



Preliminary results

30 September 2013

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Robert Walker
Chairman

Overview

12 months to 30 September 2013

- Total estate like-for-like net income down 2.9% (2012 - down 1.2%)
 - Q4 like-for-like net income in growth, up 0.6%
 - First seven weeks of FY14 in growth
- EBITDA pre-exceptional items £313m (2012 - £340m)
- £150m proceeds from disposals (2012 - £208m)
- £62m of capital investment (2012 - £63m)
- Net debt reduced by £216m to £2.5bn (2012 - £2.7bn)
- Annual estate valuation write down of 3%, £139m (2012 – 2%, £105m)
- New convertible bond of £97m reduces net bank debt to £41m at year end



Neil Smith

Chief Financial Officer

Profit & loss

EBITDA and EPS in line with expectations

£m	Year ending 30 September 2013			Year ending 30 September 2012		
	Pre excep	Excep	Total	Pre excep	Excep	Total
EBITDA	313	(2)	311	340	(4)	336
Depreciation	(15)	-	(15)	(14)	-	(14)
Operating profit	298	(2)	296	326	(4)	322
Property	-	(144)	(144)	-	(94)	(94)
Goodwill	-	(14)	(14)	-	(18)	(18)
Interest	(177)	(4)	(181)	(189)	-	(189)
Gain on purchase of own debt	-	1	1	-	13	13
Profit before Tax	121	(163)	(42)	137	(103)	34
Taxation	(26)	64	38	(35)	45	10
Profit after Tax	95	(99)	(4)	102	(58)	44
Adjusted EPS (p)	19.0			20.5		
Weighted average no. of shares (m)	499.5			499.4		

Profit & loss - exceptional items

Exceptional items relate largely to property

£m	12 months to 30 Sept	
	2013	2012
Reorganisation and regulatory	(2)	(4)
Property related:		
Profit on sale of pubs	21	33
Movement in valuation of pub estate: pubs sold	(57)	(17)
pubs pending sale	(24)	(27)
pubs retained in fixed assets	(84)	(83)
Total property related	(144)	(94)
Goodwill allocated to disposals	(14)	(18)
Interest costs	(4)	-
Profit on purchase of own debt	1	13
Tax relating to exceptional items	64	45
Total exceptional items	(99)	(58)

Profit & loss

EBITDA (pre-exceptional) reduced by 7.9% largely due to disposals

£m	12 months to 30 September	
	2013	2012
Revenue	639	692
Cost of sales	(266)	(290)
Net income	373	402
Property costs: Leasehold rent	(22)	(22)
Repairs & maintenance	(6)	(6)
Gross profit	345	374
Administrative expenses	(32)	(34)
EBITDA	313	340

Total net income analysis

Signs of stabilisation

<u>£m</u>	Beer, cider & fabs	Contractual discounts	Net beer, cider & fabs	Rental income	Discretionary concessions	Wines, spirits & minerals	Machines & other	Total
<u>2013</u>								
Turnover	517	(81)	436	174	(6)	23	12	639
Cost of sales	(250)	-	(250)	-	-	(16)	-	(266)
Net income	267	(81)	186	174	(6)	7	12	373
								58.4%
<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
								58.1%

Like-for-like net income analysis

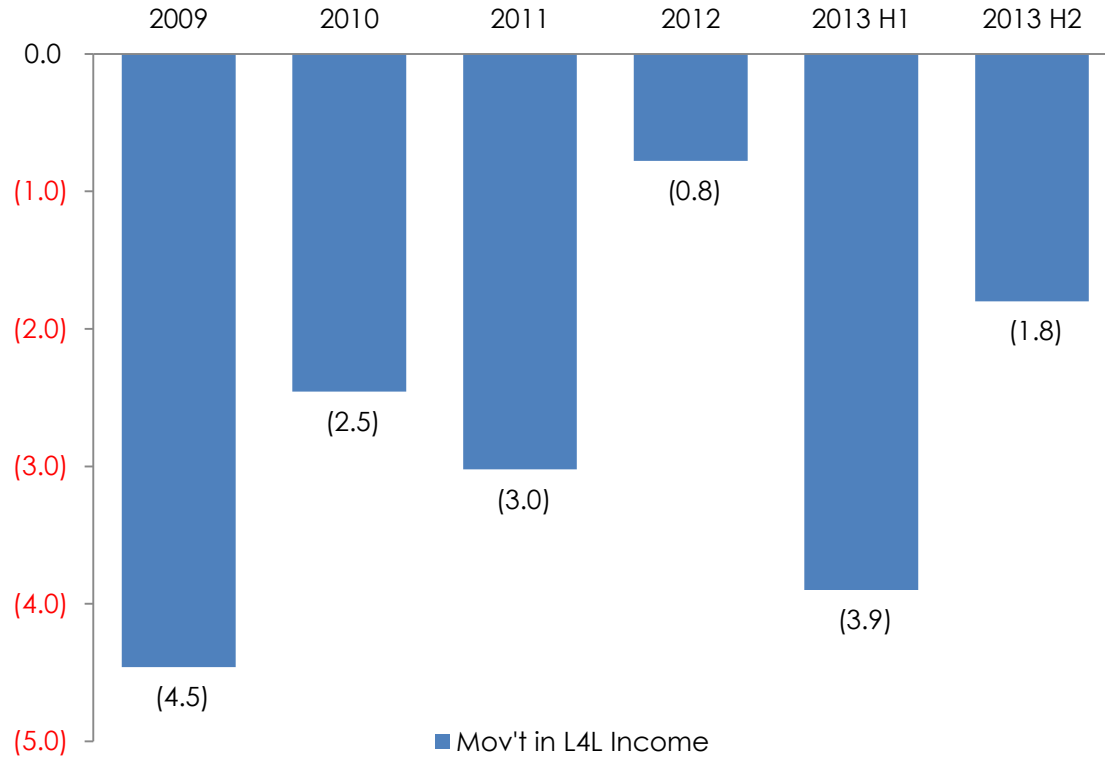
Like-for-like net income down 2.9% for the full year.....

