

20 August 2010

Mitchells & Butlers plc
Disposal of 333 Non-Core Pubs for £373m

Mitchells & Butlers announces the proposed disposal of 333 Non-Core Pubs for a cash consideration of £373m to Stonegate Pub Company Limited, a company controlled by TDR Capital LLP.

Highlights

- The disposal is in line with Mitchells & Butlers' strategy to withdraw from the lower price, drinks-led market and the late night high street bars and venues as announced in March 2010.
- On completion, £500m will have been realised from recent non-core disposals.
- The pubs had attributable EBITDA and operating profit in the 52 weeks ended 10 April 2010 of £52m and £35m respectively. This represents an EBITDA multiple of 7.2x on the gross proceeds.
- 20% of the pubs are short leasehold generating £8m of EBITDA and £2m of operating profit in the 52 weeks ended 10 April 2010.
- In the next phase of the Company's stated strategy, the Board intends to reinvest the proceeds into growth opportunities offered in the informal eating out market where the Company's market leading brands deliver attractive growth prospects.
- Following the disposal, Mitchells & Butlers will have 1,580 restaurants and food-led pubs with higher growth potential. Each year since 2007 this core business has grown like-for-like sales by around 1 percentage point more than the historically reported Mitchells & Butlers' results whilst operating profit per pub has increased by 3% per annum.
- Including the gross proceeds from all the non-core disposals, net debt at 10 April 2010 would have been £2,013m, comprising £2,303m of securitised long term debt and £290m of cash.
- Completion of the disposal of 333 Non-Core Pubs is scheduled to occur by mid November 2010 and is conditional on the approval of the Company's shareholders. A circular providing further detail of the disposal will be posted to shareholders in due course.

Commenting on the transaction, John Lovering, Chairman, commented:

"I am delighted with the progress being made on reshaping Mitchells & Butlers' portfolio in line with the strategy we announced in March. Adam Fowle and the new management team are making excellent progress in accelerating the pace of change throughout the organisation. The cash resources released by the sale programme will allow the Company to accelerate its growth into the informal eating out market."

Adam Fowle, Chief Executive, said:

"We are pleased that we have been able to announce the exit from our price sensitive drinks-led pubs and our late night venues in a single transaction. This disposal, when

combined with the sale of our lodge and bowling businesses, completes the first stage of our strategy. This will now enable us to reinvest in the informal eating out market where our market leading brands, corporate scale and operational capability will deliver attractive growth and investment returns for our shareholders.”

There will be a conference call for analysts and investors at 9.00am today; please dial +44 (0) 1452 555 566 and quote conf ID 95554395. The replay will be available until 02/09/10 on +44 (0) 1452 55 00 00, replay access number 95554395#.

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Notes to editors

- The 333 Non-Core Pubs include Scream, High Street Bars & Venues, Town Pubs and Community Pubs.
- Mitchells & Butlers' leading portfolio of brands and formats includes Harvester, Toby Carvery, Vintage Inns, Premium Country Dining Group, Crown Carveries, Sizzling Pub Co., Browns, Miller & Carter, Metro Professionals, All Bar One, Nicholson's and O'Neill's. Further details are available on www.mbplc.com.
- After completion, Mitchells & Butlers will have an estate comprising 1,580 restaurants and food-led pubs serving around 124m meals and 445m drinks each year. Mitchells & Butlers is one of the largest operators within the UK's £70 billion eating and drinking out market.
- TDR Capital is a private equity firm based in London and founded in 2002. TDR Capital currently manages funds worth €2.6 billion. The TDR Capital team of 20 professionals has collectively completed transactions with an aggregate value in excess of €15 billion.

This summary should be read in conjunction with the full text of the following announcement and Appendices. This announcement is for information purposes only and does not constitute an offer or an invitation to acquire or dispose of any securities or investment advice in any jurisdiction.

Introduction

Mitchells & Butlers (the “Company”) announces that it has agreed to sell 333 pubs (the “Non-Core Pubs”) to Stonegate Pub Company Limited (“Stonegate”), controlled by funds managed by TDR Capital LLP (“TDR Capital”) for a total cash consideration of £373m (together the “Disposal”).

The Disposal is conditional on the approval of Mitchells & Butlers’ shareholders. Completion of the Disposal (“Completion”) is scheduled to occur by mid November 2010.

Background to and reasons for the proposed Disposal

As set out in the Company’s strategic review statement on 24 March 2010, Mitchells & Butlers’ strategy is to focus on the attractive growth prospects of the informal eating out market, centred on its market-leading brands, and to reduce exposure to the lower price drinks-led sector.

This has led to a number of disposals of non-core businesses, including Hollywood Bowl, the majority of the lodge business and the Disposal (together the “Non-Core Disposals”), for total gross consideration of £500m. The speed of this disposal process has enabled a rapid reshaping of Mitchells & Butlers towards its chosen market sectors.

The Non-Core Pubs operate in the drinks-led market, which has been negatively impacted by long term social trends away from drinking out without food. In the last few years these trends have been accelerated by the smoking ban, duty increases and the recession. The increased level of youth unemployment has put further pressure on the more price sensitive end of this market.

Ongoing focus on the core business

The Disposal will enable Mitchells & Butlers to focus on the attractive informal eating out market where its market leading food-led brands will benefit from longer-term growth trends. Following the Disposal, Mitchells & Butlers’ core business will comprise 1,580 restaurants and food-led pubs (“Core Business”).

The Core Business had pro forma revenue and operating profit for the 52 weeks ended 10 April 2010 of £1,667m and £271m respectively. Furthermore, the Core Business has grown revenue by 8% and operating profit by 4% between 2007 and the 52 weeks ended 10 April 2010. Operating profit per pub has increased by 3% per annum over this period.

The managed pubs within the Core Business had average weekly takes (“AWT”) of £21k based on the 52 weeks ended 10 April 2010 and food accounted for 47% of revenue.

The table below highlights the like-for-like sales performance of the Core Business compared with the Non-Core Pubs.

Like-for-like sales growth	FY 2008	FY 2009	FY 2010 Weeks 1-42
Mitchells & Butlers	+1.0%	+1.6%	+1.6%
Non-Core Pubs	(2.8%)	(1.2%)	(2.4%)
Core Business	+1.8%	+2.6%	+2.4%

The Board intends to reinvest the proceeds from the Non-Core Disposals into the higher growth opportunities offered within the informal eating out market where the Company’s market leading brands offer attractive returns.

Following the Disposal, the Company will convert the 116 Scream, Bars & Venues, Town Pubs and Community Pubs remaining within the estate into one of its expansion brands. Mitchells & Butlers is currently achieving EBITDA returns of greater than 25% on similar conversions in the current financial year.

Mitchells & Butlers will continue to build further scale through further conversions, new site development and acquisitions.

Information on the Non-Core Pubs

The Non-Core Pubs consist of a portfolio of 333 managed pubs of which 66 are short leasehold and the remaining 267 are freehold or long leasehold. The Non-Core Pubs are located across the UK including 33% in the South and 38% in the Midlands.

The Non-Core Pubs comprise:

- 52 Scream bars (pubs focused on the student market)
- 71 Bars & Venues (music bars and late night entertainment venues)
- 75 Town Pubs (largely unbranded pubs in busy town centres)
- 67 Community Pubs (drinks-led pubs in residential areas competing against tenanted pubs)
- 68 other small pubs

The Non-Core Pubs generated revenue of £239m, EBITDA of £52m and operating profit of £35m in the 52 weeks ended 10 April 2010. 20% of the Non-Core Pubs are short leasehold generating £8m of EBITDA and £2m of operating profit in the 52 weeks ended 10 April 2010. The net book value as at 10 April 2010 was £437m.

The Non-Core Pubs are drinks-led with food contributing 13% of revenue in the 52 weeks to 10 April 2010. AWT for the Non-Core Pubs for the 52 weeks to 10 April 2010 was £14k, 33% below that of the Core Business.

