



# Preliminary Results

30 September 2006

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# Financial highlights

12 months to 30 September 2006

- EBITDA before exceptionals up 3.6% to £547m
- Profit before tax and exceptionals up 8.6% to £315m
- Adjusted earning per share up 17% to 68.3 pence
- Final dividend of 18 pence. Full year dividend up 50% to 27 pence
- 42.3m shares purchased at a cost of £393m (£9.29 per share)



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# Profit & loss account

Adjusted EPS up 17%

<u>£m</u>	12 months to 30 September		Increase
	<u>2006</u>	<u>2005</u>	<u>%</u>
Revenue	970	952	
EBITDA	547	528	3.6
Depreciation	(8)	(10)	
Interest	(224)	(228)	
PBT and exceptional items	315	290	8.6
Mark to market swaps	40	(20)	
Other exceptional items	60	5	
Taxation	(90)	(66)	
Profit after tax	325	209	
Adjusted EPS (p)	68.3	58.4	17.0
Dividend per share	27.0	18.0	50.0



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# EBITDA

EBITDA up 3.6%

	12 Months to 30 September		Increase
<u>£m</u>	<u>2006</u>	<u>2005</u>	<u>%</u>
Revenue	970	952	
Cost of sales	(387)	(385)	
Gross profit	583	567	2.8
Administrative expenses	(36)	(39)	
EBITDA	547	528	3.6
Gross margin	60.1%	59.6%	
Pubs at year end	7,809	8,590	
Average pub numbers	8,522	8,651	
Average EBITDA per pub	64.2	61.0	5.2

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# Gross Margin Analysis

Increased margin on beer sales

<u>£m</u>	Beer, cider & fabs	Licensee discounts	Wines, spirits & minerals	Rent	Machines & other	Total
<u>2005/06</u>						
Turnover	684	(49)	36	270	29	970
Cost of sales	(349)	-	(28)	(10)	-	(387)
Gross profit	335	(49)	8	260	29	583
Gross margin %	49.0%		22.2%	96.3%		60.1%
<u>2004/05</u>						
Turnover	659	(42)	36	269	30	952
Cost of sales	(343)	-	(29)	(13)	-	(385)
Gross profit	316	(42)	7	256	30	567
Gross margin %	48.0%		19.4%	95.2%		59.6%

- Turnover and discounts both increased by £7m as a result of pricing alignment in March
- £2m reduction to both rent and discounts resulting from mix of licensees' agreements
- Adjusting for the above, the average rent per pub increased by 2.6%

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# Cash flow statement

Free cash inflow of £107m

	12 Months to 30 September	
<u>£m</u>	<u>2006</u>	<u>2005</u>
Operating profit	537	518
Operating cash inflow	<u>534</u>	<u>524</u>
Interest	(227)	(235)
Tax	<u>(69)</u>	<u>(53)</u>
	238	236
Dividends	(70)	(48)
Pub capital expenditure	(54)	(49)
Other capital expenditure	<u>(7)</u>	<u>(1)</u>
Free cash inflow	<u>107</u>	<u>138</u>



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# Taxation

Cash tax outflow of 22%

£m	2006		2005	
	<u>Pre Exceptionals</u>	<u>Total</u>	<u>Pre Exceptionals</u>	<u>Total</u>
PBT	315	415	290	275
Tax	(95)	(90)	(90)	(66)
Tax rate	30%	22%	31%	24%
Cash outflow	(69)		(53)	
Cash tax rate	22%		18%	



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# Balance sheet

Pub estate valued at £5.4billion

	As at 30 September	
<u>£m</u>	<u>2006</u>	<u>2005</u>
Goodwill & Investments	419	417
Pubs and other assets	5,377	5,220
Net debt	(3,259)	(3,286)
Net other liabilities	(169)	(188)
Deferred tax	(692)	(590)
Net worth	<u>1,676</u>	<u>1,573</u>

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# Share buyback

Total return to shareholders

	No of shares m	£ purchase	Value £m
<b>2006</b>			
Dividends			70
Share purchases	42.3	9.29	<u>393</u>
Total return			<u>463</u>
<b>2007 to date</b>			
Share purchases	6.0	10.83	65



