Bond Investor Update

28 November 2012

Tim Jones

Finance Director

Income statement (53 weeks)

	FY 2012 53 wks £m	FY 2011 52 wks £m
Retained Estate:		
Revenue	1,889	1,762
Operating profit*	304	288
Disposed operations	-	6
Total operating profit*	304	294
Interest*	(138)	(138)
Profit before tax*	166	156
Earnings per share*	30.5p	28.0p

* Stated before exceptional items and other adjustments

Income statement (52 weeks)

	FY 2012 52 wks £m	FY 2011 52 wks £m	
Retained Estate:			
Revenue	1,855	1,762	5.3%
Operating profit*	297	288	3.1%
Disposed operations	-	6	
Total operating profit*	297	294	1.0%
Interest*	(135)	(138)	
Profit before tax*	162	156	3.8%
Earnings per share*	29.8p	28.0p	6.4%

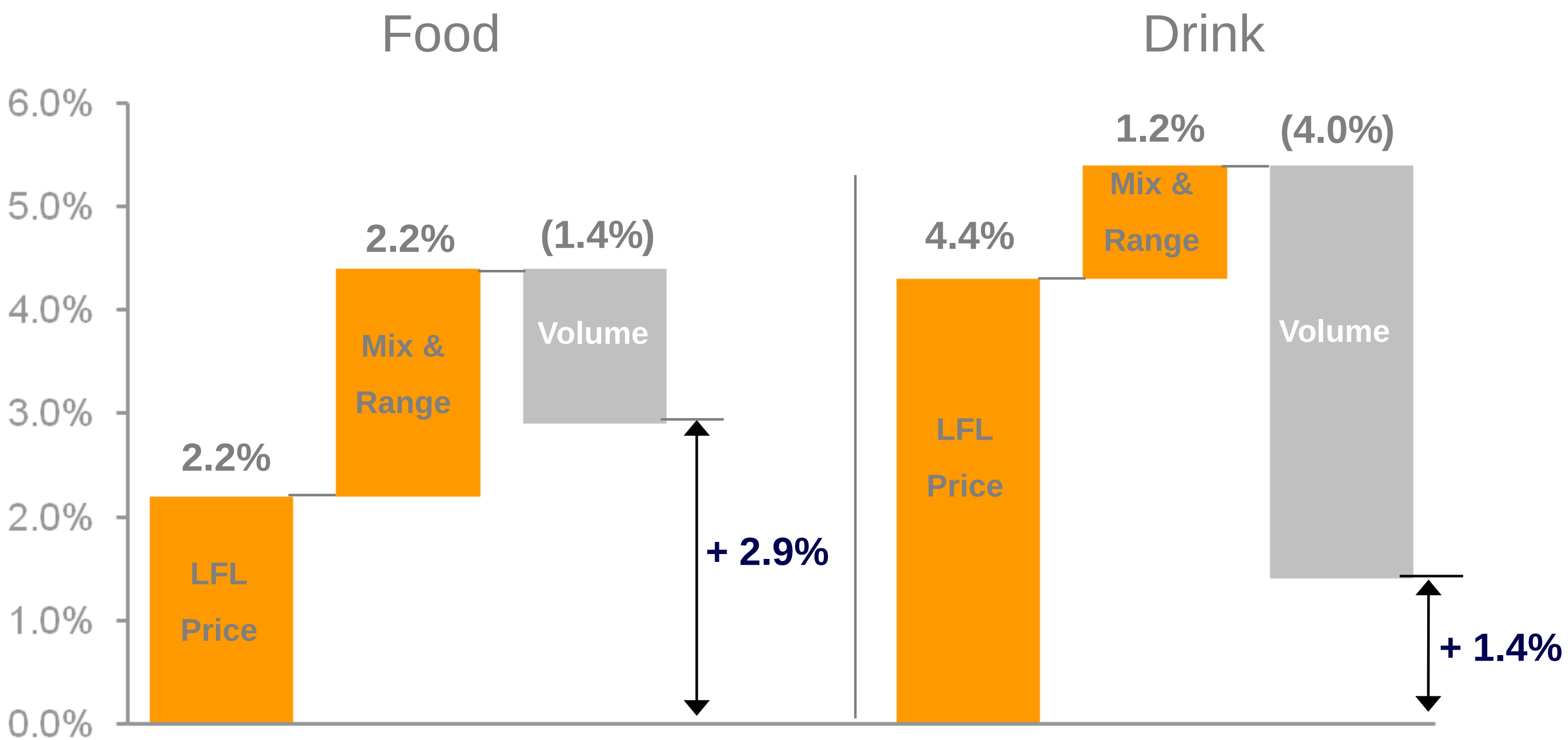
* Stated before exceptional items and other adjustments

Like-for-like sales growth

	Week 1-33 FY 2012	Week 34-52 FY 2012	Week 1-52 FY 2012	Week 1-8 FY 2013
Food	3.2%	2.5%	2.9%	1.5%
Drink	0.8%	2.4%	1.4%	(1.9)%
Machines/Other	0.1%	2.2%	0.8%	3.1%
Total	2.0%	2.4%	2.1%	(0.1)%

- Food sales continue to drive LFL growth
- Early 2013 trading (weeks 1-8) comprise one negative week and seven weeks at c. +1%

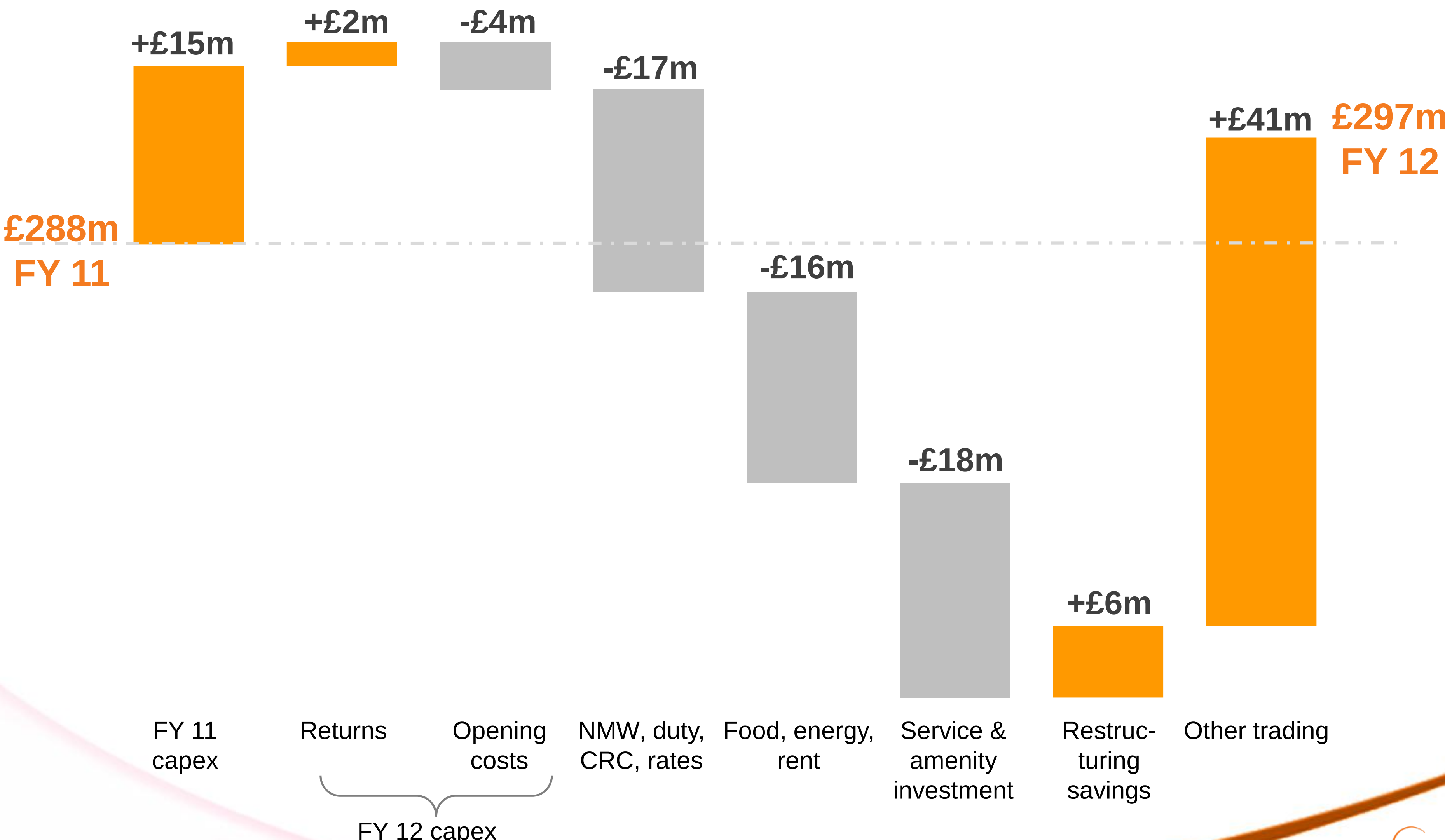
Drivers of LFL food and drink sales



Total LFL sales growth of 2.1%

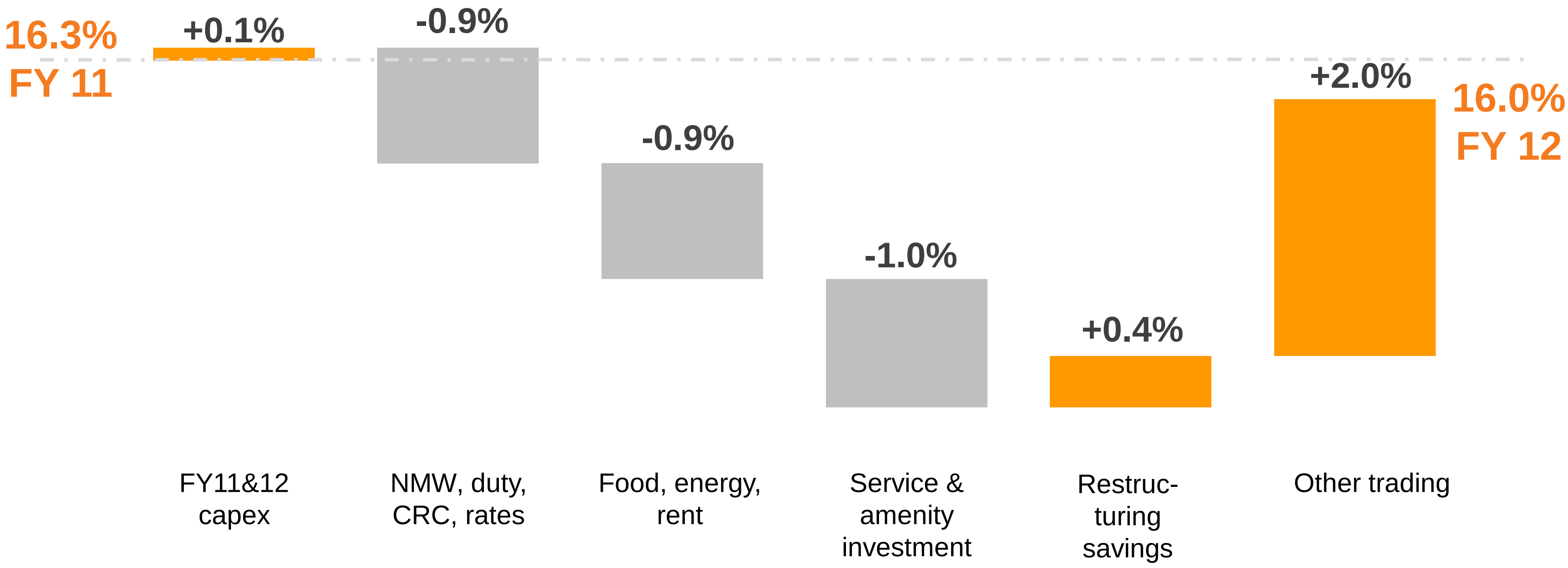
Note: 52 week basis

52 week EBIT movement



Note: Retained Estate

52 week net operating margin



- H1 impacted by greater inflationary pressures
- Recovery in H2 margins

Note: Retained Estate

Exceptional items

	FY 2012 £m	FY 2011 £m
Profit / loss on asset disposals	-	(4)
Pensions curtailment charge	-	(13)
Bid defence	(6)	-
Restructuring and reorganisation		
IT infrastructure	(7)	-
Support operations	(7)	-
Operating exceptionals	**(20)**	**(17)**
Property valuation & impairment	(35)	8
Other property impairment	(12)	(10)
Impairment of goodwill	(5)	
IAS19 pensions finance charge	(11)	(5)
	(83)	**(24)**
Tax credit	28	35
	(55)	**11**

Group cash flow

	FY 2012 £m	FY 2011 £m
EBITDA	415	404
Working capital / non cash items	(28)	(28)
Deficit pension contributions	(40)	(40)
Cash flow from operations	**347**	**336**
Maintenance & infrastructure capex	(92)	(90)
Net interest paid	(129)	(134)
Tax	(25)	(20)
Share capital	0	2
Free Cash Flow	**101**	**94**
Expansionary capex	(55)	(82)
Disposals	3	424
Cash exceptional items	(17)	0
Net Cash Flow	**32**	**436**

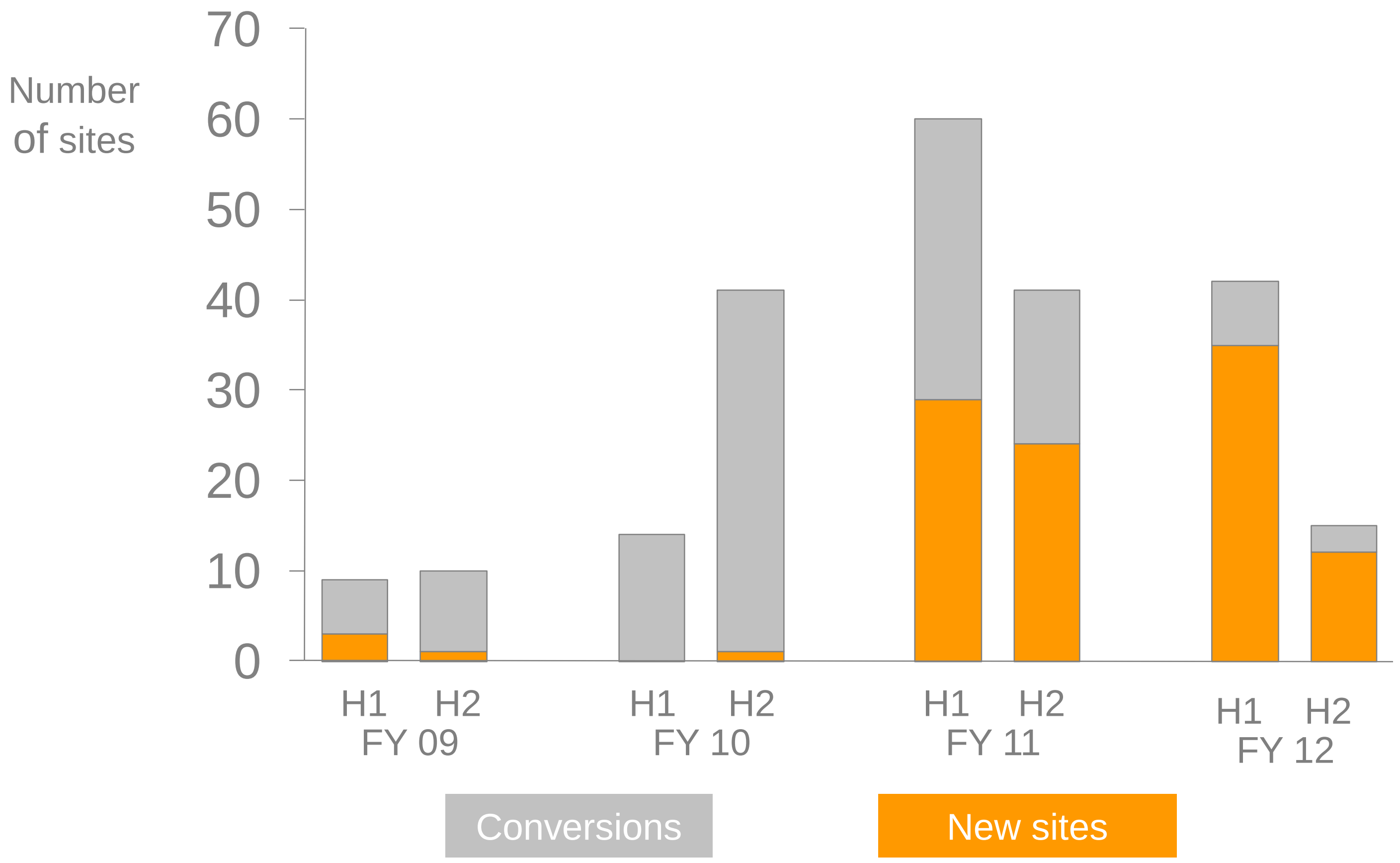
Note: 53 week basis

Group net debt

	Sep 12 £m	Sep 11 £m
Securitisation debt	(2,177)	(2,226)
Cash & other	135	137
Securitised net debt	**(2,042)**	**(2,089)**
Cash	201	219
Group net debt	**(1,841)**	**(1,870)**
Net Debt : EBITDA*	4.5x	4.7x

Note: Retained Estate, 52 weeks basis

Brand roll-out



- Leisure and Retail Park sites opened in FY12: 32 (FY11: 23; FY10: nil)

Brand roll-out returns

Overall EBITDA return of 17% on FY11 & FY12 investments

	Number opened in FY 12	Achieved EBITDA ROI%*
Freehold acquisitions	9	13%
Package lease acquisitions	9	14%
Single site lease acquisitions	29	25%
Conversions	10	16%

- Forward focus on single site leases (particularly Leisure and Retail Park) with strict criteria
- Freehold acquisitions to continue where viable
- Decline in conversions and packaged acquisitions

* EBITDA ROI is on FY11 and FY12 openings

Property

- Freehold and long leasehold properties valued annually
- Short leaseholds assessed for impairment
- No material movement in overall multiples (7.8 times EBITDA)
- Moderator for high value pubs retained (value > £3.5m)
- 20% of sites inspected p.a.

£m (pre tax)		FY 12	FY 11
Income statement	Revaluation	(35)	8
	Other impairment	(12)	(10)
Balance sheet	Revaluation reserve	10	73
		(37)	**71**

Closing thoughts

- Resilient financial performance
  - LFL sales +2.1%
  - EPS pre-exceptionals +6.4%
- EBIT margin recovery in H2 after investment in service and amenity
- Brand roll-out focused on returns
- Pension triennial review March 2013
- Dividends remain under review

Andrew Vaughan

Group Treasurer

Highlights

• Gross debt outstanding at year end	£2,184m
• EBITDA	£367m
• Free cashflow	£297m
• EBITDA DSCR	2.0x
• FCF DSCR	1.6x

Note: FY2012 is a 53 week year

Free Cash Flow

	£m
EBITDA	367
Tax	(28)
Required maintenance capital	(42)
Free cashflow	297
Interest	(133)
Principal repayment	(52)
Debt Service	(185)

1.6x

Securitisation Covenants

	FY 12		
	H1	H2	Year
Free Cashflow: Debt Service	1.6x	1.7x	1.6x
EBITDA: Debt Service	2.0x	2.1x	2.0x
Net Worth			£1. 51bn

Well within required covenants

Note: Default Covenants. FCF/Debt Service 1.1x, Net Worth of £0.5bn

Restricted Payment Test. FCF/Debt Service 1.3x, EBITDA/Debt Service 1.7x

Maintenance & Capital enhancement

Securitisation Estate

	£m	
Repairs*	45	129 (vs. required amount of £87m)
Maintenance	84	
Enhancement	5	
	134	

Substantial investment to maintain and enhance estate quality

*Charged through Profit & Loss account

Cashflow - uses

	£m
FCF	297
Debt Service	(185)
Maintenance Capital (over required amount)	(42)
Net Capital Enhancement Expenditure*	(3)
Excess Cash	67
Restricted Payments made	(84)
Restricted Payment Maximum decrease	(17)
Restricted Payment Maximum at start of year	41
Restricted Payment Maximum at end of year	24

*Net of cash released from disposal proceeds

Other Issues

- Standard & Poors Ratings
  - A Notes downgraded to A+ from AA-
  - Driven by downgrades of counterparty banks

- Margin Step-Up
  - Next relevant step-up date is September 2013 in respect of A4, AB, C2 and D1 Notes

MAB PLC vs. MAB Retail Limited

	PLC £m	Securitisation Estate £m
Number of pubs*	1,638	1,441
Turnover	1,889	1,631
EBITDA	415	367
EBIT	304	273

Difference driven by 197 pubs and head office infrastructure outside the Securitisation

*As at 29 September 2012

Market

- Eating out market still growing:
  - Guest still eating out but reduced frequency
  - Special occasion focus
  - Competition from supermarkets
- Continued pressure on disposable incomes:
  - Particularly lower income deciles
- Faultless execution a given:
  - Brands with right blend of amenity, service and value will survive

Results – key messages

- Resilient sales performance driven by:
  - Total 8.5% food sales growth
  - Brands in the middle to upper end of spend per head spectrum
- Robust operating performance in a challenging environment:
  - Continued inflationary and regulatory pressures
  - Essential investment in service and amenity
- Capital programme earning solid but inconsistent returns:
  - Expansion programme driven by returns not site targets

Investment in service and amenity

	£m	Lead indicator
Employment	(5)	• Guest satisfaction + 5ppts • Team engagement + 5ppts
Repairs	(9)	• Improved Food Hygiene Rating scores (80% ranked 4+)
Pub supplies	(4)	• Food quality scores + 5ppts • Drink quality scores + 4ppts
Reorganisation and IT	6	• £10m annualised saving • 90 central support roles removed
Total	(12)	

12 months ago

- No CEO
- No independent non-executives
- Small Board team
- Business in a holding pattern
- Structural, operational and cultural issues

A good business, not a great business

- Great brands, assets and people, but:
  - Guest was not the main focus
  - ‘Command and control’ culture
  - Lacking clear accountability and responsibility
  - Bureaucratic, managers drowning in administration
  - Acquisition programme focused on site numbers not quality
  - Drink sales not a key focus
  - Aging IT infrastructure
- 2 choices:
  - Business as usual
  - Address the issues
- Resilient operating performance despite significant change programme

Progress report

- Culture change underway
- Clear responsibility and accountability
- Flattened the organisation - £6m saved in FY 2012, £10m annualised
- ‘Head Office’ now ‘Retail Support Centre’ and new training academy opened
- Investment in service and amenity
- Managers empowered and engaged
- Ways of working trials rolling out
- Enhanced technology platform implemented
  - Wi-fi rolled out
  - Menu implementation improved
  - Platform for new till systems
- Acquisition programme based on quality not quantity
- CEO appointed & aligned Board

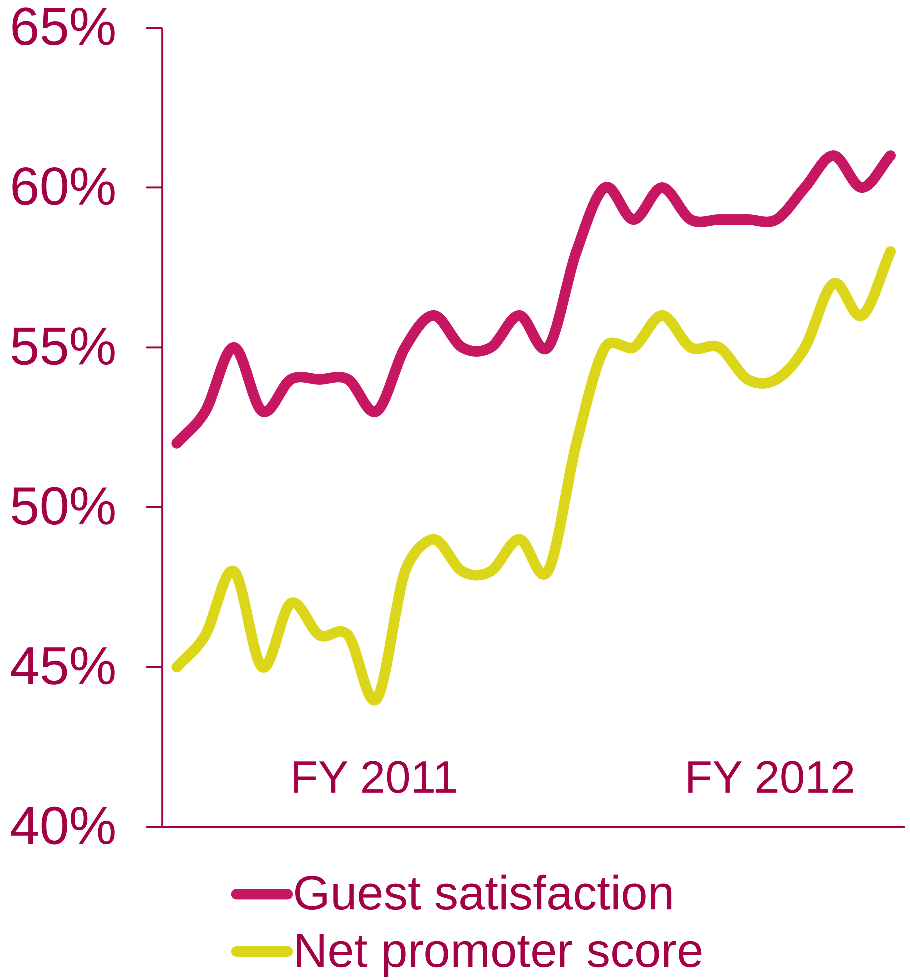
Impact on: our people

Overall engagement	2011	2012
General managers	76.4%	82.2%
Retail teams	74.4%	79.5%

- Improved engagement in retail teams and managers
- Reduced staff turnover
- Improved staff stability
- Ways of working empowers managers and teams

Impact on: our guests

- Increased front line labour and training
- Investment in amenity
- Improved:
  - Guest satisfaction
  - Guest recommendation



Note: guest satisfaction is % of guests that "strongly agree" that they were satisfied with their visit
Net promoter score is % of guests that are brand 'promoters' less % of guests that are brand 'detractors'

Impact on: our platform for growth

- Launched cloud-based data centre and improved networking
- Free wi-fi across the UK business
- Improved menu implementation speed
- 33m website visitors (up 33%)
- Email sign-up increased 38%, mobile and Facebook up 50%
- Achieved target of 1.5m online bookings this year, up >100%
- Technology platform now in place to support future growth

Positioning the business for long term growth

- Resilient operating performance
- Encouraging progress across the lead indicators
- Ways of working trials now in c 300 businesses
- Award-winning brand development
- Innovation in digital marketing and IT

- Appointment of independent Non-Executive Directors

Outlook for 2013

- Economic environment expected to remain challenging
- Like-for-like sales broadly flat in first 8 weeks
- Further inflationary & regulatory costs
- No special events in 2013
- A better summer?!

Priorities for the year ahead

- Expand ways of working trials
- Brand development
- Operational excellence: safe, efficient
- Proactive response to cost inflation (especially food)
- Maintain focus on returns on expansionary capex
- Successful execution of established strategy

PEOPLE LOVE TO EAT AND DRINK WITH US

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Q&A

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