Information on TDR Capital

TDR Capital is a private equity firm based in London and founded in 2002. TDR Capital currently manages funds worth €2.6 billion. The TDR Capital team of 20 professionals has collectively completed transactions with an aggregate value in excess of €15 billion. TDR Capital has significant previous expertise in leisure businesses with investments in CenterParcs, Punch, Ask and Pizza Express. Current investments include Algeco Scotsman and The Phoenix Group.

Financial effects of the Non-Core Disposals and application of proceeds

The Company has announced Non-Core Disposals totalling £500m. The proceeds from the Non-Core Disposals will initially be used to reduce the drawings under the current medium term unsecured facility. Including gross proceeds of £500m, net debt as at 10 April 2010 would have been £2,013m, comprising £2,303m of securitised long term debt and £290m of cash. Following the Non-Core Disposals, Mitchells & Butlers will have a strong balance sheet in place creating a robust financial platform for investment in the Core Business growth strategy.

The Disposal is expected to be earnings dilutive initially. However, the Company will benefit from the implementation of the strategy to reinvest the proceeds into higher growth opportunities at attractive returns.

Principal terms, conditions and timetable of the Disposal

Under the sale and purchase agreement Stonegate will acquire the Non-Core Pubs for a cash consideration of £373m. Stonegate will pay for stock and cash and will be entitled to the earnings generated by the Non-Core Pubs in the period between 20 August 2010 and Completion which are assumed to be approximately £10m. Mitchells & Butlers will assume all working capital liabilities of the Non-Core Pubs at completion and will provide transitional services to the Non-Core Pubs.

Stonegate, backed by funds managed by TDR Capital, has agreed to pay an £18m break fee to Mitchells & Butlers if it does not fulfil its obligations to complete the Disposal. If Mitchells & Butlers does not fulfil its obligations and complete the Disposal, including if Mitchells & Butlers' shareholders do not approve the Disposal, Mitchells & Butlers must pay to Stonegate a break fee of £12m, being 1% of Mitchells & Butlers' market capitalisation as at the close of trading on 19 August 2010.

The Disposal is conditional upon the approval of Mitchells & Butlers' shareholders. A circular providing further detail of the Disposal will be posted to shareholders in due course in advance of a general meeting which is expected to take place in October 2010. Completion of the Disposal is scheduled to take place in mid November 2010.

Appendix 1 – Financial Information

Item 1 – Summary financial information on the Non-Core Pubs

(£m)	52 weeks ended			
	29 September 2007	27 September 2008	26 September 2009	10 April 2010
Turnover	254	246	243	239
EBITDA	70	64	55	52
Operating profit	53	47	38	35

Item 2 – Summary financial information on the Core Business

(£m)	52 weeks ended			
	29 September 2007	27 September 2008	26 September 2009	10 April 2010
Turnover	1,547	1,575	1,648	1,667
EBITDA	367	375	352	376
Operating profit	260	264	247	271

Note Financial information on the Core Business represents Mitchells & Butlers excluding SCPD and the Non-Core Disposals (Lodges, Hollywood Bowl and the Non-Core Pubs).

Appendix 2 – Advisors and forward looking statements

Sapient Corporate Finance (Lead Transaction Advisor to Mitchells & Butlers)	
Peter Hansen	020 7152 6162
Fraser Anderson	
UBS (Financial Advisor to Mitchells & Butlers)	
Nick Reid	020 7568 0000
Jackie Lee	
J.P. Morgan Cazenove (Corporate Broker to Mitchells & Butlers)	
James Mitford	020 7588 2828
Nomura International (Corporate Broker to Mitchells & Butlers)	
Adam Wright	020 7103 1927

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UBS Investment Bank are acting as Financial Advisers to the Company. UBS Investment Bank are acting exclusively for the Company and are not acting for any other person in relation to the Disposal and will not be responsible to any person other than the Company for providing the protections afforded to clients of UBS Investment Bank or for providing advice in relation to the contents of this document or the Disposal.

J.P. Morgan Cazenove Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and for no one else in connection with the Disposal or the contents of this announcement and will not be responsible to anyone other than the Company for providing the protections afforded to clients of J.P. Morgan Cazenove, or for affording advice in relation to the Disposal or the contents of this announcement.

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It is possible that this announcement could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, performance or events, and the Company's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement.

The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.