ei group plc

Interim Results: 31 March 2019

www.eigroupplc.com

Overview

Simon Townsend

Chief Executive Officer

Resilient and diversified business

Net Asset Value per share at £3.32

Publican Partnerships

To work in partnership with our publicans to develop great pub businesses

1.9%
LFL
net income
growth

- **Core largely wet-led tied leased and tenanted estate**
- Drive like-for-like ("LFL") net income through investment and by **supporting publicans** to **grow** their business
- Average net income per pub up to £83,100 (H1 2018: £80,900)

3,555 (H1 2018: 3,856)

Commercial Properties

To maximise the value of Group assets using our commercial property expertise

- **Monetisation of 348 commercial properties for net consideration of £332.7m, completed on 14 March 2019**
- Further 22 sites agreed to be sold, subject to superior landlord consent, for £11.4m
- Rebuilding a commercial property portfolio, remains a core element of our value creation strategy
- Average net income per property for 61 retained properties of £65,600 (H1 2018: 351 properties, net income per property of £68,600)

83 (H1 2018: 351)

Managed Operations

To maximise earnings by investing in defined retail offers and direct control

6.4%
LFL
sales
growth

Craft Union Pub Company (299 sites)

- Simple to execute, can be scaled with speed
- Smaller with no food offering, with a sports focus

Bermondsey Pub Company (58 sites)

- Informal and vibrant atmosphere
- Wet-led with some food

- **ROI of 25% on conversions**

357 (H1 2018: 276)

Managed Investments

To identify talented operators and enable them to create exceptionally successful businesses that deliver strong financial returns

4.2%
LFL
sales
growth

- Pubs with significant **upside potential**
- Partner with the **best operators in the industry**
- **ROI of 22% on conversions**

62 (H1 2018: 43)

4,057	**£353m**	**£140m**	**£3.3bn**	**96%**	**52%**
Sites	Revenue	Underlying EBITDA	Property assets	Freehold	LTV

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Financial & Trading Review

Neil Smith

Chief Financial Officer

Income statement

Growth in underlying EBITDA and share buybacks produces 10% growth in underlying EPS

	6 months to 31 March 2019	6 months to 31 March 2018	Year to 30 Sept 2018
£m	Underlying	Underlying	Underlying
EBITDA	**140**	**139**	**287**
Depreciation	(10)	(9)	(19)
Operating profit	**130**	**130**	**268**
Finance costs	(71)	(73)	(146)
Profit before tax	**59**	**57**	**122**
Taxation	(10)	(10)	(22)
Profit after tax	**49**	**47**	**100**
Underlying EPS (p)	**10.8**	**9.8**	**21.2**
Weighted average no. of shares (m)	460.1	476.1	470.9

Non-underlying items detailed on slide 8

Segmental analysis

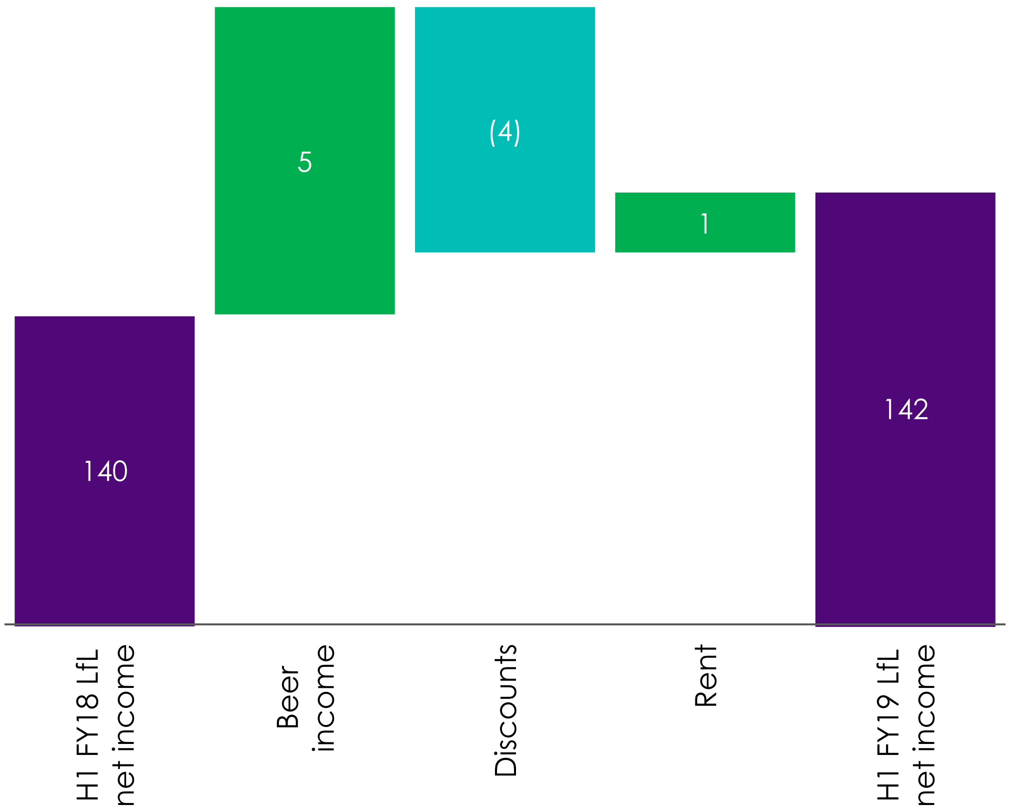
Strong like-for-like income growth from EiPP and growing contribution from managed

6 months ending 31 March				
£m	**2019**	**Movement**	**2018**	**Change %**
EiPP like-for-like net income	**142**	**2**	**140**	**1.9%**
Disposals	-	(3)	3	
Non like-for-like net income/(costs)	1	(7)	8	
EiPP total net income	**143**	**(8)**	**151**	
Commercial properties	14	1	13	
Managed	20	9	11	
Group net income	**177**	**2**	**175**	
Property costs	(15)	-	(15)	
Administrative expenses	(22)	(1)	(21)	
Underlying EBITDA	**140**	**1**	**139**	**0.9%**

- Total Publican Partnerships like-for-like net income growth of 1.9%
- £12m of the £14m earned in commercial properties in the half has now been disposed
- Growing contribution from managed businesses
- Underlying EBITDA growth reported for the first time in many years

EiPP like-for-like net income up 1.9%

Sustainable rental income and continued growth in wet income



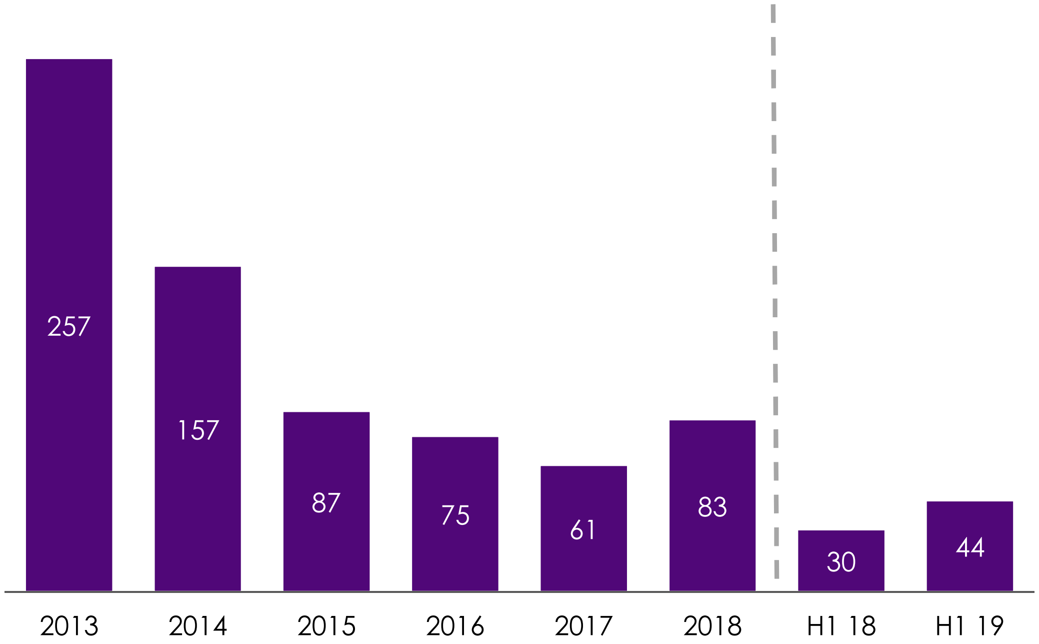
- Sales-led improvement with growing income from beer, aided by discounts
- Year-on-year volume stable
- Rental income growth
- No increase in discretionary support: stable at £2m

