month-on-month outperformance of Peach Tracker in H1 FY2024.*
2. *Reputation Experience Management, March 2024.*

*The Group uses a number of alternative performance measures (APMs) to enable management and users of the financial statements to better understand elements of financial performance in the period. APMs are explained and reconciled in note 17 of the financial statements.*

**ENQUIRIES:**

**Marston's PLC**
Justin Platt, CEO | Tel: 01902 329516
Hayleigh Lupino, CFO

**Instinctif Partners (Media Enquiries)**
Justine Warren | Tel: 020 7457 2010/2005
Matthew Smallwood
Joe Quinlan

**NOTES TO EDITORS**

Marston's is a leading pub operator with an estate of 1,395 pubs nationally, comprising managed, partnership ('franchised') and tenanted and leased pubs. Marston's employs around 10,000 people. It also holds a 40% holding in Carlsberg Marston's Brewing Company.

## H1 2024 PERFORMANCE OVERVIEW

Performance in the first half of 2024 has been positive. Whilst the macroeconomic environment remains challenging, our focus on community pubs, with minimal exposure to the more volatile demand in city centre establishments, continues to deliver successful results. The Group benefits from an estate that is balanced across formats and locations, with well-invested pubs, and is set for sustainable like-for-like growth and shareholder value creation over the medium to long term.

We remain focused on our strategic priorities of driving enhanced guest satisfaction and team engagement. The Group continued to improve the quality and experience we provide across our sites which delivered positive progress on our guest satisfaction measures, with improvement in our Reputation score, up to 787, from 766 at FY2023. We were also extremely proud to win Best Large Pub Company Employer 2024, a testament to our ongoing effort to support and motivate our team.

### Trading

Revenue increased by 5.2% to £428.1 million (H1 FY2023: £407.0 million). Retail sales in the Group's managed and partnership pubs rose by 5.7% to £396.6 million (H1 FY2023: £375.3 million) and total outlet sales increased by 5.8% to £411.0 million (H1 FY2023: £388.3 million). Like-for-like sales for the period were up 7.3%, reflecting strong trading over the festive period, with positive momentum in both drink sales and food sales highlighting the ongoing appeal of our business.

Underlying operating profit, excluding income from associates, was up 22% to £52.7 million (H1 FY2023: £43.1 million) and the underlying pub operating margin of 12.3% was 1.7% ahead of the prior year (H1 FY2023: 10.6%). The success of initiatives to manage price increases, product mix and drive enhanced efficiencies have enabled us to deliver margin growth, despite persistent inflationary pressures.

Underlying operating profit, including income from associates, was £52.1 million (H1 FY2023: £45.3 million), an increase of 15%. Underlying profit before tax was a loss of £(0.8) million (H1 FY2023: loss of £(3.6) million). Underlying profitability continues to reflect the seasonality of trade, which typically sees the majority of profit generated in H2. The statutory loss before tax of £(43.5) million (H1 FY2023: £(38.1) million) is primarily a result of two non-cash items, these are the increase in liabilities from interest rate swaps of £25.8 million, together with a one-off charge of £16.0 million in respect of CMBC's ale brand impairment and onerous contract provision.

### Net assets and property disposals

Net assets were £601.5 million (H1 FY2023: £620.1 million) with net asset value per share of £0.95 (H1 FY2023: £0.98).

In FY2024 we expect to dispose of £50 million of non-core and unlicensed properties. Disposal proceeds of £9.6 million have been realised in H1, which, overall, achieved net book value. Since the end of H1, c.£16 million of additional disposals have either sold or exchanged.

### Carlsberg Marston's Brewing Company (CMBC)

Underlying income from associates was a loss of £(0.6) million (H1 FY2023: £2.2 million), which is the Group's share of the loss after tax generated by CMBC. The H1 result reflects CMBC's accelerated investment in 1664 following the brand rights acquisition and further investment in Carlsberg.

The H1 dividend received was £13.8 million (H1 FY2023: £10.6 million).

**Board**

Justin Platt joined the Group as Chief Executive Officer on 10 January 2024. Justin has over 30 years' experience in hospitality and consumer-facing businesses, having spent the last 12 years at Merlin Entertainments; most recently as Chief Strategy Officer and prior to that in a variety of operational leadership roles. Justin's combination of operational and strategic experience in multi-site leisure businesses equips him well to lead Marston's through the next phase of its development.

Effective from the 23 January 2024, Rachel Osborne joined the Board as an independent Non-executive Director and Chair of the Audit Committee. Rachel also joined the Nomination and Remuneration Committees, at the same time.

As previously announced, William Rucker is due to step down as Director and Chair of the Board, with effect from 8 July 2024. A search for a successor is currently in progress.

**Dividend**

The Board confirms that given its priority to reduce the overall level of borrowing and the continued macroeconomic uncertainty, no dividends will be paid in respect of financial year 2024. The Board is cognisant of the importance of dividends to shareholders and intends to keep potential future dividends under review.

**Outlook**

The positive trading momentum which characterised H1 has continued, with like-for-like sales in our managed and partnership ('franchised') pubs +4.0% in the six weeks since the period end. Excluding the impact of the additional May bank holiday last year, like-for-like sales were +5.3%. We have continued to invest in further enhancing our estate, including our pub gardens and, with major sporting events scheduled for H2, we are well positioned to capitalise on these key trading opportunities. Similar to prior years, the business will be affected by the seasonality of trade which typically sees the majority of revenue, profit and cashflow generated in the second half of the year.

As previously guided, the Group continues to drive efficiencies and remains confident of delivering at least £8 million of cost efficiencies in-year. This will be principally achieved from reduced energy and labour costs, as well as improving margins through simplification. With our predominantly freehold estate, our fixed energy costs and a significant proportion of our food and drink costs secured for FY2024, this provides us with a high degree of confidence going into H2.

Regarding interest costs, our borrowings are largely long-dated and asset-backed. 93% of our borrowings are hedged and therefore not at risk of changes in interest rate movements that may occur during the year. The refinancing will incur one-off transaction costs of c.£4 million.

We reiterate our previous commitment to reduce net debt excluding IFRS 16 lease liabilities to below £1 billion by 2026.

## H1 2024 BUSINESS UPDATE

### Market dynamics

Amid macroeconomic challenges, pub spending remains resilient, and is projected to grow steadily at around 3% CAGR from 2023 to 2028.[1] The post-pandemic shift towards remote work has redirected leisure activities away from city centres, benefiting community-centric pubs. Marston's is strategically positioned to benefit from this growing market opportunity.

Pubs remain integral to British culture, offering unique social experiences. Social engagement has surged post-pandemic, aligning with consumer preferences for experiences over possessions and pub visits are a primary means of fulfilling these fundamental aspects of connection. Pubs are expected to sustain popularity across diverse demographics, but success relies on tailoring offerings to local areas to foster lasting loyalty. Those catering to more rural locations, with higher disposable incomes, and those in areas where spending power is likely to recover fastest from cost-of-living pressures, will have a competitive edge in this respect.

### Strong fundamentals

Marston's has strong business fundamentals on which to build, including: a predominantly community-based estate; freehold ownership; a balanced management model between managed, partnership ('franchised') and traditional tenanted and leased; along with positive cash generation.

We are a pub company with a core estate of c.90% community-based pubs. Operating in the mainstream market, with a pub for every occasion, our approach means we are well-hedged against changes in consumer trends. We target the sweet spot of consumers with higher disposable incomes, looking to spend more time in lower tempo social environments.

We have predominantly freehold ownership of our pubs, with a related asset value of £2.1 billion. This not only allows greater operational flexibility, but it also provides more stability in terms of fixed costs, as the vast majority of our estate is not subject to rent increases, or renegotiation.

Marston's operates a diversified ownership model, with 55% of our pubs being partnerships run by entrepreneurs operating under an agreement that drives their business forward. The remainder of our pubs are either managed (30%) or tenanted and leased (15%). This approach allows us the flexibility to match the right model with the right location and licensee, ensuring sustained success.

We have a clear, cash generative operating model, that will support our ongoing debt reduction plans.

### Operational delivery

Operationally, we remain focused on driving guest satisfaction in a great environment served by engaged and motivated teams, and we continue to be a business driven by our data and insights.

