

GREENE KING

BURY ST EDMUNDS



— THE —
YEAR IN REVIEW
— 2021 —

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Highlights

REVENUE

£1.34B

(52-weeks to 2 Jan 2022) vs £562m for the 36 weeks up to 3 Jan 2021

ADJUSTED OPERATING PROFIT

£18.6M

(52-weeks to 2 Jan 2022) vs (£186m) loss for the 36 weeks up to 3 Jan 2021

STATUTORY OPERATING PROFIT

£63.8M

(52-weeks to 2 Jan 2022) vs (£149m) loss for the 36 weeks up to 3 Jan 2021

FREE CASH INFLOW

£7.2M

(52-weeks to 2 Jan 2022) vs (£253m) outflow for the 36 weeks up to 3 Jan 2021

INVESTMENT

£114.7M

on new build capital expenditure & freehold purchases

NUMBER OF EMPLOYEES

39,000

NUMBER OF PUBS

2,617

RAISED FOR MACMILLAN

£2.2M



Shorter financial reporting period – the previous reporting period was a short period of 36 weeks to 3 January 2021 reflecting the move to align our reporting period with our ultimate owners, CKA Asset Holdings.

CEO Statement



Nick Mackenzie, Chief Executive Officer

Review of the year

As our report shows, 2021 was another year spent tackling the impact of Covid. We started the year in lockdown and unable to trade. These challenges continued in the first half with enforced closures and months of limited trading. We could finally move towards business as usual during the second half and enjoyed better trading in the summer and autumn.

However, Omicron's arrival towards the end of the year prompted the Government to introduce its Plan B, advising people to work from home and to limit socialising. This impacted our all-important Christmas trading.

Despite everything, our team members rose to every occasion and adapted to every challenge. As in 2020, they showed incredible resilience and I thank them for their non-stop support and hard work. I would also like to thank our shareholders for their continuing support throughout the year.

UK outlet numbers

In 2021, there were 42,754 pubs across the UK, down 6% on 2019 but just 1% lower than 2020. The decline is mainly due to the reduction in numbers of leased and tenanted as well as independent free trade pubs. This was offset by some growth in managed and branded pubs, particularly premium wet-led pubs. It is expected that pub numbers will stabilise by 2023 as the growth of managed and independent pubs matches the continuing closure of leased, tenanted and independent free trade pubs.

Market value

Pub market revenue in 2021 was forecast at £14.8bn, equating to 64% of the sector's revenue before the pandemic. Full recovery is expected by 2024.

“

I WOULD LIKE TO THANK OUR 39,000 TEAM MEMBERS FOR THEIR HARD WORK, SUPPORT AND RESILIENCE THROUGHOUT 2021, AND BEYOND.

”

Recovery in the pub market has lagged that in the broader eating and drinking out market, where delivery and takeaway services are propelling growth. As we shake off Covid restrictions in 2022, it is anticipated there will be a slight fall in consumer spending on takeaway and delivery. However, they will remain a significant factor.

2021 key trends

Unsurprisingly, Covid continued to influence how we traded this year, and it accelerated some existing trends that were surfacing pre-pandemic. These included the growth in use of technology, focus on health and wellbeing, premiumisation and the increase in importance of quality outdoor space. We increased our investment in all these areas during 2021 and will continue to do so in 2022. In addition, giving customers a safe, secure service remained essential, so we kept our Pub Safe promises in place even after they were no longer required.

Our trading environment

This year, we have not only had Covid to deal with, but also the combination of inflationary pressures, labour market shortages and weak consumer confidence. I feel confident that our strategy and our transformation and investment programme, will put us in a good place to bounce back strongly.

We can mitigate inflationary pressures by becoming more cost-efficient and sustainable across our business. We can address consumer confidence by delivering exceptional experiences and evolving our portfolio of compelling brands.

Finally, we are nothing without our team members and current labour market pressures make this more important than ever.

We are investing significantly in our people and our culture to become an employer of choice, and these investments will help us continue to attract, develop and keep the very best in the business.

Strategy into action

We have used the time during the pandemic to set ourselves up to bounce back strongly as the impact of the pandemic diminishes.

During 2020, we introduced our team members to our new strategy. It centres on our goal to be the pride of British hospitality, famous for outstanding customer experiences and a balanced portfolio of high-growth, consistently profitable brands. In 2021, we could begin to turn this strategy into action as we developed the strategic drivers that will help us achieve our goal.

Customers' expectations of digital capability are rocketing, fuelled by their experience in other sectors. Consequently, we are focusing on transforming our digital presence so we can connect with customers in a relevant way and their journey with us is smooth and enjoyable.

During the year we rebuilt our web shop to give customers a more efficient experience and introduced handheld ordering to our Chef & Brewer brand to let our pub teams manage orders and payments more flexibly.

There are many more examples in this report illustrating how we've been putting our strategy into action.

Cultural transformation

One bright light this year was launching Greene King 'Unleashed', our cultural and transformational change programme which will unleash the full potential of the business.

In October, we could finally bring 2,000 managers together at our 'Unleashed Festival' where we focused on how we could align the whole company behind our purpose 'we pour happiness into lives' as well as our long-term vision for the business. Our team members were incredibly positive about the future direction we are taking and there is more information on Unleashed in the Strategy section.

Our people

Every year, our 'Rant and Rave' engagement survey asks our people what they think about working for Greene King. I am delighted that our 'sustainable engagement' score of 79% means the vast majority of our team members are engaged, enabled and energised. I am also extremely pleased with our 'business pride' score of 82% from our people who said they were proud to work for Greene King. These results are much improved from previous surveys although we still have much more work to do to make sure we are the employer of choice and the pride of British hospitality in the minds of our teams.

Our communities

During the pandemic the importance of, and the role of, the pub in the community has become much more evident. Our pubs act as community hubs by giving local people a place to sit down, socialise and help good causes and local services. I am incredibly proud of the way our pubs and our team members have worked tirelessly to help the communities within which we operate.

Despite being closed for much of the start of the year, our teams and customers raised a record-breaking £2.2m for our national charity partner, Macmillan Cancer Support and hit the £10 million fundraising mark during the year. Thank you all – and congratulations!

Diversity and inclusion

At Greene King, we are guided by our purpose – to pour happiness into lives – and a clear set of values. Central to the values is the need to create an inclusive environment for all our team members that gives everyone a fair and equal chance to fulfil their potential; and to provide a welcoming environment for all our customers.

This year, we launched our race manifesto, 'Calling Time on Racism'. It sets out our ambition to embrace and value our Black, Asian and minority ethnic colleagues and the wider community; to increase their representation within the hospitality sector; and to become a leading and truly antiracist organisation. We have set out four commitments and set up a number of partnerships and projects to help us do this.

Achievements

I am really proud of our achievements last year, from raising money for Macmillan Cancer Support, to winning 'Best Leased & Tenanted Pub Company' and 'Best Community Pubs', among others, at the Publican Awards. We are going to continue our hard work building an award-winning business that cares about its people, communities, customers and partners.

Looking ahead

As we come out of Covid and start to turn strategy into action, much work remains to be done to transform Greene King and create a business that is truly the pride of British hospitality. We have committed to significant investment and transformation programmes and we will complete our cultural transformation programme, investing in step-change digital capabilities and building our people capability and people management infrastructure.

We will increase our emphasis on creating a sustainable business and increase focus on environmental aspects of our Environmental Social Governance (ESG) programme, Greene King for Good. Specifically, in 2022, we will agree and publish our carbon reduction targets.

Covid has shown how amazingly creative our sector can be. Hospitality has responded brilliantly to the challenges faced by Covid – not just in terms of business but also in how we have helped the communities we serve. As the industry recovers, I am excited by the prospect of our towns and cities once again becoming the thriving social hubs we enjoyed before Covid.

I would like to thank everyone who works for Greene King, our owners, our tenanted and leased partners and our suppliers as well as the trade bodies who represented our sector so well, for all they have done in 2021 and throughout the pandemic. We could not have got through the last two years without you.



Covid Update

DURING 2021, THE COVID PANDEMIC CONTINUED TO RESTRICT TRADING IN THE UK AS GOVERNMENTS ACROSS THE DEVOLVED NATIONS ENFORCED DIFFERENT SOCIAL RESTRICTIONS.

At the start of the pandemic, we had three objectives: to ensure the financial stability of the business, to exit the crisis as the strongest in the sector and ready to bounce back; and, as far as possible, to protect our employees and our leased and tenanted partners from the worst impact of the crisis.

Emerging from the third lockdown in 2021, we introduced three new objectives:

- To bounce back into action and be stronger for our customers, partners, people and owners
- To finish the strong foundations we are building in Culture, Organisation and Strategy
- To maximise our performance in a balanced way

These objectives helped us chart our course through the pandemic during 2021.

Supporting team members

We entered our third national lockdown in January 2021. We closed all our pubs and placed most of our team members, support teams, along with our Brewing & Brands and Pub Partner teams, into the extended Coronavirus Job Retention Scheme (CJRS), the flexible furlough scheme. It enabled some people in key roles to continue working and, with most people working less than their normal hours, get a furlough top-up for those hours they could not work.

From April 2021, we could reopen some pubs for outdoor-only service; indoor hospitality reopened in May. We therefore removed our salaried team members from the furlough scheme in June 2021 and hourly-paid team members from July.