Full detailed analysis included as appendix 2

Unplanned business failures

Unplanned business failures at 2.2% of the estate

Number of unplanned business failures



- Small increase to 44 unplanned business failures in the first half, or 2.2% of the estate
- Some inflationary pressures for Publicans (labour, rates, utilities)
- Unplanned failure rate expected to remain at around 2% of the estate
- Our regional managers remain vigilant in the identification of early warning signs

Non-underlying items

Largely property related

6 months ended 31 March		
£m	**2019**	**2018**
Property charges:		
Valuation change on sold pubs/future sales	5	6
Loss/(profit) on disposals	8	(2)
Goodwill allocated to disposals	31	4
Property charges	**44**	**8**
Finance charges	1	1
Other charges	1	3
Taxation	(6)	(2)
Total non-underlying charges	**40**	**10**

- Property related charges primarily relate to the monetisation of the Commercial Property portfolio:
  - Loss on disposal includes £4m transaction costs and £2m provisions for capital contributions
  - Goodwill allocation of £28m

Strong and consistent operational cash generation

Presents opportunities for value creation

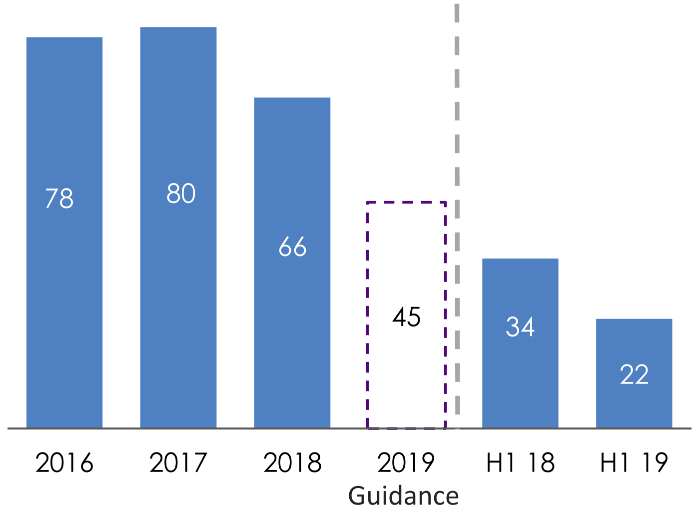
£m	6 months ending 31 March 2019	6 months ending 31 March 2018	Year ending 30 Sept 2018
Operating profit	129	127	263
Depreciation and amortisation	10	9	19
Movement in working capital	1	(11)	(2)
Tax	(8)	-	(9)
Operating cash inflow	**132**	**125**	**271**
Interest	(73)	(72)	(143)
Scheduled Unique debt amortisation	(42)	(40)	(81)
Available cash flow	**17**	**13**	**47**
Divestment – ordinary course disposals	22	34	66
Divestment – monetisations	333	-	-
Capital investment	(45)	(42)	(81)
Bond purchases & debt associated costs	(2)	(5)	(19)
Cash/loan movement	**325**	**-**	**13**

- Operating cash flow remains strong, aided by a positive working capital movement
- Available cash flow represents operating cash generated by the business after debt obligations of interest and scheduled amortisation
- Monetisations have generated significant cash flow which has enabled share buybacks of up to £85m in the current financial year;
  - £20m announced Nov 2018
  - £35m announced March 2019
  - £30m announced May 2019

Asset management

Reducing level of ordinary course disposals

Ordinary course disposals (£m)

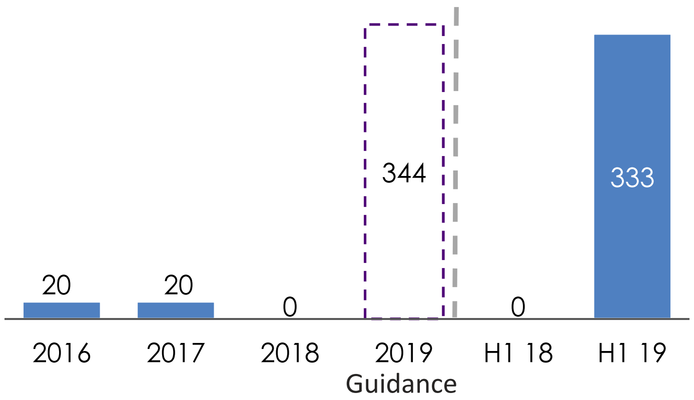


- Recycling ordinary course disposal proceeds to partially fund capital investment to enhance estate quality and drive returns
- Pipeline for ordinary course disposals is reducing as profitability of the estate improves
- Revised guidance of £45m proceeds from ordinary course disposals in FY19 and £35-40m in future years
- Slowing disposals will reduce drag on Group EBITDA

Asset management

Monetisation of commercial property portfolio represents significant milestone

Monetisations (£m)



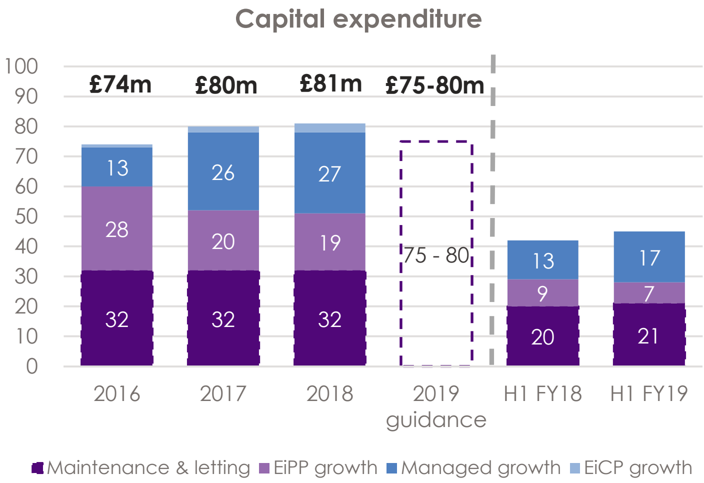
Use of proceeds

		£m	£m
Unique	A3	136	
	A4	26	
	Make whole	14	
	Total Unique		**176**
EIG	Initial share buyback	35	
	Additional share buyback	30	
	Repay term loan	35	
	RCF	57	
	Total EIG		**157**
Group total			**333**

- £26m of EBITDA contribution in FY18 (£12m in FY19)
- 370 assets sold for net proceeds of £344m at net book value (before costs and allocated goodwill) and 13 times multiple of earnings
- £333m received to date; £11m requires superior landlord consent

Asset management

Disciplined approach to capital investment



Revised capital investment policy

Organic capital investment: £75m - £80m p.a.

