

## BUSINESS REVIEW

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*Our performance has been resilient over a challenging year demonstrating the fundamental strengths of the business. In addition to offering outstanding value for money and high quality products and service, we have benefited from anticipating and adapting to consumer trends.*



### Marston's and the industry

We operate around 2,200 pubs in a UK pub sector comprising around 53,000 pubs. Our products account for approximately 9% of the UK ale market with our share of the premium cask ale market in pubs around 23%. Our share of the premium bottled ale market is approximately 17%.

Changes in consumer habits, the smoking ban and investment in pubs and pub food have altered the nature of pub usage. More pub visits by women, families and an increasingly mature population led to our development of the 'F-Plan' in our managed pubs as described in the Strategic Objectives. We estimate that 65% of all pub visits in Marston's Inns and Taverns are food related.

Intensifying competition, the introduction of the smoking ban in 2007, aggressive price discounting by supermarkets and the weak economy have led to increased polarisation in the marketplace. In anticipation of these changes Marston's Pub Company has disposed of around 400 pubs with limited potential in recent years and as a result we have a high quality estate. At the same time, we have been careful to ensure that rents are set at sustainable levels.

In brewing, 'real ale' has been increasing in popularity as consumers have become more interested in beers with taste and provenance. Anticipating this trend, Marston's Beer Company has developed a unique and outstanding range of regional beers which achieved an increase in market share in 2009.

Beer consumption in pubs has been in overall decline for many years, but there has been consistent growth in the volume of beer sold in the off-trade. Marston's Beer Company is the largest supplier of premium bottled ale in the UK market.

Marston's is a vertically integrated business, and we believe that this business model has clear advantages. We have greater economies of scale, as we brew our own ales and control our own supply chain, distributing to over 4,000 pubs and clubs.

### Strategic Objectives

Our strategy has six key objectives:

#### 1. Target growth through the development of a national, high quality pub estate

In recent years this has been achieved through acquisitions which have widened our trading area throughout England and Wales; investing in new pub development; and the disposal of pubs which do not meet our criteria for sustainable returns.

We have a track record of delivering excellent returns from new pub development and we believe that this programme is a key driver of future shareholder value. We therefore plan to invest at least £140 million of the rights issue proceeds in the acquisition and development of new pubs over the next three years. These pubs will be large, family friendly, food-led managed pubs.

