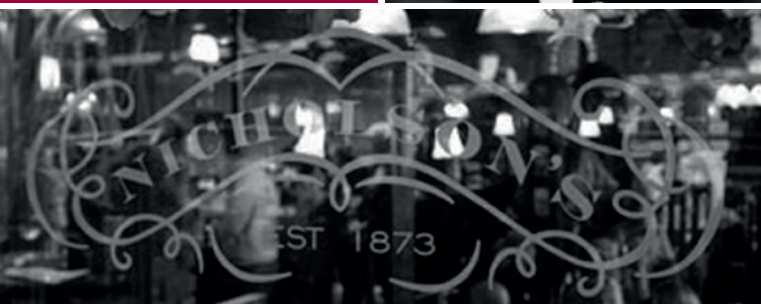


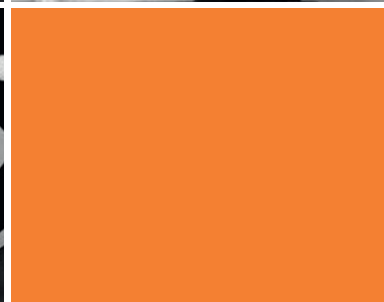
# Full Year Results — 2014 —

**Bob Ivell**  
Chairman





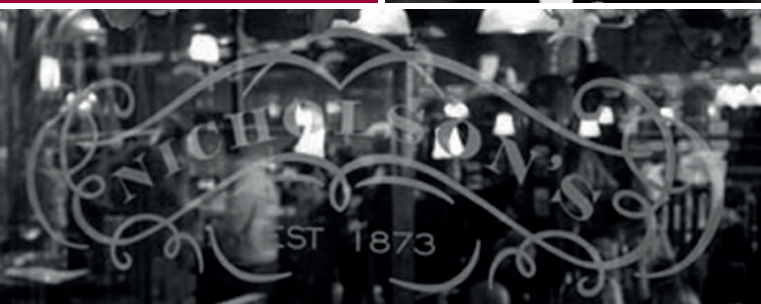
Mitchells  
& Butlers



# Financial Review

## — 2014 —

Tim Jones  
Finance Director



# Income statement

(Pre exceptional items)

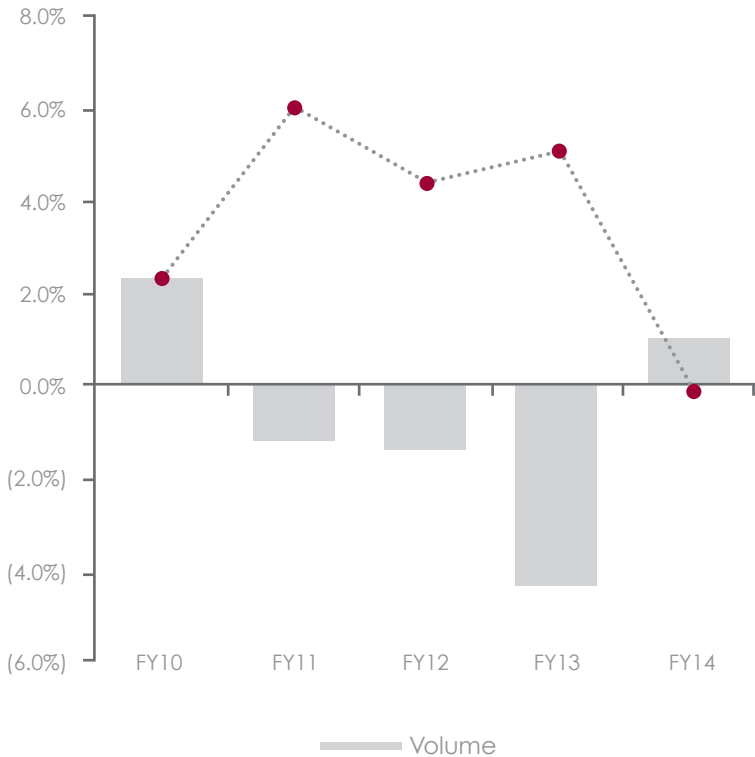
	FY 2014 £m	FY 2013 £m	
Revenue	1,970	1,895	+ 4.0%
Operating costs	(1,657)	(1,585)	
<b>Operating profit</b>	<b>313</b>	<b>310</b>	<b>+ 1.0%</b>
Interest	(141)	(139)	
<b>Profit before tax</b>	<b>172</b>	<b>171</b>	<b>-</b>
<b>Earnings per share</b>	<b>32.6p</b>	<b>32.2p</b>	<b>+ 1.2%</b>
Operating margin	15.9%	16.4%	-0.5 ppts