		£m
Conversion of pubs to Managed Operations	80-100 pubs at an average capex of £160k	15
Conversion of pubs to Managed Investments	20 pubs at an average capex of £350k	7
Maintenance and re-investment of managed	£20k per pub	10
Growth & maintenance investment in 20% of the leased and tenanted estate	£50k per pub	35
Central / IT / Infrastructure costs	c.£10m	10

- *Mix will shift as the estate evolves, however quantum expected to remain relatively static*

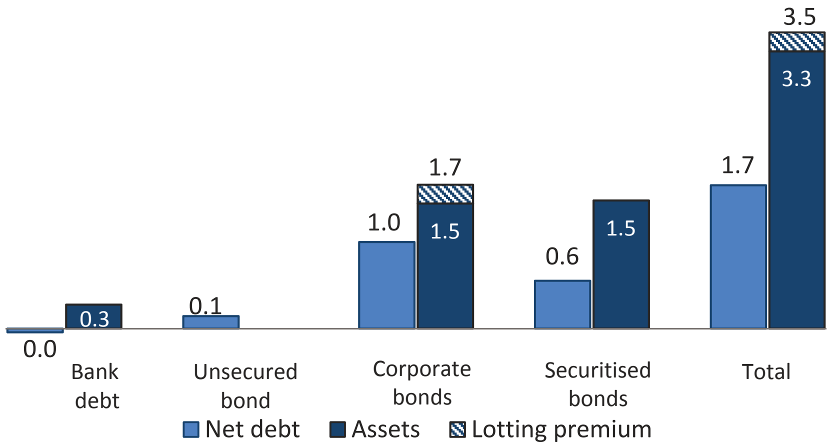
- Capital investment of £75-80m pa for the foreseeable future
- Growth orientated investment expected to represent c. 50-60% of total spend with minimum ROI hurdle rate required of 15%

Debt management

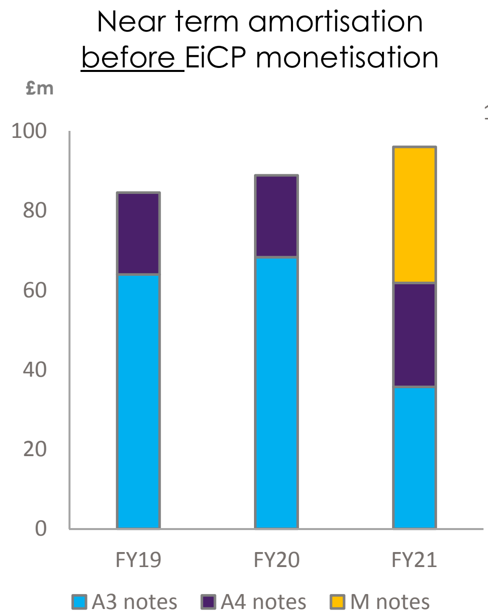
Materially stronger balance sheet with reduced near-term debt amortisation

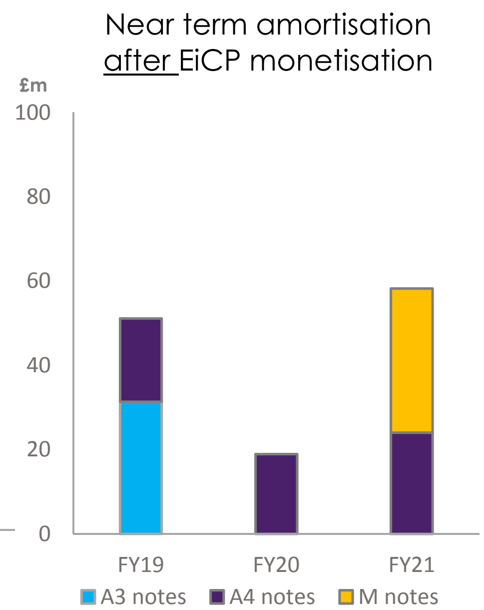
Net debt has been reduced by £780m over the last 5 years

	H1 2014	2015	2016	2017	2018	H1 2019
Net debt	2,477	2,320	2,198	2,110	2,034	1,697
Leverage	8.1x	7.8x	7.5x	7.4x	7.1x	6.5x[#]
Interest cover	1.8x	1.9x	1.9x	1.9x	2.0x	2.0x
LTV	62%	62%	60%	58%	56%	52%



Unique debt amortisation schedule reduced by c.£141m in 2019- 2021





Monetisation of commercial property portfolio has accelerated delivery of our medium term targets of leverage of 6.0x and LTV in the range of 50-55%

[#]Actual leverage at 31 March 2019 is 5.9x. Adjusting for the full year effect of the commercial property disposal produces a proforma leverage of 6.5x

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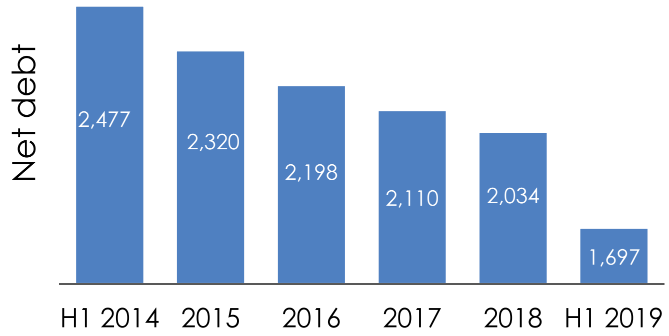
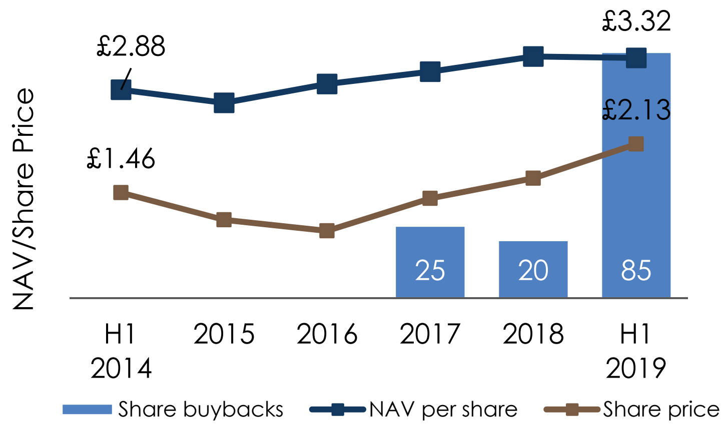
Capital management
Delivery of shareholder value

Equity value creation from debt reduction



- **£780m of net debt reduction over the last 5 years**

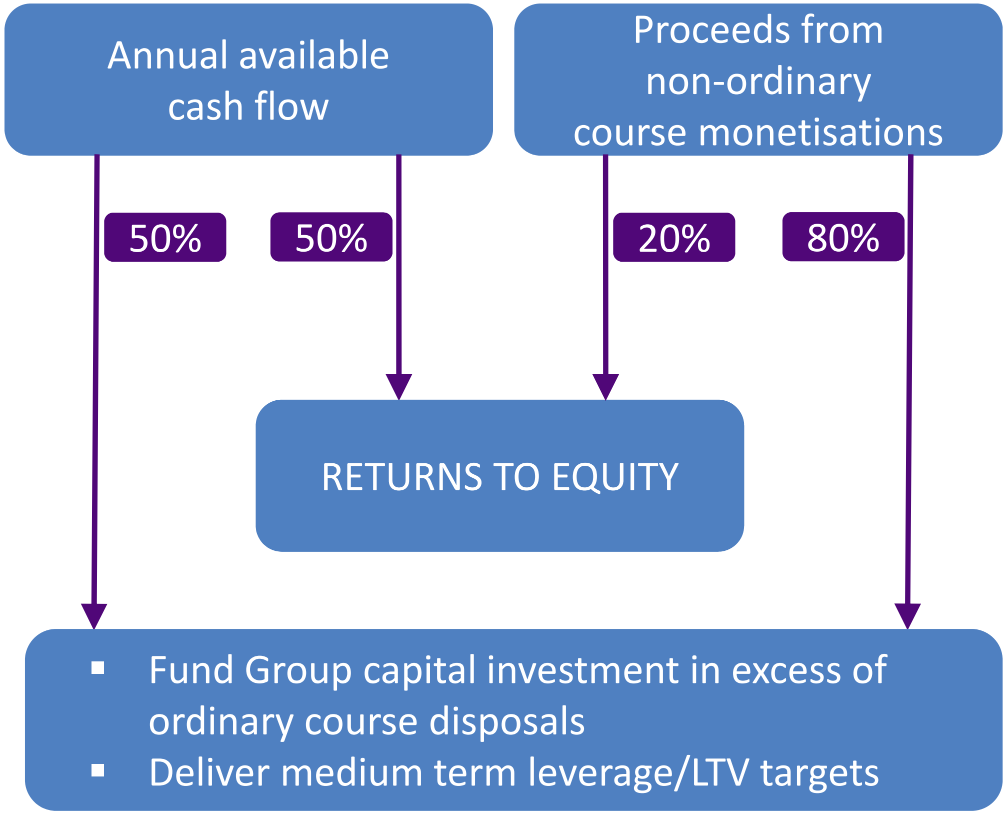
Equity value creation from share buybacks