We aim to delight our guests so they visit our pubs time and time again and we remain focused on our goal of achieving a Reputation score of 800+ for all of our pubs. Over the last six months, our operational delivery has been strong, with a further 101 pubs moving into the 800+ category, demonstrating our ongoing commitment to improving our service and guest satisfaction in a consistent manner.

We truly believe that people are an integral part of pubs, and we want Marston's to be a great place to work for our c.10,000 employees – happy, engaged teams deliver great guest experiences. To achieve this, we set ourselves a target of achieving a 'Your Voice' engagement score of 8 or more, and in 2023 achieved an average employee engagement score of 8.2, with participation rates of 84%.

## ESG and sustainability

Our ESG agenda is structured around four core pillars where we believe we can make the biggest impact: Planet, People, Product and Policy.

Highlights for the year so far include:

- The installation of Solar PV panels at our Pub Support Centre and, so far, at six of our pubs to increase the mix of renewable energy and reduce costs. Over H1 FY2024, this has contributed 23,056KWh of solar power and saved 5,188kg of $CO_2$
- Increasing the roll out of EV chargers within our estate with 437 EV chargers across over 190 of our pubs and five ultra-fast charging hubs. Our charging network has been responsible for c.65+ million miles travelled by electric vehicles, saving 12.5 million kg of $CO_2$ - the equivalent of the average annual total mileage for 7,575 individuals
- Progress on our target to reduce food waste by saving over 15,000+ meals from waste in partnership with Too Good to Go, and supporting charities like the Trussell Trust to help eradicate food poverty
- Industry recognition of our People-powered approach winning Best Large Pub Company Employer 2024 in the Publican Awards and Best Workplace Mental Health Strategy 2024 at Hospitality's Mental Health Heroes 2024, by Burnt Chef

## Marston's future value drivers

Marston's is well-positioned to capitalise on the opportunity ahead of it:

- We have strong business fundamentals on which to build, and a focus on delivering operational excellence and commitment to a sustainable future;
- With our focus on community-based pubs, we operate in a structurally growing area of the market[1], and are well-placed to take advantage of changing dynamics with a focus on volume and revenue per guest;
- Our predominantly freehold estate provides operational flexibility and certainty over fixed costs;
- We are focused on driving cost efficiency improvements and margin expansion;
- We have an industry leading reputation and continue to focus on improving key operational metrics; and
- Our positive cash generation and streamlined debt profile, reducing debt to £1 billion, will further reinforce our financial stability.

## Notes

1. *Broader market growth of c. 3% CAGR between 2023-2028, Mintel UK Pub Visiting Report, Dec 2023*

**PERFORMANCE AND FINANCIAL REVIEW**

**Revenue**

Revenue increased by 5.2% to £428.1 million (H1 FY2023: £407.0 million) and like-for-like sales for the period were up 7.3%, with strong momentum from drink and food sales.

Retail sales in the Group's 1,186 managed and partnership pubs increased by 5.7% to £396.6 million (H1 2023: £375.3 million) and total outlet sales increased by 5.8% to £411.0 million (H1 2023: £388.3 million).

Within our pub business we operated 209 pubs under the traditional tenanted and leased model generating revenues of £17.1 million (H1 2023: £18.7 million).

Accommodation sales were consistently strong at £14.9 million (H1 2023: £15.0 million).

**Profit**

Underlying operating profit, excluding income from associates, increased by 22% to £52.7 million (H1 2023: £43.1 million) with an underlying pub operating margin of 12.3% (H1 2023: 10.6%). The significant increases reflect the positive impact of our cost efficiency programme and strong like-for-like sales. Underlying operating profit, including income from associates was £52.1 million, (H1 2023: £45.3 million), which reflects the £(0.6)m share of CMBC's loss for the period.

Underlying EBITDA, excluding income from associates, increased by 15% to £75.5 million (H1 2023: £65.9 million).

Underlying profit before tax was a loss of £(0.8) million (H1 2023: loss of £(3.6) million). Profit before tax was a loss of £(43.5) million (H1 2023: a loss of £(38.1) million).

**Non-underlying items**

The difference between underlying loss before tax and statutory loss before tax is a net non-underlying charge of £42.7 million, which includes a £25.8 million net loss in respect of interest rate swap movements, £12.5 million share of CMBC's brand impairment (in respect of some of CMBC's ale brands), £3.5 million share of a CMBC onerous contract provision (in respect of one specific contract), £0.5 million of reorganisation, restructuring and relocation costs (being the continuation of the £2.9 million restructuring programme previously disclosed as non-underlying in 2023) and £0.4 million of additional costs from the change of CEO.

**Interest**

Our borrowings are largely long-dated and asset-backed. The securitisation is in place until 2035 which provides financing security and high visibility of future cash flows; this is of particular importance in an environment where interest rates have increased to curb inflation. The securitisation is fully hedged until 2035. Other lease related borrowings are index linked, capped and collared at 1% and 4%, providing protection against high inflation. Of our £300 million bank facilities, £120 million is hedged. Overall, we are 93% hedged, providing protection against unknown changes in interest rate movements that may occur during the year.

**Share of associate - Carlsberg Marston's Brewing Company (CMBC)**

Included in our Group income statement is underlying loss from associates of £(0.6) million (H1 2023: £2.2 million). The H1 underlying share of associate reflects CMBC's accelerated investment in 1664 following the brand rights acquisition and further investment in Carlsberg and is not expected to be reflective of full year performance. The majority of profit is typically generated during H2.

Loss from associates of £(16.6) million (H1 2023: £2.2 million), which is the Group's share of the statutory loss after tax generated by CMBC, includes two non-underlying items: £12.5 million share of CMBC's brand impairment (in respect of some of CMBC's ale brands) and £3.5 million share of a CMBC onerous contract provision (in respect of one specific contract). These items are one-off in nature and are not expected to recur.

The Group also benefits from dividends received from CMBC, as shown in our Group cash flow statement. Dividends from associates of £13.8 million were received (H1 2023: £10.6 million). Dividends in respect of CMBC's calendar financial year are paid in September in year (for January – June) and March the following year (for July – December). The dividends are generated from CMBC's operating cash flows, adjusted for working capital and other movements.

**Taxation**

The estimated underlying tax rate is 25% (H1 2023: 19.4%). This is in line with the statutory rate of corporation tax of 25% for the year. The overall tax rate is 15.9% for the period and the key driver for this overall rate reduction is the post-tax share of loss from associates.

**Earnings per share**

Underlying earnings per share were a loss of (0.1) pence per share (H1 2023: (0.5) pence loss per share). Earnings per share were a loss of (5.8) pence per share (H1 2023: (4.5) pence loss per share).

**Net assets**

Net assets were £601.5 million (2023: £640.1 million, H1 2023: £620.1 million) with net asset value per share of £0.95 (H1 2023: £0.98). The decrease from FY2023 is primarily due to the increase in liabilities from interest rate swaps together with a reduction in carrying value of the CMBC investment driven by the CMBC ale brand impairment.

**Capital expenditure and property disposals**

Capital expenditure was £21.7 million in the period (H1 2023: £40.9 million), with a focus on deploying capital as efficiently as possible and maximising returns. We expect that capital expenditure will not exceed £50 million in FY2024.

In FY2024 we expect to dispose of £50 million of non-core and unlicensed properties. Proceeds of £9.6 million have been realised in relation to these disposals in H1, which, overall, achieved net book value. Since the end of H1, c.£16 million of additional disposals have either sold or exchanged.

**Debt and financing**

The Group remained focused on cash management during the year to date. We continued to prioritise cash preservation whilst maintaining an appropriate level of pub investment.

The Group generated an operating cash inflow of £90.9 million in the half year, significantly ahead of last year (H1 2023: £69.9 million). Net interest costs including bank fees were £48.3 million (H1 2023: £40.9 million), capital expenditure was £21.7 million (H1 2023: £40.9 million) and disposals proceeds received were £9.6 million (H1 2023: £23.4 million), resulting in a net cash inflow for the period of £30.5 million (H1 2023: £11.5 million).

Net debt, excluding IFRS 16 lease liabilities, was £1,160.9 million, a reduction of £24.5 million from last financial year (2023: £1,185.4 million). Total net debt of £1,536.5 million (2023: £1,565.8 million) includes IFRS 16 lease liabilities of £375.6 million (2023: £380.4 million).

