



Mitchells  
& Butlers



# Full Year Results — 2015 —

Bob Ivell  
Chairman





Mitchells  
& Butlers



# Financial Review — 2015 —

Tim Jones  
Finance Director



# Income statement

(Pre-exceptional items)

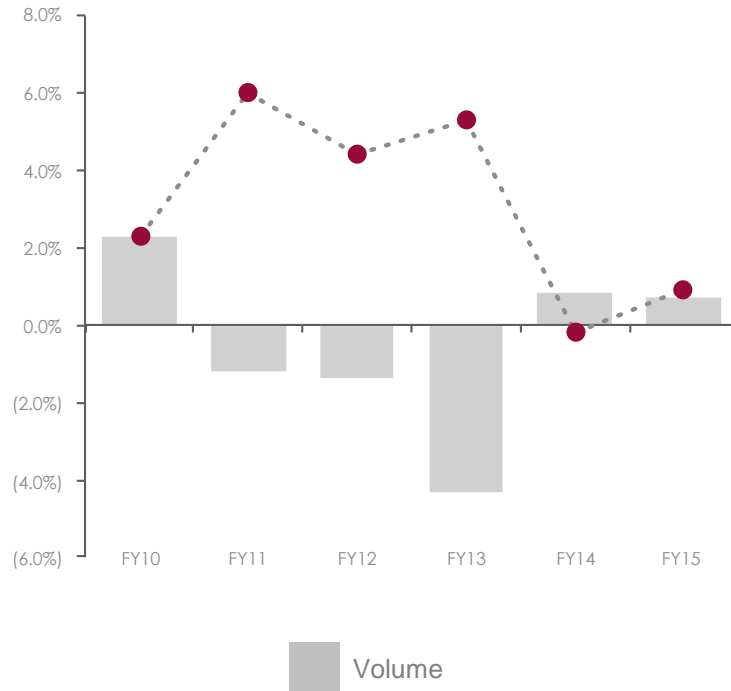
|                         | FY 2015<br>£m | FY 2014<br>£m |            |
|-------------------------|---------------|---------------|------------|
| Revenue                 | 2,101         | 1,970         | +6.6%      |
| Operating costs         | (1,773)       | (1,657)       |            |
| Operating profit        | 328           | 313           | +4.8%      |
| Interest                | (129)         | (131)         |            |
| Pensions finance charge | (15)          | (10)          |            |
| Profit before tax       | 184           | 172           | +7.0%      |
| Operating margin        | 15.6%         | 15.9%         | (0.3 ppts) |
| Earnings per share      | 35.7p         | 32.6p         | +9.5%      |

# Like-for-like sales growth

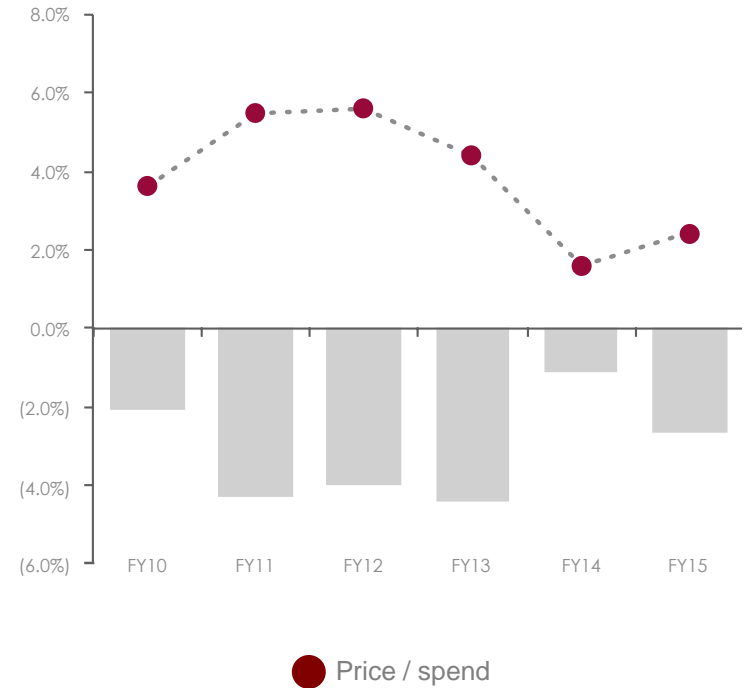
|              | Week 1 – 32<br>FY 2015 | Week 33 – 52<br>FY 2015 | Week 1 – 52<br>FY 2015 | Week 1 – 8<br>FY 2016 |
|--------------|------------------------|-------------------------|------------------------|-----------------------|
| Food         | 2.5%                   | 1.0%                    | 1.9%                   | (2.1%)                |
| Drink        | 0.3%                   | (1.4%)                  | (0.4%)                 | (1.2%)                |
| <b>Total</b> | <b>1.4%</b>            | <b>0.0%</b>             | <b>0.8%</b>            | <b>(1.6%)</b>         |