- **£130m of share buybacks over the last 3 years**

Revised capital allocation framework

Future application expected to deliver significant value to equity



- Available cash flow* will grow significantly over the next two years as scheduled amortisation is reduced
- 50% of annual available cash flow will be returned to equity
- In addition, up to 20% of proceeds from monetisations will be returned to equity
- Whilst the share price trades at a significant discount to NAV per share we believe that the appropriate route to return value to equity is via share buybacks

*Available cash flow = operating cash flow after interest and scheduled debt amortisation

2019 Financial guidance

Adjusted for impact of commercial property portfolio disposal

- Targeting full year like-for-like net income growth in EiPP
- Targeting continued strong growth in managed like-for-like sales
- Sold commercial property portfolio contributed £26m EBITDA in FY18; £12m in FY19
- Total underlying administrative charges of c. £45m - £46m
- Full year underlying interest costs of c. £136m - £138m
- Full year underlying effective tax rate c. 17.5%
- Ordinary course disposals of c. £45m
- Capital investment of c. £80m
- Expected Unique debt amortisation of £51m (FY20: £19m)
- Total share buyback in year £85m

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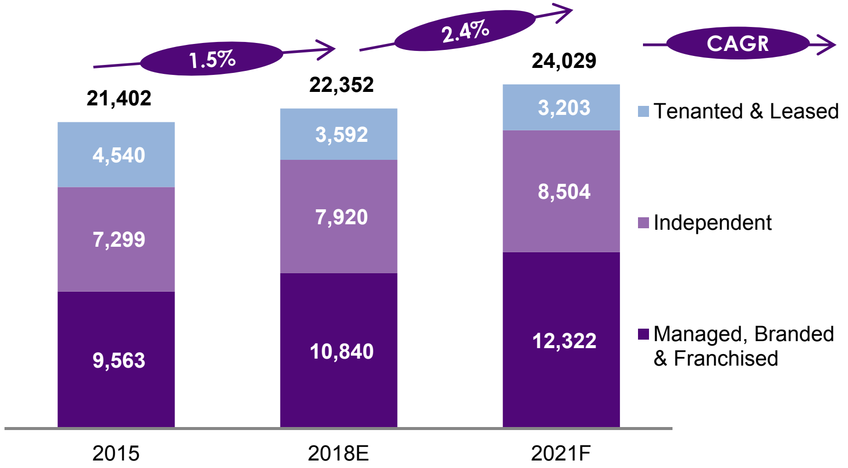
Operational & Strategic Review

Simon Townsend

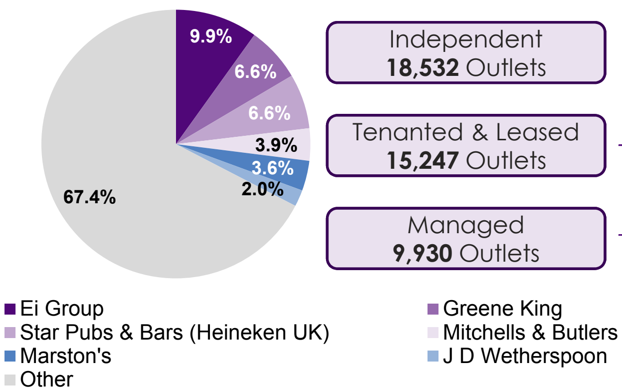
Market backdrop for UK pubs

Our differentiated strategy is our strength

Stable Growth in Pub Industry Turnover (£'m)



We are the leading pub operator in the UK (no. of pubs)



Independent
18,532 Outlets

Tenanted & Leased
15,247 Outlets

Ei Core Business
c.25% of segment

Managed
9,930 Outlets

Ei Growth Area
c.3% of segment

Consumer Insight

Consumer Backdrop

- Growing median disposable household income in the UK (1.2% CAGR 2012/2013 to 2016/2017)
- Brexit uncertainty impacts consumer confidence….but
- ……..little impact on consumer leisure activity (7.6% growth in consumer hospitality spend at Dec 2018)

Key consumer trends

- Automation nation; anytime, anywhere, anything – technology is changing customer expectations
- Experience innovation; consumers moving from owning to experiencing
- Personalisation & premiumisation; raised expectations and choice

Market factors to watch

- Local & social; preference toward local, sustainable, authentic and social purpose
- Stay at home; delivery market
- Inflationary effects; wages, utilities & rates

Source: MCA Pub Market Report 2018

Maintaining disciplined and efficient execution

Transformational first half

Robust core

- Returning to underlying EBITDA growth
- Annuity-like cash generation with strong freehold asset backing
- Consistent financial performance has enabled significant debt reduction
- Stable asset valuations

Operational strategy

- Operational strategy is now "business as usual" with proven track record
- Regulatory requirements embedded into operational execution
- Responding to consumer trends through proactive portfolio management and diversification

Creating value for stakeholders

- Highly disciplined and returns-driven capital allocation
- Actively deploying asset monetisation to unlock embedded value
- Growing Net Asset Value and returns to shareholders

Our operational and strategic plan

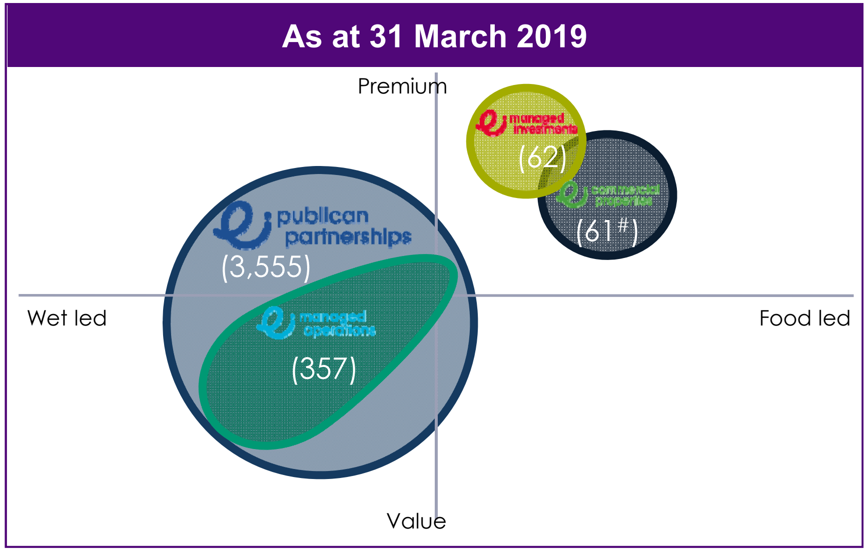
Consistent delivery and monetisation to capture value

