The City Pub Group PLC

(the “City Pub Group”, the “Company” or the “Group”)

INTERIM RESULTS FOR THE 26 WEEK PERIOD ENDING 30 JUNE 2019

Strategic expansion drives sales and EBITDA growth

The City Pub Group is pleased to announce its unaudited results for the 26 weeks ended 30 June 2019. The Group operates a predominately freehold estate of 47 wet-led pubs in London, Southern England and Wales.

Highlights:

- Revenue up 36% to £27.1 million (2018: £20.0 million)
- Like for like sales increased by 2.6% year on year
- Adjusted EBITDA* up 20% to £3.6 million (2018: £3.0 million)
- Adjusted profit before tax** up 19% to £1.9 million (2018: £1.6 million)

** Adjusted earnings before exceptional items, share option charge, interest, taxation, depreciation and amortisation.*
*** Adjusted profit before tax is the profit before tax, share option charge and exceptional items.*

- Strategic expansion continued with four pubs opened in 2019. The expanded estate and our wet-led focus resulted in substantial EBITDA and sales growth. Progress has continued into the second half with sales up by 35% over the last eleven weeks.
- With a further four projects in development and a continued focus on the existing estate, the Board expects the Group to continue to deliver significant growth for the foreseeable future.
- The Group is beginning to see the benefits of the new regional management structure and the new Weekly Employee Bonus Scheme, both of which will drive growth and further incentivise the Group’s employees.
- Due to political and economic uncertainty the Group will take a much more prudent and even more selective approach to acquisitions and focus instead on completing the development sites for trading, reducing debt and improving the dividend for shareholders as cash generated increases, until a time where there is more certainty.

Clive Watson, Executive Chairman of The City Pub Group, said:

“Our targeted expansion of high-quality larger pubs with letting rooms has delivered strong progress for the Group in the first half. In the face of robust comparatives, we have delivered good like for like growth too. As our development sites begin trading during 2020, they will drive our performance onward. Our momentum has continued into the second half with strong sales growth.

“We cannot ignore the uncertainty in the market due primarily to Brexit and the potential impact of a No Deal. We are a management team that is focused on the long-term and as such we believe it is prudent for us to rein in our expansion programme until there is more certainty. Instead we will focus on getting our development sites trading, developing our existing estate, reducing our debt and improving our dividends for shareholders. This will further strengthen our position and minimise the impact of any headwinds whilst continuing to deliver significant growth into the future.”

19 September 2019

This announcement contains inside information for the purposes of EU Regulation 596/2014.

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For further information on City Pub Group pubs visit www.citypubcompany.com

CHAIRMAN'S STATEMENT

The Group has continued its expansion in the first half of the 2019. We now have 47 pubs trading, a further 3 sites in the development stage and a project to add additional bedrooms to an existing site. The Board's ambition of having an estate of around 65 pubs is well within our reach. As the Group expands, we are continuing to build our expertise and local knowledge in the areas we already trade in, thereby driving further growth and improving our overall performance.

Financial Highlights

The Board is pleased with the financial performance of the Group over the period. Highlights include:

- Revenue growth of 36% to £27.1 million (2018: £20.0 million)
- Adjusted EBITDA* increased by 20% to £3.6 million (2018: £3.0 million)
- Adjusted Profit before tax** up 19% to £1.9 million (2018: £1.6 million)

These results have been achieved through our strategy of increasing the number of pubs we operate as well as delivering organic growth from the existing estate.

Like-for-like sales increased by 2.6% in the first six months. We are pleased with this result as it is against strong comparatives and a period which benefitted from the FIFA World Cup and hot weather.

Operating margins were lower in the period primarily due to one-off investments to build infrastructure for future growth, including establishing a new regional management structure and the overlapping of the new Weekly Employee Bonus Scheme which replaced the Annual Employee Profit share. These projects will ensure that we have an optimal structure and rewards programme in place to provide a platform for us to grow. The Board is confident that operating margin will return to its growth trajectory. A target of 20% has been set by the end of 2021.

Trading Estate

The Group operates 47 high-quality predominantly drink-led pubs. It also acquired a freehold pub in London in July 2019, which is leased to another operator.

Since the start of the year the Group has opened the following pubs:

February: Pride of Paddington, a landmark pub opposite Paddington Station which benefits from letting accommodation.

April: The Hoste, an iconic site located in Burnham Market, North Norfolk, benefitting from 53 bedrooms as well as a lovely pub and dining area.

