GUESTS LOVE TO EAT AND DRINK WITH US

Market insight

Mitchells & Butlers

4th September 2013

Market insight

- Welcome to the Walrus & Carpenter
- Introductions
- Agenda:
  - A strategy fit for the consumer environment — Steve de Polo
  - Case study: Toby Carvery — Jeremy Skingley
  - Discussion & drinks — All
- Finished by 7.30pm

GUESTS LOVE TO EAT AND DRINK WITH US

A strategy fit for the consumer environment

Steve de Polo

4th September 2013

Today's session

1. Our approach
2. The macro environment
3. Our consumers – their attitudes and needs
4. Mapping our portfolio

1 Our approach

Nov 2012 - Feb 2013

Part One

A review of secondary sources to help explain:

1. Macro economic environment
2. Market context
3. Industry dynamics
4. The role of brands

Dec 2012 - April 2013

Part Two

Primary strategic research project to determine:

1. Consumer attitudes to eating & drinking out
2. Consumer needs
3. Market spaces to exploit

May 2013 – Nov 2013

Brand Planning against portfolio missions

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A holistic view of the business

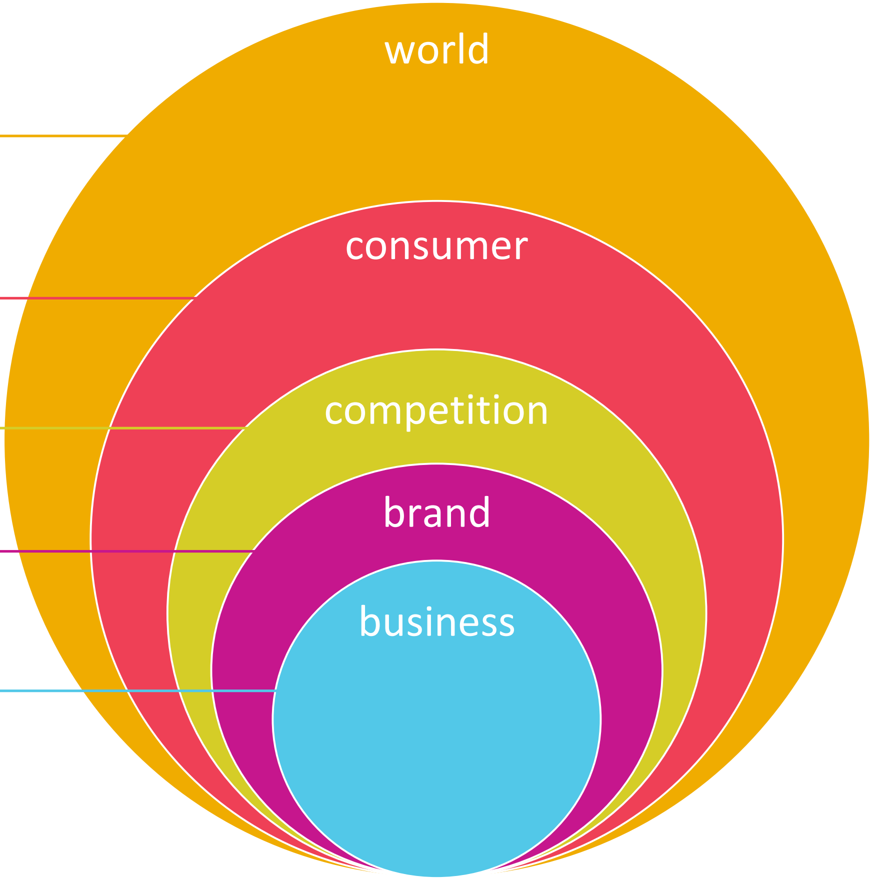
External factors shaping future demand
Macroeconomic review & industry commentators

The consumer opportunity –attitudes, needs, behaviours
8,000 consumer interviews about 14,000 occasions