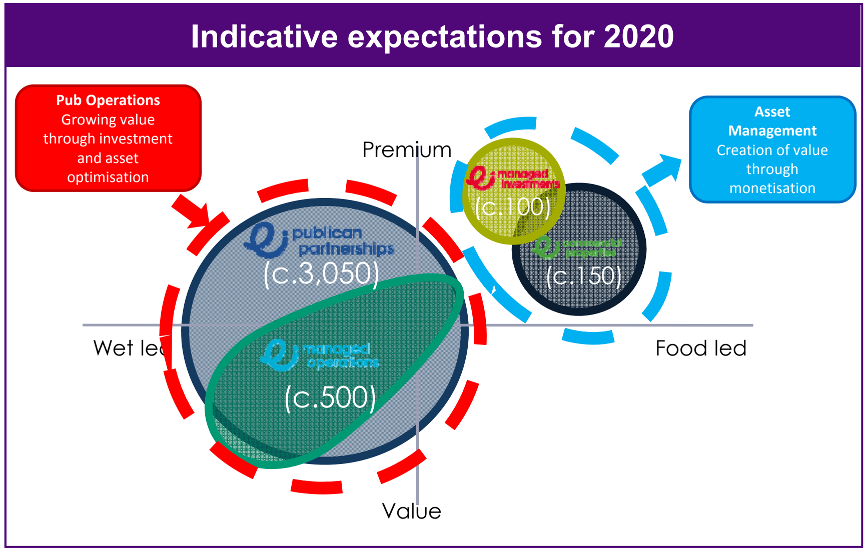
	BUILD & DEVELOP	EXECUTE & MONETISE
	2015 to 2018	**2019 to 2021**
Publican Partnerships	• Stabilise and grow core estate like-for-like income • Manage Pubs Code & MRO	• Smaller, higher quality estate • Sustainable growth in like-for-like net income and sustainable Publican profit • Feed conversion pipeline
Managed Pubs	• Build in-house capabilities • Focus and quality, returns and efficiency of conversions	• 100-120 conversions from EiPP per year • Maintain ROI in excess of 15% • Enhance scale benefits • Monetisation of Managed Investments
Commercial Properties	• Evolve legacy portfolio • Convert appropriate assets to commercial property estate • Embrace MRO	• 40-50 conversions from EiPP per year • Build, manage, monetise • Repeat
Capital Allocation Framework	• Strengthen balance sheet via de-leveraging • Opportunistic utilisation of surplus cash	• Rejuvenated capital structure • Headroom and flexibility • Regular returns to shareholders

Driving returns to shareholders

Transition of assets to optimal use

Quality of pipeline and efficient conversion





	FY2018		H1 FY2019		Indicative FY2020	
	Sites	Site EBITDA	Sites	Site EBITDA	Sites	Site EBITDA
Publican Partnerships	3,718	£81k	3,555	£83k	3,050	£82-85k
Commercial Properties	412	£72k	61#	£66k	150	£65-70k
Managed Operations	308	£102k*	357	£111k*	500	£100-115k*
Managed Investments	47	£214k*	62	£202k*	100	£175-225k*

Note: Site EBITDA figures represent average net income which excludes property and central overhead costs
* Based on sites trading for greater than 6 months
# Excludes 22 sites that have been agreed to be sold, subject to superior landlord consent

Transformation of estate quality over the last five years

Recycling capital to drive returns

930 disposals of under-performing sites

c.1,750 growth-oriented projects in EiPP

419 managed house conversions

341 commercial property conversions

Average ROI of 22%

Average net income per pub increased by 24% to £82k

Average value per site increased by 11% to £790k

Deploying the proceeds of monetisation

Creation of shareholder value

Monetisation of embedded value transforms our investment case		Monetisation of commercial property portfolio
Accelerated deleveraging to "target"	Prudent sustainable balance sheet	• Leverage reduced from 7.1 (Sept 18) to 6.5 (proforma March 19) • Group net debt from £2.0bn (Sept 18) to £1.7bn (March 19), reduced by 15%
Fewer disposals and lower debt amortisation	EBITDA and cash flow benefit	• Expected ordinary course disposals reduced by 33% from £60m per year to £35-40m per year • Debt amortisation reduced by c. £141m over next 3 years
Retain disciplined approach to investment	Sustainable shareholder returns	• Return on growth orientated investment at 18% • £85m of share buybacks announced in current financial year • 50% of annual available cash flow will fund future returns to shareholders

Ei Commercial Properties

Rebuild portfolio, manage and monetise

- Retained profile of total 61 properties as at 31 March 2019
- Average annualised net income per property, £65,600
- Additional 22 sites agreed to be sold for £11.4m, subject to superior landlord consent
- Building a quality portfolio but retain flexibility to realise value
- Selected MRO additions

2019 expectations

- c. 90 sites at September 2019
- c. £67,000 average rent

Ei Publican Partnerships

Tied leased and tenanted business – reinvigorating our core business

2019 expectations

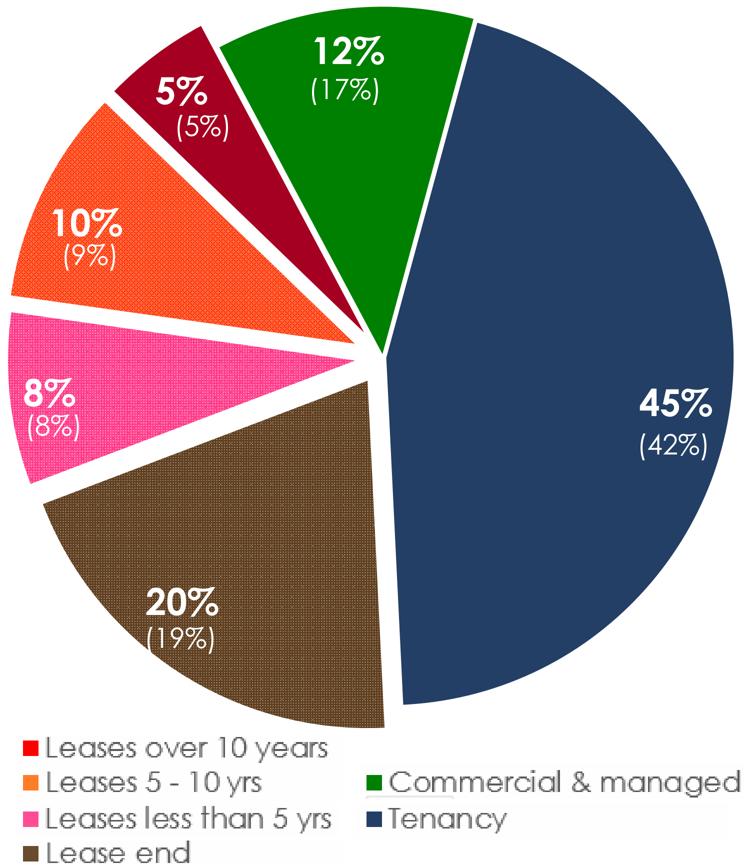
- Sustain like-for-like net income growth
- Provide pipeline to managed and commercial properties