Following the launch of our Team Member Support Fund in the first lock-down in 2020, we set up a second fund in January 2021 and provided £500,000 for our team members in most financial need. This takes the total amount provided to £1,160,000 since the start of the pandemic. We partnered with the Licensed Trade Charity to administer this on our behalf.

The fund was partly paid for by salary sacrifices from our executive board and senior leaders in the business.

Additionally, we continued the wellbeing support for our teams that we had begun in 2020. As before, our Employee Assistance Programme gave team members live support online and our mental health first-aiders offered help to line managers and team members. We also responded to calls to work from home during lockdowns by introducing agile working that demonstrated our flexible approach to changing employment needs.

Information, engagement & thanks

We felt it was essential to update our team members about the latest changes to restrictions in our sector. That is why our CEO, Nick Mackenzie, recorded weekly video updates; we also put relevant news on Kingdom, our team engagement social media tool.

We also wanted to continue engaging our team members, especially during furlough. This prompted our first-ever virtual 'Pride of Greene King Awards' to recognise those who had gone the extra mile during the year. In addition, in May 2021, we held our first virtual employee talent show to celebrate the hidden talents of our pub, brewery, and office support teams.

Finally, we rewarded our pub, brewery and support teams with a £6m Christmas bonus scheme to thank them for their support during a tough year. The scheme included various rewards for different roles, including a £300 cash bonus, extra holiday allowances, an uplift in hourly rates, increased team member discount and a free meal per shift.

Assisting our partners

We continued to give our tenants rent concessions of 90% even when pubs were able to open outdoors in the spring of 2021, reducing to 40% from April to July when restricted trading was allowed.

We were delighted that the Publican Awards recognised the efforts we made to do the right thing. Our Pub Partners division won the Best Leased & Tenanted Pub Company award, earning the judges' praise for looking after our tied pub tenants during the pandemic.



Working in our communities

Our communities and charity are the beating heart of Greene King. Although our pubs were closed or had trading severely limited in 2021, we broke our annual fundraising record and raised £2.2m for our national charity partner, Macmillan Cancer Support. This included the 'Brave the Shave' fundraising and took our charity partnership fundraising total to over £10 million!

When the January 2021 lockdown began, we signed up to The Sun newspaper's 'Jabs Army' campaign where our team members, many of whom were furloughed, volunteered as stewards at vaccination centres. When schools had to close, we teamed up with the Unity Schools Partnership and donated 110 laptops to help families in Suffolk cope with home schooling.

Reassuring our customers

As restrictions eased, we wanted both our teams and our customers to feel they could work and socialise in our pubs safely, so we continued our Pub Safe promises even when they were no longer required.

Pub gardens could reopen for hospitality outdoors in April 2021 and indoors in May. Finally, in July, pubs in England could reopen without restrictions (August for Scotland and Wales). We were elated by the return of the Great British pub atmosphere, with customers able to order at the bar and stand up in the pub once more.

Surviving Omicron

After some positive trading through the summer and autumn, the Omicron variant arrived. Governments introduced Plan B with advice to limit socialising and work from home, denting vital Christmas and New Year trade. Business was even tougher in Scotland and Wales, which had further restrictions.

Despite all these challenges, we proved we have a winning formula by picking up a hat-trick of titles at the prestigious 2021 Publican Awards. We won Best Community Pub Operator for our Local Pubs division, Best Leased & Tenanted Pub Company for the Pub Partners division, and CEO Nick Mackenzie was named Business Leader of the Year.



Case study: London recovery

One impact of the pandemic was that many workers chose to work remotely rather than in their London offices. To get people back into the city, the Greater London Authority launched its 'Let's Do London' initiative. In support, our Urban Pubs launched a 'London Recovery' multi-channel marketing campaign to position our pubs as the destination of choice and convert city footfall into pub visits.

A significant three-month marketing campaign launched with a narrative around 'Come Back Inn', using creative artwork symbolising the iconic pub sign. In October, we launched a paid digital media plan alongside a front-page promotion with the Evening Standard which gave away 10,000 pints of Ice Breaker Pale Ale. To maintain the momentum, we followed this up with a London tube takeover that featured 'Come Back Inn' at three major stations. We reinforced this with a robust influencer programme, a partnership with the lifestyle app Dusk and supporting PR.

Overall, results showed a strong performance in the 17 selected test sites with an uplift of 15% vs. a baseline period, compared to a 10% uplift in shadow sites and 8% like-for-like improvement for other London sites.



Strategy

A MAJOR HIGHLIGHT OF THE LAST TWO YEARS HAS BEEN THE DEVELOPMENT AND LAUNCH OF 'GREENE KING UNLEASHED', OUR CULTURAL AND STRATEGIC TRANSFORMATION PROGRAMME.

Greene King Unleashed is designed to unite our 39,000 team members under a common purpose and shared corporate values so that we can all start to unleash Greene King's full potential.

Our new purpose and values were shaped from within our company. They have guided all our decisions during the Covid pandemic, giving us clarity of thought amid all this uncertainty.

Defining our strategy

We have defined and communicated a new strategy to the business. At its core is our goal to be the pride of British hospitality, giving customers outstanding experiences through a balanced portfolio of high growth, consistently profitable brands.

This goal is underpinned by several key strategy drivers which inform our strategic planning and capital allocation. By focusing on these strategy drivers, such as transforming our culture and leveraging digital, we made really good progress turning this strategy into reality during 2021, despite the continuing pandemic and trading restrictions. Here are three cases studies highlighting our progress; further case studies throughout this review illustrate work on other strategy drivers.



PURPOSE WHY WE DO IT


WE POUR HAPPINESS INTO LIVES

STRATEGY GOAL WHAT OUR AIM IS

To be the pride of British hospitality, famous for outstanding customer experiences and a balanced portfolio of high growth, consistently profitable brands.



OUR GREENE KING VALUES WHO WE ARE

 CUSTOMER FIRST
  WE CARE
  FREEDOM TO SUCCEED
 WE TAKE OWNERSHIP
  WIN, LEARN, CELEBRATE TOGETHER

UNLEASHED HOW WE WILL DO IT

How we will drive the future success of our business, in pursuit of purpose we are proud of, delivered by a clear strategy, underpinned by Our Greene King values and behaviours



Andrew Bush, Chief People Officer

“

WE HAVE MADE GREAT HEADWAY IN TRANSFORMING OUR CULTURE. OUR PEOPLE MATTER TO US ENORMOUSLY AND WE ARE DETERMINED TO BECOME THE EMPLOYER OF CHOICE IN THE PUB SECTOR.

”



Case study: Cultural transformation

In 2021 we developed our culture programme which included three key elements:

- **Our new purpose:**
We Pour Happiness into Lives
- **Our company values:** who we are
- **Our behaviours:** what we do

In October, we could finally bring over 2,000 of our managers together at a festival. There, we explained our plans for cultural change and mobilised them to help bring our cultural transformation to all 39,000 team members. We are now looking to achieve real change.

Towards the end of the period, we launched the Dartboard, a balanced scorecard which tracks and monitors group performance against a broad range of key performance indicators (KPIs). Rather than simply focusing on financial and commercial elements, they now include behaviour, culture and how our people feel, so we can take a holistic approach that includes both short and long-term performance.

Our culture change programme is now well underway, and the next stage is to train and develop our pub managers.



Maria Sebastian, Chief Marketing Officer

“

CUSTOMERS' EXPECTATIONS OF OUR DIGITAL CAPABILITY ARE ROCKETING, FUELLED BY THEIR EXPERIENCE OF OTHER SECTORS. AS A RESULT, ONE STRATEGY DRIVER IS TO FOCUS ON DIGITAL TRANSFORMATION SO THAT OUR CUSTOMERS CAN CONNECT WITH US IN A SMOOTH, ENJOYABLE WAY.

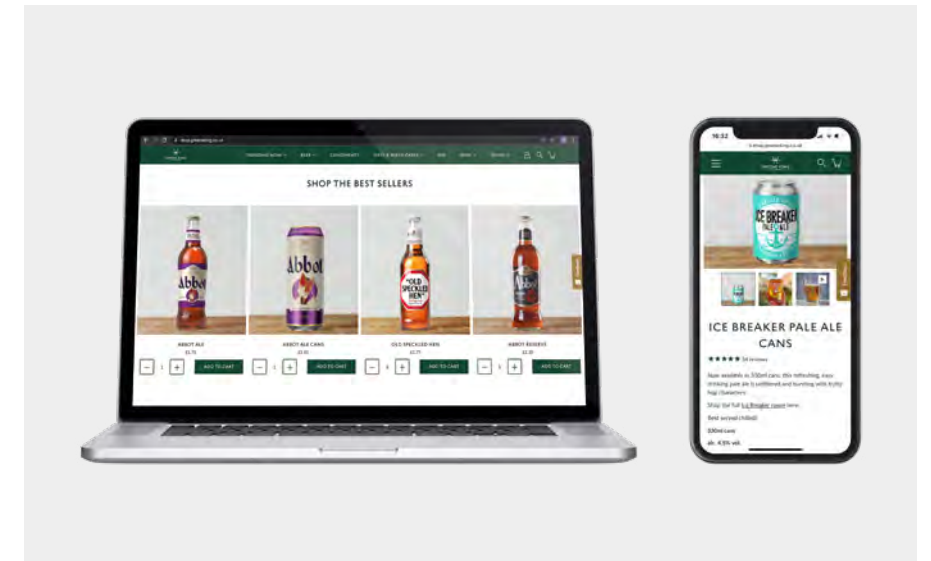
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Case study: Leveraging digital

During the year we completely revamped our web shop. Customers can now shop with us in a much more satisfying and efficient way, and we have built a future-proofed, flexible platform that can adapt to changing customer needs.