We have successfully secured an amendment and extension to our banking facility, which was due to expire in January 2025. The revised £340 million of funding comprises £300 million of bank facilities, maturing in July 2026, and an additional £40 million bank facility with a maturity of up to July 2026, drawings of which must be used to repay the existing £40 million private placement that matures in January 2025. There are one-off transaction costs of c.£4 million and the costs of the facilities are variable: to be determined by the level of leverage or drawings from time to time alongside changes in the SONIA rate. £120 million of the facilities remains hedged.

The Group continues to have a range of financing providing an appropriate level of flexibility and liquidity. As at the end of H1 FY2024:

- £300 million bank facility - at the period end £232.0 million was drawn providing headroom of £68.0 million and non-securitised cash balances of £11.1 million
- £40 million private placement in place until January 2025
- Seasonal overdraft of £5-£20 million, depending on dates – which was not used at the period end
- Long-term securitisation debt of approximately £581.1 million - at the period close the £120 million securitisation liquidity facility was not utilised
- Long-term other lease related borrowings of £338.2 million
- £375.6 million of IFRS 16 lease liabilities

The securitisation is fully hedged to 2035. Other lease related borrowings are index-linked capped and collared at 1% and 4%. There are £120 million of swaps against the bank facilities: £60 million is fixed at 3.73% until 2031 and £60 million is fixed at 3.45% until 2029.

In summary, we have adequate cash headroom in our bank facilities to provide operational liquidity. Importantly, c.93% of our medium to long-term financing is hedged thereby minimising exposure to movement in interest rates.

**Pensions**

The balance on our final salary scheme was a £11.4 million surplus at 30 March 2024 (£12.9 million surplus at 30 September 2023). The change can primarily be attributed to the increase in the benefit obligation resulting from a reduction in the discount rate, partially offset by corresponding increases in the invested asset values and the value of insured pensioners during the period. The net annual deficit contribution of c.£6 million is expected to cease at the end of FY2024.

**Dividend**

The Board confirms that given its priority to reduce the overall level of borrowing and the continued macroeconomic uncertainty, no dividends will be paid in respect of financial year 2024. The Board is cognisant of the importance of dividends to shareholders and intends to keep potential future dividends under review.

**Going Concern**

As part of the reporting process, we are formally required to assess the extent to which our forecasts and therefore our financing requirements may or may not affect our going concern assumption in preparing the accounts. In performing this assessment we have considered the Group's financial position and exposure to principal risks, including the cost-of-living crisis and inflationary pressure. The Group's forecasts assume moderate sales price increases, operational costs rising broadly in line with inflation, unless those costs are known, or fixed, in which case the known cost has been used, and increased borrowing costs in the short term, reducing to flat towards the end of the period. The assessment takes into account the newly revised banking facilities, which include a more accommodating interest cover covenant. The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity and is not forecast to breach any covenants within its banking group, private placement or securitisation in its base case forecast.

The Group has analysed a downside scenario, in which a lower level of sales are achieved compared to the base case with similar cost assumptions to that of the base case and variable costs flexing with the reduced volume. The result of this downside scenario is that the Group would still have sufficient liquidity to settle liabilities as they fall due and headroom within its financial covenants throughout the going concern review period.

The Group has also performed a reverse stress test case, which analyses to what extent sales would need to decrease in order to breach financial covenants, with similar cost assumptions to that of the base case and variable costs flexing with the reduced volume. This reverse stress test shows that the Group could withstand a reduction in sales of over 10% from those assessed in the base case throughout the going concern period. The Directors consider this scenario to be remote as, other than when the business was closed during the pandemic, it has never experienced sales declines to this level. Additionally, the Group could take management actions within its control to partially mitigate the financial impact.

Accordingly, the financial statements have been prepared on the going concern basis with no material uncertainty. Full details are included in Note 1.

**Investment in CMBC**

The balance sheet carrying value of Marston's investment in CMBC has decreased during the period, due to the share of CMBC's loss after tax, included in the Group's income statement, and the dividend received, included in the Group's cash flow statement.

Consistent with last year, we will perform an annual formal impairment assessment as at year end.

**Key estimates and significant judgements**

Under International Financial Reporting Standards (IFRS) as adopted within the UK and in accordance with the requirements of the Companies Act 2006, the Group is required to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's key assumptions and significant judgements are:

- Non-underlying items - determination of items to be classified as non-underlying
- Property, plant, and equipment - valuation of effective freehold land and buildings
- Retirement benefits - actuarial assumptions in respect of the defined benefit pension plan, which include discount rates, rates of increase in pensions, inflation rates and life expectancies
- Financial instruments - valuation of derivative financial instruments
- CMBC – recoverable amount of the investment in associate estimated on a value in use basis

**Notes**

*Prior period was a 26-week period to 1 April 2023. The Group uses a number of alternative performance measures (APMs) to enable management and users of the financial statements to better understand elements of financial performance in the period. APMs are explained and reconciled in Note 17 of the financial statements.*

## Responsibility Statement of the Directors in respect of the Interim Results

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the United Kingdom Financial Conduct Authority, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report and Accounts.

The Directors of Marston's PLC are listed in the Marston's PLC Annual Report and Accounts for 30 September 2023. A list of current Directors is maintained on the Marston's PLC website: www.marstonspubs.co.uk.

By order of the Board:

| | |
|---|---|
| Justin Platt | Hayleigh Lupino |
| Chief Executive Officer | Chief Financial Officer |
| 14 May 2024 | 14 May 2024 |

## GROUP INCOME STATEMENT (UNAUDITED)

For the 26 weeks ended 30 March 2024

| | | 26 weeks to 30 March 2024 | | | 26 weeks to 1 April 2023 | | | 52 weeks to 30 September 2023 |
|---|---|---|---|---|---|---|---|---|
| | Note | **Underlying[1] £m** | **Non-underlying[1] £m** | **Total £m** | Underlying[1] £m | Non-underlying[1] £m | Total £m | Total £m |
| Revenue | 3 | **428.1** | **-** | **428.1** | 407.0 | - | 407.0 | 872.3 |
| Net operating expenses | 4 | **(375.4)** | **(0.9)** | **(376.3)** | (363.9) | - | (363.9) | (782.1) |
| (Loss)/income from associates | 4 | **(0.6)** | **(16.0)** | **(16.6)** | 2.2 | - | 2.2 | 9.9 |
| **Operating profit/(loss)** | | **52.1** | **(16.9)** | **35.2** | 45.3 | - | 45.3 | 100.1 |
| Finance costs | 5 | **(53.5)** | **-** | **(53.5)** | (49.5) | - | (49.5) | (100.4) |
| Finance income | 5 | **0.6** | **-** | **0.6** | 0.6 | - | 0.6 | 1.2 |
| Interest rate swap movements | 4, 5 | **-** | **(25.8)** | **(25.8)** | - | (34.5) | (34.5) | (21.6) |
| Net finance costs | 4, 5 | **(52.9)** | **(25.8)** | **(78.7)** | (48.9) | (34.5) | (83.4) | (120.8) |
| **Loss before taxation** | | **(0.8)** | **(42.7)** | **(43.5)** | (3.6) | (34.5) | (38.1) | (20.7) |
| Taxation | 4, 6 | **0.2** | **6.7** | **6.9** | 0.7 | 8.6 | 9.3 | 11.4 |
| **Loss for the period attributable to equity shareholders** | | **(0.6)** | **(36.0)** | **(36.6)** | (2.9) | (25.9) | (28.8) | (9.3) |
| **(Loss)/earnings per share:** | | | | | | | | |
| Basic loss per share | 7 | | | **(5.8)** | | | (4.5) | (1.5) |
| Basic underlying[1] (loss)/earnings per share | 7 | | | **(0.1)** | | | (0.5) | 5.1 |
| Diluted loss per share | 7 | | | **(5.8)** | | | (4.5) | (1.5) |
| Diluted underlying[1] (loss)/earnings per share | 7 | | | **(0.1)** | | | (0.5) | 5.1 |

