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FY16 Results

23rd January 2017

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Strategy Update

- Stonegate continues to grow in 3 ways:

1. Via accretive M&A
2. Through investment in our current estate and delivering industry leading returns.
3. By organic growth – planning and execution of key events and operational gearing improvements focused on pricing initiatives and labour efficiencies.

- Stonegate has delivered on all 3 growth levers in FY16 and has started FY17 by completing the acquisition of Intertain Ltd. on 7th December 2016.
- The acquisition further strengthens Stonegate's position as the leading provider of sports-led entertainment in the high street pubs and bar market.

Highlights

- Continued sales, margin and profit growth in the 52 weeks to 25th September 2016
    - Total Revenue up +14.4%
    - Like for like revenue up +3.0%
    - Like for like gross margin up +3.8%
    - Like for like pub profit up +9.3%
    - Adjusted EBITDA up +22.3%
    - Adjusted EBITDA margin up +1.0%

- Continued sales, margin and profit growth in Q4.
- Positive cash flow generation.

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Financial Highlights

(pre-exceptional items)

	FY16[1] £m	FY15[2] £m	YoY %
Revenue	642.6	561.6	+14.4%
Adjusted EBITDA	96.0	78.5	+22.3%
Operating profit	46.4	35.1	+32.2%

- Revenue growth of 14.4% YOY and adjusted EBITDA growth of +22.3% for the year to 25th September 2016 represents a very successful year for Stonegate. The successful integration of the TCG estate, together with continued high returns from the investment programme, and capitalising on key events such as the Rugby World Cup, Christmas and the European football championship, drove the strong performance.

1. 52 weeks through 25th September 2016
2. 52 weeks through 27th September 2015

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Like for Like Performance

	H2 FY16[1] %	H1 FY16[2] %	FY16[3] %
Drink	+5.0%	+3.0%	+3.9%
Food	+1.5%	(1.0%)	+0.1%
Total	+4.0%	+2.1%	+3.0%
Gross margin	+4.9%	+2.8%	+3.8%
Pub profit	+7.8%	+10.6%	+9.3%

- Q3 Spring/Summer menu changes have turned-round food performance with LFL growth of +1.5% in H2.
- Q4 again showed sales, margin and profit growth despite the normal lull in spending post Euros with sales growth of +1.5% in the quarter.
- H2 sales performed ahead of H1 at +4.0% LFL growth with Q3 at +6.5% driven by the strong performance during the European football championship and Q4 +1.5%.

1. *24 weeks through 25th September 2016*
2. *28 weeks through 10th April 2016*
3. *52 Weeks through 25th September 2016*

Margins

	FY16[1] %	FY15[2] %	YoY %
Gross margin	71.2%	70.6%	+0.6%
Adjusted EBITDA	14.9%	14.0%	+1.0%

- FY16 saw a +0.6% improvement in gross margin through a combination of pricing initiatives and improved mix, with higher margin drink performing ahead of food
- Adjusted EBITDA margin grew by +1.0% through:
  - Improvement in gross margin of +0.6% and Labour ratio improving by +0.1% despite the introduction of NLW.

1. 52 weeks through 25th September 2016
2. 52 weeks through 27th September 2015

Capital Expenditure

	FY16[1] £m	FY15[2] £m
Investment capital expenditure	26.4	25.1
Maintenance capital expenditure	29.0	21.5
Total capital expenditure	**55.4**	**46.6**
Investment + maintenance capex % sales	8.6%	8.3%
3 year rolling ROI %	40.5%	46.4%

- Investments over the last 3 years have returned at 40% on the capital outlay.
- Higher maintenance capital expenditure year on year driven by TCG acquisition and amenity programme introduced where we have increased maintenance capital expenditure in our top 100 profit earning sites.

1. 52 weeks through 25th September 2016
2. 52 weeks through 27th September 2015

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Property

	FY16	FY15
Trading sites at start of FY	611	613
Acquisitions	56	16
Disposals	(13)	(18)
Total Trading sites	**654**	**611**

- 16 sites disposed (3 non-trading) for net consideration of £6.8m in the period. The sites were making a total loss of -£0.6m.

Cash flow

- Cash inflow of £19m in FY16, significant cash impact from
  - Exceptional Costs of (£11m) relating to TCG acquisition
  - Sale and leaseback proceeds of +£34m
  - Acquisitions of (£99m)
  - Financing from bond issue less cost +£75m
  - Net Impact (£1m)

FY16 (£ m)	FY16[1]	FY15[2]
Cash flows from operating activities (excluding exceptionals)	84	69
Exceptional items	(11)	(1)
Working Capital Movement	13	3
Interest paid	(26)	(24)
Net cash flow from investing activities (excluding acquisitions)	(17)	(45)
Payments to acquire trading sites	(99)	(14)
Net cash flow from financing activities	75	(1)
Net Increase / (Decrease) in cash in the financial period	19	(13)

1. *52 weeks through 25th September 2016*
2. *52 Weeks through 25th September 2015*