We have also successfully rolled out handheld ordering and automated telephony in Chef & Brewer, letting our pub teams manage orders and payments more flexibly. This digital investment makes it easier for our team members to deliver excellent customer service while saving time and driving efficiencies.



“

WE ACQUIRED THE ICONIC MEMORIAL HALL BUILDING IN MANCHESTER AS PART OF OUR STRATEGY TO EXPAND METRO'S FOOTPRINT OUTSIDE OF LONDON.

”



Nick Elliot, Group Property Director



Case study: Acquisition of the Fountain House

As we turn strategy into action and look to expand through targeted acquisitions, a key piece of activity in 2021 for the property team was the purchase of the Memorial Hall building in Albert Square, Manchester for our Metropolitan Pub Company (Metro). The five-storey Venetian Renaissance Gothic grade 2 listed building dates back to 1866 and we identified it as a great site for Metro to bring its gastro menu proposition to the people of Manchester. It offers customers a premium wine selection and craft beers, alongside fresh, seasonal and innovative premium gastro pub food and drink. Following investment in the site, we reopened in November as The Fountain House. Completion of building works in Albert Square, along with development of a two-storey hotel and roof terrace, should let us expand further in the future.



Business Model

THE RESOURCES AND RELATIONSHIPS WE COUNT ON

PEOPLE & PARTNERSHIPS

More than 39,000 talented **team members** and around 800 **Pub Partners** licensees across the UK

SUPPLIERS & RESOURCES

A network of **trusted suppliers** providing us with the **resources and goods** we need to run our pub and brewing businesses sustainably

COMMUNITIES & GOVERNMENT

The **engaged communities** which we operate in the UK and the support of **government and trade bodies**

QUALITY ASSETS

The **estate of pub and brewing assets** we own and operate across the UK and the **sector leading brands** that reflect our rich heritage

HOW WE CREATE AND ADD VALUE

BRANDS

Grow sales through compelling brands

CULTURE

Transform our culture

PEOPLE

Invest in our people

DIGITAL

Leverage digital

OPERATIONAL EXCELLENCE

Operational excellence by managing cost inflation and building sustainable processes

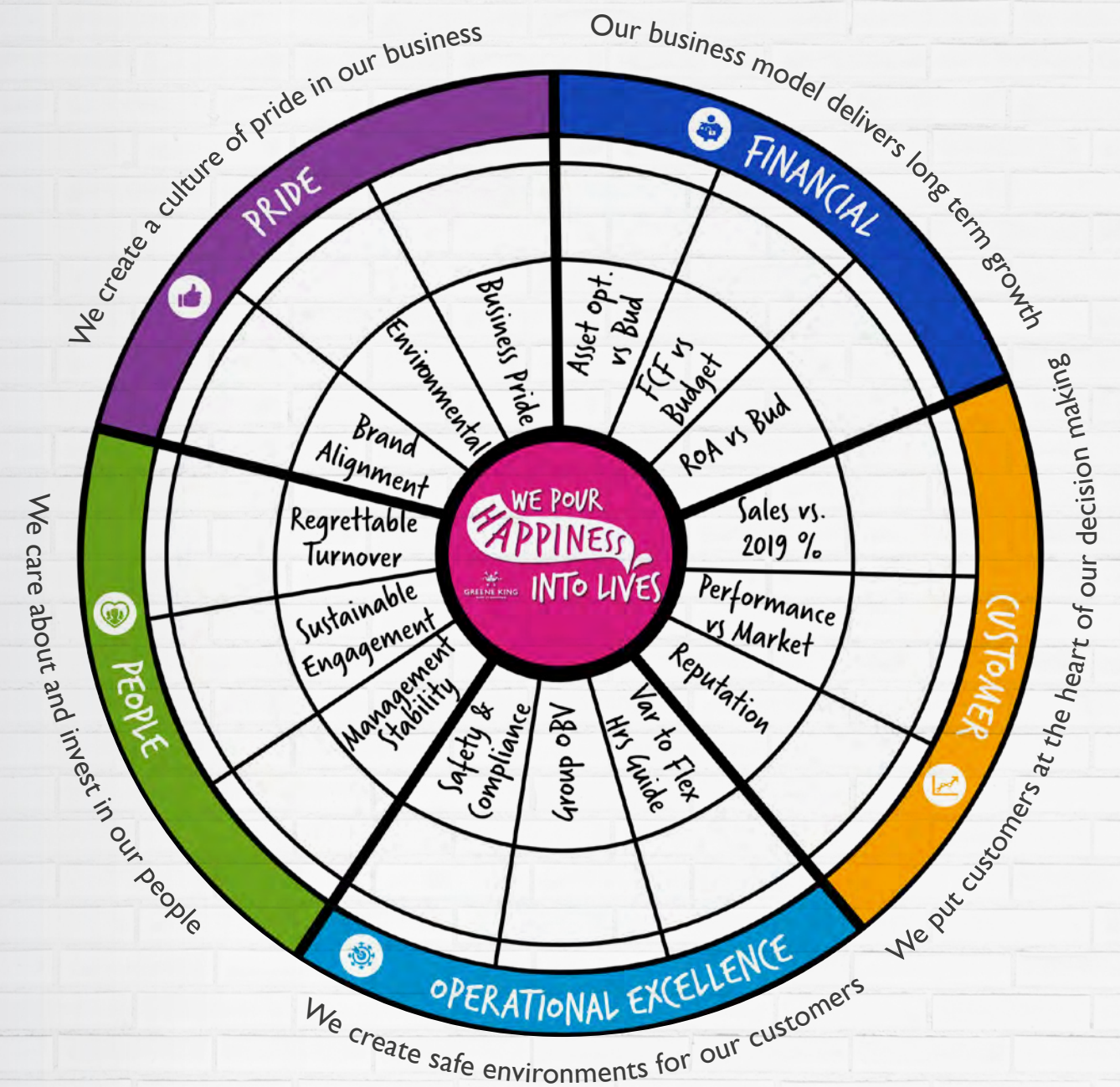
EXPAND

Expand through innovation and targeted acquisitions

ASSETS

Unlock value through making the most of our assets

HOW WE MEASURE OUR SUCCESS



Destination Food Brands



Andy Wilson, Managing Director,
Destination Food Brands

REVENUE

£527.1M

ADJUSTED
EBITDA

£67.4M

ADJUSTED
OPERATING
PROFIT

£20.9M

“

I AM REALLY PROUD OF OUR TEAMS, WHAT THEY ARE DOING AND HOW THEY EMBRACE OUR NEW CULTURE. WE HAVE WORKED HARD TO BE AT THE HEART OF EACH OF THE COMMUNITIES WE SERVE AND ARE PROUD TO HAVE RAISED OVER £1M FOR MACMILLAN.

”

Our Destination Food Brands consist of seven key brands and formats, and our focus is on running pubs to bring family and friends together for a broad range of food and drink occasions.

Grading our performance

Our revenue grew by 39.5% against the 2020 52-week proforma and increased +126.5% against the shorter financial reporting period of 2021.

However, our like-for-like (LFL) sales versus 2019 were marginally down for the periods that the pubs traded, broadly in line with the market (Coffer Peach). Excluding the final three weeks, when the Omicron variant impacted trading, our LFL sales for the second half of the year were slightly favourable compared with 2019. Despite all the closures, we are pleased we stayed profitable. Our adjusted operating profit was £20.9m an increase of £93.3m compared with the 52-week 2020 proforma adjusted operating loss.

Investing for the future

In 2021, we spent £4.9m on core development capital expenditure. Of this, £2.2m went on developing existing sites, £1.7m developed gardens to boost business during outdoor-only trading which were a tremendous success and forms part of this year's plan, and we spent £1.0m on transferring two sites from the Pub Partners business into Destination Food Brands. Excluding the transfers, 37 sites benefited from core capital expenditure this year.

During the year we opened a new site under the Chef & Brewer brand, the Riverside in Shrewsbury. More details are in the case study.

Satisfying our customers

Our teams faced lots of difficulties this year, including changes in trading restrictions, labour shortages and supply chain challenges. Despite everything, happily our customer satisfaction improved across the board. Our Reputation.com score improved by 18 points from the prior year and complaints per 1,000 covers ratio improved by 0.09. Our safety scores also improved with our average Environmental Health (EHO) rating at the year end at 4.86 out of a maximum of 5.0.

Engaging our people

We completed a full Engagement Survey in September. Overall, 11,739 team members took part and we were very happy that we scored 79% for sustainable engagement and 82% for business pride. Both scores are in line with the Greene King average.

Looking forward

The first three weeks of trading this year were negatively affected by the restrictions and advice from central and devolved governments and there will be continued challenges due to the Ukraine crisis. Nonetheless, we feel confident that our business is in a great place to bounce back early in 2022.



Case study:

Chef & Brewer, The Riverside Inn

Chef & Brewer is one of our most established brands, and this year we focused on refreshing and improving the offer to support its promise to be 'Britain's Most Welcoming Escape'. We wanted to reignite the fire behind this much-loved brand, to improve our customers' experience and enable it to fulfil its potential.