## GROUP STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the 26 weeks ended 30 March 2024

| | **26 weeks to 30 March 2024 £m** | 26 weeks to 1 April 2023 £m | 52 weeks to 30 September 2023 £m |
|---|---|---|---|
| Loss for the period | **(36.6)** | (28.8) | (9.3) |
| **Items of other comprehensive income that may subsequently be reclassified to profit or loss** | | | |
| Losses arising on cash flow hedges | **(2.6)** | (7.3) | (3.0) |
| Transfers to the income statement on cash flow hedges | **4.0** | 6.6 | 11.4 |
| Other comprehensive income of associates | **0.2** | 0.4 | 0.8 |
| Tax on items that may subsequently be reclassified to profit or loss | **(0.4)** | 0.1 | (2.1) |
| | **1.2** | (0.2) | 7.1 |
| **Items of other comprehensive income that will not be reclassified to profit or loss** | | | |
| Remeasurement of retirement benefits | **(4.9)** | 0.7 | (9.2) |
| Unrealised surplus on revaluation of properties | **-** | - | 95.6 |
| Reversal of past revaluation surplus | **-** | - | (93.9) |
| Tax on items that will not be reclassified to profit or loss | **0.4** | (0.2) | (0.2) |
| | **(4.5)** | 0.5 | (7.7) |
| Other comprehensive (expense)/income for the period | **(3.3)** | 0.3 | (0.6) |
| **Total comprehensive expense for the period attributable to equity shareholders** | **(39.9)** | (28.5) | (9.9) |

[1] Alternative performance measures (APMs) are reconciled to the interim financial information in note 17.

## GROUP CASH FLOW STATEMENT (UNAUDITED)

For the 26 weeks ended 30 March 2024

| | Note | **26 weeks to 30 March 2024 £m** | 26 weeks to 1 April 2023 £m | 52 weeks to 30 September 2023 £m |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Loss for the period | | **(36.6)** | (28.8) | (9.3) |
| Taxation | | **(6.9)** | (9.3) | (11.4) |
| Net finance costs | | **78.7** | 83.4 | 120.8 |
| Depreciation and amortisation | | **22.8** | 22.8 | 45.5 |
| Working capital movement | | **6.0** | 2.9 | (29.0) |
| Non-cash movements | | **17.1** | (8.8) | 12.3 |
| (Decrease)/increase in provisions and other non-current liabilities | | **(0.4)** | 0.5 | (0.8) |
| Difference between defined benefit pension contributions paid and amounts charged | | **(3.7)** | (3.8) | (7.6) |
| Dividends from associates | | **13.8** | 10.6 | 21.6 |
| Income tax received/(paid) | | **0.1** | 0.4 | (0.9) |
| **Net cash inflow from operating activities** | | **90.9** | 69.9 | 141.2 |
| | | | | |
| **Investing activities** | | | | |
| Interest received | | **0.8** | 1.2 | 1.8 |
| Sale of property, plant and equipment and assets held for sale | | **9.6** | 23.4 | 51.3 |
| Purchase of property, plant and equipment and intangible assets | | **(21.7)** | (40.9) | (65.3) |
| Finance lease capital repayments received | | **1.1** | 1.3 | 2.5 |
| Net transfer to other cash deposits | 9 | **(0.1)** | (0.1) | (0.1) |
| **Net cash outflow from investing activities** | | **(10.3)** | (15.1) | (9.8) |
| | | | | |
| **Financing activities** | | | | |
| Interest paid | | **(50.2)** | (43.3) | (93.1) |
| Arrangement costs of bank facilities | | **-** | (0.1) | (4.0) |
| Repayment of securitised debt | | **(20.4)** | (19.3) | (39.4) |
| Advance of bank borrowings | | **3.0** | 2.0 | 14.0 |
| Net repayment of capital element of lease liabilities | | **(4.3)** | (2.4) | (5.1) |
| Repayment of other borrowings | | **(10.0)** | - | (5.0) |
| **Net cash outflow from financing activities** | | **(81.9)** | (63.1) | (132.6) |
| **Net decrease in cash and cash equivalents** | 9 | **(1.3)** | (8.3) | (1.2) |

## GROUP BALANCE SHEET (UNAUDITED)

As at 30 March 2024

| | Note | **30 March 2024 £m** | 1 April 2023 £m | 30 September 2023 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | **30.7** | 34.7 | 32.9 |
| Property, plant and equipment | 8 | **2,053.4** | 2,118.5 | 2,064.8 |
| Interests in associates | | **220.7** | 252.4 | 250.9 |
| Other non-current assets | | **15.2** | 16.4 | 15.0 |
| Deferred tax assets | | **7.7** | 1.2 | 0.9 |
| Retirement benefit surplus | | **11.4** | 19.3 | 12.9 |
| Derivative financial instruments | 10 | **0.8** | 0.7 | 2.7 |
| | | **2,339.9** | 2,443.2 | 2,380.1 |
| **Current assets** | | | | |
| Derivative financial instruments | 10 | **-** | - | 1.1 |
| Inventories | | **14.7** | 15.5 | 14.9 |
| Trade and other receivables | | **29.6** | 28.3 | 26.9 |
| Current tax assets | | **0.4** | - | 0.4 |
| Other cash deposits | 9 | **3.2** | 3.1 | 3.1 |
| Cash and cash equivalents | 9 | **25.2** | 19.4 | 26.5 |
| | | **73.1** | 66.3 | 72.9 |
| Assets held for sale | | **1.4** | 1.7 | 1.4 |
| | | **74.5** | 68.0 | 74.3 |
| **Current liabilities** | | | | |
| Borrowings* | 9 | **(329.3)** | (69.4) | (65.9) |
| Derivative financial instruments | 10 | **(1.4)** | (1.7) | - |
| Trade and other payables | | **(177.9)** | (212.9) | (170.4) |
| Current tax liabilities | | **-** | (1.4) | - |
| Provisions for other liabilities and charges | | **(1.0)** | (1.6) | (1.4) |
| | | **(509.6)** | (287.0) | (237.7) |
| **Non-current liabilities** | | | | |
| Borrowings* | 9 | **(1,235.6)** | (1,539.6) | (1,529.5) |
| Derivative financial instruments | 10 | **(57.4)** | (54.6) | (37.4) |
| Other non-current liabilities | | **(7.7)** | (6.7) | (7.1) |
| Provisions for other liabilities and charges | | **(2.6)** | (3.2) | (2.6) |
| | | **(1,303.3)** | (1,604.1) | (1,576.6) |
| **Net assets** | | **601.5** | 620.1 | 640.1 |
| **Shareholders' equity** | | | | |
| Equity share capital | | **48.7** | 48.7 | 48.7 |
| Share premium account | | **334.0** | 334.0 | 334.0 |
| Revaluation reserve | | **409.7** | 415.7 | 412.1 |
| Capital redemption reserve | | **6.8** | 6.8 | 6.8 |
| Hedging reserve | | **(43.4)** | (51.3) | (44.4) |
| Own shares | | **(110.5)** | (110.8) | (110.6) |
| Retained earnings | | **(43.8)** | (23.0) | (6.5) |
| **Total equity** | | **601.5** | 620.1 | 640.1 |

* Subsequent to the current period end of 30 March 2024, the Group successfully secured an amendment and extension of its bank facilities to the end of July 2026. There was a period of less than 12 months outstanding on the previous bank facilities as at the balance sheet date resulting in a temporary reclassification of the bank borrowings from non-current to current liabilities.

## GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

### For the 26 weeks ended 30 March 2024

| | Equity share capital £m | Share premium account £m | Revaluation reserve £m | Capital redemption reserve £m | Hedging reserve £m | Own shares £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| At 1 October 2023 | 48.7 | 334.0 | 412.1 | 6.8 | (44.4) | (110.6) | (6.5) | 640.1 |
| Loss for the period | - | - | - | - | - | - | (36.6) | (36.6) |
| Remeasurement of retirement benefits | - | - | - | - | - | - | (4.9) | (4.9) |
| Tax on remeasurement of retirement benefits | - | - | - | - | - | - | 0.4 | 0.4 |
| Losses on cash flow hedges | - | - | - | - | (2.6) | - | - | (2.6) |
| Transfers to the income statement on cash flow hedges | - | - | - | - | 4.0 | - | - | 4.0 |
| Tax on hedging reserve movements | - | - | - | - | (0.4) | - | - | (0.4) |
| Other comprehensive income of associates | - | - | - | - | - | - | 0.2 | 0.2 |
| Total comprehensive income/(expense) | - | - | - | - | 1.0 | - | (40.9) | (39.9) |
| Share-based payments | - | - | - | - | - | - | 1.3 | 1.3 |
| Sale of own shares | - | - | - | - | - | 0.1 | (0.1) | - |
| Transfer disposals to retained earnings | - | - | (2.7) | - | - | - | 2.7 | - |
| Transfer tax to retained earnings | - | - | 0.3 | - | - | - | (0.3) | - |
| Total transactions with owners | - | - | (2.4) | - | - | 0.1 | 3.6 | 1.3 |
| **At 30 March 2024** | **48.7** | **334.0** | **409.7** | **6.8** | **(43.4)** | **(110.5)** | **(43.8)** | **601.5** |

### For the 26 weeks ended 1 April 2023

| | Equity share capital £m | Share premium account £m | Revaluation reserve £m | Capital redemption reserve £m | Hedging reserve £m | Own shares £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| At 2 October 2022 | 48.7 | 334.0 | 417.1 | 6.8 | (50.7) | (110.9) | 3.1 | 648.1 |
| Loss for the period | - | - | - | - | - | - | (28.8) | (28.8) |
| Remeasurement of retirement benefits | - | - | - | - | - | - | 0.7 | 0.7 |
| Tax on remeasurement of retirement benefits | - | - | - | - | - | - | (0.2) | (0.2) |
| Losses on cash flow hedges | - | - | - | - | (7.3) | - | - | (7.3) |
| Transfers to the income statement on cash flow hedges | - | - | - | - | 6.6 | - | - | 6.6 |
| Tax on hedging reserve movements | - | - | - | - | 0.1 | - | - | 0.1 |
| Other comprehensive income of associates | - | - | - | - | - | - | 0.4 | 0.4 |
| Total comprehensive expense | - | - | - | - | (0.6) | - | (27.9) | (28.5) |
| Share-based payments | - | - | - | - | - | - | 0.4 | 0.4 |
| Sale of own shares | - | - | - | - | - | 0.1 | (0.1) | - |
| Transfer disposals to retained earnings | - | - | (1.5) | - | - | - | 1.5 | - |
| Transfer tax to retained earnings | - | - | 0.1 | - | - | - | (0.1) | - |
| Changes in equity of associates | - | - | - | - | - | - | 0.1 | 0.1 |
| Total transactions with owners | - | - | (1.4) | - | - | 0.1 | 1.8 | 0.5 |
| **At 1 April 2023** | **48.7** | **334.0** | **415.7** | **6.8** | **(51.3)** | **(110.8)** | **(23.0)** | **620.1** |

# NOTES

## 1 BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

Marston's PLC (the 'Company') is a company domiciled in the UK. The consolidated interim financial information for the 26 weeks ended 30 March 2024 incorporates the financial statements of Marston's PLC and all of its subsidiary undertakings (the 'Group'). The Group is primarily an operator of pubs and bars across the UK.

This interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' in conformity with the requirements of the Companies Act 2006. The same accounting policies, presentation and methods of computation are followed in the interim financial information as applied in the Group's audited financial statements for the 52 weeks ended 30 September 2023 with the exception of new standards and interpretations that were only applicable from the beginning of the current financial year. The audited financial statements for the 52 weeks ended 30 September 2023 contain details of the new standards and interpretations now applicable to the Group. The adoption of these standards and interpretations has had no material impact on the interim financial information.

The financial information for the 52 weeks ended 30 September 2023 is extracted from the audited accounts for that period, which have been delivered to the Registrar of Companies. The Auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. However, the Auditor's report contained an emphasis of matter relating to a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

The interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim financial information for the 26 weeks ended 30 March 2024 and the comparatives to 1 April 2023 are unaudited.

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board, but not yet applicable, will have a significant impact on the financial statements for the 52 weeks ending 28 September 2024.

**Going concern**
Subsequent to the current period end of 30 March 2024, the Group successfully secured an amendment and extension of its bank facility, which was due to expire in January 2025. The revised £340.0 million of funding comprises £300.0 million of bank facilities, maturing in July 2026, and an additional £40.0 million bank facility with a maturity of up to July 2026, drawings of which must be used to repay the existing £40.0 million private placement debt facility that matures in January 2025. £232.0 million of the previous £300.0 million bank facility was drawn at 30 March 2024. The Group's sources of funding also include its securitised debt.

There are two covenants associated with the Group's securitised debt. The FCF DSCR is a measure of free cash flow to debt service for the group headed by Marston's Pubs Parent Limited and the Net Worth is derived from the net assets of that group of companies.

There are three covenants associated with the amended Group's bank and private placement borrowings for the non-securitised group of companies – Debt Cover, Interest Cover and Liquidity. The Debt Cover covenant is a measure of net borrowings to EBITDA, the Interest Cover covenant is a measure of EBITDA to finance charges and the Liquidity covenant is a measure of headroom on the Group's bank and private placement borrowing.

The Directors have performed an assessment of going concern over the period of 12 months from the date of signing these interim financial statements, to assess the adequacy of the Group's financial resources. In performing their assessment, the Directors considered the Group's financial position and exposure to principal risks, including the cost-of-living crisis and inflationary pressure. The Group's forecasts assume moderate sales price increases, operational costs rising broadly in line with inflation, unless those costs are known, or fixed, in which case the known cost has been used, and increased borrowing costs in the short term, reducing to flat towards the end of the period. The assessment takes into account the newly revised banking facilities, which include a more accommodating Interest Cover covenant.

The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity, is not forecast to breach any revised covenants within its banking group, private placement or securitisation in its base case forecast, and has sufficient resources to continue in operational existence for a period of at least 12 months from the date of approval of these interim financial statements.

The Group has analysed a downside scenario, in which a lower level of sales are achieved compared to the base case forecast with similar cost assumptions to that of the base case forecast and variable costs flexing with the reduced volume. The result of this downside scenario is that the Group would still have sufficient liquidity to settle liabilities as they fall due and headroom within its revised financial covenants throughout the going concern review period.

The Group has also performed a reverse stress test case, which analyses to what extent sales would need to decrease in order to breach revised financial covenants, with similar cost assumptions to that of the base case forecast and variable costs flexing with the reduced volume. This reverse stress test shows that the Group could withstand a reduction in sales of over 10% from those assessed in the base case throughout the going concern period. The Directors consider this scenario to be remote as, other than when the business was closed during the pandemic, the Group has never experienced sales declines to this level. Additionally, the Group could take management actions within the Directors' control to partially mitigate the financial impact.

Accordingly, the financial statements have been prepared on the going concern basis.

## 2 SEGMENT REPORTING

The Group is considered to have one operating segment under IFRS 8 'Operating Segments' and no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying[1] profit/loss before tax.

## NOTES (CONTINUED)

### 3 REVENUE

| Revenue | 30 March 2024 £m | 1 April 2023 £m |
|---|---|---|
| Outlet sales | **411.0** | 388.3 |
| Wholesale sales | **13.1** | 14.0 |
| Revenue from contracts with customers | **424.1** | 402.3 |
| Rental income | **4.0** | 4.7 |
| Total revenue | **428.1** | 407.0 |

### 4 NON-UNDERLYING[1] ITEMS

In order to illustrate the underlying[1] trading performance of the Group, presentation has been made of performance measures excluding those items which it is considered would distort the comparability of the Group's results.

Non-underlying[1] items are presented separately on the face of the income statement and are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods. As management of the freehold and leasehold property estate is an essential and significant area of the business, the threshold for classification of property related items as non-underlying[1] is higher than other items.

| | 30 March 2024 £m | 1 April 2023 £m |
|---|---|---|
| **Non-underlying[1] operating items** | | |
| Reorganisation, restructuring and relocation costs | **0.5** | - |
| Duplication costs | **0.4** | - |
| Non-underlying[1] loss from associates | **16.0** | - |
| | **16.9** | - |
| **Non-underlying[1] non-operating items** | | |
| Interest rate swap movements | **25.8** | 34.5 |
| | **25.8** | 34.5 |
| **Total non-underlying[1] items** | **42.7** | 34.5 |

*Reorganisation, restructuring and relocation costs*
During the prior period the Group commenced the implementation of an operational programme to simplify the business and drive efficiencies. The programme was initiated towards the end of the prior financial year resulting in costs being incurred in both the prior financial year and current period. The costs identified are one-off headcount related costs and this element of the programme is expected to be short term in nature and non-recurring. The cost of implementing this programme in the current period was £0.5 million (£2.9 million of costs were incurred in the 26 weeks ended 30 September 2023). Cumulatively, as at 30 March 2024 a cash cost of £3.4 million has been incurred, which is considered material to the Group. The reorganisation, restructuring and relocation costs have been recorded within non-underlying[1] items in the income statement based on their materiality, nature and expected infrequency.