# Like-for-like volume and spend trends

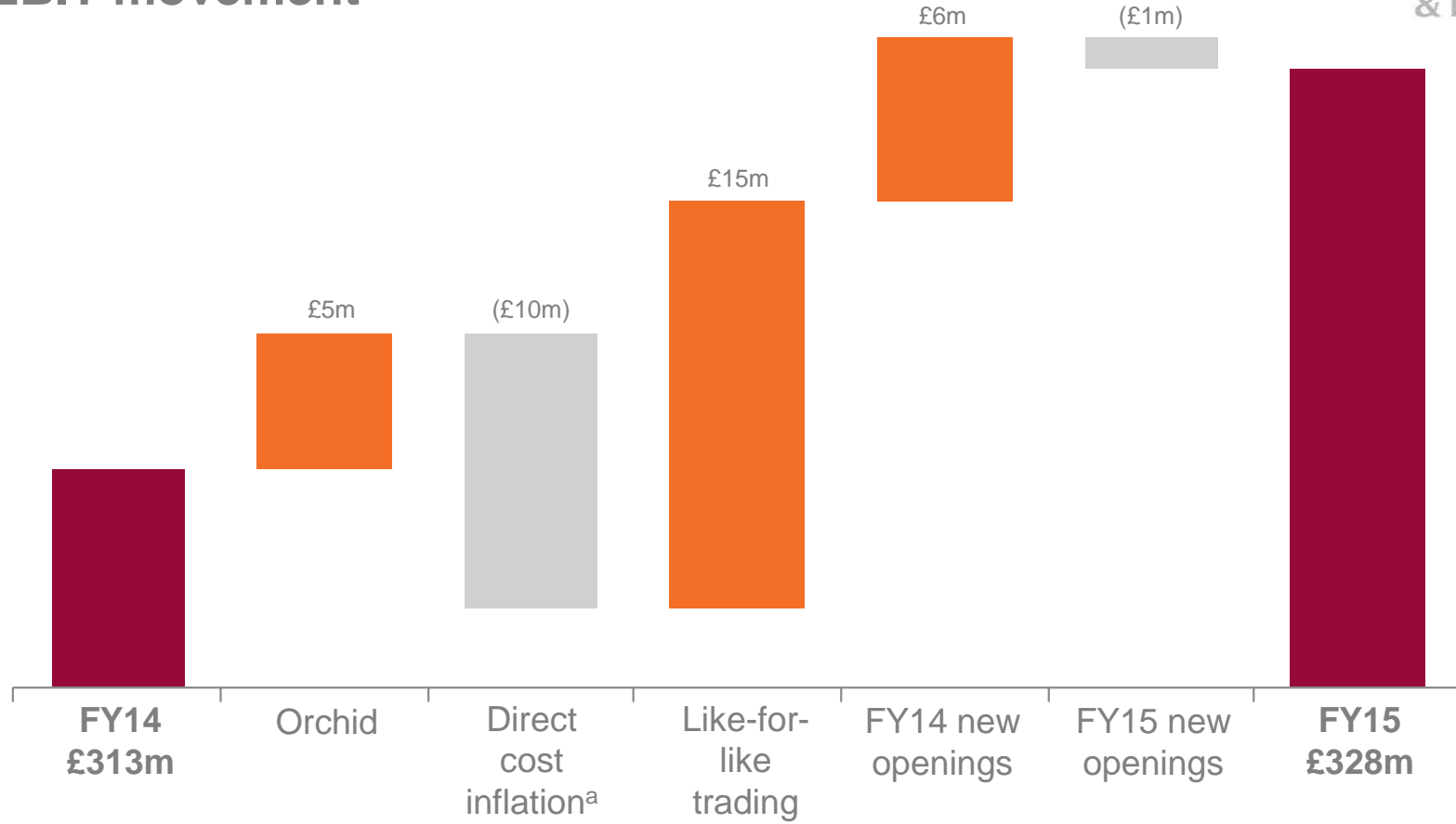
Food



Drink



# EBIT movement



**Note:** <sup>a</sup> Direct costs include wages and salaries, utilities and goods for resale

## Interest charge

|                             | FY 2015<br>£m | FY 2014<br>£m |
|-----------------------------|---------------|---------------|
| Finance costs               | (130)         | (132)         |
| Finance revenue             | 1             | 1             |
| Net pensions finance charge | (15)          | (10)          |
| <b>Total interest</b>       | <b>(144)</b>  | <b>(141)</b>  |

- Expected net pensions finance charge for FY 2016 is £12m

## Group cash flow

|  | FY 2015<br>£m  | FY 2014<br>£m  |
|--|----------------|----------------|
| EBITDA   | 439            | 422            |
| Working capital / non cash items               | 48             | 18             |
| Pension deficit contributions                  | (86)           | (49)           |
| <b>Cash flow from operations</b>               | <b>401</b>     | <b>391</b>     |
| Maintenance & infrastructure capex             | (116)          | (120)          |
| Net interest paid                              | (127)          | (135)          |
| Tax  | (25)           | (34)           |
| <b>Free cash flow before exceptional items</b> | <b>133</b>     | <b>102</b>     |
| Expansionary capex                             | (46)           | (42)           |
| Orchid acquisition and integration             | (1)            | (263)          |
