



# Preliminary results

30 September 2012

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**Robert Walker**  
Chairman

# Overview

12 months to 30 September 2012

- EBITDA pre-exceptional items £340m (2011 - £366m)
- Total estate like-for-like income down 1.2% (2011 - down 4.3%)
- £208m proceeds from disposals
- Net debt reduced by £266m to £2.7bn (2011 - £3.0bn)
- New forward start facility secures availability of bank financing to 2016



**Neil Smith**

**Chief Financial Officer**

# Profit & loss

EBITDA and EPS in line with consensus

£m	12 months to 30 Sept 2012			12 months to 30 Sept 2011		
	Pre excep	Excep	Total	Pre excep	Excep	Total
EBITDA	340	(4)	336	366	(2)	364
Depreciation	(14)	-	(14)	(14)	-	(14)
Operating profit	326	(4)	322	352	(2)	350
Property	-	(94)	(94)	-	(150)	(150)
Goodwill	-	(18)	(18)	-	(15)	(15)
Interest	(189)	-	(189)	(195)	(4)	(199)
Gain on purchase of own debt	-	13	13	-	-	-
Profit/(loss) before tax	137	(103)	34	157	(171)	(14)
Taxation	(35)	45	10	(40)	78	38
Profit after tax	102	(58)	44	117	(93)	24
Adjusted EPS (p)	20.5			23.4		
Weighted average no. of shares (m)	499.4			499.0		



# Profit & loss

EBITDA reduced by 7% due to disposals and increased leasehold rent

£m	12 months to 30 September	
	2012	2011
Revenue	692	711
Cost of sales	(290)	(290)
<b>Net income</b>	<b>402</b>	<b>421</b>
Property costs: Leasehold rent	(22)	(17)
Repairs & maintenance	(6)	(5)
Gross profit	374	399
Administrative expenses	(34)	(33)
<b>EBITDA</b>	<b>340</b>	<b>366</b>
Average no. of pubs	6,096	6,555
Net income per pub (£k)	65.9	64.2

# Net income analysis

Reflects 7% reduction in average number of pubs

<u>£m</u>	Beer, cider & fabs	Contractual discounts	Net beer, cider & fabs	Rental income	Discretionary concessions	Wines, spirits & minerals	Machines & other	Total
<u>2012</u>								
Turnover	541	(76)	465	189	(6)	32	12	692
Cost of sales	(266)	-	(266)	-	-	(24)	-	(290)
Net income	275	(76)	199	189	(6)	8	12	402
								<b>58.1%</b>
<u>2011</u>								
Turnover	545	(66)	479	203	(15)	31	13	711
Cost of sales	(267)	-	(267)	-	-	(23)	-	(290)
Net income	278	(66)	212	203	(15)	8	13	421
								<b>59.2%</b>

Income from wines & spirits distributed from Waverley TBS was £4.5m (2011: £4.3m)