June: Aragon House, a landmark site located in London's Parsons Green with three trading floors, a large garden and 15 bedrooms.

July: Market House, a former Lloyd's Bank building located in Market Square, Reading, now operating as a large pub with 24 letting rooms and a rooftop garden.

The Board is satisfied with the performance of these new openings.

In addition, there are 4 projects in the development pipeline:

Norwich - Land and building adjacent to our city centre site, the Georgian Town House. Works are ongoing and should be completed by end of the year, delivering a further 12 letting rooms, which will enhance the existing operation.

Exeter - Former Turks Head Pub. As part of our refurbishment programme we will be adding 6 letting rooms and a roof garden. It is expected to open in the second quarter of 2020.

Cambridge - Former Tivoli Pub. Planning permission has been received to redevelop the site with a roof garden. It is expected to open in the third quarter of 2020 and adds to our growing presence in Cambridge.

Bath - Former Nest Pub. This site is currently going through the planning process. We are targeting an opening date in the third quarter of 2020.

In addition to the sites acquired, we have a further site which we are in the process of completing the legal documentation for and we continue to appraise other opportunities.

During the period we sold The Grapes in Oxford for £120,000.

The Group's acquisition strategy is focused on developing large, prominent sites in our target cities which ideally have existing letting rooms or at least space for us to develop some. These types of pubs are attractive to us as, whilst obtaining the necessary consents can take time, they perform well and deliver strong returns.

Market / Brexit

We have been pleased with our trading performance to date. We operate in a market that is benefitting from full employment and low interest rates. Our focus continues to be building local custom in our pubs to ensure a sustainable pattern of trade. To assist this, we continue to evolve our retailing offer through innovation, better customer service and driving trade through the City Club App.

For us it is important to take into account both the long-term view of the future of the business and short term macro-economic factors. The uncertainty caused by Brexit hangs over the pub industry and the UK economy as a whole. The Board believes that given this, it is prudent at this time to be more discerning on our acquisition strategy. The reason behind our decision is primarily opportunism - prices of pubs should fall in a No Deal Brexit scenario.

The Group has grown rapidly in recent years and we have a number of development sites with significant potential to concentrate on in the short term, which together with additional management attention on the entire existing and development estate, there are considerable gains to be made providing substantial growth for some time to come.

The Group will continue to look at acquisitions of sites on a selective basis and take advantage of our ability to move quickly and decisively.

Regional Structure / Weekly Employee Bonus Scheme

The introduction of the Regional structure and the Weekly Employment Bonus Scheme have had an upfront cost, but have created a structure for further growth and provided additional motivation for our employees. The Board believes decentralisation of our head office functions will maintain our cutting edge as we go forward by empowering our management team further and enabling them to focus on the opportunity in their local markets. As part of this activity, we have appointed our first Regional Director, Jim Charlton, in our Western region and will make more appointments in our other divisions later this year.

The Weekly Employee Bonus Scheme has encouraged the overall entrepreneurial culture of the business with very tangible benefits of staff retention and improved productivity now coming through.

Banking Facilities / Borrowings

The Group entered into a new 5 year, £50 million banking facility (£35m facility with £15m accordion option) with Barclays Bank plc in July on more favourable terms than our previous facility. This renewed facility ensures that we are fully funded to make acquisitions at the appropriate time.

Current net debt is c. £30 million and it is the Board's intention to maintain this level, or even reduce it, until there is more clarity.

Dividend

It is currently Group policy not to declare interim dividends. The Board is committed to increasing dividends in line with earnings and will finalise the intended dividend payment when we announce our full year results in April 2020.

Current Trading

Sales in the 11 weeks since the period end have increased 35% driven by our strategy of opening larger sites and capitalising on local trading opportunities. The quality of our trading estate is continually improving and has been enhanced by the recent openings. The increased number of letting bedrooms across the estate will drive future operational efficiencies.

The Group's focus is now on raising the quality of the estate, completing our development programme, acquiring new sites on an opportunistic basis, reducing our debt and growing dividend payments for shareholders as cash generation increases.

