



stonegate
PUB COMPANY

Interim Trading Update
18th November, 2020



Disclaimer

This presentation has been prepared by Stonegate Pub Company Limited (“the Company”) solely for informational purposes. For the purposes of this disclaimer, the presentation that follows shall mean and include the slides that follow, any oral presentation of the slides by the Company or any person on their behalf, any question-and-answer session that may follow the oral presentation, hard copies of this document and any materials that may be distributed in connection with the presentation. By reading or reviewing the presentation that follows, you will be deemed to have agreed to all of the restrictions that apply with regard to the presentation and acknowledged that you understand the legal regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation.

The information contained in this presentation has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. The information contained in this presentation should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of the presentation. The information and opinions in this presentation are provided as at the date of this presentation and are subject to change without notice.

The Company has included certain non IFRS financial measures in this presentation, including Adjusted EBITDA, Managed (Like for Like), Commercial Income (Like for Like), L&T Income (Like for Like) and certain other financial measures and ratios. These measurements may not be comparable to those of other companies in our industry and may be calculated differently from similar measurements presented by other companies in our industry. Reference to these non IFRS financial measures should be considered in addition to IFRS financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS.

A significant portion of the information contained in this presentation has not been subject to any independent audit or review. Such information is based on preliminary interim results and subject to completion of independent audit and related procedures. A significant portion of the information contained in this document, including all market data and trend information, is based on estimates or expectations of the Company, and there can be no assurance that these estimates or expectations are or will prove to be accurate. Our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyze or compute market information and data would obtain or generate the same results. We have not verified the accuracy of such information, data or predictions contained in this report that were taken or derived from industry publications, public documents of our competitors or other external sources. Further, our competitors may define our and their markets differently than we do. In addition, past performance of the Company is not indicative of future performance. The future performance of the Company will depend on numerous factors which are subject to uncertainty.

Certain statements contained in this document that are not statements of historical fact, including, without limitation, any statements preceded by, followed by or including the words “targets,” “believes,” “expects,” “aims,” “intends,” “may,” “anticipates,” “would,” “could” or similar expressions or the negative thereof, constitute forward-looking statements, notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements. Examples of forward-looking statements include, but are not limited to: (i) statements about future financial and operating results; (ii) statements of strategic objectives, business prospects, future financial condition, budgets, projected levels of production, projected costs and projected levels of revenues and profits of the Company or its management or board of directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and outside of the control of the management of the Company, including due to the impact of the COVID-19 pandemic. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. We have based these assumptions on information currently available to us, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected. You should not place undue reliance on these forward-looking statements. All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date on which such statements are made. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

The presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire the securities of the Company or any subsidiary of the Company, or an inducement to enter into investment activity in any jurisdiction in which such offer, solicitation, inducement or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This presentation is not for publication, release or distribution in any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction nor should it be taken or transmitted into such jurisdiction.

Trading Snapshot

- Due to COVID-19 the UK government ordered a second national lockdown and the closure of all pubs and restaurants from 5th November up until 2nd December, 2020
- Trade ahead of the second national lockdown across the Stonegate estate remained robust and resilient
 - Positive trend built through the summer with growth in consumer confidence seen
 - ◆ L&T weekly BCF volumes over 90% of pre-COVID-19 levels for the majority of August and September
 - ◆ LfL sales for those sites opened across the managed estate (inc. Craft Union) over 80% of pre-COVID-19 levels by the end of August
 - Positive upward trend hampered by the increasing government restrictions through the introduction of the rule of six, the 10pm curfew and the introduction of the tiered system resulting in certain localized lockdowns
 - ◆ The 10pm curfew introduced in mid-September negatively impacted volumes by 5-10%
 - ◆ The tiered system introduced in mid-October has had further negative impact on overall volumes
- Business failures across the L&T estate remain low and in line with normal trading periods following the first lockdown, aided by unprecedented government support and measured support from Stonegate
 - Prior to the second lockdown L&T weekly rent roll has averaged 97% vs. LY since the start of July
- The Company and its tenants were well prepared at the outset of the second lockdown with reintroduced controls and measures ensuring that there will be strict cash control and liquidity management over the coming weeks
 - As of 30th October 2020, the Company's total available liquidity was £205.1m comprising cash on balance sheet (ex. Unique) of £130.1m, a £50m undrawn RCF facility put in place on 13th July 2020 and a £25m Overdraft facility
 - ◆ Excludes £86.5m cash trapped at Unique which can be used to service interest and amortisation at Unique
 - Sufficient cash resources to operate under tighter restrictions with an estimated rate of total cash burn (inc. Unique) of c.£6m per month (excluding rent and interest expense) whilst in lockdown

Note: Managed pubs excludes Ei Managed Investments.

Summary Q4 Trading Update

	Q1 FY20	Q2 FY20	H1 FY20	Q3 FY20	Q3 YTD	Q4 FY20	FY20
Stonegate Managed LFL	+3.3%	(28.5%)	(10.1%)	(98.9%)	(36.8%)	(41.8%)	(38.3%)
EI Managed LFL ⁽¹⁾	+3.7%	(9.1%)	(2.5%)	(100.0%)	(35.3%)	(24.8%)	(33.9%)
EIMI LFL ⁽¹⁾	+0.2%	(15.4%)	(7.3%)	(97.6%)	(38.5%)	(27.8%)	(36.0%)
Commercial Income LFL ⁽¹⁾	+6.2%	+17.8%	+12.0%	(2.6%)	+6.9%	(25.2%)	(2.4%)
L&T Income LFL ⁽¹⁾	(1.1%)	(6.1%)	(3.2%)	(85.3%)	(31.9%)	(36.6%)	(33.0%)
Revenue Stonegate	£279	£130	£409	£2m	£411m	£109m	£520m
Revenue EI Group ⁽¹⁾	£185	£158	£343	£21m	£364m	£137m	£501m
Group Revenue	£464m	£288m	£752m	£23m	£776m	£246m	£1,021m
Stonegate Adj EBITDA ⁽²⁾	£46m	(0m)	£46m	(£34m)	£12m	£2m	£14m
EI Group Adj EBITDA ⁽¹⁾⁽²⁾	£69m	£48m	£117m	(£8m)	£109m	£41m	£150m
Group Adj EBITDA⁽²⁾	£115m	£48m	£163m	(£42m)	£121m	£43m	£164m
Stonegate Net Cashflow	£1m	£300m	£301m	(£68m)	£233	£48m	£281m
EI Group Net Cashflow	-	(£16m)	(£16m)	(£37m)	(£53m)	£58m	£5m
Group Net Cashflow	£1m	£284m	£285m	(£105m)	£180m	£106m	£286m
Gross Debt	£1,293m ⁽³⁾	£4,040m			£4,043m		£4,043m
Net Debt	£1,277m ⁽³⁾	£3,721m			£3,824m		£3,748m
Gross Debt - ex IFRS16	£751m ⁽³⁾	£3,271m			£3,256m		£3,236m
Net Debt - ex IFRS16	£735m ⁽³⁾	£2,952m			£3,047m		£2,941m

- Q3 trading impacted by mandated closure by UK government of all pubs which were only able to trade for 2 days in the period
- Q4 trading impacted by the introduction of the rule of six and the 10pm curfew introduced in mid/end-September as well as the tiered system and localised lockdowns in mid-October

Note: Q4 FY20 and FY20 are based on preliminary results and subject to completion of audit and related procedures. Unadjusted for one-off COVID impact.

1. Pre-acquisition (3rd March, 2020) revenues and adjusted EBITDA included for EI Group.

2. Excludes IFRS 16.

3. Pre-acquisition (3rd March, 2020).

Debt Capitalisation

£m ⁽¹⁾	Q4 FY20
Bank Overdraft (£25m) ⁽²⁾	- -
Revolving Credit Facility (£225m) ⁽²⁾	175
Senior Term Loan (EUR €196m)	179
8.25% Senior Secured Notes	950
8.00% Senior Secured Notes	500
Senior Secured Floating Rate Notes (EUR €300m)	275
Total Gross Senior Secured Debt (excluding Unique)	2,079
2 nd Lien Term Loan	400
Total Gross Debt (excluding Unique)	2,479
Unique Securitised Bonds	761
Total Gross Debt (ex. Lease Liabilities)	3,240
Cash ⁽³⁾	(296)
Total Net Debt (ex. Lease Liabilities)	2,944
Lease Liabilities	807
Total Net Debt	3,751

- As of 30th October 2020, Stonegate had a cash balance (ex. Unique) of £130m

Note: Based on preliminary results and subject to completion of audit and related procedures.

1. Fx rate used EUR:GBP of 1.09 as of 27th September 2020.

2. Bank facilities consist of £200m RCF (of which £25m is carved out for bank overdraft) alongside £50m RCF put in place on July 13, 2020.

3. Cash includes £101m in Unique.

L&T Estate: Trading Update

Despite the curfew and the tiered system negatively impacting the overall volumes, L&T estate continued to trade strongly ahead of the second national lockdown

Commentary

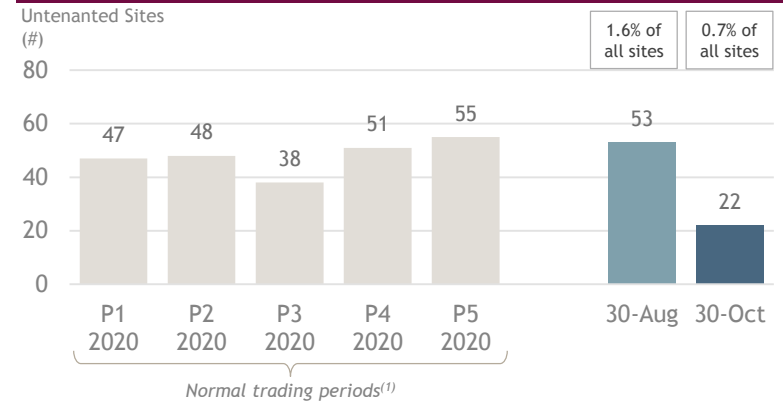
Volumes

- Positive trend built post re-opening through July to c.85% of LY volumes
- August saw extremely encouraging trading with volumes averaging over 90% of LY
- September still saw volumes at c.90% of LY as consumer confidence grew
- The 10pm curfew introduced in mid-September negatively impacted volumes by 5-10%
- The tiered system introduced in mid-October had further negative impact on the overall volumes
- Volumes were at c.70% of LY during the last full week prior to going into the second lockdown

L&T Weekly Rent Roll

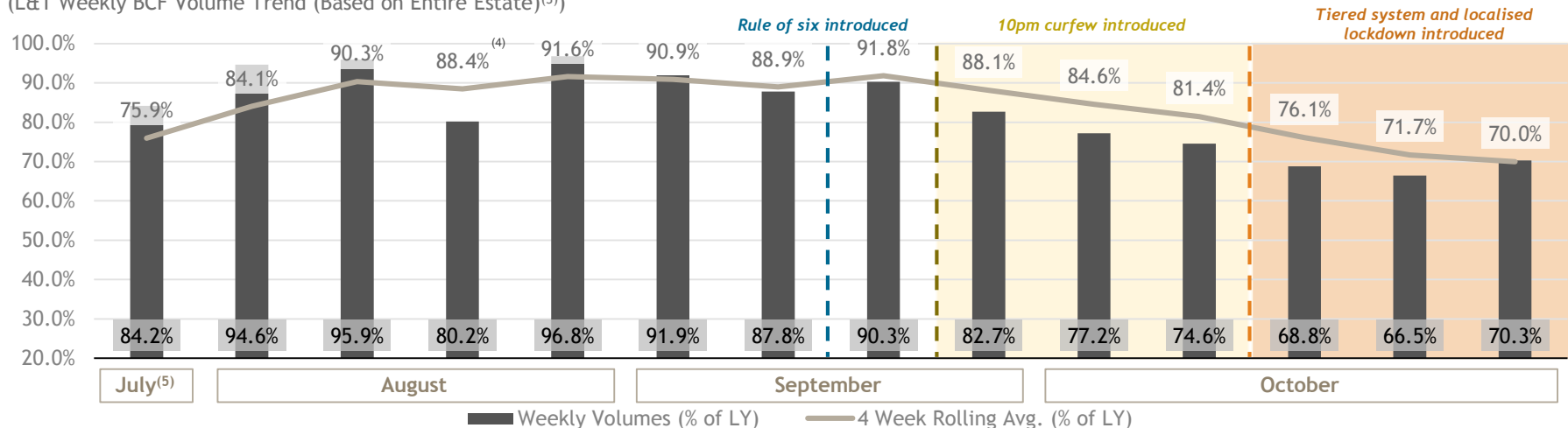
- L&T weekly rent roll has averaged 97% vs. LY across the estate post July reopening up until the second national lockdown

Untenanted Sites: Business failures remain low following 1st lockdown



97% of L&T Estate⁽²⁾ open as at 30th October 2020

(L&T Weekly BCF Volume Trend (Based on Entire Estate)⁽³⁾)



1. Normal trading periods are 4 weeks long, for example P5 2020 was the 4 weeks commencing 26th January and ending on the 22nd February. 2. Based on % of pubs where tenants ordered drinks. 3. Dispensed data monitored via third party company. 4. The dip in August was driven by timing of August bank holiday. 5. Week 44 only.

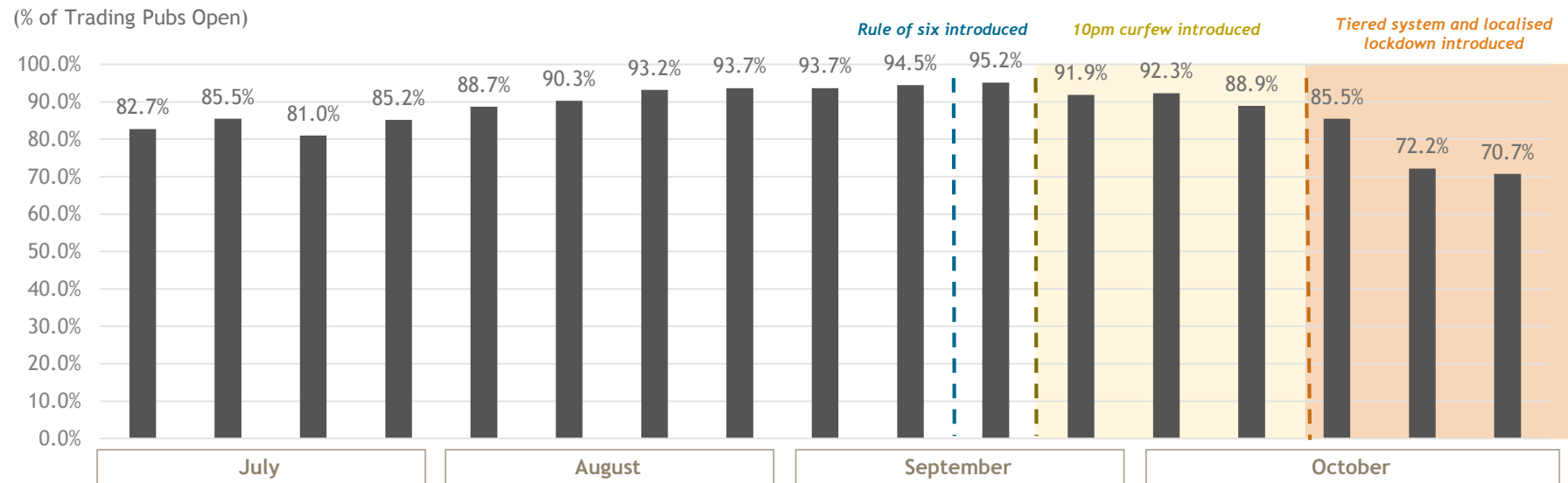
Managed Estate: Trading Update

Encouraging trading across the managed estate⁽¹⁾ with average trading on a LfL basis across August and September of 72% with the introduction of the 10pm curfew negatively affecting volumes in recent weeks

Commentary

- In the w/c July 6th, c.83% of managed sites re-opened with trade building to c.65% of LY by the end of July
- August trading saw further upside with trading at the end of the month at c.85% vs LY
- Introduction of the 10pm curfew had a larger impact on out of city sites
- With the 10pm curfew and multi tier structure in place the managed business traded at c.45% of LY in the last full week prior to entering the second national lockdown

71% estate open as at 30th October 2020



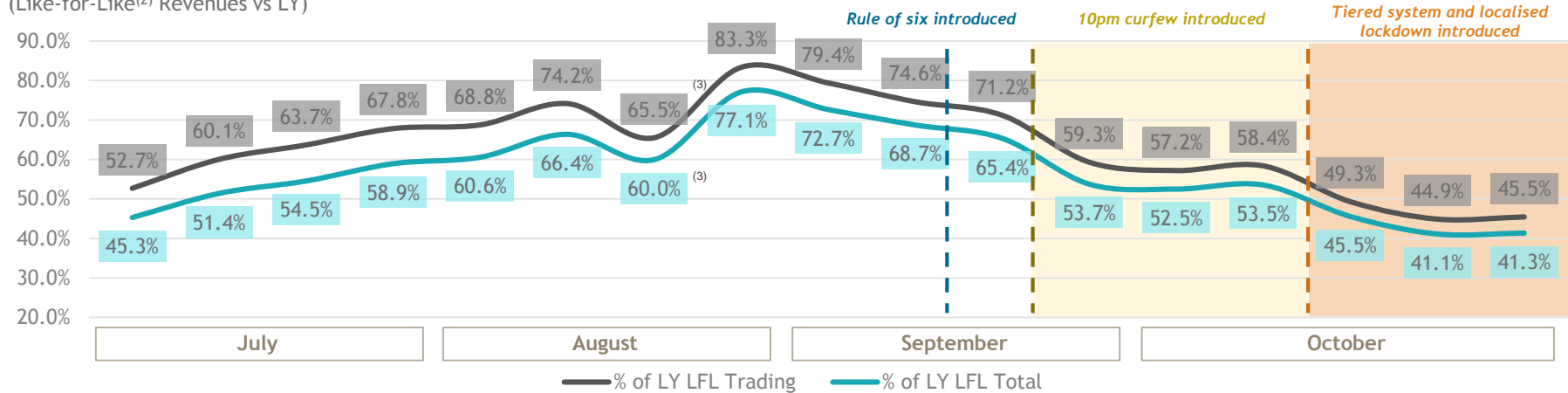
1. Managed estate includes Craft Union sites and excludes Ei Managed Investments.
 2. LfL sites are those that traded in the same week last year excluding 75 pubs in Ei Managed Investment portfolio.

Managed Estate: Trading Update (cont'd)

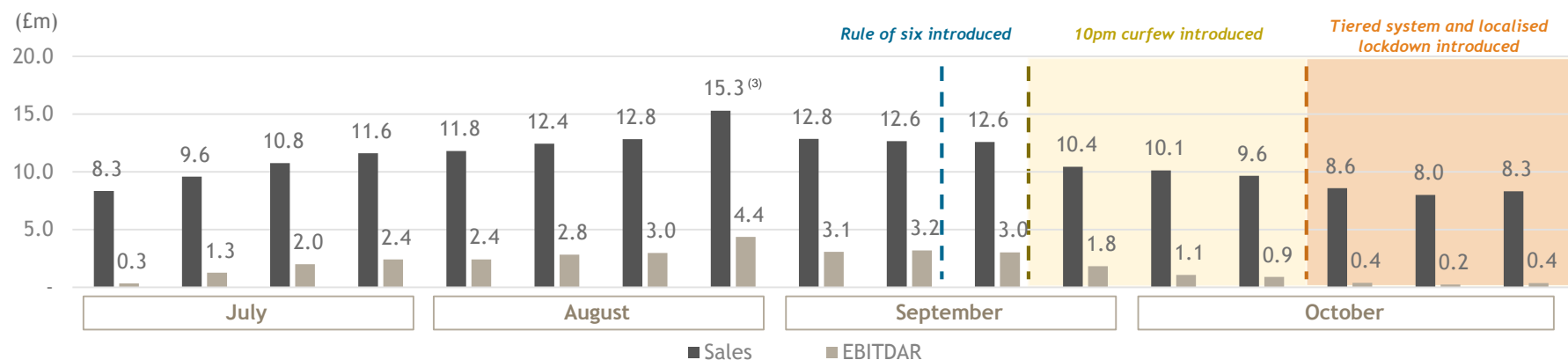
Prior to the introduction of the tier system c.90% of the managed estate⁽¹⁾ was open with stable and resilient trading

Positive upward trend hampered by 10pm curfew and local tier system

(Like-for-Like⁽²⁾) Revenues vs LY



Sales & EBITDAR (Entire Managed Estate)⁽¹⁾



1. Managed estate includes Craft Union sites and excludes Ei Managed Investments.
2. LfL sites are those that traded in the same week last year excluding 75 pubs in Ei Managed Investment portfolio.
3. The dip / peak in August was driven by timing of August bank holiday.