# Analysis of gross profit

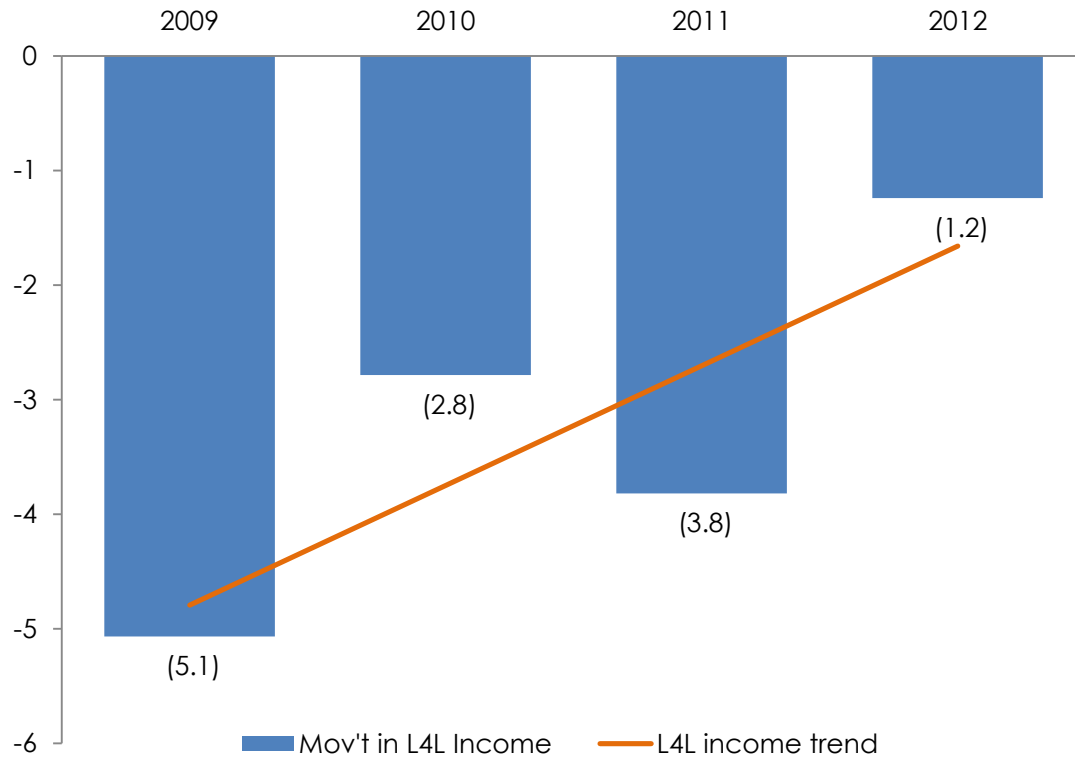
Total estate like-for-like income down 1.2%

	No. of pubs at 30 Sep 2012	FY12 £m	Change £m	FY11 £m	Change %
<b>Like-for-like income</b> (total estate)	<b>5,902</b>	<b>398</b>	<b>(5)</b>	<b>403</b>	<b>(1.2)</b>
Non licensed estate		2	-	2	
Disposals/pending disposal		10	(13)	23	
Unallocated costs		(8)	(1)	(7)	
<b>Net income</b>		<b>402</b>	<b>(19)</b>	<b>421</b>	
Property costs : Leasehold rent		(22)	(5)	(17)	
Repairs & maintenance		(6)	(1)	(5)	
<b>Gross profit</b>		<b>374</b>	<b>(25)</b>	<b>399</b>	

Total estate like-for-like income down £3m in H1 2012, £2m in H2 2012

# Analysis of total estate like-for-like income

Last four years performance for the 5,902 pubs trading at year end



# Total estate like-for-like income - occupation

Established trading relationships reporting growth of 2.2%

Years in occupation	No. of pubs at 30 Sept 2012	Income FY12 £m	% of income	Income FY11 £m	FY12 income change %	FY11 reported income change %*
Over 1 year	4,359	322	81	315	2.2	0.6
Less than 1 year	1,543	76	19	88	(13.6)	(24.4)
<b>Total</b>	<b>5,902</b>	<b>398</b>	<b>100</b>	<b>403</b>	<b>(1.2)</b>	<b>(4.3)</b>

\* FY11 reported income change is based on the 6,289 trading pubs at September 2011 and is not directly comparable to the 5,902 pubs at September 2012

# Total estate like-for-like income - geography

Improving trends across all geographies

Location	No. of pubs at 30 Sept 2012	Income FY12 £m	% of income	Income FY11 £m	FY12 income change %	FY11 income change %
North	1,769	112	28	116	(3.4)	(7.2)
Midlands	1,899	120	30	123	(2.4)	(3.9)
South	2,234	166	42	164	1.2	(1.2)
<b>Total</b>	<b>5,902</b>	<b>398</b>	<b>100</b>	<b>403</b>	<b>(1.2)</b>	<b>(3.8)</b>

- Total estate like-for-like income for 5,902 pubs down 3.8% in FY11

# Cash flow statement

Strong cash generation of £254m

£m	12 months to 30 September	
	2012	2011
Operating profit	322	350
Depreciation & amortisation	14	14
Movement in working capital	(11)	(11)
Operating cash inflow	325	353
Interest	(187)	(191)
Tax	(29)	(27)
Free cash flow pre-investment	109	135
Capital expenditure	(63)	(72)
Disposals	208	238
Cash generation	254	301
Non-cash items: Gain on purchase of own debt	13	-
Other	(1)	1
Movement in Group net debt	266	302