# Like-for-like sales growth

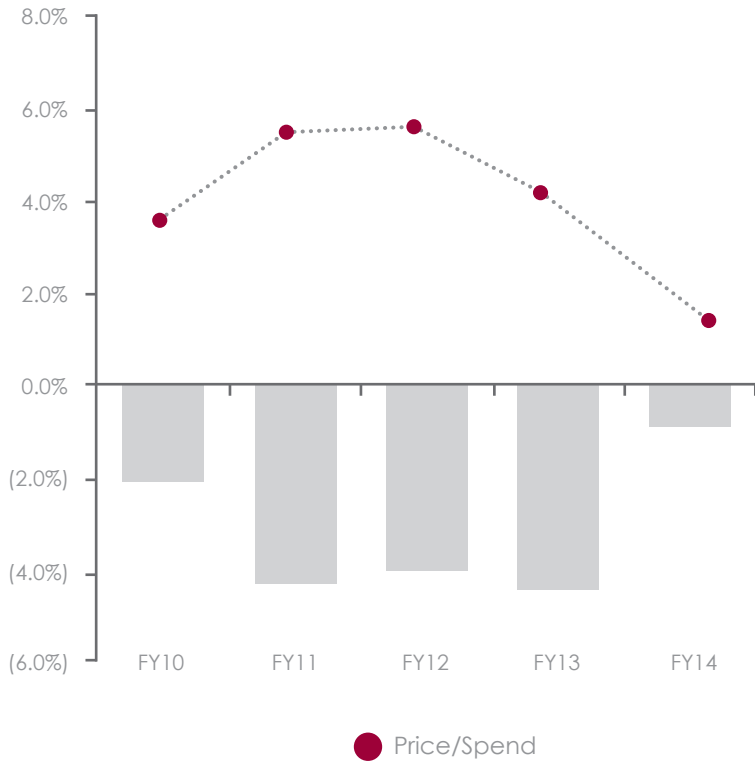
	Week 1-28 FY 2014	Week 29-52 FY 2014	Week 1-52 FY 2014	Week 1-8 FY 2015
Food	0.9%	0.5%	0.7%	3.3%
Drink	1.3%	(0.4%)	0.5%	1.4%
Total	1.1%	0.1	0.6%	2.4%

