

27 July 2011

**Leisure: Marston's (MARS): 105p  
Trading update; 42w to 23 July 11**

- Marston's has updated on trading for the 42w to 23 July saying that its performance has continued to be 'encouraging and robust despite the difficult trading environment'
- The company reports that 'profitability is in line with our expectations and we continue to make good progress in each of our divisions'
- Managed house revenues are up by 2.9% LfL over the 42 week period (food +5.0% and wet +1.8%) implying a marginal slowing to c2.0% over June (a World Cup month in 2010 which enjoyed better weather) & managed margin 'has improved compared to last year'
- Tenanted LfL profits are up by some 0.5% over the 42 weeks implying a slight pickup
- Own-brewed beer volumes are up by 2% against a market down by 9.8% in Q2 and down by 3.8% in Q1 – June sales to the off-trade slowed but on-trade sales have remained stable and 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
2010/11 to w42	+2.9	+0.5	+2

Source: Marson's,

- Net debt and cash flow are in line with the company's expectations, ten new units have opened y-t-d and the return 'continues to be ahead of our original targets'
- The group describes its businesses as 'resilient' and will comment further at its 8.15am conference call

**Langcap Comment:** Marston's has once again reassured. Managed houses have remained firmly in positive territory against tough, World Cup comps and trading across the group's tenanted houses has improved marginally. Beer sales have held up in the on-trade 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 10.8p this year putting Marston's shares on some 9.7x EPS with a yield of around 5.6%. The group will host a meeting for analysts at 8.15am.

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