| Other  | 3              | 4              |
| <b>Net cash flow</b>                           | <b>89</b>      | <b>(199)</b>   |
| Group net debt                                 | <b>(1,870)</b> | <b>(1,958)</b> |
| Net debt: EBITDA                               | <b>4.3x</b>    | <b>4.5x</b>    |



# Dividend

|  | FY 2015<br>£m | FY 2014<br>£m |
|--|---------------|---------------|
| Net cash flow                          | 89            | (199)         |
| Mandatory bond amortisation            | (61)          | (58)          |
| Add back: one-off pension contribution | 40            | -             |
| <b>Surplus cash</b>                    | <b>68</b>     | <b>(257)</b>  |

- Criteria set out in pensions agreement met
- Recommended 5 pence per share final dividend
- Represents 2/3 ongoing full-year payout
- Policy to be progressive

# Property

- Freehold and long leasehold properties valued annually
- 20% of sites inspected per annum
- Short leaseholds assessed for impairment
- Total value of £4.2bn (FY 2014 £4.2bn)

|                  |                     | FY 2015<br>£m | FY 2014<br>£m |
|------------------|---------------------|---------------|---------------|
| Income statement | Revaluation         | (54)          | (25)          |
|                  | Other impairment    | (11)          | (11)          |
| Balance sheet    | Revaluation reserve | 25            | 62            |
|                  |                     | <b>(40)</b>   | <b>26</b>     |