We felt the brand had got a little lost in the busy mid-market sector, so we created a fresher look. Our customer research prompted us to put greater emphasis on design, both inside and out, to improve our food and drink offer, and dial up our service to ensure our customers instantly feel at home, helping them to relax and appreciate the moment.

We launched this refreshed look at the newly acquired Riverside Inn near Shrewsbury. We want our customers to be able to escape their busy everyday lives by giving them the chance to relax either in the cosy interior or the beautiful garden with its external bar and stunning views.

Since opening in August 2021, the pub has consistently exceeded our expectations and we plan to reflect the newbrand template across our Chef & Brewer portfolio.



Local Pubs



Clair Preston-Beer,
Managing Director, Local Pubs

REVENUE	ADJUSTED EBITDA	ADJUSTED OPERATING PROFIT
£315.9M	£32.8M	£2.6M

“

THIS YEAR WE HAVE FOCUSED ON CREATING MORE OCCASIONS FOR CUSTOMERS TO STAY LOCAL – INVESTING IN OUR ENVIRONMENTS, MENUS AND TEAMS. OUR GARDEN INVESTMENTS HAVE BEEN A HUGE SUCCESS, CREATING SOME AMAZING OUTDOOR SPACES. THROUGHOUT 2021, OUR TEAM'S COMMITMENT TO THEIR LOCAL COMMUNITIES HAS BEEN INCREDIBLE.

”

Our Local Pubs lie at the heart of communities up and down the UK with c.600 pubs offering a unique place for customers.

The ambition of Local Pubs is to grow sales by keeping our existing customers, while also bringing new customers through our doors.



Improving our performance

Our revenue grew by +41.3% against the 2020 52-week proforma and increased +139.7% against the shorter financial reporting period of 2021, which suffered from more extensive lockdowns.

Compared with 2019, like-for-like (LFL) sales for trading pubs were down across the year. However, we traded ahead of the Coffer Peach market over the year on a trading pub LFL basis. We made an adjusted operating profit of £2.6m, which was +£60.3m ahead of the 52-week 2020 proforma adjusted operating loss.

Targeting fresh investment

We spent a total of £4.8m of core development capital expenditure on the estate this year, mostly on pub gardens. This reflected our customers' preferences during the pandemic and helped produce a strong increase in sales over the year. We also invested in our new concept developments – Pub & Social, Pub & Kitchen and Proper Locals.

Keeping customers happy

These have been really tough times, yet our customers are increasingly happy with what we are doing. Measured against 2020, our Reputation.com score increased by 86 points and our complaints per 1,000 covers ratio improved by 0.03.

In addition, our safety scores also improved with our average Environmental Health (EHO) rating at the year end at 4.83 out of a maximum of 5.0 for our environmental performance.

Engaging our people

We completed a full Engagement Survey in September, and we are delighted by what our colleagues said. Of the 7,985 team members taking part, our Sustainable Engagement result was 80%, 1% pt. better than the average across the wider Greene King group, whilst business pride was 82%, in line with the wider Greene King group.

Looking ahead

In the coming year, we will be focusing ever more on targeted occasions and our new customer capture. We will also be working hard to get ready for trading opportunities around the 2022 World Cup.



Case study:

Attracting new customers

We want to grow sales by keeping our existing customers while also bringing new pub customers through our doors. That is why we have spent the year studying the latest consumer trends. They helped us develop three distinct pub formats: Pub & Social, Pub & Kitchen and Proper Locals. Each one offers customers a more targeted food and drink service, so should appeal to customers today who expect more when they are eating and drinking in pubs.

To demonstrate the new formats, we invested a six-figure sum to re-invent three existing pubs.

- **Pub & Social:** We opened The Paul Pry in Rayleigh in October. It has distinct areas for different social and eating out occasions, a premium range of drinks and sharing foods, plus a weather-proof garden where customers can eat and drink.
- **Proper Locals:** In November, we re-opened The Nabb Inn in Hucknall. It is a new take on the classic community pub, with a bright, open and contemporary environment, a great value, high-quality classic menu and drinks range, and spaces to host community events.
- **Pub & Kitchen:** We then opened The Governors House in Cheadle Hulme in December. Its upgrade has given it distinct dining and drinking areas, 10 boutique-style hotel rooms and a restaurant-quality menu with signature specials and a home-style Sunday lunch.

We are thrilled to report that the plans are working. All three pubs are proving popular with a growing number of customers and sales up by a third, compared to 2019. Given these encouraging results, we will be developing new test sites of these formats in 2022, before rolling them out further over the next three years.



Premium, Urban and Venture



Karen Bosher, Managing Director,
Premium, Urban and Venture

REVENUE

£235.8M

ADJUSTED
EBITDA

£38.3M

ADJUSTED
OPERATING
PROFIT

£6.8M

“

IT WAS A GREAT YEAR AND I AM EXTREMELY PROUD OF THE TEAM AND GRATEFUL TO OUR SUPPORT CENTRE. EVERY BUSINESS MOVED FORWARD ON THEIR STRATEGIC OBJECTIVES DESPITE SIGNIFICANT CHALLENGES. I AM EXCITED FOR THE FUTURE WE CAN CREATE FOR OUR TEAMS, OUR CUSTOMERS AND FOR GREENE KING.

”

Our Premium, Urban and Venture division contains a collection of iconic pubs, which celebrate their unique identity and personality through our people, our product and our spirit.

The Premium and Urban estate includes a wide variety of different pubs, including historic buildings which have seen hundreds of patrons passing through their doors.

The Venture side of the division is driven primarily by Metropolitan Pub Company (Metro). There are over 60 pubs which are individual and unbranded, each embodying its own personality and character. We invested £2.3m through 2021 by continuing the growth strategy and refurbishing some core sites including garden trading space. The Fountain House in Manchester was acquired in the period and refurbished to trade as the first Metro pub in northern England.

Crafted Pubs is our new premium pub concept. It connects two key parts of our strategy, growth through compelling brands and asset optimisation. Crafted Pubs is designed to not just meet, but exceed those expectations. In 2021 we opened our first Crafted Pub, The Boat in Solihull. It has been a huge success, trading well above expectations and achieving record-breaking sales. More details are in the case study on page 19.

This year Urban pubs invested in three pubs in Cambridge as part of a new investment programme, Project DNA, and more information is in a case study on page 20. The division also invested significantly in a marketing campaign to support London's recovery from the pandemic, and a case study on page 7 provides more details.

Assessing our performance

Our revenue this year was up 49.2% compared to the 2020 52-week proforma and increased 181.7% against the shorter financial reporting period of 2021. Like-for-like (LFL) sales, measured for open sites only and against 2019 sales, were materially down. The central London estate was particularly hard hit by Covid restrictions. Our London estate recovery was supported by an innovative media investment programme which we will continue into 2022.

Spreading our investment

We invested a total of £7.0m in core development capital expenditure to take full advantage of the re-opening of the pub industry.

Pleasing our customers

Despite a very challenging year, we saw fantastic improvements in our guest metrics. Our Reputation.com scores improved by 82 points from the prior year, and complaints per 1,000 covers also improved by 0.02 in Premium and Urban.

Our safety scores also improved with our average Environmental Health (EHO) rating at the year end at 4.87 of out a maximum of 5.0.

Listening to our people

We conducted a full Engagement Survey in September, which involved 4,557 team members. We scored 79% for sustainable engagement, inline with the average across the wider Greene King group and 79% for business pride, 3% point lower than the average across the group.

Looking ahead

2022 is expected to see a continuation of our recovery from the pandemic and focus on key strategic areas. We will open our third Crafted Pubs site and further expand this premium format in the future. We are also expecting more and more customers to want a premium experience, so we are planning to expand our Metro estate to meet this demand.

While people are returning to offices, there is a bigger work from home culture. Combining that with international tourism not at pre pandemic levels, London has not bounced back to the same levels as the rest of the country. Therefore we are continuing to invest in marketing in London.



Premium Case study: Creating Crafted Pubs

Crafted Pubs is our new premium pub concept. It connects two key parts of our strategy – growth through compelling brands and asset optimisation – and sits within our Premium, Urban and Ventures division.

We launched the concept after listening carefully to customers, who told us what they want from a premium pub. As a result, Crafted Pubs is designed to not just meet, but exceed those expectations and increase sales. We want to give customers an industry-leading outdoor space and a winning combination of fantastic social pub food and gastro dining. We have considered every detail and customer touch point, from the food, drink, lighting and music down to the hand soap in the toilets.

In 2021 we opened our first Crafted Pub, The Boat in Solihull. It has been a huge success, trading well above expectations and achieving record-breaking sales. The local community's given the pub a warm welcome and it is now hosting lots of local activities and groups, local florist partnerships and mums' clubs, which all increase footfall, awareness and spend. On the back of The Boat's success, we plan to open four new Crafted Pubs in 2022.





Urban Case study: Project DNA

This year, Urban Pubs invested in three high street pubs in Cambridge as part of 'Project DNA', a new investment programme. This benefits from a full team effort from across the business and identifies the genetic make-up and key components that drive sales and make a pub perform really well. Like 'cracking the code', we are trying to optimise our pubs and make them 'Best in Class'.

