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MITCHELLS & BUTLERS FINANCE PLC ANNOUNCES AGREEMENT OF CERTAIN AMENDMENTS AND WAIVERS IN RELATION TO ITS SECURED NOTE FINANCING

12 June 2020

Mitchells & Butlers Finance plc (the “**Issuer**”) as issuer in respect of the £200,000,000 Class A1N Secured Floating Rate Notes due 2030 (XS0267227212) (the “**Class A1N Notes**”), £550,000,000 Class A2 Secured 5.574 per cent. Notes due 2030 (XS0179133953) (the “**Class A2 Notes**”), the \$418,750,000 Class A3N Secured Floating Rate Notes due 2030 (XS0267229267) (the “**Class A3N Notes**”), the £170,000,000 Class A4 Secured Floating Rate Notes due 2030 (XS0267230943) (the “**Class A4 Notes**”), the £325,000,000 Class AB Secured Floating Rate Notes due 2033 (XS0267232485) (the “**Class AB Notes**”), the £350,000,000 Class B1 Secured 5.965 per cent. Notes due 2025 (XS0179135909) (the “**Class B1 Notes**”), the £350,000,000 Class B2 Secured 6.013 per cent. Notes due 2030 (XS0179137194) (the “**Class B2 Notes**”), the £200,000,000 Class C1 Secured 6.469 per cent. Notes due 2032 (XS0179137947) (the “**Class C1 Notes**”), the £50,000,000 Class C2 Secured Floating Rate Notes due 2034 (XS0267233020) (the “**Class C2 Notes**”) and the £110,000,000 Class D1 Secured Floating Rate Notes due 2036 (XS0267233889) (the “**Class D1 Notes**”) and together with the Class A1N Notes, the Class A2 Notes, the Class A3N Notes, the Class A4 Notes, the Class AB Notes, the Class B1 Notes, the Class B2 Notes, the Class C1 Notes and the Class C2 Notes, the “**Notes**”) confirms that it has agreed certain amendments and waivers in respect of its secured Note financing transaction.

As a result of the outbreak of COVID-19, the UK Government has taken various measures to stem the spread of the virus, including a requirement that all pubs, restaurants and bars, by law, close (the “**UK Government Measures**”). As a result of such UK Government Measures, entertainment and hospitality premises including pubs, restaurants and bars have been closed since 20 March 2020.

The UK Government Measures, particularly the closure of pubs, restaurants and bars, have had a significant impact on the Issuer and Mitchells & Butlers Retail Limited (the “**Borrower**”) as owner of the pubs, restaurants and bars which indirectly support the obligations of the Issuer under the Notes. The Issuer and the Borrower have therefore agreed a number of amendments and waivers with its controlling creditor, Ambac Assurance UK Limited (“**Ambac**”), and HSBC Trustee (C.I.) Limited as trustee and borrower security trustee (the “**Trustee**”) under the secured Note financing in order to prevent a number of breaches of certain provisions as a result of the enforced closure of the business as a result of the UK Government Measures. These amendments and waivers include:

- a temporary waiver of, and amendment to, the 30-day suspension of business provision, which suspension has arisen because of the enforced UK Government Measures during the COVID-19 pandemic;
- a waiver of the six month look-back debt service coverage ratio test up until July 2021 and a waiver of the 12 month look-back debt service coverage ratio test up until September 2021;
- a waiver of the requirement to appoint a financial adviser which would otherwise have arisen for the same period in respect of which full compliance with the debt service ratio test is waived;
- a reduction in the amount of the minimum amount required to be spent on capex by the Borrower during the remainder of this, and the next, financial year arising from the business having been temporarily suspended; and

- a waiver of the failure by the Borrower to pay in full the debt service which it is required to pay to the Issuer over the next three quarters, provided that such failure to pay results in the Issuer having to make drawings of no more than £100 million in total under its liquidity facility in order to meet payments of principal and interest on the Notes in respect of such quarters and provided further that any such drawings are repaid in full at the end of March 2021.

The Issuer has not sought or requested any changes to the scheduled payments of interest or quarterly repayments of principal due to holders of the Notes. It anticipates that a combination of cash reserves held within the Issuer, together with a drawdown of some of the Issuer's undrawn liquidity facility and equity injections from the wider Mitchells & Butlers group will enable the Issuer to meet its ongoing quarterly debt service obligations under the Notes throughout the period during which the waivers apply, and that the waivers will be sufficient to enable the Borrower to restart its business once the UK Government Measures allow it to do so.

To further ensure that liquidity is maximised within the Borrower, it has agreed not to make any distributions to the wider Mitchells & Butlers group until after September 2021 at the earliest. After September 2021, once its business has recovered such that the waivers no longer apply and it can once again meet the conditions to making distributions under its financing documents, it will be able to make such distributions in the manner which it could do so prior to the UK Government Measures being imposed.

In addition, the Borrower and the Issuer have given certain other undertakings including to register at the relevant land registry the mortgages which were created over its assets at inception of the financing, but which were not required to be registered unless its debt service coverage ratio falls to below a threshold level.

These various amendments and waivers can be terminated by Ambac and/or the Trustee including if the Borrower and/or Issuer were to breach any provision of the waiver letter entered into with Ambac and the Trustee, or by the Trustee alone if Ambac ceases to be a controlling creditor.

The need for the waivers or amendments agreed by the Issuer is entirely caused by, and a direct consequence of, the effects of the COVID-19 pandemic and the UK Government Measures. The Borrower's business continued to perform well prior to the COVID-19 shutdown and management are confident that it will do so again once the relevant restrictions are eased in due course.

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