## Capital expenditure and returns

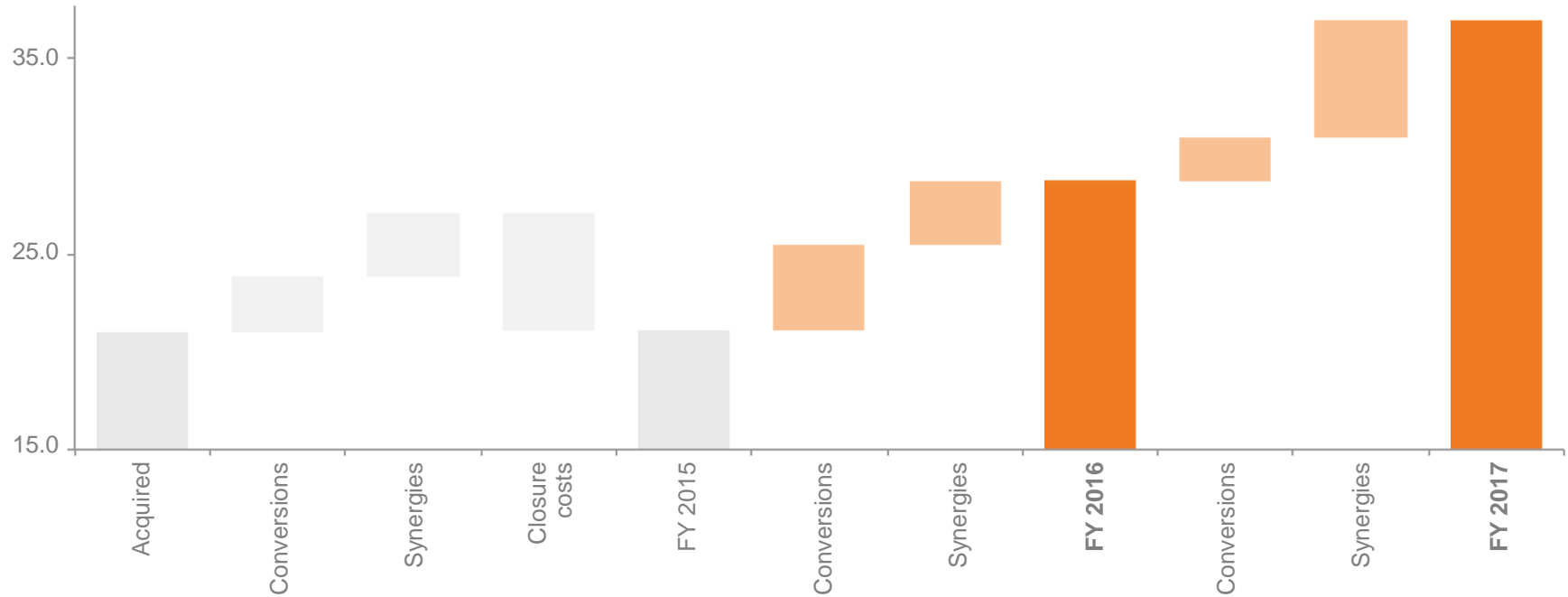
|                                  | FY 2015<br>£m | FY 2014<br>£m |
|----------------------------------|---------------|---------------|
| Maintenance and infrastructure   | 116           | 120           |
| Expansionary                     | 46            | 42            |
| <b>Total capital expenditure</b> | <b>162</b>    | <b>162</b>    |

- 14 new sites and 51 conversions completed in FY 2015
- FY 2016 guidance: increased maintenance capex through accelerated remodel spend, similar level of expansionary activity

|                        | FY 2015                 |              | FY 2012–2015<br>EBITDA ROI |
|------------------------|-------------------------|--------------|----------------------------|
|                        | Investment <sup>a</sup> | No. of sites |                            |
| Freehold acquisitions  | £10m                    | 4            | 14%                        |
| Leasehold acquisitions | £10m                    | 10           | 18%                        |
| Conversions            | £23m                    | 51           | 22%                        |
| <b>Total</b>           | <b>£43m</b>             | <b>65</b>    | <b>18%</b>                 |