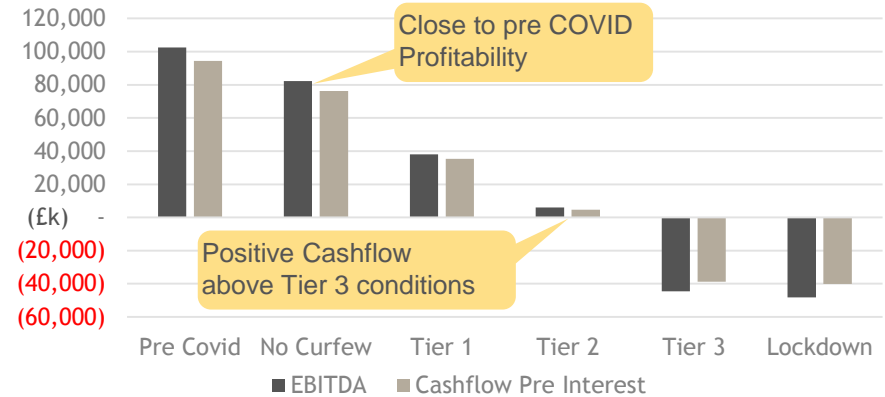
Impact of Trading Restrictions on Cashflow

Stonegate's relative size (vs. peers), format and regional diversification helps mitigate tighter Covid restrictions that were introduced prior to the second lockdown

Commentary

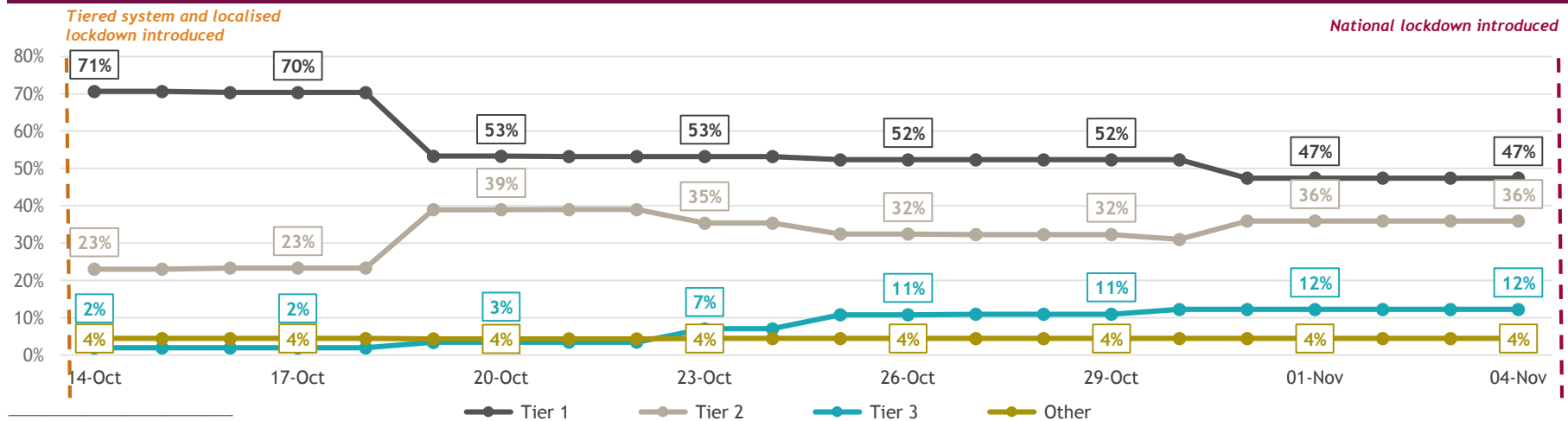
- The size and regional diversification of the estate enables Stonegate to continue to operate effectively despite the introduction of tight local restrictions
- At the introduction of the Tiered system on the 14th October, 71% of sites were in tier 1
- The estate has benefitted from tighter lockdown restrictions having been focused on the North of England
- Prior to the introduction of the second national lockdown 82% of the portfolio was operating in tier 1 or tier 2

Indicative⁽¹⁾ Quarterly Performance Under Restriction Levels



% of All Sites Under Tiered System

(since the introduction of the tiered system until the introduction of the national lockdown)



Source: Company.

Note: Cashflow pre interest includes the impact of disposals as part of the regular course of business.

1. Assumes all sites under the stated level of Covid restriction and based on average weekly actuals pre second national lockdown.

Liquidity Position Ahead of Second Lockdown

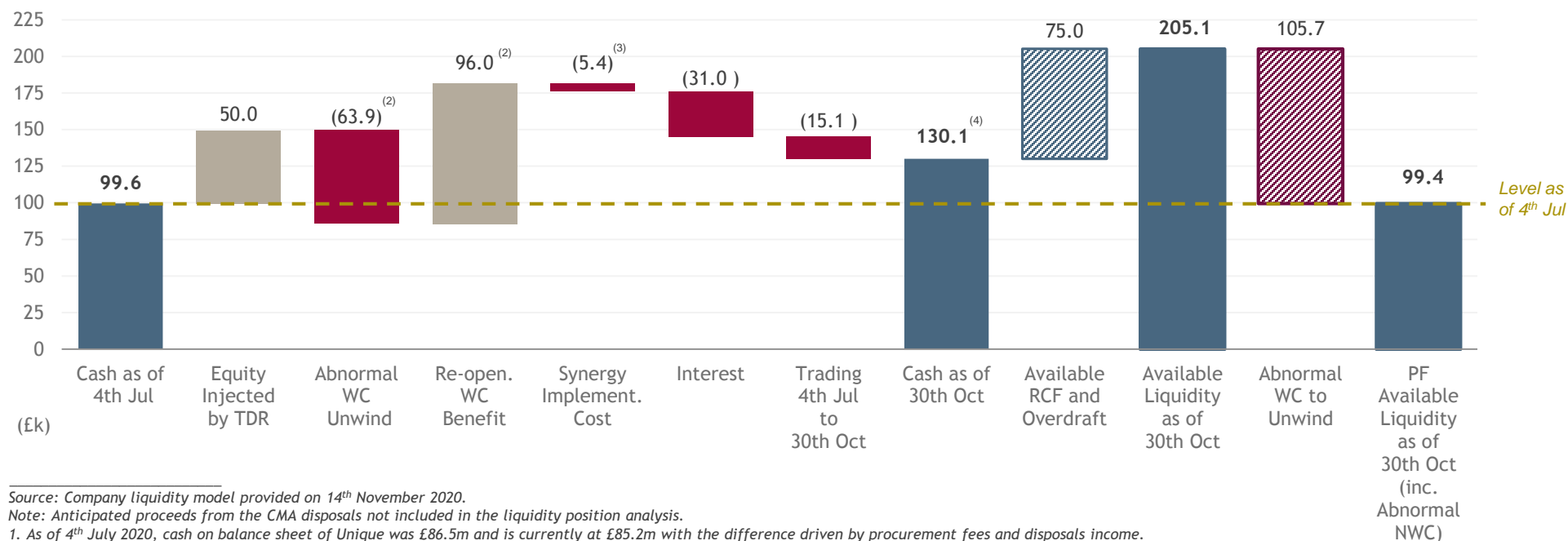
The underlying liquidity position of Stonegate remains robust, testament to the strict cash management procedures implemented by management and ongoing shareholder support of TDR

Stonegate and Ei (excl. Unique⁽¹⁾) Cash Position At the Start of Second National Lockdown

- As of 30th October, 2020 (before second lockdown), cash on balance sheet (ex. Unique) was £130.1m
- In addition, the Company has access to a £50m undrawn RCF facility put in place on 13th July and a £25m overdraft facility
- The overall liquidity position as of 30th October stands at £205.1m (exc. abnormal NWC unwind which will occur over the next 12-18 months and would be further deferred in the event of a prolonged lockdown)
- We estimate a c.£6m cash burn (inc. Unique) per month during second lockdown excluding interest and rent
 - The company has incurred minimal cost at closing of the estate relating to a small write down on fresh food and some ale - remaining stock to be chilled to reduce further write downs

Abnormal NWC to Unwind (to occur over next 12-18 months):

- Includes £42m of deferred rent, £33m deferred tax and £30m of deferred fees



Source: Company liquidity model provided on 14th November 2020.

Note: Anticipated proceeds from the CMA disposals not included in the liquidity position analysis.

1. As of 4th July 2020, cash on balance sheet of Unique was £86.5m and is currently at £85.2m with the difference driven by procurement fees and disposals income.

2. Abnormal WC Unwind includes supplier payments, tax, fees and rent. Re-opening WC starts at zero and builds up from 2 months of sales and stock benefit.

3. Represents the cost incurred during the period from 4th July 2020 to 30th October 2020, so as to achieve certain head office synergies in relation to the Ei acquisition. Based on its current assessment, Stonegate expects to achieve aggregate head office synergies of approximately £30m over the next 12 months.

4. Excluding cash held in Ei Group Insurance Captive Cell.