	No. of pubs at 30 Sep 2013	FY13 £m	Change £m	FY12 £m	Change %
Like-for-like net income	5,493	371	(11)	382	(2.9)%
Disposals & commercial lets		8	(18)	26	
Unallocated costs		(6)	-	(6)	
Net income		373	(29)	402	
Property costs		(28)	-	(28)	
Gross profit		345	(29)	374	

..... but growth of 0.6% in like-for-like income in the final quarter

Trend of total estate like-for-like net income

Last five years performance for the 5,493 pubs trading at year end



Total estate like-for-like net income - geography

All geographies impacted in the year - improving trends in recent trading

Location	No. of pubs at 30 Sept 2013	Net income FY13 £m	% of net income	Net income FY12 £m	FY13 net income change %
North	1,640	104	28	108	(3.7)
Midlands	1,773	112	30	116	(3.4)
South	2,080	155	42	158	(1.9)
Total	5,493	371	100	382	(2.9)

Cash flow statement

Free cashflow pre-investment maintained at £109m

£m	12 months to 30 September	
	2013	2012
Operating profit	296	322
Depreciation & amortisation	15	14
Movement in working capital	7	(11)
Operating cash inflow	318	325
Interest	(182)	(187)
Tax	(27)	(29)
Free cash flow pre-investment	109	109
Capital expenditure	(62)	(63)
Disposals	150	208
Cash generation	197	254
Non-cash items	19	12
Movement in Group net debt	216	266

Disposals

£150m of cash generated - increased proportion from non-viable disposals

	12 months to 30 September	
	2013	2012
Non-viable & high alternative use:		
No. of pubs	400	199
Net cash proceeds (£m)	116	67
Profit on disposal (£m)	16	6
Exceptional trading & code of practice:		
No. of pubs	28	102
Net cash proceeds (£m)	34	117
Profit on disposal (£m)	5	26
Sale and leaseback:		
No. of pubs	-	17
Net cash proceeds (£m)	-	24
Profit on disposal (£m)	-	1

Balance sheet

Debt reduction continuing; net asset value per share maintained

	As at 30 September	
<u>£m</u>	2013	2012
Goodwill & investments	345	359
Pubs & other assets	3,997	4,316
Net debt	(2,521)	(2,737)
Net other liabilities	(155)	(149)
Deferred tax	(264)	(364)
Net assets	1,402	1,425
Net asset value per share	£2.81	£2.85

Pub estate valuation

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

As at 30 September	2013			2012		
	Pubs	Total value	Average value per pub	Pubs	Total value	Average value per pub
	No.	£m	£k	No.	£m	£k
Pubs	5,226	3,923	751	5,627	4,236	753
Operating leases	272	11	40	274	11	40
Pubs held for sale	138	39	283	159	46	289
Total pub estate	5,636	3,973	705	6,060	4,293	708
Other assets*		24			23	
Total pubs and other assets		3,997			4,316	

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

Annual estate revaluation

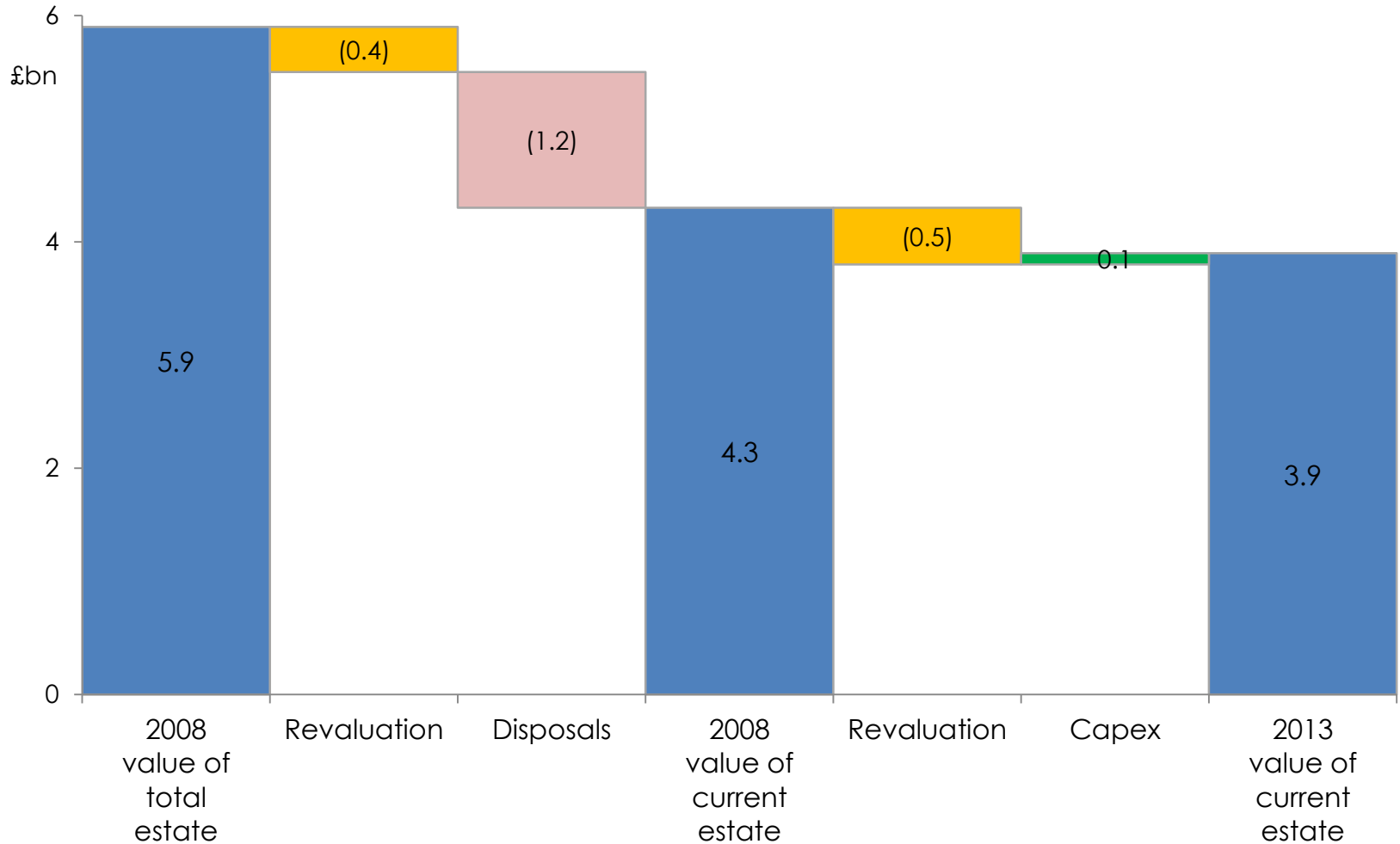
Reflecting trends in like-for-like net income