Evolving the model

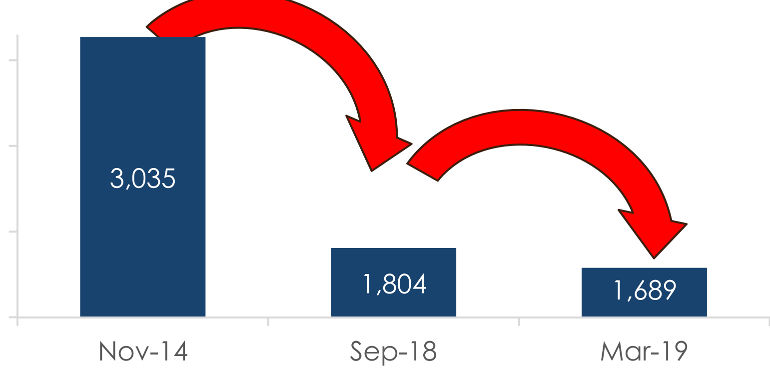
- Investment
  - Invest to support growth, often alongside our Publicans
  - Invest to maintain quality of estate
- Support
  - Utilising our scale to secure market leading deals for our Publicans
  - Proactive targeted assistance and support for Publicans
  - Share best practice and experience from managed operations
- Implications
  - Utilise segmentation model to ensure retail offers stay relevant and profitable
  - Continued evolution of value-added services to enable greater assistance
  - Opportunity to grow Beacon (value wet-led) estate

Group estate profile

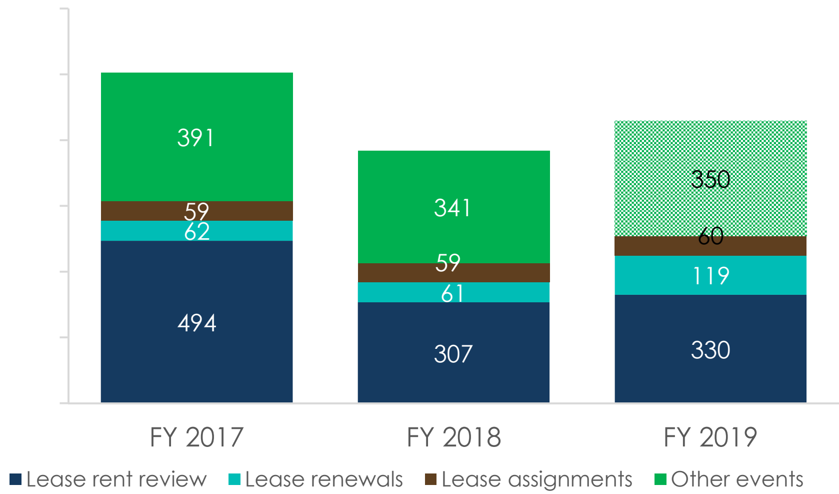
Proactively managing Market Rent Only (MRO) trigger events



Number of tied leases



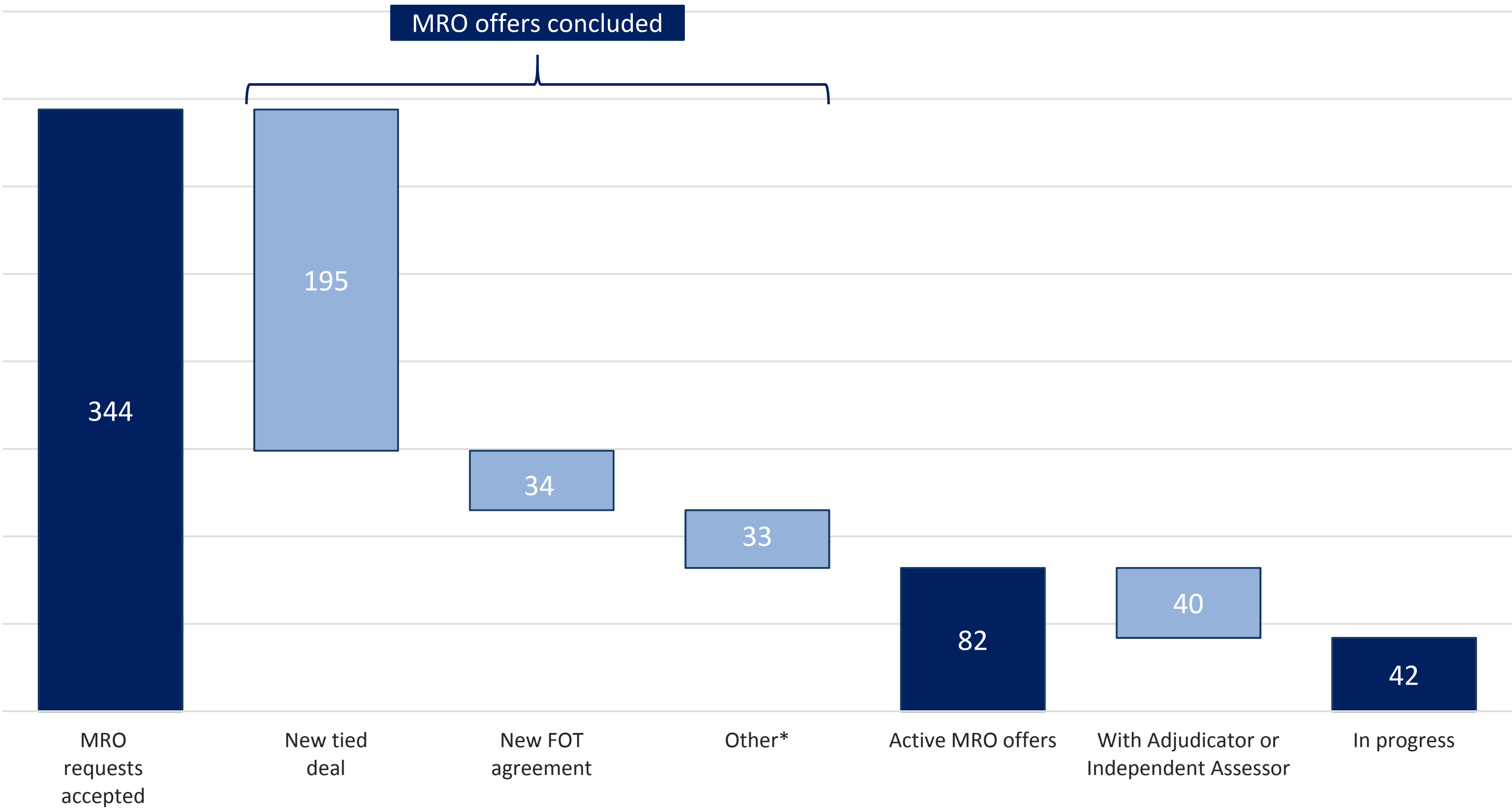
Number of events



Note: Percentages shown in brackets state the position at 30th September 2018

MRO

1,415 potential trigger events from 21 July 2016 to 31 March 2019



* Sold to publican, lease buyback, MRO request cancelled or timed out

Ei Managed Operations

Craft Union and Bermondsey pubs

ei managed operations

- 357 Managed pubs at 31 March 2019 (299 Craft Union and 58 Bermondsey)
- For 303 sites trading more than 6 months post investment at 31 March 2019
  - Average capex of £161,000
  - Average weekly takings of £10,700
  - Average annualised site EBITDA of £111,000
  - Average ROI of 25%
  - Total ROCE of 12%
- Craft Union operation consists of well-invested wet-led community pubs
- Bermondsey operations consist of mix of styles, largely wet-led, often retaining existing retail offer

2019 expectations

- c. 400 pubs at September 2019
- National geographic presence

bermondseypubs

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Ei Managed Investments
Partnering with exceptional retailers


2019 expectations
- c. 11 partners
- c. 70 pubs

- 62 pubs operating at 31 March 2019
- For 41 sites trading more than 6 months post investment at 31 March 2019
  - Average capex of £324,000
  - Average weekly takings of £20,200
  - Average annualised site EBITDA of £202,000
  - Average ROI of 22%
  - Total ROCE of 13%
- 11 managed experts with operating skills which can optimise value from our assets
- Initial monetisations expected to commence in financial year to September 2021