*Duplication costs*
On 17 November 2023 Andrew Andrea stepped down from his role as CEO of the Group and, following an external process, Justin Platt was appointed as CEO from 10 January 2024. During the current period duplicated costs were incurred as a result of the change in CEO which were unusual and one-off for Marston's. The duplicated costs have been recorded within non-underlying[1] items in the income statement based on their nature and expected infrequency.

*Non-underlying[1] loss from associates*
The Group's associate, Carlsberg Marston's Limited, recognised an impairment of £12.5 million during the current period in relation to some of the ale brands that it holds. The ale category has been severely impacted by the COVID-19 pandemic, secular trends, and the cost-of-living crisis, resulting in long-term expectations specifically for the ale brands being updated. There is no current expectation that further brand impairments will be made. The brand impairment of £12.5 million is material in the context of the underlying[1] loss from associates of £0.6 million. The resulting brand impairment has been recorded within non-underlying[1] items in the income statement based on its materiality, nature and expected infrequency.

Carlsberg Marston's Limited also recognised an onerous contract provision of £3.5 million during the current period in relation to a specific porterage contract that it holds. The significant cost inflation experienced from the cost-of-living crisis, alongside the increases in distribution costs over and above what was reasonably anticipated has led to an acute and short-term (rather than business-as-usual) environment of cost inflation which has required an onerous provision to be recorded for this specific contract. The onerous contract provision of £3.5 million is material in the context of the underlying[1] loss from associates of £0.6 million. The resulting onerous contract provision has been recorded within non-underlying[1] items in the income statement based on its materiality, nature and expected infrequency.

## NOTES (CONTINUED)

### 4 NON-UNDERLYING[1] ITEMS (CONTINUED)

*Interest rate swap movements*
The Group's interest rate swaps are revalued to fair value at each balance sheet date. For interest rate swaps which were designated as part of a hedging relationship a loss of £2.6 million (2023: £7.3 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and a credit of £0.2 million (2023: charge of £1.7 million) has been reclassified from the hedging reserve to underlying[1] finance costs in the income statement in respect of the cash received (2023: paid) in the period. A gain of £nil (2023: £0.3 million) in respect of the ineffective portion of the fair value movement has been recognised within non-underlying[1] items in the income statement. An amount representing the cash paid of £0.6 million (2023: £0.7 million) has subsequently been transferred from non-underlying[1] items to underlying[1] finance costs to ensure that underlying[1] finance costs reflect the resulting fixed rate paid on the associated debt. As such there is an overall gain of £0.6 million (2023: £1.0 million) recognised within non-underlying[1] items in the income statement based on its materiality and nature. In addition, £4.2 million (2023: £4.9 million) of the balance remaining in the hedging reserve in respect of discontinued cash flow hedges has been reclassified as a charge to the income statement within non-underlying[1] items based on its materiality and nature.

For interest rate swaps which were not designated as part of a hedging relationship a loss of £16.7 million (2023: £30.8 million) in respect of the fair value movement has been recognised within non-underlying[1] items in the income statement. An amount representing the cash received of £5.5 million (2023: cash paid of £0.2 million) has subsequently been transferred from non-underlying[1] items to underlying[1] finance costs to ensure that underlying[1] finance costs reflect the resulting fixed rate paid on the associated debt. As such there is an overall loss of £22.2 million (2023: £30.6 million) recognised within non-underlying[1] items in the income statement based on its materiality and nature, which is equal to the change in the carrying value of the interest rate swaps in the period.

*Impact of taxation*
The current tax credit relating to the above non-underlying[1] items amounts to £0.1 million (2023: £nil). The deferred tax credit relating to the above non-underlying[1] items amounts to £6.6 million (2023: £8.6 million).

### 5 FINANCE COSTS AND INCOME

| | **30 March 2024 £m** | 1 April 2023 £m |
|---|---|---|
| **Finance costs** | | |
| Bank borrowings | **13.6** | 10.3 |
| Securitised debt | **16.9** | 16.5 |
| Lease liabilities | **9.6** | 9.7 |
| Other lease related borrowings | **11.4** | 11.0 |
| Other interest payable and similar charges | **2.0** | 2.0 |
| **Total finance costs** | **53.5** | 49.5 |
| | | |
| **Finance income** | | |
| Finance lease and other interest receivable | **(0.6)** | (0.6) |
| **Total finance income** | **(0.6)** | (0.6) |
| | | |
| **Interest rate swap movements** | | |
| Hedge ineffectiveness on cash flow hedges (net of cash paid) | **(0.6)** | (1.0) |
| Change in carrying value of interest rate swaps | **22.2** | 30.6 |
| Transfer of hedging reserve balance in respect of discontinued hedges | **4.2** | 4.9 |
| | **25.8** | 34.5 |
| | | |
| **Net finance costs** | **78.7** | 83.4 |

### 6 TAXATION

The underlying taxation credit for the 26 weeks ended 30 March 2024 has been calculated by applying an estimate of the underlying effective tax rate for the 52 weeks ending 28 September 2024 of 25.0% (26 weeks ended 1 April 2023: 19.4%).

| | **30 March 2024 £m** | 1 April 2023 £m |
|---|---|---|
| Current tax | **(0.1)** | - |
| Deferred tax | **(6.8)** | (9.3) |
| | **(6.9)** | (9.3) |

The taxation credit includes a current tax credit of £0.1 million (2023: £nil) and a deferred tax credit of £6.6 million (2023: £8.6 million) relating to the tax on non-underlying[1] items.

## NOTES (CONTINUED)

### 7 EARNINGS PER ORDINARY SHARE

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares and those held on trust for employee share schemes. Underlying[1] loss per share figures are presented to exclude the effect of non-underlying[1] items.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the weighted average market price of the Company's shares during the period.

In the current and prior period in accordance with IAS 33 'Earnings per Share' the potential ordinary shares were not dilutive as their inclusion would reduce the loss per share for continuing operations.

| | **30 March 2024** | | 1 April 2023 | |
|---|---|---|---|---|
| | **Earnings £m** | **Per share amount p** | Earnings £m | Per share amount p |
| Basic loss per share | **(36.6)** | **(5.8)** | (28.8) | (4.5) |
| Diluted loss per share | **(36.6)** | **(5.8)** | (28.8) | (4.5) |
| **Underlying[1] loss per share figures** | | | | |
| Basic underlying[1] loss per share | **(0.6)** | **(0.1)** | (2.9) | (0.5) |
| Diluted underlying[1] loss per share | **(0.6)** | **(0.1)** | (2.9) | (0.5) |

| | **30 March 2024 m** | 1 April 2023 m |
|---|---|---|
| Basic weighted average number of shares | **633.5** | 633.3 |
| Dilutive potential ordinary shares | **-** | - |
| Diluted weighted average number of shares | **633.5** | 633.3 |

### 8 PROPERTY, PLANT AND EQUIPMENT

| | **£m** |
|---|---|
| Net book amount at 1 October 2023 | 2,064.8 |
| Additions | 23.5 |
| Net transfers to assets held for sale and disposals | (14.8) |
| Depreciation, revaluation and other movements | (20.1) |
| **Net book amount at 30 March 2024** | **2,053.4** |

| | **£m** |
|---|---|
| Net book amount at 2 October 2022 | 2,111.0 |
| Additions | 41.1 |
| Net transfers to assets held for sale and disposals | (13.2) |
| Depreciation, revaluation and other movements | (20.4) |
| **Net book amount at 1 April 2023** | **2,118.5** |