The Prince Regent, The Bath House and The Grain & Hop Store pubs all benefited from the multi-million-pound refurbishment package. They now offer bespoke, modern interiors and serve premium food and drink. They are designed to be a blueprint for growth and asset optimisation in further Urban sites.

Since opening in 2021, all three have enjoyed above-target trading weeks, they are growing share in urban spaces and their reputational scores, based on online reviews across different platforms, have been outstanding. Meanwhile, we are continuing Project DNA, using customer feedback and focus groups to constantly refine an outstanding pub offering ahead of further expansion.



Venture Case study: The Chesterfield Arms

As part of our strategy pillar to optimise our assets, we moved the Chesterfield Arms in Mayfair from Premium and Urban into Metro during the year. It was one of Metro's first major projects following the easing of Covid restrictions and now sits in its Gastro segment, which is innovative, modern and rooted in pub-charm. We invested £150,000 in the site before it reopened in August 2021, with vast improvements to the kitchen, bar set up, furniture and layout.

The pub is steeped in history and has been a pub since 1737. It was originally known as The Chesterfield Arms until 1938 when it was renamed the Shephard's Tavern. The team at Metro returned it to its roots and reinstated its former name, The Chesterfield Arms.

The team combines the best of British cuisine and hospitality with a curated selection of draughts and wines full of personality. Seasonal food and drink flavours allow the chef to have the freedom to explore and create new and engaging pub experiences.

As the pub is located in Mayfair, London, like much of hospitality in that area it had challenges with footfall following Covid, as a result of reduced tourism and workers. However, we are pleased that it traded above its budget and vs 2019 and we look forward to increasingly improved trading in 2022.



Pub Partners



Wayne Shurvinton,
Managing Director, Pub Partners

REVENUE	ADJUSTED EBITDA	ADJUSTED OPERATING PROFIT
£109.6M	£46.7M	£35.1M

“

LOOKING BACK AT LAST YEAR, WE ARE PROUD OF THE SIGNIFICANT FINANCIAL AND EMOTIONAL SUPPORT WE PUT IN PLACE TO SUPPORT OUR PARTNERS THROUGH COVID, AND THIS WAS RECOGNISED EXTERNALLY WITH PUB PARTNERS WINNING THE BEST LEASED AND TENANTED PUB COMPANY IN THE UK AT THE PUBLICAN AWARDS.

”

Pub Partners runs a high-quality portfolio of 1,002 tenanted, leased and franchise pubs, generating significant and stable cash flow for the group.

During Covid, our guiding principles were to avoid business failures, support our partners and come out as the strongest in the sector. Importantly, our close relationships with our tenants meant we could give them the right kind of support. We feel proud that these actions enabled our tenants to survive, and then recover and rebuild. By working together, we have come out stronger, as shown by lower partner surrenders and fewer recruiting pubs than in 2019.

Providing financial support

Covid meant that all our pubs were closed for most of the first half of the year. During this time, we supported our tenants financially through a 90% rent concession. Once pubs could re-open with restrictions, we kept on supporting our partners with a 40% concession. This support continued until mid-July, when all trading restrictions were removed.

Offering help and advice

We provided our partners with survival and recovery initiatives, including beer returns, free personal protective equipment (PPE)/ screens, point of sale, 24 hour advice, free British Institute of Innkeeping membership, and our new Wellbeing and Recovery Hubs. Overall, this financial support in 2021 was worth c.£18m, mainly through rent concessions, and came on top of the £26m we provided in the prior year.

Tracking our performance

As a result of the pandemic, trade was very much weighted towards the second half of the year. Total revenue in the year was £109.6m, with c.70% of this delivered in the second half.

Investing with impact

Investing in our estate is a critical part of our strategy and we continued doing so in 2021. Overall, we invested £11.5m of total capital expenditure in our estate and our partners. Of this, £6.4m was development capital that we invested to drive income growth across 120 pubs. Despite really tough trading conditions, our capital investment continued to deliver a strong return.

Our partners and our people

Once again, both our internal teams and our partners gave us some brilliant feedback. Over 90% of our tenants have stayed in their pub during 2021, the Licensee Index shows that they are the most positive about the future in the sector, and average tenant tenure has increased to six years 10 months.

Our team is extremely dedicated and we received high engagement levels from those that took part in our Engagement Survey. We scored 91% for sustainable engagement and our business pride score was 94%, both 12% points better than the Greene King average.

Responsibility and recognition

We are governed by the Pubs Code and take our responsibilities seriously. We held a Code Compliance Officer Meet & Greet session for tenants with the Pub Code Adjudicator, Fiona Dickie. The Licensee Index confirmed the level of awareness of the Pubs Code was the highest amongst our tenants versus the other regulated pub companies.

Case study: Hive Pubs

During 2021, we launched a new pub franchise concept, Hive Pubs. This is a branded community pub model, operated by franchisees who have local knowledge and experience of running a pub. It lets them bring their individual know-how to the Hive pub to deliver the best customer experience.

We set up the pub and are liable for the property. We pay running costs, such as stock and supplies, marketing, training and ongoing support. Our research and insight means that every Hive pub has an innovative range of drinks, a food menu with quality pub classics, year-round outdoor spaces, and regular entertainment from live sport to quizzes, music and events.

We are also building an online platform where franchisees can connect to each other and share ideas.

We will be investing up to £300,000 in each Hive Pub. Alongside this investment each pub will operate with best-in-class systems and processes so that we can deliver a consistently superior level of service.

Besides Hive, our branded concept, we currently have our unbranded Pub Franchise agreement and, over the next five years, we intend to grow our franchise estate to more than 100 sites.



HIVE PUBS
BY GREENE KING

Brewing & Brands



Matt Starbuck, Managing Director,
Brewing & Brands



“

WE ARE PROUD TO HAVE SUPPORTED OUR CUSTOMERS OVER THE LAST YEAR WITH A DETERMINED FOCUS TO MAINTAIN SUPPLY INTO THE OFF TRADE AND HELP OUR ON TRADE CUSTOMERS QUICKLY RECOVER FROM THE RESTRICTIONS OF COVID.

”

Brewing & Brands brews, sells and distributes a wide range of market leading beers, including Greene King IPA, Old Speckled Hen, Abbot Ale, Ice Breaker and Belhaven Best, from our two breweries in Bury St Edmunds and Dunbar.

Monitoring our performance

Revenue was £153.2m, up 33.1% against the 52-week 2020 proforma. It was a very challenging year in on trade against a backdrop of lockdowns and social restrictions, as well as a quiet Christmas trade. The free trade market, where we are strongest, suffered the most, with the managed, tenanted and leased sectors performing stronger as we have come out of lockdowns. However, the off trade remained buoyant as shoppers switched out of pub into home drinking, allowing us to outperform the market in 2021.

Investing in fundamentals

Although trading was challenged, we increased our capital expenditure. Investment in our breweries, packing lines and supply chain improved our operating standards. This investment allowed us to continuously improve, most notably in beer quality and new technology to enable the brewing of modern beer styles. Our investment in distribution was vital against the anticipated need to protect service levels.

Coping with challenges

Higher costs of logistics and materials – most notably malt, glass, cans, sugar and CO2 – put our supply chains under pressure in the second half of the year. Our focus to mitigate some of these issues meant we kept disruption to a minimum. Despite the shortages of HGV drivers and warehousing operatives often caused by Covid infections and self-isolation, we put in place effective mitigation plans. A combination of our own fleet complemented with third party operations provided an amazing level of support to protect our customers from the worst effects of product shortages. It has been a challenging year for drinks deliveries, having to contend with significant variations in order profiles due to various lockdowns and regional Covid restrictions. Supply issues resulting from staff availability, retention and sickness were overcome with a combined effort of our Greene King depots and our third-party logistics partners, both of whom provided excellent support to the Scottish Central belt.

Nurturing our brands

In the off trade, we achieved higher growth than any other major brewer. Our moving annual total value market share grew 0.7ppts to 16.6%, maintaining our position as the UK's third-largest brewer. We are delighted that Old Speckled Hen kept its top spot in off trade traditional ale brands, maintaining its leading volume share throughout 2021.

In the on trade, we continued to drive share in the independent free trade and managed pub sectors. Greene King IPA remains the number two cask brand (number one in free trade), and Abbot Ale remains one of the nation's favourite premium cask ale brands.

The continued strategic rebalancing of our beer portfolio to suit modern tastes led to higher sales for Ice Breaker, which we explore in the case study in this section.

Engaging our people

We completed a full Engagement Survey in September. Overall, 564 people took part, and gave us a 69% sustainable engagement score, 10% points lower than the average across the Greene King group, and 79% business pride measure, 3% points lower than the average Greene King figure.

Looking ahead

For on trade, more normal trading will let us recover our position for our core own brewed volume cask ale brands; in the off trade, we want to keep our market share gains. Our primary focus areas for the year ahead is the modernisation of our beer portfolio and investing in our brewing and supply chain infrastructure. Finally, we are planning to invest over £2m in 2022 into 'Proud to Pitch', led by Greene King IPA. It is our community engagement initiative that raises funds for grassroots sports clubs across the UK.



Case study: Abbot Ale rebrand

In 2021, we completely rebranded Abbot Ale, one of the UK's most popular premium ales amongst cask ale drinkers and supermarket shoppers alike. It is part of our strategy to grow sales through compelling brands.