# Like-for-like volume and price trends

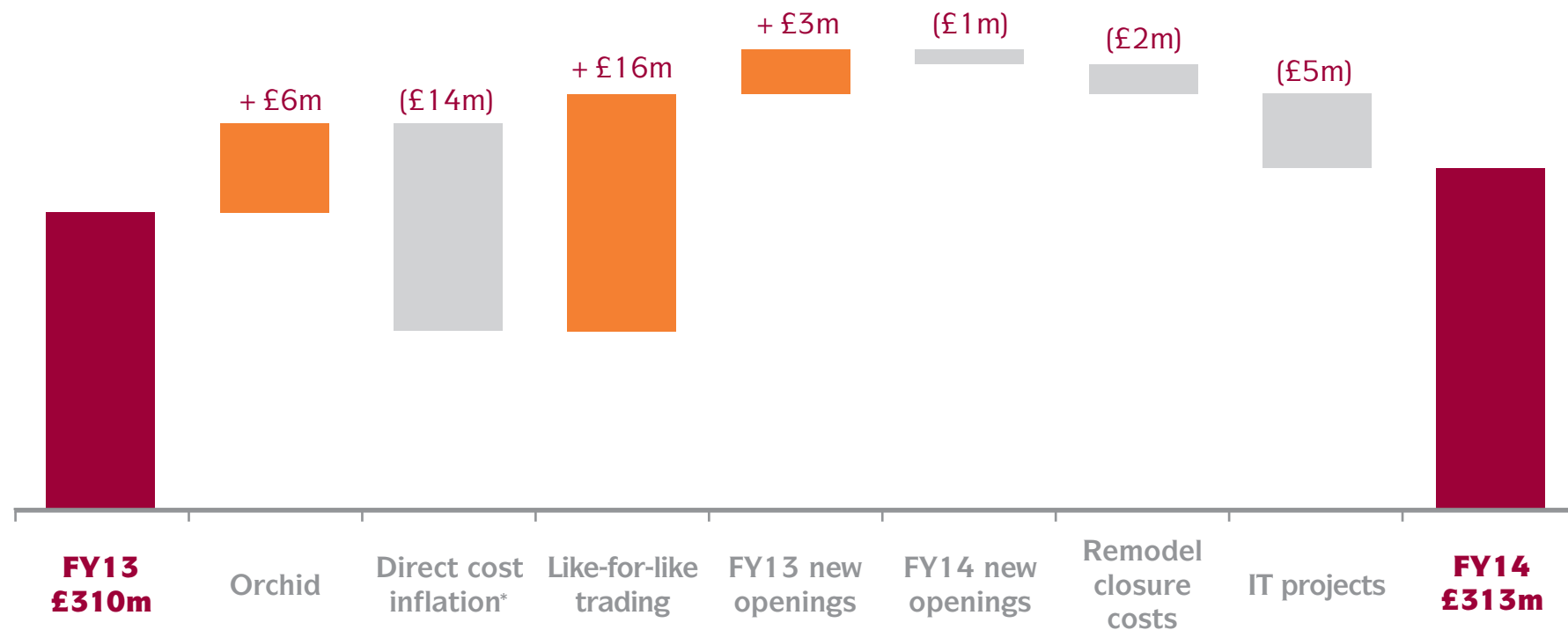
Food



Drink



# EBIT movement



\*Direct costs include wages and salaries, utilities and goods for resale

## Interest charge

	Sept 2014 £m	Sept 2013 £m
Finance costs	(132)	(130)
Finance revenue	1	2
Net pensions finance charge	(10)	(11)
<b>Total interest</b>	<b>(141)</b>	<b>(139)</b>

- Net pensions finance charge now reported in adjusted earnings
- Expected charge for FY 2015 is £16m

# Group cash flow

	FY 2014 £m	FY 2013 £m
EBITDA	422	420
Working capital / non cash items	18	(9)
Pension deficit contributions	(49)	(40)
<b>Cash flow from operations</b>	<b>391</b>	<b>371</b>
Maintenance & infrastructure capex	(120)	(100)
Net interest paid	(135)	(126)
Tax and other	(34)	(32)
<b>Free cash flow before exceptional items</b>	<b>102</b>	<b>113</b>
Expansionary capex	(42)	(28)
Orchid acquisition	(258)	-
Disposals	4	1
Cash exceptional items	(5)	(2)
<b>Net cash flow</b>	<b>(199)</b>	<b>84</b>
Mandatory bond amortisation	(58)	(55)
<b>Net cash flow after bond amortisation</b>	<b>(257)</b>	<b>29</b>



# Group net debt

	Sept 2014 £m	Sept 2013 £m
Securitisation debt <sup>1</sup>	(2,066)	(2,124)
Liquidity facility	(147)	-
Cash & other	227	101
<b>Securitised net debt</b>	<b>(1,986)</b>	<b>(2,023)</b>
Cash	28	264
<b>Group net debt</b>	<b>(1,958)</b>	<b>(1,759)</b>
Net Debt : EBITDA <sup>2</sup>	4.5x	4.2x

**Notes:** 1) Includes currency derivatives hedging balance sheet debt

2) 2014 based on annualised EBITDA

# Property

- Freehold and long leasehold properties valued annually
- 20% of sites inspected per annum
- Short leaseholds assessed for impairment
- Total value of £3.7bn (FY 2013 £3.4bn)

£m (pre tax)		FY 2014	FY 2013
Income statement	Revaluation	(25)	(12)
	Other impairment	(11)	(17)
Balance sheet	Revaluation reserve	62	60
		<b>26</b>	<b>31</b>

# Capital expenditure

	FY 2014 £m	FY 2013 £m
Maintenance and infrastructure	120	100
Expansionary	42	28
<b>Total capital expenditure</b>	<b>162</b>	<b>128</b>

- Increased investment in key infrastructure projects
- Acceleration of successful remodel programme
- Expect increased expansionary spend in FY 2015 to c£65m, including Orchid (c£18m)

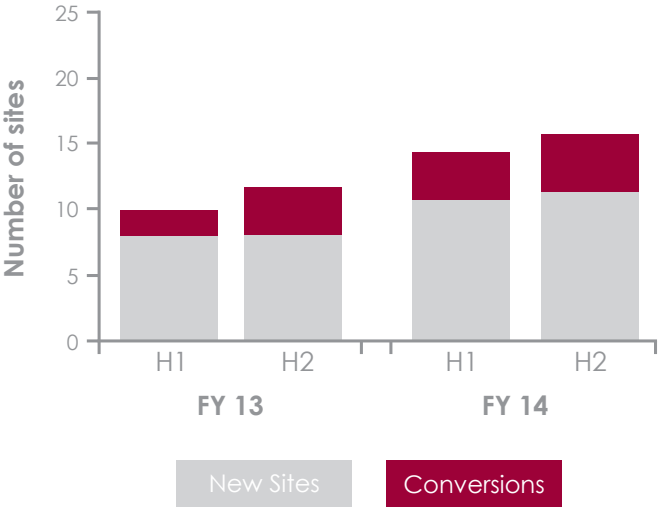
# New EPOS Systems

- Live in more than 1,300 sites
- Rollout due to complete by Summer 2015
- Productivity benefits shown in terms of hours per pub per week