Ei Group: creating long term equity value

Three routes to long term value creation

Execute proven strategy	Robust balance sheet	Cash returns to shareholders

▪ Sustainable publican profitability
▪ EiPP net income growth
▪ Optimise managed performance
▪ Disciplined investment
▪ Slow disposals
▪ Grow asset values
	▪ Long term financing
	▪ Long term asset profile
	▪ Leverage on track to our medium term target of:
	  ▪ Net debt at c. 6x
	  ▪ LTV at c. 50%
		▪ Improved flexibility
		▪ 50% of available cash flow
		▪ 20% of monetisations
		▪ Disciplined approach to allocation

Deliver value through sustainable growth in NAV and cash returns to shareholders

Ei Group Plc
2019 H1: Transformation

- Disciplined strategic execution maintained
- Significant monetisation of embedded value
- Material reduction in leverage
- Direct returns to equity
- Revised capital allocation policy

Questions and Answers

Appendices

1. EiPP operational metrics
2. EiPP like-for-like net income analysis
3. EiPP regional estate analysis
4. Supporting our publicans
5. Income statement
6. Balance sheet
7. Net debt analysis
8. EIG bank facility and term loan
9. EIG corporate bonds
10. Unique securitisation
11. IFRS 16
12. Alternative performance measures
13. Forward-looking statements

Appendix 1

EiPP operational metrics

- 139 rent reviews completed at an average annual increase of 1.1% (H1 2018 - 156 increase of 0.8%)
- 77% of substantive agreements linked to RPI (H1 2018 - 75%)
- 95% of publicans receiving contractual BCF discount (H1 2018 - 94%)
- Overdue balances increased to 1.5% of turnover (H1 2018 - 0.9%)
- Total discretionary support £2m (H1 2018 - £2m)
- Average length of occupation 8 years (H1 2018 - 7 years)

Appendix 2

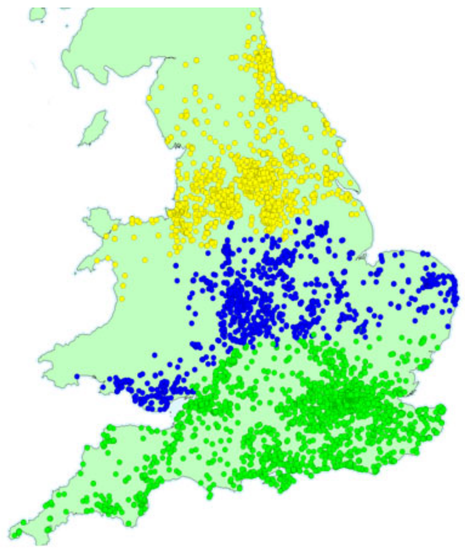
EiPP like-for-like net income analysis

£m	Beer, cider & fabs	Contractual discounts	Net beer, cider and fabs	Rental income	Discretionary concessions	Wines, spirits and Minerals	Machines and other	Total
H1 2019								
Turnover	197	(37)	160	59	(2)	13	4	234
Cost of sales	(83)	-	(83)	-	-	(9)	-	(92)
Net income	114	(37)	77	59	(2)	4	4	142
H1 2018								
Turnover	190	(33)	157	58	(2)	12	4	229
Cost of sales	(81)	-	(81)	-	-	(8)	-	(89)
Net income	109	(33)	76	58	(2)	4	4	140

Appendix 3

EiPP regional estate analysis – growth across the country

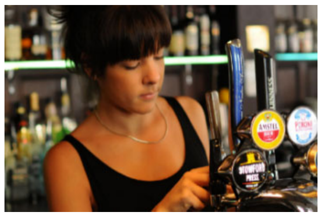
6 months ended 31 March					
		Net income			
Location	No. of pubs	H1 2019 £m	%	H1 2018 £m	Year-on-year change %
North	987	36.9	*26*	36.3	1.7
Midlands	711	25.5	*18*	25.1	1.6
South	1,857	79.8	*56*	78.1	2.2
Total	**3,555**	**142.2**	*100*	**139.5**	**1.9**

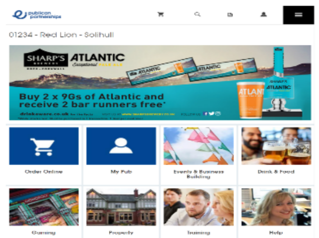


Appendix 4
Supporting our publicans

Publican

Recruitment & Training	Operations & Property	Suppliers & Range	Marketing & Community	Technology & Media
• Digital journey – *Applicant channel* – *Social media* • Tailored events • Applicant profiling/retention • Bespoke training • E-learning	• Dedicated field based Ops team • Comprehensive Property support • Targeted discretionary support H1: £2m • Knowledge/best practice	• All major suppliers • c. 460 brewers • c. 1,600 product lines • SIBA/Craft/Festivals • Barrel Top/Beerista • Booker • E-market	• Retail marketing support – *Key events* – *31 Pub principles* • Ei Live – *c3,500 visitors* • Awards for excellence • The Clink charity	• Web presence • Publican channel • Online ordering • Satellite offer • Pub WIFI • Yext





Appendix 5
Income statement

£m	6 months to 31 March 2019 Under-lying	Non under-lying	Total	6 months to 31 March 2018 Under-lying	Non under-lying	Total	Year to 30 Sept 2018 Under-lying	Non under-lying	Total
EBITDA	**140**	**(1)**	**139**	**139**	**(3)**	**136**	**287**	**(5)**	**282**
Depreciation	(10)	-	(10)	(9)	-	(9)	(19)	-	(19)
Operating profit	**130**	**(1)**	**129**	**130**	**(3)**	**127**	**268**	**(5)**	**263**
Property related	-	(44)	(44)	-	(8)	(8)	-	(24)	(24)
Finance costs	(71)	(1)	(72)	(73)	(1)	(74)	(146)	(6)	(152)
Profit/(loss) before tax	**59**	**(46)**	**13**	**57**	**(12)**	**45**	**122**	**(35)**	**87**
Taxation	(10)	6	(4)	(10)	2	(8)	(22)	7	(15)
Profit/(loss) after tax	**49**	**(40)**	**9**	**47**	**(10)**	**37**	**100**	**(28)**	**72**
Underlying EPS (p)	**10.8**			**9.8**			**21.2**		
Weighted average no. of shares (m)	460.1			476.1			470.9		

Appendix 6

Balance sheet

£m	As at 31 March 2019	As at 31 March 2018	As at 30 Sept 2018
Goodwill	273	308	304
Pubs and other assets	3,283	3,615	3,618
Net debt	(1,697)	(2,088)	(2,034)
Net other liabilities	(185)	(141)	(160)
Deferred tax	(170)	(173)	(174)
Net asset value	1,504	1,521	1,554
NAV per share	£3.32[#]	£3.26	£3.34

[#] Net asset value at 31 March 2019 includes a liability of £30m with regard to committed share buybacks not yet actioned. Excluding this liability would produce an adjusted NAV per share of £3.39

Appendix 7
Net debt analysis

£m	As at 31 March 2019	As at 31 March 2018	As at 30 Sept 2018
EIG bank debt	-	(75)	(15)
EIG cash	25	27	27
EIG net bank debt	25	(48)	12
Captive insurance cash	18	10	10
Convertible bonds	-	(97)	(2)
Unsecured debt	(150)	-	(150)
Corporate bonds	(1,025)	(1,125)	(1,125)
Total EIG net debt	(1,132)	(1,260)	(1,255)
Unique securitised bonds	(862)	(945)	(904)
Unique cash	295	113	121
Total Unique net debt	(567)	(832)	(783)
Underlying Group net debt	**(1,699)**	**(2,092)**	**(2,038)**
Fair value and other adjustments	2	4	4
Group net debt	**(1,697)**	**(2,088)**	**(2,034)**

