Tim Jones

Finance Director

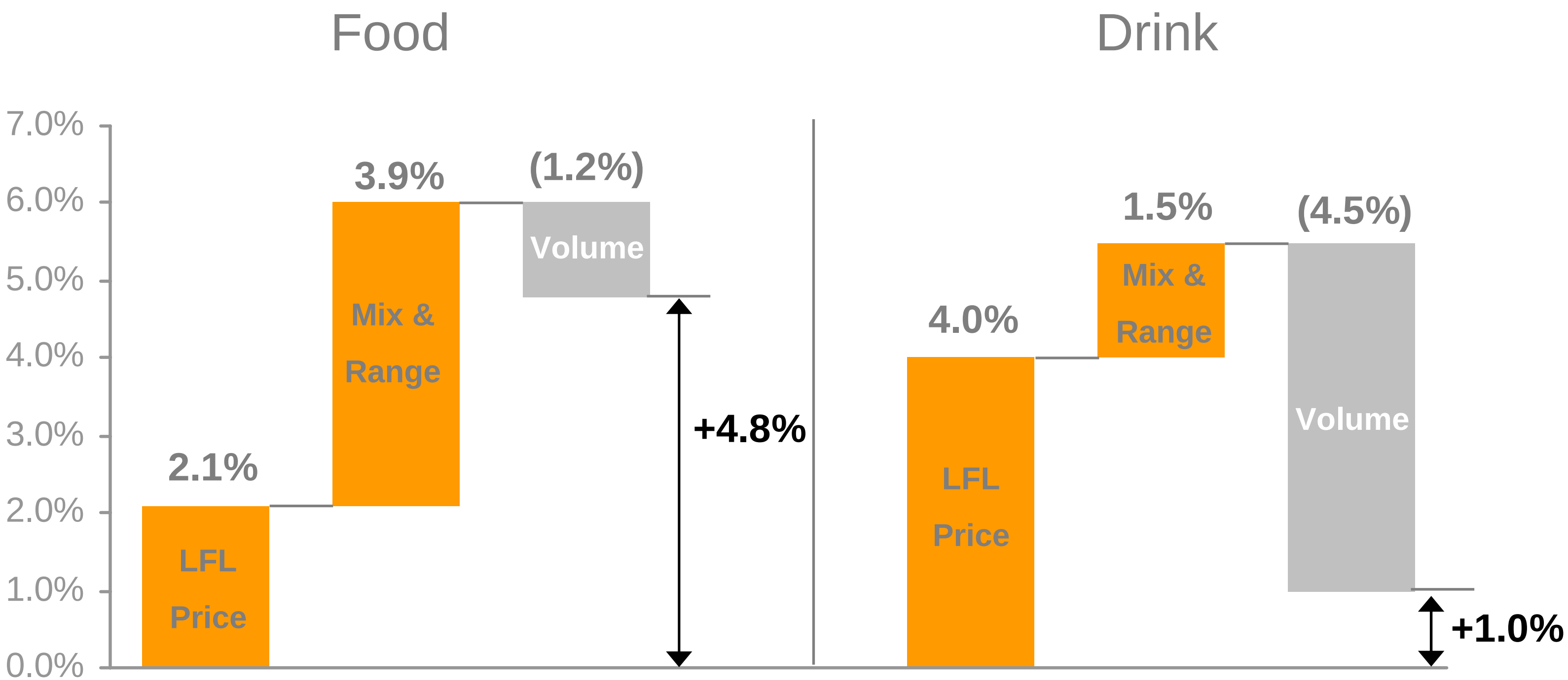
Bond Investor Update – 23 November 2011

Income statement

	FY 11 £m	FY 10 £m	
Retained Estate:			
Revenue	1,762	1,680	4.9%
Operating profit	288	285	1.1%
Other operations	6	37	
Total operating profit	294	322	(8.7%)
Interest	(138)	(153)	
PBT (pre exceptionals)	156	169	(7.7%)
EPS (pre exceptionals)	28.0p	29.7p	(5.7%)