Our challenge was to ensure that we were able to refresh the image of this famous brand and invite new drinkers to consider trialling without disenfranchising our millions of loyal customers. We therefore took the time to consult with drinkers and get beneath the skin of why this brand means so much to them. The resulting design was a balance between a more contemporary image with clear links to its heritage. The mitre-shaped pump badge really does stand out on the bar and makes the most of the history of this wonderful brand.

We supported this refresh with close to half a million pounds worth of investment into a marketing and PR campaign, including trade media and promoted social media posts. We introduced our new look to customers through our 'Abbot Mobile', which is touring our pubs in 2022, and through our 'Relax with An Abbot' campaign, promoted by the sports and TV presenter, Jeff Stelling. We are thrilled with the positive reception we have received from publicans and customers – and want to be clear that we have not changed the ale itself in any way, so it is just as delicious as ever.



Case study: Ice Breaker

A modern craft style of unfiltered pale ale, Ice Breaker, continues to go from strength to strength. This year we invested over £1.5m into the brand which was originally created by our apprentice brewers. The investment has been focused on driving trial and awareness of this rapidly growing drinker favourite in and around key off trade outlets and has resulted in Ice Breaker now being sold in over 2,000 Greene King pubs and free trade outlets.

Highlights of the marketing campaign included major sampling initiatives in both the on and off trade, new bespoke on trade glassware, fonts and tap handles, 'Summer Takeovers' at the famous Anchor Bankside pub in London, and a strong social media presence throughout the year.

With this significant distribution now secured for Ice Breaker, 2022 will be a landmark year for the brand as it launches its first advertising campaign and becomes available for purchase in further major supermarkets, with agreements already in place for launches across the summer.



Greene King For Good



Assad Malic, Chief Communications and Sustainability Officer



“

WE FEEL WE CAN HAVE A REAL AND POSITIVE IMPACT ON THE COMMUNITIES AND ENVIRONMENT AROUND US. UNDER OUR CORE VALUE OF 'WE CARE', WE ARE COMMITTED TO MAKING A DIFFERENCE THROUGH OUR ENVIRONMENTAL SOCIAL GOVERNANCE PROGRAMME, GREENE KING FOR GOOD.

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OUR IMPACT

As Britain's leading pub company and brewer, we want to be the pride of British hospitality. Our goal is much more than simply delivering fantastic customer experiences and serving award-winning beers. It is about Greene King being a positive force for good and having a social purpose that threads through every part of our business.

We are committed to driving social and environmental change and promoting inclusion and diversity within our business, through our partnerships and in the communities we serve.

Our Environmental Social Governance (ESG) strategy, Greene King for Good, has three core pillars:

- **Our environment:** caring for our planet
- **Our communities:** being a good neighbour
- **Our people:** creating life opportunities for all through innovative social mobility programmes

OUR ENVIRONMENT - CARING FOR OUR PLANET

It has long been very important to us that we operate sustainably and minimise our environmental impact. We have implemented several key environmental initiatives, such as introducing reverse logistic recycling across our managed pubs, and in 2020 we achieved the Carbon Trust's 'Zero Waste to Landfill' standard.

We are founder members of the Zero Carbon Forum, a forum of hospitality and brewing businesses who work together to reach carbon net zero. We are committed to achieving sector-wide change and were the first pub company to work with 'Too Good to Go', the surplus food app.

In January 2021 we piloted 'Tub2Pub', our new recycling scheme where customers can drop off empty Christmas sweet and biscuit tubs at their local Greene King pub for plastic reprocessing. It was really successful!

All the money raised from Tub2Pub has gone to Macmillan Cancer Support, our national charity partner and we are extending the scheme across our managed pubs in 2022.

For Greene King, 2021 has been a year of discovery. We began mapping our carbon footprint to 1.5°, in line with the Greenhouse Gas (GHG) protocol and the Science Based Target Initiative (SBTI). This complex, business-wide project will enable us to identify and publish our carbon reduction targets in 2022. After the discoveries of 2021, 2022 will be about establishing the solid foundations and framework needed for us to begin this journey.

Case study: From reverse logistics recycling to zero waste to landfill

We introduced our first logistics recycling scheme in 2010. This cut our environmental impact by recycling packaging and waste across our managed pubs. In 2019, we upgraded our reverse logistics model to increase efficiency and improve recycling quality, quantity and waste. We began by removing all single-use packaging from our estate and focusing entirely on re-use and recycle. We now collate plastic produce packaging trays centrally before the supplier collects them for reuse. Furthermore, all of our pubs, hotels and restaurants now return all recycling by our dedicated food distribution network.

This includes food, used cooking oil, plastic, metals, card and paper. We are working with our waste management partner, SWRNewstar, on further improvements.

Finally, we have invested lots in our pub resources and training to help our pub teams recycle even more. We can now see everything we recycle and we have developed a team culture of caring for the environment. In 2020, this work helped us become the first pub company to achieve the Carbon Trust's certified 'Zero Waste to Landfill' standard.





OUR COMMUNITIES - BEING A GOOD NEIGHBOUR

Our pubs, breweries, depots and offices support our communities in two ways:

- We support people living with cancer through our national charity partnership with Macmillan Cancer Support
- We help people fight loneliness through our No One Alone programme, which brings communities together.

Despite the impact of Covid restrictions on pub trading, 2021 was a record breaking year for our partnership with Macmillan Cancer Support. Teams across Greene King took part in lots of fundraising events and raised £2.2 million – that is our biggest total since the partnership began in 2012!

No One Alone

Covid restrictions on social interaction also made it tricky for our pubs to promote No One Alone this year. Its events use local pubs' naturally welcoming and inclusive atmosphere to bring people together. On Christmas Day 2021 Greene King launched a Christmas Day community table pilot scheme, which we are extending across the business in 2022. We are really proud about how enthusiastically our team members have embraced the Greene King value 'We Care' – they have put it into action and supported their local communities day in, day out.

Helping team members

We have also been helping our own people during these tough times. In January 2021 we launched our second Team Member Support Fund. Managed by the Licensed Trade Charity, it helps team members facing financial hardship during the pandemic. The fund donated £500,000, which partly came from voluntary salary sacrifices by the executive board and Leadership team. Overall, across both funds, we have donated over £1.1 million.

Other great causes

Besides our own schemes, we are still supporting industry initiatives. 'Pub is The Hub' provides free advice to licensees, communities and local authorities. 'Only a Pavement Away' helps homeless people off the streets and into careers in hospitality, and Pub Aid highlights how pubs are a force for good. We have also continuing to help charities close to our support centre communities in Bury St Edmunds and Burton on Trent, including Bury in Bloom, Abbey 1000 and Bury St Edmunds for Black Lives.



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DESPITE THE IMPACT OF COVID RESTRICTIONS ON PUB TRADING, 2021 WAS A RECORD BREAKING YEAR FOR OUR PARTNERSHIP WITH MACMILLAN CANCER SUPPORT.

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Case study: Greene King becomes number one corporate fundraising partner for Macmillan Cancer Support

We launched our national charity partnership with Macmillan Cancer Support in 2012. What a success it's been!

In 2021, we were the top corporate fundraising partner for Macmillan Cancer Support. Donations were seriously affected by Covid so we called our teams into action and they stepped up.

Macmillan Cancer Support was named the official charity partner of the 2021 Virgin London Marathon. We supported them by raising money and awareness and by providing charity runners and friends with official locations to celebrate their achievements.

Two executive board members, Wayne Shurvinton and Andy Wilson, volunteered to become VIP runners for Macmillan, supported by many other Greene King team members who also ran. Pubs near the route became official Macmillan cheer stations and fuel stops, and we held pre- and post-marathon events in pubs across England, Scotland and Wales.

Finally, Andy Wilson, our Managing Director of Destination Food Brands, was awarded an MBE in the Queen's New Year's Honours for services to business and charity during Covid. What a wonderful way to start the celebration of our 10 year partnership with Macmillan Cancer Support in 2022!



OUR PEOPLE - CREATING LIFE OPPORTUNITIES FOR ALL THROUGH INNOVATIVE SOCIAL MOBILITY PROGRAMMES

We believe that everyone has a right to great career opportunities. Our 'Stepping Up' report challenged the barriers of social mobility and reinforced our commitment to create the best opportunities in the hospitality sector for individuals from all backgrounds.

Our award-winning social mobility programmes support:

- **Apprenticeship opportunities for all.** We offer over 30 different apprenticeships, ranging from front- and back-of-house to finance and accounting, project management and coaching. In 2021, 920 team members started apprenticeships and 740 completed them. We start 2022 with 1,400 team members learning through apprenticeships.
- **Young people from disadvantaged backgrounds into employment through our partnership with The Prince's Trust.** We have pledged to create 1,000 job opportunities for young people over the next five years. Of these, we want 40% to be from Black, Asian, and minority ethnic backgrounds in support of our manifesto, 'Calling Time on Racism'. Moving into 2022, we have an ambitious plan of training programmes with The Prince's Trust.

- **Ex-offenders and people experiencing homelessness into fulfilling careers through our Releasing Potential programme.** We launched this in 2018 and work with the Ministry of Justice, Only a Pavement Away, New Futures Network and Novus. By the end of 2021, 89 team members had joined Greene King through this programme, of whom 42 joined during the year.
- **People with learning disabilities or difficulties into work through our Supported Internships programme.** In 2020, we launched our first programme in partnership with Landmarks College; in 2021 we expanded our programme partnership with Mencap to provide work experience and job opportunities to young people. This year, 39 young people joined the Greene King family through our Supported Internships programme.