<u>£m</u>	<u>2013</u>	<u>2012</u>
Estate value - pre revaluation	4,062	4,341
Revaluation:		
Recognised through the income statement	(84)	(83)
Recognised in reserves	<u>(55)</u>	<u>(22)</u>
Total revaluation reduction	(139)	(105)
Estate value - post revaluation	<u>3,923</u>	<u>4,236</u>
Revaluation reduction	(3)%	(2)%

Excludes pubs classified as operating leases and assets held for resale

Estate revaluation

Current estate written down by 12% over five years as like-for-like income reduced by 13%



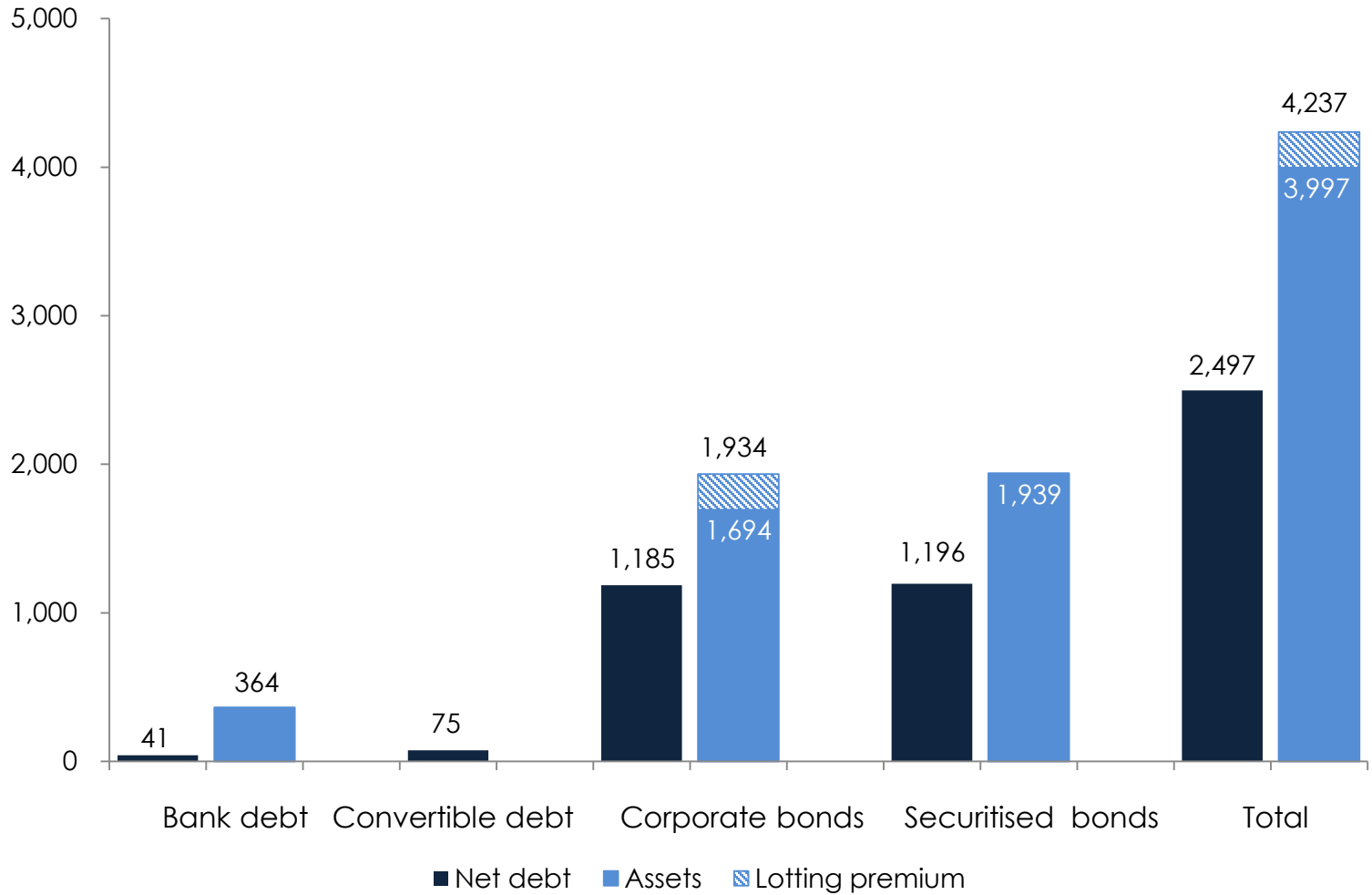
Debt structure

Group net debt reduced by £216m during 2013

<u>£m</u>	As at 30 September	
	2013	2012
ETI bank debt	(81)	(335)
ETI cash	40	25
ETI net bank debt	(41)	(310)
Convertible loan note	(75)	-
Corporate bonds	(1,185)	(1,185)
Total ETI debt	(1,301)	(1,495)
Unique securitised bonds	(1,300)	(1,320)
Unique cash	104	100
Total Unique debt	(1,196)	(1,220)
Underlying group net debt	(2,497)	(2,715)
Fair value and other adjustments	(24)	(22)
Group net debt	(2,521)	(2,737)

Loan-to-value

LTV at 59% (62% excluding lotting premium)



Convertible bond

Convertible bond issuance of £97m (September 2013)