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# Debt structure

Underlying net debt increased by £45m

<u>£m</u>	As at 30 September	
	<u>2006</u>	<u>2005</u>
Corporate bonds	(1,185)	(1,185)
Bank debt	(425)	(260)
Securitised bonds	(1,667)	(1,772)
Gross debt	<u>(3,277)</u>	<u>(3,217)</u>
Cash	111	96
Underlying net debt	<u>(3,166)</u>	<u>(3,121)</u>
Other (including mark to market of swaps)	<u>(91)</u>	<u>(165)</u>
Net debt	<u>(3,257)</u>	<u>(3,286)</u>

- Interest rate swaps restructured at a cost of £30 million
- Weighted average interest rate of 6.6%



# Leverage Ratios

Optimal Group leverage of c 6.6 times debt:EBITDA

## Optimal group leverage with current financing structure

	<u>Enterprise</u>	<u>Unique</u>	<u>Group</u>
Interest Cover	2.5x	2.0x	2.2x
Debt:EBITDA	5.75x	7.3x	6.6x

## Actual group ratios

	<u>2006</u>	<u>2005</u>
Interest cover	2.4x	2.3x
Debt: EBITDA	5.8x	5.9x



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# Operating highlights

12 months to 30 September 2006

- Profit before tax and exceptionals up 8.6% to £315m
- Average EBITDA per pub up 5.2% to £64,200
- £54m capital expenditure invested into the estate
- 95 high quality acquisitions for £80m
- 107 underperforming and high AUV outlets sold for £48m
- 769 pubs sold to Admiral Taverns for £318m