Case study: Releasing Potential programme goes from strength to strength

When we launched 'Releasing Potential', our social mobility programme to support ex-offenders into employment, we could never have imagined how quickly it would expand. We now work with 39 prisons across England and Wales, despite restrictions imposed on prison recruitment during the pandemic.

Ian joined us through the 'Released on Temporary Licence' scheme, available to prisoners completing a sentence in an open prison. He could work at the pub during the day before returning to custody at the end of each shift. He joined as a kitchen porter and very quickly moved to a line chef role. Living close to the pub when he was released, he progressed to a Team Leader role before being appointed acting Assistant Manager. Ian said: "From my own personal experience, one of the most beneficial things I found about the Releasing Potential programme was the opportunity to get rid of the stigma in my own mind about being an ex-offender and the possibilities of getting back into the community," Ian says. "The building of self-esteem to know that you can succeed and can be a normal member of society – it's one of the most important things I've found."

Another team member who joined through the scheme added: "When I was sat in jail, I wondered what I was going to do out there, no one was going to see any potential in me. Greene King came in and gave me an opportunity. They didn't look at what I had done, but what I can do now."

A general manager who works with a team member who joined via the programme said "One of the benefits is that the person joining the team wants to be there, they want to learn, they want to change, they are invested in their job role. When hired, the candidate was invested; she's worked her way up, becoming a front-of-house member to pub leadership team and is continuing to take training to further her career in the business. She manages my TAP training portal helping develop other team members and has supported my business development manager by sharing her story and engaging other general managers to consider similar recruitment route."

In 2022 Greene King will be extending the programme thanks to a new partnership with the Scottish Prison Service.

INCLUSION AND DIVERSITY

We are absolutely committed to creating an inclusive environment for all our team members; giving everyone the opportunity to have a fair and equal chance to fulfil their potential; and creating a welcoming environment for all our customers. During 2021 we continued our journey towards everyday inclusion where everyone feels welcome, can thrive and truly belong. We have also signed up to external commitments including the Valuable 500 and 'If Not Now, When?'

In 2021, we published our race manifesto, 'Calling Time on Racism'. It sets out our ambition to embrace and value our Black, Asian and minority ethnic colleagues and the wider community; to increase their representation within the hospitality sector; and to become a leading and truly anti-racist organisation.

We also launched several initiatives outlined in our race manifesto. They include a new reverse mentoring programme where 11 members of our Black, Asian and minority ethnic community mentor our executive team. We took part in National Inclusion Week and joined Inclusive Employers. We also asked our employee-led inclusion groups to drive an inclusion calendar of activities – spotlight months included Pride Month and Black History Month. We teamed up with the International Slavery Museum and Slave Free Alliance to use training resources and webinars to educate our team members on the history and modern-day reality of slavery. Our recruitment teams also began developing plans to make our recruiting practices more inclusive.



OUR RESPONSIBILITY

Modern Slavery

Providing good and safe work is a priority at Greene King. In 2021 we worked with our charity consultants Slave Free Alliance to complete a full modern slavery gap analysis of our business. Their recommendations will underpin our action plan in 2022 to further minimise the risk of modern slavery in our business or supply chain.

Responsible Retailing

Our responsible drinking scheme, 'Enjoy Responsibly', gives customers advice in our pubs and on our website. It shares government guidance, tips on responsible drinking and outlines how we are responsible retailers. As a minimum, we also follow the 'Challenge 21' or 'Challenge 25' schemes in our pubs and at our tills to remind team members behind the bar to check customers' ages. Every new bar team member must complete our training before they can serve alcohol so that they understand their legal responsibilities and obligations, as well as the impact of alcohol on children.

In addition, we operate the 'Ask for Angela' scheme across our managed pub estate. This trains our team members to help customers if they find themselves in vulnerable situations.

Animal Welfare

We have a robust animal welfare policy which covers all meat, poultry and fish, regardless of country of origin. All our suppliers must comply with EU and UK animal welfare legislation. This includes adhering to the Five Freedoms and following, as a minimum, sustainable fishing and statutory livestock codes of practice (including specific animal welfare standards for each species).

Antibiotics and Pharmaceutical Usage

We do not permit the routine prophylactic use of antibiotics and pharmaceuticals across any species supplied to Greene King.

Allergens and gluten

We provide full allergen information in all our pubs, restaurants and hotels so that our customers can make informed meal choices according to diet and preferences. We are proud of our expanding non-gluten and vegan range and our teams all have allergens training.

Healthy eating

We want to serve great-tasting, quality food and to give customers a wide range of menu options that support a healthy, balanced diet. Many of our menus now offer at least ten dishes under 500 calories. Our children's menus offer fresh fruit, salad and fresh vegetables, in line with the government's five-a-day recommendation. We have also signed up to eight pledges in the Government's Public Health Responsibility Deal.



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IN 2021, WE PUBLISHED OUR RACE MANIFESTO, 'CALLING TIME ON RACISM'. IT SETS OUT OUR AMBITION TO EMBRACE AND VALUE OUR BLACK, ASIAN AND MINORITY ETHNIC TEAM MEMBERS AND THE WIDER COMMUNITY; TO INCREASE THEIR REPRESENTATION WITHIN THE HOSPITALITY SECTOR; AND TO BECOME A LEADING AND TRULY ANTI-RACIST ORGANISATION.

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Financial Review



Richard Smothers, Chief Financial Officer

THE GROUP RECOVERED STRONGLY DURING THE YEAR, GENERATING AN £18.6M ADJUSTED OPERATING PROFIT AND FREE CASH FLOW OF £7.2M WHILST INCREASING INVESTMENT IN DEVELOPMENT AND EXPANSIONARY CAPITAL.

	Statutory			Adjusted		
	52 weeks ended 2 January 2022	36 weeks ended 3 January 2021	Proforma 52 weeks ended 3 January 2021	52 weeks ended 2 January 2022	36 weeks ended 3 January 2021	Proforma 52 weeks ended 3 January 2021
	£m	£m	£m	£m	£m	£m
Revenue	1,341.6	562.1	947.4	1,341.6	562.1	947.4
Operating (loss)/profit	63.8	(149.3)	(433.0)	18.6	(185.8)	(186.9)
Net finance costs	(134.2)	(99.3)	(184.2)	(132.4)	(93.7)	(137.0)
(Loss)/profit before tax	(70.4)	(248.6)	(617.2)	(113.8)	(279.5)	(323.9)

Revenue was £1,341.6m, an increase of 138.7% compared to the 36 weeks ending 3 January 2021 (52-week proforma: up 41.6%), with increases in all five revenue generating segments due to increased levels of trading in the period as a result of fewer restrictions. Destination Food Brands revenue was up 126.5% (52-week proforma: up 39.5%) to £527.1m, Local Pubs revenue was up 139.7% (52-week proforma: up 41.3%) to £315.9m, and Premium, Urban and Venture revenue was up 181.7% (52-week proforma: up 49.2%) to £235.8m. Pub Partners revenue was £109.6m, up 168.6% (52-week proforma: up 50.3%). Brewing & Brands revenue increased 109.6% (52-week proforma: up 33.1%) to £153.2m.

Group adjusted operating profit/(loss) by segment

	52 weeks ended 2 January 2022	36 weeks ended 3 January 2021	change from F20SY	Proforma 52 weeks ended 3 January 2021	YOY Change
	£m	£m	%	£m	%
Destination Food Brands	20.9	(62.3)	133.5	(72.4)	128.9
Local Pubs	2.6	(54.3)	104.8	(57.7)	104.5
Premium, Urban and Venture	6.8	(42.0)	116.2	(39.6)	117.2
Pub Partners	35.1	0.9	3,800.0	13.1	167.9
Brewing & Brands	0.9	(18.1)	105.0	(20.2)	104.5
Corporate	(47.7)	(10.0)	(377.0)	(10.1)	(372.3)
Group adjusted operating profit (loss)	18.6	(185.8)	110.0	(186.9)	110.0

Net finance costs before adjusting items were up 41.3% to £132.4m, which decreased 3.4% compared to the 52-week proforma primarily due to a reduction in lease interest costs following the acquisition of several freehold reversions. Loss before tax and adjusting items was £113.8m, which is materially improved versus the loss before tax, adjusting items of £279.5m for the 36 weeks ending 3 January 2021 (52-week proforma: £323.9m loss). A statutory loss before tax of £70.4m was incurred (36 weeks ended 3 January ("2021"): £248.6m loss), after net impairment reversals of £8.2m (2021: £30.1m), a credit in respect of VAT on gaming machines including interest of £33.4m (2021: £7.0m credit) and a credit of £5.4m in relation to Covid (2021: £8.7m credit). Corporate adjusted operating loss increased £37.7m to £47.7m compared to the 36 weeks ended 3 January 2021 primarily due to increased investment in central functions as well as an increase in net payroll costs as a result of fewer corporate employees being furloughed in the current period.

Tax

The effective rate of corporation tax (before adjusting items) of 19.0% (2021: 19.3%) is in line with the UK corporation tax rate of 19.0%. Adjustments to the rate include non-deductible interest under UK Transfer Pricing rules (-3.8%), the effect of accelerated Capital Allowances (+1.4%) and non-adjusting accounting movements on Property, Plant & Equipment (+2.4%). This resulted in a tax credit against operating profits (before adjusting items) of £55.5m (2021: £53.8m credit). The adjusting tax charge of £16.9m (2021: £74.9m charge) is discussed under adjusting items.