The competitive context
Brand positioning review - external

MAB brands – strengths and weaknesses today
Brand positioning review - internal

The business models and profitability
Commercial evaluation



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2 The Macro Environment

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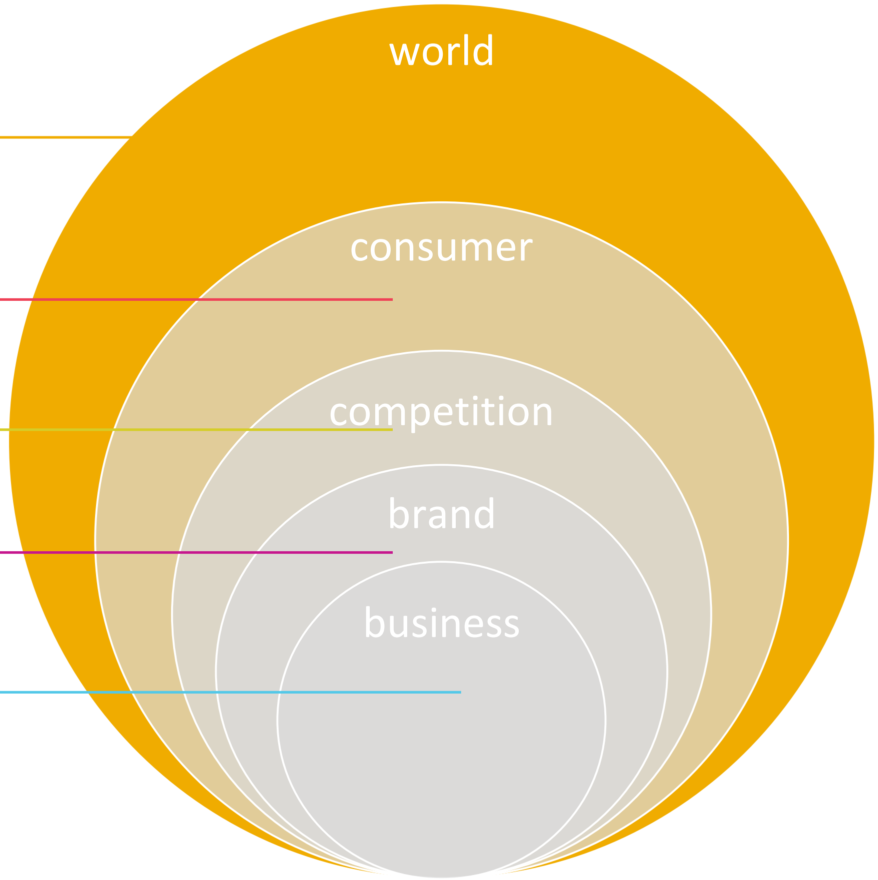
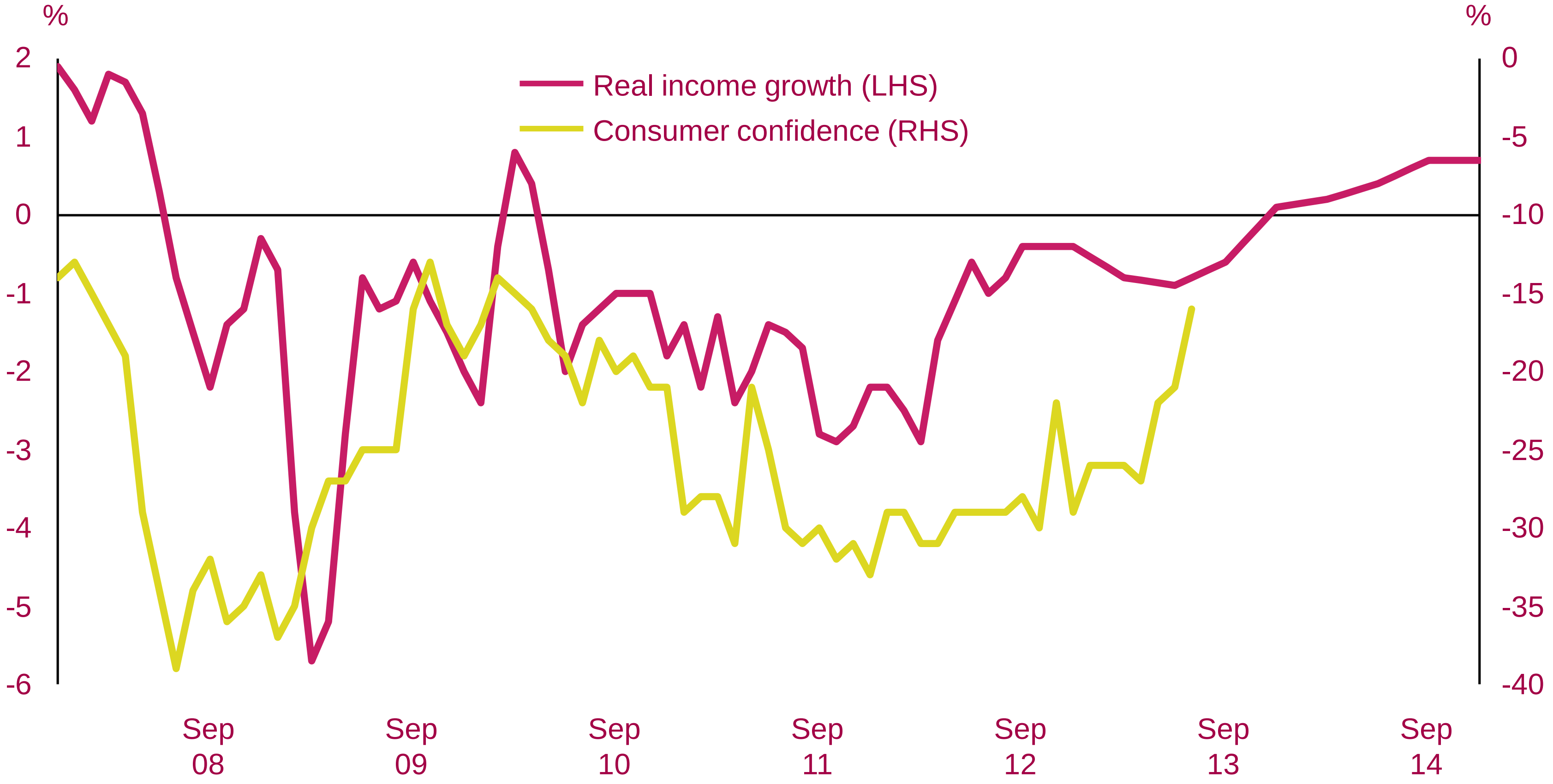


Key Macro headlines

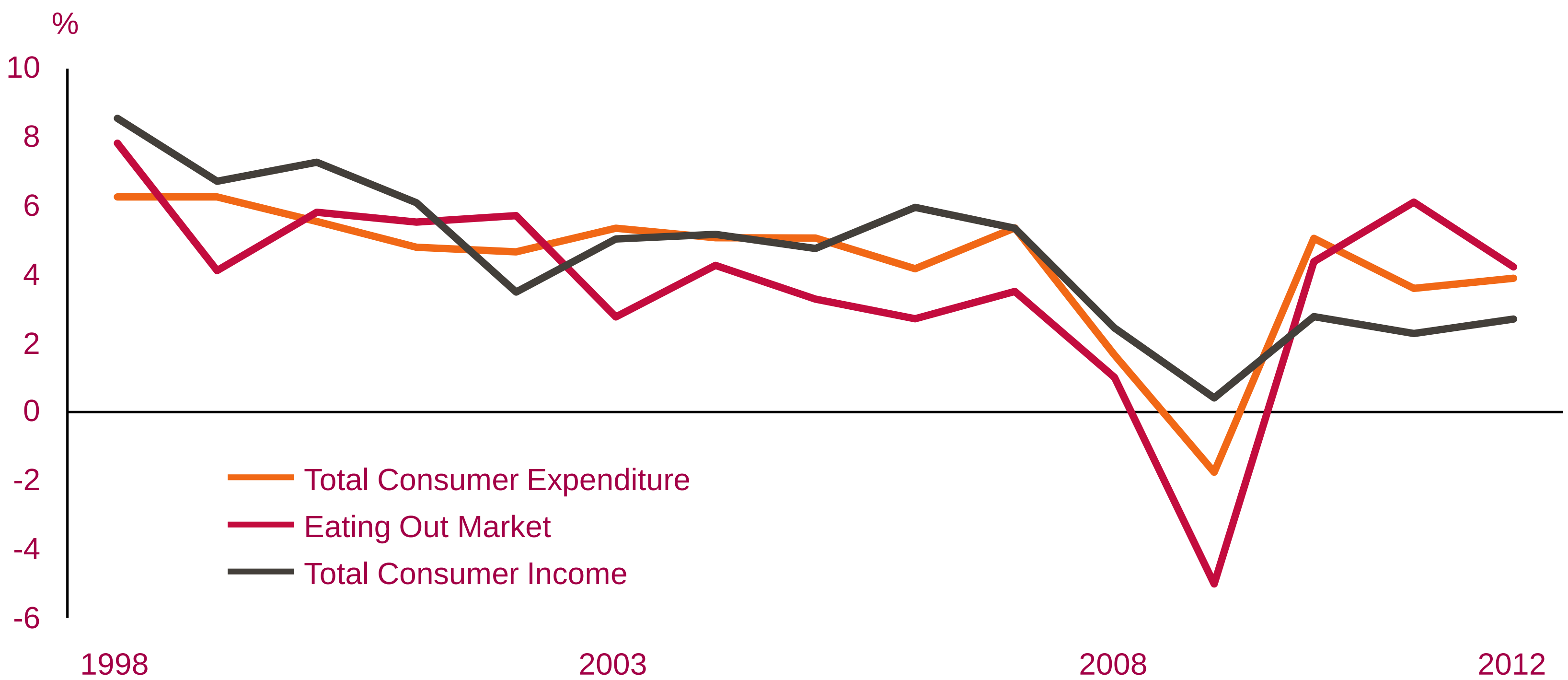
The Dire Decade	Austerity here to stay and consumer behaviour lags recovery
Three Tier Nation	London grows due to structural economic differences
Age of Concern	Gen Y economically challenged / Baby Boomers booming
Voluntary Prohibition	Alcohol declines continue
Food for Thought	Food the only long-term route to sustainable growth
Brand Champions	Advocacy more important than awareness
Own Your Own Home	Suburbia less competitive

A slow recovery in income and confidence



Source: ONS consumer price indices, labour force survey; GFK NOP; CBI forecasts

The market grows in line with consumer expenditure



Source: ONS consumer trends Q2 2012, Quarterly National Accounts Q2 2012

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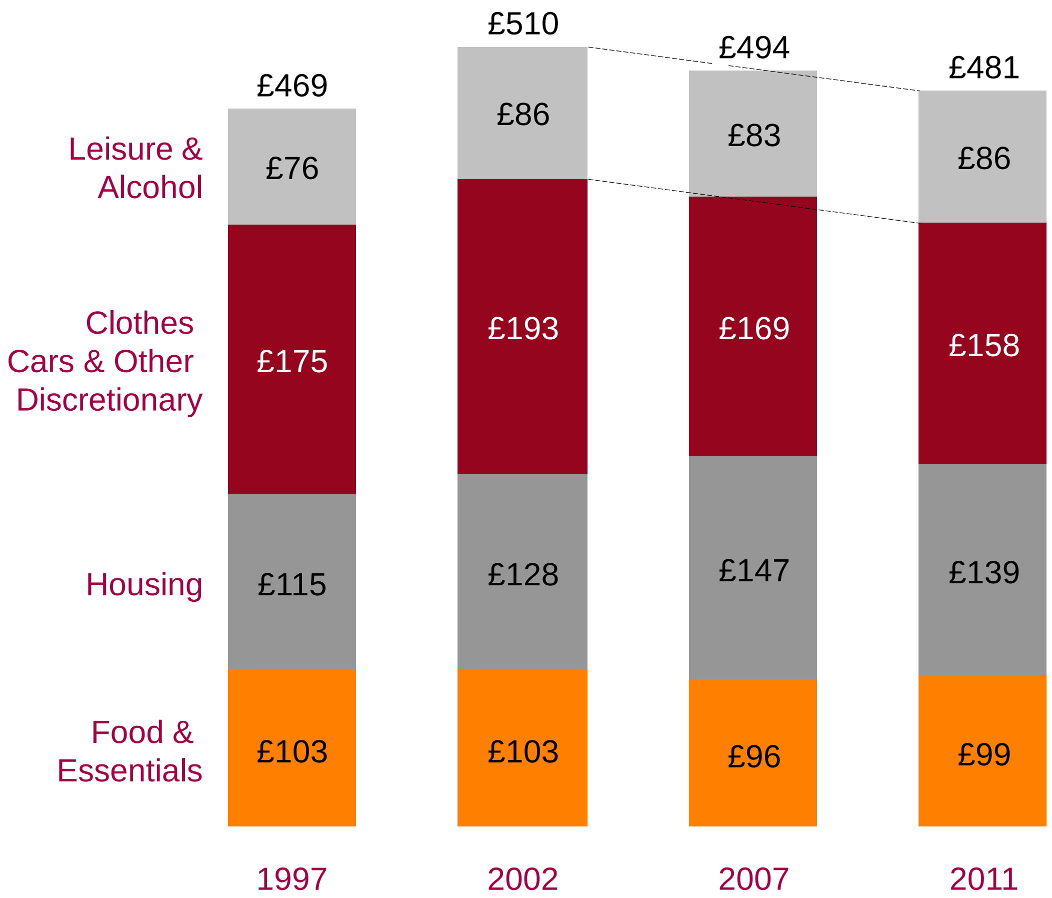
Eating out has been protected



Source: ONS family spending survey 2012

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But the market is fragmented: there's plenty to go at

- Weak economy ≈ low consumer spending ≈ flat market
- So it is a share stealing game: pinch someone else's lunch
- Experience drives high performance: focus on being the best
- Build on core strengths to drive consumer advocacy

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3 Understanding our consumers

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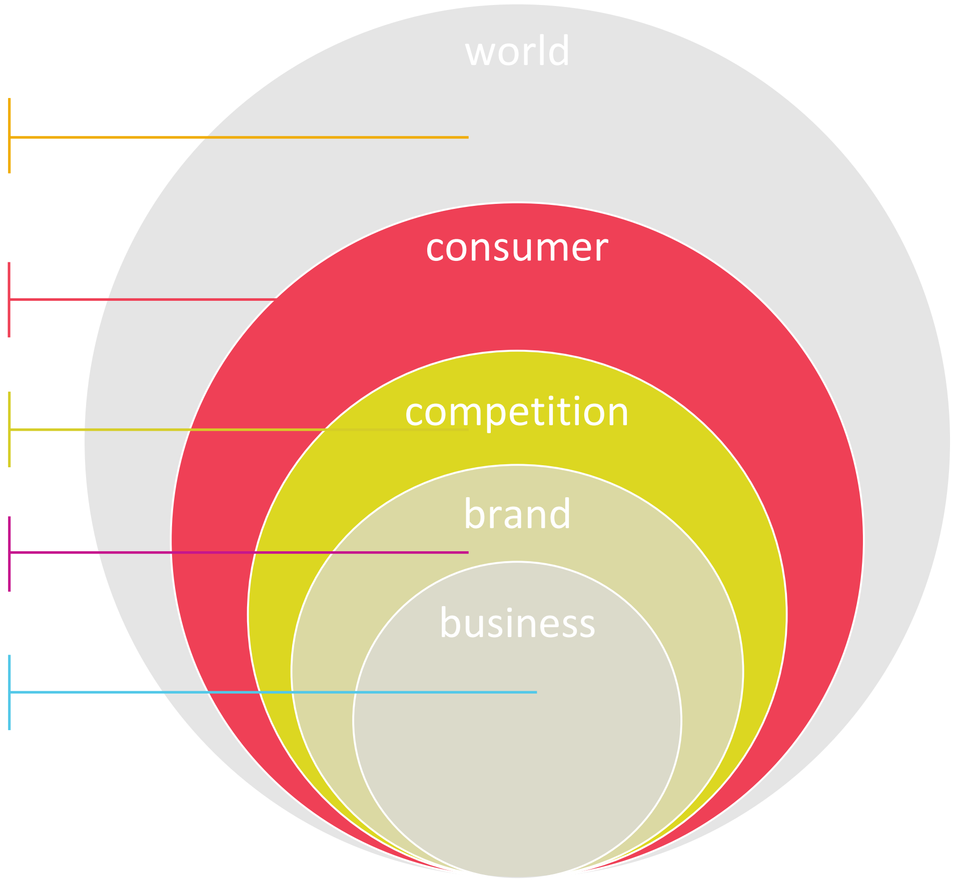

Who they are and what they do

- We spoke to 8,000 consumers about 10,000 eating and drinking out occasions and 4,000 leisure occasions
- Used this info to segment the market:

Attitudinal segmentation

- Attitudes to eating/drinking out
  - Attitudes to health
  - Attitudes to leisure

Tells us who we need to be targeting and how we need to be engaging with them

Need-state segmentation

- Functional and emotional needs
  - Ranking of decision factors
- Suitability of venue for occasion

What type of needs and occasions our brands need to address to be relevant

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Our consumers

EXPLORERS	Adventurous consumers that like to discover new things
indulgers	An older hedonistic group that are living for today
SOCIAL BUTTERFLIES	No responsibilities but love eating and drinking out – providing they can get a deal
SQUEEZED families	Squeezed in terms of time and resource, but want to eat and drink out of home with their children
WORLDLY WISE	An older group more concerned about health and more conservative in tastes
Habituals	Consumers that embrace the familiar and chase value for money ahead of new experiences or provenance

Their needs

REFUEL	Looking for somewhere to make a quick pit stop, either to grab-n-go or to recharge between activities
Convenience	Looking for somewhere familiar, quick, and local with inexpensive food/drinks
family time	Looking for somewhere fun and stress-free that will be suitable for the whole family
wholesome	Looking for somewhere comfortable and relaxing with wholesome, good quality food/drinks
TEMPTATION	Looking for somewhere with good quality, great tasting & appealing food/drinks. Want good value more than low prices
SOCIAL	Looking for somewhere with a good atmosphere that can help bring friends/family together
MAKE IT Special	Looking for a high quality, memorable experience that makes you feel special

The trends that affect them

4 Mapping our portfolio

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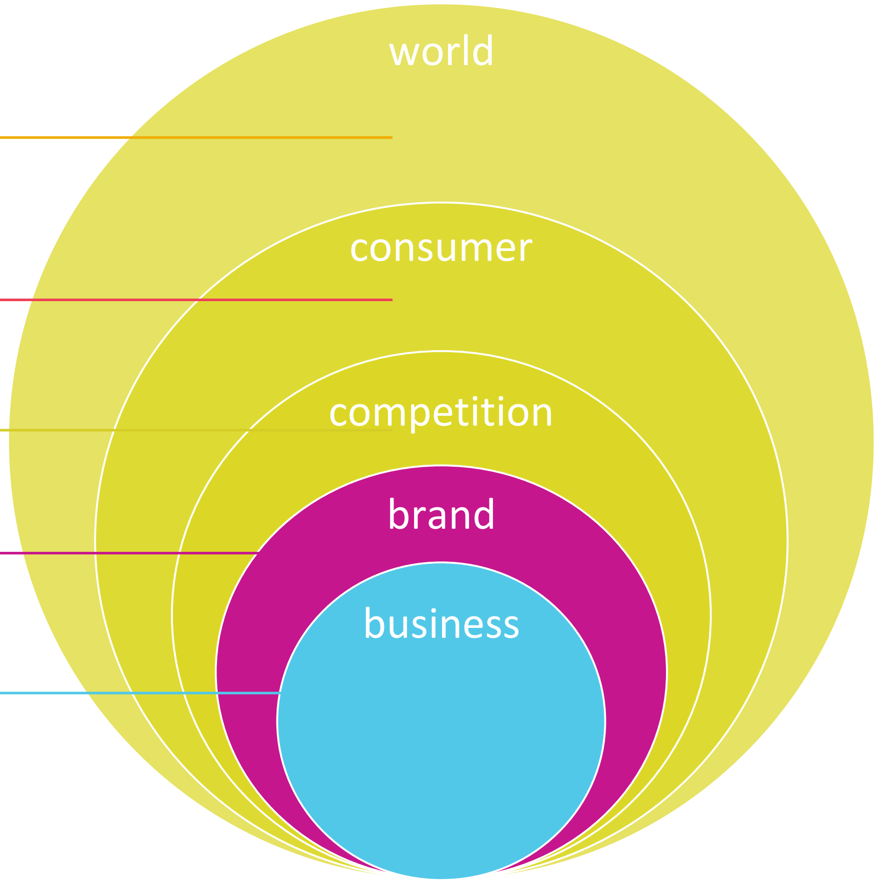
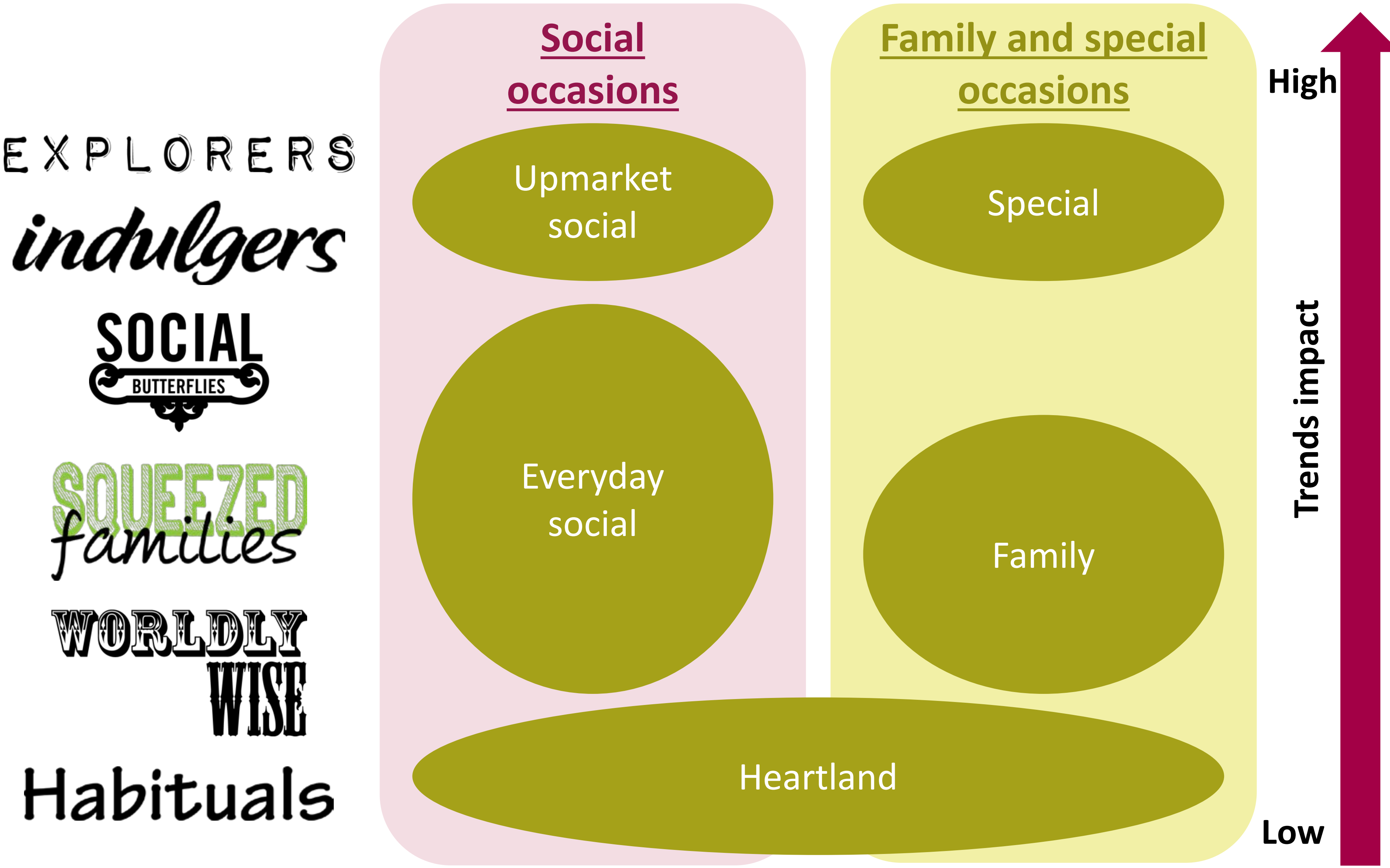
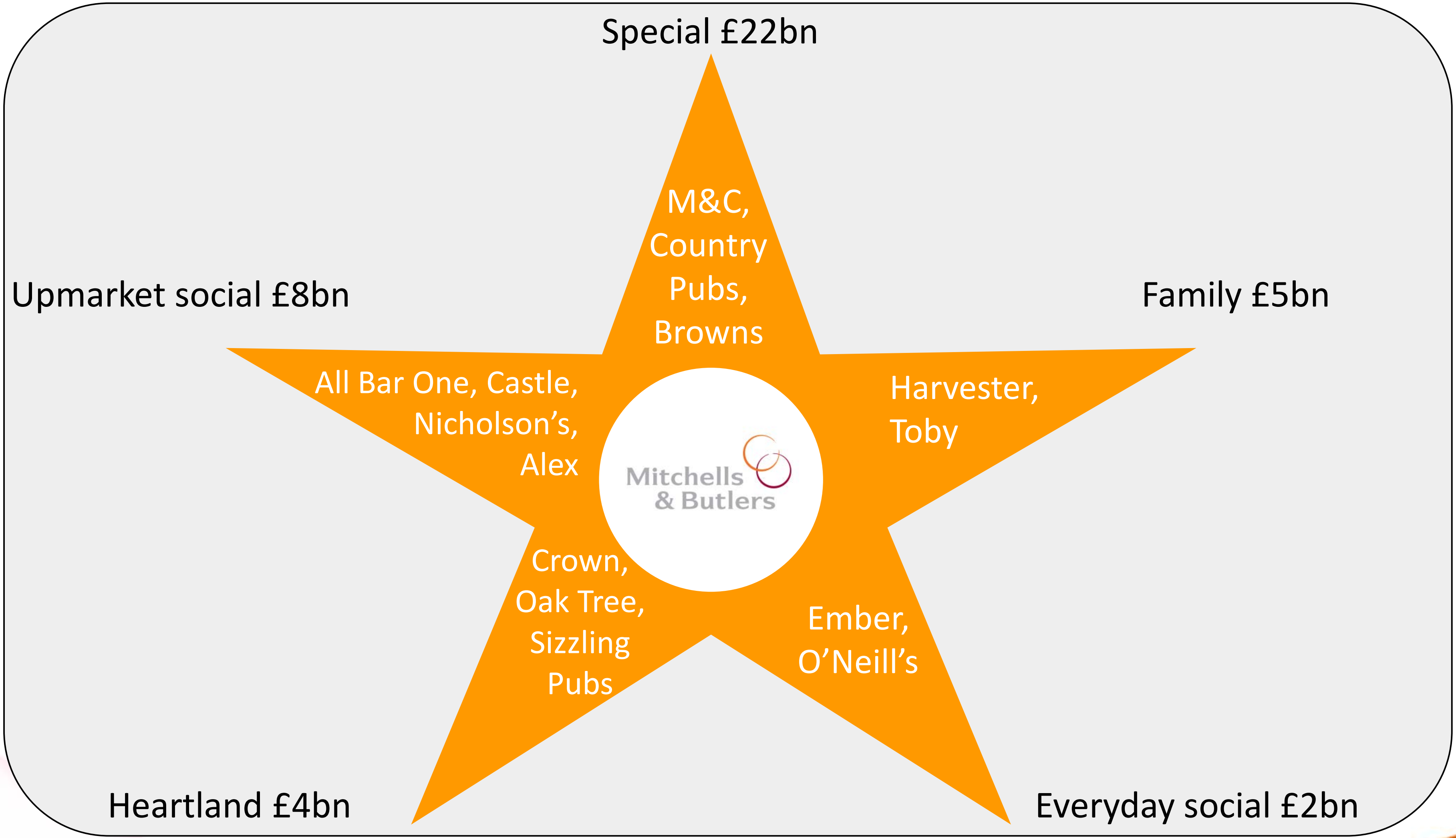


A portfolio approach to meeting guest needs



A five star approach to attractive markets



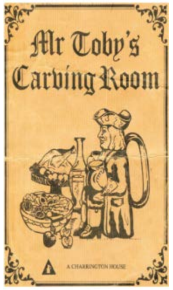
Note: Country Pubs are Vintage Inns, Village Pub & Kitchen, Premium Country Dining Group

Toby Carvery

Jeremy Skingley

4th September 2013

Toby: background



- Toby Carving rooms established in 1970 by Charrington
- In 1998 ‘Toby Carvery’ brand launched
- In 2011 Toby opened its first leisure / retail site
- Now operates 152 sites nationwide

Bringing theory to life: Case study

BRAND: TOBY CARVERY

CORE CONSUMER: WORLDLY WISE

CORE OCCASION: family time

WORLDLY WISE

Picky when choosing where to eat/drink

Avoid 'unhealthy' foods

Like to play it safe when eating out

Prefer simple flavours and menus

ENGLISH HERITAGE

VINTAGE INNS

TOBY CARVERY

EMBER INNS

THE NATIONAL TRUST

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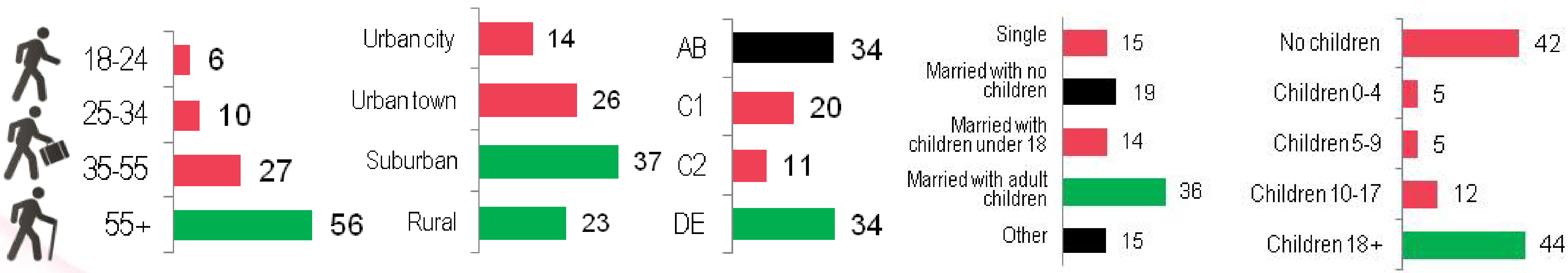
WORLDLY WISE

“Now I have fewer responsibilities, my free time is my own. I enjoy eating out but am quite picky about where/what I eat. I know what I like by now and don’t stray too far from my trusted favourites”

Top 5 stand out attitudes to eating and drinking out

1) I like to play it safe when I choose where/what to eat
2) I am picky when it comes to choosing where to eat and drink
3) I like flavours to be simple and bold
4) When it comes to restaurants, pubs and bars, I am a creature of habit
5) I find a lot of food & drinks menus too long or too complicated



family time

Providing relaxed and familiar environments with a broad appeal that will bring the whole family together for a reliable shared treat.

Core trend: *‘Wellbeing’*

Making good choices for myself

- Taking responsibility
- Quality over quantity
- Transparency
- Joy of health
- Look good feel good
- Emotional wellbeing

DRY JANUARY

Toby: strengths and opportunities

- Strengths
  - Scale: £230m turnover; 3,000 main meals per pub per week
  - High brand awareness and net promoter score (YTD 61%, up 3%)
  - Stable and capable teams
- Opportunities
  - Brand image to non and lapsed users
  - Drive volume and profits through marketing and operational efficiencies
  - Not just for Sunday

Future strategy and key pillars

We will position Toby firmly in the worldly wise / family time occasion and update the brand image. We will take advantage of Toby's highly volume efficient profit conversion by driving significant LFL meals growth. We will achieve this through a combination of organic growth (including ATL media), remodel and expansionary capex. We will not deviate from or jeopardise our single minded focus of "Home of the Roast" in any aspect of the offer.

Expand to exploit the market growth opportunity

Update brand image and build even greater brand resonance

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Festive Fayre

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Optimise profitability through efficiency and promotional mix

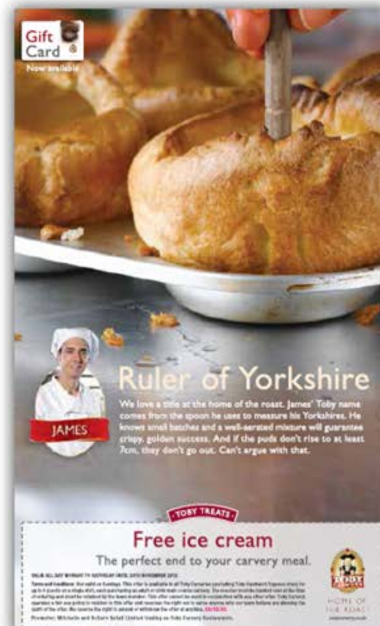
Guest recruitment and retention

Why 'Home of the Roast?'

- A brand message with huge saliency
- Tapping into the emotional link of a roast dinner
- Utilises the brand values of homeliness, warmth and tradition to reinforce our heritage and expertise
- Strengthening brand equity provides pricing options in future
- ATL advertising
- A true brand ethos and culture

Opportunities

- Update brand image, exploit ATL media and an effective CRM solution
- Improve margin by reduction in promotional meals and operational efficiencies
- Maximise Sunday occasion - increase cover turn and spend per head
- Continue to grow breakfast




Now home of the
breakfast too...
Our all you can eat breakfast available until 11am
Monday-Saturday and until 10:30am on Sunday
FOR JUST £3.99
Also fill up on Facebook, emails and Twitter.
FREE WI-FI


Also home of
the breakfast
When you're famous for the attention you give to the roast,
you have to give the Great British breakfast the same respect.
Try our handmade hash, seasoned tomatoes and perfectly cooked
bacon and you'll see there's more than one thing we're good at.
Our all you can eat breakfast is just £3.99. Available until
11am Monday - Saturday and until 10:30am on Sunday
Also fill up on Facebook, emails and Twitter.


We work hard
to make a hash.
Breakfast hash. It sounds like it should be easy.
So why do we insist on sautéing the onions,
using tasty gammon and adding grated cheese
before oven roasting it? Maybe patience is an
easy virtue once you've mastered the perfect roast.
Also fill up on Facebook, emails and Twitter.
FREE WI-FI

Our people

- Solid foundations to drive “Home of the Roast” and deliver our objectives:
  - Great manager stability
  - Strong and growing pipeline of future managers
  - Team member turnover better than average and improving

- FY14:
  - Toby Academy training centre
  - Personality Carver role

Our guests

Trust builders

- Genuine welcome
- Flawless carvery
- Simple service

Increase revisit %

Loyalty builders

- Attentiveness at table
- Drinks value for money
- Genuine farewell

Increase recommendation %

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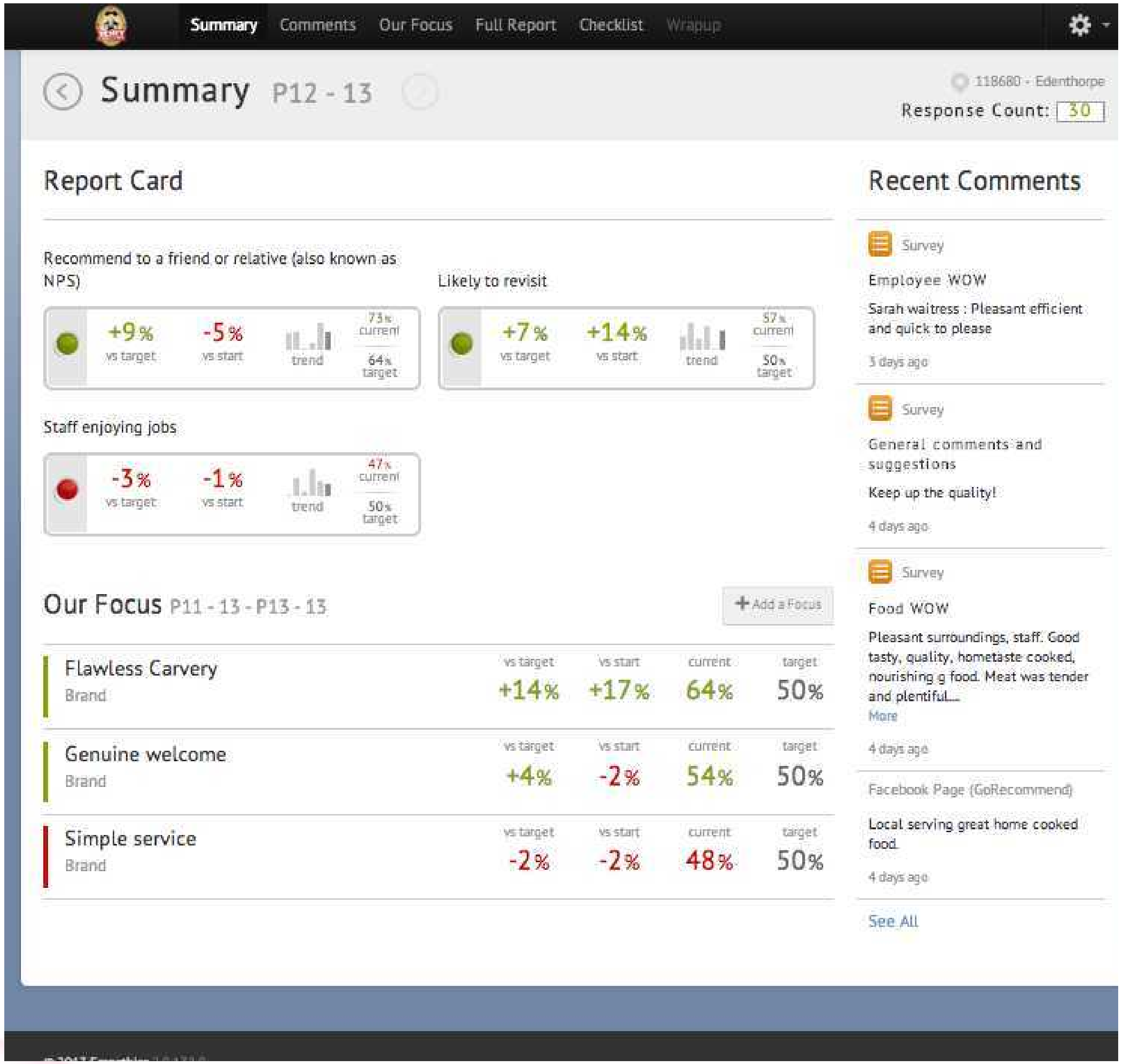
Toby guest dashboard



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Summary

- Stable and capable teams, continuing to improve
- Clear brand positioning and guest targeting
- A differentiated, focused offer and a compelling brand proposition – ‘Home of the Roast’
- Scalable estate, brand equity growth and future media efficiency
- One of four expansion brands

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Conclusion

- What creates value at MAB?
  - Exceptional people...
  - Outstanding operators of scale brands and formats...
  - Which guests love...
  - Leading to market leadership and profit growth
- ‘5 star’ approach to attractive market spaces
- Clear operational priorities
- Well positioned to deliver sustainable growth