	Full service restaurants (eg. Harvester, Miller & Carter)	Part table service/ part bar service (eg. Country Pubs)	Bar service only (eg, Nicholson's, Heartland)
<b>Productivity benefits</b> (hours per pub per week saved):			
Management admin time	1.5	1.5	1.5
Reduced walk time for server	15	–	–
Payment speed	5	5	5
<b>Non-financial benefits:</b>			
Kitchen management	Food quality/NPS	Food quality/NPS	N/A
Promotions	Efficiency and flexibility	Efficiency and flexibility	Efficiency and flexibility
Control environment	Improved	Improved	Improved

**Note:** Approximate time savings only. Amounts vary by brand and individual site

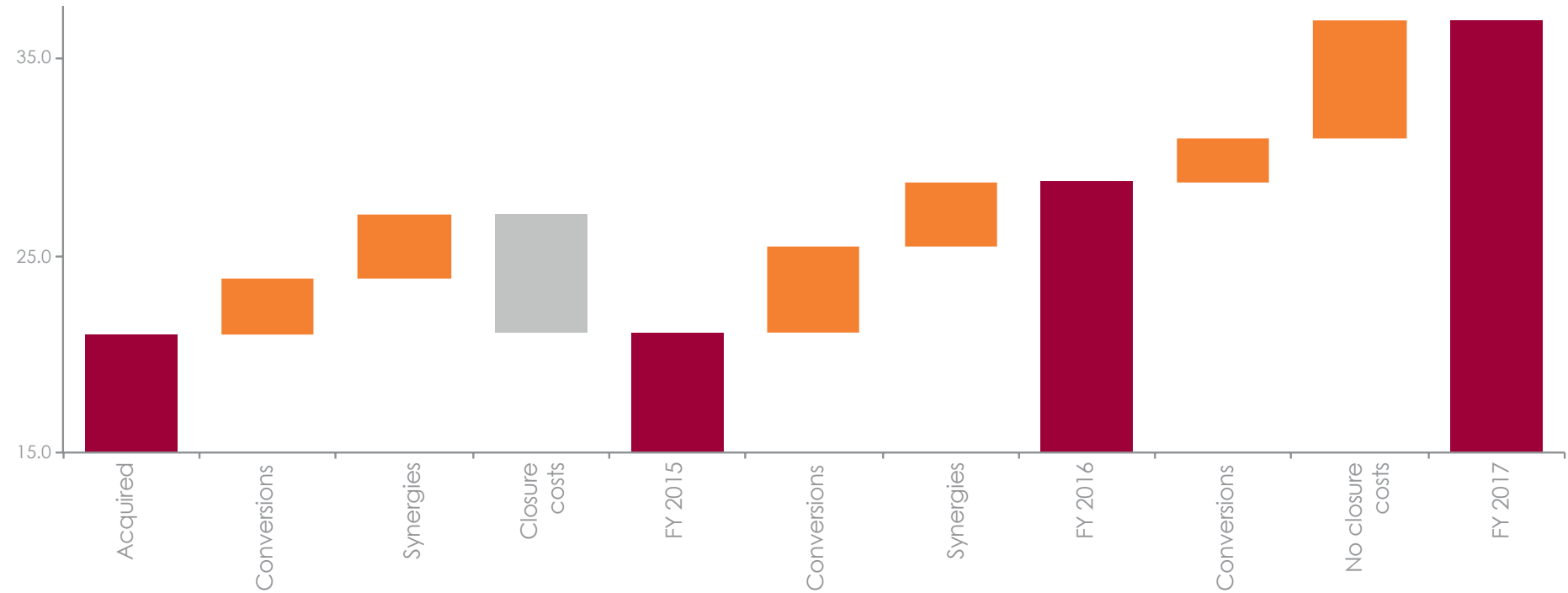
# Expansionary capital expenditure



	Investment <sup>a</sup>	FY 2014 No.of Sites	FY 2011-14 EBITDA ROI
Freehold acquisitions	£27m	8	13%
Leasehold acquisitions	£15m	15	18%
Conversions	£3m	8	16%
Total	£45m	31	16%

Notes: a: Spend relating to new and converted sites completed in the current year.

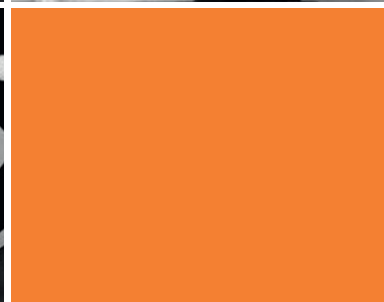
# Orchid integration - conversions and synergies



- Excludes like-for-like growth
- Conversions completed and synergies realised throughout FY 2015 and FY 2016
- Closure costs impacting immediate profit growth
- £12m charge within exceptional items in FY 2014