The group generates revenue, profits and employment that deliver substantial tax revenues for the UK government in the form of VAT, duties, income tax and corporation tax. In the year, total tax revenues paid and collected by the group were c.£298m (2021: c.£152m). The decrease in tax liability in the year was driven by reductions in duty and VAT liabilities as a result of the impact of Covid. The group's tax policy, which has been approved by the group's board committee and which will be subject to regular review by the board of directors of the group, has the objective of ensuring that the group fulfils its obligations as a responsible UK taxpayer.

Adjusting Items

Adjusting items was a credit of £26.5m (2021: £43.7m charge), consisting of a £45.2m credit (2021: £36.5m credit) to operating profit, a £1.8m (2021: £5.6m) charge to finance costs and a net adjusting tax charge of £16.9m (2021: £74.6m). Material items recognised in the year included the following:

- During the period to 2 January 2022 the group has recognised a net impairment reversal of £8.2m (2021: £30.1m), comprising £8.2m (2021: £30.4m) net reversal in relation to property, plant & equipment, and right-of-use asset and £nil (2021: £0.3m charge) on other financial assets.
- A credit of £5.4m (2021: £8.7m credit) in relation to Covid. This includes a charge of £0.9m (2021: £5.1m charge) in respect of stock write-offs or provisions, a net credit of £5.0m (2021: £19.3m) on bad debt provisions on both free trade loans as well as trade debt, a net £2.1m credit (2021: £5.5m charge) of direct one-off items directly attributable to the forced closure and reopening of pubs and a £0.8m charge (2021: £nil) in respect of costs incurred in obtaining certain waivers from its bondholders.
- The group previously paid c.£30m of disputed VAT to HMRC in relation to gaming machines post 2005 claims. Due to the strength of the ruling from the First Tier Tribunal regarding this case and HMRC's decision not to appeal the group considers the £29.2m recoverable (2021: £7.0m relating to the pre 2005 claims). This has been recognised as income in the period along with associated interest of £4.2m relating to the pre and post 2005 claims.
- The £1.8m charge for adjusting finance costs included a £7.3m charge (2021: £5.6m charge) recycled from the hedging reserve in respect of settled interest rate swap liabilities, £4.2m income (2021: £nil) in respect of interest on indirect tax claims (see above) and £1.3m gain (2021: £nil) in respect of market-to market movements in the fair value of interest rate swaps not qualifying for hedge accounting.
- The adjusting tax credit of £16.9m (2021: £74.6m) is primarily in respect of an increase to the deferred tax asset recognised on the Corporate Interest Restriction of £37.2m offset by a one-off adjustment to increase the net deferred tax liability following the recognition of deferred tax balances at the enacted Corporation Tax rate of 25% of £18.0m.



Cashflow and Capital Structure

	52 weeks ended 2 January 2022 £m	36 weeks ended 3 January 2021 £m
EBITDA	156.3	(77.5)
Working capital and other movements	89.3	(61.7)
Net interest paid	(102.7)	(67.4)
Tax (paid)/received	(0.2)	10.4
Adjusted cash generated/(used) from operations	142.7	(196.2)
Core capital expenditure	(68.0)	(36.9)
Net repayment of trade loans/ Other non-cash movements	2.8	1.1
Repayment of lease liabilities	(70.3)	(21.3)
Free cash flow	7.2	(253.3)
Net disposal proceeds	0.6	7.7
New build capital expenditure & freehold purchase	(114.7)	(389.1)
Adjusting items	(8.0)	(11.6)
Advance of borrowings	63.9	771.4
Net (decrease)/increase in cash and cash equivalents	(51.0)	125.1

The group has historically been highly cash generative, but the adverse impact of Covid on both trading and working capital flows has been unprecedented. The group continued its cash conservation measures during the first half of the year so the group was in a strong financial position to bounce back when pubs re-opened. The full year cash inflow from operations was £142.7m (2021: outflow £196.2m) demonstrating the group's recovery in the second half of the year when the pubs were predominantly trading throughout the period. Overall the cash outflow for the period was £51.0m (2021: inflow £125.1m) predominantly due to investment in capital expenditure of £182.7m (2021: £426.0m), rent payments of £70.3m (2021: £21.3m) including £28.0m relating to amounts due at 3 January 2021 offset by a net advance of borrowings of £63.9m (2021: £771.4m).

Core capital expenditure was limited to that of a maintenance nature, investment in some development of outside space in managed sites and investment in digital transformation projects. No dividend has been proposed or paid. Net disposal proceeds of £0.6m were generated from 12 non-core pubs. The group purchased the freehold of 30 sites that were previously leased via a company share acquisition for £95.4m consideration. In addition, £19.3m was spent on four single site acquisitions and the freehold reversion of three further sites, including subsequent development spend on these sites.

In order to support the long-term strategic priorities, the group's objective is to maximise the strength and flexibility of its balance sheet, and to maintain a capital structure which meets the short, medium, and long-term funding requirements of the business. The principal elements of the group's capital structure are its £600m bank facilities, which were £300m drawn at the year end, £1,500m revolving loan facility with CKA Holdings UK Limited, which was £1,376m drawn at the year end, and two long-term asset-backed financing vehicles. In April 2022 the revolving loan facility with CKA Holdings UK Limited was extended to November 2024.

At the year end, the Greene King securitisation had secured bonds with a group carrying value of £1,314.6m (2021: £1,360.5m) and an average life of eight years (2021: eight years), secured against 1,481 pubs (2021: 1,485 pubs) with a group property, plant & equipment carrying value of £1,945.7m (2021: £1,953.1m). The Spirit debenture had secured bonds with a carrying value of £99.5m (2021: £99.8m) and an average life of nine years (2021: ten years), secured against 518 pubs (2021: 530 pubs) with a group property, plant & equipment carrying value of £461.2m (2021: £462.2m).

During the period the Greene King securitisation breached its FCF DSCR covenant, resulting in a borrower-level event of default. In May 2021 the group obtained a bondholder waiver in relation to breaches of the four quarter lookback FCF DSCR covenant for the five quarters ending April 2021 through April 2022 and the two quarter lookback FCF DSCR covenant for the three quarters ending April 2021 through to October 2021. As a consequence of the Covid pandemic, in the prior period the Spirit debenture breached its Free Cash Flow Debt Service Coverage Ratio (FCF DSCR) covenants, resulting in multiple borrower-level events of default. In August 2020 the group sought, but failed to obtain, a bondholder waiver in respect of certain of these events of default, and in light of the failure to obtain that initial waiver the group has not sought further waivers in respect of subsequent covenant breaches. As a result, the Spirit debenture remained in a state of technical default at the year-end. We consider the risk of enforcement to be very low, but we maintain sufficient headroom under our loan facilities to fund the repayment of the outstanding debt should the bondholders seek to enforce.

Although it is certain that the group's credit metrics have deteriorated as a result of the reduced trade arising from the Covid pandemic, its liquidity position remains strong reflecting the resilience of the group's capital structure. The group's average cash cost of debt reduced to 3.5% from 4.1% last year, and at the year-end 93.2% of the group's net debt was at a fixed rate.

Balance sheet

	2 January 2022 £m	3 January 2021 £m
Goodwill and other intangibles	912.6	913.4
Property, plant and equipment (inc. assets held for sale)	3,723.5	3,668.7
Post-employment assets	136.8	48.3
Net debt	(2,994.3)	(2,877.9)
Derivative financial instruments	(112.8)	(161.2)
Trade and other payables	(353.1)	(223.2)
Net IFRS 16 liability	(63.6)	(123.6)
Other net assets	195.4	118.7
Net assets	1,444.5	1,363.2
Share capital and premium	308.4	308.4
Reserves	1,136.1	1,054.8
Total equity	1,444.5	1,363.2

The Greene King secured vehicle had a two quarter lookback FCF DSCR of 1.3x at the year end, giving 17% headroom to the covenant limit of 1.1x. The Spirit debenture vehicle had a FCF DSCR ratio of -2.8x, which is below the covenant limit of 1.3x.

Overall, the group's net debt increased in the year by £116.4 to £2,994.3m.

Pensions

The group maintains two defined contribution schemes, which are open to all new team members and two defined benefit schemes, which are closed to new entrants and to future accrual.

At 2 January 2022, there was an IAS 19 net pension asset of £136.8m representing an increase of £88.5m since 3 January 2021. The closing assets of the group's two pension schemes totalled £1,002.6m and closing liabilities were £865.8m compared to £993.3m and £945.0m respectively at the previous year end. Included in the remeasurement are key assumptions relating to the discount rate of 1.9% (2021: 1.4%), RPI inflation of 3.3% (2021: 2.9%) and CPI inflation of 2.6% (2021: 2.1%). In the current year, the remeasurement relating to the Spirit pension scheme also included the adoption of a scheme specific mortality table. Total cash contributions in the period were £4.5m (2021: £3.0m).

The triennial valuations are ongoing for both pension schemes and are on track to meet the regulatory deadlines of 5 July 2022 for the Greene King scheme and 30 September 2022 for the Spirit scheme.

Dividend

No dividend has been proposed by the board in the current or prior period.





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Registered office

Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT