

PRESS RELEASE

January 2012

What happened to the pub world in 2011?

It is that time of year when everyone takes stock as to what has happened of any major consequence in the past 12 months; how does it affect them; and what can be expected over the next 12 months.

The following, with a property bias, is our take on the past 12 months.

January 2011

Enterprise sold a package of 29 pubs for £42.6m to MPG Pubs LP. Enterprise will lease the units back for a 35-year term. The initial rent is £2.975m, reflecting a NIY of 6.5%.

February 2011

Greene King confirmed the purchase of Cloverleaf pub/restaurants for £55.8m. The company operate 11 sites, principally in the North-west of England.

Barracuda Pub Company reported a loss for the year to 25 September 2010 of £18.6m.

March 2011

Novus acquired the Balls Brothers and Lewis & Clarke out of administration. All the acquired properties are leasehold.

Enterprise Inns agreed a £32.5m sale-and-leaseback deal with Hermes Property Unit Trust. Enterprise has sold 26 freehold London pubs and will lease them back. The initial rent roll is £2.2m pa. The deal equates to a NIY of 6.4%.

April 2011

Greene King announced the acquisition of Realpubs for £53.1m. Realpubs will add 14 London pubs, 13 of which are freehold.

May 2011

Marston's reported a 0.3% rise in underlying profits across its tenanted and leased division for the 26 weeks to 2 April 2011. Average income per pub across its tenanted and leased arm rose by 1.5%.

Young & Co reported numbers for the 53 weeks to 4 April 2011. Total revenues are up by 11.8% at £142.6m. Managed house revenues are up by 13.2% including acquisitions and are up by 1.9% on a like for like basis. Like for like revenues from the tenanted business are also up by 1.2%.

June 2011

Fuller's reported numbers for the 53-week period to 2 April 2011. Revenues rose by 6% to £241.9m, EBITDA was up by 6.9% £46.6m. Managed pub like for like sales were up by 3.9% in the year, tenanted inns profits are level.

McMullen's reported a 6% fall in profit for the 53 weeks to 2 October 2010 despite a 3.9% rise in turnover.

Capital Pub Company reported full year revenues up by 24% to £27.2m (like for like sales up by 7%). Adjusted EBITDA was up by 18% to £6.8m.

Stonegate Pub Company and Town & City Pub Company have merged to create a 550-strong managed company. The merger turns Stonegate into the UK's fifth largest managed pub company.

July 2011

Greene King is to acquire Capital Pub Company the 34-strong London-based pub operator for £70m. Capital recorded revenue of £27.2m and EBITDA of £8.95m for 31 sites.

M & B reported a slow down in like for like sales for the 9 weeks to 16 July. On a like for like basis sales in 42 weeks to 16 July were up 3.1%, driven by a 5.8% increase in food sales and a 1.2% increase in drink sales.

August 2011

Punch Taverns demerged its managed business Spirit Pub Company. Punch continues to own the remaining leased side of the business which holds 5000 pubs. Spirit comprises around 800 managed pubs and a further 550 leased sites.

Enterprise Inns reported that for the 44 weeks to 30 July 2011 net income per pub, which are let on substantive agreements; fell less than 1%, with a decline of 3% in the north, no change in the Midlands and an improvement of 1% in London and the south. Enterprise generated £69m from the sale of 335 pubs in the period. It expects to dispose of "some 500" pubs in the full year. Its sale and leaseback programme, completed in May, raised £247m from the sale of 176 sites at an average rental yield of 6.5%.

Youngs & Co is to pull out of brewing to focus on its pub estate after announcing that it had sold its 40% stake in Wells & Young's to Charles Wells.

September 2011

JD Wetherspoon has reported annual sales up 7.6% to £1.072bn for the 52 weeks to 24 July. Profit before tax and exceptional items was £66.8m (down 6% on 2010). The company opened 50 pubs in the period and said it intends to open a similar number in the current financial year. The average development cost for a new pub (excluding the cost of freeholds) increased from £860k to £1.21m.

October 2011

Shepherd Neame has reported a 9.7% increase in pre-tax profits for the year to 25 June 2011, driven by strong performance within its managed estate. Pre-tax profit for the year was £8m (up 10% on 2010) on turnover up 5.2% to £121.3. A revaluation of the pub estate showed a £68m surplus over book value. Like-for-like sales in the managed estate were up 7.4%. Food sales increased by 11.1%, drink sales increased by 5.6%.

Fullers has announced it is to acquire a five-strong package of pubs from rival Marstons (3 leasehold and 2 freehold) in a deal worth £16m. The package takes Fullers estate to 365 sites.

November 2011

Mitchells & Butlers has reported full year numbers to 24 September 2011. Revenues rose by 4.9% and like for like sales were up by 2.6% with food +4.8%. EBITDA was up by 1.8% at £398m and operating profits rose by 1.1% to £288m. Net debt has been reduced by over £400m.

Enterprise Inns has reported full year numbers to end-September 2011. Adjusted EBITDA is down by around 10% at 366m. Average income per pub (including the impact of bottom-end disposals) is up by 1% but like for like profits in the substantive estate (c90% of pubs) is down by 1.7%. Like for like profits across the whole estate including non-substantive pubs are down by 4%. Assets have been written down by a further £173m but £238m has been achieved from disposals and net debt has been reduced by 10% to £3,003m.

Marston's reported for the year to 1 October 2011. The company achieved a 9.4% rise in pre-tax profits on revenues up 4.8%. Group revenue was £682.2m (up 5%), with underlying profit before tax at £80.4m (up 9%). Like-for-like sales in the managed division were up 2.9%, with underlying operating margins up 0.7% and profit per pub up 10%. They are on-track to open 25 new-build sites in 2012 and is to continue this rate of opening from 2012 onwards. Average turnover per site is £27k per week. New-builds are achieving an average EBITDA return on capital of 18%. In the tenanted and leased arm, average profit per pub increased 2.1%. Twenty five sites were sold in the year.

December 2011

Royal Bank of Scotland has sold 918 pubs to a subsidiary of Heineken, for £422m, in the largest deal in the tenanted pub sector for eight years. In the year ended 31 December 2010, EBITDA generated under the terms of the management agreement was £45m.

So what does this tell us?

Managed pubs continued to make generally increasing levels of profits. The tenanted sector continued to struggle but faced up to some rationalisation with many pubs being transferred from 'continuity estates' to disposal estates. There were some property write downs on pubs likely to be sold. Very few deals were done but Greene King did 3 of them!

London continued to defy gravity with rising turnovers and profits, whilst the rest of the country suffered.

What does 2012 hold in store?

None of the financial headlines gives us hope for any short term fix, but perhaps people are now getting used to reality and are prepared to transact business at 2012 levels rather than hanker back to the halcyon days of 2007. People still have to earn a living. People still need to relax and have fun. There is a job to be done in earning a living by helping others to relax and have fun.

Banks will continue to keep the pressure on, causing large and smaller groups to consider disposals where they cannot secure new funding on reasonable terms.

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