# Disposals

£208m of cash generated from disposals at £33m profit on book value

	12 months to 30 September	
	2012	2011
Non-viable & high alternative use:		
No. of pubs	199	466
Net cash proceeds (£m)	67	106
Profit on disposal	6	11
Exceptional trading & code of practice:		
No. of pubs	102	-
Net cash proceeds (£m)	117	-
Profit on disposal	26	-
Sale and leaseback:		
No. of pubs	17	105
Net cash proceeds (£m)	24	132
Profit on disposal	1	30

- £150m of disposal proceeds expected in 2012/13 of which £40m is expected from Unique

# Balance sheet

Debt reduction continuing and net asset value stable

	As at 30 September	
<u>£m</u>	2012	2011
Goodwill & investments	359	377
Pubs & other assets	4,316	4,611
Net debt	(2,737)	(3,003)
Net other liabilities	(149)	(162)
Deferred tax	(364)	(426)
Net assets	1,425	1,397
Net asset value per share	£2.85	£2.80

# Pub estate valuation

99% of pubs (by value) are freehold or quasi freehold

As at 30 September	2012			2011		
	Pubs	Total value	Average value per pub	Pubs	Total value	Average value per pub
	No.	£m	£k	No.	£m	£k
Pubs	5,627	4,236	753	6,007	4,550	757
Operating leases	274	11	40	259	12	46
Pubs held for sale	159	46	289	95	27	284
<b>Total pub estate</b>	<b>6,060</b>	<b>4,293</b>	<b>708</b>	<b>6,361</b>	<b>4,589</b>	<b>721</b>
Other assets*	-	23	-	-	22	-
<b>Total pubs and other assets</b>	<b>-</b>	<b>4,316</b>	<b>-</b>	<b>-</b>	<b>4,611</b>	<b>-</b>

\* Other assets includes non-licensed estate, head office, flow monitoring and office equipment



# Annual estate revaluation

Reflecting current property yields and trends in trading income

<u>£m</u>	<u>2012</u>	<u>2011</u>
Estate value - pre revaluation	4,341	4,723
Revaluation:		
Recognised through the income statement	(83)	(117)
Recognised in reserves	<u>(22)</u>	<u>(56)</u>
Total revaluation reduction	(105)	(173)
Estate value - post revaluation	<u>4,236</u>	<u>4,550</u>
Revaluation reduction	(2)%	(4)%