Continued progress in Retained Estate

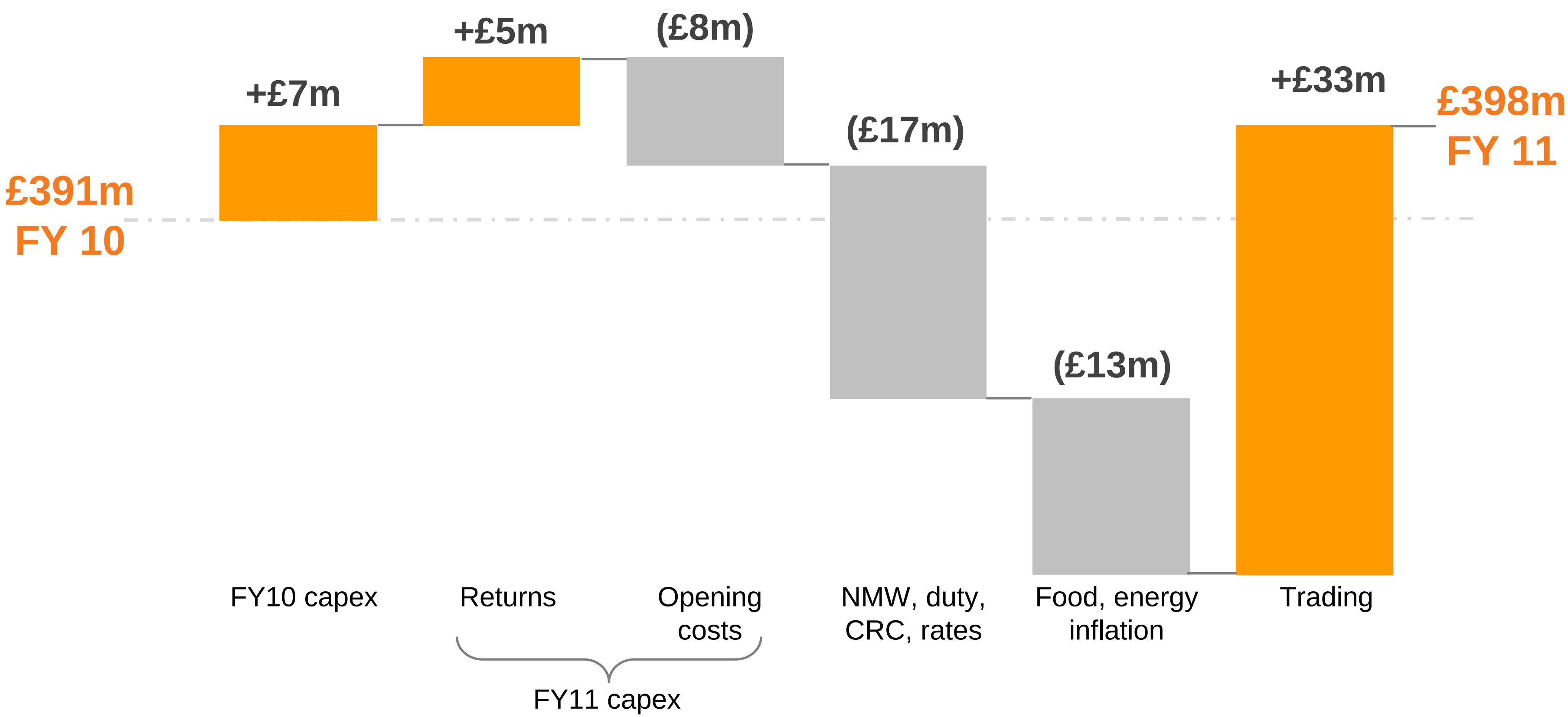
Drivers of LFL food and drink sales



Total LFL sales growth of 2.6%

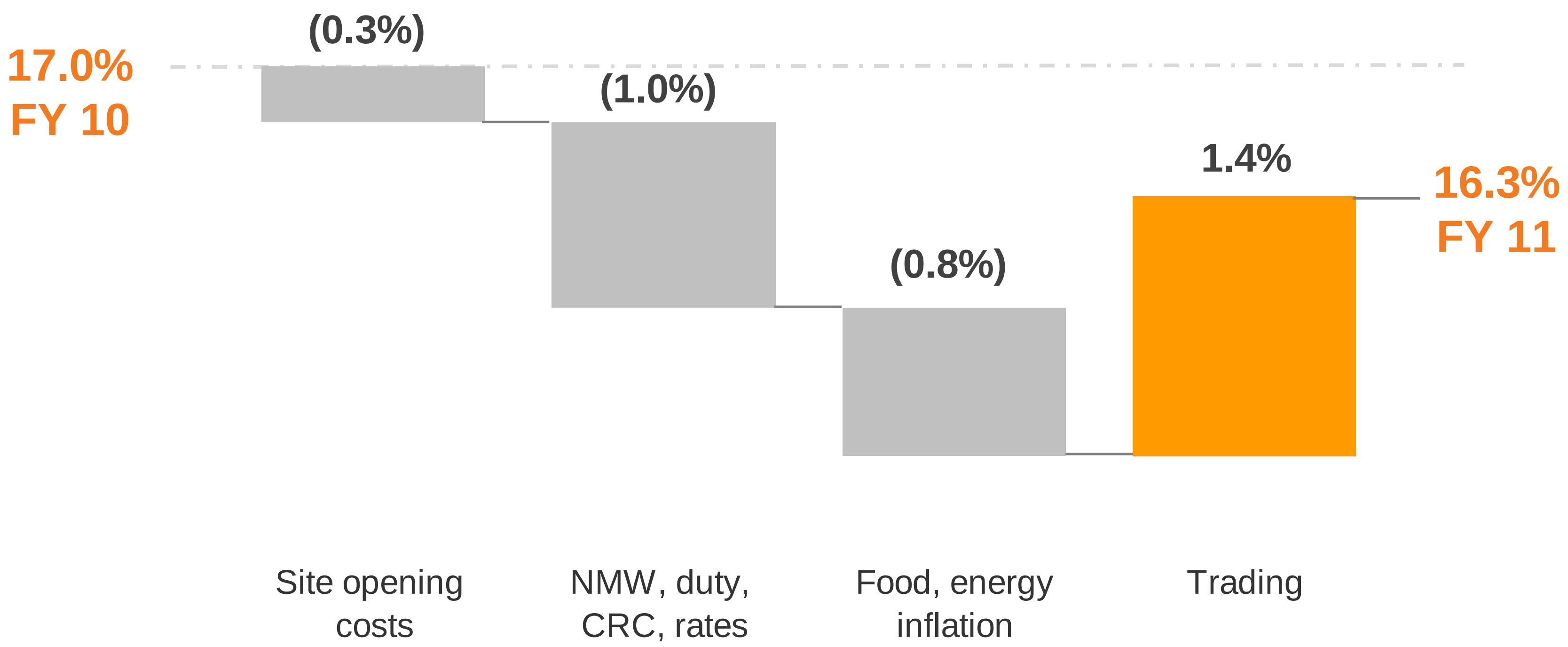
Mix & range improvements driving food sales

Retained Estate: EBITDA movement



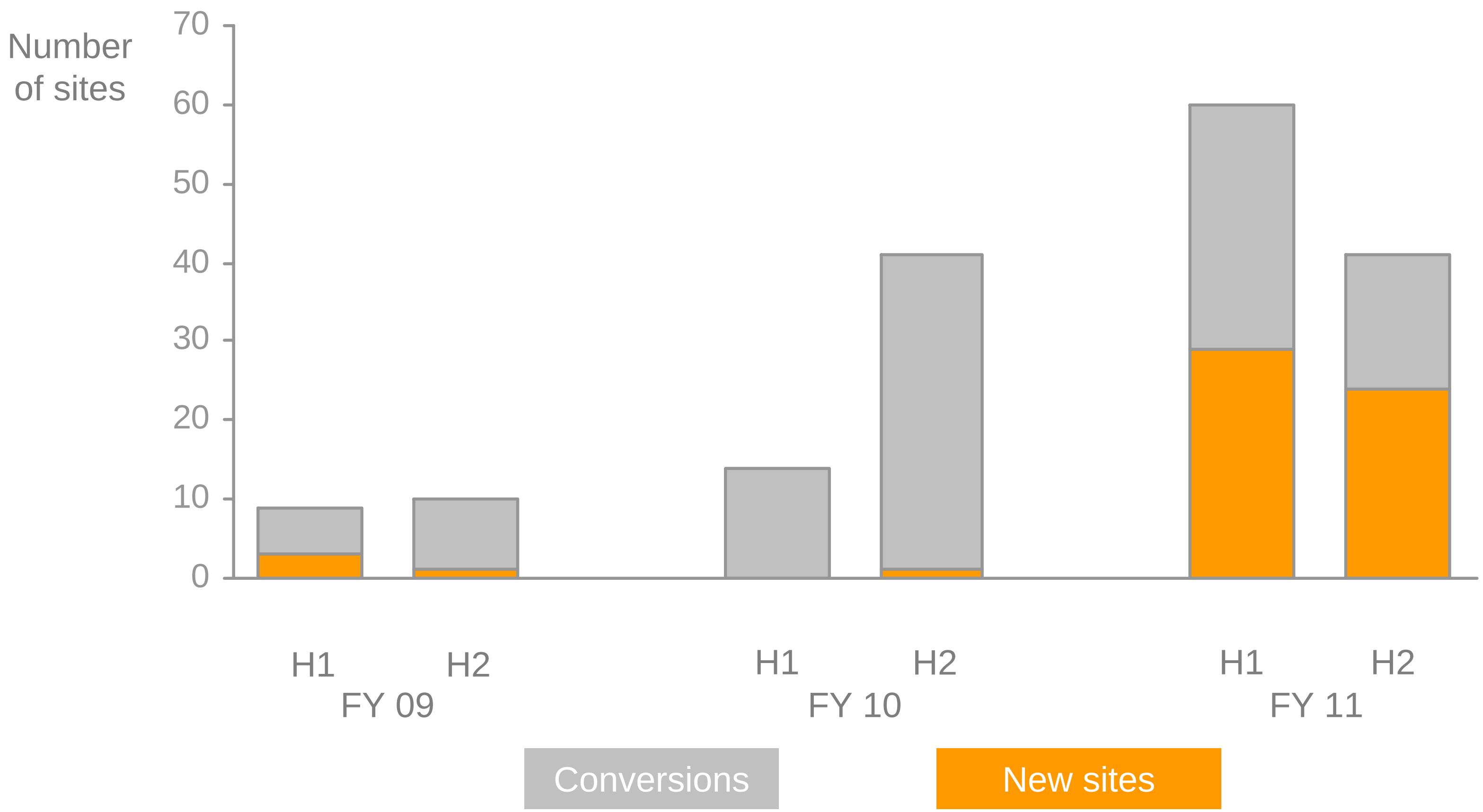
Trading & capex returns offset inflationary costs

Retained Estate: net operating margin



Cost headwinds impact on margin

Brand roll-out



Expansion increasingly focused on new sites

Note: Includes all acquisitions from FY09 onwards

Brand roll-out returns

- Overall EBITDA return of 21% on FY10 & FY11 investments
- Return by segment:

Freehold acquisitions	17%
Package lease acquisitions	15%
Single site lease acquisitions	>30%
Conversions	22%

- Principal new site expansions:
  - Harvester, All Bar One, Browns, Toby Carvery
- Strong pipeline of further opportunities

Strong pipeline with attractive returns

Property valuation

- Freehold and long leasehold sites valued annually
- Short leases assessed for impairment
- Increase of £71m, represents c. 2% of the £3.3bn estate value

£m (pre tax)		FY 11	FY 10
Income Statement:	Revaluations	8	(256)
	Impairment	(10)	(48)
Balance Sheet:	Revaluation reserve	73	69
		71	**(235)**

- Moderator retained for high value pubs (in excess of £3.5m)
- Average EBITDA multiple of 7.8 times (2010: 7.7 times)

Small increase in property valuation

Group cash flow

	FY 11 £m	FY 10 £m
EBITDA	404	449
Working capital / non cash items	(26)	49
Maintenance capex	(90)	(110)
Operating Cash Flow	**288**	**388**
Net interest paid	(134)	(147)
Tax	(20)	(8)
Deficit pension contributions	(40)	(32)
Free Cash Flow	**94**	**201**
Expansionary capex	(82)	(28)
Disposals	424	130
Net Cash Flow	**436**	**303**

Cash generation enhanced by disposal proceeds

Group net debt

	Sep 11 £m	Sep 10 £m
Securitisation debt	(2,226)	(2,274)
Cash & other	137	215
Securitised net debt	**(2,089)**	**(2,059)**
Cash / (unsecured net debt)	219	(243)
Group net debt	**(1,870)**	**(2,302)**
Net Debt : EBITDA*	4.7x	5.1x

Continuing reduction in net debt

* Sep 11 ratio calculated using EBITDA for the Retained Estate

Outlook

- 2.0% in first 8 weeks although 1% underlying run rate
- Margin pressures anticipated to remain:
  - Food and energy inflation
  - National Minimum Wage and duty increases
- Initiatives identified and being executed

- 53 week accounting year (to 29 September 2012)
- Exceptional items for reorganisation and bid defence

Progress in challenging macroeconomic outlook

Key messages

- Continued progress in challenging climate
- Net debt reduced to 4.7 times EBITDA after completion of disposals
- Strong pipeline of brand roll-out investment opportunities offering high returns
- Resumption of dividend remains under review pending sustainable cover by profits and cash