## 9 NET DEBT

| Analysis of net debt | **30 March 2024 £m** | 30 September 2023 £m |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash at bank and in hand | **25.2** | 26.5 |
| | **25.2** | 26.5 |
| **Financial assets** | | |
| Other cash deposits | **3.2** | 3.1 |
| | **3.2** | 3.1 |
| **Debt due within one year** | | |
| Bank borrowings* | **(229.9)** | 2.6 |
| Securitised debt | **(42.3)** | (41.1) |
| Lease liabilities | **(17.6)** | (17.8) |
| Other lease related borrowings | **0.5** | 0.4 |
| Other borrowings* | **(40.0)** | (10.0) |
| | **(329.3)** | (65.9) |
| **Debt due after one year** | | |
| Bank borrowings* | **-** | (228.2) |
| Securitised debt | **(538.8)** | (560.2) |
| Lease liabilities | **(358.0)** | (362.6) |
| Other lease related borrowings | **(338.7)** | (338.4) |
| Other borrowings* | **-** | (40.0) |
| Preference shares | **(0.1)** | (0.1) |
| | **(1,235.6)** | (1,529.5) |
| **Net debt** | **(1,536.5)** | (1,565.8) |

* Subsequent to the current period end of 30 March 2024, the Group successfully secured an amendment and extension of its bank facilities to the end of July 2026. There was a period of less than 12 months outstanding on the previous bank facilities as at the balance sheet date resulting in a temporary reclassification of the bank borrowings from non-current to current liabilities.

| | **30 March 2024 £m** | 30 September 2023 £m |
|---|---|---|
| Net debt excluding lease liabilities | **(1,160.9)** | (1,185.4) |
| Lease liabilities | **(375.6)** | (380.4) |
| **Net debt** | **(1,536.5)** | (1,565.8) |

Other cash deposits comprises deposits securing letters of credit for reinsurance contracts. Included within cash and cash equivalents is an amount of £5.7 million (at 30 September 2023: £5.6 million), which relates to collateral held in the form of cash deposits. These amounts are considered to be restricted cash. In addition, any cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation.

| Reconciliation of net cash flow to movement in net debt | **30 March 2024 £m** | 1 April 2023 £m |
|---|---|---|
| Decrease in cash and cash equivalents in the period | **(1.3)** | (8.3) |
| Increase in other cash deposits | **0.1** | 0.1 |
| Cash outflow from movement in debt | **31.7** | 19.7 |
| Net cash inflow | **30.5** | 11.5 |
| Non-cash movements and deferred issue costs | **(1.2)** | (4.0) |
| Movement in net debt in the period | **29.3** | 7.5 |
| Net debt at beginning of the period | **(1,565.8)** | (1,594.0) |
| **Net debt at end of the period** | **(1,536.5)** | (1,586.5) |

## NOTES (CONTINUED)

### 10 FINANCIAL INSTRUMENTS

The only financial instruments which the Group holds at fair value are derivative financial instruments, which are classified as at fair value through profit or loss or derivatives used for hedging.

**Fair value hierarchy**
IFRS 13 'Fair Value Measurement' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – inputs for the asset or liability that are not based on observable market data.

The tables below show the levels in the fair value hierarchy within which fair value measurements have been categorised:

| | **30 March 2024** | | | | 30 September 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | Level 1 | Level 2 | Level 3 | Total |
| **Assets as per the balance sheet** | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m |
| Derivative financial instruments | **-** | **0.8** | **-** | **0.8** | - | 3.8 | - | 3.8 |

| | **30 March 2024** | | | | 30 September 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | Level 1 | Level 2 | Level 3 | Total |
| **Liabilities as per the balance sheet** | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m |
| Derivative financial instruments | **-** | **58.8** | **-** | **58.8** | - | 37.4 | - | 37.4 |

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period. The Level 2 fair values of derivative financial instruments have been obtained using a market approach and reflect the estimated amount the Group would expect to pay or receive on termination of the instruments, adjusted for the Group's own credit risk. The Group utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The fair values are highly sensitive to the inputs to the valuations, such as discount rates, analysis of credit risk and yield curves.

The fair values of all the Group's other financial instruments are equal to their book values, with the exception of borrowings. The carrying amount less impairment provision of finance lease receivables, trade receivables and other receivables, and the carrying amount of other cash deposits, cash and cash equivalents, trade payables and other payables, are assumed to approximate their fair values. The carrying amount (excluding unamortised issue costs) and the fair value of the Group's borrowings are as follows:

| | **Carrying amount** | | **Fair value** | |
|---|---|---|---|---|
| | **30 March 2024 £m** | 30 September 2023 £m | **30 March 2024 £m** | 30 September 2023 £m |
| Bank borrowings | **232.0** | 229.0 | **232.0** | 229.0 |
| Securitised debt | **583.4** | 603.8 | **506.3** | 520.8 |
| Lease liabilities | **375.6** | 380.4 | **375.6** | 380.4 |
| Other lease related borrowings | **361.7** | 361.7 | **361.7** | 361.7 |
| Other borrowings | **40.0** | 50.0 | **40.0** | 50.0 |
| Preference shares | **0.1** | 0.1 | **0.1** | 0.1 |
| | **1,592.8** | 1,625.0 | **1,515.7** | 1,542.0 |

### 11 SIGNIFICANT EVENTS AND TRANSACTIONS

Detail regarding significant events and transactions that have taken place since 30 September 2023 is provided outside of the interim financial statements in the Performance and Financial Review.

### 12 RELATED PARTY TRANSACTIONS

Details of related party transactions with the Group's associate, Carlsberg Marston's Limited, are as follows:

| | **Transaction amount** | | **Balance outstanding** | |
|---|---|---|---|---|
| | **30 March 2024 £m** | 1 April 2023 £m | **30 March 2024 £m** | 30 September 2023 £m |
| Purchase of goods | **(85.1)** | (86.9) | **(27.6)** | (29.4) |
| Dividends from associates | **13.8** | 10.6 | **-** | - |
| Receipt of cash on behalf of associates | **-** | (1.2) | **-** | - |

### 13 CAPITAL COMMITMENTS

Capital expenditure authorised and committed at the period end but not provided for in this interim financial information was £1.5 million (at 30 September 2023: £1.0 million).

## NOTES (CONTINUED)

### 14 SEASONALITY OF INTERIM OPERATIONS

The Group's financial results and cash flows have historically been subject to seasonal trends between the first and second half of the financial year. Traditionally, the second half of the financial year sees higher revenue and profitability, as a result of better weather conditions.

There is no assurance that this trend will continue in the future.

### 15 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the current period end of 30 March 2024, the Group successfully secured an amendment and extension of its bank facility, which was due to expire in January 2025. The revised £340.0 million of funding comprises £300.0 million of bank facilities, maturing in July 2026, and an additional £40.0 million bank facility with a maturity of up to July 2026, drawings of which must be used to repay the existing £40.0 million private placement debt facility that matures in January 2025.

An interim dividend has not been proposed for the current period. No interim dividend was paid for the prior period.

### 16 PRINCIPAL RISKS AND UNCERTAINTIES

The Group set out on pages 43 to 50 of its 2023 Annual Report and Accounts the principal risks and uncertainties that could impact its performance. These risks and uncertainties were as follows:

*Economic and political*
The UK, as well as many countries, is at risk of a recession, exacerbated by high energy costs and global demand for commodities, which could be in short supply. A recession could increase unemployment and further lower consumer confidence. There is a risk that inflation remains high, and interest rates continue to increase and remain high for a long time.

*Market and operational / guest sentiment*
As economic factors make it more expensive to go to the pub, guests become more sensitive to experience not meeting expectation. Consistently maintaining high standards becomes more critical to ensuring the Group's guests return.

Failure to attract, train and retain the best people can impact the Group's pubs' performance. Recruitment remains competitive within a tight labour market and wage inflation.

Disruption to key suppliers, particularly those closely involved with the Group's day-to-day activities, or a shortage of commodities could significantly impact the Group's operations. There is an increased risk that the Group's own prices become uncompetitive, thereby restricting the opportunity to pass on future cost increases.

These factors could mean that the Group's pubs fail to attract guests due to poor service or quality, or do not keep up with changing preferences.

*Liquidity*
As consumers reduce spend in response to higher prices, it is uncertain how this might impact the Group's pubs. In similar circumstances in the past, pubs have remained attractive and affordable however, this might not always be the case.

*Financial covenants, pension fund surplus, and accounting controls*
A breach of the covenants with the Group's lenders could occur due to incorrect reporting of financial results.