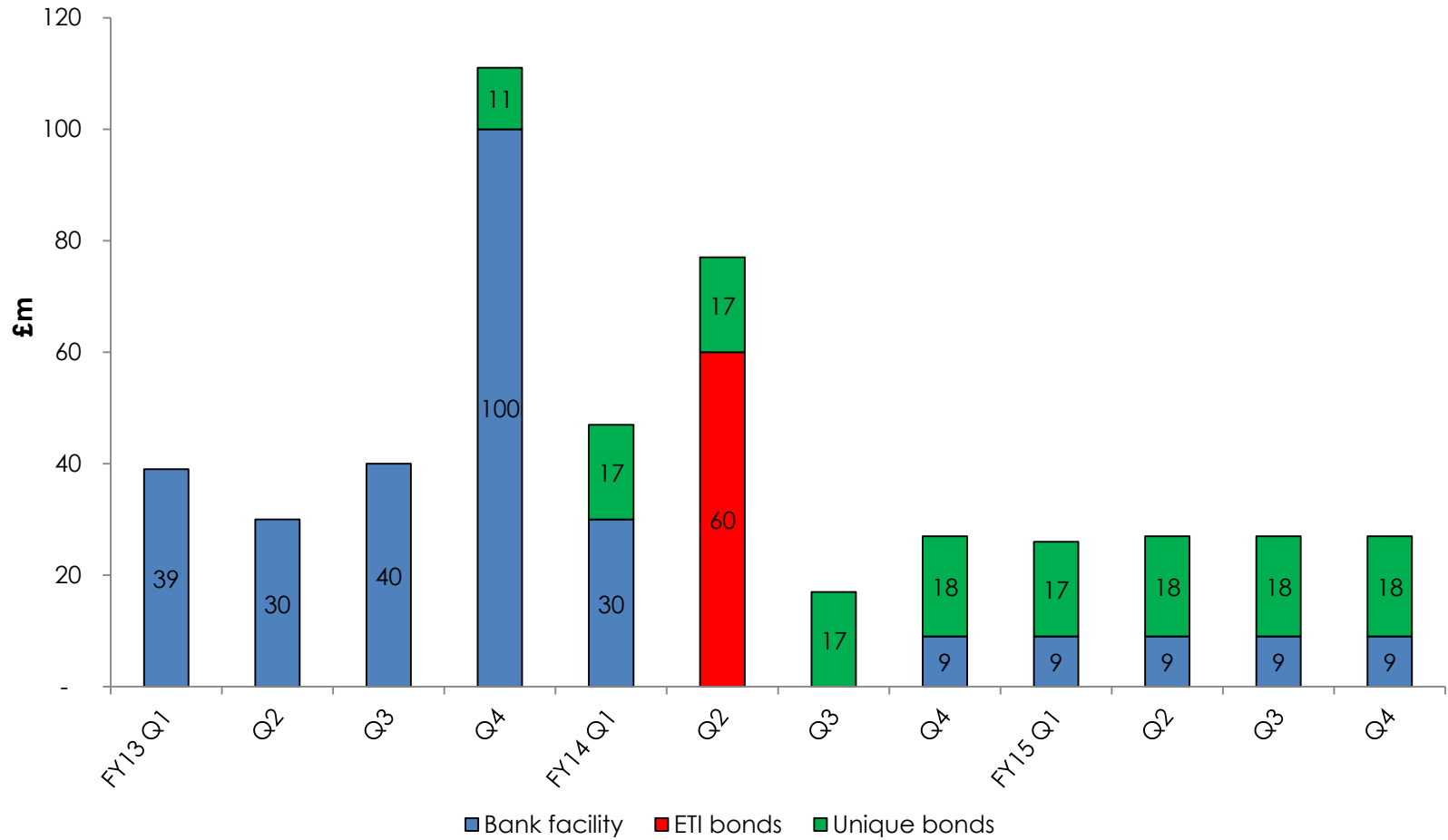
- Summary of terms
 - 7 year unsecured bond with coupon rate of 3.5%
 - Conversion price of £1.91 on 50.8m shares, representing 35% premium

- Use of proceeds
 - Cancel £70m Tranche A (cost of 5.0% - 6.5% over LIBOR)
 - Reduces need for future disposals, guidance now:
 - £70m FY14
 - £60m p.a. thereafter

- Financials
 - £97m split £22m equity and £75m liability
 - Cash interest cost of £3.4m but accounting charge of £6m
 - EPS neutral pre-conversion as bank interest saving and income from lower disposals match £6m cost of convertible
 - NPV analysis: break even share price of issuance c. £2.60

Amortisation profile

Debt reduction strategy continues, now focused on bond amortisation



ETI bank facility

Net bank debt reduced to only £41m

Existing facility

- Tranche A stands at £180m at average cost of 3.5% over LIBOR
- Facility ceases December 2013

New forward start facility

- Commences December 2013 now at £150m
- Structure:

Facility	Amount	Cost over LIBOR	Term	Repayment
B	75	4.5%	15 June 2016	Quarterly amortisation from Sept 2014
C	75	4.5% - 3.5%	15 June 2016	At term
	150			

Bank covenants

Covenants comfortable

	Covenant	As at 30 Sept 2013	As at 30 Sept 2012
Net debt:EBITDA	6.50x	5.37x	5.76x
Interest cover	2.00x	2.59x	2.57x
First charge asset cover	1.00x	3.29x	1.88x
Total property asset cover	1.50x	7.90x	3.63x

- New forward start facility covenants same as existing other than first charge asset cover covenant increasing to 1.33x
- New convertible loan note does not form part of the first charge or property asset cover tests in the new facility

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 £40m in 2013, £10m in 2012)
- £60m bond due February 2014 will be repaid from available bank facility – releasing £90m of freehold assets
- Bond pricing has improved by an average of 20% during the year

Value	Rate	Redemption	Sept 2013	Sept 2012	Sept 2011
£60m	6.000%	2014	101	99	88
£600m	6.500%	2018	103	88	72
£125m	6.875%	2021	99	77	66
£125m	6.875%	2025	95	73	69
£275m	6.375%	2031	86	69	61

Unique securitisation

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

- Amortisation commenced:
 - FY13 - £11m
 - FY14 - £69m
 - FY15 - £71m
- £9m A4 notes purchased and cancelled in the year and £6m further purchases since year end
- 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 19% during the year

Value	Rate	Note	Redemption	Sept 2013	Sept 2012	Sept 2011
£433m	6.542%	A3	2021	102	90	71
£452m	5.659%	A4	2027	96	86	64
£225m	7.395%	M	2024	95	71	60
£190m	6.464%	N	2032	75	53	62



Simon Townsend
Chief Operating Officer

Trading summary

Delivering like-for-like net income growth and total EBITDA stability

- Support targeted to drive pub turnover and publican profitability
- Improve rental income performance by reducing business failure
- Reinvest cash generated from disposal of underperforming assets
- Enhance returns from capital investment
- Evolve the operating model

