



5 October 2011

Leisure: Marston's (MARS): 90p Trading update; 52w to 1 October 11

- Marston's has this morning updated on trading for the 52w to 1 October saying that its performance has been 'encouraging, despite the difficult trading environment' and has registered an improvement across all of its businesses during the year
- LfL managed sales are up by 2.9% on the year (food +5.0% and wet sales +1.8%), the same as at w42; food now accounts for 42% of total sales (+2% on 2010) and margins are 'slightly ahead'
- The group's new build programme is in line with expectations; 19 new units are open with a further unit due to open in the coming days. Some 25 new units are planned for 2011/12
- Tenanted & leased LfL profitability is up by 0.6% (compared with +0.5%) at w42 and 330 units are now on Retail Agreements compared with a year-end target of 300 (and a target of 600 by 2013)
- Brewing volumes are up by 2% (in line with w42) in a market down by 6% 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	Rev +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
FY 2010/11	+2.9	+0.6	+2

Source: Marston's,

- Net debt and cash flow are in line with the company's expectations and returns being achieved on new openings 'continue to exceed (the company's) expectations'
- The group remains focused on 'sustainable growth, higher investment returns and reduced gearing' 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 (initially against tough, World Cup comps and latterly against a lackluster September) and trading across the group's tenanted houses has improved marginally. The Retail Agreement is working, beer sales have risen against a difficult market and, though few observers expect the economy to be easy for the remainder of this year or next, there are grounds for guarded optimism. All divisions are in growth and the company looks set to earn around 10.9p this year putting Marston's shares on a very undemanding 8.3x EPS with a yield of around 7.3%. The group will host a conference call for analysts at 8.15am.

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Langton Capital Limited
Suite 58, The London
Fruit & Wool Exchange,
Brushfield Street,
Spitalfields, London,
E1 6EP - 020 7392 7613

Contact – Mark Brumby - +44(0)20 7392 7613

mark.brumby@langtoncapital.co.uk

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