Excludes pubs classified as operating leases and assets held for resale

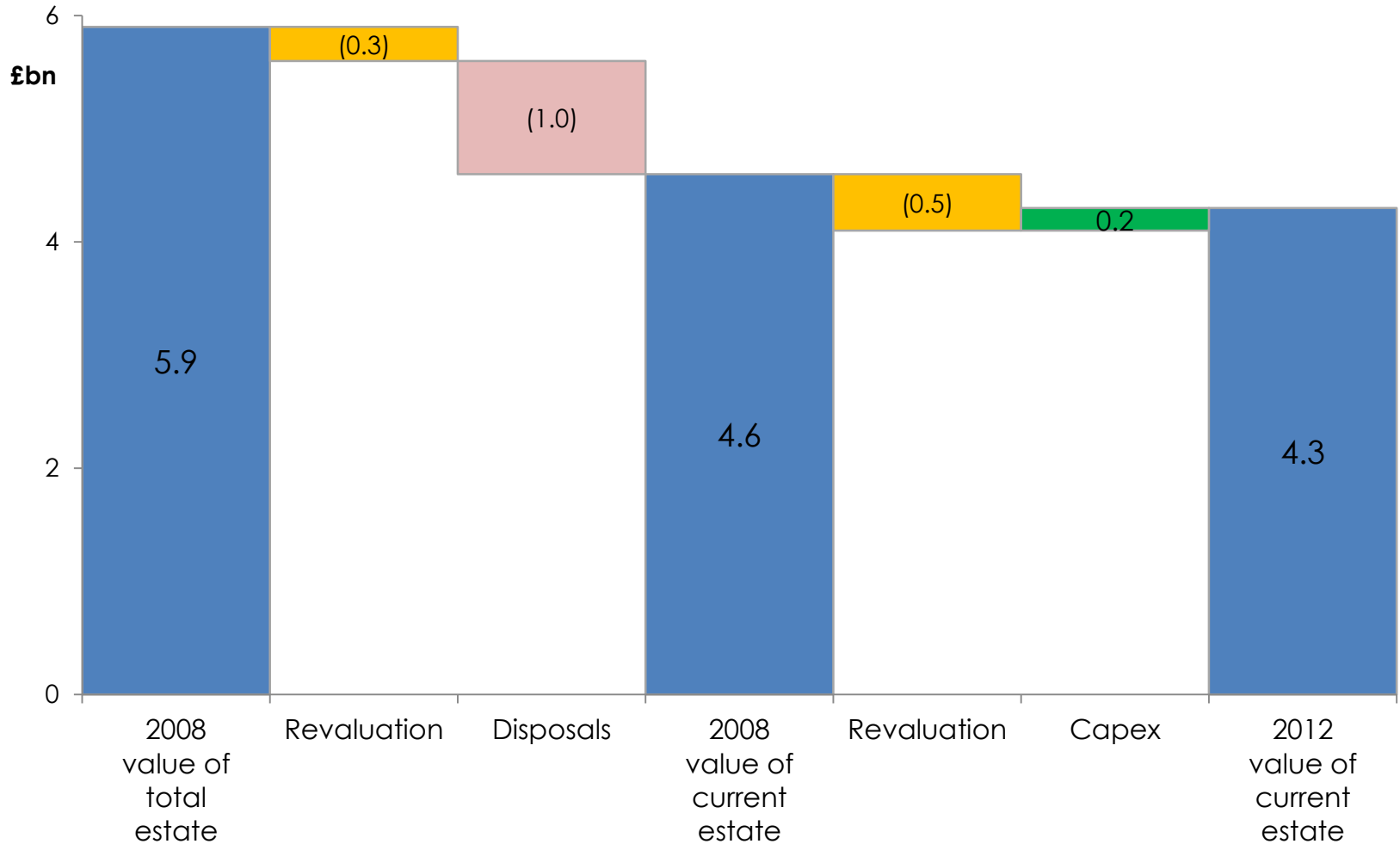
# Pub values

Reflecting diverse nature of the estate

Pub value	No. of pubs at 30 Sep 2012	Average pub value 2012 £k	Total value 2012 £m
£1m+	1,049	1,254	1,315
£750k to £1m	1,430	856	1,224
£500k to £750k	2,037	624	1,272
£250k to £500k	1,003	402	403
£0k to £250k	119	218	26
Operating leases	264	42	11
<b>Total trading pubs</b>	<b>5,902</b>	<b>720</b>	<b>4,251</b>
Non viable:			
Pubs	148	282	42
Operating leases	10	-	-
<b>Total pub estate</b>	<b>6,060</b>	<b>708</b>	<b>4,293</b>