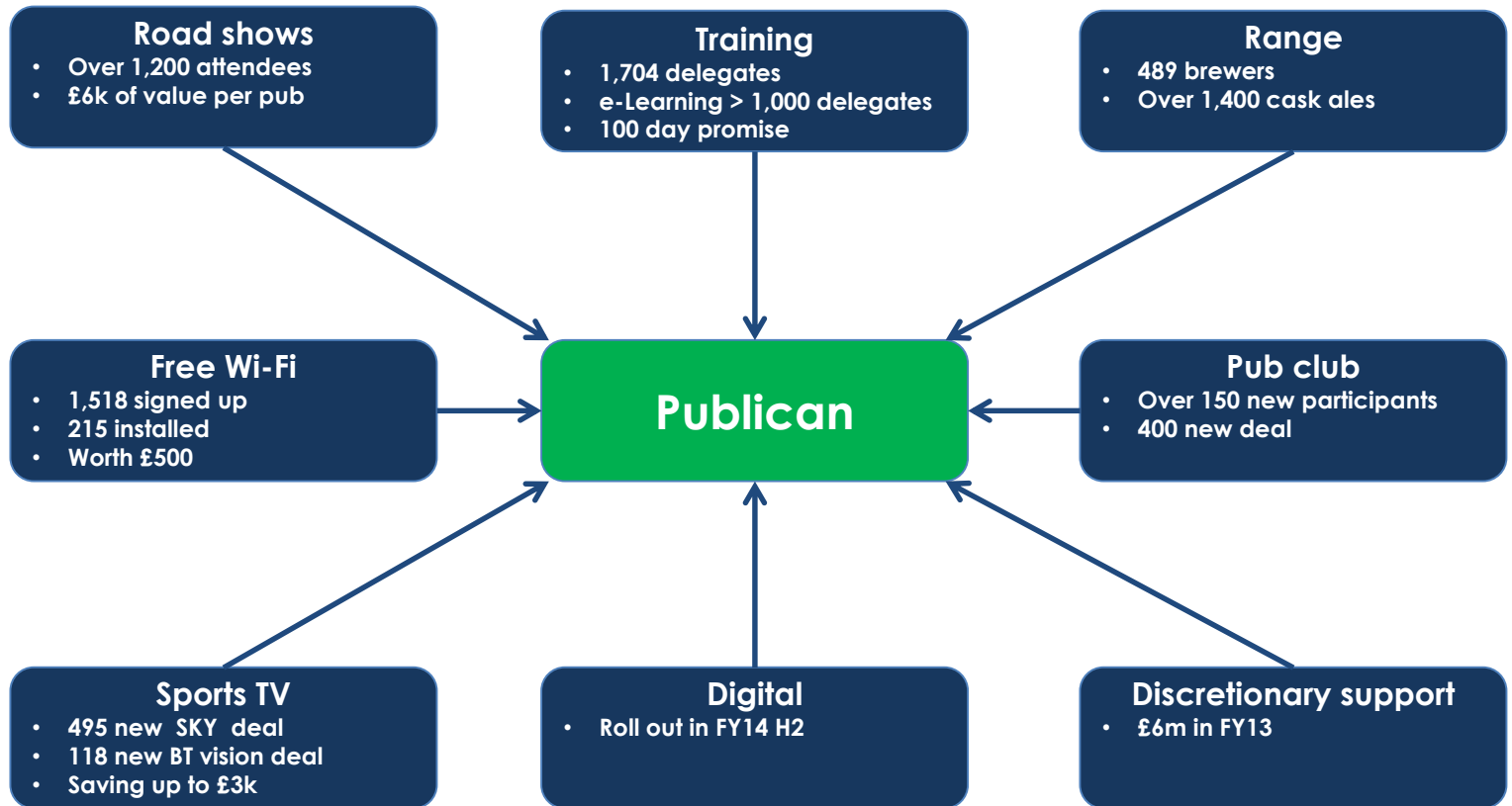
Operating performance

Key indicators of publican profitability

- 94% of agreements have had rent reviewed since 2008
- 437 rent reviews completed at an average annual reduction of 0.3%
 - (2012 - 653 reduction of 0.7%)
- 69% of substantive agreements linked to RPI (2012 - 68%)
- 88% of publicans receiving contractual BCF discount (2012 - 85%)
- Overdue balances reduced by 16% to £3.4m (2012 - £4.0m)
- Bad debts stable at £1.4m (2012 - £1.3m), only 0.2% of turnover
- Number of business failures reduced by 21% (2012 - 4%)
- Total discretionary support remained flat at £6m (2012 - £6m)

Supporting publican profitability

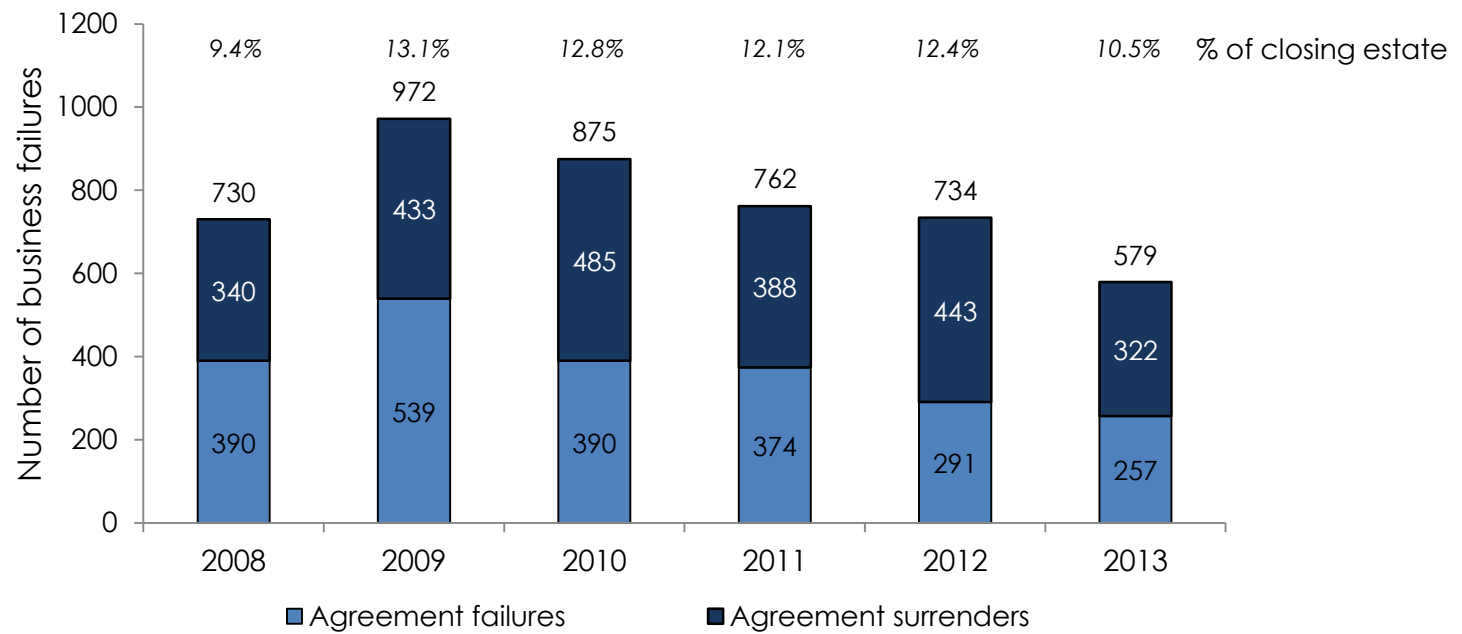
Enhancing the relationship through SCORFA



Improving rental income

Counting the cost of business failure

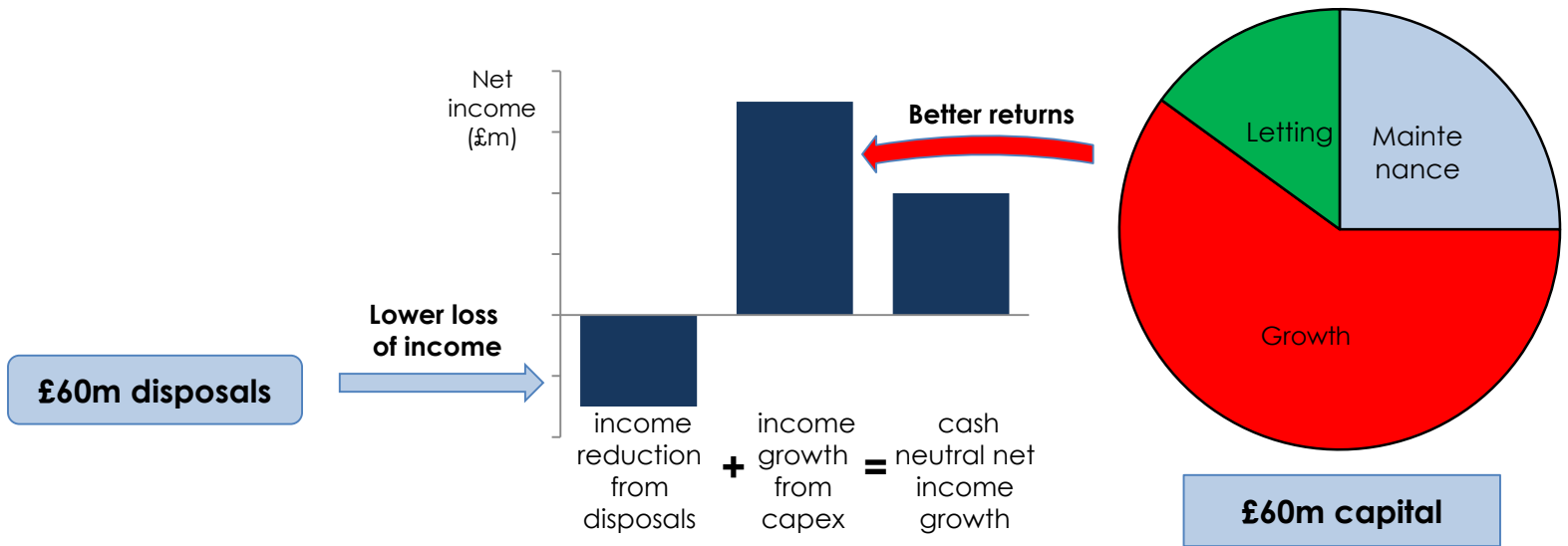
- Reducing the rate of failure, addressing property condition and investing in the estate
- Proactively managing publican change
- Essential for total EBITDA stability and then growth



Decreasing rates of business failure

Reinvesting cash from disposals

Recycling proceeds to generate cash neutral net income growth



Enhancing returns from capital investment

Increasing proportion of investment spent on growth

- Underpinning future investment prospects
 - Enforcement of publican obligations
 - Reducing impact of publican business failure
- Proactively targeting publican profitability, for example;
 - 15 major schemes with average investment of £175k
 - Over 450 smaller schemes with average investment of £50k
 - Over 1,500 minor upgrades (e.g. 1,000 exterior decorations in 2013) over £5k
 - Unlocking and encouraging publican investment

Milk House, Sissinghurst

Investment - ETI £264k / publican £120k / ROI 22%



Brownlee Arms, Horsforth

Investment - ETI £318k / publican £110k / ROI 27%



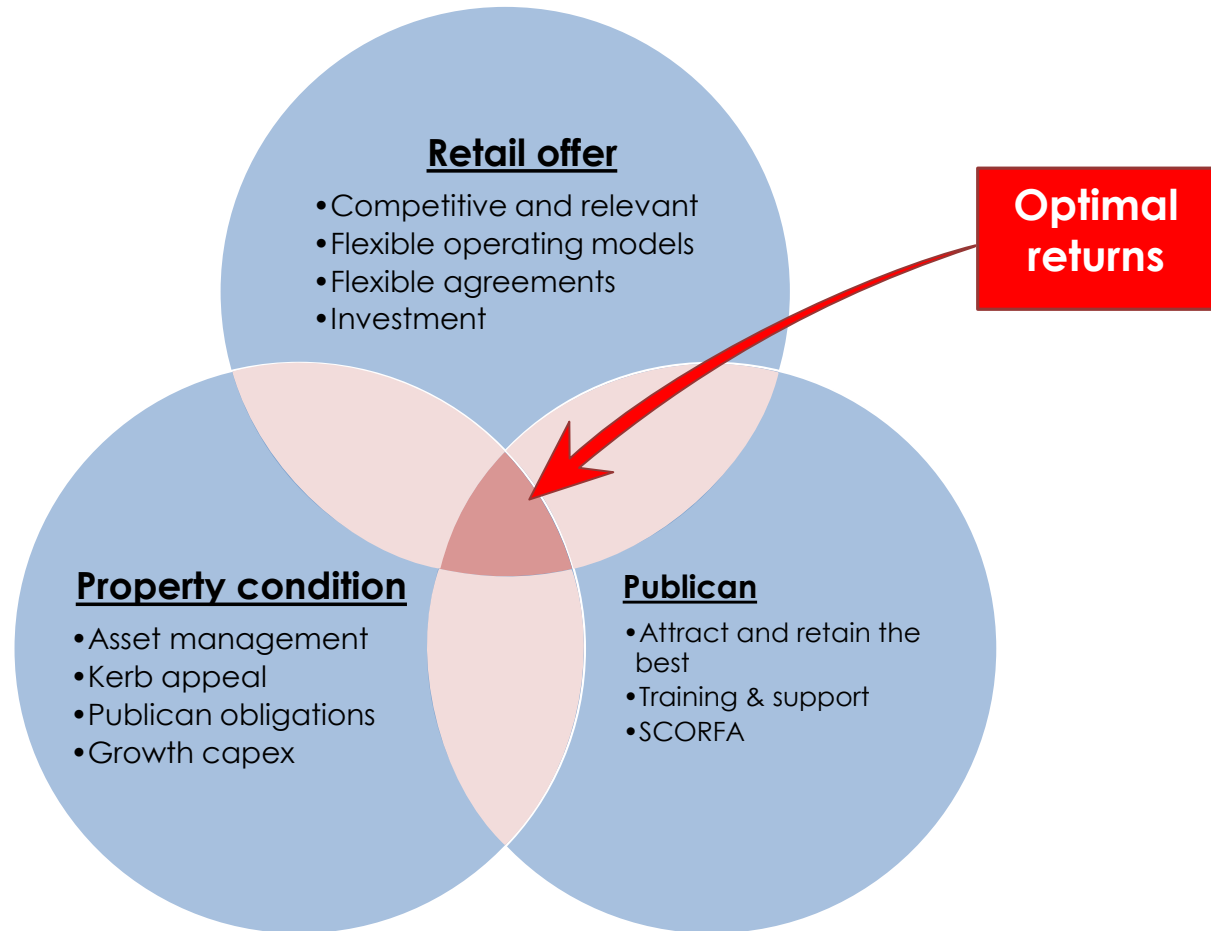
Montgomery, Eastham

Investment - ETI £154k / publican £25k / ROI 24%



Refining our strategy for every pub

Less fire fighting gives more time for business planning



Reviewing the operating models

Evolution of agreements to create optionality

Leased & tenanted model remains core

Managing business risk

Mitigating political risk

Creating business opportunity

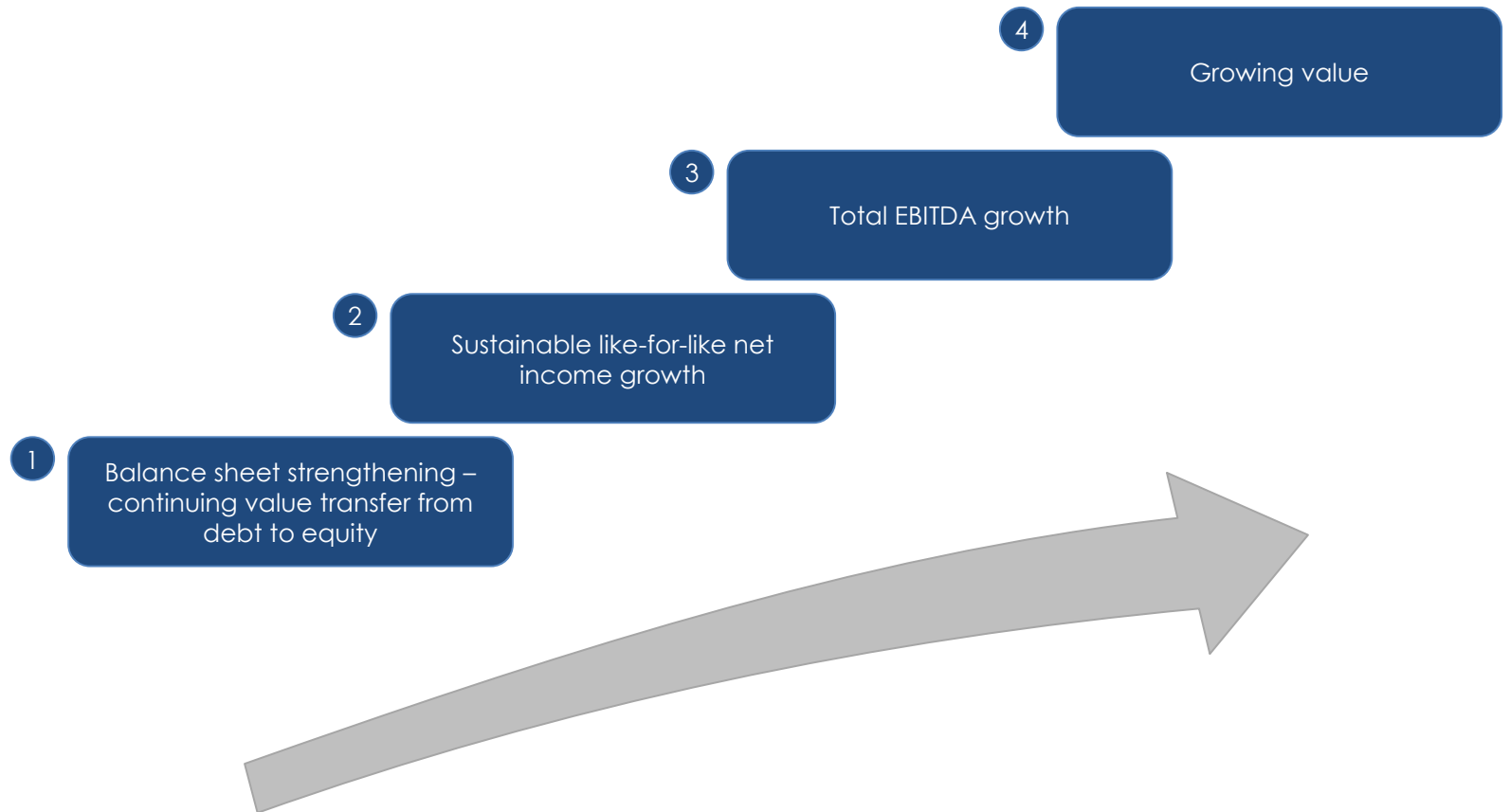