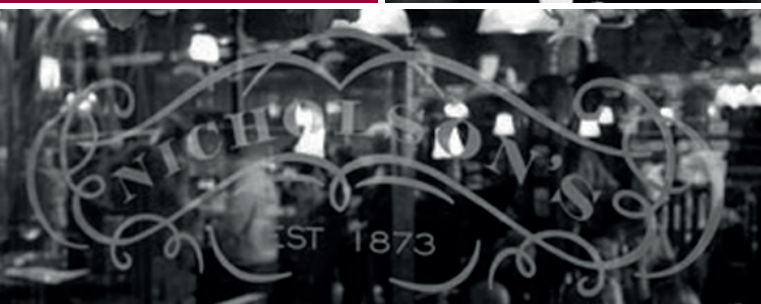
## Key messages

- **Total sales growth of 4% based on turnaround in volumes**
- **EPS increase of 1.2%**
- **Increased investment laying foundations for future growth**
  - Purchase and integration of Orchid
  - Acceleration of remodels
  - Replacement of key IT systems
  - Increased new site openings



# Business Review — 2014 —

**Alistair Darby**  
Chief Executive





## Good to Great - our objectives

- Like-for-like sales growth ahead of the market
- Robust margins
- Attractive investment returns
- Lower net debt / EBITDA
- Dividend reinstated

**Grow our share of the eating  
& drinking out market by  
leveraging our brands & scale  
to deliver great value guest  
experiences**

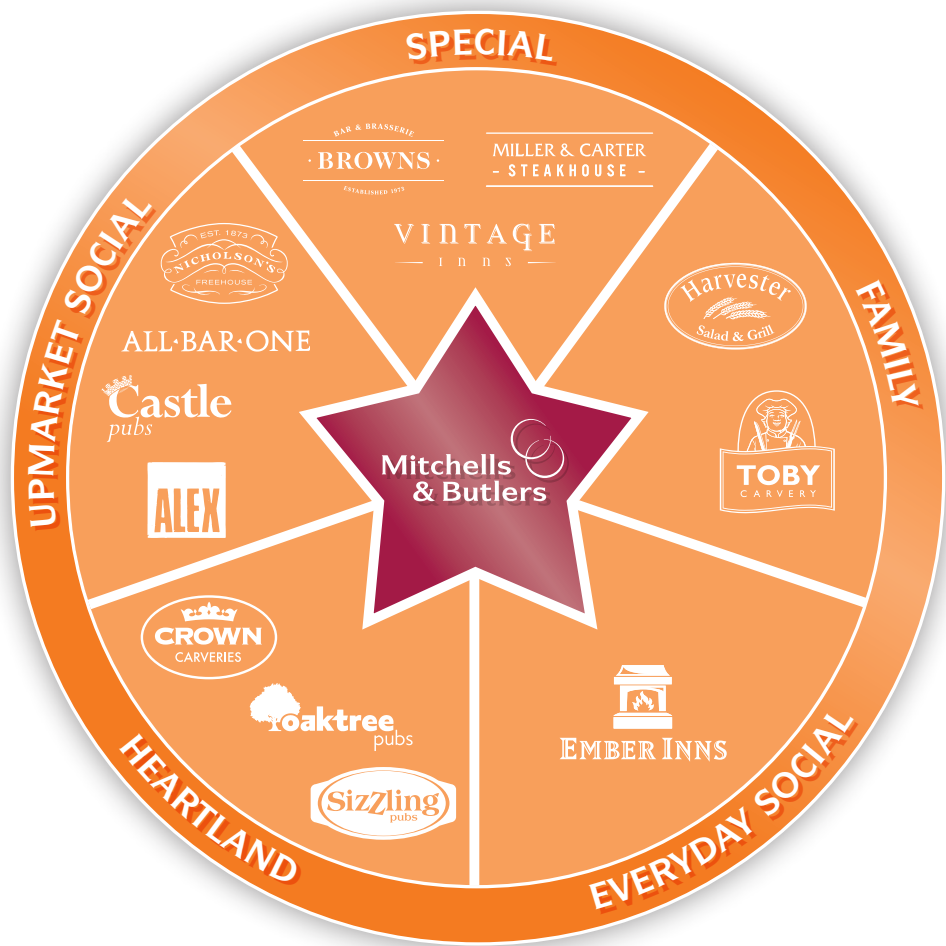
**Mitchells & Butlers:** c3% share of a £78bn market



