



Mitchells & Butlers Interim Management Statement
Thursday 19 July 2012

Bob Ivell, Executive Chairman

Good morning everybody and welcome. Thanks for dialling in. I'm just going to make a few comments this morning and then I think we'll throw it open to questions and answers. As you've probably seen, the statement is relatively short as a lot of what we said at the half year remains very much the same, in particular the weather. I think the key highlights, as far as we're concerned, are our total sales in the retained estate are up 5.1%. Our like for like sales are up 1.9% after 42 weeks, basically the same as 2% after 33 weeks. In quarter three, like for like sales are up 0.4, which includes the wettest April and June on record, and the Euros which is slightly negative for us, probably not as negative as we perhaps anticipated.

Most recently, the last nine weeks have been stronger at 1.6% growth and the consumer does seem to be a bit more philosophical about the weather and seems to be going out a bit more. We'll talk a bit more about that later. As far as we're concerned, we're making very good strategic progress. Our ways of working trials are ongoing and delivering good results at the early stages. Our key focus is very much in improving our standards and service for our guests. We're encouraged by some of our lead indicators, as far as our guests are concerned, where our guest satisfaction levels are increasing and our customer complaint levels are reducing. From my experience in the sector, that's always a very good indicator to what will come after.

We've continued to roll out things like our free Wi-Fi across the estate, which is now up to 50%, and the rest of the estate should be done by the end of the year. Nothing further to say on CEO and NEDS at this point and we will announce as soon as we can. I note that one or two people have said that we've changed our statement slightly in our report but, actually, that was just because we were getting bored of saying the same thing.

As far as the outlook's concerned - obviously, it continues to be tough out there. Cost pressures are still there and we're still in recession. We've got, obviously, the Olympics now coming up. I think we still, I'm not really sure what the effect of the Olympics will be. Clearly, we believe London should do

well but I think it's very difficult to anticipate how the rest of the country will react. But we continue to focus on delivering our main focus which is, as I said, on our customers and service.

So I think that's all I can say at this point in time. I think we'll just open that to Q&A.

Questions and Answers

Lena Thakkar, HSBC

Hi, good morning, it's Lena here. A couple of questions, if I may, firstly on the margin. Obviously, at the first half stage, there were some cost pressures and the margin had come off a bit. I was just wondering how that's evolved since and whether you can give any full year guidance on the full year margin. And then, secondly, Bob, I know you obviously commented on the CEO situation but I wonder if you could just give a bit more colour around that. Obviously, there has been a significant delay and it would be helpful to understand why that's been. Has it been, you know, a lack of candidates or people turning down the opportunity or other administrative holdups, things like that? Thank you.

Tim Jones, Finance Director

On the margin, Lena, you're right. It was 0.7% lighter at the first half and, when we announced the interims, we said we saw some cost pressures hopefully easing, energy on a year on year basis and also perhaps food inflation, such that we would still be slightly down on the full year but we would have a better performance in the second half margin and that may even get to flat as a half. I wouldn't change that guidance that we gave then.

Bob Ivell, Executive Chairman

As far as the CEO is concerned, no, it's nothing about lack of candidates. I think what we said all the way through is that we've had two strong candidates. We have a preferred candidate and I think I probably said it certainly quite recently that maybe the delay is not necessarily on our side and it's just a case of getting to the right point. So, you know, I hate to say we're pleased where we are because that's why we tried to change the statement because I had a little bit of mickey taken out of me by saying I'm pleased and that's all that's changed really.

Jeffrey Harwood, Oriel Securities

Yes, good morning. I wondered if you could say if there are trends by region or brand. I think last time you indicated that the value brands were under some pressure.

Bob Ivell, Executive Chairman

I'll kick off, then, Tim, you can add to that. I mean, yes, I think that... and I think we said that we felt there were a number of things that needed to be done with those brands and we've started to implement some new activities and some new initiatives, which I think we're very pleased with, that we're starting to see some very interesting green shoots from some of those activities. Clearly, value at that end of the market is important and, you know, getting that absolutely right and making sure your offer is correct is really where we've been focusing. As I say, it's early days yet but we're really seeing some quite interesting results from those. Tim?

