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Half Year Results 2023

# Introduction

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- Delivered a strong first half performance in a challenging trading and macro environment
- Market-beating like-for-like sales growth of 8.5%, with record guest review scores
- Medium-term cost outlook is improving
- Capital and Ignite programmes delivering continued momentum
- Remain focused on our strategic priorities and disciplined management of cashflows



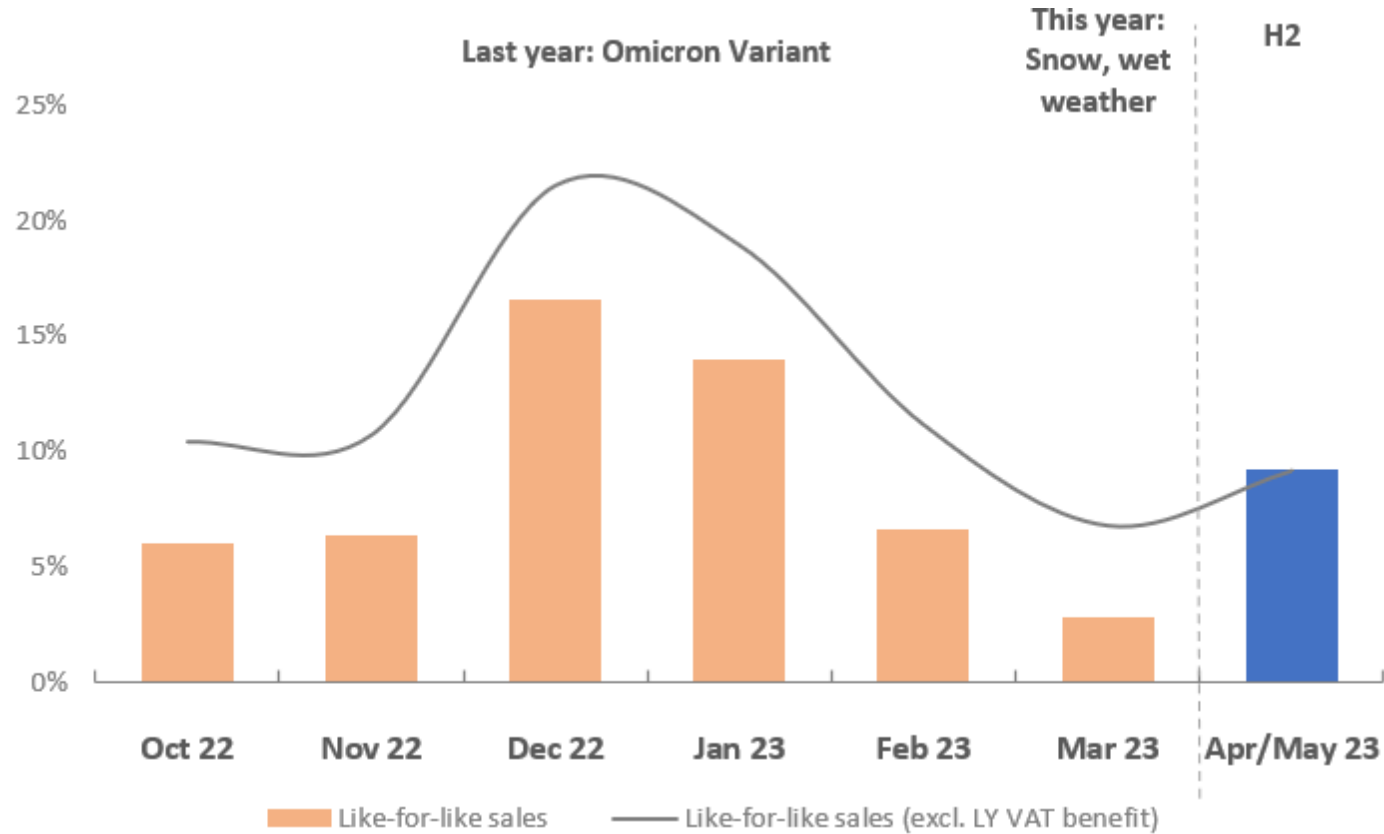
**Financial Review HY 2023**  
**Tim Jones**  
**Chief Financial Officer**

# Income Statement (before adjusted items)

	HY 2023 £m	HY 2022 £m
Revenue	1,282	1,159
Operating costs	(1,182)	(1,039)
Operating profit	100	120
Interest	(58)	(63)
Pensions finance charge	(1)	(1)
Profit before tax	41	56
Operating margin	7.8%	10.4%
Earnings per share	5.5p	7.6p