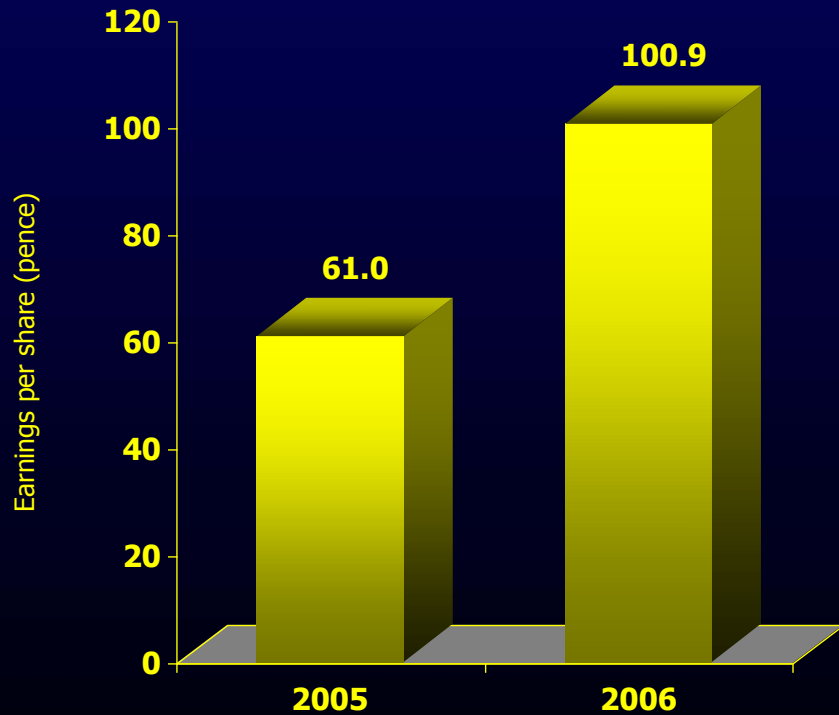


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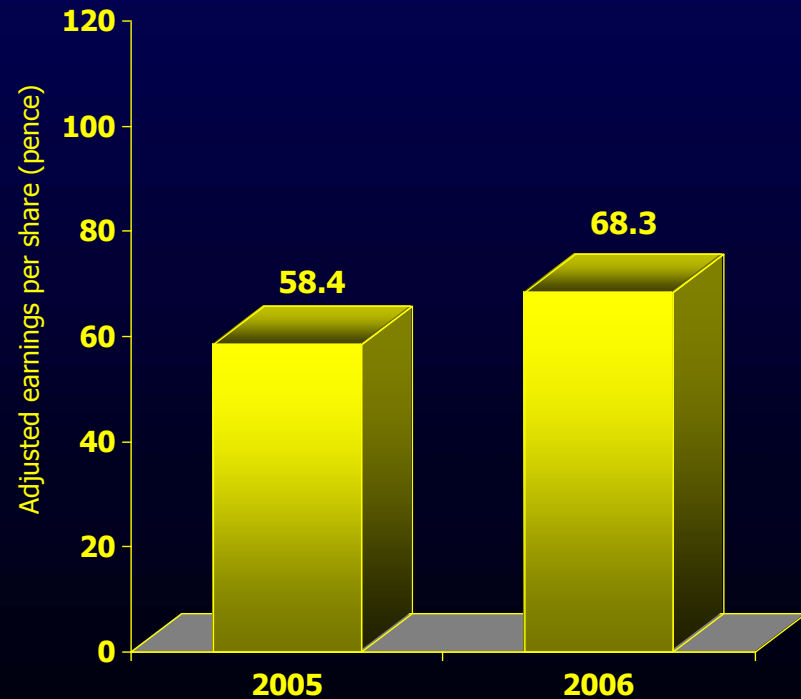
# Earnings per share

Annual growth 65% EPS, 17% adjusted EPS

## Earnings per share



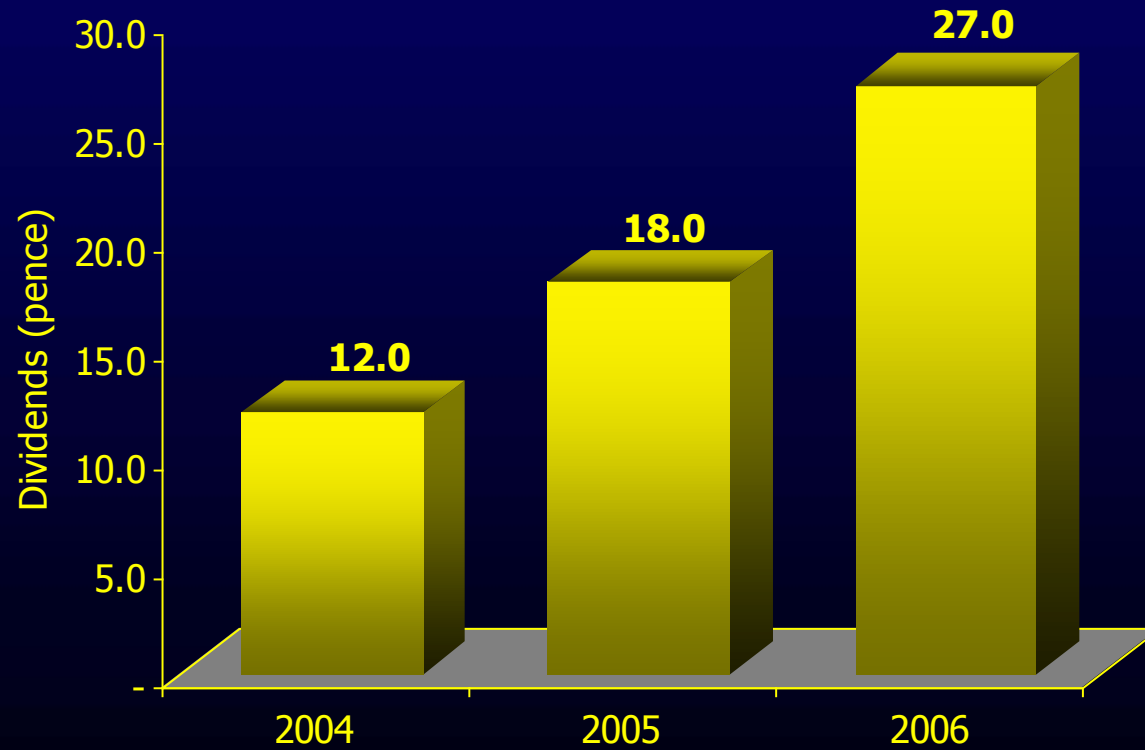
## Adjusted earnings per share



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# Dividends

Full year dividend up 50%



Dividend cover (EPS)