# Estate revaluation

Current estate written down by 11% over last four years



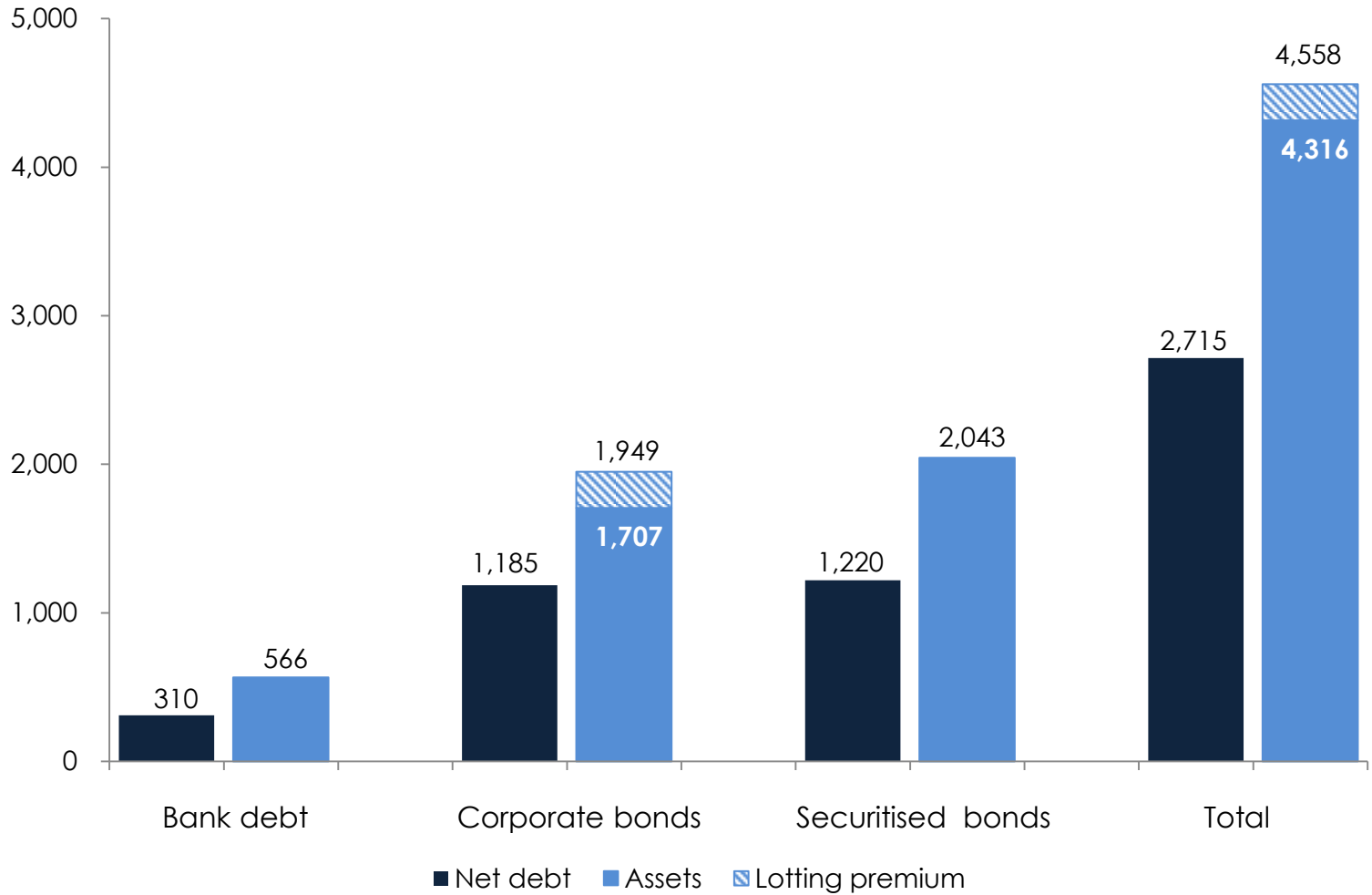
# Debt structure

Group net debt reduced by £266m during 2012

<u>£m</u>	As at 30 September	
	2012	2011
ETI bank debt	(335)	(464)
ETI cash	25	18
ETI net bank debt	(310)	(446)
Corporate bonds	(1,185)	(1,185)
Total ETI debt	(1,495)	(1,631)
Unique securitised bonds	(1,320)	(1,436)
Unique cash	100	96
Total Unique debt	(1,220)	(1,340)
<b>Underlying group net debt</b>	<b>(2,715)</b>	<b>(2,971)</b>
Fair value and other adjustments	(22)	(32)
<b>Group net debt</b>	<b>(2,737)</b>	<b>(3,003)</b>

# Estate valuation – Loan-to-value

Total headroom of £1.8bn (£1.6bn excluding lotting premium)



# ETI bank facility

New facility provides bank funding to June 2016

## Existing facility

- Tranche B now cancelled
- Tranche A stands at £389m at average cost of 3.5% over LIBOR
- Facility ceases December 2013

## New forward start facility

- Commences December 2013 at £220m
- Top-up fee of 100bps payable on £220m up to 15 Dec 2013
- Structure:

Facility	Amount	Cost over LIBOR	Term	Repayment
A	70	5.0% - 6.5%	15 Dec 2015	From disposals
B	75	4.5%	15 June 2016	Quarterly amortisation from Sept 2014
C	75	4.5% - 3.5%	15 June 2016	At term
	220			

# Bank covenants

Covenants manageable

	Covenant	As at 30 Sept 2012	As at 30 Sept 2011
Net debt:EBITDA	<b>6.50x</b>	5.76x	5.92x
Interest cover	<b>2.00x</b>	2.57x	2.66x
First charge asset cover	<b>1.00x</b>	1.88x	1.76x
Total property asset cover	<b>1.50x</b>	3.63x	2.86x