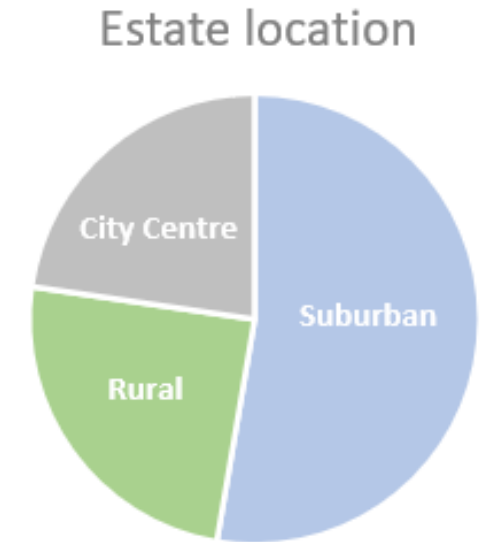
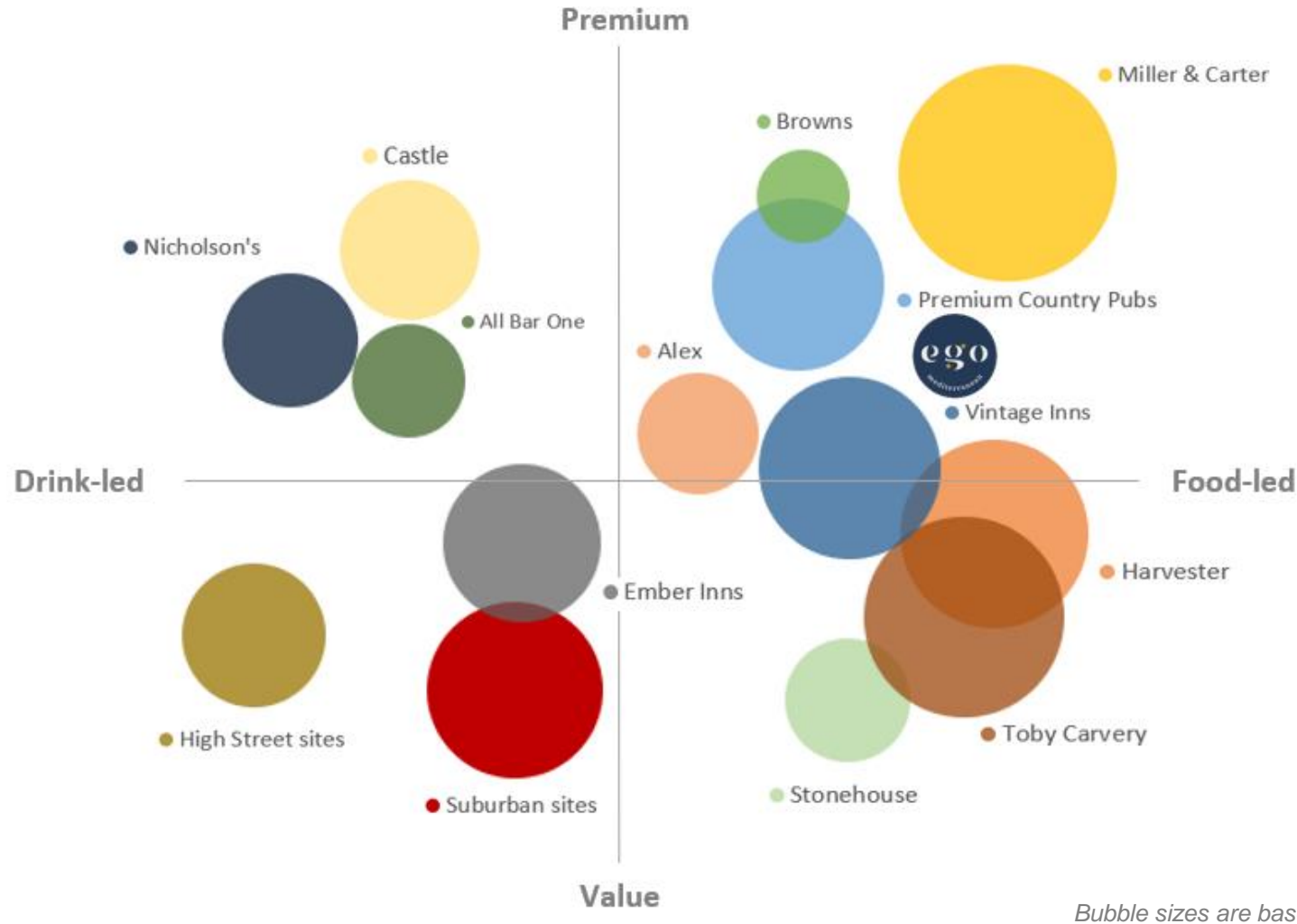
Note: HY 2022 includes £53m of government support (primarily reduced rate of VAT on food and non-alcoholic drink sales)

# Like-for-like sales vs. FY22



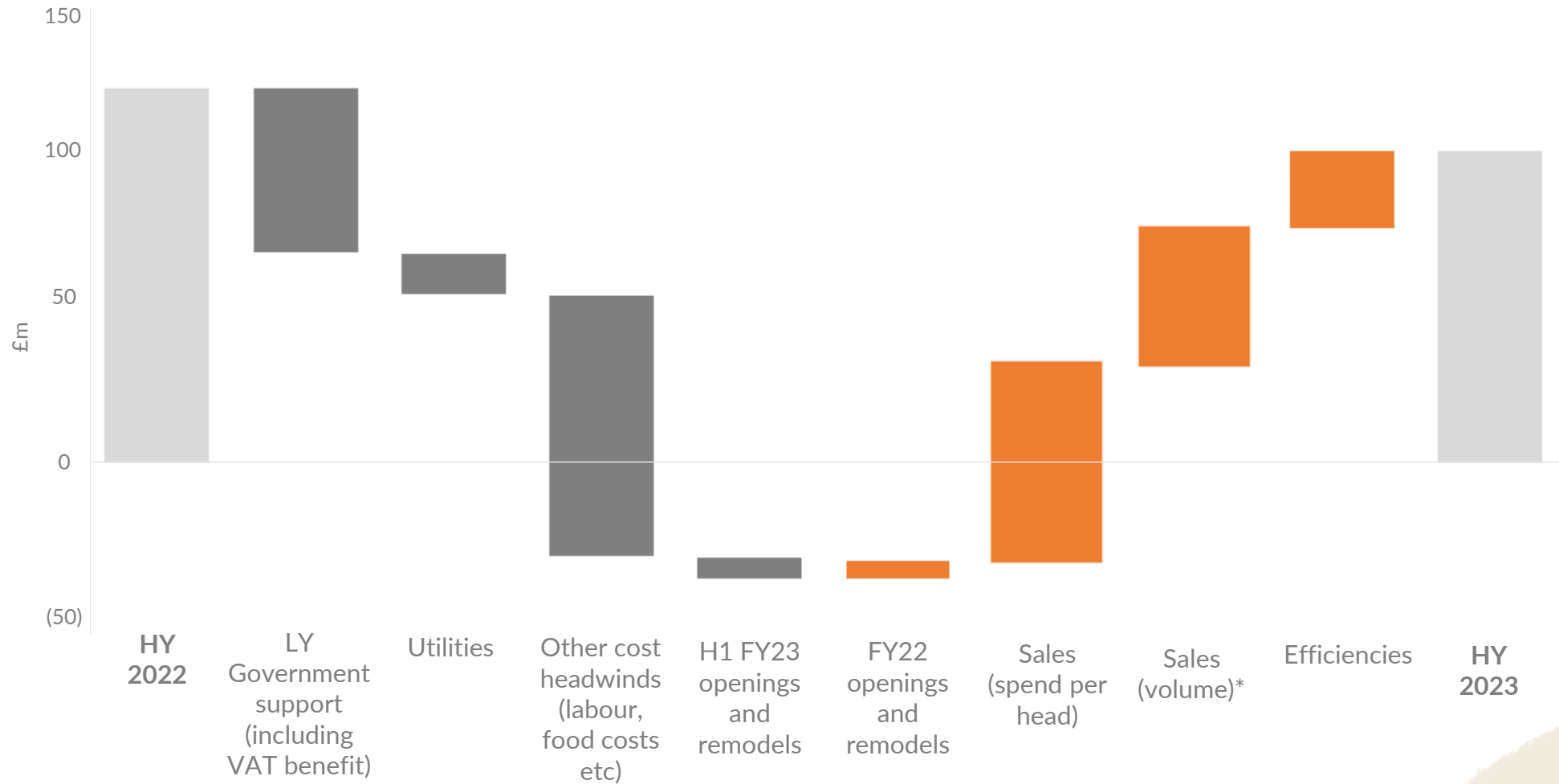
- First half like-for-like sales growth of 8.5% (12.8% excluding last year VAT benefit)
- Sales driven by both volume and price growth
- London outperforming the rest of the UK with further return to office working and foreign tourism