What will  
**Mitchells & Butlers**  
look like in  
**FY16?**



# Five key market spaces



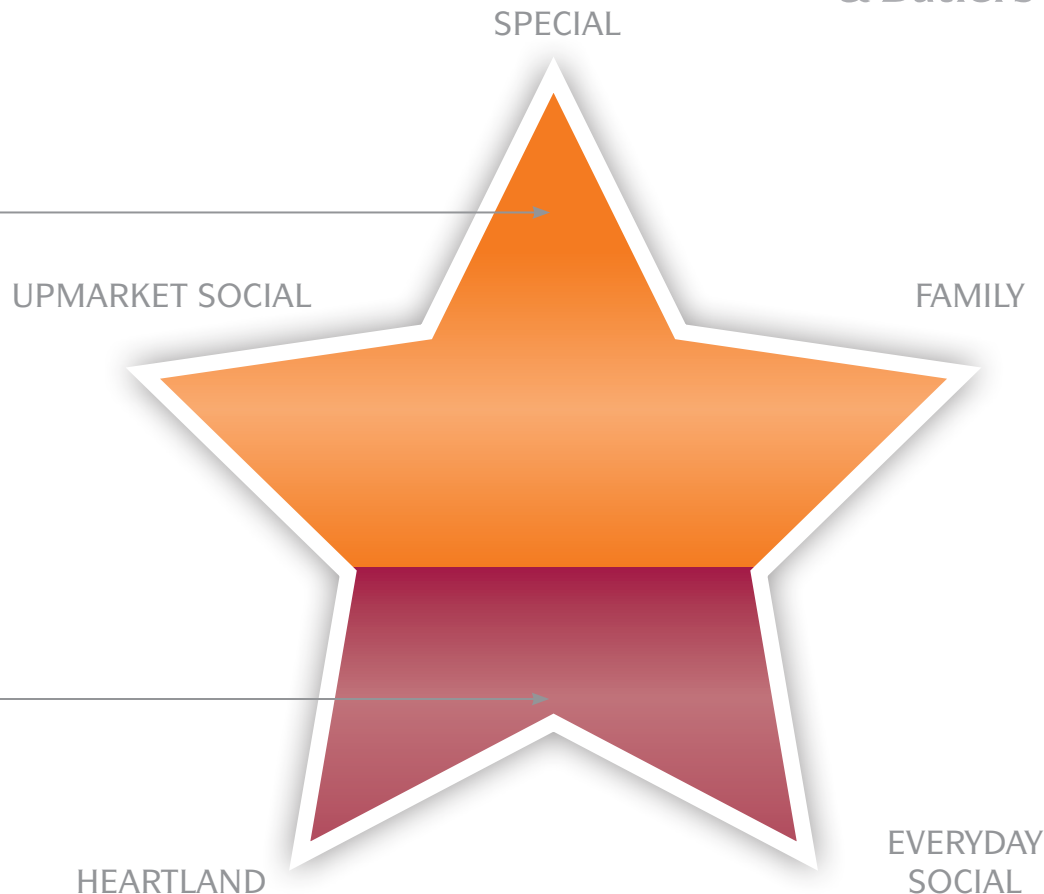
# Our growth plan

## Expansion:

- Strong brand propositions
- Attractive ROI
- Growing guest demand
- Availability of sites

## Optimisation:

- Cash generative businesses
- Capital for amenity improvement



# Delivering the growth plan

FY 2010



FY 2016



- Food-led brands
- Premium occasions
- Orchid conversions
- Growth capital in attractive market segments



# Hardwired guest behaviour

“Every day I expect more for my hard-earned money”

***Top teams*** delivering excellent guest experiences & great value

“I want the flexibility to eat & drink where & when it suits me”

***Offer extension*** for all day eating and drinking occasions

“I look for reliable brands that meet my needs”

***Brands with a strong reputation*** for clear & consistent benefits

# Capitalising on these opportunities

***Top teams*** delivering excellent guest experiences & great value

***Offer extension*** for all day eating and drinking occasions

***Brands with a strong reputation*** for clear & consistent benefits

***Growth in attractive market segments***

***Exceptional people***

***Remodels***

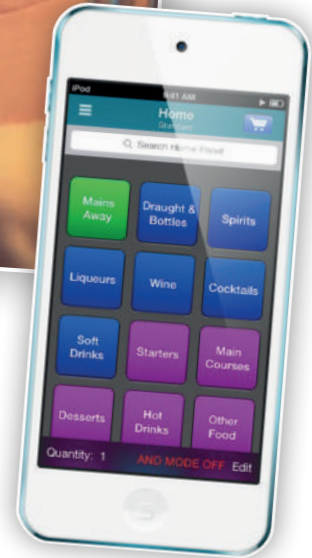
***Evolving brands***

***Orchid and new sites***



# Exceptional people

- Good to Great culture
- Blue Sky
- Staff turnover at historical low of 78%



# Exceptional people: Calverley Arms

- Record-breaking year
- Making the most of the sunshine

“On possibly the hottest two days of the year so far...we have rarely experienced such a friendly, hardworking group of staff... We were blown away by these people”