Net Debt

- Net debt of £451m as at 25th September 2016 is 4.4x Pro Forma Adjusted EBITDA(1)

	£ m
Senior Secured Notes	340
Floating Rate Sr. Secured Notes	140
Cash	(29)
Net Debt	**451**
x Pro Forma Adjusted EBITDA	*4.4x*

1. *Pro Forma Adjusted EBITDA of £103.3m*

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Summary

- Very strong year with sales, margin and profit growth every quarter
- Successful integration of both TCG and Maclays businesses
- Operational gearing improvements delivering EBITDA margin % growth
- Further acquisitions strengthening Stonegate as the natural wet-led consolidator in the sector

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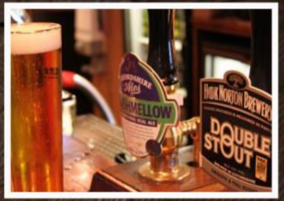




Appendices

EBITDA Reconciliation

(£ in thousands)	As of and for the 52 weeks ended Sept 25, 2016	As of and for the 52 weeks ended September 27, 2015
Operating profit before depreciation, amortisation, impairment and loss on sales of non-current assets	**73,367**	**68,108**
Acquisition costs	7,033	756
Restructuring and integration costs	4,039	1,053
Onerous leases	3,763	0
Operational restructuring costs	2,068	1,325
Refinancing costs	0	99
Pension costs	594	580
Losses from disposals	1,488	2,611
Other non-recurring costs	2,142	1,956
Discretionary management fees	1,505	2,037
Adjusted EBITDA	**95,999**	**78,525**

Definitions

“Acquisition Capital Expenditure” represents payments made to acquire trading sites.

“Adjusted EBITDA” represents EBITDA excluding acquisition costs, restructuring and integration costs, operational restructuring and redundancy costs, discretionary management fees, losses on disposals, certain pension charges and certain other non-recurring costs.

“Adjusted EBITDA Margin” represents Adjusted EBITDA divided by revenue.

“Capital Expenditure % of Sales” represents Investment Capital expenditure and Maintenance Capital Expenditure divided by Revenue.

“Cash Conversion” represents Adjusted EBITDA less Maintenance Capital Expenditure divided by Adjusted EBITDA.

“Drink Sales Growth (Like for Like)” represents our aggregate change in revenue from drinks sales compared to the previous comparable period, made at those pubs that were open and operated by us in either our branded or un-branded group throughout the current and previous period.

“Food Sales Growth (Like for Like)” represents our aggregate change in revenue from food sales compared to the previous comparable period, made at those pubs that were that were opened and operated by us in either our branded or un-branded group throughout the current and previous period.

“Gross Margin Growth (Like for Like)” represents our aggregate total gross margin (calculated as total revenue minus total operating costs divided by total revenue) compared to the previous comparable period, made at those pubs that were opened and operated by us in either our branded or un-branded group throughout the current and previous period.

“Investment Capital Expenditure” represents amounts capital expenditure in connection with extending the capacity of, or refurbishing, our pubs.

Definitions

“Maintenance Capital Expenditure” represents all capital expenditure that is not Acquisition Capital Expenditure or Investment capital expenditure.

“Pro Forma Adjusted EBITDA” represents our Adjusted EBITDA as adjusted to give effect to: i) the aggregate incremental EBITDA post-investment of certain pubs in which we have invested during the 52 weeks ended September 25, 2016, as though such investment had occurred on September 27, 2015; ii) the aggregate EBITDA of certain pubs in which we have invested during the 52 weeks ended September 25, 2016 during the periods in which those pubs were closed for renovation or refurbishment; iii) the impact of the National Living Wage introduced on 1 April 2016 as if it had been introduced on 27 September, 2015

“Pub profit (Like for Like) ” represents our aggregate change in EBITDA (less Group overhead costs) compared to the previous comparable period, made at those pubs that were that were opened and operated by us in either our branded or un-branded group throughout the current and previous period.

Definitions

"Return on Investment" represents, for all pubs invested during the three-year period preceding the date on which we present Return on Investment, the difference between the annualized aggregate weekly average post-investment EBITDA (from the first full four week period after the re-opening of such pubs) and the 52 week pre-investment EBITDA of those pubs (to the end of the last full four week period), divided by the aggregate Investment Capital Expenditure invested in these pubs over the same three-year period. Where a pub has traded for less than 52 weeks post-investment, we have not taken it into account when calculating Return on Investment. Pubs where we have not made an Investment Capital Expenditure in the past 156 weeks are classed as uninvested.

"Total Gross Margin" represents, for the relevant period, our total revenue minus total operating costs, divided by total revenue.

"Revenue Growth (Like for Like)" represents our aggregate revenue compared to the previous comparable period, made at those pubs that were trading in either our branded or un-branded group throughout the current and previous period.

"Bramwell" references are to Bramwell Pub Company Limited and Bramwell Pubs and Bars Limited, from which we acquired 78 pubs on November 15, 2013.

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