- New forward start facility covenants same as existing other than first charge asset cover covenant increasing to 1.33x
- New forward start facility has no restriction on company's ability to pay dividends

# Corporate bonds

Asset-backed funding at fixed interest rates

- £1,185m non-amortising bonds, secured by portfolio of freehold pubs
- Annual injection or withdrawal of pubs to maintain income and valuation requirements (addition of £10m in 2012, £40m in 2011)
- £60m bond due February 2014: repay from cash or consider options for extending maturity
- Bond pricing has improved by an average of 18% during the year

Value	Rate	Redemption	Sept 2012	Sept 2011
£60m	6.000%	2014	98.82	88.33
£600m	6.500%	2018	88.08	71.67
£125m	6.875%	2021	77.24	68.80
£125m	6.875%	2025	72.88	65.60
£275m	6.375%	2031	69.00	60.73



# Unique securitisation

Secured bonds, ring-fenced in subsidiary at fixed interest rates

- Floating rate notes (A2Ns) prepaid in full in 2012
- Purchased £63m A4s at average discount of 20% and £2m A3s at discount of 17%
- No significant further purchases required to stay a year ahead of schedule for purposes of DSCR calculation
- Net worth covenant of £150m very comfortable with actual net worth at £1.1bn
- Bond pricing has improved by an average of 23% during the year

Value	Rate	Note	Redemption	Sept 2012	Sept 2011
£433m	6.542%	A3	2021	90.25	71.49
£472m	5.659%	A4	2027	86.46	64.11
£225m	7.395%	M	2024	70.82	60.44
£190m	6.464%	N	2032	53.04	61.58



**Simon Townsend**  
Chief Operating Officer

# Trading summary

Steady progress toward like-for-like growth for whole estate

- Maintained capital investment
  - defensively focused to protect trade
- Increased intervention through Beacon and other initiatives
- Improved support via financial concessions and packages
- Greater focus on compliance and retail standards
- Enhanced estate quality through disposal of unsustainable pubs

# Operating performance

Further momentum in key indicators of stability

- 85% of agreements have had rent reviewed or renegotiated since 2008
- 653 rent reviews completed at an average annual reduction of 0.7% (2011 - 724 reduction of 1.7%)
- 68% of substantive agreements linked to RPI (2011 - 65%)
- 85% of publicans receiving some form of BCF discount (2011 - 81%)
- Overdue balances reduced by 20% to £4.0m (2011 - £5.0m)
- Bad debts reduced by 13% to £1.3m (2011 - £1.5m)
- Rate of business failures reduced by 4%
- Total discretionary support reduced to £6m (2011 - £15m)

# Clear strategy for growth

Key drivers of operating performance



# Focus on growth drivers

Solid foundations



- Invest a total of c£180m over next 3 years
  - position pubs for growth
  - enhanced facilities and profit opportunity
  - focus on food, environment, accommodation and entertainment
  - attract publican investment
  
- Intensive focus on property condition, kerb-appeal
  
- Dispose of unsustainable pubs

# Focus on growth drivers

Secure best talent

- Refresh the Enterprise offer
  - flexible agreements, tie release
  - Beacon concept development
- The right agreement for every pub
  - initial launch and on-going training and support
  - early intervention and enabling surrender
- Code of Practice (PIRRS and PICAS)
- [enterpriseinns.com](http://enterpriseinns.com)