**Note:** <sup>a</sup> Spend relating to new and converted sites completed in the current year

# Orchid



- 41 conversions completed
- Head office closed, support functions absorbed
- Increased EBIT contribution of £5m in FY 2015

**Note:** Annualised EBITDA excluding like-for-like sales growth

## Key messages

- Like-for-like sales growth of 0.8% following weak Q4
- Strong earnings growth of 9.5%
- Orchid integration on track
- Final dividend reinstated at 5 pence per share
- Like-for-like sales down 1.6% in the first eight weeks of FY 2016

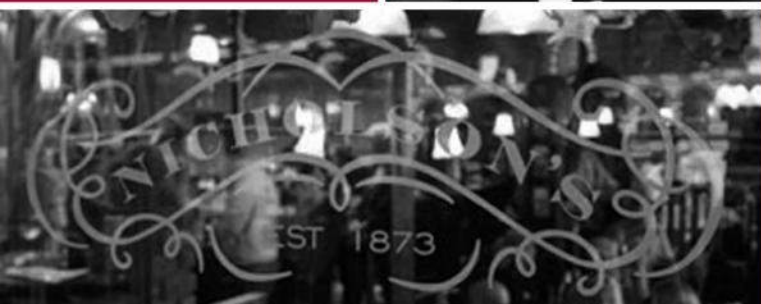


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# Business Review — 2015 —

Phil Urban  
Chief Executive



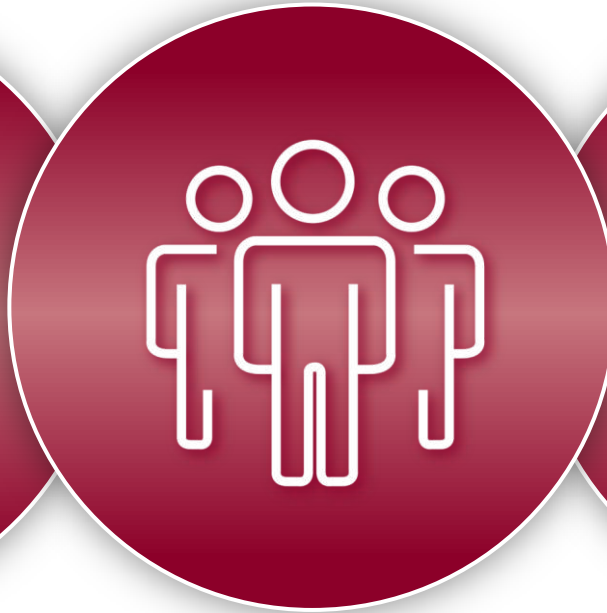
# Agenda

- Introduction
- External landscape
- M&B: my observations
- My priorities
- Summary

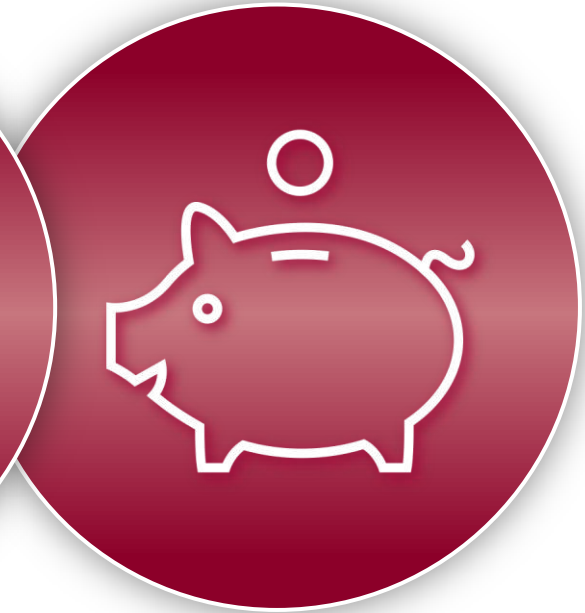
# External landscape



The market



Consumers



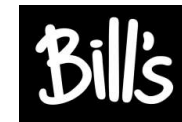
National living wage





The market

- Increasingly competitive market
  - Large number of new entrants
  - Good quality
  - Located on our doorstep
- Entrants will grow the market over time