# Diverse portfolio of brands and locations



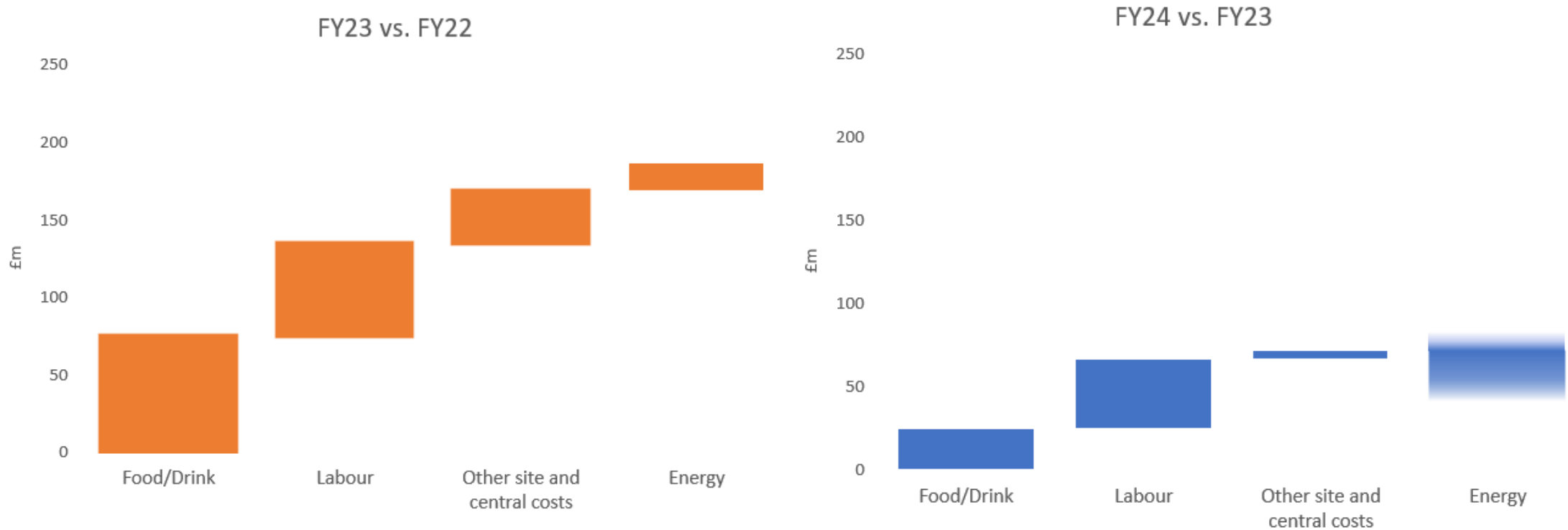
- The M&B brands cover a wide range of occasions, locations and price points

# Adjusted EBIT movement vs. H1 FY22



\*Sales (volume) includes impact from Omicron in prior year

# Reduction in cost pressures anticipated in FY24



- Cost pressures in FY23 anticipated at lower end of 10-12% range previously advised
- Pressures expected to abate in FY24 although outlook remains uncertain
- As at end of April, c.87% of FY23 energy requirements purchased and c.13% of FY24



# Cashflow and debt management

	HY 2023 £m	HY 2022 £m	FY 2022 £m
Operating cash flow	172	193	380
Working capital movement	27	2	19
Pension deficit contributions	(7)	(23)	(44)
Capital expenditure	(98)	(58)	(122)
Lease principal and interest	(37)	(44)	(61)
Net interest	(46)	(50)	(99)
Other	(1)	2	(2)
<b>Net cash flow before bond amortisation</b>	<b>10</b>	<b>22</b>	<b>71</b>
Mandatory bond amortisation	(57)	(54)	(110)
<b>Net cash flow</b>	<b>(47)</b>	<b>(32)</b>	<b>(39)</b>
Net debt excluding IFRS 16 lease liabilities	(1,193)	(1,253)	(1,198)
Net assets	2,192	2,228	2,143
Net assets per share	£3.68	£3.74	£3.61

- Working capital inflow (includes receipt of Rank claim)
- Pension contributions to cease by September 2023
- Strong and growing capital investment programme
- Further reduction in net debt

# Summary

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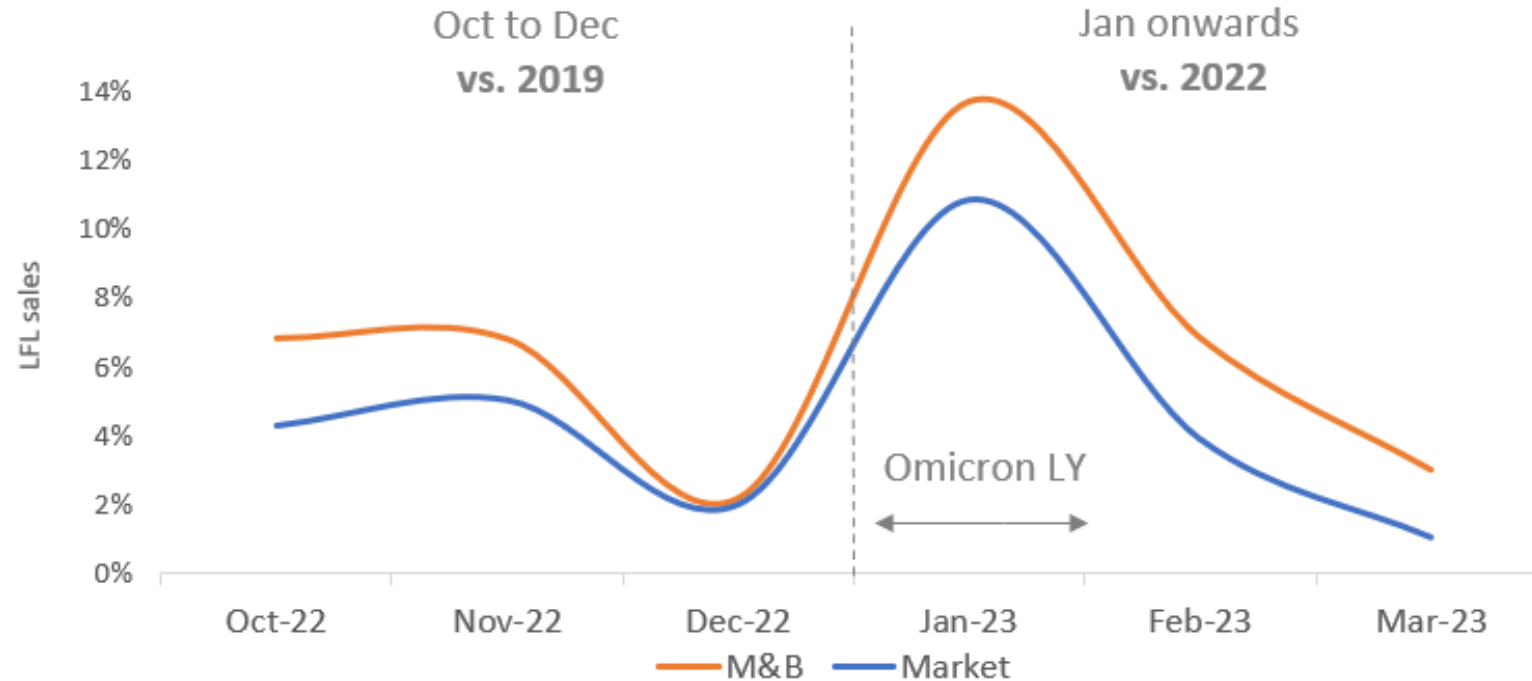


- Strong sales performance with encouraging volume growth in first half
- Good progress on cost mitigation. Inflationary headwinds anticipated to abate next year
- Confidence in tracking ahead of management's expectations in short and medium term
- Well placed to manage uncertainty ahead:
  - Capital investment and Ignite programme
  - Diversified estate
  - Strong brands and offers



**Phil Urban**  
**Chief Executive Officer**

# Trading vs. market



- Outperformance of the market strengthened further once Coffer Peach tracker started to compare to 2022 from January 23 onwards
- Focusing on providing fantastic guest experience and value for money to build market share

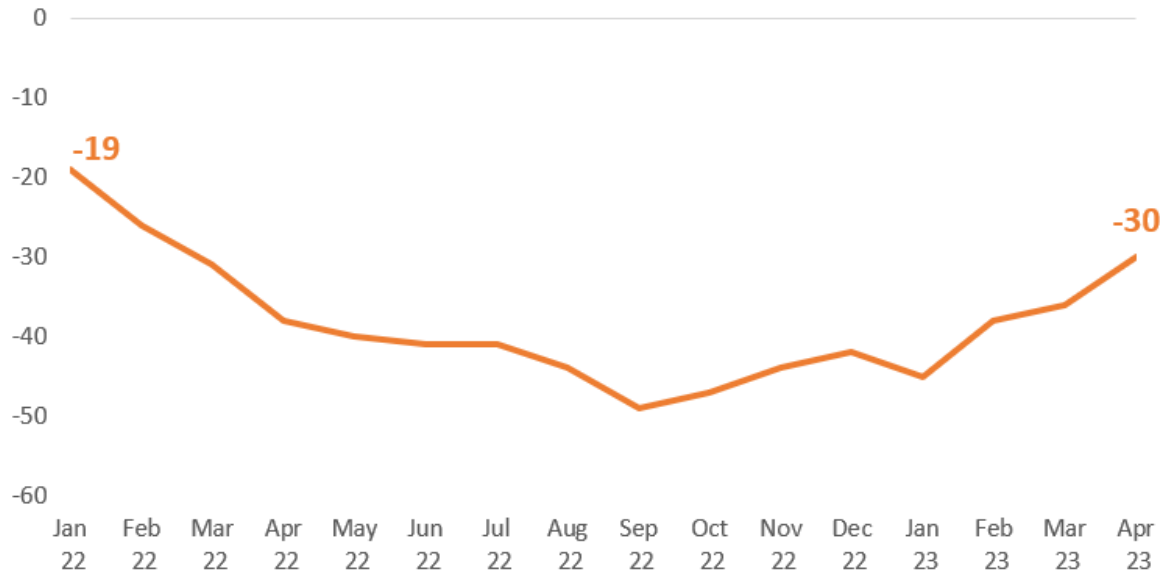
# Recent trading

- Strong like-for-like sales growth over the last six weeks of 8.9%, which includes Easter in both periods
- Volume and spend per head growth on both food and drink
- Outperformance of the market continued