## - FY 2014:

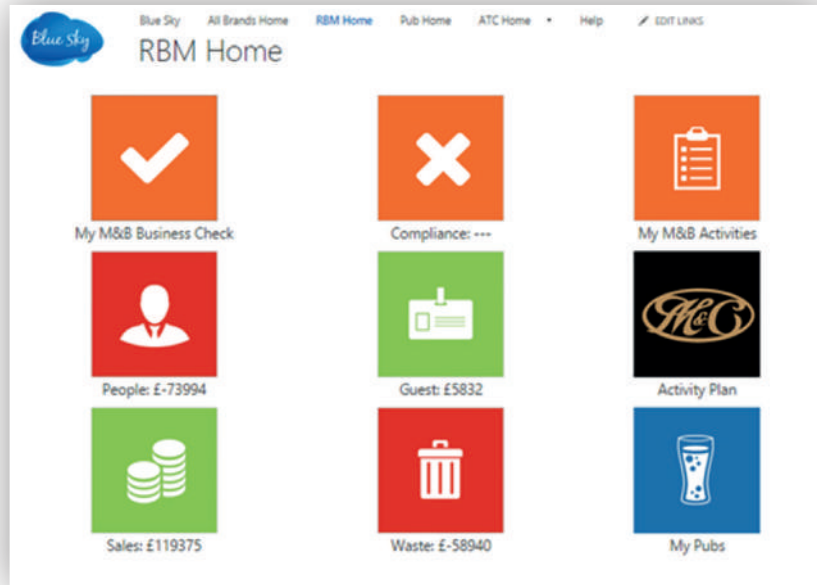
- Sales growth **+14.8%**
- Record-breaking sales weeks
- Staff turnover 16ppts better



# More time for guests and people

## - Blue Sky

- Getting to the heart of the issue
- More time for people



## - EPOS

- Greater speed
- More time for guests



# Remodels: profitable guest impact

- Substantive improvement of guest offer
- Attractive ROIs
- Heartland investment through reallocation of existing capital

	No. of remodels	Capex per site	EBITDA ROI %
FY13	97	£182k	> 30%
FY14	174	£202k	> 30%
FY15	c200		





# Evolving brands: Toby Carvery

*Top teams* delivering excellent guest experiences & great value

*Market-leading NPS, clear guest promise: 'Home of the Roast'*

*Offer extension* for all day eating and drinking occasions

*Breakfast 'the Toby way' in strong growth  
> 60k breakfasts per week*

*Brands with a strong reputation* for clear & consistent benefits

*Strong brand & consistency, communicated with clarity*

# Evolving brands: Toby Carvery



**HOME OF  
THE ROAST**



## Evolving brands: Harvester

***Top teams*** delivering excellent guest experiences & great value

***Great value for families and friends £9.99 meal deal***

***Offer extension*** for all day eating and drinking occasions

***Strong breakfast offer. Bright and modern environment***

***Brands with a strong reputation*** for clear & consistent benefits

***Fresh salad offer. Grilled, not fried. Service experience***

# Evolving brands: Harvester

- Brand identity reflecting the informal, contemporary dining environment
- Focus on freshness, quality, generosity and value





# Evolving brands: Harvester

- Bright, modern and up to date feel with a warm, relaxed environment
- Suitable for people looking for great value from their everyday dining occasions



# Evolving brands: All Bar One

*Top teams* delivering excellent guest experiences & great value

*Stylish bars for professionals*  
*NPS + 6 pts*

*Offer extension* for all day eating and drinking occasions

*New locations*  
*Earlier opening*

*Brands with a strong reputation* for clear & consistent benefits

*Offer evolution: sharing plates, wine & cocktail masterclasses, modern breakfast offer*

# Evolving brands: All Bar One

## Brunch, together

Available until 4pm

### BREAKFAST

**STRAWBERRIES,  
BLUEBERRIES, BANANA  
AND GRANOLA (V) 4.50**  
With Greek-style yoghurt

**FULL BREAKFAST 7.75**  
Cumberland sausages, smoked  
back bacon, free range eggs,  
portobello mushroom, plum  
tomatoes, baked beans and toast  
+ Pan-fried potato hash with  
spinach and onion 2.00

**VEGETARIAN  
BREAKFAST (V) 7.75**  
Vegetarian sausages, free range  
eggs, portobello mushroom, plum  
tomatoes, baked beans and toast

**EGGS FLORENTINE (V) 5.50**  
Toasted English muffin  
topped with sautéed spinach,  
free range poached eggs and  
hollandaise sauce

**EGGS ROYALE 7.00**  
Toasted English muffin  
topped with smoked salmon,  
free range poached eggs  
and hollandaise sauce