Consumers

- Increasingly high demands
  - Value
  - Service
  - Availability
- Always connected





National living wage

- Significant impact on the industry
- Nobody can 'control' their way out of NLW
- Rounded and iterative approach required
  - Efficiency
  - Brand propositions
  - Price
  - Consumer opportunity



## M&B: my observations

- Giant of the industry
- Portfolio of best brands and locations
- Freehold asset backing
- Quality people



ALL·BAR·ONE



VINTAGE  
— I N N S —

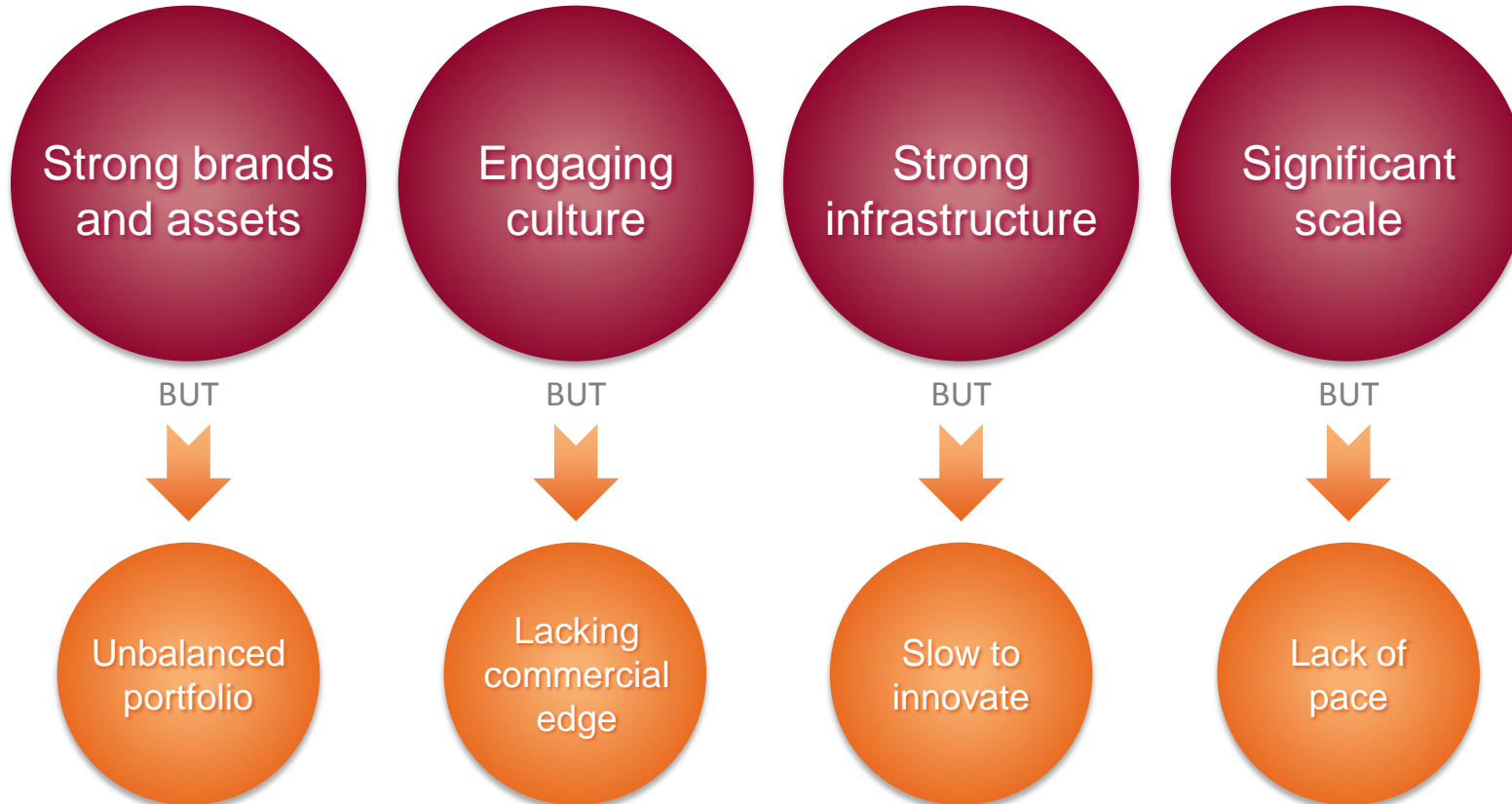


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PREMIUM  
Country  
PUBS

## So why have results not been stronger?







**How do we address  
these issues?**



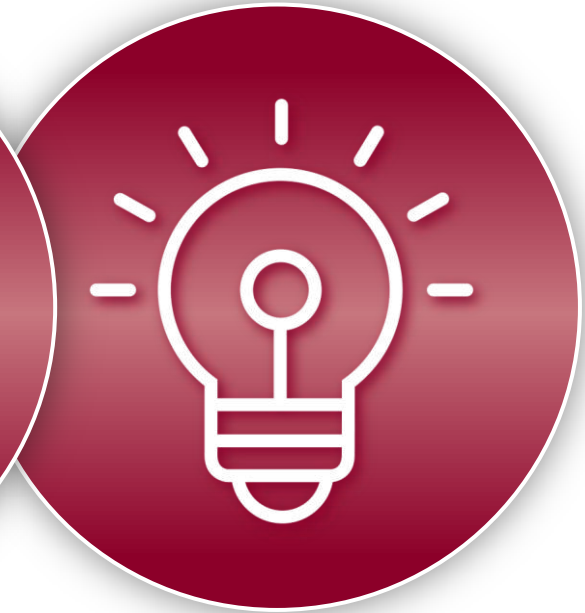
# My priorities



Build a more  
