

19 May 2011

**Leisure: Marston's (MARS): 110p  
H1 numbers, 26w to 2 April 2011**

- Marston's has this morning reported half-year numbers for the 26 weeks to 2 April saying that the group's performance has been 'encouraging despite challenging market conditions'
- Revenues are up by 2.8% at £317.9m, PBT is +5% at £29.2m, EPS is +7.9% at 4.1p and the H1 dividend has been held at 2.1p with dividend cover expanding from 1.8x to 1.9x: recent sales trends are as follows:

Period	Managed (sales / pub %)	Tenanted & Leased (LfL prof / pub %)	Own-brand beer volumes %
Full year 08/09	-0.6	-7	+8
H1 09/10	+1.4	-4.5	'Strong H1'
Full year 09/10	+1.7	-3.7	Revenues +4.5%
First 16w of 10/11	+2.1	-1.0	+6
H1 10/11	+2.4	+0.3	+4
2010/11 to w32	+3.2*	+0.4	+4

Source: Marston's, \*last nine weeks +5.0%

- **Managed** – Managed LfL sales are up by 2.4% for the H1 and are some 5% higher over the last nine weeks; y-t-d (w32), LfL sales are +3.2% and food now comprises 41% of sales
- Eight new pubs have been opened in H1 (target 20 for the FY) & revenues are running at £27k (net per week) against a target of £20k. The new units are returning 18.4% on capital and are being built for 5.4x EBITDA.
- **Leased & Tenanted** – Leased pubs reported LfL profits 0.3% ahead of 2009/10 and are 0.4% ahead to w32; average profit/pub is +1.2%
- Some 227 pubs now signed up to the Marston's Retail Agreement compared with 104 at the year end, the incremental profit from these units was £0.7m; a further 100 will be converted by year-end
- **Beer Company** – Own-brewed volumes are up by 4% against a market down by around the same percentage; the division's operating profits are some 1.4% higher
- **Debt & balance sheet** – Debt is down slightly on the full year at £1,105m
- Overall, Marston's has reported an improving trend in each of its divisions. Recent trading has been 'good' and the group is well-positioned to meet the challenges of 2011 and beyond.

**Langcap Comment:** Marston's has once again reassured. Trading has continued to improve (the group has 'seen a good start to the second half') and, though few observers expect the economy to be easy this year or next, there are grounds for guarded optimism. All divisions are in growth and the company looks set to earn around 10.7p this year putting Marston's shares on some 10.3x EPS with a yield of around 5.3%. The group will host a meeting for analysts at 8.30am.

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