Appendix 8
EIG bank facility and term loan

Revolving credit bank facility

- Facility increased in size in August 2018 to £150m and is available until 31 August 2022

Amount	Cost over LIBOR	Expiry	Status
£150m	3.00%	August 2022	Fully revolving, no amortisation

Term loan

- Facility commenced September 2017 and £35m was drawn on 6 December 2018
- £35m was repaid on 18 March 2019 and the term loan facility cancelled

Amount	Drawn cost over LIBOR	Expiry	Status
£50m	3.10% - 4.60%	July 2020	Cancelled

	Covenant	As at 31 March 2019	As at 31 March 2018
Interest cover greater than	**1.50x**	1.81x	1.89x
First charge asset cover greater than	**1.33x**	na	4.81x
Total property asset cover greater than	**1.50x**	na	14.89x

Appendix 9
EIG corporate bonds

Secured corporate bonds

			Covenants		Market price 31 March	
Value	Rate	Redemption	Asset cover	Income cover	2019	2018
£125m	6.875%	2021	1.50x	1.5x	107	110
£250m	6.375%	2022	1.67x	2.0x	103	105
£250m	6.000%	2023	1.67x	2.0x	107	109
£125m	6.875%	2025	1.50x	1.5x	108	111
£275m	6.375%	2031	1.67x	1.5x	108	112
£1,025m						

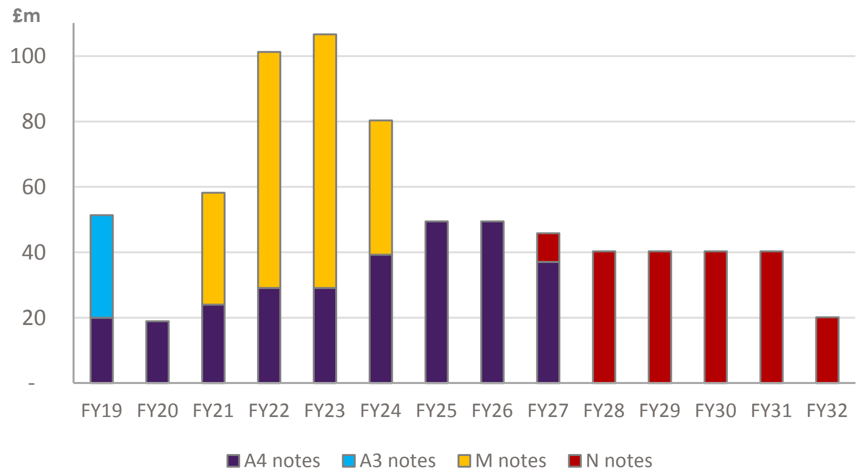
Unsecured corporate bond

			Covenants		Market price 31 March	
Value	Rate	Redemption	Asset cover	Income cover	2019	2018
£150m	7.5%	2024	-	-	104	-

Appendix 10
Unique securitisation

- Amortisation in the period - £32m of A3 notes and £10m of A4 notes
- £73m ahead of amortisation schedule
- Total cash on deposit in securitisation at 31 March 2019 £295m
- Expect to use cash on deposit to repay £136m of A3 notes and £26m of A4 notes on 28 June 2019, which would leave the following amortisation profile:

Value	Rate	Note	Final redemption	Market price 31 March 2019	Market price 31 March 2018
£136m	6.542%	A3	2021	105	106
£311m	5.659%	A4	2027	112	111
£225m	7.395%	M	2024	111	111
£190m	6.464%	N	2032	98	98
£862m					



Appendix 11

IFRS 16 – new accounting standard for leases

- Applicable for periods beginning on or after 1 January 2019, which for EIG means our financial year ending 30 September 2020
- Purely accounting adjustments with no cash flow effect
- Effect:
  - Recognise a lease liability representing the net present value of future payments
  - Recognise a "Right of Use" asset representing the value in use of the lease
- Impact:
  - Operating lease rentals (which were £21m in the year to 30 Sept 2018) are expected to be replaced by depreciation and interest costs
  - Therefore, EBITDA will increase
  - PBT and EPS are expected to reduce in the initial years due to the relative immaturity of our leasehold portfolio (229 properties)
  - Leverage is expected to increase as net debt increase exceeds proportionate increase in EBITDA
- Full details of the impact on our financial statements will be provided in our FY19 preliminary results update

Appendix 12
Alternative performance measures

- **Like-for-like Publican Partnerships net income -** represents the like-for-like pub level profits from our Publican Partnerships estate, for all pubs that traded as Publican Partnerships pubs for the six months to the 31 March 2019 and also in the six months to 31 March 2018, stated before property costs and central costs
- **Average annualised net income per pub -** represents the annualised net income (turnover less discounts less cost of sales) for EiPP assets trading at 31 March 2019 divided by the total EiPP assets trading at 31 March 2019
- **Average annualised net income per property -** represents the annualised net income (turnover less cost of sales) for EiCP assets trading at 31 March 2019 divided by the total EiCP assets trading at 31 March 2019
- **Managed like-for-like sales -** represents the like-for-like sales performance from our Managed estate for those pubs that traded post investment in a managed format for the for the six months to the 31 March 2019 and also in the six months to 31 March 2018
- **Managed annualised site EBITDA -** represents the total annualised EBITDA for those pubs that traded post investment in a managed format for more than six months, excluding costs not allocated at site level
- **Available cash flow -** represents operating cash flow less interest paid and scheduled debt amortisation
- **EBITDA -** represents the earnings before finance costs, taxation, depreciation and amortisation
- **Underlying EBITDA -** represents earnings before finance costs, taxation, depreciation and amortisation excluding non-underlying items. Non-underlying items that are excluded from underlying EBITDA include reorganisation costs and assignment premiums paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal during the period of our strategic review
- **Underlying profit before tax -** excludes non-underlying items. Non-underlying items excluded from profit before tax include reorganisation costs, assignment premiums paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal during the period of our strategic review, the profit/loss on sale of property, plant and equipment, the movement in valuation of the estate and related assets, costs incurred in respect of refinancing and the gain/loss on purchase of own debt
- **Underlying earnings per share -** is based on profits after tax excluding non-underlying items as explained above
- **Growth driving capital investment -** is discretionary capital cash spend on the Group's assets which is intended to generate incremental income at returns ahead of our target return on investment
- **Letting & maintenance capital investment -** is all capital cash spend that is not growth driving capital investment, typically focused on maintaining the quality of our assets and supporting the letting programme
- **Return on investment -** is measured as the incremental income delivered as a result of the investment divided by the value of the capital investment
- **Unplanned business failures -** are all lease and tenancy agreements that do not reach their full-term, where failure is not through the mutual agreement of ourselves and the departing publican. For example, through publican abandonment or via legal proceedings

Appendix 13
Forward-looking statements

This document contains statements that are, or may be deemed to be, “forward-looking statements” which are prospective in nature. These forward-looking statements may be identified by the use of forward-looking terminology, or the negative thereof such as “plans”, “expects” or “does not expect”, “is expected”, “continues”, “assumes”, “is subject to”, “budget”, “scheduled”, “estimates”, “aims”, “forecasts”, “risks”, “intends”, “positioned”, “predicts”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words or comparable terminology and phrases or statements that certain actions, events or results “may”, “could”, “should”, “shall”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements are not based on historical facts, but rather on current predictions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy.

By their nature, forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of Ei Group plc. Forward-looking statements are not guarantees of future performance and may and often do differ materially from actual results. Important factors that could cause these uncertainties include, but are not limited to, those discussed in the 2018 Annual Report and Accounts of Ei Group plc and “Principal risks and uncertainties” in the 2019 Interim Results of Ei Group plc.

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