

# SUCCESSFUL INTEGRATION



In my first statement a year ago, I stated that Greene King was a strong business with an excellent track record which, following the Spirit acquisition, was at an exciting time in its development. A year on, this remains the case. The team has worked extremely hard over the last two years on the integration, which has completed one year ahead of schedule. This means we can now give all our focus to pursuing opportunities to grow and take share, prioritising long-term value creation, while delivering continued strong cash generation and maintaining a robust balance sheet. Ours is a strategically strong and well managed business which is positioned to address the tougher trading environment forecast for the next few years.

### Overview

We achieved another year of record results and market outperformance, driven by a good performance from the underlying business and an additional seven-week contribution from Spirit. Group revenue grew 6.9% to over £2.2bn, while operating profit before exceptional and non-underlying items<sup>1,2</sup> increased by 4.9% to £411.5m. Profit before tax, exceptional and non-underlying items<sup>1,2</sup> grew 6.6% to £273.5m, leading to a 1.3% increase in adjusted earnings per share<sup>1,2</sup> to 70.8p.

**“ THE TEAM HAS WORKED EXTREMELY HARD OVER THE LAST TWO YEARS ON THE INTEGRATION. ”**

1. Adjusted measures exclude the impact of exceptional and non-underlying items as detailed in note 5 of the financial statements.
2. The directors use a number of alternative performance measures (APMs) that are considered critical to aid understanding of the group's performance. Key measures are explained on page 127.

### Dividend

Reflecting this performance and confidence in our long-term prospects, the board has recommended a final dividend of 24.4p, giving a total dividend for the year of 33.2p. This represents growth of 3.6% compared to last year and continues the long-term track record of progressive dividends. The board continues to target minimum dividend cover of around two times earnings.

### People

We have 44,000 talented and hard-working team members. The continued success of the business during the Spirit integration demonstrates the effort they have put in over the last 12 months. I would like to take this opportunity to thank everyone who has worked so hard during the last year helping us to deliver these results at the same time as completing the integration of Spirit ahead of schedule.

### Board changes

At the AGM in September 2016, Ian Durant retired from the board after nine years, latterly as chairman of the audit committee. Rob Rowley took over as audit chair at the same time. In December 2016, Gordon Fryett joined the board bringing a wealth of experience of both retail and property through his career at Tesco. I should like to record the board's thanks to Ian for his contribution to Greene King over such a critical period.

### Looking ahead

We are excited about the opportunities we see in our core pub retailing brands, where the results from our brand conversions are showing very positive sales uplifts. We will continue with the programme over the coming years, ensuring our pubs remain attractive and relevant to our customers as they face into the challenges that the economic uncertainties will undoubtedly bring.

Within the pub sector, Greene King's combination of brands, teams and assets leaves us well placed to deliver long-term growth and returns to shareholders. Uncertainty affecting both business and consumer confidence is likely to continue following the recent election and the unknown length and outcome of the Brexit negotiations. Alongside the rest of the industry, we are experiencing significant cost pressures but Greene King's scale and the consequent cost efficiencies, not least from the Spirit integration, should enable us to mitigate much of the cost increases. Our aim is to ensure that Greene King emerges from the near-term period of uncertainty stronger than ever and I look forward to reporting on our progress towards this goal in a year's time.

**Philip Yea**  
Chairman  
28 June 2017

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