3.4x

3.7x

Dividend cover (adj EPS)

3.2x

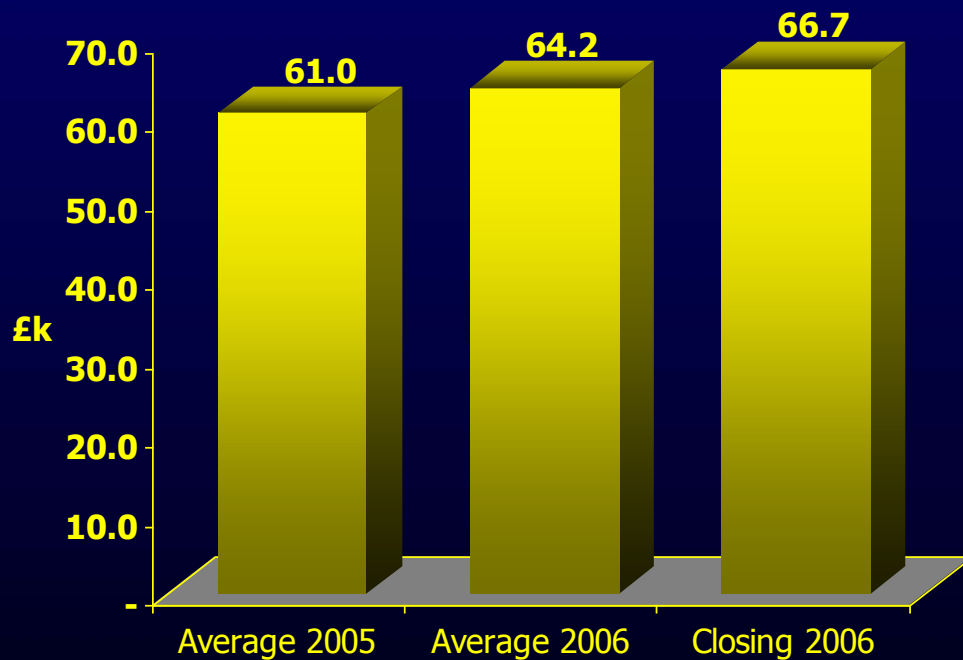
2.5x



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# EBITDA per pub

Increase of 5.2% in average EBITDA per pub



EBITDA (£m)	528	547	521
Pub numbers	8,651	8,522	7,809
EBITDA per pub (£k)	61.0	64.2	66.7

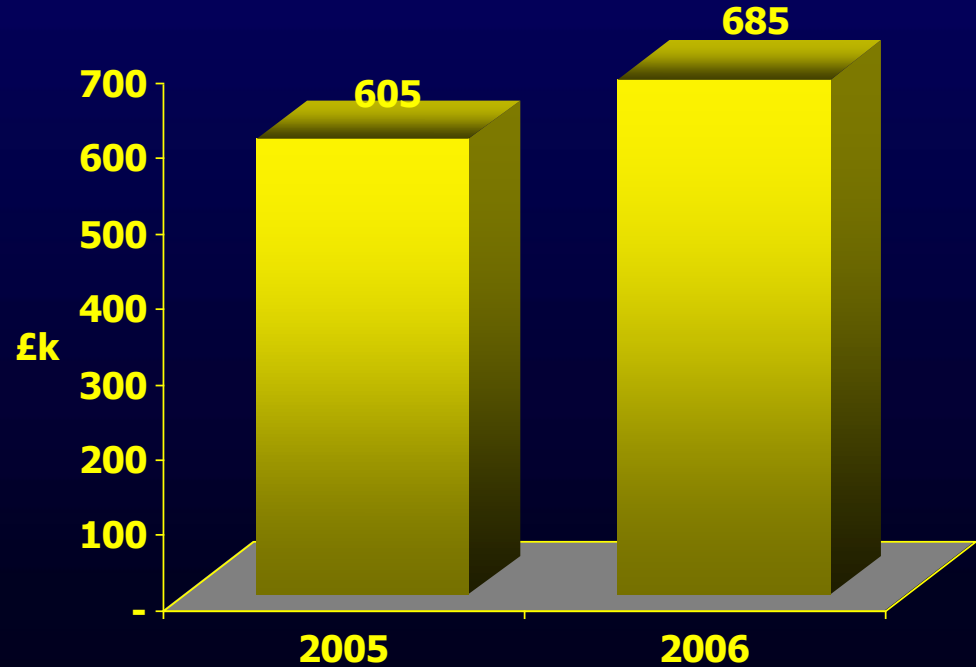
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# Value per pub

Increased by 13%

	At 30 Sept	
	2005	2006
	Group	Group
Pub value (£m)	5,200	5,351
Pubs at year end	8,590	7,809
Average value per pub (£'000)	605	685



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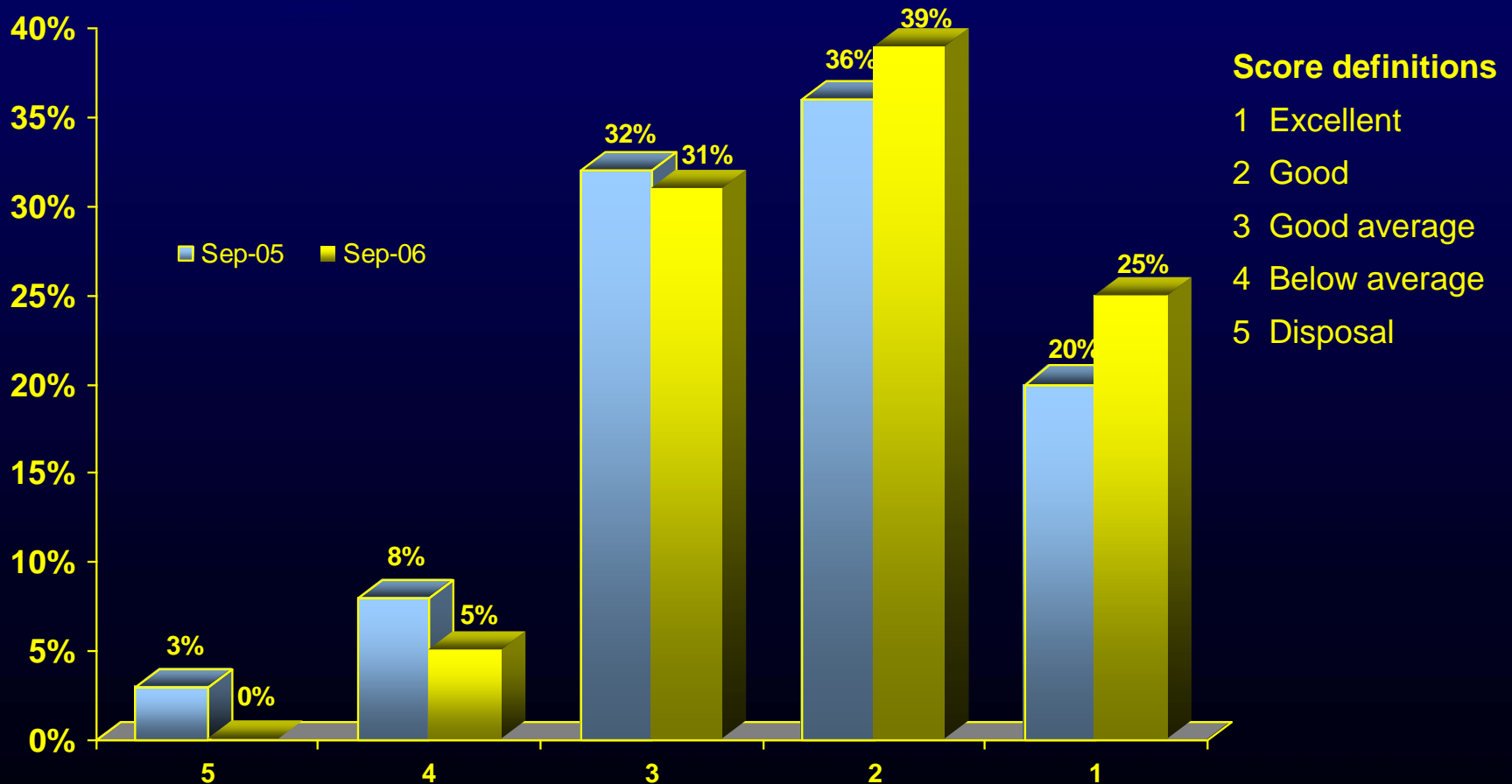
## Key objectives for a successful pubco

- Top quality assets
- Profitable licensees



# Top quality assets

Continued improvement in estate quality



Source: Estates Review – September 2006

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# Licensee profitability

Licensee profitability up by 7%

	2006		2005		% Increase
	£k	% of T/O	£k	% of T/O	
Turnover	289		265		9%
Gross margin	157	54%	143	54%	10%
Overheads	(86)	(30%)	(77)	(29%)	12%
Pre rent profit	71	25%	66	25%	8%
Domestic accommodation	9		8		13%
Rent	(35)		(32)		9%
Post rent licensee profit	45	16%	42	16%	7%

\* Estimated licensee profit up 2-3% on like for like basis

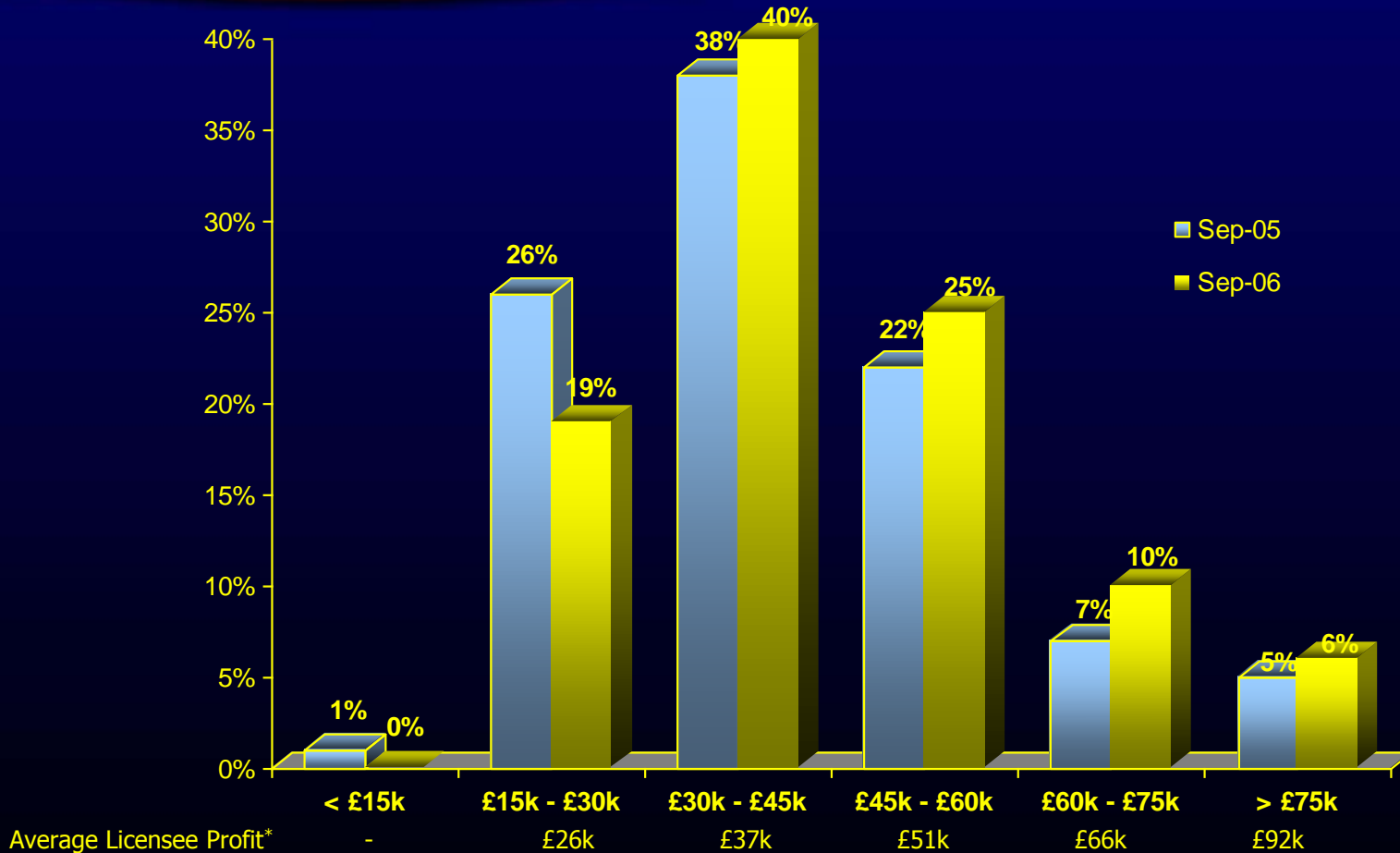


Source: Estates Review – September 2006

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# Licensee Profitability

Continued improvements in licensee profitability



\* Includes domestic accommodation

Source: Estates Review – September 2006

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# Licensee profitability

How are they really doing?

- 5,273 enquiries converted to 1,798 formal applications
- 995 fully funded, fully screened quality applicants
- 820 lease assignments, average premium £68k (£85k including tenants fixtures and fittings)
- Rent concessions consistent at less than 0.4% of rent roll
- 1,317 rent reviews, 2 taken to arbitration
- Adjusted for changes to licensee trading terms, average rent per pub increased by 2.6%
- Bad debts reduced to c0.1% of turnover



- Smoking
- Real estate investment trust



# Smoking

Enterprise well placed to manage change

- Total ban in Scotland - 137 pubs - March 2006
- Total ban in Wales - 342 pubs - April 2007
- Total ban in England - 7,330 pubs - July 2007
- Scottish pubs performance since the ban is marginally behind the remainder of the estate
- Pubs with food offering and outside areas will cope best with the ban