balanced business



Instil a more  
commercial culture



Increase the pace of  
execution and innovation



Build a more  
balanced business

- Clearly targeted brand propositions
- Balanced portfolio
- Right brand, right site







Instil a more  
commercial culture

- Results-orientated culture
- Focus on profitable sales
- Simplify to drive pace





Increase the pace of  
execution and innovation

- Upgrade digital innovation
- Encourage trials and NPD



**SIZZLING**  
PIZZA & CARVERY



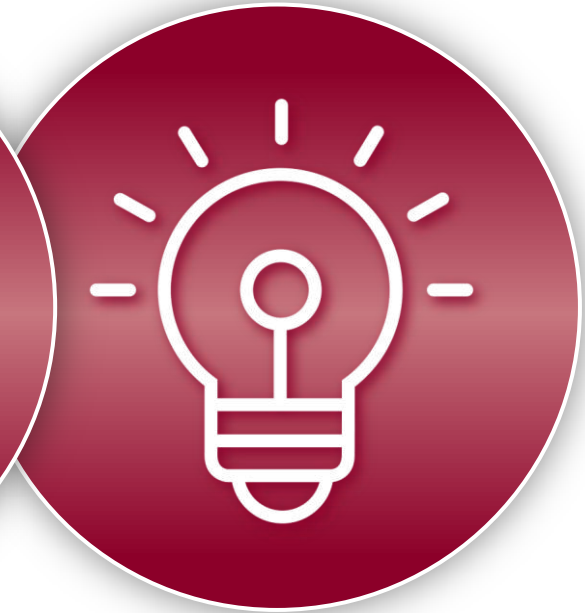
# My priorities



Build a more  
balanced business



Instil a more  
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Increase the pace of  
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**Questions**