Tim Jones, Finance Director

Yes, regionally, Jeffrey, London, of course, remains very, very strong, much higher like for like growth than our average numbers here, with other areas more sort of lacklustre, if you like, and particularly the northeast and the northwest we would highlight as the weakest regional areas we've got at the moment. Across the brands, pubs tend to be outperforming restaurants at the moment, and you'll see that come through in the Peach Tracker as well and I'd say that we're experiencing that. So, when you interface that with the regional, then, you know, in our portfolio, brands such as Nicholson's and Castles, which are largely London based, you know, pubs, are the ones that are performing best on a year on year basis at the moment.

Bob Ivell, Executive Chairman

But I think the other point I'd make on that is that, and I think Fullers said it yesterday, most of our, a lot of our provincial type sites are sites with big gardens, where we have, you know, eating facilities and drinking facilities outside and, you know, the reality is this time of year you would hope to have those full and would be, you know, packed with people, you know, drinking and eating. Clearly, with the way the weather's been, we just haven't seen that.

Jeffrey Harwood, Oriel Securities

Sure. No, quite. Okay, sure, that's great.

Paul Hickman, *Peel Hunt*

Good morning everybody. Just wonder if you could comment on the sharp turnaround that there's been, comparing the last nine weeks with the first five? Now, obviously, April wasn't much fun for anybody but I'm particularly struck by the split between food and drink and I think it's consistent with what you've been saying, that the recovery was all to do with events like Father's Day and the the Jubilee. Can you confirm that was the case and was this split that we've seen between food and drink even more extreme as food led the recovery in the later part of the period?

Bob Ivell, Executive Chairman

Okay, actually, I mean I think there are a couple of things here. One is I think, now that most of our customers have grown webbed feet; they are becoming much more resilient. There are clearly signs in the last few weeks that customers appear to be going out more. There tends to be some interesting... you know, that people are just saying, sod it, we're going to go out anyway. I think, you know, we are obviously coming into school holidays and things like that, which obviously you do see people trying to find things to do with their kids and, clearly, things like going out to Harvester and stuff, that's probably been quite good for us. So I think, you know, you're right, the special occasion stuff continues and we've said that, I think, right through this year - that when there's a reason to go out, people are certainly going out. You know, I mean, we were, the Jubilee numbers were good for us. I think, you know, we saw London actually very, very strong through that period. Yes.

Tim Jones, Finance Director

To pick up on your last point, Paul, it wasn't particularly dominated by recovery from food. So that 1.6% in the last nine weeks that we talk about, I could break that down to you. That would be 1.4 from drink and 1.8 from food. So the recovery in those last nine weeks is pretty balanced across both products.

Paul Hickman, *Peel Hunt*

Oh, right. Thank you very much indeed.

Tim Jones, Finance Director

The Euros, of course, would've helped drink a little bit, just on that particular period.

Geof Collyer, Deutsche Bank

Yeah, hi, morning guys. Could you give us an idea of the proportion of your estate that's actually inside greater London or inside the M25 and what proportion of sales that represents, to give us a feel for how much better the London part of the business is doing versus the rest? And then, secondly, can you just update us on where you are in terms of second half openings on new sites as well, please?

Tim Jones, Finance Director

Yes, Geff, of the estate, 20% is London, if you like, inside the M25, and then 40% is the broader southeast. So that's the amount that we've got exposed to the most resilient regional market, if you like. If you break that... I think you said how do we break that... If we break that by sales, rather than the number of sites, I mean, it's not going to be significantly different. I mean some of the regional pubs are huge, actually. So, even though London may have higher price points or whatever, it probably evens itself out. I think the second point was on openings, wasn't it?

Geof Collyer, Deutsche Bank

Yes.

Tim Jones, Finance Director

We're still on track to open about 55 sites - open or convert about 55 sites for the full year. I think we'd achieved 42 at the half year and we've done a couple between then and now and we're on track to do the rest between now and the end of September.

Geof Collyer, Deutsche Bank

Okay and then, just as a kind of final.. you had a bit of the... In the last nine weeks of last year, you had a pretty soft, kind of, like for like comp. Do you think that you're confident, assuming the weather doesn't really change from here, of extending that to 1.9% like for like for the full year?

Tim Jones, Finance Director

I think, if we get some decent weather, then we're confident that that will come through in our sales numbers, yes.

Bob Ivell, Executive Chairman

The only caveat is what the Olympics do over the next few weeks but, yes.

Geof Collyer, Deutsche Bank

Okay, thanks Bob.

Bob Ivell, Executive Chairman

Okay, unless there are any other questions, I think we'll wind it up there. Thanks very much everybody.