% of estate	2006	2005
Beer garden & patio	37	32
Beer garden only	17	18
Patio only	29	29
Other outside area	6	4
No outside area	11	17
Total	<u>100</u>	<u>100</u>

% of estate	2006	2005
Restaurant	20	18
Traditional bar meals	41	38
Light snacks	24	25
No catering	15	19
Total	<u>100</u>	<u>100</u>



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# Real estate investment trust

Considerations for Enterprise Inns

- Potential opportunities
  - Tax savings
  - Growth in shareholder value
- Issues
  - 75% of taxable income must be derived from rental income
  - 90% of profits paid out by dividend
  - Reduced ability for share buy backs
  - Reduced flexibility for capital investments and acquisitions
  - Reduced ability to repay debt
  - Substantial break costs if re-financing required
- Conclusion
  - Significant complication
  - Potential upside merits further investigation



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# Growth in a tenanted estate

Manage the pubs, the cash flow and the balance sheet



**Double digit growth in EPS**

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# Growth in a tenanted estate

EPS growth

	Sept 06 %	Mar 06 %
<b>Normal EPS growth</b> (Organic, capex, churn and debt reduction)	12%	12%
<b>Cost Savings</b> (Overheads, interest and tax rate)	2%	3%
<b>Share buybacks</b> (net of interest)	3%	2%
<b>Adjusted EPS growth</b>	<u>17%</u>	<u>17%</u>



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# Summary

- 17% growth in adjusted earnings per share
- Strong cash generation
- 50% increase in dividend
- Cash available to buy back shares
- Improving pub quality and profitability
- Clear strategy for growth in shareholder value





# Questions

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