Well positioned to grow in FY 12

Mitchells & Butlers

Andrew Vaughan

Group Treasurer

Bond Investor Update – 23 November 2011

Highlights

Gross debt outstanding at year end	£2,235m
EBITDA	£355m
Free Cashflow	£275m
EBITDA DSCR	2.0x
FCF DSCR	1.5x

Free cash flow

	£m
EBITDA	355
Tax	(20)
Required maintenance capital	(60)
Free Cashflow	275
Interest	(130)
Principal repayment	(49)
Debt Service	(179)

1.5x

Mitchells & Butlers

Securitisation covenants

	FY 11		
	H1	H2	Year
Free Cashflow: Debt Service	1.5x	1.6x	1.5x
EBITDA: Debt Service	1.8x	2.2x	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

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Securitisation Estate

	£m	
Repairs*	34	113 (vs. required amount of £93m)
Maintenance	79	
Enhancement	20	(ex Permitted Acquisition for £462m)
	133	

Substantial investment to maintain and enhance estate quality

*Charged through Profit & Loss account

Cashflow - uses

	£m
FCF	275
Debt Service	(179)
Maintenance capital (over required amount)	(19)
Net capital enhancement expenditure*	3
Excess Cash	80
Restricted Payments made	(59)
Restricted Payment Maximum increase	21
Restricted Payment Maximum at start of year	20
Restricted Payment Maximum at end of year	41

*Net of cash released from disposal proceeds

Asset transfer

- Non-core asset sales of over £500m (2010)
- 182 unsecured pubs acquired for £462m (Feb 2011)
- Initial marginal EBITDA dilution (c4.5% pro-forma)
- Acquired pubs are large, well invested, food-led outlets with better growth prospects

Rating actions

- Fitch
  - A Notes and AB Notes downgraded to A+ from AAA and AA respectively
  - B Notes downgraded to A- from A
  - Application of revised WBS criteria including industry sector rating caps
- Standard & Poors
  - A Notes downgraded to AA- from AA
  - Application of revised counterparty criteria

Margin step-up

- A1N and A3N Notes margin increased from 0.18% to 0.45% (December 2010 NPD)
- Additional interest cost of c£1m per annum
- 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*	1,605	1,442
Turnover	1,796	1,533
EBITDA	404	355
EBIT	294	263

Difference driven by 163 pubs and head office infrastructure outside the Securitisation

*As at 24 September 2011

Introduction

- Business change agenda
- Business development
- Capital led expansion
- Current trading and outlook
- Summary

M&B is a good business:

our vision is to make it a great business

Key tasks

- Board recruitment:
  - Appoint CEO
  - Appoint high quality non-execs
- Drive forward existing strategy
- Business change agenda
  - Organisational change
  - Business development
  - Capital led expansion

Key tasks actively being implemented

Strong market position

- Some of the best sites in the industry
  - Best pubs from Bass, Allied and Whitbread
  - c.90% freehold or long leasehold
  - Southern bias with 44% in London & South East
- High sales and profitability per site
  - AWT of £22k v. £18k for key competitors
  - Profit of £180k v. £120k for key competitors
  - Profits up 4% per pub p.a. in last 4 years
- Best portfolio of brands with growth potential
- High quality staff with strength in depth

Well positioned with great assets

Driving changes through business

Objectives

Effectiveness

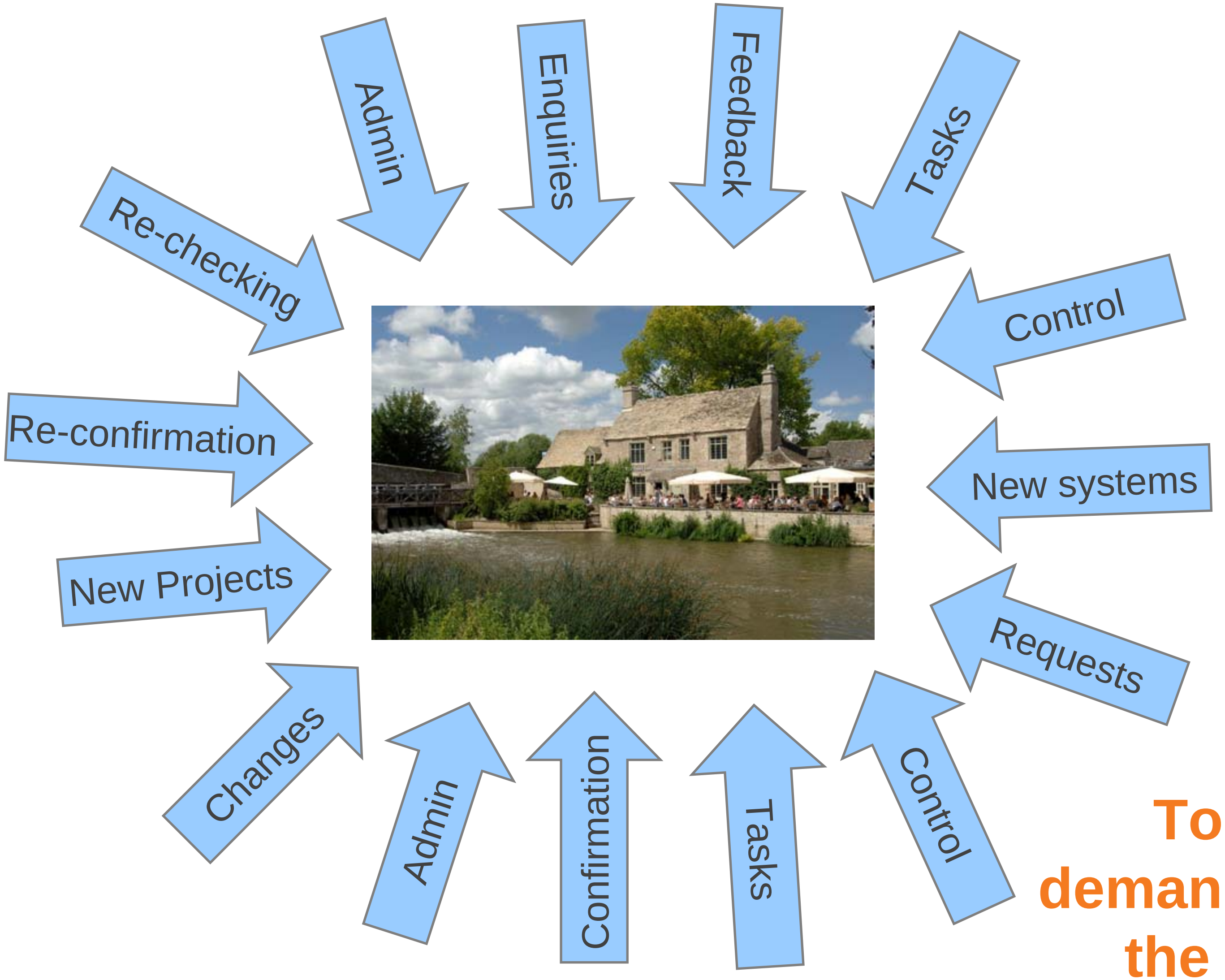
- Simplify the organisation
- Clear responsibilities and accountable
- Improve pace of decision making
- Proactive response to changing environment

Efficiency

- Reduce overhead cost

Ensuring M&B has a high performance culture

Developing a better business



Too many demands clog the system

Action plan

Appointed

- Operations Director: Robin Young
- Business Development Director: Kevin Todd

Started

- New operating structure
- Consultation period to be initiated
- Trials for new working practices

To be announced

- Brand Operating Directors appointments
- Further operational practice improvements

Reorganisation will drive improved performance

Business developments

- Technology
  - IT infrastructure
  - Till system
  - Wi-Fi
  - Food product information database

- Food development

Continuing brand improvements

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Capital led development

- "Doing things better for less"
  - Maintenance
  - Capital projects
- Good pipeline in attractive areas
- More single site freehold acquisitions
- More high return retail & leisure park sites

Building on successful experience

Harvester

Xscape Milton Keynes

£30k AWT

Harvester

Merthyr Tydfil: £40k AWT

Premium Country Dining

The Green House

Sutton Coldfield

£51k AWT

Miller & Carter

Albert dock: £28k AWT

Mitchells & Butlers

Browns

Bluewater: £46k AWT

Vintage Inns

Trent Lock Nottingham: £23k AWT

Toby Carvery

Toby Carvery Basildon: £39k AWT

Current trading and outlook

- Last 8 weeks trading: like-for-like sales 2.0%
  - good first week
  - underlying resilience
- Challenging consumer environment will continue
  - Inflationary cost headwinds
  - Customers being more selective

Challenging environment but continuing sales growth

Summary

- Strong underlying business
- Strategy continues
- Organisational change program will drive benefits
- Initiatives being implemented to generate further growth
- Confidence in the business potential

Strong business; well positioned to grow

Questions & Answers

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