**EGGS BENEDICT 6.50**  
Toasted English muffin topped  
with ham, free range poached  
eggs and hollandaise sauce

**SMOKED HADDOCK  
FLORENTINE 7.25**  
With spinach and a cheese  
sauce, topped with rocket  
and plum tomatoes

**BUTTERMILK  
PANCAKES (V) 6.00**  
With maple syrup, banana,  
blueberries and strawberries  
+ Smoked back bacon 1.50

**SMOKED BACK BACON  
POTATO HASH 5.50**  
With spinach and a free range  
poached egg

**BOOST BREAKFAST (V) 6.50**  
Grilled mushrooms, free range  
poached egg, plum tomatoes and  
avocado on toast, with houmous  
and sweet chilli  
+ Pan-fried potato hash with  
spinach and onion 2.00

**HOT-SMOKED SEVERN  
& WYE SALMON,  
AVOCADO AND ROCKET  
ON TOAST 7.50**  
With horseradish crème fraîche  
and a free range poached egg

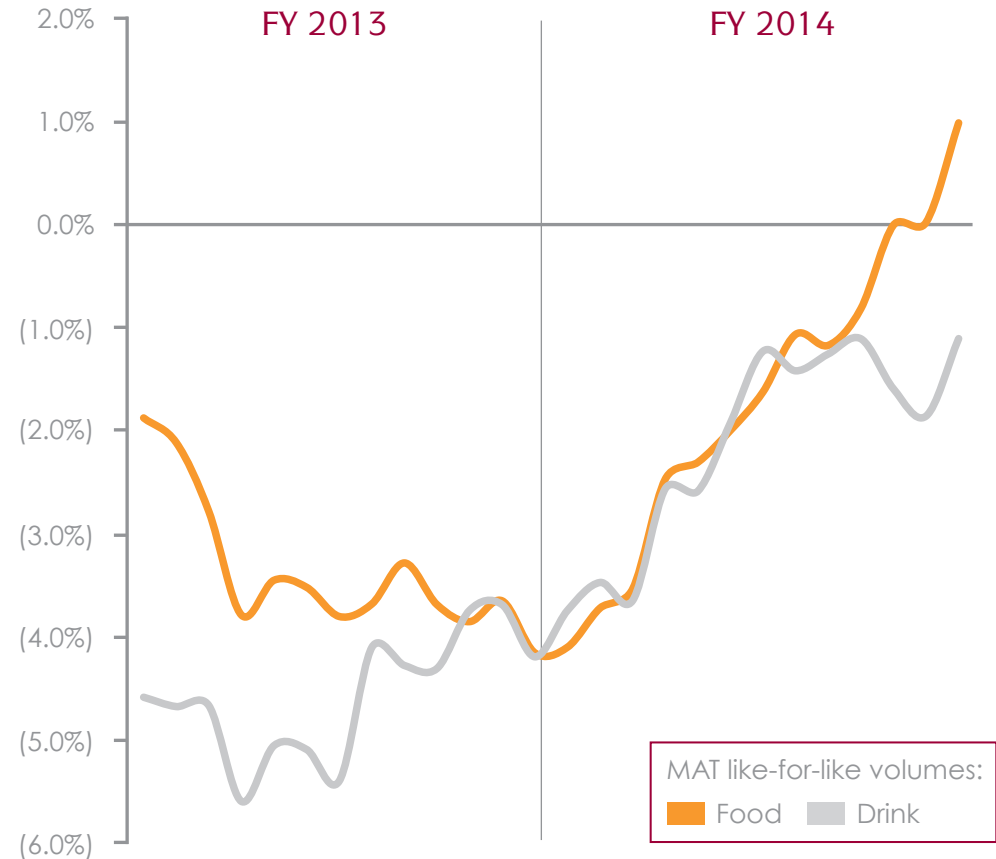
**GRILLED CAMEMBERT  
TOSTADA (V) 5.50**  
With plum tomatoes and basil

**CUMBERLAND SAUSAGE  
OR SMOKED BACK BACON  
SANDWICH 4.75**  
Served on granary bread



# Our brands building momentum

- Turnaround in volume trajectory in FY 2014
- Net promoter score improved by 4ppts to 63%





# Transforming earnings: Orchid

- Strong team
- Solid performance
- Substantive opportunities for Toby Carvery, Harvester and Miller & Carter conversions
- Mutual knowledge transfer: carvery expertise, branding, All Inns, PKB, playbarns
- Integration going to plan



# Expansion in attractive segments

- **Investment prioritised:**

- All Bar One
- Harvester
- Miller & Carter
- Toby Carvery

- **23 new openings and 8 conversions in FY 2014**

- **Expansion brands: nationwide capacity of close to 1,200 outlets (current outlets: 455)**



# Summary

## - **Business gathering momentum:**

- Exceptional people
- Investment in remodels and infrastructure
- Evolving brands and offers
- Strengthening volumes and NPS
- Growth through Orchid and new sites

## - **Well-placed to deliver increasing shareholder value.**