Clive Watson
Chairman
19 September 2019

* Adjusted Earnings before exceptional items, share option charge, interest, taxation, depreciation and amortisation.
** Adjusted profit before tax is the profit before tax, share option charge and exceptional items

Consolidated Statement of Comprehensive Income
For the 26 weeks ended 30 June 2019

	Notes	**Unaudited 26 weeks ended 30 June 2019 £'000**	Unaudited 26 weeks ended 1 July 2018 £'000	Audited 52 weeks ended 30 December 2018 £'000
Revenue		**27,107**	19,965	45,674
Costs of sales		**(6,824)**	(5,017)	(11,621)
Gross profit		**20,283**	14,948	34,053
Administrative expenses		**(19,251)**	(13,842)	(31,244)
Operating profit		**1,032**	1,106	2,809
Reconciliation to adjusted EBITDA*				
Operating profit		**1,032**	1,106	2,809
Depreciation	6	**1,594**	1,207	2,552
Share option charge		**180**	181	377
Exceptional items	2	**803**	514	2,121
***Adjusted earnings before exceptional items, share option charge, interest, taxation and depreciation**		**3,609**	3,008	7,859
Finance costs		**(86)**	(174)	(189)
Profit before tax		**946**	932	2,620
Tax expense	3	**(436)**	(176)	(654)
Profit for the period and total comprehensive income		**510**	756	1,966
Earnings per share				
Basic earnings per share (p)	4	**0.86**	1.34	3.44
Diluted earnings per share (p)	4	**0.85**	1.33	3.41

All activities comprise continuing operations. There are no recognised gains or losses other than those passing through the statement of comprehensive income.

The accompanying notes are an integral part of these interim financial statements.

Consolidated Statement of Financial Position
As at 30 June 2019

Assets	Notes	**Unaudited 26 weeks ended 30 June 2019 £'000**	Unaudited 26 weeks ended 1 July 2018 £'000	Audited 52 weeks ended 30 December 2018 £'000
Non-current				
Intangible assets		**4,136**	3,090	3,794
Property, plant and equipment	**6**	**107,770**	78,590	90,020
Total non-current assets		**111,906**	81,680	93,814
Current				
Inventories		**880**	580	960
Trade and other receivables		**2,885**	1,995	2,542
Cash and cash equivalents		**3,114**	2,842	2,853
Total current assets		**6,879**	5,417	6,355
Total assets		**118,785**	87,097	100,169
Liabilities				
Current liabilities				
Trade and other payables		**(9,178)**	(7,715)	(8,494)
Total current liabilities		**(9,178)**	(7,715)	(8,494)
Non-current				
Borrowings		**(30,000)**	(7,000)	(11,600)
Other payables		**(50)**	(310)	-
Deferred tax liabilities		**(1,879)**	(1,096)	(1,537)
Total non-current liabilities		**(31,929)**	(8,406)	(13,137)
Total liabilities		**(41,107)**	(16,121)	(21,631)
Net assets		**77,678**	70,976	78,538
Equity				
Share capital		**30,692**	29,196	30,651
Share premium		**38,328**	33,586	38,287
Own shares (JSOP)		**(3,272)**	(3,272)	(3,272)
Other reserve		**92**	92	92
Share-based payment reserve		**883**	507	703
Retained earnings		**10,955**	10,867	12,077
Total equity		**77,678**	70,976	78,538

The accompanying notes are an integral part of these interim financial statements.

Consolidated Statement of Changes in Equity

For the 26 weeks ended 30 June 2019

	Share capital £'000	Share premium £'000	Own shares (JSOP) £'000	Other reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2017 (Audited)	28,234	31,276	-	92	326	11,382	71,310
Employee share-based compensation	-	-	-	-	181	-	181
Dividends	-	-	-	-	-	(1,271)	(1,271)
Purchase of JSOP shares	962	2,310	(3,272)	-	-	-	-
Transactions with owners	962	2,310	(3,272)	-	181	(1,271)	(1,089)
Profit for the period	-	-	-	-	-	756	756
Total comprehensive income for the period	-	-	-	-	-	756	756
Balance at 1 July 2018 (Unaudited)	**29,196**	**33,586**	**(3,272)**	**92**	**507**	**10,867**	**70,976**
Employee share-based compensation	-	-	-	-	196	-	196
Issue of new shares	1,455	4,701	-	-	-	-	6,156
Transactions with owners	1,455	4,701	-	-	196	-	6,352
Profit for the period	-	-	-	-	-	1,210	1,210
Total comprehensive income for the period	-	-	-	-	-	1,210	1,210
Balance at 30 December 2018 (Audited)	**30,651**	**38,287**	**(3,272)**	**92**	**703**	**12,077**	**78,538**
Employee share-based compensation	-	-	-	-	180	-	180
Dividends	-	-	-	-	-	(1,632)	(1,632)
Issue of new shares	41	41	-	-	-	-	82
Transactions with owners	41	41	-	-	180	(1,632)	(1,370)
Profit for the period	-	-	-	-	-	510	510
Total comprehensive income for the period	-	-	-	-	-	510	510
Balance at 30 June 2019 (Unaudited)	**30,692**	**38,328**	**(3,272)**	**92**	**883**	**10,955**	**77,678**

The accompanying notes are an integral part of these interim financial statements.