Back office capability



Ted Tuppen
Chief Executive

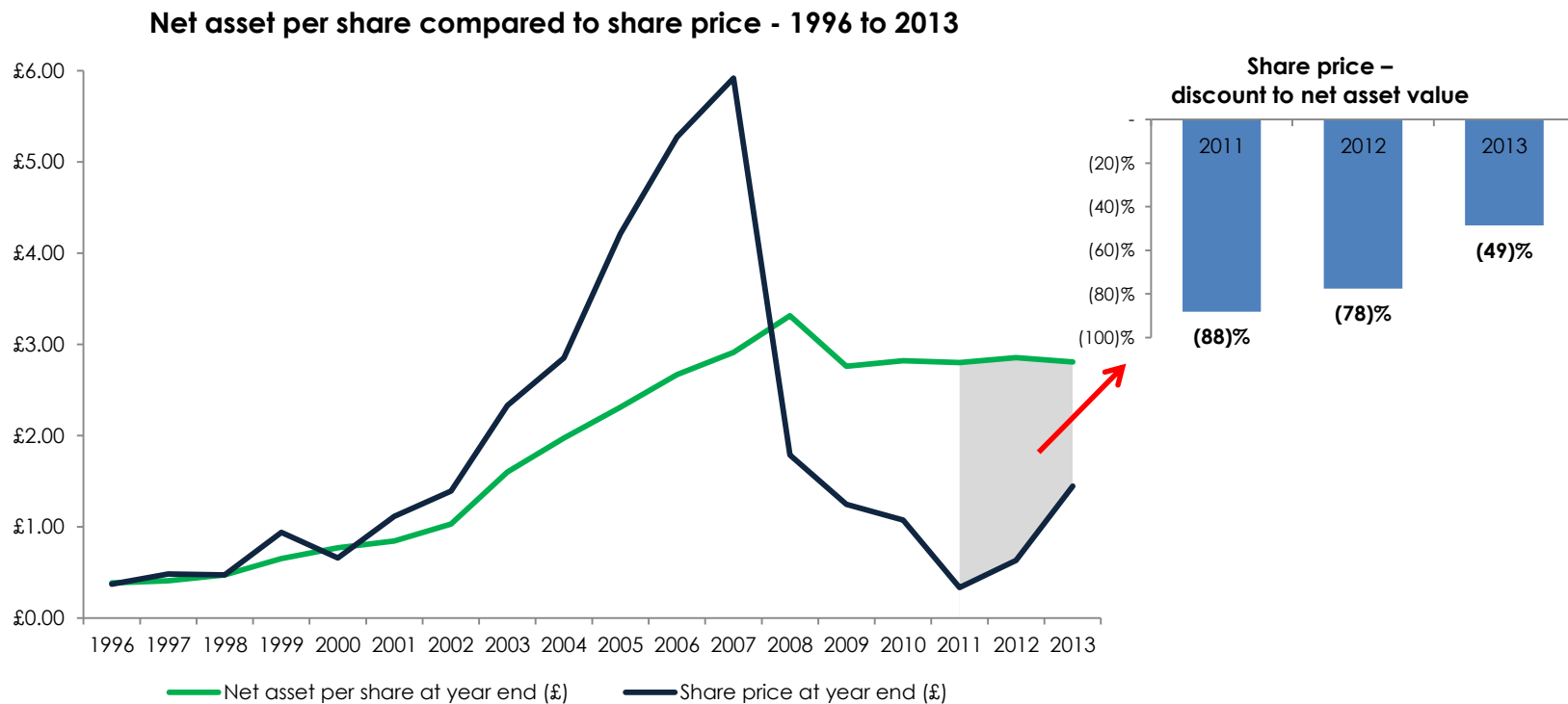
The Enterprise investment story

We have stabilised the business and now we are targeting growth



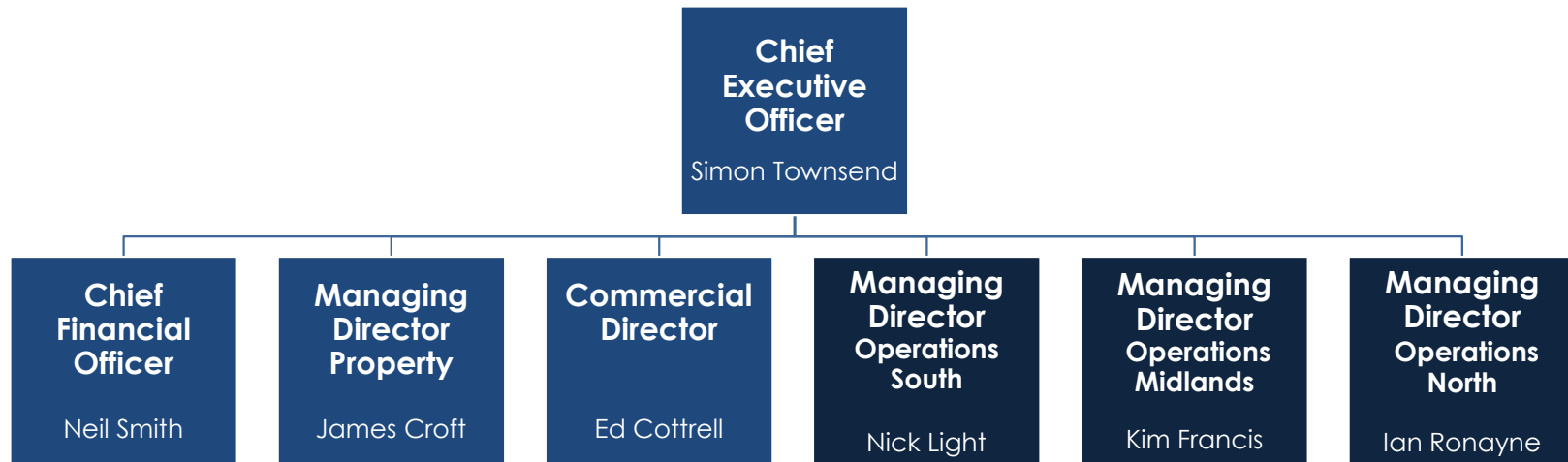
Growing value

Stable asset values should provide confidence for the markets to reduce and remove NAV discount



Excellent team in place

Succession has been carefully planned



With effect from 6 February 2014

Outlook

- Continuing progress on all fronts
- Excellent team in place
- Confidence in future prospects

Thank you



QUESTIONS

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