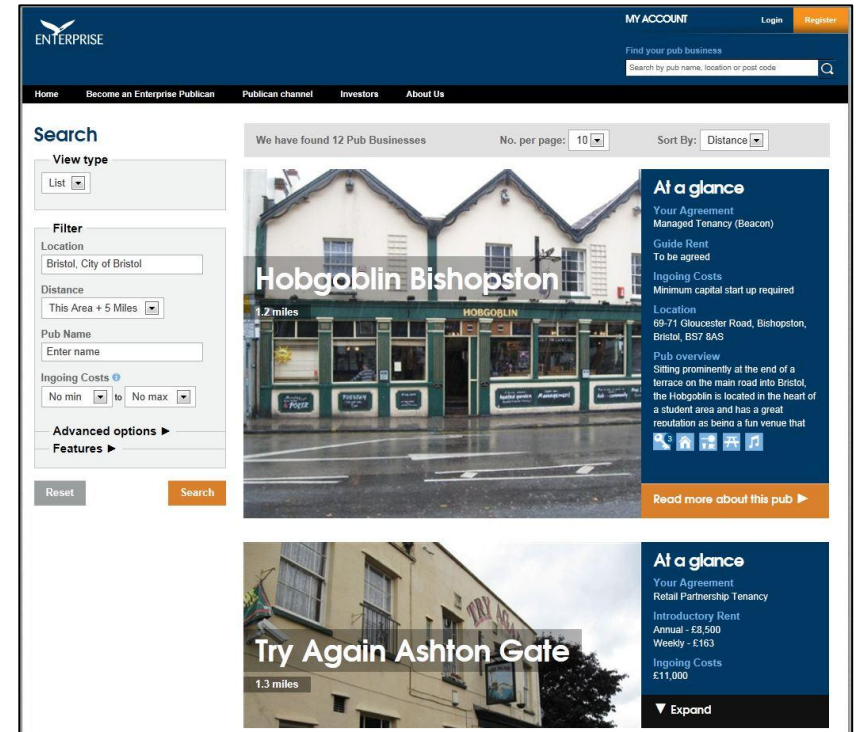


# Focus on growth drivers

enterpriseinns.com



The screenshot shows the Enterprise website homepage. At the top, there is a navigation bar with 'MY ACCOUNT', 'Login', and 'Register' buttons. Below this is a search bar with the text 'Find your pub business' and a search icon. The main header features the text 'Our pubs are at the heart of local business and community life.' Below this is a large image of a pub, 'The Dog & Fox, Bradford-on-Avon'. The page is divided into three main sections: 'Enterprise Countdown to Christmas', 'Come and meet us', and 'Community Hero Awards 2012'. At the bottom, there is a footer with contact information: 'We're here to help', 'Call us' (0800 953 0072), 'We'll call you', and 'Email us'.



The screenshot shows the Enterprise website search results page. The top navigation bar includes 'MY ACCOUNT', 'Login', and 'Register' buttons. Below this is a search bar with the text 'Find your pub business' and a search icon. The main header features the text 'We have found 12 Pub Businesses'. Below this is a search filter section with 'View type' (List), 'Filter' (Location: Bristol, City of Bristol; Distance: This Area + 5 Miles; Pub Name; Enter name; Ingoing Costs: No min to No max), and 'Advanced options' (Features). The search results are displayed in a grid. The first result is 'Hobgoblin Bishopston', which is 1.2 miles away. The second result is 'Try Again Ashton Gate', which is 1.3 miles away. Each result includes a 'At a glance' section with details such as 'Your Agreement', 'Managed Tenancy (Beacon)', 'Guide Rent', 'To be agreed', 'Ingoing Costs', 'Minimum capital start up required', and 'Location'. There is also a 'Read more about this pub' button for each result.



# Focus on growth drivers

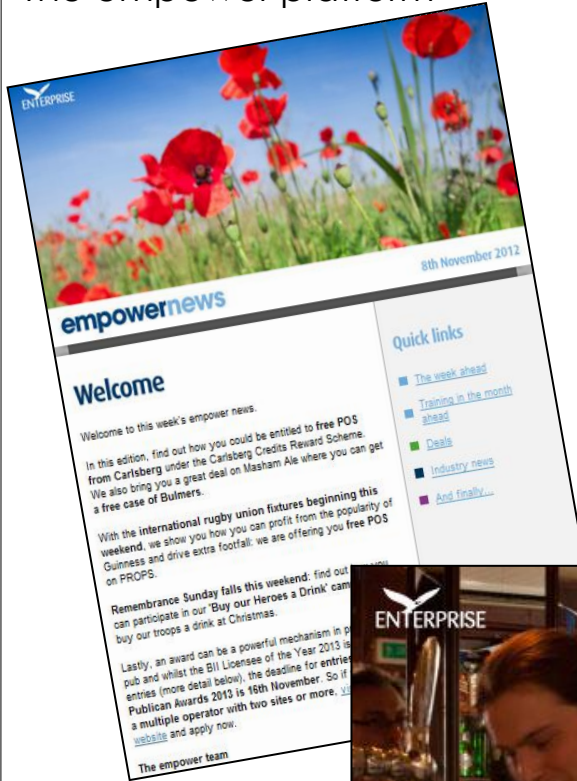
Add value

- Grow pub sales through footfall and spend
  - enhanced product offer and pub offer
  - product quality and retail disciplines
- Grow pub profit through cost savings and support
  - enhanced service offer
  - investment in on-line capability
- Grow together with our publicans
  - Empower platform



