

Alternative performance measures

The performance of the Group is assessed using a number of Alternative Performance Measures (APMs).

The Group's results are presented both before and after separately disclosed items. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of separately disclosed items provided in note 2.2.

The Group's results are also described using other measures that are not defined under IFRS and are therefore considered to be APMs. These APMs are used by management to monitor business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans.

APMs used to explain and monitor Group performance include:

APM	Definition	Source
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Group income statement
Adjusted EBITDA	Annualised EBITDA on a 52 week basis before separately disclosed items is used to calculate net debt to EBITDA.	Group income statement
EBITDA before adjusted items	EBITDA before separately disclosed items.	Group income statement
Operating profit	Earnings before interest and tax.	Group income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group income statement
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal.	Group income statement
Adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items.	Note 2.5
Net debt: Adjusted EBITDA	The multiple of net debt as per the balance sheet compared against 52 week EBITDA before separately disclosed items which is a widely used leverage measure in the industry.	Note 4.1 Group income statement
Free cash flow	Calculated as net movement in cash and cash equivalents before the movement on unsecured revolving credit facilities.	Cash flow statement
Return on capital	Return generating capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Return on investment is measured by incremental site EBITDA following investment expressed as a percentage of return generating capital. Return on investment is measured for four years following investment. Measurement commences three periods following the opening of the site.	

A. Like-for-like sales

The sales this year compared to the sales in the previous year of all UK managed sites that were trading in the two periods being compared, expressed as a percentage. This widely used industry measure provides better insight into the trading performance than total revenue which is impacted by acquisitions and disposals.

	Source	2018 52 weeks £m	2017 53 weeks £m	Year-on-year %
Reported revenue	Income statement	2,152	2,180	(1.3)
Adjust for 53rd week	See APM G	–	(39)	
Less non like-for-like sales		(187)	(202)	
Like-for-like sales		1,965	1,939	1.3

Drink and food sales growth FY 2018

	Source	2018 52 weeks £m	2017 52 weeks £m	Year-on-year %
Drink like-for-like sales		917	894	2.6
Food like-for-like sales		999	996	0.3
Other like-for-like sales		49	49	–
Total like-for-like sales		1,965	1,939	1.3

	Source	2019 7 weeks £m	2018 7 weeks £m	Year-on-year %
Revenue		276.7	268.5	3.1
Less non like-for-like sales		(26.5)	(23.7)	
Like-for-like sales		250.2	244.8	2.2

B. Adjusted operating profit

Operating profit before separately disclosed items as set out in the Group Income Statement. Separately disclosed items are those which are separately identified by virtue of their size or incidence (see note 2.2). Excluding these items allows a better understanding of the trading of the Group.

	Source	2018 52 weeks £m	2017 53 weeks £m	Year-on-year %
Operating profit	Income statement	255	208	22.6
Add back separately disclosed items	Note 2.2	48	106	
Adjustment for 53rd week	See APM G	–	(6)	
Adjusted operating profit		303	308	(1.6)
Reported revenue 52 weeks	See APM G	2,152	2,141	0.5
Adjusted operating margin		14.1%	14.4%	(0.3)ppts

C. Adjusted earnings per share

Earnings per share using profit before separately disclosed items. Separately disclosed items are those which are separately identified by virtue of their size or incidence. Excluding these items allows a better understanding of the trading of the Group.

	Source	2018 52 weeks £m	2017 53 weeks £m	Year-on-year %
Profit for the period	Income statement	104	63	65.1
Add back separately disclosed items	Income statement	41	83	
Adjustment for 53rd week	See APM G	–	(2)	
Adjusted profit		145	144	0.7
Weighted average number of shares	Note 2.5	425	418	
Adjusted earnings per share		34.1p	34.4p	(0.9)

D. Net debt: Adjusted EBITDA

The multiple of net debt as per the balance sheet compared against 52 week EBITDA before separately disclosed items which is a widely used leverage measure in the industry. Adjusted EBITDA is used for this measure to prevent distortions in performance resulting from separately disclosed items.

	Source	2018 52 weeks £m	2017 53 weeks £m
Net debt	Note 4.1	1,688	1,750
EBITDA	Income statement	417	395
Less separately disclosed items	Income statement	5	34
Adjusted for 53rd week	See APM G	–	(8)
Adjusted 52 week EBITDA		422	421
Net debt: Adjusted EBITDA		4.0	4.2

E. Free cash flow

Free cash flow excludes the cash movement on unsecured revolving credit facilities and is presented to allow understanding of the cash movements excluding short-term debt.

	Source	2018 52 weeks £m	2017 53 weeks £m
Net decrease in cash and cash equivalents	Cash flow statement	(25)	(11)
Net movement on unsecured revolving credit facilities	Cash flow statement	6	25
		(19)	14

F. Second half adjusted operating profit

	Source	2018 52 weeks £m	2017 52 weeks £m	Year-on-year %
First half adjusted operating profit	Interim statement	141	149	(5.4)
Second half adjusted operating profit		162	159	1.9
Adjusted operating profit		303	308	(1.6)

G. FY 2017 52 week reconciliation

FY 2017 was a 53 week period and therefore presentation of a 52 week basis provides better comparability.

	Source	2017 52 weeks	2017 Week 53	2017 53 weeks
Revenue	Income statement	£2,141m	£39m	£2,180m
EBITDA	Income statement	£387m	£8m	£395m
Adjusted operating profit	Income statement	£308m	£6m	£314m
Adjusted PBT	Income statement	£180m	£3m	£183m
Profit for the period	Income statement	£61m	£2m	£63m
Adjusted EPS	Income statement	34.4p	0.5p	34.9p
Net finance costs	Income statement	£128m	£3m	£131m

H. Return on capital

Return generating capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Return on investment is measured by incremental site EBITDA following investment expressed as a percentage of return generating capital. Return on investment is measured for four years following investment. Measurement of return commences three periods following the opening of the site.

Return on expansionary capital

	Source	2017 FY 2014-17 £m	2018 FY 2015-17 £m	2018 FY 2018 £m	2018 Total £m
Maintenance and infrastructure		333	216	70	286
Remodel – refurbishment		130	107	63	170
Non-expansionary capital		463	323	133	456
Remodel expansionary		27	27	7	34
Conversions and acquisitions*		158	139	27	166
Expansionary capital for return calculation		185	166	34	200
Expansionary capital open < 3 periods pre year end		12	9	4	13
Total capital	Cash flow	660	498	171	669
Adjusted EBITDA	Income statement	1,714	1,292	422	1,714
Non-incremental EBITDA		(1,680)	(1,268)	(414)	(1,682)
Incremental EBITDA		34	24	8	32
Return on expansionary capital		18%	14%	23%	16%

* Conversion and acquisition capital is net of capex incurred for projects which have been open for less than three periods pre year end.

Return on remodel capital

	Source	FY 2018 £m
Capital investment	Cash flow	171
Non-remodel capital investment		(108)
Remodel capital investment		63
Adjusted EBITDA	Income statement	422
Non-incremental EBITDA		(405)
Incremental EBITDA		17
ROI		27%

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* Lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays
in England & Wales.

Key dates

These dates are indicative only and may be subject to change. For the current status visit
the financial calendar on our website at www.mbplc.com/investors

Annual General Meeting	22 January 2019
Announcement of interim results	May 2019
Pre-close trading update	September 2019
2019 final results announcement	November 2019

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