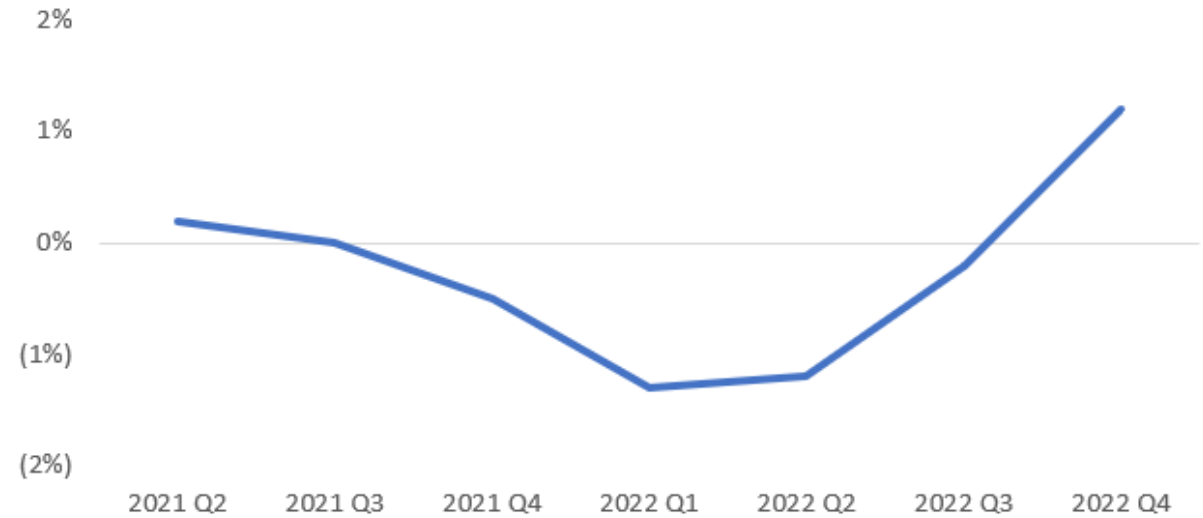


# Consumer confidence and disposable incomes

GfK UK consumer confidence



ONS household real disposable income (quarter on quarter growth, seasonally adjusted)

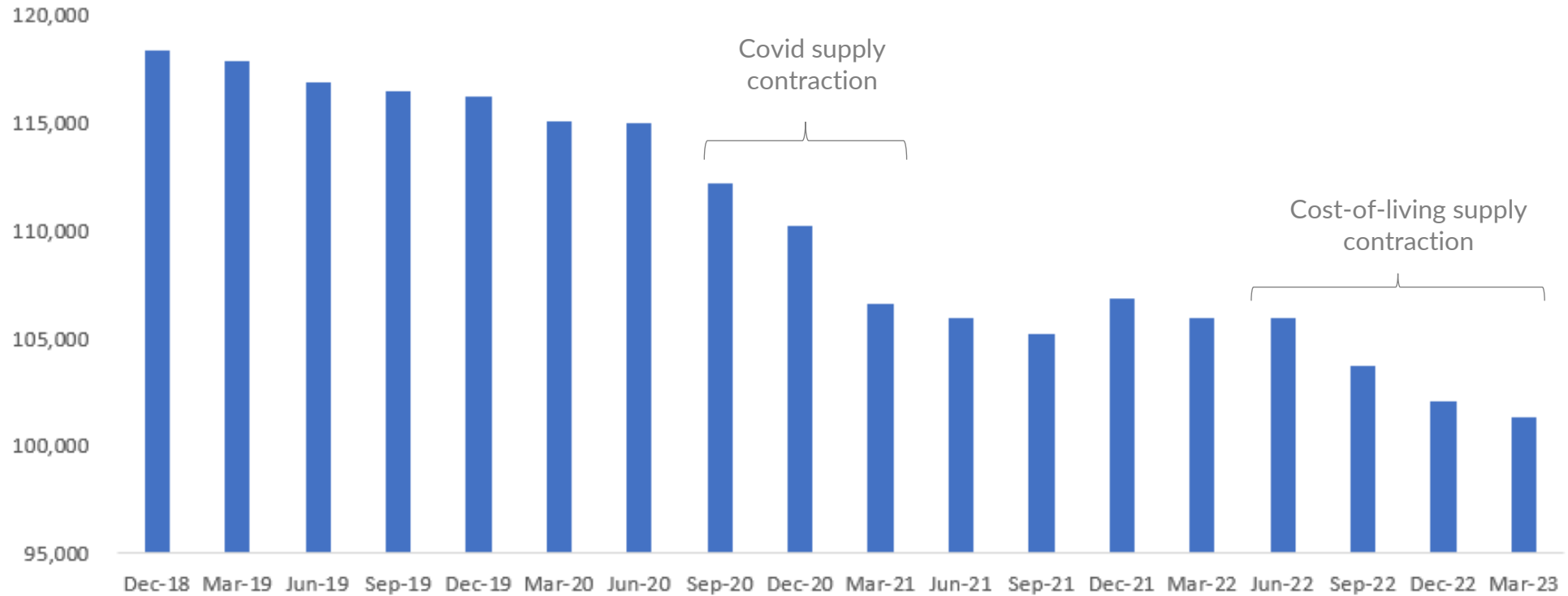


- Guests have protected their out of home spending on food and drink, despite the cost-of-living squeeze
- As inflation falls and real wage growth returns, we are optimistic on future growth as confidence returns