Consolidated Statement of Cashflows

For the 26 weeks ended 30 June 2019

	Unaudited 26 weeks ended 30 June 2019 £'000	Unaudited 26 weeks ended 1 July 2018 £'000	Audited 52 weeks ended 30 December 2018 £'000
Cash flows from operating activities			
Profit for the period	**510**	756	1,966
Taxation	**436**	176	654
Finance costs	**86**	174	189
Operating profit	**1,032**	1,106	2,809
Adjustments for:			
Depreciation	**1,594**	1,207	2,552
Gain on disposal of property, plant and equipment	**(1)**	-	-
Share-based payment charge	**180**	181	377
Impairment	**160**	-	480
Change in inventories	**80**	(26)	(406)
Change in trade and other receivables	**(273)**	(343)	(992)
Change in trade and other payables	**(2,112)**	239	2,152
Cash generated from operations	**660**	2,364	6,972
Tax paid	**(15)**	(104)	(535)
Net cash from operating activities	**645**	2,260	6,437
Cash flows from investing activities			
Purchase of property, plant and equipment	**(8,787)**	(7,083)	(11,430)
Proceeds from disposal of property, plant and equipment	**50**	-	-
Acquisition of new property sites	**(9,840)**	(5,332)	(14,361)
Net cash used in investing activities	**(18,577)**	(12,415)	(25,791)
Cash flows from financing activities			
Proceeds from issue of share capital	**82**	-	5,973
Repayment of borrowings	**-**	-	(245)
Dividends paid	**-**	-	(1,087)
Proceeds from new borrowings	**18,400**	7,000	11,600
Interest paid	**(289)**	(418)	(449)
Net cash from financing activities	**18,193**	6,582	15,792
Net change in cash and cash equivalents	**261**	(3,573)	(3,562)
Cash and cash equivalents at the start of the period	**2,853**	6,415	6,415
Cash and cash equivalents at the end of the period	**3,114**	2,842	2,853

The accompanying notes are an integral part of these interim financial statements.

Notes to the Financial Statements
For the 26 weeks ended 30 June 2019

1 Basis of preparation

This interim report was approved by the board on 19 September 2019. The interim financial statements are unaudited and are not the Group's statutory accounts as defined in section 434 of the Companies Act 2006.

The consolidated interim financial statements have been prepared under IFRS as adopted by the European Union and on the basis of the accounting policies set out in the statutory accounts of The City Pub Group plc, for the period ended 30 December 2018. The financial statements have not been prepared (and are not required to be prepared) in accordance with IAS 34: 'Interim Financial Reporting'. They do not include any of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the period ended 30 December 2018.

Statutory accounts for the period ended 30 December 2018 have been delivered to the Registrar of Companies. These accounts contain an unqualified audit report under Section 495 of the Companies Act 2006, which did not make any statements under Section 498 of the Companies Act 2006.

The interim report is presented in Great British Pounds and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

This interim report has been prepared in accordance with the AIM Rules issued by the London Stock Exchange.

2 Exceptional items

	Unaudited 26 weeks ended 30 June 2019 £'000	Unaudited 26 weeks ended 1 July 2018 £'000	Audited 52 weeks ended 30 December 2018 £'000
Pre opening costs	**506**	450	1,455
Impairment of a pub site (note 6)	**160**	-	480
Other non recurring items	**137**	64	186
	803	514	2,121

3 Tax charge on profit on ordinary activities

The taxation charge is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period. All items of taxation are reflected through the Statement of Comprehensive Income.