# Focus on growth drivers

The empower platform



# Focus on growth drivers

Relevant and targeted resource



- Investment in resources
  - operational management
  - retail standards
  - commercial team
  - increased publican engagement
- Differentiated geographic support
  - growth agenda in South
  - income protection in North
- Pubs at the heart of their communities

# Focus on growth drivers

Pubs at the heart of their communities

Great British Pub Awards 2012 Winner  
Leased and tenanted category



Royal Oak, Appleby



Hare, Linslade





**Ted Tuppen**  
Chief Executive

# 2011/12 - a year of real progress

## ■ **Trading**

- Improving performance trends across whole estate
- Investment in resources to drive future like-for-like growth

## ■ **Debt**

- Bank debt refinanced to 2016
- Bonds trading up 21%

## ■ **Property**

- Focus on asset utilisation to grow income and value
- Successful disposal programme generating £208 million

# 2013 and beyond - returning to growth

## ■ **Trading**

- Increased resources to drive income growth
- Buying and selling smarter

## ■ **Debt**

- Remain alert to market opportunities
- Reduce debt to optimum levels

## ■ **Property**

- No compromise on pub condition
- Maximise value from high value and tail-end disposals

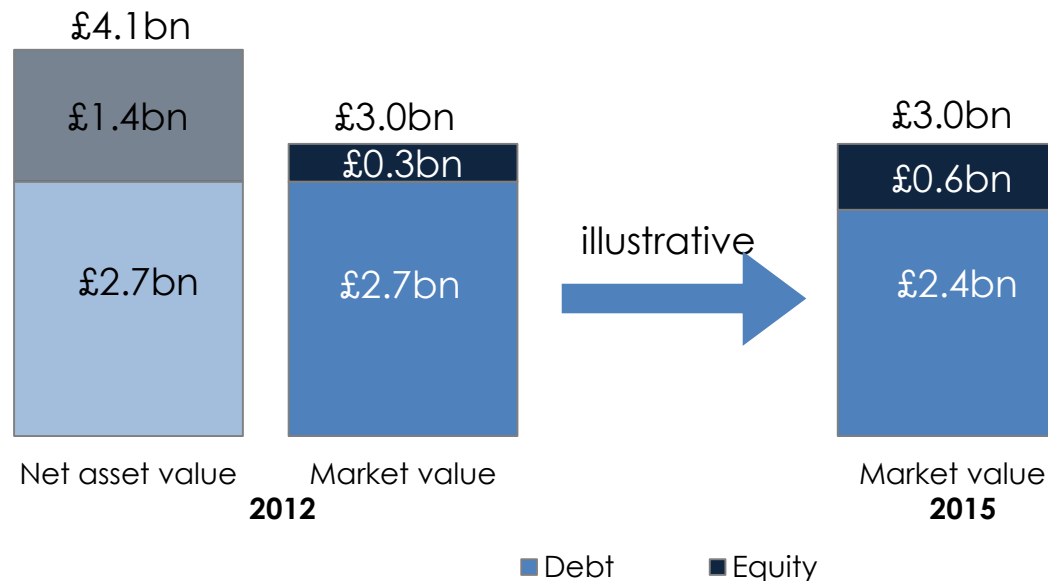
## ■ **Shareholders**

- Turn like-for-like income growth into EPS growth
- Rebuild market confidence in business model and balance sheet

# Debt reduction - delivering shareholder value

	FY12 Actual
Cash generation	
Cash flow from operating activities	325
Tax	(29)
Interest	(187)
	109*

\*Excludes capital investment & disposals





# Outlook

- Continued progress on all fronts
- Market conditions will remain very challenging
- Business model, cash generation and balance sheet remain strong
- Excellent team and confidence in future prospects



**QUESTIONS**

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