# Supply



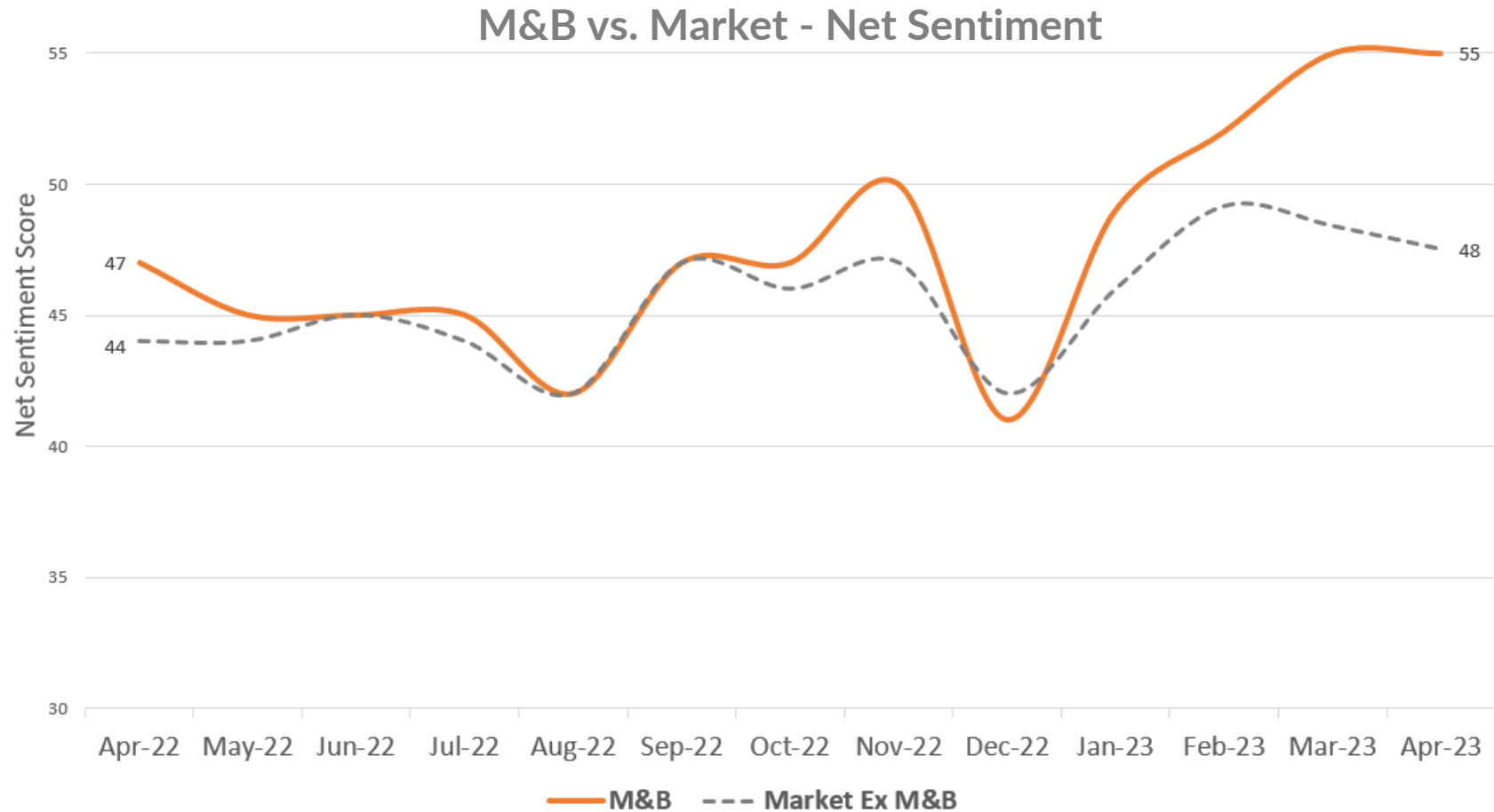
Total number of licensed outlets since December 2018



Source: CGA Outlet Index

- Opportunity to gain market share through superior customer experience

# Guest sentiment

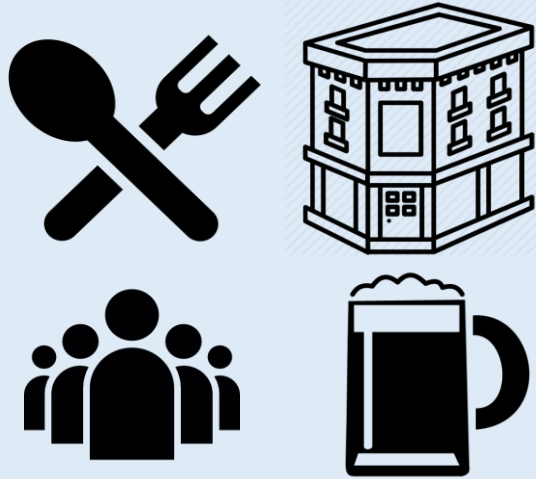


Net Sentiment = % Positive Reviews (5\*) minus % Negative Reviews (1-3\*) on Trip Advisor and Google

- Outperforming the market on net sentiment score
- Clear correlation between guest feedback and like-for-like sales growth



# Our strategic priorities



## Build a more balanced business

- Brand propositions
- Conversion to successful formats
- Upgraded amenity in core



## Instil a more commercial culture

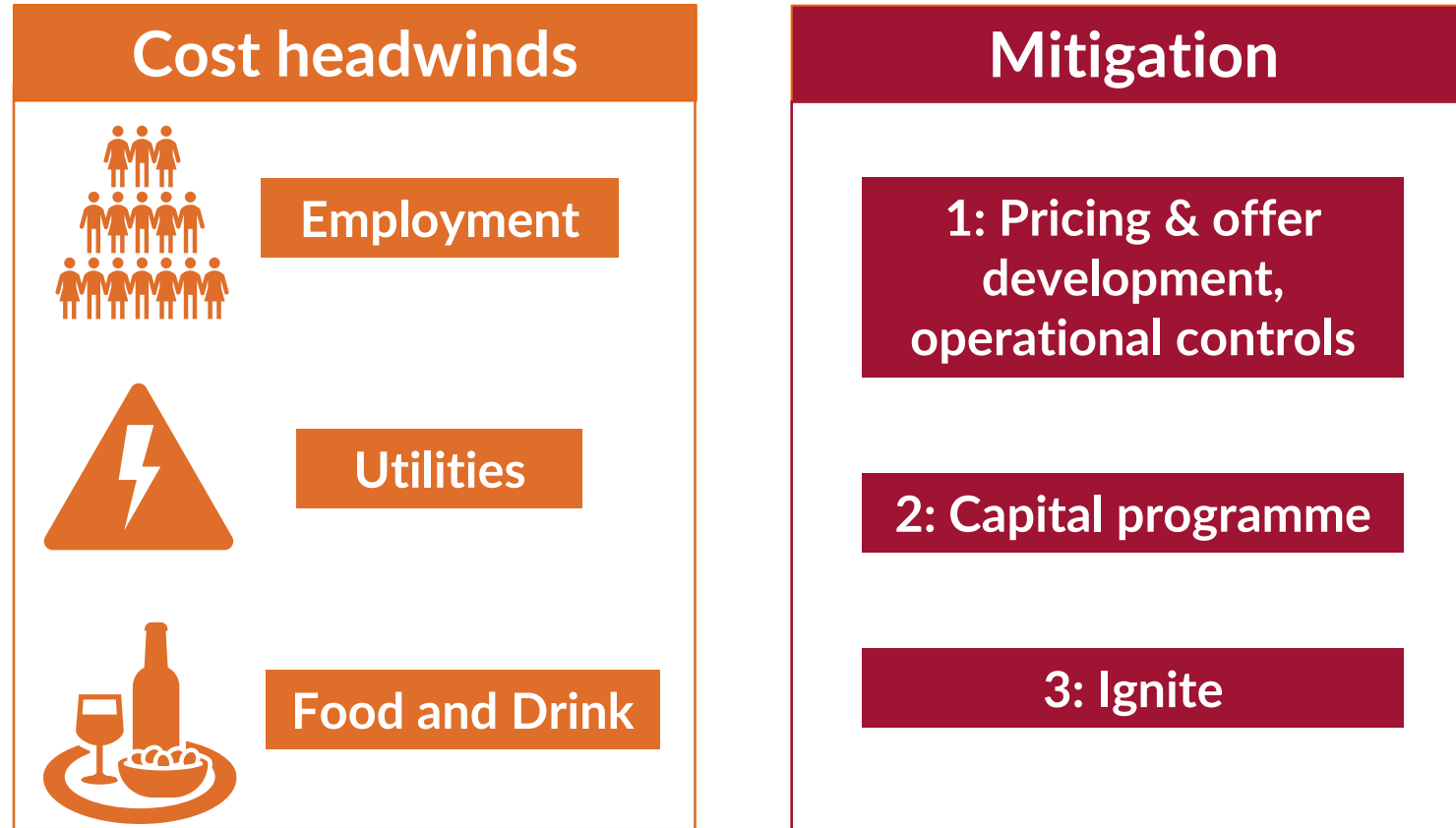
- Guest-driven decisions
- Profitable sales
- Core operational drivers