	Unaudited 26 weeks ended 30 June 2019 £'000	Unaudited 26 weeks ended 1 July 2018 £'000	Audited 52 weeks ended 30 December 2018 £'000
Current income tax:			
Current income tax charge	**436**	162	604
Adjustments in respect of previous period	**-**	-	(81)
Total current income tax	**436**	162	523
Deferred tax:			
Origination and reversal of temporary differences	**-**	14	131
Adjustments in respect of previous period	**-**	-	-
Total deferred tax	**-**	14	131
Total tax	**436**	176	654

4 Earnings per share

	Unaudited 26 weeks ended 30 June 2019 £'000	Unaudited 26 weeks ended 1 July 2018 £'000	Audited 52 weeks ended 30 December 2018 £'000
Earnings for the period attributable to Shareholders	**510**	756	1,966
Earnings per share:			
Basic earnings per share (p)	**0.86**	1.34	3.44
Diluted earnings per share (p)	**0.85**	1.33	3.41
Weighted average number of shares:	**Number of shares**	Number of shares	Number of shares
Weighted average shares for basic EPS	**59,378,421**	56,467,333	57,216,344
Effect of share options in issue	**644,168**	374,862	476,688
Weighted average shares for diluted earnings per share	**60,022,589**	56,842,195	57,693,032

5 Dividends

The Company declared a dividend of 2.75p per ordinary share during the year ended 30 December 2018, which was approved at the Annual General Meeting on 20th May 2019. The dividend payable of £1,632,820 has been accrued as at 30 June 2019 and deducted from retained earnings.

After the period end £1,405,798 of the dividend was paid in cash and £227,022 was distributed as a scrip dividend.

6 Property, plant and equipment

Group	Freehold & leasehold property	Fixtures, fittings and computers	Total
Cost	**£'000**	**£'000**	**£'000**
At 31 December 2017 (Audited)	59,588	15,839	75,427
Additions	5,794	1,289	7,083
Acquisitions	4,473	294	4,767
At 1 July 2018 (Unaudited)	**69,855**	**17,422**	**87,277**
Additions	1,587	3,019	4,606
Acquisitions	7,245	1,344	4,469
At 30 December 2018 (Audited)	**78,687**	**21,785**	**100,472**
Additions	5,988	3,001	8,989
Acquisitions (Note 8)	10,344	288	10,632
Disposals	(91)	(64)	(155)
At 30 June 2019 (Unaudited)	**94,928**	**25,010**	**119,938**
Depreciation			
At 31 December 2017 (Audited)	1,432	6,048	7,480
Provided during the period	149	1,058	1,207
At 1 July 2018 (Unaudited)	**1,581**	**7,106**	**8,687**
Provided during the period	200	1,145	1,345
Impairment	420	-	420
At 30 December 2018 (Audited)	**2,201**	**8,251**	**10,452**
Provided during the period	330	1,264	1,594
Impairment	48	112	160
Disposals	(19)	(19)	(38)
At 30 June 2019 (Unaudited)	**2,560**	**9,608**	**12,168**
Net book value			
At 30 June 2019 (Unaudited)	**92,368**	**15,402**	**107,770**
At 30 December 2018 (Audited)	76,486	13,534	90,020
At 1 July 2018 (Unaudited)	68,274	10,316	78,590
At 31 December 2017 (Audited)	58,156	9,791	67,947

During the period ended 30 December 2018 the group made a provision for impairment against a Pub Site in Cambridge, due to poor performance and it has been reduced to its value in use, with the asset being held at its recoverable amount of £340,000. In addition, the group made a provision for impairment against the Grapes in Oxford, which was written down to its recoverable amount, with its disposal completed on 25th February 2019.

During the period ended 30 June 2019 the group made an additional provision for impairment against the Pub site in Cambridge, due to poor performance and it has been reduced to its value in use, with the asset being held at its recoverable amount of £150,000.

7 Business combinations

During the period ended 30 June 2019 the Group has acquired 2 new sites through business combinations, the fair values of the assets and liabilities acquired, and the nature of the consideration, are outlined within the table below.

All of the above acquisitions were part of the Group's continuing strategy to expand its pub portfolio via selective quality acquisitions. All other pub acquisitions have been accounted for as property acquisitions.

	Unaudited 26 weeks ended 30 June 2019
Fair value:	**£'000**
Property, plant and equipment acquired	10,632
Deferred tax liability	(343)
Goodwill	343
Total	**10,632**
Satisfied by:	
Cash	9,840
Deferred consideration	792
Total	**10,632**

8 Events after the reporting period

The Group settled the final dividend, which was approved at the AGM in May 2019, on 1 July 2019.

In July 2019 the Company agreed a new £35 million revolving credit facility, with a £15 million accordion option, with Barclays Bank PLC.

On 12 July 2019, the Company purchased The Island, a freehold site in Kensal Green.