The pension surplus might also decrease if investment yields fall.

Unauthorised transactions could be a major risk along with accounting controls either failing or being overridden.

*ESG*
Without a clear strategy on ESG the Group could find in the future that it's forced to make changes to comply with stakeholder expectation or government legislation.

The reputation of the Group could be damaged if its stance on ESG is not clearly communicated, or if it cannot demonstrate what actions have been taken or targets set. The perception of the Group could be tainted for guests, employees, lenders and investors without a clearly communicated position on ESG issues, backed up by actions and progress against targets.

During the Group's transition to Net Zero, higher energy prices might make it more difficult to source renewable energy at a commercial price. This increases the risk that the transition is delayed or becomes more costly.

*Health & safety, food safety*
Breaches of health and safety regulations could attract media attention and potentially high penalties. Public concern over allergens remains high. There is a risk that information is collected incorrectly from the Group's suppliers and/or misinterpreted for the Group's menu items. There is the risk that a team member mis-advises a guest or serves the wrong meal.

Increased regulation could increase the complexity of the information to be provided to the public and thereby increase the Group's cost of compliance.

*Information technology*
Threats to IT are both external and internal and could result in a network outage, denial of service or loss, theft or corruption of data. The risk extends to the companies that the Group shares data with for processing or storage on the Group's behalf.

*Pandemic*
Future restrictions on trade, as a result of regulations imposed to reduce infection rates, and public confidence in mixing socially in public places.

## NOTES (CONTINUED)

### 17 ALTERNATIVE PERFORMANCE MEASURES (APMs)

In addition to statutory financial measures, these interim results include financial measures that are not defined or recognised under IFRS, all of which the Group considers to be alternative performance measures (APMs). APMs should not be regarded as a complete picture of the Group's financial performance, which the Group presents within its total results.

Definitions of APMs, along with the reconciliation of the APMs used to the Group's strategy, remain unchanged from the 2023 Annual Report and Accounts, commencing on page 154 of that report.

*Free cash flow (FCF) – including reconciliation to net cash flow (NCF)*

| | Interim financial information reference | **26 weeks to 30 March 2024 £m** | 26 weeks to 1 April 2023 £m | 52 weeks to 30 September 2023 £m |
|---|---|---|---|---|
| Net cash inflow from operating activities | Cash flow statement | **90.9** | 69.9 | 141.2 |
| Interest received | Cash flow statement | **0.8** | 1.2 | 1.8 |
| Interest paid | Cash flow statement | **(50.2)** | (43.3) | (93.1) |
| Arrangement costs of bank facilities | Cash flow statement | **-** | (0.1) | (4.0) |
| Free cash flow | | **41.5** | 27.7 | 45.9 |
| | | | | |
| Finance lease capital repayments received | Cash flow statement | **1.1** | 1.3 | 2.5 |
| | | **42.6** | 29.0 | 48.4 |
| | | | | |
| Purchase of property, plant and equipment and intangible assets | Cash flow statement | **(21.7)** | (40.9) | (65.3) |
| Sale of property, plant and equipment and assets held for sale | Cash flow statement | **9.6** | 23.4 | 51.3 |
| Net cash flow | | **30.5** | 11.5 | 34.4 |

*Like-for-like (LFL) sales*

| | Interim financial information reference | **26 weeks to 30 March 2024 £m** | 26 weeks to 1 April 2023 £m | LFL % |
|---|---|---|---|---|
| LFL retail sales | | **376.5** | 350.9 | 7.3 |
| Non-LFL retail sales | | **20.1** | 24.4 | |
| Retail sales | | **396.6** | 375.3 | |
| Non-EPOS outlet sales | | **14.4** | 13.0 | |
| Outlet sales | Note 3 | **411.0** | 388.3 | |

| | | **6 weeks to 11 May 2024 £m** | 6 weeks to 13 May 2023 £m | LFL % |
|---|---|---|---|---|
| LFL retail sales | | **95.3** | 91.6 | 4.0 |
| Non-LFL retail sales | | **5.3** | 6.4 | |
| Retail sales | | **100.6** | 98.0 | |

*Net asset value (NAV) per share*

| | Interim financial information reference | **30 March 2024** | 1 April 2023 | 30 September 2023 |
|---|---|---|---|---|
| Net assets (£m) | Balance sheet | **601.5** | 620.1 | 640.1 |
| Number of shares outstanding (m) | | **633.5** | 633.3 | 633.5 |
| NAV per share (£) | | **0.95** | 0.98 | 1.01 |

*Net cash flow (NCF)*

| | Interim financial information reference | **26 weeks to 30 March 2024 £m** | 26 weeks to 1 April 2023 £m | 52 weeks to 30 September 2023 £m |
|---|---|---|---|---|
| Decrease in cash and cash equivalents in the period | Note 9 | **(1.3)** | (8.3) | (1.2) |
| Increase in other cash deposits | Note 9 | **0.1** | 0.1 | 0.1 |
| Cash outflow from movement in debt | Note 9 | **31.7** | 19.7 | 35.5 |
| Net cash flow | | **30.5** | 11.5 | 34.4 |

## NOTES (CONTINUED)

### 17 ALTERNATIVE PERFORMANCE MEASURES (APMs)

*Net debt excluding lease liabilities*

| | Interim financial information reference | **26 weeks to 30 March 2024 £m** | 26 weeks to 1 April 2023 £m | 52 weeks to 30 September 2023 £m |
|---|---|---|---|---|
| Decrease in cash and cash equivalents in the period | Note 9 | **(1.3)** | (8.3) | (1.2) |
| Increase in other cash deposits | Note 9 | **0.1** | 0.1 | 0.1 |
| Cash outflow from movement in debt excluding lease liabilities | | **27.4** | 17.3 | 30.4 |
| Net cash inflow excluding lease liabilities | | **26.2** | 9.1 | 29.3 |
| Non-cash movements and deferred issue costs | | **(1.7)** | 3.0 | 1.5 |
| Movement in net debt excluding lease liabilities in the period | | **24.5** | 12.1 | 30.8 |
| Net debt excluding lease liabilities at beginning of the period | | **(1,185.4)** | (1,216.2) | (1,216.2) |
| Net debt excluding lease liabilities at end of the period | Note 9 | **(1,160.9)** | (1,204.1) | (1,185.4) |

*Underlying earnings before interest, tax, depreciation, and amortisation (Underlying EBITDA)*

| | Interim financial information reference | **26 weeks to 30 March 2024 £m** | 26 weeks to 1 April 2023 £m | 52 weeks to 30 September 2023 £m |
|---|---|---|---|---|
| Operating profit | Income statement | **35.2** | 45.3 | 100.1 |
| Non-underlying operating items | Note 4 | **16.9** | - | 34.6 |
| Depreciation and amortisation | Cash flow statement | **22.8** | 22.8 | 45.5 |
| Underlying EBITDA including loss/(income) from associates | | **74.9** | 68.1 | 180.2 |
| Underlying loss/(income) from associates | Income statement | **0.6** | (2.2) | (9.9) |
| Underlying EBITDA excluding loss/(income) from associates | | **75.5** | 65.9 | 170.3 |

*Underlying operating margin*

| | Interim financial information reference | **26 weeks to 30 March 2024 £m** | 26 weeks to 1 April 2023 £m | 52 weeks to 30 September 2023 £m |
|---|---|---|---|---|
| Operating profit | Income statement | **35.2** | 45.3 | 100.1 |
| Underlying loss/(income) from associates | Income statement | **0.6** | (2.2) | (9.9) |
| Non-underlying operating items | Note 4 | **16.9** | - | 34.6 |
| Underlying operating profit excluding loss/(income) from associates ('pub operating profit') | | **52.7** | 43.1 | 124.8 |
| Revenue | Income statement | **428.1** | 407.0 | 872.3 |
| Underlying operating margin | | **12.3%** | 10.6% | 14.3% |

### 18 INTERIM RESULTS

The interim results were approved by the Board on 14 May 2024.

### 19 COPIES

Copies of these results are available on the Marston's PLC website (www.marstonspubs.co.uk) and on request from the General Counsel & Company Secretary, Marston's PLC, St Johns House, St Johns Square, Wolverhampton, WV2 4BH.