## Drive an innovation agenda

- Build on technology investment
- Digital marketing
- New concept development

# Cost headwinds and mitigation



- Inflationary cost pressures continue to present a major challenge to the business, although the medium-term cost outlook is improving
- We have a proven track record of mitigation and we continue to work hard to mitigate as much of the impact of these cost increases as we can

# Level 1: Pricing & offer development



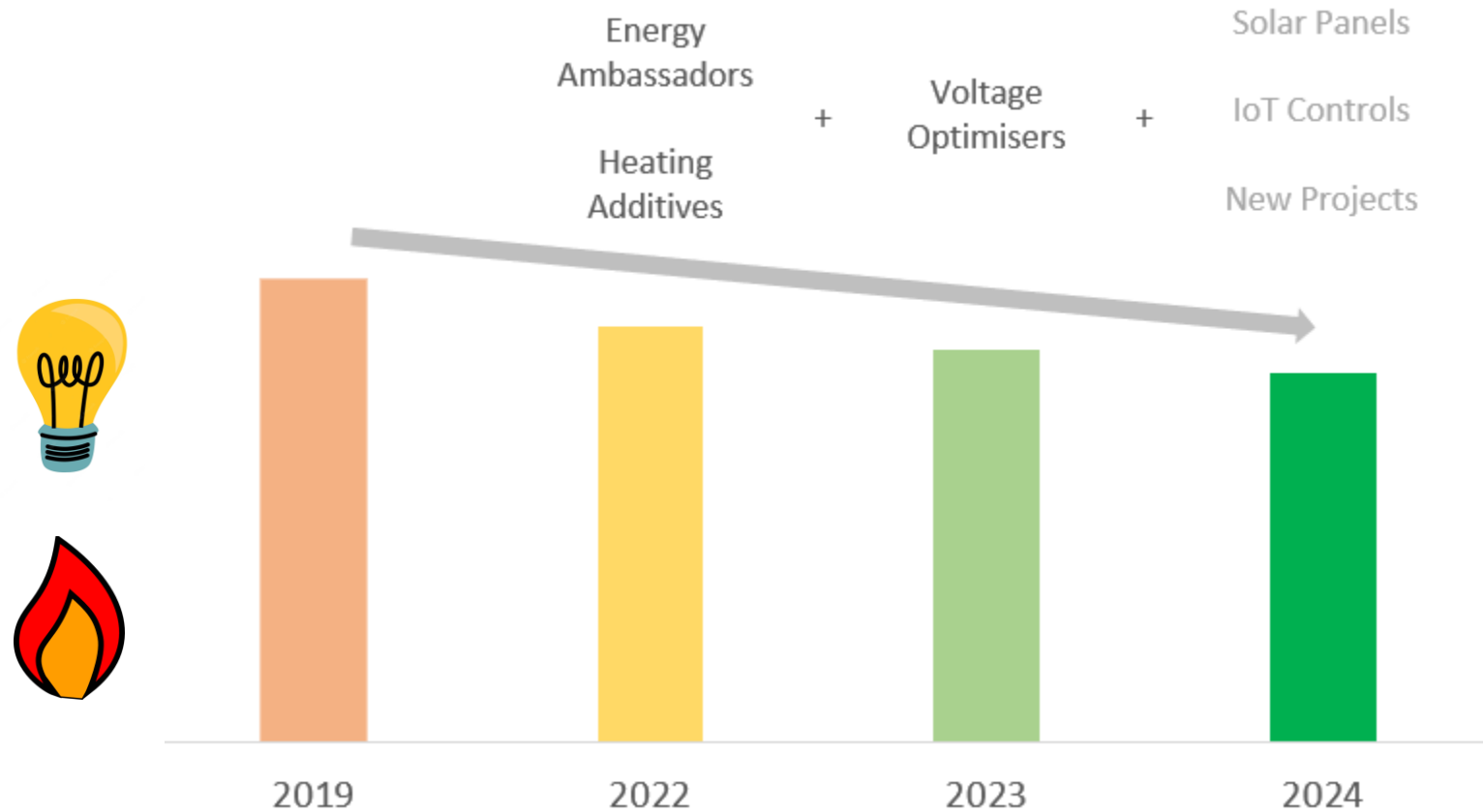
- Menu development cognisant of high food cost inflation
- Most brands have a menu change in the Autumn and again in the Spring
- Taken more price than we have traditionally although protecting entry level items where we can and introducing more premium items
- Guest reaction has been positive and we have not seen any deterioration in frequency

# Lever 1: Operational controls – Labour



- Our team are our most valuable asset. Our new auto-scheduling tool helps us get the right people on, at the right time, delighting guests and driving sales

# Lever 1: Operational controls - Energy consumption



- Pub energy consumption is reducing each year as we implement improved operational practices alongside innovative technological solutions

## Lever 2: Capital programme

- Strong returns post-investment
- New investment template - Browns in suburbia. 2 sites open (Browns Beaconsfield, Browns Ruislip)
- Secondary space utilisation - Arrowsmiths – 2 sites open (O’Neill’s Solihull, O’Neill’s Watford)



*Browns Beaconsfield*



*Arrowsmiths – O’Neill’s Solihull*



# Ego acquisition

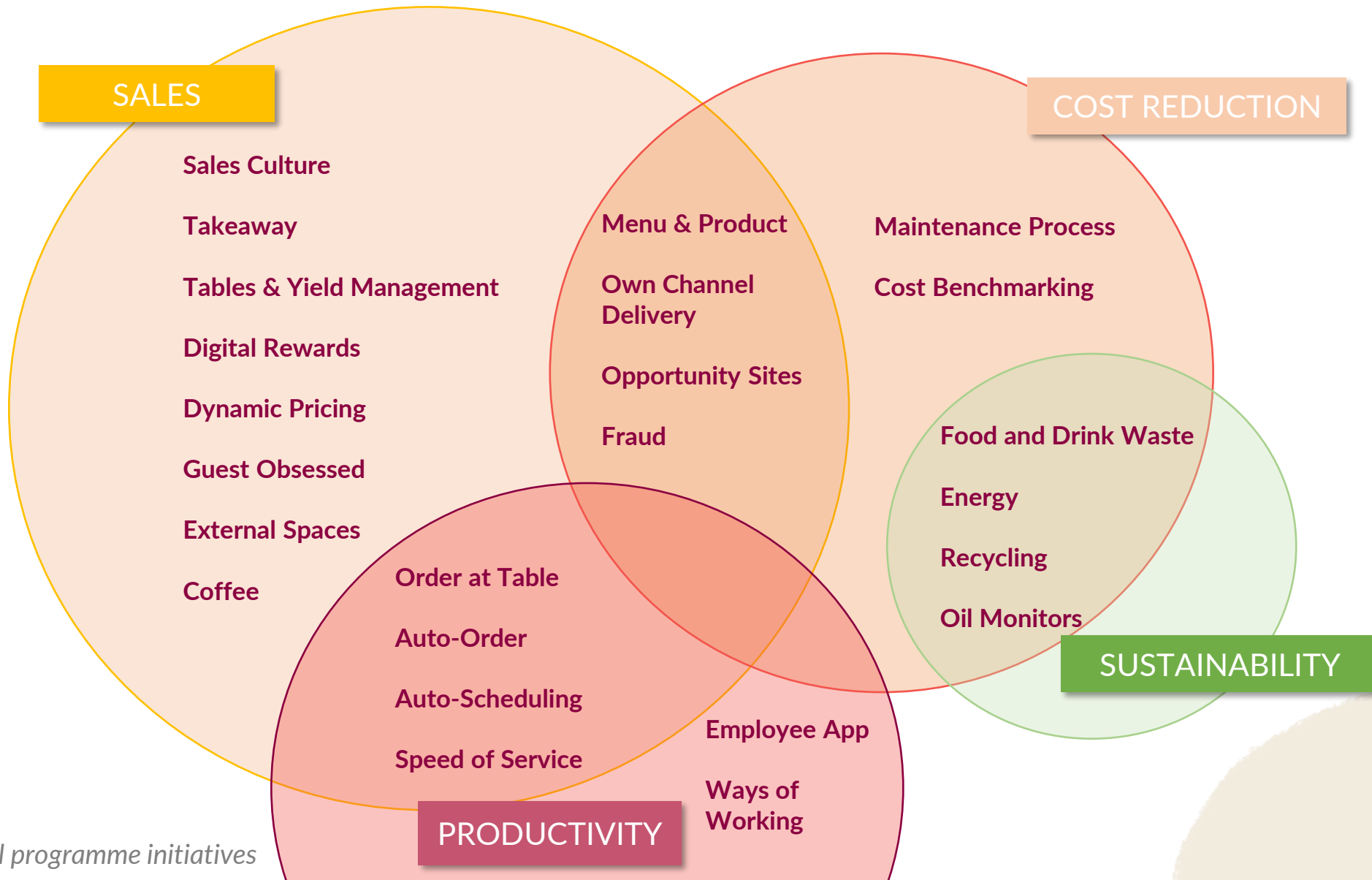


- In June 2023, we will exercise our option to acquire the remaining shares in 3Sixty Restaurants Limited, owners of Ego
- Held a 40% stake since August 2018
- 26 sites (including 16 leased from M&B)
- Existing team will continue to lead the business through its next phase of growth
- Scope for up to 80 Ego sites



*“Mediterranean inspired pubs and restaurants where guests enjoy freshly cooked food, cocktails, cask ales and wine from across the continent”*

# Lever 3: Ignite - selection of initiatives



Does not include all programme initiatives



# Sustainability – key initiatives



**Decarbonisation of the Estate**  
Electric kitchens, air source heat pumps, voltage optimisers



**SUPPORT ENERGY AMBASSADORS**

**Energy Ambassadors**  
A network in place to support behavioural change



**Sustainable Estate Practices**  
Kitchen equipment & furniture recycling, roof & pipework insulation, glazing & draft exclusion



**Renewable Energies**  
Solar panels, heat rejection via walk in refrigeration



**RESPONSIBLY SOURCED FOOD**

**Collaboration with suppliers**  
Work together to reduce product specific emissions



**REDUCE FOOD WASTE**

**Innovation and Partnerships**  
Menu design, operational improvements, Fareshare, Too Good To Go

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We hope you enjoy your visit today.

Please continue to wear your face mask while we fully protect changes to the restaurant.

Hand sanitiser and napkins are provided for your convenience at the desk.

If you need any assistance please call a member of our team who will be delighted to help.

Thank you

125 years

Serving with pride, since 1898

Mitchells & Butlers

*Succulent*  
**ROAST TURKEY**

*Slow Roasted*  
**GAMMON**

*Slow Roasted*  
**PORK**

Questions

